

# **Study of the comparative perception of retailers towards factors affecting sales growth of private labels in India**

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## **Key Words**

Private Labels, Food and Non Food FMCG, Apparel, Consumer Durables.

## **Abstract**

*Private labels gained an increased market penetration and are growing at a rapid rate. Retailers' brands are to be found next to national brands in most product categories. The purpose of this study is to analyze the comparative perception of retailers for factors affecting sales growth of private labels in India. Factors taken are After sales service, Promotion, Price, Perceived Risk, Packaging and Brand Image of Store. The study comprised three categories of private labels namely Food and Non Food FMCG, Apparel and Consumer Durables. Multistage random sampling was used to collect responses from 200 store managers. A significant difference is found in perception of retailers for after sales service and perceived risk while no significant difference is found for Promotion, Price, Packaging and Brand Image of Store in the categories considered. Further study presents implications for retailers in terms of chalking out effective strategy on the basis of category of private labels. Manufacturers of national brands need to aware of gaining acceptance of private labels in various categories. This research opens up new areas of investigation for private labels in India.*

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## **Introduction:**

Growth of organized retail chains in India has also led to growth of private label brands. In countries like India where organized retail is establishing its foot, the proportion of sales from private labels has been increasing. Marketing activities of retailers have fuelled the growth of private labels. In coming time, most successful retailers will be those who manage their private labels programmes based on top quality products, effective packaging and strong promotion.

Each and every category witnessed an increasing presence of private label products and encompasses a wide range of private labels. The marketing efforts of retailers across the globe and their competition with local manufacturers have introduced private labels in almost every product category, and have made them available in both developed and emerging markets. A Study done by The AC Nielson (2006) named "Asia Pacific Retail and Shopper trend", states that, although private labels are fairly recent phenomenon in India, it is a trend that is catching up very fast.

## **Rationale**

As organized retail is growing by leaps and bounds in India, private labels gaining share in each and every category. However performance of private labels varies with category. Building a successful private-label brand is one of the important concerns for retailers. So it is essential to understand the category variation of factors which affects the sales growth of private labels. The study will serve the purpose by revealing the comparative perception of retailers towards impact of factors After sales service, Promotion, Price, Perceived Risk, Packaging and Brand Image of store towards sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories. Since not enough study has been done on private labels in India, this study will open the doors for the new research area, which will also help the retailers to successfully handle the private labels and in developing an effective strategy.

## **Objectives**

1. To compare the perception of retailers towards impact of After sales service on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
2. To compare the perception of retailers towards impact of Promotion on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
3. To compare the perception of retailers towards impact of Price on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
4. To compare the perception of retailers towards impact of Perceived risk on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
5. To compare the perception of retailers towards impact of Packaging on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
6. To compare the perception of retailers towards impact of Brand image of store on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.

## **Hypotheses:**

**Following null hypotheses have been formulated based on objectives and literature review.**

- H1.** There is no significant difference in the perception of retailers towards After sales service on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
- H2.** There is no significant difference in the perception of retailers towards Promotion on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
- H3.** There is no significant difference in the perception of retailers towards Price on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.

- H4.** There is no significant difference in the perception of retailers towards Perceived risk on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
- H5.** There is no significant difference in the perception of retailers towards Packaging on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.
- H6.** There is no significant difference in the perception of retailers towards Brand image of store on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durable categories.

### **Literature review:**

Private Label's growth varies across product categories so it is critical to understand broader category dynamics for private labels. Inter-category differences are an important source of variation in private labels share (Batra and Sinha, 2000; Dhar and Hoch, 1997, Sethuraman 1992; Hoch and Banerji 1993; Dunn et al., 1986). Batra and Sinha (2000) suggested that examining inter-category differences may provide further insight into the development of private labels. More than a decade ago, Hoch and Banerji (1993) reported that the performance of private brands varied across different product categories, and this inter-category difference in private branding still exists.

Other studies indicate that category involvement also negatively influences consumer attachment to private label brands (Baltas and Doyle, 1998). Kyoung-Nan (2008) shed light on the inter-category differences in private brand sales, and reveals the effects of product characteristics across different levels of consumer value consciousness. Identifying product categories in which private brands are most likely to succeed is critical for retailers, especially in the current US context of changing private brand trends.

Glynn and Chen (2009) examined the category-level differences of both risk perception and brand loyalty effects on consumer proneness towards buying private label brands (PLBs). The results indicate that quality variability, price consciousness, price-quality association and brand loyalty influence consumer proneness to buy private label brands. Sethuraman (1992) showed that retail promotion on national brands reduces private label share and that share of private labels is smaller in categories with greater price competition among national brands. Jin, Suh and Gu (2005) examined the significant relationship and relative importance of the factors influencing private labels attitude and purchase intention in two product categories food and household appliance. It reveals that depending on the product category contribution of the factors varies.

Dhar and Hoch (1997) found that brand competition is a much more important determinant of private label share than retail competition. Raju, Sethuraman and Dhar (1995) proposed an analytical model to understand what makes a product category more conducive for store brand introduction. Model given by them helps in understanding cross category differences in market share of store brands. Ailawadi and Keller (2004) stated that store brands success is more category driven than consumer driven.

Dick, Jain and Richardson (1995) documented that perceived risk as an important factor in store brand purchasing behavior. Findings show that there is a significant difference between store brand prone and non-store brand prone shoppers with respect to the perceived risk associated with buying store brands. Narasimhan and Wilcox (1998)

argued that the degree of perceived risk increases with the degree of perceived quality variation across brands in that category. d'Astous and Saint-Louis (2005) observed that store-branded clothes like national brands, use advertising, celebrity endorsements, designer names, and other promotional retail techniques in order to create a distinct personality.

## **Research methodology**

The methodology for the study is quantitative in nature. The study comprised three categories of private labels namely Food and Non Food FMCG, Apparel and Consumer Durables. These three categories were chosen as they occupy the major share of private labels in other words private labels are majorly present in these three categories.

### **1 The study is carried out with multistage random sampling**

In first stage, stratified random sampling is used. All the major retail chains having private labels were classified according to the category in which their private labels are present. Categories taken for the study are Food and Non food FMCG, Apparels and Consumer Durables. In second stage, total number of stores comprised stores of all the chain for each category was calculated then proportionate sampling was applied to have proper representation of private labels in each category.

In third stage, again proportionate sampling was applied to take the total no. of stores of each individual retail chain within each category. Sampling units (Retail Stores) of each chain were selected on the basis of random sampling. Data was collected using self administered questionnaire as the research instrument by sample survey method.

Questionnaires were sent to store managers of retail stores having private labels in selected categories. Sample size was 200.

### **2 Reliability and validity test**

A **pilot test** is conducted on very small sample and instrument is designed and redesigned to avoid the systematic errors. It is also used to see whether the scores are behaving as expected. Standardization process was applied which includes item analysis, reliability and validity. Total correlation was calculated and all the items were found to be having significant relationship with the total. Hence all the items were retained. Split half reliability was calculated to check the reliability and found to be .76 which is high. Validity is checked by face validity and content validity by the help of experts.

## Data analysis:

### 1 Comparative perception of retailers towards impact of after sales service on sales growth of private labels

The first objective of the study was, to compare the perception of retailers towards impact of after sales service on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories.

For this ANOVA was applied. The results are given in **Table No. 1**.

**Table No. 1: Summary of ANOVA for After Sales Service**

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
f1total	Between Groups	569.34	2	284.67	12.588	0.01
	Within Groups	4455.14	197	22.615		
	Total	5024.48	199			

(Source: Primary Data)

From the Table No. 1, it can be seen that the F-value of 12.588 is significant at 0.01 level with df equal to 2/197. It means there is a significant difference in perception of retailers for after sales service in Food and Non Food FMCG, Apparel and Consumer Durables categories. Therefore the null hypothesis **H1**: There is no significant difference in the perception of retailers towards after sales service on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories, is rejected.

Further to know the difference within the group Bonferroni test was applied. The results are given in the **Table No. 2**.

**Table No. 2**

Bonferroni Test for Factor After Sales Service							
Dependent Variable	(I) Category of Pvt Label	(J) Category of Pvt Label	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
f1total	1	2	-3.02000*	0.79575	0.001	-4.9414	-1.0986
		3	-4.20000*	1.04188	0	-6.7157	-1.6843
	2	1	3.02000*	0.79575	0.001	1.0986	4.9414
		3	-1.18	1.16486	0.937	-3.9927	1.6327
	3	1	4.20000*	1.04188	0	1.6843	6.7157
		2	1.18	1.16486	0.937	-1.6327	3.9927

(Source: Primary Data)

Results show that there is a significant difference in retailers perception for After Sales Service between category Food and Non Food FMCG and category Apparel (.001<.05), and also there is a significant difference between category Food and Non Food FMCG and Consumer Durables (0<.05), while there is no significant difference between

category Apparel and category Consumer Durables (.937>.05). This shows that after sales service is more important factor in Consumer Durables and Apparel than Food and Non Food FMCG.

## 2 Comparative perception of retailers towards impact of promotion on sales growth of private labels

The second objective of the study was, to compare the perception of retailers towards impact of promotion on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories.

For this ANOVA was applied. The results are given in **Table No. 3**.

**Table No. 3: Summary of ANOVA for Promotion**

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
f2total	Between Groups	15.463	2	7.731	0.375	0.688
	Within Groups	4061.732	197	20.618		
	Total	4077.195	199			

(Source: Primary Data)

From the Table No.3, it can be seen that the F-value of .375 is not significant. It means there is no significant difference in perception of retailers for Promotion in Food and Non Food FMCG, Apparel and Consumer Durables categories. Therefore the null hypothesis H2: There is no significant difference in the perception of retailers towards Promotion on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories, is not rejected.

It implies that retailers' perception towards impact of promotion do not vary amongst categories Food and Non Food FMCG, Apparel and Consumer Durables.

## 3 Comparative perception of retailers towards impact of pricing on sales growth of private labels

The **third objective** of the study was, to compare the perception of retailers towards impact of pricing on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories.

For this ANOVA was applied. The results are given in **Table No. 4**.

**Table No. 4: Summary of ANOVA for Price**

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
f3total	Between Groups	71.715	2	35.857	2.896	0.058
	Within Groups	2439.44	197	12.383		

	Total	2511.155	199			
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(Source: Primary Data)

From the Table No. 4, it can be seen that the F-value of 2.896 is not significant. It means there is no significant difference in perception of retailers towards impact of Price in Food and Non Food FMCG, Apparel and Consumer Durables categories. Therefore the null hypothesis H3: There is no significant difference in the perception of retailers towards price on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories, is not rejected.

It implies that retailers' perception towards impact of Pricing does not vary amongst categories Food and Nonfood FMCG, Apparel and Consumer Durables.

#### 4 Comparative perception of retailers towards impact of Perceived Risk on sales growth of private labels

The **fourth objective** of the study was, to compare the perception of retailers towards impact of Perceived Risk on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories.

For this ANOVA was applied. The results are given in **Table No. 5**.

**Table No. 5: Summary of ANOVA for Perceived Risk**

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
f4total	Between Groups	154.732	2	77.366	7.718	0.01
	Within Groups	1974.768	197	10.024		
	Total	2129.5	199			

(Source: Primary Data)

From the Table No. 5, it can be seen that the F-value of 7.718 is significant at 0.01 levels with df equal to 2/197. It means there is a significant difference in perception of retailers for Perceived Risk in Food and Non Food FMCG, Apparel and Consumer Durables categories. Therefore the null hypothesis H4: There is no significant difference in the perception of retailers towards Perceived Risk on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories, is rejected.

Further to know the difference within the group Bonferroni test was applied. The results are given in the **Table No. 6**:

**Table No. 6**

Bonferroni Test for Factor Perceived Risk						
Dependent	(I) Categor	(J) Categor	Mean Difference	Std. Error	Sig.	95% Confidence Interval

Variable	y of Pvt Label	y of Pvt Label	(I-J)			Lower Bound	Upper Bound
f4total	1	2	1.136	0.52979	0.1	-0.1432	2.4152
		3	-1.90400*	0.69366	0.02	-3.5789	-0.2291
	2	1	-1.136	0.52979	0.1	-2.4152	0.1432
		3	-3.04000*	0.77553	0	-4.9126	-1.1674
	3	1	1.90400*	0.69366	0.02	0.2291	3.5789
		2	3.04000*	0.77553	0	1.1674	4.9126

(Source: Primary Data)

Results show that there is a significant difference ( $.02 < .05$ ) in the perception of retailers towards impact of perceived risk between category Food and Non Food FMCG and category Consumer Durables, and also in between category Apparel and Consumer Durables ( $0 < .05$ ), while there is no significant difference between Food and Non Food FMCG and Apparel ( $.1 > .05$ ). This shows that Perceived risk is more important in consumer durables than Food and Non Food FMCG, Apparel and Consumer Durables.

##### 5 Comparative perception of retailers towards impact of Packaging on sales growth of private labels

The **fifth objective** of the study was to compare the perception of retailers towards impact of Packaging on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories.

For this ANOVA was applied. The results are given in **Table No. 7**.

**Table No. 7: Summary of ANOVA for Packaging**

ANOVA						
		Sum Squares	of df	Mean Square	F	Sig.
f5total	Between Groups	44.415	2	22.208	1.969	0.142
	Within Groups	2221.54	197	11.277		
	Total	2265.955	199			

(Source: Primary Data)

From the **Table No. 7**, it can be seen that the F-value of 1.969 is not significant. It means there is no significant difference in perception of retailers for Packaging in Food and Non Food Apparel and Consumer Durables categories. Therefore the null hypothesis H<sub>5</sub>: There is no significant difference in the perception of retailers towards Packaging on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories, is not rejected. It implies that retailers' perception towards impact of Packaging do not vary between categories Food and Nonfood FMCG, Apparel and Consumer Durables.

##### 6 Comparative perception of retailers towards impact of Brand Image of Store on sales growth of private labels



The **sixth objective** of the study was, to compare the perception of retailers towards impact of Brand Image of Store on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories.

For this ANOVA was applied. The results are given in **Table No. 8**.

**Table No. 8: Summary of ANOVA for Brand Image of store**

ANOVA						
		Sum Squares	of df	Mean Square	F	Sig.
f6total	Between Groups	35.208	2	17.604	2.792	0.064
	Within Groups	1242.292	197	6.306		
	Total	1277.5	199			

**(Source: Primary Data)**

From the **Table No. 8**, it can be seen that the F-value of 2.792 is not significant. It means there is no significant difference in perception of retailers for brand image of store in Food and Non Food Apparel and Consumer Durables categories. Therefore the null hypothesis **H6**: There is no significant difference in the perception of retailers towards brand image of store on sales growth of private labels amongst Food and Non Food FMCG, Apparel and Consumer Durables categories, is not rejected.

It implies that retailers' perception towards impact of brand image of store do not vary between categories Food and Nonfood FMCG, Apparel and Consumer Durables.

## Discussions and conclusion

Study shows that perceived risk and After Sales Service are the only factors which show the category variation amongst these categories. Sayman, S., Raju, J.S. (2004), indicated that category differences are a function of the private label share and the price gap with national brands. Category characteristics affect the number of store brands offered by the retailer. Glynn and Chen (2009) examined the category-level differences of both risk perception and brand loyalty effects on consumer proneness towards buying private label brands (PLBs).

Putsis and Dhar (2001) stated that promotions can indeed increase category expenditure, although the impact of any promotion on expenditure will depend heavily upon the specific category, market and type of promotion. However present research in contrast does not show any category variation for promotion from retailers' perspective.

According to Glynn, Chen, (2009), price consciousness may be related to price variation of all brands within the category. Dhar and Hoch (1997) found the price differential is smaller in categories where the private label has a higher share of the market. Specifically, this applies to price-elastic categories. In contrast pricing does not show variation in retailers' perspective amongst categories Food and Non Food FMCG, Apparel and Consumer Durables in the present study. Present study shows retailers' perception for perceived risk varies from Consumer Durables to Food and Non Food FMCG, also from Apparel to Consumer Durables but does not vary between Food and Non Food FMCG and Apparel.

Hoch and Shumeet (1993) found that private label brand share was lower in categories where the quality concern of store brands was high. Supporting this notion, previous studies, such as Narasimhan and Ronald (1998) have argued that the degree of perceived risk increases with the degree of perceived quality concern across brands in product category. In fact, Batra and Sinha (2000) found that private label brand purchases in a category increase when consumers perceive reduced consequences of making a mistake in brand choice in that category, and when that category has more 'search' than 'experience' characteristics. Present study shows the similarity with these studies in terms of variation of perceived risk with category in the present study.

Researches are lacking in terms of packaging and its role in category variation. According to present research retailers perception for packaging does not vary for Food and Non Food FMCG, Apparel and Consumer Durables. In contrast according to Underwood, Klein and Burke (2001) empirical results from a virtual reality simulation show that package pictures increase shoppers' attention to the brand. However this effect is contingent, occurring only for low familiarity brands (private-label brands) within product categories that offer a relatively high level of experiential benefits.

Results of present study reveal that brand image of store do not vary amongst categories Food and Non Food FMCG, Apparel and Consumer Durable. Many researches not taken store image for category variation but they extended it to store loyalty like according to Labeaga, Lado, and Martos (2007) the degree of store brand loyalty differs across categories, thus concluded that loyalty is a consumer behaviour that varies across categories and across store brands. However this is not considered in the present research as Indian private label market is yet to come at the stage of brand loyalty.

## Scope and limitations

Since the scope of present study is limited to three product categories, it can be extended to other categories as well. In the light of present findings it has become apparent that category has an important role in terms of variation of certain factors hence more categories can be studied to expand the scope of the study. Another area of further exploration is triggered by present study in terms of conducting researches by taking into considerations of strategic effect of National vs Private labels. By considering the present research as a base further research on private labels can be carried out specifically for a private labels of specially a particular retail chain.

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