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## Investigating Consumer Perceptions of Purchase Shares for Private-Label Brands and Demographics: A Study of the Great Value Brand

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# **Investigating Consumer Perceptions of Purchase Shares for Private-Label Brands and Demographics: A Study of the Great Value Brand**

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## **ABSTRACT**

Over the past several decades, private-label brands have emerged to have a strong presence on retailer shelves around the world, being especially prevalent in Europe (Queck 2009) and also becoming increasingly common in the United States (Gerlock 2013). For both retailers and consumers, the reasons behind the success of private-label brands are quite compelling. For retailers, private-label brands offer better margins than national manufacturer brands, greater negotiating power with manufacturer brands, and higher customer loyalty for the retailer (Ailawadi, Pauwels, & Steenkamp 2008). For consumers, these brands offer high quality at very competitive pricing relative to national manufacturer brands. The value benefit became more apparent with the recent economic downturn and recession, and as a consequence, consumers increased purchases of private-label brands (U.S. Grocery Shoppers 2012). Interestingly enough, consumers are continuing to purchase private-label brands even as the economy has begun to recover (U.S. Grocery Shoppers 2012). Given the importance of the topic, it is imperative to understand how various consumer demographic characteristics may influence the preference and purchase proneness of private-label brands. While a few findings from prior research provide insight, questions still exist about the nature of private-label brand shoppers and the impact of their demographic characteristics on private-label proneness and purchase behaviors.

The main goal of this study is to examine the proportion or percent of consumers' grocery and household spending captured by private-label brands and to determine if this purchase behavior is impacted by consumer demographics. It is expected that consumers who purchase more private-label brands would have more favorable perceptions of quality and value, and be more likely to exhibit higher levels of loyalty for the private-label brands. Therefore, the study examines: (1) the proportion or percent (purchase share) of consumers' monthly purchases for (a) private-label brands and (b) the Great Value brand of products offered by Wal-Mart; (2) if consumer demographic characteristics influence the purchase shares of (a) the Great Value brand of products and (b) private-label brands in general; and (3) if consumer perceptions of risk, quality, and value, and degree of loyalty differ by their purchase behavior (share) of the Great Value brand, as measured by the proportion of their spending for the Great Value brand.

In order to accomplish the objectives of this study, the survey questions used deal with (a) consumers' purchase shares of private-label brands in general and Great Value branded products

in particular, (b) consumer demographic characteristics, and (c) consumers' perceptions of the Great Value brand in relation to risk, quality, and value, and degree of loyalty. The survey also included demographics questions of gender, age, income, family size, and education. Once the survey questions were developed, we conducted a series of pretests in order to fine-tune and purify them, which provided useful input for improving the survey items and in establishing face validity of the constructs. The finalized survey instrument was administered online to potential Wal-Mart shoppers and purchasers of Great Value products in the U.S. market. Following the procedure used by Bitner, Booms, and Tetreault (1990), an email invitation was sent by undergraduate students to a convenience sample of purchasers of Great Value products. We obtained a total of 367 usable surveys.

The results show that 91.6% of the 367 respondents shop at Walmart, and that 82.0% (278) of these individuals are purchasers of the Great Value brand. This finding indicates that private-label brands are becoming an important share of consumers' grocery and household goods purchases, but it seems the Great Value brand is not doing as well as the private-label brand category overall. The other findings are that: (1) the respondents are regular shoppers of the Great Value brand and also regularly purchase private-label brands at retailers other than Wal-Mart, indicating that private-label brands are becoming an important share of consumers' grocery and household goods purchases; (2) the consumer demographics of gender, age, family size, education and income did not have any significant effect on consumer purchase behavior for either Great Value or private-label brands in general; (3) consumer perceptions of quality, value, and risk, and degree of loyalty are impacted significantly by consumers' purchase behavior of the Great Value brand, as measured by Great Value brand share of consumers' monthly grocery and household good purchases. The findings have important implications for Wal-Mart's management of the Great Value brand, as well as for the management of other private-label brands.

## ABOUT THE AUTHORS

**Musa Pinar** (Ph.D., Mississippi State University) is a Professor of Marketing at Valparaiso University. His research interests include service quality, market orientation, gender effect in sales field and tourism, ethical issues in franchising, brand ecosystem, and brand equity in banking and higher education. He has published in various academic journals and presented papers in national and international conferences and has received several best paper awards at several conferences.

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