
Customers' Perception of Private Label Brands in Indian Context

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Abstract

The retail industry is facing a transformation in the retail operations with merchandise offerings under Private Label Brands especially in apparel segment. In this context, major retailers in India are undergoing changes in their retail format in turn capitalizing on it and subsequently contributing to the Indian economy. The Present study discovers the emergence of Private Label Brands in India and addresses specifically the Customers' 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, Consumer Perception

1. Introduction:

Indian Retail Industry is still in the nascent stage as it is highly fragmented in nature and organized retailing constitutes 8% of the total retail business. It is a common phenomenon that major retailers (Chain of Retail Stores) are playing a vital role in this segment across Tier I and Tier II cities of India as they have potential to invest in National Brands. In this context, retail market has undergoing major changes in terms of buying and merchandising process wherein retailers have come up with their own brands which they found that 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 own label, retailers' brand 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:

The Present study entitled '**Customers' Perception of Private Label Brands in Indian Context'** has been done by using reviewing the related literatures related to the broader aspects of Private Label Brands both in Indian and foreign context.

Objectives of the Study

- To list the variables associated with Private Label Brands

- To assess the Customers' Overall Perception towards Private Label Brands

- **Sampling technique and Size:**

Simple Random sampling method was incorporated in the study and the sample selected was 400 (80*5) from Ahmadabad, Bangalore city, Chennai, Mumbai and New Delhi.

- **Tools for Data collection:**

The responses were collected by sending the set of structured questionnaire to 400 respondents and were contacted through email and follow up was done for the clarifications related to the study. The study has been done by keeping in view the primary objective of understanding and assessing the consumers' perception of Private Label Brands.

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: Details of Variables

SI No	Nature of Variability	Description
Extrinsic Variables		
1	Quantity sold	Number of quantities sold
2	Shelf Space for Private Label Brands	The extent to which shelf space is required for Private Label Brands
3	Number of Customers	The degree to which customers are inclined towards Private Label Brands
4	Frequency of Salesmen's recommendation	Degree to which salesmen's positive impressions about Private Label Brands
Intrinsic Variables		
5	Degree of Favorable Perception	The degree to which the customers perceive the Private Label Brand positively
6	Degree of Reinforcement	The degree to which there is supportive system for Private label brands
7	Price Distinction	The way in which price is being perceived by the customers

Table 2 Mean, Standard deviation and Coefficient of Variance of Private Label Brands- Customers' Perspective

SI No	Dimension	Mean	Standard deviation	Coefficient of variance=SD/Mean
1	Degree of Favourable perception	4.055+3.772 (3.913)	0.85+0.76 (1.61)	0.4114
2	Degree of Reinforcement	3.475+3.637 (3.556)	0.74+0.75 (1.49)	0.4190
3	Quantity sold	3.742+3.847 (3.794)	0.7+0.58 (1.28)	0.3373
4	Price Distinction	3.602+3.59 (3.596)	0.89+0.75 (1.64)	0.4560
5	Shelf space for Private label brands	3.797+3.745 (3.771)	0.7+0.839 (1.539)	0.4081
6	Number of Customers	3.6+3.507 (3.553)	0.682+0.681 (1.363)	0.3836
7	Frequency of Salesmen's recommendation	3.562+3.635 (3.598)	0.77+0.869 (1.639)	0.4555

Degree of Favorable perception: Results revealed from the table 1 clearly depicts that the respondents agree for the favorable perceptions of Private Label Brands which is indicated from the computed mean is 3.913. Besides, it can be inferred from the table that the **highest rank** is **Degree of Favorable perception** associated with Private Label Brands. It is clear from the results that Customers' have a favorable perception with respect to Private Label Brands.

Degree of Reinforcement:

Results revealed from the table 1 clearly depicts that the respondents agree for the Degree of Reinforcement of Private Label Brands which is indicated from computed mean is 3.556. Besides, it can be inferred from the table that the **sixth highest rank** is **Degree of Reinforcement** associated with Private Label Brands. It is clear from the results that

Customers' feel that there is moderate support from the retail stores with respect to Private Label Brands.

Quantity sold :

Results revealed from the table 1 clearly depicts that the respondents agree for the Quantity sold with respect to Private Label Brands which is indicated from computed mean is 3.794. Besides, it can be inferred from the table that the **second highest rank is Quantity sold** associated with Private Label Brands. It is clear from the results that Customers' feel that there are sufficient quantities of Private Label Brands in Stores

Price Distinction:

Results revealed from the table 1 clearly depicts that the respondents agree for the Price Distinction with respect to Private Label Brands which is indicated from the computed mean is 3.596. Besides, it can be inferred from the table that the **fifth highest rank is Quantity sold** associated with Private Label Brands. It is clear from the results that Customers' feel that there is slight price distinction of Private Label Brands in Retail Stores.

Shelf space for Private Label Brands:

Results revealed from the table 1 clearly depicts that the respondents agree for the shelf space with respect to Private Label Brands which is indicated from computed mean is 3.771. Besides, it can be inferred from the table that the **third highest rank is Shelf space** for Private Label Brands. It is clear from the results that Customers' feel that there is sufficient 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 with respect to Private Label Brands which is indicated from computed mean is 3.553. Besides, it can be inferred from the table that the **seventh highest rank is Number of Customers**. It is clear from the results that there is slight increase in the number of customers.

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 the computed mean is 3.598. Besides, it can be inferred from the table that the **fourth highest rank is Frequency of Salesmen's recommendation**.

It is clear from the results that Customers' feel that there is a slight regularity in salesmen recommending Private Label Brands in Stores.

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

Conclusion

This study has found that there is a significant growth in Apparels and Fast Moving Consumer Products categories. It is noticed that there is visible growth in Private Label Brands (Refer Table 2) as indicated in the results. The following are few aspects which is observed by the researcher.

- It is critically observed that Private Label Brands is an alternative to National Brands which is giving opportunity for retailers to capitalize it.
- It is also found that Private Label products under Consumer durables have to incur huge investments and perhaps due to this reason very less number of Private Label Brands exists.
- The study has addressed the fact that customers before purchasing Private Label Brands they look for value proposition in the merchandise offerings. At the same time, they do trade off between National Brands and Private label Brands.

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