PRIVATE BRAND CONSUMER BEHAVIOR IN ROMANIA

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Abstract:
The private brands of stores already have loyal consumers, given that rural inhabitants have the highest incidence of consumption in many categories of own brand food products or non-food. Nationally, almost 8 out of 10 consumers of own brand food products are regular consumers, according to a recent study.

Key words: *brand, private brand, consumer behavior*

JEL classification: M31

The diffusion of private brands on the global market is positively influenced by the process of internationalization, concentration and consolidation. We can therefore state that private brands are becoming more popular, as international traders are consolidating their position on the market while exporting their ranges of products on new geographical markets.

Another key factor in the development of private brands is the acceptance of consumers. They have promptly adopted the retailing brands when they offered similar quality to a national brand, but lower prices.

Moreover, as brands frequently share features such as innovation, design and marketing, the boundaries between producer brands and retailing brands often fade in the consumers' mind.

In the paper "Private brands – solutions to increase the competitiveness of European retailers" (2008) the authors shows "a comparative analysis of global prices shows that price variation does not only occur between producer brands and retailing brands, but also between brands of important international producers on different markets throughout the globe". As a general rule, price differences seem to be more significant on highly competitive markets than on less competitive ones.

The current economic environment is a real nursery for the retailers' private labels, which are racing to announce grand plans regarding them. However, at this time, the offensive of these brands has unpredictable consequences on the market: they can be a real support for the development of local producers, but in the long term, they may become a useful tool for retailers to strengthen the positions of power in negotiations with suppliers. It depends on the perspective strategies addressed by each.

In Romania, private labels began to appear in 2003-2004. In just nine years, they have gone some steps which in Western retail lasted 40 years. From the entry level they quickly extended to the medium level and, more recently, the premium one, gradually covering all customer segments and all product categories.

The main effect of this compression is confusion in the consumer's mind, which has not had enough time nor the conditions to form a clear perception of private labels.

The Romanian consumer never got to know exactly what a distributor brand is and why it is cheaper than a manufacturer one. For him, lower price means lower quality, although much of the retailer marked products are provided by the producers of renowned brands.

Private labels of stores have not formed a clear picture in Romanian consumers' minds. Most consumers believe that although they are cheap, the producers' top brands offer a better price-quality ratio. On the other hand, just as many of them admit they do not know enough about private brands to begin to buy them, instead of the ones that they are used to.

On the other hand, poor quality and the price too high in relation to the benefits brought were also identified as disadvantages by the survey respondents, along with the lack of promotion campaigns and greater trust in known brands of producers.

In accordance with Romanian Retail Market (2010), “the emergence of modern trade forms brought, besides the change of Romanian consumer behavior, the private brands of the stores. Private labels have been developed for the main food and beverages categories: cooking oil, flour, canned food, processed meats, peanuts, ketchup, mustard etc. The private brands haven’t built yet a clear image in the consumer’s mind because some brands are known, but they are not associated with the store that offers them, while others are not known, but it is common knowledge that the store trades private brands”.

The attitude of buyers changed significantly in the past two years, most of them trusting own brand products as much as the producer's brands. Moreover, the degree of acceptance extended to all categories of products. Due to the increased competitive markets, private brands are becoming for major retailers a more strategic solution to differentiate, to build a brand identity and increase customer loyalty. Retailers slowly dropper the "me too" behavior in developing their own brands, bringing on the market innovative concepts of products, assuming the role of brand creators and surpassing their traditional positioning architecture (economic, environment and premium). In this context, the behavior regarding launching a product radically changed: design, packaging, recipe, positioning, communication, all this opening the way for long-term relationships with suppliers.

“Presently, the Romanian private label segment is in an early development phase. We anticipate a growing trend in the coming years, as the results of this strategy will generate competitive advantages such as customer loyalty” said Bazavan Simona (2011).

Table no. 1

Private label of retailers in Romania

	Retailer	**Private label**
1.	Carrefour	Nr. 1, Carrefour, Tex, Reflets de France
2.	Metro Cash&Carry	Horeca Select, H Line, Rioba, Aro, Fine Food, Sigma
3.	Kaufland	K-Classic
4.	Penny Market	Boni, Karat, Top Apetit
5.	Lidl	Pilos, Baconi, Combio
6.	Cora	Cora, Winny, Tradiția Gustului
7.	Auchan	Auchan, Mieux Vivre Environment, Rik and Rock, Produs economic, Mmm, Mieux Vivre Bio, In Extenso
8.	Billa	Clever, My, Billa
9.	Mega Image	365, Bio, Care, Delhaize Eco, Gusturi românești, Le Boucher
10.	Profi	Proxi, Camino, Lowie, Happy Friends

Source: www.retailers.ro

In 2012 the total sales generated by private brands in Romania reached 1.2 billion Euros, according to GFK. In the first six months of the year, nine out of ten homes have bought private label products. Moreover, most modern retailers in the country expect a continuous growing of private brands in the years to come, while some even expect that the sales of private label goods made in the private label system to represent 25% of sales in coming years.

According to the research report "Consumer perception on retailers' own brands, food and non-food", conducted by TNS CSOP Romania, showed that the increased consumption of private label is a consequence of the expansion phenomenon of international retail chains.

Currently, less than half of Romanians tend to buy own brand products of certain stores. At the same time, most buyers of private label already passed the testing stage. Thus, over three quarters of private label food consumers (78%) consume this product category on a regular basis, which means they tend to consume at least one category of private brands with a minimum frequency of once every 2-3 weeks. In terms of private label non-food products, the ratio of those using at least one category of products regularly and those who use them occasionally is more balanced, of 50-50.

The persons who regularly consume private label food products can be described as being rather male, aged between 15 and 34 years, with primary education, but also with higher education, and with incomes below 1,000 lei or over 2,000 lei, also reveals the cited the study. Thus appears a polarization of the target consumers of private label food: on the one hand, it is low-income individuals interested primarily on the own brand of prime price, and on the other hand it is about a more educated and more informed buyer who is interested in cheaper alternatives of the products he usually buys and which is more interested in private brands in the premium segment.

Regarding non-food products, we can observe the more pronounced differences between age groups, this type of articles being purchased on a regular basis rather by people aged between 15 and 34 years, with secondary education and with an income of over 2,000 lei. Among persons with low incomes, the incidence of regular consumption is lower, and in this case their non-food consumption is generally lower.

The consumption analysis based on the village type shows that in rural areas are registered the lowest incidence of private label consumption of 41%. Next are towns with 30-100 thousand inhabitants, with a 43% incidence in consumption, and at the opposite end Bucharest (64%) and towns with 100-200 thousand inhabitants (65%). The regions that consume most of own brand products; Bucharest (64% of respondents), the Western and the Southeast Regions occupy the first places also regarding the degree of development of international retail networks, which have brought in Romania the concept of private brands. The lowest consumption of own brands is found in the South-West Region, Oltenia (34%), which is also the least developed in terms of number of stores owned by the international retail chain.

In the top categories after the incidence of purchasing private label foods are: oil (77%), sugar (62%) and flour (52%). These foods have become real "commodities" (raw materials) as a result of price increases in recent years. Thus, the differences between brands have become increasingly smaller and the option of own brands, generally cheaper, came by itself. On the following three places are ranked categories such as milk (43%), rice (41%) and eggs (37%).

Evaluating the consumption of own brands according to the place of residence of respondents, we can observe that our own brand oil is consumed in equal proportions in rural areas and in Bucharest. The own brand flour is purchased in larger proportions in Bucharest (66%), as well as in the case of tomato juice and broth (53%).

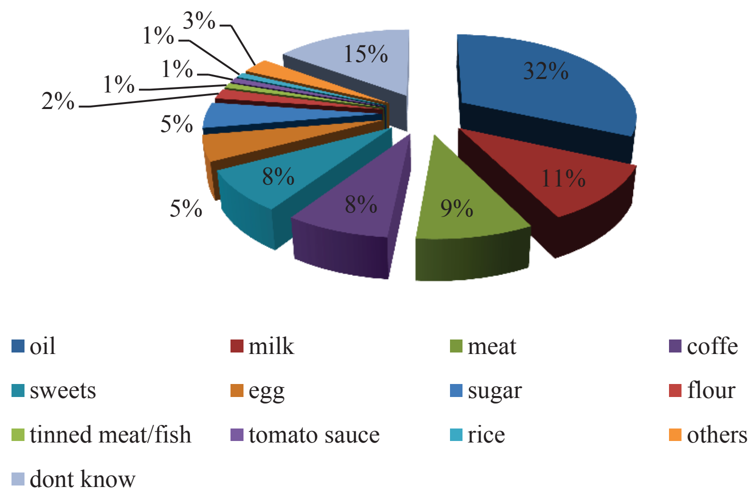

Figure no 1. Most frequently consumed private label food
Source: „Magazine Progressive" Review, march 2013

Our own brand cold cuts are bought less in Bucharest (19% of respondents), while in rural areas they are purchased by 44% of the interviewees. Also in the rural area, sugar (76%), rice (48%) and coffee (43%) have the highest incidents of consumption among inhabitants.

The gender distribution of the consumption is relatively equal, but there is a higher frequency of cold cuts consumption among men (40%) than women (31%), while the share of women eating own brand rice is 43%, compared to only 38% among men.

Related to age segments, in most own brand products the highest incidence of consumption is registered among people over 55 years. For example, in the case of rice, 54% of people over 55 years buy own brand rice, while the age segment 15-34 years buys this product at a rate of only 33%. The same trend is found in the case of oil, tomato juice and broth and own brand of eggs. Sweets are the only product category where the share of private label consumers aged between 15-34 years is higher than that of people over 55 years.

Regarding the consumption frequency of private labels in the top categories are milk, coffee and sugar. Asked about the private label product categories consumed, most study participants mentioned oil (32%), milk and cold cuts, with 11% and 9% of preferences. At the opposite, canned meat and fish, tomato juice and broth, as well as rice are the own brand products most frequently consumed by only 1% of consumers.

One in two consumers of own label non-food uses household paper products (54% of respondents) and house cleaning products (48% of respondents). Own brand consumers from rural area buy such products from most categories, having generally higher consumption incidence than in Bucharest or the rest of the towns. Thus, the private label laundry detergent is bought by 52% of rural consumers of own brands, compared to 38% in Bucharest. Personal care products are used by 41% of own brand consumers from rural areas compared to 30% from urban areas, without Bucharest. At the same time 16% of rural respondents buy own brand animal feed compared to 11% nationally. On the other hand, household paper products are rather bought by those in the capital than the other inhabitants of Romania.

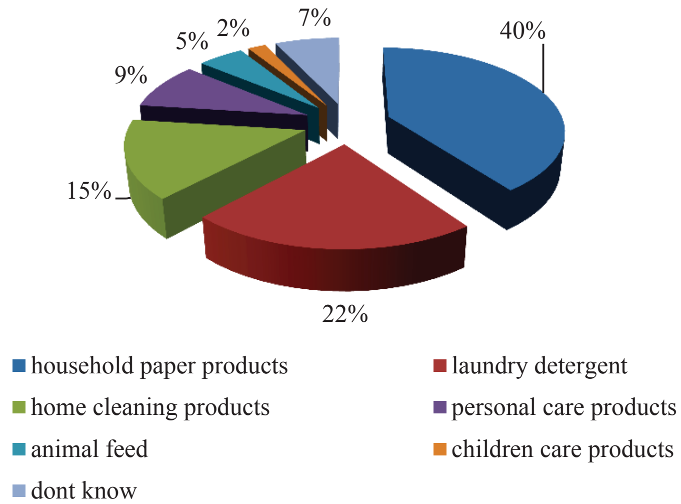

Figure no. 2 Most frequently consumed private label non-food
Source: „Magazine Progressive" Review, march 2013

People over 55 years buy in a higher proportion private label laundry detergent, as well as in the case of home cleaning products and household paper products. Instead, personal care products and for children care are rather bought by those aged 15-34 years.

Animal feed, children care products and household paper products are the products with the highest purchasing frequency among the own brand non-food products.

The most purchased own brand non-food products, indicated as a sole mention of the respondents, are household paper products (40%), laundry detergent (22%) and house cleaning products (15% of respondents). The least bought are the own label children care products (2%).

Household paper products are purchased rather by women aged between 35-55 years with secondary or higher education and with household incomes over 1,000 lei. Own label laundry detergent is rather bought by men, aged over 55 years with primary education and with incomes rather under 1,000 lei.

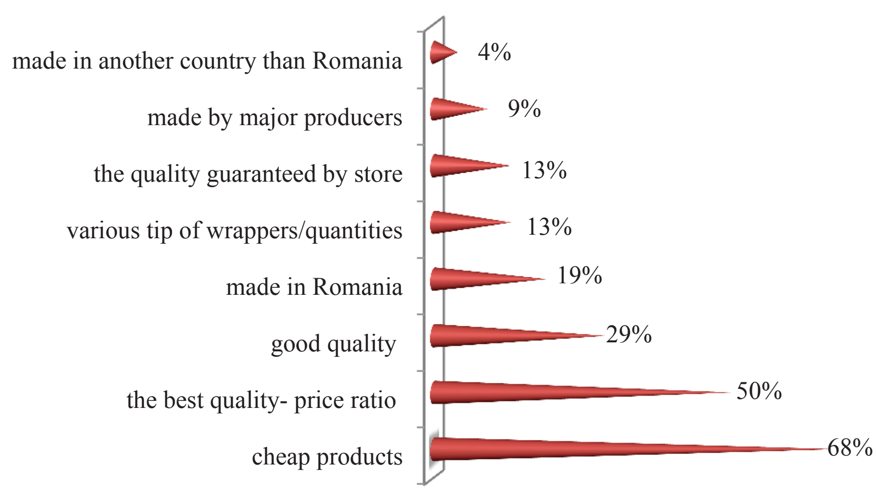

Figure no. 3. The main reasons of purchasing own brands
Source: „Magazine Progressive" Review, march 2013

The fact that private labels have loyal customers is proven by the fact that 57% of own brand buyers purchase such products as frequently as the previous year, while 10% of respondents buy them more often. Only 18% of respondents buy these products less frequently.

The main reasons of purchasing own brands refer to the low price of products (68% of respondents), to the best quality- price ratio (50%) and their good quality (29%). Other 19% of buyers choose these products because they are made in Romania. Only 4% of consumers buy these products because they are made in another country than Romania.

The challenges and opportunities of private label industry are based on both internal and external factors. Among the external influences are: the intensity of competition, the economic context, globalization, consumer demands and, last but not least, the growing power of the Internet and mobile technologies to influence consumption patterns.

The internal factors are: the market share who is more increase which it had in the modern retail sales, cost optimization, innovations and the desire to manage the risk and the food security, but and the many throw goods on the market.

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