Chapter 1

Introduction
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1.1 Background of Research

1.2 Justification for the Research

1.3 Objectives

1.4 Introduction to the Four Stores

1.5 Outline of the Report

1.6 Definitions

1.7 Delimitations of Scope & Key Assumptions

1.8 Conclusion
Introduction

1.1 Background of Research

Retail is the first stage of any economic activity and so it occupies an important place in the world economy. Retailing comprises the business activities involved in selling goods and services to consumers for personal, family, or household use (Pradhan, 2010). Retailing, being an inevitable and essential part of distribution process, has also become important for the economic development of a country. The Indian retail market, which is the fifth largest retail destination globally, has been ranked as the most attractive emerging market for investment in the retail sector by AT Kearney's eleventh annual Global Retail Development Index (GRDI), in 2012. The Indian retail market is highly fragmented with 94 percent business coming from unorganized retailing and 6 percent share from organized retailing. Growth is supported by strong macroeconomic conditions, including 6 to 7 percent rise in GDP, higher disposable incomes and rapid urbanization. As per a study conducted by the Indian Council for Research on International Economic Relations (ICRIER), the retail sector is expected to contribute to 22 per cent of India's GDP by 2010. As per another study conducted by Technopak, organized retail share would reach 25% by 2018.

Current trends and future prospects indicate that government initiatives are favourably taken in this respect, foreign investments are encouraged, the awareness of consumers is increasing, retailers are also experimenting with new formats and rural areas are also being tapped with innovative store formats. Gaining and sustaining a strategic competitive advantage in retailing requires knowledge of the store attributes that consumers value and use to discriminate between stores and why the attributes are important. Hence, there is a rising need to evaluate the major drivers of shopping behaviour in Indian context.

Apart from food and grocery, apparel is expected to grow 9 to 10 percent year over year, for the next five years. A Mc Kinsey report ‘The rise of Indian Consumer Market’, estimates that the Indian Consumer Market is likely to grow four times by 2025. In 2005, the middle class segment was relatively smaller in size, comprising just 5% of the total population but this is expected to increase to 41% by 2025. The total apparel consumption by these classes is said to increase more than 10 times from $3.6 billion in 2006 to $37 billion by 2025. According to estimates by the India Retail
Report 2007 India’s domestic market for clothing, textiles, and fashion accessories is estimated to be worth Rs. 113,500 crores, of which nearly 19 percent is fully organized.

Apparel shopping consists of shopping for men’s and boys’ wear, women’s, children’s, girls’ and infants’ wear, general clothing businesses, footwear, leather products and travel goods (Guy 1998). Over the years there have been sweeping changes in the general retail business, mainly in apparel retailing, which was once strictly a made to order market for clothing market has changed to ready to wear market. The apparel industry is one of the India’s biggest foreign exchange earners, accounting for 12 percentage of country’s total export. India’s textile and apparel industry (domestic and export) is expected to grow from Rs 3.27 lakh crores to Rs 10.32 lakh crore by 2020, says a new research report by Technopak Advisors, a leading management consultancy. It estimates that by 2015, the overall Indian Apparel industry would be worth Rs 2.88 lakh crores and the organized market share will be 25 percentage of this.

India is the second largest manufacturer of apparels after China. India’s branded apparel industry has been rapidly flourishing in the last few years. In India, apparel is the second largest retail category (behind food and groceries) business, representing approximately 10 percentage of the total market. The overview of the branded apparel market in Gujarat is similar to the overall Indian market. Gujarat is one of the most urbanised states in India. The four largest cities of Gujarat, i.e. Ahmedabad, Baroda, Surat and Rajkot have attracted all major branded apparel players. But now, brands have started shaping buying behaviour.

Consumer behaviour is the study of when, why, how, and where people do or do not buy a product. It attempts to understand the buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics and behavioural variables in an attempt to understand people's wants. Perception is defined as the process by which an individual selects, organizes and interprets stimuli into a meaningful and a coherent picture of the world (Bernard Berelson and Gary Steiner, 1964). It can be described as “how we see the world around us.” Perception is more than just gathering information about a certain event at a certain time. It involves, recognizing stimuli, processing and storing them. The
major challenge for the marketer is to find out the target customer and how the customer perceives the world.

Moreover, in this era of survival of the fittest, one strategy which a retailer can think of is to go for private branding. Private labels have come a long way over the last three decades. According to Private Label Manufacturer’s Association (PLMA), “Private Label products encompass all merchandise sold under retailer’s brand. That brand can be retailer’s own brand name or created exclusively by the retailers. 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. Private labels have metamorphosed over a period of time, from being a simple concept of “low price & low quality” to myriad classifications of “premium value brands”, “value innovators”, etc. As time passes, the difference between private labels and national brands seems to blur. It is also evident from the study that drivers like cost reduction, combination of several functions of supply chain and store loyalty have actually led to the growth of private labels in India. Though there are a few challenges which need constant attention for the growth of this sector, private labels, in spite of being in an introduction stage have a very bright future in India. Private Labels are also called Private Brands or Store Brands or Own Brands.

Private Label brands have experienced category growth, as evidenced by the increase in product categories registered in the Private Label Manufacturer’s Association’s (PLMA) annual yearbook. First published in 1992, PLMA’s yearbook had fewer than 200 categories of Private Label Brands. In 2010, their yearbook contained more than 700 categories of private label brand products.

The further section (Chapter 2) of literature review will deeply examine consumer’s perceived images of private label products including price, quality, store image, brand image, brand loyalty, store loyalty, risk aversion factors and their interrelationships.

1.2 Justification for the Research

Apparel, along with food and grocery, will lead the organized retailing in India and over the past few years there have been sweeping changes in this sector with the introduction of private labels, which carry benefits for the retailers as well as customers. The introduction and development of private brands is constantly on the
rise. Private brands were once a small part of retailers merchandise, is today taking a significant factor for most retail operations. For evaluating any retail store, the first thing customer takes into account is the brands (merchandize) it carries. This statement holds true in case of metro cities; however, a similar trend is evident in the young urban population of Gujarat as well. The current study attempts to discover the consumer perceptions related to private labels in apparels. The proven relationships of private brands with store loyalty, satisfaction have been studied by several researchers and so it provides the base to understand the perceptions of consumers relating to private brands.

Price and quality are the two most important variables which the consumers take into account apart from several other perceptions like store image, brand positioning, risk aversion which have also been studied. It has been studied that the people of Gujarat are very much price conscious. It has also been found that major studies in private labels emphasize on the grocery sector. Clothes are generally a higher involvement and higher ticket product than grocery items. People are more conscious on quality in the case of grocery. Researcher has tried to study whether the same is true in the case of apparels also. A detailed analysis on price-quality relationship in private label industry is the need of the day.

The present study is undertaken to understand the profile of customers visiting new-generation retail outlets like Big Bazar, Pantaloon, Westside and Globus. To address this, the researcher has studied the factors that affect the general consumer perceptions related to private labels in Gujarat (Ahmedabad, Baroda and Surat). Additionally the researcher has identified the major price related dimensions and has segmented the customers based on those dimensions. Also quality dimensions have been worked upon and interrelationships between them and other demographic variables have also been studied. Apparel sector is on the edge of growth in domestic and global markets due to liberalization. Very few studies have been conducted using multivariate analysis (factor analysis and cluster analysis) for studying the segments of shoppers for an apparel retail store, and so the study is undertaken to better understand the consumer perceptions.
1.3 Research Objectives

The overall objective of the study is to present a better understanding of the factors influencing consumer behaviour towards private labels in apparel retailing. The specific objectives framed for the study are enumerated as follows:

1. To study the emergence, growth and future of private labels in India
2. To bring out the major factors that affect the perception of consumers related to private label apparels
3. To identify major price related dimensions influencing the purchase of private label apparels
4. To determine the importance of quality related perceptions (extrinsic and intrinsic cues) influencing the purchase of private label apparels
5. To analyze whether there is any relation between price and quality dimensions related to private label apparels
6. To segment the consumers on the basis of factors affecting their perceptions towards private labels brought out from the study

1.4 Introduction to the Four Stores

As discussed in the above section, customers of four stores viz. Pantaloon, Westside, Big Bazaar and Globus were asked to respond to the questionnaire. Brief information about the same has been cited below:

Pantaloon

Pantaloon Retail (India) Limited, is a largest Indian retailer, a part of Future Group, and operates in multiple retail formats in both, value and lifestyle segments of Indian Consumer Market. As of 2012, there are 65 stores across different cities and towns in India. These department stores offer a variety of apparel products and accessories.

Westside

Trent is a retail arm of Tata group, which operates Westside. The company has already established 49 Westside departmental stores (measuring 15000 – 30000 square feet each) across different cities in India. They offer men’s wear, women’s wear, kids’ wear, footwear, cosmetics, perfumes and handbags, household accessories, lingerie and gifts.
**Big Bazaar**

Big Bazaar is the largest chain of hypermarket in India, which caters to every family’s needs and requirements. As of 2012, there are 214 stores across 90 cities and towns in India covering around 16 million square feet of retail space. Big Bazaar was introduced by Future Group in September 2001 with the opening of its first four stores in metros of India. They offer a wide variety of household items including retail apparels, food products, general merchandise, furniture, electronics, books, fast food etc.

**Globus**

Globus is a part of the Rajan Raheja Group, which was launched in January 1998. Currently Globus has more than 35 stores spanning across the country. They offer men’s wear, women’s wear, kids’ wear, footwear, cosmetics, perfumes and handbags.

**1.5 Outline of the Report**

**Chapter 1** introduces the core research problem and then ‘sets the scene’ and outlines the path that will travel towards the thesis conclusion. It comprises of background of the research, statement of problem, hypotheses, the rationale behind doing the research, research methodology, the outline of report followed by limitations and conclusions.

**Chapter 2** deals with literature review related to the topic. It includes literature survey related to consumer perceptions in private labels in general followed by perceptions related to price, quality, brand image, store image, brand loyalty, store loyalty, risk aversion and innovativeness. It also encompasses some of the important contributions in a tabular form.

**Chapter 3** studies the emergence, trends and growth prospects of retailing and more specific on private labels in India. It tries to identify the drivers which led to the growth of private labels in India, brings out the advantages of private labels, studies the current scenario of private labels in Indian context, studies the existing private labels across categories by dominant retail players, identifies the reasons which envisage the future prospects of private labels in India, and identifies the issues and challenges of private labels in India.
Chapter 4 deals with the methodology used in conducting the research. It commences with the research objectives and hypotheses, followed by research design, sampling element, sample size calculation, sampling technique used, data sources, research instrument formation, and statistical techniques used for analysing the data collected.

Chapter 5 includes data analysis and result interpretation. It starts with the pilot study analysis followed by reliability analysis of the scales used in the instrument. Later the chapter talks at length on several statistical methods and analyses the data collected.

Chapter 6 comprises the major findings on the results obtained by Data Analysis.

Chapter 7 is on conclusions and implications from the study. Conclusions about each research objective and the research problem, implications for theory as well as practice, limitations of the study and scope for further research.

1.6 Definitions

Private Labels / Store Brands: Merchandise sold under the retailers’ brand name (company name or any other brand name) and may or may not be produced by the retailer.

Perceptions: It is the process of selecting, organizing and interpreting information which brings out a meaningful picture to the world.

Price: It is the amount of money (an external cue) for acquiring ownership and is one of the most important information, the customers check while purchasing a product.

Quality: Quality is the totality of features and characteristics of a product or service that has the ability to satisfy the needs.

Proximity: It is the closeness factor (how close a customer is with the brand) which is important in influencing the consumer perception.

Private Brand Loyalty: It is the consumers’ strong commitment towards a particular private brand to the extent that the consumer would purchase that brand on a repeated basis.
**Risk Aversion:** It is the factor which shows that consumers have less uncertainty and perceived risk towards certain products.

**Serviceability:** It is the factor which comprises of both in-store services as well as after sales service provided to the customers.

**Corporate Image:** It is the combination of both brand image and store image. Store image is reflected in the store’s physical environment, and in perceptions of its goods and service quality. A brand-image is the sum total of brand associations held in consumer memory that lead to perceptions about the brand.

**Extrinsic Cue:** It is the quality dimension which represents the external cue (Price, packaging, brand name, store name etc.)

**Intrinsic Cue:** It is the quality dimension which represents the internal cue (actual product ingredients).

**Value Maximization:** It is (the dimension of price) a concern for price paid relative to quality received.

**Sale Proneness:** It is the dimension of price which exhibits an increased propensity to respond to a purchase offer.

**Prestige Sensitivity:** It is the dimension of price based on feelings of prominence and status that higher prices signal to other people about the purchaser.

**Price Mavenism:** It is the dimension of price which is concerned with sharing low price related information with other consumers.

**Price Consciousness:** It is the dimension of price which deals with how sensitive the customers are with respect to price.

**Quality Conscious Shoppers:** The segment of consumers who emphasize on high quality products.

**High Expectation Seekers:** They are demanding shoppers who would reflect both utilitarian and hedonic benefits of shopping.
**Apathetic Shoppers:** They are those shoppers who consider shopping as an onerous task and often shop ‘to get it over with’.

**Impression Oriented Shoppers:** They are those shoppers who consider the image of the store as well as the brand before making a purchase.

### 1.7 Delimitations of Scope & Key Assumptions

The availability of precise and timely data is essence to good research. Again the Study on Consumer Perception of Private Labels in Apparels has been restricted to Gujarat state only because of availability of time and other monetary and non-monetary resources. If carried out nationwide, chances of better finding would be possible. In Gujarat state again sample will deal with three main cities namely Ahmedabad, Baroda, Surat. Due care has been taken in selecting the cities as the apparel stores here are experiencing a very high growth in organized retail sector so as to make it true representative of the population.

Two variables price and quality are given more emphasis in the study. It has been found from the literature that people give more emphasis on price and quality compared to other variables like store name, brand name, innovativeness etc. Moreover the study deals with apparels. This research can be carried out for other retail sectors such as food and grocery, consumer electronics, gifts and so on.

### 1.8 Conclusion

Retailing comprises the business activities involved in selling goods and services to consumers for personal, family, or household use (Pradhan, 2010). Thus, retailing as an activity assumes a lot of importance in the economy of the country. The Indian retail market which has a majority share of unorganised retail and a small share of organised retail is also considered a very attractive emerging market for retailers all across the world. As the activity in this field increases, competition also rises, and to survive and grow, one of the strategies followed by retailers is the introduction of private labels. Private labels as opposed to national brands are brands created by the stores and sold exclusively in these stores. Private labels offer many advantages to the retailers and customers alike. Moreover, literature suggests that a lot of studies have been done to map the consumer behaviour and perceptions of consumers towards
private labels offered in food and grocery items in retail stores. Apparels, as a segment also contribute a major share of income to the retailers. Hence, looking at the growing significance of the apparels market and few studies done in the context of private labels in apparels, especially in Gujarat, the present study is undertaken. The study looks at the factors which affect the general consumer perceptions related to private labels in Gujarat (Ahmedabad, Baroda and Surat), with reference to selected retail stores of Pantaloon, Westside, Big Bazaar and Globus.

The main objectives of the study include, studying the emergence, growth and future of private labels in India, bringing out the major factors that affect the perception of consumers related to private label apparels, identifying major price related dimensions influencing the purchase of private label apparels, determining the importance of quality related perceptions (extrinsic and intrinsic cues) influencing the purchase of private label apparels, analyzing whether there is any relation between price and quality dimensions related to private label apparels and segmenting the consumers on the basis of factors affecting their perceptions towards private labels brought out from the study.

The following chapters deal in details about the study. The geographic region and focus only on apparels can be considered as constraints of the study. The same study can be replicated with a larger sample size in different geographical context, as well as for different products sold under private labels in retail stores.