



International Journal of Economic Research

ISSN : 0972-9380

available at <http://www.serialsjournal.com>

© Serials Publications Pvt. Ltd.

Volume 14 • Number 10 • 2017

Emerging Trends and Changing Pattern of Indian Retail

S. Chandrachud and Nagarajan Rajagopal

¹VELS University, Chennai, India, E-mails: scchud@yahoo.com

²Royalaseema University, Kurnool, India, E-mail: Nagaas786@gmail.com

Abstract: The Indian retail industry gains its importance as it contributes more than 9 percent of Gross Domestic product of the country and more than 7 percent of total employment. Currently the Indian retail sector occupies predominant space in the global market as the India retail market is the fifth principal worldwide destination in the world. The current study throws light on factors responsible for purchasing private label brands from modern retail outlets. The first chapter initiates the private label branding and the need for the hour to analyze it. The second chapter lists out the literature review. The third chapter envisages the basics of private label branding and fourth chapter expresses the SWOT analysis on private label branding and chapter 5 portrays the impact of private label branding in Indian retailing and the last chapter concludes with emerging trends and changing pattern of Indian retails

Key words: Private label, Indian retail sector, demonetization, store brand

I. INTRODUCTION

The success of any industry depends on the potential capacity to supply for wide range of growing demand. In this perspective, the Indian retailing sector has emerged as one of the vivacious and fast growing protractible industry. This is mainly because of several new entrants like Spencer, food world, reliance fresh etc., the modern retail outlets, to cater the need of bouncing consumer demand. The Indian retail industry gains its importance as it contributes more than 9 percent of Gross Domestic product of the country and more than 7 percent of total employment. Currently the Indian retail sector occupies predominant space in the global market as the India retail market is the fifth principal worldwide destination in the world. The current study throws light on factors responsible for purchasing private label brands from modern retail outlets. The production is meaningful only when consumption is made. But he who manufacturing are not in a position to make effect marketing for their product. The strategy of private label branding helps in augmenting the gap between the actual manufacturer and the ultimate customer.

II. REVIEW OF LITERATURE

There are many empirical studies are made, relating to private label branding and Indian retailing. The current study includes the following literature review.

1. John Quelch and David Harding, (1996) they expressed that 'Meeting the private label challenge requires the same consideration a company would give to any other competitor'
2. The book on Retail management – Principles and Practices, edited by R. Sudarshan.(2007). He has pointed out that the Indian retail industry has reached a critical stage as stores in modern formats have emerged in almost all the cities. However the major quantum of sales is taken place under old retail methods.
3. John Fernie and Leigh Sparks, (2007) he their book, expressed that there are many challenges in the retail sector, which are to be corrected with the new supply chain management techniques and private label branding is one of the best method to improve the retailing outlets.
4. Nirmalya Kumar and Jan-Benedict E.M,(2007) in their book, they analyzed how to face the challenges of store branding, particularly the strategy of private labeling.
5. Anupam Narula (2010), in her research article, 'Many consumer sense little difference between the quality of national brands and their private label counterparts as retailers focus on store brands and consumer product companies cede connections to retailers and customers'
6. Chandrachud S., (2012)in his research article, the impact of FDI in the organized retailing in India is clearly pronounced, as the need for the hour to implement the private labeling in the modern retail outlets.
7. Chandrachud S., (2012) in his research article, has expressed the current status of Indian retail sector by answer the question, why India is facing problem in implementing the FDI in retail sector.
8. Jubin Mehta, (2015)in his research article expressed the evolution of modern retail outlets and their initial funding with marketing strategy, Particularly, Big Basket, DogSpot, MyNutraMart etc
9. Naimi K. Shapiro, (2016), in his articles, he listed out both the advantages and disadvantages of private label branding.

III. BASICS OF PRIVATE LABEL BRANDING

The commodities (or related activities) which are usually generated or created by one company with the another brand name owned by some other company, is called private label. The nick name for this kind of branding is 'Phantom branding' and now it is famously known as White Label Products. The current scenario of Indian retailing fused with private label branding as it covers almost most all type of products right from necessary goods like food to latest technological services like web hosting. The twin effects of the diminishing trend of traditional retailing and emergence of modern retail outlet like Spencer,

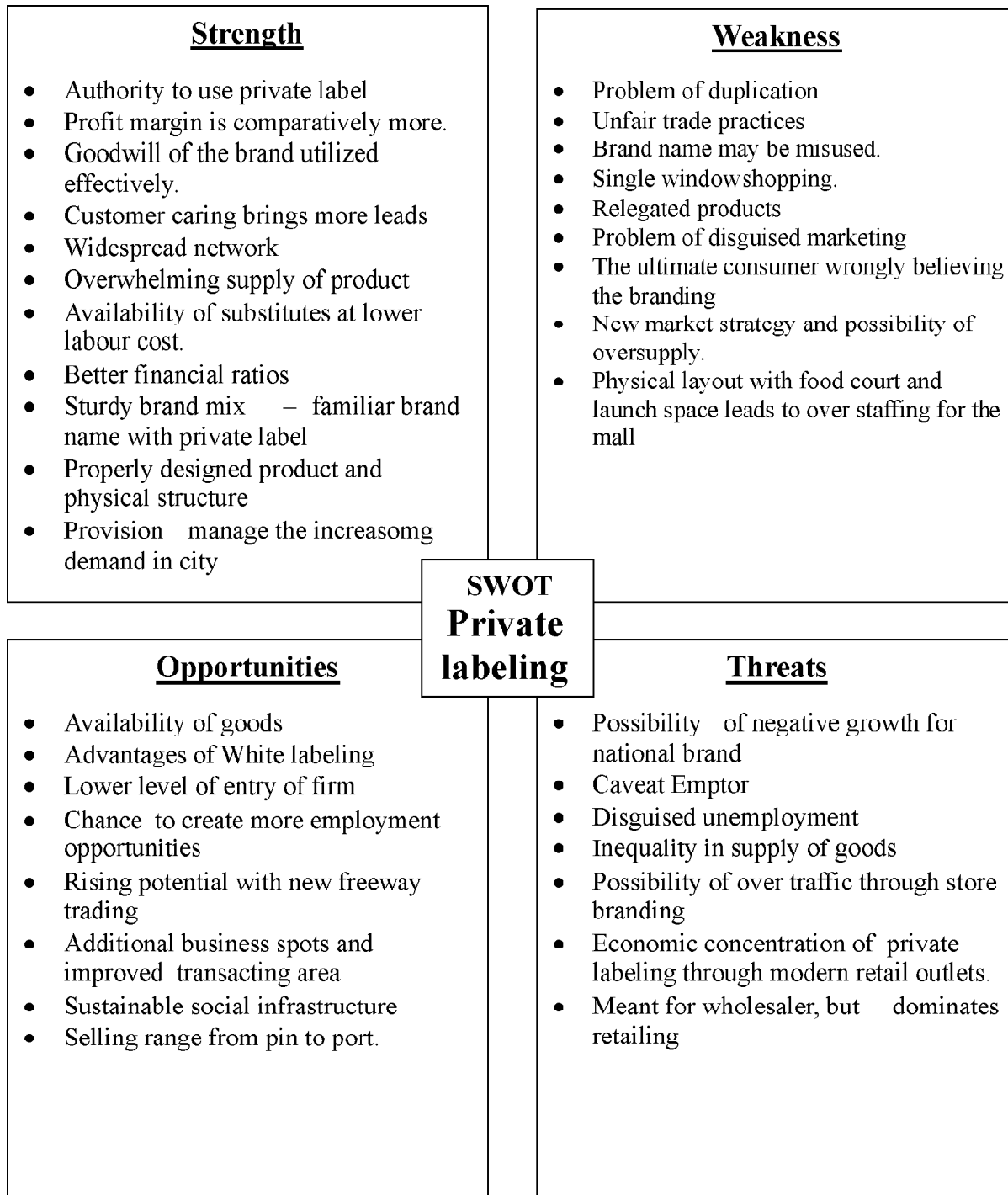
food world, reliance fresh, big bazaar, the need for the hour to conduct an extensive empirical study about the factors responsible for the purchasing private label brands from modern retail outlets. Initially the private label attracts the low cost substitutes at regional level, subsequently it improved to the national level and now it tries to empire the international products, that too the premium products as the global competition for the branding are massive and widespread. The purchasing pattern of the consumer has undergone tremendous changes which lead to sustainable growth of modern retail outlets. Whether it was the pickle at the provision stores or tablets in the medical shop or casuals from mega mart, reliance trend etc., they prefer only the new retail formats like reliance fresh, med plus etc. Of course the demonetization of India in recent past also induced a lot of changes in the preference and method of purchasing the requirements. There are many factors involving in private labeling. For example, any manufacturer must add some cost to their outlay in order to improve the brand name but which is absent in private labeling as others are using the brand name. Therefore an incremental margin of sale is possible.

Secondly, in retailers view, if the local retailer who can able to maintain the price of the branded item for its own product, it is definite that he will enjoy abnormal profit. Thirdly, manufacturer who is producing the product are sending their products without labeling and depending on quality of the product and demand for the branded items, type of Private label are chosen. The fresh vegetables are sold for better price in reliance fresh which are cleanly packed with labels and the remaining vegetables from the field are sold in lesser price at the local markets. But majority of the consumer prefers vegetable that are the cleanly packed with label. Fourthly, the brand builder of private label misuses the brand name while transacting the goods.

Apart from these influencing factors, the main reason for increasing trend in the private label branding, the name and fame of particular brand which makes the customer feel pride on transacting it. The psychological fact, that if a person getting down from car, feel shy to purchase local goods which he likes more but without any reason he continued to purchase the private labeled brand from the modern retail outlets. It is high time to consider the pros and cons of private label branding as the total of modern retail outlet likely to reach million in numbers. Further, the consumer select retail shop not based on the quality of the product but the reputation of the private label branding. He needs only the proper packing, weight, product description and price tag i.e., readymade consumables.

Even though there are number of positive factors for private labeling, like direct contact of consumer and source person, possibility of creating own distinctive image, reputation of the product, control over marketing factors like price, sale and delivery, better scope for branding through packaging, tough competition for the other producers to match with the price level and quality of the product. However, there are some defects in the approach of private label branding as the brands of household items are based on reputation which must be through store brands and telemarketing. In some cases, the utility out of private labeled product is comparatively less with national brand items. On the whole, the current scenario of Indian retailing facing strategic collaborative branding which are marching towards the category management. There will be a lot of changes in Indian retail sector in the days to come as both demonetization and electronic transactions for household goods (i.e., cashless transaction).

IV. SWOT ANALYSIS OF PRIVATE LABEL BRANDING



V. IMPACT OF PRIVATE LABELING IN INDIAN RETAILS

In India, the private labeled brands are mostly available in the modern retail outlets. While comparing with the national brands, it is easy to express the impact of private label in Indian scenario. The trade chain of

private labels are quite different from the national brand as the modern retail outlets has the freedom to regulate the selling price of branded items so as to manipulate the disparity of price.

Secondly, these modern retail outlets have made a provision for addition shelves with them in order to arrange the all the brands of private labeled, as they are not spending much for product design or development because of the contract with the manufacturer for the production of white brands.

As the Indian government extends their liberalization policy for retail sector, the foreign direct investment on multi branding pave way for pervasive growth in store brands through modern retail outlets. In initial stages, even if a particular private label is less efficient, there is perhaps a basis for mutually beneficial sale as the other private labels are binned in the modern retail outlets through relative cost advantage. Most of the modern retail outlets applied the tool 'category management', in order to enhance private labeling as the majority of the companies are improving their products, based on category management based decisions. The twin effect of FDI in multi brand retailing and category management of manufacturing units, fabulous growth in Indian retailing which result in the fifth largest worldwide destination for retail marketing.

VI. EMERGING AND CHANGING PATTERN OF INDIAN RETAIL

The current trends of retail inflation rate are showing positive response due to after effects of the demonization. During January 2017 the retail inflation diminished to 3.17 percent from 3.41 percent in December 2016. The value is considered to be the lowest since last two years i.e., since November 2014. The main reason is the poor demand from the household as they undergo cash crunch created by demonetization. However, there is a sustainable growth in the sale of selected retail products which are having private label due to cashless transaction. The consumer price index (CPI) of January indicates there is a negative move in the price index, particularly vegetables and pulses. The CPI for vegetables is reduced to (-) 15.62 percent during January 2017 from 6.3 percent during the January 2016. It is to be noted that even in December 2016, the consumer price index for vegetables contracted to (-) 14.59 percent. But there is an affirmative stance for the private labeling due to demonetization and cashless transaction. The modern retail outlets are enforcing their technological framework and imparting the importance of cashless but electronic transactions. The transitivity property of consumer preference may influence the consumption pattern of public, as the Strong axiom of revealed preference concept applied in the private label brands through modern retail outlets. In easy words, today public start purchasing vegetables or petty items from modern retail outlets through single touch in electronic gadgets. Once again we have to reconsider the Paul Samuelson's revealed preference approach of consumer behavior theory.

REFERENCE

- Anupam Narula, 'The battle for brands in a world of private label' Deloitte University Press, 2010, www.dupress.deloitte.com
- Chandrachud. S, 'The changing pattern of organized retailing in India', FDI in India – Issues and Challenges, pp 179-182, 2012, ISBN 81-88023-11-6.
- Chandrachud .S. 'Current status of Indian retail sector' – Foreign Direct investment in Retail Trade in India – pp 219-224, 2014, ISBN 978-81-910561-6-7.
- John Fernie and Leigh Sparks, Logistics and retail management, edited book on 'emerging issues and New challenges in the retail supply chain, 2009.

- John Quelch and David Harding, Brands Versus Private Labels: Fighting to win, Harvard Business Review, 1996.
- Jubin Metha, 'Is private label the way to go for e-commerce companies to turn profitable'- *www.mystory.com* June, 2015.
- Michael Pepe, 'The Impact of Private Label sales Penetration on Category Profitability' – Journal of Business and Economic Research – Volume 10, Number 9, September 2012.
- Naomi K Shapiro, '10 Advantages of Private Label Branding' – the Retail intelligence march 2016, *www.upstream.com*
- Nirmalya Kumar and Jan-Benedict E.M, Book on 'Private Label Strategy: How to meet the Store Brand Challenge, Harvard Business School Press, Boston, Massachusetts, 2007, ISBN 10:1-4221-0167-3.
- R. Sudarshan, 'Retail management – principles and practices, Hard back media – first edition, 2007, ISBN 9788177081480.