

# Imperative Effects of Private Label Branding in Indian Retail

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## ABSTRACT

Victory of any market strategy relies on the logic framework supported by proper stride of implementation of the respective strategy. Private label branding in India is the right instance to mention as it made notable changes in the preference pattern of ideal consumer. This study tries to make an attempt to understand the emergence and its impact of Private Labeling in Indian retail Industry. The initial chapter of the current study briefs the basic information of private labeling. Chapter two describes methodology of the study. Chapter three enlists the literature review. Chapter four portrays advantages and disadvantages of private label brands. Chapter five envisages the imperative effects of private label branding in Indian retail with reference to private label branding. The last chapter concludes the summary of private label brand's impact in India retail.

**Keywords:** Private label brand, Indian retail, national brand, store brand

## INTRODUCTION

India is undergoing sustainable transformation in retailing due to many reasons, like demonetization, increase in variety of consumables, lack of time for kitchen work, change in taste and preference of routine consumption and rationale attitude of ideal consumer etc. In spite of many reasons, the base for incremental growth in retail sector in India is due to the emergence of private label branding in the present era. There are many studies related to private labels has been conducted in the past two decades, but the current study differs from previous studies as it not only concentrates on effects of private label branding in Indian context but also the reasons, with special reference to retailing. There is a fluctuation in the Indian retail inflation in last few months as the economic environment in India is keep on changing with a variety of policy decisions both at union level and state level authorities. On the other side, many public issues with cultural values disturb the normal routine of the citizen. For instance, public find difficult to maintain minimum cash with them as the banking sector restricts the limit of withdrawal due to demonetization. However, within a day, a newly released film achieves the target of few crores. The paradox of this monetary economic issue is unanswerable. Likewise in private label branding there is certain unanswerable paradox. The rationale customer try to increase the total utility of his preferred consumption which is absent in private

label as the supplier or the person of white branding fixing higher price for his product and able to achieve the targeted sales. The reason for this absurdity needs a detailed study with primary data from the ultimate consumers of private labeled item. The present study, with the help of modern retail outlets like, Spencer, BigBazaar, infiniti, Reliance, Megamart etc, conducted a survey, to find out the how the private label has succeed in their way.

## METHODOLOGY

The modus operandi this study is to analyze the imperative effects Private labeling in Indian retail trade. For this purpose, the following methodology is adopted.

## OBJECTIVE

1. To examine the reason for why public prefer private label brands
2. To find out the advantages and disadvantages of private label branding
3. To understand the changes in the Indian retail sector

**Sample Framework:** In order to achieve the above objectives, the current study uses both primary and secondary data. A random sample of 100 consumers of modern retail outlets, are interacted and received

information with a structured questionnaire containing a list of open end questions like reason for buying private labeled items, method of transaction, inconvenience due to demonetization etc. Apart from primary data secondary data, like Books Journals, annuals, Government data sets and conference proceedings etc. are also used for current study

**Sample period:** The period of collection of data, from Dec. 1, 2016 to Jan. 31, 2017.

**Sample Area:** The collections of data are made in and around the Chromepet, Chennai.

**Hypothesis:**  $H_0$ : The consumption of private label brands are significant.

$H_1$ : The consumption of private label brands are not significant.

**Chapterisation:** The initial chapter of the current study briefs the basic information of private labeling. Chapter two describes methodology of the study. Chapter three enlists the literature review. Chapter four portrays advantages and disadvantages of private label brands. Chapter five envisages the imperative effects of private label branding in Indian retail with reference to private label branding. The last chapter concludes the summary of private label brand's impact in India retail.

**Literature Review:** The current study has number of literature review and some of them are listed.

Paul Samuelsson (1938). There are number of theories are available with the consumer behavior. The effective theory of consumer behavior is the revealed preference theory. He explained the theory of behavior with preference factor of the consumer. For the study about the demand for the private label items, the logic of revealed preference theory can be applied as it exhibits that the purchasing habits of the individuals are the key factor to reveal the preference of them.<sup>12</sup>

The book on Retail management – Principles and Practices, edited by R. Sudarshan.(2007). The author specified that the retail sector has reached a critical stage as stores in modern formats have emerged in even in II tier and III tier cities. However the major volumes of sales are still under traditional retail ways<sup>13</sup>.

John Fernie and Leigh Sparks, (2007) he their book, expressed that the current status of retail sector

envisages many challenges and these challenges are to be faced by the marketing strategy, supply chain management techniques. Secondly, private label branding is considered to be the right method to improve the modern retailing outlets<sup>5</sup>.

Nirmalya Kumar and Jan-Benedict E.M,(2007) in their book, they analyzed how to face the challenges of store branding, particularly the strategy of private labeling<sup>10</sup>.

Anupam Narula (2010), in her research article, expressed the quality difference as “Many consumer find slight divergence between the quality of local brands and their private label complement as retailers interest on store brands and consumer product companies have given up the connections to retailers and customers”<sup>11</sup>

Chandrachud .S, (2012) in his research article, the impact of FDI in the organized retailing in India is clearly pronounced, as the need for the our to implement the private labeling in the modern retail outlets.<sup>2</sup>

Chandrachud . S, (2012) in his research article, has expressed the current status of Indian retail sector by answer the question, why India is facing problem in implementing the FDI in retail sector<sup>3</sup>.

Jubin Mehta, (2015)in his research article expressed the evolution of modern retail outlets and their initial funding with marketing strategy, Particularly, Big Basket, DogSpot, MyNutraMart etc<sup>7</sup>

Naimi K. Shapiro, (2016), in his articles, he listed out both the advantages and disadvantages of private label branding.<sup>10</sup>

Osman M Zain and M.B.Saidu (2016) There are three factor in retailer's brand influencing the customer, Product satisfaction, Product risks and Product quality<sup>11</sup>

John Quelch and David Harding (1996) The twin reasons of retailer's overreaction are firstly the power of the private label varies with economic conditions and National brand has been challenged through consumer packaged goods<sup>6</sup>

According to India Brand Equity Foundation report of January 2016, the total outlay of Indian retail sector is 600 billion US dollars. Due to private labeling it may reach 1300 billion (1.3 trillion)<sup>13</sup>

**For and against to private labeling:** As the private labeling provides better hagggle value to retailers, the modern retail outlets are show special interest while dealing with store brands. Moreover, it provides additional margin to the supplier when compared to other national brand as they are having control over the product mix. The consumers are enjoying the ample range of product with good price. The trigger factor of private labeling is that the share of modern retails in European countries is more than 39 percent, which is less in Asian countries. The share of modern retail in china is less than 1 percent however modern retail in India is more than 7 percent. There are many names for the private labeling branding as phantom branding, store brand, generic, own label, white brand and retail brand etc. This is a good method of marketing strategy and any marketing strategy has both positive factors and negative factors while implementing. Likewise, the private label branding also has a list of advantages as well as disadvantages

#### Advantages

1. The private label brand is free from the product designing and developing
2. These labels are meant for wholesale business.
3. It provides better control over the business elements like price, sales and distribution.
4. The profit margin is comparatively high
5. Packaging and storing can be manipulated at the discretion of retailers.
6. Direct link with the customer and quick procurement by retailers
7. Possibility of changing the product name, Product details and other informations
8. Actual manufacturer is unknown to customer.
9. Better bargaining power to retailers
10. Availability of wide range of products

#### Disadvantages

1. Sometimes the quality of the product are not assured
2. Freezed foods and groceries dominate the national brand which is not good for health and social life.
3. Random pricing leads to inequality in the distribution of goods
4. Caveat emptor.

**Imperative effects of private label branding in Indian retail:** Based on the investigation made with the respondents, the study finds the following things which are the key factors of growth of modern retail in India. First of all, the retailers are showing more interest with the private labels mainly due to incremental margin with the product. The retailer has the control over the product pricing. Secondly, the mindset of consumer as well as the actual manufacturers want leisure times in their business which in turn, the agent or the intermediary of the private label sale, the retail gaining its profit. The unorganised way of national brand pave broader way to private brand in the organised retail as modern retail outlets. Right from size and style of the product are decided by the retailer who are free from the commitment of manufacturing but the power to manage the price. This leads tremendous growth of private labeling in India. The recession period, 2008-09 has given a room to overtake the national product by Indian business giants like Reliance, Aditya Birla and other has came into existence as the professional retails by starting Aditya Birla retails, Reliance retail, Hypercity, along with foreign tie up retails like Bharti Wal mart Retail, Trent and shoppers stop, Bigbazzar and Spencer etc used private labeling with their famous brand name.

The contribution of private branding in India is approximated Rs. 13 million out of which more than 10 percent through the modern retail outlets. Day by day the focus on private label is increasing. The instance to mention is the Aditya Birla retail decided to encourage own brand by increasing the share of sales of private brand. Currently it is only 3 percent but it will be 9 to 11 percent within the year or two. The topper of private label outlet is trent, as it constitute nearly 90 percent followed by the reliance 80 percent and 75 percent for pantaloons. The leading industrial products of private labeling are apparels, footwear, toys, electronic gadgets, Pharmacy etc. Apart from industrial products nowadays perishables are dominated by the modern retail outlets, particularly reliance fresh. People are busy with their routine work and profession, they hesitate to visit the market and on the way to home from office they are purchasing pin to port. Purposely most of the modern retail outlets are set up in the main roads, which are convenient for the customer. Place of transaction maintained with good ambiance i.e., air conditioned and products are neatly packed with expiry date and maximum retail price which are absent in the other markets. During January 2017,

the Indian retail inflation has reduced to 3.17 percent from 3.41 percent in the previous month. This value of retail inflation is the least since November 2014 which is the imperative effect of private labeling in Indian retail market.

### CONCLUSION

The private label brand in India has witness a remarkable change in the Indian retail scenario as it outpaced drastically in the last decade. Globally, India has become the fifth best place for the retailing and most of the foreign retailers are trying to contribute more of their product in India which leads to a sustainable growth in the Indian retail. The organised retail sector of India is growing in leaps and bounds due to emergence of multi brand items with private label through the modern retail outlets. Our foreign policy also allows the FDI for the multi-brand in retail trade. The shelves of modern retail outlets are furnished with both white and yellow brands and encourage customer friendly shopping. The global retail markets are dynamic due to innovative practices in private branding and India is also showing interest to develop the phantom brands. This twin effects of private labeling leads to thriving growth, not only in the main cities of India but also the II tier and III tier cities. To conclude, there is a significant consumption of private label brand items by the public. To conclude the consumption of private label in India is significant as the statistical inference based on the primary data are showing the significance in probability value with the given degree of freedom. The changes are seen in Indian retailing through private labeling as the modern retail outlets are implementing their technological framework and imparting the importance of cashless but electronic transactions.

**Conflict of Interest:** NIL

**Ethical clearance:** Completed

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