doi: 10.36689/uhk/hed/2020-01-079

Students and Private Labels: Categories of Private Labels Buying by University Students

Marie SLABÁ

College of Polytechnics Jihlava, Jihlava, Czech Republic; marie.slaba@vspj.cz

Abstract: The traditional perception of private label is that private label is low price and quality. However, this is no longer the case. Over past decades, private labels have grown steadily and have become important direct competitor with other brands. The development of retail chains and creation of private labels brought a new competition to today's market conditions. This article focuses on the categories of private labels buying by university students. Author use an online questionnaire to gain primary data. The sample of the research consists of 305 university students. The author stated several research questions and hypothesis that was tested by mathematical and statistical methods. The author's research revealed that students slightly more prefer branded goods, nevertheless they still buying private label goods. Author used Chi-Square Test for testing stated hypotheses. Based on this test author reject the hypothesis that buying of private label is independent on gender in the segment of university students at the 95% confidence level.

Keywords: private label; students; branded goods, non-branded goods

JEL Classification: M14, M19

1. Introduction

Today, customers are exposed to a wide range of diverse brands, among which there is strong competition. Private labels gradually began to enter this competitive struggle. Brand itself is one of the most important components of marketing communication of any institution as well as significant part of corporate intangible wealth (Valaskova, Kliestikova, and Krizanova 2018). With the growing competition customer attitudes to private labels have changed tremendously in past decades. Increasing number of customers have been buying private labels. The spread of private labels was significantly increased especially by the competitive pressures (Olbrich, Hundt, and Jansen 2016). That is a reason why many researches have attempted to explain and understand customers buying behavior towards private labels (Shukla, Banerjee, and Phani 2013, Ailawadi, Pauwels, and Steenkamp 2008). Private labels represent a crucial component of retail branding in past decade. Retail branding strategies are based not on manufacturer brands but private label as well. Many researches show that price, quality and perceived risk are important to customers consuming private labels. Fowler (1982) claims that buying low-priced unknown brands represents the highest perceived risk for come customers. Despite of this potential risk the private labels market share has been growing. And for example Walsh and Mitchell (2010) argue in their research that this potential risk connected with buying private label no longer acts as a barrier of purchasing of private labels.

Private labels began to emerge in retail since the mid-1970s. French retail chain Carrefour is considered as the pioneer in creation of private labels. The use of private labels has become an effective way for retailers to increase their profitability. Therefore, nearly all retailers started incorporate private labels in their marketing strategy (Bozhinova 2013). Already in the mid-1990s several authors (e.g. Hoch, Montgomery and Park 1996) began to address the issue of the increase in the share of private labels. Hoch, Montgomery and Park (1996) recorded not only the fact that private labels sales are growing faster than national brands sales, moreover the private labels achieved in mid-1990s higher level of penetration that national brands. The penetration of private labels in the retail market is facilitating by a number of different factors. International retail chains have enough available funds for investing in own private labels. Private labels enable to achieve a greater turnover, cost savings and higher image. Another factor effecting penetration of private labels is the price and provision of private labels. Private labels are affordable and cheaper for the customer (Bozhinova 2013).

The growth in retail private labels has traditionally been attributed to several crucial causes. First of all, retailers started creating their own private labels to compete to national brands profitably in the price-sensitive segments. Private labels allow retailers to make more profitable agreements with producers and strengthen negotiating position (Boutsouki, Zotos and Masouti 2008, Olbrich and Grewe 2013). The power in relation to branded goods is improving by private labels (Olbrich and Grewe 2013). Moreover, private labels expand the retail product portfolio and help shape a loyal customer base. Retailers are trying not only to increase their profitability by the offering of private labels, but the aim of private labels is an endeavor to improve retailer image perceived by the customers (Olbrich and Jansen 2014). Respectable image of retailer creates store loyalty and attract new potential customers (Bhatt and Bhatt 2014).

Trends show that retail private labels sales have been growing faster than national sales brands (Boutsouki, Zotos and Masouti 2008). Based on the researches of The Nielsen Company, Private Label Manufacturers Association etc. private labels share in consumer basket is growing. Globally, the private labels share in 2016 was 16.7 %. In European countries the share of private labels is 31.4 % and is still growing (The Nielsen Company 2018). The Nielsen Company (2018) states that development of private labels represents a new retail revolution and challenges for brands all over the world.

Based on the statistics of Satista the share of private labels value in European countries is still increasing. Detail information about share of private labels in selected countries follows (for detail see Table 1. Share of private label value in European countries in 2018).

Table 1. Share of private label value in European countries in 2018. Source Wunsch, Nils-Gerrith. 2019a

Country	Market share
United Kingdom	52.5%
Spain	42.6%
Germany	40.1%
France	32.9%
Netherlands	29.2%
Italy	18.1%
Greece	16.3%

The statistics of Wunsch, Nils-Gerrith (2019b) shows that the price level of private labels in European countries in 2018 is highest in Italy followed by United Kingdom and Spain. For detail see the following table - Table 2. Price level index of private labels in selected European countries in 2018.

Table 2. Price level index of private labels in selected European countries in 2018. Source Wunsch, Nils-Gerrith. 2019b

Country	Price level index
Italy	83.7
United Kingdom	78.1
Spain	74.9
Netherlands	65.9
Germany	63.5
France	61.3

But worldwide the private label share is different in different location and countries. The highest private label share is in Europe, followed by North America. For detail see the Figure 1. Private labels share worldwide in %

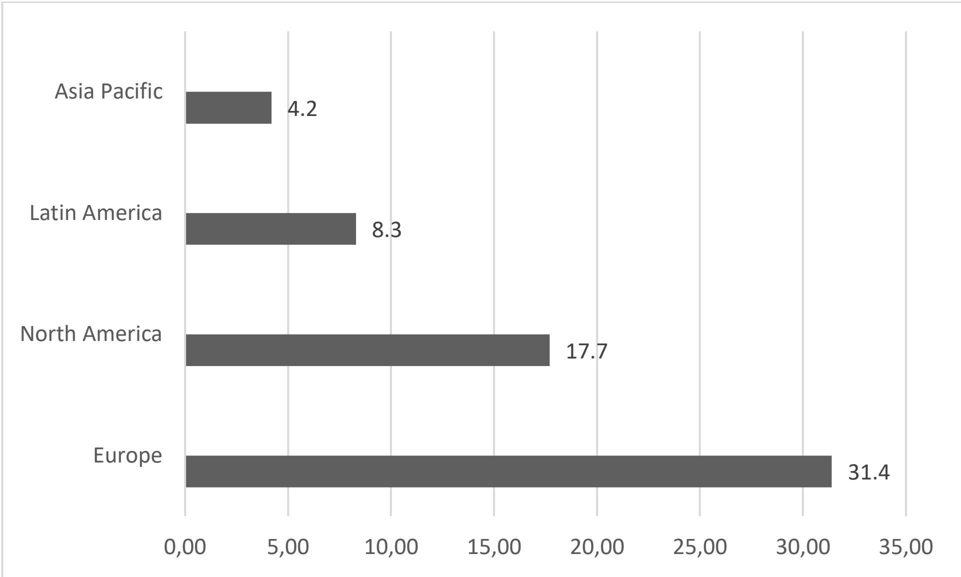

Figure 1. Private labels share worldwide in %.

The fastest development has been recorded especially in the food sector. The highly competitive environment is the reason for developing of private labels by supermarkets and hypermarkets in the food sector (Cuneo, Milberg, Benavente and Palacios-Fenech 2015). Nevertheless, the private label products can be seen in cosmetics, drugstore, or clothes.

Several retailers sell almost 100% of the goods under own private labels – e.g. IKEA, Marks and Spencer, etc. Private labels are typical not only for large retailers – Carrefour, Lidl, and many others but for smaller discount store too. As stated above, retailers started creating their own private labels to compete to national brands in the price-sensitive segments (Boutsouki, Zotos and Masouti 2008). However, today retailers do not offer only classic and generic private labels for the price-sensitive segments, but the premium private labels for middle and upper price segments (Olbrich, Hundt and Jansen 2016, Schnittka 2015, Ter Braak, Geyskens and Dekimpe 2014).

The Nielsen Company and some other companies focus in their researches on the private labels and their categories, but there are no specific researches focusing on the students' perception of private labels. Therefore, the main aim of this article is to investigate which categories of private labels are buying by the university students. This article presents the results of the first questionnaire that was designed for full-time students. In detail analysis author will investigate if there are any statistically differences between preferences of male and female in the segment of university students.

2. Methodology

The main aim of this article is to investigate which categories of private labels are buying by the university students. Author stated following research questions:

1. Do students prefer branded or non-branded goods?
2. Do students buy private labels?
3. Are there any differences between male and female in segment of university students concerning buying private labels?
4. Are there any differences among main categories of private labels buying by male and female in segment of university students?
5. Are there any differences among main categories of private labels buying by male and female preferring branded or non-branded goods in segment of university students?

Author designed a marketing research to achieve objectives of the author's research. As the main research technique author used the questionnaire. Since the target group of respondents were students, author used online questionnaire in order to address the above issues.

For the detail analysis author used primary data gained by the author's questionnaire and for the discussion. Nevertheless, for the support of the author's findings the secondary data published by researchers, academics and institutions (e.g. The Nielsen Company, Statista, etc.) where used, too.

Initially a random sample of 5 students was used for the pilot test of the questionnaire. The aim of the pilot testing was to identify potential shortcomings and avoid misunderstanding of the terms used or individual questions. The pilot testing has shown that there are no shortcomings in the questionnaire could be finalized and distributed. First questionnaire was designed for full-time students and 320 questionnaires were obtained. 15 questionnaires had to be excluded. Total number of 305 questionnaires were used for further analyses.

The questionnaire was divided into several main parts focusing on:

- preferences of students in buying branded or non-branded goods,
- buying private labels, categories of private labels, frequency of buying private labels,
- retail chains where students buying private labels,
- reasons for buying private labels,
- attitude to private labels,
- demographic characteristics.

Author used following mathematical and statistical methods for the analysis of the primary data obtained:

- relative and absolute frequencies,
- chi-square test – for testing independency of data for comparison of observed data with expected to a specific hypothesis. The chi-square test will be used to reveal statistical differences of response of male and female. The formula for calculation of chi-square test follows.

$$\chi^2 = \sum_{i=1}^{k} \frac{(X_i - N_{Pi})^{\ 2}}{N_{Pi}} \tag{1}$$

Concretely author stated following hypothesis that will be tested in the segment of university students:

H_10: Preference of branded or non-branded goods is independent on the gender in the students' segment

H_11: Preference of branded or non-branded goods is not independent on the gender in the students' segment

H_20: Buying private labels is independent on the gender in the students' segment

H_21: Buying private labels is not independent on the gender in the students' segment

3. Results and Discussion

This part of the paper summarized the main findings of the first part of the authors research focusing on the buying of private labels by students. Since the respondents were the full-time students all students belong to the age group 18-27 years with secondary education. Most of respondents were female 69%.

3.1. Preferences of branded and nonbranded goods and buying of private labels

First of all, respondents were asked if they prefer branded and nonbranded goods and if they are buying private labels or not. 66.2 percent of respondents answered that they prefer branded goods, however 88.3% of respondents stated that they are buying private labels. The following Figure 2: Gender structure of respondents, represents the detail analysis of answers of male and female.

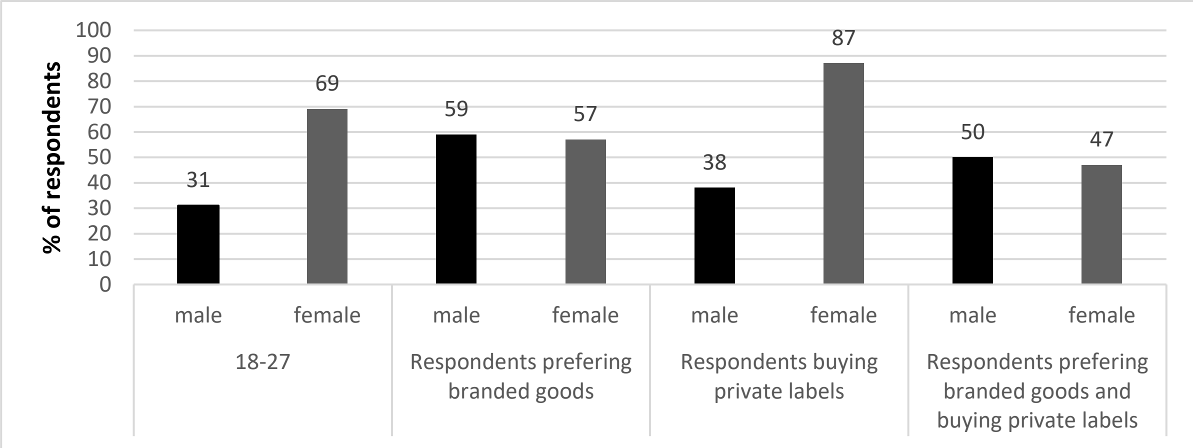

Figure 2. Gender structure of respondents.

As we can see the number of male and female preferring branded goods is similar as well as the number of male. However, buying private labels seems to be depended on the gender in the students' segment. Therefore, author will be tested stated hypotheses by the chi-square test.

Based on the statistics of Statista (2019b) we can state that in the students' segments generally more students prefer branded goods than in all population. Statista (2019b) claims that 48% of population prefer branded goods. The comparison of author's research and Statista research follows in Figure 3 Comparison of preferences of private labels and branded goods,

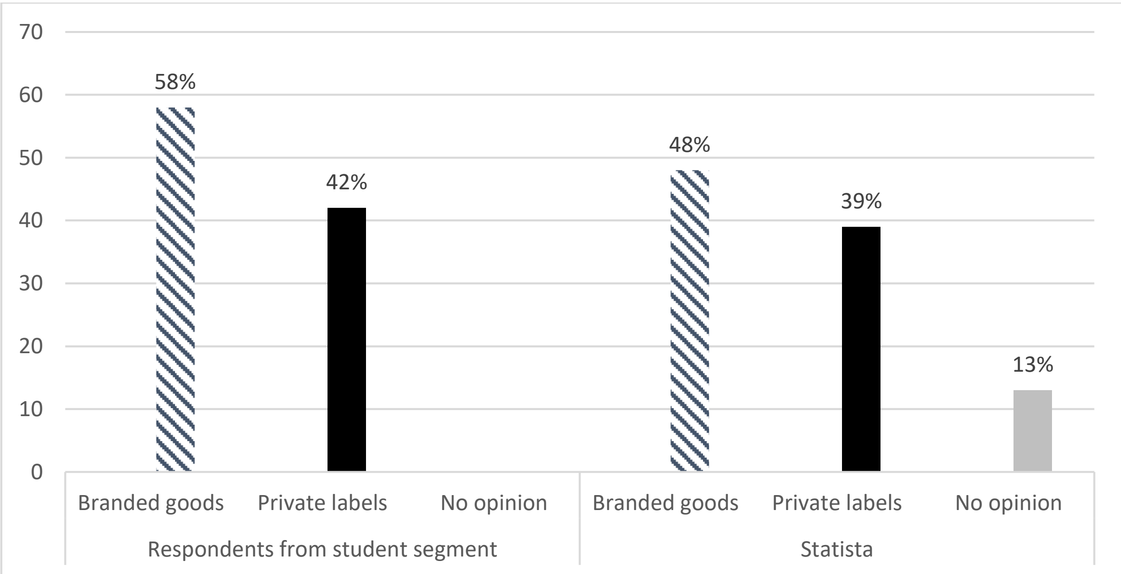

Figure 3. Comparison of preferences of private labels and branded goods in %.

As we can see in the author's research sample none of the respondents answered that they have no opinion concerning preference of private and branded good. Based on the Statista (2019b) 13% of overall population has no opinion about their preferences. In the author's sample of university students, we can see higher preferences of branded goods than were published by the Statista.

As stated above author will test following hypotheses:

$H_1 0$: Preference of branded or non-branded goods is independent on the gender in the students' segment

$H_1 1$: Preference of branded or non-branded goods is not independent on the gender in the students' segment

$H_2 0$: Buying private labels is independent on the gender in the students' segment

$H_2 1$: Buying private labels is not independent on the gender in the students' segment

First of all, author tested the null hypothesis: Preference of branded and non-branded goods is independent on the gender in the students' segment at the 99% confidence level.

Table 3. Chi-Square Test – first hypothesis.

Chi-Square	Df	P-Value
23.42	1	0.1236

The results of the Chi-Square Test proved that preference of branded or non-branded goods is independent on the gender in the students' segment. Since the P-value of this test is greater than 0.01, we can reject the null hypothesis that Preference of branded or non-branded goods is independent on the gender in the students' segment at the 99% confidence level.

As well as the second hypothesis was tested by the Chi-Square Test. Since the P-value of this test was less than 0.05, we can reject the null hypothesis that buying private labels is independent on the gender in the students' segment at the 95% confidence level.

Table 4. Chi-Square Test – second hypothesis.

Chi-Square	Df	P-Value
20.89	1	0.0101

Based on the results of the Chi-Square Test we can state that in the segment of the university students the preference of branded or non-branded goods is independent on the gender and private labels is not independent on the gender in this segment at the 95% confidence level.

3.2. Categories of buying private label products

At the second part of the questionnaire author focused on the main categories of private labels that university students buy. Author divided private label based on the literature search into 3 main categories – food, drugstore goods and cosmetics.

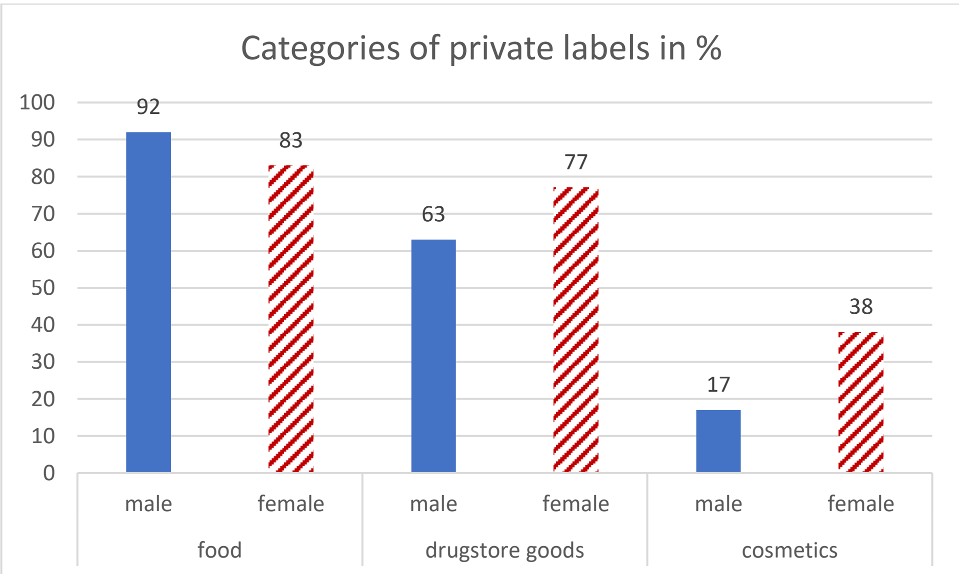

Figure 4. Main categories of private labels buying by male and female.

As we can see form **Figure 4** Main categories of private labels buying by male and female categories of private labels drugstore goods and cosmetics are buying more by female than male, but 9% more male provide the answer in the questionnaire that they are buying food of the private labels.

In detail author investigate which main categories of private labels buying by students preferring branded and non-branded goods. For the detail see following **Figure 5** Main categories of private labels buying by respondents preferring branded and non-branded goods.

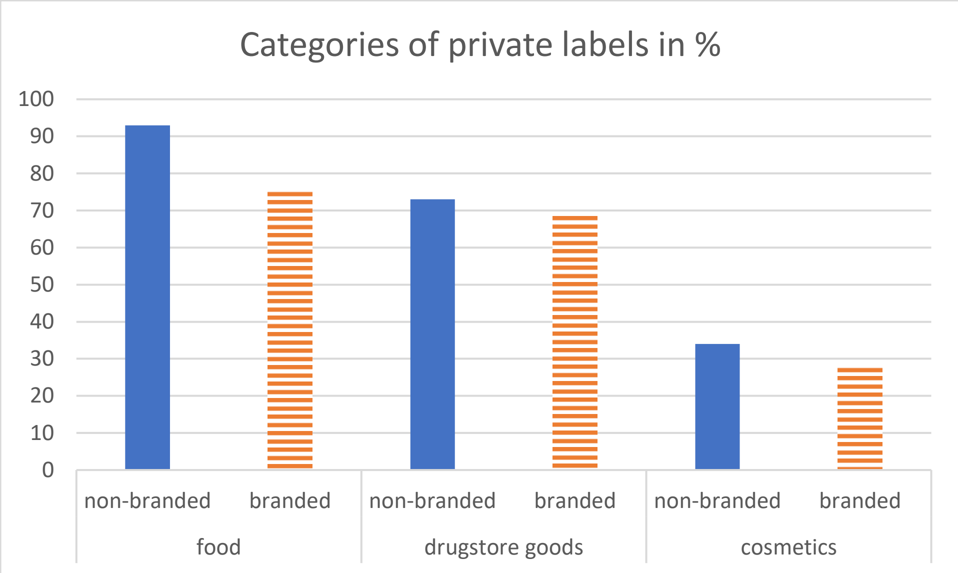

Figure 5. Main categories of private labels buying by respondents preferring branded and non-branded goods.

It is obvious that in all categories private labels are buying more by respondents preferring non-branded goods.

5. Conclusions

Author is focusing on the private labels in her research. Since there are many demographic characteristics influencing private labels author chose for the first research a segment of university students. The first questionnaire was designed for full-time students. The second one will be designed for part time students and the third one for general public. as the author wants to cover as much of the population as possible with different demographic characteristics.

The result of the first author's research revealed that slightly more of students prefer branded goods. Nevertheless, 50% of male and 47% of female preferring branded goods are buying private labels. Based on the results of the Chi-Square Test we can state that in the segment of the university students the preference of branded or non-branded goods is independent on the gender and buying private labels is not independent on the gender in this segment at the 95% confidence level. Altogether, 87% of female and only 38% of male is buying private labels in the author's research sample. More female is buying cosmetics and drugstore goods and more male is buying food in private labels.

This author research focus only on university students and main categories of private labels. Therefore, author will follow with other researches to cover other demographic groups and in following researches author will focus on more details in categories of private labels.

Acknowledgments: This article was created with support of College of Polytechnics Jihlava and internal grant no. 1170/4 1926 Consumer behavior in the field of private labels.

References

Ailawadi, Kosum, L., Pauwels, Koen., and Jan-Benedict Steenkamp. 2008. Private-Label Use and Store Loyalty. *Journal of Marketing*, *72*(6), 19–30. doi: 10.1509/jmkg.72.6.019

Bhatt, Sharir, and Amola Bhatt. 2014. Private label perceptions and its impact on store loyalty: An empirical study. *SIES Journal of Management*, *10*(2), 31-45.

Boutsouki, Christina, Zotos, Yorgos and Masouti, Zafeiria. 2008. Consumer Behavior Toward Own Label: Monitoring the Greek Experience. *Agricultural Economic Review*. 9(1). 81-92.

Bozhinova, Mariyana. 2013. Private Label – Retailers' Competitive Strategy. *Global Journal of Management and Business Research Marketing*. 13(10), 29-33.

Cuneo, Andres, Milberg, Sandr, J., Benavente, Jose, M., and Javier Palacios-Fenech. 2015. *The growth of private label brands: A worldwide phenomenon?* Journal of International Marketing, 23(1), 72-90. http://dx.doi.org/10.1509/jim.14.0036

Fowler, Robert, L. 1982. The joint influence of brand, package size, and price on consumer decision behavior. *Journal of Psychology*, *111*(2), 263-268. http://dx.doi.org/10.1080/00223980.1982.9915366

Hoch, Stephan, J., Monthomery, Alan L. and Young-Hoon Park. 1996. *Long term growth trends in private label market shares*. Marketing Department Working Paper #00-010. Pensylvania: The Wharton School, University of Pensylvania. Available online: http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.37.1782&rep=rep1&type=pdf (accessed on 1 November 2019)

The Nielsen Company. 2018. The rise and rise again of private label. Available online: https://www.nielsen.com/wp-content/uploads/sites/3/2019/04/global-private-label-report.pdf (accessed on 1 December 2019)

Olbrich, Rainer, and Gundula Grewe. 2013. Proliferation of private labels in the groceries sector: The impact on category performance. *Journal of Retailing and Consumer Services*, *20*(2), 147-153. http://dx.doi.org/10.1016/j.jretconser.2012.10.004

Olbrich, Rainer, and Hans, C. Jansen. 2014. Price-quality relationship in pricing strategies for private labels. *Journal of Product & Brand Management*, *23*(6), 429-438. http://dx.doi.org/10.1108/JPBM-06-2014-0627

Olbrich, Rainer, Hundt, Michael., and Hans, C. Jansen. 2016. Proliferation of Private Labels in Food Retailing: A Literature Overview. *International Journal of Marketing Studies*, *8*(6), 63. doi: 10.5539/ijms.v8n6p63

Schnittka, Oliver. 2015. Are they always promising? An empirical analysis of moderators influencing consumer preferences for economy and premium private labels. *Journal of Retailing and Consumer Services*, *24*, 94-99. http://dx.doi.org/10.1016/j.jretconser.2015.02.006

Shukla, Purav, Banerjee, Madhumita., and Phani T. Adidam. 2013. The moderating influence of socio-demographic factors on the relationship between consumer psychographics and the attitude towards private label brands. *Journal of Consumer Behaviour*, *12*(6), 423–435. doi: 10.1002/cb.1441

Statista. 2019a. Private label share worldwide in 2016. Available online: https://www.statista.com/statistics/1069991/private-label-value-market-share-worldwide-by-region/ (accessed on 18 November 2019).

Statista. 2019b. Overview of consumer preference towards A-brands versus private labels in Europe in the 3rd quarter 2018. Available online: https://www.statista.com/statistics/949467/overview-preference-towards-abrands-versus-private-labels-europe/ (accessed on 20 November 2019).

Ter Braak, Anna, Geyskens, Inge, and Marnik, G. Dekimpe. 2014. Taking private labels upmarket: Empirical generalizations on category drivers of premium private label introductions. *Journal of Retailing*, *90*(2), 125-140. http://dx.doi.org/10.1016/j.jretai.2014.01.003

Valaskova, Katarina, Kliestikova, Jana, and Anna Krizanova. 2018. Consumer Perception of Private Label Products: An Empirical Research. *Journal of Competitiveness*, 10(3), 149–163. https://doi.org/10.7441/joc.2018.03.10

Walsh, Gianfranco, and Vincent-Wayne Mitchell. 2010. Consumers' intention to buy private label brands revisited. *Journal of General Management*, *35*(3), 3-24.

Wunsch, Nils-Gerrith. 2019a. Private label value share in Europe 2018, by country. Available online: https://www.statista.com/statistics/383261/private-label-value-share-by-european-countries/ (accessed on 18 November 2019).

Wunsch, Nils-Gerrith. 2019b. Private label price level in Europe 2018, by country. Available online: https://www.statista.com/statistics/383455/private-label-price-level-by-european-countries/ (accessed on 20 November 2019).