

Study the Trend of **Private Label Brands** around the globe with special reference to India

Dharamdasani Deepesh

Assistant Professor
V. M. Patel Institute of
Management
Ganpat University, Gujarat.
ddd01@ganpatuniversity.ac.in

Bhojak Nimesh

Department of Hospital
Management
Hemchandracharya North
Gujarat University, Patan,
Gujarat
nim_mba@yahoo.co.in

Private Label brands have seen a remarkable growth in few decades of the world. In recent years, many developed country have innovated successful way to create private label offerings with different pricing and qualitative strategies to attract people of developing countries. This paper represent the trend of the private label brands in the globe and to know private label brands offer by the different developed country in developing country like India through the using of different strategies. The paper shows how people of developing countries change their views based on private label brands.

Key words: Private Label Brands, Pricing and Qualitative Strategy

INTRODUCTION

According to Private Label Manufacturer's Association (PLMA), Private Label products encompass all merchandise sold under retailer's brand. That brand can be retailer's own brand name or created exclusively by the retailers.

Private Label Brands (PLB) is main strategy used by retailers in the globe and India. Private Label Brands contribute 17 percent of retail sales.¹ It also grows 5 percent annually. The different type of private label brands like Generic and Premiums store brands provide the more benefit to the retailers and satisfaction to the customers through the using of low price and differentiation strategy. In developing countries like India, Private label brands also helpful to sustain the economy at the time of slowdown to provide win- win situation to both parties. Private label brands are available in various categories of product like Food and Beverages, Personal Care, cosmetics, Healthcare, Homecare, consumer durable and clothes and apparels.

LITERATURE REVIEW OF THE STUDY

Sumit Bedi (2010) describes the journey of the Private label from cheap substitutes to serious competition. This research articles mention the evolution of private label brands in India. It also describe the different factor which helpful to stimulate the private labels in India such as differentiation, freedom with pricing strategy, implication for Indian retail marketers, leverage the consumer connection and communicate at the point of sale etc.

Hariprakash (2011) observed the growth of private labels brands in organized retail industry. The paper focuses on the private label brands in Indian retail industry. It mainly concentrate on the significance of private labels to a retailer, the growth potential of private labels, renowned private labels in Indian retail industry and performance of private labels with illustrations.

Lakshmi Nair (2011) inspects the growth prospects among Indian and international retailers, mostly in grocery and food section. It also examines the consumer's perception towards PLBs and engross themselves in purchasing PLBs in the retail section.

¹ Business Today News Paper "The rise of Private Labels" 6th November, 2005.

Krishna and Dash (2012) described the population of India preference of private label branded clothes and apparel through the pilot survey in Hyderabad and presented what is the buying behavior of the consumer of India towards the private label branded clothes based on empirical study. Paper describe the main factor of price, quality, design and assortment while the purchasing of the private labels apparel in India.

Vijay Kulkarni (2012) found in the study that customers buying private label apparels due to quality, price and durability. Customers also perceive the new design and fashion in the apparels.

Prashanth and Balan (2013) represented the how different factor of the people affects to select the private label brands of the different categories of the products. This research mainly carried out different stores like Spencer and Reliance fresh in Kerala and it describe the age, marital status and education factor affects to purchase the private label foods - grocery and personal care products.

Raturi and Parekh (2013) focused on the impact of national brand and private label on customers and sales where multi-brand outlet was exists.

NEED OF THE STUDY

Thus, an examination of earlier studies carried out in the area of PLBs states that, research has been more limited to growth and trend comparison of globe and India level and also consumer level – factors that make PLBs differentially across certain product categories. As the private labels are not only escalating sales and level of different products, but are generating new avenues to launch innovative, healthy and conveniently-packaged products to apt diverse consumer's requirements. Range of PLBs in India is narrow across categories in comparison to developed markets. This paper aims to uncover current trend and growth of the private label brands in India and the globe. Furthermore it aims to shed light on different factor affecting the selection of private label brands in different category of product in India.

OBJECTIVES OF THE STUDY

The current study has been carried out to understand the growth of the private label brands in the globe. In specific the research concentrates on:

- To Study evolution and the growth of the private label brand in the globe

- To Study the growth and trend of private label brands in India
- To study the different strategy used to growth of Private Label Brands
- To analyze the private label brands in India

METHODOLOGY

The present study has made an attempt to collect secondary data are important to this study. Secondary data were collected from various sources like books, Reports of Industry, Reports of Private Labels agencies, Journals and Magazines and news articles related private labels. In this paper study the secondary data and try to interpret the data through the using of appropriate statistical tool. This research fulfills their objective through the study and analysis of the major issues.

EVOLUTION OF PRIVATE LABEL BRANDS

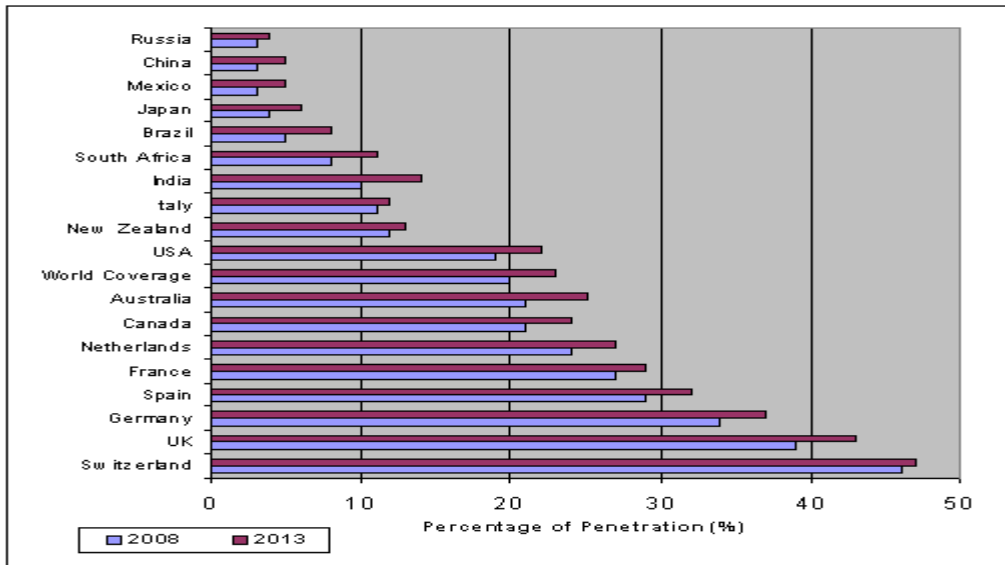
Historically, private label products related concept is the first developed by the Sainsbury in the United Kingdom in 1869(Collins and Bone, 2008) to attract the lower income consumers through the reducing the cost of product by the reduce quality level of the products. Private label were generic, commodity-based products developed to destabilize higher-priced traditional national brand products. Private Label brands became “premium” brands that harmonized quality of national brands in many developed nations during the 1990.

GROWTH OF PRIVATE LABEL BRANDS IN THE GLOBE

Worldwide own label brands contribute to majority Retail Sales with a growth tremendously growth annually. International retailers like Tesco of UK have 55 percent of their own label brand representation in their stores and international retailers like Wal-Mart of USA have 40 percent own label representation in their stores². In India, the PLBs are highly accepted now days and thus there is increase and rise in Home care, Consumer Durables, Apparels and FMCG segments.

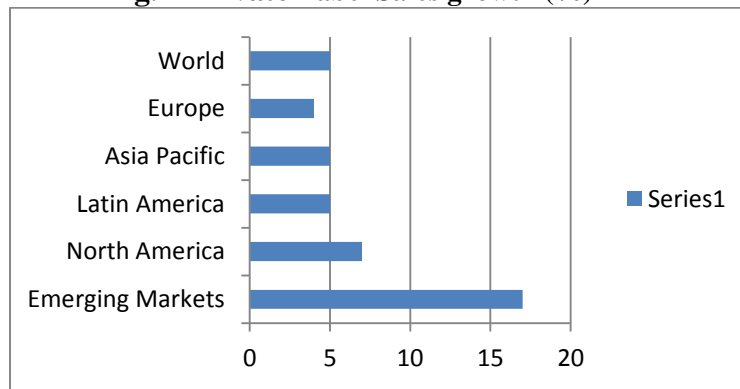
²<http://www.kpmg.com/IN/en/IssuesAndInsights/ArticlesPublications/Documents/Indian%20Retail-%20Time%20to%20change%20lanes.pdf>

Fig. Bar chart of Market penetration of Private Label Brands across the countries



Source: <http://www.nielsen.com/us/en/insights/news/2013/what-makes-private-labels-click-in-india.html> access on 3rd Feb, 2014.

Fig. 2 Private Label Sales growth (%)



Source: Images Retail Report, 2009

Table 1 Percentage of Penetration of Private Label Brands

	INDIA	USA
2008	10	19
2013	15	22

H₀: There is no association between country context and time in year.

Table 2 Expected and Observed Frequency

O	E	O-E	(O-E)²	(O-E)²/E
10	10.98	-0.98	0.97	0.09
15	14.02	0.98	0.97	0.07
19	18.02	0.98	0.97	0.05
22	22.98	-0.98	0.97	0.04
			X²=	0.25

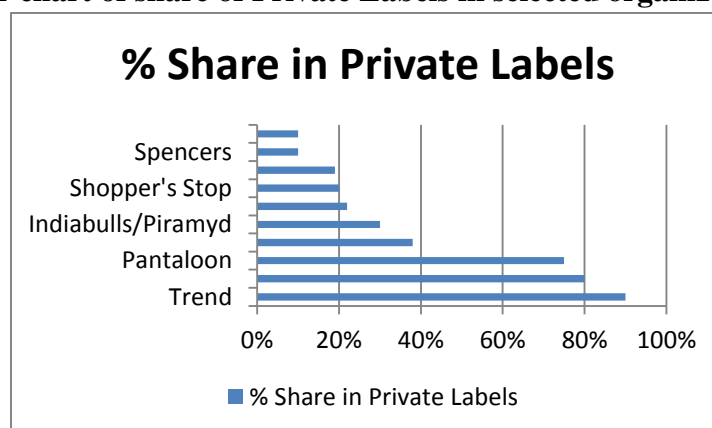
DISCUSSION

It is conclude that there is no association between the penetration of private label growth of India and USA during the period under study. Because if the calculated value of chi-square is less than the table value then null hypothesis is accepted. Here the calculated value of chi-square 0.25 is less than the tabulated value both at 5% (3.84) and 1% (6.63) level of significance. Hence null hypothesis framed for this study is accepted. Based on above analyses the study it shows that the Developed counties like USA and Developing countries like India have no significance growth of the penetration of private label.

GROWTH AND TREND OF PRIVATE LABEL BRANDS IN INDIA

On the whole, in India, Private Labels comprise of 10-12 percent of the organized retail product mix³. It is increasingly apparent that private label retailers are continuously expanding product selection to appeal to the greatest consumer segments.

Fig. 3 Bar chart of share of Private Labels in selected organized retailers



Sources: Images Retail report 2009

³<http://www.kpmg.com/IN/en/IssuesAndInsights/ArticlesPublications/Documents/Indian%20Retail-%20Time%20to%20change%20lanes.pdf>

With great retail growth and economic expansion, India is going to become US \$ 450 billion retail market by 2015 as compared to Italy in size(US\$ 462 billion) and much larger than US\$ 258 billion in Brazil. The evolution of Private Label Brand has just began with organized retailers leading to just 5% of today's market and likely to increase 14 to 18 percent by 2015. By 2015, it is projected that 65 million household will support organized retailer leading to over 300 million shoppers.

In India, various retailers are concentrating on PLB in fresh foods, apparels, appliances, home products and cosmetics. In the majority cases, branded players hold 10% of market which is small segment in comparison to 40 to 60 percent in other markets.⁴ This shows that Indian brands of tomorrow will be retailer brands. In the grocery, the families concentrated on low cost products & thus in 2008, PLB gain lot of reputation due to increasing concern over the rising food prices & the growing economy. Despite of price stabilizing in 2009, consumers have continued to get lower cost items.

STRATEGIES USED FOR THE GROWTH OF PRIVATE LABEL BRANDS

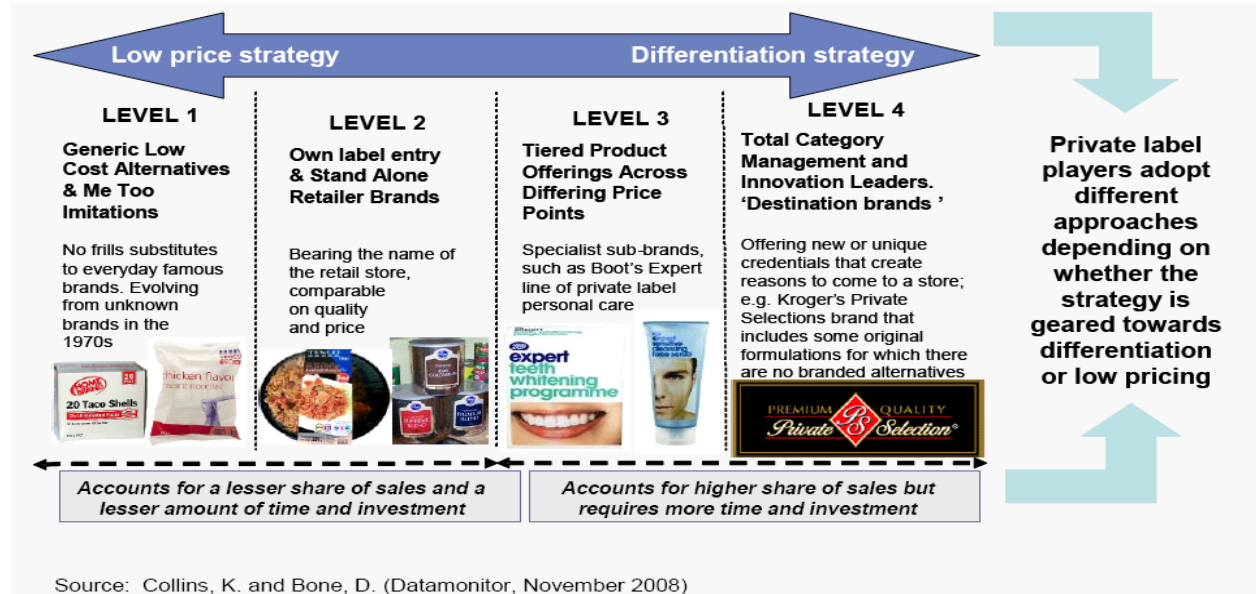
Private labels stock keeping units (SKUs) have enhanced eleven-fold worldwide from 2004 to 2008, lastly reaching 9,500 during 2008 to 2009. A renowned hypermarket would have 8,000 to 10,000 SKUs. Due to lower uneven retail and lower affordability, consumers have traditionally concentrated on very little stock keeping units. In the time to come, more range of products will be demanded by customers and this will be used as a source of distinction by the retailers. Private labels or store brands can lessen entry prices and raise margin: high-value private-label manufacturing contract enhance retailers' bargaining power with vendors and fascinate more shoppers owing to lower prices.

Indian is the developing countries which faces the problem of lack of resources in the nation so it is really tough task to grow the national brands tremendously while the private label brands mainly derived for the low price strategy so it is really helpful to increase the growth in India because most of the people of the nation as middle class it means the lower income class which mainly focus to satisfy their need based on the lower price of food, beverages, clothes & apparel,

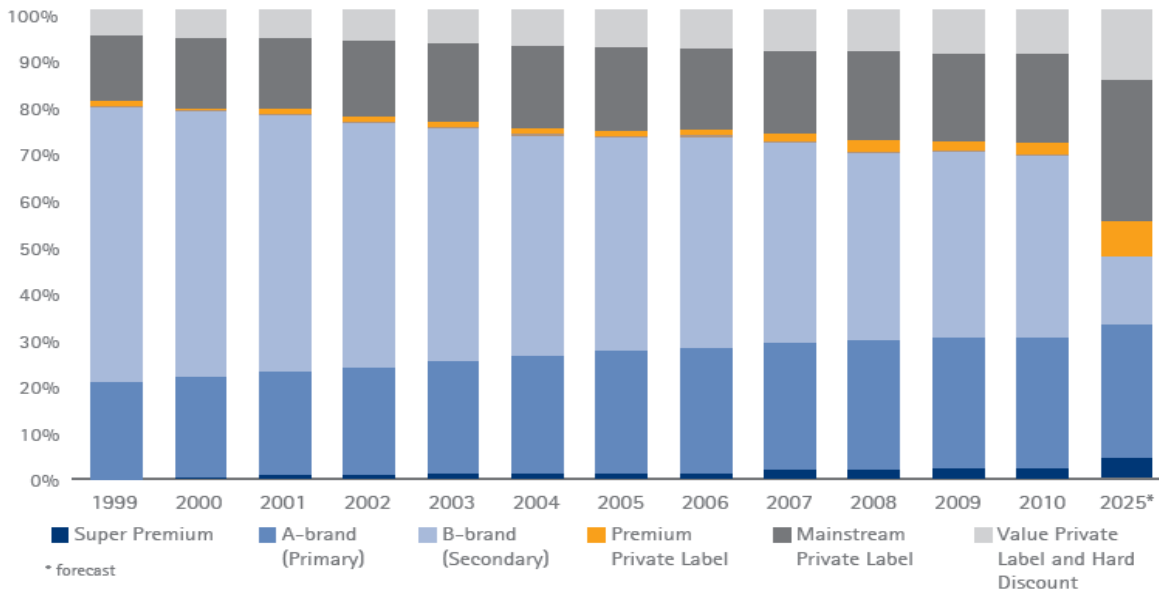
⁴2013 Global Retail Development Index,
http://www.atkearney.com/consumer-products-retail/global-retail-development-index/full-report/-/asset_publisher/oPFRGkblkz0Q/content/2013-global-retail-development-index/10192

personal care and homeware related products etc. So most of the Developed countries Retail chain like wall-mart want to capture the wholly market of India through the lowest price strategy.

Fig. 4 Overview of Private Label Brands



Private Label and Value brands are growing from less than 20 percent to more than 50 percent (forecast)."



Source: Rabobank report: Private label vs. Brands: An Inseparable Combination

It is conclude that the table shows the compare to the main stream private label growth today onwards the value private label and Premium private label are higher it shows the earlier the

Table 3 Overview of Private Label Brands in India

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	CAGR
Main Stream Private Label	11	11	11	12	13	13	13	13	13	14	14	14	2%
Value Private Label	5	5	5	5.5	5.5	5.5	6	7	7	7	7	8	4%
Premium Private Label	1	0.5	1	1	1	1	1	1	1.5	2	2	2	7%

Source: Rabobank report Private Label Vs. Brands: An Inseparable Combination

private label brands shows the only generic and copy cats through the using of low cost price strategy but today the private label brands also focus on differentiation strategy to capture the market through the using or premium store brands and value innovator brands in India. This is because of the changing of the different environment like social, political, technological and legal etc. People of the nation also changed their views related products so the private label brand changing the low price strategy to differentiation strategy such developing nation like India.

CONCLUSION

Private label brands tremendously increase their growth in the globe and it is also increase their growth developing countries such as India. Private Label Brands mainly focus the need of the people and also affects the economy of the nation it means recession time it help the booming economy through the using of low price strategy same as booming economy it also provide the premium and value innovator base product categories to the satisfy the people of nation. People have also changed their views likewise looking for price as well as value in the PLBs’.

REFERENCES

- Ashley, S. (1998). How to effectively compete against private-label brands. *Journal of Advertising Research*, 38(1), 75-82.
- Batra, R., & Sinha, I. (2000). Consumer-level factors moderating the success of private label brands. *Journal of retailing*, 76(2), 175-191.
- Bedi, S. (2010). Private labels: From cheap substitutes to serious competition. Markathon retrieved from <http://iims-markathon.blogspot.in/2010/02/private-labels-from-cheap-substitutes.html>.
- Hariprakash (2011). Private labels in Indian retail industry. *International Journal of Multidisciplinary Research*, 1(8).

- Hoch, S. J., & Banerji, S., (1993). When do private labels succeed? *Sloan Management Review*, 34 (2), 57-67.
- Krishna, C. V., & Dash, M. (2012). Consumer Preferences Towards Private Label Brands In Indian Apparel Retail-A Pilot Study. *International Journal of Research in Management, Issue2, 2*, 1-10.
- Kulkarni, V. (2012). An exploratory study of customer perceptions of private labels in apparels retailers in organized retail in India. *International Journal of Research in Management, Economics and Commerce*, 2(6), 121-141.
- Nair, L. (2011). Private labels brands in food & grocery: the changing perceptions of consumers & retailers in India-A study in the Pune region. *Researchers World*, 2(1), 144.
- Prasanth, M. K., & Balan, J. (2013). A study on the consumption pattern of private labels in Kerala with reference to grocery and FMCG. *International Journal of Scientific & Technology Research*, 2(2), 190-198.
- Rani, R. A. (2012). An Analysis on Consumers' Intention of Buying Private Label Brands Within Food And Grocery Retail Sector–A Study In Chennai Region. *Sajmmr*, 2(6), 22-36.
- Raturi, S., & Parekh, V. (2013). Impact of National Brand and Private Label on Customers and Sales. *SIES Journal of Management*, 9(1), 113.
- Scaff, R., Dickman, K., Berkey, R., & Baran, L. (2011). Private label: Don't fight it, thrive in it. *Accenture Report*.
- Selvakumar, J. J., & Varadharajan, P. (2013). Study on the growth prospects of private labels to that of national brands in the FMCG retail sector in Coimbatore. *International Journal of Economics, Business and Finance*, 1(2), 26-34.
- Universals, D. N. P. P. M. (1994). Consumers Use of Brand Name, Price, Physical Appearance, and Retailer Reputation as Signals of Product Quality. *Journal of Marketing*, 58(2), 81-95.
- http://www.gov.mb.ca/agriculture/statistics/food/global_private_label_trends_en.pdf
dated on 10/01/2014.
- http://www.gmaonline.org/file-manager/Times_Trends/report1011.pdf dated on 10/01/2014.
- <https://www.foodinstitute.com/images/media/iri/TTDec2013.pdf> dated on 10/01/2014.
- http://rasci.in/downloads/2009/Indian_Retail_Time_change_lanes_2009.pdf dated 10/01/2014.