

Consumers' Perception of Private Brands: An Empirical Examination

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INTRODUCTION

The current Indian economy is witnessing the emergence of organized retail. It is growing at a faster pace and is expected to reach 10 % from the current 4 % of the total retail business. Retailers are expanding through variety of formats like supermarkets, convenience stores, hypermarkets, discount stores, specialty stores, and department stores. Many domestic business houses have entered this sector with ambitious plans. With the new FDI regime, foreign players are incisive of Indian partners to grab the potential of retail market in India.

As competition is becoming stiff, retailers are working on new strategies to sustain in the market. One such strategy being private branding adopted by most of the retailers. Private brands are the most successful corporate brands in the world. Private branding is one of the strategic decisions of most retail organizations in recent years. They are either manufactured by the retailer or bought directly from the manufacturer, avoiding the intermediaries. Hence retailers have control over the marketing mix elements.

GLOBAL SCENARIO OF PRIVATE LABEL GROWTH

Private brand adoption is low in most of the countries except few European and American countries.

Table 1

Country	Private brand share (%)	Private brand growth rate (%)
Germany	30	3
Spain	26	16
France	24	3
Netherlands	22	8
Sweden	14	10
Hungary	8	44
South Africa	6	28
Croatia	2	77
Poland	2	115
Thailand	1	35

In India, as organized retailing forms 4 % of the total retail market, private branding strategy is in nascent stage for most of the retailers. Players such as Big Bazaar, Westside, and Food World etc have come up with private labels in different product categories.

WHY PRIVATE BRANDS?

Retailers are introducing variety of private labels in different categories. They are mostly seen in the categories such as apparels, food and grocery, healthcare, personal care, lifestyle, electronics and homeware. The major driver behind introducing store brand is to spawn store loyalty. This can be accomplished as the brand is available only at that specific store. This in turn enables retailers to have a competitive edge over other players, Richardson et al., (1994), Hoch (1996), Kasulis et al., (1999). Store brands increase the profit margin with wide range of product offerings, Pauwels and Srinivasan (2004). Furthur, Dhar and Hoch, (1997); Recio and Roman, (1999); Corstjens and Lal, (2000) added, private brands enhance the image of the retailer. Retailers are investing in private brands due to the strategic advantages these brands carry over national/manufacturer brands. The major benefits are (refer table 2):

Table 2

Advantages	Reason
Higher profit potential	No intermediaries
Control over the marketing mix	Retailer manufacturers
Store loyalty	Available in that store only
Competitive tool	Retailer has more control

PRIVATE BRANDING STRATEGY

Introduction of store brands is a strategy to enhance store image and profitability, Quelch and Harding (1996).

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Earlier consumer perceived store brands to be low priced alternatives to national brands, but it is seen that some private brands are positioned on par with the national brands. However, consumers consider private brands as alternatives and inferior to national brands, Dick et al. (1997).

Retailers use unique branding strategy to position private brands, Esbjerg et al., (2004). It may be independent stand alone strategy for different categories known as a house of brands strategy, Aaker and Joachimsthaler (2000), or same name across several categories known as branded house strategy, Aaker and Joachimsthaler, (2000). To quote the example of future group, different brand names are given for different category of products like knighthood, shyla, shatranj for apparels, cube, koeing, RIG, Lombard & UMM for lifestyle products, care mate for personal care, and cleanmate for healthcare.

Retailers are coming up with innovative marketing techniques to position their brands on par with the national brands. The focus is to build favorable perception around the store brands. For example, private brands of shoppers, stop such as Vittorio Frattini, Kashish are positioned as premium apparels.

It is observed that retailers give lot of shelf space in attractive places to store brands in order to create more visibility, Burt (2000). Future groups, Big Bazaar's private brands viz tasty treat, premium harvest, tastymate, pure & fresh are placed at the atrium to create more visibility.

STORE BRANDS AND STORE IMAGE

Store image is the consumers' perception of store performance. It is the way consumers view the store, Hartman and Spiro (2005). Store image is the mental picture that a retailer tries to project to the consumer. It is a person's attitude towards a store. Stores need to project an image, a functional and psychological image in consumer's minds that is acceptable to the target market. It depends on the atmospherics, reputation, services offered, product mix, and pricing strategy of retailer. Retail chains like Music World, Barista, Piramyd and Globus are laying major emphasis and investing heavily in store design to create a positive store image. The image of the store has an impact on the consumer perception of the quality of the products and the level of service provided by the retail store. Baker et al. (1994) found that consumers analyze the quality of merchandise of the retailer based on the image they carry about that store.

Store as a corporate brand is the value of intangible asset, helping the organization to achieve sustainable competitive advantage, Roberts and Dowling, (2002). Wal-Mart with its focus on customer service is in a position to differentiate itself from other players.

Store managers feel that variety of merchandise in private brand will enhance store loyalty, Corstjens and Lal, (2000) thereby reducing store dependency on national brands Mills, (1995); Narasimhan and Wilcox, (1998). This strategy is adopted by most of the discount retailers such as Subiksha, BigBazaar, More, etc.

REVIEW OF LITERATURE

Ample amount of research work has been undertaken in the areas of private brand in different perspective. Most of the studies focused on demographic and socio-economic characteristics of consumers. It was observed that consumers preferred both national and store brands, Frank and Boyd (1965) and Myers (1967) added mentioning that perception of consumers plays a major role rather than the individual or economic variables. Propitious Store image enhances the level of satisfaction leading to loyalty, Osman (1993); Bloemer and de Ruyter, (1998).

As per Raju et al., (1990); Parasuraman et al., (1996), quality of the product plays a major role in the consumers' preference of the product, their satisfaction and repurchase intention. Burger and Schott, (1972); Richardson et al., (1996) a, b; Dick et al., (1996) in their study found that favorable attitude of consumers towards store brands initiates them to buy regularly.

As per Dhar et al., (2001), retailers are maintaining adequate quality standards in their private brands. Furthur, Hoch and Banerji, (1993); Hoch, (1996) added that maintaining consistent quality can enhance the market share of private labels. Also, the perceived quality of the product ameliorates the share of store brands.

Another factor influencing consumer perception of private brands is the package. The taste test study revealed that consumers rate private labels higher than manufacturer brands, Richardson, (1997).

OBJECTIVES OF THE STUDY

1. To understand the perception of consumers for the new private labels introduced by retailers.
2. To identify the consumer perception of store image on private labels.

HYPOTHESES FOR THE STUDY

1. Store brands are perceived to offer quality on par with the national brands.
2. Private brands offer great value for money.
3. Private brands have appealing packaging.
4. Private brands have good taste/scent.
5. Private labels are affordable by consumers.
6. Consumers' perception of store image is same for all the retailers.
7. Store image has direct impact on private label perception.

RESEARCH METHODOLOGY

A total of 400 shoppers were randomly intercepted at several shopping malls and retail outlets. Shoppers who knew about the private brands were asked to complete a survey related with perception of private brands. Information on consumer perception related to variables such as value for money, price, quality, packaging, taste, and store image using likert type statements was collected. Grocery products were considered as they formed the typical shopping basket of consumers. Statistical tools such as Chisquare and Anova were used to analyze the data.

DISCUSSION

a. Familiarity with Store Brands

Out of 400 respondents, 320 respondents were aware of the private brands offered by stores. It means 80 % of the respondents were aware of the private labels, another 20 % respondents considered the brands to be a new entrant by the existing national brand manufacturers.

b. Perception of Quality

H1: Store brands are perceived to offer quality on par with the national brands.

Quality is the one of the major variable consumers consider for analyzing the brands. Consumers perceive national brands to be of good quality due to familiarity of the brand name and usage rate, where as the same are not true for private brands. So they analyze the quality of private brands by associating them with the store carrying them.

Table 3: Perception of Quality

Brands	Good	Average	Poor	Total
National Brands	48	61	19	128
Store Brands	106	55	31	192
Total	154	116	50	320

Source: Field Survey

Table 4: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.744 ^a	2	.002
Likelihood Ratio	12.724	2	.002
Linear-by-Linear Association	3.874	1	.049
N of Valid Cases	320		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 20.00.

From the above analyses, it is clear that there is an association between brand choice and quality of the product. More than 50 % of the respondents perceive private brands to offer better quality.

c. Perception of Value for Money

H2: Private brands offer great value for money.

Customers are interested in the value for the money rather than the type of brand. They analyze the value they get from the products they choose.

Table 5: Value for Money

Brands	Yes	No	Total
National Brands	52	36	88
Store Brands	168	64	232
Total	220	100	320

Source: Field Survey

Table 6: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	5.271 ^b	1	.022		
Continuity Correction ^a	4.669	1	.031		
Likelihood Ratio	5.130	1	.024		
Fisher's Exact Test				.030	.016
Linear-by-Linear Association	5.255	1	.022		
N of Valid Cases	320				
a. Computed only for a 2x2 table					
b. 0 cells (0%) have expected count less than 5. The minimum expected count is 27.50					

From the analyses it is understood that there is an association between value for money and the brand choice. Consumers perceive private brands to offer higher value for money in comparison to the national brands. More than 50 % of the respondents are of the opinion that private brands offer value for money, especially in case of grocery items.

D. PACKAGING

H3: Private brands have appealing packaging

Packaging plays a significant role for brand choice in case of self service outlets. It acts as a silent sales person. Companies use attractive packs which are convenient and colorful in order to advance impulse purchase by consumers.

Table 7: Packaging

Brands	Attractive	Average	Poor	Total
National Brands	121	36	22	179
Store Brands	34	55	52	141
Total	155	91	74	320

Source: Field Survey

Table 8: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	61.314 ^a	2	.000
Likelihood Ratio	63.780	2	.000
Linear-by-Linear Association	55.920	1	.000
N of Valid Cases	320		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 32.61.			

From the above analyses it can be noted that national brands are more attractive in packaging in comparison to private brands. National brand manufacturers invest more in packaging to maintain their image, quality and for secure distribution.

E. TASTE

H4: Private brands have good taste/scent

Taste is an other important variable which consumers consider in analyzing food and grocery items. Consumers

Table 9: Taste

Brands	Good	Average	Poor	Total
National Brands	33	57	57	147
Store Brands	112	42	19	173
Total	145	99	76	320

Source: Field Survey

Table 10 : Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	62.615 ^a	2	.000
Likelihood Ratio	65.523	2	.000
Linear-by-Linear Association	60.411	1	.000
N of Valid Cases	320		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 34.91.			

go for repeat purchase of a particular item in case they are satisfied with the taste, irrespective of the brand.

From the analyses it is clear that there is a close association between taste and brand choice. Blind taste test conducted by Kristof De Wulf et al. (2005) found that consumers opine private brands to be tasty compared to national brands.

F. PRICE

H5: Private labels are affordable by consumers

Price is one of the prime factors to influence consumer choice of the products/brands. Though there is an association between price and quality of products, consumers compare the price of all available brands in that category to arrive at a decision.

From the table it can be affirmed that private brands are priced low as compared to national brands in most of the product categories. This is possible as numbers of intermediaries are nil or few.

Table 11: Price

Brands	High	Average	Low	Total
National Brands	98	52	13	162
Store Brands	46	36	75	158
Total	144	88	88	320

Source: Field Survey

Table 12: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	65.279 ^a	2	.000
Likelihood Ratio	70.316	2	.000
Linear-by-Linear Association	57.256	1	.000
N of Valid Cases	320		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 43.18.

G. STORE PERCEPTION

H6: Consumers' perception of store image is same for all the retailers.

Consumers' perception of store brands is based on the image of the store. Branding strategy of the retailers vary across different formats. The perception of consumers is not same for all the retail stores and the same holds true for private brands offered by retailers.

Table 13: Perception of Store

Perception	Store A	Store B	Store C	Store D	Total
Good	28	39	35	17	119
Average	22	46	32	18	105
Poor	18	35	25	23	96
Total	68	120	92	58	320

Source: Field Survey

Table 14: ANOVA

PERCEPTI

	Sum of Squares	df	Mean	F	Sig
Between Groups	5.095	3	1.698	3.181	.025
Within Groups	104.660	196	.534		
Total	109.755	199			

From the above table it is clear that the perception of consumers varies across stores. They build the perception based on the promotional and positioning strategies adopted by the store.

H. STORE IMAGE

H7: Store image has a direct impact on private label perception.

Store image has direct influence on the consumers' perception of the private label. Image of the store leads to strategize the marketing mix variables of that store. Consumers evaluate the brands based on the extrinsic cues of the store; hence the perception is based on the image they carry about that particular store.

From the above analyses it can be concluded that the store image perception leads to private brands perception. Positive image of the store in the market implies acceptance by consumers. Hence consumers perceive private

Table 15: Store Image

Perception of private brands	High	Medium	Low	Total
Good	135	68	9	212
Average	34	22	6	62
Poor	8	12	26	46
Total	177	102	41	320

Source: Field Survey

Table 16: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	96.596 ^a	4	.000
Likelihood Ratio	73.625	4	.000
Linear-by-Linear Association	62.498	1	.000
N of Valid Cases	320		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.89.

brands offered by that store to be good. It may be in terms of quality, price, performance, service, value for money, etc., so it becomes all the more important for retailers to create positive store image.

CONCLUSION AND MANAGERIAL IMPLICATIONS

Store brands approximately sell for 30 % less than national brands. (Ailawadi et al., (2001), Nielsen, (2005). Hence private brands are getting accepted in food and grocery segment. The marketing strategies of retailers should air the perception of customers. The low cost strategy of retailers needs to be maintained to gain competitive advantage and sustenance in the market. Improvements in quality, offering more variety, with better service will enable the retailers to go a long way.

Frank and Boyd (1965) found that both the brands are consumed by people with similar socio-economic background. The demographic variables have a major role to shape the perceptions of consumers over private labels. Richardson et al. (1996) suggests that perceived quality, risk, income, family size, and familiarity influence store brand choice. Consumers' perception varies when it is bought from a shabby, smelly store compared to a good ambience store. As some of the customers are loyal to certain brands, retailers need to work on the brand building activities. Store brands should be positioned on par with national brands.

LIMITATIONS

The study has some limitations. The sample size was relatively small. The respondents comprised more of home makers. The study was undertaken in Bangalore which is more prosperous than other areas; hence the results cannot be generalized.

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To conclude, the study has researched out audience preferences and brought out many interesting insights in this area. The findings and conclusions thereof would be helpful in providing an understanding of audience likes and dislikes and thus would provide a framework for initiating actions for further research and for policy decisions.

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