Chapter 9

The Effects of Private Label Brand Strategies on Consumer Perception

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ABSTRACT

The increasingly globalized economy has many effects on consumer everyday lives. The rapid changes in technological, social, and economic aspects have impacted the people’s buying and consumption patterns. Even the traditional roles in value chain have started to disappear. Manufacturers have started to be taken over retailing functions whereas retailers began with the creation of their own brands. This increasing trend towards the retailer’s brands is indeed one of the key changes in the retail industry. As per the reports of FMI and IRI’s consumer research, 97% of households consume private label products. This chapter will give insight on different perspective and strategies that effect the consumer perception.

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INTRODUCTION

Private Label Brand Development

Perspective of Retailer

Since 1970 private label brand has grown exceptionally. Private label brands (PLB) or store brands as they are alternatively called, are products sold at the retail chain that is often produced by big national manufacture which is sold under a national brand name, but rather under the retailers own label (Burton, et al., 1998).

According to Hayman et al., 2010, it is estimated that around 50% of manufacturers of branded consumer packaged goods also produce private label brands mostly in an attempt to utilize excess capacity effectively. The reasons for the growth of private label brands are that they offer two or three times higher margins compared to manufacturer brands because they reduced costs in packaging, product design and promotion (Klie, 2005).

Perspective of Consumers

Store brands receive high attention during difficult economic times and “attract income-constraint consumers” (Hyman et al., 2010), who cannot afford most national brands, but still want decent quality in their grocery products. Simultaneously many “smart shoppers”, who have the financial background to purchase national brands, increasingly buy store brands, as they perceive the price value ratio of private label brands as better than the ratio of most national brands. According to Batra & Sinha (2000) consumers tend to the offer of private label brands very well, as “over 44% of grocery shoppers regularly buy store brands”. In fact, due to the “improved quality of many private label brands” (Quelch & Harding, 1996 p.100), and the accompanying emergence of premium store brands, which make it clear that recently retailers emphasize quality over price in store brands (Hoch & Banerji, 1993), many consumers nowadays simply prefer the taste of store brands and purchase these brands purely out of heuristic reasons (Baltas et al., 1997).

Package Design

The role of packaging has become more important from protecting and containing the product to communicating about the product and creating attention as well as a source of uniqueness. The product package is an important attribute in building and
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