

BRAND EQUITY OF PRIVATE LABELS IN INDIA

Vinamra Jain*

Ashok Sharma*

Abstract

This article focuses on retail brand equity to understand where this retail brand value stems from and how to measure it. This research is based on retail branding in India. A qualitative study aims at identifying which are the specific dimensions of brand equity to be adapted by retail brands of private label. There are two policies of retail brands: service retail brands (store brands and “composite” private labels) and private labels. This separation between the various categories of retail brands leads to consider two different models of brand equity. The Private labels seem to be only related to product dimensions. A conceptual framework is defined based on Keller’s contributions about brand equity. A qualitative methodology and a confirmatory analysis enable the conception of a model. Finally, results show that retail private brand awareness and perceived quality explain the most significantly retail brand equity.

Article info

Keywords:

Brand awareness; Brand equity; Brand image; Private Label

* *Amity Business School, F 2 Block, 2nd Floor, Amity University Uttar Pradesh, Sector 125 Noida, India*

1. Introduction

Retailing in India is one of the pillars of its economy and accounts for about 15% of its GDP. Indian retail business values at around US\$ 550 billion and a fierce competition characterizes the Indian retail market. Indian retail scenario consists of large number of small retail, variety stores, supermarkets, hypermarkets and relatively few big players. In big players, as the corporate – the Piramals, the Tatas, the Rahejas, ITC, S.Kumar's, RPG Enterprises, and mega retailers- Crosswords, Shopper's Stop, and Pantaloons race to revolutionize the retailing sector.

Retail as an industry in India is coming alive (Deloitte Touche Tomahatsu). The phenomenal success of Big Bazaar, Pantaloons version of Wal-Mart, is proof that there is enormous potential in providing products and services to this class of consumers. In the past decade, even international companies entering India like Levi's, Pepe, Tommy Hilfiger, Marks and Spencer, Mango are having phenomenal success (Shalini Bahadur, 2011). There are two types of retail brands in India i.e. service retail brands (store brands and "composite" private labels) and private labels.

Private labels seem to be only related to product dimensions, whereas service retail brand equity is composed of three dimensions related to: 1) the product, 2) the services delivered in the store, and 3) the retail company, which displays this product under its own store brand. These stores have other than private label, national brands like Raymond, Grasim, Haldiram's and international brands like Reid & Taylor, Adidas, Zara. Some retailers have created their own brands depending upon local or regional needs. Same goes with international brands some have modified their merchandise according to specific country needs like KFC and Mc Donald's whereas some are having same merchandise at all places wherever they are operating.

A new model of retailing has emerged know as Private label brands. Private label brands are brands owned, controlled, and sold exclusively by a retailer. Private label brands which were first introduced over 100 years ago in few product categories, had seen an impressive growth in past few decades. Private labels proliferated in a number of product categories and garnered major market share as retailers perceived numerous benefits by their introduction. Apart from providing higher retail margins in comparison to national brands, private labels added diversity to the product line in a retail category. However, the definition of retail brands and the policies

developed by national & international brand retailers and private label brand retailers are different from one another in India. This is the reason why a research on retail brand equity of Private label products can be valuable to understand better, where this retail brand value stems from and how to measure it. The retailing literature does not answer this question so far. This situation raises questions, which affect both marketing and management of the Indian retailers. One of these questions deals with branding. It seems that qualitative innovation, sophisticated packaging and a wide range of retail brands (from generic products to high value retail brands) can create consumer value. These retail brands appear to be henceforth among the most effective tools for retailers regarding sales development and adjustment to the legal context. The perceived quality is one of the sources of retail brand success leading to store differentiation, and to store loyalty (Halstead and Ward, 1995; Richardson, 1997; Corstjens and Lal, 2000; Burt and Sparks, 2002; Rondan Cataluna et al. 2006).

To calculate brand equity there are various methods such as Kellers model, Aakers model and Jhonson model. In this research paper we will be using Kellers model because Kellers model take into account all the possible perspective of brand equity and things such as brand resonance and brand performance which is not calculated by any other model. Other model only looks at brand image, brand association, brand awareness.

2. Literature Review

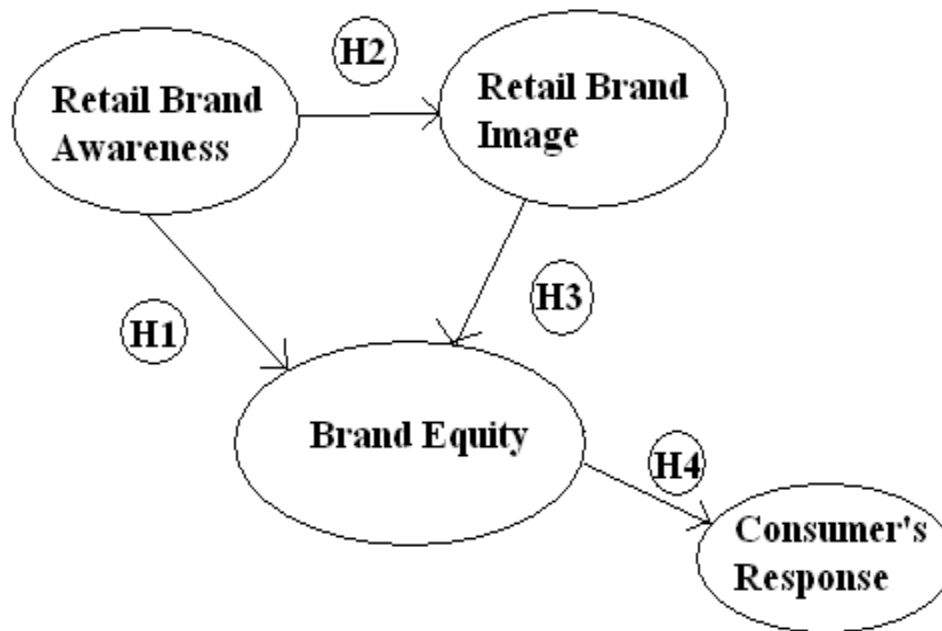
Brand Equity

Keller (1993) built a brand equity conceptual framework composed of dimensions, which a precise examination should lead to an eventual adaptation to retail brands. After a quick description of the Keller's model, an adapted framework to retail brands differentiates various marketing policies.

Keller's brand equity model

Keller (1993) defines brand equity as "The differential effect of brand knowledge on consumer response to the marketing of the brand". He suggests comparing the assessments by a consumer of a product with a brand name on the one hand and an unnamed product (without brand) on the

other hand. The result of this comparison can explain the preference, or intention to buy, or even the final consumer choice.



Retail Brand Equity Framework

Figure 2.1: Brand Equity Framework

Keller considers two general components: brand awareness and brand image.

Brand awareness: “Brand awareness relates to the likelihood that a brand name will come to mind and the ease with it does so”. Brand awareness is composed by brand recognition (which requires that the brand is well known by consumers to come spontaneously in his mind) and by brand recall (which tests consumers’ ability to retrieve the brand when given the product category for example).

Brand image: “Brand image is defined here as perceptions about a brand as reflected by the brand associations held in consumer memory”. Brand associations form the meaning of the brand

for consumers. Associations are not homogeneous. Actually, three categories of brand associations emerge (according to the level of abstraction of the association).

3. Hypothesis

H1. Private brand awareness positively and directly influences the brand equity towards the Private brand

H2. Private brand awareness positively and directly influences the Private brand image, or more precisely:

H3. Private brand image positively and directly influences the brand equity towards the Private brand or more precisely:

H4. Private brand image is a mediator variable in the relationship between Private brand awareness and the consumer's response.

Seven Components of Retail Brand Image
Component I: personalities
Component II: price image
Component III: physical appearance of store
Component IV: perceived quality
Component V: store policy
Component VI: brand service
Component VII: store service

Table 3.1: Components used to calculate Brand Image

4. Methodology

The purpose of the study was to explore Brand Equity of Private label products in India. An ideographic, contextual research strategy was followed, which emphasizes that a phenomenon should be understood in terms of the specific context in which it took place rather than the generalization of the data (Babbie and Mouton, 2001, p. 273). For the researcher to better understand Keller's brand equity model was used and the phenomenon was explored from the consumer's point of view using a quantitative approach with individual, questionnaire as a data collection technique for the inquiry.

For an ideographic, contextual research strategy as followed in the present study, a sampling framework (200 participants) is recommended in order to conduct in-depth inquiry into the context (Babbie and Mouton, 2001). Convenience sampling was therefore selected. Convenience sampling involves picking any available set of respondents convenient for the researcher to use. The participants were selected from PAN India. The identified participants were youth both male and female between the ages 18 and 28 years, Youth were targeted because they are the innovators who try new and different product purchases.

200 respondents were interviewed and their responses were recorded. A brand equity model was derived from Keller’s model and the responses of the interview that explained customer’s perception and behaviors towards private label bands. The participants were asked to fill the questionnaire which firstly asked about brand awareness of private label products and then about brand image of private label products. This was done to explore and to describe brand equity of private label products.

Babbie and Mouton (2001, pp.277–278) proposes the notion of objectivity and trustworthiness in terms of a quantitative approach. The four basic issues, namely, credibility, transferability, dependability and confirmability of trustworthiness, were applied by the researcher. All the research methodology, data collection techniques, selection of unit of analysis and data analysis were documented in order for other researchers to use them as frame of reference.

5. Results

5.1 Result found helps us further reduce the 7 components to 5. The total of variance explained is around 69% in which the main component “personality” (42.84%). The variables “physical appearance of store”, “store policy” and “store service” has a common dimension and belongs to same network that can be called “store service”.

Components	Variance (%)	
	Real	Internal
Personalities	30.363	42.84
Price Image	10.253	15.34
Physical appearance of store	7.377	11.24

Perceived Quality	6.476	8.96
Store Policy	5.235	8.20
Brand Service	4.815	7.00
Store Service	4.596	6.42
Total	69.12	100.00

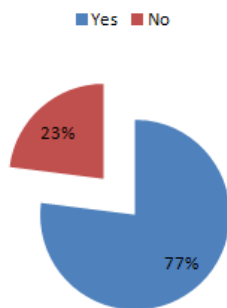
Table 5.1: % variance of components used for calculating Brand Image

5.2 Analysis was done by studying each hypothesis step by step.

Hypothesis

H1. Private brand awareness positively and directly influences the brand equity towards the Private brand.

Awareness of Private Label Products



Brand You Prefer To Buy

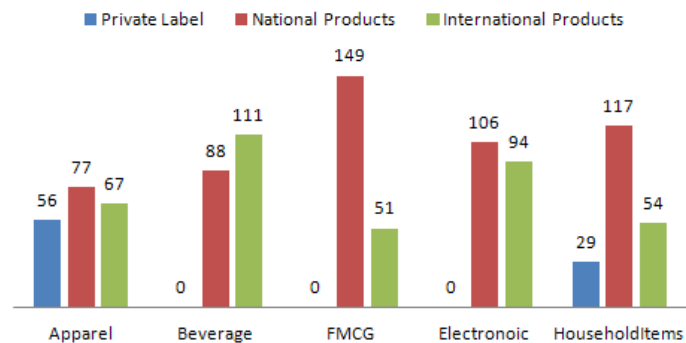


Figure 5.1

It is observed that around 77% respondents were aware about Private Label Products but only 28% respondent will buy Private Label Products in Apparels. In beverage, FMCG & electronics category no one is ready to buy products of private label. In household items only 14.5% respondent wish to buy private label products. We also observed that although people are aware of private label products but they still not prefer buying such products if given an option between private label, national and international products. Hence we conclude that **Private brand awareness positively and directly influences the brand equity towards a Private brand.**

	Awareness	Price Image	Store Service	Brand Service	Perceived Quality	Personalities	Consumer Response	AVE
Awareness	1	0.101	0.021	0.092	0.287	0.021	0.245	0.645
Price Image	0.101	1	0.083	0.295	0.311	0.159	0.193	0.551
Store Service	0.021	0.083	1	0.086	0.143	0.131	0.023	0.491
Brand Service	0.092	0.295	0.086	1	0.199	0.091	0.141	0.911
Perceived Quality	0.287	0.311	0.143	0.199	1	0.143	0.473	0.547
Personalities	0.021	0.159	0.131	0.091	0.143	1	0.115	0.471
Consumer Response	0.245	0.193	0.023	0.141	0.473	0.115	1	0.755
AVE	0.645	0.551	0.491	0.911	0.547	0.471	0.755	0

Table 5.2: Discriminant Analysis

H2. Private brand awareness positively and directly influences the Private brand image, or more precisely:

H2.1. Private Brand awareness positively and directly influences the perceived quality of the private brand

H2.2. Private Brand awareness positively and directly influences the price image of the private brand

H2.3. Private Brand awareness positively and directly influences the personalities of the private brand and its privateer

H2.4. Private Brand awareness positively and directly influences the service given by the private brand

H2.5. Private brand awareness influences positively and directly the store service image

H3. Private brand image positively and directly influences the brand equity towards the Private brand or more precisely

H3.1. Perceived quality of the private brand positively and directly influences the brand equity (private brand choice and intention to buy)

H3.2. Price image of the private brand positively and directly influences the brand equity (private brand choice and intention to buy)

H3.3. Personalities of the private brand and its privateer positively and directly influences the brand equity (private brand choice and intention to buy)

H3.4. Service given by the private brand positively and directly influences the brand equity (private brand choice and intention to buy)

H3.5. Store service positively and directly influences the brand equity (private brand choice and intention to buy)

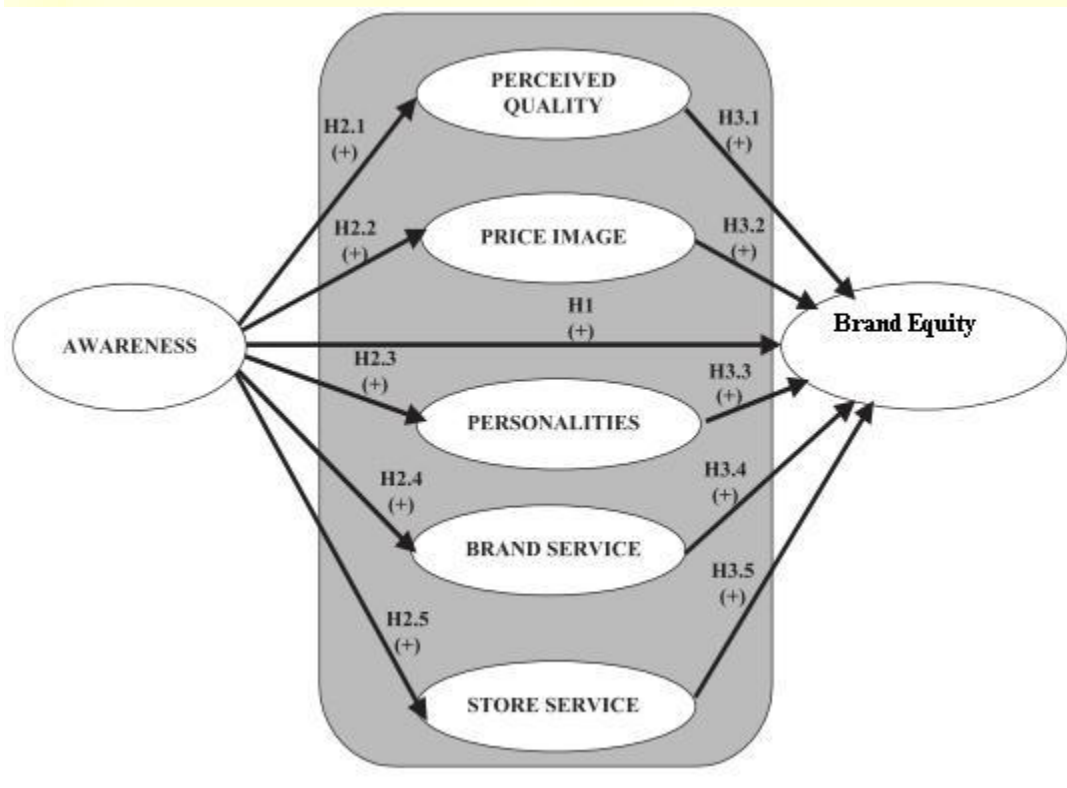


Figure 5.2

H4. Private brand image is a mediator variable in the relationship between Private brand awareness and the consumer's response

6. Conclusion

H1 is validated: Private brand awareness does positively and directly influences the brand equity towards private brand.

H2 is validated: Private brand awareness positively and directly influences the private brand image because for each component of the private brand image, one can observe this influences. Moreover, all statistical indicators are significant: H2.1, H2.2, H2.3, H2.4 and H2.5 are validated.

H3 is validated: Private brand image positively and directly influences the brand equity towards the private brand through perceived quality (H3.1); price image (H3.2); personalities of the private brand and its retailer (H3.3) and service of the private brand (H3.4) and store service (H3.5)

H4 is partially validated: Private brand image has a partial mediation between private brand awareness and the consumer's response (private brand choice and intention to buy) because the relationship between awareness and consumer's response is different from zero.

This research provides a theoretical foundation to brand equity of private labels. Keller's model (1993) of brand equity was proposed. Research was exploratory, aiming to specify association of specific components with private brand image. From Keller's model we found out brand equity has two components awareness and brand image. Positive private brand image includes five sub-components: perceived quality, price image, private brand personality and private personality, brand service and store service. In other words, private brand image is composed of different components; some are directly related to product-branding (creating no particular value to the brand) and others are unrelated to product-branding but concern store dimensions, private brand personality, private personality and managerial values/symbols. The result shows that there is no proper price positioning to develop a long-term relation with consumers. Based on this research, retailers should try and invest more in advertising to reinforce the memory of private brand and its distinctive feature that has not been done till now. Store image could be another factor that has an influences on perceived quality of private brands, managers/retailers should pay attention to store atmospherics and all components of service delivered in store. However, it is important to maintain an appropriate price image with the discount positioning of the private: the more beautiful the store, the more the perception that it is expensive (Baker et al., 2002). Finally, results show that personality component has a significant influences on the consumers' behaviors. In other words, private brands build their image on symbolic associations that create value for consumers. These associations could offer a unique axis of positioning for the private

brand. Hence, it seems that private brands have reached a maturity step from a pure economic positioning to a brand positioning. Adapting brand equity to private marketing is a real managerial and strategic stake. This could be used by marketers to maximize the potential value of their brands and to position them on a larger set of associations (because of the synergies of image). Building service brands on an extended set of associations can improve differentiation and definition of a unique position in consumers' minds. So the last contribution concerns managerial issues: in order to help managers to identify the specific keys of their private brand success this model should encourage them to build a long-term relationship with their consumers and define a unique axis for their positioning. They could finally use this model to drive the private brand performance by knowing the impact of each component on it. However, this work presents some limitations. First, the external validity of results is questionable. Only three privateers, corresponding to three different hypermarkets, were selected in France for this research. Thus, they do not represent all strategies in food private. Products chosen here were limited to just three items. Even if they reveal variations and precisions in the building of private brand equity, they are not sufficient. Second, we need international comparisons both to define more precisely various private brand equity models and to identify common and specific key factors of the success of private brands for each country. Third, we should enlarge this research to specific products according to their involvement level in consumer's minds. At the conclusion of this extended research agenda, we could propose a benchmarking tool that enables comparison of the efficiency of each branding strategy at national and international levels. Finally, private brand equity could be appreciated at the store and the product category levels. Specific components of private brand equity for each store and each product category could emerge that could help managers in supporting their tactical and operational decisions.

Further, in our opinion a study in collaboration with the industry may be carried out to better understand the cause and effect relationship between brand equity and product sales. This study will be beneficial to the retail companies in deciding launch of private labels vis-à-vis selling national or international brands.

REFERENCES

- Baltas, G., (1997). Determinants of store brand choice: A behavioural analysis, *Journal of Product and Brand Management*, 6(5), 315-324
- Batra, R., & Sinha, I., (2000). Consumer level factors moderating the success of private label brands across product categories, *Journal of Retailing*, 76(2), 175-191
- Beneke Justin, (2009), Consumer perceptions of private label brands within the retail grocery sector of South Africa.
- Boutsouki Christina, (2008), Consumer Behaviour towards Own Label, Aristotle University of Thessaloniki
- Chakraborty, Samrat. (2011), [Perceptions and Buyer Behavior Towards Private-Label Colas](#), *IUP Journal of Marketing Management*.

<http://web.ebscohost.com/ehost/pdfviewer/pdfviewer?vid=4&hid=13&sid=962a8b0b-a32e-4184-8771-6d434e8361f2%40sessionmgr111>
- De Chernatony, L., Riley, F., Dall’Olmo, 1999 Experts’ views about defining services brands and the principles of services branding. *Journal of Business Research* 46 (2), 181–192.
- De Chernatony, L., Drury, S., Segal-Horn, 2003. Building a services brand: stages, people and orientations. *The Service Industries Journal* 23 (3),1–21.
- Diamantopoulos, A., 1999. Export performance measurement: reflective versus formative indicators. *International Marketing Review* 16 (6), 444–457.
- Diamantopoulos, A., Winklhofer, H.M., 2001. Index construction with formative indicators: an alternative to scale development. *Journal of Marketing Research* 38, 269–277.

- Dekimpe, M.G., Steenkamp, J., Mellens, M., & Vanden Abeele, P. (1997). Decline and variability in brand loyalty. *International Journal of Research in Marketing*, 14(5), 405-420
- DIALLO MBAYE, CERGAM, University Institute of Technology of Marseille, France. "Perception of Private Label Brand image: A comparison between three different nationality consumer groups."
- Keller, Kevin Lane (1993). "Conceptualizing, Measuring, and Managing Customer-Based Brand Equity," *Journal of Marketing*, 57 (January) 1-22
- Koshy Abraham, (2008), Quality Perceptions of Private Label Brands.
- Kotlar P, (2008), *Marketing Management*, 13th edition, Pearson.
- Kumar, N., Steenkamp, J.-B.E.M., 2007. *Private Label Strategy*. Harvard Business School Press, Boston, United States.
- Nair Lakshmi, (2011), Private labels brands in food & grocery: the changing perceptions of consumers & retailers in India.
- Nagundkar Rajendra, (2010), *Marketing Research Text and Cases*, 3rd edition, Tata McGraw Hill Education Pvt Ltd
- Schiffman Leon G, (2007), *Consumer behaviour*, 10th edition, Pearson.
- Sharma J K, (2009), *Business Statistics*, 2nd edition, Pearson.
- Silk & Urban, (1978), An evaluation cost model, www.mit.edu/~hauser/Papers/An_Evaluation_Cost_Model.pdf
- Ward, Michael B.; Shimshack, Jay P.; Perloff, Jeffrey M. and Harris, J. Michael, (2002), Effects of the private-label invasion in food industries.
- http://www.alibaba.com/trade/search?SearchText=private+label&Country=SG&CatId=2&IndexArea=product_en&fsb=y&viewAllCategory=