RATIONAL AND IRRATIONAL BEHAVIOR OF SLOVAK CONSUMERS IN THE PRIVATE LABEL MARKET

Ingrida Košičiarová, Zdenka Kádekova, Lubica Kubicová, Kristína Predanoczyová, Jana Rybánská, Milan Džupina, Ivana Bulanda

ABSTRACT
Rational and irrational consumer behavior has already been the subject of several studies. Although their attention was mostly focused on traditional brands, these studies and their conclusions may also serve as a model for private label research, which is now increasingly coming to the forefront. Private labels are gradually becoming an adequate purchase alternative to traditional brands. The aim of the paper was to find out the influence of packaging and chosen marketing communication tools, on consumer purchasing decisions in the dairy segment. An anonymous questionnaire survey was chosen as the main research method, where participated 1,116 respondents from all over Slovakia; which was subsequently supplemented by the blind test involving 20 respondents under the age of up to 25 years. Seven chocolate-flavored yogurt samples were examined in the blind test; while the samples were such traditional brands by traditional producers as well as private labels. Interestingly, identical products were investigated – products from the traditional producer, both under its brand and under the retailer's private label. The results of our research proved some interesting findings – more than 28% of respondents buy private label products regularly and more than 53% buy them sporadically; whereas respondents do not buy private labels, mainly because of their lack of interest to try something new, assuming poor product quality and inadequate price; they buy them mainly because of lower prices compared to traditional product brands, comparable quality to traditional brands and good experience; respondents perceive private labels as good products of adequate quality and private labels evoke that products are adequate quality at a reasonable price. Although most respondents have no opinion on the packaging of private label products, more than 31% of them consider their packaging as unattractive and almost 36% think that their packaging does not affect them, but the results of the blind test partially refused this opinion.

Keywords: private label; traditional brand; marketing communication; packaging; consumer; blind test

INTRODUCTION
One of the modern and probably the most successful strategies of foreign as well as domestic retail chains and companies is to reach as many customers as possible, not only those customers for whom the price is decisive but also those who prefer high-quality products when purchasing. All these requirements are to be met by private labeled products, whose share of household spending in Europe, especially in Slovakia, is constantly increasing (Figure 1).

Private labels, also referred to as store brands, retail chain brands, custom brands, etc. are a traditional retailer branding strategy (whether in its name or wholly owned by the retailer) were firstly introduced in the US at the end of the 19th century (Nagyová and Košičiarová, 2014).

Even though it is not an absolute "novelty", attention is drawn especially at present, when so-called global phenomenon (Herstein and Gamliel, 2004; Smith and Bashaw, 2009) and when traders are increasingly aware of their hidden advantage, which is the possibility of strengthening their competitive advantage, resp. higher profits at lower costs. Many studies point to the fact that private labels are more profitable than traditional brands themselves (Heijn, 2012; Dulíková, 2012; De Wulf et al., 2005).

Private labels bring benefits to the retailer as well as to the manufacturer and the customer. The main advantages on the part of the retailer are in particular – strengthening its competitive advantage and achieving higher profits at lower costs. On the customer's side, the biggest advantage is that private labels are an alternative to traditional brand products at comparable, if not higher quality, but lower prices. As far as the manufacturer is concerned, the biggest advantage is the volume of sales and the resulting profits. However, it is necessary to add the fact that private labels also bring many disadvantages such as the possibility of damaging the company’s reputation by a lower-quality product, resp. of knowledge of the original producer, which in many cases


discourages the purchase itself (Košičiarová, Holotová and Nagyová 2014). Even though the United States (USA) is considered to be the "birthplace" of private labels, in the case of Europe and especially the Slovak Republic it is possible to view a later, but more extensive and faster development and establishment of private labels on the consumer market as in the USA, the share of private label purchases in household expenditures is 18% on average (Košičiarová and Nagyová, 2015); in the case of Europe and the Slovak Republic, we notice three times higher share on average (Figure 1). The speed and rate of private label expansion in Europe, compared to the US, was not only supported by customers’ interest, but also by the invention of retail chains that discover much more in private labels than just another commercial item that hides margin (Augustín, 2005; De Wulf et al., 2005) - private labels are becoming a source of competitive advantage and in particular, the means by which they can build resp. improve the company’s image. For the customer, on the other hand, private labels are an alternative to traditional brands, but this is no longer exclusively due to the price sensitivity of consumers, but to increasing the quality of private labels products and realizing of their hidden benefits.

This paper deals with the issue of the private labels in terms of their attractiveness for the customers themselves, as it was already indicated above, the private labels are the alternative to traditional brands. The paper intends to find out, to what extent the packaging affects the purchasing decision of the consumers and which communication tools could be used to reach customers’ attention to purchase the private label products.

**Scientific hypothesis**

For a deeper analysis of the research objectives, the following hypotheses were formulated:

Hypothesis 1: We assume there is a correlation between the quality rating of private label products and the gender of respondents.

Hypothesis 2: We assume there is a correlation between the purchase of private label products and the gender of respondents.

Hypothesis 3: We assume there is a correlation between the purchase of private label products and the economic activity of respondents.

Hypothesis 4: We assume there is a correlation between the perception of private label packaging and the gender of respondents.

Hypothesis 5: We assume there is a correlation between the perception of facts that influence respondents to buy private label products and the gender of respondents.

Hypothesis 6: We assume there is a correlation between the perception of facts that influence respondents to buy private label products and the age of respondents.

Hypothesis 7: We assume there is a correlation between the decisive factor when buying private label products and the gender of respondents.

Hypothesis 8: We assume there is a correlation between the decisive factor when buying private label products and the age of respondents.

Hypothesis 9: We assume there is a correlation between the facts that discourage respondents from buying private labels and the gender of respondents.

Hypothesis 10: We assume there is a correlation between the facts that discourage respondents from buying private labels and the age of respondents.

**MATERIAL AND METHODOLOGY**

The paper aimed to find out how the packaging and selected marketing communication tools affect consumer purchasing decisions in the dairy segment. An anonymous questionnaire survey was chosen as the main research method, with a total of 1,116 respondents from all over Slovakia (Table 1). This sample of respondents can be considered as representative on the 95% confidence level and 3% error margin as n ≥1,067.12. The questionnaire survey consisted of 10 questions formulated as closed ones with the possibility of one, resp. multiple responses; and 7 classification questions.

A blind test method was chosen as a complementary method of research, in which participated 20 respondents aged up to 25 years – respondents had to evaluate on a scale of 1 to 5, with 1 being the best and 5 the worst, the color, flavor, fragrance, consistency, and the chocolate ratio in the first round of testing; and color, flavor, fragrance, consistency, chocolate ratio, the attractiveness of the packaging and the grammage in the second round of testing. Total of seven chocolate-flavored yogurt samples were examined in two rounds. Thus, the samples represented traditional brands as well as private labels. Interestingly, identical products were investigated, i.e. products of a traditional producer, both under its brand and under the retailer's private label. Table 2 provides a more detailed overview of the examined yogurt samples.

**Statistical analysis**

The results of both the questionnaire survey and the blind test were verified by statistical verification of dependencies and the following methods: Pearson’s Chi-Square Test, Mantel-Haenszel Chi-Square Test, Phi Coefficient, Cramer’s V Coefficient and correspondence analysis by statistical programs XL Stat, SAS Enterprise Guide and SAS 9.4.

In hypothesis testing, if the p-value is lower than a significant level, in our case 0.05, the null hypothesis is rejected and the alternative hypothesis is confirmed.

**RESULTS AND DISCUSSION**

Although rational resp. irrational behavior of consumers has already been studied by various researchers, resp. experts in the field, such as Galbraith (1938), Hanf and von Wersebe (1994), Dean and Croft (2009), Marsden and Littler (1998), Hantula (2012), Rybanská, Nagyová, and Košičiarová (2015), Guziy, Šedík and Horská (2017), Šedík et al. (2019), Rybanská, Košičiarová and Nagyová (2019), etc., resp. that the effect of packaging on shopping behavior or the attractiveness and effectiveness of the packaging has been examined by other researchers, e.g. Horská et al. (2018), Nagyová et al. (2018), Bogdanovičová and Jarošová (2015), Pavelková and Flímelová (2012),...
Čanigová et al. (2018); it can still be stated that the present contribution represents an innovative approach to this issue since the effect of the packaging on the consumer's purchasing decision in the case of private labels has not been yet examined. In the field of private labels, attention has been, so far, focused primarily on whether consumers buy the products, what product categories do they buy and what benefits these products bring to them or whether consumers prefer traditional brand or private label products (Hoch and Banerji, 1993; Narasimhan and Wilcox, 1998; Cotterill, Putis and Dhar, 2000; Steenkamp, Van Heerde and Geyskens, 2010; Košičiarová, Holotová and Nagyová, 2014; Košičiarová and Nagyová, 2015; Košičiarová et al, 2018).

As stated in Table 1, the majority of respondents were represented by female gender (63.3% of respondents), aged up to 25 years (49.2% of respondents), with secondary education with A level (39.2% of respondents), employed (48% of respondents), with a net money income of households between 501 and 800 € per month (25%) and city as the residence of respondents (63.9%).

As the aim of the paper was to find out how the packaging and selected marketing communication tools affect the consumer purchasing decisions in the dairy segment, within the questionnaire survey were formulated questions related to the issue of private label products, followed by the blind test carried out in two rounds, to determine whether the packaging influence the purchasing decision of consumers.

In terms of the frequency of private label products, the current situation in Slovakia is favorable, as of total 1,116 respondents, up to 28.7% buy the products on a regular basis and 53.1% of respondents buy them sporadically. For specific reasons for purchasing or non-purchasing of the given products can be said that while our respondents do not buy private labels mainly because of lack of interest to try something new (32.3% of respondents), assumed low product quality (27.1% of respondents) and unsatisfactory price (13.5% of respondents); they buy them mainly because of lower prices compared to traditional product brands (31% of respondents), comparable quality to traditional brands (24.3% of respondents) and good experience (24.3% of respondents). Based on the above, it can be said that rational reasons prevail over irrational ones, and therefore in this case respondents behave rationally.

In terms of the frequency of private label products purchases, our respondents buy the products mainly once a month (27.7% of respondents) and multiple times a week (24.9% of respondents); they buy private brands the most often in the categories of milk and dairy products, meat and fish purchased every week, savory snacks and mineral waters, lemonades, and juices, which they buy on a monthly or weekly basis. For this reason, dairy products, namely yogurts, were further tested in the blind test.

These results largely correspond to those of research agencies TNS Slovakia (TNS, 2015) and GFK Slovakia (TASR, 2010), resp. our previous study (Nagyová and Košičiarová, 2014; Košičiarová et al., 2017), which says that Slovaks buy private label products mainly several times a week, resp. once a week; they buy them mainly because of their cost-effectiveness, quality and confidence; and that every Slovak household has in its regular purchases a "favorite brand", for some categories of goods there is a stronger brand preference, when the brand is put before the price, mainly in dairy products that are purchased every third day on average; coffee and coffee specialties followed by margarine and butter, body and dental hygiene products, skin care, shampoos and other hair care products. The survey further shows that, while in a case of long-life milk the "less prestigious", private label products make up almost 80% of total consumption, within the acidophilic milk, fresh milk and fresh cheeses dominate the traditional brand products (TASR, 2010).

In terms of the perception of quality and evoked impression in consumer perception and consciousness, we can further say that our respondents perceive private labels as products of good resp. of adequate quality (48.7% of respondents), resp. private labels evoke that they are products of adequate quality at a reasonable price (59.8% of respondents).

As has been indicated before, the aim of the paper was also to find out how packaging affects consumers' purchasing decisions. For this reason, the questionnaire survey also formulated questions about how respondents perceive the packaging of products labeled with a private label and whether they think, that packaging influences them in their purchasing decision. The evaluation of the questions showed that although most respondents have no opinion on the packaging of private label products (up to 45.3% of respondents), up to 31.3% think that this packaging is unattractive and up to 35.8% believe that the packaging does not affect them. Following the findings, a correspondence analysis was created in SAS 9.4 to determine if the packaging affected our respondents' purchasing decisions. As can be seen in Figure 2, those respondents who reported that private label products buy regularly think that private labels have attractive packaging and that packaging does not affect them in their purchasing decisions; respondents who buy private labels sporadically think that their packaging is unattractive, resp. that the packaging affects them; and those respondents who do not buy private label products, do not have any opinion.

These findings are followed by a blind test conducted on a sample of 20 respondents from the category of young people (up to 25 years), as they represent potential regular customers of the products. Yogurts have become the subject of the blind test, as several studies proved that private label products are purchased primarily in the categories of milk and dairy products (Košičiarová et al., 2018). The blind test took place in two separate rounds. While in the first round, respondents tasted yogurts without knowing what specific yogurt it was, in the second round they were already tasting yogurts by seeing their particular packaging.
Figure 1 Percentage of Purchases of Private Label Products in the Household Expenditures in 2018 (in %) (Horáček, 2019).

Figure 2 Correspondence Analysis. Note: Source: Results of own research.
Table 1: Characteristics of Respondents.

<table>
<thead>
<tr>
<th>Gender of Respondents</th>
<th>Number</th>
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<tbody>
<tr>
<td>Female</td>
<td>706</td>
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<tr>
<td>Male</td>
<td>410</td>
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<th>Age Structure of Respondents</th>
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<tr>
<td>Up to 25 years</td>
<td>549</td>
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<tr>
<td>26 – 35 years</td>
<td>231</td>
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<tr>
<td>36 – 45 years</td>
<td>139</td>
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<tr>
<td>46 – 55 years</td>
<td>125</td>
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<tr>
<td>56 years and more</td>
<td>72</td>
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<th>Educational Structure of Respondents</th>
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<td>Primary education</td>
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<tr>
<td>Secondary education without A level</td>
<td>80</td>
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<tr>
<td>Secondary education with A level</td>
<td>438</td>
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<tr>
<td>University education – Bachelor degree</td>
<td>334</td>
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<tr>
<td>University education – Masters degree</td>
<td>226</td>
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<tr>
<td>Other</td>
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<tr>
<th>Economic Activity of Respondents</th>
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<td>Student</td>
<td>392</td>
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<tr>
<td>Employed</td>
<td>536</td>
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<tr>
<td>Unemployed</td>
<td>31</td>
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<tr>
<td>Self-employed</td>
<td>61</td>
</tr>
<tr>
<td>Maternity leave</td>
<td>41</td>
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<tr>
<td>Retired</td>
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<tr>
<th>Net Money Income of Households per Month</th>
<th>Number</th>
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</thead>
<tbody>
<tr>
<td>Up to 500 EUR</td>
<td>190</td>
</tr>
<tr>
<td>501 – 800 EUR</td>
<td>279</td>
</tr>
<tr>
<td>801 – 1.100 EUR</td>
<td>253</td>
</tr>
<tr>
<td>1.101 – 1.500 EUR</td>
<td>273</td>
</tr>
<tr>
<td>More than 1.501 EUR</td>
<td>121</td>
</tr>
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</table>

<table>
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<tr>
<th>Place of Residence of Respondents</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>716</td>
</tr>
<tr>
<td>Countryside</td>
<td>403</td>
</tr>
</tbody>
</table>

Note: Source: Results of own research.

Table 2: Examined Chocolate Yoghurts and Their Designation.

<table>
<thead>
<tr>
<th>Sample Designation</th>
<th>Examined Yoghurt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample 1</td>
<td>Billa živá kultúra</td>
</tr>
<tr>
<td>Sample 2</td>
<td>Agro Tami živý jogurt</td>
</tr>
<tr>
<td>Sample 3</td>
<td>Billa bezéčkový jogurt</td>
</tr>
<tr>
<td>Sample 4</td>
<td>Bánovecký bezéčkový jogurt</td>
</tr>
<tr>
<td>Sample 5</td>
<td>Z lásku k tradícii</td>
</tr>
<tr>
<td>Sample 6</td>
<td>Zvolenský smotanový jogurt</td>
</tr>
<tr>
<td>Sample 7</td>
<td>Lidl smotanový jogurt</td>
</tr>
</tbody>
</table>

Note: Source: Results of own research.
Figure 3 Comparison of Results of Two Rounds of Blind Testing. Note: Source: Results of own research.
The aim of this research, as it has been mentioned before, was to find out whether the packaging of a given product affects the consumer's purchasing decision. Respondents were tasked on a scale of 1 to 5, with 1 being the best rating and 5 the worst to evaluate selected attributes of the examined yogurts. These attributes were color in the first round of testing; aroma; consistency, resp. yogurt density; flavor and proportion of chocolate. In the second round of testing, the package size (i.e. whether it is suitable for respondents) and the attractiveness of the package was added to the attributes.

The results of both rounds of mentioned blind test point to many interesting findings – while in the first round of the blind test carried out in the overall evaluation of the respondents, as the best yogurt was evaluated the yogurt sample No. 5, in the second round there were the samples No. 7 and No. 6 (Figure 3).

If we look at the evaluation of the yogurt in more detail, we would find that while in the first round, when comparing samples No. 1 and No. 2 representing identical yogurt, the sample No. 1 was evaluated better, where respondents also perceived higher proportion of chocolate, even better taste of the yogurt. When comparing samples No. 3 and No. 4, representing identical yogurts than sample No. 4 was evaluated better only in color, the other attributes were perceived and evaluated in both samples the same way, except the taste, that was slightly better in Sample No. 3 and the smell that was better in Sample 4. In a comparison of samples No. 5, No. 6 and No. 7, respondents reported very similar ratings but based on the share of chocolate as the worst were evaluated the samples No. 6 and No. 7. In the second round of blind testing, when the respondents knew the specific yogurts and therefore could be influenced not only by the packaging but also a specific brand of yogurt, was in case of samples No. 1 and No. 2 better-evaluated sample No. 1 regarding the volume of packaging and sample No. 2 regarding the taste. When comparing the samples No. 3 and No. 4, sample No. 3 was better rated in terms of color and sample No. 4 in terms of taste and volume of the packaging; and when comparing samples No. 5, No. 6 and No. 7, the best rated for the attractiveness of packaging was sample No. 5, the best taste was rated in sample No. 6, and the best smell in sample No. 7. Consistency was evaluated as the best one in sample No. 6 and No. 7.

In terms of evaluation of packaging attractiveness and the impact of packaging on consumer behavior can be said that in this case, irrationality prevails, as already mentioned, identical yogurts were examined in the blind test but under different brands but respondents felt differences in taste, consistency, etc. Thus, the evidence indicates that the packaging can influence the consumer's decision and plays an important role in his purchasing decision and the evaluation of the end product.

The most attractive packaging in the case of our research was considered packaging with traditional "Slovak" motives and figures.

The last questions of the questionnaire survey focused mainly on factors leading and discouraging to and from the purchase of private label products, resp. what would affect our respondents to buy the products the most? Based on the evaluation of these questions, it can be said that while the most important factors leading to the purchase of private label products are the combination of reasonable price and quality (47% of respondents), perceived quality (13.2% of respondents) and good experience (11.4% of respondents) and not the price by itself how it was until recently (Burt, 2000; Kumar and Steenkamp, 2007). The most important factors discouraging the purchase of private label products are the expected low quality (17.2% of respondents), nonacquaintance of the producer (16.8% of respondents), and freshness (14.9% of respondents).

Again, in terms of our respondents' purchase of private label products can be seen many interesting findings – as consumers are in an increasingly competitive and dynamic market environment in today’s modern and globalized world (Smutka et al., 2016; Polakevičová, 2015; Džupina, Hodinková and Kiková, 2016; Lorincová et al., 2018; Ližbetinová et al., 2019; Mach, Dvořák and Hošková, 2018) characterized mainly by the online environment and the supersaturation of traditional communication tools, online communication, digital marketing, influencer marketing, etc. However, this assumption has not been confirmed as our respondents prefer more traditional forms of marketing communication, such as word of mouth marketing and friends' recommendations (40.3% of respondents), more interesting form of promotion (15.9% of respondents), tasting (15% of respondents) and free samples or buy 1 get 1 free (14.8% of respondents).

Evaluation of tested dependencies

Hypothesis 1: We assume there is a correlation between the quality rating of private label products and the gender of respondents – confirmed.

Hypothesis 2: We assume there is a correlation between the purchase of private label products and the gender of respondents – confirmed.

Hypothesis 3: We assume there is a correlation between the purchase of private label products and the economic activity of respondents – rejected.

Hypothesis 4: We assume there is a correlation between the perception of private label packaging and the gender of respondents – rejected.

Hypothesis 5: We assume there is a correlation between the perception of facts that influence respondents to buy the private label products and the gender of respondents – rejected.

Hypothesis 6: We assume there is a correlation between the perception of facts that influence respondents to buy the private label products and the age of respondents – rejected.

Hypothesis 7: We assume there is a correlation between the decisive factor when buying private label products and the gender of respondents – confirmed.

Hypothesis 8: We assume there is a correlation between the decisive factor when buying private label products and the age of respondents – rejected.

Hypothesis 9: We assume there is a correlation between the facts that discourage respondents from buying private labels and the gender of respondents – confirmed.

Hypothesis 10: We assume there is a correlation between the facts that discourage respondents from
buying private labels and the age of respondents – confirmed.

CONCLUSION

Even though private labels are not a complete novelty in the market, they still represent a kind of uncharted territory that needs to be explored. The submitted paper dealt with the issue of private labels and their perception by Slovak consumers as well as with the influence of packaging and chosen marketing communication tools on consumer purchasing decisions in the dairy segment, as the results of several surveys proved that private labels are mainly purchased in this segment.

An anonymous questionnaire survey was chosen as the main research method, which was attended by total 1,116 respondents from all over Slovakia, and was subsequently supplemented by the blind test attended by total of 20 respondents aged up to 25 years. The results of our two researches have shown several interesting and key findings, which proved that while the reasons, resp. rationality prevails over irrational factors leading to and discouraging the purchase of private products, irrationality prevails in the perception and evaluation of packaging. As far as the marketing communication techniques and methods are concerned, based on the results of our research, it can be concluded that the “heart” rather than reason prevails, since it is still true that respondents prefer more traditional forms of marketing communication, such as word of mouth marketing and ‘friends’ recommendations, more interesting form of promotion, tasting and free samples or buy 1 get 1 free and not the modern techniques and forms of addressing customers, which we have expected before.

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TNS. 2015. Ovlúbenosť privátnych značiek na Slovensku rastie (The popularity of private labels in Slovakia is growing). (In Slovak)

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