



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## Private Label/Store Brands Vs National Brands – Is It Really A Price War?

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**Abstract:** Due to the sea change in retail scenario and continuing increase in organized retail, many giant retailers have come up with Private Label products in various product categories. Consumers are switching from National Brands to these private label products. This research aimed at finding the value because of which customers prefer private labels over national brands and to know whether price is the only factor because of which this change can be seen. However, it was observed that price is not the only factor, there are other factors as well which are responsible for this switching behaviour of customers. Perceived Quality has always been a crucial factor, along with which brand name and availability are other important factors, in which customers do find value and prefer private labels over national brands.

**Keywords:** Private Labels, National Brands, Perceived Quality, Consumer Behaviour, Customer Preference

### Private label/Store brands Vs National Brands – Is it really a price war?

Retail scenario in India is changing every now and then. Last decade had been a complete makeover of retail sector in India. It has emerged as one of the most dynamic and fast-paced sector, due to the entry of several new retail giants.

India is the world's fifth-largest global destination in the retail space with retail sector contributing over 10% of the country's GDP. As per a recent analysis by the Boston Consulting Group (BCG) the retail sector in India is expected to reach a whopping US\$ 2 trillion in value by 2032. According to a leading global management consulting firm Kearney Research, India's retail industry is projected to grow at 9% over 2019-2030, from US\$ 779 billion in 2019 to US\$ 1,407 billion by 2026 and more than US\$ 1.8 trillion by 2030.

E-Retail has been a boon during the pandemic and according to a report by Bain & Company in association with Flipkart 'How India Shops Online 2021' the e-retail market is expected to grow to US\$ 120-140 billion by FY26, increasing at approximately 25-30% p.a. over the next 5 years.

Being the second largest population, India is one of the most promising and developing marketplaces in the world. In order to cater to this big population nearly 60 shopping malls encompassing a total retail space of 23.25 million sq. ft are expected to become operational during 2023-25.

Healthy economic growth, changing demographic profile, increasing disposable income, urbanisation, and changing consumer tastes and preferences have been some of the factors driving growth in the organised retail market in India. The organised retail market in India is currently 12% of the total retail market and has a growth rate of 10% over 2021-2032. Increasing demand for organized retail space has helped create a capacity of ~120 million square feet (MSF) in retail space across major Indian cities. This growth of organised retail in India is helping both National brands as well private labels or store brands.

Brands have power. It is the ability of a brand to influence consumer behaviour and choices through its reputation, recognition, and perception in the marketplace. It is a measure of the strength and value of a brand in the eyes of consumers. It's the reason why customers choose a certain brand over another, even if the price is on higher side. Brands give promise, brands give assurance and reliability.

A national brand can be defined as a brand of a well-established product. A national brand product is a product that is distributed nationally under a brand name owned by the producer or distributor, as opposed to local brands (products distributed only in some areas of the country). National Brands have longer history than the Private Label, hence customer knowledge towards the national brand is higher.

National Brands have a name that people love and trust and although the price of such products is usually higher, consumers still don't stop buying them.

Wherein Private labels are defined as the "products owned and branded by the organizations whose primary objective is distribution rather than production" (Schutte, 1969). Private labels can also be seen as brands owned not by a manufacturer or producer but by a retailer or supplier who gets its goods made by a contract manufacturer under its own label. Private label products encompass all merchandize sold under a retailer's brand. That brand can be the retailer's own name or a name created exclusively by that retailer.

Basically, there are four types of Private Labels 1. Generic Private Labels -They were presented as 'generics', often not bearing the name of the retailer, but simply the name of the product. It emphasizes on the basic use of a product and is available in simple packaging, limited advertisement and cut in quality and therefore occupies the lowest price tier. 2. Copy-cat Private Labels - Copycat store brands carry the name of the retailer and tend to have packaging and price points very similar to the products that they compete with. The retailers usually target branded products that are already successful in the market. They produce a copycat product that has similar ingredients, packaging and pricing. Copycat retailers can thereby cash in on the success of the branded product without having to incur the costs associated with developing the product and researching the market. 3. Premium Private Labels -As retailer strategies have developed, the approaches have evolved to incorporate premium store brands. Retailers have seen the opportunity to differentiate their products and thereby target a whole new section of the market. The latest trend is to establish high quality products with distinctive packaging, presented as a whole new product line by the retailer, targeted at competing with the top brands in the range. 4. Value Innovator Private Labels - The retailers following this approach have focused on cutting down costs and processes to simplify the production and marketing of product ranges, so that a good quality product can be offered at very low prices. The value innovator approach differs greatly to the generic, copycat and premium label approaches. There are a number of key principles that must be adhered to for this approach to be successful. a) Limited number of products b) Low costs of production and marketing c) Good quality products at low prices

Increase in organized retail has changed everything. Moreover, with many online retailers, have evolved many new private brands. Major factor being the partially untapped sizeable middle class. The purchasing power of Indian consumers is increasing and hence a shift can be seen from non-branded to branded, especially in categories like apparel, cosmetics, accessories etc. For other categories like grocery items, FMCG products and convenience goods, during COVID and post COVID many have permanently switched to online mode. This has proved advantageous to online retailers, in terms of increased number of transactions and also for their respective store brands as well. The FMCG industry has been projected to grow to a market size of almost US\$ 220 billion by 2025. The FMCG sector is one of the fastest-growing sectors in India, with a growth rate of 8.9% in 2022.

As mentioned above national brands have a name that people like and trust. Rather it is this trust factor because of which these brands evolved. The purpose of this research was to find out the factors which inculcate trust. In order to find out these factors it was necessary to know what do customers value and consider of prime importance. Understanding value definition of customers is becoming difficult day by day, because of the everchanging factors which influence buying behaviour. On the contrary customers definitely look out for value while considering various brands. Whether it's a national brand, private brand or a non-brand product, they buy it only when they find value in it, when they find it worth buying. Primary objective of this research was to find out this value which customers go for while buying private brand/label products.

It is mentioned by many researchers and is also a common perception that national brand products are costlier as compared to private labels or store brands. Hence the purpose of this research was to find, whether this common perception holds true? Do people buy private labels only because of the price factor or are there any other factors which are considered while choosing private labels over national brands.

For this research purpose 100 females between age group 30 to 50 years, in Pune, those who purchase private labels/ store brands over national brands, were considered as sample. Respondents were asked questions regarding their preferences while buying following product categories.

**Staples** -Grains, Pulses, Aata, spices etc.

**Home care products**- Soaps, Detergents, dishwash, floor cleaners etc.

**Dairy Products** -cheese butter etc.

**Personal Care** – Shampoo, toothpaste, cosmetics etc.

**Snacks** – Biscuits, Noodles Namkeen etc.

The above-mentioned product categories were considered for this research purpose because many retailers have come up with private labels or store brands for these product categories. There are generic private labels, copycat private labels and also value innovator private labels in these above-mentioned product categories. Following is the data collected from the respondents for two questions from the questionnaire.

**Table 1**

<b>Which of these statements will you agree with?</b>	<b>Agree</b>
With private labels you get same quality products at lesser price as compared to national brands	72
With private labels you get better quality products at lesser price as compared to national brands	26
With private labels you get better quality products at same price as compared to national brands	24
With private labels you get same quality products at same price as compared to national brands	31
With private labels you get poor quality products at lesser price as compared to national brands	19
With private labels you get better quality products at higher price as compared to national brands	20

**Table 2**

Why do you buy these brands?	No. of respondents
Better quality	61
Better Price	57
Availability	14
Brand Name associated	42

**Findings: For Table 1**

1. It can be well interpreted that out of 100 respondents, 72% females have a perception that they get same quality products at lesser price, when they buy private labels over national brands.
2. Moreover 26 % agreed that they get better quality products at lesser price, when they buy private labels over national brands.
3. 24% of the respondents agreed that they get better quality products at same price, when they buy private labels over national brands.
4. A percent higher than thirty are putting private labels at par with national brands with respect to quality and price.
5. But still 19 % respondents think that they get poor quality at lesser price, when they buy private labels over national brands.
6. However contradictory to the above point, 20% assume that they get better quality and higher price, when they buy private labels over national brands.

**Findings: For Table 2**

1. 61% of the respondents buy these private label products for the sake of better quality.
2. More than half of the respondents i.e., 57% buy these private brand products because their pricing is on lower side.
3. Very less 15% respondents buy these products because of the availability.
4. A little less than half of the respondents i.e., 42% buy these products because of the brand name associated with these private labels.

**Conclusion:**

After analysing the data, it can be inferred that it's not only price because of which respondents consider buying private labels. The quality of these private label products is also an important reason because of which respondents prefer buying private labels. This can be justified by- 1. Quite a big number i.e., almost three fourth of the respondents think that they get same quality at lesser price, when they buy private labels. 2. One fourth of the respondents think that they get better quality at lesser price with private labels. 3. Again one fourth of the respondents say that they get better quality products at same price when they purchase private label products.

As always value is considered in terms of quality which we get, as against the amount of money which we pay. Also brand name plays an important role in this buying decision making process. Many respondents mentioned buying tata products because of the brand name associated and also the quality of the products. Brand power profoundly impacts consumer perception and loyalty. A strong brand can command premium prices, foster customer trust, and drive repeat business, resulting in increased revenues and market share. It also provides a competitive edge and can weather crises more effectively.

Also, few respondents mentioned the big price gap between some national brand products and private label products. As in marketing the fourth 'P – Place' plays a crucial role, which can be inferred based on respondents buying private labels because of the availability factor.

In total it can be concluded that price is not the only parameter because of which private labels are booming. Quality perception of customers and brand name as always are also more or less equally important factors behind the increased growth of private labels.

