CHAPTER – V

CONSUMER PERCEPTION OF PRIVATE LABELS
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Introduction

For retailers, it is difficult to gain much competitive advantage through merchandise because competitors can also purchase and sell the same popular brands. Hence, many organized retailers have taken to developing private labels – which help eliminate small and local competitors. It offers an opportunity for retailers to compete on price against other branded products and makes a significant contribution to profitability when measured in terms of sales. Thus, through private labels or in-house brands retailers are able to offer customers variety, quality and affordable prices – all of which can lead to increase in profit margins

In India major retailers who have adopted the private label model include – Westside, Globus, Shopper’s Stop, Pantaloons India etc. These retailers have realized that customers to day are more products conscious rather than being only brand conscious. Moreover, they are looking for quality product at an affordable price. This gives private labels an opportunity to offer customers good quality products which are competitively priced. Further, the store’s image builds a certain level player.

Private labels, also known as “store brands” or “house brands,” have long been associated with inexpensive name-brand knockoffs. In recent years retailers have begun marketing higher-quality products under their private labels. The result has been a huge increase in the market share of private label brands. Of every $100 spent
around the world, $17 is spent on a private label. The private label industry is worth an estimated one trillion US dollars, and its growth is outpacing that of manufacturer brands.

Almost every retailer in India that has acquired a certain size and scale has private label brands which allow them to enter new categories.

**Meaning and definitions**

A private label is defined as a product line which is owned, controlled, merchandised and sold by a specific retailer in its own stores. Private label is also called store brands. Store brands used to be known as “generic” foods, packaged in plain black and white bags and boxes. A private label brand, often referred to as an in-house brand or store brand, is that which is owned by the retailers themselves. Private label products or services are typically those manufactured or provided by one company for offer under another company's brand. Private label goods and services are available in a wide range of industries from food to cosmetics. They are often positioned as lower cost alternatives to regional, national or international brands, although recently some private label brands have been positioned as "premium" brands to compete with existing "name" brands. Thus, private labels owned by the retailers themselves, which are also known as store brands or own labels. Private labels.

Thus, private label describes products manufactured for sale under a specific retailer's brand. They are often designed to compete against branded products, offering customers a cheaper alternative to national brands. Though the public generally used to see them as low-cost imitations of branded products, private labels have overcome this reputation and achieved significant growth in recent years. The
most commonly known private label goods are the “store brands” sold by food retailers, though this is just one example of many. Department stores, electronics stores, and office supply retailers all offer private label products or services.

**Purposes of private labels**

The following are the purposes of private labels

1. Exclusivity and differentiation to retailers.

2. Retailers are spurred to launch private labels due to the low penetration of most product categories in India.

3. To leverage the supply chain efficiencies.

4. Private labels can cut down on intermediaries.

5. Curtailing cost.

6. Huge margins to retailers.

7. More discounts to customers.

**Advantages of private labels**

A poor private label can chase a customer away as much as a strong label can build loyalty. Private-label products can reduce a retailer’s expenses because they are often cheaper for stores to buy or manufacture than national brands. National brands cost more because they must cover research and advertising costs, price will be an advantage for the brands, since they are primarily private labels that are priced 10%-12% below the prevailing market prices. Private labels were seen as poor cousins to the manufacturer brands, with a small share of the overall market that was considered unlikely to become significant. Consumers trying to save money looking more at ‘private label’ goods.
Private label buyers are now found among all socioeconomic strata and seen as thoughtful shoppers, who are not easily influenced by advertising and take pride in their decision making ability.

In the past, private labels were primarily targeted to the poor. Today, while the poor still buy private labels more often than other consumers, one observes wealthy consumers purchasing store brands. Increasingly, it is considered "smart" shopping to purchase private label products of comparable quality for a much lower price, rather than being "ripped off" by high-priced manufacturer brands.

Supermarkets are increasingly using private labels, not just to provide a lower price alternative to national brands, but also to gain consumer loyalty and thereby repeat purchases from satisfied customers. Retail stores have a generous supply of in-house brands. On an average, in-house brands come at a discount of up to 30 to 40%, which is due to the absence of advertising and distribution costs. However, this also means that these private labels lag behind the branded products in terms of visibility and hence, sale. Moreover, when such products are placed vis-à-vis branded items, consumers may opt for a branded product than a private label.

**Brand Loyalty**

National brands are sold all over, so there is no real sense of brand loyalty in terms of where consumers buy them. Because private labels are unique to one retail chain, there is the possibility for retailers to cultivate a sense of brand loyalty. Though they used to be seen as knock-offs of "name brands", private labels have become increasingly more accepted by the public as quality has increased and retailers have expanded their offerings of private label goods. Many consumers now seriously consider private labels as acceptable alternatives to national brands. Retailers can capitalize on this shift in public perception by offering quality private label products,
which can foster a feeling of brand loyalty. This can give retailers a significant advantage over competitors.

**Lower Prices/Higher Margins**

Private label goods are generally much cheaper to produce than branded goods, due to the lack of advertising and marketing expenses. As such, retailers are able to purchase private label goods for much less than they would have to pay for comparable branded products. The cost difference is usually large enough that retailers can offer customers lower prices while still making higher profit margins themselves. Lower prices can be enticing to customers and increase a company's competitiveness. Small chains have a particular incentive to offer private label goods; they are often unable to match larger retailers' prices for branded goods, but private label can allow them to price more competitively.

**Retailers as active Marketers**

In the past, retailers were merely the last stop on a product's way from the manufacturer to the consumer. Retailers are now becoming increasingly established as brands themselves, marketing their private label products as alternatives to national brands. This has resulted in a growing shift in the balance of power between retailers and manufacturers, with retailers not only becoming less dependent on manufacturers for product offerings but actually making manufacturers dependent on them for sales volume.

Thus, Private labels offer several benefits to both retailers and customers, driving the segment's rising popularity. For retailers, margins on private label goods are an average of 10% higher than those on similar branded products. Customers benefit from private labels' lower prices, which are often significantly less than those
of national brands. This combination, while beneficial to retailers and consumers, can put substantial pressure on the manufacturers of branded goods, who have to compete against their own customers (the retailers) for market share.

Indian Retailers' incentives to carry private label that are substitutes for national brands. private labels decrease prices to consumers, wholesale prices, national brand manufacturer profits and the double margin of the vertical structure and increases retailers' profits. However, the magnitude of such effects depends on the concentration of the retail market incentives to horizontal integration in retail markets increase when retailers may sell private labels in addition to national brands, and that these incentives are increasing in the quality of the private labels offered by them.

Private labels are pitched on the plank of the same or higher value at a low price. Organized retail currently forms only about 3.59 percent of total retail in India but its share will leap to 28 percent by 2017. According to a study by Technopak analysis and a 2007 study by Technopak says that overall private labels already form 19% pf the total market share in India.

Role of private labels in Indian retail

Organized retail is on the threshold of a boom in India. But as companies line up to grab a bigger slice of the retail pie, another battle is likely to change the face of the industry -- the one between the manufacturer brands and the retail chains' private label brands, which are far from being just cheap generics. Worldwide experience shows that as retailers become more powerful, they have increasingly focused on their own brands at the expense of manufacturer brands.

Retailing in India is still very primitive. At the moment, private labels almost do not exist in the country. They are less than 5 per cent of the retail business and still have a long way to go. But Indian retail is extremely hot and it offers a proposition
that can not be seen anywhere else in the world. Only in China and India can retail chains have as many stores as they have in the US. In no other country can one imagine companies having 5,000-6,000 stores of their own.

In a few years, most retail chains will have close to 5,000 stores in India. A profit of, say, Rs 5 lakh a store a month would mean a profit of Rs 250 crore. Ten such companies would mean profits of Rs 2,500 crore with their combined turnover being more than Rs 25,000 crore. In the next 20 years, the richest Indian or one of the top three richest people in India will surely be a retailer. Private labels will have a huge role to play in this. As much as 50 per cent of Indian retail will be occupied by private labels.

Private labels were popular in the 1950s when steep food prices had consumer looking for cheaper options. They have come a long way over the last three decades. They started with retailers wanting to offer cheaper substitutes. This was for two reasons. One, having a private label meant that retailers could negotiate a better margin from the manufacturer, and the other, when they had private labels they had a differentiator. While every shop sold a Coca-Cola and Pepsi, a private label meant that the store now had something that other stores did not.

The biggest change in the last decade or so has been the entry of premium private labels. They are no longer saying “buy us because we are cheap”, instead today, they are saying “buy us because we are the best”. By offering high quality products, many private labels have started charging more than regular manufacturers.62

Today, retailers have realized that by having top quality private labels they can differentiate themselves from other stores and be a destination store. For instance,
Tesco in Europe has a range called the Tesco Finest line. It does have a Tesco Value line, which is cheaper, but the Finest line only sells premium products at premium prices. Tesco's Finest chocolate, for instance, sells at 50 per cent premium over, say, Cadbury's.

Similarly, its yogurt sells at more than 50 per cent premium over Danone and other yogurts. Retailers are now doing everything it takes to create premium brands. They advertise on television, take up brand-building exercises, and most importantly, they focus on developing a better product than the existing manufacturers' brands.

In India, the largest retail chain today has around 300-400 stores. Retail chains in developed nations have around 3,000-5,000 stores each. So it will start with retailers reverse engineering manufacturers' brands, and as organised retailers grow larger, their labels, too, will move up the value chain. However, the transition will be faster in India. The share of private labels in any country depends on how consolidated the retail chains are. Developing a good quality brand has a high development and innovation cost attached to it. To be able to absorb such costs, Indian retail chains will need to scale up.

With rising pressure on margins, retailers are now looking at private label sales to boost their bottomlines. Most retailers are eyeing 20 to 40 per cent growth in their private label segment in the next three years.

"With the margins that the FMCG companies offer, no one can survive. Even global retailers such as Wal-Mart, Carrefour and others are successful because of their strong focus on private labels. No retailer can survive on rentals and low margins," Mr Thomas Varghese, CEO, Aditya Birla Retail. He said margins on private labels are as much as 35-40 per cent. Aditya Birla Retail is aggressively pursuing the strategy of promoting sales of private labels. "Currently, the segment accounts for
around three per cent of its total sales but now we are targeting 10-15 per cent in the next two to three years,” said Mr Varghese.

Bharti retail, a wholly owned subsidiary of Bharti Enterprises, is eyeing 30 to 40 per cent growth in its private label segment in the next five years. At present, the private labels contribute to 8 to 9 per cent to the company revenues.

“By selling private labels, it’s a win-win situation. We can beat better known FMCG products by offering good quality and lower price,” said Mr Vinod Sawney, President and COO, Bharti Retail.

Private labels are brands owned, merchandised and sold by retailers themselves. They are also sold at least 5-20 per cent cheaper across various categories. Most retail chains in the country are increasingly relying on private labels to bridge the gap in their product mix and are targeting specific needs of consumers.

According to KPMG report on the Indian retail sector, private labels enable retailers to offer quality products and earn higher margins. “Private labels are likely to continue to grow in the current financial environment as cash-strapped consumer’s perception of the products as ‘cheaper option’ changes. Part of private label growth in a recession is permanently sustainable,” said the report.

Retailers like Pantaloons, Shopper’s Stop, Reliance and Vishal Megamart are expanding their range of private label products from cosmetics, food apparel, healthcare products and furnishings to clothing to improve the profit margins of their stores.

“There are no middlemen costs in this and the benefit is passed on to the consumer. Private labels enhance the bargaining power of the retailer while negotiating with manufacturer brands,” said the report.
Mr Amit Kumar, Retail Head, Fashion@bigbazaar says they will increase their private label penetration by to 90 per cent from 60 per cent. “Since private labels require long term planning, it enables the retailers to understand all the nuances of its products as against an opportunity stock which would turn into an opportunity cost in the long run,” he said.

Globally owned brands contribute 17 per cent of retail sales with a growth of 5 per cent per annum. International retailers like Wal-Mart and Tesco have 40 -55 per cent own label brands in their stores.

Store brands (store brands) or Private label brands (PLBs) in the United States, own brands in the UK, and home brands in Australia) are specific to retail stores or store chains. The retailer can manufacture goods under its own label, rebrand private label goods, or outsource manufacture of store-brand items to multiple third parties - often the same manufacturers that produce brand-labeled goods. Store-brand goods are generally cheaper than national-brand goods because the retailer can optimize the production to suit consumer demand and reduce advertising costs. Goods sold under a store brand are subject to the same regulatory oversight as goods sold under a national brand.

In some retail sectors, store brands account for 40 to 50 percent of sales. Store branding is a mature industry; consequently, some store brands have been able to position themselves as premium brands. Sometimes store-branded goods mimic the shape, packaging, and labeling of national brands, or get premium display treatment from retailers.

Some retailers believe that, while advertising by premium national brands brings shoppers to the store, the retailer typically makes more profit by selling the
shopper a store brand. This assumption has led to a spurt in the academic and trade literature on the subject of positioning the store brand vis-a-vis the national brand.

In most cases, while store brands are usually cheaper than national (or even regional) brands, they remain more expensive than generic brands sold at the store. The "no-frills" grocery chains primarily sell store brands to promote overall lower prices, compared to supermarket chains that sell several brands as well as other goods and services.

Private labels, the store brands of retailers, are representing a sizable portion of the modern retailing, becoming the significant source of profits to the retailers. This has signaled for a combat between private labels and manufacturing brands. The private labels competed with the premium brands on the basis of price. These private labels which are perceived as inferior goods in terms of quality took a U-turn by making their mark at the premium-end too. In the European and US, private labels have reached near maturity gaining maximum market share in retailing. But in the highly fragmented and emerging Indian retail industry, private labels started foraying in the booming phase.

Indian retail is ranked 50th in the world, so there is a lot that retailers here can learn from the 49 countries ahead. Private labels will not work by just keeping the products cheap. Retailers must look at developing good quality and value-added products. They must make sure that they do not over exercise the private label option. If they fall into the trap of using too many private labels, they will end up losing customers. It has been seen that when retail chains rely heavily on private labels, customers feel they lack choices. Many retailers have suffered due to this; Sainsbury is a classic example. The UK-based retail chain was a mainline traditional retail chain,
but when it used too many private labels, customers did not find regular brands at its stores, and as a result, sales dropped.

Private retailers will occupy 50 per cent of the market the world over. At 50 per cent, they begin to saturate. If they try to occupy more than this, then consumers feel that there are not enough choices. In countries such as Switzerland and the UK, private labels have reached this limit and these markets have saturated. But they will continue grow in the other countries till they reach the same level. This will happen very soon in India, to good quality private labels definitely generate a very high level of loyalty amongst customers. The new strategies for private labels that retailers are using and the challenges brand manufacturers face to develop an effective response.

Private label brands, which occupy less than 5 per cent of the market in India now, are likely to corner 50 per cent of the market as the retail space opens up and matures.

Private label is unique to a specific retailer. They can be divided into a number of groups; Store brands (where the retailer’s name is very evident on the packaging), Store Sub-brands (where the retailers name is low-key on the packaging), Umbrella branding (a generic brand independent from the name of the retailers name; Umbrella brands are used in different product categories), Individual brands (where a name used in one category; this is only used to promote a ‘real’ discount product line), and Exclusive brands (again a name used in one category, but to promote ‘added value’ products within the category). Private labels had become a major source of revenues for the retailers especially in the grocery retail segment.

Growth of Private labels in India

While retailers are giving higher visibility to private labels and smaller brands that offer higher margins, manufacturers are helping traditional groceries (kiranas) to use the best practices of modern trade such as category layout and
standardized units. Retailers’ own brands are 10 – 20% cheaper than established brands and offer higher profit margins of over 40% than other brands.

Aditya Birla Retail’s private labels include Feasters brand of biscuits, fruit juices, noodles and pasta; Enriche shampoo, Kitchen’s Promise spices and Fresh-o-dent toothbrushes and toothpaste. Spencer’s sells private labels under the Spencer’s Smart Choice while Future Group’s private FMCG brands include Fresh n Pure, Cleanmate, Tasty Treat, Caremate, Sach. smaller companies such as Garden Foods, Capital Foods, Cremica, Fena, Ghadi among others in the FMCG space are making rapid strides and giving the bigger players a run for their money.63

Table 5.1: Depth of private labels by Retailer

<table>
<thead>
<tr>
<th>Name of the Retailer</th>
<th>% Share in Private Labels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trent</td>
<td>90</td>
</tr>
<tr>
<td>Reliance</td>
<td>80</td>
</tr>
<tr>
<td>Pantaloon</td>
<td>75</td>
</tr>
<tr>
<td>Nilgiri’s</td>
<td>38</td>
</tr>
<tr>
<td>Indiaulls / Pyramid</td>
<td>30</td>
</tr>
<tr>
<td>Foodworld</td>
<td>22</td>
</tr>
<tr>
<td>Shopper’s Stop</td>
<td>20</td>
</tr>
<tr>
<td>Subhiksha</td>
<td>19</td>
</tr>
<tr>
<td>Spencers</td>
<td>10</td>
</tr>
<tr>
<td>Ebony</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Images Retail Report 2009 quoted in KPMG’s Indian Retail: Time to Change Latest Report
According to a FICCI-Ernst & Young 2007 report, as quoted in The Marketing Whitebook 2009-10, the retail sector in India was worth $280 billion, of which organized retail comprised 5% at $14 billion. In an ASSOCHAM-KPMG joint study, the size of the retail industry was pegged at $353 billion in 2008. It was estimated to grow to $410 billion by 2010, of which organized retail would value approximately $51 billion.

According to Images Retail Report 2009, as quoted in "Indian Retail: Time to Change Lanes" by KPMG; private label brands constitute 10-12% of organized retail in India. Of this, the highest penetration of private label brands is by Trent at 90%, followed by Reliance at 80% and Pantaloons at 75%. Big retailers such as Shoppers Stop and Spencer's have a penetration of 20% and 10% respectively. Globally, store brands constitute nearly 17% of retail sales. In fact, international retailers such as Wal-Mart and Tesco have 40% and 50% of in-house brands in their stores.

Bharti Retail, the wholly-owned retail arm of Sunil Mittal’s Bharti Enterprises, is planning to shore up revenue from private labels at its stores to match the global
industry benchmark. While private labels now account for about 16 per cent of revenue, the company plans to ramp this up to near 40 per cent over the next three years. This was indicated by Bharti Enterprises vice-chairman and managing director Rajan Bharti Mittal.

Iconic US retailer Wal-Mart Stores—Bharti Retail’s JV partner for the cash & carry venture—is also exploring opportunities to source and sell Bharti’s private label brands across Wal-Mart retail outlets globally.

Incidentally, Bharti Retail has already introduced two of Wal-Mart’s top-selling private labels, George (apparel) and Great Value (staples), in its stores. Bharti Retail operates some 70 outlets across two formats—neighbourhood stores called ‘Easyday’ and compact hypermarket outlets called ‘Easyday Market’. The joint venture—Bharti Wal-Mart Pvt Ltd—runs a wholesale cash and carry outlet, ‘Best Price Modern Wholesale’, at Amritsar. All private labels sold in Easyday stores and Best Price Modern Wholesale is sourced out of India.

Wal-Mart sources products from India worth nearly $1 billion for its global operations. “However, more than 90 per cent of the products which are sold through the Best Price Modern Wholesale outlets will be sourced from India. Bharti Retail is also in track with its expansion plans to set up 200 Easyday stores by December 2010.

Higher margins and a preference to control the supply chain continue to make private labels attractive to retailers, now more than ever. Many retailers are already employing sophisticated strategies in private label product development, pricing and marketing. There is rapid private label penetration across the world’s top retailers and markets.
Manufacturers, in turn, are taking kirans under their wing and helping them to offer better service, pricing and variety to take on competition from modern formats. Things have improved since and retailers such as Future Group, Reliance Retail and More have started expanding their operations spurred by improved consumer sentiment in urban centres that is helping high-end, high-margin products to stage a comeback. They have renewed their demand for higher margins from FMCG companies. Traditionally, modern retailers roughly operate on margins varying from 10 – 15% while the traditional trade operates at around 10 – 12%, depending on the product category. The face-off is expected to make the two industries to continue working against one other’s interest.

Grocers are giving discounts on branded products like detergents, shampoos, soaps, oil, atta and other grocery products from 5 – 20% by collectively sourcing or aligning themselves with corporates like Hindustan Unilever, P&G and others to be their preferred suppliers’, who are adopting these stores and working with them to manage inventory better.

Table 5.2: Private labels of big malls

<table>
<thead>
<tr>
<th>Name of the Retail</th>
<th>Name of the Product</th>
<th>Name of the Label</th>
</tr>
</thead>
<tbody>
<tr>
<td>More</td>
<td>Biscuits, fruit juices, noodles and pasta;</td>
<td>Feasters</td>
</tr>
<tr>
<td></td>
<td>Shampoo,</td>
<td>Enriche</td>
</tr>
<tr>
<td></td>
<td>Spices</td>
<td>Kitchen's Promise</td>
</tr>
<tr>
<td></td>
<td>Toothbrushes and toothpaste</td>
<td>Fresh-o-dent</td>
</tr>
<tr>
<td>Spencer’s</td>
<td>FMCG products</td>
<td>Spencer’s Smart Choice</td>
</tr>
<tr>
<td>Future Group’s</td>
<td>FMCG products</td>
<td>Fresh n Pure, Cleanmate, Tasty Treat, Caremate, Sach</td>
</tr>
</tbody>
</table>

Private labels, or store brands, owned by retailers are on an average priced 10 – 20% lower than organized national brands.
- Retailers can afford to sell them at lower prices because of minimal marketing and advertising costs.

- Aditya Birla's retail arm More's Feaster's private food label outsells Nestle's Maggi and Kissan squashes.

- Future Group's Tasty Treats potato chips are second only to national player Frito-Lay Bharti Retail recently said it gets 15 – 20% of sales from private labels and hopes to raise the number to 30% in future.

Aditya Birla Retail Ltd (ABRL), which operates the More chain of stores, is betting on its 350 private labels to nudge the firm to profitability by the end of fiscal 2010. In India, the growth of private labels has been phenomenal and is slowly gaining more store space. Aditya Birla Retail, which operates the 'More for You' food and grocery chain, is reportedly pursuing strategies to increase its private label sales from the current 3% to 10-15% of total sales in the next two to three years. During the course of this story,

Store space: Nearly 40-50% of the store space was dedicated to store brands. These products shared the shelf space with other branded products.

**Reliance Retail introduces private label for milk**

Reliance Retail has ventured into the high-volume, low-margin (3-5%) segment of retailing liquid milk through its own brand 'Dairy Pure. The product is initially launched in Hyderabad and would be rolled out nationally in coming months. The pricing is kept competitive to take on other players such as Mother Dairy, Vijaya and other regional players. But Reliance is expected to face tough competition from Amul, which is the national leader in Rs.15000 crore branded packaged milk market. Significantly for Reliance, Amul does not have a presence in southern markets though recently it tied up with Aavin in Tamil Nadu. Reliance Industries want to have a
significant presence in India’s Rs.40000 crore branded dairy sector by setting up its milk procurement facilities in milk-rich states of Punjab, UP, Haryana and Bihar. Earlier, there were reports of Reliance eyeing dairy business of Nestle.

Reliance Retail is expected to do well in the dairy sector as there is good demand for dairy products in India and procurement is not an issue since India is world’s largest milk producer. The problem lies in the fact that the sector is highly scattered and unorganized, leading to rampant adulteration. So the real challenges shall be to handle logistics efficiently and procuring quality material.

What next for Reliance Retail – own private brands of butter, cheese, chocolate and other dairy products, for sure.

Aditya Birla ‘More’ – Surviving in the retail space

With the opening of first store in Pune and announcing its retail plans, the Aditya Birla Group has finally joined the crowded retail space. The group has a pan-India retail presence.

Organized retailing is just 3% of total retail market but still a debatable point whether the Birlas are an early or a late entrant. Since Pantaloons, Spencers, Subhiksha and Reliance have already set up a good base, ‘More’ stores may find hard to invade the territory which these stores have already captured in their respective locations.

But even then, key factors which may influence the buying pattern of consumers hinge on convenience in terms of distance from home, pricing and giving the right product-mix catering to different social and economic class. Since, organized retail has thin margins and high costs of around 15% to the revenues (as compared to 5-6% of local grocery stores), retail companies should promote more their in-house brands which have a higher mark up.
Aditya Birla ‘More’ strategy to offer budget and high value private labels under ‘More for you’ and ‘Select’ seems to be like successful UK’s Tesco model of having separate labels with separate quality and prices for the same product category.

Till Bharti-Walmart enters the market, the key competitor for ‘More’ shall be Reliance Retail as they have similar store formats and product offerings. But the real tough part will be when these two companies launch their hypermarkets, in which Pantaloon’s Big Bazaar still rules the space in terms of nationwide presence, and then differentiation would play a key role.

But like telecom, when the markets get mature, there are not many differentiating factors in terms of pricing and service quality, similarly once few big players get established in retail market, each one would carve a separate niche of their own with their own sets of customers and markets.

The growth of organized retail in India will be a boon for consumers. Because of stiff competition between various players in modern trade, they (modern trade players) will have to pass major margin to consumers. They will also bound manufacturers to supply them goods in their store brand. These private label products will be cheaper than brands provided by manufacturer. This will gradually cause Indian consumers to think of “value for money.” This will benefit Farmers. This will also cause small manufacturers to challenge giants (as small manufacturers, in comparison with big companies, are capable of providing products at cheaper rate because of little or no expenditure on infrastructure and promotions). This will finally cause to check inflation.
Aditya Birla Retail bets on private labels to push sales

The firm is also experimenting with at least two pilot projects in different markets to figure out the quickest way to reach a positive operating profit, besides looking to greater consolidation. As part of a new strategy,

The firm is also experimenting with at least two pilot projects in different markets to figure out the quickest way to reach a positive operating profit or Ebitda (earnings before interest, tax, depreciation and amortization), besides looking to greater consolidation.

Experimental learning: Aditya Birla Retail’s Thomas Varghese says the firm has enough private labels to take on leading consumer goods firms.

ABRL almost doubled its turnover from Rs500 crore to Rs1,150 crore at the end of March. Its revenue target for this fiscal is Rs1,700 crore. Varghese said the firm has enough private labels in products ranging from noodles to home care, to take on leading consumer goods players. The labels are priced 10-15% lower than competing brands with comparable, if not better, quality, he claimed, adding that the firm has 70 employees to track quality standards.

Coco-Cola, Mars, Wrigley, Kelloggs, Philadelphia, Fanta, Colgate, Dove, Chiquita, Lays and Nivea – all of these names are brands that are extremely strong within the fast moving consumer goods category. Apart from these global brand leaders, in most countries a series of extremely strong national brands also holds strong positions within this category of products. At the same time, though, fast moving consumer goods is also where “the action especially is” when it comes to private labels. Due to the strength of both branded products and private labels within fast moving consumer goods,
Traditionally, it is believed that private labels within FMCG categories have taken the stance that private labels are something that retailers develop, manufacture and market. However, behind almost any private label product there is both a retailer that owns and sells the product and a manufacturer that delivers the actual physical product to the retailer. Accordingly, behind any private label there is both the retailer and somebody who – to a greater or lesser extent – collaborates with the retailer in order to bring private label products to the market. Sometimes the manufacturer of the private label only produces a physical product on the basis of the retailer’s specifications. In other cases, the manufacturer takes on more responsibilities for example, in relation to the development of the physical product, design of brand names and packaging, and/or designing promotion and in-store materials. Unfortunately, not much research has focused on the relations between manufacturers and retailers in regard to private label development and production.

Future Brands, the brand development and marketing company of the Future Group, is all set to launch two private label food brands, Tasty Treats and Fresh ‘n Pure, so far retailed at its hyper and supermarkets, into the mainstream FMCG industry. Future’s private labels account for 20 per cent of the food category. While overall, the share of the private labels for the group is pegged at 10 percent.

Tasty Treat, the snacks brand on the lines of ITC’s Bingo, that grew in popularity after the Group’s much publicized row with Frito-Lay, and Fresh n’ Pure, its staples and dairy brand, are the best performing private labels within the company’s supermarket and hypermarket formats – Food Bazaar and Big Bazaar. In fact, put together, the brands are worth well over Rs.60 cr.
The three best-selling label categories may still be predictable—milk, eggs, and bread in food; food storage and trash bags, cups and plates, and toilet tissue in non-food.

However, today's large and sophisticated retailers are able to develop credible private label offerings for categories where traditionally customers were more wary of straying from their favorite manufacturer brand names. Store brands are currently present in over 95% of consumer packaged goods categories. Among the fastest-growing categories for private label sales are lipstick, facial moisturizers, and baby food.

Private labels compete on quality. Traditionally, the image that private labels evoked was of white packages with the words toilet paper, beans, or laundry detergent embossed in plain black typeface on them, found somewhere at the bottom of store shelves.

It is more profitable for the retailers. It also seems to offer a better value equation to the consumer. As the Indian trade market gets fiercely competitive, retailers are developing their own brands to improve their gross operating margins. Branded majors in the food and grocery retail business, like ready-to-make soft drinks, jams, sauces, atta, salt pulses, pickles, spices, tea, and coffee are tackling stagnant growth rates, due to a growing threat from in store brands. Retailers like Giant, Subhiksha, Food World, Food Bazaar have been pushing their in-store brands, where the profit margin is around 20-25% vis-à-vis margins of 10-15% on the MRP of FMCG brands.

Private labels, which contribute to about 15-20% of the turnover for retailers, are expected to grow to more than 30% in the next few years. While branded majors insist that they have not declined in sales, analysts say they have not succeeded in
increasing consumption and expanding the market. Although private apparel labels are common in India, their extension into food and household products is a nascent phenomenon. Industry majors say the 20-25% price differential between in-store brands and the big brands have enabled an upgrade from smaller unorganized brands.

"Currently there's major concern in the global retail markets on how branded products should be positioned vis-à-vis private labels and which will emerge as the final winner. FMCG makers are obviously concerned since they feel a cheaper imitation undermines profit margins and weakens product categories.

Food grocery and tobacco account for 72.2% of the total Indian retail market. AC Nielsen estimates say, close to 60% of the 1,400 supermarkets have store brands. The estimates show that groceries make up 45.9% of private labels, followed by packaged foods at 25.7% and homecare items at 16.4%. In the US, private labels account for about 20% of total sales, while in Europe, it is as high as 65%.

The Food Bazaar tea brand, which is 20-30% cheaper than the FMCG brands, has a market share of 40%. In the salt category, the Food Bazaar brand has gained a share of 40-45%. Among the other major chains offering grocery products, Food World currently has 72 stores, while Subhiksha has around 115 stores. Both are predicting a 30% annual growth for their in-house brands in the next few years.

Food World and Nilgiris have launched a series of private label products – Food World and Nilgiris – in the market. The so-called “private label” brands have grown beyond basic staples such as eggs and milk to such foods as gourmet salsa and organic salad dressing. The exclusive store brands could become even more popular among consumers as higher food prices and a sluggish economy have shoppers looking for ways to trim grocery bills. Over the past five years, store brands have consistently made up about 16% of supermarket sales, according to the Private Label
Manufacturers Association, a trade group for companies that make store brand products.

Tata-owned Westside built its business on the back of private labels. The multi-branded Shoppers’ Stop rakes in 1/5th of apparel sales through store brands. It has moved up from the competitively priced shirt to fashionable and up market designs. It even claims to be making headway in western menswear, the original bastion of branded apparel.

**Evolution and growth of Private labels in other countries**

With the emergence of strong retailers, private label brands, also called own brands, or store brands, also emerged as a major factor in the marketplace. Where the retailer has a particularly strong identity (such as Marks & Spencer in the UK clothing sector) this "own brand" may be able to compete against even the strongest brand leaders, and may outperform those products that are not otherwise strongly branded. Another example, TESCO, A very famous huge chain retailer in UK and consider as market leader has its own private labels on some of the products which compete the others products and enjoy even more quality.

The global private label market is estimated to have grown by 6% in the year 2004, comprising 16% of the total retail sales. According to Euro monitor, Western Europe dominates the market for private labels, accounting for over half the global retail value sales. Most retail stores have developed their own in-store brands/products, known as private labels. These private labels cater specifically to the needs of their target customers and have been created not only by the large departmental and speciality stores but also by the grocery retail chains. The emerging markets are expected to be the markets where growth will be witnessed in the years to come, as illustrated in the following table below:
Table 5.3: The Rise of Private Labels

<table>
<thead>
<tr>
<th>Name of the Country</th>
<th>Private Label Share (%)</th>
<th>Private Label Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td>North America</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Europe</td>
<td>23</td>
<td>4</td>
</tr>
<tr>
<td>Global</td>
<td>17</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: The rise of Private Labels, Business Today, November 6, 2005, pgs.119-124

They are often positioned as lower cost alternatives to regional, national or international brands, although recently some private label brands have been positioned as “premium” brands to compete with existing “name” brands. Overall, private labels are used to provide products with a lower price. In Europe, these prices can be 10-18% cheaper; whilst in the USA some private label products are 25% cheaper than the brand leader. The overall feeling is that in the supermarket industry in Western Europe, the private label market has now matured and little growth will be seen further. But, in Eastern Europe, especially Poland, Czech Republic, Slovenia, Russia and Turkey, there will be a huge growth in this market sector. Many of these labels will come from western retailers moving East.

There has been a significant increase in private label brands in the recent years worldwide. In Europe, private label goods now account for about 45% of products sold in supermarkets, compared to 25% in the US. Wal-Mart, for instance, has a 40% private label representation in their stores. Australia, Singapore, and Japan, also have significant presence of private labels on their store shelves. The general feeling is that in times of recession, private labels increase their market share, but tend to maintain that market share as economies recover.
By early 2005, a major part of retail sales in Europe came from the private labels. Private labels in Europe had begun to emerge as alternatives to the brand name products. Brands created by Wal-Mart, Target and others, began to eat into the market share of the brand name businesses. This worried the brand name businesses like Procter & Gamble and Unilever, especially in the FMCG (fast moving consumer goods) sector. High concentration, bargaining power of retailers and consolidations in the industry had contributed to the growth of private labels in Europe. By the end of the 20 century, private labels entered product lines like beauty and cosmetics, which had been dominated by big brand names till recent times. Private labels have become a lucrative business opportunity in Europe, while big brands were struggling to cope with the new competition.

Private labels in Europe had begun to emerge as alternatives to the brand name products. The high concentration of large number of supermarkets and discount stores in the continent gave them the bargaining power that had triggered growth of private labels. By the end of the 20\textsuperscript{th} century, the situation seemed to have worsened for national brands with private labels penetrating product lines like beauty and cosmetics, which had been the stronghold of big brand names. A survey of 36 countries worldwide by AC Nielsen, the market research group, revealed that in 2003 private label shares were the highest in Europe with UK accounting for the largest percentage. Europe accounted for 61\% of the total private labels sales in the 36 regions, which valued nearly US$ 52 bn. By 2005, a major part of retailer sales in Europe came from their private labels. Brands created by Wal-Mart and Target including others, began to take away market share from the brand name businesses.
This caused worry among brand name businesses like P&G and Unilever, especially in the FMCG sector.

The history of private labels in Europe can be traced back to the last decades of the 20th century. In the late 1970s, Bots, the drug stores chain, began to merchandise store brands in United Kingdom. Later, Marks & Spencer, the UK based department store was established, merchandising only store label brands in its outlets. By 1975, major supermarkets in Britain like, Tesco, Siansbury, Safeway and Marks & Spencer held 22% of the total market in 26 categories with their store brands.

Commodities and mass consumption categories like salt, sugar, oil and water, which were used along with other products and not individually, had always been available as private store products under no brand name. However, by the end of the 1980s, private labels had begun to occupy shelf space in most of the categories in the retail stores in Europe. Initially, private labels met the need for lower prices catering to less affluent cost conscious consumers while offering lower quality of goods than the branded ones. They offered the opening prices in each category to meet the needs for lower prices. The notion was that, as retailers saved on promotional and marketing expenses for private labels, they offered products with reasonable quality at low prices. Typically, manufacturers of private labels saved expenses on advertising, sales force and distribution and new product development as they take product ideas from the existent national band

Private store brands often were considered the “down-market versions” of the brands and had prominently encouraged price wars between the major retailers. During the late 1980s, when the manufacturer brands like Nestle, Unilever and P&G and others were acquiring more companies, they drastically increased the prices of their products at the retail level. This further gave the retailers, the impetus to
manufacture quality products that could compete with the national brands through the low prices. By the 1990s, private labels had grown considerably mostly because of the economic downturn during which more retailers using private labels as a Unique Selling Proposition for their stores. Grocery store Sainsbury received nearly 54% of its sales through private labels contributed to around 41% of pre-tax profits.

By 1998, sales from private labels in all categories in the Europe., was reported to be €289 bn. Private labels accounted for nearly 22% of the total grocery sales in the continent that amounted to US$172 bn. Delhaize, the supermarket chain that had 25 stores in Belgium, sole mostly private labels in addition to others like Aldi, HEMA that reserved a major part of shelf space to store own brands. By the mid-1990s, for Sainsbury, more than half of total retail sales came from private labels. Sainsbury created a quality image for its label brands through product endorsements by celebrities like Chef Jamie Oliver. Private labels had become major revenue generators for the retailers and they were embarking on product innovations and marketing techniques to further improve the sales of their own store brands. Wal-Mart employed a separate creative team that took care of designing logos for the products and the marketing and advertising copy. Carrefour invested heavily in branding programs to communicate quality image of its products. Safeway, the fourth largest supermarket chain in UK, with its private label, “Safeway Select” claimed that it gained 35% margin on private labels compared to 25% gross margins from national brands.

Sainsbury and Tesco, one of the largest retailers in UK, offered private labels in the premium range under the names “Taste the Difference” and “Finest” respectively. With the launch of organic food and other premium range labels like Free From of Sainsbury, the sales of private label packaged food, reached an alarming
level of £ 438 mn in 2001. Other brands of Sainsbury were “Free From”, “Way to 
Live” and “Blue Parrot Café” and the retailer was moving from the food to the non- 
food product segments with its private labels, which already constituted nearly 38% 
of its total sales. Hudson’s Bay had private labels, like Outline and Mantles brands, 
which according to it drew a distinction between its merchandise and competitors. 
Other popular private brands were Dutch supermarket Albert Heijn’s private label 
“AH” in meat products and “Best Meal” store brand of pork and “Tentation” apple 
brand of Super De Boer in the Netherlands. In France, cheese maker Fromageries Bel 
had the strongest brand recognition in the segment with its brands, “La Vache qui Rit” 
(Laughing Cow), “Babybel”, “Port Salut” and “Leerdammer”. The success of Aldi 
stores, which had nearly 300 stores spread in the Netherlands, Belgium, Denmark, 
France, UK, Ireland and Spain, which sold its store brands, had reportedly 
popularized private brands in Europe.

The concentration of retailers in the continent had further contributed towards 
private label growth in the region. The industry was dominated by few big retailers 
like Metro, Rewe, Auchan, Ahold, Carrefour, Intermarche, which brought in 
concentration of power among big retailers, which in turn gave them negotiating 
power with suppliers. By the late 1990s, the top five retailers in France had a market 
share of 70%, and in Spain, the top five constituted 34.4% of total market sales. 
Nearly, 55% of retail sales in Germany was accounted by the top retailers and the six 
food retailers in Britain made around 65% of total sales in food market. Sainsbury 
had the highest private label share of total sales of 60.1% followed by Asda, which 
obtained nearly 57.9% of its total sales through private labels in UK.

Food retailers began to offer more sub brands that satisfied the changing needs 
of the customers for low diet alternatives and organic foods. Tesco had nearly 1000
store brands, which offered the lowest prices in each category. In Hungary, Tesco Gazdasagos” (Tesco Value) products were the cheapest and Tesco Minoseg” (Tesco Quality) offered prices 20% less than national brands. Tesco further extended its store brand name into homecare and its other sub brands included Healthy Eating, Organic and Kids. Marks & Spencer sold its entire up market food merchandise under its store brand name called St Michael label. In addition to grocery retail segment, which had in recent times seen private labels proliferating, apparel stores had also begun to sell store brands along with national brand. Some stores offered private labels at opening price points and basic fashion clothes like sweaters, knits, pants and home furnishing. Other established retailers like Federated and JCPenney, offered private labels in premium segments also like fashion apparel and footwear, which had been the domain of national brands.

Besides retailer’s interest, consumer need for low prices contributed to private label growth. In Central and Eastern Europe, the changing shopping habits of the customers, growing disposable income, and the once a week grocery shopping trend, helped trigger the private label sales. Overall, the price had been an important factor for their sales especially in the developing economies like Hungary where the consumer’s purchasing behaviour was influenced by the price rather than the brand name. Moreover, as the purchasing power of middle class in Hungary began to decline following the economic recession, more consumers reportedly shifted to private labels. By 2003, nearly 40% of the retail sales in Europe came from private labels of major retailers with the major markets reporting their private label share as follows:

- Britain: 40.6% of total grocery stores
- Belgium: 38.2%
Germany: 35.1%
Spain: 29.1%
France: 25.4%

Private label sales varied with the product category, and were high for those product lines in which brand names held least importance. For example, in soft drinks market, private labels sales were low because of the presence of big brands like Coca-Cola and Pepsi. On the contrary, in product segments like milk and juices, and other commodities, in which big brands did not exist, private label sales remained high. In the 2003 Private Label Manufacturers Association (PLMA) Show, “World of Private Label” featured nearly 2,600 private labels exhibitors across Europe. The retailers and wholesalers were seen opening new stores and expanding their brand franchisee across various markets. PLMA revealed that through these expansions the private labels were increasingly acquiring strategic importance in the merchandise and marketing activities within the industry. Aldi and Lidl, the leading discount stores maintained nearly 90% to 100% of private brands of the total merchandise while Tesco had a standard of 45% to 50% and Metro ensured that 25% to 30% of its merchandise were private labels.

Customer loyalty towards the store brands had reportedly increased over the years. According to a survey by MORI, a public opinion consultancy, in 2005, for PLMA, the awareness and the acceptance for the private labels had increased in all the countries. The survey included 5,000 household shoppers, in seven countries, Belgium, France, Germany, Great Britain, Italy, the Netherlands and Spain. The largest figures in terms of private label share were recorded in UK, Spain and France and the probability of purchase was more in the Netherlands and Germany. Especially, young consumers below the age of 25, were observed to have been
showing higher levels of acceptance for the private labels. Four out of every ten customers in Europe wanted the retailers to merchandise private labels. In Germany, 44.5% of the consumers surveyed stated that private labels were of very good quality. In an another survey by Stiftung Warentest, for 16 diapers available in the market, revealed that out of eight diapers that were considered to be of good quality, four were branded and the other four were private labels which were nearly 50% cheaper than the national brands. The market share of private labels had also increased in all the countries.

Similarly, a survey by AC Nielsen confirmed the growing acceptance of private labels among the European customers. Retailers increasingly were using private labels as replacements for the national brands that failed to perform and because of the fewer distribution and sales related complexities involved. The share of branded bottled water as a percentage of global sales dropped from 54% in 1997 to 40% in 2003, as major retailers shifted to private labels. Brands that failed to perform well were being removed from the merchandise. Although national brands had been employing strategies like charge backs and higher margins and guarantees, the strategies had become weaker in luring the retailers’ for shelf space. Private labels, which have been the imitators of the national brands, had evolved into innovative brands. Further, private labels often considered as inferior low price alternatives for the national brands, have moved into the premium arena as they offered a unique brand experience.

By the beginning of the 21st century, private labels began to make a mark in other categories like beauty and cosmetics and other premium product lines. Major FMCGs like the Unilever and Nestle reported drop in their sales for 2004. Nestlé’s food sales dropped by 0.4% in Europe and sales from its brands of bottled water like
the Perrier and the Vittel dropped by 8.4%. L’Oreal and others witnessed dwindling sales in the continent.

Having faced the threat from private label, manufacturers began to deviate from the established distribution system, thus relying less on the traditional retailers. Nestle began its “wherever, whenever, however” distribution strategy to find an alternative to the retail channels. With retailers specializing themselves in the science of branding, brand manufacturers were seen exploring ways to protect their brands. David Aaker, Professor of marketing, Haas Business School, University of California, explained, “The manufacturers have circled their wagons around some big brands.” The ability of the stores to build strong brands and go beyond efficiency and value, had in recent times began to worry the manufacturers. Some brand manufacturers reduced their prices and offered huge discounts, to compete with the private brands. P&G launched a marketing campaign celebrating its 30th birthday as part of which its ‘Baby Dry’ and ‘Easy Up’ diapers were offered at two for the price of one.

Brand owners joined hands with private label manufacturers as well as supermarket chains to face the threat. Some branded manufacturers had begun to manufacture exclusively for the retailers. Nestle was making efforts to strike deals with discount retail chains to gain more shelf space in the stores. Unilever launched a dry-cleaning service Persil, in partnership with Sainsbury stores in London. According to Unilever, the partnership allowed the brand to penetrate easily and gain customers faster through the image of Sainsbury stores.

However, private labels were found to excel in only some categories, whereas in some others, in which national brands had established their market position, private labels failed to penetrate. J Sainsbury launched its soft drink brand under the name cola, manufactured by Cott in 1994 and stocked it next to Coca-Cola in its stores. The
store brand was an exact look alike of the Coca-Cola brand and was found to be of superior quality, but led to confusion among customers. As a result, it had lost customers and the market share in the market. Retailers made sure that their private labels entered only those product lines like bakery and dairy products and resisted from entering more sophisticated markets like cosmetics and health products. This way, they were averting the risk in segments in which product experience could have a significant impact on the reputation.

They are posing a huge threat to FMCG companies, In-store brands or ‘dealer owned labels’ are used by retailers to shift the trade equilibrium in their favour. While FMCG companies have been dismissing it off as an urban phenomenon, retailers say consumers even in the ‘B’ class have begun purchasing their store brands. by offering a better price-value equation, private labels are actually driving growth and market penetration in categories like grocery, packaged food and homecare items.

**Private labels and manufactures**

Retailers need to control private labels profitably without damaging their own business. The way forward is cooperation between brands and retailers. Private Label encourages both brand owners and retailers to reinvent themselves continually. By making use of mega trends, shopper insight, and value innovation, all parties can add value to their businesses. Private Labels are outperforming Manufacturer Brands.

Manufacturers of branded products therefore have been taken aback by the unexpected and continued increase in private label share since the 1970s. Private labels have outperformed manufacturer brands in all but one of the last ten years. They now account for 20% of sales in supermarkets and mass merchandisers as well...
as a healthy share of sales in department stores, category killers, specialty stores, and convenience stores.

Those private labels that posed a potential threat to the strong brands. However, the study revealed that manufacturers of private labels were to be found amongst the companies that struggled so hard to build and maintain strong brands within the very same categories in which they provided retailers with private label products. Hence, it seemed interesting to try to understand why some of the companies behind the strong brands engaged in private label production while others refused to do the same.

**Challenges of Private Label Manufacturers**

Private Label Manufacturer's Association (PLMA) categories PL manufacturers in 4 main categories: 1. Large national brand manufacturers that utilize their expertise and excess plant capacity to supply store brands. 2. Small, quality manufacturers who specialize in particular product lines and concentrate on producing store brands almost exclusively. Often these companies are owned by corporations that also produce national brands. 3. Major retailers and wholesalers that own their own manufacturing facilities and provide store brand products for themselves. 4. Regional brand manufacturers that produce private label products for specific markets.

The brand manufacturers that have decided not to become involved in private labels are companies, for whom protection of their own brands is the utmost priority. Hence, within these companies the marketing departments as well as the top management are extremely careful not to do anything which could potentially harm their brands. The main reason why these companies do not wish to engage in private label production is that such engagement, would harm their own brands. Moreover,
this kind of reasoning is grounded in actual experiences as most of these companies have engaged in private label production in the past and subsequently, have chosen to withdraw from such activities. Thus they consider private label production as harmful to their brands, especially when there exists certain similarities between branded and private label products – physical similarity as well as similarity as perceived by consumers. These similarities are visible in these manufacturers’ products and production-related competencies. In fact, these core competencies seem to act as core rigidities as the manufacturers find themselves incapable of – effectively and efficiently – producing private label products much different from their branded products. As a result, these companies keep out of private label production in order not to dilute their own brand and the products that have built it.

Manufacturers here need to realize and respect the strength of the retailer. Today, most companies see retailers as the owners of small mom-and-pop stores and not as a social or intellectual equal. But they need to understand that retailers have equal weight and will soon wield a lot more power than them. Hence manufacturers must start partnering with retailers.

They must start working closely with them as soon they will have to work around them. In most developed nations like the US, the UK, South Africa and Australia, manufacturers work closely with retailers. Even in countries like Brazil, Mexico and Thailand one has witnessed this change.

Hence Indian companies can begin to build a partnership from now. Large FMCG companies such as P&G and Unilever have learnt to do this well. Consider this: Wal-Mart purchases $10 billion worth of products from P&G, and hence P&G has to organize itself to work around them.
The other thing that Indian manufacturers can do is to fight selectively. To do this, they must move out of categories where they are not the number one or two brand. As things move forward, it will make no sense to hold on to number three and four brands simply because a retailer would charge very high margins to stock these products. Retailers would only want to stock those brands which are at the top because they attract consumers.

Since they don’t benefit by stocking the rest, it is best to move out of such categories. Companies must move out of those categories where their products do not make a symbolic or emotional difference to consumers. In categories where additional benefits are not seen such as in bread, butter, milk or paper towels, private labels tend to sell more.

For example, Shoppers Stop has several in-house brands such as STOP, Kashish, LIFE, Vettorio Fratini, Elliza Donatein and Acropolis. Reliance Fresh sells grocery such as pulses, rice, tea, noodles under the Reliance Food brand and the dairy products such as curd is sold under the Dairy Life brand.

Traditionally, they have been considered as cheaper alternatives to conventional brands. But over a period of time, these private labels are becoming more innovative, are adding more value to the consumers and are able to offer innovation that is similar to an established brand. From a customer’s point of view, he is getting a similar quality at a much lower price.
Consumer perception of private labels in General stores

An attempt has been made to know the consumer perception of private labels in general stores.

**Table 5.4: General Stores - Awareness of private labels**

<table>
<thead>
<tr>
<th>Response</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>216</td>
<td>72</td>
</tr>
<tr>
<td>No</td>
<td>84</td>
<td>28</td>
</tr>
<tr>
<td>Total:</td>
<td>300</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey

**Fig 5.1: General Stores - Awareness of private labels**

An overwhelming majority (72 percent) of the respondents stated that they are aware of the private labels. As many as 84 (28 percent) respondents expressed that they are not aware of the private labels.

**Table 5.5: General Stores - Perception of quality of private labels**

<table>
<thead>
<tr>
<th>Response</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good</td>
<td>186</td>
<td>62</td>
</tr>
<tr>
<td>Poor</td>
<td>114</td>
<td>38</td>
</tr>
<tr>
<td>Total:</td>
<td>300</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey
Fig 5.2: General Stores - Perception of quality of private labels

An overwhelming majority (62 percent) of the respondents stated that their perception of quality of private labels is good. Similarly, 114 (38 percent) respondents expressed that their perception of quality of private labels is poor.

Thus, it can be interpreted from the above table that majority of the respondents have a positive perception of the quality of the private labels.

Table 5.6: General Stores - Want to buy private labels

<table>
<thead>
<tr>
<th>Response</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>196</td>
<td>66</td>
</tr>
<tr>
<td>No</td>
<td>104</td>
<td>34</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>300</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey

Fig 5.3: General Stores - Want to buy private labels
An overwhelming majority (66 percent) of the respondents stated that they would buy private labels. Similarly, 104 (34 percent) respondents expressed that they would not buy private labels.

Thus, it can be interpreted from the above table that majority of the respondents are willing to buy private labels.

Table 5.7: General Stores - Reasons for not buying private labels

<table>
<thead>
<tr>
<th>Response</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor quality</td>
<td>62</td>
<td>59</td>
</tr>
<tr>
<td>Adulteration</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Expensiveness</td>
<td>10</td>
<td>9.5</td>
</tr>
<tr>
<td>Low image</td>
<td>8</td>
<td>7.5</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>104</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey

Out of 104 respondents, who are not willing to buy private labels. As many as 62 (59 percent) respondents stated that poor quality is the reason for not buying private labels. 24 percent of the respondents stated that the adulteration is the reason why they are not willing to buy private labels. 18 respondents stated that expensiveness and low image are the reasons for not buying the private labels.
Consumer perception of private labels in Speciality Malls

An attempt has been made to know the consumer perception of private labels in speciality malls.

**Table 5.8: Speciality Malls - Awareness of private labels**

<table>
<thead>
<tr>
<th>Response</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>255</td>
<td>85</td>
</tr>
<tr>
<td>No</td>
<td>45</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>300</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey

**Fig 5.5: Speciality Malls - Awareness of private labels**

An overwhelming majority (85 percent) of the respondents stated that they are aware of the private labels. As many as 45 (15 percent) respondents expressed that they are not aware of the private labels.

**Table 5.9: Speciality Malls - Perception of quality of private labels**

<table>
<thead>
<tr>
<th>Response</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good</td>
<td>210</td>
<td>70</td>
</tr>
<tr>
<td>Poor</td>
<td>90</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>300</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey
An overwhelming majority (70 percent) of the respondents stated that their perception of quality of private labels is good. Similarly, 90 (30 percent) respondents expressed that their perception of quality of private labels is poor.

Thus, it can be interpreted from the above table that majority of the respondents have a positive perception of the quality of the private labels.

### Table 5.10: Speciality Malls - Want to buy private labels

<table>
<thead>
<tr>
<th>Response</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>126</td>
<td>42</td>
</tr>
<tr>
<td>No</td>
<td>174</td>
<td>58</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>300</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey
An overwhelming majority (42 percent) of the respondents stated that they would buy private labels. Similarly, 174 (58 percent) respondents expressed that they would not buy private labels.

Thus, it can be interpreted from the above table that majority of the respondents are willing to buy private labels.

Table 5.11: Speciality Malls - Reasons for not buying private labels

<table>
<thead>
<tr>
<th>Response</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor quality</td>
<td>62</td>
<td>36</td>
</tr>
<tr>
<td>Expensiveness</td>
<td>16</td>
<td>9</td>
</tr>
<tr>
<td>Low image</td>
<td>96</td>
<td>55</td>
</tr>
<tr>
<td>Total</td>
<td>174</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey

Fig 5.8: Speciality Malls - Reasons for not buying private labels

Out of 104 respondents, who are not willing to buy private labels. As many as 62 (36 percent) respondents stated that poor quality is the reason for not buying private labels. 9 percent of the respondents stated that the adulteration is the reason why they are not willing to buy private labels. 55 respondents stated that expensiveness and low image are the reasons for not buying the private labels.
Fig 5.9: Comparison of both malls - Awareness of private labels

<table>
<thead>
<tr>
<th>General</th>
<th>Speciality</th>
</tr>
</thead>
<tbody>
<tr>
<td>28</td>
<td>15</td>
</tr>
<tr>
<td>72</td>
<td>85</td>
</tr>
</tbody>
</table>

The awareness of private labels is more in the case of speciality malls (85 per cent) than the general stores (72 per cent).

Fig 5.10: Comparison of both malls - Perception of quality of private labels

<table>
<thead>
<tr>
<th>General</th>
<th>Speciality</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>30</td>
</tr>
<tr>
<td>62</td>
<td>70</td>
</tr>
</tbody>
</table>

The perception of private labels in speciality malls is better than the general stores.
More number of respondents (66 per cent) wants to buy private labels in general stores than the speciality stores. In other words respondents want to buy private labels of food and grocery than apparels.

Majority of the respondents (59 percent) stated that, the reasons for not buying the private labels in general stores is poor quality. 55 percent of respondents in speciality malls stated that, reasons for not buying the private labels is low image of the private labels.
References:


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