

FACTORS INFLUENCING THE PURCHASE OF PRIVATE LABELS: A CASE STUDY ON V-MART IN SRINAGAR

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ABSTRACT

In this era, there is growth of market share of private label brands not only in developed but also in developing countries. It is not specific to one category type of product only. It expands its area in every product category. In this study we are not having focus on specific segment or particular sector. We try to identify different factors which influence the customer during their intention to buy or decision making process, of Private label products. It make company enable to know that what are the factors which effect the consumer, during their brand selection and how can a company increase the sales of its product with profitability.

In this context, we analyzed and studied National and Private Brand market with consumer and examine the intention during purchase of available brand. We also go through literature review and applied questionnaire method to collect data and recorded answer. This study also makes the importance to retailer for making of their strategy in future period of time.

Keywords: National Brand, Private Label, Customer

INTRODUCTION

The purpose of this study to examine the influencing factor in the mind of consumer with reference to private brand. In the market we are having National brand available everywhere. However with the passage of time we saw tremendous change in market regarding availability of private brand and preference level of consumer and store retailer.

It seems that positioning in the mind of consumer about private brands is low cost alternatives of national brands. It also found that some brand some brand have also been positioned as premium brand due to good store brand image of the retailer such as V-Mart, Tata Westside, Pantaloons. Private label help retailers to enhance their profit if they are having majority of its product related to private product. It also makes advantage to retailer with reference to competitive advantage and creates consumer loyalty.

We have also found that store brand is growing faster than manufacturer brand in the developed market. It can be easily seen that they are eating good piece of market in organized retail sales. We are having ample no. of example such as wall mart, Tata Westside, V-Mart.

In India, however the contribution of private label is just 10-12% of the total organized retail (Images Retail Report 2009). Positively we have seen good growth of Private Label in recent years. More and more retailers are increasing the availability and shelf store in their store due to more profitability, competitive advantage, positioning and easy negotiation with National Brand. V-Mart being one of them.

OBJECTIVES

To study various factor influencing consumer brand preference for private label.

HYPOTHESIS

H0: Factors influencing the purchase of National and Private brand is significantly equal.

H1: Factors influencing the purchase of National is still more than private labels

LITERATURE REVIEW

For conducting this research it was important to get an insight about the concepts of the development of private labels, their importance, and consumer perception for brands and store image etc. There are various factors which can influence a customer's purchase decision. Some of them are discussed below:

A brand-image is defined as the total sum of brand associations held in consumer memory that lead to perceptions about the brand (Keller, 1993). These associations of brand image are multidimensional and consist of the affective dimension or the attitudes towards the brand and the perceived quality dimension (Keller, 1993). Consumer uses different cues, benefits, symbolic meanings etc. to relate to a brand. The cues used by the customers can be intrinsic or extrinsic cues.

Extrinsic cues refer to cues which are extrinsic to a product and do not have to be experienced in order to make judgments, like the packaging, brand name, price and advertising. Intrinsic cues refers to the factors like taste, quality etc. which can be judged only by experiencing. These two types of cues are also considered responsible for building brand image. For national brands it is comparatively easier to develop the brand image, as they spend more on marketing, packaging etc. and are always positioned as high quality offerings.

In case of Private labels it's more complex. Here customers do not have a strong brand association. However, authors observed that the store image acts as an important indicator of store brand quality (Semeijn and al., 2004). Researchers have studied a multitude of retailer attributes that influence overall store image, e.g., the variety and quality of products, services, and brands sold; the physical store appearance; behavior and service quality of employees; the price levels, depth and frequency of promotions; and so on (Burt and Carralero-Encinas, 2000; Ailawadi and Keller, 2004; Sorrenberg and Erasmus, 2008). In case of private labels customers tends to go more on the extrinsic cues. Therefore, factors like packaging, display etc. have to be taken care of. Although this will increase the cost for the retailer but he can keep saving margins by squeezing the supply chain and then play on volumes. Also for private labels the efficiency of a salesman to convince the customer plays a major role. Although there is a causal relationship between the store image and the salesman's reliability as considered by the customer.

But then the overall strategy defined by the company will depend on other factors also. The overall strategy and positioning of retailer will also define what a consumer expects and what factors he/she consider for coming to a conclusion, while selecting a brand. Here comes the role of the brand architecture. Esbjerg et al. (2004) adapted Aaker and Joachimsthaler (2000) brand architecture concept to the retail setting by defining retailer brand architecture as a retailer's assortment of manufacturer brands, retailer brands and generic products. The brand architecture can differ based on two dimensions: the quality of retailer brands and visibility of retailer brands (Esbjerg et al. 2004).

As we saw customer while deciding among the National Brands and the Store brands consider various factors. Relying on various literatures discussed above some of these factors can be identified as are store image (the trust factor), variety and quality of products, options available in national brands i.e. The kind of brand architecture, promotional offers going on, prices, service, salesman's explanation and features. So, this research has narrowed down on these factors.

RESEARCH METHODOLOGY

The primary objective is to identify factors which make effect customers during choice of retailer or manufacturer brand.

Research Design: The focus of this research is to find out various influencing factor for private brand. So we apply descriptive research design for this study.

Area of the Study: Srinagar City among customers of V-Mart retail outlets.

Research Approach: questionnaire survey method is used for obtaining information from respondents.

Sampling technique: convenience sampling technique

Sample Size: 200

Assumption: 200 respondents of sample size is true representative of the population of the study

RESULTS AND ANALYSYS

Table 1. General Profile of the Respondent

Particulars	Classification	No. of Respondent	Percentage
Age	Below 25	35	17.5
	25-35	70	35
	35-45	52	26
	45-More	43	21.5
Gender	Male	75	37.5
	Female	125	62.5
Educational Qualification	High School	0	00
	Secondary/ Diploma	45	22.5
	University	106	53
	Master and PHD	49	24.5

Table 1. General Profile of the Respondent (Contd....)

Particulars	Classification	No. of Respondent	Percentage
Monthly Income	Less than 10000	29	14.5
	From 10000 to 25000	55	27.5
	From 25001 to 40000	68	34
	More than 40000	48	24
Occupation	Self Employed	45	22.5
	Employee	73	36.5
	Retired	32	16
	Student	42	21
	Unemployed	08	4
Marital status	Single	108	54
	Married	69	34.5
	Widow/divorced	23	11.5

Interpretation

General profile of the respondents in the table 1 shows that 35% of the respondents are between 25-35 years of age, 62.5% of the respondents are female, 53% are graduates, 34% of the respondents income is between 25,000- 40,000, 36.5% respondents are employed, 54% respondents are single followed by married with 34.5%

Table 2. Weighted Average Rank

Table showing the various factors influencing purchase of private label

Factors	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	Total Score	Rank
Design	5x65	4x80	3x53	2x2	1x0	808	IV
Quality	5x89	4x64	3x46	2x1	1x0	841	I
Durability	5x82	4x71	3x42	2x3	1x2	826	II
Range	5x71	4x66	3x59	2x4	1x0	804	VI
Variety	5x56	4x58	3x85	2x1	1x0	769	X
Price	5x86	4x45	3x68	2x1	1x0	814	III
Offers	5x75	4x49	3x76	2x0	1x0	799	VII
Customer Loyalty	5x67	4x74	3x58	2x0	1x1	806	V
Fashionableness	5x59	4x78	3x62	2x1	1x0	795	VIII
Brand Name	5x59	4x69	3x69	2x2	1x1	783	IX

Interpretation

The above table shows the factors that influence the customer preference in selection of brand with the help of Weighted Average Rank. Respondents are felt quality, durability and price are the important factor followed by design, loyalty, range, free offers, and etc.

Table 3. Customers Responses on Factors considered for preference of National Brand (Percentage)

Factors for preference to National Brand	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
The design available in this brand were not available in any other brand	0	16.93	12.90	22.58	47.59
This brand’s products are of high quality	0.80	6.45	28.06	44.35	20.34
It has high credibility	8.39	9.67	9.67	20.66	51.61
Prices were affordable and less than other brands	17.74	16.93	12.09	35.48	17.74
The offer provided was better than offers on other brands	20.16	29.03	21.77	12.90	16.12
It has high Customer Loyalty	6.77	10.06	16	27.81	39.36

Interpretation

As shown in Table 3, customers prefer National Brands as these are more credible and customers can rely on its quality and design play a major role in deciding about a brand. Customers who are more national brand prone do not consider prices to be a determining factor.

Table 4. Customer Responses for factors considered for preference of V-Mart’s Private labels (percentage)

Factors for preference to Croma’s Private Labels	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
I liked the design provided in the private label	0	3.57	14.28	60.71	21.42
It is a high quality product	3.57	17.85	60.72	14.28	3.57
I found it value for money	7.14	39.28	25	21.42	7.14
The prices were affordable	0	7.14	3.57	17.85	71.42
The offer provided was better than offers on other brands	3.77	12.49	22.62	28.57	32.34
I trust the brand V Mart	3.57	0	21.42	35.71	39.28

Interpretation

As mentioned in Table 4, there are certain factors which play significant role in generating positive inclination towards the store brand. Customers preferring store brand give more importance to factors like price, good designs differentiating them from the national brands, trust on brand and positive inclination towards store as a brand. This clearly shows the key areas on which a retailer should focus on.

Table 5. Customer responses on Factors responsible for rejecting V Mart's Private Labels (percentage)

Factors for rejecting V Mart's Private Label	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
No other option was available	30.03	20.96	12.90	14.51	21.77
I was less aware about V Mart's Pvt. Label	2.41	9.67	24.19	26.61	37.09
Sales executive didn't explained me about it	21.77	20.16	29.03	16.93	12.09
Didn't found it value for money	22.58	10.48	48.38	16.93	1.61
Did not liked it's quality	26.61	8.47	56.25	5.34	3.22
Had bad experience with it earlier	88.70	3.22	4.83	3.22	0
I am brand loyal towards the other brand	6.45	25.80	15.32	26.61	25.80
I do not trust V Mart's Pvt. Labels (lack of credibility)	17.74	25.80	10.48	16.13	29.83

Interpretation

As shown in Table 5, respondents didn't purchase V Mart's private labels as they didn't found it in that particular category. This shows that there are many potential customers for private labels which can be captured through better product availability. The statistics also highlights the importance of proving satisfactory information regarding the product by the sales executive. 28% customers didn't purchased V Mart's private labels because they were not given satisfactory information regarding them by the Customer Sales executives. This communicates a lack of effort by the sales side. As mentioned above the sales executive's assistance plays an important role in aiding the decision making of the customers, all possible efforts should be made to minimize this percentage.

Table 6. Weighted Mean of all 5 parameters

Weighted Average Mean	National Brand (A)	Private Brand (B)	d = B-A	d ²
Design	4.01	3.99	-.02	.0004
Quality	3.77	2.96	-.81	.656
Prices	2.88	4.53	1.65	2.722
Offers	2.76	3.73	.97	.940
Loyalty	3.83	4.07	.24	.057
			$\sum d=2.03$	$\sum d^2=4.38$

By applying paired t-test, we get

1. Calculated value of $t = 4.75$
2. Tabulated value of $t = 4.604$ at 5% level with 4 d.f.----2.776

Since $T_t < T_c$, H_0 - Factors influencing the purchase of National brand and Private brand is significantly equal, proves incorrect.

CONCLUSION

In this fast growing competition among different retailers. Retailers have to take assistance of private label to get competitive advantage over others.

The current work provides deep knowledge of customer and their behavior activities about choosing a brand. During this research we will put emphasis on the analysis of various influencing factors regarding national and private brand bearing in mind the objectives of sales growth of retailer brand in retail store. The findings give us how various factor influence customer during selection of their brand. The study key findings are as follows:-

1. High level of quality/credibility, store offered services, reference group recommendation and prices range are having strong impact in the mind of customer. Store need strong brand image to make first purchase with influencing promotional activities to make first purchase by customer from specific store and attract more customer for their own brand image.
2. It is also found that different types of sector are having different important driver for evaluating product such as apparels need new fashion design, range, electronics and consumer durable product require features and differentiations. Private brand have a better chance to make them differentiate from other available national brand with the help of new features and design in the product.
3. Inside the store salesman influencing power play a major role. After purchase of private brand salesman can portray various advantages of having private brand over national brand. Earlier prices was the selection criteria for customer during making of purchase any product but the scenario has changed beside pricing factor other services just like after sales service, ambience, inform the benefit of product during purchase are having important role during purchase of any available brand.

Managerial Implications

In this competitive environment every retailer want to increase its market share and enhance sale for survive in market. So they develop strategies and various ideas for good brand image and competitive advantage. Retailer achieves it with the help of their own local brand (Retailer brand/Private label). So it is an undivided part of retailer strategies and their policies.

This paper discuss various factor which effect in the mind of customer during evaluate or purchase of private label. It will help retailer to know the insight of customer and enhance brand image, loyalty of customer and make positioning with differentiation in the mind of customer. So enhance in sale possible with high generation of revenue and customer satisfaction. Retailer makes capable themselves to offer product as per the desire/want of customer.

Further in addition of this, the retailer has to make good brand image of store also with the help of effective influencing sales people and deliver good quality of product to customer. It make favorable image of store because of offering quality product and repetitions of purchase increase from the side of customers.

SCOPE FOR FUTURE RESEARCH

This paper discusses the various factors which influence the customers for purchase of Private Label in a store. It is having relevant worthfulness for the store retailers who are interested to increase their store brand image and competitive advantage in the market. In this competition era every retailer wants to make it store different from other existing store and it is possible only through with the help to private brand existence in the store.

However, as the research is at present cover all sectors. In future it can be specific to one sector for more specific result. Further research can also be conducted to correlate the demographic, sociographic and attitude related behavior toward private labels.

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