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## AN EMPIRICAL STUDY ON THE CONSUMER PERCEPTION IN FOOD RETAIL SECTOR REGARDING PRIVATE LABEL BRANDING IN CHENNAI CITY

**Ms. Bhuvaneshwari U**

M.Com, M.Phil, M.B.A (Ph.D in commerce)

RESEARCH SCHOLAR, BHARATHIYAR UNIVERSITY, COIMBATORE, TAMIL  
NADU, INDIA

&

**Dr. S. Jayalakshmi**

M.Com, M.Phil, MBA, NET in Management, SET in Commerce

Department of Commerce, Research Supervisor, Bharathiyar University, COIMBATORE,  
TAMIL NADU, INDIA

### ABSTRACT

*The Global food retail sales shall be exceeding \$4 trillion annually, as per the US Department of Agriculture. The Industry sales have been expected to grow around 6.1% annually till 2020, according to Persistence Market Research all these parameters are being driven by the rise in incomes and the population growth in countries such as China and India. The landscape across the world is mostly dominated by the firms from US and Europe, although recently even Australia also boasts of its major chains. In most countries, unlike the other global industries sector, the Food retail is still led by local players by enlarge across the world. The top 15 retailers of world supermarket sales are still accounting for about 30%. The majority consumers of present day in their choice of decision making are considering that branding of the products is an important element while purchasing. It is very important because, both private labels, national and multi-national brands are having their own advantages and disadvantages over each other in terms various parameters. The consumers main motive is to buy a product which they feel would satisfy their needs and wants effectively, and would buy it irrespective of whether the product is manufactured by a*

*private label / national brand / multi-national brand even after considering the price of the product which may not be a major factor while purchasing. These studies main objective is to carry out to check the customers preferences over the usage of products between the private labels / national brand / multi-national brand to satisfy their requirements and needs and try to differentiate between these brands.*

**KEYWORDS:** Private Label Brands, National Brands, Multi- National Brands, Customer Satisfaction, Retailers.

## **INTRODUCTION**

During the early era of the 20th century, the demand of branded products by consumers grew tremendously both in terms of value and volume due to the increase in usage of branded products. This demand was created with growing awareness done by the manufactures of the branded companies and made the consumers to prefer the branded products which were stated as superior products when compared with local manufacturers. This was led companies such as Coca-Cola, Nestle, Procter & Gamble (P&G), Unilever, and others to name a few, the products became popular with consumers and grew manifold. They effectively marketed their products to reach large groups of consumers by using the print and electronic media by advertising and were successful in influencing the decision of buying of the consumers and soon established their brands through the symbol of quality, affluence, lifestyle, image and trust.

**GLOBAL PERSPECTIVE:** The Food retail industry globally has been able to manage a significant growth in recent years, \$4 trillion (First Research, Inc., 2017). Today, the world's top 100 retailers, which are enlisted in Dow Jones Factiva database are employing more than 15 million people.

**INDIAN PERSPECTIVE:** The Indian Retail Sector is being viewed as one of the fastest paced commercial sectors of the world and is among the top five retail markets of the world in terms of the economic value. The Economic Times had stated in the year – 2012, that the sales will see a growth by 61 % between 2013 – 2017 and market share of organized retail sector is predicted to grow to 30 % by 2030. It has become the second largest in terms of creating employment after agriculture, is providing the livelihoods for more than 3.3 % of the

Indian population which is approximately 40 million people as per report of Accha, in the year 2013. According to another report by the Business Monitor International(2013), this sector's formal sales is accounting nearly 25.3% of India's GDP, also stated that the Indian retail market is expected to grow to US\$ 919.74 (2017), from the estimated to be US\$ 571.06 billion(2013) by the way of capitalization of the Indian market, where the growth is not only taking place in the metro's, but also in second and third tier cities across the country.

**PRIVATE LABEL BRANDS:** All the private-label brand products are manufactured by local manufacturing units from where a retailer or a distributor purchases for creating their own brand by renaming, repackaging and then selling it. This process depends on the agreement between the two, in most of the cases the manufacturer only handles the packaging and labelling for an additional charge. In few cases it might not be so then the retailer is responsible for all the process of the product. Therefore, one can say all the brands which are owned not by the manufacturer, but owned by the retailer or distributor who purchases the goods manufactured by the contract manufacturer, and sell under their own label are called as private label brands. When marketing these products, the retailer or distributor will use their own name, or it can be a combination of both the manufacturers and the retailer. The process of private labelling occurs usually when a large retailers or wholesalers would like to develop products with their own brands.

Today all the retailers or distributors were able to market their proprietary private label brands with the same process of innovation and care as done by the national brands. They have been able to successfully liberate themselves from being termed as relatively poor when compared with the consumer goods of national brands. By doing so they have opened up the huge potential market opportunities for themselves. Though these opportunities would require the ability to adopt a different set of practices and process for marketing and branding to prosper the business. All the private label brands must understand the role and contributions in strategical areas of ensuring the equation of both the demand and supply equation and marketing in the retail store for achieving towards a long-term business. The management key for successful marketing of this brand should be made by the owners. The management of a Strategic brand must go hand in hand with these endeavours within the store for establishing the sustainable points of difference in each segment and aisle. By doing so, they can appropriately define their "own" brand portfolio so that they would be able to galvanize their consumers to connect and reconnect in a compelling manner with their franchises.

**BENEFITS OF PRIVATE LABEL BRANDS:** The manufacturers of the national and Multi-national brands must allocate a large expense for advertising which in-turn builds into their costing. Whereas private labelled brands can purchase the same goods from the local manufactures at a relatively lowered cost and sell the same at a lower price with better margin of profit when compared with the national/ multi-national brands. In addition to this, the private labellers are having more control over the pricing of the products and are in a better position to make a maximum impact on the consumers by taking advantage through displaying their own brands. For example, in a grocery store, the private label brands can reduce the price of its own brand quickly to beat the pricing of its competitor's brand. In their grocery store in order to boost their sales, one can create a special desk for purchase of its brands by displaying the advertising and give predominant shelf space. Most of the private label brands are normally priced lower than their comparable brands and therefore consumers appeal to bargain-conscious. In this regard Richardson, Jain, and Dick (1996), in their research have mentioned, that the owners of private label brands like to market their own brands, because of their control over shelf space which is potential to create increase in loyalty of the consumers towards their store, making the store to move towards chain profitability, and also gives the bargaining power over manufacturers. According to another research conducted by Batra and Sinha, (2000) that among the consumers, one obvious reason for the popularity of these private label brands is their advantage in pricing and hence their growth is increase by 21% in average over the national brands. The expansion of private labelled brands is enormous despite the tough competition given from manufacturing and retailers of the national / multi-national brands, and at the same time they are expanding to other new markets. Even though the market for private labelled brands in developing countries like India, China, and others are at a nascent stage, but have got positive trends and in the coming decades are expected to grow with their strong economic.

## **REVIEW OF LITERATURE**

In our research, the main focus is on the consumer- perceptions of various brands and their inter-category differences in the sector of food and grocery. Hoping to shed some light on what are the parameters that have made the private label brands overall successful, drawing competition implications for both brands of private label brands as well as the national brands and multi-national brands. The below mentioned are few of the reviews of previous

studies conducted by various researchers carried out in relation to certain issues which are related to private label brands.

Frank Boyd (1965); conducted a study to determine the various parameters of the customers such as the socio-economic conditions, their consumptions and shopping habits to distinguish between the private label brands and manufacturing brands. A study by the income groups Code (1971); found that there was a substantial difference in the preference by various consumers towards the private label brands. Sundel (1974); in the research had used a 'blind taste test' so that the brands will not be identified by the consumers and found no significant differences in ratings of the respondents with respect to bread and canned corn between national, regional and private labelled store brands, however the consumers still perceived the national brands to be superior when compared to other brands. Bush (1987); conducted a study to examine whether the variables of demographic and psychographic are directly related and important to understand the attitude of the customers towards private label brands. Sethuraman, (1992); and Hoch and Banerji, (1993); studied the private label brands and their retailer programs of economics by examining the factors such as the necessary technology investments, category size along with its margin of profits, and the advertising and promotional activity costing occurred by the national brands. Hoch and Banerji, (1993); also, found an interesting phenomenon concerned to private label brands that the fact of their growth across product categories has been highly uneven, and the gap in level of quality varies across categories between national brands and private label brands were depend on the technological infrastructure available in the manufacturing units.

A Research by Richardson, Jain and Dick (1996); was conducted and been limited on consumer level factors that make private label brands differentially successful across various categories of products. Dhar and Hoch (1997); found that all the previous research had investigated by far the largest source of variation in private label brands shared across various markets, brands, and product categories is around 40%, and most of these researches were done from the perspectives of the manufacturer and retailer. Sethuraman and Cole (1997); studied on those few studies that were conducted previously from the consumer- perspective across different product of categories and observed that sometimes important variables were omitted. Batra and Sinha (2000); examined regarding the perceived risks of the consumers which are the primary subject matter for products attributes such as "Search" and "Experience" in different categories of products of both national and the private label brands. A Study of conducted by A C Nielsen (2005); found that the consumer believed

that private label brands were good alternatives by 56 percentage when compared with that of various national brands. Labeaga et al. (2007); contended in their study that the national manufacturer brands were available at many competing outlets whereas the private label brands are exclusively available at one retailer, which have been assisted in building loyalty and is differentiated with other brands. Once the loyalty is built the regular consumers are confronted with psychological factors towards their preferred private label, and hence switching retailers as a matter of choice is no longer available. Pandaya and Joshi (2012); conducted an insight research regarding the customers attitude towards private labelled brands and mainly focused on three categories i.e. effect of age, marital status and profession were taken in to consideration on buying behaviour of the consumers. The Economic Times, (2013); made a survey in Delhi and Mumbai which showed that there is sales market was increased by 40 % percentage for private label brands from the previous year.

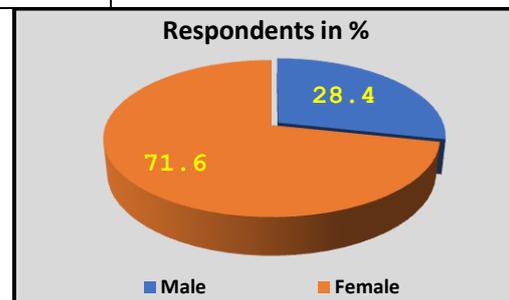
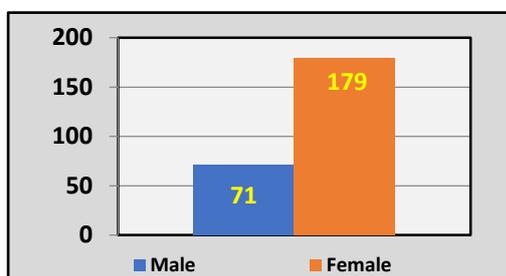
### OBJECTIVES OF THE STUDY

The objective of the study is to know the number of retail units having the private label brands in the city of Chennai and also to find out the consumer Perception in food retail sector regarding the same by relating it with the attributes of private label brands.

#### Analysis and interpretation:

**Table 1- Showing the Gender & Number of respondents**

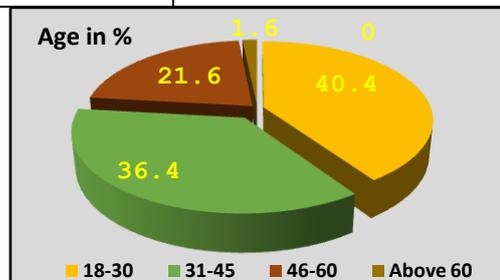
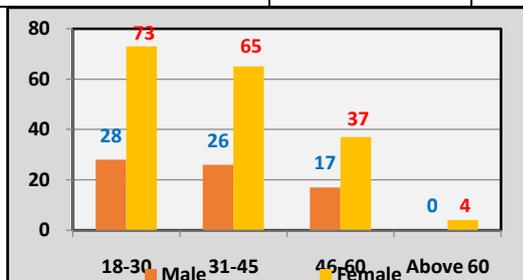
Gender	Numbers	Percentage
Male	71	28.4
Female	179	71.6
Total	250	100



Out of the total 250 respondents, there were 71 male respondents and 179 female respondents and hence this shows a very high participation of female customers in retail food sector.

**Table 2 - Showing the Age of the respondents**

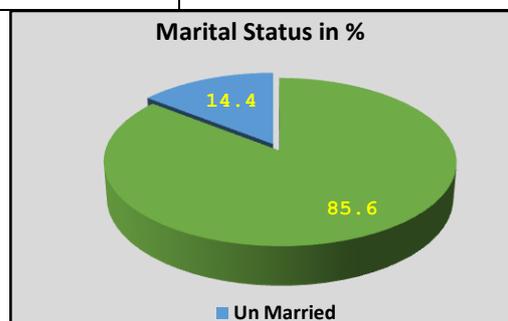
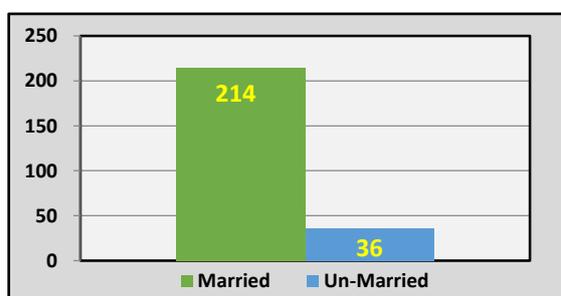
Age	Male	Female	Total	Percentage
18 - 30	28	73	101	40.4
31 - 45	26	65	91	36.4
46 - 60	17	37	54	21.6
Above 60	00	04	04	01.6
Total	71	179	250	100



A 40.4 % (101) of the total customers were from the age group of 18 – 30, out of which 28 are men and 73 are women. A 36.4 % (91) were from the age group of 31 – 45, out of which 26 are men and 65 are women. In the age category of 46 to 60, the total customers were 54 in number, out of which 17 were men and 37 were women with a percentage of 21.6. The data found that only 1.6 percent of them belong to the age group of above 60 years with 0 being the men and 4 were female. Hence this shows that majority of the customers belong to the two age groups of 18 – 30 and 30 – 45 years are customers in the retail food sector in Chennai.

**Table 3 – Showing the marital status of the respondents**

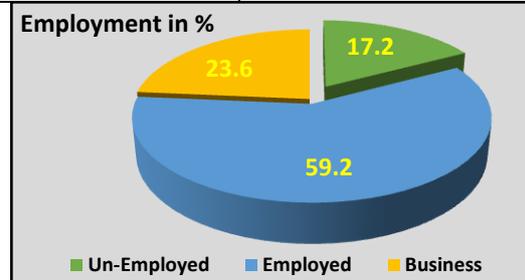
Marital Status	Number	Percentage
Married	214	85.6
Unmarried	36	14.4
Total	250	100



85.6 % of the respondents stated that they were married.

**Table 4 – Showing Employment status of Respondents**

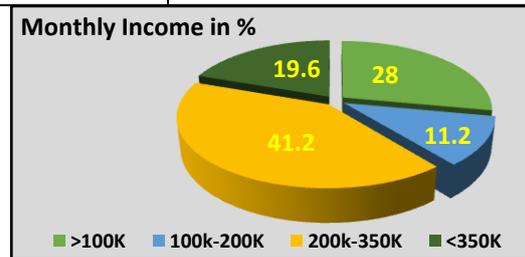
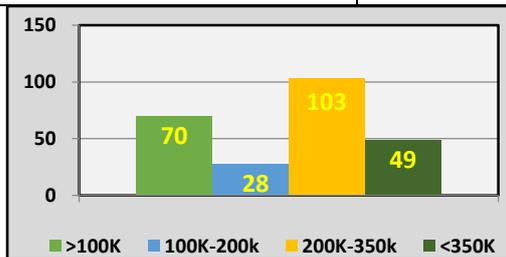
Employment	Numbers	Percentage
Un-Employed	43	17.2%
Employed	148	59.2%
Business	59	23.6%
Total	250	100



This study shows that 17.2 % (43) of the total respondents were Un-employed (house wives), 59.2 % (148) of the total respondents were employed, and 23.6% (59) of respondents were engaged in doing business, thus the data shows that most of the respondents were employed.

**Table 5 –Showing Monthly Incomes of respondents**

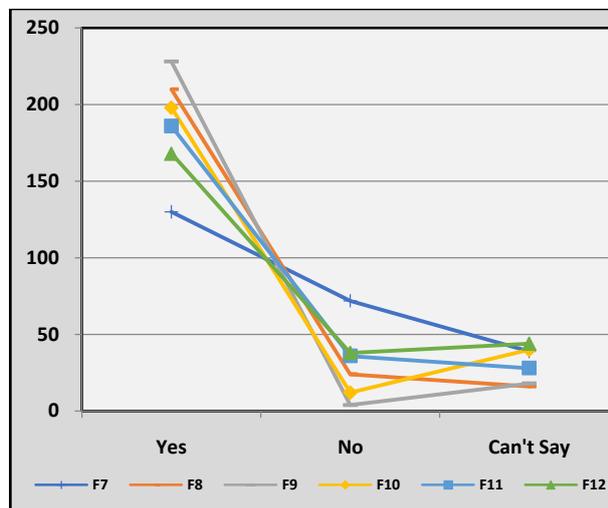
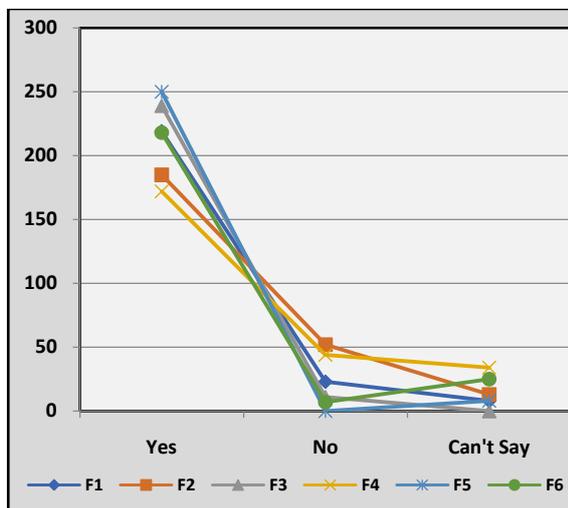
Monthly Incomes	Numbers	Percentage
0 - 1,00,000	70	28%
1,00,001 – 2,00,000	28	11.2%
2,00,001 to 3,50,000	103	41.2%
Above 3,50,000	49	19.6%
Total	250	100



The above table shows that 28% of the respondents earn a monthly income of less than 1,00,000 rupees, 11.2% of them earn from Rs. 1,00,000 to Rs. 2,00,000, 41.2% of them earn from Rs. 2,00,000 to Rs. 3,50,000, and 19.6% of them earn Rs. 3,50,000 and above.

**Table 6 – Different Attributes with respect to Private Label Branding**

Sl. No	Particulars	Yes (%)	No (%)	Can't say(%)
F1	The pricing is always inexpensive or reasonable	219(87.9)	23(9.2)	8(3.2)
F2	They sell the products which I cannot find in other places	185(74)	52(20.8)	13(5.2)
F3	The store location is near to my place,	239(95.6)	11(4.4)	0(0)
F4	Usually they have the items which I need to stock, also can check the availability in-store	172(68.8)	44(17.6)	34(13.6)
F5	They have loyalty program (e.g. one can get points or rewards)	250(100)	0(0)	0(0)
F6	They have fast and reliable delivery system (e.g. delivery to my place on the same day,)	218(87.2)	7(2.8)	25(10)
F7	The marketing concept is a bit different and interesting which attracts me	130(52)	72(28.8)	39(15.6)
F8	They help and advise me in choosing the products	210(84)	24(9.6)	16(6.4)
F9	Their goods return policy is very good (e.g. free returns, return items to store, even when purchased online)	228(91.2)	04(1.6)	18(7.2)
F10	The staff and customer care Dept. is very friendly.	198(79.2)	12(4.8)	40(16)
F11	They have provided an online web/mobile site is very easy to use	186(74.4)	36(14.4)	28(11.2)
F12	Their social media (Facebook, Twitter, etc) is strong which in-turn shows they understand our interests.	168(67.2)	38(15.2)	44(17.6)



## FINDINGS

Out of the 12 attributes taken for the study the following four attributes shows a highest response among the respondents

1. F5 – 100% of the respondents agreed that they were benefited by the royalty programs.
2. F3 – 95.6% of the respondents said the store was near to their place.
3. F9 – 91.2% of the respondents feel that the goods return policy was good and worked successfully.
4. F1 – 87.9% of the respondents felt the pricing was reasonable.

## CONCLUSION

From the above research one can conclude that the private labelled brands have increased their market share and are also able to capture new markets with less efforts when compared to the national / multinational brands in the last decade. As mentioned in the above literature's there are different attribute and factors either playing or affecting the decision making of the consumer to purchase the private label brands some of which include royalty programs, location of store, policy towards return of goods, and the pricing associated with the brand are few to mention. According to this study the consumer perception has been positive in most of the attributes, and hence the owners of the private label brands must contribute more in every aspect to maintain the growth and increase their market share. As the study shows that the respondents have a positive response towards such products therefore the retailers must promote their business by marketing their brands through social media and other effective marketing channel.

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