# The relationship between perceived price and consumers' purchase intentions of private label wine brands

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## Abstract

The primary objective of this study was to determine the relationship between perceived relative price, perceived value and consumers' purchase intentions of private label wine brands within the retail sector in Johannesburg. Private Label Brands (PLBs) are products that the retailer owns, sells and distributes to consumers. If retailers can successfully influence the perceived value of their PLB wines, it will allow them to improve consumers' purchase intentions, increase their profits and market share and gain a competitive edge over their brand name rivals. This study adds value to the limited research on the perceived value and purchase intentions of PLB wines in South Africa. A quantitative, descriptive, survey-based research approach was implemented. Participants were selected via a non-probability convenience sampling method. In total, 250 questionnaires were used for analysis on the SPSS 22 statistical programme. Analysis included Exploratory Factor Analysis (EFA) and simple linear regression analysis. The results indicated that the perceived relative price of PLB wines influenced the perceived value and suggested that there was a significant positive relationship between perceived value and consumers' purchase intentions. It was recommended that Mass Grocery Retailers (MGRs) should adapt their PLB marketing and pricing strategies in order to change consumers' perceived value and positively influence their purchase intentions with regard to PLB wines.

**Keywords:** Perceived relative price, perceived value, private label brands, purchase intentions, wine.

Source:https://sobercounsel.files.wordpress.com/2014/05/sareds.jpg

## Introduction

This study investigated the relationship between perceived relative price, perceived value and consumers' purchase intentions of Private Label Brands (PLBs) of wine in the Johannesburg retail sector. Private Label Brands are defined as products that the retailer owns, sells and distributes to consumers and are also referred to as Distributor's Own Brand (DOB), store, house, retailer, wholesaler or own brands (Amrouche & Yan, 2012:325; Collins-Dodd & Lindley, 2003:345, Retail-FMCG, 2012). A brand is defined in the Oxford Dictionary as a product that is produced under a specific company and name that sets it apart from its competitors. The brand image is often regarded as an asset to encourage the product's success in the market (Oxford University Press, 2015). The voluntary monetary trade between the seller and the buyer, based on the premise that the trade will mutually benefit both parties, is known as the perceived relative price (Monroe, 2012:132). Consumers use their personal perceptions of relative price as their observed reality in order to determine the perceived value of a product, which will subsequently influence their decision-making process to determine whether or not to purchase a product (Du Plessis & Rousseau, 2007:263; Schiffman & Kanuk, 2010:172). Perceived value is created when consumers regard the cost of purchasing a product to be worthwhile in light of its advantages (Blythe, 2013:160,393).

A key factor that determines if a PLB will be successful in the market is the retailers' ability to differentiate their particular product from the wide variety of manufacturer or producer branded products that are available. These products are made by a specific brand name company or producer. A wine that is produced by and carries the name of a particular wine farm on the label is seen as a producer brand of wine. An extensive list of producer brands of wine can be found in the Platter's South African Wine Guide. In 2012 there were 582 wineries listed in South Africa (Van Zyl, 2014:553). Producer brand wines are easily accessible at various retail and liquor stores and at many of the wine farms where they are produced, unlike PLBs, which are only available from the specific retailer who owns it (Hultman, Opoku, Salehi-Sangari, Oghazi & Bu, 2008:126). The South African wine market offers consumers a wide selection of producer brands and PLBs from which to choose, which often complicates their purchasing decisions (Atkin & Thach, 2012:54-55). According to Lincoln and Thomassen (2009:1-2), PLB sales have grown at double the rate of producer brands over the last decade and can be classified as the largest brand in the world. Retail-FMCG (2012) found that PLBs in South Africa's retail sector comprise 18% of the total market share, which is on par with global trends. Many retailers are developing PLBs because consumers are becoming more familiar with them, while they also offer retailers an opportunity to substantially increase their profit margins (Lincoln & Thomassen, 2009:56).

## Acronyms used in the study

| | |
|---|---|
| DOB | Distributor's Own Brand |
| EFA | Exploratory Factor Analysis |
| MGR | Mass Grocery Retailer |
| PLB | Private Label Brand |

## Literature review

A literature review was conducted in order to gain information on the PLB industry, consumer behaviour and the constructs used to develop the conceptual model for this study.

## The private label brand industry

When PLBs first entered the market in the 1960s, the products were the less expensive versions of producer brands. According to the global marketing research firm, ACNielsen (2005:4), PLBs were aggressively marketed at lower prices and were consequently considered

to be of a lesser quality. Traditionally, consumers viewed PLBs as an alternative, cheaper option to producer brand products. However, nowadays consumers are more confident about PLBs being quality products (Private Label Manufacturers Association, 2013). Private Label Brands have evolved into different tiers of products, which are specifically aimed at consumers from all income levels and lifestyles, and no longer only cater for consumers who are on a tight budget (Euromonitor International, 2013b).

The global recession of 2008 resulted in consumers changing their shopping habits, leading to the development of wine PLBs into worthy rivals within the South African retail wine sector (Euromonitor International, 2013b; Retail-FMCG, 2012). Consumers tend to purchase more PLBs in tough economic conditions when they have less disposable income and unemployment rates are higher (Private Label Manufacturers Association, 2014). Consumers are gradually realising that PLBs can compete with producer brand products based on product quality, and often at a lower price (Euromonitor International, 2013b; Lincoln & Thomassen, 2009:19). The inclusion of PLBs offers retailers an opportunity to increase their profits and market share, and to satisfy the demands of their target market more effectively (Euromonitor International, 2013a:9,12; Retail-FMCG, 2012).

**Consumer behaviour**

Consumers are influenced by four factors when making a purchasing decision, namely their knowledge of the product; intrinsic attributes; extrinsic attributes; and product marketing (Parumasur & Roberts-Lombard, 2012:249). Extrinsic attributes are not part of the physical product. The use of extrinsic attributes to infer product quality leads to PLBs having a lower perceived product quality than producer brands, according to the consumer (Rubio, Oubina & Villasenor, 2014:290). Consumers often use extrinsic attributes

such as the price, brand name and packaging of a product to judge a product's quality if they are sure that they have a good understanding of how these attributes influence the product quality (Monroe, 2012:133-134; Schiffman & Kanuk, 2010:195,199).

Intrinsic attributes are directly related to how a consumer behaves and to a product's physical characteristics (Monroe, 2012:133-134). A consumer's needs, level of wine education, lifestyle, health concerns; culture, religion, income, occupation, marital status, previous experience with the product, attitude towards PLBs, perceived value, and willingness to try a new product are classified as intrinsic attributes, which affect consumer behaviour and purchase intentions (Du Plessis & Rousseau, 2007:261; Parumasur & Roberts-Lombard, 2012:251). According to Lin and Chen (2009:29) understanding consumers is a difficult task because consumers' behaviour, which affects their purchase intentions and decisions, is influenced by their personal, cultural, social and psychological backgrounds. Consumers' attitudes towards a brand, their understanding of this brand and their previous usage of the particular product, comprise the perceived brand image of a product. A powerful brand name can reassure consumers of the quality that the product promises to provide and makes the marketing of a product more effective (Parumasur & Roberts-Lombard, 2012:7;301-303).

There are various stigmas that surround PLBs, which negatively affect consumers' purchase intentions. This includes that PLBs are purchased on an irregular basis; they are for consumers who cannot afford producer brand products; the majority of consumers do not like them; and they cannot be considered as a competitive and profitable brand (Lincoln & Thomassen, 2009:23-28). Private Label Brands are however, proving to be the smarter choice for consumers in today's economy, as they offer certain product ranges, which are similar in value to

producer brands, are often at a lower selling price, and thus influence consumers' purchase intentions (Private Label Manufacturers Association, 2013). If a MGR invests time and effort into determining what drives consumers to purchase PLBs, they could influence their behaviour and persuade them to swop their producer brand products for PLBs (Sheau-Fen, Sun-May & Yu-Ghee, 2012:49). It is essential to identify the needs of the target market and to develop a product that offers to satisfy those needs profitably (Du Toit, Erasmus & Strydom, 2007:300,314).

## Perceived relative price

The perceived relative price is the consequence of making the purchase, which is deemed to be fair and worthwhile (Du Plessis & Rousseau, 2007:178; Monroe, 2012:135-136,146). It is the main influencing factor when consumers make a purchasing decision, and not the actual price of a product. Consumers evaluate the actual price of a product with what they think the product is worth to determine the perceived relative price in order to make a purchasing decision (Du Plessis & Rousseau, 2007:151; Monroe, 2012:132). A product is judged based on its perceived relative price in light of the benefits to be gained from it; what consumers would be willing to pay for the product; and the price versus quality trade-off to determine if the price and quality of the product satisfy their needs (Monroe, 2012:146; Schiffman & Kanuk, 2010:198). The perceived relative price of a product will have a direct effect on consumers' purchase intentions, and if the price of a product is perceived to be unfair, the perceived value and purchase intention of the product suffers (Schiffman, Kanuk & Hansen, 2012:178).

The degree to which consumers are affected by the price of a product when making a purchasing decision can be classified as price consciousness (East, Wright & Vanhuele, 2013:196-197).It is essential for retailers to understand their target market well enough to set prices that consumers would be willing to pay (Blackwell, Miniard & Engel, 2006:628-629). It is also essential that PLBs challenge producer brands in terms of price (Amrouche & Yan, 2012:328).

## Perceived value

The analysis of a product's value is dependent on the benefits gained from purchasing or consuming the product, and it is essential that retailers create a satisfactory value proposition to attract consumers (Blythe, 2013:160,393). Perceived value is unique to each consumer's perception of the advantages and disadvantages of purchasing a product (Liu, Brock, Shi, Chu & Tseng, 2013:228). Perceived value would be low in cases where a product is considered to have a low perceived price as well as in cases where products have a high perceived price (Monroe, 2012:143-144). Perceived value is determined by evaluating the perceived benefits of a product, and whether there is enough credible information available for the consumer to make an accurate purchasing decision. This is also referred to as perceived acquisition value. In instances where it is difficult to judge a product's quality, for example, a bottle of wine, consumers tend to utilise the price versus quality as a means of determining product quality (Monroe, 2012:144-146). Perceived relative price affects consumers' overall perceived value of a product and subsequently influences consumers' purchase intentions (Sun, Su & Huang, 2013:257).

## Purchase intentions

The purchasing decision-making process involves identifying a need that must be satisfied; looking for relevant information regarding the product's benefits and product quality in order to make an informed decision; evaluating all the products available that could possibly satisfy one's need; purchasing and

consuming the chosen product; and then evaluating whether the product did indeed meet one's desires and needs (Du Plessis & Rousseau, 2007:263). A consumer makes a purchase in order to satisfy a perceived need with the expected value of the product that they are purchasing (Snoj, Korda & Mumel, 2004:156). Consumer behaviour influences their purchasing decision and how they decide to act to satisfy their needs. The purchasing process involves a problem that requires solving and is an intangible process to satisfy a perceived need (Parumasur & Roberts-Lombard, 2012:250).

The perceived relative price of PLBs influences a consumer's intention to purchase a product (Cuneo, Lopez & Yague, 2012:430; Dursun, Kabadayi, Alan & Sezen, 2011:1197-1198). However, if the perceived relative price of a product is considered to be unfair, the perceived value and purchase intention of the product suffers (Huei-Chen, 2007:49; Schiffman *et al.*, 2012:178; Schindler, 2012:1). Consumers are interested in purchasing PLBs because of the perceived relative price and value of these products (Grill-Goodman, 2013). The purchasing decision is often made without the availability of adequate product information, thus a consumer's perception of a product is extremely powerful (Palmeira & Thomas, 2011:541; Silver, Stevens, Wrenn & Loudon, 2013:1).

**The conceptual model**

The conceptual model for this study (Figure 1) was developed to investigate the relationship between perceived relative price, perceived value and consumers' purchase intentions of PLB wines within the retail sector in Johannesburg. The model was adapted from various previous studies (Beneke, Flynn, Greig & Mukaiwa, 2013:220; Sweeney, Soutar & Johnson, 1999:82).

**Figure 1: The conceptual model**



(Source: Beneke *et al.*, 2013:220; Sweeney *et al.*, 1999:82).

**Problem statement**

The demand for wine is increasing while retailers' ability to predict and understand the driving forces behind wine consumers and what motivates them to purchase a bottle of wine, is becoming increasingly difficult. This is owing to the wide selection of wines that are available on the market (Corduas, Cinquanta & Ievoli, 2012:407). The South African wine market offers consumers many producer brands and PLBs of wine from which to choose. Private Label Brands of wine have developed into worthy rivals within the South African retail sector (Euromonitor International, 2013b; Retail-FMCG, 2012). However, many consumers still have a misconstrued opinion that PLBs are only for consumers with money constraints. A perceived product quality gap, therefore, exists between producer brand wines and PLB wines. This quality gap could be addressed by introducing premium lines of PLBs to compete with producer brand products regarding price and product quality (Mandhachitara, Shannon, & Hadjicharalambous, 2007:80-81).

The study aimed to address this perceived product quality gap by investigating the moderating role of perceived value on consumers' purchase intentions of private label wine brands. These important aspects in the wine purchasing decision

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have not been researched extensively in South Africa and in order for MGRs to take advantage of the unique growth opportunity that the PLB market has to offer, in-depth research should be conducted (Beneke *et al.*, 2013; Schiffman *et al.,* 2012:178). An investigation of perceived value of PLB wines and its relationship to consumers' purchase intentions has not been done in South Africa before, thus it serves as a valid foundation to conduct this study. If retailers can successfully influence the perceived value of their PLB wines, it will allow them to influence consumers' purchase intentions, and hence increase their profits and market share (Holtzkampf, 2012; Retail-FMCG, 2012).

## Research objectives and hypotheses

The primary objective of the study was to determine the relationship between the perceived relative price, perceived value and the purchase intentions of consumers in relation to PLB wines.

The secondary objectives of the study included to:

- Identify consumers' overall levels of perceived relative price, perceived value and purchase intentions relating to PLB wines;

- Determine whether a significant relationship exists between the overall perceived relative price and the overall perceived value of PLB wines;

- Determine whether a significant relationship exists between consumers' overall perceived value and overall purchase intentions of PLB wines.

The following hypotheses were formulated based on the research objectives:

$H_1$:   There is a significant relationship between the overall perceived relative price and the overall perceived value of PLB wines;

$H_2$:   There is a significant relationship between the overall perceived

value and consumers' overall purchase intentions of PLB wines.

## Research methodology

This study used quantitative research as the primary research design, which was in line with research conducted by Beneke *et al.* (2013) and Sweeney *et al.* (1999) measuring similar constructs. A quantitative, descriptive, survey-based research approach was implemented to accomplish the research objectives and to determine the relationship between perceived relative price, perceived value and consumers' purchase intentions of PLB wines. A descriptive research design was used because it was deemed as being suitable to quantitative research on consumer behaviour and how it affects consumers' purchase intentions (Zikmund & Babin, 2010:44-46).

The quantitative data for this descriptive study was collected via a self-administered, structured questionnaire distributed personally to respondents by fieldworkers. This method was chosen because questionnaires are the preferred data collection tool for descriptive studies as these are easily distributed to a wide variety of participants in a cost-effective manner, and the data that is collected can be thoroughly analysed by using statistical procedures (Hair, Bush & Ortinau, 2009:235-236). A pilot study of 20 participants was conducted to determine the validity of the questionnaire, and the reliability that could be expected from the data. The questions were designed based on constructs, which were used in previous studies (Agarwal & Teas, 2001:12; Diallo, 2012:364; Olsen, Menichelli, Meyer & Naes, 2011:773; Wu, Yeh & Hsiao, 2011:37-38; Zhou, Su & Bao, 2002:363).

Validity refers to the extent to which the measurement tool assesses and evaluates what the study planned for it to evaluate (Leedy & Ormrod, 2010:28;

Pallant, 2011:6). To determine the validity of the questionnaire used to collect the data for the study, three aspects were considered, namely face, content and construct validity. Face validity refers to the measurement tool's ability to measure what was originally intended and is determined subjectively by the person designing the measurement tool (Leedy & Ormrod, 2010:92; Pallant, 2011:7). The design of the questionnaire formed an integral part in the face validity of this study to ensure that there was no measurement instrument bias such as leading questions, or questions unrelated to the constructs that are researched (Schiffman & Kanuk, 2012:58). Content validity is established when the measurement tool accurately represents a sample of the intended content that is measured (Leedy & Ormrod, 2010:92; Pallant, 2011:7). It is a more methodical approach than face validity that determines whether the items, which measure a particular construct, are appropriate (Silver *et al.*, 2013:104). The adaptation of measurement tools that were used in previous studies, which were conducted on consumers' value of PLBs and its relationship with purchase intentions, contributed to the content validity of this study (Beneke *et al.*, 2013:220; Sweeney *et al.*, 1999:82). Furthermore, the data analysis and findings are discussed in relation to the research objectives of the study by using the content validity approach to ascertain whether the questionnaire measured what was intended to be measured, and hence adequately addresses the research problem of this study (Silver *et al.*, 2013:104). Face and content validity contribute to the overall construct validity (Mooi & Sarstedt, 2011:36). The adaptation of measurement tools used in previous studies in the questionnaire design contributed to the construct validity of this study, as well as towards conducting a pilot study of the questionnaire (Pallant, 2011:6).

The target population for this study comprised of any adults 18 years and older, as 18 years is the legal drinking age in South Africa, who was available at the specific time and place when the fieldwork was being conducted in the North, East, South and West of Johannesburg. Johannesburg was selected because it is considered to be the financial and economic capital of South Africa (City of Johannesburg, 2012). A non-probability sampling strategy was used, namely the convenience sampling method.

This approach gave every person an equal chance of being selected to participate in the study, thus eliminating researcher bias; however, the researcher could not predict whether the sample would be representative of the target population (Brown & Suter, 2014:116-117; Schiffman & Kanuk, 2012:64). The quantitative data collected from the questionnaires was analysed by using the SPSS 22 Statistical programme. This was done through the use of descriptive and inferential statistical procedures. Exploratory Factor Analysis (EFA) and simple linear regression were used to test the hypotheses of the study.

**Findings and discussion of results**

In total, 270 questionnaires were completed, of which 250 were usable for data analysis, thus a realisation rate of 92.60%. Of the total number of respondents who participated, 83 (33.60%) drink wine only on special occasions; and 36 (14.60%) indicated that they do not drink wine. The majority of the respondents purchase wine once a month (25.30%; $n$=63), while 29 respondents (11.60%) purchase wine once every six months. Lastly, 160 respondents (64.50%) were familiar with PLB wines.

**Descriptive statistics and exploratory factor analysis by construct**

The questionnaire measured respondents' views of the perceived relative price, perceived value and purchase intentions with regard to PLB wines. Statements within each of these constructs were listed and respondents were required to rate

their level of agreement with each statement on a scale of 1, indicating a strong level of disagreement, to 5, indicating a strong level of agreement with the statement.

In order to test the relationships between perceived relative price, perceived value and consumers' purchase intentions of PLB wines, inferential statistics were required in the form of an EFA. For data to be suited for an EFA, it was required that the KMO measure of sampling adequacy had a value that is equal to or greater than 0.6, and the Bartlett's test of sphericity had a *p*-value of less than 0.05 (Tabachnick & Fidell, 2007 cited in Pallant, 2011:183). The constructs had acceptable KMO scores ranging between 0.700 and 0.834 and met the requirements for Bartlett's test

of sphericity, which indicated that an EFA was possible for all constructs. Once factor analysis suitability had been assessed, an EFA was conducted. In order to be able to extract factors from each construct, only statements with an eigenvalue of greater than 1.0 were considered. The items were subjected to Principal Axis Factoring to assess the dimensionality of the data.

- **Perceived relative price of PLB wines**

In this construct, six statements were listed and respondents were required to rate their level of agreement with each statement. Table 1 summarises the mean and standard deviation for each statement.

Table 1: Descriptive statistics for perceived relative price of PLB wines

| | Perceived relative price | Mean | Standard Deviation |
|---|---|---|---|
| a | I compare the price of house brand wines to producer brand wines before I decide to buy. | 2.87 | 1.482 |
| b | I think that house brand wines are for people with money constraints. | 2.78 | 1.340 |
| c | House brand wines are generally in a cheaper price range. | 3.72 | 1.165 |
| d | House brand wines are competitively priced. | 3.43 | 1.049 |
| e | I am price conscious when buying wine. | 3.21 | 1.353 |
| f | The price of wine is a good indicator of product quality. | 3.60 | 1.294 |
| | **Overall perceived relative price of PLB wines** | **3.27** | **1.281** |

The results indicated that the means for the perceived relative price construct ranged between 2.78 and 3.72, while the standard deviations ranged between 1.049 and 1.482, which indicated some level of variance between the statement responses. The overall mean for the perceived relative price construct was 3.27, which indicated that most of the respondents tended to agree with the statements within the perceived relative price construct. The statement with the highest level of agreement was: 'House brand wines are generally in a cheaper price range' (*M* = 3.72; *SD* = 1.165),

followed by: 'The price of wine is a good indicator of product quality' (*M* = 3.60; *SD* = 1.294). The statements that respondents disagreed with the most were: 'I think that house brand wines are for people with money constraints' (*M* = 2.78; *SD* = 1.340), and: 'I compare the price of house brand wines to producer brand wines before I decide to buy' (*M* = 2.87; *SD* = 1.482).

The results from the EFA indicated that the communality values for perceived relative price ranged between 0.177 and

0.712. The weakest indicator of the perceived relative price construct was statement a: 'House brand wines are competitively priced' (0.177), while statement c: 'House brand wines are generally in a cheaper price range' (0.712), was the strongest. An unrestricted EFA was run and a two factor solution emerged. Factor one (F1) explained 36.97% of the variance and factor two (F2) explained 17.64% of the variance. The screeplot also indicated the existence of multiple factors, which suggested that the perceived relative price construct might be multidimensional.

To aid in the interpretation of these two factors, an oblimin rotation was performed. The pattern matrix revealed that statement b: 'I think that house brand wines are for people with money constraints'; statement c: 'House brand wines are generally in a cheaper price range'; and statement d: 'House brand wines are competitively priced', cluster into one factor (F1), while statement a: 'I compare the price of house brand wines to producer brand wines before I decide to buy'; statement e: 'I am
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price conscious when buying wine'; and statement f: 'The price of wine is a good indicator of product quality' cluster into another factor (F2). There was insufficient evidence of independent ideas for each factor to support a two-factor solution for the perceived relative price construct owing to low communality values, as well as low factor loadings on the pattern matrix for statements b and d. Thus, it was decided to use only the three items (Statements a, e and f) that had acceptable factor loadings on the pattern matrix for factor 2 (F2) to represent the overall perceived relative price construct in the remainder of the measurement and analyses. The refined construct was considered to be undimensional and valid. This single factor solution was labelled as 'overall perceived relative price'.

- **Perceived value of PLB wines**

Six statements were listed to measure respondents' perceived value with regard to PLB wines. Table 2 summarises the results

Table 2: Descriptive statistics for perceived value of PLB wines

| | Perceived value | Mean | Standard Deviation |
|---|---|---|---|
| a | I believe that I get a good deal when purchasing house brand wines. | 3.10 | 1.160 |
| b | House brand wines meet my expectations. | 2.98 | 1.160 |
| c | Considering the price involved in purchasing house brand wines, I think that it is a wise purchasing decision. | 3.18 | 1.074 |
| d | Considering the quality involved in purchasing house brand wines, I think that it is a wise purchasing decision. | 3.15 | 1.097 |
| e | Considering the risk involved in purchasing house brand wines, I think that it is a wise purchasing decision. | 3.05 | 1.048 |
| f | If the retailer has a good reputation, I am likely to buy their house brand wines. | 3.50 | 1.163 |
| | **Overall perceived value of PLB wines** | **3.16** | **1.117** |

The means for the perceived value construct ranged between 2.98 and 3.50

and the standard deviations ranged between 1.048 and 1.163, which indicated

a low level of variance between the responses to the statements. The statements with the highest level of agreement were: 'If the retailer has a good reputation, I am likely to buy their house brand wines' (*M* = 3.50; *SD* = 1.163), followed by: 'Considering the price involved in purchasing house brand wines, I think that it is a wise purchasing decision' (*M* = 3.18; *SD* = 1.074). The statement that respondents disagreed with the most was: 'House brand wines meet my expectations' (*M* = 2.98; *SD* = 1.160). The overall mean for the perceived value construct was 3.16, which indicated that most of the respondents tended to agree with the statements within the perceived value construct.

The perceived value construct showed communality values, which ranged between 0.297 and 0.679. The weakest indicator of the perceived value construct was statement e: 'Considering the risk

involved in purchasing house brand wines, I think that it is a wise purchasing decision' (0.297); while statement c: 'Considering the price involved in purchasing house brand wines, I think that it is a wise purchasing decision' (0.679), was the strongest. An unrestricted EFA was run and only one factor was identified, which explained 55.29% of the variance. This scale was considered to be undimensional and valid, thus no further rotation of factor scores was required. One factor (F1) was retained, which included all six items of the original perceived value construct. This single factor solution was labelled as 'overall perceived value'.

- **Purchase intentions of PLB wines**

Four statements were provided to measure respondents' level of agreement regarding purchase intentions of PLB wines as summarised in Table 3.

Table 3: Descriptive statistics for perceived product quality of PLB wines

| | Purchase intentions | Mean | Standard Deviation |
|---|---|---|---|
| a | I will buy house brand wines more frequently. | 2.74 | 1.222 |
| b | I will say positive things about house brand wines to other people. | 3.14 | 1.080 |
| c | I will encourage friends and relatives to purchase house brand wines. | 3.02 | 1.129 |
| d | I will recommend house brand wines to someone who seeks my advice. | 3.08 | 1.156 |
| | **Overall purchase intentions of PLB wines** | **3.00** | **1.147** |

The overall mean for the purchase intentions construct was 3.00, which indicated that most of the respondents neither agreed nor disagreed with the statements within the purchase intentions construct. The means for the purchase intentions construct ranged between 2.74 and 3.14 and the standard deviations ranged between 1.080 and 1.222. The statement with the highest level of agreement and lowest variance was: 'I will say positive things about house brand wines to other people' (*M* = 3.14; *SD* = 1.080), followed by: 'I will recommend house brand wines to someone who seeks

my advice' (*M* = 3.08; *SD* = 1.156). The statement that respondents disagreed with the most and had the highest level of variance was: 'I will buy house brand wines more frequently' (*M* = 2.74; *SD* = 1.222), followed by: 'I will encourage friends and relatives to purchase house brand wines' (*M* = 3.02; *SD* = 1.129).

The communality values for purchase intentions ranged between 0.534 and 0.797. The weakest indicator of the perceived relative price construct was statement a: 'I will buy house brand wines

more frequently' (0.534); while statement c: 'I will encourage friends and relatives to purchase house brand wines' (0.797), was the strongest. An unrestricted EFA was run and only one factor emerged. Factor one (F1) explained 75.50% of the variance. No further rotation of factor scores was required as the scale was considered to be undimensional and valid. This single factor solution was labelled as 'overall purchase intentions'.

## Hypotheses testing

Simple linear regression was used to test the conceptual model (Figure 1) and to determine whether to accept or reject the hypotheses of the study. This statistical tool was used to explore the relationship between one dependent variable and one independent variable to determine whether a particular selection of variables could predict a specific outcome (Leedy & Ormrod, 2010:282; Pallant, 2011:148-149). The following assumptions were evaluated before the simple linear regression analysis was conducted: the impact of outliers; the distribution and normality of the data; linearity between dependent and independent factors; and homoscedasticity of residuals. Residuals are defined as the difference between the actual and the predicted dependent variable scores (Pallant, 2011:151). No outliers were evident in any of the constructs owing to a large sample size ($n$=250), and the constructs met the assumptions of normality, linearity and homoscedasticity, thus simple linear regression was deemed possible. In order to test the hypotheses, overall perceived value (dependant variable) was regressed onto perceived relative price (the independent variable), followed by the simple linear regression of overall purchase intentions (dependent variable) onto overall perceived value (independent variable).

**$H_1$: There is a significant relationship between the overall perceived relative price and the overall perceived value of PLB wines.**

The results from the simple linear regression analysis supported the hypothesis ($\beta = 0.358$, $p < 0.05$). The adjusted R-square value of 0.124 indicates that approximately 12.40% of the variance in perceived value is predicted by perceived relative price. A significant positive relationship was predicted between the overall perceived relative price and the overall perceived value of PLB wines, thus $H_1$ could be accepted.

**$H_2$: There is a significant relationship between the overall perceived value and consumers' overall purchase intentions of PLB wines.**

The results from the simple linear regression results supported $H_2$ ($\beta = 0.614$, $p < 0.05$). The adjusted R-square value of 0.375 indicates that approximately 37.50% of the variance in consumers' overall purchase intentions is predicted by overall perceived value. There is a significant positive relationship between the overall perceived value and consumers' overall purchase intentions of PLB wines, thus $H_2$ could be accepted.

## Conclusions, recommendations and limitations

After the data analysis was conducted, conclusions and recommendations were drawn based on the results. There were three secondary objectives of this study which are discussed below, followed by the limitations of the study and possible future research topics.

**Secondary objective 1: Identify consumers' overall levels of perceived relative price, perceived value and purchase intentions relating to PLB wines.**

It is recommended that MGRs should pay careful attention to the prices of their PLBs, as consumers tend to link PLBs with lower prices. The findings suggested that there is a gap between what consumers expect from PLB wines and what they actually experience. It is

recommended that PLB wines should be marketed as quality products instead of cheaper alternatives to producer brands, as the perceived relative price and perceived product quality issue could significantly influence future PLB wine sales. Many consumers still have a misconstrued opinion that PLBs are inferior in quality to producer brands. The MGRs can provide a money-back satisfaction guarantee on their PLBs, should a consumer purchase a product, which is then either faulty or of an inferior quality in relation to what it should be. Some MGRs do offer such a guarantee; however, this should be communicated in a more effective way to create awareness amongst consumers.

Consumers tend to be cautious when it comes to purchasing PLBs, because they are unfamiliar with the products. Proper communication and information regarding PLB wines would assist in minimising these indecisions that consumers tend to have. A recommendation is that MGRs should promote their PLB wines by offering these as a promotional deal together with a product that consumers buy on a regular basis and complements wine, for example, cheese, savoury biscuits or fruit. Customers would then pay a certain amount for the cheese and receive the PLB wine as part of the package. This would expose consumers to the PLB wines without them having the purchase intention to solely purchase the PLB wine. Some MGRs have already implemented this strategy with some of their PLBs; however it is recommended that it should be redirected at PLB wines specifically. The reason why consumers are reluctant to purchase PLB wines more frequently could be related to the perceived relative price and perceived product quality of the PLB wine. The perceived price gap between PLB and producer brand wines should be minimised in order to encourage greater purchase intentions from consumers.

**Secondary objective 2: Determine whether a significant relationship**

**exists between the overall perceived relative price and the overall perceived value of PLB wines.**

This secondary objective was tested through $H_1$ (There is a significant relationship between overall perceived relative price and overall perceived value of PLB wines). Due to the significant positive relationship between overall perceived relative price and overall perceived value of PLB wines, MGRs should ensure that their pricing strategy fits in clearly with their marketing strategy in order to provide consumers with the value that they expect. It is recommended that a competitive pricing strategy should be adopted. The price of a PLB wine should be just below the price of the producer brand wine with a similar product quality.

**Secondary objective 3: Determine whether a significant relationship exists between consumers' overall perceived value and overall purchase intentions of PLB wines.**

This objective was tested through $H_2$ (There is a significant relationship between overall perceived value and consumers' overall purchase intentions of PLB wines). The MGRs who own PLB wine ranges should develop and appropriately promote a formal internal and external marketing strategy, which incorporates the elements of perceived relative price and perceived value. This will encourage positive word-of-mouth marketing and ensure that a positive perception of PLB wines is created amongst employees and customers. These elements should contribute collectively to create an overall positive perception of PLB wines, which will result in greater purchase intentions.

**Limitations of the study**

The main limitation of this study is that it was conducted amongst consumers of MGRs in Johannesburg only, thus the results of the study are only relevant to the participants of this specific study. A similar

study in a different city or province with different participants could yield different results. The study used a non-probability convenience sampling method, thus the results from the data analysis cannot be generalised to the entire population, but only to respondents who participated in the study.

## Conclusion

The purpose of this study was to investigate the relationship between perceived value and consumers' purchase intentions, specifically focused on PLBs of wine within the retail sector in Johannesburg, South Africa. The demand for wine is increasing while retailers' ability to predict and understand the driving forces behind wine consumers and what motivates them to purchase a bottle of wine, is becoming increasingly difficult. This is owing to the wide selection of wines, which are available on the market. In order for retailers to survive in a competitive marketing environment, they should constantly research their target markets to ensure that they satisfy their needs (Corduas *et al.,* 2013:407). This research contributed to the limited literature, which is available on the perception and purchase intentions of PLBs in South Africa in order to assist MGRs to capture a larger market share with their PLB ranges. Despite improved marketing efforts by retailers, it remains a challenging task to change the perceptions of PLBs, as consumers view them to be lower in product quality than producer brands (Albayrak & Aslan, 2009:771-772).

The results of the study indicated that overall perceived relative price had a significant positive relationship on overall perceived value, which in turn had a significant positive relationship on overall purchase intentions relating to PLB wines, thus indicating that the aim of the study was achieved. A key factor that determines if a PLB will be successful in the market is the retailers' ability to differentiate their particular product from the wide variety of producer branded products that are available. This is applicable to the wine industry where consumers are confronted with so many different producer brands and PLBs from which to choose, which often complicates their decisions (Corduas *et al.*, 2013:407). Competition between PLBs and producer brands is becoming intense, as PLBs are gaining a better perception in the eyes of the consumer and an increased market share. The inclusion of PLBs offers retailers an opportunity to increase their profits and market share, and to satisfy the demands of their target market more effectively. If buyers are satisfied with the PLB that they bought, they tend to return to that particular retail chain to purchase it again. This could also encourage consumers to try other PLB products that the retailer has to offer, thus creating prolonged consumer loyalty. In order to increase consumers' PLB purchase intentions it is imperative that MGRs create a sufficient value proposition which strikes a balance between perceived relative price and perceived quality (Lincoln & Thomassen, 2009:56; Retail-FMCG, 2012).

## Possible future research topics

Future research could be extended to include and compare other PLB categories within the South African retail sector as well as other provinces and cities. It is recommended that future research on PLBs should examine other variables such as perceived quality, store image, wine knowledge and consumer demographics and their influence on perceived value and purchase intentions of PLB wines. Lastly, a cross-country comparison between consumers' perceptions and purchase intentions of PLBs could prove useful in providing information on how the South African PLB market could be expanded and improved.

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