Review of literature

Abhishek & Abraham (2008) found out through their Research that the gap in the quality of Private Label and National Brand is narrowing with time as the Retailers are emphasizing more on the quality. According to them, the Retailers have started providing depth in their product category in terms of size, colors, packaging, style, design, features and other product attributes. They also brought out consumer perception about the brand in terms of the advertising. A brand with higher expenditure on advertising is perceived by consumers as a high quality Brand.

Abernathy et al. (1999) researched on Private Labels and said that Private labels are the retailer's creation of a unique product line with strong point of differentiation that distinguishes them from their competitors by selling the product under their own name and license.

Ailawadi & Keller (2004) analyzed that the store loyalty is because consumers gets a single brand across multiple product categories. They explained that loyalty toward store can be developed by building cross category and within category assortment. The promotions in the store about the Private label, utility and hedonic benefits of the private labels helps in building strong brand associations in the minds of consumers.

Ailawadi et al. (2001) examines that the National Brands compete with Private Label on advertising and aggressive promotions. It explained that the price points of Private labels are 30 percent less than National Brand products while National Brand products compete with Private Label goods by offering discounts of 20 to 30 percent. This discount influence consumers’ decision making as they get economic benefit without compromising on the quality of product. However, National Brand manufacturers can suffer from the effects of these aggressive promotions over a long period of time. Since National Brands make up a
large share of product in department stores, promotion of these products over an extensive period of time can negatively affect the Retailers image and National brand's equity but positively affect the National Brand's sales.

**Baidaray (2011)** discussed that for a retailer, Private labels provide profit maximization & customer loyalty in the premium categories. They also brought out that with the Private label the Retailer can have better bargain power with National Brands. For the customers the price competitiveness of the private labels over the National Brands is the reason of its growth.

**Baldinger et al. (2002)** highlighted on the importance of household penetration for a private label to understand its acceptance, growth and development. Household penetration is defined as households that bought a brand as a percentage of total households that bought the product category. Penetration of the Private Label is made possible by the price, assortment, and quality of the product, in comparison to the National Brand’s price, assortment, and quality.

**Bhatnagar (2004)** discussed about the Indian retail industry which is witnessing huge growth in urban areas, metros, Tier I and Tier II cities. Both the government and the corporate have started taking interest in the retail activities. Almost all the major retail giants have invested in the retail business in some form or the other.

**Bontems et al. (1999)** researched on various levels of private labels quality and their impact on national brand. If the private label quality is low, the National Brand need not bother as its quality is good and reasonably priced, thus will find enough customers. The retailer therefore sells both products targeted at different segments. The higher the private labels quality, the more competitive the private label is with respect to the National Brand. This leads to a decrease in the National Brand wholesale price. Above a certain quality threshold, the National brand recovers its natural monopoly position because the Private label is not competitive.
Chakraborty (2011) researched on customers’ perception towards private label cola and found out that there is a link between the income-level of customers & choice of private label cola. Private label colas were found to be more popular in less affluent areas of the country. Premium brands of colas have taken years to create a strong and favourable image thus loyal customer base while customers’ perception about private label colas was found to be of negative attitudes & unfavourable perceptions about price, quality, taste, packaging and promotion.

Chintagunta et al. (2002) studied the impact of the introduction of Private labels in the food segment. They showed that the introduction of Private labels generates a decrease in the wholesale and Retail price of the leading National Brand, a decrease in promotion activities of the National Brand.

Collins & Zaichkowsky (1999) found that some retailers imitate national brand and thus are able to compete with National Brands. The study brought out facts where the small manufacturers or the retailers copied a national brand or designer brand and were able to wipe out the national brand. However, this leads to confusion in the minds of customers and violation of Intellectual property rights related matters.

Davidsz et al. (2003) explained that a Private Label has the ability to succeed when the product contains the following characteristics:

- the consumer perceives the product to be a low-price/low risk;
- the product is highly perishable;
- the product does a high volume;
- the category contains lack of variety of brands and/or products

Dhar & Hoch (1997) showed the main factors that favour a large market share for Private Labels were the following:

- High quality relative to the National Brand;
- Low variability of quality of Private Labels;
- High product category sales
- High gross margins (in %);
- Low national advertising expenditures.

**Fraser Alison (2009)** found out that the store image is positively associated with attitudes towards private labels but differs by retail chain & private label type. One of the major factors to determine the attitude of Private labels was observed to be store assortment quality.

**Gabrielsen & Sørgard (2000)** explained the reason for price increase of National Brand with private label introduction. They found out that the national brand producer signs an exclusive contract with a retailer wherein the retailers are offered a low wholesale price with a condition that no private label would be introduced in the relevant product category. If the retailer discontinues with the contract and comes out with a private label, the national brand increases his price. They also found out that some consumers are loyal to the national brand and as long as the national brand is sold under a certain price range they will only buy the national brand. A second group of consumers is opportunist. They buy the National Brand as long as its price is not too high compared to the Private Label.

**Gabrielsen et al. (2001)** found out on the basis of their empirical analysis that with the introduction of private label, prices increased in some product categories and reduced in others. They argued through their Research that strong national brands on average increase their prices more often than weak products after the entry of private labels.

They also came out with a finding that a private label with a large market share has a large impact on a national brand price.

**Gilbert (1999)** indicated that in the apparel sector two major types of brands exists. Manufacturers produce and sell in the market under their own name, or produce brands for other companies under a license. They can be identified either by the manufacturer name or by the designer name. In both the cases the Brand is manufactured by a manufacturer.
Glynn & Chen (2009) explains that quality variability, price consciousness, price-quality association & brand loyalty are the major determinants to influence consumer in buying private label brands. However in some product categories the customers will always remain loyal to a brand be it Private label or national brand. To study the effect of private labels on national brand the retailers and the national brand needs to look at it with reference to a particular product category.

Goldman (2003) explained that the Retailers in an attempt to capture market share gave their name to a product thus creating Private labels of Retailers. They found out that initially the quality was not an important attribute while developing product but later on the private label quality increased with the introduction of private labels in various product categories.

Hariprakash (2011) examined the growth, performance and importance of private labels to a retailer. Retailers in order to differentiate from other retailers develops high quality products. The study mentioned that the retailers should not only rely on their private labels because customers come to store because of national brands though they end up buying private labels. The footfall drops if customers realises that the regular national brands are not available in the store. The customers expect private labels along with national brands rather than national brands along with private labels.

Hoch (1996) researched on sales and floor space and suggested that the floor space should be allotted to the brand with the most positive relationship to sales and floor space. The research also suggested that National Brand companies must continue to invest in building their brand to face the competition.

Hoch & Banerji (1993) in their Research on Private label found out that Private Label branding began in the 19th century initially in the grocery store and then it moved to other Retail sectors. They explained that the purpose of creating private label was to offer consumer merchandise at low price not necessarily a higher quality. According to them, the success factors for Private Label was the combined efforts of consumers, retailers, and
manufacturers actively working together to create a successful marketing environment. They also found out that the price was given more importance than quality initially but with the success of private labels a shift in emphasis from price to quality was observed.

**Kadialy et al. (2000)** studied the share of profits between manufacturers and retailers on beverages markets. According to their results, manufacturers who produce high quality products or perceived as such by consumers gain a larger share of the profit of their vertical structure than other manufacturers.

**Krishna & Venkatesh (2008)** researched on the Clothing, Textile and Fashion accessories segment of the retail Industry and found out that this segment occupies a share of 12% in total retail sales and has been growing at the rate of 18% per annum. A large number of players have entered in the organized and the unorganized sectors. These players have realized that in order to attract customers they not only need to offer customers a wide variety of merchandise in terms of width, length and depth but needs to provide intangible also in the form of store image and experience and ambience.

**Lalitha (2008)** researched on the factors affecting customers buying behavior for branded apparels. The study identified that education, profession, age, promotion, comfort, quality, status symbol and varieties product offerings in shopping are the determinants.

**Misra (2011)** studied on the factors with strong positive effect on the buying behavior of customers and found that the most important factors are price points and promotional schemes like discounts. Some other factors which had positive impacts were merchandise quality, income of consumer, store service, social status, lifestyle, referencing and comfort of shopping. In the unorganized sectors ease of shopping was found to be the most important factors which influence the buying behavior of a customer.

**Nair (2011)** discussed on the customers perception towards private labels and national brands. The Indian customers still feel that the private labels are of poor quality compared to the national brands. Customers indicated that national brands provide hedonic benefits;
whereas private label brands’ are low priced and lacks image. The study highlighted various factors which influence the buying behaviour of customers towards private labels as: perceived quality, freshness, and packaging, and health, availability of alternatives, promotion and in store advertising.

**Nair Suja (2011)** mentioned that private label which initially use to cater to a specific segment that was price conscious but not quality conscious now targets urban youth due to their lifestyle and growing fashion awareness. They provide uniqueness in the merchandise due to which the customers get emotionally connected.

**Pathak & Tripathi (2009)** explored psychographic factors which influence the customers buying behavior and decision making. The research identified the most important factor that customer looks at is value for money followed by greed and comparison with colleagues, friends, family. The fear of any opportunity loss has also emerged to be having a positive impact on the consumer buying behavior.

**Sharma et al. (2010)** found out that in India private labels account for only 5% of the total organized retail market whereas globally it is 17% , thus private label in India has huge growth opportunity. The store data reveals that margins on private label products range from 15-20% in the FMCG sector; close to 20% for consumer durables and from 40-70% for apparel products. Price is the major factor because of which customers buy a private label but slowly and slowly these private labels have started improving their product quality , marketing, promotional and packaging , thus , customers are sticking with them.

**Scott & Zettelmeyer (2000)** showed that the introduction of Private Labels is more likely when the leading National Brand has a large market share. Their results confirm the positive impact of the total value of category sales. Moreover, their results suggest that the advertising / total sales ratio has a positive impact on the probability of the introduction of Private Labels. Finally, they found that a large number of producers also favour the introduction of Private Labels. They showed the major factors responsible for brand ranking are presence in number
of cities, number of retail outlets, retail space, retail sales and expansion plans.

**Vakariya & Chopde (2011)** researched on the private label and national brand for the apparel segment and found out that the store brands provide value for money to customers & higher margin to retailers. Customers have strong brand preference for national brands. The quality and advertisement of national brands is better than the private labels but gradually the acceptance of private label brands is increasing as their quality is improving & trendier than the national brands.

**Verma (2011)** highlighted that the private brands are still at an introductory stage in India as the retail market is dominated by unorganised sector and traditional retail formats and unbranded goods in many product categories, apart from the strong presence of national/manufacturer brands. It was also brought out that the reason why retailers do not sell products as private labels is not because of lack of finance or market prospects, but because such an effort requires expertise in sourcing, production, distribution branding, packaging and marketing efforts at which the retailers might not be good.