



## Research Article

# A Study on Connecting Customers through Presence of Regional Brands in Food Retailing

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### Abstract

The Indian retail industry is the fifth largest in the world. Comprising of organized and unorganized sectors, 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. With growing market demand, the industry is expected to grow at a pace of 25-30% annually. The India retail industry is expected to grow from Rs. 35,000 crore in 2004-05 to Rs. 109,000 crore by the year 2010. In 2007, the retail trade in India had a share of 8-10% in the GDP (Gross Domestic Product) of the country. The study examines the role of regional brands in connecting customers in food retailing. Private labels or store brands are on escalating journey for growth in last few years in Indian market. The growth of private label brands (PLBs) is quite impressive in food and grocery segment, in spite of presence of leading national manufacturers brands in most of the categories. Though, initially PLBs were considered as cheap alternatives and therefore visible in copycat and generic categories, today they are a part of well defined retail mix strategy, are developed in value innovators and premium categories for profit maximization and customer loyalty.

**Keywords:** Regional Bands; Private Label; Customers; Retailing.

### Introduction

India has often been called a nation of shopkeepers. Presumably the reason for this is; that, a large number of retail enterprises exist in India. In 2004, there were 12 million such units of which 98% are small family businesses, utilizing only household labour. Even among retail enterprises, which employ hired workers, a majority of them use less than three workers (Nathan, 2012). Retailing consists of the sale of goods or merchandise from a fixed location, such as a department store; shopping mall etc. The retailer buys goods or products in large quantities from manufacturers either directly or through a wholesaler, and then sells smaller quantities to the end-user. Retail establishments are often called shops or stores. Retailers are at the end of the supply chain. Manufacturing marketers see the process of retailing as a necessary part of their overall distribution strategy. In the retail outlet various type of good and service are provide to the customer but all the goods and services are generally homogenous in nature through all the other retail outlets.

Product and services of every company are available in every retail outlet (Balachandran, 2010).

### *Emerging Trends in Retailing*

In recent years the nature of retailing has changed dramatically, as firms try to protect their positions in the market place. Many customers are no longer willing to spend as much time on shopping as they once did. Some sectors of retailing have become saturated, several retailers are operating under high levels of debt and number of retailers after running frequent "sales", have found it difficult to maintain regular prices. Retailers are adapting to\*the shopping needs and time constraints of working women, dual earner households and the increased customer interest in quality and customer service:

Retailing of mobile handset and accessories will grow to Rs. 5000 crores by 2010.19. Third party logistics market is estimated at US\$ 20 billion by 2011. Demand for private labels in the rise, will grow further. In-house brands will see a growing demand amongst the retailers and will also ensure margin stability. India's fast moving consumer goods (FMCG) industry has introduced 251 new products

up to October 2007, as against 191 in the same period last year. The Indian healthcare IT market is expecting a growth rate of 22% says a Springboard Research report. India's food and beverages sector, growing at 9%, is expected to attain US\$ 117.25 billion by the end of this year. With 54% of its 1.1 billion people aged below 25, it is one of the world's largest markets for TV. India's food service industry is expected to grow 48% to US\$ 667.49 million in the next two years.

According to a report by Price Waterhouse Coopers, India could grow to almost 90% of the size of the US economy by 2050. According to Confederation of Indian Industry, Yes Bank study, India's US\$ 35.17 billion rural retail market is expected to cross US\$ 45.22 billion by 2010 and US\$ 60.29 billion by 2015. The size of the luxury market in India is estimated at around US\$ 3.5 billion, and could easily leapfrog to US\$ 30 billion by 2015. Indian consumer spending will quadruple to US\$ 1.77 trillion by 2025, from about US\$ 431.69 billion in 2005 due to a jump in its middle-class population and a rise in household income, according to a McKinsey study.

**Objective of the Study**

- To identify the customer’s preference towards the regional brands in food retailing.
- To analyze the present local brand scenario in terms of price, availability and promotion efforts.

**Literature Review**

The retail environment today is changing more rapidly than ever before (Dabholkar, 1996). It is characterized by intensifying competition from both domestic and foreign companies, a spate of mergers and acquisitions, and more sophisticated and demanding customers who have great expectations related to their consumption experiences. Consequently, retailers today must differentiate themselves by meeting the needs of their customers better than their competitors. There is general agreement that a basic retailing strategy for creating competitive advantage is the delivery of high service quality (e.g., Berry, 1986; Hummel and Savitt, 1988). Since services are intangible, heterogeneous, and inseparable, it is difficult to measure service quality objectively. Over the years, many researchers have proposed and evaluated alternative service quality models and instruments for measuring service quality. Among these models, SERVQUAL (Parasuraman *et al.*, 1985) is the most prominent and the most widely used. The authors of this model proposed that the consumer’s opinion of quality is formed by an internal comparison of performance with expectations. Good service quality means that the customers’ perceptions of service performance meet or exceed their expectations of what the service firm should provide. Through in-depth interviews and focus group discussions with firms in four

different service industries, Parasuraman *et al.* (1985) identified five determinants of service quality which include tangibles, reliability, responsiveness, assurance, and empathy.

**Research Methodology**

In this study, researcher adopted descriptive research design, which comes under formal research, where the objectives are clearly established. The sample taken in this study is 1000 customers. The method of sampling used in this study is random sampling. The primary data were collected through structured questionnaire and interview with the customers. Simple percentage analysis is used to analyze the data.

**Findings and Discussions**

**Income of the Respondents**

Majority of respondent belongs to income between 10000 -15000. So the retailers try to concentrate this segment by giving adequate offers. The major media carry the information about the regional brands are notices. If the marketers use few more media like newspapers and outdoor media, they can create more awareness about their products (Table 1).

**Table 1:** Income of the respondents

	Frequency	%	Valid %	Cumulative %
Below10000	29	2.9	2.9	2.9
10000-15000	458	45.8	45.8	48.7
15000-20000	380	38.0	38.0	86.7
20000Above	133	13.3	13.3	100.0
Total	1000	100.0	100.0	

**Inference:** Majority of respondent (45.8%) belongs to income between 10000 -15000

**Respondent Reasons and preferences for Using Local Brand**

Price is the major factor influence the preference of local or private label brands. If they can offer on the same price the demand for the products will be sustainable. Majority of respondents are using the local brands because of the low price (Table 2). If the major brands also can concentrate on offering their products at low price will yield results.

**Media Influence on Respondents**

Table 2 shows the media Influence on respondents, it is evident that majority of them are influenced by notice whereas, minimum by friends.

Local branded coffees plays vital part in the coffee segment, including Krishna coffee, 66% people prefer local brands (Table 4). Similarly, the local brand is having a major share in the detergents (Table 5). If the retail outlet

make available of these products may be more useful for the customers.

**Table 2:** Media Influence on respondents

	Frequency	%	Valid %	Cumulative %
News Paper	230	23.0	23.0	23.0
TV	160	16.0	16.0	39.0
Notice	250	25.0	25.0	64.0
Friends	140	14.0	14.0	78.0
Others	220	22.0	22.0	100.0
Total	1000	100.0	100.0	

**Inference:** Majority of respondent exposed to the regional brands through notices.

**Table 3:** Respondent reason for using local brand

	Frequency	%	Valid %	Cumulative %
Price	310	31.0	31.0	31.0
Quality	109	10.9	10.9	41.9
Quantity	146	14.6	14.6	56.5
Convenience	295	29.5	29.5	86.0
Others	140	14.0	14.0	100.0
Total	1000	100.0	100.0	

**Inference:** Majority of respondents are using the local brands because of the low price.

**Table 4:** Respondent preference on local brand in coffee

	Frequency	%	Valid %	Cumulative %
Krishna	160	16.0	16.0	16.0
Bru & Nescafe	440	44.0	44.0	60.0
Others	400	40.0	40.0	100.0
Total	1000	100.0	100.0	

**Inference:** Local branded coffees plays vital part in the coffee segment, including Krishna coffee, 66% people prefer local brands.

**Table 5:** Respondent preference on local brand in Detergent

	Frequency	%	Valid %	Cumulative %
Arasan	110	11.0	11.0	11.0
Jet	70	7.0	7.0	18.0
21.00	230	23.0	23.0	41.0
Others	590	59.0	59.0	100.0
Total	1000	100.0	100.0	

**Inference:** Majority of the respondents prefer local brands of detergents comprises of 59%.

Milma ghee is the major brand demanded by the customers. If the retailers make available of more milma products will be helpful for the customers (Table 6). Table 7 shows that Eastern brands contributes major share in the spices and similarly, Table 8 shows that Periyar brands rice. The local brands are the most preferred in the pickle segment too (Table 9). So the retailers can concentrate on these brands will yield good results.

**Table 6:** Respondent preference on local brand in Ghee

	Frequency	%	Valid %	Cumulative %
Milma	580	58.0	58.0	58.0
Nambisan	120	12.0	12.0	70.0
Brahmins	80	8.0	8.0	78.0
A1	100	10.0	10.0	88.0
Others	120	12.0	12.0	100.0
Total	1000	100.0	100.0	

**Inference:** 58% of the respondents prefer Milma ghee.

**Table 7:** Respondent preference on local brand in Spices

	Frequency	%	Valid %	Cumulative %
Aachi	120	12.0	12.0	12.0
Mahima	210	21.0	21.0	33.0
Angel	160	16.0	16.0	49.0
Eastern	340	34.0	34.0	83.0
Others	170	17.0	17.0	100.0
Total	1000	100.0	100.0	

**Inference:** Eastern brand is the majority of the respondents preferred brand.

**Table 8:** Respondent preference on local brand in Rice

	Frequency	%	Valid %	Cumulative %
Postman	260	26	26	26
Periyar	290	29	29	55
VAR	260	26	26	81
Others	190	19	19	100
Total	1000	100	100	

**Inference:** Periyar brand is the most preferred local brand of rice.

**Table 9:** Respondent preference on local brand in Pickle

	Frequency	%	Valid %	Cumulative %
Thankam	230	23.0	23.0	23.0
Ganesh	100	10.0	10.0	33.0
Mayilmark	60	6.0	6.0	39.0
Others	610	61.0	61.0	100.0
Total	1000	100.0	100.0	

**Inference:** Other local branded pickles are preferred by majority of the respondents.

**Table 10:** Respondents suggestion to Unavailable local brand in Spices at food bazaar

	Frequency	%	Valid %	Cumulative %
Aachi	220	22.0	22.0	22.0
Mahima	130	13.0	13.0	35.0
Angel	140	14.0	14.0	49.0
Eastern	130	13.0	13.0	62.0
Others	380	38.0	38.0	100.0
Total	1000	100.0	100.0	

**Inference:** Majority of the respondents feel that other local brands are not available in the food bazaar and also feel that the spicy products of Aachi also not available.

**Respondents suggestions**

Even though the customers are satisfied with the local brands available and they don't have any clear suggestions for the improvements (Table 10 & Table 11), the

customers also feels that some of the products are not available like in spices Aachi products are not available. If the retailers can do a survey on the same and identify the un available brands and make available those brands. Cross Tabulation on respondent income, respondents preference on type of products available in food retailing is shown in Table 12.

**Table 11:** Respondents Suggestion for Improvement.

	Frequency	%	Valid %	Cumulative %
Display Arrangement	100	10.0	10.0	10.0
Billing Queue	190	19.0	19.0	29.0
No Suggestion	710	71.0	71.0	100.0
Total	1000	100.0	100.0	

**Inference:** Majority of the respondents have no suggestions for the improvements

**Conclusion**

From the study we can understand that the private label or regional brands plays a vital role in the retailing, especially in the food retailing segment. The study also shows that more than 50% of the shares are belongs to these brands. The retailers can concentrate on these brands and take necessary steps for the availability of these brands in their outlet. The marketers of the regional brands can use more promotional tools to make awareness of their products. Price is the major factor for the preference of the regional brands, so if the manufacturer as well as the retailers concentrates on price discounts so that they connect the customers with them through the regional brands.

**Table 12:** Cross Tabulation on respondent income\* respondents preference on type of products available in food retailing

		Respondents Preference on Type of Products Available in Food Bazaar			Total
		Regional Brand	Popular Brand	Both	
Respondent Income	Below10000	13	4	12	29
	10000-15000	197	61	200	458
	15000-20000	170	54	156	380
	20000Above	40	51	42	133
Total		460	130	410	1000

**Inference:** Majority of the respondents belongs to the income group of 10000-15000 who prefer regional brands.

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