RELATIONSHIP OF IN-STORE BRANDS AND CONSUMER LOYALTY:
EXPLORING OPPORTUNITIES AND CHALLENGES FOR INDIAN RETAILERS

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Abstract

In Store Brands has become a tactical feature of the grocery retail industry. It is considered fairly that In Store Brands play a main role in creating consumer loyalty, but it is yet not been completely recognized. The intention of this paper is to establish relationship between ‘In Store Brands’ and Consumer loyalty while exploring opportunities and challenges for Indian retailers. In this paper, correlation simple and multiple regressions were carried out. The results confirm that an increase in ‘In Store Brands’ satisfaction influences consumer store loyalty towards a particular store and that particular attitude toward ‘In Store Brand’ products has a positive effect on the relationships between ‘In Store Brands’ loyalty leading to satisfaction. They also illustrate that this moderating effect is greater for an identifiable retail grocery store than for an unidentifiable retail grocery store. Further, research probes the relationship among the customer and diverse types of ‘In Store Brands’. It also assesses this relationship by focusing upon the influence of various product categories and working in other emotional variables like attachment, trust or price sensitivity, plus behavioral data. These findings emphasize the value of ‘In Store Brands’ and the consumer loyalty-building ability of their own brands, by distinctively addressing whether or not these are clearly acknowledged as brands of a store. This paper analyses the influence of ‘In Store Brands’ on store loyalty with three classic dimensions of Brand management (satisfaction, loyalty, and attitude). Not only this, but Exploring Opportunities and Challenges for Indian Retailers in another dimension which were covered in this paper.

Keywords: Retailing, Brand management, Brands, Customer satisfaction, Customer loyalty, consumer behavior

1. Introduction

The significance of retail brands or retail store brands has greatly increased over the past two decades and played role in changing several purchase and consumption behaviors, particularly in grocery retail stores. The concept of retail brands characterizes brands created, supervised and sold exclusively by a store. In India, they currently constitute approximate 6% of market share, and compete in numerous product categories with key national and international manufacturers’ brands. It is a very common in United Kingdom where it contributes to approximately 50%. Their performance has changed manufacturer - retailer relationships by increasing the bargaining power of retailers. Retail brands also play a major role in increasing stores’ profitability. From their creation onwards these products have been usually positioned to meet the price expectations of consumers. But during the past few years, a lot of them have also offered more innovative, qualitative and segmented product ranges that are near to those of
manufacturer’s brands. Various studies indicate that there are now consumer segments which are very favorable to in-store retail brands (Livesay and Lennon, 1978; Baltas and Doyle, 1999; Mieres et al., 2006). Consumer loyalty in the framework of retailing is a complex issue. It is multi-tier with no tier having more importance than the other, that is, brand loyalty on one side and store loyalty on the other. The complex connection between brand and store and its effects on loyalty behaviors is a significant and ever-growing subject matter. It seems even more blurred when it concerns a retail brand that claims the position of brand while also transporting the store’s name.

Similarly, the quality of products is an important aspect affecting a brand’s performance and the growth in the qualitative value of retail brands is noticed. It is considered as a vehicle for developing consumer loyalty, even though its impact, in terms of consumer satisfaction, has not been studied. Today, even the concepts of satisfaction and loyalty are measures undeniably related to a company’s performance, a store’s and a brand’s. These two measures operate unquestionably at the corporate organizational level, through improved management of claims and warranties, building up productivity, corporate image and positive word of mouth. Several studies have shown that consumers’ preference to regularly bought retail brands depends on a variety of different levels.

In this paper, two precise issues are given particular attention:

1. As it provides satisfaction and builds loyalty, are the retail brands favorable to increasing consumer loyalty to the store?
2. Is a favorable approach toward retail brands conducive to making consumers more loyal to a retail brand when they are pleased with it?

Most of the earlier studies have considered customers’ loyalty to be a key concept allied with many others including commitment, satisfaction, identification, trust and the relationship with the brand. These researches have resulted in a more self-protective marketing orientation. Often viewed as a model change, this new approach depends upon the explicit intent to hold on to existing customers. Based on the principle that it is always cheaper to retain one’s customers than to capture new ones, and that consumer profitability over time is based on consumer loyalty, the process should lead to an overall enhancement of the value of relationships with customers. It is also a method of retaining the market share in a competitive environment. Recently, this relationship marketing is contended to be significant in many sectors (Dawkins and Reichheld, 1990), and more exclusively in services and distribution sectors (Berry and Gresham, 1986). As it is, retail stores have experienced frequent multi-loyalty and diversity seeking behaviors, making assortment and products key factors in creating customer loyalty (East et al., 1995; Garton, 1995; Sirohi et al., 1998; Oderkerken-Schröder et al., 2001).

They are also expected to work to better create customers’ loyalty. To achieve that, apparent quality of products based on external and internal attributes is typically advocated. Furthermore, the qualities of a product play a vital role in consumers’ preference, their resulting satisfaction and repurchase decision (Raju et al., 1990; Parasuraman et al., 1996). Many research studies have connected levels of consumer satisfaction and loyalty in a joint increase process (Bearden and Teel, 1983; Anderson and Sullivan, 1993).
2. Hypothesis

Brand loyalty is also related to store loyalty even though the importance of the relationship has long elicited controversy (Carman, 1970; Keng and Ehrenberg, 1984). Consumers’ satisfaction with a store is an undeniable indicator of customers’ loyalty to the retail store, and it is a well-known fact that products are inseparable elements of this satisfaction (Cronin and Taylor, 1994; Bloemer and de Ruyter, 1998; Macintosh and Lockshin, 1997). As it is, retail brands today have achieved enough standard of quality (Dhar et al., 2001). They can also get benefit from moving from satisfaction to loyalty. This makes loyalty to retail brands an essential variable, which has been insufficiently addressed in the literature and is integral to building store loyalty. Moreover, a consumer who is loyal to a retail brand will develop a more positive perception of the overall retail brand (de Wulf et al., 2005). The points discussed earlier consider that loyalty to retail brands is a contributory factor in making the relationship “retail brand satisfaction and store loyalty” more competent. The first three hypotheses put up the direct connections between retail brand satisfaction, retail brand loyalty and store loyalty. In the H4, retail brand loyalty mediates the effect of retail brand satisfaction on store loyalty:

**H1.** Retail brand satisfaction is positively related to retail brand loyalty.
**H2.** Retail brand satisfaction is positively related to consumer store loyalty.
**H3.** Retail brand loyalty is positively related to consumer store loyalty.
**H4.** Retail brand loyalty will mediate the relationship between retail brand satisfaction and store loyalty.

3. Methodology

Sample and data collection

This survey was conducted in the perspective of grocery retail. For 70 percent of the interviews, data was collected in face-to-face interviews of consumers of retail brands present at retail store venues. For the remaining 30 percent, because few retailers prohibit the interviewing of their clients within their stores, interviews conducted in the market place outside the store. The study provides a representative sample of the main FMCG retailers in five principal retailers in Delhi NCR (West Side, BigBazar, Shoppers Stop, Vishal Mega mart and V Mart). The questions were asked to give impulsively the list of bought products by product category and specify the names of retail brands and their purchase frequency. Based on bought products, the interviewee answered satisfaction related questions divided into four product categories: fresh produce, groceries, personal-care/beauty products and house wares. Interviewees were given 230 questionnaires, 225 of which were finally processed. The items were presented at random in the form of seven-point Likert type scale (1 strongly disagree, 7 strongly agree). The sample is a convenience sample and consumers were selected from market place. About 70 percent of the sample was collected by visiting stores regularly, that is, once or several times.
4. Measurements

The measurements used are classic ones and have been generally tailored to the retail context in previous research. Store loyalty was calculated using Parasuraman et al.’s (1996) scale, already taken up by Macintosh and Lockshin (1997).

Retail Brands satisfaction was measured with a measurement indicator for each product category that consumers claim to purchase (fresh produce, groceries, personal-care/beauty products and house wares). A final satisfaction score based upon all answers was computed. Retail Brand loyalty was measured based on four items developed by Berry and Parasuraman (1997): prescription to relatives, repeated purchase intention, resistance to change in the event of price increase and favorable word of mouth. The concept of Retail Brand attitude is dependent on the measure developed by Burton et al. (1998) and Garretson et al. (2002), and stands as a general predilection relevant to Retail Brand. Despite the extensively held conceptual difference between the constructs, a factorial analysis was performed to explore and verify the presence of each dimension. Then Cronbach alpha was computed and all measurements fall below standards recommended by Nunally (1978), namely between 0.65 and 0.82.

To test hypotheses, simple and then multiple regressions were run. Retail Brand loyalty was tested as a potential mediator in the connection between Retail Brand satisfaction and store loyalty. Retail Brand attitude is considered as a potential moderator in the Retail Brand satisfaction/Retail Brand loyalty relationship, in as much as it is likely to amend the strength of the relationship between independent and dependent variables. The recognition of the mediating and moderating nature of those variables was verified according to Baron and Kenny’s (1986) recommendations. In order to test the mediating effect of Retail Brand loyalty on the relationship between the variables “Retail Brand satisfaction” and “store loyalty,” three regressions were run. The first one has assessed the mediating variable against the independent variable. The second one compared the dependent variable with the independent variable. The third equation integrated the mediating variable as well as the dependent and independent variables. The mediating nature of the variable is shown when the following four conditions are satisfied:

1. The independent variable affects the mediating variable in the first regression;
2. The independent variable influences the dependent variable in the second regression;
3. The mediating variable influences the dependent variable in the third equation; and
4. Considering that all these conditions are satisfied and point in the same direction, the effect of the independent variable is not as important in the third equation as in the second.

In order to test the moderating nature of attitude, the independent variable (Retail Brand satisfaction) and the moderator variable (Retail Brand attitude) are first factored into the equation and then their interaction term is added in. While comparing R2 variations and using Fisher-Snedecor’s test, the significance of quality differences between the models prior to and following introduction of interaction effects was calculated.
5. Results

The first three hypotheses pointed to positive relations between retail brand satisfaction and retail brand loyalty, as well as between these two variables and consumer store loyalty. The result of correlations between retail brand satisfaction and loyalty provides support for a positive orientation of H1. These three variables are all extensively correlated with retail brand attitude and that retail brand loyalty is the mainly correlated variable with store loyalty (Table I).

Table 1: (Correlations and descriptive statistics)

<table>
<thead>
<tr>
<th>Mean</th>
<th>SD</th>
<th>Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.6</td>
<td>1.01</td>
<td>Store loyalty</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3.72</td>
<td>1.25</td>
<td>Retail Brand</td>
<td>0.167</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4.98</td>
<td>1.34</td>
<td>Retail Brand loyalty</td>
<td>0.24</td>
<td>0.476</td>
<td>-</td>
</tr>
<tr>
<td>4.5</td>
<td>1.2</td>
<td>Retail Brand attitude</td>
<td>0.199</td>
<td>0.448</td>
<td>0.387</td>
</tr>
</tbody>
</table>

Table 2: Regressions for H1–H3

<table>
<thead>
<tr>
<th>Equations</th>
<th>β</th>
<th>F-value</th>
<th>p-value</th>
<th>Adjusted R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Brand satisfaction and Retail Brand loyalty</td>
<td>0.476</td>
<td>65.349</td>
<td>0</td>
<td>0.223</td>
</tr>
<tr>
<td>Retail Brand satisfaction and store loyalty</td>
<td>0.167</td>
<td>6.427</td>
<td>0.012</td>
<td>0.024</td>
</tr>
<tr>
<td>Retail Brand loyalty and store loyalty</td>
<td>0.24</td>
<td>13.575</td>
<td>0</td>
<td>0.053</td>
</tr>
</tbody>
</table>

β - Standardized coefficient

Table 3: Regressions for H4

<table>
<thead>
<tr>
<th>Equations</th>
<th>Standardized coefficient(β)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equation 1</td>
<td></td>
</tr>
<tr>
<td>Retail Brand satisfaction and Retail Brand loyalty</td>
<td>0.476</td>
</tr>
<tr>
<td>Equation 2</td>
<td></td>
</tr>
<tr>
<td>Retail Brand satisfaction and store loyalty</td>
<td>0.167</td>
</tr>
<tr>
<td>Equation 3</td>
<td></td>
</tr>
<tr>
<td>Retail Brand satisfaction</td>
<td>0.069</td>
</tr>
<tr>
<td>Retail Brand loyalty and store loyalty</td>
<td>0.207</td>
</tr>
<tr>
<td>Adjusted R²: 0.053</td>
<td></td>
</tr>
</tbody>
</table>

In order to check into the nature of those relationships, two series of regressions were performed, first with retail brand loyalty and second with store loyalty as dependent variables.
Specific statistics are shown in Table II. The results confirm the positive relationship between these variables and pin down the weight of projecting variables. Retail brand satisfaction appears as an important predictor of retail brand loyalty. By contrast, retail brand satisfaction and retail brand loyalty are both effective determinants of store loyalty, with retail brand loyalty having overall better weight. Those results put up with validation of hypotheses H1-H3.

Mediating effect of retail brand loyalty on relationships between retail brand satisfaction and store loyalty and second series of three regressions set up a perfect mediation of retail brand loyalty in the relationship between retail brand satisfaction and store loyalty (Table III). First, the independent variable affects the mediator in the first equation. In the Second, the independent variable is shown to affect the dependent variable in the second equation, and in the third, the mediator affects the dependent variable in the third equation, while the independent variable has no effect. Those results confirm H4.

Moderate effect of “retail brand attitude” on the connection between retail brand satisfaction and retail brand loyalty, overall and for the two other categories (identifiable retail brand vs unidentifiable retail brand) two multiple regressions in which retail brand loyalty was the dependent variable were performed.

6. Discussion and implications:

Even though Retail Brands are attracting a lot of researchers, in specific regarding the prerequisites to their performance, there is still insufficient understanding of the satisfaction and loyalty relationships which they establish with consumers. This paper is primarily focused at verifying that those links subsist and providing an imminent into their nature. It confirms that the improvement of consumer satisfaction with some specific Retail Brands has an impact on building loyalty of the consumers’ to those brands. Therefore, it stands alongside many research studies that are compelling stores to improve the actual and perceived quality of the brands owned by them.

It definitely provides encouragement for addressing further, specifically these two measures in the specific situation of Retail Brands. These results confirm various researches as they show those consumers’ loyalty to and satisfaction with a Retail Brand are associated with their loyalty to the store. And improving this loyalty to Retail Brands is an inevitable step that will facilitate it to put up its direct impact on store loyalty. Strengthening the satisfaction/loyalty link becomes a necessary process on which store managers need to concentrate their efforts. Such findings also bring into keen spotlight that Retail Brand attitude is an important moderating part of the relationship between customers, their key store and its own brands/products. Those Consumers who are positively pre-dispositional to Retail Brands in general will be more loyal to those of their main store if they are also pleased with them. This holds true particularly for a Retail Brand evidently identified as the store’s brand. To build the loyalty of consumers who are already exposed to private labels, stores require adopting a clear identification strategy for their own brands.

In order to construct consumer satisfaction and Retail Brand loyalty, stores require a continuation of thinking about the perceived value of their own labels. This overall expression
should include consideration of national brands’ strategies, other stores’ Retail Brands and precise profiles of the store’s customers. It is already understandable that an optimistic attitude to own brands is partially based upon economic dimensions such as price sensitivity, value consciousness or smart shopper self-perception (Burton et al., 1998; Garretson et al., 2002). Thus, it seems essential to narrow down what Retail Brand satisfaction based on and decide how deep qualitative improvements should go without reducing the quality/price ratio, which is still the major distinctive asset (Baltas, 2003). By following these findings, unidentifiable retail brands carrying a brand name may be possibly able to work along lines nearer to national brands and enabling stores those offer these two Retail Brand categories to target diverse consumer segments. To unite Retail Brands’ loyalty-building capacity it is crucial that there be few marketing thinking toward designing loyalty programs. These can involve a more suitable alternative along with prime slots on shelves, use of relationship marketing tools pertinent to loyalty cards, and staking out a differentiating communication territory connected to the store’s positioning and corporate branding. One of the means strained in this study is to take benefit of on consumer segments that are favorable to Retail Brands in general to build better loyalty to the store’s Retail Brands, by specifically emphasizing image interactions. More direct involvement in national brands’ strategies should also be considered. As they face both “identifiable Retail Brands” recognized as economical alternatives and “unidentifiable Retail Brands” which can be perceived as manufacturer’s brands, they have to deal with a competitive intrusion that must be factored into future marketing reflections.


