

A Study on Consumer Preferences for Private Label Products in Ahmedabad City of India



Management

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ABSTRACT

Now days with the growing market the business of retail market is also growing very rapidly. Looking at current scenario, retail outlets are also focusing on their own Private Label Brands (PLB) or In-House product. This study has been conducted to find out importance of private label products and how it effects consumer purchase decision. It also focuses on what are various factors that can affect purchase decision of any individual towards purchasing of private label. In this study researchers have understood private label industry, and then collected the history of private label industry, review of literatures & define objectives based on which whole research was carried out. Researchers have visited various malls of Ahmedabad city and got relevant feedback from the respondents. From the filled questionnaires, researchers have analyzed and written the interpretations of the data gathering.

INTRODUCTION

According to a new study by global management consulting firm AT Kearney says that in India apparel along with food and grocery sector will lead organized retailing in India. India has one of the largest numbers of retail outlets in the world. A report by Images Retail estimates the number of operational malls to grow more than twofold, to cross 412, with 205 million square feet by 2010, and a further 715 malls to be added by 2015, with major retail developments even in tier-II and tier-III cities in India. Also, according to new market research report by RNCOS titled, "Booming Retail Sector in India", specifies that the number of shopping malls is expected to increase at a CAGR of more than 18.9 per cent from 2007 to 2015. It further specifies that rural market is projected to dominate the retail industry landscape in India by 2012 with total market share of above 50 per cent. Thus, according to industry experts, the next phase of growth is expected to come from rural markets, with rural India accounting for almost half of the domestic retail market, valued over US\$ 300 billion. In order to be truly successful, retailers must advance from the generic or store brand mindset of the past to a new private label paradigm. Many retailers have begun to describe their private label brands as "own" brands because there is recognition that these proprietary, exclusive offerings are tools that represent momentous power and potential for the retail store.

REVIEW OF LITERATURE

As the worldwide market share of private label brands (PLBs) increases, the importance of PLB-related research increases. This article focuses on the corpus of empirical and theoretical PLB-related scholarly research from the past two decades. After distilling the gains retailers and manufacturers may realize from PLBs and the factors that encourage PLB profitability, it presents a framework for future research (Michael et al., 2004).

The role of private labels in the retail market has become increasingly important. Developing private labels has become the mutual interest of both retailers and manufacturers because the development of private labels directly affects the market shares and profits of manufacturers and retailers. However, the development of private labels varies notably from Western to non-Western markets. The former market has a very advanced private label program in terms of quality and market share, while the latter is at an early stage of development. As a result, the majority of the research has been drawn from the Western market, and the focus of these studies is mainly on the retailers themselves, and on consumers' perspectives. However, a few studies have addressed the issues from manufacturers' standpoints. Therefore; more research is needed in the non-Western market regarding the private label manufacturer's perspectives (Wei Song, 2009).

Based on prior research, the motivation in the western markets for manufacturers to support the private labels can be illustrat-

ed by three aspects: Improved profitability of the firm (Dunne & Narasimhan, 1999; Burt & Johansson; 2004); gaining a new direction for the manufacturers (Morris, 1979; Hughes, 1996; Cullen & Whelan, 1997; Timmor, 2007); and enhancing relationships with retailers (Kalwani & Narayandas, 1995; Dunne & Narasimhan, 1999; Davies & Brito, 2004).

OBJECTIVES OF THE STUDY

- To find out the awareness of private label products in Ahmedabad city.
- To identify consumers preferences of categories under private label.
- To study factors affecting the consumers' behavior while purchasing the private label products.

RESEARCH METHODOLOGY

The study is descriptive in nature. The researcher adopted this type of research design to gather information from the respondents to assess the preferences and affecting factors among the consumers towards selection of private labels. The study was conducted with 300 samples from Ahmedabad city of Gujarat state. The sampling method adopted for the study was non-probability convenient sampling. Structured questionnaire was prepared to collect the feedback of the respondents.

The secondary data has been collected from the books, journals, magazines and websites.

RESULT ANALYSIS & INTERPRETATIONS

A. Awareness of respondents towards private label concept

The awareness of private label in minds of respondents in the market enables customers to choose the one which best suits his/her needs and preference. And it motivates them to purchase private label. From our study 57.33% respondents are aware about private label products and they had tried it before followed by 42.66% who have not known anything about private label.

B. Respondents preferences towards selection of categories from private label

In retail market, too many categories of products are available under private label categories. And consumers are purchasing products from all of those categories. But which category is mostly liked by them is a good research question. This research shows that apparels industry is having larger market (55.00%) in private label products followed by food products with having 30.33%.

C. Factors affecting the purchase decision of private label in Food Category

Table 1 infers that most of the buyers' food product purchasing decisions are strongly affected by freshness followed by availability of private label products, healthiness, Quality of product & so on.

Table 1: Factors affecting the purchase decision of private label in food category

	Excellent Quality (%)	Value for Money (%)	Freshness (%)	Packaging (%)	Healthiness (%)	Local Popularity (%)	Local Taste (%)	Availability (%)
Strongly Disagree	19.33	7.00	10.00	12.00	6.33	18.66	14.66	17.00
Disagree	14.33	23.66	17.00	12.33	16.00	13.00	21.66	11.66
Neither Agree Nor Disagree	20.33	21.00	13.33	25.66	15.66	20.00	17.33	13.33
Agree	19.00	26.33	26.00	26.66	29.00	26.66	24.00	24.66
Strongly Agree	27.00	22.00	33.66	23.33	33.00	21.66	22.33	33.33

D. Inducing factors for purchase of private label

Research depicted that price discounts (31.00%) plays major role to attract & induce customers followed by bonus pack (26.00%), promotional activities (18.00%), referrals (16.67%) & others (8.33%).

CONCLUSION

With consumers today exposed to choices in terms of new categories, new brands and new shopping options enabling them to seek more information in the crowded retail environment; it is a major challenge for private brand production companies. Also the price sensitivity is waxing and brand loyalty is waning. And the consumers, who once stuck to favorite branded retail goods, are now, willing to try local taste with high quality personal label products at an affordable price. This requires use of promotional schemes & purchase inducing factors which are the most essential in today's market. Though this could not guarantee brand loyalty but at-least the customers will try the products and generate sales for the companies.

To induce customers for purchasing private label, currently many Indian retailers have launched their private label categories ranging from apparel, electronics, grocery, confection-

ary segment etc. Today retailers are investigating on how to attract customers to their ranges of private label. For that, this research shown that freshness of the product & availability are the two most important factors which can affect purchase decision of most of the customers. Study suggested that private label marketers should also focus on quality, local test & their local image in the local market. Also it has been found that price discount & bonus packs are two prime promotional activities by which retailers can induce customers to purchase private label over branded label products. Due to the attractiveness of this segment many retailers are now interested to start their own private label categories. For retailer this study highlighted that customers are strongly interested in Apparel followed by food products & electronics categories.

LIMITATIONS

This survey is conducted by considering the time constraint. Sample size of three hundred respondents may not be adequate. It is difficult to be precise about the most appropriate sample size for conducting such research. Due to subjectivity and beliefs of consumers, some answers of the questionnaire may differ from the reality.

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