

A Study On The Consumption Pattern Of Private Labels In Kerala With Reference Grocery And FMCG.

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Abstract: - The store brands, otherwise known as private labels, are changing the future of modern trade outlets in India. Started on a low key profile, such as low price, low quality and limited movement, the store brands have gone a long way in establishing its credentials. The store brands are in par with the national brands at least in selected chains and outlets in India in terms of quality and price. The private labels have 50 % or more than 50% market share in many parts of the developed world. The private labels are pervasive in personal care, home care, processed food, groceries and consumer durables etc. The present research was carried out at the selected retail chain in Kerala such as More, Spencer and Reliance Fresh finds that, the married and un-married, age group and based on the level of education consumption will be different for Flour in Grocery and Personal care in FMCG.

Index Terms: - Consumption pattern, FMCG, Generic, Grocery, National brands, Private brands, Retail chains.

Introduction

The Indian retail industry is the fifth largest in the world and the sector can be classified as organized and unorganized sectors. The organized retailing in India is still at a nascent stage and private labels occupy less than 5 percent of the total Indian market. 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. The consumers remain loyal to neighbourhood vendors, who offer more than just goods by connecting with their customers on a personal level. The neighbourhood vendors are simply more familiar to locals and are recognized as part of the community; these vendors also extend credit to those in need and offer home delivery. In many areas of India, there are powerful bonds between neighbourhood vendors and their loyal local customers. The retail sector in India is on boom and the industry is expected to grow at rapidly of 25-30% annually. 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. All the leading modern trade outlets have introduced store brands which used to compete with national brands.

Private Label

According to Batlas, (1997) store brands or private label brands are brands owned, controlled, and sold exclusively by a retailer.

The Private Label Manufacturer's Association (PLMA) categorizes PL manufacturers into 4 main categories;

- a) Large national brand manufacturers that utilize their expertise and excess plant capacity to supply store brands.
- b) Small, quality manufacturers who specialize in particular product lines and concentrate on producing store brands
- c) Major retailers and wholesalers that own their own manufacturing facilities and provide store brand products for themselves.
- d) Regional brand manufacturers that produce private label products for specific markets.

Generation Model

Laaksonen and Reynolds, (1994) suggest four generations of retail brands. This model presents the basics of the private label theory. It shows, in a clear way, the different generations of private labels and why they are divided into the suggested generations. The model is;

Generic brands are the simplest type of brands, often nameless, basic and functional products. Lower quality and inferior image compared to the manufacturers' are characteristics for this category. The low price is the main criterion for purchasing.

Quasi-brand/own label is a retailer's own brand, often related to the retailer's name. The quality of the products are improved, but are still perceived as lower than leading manufacturers' brands. The main competitive advantage is providing a better value product (quality/price).

Own brand is what the retailers apply to products that have comparable quality to the brand leaders. Own brands either bear the same name as the retailer, or a new innovative name. The objective for these products is to imitate the traditional brand leaders. These products constitute so called me-too-products. The image of own brands shows

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the same perceived quality, but the price is strategically set slightly under the brand leaders.

Extended own brand (premium private brand) is a more sophisticated form of the third generation brand. This category of products is exclusively offered by a certain retailer. These brands can, by price and quality, compare themselves to the brand leaders. The objective for these products is to create a value, besides high quality and good price, for the customer.

International private label.

The international private labels can be recognized as being of better quality than local private labels. Batra, (2000) international private labels have an inherent cosmopolitan image, they will be deemed more inspirational, desirable and appealing with higher prestige than local private labels. The international private labels can be counted better leading brands than local private labels. The international labels would like to promote their cosmopolitan image so as to generate greater receptivity to their products which are of foreign origin. The consuming international private label products can be associated with more sophisticated personalities than local private label products. That is, the brand personality of international private labels will be perceived superior to local private labels.

Growth of Private Label in India.

The emergence of organized retailing in India has made private labels a reality. Though, initial growth of private label brands in India has been limited to certain categories like grocery and apparel, it is slowly expanding into other categories as well. The Indian retail market is the fifth largest retail destination globally and has been considered the most attractive emerging market for investment. Overall, the Indian retail market is growing at 30% annually, with the organized segment, which currently accounts for around 9% of the Indian retail market, registering above average growth of 30% (Report on Indian retail industry by Cygnus, 2010). Thus, with growth of organized retail in India, the private label brands are also expected to grow. The growth of private label brands in India has been limited to certain categories like grocery and apparel; it is expected to expand into many other categories as well. The private label brands and quality perceptions initially, private label brands developed a low-priced strategy to compete with national brands. They aimed at attracting low-income consumers who were price-conscious. The observed evidence for popularity of low-priced strategy of private labels came from studies which indicate that the private label strength of brands varied with economic conditions.

Review of Literature.

Hsin Kuang Chi, Huery Ren Yeha and Ya Ting Yang, (2009) reveals that brand identity and brand recall are positively related to purchase intention. The consumers will buy a familiar and well known product. The higher the brand awareness, the higher the purchase intention. In addition, the study reveals that action loyalty and emotional loyalty are positively related to purchase intent. The brand loyalty represents a repurchase promise in the future that consumers will not change their brand loyalty under different situations and still buy their favourable brands. The

brand awareness is considerably and positively related to perceived quality. The brand awareness is positively and significantly related to brand loyalty. The brand loyalty is positively and significantly related to perceived quality. The perceived quality and brand loyalty act as a mediator between brand awareness and purchase.

Swaroop Chandra Sahoo and Prakash Chandra Dash, (2010) states that the Indian consumers wish to get the best price for the products they buy. The Indian consumers check and compare the best price for the products they buy. They even used to go more than one store to get the lowest price. The gender, age, education and marital status have no significant impact on price consciousness and only monthly income has impact on price consciousness. The Indian consumers purchase in shopping malls for enjoyment. On the other side, Indian consumers are driven by novelty products. The variety seeking consumers even if they are satisfied with the present brand may switch over to other brand for better satisfaction. This is being done to increase stimulation by bringing something new to their life. In conclusion the decision making styles adopted by the Indian consumers are price consciousness, quality consciousness, recreational, confused by over choice, novelty consciousness and variety seeking. The average Indian consumers are not highly concerned with the brand but were price and quality conscious. It is found that the single consumers are more price consciousness than married consumers. The above factors suggest that decision making information on consumer's decision making style will be useful for retailers targeting Indian markets. The profiling of consumers by combining their decision making style and demographic variables provide ways identify and understand various consumer segments and target that segment with more focussed marketing strategies.

Gopal Das, (2011), on the question of whether demographic parameters have any impact on sales promotion it is found that demographic parameters have no impact on sales promotion. There are various reasons for the purchase of a product. The consumers purchase somewhat more than the regular purchase when promotions are made. The store location, loyalty does not play a major role in purchase decision making when promotional offer is concerned. So the promotions may have an influence on the consumer behaviour in spite of location dis-advantages.

Stephen J Hoch and Shumeet Banerji, (1993) found that private labels perform in large categories offering high margins. The private labels also perform well when the manufactures of National Brands spend less on advertising. More over now a day, the consumers believe that the quality aspect is more important than the price. One of the interesting phenomena concerning PLBs is that its growth has been highly uneven across product categories. The main objective of the study by using both primary and secondary data was to examine the relationship between the private label market share and the consumer, retailer and manufacturer related variables while controlling the impact of private label availability. The nine variables that were identified and could potentially account for private

label success are quality of the private label, quality variability of the private label, category gross margin, category retail sales, level of price discount of private labels of national brands, number of national manufactures in the category, amount of national advertising per manufacturer, Item proliferation and promotion intensity. The major determinants of private label success identified from consumers, retailers and National Manufactures perspective were product quality, quality consistency-(consumers perspective) ,category retail sales, category gross margin(retailers perspective),number of national manufactures and National advertising per manufacturer (national manufactures perspective).

Rajeev Batra and Indrajit Singha,(2000) analyses various factors that helped to explain variations in purchasing preferences for national brands versus private label brands. The consumer perceptions of the consequences of making a purchasing mistake in a category, the level of quality variation in that category, the search versus experience nature of the category's characteristics and the degree of consumer's price consciousness in the category. The consequences of making a purchase mistakes are higher, when the different brands in the category are seen as differing appreciably in quality. The Private label brand buying increases as the "consequences of making a purchasing mistake declines. To have an edge in the market for the national brand, it has to highlight the trustworthiness it offers to consumers when compared with private label brands.

Sanjay K Dhar and Stephen J Hoch, (1997) the variation in store brand performance across retailers is systematically related to underlying consumer, retailer, and manufacturer factors. The store brands are the only brand which the retailer takes the all responsibility from the development to the marketing stage. But in case of national brands the responsibility rest with the manufactures., the commitment to quality, breadth of private label offerings, use of own name for private label, a premium brand offering the extent to which the retailer serves a customer base containing less wealthy and more elderly households and operates in less competitive markets improves the performance of the store brand. The everyday low price positioning helps the store brand only in lower quality categories where the value positioning of the store may be better aligned with the price advantage of the store brand. The over emphasis to national brands to attract customer traffic has to be nullified with added quality in store brands. The price difference between national brand and store brand will have an impact on store brand performance.

Manyu Huang and Kevin E. Voges, (2011) demonstrate that customers with higher price sensitivity are more likely to purchase private brand. The lower price seems to be the main advantage for private brand commodities, which gives the advantage when they introduce these commodities. The differences in perceived quality between private brands and manufacturer brands are small for consumers who purchase private brand commodities.

L.E. Wells, H. Farley and G.A. Armstrong, (2007) states that there was no dominant style of purchasing behaviour evident. The number of consumers who were making a planned purchase for a specific occasion bought premium own-label as they could be "reassured the product they were serving was a high quality. Moreover, this type of consumer displayed a high level of brand loyalty towards premium own-label. Interestingly, a planned purchase very often coincided with a repeat purchase, especially those buying for a special occasion. The point of purchase" buying was readily practiced by shoppers. The store environment and highly visible products have the ability to attract the customers with the option of delaying decision-making until they are in store. The customers, who were restricted with their shopping time, relied heavily on external attributes, especially visual information.

Celina Gonzalez Mieres, Ana Maria Diaz Martin and Juan Antonio Trespacios Gutierrez, (2005) view a series of variables relating to purchasing behaviour, in which the difference in the risk that consumers perceive between store brands and national brands is explained. The experience with a product category on the importance of considering the relationships between this variable and the rest of those included in the proposed model has become clear since the indirect effects are those which justify its consideration as an important factor when analyzing the difference in perceived risk between store brands and national brands.

Swani, Kunal and Boonghee Yoo, (2010) on interactions between Price and Price Deal explain the impact of price and the price deal on purchase behaviour. There two types of products based on price, they are high-priced brands and low-priced brands. The high-priced brands are brands perceive image as a key factor. The consumers of these brands frequently purchase them mostly for image and are willing to pay a premium price for their apparent high quality and status, which make them price-inelastic. The low-priced brands tend to be purchased for utilitarian value, with the consumer relying on the perceived value for price. The consumers look for low prices of these brands or substitutes to get the best value.

Primary Objective

To analyse the consumption pattern of private label in Kerala with reference to Flour in Grocery and Personal care in FMCG.

Secondary Objective

- To find out the consumption pattern of married and un-married with respect to FMCG and Grocery.
- To examine whether age group has any role with respect to the consumption pattern.
- To analyse the impact of educational qualification on the consumption pattern of FMCG and Grocery.

Scope and Significance of the study

The study covers the daily stores of major retail chain such as Spencer, Reliance Fresh and More in Kerala. The Private labels in two categories such as Flour in Grocery and Personal Care in FMCG comes under the purview of the study. At present, India is reeling under the blow of

retail revolution which is changing the landscape of this country. More and more employment opportunities and infrastructure is shaping up in the retail sector. The study is significant as limited studies were only carried out in the state of Kerala with respect to consumption pattern in organized chains with respect to private labels.

Research Methodology

Based on the pilot study, the sample size of the research was framed at 755 from customers. The primary data was collected at the exit gate of modern retail outlets of shoppers during the mornings and evenings where respondents were willing to respond. One structured schedule was used to administer the survey. The schedule and the questionnaire are used to describe the form on which the questions are printed. A schedule is one which is handled by the interviewer. It is different from a questionnaire in such a way that questionnaire is one which is expected to be filled in by the informant. The reason for using schedule in the present research is that, it can provide more accuracy and convenient to the respondents. Based on the predefined quotas, the research endeavoured to obtain a sample which was somewhat representative of supermarket shoppers in the state of Kerala.

Data analysis and Analysis Procedure

On conclusion of the survey the 755 customer schedule were fully analysed. A preliminary check was done in the

field to identify and remedy any inconsistencies, omissions or obvious mistakes with the schedule completion. Another check was made to alleviate less glaring errors. The data from the schedule was then captured, cleaned, coded and analysed with SPSS. Finally, the data was tested for normality and this was confined to be in order. It was found that in the SPSS, there was less than 0.5 per cent missing value which was replaced with mean values and subsequent to that analysis was conducted. The data was analyzed using statistical package for social science (SPSS V 12.0). Descriptive statistics such as mean and standard deviation were generated to provide an overview of the data. The t test was used to find out the significant difference between married and unmarried with respect to dimension of consumption pattern and age group with respect to consumption pattern of Flour in Grocery and Personal Care. The ANOVA was used to find out the significant difference between Educational Qualification with respect to consumption pattern in Flour and Personal Care.

Result and Discussion

HYPOTHESIS 01

Null Hypothesis: There is no significance difference between married and unmarried with respect to consumption pattern of **Flour and Personal Care**.

Table 01: t test for significant difference between married and unmarried with respect to consumption pattern of Flour and Personal Care.

Consumption	Marital status				t value	P value
	Married		Unmarried			
	Mean	SD	Mean	SD		
Flour(Grocery)	6.06	2.12	7.05	2.48	5.661	0.000**
Personal Care(FMCG)	6.52	2.03	8.11	2.13	9.867	0.000**
Over role consumption of Flour and Personal Care	12.58	3.50	15.16	3.45	9.476	0.000**

Note: ** denotes significant at 1 % level.

Since P value is less than 0.01, the null hypothesis is rejected at 1 percent level of significance. Hence it is concluded that there is significant difference between married and unmarried with respect to consumption pattern of Flour and Personal Care. Mean level consumption of **Flour** and FMCG of unmarried is more as compared with married. This may be due to the fact that they are in an undivided family and the un-married is taking care of the entire family needs. In such a case the family budget will be more for consumption. But after the marriage, it is expected that a nuclear family will come into existence of the spouse and the consumption pattern will decrease.

HYPOTHESIS 02

Null Hypothesis: There is no significant difference between age group with respect to consumption.

Table 02: t test for significant difference between age group with respect to overall consumption.

Age group in Years	Mean	SD	t value	P value
18-30	11.00	0.71	7.119	0.000**
Above 30	12.35	1.25	5.668	0.000**

Note ** Denotes significant at 1 % level

Since P value is less than 0.01, the null hypothesis is rejected at 1 percent level of significance. Hence concluded that there is significant difference between age group with respect to overall consumption. Mean level of consumption of shoppers of private label in the age group above 30 are better than those in the age group of 18-30. It may be due to the fact that in the late thirties, one used to marry and after

the marriage, a new family comes into picture .As a consequence of the family, the quantity as well as the cash budget will be altered. In order to strictly adhere to the budget, compromise will be made as a mean of opting private brands against national brands for economy.

HYPOTHESIS 03

Null Hypothesis: There is no significance difference between educational qualifications of consumers with respect to consumption of Flour and Personal Care.

Table 03: ANOVA for significant difference between Educational Qualification with respect to consumption pattern of Flour and Personal Care.

Consumption pattern	Educational Qualification					F value	P Value
	Upto SSLC	HSC	UG	PG	Professional		
Flour in Grocery	6.66 ^{ab} (2.37)	6.79 ^b (2.75)	6.04 ^a (2.12)	6.23 ^{ab} (2.06)	7.48 ^c (1.70)	6.375	0.000**
Personal Care in FMCG	6.38 ^a (2.18)	6.09 ^a (2.03)	7.19 ^b (2.12)	8.05 ^c (2.20)	7.07 ^b (1.67)	17.595	0.000**
Flour and Personal Care	13.03 ^a (4.05)	12.88 ^a (3.86)	13.23 ^a (3.59)	14.28 ^b (3.49)	14.54 ^b (3.12)	4.196	0.002**

Note: ** denotes significant at 1 % level.

Since P value is less than 0.01, the null hypothesis is rejected at 1 percent level of significance. Hence it is concluded that there is a significant difference between educational qualifications of buyers with respect to consumption pattern. Based on Duncan Multiple range test the consumption pattern of Flour of buyers of professional class is different than other educational classes. But the consumption pattern of Personal care of buyers who basic qualification up to HSC are same and also the consumption pattern of UG and professional classes are same .This may be due to the fact that in case of personal care when education changes, the level of awareness and outlook may change and it will have an impact on purchasing behaviour.

Findings.

- The Consumption pattern of married and unmarried is totally different with respect to Flour in Grocery and Personal Care in FMCG.
- The age group has a significant impact on consumption pattern of private labels in Kerala.
- The educational qualification of buyers is another important factor which affects consumption pattern of private label.

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