



## Fmcg Plb's - A win-win Solution for Customers & Organized Retailers: a study in Surat Region

### KEYWORDS

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

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**ABSTRACT** It is widely observed that FMCG Private Label Brands (PLB's) potential for resolving some of the commonly faced challenges by retailers like poor margins, highly price sensitive customers, decreasing customer retention etc are very high. They provide greater balance of price & quality, convenience, consistency, innovation & enhance in-store experience of consumers. FMCG Private Label Brands (PLB's) being unique to one retail chain cultivates a sense of brand loyalty among consumers in comparison to NB's which are widely available everywhere. The study explores potential of FMCG Private Label Brands (PLB's) & identifies FMCG Private Label Brands (PLB's) key parameters leading to organized retailers' competitive advantage with the change in consumer buying behavior. It further discusses about buying preference of consumers & highlights the factors affecting sales growth of FMCG Private Label Brands (PLB's). The proposed research is basically exploratory research based on primary data collected through structured interview in person with 128 consumers each from Big Bazaar, Star Bazaar & Reliance Fresh. Thus, the research methodology deployed for research work is collection of primary data through survey of 384 consumers, supported by available secondary data. Systematic random sampling method is used for collection of data

### INTRODUCTION

PLB's are brands owned by the retailer rather than the producer or manufacturer. Through PLB's organized retailers' gains better bargaining power with their vendors, better margins, control over their merchandise mix, filling gaps in their product range & customers get a wider range, better quality and good prices for the products. The reasons why retailers choose to offer PLB's include generating additional margins by by-passing branded suppliers as the power shifts from NB's to retailers. Issues which are not being addressed by branded suppliers like providing product variant, size option, filling gaps in product range etc can be sorted through PLB's. Organized retailers can increase their profits by offering PLB's which carries 30-40% higher margins than branded products. Also this move of retailers of offering low quality products for a lesser price, creating new level of differentiation, better pricing for a good quality product and new merchandising and promotion strategies with PLB's is well supported by consumers.

With the increasing growth of the organized retail sector, PLB's or store brands are also increasingly accepted by consumers & recession has significantly given a thrust to PLB's, thus favorably affecting the private label sales. Though the growth of PLB's was seen across categories, growth in grocery was prominently seen in supermarkets at 15% and hypermarkets accounting for 30% of total value sales. Followed by introduction of PLB's in categories such as apparels and footwear, toys, electronics and appliances to enable retailers to expand their offerings. The private label market in India is currently estimated at Rs 13 billion, which accounts for 10-12% of organized retail in India. Retailers such as Pantaloon, Trent, Shoppers Stop and Spencer's have increased focus on private label retailing. PLB's constitute 90% of Trent's, 80% of Reliance's and 75% of Pantaloon's overall sales. According to industry estimates, private label margins for electronics goods are up to 20% higher compared with average NB's. This rises to 30-50% when it comes to clothing. This provides thrust to organized retailers to come up with new PLB's.

### LITERATURE REVIEW

Any examination of the consumer-level factors that moderate PLB's success across product categories should start with a framework to explain consumer's susceptibility for buying PLB's. Most of the papers presented argue that consumers' propensity to purchase PLs depends on (a) certain demographic factors, such as income, family size, age and education; (b) certain individual difference variables, such as the degree of reliance by the consumer on extrinsic cues and the consumers' tolerance of ambiguity (intolerant preferring safer national buys); and (c) certain consumer perceptions of the particular category (degree of perceived quality variation, level of perceived risk, and perceived value for money), as well as the degree of consumer knowledge about the category (greater knowledge increasing PLs choice). But the research related to search of other factors affecting consumer buying behavior have not been considered.

Thus, a review of the previous studies undertaken in the area of PLB's indicates that research has been limited to the consumer level factors. Also the effect of all demographic variables on customer perception and preference for PLB's across different product categories has not been researched appropriately. Given the lack of studies undertaken in the area of understanding the Indian customers' attitude, and perception towards PLB's, the present study has been undertaken to gain an insight into how customers, perceive and evaluate PLB's. The findings of the study will be helpful for retailers to understand the importance of various factors in being successful with customers in the PLB's category. It will test the feasibility of private labels to provide consumers greater balance of price & quality, convenience, consistency, innovation & enhanced in-store experience by reducing the gap between consumers' goods expectations and actual goods delivered by the retailers.

### RATIONALE & SCOPE OF THE STUDY

The rationale of the study lies in the fact that retail sector in India is witnessing rejuvenation as traditional markets make way for new formats such as departmental stores,

hypermarkets, supermarkets and specialty stores. The latest research has rated India as the top destination for retailers due to vast untapped organized retail sector. India's vast middle class and its almost untapped retail industry are key attractions for global retail giants wanting to enter Indian retail market.

FMCG items being regularly purchased, increases the scope of developing new PLB's in FMCG sector. This paper tries to identify the growth prospects of PLB'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. As the Indian consumers are evolving they expect more every time they step into a store, this develops the scope of study to analyze the possibilities of exploring PLB's new varieties to provide the customers with an experience they would like to repeat.

**RESEARCH PROBLEM**

The research problem lies in the fact that consumer buying behavior is changing and to stand at par of it, private labeling is the most preferred strategy of organized retailers which cannot be a sure shot success. Thus, the paper would throw light and research on the potential of this strategy by conducting survey and collecting relevant information. The data collected would be analyzed using statistical tool & the results of analysis would throw light on whether this strategy would be fruitful or not for the organized retailers.

**OBJECTIVES**

- To identify factors influencing consumer buying behavior while purchasing FMCG PLB's
- To study customer perception about FMCG PLB's
- To identify customer satisfaction level and loyalty state for FMCG PLB's
- To come up with strategies to widen the scope of FMCG PLB's.
- To know customer preference towards FMCG PLB's & to explore its reasons

**RESEARCH METHODOLOGY**

The research methodology proposed examines consumer buying behavior while purchasing FMCG PLB's. 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 & supported by available secondary data too. The research methodology deployed for research work is collection of primary data through survey of 384 consumers. The collected and analyzed data is presented with the help of graphs and charts for more clarification

**Result and Discussion**

**HYPOTHESIS 1**

H0: Consumer buying behavior is not favorable towards increasing sale of FMCG PLB's

Ha: Consumer buying behavior is favorable towards increasing sale of FMCG PLB's

**Table 1:**

Please indicate your degree of agreement to following statements which is close to your buying behavior while purchasing FMCG PLB's						
Sr.No	Particulars	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
	I like to explore different FMCG brands	146	113	66	38	21
	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 only those brands which provides unique combination of good quality & reasonable price	111	118	63	47	45
5	I prefer buying familiar FMCG brands only	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_different brands	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 PLB's & 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 is favorable towards increasing sale of FMCG PLB's

**HYPOTHESIS 2**

H<sub>0</sub>: Lesser cost & good quality are not the most preferred factor while purchasing FMCG PLB's.

H<sub>3</sub>: Lesser cost & good quality are the most preferred factor while purchasing FMCG PLB's.

**Table 2**

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
	Lesser cost	126	123	63	40	32
	Good quality	123	119	52	50	40
	Wide range of varieties available to choose from	92	108	68	61	55
	Promotional offers	112	108	54	65	45
	Recommendation of retailer sales staff	72	76	93	89	54

H2: PLB's are preferred by consumers while purchasing FMCG items

**Table 3**

Please indicate your degree of agreement to following statements which is close to your buying behavior while purchasing FMCG items

Sr. No	Particulars	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
	I prefer buying varieties of FMCG PLB's	112	108	54	65	45
	I like to experiment with different FMCG brands	140	119	60	43	22
	I would substitute recently used FMCG brand with any other available brand	115	109	42	64	54
	FMCG PLB's are of equivalent quality as NB's	121	101	52	72	38

**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. 5% level of significance is assumed & the calculated significance value is less than 0.05. Thus, Correlation test is significant & Ha will be accepted i.e. lesser cost & good quality are the 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 of retailer sales staff' share least correlation with other factors. This indicates that it is least considered factor while purchase of FMCG PLB's.

**HYPOTHESIS 3**

H<sub>0</sub>: PLB's are not preferred by consumers while purchasing FMCG items

**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
Experiment	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 PLB'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. PLB's are preferred by consumers while purchasing FMCG items

**FINDINGS**

As per the above results, 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 retailers to come up with their own innovative PLB's in certain untapped FMCG categories & maximize their earnings through its aggressive sales. It is observed that consumers are not loyal to their preferred FMCG brand & does not emphasis on buying only familiar FMCG brands. This generates an opportunity to readily substitute their recently used brand with other available PLB's substitutes in FMCG category. Most 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 as the most preferred factor while shopping is also of lesser cost & good quality. 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 specialists by offering customized PLB's to gain brand loyalty.

**CONCLUSION**

Consumers are mostly fond of purchasing those products which offers the right value mix of price & quality & PLB's in FMCG category offers the same with a promise of great promotion deals every time to make shopping a pleasurable experience. Thus, among the various revamped strategies adopted by retail players, one of the most important is to follow the strategy of offering strong PLB's range with lesser price & good quality.

Also, 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. This entices the consumers to buy them & at the same time, retailers' margin on PLB's is very high in comparison to NB's. Therefore retailers can offer them at lesser price while still making higher profit margins for themselves. With FMCG items meant for daily use becoming a cause of concern, consumers are likely to shift to PLB's which offer attractive prices & come with good quality. Therefore, FMCG PLB's are positioned on providing value to consumers by offering selective & qualitative FMCG PLB's & to increase retailer's sales by tapping new consumers ready to experiment with new brands which in turn produces a win-win solution for consumers as well as organized retailers.

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