
**CONSUMER PERCEPTION TOWARDS PROMOTIONAL OFFERS ASSOCIATED WITH
PRIVATE LABEL BRANDS**

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ABSTRACT

The current study aims to study the consumer perception towards the promotional offers associated with the private label brands offered by organised retail stores. With the proliferation of organised retailing in India, the various concepts related to organised retailing are becoming household names amongst the Indian consumers. Once such concept is the Private Label Brands. Undoubtedly, these private label brands have proved to be the game changers for the organised retailers. In an endeavor to excite the consumers, the retailers are busy manufacturing varied creative strategies for private label brands. Promotional offers associated with the private label brands are seen as the major reason for this excitement of the consumers. The association of private label brands with their promotional offers seems to be so prominent that its survival without the existence of the later is disputed. Consumer's interpretation of this promotional offer of private label brands has to be deduced, in order to trace the relevance of this association. This study aims to reveal the perception regarding the promotional offer that the consumers develop during their acquaintance with the private label brands. From the findings of this study, the researcher was able to ascertain that consumers have certain perceptions regarding the promotional offers of the private label brands. These perception impacts the consumer behaviour and the purchase of private label brands.

KEYWORDS: Private Label Brands Organised Retail, Consumer, Perception, Promotion, and Behaviour.

INTRODUCTION

Retailing is not a new phenomenon; its genesis can be traced back to the times when man started trading goods for money in the place of the barter system. Retailing is an interface between the manufacturer or supplier and the consumer of the product. It is the retailer through whom the customer gets the glimpse of the product, makes the purchase decision and does the final transaction. On the other hand, the suppliers use the retail platform to interact with the customers, understand their preferences and promote their offerings. Retailing can be defined as the last stage in a channel of distribution of goods and services to end-users. So, retailers are the final businesses in distribution channel that link manufacturers, wholesalers, other suppliers and the final consumers.

The Indian retailing sector is at an inflexion point where the growth of organised retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the service sector are going to be the key growth drivers of the organised retail sector in India. It was argued that the best period for Retail in India will be between 2009-13, when the Retail industry will expand and consolidation would set in with most of the top global retailers having a presence in India. Also argued that the Indian market is unlike the US where the market is already saturated. Hence, if retailers play their cards right, they can get customers, make profits and all concerned in the entire value chain can grow by leaps and bounds. Industry experts also highlighted that organised retail in India is booming and is set to grow at 42% to touch US \$100bn by 2019, which means that organised retail would be twice as big as the size of the Mobile Telecom industry in India. Currently, India is the fourth largest economy and is all set

to become the third largest by 2020, leaving Japan behind. It is estimated that there would be around 500 million middle class consumers in India by 2018, and organised retail market share would reach 10%, which would reach 24% by 2025¹.

The retail industry is inching its way toward becoming the next boom industry. In line with the economic growth, the retail sector is not only expanding but also modernizing. The organized retail sector has revolutionized the Indian retail industry with the adoption of modern marketing tools and advanced technology.

The organized retail sector in India accounts for 5 percent of India's roughly \$435 billion retail market and is expected to reach 20 percent by 2020. Big-box retail, in the form of hypermarkets, has gained prominence—a refocus from the upcoming supermarkets and small formats of several years ago. Domestic players are selectively growing in India—formulating aggressive expansion plans, adding stores judiciously and shifting gears to tier 2 and 3 cities².

The last few years have witnessed the entry of a number of organised retailers opening stores in various modern formats in metros and other important cities. Organised retailing has begun to tap the enormous market but its share is small. A number of large business houses have entered the retail business with very ambitious expansion plan.

Journey of organised retail in India year:

Table I. Journey of Organised Retailing in India.

Year	Growth	Function
2000	First Phase	Entry, Growth, Expansion, Top Line forces
2005	Second Phase	Range, Portfolio, Former Options
2008	Third Phase	End to end supply chain management, Backend operation, Technology, Process
2011	Fourth Phase	M & A, Shakeout, Consolidation, High Investment

(Source: A Report by Ernst & Young for IBEF, www.ibef.org/download%5cRetail_220708.pdf)

The proliferating organized retail business in India is also inducing some radical changes in the retail sector. The emergence of private label brands is one of them. Private Label Brand is an attempt by the retailer to further differentiate themselves from the competitors and create a distinctive retail offering to the customers. 'Private Label Brands' (PLB) refers to the brands that are owned by the retailers, and sold through a specific chain of stores. These products are typically manufactured by a third party under license. In developed international retail markets private label brands are considered to be the key to success. The concept of PLBs in India is in its embryonic stage, it still promises a humongous potential to vitalize the Indian retail sector. This movement towards PLBs can be closely linked to the industry's desire to drive profitability from existing assets more heavily, rather than channel investment accelerating the number of new store openings in the short term.

Historically, private label retailers appreciated that it was important to tout certain category and product benefits to incite consumers to purchase. Yet, rather than looking at the consumer directly to understand his brand and product selection criteria, they took their cues from the national brand competitors that had already identified and manifested some of the category's salient attributes and benefits through advertising, packaging and other brand messaging⁴. The result was often a series of "me-too" private label positioning that strived to emulate the category leader.

This approach to private label management had resounding impacts on a category as a whole as well as the individual product offerings within it. By commoditizing their private label products, retailers undermined and commoditized a category's overall potential⁵. They adopted the role of the omnipresent, cheaper choice and often forced branded competition to lower their prices to compete, thereby erasing margins for national products and private label alike.

Private label brands have clearly become a more instrumental priority for today's retailers. They are starting to diversify their offering beyond the expected, enabling them to compete more effectively in existing product categories and foray into new and different product categories that have traditionally been dominated by national brand players⁶. Marketing programs for PLBs are entering a new phase. The most important concept behind PLB marketing is that the product sells and creates a profit. If production exceeds demand, or the product advertising makes false claims, a consumer will spread bad press about, the project fails and lots of money is lost. PLB marketing mixes both an urgency to sell a product and a tasteful and a truthful--though often exaggerated--communication with the public.

Promotional activity has always been the important activity of any marketing program for an organization. It is a mode of communicating with the existing and potential customers. A product is designed and developed according to the needs of the customers; cost and market trends decide its price and channel members put it in the shoes of the customers. Promotion involves all the efforts that a marketer uses to take his product from the factory to the customers.

Retailers develop a communication strategy in line with their target market and the products that they stock in store. There are diverse communication strategies used by the retailing firms to attract shoppers which include closed circuit television in the shopping malls, public television commercials, advertisements in print media and direct marketing. Retail communication has moved on from the time when the retailer alone communicated with the consumers.

When it comes to occupying a space in the retail promotional strategy, PLBs are gaining their importance. With the national brands, there is very little that the retailers could develop. This is because the major promotional strategies pertaining to the national brands are done by the company and then are conveyed to the retailers to be followed. But PLB promotion offers a free hand to the retailers to exercise their creativity and implement it to yield better results. Retailers are more interested in promoting their own brands, given the amount of profit that these brands offer to them. For promotional activities of PLBs, the retailers mostly rely on shelf space and signage, and techniques like sampling and active merchandising at the prominent spots. We hardly see any special advertising created for own labels, except for the odd leaflet or two.

The real challenge, however, will be for retailers to take own labels outside their stores and make them the household names. In order to achieve this feat, retailer may have to formulate innovative promotional campaigns, various ways of communication, have to be explored and brought into existence. This may indeed require an insightful study of various factors that may affect the consumer perception towards any such promotional campaigns or offers that the retailer may wish to take on. This study of consumer perception is very crucial especially in the market like India, where the consumer behaviour is considered as the most ambiguous.

PERCEPTION:

A. Hari Hara Nath Reddy (2010)⁷ defines, perception as the process by which an individual selects, organizes, and interprets stimuli into a meaningful and coherent pictures of the world. Perception can also be explained as a process of how individual see and make sense of their environment. It is about the selection, organization and interpretation of stimuli by individual. According to Kotler et.al. (2009)⁸, outside stimuli are selected, sorted and interpreted into a coherent picture of the world around us. This is because the way

we select, sort and interpret stimuli is grounded and governed by our needs, expectation, value, which are quite unique to each individual.

In an effort to create a perception about the PLBs in the minds of the consumers, retailer tries to makes an endeavor to improve messaging and gain the audience's attention. They create some special moments that will resonates the mind of the target customer and motivate the audience to purchase the advertised product or service. Retailers adopt innovative ways to design sales promotional activities to promote and boost PLB sale. Nijs V.R. et.al. (2001)⁹ suggest that the companies should strategically use both methods i.e. traditional and innovative; to complement each other, as many leader companies do successfully. Though sales promotion is considered as a tool for short term boost up of sales of any product or service, but can have a long lasting repercussion on the consumer's perception.

Consumer perception has a major impact on their buying behaviour. Zeithmal et.al. (2011)¹⁰ signifies that the consumers buying behaviour is more favorable for non-monetary promotions (e.g. extra free promotions) in comparison to monetary promotions (e.g. price discounts) as nonmonetary promotions are perceived as gains. The sales promotion activities make customer to feel that they are getting extra or saving their money so the ratio between the amount sacrificed and the value they get is positively impacted. In these sense we can say that sales promotion is having positive impact on sales.

Across the categories, promotions may also have negative impact on the demand. Private label promotions are less able to alter consumers' purchase behavior at the brand as well as the category level.

Considering the above influence of promotional offers on the perception of consumer while taking the decision of purchasing the PLBs, the following objectives can be derived for the further study.

Objectives of the study:

1. To study the importance of promotional offers in influencing the consumers to purchase the PLBs.
2. To analyse the consumer's opinions about the promotional offers of PLBs.
3. To study the role of promotional offers in purchase of PLBs.
4. To analyse the satisfaction level of the consumers towards the promotional offers associated with the PLBs.

And therefore further hypothesis can be formulated;

Hypothesis - Promotional offers does not play importance role in purchasing private label brand.

To achieve the objectives of the study, over 626 consumers were interviewed, and their responses regarding the influence of promotional offer during their purchase of PLBs were recorded. The following are the results of the data analysis;

Table No. II. Importance of Promotional Offers in influencing them to purchase Private Label Brands

Responses		Frequency	Percent	Valid Percent	Responses
Valid	Extremely Important	57	9.1	9.1	9.1
	Important	342	54.6	54.6	81.9
	Can't Say	29	4.6	4.6	27.3
	Less Important	85	13.6	13.6	22.7
	Not at all Important	113	18	18.1	100.0
	Total	626	99.8	100	

(Source: Primary Data)

Promotional offers play a vital role in influencing the consumers to purchase PLBs. About 64% of the consumers were found positive about the importance of promotional offers in influencing them to purchase the PLBs.

Table III. Consumer's opinion about the promotional offers.

Sr. No.	Particulars	N	Mean	Standard Deviation
1	Promotional offers are the essential part of PLB purchase	626	3.03	1.23
2	PLBs can't survive without the promotional offers	626	2.95	1.26
3	I purchase PLB only because of promotional offers	626	2.47	1.39
4	Substandard quality of PLB is compensated with high promotional offers	626	2.44	1.37
5	Promotional offers and discounts always motivate me to purchase more	626	3.61	1.26
6	I will discontinue to purchase the PLBs, if there are no promotional offers	626	3.21	1.25
7	I may increase my purchase of PLBs if the offers are increased	626	3.63	1.51
8	I may shift from PLBs to national brands if there are no offers	626	3.53	1.25

(Source: Primary Data)

The opinions of the consumers were recorded against various statement pertaining to the promotional offer of the PLB. This finding indicates that most people are of the view that if there is more discount and offers are increased then the purchase of PLB will increase.

The above table shows the mean among the opinion of the respondents towards the promotional offers of the PLB.

Table IV. Satisfaction level of consumers towards PLBs.

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
Highly Satisfied	113	18	18.1	18
Satisfied	263	41.9	42	60
Neither Satisfied Nor Dissatisfied	87	13.9	13.9	74
Dissatisfied	138	22	22	96
Highly Dissatisfied	25	4	4	100

(Source: Primary Data)

Table V. Role of Promotional Offers in Purchase of PLBs.

Sr. No.	Responses	Chi Square	Df	Significance
1	Promotional offers are the essential part of PLB purchase	385.454	4	0
2	PLBs can't survive without the promotional offers	339.863	4	0.06
3	I purchase PLB only because of promotional offers	153.361	4	0.07
4	Substandard quality of PLB is compensated with high promotional offers	224.048	4	0
5	Promotional offers and discounts always motivate me to purchase more	303.361	4	0
6	I will discontinue to purchase the PLBs, if there are no promotional offers	446.492	4	0.13
7	I may increase my purchase of PLBs if the offers are increased	157.243	4	0.25
8	I may shift from PLBs to national brands if there are no offers	271.109	4	0.37

(Source: Primary Data)

Promotional offers are the essential part of PLB purchase. PLBs can't survive without the promotional offers. Consumers are of an opinion that the substandard quality of PLB is compensated with high promotional offers. Therefore, they consider the quality of PLB as substandard. Promotional offers and discounts motivate consumers to purchase more. Customers may increase their purchase of PLBs if the offers are increased or they may even shift from PLBs to national brands if there are no offers.

Therefore,

H_n - Promotional offers does not play importance role in purchasing private label brand.

H_n is rejected and H_0 stands accepted.

Consumers, who regularly buy the national brands, need some motivation to try out the fairly unknown private label brand. The promotional offers with the private label brands acts as a motivation to the consumers to buy and try these brands. The promotional offers can range from, quantity discount, price discount, free sampling, etc. A promotional offer may immediately trigger the sales of the private label brand, but can hamper the sales on a longer run. Consumer's expectation increases from a private label brand and aspires for some incentive from the brand, next time they approach for the purchase.

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