CHAPTER - 3

REVIEW OF LITERATURE

The review examines wide range of factors that could contribute to consumer’s perception towards Private Label brands in food and grocery retail sector. The rapid development of own label products offered by supermarket chains is changing the “rules of the game” in the food business industry. Many researchers have examined the development of these brands and consumers’ behavior for own-labels, mainly in relative mature markets where their use is widely spread (Veloutsou et al., 2004; Prendergast and Marr, 1997b). Following this, several factors have been identified to impact on purchase of own-labels and are presented in the next paragraphs.

PRIVATE LABEL BRANDING

Private label brands are available in a multitude of formats. There are, essentially, three varieties of private label brands. The first being a representative brand, which is a private label brand that through its name and packaging announces that it is produced and solely owned by the retailer. The second being an exclusive private label brand, which is owned and produced by the retailer, yet this fact, is not explicitly conveyed to the consumer through brand name and packaging. The last type is confined labels these are brands that are not owned by the retailer but are found exclusively in their stores. Manufacturer brands on the other hand are controlled and produced by manufacturers and sold through a plethora of retailers. In terms of branding, the general consensus appears to be that private label brands are considered “every bit as much a brand as manufacturer’s” (Murphy, 1987).
3.1 The Indian Retail Market

Traditionally, the Indian retail market was existed in an indigenous style and was not so active in the grass root level owing to low level of consumption. Retailing has been unorganized with small grocery stores (a.k.a Kiranas) dotting the retail landscape. The level of penetration by organized players still remains low especially in the largest retail segment of food & grocery. 1980’s experienced slow change in the Indian retail sector as India began to open up economy. According to the Indian Retail Report (2007) that bases its report on private final consumption expenditure data from CSO, National Accounts Statistics 2006 and year round feedback from the industry, the Indian Retail market is estimated to be worth Rs.1,036,000 crore in 2006. Organized Retailing has increased its share from three percent in 2004 to 4.6 percent and is valued at Rs.47, 500 crores. The food & grocery segment is worth around Rs. 6, 42, 200 crores with just 0.8 per cent penetration by the organized segment. But the retail structure in India is set to change. The Indian retail market is undergoing a period of transition. In line with what is happening globally, the market is also characterized by increased competition, changes in consumer personal incomes, technological advancements and an increasing variety of product choices. After the new economic policy in 1991, a fresh wave of entrants with a shift from Manufacturers to Pure Retailers is noticed. For e.g. Food World, Subhiksha and Niligiri’s in Food and FMCG; Planet M and Music World in music; Cross word and Fountainhead in books. From 1995, onwards, we can see the emergence of shopping centers mainly in urban areas, with facilities like car parking. They aimed to provide a complete destination experience for all segments of society. In recent years, emergence of hyper and super markets trying to provide customer with variety of facilities is a land mark in the evolution of retail sector. At the end of 2000 the size of Indian organized retail industry is estimated at Rs.13, 000 crore. Major global players such as Wal-Mart, Metro, and Shoprite have already set shop with others such as Carrefour, Royal Ahold etc. in advanced stages of entry. Large Indian conglomerates such as Reliance, Bharti, Aditya Birla and Future have already made huge investments in the retail sector. All major cities in the country today have a presence of organized retail players.
Figure 3.1 Organized retail as a percentage of FMCG sales by city

Source: AC Nielsen

3.2 FOOD AND GROCERY RETAIL MARKET IN INDIA:

Food and grocery segment constitutes about 62 per cent of the total INR 12000 billion (USD 270 billion) Indian retail markets. There are about 12 million retailers in India and 80 per cent of those are actually mom and pop shops run by family members. The modern organized retailing is about 3 per cent of the total. In South, however, the modern retailing is said to be 10% of the total. As per IMAGES F&R Research estimates organized food and grocery retail market was a mere 0.5 per cent of the total in 2004. This organized segment has now grown to just about 0.8 per cent in 2006 valued at INR 500 billion at 2004-05 prices. The organized food and grocery retail sector grew at the rate of 35.6 percent in 2005 and at 42.5 per cent in 2006 over the previous year.

It can be noted that grocery retailing accounts for nearly half of the packaged fast moving consumer goods (FMCG) sales. ACNielsen study indicates that there will be significant switch in spending from traditional grocery stores to modern stores in the region. (Source: India Retail Report 2007: An Images F&R Research)
3.2.1 Key Drivers to Food and Grocery Retail Growth

Increase in disposable income has led to change in consumer preferences; Consumers are demanding wider range and unique merchandise with consistent quality – ‘all under one roof’.

Gradual increasing cosmopolitanization of Indian population due to western influence and internationalization of palates and lifestyle created the need of wider array of products and services.

New types of packaged and convenience foods such as processed meat and meat products requiring refrigerated storage and transportation and retail shelf space.

As of now the emphasis in food and grocery retailing is on dry groceries. The wet groceries like fruits, vegetables and meat products account for only 3-5 per cent of the overall offering of the organized players. However, consumer spending indicates that about 40% of total consumer spending is on wet groceries. The major challenge would thus be putting appropriate supply chain management infrastructure for wet products and those who will be able to do it faster will have a major differentiation advantage to leverage. The signs of eliminating involvement of middlemen and backward integration in SCM among Indian retailers are increasingly visible.

3.2.2 Factors that Will Determine the Success of Food and Grocery Stores

- Ability of the companies to achieve economies of scale and supply chain integration leading to cost reduction, improved stock turnover and better credit terms from vendor
- Building scale able model that is replicable across regions and extending models to smaller cities and towns
- Passing on benefits of lower costs to consumers offering better value proposition than what neighborhood stores offer.
• Home delivery to match the customer convenience offered by the unorganized segment
• Better shopping environment benchmarked to international standard
• Focus on private label particularly for staple foods
• Extend into other categories for private label brands

3.2.3 Challenges to Overcome

➢ Efficiency related issues in supply chain management areas for significant cost reduction.

➢ Food and grocery is still a localized affair. People are unwilling to travel far off distances for grocery shopping when options are available nearby. Finding solution to this issue is thus a big challenge

➢ An analysis of grocery retailers performance has shown that in year 2006 there was a growth of 73 percent in number of cities covered as against only 18 percent in 2005. Although number of outlets doubled in 2005 and there was 65 percent growth in 2006.

3.3 LEADING FOOD AND GROCERY RETAIL STORES

SUBHIKSHA

Chennai based retail chain is the largest discount stores in India with over 315 stores. Started in 1997 it is the first company to start tie ups with the manufacturers for cost saving. In 2006 it has 315 stores with 60 stores in Bangalore, Mysore and one store in NCR. The turnover of the company is INR 3.34 billion. They have launched aggressive television campaign to reach masses. They plan to invest additional INR 1000 million to add 180 more stores in eight cities of which 100 stores will be in Mumbai city itself. As per plan they would like to have 600 stores by the year end 2007.
FABMALL

Bangalore based Fabmall operated 12 stores and achieved INR 500 million in sales in 2003-04. It has been acquired by Trinethra of Hyderabad with 80 outlets in eight cities in Andhra Pradesh covering retail space of more than 1300000 Square feet. Post acquisition, Trinethra had added five more stores under Fabmall and now operating both the formats. Trinethra super retail with 172 stores subsequently got acquired by AV Birla Group which acquired 90 percent stake. Balance 10% is still with India Value Fund managed by GW capital, a private equity fund. By year 2006-07 Trinethra has 198 stores in more than four cities with total area of 5,25,566 Square feet and sales INR 2780 million.

FOODWORLD

Dairy Farm International entered Indian market and took over Food World from Spencer as a route to dilute the shareholding in RPG group. It had a four city presence and 100 stores in 2005-06 as compared to the previous year 79 outlets. Dairy Farm now plans to set up bigger stores as well as large format stores. As per plan they would like to set up 500 outlets by year 2010.

SPENCER’S RETAIL

A RPG group company entered into F&G retail in 2001. In the year 2006-07 they had 68 stores in 17 cities with retail space of 5,82,490 Square feet. They have both small (2000Square feet) as well as large (8000-15000 Square feet) format outlets selling both fresh products and durable item under one roof. Small format outlets sell fresh food, groceries, chilled and frozen foods.

FOOD BAZAR

Food Bazaar, the Pantaloon group’s F&G chain, has in all 45 outlets across more than 20 cities and is located within the group’s value retail format Big Bazaar. Food Bazaar’s value proposition – selling below MRP – helped in high stock turn over. It has launched private label brands of tea, salt, sugar, spice and
processed foods. The turnover for the year 2003-04 was INR 1.5 billion which is expected to go up to INR 32.5 billion by year 2010. The Company plans to have 110 outlets in 2007 and 250 outlets in 2010. They have over 10000 SKUs.

**TRUMART**

Launched by Piramal group and managed by Mumbai based Crossroads. First outlet was opened in Pune in upscale Bhandarkar Road of 6000 Square feet size. They have 12 outlets in five cities in 2005-06 although started initially in Pune and Mumbai. Now they have 42 outlets (2006-07) in 14 cities with plan to have 150 outlets in the year 2010. They plan to have 82 outlets in 2007. The theme of their stores is AUOR (All under one roof).

**NILGIRI’S**

It has pioneered the organized retail operation in the country – started as early as 1905 in Bangalore. In 2004-05 it has about 140000 Square feet retail space which has now gone up to 200000 Square feet. They have mainly franchisees and a few company owned format outlets. They have pioneered franchisee model in India in F&G retail.

**ARAMBAG FOODMART**

It belongs to the Arambag Hatcheries and is a household name in Kolkata. Spread over Kolkata and other cities in West Bengal Company operate 24 stores with an average area of 600-1000 Square feet of retail space. It deals in groceries, confectioneries, toiletries, frozen foods and of course its products Arambag Chicken (dressed chicken). The unique features of these stores are below MRP price, good quality and convenient location. There has been gradual increase in sales from INR 181 million in 2004-05 to INR 212 million in 2005-06 to the current to INR 260 million now.
RELIANCE FRESH

Reliance entered the F&G sector recently with its Reliance Fresh outlets foraying through the Hyderabad stores. First set of roll out included 11 stores all located in the same city. First day turnover was INR 2.2 million. The company is targeting at least 35 outlets in major cities. Expansion is planned and is in progress to cover immediately Delhi, Mumbai and nearby areas in the first phase. They are planning 70 cities and 784 urban towns and 6000 odd rural mandi towns to cover 100 million Square feet of retail space backed by about 68 strong distribution network by year 2011. The company expects to get sales approximately of INR 1000 billion.

3.4 INDIA'S TURN NOW

Taking a cue from their international counterparts, Indian retailers are aiming for a bigger play as far as their private label strategy is concerned. Indeed, for the country's fledging retailing industry, which is now facing unprecedented challenges in the form of the economic slowdown and lower consumer spend, private label is emerging as a new business model. Even most retail stores gradually believe in private labels bridging the gap in their product mix and are aiming to fulfill the specific needs of the customers. Factors driving the private label push on the part of the retailers are the pricing strategy and better control in deliveries. Undoubtedly, given the price-sensitive psyche of Indian consumers, retailers are relying more on the pricing aspect than anything else, at least for now. According to Ambeek Khemka, President, Vishal Retail, "In the past three months, sales of private labels have gone up by 25% in our stores." He further added, "In the food and grocery segment, sales of noodles, cold drink, wafers and mineral water under private label have increased compared with branded products such as Maggi, Pepsi and Lays and Bisleri."

There has been a significant increase in private label brands in recent years particularly in food, home care and other low-end products. Wal-Mart for instance has a 40% private label representation in their stores. Big Indian retail stores are not far behind. Spencer's, Nilgiri’s, Big Bazaar, Trinethra (now 'More'), etc., are also
gradually increasing their private label brands and pitching them against well known manufacturer's brands in the shelves of their retail stores. Traditionally private labels were seen as low priced, low quality products. However, with big business groups entering retail and MNCs in retail expanding geographically, the perception that consumers have towards these stores and their private label brands has significantly changed. Even in the area of food products, private labels are gradually evolving from nasty, cheap, copycat substitutes to brands that end as vast, growing middle class, which clearly explains why retailers like Future Group and AV Birla Retail are so bullish and gearing up for more action. For instance, the Kishore Biyani-owned Future Group is getting ready for more audacious foray, as it aims to launch a vast range of products in categories from personal care to sportswear to lingerie and even beauty products in the near future. Rival Reliance Retail too has some ambitious plans for further strengthening its presence in the private label space. The Mukesh Ambani-promoted retailing giant is said to be readying for a major foray into this space, in mainly the food and groceries category, through a separate entity which would primarily cater to kirana stores and small retailers across the length and breadth of the country.

In India retailing has just begun to take off, the retail sector is expanding and modernizing rapidly in line with India’s economic growth. It offers significant employment opportunities in all urban areas. The study, undertaken by ICRIER on the retail industry, analyzes the impact of organized retailing on different segments of the economy. No distinction has been made between foreign and domestic players, in analyzing the impact of the increasing trend of large corporate entering the retail trade in the country.

The study estimates that the total retail business in India will grow at 13 per cent annually from US$ 322 billion in 2006-07 to US$ 590 billion in 2011-12. The unorganized retail sector is expected to grow at approximately 10 per cent per annum with sales rising from US$ 309 billion in 2006-07 to US$ 496 billion. Organized retail, which constituted a low four per cent of total retail in 2006-07, is estimated to grow at 45-50 per cent per annum and attain a 16 per cent share of total retail by 2011-12. In short, both unorganized and organized retail are bound not only
to coexist but also achieve rapid and sustained growth in the coming years. This is clearly not a case of a zero sum game as both organized and unorganized retail will see a massive scaling up of their activities. In fact, the retail sector, left entirely in the unorganized and informal segment of the economy, could well emerge as a major bottleneck to raising productivity in both agriculture and industry.

![Figure 3.2 Share of market: urban vs. rural](image)

Source: NSSO 5th Round; KPMG Analysis

One of the rather surprising findings of the study is that low-income consumers save more than others through shopping at organized retail outlets. This is a result of targeted discount shopping. It is also seen that farmers gain considerably from direct sales to organized retailers, with significant price and profit advantages as compared with selling either to intermediaries or to government regulated markets. Large manufacturers have also started feeling the competitive impact of organized retail through both price and payment pressures. Yet, they see the advantages from a more efficient supply chain and logistics that accompany the growth of organized retail. All these developments in Indian economy have contributed to the growth of private label among retail outlets functioning in different formats.
Traditionally, the Indian retail industry has been dominated by unorganized local players, with consumers shopping at mom-and-pop operations, roadside markets, and small grocery stores for their daily needs. While an estimated 85 percent of retail outlets continue to operate in these traditional formats, the last few years has seen a rise in modern retail formats such as hypermarkets, department stores, multi-storied malls, and Specialty stores—particularly in urban and semi-urban areas.

**Figure 3.3 Fastest growing Retail formats in India**

<table>
<thead>
<tr>
<th>Format</th>
<th>% Respondents who chose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialty</td>
<td>45</td>
</tr>
<tr>
<td>Super market</td>
<td>45</td>
</tr>
<tr>
<td>Hyper market</td>
<td>36</td>
</tr>
<tr>
<td>Discount</td>
<td>27</td>
</tr>
<tr>
<td>Department Stores</td>
<td>18</td>
</tr>
<tr>
<td>Convenience</td>
<td>9</td>
</tr>
<tr>
<td>E-tailing</td>
<td>9</td>
</tr>
</tbody>
</table>

**Source:** KPMG Retail Survey

Almost all—the large supermarket chains in south India introduced private label offerings during the review period, especially in commodity items such as rice, wheat, salt, pulses, herbs and spices. Hyderabad-based Trinethra’s private label products in staples and groceries proved successfully. Indian corporate behemoths like RPG Enterprises, Future Group, Bharti Group, K Raheja Corp. Group, and Tata Group are looking to tap into the growing potential of the organized retail market. They are slowly expanding their retail operations while experimenting with private label strategies. International retailers like Tesco and Carrefour are also keenly watching the Indian government’s policies, which presently allow foreign retailers limited entry - either through franchising deals with local partners or joint venture partnerships with Indian companies.
Private labels are gaining retailer attention due to profitability promise. Emulating international counterparts, where private label are increasingly gaining significance, most department stores, supermarket chains, hypermarket chains and discounters in India are promoting private label products. Health and wellness trends are yet to take off in a big way. Pricing and taste continues to rule consumer purchase decision. High fiber bread, honey, rice and Soya milk account for almost all of the demand for naturally health packaged food in India. Of these, super market chains such as Food world, Nilgiri’s and Food Bazaar began to offer private label high fiber bread, honey and brown rice.

For customers, private label is generally regarded as comprising products of reasonable quality at lower prices. For retailers, private label translates into higher margins, greater bargaining power with manufacturers and ability to fill value gaps in consumer’s requirements. Almost all the large supermarket chains in south India introduced private label offerings during the review period, especially in commodity items such as rice, wheat, salt, pulses, herbs and spices.
3.6 THE IMPACT OF ECONOMY TOWARDS PRIVATE LABEL BRANDS

The growth of private labels over the past decades has been attributed to various factors, private-label share increases when the economy is suffering and shrinks when the economy is flourishing. Private label share changes in cyclical up-versus downturns. Consumers switch more extensively to store brands during bad economic times than they switch back to national brands in a subsequent recovery. In addition, the switch to private-label brands is faster than the opposite movement to national brands after the recession ends. Finally, not only are consumers more prone to buy private labels during economic downturns, but some keep buying them when bad economic times are long over as well, leaving permanent “scars” on national brands' performance level. The national-brand manufacturers can mitigate the effect of an economic downturn on their shares by intensifying their marketing-support activities in recessions. Such a proactive strategy is not often observed. Most retailers invest more strongly in their private-label program when the economy deteriorates, making it even more difficult for national brands to catch up with the share lost during contractions.
3.6.1 Factors that Favor the Introduction and the Development of Private Labels

Private Label penetration varies across products as well as across retailers. Raju, Sethuraman and Dhar (1995) showed that the introduction of PLs is more likely when the product market consists of a large number of national brands. They also found a positive impact (on the probability of the introduction of PLs) on the amount of sales in the category. In a recent study, Scott-Morton and Zettelmeyer (2000) showed that the introduction of PLs is more likely when the leading NB has a large market share.

Their results confirm the positive impact of the total value of category sales. Moreover, their results suggest that the advertising / total sales ratio has a positive impact on the probability of the introduction of private labels. Finally, they found that a large number of producers also favor the introduction of PLs.

The main factors that favor for large market share for private labels were the following:

- High quality relative to the NB.
- Low variability of quality of PLBs.
- High product category sales.
- High gross margins (in %)
- A small number of national manufacturers operating in the category
- Low national advertising expenditures
3.7 FACTORS THAT AFFECT PURCHASE OF PRIVATE LABEL BRANDS

3.7.1 The Influence of Macro Economic Factors

3.7.1.1 Economic Environment

The economic environment consists of factors that affect consumer purchasing power and spending patterns. Economic factors include business cycles, inflation, unemployment, interest rates, and income. Changes in major economic variables have a significant impact on the marketplace. For example, income affects consumer spending which affects sales for organizations. According to Engel's Laws, as income rises, the percentage of income spent on food decreases, while the percentage spent on housing is constant.

3.7.1.2 Technological Environment

The technological environment refers to new technologies, which create new product and market opportunities. Technological developments are the most manageable uncontrollable force faced by marketers. Organizations need to be aware of new technologies in order to turn these advances into opportunities and a competitive edge. Technology has a tremendous effect on life-styles, consumption patterns, and the economy. Advances in technology can start new industries, radically alter or destroy existing industries, and stimulate entirely separate markets. The rapid rate at which technology changes has forced organizations to quickly adapt in terms of how they develop, price, distribute, and promote their products.

3.7.1.3 Political and Legal Environment

Organizations must operate within a framework of governmental regulation and legislation. Government relationships with organizations encompass subsidies, tariffs, import quotas, and deregulation of industries. The political environment includes governmental and special interest groups that influence and limit various organizations and individuals in a given society. Organizations hire lobbyists to influence legislation and run advocacy ads that state their point of view.
on public issues. Special interest groups have grown in number and power over the last three decades, putting more constraints on marketers. The public expects organizations to be ethical and responsible. An example of response by marketers to special interests is green marketing, the use of recyclable or biodegradable packing materials as part of marketing strategy. The major purposes of business legislation include protection of companies from unfair competition, protection of consumers from unfair business practices and protection of the interests of society from unbridled business behavior. The legal environment becomes more complicated as organizations expand globally and face governmental structures.

3.7.1.4 Demographic Environment

Demographics tell marketers who current and potential customers are; where they are; and how many are likely to buy what the marketer is selling. Demography is the study of human populations in terms of size, density, location, age, sex, race, occupation, and other statistics. Changes in the demographic environment can result in significant opportunities and threats presenting themselves to the organization. Major trends for marketers in the demographic environment include worldwide explosive population growth; a changing age, ethnic and educational mix; new types of households; and geographical shifts in population.

3.7.1.5 Social / Cultural Environment

Social/cultural forces are the most difficult uncontrollable variables to predict. It is important for marketers to understand and appreciate the cultural values of the environment in which they operate. The cultural environment is made up of forces that affect society's basic values, perceptions, preferences, and behaviors. Values and beliefs include equality, achievement, youthfulness, efficiency, practicality, self-actualization, freedom, humanitarianism, mastery over the environment, patriotism, individualism, religious and moral orientation, progress, materialism, social interaction, conformity, courage, and acceptance of responsibility. Changes in social/cultural environment affect customer behavior, which affects sales of products. Trends in the cultural environment include
individuals changing their views of themselves, others, and the world around them and movement toward self-fulfillment, immediate gratification, and secularism.

3.7.1.6 Ecosystem Environment

The ecosystem refers to natural systems and its resources that are needed as inputs by marketers or that are affected by marketing activities. Green marketing or environmental concern about the physical environment has intensified in recent years. To avoid shortages in raw materials, organizations can use renewable resources (such as forests) and alternatives (such as solar and wind energy) for nonrenewable resources (such as oil and coal). Organizations can limit their energy usage by increasing efficiency. Goodwill can be built by voluntarily engaging in pollution prevention activities and natural resource.

3.8 RELATIONSHIP BETWEEN MARKET FACTORS AND PRIVATE LABEL

3.8.1 Price

The first of the five P’s listed above is pricing. Several factors play a role in pricing strategy for private label product. As mentioned in a previous section, private labels have evolved into a value-oriented product that is typically sold at a lower price than the national brand (on average 30% below), but earns the retailer significantly higher real gross margins (RGM) (Garretson, Fisher, & Burton, 2002; Narasimhan, 1988; Steiner, 2004). Margins are higher for retailers because the cost of product is lower, typically related to lower promotional costs but are quite risky as the retailer must take on the role and costs associated with marketing and design (Hoch, 1996). In addition to lower costs from less promotion, private labels are guaranteed full distribution, good shelf space and no slotting fees that typically drive the cost of national brands higher (Hoch,1996). The final reason for which private labels may be sold at a lower price than national brands is the rarity of in-store promotion or couponing. In order for many national brands to attract value conscious consumers, manufacturers offer price reductions or rebates upon purchase (Hoch, 1996).
3.8.2 Quality and Attributes

Private label product quality and attributes is the next of the marketing strategies to review. Throughout the 1970s, it was thought that in order to offer good value to the consumer, it would come at the expense of quality. Additionally, many retailers are beginning to offer premium private label lines to further capitalize on the exclusivity of their distribution center and name (Crain, 2003; Heller, 2001; Salmon, and Cmar, 1987). Finally, retailers are no longer just making copies of the top national brands in their product categories, but are specializing in innovation and the development of highly differentiated products (Harvey, Rothe & Lucas, 1998). Although many consumers find assurance in the well-known national brand, fewer are finding name brand products as appealing as they have in the past (Branch, 2003) Today, when compared with national brands, there is significantly less discrepancy when comparing quality with proprietary brands (Hoch, 1996; Nandan and Dickerson, 1994; Sudhir and Talukdar, 2004).

3.8.3 Place

The placement in which the product is sold or the way it is positioned within the retail establishment, has become a means by which private label may succeed. Formerly prominent in value retail format, particularly grocery stores, private labels are now making strides in terms of recognition in high-end channels such as (Branch, 2003) and have become vital to the largest retailer in the world, Wal-Mart (Conti, 2003, Pollack Associates, 2002). These shifts in placement show that private label is no longer being kept out of a channel because of stigma. In addition to placement in new retail channels, retailers can gain additional benefit from added control over merchandise specification and sourcing. The brand can then be positioned throughout the store, creating recognition in various product categories with a single brand name (Morton & Zettlemeyer, 2004). Additionally, retailers have control of the placement of product on their shelves, as well as the placement of national brands (Hoch, 1996). These positions the retailer in such a way that the national brand manufacturer must negotiate for great concessions (Morton & Zettlemeyer, 2004).
3.8.4 Promotion

Promotion was mentioned in the section on pricing, as reduced promotion of private label products gives the category a cost advantage over its national brand competitors and those lower costs can be passed on to consumers in the form of lower prices. Private labels are often promoted as lower price options. Such promotion is found to be far more consistent than national brand promotion that varies from retailer to retailer and product to product (Garretson, Fisher & Burton, 2002). It was found in a study by Garretson, Fisher and Burton (2002), however, that the purchase of national brand products gives a consumer greater satisfaction in their purchase and a more favorable self-perception. Finally, retailers have greater control of the promotion and positioning of the products that they manufacturer and retail themselves. They have greater control of the product size, shape, color and shelving, which paired with their proximity to the consumers, gives them a great competitive advantage.

3.8.5 Person

Finally the person targeted and the reason for which they choose to purchase private label or national brands is of particular interest when considering and determining the other four factors associated with marketing. Consumers might be classified into a variety of different segments, four of which as labeled by Burger and Schott are “the deal prone consumer, the heavy user, new brand buyers and private brand buyers” (Burger & Schott, 1972). The group might be further divided in terms of value-consciousness (Garretson, Fisher, & Burton, 2002; Myers, 1967), impulse buying versus loyalty (Rao, 1969) or upon education level (Nandan & Dickerson, 1994). These classifications are important as this study focuses on the level of brand loyalty associated with private labels and categories are created through the use of previous research and the current dataset.

From the strategy offered by the 5 “P’s” of private label marketing, a firm has a variety of opportunities to create a successful brand. To analyze the potential success of a private label Hoch and Banerji (1993) has given that product quality
and consistency add to the likelihood of success, as do product sales and margins. Factors such as number of competitors and competitor promotional strategy, however, can cause a potential decline in success.

3.9 CONSUMERS’ PERCEPTION ON PRIVATE LABEL BRANDS

3.9.1 Relationship between Consumer Perceptions and private Label Brand Proneness

Smith and Sparks (1993) proposes that the perceptual gap between private label and manufacturer brands is narrowing. While debate is certainly present in the literature with regards to trends in consumer perceptions of private label brands, these brands do seem to represent value to hard pressed consumers. Additionally, Nandan and Dickinson (1994) inferred that during economic recessions, popularity of private label products increases. According to Quelch and Harding (1996), private label share is inversely related to economic strength. Therefore, when the economy is thriving, a smaller proportion of private label brand products are purchased. Richardson et al. (1996), as cited by Baltas (1997), identified familiarity, extrinsic cues, perceived quality, perceived risk, perceived value for money and income level as the primarily influencing factors of private label proneness. Baltas (1997) notes that while past behavior, demographic variables, and socio-economic factors as well as personality traits have been found to influence private label brand purchasing behavior; perceptions, attitudes and behavioral variables are more effective in this regard. Moschis (2003) echoes this sentiment, suggesting that older consumers are more brands loyal and are likely to prefer brands with which they are more familiar. Younger consumers, on the other hand, are more willing to try new or unfamiliar brands and products. Interestingly, younger consumers appear to have a more favorable view towards private label brands than older generations (Veloutsou et al., 2004). Jin and Yong (2005) note that the success of private label brands is dependent on factors such as the country’s retail structure, the level of retailer concentration, the advertising rate of manufacturer brands, economies of scale, management, and even imagination. This is reiterated by De Wulf et al. (2005) who suggest that consumers perceive
manufacturer brands to be superior to private label brands. Walker (2006) suggests that due to relatively lower prices, consumer quality perceptions are negatively impacted. Private label brands are thus frequently seen as inferior quality alternatives. Lamey et al. (2007) note, however, that the effects of economic fluctuations are non-symmetrical in terms of growth versus contractions. By way of explanation, the authors comment that the rate at which consumers adopt private label brands during a recession is faster than the reverse process which occurs after the economic downturn has ceased. Thus, once the economy has stabilized, consumers do not rapidly change consumption habits that were created during the recession. The authors highlight that levels of private label consumption do not return to the levels that existed before the advent of the recession.

3.9.2 Relationship between Consumer Perception and Pricing and in-store Promotion of private Label

Putsis and Dhar (2001) contrastingly note that promotions of manufacturer brands based on price are more likely to attract sales away from lower quality private label competitors, while the price promotion of private label brands does not seem to have an equal level of success in this regard. (Jin and Sternquist, 2002). Price represents an extrinsic cue and provides one of the most important forms of information available to consumers when making a purchasing decision. According to the authors, price constitutes 40% of the average consumer’s information search. Davies and Brito (2004) suggest that although price elasticities have a large effect on pricing decisions, generally the price advantage of private label brands is inclined to have approximately 20 to 44% higher gross profit margins Avlonitis and Indounas (2005) underline the importance of pricing decisions in terms of a company’s long term profitability. The authors emphasize the flexibility of pricing – pricing strategies can be adapted more quickly than other marketing facets. Field (2006) concur that the majority of retailers have little or no advertising expenditure with respect to their private label brands and this have impact on overall price charged by the retail outlets. As alluded to previously, this is particularly applicable with regard to private label brands as they are under full control of the retailer, and are free from the manufacturer’s pricing strategies and considerations.
(Uusitalo and Rokman, 2007. Kumar and Steenkamp (2007) note that over use of promotions by manufacturer brands may condition consumers to become price sensitive and this may, eventually, result in a “trade down” to a private label item. Therefore deal seekers become regular purchasers of private label brands over time.

A variety of reasons are suggested as to why private label brands tend to be more cost effective. Firstly, as previously mentioned, this can be attributed to private label brands often being imitations of manufacturer brands. Thus the limited associated research and development costs result in the retailers’ ability to charge a reduced price. Furthermore, the authors argue that new private label brand products can be at a lower cost by test marketing in a few of their own retail stores. This again contributes to lower research and development costs. In addition, packaging of private label brands tends to be marginally less expensive, as the raw materials used are often of a slightly lower quality. However, the factor that has the greatest impact on overall variable costs is the reduction in advertising expenses.

3.9.3 Relationship between Consumer Perception and Advertising of Private Label Brands

Abe (1995) queries whether high quality producers should advertise more than low quality producers or if low quality producers should advertise more in order to compensate for their relative product disadvantage. Therefore, the author asserts that private label brands’ potentially inferior quality does not necessitate a larger advertising budget than manufacturer brands in order to compete. According to Kim and Parker (1999), it is difficult to measure the success of private label brand advertising. This is attributed to the manner in which advertising costs are internalized within the retailing organization. Berry (2000) adds that brands, such as private labels, which fall under the “umbrella image” of a company, are essentially promoted in conjunction with all company promotions. In the case of supermarket retailers, communications are becoming an increasingly important tool for product differentiation. (Uusitalo, 2001). These retailers operate in a slow-growth market and products are becoming increasingly homogenous, hence the importance of communications is a means of distinguishing one retail brand from another. Baltas
(2003), on the other hand, suggests that manufacturer brands cannot often compete with private label brands in terms of pricing and thus advertising plays a vital role in product differentiation for manufacturer brands. Retailers are therefore challenged to promote their range of private label brands without large scale advertising. This is often achieved through placement of one or two private label products – alongside their manufacturer-branded counterparts – in a newspaper insert or the co-branding of both fascia and private label brands in a television advert. Private label brands are generally assumed to be of an inferior quality to manufacturer brands and thus represent these two quality alternatives for the purposes of this argument (De Wulf et al., 2005). Advertising accentuates predilections for a brand, thus differentiating it from competitors. It would appear that increased advertising does not increase sales at a rate that would make this expenditure more lucrative for private label brands. Nonetheless, retailers are mindful that private label brands need to be self promoted to some degree and that excessive advertising thereof is almost certainly unwarranted.

3.9.4 Relationship between Consumer Perception and The Effect of Packaging

Halstead and Ward (1995) highlight the fact that retailers have re-evaluated the importance of packaging for their private label brands. Thus retailers are placing more emphasis on adding color or modifying packaging to appear more like competing manufacturer brands. (Nancarrow et al., 1998) It is interesting to note that, according to author, nine out of ten purchasers occasionally buy on impulse, and these unplanned purchases are generally as a result of striking packages or in-store promotions (Nancarrow et al., 1998). Underwood et al. (2001) state that there has been an emerging trend to use packaging as a brand communications vehicle. The authors describe the primary role of product packaging as a means to captivate consumer attention by breaking through the competitive clutter. Meyer and Gertsman (2005) argue that differences in packaging between private label and manufacturer brands have been reduced over time. Quality improvements and decreases in price differentials between private label and manufacturer brands have led to an increase in the importance placed on
packaging – the authors identify this form of communication as a key source of product and brand differentiation. According to Nogales and Gomez (2005), packaging by private label brands is specifically selected in order to facilitate product comparison. Furthermore, in some instances, packaging quality is of an excellent standard (Suarez, 2005), making it somewhat difficult to distinguish between private label and manufacturer brands on shelf. Copy-cat branding often involves utilizing the color of the brand leader in the category. Fielding’s (2006) argues that packaging plays the lead role in building a private label brand. The author takes this one step further, suggesting that packaging has a long-lasting effect in the minds of consumers and is thus a manner in which to blur manufacturer brands’ distinctiveness. According to Ampuero and Villa (2006), packaging plays a crucial role, especially from the consumer’s perspective. This is due to the fact that a product’s packaging is what first attracts a consumer. The author asserts that as self-service sales environments have increased, the role of packaging has gained momentum. Thus, packaging has become the “salient salesman” as it informs consumers of the qualities and benefits of a product. Building upon this, Ampuero and Vila (2006) consider packaging to be the most important communications medium for the following reasons:

1. It reaches almost all buyers in the category;
2. It is present at the crucial moment when the decision to buy is made; and
3. Buyers are actively involved with packaging as they examine it to obtain the information they need.

3.9.5 Relationship between Consumer Perception and Apportioning Shelf Space

According to Hwang et al. (2004) the level on which the product is displayed has a significant effect on sales. For instance, a product which is located at eye-level falls within the average consumer’s line of vision, attracting his/her attention, and hence increasing the likelihood of the product being chosen. Retailers
ultimately hold allocation to private label as a trump card with respect to negotiations. Allocations to private label have been known to be as sizable as twice that apportioned to manufacturer brands (Nogales and Gomez, 2005). In addition, Suarez (2005) notes that retailers purposefully allocate their private label brands to more advantageous positions on the shelves, such as placing their own brands directly to the right of the manufacturer brands they are competing against. This being due to the fact that 90% of the population is right handed and is thus theoretically more likely to reach for the private label alternatives. De Wulf et al. (2005) concurs with this premise and emphasizes the influential role that shelf positioning of a private label brand can play with regard to sales of these products. Amrouche and Zaccour (2006) describe shelf space as “one of the retailer’s most important assets”. This vital resource is limited and therefore allocations can play a key strategic role.

3.10 CONSUMER CHARACTERISTICS AFFECTING PRIVATE LABEL PRONENESS

3.10.1 Perceived Risk

The consequences of making a purchase mistake is an important risk factor as consumers regard Private Label Brands as being inferior to national brands on reliability, prestige, quality attributes (Bellizzi et al., 1981). Dunn et al. (1986) find that consumers regard Private Label Brands as most risky on performance measures compared to national brands also find that Private Label Brands are least risky on financial measures; however, social risk is less important for supermarket products generally. Perceived risk has a number of facets: a functional risk (the Private Label Brand does not perform), a financial risk (wasting money) and social risk (the Private Label Brand may not be good enough for my friends). However, many studies treat “perceived risk” as a single construct to predict consumer preferences for Private Label Brands rather as a multidimensional phenomenon. The greater the perceived risk associated with Private Label Brands, the lower the consumer Private Label Brand proneness (Dunn et al., 1986; Erdem et al., 2004; Richardson et al., 1996). When consumers consider that purchasing a wrong brand
may have some important negative consequences, they are more likely to buy national brands. An explanation for this behavior is that national brands provide a safer choice in many consumption situations (Baltas, 1997). Other studies indicate that category involvement also negatively influences consumer attachment to Private Label Brands (Baltas and Doyle, 1998). In contrast, Batlas & Sinha focus on the risk aspects namely the costs and the immediate inconvenience of the purchase mistake of a Private Label Brand purchase. Batlas & Sinha find no significant link in their initial analysis between consequences of a purchase mistake and Private Label Brand purchasing.

**Batra and Sinha (2000)** examine this construct more closely using four determinants to explain Private Label Brand purchasing. These determinants are a greater consequence of making purchase mistake, quality variability between the Private Label Brands and national brands in a category, the “search” versus “experience” nature of product features in a category and price consciousness. Furthermore, Mieres et al. (2006) show that social risk is not a significant influence on Private Label Brand purchasing.

### 3.10.2 Consumer Attitudes

Attitudes can be described as an individual’s favourable or unfavourable inclination towards an attribute of an object which will lead to a tendency to act or behave in a predictable way in relation to it. Attitudes represent therefore a crucial link between customers’ views of a product and what they decide to buy (Perry, 1969, p. 34). This is because attitudes not only partly clarify consumer behavior, but they are also modifiable by marketing activity. **Burton et al. (1998)** found in a grocery store setting that PB attitude is positively related to the actual percentage of PB purchase on a shopping trip, and PB attitude is the strongest predictor of the percentage of PB purchase in relation to other price perceptions, deal perceptions, and other marketing related constructs. The relationship between attitude and purchase intention is well established in previous studies conducted by (i.e. Shim et al. 2001). Garretson et al. (2002) provided support for the results of Burton et al. (1998). That is, PB attitude positively affects the percentage of actual PB purchase
in a grocery store. Kyoung-Nan (2008) out of three covariates used in the study (attitude toward own brands, smart shopper self-perception, and store loyalty), only attitude towards own brands was shown to be significant and, moreover, influenced other variables. The attitudes of consumers towards own-labels are found to be important in affecting the intention of buying such products. More specific, Chaniotakis et al. (2009) highlighted the vital role of attitudes and suggested that retail chains should try to influence consumers so that they form positive attitudes toward private-labels.

3.10.3 Perceived Benefits

Consumers’ willingness to purchase own label products is closely related to the importance given to the fulfillment of expectations when choosing these products (Veloutsou et al., 2004). Particularly, among the choice criteria for purchasing own label brands, the benefits resulting from price and perceived quality of own label products are found to be significant. Consumer intention of purchasing private labels is influenced by consumer attitudes toward these products, which are affected by the related perceived benefits (Chaniotakis et al., 2009).

3.10.4 Perceived Quality

The benefits related to the price of own label products are considered to be one of the most important factors that influence consumer purchases (Baltas, 1997). Moreover, Sinha and Batra (1999) confirmed the impact of price benefits on private labels’ buying, providing evidence that a variation in price consciousness across product categories is a significant reason why consumers buy private labels in some categories and not in others. Price-quality perceptions and associations affect consumer attitudes toward private label brands (Burton et al., 1998 – in Beldona and Wysong, 2007; Garretson et al., 2002). The impact of benefits related to perceived quality is also highlighted by González Mieres et al. (2006) who found that perceived quality differences between store and manufacturer brands are important in influencing consumer attitudes towards these products. Similarly, Baltas and Argouslidis (2007) showed that quality has the most significant role when evaluating store brands.
3.10.5 Perceived Value Consciousness:

The improved quality and image of private label products appeals to a segment of value-conscious consumers (Davis et al., 1986; Martell, 1986; McGoldrick, 1984; Patti and Fisk, 1982). Value consciousness is defined as a concern for price paid relative to quality received (Lichtenstein et al., 1993). Numerous studies have identified consumer value consciousness as a strong predictor of private brand purchase (Burton et al., 1998; Garretson et al., 2002; Glemet and Mira, 1993; Jin and Suh, 2005; Richardson et al., 1996). The effects of product characteristics on private brand purchase vary by consumer level of value consciousness.

3.10.6 Perceived Price Consciousness

Price consciousness is the degree to which consumers use price in its negative role as a decision-making criterion (Lichtenstein et al., 1988). Since Private Label Brands are typically lower in price relative to national brand products, studies have often used price consciousness as one of the attitudinal characteristics of Private Label Brand buyers. Price consciousness is relevant to both national brands and Private Label Brands. Raju et al. (1995) confirm that Private Label Brand products perform well in product classes where consumers are more sensitive towards price. Burton et al. (1998) and Ailawadi et al. (2001) also show that consumers who tend to pay low prices have a more favourable attitude towards buying Private Label Brands.

3.10.7 Trust in Own-label Products

Buying own-label products is found to increase when consumers perceive that the consequences of making a purchasing mistake are not significant (Sinha and Batra, 1999). In addition, it seems that trust in private labels is vital as the probability of buying private label products is found to be lower when the product category is high in experience/credence quality instead of searching through package label information (Sinha and Batra, 1999). Consumer’s trust in the product category
is critical in that consumers would only purchase a retailer brand if they felt confident with the product in terms of reliability and performance (Broadbridge and Morgan, 2001). Trust in private label products impact on consumer attitudes towards own labels via their influence on the products’ perceived benefits (Chaniotakis et al., 2009).

3.10.8 Perceived Economic Situation

Another factor that has been found to impact consumer attitudes towards own labels refer to perceived economic situation. The role of economic situation in influencing consumption trends has also been confirmed by other research studies (Karlsson et al., 1999). Karlsson et al. (2004) claimed that the economic situation as perceived by consumers, influences the way they evaluate products. According to a Special Report on Branding and Private Labels (Pollack Associates, 2002 – in Beldona and Wysong, 2007), retailers enrich the range of own-label offerings because of the current economic conditions. As store brands are usually cheaper than national brands, consumers are likely to try to save some money by purchasing own labels to offset a tepid economy and soaring prices in other goods (Beldona and Wysong, 2007). Similarly, Chaniotakis et al. (2009) showed that perceived economic situation has an effect on private label products’ perceived benefits and consumer attitudes towards store brands.

3.10.9 Brand Loyalty

Consumer attitudes toward own-label brands are negatively influenced by brand loyalty (Burton et al., 1998 – in Beldona and Wysong, 2007). Beldona and Wysong (2007) tried to compare the brand personality traits of store and national brands, and found that consumers perceive national brands to have stronger brand personality traits when compared to store brands.
3.11 DEMOGRAPHIC VARIABLES IN THE CONTEXT OF PRIVATE LABEL

Highly educated consumers have more opportunity to earn a greater income and are less dependent on the brand name as an extrinsic cue (Murphy and Laczniak, 1979). Dick et al. (1995) find that older shoppers purchased national brands while younger consumers favored Private Label Brands. Richardson et al. (1996) examine the effect of educational achievement on Private Label Brand purchasing. Some researchers also show that Private Label Brand buyers with lower formal education are more likely to purchase national brands (Richardson et al., 1996). Other researchers argue that well educated consumers are more confident in their evaluative ability of products and that education is positively related to Private Label Brand performance. Richardson et al. (1996) contend that as Private Label Brands are sold at a lower price, the demographic status of respondents affects the propensity to purchase. Richardson et al. (1996) suggest that the experience of older shoppers makes them more likely to consider Private Label Brands as viable alternatives to national brands. This viewpoint implies that older people have more budget constraints; they may be more sensitive towards price and thus more likely to purchase a Private Label Brand (Omar, 1996). An alternative explanation is that older people avoid Private Label Brands; whereas younger people are more likely to accept them.

Hoch (1996) suggests that household income has a negative relationship with Private Label Brand purchase. Richardson et al. (1996) suggest that larger households, who have fewer financial resources than smaller households, are more likely to purchase Private Label Brands. However, Baltas and Doyle (1998) conclude that many of the demographic findings into Private Label Brand purchasing are mixed, unclear or outdated. Another issue important to both retailers and marketers is whether demographic groups influence attitudes towards private labels. Research has found that consumer sensitivity to quality, risk and price affects Private Label Brand proneness (Erdem et al., 2004).
3.12 ISSUES AND CONFLICTS IN PERCEPTION OF PRIVATE LABEL RESEARCH

Although the growth of private labels has been interpreted by some as a sign of the "decline of brands," it could easily be argued that the opposite conclusion is more valid, as private label growth could be seen in some ways as a consequence of cleverly designed branding strategies.

One of the most fundamental questions that researchers have asked about private labels is “Who is the private label prone consumer?” Interestingly, despite a large body of research on this issue (e.g., Richardson, Jain, and Dick 1996; Ailawadi, Gedenk, and Neslin 2001), there are few empirical generalizations about the characteristics of the private label user. The best we can say is that s/he is price sensitive but not image sensitive, middle-income, and educated.

A second question relates to the category characteristics that are conducive to private label success. Several researchers have noted that private label proneness is more category specific than consumer specific (e.g., Sethuraman 1992; Sethuraman and Cole 1997). Private labels gain higher share in large, less-promoted categories with a small number of brands, and when the price differential between national brands and private label is large (Hoch and Banerji 1993; Dhar and Hoch 1998; Sethuraman 1992). But, the most important driver of private label share is its perceived quality (Hoch and Banerji; Sethuraman 2000).

The fact that the perceived quality differential between private labels and national brands is so important clearly means that the better the private label position in terms of quality, the more likely it is to succeed. However, should the private label be positioned against the leading national brand? Sayman, Hoch, and Raju (2002) show analytically that it is profitable for the private label to position itself close to the leading national brand, particularly when the leading brand has a high share. Empirically, they find that, when private labels do target a particular national brand, they tend to target the leading brand. Interestingly, though, the large
majority of private labels do not seem to target a particular national brand, perhaps because that positioning may not be credible.

Is private label use related to store loyalty? The answer has direct relevance to the ability of private labels to help build retailers’ brands. Conventional wisdom certainly has it that store image and loyalty may improve as consumers become familiar with the private label and their shopping is facilitated by the ability to buy a single brand across a wide range of product categories (e.g., Steenkamp and Dekimpe 1997). Corstjens and Lal (2000) also show analytically that the ability to engender store loyalty can make private labels profitable for retailers even if they do not have a cost advantage. However, empirical evidence of the relationship between private label use and store loyalty is not only sparse but mixed. On the other hand, Ailawadi and Harlam (2004) find that heavy private label users buy significantly less from a retailer than do medium private label users. Further, none of these studies can attest to the direction of causality in the relationship. As a result, it is by no means clear that private labels increase consumer loyalty to a retailer’s stores.

Brand loyalty negatively affects trust in private - label products as even when the consumer is only aware of the brand, he/she apparently holds some strong and favorable brand associations in memory (Keller, 1993 – in De Wulf et al, 2005) and perceives less risk buying these products compared to own labels.

Brand loyalty negatively affects customers’ attitudes and purchase intention, as customers who are not loyal to a specific brand would purchase private label and vice versa (Burton et al. 1998 – in Beldona and Wysong, 2007).

During difficult economic situations there is an increase in the number of consumers who buy private label products because they are cheaper than the competitive branded products (Lempesi, 2002). Moreover, Karlsson et al. (2004) and Chaniotakis et al. (2009) showed that the economic situation as perceived by consumers, influences the way they evaluate products. Perceived economic situation should have a positive influence on the perceived benefits of private - label, based
on the fact that the difficult economic situation does not influence the sales of national brands, because of its high price (Blery and Sfetsiou, 2008).

Perceived benefits positively affect customer attitudes towards private-label, as it is found that the benefits that consumers perceive they get from own-label products have a direct effect on consumer attitudes (Chaniotakis et al., 2009).

Trust in own-label products should have a positive influence on perceived benefits since it is found that consumers’ trust in private label products influences consumers’ perceptions of the benefits they enjoy from these products (Chaniotakis et al., 2009). Trust in own-label products should have a positive influence on attitudes and customers’ purchase intention, as consumers would only even consider or purchase a retailer brand if they felt confident with the product in terms of reliability and performance (Broadbridge and Morgan, 2001).

Income negatively affect both attitudes and purchase intention since social status and particularly income determine customer preferences towards private brands (Baltas and Argouslidis, 2007; Baltas, 2003). Customer attitudes towards private-label should have a positive influence on the intention of purchasing private-label as there is evidence that consumer attitudes toward these products are vital in determining their buying intention (Chaniotakis et al. 2009).

Differences in product attributes and marketing activities between national and store brands lead to different perceptions and heterogeneous preferences among consumers. The latter ultimately create different buying patterns regarding store brands across consumers. For instance, Rao (1969) found in his study that when switching stores, own-label purchasers are prone to buy the own label of the new store.

Most studies examining the characteristics of the private brand buyer have attempted to discover whether the propensity to buy owns labels are associated with demographic or socio-economic characteristics of consumers. However, the tendencies discovered were weak in most instances. Frank and Boyd (1965)
concluded that both manufacturer brands and private label are consumed by households with virtually identical socio-economic and total consumption characteristics. Myers (1967) found that consumers are best classified by their perceptions toward own-label rather than their individual characteristics such as general personality variables and socio-economic factors. He also noted that respondents do treat private label products differently from national brands. Similarly, Burger and Schott (1972) found that private-label buyers were spread across all socio-economic groups and that differences in attitudinal and behavioral variables were better predictors. As Livesey and Lennon (1978) noted, possible reasons for perception differences are degree of experience with own-labels, differential response to marketing activities, differences in needs, perceived risk and different product importance among consumers. Bettman (1974) found variables reflecting lower perceived risk and greater information to be associated with private-label proneness. Szymanski and Busch (1987) reached similar conclusions about the poor performance of individual demographic and psychographic factors relative to the role of consumer perceptions regarding product qualities and price. Omar (1996), however, found personal characteristics among other variables, to be useful in identifying segments of national and store brand buyers. Recently, Richardson et al. (1996) identified familiarity with store brands, extrinsic cues usage in product evaluation, perceived quality variation, perceived risk, and perceived value for money, income and family size as factors influencing private label proneness.

3.13 KEY FINDINGS AND GAP IDENTIFIED FROM THE LITERATURE REVIEW

Private label brands are a relatively new phenomenon which has been introduced by the expanding supermarket and hypermarket chains and other retail formats (Schuh, 2007; Vecerová, 2004; Kaftan, 2003; GfK, 2002). Until recently these products were synonyms for poor quality. This may be still true for some products but for the majority of them this is no longer the case (Patocková, 2007; Vecerová, 2004; Šelfender and Fousek, 2004). There seem to be two main reasons for this shift. First, with an increasing standard of living, customers are now not only highly price sensitive but they also demand better quality (Ctk, 2007b;
Patockova´ and Cizner, 2005; Vecerkova´, 2004; Kaftan, 2003). Second, in a more and more competitive environment, where customer loyalty has become crucial for success, retailers are not willing to associate their names with inferior products (Regal, 2007a; Hr1´bal, 2006; Ctk, 2005, Vecerkova´, 2004; Selfender and Fousek, 2004; Kaftan, 2003).

Thus, most chains have currently at least two own labels; one which targets very price conscious customers and another which provides guaranteed quality from established producers for lower prices (Ctk, 2006; Ctk, 2005; Vecerkova´, 2004). Private brands are to be found now in all big stores and discount stores, but the number of products included varies significantly and ranges from a few hundred to several thousand (Regal, 2007a; C tk, 2006; Vecerkova´, 2004; Ctk, 2002).

In consumer marketing, brands often provide the primary points of differentiation between competitive offerings, and as such they can be critical to the success of retailers and manufacturers. Private label brands have made tremendous inroads over the past two decades. Although the success of private labels has been limited to certain product categories and segments of consumers, retailers continue to expand the domain of private label offerings.

Concentrating on consumer’s factors that have influence on perception of private label brands according to Becker., 1995, demographic characteristics are used as proxy variable for cost and benefit of search and found that consumer with high income have high opportunity cost of time, purchase branded product and engage less in product search. The findings of Frank and Boyd., 1965; Myers.,1967; Rao.,1969; reveal on concentration of demographic factors that educated households, large families, older female heads are more private label prone. Besides Frank and Boyd.1965, found that there is no socio-economic difference between national brand and private label buyers. There are contradictory views given by the authors Baltas and Doyle 1990; who found that demographic findings in private label are mixed, unclear and outdated. According to the findings of Dick et al., 1995; old shoppers purchase national brands and young consumers favored Private label
brands. The research gap has been identified that to have meaningful understanding on private label brand buyers it is not only enough to concentrate on demographic characteristics but also on other factors like shopping behavior, market attitude variables, product class and product use.

Under demographic variables next to age, concentration is made on household income and according to Frank and Boyd., 1965; Myers.,1967; Rao.,1969; lower income household are less prone to private label and there is contradiction on views given by Hoch., 1996; in this regard that household income have negative relationship with private label purchase.

The next variable that is taken into consideration for research is the size of the family that influence private label purchase and Richardson et al., 1996; has found that large households with fewer financial resources are more likely to purchase private label brands than small households.

Besides demographic variables the other factors that contribute to private label purchase are related to product attributes and enough research has been carried out in the following attributes. Firstly looking into perceived quality Hoch and Banerji.,1993; has found that private label share is greater in categories- where product quality is high and quality variability is low. Besides Ailawadi et al., Batlas., 1997; has given their views from the research conducted that quality consciousness thus, in the past deterred consumers from purchasing private label brands, because private brands were perceived as inferior in quality. Steenkamp and Dekimpe.,1997; Verhoof et al., 2002; gives that consumers are becoming less interested in manufacturer brand and their attitude towards private label brands are positive, due to upgraded quality of private label brands in the last two decade. Mc Goldrick., 1984; Smith and Sparks.,1993; states that private label in their early appearance were perceived as inferior, low quality and cheap version of national brands, but as they have gradually upgraded their range and offer high quality, the gap between private labels and manufacturer brands has been reduced. Though the research on perceived quality of private label reveals positive attitude of consumers’ perception, some study reveals contradictory opinion about perceived quality of private label
and Richardson et al., 1994; has found that consumers have tendency to use product positioning and price as a cue to quality. Dick et al., 1995; has found from his research that consumers remain suspicious of private label brand quality. Erdem et al., 2004; adds that product quality variability across different brands also adds to consumer uncertainty. Bellizzi et al., 1981; Sundel., 1974; has found that store brand grocery items are judged inferior to national brands in terms of quality and ingredients, taste, texture and aroma. Based on the views given by different authors in the study the research gap has been identified that perceived quality is analyzed only under customer satisfaction, purchase intention and customer value but other factors like packaging, image building and advertising which has not provided adequate support to private label brands need to be analyzed.

Secondly consumers of private label products are considered to be more price conscious and how consumers perceive the price of private label products depends on various factors like economic condition, price of national brands, value for money, household income of the consumers etc. Alba et al., 1994; has found from his study that price perception depend upon – information about how frequently a store has price advantage on set of products, magnitude of price advantage and frequency of price advantage. Burger and Scott. 1997; has found that private label consumers are more price sensitive. Burton et al., 1998; and Ailawadi et al., 2001; has found through research that consumers who tend to pay low price have a more favorable attitude towards buying private label brand. Myers. 1967; and Gelmet and Mira. 1993; has found that consumer prefer private brands over national brands due to their low price. But there are other contradictory views on consumers price perception related to views of few others where Stigler 1961, found that price could be signal for product quality only in competitive market when quality and price is positively correlated and both consumers and manufacturers have full information. The others who have contradicted to the above said views are Regal., 2007; Patcokova and Cizner., 2005; Tuhacek., 2002; is of the opinion from their findings that price is no longer the sole factor determining the purchasing decision but it is still a very influential decision. Alba et al., 1999; Speece and Nguyan. 2005; has given their findings that low price are associated with low quality. But the researcher has identified the research gap as whether consumers exhibit different buying
behavior when there is change in economic situation, when price of national brand and private label brand is equal and if consumers give importance to perceived quality than price discount relative to national brands.

3.13.1 Perceived Value for Money

Value consciousness refers to “the quality one gets for the price one pays” (Lichtenstein et al., 1993; Zeithaml, 1988); Value consciousness implies consideration of quality not in absolute terms, but in relation to the price of a particular brand. Contrary to common perception that price is the premier factor of Private Brand success, Hoch and Banerji (1993) found that quality of Private Brand is much more important than the level of price discount in determining the Private Brand category share. This indicates that perceived quality is an equally important factor of Private Brand success. Empirical research has confirmed that value-related measures are positively related to Private Brand attitude (Burton et al., 1998; Richardson et al., 1996). Recently, Garretson et al. (2002) provided further evidence that value consciousness is positively related to attitudes toward both private brand and national brand. Therefore, other things being equal, greater value for money perceptions of Private Brand will lead to higher levels of Private Brand attitude and purchase. Richardson et al., 1994; correlates value for money with greater purchase of private label and found that perceived quality was indicator of purchase than perceived value. Kwon et al., 2002; has found through research findings that value consciousness moderates the category characteristics of private label brand. Laaksonen and Reynolds. 1995; Broadbridge and Morgan. 2001; states that private label brand has grown such that consumers believe they represent good value for money and trust private label brand as manufacturers brand. In contradiction to views given by different authors the research gap has been identified based on supporting views of Richardson et al. (1996) who discovered that higher perceived risk associated with a Private Brand purchase lowers as individual’s perception of value for money. They also found that an individual with high intolerance for ambiguity considers value for money less important. So there is contradiction in the findings which suggests that value consciousness differs by perceived risk in the product category and by individual characteristics with regard to ambiguity.
3.13.2 Perceived Brand Awareness

Product familiarity denotes understanding of a product and its features and skill in judging the criteria needed to evaluate product quality. Familiarity instills confidence in one’s ability to choose the best brand and avoid those that may fail to meet specific consumption requirements. Thus, lack of familiarity contributes to the elimination of brands from the consideration set for purchase decisions. Store brand prone consumers exhibit significantly greater familiarity and usage experience with store brands than those reluctant to buy them. It may be that greater familiarity serves to increase the understanding that store brands are of better quality than one might expect in the absence of experience. Significant differences were found between those likely and unlikely to buy store brand grocery products.

Marks and Olson1961; identified that increased product knowledge leads to better developed knowledge or schema. Alba and Hutchinson, 1987; found that people with different level of expertise vary in how they organize memory. Raju, Sethuraman and Dhar , 1995; states that search benefits play role in consumer ‘s private label buying behavior and education is a measure of information process skill as consumers are more price sensitive. Prender gast and Marr., 1997; found that branding enable producers to increase consumer awareness of the product, build consumer loyalty and generate added value for product and companies. In contradiction to the above views given by different authors Some suggest that although sales of private label brands have grown considerably in the last two decades, private labels suffer from lack of strong, quality image (Vaidyanathan and Aggarwal, 2000; Ghose and Lowengart, 2001). The research gap identified from the review of literature states besides concentrating on education of consumers, other factors that contribute to private label brand awareness are acceptability of price and influence of search benefits in order to find the difference in preference between private and national brand.
3.13.3 Perceived Benefits

Consumer intention of purchasing private labels is influenced by consumer attitudes toward these products, which are affected by the related perceived benefits (Chaniotakis et al., 2009). More specific, consumers’ willingness to purchase own label products is closely related to the importance given to the fulfillment of expectations when choosing these products (Veloutsou et al., 2004). Particularly, among the choice criteria for purchasing own label brands, the benefits resulting from price and perceived quality of own label products are found to be significant (Veloutsou et al., 2004).

The impact of benefits related to perceived quality is also highlighted by González Mieres et al. (2006) Moreover, the research gap identified relates to confirmation given by Sinha and Batra (1999) that the impact of price benefits on private label buying, analysis is needed to find whether variation in price consciousness across product categories is a significant reason why consumers buy private labels in some categories and not in others would play an important role in determining their intention to choose retail brands. However, there is a great interest for further investigation of the issue, since the aspect of confidence is so far not empirically examined towards fast moving utilitarian/functional product categories, as Erdem et al. (2004) have also noted, consumer attitudes to perceived risk is a significant factor (along with quality and price) in determining consumer choice of brands, it is interesting to note that Baltas (1997) has suggested that increasing trust in the quality of retail brands has had a significant positive influence on their increasing popularity among consumers. However, despite the apparent importance of trust in perceptions of risk and purchasing (Siegrist et al., 2003; van Kleef et al., 2007), no research was traced dealing with the relationship between trust and the offset of perceived risk, the perceived benefits of retail brands. The researcher has identified to analyze the relationship between trust in private label products and the offset of perceived risk as much studies has not been carried out in this area.
3.13.4 Trust in Private – Label Products

Chaudhuri and Holbrook (2001) argued that although brands themselves may not be capable of trust, brands have the response potential to elicit trust from consumers. They define brand trust as the willingness of the average consumer to rely on the ability of the brand to perform its stated function. Along a similar line, Delgado- Ballester and Munuera-Alemán (2001) regarded brand trust as a feeling of security held by the consumer that the brand will meet their consumption expectations. There are certain similarities between the terms “trust” and “confidence” in that both refer to certain.

3.13.5 Perceived Risk

With the passage of time and improvements in quality, consumers’ doubts about price and quality appear to have diminished; however, the issue of perceived risk remains an open question. In this regard, the variables of “trust” and “confidence” have been shown to be crucial in determining the perceived risk of customers (Siegrist et al., 2005). It is therefore reasonable to assume that customer perceptions of “trust” and “confidence” expectations about the future state of things; moreover, both encompass tacit consideration of the element of uncertainty (or “risk”) about the future. Applying these ideas to the subject of choosing retail brands, in which the issue of price is central, it is reasonable to assume that “confidence” will be significantly influenced by consumers’ perceptions of their economic situation – including such issues as available household income and their general perception of their spending power now and in the future. However, although utility theory has made valuable contributions to the question of possible relationships between income and shopping behaviour, the research gap identified relates to a lack of empirical evidence regarding the relationship between consumers’ perceptions of economic confidence and their purchasing behavior, particularly in so far as the choice of retail brands is concerned (Akbay and Jones, 2005).
3.14 SUMMARY

The researcher has reviewed several literatures, which have addressed various studies and research undertaken on Consumers’ perception on Private label brands in food and grocery items.

From the literature reported above, studies reveal that private label branding has boomed Indian economy. Nearly all the global retail giants are now eyeing Indian market and using private label branding as one of the important branding strategy to gain market share in the Indian economy. However, it is high time for the retailers to realize how the consumers’ perceive private label brand when compare to national brand and need to change their marketing strategies accordingly. Today, the Indian market is undergoing hectic challenges due to current economic and financial crisis prevailing in the economy and retail sector requires immediate, long lasting, reliable and realistic solutions to address the current scenario. Various studies undertaken by distinguished scholars have broadened the understanding for the need of analyzing consumers’ perception on private label based on which the retailers can reorient areas where strategic rework is required for a true transformation.

Each year research is performed to work on the above initiatives, which in turn paved way for further study and need for a more comprehensive and detailed solution to address the exact role of consumer’s perception on private label branding in the retail sector. After review of literature the researcher has finalized the research topic as “Consumer Perception: An Analysis of Private Label Brands within Food and Grocery retail sector in Chennai”. The researcher has further identified twenty factors that contribute to private label buying namely demographic variables, general buying behavior, buying pattern towards PLB grocery/food items, attributes of PLBs, Selection factors related PLBs, Important factors influencing to purchase and not to purchase PLBs, Preference for national brands, Key motivators influencing PLBs purchase, effective media for marketing technique adopted by store, Attitude towards PLBs, Product familiarity, Purchase Intention, perceived economic condition, perceived benefits, perceived quality, price sensitivity, perceived risk, brand sensitivity, brand attributes and brand loyalty which form the basis for this study.