PRIVATE LABELS EVOLUTION, GROWTH AND CONSUMER'S ATTITUDE

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Abstract
Retailing is growing and is one of the main reasons for the development of the economies throughout the world. The important reason for the overabundance and flourishing retail market is a considerable contribution of private labels. This paper tries to trace the evolution and growth of private labels over the years, with its focus on consumer's perception about attitude towards private label brands, private label purchase, satisfaction with purchase and private label loyalty. A mall- intercept survey was conducted to test the hypotheses. The results suggest that customers have a positive attitude towards PLB.

Keywords: Retailing, Private Label Brands, PLB purchase, Attitude towards PLB.

I. INTRODUCTION
Retailing is growing and is one of the main reasons for the development of the economies throughout the world. The important reason for the overabundance and flourishing retail market is a considerable contribution of private labels.

Private label products encompass all merchandise sold under a retailer's brand. That brand be the retailer's own name or a name created exclusively by that retailer. In some cases, a retailer may belong to a wholesale group that owns the brands that are available only to the members of the group [1]. Though there is presently an overabundance of different names and definitions used to describe this concept, the widely used terms are private labels, own brands, retailer brands, wholesaler brands, store brands or distributor own brands.

Private labels are often designed to compete against branded products, offering customers a cheaper alternative to national brands. Though the public generally used to see them as low-cost imitations of branded products, private labels have overcome this reputation and achieved significant growth in recent years.

In a trend that transcends categories, countries and retail environments, brands are under attack from private label products. According to Nielsen, globally, private labels contribute to 17 percent of retail sales and are growing at 5 percent per annum, while the growth rate for manufacturers' brands is just 2 percent.

The history of private labels is almost as old as retailing itself, going back to tailors, shoemakers, and bakers, who sold products they made under their own name. Their popularity grew progressively until national brands began advertising on television, an expense that many local and regional chains could not afford. The oil crisis and economic recession in the early 1970s fuelled resurgence in private labels because food shoppers wanted bargains. Retailers began to offer "generics" that were low-cost standard-quality products, often packaged in austere, minimalist wrappings that reflected the general retail climate. According to many consumers, the flavour of these products was commensurate with their appearance.

When the economy began improving in the 1980s, shoppers started to purchase nationally-advertised brands again. Retailers responded by improving their store brands' quality as they expanded the variety of private label products. Many firms developed "premium" private labels that were designed to compete with leading brands, and in some cases to surpass their quality and price. And they were profitable, mainly because they didn't include the markup for costs of national advertising.

Laaskonen and Reynolds (1994) [2] have researched the topic of private labels, and managed to identify four generations of private label development. These range from the first generation's rather simplistic generics, to later generations that have proved to match or even supersede the quality of manufacturer products. The authors mean that it is apparent that their identified third generation is competing directly with the brands that are not category leasers, while the fourth generation is no longer is concerned with copying, but rather with innovative brand operations aimed at the category.

II. PRIVATE LABEL BRANDS IN INDIA
In India, the origin of organized retail began with the establishment of the Spencer's Departmental store in the
year 1897. After a long gap, in 1991 shoppers stop was established. Food world (division of Spencer and co-owned by RPG group) was the first food retail outlet which was started in 1996.

Even as the private labels are in the growing stage in India there is an increasing trend towards acceptance of private label brands and thus their penetration is on the rise especially in apparel, consumer durables, home care and FMCG seg segments. Due to the highly unorganized structure of Indian retailing it is difficult to get details of the private label sales. The organized structure of the private labels constitutes 10-12% and their share is likely to grow in the current economic environment.[6] (KPMG)

The acceptance of private labels in India, however, is much higher than that of Asian average, including China, stated a recent survey by ACNielsen. The survey was conducted among 38 countries, including 12 from Asia, in 80 different product categories with a sizeable population.

Among those surveyed in India, 56% agree that private labels are a good alternative to other brands. And about 62% vouch for good value for money that private labels offer. It is surprising to know that 60% do not suspect not-so-well-known private labels, since in upmarket modern format stores good quality is a minimum requirement. However, these are below the global average of between 80-88% in all these areas, according to the survey findings. In categories where quality really matters, a majority of Indians (79%) do not judge private labels as suitable as compared to that of branded products while admitting sharp deficit (68%) in packaging, which stops them from falling for private labels. Further, the same survey also concluded that a majority of Indian consumers associate private labels with low cost, and are, therefore, apprehensive about compromising on quality. The target segment for organised retail in India is still predominantly urban, and in the context of private labels, it is more inclined towards ‘upwardly mobile’ urban consumers. This segment gives high priority to quality, and the ‘budget label’ perception does not help at all.

Among the major Indian players, the degree of private label penetration was the highest in Trent with 90 per cent, followed by Reliance Retail (80 per cent), Pantaloons (75 per cent), Nilgiri’s (38 per cent), Indiabulls/Piramyd (30 per cent) and Foodworld (22 per cent). In comparison, international retailers like the US-based Wal-Mart and Tesco of the UK have 40 percent and 55 percent own label brands representation in their stores.

The main retail players in India sporting private labels have identified and settled into a feasible and sustainable business model of their own. Rather surprisingly, each have developed a unique model. Westside has very successfully emulated a Marks & Spencer model (of 100 per cent private label, very good value for money merchandise for the entire family). Spencer’s Daily and Nilgiris have successfully shown the viability of the ‘supermarket’ format in India and its ability to co-exist with the ubiquitous Kirana store. Pantaloons has both demonstrated the potential of “speciality” retailing in India. The main reasons for the growth of Private label brands include their low price, improved product quality, higher profit margins for retailers, increasingly aggressive programmes by retailers, and economic recession [3,4]. Retailers like Private labels because of their potential to increase store loyalty, chain profitability, control over shelf space, bargaining power over manufacturers and so forth [5].

III. LITERATURE REVIEW

Store brands or private label brands are brands owned, controlled, and sold exclusively by a retailer [6,7] (Raju, Sethuraman, and Dhar 1995, Baltas, 1997). Private label brands which were first introduced over 100 years ago in few product categories, had seen an impressive growth in past few decades.

Research on private labels has been of substantial interest to marketing researchers and academicians for the better part of 5 decades. Some of the initial studies on this stream of research appeared in the mid 1960’s and 1970’s, which identified quality, pricing and advertising as main based for competition. Drawing on the seminal work of Myers (1967), [8] several studies have examined the socioeconomic and demographic characteristics of
consumers who are inclined to purchase private labels [9,10] (e.g., Coe 1971; Bettman 1974) as well as consumers' perceptions of these products [11]. The eighties saw the study focussed on identifying the characteristics of consumers who patronized store brands.

Since the mid-eighties, with the advent of scanner data and the increased application of analytical models in marketing, there has been a spurt in the number of studies dealing with store brands. These studies especially focussed on (i) estimating the impact of national brand and store brand marketing actions on brand sales or market share [12,13], and (ii) developing optimal marketing strategies for national and store brands [14,15]. In the nineties in an article Quelich and Harding (1996) [16] identified among others, the following trends in the private label business: (1) an improvement of the quality of Private Label brand products, (2) the development of premium Private Labels, (3) the emergence of new channels, and (4) the expansion to new and diverse categories.

In the current decade Sethuraman(2003) [17] had reviewed 19 of 23 studies present three types of evidence to support the importance of price in influencing store brand sales. Sethuraman (2003) [17] concludes that store brand consumers are those who: “(i) value price as an important criterion for purchase, and (ii) do not value brand image as important, but (iii) may consider quality as an important determinant when choosing among brands.” However, since psychographic characteristics like the price, image and quality sensitivity are not easily observable for market segmentation purposes, past studies have also tried to identify relatively easy to observe demographic characteristics that relate to store brand purchase propensity. These studies have mostly focused on the following four demographic variables – household income, education level, age and family size [9,8,18,19]. By and large, the findings have been that store brand consumers tend to be middle income, educated, older consumers with large families. However, these socio-economic variables account for only 4%-5% of the variation in store brand purchases, leading some researchers to conclude that there exist very little systematic demographic differences between store brand and national brand consumers [20,21].

The more recent line of research on private labels has primarily focused on the factors that determine the category share a private label attains as well as the reasons retailers decide to carry private labels. [22]Sethuraman (1992) and Hoch and Banerji (1993) [4] refuted the common perception that a private label's primary attraction was the substantial price discount, relative to national brands, at which they were sold. [22]Sethuraman (1992) empirically demonstrated that the price difference at which a private label sells to the national brand is actually inversely related to the private label's category share, a result also found in the theoretical work of Mills (1995) [23], [4]Hoch and Banerji (1993) emphasize the role of quality in the private-label purchase decision. They find evidence to support the notion that perceived quality is much more important than the level of price discount in determining the private label category share. Using category-level measures of quality variability, price discount of the private label, number of national brand manufacturers, advertising dollars spent, and several other covariates they were quite successful in explaining much of the cross-category variance in private-label share. Putsis and Dhar (1996) [24] demonstrate that private labels are capable of expanding category expenditure instead of simply stealing share from the national brand. Cotterill, Dhar, and Putsis (1996) [25] set out some successful tactics for marketing private labels.

All the above studies have contributed to a very vast and in depth literature of grocery stores this is not applicable to apparels. As grocery shopping is more of a routine the results are not applicable to apparels as the latter involves more involvement and experience characteristics [26]because consumers rely on how the clothes fit, how it feels, how it looks on them when worn, and expectation of how it would withstand the wear and tear of use. Batra and Sinha (2000) [27] suggest that some of the dimensions of purchase behaviour of clothes are different from that of purchase behaviour of groceries. In this study we set explore the consumer perceptions of attitude towards private labels, satisfaction with purchase and private label loyalty regarding apparels in India.

IV. CONCEPTUAL DEVELOPMENT AND HYPOTHESES

A. Attitude towards PLB

Research on store brands have focussed on customer attitudes towards store branded products and investigated consumer's individual level personality traits affecting such an attitude [28], in order to identify potential market segments for private labels [29]. Granzin (1981) [30] identified differences among high, medium and non-users of store brands products for demographic characteristics(age, income, children, home ownership, car ownership) price/quality emphasis, brand loyalty discount store patronage and risk taking. Recent research have examined the antecedents and outcomes of generalised private label attitude. Factors that influence store brand attitudes are consumer price consciousness, price-quality perceptions, deal proneness, shopping attitudes, impulsiveness, brand loyalty, familiarity with store brands, reliance on extrinsic cues, tolerance for
ambiguity, perceptions of store brand value and perceived differences between store brands and national brands[28,31]. Store image was not included in this conceptualization because it is treated as a separate factor that influences private label purchase. Attitude is a cornerstone of numerous models of consumer behaviour. It is defined in its upgraded and most common definition as a predisposition learned to respond to an object more or less favourably. Attitude can relate to some aspects of consumption (discounts, for example), or be more directly connected with an object, whether it is a product, brand or service. It has diverse psychological antecedents and is supposed to generate favourable behavioural responses. It may affect brand loyalty as this occurs when “favourable beliefs and attitudes exist, and that they are displayed by a behavior of repeated purchases” [32]. Research work by Burton et al. (1998) [28] contributed to correlating attitude toward private label products with purchase or purchase intention for private labels. It is also accepted currency that attitude fits around experience. Accordingly, private label brand loyalty can be fundamentally correlated with customers’ consumption experience, and thus with satisfaction. In light of those observations, we posit that

**H1:** Consumers’ store brand perceptions are also positively associated with their overall attitude toward store brands.

**V. PLB PURCHASE**

**A. Satisfaction with the purchase**

Satisfaction of the purchase is referred to the equilibrium created when the expectation of the purchase is equivalent to that of the product performance. If the consumer after the purchase of the PLB is satisfied then it leads to PLB loyalty

**H2:** Consumer’s with positive attitude towards PLB purchase are satisfied with their purchase

**B. PLB Loyalty**

Satisfaction with PLB leads to repeated purchase of that unique brand. Thus greater loyalty creates profitability for store brands and ultimately to store patronage. Loyalty is the prime attitudinal objective that every marketer/retailer aims for with his marketing/retail mix elements. Loyalty assures a retailer of patronage, of not just constancy and longevity of his business but creates an effective competitive advantage and an entry barrier which is difficult to erode. The concept of store loyalty is derived from brand loyalty concept which refers to the tendency to repeat purchase the same brand. At the Store level, it refers to the tendency to repeat purchase at the same store for similar or other products [33]

**H3:** Consumer’s positive attitude towards PLB and satisfaction with purchase leads to PLB Loyalty

**VI. METHODOLOGY**

The research Design for the study is given below

The survey was carried out in a metropolitan city in stores where PLB are sold. The instrument was administered to the shoppers upon their exit from the store. The researchers had circulated 1500 questionnaires among consumers and the response rate was 65.85% with 988 returning a complete questionnaire.

<table>
<thead>
<tr>
<th>Research Approach</th>
<th>Quantitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Horizon</td>
<td>Cross-sectional</td>
</tr>
<tr>
<td>Participants</td>
<td>Apparel Shoppers</td>
</tr>
<tr>
<td>Instrument</td>
<td>Questionnaire</td>
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<tr>
<td>Survey location</td>
<td>Stores</td>
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<tr>
<td>Sampling Technique</td>
<td>Non probability convenience</td>
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<tr>
<td>Sample Size</td>
<td>988</td>
</tr>
</tbody>
</table>

*Fig. 2.*

**Development of Measurement Scales**

Likert scales are most widely used in measuring personality, perception, social and psychological attitude research [34,35]. An important question about constructing a Likert type scale is whether it has an optimum number of points on the scale in which reliability changes very little. Some researchers support the idea that a positive relationship exists between the number of scale points over a normal range and the reliability of the measure [36,37]. Green (1970) [38] presents evidence indicating that 6 to 7-point scales are optimal. However, some other studies argue that both reliability and validity are independent of the number of scale points used for Likert-type items [39,40].

For our study we have used Likert 5 point scale and have used previously tested scale indicators used in similar studies. The scale items are as follows

PLB attitude based on Richardson et al. (1996) and Burton et al. (1998) [31,28]
1. Buying private labels makes me feel good.
2. I love it when private labels are available in apparels.
3. For apparels the best buy is usually private labels.
4. In general private labels are of poor quality.
5. Considering the value for money I always prefer private labels.

PLB Based on (Ailawadi et al.,2001 & Garrison et al.,2002) - Modified [41,42]

1. I will continue to buy private label brands not considering other brands.
2. I Tend to buy the private label brand than national brand.
3. I will make effort to search for the favourite private label brand.

Private Label Brand Purchase based on Batra & Sinha,2000 [27]

1. I would purchase the private label brand
2. Satisfaction with the purchase based on Raju & Hastak,1993. [43]
   1. I am satisfied with most of the “private label brands” I buy at “my most frequented store”

VII. RESULTS

Demographics

Age : 46.65% of the respondents belonged to the age group between 20-29 years
Gender: More than 50 % of the respondents were women.
Family income: than half of the respondents monthly income was close to Rs.40000 – Rs. 60000
Family size: On an average the family with 4 to 5 members purchase more Private label brands

VIII. DESCRIPTIVE STATISTICS – MEAN AND STANDARD DEVIATION

The mean and standard deviation were computed to illustrate the central tendency and dispersion of the scaled variables. The results indicated that the responses to the variables had a good dispersion on the scales. The means of all the variables ranges from 2.94 to 3.47 with standard deviations ranging from 0.900 to 1.407 on the 5 point likert scales. The scores of Skewness and kurtosis implies that some variables were not normally distributed.

Table 1. Descriptive Statistics

<table>
<thead>
<tr>
<th>Construct</th>
<th>Measure variables</th>
<th>Mean</th>
<th>Std.dev</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude PLB</td>
<td>Buying private labels makes me feel good</td>
<td>3.479</td>
<td>0.992</td>
<td>-0.311</td>
<td>-0.301</td>
</tr>
<tr>
<td></td>
<td>I love it when private labels are available in apparels</td>
<td>3.405</td>
<td>0.961</td>
<td>-0.179</td>
<td>-0.346</td>
</tr>
<tr>
<td></td>
<td>For apparels the best buy is usually private labels.</td>
<td>3.279</td>
<td>0.949</td>
<td>-0.0342</td>
<td>-0.409</td>
</tr>
<tr>
<td></td>
<td>In general private labels are of poor quality.</td>
<td>2.95</td>
<td>1.065</td>
<td>0.248</td>
<td>-0.423</td>
</tr>
<tr>
<td></td>
<td>Considering the value for money I always prefer private labels.</td>
<td>3.18</td>
<td>0.960</td>
<td>0.0082</td>
<td>-0.382</td>
</tr>
<tr>
<td>PLB Purchase</td>
<td>I would purchase the private label brand</td>
<td>3.299</td>
<td>0.904</td>
<td>-0.0903</td>
<td>-0.257</td>
</tr>
<tr>
<td></td>
<td>I am satisfied with most of the “private label brands” I buy at “my most frequented store”</td>
<td>3.59</td>
<td>0.900</td>
<td>-0.275</td>
<td>-0.038</td>
</tr>
<tr>
<td>PLB Loyalty</td>
<td>I will continue to buy private label brands not considering other brands.</td>
<td>2.94</td>
<td>1.063</td>
<td>0.216</td>
<td>-0.533</td>
</tr>
<tr>
<td></td>
<td>I tend to buy the private label brand than national brand.</td>
<td>3.06</td>
<td>1.015</td>
<td>0.126</td>
<td>-0.491</td>
</tr>
<tr>
<td></td>
<td>I will make effort to search for the favourite private label brand.</td>
<td>3.10</td>
<td>1.065</td>
<td>0.044</td>
<td>-0.581</td>
</tr>
</tbody>
</table>

PLB Attitude

Attitude towards Private Label brands though from the descriptive statistics we understand that the general attitude is neutral the majority of the respondents indicate a positive attitude towards private labels and they disagree that private labels are of poor quality.

PLB Purchase

Regarding PLB Purchase the general opinion is neutral and very minimal number of respondents agrees that they would buy private label brands. Most of the respondents agree that they are satisfied with the purchase at their most frequented store

PLB Loyalty

The loyalty among private label brand buyers is very low and the respondents disagree that they will buy only private label brands without considering the other brands.

The respondents have a neutral opinion towards buying PLB instead of national brands and to the fact that they are willing to search for their favourite private label brand

IX. IMPLICATIONS AND LIMITATIONS OF THE STUDY

The study indicates that as private labels are growing at a rapid pace the attitude towards private labels and their purchase is positive. If the retailers offer more promotions and discount offers they might be successful in inducing PLB loyalty among customers.

Since our study was cross sectional, causation should be interpreted with caution, Longitudinal studies are more welcome, although they may be very difficult in practice, longitudinal data would also permit an assessment of the moderating role of a broader range of environmental and situational factors on private label attitude/purchase relationships. Such variables clearly are important determinants of purchase behaviour on any
single shopping occasion, and comparisons across trips would be useful in enhancing our understanding of this broader model. In addition, to extend the generalizability of findings, research should be conducted in other stores using larger and more geographically diverse samples [31].

REFERENCES


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