AN EXPLORATORY STUDY ON THE GROWTH OF PRIVATE LABEL BRANDS IN INDIA

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ABSTRACT

Private labels play an important role in retail strategy. They are doing much more than just adding value through convenient pricing. In many parts of the world, the share of store brands, is impressive and given the current economy situation across the world, its importance in increasing. Due to global recession Indian retail industry had to change their merchandise strategy and they develop private labels to create customer loyalty, increase margin and compete with the national brands. The aim of the paper is to evaluate the opportunities of private labels in India and to find out its position in compare to national brands. It concludes that as India is an emerging economy and there is a lot of scope for private label brands. In addition to that customer perception is changing towards private labels in compare to national brands.

Keywords: Private Label Brand; Recession and Customer Perception

INTRODUCTION

In India the rise of retailer’s own brand has been significant. Most of the large department stores have their own private labels, which cater to a specific audience and rely largely in store advertisement. Private labels are no longer generic product offerings that competed with their national brand by means of price-value proposition. (Pradhan, 2012) Beneka (2010) described private label brand as “brands that are owned by, are sold through, a specific chain of stores. Primarily these products are manufactured by the third party and marketed by the retailers. The evolution of private label brands has started in Europe and Canada, and then it is spread to all over the world. Bozhinova (2013) classified private labels are into two types, one is economy private label and image private label. Economy private labels have focused on price conscious customers. Normally it offers low price products like FMCG and food items. Whereas image private labels have focused on prestige centric customers. Normally it includes luxury products with good quality. Again image private labels derived into two types such as innovative private label and status private label. Innovative private labels oriented to the customers who want new product and status labels are meant for those customers who want expensive high quality products.

Source: Bozinova, 2013
Available online on www.abhinavjournal.com
OBJECTIVES OF THE STUDY

1. To evaluate the opportunities of private label brands in India.
2. To examine the position of private label brand in compare to national brand.

METHODOLOGY

This research is an exploratory study. So the secondary sources are used for collection of data. The sources are articles, text books, research reports, website, etc.

Evolution of Private Labels

Store brand have been present in the country for a much longer time. Two cases in this point are the Khadi and Village Industries Commission (KVIC) and the Nilgiri’s super market which started on 1905. The KVIC has over the year sold under its own brand name products like honey, jute, leather products, agarbatti, village oil, soap, palm products and hand made products. Private label brands were traditionally defined as generic product offerings that competed with their national brand counterparts by means of a price-value proposition- first developed by Sainsbury in the U.K. in 1869 (Collins & Bone, 2008), these products often sacrificed quality to reduce costs and appealed primarily to lower-income consumers. Often the lower priced alternative to the "real" thing, private label or store brands carried the stigma of inferior quality and therefore inspired less trust and confidence. There was no attempt to make them anything more than just a 'value pay' and retailers evolved these products often referred to as private label. These are terms consumer use interchangeably, but the market has actually changed quite considerably. Retailers continued to push more and more private label products into different categories of the marketplace because they represented high margins and the promise of profitability with little to no marketing effort. The first value brand was Tesco's Value range, launched in 1995; today, it includes over 2,000 products in food and non-food categories (Collins & Bone, 2008). Other retailers quickly followed suit creating their own value lines. For example, Sainsbury created essentials, later renamed Basics, and Wal-Mart created Coles Smart Buy (Collins & Bone, 2008). During the past 30 years, internationally we have seen all major retailers joining the bandwagon and some of them today are emerged exclusively in private brands or labels, e.g. - The Gap, Banana, Republic, Benetton

Growth of Private Label Brand in India

The retail sector in India is growing at a phenomenal pace, with an increasing focus on private label. Recently in sharp contrast to earlier periods, consumers have started considering purchase of private label as smart shopping. Indian retail industry is the fifth largest in the world with currently estimated at around $450 billion and organized retail accounts for around 5% of the total market share. It is estimated that the retail sector would continue to grow at 10-12 % per annum, which is extremely encouraging when the country's economy is only projected to grow at 6%. Private brands already account for close to 7% of modern trade sales in India, compared to 1% in China, according to a Nielsen survey that covered more than 50 countries last year.

According to Images Retail Report 2009, as quoted in Indian Retail: Time to Change Lanes" by KPMG; private label brands constitute 10-12% of organized retail in India. Of this, the highest penetration of private label brands is by Trent at 90%, followed by Reliance at 80% and Pantaloons at 75%. Big retailers such as Shoppers Stop and Spencer's have a penetration of 20% and 10% respectively. Globally, store brands constitute nearly 17% of retail sales. In fact, international retailers such as Wal-Mart and Tesco have 40% and 50% of in-house brands in their stores. According to Salil Nair Customer Care Associate & COO, Shoppers Stop Ltd. "Private labels are highly profitable. The profits earned from them are almost double than those from the third -party brands."Customers have begun to like private labels due to better quality, high food safety standards, international look and feel of products, customized packaging created after customer feedback and the credibility of the retailer," said William Savage, chief merchandising officer, Bharti Walmart, which has Private labels owned by


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retailers such as Bharti Retail, Future Group and Aditya Birla Retail outsell several national brands in certain home care and food categories at their retail stores even as big brands push more sales through modern retail. In India some of important retailers who have come up with their own brands are:

Reliance Fresh is a subsidiary of Reliance Retail Ltd which in turn is a subsidiary of Reliance Industries Limited. Reliance Retail Ltd. was established in 2006. The first Reliance Fresh store was unveiled in October 2006 in Hyderabad. Reliance Fresh is the pioneer for the multi-format retail initiative of Reliance and involves an investment of Rs 25,000 crore. Reliance Fresh stores stock in-house brands like Reliance value grains, pulses, rice and spices, Reliance Select tea, noodles, jam, honey grains, dry fruits, dals as well as healthy life fortified grains, flours and pulses.

Shoppers Stop is an Indian department stores promoted by the K Raheja Corp Group (Chandru L Raheja Group), started in the year 1991 with its first store in Andheri, Mumbai. Shoppers Stop is one of the leading retail stores in India. Shoppers Stop began by operating a chain of department stores under the name of "Shoppers Stop" in India. Shoppers Stop has 35 stores across the country and three stores under the name Home Stop. Shoppers Stop retails a range of branded apparel and private label under the following categories of apparel, footwear, fashion jewellery, leather products, accessories and home products. These are complemented by cafe, food, entertainment, personal care and various beauty related services.

Aditya Birla Retail Limited is the retail arm of Aditya Birla Group, $40 billion corporation. The Company ventured into food and grocery retail sector in 2007 with the acquisition of a south based supermarket chain. Subsequently, Aditya Birla Retail Ltd. expanded its presence across the country under the brand "more." with 2 formats Supermarket & Hypermarket. They are currently pursuing strategy to increase its private label sales from the current 3% to 10-15% of total sales in the next two to three years. These products shared the shelf space with other branded products. For instance, in the Reliance store that we visited, its curd brand Dairy Life was placed next to the other brands, such as Amul. More offers food brands like Feasters, Kitchen Promise, Best of India and home and personal care products like Enriche, 110%, Pestex, Paradise and Germex.

Easyday India is the retail chain operated jointly by Wal Mart and Bharti Retail a subsidiary of Bharti Enterprises. It opened its first retail outlet in the city of Ludhiana in 2008. The first Easyday store in South India was opened at Mysore. Bharti Retail has introduced eight Walmart private labels, including two of its largest-'Great Value' and 'George'-in its supermarket chain Easyday. It has introduced Great Value line of food (flour, dry fruits, spices, cereal and tea). Equate, a brand for pharmacy and health and beauty items, has been introduced only in the hand wash category as of now in Easyday stores.

**Market Review of Private Label Brand**

Although India may represent one of the least developed modern retail markets globally, the story of private label retail has been secular, and holds much significant promise for the future. Moreover, this segment is now at a tipping point. Lessons from European countries indicate that private label growth in a country is likely to accelerate when market share enters a 5%-8% range.

Brick & mortar modern retailers traditionally have been betting big on private labels. This segment has been gaining momentum in India because of its ability to satisfy value conscious consumers. Currently, Shoppers Stop and Lifestyle derives 15-25% of sales from private labels and this percentage is as high as 70-80% for Trent and Landmark. E-tailers, on the other hand, have embraced this segment much more promptly than their offline counterparts. Leading ‘horizontal’ players such as Snap deal, Flipkart as well as ‘vertical/ niche’ players such as Big Basket, Urban Ladder and many more are deriving at least 20% sales.

The USD 3 billion e-commerce industry in India is getting competitive and is dominated by copycat models. As the online ecosystem further matures, private label is expected to be a key differentiator. Business models are being renovated to accommodate this investor-friendly category. Online lingerie
is one such niche play where most e-tailers started as aggregator of established brands but subsequently faced difficult scalability tests. Private labels can solve this situation as ‘category fillers’ to cater to Indian shoppers across price points. The scope of private label is expected to become more broad-based in coming years. Globally, private label brands are strong in commodity-driven product categories such as food & apparel but research indicates that there is ample room for many more including generic medical products and paper products.

CONCLUSION
Throughout the world, the private label is winning acceptability and loyalty of the customers. The market of private labels in India is also witnessing enormous growth. Perceptions of the customers are changing about private labels from low price alternative to quality and status symbol. Still growth of private labels is slow in compare to national brand. For those retailers should adopt innovative marketing strategy to attract customers, consistent quality, maintain the brand promise and increase awareness.

REFERENCES