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Research Paper

Commerce

A Study on Consumer Perception Towards Private Labels in Organized Retail Stores

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ABSTRACT

Retail is an ever growing and ever changing sector worldwide. The mounting competition among retailers to increase customer footfall empowers the buyers to have varied choices of products to pick. Retailers have realized that creating a 'private label' is the only means to stand by in the struggle for survival. A private label brand is a brand owned, merchandised and sold by retailers themselves that carries the retailer's name and is exclusive to a retailer, but is produced by another company. The paper examines the factors influencing customers to purchase private labels and how they perceive those brands. Various retail outlets in Coimbatore city is taken for study.

KEYWORDS

Private Label, Store brand, Consumer Perception

INTRODUCTION

Retail is an ever growing and ever changing sector worldwide. The mounting competition among retailers to increase customer footfall empowers the buyers to have varied choices of products to pick. Retailers have realized that creating a 'private label' is the only means to stand by in the struggle for survival. The national brands brought into their stores through traditional or modern retail supply chain elements does not give them much space to grow or differentiate. Private labels give retailers a chance to introduce unique products and make it available only in their stores.

A private label brand is a brand owned, merchandised and sold by retailers themselves that carries the retailer's name and is exclusive to a retailer, but is produced by another company. They are also called as in-house brands, store brands. The origin of private label dates back to the '60s and '70s when products under own name were offered as cheap and standard products. Later in 1970's they were in the form of black and white labelled products. The major improvement in packaging was the first step in the success of private label. Recently sophisticated retailers are successfully experimenting with premium store brands.

The private label market experienced a robust growth over the 2007-2012 period (Euromonitor International Report 2014). According to Nielsen Global Survey of Private Label, 2014, perceptions about private label brands are favourable around the world. 70% say they purchase private label to save money, two-thirds (67%) believe private label offers extremely good value for money, and 62% say buying private label makes them feel like a smart shopper. India is one of the most successful private-label markets which grew 27% between 2012 and September 2014.

REVIEW OF LITERATURE

Livesey, Lennon (1978) assesses consumers' choice and behaviour with regard to manufacturer brands and retailer own labels and the contributions of these different approaches. The results of this study throw additional light on brand-choice decision. The relationship between consumers' perceived risk and the branding of supermarket products was examined by Dunn, Murphy, Skelly (1986). The findings indicate that consumers perceive the greatest performance risk with generics and highest financial risk with national brands.

U.Dineshkumar and P.Vikkraman (2012) examines how retailers can influence the customers for private label brands by providing additional features in their product. The retailers should employ strategies that are different from merely maintaining low prices and making the products available. Goswami (2012) studied the association between variables variables such as quality, number of categories, store name as private label name, innovative private labels promotions and price differentials between national brand and private label. The study by M.Ramakrishnan, Dr.Sudharani Ravindran (2012) revealed that most of the youngsters have good perception towards the private brands in fashion wear & munchies. Further quality, trustworthy and brand image were the leading features that differentiated private label brand with other branded product.

OBJECTIVES OF THE STUDY

1. To study the awareness of consumers towards private labels.
2. To identify the factors influencing the consumers preference towards private labels.
3. To study the level of satisfaction of the customers towards private labels.
4. To evaluate the consumers perception towards private labels.
5. To identify the problems faced while using such private labels.

SCOPE OF THE STUDY

Retailers were once product-centric contented with merchandising mix of national branded products. Recently there is a tough and equal competition among various retail outlets. Retailers recognized that private labels or store brands are the powerful and unique tool to strive through such competition. So the focus of this study is to measure how successful retailers are building and establishing their own brands and how their consumers perceive those brands.

RESEARCH METHODOLOGY

The survey was conducted in organized retail outlets of the Coimbatore city among the private label buyers. Since the main focus of this study is to identify the perception towards private labels descriptive research is used. The sample size selected for the study is 250. Primary data was collected using questionnaire and secondary data from internet and magazines. Convenience sampling technique is used in this study.

TOOLS FOR ANALYSIS

1. Percentage analysis
2. Rank analysis
3. Weighted average score analysis

LIMITATIONS OF THE STUDY

1. The study is limited to Coimbatore city

2. The sample size is restricted to 250.

ANALYSIS AND INTERPRETATIONS

Table 1: Demographic profile of the respondents

Particulars	Classification	No. of respondents	Percentage
Age	Upto 25 years	43	17
	25-35 years	70	28
	35-45 years	82	33
	Above 45 years	55	22
Gender	Male	94	38
	Female	156	62
Marital status	Married	177	71
	Single	73	29
Educational Qualification	No formal education	65	26
	School level	84	34
	Degree/Diploma	59	24
	Professional degree/diploma	42	16
Family Monthly Income	Below ₹ 15000	92	37
	₹ 15000 – ₹ 30000	104	42
	₹ 30000 – ₹ 45000	39	15
	Above ₹ 45000	15	6

Table 2: Frequency of visiting the outlets by the respondents

Frequency of visit	No. of respondents	Percentage
Atleast monthly once	128	51
Twice a month	27	11
No regular intervals/ As per need	95	38
Total	250	100

Table 3: Source of awareness about Store brands

Source of awareness	No. of respondents	Percentage
Friends & relatives	143	57
Advertisement	73	29
Convenient display	34	14
Total	250	100

Table 4: Overall satisfaction level of the respondents towards store brands

Satisfaction level	No. of respondents	Percentage
Highly satisfied	78	31
Satisfied	109	44
Slightly satisfied	31	12
Dissatisfied	19	8
Highly dissatisfied	13	5
Total	250	100

Table 5: Respondents perception about the store brands

Perception	No. of respondents	Percentage
Low price substitute to national brands	116	46
Competitive to national brands	32	13
Store's initiative to give something better to customers	29	12
Store's measure to increase profitability	73	29
Total	250	100

Table 6: Nature of defects in the store brands

Nature of defects	No. of respondents	Percentage
Quality not upto specified standard	14	17
Expired goods	22	26
No good taste/ Lesser nutritive value	18	21
Defective packaging	31	36
Total	85	100

Table 7: Rank analysis of the factors influencing the purchase of store brands

Factors	Rank	I	II	III	IV	V	VI	VII	Total score	Mean	Rank
	Value	7	6	5	4	3	2	1			
Recommendation	No.	23	7	26	49	65	38	42	842	3.37	5
	Score	161	42	130	196	195	76	42			
Better/ equivalent quality	No.	50	86	38	15	15	27	19	1234	4.94	2
	Score	350	516	190	60	45	54	19			
Store image	No.	43	42	56	40	37	24	8	1160	4.64	3
	Score	301	252	280	160	111	48	8			
Lower price/ Cost savings	No.	72	66	44	23	4	27	14	1292	5.17	1
	Score	504	396	220	92	12	54	14			
Unavailability of usual brand	No.	27	8	6	50	41	37	81	745	2.98	6
	Score	189	48	30	200	123	74	81			
Family habit	No.	3	18	35	5	55	60	74	683	2.73	7
	Score	21	108	175	20	165	120	74			
Attractive sales promotion activities	No.	32	23	45	68	33	37	12	1044	4.18	4
	Score	224	138	225	272	99	74	12			

Table 8: Weighted average score analysis for opinion on store brand

Particulars	Classification	No. of respondents	Score	Total Score	Mean
Packing	Very appealing	36(14)	3	108	0.43
	Appealing	68(27)	2	136	0.54
	Not appealing	146(59)	1	146	0.58
Sales Promotion	Very effective	28 (11)	3	84	0.34
	Effective	70(28)	2	140	0.56
	Not effective	152(61)	1	152	0.61
Positioning	Very attractive	25(10)	3	75	0.30
	Attractive	69(28)	2	138	0.55
	Not attractive	156(62)	1	156	0.62
Price	Very high	9(4)	5	45	0.18
	High	12(5)	4	48	0.19
	Moderate	71(28)	3	213	0.85
	Low	123(49)	2	246	0.98
	Very low	35(14)	1	35	0.14
Quality	Excellent	88(35)	5	440	1.76
	Good	112(45)	4	448	1.79
	Fair	23(9)	3	69	0.28
	Poor	17(7)	2	34	0.14
	Very poor	10(4)	1	10	0.04

Taste	Excellent	46(19)	5	230	0.92
	Good	76(30)	4	304	1.22
	Fair	82(33)	3	246	0.98
	Poor	30(12)	2	60	0.24
	Very poor	16(6)	1	16	0.06

FINDINGS

1. Majority 33% of the respondents are between 35-45 years of age, 62% of the respondents are female, 71% of them are married, 34% have school level education. Majority 42% of the respondents income ranges between ₹ 15000 – ₹ 30000.

2. Majority 51 % of the respondents visit the outlets atleast once a month.

3. Majority (57%) of the respondents are aware of the store brands through friends and relatives.

4. Majority 44% of the respondents are satisfied with private labels available in the stores they visit.

5. Majority 46 % of the respondents perceive store brands as low price substitutes to national brands and 29% perceive it as store's measure to increase profitability.

6. Out of 34% (85 respondents), who complained about problems in store brands, majority 36% complained about defective packaging and 26% complained about expired goods.

7. **Rank analysis- influencing factors**

From the above rank analysis it could be identified lower price is the major drive for the customers to choose private labels, followed by better/equivalent quality which ranked 2nd and store image which ranked 3rd. The other influencing factors are attractive sales promotion activities and recommendations from friends and relatives.

8. **Weighted average score analysis - opinion on store brands**

Respondents feel that packing is not appealing, sales promotion is not effective, positioning is not attractive. The respondents opine that the price is low when compared to national brands, quality is good and taste is also good.

SUGGESTIONS

From the above findings the following suggestions are offered:

1. Stores can make the package attractive, position the private labels in more visible places of the store and improve sales promotion activities.
2. Taste could improved and due care should be taken on the expiry date of the goods.

CONCLUSION

The study shows that rather than simply selling at lower prices, the retails outlets are taking efforts to offer better products under their umbrella. As retailers have started to realise the importance of private labels, every effort is taken to build better brands and retain the customers. In spite of the measures taken private brands lack certain features when compared to national brands. Maintaining good quality, taste and frequent promotions are essential to fight against the big giants- the national brands.

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