

Private Label Brand: Low Cost Alternative or High Quality Alternative

Parampal Singh

Assistant Professor
University Business School
GNDU, Amritsar

Dr. B.B. Singla

Assistant Professor
School of Management Study
Punjabi University, Patiala.

Abstract

During the last decade world has undergone many dramatic changes, one such change that change the lifestyle of the human kind is the change in the shopping patterns of the consumers regarding various products and services. There is a paradigm shift towards the purchase of private label brands than the national level brands. Successful differentiation of the private label brands has been achieved worldwide and further their impact in the seen the developed markets (Justin Beneke, 2010). Continuing with the same context this paper throws light on the potential emersion of private label brands in the growing world retail sector. As per RASCI, 2011 Indian retail industry is around 16 trillion rupees. Due to the change in disposable income and purchasing power it is expected to grow 20 percent per annum. This paper also attempts to study the future prospects of private label brand and discussed about the positive perception towards private label brand shared across the globe.

Keywords: - Private Label Brand, Retail, Disposable Income.

Introduction

Definition of Private Label Brand

As per the definition given by Private Label Manufacturer's Association (PLMA) "Private label products encompass all merchandise sold under a retailer's brand. That brand can be the retailer's own name or a name created exclusively by that retailer. In some cases, a retailer may belong to a wholesale group that owns the brands that are available only to the members of the group".

The terminology "Private label brand" is often confused with store brand, manufacturer's brand, distributor's brand and national brand.

According to the American Marketing Association "Private Label brand" can be defined as follows:-

(Product Development definition) "A brand that is owned by the product's reseller rather than by its manufacturer. In rare instances, the reseller may be the manufacturer as well. The term is often associated with (1) advertised brand versus unadvertised brand (a private brand is most often unadvertised) and (2) national brand versus regional brand or local brand (a private brand is usually less than national). These

distinctions have become clouded by large retail and wholesale organizations which advertise their private brands and market them nationally and internationally”.

(Retailing definition) “A brand name or label name attached to or used in the marketing of a product other than by the product manufacturers, usually by a retailer”.

According to the American Marketing Association “Distributor’s brand” can be defined as follows:-

“A brand that is owned and controlled by a reseller (distributor) such as a retailer or a wholesaler, as opposed to a brand owned by the manufacturer. The term applies only to the brand itself, not to the product or to its content. It is often called a private brand or private label, and is usually not advertised heavily”.

According to the American Marketing Association “National brand” can be defined as follows:-

“A brand that is marketed throughout a national market. It contrasts with regional brand and local brand. It usually is advertised and usually is owned by a manufacturer”.

According to Kumar and Steenkamp (2007), the classification of private labels can be done in four groups: generics, copycats, premium store brands and value innovators.

Generic private labels are most often cover the basic functional (low involvement) product categories, such as paper towels, soft drinks, pet food, everyday canned foods, etc. They do not carry the name of the manufacturer or retailer and are mainly positioned at the lowest possible price. Generic private labels are low quality, undifferentiated products, usually offered in one size and one variant only, less visible on the shelves, and rarely promoted. Moreover, usually their packaging is created of black letters on a white background.

Copycats are of quality close to branded manufacturer’s products and sold with a discount of usually 5% to 25% compared to the brand leader. Very often copycat brands are produced intentionally to be as similar as possible to their branded counterparts (even in their packaging), and that might confuse the customers. Therefore, copycat retailers are seen as the free-riders on the manufacturer’s innovations, researches, product development processes and image building.

Premium store brands create additional value for the customers. Usually their marketing mix is set in a way to support the superior brand image, e.g. by setting higher price than other branded products, advertising the product but rarely offering price promotions, placing the product on eye-catching shelf positions, etc.

Value innovators’ goal is to offer best performance-price ratio deals to the customers. Usually this kind of brands are very well balanced and based on a rational type of decision making -while there are some innovations introduced to the customers, cost efficiency still remains the main objective of value innovators. There is a tendency of private label evolution while the generic private labels and copycat brands took a significant place on the market in “1980 – 1990”, nowadays the value innovators and premium store brands can be found more often.

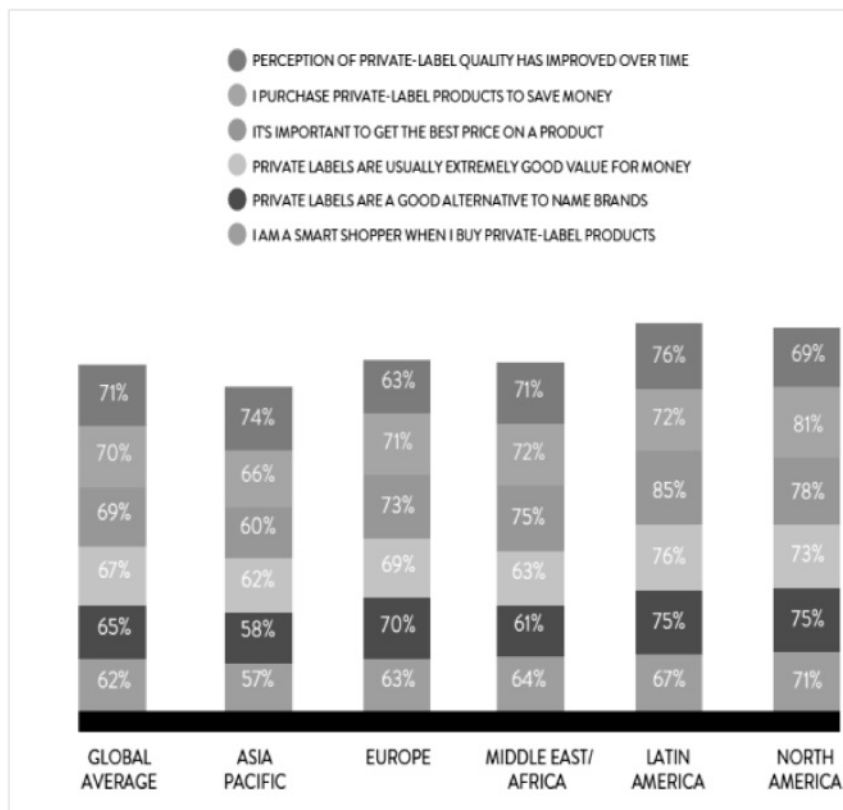
Private Label Brand in India

There is an alarming increase in the usage of the private label brand products across the globe. It is much higher in the developed countries like Europe, North America and Australia. And this same trend is shifting towards the developing countries like India, China, Brazil etc. The vital growth drivers for the success of the private label brand are retail consolidation, expansion of the discount factor among retail industry and lack of presence of brand loyal consumers. Private label growth comes at the expense of small and medium size brands and its success is shown in commodity segment, high purchase categories and where consumers seek very little differentiation among brands.

As per the Nielsen Global Private Label Report, a survey was conducted among more than 30,000 in 60 different countries. Some of the shared sentiments across the diverse globe were:-

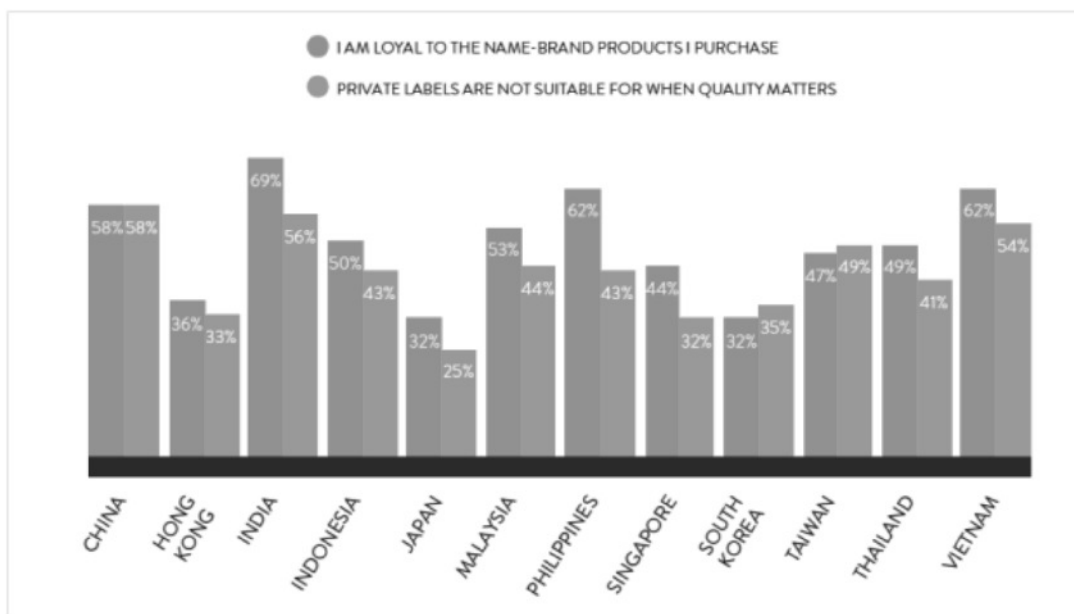
- 71% of the respondents agreed that private label quality has improved over the time.
- 70% of the respondents said that they purchase private label to save money.
- 67% of the respondents believed that private label offers good value for money.
- 62% of the respondents believed that buying private label makes them feel like smart shoppers.

Positive Perceptions For Private Label Are Shared Across The Globe Percent of respondents who somewhat or strongly agree



Source: Nielsen Global Survey of Private Label, Q1 2014

Private-label Quality Is A Concern Among Brand-loyal Asians



Source: Nielsen Global Survey of Private Label, Q1 2014

REVIEW OF LITERATURE

M. Raja and M. I. Saifil Ali	2014	This paper throws lights on the factors which would influence the customer perception towards private labels and to analyze the customer expectation towards private labels using Big Bazaar as a platform. The main objectives of this paper are to suggest measures to promote private label in Big Bazaar and to find out consumer preference of Private Label Brand's in various categories. For primary data consumer survey method was conducted with help of structured questionnaire from 50 respondents in Chennai using 5 point likert scale. A non probability convenience sampling technique was used. For analysis One-way Anova followed by Dunnett's test using GraphPad Prism software was done. Results showed that PLB's are more preferred in FMCG sector than apparel and others findings revealed that PLB's have good image, consumers are satisfied with its packaging, and they are quality and more economical. Consumers believed that PLB's are not associated to luxury goods.
T.Subha, R.Krithika and P.S. Narayanasamy	2014	This paper discussed about the effective use, role, share, creation and development, promotion and future of private labels in the Indian retail industry. It concluded that private label brands constitute around 10-12 per cent of the organized retail product market in India and their share is likely to grow even. Promotion strategies for private label brands that can be used were advertising, personal selling, sales promotion and publicity. Private label brands won't work by just keeping the products cheap. They concluded that retailers must look at developing good quality and value-added products.
D Kasotakis and P <u>Chountalas</u>	2014	This paper elucidated about the change in Greek consumer's attitude towards private label brands. It measures the difference in Greek consumer's attitude across specific private label product categories i.e personal care, home care and food segment. This research focuses on consumer's evaluation between private label products and branded products. This research also investigated about consumer's sensitivity towards different product categories in context to private label brands. This study incorporates five factors i.e. quality, price, packaging, status and innovation which would affect consumer's perception. Relevant hypothesis were developed. Data were gathered with the help of structured questionnaire from 140 Greek retail consumers. Systematic random sampling was used, every third consumer entering market was asked to participate. Demographic profile of the respondents include majority belongs to males, majority of the respondent belong to 19-35 years of age, half of the respondents were married and the level of education of the respondents were high. A paired difference t-

		test was employed to test the hypothesis. Wilcoxon Signed Rank test was selected. Results revealed that branded products were preferred in quality, packaging, status and innovation. On the contrary, private label brand products were preferred in price. Results also showed that consumer's attitude has changed in a positive way towards private label brand which was explained by the effect of recession. Furthermore, the mean scores of consumer's depicted a positive attitude towards Home care private label products and negative attitude towards personal care private label products. The limitations of the study were that it was focused on only five factors, specific product categories and limited geographic area.
Subodh Saxena and Ritu Srivastava	2015	This paper discussed about the socio demographic variables of customers towards private label brands. This study was targeted to the Indian market. The objective of the study was to examine how the socio-demographic variables i.e. gender, age, occupation and income influence the attitude and perception of consumer towards private label brands in contrast to national brands. This study tries to find out the relationship between psychographic variables and socio-demographic variables. The data was gathered with the help of structured questionnaire from 212 working executives of private and government organization of NCR and Delhi region. In this study authors take into consideration 10 psychographic variables i.e. quality, price consciousness, pack size, variety, packaging, need satisfier, discount/promotion, pre-sales counseling, after sales support and credibility of the retail store. The techniques employed in this study were frequency distribution and MANOVA to test the hypothesis. Out of the 212 respondents, 171 were indulged in purchasing from retail stores. 5 point likert scale technique was employed to compare between private label brands and national brands. Reliability of the data was monitored with the help of cronbach's value. Results showed that majority of the respondents were male, majority of the respondents belong to the age group of 26-30 years and majority of respondents have income above Rs 10 lac. To study the effect of socio demographic variables on psychographic variables towards private label brands w.r.t to national brands. Wilks Lambda test was conducted. Results showed that there is insignificant effect on the psychographic variables for purchasing private label brands as compared to national brands because of demographic variables.
Sunita Kumar and Mohith Kothari	2015	This paper elucidated about the consumer perception towards private label brands in India. The study was carried out check the consumer preference between private label brands and national brands. Its main objectives are to study the consumer

		<p>perception of private label branding, to determine the relationship between customer loyalty and private label branding and to analyze the future of private label branding in India. The methodology used to fulfill these objectives was divided into 3 phases. The first phase comprises of exploration of factors which drives consumer towards store for purchase. The second phase comprises up of the association of variables between private label brands and national brand on store loyalty. The third phase aims at the contribution of private label brands in terms of sales and growth in apparel sector. Questionnaires were filled from the consumer coming out of the retail outlets of Shoppers Stop, Lifestyle, Westside and Pantaloons. For analysis of data, correlation and ANOVA techniques have been used. Artifacts revealed that consumers have preference towards private label brands, consumer preference over private label brands is not dependent on the income level of consumer and consumer preference over private label brands is dependent on factors i.e. word of mouth, advertisement and promotions.</p>
R. Nagarajan and S. Chandrachud	2017	<p>This paper focused upon the prophecy of private label branding in India. This study focuses on reasons for the structural transformation towards private label brands in India. Authors stated that 13 billion rupees were generated by private label brands in Indian retail sector. Author stated reasons for the sustainable growth of private label brand in India were consumer based factors (preferable product, choice of returning the product, hygienic products, attractive packaging, easy transactions, tailor made products and better customer relationship), retailer based factors (better profit margin, control over price of the product, direct deal and free from burden of manufacturing process), manufacturer based factors (free from marketing activities, concentration on production and financial assistance from the modern retail chains) and government based factors (increasing demand of industrial goods, growth in retail sector, growth in SME's and conversion of unorganized retail into organized retail). Authors stated that gain of economic value through private labeling will be compensated by loss of social and ethical value of consumer.</p>

Conclusion and Suggestion

As per the paradigm shift of consumers buying pattern from unorganized retail sector to organized retail sector, private label brands have paradigmly shifted from the “low cost alternative” to the “equivalent quality competitor” of national brands. This has lead to the change in consumer sensitivity and perception in the positive aspect towards private label brands. With the concurrence of this major retail players have focused on manufacturing, logistics and

the marketing activities of private label brands. Not only have these big retail players, various intermediaries of the supply chain had hugged potential to earn out from the concept of private label brands.

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