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AN ELEMENTARY STUDY OF THE APPEARANCE OF PRIVATE LABEL AND NATIONAL LABEL BRANDS IN MULTIPLE CONTEXTS: A LITERATURE REVIEW

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ABSTRACT

Indian retail is in an expansion extravaganza and many companies are joining the retail landscape. After food and groceries segment apparel is the next large retail segment and the consumption of apparel is also very large in volume. Previously the manufacturing brands used to lead the apparel category in the early days and the penetration of the private label brands was very small. But now things have changed and private label brands are leading in every segment. In the apparel segment also many private label brands are leading the competition. Store brands in India are in growing stage. It is difficult to get success quickly in India because of the highly unorganized structure of retailing. In most of the cases it is being explained that the development of welfare with Private Label in short term. Consumers are also benefited from the availability of the number of goods. But the lower price competition amongst the retailers can affect the welfare of the country. Distributors and mainly retailers can benefit from this study by gaining an understanding of overseas producers’ attitudes toward their private labels and learn when it is more advisable, and more beneficial to both sides, to manufacture private labels. In addition, retailers can learn when overseas agreements are preferable to local contracts with domestic manufacturers. Private label brands are those which developed by retailers and available for sale only from that retailers. These are available in many industries now-a-days. Since the Private Label has come to the picture it has developed a lot. It has been used for the development and welfare for the country. It actually increases the buying and selling power of retailers. Store brands in India are in growing stage. It is difficult to get success quickly in India because of the highly unorganized structure of retailing. In most of the cases it is being explained that the development of welfare with Private Label in short term. Consumers are also benefited from the availability of the number of goods. But the lower price competition amongst the retailers can affect the welfare of the country. It examines the growing awareness and brand consciousness among people and focus on growth of retail sector in India, strategies, strength and opportunities of retail stores, retail format in India and recent trends. Growth of Retail Companies in India exhibits the boom in the retail industry in India over the years. This study
OBJECTIVES
There are two objectives of the research paper. They are—

- To understand the role of Private Label brands and its emergence in Indian market.
- To study the effectiveness of National Label brands in Indian context.

INTRODUCTION
The consumers while making buying decisions regarding apparel are affected by many factors, viz., brand awareness of store, brand image of store, brand awareness of private label brand, brand image of private label brand, price, discounts, comfort, durability etc. As the private labels offer the best available choice to the consumers, majority of them are purchasing private label apparel brands. In Indian organized retail, all the big players have their own private label brands, posing threat to the manufacturer brands. As the products are being sold by the retailers so the brand can be retailer’s own name. Previously the producers were supposed to be the owner of the product but now-a-days retailers has own the product and has control over the brand. The development of Private Label actually changes the relationship between the retailers and the producers and it has also increased the competition amongst the retailers. Penetration of Private Label and the performance of Private Label vary from country to country, place to place and retailers to retailers. Private Label market share varies with the products. Factors influence penetrations of Private Label are—1. Supply and 2. Characteristic of demand. There should be broad product line which decreases the price competition amongst the products. Private Label actually helps the retailers to reduce the risk coming from the producer’s side. This is basically a tool for the retailers to discriminate demand of the product and to increase their profit margin. Private Label actually directly competes with the National brand products.

Consumer buying behavior is primarily affected by many determinant factors and its difficult to understand and identify the important determinant factors affecting the consumer buying behavior towards private label apparel. Private label brands are exceptionally victorious because they promise many advantages to the consumers. Consumers are mainly affected by many internal factors like demographic, personality and lifestyle and many other factors while purchasing apparel. Consumers are also affected by many external factors like brand image, price, design and quality while buying private label apparel brands. India is a young nation with preponderance of population being young people, and also the rising income levels are changing the consumer attitudes and buying behavior to a great extent. The shift in cultural practices also has impact on change in the behavior of the consumers. National brand manufacturers lose its profit as Private Label brands come into exist. Sometimes lead retailers develop or innovate new categories of product to increase consumer loyalty and attract the new consumers. If this is a substitute of big brands then it couldn’t help much the farm product but it is increased the total market size then it also will help the farm product.

The intensive growth and development of private label products over the last two decades in terms of market share, quality and promotion have encouraged a growing number of scholars to explore the phenomena. Nonetheless, most studies have focused on retailers’ and consumers’ perspectives, with very few paying attention to manufacturers’ points of view. The minority of researchers who incorporated manufacturers’ considerations into their studies examined local producers’ behaviors in domestic markets. The rapid globalization of manufacturers as well as of retailers has opened new business opportunities and alternative ways of coping with private labels and their apparent influence on producer-seller relationships. For instance, brand cannibalization may be of less concern when the product is manufactured for an overseas private label of different market retailers. Likewise, when a retailer sets up a production agreement for its private label with an overseas producer, this can mitigate the conflict with the national brand manufacturer.

This study focuses on producers that are manufacturing for the international markets and examines their perceptions and attitude toward private labels and overseas retailers, as well as their actual behaviour in terms of their branding strategy.

KEY WORDS: Private Label, Retailing, Retail Industry, Retail Stores
and home care, consumer durables & electronics and general merchandising categories. Future Group has numerous private brands such as John Miller, DJ&K, Bare and Rig, etc., (apparel and fashion accessories); Tasty Treat, Fresh & Pure, Clean Mate and Care Mate (FMCG category); Dreamline (home segment) and Koryo (consumer durables). Food World, the retail chain of RPG Group has private label ‘Select’ in its staples category, Reliance has ‘Reliance Select’ for grocery and eatables and ‘Expelz’ for toilet cleaners, etc. The retailers are escalating their labels penetration in dissimilar product categories to progress their margins. Retailers put on 30%–40% margins on the PLs. These margins became an exhilarating opportunity for retailers. The retailers achieve 15%–20% margins in FMCG category, 20% in electronics and about 30%–70% in apparel through private labels compared to the national brands. To illustrate the case, if a branded apparel product grants a margin of 30%–35% to the retailer, then the retailer can amplify his margin to 60%–65% with his label in the category. The retailers can also gain margin from the low-value items.

Retailers are competent to make available labels of equal quality as national brands at low prices, as they save on advertising and distribution costs. The selling price of national brands includes advertising and distribution costs. For example, the manufacturer of an apparel brand spends about 35% on manufacturing, 7%–20% on advertising, 6% on distribution and remaining small costs and also retains a margin of 15% (all these increases the cost of the branded product). On the other hand, PLs have only production costs and its selling price will not include any advertising and promotion costs. Esha Anand, head, Marketing and Visual Merchandising, HyperCity, commented, “Private labels provide great value to customers as they do not have the huge marketing spends of national brands and therefore can be retailed cheaper to the latter.”16 This helps the retailers provide the labels at less price to the consumer while retaining the same margin as the manufacturer.

The value proposition of PLs has been communicated to the customers through their promotion. Most of the retailers opt for in-house promotion of their labels through Visual Merchandising (VM)17 educating consumers about the hygiene standards and ingredients of products. As per Point-of-Purchase Advertising International (marketing association of retail industry), 72% of the purchase decisions are taken in the store.18 To attract these customers to their private brands, retailers are using clever marketing techniques such as effective displays of their labels, sampling, bundled offers and promotion through in-store media channels (radio, TVs, etc.) to increase their sales. For instance, Shopper’s Stop’s in-store radio provides shopping related information to the customers and also entertains them by playing different genres of music. Retailers must educate consumers about their labels to instil trust and gain their confidence. Therefore, to achieve this retailers are investing in communicating their labels’ value and delivering the same. According to Himanshu Chakravarti, GM, Trent Ltd., not just store brands, but the entire store concept has to be communicated to the customers and price alone is not the value determinant. He comments that, “The key is make the customers think whether they are getting the value for money and the value proposition has to be consistently delivered over a period of time. The value proposition is the quality and style.”19 K. N. Iyer, CEO, Crossroads, highlights and said, “The communication of the product especially for private labels inside the store is important, where one highlights the attributes of the brand. Aspects like the description tags, which talks about the fabric along with the packaging are essential to create brand recall for the private brands.”20 Retailers are taking the PLs business as priority and making investments for the development of their labels in line with their expansion plans. Retailers are expanding their store presence from the large cities and towns to tier II and tier III cities like Nagpur, Vadodara, Vijayawada, Indore, Durgapur and Ambala. Retailers are even moving to rural markets to capture the growing consumption needs of the rural population (which constitute 70% of the Indian population). For instance, markets like ITC’s e-Chaupal, Future Group’s Aadhar and Tata Group’s Kisan Sansar, etc., present the potential for the growth of modern retail along with the potential growth of retailers’ PLs.

Sharma et al. (2010) showed that in India private brands account for only 5% of the total organized retail market whereas globally it is 17%, hence, private labels have a huge potential here. Vakariya and Chopde (2011) researched on private label and national brands for the apparel segment and found out that store brands provide value for money to the customers and higher margin to the retailers. Customers have strong brand preference for national brands. A study conducted by Roy (2005) on factors governing consumers’ choice of supermarkets, analyzed that factors such as add on benefits, general services, convenience and variety influence consumers’ choice of supermarkets. Krishna & Venketesh (2008) researched on clothing, textile and fashion accessories segment and showed that the segment occupies a share of 12% in total retail sales and has been growing at the rate of 18% per annum.

Conventional wisdom maintains that PL use is associated with higher store loyalty. For example, Richardson, Jain, and Dick (1996) state that “store brands help retailers increase store traffic and customer loyalty by offering exclusive lines under labels not found in competing stores.” Likewise, the Private Label Manufacturers Association (2007) Web site states that “retailers use store brands to increase business as well as to win the loyalty of their customers.” However, empirical evidence on the subject is mixed. On the one hand, a positive
correlation between PL use and store loyalty has been observed in some studies (e.g. Ailawadi, Neslin, and Gedenk 2001; Kumar and Steenkamp, 2007). Corstjens and Lal’s (2000) analytical model supports PLs’ ability to build store loyalty, and Sudhir and Talukdar (2004) report indirect support for PLs’ store differentiating ability. On the other hand, there is evidence that consumers may not differentiate between different retailers’ PLs; that is, PL users may be loyal to PL products in general, not to the PL of a particular retailer (Richardson 1997). If this is the case, it is difficult to understand how PL use would increase store loyalty.

Kunkel and Berry (1968) believed that an image is acquired through experience and thus learnt, and found retail store image to be the total conceptualized or expected reinforcement that a person associates with shopping at a particular store. Crosby et. al (1990); Sharma (1997); Williams (1998) have mentioned that companies should focus on customer satisfaction, trust and commitment through implementation of customer oriented selling, thus leading to a long term relationship. Consequently because salespeople are often communicating with customers, their behaviour and activities are crucial in maintaining relationships with customers and enhancing customer retention. Zimmer and Golden (1988), however, took a different approach, focusing on consumers’ unprompted descriptions of image, without directing them towards affective dimensions or specific attributes. Thus these researchers argued that their results captured more deeply consumers’ evoked retail store image. Donthu and Gilliland (1996) carried out a study to profile the Infomercial shoppers and found that those who purchased using infomercial advertisements were more convenience seekers, brand and price conscious, variety seeking, impulsive, and innovators. Moschis (1976) studied the cosmetic buyers and found that besides being store loyal, shoppers were also loyal to the brands that they bought. These shoppers showed a problem solving approach to shopping. Bettman (1979) highlighted that situational variables affect in store decision making in various ways. Store knowledge determines the extent to which product and brand search is guided by internal or external memory. Hutcheson and Mutinho (1998) found that shoppers used a combination of the quality of staff and “the occurrence of low prices and the frequency of promotions” in choosing a store. A study by Venugopal (2001) has investigated the retail business from the perspective of a retailer’s expectations from the suppliers. Dash et al. (1976) found that the level of pre-purchase information regarding the brand determined the type of store chosen. Shoppers who had higher levels of pre-purchase information generally shopped at the specialty store, whereas shoppers with low pre-purchase information bought at departmental stores. This is mainly attributed to customers adopting a risk reduction policy with regard to their impending purchase. A store is chosen based on the self-confidence that the customer has regarding the store; about the nature and quality of product and service he will receive. Malhotra (1983) proposes a concept of preference threshold. It is suggested that shoppers tend to show a preference for a store depending on the threshold value allotted by the shopper. It is assumed that if the perceived value is less than the threshold, the shopper may not choose the store. Sinha (2003) brought out the shopping orientation of the Indian shoppers. The analysis indicates that the Indian shoppers seek emotional value more than the functional value of shopping. Although there is an indication of shopping being considered as a task and should be finished as soon as possible, this orientation is overshadowed by the entertainment value derived by the shoppers. The study also indicates that though there are some similarities in the orientation of Indian shoppers and shoppers from developed countries, there are some significant differences too. Martin and Turley (2004) studied the attitudes of the young segment (19-25 years old) towards malls, and factors motivating consumption. They found that they were more likely to be objectively rather than socially motivated to patronise. Ruiz et al. (2004) used the activities that shoppers perform in the mall as a basis of segmentation. They identified four segments, namely, recreational shoppers, full experience shoppers, traditional shoppers and mission shoppers. Underhill (1999) observed that when you enter a shopping mall today, you are never sure if you are in a store or a theme park. The importance of creating a positive, vibrant, and interesting image has led innovative marketers to blur the line between shopping and theater. Both shopping malls and individual stores must create stimulating environments that simulate interesting image has led innovative marketers to blur the line between shopping and theater. Both shopping malls and individual stores must create stimulating environments that simulate interesting image has led innovative marketers to blur the line between shopping and theater. Both shopping malls and individual stores must create stimulating environments that simulate interesting image has led innovative marketers to blur the line between shopping and theater. 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CONCLUSION

According to the market research reports 2007, in depth comprehensive cross industry review on Indian Retail Industry which explores the macro economic scenario of Indian economy which coupled with growth of GDP led to the shift of consumer purchase patterns and build up confidence in the retail sector there by giving shape to the Government allowance for FDI in the Indian Retail Sector. In recent times the organized retailing by Indian players emerging with multi formats retail in India. The present study structured in to major four parts. In the first part of the study the attempt has been made to understand current issues in the Indian Retail Industry. In the second stage a brief overview of Global of retail industry. In the third it has been highlighted to identify the hurdles facing by the industry. Finally an attempt has been made to understand challenges/road ahead for retail industry in Indian Market. The paper is resourceful for the readers to get the insights of retail industry. It is giving scope for the investors as sun rise sector. By the emergence of private label in the Indian market the commodities has increased and due to that fact it actually fulfill the gap between demand and supply. By this, a platform is being given to the local players as they can survive despite of the presence of the branded players. Private Label actually helps to negotiate with the branded players. Private Label basically introduces unique products which are being owned by the retailers and that have not been branded before. Success of a private label depends on the kind of sales and profit margins the retailer can drive in his business and the trust that a customer has in the store.

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