

THE CONSUMPTION PATTERN OF PRIVATE LABELS IN KERALA

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ABSTRACT

The private labels are popular among shoppers of modern trade outlets. The store brands are used to compete with the national brands. The national brands were superior to private brands at the initial stages. But the situation has changed over a period of time and the private labels are equally competent to compete with national brands. The retail chains used to promote the store brands as it yields them more category profitability and other benefits. The present research was carried out at the selected retail chains in Kerala such as More, Spencer and Reliance Fresh. The study observes that the private label consumption in Grocery and FMCG are different.

KEYWORDS: Private Labels, Consumption pattern, brands.

INTRODUCTION

The Indian retail sector can be classified as organized and unorganized. The organized retail in India accounts for around 5 % of the Indian retail market. It contributes 10 to 11 % of the GDP and 8 % of employment. As per the KPMG report on Consumer Markets in India, the organized retail currently accounts for only three to four percent of the retail market in India (US\$ 350 billion). The sector amounts to \$180 billion market and is six times bigger than that of Thailand and four to five times bigger than that of South Korea and Taiwan. The Indian retail industry has been dominated by unorganized local players, with consumers shopping at Kirana and roadside markets for their daily needs. The consumers remain loyal to neighbourhood vendors, who offer more than just goods by connecting with their customers on a personal level. In many areas of India, there are powerful bonds between neighbourhood vendors and their loyal local customers. Private labels are children of big organized retail players such as More, Reliance Fresh, Spencer, Nilagiris and Big-Bazar etc.

Private label

A private label can be defined as a brand name owned by a retailer or wholesaler for a line or a variety of items under controlled exclusive distribution (Euro monitor, 1998). **According to Hakansson, (2000) different kinds of private labels are** a) Store brands - The retailer's name is very evident on the packaging. b) Store sub-brands - Products where the retailer's name is low-key on the packaging. c) Umbrella branding - A generic brand, independent

from the retailer name. d) Individual brands - A name used in one category, this is only used to promote a "real "discount product line. e) Exclusive brands - Again a name used in one category, but to promote "added value" products within the category.

Role of private labels

Private label helps to earn more profit for intermediaries. The intermediaries search for organizations having extra capacity produce private labels at a low cost. More over research and development, advertising, sales promotion and physical distribution are much lower in case of private labels. So private labels can be sold at a lower price and can generate more profit (since the cost of production will be low, the product can be priced at a lower price). This will help the consumers in getting the product at a lower price and also the intermediaries.

International private label and Growth of Private Label in India

Blois, (2000) and Hsieh, (2004) the international private labels firms usually spend much on advertising and promotional campaigns across international frontiers and consequently are more available and recognized in multiple countries. Yeoh, (2004) under such a situation international firms are likely to be perceived better introducing reliable products. The international private labels can be recognized as being of better quality than local private labels. Batra, (2000), international private labels have an intrinsic cosmopolitan picture, they will be deemed more rousing desirable and appealing with elevated reputation than local private labels. The international private labels can be counted better leading brands than local private labels. The international labels would like to promote their cosmopolitan image so as to generate greater receptivity to their products which are of foreign origin. Based on the earlier logic; it is rational to declare that consuming international private label products can be related with more classy personalities than local private label products. The brand personality of international private labels will be perceived superior to local private labels. The materialization of organized retailing in India has made private labels a reality. Even if early growth of private label brands in India has been restricted to certain categories like grocery and apparel; it is slowly expanding into other categories as well.

Review of Literature

Manyu Huang and Kevin E. Voges, (2011) demonstrate that customers with higher price sensitivity are more likely to purchase private brand groceries and commodities. The lower price seems to be the main advantage for private brand commodities, which gives the advantage when they introduce these commodities. The differences in perceived quality between private brands and manufacturer brands are small for consumers who purchase private brand commodities. **Rui Hua Huang and John Dawes** views that cheaper private labels and national brands are reasonably more popular among households with more people and in lower social class. The expensive brands appeal comparatively more to the buyers in a higher social class. The deviations among within-demographic market shares propose that some price-based segmentation does exist in grocery markets – across private labels and manufacturers' brands. The study incorporates the two variables notably, market share – penetration and purchase weight. The research reveals some segmentation, it also shows that higher priced or lower priced brands are not 'cut off' from certain parts of the market. It also highlights that mass appeal is still needed to be a big brand. **Chandon Jean Louis, Diallo**

Mbaye-Fall and Philippe Jean,(2011) on conceptual model of the determinants of private label brands choice analyses the factors affecting the private label choice, states that not only perceptual value consciousness, smart shopper self perception, perceived quality and attitude towards private label brands but they are also in relation with store image perceptions and private label brand price-image perceptions. The present study confirms that the value consciousness has no significant effect on private label brand purchase intention but only a direct effect on private label brand choice. **Karsten Hansen, Vishal Singh, Pradeep Chintagunta, (2003)** understanding store brand purchase behaviour across categories analyses whether store brand preference is category specific or a general. The two factors were identified in the research were the store brand factor and the price factor. The first factor affects store brand preferences and the second price sensitivities.**Hsin Kuang Chi, Huery Ren Yeha and Ya Ting Yang, (2009)** analyses, the influences of brand awareness, perceived quality, and brand loyalty on purchase intention effect, the effect of perceived quality on brand loyalty, whether perceived quality mediates the relations between brand awareness and purchase intention, and whether brand loyalty mediates the relations between brand awareness and purchase intention. The findings reveals that brand identity and brand recall are positively related to purchase intention. The consumers will buy a familiar and well know product .The higher the brand awareness, the higher the purchase intention. In addition, the study reveals that action loyalty and affective loyalty are positively related to purchase intent. The brand loyalty represents a repurchase promise in the future that consumers will not change their brand loyalty under different situations and still buy their favourable brands. **Swani, Kunal and Boonghee Yoo, (2010)** on interactions between Price and Price Deal explain the impact of price and the price deal on purchase behaviour. There two types of products based on price, they are high-priced brands and low-priced brands. The high-priced brands are brands perceive image as a key factor. The consumers of these brands frequently purchase them mostly for image and are willing to pay a premium price for their apparent high quality and status, which make them price-inelastic. The low-priced brands tend to be purchased for utilitarian value, with the consumer relying on the perceived value for price. **Stephen J Hoch and Shumeet Banerji, (1993)** found that private labels perform in large categories offering high margins. The private labels also perform well when the manufactures of National Brands spend less on advertising. More over now a days the consumers believe that the quality aspect is more important than the price. One of the interesting phenomena concerning PLBs is that their growth has been highly uneven across product categories The main objective of the study by using both primary and secondary data is to examine the relationship between the private label market share and the consumer, retailer and manufacturer related variables while controlling the impact of private label availability. The nine variables that were identified and could potentially account for private label success are quality of the private label, quality variability of the private label, category gross margin, category retail sales, level of price discount off private labels of national brands, number of national manufactures in the category, amount of national advertising per manufacturer, Item proliferation and promotion intensity. The major determinants of private label success identified from consumers, retailers and National Manufactures perspective are product quality, quality consistency- (consumers perspective) ,category retail sales, category gross margin(retailers perspective),number of national manufactures and National advertising per manufacturer (national manufactures perspective).**Rajeev Batra and Indrajit Singha, (2000)** analyses the various factors that helped to explain variations in purchasing preferences for national brands versus private label brands. The consumer perceptions of the consequences of making a purchasing mistake in a category, the level of quality variation in

that category, the search versus experience nature of the category's characteristics and the degree of consumer's price consciousness in the category. The consequences of making a purchase mistakes are higher when the different brands in the category are seen as differing appreciably in quality. The Private label brand buying increases as the "consequences of making a purchasing mistake declines. To have an edge in the market for the national brand it has to highlight the trustworthiness it offers to consumers when compared with private label brands. **Sanjay K Dhar and Stephen J Hoch, (1997)** the variation in store brand performance across retailers is systematically related to underlying consumer, retailer, and manufacturer factors. The store brands are the only brand which the retailer takes the all responsibility from the development to the marketing stage. But in case of national brands the responsibility rest with the manufactures., the commitment to quality, breadth of private label offerings, use of own name for private label, a premium brand offering the extent to which the retailer serves a customer base containing less wealthy and more elderly households and operates in less competitive markets improves the performance of the store brand. The everyday low price positioning helps the store brand only in lower quail categories where the value positioning of the store may be better aligned with the price advantage of the store brand. The over emphasis to national brands to attract customer traffic has to be nullified with added quality in store brands. The price difference between national brand and store brand will have an impact on store brand performance. **Manyu Huang and Kevin E. Voges, (2011)** demonstrate that customers with higher price sensitivity are more likely to purchase private brand. The lower price seems to be the main advantage for private brand commodities, which gives the advantage when they introduce these commodities. The differences in perceived quality between private brands and manufacturer brands are small for consumers who purchase private brand commodities. **L.E. Wells, H. Farley and G.A. Armstrong, (2007)** states that there was no dominant style of purchasing behaviour evident. The number of consumers who were making a planned purchase for a specific occasion bought premium own-label as they could be "reassured the product they were serving was a high quality. Moreover, this type of consumer displayed a high level of brand loyalty towards premium own-label. Interestingly, a planned purchase very often coincided with a repeat purchase, especially those buying for a special occasion. The point of purchase" buying was readily practiced by shoppers. The store environment and highly visible products have the ability to attract the customers with the option of delaying decision-making until they are in store. The customers, who were restricted with their shopping time, relied heavily on external attributes, especially visual information.

Objective

- To examine the role of occupation with respect to spending at the organized retail chains.
- To find out the private label preference in Grocery, Home Care and Processed Food.
- To analyse, whether there is any difference in the consumption pattern of private label with respect to married and un-married.
- To analyse the relationship between time spend and purchase of private label.

Scope and significance of the study

The study covers the daily stores of major retail chain such as Spencer, Reliance Fresh and More in Kerala. The Private labels in two categories such as Staples in Grocery and Home

Care and Processed in FMCG come under the purview of the study. The study is significant as limited studies were only taken place in private labels in Kerala with respect to consumption pattern and it will be an eye opener for all the retail chains in Kerala.

Research Methodology

Based on the pilot study, the sample size of the research was framed at 755 from customers. The primary data was collected at the exit gate of modern retail outlets of shoppers during the mornings and evenings where respondents were willing to respond. One structured schedule was used to administer the survey. The schedule and the questionnaire are used to describe the form on which the questions are printed. A schedule is one which is handled by the interviewer. It is different from a questionnaire in such a way that questionnaire is one which is expected to be filled in by the informant. The reason for using schedule in the present research is that, it can provide more accuracy and convenient to the respondents. Based on the predefined quotas, the research endeavoured to obtain a sample which was somewhat representative of supermarket shoppers in the state of Kerala.

Analysis Procedure

The data was analyzed using statistical package for social science (SPSS V 12.0). Descriptive statistics such as mean and standard deviation were generated to provide an overview of the data. Kruskal-Wallis to examine the role of occupation with respect to spending at the organized retail chains, Friedman test to find out the private label preference in Grocery and the impact of time spend for purchase of private labels and t test for consumption pattern of private label with respect to married and un-married.

Result and Discussion

HYPOTHESIS 1

Null Hypothesis: There is no significant difference between mean ranks towards occupation of customer with respect to percentage spending in Grocery.

Table 01 Kruskal-Wallis Test for significant difference between mean ranks towards occupation of customer with respect to percentage spending in Grocery.

Occupation of the customer	Mean Rank	Chi square Value	P Value
Daily Wages	42.67	11.548	0.009**
Salaried	46.42		
Business	72.20		
Professional	53.83		

Note: ** denotes significant at 1 % level.

Since P value is less than 0.01, the null hypothesis is rejected at 1 percent level of significance. From the table it is clear that the mean rank towards business and professionals

are more with respect to percentage spending in grocery in an organized retail sector. This may be due to the fact that business and professionals are depending on organized retail rather than anybody for purchase of essential items.

HYPOTHESIS 02

Null Hypothesis: There is no significant difference between mean rank towards preference of Grocery and FMCG.

Table 02 Friedman test for significant difference between rank towards Grocery and FMCG

Various items in Grocery and FMCG	Mean Rank	Chi-Square value	P value
Preference of Staples in Grocery	1.28	599.984	0.000**
Preference of Home Care in FMCG	2.30		
Preference of Processed Food in FMCG	2.43		

Note: ** denotes significant at 1 % level.

* denotes significant at 5 % level.

Since P value is less than 0.01, the null hypothesis is rejected at 1 percent level of significance. Hence concluded that, there is significant difference between mean ranks towards various items in Grocery and FMCG. Based on mean rank within the FMCG, more preference for private labels in Home Care than Processed Food. But the mean rank of Grocery is more than FMCG. It may be due to the fact that, the consumers are more brand conscious in FMCG than Grocery.

HYPOTHESIS 03

Null Hypothesis: There is no significant difference between married and unmarried with respect to dimension of consumer consumption in Grocery and FMCG.

Table 03t test for significant difference between married and un -married with respect to dimension of consumer consumption in FMCG and Grocery.

Consumer consumption	Marital status				t value	P value
	Married		Unmarried			
	Mean	SD	Mean	SD		
Staples in Grocery	26.45	3.78	27.95	4.04	4.960	0.000**
Home Care in FMCG	21.68	3.95	23.31	3.48	5.458	0.000**
Processed Food in FMCG	10.84	1.87	10.34	2.14	3.262	0.001**
Over role Consumer Consumption	58.98	7.48	61.60	6.59	4.653	0.000**

Note: ** denotes significance at 1 % level.

Since P value is less than 0.01, the null hypothesis is rejected at 1 percent level of significance. Hence it is concluded that there is significant difference between married and unmarried with respect to overall consumer consumption. The Mean level consumption of unmarried is more as compared with married with respect to staples in Grocery and Home Care in FMCG. But in case of processed Food, the mean level consumption is more for married than unmarried. This may be due to the fact that, after the marriage the outlook of an individual is changed and the additional responsibility of taking care of spouse and future an obligation changes the mindset.

HYPOTHESIS 04

Null Hypothesis: There is no significant difference between mean ranks towards time spent by the customer at the organized retail outlet.

Table 6 Friedman test for significant difference between mean ranks towards time spent by the customer at the organized retail outlet.

Time spent at the retail outlet	Mean Rank	Chi-square Value	T value
Percentage of spending – Staples	2.67	129.405	0.000**
Percentage of spending – Processed Food	1.19		
Percentage of spending – Home Care	2.15		

Note: ** denotes significance at 1 % level.

Since P value is less than 0.01, the null hypothesis is rejected at 1 percent level of significance and hence it is concluded that, there is significant difference between mean ranks towards the time spent by the customer at the organized retail outlet. From the table it is clear that in the organized retail sector, the customer spends more time in purchasing Staples followed by Home Care and Processed Food.

Major Findings

- The occupation and spending are closely related. In case of business people and professionals they are spending more at the retail outlet compared to others.
- The private label preference in Grocery is more than FMCG. It may be due to the fact that, the consumers are more brand conscious in FMCG than Grocery.

But within the FMCG, more preference for private labels in Home Care than Processed Food.

- The overall consumer consumption of married and unmarried are different with respect to private labels.
- In the organized retail sector, the customer spends more time in purchasing Staples followed by Home Care and Processed Food.

Conclusion and Recommendation.

The consumption depends on number of factors such as demographic, geographic etc. The present study is really helpful for organized retail players in Kerala to map the shoppers. Based on the mapping, they can formulate strategies to attract more customers in area where private label is weak

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