Chapter 4
Private Labels in Chile:
Influential Factors in the Purchase Intention

Mónica Gómez-Suárez
Universidad Autónoma de Madrid, Spain

Galo Paiva
Universidad de La Frontera, Chile

Berta Schnettler
Universidad de La Frontera, Chile

ABSTRACT

The aim of this study was to contribute to the knowledge of Private Label (PL) brands in Chile. The question was whether there are differences in the perception between buyers and non-buyers and what factors affect the intention to purchase this type of brand. This involved an in-home survey in Temuco, Chile on the basis of multistage random sampling. Using a one-way ANOVA, it was determined that private label buyers are looking to save more on their purchases than non-buyers. They also had a better perception of the quality of these brands. Using linear regression, the main factors were obtained that determine the purchase intention: frequency of purchase and attitude towards private labels. The variable that affected attitude was mainly the perception of the quality of private labels. These results do not differ greatly from the studies conducted in Europe or the United States.

INTRODUCTION

Private labels have received a great deal of attention from marketing researchers due to their importance in retail strategy and their constant expansion in various channels, product categories and participation in sales (Hyman et al., 2010).

The main aim of this study was to determine which factors affect the intention to purchase private labels and if there are differences between buyers and non-buyers in Chile, a country where sales of this
type of brand has increased, although their market share and acceptance by consumers still have ample opportunities for growth.

There have been very few studies into the expansion of private labels in Latin America. Indeed, the main research has taken place with data collected in Chile. The studies by Hidalgo & Farías (2006), Manzur et al. (2005), Manzur et al. (2011), Olavarrieta et al. (2006) and Schnettler et al. (2008) are worthy of note. In Brazil there was a study by Bulamah et al. (2004). Therefore, it is important to obtain greater knowledge on the topic so that analogies can be drawn with other countries or regions where these brands are a recent phenomenon.

The study is structured as follows. First, we expose the background related to the market. Second, we address the arguments found to undertake this study based on the gaps we have detected in the literature review, the conceptual framework and the research proposals. Then, we show the empirical study undertaken to answer the research questions, also discussing the results. Finally, we introduce conclusions, limitations and future lines of research.

BACKGROUND

According to Nielsen data published by the Private Label Manufacturers Association (PLMA, 2015a), Europe is the region with the greatest market penetration of this type of brand, although there are large differences between countries. In some of them, participation exceeds 50%, e.g., Switzerland (53%) and Spain (52%). The UK (45%), Portugal (44%) and Germany (44%) or Austria (40%) also exceeds 40% of market share (PLMA, 2015a). Another region where the participation of these brands is growing is the United States, where the share is currently 21%, according to PLMA, (2015b). Precisely because these private labels have a greater penetration, most of the published studies use data from European countries or the US.

However, there are still emerging regions, where private label products have still not achieved the distribution they have in developed countries. Contrary to Europe, the US and Canada, private labels in Asia and Latin America have a participation in sales that does not exceed 10%. Nielsen data (2014) show that the share in sales in Colombia is 15%, Argentina 9%, Mexico 8%, Peru 7%, Brazil 5% and Venezuela 3%. In the case of Asia, the greatest participation is in Singapore 8%, Hong Kong 5%, India 5%, and South Korea 4%. The lowest participation, with 1% of sales, is in Thailand, China and the Philippines.

In Chile’s case, the participation of these brands in 2014 did not exceed 10%. Private labels are developed by the main supermarket chains, Walmart, Cencosud and SMU, which together comprise 93% of the sales in this channel (CERET, 2014). Department stores and household goods stores also have a wide product range with store labels, including clothes, electrical appliances and electrical tools. In the supermarket segment, Walmart Chile is the main driver of private labels with 40% participation in this segment. This retailer has 14 own labels, which combined grew 16% in 2011 (Walmart Chile, 2012).

Similar to what occurs in developed countries, private labels are also characterized as being cheaper in Chile. Nevertheless, although shoppers from this country can save up to 20% on private label purchases, this is not perceived by the consumers (CERET, 2014).

In this context, the aim of this chapter is to understand how consumers accept private labels in this particular emerging market. Specifically, the main contribution is to better understand the behavior of the Chilean private label buyer, responding to the following research questions:
Related Content

The Web Site and Brand Trust as Antecedents of Online Loyalty: Results from Four Countries
[www.igi-global.com/article/web-site-brand-trust-antecedents/54040?camid=4v1a](www.igi-global.com/article/web-site-brand-trust-antecedents/54040?camid=4v1a)

A Case Study on Customer Experiential Management at High Five Hotels Pvt. Ltd, Nashik
Sonali Gadekar and Sushil Gadekar (2014). *Teaching Cases Collection* (pp. 200-205).
[www.igi-global.com/chapter/case-study-customer-experiential-management/78844?camid=4v1a](www.igi-global.com/chapter/case-study-customer-experiential-management/78844?camid=4v1a)

Corporate Communicative Engagement in Micro-Blogging: Cross-Cultural Analysis of Weibo and Twitter
[www.igi-global.com/chapter/corporate-communicative-engagement-in-micro-blogging/131023?camid=4v1a](www.igi-global.com/chapter/corporate-communicative-engagement-in-micro-blogging/131023?camid=4v1a)

Predicting the Usage Intention of Social Network Games: An Intrinsic-Extrinsic Motivation Theory Perspective
[www.igi-global.com/article/predicting-usage-intention-social-network/56004?camid=4v1a](www.igi-global.com/article/predicting-usage-intention-social-network/56004?camid=4v1a)