

A Study on Consumer Preferences for Private Label Brand Products in Bangalore City of India

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Growth of organized retail chain in India has led to growth of private label brands in India. Looking at current scenario, retail outlets are focusing on their own Private Label Brands (PLB). This study has been conducted to find out the importance of private label products. In this study researchers have understood private label brand in Indian retail industry, and then collected the history of private label brand in Indian retail industry, review of literatures & define objectives based on which whole research was carried out. Researchers have visited various malls of Bangalore city and got relevant feedback from the respondents. From the filled in questionnaires, researchers have analyzed and presented the interpretations of the data gathering.

Key Words: Private Label Brands, Retail, Consumer Preferences.

Introduction:

Private label brand is a product which is produced or manufactured by one company for selling under other companies' brand. The companies that sell and control these products are retailers. Private label brands are also known as label brands, house brands, store brands or retailer's brand. Private label brands become popular because the price of private label brands is lower than the price of national (manufacturer) brands. Due to the price of the private label brands, the popularity of private label brands has increased in many countries since nineteenth century (Chakraborty, 2011). According to KPMG, in India analysis Growing acceptance of private labels amongst Indian consumers on account of better value has spurred the number of private labels being launched by Indian retailers over the last few years. Private labels constitute around 10-12 per cent of the organized retail product market in India and their share is likely to grow even in the current economic environment, says a report by global consultancy firm KPMG. Among the major Indian players, the degree of private label penetration was the highest in Trent with

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90 per cent, followed by Reliance Retail (80 per cent), Pantaloon (75 per cent), Nilgiri's (38 per cent), Indiabulls/ Piramyd (30 per cent) and Food world (22 per cent). A report by Images Retail estimates the number of operational malls to grow more than twofold, to cross 412, with 205 million square feet by 2010, and a further 715 malls to be added by 2015, with major retail developments even in tier-II and tier-III cities in India. Also, according to new market research report by RNCO titled, "Booming Retail Sector in India", specifies that the number of shopping malls is expected to increase at a CAGR of more than 18.9 per cent from 2007 to 2015. It further specifies that rural market is projected to dominate the retail industry landscape in India by 2012 with total market share of above 50 per cent. Thus, according to industry experts, the next phase of growth is expected to come from rural markets, with rural India accounting for almost half of the domestic retail market, valued over US\$ 300 billion. In order to be truly successful, retailers must advance from the generic or store brand mindset of the past to a new private label paradigm. Many retailers have begun to describe their private label brands as "own" brands because there is recognition that these proprietary, exclusive offerings are tools that represent momentous power and potential for the retail store.

The trend of private labelling is fast catching up among the Indian retailers such as Shoppers Stop, Future Group, Tata's Croma and Aditya Birla Retail's More as consumers seek quality products at affordable prices. They have not only created new labels but have customized and localized those products to suit Indian tastes. In a recent study, it was said that the market share of private label products in India will more than double in the next few years; currently, it is at 4.5 per cent. By 2020, the share will increase to over 10 per cent.

Review of Literature:

As the worldwide market share of private label brands (PLBs) increases, the importance of private label brands-related research increases. The role of private labels in the retail market has become increasingly important. Developing private labels has become the mutual interest of both retailers and manufacturers because the development of private labels directly affects the market shares and profits of manufacturers and retailers. However, the development of private labels varies notably from Western to non-Western markets. The former market has a very advanced private label program in terms of quality and market share, while the latter is at an early stage of development. As a result, the majority of the research has been drawn from the Western market, and the

focus of these studies is mainly on the retailers themselves, and on consumers' perspectives. However, a few studies have addressed the issues from manufacturers' standpoints. Therefore; more research is needed in the non-Western market regarding the private label manufacturers' perspectives (Wei Song, 2009).

Based on prior research, the motivation in the western markets for manufacturers to support the private labels can be illustrated by three aspects: Improved profitability of the firm (Dunne & Narasimhan, 1999; Burt & Johansson; 2004); gaining a new direction for the manufacturers (Morris, 1979; Hughes, 1996; Cullen & Whelan, 1997; Timmor, 2007); and enhancing relationships with retailers (Kalwani & Narayandas, 1995; Dunne & Narasimhan, 1999; Davies & Brito, 2004).

Thus, a review of previous studies undertaken in the area of Private Label's indicates that, research has been more limited on the consumer-level factors that make Private Label's differentially successful across product categories. Also the effect of demographic variables on customer perception and preference for private label brands across different product categories has hardly been researched. Given the lack of studies undertaken in the area of understanding Indian customers' attitude and perception towards private label brands across product categories and the effect of demographic variables on this perception, the present study has been undertaken to gain an insight into how customers in India, perceive and evaluate private label brands in comparison to national label brands. The findings of the study will be helpful for retailers to understand the importance of various factors in being successful with customers in the private label brands category.

Objectives of the Study:

- To find out the awareness of private label brand products in Bangalore city.
- To identify consumers preferences of categories under private label brand.

Research Methodology :

The study is descriptive in nature. The researcher adopted this type of research design to gather information from the respondents to assess the preferences and affecting factors among the consumers towards selection of private label brands. The study was conducted with 100 samples from Bangalore city of Karnataka state. The sampling method adopted for the study was nonprobability convenient sampling. Structured questionnaire was prepared

to collect the feedback of the respondents. The secondary data has been collected from the books, journals, magazines and websites.

Result Analysis & Interpretations

A. Awareness of respondents towards private label brand concept

The awareness of private label brand in the minds of respondents in the market enables customers to choose the one which best suits his/her needs and preferences. It motivates them to purchase private label. From our study, 60% respondents are aware about private label brand products and they had tried it before followed by 40% who have not known anything about private label brand products.



B. Respondents preferences towards selection of categories from private label

In retail market, too many categories of products are available under private label categories. Consumers are purchasing products from all of those categories. This research shows that apparel industry is having a larger market (40%) in private label brand products, followed by food products with having 30% and remaining 30% are others.



Conclusion

With consumers today exposed to choices in terms of new categories, new brands and new shopping options enabling them to seek more information in the crowded retail environment; it is a major challenge for private brand production companies. Also the price sensitivity is waxing and brand loyalty is waning. And the consumers, who once stuck to favorite branded retail goods, are now, willing to try local taste with high quality personal label products at an affordable price. This requires use of promotional schemes & purchase inducing factors which are the most essential in today's market. Though this could not guarantee brand loyalty but at-least the customers will try the products and generate sales for the companies.

To induce customers for purchasing private label, currently many Indian retailers have launched their private label categories ranging from apparel, electronics, grocery, confectionary segment etc.

Retailers are investigating on how to attract customers to their ranges of private label brand. For that, this research shown that freshness of the product & availability are the two most important factors which can affect purchase decision of most of the customers. Study suggested that private label marketers should also focus on quality, local test & their local image in the local market. Also it has been found that price discount & bonus packs are two prime promotional activities by which retailers can induce customers to purchase private label over branded label products. Due to the attractiveness of this segment many retailers are now interested to start their own private label categories. For retailer this study highlighted that customers are strongly interested in Apparel followed by food products categories in private label brands compare to other categories.

Limitations

This survey is conducted by considering the time constraint. Sample size of one hundred respondents may not be adequate. It is difficult to be precise about the most appropriate sample size for conducting such research. Due to subjectivity and beliefs of consumers, some answers of the questionnaire may differ from the reality.

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