

Retailer Brand Equity of Private Label Brands: Mediating Role of Brand Trust

Ramesh Kumar J.

Thiagarajar School of Management,
Madurai, India

*Nataraj Balasubramanian**

Thiagarajar School of Management,
Madurai, India

*(Corresponding Author)

(Received December 10, 2020; Accepted January 25, 2021)

ABSTRACT

Purpose: In the consumers' decision-making process retailer's image plays a critical role. Retailers have introduced store brands or popularly known as the private label brands to capitalize on retailer image. Carrying a private label brand has multiple advantages for retailers as well as the consumers. Considering this scenario this study aims to measure the customer loyalty formulation for private label brands. **Methodology:** This study used a structured questionnaire to collect data from consumers who buy private label products. Three different categories of private label product categories such as (i) clothes and apparel (ii) groceries and (iii) electronic products were considered for this study. A total of 295 samples were collected and used for analysis. **Findings:** The study found that the underlying dimensions like retailer awareness, retailer association, retailer price image, retailer perceived quality and retailer trust has significant positive impact on retailer loyalty. **Implications:** The study contributes to the existing private-label branding literature by combining the different brand equity dimensions and examining the associative relationship among them. **Originality:** The research on private label brands on Indian context is scarce. Even the few available research studies has not covered three different product categories, this provides novelty to the study and improves the generalizability of the research findings.

Keywords: Retailer Awareness, Retailer Association, Price Image, Trust, Loyalty.

INTRODUCTION:

The theory of reasoned action proposes that consumers decide and commit to a specific course of action; if appropriate measures are used human behaviour can be predicted. However, in some instances, consumers may not act in an intended way and may end with conflicts in their decision making (Ajzen and Fishbein, 1975). In the course of decision making, the consumer gets exposed to multiple brands and they make meaningful interpretations during the encounters; each encounter is an experience for a consumer. The theory of brand experience suggests that 'experience with a brand can emerge at the pre-consumption and post-consumption stages and they tend to assess the perceived value of a brand' (Jiang et al, 2018). Past research on branding suggests that consumers add value to brands by collaborating and procuring them. This concept applies to retailers also. The store equity concept explains how consumers add value to retailers and form retailer equity (Gil-Saura et al, 2016).

In the consumers' decision-making process retailer's image plays a critical role. Here the retailers are considered as brands and consumers are willing to associate themselves with these brands. In the purchase situation, consumers are willing to purchase products from this selected retailer (Grewal et al, 2004). To capitalize on this retailer image the retailers have also introduced store brands or popularly known as the private label brands. Carrying a private label brand has multiple advantages for retailers as well as the consumers. Stores gain much control over the shelf space and they make more profits (Choi and Huddleston,

2014) and the consumer gets high-quality products at attractive price levels.

The market share of Indian private labels is growing especially in the fashion segment with celebrity-led private labels like All about You, HRX, and Prowl; e-commerce private labels like Myntra, Jabong and offline retailers like reliance, future retail introducing new brands in the market (Mathur, 2018). Jara and Cliquet (2012) suggest retail policies and performance differs from country to country as well as a retailer to retailer, under these conditions it is vital to understand the branding theory for private label brands and the underlying brand equity concepts. This study aims to understand the aspects of brand equity dimensions in retailing and the relationship among the dimensions.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT:

Brand awareness is defined as the ability to “recognize or recall that a brand is a member of a certain product category” (Aaker, 1991; p.61). Both brand recognition and brand recall are important for potential purchase. While the brand recall explains the consumer's ability to retrieve the brand when the product category is mentioned the brand recognition describes the consumer's ability to identify the brand at the point of purchase (Keller, 1993). Brand awareness is an indispensable element of brand equity; without awareness, brand equity cannot be formed. Previous studies on online retailing have emphasized the role of price perceptions on store loyalty (Kumar et al., 2020). Price consumers are keen on the price they pay for products; they are aware of the cost and where they can get the products at the lowest price (Danziger et al., 2014). Especially for store brands, the value propositions are strongly influenced by the cost of the products. At times consumers consider private label brands as a low-priced alternative for the branded products available in the market (Calvo-Porrall et al. 2013). Oh (2000) postulated that brand awareness may contribute to price perceptions. Jara and Cliquet (2012) argued that the price perceptions of the store retailer are different from the price perceptions of the product. Most of the time consumers tend to prefer a retailer with the lowest price (Kumar et al. 2020). Based on these arguments the following hypothesis is proposed

H1: Retailer awareness is having a positive impact on retailer price image

“Brand associations provide value to the consumer by supplying compelling reasons for consumers to choose the brand and by creating positive attitudes/feelings among consumers” (Choi and Huddleston, 2014, p.63). Similar to brands, consumers can associate themselves with retailers and form retailer associations (Choi and Huddleston, 2014). Retailer association is considered as a multi-dimensional construct encompassing retailer price fairness, the distinctiveness of the retailer, products and services offered, and overall service value (Kumar et al. 2020). It is believed that higher retailer awareness can lead to robust retailer association as the strength of the association is determined by experience, direct or indirect past interactions, exposure to brand communications, and other brand activities. Based on these arguments the following hypothesis is proposed

H2: Retailer awareness is having a positive impact on retailer association

The retailer perceived quality measures the consumer’s overall evaluation of products and services offered by the retailer (Kumar et al. 2020). The perceived quality is a subjective evaluation (Choi and Huddleston, 2014) which can vary based on their experience, level of education, point of purchase conditions, and other situational variables (Boulding et al., 1993). Consumers may prefer retailers with large assortments which gives them a variety of choices. Apart from large assortments, a highly attractive, arousing, and unique ambiance is preferred by the consumers as they enhance shopping experiences (Swoboda et al., 2016). Overall the choice availability, store layout and ambiance, and support services offered by the retailer are considered as vital elements of perceived retailer quality. Clark et al. (2009) postulated that awareness and perceived quality are the immediate effects of exposure to an advertisement, and it is to be noted that quality perceptions cannot occur without brand awareness. Based on these arguments the following hypothesis is proposed.

H3: Retailer awareness is having a positive impact on retailer perceived quality

Trust is defined as the “confidence in an exchange partner’s reliability and integrity” (Al-Hawary, 2013, p.665). Consumers form expectations based on the trust they have in retailer's ability to offer good products, services and keep up their promise (Ashley and Leonard, 2009). Trust is considered as a multi-dimensional construct; Singh and Jain (2015) defined trust in retail context as "emotional security in terms of fulfillment of tangible (retailer, employees, products, etc) and intangible (policies, communication, and relationship

quality) expectations and a belief that dealings with the firm will be reliable, dependable and safe". El Naggari and Bendary (2017) has advocated the impact of brand association on brand trust. When retailers use dynamic pricing mechanisms consumers tend to lose trust in the retailer especially in e-retail scenarios (Garbarino and Lee, 2003). Hence price fairness of the retailer is considered a critical factor for retailer trust. Based on these arguments the following hypothesis is proposed

H4: Retailer price image is having a positive impact on retailer trust

H5: Retailer association is having a positive impact on retailer trust

H6: Retailer perceived quality is having a positive impact on retailer trust

The trust – loyalty relationship is one of the most discussed relationships in branding literature. “Loyalty is defined as a situation which reflects how likely a customer will be to switch to another brand, especially when that brand makes a change, either in price or in product features” (Alhaddad, 2015, p.2) Loyalty occurs when consumer believe that the retailer offers a right product with superior performance at a fair price. Retailer loyalty expresses the consumer's favorable attitude to continue the relationship and buy products and services offered by the retailer (Percy and Rossiter, 1992). Retailer loyalty offers benefits to both retailers and consumers. Retailers can predict the demand, assign a high price for their products, reduce advertisement expenses, and improve marketing communications. Loyalty reduces the complexity of the decision-making process, saves time, and reduces the risk in the purchase process. Based on these arguments the following hypothesis is proposed

H7: Retailer trust is having a positive impact on retailer loyalty.

Conceptual Model:

Considering the literature available, this study considered the brand loyalty dimension as the dependent variable (Anselmsson et al, 2017; Swoboda et al, 2013; Cuneo et al, 2010) and retailer awareness (Anselmsson et al, 2017; Gil-Saura et al. 2016; Jara and Cliquet, 2012), retailer association (Londono et al, 2016), price image (Anselmsson et al, 2017; Das, 2015; Jara and Cliquet, 2012), Service Quality (Gil-Saura et al, 2016; Cifci et al, 2016; Jara and Cliquet, 2012) and retailer trust (Anselmsson et al, 2017) as antecedents. Most of the literature available considers either the product quality or the service quality dimension, considering the retailer as a service provider it is essential to consider the service quality dimension and the study considered perceived product quality, perceived customer service, and store environment to measure the service quality.

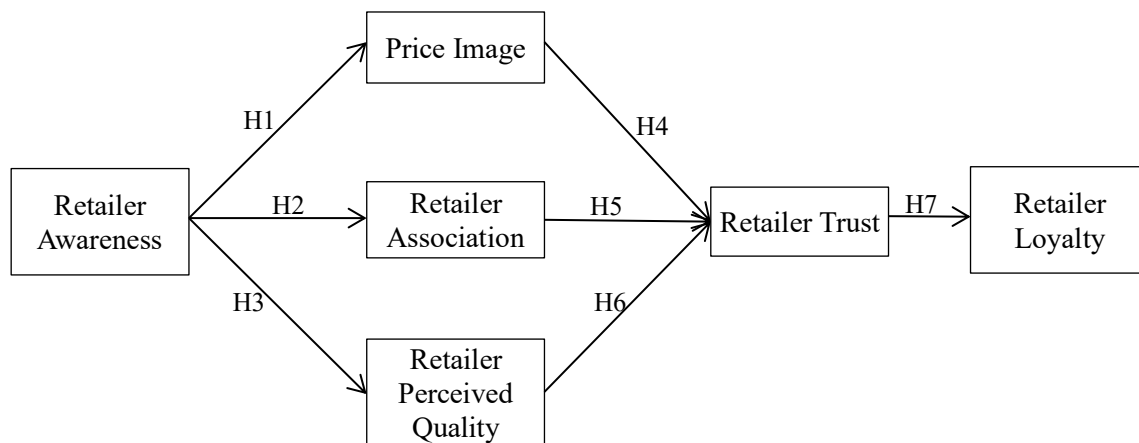


Figure 1: Conceptual Model

METHODOLOGY:

The objective of the study is to measure the customer loyalty formulation for private label brands. For this purpose, this study has adopted the descriptive research design approach to empirically assess the impact of retailer awareness, retailer association, retailer price image, retailer perceived quality, and retailer trust on retailer loyalty. To collect the data a structured questionnaire was used and the data has been collected with consumers who bought private label products within one month before the date of their response. Three different categories of private label product categories such as (i) clothes and apparel (ii) groceries and (iii) electronic products were considered for this study. Before the data collection, the questionnaire

was tested and revised. The study used the convenience sampling method as no sampling frame was readily available. Data has been collected physically by visiting organized retail stores selling private label products and interacting with consumers visiting the stores. A total of 295 samples were collected and used for analysis. This sample size fulfills the criteria of sample size recommended for structural equation modeling analysis suggested by Kline (2005). Table 1 shows the descriptive statistics of the respondents.

Table 1: Reliability and Validity statistics

#	Details	Responses (%)
Gender		
1	Male	56
2	Female	34
Age		
1	Less than 21	9
2	21 - 30	48
3	30 - 40	32
4	40 - 50	8
5	Greater than 50	3
Education		
1	Up to Schooling	10
2	Graduate	63
3	Postgraduate and above	27
Annual household income		
1	Less than 3 lakhs	8
2	Rs. 3 lakhs – Rs. 5 Lakhs	31
3	Rs. 5 lakhs – Rs. 7 Lakhs	24
4	Rs. 7 lakhs – Rs. 10 Lakhs	23
5	Rs. 10 Lakhs and above	14

DATA ANALYSIS AND INTERPRETATION:

Since the data collected were self-reported the Harman’s single factor test (Podsakoff et al., 2003) was employed to test the presence of common method bias. The total variance explained by the first factor was 39 percent indicating no common method bias in the data collected. The study used the SPSS software package for data cleaning and to measure the distribution of the data. To measure the structural relationship between the measured and latent variable this study has used partial least square structural equation modeling (PLS-SEM).

MEASUREMENT MODEL:

The first step of the measurement model is to verify the reliability and validity of the data collected. Table 2 shows the reliability and validity statistics. The Cronbach's alpha value and the composite reliability values are above 0.7 and indicate the internal consistency of the measures. Since all the items were adopted from established scales the measures satisfy the content and construct validity requirements. All the item loadings were above 0.5, all-composite reliability values are above 0.7 and all AVE values are above 0.5 and indicate the convergent validity of the measures (Fornell and Larcker, 1981).

The reliability values of the dimension were checked and found that the values were ranging from 0.71 to 0.89; according to Nunnally (1978), the alpha value above 0.7 is considered reliable. All the factor loadings of all items under each dimension are above 0.6 and the AVE values are satisfactory (> 0.5) thus it satisfies the construct validity. The discriminant validity is also satisfactory as the square root of AVE under each latent variable is larger than the correlation values of other latent variables (Fornell and Larcker, 1981). To measure the discriminant validity heterotrait-monotrait ratio of correlations (HTMT) method was used (Table 3). The table shows that all the values are less than 0.85 and indicate discriminant validity (Kumar et al., 2019).

Table 2: Reliability and Validity Measures

			Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Retailer Awareness (RetAw)	AW1	0.77	0.743	0.854	0.661
	AW2	0.867			
	AW3	0.799			
Retailer Association (RetAso)	ASO1	0.837	0.861	0.906	0.706
	ASO2	0.894			
	ASO3	0.827			
	ASO4	0.801			
Retailer Price Image (RetPImg)	PD1	0.892	0.841	0.903	0.756
	PD2	0.861			
	PD3	0.856			
Retailer Perceived Quality (RetQual)	PQ1	0.743	0.838	0.892	0.675
	PQ2	0.842			
	PQ3	0.807			
	PQ4	0.887			
Retailer Trust (RetTru)	RT1	0.931	0.84	0.926	0.862
	RT2	0.926			
Retailer Loyalty (RetLoy)	RL1	0.904	0.849	0.909	0.769
	RL2	0.887			
	RL3	0.838			

Table 3: Discriminant Validity

	RetAso	RetAw	RetLoy	RetPImg	RetQual
RetAso					
RetAw	0.85				
RetLoy	0.827	0.884			
RetPImg	0.404	0.453	0.528		
RetQual	0.888	0.818	0.87	0.407	
RetTru	0.676	0.605	0.761	0.55	0.688

Structural Measurement Model:

Table 4 shows the relationship strength and the significance of the relationships among the constructs. The Retailer Awareness had a strong positive relationship with Retailer Association ($\beta=0.738$; $t=16.35$, $p > 0.05$), Retailer Price Image ($\beta=0.365$; $t=6.218$, $p > 0.05$) and Retailer Perceived Quality ($\beta=0.649$; $t=12.41$, $p > 0.05$). The R^2 , Q^2 and F^2 explain the variability explained by the model, its predictive relevance, and the effect size. The Retailer awareness explains 13 percent of the variance in retailer association ($R^2=0.544$) and the Q^2 value (0.377) indicates good predictive relevance and the F^2 value (1.194) indicates a large effect size. The Retailer awareness explains 54 percent of the variance in retailer price image ($R^2=0.133$) and the Q^2 value (0.097) indicates poor predictive relevance and the F^2 value (0.154) indicates a medium effect size. The Retailer awareness explains 42 percent of the variance in retailer perceived quality ($R^2=0.421$) and the Q^2 value (0.276) indicates good predictive relevance and the F^2 value (0.727) indicates a large effect size. Figure 1 shows the path model.

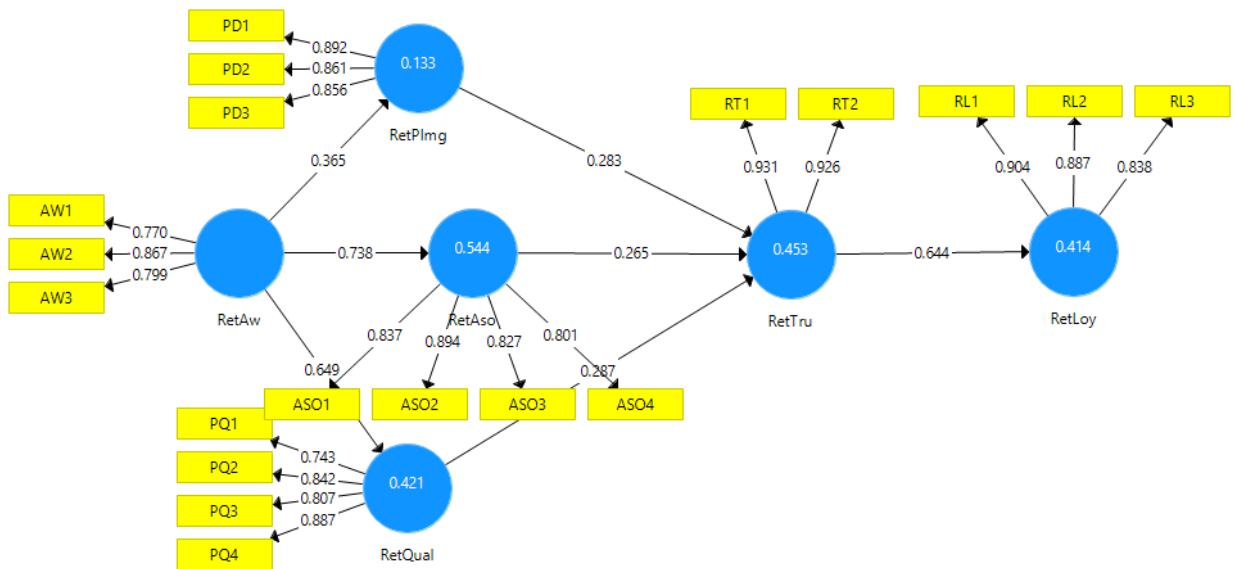


Figure 1: Path model

Note: RetAw indicates Retailer Awareness, RetImg indicates Retailer Price Image, RetAso indicates Retailer Association, RetQual indicates Retailer Perceived Quality, RetTru indicates retailer Trust and RetLoy indicates Retailer Loyalty.

Retailer Association ($\beta=0.265$; $t=3.124$, $p > 0.05$), Retailer Price Image ($\beta=0.283$; $t=4.661$, $p > 0.05$) and Retailer Perceived Quality ($\beta=0.287$; $t=3.144$, $p > 0.05$) had a strong positive impact on Retailer Trust. Retailer Association, Retailer Price Image, and Retailer Perceived Quality explain 45 percent of the variance in retailer perceived quality ($R^2=0.453$) and the Q^2 value (0.383) indicates good predictive relevance, and the F^2 values (0.127, 0.066, and 0.056) indicates a small effect size. Finally, the retailer trust had a strong positive impact on retailer loyalty ($\beta=0.644$; $t=14.292$, $p > 0.05$). The Retailer trust explains 41 percent of the variance in retailer perceived quality ($R^2=0.414$) and the Q^2 value (0.313) indicates good predictive relevance and the F^2 value (0.707) indicates a large effect size. Table 5 shows the acceptance or rejection of the hypotheses.

Table 4: Structural Model

Path	β	T Statistics (O/STDEV)	P Values	R^2	Q^2	F^2
RetAw → RetAso	0.738	16.353	0.00	0.544	0.377	1.194
RetAw → RetPImg	0.365	6.218	0.00	0.133	0.097	0.154
RetAw → RetQual	0.649	12.41	0.00	0.421	0.276	0.727
RetPImg → RetTru	0.283	4.661	0.00	0.453	0.383	0.127
RetQual → RetTru	0.287	3.144	0.00			0.066
RetAso → RetTru	0.265	3.124	0.00			0.056
RetTru → RetLoy	0.644	14.292	0.00	0.414	0.313	0.707

Note: RetAw indicates Retailer Awareness, RetImg indicates Retailer Price Image, RetAso indicates Retailer Association, RetQual indicates Retailer Perceived Quality, RetTru indicates retailer Trust and RetLoy indicates Retailer Loyalty.

Table 5: Acceptance of Hypothesis

HYPOTHESES	EFFECT
Retailer Awareness → Retailer Association	Accepted
Retailer Awareness → Retailer Price Image	Accepted
Retailer Awareness → Retailer Perceived Quality	Accepted
Retailer Price Image → Retailer Trust	Accepted
Retailer Perceived Quality → Retailer Trust	Accepted
Retailer Association → Retailer Trust	Accepted
Retailer Trust → Retailer Loyalty	Accepted

CONCLUSION:

The study contributes to the existing private-label branding literature by combining the different brand equity dimensions and examining the associative relationship among them. It is evident from the study that retailer awareness is a significant contributor to retailer equity. Marketers should find ways to increase awareness through promotional activities. The awareness is having a significant impact on service quality, retailer association, and price image. Apart from product quality, the store environment and the customer service contribute significantly to create the service quality. Especially when the retailer is dealing with fashion goods the customer service plays a significant role; marketers can identify the ways to engage with the consumer to provide a better service, this can be enabled by having adequate equipment to training the employees. Another key contributor to retailer loyalty is the price image; consumers give importance to the retailer who is cheaper than the competitors. Consumers perceive better value from a retailer who is offering better price deals; this can numb their deliberate decision-making and make the consumer go for a cheaper one. Finally, the study emphasized the role of brand trust in forming brand loyalty and how the awareness, association, service quality, and price image can be used to form and sustain brand trust.

REFERENCES:

Aaker, D.A. (1991). *Managing Brand Equity: Capitalizing on the Value of a Brand Name*, Google Scholar, New York.

Ajzen, I., & Fishbein, M. (1975). A Bayesian analysis of attribution processes. *Psychological Bulletin*, 82 (2), 261.

Alhaddad, A. (2015). Perceived quality, brand image and brand trust as determinants of brand loyalty. *Journal of Research in Business and Management*, 3(4), 01-08.

Al-Hawary, S. I. S. (2013). The roles of perceived quality, trust, and satisfaction in predicting brand loyalty: the empirical research on automobile brands in Jordan market. *International Journal of Business Excellence*, 6(6), 656-686.

Anselmsson, J., Burt, S. and Tunca, B. (2017). An integrated retailer image and brand equity framework: Re-examining, extending and restructuring retailer brand equity, *Journal of Retailing and Consumer Services*, Vol. 38, pp. 194–203.

Ashley, C., & Leonard, H. A. (2009). Betrayed by the buzz? Covert content and consumer–brand relationships. *Journal of Public Policy & Marketing*, 28(2), 212-220.

Boulding, W., Kalra, A., Staelin, R., & Zeithaml, V. A. (1993). A dynamic process model of service quality: from expectations to behavioral intentions. *Journal of marketing research*, 30(1), 7-27.

Calvo-Porrà, C., Martínez-Fernández, V. A., Juanatey-Boga, O., & Lévy-Mangín, J. P. (2013). What matters to store Brand Equity? An approach to Spanish large retailing in a downturn context. *Investigaciones Europeas de Dirección y Economía de la Empresa*, 19(3), 136-146.

Choi, L. and Huddleston, P. (2014). The effect of retailer private brands on consumer-based retailer equity: comparison of named private brands and generic private brands, *The International Review of Retail, Distribution and Consumer Research*, Vol. 24 No. 1, pp. 59–78.

Cifci, S., Ekinci, Y., Whyatt, G., Japutra, A., Molinillo, S. and Siala, H. (2016). A cross validation of Consumer-Based Brand Equity models: Driving customer equity in retail brands, *Journal of Business Research*, Vol. 69 No. 9, pp. 3740–3747.

Clark, C. R., Doraszelski, U., & Draganska, M. (2009). The effect of advertising on brand awareness and perceived quality: An empirical investigation using panel data. *Qme*, 7(2), 207-236.

- Cuneo, A., Lopez, P. and Yague, M.J. (2010). Private label brands: measuring equity across consumer segments, *Journal of Product & Brand Management*, Vol. 21 No. 6, pp. 428–438.
- Danziger, S., Hadar, L., & Morwitz, V. G. (2014). Retailer pricing strategy and consumer choice under price uncertainty. *Journal of Consumer Research*, 41(3), 761-774.
- Das, G. (2015). Impact of store attributes on consumer-based retailer equity, *Journal of Fashion Marketing and Management: An International Journal*, Vol. 19 No. 2, pp. 188–204.
- El Naggar, R. A. A., & Bendary, N. (2017). The Impact of Experience and Brand trust on Brand loyalty, while considering the mediating effect of brand Equity dimensions, an empirical study on mobile operator subscribers in Egypt. *The Business & Management Review*, 9(2), 16-25.
- Fornell, C. and Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement errors, *Journal of Marketing Research*, Vol.18, pp.39-50.
- Garbarino, E., & Lee, O. F. (2003). Dynamic pricing in internet retail: effects on consumer trust. *Psychology & Marketing*, 20(6), 495-513.
- Gil-Saura, I., Molina, M.E.R. and Berenguer-Contrí, G. (2016). Store equity and behavioral intentions: the moderating role of the retailer's technology, *Journal of Product & Brand Management*, Vol. 25 No. 7, pp. 642–650.
- Grewal, D., Iyer, G.R. and Levy, M. (2004). Internet retailing: enablers, limiters and market consequences, *Journal of Business Research*, Vol. 57, No. 7, pp.703–713.
- Jara, M. and Cliquet, G. (2012). Retail brand equity: Conceptualization and measurement, *Journal of Retailing and Consumer Services*, Vol.19 No.1, pp.140-149.
- Jiang, K., Luk, S. T. K., & Cardinali, S. (2018). The role of pre-consumption experience in perceived value of retailer brands: Consumers' experience from emerging markets. *Journal of Business Research*, 86, 374-385.
- Keller, K.L. (1993). Conceptualizing, measuring, and managing customer-based brand equity, *Journal of Marketing*, Vol. 57, No. 1, p.1 [online]
- Kline, R.B. (2005). *Methodology in the social sciences, Principles and Practice of Structural Equation Modeling* (2nd ed.), Guilford Press, New York, NY.
- Kumar, J. R., Saha, R., Manohar, S., & Sekar, P. C. (2020). Retail brand equity: moderating role of retail price deals on retail brand association and retail brand equity relationship. *International Journal of Business Innovation and Research*, 21(2), 217-237.
- Kumar, R., Saha, R., Sekar, P. C., & Dahiya, R. (2019). Examining the role of external factors in influencing green behaviour among young Indian consumers. *Young Consumers*.
- Londoño, J. C., Elms, J., & Davies, K. (2016). Conceptualising and measuring consumer-based brand–retailer–channel equity. *Journal of Retailing and Consumer Services*, Vol. 29, pp. 70-81
- Mathur, M. (2018). Leveraging social media-based determinants to build customer-based brand equity of a retailer. *The International Review of Retail, Distribution and Consumer Research*, 28(5), 554-575.
- Nunnally, J. C. (1978). An overview of psychological measurement. In *Clinical diagnosis of mental disorders* (pp. 97-146). Springer, Boston, MA.
- Oh, H. (2000). The effect of brand class, brand awareness, and price on customer value and behavioral intentions. *Journal of Hospitality & Tourism Research*, 24(2), 136-162.
- Percy, L., & Rossiter, J. R. (1992). A model of brand awareness and brand attitude advertising strategies. *Psychology & Marketing*, 9(4), 263-274.
- Podsakoff, N. P. (2003). Common method biases in behavioral research: a critical review of the literature and recommended remedies. *Journal of Applied Psychology*, 88(879), 10-1037.
- Singh, V., & Jain, A. (2015). Consumer trust in retail: Development of a multiple item scale. *Journal of Economics, Business and Management*, 3(10), 971-976.
- Swoboda, B., Berg, B., Schramm-Klein, H., & Foscht, T. (2013). The importance of retail brand equity and store accessibility for store loyalty in local competition. *Journal of Retailing and Consumer Services*, 20(3), 251-262.
- Swoboda, B., Weindel, J. and Hälsig, F. (2016). Predictors and effects of retail brand equity – A cross-sectoral analysis, *Journal of Retailing and Consumer Services*, Vol. 31, pp. 265–276.

