Inflationary Situations and Consumer Buying Behaviour towards Private Label Brands in India.

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Abstract: **Purpose:** The Indian Economy is experiencing a decent growth rate when other countries are slowing down. There is optimism in the Indian market. Besides other factors, the huge middle income class, along with one of the largest youth population in the world is driving the consumption demand. However, India in line with other economies is also feeling the pinch of higher prices due to different geo political conflicts and disorder leading to increase in energy and food prices. The authors have tried to study the consumer preference for private label brands during the price rise.

Design/Methodology/Approach: The Research design selected for the study is descriptive and analytical. The researchers have used both qualitative and quantitative analysis in order to derive the results. The sampling design was non probability Judgmental sampling.

Limitation/Implications: The findings of the study are based on limited samples through which the researchers have got an idea of the perceptions of the consumers but overall generalizations seems to be difficult. Second there are many factors which can drive the demand for private labels which have not been considered by the researchers.

Originality/Value: First and foremost is that there are only few research papers based on the subject of study. The existing literature and research papers have only considered limited dimensions of the subject. Besides there are only few research papers which have done a comprehensive view of the subject. The originality of the subject is enhanced as this study is conducted during the period of price rise in India when consumer price index has crossed the limit of 6%.

1. Introduction

A private label product is generally produced by a third party but the retailer sells under its own brand name. The Retailer controls each and every specification about the product right from the attributes, price to packaging. Private label products or store products consist of all goods sold under a retailer's brand. They are also called as private label, house brand, store brand, own label or retailer brands [1]. Store brand sales rose 11.3%, nearly twice the growth of national brands, which were ahead 6.1% in 2022. Annual store brand dollar volume increased $23.2bn, setting a new record of $228.6bn for sales in all channels [2]. The overall share of private labels can range up to 90% for fashion, 15-20% in food and 8-10% in merchandise in Indian context [3]. Private labels offer increased efficiencies in supply chain management and product customization resulting into higher margins. Comparing the margin of online national and private label brands, the later performs much better across different categories such as apparel, grocery, furniture, cosmetics etc.[3]. The online private labels experience higher margins due to lower costs thus resulting into higher profitability. India being the largest populous country in the

world must be having the highest level of consumption with its growing economy. If we exclude the period of peak pandemic, there has been consistent increase in GDP per capita touching up to 2256.6$ [4]. India's consumption story has attracted retailers to come out with private label or store brands to target diverse set of customers. This has increased the competition with the national brands as there can be chances that consumers may switch over to private label brands during different phases of economic cycle either during economic contraction or during price rise. Thus the study focuses on perceptions of the consumers regarding the adoption of private label brands during the inflationary situations.

2. Literature Review

Kelly Smith (2016) in his research article has mentioned that earlier consumers used to consider it inferior while using private label products. The consumers did not want to tell anyone if they use private label brands. The national brands did not take them seriously. But everything changed after the US financial crisis of 2007-2009 wherein the private label sales increased. The author has emphasized on various important points on which national brands to focus upon to counter private label brands such as emotional connect, quality, innovation and marketing mix. Lien Lamey et.al (2007) have studied about the association between private label success and different forms of business cycles with the help of econometric tools. The findings of the study confirm the fact that during economic contraction, private labels share increase while during expansion private labels share decrease. Besides few consumers continue to consume private label brands even when contraction is over adversely impacting the national brands share. This calls for more aggressive promotion strategies by the national brands contrary to usual practice of reducing marketing expenses during slowdown. However the study fails to focus on changes in consumer or retailer behaviour towards the success of private label brands during economic slowdown. This calls for future research. Lien Lamey et. al (2023) in their another study have studied the impact of managerial practices on the success of private label brands during economic contraction and afterwards.. The research study has tried to answer whether private label share movers contrary to business cycle, whether managers change their behaviour in accordance with business cycle or not, and whether economic slowdown has a long lasting impact on private label success or not. The findings of the study show that private label share behaves counter cyclically with increase in recession and decrease in expansion. The managerial decisions to reduce advertising budgets, research and innovation expenses, and reducing price promotional activity led to lasting impact of slowdown on private label share. The private label share increases not only within a recession but that remains even after recession. Eloy Gil Cordero et. al (2020) in their research paper have studied the impact of important macroeconomic indices on the market share and value of private brands. The study is based on 19 European countries and all the states of USA over a 10 year time period. The findings suggest that when rate of unemployment increases, the value of private label share decreases for the US but increases for Europe. The macroeconomic variables as independent variables taken for study are Gross Domestic Product, Average Salary, Debt per capita, Unemployment rate and consumer price index. The private label variables as dependent variables considered are volume of private labels and value of private labels. Jean Pierre Dube, Gunter J Hitsch & Peter E Rossi (2015) in their study have focused on impact of income and wealth on the demand for private label products. The data has been collected from Nielsen Homescan household panel which provides information on shopping trips and items purchased over a period of time before and after recession. It has been found that the share of private label increased only by 1% during the period of recession (2007-09). However this increase is only the part of total increase from 2004 to 2012 wherein the private label share increased by about 0.45% per year. During the recession years, there has been a strong correlation between the private label shares and the macroeconomic variables such as real GDP, unemployment and the consumer confidence index. A regression analysis is done to show the relationship between income, wealth and private label demand. It has been observed that there is a negative causal effect of income on the private label share where as the impact of wealth effect is also negative. The study by the authors seem to be significance as there is small economic significance of the income estimates in contrast to the previous research at the time of Great Recession. Alex Cosper (2017) in his study has mentioned that private labels share increase during economic contraction and decreases during economic expansion. However it's also a fact that private labels even maintain their market share during economic expansion. The manufacturers of national brands reduce their advertising and promotional expenses during economic slowdown. The consumers are fast to switch over to private label brands in case of slowdown as compared to returning back to national brands in case of recovery. Frankenberger & Graham (2003) emphasized that firms gain competitive advantage by increasing advertisement expenses during economic contraction which can add value to the company even after slowdown. Samane Zara & Sayed Saghaian (2018) in their study have examined the impact of recession and income on private label demand of different package sizes of fluid milk. The data has been collected from transactions of household level for national and private label brands. Besides, the data has also been collected

Nielson Homescan panel consisting of purchase information from more than 72000 households. The period of study is 2004-2014 which also include recessionary period. The findings suggest that the share of private label 0.25 gallon fluid milk and income are negatively related. The share of private label fluid milk increased during the recession and continued to increase at a higher rate even after the slowdown. The uniqueness of the study is that it focused on the impact of income and recession on private label share for different package sizes of fluid milk. Income only has significant impact on size of 0.25 gallon fluid milk. Hence there is no negative relation between household income and private label share as far as in general fluid milk is concerned. Betsy Bohlen et. al (2009) in their research paper have studied the impact of recession on changes in consumer behaviour of US. The findings of the study show that on average 18% of consumers bought lower priced brands. Out of that approximately half of the respondents were of the view that lower priced brands performed better than expected. Further 34% of the respondents were convinced of the fact that they will now not prefer high range products or national brands. Thus shift from national brands to private label or cheaper products can change the market algorithms and enforce market leaders to respond as it will impact their profitability. Marta Arce-Urriza & Javier Cebollada (2017) have studied the competition between private labels and national brands and the various variables affecting the level of competition. The level of competition has been analyzed using three factors such as market share, loyalty index and conquesting power i.e. ability of a brand to capture non-loyal brands. The findings of the study show that all the brands increase their loyalty online than the offline. The private labels can increase their conquesting power at the online channel as retailer's offers a tool to substitute all the brands in the cart. In general the authors have concluded that private label improves its competitive position at the online platform more than the national brands which can be winning situation for retailers and losing situation for manufacturers. Richard Volpe (2014) has studied the relation between national brands, private label brands and food price inflation. The findings of the study show that when food prices are high, the mean price difference between national and private label brands decreases. The increase in commodity and fuel prices has larger impact on private label prices. Marci Ko (2014) in her study in case of US consumers found that consumers do not consider private label as an alternative to price rise. The consumers do not consider private labels as appealing and having emotional appeal. These are most purchased by college educated women with children. Hence the private label brands should try to build desire for their products.

Research Gap
There has been much contribution from different authors in order to provide relation private label brands share and different phases of economic cycle. Besides, many authors have also studied relation between private label brand share and macroeconomic variables. However, most of the studies seem to be mechanical than behavioural. There have been few research papers on the subject which have tried to understand the behaviour of consumers and retailers regarding switching over to private label brands during different phases of business cycle or most appropriately when there is slowdown or economic expansion. Most of the research study has been done in global context which again enforce the study to be done in Indian context having the largest population and highest working age population in the world. Thus the Research study will focus on understanding the perception of consumers regarding the private label brands during inflationary situations. The study is more helpful in context of India wherein lower middle income consumers are in larger mass. The study will be restricted to those respondents who have understanding of national and private label brands.

Objectives of the Study
1. To study the consumer preferences of private label brands during inflation
2. To study the different factors responsible for switch from national brands to private label brands during inflation
3. To find out the magnitude of switch from national to private label brands across product categories.

3. Research Methodology

The researchers have tried to take a survey of 200 respondents through a questionnaire. The researchers have ensured that the selected respondents are aware about private label and national brands. The respondents consist of experience and maturity with different educational and income levels. The sampling design was non probability Judgmental sampling. The research study is descriptive and analytical. The researchers have used both qualitative and quantitative analysis in order to derive the results. The overall study has been carried out when India is experiencing CPI inflation more than the upper limit of 6% as decided by the RBI. The various statistical tools such as Excel, SPSS 21 were used in order to derive the results. The researchers have used non parametric Friedman test to find out whether there exists differences in mean ranks of different variables.

Data Analysis and Interpretation
1. **Demographic Profile**

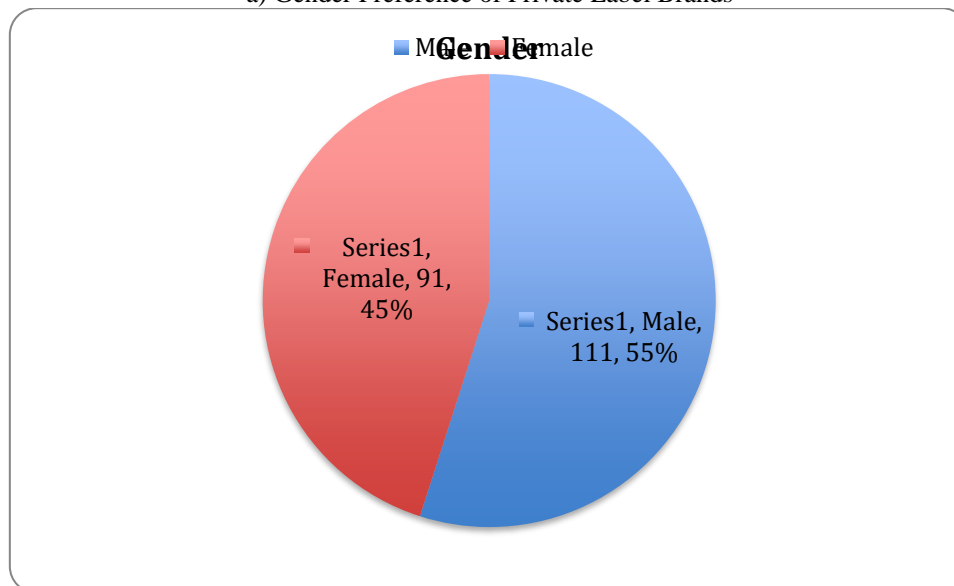a) Gender Preference of Private Label Brands

Chart no.1 Gender Classification

Observations: Out of the total 202 respondents, whose responses were taken regarding preference of private label brands, 55% of them were males and 45% were females.

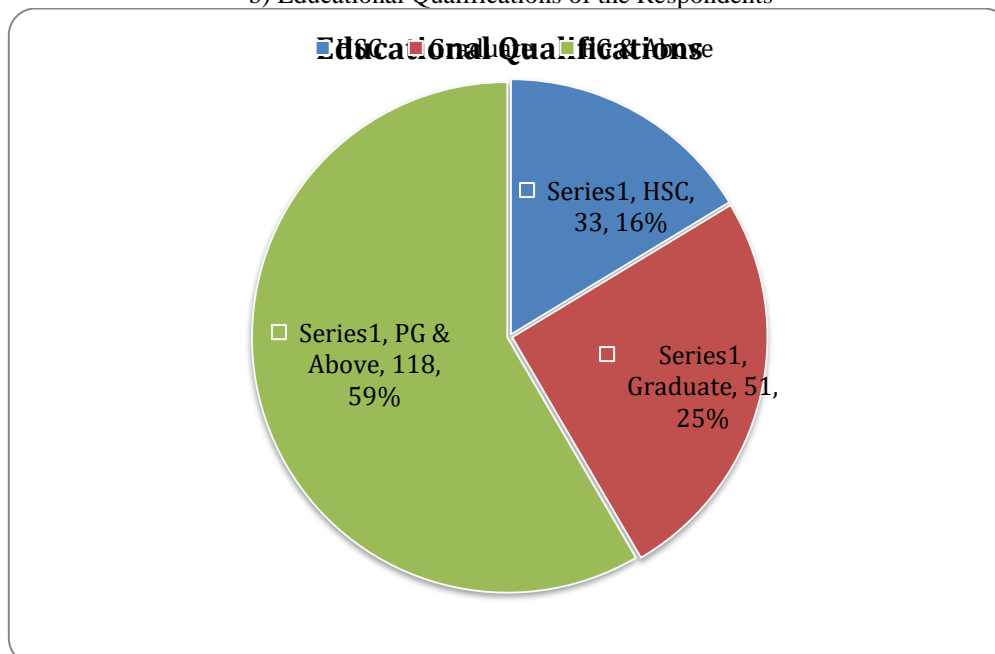b) Educational Qualifications of the Respondents

Chart no.2: Educational Qualification of the Respondents

Observation: Out of the total respondents, 59% of the respondents are PG and above, 25% of the respondents are graduates and 16% respondents have passed HSC. The more no. of respondents is highly qualified as the samples were collected on judgment basis. The researchers tried their best to select respondents having knowledge of inflation, private labels.
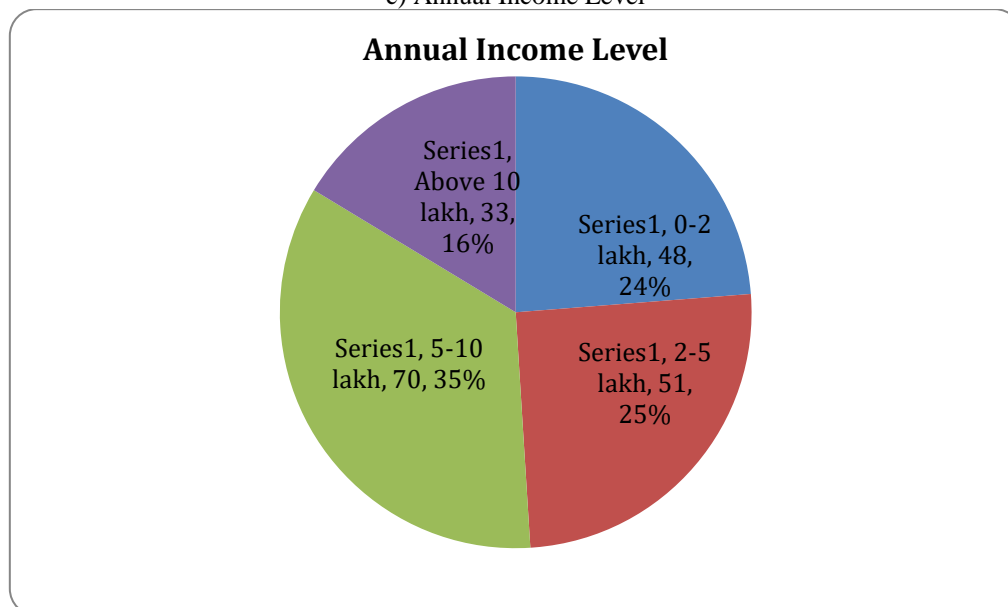
c) Annual Income Level

Chart no.3: Annual Income level

Observation: Out of the total respondents, 35% of the respondents are in the category of income level in between 5-10 lakh, 25% of the respondents are in the range of 2-5 lakh, 24% of the respondents are having income between 0-2 lakh and 16% of the respondents are having income above 10 lakhs.

2.   Preferences of the Respondents

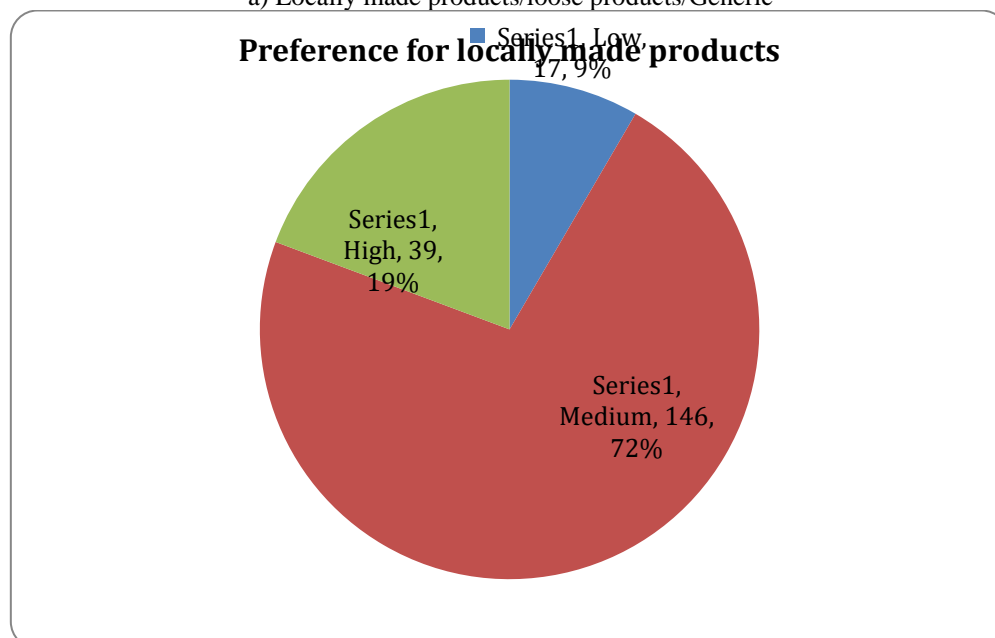a) Locally made products/loose products/Generic

Chart no.4: Preference for locally made products

Observations: Out of the total responses, 72% of the respondents have moderate preference for locally made products/loose products/Generic.

b) Private Label Brands

Preference for Private Label Brands

Series1, Low, 33, 16%
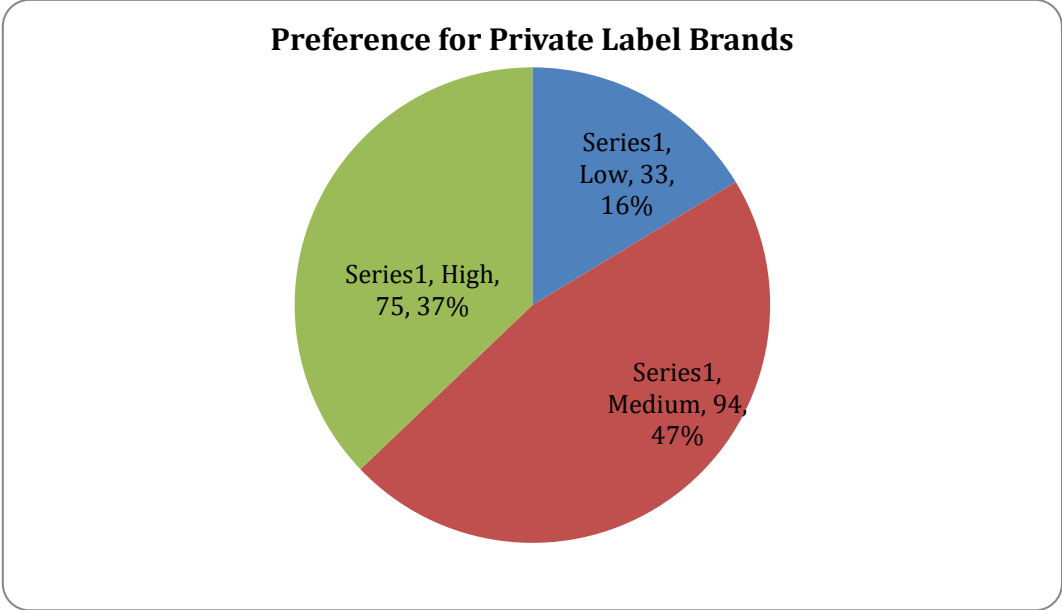
Series1, High, 75, 37%

Series1, Medium, 94, 47%

Chart no.5: Preference for Private Label Brands

Observations: Out of the total respondents, 42% have moderate preference for private label brands while 37% of the respondents have very high preference for privet label brands. 16% of the respondents have only low preference for private label brands. Thus we can say that 79% of the respondents have moderate to high preference for private label brands.

c) National Brands

Preference for National Brands

Series1, Low, 3, 1%

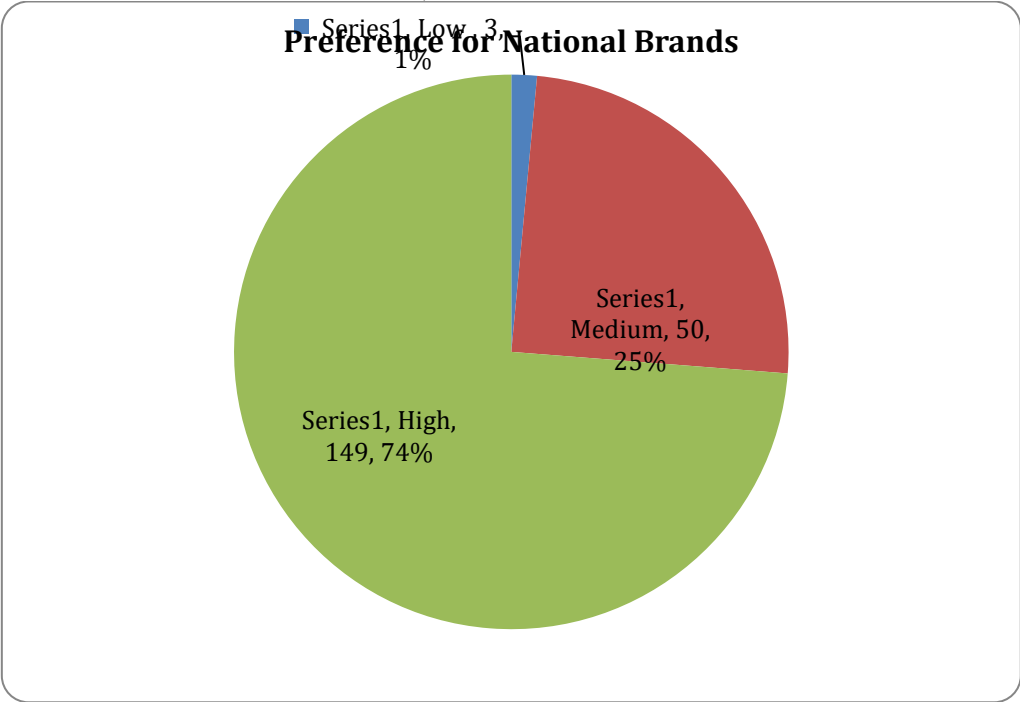Series1, Medium, 50, 25%

Series1, High, 149, 74%

Chart no.6: Preference for National Brands

Observation: Out of the total respondents almost 99% of them have moderate to higher level of preference for national brands.

Q. 3. Characteristics of Private Label Brands

Friedman Test	
Ranks	
	Mean Rank
Economical	4.59
Blend of quality & quantity	4.73
Value innovator	4.55
Store Image	4.68
Customization	4.51
Provides more varieties in different price ranges	4.38
Competitive pricing and availability of discounts	4.57
Carry Redeemable Points	3.99

Test Statistics^a	
N	202
Chi-Square	21.780
df	7
Asymp. Sig.	.003
a. Friedman Test	

Table no.1: Friedman Test showing mean ranks of features of private label brands

Interpretations: The Friedman test compares the mean ranks between the related groups and indicates how the different variables differ based on the value of mean ranks. Based on the above table, it can be observed that blend of quality and quantity has a highest mean rank of 4.73 followed by store image having mean rank of 4.68, economical having mean rank of 4.59 and competitive pricing and discount having mean rank of 4.57. Redeemable points has the least mean rank of 3.99 which shows that respondents do not look for redeemable points while going for private label brands.

The above table provides the value of Chi square, degree of freedom and the significance level. The value of P (.003) is less than the level of significance and hence it can be seen that there is statistically significant difference between the mean ranks of the related groups.

Q.4. Preference for Private Label Brands during different Economic situations

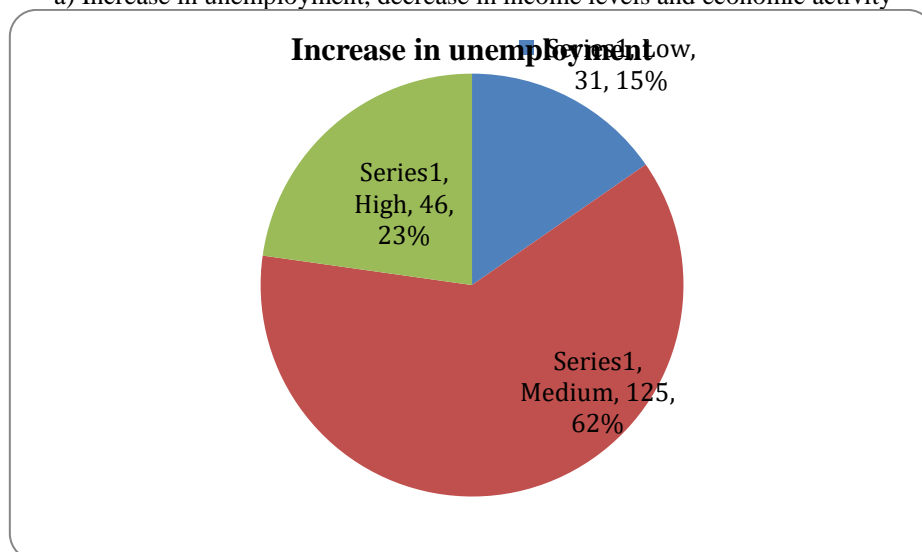a) Increase in unemployment, decrease in income levels and economic activity

Chart no. 7: Preference of Private label during increase in unemployment

Observation: Around 77% of the respondents show a very moderate to high preference for private label brands in case of increase in unemployment, decrease in income levels.
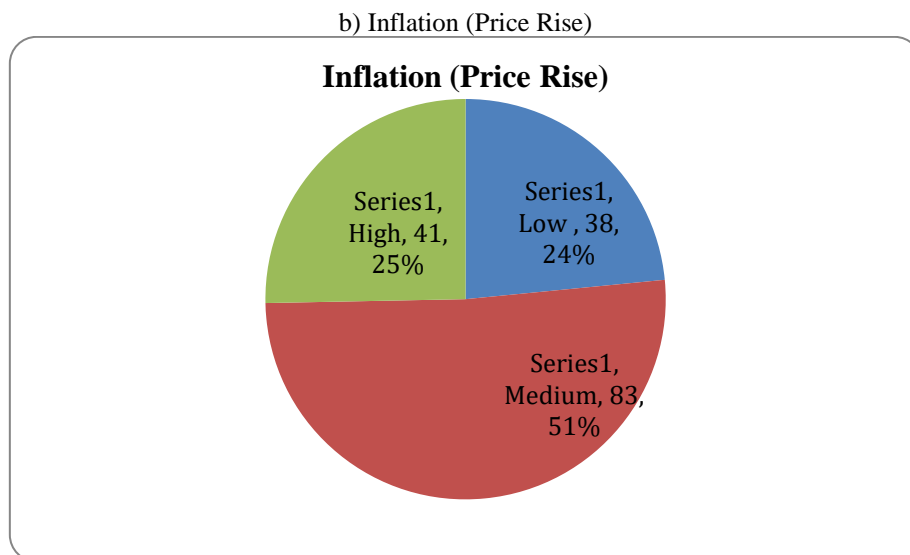
b) Inflation (Price Rise)

Chart no.8: Preference of Private Label Brands during inflation

Observation: Around 76% of the respondents show a very moderate to high preference for private label brands in case of price rise. However there are 24% of the respondents who do not prefer private label brands during price rise.

Q. 5. Factors responsible for switch from national brands to private label brands or store brands during Inflationary Situations.

Non Parametric Test (Friedman Test)

Descriptive Statistics				
	N	Percentiles		
		25th	50th (Median)	75th
Lower price as compared to national brands	202	4.0000	4.0000	4.0000
More Quantity in less price	202	4.0000	4.0000	5.0000
Better quality in less price	202	3.0000	4.0000	5.0000
Additional Benefits	202	4.0000	4.0000	4.0000
Competitive Pricing and Availability of discounts	202	4.0000	4.0000	4.0000
Higher variety across price range	202	4.0000	4.0000	4.0000
Ease of Product access	202	4.0000	4.0000	4.0000

Ranks	
	Mean Rank
Lower price as compared to national brands	4.16
More Quantity in less price	4.42
Better quality in less price	3.88
Additional Benefits	3.55

Competitive Pricing and Availability of discounts	4.26
Higher variety across price range	3.63
Ease of Product access	4.09

Test Statisticsª	
N	202
Chi-Square	52.585
df	6
Asymp. Sig.	.000
a. Friedman Test	

Table no.2: Friedman Test showing factors responsible for switching from national brands to private label brands during inflation

Interpretations: The Friedman test compares the mean ranks between the related groups and indicates how the different variables differ based on the value of mean ranks. Based on the above table, it can be observed that more quantity in fewer prices has the highest mean rank followed by competitive pricing and availability of discounts. Additional benefits has the lowest mean rank of 3.55 which shows that consumers do not look for additional benefits while switching from national to private label brands during inflation.

The above table provides the value of Chi square, degree of freedom and the significance level. The value of P (.000) is less than the level of significance and hence it can be seen that there is statistically significant difference between the mean ranks of the related groups.

Q. 6. Switch from national to private brands in following categories of Goods

Non Parametric Test (Friedman Test)

Descriptive Statistics				
	N	Percentiles		
		25th	50th (Median)	75th
Apparel	202	4.0000	4.0000	4.0000
Food & Beverages	202	4.0000	4.0000	4.0000
Furniture	202	3.0000	4.0000	4.0000
Cosmetics	202	3.0000	4.0000	4.0000
Jewellery	202	3.0000	4.0000	4.0000
Health and wellness	202	3.0000	4.0000	5.0000
Consumer Durables information technology products	202	3.0000	4.0000	4.0000

Ranks	
	Mean Rank
Apparel	4.28
Food & Beverages	4.39
Furniture	3.77
Cosmetics	3.75
Jewellery	3.68
Health and wellness	4.14
Consumer Durables information technology products	3.99

Test Statisticsª	
N	202

Chi-Square	37.887
df	6
Asymp. Sig.	.000
a. Friedman Test	

Table no.3: Friedman Test showing switch from national to private label brands during following categories of goods

Interpretation: The Friedman test compares the mean ranks between the related groups and indicates how the different variables differ based on the value of mean ranks. Based on the above table, it can be observed that food and beverages has the highest mean rank of 4.39 followed by apparel and health and wellness. Jewellery has the lowest mean rank of 3.68 which shows that during inflation consumers do not like to switch to private label brands in case of jewellery. This means that consumers do not compromise on jewellery part even during inflationary situations. There can also be one reason that demand for jewellery is elastic and hence cannot be compared to other set of goods having different demand elasticity's.

The above table provides the value of Chi square, degree of freedom and the significance level. The value of P (.000) is less than the level of significance and hence it can be seen that there is statistically significant difference between the mean ranks of the related groups.

VII. Findings and Conclusions

The researchers based on the overall observations and interpretations found that during inflation, there is a high degree of switch towards food and beverages and apparel under private label brands. As far as jewellery is concerned, the consumers do not like to switch towards private label brands. The most important factors responsible for switch from nation to private label brands are more quantity in fewer prices followed by competitive pricing and availability of discounts.

VIII. Policy Recommendation

The findings of the study will help the manufacturer of national brands and private label brands in making suitable policies and strategies regarding retaining their market share in different phases of business cycle especially during price rise. The various manufacturers of national brands need to innovate so as to reduce their cost of production and passing the benefits to the consumers in the form of fewer prices so as to compete with the private label brands. At the same time the private label brands should ensure to deliver premium products which help them in continuous increase in their market share even during economic stability or at times of inflation. Thus the cut throat competition between national brands and private label brands will lead to economic efficiency.

IX. Limitations and Future Research

The limitation of the study is that the researchers have studied the subject of private label brands considering only the selected dimensions. The subject of private label brands is in a state of continuous exploration and thus the researcher's viewpoint and observations during the period of study and findings thereafter may vary. The study is only limited to selected consumers from Pune city, India. The researchers' perception regarding consumer perception of private label brands may differ to certain extent than respondents. The study can be taken forward in case of larger sample size covering larger geographical area. The findings of the research will help the future researchers to carry out research study on the subject of study covering larger geography and population.

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