PRIVATE BRAND AND ITS IMPACT ON CONSUMER BEHAVIOUR

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Abstract

All marketing decisions are based on the assumptions and knowledge of consumer’s behaviour. Examining consumer’s decision-making and behaviour is a challenging process, but it is very important for companies and marketers to understand them. For a good understanding of a consumer it is necessary to know consumer’s habits, needs, preferences and ideas in purchasing process. Recently, emphasis has also been put on the use of sensory stimuli for communication between consumers and retail. An important role in consumer decision-making also plays particular product brands. The presented document deals exactly with the issue of the production of brands, concretely the private brand. Under the expression "private brand" we can understand products manufactured for specific retail chains. The practical part of this document is based on a questionnaire survey, and one of its parts is a blind test. Two different products are tested through the blind test, and these ones are from the same manufacturer. Based on primary results, we can claim that 77% of consumers prefer "branded" products. Their behaviour is largely influenced by the brand itself. This trend, however, has a decreasing trend as consumers are becoming more educated in the food market. However, on the basis of sensory properties (taste), the products we studied have almost the same rating.

Keywords: consumer’s behaviour, consumer, private brand, product, senses

JEL Classification: M30, M31, M37, M39
1 Introduction

1.1 Brand and its impact

Consumers nowadays have different forms of bids for choosing different types of food. Retailers / distributors themselves encourage consumers to make their bids, i.e. they offer their customers various price alternatives they can choose from. If the consumer's effort is to save money, they have an option to buy discount coupons, take advantage of various stocks and priced outfits, search for discounts directly in a store, or focus on goods produced privately (Garretson et al., 2002; Predanocyová et al., 2017).

In 2004, a survey was conducted which showed that consumers are less aware of brand authenticity (Grayson and Martinec, 2004). Since then, many years have passed and interest in the value of the brand has grown diametrically. Over the time consumers have learned how to distinguish between "genuine" and "counterfeit" (Beverland, 2005; Holienčinová, 2013). Even retailers are trying to bring brand value closer to consumers. This phenomenon is realized by the production of private labels. Consumers are therefore offered quality products at reasonable prices (Braakter et al., 2013; Šugrová et al., 2016). The brand value itself depends on how consumers perceive it. The positive perception of the brand influences the loyalty to the brand but also its verbal administration (Morhart et al., 2015; Choi et al., 2014).

The response of consumer’s behaviour is influenced by marketing stimuli, such as: brand, advertising, price, shopping atmosphere and the product itself (Kapsdorferová, 2008; Soars, 2009). The truth is, however, that consumers perceive only the brand itself, its graphic design and packaging rather than price and its composition (Berčík et al., 2016; Kubicová and Kádeková, 2011). In the very decision making process, the price plays the highest role. Lately, higher demands are placed on producers and this fact is most reflected in price sessions (Kadeková et al., 2017; Géci et al., 2017). One of the important tasks in consumer decision-making also plays packaging. It performs not only a protective function but it is also an important marketing tool (Mokrý et al., 2016; Kubicová et al., 2012). According to Kotler and Armstrong (2012) 70% of consumers decide to according make a purchase to product’s packaging. Speaking about the atmosphere at the store, its impact on consumer’s decision-making is enormous (Kubelaková and Košičiarová, 2016). Therefore, the consumer decides which retail store to visit and also what food / products to choose (Palúchová et al., 2016; Zamazalová, 2008).

Brand and composition are two different things. According to Nagy, Babčanová and Košičiarová (2016) it is a brand name, symbol, colour, design and their combination, which distinguishes them from competing products (Nagyová et
al., 2014). Composition provides consumers with objective information about what specific food contains, i.e., from which raw materials it was made (Radighieri, 2014; Holienčínová and Dobák, 2015).

1.2 Consumer and private label

Several consumer market surveys show that consumers are not able to make rational decisions and are also unable to understand their true motives and attitudes throughout which they make purchasing decisions (Géci et al., 2017; Dunning, 2007; Songa and Russo, 2018). The external features of products, such as packaging design, brand, price, content and nutritional information, play a central role in consumer’s buying decisions (Jaeger, 2006; Ubrežiová et al., 2012).

"Consumer’s behaviour" is a term which describes doing of every individual who buys and consumes products and services at the same time. However, this concept does not only include the purchase itself but also the use and selling of products or services (Kozelová, 2011). Nagy, Berčík and Horská (2014) define consumer’s behaviour as a process of behaviour in the market of product and services. The primary objective is therefore to buy, consume and meet consumer’s needs. It is also possible to define consumer’s behaviour as a condition where the consumer experiences a disagreement between his/her real and ideal state. In this case, there is an ability to choose from national or private brand products (Mandel et al., 2016).

Private brands are also called trademarks and can be characterized as retail brands that are manufactured by retailers for sale in their stores (Keller, 2017; Poliačiková, 2011). Based on the survey, it has been shown that consumer is able to identify a private brand but cannot attribute it to the right retailer/distributor (Schnittka et al., 2015). Another survey has confirmed that consumers do not consider a private brand as a brand that distinguishes individual retailers, they consider them to be national/private brands (Szymanowski and Gijsbrechts, 2012; Kubelaková et al., 2016).

Private brands appeared at the end of the 19th century in the United States. They reached the European market in the 70s of the 20th century and they entered Slovak market at the end of the 20th century (TNS Slovakia, 2015). Originally, they were designed to cover the cheapest products of the range of products. Once these products were considered to be "ordinary foodstuffs" products, which had not only low resolving power but they were also of. Over time, however, everything has changed and we can now state that these products are of comparable quality and/ or even of higher quality than related products produced under the national brand (Geyskens, 2010).
Based on a survey by TNS Slovakia (2015), it was confirmed that 98% of Slovakia population had bought at least one private branded product in the past. 70% of Slovaks know what the term "private brand" means, and more than 50% of Slovak consumers also buy them regularly.

2 Material and methodology

The survey was conducted by questionnaire survey, which was attended by 160 respondents of young age structure. The data were obtained from respondents in the territory of Slovakia from November to December 2017. The survey was carried out in physical and paper form, the main aim of which was to obtain the relevant number of answers for the questionnaire survey. The questions in the questionnaire were divided into several parts and they also included questions offering an alternative response.

Table 1 Characteristics of Respondents

<table>
<thead>
<tr>
<th>Category of Respondents</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>47</td>
<td>29</td>
</tr>
<tr>
<td>Female</td>
<td>113</td>
<td>71</td>
</tr>
<tr>
<td>Age Structure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17 – 18 years</td>
<td>18</td>
<td>11</td>
</tr>
<tr>
<td>19 – 20 years</td>
<td>45</td>
<td>28</td>
</tr>
<tr>
<td>21 – 22 years</td>
<td>28</td>
<td>18</td>
</tr>
<tr>
<td>23 – 24 years</td>
<td>47</td>
<td>29</td>
</tr>
<tr>
<td>25 years and more</td>
<td>22</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Results of the research.

The main objective was to find out how respondents perceive private brands and how these brands influence their buying behaviour. The document is aimed on one brand that is compared to a private brand by the same manufacturer. It is held throughout a blind test.

We had stated following assumptions:

- Assumption No. 1: We assume that rural people prefer branded goods to private brands.
- Assumption No. 2: We assume that women most frequent buy salty snacks - crisps.
Assumption No. 3: We assume that women choose a better sample - number 2, according to their taste.

Assumption No. 4: We assume that people living in the city choose as the most attractive packaging - number 1.

Assumption No. 5: We assume that more than 50% of respondents choose the packaging based on its graphic design.

We will confirm or reject the established assumptions by means of the selected statistical method. Pivot tables will be used to verify assumptions. Assumptions will be verified by method of mathematical statistics – Pearson Chi-kvadrat of goodness-to-fit test.

3 Results and discussion

The survey was attended by 160 respondents of young generation. Most of them were women (71%). 95% of the respondents were students. Their highest level of education was high school with leaving exam (43%) and University degree - bachelor (35%). The monthly income of respondents was in a large range (Figure 1). The chart shows that 26% of respondents have no income. This is due to the fact that the survey was mainly focused on young generation. Young people are assumed to be studying, so their income is on zero level. Secondly, monthly income that ranged from 101 € to 200 € (19%) and thirdly the income was up to 100 € (18%). These results were expected as the survey was aimed on young people. Most respondents live in rural areas (53%), others live in the city.

Figure 1 Monthly income of the respondent

Source: Results of the research.

The survey was aimed on the company DRU (joint-stock company). The document was focused on salty snacks, specifically sticks. DRU also manufactures
sticks under its brand as well as under the brand name of the Coop Jednota retail store. The main objective was to find out how respondents can distinguish these products, throughout a blind test.

At the beginning of the survey we asked whether the respondents buy salty snacks. The vast majority responded positively (96%). This was not surprising at all, because as people buy regular food, they also buy sweets or salty snacks. The interval of buying salty snacks is mostly repeated weekly (44%). 49 respondents (32%) buy salty snacks occasionally. One of the three most common places to buy salty snacks are supermarkets (Figure 2). On the second place were hypermarkets with almost 32% of shares and retail stores ended up last. These shopping places serve all people to buy not just ordinary food. Based on the results, we can say that most respondents buy salty snacks during common food purchases. Only in rare cases are these snacks bought separately, for example: when the respondents go to the cinema or organise some celebration.

Figure 2 Types of shops

Source: Results of the research.

We also wanted to find out more information about customer´s preferences in choosing salty snacks. Most of them agreed that they make a choice according to their favourite flavour (23%). 19% decided according to the brand. The price, as one of the main attributes in the selection of food, is on the third place. 18% of respondents decided according to the price factor. The price, as one of the major factors of choice, was also confirmed in the "The emotional side of price" survey (O’Neill et al., 2001). 12% of respondents decided according to the size of the package.

Nowadays, consumers have a very wide choice of salty snacks. More than half of respondents opted for crisps (54%), followed by nuts (15%) and puffs (10%). Sticks, on which research was aimed on, were in a general selection of salty snacks on the fifth place (8%).
In relation to this question, a scientific presumption was set, that women most frequently buy salty snacks - crisps. The value in the table (u tab) at the significance level $\alpha = 0.05$ was 1.828758 and the critical value was at the level 3.841460. On the basis of the above facts, we accept the null hypothesis and we can claim with the probability of 95% that women most frequently buy salty snacks – crisps.

However, the survey was also focused on private brands (Figure 3). We've determined that they prefer branded goods to private retailers' brands.

**Figure 3** Branded goods vs. private brands

![Bar graph showing preferences between branded goods and private brands.]

Source: Results of the research.

The graph shows that 57% of the respondents prefer branded goods. This figure is slowly decreasing as respondents start to be aware of the comparable quality of products made under the private brand (Batra & Sinha, 2000). This can also be due to the fact that products made under the private brand are more "friendly" to consumers' wallets. This can also be caused by the fact that consumers have started to read the packaging of individual foods. They came to the conclusion that products under the private brand are manufactured by the same company as the branded goods. Products made under a private brand often have lower price and a comparable quality to branded products.

In relation to this question, a scientific presumption was set, that rural people prefer branded goods to private brands. The value in the table (u tab) at the significance level $\alpha = 0.05$ was 0 and the critical value was at the level 3.841460. On the basis of the above mentioned facts, we accept the null hypothesis and we can claim with the probability of 95% that rural people prefer branded goods to private brands.
The next step is a scientific experiment, which is the most important part of the questionnaire - blind testing. Two samples of salt sticks were presented to the respondent and their role was to evaluate the design, the smell and the taste. Subsequently, the respondents were shown packages in which sticks were sold and their job was to make them more attractive. They had to explain their decision through the following question. The first sample which the respondents had a chance to evaluate, were the DRU sticks and the second sample was a private brand produced by the Coop Jednota retail chain. Both samples, however, are manufactured by DRU company.

With regard to the chosen test method, the blind test is used to identify the samples submitted, the role of which is to choose the best one. Its role is to minimize the subjective attitude of the respondent (Wadley, 2004).

The first pair of blind test questions concerned one of the basic senses, specifically vision. With their eyes, the respondents rated the overall appearance of the sticks (Figure 4) and also evaluated the amount of salt on the stick (Figure 5).

**Figure 4 The appearance of salt sticks**

<table>
<thead>
<tr>
<th>Sample No. 1 (DRU)</th>
<th>Sample No. 2 (Coop Jednota)</th>
</tr>
</thead>
<tbody>
<tr>
<td>63%</td>
<td>37%</td>
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</table>

**Figure 5 Salt on the stick**

<table>
<thead>
<tr>
<th>Sample No. 1 (DRU)</th>
<th>Sample No. 2 (Coop Jednota)</th>
</tr>
</thead>
<tbody>
<tr>
<td>62%</td>
<td>38%</td>
</tr>
</tbody>
</table>

*Source: Results of the research. Source: Results of the research.*

As shown in Figure 4, 101 respondents (63%) selected the DRU brand as better product according to its colour. While the Coop Jednota brand sticks were chosen by only 59 respondents (37%). The following chart (Figure 5) was aimed on the amount of salt on the stick. In this case, sticks by DRU company was chosen by 99 respondents (62%). Salted snacks from Coop Jednota were chosen by 61 respondents (38%).

We also focused on a sense perception throughout a blind test. The task was to make respondents to decide which of the samples they would choose according to their preferences. they had to make a choice by using their olfactory organ. As we can see from Figure 6, most of the respondents have chosen the salty DRU brand.
Figure 6 **The aroma of salt sticks**

![Graph showing the aroma of salt sticks]

*Source:* Results of the research.

The final question of the blind test was focused on the taste of sticks. In this sensory qualification, the values of both samples are very close. As shown in Figure 7, 89 respondents (56%) chose DRU sticks and 44% of respondents chose Coop Jednota sticks.

Figure 7 **Taste of salty sticks**

![Graph showing taste of salt sticks]

*Source:* Results of the research.

In relation to this question, a scientific presumption was set, that women have chosen better sample - number 2 according to their taste. The value in the table ($u\text{ tab}$) at the significance level $\alpha = 0.05$ was 0 and the critical value was at the level $3.841460$. On the basis of the above mentioned facts, we accept the null hypothesis and we can claim with the probability of 95% that women have chosen better sample - number 2 according to their taste.

For the basic comparison to find out what impact has got customer´s decision on a brand, we decided to create a graph (Figure 8). Comparing Figure 7 and Figure 8, we conclude that young consumers´ behaviour is irrational. Most consumers still prefer branded goods to private brand products. This can be caused by mistrust towards private brands.

Figure 8 **Which would you prefer to buy?**

![Graph showing preference to buy]

*Source:* Results of the research.

Finally, we have dealt with the graphic design of packages in which salty sticks are sold. This question was followed after the blind test, as it could influence
individual respondents. A larger number of respondents decided that DRU sticks have got more attractive packaging (89%). Only 11% of respondents voted for packaging of COOP JEDNOTA sticks. Decisions were made according to the graphical design of packaging (54%); this fact was also confirmed by the research held by Mueller and Szolnoki. The second group decided on the basis of the brand of salty snacks (37%) and the color of the individual packages (20%) was the last factor.

In relation to this question, a scientific presumption was set, that people who live in the city have chosen as the most attractive packaging - number 1. The value in the table (u tab) at the significance level $\alpha = 0.05$ was 7.747615 and the critical value was at the level 3.841460. On the basis of the above facts, we accept the alternative hypothesis and we can claim with the probability of 95% that people who live in the city would not have chosen as the most attractive packaging - number 1. At the beginning we assumed that more than 50% of respondents will choose the packaging based on its graphic design. This assumption was confirmed by research.

4 Conclusion

As mentioned earlier, the main objective of the document was to find out how consumers perceive private brands. The perception of private or classic brands is now more or less at the same level. Consumers have knowledge about them, but this knowledge is not satisfactory enough to buy private brands of retail stores. The survey found out that 57% of respondents still prefer branded products to private brands. Among the factors that affect the customers, whether they buy some product or not, includes not only the brand (19%), the packaging (12%) but also the price (18%), which in most cases is the decisive factor. The intention was also to find out whether consumers consider the origin of the food in question and whether it affects the placement of products on the shop shelf. Up to 61% of respondents said that they did not notice the country of origin when doing the shopping. But 27% of respondents said they notice the country of origin, but they do not really care about the origin that much. Regarding the impact of product placement on racks, 86% of respondents agreed that their placement on shop shelves does not influence them and they buy food they know and also according to its taste. The survey also confirmed irrational behaviour when it comes to buying branded goods. Most respondents prefer branded goods to private brands.

Based on the above mentioned, we would therefore encourage consumers to read the packaging in which the food is packed. We also encourage retailers to get their private brands to come to foreground, for example: free samples or
comparative tasting. Consumers are very wise, they have the opportunity to get a lot of information, but they need to use not only in the theoretical but also mainly practical level in their life.

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References


