CHAPTER III
RESEARCH METHODOLOGY
Chapter III

Conceptual Framework and Profile of the Respondents

3.1. Introduction

The term retailing is derived from the French word ‘retailer’; it means to break the bulk or to cut off a piece. Retail is an important economic activity and so it plays a vital role in the world economy. Marketing management guru Phillip Kotler states in his book as, ‘Retailing comprises the business activities involved in selling goods and services to consumers for personal, family, or household use’. Retailing covers diverse products such as consumer goods, fruits, vegetables, food and grocery, jewelry, books, stationery, financial services and etc. The global retail industry has travelled a long way from small beginning to an industry where the worldwide retail sales alone are valued at US Dollars 12.1 trillion in the year 2008. Indian retail sector is highly fragmented with 95 per cent of its business being run by unorganized retailers and the remaining 5 per cent share organized retailing and the retail market is worth US dollars 410 billion as per the study - the 2010 AT Kearney Global Retail Development Index.

The Indian retail market, which is the second largest retail destination globally after China, has been ranked as the most attractive emerging market for investment in the retail sector. Retail has emerged as the key driver for Indian economy. A report states that the Indian Consumer Market is likely to grow four times by 2025. Hence most of the foreign retailing companies come
to the existence in India and it leads to heavy competition among them as well as domestic retailing companies. To meet the challenges of organized retailing, the unorganized sector is getting organized. As a result of intense competition, the retailers are working on new strategies to sustain the market. One such strategy being private label branding adopted by most of the retailers.

This chapter has three section first sections deals with retailing and private label brand, followed by the second section which deals with conceptual framework and the final section deals with respondents’ profile.

3.2. Private Label Brand

Private labels have come a long way over the last three decades. Store brands or Private Labels or simply PLBs are defined as the ‘Products owned and branded by the organizations whose primary objective is distribution rather than production’ (Schutte, 1969). In India the concept of Private Label Brands came into existence in 1990s only before that Indian consumer were more dependent on unorganized store. Shoppers Stop was the first retail store in 1990 to introduce private label branding with STOP brand in India followed by other first generation retail companies like Future Group, Pantaloons, Reliance, Bharati and Univercell making a mark in the Indian organized retail industry and eventually they started their own private label brands which have now grown to 15 per cent of the total retail market.
3.3. Private Label Brand and Current Scenario

Private label penetration is highest in Europe, particularly in the saturated and consolidated western markets. Globally, Switzerland has remained the only country, where more than half of the items sold are privately labeled followed by the UK, Spain and Canada. A study by Neilson Global Online Survey of more than 27000 respondents across 53 countries showed that private label phenomenon is going to stay for a long time, and the study reveals that 60 per cent of consumers across 55 countries from Asia Pacific, Europe, North America, Latin America and Middle East were of the opinion that they are stocking cupboards with more store brands as a result of the economic downturn. Further this study reveals that the highest levels of private labels purchase intent during the economic downturn were reported by consumers in Colombia, Spain, Portugal and Greece at 80, 79, 74 and 70 per cents respectively.

Retailing in India is still very prehistoric. At the moment private labels are less than 10-12 per cent of the retail business and still have a long way to go but still Indian retail is destination for foreign marketers and investors. As per the report by global consultancy firm KPMG, Private label share is likely to grow even in the current economic environment. Private labels are not owned by a manufacturer or producer but by a retailer or supplier who gets its goods made by a contract manufacturer under its own label. In a report titled ‘Indian Retail- Time to Change Lanes’ KPMG said India is witnessing an increasing presence of private label in various segments and retail players are adopting
such brands to address consumers’ needs and increase profitability. Among the major Indian retail players, the degree of private label penetration was the highest in Trent with 90 per cent, followed by Reliance Retail 80 per cent, Pantaloon 75 per cent, Nilgiri’s 38 per cent, Indiabulls 30 per cent and Food World 22 per cent.

As compared to the global scenario, in India the private label market is still at a nascent stage. Though the share is still lesser of organized retail sales, it is growing fast. Private brand growth is primarily driven by a number of favourable socio-economic factors that existed in India. Increasing strength of modern trade, lesser brand loyalty and high ‘value’ loyalty amongst Indian consumers and introduction of private label products into new categories are the factors that are favourable to the development of private labels in Indian retail sector.

3.4. Advantages of Private Labels

Private Labels give benefits both to the retailer as well as to the customers in today’s context.

❖ To the customer

• Competitive pricing benefit can be availed by the customer as the retailer could be selling at a cheaper rate or would be giving additional discounts for the sale of private labels

• Enhanced quality

• Customized products
• Value for Money and Customer Satisfaction

• Wide choice for selection due to the introduction of several products by the retailers

❖ **To the Retailers**

• Higher gross margin earning

• Better bargaining power while negotiating with national brand manufacturer specially in the price line and credit policies

• Increased control on quality, supply chain and ease of merchandise movement

• Source for store differentiation by fabricating exclusive products which are not available in other retail outlets and thus increasing customer loyalty to the store

• Increase in market share by attracting price-sensitive and deal-prone consumers who can otherwise opt for national brands

• Enhanced Store Image

• Increase footfalls in the store which can be converted into sales

• Better positioning during economic downturns

• Lesser promotion cost due to in store advertising which adds up the margin for the retailer

• Gives the retailer freedom to schedule their own marketing plan and make changes when required
3.5. Challenges faced While Introducing Private Label

- The idea of launching private labels and the advantages tagged with them can entice a retailer to delve into this diversification. However, they should not forget that as two sides of a coin, private labels surely have certain challenges that require due considerations.

- Higher Risk of Inventory

- Higher Research and Development Costs

- Markdown or Return Allowances will not be available

- Failure of the product can lead to negative image about the retailer

- However, in the Indian context PLs are in the danger of facing the ‘Double Jeopardy’ effect. Double Jeopardy is an empirical generalization (Goodhardt, Ehrenberg and Chatfield, 1984) that explains that small brands suffer twice – they have fewer customers and these customers buy the brand less often (Ehrenberg, and Barwise, 1990). This pattern has been observed in a variety of markets, in a variety of conditions (different lengths of time, different points in time) and in various contexts (Pare, Dawes and Driesener 2006).

- Time-consuming process

- Retailers face problems of selection of a category and the dilemma whether to go for outsourcing or to go for manufacturing for making the new private labels
• Maintaining quality

• Maintaining supply chain efficiently

• Cost – Benefit Analysis should be worked in detail

• Proper balance between price and quality

• Managing economies of scale

• It is clear from the collected data that private labels are expanding across all the categories like food and grocery, apparels, lifestyle and electronics though the growth in electronic durables being high involvement products is slow due to after-sales service, brand building support and long gestation period.

• Retailers typically extract from brand manufacturers many additional discounts and off-invoice allowances such as slotting allowances, credit for the return of unsold merchandise. These are absent in private labels.

• Brand manufacturers provide various free services like transportation, warehouse, store labour and merchandise help for retailers. For private labels, the retailer usually bears all these costs.

• Manufacturer’s brand usually retail at a considerably higher price than private labels. Thus even when net margin as a per centage on manufacturing brand is lower, the absolute profit per unit sold may still be higher than for store brands.
• Shelf-space turnover referred to as velocity is often much higher for manufacturer brands.

3.6. **Theoretical Background of the Study**

In the present study the researcher used extrinsic and intrinsic cues to study the perceptions and attitude about the private label brand. Extrinsic and intrinsic factors are discussed below.

3.7. **Extrinsic Factors**

Extrinsic is defined as not an inherent part of the thing or not contained in product. Previous studies show that extrinsic factors play vital role in influencing consumers’ purchase intention rather than intrinsic factors (Richardson, 1997) Extrinsic factors of product includes perceived price, packages, store image and advertisement. A number of studies found that price factor influences the consumers’ motives towards purchase of private label brand products (Munusamy and Wong (2008) and Grunert et al. (2004). Therefore, majority of the consumers purchase the private label brand products by referring to low price (Boutsouki, 2008).

Further, packaging is another important factor because it reaches all consumers, hence it is a significant factor in the decision-making process, and consumers generally examined products by looking at the information provided on the packages. In addition to this, advertisement acts as a good communicator to the consumer about the products’ availability and other related information.
Liljander et al. (2009) stated in a study that the store image influences consumers’ purchase intention on private label products.

H1: Price consciousness will have a positive impact on PLB attitudes

H2: Store image will have a positive impact on PLB attitudes

H3: Packaging will have a positive impact on PLB attitudes

H4: Advertisement will have a positive impact on PLB attitudes

3.8. Intrinsic Factors

Intrinsic factors are part of the natural of products and services. Intrinsic factors are related to physical products characteristics where it includes perceived quality, risk and value. Particularly, in food products safety is an important issue nowadays, where people are more concerned on the safety of the products especially those related to food product. Risk is due to a mistake or uncertainty which happens due to the appearance of the product.

Consumers always think that purchasing a low price, simple packaging and even less-well known product is highly risky because the quality of those products is doubtful. Generally consumers are not familiar with private label products as much and they do not understand the products, therefore afraid of making a wrong decision. Consumers usually maximize their utility of the products they purchase by avoiding mistakes. On that basis, manufacturers’ branded products which are higher in price are always perceived to be high quality products with lower risk and hence they use price and brand to determine the quality of the product.
H5: Product Quality will have a positive impact on PLB attitudes

H6: Risk perception will have a positive impact on PLB attitudes

3.9. Consumers’ Attitude

There may be a pattern between an attitude toward a Private Label (PL) brand and the consumer’s purchase intention. As mentioned before some consumers view PL items as a cheap low quality alternative to National Brand (NB) products; that is until they have an experience with the actual product. “Consumers switch more extensively to PLs during an economic downturn than they switch back to NBs in a subsequent recovery, permanently boosting PL share over a succession of business cycles” (Steenkamp, 2010); that just may be because they have tried the product and know its quality.

Usually, NB companies spend more money in creating awareness and educating consumers about their brand and products, which creates a relationship with the end-user, and places them at the forefront in the race against PLs. Also, they invest in market research and take the lead in innovation for the product category, this result in establishing PLs as followers and the consumer perceives that which may affect the end-user attitude toward PLs and make them steer toward NB items.

**H7: A positive attitude towards PLs will impact positively the purchase intention of PLs**

After reviewing different researches concerning buying behaviour of PLBs, the own creation of the theoretical framework was formed. It was
believed that the framework consists of main attributes that have impact on purchase intention of PLBs.

As it can be seen in the Figure 3.1, attitude is the foremost factor that influences consumers, those who are satisfied with the brand, product quality and price have a positive attitude towards the PLBS whereas dissatisfied consumers have a negative attitude on purchase intention. This study designed the framework in consideration to three main factors that have impact on changing attitudes of consumers, i.e. intrinsic cue, extrinsic cue and demographic factors.

Intrinsic cue is the physical attributes of the product (perceived value, perceived quality and perceived risk) whereas extrinsic cue is product-related attributes (price, Package, advertisement and store image). Understanding these variables is important for this study since they have a significant influence on buying behaviours.
Figure. 3.1. Theoretical Framework – Impact of Extrinsic and Intrinsic Factors on Attitude and Purchase Intention

Extrinsic Factors
- Price
- Package
- Advertisement
- Storage Image

Intrinsic Factors
- Quality
- Risk
- Value

Attitude

Purchase Intention
3.10. **Analysis and Interpretation – Demographic Profile of the respondents**

3.11. **Profile of the Respondents**

Attitude and Behaviour do not emerge and develop automatically. Its emergence and development depends upon certain factors. These factors are socio and economic factors. In all the marketing research, consumers’ personal information has been taken for the consideration for drawing meaningful and purposeful conclusion. Since personal factors of consumers play an important role in their attitude and behaviour, it is appropriate to discuss this. In India, as Private Label Branding concept is new and organized retailing growth is slow and negligible, this leads to poor attitude about PLB.

Socio-economic factors may retard the growth of private label branding. The following independent socio-economic factors have been identified from the previous studies. They are cited as:

- Age
- Gender
- Income
- Occupation
- Education
Age Wise Classification of the Respondents

During their lifetime the consumers change their consumption of goods and services. Hence it is appropriate to take this as an independent variable to examine whether behaviour and attitude change according to their age group. The respondents were asked age-related questions and the information is presented in table.

Table 3.1. Age Wise Classification of the Respondents

<table>
<thead>
<tr>
<th>Age Classification</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young age group</td>
<td>177</td>
<td>19.8</td>
</tr>
<tr>
<td>Middle age group</td>
<td>529</td>
<td>59.3</td>
</tr>
<tr>
<td>Elder age Group</td>
<td>186</td>
<td>20.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>892</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Primary Data*

From the table it can observed that, in a total of 892 selected respondents, about 59.3 per cent of the respondents are in the middle age group, 20.9 per cent of the respondents belong to the elder age group and the remaining 19.8 per cent of the respondents fall in the younger age group. Further the table shows that the researcher has collected the required data from almost all age group of people.
Gender Wise Classification of the Respondents

In marketing research, the gender of the consumers plays a vital role in determining their attitude and behaviour. Hence in this study the researcher has included an independent variable called gender for drawing a meaningful and purposeful conclusion. The gender-wise classification of the respondents has been presented in the Table.

Table 3.2. Gender Wise Classification of the Respondents

<table>
<thead>
<tr>
<th>Classification</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>476</td>
<td>53.4</td>
</tr>
<tr>
<td>Female</td>
<td>416</td>
<td>46.6</td>
</tr>
<tr>
<td>Total</td>
<td>892</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data

For the purpose of the study, the researcher has administered the questionnaire with 476 male respondents and 416 female respondents. Even though 480 questionnaires were sent to female respondents in the study area, the final outcome of returned responses to all the questions was 416. In this study, the researcher has given equal importance to both gender groups.

Income Wise Classification of the Respondents

The study area is known as Manchester of Tamil Nadu. It being an industrial city, there is a wide range of income earning potential. In the present study the researcher has classified the income earning group people into four
categories and data have been collected from them. The following Table exhibits the income wise classification of the respondents.

Table 3.3. Income-Wise Classification of the Respondents

<table>
<thead>
<tr>
<th>Classification (in Rs)</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 10000</td>
<td>35</td>
<td>3.9</td>
</tr>
<tr>
<td>10001-20000</td>
<td>417</td>
<td>46.7</td>
</tr>
<tr>
<td>20001-30000</td>
<td>404</td>
<td>45.3</td>
</tr>
<tr>
<td>Above 30000</td>
<td>36</td>
<td>4.0</td>
</tr>
<tr>
<td>Total</td>
<td>892</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Primary Data*

Among the total sample respondents, 35 respondents earned an income up to INR 10000 per month, 417 respondents earned an income between INR 10001 to 20000 per month, 404 respondents earned between INR 20001 and 30000 per month, 36 respondents earned more than INR 30000 per month. This study focuses on most famous retailing marts only because of these places are usually frequented by people with high earning potentials. There is less number of lower income group respondents in this study.

**Education Classification of the Respondents**

As this study is related to PLB, an understanding about product quality, value and risk with a scientific approach is most important factor to determine the attitude and perception. Hence in this study the researcher has included a
variable called educational qualification. Even though this PLB concept is new to some segment of consumers, in this study the researcher has considered the entire consumers irrespective of their educational qualifications. The distribution of the respondents based on their educational qualification has been presented in the table.

Table 3.4. Education-Wise Classification of the Respondents

<table>
<thead>
<tr>
<th>Classification</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illiterate</td>
<td>64</td>
<td>7.2</td>
</tr>
<tr>
<td>Pre-Graduation</td>
<td>289</td>
<td>32.4</td>
</tr>
<tr>
<td>UG/PG (General)</td>
<td>303</td>
<td>34.0</td>
</tr>
<tr>
<td>UG/PG (Professional)</td>
<td>236</td>
<td>26.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>892</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Primary Data*

Among 892 respondents, 64 respondents are illiterate, 289 respondents are having pre-graduation qualification, 303 respondents are having UG/PG (general) qualification and 236 respondents are having UG/PG (professional) qualification. The researcher is concerned only with educated people.

**Occupation Wise Classification of the Respondents**

Occupation is one of the personal factors which influence consumers’ behaviour and attitude. Hence in this study occupation of respondents has been
used as an independent variable and the occupation-wise classification has been presented in the table.

**Table 3.5. Occupation-Wise Classification of the Respondents**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homemaker</td>
<td>465</td>
<td>52.1</td>
</tr>
<tr>
<td>Employee</td>
<td>235</td>
<td>26.3</td>
</tr>
<tr>
<td>Business / Professional</td>
<td>32</td>
<td>3.6</td>
</tr>
<tr>
<td>Student</td>
<td>160</td>
<td>17.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>892</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Primary Data*

The table represent that, most of the respondents (465) are homemakers, 235 respondents are employees, the number of businessmen or professionals is 32 and the remaining 160 respondents belong to students’ community.

**Awareness Wise Classification of the Respondents**

Awareness is one of the personal factors which influence consumers’ attitude and perception. Hence in this study awareness of respondents has been used as an independent variable and the awareness-wise classification has been presented in the table.
Table 3.6. Awareness Wise Classification of the Respondents

<table>
<thead>
<tr>
<th>Awareness</th>
<th>Frequency</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>839</td>
<td>94.1</td>
</tr>
<tr>
<td>No</td>
<td>53</td>
<td>5.9</td>
</tr>
<tr>
<td>Total</td>
<td>892</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Primary Data*

Among 892 respondents, 53 respondents do not have awareness about the PLB food and grocery items and 839 respondents have awareness about PLB products. It shows that in the study area most of the consumers have awareness about PLB products.

**Experience Wise Classification of the Respondents**

Experience is one of the personal factors which influence consumers’ attitude and perception. Hence in this study experience of respondents has been used as an independent variable and the experience-wise classification has been presented in the table.
Table 3.7. Experience Wise Classification of the Respondents

<table>
<thead>
<tr>
<th>Experience</th>
<th>Frequency</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>812</td>
<td>91.0</td>
</tr>
<tr>
<td>No</td>
<td>80</td>
<td>9.0</td>
</tr>
<tr>
<td>Total</td>
<td>892</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data

Among 892 respondents, 80 respondents do not have past experience with PLB food and grocery items and 812 respondents are having past experience with PLB food and grocery items. It shows that in the study area most of the consumers have purchased and used the private label products.

End Note

