

Consumer Perception Towards Select Product Categories of Retailer Brands in Delhi

Fayaz Ahmad Nika, Ashaq Hussain Najar and Arif Hasan

Abstract

The concept of private label is as old as retail business in India. Private label brands are sold along with National brands through retail chains. Many retailers recognized that they can increase their profitability and consumer loyalty with the help of private brand development and promotion rather than being engaged in national brands only. So retailers started to focus on their own brands/store brands to enhance their image and distinctive visibility in the market. Private brands also have high attractiveness for retailing because these products can boost gross margins of retailers. It provides retailers a greater control over supply chain and negotiating margins with national brands (NBs). In the present study, the authors have attempted to study consumer perception towards retail outlets with private brands and their strategies for increase their sale of these products. The study is based on the survey and opinions of consumers about private labels and national brands and discusses the preference pattern of consumers for private labels for different categories of products. The study concludes that the used by retailers to divert the consumers from national brands to private label products in Delhi have brought attitudinal change among the consumers.

Keywords: Private Labels, Retailers, Strategies, National Brands.

INTRODUCTION

India started its retail journey since ancient time. Retail business in India plays a major role in GDP of the country. Store brands or private labels are generally brands owned, controlled and sold exclusively by the retailers. It provides higher retail margins to retailers in comparison to national brands and rising of organised retail chain led to the growth of private label brands, as it added diversity to the product line in a retail category and also creates huge options for the same type of products. Private label brands are of substantial interest to the marketing managers and academicians as Indian consumers' income are rising and they associate themselves with specific brand and its availability in market. It has motivated many manufacturers to come out with different brands and make consumers buy those and cherish. Earlier growth of private labels was

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limited to certain category of products such as grocery and apparels but with span of time it has extended to other categories like apparel, electronic items & consumer durable goods etc.

Indian consumers are mostly price conscious and they want better value for their money in the shape of suitable quality at cheaper rates. This phenomenon enables retailer to come out with cheaper alternatives of national brand and thus address the needs of the buyer in tune with his ability and capacity to buy a product. Private labels have become an alternative to national brands and consumer can trim his/her bills by switching to a similar but a cheaper brand. These changes in attitude of consumers provoke retailers to have private/ owned brand in their outlet. In late 1980's the term 'generic' and 'private label' were used to describe the products which were comparatively available at lower price with lower quality than branded products. However, since then private label brands have seen an impressive growth in the last few decades. It has also improved in quality in spite of low price strategy. However, these have continued to suffer poor quality perception in the mind of consumer. Retailer started to engage themselves in production of premium private brands with enhancement in quality and established their own identities, becoming popular consumer choice, as it sold under specific retailer's brand. Its primary aim is to compete against national branded products with cheaper price. Several form of organised retail like Department stores, super market, specialty stores all offer private label product to consumers.

Consumer Preference

In today's context, there are a wide range of brand varieties available for the consumer to choose and hence the preferences of consumer have a wider importance. It was sellers' market during 1990s and now its buyer's market due to availability of multiple choice in the shape of private and national brand. Understanding the buying behavior of the consumer is one of the most important factors to be considered which helps in knowing the factors that influences the selection process. Decision making with regard to product selection is much

related to consumer decision-making on store where the consumer goes through a process starting from identifying wants to post-purchase matters. Consumers go through a five-stage decision-making process (i.e. pre purchase decision, select alternatives, choose the product, buy the product, post purchase behaviour) in any purchase and make his preferences towards products.

LITERATURE REVIEW

The choice of brand is guided by many factors ranging from price, income, status and utility on the part of consumers. The highest earning hands may sometimes prefer low price products if it meets their purpose and low earning hands may prefer high and premium products to consolidate their position in the elite society they live in. However there has been divergence of opinion on the issue among writers and authorities on the subject.

Mihic and Èulina (2006), in their article titled "Buying Behavior And Consumption: Social Class Versus Income" have found that, income level of the consumers plays a major role in their buying behavior while social class influence has great impact on products with high luxury which reflects the life style values. Prakash (2011) in his article has opined that, the success of private labels can't survive if it attracts the consumers merely on the basis of cost of the product. This is verily so as the income level of consumers is increasing and their purchasing power strengthening forcing them to distinguish themselves as people on the high social strata by opting for high price brands. Fabian (2002) in his article has focused on retailers who entrust national brand manufacturers for their private label production as long as the latter's bargaining power is low. Olbrich (2009) in one of his article has viewed that national brands are squeezing out due to the number of private label products. This in turn has become a negative factor for a consumer who has less choice due to this type of competition. Pandaya and Joshi (2012) insight the consumer's attitude towards Private label by focusing on three categories i.e. effect of age, marital status and profession on buying behavior were taken in to consideration and found that demographic

characteristics of consumer also plays an important role in formation of favourable consumer attitude towards private brands. Sudhakar and Parise (2012) in their study have revealed that, affordability, quality, availability, celebrity, self-satisfaction, image and social status are the key drivers to the shift to luxury branded goods from middle tire branded goods. They have also stated that brand perception and purchase value is also affected by financial, functional, and individual aspects, apart from socially oriented motives of buying to impress others. According to Hans, Hoyer and Inman (1996), brand switching of consumer is based on seeking behaviour and motivations such as curiosity, price motive etc

RESEARCH OBJECTIVES

The study has been carried out with the following objectives:

- To study consumer preferences for private and national brands.
- To identify promotional practices adopted by retailers to attract consumers towards private label products.
- To assess satisfaction level of the consumers about private label products.
- To suggest effective strategies to retailers for promotion of their private brands.

HYPOTHESES

H₁ There is a significant difference between consumer perception regarding national brands and private label products.

H₂ Majority consumers prefer private label products because of better offers.

H₃ Majority consumers prefer national label due to high quality perception.

RESEARCH METHODOLOGY

The study has been intended to find out consumer perception towards private and national brands in Delhi region and is empirical in nature. A brief description of the research methodology adopted in selection of the area, sampling of consumers, method of data

collection and the tools used for data analysis are presented:

Research Design - Cross sectional descriptive research.

Study Area - Delhi region of India.

Sampling Frame - Retail chain outlets in Delhi targeting five retail outlets namely Vishal Megamart, Shoppers stop, Pantaloon, V Mart and Big Bazaar.

Sampling Design & Size - The intercept survey method was used to collect the data and 80 respondents were chosen for the study keeping in view the average number of customers visiting the stores under study on daily basis. The target respondents belonging to Delhi region were from different age groups, education level and occupations.

Research Instrument - Structured Questionnaire based on five point scale was used to collect the data. The questionnaire after being tested for reliability and validity was pre-tested before actual use.

METHOD OF DATA COLLECTION

Intercepts survey method has been used for data collection from selected organised retail outlets through structured questionnaire. The data has been collected over a period of one month. During the survey process, the definition of private and national brand was explained to invited respondents before responding to questions. Primary as well as secondary data has also been used for the study. Primary data collected through selected five retail chain outlets and secondary data used in this study with conceptual discussion done by other researchers. In addition, secondary data was also collected through various published and unpublished reports from various sources like books, journals, online articles, companies' internal report etc.

Tools of Analysis

The information gathered through the questionnaires has been analyzed with the help of various appropriate statistical techniques like percentage, Chi-square and Z test. The data so

analyzed has been presented with the help of various charts for more clarification.

DATA ANALYSIS AND DISCUSSION

Demographic Profile and Buying Behavior

Table 1 summarizes the demographic features

of consumers that purchase private and national brand in selected product categories. Demographic factors like age, gender, income, occupation make differences in buyer behaviour for example daily employed and salaried person are having different priorities of purchase.

Table 1: Demographic Profile of the Consumers and their Brand Preferences

	National Only	Private Only	Both	Total	%
GENDER					
Male	14	1	35	50	62.50
Female	5	0	25	30	37.50
Total	19	1	60	80	100
AGE GROUP					
15-25	10	0	24	34	42.50
25-45	9	0	22	31	38.75
45 and above	0	1	14	15	18.75
Total	19	1	60	80	100
INCOME					
Up to 1 lac	1	4	13	18	22.50
1 lac to 2.5 lacs	2	0	23	25	31.25
2.5 lacs to 5 lacs	4	2	19	25	31.25
Above 5 lacs	7	0	5	12	15.00
Total	14	6	60	80	100
PROFESSION					
Salaried	0	0	15	15	18.75
Business	5	1	8	14	17.50
Professional	3	0	0	3	03.75
House wife	3	0	11	14	17.50
Students	6	0	23	29	36.25
Others	2	0	3	5	06.25
Total	19	1	60	80	100

Source: Field Investigation by the Researcher.

The Table 1 discloses that the society in India is male dominated and the males are having more purchasing power as compared to women. Age-wise analysis of the respondents shows that majority consumers are belonging to middle age group and are having more purchasing power.

Income-wise analysis reveals that maximum i.e. 62.5 per cent respondents preferring both national brand and private label fall under the

income between 1 to 5 lakh. Occupation wise analysis of the respondents reveals students are highly lured towards branded products. As this category of population is highly accustomed to fashion and unique life style irrespective of their financial standing, they generally try to satisfy their ego and psychological need of to be deemed as comparables within the class they belong to.

Table 2: Product Wise Preference of Consumer

Particulars	Food		Clothing		Sanitary		Electronic		Luxury		Others	
	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%
National Brand	34	42	52	64	58	72	70	88	59	74	25	32
Private Label	41	52	22	28	22	28	10	12	19	22	42	52
Both	5	6	6	8	0	0	0	0	2	4	13	16
Total	80	100	80	100	80	100	80	100	80	100	80	100

Source: Field Investigation by the Researcher

The product-wise preference of the sample respondents has been shown in the Table No. 2. Product wise categorization of the respondents reveals that 52 percent of respondents preferred buying private label products for food category. For clothing category a maximum of 64 per cent preferred buying national brands only. Seventy

two per cent of respondents said they would buy only branded sanitary products. For electronic products, maximum of 88 per cent of the respondents have preferred buying national brands only. This table thus reveals us that as the cost of the product increases, faith towards national brand also increases.

Table 3: Reasons behind Preferring Private Brand

PREFERENCE TO PB			NO PREFERENCE TO PB		
Reason Respondents	No. of	%	Reason Respondents	No. of	%
Better Quality	13	25	Comparatively Low Quality	21	72
Better offer	17	33	Undue Influence	3	11
Suggestion by close one	19	38	Unfair means of selling	3	11
Others	2	4	High Cost	2	6
Total	51	100		29	100

Source: Field Investigation by the Researcher.

The Table 3 shows the reason behind selecting a certain brand. In which the reason for preferring private label was suggestion by close one i.e. 38 per cent. Thirty three per cent of respondents considered private label when better offer was provided. Twenty five per cent of respondents felt private label to be better quality product. This response from the respondents reveals that mouth to mouth publicity can better work for private label product backed with better offer as a motivating factor.

Seventy two per cent of consumers felt private label product to be a low quality product. In which 11 per cent felt selling private label is making undue influence on the respondents purchase behavior. Eleven per cent of

respondents felt selling private label to be unfair.

HYPOTHESIS TESTING RESULTS

H₀ - There is no significant difference between consumer perception regarding national brands and private label products.

H₁ - There is a significant difference between consumer perception regarding national brands and private label products.

In order to serve the basic objectives of the study the various hypothesis were set of which H₁ has been tested with the help of chi square test, the table value of χ^2 for 5 degrees of freedom at 5 percent level of significance is 11.07. Comparing calculated & table value of χ^2 we

Table 4: Product-wise Preference for National Bands and Private Label Products (Chi Square Test)

	O _i	E _i	$O_i - E_i$ ²	$(O_i - E_i)$ ² / E _i	$((O_i - E_i)$ ²)
National Brand					
Food	34	49.6	-15.6	243.36	4.90
Clothing	52	49.6	2.4	5.76	0.12
Sanitary	58	49.6	8.4	70.56	1.42
Electronic	70	49.6	20.4	416.16	8.39
Luxury	59	49.6	9.4	88.36	1.78
Others	25	49.6	-24.6	605.16	12.20
Private Label					
Food	41	26	15	225	8.65
Clothing	22	26	-4	16	0.61
Sanitary	22	26	-4	16	0.61
Electronic	10	26	-16	256	9.85
Luxury	19	26	-7	49	1.88
Others	42	26	16	256	9.84
Total	454	CALCULATED VALUE OF χ^2			60.25
Table value of χ^2 at 5% significance level					11.07
Calculate χ^2					60.25
Result (60.25 > 11.07)					Reject H₁₀

Source: Field Investigation by the Researcher.

found that the calculated value of χ^2 is greater than the table value of χ^2 i.e. $60.25 > 11.07$. Hence the result is Null hypothesis has been rejected and alternate hypothesis is accepted, which concludes that there is a significant difference between the consumer preference of national brands and the private label products.

H₀₂ There is no significant different between the consumers who prefer the private label products because of better offer and the

consumers who prefer the same because of other reasons.

H₁₂ Majority consumers prefer private label products because of better offers.

H₀₃ Majority consumers do not prefer national label due to high quality perception.

H₁₃ Majority consumers prefer national label due to high quality perception.

Table 5: Hypothesis Testing About Preference for Private Label Products

Reasons for preference	Number of Consumers	Reasons for no preference	Number of Consumers
Better Quality	13	Poor Quality	21
Better Offer	17	Undue Influence	3
Suggestions by close ones	19	Unfair Means of Selling	3
Others	2	High Cost	2
Total	51		29
	H2	H3	

n1	17	21	
n2	11	3	
p1	.61	.87	
P2	.39	.13	
P	.52	.76	
Z table	1.64	1.64	
Z cal	0.92	2.29	
Result	Accept H₂₀	Reject H₃₀	

Source: Field Investigation by the Researcher

While testing H₀₂, the tabulated value of Z is greater than the calculated Z value i.e. $0.920358 < 1.6448$, so the null hypothesis is accepted at 5% level of significance, which concludes that there is no significant difference between the consumers who prefer private label product due to better offer and those who prefer for other reasons (Table 5).

Table 5 reveals that the calculated Z value is greater than the tabulated Z value i.e. $2.2903 > 1.6448$, so the null hypothesis (H₀₃) is rejected at 5% level of significance and alternative hypothesis is accepted. Hence, it concludes that the reason behind unhappiness in using private label product is low quality and consumers prefer national label due to high quality perception.

CONCLUSION

In this study, we examined consumer perception towards private label and national brand that has given a wider perspective to researcher about the behavior of consumer towards retail outlets and their brands available in Delhi. The Indian retail industry is growing day by day with stiff competition between both branded and unbranded products manufacturers. The findings of the study can be helpful to retailers in devising strategies to construct products other than the national branded ones acceptable in the market it will show the way to foreign private label manufactures in India to boost their grip and successfully participate in the Indian retail market. This may also help in identify the reasons of consumer, behind getting attracted towards private label.

The study has proved that the consumers spot private label as a local product which is not been

considered same as the national brand. The study has revealed that, majority of respondents prefer both national and private label as compared to individual specific brand, but has changed along with change in demographic profile. Product wise preferences shows that, majority of consumers prefer national brands for purchasing Electronic, Luxury, Sanitary and Clothing items whereas they prefer private label for Food and other miscellaneous items. The study also discloses that, out of the sample respondents majority prefer private label products due to suggestions by close ones or better offer, whereas those who do not prefer private label products, are not happy with the quality of these brands.

The view of consumers towards any purchase is dependent on the price of the product, after which the quality and availability of the product takes in to account. Many consumers view private label as a low quality product which is perceived to be bought by low income group who want a better life style but don't want to spend on the same. These imitative products prove a better means for these consumers to satisfy their preference towards branded products. In an emerging economy like India where masses are not very brand/fashion savvy/centric but pay more attention to better bargains and value for money in every purchase that they make, it will be effective. Thus, schemes/discounts are also considered to be important by consumers in purchasing PLBs in different product categories.

Thus, in conclusion, it can be understood that if private label manufacturers consistently offer worth to consumers on factors rating high by consumers and even if it is low on status

symbol, there is a good possibility for them to set up these brands as an satisfactory brand in the mind of consumers with some improvement in the perception also, though this perception may not be as high as a branded product enjoys but it could still turn into high enough for retailers to increase the sales of these brands and that lead to their increment in profit margin.

LIMITATIONS

Few limitations have been identified in this study. First, the research work limited to Delhi NCR only. Second, respondents don't want to disclose their personal information about perception towards the brand. Third, the present study is also based on the responses received from the selected consumers of five organised retail chain outlets, they may not represent conclusive finding.

DIRECTION FOR FUTURE RESEARCH

Based on the outcome of the present study, the subsequent can be recommended for the future research:

- A qualitative study (focus group) may provide added in-depth information of consumer's preferred traits. So future research may lead to this direction.
- Further research may consist of various other dimensions that have not included in this study.
- Valuable information could be added from the replication of the current study with other competing organised retail department stores.
- Future study may expand the scope of present study to include other unexplored areas and other store retail formats.

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