



FMCG PLB's Becoming Profits Powerhouses on Store Shelves of Organized Retailers: A Study in Ahmedabad Region

KEYWORDS

Private Label Brands (PLB's), National Brands (NB's), Organized retailers

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ABSTRACT *Objective & Scope of Study: To identify FMCG PLB's key parameters leading to organized retailers' competitive advantage & to come up with findings & suggestions to widen the scope of organized retailers' on account of FMCG PLB's. Research Methodology: Research methodology deployed for research work is collection of primary data through survey of 384 consumers, 128 consumers each from Big Bazaar, Star Bazaar & Reliance Fresh Ahmedabad based retail outlet supported by available secondary data. Sampling method: Systematic random sampling method is used for collection of data & the sample size is calculated using the formula $N = \frac{Z^2 p(1-p)}{E^2}$. Findings: It is analyzed through this study that FMCG PLB's has potential for resolving commonly faced challenges by retailers & greater balance of price & quality, innovation & enhanced in-store experience can be provided through them.*

Need for the study

The need for study arises from the fact that consumer buying behavior towards PLB's & NB's differs while both PLB's & NB's offer their own advantages & disadvantages to organized retailers. The paper concentrates around this area by doing research among various customers of selected retail outlets to identify overall effectiveness for PLB's for organized retailers.

Scope of research

The survey is conducted at Big Bazaar, Star Bazaar & Reliance Fresh retail outlets at Ahmedabad. These outlets are selected based on their floor size & customer footfalls. The scope of this study lies in scrutinizing FMCG PLB's potential for resolving some of the commonly faced challenges by retailers like poor margins, highly price sensitive customers, decreasing customer retention etc. This paper tries to identify the growth prospects of PLB's to that of NB's in the FMCG retail sector. PLB's being cheaper yet qualitative alternatives to NB's, the paper analyses their potential for increasing market share of organized retailers.

Objectives

- To study consumer buying behavior towards FMCG PLB's in comparison to FMCG NB's.
- To know customer preference towards FMCG PLB's & to explore its reasons
- To identify customer satisfaction with FMCG PLB's
- To identify factors contributing to growth in FMCG PLB's sales.
- To come up with strategies to widen the scope of FMCG PLB's.

Research Methodology

Research methodology proposed examines consumer buying behavior towards certain food & non food FMCG PLB's. Sampling frame comprises of the consumers of Big Bazaar, Star Bazaar & Reliance Fresh retail outlet at Ahmedabad. This study is exploratory & descriptive research based on primary data collected through structured interview in person with 128 consumers from Big Bazaar, Star Bazaar & Reliance Fresh each. Thus, research methodology deployed for research work is collection of primary data through survey of 384 consumers & supported by available secondary data.

Analysis & Interpretation

Hypothesis 1

H0: Consumer buying behavior does not creates favorable impact on FMCG PLBs sales

Ha: Consumer buying behavior creates favorable impact on FMCG PLBs sales

Table 1:

Please indicate your degree of agreement to following statements which is close to your buying behavior while purchasing FMCG PLBs & NBs						
Sr. No	Particulars	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
1.	I like to explore new varieties of FMCG PLBs & NB's	146	113	66	38	21
2.	I doubt the quality of FMCG PLB's purchased for first time & rely more on FMCG NB's	34	49	72	106	123
3	I am loyal towards my preferred FMCG Brand only	25	41	52	132	134
4	I prefer buying any FMCG brand which provides unique combination of good quality & reasonable price	111	118	63	47	45
5	I buy only familiar FMCG brands	38	52	41	124	129

One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Exploring_Varieties	13.917	383	.000	.84635	.7268	.9659
Quality_Perception	-9.283	383	.000	-.61198	-.7416	-.4824
Brand_Loyalty	-13.037	383	.000	-.80469	-.9261	-.6833
Quality_Price_Preference	7.765	383	.000	.52865	.3948	.6625
Brand_Familiarity	-9.757	383	.000	-.66146	-.7948	-.5282

Interpretation: -

The question measurement scale is interval & therefore T-Test has been used for measuring impact of consumer buying behavior on sales of FMCG PLBs & NB's. 5% level of significance is assumed & the calculated significance value is less than 0.05. Thus, T-test is significant & Ha will be accepted i.e. Consumer buying behavior creates favora-

ble impact on FMCG PLBs sales

HYPOTHESIS 2

- H₀: Most of the consumers are not satisfied with FMCG PLB's
- H_a: Most of the consumers are satisfied with FMCG PLB's

Table 2

Please indicate your degree of agreement to following statements which is close to your buying behavior while purchasing FMCG PLBs & NBs						
Sr. No	Particulars	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
1.	I am satisfied with the available FMCG PLBs varieties	112	108	54	65	45
2.	I am satisfied with the available FMCG PLBs quality & pricing	140	119	60	43	22
3.	I would substitute recently used FMCG NB's with any other PLB's	115	109	42	64	54
4.	FMCG PLBs are of equivalent quality as NB's	121	101	52	72	38

One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Varieties	6.590	383	.000	.46094	.3234	.5985
Quality & Pricing	13.209	383	.000	.81250	.6916	.9334
Substitute	5.986	383	.000	.43490	.2920	.5777
Quality	7.309	383	.000	.50781	.3712	.6444

Interpretation: -

The question measurement scale is interval & therefore T-Test has been used for measuring the level of satisfaction with FMCG PLBs. 5% level of significance is assumed & the calculated significance value is less than 0.05. Thus, T-test is significant & Ha will be accepted i.e. most of the consumers are satisfied with FMCG PLB's

HYPOTHESIS 3

- H₀: Lesser cost & good quality is not the most preferred factor for purchase of FMCG PLB's.
- H_a: Lesser cost & good quality is the most preferred factor for purchase of FMCG PLB's.

Table 3

Kindly rate your most preferred factor for purchase of FMCG PLB's (1=Highest rank & 5=lowest rank)						
Sr. No	Particulars	1	2	3	4	5
1.	Lesser cost	126	123	63	40	32
2.	Good quality	123	119	52	50	40
3.	wide range of varieties available to choose from	92	108	68	61	55
4.	Promotional offers	112	108	54	65	45
5.	Recommendation of retailer sales staff	72	76	93	89	54

Correlations						
		Lesser Cost	Good Quality	Varieties	Promotional Offers	Recommendations
Lesser Cost	Pearson Correlation	1	.976**	.934**	.950**	.919**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	384	384	384	384	382
Good Quality	Pearson Correlation	.976**	1	.943**	.965**	.927**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	384	384	384	384	382
Varieties	Pearson Correlation	.934**	.943**	1	.967**	.946**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	384	384	384	384	382
Promotional Offers	Pearson Correlation	.950**	.965**	.967**	1	.933**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	384	384	384	384	382
Recommendations	Pearson Correlation	.919**	.927**	.946**	.933**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	382	382	382	382	382

** . Correlation is significant at the 0.01 level (2-tailed).

Interpretation: -

The questionnaire measurement scale is ordinal & therefore Pearson's Correlation test is conducted for checking most preferred factor while purchasing FMCG PLB's. It is observed based on the above test that lesser cost & good quality factors share highest positive correlation. Thus, they are the most preferred factors by consumers while purchasing FMCG PLB's while the factor recommendations share least correlation with other factors. This indicates that it is least considered factor while purchase of FMCG PLB's. 5% level of significance is assumed & the calculated significance value is less than 0.05. Thus, Correlation test is significant & H_0 will be accepted i.e. lesser cost & good quality are the most preferred factor for purchase of FMCG PLB's.

Findings

It is observed that consumers perceive minimal tangible difference between PLB's and NB's particularly in FMCG category. This suggests that exploring PLB's in FMCG category is possible & profitable as consumers looking for varieties in FMCG category would like to experiment with different FMCG PLB's. This provides the opportunity in hands of organized retailers to come up with their own innovative PLB's in certain untapped FMCG categories & maximize their earnings through its aggressive sales. It is also observed that most of the consumers are not loyal to their preferred FMCG brand & does not emphasis on buying only familiar FMCG brands. Thus, consumers would readily substitute their recently used NB's with other available PLB's substitutes in FMCG category. This class of consumers needs to be provided with right combination of

price & quality with heavy promotional offers to induce a try for other available FMCG PLB's. Moreover, consumers are found to be satisfied with available varieties & mix of price & quality offered with FMCG PLB's. This leads to development of scope of introducing more regional special-ists by offering customized products to gain brand loyalty & deal with the problem of fewer varieties & offers, lower fill rates, poor margins etc in FMCG segment.

Conclusion

As per the study, it is observed that FMCG PLB's are attractive proposition creating a win-win situation for both the customer and retailer. They are cheaper alternative with good quality in comparison to NB's. Moreover NB's are available everywhere but PLB's are unique to one retail chain, so there is possibility for retailers to cultivate a sense of brand loyalty among consumers through them. Also the surveyed consumer buying behavior is found to create favorable impact on sales of FMCG PLB's. Thus, among the various revamped strategies adopted by organized retailers, the strategy of offering FMCG PLB's with lesser price & good quality has turned their store shelves into profit power houses.

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