

Consumer Attitude towards Private Labels in Comparison To National Brands

¹Prof. Deepali Gala, ²Dr. Ramchandra D. Patil

^{1,2}Faculty, Bharati Vidyapeeth Deemed University,
Institute of Management and Rural Development Administration, Sangli.

ABSTRACT: *The concept of private labeling is not new concept in India. The genesis of private label can be traced from the olden days, where goods of private labels are sold along with the national brands. To increase profitability and enhance customer loyalty, many retailers have turned to private label products. Private label products are highly attractive to retailers because these products can boost gross margins. Retailers have recognized that profit margins on products designed and sourced by their own teams are significantly higher than on branded products. In the present study the author has attempted to study the marketing strategies adopted by the retail outlets to increase the sale of private label products. The present study is based on the opinions of customers. In this study it is found that, retailers are following various practices to divert the customers from national brands to private label products.*

Keywords: Private labels, retailers, marketing strategies, national brands, gross margin etc.

I. INTRODUCTION

Retail is one of the sectors that have undergone a massive transformation where it has squeezed the unorganized sector to a great extent. Customers are provided with huge options for a same type of product which has cultivated brand preferences in the minds of the customer. The rising income level of the customer is another reason which has developed a habit in the minds of the customer to use branded product. Customers are the king who associates the brand with specific qualities under assumptions of equality in price and its availability. This has motivated many manufacturers to come out with different brands to make customer buy those and cherish.

The occurrence of recession is another reason that has brought with it new opportunities for retailers to come out with cheaper alternatives to save on everyday purchases. Thus private labels have become a simpler strategy to trim bills by switching to a similar but a cheaper brand.

This change in attitude of customer is one of the major reasons that have boosted private label brands in the retail outlets. Private label brand also known as Own brands or Store brands have come a long way in the past few decades. In late 80's the terms 'generic' and 'Private label' were used to describe the product that were cheaper compared to national brands and were of lower quality than branded products. Since then private label brands have established their own identities, becoming popular consumer choice.

Private label products are manufactured for sale under a specific retailer's brand. They 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. The most commonly known private label goods are the "store brands" sold by food retailers, though this is just one example of many. Department stores, electronics stores, and office supply retailers all offer private label products or services.

II. LITERATURE REVIEW

There are many researches done to find the various criteria's that govern the preference of consumers about certain brands. In the present study the following literatures have been reviewed in order to identify the areas that have already covered.

Mihic and Čulina(2006), in their article titled "Buying Behavior And Consumption: Social Class Versus Income" have found that, income level of the customers plays a major role in their buying behavior in respect to less visible products while social class has great impact on products with high luxury which reflects the life style values. Pelsmacker, Driesen and Rayp (2005), have conducted a survey on willingness of the customers to pay for fair-trade coffee. In this study they observed that, consumers buying behavior is not

consistent with their positive attitude toward ethical products. They also found that, ninety per cent of customers were not willing to pay the average price premium for fair-trade labels. Özdemir and Tokol (2007), in their research paper named “Examining Marketing Mix from an Ethical View: A Field Research on Marketing Executives”, have highlighted that, price is most significant area where, unethical practices occur to a maximum extent. They also found that, marketing managers are the most responsible entity who influences unethical practices. Hariprakash (2011) in his article has opined that, the success of private labels it can't survive if it attracts the customers merely on the basis of cost of the product. Fabian (2002) in his article has focused on retailers who entrust national brand manufacturers for his private label production as long as the latter's bargaining power is low. Olbrich (2004) in his article has focused on negative consequences of the prohibition of resale price maintenance under the aspect of variety provided in the products or the competition between the retailers and also the competitive position of branded article. Olbrich (2009) in one of his article has viewed that national brands are squeezing out due to the number of private label products. This in turn has become a negative factor for a customer who has less choice due to this type of competition. Pandaya and Joshi (2012) insight the customer's attitude towards Private label by focusing on three categories i.e. effect of age, marital status and profession on buying behavior were taken in to consideration. Sudhakar and Parise (2012) in their study have revealed that, affordability, quality, availability, celebrity, self-satisfaction, image and social status are the key drivers to the shift to luxury branded goods from middle tire branded goods. They have also stated that brand perception and purchase value is also affected by financial, functional, and individual aspects, apart from socially oriented motives of buying to impress others. According to Hans, Hoyer and Inman (1996), brand switching of consumer is based on seeking behaviour and motivations such as curiosity, price motive etc.

III. OBJECTIVES

To study the brand wise customer preference.

To study the impact of 'cost of product' on buying behavior of the customers.

To study the satisfaction level of the customers about private label products.

To study the unfair practices adopted to attract customers towards private label products.

IV. METHODOLOGY DATA COLLECTION

This empirical research is basically based on Primary data collected from various customers. The 50 respondents have been selected with convenience sampling technique. The sample includes respondents with different age group, education and occupations so that a clear picture of how a private label is considered in the minds of the customers belonging to Sangli city. The data has been collected from the selected sample through structured questionnaire consisting 9 questions.

V. DATA ANALYSIS

The data so collected has been analyzed with the help of various appropriate statistical techniques like percentage, Chi-square Test and Z Test. This collected and analyzed data has been presented with the help of various graphs and charts for more clarification. This study also consist the secondary data which is used from conceptual discussion done by other researchers.

Hypotheses:

H₁ There is significant difference between preference for national brands and private label product.

H₂ Majority customers would like to prefer private label products.

H₃ Majority customers prefer private label products because of better offers.

H₄ Majority customers, who are not happy with private label products, have got the reason of low quality.

Limitations:

The major limitation of this research is the geographical area confined to Sangli city. Furthermore this research is done with respondent's preference of private label to certain type of products, based on the opinion of the customers which may vary with change in study area and to a large extent it is dependent upon the attitude of the respondents. The present study is also based on the responses received from the selected customers.

ANALYSIS OF CONSUMER PREFERENCE

Understanding the buying behavior of the customer is one of the most important factors to be considered which helps in knowing the factors that influence the selection process. Decision making with regard to brand selection is very similar to consumer decision-making on outlet where the consumer goes through a process starting from identifying needs to post-purchase issues.

Customers go through a six-stage decision-making process in any purchase. Where the first stage is need recognition where need motivates a person to go for a purchase. Here the consumer is aroused with a need of the product. Followed by information search where internal and external search is done which is based on the previous experience and opinion of other external sources like family and friends. This captures the strong place in the minds of the customers for preferring any brand. Then evaluation of alternative is done where the customer utilizes his view about the brand with that of the products available before him. This evaluation is based on various factors that a purchaser may take care before a purchase decision. Then actual purchase of the product occurs based on the factors that captured space in the minds of the customer. And at last post-purchase evaluation occurs where the customer frames a picture in the mind, about the product based on the reality of the product and the customer's expectation about the product.

Demographic profile and buying behavior

Consumer buying behavior largely depends on the demographic factors like age, gender, family life cycle, education, occupation etc. These factors help the consumer in deciding their preference towards national brand or private label products. Another important factor that makes a difference in buyer behavior is the role that the individual is playing in the society. For example, individuals who are parents to small children will have a different set of priorities when it comes to buying goods and services than individuals or couples who do not have any children in the home. In like manner, the consumer habit of someone who earns an hourly wage is likely to be different from that of someone who is employed in a salaried position. Thus priorities decide the kind the purchase the person is making.

Table 1.1 Demographic Profile of the Customers

Gender	National	Private	Both	Total	%
Male	8	1	22	31	62
Female	4	0	15	19	38
Total	12	1	37	50	100
Age Group					
below 15	0	0	2	2	4
15-25	5	0	14	19	38
25-45	6	0	13	19	38
45 and above	1	1	8	10	20
Total	12	1	37	50	100
Income					
Up to 1 lac	3	0	8	11	22
1 lac to 2.5 lacs	2	0	14	16	32
2.5 lacs to 5 lacs	3	1	12	16	32
Above 5 lacs	4	0	3	7	14
Total	12	1	37	50	100
Profession					
Salaried	0	0	10	10	20
Business	3	1	5	9	18
Professional	2	0	0	2	4
House wife	2	0	6	8	16
Students	4	0	14	18	36
Others	1	0	2	3	6
Total	12 (24%)	1 (2%)	37(74%)	50	100

Source: Survey Data

The table 1.1 reveals that, out of the total respondents, 62 per cent are male and 38 per cent are female customers who make purchases of private label products and national brand products. It also highlights that out of the total respondents 24 per cent prefer only national brand products whereas only 2 per cent respondents prefer only private label products but 74 per cent respondents prefer both brands i.e. national brands and private brands. It discloses that till today society is male dominated and the males are having more purchasing power as compared to women.

Age-wise analysis of the respondents shows that only 4 per cent respondents are belonging to age level below 15 years, 38 per cent respondents belong to age group between 15 to 25 years, 38 per cent are from the age group of 25 to 45 years and only 20 per cent respondents are having the age above 45 years. It reveals that majority customers are belonging to middle age group and are having more purchasing power.

Income-wise analysis of the respondents shows that 22 per cent of them fall under the category of income up to 1 lakh. 32 per cent of respondents fall under 1 to 2.5 lakh, likewise 32 per cent fall under the income group of 2.5 to 5 lakh and 14 per cent fall under the income level of above 5 lakh. It reveals with a fact that maximum i.e. 68 per cent respondents preferring both national brand and private label fall under the income between 1 to 5 lakh.

Occupation wise analysis of the respondents reveals that 20 per cent of the respondents were salaried, 18 per cent were doing business, 4 per cent were professionals, 16 per cent of respondents were house wives and a maximum of students with 36% were asked about their purchase behavior. The table also reveals that 100 percent of the professionals were buying only national brands and 100 per cent of salaried respondents preferred both national brand and private label for their purchase.

Table 1.2 Product wise Preference of Customer

Particulars	Food		Clothing		Sanitary		Electronic		Luxury		Others	
	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%
National Brand	21	42	32	64	36	72	44	88	37	74	16	32
Private Label	26	52	14	28	14	28	6	12	11	22	26	52
Both	3	6	4	8	0	0	0	0	2	4	8	16
Total	50	100	50	100	50	100	50	100	50	100	50	100

Source: Survey Data

The product-wise preference of the sample respondents has been shown in the table no, 1.2. Product wise categorization of the respondents reveals that 52 percent of respondents preferred buying private label products for food category. For clothing category a maximum of 64 per cent preferred buying national brands only. Seventy two per cent of respondents said they would buy only branded sanitary products. For electronic products, maximum of 88 per cent of the respondents have preferred buying national brands only. This table thus reveals us that as the cost of the product increases, faith towards national brand also increases.

Table 1.3 Reasons behind Preferring or Not-Preferring Private Label Products

Reason	Yes		Reason	No		Reason to stickup with other brand		
	No. of Respondents	%		No. of Respondents	%		No. of Respondents	%
Better Quality	8	25	Comparatively Low Quality	13	72	Quality	9	50
Better offer	11	34	Undue Influence	2	11	Fair Price	1	6
Suggestion by close one	12	38	Unfair means of selling	2	11	Easy availability	7	39
Others	1	3	High Cost	1	6	Habit / Tradition	1	6
	32	100		18	100		18	100

Source: Survey data

The table 1.3 shows the reason behind selecting a certain brand. In which the reason for preferring private label was suggestion by close one i.e. 38 per cent. Thirty four per cent of respondents considered private label when better offer was provided. Twenty five per cent of respondents felt private label to be better quality product. This response from the respondents reveals that mouth to mouth publicity can better work for private label product backed with better offer as a motivating agent.

Seventy two per cent of customers felt private label product to be a low quality product. In which 11 per cent felt selling private label is making undue influence on the respondents purchase behavior. Eleven per cent of respondents felt selling private label to be unfair.

Thus the data provides us with information that quality aspect of private label is doubted by the respondents i.e. fifty percent did not prefer private label due to the negative perception on quality aspect. When a question asked to respondents about their reason to prefer certain brand, the major reason behind preferring certain brand is its quality i.e. is 50 per cent. Other major reason to stick to a certain brand is easy availability of the product. Thirty nine per cent of respondents thus selected a brand based on its easy availability.

HYPOTHESIS TESTING

- H₁**- There is significant difference between preference for national brands and private label product.
H₀ - There is no significant difference between preference for national brands and private label product.

Table 1.4 Product-wise Preference for National Bands and Private Label Products (Chi Square Test)

	O _i	E _i	O _i - E _i	(O _i - E _i) ^ 2	((O _i - E _i) ^ 2) / E _i
National Brand					
Food	21	30.89	-9.89	97.82	3.17
Clothing	32	30.23	1.77	3.12	0.10
Sanitary	36	32.86	3.14	9.85	0.30
Electronic	44	32.86	11.14	124.05	3.77
Luxury	37	31.55	5.45	29.73	0.94
Others	16	27.60	-11.60	134.66	4.88
Private Label					
Food	26	16.11	9.89	97.82	6.07
Clothing	14	15.77	-1.77	3.12	0.20
Sanitary	14	17.14	-3.14	9.85	0.57
Electronic	6	17.14	-11.14	124.05	7.24
Luxury	11	16.45	-5.45	29.73	1.81
Others	26	14.40	11.60	134.66	9.35
Total	283				38.41
Table value of χ^2 at 5% significance level					11.070
Calculate χ^2					38.41
Result (38.41 > 11.070)					Reject H₀

(Source: Table 1.2)

In order to serve the basic objectives of the study the various hypothesis were set of which H₁ has been tested with the help of chi square test, wherein it is found that the calculated value of χ^2 is greater than the table value of χ^2 i.e. 38.41>11.070 at 5% level of significance. Hence the result is Null hypothesis has been rejected and alternate hypothesis is accepted, which concludes that there is a significant difference between the preference of national brands and the private label products.

H₂ Majority customers would like to prefer private label products.

H₀ there would be no difference between number of customers who would prefer private label products and number of customers who would prefer national brands.

H₃ Majority customers prefer private label products because of better offers.

H₀ There is no significant different between the customers who prefer the private label products because of better offer and the customers who prefer the same because of other reasons.

H₄ Majority customers, who are not happy with private label products, have got the reason of low quality.

H₀ There is no significant difference between numbers customers who are not happy with private label products due to poor quality and other reasons.

Table No 1.5 Hypothesis Testing About Preference for Private Label Products

Reasons for preference	Number of Customers	Reasons for no preference	Number of Customers
Better Quality	8	Poor Quality	13
Better Offer	11	Undue Influence	2
Suggestions by close ones	12	Unfair Means of Selling	2
others	1	High Cost	1
Total	32		18
	H₂	H₃	H₄
n1	32	11	13
n2	18	7	2
p1	0.64	0.611111	0.866667
p2	0.36	0.388889	0.133333
p	0.5392	0.5247	0.7689
Z_{table}	1.6448536	1.6448536	1.6448536
Z_{cal}	1.9065715	0.920358	2.2903416
Result	Reject H₀	Accept H₀	Reject H₀

Source: Survey data

Since calculated Z value of H₂ is greater than the table value i.e. 1.9065 > 1.6448 the null hypothesis is rejected at 5% level of significance. Hence it is concluded there is significant difference between the customers who prefer private label products and national brands.

According to testing H₃ the tabulated value of Z is greater than the calculated Z value i.e. 0.920358 < 1.6448, so the null hypothesis is accepted at 5% level of significance, which concludes that there is no significant difference between the customers who prefer private label product due to better offer and those who prefer for other reasons.

H₄ reveals the fact that the calculated Z value is greater than the tabulated Z value i.e. 2.2903 > 1.6448, so the null hypothesis is rejected at 5% level of significance and alternative hypothesis is accepted. Hence, it concludes that the reason behind unhappiness in using private label product is low quality.

VI. CONCLUSION

The study on the consumer attitude towards private label and national brand has given a wider perspective of their behavior towards various retail outlets and Kirana stores available in the Sangli district. The study has proved that the customers see private label as a local product which is not been considered same as the national brand. This also helps to identify the reasons behind getting attracted towards private label.

The study has revealed that, majority respondents prefer both national and private label as compared to individual specific brand, but has changed along with change in demographic profile. Product wise preferences shows that, majority customers prefer national brands for purchasing Electronic, Luxury, Sanitary and Clothing items whereas they prefer private label for Food and other miscellaneous items. The study also discloses that, out of the sample respondents majority prefer private label products due to suggestions by close ones or better offer, whereas those who do not prefer private label products, are not happy with the quality of these brands.

The view of customers towards any purchase is dependent on the price of the product, after which the quality and availability of the product takes in to account. Many customers view private label as a low quality product which is perceived to be bought by low income group who want a better life style but don't want to spend on the same. These imitative products prove a better means for these customers to satisfy their preference towards branded products.

REFERENCES

- [1]. Bushan D. Sudhakar Arun Kumar. Parise (2012), "Luxury's New Destination – Changing Paradigms Of The Indian Consumers – An Empirical Study", EXCEL International Journal of Multidisciplinary Management Studies, Vol.2 Issue 1, January 2012
- [2]. Fabian Bergès-Sennou (2002), "Who will produce the Private label?" "INRA-ESR Toulouse, Working paper, 2002.
- [3]. Hans C. M., Van Trijp, Wayne D. Hoyer, And J. Jeffrey Inman, (1996)," Why Switch? Product Category-Level Explanations For True Variety-Seeking Behavior", Journal of Marketing Research, Vol XXXIII (August 1996), 281 to 292
- [4]. Hariprakash(2011),"Private labels in Indian retail industry", International Journal of Multidisciplinary Research, Vol.1, Issue 8, 2011.
- [5]. Mihic Mirela and Culina Gordona(2006), "Buying Behavior And Consumption: Social Class Versus Income", Management, Vol. 11, 2006, 2, pp. 77-92.
- [6]. Olbrich Rainer (2004), "The impact of Private Labels on welfare and competition", Department of business administration and economics, Hagen 2004

- [7]. Olbrich Rainer and Grewe Gundula (2009), "Effects of the proliferation of private labels in consumer goods retailing", Department of business administration and economics, Hagen Research paper no 6, 2009
- [8]. Özdemir Erkan and Tokol Tuncer (2007)," Examining Marketing Mix From An Ethical View: A Field Research On Marketing Executives", Ankara University, SBF Dergisi , PP 163-184
- [9]. Pandaya Amit R and Joshi Manarch A (2012), "A Study on Consumers ' Attitude Towards Private Labels: A Special Focus in Baroda & Rajkot ",International Journal of Business and Management Tomorrow Vol.2 No.5
- [10]. Pelsmacker Patrick De, Driesen Liesbeth,And Rayp Glenn (2005)," Do Consumers Care About Ethics? Willingness To Pay For Fair-Trade Coffee", The Journal Of Consumer Affairs, Vol. 39, No. 2,2005. pp 363-385.