

# Determinants of perception towards private label brands in Zimbabwe: The role of product category

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## Abstract

A survey was conducted to quantify the effect of product category on private label brand perception. From 43 respondents, the perceived value, risk and quality for rice and tissue were scored. It was hypothesized that consumers may have a higher perception of basic commodities that do not require further processing after purchase. Data was analyzed using the one-way Analysis of Variance. It was found that product category significantly affects private label brand perception. The score for mean risk perception of rice was 3.63 and for tissue it was 2.88, the difference was significant ( $p=0.033$ ). For quality perception the score was higher for tissue (4.42) and lower for rice (3.80). While the observation for quality was not significant at  $p<0.05$  it was significant at  $p=0.096$ . For value perception though the difference was not significant ( $p=0.218$ ) consumers had a higher perception for tissue (4.72) compared to rice (4.33). It was concluded that consumers have a higher perception for private label brand products that require further processing and a lower perception for those that do not require additional processing. This means that retailers cannot use the same marketing strategy even for basic commodities. For categories requiring further processing they need to embark on more aggressive marketing strategies such as the distribution of free samples and the use of in-store tastes.

**Keywords** Private Label, Brand, Product Category, Perception

## 1.0 Introduction

In developed countries, it is evident that the presence of private label brands particularly in the grocery sector has challenged national brands (DeVecchio, 2001; Chimhundu, 2011). For instance in the USA, private label brands account for 66% of all milk sales. For these countries, the successful position of private label brand sales has been in part, obtained through efforts by retail managers to overcome the skepticism surrounding the quality of private label brands. This is present among most consumers especially when private label brands first enter the market (DeVecchio, 2001; Walker, 2006; Beneke, 2009).

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The growth of private label brands has been driven by product innovation and quality improvements (Beneke, 2009), packaging improvements, advertising and/or promotion effectiveness and retail support (DelVecchio, 2001) and the benefits retailers have realised from private label brands are increased profitability through cost saving. The benefits also include increased margins, increased store loyalty and creation of a distinct corporate identity (Ferne *et al.*, 2003). Research results show that the gross margin realised from private label brands can be 25–50% higher compared to manufacturer brands (Keller, 1993; Semeijn *et al.*, 2004).

Despite the growth in the private label brand industry and success in overcoming skepticism among many consumers some research results have shown that this has not been uniform. There are some product categories in which private label brands have been successful and other categories in which they have been relatively unsuccessful (DelVecchio, 2001, SIRIG, 2012). These observations underscore the need for retailers to consider private label brand portfolio on a category basis to identify opportunities for growth. It is on this premise that in regions such as Southern Africa where the private label brand industry is still young and developing (Beneke, 2009) retailers need information on how product category affects perception of private label brands.

### **1.2 Product Category and Private label Brand Perception**

Product category is a factor that has been shown by some authors to play a significant role in the acceptance of private label brands. Morgenson (1991) and DelVecchio (2001) report that in the USA while private label brand sales have accounted for 66% of all milk sales, deodorant sales have accounted for only 1% and frozen dinner sales for 1.3%. It has been illustrated that private label brand success is determined by category as follows: product complexity, inter-purchase time, publicness and use (DelVecchio, 2001). For instance Richardson *et al* (1996) explain that the more complex the manufacturing process of a product is the less likely private label brands are to be perceived positively. This is because when complex manufacturing processes are required consumers will tend to go for national brands which have a proven track record of performance. Supporting evidence for this is provided by (DelVecchio, 2001) who found that the scores of private label brand quality perceptions for toothpaste, jeans and cameras were 3.63, 3.58 and 2.98 respectively. Similarly Gonzalez-Benito and Martos-Partal (2012) found that among grocery items the perception for private label brand food products was lower than for household products and personal care items. Their findings strongly suggest that consumers are willing to take less risk with products that they ingest and are more important in terms of satisfaction.

For basic commodities a complex product is more likely to be one which requires further processing by the consumer to be functional (dishwashing liquid, carpet cleaner, rice/ or any food item which has to be cooked) and a less complex product is one which doesn't require further processing by the end user, in other words what you see is what you get (cotton, toilet paper and mutton cloth). In this regard, for basic commodities consumers may be willing to take less risk with products that require processing for functionality and tend to go for national brands. It is important for retailers to understand risk perceptions based on requirements for further processing. There is scarcity of information on this subject for the Southern Africa retail market (Beneke, 2009). The purpose of this research is to compare private label brand perception of a basic commodity that requires further processing before

consumption and utilization to that of one which does not require further processing. Understanding the behaviour pattern of grocery items is very important since they account for the largest share of sales volumes of the private label brands industry (DeVecchio, 2001)

The study was guided by the following hypothesis.

H<sub>1</sub>: Among basic grocery items the perceived risk is lower for private label brands that do not require further processing

H<sub>2</sub>: Among basic grocery items the perceived quality and value is higher for private label brands that do not require further processing.

## 2. Methodology

A survey questionnaire was designed to collect data that would quantify the structural relationship between perception of private label brands and product category. The questionnaire was also used to collect data for a wider study on private label brand perception. The 1<sup>st</sup> part of the questionnaire collected demographic information and information on consumer characteristics. The second part of the questionnaire collected information on perceptions of private label brands. The selected products used for comparison were rice (a product that requires further processing) and tissue (a product that does not require further processing). The products were selected because they are widely available as private label brands in the emerging markets that characterize Zimbabwe, in addition, these are basic commodities and thus are frequently purchased by most households. To control for variability that could be caused by store image, respondents were specifically asked to give their perception of basic commodities from TM supermarket which are known as "TM Super Saver Rice" and "TM Super Saver Tissue." TM is a local retail chain and private label brands for TM supermarkets are manufactured or packaged locally. The questionnaire was pre-tested prior to implementation of the main survey. The data for the main survey was collected by intercepting customers as they exited from TM supermarkets in Harare and Bulawayo, data reported is from 43 questionnaires that were completed accurately.

Measures of the private label brand perceptual variables being tested were taken via seven-point, multi-item scales with items anchored by completely disagree and completely agree. For the variables measured, the scale items in Table 1 were used, (R) indicates that the item was reverse-coded. Reliability of scale items was tested and Cronbach's Alpha proved to be greater than 0.7 for all factors. Items for private label brand perception were based on a scale used by (Van Riel *et al.*, 2001 and Semeijn *et al.*, 2004).

**Table 1 Scale items for the variables tested**

Factor	Items measured
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Private Label Brand (PLB) Perception	<ul style="list-style-type: none"> <li>• The overall quality of private label brands is low (R)</li> <li>• I am highly likely to purchase a private label brand</li> <li>• Considering the cost of tissue (rice) for me to purchase PLB would be very risky</li> </ul>
PLB risk perception	<ul style="list-style-type: none"> <li>• The purchase of PLB tissue (rice) is risky because the quality of PLB is inferior (R)</li> <li>• I would definitely not purchase PLB tissue (rice) because I am likely not to realize proper functionality of the product (R)</li> </ul>
PLB quality perception	<ul style="list-style-type: none"> <li>• With respect to tissue (rice) PLB are inferior to national brands (R)</li> </ul>
PLB value perception	<ul style="list-style-type: none"> <li>• PLB of tissue (rice) are similar in quality to national brands</li> <li>• PLB of tissue (rice) appear to be a bargain</li> <li>• For tissue (rice) the higher the price for a brand, the higher the quality. (R)</li> <li>• For tissue (rice) it is true that you get the quality that you paid for. (R)</li> </ul>

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## 2.5 Analysis

Data was analyzed using one-way analysis of variance (ANOVA) and the factor was product category (1=process product rice, 2=unprocessed product tissue). The level of significance used was ( $p=0.05$ ). To validate the normality assumption on residuals the histogram was used.

## 3. Results and discussion

### 3.1 Description of population.

The mean age of the respondents was 28.5 years; range was 19-57 years. Concerning the gender of respondents, 66 % were female and 34% were male. The mean monthly income was \$599, with a range from less than \$200 -\$3000.

### 3.2 Private Label Brand Perception

It was found that product category significantly ( $p=0.033$ ) affected risk perception for private label brands. The mean risk perception for rice was 3.66 which is 26.01% higher than the mean risk perception for tissue. For quality perception the mean for rice and tissue were 3.80 and 4.42 respectively that is the quality perception of rice was 14% lower than that of tissue. This observation was not significant at  $p<0.05$ , however it was significant at  $p<0.10$ . There was no significant difference for perceived value ( $p=0.218$ ). However in line with perceived quality the perceived value was lower for rice (4.33) than tissue (4.72) (see Table 1). It is highly likely that consumers' may be reluctant to purchase private label brand rice because cooking/processing it may result in an undesirable outcome (in lumps or grains that fail to separate) or the taste may not be desirable. For tissue and paper products the risk perception maybe perceived to be lower because the quality variance within a given grade is low. The findings resonate with those of Narasimhan & Wilcox (1998) who state that consumers have a preference for national brands compared to private label brands if the risk seems high, thus the risk perception relates to private label brand success.

**Table 1:** Private Label Brand Perception for TM Super Saver Rice and Tissue in Zimbabwe.

Product Category	Mean Score		
	Perceived Risk	Perceived Quality	Perceived Value
Rice	3.63	3.80	4.33
Tissue	2.88	4.42	4.72
P Value	0.033*	0.096	0.218

In another similar study Ailawadi et al. (2008) found that there was a higher risk perception and lower sales volumes for private label brand products such as desserts and beauty products compared to household paper products. They recommended that for private label brand products which consumers are reluctant to purchase, retailers should infuse the products with emotion and imagery to encourage use (e.g. use of a local celebrity utilizing a product in an advert). Nyengerai et al (2013) reported that familiarity and store image have a strong positive relationship with private label brand perception. In their study they recommended that product familiarity be boosted or increased by use of in store tastes and distribution of free samples. In this way the reluctance to purchase will be reduced.

## 6. Conclusion and recommendation

The hypothesis that product category affects private label brand perception and thus market penetration for basic commodities was accepted. For tissue and paper products the risk perception maybe perceived to be lower because the quality variance within a given grade is low while in rice the quality variance is relatively higher and some brands are known to cook better than others. Retailers must use different marketing strategies for the product categories. In categories where products face higher levels of reluctance from consumers retailers should embark on more aggressive marketing strategies such as the distribution of free samples, use of in-store tastes and the use of emotions in advertising.

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