

Full Length Research Paper

“Understanding the scope of private labels”: A case of the organised agri-food retail business

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The case viewpoint is to draw attention to credible attributes or propositions and to evaluate the comparative analysis of the organised agri-food retail chains in India. There is a need to explore the possibilities of marketing private labels in agri-food retail business and consumer acceptability. The research problem tries to highlight a distinct formulation as to why purchase of private brands in the agri-food segment is not highlighted. There is need to study the consumer perception relating to purchase of agri-food private labels. This study tries to create the importance of agri-food retailing in the Indian context followed by the significance of loyalty and repurchase on it.

Key words: Agri-food retail business, private label, supermarkets, unorganised retail market, FDI in retail.

BACKGROUND OF AGRI-FOOD RETAIL BUSINESS

The current state of affairs in agri-food marketing can be summarized as mere misuse of market excess; augment in urbanization and earnings hierarchy and consequential changes in the structure and demand of services and Government intervention. The Ministry of Statistics and Programme Implementation (2010) emphasized it as a study of all activities, agencies and policies pertaining procurement of farm inputs and the movement of Agri products from the farmers to the consumer. Acharya (2007) studied that in a developing country like India there are 4 distinct sub sections, namely: agricultural input, agricultural production, agro-processing and marketing and trade.

Agri-food retailing is emerging as a specialized brand of knowledge in the field of management science. Chengappa (2007) highlighted that food is the largest retail segment in India with around 3.7 million food retail outlets amid an estimated turnover of Rs 7400 billion. Singh (2007) mentioned that food retailing is by far unorganised, highly fragmented and predominantly small for family owned business, whereas investment is following thick in Agri food business and organised supermarket boom has become a new mantra (Reardon and Ashok, 2008). Fisher (2009) highlighted the issue of

wastage of perishable in the agri-food business and how well the large super market chains have systematically embraced supply chain techniques and tools to cope with it. Kundu and Kar (2013) discussed the major structural issues like inefficient distribution system and unscientific sourcing and highlighted the need to study the physical distribution model. The government has accorded it a soaring priority, with numeral fiscal reliefs, incentives and minimizing pre/post harvest waste. Kundu and Kar (2012) highlighted how protest and government intervention has resulted in a significant low growth of the food retail sector. More so, Kundu and Kar (2013) in their study emphasized on developing a revised model of backward integration with major emphasis on developing Cash and Carry format for agri-food products to stabilize the rural and unorganised market scenario in India. The objective was to create a value from farmers to end consumers. Finally, Reardon and Gulati (2008) emphasized 3 issues for the rise of supermarkets: urbanization, consumers per

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capita and FDI liberalization.

Behavioral factors influencing choice: Organised retail business

The National Sample Survey Organization (NSSO) report on household consumer expenditure highlighted a better spending on Agri food purchase by rural India as compared to urban India. Segal and Giacobbe (1994) highlighted that dissimilar needs and varied procured prototype are the reasons why consumers behave in their own way under diverse market scenarios. Fischer (2009) highlighted that agri-product consumption is a function of intention, attitude and other variables which are postulated by the theory of planned behavior. He summarizes a casual relationship of variables across population segments and highlighted significant link between attributes and consumption intention. Acharya (2007) opined that he chose lower price, better service and shopping comfort as preferred outcome, particularly with a neighborhood location. Kumar et al. (1987) highlighted that factors like country of origin and brand which were analyzed against age, gender and income were used to understand the buying decision factors for food products. Ali et al. (2010) indicated freshness, cost, excellence, assortment, packaging and non-seasonal availability as a leading marketing approach for a contemporary food / grocery market accomplishment based on shopper inclination and actions. Although Bahl (2012) made an attempt to analyze the consumer shopping incidence for food products in the midst of diverse occupation, efforts are made to understand buyers' outlook and perception about food safety.

Scope of branding private labels and its influence on customer loyalty and re-purchase intent

Kundu and Kar (2012) highlighted that a huge population base and a growing domestic market for food products, the non-branded perishable items like fruits and vegetable (F&V), and even the branded food industry was homing in converting Indian consumers to their relevant lines. There came the usage of private labels and branding it to project store image. Busch and Bain (2004) highlighted how rapidly food retailers are becoming more global and oligopolistic and are busy creating their own brands. Furthermore, Burch and Lawrence (2005) highlighted a control reallocation in accountability concerning agri-food supply chain on the ploy of control amid the organization as regards type of agri-food production essential, place of assembly, volume and standards associated with it. They emphasized the presence of intense competition for customer patronage which changed the position of private branding and its self space in their outlets. D'silva and Bhuptani (2010) in their study analyzed brand positioning factors and

highlighted its impact on customer loyalty for maximizing sales. Keller and Lehmann (2005) highlighted the profitability factor in selling comparable generic and branded merchandise to establish the value of a consumer to a retail firm. Wettstein et al. (2009) highlighted consumer perception towards private brands and analyzed its scope in developing customer loyalty. The study measured the difference in customers' repurchasing behavior between national and private labels. However, repurchasing behavior does not establish the significance of brand loyalty. Erciset al. (2010) emphasized the significance of implementing strategies and building store loyalty. This study highlighted three factors in building customer loyalty namely: satisfaction effect, trust value perception and store image.

Case objective

- To examine the antecedents and their impacts on retail buying behavior of agri-food retail brands.
- To investigate the role of variables influencing the buying process in selecting an "agri-food private label brand".
- To investigate the impact of "agri-food private label brand" on brand equity.

GOVERNMENT LEGISLATION VERSUS CORPORATE GROWTH OBJECTIVE: CURRENT FDI ISSUES IN AGRIFOOD RETAIL BUSINESS

Identified as the fifth largest in the world, the Indian retail sector is undergoing a transformation and is measured as the fastest emergent segment in the Indian economy. With a shift in consumer inclination and changes in shopping objective, it is a predictable shift from the traditional market to more new formats. But all of them have not yet tasted success because of the heavy initial investments that are required to break even. The Government of India's initiative in recent notification allowing 100% FDI in single brands and 51% in multi-brand has created optimistic sentiments in the air. As such, the sector is at a cross section as on 2013. Despite decelerating economic growth, elevated inflationary situation and a depreciating rupee, the sector is under enormous stress. The segment got highlighted in the media only in 2011 when the Government made radical moves in liberalizing the retail trade by revising FDI legislation. The Government of India took the first step in 2006 by allowing foreign investment in Cash and Carry and thereby opening 51% in Single brand retail in 2011. In 2012, the ceiling for 'single brand' retail was relaxed and FDI in multi brand retail got the approval subject to certain riders. In September 2012, the Government clarifies that the products sold should be of a "single brand", selling internationally and to be branded during

manufacturing. The added clause includes that the foreign investor seeks 51% ownership in the Indian venture, whereas in the case of multi brand retail controversy, legislation prevails. It is now over six months post clearance of 51% FDI in this category, the multi brand sector is yet to see any significant action.

Surprisingly on 6th June 2013, the Government of India came forward with clarification on multi brand retail to clear away the confusion and controversy persisting with the sector. As per the Circular 1, Paragraph 6.2.16.5, the entire investment in the back end infrastructure has to be additionality via Greenfield investments and no possession is possible from back end assets or existing entities (Source: www.adityabirla.com). Moreover multi brand retail trading entity will not be permitted to undertake any wholesale activities nor any other form of distribution and all front end stores have to be 'company owned and company operated' (Source: www.ndtv.com). The 30% sourcing clause from 'small industries' were limited to manufactured and processed products, whereas fresh agricultural produce is permitted to be sold unbranded only. Moreover on the issue of allowing online sales to enable the company to better serve Indian customers, the DIPP clearly said "multi-brand retail trading by way of e-commerce is not permitted".

PRACTICAL IMPLICATION

This case study has a realistic implication for agri-food retailers for perception enhancement regarding understanding the consumer actions in the framework of varying customer demographic and psychographic uniqueness in a promising Indian retail market. The conclusion might assist the retailers to fragment and mark the food and grocery retail clients and, as an outcome, to assume more effectual retail marketing strategies for competitive benefit. The structure representing developing countries like India is used in exploring strategic venture in international retail diffusions. It is also useful for researchers representing emergent economies.

WHAT LIES AHEAD?

The Government of India have tightened the screws at a time when global multi-brand retail chains were looking for easing of hurdles. It can only be summarized that it is a huge setback for both local Indian retailers and its foreign counterparts. As per the new regulations which compel foreign supermarkets to have their own warehouses and outlets, it is most probable that it will result to further holdup of entry, enhance costs and impair cash-strapped local retailers willing to associate with foreign retailers. The clause of restricting foreign retailers from opening Cash and Carry format or any other form of distribution will severely hurt the Indian

wholesale market and consumer at large. Moreover not allowing franchise format and e-commerce would mean a higher gestation period for the foreign retailers.

The so called sunshine sector of the Indian economy became cloudy in 2013. With Government's stringent retail legislation, corporate unwillingness to entry, local unrest among small retailers, uncertainty at center, negative stance on FDI by a majority of political parties and complex macro economic situation of the country, the Indian retail story remained as a dream, with complex practical proposition.

QUESTIONS

1. What are the major influencing factors in retail buying behavior of agri-food products from the viewpoint of organised and unorganised retail formats in India?
2. To what extent do the identified variables influence the buying process in selecting an "agri-food private label brand" from organised super markets?
3. To what extent does the role of "agri-food private label" influences brand equity?

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