

Product Mix and Visual Merchandising Impact of Private Labels in Packaged Groceries with Reference to Organised Retail Sector in Ernakulam District

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Abstract: -Over the last years India has experienced rapid changes and socio economic transformations in retail sector. Private labels are slowly becoming protagonist in the big Indian retail growth story. Taking cue from the west, Indian retailers are also churning out newer ways to increase their profit margins. One such initiative is the introduction of in – house brands. Initially it was positioned as low price and low quality brands, now the situation has been changed and the in house brands have moved a long way in establishing its identity. Now the private labels are widely accepted in par with the national brands in terms of price and quality. The present research carried out at the selected retail chains of Big Bazar, Reliance Fresh, More and Lulu in Ernakulam district.

Key words: Retail chain; private label; national brands; product mix; visual merchandising.

INTRODUCTION:

The retail sector in India is the second largest employer after agriculture. It contributes to 10 – 11 % of GDP and 8 % of the employment. The Indian retail industry is the fifth largest in the world. Indian retail industry can be broadly classified into two categories namely organized and unorganized. Organised traders/retailers are licensed for trading activities and registered to pay taxes to government. Unorganised retailers consists of unauthorised small shops, conventional kirana shops, general stores, corner shops among various other small retails outlets, but remain as the radiating force of Indian retail industry. The retail market, including organized and unorganised retail was at Rs. 23 lakh crore in 2011 – 12, according to the Yes Bank Assocham study, organised retail, that comprised just 7 % of the overall retail market in 2011 – 12 is expected to grow at a CAGR of 24 % and attain 10.2 % share of the total retail sector. The Indian retail industry is dominated by unorganised local players with consumers shopping at kirana and road side markets for their daily needs. Most of the organised retail chains have their own private label products, which are cheaper alternatives to branded products. private label were introduced as a clever marketing scheme to extend the visibility of the store-when the customer carries home groceries named after the

store, every time they use the product, they remember the store too. As the margins set by the store are significantly lower than those set by popular national brands, the perception of the consumer towards these store brand is one of value for money. Soon, the private labels grow into solid brands without large scale advertising or marketing activities.

Statement of the problem.

Private labels are fuelling the Indian retail growth. The Private labels in packaged Grocery come under the purview of the study. At present retail revolution is taking place in Kerala. So the present study aims to understand the product mix available in packaged grocery category, to understand the impact of merchandising on sales of private labels in Ernakulam district and to understand opportunities of private label growth in India.

Objectives of the study:

1. To evaluate the opportunities for private label growth in India
2. To identify the product mix of private labels in packaged grocery category
3. To examine the impact of merchandising on sales of private label brands in packaged grocery

Methodology

This research is exploratory in the first phase and descriptive in nature in second phase. Both secondary as well as primary data used for the study. Data was collected via literature review, in store observation of the researcher, focus group discussion and exclusive interaction with both sales staff and managerial staff of the retail store. Primary data in the form of responses to a questionnaire was collected from store staff and managerial staff. Eighteen retail outlets of Bigbazar, Reliance Fresh, More, Lulu hypermarkets observed in the district. 108 staff was selected using quota sampling technique. Primary data on relevant variable like product mix and merchandising are collected through the interaction with the sales staff and managerial staff of these retail outlets.

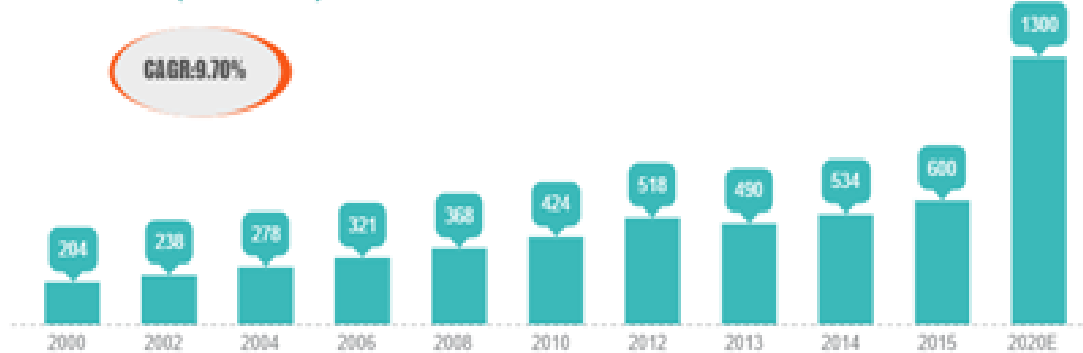
Indian retail

Retail industry is expected to grow to 1.3 trillion by 2020, registering growth at a CAGR of 7.46 % in 2000 – 2015. Indian grocery market is expected to be world's third largest by 2017. The retail sector in India is emerging as one of the largest sectors in the economy. According to retail

advisory firm Technopak, India spends around 370 billion USD a year on food and groceries. By 2020 food and grocery segment is expected to account for 66 % of the total revenue in the retail sector followed by apparel segment

Sector Snapshot –India Retail Industry

Market Size (USD Billion)



Source: secondary data

Private Label

Private label can be defined as a brand name owned by a retailer or wholesaler for a line or a variety of items under controlled exclusive distribution. Private label products are commonly referred to as name brand, store brand, own label, retailer brand, phantom brand. Retailers are not only offering low quality products for a lesser price, but they are creating a new level of differentiation, better pricing for a good quality product and new merchandising and promotion strategies. Advertisement, sales promotion, physical distributions are much lower in case of private labels. Among the reasons for the likely growth of private labels are higher margins, cheaper price and better bargaining power for the retailers.

Benefits of private labels

1. Higher margins than the branded products
2. Differentiate private label brands from competitors, offer something unique
3. Greater freedom with pricing strategy
4. Freedom to create and schedule marketing plans
5. Create stronger customer loyalty
6. Positions better in economic downturns

According to Hakkanson (2000) different kinds of private labels are, Store brands- the retailers name is very evident on packaging, Store sub brands- products where the retailers name is low key on the packaging, Umbrella branding - a generic brand independent from the retailer name, Individual brands- a name is used in one category,

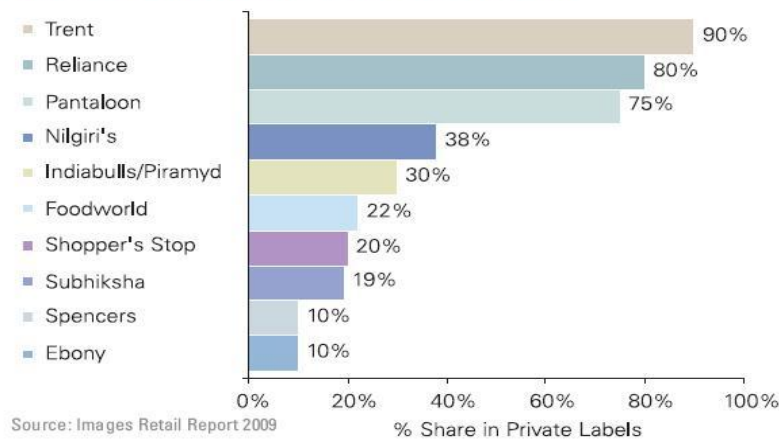
this is only used to promote a “real” discount product line, Exclusive brands - again a name used in one category, but to promote “added value” products within the category

Private label around the world and India

According to Batlas(1997) Store brands or Private label brands owned, controlled and sold exclusively by a retailer. The private label have 50 % or more than 50 % market share in many parts of the developed world. The private labels in groceries, processed food, personal care, apparel, home care and consumer durables.

A shopper's trend study Nielsen, (2011) found awareness about private label has gone up from 64 % in 2009 to 78 % in 2010 across 11 cities in India. The project focuses on the impact and threat of major India retailers like Reliance , Big bazaar, more, Bharathi trent etc. The Indian market has lot of potential for this type of strategy as compared to any other part of the world. Private label brand constitute of 10 – 12 % of the organized retail market in India as per (KPMG report 2014). In India there is an increasing demand towards the acceptance of in house brands and penetration is rising rapidly in case of Fmcg, apparel, consumer durables and home care segment. As food price and other home care products are rising, rapidly customer's perception of cheaper options is changing and growth in a recession for private label brands is permanently sustainable as per (KPMG report 2014)

Snapshot of retailer's depth of private labeling



The Private labels are in par with the national brands at least in selected chains and outlets in India in terms of quality and price. Earlier the growth of Private label brands in India has been restricted to certain categories like grocery and apparel but it is slowly expanding to the other categories as well. Earlier the private labels considered to be inferior to the national brands. At present that notion has been changed to a certain extent and the private brands are considered to be par with national brands in terms of price and quality.

Recent trends in private label packaged groceries

The growth of private labels is directly linked to the growth of modern retailing. Retailers need to gain customer confidence in its offerings so as to successfully introduce private labels. With the tremendous growth in the Indian organised retail, private label brands are also widely accepted. The demonetization has significantly given a thrust to private labels, thus favourably affecting the private label sales of almost all major retailers. Though the growth of private label was seen across categories, growth in grocery was prominently seen supermarkets at 15 % and hypermarkets accounting for 30 % of total value sales. The private label market in India is currently estimated at Rs. 13 billion which accounts for 10 – 12 of organised retail in India. All the leading retail chains have increased focus on private label retailing. According to industry estimates, private label margins for electronics goods are up to 20 % higher compared with average national brands. This rises to

30 – 50 % when it comes to clothing. Department store tend to price their products at par with standard- priced products of some leading brands in India, while electronics and appliances specialist retailers, as well as health and beauty specialist retailers, generally price their products lower than the respective leading brands in order to generate column sales (Euromonitor, 2012).

The future of private label will be guided by the trends towards busier lifestyles, quality and convenience, innovation in product ranges will help to expand further. The future of private label seems to be very bright, as long as retailers continue to be creative in launching their private labels. On the basis of assumptions for autonomous growth and consolidation in food retail by 2015 and 2025, we come to an estimated share for private label of 50 percent by 2025.

The product mix in packaged grocery category

The modern retail stores have the blend of look, feel and took from the various choices of products. Grocery and staple category have the product mix of edible oil, rice, spices, masalas, dal, flour, salt, sugar, tea coffee. The private label brands in packaged grocery category are presented in table

| Sl. No | Retailer | Brand | Variants | Packing size |
|--------|----------------|---------------------------------|--|--|
| 1 | More | Superior, value, choice, select | Rice, sugar, salt, cumin, maida, rawa, coriander powder, fresh atta, mustard, dosa rice, ragi flour, sooji, egg, cardamom, chilli powder, turmeric powder, fennel small, pepper powder, jeera rice, etc tea powder, salt, ghee, | 50gm, 100 gm, 200gm, 500 gm, 1 kg, 2 kg, 5 kg, |
| 2 | Reliance fresh | Select, goodlife | Basmati rice, idly rice, long grain rice, poha (aval), fennel, cardamom, gota, urad dal, dal mix, clove,maida, pure honey, sharbathi, ragi flour atta, salt, instant coffee, vermicelli, jam, coconut oil, pickle, rawa, wheat chakki fresh atta, CTC tea, coriander powder, turmeric powder, | 50gm, 100 gm, 200gm, 500 gm, 1 kg, 2 kg, 5 kg, |
| 3 | Big bazaar | Fresh n pure, tasty treat | Long grain rice, salt, dal, oil, maida, rava, etc tea powder, chilli powder, turmeric powder, coriander powder | 50gm,100 gm, 200gm, 500 gm, 1 kg, 2 kg, 5 kg, |
| 4 | Lulu | Lulu | Premium basmati rice, coffee, sunflower, dry coconut powder, milk powder, chilli powder, turmeric powder, coriander powder | 50gm,100 gm, 200gm, 500 gm, 1 kg, 2 kg, 5 kg, |

Visual merchandising of private label

From the observation it has been clearly understood that the store ambience has an impact on influencing the customers buying decision. Product line, product display and arrangement play a vital role in invoking the customer to make a purchase decision. When customers are made to exposed to these visual stimuli it is observed that they are more like to make a purchase. Private label grocery brands get good display at prominent place and have 15 % to 20 % display in the rack in these retailers. It is observed in grocery and staple, high level of display of 20% to 25 % for private label in flour and spices. Edible oil, tea, coffee, rice, category of private label have less shelf space of 10 – 15 %. Packaging is also important factor in purchase decision. A good perception can lead to potential purchase and repurchase of private label. Packaging of private label is poor in the eyes of shoppers. It is observed that majority of private label package do not visually display that actual product contents. The private label packaging, the product details were not displayed clearly and it will weaken the brand image and ultimately the sales. There is a big gap between national brand and private label. More over in store promotion, advertising, packaging and apportioning shelf space have an impact on the purchasing decision of consumer with regard to private labels.

Findings

- Private label has grown as preferred item in the packaged groceries
- Factors influencing the purchase of private label brands are price charged, packaging, perceived quality, availability of alternatives and sales promotions.
- Grocery and staple category have the product mix of edible oil, rice, spices, masalas, dal, flour, salt, sugar, tea coffee.
- aHigh range of private label products in flour and spice category
- There is a big gap between national and private brand in terms of packaging
- Freshness and product availability are the two most important factors which will affect the purchasing decision of customers.

Suggestions

- It is necessary to improve the private label product arrangement, promotional schemes and offers to get the attention of more customers.
- Set up a merchandise of private label groceries outside the store, this can create a sense of excitement.
- By giving wide variety of options in terms of price, promotion and range will attract more customers.
- To counter the price competition , private label groceries have to give more visible shelf space or slot
- Plan to change the displays at least by weekly.
- Improve the percentage of shelf space of private label groceries to at least by 25 % in all categories of grocery and staple to improve the sale.

- Retailers have to follow a lower price – higher quality strategy in grocery sector.

CONCLUSIONS

This study only scratched the surface of private label branding in the retail grocery sector in Ernakulam district. A number of pivotal issues did however come to the fore which were not explicitly covered in this study. That needs to have done by further research. It was observed that Grocery and staple category have the product mix of edible oil, rice, spices, masalas, dal, flour, salt, sugar, tea coffee. From the observation it has been clearly understood that the store ambience has an impact on influencing the customers buying decision. Product line, product display and arrangement play a vital role in invoking the customer to make a purchase decision. The future of private label seems to be very bright, as long as retailers continue to be creative in launching their private labels. On the basis of assumptions for autonomous growth and consolidation in food retail by 2015 and 2025, we come to an estimated share for private label of 50 percent by 2025.

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