

Private Labels – Where do they lack? – Indian Scenario

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Abstract

Private label market share in the US is very much higher as compared to the share of private labels in India. This research focuses on the aspects which these giant retailers need to consider in order to succeed in Indian market. Comparison of Marketing Mix of National Brands as against Private Labels was done in the first part of this research. For second part of the research questionnaire was prepared to find out consumer preferences and factors which they do compare while making buying decision. Data collected was then analysed to draw inferences. Based on the analysis of both parts I & II conclusion was drawn, which was followed by suggestions that can be implemented by retailers, so as to overcome the lacuna and gain market share.

Keywords: Brand 1, Private Label 2, National Brand 3

Introduction

A strong brand helps companies cut through the noise and make a lasting impression on their target audience. Branding is the promise a company makes to its customers. It's what differentiates one company from another and communicates the unique value that the company provides. It's an integral part of every successful business and a critical component in building customer loyalty, fostering trust, and driving business growth.

Brand power profoundly impacts consumer perception, loyalty, and financial success. 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. As it fosters a positive company culture and drives innovation, it attracts top talent and partnerships, further enhancing its overall resilience and value. In essence, it shapes customer behaviour and defines the trajectory of a company's success in the marketplace.

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 merchandise sold

under a retailer's brand. That brand can be the retailer's own name or a name created exclusively by that retailer.

The primary objective of this research was to compare private brands and national brands with respect to the 4 P's of marketing. Secondary objective of this research was to evaluate whether the parent company name influences buying decision of customers with respect to private labels/store brands, eventually proving power of the brand name. Another objective of this research was to identify parameters which customers consider while making brand preferences.

This research was done in two parts. In the first part products of various national brands were compared with private labels and in the second part consumer behaviour was evaluated and compared with respect to these national brands and private labels, in order to identify the parameters which they consider while making buying decision.

Part I

Four national brands were considered for the first part of the research. and for second part of the research, consumer behaviour was analysed for various national brands as against private labels.

Following are the four National brands which were compared against four private labels/ store brands for the first part of the research.

1. Nescafe Vs Fresh & Pure
2. Brook Bond Red Label Vs Amazon Vedaka
3. Fiamma Vs Think Skin
4. Britannia Vs SnacTac

For the second part of research 100 respondents those who either buy online or buy offline through retail chain outlets like Spencers, Big Bazar, Smart Bazar and Star Bazar etc. were considered.

Part I – Comparison of National Brands against Private Labels/Store Brands

Nescafe Vs FRESH & PURE

Product

Fresh & Pure: Coffee is delivered to the customer with freshness and purity. The motive of the brand is to provide natural product made with precision and care. They have a small collection of products which only consists of instant coffee powder but in different packaging and quantities. There are two pouches available of 50gm and 20gm. The glass jar instant coffee powder also is available in 50gm to 20gm. The packaging is kept simple, either a glass jar or a pouch

Nescafe offers a wide range of coffee products to cater to consumer preferences. They make sure that each and every kind of coffee lover finds satisfaction after testing the coffee. The demographic needs of customers are also taken into consideration. These include instant coffee like Nescafe Gold and Nescafe Classic; roast and ground coffee like Nescafe Azera, ready to drink coffee like Nescafe Frappe, Nescafe Ice; speciality coffee like Nescafe Dolce Gusto capsules which offer a variety of flavours and coffee styles like espresso, cappuccino, latte, etc. to name a few.

Price

Fresh & Pure: Recently could only find the product on Amazon. Since they only sell instant coffee, they have a jar of 25gm selling for Rs 65 on Amazon. The prices of the rest of the products are not specified anywhere as they are unavailable.

Nescafe: They have increased the customer base, as people have a wide variety to choose from. The prices

were adjusted according to the product offered and its volume. This made it available to a wider set of customers as the products got pocket friendly. The sachets are available at a very low price. They are targeted to the customers who would prefer a single cup of coffee and at a cheaper rate. The various flavours of Nescafe coffee are made available in various quantities and their prices also are set according to the packing.

Place

Fresh & Pure: It sells its products through its own retail channels, i.e., convenience stores, supermarkets and e-commerce websites etc. They are not selling their products on the main website (ie. Future Consumer) It is available in Big Bazaar, Amazon, Spencer's and even Dorabjee's, but not in all outlets. They have limited availability even on e-commerce websites. Hence, its placement is not strong enough as of yet.

Nescafe sells its products through retail channels, i.e., convenience stores, supermarkets etc. It also sells its products through e-commerce sites. Vending machines provide consumers with quick and convenient access to Nescafe beverages. Additionally, Nescafé supplies its coffee products to businesses in the foodservice and hospitality industry, including cafes, restaurants, hotels, and catering services. Hence, Nescafe employs a multi-channel distribution strategy to ensure widespread availability of its products.

Promotion

Fresh & Pure is a brand under Future Consumer Limited who have their presence on Facebook, Instagram and Twitter. Although they have regular posts on Instagram about many of their products, they haven't promoted much of their Fresh and Pure Instant coffee products. This is the same case for both Facebook and Twitter too. In comparison to heavy marketing and advertising of Nescafe, Fresh & Pure do not follow promotion techniques to grow their sales of this product.

The promotion mix of Nescafé involves the various elements of marketing communication used to promote its coffee products and to build brand awareness. These include advertising through various channels such as television, print media and digital platforms. Sales promotion techniques are also employed such as discounts, coupons and buy-one-get-one offers. Keeping up with the tide of technology, it also engages in digital marketing through influencer collaborations. Nescafé may engage in product placement in movies, TV shows, and other media to subtly promote its products. Additionally, Nescafé may sponsor events and sports teams. Nescafé may engage in direct sales initiatives, such as door-to-door sales or direct marketing campaigns, to promote its products and reach consumers directly.

Fiama Vs Think Skin

Product

Fiama: Fiama is known for its premium-quality personal care products, including bath and shower gels, soaps, and skincare items. Fiama products often incorporate luxurious ingredients and innovative formulations designed to deliver a pampering experience. The brand's emphasis is on indulgence and sensory appeal. However, Think skin only competes based on its pricing.

Price

Think Skin: As part of Future Consumer Limited, Think Skin products are likely priced competitively, targeting the mass market segment. The pricing strategy emphasizes affordability, making the products accessible to a wide range of consumers. Fiama: Fiama, owned by ITC Limited, positions itself as a premium brand in the personal care segment. Its products tend to be priced slightly higher as compared to mass-market brands like Think Skin, reflecting the brand's focus on quality and innovation.

Promotion

Fiama: Promotional efforts span various channels, including TV commercials, print advertisements, and online platforms. The brand leverages its heritage and trustworthiness to communicate reliability and efficacy. On the contrary no promotion is done for Think skin products.

Place

Think Skin: Think Skin products are distributed through few online platforms, and Big Bazar stores. Think Skin products provide convenience for consumers seeking affordable skincare solutions. Fiama: Fiama products are found almost in every retail outlet, department stores, super markets and even on e-commerce sites. The brand is positioned as a luxury personal care brand, targeting discerning consumers who prioritize quality and sophistication.

Britannia Vs SnacTac Biscuits**Product**

Snac tac is a reliance product which offers a wide range of snacks. But only a limited range of biscuits that includes its cashew cookies, butter cookies, bourbon and wafer biscuits.

Britannia provides its customers with a wide range of biscuits of all varieties such as MarieGold, Tiger, Nutrigo, Good Day, 50 50, Treat, Pure Magic, Milk Bikis, Bourbon, Nice Time etc. The packaging of Britannia is way more detailed and provides a more animated effect of the product attracting its consumers.

Price

Snac tac 's cashew cookies are sold at an MRp of Rs 45 While Britannia 's Good day biscuits are sold at Rs 35 for a same 200g packet.

Place

Snac tac has a very limited distribution chain. Being a reliance product, the products are only found in its retail stores and online platforms.

Britannia has an Intensive Distribution Network along with Distributor and Wholesaler partnerships. Britannia has built a vast distribution network spanning urban and rural areas throughout India. This network includes distributors, wholesalers, retailers, and ensuring widespread availability of Britannia biscuits. Britannia biscuits are available in various retail outlets, including supermarkets, hypermarkets, convenience stores, kirana shops (mom-and-pop stores), and online platforms. This multi-channel retail strategy enables Britannia to reach consumers across different demographics and geographic locations.

Promotion

Snac tac has mostly used product packaging for promotion of its products. It's packaging is similar to its competitors and is placed next to them on the shelves, so as to confuse customers. The packaging for snac tac biscuits has less detailing on it and provides a very monotonous look to the consumers.

Britannia has used various promotional methods, Advertising Campaigns - through television, print, and outdoor advertising: Partnerships and Collaborations: Britannia has entered various endorsement deals with well-known figures for their products. Cause related Marketing -Britannia markets its product as "vital for good health," which resonates with customers since they are increasingly aware of the importance of the nutrients in their food.

Brook Bond Red Label Vs Amazon Vedaka

Brook Bond Red Label overview: Brand established by Hindustan Unilever Limited in 1903. It is a National Brand. Dominant market leader in tea industry with a vast distribution network

Amazon Vedaka overview: Owned by Amazon Retail India Pvt. Ltd. It is a Private label/Store brand. Was launched on June 10, 2019. Amazon sources tea from various plantations and focuses on value for money

Product

Red Label : Variants available like -Classic black CTC tea (Crush tear, curl). Red Label Special: A premium blend known for its strong, robust flavor. Red Label Natural Care: Infused with natural ingredients like tulsi, ashwagandha, and mulethi, aimed at promoting health and wellness. Red Label Dust: A popular choice for everyday consumption, offering a strong and refreshing tea experience. Distinctive red and yellow packaging with clear information about the type of tea, ingredients, and benefits.

Vedaka : Variety of teas depending on retailer - Black tea: Strong or mild variations depending on processing. Green tea: Unoxidized tea leaves for a lighter taste and potential health benefits. Flavored teas: Masala chai, lemon tea, etc. Focus on value and quality balance. Simpler packaging with essential product information about the tea type.

Price

Red Label: Known as a slightly expensive tea brand. The price of Brooke Bond Red Label tea can vary depending on the size of the package, location, and retailer. Consumers are willing to pay a premium for the trusted quality and heritage associated with the Red Label name. E.g - 500g pack: ₹255 - ₹315 and 1kg pack: ₹400 - ₹625

Vedaka : Positioned as an affordable tea brand. Offers competitive pricing, often lower than national label brands. Targets budget-conscious consumers with competitive pricing strategies. Larger pack sizes (bringing down the price per unit) E.g - 1kg pack of Vedaka Black Tea - ₹180

Place

Red Label: Widely available across India. An extensive and strong distribution network contributes to the brand's value perception. Widespread accessibility and availability in supermarkets, grocery stores, tea stalls, and online platforms The brand has a strong digital presence, engaging with customers on social media platforms.

Vedaka: Available exclusively on Amazon India's Pantry. Only available online, catering to consumers who prefer the convenience of online shopping and value-driven purchasing decisions. Broad geographical coverage enables it to tap into diverse consumer segments and expand its customer base. Amazon's robust delivery and logistics network ensures efficient and timely delivery to customers' doorsteps

Promotion

Red Label: 'Swad Apnepan Ka': Relies heavily on traditional advertising methods like television commercials and print ads in magazines and newspapers. Social Media Campaign: Partner with Indian influencers to create engaging content showcasing Red Label tea's rich taste and heritage. Use the hashtag #RedLabelMoments to encourage user-generated content. In-Store Activations: Set up Red Label tea sampling booths at grocery stores. Offer recipe cards and brewing tips to educate customers on brewing the perfect cup. Limited Edition Packaging: Design limited-edition packaging with iconic Indian themes or in collaboration with local artists to create a collector's item and boost sales.

Vedaka: Targeted Advertising: Utilize Amazon's advertising platform to target tea enthusiasts and those interested in organic or artisanal products. Highlight Vedaka tea's unique origin story and health benefits. Bundle Deals: Create bundle deals combining Vedaka tea with complementary products like honey, milk

frothers, or tea strainers. Frequent discounts and coupons. Influencer Marketing: Partner with micro-influencers known for healthy living content to showcase Vedaka tea in their recipes and routines. Customer Reviews and Ratings: Encourage customer reviews and ratings on Amazon to build social proof and trust in the Vedaka tea brand.

Part II

Data collected for Consumer Preferences:

| Do you know what is a private label/ Store Brands? | No. of Respondents |
|---|---------------------------|
| Yes | 79 |
| No | 21 |

More than three fourth respondents claimed to know what a private label or a store brand is? But when they were asked few more questions, it was observed that they really were not familiar with these terms.

| Which of these products do you buy? | No. of Respondents |
|--|---------------------------|
| Snac Tac Biscuits | 18 |
| Snac Tac Noodles | 11 |
| Fresh & Pure Tea | 08 |
| Fresh & Pure Coffee | 05 |
| Thinkskin Body Wash | 10 |
| Amazon Basics Batteries | 11 |
| Enzo | 21 |
| Aarambh Tea | 39 |
| Amazon Vedaka Tea | 06 |
| Safelife Handwash | 32 |
| Smart choice Atta | 15 |

| Do you compare these products with the products of other competing brands? | No. of Respondents |
|---|---------------------------|
| Yes | 100 |
| No | 0 |

All the respondents mentioned that they compare the products which they buy with other competing brands products. Hence it was important to know which parameters do they compare.

| Which parameters do you compare? | No. of Respondents |
|---|---------------------------|
| Attributes/ Functions/Features | 26 |
| Quality | 89 |
| Quantity | 61 |
| Price | 74 |
| Brand Name | 55 |
| Product Performance | 22 |

| | |
|-----------|--|
| Any Other | 12 (Sales Promotion offers– like buy 1 get 1, or something free) |
|-----------|--|

Although 90 percent respondents give importance to quality parameter, three fourth do compare products on price parameter as well. Moreover, a little less than two third respondents compare quantity, and half of the respondents do give importance to brand name. Product performance and attributes of the product matter to just one fourth of the respondents while only 12 percent fall prey to various sales promotion offers and schemes.

Data Analysis/Findings and inferences

Majority customers are not really aware of what exactly a private label is. They do come across private label products online and offline. They realize differences between private label products and national brand products based on packaging, brand name availability of these products and in some cases based on product performance as well. However different types of customers compare various parameters and make their purchase decision. No doubt quality of the product is an important aspect, which customers do consider and compare, but it was observed that name of the brand also plays a crucial role in the purchase decision of customers. Some products are purchased by the customers even though the names are not familiar, just because of the parent company which they belong to and also for a simple reason that they are available and at a cheaper price.

It was observed that many customers were not aware of snac tac as a brand, but they purchased snac tac products because of the parent company Reliance. Similar is the case with Aarambh Tea. Definitely the parent company name influences buying decision of customers with respect to private labels/store brands, eventually proving power of the brand name.

It was also mentioned by some respondents that these products are not always available and so even though they are willing to buy, they cannot buy. Hence, we can say that along with brand name, quality and price, availability of the product also is an important factor.

Conclusion & Suggestions:

Place is one of the most important “P” in marketing mix, and plays a very crucial role in case of FMCG category. Majority retail giants have come up with private labels/store brands for FMCG category. Place “P” is even more important in case of FMCG category, because while buying fast moving consumer goods, people tend to switch to some other brand because of its availability. After comparing many private labels against national brands, it was observed that almost all private labels have failed to pay attention to this “P” – place. Private label/ store brand products are sold only through their parent company store outlets, website and mobile app. But many private label products are not available online and offline as well. Moreover, private labels ideally go with instore promotion, but in case of some products it was observed that the store outlet staff was not even aware of their own private label products. Creating awareness about their own private labels and managing distribution network efficiently so as to make the products available will definitely help these private labels to capture a good market share. It will be easy for these retail giants like future group, reliance retail and others to make customers buy their private label products encasing the power which their brand name already has.