Study of Consumer Buying Motives for Private Labels in India

Dr. Komal Chopra, Shouvik Dasgupta, Minervi Gupta
1,2,3Symbiosis Institute of Management Studies, Pune, INDIA

ABSTRACT

Purpose of study

There is a wave of change in the way India's big retailers like Aditya Birla Group, Reliance, Future Group etc. are competing with one another. Big retailers are stocking shelves with their own labels which are private labels. Private labels products are those which may be made by a third-party manufacturer but sold under the retailer's brand name. Better margins and economies of scale are the driving factors especially for Brick & Mortar retailers to have their own private labels. Researchers have found that major retail companies like Trent and Landmark derive 90% of their sales from private labels. Private labels contribute 15-25% to the sales of Shoppers Stop & Lifestyle. The percentage is similar for e-tailers like Snapdeal, Flipkart etc. which derive at least 20% + of their sales from in-house private labels.

Private labels have an ability to satisfy value conscious consumers. Today, the consumers are very demanding and are looking for more variety at lower prices. Private labels aren't the sub-standard alternatives that they used to be a few years ago. They are doing exceedingly well across various product categories as they provide good quality and competitive pricing when compared with national brands. There is a lot of potential for private labels to become more broad-based in the coming years. Mostly, private labels brands are highly demanded in food and apparel product categories but the reach of private label brands to other categories like pharmaceutical, household electronics and baby products is likely to increase. The growth of private label industry in India and consumer preference for private labels has justified the need for doing research in this area.

1. INTRODUCTION & REVIEW OF LITERATURE

Patel, V., & Barad, K. (2015) in their paper explained that the Indian retail market is growing rapidly in the world. In terms of economic value, it occupies fifth place and provides a strong growth potential. The worth of the Indian retail sector was estimated to be $250 billion and is expected to reach $950 billion by 2018. Selvaraj, U. (2015) in his paper defined private label brand as a brand which is owned, merchandised and sold by retailers themselves and which carries the retailer’s name and is exclusive to a retailer, but is produced by some other company. Private label brands are also known as in-house brands, store brands.

Kumar, N., & Steenkamp, J. (2009) in their book mentioned that as retailers are becoming bigger and more global, they are slowly starting to put forward their own in-house private label brands at the cost of national brands. Retailers have very efficiently created the private labels into brands. The authors state that the private labels began the journey back in 1970s in the USA with a market share of around 12%-34%. Asia itself has seen a growth of 50% since the inception of private labels. Apparel has the largest market share in the USA in the private label segment with 45% of the total unit sales. Private labels have also grown in the areas of books and financial services.

Nielsen (2013) in their paper intended to explain the steady rise of private labels in India and what is triggering its growth. Nielsen says that the food category dominates the private label market with around 76 percent of the total sales. For example packaged grocery contributes to a whopping 53 percent of total sales. In the non-food category, the top position is that of household cleaners which accounts for nearly 48% of private label sales. Other significant contributors include personal care, fabric care and the general category.

To understand the driving forces behind the private label market, it is necessary to understand the characteristics of the modern shopper. With rising levels of disposable income and the willingness to spend, the modern day shopper is more open to experimenting. Rather than looking at shopping as a task, consumers are increasingly looking at it as an enjoyable experience.

Nielsen also mentions that certain categories like baby care and baby foods have not made an impact as yet in the private label segment. Retailers can overcome this creating more in-store awareness, more product visibility and providing value for money options.

Kaur, K. (2013) studied that many shoppers have migrated towards private label brands at a very fast pace but the reason for this migration cannot be solely linked to price play but the migration can be linked to various factors like improvement in product quality, packaging, retail experience and presentation that private labels have graduated to offer.
While many product categories like mobile phones, kitchen appliances, cosmetics etc. were traditionally dominated by big brands, large scale commoditization over the last few years has reduced the power of the brands significantly. Creating a demand for the category can be done through heavy advertising and promotion. And in this process, private labels also benefit as it gives them the opportunity to be picked up by the consumers.

It can be said that to not only attract more customers to the store but also to convert them into buyers, retailers and manufacturers will have to work together and would have to go an extra mile by giving them a wide variety of options in terms of design, price and range. Innovation, promotion and competitive pricing are a few factors that the national brands must keep in mind and adopt in order to compete with private label brands.

Dunne, David and Narasimhan, Chakravarthi (1999) in their article explained that private labels are increasingly being viewed as “category killers” and they are slowly gaining popularity and stealing the market share from national brands. A big change in private labels is that they have become premium in nature and offer ample opportunities to retailers to make profit. Retailers are slowly getting accustomed to this trend and are coming up with special premium lines of products which are targeted at niche markets.

Shukla, P., Banerjee, M., & Adidam, P. T. (2011) in their research paper studied the various psychographic & socio-demographic factors which have an impact on profiling of private label consumers. Marketing strategies are greatly influenced by socio-demographics indicators as they have a major impact on the buying decision based on the stage of family life cycle in which a consumer lies. Price consciousness, brand & store loyalty, quality perception etc. are some other psychographic factors which have an impact on buying behaviors of consumers towards private label brands. Abhishek. (2014) in their paper focused on how a private label brand is chosen based on demographic variables. Here the data has been collected from loyalty programs of apparel stores. Demographic data related to age, education, income and other basic information was taken through membership details.

II. RESEARCH METHODOLOGY

Selection of Sample
We chose random sampling for this project to capture a balanced and unbiased opinion on the subject matter. An online questionnaire was used to capture the opinion of the respondents.

Data Collection
Primary Data
Primary data collection was done with the help of a questionnaire that was floated to the prospective respondents online through Surveymonkey. The sample copy of the questionnaire has been attached to this report.

Data Analysis
Detailed analysis of the results have been listed in the Chapter 4 – Results section.

III. RESULTS AND INFEERENCE

<table>
<thead>
<tr>
<th>Table 1: General information of the respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>--------</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Income</td>
</tr>
<tr>
<td>Below 20000</td>
</tr>
<tr>
<td>20000 - 40000</td>
</tr>
<tr>
<td>40000 - 60000</td>
</tr>
<tr>
<td>60000 - 80000</td>
</tr>
<tr>
<td>80000 and above</td>
</tr>
<tr>
<td>NA</td>
</tr>
<tr>
<td>Age</td>
</tr>
<tr>
<td>Below 20 years</td>
</tr>
<tr>
<td>20-30</td>
</tr>
<tr>
<td>31-40</td>
</tr>
<tr>
<td>41-50</td>
</tr>
<tr>
<td>51-60</td>
</tr>
<tr>
<td>Above 60 years</td>
</tr>
</tbody>
</table>

Copyright © 2016. Vandana Publications. All Rights Reserved.
2. The primary objective of the project was to find out if whether people are aware of what private label brands are. The results were in line with the expectations because 82.3% respondents said that they were aware of private labels and only 17.7% respondents said that they were not aware of what private labels are.

3. 70.9% respondents said that they buy private labels majorly in the apparel category which came out as the most favoured category in terms of private labels. This was followed by 40.4% respondents saying that food & beverages is the second most purchased category.

4. Majority of the respondents mentioned that ‘discounts’ are the main reasons why they purchase private labels. 40.4% respondents voted for ‘discounts’ as the main motivating factor. It was closely followed by ‘competitive pricing’ as a factor with 39.7% respondents voting for that.

5. The respondents were asked to rate the selected attributes of private label brands on a scale of 1 – 5. The ‘ease of availability’ got a weighted average of 3.48. ‘Attractive packaging’ received a weighted average of 3.13. Reliability of private labels received an average of 3.39. The fact that private labels are comparatively cheaper received an average rating of 3.29 and more than average respondents felt that that the private labels are of high quality by giving it an average rating of 3.40.

6. 54.60% respondents i.e 77 out of 144 respondents disagree with the perception that private label brands are inferior in quality. 70.21% respondents i.e 99 out of 141 respondents feel that there is no correlation private label brand being cheap and their quality. They don’t think that private labels are cheap because they are of low quality. 57.44% respondents i.e 81 out of 141 respondents strongly believe that private label brands have improved in quality over the years. 60.99% respondents i.e 86 out of 141 respondents believe in the fact that private label brands offer quality and that is a major motivating factor behind buying private labels.

7. Majority of the respondents (56%) i.e 79 out of 141 respondents have claimed that they have seen private label brands being advertised across various channels. 44% i.e 62 out of 141 respondents have not seen private label brands being advertised.

8. The assumption in this case was that mostly advertising of private labels happens within the store. This assumption was proved true as 71.4% responses were in favour of ‘In store promotions’. This was followed by ‘word of mouth’ which had 38.1% responses. The least effective mode for advertisements as per the data is ‘Radio’.

**IV. CONCLUSION**

The survey has proved that the awareness level of private label brands is high and people are aware of the existence of private labels. Considering the variety and offers in apparel category, it is the clear leader in the category in which private labels are bought.

There is a lot of scope to capture a bigger market share in the apparel category as people want more variety these days and are becoming more style conscious.

It is clear from the data collected from the respondents that they feel that private labels offer high quality and that is a major motivating factor behind buying private labels.

Majority of respondents have been exposed to the advertisements of private labels. According to them the most effective mode of advertisement is ‘in-store promotions’. This is an important insight as this proves that in-store promotions and offers actually influence the buying behavior of customers and retailers should concentrate more on effective promotion of their private labels within the stores.

**REFERENCES**

tm/personalpage_files/Papers/JRetailing published article Private label positioning vol 82 no 2 2006.pdf
TURNITIN REPORT

Welcome to your new class homepage! From the class homepage you can see all your assignments for your class, view additional assignment information, submit your work, and access feedback for your papers. Hover on any item in the class homepage for more information.

This is your class homepage. To submit an assignment click on the “Submit” button to the right of the assignment name. If the Submit button is grayed out, no submissions can be made to the assignment. If resubmissions are allowed the submit button will read “Resubmit” after you make your first submission to the assignment. To view the paper you have submitted, click the “View” button. Once the assignment’s post date has passed, you will also be able to view the feedback left on your paper by clicking the “View” button.

<table>
<thead>
<tr>
<th>Assignment Inbox: Dissertation 2016 - 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Info</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>Dissertation2016-17</td>
</tr>
</tbody>
</table>

[Submit or Resubmit button]