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# CONSUMER PREFERENCES TOWARDS PRIVATE LABEL BRANDS IN INDIAN APPAREL RETAIL - A PILOT STUDY

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## ABSTRACT

The Indian apparel retail is the second largest category in organized retail after food and groceries segment and the increase of private label brands is also high in both food and groceries segment and in apparel segment also. Many of the retailers are increasing the percentage of private label brands in their product portfolio as the store brands will leave higher margins to the retailer. The consumers are also now-a-days preferring store brands heavily because they can save on money. The present paper is based on the pilot study conducted as part of PhD study to determine the consumer preferences towards private label branded apparel in India, which is an empirical study using conjoint analysis. The paper gives the research findings of the pilot study conducted in Hyderabad and Secunderabad twin cities. It helps us to understand the consumer buying behaviour towards private label branded apparel.

**Key words:** Private label Apparel, Retail, Consumer Preferences, Conjoint Analysis

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## INTRODUCTION

India retail industry is one of the fastest growing industries in India, especially over the last few years. Though initially, the retail industry in India was mostly unorganized, however with the change of tastes and preferences of the consumers, the industry is getting more popular these days and getting organized as well.

India's economy has undergone a substantial transformation since its independence in 1947. Agriculture now accounts for only one-fifth of the gross domestic product (GDP), down from 59 percent in 1950, and a wide range of modern industries and support services now exist. Starting in 1992, India began to implement trade liberalization measures. The economy has grown the GDP growth rate ranged between 6 and 8 percent annually over the period 1992-2010 and considerable progress has been made in loosening government regulations, particularly restrictions on private businesses

The India retail market is estimated at US\$ 470 Bn in 2011, accounting for 35% of GDP and is expected to grow to US\$ 675 Bn by 2016, @ CAGR of 7.5%

The organized retail market is estimated at US\$ 26 Bn and accounts for 6% of the overall retail market for 2011. The organized retail market is projected to grow to US\$ 84

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Bn by 2016, @CAGR of 26%. With an estimated market of US\$ 325 Bn, the Food & Grocery segment is the single largest retail category and accounts for 70% of the total retail market in 2011. The organized retail segment for Food & Grocery is estimated at US\$ 9 Bn and accounts for 35% of all organized retail. The retail market in India offers significant opportunities for retailers & brands across categories. This is driven by factors such as a large consumer base, rising incomes & job opportunities, increasing consumer awareness, etc.

## REVIEW OF LITERATURE

A review of the marketing research literature indicates that academic researchers and practitioners have different viewpoints with respect to the classification, Value and use of experiments as a source of primary data (Cooper & Schindler, 1998:381; Dane, 1990:88; Peter & Donnelly, 2001:37; and Bearden et al, 2001:127).

Cooper and Schindler (1998:130), For example, use eight different descriptors to classify a research design. One of these is the power of the researcher to manipulate the variables, in which case two kinds of design can be used, namely experimental and post facto.

Burns and Bush (1998:111, 119-128) refer to an experimental design as one of four formal conditions for a causal research design. These authors state that causality "...may be thought of as understanding a phenomenon in terms of conditional statements of the form 'If x, then y'" (Burns & Bush, 1998:119).

Churchill and Iacobucci (2002:91) also describe a causal research design as one that is concerned with cause-and-effect relationships. Studies of this kind normally take the form of experiments, because they are best suited to determining cause and effect.

Sudman and Blair (1998:207) group experiments as one of the three major sources of primary data (the other two being surveys, and focus groups and depth interviews). According to Sudman and Blair (1998:207), there are no standard rules when a researcher decides to conduct an experiment. The experiment can take many different forms and can be conducted in a laboratory or in the field. In a field study any phenomenon of interest or any research topic is studied in a natural setting. The laboratory experiment, on the other hand, studies the phenomenon outside the natural setting. The term "laboratory" refers to any context other than the natural setting (such as supermarkets, malls and retail stores). In a laboratory experiment the researcher creates a desired condition where one or more causal variables are manipulated, and the effect of this manipulation on one or more dependent variables is measured. For example, a magazine company printed various cover designs and asked the employees in its offices to indicate the design they liked best

(Sudman & Blair, 1998:206). Considered by Sudman and Blair (1998:229) to be a special type of experiment, conjoint analysis is mostly applied in a laboratory situation.

Conjoint analysis has been used in research for many years (Green & Srinivasan, 1978). Hair et al 1998:388) state that the application of conjoint analysis in the United States has been paralleled in other parts of the world as well as in Europe. However, it appears to have only recently attracted the attention of local researchers and it is not clear why local academic researchers in particular do not make more use of conjoint analysis.

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Although the apparel industry has reached maturity and growth is very slow, fashion trend cycles are accelerating. The presence of more and more brands has created a competitive environment unheard-of in the past (Rutter & Edwards, 1999:31).

Past research mostly used survey methods that directly measure consumers' attitudes towards products and their attributes. According to Lang and Crown (1993), the possibility of interaction effects among attributes is usually overlooked. The preferences of female consumers for apparel items may depend on the joint influence of product attributes such as quality, style and price. Thus, the joint effect of several product attributes on the final decision to purchase a specific item of clothing should be taken into consideration when researching consumer purchasing decisions.

## **NEED FOR THE STUDY**

As the private labels are dominating the manufacturing brands it is very important to know what exactly the consumers prefer in the private labels especially in the apparel retail which is the most dominating category next to food in the Indian retail sector.

It is very essential to know why exactly the customers prefer private labels than manufacturing brands and whether they are completely satisfied with the private labels or whether anything extra they are expecting from the private labels is to be explored. In this regard my thesis would be helpful in identifying the customer preferences on private labels especially in apparel retail.

So far much of the research is not being done on determining the consumer preferences in the Indian Apparel Retail and this study helps in bridging a small gap in understanding the consumer preferences in Indian Apparel Retail.

This study gives a better understanding of consumer preferences and helps the retailers and the academicians in understanding the consumer preferences in a better manner as the study is done using empirical models like Conjoint Analysis and other techniques for quality research.

The study even proposes a model for understanding the consumer preferences towards the private labels in Indian apparel retail which further provides better way to produce private labels based on the consumer choices and preferences.

## **OBJECTIVES**

1. To study the consumer preferences towards private label apparel brands.
2. To determine the consumer preferences towards private label apparel brands using conjoint analysis.

## **RESEARCH METHODOLOGY**

**Research Design:** The Research Design being employed for the study is Experimental

Research Design and it consists of the following components:

**Sample Size:** A sample of 100 respondents is taken for this Pilot Study

**Sampling Units:** The consumers are the sampling units.

**Sampling Method:** The Sampling Method employed is random sampling method and the research design used is experimental research design.

**Primary Data:**

The Primary Data is collected from a sample of 100 respondents. The place of the research is Hyderabad and Secunderabad twin cities.

**Secondary Data:**

The Secondary data is collected from the following sources:

1. Apparel Retail Industry Research Reports
2. Reports of Various Apparel Retail Companies
3. Government of India-Sectoral Reports and
4. Other Publications.

**Statistical Tests:**

The study is basically empirical study which employs various statistical and research techniques like Conjoint Analysis, Correlation and Regression Analysis and several other techniques. Various measurement scales like Likert Scale, Ranking Scales and Rating Scales are used in the study.

**Product Attributes and Levels:**

The following four product attributes and two levels for each product attribute are considered for the study, refer the table 1 given below:

Table1. Product Levels and Attributes

S.No	Product Attributes	Levels
1	Price	Cheaper than branded
		Equal to branded
2	Quality	Good
		Medium
3	Design	Fashionable
		Normal
4	Assortment	Deep
		Shallow

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Here the dependent variable is the Consumer's Preference rank given to a concept card and independent variables are Product Attributes' & Different Levels

## **THE EXPERIMENT**

The size of the sample in conjoint studies varies greatly. In one report (Cattin and Wittink, 1982), the authors state that the sample size in commercial conjoint studies usually ranges from 100 to 1,000, with 300 to 550 the most typical range. In another study (Akaah and Korgaonkar, 1988), it is found that smaller sample sizes (less than 100) are typical. As always, the sample size should be large enough to ensure reliability.

Once the sample is chosen, the researcher administers the set of profiles, or cards, to each respondent. The Conjoint procedure allows for three methods of data recording.

In the first method, subjects are asked to assign a preference score to each profile. This type of method is typical when a Likert scale is used or when the subjects are asked to assign a number from 1 to 100 to indicate preference.

In the second method, subjects are asked to assign a rank to each profile ranging from 1 to 16 the total number of profiles.

In the third method, subjects are asked to sort the profiles in terms of preference. With this last method, the researcher records the profile numbers in the order given by each subject.

Analysis of the data is done with the Conjoint procedure (available only through command syntax) and results in a utility score, called a part-worth, for each factor level. These utility scores, analogous to regression coefficients, provide a quantitative measure of the preference for each factor level, with larger values corresponding to greater preference. Part-worths are expressed in a common unit, allowing them to be added together to give the total utility, or overall preference, for any combination of factor levels. The part-worths then constitute a model for predicting the preference of any product profile, including profiles, referred to as simulation cases that were not actually presented in the experiment.

The information obtained from a conjoint analysis can be applied to a wide variety of market research questions. It can be used to investigate areas such as product design, market share, strategic advertising, cost-benefit analysis, and market segmentation. Although the focus of this manual is on market research applications, conjoint analysis can be useful in almost any scientific or business field in which measuring people's perceptions or judgments is important, as shown in the Table 2 below.

The respondents were asked to rank their preferences towards the above profiles or cards from 1 to 16, using a Rank Order Scale from 1 to 16, where Rank 1 stands for the highest preference towards a profile or a card and Rank 16 being the last preference towards a profile or a card, as shown above from Table 2 .

Table2. Card List/Profile List

S.No.	CARD ID	PRICE OF PRIVATE LABEL APPAREL	QUALITY OF PRIVATE LABEL APPAREL	DESIGN OF PRIVATE LABEL APPAREL	ASSORTMENT OF PRIVATE LABEL APPAREL
1	1	CHEAPER THAN BRANDED APPAREL	GOOD	NORMAL	SHALLOW
2	2	EQUAL TO BRANDED APPAREL	GOOD	NORMAL	SHALLOW
3	3	CHEAPER THAN BRANDED APPAREL	MEDIUM	NORMAL	SHALLOW
4	4	EQUAL TO BRANDED APPAREL	MEDIUM	NORMAL	DEEP
5	5	CHEAPER THAN BRANDED APPAREL	GOOD	FASHIONABLE	DEEP
6	6	CHEAPER THAN BRANDED APPAREL	GOOD	FASHIONABLE	SHALLOW
7	7	EQUAL TO BRANDED APPAREL	GOOD	NORMAL	DEEP
8	8	CHEAPER THAN BRANDED APPAREL	MEDIUM	FASHIONABLE	DEEP
9	9	CHEAPER THAN BRANDED APPAREL	MEDIUM	NORMAL	DEEP
10	10	CHEAPER THAN BRANDED APPAREL	MEDIUM	FASHIONABLE	SHALLOW
11	11	EQUAL TO BRANDED APPAREL	MEDIUM	FASHIONABLE	SHALLOW
12	12	EQUAL TO BRANDED APPAREL	MEDIUM	NORMAL	SHALLOW
13	13	EQUAL TO BRANDED APPAREL	GOOD	FASHIONABLE	DEEP
14	14	EQUAL TO BRANDED APPAREL	GOOD	FASHIONABLE	SHALLOW
15	15	CHEAPER THAN BRANDED APPAREL	GOOD	NORMAL	DEEP
16	16	EQUAL TO BRANDED APPAREL	MEDIUM	FASHIONABLE	DEEP

**RESULTS AND DISCUSSION**

Table 3: Utilities

		Utility Estimate	Std. Error
Price	Cheaper than branded	-7.350	.781
	Equal to branded	-14.700	1.562
Quality	Good	2.050	.781
	Medium	4.100	1.562
Design	Fashionable	-2.650	.781
	Normal	-5.300	1.562
Assortment	Deep	-2.250	.781
	Shallow	-4.500	1.562
(Constant)		23.625	2.375

**FINAL CONSUMER PREFERENCE MODEL:**

The total utility values of each profile is calculated by the following formula, based on the utilities values obtained as in Table 18 above

$$\text{Total Utility} = (\text{Utility (Price)} + \text{Utility (Quality)} + \text{Utility (Design)} + \text{Utility (Availability)} + \text{Constant})$$

The Profile 4 has got the highest Total Utility Value

For Profile 4 the Total Utility Value is calculated as

$$\text{“Utility (Cheaper Price) + Utility (Medium Quality) + Utility (Fashionable Design) + Utility (Deep Assortment)”}$$

$$\text{Total Utility for Profile 4} = (-7.350) + 4.100 + (-2.650) + (-2.250) + 23.625$$

$$\text{Total Utility for Profile 4} = 15.475$$

Hence the Profile 4 is the best preferred profile by the consumers it can be inferred that Profile number 4 has the highest utility

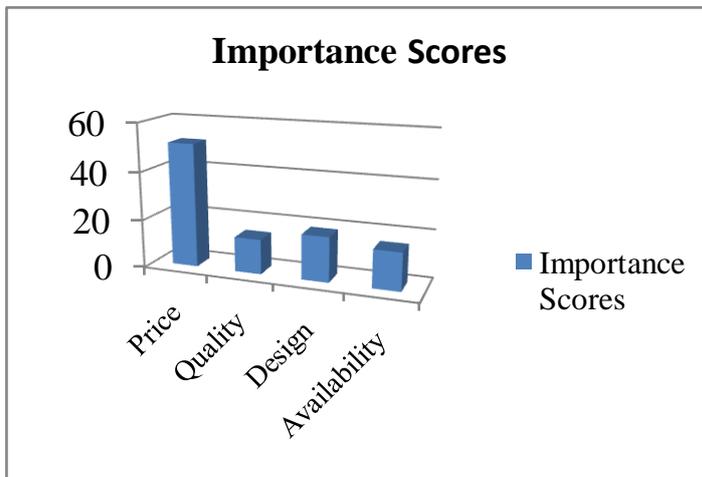
That means the consumers prefer those private label apparel which is priced cheaper than branded apparel even though the quality of the private label apparel is of medium quality and they prefer the private label apparel which are fashionable in design and deeply assorted.

Table 4: Importance Values

Price	51.318
Quality	14.421
Design	18.596
Availability	15.665

Averaged Importance Score

### Graphical Representation of Importance Score



### RELATIVE IMPORTANCE

The range of the utility values (highest to lowest) for each factor provides a measure of how important the factor was to overall preference. Factors with greater utility ranges play a more significant role than those with smaller ranges.

The above table provides a measure of the relative importance of each factor known as an importance score or value. The values are computed by taking the utility range for each factor separately and dividing by the sum of the utility ranges for all factors. The values thus represent percentages and have the property that they sum to 100.

The results show that price has the most influence on overall preference. This means that there is a large difference in preference between product profiles containing the high price and those containing the least price.

The results also show that a money-back guarantee plays the least important role in determining overall preference. Price plays a very significant role in this model.

Table 5: Coefficients

	B Coefficient
	Estimate
Price	-7.350
Quality	2.050
Design	-2.650
Availability	-2.250

This table 5 shows the linear regression coefficients for the factors. The utility for a particular factor level is determined by multiplying the level by the coefficient.

Table 6: Correlations(a)

	Value	Sig.
Pearson's R	.955	.000
Kendall's tau	.850	.000

a. Correlations between observed and estimated preferences

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This table 6 displays two statistics, Pearson's R and Kendall's tau, which provide measures of the correlation between the observed and estimated preferences. The table also displays Kendall's tau for just the holdout profiles. Remember that the holdout profiles (4 in the present example) were rated by the subjects but not used by the Conjoint procedure for estimating utilities. Instead, the Conjoint procedure computes correlations between the observed and predicted rank orders for these profiles as a check on the validity of the utilities.

In many conjoint analyses, the number of parameters is close to the number of profiles rated, which will artificially inflate the correlation between observed and estimated scores. In these cases, the correlations for the holdout profiles may give a better indication of the fit of the model. Keep in mind, however, that holdouts will always produce lower correlation coefficients.

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