Exploring Brand Loyalty in E-Commerce: Customer Loyalty Programmes And Private Labels Analysis As Per Competition Commission Of India

Abhigyan Chatterjee[1], Dr. Gitanjali Shrivastava[2*], Dr. Vaibhav Sonule[3]

[1] *BBA LLB student, Symbiosis Law School (SLS)*
[2] *Assistant Professor, Symbiosis Law School (SLS)*
[3] *Assistant Professor, Symbiosis Law School (SLS)*
Symbiosis International (Deemed University) (SIU),
Vimannagar, Pune, Maharashtra, India.

[2*] *Email Id: gitanjali.shrivastava@symlaw.ac.in*

Abstract

The Internet may have been invented in the late 20th Century, but the Internet Revolution in India can be said to be taking place since 2016, which allowed for widespread accessible and affordable internet, leading to the exponential growth of e-commerce. In the present research article, the objective is to conduct primary research regarding consumer preferences with regard to brand loyalty in the e-commerce sphere. Two important aspects of Customer Loyalty Programmes and Private Labels have been closely analysed in order to understand the consumer preferences and purchase patterns.

Keywords: Brand, Private Label, Customer Loyalty, Competition, E-Commerce

Introduction

The e-commerce industry in India has been growing exponentially, and serves as an alternate channel, as compared to the traditional markets. Both demand and supply side factors have resulted in the cumulative growth of e-commerce in the past decade. With the growing popularity of these e-commerce platforms, new strategies and innovations have been adopted by the market players to gain a competitive edge.

The intersection of competition law in the sphere of e-commerce is multi-faceted. Firstly, it acts as a facilitator for the different companies to operate at an equal footing with traditional businesses. The role of competition law is to create an environment for fostering innovation while protecting the consumers' right to choose. In addition to the above, Competition Law, in conjunction with the respective governments, must also provide enough protection using safeguards to the traditional form of businesses and companies, vis-à-vis modern methodologies, such as e-commerce [1].

With the internet and e-commerce boom, accelerated by the pandemic, large companies as well as start-ups need to be vigilant so as to ensure their activities do not contravene the provisions of the Competition Act, 2002. Growing companies, which were considered start-ups until a few years ago, such as Flipkart or Swiggy, are now in a dominant position, where their actions have a ripple effect on the industry itself [2]. Being aggregators, their actions affect not just the market competition, but are closely linked to the vendors or sellers on the platform as well. Since these companies have managed to tap into a growing industry from a nascent stage, where larger players were absent, they command a significant market share in the relevant segment. In order to stay a step ahead of the curve, these aggregators have entered into allied spheres, such as loyalty programmes, private labels, and bundling of goods or services, which may result in an appreciable adverse effect on competition.

As mentioned above, one key aspect that is adopted by several e-commerce businesses to get further share of the pie, through private labels. A major concern that arises due to the fact that aggregators own and control private labels, is of platform neutrality. In the retail sector, this concern stems from two major issues. Firstly, it is the private labels of the platform directly competing with other sellers, which are not owned by the aggregator or platform. Second, the platform designating certain partners as 'preferred sellers', creating an unjust divide [3].

The Competition Commission of India (CCI), through market study and research has recognised the implementation and advocacy priorities in the Indian e-commerce industry [4]. This includes making sure that the competition is fair to protect the rights of the consumers, creating a transparent environment to incentivize innovation for healthy competition, as well as causing a reduction in information asymmetry, which allows for sustainable business relationships to be fostered among all the relevant stakeholders. In the report, it was recognised that the online marketplaces for commodities, cab aggregators, food and grocery delivery services should come up with ways to regulate specific areas of their operations as well as their business dealings with platform users. Further, the CCI stated that these marketplaces, of the aforementioned sectors should develop a suitable framework to ensure transparency and lay out the fundamental terms of contracts between platforms and businesses. For the benefit of all parties, it is necessary to make it clear that they're in control while deciding on

the specific terms that should apply to each contract. The Competition Commission of India (CCI) through this paper, put forth self-regulatory mechanisms that the marketplace platforms should adopt.

Srini S. Srinivasana, Rolph Andersona, and Kishore Ponnavolub, in their study recognised eight different factors that have an impact on loyalty of customers in the field of e-commerce [5]. They categorized the factors as "8C's", which included different aspects such as care, choice, character, cultivation, contact interactivity, customization, community, and convenience. As per the study, all factors have a significant impact on customer loyalty except that of convenience, which did not have as much of a role to play, since the study was restricted to the sphere of e-commerce. As per the findings, the elasticity was highest in case of care and character. Another notable observation was the correlation of loyalty and positive impression, which leads to a customer being willing to pay a premium.

As per a study by researchers of KL University [6], promotional schemes such as loyalty bonuses and allied incentives show a positive impact increasing customer loyalty. As per the research, consumers are price sensitive, and tend to weigh in the options of online and physical shopping with regard to the variety of brands, discounts available, status of brands, and overall value for money. Trust and Satisfaction are some of the traits closely studied by the researchers, in the e-commerce industry in particular. Online platforms should ought to closely monitor the impact of loyalty, perceived quality of the product, brand awareness, and customer retention.

With the exponential growth of e-commerce in recent times, accelerated by the pandemic, it is important to understand the usage pattern by customers of e-commerce, to analyse the extent of the effects of customer loyalty programmes and private labels. The aim of the present article is hence to conduct a primary research regarding consumer preferences with regard to brand loyalty in the e-commerce sphere. Based on the above parameters, the following research questions can be formulated:

1. Whether consumers have a preference or propensity to continue purchasing goods and services from e-commerce platforms they have already paid and/or subscribed to?

2. Whether consumers prefer the private label offerings, which are owned by the e-commerce aggregator themselves?

In order to answer the aforementioned questions, an extensive questionnaire on both aspects of customer loyalty programmes and private labels in e-commerce were circulated amongst the respondents, who are users of e-commerce, of various demographics. The survey was conducted in a stratified sampling manner, with 151 responses.
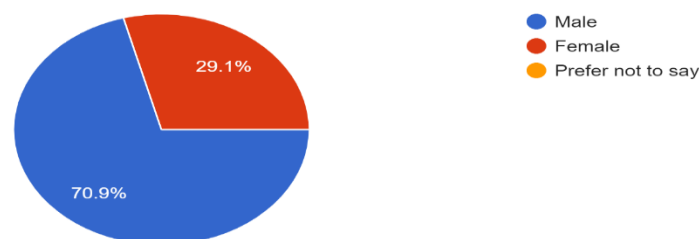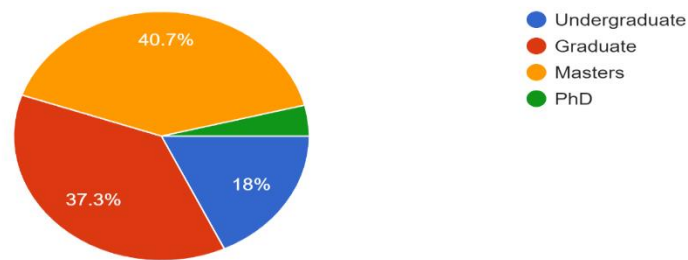
ANALYSIS
Demographic Analysis
Age

Age
151 responses

- 0-18
- 18-30
- 30-45
- 45-60
- Above 60

47.7%
17.9%
27.8%
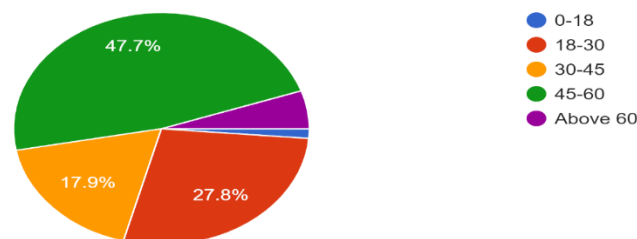
Gender

Gender
151 responses

- Male
- Female
- Prefer not to say

29.1%
70.9%

Educational Qualification

Educational Qualification
150 responses

- Undergraduate
- Graduate
- Masters
- PhD

40.7%
37.3%
18%

Income

Income
147 responses

- Not Working
- Below Rs.30,000 per month
- Above Rs.30,000 per month

71.4%
21.8%

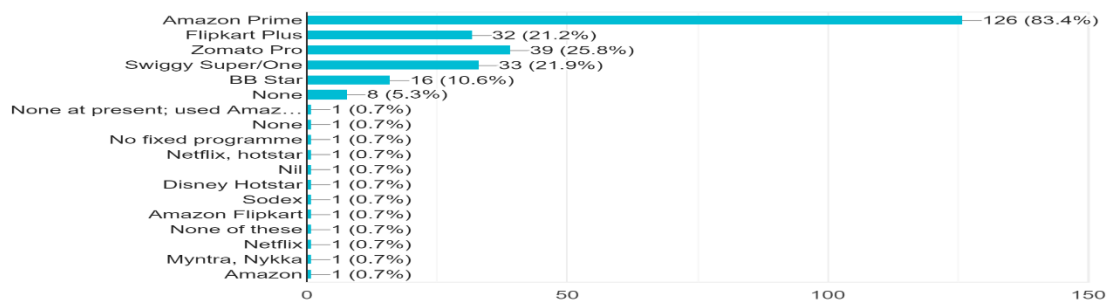## Most Common Customer Loyalty Programmes Opted for

Which of these e-commerce loyalty programmed have you signed up for?
151 responses

Amazon Prime	126 (83.4%)
Flipkart Plus	32 (21.2%)
Zomato Pro	39 (25.8%)
Swiggy Super/One	33 (21.9%)
BB Star	16 (10.6%)
None	8 (5.3%)
None at present; used Amaz...	1 (0.7%)
None	1 (0.7%)
No fixed programme	1 (0.7%)
Netflix, hotstar	1 (0.7%)
Nil	1 (0.7%)
Disney Hotstar	1 (0.7%)
Sodex	1 (0.7%)
Amazon Flipkart	1 (0.7%)
None of these	1 (0.7%)
Netflix	1 (0.7%)
Myntra, Nykka	1 (0.7%)
Amazon	1 (0.7%)

Analysis & Findings Pertaining to Objective 1: Customer Loyalty Programmes

In today's highly competitive market, it's critical to understand what types of customers are loyal, why they are loyal, when they are loyal, and what business conditions influence their loyalty. Many modern loyalty programmes have two major objectives. The first is to reward customers who make regular or large purchases. The second purpose is to collect data on consumer purchases and use that information to improve the product offering.

Reliability Analysis - Scale (Cronbach's Alpha)

The value of Cronbach's alpha as 0.637; which is close to 1.00 which shows that internal consistency is good hence the data is reliable for 151 No. of Cases and 07 No. of Items.

TABLE 1: Reliability Analysis of Customer Loyalty Programmes

Reliability Statistics	
Cronbach's Alpha	N of Items

.637	07

KMO Analysis
The KMO (Kaiser-Meyer-Olkin) value is 0.614 and the observed level of significance is <.001 (Table 4.2.2). Value is small enough for rejecting the hypothesis and can hence be concluded that the concerned variables show a strong relationship, which in turn indicates that one may proceed with the factor analysis for the given data.

TABLE 2: KMO & Bartlett Analysis of Customer Loyalty Programmes

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.614
Bartlett's Test of Sphericity	Approx. Chi-Square	176.791
	Df	21
	Sig.	<.001

The KMO Bartlett Value is 0.614 representing that the data is acceptable for factor analysis.

Rotated components and factors of Customer Loyalty Programmes
Factor Analysis
The responses of sample were subjected to SPSS for factor analysis through which three common factors of Customer Loyalty Programmes emerged. These factors are shown by the following summarized factors.

TABLE 3: Factor Load Table of Public & Private Sector

S. No.	Factor	Sub Factor	Factor Load	Question No.
1	Usage and Benefits	Inclined towards buying products/services from a platform already subscribed to	0.882	Q1
		Increase in Usage post-subscription	0.718	Q7
		Additional benefits apart from cost savings	0.632	Q6
		Total Factor Load	**2.232**	
2	Market Competition and Inertia	Switched subscription from one e-commerce site to another in the past	0.849	Q4
		Subscribed to multiple e-commerce sites, falling under the same category or having similar product range	0.702	Q3
		Total Factor Load	**1.551**	
3	Cost and Loyalty	Bought items from competing sites as well after opting for subscription of another site	0.781	Q2
		The annual cost of subscription is a major factor while choosing a customer loyalty programme.	0.774	Q5
		Total Factor Load	**1.555**	

Factor 1: Usage and Benefits (2.232)
The first factor that was identified through factor analysis was "Usage and Benefits". One of the most important factors of Customer Loyalty Programmes is based on repeated usage and an increase in frequency of usage. With customers regularly visiting and purchasing goods from the sites, there is an increase in the transactions, and total value of business done, which is the objective of these programmes in the eyes of the business. As can be understood and analysed from data, after the purchase of a subscription of any e-commerce loyalty programme, there has been a sharp increase not only in the usage by customers, but also repeat orders, which helps the businesses to grow. Another important aspect is the bundling of benefits that have been offered by the e-commerce sites. Sites like Amazon offer a host of benefits including subscription to Prime Video, Prime Music and others, which helps to gain customers, while ultimately helping them grow as a e-commerce destination. The factor consists of three sub factors, namely, Repeat Usage on subscribed site (0.882), Increase in Usage post-subscription (0.718) and Additional benefits, apart from cost (0.632).

Factor 2: Market Competition and Inertia (1.551)

The second identified factor through factor analysis was "Market Competition and Inertia". With E-Commerce growing exponentially, in the past 5 years due to the increased accessibility of internet, there have been several players who have tried to The factor consists of two sub factors i.e., Switched subscription from one e-commerce site to another (0.849), and Subscribed to multiple e-commerce sites, falling under the same category or having similar product range (0.702).

Factor 3: Cost and Loyalty (1.555)

The third and final identified factor through factor analysis for Customer Loyalty Programme (CLP) is "Cost and Loyalty". The factor consists of two main sub-factors, i.e. Bought items from competing sites as well after opting for subscription of another site (0.781) and lastly, the annual cost of subscription (0.774).

Analysis & Findings Pertaining to Objective 2: Private Labels

While the initial model of most e-commerce sites have been that of an aggregator, with the growing market, these aggregators have been trying to expand into allied territories to increase their market share and profitability. E-Commerce are trying to get further share of the pie through private labels. Private Labels can be understood to be any goods or services thar is created or rendered for sale under the name and brand of the retailer, and is often manufactured by a third party. Private labels strengthen the gatekeeper role of businesses, giving them more control.

Reliability Analysis - Scale (Cronbach's Alpha)

The value of Cronbach's alpha as 0.679; which is close to 1.00 which shows that internal consistency is good hence the data is reliable for 151 No. of Cases and 09 No. of Items.

TABLE 4: Reliability Analysis of Private Labels

Reliability Statistics	
Cronbach's Alpha	N of Items
.679	09

KMO Analysis

The KMO (Kaiser-Meyer-Olkin) value is 0.679. In the present case, the observed level of significance is <.001 (Table 4.3.2). It shows a strong relationship, which in turn indicates that one may proceed with the factor analysis for the given data.

TABLE 5: KMO & Bartlett Analysis of Private Labels

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.679
Bartlett's Test of Sphericity	Approx. Chi-Square	242.354
	Df	36
	Sig.	<.001

The KMO Bartlett Value is 0.679 representing that the data is acceptable for factor analysis.

Rotated components and factors of Customer Loyalty Programmes
Factor Analysis

The responses of sample were subjected to SPSS for factor analysis through which twelve common factors of private labels and e-commerce emerged. These factors are shown by the following summarized factors.

TABLE 6: Factor Load Table of Public & Private Sector

S. No.	Factor	Sub Factor	Factor Load	Question No.
1		E-commerce Aggregators should run private labels	0.854	Q5

	Trust and Visibility	More likely to trust Private Label Brand	0.744	Q6
		Online platforms advertising private labels on the platform	0.678	Q8
		Chosen Sponsored Product Since it was 1st Result	0.472	Q4
		Total Factor Load	**2.748**	
2	Placement and Peer Reviews	Requirement for Clear Demarcation of Private Label Brands.	0.787	Q9
		Private Label brands appear more prominently	0.707	Q7
		Importance of Customer Reviews to decide product on e-commerce platforms	0.679	Q3
		Total Factor Load	**2.173**	
3	Brand Power	Brand as an Important Factor for Purchase	0.833	Q1
		Repeat Usage of previously used brand	0.798	Q2
		Total Factor Load	**1.521**	

Factor 1: Trust and Visibility (2.748)

The first factor that was identified through factor analysis is "Trust and Visibility". The factor consists of four sub-factors, namely, E-commerce Aggregators should run private labels, (0.854), More likely to trust Private Label Brand (0.744), Online platforms advertising private labels on the platform (0.678), Chosen Sponsored Product Since it was 1st Result (0.472).

Factor 2: Placement and Peer Reviews (2.173)

The second identified factor through factor analysis was "Placement and Peer Reviews". The factor consists of three sub factors i.e., Requirement for Clear Demarcation of Private Label Brands, (0.787), Private Label brands appear more prominently, (0.707), and Importance of Customer Reviews to decide product on e-commerce platforms (0.679).

Factor 3: Brand Power (1.521)

The third and final identified factor through factor analysis for Customer Loyalty Programme (CLP) is "Cost and Loyalty". The factor consists of two main sub-factors, i.e. Brand as an Important Factor for Purchase (0.833) and lastly, Repeat Usage of previously used brand (0.798).

RECOMMENDATIONS AND CONCLUSION

Electronic commerce is a unique platform connecting sellers and buyers from across the globe, which has allowed consumers more choices, and more avenues for businesses.

As can be seen from the data and analysis above, Amazon Prime, by far seems to be the most popular choice for subscription. As backed up by the questionnaire, the consumers do prefer bundling of different host of benefits with the subscription, which makes it more lucrative. Swiggy One is a similar offering with the different arms of Food Delivery, InstaMart and Genie to cater to different needs. There have been some market players such as Times Prime, which is a third-party platform, offering multiple subscriptions through a common bundle, to try and lure more customers to take the seemingly better value for money deal. Such cross-platform bundling could become more commonplace in the future with the dynamic nature of the industry.

Another suggestion could be to have a family plan to give some more benefits for a family buying collectively more value of products, which would lead to further loyalty, across generations, tapping into a bigger market, with today's day and age, where multiple bread-winners and most members of the family have access to and indulge in e-commerce. As compared to Western countries, the institution of a family plays a greater role in the Indian Context, and the e-commerce sites could capitalise on the same.

Therefore, e-commerce has been playing a significant role in our lives, becoming a mainstream retail channel, and efforts are being undertaken by the market players to attract new customers, and also try to retain them for repeat purchases. At the same time, these platforms have also emerged as producers of goods and services to strengthen their portfolio of offerings further, so as to serve as an end-to-end, one-stop destination for consumers in the e-commerce sphere.

References

[1] Shaw, R., 2021. The progress of E-commerce and competition law in India. Issue 2 Int'l JL Mgmt. & Human., 4, p.212.
[2] Tewary, R., 2022. The Regulation of E-Commerce under Indian Competition Law. Indian Politics & Law Review, 8, pp.36-45.

[3] Bhattacharya, S. and Khandelwal, P., 2021. Indian competition law in the digital markets: An overview of national case law. Available at SSRN 3897291.

[4] Competition Commission of India, Market Study on E-Commerce in India, Key Findings and Observations, 08-01-2020.

[5] Srini S. Srinivasana, Rolph Andersona, Kishore Ponnavolub, Customer loyalty in e-commerce: an exploration of its antecedents and consequences, Journal of Retailing 78 (2002) 41–50.

[6] Mr. P.Phani Bhaskar, Dr. D. Prasanna Kumar, E-Loyalty and E-Satisfaction of E-Commerce, (2015) International Journal of Management and Social Sciences, Vol.03 Issue-11 (November, 2015) ISSN: 2321-1784.