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Retailer Perception of Private Label Brands in select cities of India

Hemanth Y

Research Scholar,
Bharathiar University, Coimbatore-641046

Abstract

The retail industry is in the changing phase of business especially in organized retailing in India by undergoing changes in their business models in turn capitalizing on it. The study has been undergone by keeping in view the primary objective of understanding and assessing the perception of Private Label Brands from Retailers' Perspective and it is the part of PhD thesis undergone across five major cities of India. The study presents emergence of Private Label Brands and addresses specifically the overall perception associated with Private Label Brands by employing the descriptive statistical tools and giving scope for further research in this arena.

Keyword(s): Private Label Brands, Store Brands, Retail, Retailer

1. Introduction:

At the very outset, Present scenario of Indian Retail Industry is still in the nascent stage though modern retailing is playing a key element in retail business. It is understood that it is highly fragmented in nature and the industry comprises of organized retailing constitutes 8% of the total retail business. It is seen that huge investments are being made in purchasing National brands by major retailers (Chain of Retail Stores) and are playing a vital role in this segment across Tier I and Tier II cities of India. In this context, retail market has undergoing major changes in terms of buying and merchandising process wherein retailers have come up with their Private Label Brands as they can reap the benefits. In this context, during 2005-06, Private Label Brands came into being in Indian Retail market and gradually there is an increased acceptance of Private Label Brands launched by retailers and the trends are seen in the Fast Moving Consumer Products, apparels, consumer durables, and home needs segments. Overall in India, Private Label Brands constitute 12 per cent of the total organized retail market and visible growth is seen in Private Label Brands.

Private Label Brands are commonly referred to as store brand or retailers' brand or own label etc., these brands are owned by retailer rather than the producer. Private label Brands exist in generics and found more in food and grocery categories (KSA Technopak Report 2012). During 1990‟s Major Retail Players in India had not viewed Private label brands as an important aspect because the practices adopted

by retailers were different as compared to present context. Moreover, retailing in India was completely unorganized because of dominance of mom and pop stores. Gradually, the retail took shape in the form of organized retailing; and after several years retailers realized the importance of Private label brands.

2. Review of Related Literature:

In present scenario of retail practices in India it is found that Private Label Brands are still in nascent stage and there are considerable changes in the development of Private Label Brands though there is scope for growth of Private Label Brands in future (Aithal Rajesh, 2009). This study is exploratory in nature and gives insights into the aspects of private label brands but it lacks the distinctive feature of Private Label Brands in retailing.

In South African context with special emphasis on grocery category it indicates that it has insights into the type of customers who are looking for substitute to opt for Private label brands which is profitable to the retailer. In this line, the advantage to retailer is through less expensive Private Label Brands as the cost involved is less to maintain Private Label Brands and improvements in profit margin can be witnessed. (Beneke Justin) The store loyalty is increased and store distinction can be achieved. The attractively packaged items address the consumer needs of esteem and status and Introduction of private label products can be lesser by undergoing test marketing
in few of their own retail stores eventually lower R & D costs. It is observed that though manufacturer brand innovation hinders the performance of Private Label
Brands, it has a positive impact on the Private Label Brands under Retailer Name pertaining to grocery category. Further, the impact is seen in various aspects such as driving category growth, copying of successful innovations and customer pulling power. It indicates retail managers to look National brand as strategic resource which can benefit both Retailer and National brands. (Chimhundu et al, 2010)

Collins and Burt (2003) mentions that customers who purchase Private Label Brands regularly become loyal to the particular brand as well as the retailer who sell the same brand. It means that loyalty exists both for Private Label Brands and the retailer. It is observed that there is strategic alliance between National Brands and Private Label Brands and has gained significance in the industry (Vaidyanathan and Aggrawal). Patil Pravin and Vedak Vidyadhar (2011) addresses the awareness and preference of private label brand in India in which there customer look for value proposition. In addition to that the study covers growth and global scenario of private label brands in developed countries. Moreover, the study highlights factors that impact the choice of merchandise while making buying decisions. Scholar opines that it gives direction to the retailer that Private Label Brands is a strategic tool for differentiation. It has mentioned that the factors like branding; packaging, pricing and overall positioning of Private Label Brands are big challenges for retailers and negotiation with National brands on aspects of margin sharing. The results show that the consumers prefer National brands over private label brands in terms of quality and trustworthy.

3. Emergence of Private Label Brands

In Indian retail business practices, Retailers are revamping their strategies in order to beat the intense competition. In this line, there is a lot of transformation of business in merchandising level. Here, retail stores have put forth their strategy by introducing Private Label Brands which is unique in nature. Besides, customization is driving the Private Label Brands in major retail stores across Tier I and Tier II cities.

It is witnessed that across the globe, Private label Brands were earlier introduced in the Generic Food Product and Consumer Packaged Goods. Gradually, Private Label Brands are emerging in other product categories. In Indian context, researcher has found that the very reason for Private label brands to emerge is that Retailers launched it as an alternative to the National brands to fill the gap in the merchandise mix offered by National brands targeting the specific needs of the customer. For instance, Private Label Brands comes in Apparel category for customized sizes which was missed out by National Brands. Besides this, Retailers offers Private Label Brands to make additional profit margins and even negotiate the prices of the products with manufacturers, compelling them to cut costs and provide the products at low price to the customer. It is also seen that the quality, assortment and innovative marketing strategies have become growth drivers of Private Label Brands in retail stores

4. Rationale for the Study

Curiosity from the Researcher

5. Methodology:

Random sampling method was incorporated in the study and the sample of 400 (80*5) were selected in Ahmadabad, Bangalore city, Chennai, Mumbai and New Delhi consisting of the profile of retailer, job profile and their education. The responses were collected by sending the structured questionnaires was sent to respondents through email and contacted over telephone for the clarifications related to the study. The mean and percentage analysis was computed. Secondary data was collected through available literature by going through various journals, papers, reports and market research agencies, search engines to arrive at the solution. Besides, critical observation was made by the researcher and the study has been done by keeping in view the primary objective of understanding and assessing the retailers' perception towards private label brands.

Objectives of the Study

- To assess the Retailers' Overall Perception towards Private Label Brands
- **Sampling technique and Size:**

Simple Random sampling method was incorporated in the study and the sample

- **Tools for Data collection:**

The responses were collected by sending the set of structured questionnaire to 400 respondents and were contacted through email and reminders were sent in order to speed up the process.

6. Analysis and Results:

Analysis was carried out by employing the simple statistical tool Mean. In this line, Likert scale was employed with Highest Rating as 5-Strongly Agree and 1-Strongly Disagree.

Table 1 Mean, Standard deviation and Coefficient of Variance of Private Label Brands -Retailers' Perspective

Sl No	Dimension	Mean	Standard deviation	Coefficient of variance=SD/Mean
1	Degree of Favourable perception	3.57+3.5 (3.5)	1.1+1.1 (2.2)	0.6285
2	Degree of Reinforcement	3.787+3.442 (3.614)	1.14+1.2 (2.34)	0.6474
3	Quantity sold	3.5+3.437 (3.468)	1+0.99 (1.99)	0.5738
4	Price Distinction	3.42+3.305 (3.362)	1+0.96 (1.96)	0.5829
5	Shelf space for Private label brands	3.22+3.437 (3.328)	1.1+1.0435(2.143)	0.6439
6	Number of Customers	3.137+3.557 (3.347)	0.996+0.92 (1.916)	0.5724
7	Frequency of Salesmen's recommendation	3.522+3.69 (3.606)	0.91+0.936 (1.846)	0.5119

Degree of Favorable perception:

Results revealed from the table 1 clearly depicts that the respondents agree for the degree of favorable perception for Private Label Brands which is indicated from the computed mean is 3.5. Besides, it can be inferred from the table that the third highest rank is Degree of Favorable perception for Private Label Brands. It is clear from the results that there is moderate level of favorableness associated with Private Label Brands in Retail Stores.

Degree of Reinforcement:

Results revealed from the table 1 clearly depicts that the respondents agree for the Degree of Reinforcement for Private Label Brands which is indicated from the computed mean is 3.614.Besides, it can be inferred from the table that the first highest rank is Degree of Reinforcement for Private Label Brands. It is clear from the results that there is supporting mechanism put forth by retailers in favour of Private Label Brands in Stores.

Quantity sold :

Results revealed from the table 1 clearly depicts that the respondents agree for the Degree of Reinforcement for Private Label Brands which is indicated from computed mean is 3.468. Besides, it can be inferred from the table that the fourth highest rank is Quantity sold in Private Label Brands. It is clear from the results that there is less quantities of Private label brands sold by retailers

Price Distinction:

Results revealed from the table 1 clearly depicts that the respondents agree for the Price Distinction for Private Label Brands which is indicated from the computed mean is 3.362. Besides, it can be inferred from the table that the fifth highest rank is Price Distinction in Private Label Brands. It is clear from the results that Private Label Brands are higher or at par with National Brands in certain Men's and Women's wear category.

Shelf space for Private Label Brands:

Results revealed from the table 1 clearly depicts that the respondents agree for the Shelf space for Private Label Brands which is indicated from the computed mean is 3.328. Besides, it can be inferred from the table that the seventh highest rank is Shelf space for Private Label Brands. It is clear from the results that there is no sufficient shelf space for Private Label Brands in stores.

Number of Customers:

Results revealed from the table 1 clearly depicts that the respondents agree for the Number of Customers for Private Label Brands which is indicated from the computed mean is 3.347.

Besides, it can be inferred from the table that the sixth highest rank is Shelf space for Private Label Brands. It is clear from the results that there are less number of customers for Private Label Brands in stores.

Frequency of Salesmen's recommendation:

Results revealed from the table 1 clearly depicts that the respondents agree for the Frequency of Salesmen's Recommendation for Private Label Brands which is indicated from computed mean is 3.606. Besides, it can be inferred from the table that the second highest rank is Frequency of Salesmen's Recommendation for Private Label Brands. It is clear from the results that retailers' have put forth their effort in recommending the customers about Private Label Brands in stores.

In Nutshell, the scores pertaining to Retailers' Perspective of Private Label Brands score indicate that the **first highest rank** is Degree of Reinforcement, **second highest rank** is Frequency of Salesmen's Recommendation**, third highest rank** is Degree of favorable perception, **fourth highest rank** is Quantity sold, **fifth highest rank** is Price Distinction, **sixth highest rank** is Number of Customers and **seventh highest rank** is Shelf Space for Private Label Brands.

Conclusion

This study addresses that major cities of India found that there is a significant growth in retail but the overall efforts is not being made by retailers. It is noticed that there is there is moderate level of favorableness and shelf space associated with Private Label Brands in Retail Stores especially in Apparels and Fast Moving consumer products and by critical observation it is found that less number of Private Label Brands exists in Consumer durables. This results is confined to Department stores, Hypermarket and Discount store format across five major cities of India.