



ISSN 2278 – 0211 (Online)

The Influence of Retail Chain Structure on Private Label Brand Perception in Zimbabwe: The Effect of Border Towns

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Abstract:

An assessment was made of private label brand perception in two locations of Zimbabwe (1) Bulawayo, a city close to the Botswana border and (2) Harare and Bindura which are central cities/towns. Bulawayo is situated 170km from Francistown (Botswana) whereas the distance between Francistown and Harare is 600km, for Bindura it is 685km. It was hypothesized that being close to a border town and thus having access to a wider array of international retail chains would affect the perception of local private label brands. Results from a regression analysis show that there was a significant effect of location ($p=0.016$) on private label brand perception. Mean private label brand perception for central locations was 31.02% higher at 4.35 compared to that of the border town which was 3.32. It was concluded that proximity to well-known and highly regarded South African retail chains in Botswana negatively affected local private label brand perceptions in Bulawayo. This is because for some basic commodities, items in Botswana (both national brands and South African private label brands) tend to be cheaper than the same items in Zimbabwe. It means that in border towns local private label brands can lose their competitiveness. The authors recommended that retailers from border towns in Zimbabwe who are more likely to face stiffer competition from international retail chains should focus on providing premium private label brand products that are more competitive on the international market.

Key words: private label brand perception, location, competition, international market

1. Introduction

Private label brands also known as store brands and house brands are sold by a retailer under a single brand name. They are exclusively managed by the retailer for sale in a specific chain of stores. National brands are those that are owned by a manufacturer or distributor and are distributed through most retail chains (Beneke, 2009). Private label brands are generally cheaper than national brands because the retailer reduces advertising costs and does not have to pay for shelf space. The benefits retailers have realised from private label brands include, increased profitability through cost saving (which in turn leads to increased margins), increased store loyalty and the creation of a distinct corporate identity (Fernie et al., 2003). Research results show that the gross margin realised from private label brands can be 25–50% higher compared to national brands (Keller, 1993; Semeijn et al., 2004).

The major challenge that private label brand growth faces is skepticism from consumers (DelVecchio 2001). This is because consumers associate the lower price positioning with lower quality. To overcome this, retailers have embarked on strategies which include product innovation, quality improvements, packaging improvements and advertising and/or promotion (SIRIG, 2012). In the United Kingdom, a leader in terms of private label brand growth, retailers have been known to invest in marketing to reiterate to consumers that buying private label brands does not mean compromising on quality (SIRIG, 2012). In 2012 the market share for private label brands in the United Kingdom was 41% compared to 32% in Germany, 26% in the Netherlands and a 23% world average (Steenkamp and Dekimpe, 1997; Semeijn et al, 2004).

Despite the general success in private label brand growth this has not been uniform for all product categories. For instance in their study Ailawadi et al (2008) found that there were lower sales volumes in desserts and beauty items compared to household paper

products. Their explanation for the observations was that for private label brands there was a higher risk perception for products that require a more complex manufacturing process. Similar results have been observed by DelVecchio, (2001), who found that private label brands success was higher for toothpaste than that of jeans and cameras.

In addition to product category private label brand success has also been found to be different among retailers (Collins-Dodd & Lindley, 2003). Results of the Collins-Dodd & Lindley (2003) study illustrated that there was a strong positive correlation between store image and private label brand perception and thus sales. These observations were also made by (Corstjens and Lal, 2000; Rzem and Debabi, 2012). Other factors which have been illustrated to affect private label brand growth include income level (Richardson et al 1996), age of consumer, price consciousness and the level at which consumers believe that brands reflect social status (DelVecchio, 2001; Rzem and Debabi, 2012; Nyengerai et al, 2013). These are factors which retailers have to take into consideration in the development of marketing strategies for private label brands.

One factor that could affect private label brand perception but has received little attention in Southern Africa is the location of the retail store (Beneke, 2009). In this region South African retail chains dominate the international retail sector. Products from South Africa are often viewed as being of higher quality because the country is the most industrialized in the continent and produces goods which compete with those from developed countries (IRIN, 2013). In relatively less industrialized countries like Zimbabwe, residents of border towns tend to shop in neighbouring countries where South African retail shops stock both national and private label brands. Some of the items within these outlets are sold at a cheaper price compared to products in Zimbabwean stores. This means that Zimbabwean private label brands that are set at a cheaper price level in local stores to attract consumers within the country may lose their competitive appeal because of the proximity of South African retail chains. If this is the case Zimbabwean retailers will need to rethink their marketing strategies for private label brands in border towns.

The purpose of this research was to use survey methodologies to quantify private label brand perception in border and central towns/cities in Zimbabwe. This information will be made available to local and regional retailers for use in their strategic decision making.

The study was guided by the following hypothesis.

H₁: Compared to border towns/cities there is a higher perception of private label brands in central towns/cities of Zimbabwe.

2. Methodology

A survey questionnaire was designed to collect data that would quantify the structural relationship between perceptions of private label brands in different towns of Zimbabwe. The questionnaire was also used to collect data for a wider study on private label brand perception. The 1st part of the questionnaire collected demographic information and information on consumer characteristics. The 2nd part of the questionnaire collected information on private label brand perceptual variables. Consumers were asked to give their perception of basic commodities from a local Zimbabwean retailer, 'TM Super Markets,' private label brands for TM supermarkets are manufactured/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 Bindura, which represent the central location and Bulawayo which represents the border city. In this study the border town/city was located close to Botswana's second largest city, Francistown. The distance between Harare and Francistown is 600km, for Bindura the distance is 685km and for Bulawayo it is 170km. A total of 43 questionnaires which were accurately administered were used for data analysis. 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. Items for private label brand perception were based on a scale used by (Semeijn *et al.*, 2004).

Factor	Items measured
Private Label Brand (PLB) Perception	<ul style="list-style-type: none"> • The overall quality of private label brands is low (R) • I am highly likely to purchase a private label brand
	<ul style="list-style-type: none"> • Considering the cost of PLB for me to purchase PLB would be very risky (R)
	<ul style="list-style-type: none"> • The purchase of PLB is risky because the quality of PLB is inferior (R)

Table 1: Scale Items for the Variables Tested

- **Analysis**

Data was analyzed using simple linear regression. The independent variable was location and the dependent variable was private label brand perception. 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 to \$3000.

3.2. Private Label Brand Perceptions in Different Locations

Results from the analysis show that there was a significant effect of location ($p=0.016$) on private label brand perception. The regression model accounted for 43.7% of the variance. Mean private label brand perception for central locations was 31.02% higher at 4.35 compared to that of the border town which was 3.32 (Table 2 & 3). The hypotheses that there is a lower perception of Zimbabwean private label brands in Bulawayo compared to Harare and Bindura was proved to be true. As mentioned in section 1 this may be because of the proximity of Francistown to Bulawayo and thus more access by consumers to the South African retail chains which dominate the sector in Botswana (Shoprite and Pick & Pay).

South African brands out-perform most African brands, Maritz J (2013) reports that the top 10 African Brands are dominated by South Africa. Based on valuations conducted by Brand Africa where an index is calculated using financial performance and consumer admiration scores, the South African retail chains were ranked in the top four. The retailer Woolworths ranked 2nd, Shoprite ranked 3rd and Pick and Pay was 4th. The top position was garnered by MTN a telecommunications company.

During Zimbabwe's economic crisis many citizens purchased their basic grocery items in the border towns of Chimoio (Mozambique), Musina (South Africa) and Francistown (Botswana) (IRIN, 2013). Though the number of Zimbabweans who regularly shop in border towns declined sharply after recovery of the economy, there are still pockets in the country where shopping is regularly conducted on a cross border basis and this is mainly in border towns of Zimbabwe (Kubatana, 2011). This trend strongly suggests that the higher levels of exposure and access to the South African retail chains and South African private label brands which are viewed to be of higher quality negatively affects perception of local private label brands in Zimbabwe. In this case the availability of lower priced South African products in Francistown can also contribute to the lower perception of local private label brands in Zimbabwe (Kubatana, 2011). Where products are cheaper in Botswana than the Zimbabwean private label brands, the competitive advantage of the lower price positioning used to market them will be lost in Zimbabwe. As a result experience with private label brands and thus familiarity which has been shown to have a strong influence on perception will be lower (Nyengerai et al, 2013). These findings strongly suggest that private label brand marketing in the Zimbabwean retail sector should include premium products that can compete on the international market (DeVecchio, 2001). In addition there will be need for the government to develop and support pricing policies which will allow premium private label brands to be rolled out at competitive prices.

Location	Mean Perception
Bulawayo	3.32
Bindura & Harare	4.35

Table 2: Mean Perception of Private Label Brand Sales in Two Locations of Zimbabwe

Model	Standardized Coefficients	t	Sig.
1	(Constant)	3.813	.001
	Location	2.570	.016

Table 3: Regression Analysis for the Effect of Location on Private Label Brand Perception in Zimbabwe
 $R^2: 43.7\%$

4. Conclusion and Recommendation

The researchers concluded that in border towns of Zimbabwe local private label brands can lose their competitiveness. This is because South African retail chains that are regarded to be of higher standard compared to Zimbabwean retail chains dominate the sector in the border towns of foreign countries. In addition the prices for both national brands and private label brands in the South African retail shops can be cheaper in some product lines than the prices in Zimbabwe. As a result private label brands in Zimbabwean border cities/towns lose their appeal. It is recommended that retailers from border towns who are more likely to face stiffer competition from international retail chains should focus on developing and including premium private label brands at competitive prices in their portfolio. Such products can be more competitive on the international market. The government would also need to facilitate this process through the establishment of an enabling policy environment.

5. Acknowledgements

The authors gratefully acknowledge financial support from Bindura University of Science Education research grant.

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