
Consumer's perception towards Private Label Brands in Retail Stores

Hemantha Y¹,

Research scholar,
Bharathiar University

Dr. Arun B.K²

Professor

MAT Institute of Management and Entrepreneurship, Bangalore

ABSTRACT

The retail scene is facing a change in the increase of private label brands in apparel segment. Many of the retailers are increasing the % of private label brands in their product portfolio as store brands which enhance the store image. It is gaining importance in the various retail stores across the country. The consumers too are preferring private label brands because of relatively low price compared to national brands. This study is part of my PhD work to understand the consumer's perception towards private label brands of retail stores by reviewing the related literatures and the pilot study is pursued to Bangalore city. It helps us to understand the rudimentary aspects of consumer buying behaviour towards private label brands with special emphasis on apparel product.

Keyword(s): Private label Apparel, Retail, Private label brands, Consumer Preferences

Construct

The manner and time spent to gather and degree of favourableness in interpreting the information regarding PLB by the customers.

1. Introduction

1.1 Quick understanding about Private label brands

Private label products are commonly referred to as name brand, store brand or own label, retailer's brand, private labels etc, These brands are owned by the retailer rather than the producer or manufacturer. Private label products are found in all food and grocery categories. Private label brands existed in generics and gradually expanded to various product categories. During 1990's India had not viewed Private label brands as an important entity because the Indian retail industry at that time was still in nascent stage. 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 at the same time Private label brands came into being. In early 1990's, Shoppers stop pioneered the concept of PLBS. It had launched 'STOP' brand which is Shoppers Stop brand. Similarly, 'Westside' brand from Westside retailer from Tata Group.

With the increasing growth of the organized retail sector, private labels too are accepted by the retail market. The very reason behind this is that from economic angle, the recession has significantly given a thrust and favouring private label brands. It is evident from the major retailers like Future Group, Shopper's Stop, Westside, Aditya Birla group etc., offering Merchandise mix has

given rise to competition in retail market and the future is bright for Private label brands. We can say that organized retailers can offer various merchandise In Private label brands.

Consumers prefer to buy private label products mainly due to their low price and prefer to buy products from large chain of retailers, which also offer a wide variety of private label products with better quality (Euromonitor, 2012). Consumers in India prefer private labels over national brands due to availability and price benefits in the product category. There is a substantial growth in the private labels as retailers are concerned about their store and day by day curiosity among consumers is increasing which is leading private label brands in categories like apparel, accessories etc.,

According to the Market Research Agency, Technopak's report 2012 on Private Label 2012 indicates that food and grocery segment is a key driver for Private label brands accounting for 20-25% and at times, 40% of all categories in Private Labels. Margins in private labels in staples like sugar, groceries can range between 15-25%.

Looking into the trends of private label brands in Indian Retailing It seems that Private label brands are a win-win situation for retailers and customers in the current retail scenario. Eventually, the profitability is increased followed by Store loyalty to the retailer. From economic point of view, retailers can sustain in business during market slump as their products can be offered at lesser price (during recession). There is nothing wrong to say that Private label brand act as shield to retailer.

This section provides the definitions of Private label brands by constantly reviewing the various definitions quoted by different authors and institutions, agencies etc.

1.2 Definitions of Private label brands:

The study uses the various definitions which is given below

Private label brands (PLB) refer to the brands that are owned and sold by a retailer in its specific chain of stores. PLB can also be called as store brands which can be said that the goods owned by retailer.

Baltas(1997) has employed the term "Store brands" which means that it is for private label brands and defined them as the brands owned ,controlled and sold exclusively by a retailer.

According to research scholar **Schutte(1969)** the private label brands are the products owned by the organization whose primary objective is to distribute rather than producing it. Here, the organizations which brand a product focus more on the marketing aspect by out-sourcing its production aspects such as design, materials management and quality to a third party or contract manufacturer.

American Marketing Association has specified two forms of defining a private label brand. The First form of definition says that it is "a brand that is owned by the product's reseller than by its manufacturer. In rare instances, the reseller may be the manufacturer as well".

The **Private label Manufacturers' Association(PLMA)** has indicated the term Private label brands are those products that integrates all merchandise sold under a retailer brand. It can also be said that PLB is the retailer's name created intentionally for identification of brands through a particular retailer. It is also specified that in few cases, a retailer may belong to a wholesale group that owns the brands that are available only to the members of that group

According to **self thinking**, a private label brand is defined as “those brand which are deliberately created by retailers”. i.e., it is a product created by retailers to enhance the store image.

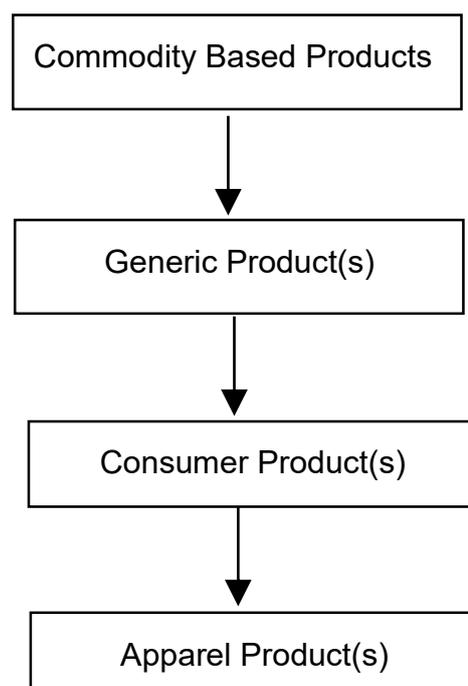
1.3 Brief History of Private label brands:

This section deals with a brief idea about the evolution of Private label brands and branding. It is apparent from the following fact that Private label brands are generic products especially products sold in grocery store and dates back to 19th Century first developed by Sainsbury in U.K in the year 1869 where in the commodity-based products were developed. **(Collins and Bone,2008)** have mentioned that the products under private label were generic in nature and it came into being to compete with products associated with National brands. It can be understood that the price of Private label brand products will be lower than national brands. In the initial stages of launching of PLB it was made available to appeal for lower-income consumers or price sensitive consumers in order to sacrifice quality eventually there was reduction in costs.

Gradually the retailers saw that the private label brands took shape into various product categories. The growth of own labels or private labels had been in fast pace during 1980’s and slowed down in the 1990’s **(Laaksonen, 1994)**. After 1980, the UK’s retailing had a big transformation to change their private label products from previous the state of low-price, low-quality to high quality, competitive price and good packaging **(Veloutsou et al,2004)**

During 1980’s and 1990’s retailers realized that the potential of Private label lead to improvements in terms of quality, variety and marketing of Private label brands. From 1990’s onwards Private labels gradually entered into consumer goods such as clothing and home products. **(Goldsmith et al.2010,340)**.

The following figure shown below is derived from understanding the history of private label brands which was started in U.K as stated earlier in this section.



2. Review of Literature:

Aithal Rajesh (2009) researched on the improved understanding of the current status of private labels in the country & explained how it can evolve in the future. The 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

Beneke Justin (2010) This study is made in private label brands in grocery category of South African context. This gives insights into the type of consumers who are looking for substitute to opt for Private label brands. It means profitable to the retailer. The advantage to retailer is through less expensive private label brands as the cost involved is less to maintain plb and visible growth in terms of margin can be witnessed. The store loyalty is increased and store distinction can be achieved. Also bargaining power can be increased with vendors. The attractively packaged items address the consumer needs of esteem & status. Introduction of private label products can be lesser by undergoing test marketing in a few of their own retail outlets eventually lower R & D costs. An important aspect in the study is about the product package is discussed Demographic variables were largely ineffective in determining an individuals' tendency to buy private label brands.

Chimhundu, et al (2010)- This study has mentioned that though manufacturer brand innovation hinders the performance of Private label brand it has a positive impact on the retailer brands 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 brands and national brands.

Fraser Allison(2009) –This study has been pursued based on the influence of Store image impact on attitude of the private label brands . In most cases, It is found that positive relations exists between the two. This relationship emphasizes the fact that retailers should specially consider the aspects of Private label brands they offer to create and enhance unique store positioning. Besides this, study addresses that there should be a match between the consumer's perception of the store and private label positioning. The important aspect is that Consumer perceptions of store image & the store's private label brands are positively associated. Consumer's perceptions of private labels are uniquely related to unique positioning of stores & hence can play a key role in retail differentiation & store loyalty

Hariprakash(2011) This Study has mentioned that the consumers trust 'Retailer brand' or 'private label' as they sell quality products. Private label brands tend to be cheaper as 5-20% as compared with National brands. By doing this, retailers pass the cost benefit to consumers wherein middlemen is eliminated. Another important aspect of Private label brand is that it was started as a cheaper alternative for the very reason that retailer could negotiate a better margin from the manufacturer and other is PLB was a differentiating factor for retailer. Besides this, customers expect more choices in the retail outlet. As Quality is concerned, retailers started offering Private Label brand with high quality product more than national brands.

The major benefit of private label brands to retailer is the factor of differentiation as mentioned in the above paragraph. To make such differentiation the retailer should position private label successfully as against the national brand in such a way that a private label should be considered as equivalent as or better than the national brand. To reap the benefit of this, the long term strategic approach should be at place wherein it requires a great time, effort and most importantly

commitment from retailer end.

Lamey Lien(2011) The study critically analysed the fact that the effect of business cycle fluctuations on Private label market share of a country increases when there is weak economy and shrinks when the economy is booming. Secondly the performance of Private Label brands act differently over expansion and contraction periods. This was an interesting fact about Private label brands. An important aspect indicated is that business-cycle fluctuations bring asymmetry in both the extent and the speed of upward versus downward movements in private-label market share. Thirdly the Total business cycle will contribute to success of private label brand in long term.

The study has several limitations like it has not contributed in bringing relationship between consumer actions and manufacturer/retailer behaviour to assess the relative contribution to the increased popularity of private label brands during contractions.

Patil Pravin Patil & Vedak Vidyadhar (2011) The paper deals with Organized retailer's private label brand in India by focussing on the awareness, preference of consumers towards private labels. We can infer that there is value proposition to customer in terms of value for money. In addition to that the study covers growth and global scenario of private label brands in developed countries. Moreover it highlights the factors that impact the choice of merchandise while making buying decisions. It gives direction to the retailer that PLB is a Strategic tool for differentiation. It has mentioned that the factors like Branding; packaging, pricing and overall positioning of PLB is a big challenge for retailers and negotiation with National brands on aspects of margin sharing. The results shows that the consumers prefer National brands over private label brands in terms of quality and trustworthy.

Collins and Burt(2003) The study says that Consumers who purchase private label brands regularly become loyal to the particular brand as well as the retailer who shelves the same brand . It means that loyalty exists both for private label brand and the retailer.

Vaidyanathan, R., & Aggrawal, P. (2000)-The abstract of the study suggests that the retailer will get benefit if there is an alliance between a national brand and a private label brand. This strategic alliance is gaining significance in the industry and this study indicates that this strategic brand alliance had not been given attention by the marketers.

The review of literatures made a way for the researcher to understand the various concepts evolving around Private label brands. It is found from the Meta analysis of literature that PLB's are not new phenomenon in Europe. Whereas in India, It is emerging segment especially for retailers who wish to enhance their image to sustain in the retail arena. It existed in generic product and gradually emerged in various products. In this study, apparel category is considered. It is also understood from the literature that PLB's can compete with National brands in terms of price, quality, assortments and also store differentiation.

3. Research Methodology:

Random sampling method was incorporated in the study and the samples selected from Bangalore region consisting of different age groups, education levels and monthly income. The data was collected by sending the questionnaires to respondents through email and contacted over telephone for the clarifications related to the study. The structure questionnaire method was adapted using Likert scale. The mean and percentage analysis was computed. Secondary data was collected through available literatures by going through various journals, papers, reports and market research agencies, search engines to arrive at the solution. At the same time observation

was made by the researcher to get to know about how consumers buy private label brands without the knowledge of shoppers who visit the retail store. The study has been done by keeping in view the primary objective of understanding and assessing the consumer’s perception towards private label brands.

Objectives of the Study

To understand and assess the consumer’s perception towards private label brands

3.1 Data Analysis and Interpretation

Table 1: Demographic Characteristics of the Respondents (N=30)

Age group	%	Gender		Occupation		Monthly Income	
15-20	-	Male 27	Female 3	Student	4	5000-10000	2
21-25	1			Engineer	7	10000-20000	1
26-30	4			Manager	14	20000-30000	9
31-35	7			Entrepreneur		30000 & above	17
36-40	8			Others	5		
41-45	5						
45-50	4						
50 and Up	1						

Table 1 depicts the demographic information about the respondents which reveals that 27% of the respondents were under the age group of 36-40. 24% of the respondents are in the age group of 31-35. 17% of the respondents are in the age group of 41-45. 14% of the respondents are in the age group of 26-30 and 45-50. 3% of the respondents are in the age group of 50 and up.

3.2 Consumer’s perception towards Private label brands is High

1. Do you like the products sold by this under its own name?

Table 2. Ratings given by respondents about the products sold by its own name

Rating scale		% of Respondents	Mean Score
5	Very much	8	Approximate Computed Mean 3.6 which is made (4)
4	much	3	
3	somewhat	19	
2	Not		
1	Not at all		

Table 2 clearly depicts that Respondents said much that they like the products sold by under its own name. This can be inferred from the computed mean.

2. Are you in favour of PLB'S?

Table 3. Ratings given by respondents in favour of PLB's

Rating scale		% of Respondents	Mean Score
5	Very much	6	3.67(4)
4	much	8	
3	somewhat	16	
2	Not		
1	Not at all		

Table 3 clearly depicts that Respondents said much that they are in favour of PLB . This can be inferred from the computed mean.

3. Will you buy if the prices of PLB's are lesser than compared to National brands in apparel category?

Table 4. Ratings given by respondents about the price of products In comparison to National brands

Rating scale		% of Respondents	Mean Score
5	Very much	8	4.1(4)
4	much	17	
3	somewhat	5	
2	Not		
1	Not at all		

Table 4 clearly depicts that Respondents said much that they buy the products in apparel category if the prives are lesser than compared to national brands. This can be inferred from the computed mean.

4. Quality of Apparel product(s) are good

Table 5. Ratings given by respondents about the quality of products

Rating scale		% of Respondents	Mean Score
5	Very much	4	3.6(4)
4	much	10	
3	somewhat	16	
2	Not		
1	Not at all		

Table 5 clearly depicts that Respondents said much that the qualtiy of apparel products are good. This can be inferred from the computed mean.

4. Are you loyal to specific retail stores in Apparel category

Table 6 Ratings given by respondents about the loyal to specific retail stores

Rating scale		% of Respondents	Mean Score
5	Very much	10	3.5(3)
4	much		
3	somewhat	15	
2	Not	5	
1	Not at all		

Table 6 clearly depicts that Respondents said somewhat loyal to specific stores in apparel category. This can be inferred from the computed mean

6. Do you think that various assortments are available in Apparel product(s)

Table 7. Ratings given by respondents about the assortments

Rating scale		% of Respondents	Mean Score
5	Very much	8	3.4667(3)
4	much	2	
3	somewhat	18	
2	Not		
1	Not at all	2	

Table 7 clearly depicts that Respondents said somewhat in various assortments available in apparel category. This can be inferred from the computed mean

Findings

The findings are tabulated after having used Likert scale for measuring the perception of consumers towards private label brands (Highest Rating is 5-Very much and 1-Not at all)

Table 8 The computed mean of respondents

Consumers perception towards Private label brands is High			
Sl No	Description (filled by Respondents - Likert scale)	% of Respondents	Mean Score
1	Do you like the products sold by this under its own name	TOTAL 30 Respondents have filled in the questionnaire	Approximate Computed Mean 3.6 which is made 3.6(4)
2	Are you in favour of PLB'S		3.67(4)
3	Will you buy if the prices of PLB's are lesser than compared to National brands in apparel category		4.1(4)
4	Quality of Apparel product(s) are good		3.6(4)
Cont..			

5	Are you loyal to specific retail stores in Apparel category		3.5(3)
6	. Do you think that various assortments are available in Apparel product(s)		3.4667(3)

Table 8 shows the mean for the given questionnaire framed to analyze the perception of consumers towards Private label brands. It is evident from the table that consumer's perception towards Private label brands is high. Another aspect revealed is that consumers rating is neutral when it comes to buying private labels in specific stores and consumers rating in availability of assortments is neutral .Overall, the mean reveals that there is favourable towards private label brands.

Conclusion:

After having done extensive meta analysis of related literatures on Private label brands this paper triggers a thought for retailers that there is significant changes in retail stores and it has likely impact on branding of stores.

Consumers have expressed strong concerns about the Private label brands and retail companies going for private label products. Besides this, consumers are well aware of the fact that there exists private label merchandise which can compete with National brands in terms of price with reference to this study. Consumers said that they would buy products under private label if the prices are lesser than National brands. By doing this, retailers can significantly improve their substantial revenues to the store. From the results of data analysis given in table 8 we can infer that the quality of apparel product is in the stage of improvement. Apart from this very few consumers are loyal to specific stores. Another factor is that there is moderate level of assortments in apparel category. This is a pilot study conducted as it is part of my Research work to understand the consumer's perception towards private label brands with reference to Bangalore city.

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APPENDIX A

Questionnaire

Part A – Demographic Information

Please tick whichever is applicable to your kind-self

i) You belong to ----- gender

Male Female

ii) Your Age group

15-20 21-25 26-30 31-35 36-40 41-45

45-50 50 and Up

iii) Income

5000-10000 10000-20000 20000-30000 30000 & above

iv) Your qualification

Graduate PG Doctorate Others (pls specify)

v) Occupation (If you are willing you can specify the industry in which you work)

Student Engineer Manager Entrepreneur/Businessman Others
(Pls specify)

Consumer's perception towards Private label brands in retail stores (Questionnaire)

Construct of Perception of Private label brands

The manner and time spent to gather and degree of favourableness in interpreting the information regarding PLB by the customers

Method of Scoring

Very much = 5, Much = 4, somewhat = 3, Not = 2, Not at all = 1.

Scale Maximum = 5 x 6 = 30; Scale Minimum = 1 x 6 = 6; Scale Mean = (max + min) divided by two = 18.

Part B – Your Valuable Responses

1. Do you like the products sold by this under its own name?

Very much much Somewhat Not Not at all

2. Are you in favor of PLB'S?

Very much much Somewhat Not Not at all

3. Will you buy if the prices of PLB's are lesser than compared to National brands in apparel category?

Very much much Somewhat Not Not at all

4. Quality of Apparel product(s) is good

Very much much Somewhat Not Not at all

5. Are you loyal to specific retail stores in Apparel Category?

Very much much Somewhat Not Not at all

6. Do you think that various assortments are available in Apparel product(s)

Very much much Somewhat Not Not at all