Consumer Perception Towards Private Label And National Brand: In Indian Perspective

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ABSTRACT

Purpose *–This research attempts to investigate the differences of consumer perceptions on product quality, accessibility, Returnability, price, customer service, variety and reliability among national brands and private labels in FMCG product category. It aims to use product category as the moderator of the preceding perceptions.*

Design/methodology/approach *–Data were collected outside the entrances of the main malls in of Delhi/ NCR. A systematic sampling was adopted and 245 questionnaires were eventually collected in December 2011.*

Findings *–The findings revealed that on the whole national brands were perceived as better to private labels, private labels were perceived as being inferior in terms of all perceptions except easy accessibility and durability.*

Originality/value *– This research represents one of the few pioneer works that empirically investigate the aforementioned issues.*

INTRODUCTION AND RESEARCH BACKGROUND

The competition between national brands and private labels has been a key research area in the last decade. According to Chintagunta et al. (2002), previous studies related to the effect of private label entry on national brands can be divided into two types: those which approach the issue from final demand side and those which approach it from supply side. Final demand side studies deal with the changes in preferences for the national brands and price elasticity when they suffer competition from private labels. Examples include Chintagunta et al. (2002), Lin and Chang (2003) and de Wulf et al. (2005). These authors tackle issues relating to the impact of private label entry on the preferences of national brands between brand equity of store versus national brands and the brand loyalty towards both brands are also studied. As for supply side research, articles address problems such as the retailer's pricing decisions, and how these decisions are influenced by interactions between manufacturers and retailers. Chintagunta et al. (2002) and Soberman andParker (2004) are of this type. They discuss how advertising influences the firm's behavior, the effects of national brands' advertising and price promotion strategy on national brands and private labels. Regardless of the above research types, quality and price

Perceptions are the two frequently compared consumer perceptions between national brands and private labels (see among others, Lin and Chang, 2003; Miranda and Joshi, 2003; Erdem et al. 2004). Nevertheless, as suggested by Aaker (1996) and Supphellen and Gronhaug (2003), other

consumer perceptions such as brand leadership and brand personality also play critical roles in the consumer purchase process and deserve further investigation.

RESEARCH HYPOTHESES

The following hypotheses reflect our efforts examining consumer perceptions on product quality, price, easy accessibility, durability, customer service, variety and reliability and infer brand leadership and personality among national brands, and store's private labels within various types of product categories.

PERCEIVED QUALITY AND PRICE PERCEPTION

As mentioned above, variations in perceived product quality and product price perception between national brands and private labels have long been studied. Perceived quality refers to the consumer's judgment about a product's overall excellence or superiority (Chueh and Kao, 2004; Villarejo-Ramos and Sa´nchez-Franco, 2005). Firms that produce quality products will be perceived as superior in offering good product design, having operational process efficiency, owning high technology, etc. In comparison with private labels, national brands, which are high familiarity among consumers across the nation (D'astous and Saint-Louis, 2005), are more capable in product design, operational process efficiency and technology (Steiner, 2004). Therefore, they are believed to be more capable in manufacturing attractive products (Babakus et al., 2004). As a result, their product quality is likely to be perceived as being superior. Understanding this weakness, private labels have substantially improved their quality in recent years (Miranda and Joshi, 2003). Nevertheless, the findings of a number of empirical studies such as Sanjoy and Oded (2001) and Steiner (2004) still support the argument that the perceived quality of national brands is higher than that of private labels.

As for product price perception, because of their inherent lower cost characteristics, private labels are always marked lower than branded products by retailers such as hypermarkets and national retailing chain stores (see Miranda and Joshi, 2003). This persistent image leads to

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the phenomenon that consumers are willing to pay less for private labels than national brands (Scott Morton and Zettelmeyer, 2004). Moreover, a number of academic works have shown that low prices are associated with low quality (e.g., Alba et al., 1999; Huang et al., 2004; Speece and Nguyen, 2005).

As private labels are perceived to be of lower quality (see the debate above), national brands are therefore recognized as being more highly priced so as to ensure the perception of their quality (see McGowan and Sternquist, 1998). All these infer that the perceived price of national brands is higher than that of private labels.

H1: National brand are better than private brand with reference to Easy Accessibility of Product.

H2: National brand are better than private brand with reference to Durability.

H3: National brand are better than private brand with reference to Returnability.

H4: National brand are better than private brand with reference to Product Quality.

H5: National brand are better than private brand with reference to Product Price.

H6: National brand are better than private brand with reference to Product Customer Service.

H7: National brand are better than private brand with reference to Product variety.

H8: Nationalbrand are better than private brand with reference to Product Reliability.

RESEARCH METHODOLOGY

Detailed research methodology, such as research setting, scale development and sampling will be depicted below

SCALE DEVELOPMENT

Research scales were developed with reference to related literature, with slight modifications to fit this research. The related literature is mainly from Aaker's (1996) work since the scales Aaker developed have been frequently applied in a number of recent academics works (see among others, Cornwell et al., 2005; Pappu et al., 2005; Madhavaram et al., 2005) and therefore were considered being demonstrated as typical scales. A seven-point Likert scale was employed for all these scales. Individual scales of few cases backed by literature review are discussed below. The measurement of perceived quality, cited from Aaker's (1996) work. The measurement scale of price perception (not the real price) was developed from Miranda and Joshi's (2003) work. Their original work included two oppositely coded measurement items, "low price" and "high price". As for the other scales, i.e. easy accessibility, durability, customer service, variety and reliability been taken from Retail Service Quality Scale. (Finn and Lamb, 1991; Gagliano and Hathcote, 1994).These items been taken from RSQSS scale of Dabholkar, Thorpe and Rentz (1996).

QUESTIONNAIRE DESIGN, PRE-TESTING, SAMPLING AND DATA COLLECTION

A draft of the questionnaire was designed based on the above scales to examine the respondents' perceptions of the private label brands. Then this research conducted a pre-test within a small sample in Delhi/NCR. This was to guarantee readability and logical arrangement of the questions perceived by the research.

RESEARCH SETTING

In this research, only one product category, FMCG, were chosen to examine the Effect of private label and national level on Indian Consumers. This was because in Delhi/NCR (where the questionnaire was designed and administered, and data were collected; also see Sampling section), hypermarkets and nationwide retailing chains such as Big-Bazar, Reliance Fresh, Easy Day often marketed their own products (i.e. using private labels) in these FMCG product categories.

As for the selection of brand names and hypermarkets/ nationwide retailing chains, a pre-test regarding the overall reputation of a number of alternative firms was conducted within a small number of residents in Delhi/NCR. Those brand names and hypermarkets/nationwide retailing chains that were perceived at the mean among alternatives were chosen.

The questionnaire was then modified with their suggestions incorporated. Residents in Delhi/NCR were selected as the research population. Delhi/NCR is a densely populated city of Approximately 1.20 crore citizens and is also an open city with many immigrants from other parts of India. Therefore, it provided the potential to access Delhi/NCR attitudes. Data were then collected outside the entrances of the main Malls of NCR in NOIDA, Delhi, Gurgaon in December 2011. A systematic sampling (one out of ten passing the entrances) was adopted and an initial verbal filtering question of selected participants ensured their ages above 23. In Delhi, those above 23 were capable to purchase the surveyed products (e.g., FMCG) and therefore they were considered suitable to participate in the study. A total of 553 questionnaires were eventually distributed and in total 245 respondents returned the questionnaire in which 15 were uncompleted and therefore excluded. The remaining 230 questionnaires, representing a response rate of 41.15 per cent, were considered usable and were used for the final data analysis.

DATA ANALYSIS AND RESULTS

RESPONDENTS' PROFILES

The respondents included more females (56.52 percent) than males (43.47 percent), with most being around 30 years of age. A total of more than 83 percent of the respondents held a college/ university degree or higher. As for their occupation, white-collar workers, blue-collar workers, and students all occupied around one-third of the respondents.. Finally, most of the respondents were married. Detailed descriptive statistics relating to the respondents' profiles are shown in Table I.

Table I Descriptive statistics of the participants' profiles

		Frequency%
Gender		
Male	100	43.47
Female	130	56.52
Age		
23-30	63	27.39
30-37	47	20.43
37-44	53	23.30
44-51	45	19.56
Education		
High School	30	13.04
Graduate	147	63.91
Post Graduate	53	23.04
Occupation		
White Collor	78	33.91
Blue Collor	77	33.47
Jobless	33	14.34
Students	42	18.26
Income		
<Rs 20,000/-	33	14.34
20,000-30,000	67	29.13
30,000-40,000	72	31.30
40,000-50,000	37	16.08
>50,000	21	09.1
Marital Status		
Married	131	56.95
Unmarried	99	43.04

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Easy Accessibility (Private Label)	3.77	114	1.848	.173
	Easy Accessibility (National Brand)	4.68	114	2.385	.223
Pair 2	Durability(Private Label)	3.51	117	1.887	.174
	Durability(National Brand)	4.56	117	2.391	.221
Pair 3	Returnabilty(Private label)	3.91	116	2.071	.192
	Returnabilty(National Brand)	4.46	116	2.349	.218
Pair 4	Quality(Private label)	3.96	117	2.036	.188
	Quality(National Brand)	4.26	117	2.086	.193
Pair 5	Price(Private label)	4.43	115	2.185	.204
	Price(National Brand)	4.03	115	2.176	.203
Pair 6	Customer Service(Private label)	4.45	118	2.427	.223
	Customer Service(National Brand)	4.11	118	2.050	.189
Pair 7	Variety(Private label)	4.93	113	2.495	.235
	Variety(National Brand)	4.58	113	2.367	.223
Pair 8	Relaibility(Private Label)	4.96	Pair 8 116	2.412	.224
	Relaibiltiy(National Brand)	4.39	116	2.245	.208

Paired Samples Test

		Paired Differences					Z	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Easy Accessibility (Private Label) - Easy Accessibility (National Brand)	-.912	3.197	.299	-1.506	-.319	-3.047	113	.003
Pair 2	Durability (Private Label) – Durability (National Brand)	-1.043	2.923	.270	-1.578	-.508	-3.859	116	.000
Pair 3	Returnabilty (Private label) – Returnabilty (National Brand)	-.543	3.218	.299	-1.135	.049	-1.818	115	.072
Pair 4	Quality (Private label) – Quality (National Brand)	-.308	2.958	.273	-.849	234	-1.125	116	263
Pair 5	Price (Private label) – Price (National Brand)	.400	2.940	.274	-.143	.943	1.459	114	.147
Pair 6	Customer Service (Private label) - Customer Service (National Brand)	.339	3.089	.284	-.224	.902	1.192	117	.236
Pair 7	Variety (Private label) – Variety (National Brand)	.345	2.975	.280	-.209	.900	1.233	112	.220
Pair 8	Relaibility (Private Label) – Relaibiltiy (National Brand)	.569	3.258	.302	-.030	1.168	1.881	115	.062

HYPOTHESES TESTING

The data set was analyzed by using the SPSS statistical program, and paired z-test was performed with data (to examine H1-H8) to assess the differences among the individual mean values generated. The findings of the research, on the whole, supported our argument that consumers does not view brand types differently. That is, national brands were perceived as significantly superior the way we hypothesized to private labels, The findings on easy accessibility and durability there is a significance difference found in Private brand and national brands, while in all rest of the parameters national brands are better than private label as desired. Consumers do perceive the brand choices as different and, however, this will infer that the national label brands have positive response from the consumers.

CONCLUSION

Historical studies have paid much attention to the competition between national brands and private labels. As the retailing environment is becoming more international (Jeannet and Hennessey, 2001), the Indian scenario need to be addressed. Additional consumer perception comparisons among national brands and private labels are then necessary. These will help academics and practitioners understand the differences among these brand types and further help design better, more suitable branding strategies. In this research, an attempt was therefore made to study consumer perception differences (i.e. easy accessibility, durability, returnability, product quality, product prices, customer service , variety and reliability) within FMCG product categories. The findings of the research, on the whole, supported our argument that consumers viewed brand types differently. That is, national brands were perceived as significantly superior to store private labels.

SCOPE OF FUTURE RESEARCH

Because of the pioneering nature of this research, there are many questions that deserve further research. There has been scant attention paid to distinguishing between international private labels and local private labels and the research findings support the necessity for doing so. Issues such as country-of-origin of the international private label and prior purchase experience of private labels might affect/ moderate the results of the research. Moreover, the empirical evidence was from Delhi/NCR, and only FMCG were chosen as moderators. These limit the generalization of the findings. Therefore, future work can validate the research finding within other environmental settings, such as in other cities and countries, or by testing other product types/product categories. Of course, as the participants were young with low income, the consumption behaviour of mature people and people of varying socio-economic status is worthy of future studies.

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