

Tapping the potential space-positioning of private labels

Private labels

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Abstract

Purpose – The purpose of this study is to analyze the current scenario of private labels from consumers and retailers' point of view and provide inputs to the retailers that will help them to increase their profitability. Profitability for retailers is a resultant of efficient inventory management in a limited space. This paper studies consumer's purchase behavior and facilitates retailers in their decision-making of the dilemma between the appropriate mix of national brands (NBs) and private labels to increase their profitability. Retailers will be able to do cross-merchandising of the categories of the goods having strong associations and will increase the shelf space of the products, which are preferred by customers.

Design/methodology/approach – Market basket analysis was done for 1,223 transactions including two or more product categories in each transaction. In total, 564 products were studied and these products were further divided into 23 categories. Lift analysis was done 4 times to find an association between the products of all the categories.

Findings – The results find a strong association between some categories and advocate the placement of these combinations together – one being a NB and another private label.

Research limitations/implications – Analysis of only a limited set of brands and their product categories for a value retailer cross-merchandising.

Originality/value – The analysis of sales transactions will help retailers in determining the associations between product categories. This association will be helpful in placing their private labels *vis-à-vis* NBs to do cross-merchandising and allocating judicial space to the product assortment to increase their profitability.

Keywords Associations, National brands, Private labels, Market basket analysis, Top line, Bottom line, Value chain stores, Shelf space

Paper type Research paper

1. Introduction

Retail is an intensely competitive sector with a huge focus on its customers as it is the last player in the supply chain, which has to be highly responsive and effective to meet its customer's needs. The chronicle of the Indian retail market in the near future will be completely influenced by the shift in consumer behavior. Favorable macroeconomic factors such as increasing disposable income, robust consumption patterns, relaxed foreign direct investment (FDI) norms[1] and so on creates an ideal environment for increasing competition and willingness to pay for goods and services (Pande and Narayan, 2018).

