CONSUMER PERCEPTION OF PERCEIVED QUALITY TOWARDS PRIVATE LABEL BRANDS IN INDIA

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ABSTRACT

One category of product has been fueling the big Indian retail growth story in the last couple of years is private label brands. The concept of private label brands as a product manufactured for sale under a specific retail brand. The aim of the paper is to explore the relationship between perceived risks associated with private label perceived quality by the consumers. First part of the paper is devoted to introduction, literature review and objectives. The second part is the summarization of findings.

Keywords: Private label, perceived quality, perceived risk

INTRODUCTION

The development and introduction of private label brand is constantly increasing. Not too long ago, only few global retailers such as Sears embraced the private branding method of retailing. During the past thirty years, others have joined the bandwagon, with many today engaging exclusively in private label products. Several global retail chain including The Gap, Banana Republic, Benetton and Eddie Bauer, have taken this type of merchandising to the limit by focusing on the store in the brand concept, in which all of their offerings are private label merchandise. (Diamond and Pintel, 2008). Indian retailing has seen a lot of ups and downs over the last few years. With the increasing growth of the organised retail sector, private labels or store brands are also increasingly accepted by the Indian organised retail market. The recession has significantly given a thrust to private labels, thus favourably affecting the private label sales of almost all major retailers like Reliance Retail, Future group, Aditya Birla Retail, Bharti Wal Mart Retail, Hyper city, Infiniti Retail, Trent, Shoppers Stop etc., offering private label in their merchandise mix. (Indian retailing bureau, 2014)

Private label were earlier confined to the local kirana stores, today big names like Pantaloon retail, Walmart, Reliance Fresh, Megamart Shoppers’ Stop etc., are taking the route aggressively. Why the retailers going to “private label” route today? How is the consumer lured to buy these products? The Private Label Marketing Association defines store brand products as “all merchandise sold under a retail store’s private label”. The label can be the store’s own name or the name created by the store. Private labels are specifically sold under a retail brand.

They are positioned against competing national brands while offering variable alternatives to the customers. (Chandra, 2014)
Evolution of Private Label Brand

Private Label Products are not new to the retail scene. The great Atlantic & Pacific Tea Company (A&P) was partially built upon its freshly ground (in-store) 8 O’Clock Coffee in the early 1900’s. The growth of Sears-Roebuck was in part driven by a strategy of purchasing and developing its own brands (Craftsman, Kenmore, etc.) which remain key American brand institutions. In Europe, Migros, Aldi and Tesco all built successful retail empires based solely on the development and proliferation of their own brands. (Brewster, 2010)

OBJECTIVE OF THE STUDY

To know the consumers perception of private label brand in India.

METHODOLOGY

This paper is an exploratory study. All the data are collected from secondary sources like text books, articles and websites.

REVIEW OF LITERATURE

The private label market in India is currently estimated at Rs 13 billion, which accounts for 10-12% of organized retail in India. Retailers such as Pantaloon, Trent, Shoppers Stop and Spencer’s have increased focus on private label retailing. Private labels constitute 90% of Trent’s, 80% of Reliance’s and 75% of Pantaloon’s overall sales. Aditya Birla Retail plans to increase the share of own brands in sales from the present 3% to 10% in the next 2-3 years. According to industry estimates, private label margins for electronics goods are up to 20% higher compared with average national brands. This rises to 30-50% when it comes to clothing. Department stores tend to price their products at par with standard-priced products of some leading brands in India, while electronics and appliance specialist retailers, as well as health and beauty specialist retailers, generally price their products lower than the respective leading brands in order to generate volume sales. (Euromonitor, 2012)

According to Vahie and Paswan, 2006 store atmosphere and store quality positively influence the perception of PLB’s quality, whereas, the congruence between national brand and store image (NBSI) has a negative influence on PLB’s quality. In comparison, the store quality, store convenience, store price/value, and the congruence between NB and PLB have a positive influence on the affective dimension of the PLB image, whereas, the congruence between NBSI has a negative influence. The study provided an additional result which indicated that perceived private label brand variety seem to have a significant positive impact on consumers’ attitudes toward the low image store. Results did not provide any significant moderating effects of private label brand models on consumers’ attitudes toward a store with its private label brands.

Rzem and Debabi (2012) conducted a study on the effect of selected variables (perceived risk, perceived quality, perceived value and perceived price) on perception of PLB. They found that perceived risk is the significant and negative effect on private label brand perception; they also found that perceived value has a significant and positive effect on private label brand perception.

The result of their study showed that while store appearance improved the relationship between quality and private label brand perception. Despite some ups and downs, in absolute terms the private label market experienced robust growth over the 2007-2012 period, with value sales in the selected FMCG markets growing overall by just under 1/4 to over US$350 billion.

Private label growth has been driven both by the expansion of large grocery retailers and the trend towards more sophisticated lines that command higher prices and margins. Indeed, the emphasis is shifting from aggressive promotion and discounting of private labels to providing better quality and a unique offer. (Euromonitor, 2014)

The main growth strategy of Indian retailers is to provide consumers with national brands as a trust exercise; as such brands provide a level of quality and assurance to consumers, who are then offered...
private labels as a discounted alternative. The Future Group recruited national sports icon Sachin Tendulkar to create a sub-brand named ‘Sach’. In this way, the Group expects to attain national recognition with some consumers and an emotional connection with others. This is the first instance of private label product endorsement in the Indian market. Growth in private labels has resulted in several conflicts between retailers and national brands, owing to issues such as margins, displays and shelf space. Retailers are more inclined to push the sales of private label products as they offer greater profit margins. (Bombourg, 2012)

CONCLUSION AND MANAGERIAL IMPLICATION

The growth story of private label brands is huge in the world. Due to the demand and taste of the consumers changing, the perception of private label brands is also changing. Initially it is considered as cheaper alternative of the national brands but now it is considered as premium value added brands. It is due to the change of the style of retailing in India. The retailer are focusing on quality, image, store atmosphere, loyalty etc.

The retailers must adopt innovation and extra value addition strategy to strengthen private label brands in India. Good purchase experience, marketing communication and post purchase behavior will help to change the perception of private labels in India.

REFERENCES