Chapter 3 : Literature Review

3.1 Definition of National Brands and Private Labels

Brand is a valuable intangible asset. Brand makes an emotional bond. Consumers become captive to a brand. They love them so much that they start advocating about them. They are highly dependent on them, become staunchly loyal, procure them and believe in their superiority. Almost all the organizations operating in the present competitive market have realized the importance of branding. Organizations around the world put lots of efforts into creating their own brands.

According to Kapferer (2008), “a brand differentiates a product from others and specifies a product’s origin”. He explains, “Brand is the promise, the big idea, the reputation and expectations that reside in each customer’s mind about the product and/or the company”.

“A brand is a distinguishing name and/or symbol (such as logo, trademark, or package design) intended to identify the goods or services of either one seller or a group of sellers and to differentiate those goods or services from those of competitors”. (David. A. Aaker)

The American Marketing Association (AMA) defines a brand as “A name, term, sign, symbol or design, or a combination of these, intended to identify the goods or services of one seller or group of sellers, and to differentiate them from those of a competitor.”

The AMA distinguishes brands as per its tangible and visual characteristics. Even though many renowned scholars agree to this definition (e.g. Aaker 1991; Kotler et. al., 1996), brand definitions in literature go far beyond the tangible and visual characteristics of brands.

“…It matches the functional and emotional values develop by a company with the performance and psychosocial benefits required by consumers” (Keller).

“National Brands also known as Manufacturers Brands are products designed, produced and marketed by a large company. The manufacturer is responsible for developing the merchandise, packaging and establishing an image for brand” (Levy & Weitz).
Usually, private labels are developed, manufactured and sold by leading retailers. They are also called store brands or own labels. Private labels also differentiate one retailer from other. They are now available in a number of categories from apparel, food, healthcare to furnishings etc. The retailers either launch private labels in their own name or give a separate name to it.

According to Kumar and Steenkamps (2007), “private label to be any brand that is owned by the retailer or the distributor and is sold only in its own outlets”.

Lincoln and Thomassen (2008) define private labels as “private labels are brands which are owned and sold by the retailer as well as distributed by the retailer”. Retailer brands are also commonly called “store brands” or “own labels”.

Authors have given varying definitions of private labels. No standard definition is available. The Private Label Manufacturers Association (PLMA), (2010) provides the following definition for private labels: “Private label products encompass all merchandise sold under a retailer’s brand. That brand can be the retailer’s own name or a name created exclusively by that retailer. In some cases, a retailer may belong to a wholesale group that owns the brands that are available only to the members of the group (PLMA).”

**Store loyalty:** It is a level to which a consumer time and again patronizes a particular store when buying particular nature of products. It is a situation in which a consumer frequently patronizes a particular store.

**Retailing:** “retailing is any business activity which is involved in selling goods and services to consumers for their personal, family or household use. It includes every sale of goods and services to the final consumer ranging from automobiles to apparel to meals at restaurants to movie theatre tickets”. **Barry Berman and Joel R. Evans**

**Unorganized Retailing:** Any local retail stores that are managed by the owners or their representatives. These stores do not have technical expertise. They hardly follow accounting standards. The retailer usually source locally to meet the demands. Normally, they hardly pay any taxes. Most of them are not registered for sales tax; value added tax or income tax.
**Organized Retailing:** refers to the business activities carried out by certified retailers. They are registered for value added tax, sales tax and income tax etc. These retail chains are professionally managed. They follow accounting standards and accounting transparency. They have well established supply chain facilities. They are expert in centralized quality control, purchasing and sourcing. Examples of organized retailers are corporate backed hyper markets and retail chains. It also includes privately owned large businesses.

### 3.2 Growth of Private Labels

The phenomenal rise of private labels in the developed world is drawing the attention of Indian retailers and national brands manufacturers (Batra and Sinha 2000). Private labels’ penetrations vary between the countries, categories and retailers. This has given rise to investigation in private label literature to understand the consumer, products attributes, retailers’ image and market related factors for their popularity. These include reasons of retailers’ attraction towards private labels, patronage of various consumer segmentation, their perceptions, attitudes and behaviour, positioning of private labels by retailers and the counter strategy of national brand manufacturers. Past studies on private labels and their comparison with national brands have mostly been conducted in the United States and United Kingdom markets. There has not been much research on private labels in India. Private labels are in its early stages of development in India.

The purpose of this chapter is to review the private label literature relating to consumer attitudes towards private labels and national brands. The first section provides an overview of conceptual framework which highlights Indian market attractiveness to the leading retailers of the world. Later the significance of private labels has been discussed with the context of consumers, retailers and national brand manufacturers. This is followed by a discussion of consumers’ orientations towards different elements of marketing mix and the factors that influence the purchase of private labels and national brands. The next section reviews determinants of consumer perceptions and attitudes regarding private labels. The store image attributes have also been reviewed. Finally the review of literature helped to develop the research questions and hypotheses for the present research.
The understanding of customer attitudes and perceptions is a difficult task for marketing professionals in the present vibrant, cut-throat competitive environment. Blois (2000) “believed that the unpredictability of customers attitudes make the study much more complicated. Attitudes and perceptions (both positive and negative) play a significant role in customer buying decision making process”. According to Assael (1998), “if a customer is satisfied with a product/service, he expresses a positive attitude towards it which eventually creates a favourable perception in the customer's mind. In today's world of countless choices, attitude and perception may change during buying process that consequently may also influence them in switching the brands”.

During the past decades, the European retail industry has gone through new changes. Earlier, national brands manufacturers enjoyed great bargaining power over retailers because they were dependent on the manufacturers’ products. The situations changed with the introduction of private label products. Initially private labels were generic low quality products, offered at low prices. Nowadays, the image of private label products has drastically changed and a strong competition exists between private labels and manufacturer brands (Semeijn et al., 2004; Kumar & Steenkamp, 2007).

Consumers purchase a particular brand by evaluating various factors like price, quality, store image, risk etc. National brands as well as private label brands are struggling to draw the consumers on these factors. “In the beginning, low priced private label were regarded as low quality products” (Steiner 2004). “Now, leading retailers have improved the quality of their private labels to the level of national brands or, in some cases, even exceeded the quality of the national brands” (Quelch and Harding, 1996). “There are empirical proofs that quality private label brands differentiate a retail store from others. It also helps to create store loyalty” (Shudir & Talukdar, 2004). “A retailer’s profit margins go up with the increase of private labels sales” (Shudir & Talukdar, 2004).

The growth of private labels has increased the competition with national brands so much that national brands manufacturers cannot afford to ignore them. National brands have to compete tactfully to be successful against private labels (Ashley, 1998). The manufacturers of national brands claim that private labels retailers imitate their packaging, design or even brand name to increase their sales (Rafiq & Collins, 1996). It is in the interest of the retailers to know the factors that influence their purchase decisions of private label and national brands.
Researchers believe that attitudes and preferences are the most important components for predicting the brands choices (Ajzen & Fishbein, 1980). However, available literature does not provide clear cut insights into the differences between attributes preferences of private label and national brand buyers across product categories. According to perceived quality literature, consumers build their perception about quality based on different product attributes which influences the purchase intention of a product.

“Consumer reactions to national brands and private labels are influenced by a number of factors such as consumers’ value consciousness, price-quality association, trust and smart shoppers’ self-perception” (Garretson et. al., 2002). “Brand loyal consumers purchase same brands they have always bought and are less likely to switch to new brands. The price conscious consumers are less loyal toward specific brands.” (Krishnamurthi and Raj, 1988) “The inclination to purchase particular brands on consistent basis is positively influenced by a belief in the price-quality relationship”. Several studies as pointed out by Gedenk and Neslin (1999) conclude that frequent promotional schemes, especially the price discounts offers on national brands may harm the brand loyalty.

Del Vecchio (2001) believed that consumers look upon private label products as competitive with manufacturer’s national brands with regard to functional quality. Studies indicate that private labels are still regarded as low-grade in quality in comparison to national brands. “Private labels have poor quality image” (Vaidyanathan & Aggrawal, 2000). Sestokaite (2010) concluded that national brands buyers are sure about product’s high quality. Thus they are ready to pay higher price. Sestokaite also believed that private label brand buyers hardly see any big difference in quality between the two brands and that is why do not want to pay a premium price.

Differences of preferences between private labels and national brands product categories exist due to the consumers’ belief of products’ perceived risks. Richardson, Jain and Dick (1996) found out that a person is less willing to buy private labels if there is higher perceived risk associated with them. Consumers are likely to rely on brand reputation to minimize risk. National brands are normally seen as high quality products (Aaker, 1996). Semeijn and Ambrosini (2004) concluded that the success of private label products is greater when there are insignificant quality differences between private labels and national brands.
Batra and Sinha (2000) believed that search attributes and experience attributes are key factors for a brand selection. They thoroughly explored the attributes of private label products. They concluded that private labels are less successful in product categories where the search attribute do not provide sufficient “product packaging information” about the product quality. A number of studies conducted by (Raju 1995; Burton et. al., 1998; Ailawadi, Neslin and Gedenk 2001) also indicated that private labels perform better in categories which are high price sensitive. Consumers seem to take the risk of buying private labels more often when they have low financial risks.

Chaniotakis et. al. (2010) “found that consumers’ purchase decision is directly impacted by consumers’ attitudes towards private labels. The purchase decisions are also affected by consumers’ expected benefits; brand reliability and existing economic business cycle”. All through 1990s, private labels received required recognition among retailers. Earlier, private labels were positioned as low-priced or value for money product. “Now they are marketed as “quality” product. This strategy has been successful in Europe where leading retailers like J. Sainsbury have achieved dominance over national brands” (Fitzell, 1998).

Quelch et. al. (1996) “found that the uniqueness that facilitate store brand introduction are (a) economical, easy, low risk purchase for customer (b) easy to produce from commodity ingredients (c) delicate, therefore local supplies are favoured (d) category sales are growing fast, allowing the private labels collecting reasonably high volumes and (e) the retailer feels the need to reduce dependency on national brands”.

Researches indicate that private labels success mainly depend on the retailers’ ability in communicating product quality to customer. They should dispel low price image of the product (Richardson et. al., 1994). Cunningham (1961) concluded that there is a positive association between store loyalty and brand of a store.

Price benefit of private labels over national brands is a clear reason for the popularity and growth of private labels among consumers (Batra and Sinha, 2000; Chetan Bajaj et. al., 2005). “Interestingly, national brand users erroneously believed the prices of national brands and private labels were similar. Their purchase decisions were influenced by non-price factors” Dick et. al (1996). They “found that private label users’ rate the quality and value for money aspects higher than consumers not prone to private labels. Private labels
retailers have changed their strategy from focusing on how to copy a national brand product” to “what new and better to offer customers”.

Private labels innovation was a fine-tuned brand image strategy for retailers to come “nearer” to the national brands in consumer minds. Consumers have begun to trust private label products. According to ACNielsen studies, “the perception of “private labels as a good option to other national brands” is definitely high”. The following Figure (3.1) portrays the evolution of private labels over a period of time.

![Figure III-1: Private Labels Development Progression](image)

3.3 The Conceptual Framework for this study

Indian retailing sector is undergoing an enormous change after liberalization, privatization and globalization (LPG) as a large number of players are entering into organized retailing. The competition is expected to be severe with the entry of leading foreign players in India. Even though the modern retailing is at a nascent stage, competition is rising gradually. Private label brands are growing with the growth of organized retailing in the country.

The country’s top retailers, Future Group, Aditya Birla Retail, Tata, Raheja, RPG groups, Reliance Retail, Trent, Globus and Vishal etc. are equally ambitious about their private
labels across various product categories. However, retailers are struggling to understand the dynamics involved in decision making behaviour of Indian customers.

The rise of private label in India provides enormous potentials for the retailers to understand the consumers’ motivations to opt for private labels. With a little numbers of studies related to Indian retail scenario, this work proposes to present insights about consumer buying behaviour towards private labels and national brands in men’s apparel category. The following past studies highlight the strength of Indian economy and ever growing consumers market base:

“India is one of the fastest-growing economies of the world. It is the largest market after China in the developing world” (Gupta, 2004). India’s economy has been growing on an average of 6% annually since 1991 (Grimes, 2007). India as a market has huge potential for all types of products with a population of about 1.2 billion people. (U.S, Department of Commerce, 2005) “India’s Gross Domestic Product (GDP) will rank among the world’s top five by 2025” (Sinha, 2005).

“India’s market opportunities are bigger than many countries of Western Europe” (Bandyopadhya, 2001). “The size of Indian market, its location, the availability of major natural resources, and it’s extremely bright and capable people will make India an attractive priority for global business houses” (Banks & Natarajan, 1995). “A knowledgeable middle class of 150 to 200 million, a vast industrial base, and a highly skilful labour force accentuate the market potential of India. Undoubtedly, India has potential to provide huge consumer base to the world. (Banks & Natarajan, 1995) “India’s disposable income is likely to increase by an average of 8.5 percent per year till 2015” (Biswas, 2006).

The apparel is one of largest segment of retail industry of India. “The apparel retail sector is expected to grow up to a $64 billion by 2015 from its present $10 billion” (Hasan, Issar, Ojha, & Singh, 2006). “Growing consumers’ incomes and consumptions are driving Indian consumers’ desires for clothing and apparel” (Indian Retail 2012). The potential of Indian market coupled with rising consumers’ demand are attracting leading U.S. and European apparel companies to India market.
“India has already overtaken Japan to become leading economy in the world. India will be among top five economies of the world in term of GDP by 2025” (Sinha, 2005). In the next few decades, “India is expected to beat China as the world’s most populous country”. (Bharadwaj et al., 2005) suggested that global consumer goods companies looking for faster growth must focus on the Indian subcontinent market.

Middle class segment is growing significantly, income level is growing and the spending is also rising. National Council for Applied Economic Research (NCAER) estimates that “the India’s middle class population at present consists of about 17 million households – 90 million people – with yearly income varies between $4,500 and $22,000”.

“Growing earnings in lower and middle-income households are influencing retail growth in India. These groups are inclined to spend more on upgrading their lifestyles and eating out.” (Hasan et. al., 2006) They also emphasized that the country’s young earning population and rapid growth of working women are also helping retailing to grow.

“Indian consumers have moved significantly toward consumerism during the last decade” (Gopal & Srinivasan, 2006). They believed that the Indian middle class offers larger potential than Western Europe. As a result India is attracting increasing numbers of global conglomerates in the country. (Bellman, 2005) found that rising salaries, affordable credit availability and rising numbers of malls across the country have made shopping the favourite activity for India’s promising middle class.

According to (Gopal & Srinivasan, 2006) Indians had been labelled as extremely spiritual people who discarded worldly values, but this stereotyping is not true. Most of urban population have adopted a “work hard and get rich” mentality in India.

3.4 Theoretical Model used for the Study

The present study is trying to explore and understand consumer’s attitude toward private label and national brands. The following section helps to understand attitudes in the consumer behaviour context.

The concept attitude is a widely used term in present-day’s social culture. Attitude has been defined by Oxford Dictionary as “a way of thinking or behaving.” “Attitude is individual’s evaluations of objects” (Gold & Douvan 1997). Fazio (1989) “asserted that
attitude is an association in consumers’ memory between an object and its evaluation”. As per Solomon (2004) “attitude means a lasting, general evaluation of people (including oneself), objects, promotions, commercials, or issues”.

3.5 Howard-Sheth Model

The present study has used Howard-Sheth Model as theoretical base to understand consumer buying behaviours. This model presents a comprehensive picture of consumer decision making. This model helps to understand the processes and variables which influence the buying decisions before and during the purchase. The model also attempts to explain brand choice behaviour of the consumers.

The basic structure of Howard-Seth Model consists of four major sets of constructs.

- Inputs
- Perceptual and Learning constructs
- Outputs
- Exogenous variables

The Figure 3.2 given below depicts the Howard-Sheth Model

3.5.1 Stimulus Inputs (Input Variables)

The input variables refer to the stimuli in the consumer’s surroundings. They are basically helpful signals about the product/service offering. These information cues could be related to quality, price, distinctiveness, service and availability of the products. This information may emanate from product itself or sources like advertising or promotional activities of the company.

The informational cues are commercial. They can be controlled and manipulated by the marketers. These cues might be significative and symbolic. Social cues are not commercial. They cannot be controllable or influenced by the marketer. These three stimuli offer clues to consumers to purchase a product/brand.

The brands physical attributes are represented by **Significative stimuli**. The product/brand information deal basically with the brand characteristics. Consumers are psychologically influenced by **Symbolic stimuli**. It is verbal and visual product characteristics which depend on the positioning of the product/brand. It originates from advertising and promotion efforts. For the customers **Social stimuli** are most reliable to get information to buy valuable products. They provide detailed information about a product offering. Above mentioned stimuli provide valuable insights to the potential consumers to take purchase decision about a particular product.

3.5.2 Perceptual and Learning Constructs

Howard and Sheth “categorized the hypothetical constructs into two major groups such as perceptual constructs and learning constructs. These comprise the essential part of the model. These deal with the psychological variables when the consumer is under the process of decision making”.

**Perceptual constructs:**

The perceptual constructs deal with a consumer’s efforts to acquire and process information gathered from the input variables. The information gets buyer’s attention only when he needs such information. “All the information cannot be processed. Stimulus ambiguity occurs when a consumer does not understand the message from the environment. It can activate a need for an appropriate search for information. The information that is received and processed may suffer from perceptual bias if the
consumer twists the information to fit his established needs/beliefs/values/experiences etc” (Howard and Sheth).

**Learning constructs:**
The learning constructs help to understand buyers’ learning, attitudes formation, opinions and the final decisions. The learning constructs are seven in number. They range from buyers’ motive for a purchase to the final satisfaction from it. The buyers’ intention to achieve the goals through a purchase is referred to as their motives. “The brand comprehension is the knowledge and information that the buyer has about the various brands in his mind. The buyer has preference order based on the choice criteria. Based on the choice criteria, the attitudes are formed for the different brands choice. The brand potential determines the buyer's perception and confidence level of the brands that he is considering to purchase. Satisfaction involves the post purchase evaluation (matching expectation with the performance).” (Howard and Sheth)

### 3.5.3 Outputs (variables)
The buyer’s response to stimulus inputs leads to the result or output variables. Howard and Sheth, have categorized the response into five parts like attention, comprehension, attitude, intention and purchase. These could be arranged in a logical order, beginning from attention and ending up with purchase.

- “Attention refers to the level of information a buyer accepts when exposed to a stimulus”.
- “Comprehension is degree of information a buyer processes about a product/brand. It refers to brand comprehension”.
- “The attitude consists of cognition, affect and behavior towards the product. The attitude indicates consumers’ positive or negative evaluation of a brand”.
- “Intention refers to the buyer’s intention to buy or not to buy a particular product”.
- “Purchase decision refers to the actual action of purchasing”.

### 3.5.4 Exogenous Variables
The Howard and Sheth model also “has several constant exogenous variables”. They have potentials to influence many of the constructs described above. These variables are not explicitly shown in the model.”They impact the final output variables. These are
explained as environmental forces like purchase priority, price, financial status, time, personality traits, social pressures etc that hold back the purchase of a preferred brand”.

This model explains three potential types of decision making, namely extensive problem solving, limited problem solving and routinized response behavior to understand the consumer buying behavior in detail.

### 3.5.5 Extensive Problem Solving

This occurs when the consumer’s familiarity about a brand is minuscule. The consumer is not able to decide about his preferences for any particular brand. Therefore, he acquires information about a number of alternative options before making any final decision. It also permits him to decide the preference criterion.

### 3.5.6 Limited Problem Solving

This takes place when consumer’s knowledge about a certain brand is moderate. Consumer is not able to assess brand differences and decide about a specific choice. So, a broad picture about the evoked or known brands is developed and a set of new choice criteria is formed. Ultimately the consumer develops a preference order or attitude about alternative choices.

### 3.5.7 Routinized Response Behavior

This occurs when consumer’s knowledge and belief about certain products alternatives are well established and consumer is likely to confine his choice to those brands only. Here the choice is made by habits and least efforts. The consumers choose some specific well-known options due to his loyalty to the brand and avoid risks.

### 3.5.8 Working relationships between Constructs and the Model:

Howard and Sheth have explained the buying decision process through this model. They have also elucidated the factors that affect consumers’ decision towards a brand. The process begins when the buyer is shown a stimulus. Stimulus ambiguity takes place as a result of the unclear promotions which leads to an open search for information. The information is filtered by perceptual bias. It may change the existing patterns of choice criteria. It could lead to a modification of consumers’ attitude towards the brand purchase.
The ultimate purchase decision is based on the interaction between brand comprehension, attitudes towards the brand, confidence in the purchase decision and purchase intention. The actual purchase is affected by the buyer's motives and environmental factors. The whole process is influenced by various exogenous variables like the need of purchase, price, and time available for purchase, social and cultural influences etc. After the purchase, the buyers’ satisfaction motivates to repeat purchase of the brand. The purchase feedback thus influences the consumers’ attitudes and intention.

3.6 AIDA Model

This study also uses AIDA Model to understand the consumer buying process. AIDA model is a simple model of communication which explains the consumers’ decision making process. It is a tool to understand what attracts consumers’ attention, creates interest, stimulates desires and motivates for purchase action.

3.7 Significance of Private Labels

The significance of private labels has changed considerably during the past decades. They were cheap copy of major national brands. Now they are evolving into mature alternatives to national brands. “They are capable of challenging successfully on quality as well as on price.” (Quelch and Harding, 1996) “They are contributing significantly to bottom lines, store differentiation and trustworthiness” (Corstjens and Lal, 2000). “Sales volumes, market shares as well as the appeal of private labels to consumers have increasingly improved.” (Dunne and Narasimhan, 1999) (Richardson et. al., 1994) believed that “many retailers regard themselves as active promoters of private labels instead of passive distributors of national brands”.

“Store brands have the potential to attract customer foot falls and create store loyalty by introducing exclusive product lines and premium products.” (Corstjens and Lal, 2000, Dunne and Narasimhan, 1999) According to (Narasimhan and Wilcox, 1998) private labels have the potential to get rid of a lower-price – low quality image of retailers. They increase the bargaining power of the retailer over leading national brands and occupy more shelf space. “Keeping private labels provides numerous advantages like high gross margin, which can be 25 percent to 50 percent higher compared to national brands” (Keller, 2013). Achieving high margins are basically the results of well-organized marketing endeavor, dropping the middlemen and economies of scale achieved in supply
chain. “Private labels present value to consumers by offering a combination of ‘good quality’ and ‘better-value’ products. They strengthen the retailer’s name on the store shelves as well as in the consumers’ mind.” (Richardson et al.1996)

Private labels are becoming reputed brands on their own merit, identities and quality images (Keller, 2007). The private labels have become a strategic business tool for retail chains (Steiner 2004). “The retail chains are expected to gain enhanced control over the brands they sell. They want to leverage the acceptance of a private label brand across all product categories” (Steiner, 2004). (Narasimhan and Wilcox, 1998, Bergès-Sennou et. al., 2003) found that “retailers are using successful private label brands as bargaining power for price negotiation with major national brands manufacturers”.

Offering unique products helps retailers to differentiate them from other stores which consequently creates competitive advantage for the stores. Store differentiation leads to increased store loyalty and customers’ patronage (Quelch & Harding, 1996). They observed that consumers are usually more store loyal than brand loyal.

Richards, Hamilton, Patterson, & Portland (2007) found that “private labels play a key role in pulling customers from other retailers”. Anselmsson & Johansson (2007) believe that “when consumers purchase more private labels they become more loyal to the store”. “Private labels loyalty helps to compete with leading national brands. Private labels have indeed captured share of national brands” (Hoch, 2002). This fulfills the desirable goal of the retailers. This means consumers should come back to the store to purchase the private labels products which are not available in other stores. However, private labels have switched their strategy from imitating national brands to offering new and better products to customers.

### 3.8 Significance of National Brands

National brands are usually more costly than the private labels. Consumers who buy national brands are ready to pay high price for them. The quality of national brands is a key factor for its preference over private labels. However, increasing quality of private Labels is bridging this gap. In a Gallup study on the PLMA website (1999), “75 percent of the respondents pointed out that quality of private labels and national brands were similar”.

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“Consumers pay a higher premium for a national brand because of brand equity”. According to Keller (1993) “brand equity is the set of associations and behaviors on the part of the consumer that permits a brand to earn larger sales volumes and bottom lines.” The studies conducted by Sethuraman (1998) recognized that “high brand equity leads positively to improved market share, return on investment and better market value of stocks. Therefore, national brands with upbeat brand equity are able to charge a price premium over the private labels”. Hoch (1996) recommended that “developing healthy brand image and brand equity would be a more practical and beneficial approach than just cutting prices to compete with private labels”.

Sethuraman (2003) “enlightened that consumers’ preference for national brands is heavily influence by brand equity”. This means that brand equity has a noteworthy influence on the national brand buyers. According to Sethuraman (2003) “customers keenly pay a higher price for national brands purely because of their awareness, imagery or other affirmative associations with national brands which go beyond quality perceptions”.

3.9 Characteristics Affecting Consumer Behavior

Marketers must comprehend both the theory and reality of consumer’s behavior completely. The studies on consumer behavior reveal how individuals, groups and firms select, buy and use products to satisfy their needs and wants. Consumers’ buying behaviors, by and large, are affected by socio-cultural, economic, personal and psychological factors.

3.9.1 Cultural Factors

Culture, sub-culture and social class exert significant influence on consumer buying behavior. Culture is the basic determinant of a person’s wants and behavior. It is widely known that a growing child adopts the prevailing societal values, perceptions, sensitivity, preferences and conduct from his surroundings. According to (Kotler, Keller, Koshy and Jha 2010) “Growing middle class teens in India are exposed to the values like respect and concern for elder, honesty, sincerity and integrity, working hard, accomplishment and success, human welfare and sacrifices.” “Many sub-cultures constitute key market segments. Therefore, marketers regularly design new products and marketing programs tailored to their needs.” (Kotler, Armstrong, Agnihotri and Haque 2010)
Almost every society has different social class composition. Social classes are society’s fairly stable and structured segregations whose members’ have similar values, interest and behaviors (Kotler, Armstrong, Agnihotri and Haque 2010). Social class is influenced by the caste system in India. This goes beyond the income level. As a result market segmentation becomes very complex process. This market complexity has encouraged the development of socio-economic categorization as a practical method to segment market. Socio-economic factors governed by the person’s education as well as occupations also influence consumption behavior in India (Kotler, Keller, Koshy and Jha 2010).

The Indian marketers use a combination of education and occupation of chief wage earners of the households to classify buyers in urban areas. They classify all the urban households into eight broad SEC (Socio-Economic) categories like A1,A2,B1,B2,C,D,E1 and E2 with A1 signifying the highest purchasing potential and E2 signifying the lowest.

For the rural areas the occupation of main wage earner of a household and type of house are broadly used for segmentation purposes. The study of social classes gives ideas about product and brand preferences in many product categories like clothing, home furnishing, leisure activities and automobiles etc. (Kotler, Keller, Koshy and Jha 2010).

3.9.2 Social Factors

Social factors such as reference groups, family and social roles and statuses significantly influence consumers’ behaviors.

3.9.2.1 Reference Group

A person’s reference group has a direct or indirect influence on his attitudes and behavior. Family, friends, neighbors and co-workers etc. usually influence a person’s buying decisions. Reference groups influence members in a numbers of ways. They expose a person to new behaviors and life styles. They influence attitudes and self concept. They build pressure for compliance that may influence products and brand selections. Marketers must reach and influence the group’s opinion leaders (Kotler, Keller, Koshy and Jha, 2010).
3.9.2.2 Family

Family members are the most influential reference group. They can influence the brand choices in the categories where the product is used for family consumptions. A consumer might prefer a particular brand in spite of his/her personal preferences keeping the benefits of other family members in mind. National brands with their heavy advertising and promotional budgets and their presence for a longer period of time, can affect the brand choice of the household. It is rightly said that greater is the influence of family members in the national brands selection, lower is the possibility of private label trial and consumption. People often purchase products suitable to their roles and status (Kotler, Armstrong, Agnihotri and Haque 2010).

3.9.2.3 Personal Factors

Personal characteristics also influence consumer’s decisions. These include the buyers’ age, life cycle stage, occupation, income, economic conditions, personality, lifestyle and values. These characteristics have a very direct influence on consumer behavior. People purchase various products over a life time. Preference and choice of food, apparels, furnishings and recreation is usually age related. Family life cycle shape the consumption pattern. Product selection is very much influenced by occupation, income and economic situations. Every individual has distinctive personality traits which impact his buying decisions. It can be a valuable variable in examining consumer brand choices. Brands also possess certain personalities. The consumers opt for brands which match their personalities. Consumers’ lifestyles and core values also influence their decisions (Kotler, Keller, Koshy and Jha 2010).

3.9.2.4 Psychological Factors

It is the marketers’ utmost responsibility to identify what changes take place in the consumers’ subconscious mind between the exposure to outside marketing stimuli and final buying decisions. Key psychological processes like motivation, perception, learning and memory primarily impact consumers’ responses. A need turns into a motive when it is stimulated to an adequate level of intensity to impel consumers to act. A motivated person is all set to take decision. Consumers’ acts are influenced by their perceived view of the circumstances. Perceptions are more significant than truth because perceptions influence consumers’ actual behavior. Perception is the process by which consumers
select, organize and interpret information input to create a meaningful picture of the world. Learning encourages transformations in consumer behavior arising from experience (Kotler et.al. 2010). Learning is formed from the interaction of drives, stimuli, cues, responses and reinforcement (Kotler et.al. 2010). Memory is a very helpful process. It is marketer’s responsibility to ensure constructive product experience in consumers’ memory to create the apt brand knowledge and associations. People acquire beliefs and attitudes by actually doing and learning. Beliefs build up product and brand images that shape buying behavior. Attitude put consumers’ into a mind frame of liking or disliking products. These consequently influence their buying decisions (Kotler et.al. 2010).

3.10 Consumer Demographics Characteristics

A large number of studies have been undertaken to study the effects of demographic characteristics. “Demographic factors have a considerable relationship with psychographic characteristics”. (Ailawadi et. al., 2001) believed that understanding demographic factors could be useful in formulating appropriate marketing plan, segmentation, targeting and positioning (STP) strategies. “It is crucial to inspect the influence of these factors on private label buying decision over a period of time.” (Richardson et. al., 1996) The following subsections analyze demographic variables like age, gender, education and monthly income.

3.10.1 Age

Age is the factor most often assessed in private labels studies. Some studies reported that age was not the important factor affecting private labels purchase. According to (Richard et. al., 1996) “senior consumers with their vast expertise rather than younger consumers might opt for private label in place of national brands. Various researchers contend that age is a good indicator for differentiating private label buyers from national brand buyers. “Older consumers are likely to avoid private labels but younger customers are more inclined to accept them.” (Dick et al., 1995; Omar, 1996) This finding matches with some earlier studies. These studies have pointed out that younger shoppers prefer to buy private labels and older shoppers go for national brands (Cunningham et. al., 1982). “Contrary to these findings, some studies assert that older consumers are more price-sensitive and have severe budgetary limitations in comparison to younger consumers.” (Dhar and Hoch, 1997) These studies have stated that older consumers are more likely to purchase low-price products like private labels.
3.10.2 Gender

Studies conducted during 1980s frequently selected female as research samples to examine private label buying behavior. These studies did not specify whether male consumers had similar purchase behavior as females. According to (Ailawadi, 2001; Omar, 1996) the studies undertaken later indicated that females were more likely to buy private labels than male consumers. However, some researchers as quoted by Burton et. al. (1998) asserted that consumers’ gender affect on private label purchase was not significant.

3.10.3 Education

The influence of education on private labels purchase is also debatable in the private labels studies. “Some studies specify that high educated consumers have more possibility to achieve high earnings. They have less financial limitations. They are more quality conscious.” (Ailawadi et. al., 2001) “Some researchers have found that private label buyers have lesser formal education than national brand buyers.” (Omar, 1996) However, some other studies asserted that well-educated consumers are confident about their analyzing abilities. They have better awareness about the relative quality of private labels as compared to national brands (Hoch, 1996). Burton et al., (1998) recognized that consumers with higher education have more favorable attitude towards private labels. According to (Cunningham et. al., 1982; Hoch, 1996) and similar other studies it is also suggested that education is positively related to private labels purchases. However, Richardson et al., (1996) findings indicate that “there is no relationship between education and private label proneness”.

3.10.4 Income Level

Income always influences the consumers purchasing ability. When income falls during economic recession, consumers become highly price conscious. They tend to opt for lower price products (Hoch and Banerjee, 1993). Hoch (1996) pointed out that “other things being equal, high household income have an obvious negative association with private labels purchase”. This is because high-income family unit are not much financially constrained. According to (Ailawadi et. al., 2001) high-income consumers are not much price conscious. They have lesser inclination to buy them (Hoch, 1996). Therefore, higher incomes cause the dropping of private labels market shares.
Dick et. al., established that “private labels perform better with the lowest and the highest income household segment than in middle-income groups”. The study conducted by Akbay and Jones (2005) found that “low income consumers are more inclined to purchase private labels, low-quality goods subject to promotion”. Hoch (1996) recommended that “the high-income consumers are low price sensitive and less inclined to purchase private labels as a substitute for national brand when compared with the low income level and high price sensitive consumers”. However, as per many studies, (Hoch, 1996; Sethuraman and Cole, 1999) there are still many uncovered income level aspects of consumer behavior which need further investigations.

### 3.11 Determinants influencing Private Labels and National Brands Purchase

Today’s customers need high quality and value-added benefits in products. Leading brands are vying for larger market share. The winners always go all-out to offer the superior value to consumers. If firms fail to understand the consumers’ requirements or offer poor quality product they must be ready to face the repercussions. Therefore, it is essential to comprehend the attributes which customers assess before taking buying decisions. The marketing mix elements should also be taken into account by the firms. This section underlines various important attributes which influence customers’ decisions to buy private labels or national brands.

#### 3.11.1 Product’s Perceived Quality

“Product quality is considered to be critical to achieving competitive advantage” (Hansen & Solgaard, 2004). “Perceived product quality is defined as consumers’ judgments about a product’s overall excellence or superiority or products’ ability to satisfy the expectations and needs of customers” (Bergman & Klefsjo, 1994). “Quality is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs” (Kotler 2000). “Quality is categorized into two forms, objective (actual quality of the product) and subjective (consumer’s perception of quality).” Steenkamp (1989). According to (Hansen & Solgaard, 2004) “the assessment of perceived quality can be challenging because it is subject to the consumer’s own judgment”.

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Perceived quality is a key factor which influences the purchase motive of consumers. Numerous models are available which elucidate the quality perception process. In 1990 Steenkamp developed a comprehensive model in this regard. According to this model, the vital factors influencing perceived quality are quality cues and attributes. This model also points out that the environmental, personal and situational factors also affect the consumer’s perception indirectly.

“Quality is an essential parameter for competition between private labels and national brands. Retailers strive to deliver quality desired by customers at par with national brands” (Hoch, 1996). The studies conducted by (Hoch & Banerji, 1993; Sethuraman, 2003) have established that “quality is much more significant than price in terms of consumer satisfaction, purchase decision and growth of private labels market share”. Further, Dhar & Hoch (1997) found that “private label penetration is greater in higher quality categories. According to them the degree of a retailer’s commitment to quality along with the inclusion of a premium private label in its assortment helps to describe the variance in private label penetration across retailers”.

The degree of perceived risk is reduced when consumers believe that private labels and national brands quality is similar (Baltas, 1997). “Studies analyzing private labels brand equity suggest that national brands have superior brand equity than private labels regardless of the fact that their actual quality may be similar. Customer brand equity is the differential effect that brand knowledge has on consumer response to the marketing of that brand” (Keller, 2003).

The existing quality of private labels has been the focus of discussion for many years. Private labels became successful primarily on quality rather than low-price after1990s (Hoch and Banerji, 1993; Sethuraman, 1992).

Gabrielsen et al., (2004) argued that even though the private labels quality had been compared with national brands but the perceived quality of store brands stays behind. Though Wulf et al., (2005) acknowledged that the perceived quality levels of private labels matches with national brands’ in blind tests. He summed up that the private labels lack brand equity. Nowadays private labels are focusing more on the innovative ideas. This change was observed in studies carried out in late 1990’s. (Quelch and Harding,
believe that private label products have significantly improved their quality and packaging, making them comparable to the national brands”.

### 3.11.2 Pricing

“Several studies substantiate that consumers attitude towards private labels has been affected by the lower price of private labels relative to national brands. The price gap between private labels and national brands in Europe was around 26 percent to 48 percent” (AC Nielsen, 2005). The following sections sum up the findings of important price-related studies.

The impact of the price differential between national brands and private labels is well documented. Hoch & Banerji (1993) reported that “the price gap has no affect on private label market share. They pointed out that consumers do not buy private labels only because they are lower-priced”. Later in an obvious contradiction to this finding, Hoch (1996) observed that “a large price differential between national brands and private labels encourages private label sales. He added that if the differential is small, consumers are more inclined to buy the national brand”. Méndez et. al. (2008) concluded that “a bigger price differential between private labels and national brands leads to higher market shares for private labels in most product categories but not in high-risk categories where consumers are prepared to pay for higher-priced national brands”.

(Burton, 2002) studies “signify that consumers who correlate quality with price have less favorable attitudes to private labels”. According to Sinha & Batra (1999), “consumers who have strong price-quality associations in a product segment are not inclined to purchase private labels in the segment. This influence is moderated by perceived risk”.

The consumers’ price-quality associations affect their price consciousness towards private labels. According to Sinha & Batra (1999), “price consciousness means a buyer is not willing to pay a higher price for a product. Consumer focuses on paying low prices. They stressed that a consumer is reluctant to pay for the unique features of a product if the price gap for these features is too high”.

Ward (2002) and Bontemps (2005) studied in term of price changes of private labels and national brands and found that the reason of growing private label market share is continuous price increase by national brands manufacturers. Huang, Hahn and Jones
(2003) reported that even the higher-income group consumers are sensitive to national brands price changes compared to the price changes of the private labels. The research conducted by (Dick, Jain and Richardson, 1997; Pauwels and Srinivasan, 2004) found that the low price positioning of private labels leads to high store traffic and also promotes store loyalty.

3.11.3 Promotion

Regular sales promotions have been common tactics used by national brands to counter the private labels in the last few decades. According to (Queleh and Harding, 1996) “this is a helpful strategy to cut the private label penetration into the market”.

National brands offer various sales promotions schemes like price discounts, price-pack deals, manufacturers’ coupons, display discounts, etc to augment consumer demand. These schemes generally offer 20 – 30% price concession (Ailawadi, Neslin and Gedenk, 2001). Hence, customers who intend to save money have two options which are buy private labels or look for the price deals of the national brand.

“National brands’ promotions allow consumers to experience economic as well as hedonic benefits like exploration and self-expression. Advertising, sales promotions and publicity are mostly used by the national brands because they have sufficient budgets for marketing programs. This provides a key advantage to national brands in comparison to the private labels. It helps national brands manufacturers’ to target a deal-oriented segment.” (Ailawadi, Neslin and Gedenk, 2001) This can be achieved by suitable integrated marketing communications to appeal to the quality conscious customers.

By and large, private labels are not advertised or promoted extensively (Rao, 1989). The success of private labels could be attributed to the thinning expenses of advertisement and other promotional activities, along with rising quality levels and the distribution channel efficiency (Hoch and Banerji, 1993).

In the recent years leading retailers have exercised meticulous advertisements and promotional efforts to highlight the quality features of their respective private labels (Akbay and Jones, 2005; Semeijn et. al., 2004). Furthermore, the advertising and promotional activities of private labels have improved the retail chains profitability and
the channel power (Parker and Kim, 1997). According to Batra and Sinha (2000), these marketing activities have also established customer loyalty.

Similarly, all the promotional activities have a straight influence on deciding the private labels positioning (Davies, 2004). If a firm regularly improves the quality features of its product and intensely promotes its private labels, it may be able to position the product even in a premium segment. However, the researchers like (Dhar and Hoch, 1997; Ailawadi and Keller, 2004) believe that it is more suitable to position national brands in segments where the concentration and the price gaps is high, at the same time the promotional activities of national brands are quite low.

3.11.4 Place

Fernandez & Gomez (2003) noticed that “the retailers are in a position to negotiate with national brands manufacturers owing to the continuous growth of leading supply chains across most of the European Union countries. Retailers are in a position to take decisions which affect products’ placement in the stores and on the shelves. The private labels have secured distribution and the preferable shelf space in the store”. In his study Hoch (1996) found that retailers have free access to prominent self space in the store at the same time national brands manufacturer are charged for the new products introduction. National brands manufacturer argued that private labels’ suck up larger space and better position in the stores (Fernandez & Gomez 2003). However, the study conducted by them found that national brand manufacturers with a high level of innovations are not influenced by the retailers’ power.

3.11.5 Perceived Risk

“Perceived risk is consumer perceptions of the uncertainty and undesirable consequences of buying a product” (Dunn et. al., 1986) “Perceived risk is the likely negative utility or the probable penalty connected with the buying of a specific product or brand. These risks can be reflected in a number of ways. For instance consumers may doubt that a product may not have needed attributes, performance, social acceptance, financial benefits. They may also suffer from emotional or psychological risks.” (Dick et. al., 1995, Narasimhan and Wilcox, 1998)
Various studies have established the magnitude of perceived risk in private label purchase. Consumers are keen to buy the national brands when they perceive negative outcomes of selecting a brand. (Batra and Sinha, 2000, Semeijn (2004) found that “consumers are interested to purchase national brands when the quality variance within a product category is high”.

Erdem and Swait (1998) made an inference that “consumers have less indecision and perceived risk in product categories with more search than experience attributes. Customers favor national brands in the product categories where the product packaging does not provide enough information to evaluate product quality correctly (required for experience attributes)”. Batra and Sinha (2000), Erdem (2004) “asserted that consumers will prefer national brands to private labels if the level of perceived risk in buying private labels in that segment is seen as higher. They also pointed out that the degree of perceived risk augments with the degree of perceived quality variation”.

Erdem et. al., (2004) emphasized that attitudes connected with perceived risks, quality, and price factors have a considerable impact on consumers’ private labels purchasing decisions. Steenkamp and Dekimpe (1997) projected that “the power of a private label, even for a leading retailer differs significantly across product categories”. With regard to these claims, Mitchell (2001) associated the categorical success variations of private labels with the perceived risk variations across consumers.

Del Vecchio (2001) believes that consumers trade off to reduce financial risk frequently. It means in certain circumstances customers are prepared to buy the lower quality product for less financial cost. According to (Bearden and Etzel, 1982) customers rely on the national brands due to marketing efforts which help to create feeling of the group belongingness, status, and fashion and style consciousness in order to reduce social risk.

3.11. 6 Brand Loyalty

It companies are conscious that in order to be successful a strong base of loyal customers is essential. Companies need to nurture their existing customers to boost and reinforce loyalty. Customers are exposed to a large numbers of offers to choose from. Therefore, buyers are likely to switch brands loyalty more frequently now than earlier times (Kapferer, 2008).
“Brand loyalties form “the association that a customer has to a brand”. It is a “deeply held commitment to re-purchase or re-patronize a desired product/service regularly in the future (Aaker 1991). According to Yoo and Donthun (2001), “loyalty is an inclination to be dependable to a brand/product. This is reflected in the consumers’ intention to buy products as a primary choice”.

It is high time to create a strong bond between the company with its existing and prospective customers. Ailawadi (2001) suggested that the retailers must achieve store loyalty through private labels. He found that the private labels loyalty was attaining the same focus as the national brand loyalty. Labeaga et. al., (2007) acknowledged that private labels loyalty concept basically differs from brand to brand and category to category.

Erdem et. al., (2004) pointed out that private labels would absolutely grow both in revenues and overall market share by means of evolving re-purchase behavior. It is quite a probability that a consumer would repeat the purchase of the same private labels, if he has bought it once. The private labels are getting behavioral loyalty. According to (Howard and Sheth, 1969) it is costly for customers to demand distinct brands and go through the purchase decision process time and again. Therefore, the consumers’ attempt to routinize their brand-based purchasing decisions and try to buy the same brand regularly.

3.11.7 Shelf Space

Shelf space is considered as one of the most key assets of retailers. It is generally regarded as a significant scarce resource. This can be proved from the fact that leading retailers offer more than a thousand private label product assortments in their product lines (Parker and Kim, 1997). Therefore, shelf space allocation should be carried out on an optimal scale (Amrouche and Zaccour, 2009). The studies conducted by (Desmet and Renaudin, 1998) suggest that an increased private labels shelf space allotment would decisively have a positive influence on the consumers’ motivation in buying private labels.
3.11.8 Store Image

“The store personality or image – the way in which the store is defined in the shopper’s mind, partly by its functional qualities and partly by an aura of psychological attributes” (Martineau). “Businesses view store image as critical to retail success. It affects store patronage positively which leads to profitability” (Hansen & Solgaard, 2004).

Kapferer recommended that “Consumers have different personalities; therefore, retailers should develop personality and identity of the store. Consumers form images about a store relative to images of other stores”. According to Hansen & Solgaard (2004), “consumers differentiate between stores on various attributes such as service, price and quality, the image and positioning of a store”. Researchers have identified a variety of store image dimensions such as location, atmosphere, price, promotion, quality, variety and service (Ailawadi and Keller 2004).

“It seems that brand image has a stronger influence than store image” (Mazursky & Jacoby, 1986). According to this study if the retailers keep high level brands it will improve low store image. Similarly if a retailer keep low image brand it may affect the store image. On the other hand high image store can’t improve low brand image but low image store can harm high image brands.

A number of studies have tried to discover the possible impacts of store brands on human ego. It was found that functional utility derived from certain merchandise is overwhelmed by the emotional utilities it offers. The store image plays a pivotal role in shaping the customers’ acts towards that specific commodity. Store can be employed as a tool to differentiate from its prominent rivals (Dick et. al., 1995).

Ailawadi and Keller (2004) linked the store image phenomenon with the consumers’ attitude shaping process and claimed that the store image formed the overall attitudes of associated consumers. On the other hand, Kapferer recommended that the store image is one of the most exceptional influencer in building company brand strategies. In his frequently cited research, Ailawadi and Keller (2004) established that a positive correlated relationship exists between the store image and the perceived product image. Vahie and Paswan (2006), in their prominent study, implied that the store atmosphere has a significant impact on the perceived quality of the commodities and added that the price /
store image ratio has just a considerable affect over the customer satisfaction levels based on merchandise.

Keller (2003) stated that applying store name directly on ego-centric products may contain some drawbacks. Aaker (1999) emphasized that developing product categories, which are not in consonance with the popularly known store image, might have adverse outcomes. Therefore, organizations must give ample attention in their assessments of their store image which should be consistent with the relevant category.

Moreover, the degree of perceived risk is also moderated by the perceived store image. Liljander et al., (2009) claimed that the perceived risk level faced by the consumer about product quality and store image determine a consumer’s store brand purchase decisions. Powerful store image, strengthens the associated product category and the value-offered by that specific product and reduce the probable perceived risks (Liljander et al., 2009; Semeijn et al., 2004).

“Image is one of the most significant reasons for introducing private labels” (Anselmsson and Johansson, 2007) Vahie & Paswan (2006) found that “consumer perceptions of private labels quality in the apparel category are influenced by the store image dimensions of store atmosphere and store quality”. In their study Collins-Dodd & Lindley (2003) concluded that “private labels can play a central role in retail differentiation which leads to store loyalty if consumers identify them to be associated with the unique store image”. “The rise of the retailer as a brand is regarded as one of the most noteworthy trends in retailing” (Grewal et al., 2004). “Manufacturer’s brands do not play a role in store differentiation because they are found in many stores” (Martenson, 2007). “Private labels enhance retail store differentiation” (Corstjens & Lal, 2000, Sudhir & Talukdar, 2004)

The above studies suggest private labels play an important role in building store image its differentiation. A small number of studies have examined the influence of perceived store image on consumers’ attitudes to private labels.

3.11.9 Private Label Positioning

Consumers build their perceptions and attitudes towards private labels mostly on their assessment of quality, price and value proposition compare to national brands. The
positioning strategies of retailers and manufacturers influence the positioning of private labels.

Private labels may be positioned on economical price, finer quality and innovative benefits and features etc. The studies suggested that retailers need to have different categories of private labels to meet the needs of price and quality conscious consumers. These private labels should differentiate from each other as well. Sayman & Raju (2004) while analyzing the positioning of two and more private labels asserted that “it is more profitable for a retailer to introduce multiple private labels in categories where existing national brands have similar market shares and are not price sensitive to each other. It is advisable to position each private label close to different national brands”.

3.11.10 National Brands Positioning

A number of studies give a reasonably mixed picture on the positioning of private labels and national brands. “Many researchers advocated that national brands should widen their distance from private labels” (Choi & Coughlan, 2006; Hoch, 1996; Quelch and Harding, 1996; Verhoef, Nijssen, 2002) and “differentiate through quality and continuous innovation to provide enhanced value for consumers” (Pauwels & Srinivasan, 2004). Choi & Coughlan (2006) asserted that “manufacturers of national brand are determined to differentiate on the basis of quality and product features from private labels over time. However, the differentiated national brands are likely to be copied by high quality private labels”.

(Choi & Coughlan, 2006; Richards et. al., 2007) observed that “national brands manufacturers are trying continuously to distance their brands from private labels. “The retailers’ positioning close to national brands is proved by the availability of large numbers of ‘me too’ private labels that are copies of national brands” (Bergès-Sennou, Bontems, and Réquillart, 2003). However, in a study conducted in 2000 Sethuraman found that “practically not many private labels are positioned closely to leading national brands because such a positioning may not be believed to be credible” According to Sayman, Hoch and Raju (2002), “consumers recognize the national brand positioning but they do not change their perceptions about private label quality”.

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3.12 Private Labels and National Brands Purchase Attributes

The literature review of earlier studies shows that there are many influential factors which consumers evaluate before buying the private labels and national brands. However, there are not many studies available in India to identify determinants for the purchase behavior towards private labels and national brands in men’s apparel category. Consequently, this study intends to identify the variables/ factors which affect the buying of private labels and national brands in men’s apparel category in NCR region of Delhi.

Following factors were identified to analyze the consumer preference of private labels and national brands in the men’s apparel segment after review of the available literature.

- Quality
- Price
- Risk
- Freshness
- Packaging
- Referral group
- Variety
- Style, trendiness
- Store image, ambience, visual merchandising
- Brand image (brand loyalty, experience, reliability)
- Product performance quality (fitting, comfort, fabric quality, price, durability)
- Appeal
- Promotion, discount
- Family Influence
- Demographics variables (gender, age, income, education, marital status)

3.13 The Research Gap

Private labels have become a common product preference for consumers in many countries. Introduction of private labels across product categories is a significant business strategy for retailers. It is also a major concern to national brand manufacturers. There are various reasons for conducting this study. First there is a need to conduct more research on private labels apparel category in India. India has a limited numbers of private labels across product categories in comparison to other countries. Even though private labels are growing in this country but the growth rate is pretty slow. “The experience of other country suggests that the key driver for private label growth is retail chain consolidation” (Morris 2003). The consolidation process in India has begun. Indian retailers are steadily developing private labels across various product categories. Most of the studies on private labels have been conducted in Europe and US. Their findings may not be applicable here
because of a number of reasons. It is very difficult to explain why Indian consumers prefer national brands to private labels or vice versa on the basis of those studies.

More studies are needed to understand consumers’ level factors like packaging, store image, brand image, service, perceived risk, price-quality perception, value consciousness, satisfaction, loyalty and demographic characteristics etc. in the private label areas to drive consumer purchasing. One more inspiration for this study is that there is a need to conduct various category label research because “the growth of private labels has been highly uneven across different product categories” (Batra & Sinha). Most of the studies have analyzed generalized attitudes to private labels not the specific attitudes like men’s apparel category.

Finally, this study wishes to provide deep insight to the researchers and practitioners in terms of private labels and national brands product preference, store choice, satisfactions and loyalty etc. Precisely this study intends to bridge the gaps discussed above.

3.14 Problem Statement

In line with the research gaps pointed out above, this study intends to fill those gaps. This study tries to find out the factors influencing the consumer buying behavior towards private labels and national brands in men’s apparel category in the NCR region of Delhi. Private labels and national brands manufacturers should know the factors /variables / attributes that motivate consumers to buy national brands or private labels. They need to know what satisfies the customers and makes them loyal to a particular brand. They should also identify reasons motivating customer to select a particular store. This present study attempts to explore the following research questions in this regard.

- How consumers perceive private labels and national brands in term of quality and product features?
- Which factors influence the success of private labels in apparel segment?
- What are the major attributes/variables on which consumers assess both private labels and national apparel brands?
- How does store image affect customer attitudes to specific private labels?
- How can the store brand positioning strategies be formulated?
• Do the demographic characteristics of consumers influence their private labels and national brand choice?
• What are the strategies retailers should adopt for branding the private labels?

It is expected that the findings of this study may offer key consumer insights for retailers and national brands’ manufacturers. The findings may assist them to formulate needed strategies to promote their respective brands.