

PRIVATE-LABEL BRANDS – A REVIEW OF THE LITERATURE

Ms. Sugandha Jha

Assistant Professor, Department of Commerce, S.I.E.S (Nerul) College of Arts, Science, and Commerce
jhasugandha009@gmail.com

ABSTRACT

A significant turning point in the history of retail was the emergence of private-label brands. These brands are now more prevalent in the market across all product categories thanks to the retail sector's explosive rise. With increasing market share and sales figures over the past two decades, they have greatly increased in popularity. They are currently giving the national brands a serious fight in terms of pricing, quality, distribution, promotion, packaging, etc. In other words, they have changed from being cheap, low-quality commodities to being expensive, high-quality things. On the other hand, according to various research reports, the majority of consumers still have unfavourable opinions of these companies and do not perceive them favourably in the marketplace, unlike national brands. The goal of this exploratory study was to examine a number of results established by past studies on private-label brands, including those related to the market success drivers, consumer perceptions, branding and positioning tactics, etc. In addition, this research has attempted to identify reasons why these companies are unpopular with consumers and why they lag behind the national brands in the market.

Keywords: retail, positioning, customer perceptions, private-label brands, etc.

INTRODUCTION

Brands sold solely by a retailer are known as store brands or private labels brands (Baltas,1997). Private label brands, which were first used in a few product categories over a century ago, have grown significantly during the past few decades (Tarzijan, 2004). Retailers believed that the introduction of private labels had many advantages, therefore they spread in many product categories and attracted significant market share. In addition to offering larger retail margins than national brands (Ashley, 1998), private labels expanded the variety of products available in a given retail category (Raju et al. 1995). The retailer gained additional advantages from being able to set itself apart from rival retailers' offer and from having more clout with national brand producers.

Definition: Private-label brands, also known as home brands, own-labels brands, or retailer's brands, are those goods that retailers wholly own, control, and sell exclusively.

These brands have developed into a well- liked and lucrative marketing approach in the US and European retail industries during the last few decades. According to the market study, these brands dominate many of the product categories available in supermarkets. The retail market in India was over 950 billion dollars in 2018 and is projected to reach more than 1700 billion by 2026. Despite having a relatively limited market share in the Indian retail sector, private labels have recently grown in importance. Private label firms grew more rapidly than other categories of manufactures. Private label sales are a crucial part of how big merchants like Reliance Industries Limited's retail division run their businesses. These products have gradually increased their market share over the past couple of years across all product categories, including apparel, electronics, health, footwear, beauty, over-the-counter (OTC) medications, etc. Currently, all of the major supermarket chains provide a large variety of goods under their own private-label labels. According to several reports published, private-label sales have increased at a significantly quicker rate than branded sales, 64% against 30% (Reyes,2006). Additionally, these brands are 31% less expensive than their national competitors. The European retail market is also one the most developed private markets in the world, with consumers purchasing almost as much private label products as national brands. Private-label products initially

competed with national brands on the basis of price-value by being introduced to the market by retailers at significantly lower price than branded items. Additionally, they weren't very well liked by regular consumers because of their inferior product qualities, they offered larger margins and the promise of profitability to the retailer with fewer marketing efforts, the early retailers proceeded to push more and more products into various product categories despite the lower product characteristics. Customers were forced to buy these things because of the 1930s and 1940s severe economic situations in many western countries. However, the situation has altered recently, making these private-label brands strong competitors. Instead of focusing solely on price competition, they are now emphasising both quality and performance. This grew more and more obvious in retail establishments with far greater product selections, higher standards for quality, affordable prices, appropriate advertising tactics, and efficient distribution networks.

Even though these brands are becoming more and more popular thanks to lower prices, quality guarantees, extensive marketing campaigns, broad distribution networks, etc., consumers still favour national brands over private ones because the majority of consumers have negative attitudes towards these products. In general, most consumers prefer to steer clear of private-label products and choose branded goods instead.

OBJECTIVE OF THE STUDY

The goal of this study is to examine how consumers generally feel about private-label brands and how that affects how they behave. Because clients are progressively getting more unpredictable and erratic, the research of customer perception is not a simple task for marketing specialists in this constantly shifting competitive market environment. Customers have opinions about specific brands that are available on the market based on a variety of criteria and perceptions play a significant part in their purchasing decisions. The purpose of the current article is to comprehend the many elements that contribute to the popularity of private-label brands as well as how consumers see these brands. In order to achieve the aforementioned goal, effort has been made in this research paper to review the preceding marketing academics' material. It is entirely conceptual in character. This is being done in order to investigate the various criteria used by consumers to select these brands. The purpose of this study is to identify the numerous reasons why consumers avoid or don't choose these brands. From the research studies' data which will give a clear image of the many characteristics of the brands. Additionally, it will assist the author in identifying other, as yet unknown, facets of private-label brands that require further investigation.

LITERATURE REVIEW

As private-label products gain market share globally, it is crucial to conduct research on increase in. Hyman.Kopf, and Lee (2009) state that there have been no published previous literature reviews. 45% of published empirical and theoretical studies since 2004, or before that, were either written for a broad business readership or a narrow segment of academic literature. Some of the findings from a review of past research studies on the private-label brands include intriguing discoveries. According to certain research findings, private brands are no longer regarded as cheaper and lower-quality goods are purchased by contemporary consumers. Cheaper and lower-quality goods are purchased by contemporary consumers. The enormous retail revolution of the private label industry has modified these outdated ideas over the past few decades, and brands have become competitive market players. They are becoming more well-known alongside national brands and have displaced several of the latter with a sizable market share. Experts believe that the figure will increase in the near future at a much faster pace due to the recent years' great sales growth (Zimmerman, 1998).

BRANDS WITH PRIVATE LABELS: A SUCCESS STORY

The expansion of retail chains' private-label product offerings from entry-level items to more complex ones is one factor contributing to this increase in market share (Lee, 2004). These brands have developed as a crucial tool in the conflict between retailers and manufacturers over channel control and customer loyalty as a result of the growth of huge, well-organised retail chains. The growing popularity of private brands among merchants can be attributed to a number of additional factors, according to research on the subject.

Low Price

Firstly, (Ailawadi, Borin & Farris, 1995; Chintagunta, Bonfrer & Song, 2002; Narasimhan & Wilcox, 1998) Retailers use these private-label trademarks as bargaining chips to pressure manufacturers into improving their trading conditions, such as lower prices, more promotional products, faster deliveries, etc. According to Mills' (1995) research, private brands help retailers negotiate better terms with producers, resulting in cheaper wholesale pricing for national brands.

Store Image

Secondly, with their proprietary brands, retailers can create a unique shop image (Grewal et al., 1998; Richardson, Dick & Jain, 1994; Sayman, Hoch & Raju, 2000).

Positioning

Thirdly, private brands have transitioned from their initial position as low-cost, low-value goods into premium and lifestyle categories. Instead of competing with national brands on the basis of quality, the majority of big retailers have adopted a "value for money" emphasis in the marketing of their private brands (Halstead & Ward, 1995). By adopting a value-for-money approach, retailers hope to encourage the purchase of these products from consumers who perceive store brands to be less expensive but for relatively good quality, as well as from consumers who perceive private brands to be less expensive but of relatively poor quality, provided that the cost savings from the price differential provides an adequate justification for the purchase. This approach will help private label brands to succeed in the future.

Additional Elements

Merchants are investing in building their own brands as the retail sector grows more and more consolidated. This investment is evidently becoming a more important goal for today's retailers. Private labels frequently outperform national brands in terms of visibility, consumer interest, involvement, and appeal. Improvements in taste, quality, packaging, and other areas have, to some extent, attracted customers at the same time (Edgecliffe, 2001).

Price

Customers' income patterns are a significant factor that is related to human consumption, according to Roth (1995). When money is tight, cost-conscious shoppers buy products that meet only their most fundamental functional needs rather than satisfying hedonistic ones. Additionally, prior studies have demonstrated that consumers' price sensitivity increases with lower incomes and is stronger among deal-seeking consumers who have a lesser belief in the relationship between price and quality (Blois, 2000).

Quality

Quality is a significant factor in client buying decisions in addition to price (Hoch & Banerji, 1993; Sethuraman, 1992). According to research, quality is the primary motivator for consumers to choose national brands (Holt, Quelch & Taylor, 2003). Customers do evaluate products' quality based on pricing rather than on their physical characteristics. While the level of quality does vary from retailer to retailer, they were still considered less desirable than manufacturers' brands (Steenkamp, Batra & Alden, 2003).

MAIN FINDINGS

1. The two most crucial considerations when selecting private-label brands are price and quality.
2. The lower income group of the population favours the private-label brands.
3. Customers frequently find that there is a significant price difference between private-label and national-label brands, which has a negative impact on their opinion.
4. Typically, in-store promotions are used to promote private-label brands.
5. By adopting a "value for money" strategy, private-label brands today have positioned themselves as premium brands.

6. The private-label brands are now present in a wide range of product areas.
7. In an effort to expand their market share and compete fiercely with national brands, merchants are working to enhance the brand image of their private-label goods.

CONCLUSION

It can be said that premium brands have built their brand identities over time on the basis of a high level of customer loyalty, holding a prominent position in consumers' minds, in contrast to private-label brands, which have negative attitudes and unfavourable perceptions and are generally shunned by consumers. Although retailers sell a lot of these products to consumers, wealthy individuals still prefer to purchase national brands since they have high standards and won't settle for anything less than that.

LIMITATION

Based on past research findings generated by marketing scholars, this current study is merely exploratory in nature.

SCOPE FOR FUTURE RESEARCH

Although it appears that the research study's goal was achieved, it might be argued that the conclusion should not be taken as the final word because this study was highly contextualised and heavily reliant on other studies. Although the results can't be utilised to draw firm conclusions, they can be suggested as factors for future study.

REFERENCES

- Grewal, D., Borin, N., Krishman, R., and Baker (1998). The impact of price discounts, store name, and brand name on consumer evaluations and purchase intentions. 331-352 in *Journal of Retailing*, 74.
- J.A. Edgecliffe (2001). Returning to the budget-friendly Own-Label, *Financial Times*, June 19, page 18.
- J Hoch (1996). In what ways should national brands see private labels? 89–102 in *Sloan Management Review*, 37.
- Neslin, S. A., Gedenk, and Ailawadi, K. (2001). Store brands as opposed to national brand campaigns in the pursuit of the value-conscious consumer. pp. 71–89 in *Journal of Marketing*, 65.
- P. K. Chintagunta, A. Bonfrer, and I. Song (2002). Investigating how the adoption of a store brand affects consumer demand and price decisions. 1242–1267 in *Management Science*, 48
- R. Batra and I. Sinha (2000). Factors at the consumer level influencing the success of private label brands. 175–191 in *Journal of Retailing*, 76
- S. K. Dhar and S. J. Hoch (1997). Why does retailer-specific store brand penetration differ? 208–227 in *Marketing Science*, 16
- S. J. Hoch and S. Banerjee (1993). Private Labels: When Do They Succeed? *Journal of Sloan Management*, 34(4), pp. 57–67.

WEBLIOGRAPHY

- https://www.academia.edu/4032360/Private_label_brands_Benefits_success_factors_and_future_research
- https://www.academia.edu/36226196/A_Comparative_Study_On_The_Growth_Prospects_Of_Private_Label_Brands_To_That_Of_National_Brands_In_Fmcg_Retail_In_Delhi_With_Special_Reference_To_Atta
- https://www.statista.com/topics/8166/private-labels-in-india/#topicHeader__wrapper

Research paper

© 2012 IJFANS. All Rights Reserved, UGC CARE Listed (Group -I) Journal Volume 11, Iss 10, Dec 2022

https://www.researchgate.net/publication/233961239_Review_of_literature_-_Future_research_suggestions_Private_label_brands_Benefits_success_factors_and_future_research

<https://www.mckinsey.com/industries/retail/our-insights/turning-private-labels-into-powerhouse-brands>

<https://www.businesstoday.in/magazine/corporate/story/how-private-labels-are-outselling-established-brands-332046-2022-05-02>