



Private label usage and store loyalty: The moderating impact of shopping value



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ABSTRACT

This study endeavours to develop and analyze a conceptual model that sheds light on the moderating impact of utilitarian and hedonic shopping values in determining the relationship between private label usage and store loyalty. In a test with data collected from 267 consumers, conceptual framework was analyzed by using structural equation modeling. The findings reveal that a negative relationship was observed between private label usage and store loyalty. However, utilitarian shopping value converts this existing negative relationship between private label usage and store loyalty into a strong positive association. This study offers such interesting implications for managers that developing marketing strategies oriented to create utilitarian shopping value during the shopping experience may enable retailers to enhance their store loyalty in a positive way in the long run. Prior research has not approached the private label product phenomenon from a shopping value perspective. Hence, this study attempts to measure the moderating impact of shopping value on the linkage between private label usage and store loyalty for the first time.

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1. Introduction

Most of the major retailers in the fast moving consumer goods (FMCG) industry have increasingly started to add their own private label brands in their portfolio (Geyskens et al., 2010). Private labels have experienced a fast growth market share and availability in recent decades and this increasing trend has directly influenced the retail industry (Ailawadi et al., 2008). As a matter of fact, private label products were launched as of 1860s and have been spread mostly in the US market (German, 2001; Richardson et al., 1994; Dick et al., 1995). Currently, while private label share has been mostly increased in Western Europe, particularly in Switzerland at 45%, the market share of private labels in Turkey constitutes 14% of the market with a rapid growth (Nielsen, 2014).

The birth of private label brands has been considered as a milestone in the history of retailing (Steenkamp and Dekimpe, 1997). In the beginning, they were not as successful as national brands because of their inferior product qualities; however in the present time, the situation has changed and transformed the private labels into real challenging competitors by strengthening both of their quality and performance sides in addition to their

price advantage. Nowadays, private label products are available in retail stores with enormous product varieties, less expensive prices, and medium quality standards (Chakraborty, 2013). In recent decade, research on private label has been received an increased attention among scholars all around the world (e.g., Dawes and Nenycz-Thiel, 2013; do Vale et al., 2016; Seenivasan et al., 2015).

Analyzing the reasons of the growth of private labels from the perspective of retailers, it is seen that retailers prefer to have their own private label products because of higher profit margins, increased power of negotiation with the national manufacturers and higher store loyalty (Ailawadi et al., 2008). However, although the first two reasons have been supported with the statistical evidence in many studies (e.g., Ailawadi and Harlam, 2004; Hoch and Banerji, 1993; Pauwels and Srinivasan, 2004), the last reason has conflicting results in the literature. Besides, Ailawadi et al., (2008) have made a call to test their findings in different countries and regions to shed light on the link between private label usage and store loyalty. In response to this call, the first aim of this study is to investigate the link between private label usage and store loyalty for the retailers operating in Turkey.

Furthermore, this aim is extended through the way of analyzing the role of shopping values such as hedonic and utilitarian value which can be felt by the customer during the entire shopping experience. In previous research, the linkage between shopping

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value and customer satisfaction has been found as statistically significant and the scholars have expressed the positive correlation between constructs (e.g., Babin et al., 1994; Dawson et al., 1990; Carpenter and Fairhurst, 2005). Besides, since private label purchases are mainly based on price element, as Koschate-Fischer et al., (2014) proposed, the distinction between utilitarian and hedonic value can be a useful way to explain the consumer behavior in purchasing private label brands during the shopping experience. Hence, as a second aim of this study, the moderating role of shopping value on the relationship between private label usage and store loyalty is explored.

The rest of the study is organized as follows. First, the extant literature on private label usage, store loyalty and shopping value and each link between them are reviewed. Following that, relevant hypotheses are developed and a conceptual model is presented. This is followed by the methodology section. Afterwards, the findings are presented and discussed along each hypothesis. Finally, conclusions and managerial implications are drawn and limitations and further research are addressed.

2. Conceptual framework and hypotheses development

2.1. The link between private label usage and store loyalty

Private label brands are those products which are completely owned and sold by a retailer or a wholesaler (Chakraborty, 2013; Hyman et al., 2010). When private label products are examined from the perspective of retailers, there is a substantial distinction between private label products and national branded products. Retailers take the whole responsibility of private label products in terms of product development, sourcing, warehousing, sales and marketing development (Dhar and Hoch, 1997). In this sense, retailers are responsible for the success or failure of private label products.

Due to the recent increased competition in retailing industry, retailers are required to develop new strategies in order to keep existing customers and gain new customers. Creating loyal customers generates the main aim of most of the retailers. Based on the loyalty definition of Oliver (1999), store loyalty can be defined as the commitment that is held deeply to a particular retailer.

Consumers can be the customers of retailers for the sake of their favorite brands sold in that retail store. However, if they could not find these particular brands in that retail store, since they are committed to these brands, they may tend to switch from one store to another one to purchase these particular brands. If retailers offer good private label products, which meet with the consumers' needs and expectations, consumers may start to become committed to these certain brands. In order to purchase these brands, consumers may be willing to go to that store regularly, which then transforms into store loyalty. However, it is important for retailers to understand whether the sales volumes of private labels are dependent on impulse purchases of consumers or whether the consumers are really committed to this specific retailer's private label products (Rao, 1969).

In the retailing literature, most of the studies have focused on the relationship between private label usage and store loyalty. However, previous literature on this subject is still inconsistent. First of all, a positive relationship amongst these constructs receives extensive empirical support (Ailawadi, 2001; Ailawadi et al., 2001; Bonfrer and Chintagunta, 2004; Koschate-Fischer et al., 2014; Kumar and Steenkamp, 2007; Sudhir and Talukdar, 2004). Also, many scholars have indicated that consumers who prefer to buy private label brands are more loyal to these retail stores and usage of private labels directly increases the store loyalty and sales of the retailers (Baltas et al., 1997; do Vale et al., 2016; Liu and

Wang, 2008; Cotterill and Putsis, 2000).

In addition, Ailawadi et al. (2008) proposed a non-monotonic relation between private label usage and store loyalty, which means that this relation increases positively until a threshold value and then it starts to decrease (inverted U shape relationship). In other words, store loyalty and private label usage are directly interconnected until the lower boundary of private label loyalty, but a surplus of purchasing private label could cause to lower loyalty to the retailer (González-Benito and Martos-Partal, 2012; Martos-Partal and González-Benito, 2011).

On the other hand, since private label products highlight more price discounts than national brands, they may be a good option for price-sensitive consumers who are motivated to shop at multiple stores in order to find the item offering the best price alternative (González-Benito and Martos-Partal, 2012). Thus, some scholars report a direct negative link between private label usage and store loyalty (Ailawadi and Harlam, 2004; Hansen and Singh, 2008; Richardson, 1997). According to Richardson (1997) consumers' usage of private label products does not change with regard to their particular committed store. Baltas et al. (2010) suggest that the size of consumers' patronage set is raised by the consumers' private label tendency. Moreover, Hansen and Singh (2008) demonstrate that high private label patronage in different product categories leads to lower store loyalty. The reason behind this inverse association between private label usage and store loyalty is that private label product users are more price conscious in comparison with average consumers (e.g., Dick et al., 1995; Sethuraman, 2006). This underlying argument is also valid for Turkish consumers because price is a significant factor affecting consumers' attitudes towards private label products (Arslan, 2015; Kılıç, 2009). In this sense, the association between private label usage and store loyalty is expected to be negatively correlated within this study.

H₁. A high level of private label usage has an inverse influence on store loyalty.

2.2. The moderating impact of shopping value (hedonic and utilitarian) on the relationship between private label usage and store loyalty

Shopping value discriminates itself from the physical product by defining value as consumer's experience which does not derive from obtaining an object, derives from its admiration and its usage (Holbrook, 1994). Hence, value can be created only through the way of its usefulness and emotionality. In this context, shopping experience can result in value by means of completing a utilitarian task or living a hedonic enjoyment (Babin et al., 1994). Therefore, both hedonic and utilitarian values should be taken into account to measure a complete shopping experience (Mishra, 2014). As stated in most of the studies, a retailer can provide both hedonic and utilitarian values during the shopping experience (Sherry, 1990). Also, Lee and Hyman (2008) emphasized that hedonic/functional congruity between stores and private labels may be one of the sources of consumers' store loyalties. In accordance with Diallo et al. (2015), quality, price, and emotional values of shopping value have a positive impact on store retention loyalty.

2.2.1. The moderating impact of utilitarian shopping value on the relationship between private label usage and store loyalty

In accordance with Hirschman and Holbrook (1982), utilitarian shopping value means the evaluation of shopping as a task. Utilitarian shopping value is associated with the factors related to product performance such as quality, availability, variety, reasonable price etc. (Stoel et al., 2004). With regard to utilitarian shopping value, a consumer is seen as an individual who attempts

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