

Growth of Private Label Brands in India: Preference of Private Label Brand over Manufacturer Brand in Apparel Retail Category

Abstract

The importance of store brands has increased. Many products carrying a label that is exclusively available from a specific retailer chain have been introduced in recent years, with varying degrees of success. Retailers appear to pay little attention to the multiple risks associated with adding new product categories to their store labels. We investigate how store image factors and various categories of perceived risk associated with product attributes affect consumer evaluations of store-branded products.

Keywords: Brand, Store Labels, Multiple Risk, New Product Category, Store Image

Introduction

This study will provide the analytical frame work to identify number of factors determining choices of youth concerning private label over manufacturer brands. Private label market in India is estimated at Rs 13 billion, which covers about 10-12% of organized Indian retailing. It will be an in-depth investigation to anticipate the growth of private label brands in India. The inspiration of this study is our youths. The growth of private label brands in India presents an interesting opportunity for the retailer to understand the motivations of consumers behind choice of private label brands. In the past, private labels were primarily targeted to the poor. But today, even wealthy consumers are purchasing store brands.

The study will emphasize that how either private label brands or national brands could differentiate from each other. As far as the loyalty is concerned youths are no longer remain loyal for the particular brand, because they are dynamic in nature & love to taste new things in new fashion & style. That is why they usually switch over the brands. If we talk about the private labels then there were lot of difference in national and private labels by prices, quality, sizes, colors etc. but now every trend is almost similar whether it is a manufacturer brand or the in-house brand. In fact the private labels are somewhat cheaper in price as compared to the manufacturer brand, and the quality provided by both of them is almost similar. For example e: Gap has introduced the 1969 label, which retails at twice the price of most Gap jeans, while Limited has launched Seven7 jeans to compete against designer jeans by Calvin Klien, Diesel, and Hugo Boss. So, youth (college goers) used to go for private labels with the same style and fashion rather to for manufacturer brands in low prices.

Review of Literature

With the help of this research we reviewed various existing literatures to know the fact from the researches which has already happened. Ranga, M., (2017) in her study on Private label brands retailers in India: Food and grocery sector. Private label brands is in the initial stage but with the development and growing share of modern retail, the share of private label brands is also increasing and their contribution in the sales is also improving. Loganathan, D. (2016) in their study on, A conceptual study on private label brands and its impact in India explained that different factors palys role in acceptance of any brand. Also mentioned that price sensitivity is waxing and brand loyalty is waning and consumers who stuck to favorite brand are now willing to try high quality personal label products with low prices. Patel, V., & Barad, K. (2015) explained in their study that the Indian retail market is growing rapidly. It occupies fifth place in terms of



Kirti Punia

Research Scholar,
Deptt.of Business Administration,
Rajasthan University
Jaipur, Rajasthan

economic value, and provides a strong growth potential. The worth of the Indian retail sector was estimated to be \$250 billion and is expected to reach \$950 billion by 2018. Abhishek. (2014) in their paper focused on how a private label brand is chosen based on demographic variables. Different factors like Income, age, occupation etc plays great role in choosing Private Label. Nielson (2013) in their paper intended to explain the steady rise of private labels in India and what is triggering its growth. To understand the driving forces behind the private label market, it is necessary to understand the characteristics of the modern shopper. With rising levels of disposable income and the willingness to spend, the modern day shopper is more open to experimentation. Vakariya Sheetal & Chopde Vilas (2011) analyzed the consumer preference of private labels over the national labels in the apparel segment of the departmental stores. It involves a study to understand the category specific factors which affect the consumer preference for private labels versus national brands. Store brands provide value for money to customers & higher margin to retailers. Customers have strong brand preference for national brands. The quality & advertisement of national brands is better than the store brands. Sharma, Dubey & Pandey (2010) researches that private labels account for 5% of the total organized retail market, so the potential for growth is still enormous. Margins on private label products range from 15-20% in the FMCG sector; about 20% for electronics; & from 30-70% for apparel goods.

Research Problem

In present scenario customer is the key of success to any organization. So, consumer preferences, young tastes and their satisfaction level play the key role for the overall revenue of the business. As the retail industry is growing with fast pace, Indian retailing is also growing simultaneously. New launch of fashion apparel is everyday process. Shoppersstop, lifestyle, globus, Westside, max, pantaloons are some of the examples of apparel retailers who offers wide range of both private label and manufacturer products. So, are counted among the major players of apparel industry in India. The major problem is to show how private label are accepted more than manufacturer via increasing growth of private labels in India.

Aim & Significance of the Study

The main focus of the research is measure the growth of private label brands in India over manufacturer brand. By this study we would be able to know, why Indian youth prefer private label over manufacturer brands. The main aim of the research to finds out the hidden truth which has not been discovered yet. Major objective of the paper is to study the growth of Private Label in India.

Research Methodology

This research is based on the secondary data & primary data which has been collected from various sources as per the requirement. The secondary data for my study has been collected from companies own data, archives and their annual final report. Also the findings of prior research studies on

outsourcing of accounting processes would give an ample amount of historical data or decision making patterns. Also I would use internet to get some information about the industry and used journals for getting guidance from the past researches in this topic.

Big Private Label Brands in Indian Apparel Retail Category Westside

The Westside format offers an exclusive range of its own branded apparel and continues to be the flagship business of the company. Style, affordable prices, quality: these are the factors that have shaped Westside's success story in the retail fashion stores business. Launched in 1998 in Bangalore, the Westside chain has, ever since, been setting the standards for other fashion retailers to follow. Westside stands out from the competition for a variety of reasons. One is that a majority of the brands the chain stocks and sells are its own, unlike retailers who store multiple labels. About 90 per cent of Westside's offerings are home-grown, and they cater to different customer segments. The other 10 per cent includes toys, cosmetics and lingerie. Westside has recently expanded its range of merchandise by offering outfits from some of India's best-known fashion designers, among them Wendell Rodericks, Anita Dongre,

Krishna Mehta and Mona Pali. This is an interesting marketing shift, since it means moving away from the chains only-our-own-brands concept. The age group of people visiting the store is in between 18-40. (Upper middle and middle) The attraction of the shopping is basically the female population. The movement of men's apparels is also due to the ladies buying for the men.

Private Brands in Westside: 2 Fast 4 you, SRC, Gia, Urban angel, Intima, David jones, Ascot., Utsa

Pantaloons

Pantaloons' biggest advantage is that it offers quality. The price is not quite reasonable. But most people don't mind because the quality of goods and apparels is very good. The place hosts four different levels- Men's, Women, Children and household. The Men's section exhibits a huge range of branded as well as Future Group's (the owner) own factory made clothes. The brands include- Denim, Spykar, Levis, Koutons, Umbro and many others. Pantaloons itself has its own clothing brands- Bare. The Men's and Women's sections also host their own footwear range with brands like Reebok, Nike Addidas, Bata and Converse. Among the group's private label brands are John Miller, Bare, DJ&C, Buffalo, Knighthood, RIG, Indigo Nation, Scullers, Urbana The entire range of Pantaloons' popular apparel brands such as, John Miller, Lombard, Urbana, Scullers, RIG, UMM, BARE Denim, BARE Leisure, JM Sport, Ajile, Annabelle, Honey, Akkriti, Chalk, BARE 7214, etc (in the apparel category);

Lifestyle

Lifestyle is part of the Landmark Group, a Dubai-based retail chain. With over 30 years' experience in retailing, the Group has become one of

the foremost retailers in the Gulf. Positioned as a trendy, youthful and vibrant brand that offers customers a wide variety of merchandise at an exceptional value for money, Lifestyle India began operations in 1998 with its first store in Chennai.

Brands

The Apparel section at Lifestyle offers a stunning range of wardrobe essentials, formals, casuals, ethnic wear, sportswear and denim for men and women. A host of brands are a part of this festival including Arrow, Wills Lifestyle, Louis Philippe, Van Heusen, Park Avenue, Zodiac, ZOD, Giovanni, Provogue, Allen Solly, Chromozone, Colour Plus, Dockers, Indian Terrain, Tana, Vivaz, Le-Buck, Bossini (Men and Woman), Benetton (Men and Woman), Kappa (Men and Woman), Springfield, Zync, Proline, Lee, Lee Cooper, Pepe, Levis, Wrangler, Killer, Forca and Excalibur. Haute Trail is simultaneously running across all Lifestyle stores in Mumbai, New Delhi, Hyderabad, Bangalore, Chennai, Ahmedabad, Jaipur & Pune.

The private label brands include Code, Forca, for men & for women, Code, Ginger, Melange. For kid's apparel, it includes Lifestyle's Kids' section offers a complete range of products for all children up to the age of 14 with leading international brands that are exclusive to Lifestyle. Discover your child's favorite cartoon characters or get hold of Lifestyle's own brand called 'Juniors', which offers an extensive range of merchandise across all categories.

Globus

Since 2001, this has been a business that deals in own-brand merchandise. Product is displayed by category, with lifestyle areas including women's and men's Western and Indian clothing. Owing to the somewhat fragmented nature of this offer, the retailer concentrates on an Indo-Western look, an area in which it is an organized retail market leader. Moving away from being a multi-branded retail chain, the \$1.5-billion Rajan Raheja-promoted Globus Stores Pvt Ltd has become a single store label brand under its own name. Discontinuing its previous formats, including its value-for-money format — Globus has launched smaller stores under its private label. At present, the Rs 145crore Globus Stores has 19 outlets and plans to ramp up to 152 stores with a presence across 70 cities and a turnover of Rs 1,800 crore by 2011-2012.

Brands

Youth Fashion Brand: Globus aspires to be 'the' iconic youth fashion brand in the country. Globus is a complete fashion brand – it's the apparel brand and the destination brand. Three words which capture the spirit of the youth – vibrant, maverick and expressive. Globus is exactly that --their vibrant and maverick designs are not just setting fashion trends but more importantly helping customers express themselves. The entire fashion range comprises of apparel for men, women, kids and accessories at amazing prices. The range spans across usage occasions – work wear, campus wear, club and lounge dressing and genres Western, Indian and mix-n-match. A well researched sizing ensures a good fit for the Indian silhouettes. It has private labels such

as: f21, globus etc.

Shoppers Stop

Shoppers stop retailing, which owns and sells private labels & earns its more than 50% business through private & in-house brands over manufacturer brands. Shoppers Stop is an Indian department stores promoted by the K Raheja Corp Group (Chandru L Raheja Group) started in the year 1991 with its first store in Andheri, Mumbai. Shoppers Stop Ltd has been awarded "the Hall of Fame" and won "the Emerging Market Retailer of the Year Award", by World Retail Congress at Barcelona, on April 10, 2008. With the launch of the Navi Mumbai departmental store, Shoppers Stop has 26 stores in 13 cities in India.

Store

Shoppers Stop is one of the leading retail stores in India. Shoppers Stop began by operating a chain of department stores under the name "Shoppers' Stop" in India. Currently Shoppers Stop has twenty six (26) stores across the country and three stores under the name Home Stop. Shoppers Stop has also begun operating a number of specialty stores, namely Crossword Bookstores, Mothercare, Brio, Desi Café, Arcelia.

Brands

Shoppers Stop retails products of domestic and international brands such as Louis Philippe, Pepe, Arrow, BIBA, Gini & Jony, Carbon, Corelle, Magpie, Nike, Reebok, LEGO, and Mattel. Shoppers Stop retails merchandise under its own private labels, such as STOP, Kashish, LIFE and Vettorino Fratini, Elliza Donatein, Haute Curry, I Jeanswear, Insense, Mario Zegnoti, Acropolis and Indi-Visual. The designer section show cases some of India's prominent fashion designers (Ritu Kumar, Satya Paul and LABEL), retailing affordable designer wear. Shoppers Stop Limited is an India-based department store. The Company houses a host of international and domestic brands across categories, such as apparel, accessories, cosmetics, home and kitchenware as also its own private brands.. The Company also houses some of the international brands like M.A.C., Lancome, Chanel, Clinique, Tommy Hilfiger, Esprit and French Connection, among others. It offers more than 400 national and international brands for consumers.

Growth of Big Retailers in India in Apparel Category

In Indian apparel retail category, big five retail chains is used in this study which cater middle to high class with their high fashion manufacturer brands and private label brands.

Westside

Trent Ltd which runs Westside stores earns sales 20% increase yoy and now company uses new strategies to attract customers through celebrity as brand ambassador for private label like Utsa, Liva etc. The Tata-owned private-label-led fashion chain, Westside, gets most of its revenue from in-house brands that account for around 85 per cent of its merchandise.

Lifestyle

Lifestyle International Private Ltd., which runs Lifestyle and Max apparel chains, sees double-digit like-to-like sales growth as sales pick up this festive season. The company has been growing at a compounded annual growth rate of 25 percent over the last three years and the turnover will cross \$1 billion by the end of the current financial year, Kabir Lumba, managing director of Lifestyle International told to BloombergQuint.

Pantaloon

Pantaloons, which was acquired by Aditya Birla Group in April, 2013 from Future Group, makes about 50 per cent of its sales from in-store brands. Shital Mehta, CEO, Pantaloons Fashion & Retail, had earlier said that the focus in the coming time would be to increase margins and its revenue share from private labels is expected to jump to over 70 per cent in the next year. Margins in private labels can range from 30-50 per cent (more than the usual 20-25 per cent), according to market experts. Now is a good time to invest more in private labels because during sales or discount offers, private labels can experiment with new ranges as the footfalls would translate into more shoppers perusing it at the stores, says Shrikhande. A Nielsen study in 2013 estimates the private label market to reach \$500,000 by 2015, noting that the new generation shopper is less loyal to brands and more open to experimentation with private labels.

Shoppers Stop

Shoppers Stop and Lifestyle, two national anchor store chains are sprucing up theirs. Lifestyle, belonging to Dubai-based retail and hospitality conglomerate Landmark Group, recently signed up the actor Deepika Padukone to model for its apparel brand, Melange, for its print ads. Shoppers Stop had earlier signed up actors Soha Ali Khan for its ethnicwear Kashish, and recently signed up Shruti Haasan for its fusionwear Haute Curry. Govind Shrikhande, MD, Shoppers Stop, says, "To create a personality for private labels, there needs to be a distinct style of visual merchandising and brand ambassadors. These help raise its aspirational quotient." Shoppers Stop's value brand, Stop, garners the highest volume sales, more than even third-party brands.

Globus

The R Raheja Group-owned apparel retail arm, is planning to roll out a specialty retail format for casual and club wear for its private label brand F21, and venture into kids wear to shore up margins in the highly-competitive apparel retail market. The 213-crore company will set up standalone F21 outlets in malls and shop-in-shops inside other apparel retailers. "The return on investment from standalone F21 stores is expected to be much more since they would be set up would be set up over smaller space and deliver higher margins," said Vinay Nadkarni, managing director and CEO, Globus Stores.

"We expect to sustain 20-25% growth rate for the next five years," said Nadkarni. The Group also runs grocery chain 'Food World' and 'Health and Glow' beauty and wellness stores.

Globus Retail Stores once again reported a loss of R26.33 crore in 2014-2015, as sales fell by over 11.2% to R2,017.1 crore. Despite the fall in sales, however, the Rajan Raheja Group-promoted chain managed to reduce its losses by around 16% from a year ago by focusing on costs.

Interview with the Retail Professionals

Informational research helps to understand that how interests, skills; understanding on the subject matter works in an organization. In this study, some important and related field informal interviews were collected from various retail professionals. Retail brand preferences among private label and manufacturers working together to supply the information needs in brand management of retailers. The business of private labels in India is on upward incline not only with offline but with online retailers as well and strengthening their growth. Here is an overview on the current dynamics and opinions of key retailers in this regards:

Customers Care Associate and MD of Shoppers Stop Ltd.

Shoppers Stop Ltd, Govind Shirkhande says, "A private brand affords retailers a distinct differentiation from the crowd. With private brands, retailers have full control on design, pricing, merchandise assortment, stocking, and distribution. By studying customers' shopping habits and preferences as well as global fashion trends, we are able to immediately inject these insights into our brands to improve their productivity. Finally, private brands give retailers a higher margin."

Business Adviser Tea Trading Division of Aditya Birla Group

Subrata Roy, says, "Growth potential for private labels is immense as it is directly related to the growth of modern retailing. Private label brands are margin generators. India's share is around 10 per cent as opposed to around 40 per cent in European countries. It is envisaged that in the next two decades, 50 per cent of Indian retail will be occupied by private label."

Founder and CEO, Craftsvilla.com

Manoj Gupta: "Private labels are an opportunity to create branding in a category which does not have any strong existing brands – a largely unbranded category like ethnic wear. They offer lower prices to consumers while supplying products that are similar in quality and design to known brands. They also have a higher margin as compared to marketplace commission. For example, private label margins can be as high as 40-50 per cent in ethnic category compared to 20 per cent commission we get from marketplace sales."

The Business of Private Labels in Indian Retail (by India retailing bureau may 2, 2016)

1. Fashion and lifestyle e-tailer Myntra is targets 35 per cent of its revenue from its private labels over the next 12-18 months. At present, Myntra offers 11 of its own private brands to shoppers, which contribute to 20 per cent of the overall revenue.
2. Beauty e-tailer Nykaa has gone big with its private label as well. It is expected that Nykaa.com will report a revenue of Rs 240-300

crore by March 2017 with the sales amounting to Rs 80- 100 crore.

3. Online grocery delivery website BigBasket –Has private label products that account for 33 per cent of revenue and are projected to reach 40 per cent by the end of this year.
4. At Shoppers Stop, according to Shirkhande: “Our private and exclusive brands are currently at 17.2 per cent of the total sales mix.”

Research Finding and Conclusion

1. The growth of private labels is directly linked to the growth of modern retailing not only in India but in international markets as well. Retailers need to generate customer confidence in its offerings so as to successfully introduce private labels. Private label's share in the modern retail in India is about 7%, but it is as high as 40% in European countries, and as low as less than 1% in China. Thus, Indian retail market provides big opportunity for retailers to generate more store brands.
2. With the growth of the organised retail sector, private labels or are also increasingly accepted. The private label sales of almost all major retail players like Reliance Retail, Future group, Aditya Birla Retail, Bharti Wal Mart Retail, Hypercity, Infiniti Retail, Trent, Shoppers Stop etc., are now offer private label in their merchandise mix..
3. Current private label market in India is estimated at Rs 13 billion, which covers about 10-12% of organized Indian retail Private labels constitute 90% of Trent's, 80% of Reliance's and 75% of Pantaloon's overall sales. 4) Many retailers are now making profits by offer private label products as these brands provides 30-40% higher margins than branded products.
4. Now Retailers do not offer low quality store brands for lesser price, but are creating new level of differentiation, better pricing for a good quality product.
5. It is not only offline retailers, who are making profits from private label sales but online retailers are also getting higher margins out of it.
6. In comparison to national brands private labels are available in cheaper prices and studies define that, consumers prefer the high quality of national brands and the good value of value PLB's at the same time.

Conclusion

This study focuses on the technological advancement of private label sales in India. This study examine the background of retail stores their marketing techniques in order to generate higher profit margins from store brands. In the chapter of literature review some points were discussed on previous private label researches. Some professional interviews were also described to come up with the results easily. This paper focuses on the consumer preferences for private label over manufacturer brand and their growth in India. In addition to the previous researches, some interviews of retail industry experts were taken in support of private label contribution in overall store sales. In-store promotions, positive word

of mouth and celebrity endorsement act as big platform for online retailers to market their merchandise. Moreover, the customer's purchase decision-making process was also examined to identify the potential factors. The information search, trust in the store name, price of the product and convenience to have the same in use are some most important factor which helps the customers find the suitable private label to satisfy their needs. Retailers are showing uniqueness of their merchandise mix through their different private label collection, which is different in itself from other retail stores. To maintain the level of private label brands in the minds of consumers, it is necessary for every retailer to modify the product range time to time. Besides offline retailing, online retailers also have to improve their post purchase services, payment security in purchasing stage and some other refund like benefits in order to support the growth of private label brands in India

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