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Customer preference for private label brands with reference to organized retail stores in Coimbatore city

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ABSTRACT

Private Label brands had seen a striking expansion in recent days. Though, initially private label brands had a low-priced strategy, retailers have taken serious efforts quality improvements in recent years. The paper examines how retailers can influence the customers for private label brands by providing additional features in their product. Furthermore, the familiarity of the products may influence the purchase decision. The research method used in this study is descriptive research. Under this study a survey is conducted with the customers in and around the Coimbatore city for their preference towards private label brands. The major limitation in this study is that a few customers led some problems in the customer service area. The study was limited only to 200 customers. The time taken for the survey was between February 2012 and June 2012. The data collected is analysed with the tools like chi-square, weighted average rank and simple percentage method. The present study shows the customer preference for private label brands only in organized retail stores. Personal bias by the respondents may have script in while answering the questions.

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Introduction

Private labeling is when a retailer purchases products from various manufacturers and then markets those products under its own brand. Private label goods are often referred to as "store brands," as opposed to the "name brands" that are sold under the brand name of the manufacturer. The private label revolution was first observed in Europe and Canada. Private label brands then appeared in South Africa in 1956 when Raymond Ackerman introduced a no-frills brand to the market through his fledgling chain of Pick n Pay stores (Prichard, 2005). This range offered commodities to the market at lower prices than was possible through manufacturer brands. This served the purpose of defeating the regime of a small number of powerful retailers and suppliers who had been engaging in price fixing as the order of business.

Review of Literature

Increasingly over the last decades in many industries, the focus on national brands is misplaced and private labels are becoming a dominant feature (Aaker, 1991). Retailers often 'own' their local markets and they do so by developing their own brands (Steenkamp and Dekimpe, 1997). Private labels are playing a dominant role in the Western world. A major factor in the emergence of store brands is the increased concentration in retailing and in particular in grocery retailing. Retail chains are increasingly extending the range of products sold under store brands from mass-consumption basic products (paper products and frozen food) to the more sophisticated ones (diet products, cosmetics). The growth in private labels has traditionally been attributed to two major causes.

First, retailers use private labels to compete profitably in the price-sensitive segment. Second, these products enable retailers to get better deals from manufacturers in the form of lower prices on national brands. It is commonly believed that when the

economy picks up, consumers go back buying national brands. However, most recent trends show that private label sales are growing faster than national brands and have achieved much higher levels of penetration (Hoch, Montgomery and Park, 1996). Penetration of private label varies across countries and product categories. For instance Nielsen (2003) reports indicate that in developing markets, although the overall private label share is relatively low compared to the mature European and U.S. markets, there is a significant growth rate. This could be attributed to large multi-national retailers that expanded geographically, building new stores and introducing their private label brands into the marketplace. One of the principal features of the private-label market is that it is heavily prevalent in some categories while hardly being present in others. Own label products tend to be most popular in commodity-type categories where there is less opportunity for differentiation. Elsewhere, in categories where manufacturers make a substantial investment in branding, own-label penetration is very low. As a result, traditional private label categories such as paper products and frozen food continue to lead in share (29% and 28% respectively). New non-traditional categories such as cosmetics although they have a small private label share (2%) they have a significant growth rate, (24%) (Nielsen, 2003). The term "Private Label" creates a variety of images in the mind of consumer. In some parts of the world, the traditional perceptions of private label were once of low quality, unbranded alternatives, attracting the most cost-conscious consumers. Retailers have provided private labels as the low-priced high-volume alternatives for years. In today's private label market, however, although there may still be private label products of low cost and quality in existence, a different level of products has emerged – the premium "branded" private label product. The emphasis on the quality of store brands combined with the

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improved packaging and a promotional program was designed to increase customer awareness and sales of own brand products. These products offer consumers a quality private label choice as well as to provide retailers a unique selling point for merchandising in their stores (German, 2001). The brand provides a promise or bond with the retailer, reduces consumer search costs, perceived risk, increases trust and signals the quality of the product. (O'Cass and Grace, 2003). Today, a number of theoretical frameworks have been suggested in order to enable understanding of consumers' attitude and response to brands (Kapferer, 1992; Keller, 1993). Important empirical work has also been done on the related issues of brand loyalty (Ucless et al., 1994; East et al., 1995; East and Hammond, 1996) based mainly on self-report measures of consumer preferences and to a lesser extent on real consumption of store brands (Richardson et al., 1996; Baltas, 1999).

However, little work has been done on European data. Most related studies originate from the USA and reflect a different socio-economic and retail environment (Burt, 2000). Though private labels seems to be a discussed topic already in most of the developed countries (Stern, 1966; Boyd and Frank, 1966), in India, private brands were noticed primarily only in the last decade. However, research work in this area appears to leave a void. For Indian conditions, it's a wake up call for national brand manufacturers. They need to take note of, how to effectively combat the threat of private labels.

The present study aims in finding out the customer preference for private labels in organized retail stores in Coimbatore and to understand the satisfaction level of customers for private label products at organized retail stores

Objectives of the study:

1. To understand the customers' preference for private label brands at organized retail stores
2. To identify the factors that lead to the preference for private label brands
3. To understand the satisfaction level of customers for private label products at organized retail stores

Scope of the study

The research is conducted in order to find out the preference among the customers for private label brands and their preferences to measure the various factors as price, quality, reliability, promotional displays, advertisement and multi channel exposure that may satisfy their expectation towards the private label products.

The main purpose of the study is to analyze the customers' preference towards the private label products. The Retailer also focuses its attention mainly on delighting the customer and to fulfill their requirements and expectation towards the private label products. The study is to analyze the various factors that may create a preference towards private label products in the minds of the customers and to find out the satisfaction level for private label products

Research methodology

Research design

The main aim of this survey is to know the brand preference and find out the factors that would help the customer to choose the private label brand.

Therefore descriptive research is being adopted in this study to find out the brand preference and characteristics of consumers.

Area of the study

The survey was conducted among all sorts of customers who were the regular purchasers and occasional buyers of private label brands in the organized retail stores in coimbatore.

Research approach

Survey method and questionnaires method

Primary data was collected through survey method. All the respondents are asked to fill in the questionnaire by themselves. The questionnaire contains open ended and closed ended questions and it is in a structured format which is clear to the respondents.

Sample Size

Sample size taken in this study is 200

Sampling Technique

As all the possible items are considered for research, the sampling method adopted is convenience sampling

Tools for data analysis

The data collected are tabulated, analyzed and interpreted by applying the following tools:

- ✓ Simple Percentage
- ✓ Chi-square method
- ✓ Weighted Average Rank

DATA ANALYSIS AND INTERPRETATION

GENERAL PROFILE OF THE RESPONDENT

Inference:

General profile of the respondents in the table 1 shows that 57.5% of the respondents are between 25-45 years of age, 62.5% of the respondents are female, 53% are graduates, 34% of the respondents income is between 10,000- 20,000

WEIGHTED AVERAGE RANK

Interpretation:

The above table shows the factors that influence the customer preference for private label brands with the help of Weighted Average Rank. Respondents feel that better quality and price are the important factors followed by availability, reliability, free offers advertisement and etc.

CHI-SQUARE

INTERPRETATION:

The above table shows that the calculated value is 20.198 which is greater than the table value of 7.81 at 5% level of significance with degree of freedom being $v=3$. This analysis supports the alternative hypothesis. So, there is a significant relationship between gender of the respondents and their preference for private label brands

Interpretation:

The above table shows that the calculated value is 11.158 which is greater than the table value of 9.49 at 5% level of significance with degree of freedom being $v=4$. This analysis supports the alternate hypothesis. So, there is a significant relationship between age of the respondents and their satisfaction level towards private label brands

Interpretation:

The above table shows that the calculated value is 72.555 which is greater than the table value of 16.9 at 5% level of significance with degree of freedom being $v=9$. This analysis supports the alternative hypothesis. So, there is a significant relationship between income of the respondents and their satisfaction level towards private label brands

Interpretation:

The above table shows that the calculated value is 24.183 which is greater than the table value of 12.6 at 5% level of significance with degree of freedom being $v=6$. This analysis

supports the alternative hypothesis. So, there is a significant relationship between educational qualification of the respondents and their level of satisfaction private label brands

Results and discussions

Majority of the respondents (57.5%) are between 24-45 years of age 63 percent of the respondents are female and the remaining are male. Maximum of the respondents are Under Graduates (53 percent) Majority of the respondents are in the income group of 10,000-20,000 with 34 percent. 61 percent of respondents uses the private label brand on regular basis. Maximum number of the respondents (56%) knows about the brand through promotional displays. 51 percent of the respondents reply how their desired private label brand is good when compared with their competitive brands. 48 percent of the respondents say quality of the private label brand is good. 42.5 percent of the respondents show their overall satisfaction towards the private label brands.

It can be said that manufacturer brand product consumers give more importance to brand and quality, where- as private brand product consumers are more sensitive to Price and more open to trying new brands. In order to encourage customers who buy manufacturer brand products but avoid private brand products to buy these products as well, it is suggested that retailers employ strategies that are different from merely maintaining low prices and making the products available. The Retailers should make an effort to retain the regular and acquire new customers by serving the upgraded private label products to them.

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Table 1 General Profile of the respondent

Particulars	Classification	No. of Respondent	Percentage
Age	Below 25	35	17.5
	25-45	115	57.5
	45 and Above	50	25
Gender	Male	75	37.5
	Female	125	62.5
Educational Qualification	HSC	0	0
	Diploma	45	22.5
	Under Graduate	106	53
	Post Graduate	49	24.5
Monthly Income	Below 5000	29	14.5
	5000 - 10,000	55	27.5
	10,000- 20,000	68	34
	20,000 above	48	24

Table 2
Table showing the factors influencing Customers towards Private label products

S.No.	Factors	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	Total score	Rank
1	Reliability	5 x 69	4 x 80	3 x 49	2 x 2	1 x 0	816	4
2	Better Quality	5 x 89	4 x 64	3 x 46	2 x 1	1 x 0	841	1
3	Price	5 x 79	4 x 65	3 x 56	2 x 0	1 x 0	823	2
4	Advertisement	5 x 69	4 x 68	3 x 61	2 x 1	1 x 1	803	6
5	Promotional Displays	5 x 56	4 x 58	3 x 85	2 x 1	1 x 0	769	10
6	Availability	5 x 86	4 x 49	3 x 64	2 x 1	1 x 0	820	3
7	More Variants	5 x 75	4 x 49	3 x 76	2 x 0	1 x 0	799	7
8	Free offers	5 x 67	4 x 74	3 x 59	2 x 0	1 x 0	808	5
9	Packaging	5 x 59	4 x 78	3 x 62	2 x 1	1 x 0	795	8
10	Purchase Experience	5 x 59	4 x 69	3 x 69	2 x 2	1 x 1	783	9

Source: Primary data

Table 3
Table showing the relationship between gender of the respondents and their preference for private label brands

S.NO.	GENDER	SCORE					TOTAL
		Highly satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
1	Male	41(33.37)	27(24)	6(17.25)	1(0.375)	0	75
2	Female	48(55.63)	37(40)	40(28.75)	0(0.625)	0	125
	Total	89	64	46	1	0	200

Source: Primary data

(Note: () The figures given in the parenthesis are expected frequencies)

Calculated value : 20.198

Degree of freedom : 3

Table value : 7.81

Table 4
Table showing the relationship between age of the respondents and their satisfaction level towards private label brands

S.No.	Age	SCORE					TOTAL
		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
1	Below 25	19(13.82)	11(11.37)	5(9.8)	0	0	35
2	25 – 45	38(45.43)	35(37.37)	42(32.2)	0	0	115
3	45&above	22(19.75)	19(16.25)	9(14)	0	0	50
	Total	79	65	56	0	0	200

Source: Primary data

(Note: () The figures given in the parenthesis are expected frequencies)

Calculated value: 11.158

Degree of freedom: 4

Table value: 9.49

Table 5
Table showing the relationship between income of the respondents and their satisfaction level towards private label brands

S.No.	INCOME	SCORE					TOTAL
		Highly satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
1	>5000	18(12.47)	7(7.10)	3(9.28)	1(0.145)	0	29
2	5000-10000	31(23.65)	18(13.47)	6(17.6)	0	0	55
3	10000-20000	15(29.24)	6(16.66)	47(21.76)	0	0	68
4	<20000	22(20.64)	18(11.76)	8(15.36)	0	0	48
	Total	86	49	64	1	0	200

Source: Primary data

(Note: () The figures given in the parenthesis are expected frequencies)

Calculated value: 72.555

Degree of freedom: 9

Table value: 16.9

Table 6
Table showing the relationship between educational qualification of the respondents and their level of satisfaction towards private label brands

S.No.	Educational Qualification	SCORE					TOTAL
		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
1	HSC	0	0	0	0	0	0
2	Diploma	19(15.53)	21(18)	4(11.03)	1(0.45)	0	45
3	UG	28(36.57)	43(42.4)	35(25.97)	0(1.06)	0	106
4	PG	22(16.9)	16(16.6)	10(12.005)	1(0.49)	0	49
	Total	69	80	49	2	0	200

Source: Primary data

(Note: () The figures given in the parenthesis are expected frequencies)

Calculated value: 24.183

Degree of freedom: 6

Table value: 12.6