INFLUENCE OF PRODUCT MANAGEMENT ON PERFORMANCE OF PRIVATE LABEL PROJECTS IN KENYA
A CASE STUDY OF NAKUMATT HOLDINGS

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ABSTRACT
Global financial crisis has put pressure on all world economies to innovate means of survival both at macroeconomic and microeconomic environments since the Inflation pressures are forever pulling the rise in living costs. This scenario together with changes in lifestyles creates demand opportunities for private label brand strategic projects by major retail outlets. There is very limited research regarding private label products in Kenya and none explore the influence of product management on performance of private label projects in Kenya. This research therefore examined the influence of product management on performance of private label projects in Kenya. The variables studied were perceived quality, product control and performance of private label projects. This study adopted a descriptive research design because it involves survey and fact finding enquiries with the purpose of describing the state of affairs as is at present without interference, as the researcher had no control over the variables. The target population of the study was drawn from five Nakumatt Holdings Outlets within Nairobi, Kenya. The unit of analysis was eighty eight project managers and operation officers involved in Blue-label and Nakumatt Select projects. Descriptive statistics were used to analyze data collected through questionnaires by use of various tools such as frequencies, standard deviation and the mean. The study sought to benefit Policy makers, Retail chains and consumers. The findings indicated there was positive correlation between the dependent variable and independent variables. The correlation depicts that the success of private label project in retail chains is positively correlated with all the independent variables i.e. perceived quality and product control. The correlation matrix is negating the existence of multi-colinearity among the independent variables as all the correlations were below 0.90. Whilst the retail chain outlet is gaining on performance of its private label projects, the research suggests recommendations on improvements on external stakeholders’ involvement and handling of conflict of interest with manufacturers.

Key Words: Perceived Quality, Resource Availability, performance of private label projects in Kenya
Background to the Study

Generally, it may be argued that the popularity of the store brands is an outcome of a set of interrelated factors including concentration in retailing such as well-organized large retail chains that can develop their own brands, changes in consumers’ loyalty levels towards established national brands, and relatively improved consumers’ attitudes toward store brands partially due to improved quality of store brands over the last several decades (Karp, 2009). There are a number of factors facilitating private label products’ penetration in the retail market. Private label products are generally available to consumers for a long time, and their distribution is well organized, as retail chains are interested in this more than in the movement of famous competing brands. Profitability of private label products, which as a rule is relatively high for retailers and their pricing policy, is more flexible than that of the national and transnational brands.

The features of retail chains which often represent stable oligopolies due to which they sell products of national and transnational brands at relatively high prices. Ultimately, retail chains are more competitive, ensure a higher image, achieve a greater turnover, make cost savings, achieve higher revenue and profits and increase their intangible assets through their private labels. Expanding their positions and accumulating reputation, retailers realize that they are essentially brands and can build a brand identity and create brand personality which is differentiated and sustainable (Cuneo, 2012).

There are significant opportunities for retailers in the private label space as these products are more profitable than branded products. By cutting the middleman (distributor) out, and by avoiding higher marketing costs associated with branded products, private labels enable retailers to increase gross margins. As today’s price conscious consumers are looking for best value for their buck, private labels offer consumers a wider range, better quality, and fairly priced products, thus creating a win-win option for retailers and customers in the current retail landscape. Moreover, private labels offer retailers with more bargaining power with their suppliers. It also helps retailers to have better control over their product offerings and category management.

With the establishment of quality own label products, retailers are able to ‘differentiate their stock from other retailers and manufacturer/national brand products, while also holding a greater control over product quality, stock and price’ and with an outcome of higher gross margins. Moore (1995), cited in Birtwistle and Freathy (1998) furthers this argument, maintaining that these attributes make own label brands an effective tool in gaining competitive advantage over other retailers as the own label products provide the retailer with intangible, symbolic and differential characteristics that a competitor cannot imitate. Originally the low price, low quality products were supported by the stores’ turnover, however it was the introduction of higher quality, higher priced products which improved the stores’ appeal (Corstjens, et al. 1999). Key Note (2003) uphold this argument and that through the quality, guarantee of satisfaction and good value, own label products can hold the success for retailers.

The evolution of private label brands has been driven by a number of benefits for retailers, as follows: Increased bargaining power over manufacturers (Pauwels & Srinivasan, 2004); reactivation and expansion of stagnant categories (Scott & Zettelmeyer, 2004); increased revenues, providing superior margins to those delivered by
manufacturers’ brands (Ailawadi & Harlam, 2004). Strategic benefits, such as an improvement of store image, loyalty and differentiation (Ailawadi, Pauwels & Steenkamp, 2008).

Own brands are influential in attracting new customers and retaining current customers as they ‘add depth and breadth to the retailers’ existing ranges and provide a promotional “pull”’ (Miranda, et al. 2003 p. 44). Through offering products and ranges different to that of their competitors, retailers attempt to create a competitive advantage as exclusivity is built to the supermarket through its unique offering of quality own label brands. It is the high quality store brands that provide differentiation, store loyalty and profitability. In contrast, low quality store brands allow the supermarket to target the price sensitive segments (Corstjens and Lal 2000).

According to the survey conducted by AC Nielsen in 2014, the volume of sales of private label goods in the total sales volume of retail chains in Europe is: in the UK – 41%, in Belgium – 38%, in Germany – 35%, in Spain – 29%, in France – 25%, in Finland – 25%, in Denmark – 25%, in Sweden – 22%, in the Netherlands – 21%, in Norway – 18% and in Italy – 14%. Private label products in USA have contributed total sales of 1USD for every 3 USD spent on packaged goods. The quantity of private label brands in the retail chain is directly proportional to the development of the retail chain itself (Mariyana, 2012).

Global financial crisis has put pressure on all world economies and Inflation pressures are pulling the rise in living costs in Kenya as well, therefore to gain sustainable competitive advantage in the fast moving consumer goods industry locally. Large supermarkets or retail outlets in Kenya like Nakumatt, Uchumi, Tuskeys and Ukwala have taken up projects of introducing own store brands that are either made by them or are subcontracted through the third party manufacturing models. These products are called private labels and have today given rise to the private label brands’ market that provides alternatives or variety of choices for consumers during purchasing (Deloitte Report, 2013).

It is important to note that traditionally, Supermarkets have acted as a market link between manufacturers, suppliers and the consumers or customers who are considered key stakeholders in the retail industry together with government regulatory authorities. This balance is being shifted by the same retail outlets now engaging in projects to introduce their own store brands thus pitching a battle with manufactures because the expansion of large retailers own brands like the Nakumatt blue labels gives a big shock to the market share of manufacturers’ branded products hence influencing the performance of these retail outlets as they compete with manufacturers (Nielsen, 2014). Kenya has over 300 formal retail outlets at different tiers of which Nakumatt with its 65 stores in East Africa and 53 located within Kenya command over 25% share in retail trade at over Ksh 20billions turnover (Euromonitor, 2014)

**Statement of the Problem**

A study by Deloitte (2014) on brand management towards private label brands, notes that majority of retailers are increasingly sensing diminishing returns of up to 10% in some retail sales. This is attributed to competition from new entrants. According to AC Nielson 2014 report, despite regional or global retailers exiting Kenya in the past due to competitive pressures, the country’s positive long term outlook and potential base to expand regionally has attracted international interest. From Massmart/Walmart, which has opened a Game store, to UAE-based Majid Al Futtaim, which already opened Carrefour stores in 2016, and Botswana-
based Choppies acquiring a majority stake in locally-based Ukwalas, the strength of existing retailers is not dissuading international retailers from entering the country.

Building brand awareness in a competitive market will be difficult for these retailers, while extending supply chains and managing stock availability will provide challenges too. However, given existing retailers’ head start, new entrants’ opportunity to grow store presence organically and affordably into the medium term seems difficult.

As the battle of consumers’ market share ranges on between manufacturers and retailers, consumers in developing world are still left with vague or no details on private labels but mostly only presented to or marketed for the private label brands as cheap and economical value for money (Bao & Sheng, 2011).

According to Nielson report of 2014 titled ‘The state of private label around the world’, the private label products struggle to gain consumer trust in developing world because of strong manufacturers’ brand loyalty. Unlike in the developed world, there are few regulations in developing world including Kenya, on the current trade of private label brands.

In overall, there is very limited research regarding private label products in Kenya and none explore the influence of private label projects on performance of these supermarkets in Kenya. This research therefore seeks to examine the influence of private label projects on performance of major supermarkets in Nairobi, Kenya.

**Study Objectives**
The overall aim of this study was to establish the influence of product management on performance of private label projects in Kenya. The specific objectives of the study were to:

- To determine the effect of perceived quality on performance of private label projects in Kenya
- To examine effects of Resource availability on performance of private label projects in Kenya

**LITERATURE REVIEW**
The chapter discusses literature that is relevant to the study. Important theoretical and practical problems are brought out; relevant literature on the aspects pertaining to the influence of private label projects on performance of major supermarkets in Kenya.

**Theoretical Review**
**Attribution Theory**
The Attribution Theory (Heider, 1958) addresses the matter of how people deduce, from limited available evidence, unobservable attributes or dispositions about objects and organisms in their surroundings (Burnkrant, 1975, p. 465). It also explains how people assign causality to events and form attitudes based on their own or other people’s behaviour (Schiffman, 2008; Wang, 2008). Consumers form attribution towards things in order to judge products and service. This is because they want to find out why a product or service meets or does not meet their expectations (Schiffman, 2008). This theory can be used for explaining consumer behaviour in many situations. Among other behaviours, the attribution theory can be used to explain how consumers make purchasing decisions based on inadequate involvement, experience and information of the products.

That means, when a consumer has no previous knowledge about a product, for instance from an earlier purchase, the consumer uses other cues to evaluate the product. The cues used in such a scenario are those that the purchaser has learnt to
use for creating inferences about a product or a brand (Vahie & Paswan, 2006). According to Vahie and Paswan (2006) the consumer can use product assortment or the products stocked by the store as a cue to make inferences about the product. Another cue that a consumer could use is price and additionally, the retail store, such as Nakumatt which owns the private label. According to Burnkrant (1975), the more consistent the cues that a consumer uses to make inferences of a certain product the more effective attribution become. This theory was used in this research to evaluate limitations of perceived quality, costs or profitability of private label projects on the performance of supermarkets in Kenya

**Theory of Project Implementation**

The theory of project implementation was developed by Paul C. Nutt through his work on 'planned change and organizational success (Nutt, 2006), he hypothesized that implementation is a series of steps taken by responsible organizational agents to plan change process to elicit compliance needed to install changes. Managers use implementation to make planned changes in organizations by creating environments in which changes can survive and be rooted ,thus implementation is a procedure directed by a manager to install planned changes in an organization.

There is widespread agreement that managers are the key process actors and that the intent of implementation is to install planned changes, whether they be novel or routine. However, procedural steps in implementation have been difficult to specify because implementation is ubiquitous.

Amachree made several important distinctions pertinent to these processes of planned change, identifying four procedures called the entrepreneurial, exploration, control and implementation sub processes(Bao, Y., Sheng, S., Bao, Y., Stewart, D., 2011). From this perspective, implementation can be viewed as a procedure used in planning change process that lays out steps taken by the entire stakeholders to support change.

Project management body of knowledge also highlights aspects of this theory through the argument that change management must captures a variety of activities that pays strict attention to the human, political and organizational readiness as variables that can impact the success of projects and programs. Change management insights, whether they come from different stakeholders at various points in the project lifecycle, or from analyzing the anticipated impact certain design decisions will have on the organization, are critical to the project planning and execution process (PMBOK, 2013).

This theory was used in this study to relate the effects of product control for example private label brands portfolio management like in-store promotions, visual displays, marketing and product costing influence performance of major supermarkets in Kenya

**Theory of Performance**

The Theory of Performance develops and relates foundational concepts to form a framework that can be used to explain performance as well as performance improvements (Belassi & Tukel 1996). To perform is to produce valued results and a performer can be an individual or a group of people engaging in a collaborative effort (Laslo & Goldberg 2008). The Theory of Performance regard projects as vehicles of organizational strategy, thus they, together (Artto,Kujala,, Dietrich & Martinsuo, 2008) transport the organization from its present position
to the desired state (Shenhar & Dvir, 2007). As such, projects and organizational success go hand in hand. The level of performance depends holistically on six components thus context, level of knowledge, levels of skills, level of identity, personal factors, and fixed factors.

Scholarly literature is bound with attempts to propose project performance criteria (Belassi & Tukel 1996, Pinto & Slevin, 1988). For example, performing at a higher level produces results that can be classified into quality increase which implies that results or products are more effective in meeting or exceeding the expectations of stakeholders.

Cost decreases are the amount of effort or financial resources to produce a result goes down; amount of waste goes down. Capability increases means the ability to tackle more challenging performances or projects increases. Capacity increases implies the ability to generate more throughput increases. Knowledge increases involves the depth and breadth of knowledge increases. Skills increase are the abilities to set goals, persist, maintain a positive outlook. Increase in breadth of application and in effectiveness. An identity and motivation increase implies that individuals develop more sense of who they are as professionals; organizations develop their essence (Bransford, Brown & Cocking, 2000; Sauser, Reilly & Shenhar, 2009).

While some factors that influence improving performance are immutable, other factors can be influenced by the performer or by others. The factors that can be varied fall into the following three categories. Performer’s mindset includes actions that engage positive emotions. Examples include setting challenging goals, allowing failure as a natural part of attaining high performance, and providing conditions in which the performer feels a right amount of safety. Immersion in a physical, social, and intellectual environment can elevate performance and stimulate personal as well as professional development.

Elements include social interactions, disciplinary knowledge, active learning, emotions (both positive and negative), and spiritual alignment. Reflective practice involves actions that help people pay attention to and learn from experiences.

Examples include observing the present level of performance, noting accomplishments, analyzing strengths and areas for improvements, analyzing and develop identity, and improving levels of knowledge (Sauser, Reilly & Shenhar, 2009).

This theory was fundamental in determining level of performance of supermarkets due to private label projects that they have implemented.

Conceptual Framework

![Conceptual Framework Diagram]

**Perceived Quality**
- Intrinsic attributes (conformance)
- Extrinsic attributes (packaging)
- Aesthetic value and design

**Product Control**
- Operation Cost
- Marketing & communication, Distribution
- Pricing

**Performance of Private Label Projects.**
- Project Delivery (in-Full Time, Quality, Cost budget, Risks)
- Stakeholders & Customer (involvement or complaint)

**Independent Variables**

**Dependent Variable**

**Figure 1: Conceptual Framework**

Perceived Quality
Perceived product quality may be defined as the way in which a customer views products brand equity and overall superiority compared to the available alternatives. It relates to a customer’s attitude towards the overall brand experience as opposed to just product’s particular characteristics. Customers will use product performance, as well as the degree to which the product conforms to manufacturing standards and product-specific attributes, to judge product quality (Agarwal and Teas 2004). Perceived quality is defined in terms of consumer judgment of intrinsic attributes (taste, ingredients, nutrition value and overall quality (Archna, 2006)).

According to Collins (2003) consumer evaluates the quality in association of extrinsic and intrinsic cue. Intrinsic cue is the perception of quality through physical characteristic of the product (color, size, flavor or aroma) while extrinsic cues are attributes which have some relations with the product (package, price, advertising and peer pressure). Because extrinsic cues are more familiar with customers, based on this cues it is easier for them to evaluate the products.

Many studies have proposed the following eight contributes/dimensions. Performance: a product’s primary operating characteristics. Feature: the additional features or the ‘bell and whistles of the product. Conformance: the extent to which a product’s design and operating characteristic meet established standard. Reliability: the probability that a product will operate properly over a specific period of time understated conditions of use. Durability: the amount of use the customer gets from the product before it deteriorates physically or until replacement is preferable serviceability: the speed, competence, and courtesy of repair. Aesthetics: how a product appeals to our five senses.

Customer perceived quality: customers perceptions of a product quality based on the reputation of the firm. Quality is how the recipient of the product or service views the product or service: before buying, upon delivery, and after the delivery-and use.

Thus quality is the totality of features and characteristics of a product or service that bear ability to satisfy stated or implied needs. Quality is how the recipient of the product or service views the product or service: before buying, upon delivery, and after the delivery-and use. In other words, quality is satisfying the customer and it is defines by customer (Archna, 2006).

Quality of private label brands might be seen in to two dimensions these are the level of quality relative to the national brand and variability. National brands are produced in high technology and sophisticated process while PLBs are produced in less technology and unsophisticated process this will diffuse the quality variability. The variability in product creates perception difference among individuals. According to Archna private labels are risker than the manufacturer’s brands because higher product variability and lower quality makes consumer to be unsatisfied.

Quality perception determines consumer proneness to buy a private brand. However, product quality comparison assessment is evaluated by the consumers not by the companies. Sometimes consumers give higher value to lower attributes. In addition to that, consumer perception of quality change over time as a result of added information. Product quality is important in explaining the market shares of private label products. Private label products are more successful in categories where quality is closer to that of manufacturers’ products. (Semeijn et al. 2004) concluded that when quality variance within a product category is high, consumers will choose manufacturer brands over
private labels, to reduce perceived risk of that purchase.

R Batra defines perceived risk as the uncertainty of a desired performance all customers experience when making purchasing decisions. Customers' buying behaviors are considerably influenced by the risks perceived by them towards purchased products.

These risks include the fear of the failure by the products in question to meet expected physical properties or the avoidance of getting a social reaction after buying the product in question (R Batra, 2002). Different quality levels of private label products increase the risk perceived towards the product line in question. It is stated that consumers who do not want to take a risk prefer buying more expensive products so as to reduce buying a poor-quality product (Bao, 2011). Risks that consumers encounter during purchase may develop negative attitudes towards retailers' private labels. For example, product performance may be deemed insufficient. Product may be disapproved by the social circle of consumer or there may be an uncertainty on product performance in the market. Some consumers believe that private labels are poor-quality and that buying these brands is a loss of money (Beneke et al., 2012; Demir, 2011).

Perceived risk is actually a multidimensional phenomena which can be segmented into various different risk components. The more common components of perceived risk include functional/performance, physical, financial, social and psychological risk (Schiffman & Kanuk, 2009; Laforet, 2007). Financial Risk arises from the possibility of a monetary loss from a poor purchase choice or losing money by purchasing an inadequate or unfamiliar brand. Financial risk also includes the risk that the product’s quality does not match its price or that it is overpriced and available at a cheaper price elsewhere. Financial liabilities accepted by consumers upon purchase of a product lead to financial risk.

Besides, it is expected that the more expensive a product is, the bigger financial risk is. Social Risk involves a possible perceived loss of image or status through the purchase of a particular brand or product. Since social risk takes into account how society influences a consumer’s decision, it becomes an important element of perceived risk.

Physical risk arises from the possibility that the product may harm the consumer and others in a physical sense—in other words, a consumer’s fear that certain products can damage their health or physically injure their person. Functional or performance risk is related to the uncertainty that the outcome of a product purchase will not meet consumer expectations. If a product is purchased for the first time, there is no information about the product, or use of the product requires expertise, functional risk is expected to increase. Psychological risk arises from a customer’s disappointment in making a poor product or service selection. Customers are certainly conscious of the losses that may arise due to product failure hence a product with a relatively high perceived likelihood of malfunction will lower its perceived value. Thus the level of perceived risk in a specific product category is a vital factor in private label product purchases.

There is strong support from the literature that customers depend on perceptions of quality to form perceptions about risks (Batra & Sinha, 2000). The higher the level of perceived quality, the lower the risk in a particular product. It has also been put forward that perceived risk is a mediator between perceived product value and perceived product quality (Snoj, Korda & Mumel, 2004; Argawal & Teas, 2001). When it comes to private labels, purchase risk is usually evaluated in relation to
manufacturer brands. Giving that private labels are positioned as cheaper alternatives to established manufacturer brands (Gonzalez Mieres et al., 2006) comparison leads to inferior perception of private labels and decrease in likelihood of their purchase.

Richardson et al. (1996) have empirically shown that the perception of private labels as riskier alternatives in relation to the manufacturer brands has a negative impact on consumers’ purchase intentions with regard to private labels. Similarly, (Erdem et al. 2004) showed that the reduction of difference in perceived quality and perceived risk between private labels and manufacturer brands may lead to increased likelihood of private label purchase.

Product Control

Supermarkets control private label products from their own private label projects hence they can decide the marketing activities such as advertising, packaging, pricing, sales, and distribution. The private label products are only available from the retailer (Chen, 2008). Private label projects allow supermarket to create a personalized and unique image, which promotes stronger customer loyalty. Control of how a product is marketed and delivered to the client is one of the most important factors on whether a sale is made or the customer goes elsewhere. More often than not, this is determined within seconds of a product being recognized on the shelf.

By making available everything from free samples to providing brochures, customers are in complete control of their purchases and because the product addresses their specific interests the sale is made without the store employee or manager’s direct involvement. Private labels have the distinct advantage of creating better sales opportunities for retailers. By saving on brand marketing costs and free riding on brand investments, private labels can be supplied to retailers at significantly lower cost than brands, allowing the retailer to earn higher margins when pricing private labels just below brands. Facilitating consumer segmentation - by using the brand as a reference point, the retailer may promote private label as a means to better target price-conscious consumers while developing multiple price-quality tiers to increase category sales.

Promoting retailer’s own name and status and building consumer loyalty - with the private label bearing the retailer’s name, the retailer may be able to draw quality inferences from the leading brands while appearing to offer increased choice and value and so enhance its consumers’ champion image and build loyalty with its customers. Enhancing retailer differentiation and reducing price comparability.

As private labels are unique to the retailer, they offer a point of differentiation from other retailers and make it more difficult for consumers to make like-for-like price comparisons, thereby easing the intensity of price competition with rival retailers.

Creating revenue synergies across categories by successfully promoting private label in one category, consumers may be encouraged to experiment with private label in other categories and so become more accustomed to buying private label for a wider range of products. Weakening brand producer's bargaining position - by having a credible alternative in place, retailers are less susceptible to withholding threats from brand suppliers, and in turn can extract more favorable terms in the form of increased discounts, funded price promotion support, and incentive payments from brand producers From specialized logos to tag lines with the potential buyer in mind, a shopper’s
experience suddenly becomes more personal and once again this leads to increased customer loyalty.

Due to the flexibility of private labeling, the merchant can acquire manufactured products which can easily be re-branded into a specific form or purpose. This allows the retailer to create a uniquely designed product with multiple business features.

This process can be done in less time and for a lower cost than it would take for the manufacturing of a top brand product. As an example, a private label is able to offer a quality product at a discounted price while exhibiting a sophisticated packaging that can rival the larger brand names. The customer feels his needs are being looked after while the retailer is providing the same top-level quality and service. This higher level of control can also be used to directly target a retailer’s pricing strategy. The store will have the advantage of offering the shopper different purchasing options such as a 2-for-1 or BOGO (Buy one, get one free) that larger corporations hesitate to offer.

It is proven that such offers further reinforce the very realistic appeal of a client getting “more for their money”. The retailer also has direct influence when certain sales may take place, say, for example, on the third Saturday of every month. Not only will clients continue to habitually return, but the retailer can also advertise in tandem additional items which are regularly priced and that same client is more likely to purchase because they have saved money on the private label. Another important aspect of product control that cannot be overlooked is in relation to the retailer and the private label provider themselves. Larger companies have been known to push their own products on consumers that neither the supplier nor the consumer may wish to buy.

This can lead to the shopper feeling too pressured into a purchase and sour him to the in-store experience in general. Taken to an extreme, an increasingly alarming trend has been seen in the less-than-honest practices of some of the larger brand names. Considering that they are looking to cut costs wherever possible, there have been numerous cases where they will actually market your client directly.

It is disturbingly simple to see that it is more economical for these producers to sell directly to their target rather than pay the retail chain which they may consider just another expense.

Alternatively, considering the private provider is not a multinational corporation, the retailer has more bargaining power in regards to price, delivery, and presentation. By providing numerous brands of cereal, for instance, ranging from the economical package to the higher-end option while maintaining the lower cost and integrity of a private label, many customers will choose the private brand over the more well-known package which is more expensive. Thus, the retailer can more readily cater to the target market. The decline of such massive conglomerates as the cereal company Kellogg’s illustrates the success of such product control

**Private Label Projects Performance**

Products from private label projects are increasingly being used to differentiate supermarkets and to counterbalance the power of their suppliers (Coughlan et al., 2001). The characteristic of private label project products lies in the fact that these products are, most of the time, only sold by a certain retail chain who is the owner of that product. According to ACNielsen report, a private label is characterized by being a product produced, improved, processed, packed or distributed exclusively by the organization that has the product
control. It can carry the company’s name or use other brand not associated to the company’s name.

Due to these characteristics and their appeals, the market for private label products has grown a large amount in the last years (ACNielsen, 2014). Among the reasons that explain this growth, there is the fact that more and more retailers are seeking competitive advantages in the brands they offer and trying to use products from private label projects to increase their margins. In general, products from private labels projects can bring retailers a higher profit margin compared to those of branded products.

Another explanation, probably the most important one, for the growth of products from private label projects is the cost: private-label products are usually costed lower than branded products. Since the quality of private-label products is increasing continuously, customers get the impression that they can generate better value from the money they spend if they buy private-label products.

The growth of private labels product can also be attributed to the growing strength of the hypermarket and supermarket concepts which has supported the private label trend. The expansion of the supermarket chains has not only made private label products more freely available to customers, but also helped to reinforce supermarket branding and build trust. The branding of retailers through private labels has three underlying motives to become more competitive

To reduce manufacturers’ power in dictating margins, to differentiate product offerings from the manufacturer branded products offered by their retail competitors and to increase the stock and/or sales value of their companies. Private Label brands are known to be quickly growing in sales, and this represents big challenges for National or manufacturers brands. “Increased shopping frequency has been associated with greater brand familiarity, and thus a greater incidence of PLB purchasing” (Shannon, 2005). A major question that rises is if consumers are willing to continue paying a price premium for their manufacturer’s brands, while economy is clearly not flourishing. Even though consumers recognize quality differences between PLB’s and manufacturers brands, they switch to PLB’s because of the price. This implicates more marketing efforts from the manufacturers to build up their brand equities and loyalties (AC Nielson, 2014).

It is known that private label products increase retailer’s power over suppliers in the vertical and horizontal channels, in addition, recent work shows that there is a necessary coexistence between store and manufacturer brands in the consumer packaged goods sector” (Pepe, 2011). All of this put manufacturers in a tough position where they have to look for alternatives to compensate for their decreasing sales volumes. Many have opted to increase their price premiums over PLB’s so they can retain or grow their profits regardless of the drops in sales volumes. “Most stores sell some combination of Manufacturers brands as well as PLB’s. the private label products are of particular interest, because these help the stores in differentiating their merchandize, increase the potential sales by attracting more customers and they may help control costs and build up store loyalty” (Vahie, 2006).

Product management decisions play a role in private label growth (Hoch, Montgomery and Park, 2002). The price differential between national and private labels is one important basis for selling private labels.

Intuitively, price differential would have a positive relationship withprivate label shares as
conventional wisdom suggests that private labels gain sales by offering the brand at a price lower than that of national brands.

However, previous cross category studies including Hoch and Banerji, Sethuraman, have found a negative relationship between price differential and private label share across categories (Bao, Bao & Sheng, 2011). That is, the bigger the price gap, the lower the private label shares.

Perhaps of most importance is the new approach that supermarket companies have taken in the marketing of private label products. The new marketing approach includes better packaging, improved quality and specific advertising and promotional programs designed to increase customer awareness and sales of private label products. Also, many supermarkets have developed premium quality private label products as well as new and unique products that are not being offered by national product manufacturers.

This trend has resulted in consumers changing their perception of private label products from one of low quality to one of premium quality (AC Nielson 2014). As the quality of private label products has increased so have the cost of accessing them, the result is that not only are consumers buying more private label products than ever before, but they are also paying higher prices which has contributed to a higher overall spending level for private label products.

Supermarkets enjoy some benefits in launching private labels projects with the aim of producing competitive products. One benefit is the increased profit margin. By developing private labels products and increasing the share of private label products within their ranges, retailers are able to retain successfully more of the gross margin generated from selling the products.

Private labels do not need large expenses of advertising as manufacturers brands do and take a free ride on manufacturers’ product development efforts at the same time. Another benefit is related to the supermarkets’ image. Supermarkets can choose the position of the brand and decide on the packaging and contents of the private label to build its image. It allows a retailer to differentiate itself from close competitors and to drive traffic (Bao, Bao & Sheng, 2011). Private labels can be the retailer’s most important tool in terms of positioning and differentiation. Through strategic private label product positioning, retailer can strengthen their bargaining position when negotiating supply terms with manufacturers’ brands.

**Empirical Review**

**Perceived Quality**

With the establishment of quality own label products, retailers are able to ‘differentiate their stock from other retailers and manufacturer/national brand products, while also holding a greater control over product quality, stock and price’ and with an outcome of higher gross margins. Moore (1995), cited in Birtwistle and Freathy (1998) furthers this argument, maintaining that these attributes make own label brands an effective tool in gaining competitive advantage over other retailers as the own label products provide the retailer with intangible, symbolic and differential characteristics that a competitor cannot imitate.

Originally the low price, low quality products were supported by the stores’ turnover, however it was the introduction of higher quality, higher priced products which improved the stores’ appeal (Corstjens, et al. 1999). Key Note (2003) uphold this argument and that through the quality, guarantee of satisfaction and good value, own label products can hold the success for retailers.
The evolution of private label brands has been driven by a number of benefits for retailers, as follows:

Increased bargaining power over manufacturers (Pauwels & Srinivasan, 2004); reactivation and expansion of stagnant categories (Scott & Zettelmeyer, 2004); increased revenues, providing superior margins to those delivered by manufacturers’ brands (Ailawadi & Harlam, 2004). Strategic benefits, such as an improvement of store image, loyalty and differentiation (Ailawadi, Pauwels & Steenkamp, 2008).

Own brands are influential in attracting new customers and retaining current customers as they ‘add depth and breadth to the retailers’ existing ranges and provide a promotional “pull” (Miranda, et al. 2003 p. 44). Through offering products and ranges different to that of their competitors, retailers attempt to create a competitive advantage as exclusivity is built to the supermarket through its unique offering of quality own label brands. It is the high quality store brands that provide differentiation, store loyalty and profitability. In contrast, low quality store brands allow the supermarket to target the price sensitive segments (Corstjens and Lal 2000).

**Product Control**

In a study on the effect of online available information and pattern of only product inspections on consumers' behaviour and decision-making process, Helen and Charlotte established that product inspection helps the buyer to customize stimulating more utilitarian effects, whilst online availability of fashion information is driving retailers readiness to help and guide the consumer stimulating hedonic effects (Helen and Charlot, 2012). Krishnakumar and Gurunathan on the other hand observed that consumer behaviour changes in apparel buying are attributed to their want of more choice, value, service, experience and convenience. The study shows that the preference of custom made tailoring by next generation consumers is diminishing. In India, there are also some studies that highlight that there exist several factors which are responsible for different buying behaviour of the customers in the context of Readymade Garments (Krishnakumar, 2012).

**Private Label Performance**

Saravanan in a study on customer buying decisions established that that education plays an important part in buying decision making process and that women play a major role in family buying decision making process (Saravanan, 2010). Jin and Kang in their study of purchase intention toward foreign brand jeans using four antecedents namely face saving, attitude, perceived behaviour control, and subjective norms found that face saving, attitude.

Perceived behaviour control have significant influence of purchase intention whereas subjective norms has not significant influence toward purchase intention (Jin and Kang, 2010). In their study Syuhail and Fah analyzed the effect of sales promotion schemes on purchase among students. This study found that gender does not affect the purchase decision making process; but monthly income affect the purchase behavior of students belonging to different income groups. There is a positive relationship between intention to purchase and availability of sales promotion offers (Syuhail and Fah 2011).

Irani conducted a study of clothing in Iran and found that variety is a key influencing factor while purchasing fashion clothes. The study also found that price sensitivity is not positively related to hedonic pleasure (Irani 2011). Maria, Anne and Pia
explored and analysed mature women’s buying behavior of clothes. The result suggests that for mature women, fashion, brand, retailer, price & style are significant factors while purchasing clothes (Maria et al, 2011). Furthermore, Krishna recognized the factors that affect the consumer decision making process while purchasing private label garments and suggested that consumers are affected by both internal and external factors; internal factors can be demographical, lifestyle orientation etc and external factors can be brand, cost, style of clothes, quality etcetera (Krishna, 2011).

In this study Rajput found out that price, fitting, income levels of consumers are important factors and some factors which are found to be insignificant are status, durability, and celebrity endorsement.

The customers purchase readymade garments mostly during discount period (Rajput, 2012). Mittal and Aggarwal also found out that price, quality and design are the essential factors considered by customer while shopping (Mittal, 2012).

Vikkrman and Sumathi in their study on customer buying behavior established that self -concept, need for uniqueness also influence clothing interest and indirectly influence the purchase intention in the case of global and local brands. The readymade garments are becoming popular with youth. Better fitting garments, awareness of brand coupled with availability of leading names, latest designs and varieties were found to be primarily responsible for youth opting for readymade garments. Provocation by advertising was the foremost factor for buying garments Vikkrman and Sumathi, 2012).

RESEARCH METHODOLOGY

This chapter explains the methodology that was used in the entire study. This study adopted a descriptive research design because it involved survey and fact finding enquiries with the purpose of describing the state of affairs as is at present without interference, as the researcher has no control over the variables (Kothari, 2004). The target population of the study was the two main private brand projects namely; Nakumatt Blue Label and Nakumatt Select and was drawn from project and operational managers in five Nakumatt Holdings outlets within Nairobi Namely Lifestyle, Westgate, Mega, Junction and Prestige. Due to the fact that the target population was small the study undertook census survey which involves the use of the entire population of Eighty eight (88) respondents. Primary data was collected using questionnaires which contained both open-ended and closed-ended question items. The method of data collection considered both primary and secondary data. Permission was sought from project managers to undertake the research study and when granted, each participant was given an invitation to participate in the study attaching a letter explaining the nature of the research as well as what will be required of the participants. To strengthen the reliability and validity of the research instrument a pilot study was done in order to ascertain and detect any ambiguities and questions that were not easily understood or poorly constructed and even those that were irrelevant. The pilot study was conducted on (8) eight respondents from the target population; this represents 10% of the total population. The questionnaires were administered to the group and thereafter the feedback was obtained through debriefing them individually and comparing the results. Quantitative data, which was collected using questions in the questionnaires, was chronologically arranged with respect to the questionnaire outline to ensure that the correct code was entered for the correct variable. Data cleaning then was done and tabulated. The
tabulated data was analyzed using descriptive, correlation and regression analysis with the aid of Statistical Package for Social Sciences (SPSS 22.0). Qualitative data was organized into a checklist which was clustered along the variables of the research study to ease consolidation of information and interpretation and then analyzed through content analysis. The presentation of data was in the form of tables and pie-charts only where it provided successful interpretation of the findings. Descriptive was provided in form of explanatory notes.

DATA ANALYSIS, RESULTS AND DISCUSSION

This chapter presents the analysis, findings and discussion. The respondents comprised of Project and operation officers of Nakumatt supermarket in Nairobi. In total the researcher respondents’ were (88) respondents from 5 selected Nakumatt supermarkets in Nairobi, where they offered in-depth responses in relation to the subject of the study. The response rate was 93% of the total sample size and the nonresponse was 7%. To establish the validity of the data collection instruments, the research instruments were given to 8 respondents for the five outlets. The coefficient of the data gathered from the pilot study was computed with assistance of Statistical Package for Social Sciences (SPSS) Version 22.0. A context of validity coefficient index of above 0.82 was obtained and this implied that the questionnaires were valid research instrument for the study.

On demographic aspect, the study sought to establish the age of the respondents in order to establish the level of involvement in private label projects by different ages within the supermarkets organization. Majority (68%) of the respondents who were in the age category of above 30-40 years, 25% were in the age category of 18-29 years, while only 7% were aged above 40 years. 58% of the respondents were male while females represented 42%. From the study findings, majority (49%) of the respondents were university graduates followed by 25% who had post graduate education level and 18% who had college education level. Only 8% had lower education.

**Study Variables**

**Perceived quality**

From the findings, perceived quality improves private label projects performance by a mean of 4.231, private label projects costs reduction with a mean of 4.205 and private label projects resources utilization with a mean of 3.897. On other hand the respondent supported on conflict of interest reduction by mean of 3.818 and meeting performance indicators with a mean of 3.872 while the Intrinsic & extrinsic parameters met objectives by a mean of 3.821. Further respondent on Aligned with point-of sale systems at 3.746 and increase number of projects completed on time were supported by a mean of 3.744, increases number of orders by a mean of 3.6667 and finally reduction on number of complaints by a mean of 3.615.

<table>
<thead>
<tr>
<th>Table 4.3 Perceived Quality</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improves private label projects performance</td>
<td>4.231</td>
<td>.777</td>
</tr>
<tr>
<td>Reduces private label projects costs</td>
<td>4.205</td>
<td>.801</td>
</tr>
<tr>
<td>Utilized private label projects Resources</td>
<td>3.897</td>
<td>.754</td>
</tr>
<tr>
<td>Reduces Conflict of interest</td>
<td>3.818</td>
<td>.656</td>
</tr>
</tbody>
</table>
Meeting performance indicators

<table>
<thead>
<tr>
<th>Description</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intrinsic &amp; extrinsic parameters meet objectives</td>
<td>3.872</td>
<td>.767</td>
</tr>
<tr>
<td>Aligned with point-of sale systems</td>
<td>3.821</td>
<td>.796</td>
</tr>
<tr>
<td>Increases number of projects completed on time</td>
<td>3.746</td>
<td>.880</td>
</tr>
<tr>
<td>Increases number of sales orders</td>
<td>3.744</td>
<td>.966</td>
</tr>
<tr>
<td>Reduces number of complaints</td>
<td>3.667</td>
<td>.898</td>
</tr>
</tbody>
</table>

**Product Control**

This section of the questionnaire sought to get from the respondents on the influence of Product control on private label Projects by Nakumatt Holdings. The findings as exhibited by Table 2 strongly acknowledged that the product control enhances the projects value for money and Promotion of Own name and brand equity with mean of 4.000. The improvement in product availability and Control of deliveries, distribution and displays were seconded by a mean of 3.872 while increase in consumer segmentation by a mean of 3.821. The findings also shows that revenue synergy and Differentiation and price comparability showed mean of 3.795. Furthermore the study showed that product control increases success of private label projects by mean of 3.692 while it Improves innovation in quality and reduces business risk by a mean of 3.615. It is important to note that even with product control, the weakening in manufacturers’ bargaining power is only at a mean of 3.436 from the study findings.

**Table 2 Product Control**

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control of Marketing activities</td>
<td>4.000</td>
<td>.917</td>
</tr>
<tr>
<td>Promotion of Own name and brand equity</td>
<td>4.000</td>
<td>.858</td>
</tr>
<tr>
<td>Product availability</td>
<td>3.872</td>
<td>.767</td>
</tr>
<tr>
<td>Control of deliveries, distribution and displays</td>
<td>3.872</td>
<td>.833</td>
</tr>
<tr>
<td>Increased consumer segmentation</td>
<td>3.821</td>
<td>.823</td>
</tr>
<tr>
<td>Revenue synergy</td>
<td>3.795</td>
<td>.767</td>
</tr>
<tr>
<td>Differentiation and price comparability</td>
<td>3.795</td>
<td>.800</td>
</tr>
<tr>
<td>Increased success of private label projects</td>
<td>3.692</td>
<td>.922</td>
</tr>
<tr>
<td>Improves innovation in quality and business risk reduction</td>
<td>3.615</td>
<td>.846</td>
</tr>
<tr>
<td>Weakening manufactures bargaining power</td>
<td>3.436</td>
<td>.821</td>
</tr>
</tbody>
</table>

**Performance of Private label projects**

This section of the questionnaire sought to get from the respondents on the Private label Project implementation at Nakumatt Holdings. The success of the project depended on whether it helped the firm gain competitive advantage and attains value.
for investment whilst involving all stakeholders appropriately

The findings indicate that most respondents acknowledge that the firms level of competitive advantage of the company has improved as a result of private label project implementation with a mean of 3.744, Nakumatt getting value for money on projects implemented by a mean of 3.641 and mean score of 3.615 on reduction number of complaints received from customers.

Table 2 Private Label Projects

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive advantage of the company is enhanced</td>
<td>3.744</td>
<td>.849</td>
</tr>
<tr>
<td>Organization gets value for money on projects implemented</td>
<td>3.641</td>
<td>1.081</td>
</tr>
<tr>
<td>Reduced number of complaints are received from customers</td>
<td>3.615</td>
<td>.847</td>
</tr>
<tr>
<td>Corporate Social Responsibility are part of the projects</td>
<td>3.539</td>
<td>.854</td>
</tr>
<tr>
<td>Key stakeholders are involved during project implementation</td>
<td>3.539</td>
<td>.756</td>
</tr>
<tr>
<td>Environmental factors are considered</td>
<td>3.539</td>
<td>.962</td>
</tr>
<tr>
<td>Nakumatt considers responsible sourcing in project implementation</td>
<td>3.487</td>
<td>.757</td>
</tr>
<tr>
<td>Quality projects are achieved at the long run</td>
<td>3.487</td>
<td>.855</td>
</tr>
<tr>
<td>Organization has clear policies on projects</td>
<td>3.462</td>
<td>.854</td>
</tr>
<tr>
<td>Projects are completed on time</td>
<td>3.434</td>
<td>.912</td>
</tr>
</tbody>
</table>

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter summarized the findings and analysis on the influence of product management on performance of private label projects in Kenya. It set out to discuss the summary of the findings, drew conclusions, and made recommendations.

Summary of the findings

Perceived quality
The study established that perceived quality improves performance of the private label projects. Perceived quality is an aspect of planning in the process of project implementation strategy formulation which clearly revealed that retail chains used perceived quality which assisted in the costs reduction and proper resources utilization. The study further revealed that proper management of perceived quality at a great extent resulted to increase number of orders and reduces number of complaints hence overall improvement in performance.

Product control
The study established that the product control affected private label project implementation in. The study further revealed that Nakumatt had control of private label products marketing and promoted own brands to build equity. The
supermarket also had control of deliveries, distribution and better product differentiation which lead to revenue synergies and overall success of private label projects. The study found out that product control also reduces business risks and increases in customer loyalty. However there was indication of low weakening of manufacturer bargaining power

**Conclusion**
From the finding, the study concludes that Private label Project performance was affected by Perceived quality, and product control. The study also found out that Nakumatt Holdings was facing challenges in product management which lead to not fully achieve its objectives. On other hand, the organization was faced by conflict of interest with manufacturers who were its customers but also competitors of Nakumatt’s blue label and Select private labels

**Recommendations**
The study established that product management affect performance of private label projects, therefore this need to be checked in a more appropriate manner for successful implementation of the project. The study also recommends expanded company stakeholders involved during private label project implementation especially consumers involvement
Nakumatt also needs to handle on the issue of conflict of interest from the management and the outsiders especially manufacturers when dealing with brands in the private label project section.

**Suggestions for Further Research**
The results of this study can be further utilized to suggest several directions for future research. A field study can focus on investigating on product management and private label project implementation in other sectors in kenya. Finally, more research on this area is needed because this study has investigated a subset of the variables found to be important determinants. Other variables that may affect private label projects need be investigated. Further research can examine these possibilities and the extent of their influence.
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