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Consumer's Perspective and Retailer's Consideration Towards Purchase of Private Label Brands

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Abstract

This study examines the relationship between key attributes such as (price consciousness, quality variability, brand image, store image and smart-shopper self-perceptions) towards purchase of private label brands by Indian consumers and how consumers prioritize different attributes in making purchase decision of private label brands. Hypothesis framed was tested by gathering data on select Indian retailers in Food & Grocery and clothing & apparel segment and assessed through multiple regression analysis. This paper also studies the impact of socio-demographic attributes such as (age, gender, occupation, income and qualification) on purchase of private label brands by using cross tabulation technique. The finding of the study reveals preference adopted by consumers on purchase of PLBs on the identified attributes in which brand image is the most crucial factor and self perception is the least significant factor, and the findings on socio-demographic factor reveals that all factors have positive impact towards purchase of PLBs. Based on the findings it is suggested that retailers of PLBs should adopt appropriate strategies for increasing the revenue from PLBs in their stores.

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Keywords: Private labels; Private label brands (PLBs); Store Brands; Consumer preference; socio-demographic variables; Multiple regression; retailers brand; store image.

1. Introduction

India is found to be third most attractive retail destination among thirty emerging markets globally [1]. Indian Retail Industry is anticipated to grow by 950 billion dollars till 2018 with yearly growth of approximately 8.9 percent since last decade [2]. Indian online retail market is also anticipated to increase from 3.1 billion dollars to 22 billion dollars (from around 10 per cent to greater than 15 per cent of the organized retail market) since year 2013 till year 2018 [2]. According to Neilson Global report 2014, Europe has the highest private label brand share of approximately 45 percent from last ten years followed by US, Canada and Australia having approximately 18 percent share of private label brand which explains the tremendous growth of Private Label brands in past years across the globe. Private Label Brands (PLBs) are gaining huge popularity these days. Private label market share has increased and is growing rapidly. Private labels brands are the

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products entirely owned by the retailer. Private label products are produced, distributed, sold & operated by the retailers usually known as in house brand, self-label brands, dealers store brand as well as retailer's brands [3].

Private label products are manufactured by, or on behalf of, retailers and sold beneath the same name of retailers' or trademark under their own stores [4]. Another definition given by researchers simply defined private label as a brands that is owned, sold and distributed by the retailers themselves [5]. Therefore, Private label products are sold and manufactured by the retailers under their own umbrella. Private Label Manufacturer's Association (PLMA) has defined Private Label as a product that encompasses all goods sold beneath the retailer's brand name, it may be own name of retailer's or a name exclusively suggested by that retailer. The retailers brand term is often exchanged with store brand, in house brand, private label or own-label. The private label products had come across largely from last few decades. Nowadays private label brands are available in almost every category of the products such as in food and grocery we have tasty treat, golden harvest in big bazaar, in case of clothing and apparels we have Network, Net play in Reliance trends and Stop brand in shopper stop etc. Initially private label were assumed as a cheap and low cost substitute to the established brand but currently they have emerged as a well planned marketing strategies by the retailers to catch the attraction of the consumers and also they have established themselves as a branded product and are currently giving competition to the leading brands in quality terms. Currently private label brand has evolved in almost every product categories. India found to be under developed in retail market scenario among south east Asia with current retail market penetration 5 percent as compared to 45 percent in majority of Asian market in south east region. Moreover, in case of the private label brand India is leading as the penetration of private label brands has increased up to 27 percent from year 2012 till 2014 [6]. Majority of retailers are providing variety of offerings in the various product categories, Big bazaar, Shoppers Stop, Spencer's, Pantaloons etc are among few of them. For instance, share of private label products in Spencer's is 60 percent among its 650 different product categories, and the private label product sales is growing approximately at the rate of 40 percent annually. Contribution of private label products in Lifestyle International is around 25 percent of its sales etc. [7].

Earlier Private label brand was introduced by the retailers as the low cost alternative compared to the manufacturer brand. Private label was defined as generic product offering price value proposition to the consumers. Often the lower priced alternative, private label or store brands carried inferior quality image and thus considered less trustworthy as well as low confident products by consumers. Retailers are continuously pushing larger number of private label products into different categories in their outlets since they represent higher margins and the greater profitability with relatively lesser or no marketing effort. In today's global scenario of private label brand where share in European countries is around 45% it becomes increasingly important for the retailer to understand consumer perspective as they are looking private label products as favourable substitute to manufacturer brand.

Consumers in the cosmopolitan environment are moving to purchase products in hyper market and super markets it has become important for retailers to understand the consumer choice of different product categories and provide them better value for money to the products they purchase. Consumers are sensitive towards price, however price is not only the single factor for products purchase decision, particularly in Food and Grocery which is having the largest market share of 69 percent subsequently clothing and apparels with 8 percent market share in organized retail [1]. Nowadays consumers are more cautious while they spend money. As said, different retailers are getting involved in producing private label as they can avail benefit by giving variety of product offerings thereby increasing their profitability. Hence private label brand retailers are launching innovative products in their supply chain which was not brought earlier. Therefore, if a retailer can capture the local choice and preferences of the consumers effectively by providing them premium quality private label products then they can create differentiated image when compared to other stores and can become destination stores. Indian retail is emerging and with the increased footfall in Indian hypermarket and supermarket private labels will grow from infant stage to maturity stage in future. This research aims at understanding the

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