Chapter 2: Apparel Market: Private Labels and National Brands

“Private label products include all merchandise sold under a retailer's brand. It can be the retailer's own name or a name created exclusively for the products. In certain cases, it may belong to a wholesale group that owns the brands. These brands are available only to the members of the group, i.e. retailers”. Private Label Manufacturers' Association (PLMA) “Private labels products are usually called as store brands, own label, retailer brand or generics” (Mudra Institute of Communication, Ahmadabad).

Hence, the term private labels mainly portray the following characteristics:

- The product is owned and controlled by the retailer.
- The retailer has the exclusivity right to sell the product only through his/her retail shop.
- A private label/store brand may not necessarily be a product with brand name similar to store name.
- Retailer's name is prominently visible on the packaging. Retailers also opt for separate name for private labels.

2.1 The Genesis of Private Labels

Private Labels are growing rapidly throughout the world. They are gradually flooding the Indian markets as well. Initially the private labels were developed and popularized in Europe. At the outset it was introduced in groceries segment during 1970s and 1980s. Later private labels were successfully launched in other categories. Over a period of time private labels have established their credibility. They are not just a ‘cheap alternative’ to national brands. They are becoming a ‘preferred choice’ with their own distinct identity.

Historically, Great Britain was the leader in organized retailing. It has also been the pioneer to introduce the private labels across all categories. The history of private labels grew with the development of the retail industry. It origin can be traced back to 1869, when Sainsbury's, the father of modern supermarkets, introduced its own brands of frozen food and ice cream. The value for money was the prime motivating factor for the consumers to buy private labels. Marks & Spencer was instrumental in introducing branded private labels in place of unbranded generic products in UK during 1884. It came
up with its own trademark brand, ‘St Michael’. It is remarkable that Tesco was started with only one private label, Tesco Tea.

Gradually the focus of retailers shifted from simple low price products to both inexpensive and quality products. Germany’s leading retailers ALDI popularized this strategy during 1948. ALDI offered high quality private labels at the lowest possible price. ALDI’s was able to manage it due to its wide network of manufacturers and excellent logistic systems. Even today, ALDI offers 95 private labels out of its total product offerings. Sainsbury’s and Carrefour offered various private labels across most of the product categories during 1950s.

2.2 The Global Private Labels Scenario

When private labels were becoming popular in Europe the American retailers were far behind to tap this opportunity. The organized retail format came into existence during the mid-1900s. Loblaw, Canada's largest leading retailer introduced diverse ranges of private labels for different market segments. The generic ‘no name’ labels were introduced at lower prices for the price sensitive consumers, whereas the premium private labels ‘Presidents Choice' targeted the high income group customers.

Now the private labels have become indispensable and well entrenched in developed markets. Leading retailers like Wal-Mart, Tesco and Carrefour have successfully developed private labels across different product categories. Retailers have built strong trust and credibility among the customer for private labels. United States have seen the phenomenal growth of private labels during last two decades. Numbers of households who spends on private labels purchasing are have been increasing (Mudra Institute of Communication, Ahmadabad 2013).

Private labels have eroded the market shares of national brands in Europe. The rise of private labels in Europe is very encouraging. They are showing no signs of maturity or decline. Asia is emerging as new market opportunities where major players like Wal-Mart, Tesco, Metro and Carrefour are fighting to capture market share. The following Table 2.1 shows the timeline of evolution of private labels in the developed world.
Table II-1: Timeline of Evolution of Private Labels in the Developed World

<table>
<thead>
<tr>
<th>Name</th>
<th>Country of Origin</th>
<th>Year of Establishment</th>
<th>Share of Private label in total offering (%)</th>
<th>Prominent Private Label/s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sainsbury’s</td>
<td>UK</td>
<td>1869</td>
<td>60</td>
<td>Blue Parrot</td>
</tr>
<tr>
<td>Mark &amp; Spencer</td>
<td>UK</td>
<td>1884</td>
<td>100</td>
<td>St. Michael, Count on US, DN07</td>
</tr>
<tr>
<td>Albert Heijn (Ahold)</td>
<td>Netherlands</td>
<td>1911</td>
<td>NA</td>
<td>AH, Euroshopper, Perla Coffee</td>
</tr>
<tr>
<td>Tesco</td>
<td>UK</td>
<td>1919</td>
<td>40</td>
<td>Tesco</td>
</tr>
<tr>
<td>Loblaw (George Weston Ltd)</td>
<td>Canada</td>
<td>1919</td>
<td>Above 60</td>
<td>President Choice</td>
</tr>
<tr>
<td>Aldi</td>
<td>Germany</td>
<td>1948</td>
<td>NA</td>
<td>Asia Specialties, Garden Line</td>
</tr>
<tr>
<td>Carrefour</td>
<td>France</td>
<td>1959</td>
<td>33</td>
<td>Carrefour, Dia, Tex</td>
</tr>
<tr>
<td>Kmart</td>
<td>USA</td>
<td>1962</td>
<td>NA</td>
<td>Martha Stuart, Every day, Joe Boxer</td>
</tr>
<tr>
<td>Target</td>
<td>USA</td>
<td>1962</td>
<td>NA</td>
<td>Isaac Mirzahi</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>USA</td>
<td>1962</td>
<td>40</td>
<td>Sam’s Choice</td>
</tr>
<tr>
<td>Trader Joe (Aldi)</td>
<td>USA</td>
<td>1967</td>
<td>85-90</td>
<td>Dr. Joes</td>
</tr>
<tr>
<td>Muji</td>
<td>Japan</td>
<td>1980</td>
<td>100</td>
<td>Muji</td>
</tr>
<tr>
<td>Leader Price (Casino)</td>
<td>France</td>
<td>1989</td>
<td>Almost</td>
<td>100 Leader Price</td>
</tr>
</tbody>
</table>

Source: Adapted from different sources (names in parenthesis signify present holding corporation)

2.3 Emergence of Private Labels in India

Now, the Indian markets are gradually flooded with private labels. Private labels are widely becoming popular in the organized retail segments. A large number of consumers are being attracted towards private labels. According to Mudra Institute of Communication, Ahmadabad, the private labels market in India is presently estimated at INR 13 billion which accounts for 10-12% of organized retail in India.

Retailers like Pantaloons (75%), Shoppers’ Stop (women wear 90%, men’ wear 70%); Lifestyles (30%, Max 75%), Westside (90%), Reliance (80%), Spencer’s (60%), Nilgiri (38%), India Bulls/ Parimal (30%) and Globus, Aditya Birla Retail, Infiniti Retail, and Hyper city have increased their focus on private labels (MICA, Business World, KPMG, India Retail Report 2013). The following Figure 2.1 throws light on how private labels are growing across Asian countries.
Private labels sales consist of only 10-12% of organized retail sales (India Retail Report, 2013). Therefore, private label sales are less than 1% of the total Indian retail business. This indicates that India is untapped market for private labels (KPMG).

Organized retailing was not present in India till the 1990s. The Indian consumers were also apprehensive about shopping in the high end supermarkets. This consequently led to the closing down of many supermarkets. This may be the obvious logical reasons as to why private label did not grow in India as compared to the West.

Shoppers' Stop' ignited new hope for organized retailing in 1991 with the launch of its outlets. Five years later food retailing was introduced. Food-World was established in Chennai in May 1996. Nilgiris was started in Bangalore in the mid-1990s. Pantaloons a leading apparel retailer began its operations in 1997-98. During 1998 many new retailers opened up their operation with their own private labels. The TATA group launched ‘Westside, Dubai-based Landmark group opened Lifestyle stores. Globus' came up in 1999. These players are the trendsetters in fashion retailing.

The emergence of organized retailing has made private labels recognizable among large numbers of Indians. India is witnessing an extraordinary growth of private labels in apparel and groceries categories. Almost all leading retailers are launching and promoting
private labels on a regular interval. Now, private labels are available in abundance in mega stores like Shoppers' Stop, Westside, Lifestyles, Max, Pantaloons, Spencer’s, Reliance trends and Globus etc. The growth of private labels depends upon expansion of modern retail market. The organized retail market is growing rapidly. It is an established fact that with the growth of modern retail, the private label sales will grow automatically.

2.4 2000s: The beginning of New Era for Apparel Retailing

The apparel market in India is largely unorganized. However, the private labels are steadily building up loyal patrons. They are becoming so popular that they are opening up standalone stores. Lifestyle launched ‘Mélange’ as a standalone store. Future Group also introduced ‘John Miller’ as a standalone store in 2008. It is also contemplating to open up more such standalone private labels stores. Leading jewellery brand Gitanjali Gems is planning to foray into private labels apparels segment for both men and women. There is no doubt that organized retailing has huge potential in India. The future of private labels seems to be very bright.

Today, private labels are posing huge challenges to the well-known national and international brands. Many retail companies are known to stock only their own labels. Almost all entities in the consumption chain are being benefited with the popularity of private labels.

Private labels play a big role in product differentiation for retailers. They allow a retailer to exercise more control and flexibility over merchandises. Customized modifications can be made effortlessly to suit the changing customer profile and requirements and tastes. Retailers have freedom to provide superior service. They can design customer friendly environment to create positive store image and positioning in the minds of prospective customers. Retailers are able to source raw materials for private labels at lower cost. They avoid unnecessary spending marketing activities and intermediaries’ margins. They can develop strategic profitable relationships with selective vendors of their choice. The differentiation enables retailers to gain price premium/market share, positive brand perception and favorable customer behavior (customer loyalty). Customers are the gainer. They get wider varieties to choose from. Their needs are satisfied without pinching their pocket much.
The Indian retailers are smart. They are taking advantage of the progress of private labels in the developed world. They are aiming to bring private labels in a big way to compete with national brands. Private labels strategy is emerging as an innovative business model. Private labels are bridging the gap in most of the retailers’ product mix. They are being aimed to fulfill the specific needs of the consumers. As it is widely known that Indian consumers are highly price conscious, therefore, retailers are wisely pricing their product to attract consumer towards their product. Other factors which have persuaded the retailers’ to shift towards private labels include direct hassle free supply, greater margins and enhanced inventory control. Apart from this, private labels also give them considerable bargaining power vis-à-vis manufactures of national-level brands. It is also noteworthy that the opportunities to introduce a wide range of products are enormous.

The main USP of private labels is that they can be customized as per the needs of customers (Kumar and Steenkamp (2007). They are effectively promoted in various interesting ways like innovative packaging, promotional schemes and visual merchandising within the retail store. It has been experienced that private labels are successful mostly in non-technology driven categories. Private labels’ growth is the lowest among product categories where there is strong marketing support from national brands. The following Table 2.2 represents private labels product lines of leading retailers in India.

<table>
<thead>
<tr>
<th>Spencer’s</th>
<th>Private Labels</th>
<th>Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Island monk’s</td>
<td>Men’s and women’s casual wear</td>
<td></td>
</tr>
<tr>
<td>Mark Nicolas</td>
<td>Formal wear</td>
<td></td>
</tr>
<tr>
<td>Riddles</td>
<td>Infants</td>
<td></td>
</tr>
<tr>
<td>Little Devils</td>
<td>Children under the age of 14</td>
<td></td>
</tr>
<tr>
<td>Ashankya, Uni</td>
<td>Apparel</td>
<td></td>
</tr>
<tr>
<td>La Bonita</td>
<td>Footwear</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reliance</th>
<th>Private Labels</th>
<th>Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mancini, Viviana, First Class, Network, Net Plat, Team Spirit, Sparsh, DNM-X, Panda Monza, Zig, Hi Attitude, Tosco</td>
<td>Apparel</td>
<td></td>
</tr>
<tr>
<td>Bare Apparel range</td>
<td>Footwear</td>
<td></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Bare</td>
<td>Apparel</td>
<td></td>
</tr>
<tr>
<td>John Miller, Lombard, T2000, JM Sport, F factor, Scottville, Knighthood, Shatranj, Studio NYX Annabelle, Hopney, Mix &amp; Match, Shyla, Srishti Bare denim, rig, Akkriti, Ajile, Ctee,</td>
<td>Men’s Apparel range</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Women’s Apparel range</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Uni-sex apparel range</td>
<td></td>
</tr>
</tbody>
</table>
2.5 Relevance of Private Labels and National Brands for a Retailer

Earlier the retailers used to bring their own product into those categories where no manufacturers’ products were available. Scenario has changed now. Now, more or less all organized players are launching their own labels across all product categories. Private labels are tapping a large share of retail market on the back of booming economy, decreasing inflation, and retail consolidation. Private labels are emerging as a key weapon in the hands of retailers to counter established brands. They are also driving customer loyalty.

Private-labels are at early stage of growth in this country. They are evolving very fast in most of the product categories. In apparel segment private labels have already made their mark. Leading national brands players have to change their strategies to counter the aggressive growth of private labels. In fact private-labels are increasingly being considered a strategic tool to increase sales. Major retailers have already started reaping profits from these modest brands. Private labels are favorably accepted by Indian consumers. The penetration of private labels products are growing in the market rapidly. They are growing across all product categories. The growth of private labels is visible more in the food and groceries, home furnishing, apparel and consumer durables categories. Currently, private labels constitute 10-12% of the organized retail product mix in India.

Figure II-2: Private Label Penetrations in India
Private labels get more shelf space in the leading stores. It boosts the retailers’ bargaining power with the manufacturers. The channel power is shifting in favor of the retailers. More and more retailers, suppliers and consumers are adopting private labels. These private brands are affecting national brands in terms of price, preference, availability, margin, packaging, satisfaction and loyalty etc.

Retailers are eliminating the middlemen. Private labels are reducing all the cost right from sourcing, manufacturing and selling to final consumers. They are a hot property today and retailers are building their market share through private labels. Some of the benefits of private labels are:

- Opportunities for niche marketing
- Better positioning in economic downturn
- Possibility to launch new innovative products
- 25 to 30 percent gross margins to retailers
- Less shelf space to national brands
- Ability to have own marketing plan and control over inventory, sales, marketing, distribution
- To make loyal customer with better products and services
- Opportunity to reinforce the store image

Source: AC Nielson Report
Private labels now compete with national brands in almost all product categories. Private labels offer diversity in product lines of retailers. The main reason a consumer buys a private label are price, improved quality as well as positive word of mouth. Now, private labels are regarded as ideal substitutes for national brands. Thus providing quality private labels are the priority of the retailers. It is rightly said that only quality products help to create loyal customers.

### 2.6 Relevance of National Brands

National brands are still the market leaders. Their consumer base is very strong. National brands are pioneer in introducing new product features. They invest heavily in research and development. They continuously try to reduce the manufacturing cost. They have expertise to promote their brands by aggressively pulling and persuading customers. They have competence to develop new product and stay ahead of competitors as trend setters. They can fill the product lines gap proactively. They have access to latest know how. They have strong financial capability to sourcing and manage economy of scale efficiently. National brands proactively maintain innovative gaps of trendy fashions, design, style, features, quality and fabrics to differentiate from private labels. They put wholesome efforts to provide value for consumers. They carry out regular research to try to understand customers taste and preference. They have large-scale expertise and money to spend on promotional activities. They are capable to tackle the private label challenges head on. They know how to change customers mind set, partner effectively, innovate brilliantly, fight selectively, price competitively, improve product quality and market creatively.

National brands assess competition and customer mindset regularly. Their merchandise provides superior value to meet customers' satisfactions. They go all out to win the customers trust to get their patronage by providing quick customer service. National brands are familiar across the country. It helps to leverage market expansion and profit maximization continuously.

### 2.7 The Art of Creating a Private Label

Private label manufacturers’ direct proximity with customers helps them to know customers needs aptly. This has assisted them to introduce exactly the same types of products which consumers are looking for.
It is quite rational that retailers will venture into those categories where there are low entry barriers, low switching costs to customers and high profit margins. Introducing private labels is not an easy task. Retailers consider many precautions and challenges in order to develop a private label. It essentially begins with finding out the product categories where private labels can be introduced. Sourcing, developing and merchandising are some of the operational challenges a retailer has to address on a regular basis.

Private labels should be developed with innovative features. Balancing quality and price is also a major challenge for the retailers. They should match the quality of the national brands. Packaging also poses a considerable challenge to the retailers. Poor packaging can be termed as inferior quality product. It has potential to tarnish the image of the product. On the other hand superior packaging takes care of these negative feelings and easily gains acceptance of consumers. Private labels must have a Unique Selling Proposition (USP). They should provide logical reasons to customers to prefer store brands over national brands. Customers are not willing to compromise on quality. Retailers should put genuine efforts to create a niche through the use of private labels.

Private labels can also be used as ‘loss leaders with the intention to increase the footfalls. As ‘loss leader’ private labels can attract a larger number of customers. Consequently the customers can experiment with the quality of the product. This can result in higher sales volume and boost the bottom line of the store.

A retailer should opt for a private label only when it has complete knowledge about gap in the existing product lines. It should be capable of improving the deficiencies of the national brands according to the customers’ requirements. There are different key elements that go into the development of new private labels. They can be primarily categorized into two types - rational and emotional. Private labels should also conform to the marketing mix elements. They need to possess brand values and distinct positioning. All these comprise the rational element of private labels developing.

The main element comprising the emotional ingredient is communication. Stores must communicate about its offerings to customers affectively. They should create awareness within and outside the store. Selecting appropriate media is vital to communicate with
customers. Shoppers’ Stop, Westside, Pantaloons, Lifestyles use media campaigns innovatively to communicate with customers. They use various media to create favorable appeals for their private labels. Focus of private labels strategy should be customer centric not the retailer. Understanding customer perspective leads to success of private labels. The process of creating private labels includes the following steps.

2.7.1 Identifying ‘Need’ gaps in the Market

The objective of creating the private labels should be crystal clear to the retailers. They can implement strategies like flexibility in pricing, creating loyalty amongst the customers, providing wider product assortments to achieve competitive advantage. A retailer has to identify the relevant needs and wants of customers before introducing a private label. The gap can be identified in terms of price, taste, quality and location preference etc. of the customers. Market survey and interview of key groups of customers help to identify customer requirements appropriately. Private labels can be used to bridge the gap in the market. The retailers need to adopt appropriate targeting and positioning strategies. The retailers should provide quality products at economical price to attract price-conscious customers to accomplish higher sales revenues.

2.7.2 Decision to Outsource or Produce

This step is quite significant in developing private labels. It is critical to decide whether to outsourcing or producing private labels. Establishing manufacturing facilities might not be feasible in the initial stages. If the retailers decide to outsource the private labels, they ought to identify the right vendor, product quality at right price and on time suppliers.

2.7.3 Promoting the Private Labels

Retailers design a variety of promotional schemes like trial purchase, free samples, discounts and product bundling etc to attract the customers towards private labels. Consumers perceive lower priced products to be inferior in quality. Hence, retailers should use attractive packaging to communicate quality of the product. The retailers should adopt well-thought out positioning strategy for private labels. They should introduce innovative promotional campaign through TV, radio, signage, handbills and posters to make consumers aware of the availability of the latest private labels. Now, they can also use digital media vehicles for their campaigns. Being present on the social network sites like Facebook, Twitter and Linked In will always pay. They should also be
promoted through in-store initiatives. Unique selling proposition should be communicated to customer to highlights the benefits of private labels over national brands. Retailers should differentiate their private labels from national brands. Distinct packaging design attracts customers. It should be in tune with the tastes and temperaments of the key consumer segments. Retailers should not copy national brands packaging. The salesmen should be adequately trained. They need to have relevant and rich product knowledge. They must address customer concerns promptly. They can actually act as substitutes for mass-media advertising. Appropriate local media should be used to communicate additional features to target customers.

2.7.4 Establishing Standards for Monitoring

The final step in the development of private labels is to establish standards to review the overall performance of private labels. The retailers need to check the performance of the private labels regularly. The performance should be in line with the desired objectives and benchmarks. In case of any deficiency, the retailers should re-evaluate and implement modified strategies promptly.

2.8 Supply Chain Practices

The apparel industry is one of the most globalized industries in the world. It consists of retailers, contractors, merchandisers, buyers and suppliers. All of them play a key role in a network of supply chains system. The apparel sector has short product life cycle, high unpredictability and high impulsive purchasing. These factors compel apparel retailers to manage their supply chains efficiently. The apparel and textile supply chain is extremely complex in India. India has the longest fashion supply chain lead time of about 400 to 600 days. The apparel retailers need focus on the following key concepts in view of the diverse needs of the fashion sector.

Mind to market refers to the period of conceptualization of a product design to its reach to the end consumers. Leading retailer like Pantaloons has successfully reduced this period considerably in recent times. It has achieved growth in both volumes and margins along with complete control on inventories. The collaborative approach across the buyers, manufacturers, fabric providers, logistic companies and the retail chains has helped to attainment this goal.
Time to market refers to the period between an order for apparel manufacturers and the time it reaches to the final consumer. Tactical management of TTM reduce the uncertainties of the fashion supply chains. It leads to finer inventory management, minimal obsolescence, lesser manufacturing cost and encouraging profits for the fashion retailers/brands.

Cost to market refers to the total cost of supply chain. Recently Big Bazaar managed cost to market successfully. It reduced its supply chain cost by 1.5 percent by redesigning the supply chain network. It reduced the storage locations from 16 to just 5. It is using state-of-the-art infrastructure and latest technology for this purpose.

2.8.1 Market Strategy for Retail

The modern Indian retail markets are concentrated around the urban areas. Main hubs are located in Mumbai, Delhi NCR, Kolkata, Chennai, Bangalore, Hyderabad, Ahmadabad and Pune etc. These urban markets are ideal for organized retailing. Large consumer base and their consumption patterns are also very encouraging. It is believed large numbers of cities are likely to become key hubs for organised retailing in near future.

2.8.2 Positioning Strategy

The product mix and its pricing are determined by brand positioning and its value proposition. This increases the need of prompt and cost effective results from the supply value chain. Consumers cannot bear unnecessary delays. Quick delivery can also be a successful positioning. Apparels can be targeted towards high end premium customers as well the price conscious masses keeping in mind convenience and ease of delivery. The delivery strategies need to focus on priority because time to market is a key cost to market.

2.8.3 External Factors

The present government is in the process of introducing new tax regime. It may open up the prospects for retailing. The proposed Goods and Services Tax (GST) is anticipated to bring positive impact. Infrastructure developments have improved connectivity and decreased transportation time. Business decisions like strategic alliances, mergers and acquisitions are highly dependent on supply chain network as these players would try to take the benefits of the economies of scale to their advantage.
Reliance intends to invest up to 6,000 cr to improve its supply chain. This will help to strengthen its private labels and compete with the national brands. Shoppers' Stop, while dealing with private label suppliers, looks at delivery, quality, cost, efficiency and margins.

2.9 Driving Factors for Private Labels Growth

The present economic growth along with the rising consumers’ consumption level is one of the significant drivers for private label’s deep penetration into the market. The expansion and evolution of retail industry is a key driver for private labels. They not only increase bottom lines of retailers but also provide value for the customer. There are various factors which encourage the retailers to expand private labels bases like growing number of stores, in-depth assortments, national brands manufacturers inability to produce innovative products, changing taste and preferences of customers, shifting customers loyalty, weakening brand equity of national brands, technological progression, shrinking profit margins, negligible switching cost, price and quality consciousness, encouraging quality perception and positive acceptance of private labels consumptions among the large customer base etc.

Private labels are no more a low cost alternative to national brands. Their image has changed significantly over a period of time. The introductions of high quality products and focusing on precise market segments have changed private label demand and popularity considerably. Private labels are now regarded as affordable good quality and novel products. The leading retailers are able to differentiate themselves on the basis of their private labels. The most decisive factor behind the growth of the private labels market has been the consolidation and expansion of retail chains across the globe.

2.10 Future of Private Labels in India

Private labels are becoming immensely popular among the Indian consumers. They have huge potential to drive Indian retail market. Private labels are bringing momentous changes in the retail environment of the country. National brands are steadily losing their market share to private labels across all products categories. It is expected that this trend is going to persist in the future. The developing market like India offers the greatest
potential for private labels growth. The growing organized retail sector in India would fuel the growth of private labels across all product categories.

The success of private labels will be guided by the trends like busier lifestyles, quality, convenience and novel product ranges. The continuous and creative introductions of private labels by retailers will strengthen their positions in the market. Retailers cannot survive with copy cat products. They need to cultivate a strong store identity and improved customer loyalty. They can improve their bottom lines only by providing better products. It also helps to compete effectively with national brands.

Indian retail industry is one of the most attractive destinations globally. It is still at a nascent stage and holds a lot of growth promise for the future. The retailers have to carry out the following measures to survive in the aggressively competitive market.

- invest in private labels development
- ensure alignment of private label strategy to the store's marketing strategy
- ensure high quality benchmarks
- fill existing merchandise gaps to avoid direct competition with national brands

2.11 Challenges to National Brands

Private labels account for only 10-12% of the organized retail business in India presently. The industry experts believe that they are expected to grow up to 30% once retail chains expand across the country. Hence, it is not going to be an easy battle for national brands to ignore private label offensive. Retailers have been improving their private labels over the years.

The growth of private label is visible to all. It is anticipated that the private labels will earn more profits as compared to national brands. This is going to pose formidable threat to the national brand manufacturers in days to come. Consumers are opting for inexpensive quality products. It will help retailers to attract value customers at the cost of national brands. Retailers like Pantaloons, Big Bazaar, Max, Westside and Globus etc. are running month long promotional campaigns. They are offering discounts up to 50-60% on a wide range of products. Surely, for inflation-hit consumers, cash is king and discounts are most welcome. The future looks bright for private label players. The success of the
private labels in most of the product categories is posing alarming challenges to the national brands. The challenges include:

- The national brands' dominance in the market appears to be in danger with the introduction of private labels in their product mix by retail giants like Big Bazaar, Vishal Megamart, Westside, Lifestyle, Pantaloons, Nilgiris, Spencer’s and Shoppers’ Stop.
- Reduction of the prices by most of the national brands has begun to affect their bottom lines.
- The success of the private labels has forced the national brands manufacturers to formulate more customer-centric strategies like personalizing the products, offering discounts and various freebies which have again led to lower bottom lines.
- National brands are facing competition in both the low price product as well as in the premium product segments.
- The distribution of the private labels is not going to be only inside the stores but also outside the stores.

2.12 Initiatives by National Brands to Counter Private Labels

National brands manufacturers have started designing competitive marketing strategies to counter the challenges posed by the rapid growth of private labels. It is notable that private labels grow when the economy is under slowdown/ recession. Their growth declines during economic growth and boom period.

The retailers are compelled to keep national brands when they enjoy bigger brand loyalty than store loyalty. The national brands manufacturers punish retailers by supplying less quantity of high demanded products. This as a result affects the retailers’ image. The national brands manufacturers create pull for their products through mass-media advertising and creative promotional schemes. They reduced the price and offered freebies to attract more customers. They effectively highlight distinctive features of their products.

Now, leading retailers are working with national brand manufacturers to bring out private labels whose quality match or even exceed that of leading branded goods. National brands in some cases lower their price to counter private labels. It is also observed that national
brand manufacturers gain from producing private labels as there is an increase in concentration of retail market.

The problems faced by national brands are fairly their own creation. National brands undervalued private labels potential when they were growing. At that point in time the demand of national brands were steady and growing as well. They even neglected genuine concerns of the retailers which affected their relationships with them. Scenario changed with the arrival of private labels in the market. The bargaining power of the retailers also grew substantially.

2.13 Apparel Consumer Buying Behavior

Majority of Indian consumers are young. 20-50 years age group working population have most of the purchasing power. The youth has capability and willingness to spend. India is a nation of multi lingual and diverse cultural people spread across different geographical regions. A strategy that is applicable to a particular region and set of people may not relevant for others. Retailers should not ignore the diversity of its customer base and their specific requirement. A retailer who does not do his home work in terms of understanding his target customer is at great risk of failing in the market.

It is not easy to recognize and classify the diversity. Segmentation on the basis of income alone does not provide full picture of India’s diversity. Consumers’ buying preferences are influenced by many factors like their income, geographical location, education, occupation, exposure to world and the language they speak etc. It is also important to understand the way consumers think, express their preferences, the way they shop and consume. This is essential to understand because consumers often act differently from their stated preferences.

Apparel comprises 6% of India’s consumptions spending today. It is expected to quadruple (4x) in size during this decade with an estimated consumption expenditure of US$225 billion in 2020 (Indian Retail Report 2013). This growth will be driven by favorable demographics, socio-cultural and attitudinal shifts that are taking place in India. India apparel purchasing is driven by occasion rather than necessity. Fabric quality and brand images are important criteria in influencing consumers’ choices. Factors such as durability, style and fit are also considered. Lower income segments are price conscious.
These consumers rank convenience to be comparatively less significant in the purchase decisions. Retailers need to offer value proposition to target specific consumer segments.

Today consumers’ are keen on trying new things and look different. The change in purchasing pattern of urban India is evident. Consumers also appreciate speed and efficiency. They want everything under one roof. They also want greater varieties and quality of products. Consumers now seek more product information, hygienic shopping condition as well as better customer service. The under-mentioned Tables 2.3 and 2.4 shows the depth of Indian market.

Table II-3: Indian Population at a Glance

<table>
<thead>
<tr>
<th>Age-wise population break-up</th>
<th>Male (in Cr)</th>
<th>% of total population</th>
<th>Female (in Cr)</th>
<th>% of total population</th>
<th>Total</th>
<th>% of total population</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14 yrs</td>
<td>1879</td>
<td>16</td>
<td>1643</td>
<td>14</td>
<td>3522</td>
<td>30</td>
</tr>
<tr>
<td>35-64 yrs</td>
<td>3874</td>
<td>33</td>
<td>3639</td>
<td>31</td>
<td>7513</td>
<td>65</td>
</tr>
<tr>
<td>65 yrs and above</td>
<td>234</td>
<td>2</td>
<td>353</td>
<td>3</td>
<td>587</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>5987</td>
<td>52</td>
<td>5635</td>
<td>48</td>
<td>11622</td>
<td>100</td>
</tr>
</tbody>
</table>

Source : IRIS Primary Research

Table II-4: Income of Indian households at a Glance

<table>
<thead>
<tr>
<th>Income group</th>
<th>Income</th>
<th>2000</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-income house holds</td>
<td>Annual income &lt; 40000</td>
<td>35%</td>
<td>18%</td>
</tr>
<tr>
<td>Middle-income house holds</td>
<td>Annual income 40000 to 1.8 lakh</td>
<td>58%</td>
<td>62%</td>
</tr>
<tr>
<td>High-income house holds</td>
<td>Annual income &gt; 1.8 lakh</td>
<td>7%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: NCAER

India’s urban populations are becoming materialistic. They are adopting a “work hard and get rich” mindset (Gopal & Srinivasan, 2006). Earlier the expenditure used to be more need based. Now the spending is demand based. The consumers are opting for more lifestyle products and services. The demand for branded apparel segment is growing in the domestic retail market. The demand for high quality and trendy apparel is also rising rapidly. Consumers are now design and aesthetics conscious in the domestic market. The young middle-class consumers with high spending power (good salary), strong peer pressure and availability of brand across product categories are fueling the demand for readymade clothing. (Subrata Das).

Changing lifestyle trends have also played a key role in building apparel consumerism. Fashion in India is becoming more stratified. Technology, ideas and lifestyles are moving together. Retailers are launching fresh aesthetically designed, appealing colors and trendy apparels each season. Indian has larger middle class population than Western Europe.
Increasing salaries, availability of credit on low interest rates and mushrooming shopping malls have made shopping pleasurable for the growing middle class in India. Consequently sales are also growing. Now, consumers enjoy visiting swanky malls to shop and entertain themselves.

The increasing consumerism is fuelling the demand of luxury products, cosmopolitan lifestyles and global brands. Brand loyal consumers purchase the same brands. Price sensitive consumers show stronger variety seeking penchants. They try to explore new brands. Psychographic characteristics of customers also play key role in brand choices. Retailers must address sensible pricing, self perception and ego related issues to attract such consumers. Value conscious consumers should be attracted through increased promotional spending.

India’s consumer demand is increasing faster than its economy. (Biswas, 2006). The young generation is optimistic and very aspirational about the future. The growing middle class is offering huge potential for apparel companies. Consumers buying decisions are also influenced by increasing impact of global culture. They are affected by many factors like store image, brand image, awareness about private label strengths, price, discounts, comfort and durability etc.

The leading Indian retailers have quickly realized the potential of private labels. They understand the customer needs and the regional preferences. They are developing apparels to address different needs of the Indian customer. The top retailers have developed evening wear, party wear and ethnic wear to address the adventures needs of Indian consumers. Private labels and national brands satisfy distinct and diverse needs of the consumers. They have potential to exist together. The huge market potentials promise growth for both of them. However, the ultimate gainer is the customer because they have plenty of options to choose from.

2.14 Global Trends: National Brands vs. Private Labels

The national brands have dominated the twentieth century. Consumers bought them as hallmark of quality, reliance and affluence. They were used as sign of aspirations, image and lifestyles. The retailers were not having many choices. During 1970s scenario began to change. The retailers started developing retail chains. Some of them expanded
internationally. Consolidation of the retail industry from general stores to global players began gradually. The expansions of organized retailers have changed the balance of power with manufacturers of national brands. Now, private labels are growing faster than national brands. Private labels are no longer regarded as poor alternatives to national brands. The unexpected and continued growth of private labels has surprised the national brand manufacturers. Private labels are growing rapidly in Europe, US, and Asia. During the last decade private labels have performed better than national brands in the United States.

Now, almost all leading retailers are increasing level of the private labels in their respective stores. The private label sales across all product categories have surpassed one trillion dollars globally. Apparel/ fashion clothing is one of the largest segments for private labels.

Low-quality private label products still exist. However, private labels quality has improved drastically. Even some leading retailers have surpassed the quality of national brands with their private labels. The consumers’ risk perceptions towards private labels are changing. Retailers are positioning their private labels as reliable brands. The consumer acceptance of private labels is growing. The transformation of private labels is visible to the masses. Consumers around the world believe that leading retailers’ private labels are viable alternatives to national brands. The positive perceptions about private labels are motivating consumers to switch brand loyalty. Private labels are not only targeted to lower middle class or poor but now even high end consumers are buying private labels. Purchasing private label products is regarded as smart shopping. The consumers compare features, price and quality before purchasing a product. They cannot be influenced by advertising or sales promotions easily. They take pride in their decision making ability.

Growing consumer’s acceptances of private labels are causing decreased loyalty to leading national brands. The consumers’ loyalty is shifting towards stores brands from national brand. Social stigma associated with private labels inferiority is disappearing. National brands are facing tremendous growth and profitability pressure.
The market for private labels has grown faster during the first decade of the 21st century. Supermarkets and apparel retailers across the globe are building their own private labels. They have steadily increased their sales at the cost of the national brands.

The degree of private labels penetration depends on the economic cycle of the country. United States has seen private labels rise in term of sales and market growth across all product categories. Numbers of families using private labels have increased from 18% in 2000 to 27 percent in 2011 in the United States. Private label market is most developed in Europe. It has gained an average 35-40 percent market share. The market share of private labels in Switzerland is more than 53 percent and UK has 47 percent. Leading global retailers like Wal-Mart, Tesco and Sainsbury derive 40-50 percent of their sales from private labels (IRIS Research, 2013).

Robust economic growth in India is also helping the private labels to penetrate in the market across most of the product categories. The retailers are launching new products regularly. These products help the retailers to provide a wide range of choices to the customers. Retailers are launching private labels with comparable quality, pricing and positioning in their stores. The emergence of multiple retail formats will further increase the growth of private labels. Retailers have already started the multi channel or Omni channel (physical stores, ecommerce websites, mobile apps and even social networking sites) retailing for their products. Leading mega retailers are expected to invest more in research and development of private labels products.

2.15 Trends in Men’s Apparel Category in India

The Indian apparel segment is by and large driven by men’s wear. This category generates highest revenues. It is the largest product category in apparel segment. This category is more developed and organized than women’s wear and kid’s wear. Presently men’s wear segment is valued at 720 billion rupees. It is rising at a compounded annual growth rate (CAGR) of 9 percent (Corporate Catalyst India, 2013). The menswear national brands have the highest penetration in domestic apparel market. Shirts, trousers and suits are having the highest market share (71.2 percent). Brand loyalty is high among the premium and super premium menswear apparel segments because these customers do not get value and desired satisfaction in lower end brands.
Men in general are more brands loyal and look conscious. The perceptions of rural youth about ready to wear clothing are changing positively. Men’s wear is expected to grow faster in tier II and tier III cities in India. The rural consumers who were dependent on tailor made garments are now opting for ready-to-wear garments. It has created huge growth opportunities for apparel retailers. As a result, leading apparel retailers are targeting rural market by offering affordable quality products.

The market for national brands is also growing across the country. National brands apparel sales are likely to grow immensely. The growth of organized retailing and spread of exclusive discounted stores are helping all types of garments to reach deep inside the market. Larger varieties, new fashion trends and style consciousness are driving the demand for national brands in capital cities and tier II cities of India. (www.imagesfashion.com).

Men’s shirts segment enjoys the highest market share in the apparel market. Most of the companies are competing in this category. Customers are ready to pay more for better quality products. Men’s trouser constitutes yet another major apparel category. More and more men are switching over to ready-to-wear trousers. The leading apparel manufacturers have satisfied their customers by providing appropriate fit, size, colours, design and fabrics. Men’s Formal Suits, Jackets & Blazers are witnessing a rapid shift from tailored to ready-to-wear. The expansion of this category can be credited to rising disposable income, growing service sector, multinational corporations’ influence, rising size of the working population and youths’ brand consciousness. Men’s T-Shirts segment is also growing faster thanks to the introduction of private labels by organized retail chains. Men’s Innerwear segment is experiencing growth as well. More and more consumers are opting for hosiery underwear in place of tailor-made woven underwear.

2.16 Need for the Study

The present liberalized economy is witnessing a lot of changes and one such change that is gaining prominence is organized retailing. Organized retailing has been growing rapidly over the past 8-10 years in India. It is expected that the India has the potential to deliver phenomenal growth in coming decades. It is essential for retailers to explore the possibilities of attracting the customers to their stores. Now, retail chains have started consolidating through alliances, mergers and acquisitions.
Sweeping transformation in life style and spending patterns are changing customer taste and preferences. “Indian consumers are becoming global in their thinking, preferences and aspirations like their western counterparts” (Indian Retail Report 2015). These are giving rise to new business opportunities. There is an attempt to understand the fundamental factors driving the customers towards the stores because store patronage is very important for any store. This gives scope for researches to explore the association of variables like quality, product mix, store image, price and convenience etc., with store loyalty and customer satisfaction. As the customers do not see much tangible value in some of the national brands offered, it gives a scope for retailers to introduce their own private labels. Customers’ acceptance of private labels provides opportunity to examine the contribution of private labels in terms of total sales and market share growth.

In this competitive era retailers must be aware about consumers’ needs and wants, to deliver value to them. Analysis of consumer expectation is essential in today’s scenario. It is necessary to have relevant information about consumer to keep track of the changing trends. This helps the retailers to formulate sustainable strategies to get competitive edge in the market.

Thus, the study of consumers’ buying behaviour has drawn a considerable attention of industry experts, academicians and the researchers. While reviewing the literature on buyers’ behaviours towards private labels and national brands with special reference to men’s apparel category, negligible number of studies were found available in India that analyze such consumer behaviours. Everyday countless numbers of products are offered to customers by the retailers which make old products obsolete. Frequent changes in lifestyle also force retailers to offer latest fashion apparels. Customers must be analyzed periodically from a number of perspectives such as customer retention, attributes influencing them to buy, their level of satisfaction and level of loyalty etc. Analysis of these factors helps to undertake corrective steps in designing the appropriate competitive strategies.

Private label products have been attracting the practitioners and academics to conduct comprehensive research in this area. Not many studies have been conducted in India to understand the consumer behaviour towards private label and national brands in apparel category. The private labels are posing significant challenges to national brand manufacturers. The private labels manufacturers are continuously bridging the quality,
design and styles gaps. Private labels are regarded as a valuable business strategy to enhance bottom lines and store image. The positive image of a store is considered as key to retail success.

Today’s retailers are in great dilemma. They are not able to decide whether they should purely keep private labels or national brands or mix of both. Therefore this study intends to investigate the causes of increasing market share of private labels and reasons behind the consumer’s preference of private label and store loyalty in comparison to national brands.

There are a number of risks associated with the introduction of new products under private labels. A poor experience with one set of products can affect the purchase of whole categories of products by consumers. They would stop buying private labels in other categories. This can also destroy and mess up customers’ confidence in the store as a whole. Therefore, retailers should know the “possibility” of acceptance of a product under the private label category. This study helps to investigate consumer preference attributes, store related factors, satisfaction and loyalty creating attributes that affect their decision making.

The study seeks to identify and assess the important factors/variables that shape the buying behaviour towards men’s apparel category in NCR region. It is of utmost need to investigate the consumers’ attitudes towards private labels and national brands. The study intends to probe the consumer’s perception in detail. It tries to know what motivates them: store / company image, price, quality, innovative design, latest fashion, service or convenience etc to buy private labels or remain loyal to national brands.

This study may give fair ideas to understand what consumers want from national brands and private labels and answer many questions like - Why consumers switch to private label brands? What are the factors which motivate them to switch? What attracts consumers to a particular store? When consumers are attracted towards private label?

The study aims to support the retail industry with knowledge based conclusions through which they can identify most important product attributes preferred by the various groups of customers. It will also help to formulate appropriate marketing strategies to attract
them. On the other hand, this study enhances the existing literature with new findings about the differences between store brands and national brands loyal consumers.

2.17 Objectives of the Study

The present study has been designed to:

1. comprehend the present retailing scenario of private labels (PLs) and national brands (NBs) in men’s apparel category
2. analyze the consumer’s preferential behavior and satisfaction derived thereof from PLs and NBs
3. find-out the specific attributes on which consumer purchases both PLs and NBs
4. examine the inter-relations amongst the PL brands, store image, and loyalty and
5. measure the impact of externalities along with the demographic variables on consumer’s attitude towards PLs and NBs men’s apparel brand.

2.18 Scope of The study

The study is limited only to national brands and private labels in men’s apparel category in NCR region of Delhi. Delhi is among the top 20 retail destinations in the world (India retail Report 2015). The city is attracting leading global brands. People from every state of the country reside here. It may provide optimal representation of population for the study. It investigates to understand the factors which influence consumers’ to buy national brands or private labels in men’s apparel category. The reason behind choosing the men’s apparel category is that it is versatile and rapidly growing. It is a major source of revenues for the retailers. This study attempts to examine consumers’ psychographics, product attributes and store choice dimensions to understand consumer preference of a particular brand and store.

The retailers chosen for this study are Shoppers Stop, Pantaloons, Lifestyles and Westside. They are the leading players in apparel category. Studying these key retailers may provide comprehensive ideas about product choices, satisfaction, store preferences and loyalty. Brief introduction of these retail chains are given below.

Shoppers’ Stop is the brainchild of Raheja group. It is one of the biggest chains of large format store in India. It is present in 32 cities. Presently it is having 69 department stores.
It continuously upgrades its brands, product mix and customer services quality. It offers world class shopping experience. It provide a wide range of product categories like apparel, accessories, footwear, beauty and fragrances, jewellery, toys, home & kitchen from leading global and national brands.

**Pantaloons**, Aditya Birla Group acquired it from Future Groups in 2012. It provides latest trendy cloths and accessories of over 100 leading brands. Presently, it is operating in 44 cities with 85 trendy stores. It offers products for all segments and occasions. It also presents wide range of fragrances, footwear, handbags, watches and sunglasses etc. The size of a Pantaloon store is around 28000 square feet area.

**Lifestyles**, belongs to Landmark Group. It is one of the leading retail brands in India. It presently operates in more than 24 cities with 41 stores. It offers global enjoyable shopping experience to its customers. More than 500 national and international brands are available here. Customers can choose from a wide range of apparel, home ware & furnishings, beauty & fashion accessories.

**Westside** is a Tata group brand. It was established in 1998. Now it operates across India with its premium high fashion and trendy brands. It provides quality products at affordable price. Presently it is having more than 90 stores across the country. It balances the high quality apparel products with value retailing. It stocks wide ranges of product categories like apparels, footwear, cosmetics, perfumes, handbags and household accessories etc. It provides customer friendly exchange policies.

### 2.19 Significance of the Study

This research tries to evaluate and search new ways and means to benefit the academics as well as the industry. It will be highly beneficial to conduct more study of this nature on private labels in India. There are limited numbers of private labels in India as compared to other countries. The private labels are growing slowly but steadily. It appears that growth of private labels in India is not as fast as other developed markets. Most of studies on private labels have been conducted in the US, the United Kingdom and various other European countries. Their findings may not be adequate and directly relevant in the Indian context.
It is crucial to conduct more research which focuses on consumers’ decisional factors which ultimately motivate them to buy a product. It is a key issue for an organization to understanding customers’ product preference and buying patterns. In spite of the growing importance of private labels most the empirical studies still focuses on national brand. Many factors involving key consumers’ decisional factors like perceived risk, attitude, satisfaction level, loyalty towards private label purchase and psychographic characteristics are unanswered in those studies. In short this study aims to fill the gaps discussed above.