

A STUDY OF THE PERFORMANCE OF PRIVATE LABEL BRANDS AND OTHER BRANDS: ANALYTICAL APPROACH

Pritam Chattopadhyay

Research Scholar, Amity University Uttar Pradesh, India

Dr. Ruchi Jain

Assistant Professor, Amity School of Business, AUUP, India

ABSTRACT

The swift globalization of manufacturers as well as of retailers has unfastened new trade related chances and unusual ways of coping with private labels and their perceptible influence on producer–seller relationships. For example, 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. 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.

Key words: Factor analysis, Other Label brands (OLs), Private label brands (PLs).

Cite this Article: Pritam Chattopadhyay and Dr. Ruchi Jain, A Study of the Performance of Private Label Brands and other Brands: Analytical Approach. *International Journal of Management*, 8 (5), 2017, pp. 116–125.
<http://www.iaeme.com/IJM/issues.asp?JType=IJM&VType=8&IType=5>

1. INTRODUCTION

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.

For explanation of Private Label brands Spencer's Private Label in apparel segment has given below:

Table 1 Spencer's Private Label

Brand	Description
Island Monks	Men and women casual wear
Mark Nicolas	Men and women formal wear
Scorez	Men and women sportswear
Detailz	Men and women basic
Asankhya	Men and women ethic and fusion wear
Puddles	Infant (0 - 2 years)
Little Devils	Kids (2 - 14 years)
U n I	fashion Accessories - bags, junk jewellery, leather items, belts etc
Mark Nicolas	Men formal footwear
La Bonita	Women fashion footwear

Source: <http://www.indiaprwire.com/pressrelease/retail/2008111815587.htm>

1.1. Objectives

There are two objectives of the research paper. They are

- To measure the performance of Private Label brands with respect to defined indicators
- To measure the performance of Other Label brands with respect to defined indicators

1.2. Indicators for Study

Key factors of the study	Measures
Usage of Private Label brands	Private Label brands sales (Vol.), Frequency of sales,
Revenue generation model	Factors impacting revenue generation model, Contribution of Private Label brands sales (Vol.) in revenue generation
Organized retail trends	Area used by retail stores, Merchandising mix, shelf management

2. REVIEW OF LITERATURE

Private labels are of principal attention both for retailers and for manufacturers as they are apprehensive with influential relationships and impinge on sales volumes, market share and the profits of manufacturers as well as retailers (Cheng Wu and Jen Wang, 2005; Obina *et al.*, 2006; Quelch and Harding, 1996; Verhoef *et al.*, 2000). The rigorous growth and expansion of private label products over the preceding two decades in terms of market share, quality and promotion have created buoyant a increasing number of scholars to travel around the trend. Nevertheless, nearly everyone studies have resolute on retailers' and consumers' point of view, with very few paying concentration to manufacturers' points of inspection. The marginal of researchers who built-in manufacturers' considerations into their studies examined local producers' behaviors in domestic marketplace (Cheng Wu and Jen Wang, 2005; Dunne and Narasimhan, 1999; Mills, 1999; Obina *et al.*, 2006).

The increasing prevalence of private labels, stimulated by the growing force of distributors, mainly retailers, has put the dispute about private labels' business and marketing impact on the main agenda of both retailers and manufacturers (Cheng Wu and Jen Wang, 2005; Kim and Parker, 1999; Quelch and Harding, 1996; Verhoef *et al.*, 2002). Private labels, known variously as store brands, own brands, and retailers' brands, have dramatically developed in the last three decades in terms of quality, packaging, variety of shelf presentation and communication (Ailawadi and Harlam, 2004; Apfelbaum *et al.*, 2003; Burt and Sparks 2003 Richardson *et al.*, 1994). Consequently, the positive reputation of private labels has grown, their prices have risen and their "value for money" positioning in consumers' minds and in comparison to manufacturers' brands has improved (Burt, 2000; Dunne and Narasimhan, 1999; Richardson *et al.*, 1994.).

Private labels' market shares have amplified hurriedly. For instance, in the American apparel market in 1998 they held 20% of aggregate unit sales and in 2002, this had jumped to 36% (Cheng Wu and Jen Wang, 2005; Sayman *et al.*, 2002) In Spain in 2002 the retail brand share in the mass commodity market accounted for 30.6% in value in supermarkets (Obina *et al.*, 2006,) and In the U.K., Belgium, Germany France and Italy private labels reached up to 30% and more in total grocery stores sales in 2002 (Tarzijan, 2004) Accompanied by structured marketing strategies, private labels augmented their competitive strength in relation to manufacturers' brands (Burt, 2000; Calvin and Cook, 2001; Kim and Parker, 1999).

There are numerous advantages for retailers in developing their own brands, for example, higher mark-ups, control in managing and promoting the brand, exclusivity in selling to customers and hence escalating customer loyalty to the store, enhanced haggling positions vis-à-vis national brand producers and establishing closer contacts with consumers (Corstjen and Lal, 2000; Chinlagunta *et al.*, 2002; Fearn, 1998; Narashimhan and Wilcox, 1998; Sayman *et al.*, 2002). However, problems arise when manufacturers are also producing and developing their own brands. Moreover, manufacturers use retailers to distribute, to sell and in many cases, to promote their brands at the points of sales. Hence for the manufacturer, the retailer who owns a private label becomes a double agent (both a client and a competitor): on the one hand, serving as the seller, providing the manufacturers' brands to the consumer, while on the other hand, competing with manufacturers with the retailer's store brands (Obina *et al.*, 2006). Therefore, it is not surprising that the growth of private labels has generated friction and dilemmas for both manufacturers and retailers (Cheng Wu and Jen Wang, 2005; Quelch and Harding, 1996). For retailers, the main dilemma, once having decided to develop and sell their own brands, is who will be their supplier, i.e., their manufacturer.

Johanson and Vahlne (1990) suggested that the internationalization of the firm could be seen as a process in which the enterprise gradually increases its international involvement. This process evolves through the interplay between the firm's acquired knowledge regarding the foreign markets and its commitment of resources to these markets. Local retailers can more easily provide their suppliers with information regarding their customers' preferences and tastes and direct them to produce the required adaptations that are essential for product sales. Moreover, retailers that already have their own brands will be more familiar with customer tastes since they have the marketing and producing information of their private labels and are better aware of customer responses to any changes or promotional activities.

Launching new markets can be a long and difficult task, especially where there are many competitors or the market is dominated by a major firm. Other crucial barriers are cultural differences, differences in legal regulations, and conditions of product use (Timmor and Zif 2005, Walters 1986). Joining forces with a retailer can mean quicker penetration and sales for new firms looking to enter the market by manufacturing for private labels. Multinational or big domestic retailers can also be attractive for overseas market leaders due to their ability to get solid orders. Multinational retailers can also enable producers to enter several markets in parallel, with no need for massive promotional efforts other than some adaptation of product packaging or meeting of regulation requirements. From the transaction cost perspective (Bello *et al.*, 1991), a firm's decision about distribution and integration are geared to minimize the sum of transaction and product costs (Aulakh and Kotabe, 1997; Klein *et al.*, 1990). When a firm exports its own brand, e.g., Heinz, Toshiba, Orbit, substantial costs accrue due to marketing communication expenses, for example advertising, sales promotions and presentations at points of sales. In this manner, producing for overseas private labels can be efficient in terms of cost saving, since the firm transfers a major portion of the marketing function to another firm – the retailer. This can be more cost-effective for short-term cash flow issues.

Being flexible and supporting the overseas distributor (wholesaler, retailer) have been shown to have a positive affect on the export result (Bello & Williamson, 1985; Fiegenbaum and Karnani, 1991; Timmor and Zif, 2005). Such supports can be expressed through financing the marketing activity, supplying advertising and sales promotion materials or producing for their private labels.

3. RESEARCH METHODOLOGY

Hypothesis

(H1): There is a correlation between usage of Private label brands and revenue generation

Model

(H2): There is a correlation between organized retail trends and revenue generation model

(H3): There is a correlation between usage of Other label brands and revenue generation model

(H4): There is a correlation between organized retail trends and revenue generation model

Sampling Frame –

- Geographical Area – Maharashtra, India
- Target group – Retailers those are practicing organized retailing

Methods of information Collection and tools for analysis –

- Data Collection – Primary and secondary

- Structured Questionnaire (consisted of open and close ended questions) for collecting primary data.
- Sample Size -

Region	Sample size
Maharashtra	20 organized retailers

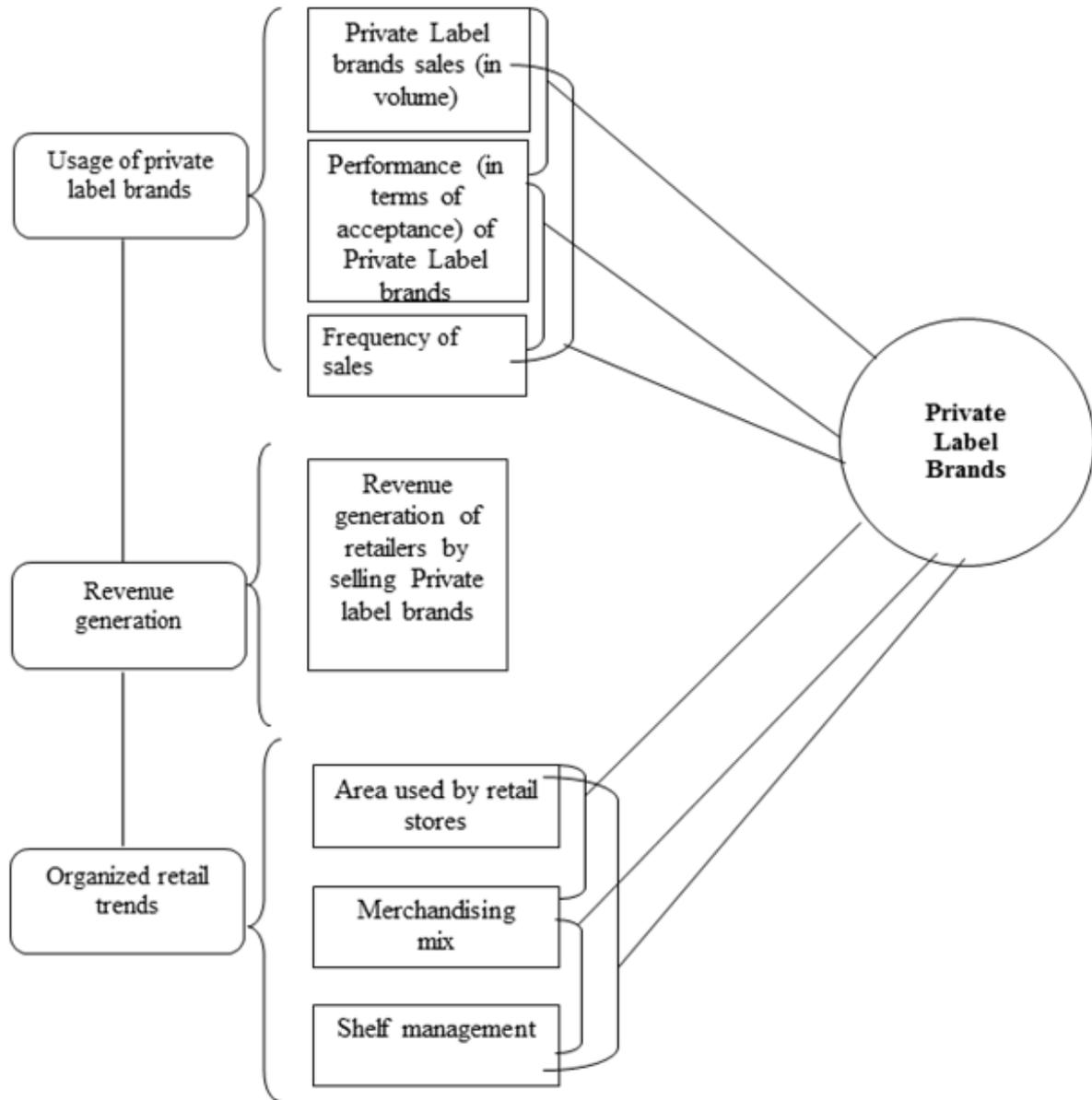
The authors have followed the guidelines given by Churchill (1979) for scale construction and the steps followed are given in the next area of discussions.

4. CONTENT VALIDITY

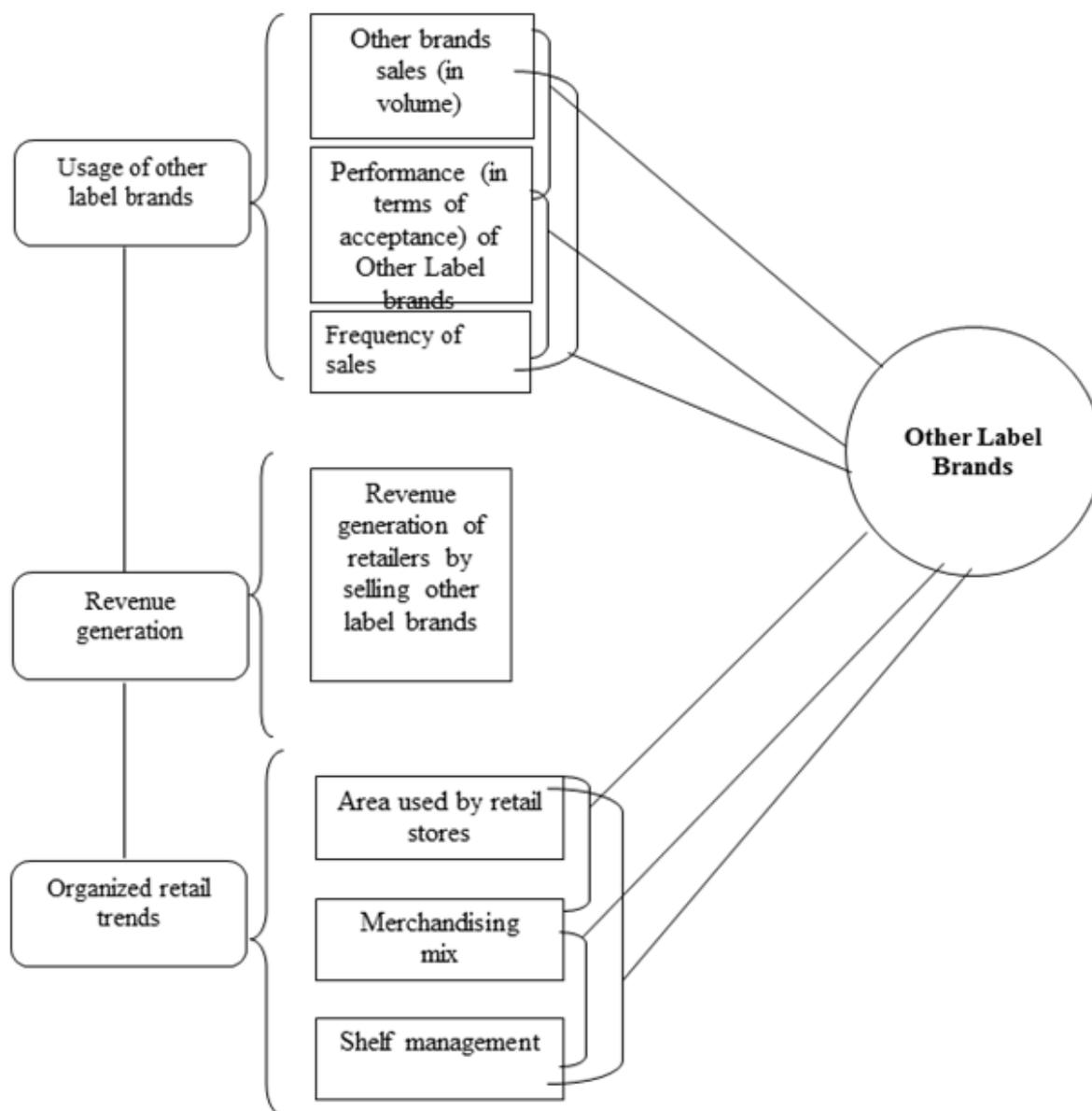
The first stage in establishing was to generate a list of various constructs from the literature which were found to affect the performance of private label brands and other label brands. This resulted in a comprehensive set of 14 items. The next step was to conduct a set of interviews with 20 respondents from the target population in the state of Maharashtra from different business backgrounds to identify the different aspects which are important for them when they compare the performance of other label brands and private label brands in different apparel segments. This resulted in a list of 7 items (7 for NLs and 7 for PLs) which govern the performance of apparel retail brands. The resultant list was then shown to two retail managers to judge the relevance of the same. This ensured content validity of the performance measurement scale. Thus the final questionnaire contained 20 major items (multi layered questionnaire) measuring different aspects of the performance of Private label brands and Other label brands.

5. MODEL FOR STUDY

Case 1



Case 2



6. DESCRIPTIVE STATISTICS AND FACTOR MATRIX

Case 1

ITEM	FACTORS				
	Mean	SD	1	2	3
Item name in analysis					
Private Label brands sales in volume	4.05	1.05	0.73		
Performance of Private label brands	3.98	0.95	0.72		
Frequency of private label sales	4.55	1.45	0.7		
Revenue generation by selling Private label	4.44	0.98		0.76	
Area used by retailers	3.99	0.78			0.68
Merchandising mix	4.07	1.56			0.74
Shelf management	3.66	0.9			0.76
coefficient Alpha			0.75	0.7	0.78

Significant at 0.01%

Case 2

ITEM	FACTORS				
	Item name in analysis	Mean	SD	1	2
Other Label brands sales in volume	4.03	1.08	0.74		
Performance of Other label brands	3.97	0.99	0.71		
Frequency of other label sales	4.41	1.23	0.69		
Revenue generation by selling other label	3.96	0.87		0.72	
Area used by retailers	4.66	1.56			0.69
Merchandising mix	4.05	0.88			0.71
Shelf management	4.43	0.79			0.73
coefficient Alpha			0.72	0.71	0.77

Significant at 0.01%

6.1. Factor Analysis Solution

Case 1

Sl. No.	item	suggested factors name
1	Private Label brands sales in volume	Usage of Private label brands
2	Performance of Private label brands	
3	Frequency of private label sales	
4	Revenue generation by selling Private label	Revenue generation
5	Area used by retailers	Organized retail trends
6	Merchandising mix	
7	Shelf management	

Case 2

Sl. No.	item	suggested factors name
1	Other Label brands sales in volume	Usage of other Label brands
2	Performance of Other label brands	
3	Frequency of other label sales	
4	Revenue generation by selling other label	Revenue generation
5	Area used by retailers	Organized retail trends
6	Merchandising mix	
7	Shelf management	

7. FINDINGS

The seven items used to identify the dimensions of performance of Private label and other label were subjected to factor analysis and three factors were found out for both the case. The Factor Analysis solution is suggesting three distinct factors for each case. Reasonable levels of communality were obtained for each variable. The six factors were named as Usage of Private label brands, Revenue generation (PL), organized retail trends, Usage of other label brands, Revenue generation (OL), organized retail trends, the factors were tested for reliability for Cronbach’s alpha/coefficient alpha for each factor and construct validity. All factors had reasonable coefficient alpha values of more than 0.7 and thus ensured internal consistency reliability.

Henceforth, we reject null hypothesis.

7.1. Advantages of Private Label brands

Increase the commodities - 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 the demand and supply.

Negotiation with branded players – 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.

Unique products' introduction – Private label basically introduces unique products which are being owned by the retailers and that have not been branded before.

Key to success – Success of a private label depends on the kind of sales and profit margins the retailers can drive in his business and the trust that customer has in the store.

8. CONCLUSIONS

In order to thrive in the hyper competitive climate of the future, Retail sector of all sizes and types must focus on the basic level of any business transaction – namely understanding how consumers needs, preferences, lifestyle changes and their product purchase decisions. Retailers must align their strategies in order to meet the highly competitive market and must tune to the structural transformation taking place at both the macro and micro levels through constant innovation and customer feedback for effective and efficient use of resultant knowledge. The role of technology in supporting the strategic planning and implementation process is indeed critical.

REFERENCES

- [1] Ailawadi, K. L. and Harlam, B. (2004). 'An empirical analysis of the determinants of retail margins; the role of store-brand share', *Journal of Marketing*, 68(1), pp. 147-165.
- [2] Apelbaum, E., Gerstner E. and Prasad, A. N. (2003). 'The effects of quality evaluations versus brand name on price premiums', *The Journal of Product and Brand Management*, 12(2/3), pp. 154-165.
- [3] Aulakh, S. P. and Kotabe, M. (1997). 'Antecedents and performance implications of channel integration in foreign markets', *Journal of International Business Studies*, 28(1), pp. 145-175.
- [4] Bello, D. C. and Williamson, N. C. (1985). 'Contractual arrangement and marketing practices in the indirect export channel', *Journal of International Business Studies*, 16(Summer), pp. 65-82.
- [5] Burt, S. (2000). 'The strategic role of retail in British grocery retailing' *European Journal of Marketing*, 34(2), pp. 875-890.
- [6] Calvin, L. and Cook, R. (2001). 'U.S. fresh fruit and vegetable marketing; emerging trade practices, trends and issues', *Agriculture Economic Report*, 795.ERS-United State Department of Agriculture, Washington. 52p.
- [7] Cheng Wu, C. and Jen Wang C. (2005). 'A positive theory of private label: a strategic role of private label in a duopoly national-brand market', *Marketing Letters*, 16(2), pp. 143-161.
- [8] Corstjen, M. and Lal, R. (2000). 'Building store loyalty through store brands', *Journal of Marketing Research*, 37(August), pp. 281-291.
- [9] Dunn, D. and Narasimhan, C. (1999). 'The new appeal of private labels', *Harvard Business Review*, 77(3), pp. 41-52.
- [10] Johanson, J and Vahlne, J. E. (1990). 'The mechanism of internationalisation', *International Marketing Review*, 7(4), pp. 11-24.
- [11] Lal, R and Narasimhan, C. (1996). 'The inverse relationship between manufacturer and retailer margins: a theory', *Marketing Science*, 15(2), pp. 132-151.

- [12] Quelch, J. A. and Harding, D. (1996). 'Brand versus private labels: fighting to win', *Harvard Business Review*, 74 (1), pp. 99-110.
- [13] Tarzijan, Jorge. (2004). 'Strategic effects of private labels and horizontal integration', *International Review of Retail, Distribution and Consumer Research*, 14(3), pp. 321-335.
- [14] Timmor, Y and Zif, J. (2005). 'A typology of marketing strategies for export', *Journal of Global Marketing*, 18, 3(4), pp. 37-78.
- [15] Verhoef, C. P., Nijssen, E. J. and Sloot, L. M. (2002). 'Strategic reactions of national manufacturers towards private labels, an empirical study in the Netherlands', *European Journal of Marketing*, 36, pp. 1309-1326.
- [16] Walters, P. G. P. (1986). 'International marketing policy: a discussion of the standardization construct and its relevance for corporate policy', *Journal of International Business Studies*, 17(summer), pp. 55-69.
- [17] Akanshu Verma, Ankit Mandawat, Rachit K uchhal and Robin Jindal, A Customer Centric Brand Analysis of IPL Using Brand Molecule Tool. *International Journal of Management*, 7 (5), 2016, pp. 58-66
- [18] Dr. Govind Dave and Binit Patel, A Study of Corporate Branding and its Impact on Consumers' Loyalty. *International Journal of Advanced Research in Management*, 7 (2), 2016, pp. 11-19.
- [19] Dr. Deepak kumardogra, Effect of Combined core and Plyometric T raining Programme on Power and Muscular Strength of Tripura Cricketers. *International Journal of Advanced Research in Engineering and Technology*, 6 (1), 201 5 , pp. 51 – 55.
- [20] R. Sathish Kumar and Dr. S. Ramachandran, E - Satisfaction and E - Loyalty of Consumers Shopping Online. *International Journal of Advanced Research in Management*, 6(3), 2015, pp. 79 – 85