



A STUDY ON CONSUMER BEHAVIOUR TOWARDS PRIVATE LABEL BRANDS WITH RESPECT TO GROCERIES

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Abstract

The store brands, otherwise known as private labels, are changing the future of modern trade outlets in India. Started on a low key profile, such as low price, low quality and limited movement, the store brands have gone a long way in establishing its credentials. The private labels have 50 % or more than 50% market share in many parts of the developed world. The private labels are pervasive in personal care, home care, processed food, groceries and consumer durables etc.

Keywords: FMCG, Grocery, Private brands, Retail chains.

The Indian retail industry is the fifth largest in the world and the sector can be classified as organized and unorganized sectors. The organized retailing in India is still at a nascent stage and private labels occupy less than 5 percent of the total Indian market. Traditionally, the Indian retail industry has been dominated by unorganized local players, with consumers shopping at mom-and-pop operations, roadside markets, and small grocery stores for their daily needs. The consumers remain loyal to neighbourhood vendors, who offer more than just goods by connecting with their customers on a personal level. The neighbourhood vendors are simply more familiar to locals and are recognized as part of the community; these vendors also extend credit to those in need and offer home delivery. In many areas of India, there are powerful bonds between neighbourhood vendors and their loyal local customers. The retail sector in India is on boom and the industry is expected to grow at rapidly of 25-30% annually. While an estimated 85 percent of retail outlets continue to operate in these traditional formats, the last few years has seen a rise in modern retail formats such as hypermarkets, department stores, multi-storied malls, and specialty stores particularly in urban and semi-urban areas. All the leading modern trade outlets have introduced store brands which used to compete with national brands.

Private Label

According to Batlas, (1997) store brands or private label brands are brands owned, controlled, and sold exclusively by a retailer.

International private label

The international private labels can be recognized as being of better quality than local private labels. Batra, (2000) international private labels have an inherent cosmopolitan image, they will be deemed more inspirational, desirable and appealing with higher prestige than local private labels. The international private labels can be counted better leading brands than local private labels. The international labels would like to promote their cosmopolitan image so as to generate greater receptivity to their products which are of foreign origin. The consuming international private label products can be associated with more

sophisticated personalities than local private label products. That is, the brand personality of international private labels will be perceived superior to local private labels.

Growth of Private Label in India

The emergence of organized retailing in India has made private labels a reality. Though, initial growth of private label brands in India has been limited to certain categories like grocery and apparel, it is slowly expanding into other categories as well. The Indian retail market is the fifth largest retail destination globally and has been considered the most attractive emerging market for investment. Overall, the Indian retail market is growing at 30% annually, with the organized segment, which currently accounts for around 9% of the Indian retail market, registering above average growth of 30% (Report on Indian retail industry by Cygnus, 2010). Thus, with growth of organized retail in India, the private label brands are also expected to grow. The growth of private label brands in India has been limited to certain categories like grocery and apparel; it is expected to expand into many other categories as well. The private label brands and quality perceptions initially, private label brands developed a low-priced strategy to compete with national brands. They aimed at attracting low-income consumers who were price-conscious. The observed evidence for popularity of low-priced strategy of private labels came from studies which indicate that the private label strength of brands varied with economic conditions.

Factors to be Considered While Going for Private Labels

Private labels won't work by just keeping the products cheap. Retailers must look at developing good quality and value-added products. Also, they must make sure that they don't over exercise the private label option. If they fall into the trap of using too many private labels, they will end up losing customers. It has been seen that when retail chains rely heavily on private labels, customers feel they lack choices. Many retailers have suffered due to this; Sainsbury is a classic example. The UK-based retail chain was a mainline traditional retail chain, but when it used too many private labels, customers did not find regular brands at its stores, and as a result, sales dropped. By this it can be understood that a retailer need to be careful



when he is coming with more number of private labels in his stores. Customers expect more choices; they need private labels along with various national players in a product category. Even if the private labels are doing good sales as compared to national brands, the retailers need to focus on national brands in order to retain the customers for long run.

Grocery Shopper Types



FMI THE VOICE OF FOOD RETAIL. *Average estimated self-reported spend per household, U.S. Grocery Shopper Trends, 2015. Learn more at www.fmi.org/grocerytrends.



Tech & Retail Giants Expand Services

Google expanded its Express delivery service, which offers same day delivery from stores like Costco, Whole Foods and Target, to Boston, Chicago and Washington, DC. In October it transitioned to a subscription model where users either pay \$10/month or \$95/year for the service.

Amazon expanded Amazon Fresh, its same-day grocery delivery service, to New York. It also launched partnerships with the USPS to deliver groceries in San Francisco and AgLocal to offer on-demand sustainable meat in San Francisco.

Walmart To Go, the retailer's on-demand delivery service, is testing out a variety of different same-day grocery services to meet the needs of its customers. Last October, it added Denver

to its list of cities – San Jose and San Francisco – offering same day delivery. This year, the retailer began offering store pick-up in Denver. It also launched Walmart Pickup-Grocery in Arkansas, which is a 15,000-square-foot fulfilment centre, rather than a full-blown store.

Conclusion

Retail organizations in the organized sector are undoubtedly facing a very challenging situation. While on the one hand they face competition with the small retailers on the other hand they are pitted against National Brands. There is a cut throat competition in the market place there by putting tremendous pressure on pricing and resultant pressure on profits. At the moment, private labels are less than 5 per cent of the retail business and still have a long way to go. But Indian retail is extremely attractive for investors and it offers a proposition that can't be seen anywhere else in the world. Observing the trend in the growth of private labels, the private labels are going to give tough competition to the national brands if and only if the retailer commits to the quality of the private label and adds value to the product.

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