

National or Private Labels: A Study on Consumer Preferences with respect to Consumer Goods

Dr. Dhanashree Nagar

Associate Professor, Shri Vaishnav Institute of Management, Indore

Dr. Kshama Ganjiwale

Associate Professor, Shri Vaishnav Institute of Management, Indore

Abstract

Retail sector in India has witnessed transformational change with emergence of organized retailing. To compete with national brands, retailers have entered into the segment by offering their own brands. National brands are popularly preferred because of trust, reputation, availability, quality and recommendations of sales force. Preference towards private label brands depends on quality and variety into category, promotion, packaging and availability. This study is about understanding consumer preferences based on various attributes of national and store i.e private brands. The study observed perceptual difference in overall preferences towards national and store brands but demographic variables such as age, occupation and income do not have a significant impact on their preferences. However, the study has observed that gender based preferences towards National Brands are significantly higher than Private Label Brands.

Key Words: national brands; private label brands; product attributes; quality; price; consumer preferences; overall perception

Introduction

Study of consumer behaviour is an important area for marketing researchers. With dynamic changes in Indian retail formats and availability of variety of brands under one roof, buyers' needs and requirements are frequently changing. Along with nationally reputed brands retailers are competing with positioning of their own brands, especially in FMCGs and grocery items. Store or private label brands are endorsed by the store. They are prominently endorsed in food and grocery items. Moreover, with the escalation of organized retail in India, store brands are occupying shelf space of retail stores and getting successful in convincing the customers as well. Consumers prefer to buy them as they are available at low price ensuring

good quality and variety in comparison with national brands. (Hemantha and Arun, 2017) The present study focuses on understanding consumer preferences towards national as well as store/private brands in context with grocery and FMCGs (Consumer Goods).

Review of Literature

Store brands are also called as private or owned brands. They contribute significantly in adding features to modern retail especially in grocery, personal care and apparel. (Kumar et.al. 2007). Big retailers introduce such brands to compete with national brands. Retailers try to change consumer's attitude and loyalty towards national brands with Introduction of owned brands. (Kumar et.al. 2007). Private labels are typically low cost and high margin brands. (Dhar and Hoch, 1997). Consumer has greater faith in private brands due to assured quality. (Salmon and Cmar, 1987, Baltas, 1997) Hariprakash (2011) in his study observed that customers trust on private labels as they are quality products and are inexpensive as compared to national brands. A vendor can negotiate for better margin from manufacturer with a good level of differentiation. Sometimes they are better in quality than popular brands. Retailers need to position these brands in such a way that they are considered as equivalent as or better than national brands. Change in attitude of customers is another reason that has made the private label brands boost in retail. (Gala and Patil, 2013). They have now days established their own identity and becoming customer choice in certain categories. They are often designed to compete against reputed national brands by offering customers a low price alternative.

Bharathi and Devamaindhan (2017) in their study observed that with the intensification of modern retailing in India, private/store brands are also being accepted by the consumer with a pace. Store brands are highly attractive for the retailers as they boost profit margins. Consumer buying attributes such as income, price, advertisement, quality and familiarity are associated with their preferences towards store or national brands. There is a linkage between income of consumer and choice of brands. (Chakraborty, 2011; Krishna, 2011) Today's customer is very demanding and is constantly gazing for low price options. Private labels when compared to national brands are good quality alternative available at lower prices. (Chopra et. al., 2017) Store or private brands create differentiation among the competitive brands and thus can be targeted to induce store patronage and loyalty among customers. (Steenkamp and Dekimpe 1997; Corstjens and Lal 2000; Ailawadi et al. 2001).

Private brands as differentiating factors may encourage the consumers to toggle between popular and store brands in a local store. Brand loyal customers have adverse perceptions

towards brands based on price, quality, taste and promotions. Despite of low prices and enhanced quality of private/store brands, popular/national brands are the major challenge which consumers continue to prefer at affordable price. (Shapiro,1993).

Store brands help to boost store traffic along with generation of store patronage. (Steenkamp and Dekimpe, 1997) They enable the retailers to expand margins and compete with other vendors compared to reputed brands. (Jain and Richardson, 1995; Miranda and Joshi, 2003) Study by Ailawadi et. al. (2001) found that demographic and psychographic traits drive usage of store brands and national brands. This psychographic association is useful for market targeting. Store brand usage is also associated with economic benefits and costs.

Objectives of the Study

1. To analyse consumer predilections towards private/store and popular brands in consumer goods category.
2. To measure the impact of demographic characteristics on consumer preferences towards both the categories.

Research Methodology

Type of Study

A Descriptive study has been carried out through Survey approach.

Sampling Frame: Indore

Sampling Technique: Convenient Sampling

Sample Size: 100

Method of Data Collection

The respondents' predilections have been analysed by using structured questionnaire. The demographic variables considered for the study were gender, age, occupation & income. However present study is based on occupation and income only. Five parameter Likert Scale has been used to record the opinion of the respondents.

Data Analysis Techniques

Paired sample t-test, One-way ANOVA.

Analysis and Findings

Table 1: Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Factors_National_Brands	79.4400	100	4.56230	.45623
	Factors_PLB	65.8300	100	6.22159	.62216

Table 2: Paired Samples Test

		Paired Differences				t	Df	Sig. (2-tailed)	
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower				Upper
Pair 1	Factors_National_Brands - Factors_PLB	13.6100	7.53965	.75397	12.11397	15.10603	18.051	99	.000

Paired Sample t-test has been applied to test the differences between the means of factor of national brands and private brands. The t-statistic is 18.051 with 99 degrees of freedom. The corresponding two-tailed p-value is 0.000, which is less than 0.05. We conclude that the mean difference of national brands and private label brands is statistically significant. In light of this the null hypothesis H_0 : There is no significant difference between consumer overall preferences towards National and Private Label Brands based on product attributes is rejected. Further it can be concluded from the means that consumer preferences towards National Brands are significantly higher than Private Label Brands based on product attributes.

H_0 2: There is no significant difference between genders towards overall preferences for National and Private Label Brands based on product attribute

Table 3: Gender: Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Factors_National_Brands	79.4400	100	4.56230	.45623
	Factors_Store_Brands	65.8300	100	6.22159	.62216

Table 4: Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 Factors_National_Brands - Factors_Store_Brands	13.6100	7.53965	.75397	12.11397	15.10603	18.051	99	.000

It can be seen from the table that the t-value 18.051 is significant at 0.05 level with df equal to 99. In light of this the null hypothesis H₀₂: There is no significant difference between genders towards overall preferences for National and Private Label Brands based on product attributes is rejected. Gender based there is a significant difference towards choice of national and private label brands. Further it can be concluded from the means that consumer preferences towards National Brands are significantly higher than Private Label Brands based on product attributes in terms of Gender.

Age

H₀₃: There is no significant impact of age on consumer overall preferences towards National and Private Label Brands based on product attributes

Table 5: AGE: ANOVA

		Sum of Squares	Df	Mean Square	F	Sig.
Factors_National_Brands	Between Groups	97.099	3	32.366	1.675	.177
	Within Groups	1854.901	96	19.322		
	Total	1952.000	99			
Factors_PLB	Between Groups	20.929	3	6.976	.575	.633
	Within Groups	1165.511	96	12.141		
	Total	1186.440	99			

One-way ANOVA has been applied to test the impact of age groups on consumers' overall preferences towards National and Private Label brands. The calculated F value 1.675 for national brands is not significant at 0.177 level with degree of freedom equal to 3. Similarly, the F value 0.575 for store brands is also not significant at 0.633 level. ($p > 0.05$) In light of this the null hypothesis H_0 : There is no significant impact of age on consumer overall preferences towards National and Private Label Brands based on product attributes is not rejected.

Occupation

Table 6: Occupation: ANOVA

		Sum of Squares	Df	Mean Square	F	Sig.
Factors_National_Brands	Between Groups	50.381	3	16.794	.802	.496
	Within Groups	2010.259	96	20.940		
	Total	2060.640	99			

Factors_PLB	Between Groups	77.347	3	25.782	.659	.579
	Within Groups	3754.763	96	39.112		
	Total	3832.110	99			

The above table shows the impact of Occupation on choice of national and store brands. The calculated F value for national brands is not significant at 0.496 level with degree of freedom equal to 3. Similarly, the F value for store brands is also not significant at 0.579 level. ($p > 0.05$) In light of this the null hypothesis H_{04} : There is no significant impact of occupation on consumer overall preferences towards National and Private Label Brands based on product attributes is not rejected. There is no significant impact of occupation of the respondents on choice of national as well as private label brands.

Income

H_{05} : There is no significant impact of income on consumer overall preferences towards National and Private Label Brands based on product attributes

Table 7: Income: ANOVA

		Sum of Squares	Df	Mean Square	F	Sig.
Factors_National_Brands	Between Groups	19.403	2	9.702	.461	.632
	Within Groups	2041.237	97	21.044		
	Total	2060.640	99			
Factors_PLB	Between Groups	72.988	2	36.494	.942	.394
	Within Groups	3759.122	97	38.754		
	Total	3832.110	99			

The above table shows the impact of Income on choice of national and store brands. The calculated F value for national brands is not significant at 0.632 level with degree of freedom equal to 2. Similarly, the F value for store brands is also not significant at 0.394 level. ($p > 0.05$) In light of this the null hypothesis H_0 : There is no significant impact of income on consumer overall preferences towards National and Private Label Brands based on product attributes not rejected. There is no significant impact of Income of the respondents on choice of national as well as store brands.

Conclusion & Further Scope of Research

Store brands are increasingly occupying shelf space of organized retail stores. Big retailer's stores are capable enough to offer the products of their own brands competing with national brands in store. Store brands provide a substitution to national brands due to their low price, good quality and deep assortment into its category. This study measures the impact of occupation and income on overall preferences towards of national as well as private label brands. Present study has observed that consumers' overall preferences towards national and private/store brands differ in terms of product attributes. National brands are preferred higher compared to private/store brands in organized retail stores. Considering the overall preferences towards both the categories based on genders, preferences towards National Brands are significantly higher than Private Label Brands based on product attributes. However no significant impact of age, occupation and income on consumers overall preferences towards national and private label brands has been observed based on product attributes.

The study is further proposed to be carried out on larger sample on specific product categories. This may help out the research to be more precise for understanding preferences towards national and private label brands. Adding up more demographic variables to test the associations may help the retailers to formulate specific strategy towards determining preferences and promotion of store brands.

References:

- Ailawadi, K., Neslin, S. A., Gedenk, K. (2001) 'Pursuing the value-conscious consumer: Store brands versus national brand promotions', *Journal of Marketing*, Vol. 65, Iss.1, pp.71-89.
- Baltas, G. (1997) 'Determinants of store brand choice: A behavioural analysis,' *Journal of Product and Brand Management*, Vol. 6, Iss. 5, pp. 315–324.

- Bharathi, B. and Devamaindhan, B. (2017) 'Consumer buying behaviour towards private label brands in apparel retail with reference to Chennai', *Journal of Advertising Research in Dynamical & Control Systems*, Vol.15, pp.936-940.
- Burnes, J. and Pepe, M. (2016) 'Store brands and national brands price differential and impact on category performance', *Journal of Business and Economics*, Vol. 7, Iss. 3, pp. 474-481.
- Chakraborty, S. (2011) 'Perceptions and buyer behaviour towards private-label colas: An exploratory study to understand the views of the store managers of United Kingdom', *IUP Journal of Marketing Management*, Vol.10, Iss. 1, pp. 35-41.
- Chopra, K., Dasgupta, S. and Gupta, M. (2017) 'Study of consumer buying motives for private labels in India', Vol. 7, Iss.1, pp. 116-120.
- Corstjens, M. and Lal, R. (2000) 'Building store loyalty through store brands', *Journal of Marketing Research*, Vol. 37, Iss.3, pp. 281-291.
- Dabson, P. and Chakraborty, R. 'How do national brands and store brands compete?', Working paper :pp. 14-7,
<http://competitionpolicy.ac.uk/documents/8158338/8199490/CCP+Working+Paper+14-7.pdf/a4e5dc73-b74e-452c-bcb7-fc80020620bd>
- Dhar S., and Hoch, S. (1997) 'Why store brand penetration varies by retailer?', *Marketing Science*, Vol. 16, Iss. 3, pp. 208-227.
- Dick, A., Jain, A. and Richardson, P. (1995) 'Correlates of store brand proneness: some empirical observations', *Journal of Product and Brand Management*, Vol. 4, Iss.4, pp.15-22.
- Gala, D. and Patil R. (2013) 'Consumer attitude towards private labels in comparison to national brands', *International Journal of Business and Management Invention*, Vol. 2, Iss. 5, pp.12-18.
- Hariprakash (2011) 'Private labels in Indian retail industry', *International Journal of Multidisciplinary Research*, Vol.1, Iss.8, pp.1-3.
- Hemantha, Y. and Arun, B.K. (2017) 'Consumer's perception towards private label brands in retail stores', *International Journal of Research in Economics and Social Sciences*, Vol. 7, Iss.4, pp.149-160.
- Hemantha, Y. and Arun B.K. (2015) 'Case study: consumer's perception towards private label brands in retail stores', *Advances in Management*,
<https://www.questia.com/library/journal/1P3-3551792781/case-study-consumer-s-perception-towards-private>

- Hoch, S. J. (1996) 'How should national brands think about private brands?', Sloan Management Review, Winter, pp. 89-102.
- Krishna, C.V. (2011) 'Determinants of consumer buying behaviour: An empirical study of private label brands in apparel retail', Vilakshan: The XIMB Journal of Management, Vol. 8, Iss.2, pp. 43-56.
- Kumar, N., Jan-Benedict, E.M. and Steenkamp (2007) 'Private label strategy: How to meet the store brand challenge, Harvard Business Press, Boston MA.
- MacMillan I. C. and McGrath, R. G. (1997) 'Discovering new points of differentiation', Harvard Business Review, Vol. 75, Iss.4, pp.133 – 145.
- Mihailovich, P. (2018) Building Strong Brands <https://www.sseriga.edu/open-programmes/building-strong-brands>
- Miquel, S., Caplliure, E. M. and Aldas-Manzano, J. (2002) 'The effect of personal involvement on the decision to buy store brands', Journal of Product and Brand Management, Vol.11, Iss.1, pp. 6–18.
- Miranda, M. J. and Joshi, M. (2003) 'Australian retailers need to engage with private labels to achieve competitive difference', Asia Pacific Journal of Marketing and Logistics, Vol.15, Iss.3, pp. 34-47.
- Salmon, W. J. and Cmar, K. A. (1987) 'Private labels are back in fashion', Harvard Business Review, Vol. 65, Iss.3, pp. 99–106.
- Shapiro, E. (1993) 'Price lure of private label products fails to hook many buyers of baby food, beer', Wall Street Journal 13 May: p. B1.
- Steenkamp, J. and Dekimpe, M. (1997) 'The increasing power of store brands: building loyalty and market share', Long Range Planning, Vol.30, Iss.6, pp. 917-930.
- Sudhir K. and Talukdar, D. (2004) 'Does store brand patronage improve store patronage?' Review of Industrial Organization, Vol. 24, Iss.2, pp.143-160.
- Tochanakarn, K. and Munkunagorn, P. (2011) 'Consumer behavior towards private label brands: A study of Thai undergraduate students experience', Master's Thesis, <http://www.diva-portal.org/smash/get/diva2:425649/fulltext01>