
“A STUDY OF THE CONSUMER PREFERENCE OF PRIVATE LABELS OVER NATIONAL LABELS IN APPAREL SEGMENT OF THE DEPARTMENTAL STORES IN NAGPUR REGION”

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ABSTRACT

As per FICCI-Ernst & Young 2007 report, (taken from- The Marketing Whitebook 2009-10), the retail sector in India was worth \$280 billion, out of which organized retail worth \$14 billion. In the beginning of 2010, contribution to private sector in Garment segment to total turnover is 10% and it is expected to cross 20% by 2012. As per the BMI India Retail Report, for the third-quarter of 2010, forecasts the total retail sales will grow from US\$ 353 billion in 2010 to US\$ 543.2 billion by 2014.

With the expanding middle and upper class consumer base and increase in disposable income, the scope of organized retailing is widening in India store brands. It has also started capturing the market share from national brands. Almost every retailer is coming out with their own brands, trying to increase the number and the categories of private brands as their efforts are paying off. The fight between national brands and Private labels is getting and tougher and interesting.

Store brands provide value for money to customers and higher margin to retailers. The research paper highlights the past of national brand/private label competition. It is a study to understand the category specific factors which affect the consumer preference for private labels versus National brands. This paper aims to investigate the consumers' brand preference for National versus private labels especially in Apparel segment.

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INTRODUCTION

Indian Retail sector is booming and has become the fifth largest global retail destination. It is estimated that the total number of shopping malls to grow at the rate of 18.9% by 2015¹. As per the study conducted by RNCOS the Indian organized retail market is expected to reach US\$ 50 billion by 2011².

In 2009, the revenue of Indian apparel retail industry was \$28,102.6 million, representing a compound annual growth rate (CAGR) of 9.9% for the period spanning 2005-2009³. According to the Nirmalya Kumar⁴, "private label's market will grow from less than 5% in present to 50% in India⁵".

Till 2-3 decade ago, there was no concept of Private label there in India. Indian apparel market was unorganized. Consumers were buying material or fabric from the small local unorganized retailers. In early 1990s, Shoppers Stop pioneers the concept of private label in India and redefined the concept of 'shopping' by making efforts to provide the Indian consumers with an international shopping experience. It launched a STOP brand in India with the branded women ethnic wear. This attracted many business houses and visionary entrepreneurs entered into the retail arena. Players like Future Group, Trent, Pantaloons Retail, Infiniti Retail, and The Mobile Store, Westside and Univercell launched their own private label brands which captured 14% of the total retail market.

Private label are spreading its focus from wheat flour, masalas and papads to high technology electronic gadgets like mobiles, apparels, furniture etc. With the growth of private label brands, national brands are grabbing the share from the national brands. Private labels are not only low priced but are also high on quality and for the retailers its high margin.

Private labels are growing faster than the manufacturer's brands. They have studies the taste and preference of customers and improved on quality & offer a value proposition to the customers. As compare to National brands, Private labels give higher margin and greater bargaining power to retailers and hence retailers promote more private labels. Even some private labels have positioned themselves as premium brands; they have started their own outlets. In the year 2009-10, Pantaloon (Future Group) acquired 10% i.e. \$20-billion (Rs 92,000 crore) of Indian organized retail space. It hopes to break-even operationally by 2012, and is aiming to match Pantaloon's share by 2015⁶.

Retail Giants capalize more on private labels. Out of total merchandise of Reliance hypermarts, its own brands hold 35-40% of the total merchandise. Piramyd retail also possess the major lot of store brands and thereby saving on transportation, marketing and advertising.

REVIEW OF LITERATURE

Private labels of retail stores in India are on the growth path. With the emerging private players, national brand manufacturers will have to compete with the competition within the sales promotion and distribution channel, which needed to change in marketing strategy, locally, to thwart the threat of the private label in a store. The phenomenon also offers national brand manufacturers the opportunity to efficiently service the production needs of the private labels. This article covers the study of success factors of private labels and the

¹ <http://www.rncos.com/Report/IM112.htm>

² <http://www.rncos.com/Report/IM112.htm>

³ <http://www.reportlinker.com/p0284285/Indian-Apparel-Retailing-Industry.html#ixzz1A34fDITw>

⁴ Professor of Marketing and Director of the Aditya Birla India Centre, London Business School, and co-author of Private Label Strategy

⁵ <http://toostep.com/insight/private-labels-v-s-national-brands-the-undercurrent-battle>

⁶ http://3isite.com/articles/aditya_birla_more.html

challenges and opportunities for the national brands arising out of the growth of private labels.

Textbooks define marketing as the societal process of identifying and meeting consumers' needs to generate profit and growth (Kotler, 2000, p. 8; Perrault & McCarthy, p. 30). Today due to increase in disposable income, there is big shift in consumer lifestyle. They need more customized and quality products. Concern for quality of products and product development, with added focus on advertising have become the most discussed topic of business magazines and dailies. Marketing theory is now fluctuating between standardization for a mass market and customization for a specific niche. Given the technological developments in recent times, standardized products no more enjoy unique selling propositions as imitations cannot be prevented from entry.

Though private labels has already a discussed topic in most of develop countries (Stern, 1966; Boyd and Frank, 1966), in India, private brands has got noticed primarily only in the last decade. However, research work in this area appears to leave a void. For Indian conditions, it's a wakeup call for national brand manufacturers. They need take note of, to effectively combat the threat of private labels.

Introduction of private label

Private labels are those brands which may be manufactured or provided by one company for offer under another company's brand. Brand owned not by a manufacturer or producer but by a retailer or supplier who gets its goods made by a contract manufacturer under its own label. It is available in a wide range of industries and positioned as lower cost alternatives to regional, national or international brands.

Types of private label

- Store brands - The retailer's name is very evident on the packaging.
- Store sub-brands - Products where the retailer's name is low-key on the packaging.
- Umbrella branding - A generic brand, independent from the name of the retailer.

Advantages

- Lower Prices
- Better Margins
- Offer consumer greater value
- Bargaining power to the retailer

Disadvantages

- Conflict with other brands in the category.
- Higher R&D expense
- Higher marketing expense
- If product fails, will create negative image
- Inventory risk

Evolution of private label

- In 19th century, consumer moved from no name brand to branded product.
- The manufacturers use the media
- The branded message to consumer was one of the smart shopping
- In 20th century, retailer were small, leads the brand manufacturer to establish their power over distribution channels.
- In 1970's retailer started to develop their national chains like metro, expanded internationally & consolidated to global player.
- The retail started to sell non-CPG product, e.g Walmart sales were \$150 billion on non-CPG.
- Private label refer as own label, store brands, distributed-owned brands
- Global private label now approach one trillion dollars.

Source: http://www.brandchannel.com/view_comments.asp?dc_id=20

OBJECTIVES

1. To investigate consumer brand preference for national versus store brands in Apparel segment.
2. To study the influence of quality, price, variety, availability and current trend on brand preference for national versus store brands.

HYPOTHESIS

H0: Brand preference for National brands and Private labels for Apparel segment is getting significantly equal.

H1: Brand preference for National brands is still more than Private labels.

METHODOLOGY

The study is based on descriptive research design. Products like jeans, shirts, dress, suits etc apparel segment were taken. Mall intercept interview were conducted to collect the data for the study by using questionnaire as the research instrument.

The sample of 30 respondents was taken from Nagpur. Customers from various retail chains like Solo, Reliance Trend, Pantaloon, Big Bazaar participated in the survey. Customers within the age group of 16-40 were involved in the study. Convenient sampling was done.

Data collection:

Two types of data were collected; Primary and secondary.

Primary data collection:

The method of data collection used was self administered questionnaire.

Statistical tools used for hypothesis testing:

Paired T-test was performed to test whether the quality, price, availability, current trends factors have any influence on brand preference for national brands versus private labels.

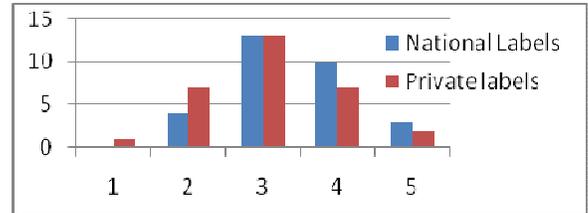
Scales: Likert Scale

DATA COLLECTION AND ANALYSIS

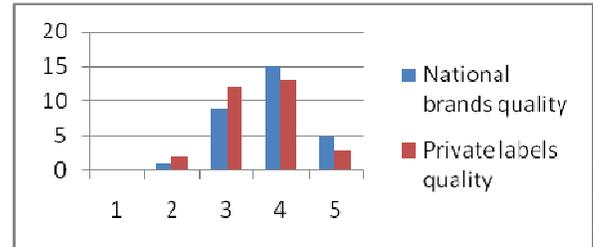
Data was analyzed to study the acceptance level of private labels over National brands.

Question 2 & 3

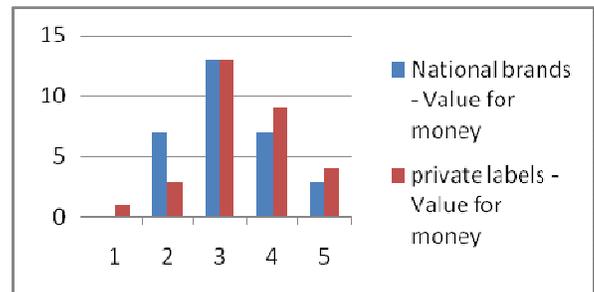
	National Labels	Private labels
1	0	1
2	4	7
3	13	13
4	10	7
5	3	2
	30	30

**Question 4 & 5**

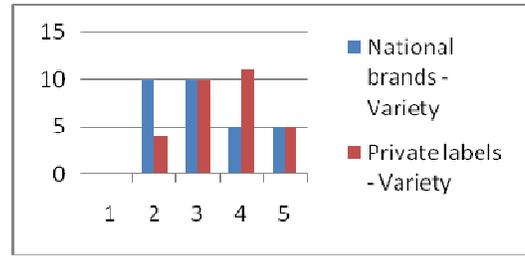
	National brands quality	Private labels quality
1	0	0
2	1	2
3	9	12
4	15	13
5	5	3

**Question 6 & 7**

	National brands - Value for money	private labels - Value for money
1	0	1
2	7	3
3	13	13
4	7	9
5	3	4

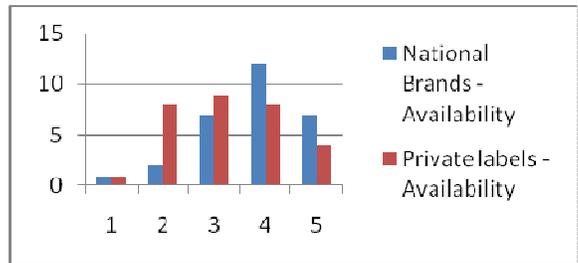
**Question 8 & 9**

	National brands - Variety	Private labels - Variety
1	0	
2	10	4
3	10	10
4	5	11
5	5	5



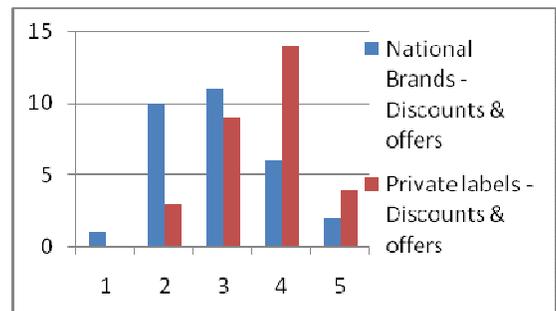
Question 10 & 11

	National Brands - Availability	Private labels - Availability
1	1	1
2	2	8
3	7	9
4	12	8
5	7	4



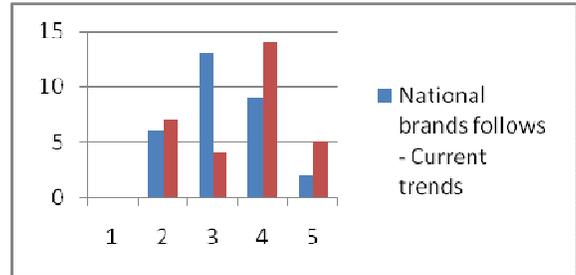
Question 12 & 13

	National Brands - Discounts & offers	Private labels - Discounts & offers
1	1	
\$2	10	3
3	11	9
4	6	14
5	2	4



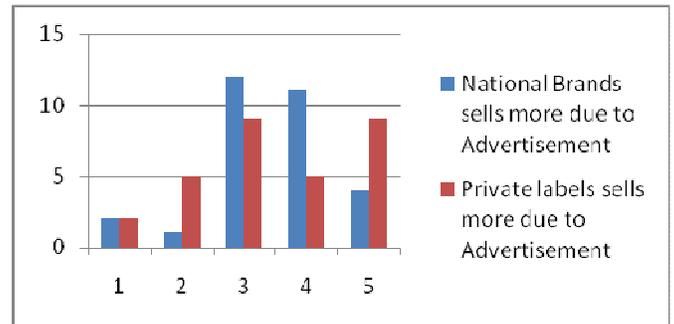
Question 14 & 15

	National brands follows - Current trends	Private labels follows Current trends
1		
2	6	7
3	13	4
4	9	14
5	2	5



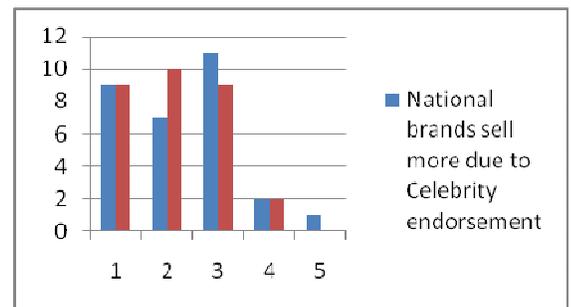
Question 16 & 17

	National Brands sells more due to Advertisement	Private labels sells more due to Advertisement
1	2	2
2	1	5
3	12	9
4	11	5
5	4	9



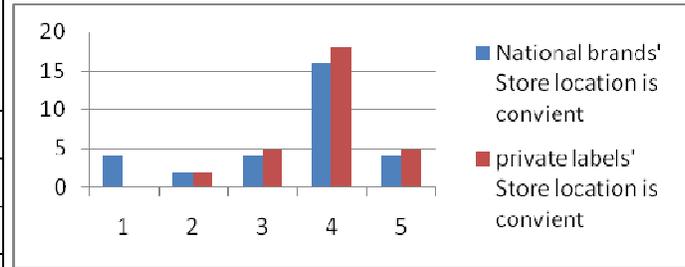
Question 18 & 19

	National brands sell more due to Celebrity endorsement	Private labels sell due to Celebrity endorsement
1	9	9
2	7	10
3	11	9
4	2	2
5	1	0



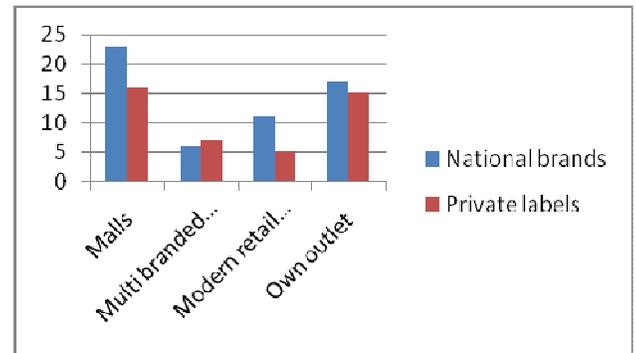
Question 20

	National brands' Store location is convenient	private labels' Store location is convenient
1	4	
2	2	2
3	4	5
4	16	18
5	4	5



Question 21 & 22

	National brands	Private labels
Malls	23	16
Multi branded stores	6	7
Modern retail stores	11	5
Own outlet	17	15

**Weighted Mean of all 5 parameters**

Weighted Average Mean	National Brands A	Private labels - B	d= B - A	d ²
Quality	3.8	3.57	-0.23	0.0529
Price	3.2	3.4	0.2	0.04
Variety	3.17	3.57	0.4	0.16
Availability	3.63	3.2	-0.43	0.1849
Current trends	3.23	3.57	0.34	0.1156
			Σd=	Σd ² =
			0.28	0.5534

By applying Paired t-test, we get

1. Calculated value of t --- 1.708
2. Tabulated value of t= 4.604 at 5 % level with 4 d.f. --- 2.776

Since $T_t > T_c$, H_0 - Brand preference for National brands and Private labels for Apparel segment is getting significantly equal, proves correct.

FINDINGS & RESULTS

Analysis of data shows that customers had strong brand preference for national brands. Customers felt that quality and advertisement of national brands is better than the store brands while store brands are priced lower than the national brands.

As national brands spend heavily on advertisement they might influence the customer perception about the quality and the benefits of the product while private labels can not spend on advertisement as it would lead to increase average cost, so only those customers who visit the store can be influenced.

However consumers have started treating private labels on an equal platform with National brands. The perception that private labels are low quality products has changed significantly. As private labels' quality is improving and they are trendier than national labels, it is seen that the acceptance level of Private label is increasing. Celebrity endorsement has least impact on the choice of both National brands as well as Private labels. Customers today need more variety and current fashion clothes. They enjoy to shop more from Malls and company own outlets. They have special preference for a particular store destination for variety of product available, quality, convenient location and discounts & offers. It is also found that customers are buying apparels anytime without any specific reason.

CONCLUSION AND IMPLICATION

- Private brands provide more variety, discounts and offers to customers, built loyalty and customer retention for organized retailers.
- Private labels provide more variety to their loyal customers and differentiate themselves from their competitors in organized retail sector. Sometimes national brands may not be able to provide more variety to retailers choose to have their own options.
- Private brands are becoming greater threats to major national brands of Peter England, Westside, and Pantaloons as they are directly or indirectly competing with their major brands in the market.
- Even Private labels have to come out continuously with unique products, create own stores in order to maintain the growth momentum.
- Marketers of national brands have to change their positioning strategies and reposition their brands frequently with increasing competition from private brands of retailers. They need to come out with more sales promotion activities and more varieties in their product aisles.
- Marketers of national brands need to innovate brilliantly to keep coming up with new products and new value additions continuously. This helps their national brands as moving targets and not sitting ducks in stores.

Where ever possible manufacturers has to provide discounts and more margins to their major key retailers by sales promotion targeting towards customers and retailers. Marketers of national brands must start to partner with their profitable retailers by considering their strengths. Innovate and focus strategy is needed in order to remain competitive.

Questionnaire to assess data on preferences of private labels and national brands

a. Name of the Respondent: _____

b. Age: _____

c. Gender: _____

d. Education: _____

e. Total monthly income:-

10,000-15,000- 6,000-29,000: 30,000 and above
 f. Occupation: Service- Business- Home maker- Student- Any other

Please read the following instructions

1. Please tick (√) on the answer of the questions

1. When do you buy apparels?

1. Festival
2. Some special occasion
3. Discounts & offers
4. No specific occasion

Please use the following divisions for answering the questions.

1- Strongly disagree

2- Disagree

3- Neutral

4- Agree

5- Strongly agree

2. Most of the products (apparels) bought are National brands.

1 2 3 4 5

3. Most of the products (apparels) bought are Private brands.

1 2 3 4 5

4. The quality provided by National Brands is superior.

1 2 3 4 5

5. The quality provided by private labels is superior.

1 2 3 4 5

6. National brands provide value for money (in terms of quality).

- 1 2 3 4 5
7. Private labels provide value for money (in terms of quality).
1 2 3 4 5
8. National brands provide huge variety of apparels.
1 2 3 4 5
9. Private labels provide huge variety of apparels.
1 2 3 4 5
10. National brands are easily available at your preferred shopping destination.
1 2 3 4 5
11. Private labels are easily available at your preferred shopping destination.
1 2 3 4 5
12. National brands often come out with various discounts and offers from time to time.
1 2 3 4 5
13. Private labels often come out with various discounts and offers from time to time.
1 2 3 4 5
14. National brands often reflect current trends.
1 2 3 4 5
15. Private labels often reflect current trends.
1 2 3 4 5
16. Impact of advertisement on preference of National brands.
1 2 3 4 5
17. Impact of advertisement on preference of private labels.
1 2 3 4 5
18. I prefer national brands due to endorsement done by celebrity.
1 2 3 4 5
19. I prefer private labels due to endorsement done by celebrity.
1 2 3 4 5

20. This store has operating hours convenient to all their customers.

1 2 3 4 5

21. Preferred location of shopping for National brands

Name

Malls _____
 Multi brand stores _____
 Modern retail stores _____
 Company's own outlet _____

22. Preferred location of shopping for Private labels

Name

Malls _____
 Local Stores _____
 Modern retail stores _____
 Private label outlet _____

Also give the reason for the same

Thank You for your co-operation

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