

A Study on Product Mix of Private Labels in Packaged Groceries with Reference to Organised Retail Sector in Ernakulam District

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ABSTRACT

India has experienced rapid changes and socio economic transformations in retail sector in the past few years. Private label brands or store brands have shown remarkable growth for the past few years. Private labels are slowly becoming protagonist in the big Indian retail growth story. Taking cue from the west, Indian retailers are also churning out newer ways to increase their profit margins. One such initiative is the introduction of in – house brands. Initially it was positioned as low price and low quality brands, now the situation has been changed and the in house brands have moved a long way in establishing its identity. Now the private labels are widely accepted in par with the national brands in terms of price and quality. The major reason for this remarkable success is that private label help retail stores to attract customers, build loyalty, generate large sales and enhance profit margins. The present research carried out at the selected retail chains of Big Bazar, Reliance Fresh, More and Lulu in Ernakulam district.

Keywords-- Retail chain, private label, national brands, product mix

I. INTRODUCTION

The retail sector in India is the second largest employer after agriculture. It contributes to 10 – 11 % of GDP and 8 % of the employment. The Indian retail industry is the fifth largest in the world. Indian retail industry classified into two categories namely organized and unorganized. Organised traders/retailers are licensed for trading activities and registered to pay taxes to government. Unorganised retailers consists of unauthorised small shops, conventional kirana shops, general stores, corner shops among various other small retails outlets, but remain as the radiating force of Indian retail industry. The Indian retail industry is dominated by unorganised local players with consumers shopping at kirana and road side markets for their daily needs.

Most major retailers have introduced private labels not only in food and grocery product, but also in apparels and accessories, consumer durables, toys,

healthcare and home furnishings. Major organised retail chains have their own private label products, which are cheaper alternatives to branded products. private label were introduced as a clever marketing scheme to extend the visibility of the store- when the customer carries home groceries named after the store, every time they use the product, they remember the store too. As the margins set by the store are significantly lower than those set by popular national brands, the perception of the consumer towards these store brand is one of value for money. Soon, the private labels grow into solid brands without large scale advertising or marketing activities.

II. STATEMENT OF THE PROBLEM

As a result of increasing growth of the organised retail sector, private labels or store brands are also increasingly accepted by the Indian organised retail market. The Private labels in packaged Grocery come under the purview of the study. At present retail revolution is taking place in Kerala. So the present study aims to understand the product mix available in packaged grocery category, to understand the impact of merchandising on sales of private labels in Ernakulam district and to understand opportunities of private label growth in India.

III. OBJECTIVES OF THE STUDY

1. To find out the position of private label around the world and India
2. To evaluate the opportunities for private label growth in India
3. To identify the product mix of private labels in packaged grocery category

IV. METHODOLOGY

This research is exploratory in the first phase and descriptive in nature in second phase. Both secondary as well as primary data used for the study.

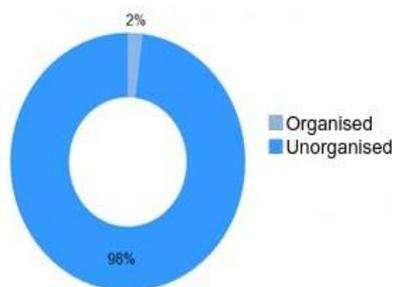
Data was collected via literature review, in store observation of the researcher, focus group discussion and exclusive interaction with both sales staff and managerial staff of the retail store. Primary data in the form of responses to a questionnaire was collected from store staff and managerial staff. Fifteen retail outlets of Bigbazar, Reliance Fresh, More, Lulu hypermarkets observed in the district. 150 staff was selected using quota sampling technique. Primary data on relevant variable like product mix and merchandising are collected through the interaction with the sales staff and managerial staff of these retail outlets.

Indian retail

Indian retailing has seen a lot of ups and downs over the last few years. The retail industry in India is

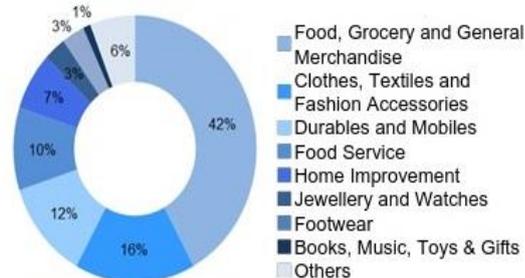
currently growing at a greater pace. Retail industry is expected to grow to 1.3 trillion by 2020, registering growth at a CAGR of 7.46 % 2000 – 2015. Indian grocery market is expected to be world's third largest by 2017. The retail sector in India is emerging as one of the largest sectors in the economy. According to retail advisory firm Technopak, India spends around 370 billion USD a year on food and groceries. By 2020 food and grocery segment is expected to account for 66 % of the total revenue in the retail sector followed by apparel segment.

Indian retail industry (2016)



Source: Indian Retail Report, TechSci Research

Shares in organised retail sector (2015)



Source: Indian Retail Report, TechSci Research

Private Label

Private label can be defined as a brand name owned by a retailer or wholesaler for a line or a variety of items under controlled exclusive distribution. Private label products are commonly referred as to name brand, store brand, own label, retailer brand, phantom brand. A private label is characterized by being a product produced, improved, processed, packaged or distributed exclusively by the organization that has the brand control (AC Nielsen, 2002). It can carry the company's name or used other brands not associated to the company's name. Still due to these characteristics and their appeals, the market for private label has grown in the last few years (AC Nielsen, 2004). Retailers are not any more offering low quality products for a lesser price, but they are creating a new level of differentiation, better pricing for a good quality product and new merchandising and promotion strategies. Advertisement, sales promotion, physical distributions are much lower in case of private labels. Among the reasons for the likely growth of private labels are cheaper price and better bargaining power for the retailers.

Benefits of private labels

1. Higher margins than the branded products
2. Differentiate private label brands from competitors, offer something unique
3. Greater freedom with pricing strategy
4. Freedom to create and schedule marketing plans
5. Create stronger customer loyalty
6. Positions better in economic downturns

According to Hakkanson (2000) different kinds of private labels are, Store brands- the retailers name is very evident on packaging, Store sub brands- products where the retailers name is low key on the packaging, Umbrella branding - a generic brand independent from the retailer name, Individual brands- a name is used in one category, this is only used to promote a "real" discount product line, Exclusive brands - again a name used in one category, but to promote "added value" products within the category

Private label around the world and India

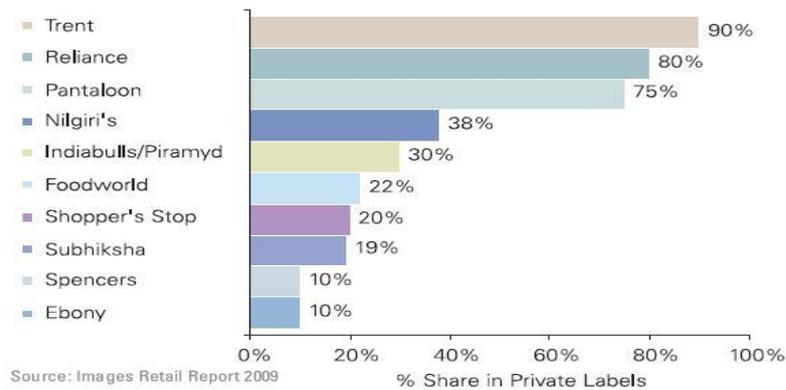
According to Batlas(1997) Store brands or Private label brands owned, controlled and sold exclusively by a retailer. The private label have 50 % or more than 50 % market share in many parts of the developed world. The private labels in groceries, processed food, personal care, apparel, home care and consumer durables.

The reason for growth of private label brands in India are increased concentration among retailers, An increased concentration among retailers, an improved quality perception among consumers, the rising social acceptance of private label consumption, the current economic downturn due to the demonetisation. A shopper's trend study Nielsen, 2011 found awareness about private label has gone up from 64 % in 2009 to 78 % in 2010 across 11 cities in India. The project focuses on the impact and threat of major India retailers like Reliance, Big bazaar, more, Bharathi trent etc. The Indian market has lot of potential for this type of strategy as compared to any other part of the world. Private label

brand constitute of 10 – 12 % of the organized retail market in India as per (KPMG report 2014). In India there is an increasing demand towards the acceptance of in house brands and penetration is rising rapidly in case of Fmcg, apparel, consumer durables and home care segment. As food price and other home care products are

rising, rapidly customer's perception of cheaper options is changing and growth in a recession for private label brands is permanently sustainable as per (KPMG report 2014)

Snapshot of retailer's depth of private labeling



The Private labels are in par with the national brands at least in selected chains and outlets in India in terms of quality and price. Earlier the growth of Private label brands in India has been restricted to certain categories like grocery and apparel but it is slowly expanding to the other categories as well. Earlier the private labels considered to be inferior to the national brands. At present that notion has been changed to a certain extent and the private brands are considered to be par with national brands in terms of price and quality.

Recent trends in private label packaged groceries

The growth of private labels is directly linked to the growth of modern retailing. The early growth of private label brands in India has been limited to certain categories like grocery and apparel; it is gradually expanding into other categories. Retailers need to gain customer confidence in its offerings so as to successfully introduce private labels. With the tremendous growth in the Indian organised retail, private label brands are also widely accepted. The demonetization has significantly given a thrust to private labels, thus favourably affecting the private label sales of almost all major retailers. Though the growth of private label was seen across categories, growth in grocery was prominently seen supermarkets at 15 % and hypermarkets accounting for 30 % of total value sales. The private label market in India is currently estimated at Rs. 13 billion which accounts for 10 – 12 of organised retail in India. All the leading retail chains have increased focus on private

label retailing. According to industry estimates, private label margins for electronics goods are up to 20 % higher compared with average national brands. This rises to 30 – 50 % when it comes to clothing. Department store tend to price their products at par with standard- priced products of some leading brands in India, while electronics and appliances specialist retailers, as well as health and beauty specialist retailers, generally price their products lower than the respective leading brands in order to generate column sales (Euromonitor, 2012).

The future of private label will be guided by the trends towards busier lifestyles, quality and convenience, innovation in product ranges will help to expand further. The future of private label seems to be very bright, as long as retailers continue to be creative in launching their private labels. On the basis of assumptions for autonomous growth and consolidation in food retail by 2015 and 2025, we come to an estimated share for private label of 50 percent by 2025.

The product mix of private labels in packaged grocery category

The modern retail stores have the blend of look, feel and took from the various choices of products. Grocery and staple category have the product mix of edible oil, rice, spices, masalas, dal, flour, salt, sugar, tea coffee. The private label brands in packaged grocery category are presented in table

Sl. No	Retailer	Brand	Variants	Packing size
1	More	Superior, value, choice, select	Rice, sugar, salt, cumin, maida, rawa, coriander powder, fresh atta, mustard, dosa rice, ragi flour, sooji, egg, cardamom, chilli powder, turmeric powder, fennel small, pepper powder, jeera rice, ctc tea powder, salt, ghee,	50gm, 100 gm, 200gm, 500 gm, 1 kg, 2 kg, 5 kg,
2	Reliance fresh	Select, goodlife	Basmati rice, idly rice, long grain rice, poha (aval), fennel, cardamom, gota, urad dal, dal	50gm, 100 gm, 200gm,

			mix, clove, maida, pure honey, sharbathi, ragi flour atta, salt, instant coffee, vermicelli, jam, coconut oil, pickle, rawa, wheat chakki fresh atta, CTC tea, coriander powder, turmeric powder,	500 gm, 1 kg, 2 kg, 5 kg,
3	Big bazaar	Fresh n pure, tasty treat	Long grain rice, salt, dal, oil, maida, rava, ctc tea powder, chilli powder, turmeric powder, coriander powder	50gm, 100 gm, 200gm, 500 gm, 1 kg, 2 kg, 5 kg,
4	Lulu	Lulu	Premium basmati rice, coffee, sunflower, dry coconut powder, milk powder, chilli powder, turmeric powder, coriander powder	50gm, 100 gm, 200gm, 500 gm, 1 kg, 2 kg, 5 kg,

V. FINDINGS & SUGGESTIONS

Private label has grown as preferred item in the packaged groceries sector. There is a big gap between national and private brand in terms of packaging. Freshness and product availability are the two most important factors which will affect the purchasing decision of customers. Factors influencing the purchase of private label brands are price charged, packaging, perceived quality, availability of alternatives and sales promotions. Wide ranges of private label products are available in the flour and spice category.

It is necessary to improve the private label display, product arrangement, promotional schemes and offers to get the attention of more customers. Retailers have to follow a lower price – higher quality strategy in private label grocery sector. By giving wide variety of options in terms of price, promotion and range will attract more and more customers to private label products in grocery sector. To counter the price competition, private label groceries have to give more visible shelf space or slot.

VI. CONCLUSIONS

This study only scratched the surface of private label branding in the retail grocery sector in Ernakulam district. A number of pivotal issues did however come to the fore which were not explicitly covered in this study. That needs to be done by further research. It was observed that Grocery and staple category have the product mix of edible oil, rice, spices, masalas, dal, flour, salt, sugar, tea coffee. The future of private label seems to be very bright, as long as retailers continue to be creative in launching their private labels. On the basis of assumptions for autonomous growth and consolidation in food retail by 2015 and 2025, we come to an estimated share for private label of 50 percent by 2025. There is no doubt that if the retailers and national brand manufacturers create a mutually beneficial co-existence then the one to benefit most from this would be the consumers.

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