

ORGANISATIONS
and MARKETS
in emerging economies

Organizations and Markets in Emerging
Economies

ISSN: 2029-4581

vincas.grigas@leidykla.vu.lt

Vilniaus Universitetas

Lituania

Horvat, Sandra; Ozreti Došen, urana
Managing Private Labels Based on Psychographic Consumer Segments: Emerging
European Market Perspective
Organizations and Markets in Emerging Economies, vol. 11, núm. 2, 2020, pp. 446-461
Vilniaus Universitetas

Available in: <https://www.redalyc.org/articulo.oa?id=692374308009>

- How to cite
- Complete issue
- More information about this article
- Journal's homepage in [redalyc.org](https://www.redalyc.org)

[redalyc.org](https://www.redalyc.org)

Scientific Information System

Network of Scientific Journals from Latin America, the Caribbean, Spain and Portugal

Non-profit academic project, developed under the open access initiative

Managing Private Labels Based on Psychographic Consumer Segments: Emerging European Market Perspective

Sandra Horvat (corresponding author)

University of Zagreb, Faculty of Economics & Business, Croatia
shorvat@efzg.hr
<https://orcid.org/0000-0002-9324-6960>

Đurđana Ozretić Došen

University of Zagreb, Faculty of Economics & Business, Croatia
dozretic@efzg.hr
<https://orcid.org/0000-0001-5976-5866>

Abstract. This paper explores private labels in the context of Croatia, as a representative of a CEE and EU member countries, where their importance is continuously growing. It aims to reveal whether consumers' psychographic characteristics impact their attitudes towards private labels, which are in the growth stage of the product life cycle. Findings show that price consciousness, consumer innovativeness, and store loyalty have a positive and statistically significant impact on consumers' attitudes towards private labels. These three psychographic characteristics allow clustering of consumers prone to private labels (by applying K-means analysis) into three different clusters. Consumers belonging to cluster 2 exhibit the highest levels of innovativeness and price sensitivity and might be considered pioneers in accepting private labels. The paper contributes to a more comprehensive insight into private labels marketing management and offers managerial implications for retailers.

Keywords: private labels, psychographic characteristics, growth stage, product life cycle, emerging market

1. Introduction

Private labels are recording exponential growth in different countries all over the world, so they have become a potent threat to manufacturer brands (Delgado-Ballester et al., 2014). Since most consumers purchase private labels, at least in certain product

Received: 8/6/2020. **Accepted:** 17/8/2020

Copyright © 2020 Sandra Horvat, Đurđana Ozretić Došen. Published by Vilnius University Press. This is an Open Access article distributed under the terms of the Creative Commons Attribution Licence, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.

categories (Nenycz-Thiel & Romaniuk, 2009), private label purchase represents one of the most prominent tendencies in modern consumer behavior (Martínez-Ruiz et al., 2014). In developed markets, private labels are in the maturity stage of the product life cycle and have reached high market shares. According to PLMA International (2020), the highest private labels market share of 49.6% is recorded in Switzerland, followed by Spain with 49.5% and the United Kingdom with 46.8%. On the other hand, private labels in the emerging markets, like those of CEE countries (Ivanauskienė & Volungėnaitė, 2014), have recently started their life cycles (Benke & Zimmerman, 2014) so they exhibit a time lag in their development (Schuh, 2007) and consequently have smaller market shares (Horvat & Ozretić Došen, 2013). Hungary has the highest private label share of 34.8%, followed by Slovakia (31.8%), the Czech Republic, and Greece with 31.5%, and Turkey with 31.1% (PLMA International, 2020). According to GFK (2019), market share of private labels in Croatia has reached 22%, while other CEE countries have lower private label shares, even below 10% (GFK, 2019). However, the movement of private labels in CEE markets is extensive (Thanasuta, 2015), and it is therefore expected that their market role will be significant in the next few years. The same is expected for Baltic countries, due to discounters' penetration (Euromonitor International, 2014) and their lower standard of living compared to developed countries (McKenzie & Merrilees, 2008), and emerging markets like countries from Latin America, Asia, and Africa (Nenycz-Thiel & Romaniuk, 2014). However, according to Herstein et al. (2017), multinational retailers have had less favorable results in emerging markets than in developed countries. Similarly, Aw and Chong (2019) state that the mere replication of practices from developed countries is likely to explain "failure" of private labels in emerging markets. It is, therefore, important to focus on private labels in emerging markets (Sarkar et al., 2016) and to comprehend characteristics of private label prone consumers in those countries due to their huge but unused potential (Wyma et al., 2012).

The product life cycle is one of the most important contingencies in business research (Doha et al., 2013). Cornwell et al. (2006 in Bauer & Auer-Srnka, 2012) state that the life cycle constitutes a fundamental marketing concept which helps in exploring changes in consumer behavior over time and is often used for segmentation purposes and selecting adequate target groups in the increasingly heterogeneous market (Bauer & Auer-Srnka, 2012). The growth stage of the product life cycle is especially important because it is characterized by the development of selective demand, which leads to the formation of consumer buying habits, as a prerequisite for long-term loyalty to a particular brand (Bivainiene, 2010). Therefore, brand management in this stage has to focus on maintaining a steady growth in sales volume by attracting a higher number of consumers through collecting information about their purchasing habits and attitudes. Retailers need to acknowledge differences in stages of the product life cycle of private labels and make timely adjustments to their marketing strategy (Horvat, 2013; Horvat & Ozretić-Došen, 2015). However, most research in the field of private labels originates

from developed countries and cannot be applied without verification to emerging markets such as the markets of CEE countries. Private labels have evolved significantly in the last two decades, so the private labels introduced in emerging markets are not the same in terms of quality and value as private labels in the growth stage of the product life cycle in developed markets many years ago. Therefore, it is important to examine assumptions known from the previous research and verify whether available knowledge is still applicable in private label management in the growth stage of the product life cycle. Since private labels are currently in the growth stage of the product life cycle in emerging markets, Croatia, a representative of emerging markets, was chosen for the research. In this vein, the purpose of the paper is twofold: to analyze Croatian consumers' attitudes towards private labels, which are currently in the growth stage of the product life cycle (Steenkamp et al., 2010), and also to determine characteristics of private label prone consumers in order to provide managerial implications for appropriate private label marketing management strategies in the growth stage of the product life cycle.

The remainder of the paper is organized as follows. Section two provides a theoretical background for the proposed research framework. It is followed by a detailed description of research methodology and research findings of consumer psychographic characteristics and attitudes toward private labels in the growth stage of the PLC. Finally, conclusions, research limitations and recommendations are presented and discussed in Section four.

2. Literature Review and Hypotheses Development

Previous research in the field of private labels is primarily related to the impact they have on the success of manufacturer brands. Recent studies put more focus on the analysis of the psychological perceptions about private labels, characteristics of private label prone consumers, and economic effects influencing the success of private labels, such as price-quality ratio (Glynn & Chen, 2009). Those researches have shown that differences in objective or perceived private label characteristics, as well as marketing activities of manufacturers and retailers, lead to heterogeneity in consumer preferences. However, despite the increased importance of private labels, retailers and manufacturers do not have enough knowledge about their consumers' purchase predisposition beyond their demographic profile (Herstein et al., 2012). Consumers play a key role in the success of private labels, so defining the market segment is non-negotiable for retailers (Cuneo et al., 2012; Shukla et al., 2013). Given their significant market potential, a deeper understanding of consumer attitudes and characteristics would help explain their decision making and influence on private label success (Goldsmith et al., 2010).

Previous research which aimed to define the profile of private label prone consumer can be classified into four research streams: research of socio-demographic variables, consumer's personality, purchasing style and a way in which consumers' process information (Dick et al., 1996). The first studies were primarily focused on defining

the socio-demographic characteristics of private label prone consumers. Since the only socio-demographic variable that showed a consistently positive impact was the household size, these studies did not provide an unambiguous answer in which way age, education, and household income influence the propensity to buy private labels. Due to the inconsistencies in findings, subsequent studies have focused on consumers' psychographic characteristics, which have proven to be more significant for private label success (Martínez & Montaner, 2008). Therefore, they are selected for closer examination in this study.

The tendency of consumers to purchase private labels is a fundamental variable of private labels' success. Previous research suggests at least five different approaches to its operationalization. Hoch and Banerji (1993) and Dhar and Hoch (1997) emphasize the market share approach, while Richardson et al. (1994), Dick et al. (1995), Baltas (1997), Burton et al. (1998), Batra and Sinha (2000), Miquel et al. (2002), Sheinin and Wagner (2003) and Veloutsou et al. (2004) advocate individual buying behavior and/or purchase intent. Furthermore, Dunn et al. (1986), DelVecchio (2001) and Liu and Wang (2008) stress the perception of private labels, Burton et al. (1998) and Sheinin and Wagner (2003) underline consumers' private label attitudes, and Sethuraman and Cole (1999) call for a willingness to pay for private labels. The most research on the private label has focused on "private label proneness" through private label attitudes in general (Collins-Dodd & Lindley, 2003) and the fact that, according to the attitude theory, general attitudes towards private labels will be manifested in actual market place behavior to some extent (Garretson et al., 2002). In line with that, this research adopts a general private label attitude as a measure of private label success.

2.1 Private label attitudes

In the simplest form, as defined by Lutz (1991, in Binninger, 2008, p. 97), an attitude refers to "predisposition learned to respond to an object more or less favorably." Through the representation of the individual - object relationship, an attitude expresses the value of that object. As such, it is a relatively durable construct that is not easily changed, so it is often used in different consumer behavior models or for segmentation purposes (Kesić, 2006).

As explained by Burton et al. (1998, p. 298), attitude towards private labels is "a predisposition to favorable or unfavorable response about the product evaluation, purchase probability and self-evaluation associated with products under a private label." The evaluation of an individual private label depends primarily on the consumers' general attitude towards private labels (Collins-Dodd & Lindley, 2003). Also, consumers' general attitude towards private labels moderates the relationship between the retailer and its private labels assortment (Binninger, 2008).

The favorable attitude toward private labels is, according to numerous research, a prerequisite for consumers' propensity to regularly buy private labels. Research conducted

by Burton et al. (1998) has shown that consumers with highly favorable attitudes towards private labels purchased 50 percent more private labels compared to consumers whose attitudes were less favorable. A positive correlation between private label attitude and purchase intention was also confirmed by Garretson et al. (2002), Jin and Suh (2005), Chaniotakis et al. (2010) and Miguel et al. (2017). The specified connection between attitude towards private label and purchase intention can be explained by the Theory of Planned Behavior, which suggests that individuals tend to achieve consistency between attitudes and behavior (Ajzen, 1991 according to Walsh & Mitchell, 2010).

2.2 Psychographic factors

Studies on psychographic characteristics have proved to be relevant in defining the characteristics of private label prone consumers (Martínez & Montaner, 2008). An extensive literature review shows many psychographic factors related to private label proneness, such as price consciousness (Hoch & Banerji, 1993; Raju et al., 1995; Sinha & Batra, 1999; Baltas & Argouslidis, 2007), consumer innovativeness (Jin & Suh, 2005), risk aversion (Erdem et al., 2004), brand loyalty (Burton et al., 1998), value consciousness (Garretson et al., 2002), among others.

Given that we found a significant number of variables connected to private labels attitudes in existing literature, mostly focusing on developed countries, we conducted qualitative interviews with private label management experts. This research aims to verify whether Croatia is in the growth stage of the PLC when private labels are concerned and obtain an expert view on which psychographic variables are the most important in private label management in the growth stage of the PLC. A group of 16 Croatian experts, chosen using snowball sampling, participated in in-depth interviews. All interviewees had extensive knowledge and skills in the field and were representing leading retailers and manufacturing companies which produce private labels.

The sample covered representatives from retailers that comprise 65% of Croatian retail market. Additionally, interviews were conducted with manufacturers that produce private labels alongside manufacturer brands in order to avoid bias from the retailers. Respondents verified that private labels in Croatia are in the growth stage of the PLC in most product categories. They were asked to describe a typical private label prone consumer as well as to rate psychographic factors (defined by extensive literature review) according to their importance for private label success in the growth stage of the product life cycle. Based on the research results and expert opinion, three factors were selected for further examination: price consciousness, consumer innovativeness, and store loyalty.

Previous research shows that, despite the evolution in quality perception of private labels, affordable or low prices are still the main drivers of private label success (Krystallis, 2015). **Price consciousness** is an enduring predisposition, the intensity of which varies among individuals. Each individual may have a different degree of price sensitivity.

ty concerning different product categories, while some individuals are more sensitive to prices paid regardless of the product category (Sinha & Batra, 1999). Price consciousness can be defined as the level to which consumers are focused exclusively on paying low prices (Jin & Suh, 2005), and for these consumers, price is a determining factor in the purchase decision (Burton et al., 1998). Private labels attract price-sensitive consumers offering products at prices much lower than the prices of manufacturer brands. According to research results, as much as 67% of consumers who choose a private label, rather than manufacturer brand, believe that price is the most important factor when making a purchase decision (Kirk, 1992 in Medina et al., 2004). These consumers are willing to sacrifice a certain level of quality for the appropriate price discount (Wang et al., 2007) and therefore have a positive attitude towards private labels (Burton et al., 1998; Ailawadi et al., 2001). Erdem et al. (2004) concluded that higher price sensitivity of UK consumers compared to consumers in the US may explain why private labels are more successful in the UK market. According to research findings of Batra and Sinha (2000), price consciousness is the strongest of all variables studied, which significantly affects consumer propensity to buy private labels. Gázquez-Abad and Sánchez-Pérez (2009) also demonstrated that the consumer segment which is highly price-conscious displays a strong preference for private labels. Research by Thanasuta (2015) showed that price consciousness contributes significantly to private label purchase, especially in low-differentiation categories. According to the research by Miguel et al. (2017), price consciousness has no direct effect on private label purchase intention in the category of durables but they confirmed positive influence of price consciousness on general private label attitude. Based on the findings mentioned above, it is expected that price consciousness will have a positive effect on attitudes towards private labels in the growth stage of the life cycle, and the H1 posits:

H1: Price consciousness positively influences attitudes towards private labels in the growth stage of the product life cycle.

Consumer innovativeness is defined as a predisposition to buy new and different products or brands instead of retaining past choices and behaviors (Jin & Suh, 2005). Although there are several categories of innovativeness, in this paper, we use the concept of innate innovativeness. Innate innovativeness, as a general personality trait, refers to a “degree to which the individual adopts an innovation without communicating with others’ previous purchasing experiences” (Midgley & Dowling, 1978 in Chao et al., 2013). Available research validates that the influence of innovativeness is significant in the early stages of the private labels’ life cycle when they represent a new concept (Schuh, 2006). For example, in Korea, where private labels were at the beginning of the life cycle, consumer innovativeness was found to be the strongest factor predicting consumers’ attitudes towards private labels (Jin & Suh, 2005). Similarly, Balakrishnan (2017) found that consumer innovativeness positively effects private label attitude in the category of fashion wear on Indian market, while Kumar and Chandra (2020)

found the same positive connection in the context of private labels of virtual retailers. Contrary, in the developed markets, such as the one in the UK, research revealed no significant relationship between consumers' innovativeness and private-label purchase (Baltas, 1997). However, research by Gomez-Suarez and Abril (2020) has revealed that consumers with higher level of innovativeness prefer national brands that have introduced innovation on the market. Taking all into account, consumers' innovativeness positive effect on private label attitudes in the growth stage of the life cycle may be expected. Therefore, H2 posits:

H2: Consumer innovativeness positively influences attitudes towards private labels in the growth stage of the product life cycle.

In the academic literature, **store loyalty** is analyzed from attitudinal and behavioral perspectives (Rubio et al., 2014). Attitudinal loyalty indicates the psychological inclination towards the same brand or a retailer and includes consumer attitudes assessments. On the other hand, behavioral loyalty reflects consumers' tendencies. It includes the evaluation of past purchases of the same brand and/or probability of future purchases based on past purchasing behavior (Yavas & Babakus, 2009). In this paper, we adopted an attitudinal focus. Store loyalty can be delineated as a commitment to a specific retailer, and previous researches (e.g., Richardson et al., 1996; Ailawadi et al., 2001; Baltas, 2003) have found that consumer loyalty has a positive effect on private label proneness. In that vein, spending a more considerable amount of time in the stores of the same retailer boosts consumers' exposure to private labels (Dick et al., 1995), which increases their propensity to purchase private labels. Additionally, consumers who consistently buy in the same retail chain will attribute their behavior to the quality of that retailer, which will positively impact the private label perception (Ailawadi et al., 2008). Therefore, it can be hypothesized:

H3: A store loyalty positively influences attitudes towards private labels in the growth stage of the product life cycle.

3. Research

3.1 Research method

The first step in the research consisted of in-depth interviews with experts in private label management in the Croatian market. The research method and obtained results were described in Section 2.2. Based on the results, we developed a research instrument and conducted the quantitative research on actual consumers in Croatia.

The focus of the research was on the standard private labels which are dominant on the Croatian market. Standard private labels imitate leading manufacturer brands intending to offer organoleptically or functionally similar products but with a lower price. In order to avoid misunderstandings, the term "private label" was explained at the

beginning of the questionnaire, and examples of the most popular private labels from different retailers were specified.

The survey questionnaire contained a series of statements, and respondents were asked to express their (dis)agreement using 7-degrees Likert-type scales (ranging from 1 “strongly disagree” to 7 “strongly agree”). Statements were adopted from existing previous researches and translated to Croatian. To measure general attitudes towards private labels, a scale relying on Burton et al. (1998) was selected and applied. Price consciousness scale was adopted from Sinha and Batra (1999), while consumer innovativeness and store loyalty scales were adopted from Ailawadi et al. (2001). For the pre-test, a sample of 86 graduate business and economics students from the University of Zagreb was used. A pre-test was conducted to test the clarity of the questionnaire as a research instrument. After necessary minor correction to the questionnaire, the main research was conducted on a convenience sample of 841 respondents. The sample was collected through an online survey using Survey methods (online survey software). There were 70% female and 30% male respondents. Respondents younger than 35 were the most represented segment in the sample (65%), followed by respondents aged 36-45 (17%), 46-55 (11%), and older than 56 (7%). Regarding educational level, respondents were more equally distributed so that 46% of respondents have at least high school diploma, 39% university degree and 14% master's degree or Ph.D.

Collected data were analyzed using statistical packages Statistic 6.0 and PASW Statistics 18. The reliability of measurement scales was primarily analyzed using the Cronbach alpha coefficient, and the convergent validity was tested using confirmatory factor analysis. All factors had appropriate loadings in the factor analysis and were, therefore, eligible for further testing.

3.2 Research findings

Multiple regression analysis was used to analyze the collected data, with consumer characteristics as independent variables, and the attitude towards private labels as the dependent variable. Multiple regression results are listed in Table 1.

TABLE 1. **Multiple regression results**

	B	Std. Err. of B	T	p-level
Intercept	1.750	0.222	7.888	0.000
Price consciousness	0.364	0.037	9.759	0.000
Consumer innovativeness	0.113	0.035	3.239	0.001
Store loyalty	0.132	0.031	4.222	0.000
R ² = .140 F=45.533 p<0.0000				

Source: authors' research

According to results, price consciousness, consumer innovativeness, and store loyalty (i.e., all three analyzed consumer characteristics) positively and significantly impact attitude towards private labels. Price sensitivity is a variable that has the greatest impact on attitude indicating that hypothesis H1 can be supported. This result has been expected, given that private labels are traditionally positioned as a cheaper alternative to manufacturer brands, and is in line with previous studies (e.g., Burton et al., 1998; Ailawadi et al., 2001). Regression analysis also showed a statistically significant impact of innovativeness corroborating hypothesis H2. This result complies with findings by Jin and Suh (2005), although the impact in our findings is not dominant. The positive relationship between store loyalty and attitude towards private labels indicated in previous research (e.g., Ailawadi et al., 2008) was also confirmed, but its impact is rather small. However, intercorrelation between store loyalty and private label attitude is statistically significant, so hypothesis H3 can be supported.

The next step in the analysis was to define different consumer clusters based on psychographic consumer characteristics and private label attitudes. Consumer characteristics were analyzed through K-means cluster analysis (Herstein et al., 2013), which has generated three separate clusters of consumers. Cluster 1 is represented by 268 respondents, Cluster 2 comprises 248 respondents, while Cluster 3 is the largest with a total of 312 respondents. These clusters differ in psychographic characteristics and attitudes to private labels, as shown in Table 2.

TABLE 2. **Psychographic characteristics of consumers in different clusters**

	Cluster 1	Cluster 2	Cluster 3	F	P
Price consciousness	3.5	4.7	4.1	79.188	0.000
Consumer innovativeness	3.6	5.0	2.8	368.729	0.000
Store loyalty	5.3	4.3	2.6	625.625	0.000
Private label attitude	4.2	4.7	3.9	24.53	0.000

Source: authors' research

Results show that consumers in Cluster 2 have positive attitudes towards private labels, while consumers from Clusters 1 and 3 are indifferent. These results indicate that consumers in the growth stage have overcome, to some extent, negative attitudes towards private labels typical for the introduction stage of the product life cycle. Statistical difference in attitudes between defined three clusters of consumers was tested and confirmed by Tukey's post-hoc test.

In order to get a more detailed insight into the characteristics of consumers who belong to different clusters, they were analyzed by using average values for the individual claims that made up each factor. Based on the analysis, it can be concluded that consumers who belong to Cluster 1 are loyal to a particular retailer and are willing to invest an extra effort to buy at their favorite retail chain. They like to shop wisely and therefore

tend to compare prices of several products before making a purchase decision. They must gain the highest value they can get for the money invested in a product/service. Although they do not believe product quality can be assessed only based on its price, i.e., that low price means low quality, they are not inclined to buy the cheapest product available. As for the private labels, members of Cluster 1 believe they offer an acceptable value expressed in terms of prices and quality, but do not always feel that buying a private label is the right choice. Their attitude towards private labels is at a medium level compared to other clusters, which is probably the result of their confidence in the retail chain they are loyal to, as well as their desire to ensure good value for money in every purchase.

Consumers from Cluster 2 show a high level of consumer innovativeness and are prone to accepting new products. They also express a certain level of price sensitivity, which can explain their positive attitude towards private labels. Although not loyal to a particular retailer, their affinity to accept new products and price consciousness encourages them to purchase private labels. They believe that private labels offer an acceptable value expressed in terms of prices and quality. Consumers from Cluster 2 also compare prices of several different brands before making a final purchase decision. Still, unlike consumers in Cluster 1, they tend to purchase products on discount and are actively seeking information about new products. When choosing a product, they heavily rely on price as they are not convinced that low price necessarily indicates low quality.

Consumers from Cluster 3 are not keen on accepting new products and display a low level of store loyalty. In making a purchase decision, they look for products that can offer good value, and they take pride in a smart purchase. They compare the prices of different brands but do not want to buy the cheapest products available. Given that consumers in Cluster 3 do not express high levels of price sensitivity, they are not prone to purchase private labels and exhibit an indifferent attitude about them.

4. Conclusion, managerial implications and research limitations

Conducted empirical study has confirmed the theoretical assumptions outlined at the beginning of the paper. Analyzed psychographic factors have a positive impact on consumer attitudes towards private labels in the growth stage of the product life cycle, with price consciousness having a dominant influence. Price-sensitive consumers prefer private labels because of their lower price compared to manufacturer brands. Therefore, retailers should keep in mind that the price gap between private labels and manufacturer brands should be sufficiently large to attract these consumers. Of course, even very price-sensitive consumers will not buy a product of substandard quality, so it is important that low price is not achieved at the expense of excessive-quality degradation. Besides price, store loyalty also has a positive influence on private label attitudes. Retailers should, therefore, focus on loyal customers who trust them and try to familiarize those consumers with private labels. This can be done through special offers to members of a

retailer's loyalty program or through in-store trials of private labels in different product categories. Consumer innovativeness has a statistically significant impact on private label proneness, but it is expected this impact will weaken with time, as a result of greater private label acceptance on the market. Therefore, it is important to focus on these consumers at the beginning of the life cycle and present private labels as an innovative alternative to existing manufacturer brands. The other approach that retailers can use is to introduce more private label tiers and develop private labels in the innovative product categories in order to attract innovative consumers.

Three clusters defined on the basis of empirical research indicate that, in the growth stage of the product life cycle, retailers should identify different marketing strategies for consumers from different segments. Results suggest that retailers should primarily focus on consumers from Cluster 2, who exhibit a high level of innovativeness and price sensitivity. These customers are likely to be among the first to accept private labels. Still, as they are not store-loyal, retailers should invest in differentiating their private labels from other private labels on the market, thereby increasing consumers' level of loyalty. These consumers could be regarded as pioneers as far as private labels are concerned, so it is important to achieve a high level of their satisfaction in order to secure positive word of mouth.

Consumers from Clusters 1 and 3 exhibit indifferent attitudes towards private labels, but that does not mean that retailers should neglect them when defining private label strategies. Retailers should pay special attention to consumers from Cluster 1 because these consumers are loyal to a specific retailer, so it is easier to convey a message of value of a private labels offer. If they trust a retailer, they would probably be willing to believe in value proposition retailers are offering through their private labels. Therefore, retailers should make private labels more visible in their stores and also implement private labels in their loyalty programs to draw attention to private labels. Consumers from Cluster 3 are not keen on private labels because they are not price-sensitive, or they do not like new products. However, they look for products which offer a good value for money, so retailers should put more emphasis on the fact that private labels offer products with quality comparable to manufacturer brands and at a lower price. By presenting private labels as a smart shopping choice, they will appeal to consumers from Cluster 3.

Results from the presented research are particularly important for managers from emerging markets like CEE markets where private labels are in the growth stage of their life cycle. Research has shown that retailers should primarily focus on consumers who are price-sensitive and are innovative in a sense they are keen on trying new products. In that vein, they have to position private labels as cheaper alternatives and, at the same time, as a new alternative to familiar manufacturer brands. Retailers should also focus on bringing closer private labels to consumers who are loyal to them and take advantage of the trust they have in a retailer itself.

This research has several limitations that provide possible opportunities for future research. The focus of the study was only on the growth stage of the product life cycle

so additional research should be conducted in order to get a more in-depth insight into changes of private label prone consumers through the entire life cycle. Additionally, research was conducted only in one market, so more investigations in different markets are needed to verify presented results. The questionnaire was self-administrated, which brings into question respondents' understanding of specific concepts presented in the research. Researchers had conducted pre-study in order to restrict this limitation, but doubts persist. Furthermore, since the convenience sample is not based on probability, the research findings do not enable the generalization of the results. In this research, we examine three psychographic consumer traits that are not enough to provide an overall understanding into the characteristics of consumers prone to private labels. Selected variables have not been able to explain general attitudes towards private labels, which can indicate that variables important in developed market are not necessarily as important in emerging markets. Further research should, therefore, focus on incorporating additional psychographic factors in determining consumers prone to private labels such as smart shopper self-perception, value consciousness, and brand loyalty. Given that foreign retailers mostly introduce private labels, it should be researched whether the country of origin of the retailer that first introduced private labels to the emerging market can be a dimension that would influence consumers' general attitudes towards private labels. Additionally, it would be interesting to test whether there are any differences in the characteristics of consumers prone to private labels at the level of product categories. This kind of research would help retailers to gain a better understanding of their consumers and improve their category management skills. However, it should be noted that despite the limitations mentioned above, a large sample still allows for relevant conclusions.

References

- Ailawadi, K. L., Neslin, S. A. & Gedenk, K. (2001). Pursuing the Value-Conscious Consumer: Store Brands Versus National Brand Promotions. *Journal of Marketing*, 65, 71-89. <https://doi.org/10.1509/jmkg.65.1.71.18132>.
- Ailawadi, K. L., Pauwels, K., & Steenkamp, J.-B. E. M. (2008). Private-Label Use and Store Loyalty. *Journal of Marketing*, 72, 19-30. <https://doi.org/10.1509/jmkg.72.6.019>
- Aw, E., & Chong, H. (2019). Understanding non-private label consumers' switching intention in emerging market. *Marketing Intelligence & Planning*, 37, 689-705. <https://doi.org/10.1108/MIP-11-2018-0514>.
- Balakrishnan, M. (2017). Determining Factors of Brand Attitude Towards Private Label Fashion Wear. *Journal of Management Research*, 17(4), 232-243.
- Baltas, G. (1997). Determinants of store brand choice: a behavioral analysis. *Journal of Product & Brand Management*, 6(5), 315-324. <https://doi.org/10.1108/10610429710179480>
- Baltas, G. (2003). A combined segmentation and demand model for store brands. *European Journal of Marketing*, 37(10), 1499-1513. <https://doi.org/10.1108/03090560310487211>
- Baltas, G., & Argouslidis, P. C. (2007). Consumer characteristics and demand for store brands. *International Journal of Retail & Distribution Management*, 35(5), 328-341. <https://doi.org/10.1108/09590550710743708>

- Batra, R., & Sinha, I. (2000). Consumer-Level Factors Moderating The Success Of Private Label Brands. *Journal of Retailing*, 76(2), 175-191. [https://doi.org/10.1016/S0022-4359\(00\)00027-0](https://doi.org/10.1016/S0022-4359(00)00027-0)
- Bauer, M., & Auer-Srnka, K. J. (2012). The life cycle concept in marketing research. *Journal of Historical Research in Marketing*, 4(1), 69-96. <https://doi.org/10.1108/17557501211195073>
- Benke, J., & Zimmerman, N. (2014). Beyond private label panache: the effect of store image and perceived price on brand prestige. *Journal of Consumer Marketing*, 31(4), 301-311. <https://doi.org/10.1108/JCM-12-2013-0801>
- Binninger, A.-S. (2008). Exploring the relationships between retail brands and consumer store loyalty. *International Journal of Retail & Distribution Management*, 36(2), 94-110. <https://doi.org/10.1108/09590550810853057>
- Bivainiene, L. (2010). Brand Life Cycle: Theoretical Discourses. *Economics and Management*, 15, 408-414.
- Burton, S., Lichtenstein, D. R., Netemeyer, R. G., & Garretson, J. A. (1998). A Scale for Measuring Attitude Toward Private Label Products and an Examination of Its Psychological and Behavioral Correlates. *Journal of the Academy of Marketing Science*, 26(4), 293-306. <https://doi.org/10.1177/0092070398264003>
- Chaniotakis, I. E., Lymperopoulos, C., & Soureli, M. (2010). Consumers' intentions of buying own-label premium food products. *Journal of Product & Brand Management*, 19(5), 327-334. <https://doi.org/10.1108/10610421011068568>
- Chao, C.-W., Reid, M., & Mavondo, F. (2013). Global consumer innovativeness and consumer electronic product adoption. *Asia Pacific Journal of Marketing and Logistics*, 25(4), 614-630. <https://doi.org/10.1108/APJML-02-2013-0025>
- Collins-Dodd, C., & Lindley, T. (2003). Store brands and retail differentiation: the influence of store image and store brand attitude on store own brand perceptions. *Journal of Retailing and Consumer Services*, 10, 345-352. [https://doi.org/10.1016/S0969-6989\(02\)00054-1](https://doi.org/10.1016/S0969-6989(02)00054-1)
- Cuneo, A., Lopez, P., & Yague, M. J. (2012). Private label brands: measuring equity across consumer segments. *Journal of Product & Brand Management*, 21(6), 428-438. <https://doi.org/10.1108/10610421211264919>
- Delgado-Ballester, E., Hernandez-Espallardo, M., & Rodriguez-Orejuela, A. (2014). Store image influences in consumers' perceptions of store brands: the moderating role of value consciousness. *European Journal of Marketing*, 48(9/10), 1850-1869. <https://doi.org/10.1108/EJM-02-2012-0087>
- DelVecchio, D. (2001). Consumer perceptions of private label quality: the role of product category characteristics and consumer use of heuristics. *Journal of Retailing and Consumer Services*, 8, 239-249. [https://doi.org/10.1016/S0969-6989\(00\)00030-8](https://doi.org/10.1016/S0969-6989(00)00030-8)
- Dhar, S. K., & Hoch, S. J. (1997). Why Store Brand Penetration Varies by Retailer. *Marketing Science*, 16(3), 208-227. <https://doi.org/10.1287/mksc.16.3.208>
- Dick, A., Jain, A., & Richardson, P. (1995). Correlates of store brand proneness: some empirical observations. *Journal of Product & Brand Management*, 4(4), 15-22. <https://doi.org/10.1108/10610429510097663>
- Dick, A., Jain, A., & Richardson, P. (1996). How consumers evaluate store brands. *Journal of Product & Brand Management*, 5(2), 19-28. <https://doi.org/10.1108/09684909710155529>
- Doha, A., Das, A., & Pagell, M. (2013). The influence of product life cycle on the efficacy of purchasing practices. *International Journal of Operations and Production Management*, 33(4), 470-498. <https://doi.org/10.1108/01443571311307352>
- Dunn, M. G., Murphy, P. E., & Skelly, G. U. (1986). Research Note: The Influence of Perceived Risk on Brand Preference for Supermarket Products. *Journal of Retailing*, 62(2), 204-216.
- Euromonitor International (2014). *Discounters in Baltic Countries: Weak Results and Clear Underdevelopment*. Available at <http://blog.euromonitor.com/2014/08/discounters-in-baltic-countries-weak-results-and-clear-underdevelopment.html> (accessed 5th September 2017)

Erdem, T., Zhao, Y., & Valenzuela, A. (2004). Performance of Store Brands: a Cross-Country Analysis of Consumer Store-Brand Preferences, Perceptions and Risk. *Journal of Marketing Research*, 41, 86-100. <https://doi.org/10.1509%2Fjmr.41.1.86.25087>

Garretson, J. A., Fisher, D., & Burton, S. (2002). Antecedents of private label attitude and national brand promotion attitude: similarities and differences. *Journal of Retailing*, 78, 91-99. [https://doi.org/10.1016/S0022-4359\(02\)00071-4](https://doi.org/10.1016/S0022-4359(02)00071-4)

Gázquez-Abad, J.C., & Sánchez- Pérez, M. (2009). Characterising the deal-proneness of consumers by analysis of price sensitivity and brand loyalty: an analysis in the retail environment. *The International Review of Retail, Distribution and Consumer Research*, 19(1), 1-28. <https://doi.org/10.1080/09593960902780922>

Glynn, M. S., & Chen, S. (2009). Consumer-factors moderating private label brand success: further empirical results. *International Journal of Retail & Distribution Management*, 37(11), 896-914. <https://doi.org/10.1108/09590550910999343>

Goldsmith, R. E., Flynn, L. R., Goldsmith, E., & Stacey, E. C. (2010). Consumer attitudes and loyalty towards private brands. *International Journal of Consumer Studies*, 34, 339-348. <https://doi.org/10.1111/j.1470-6431.2009.00863.x>

Gomez-Suarez, M., & Abril, C. (2020). Choice of National Brand vs. Private Label “Me-Too” New Products in the Multicultural Context: Understanding Consumer Innovativeness. In *Global Branding Breakthroughs in Research and Practice* (pp. 243-269). Information Research Management Association (USA). <https://doi.org/10.4018/978-1-5225-9282-2>

Herstein, R., Drori, N., Berger, R., & Barnes, B. (2017). Exploring the gap between policy and practice in private branding strategy management in an emerging market. *International Marketing Review*, 34(4). <https://doi.org/10.1108/IMR-05-2014-0188>

Herstein, R., Gilbao, S., & Gamliel, E. (2013). Private and national brand consumers' images of fashion stores. *Journal of Product & Brand Management*, 22(5/6), 311-341. <https://doi.org/10.1108/JPB-03-2012-0110>

Herstein, R., Tifferet, S., Abrantes, J. L., Lymperopoulos, C., Albayrak, T., & Caber, M. (2012). The effect of personality traits on private brand consumer tendencies: A cross-cultural study of Mediterranean countries. *Cross Cultural Management*, 19(2), 196-214. <https://doi.org/10.1108/13527601211219883>

Hoch, S. J., & Banerji, S. (1993). When Do Private Labels Succeed?. *Sloan Management Review*, 34 (4), 57-67.

Horvat, S. (2013). Application of product life cycle concept to private label management. *Tržište*, 25(1), 63-76.

Horvat, S., & Ozretić Došen, Đ. (2013). Perceived Risk Influence on the Consumer Attitude to Private Labels in the Product's Life Cycle Growth Stage. *Economic and Business Review*, 15 (4), 267-291.

Horvat S., & Ozretić-Došen Đ. (2015) Implementation of the Product Life Cycle Concept in Private Label Management: Focus on the Growth Stage. In F. Martínez-López, J. Gázquez-Abad, R. Sethuraman (Eds.), *Advances in National Brand and Private Label Marketing* (pp. 53-62). Springer Proceedings in Business and Economics. Springer, Cham. https://doi.org/10.1007/9783-319-20182-5_6

Ivanauskienė, N., & Volungėnaitė, J. (2014). Relationship between Service Quality and Customer Loyalty: An Empirical Investigation of Retail Chain Stores in Emerging Markets. *American International Journal of Social Science*, 3(2), 113-120.

Jin, B., & Suh, Y. G. (2005). Integrating effect of consumer perception factors in predicting private brand purchase in a Korean discount store context. *Journal of Consumer Marketing*, 22(2), 62-71. <https://doi.org/10.1108/07363760510589226>

- Kesić, T. (2006). *Ponašanje potrošača*. Zagreb: Opinio.
- Kumar, S., & Chandra, B. (2020). Consumer purchase intention towards private label brands of virtual retailers: Evidence from the developing nation. *International Journal of Electronic Marketing and Retailing*, 11(2), 161-182. <https://doi.org/10.1504/IJEMR.2020.106843>
- Liu, T.-C., & Wang, C.-Y. (2008). Factors affecting attitudes toward private labels and promoted brands. *Journal of Marketing Management*, 24(3/4), 283-298. <https://doi.org/10.1362/026725708X306103>
- Martínez, E., & Montaner, T. (2008). Characterisation of Spanish store brand consumers. *International Journal of Retail & Distribution Management*, 36(6), 477-493. <https://doi.org/10.1108/09590550810873947>
- Martínez-Ruiz, M. P., Ruiz-Palomino, P., Martínez-Canas, R., & Blázquez-Resino, J. J. (2014). Consumer satisfaction and loyalty in private-label food stores. *British Food Journal*, 116(5), 849-871. <https://doi.org/10.1108/BFJ-09-2012-0216>
- McKenzie, B., & Merrilees, B. (2008). Retail value chains: Extension and development into transition economies: Stockman in Estonia and Latvia. *Baltic Journal of Management*, 3(3), 309 – 327. <https://doi.org/10.1108/17465260810902388>
- Medina, O., Méndez, J. L., & Rubio, N. (2004). Price-Quality and Market Share of Consumer Goods in Spain: Retail Brands and Manufacturer Brands. *Industrial Review of Retail, Distribution and Consumer Research*, 4(2), 199-222. <https://doi.org/10.1080/0959396042000178197>
- Miquel, S., Caplliure, E. M., & Aldas-Manzano, J. (2002). The effect of personal involvement on the decision to buy store brands. *Journal of Product & Brand Management*, 11(1), 6-18. <https://doi.org/10.1108/10610420210419513>
- Miquel, M.-J., Caplliure, E.-M., Pérez, C., & Bigné, E. (2017). Buying private label in durables: Gender and other psychological variables. *Journal of Retailing and Consumer Services*, 34, 349-357. <https://doi.org/10.1016/j.jretconser.2016.07.013>
- Nenycz-Thiel, M., & Romaniuk, J. (2009). Perceptual categorization of private labels and national brands. *Journal of Product & Brand Management*, 18(4), 251-261. <https://doi.org/10.1108/10610420910972774>
- Nenycz-Thiel, M., & Romaniuk, J. (2014). The real difference between consumers' perceptions of private labels and national brands. *Journal of Consumer Behaviour*, 13, 262-269. <https://doi.org/10.1002/cb.1464>
- PLMA International. (2020). *Private Label today*. Industry News. Available at : <https://www.plmainternational.com/industry-news/private-label-today> (accessed 1 August 2020)
- Raju, J. S., Sethuraman, R., & Dhar, S. K. (1995). The Introduction and Performance of Store Brands. *Management Science*, 41(6), 957-978. <https://doi.org/10.1287/mnsc.41.6.957>
- Richardson, P. S., Dick, A. S., & Jain, A.K. (1994). Extrinsic and intrinsic cue effects on perceptions of store brand quality. *Journal of Marketing*, 58(4), 28-36. <https://doi.org/10.1177/002202224299405800403>
- Richardson, P. S., Jain, A. K., & Dick, A. (1996). Household store brand proneness: a framework. *Journal of Retailing*, 72(2), 159-185. [https://doi.org/10.1016/S0022-4359\(96\)90012-3](https://doi.org/10.1016/S0022-4359(96)90012-3)
- Rubio, N., Villasenor, N., & Oubina, J. (2014). Value and store brand identification in food products. *British Food Journal*, 116(6), 965-983. <https://doi.org/10.1108/BFJ-01-2013-0028>
- Sarkar, S., Sharma, D., & Kalro, A.D. (2016). Private label brands in an emerging economy: an exploratory study in India. *International Journal of Retail & Distribution Management*, 44(2), 203-222. <https://doi.org/10.1108/IJRDM-07-2015-0102>
- Schuh, A. (2006). *Determinants of the market penetration of private labels in Central and Eastern Europe: A cross-country comparison*. In EIBA Conference Proceedings, Fribourg, Switzerland.
- Schuh, A. (2007). Brand strategies of Western MNCs as drivers of globalization in Cen-

tral and Eastern Europe. *European Journal of Marketing*, 41, (3/4), 274 – 291. <https://doi.org/10.1108/03090560710728336>

Sethuraman, R., & Cole, C. (1999). Factors influencing the price premiums that consumers pay for national brands over store brands. *Journal of Product & Brand Management*, 8(4), 340-351. <https://doi.org/10.1108/10610429910284319>

Sheinin, D. A., & Wagner, J. (2003). Pricing store brands across categories and retailers. *Journal of Product & Brand Management*, 12(4), 201-219. <https://doi.org/10.1108/10610420310485023>

Shukla, P., Banerjee, M., & Adidam, P. T. (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, 423-435. <https://doi.org/10.1002/cb.1441>

Sinha, I., & Batra, R. (1999). The effect of consumer price consciousness on private label purchase. *International Journal of Research in Marketing*, 16, 237-251. [https://doi.org/10.1016/S0167-8116\(99\)00013-0](https://doi.org/10.1016/S0167-8116(99)00013-0)

Steenkamp, J.-B. E. M., Van Heerde, H. J., & Geyskens, I. (2010). What Makes Consumers Willing to Pay a Price Premium for National Brands over Private Labels?. *Journal of Marketing Research*, 47, 1011-1024. <https://doi.org/10.1509%2Fjmk.47.6.1011>

Thanasuta, K. (2015). Thai consumers' purchase decisions and private label brands. *International Journal of Emerging Markets*, 10(1), 102-121. <https://doi.org/10.1108/IJOEM-02-2011-0016>

Veloutsou, C., Giouliannis, E., & Moutihno, L. (2004). Own label choice criteria and perceived characteristics in Greece and Scotland: Factors influencing the willingness to buy. *Journal of Product and Brand Management*, 13(4), 228-241. <https://doi.org/10.1108/10610420410546943>

Walsh, G., & Mitchell, V.-W. (2010). Consumers' intention to buy private label brands revisited. *Journal of General Management*, 35(3), 3-24. <https://doi.org/10.1177%2F030630701003500302>

Wang, H. D., Kalwani, M. U., & Akçura, T. (2007). A Bayesian multivariate Poisson regression model of cross-category store brand behavior. *Journal of Retailing and Consumer Services*, 14, 369-382. <https://doi.org/10.1177%2F030630701003500302>

Wyma, L., van der Merwe, D., Bosman, M. J. C., Erasmus, A. C., Strydom, H., & Steyn, F. (2012). Consumers' preferences for private and national brand food products. *International Journal of Consumer Studies*, 36(4), 432-439. <https://doi.org/10.1111/j.1470-6431.2011.01076.x>

Yavas, U., & Babakus, E. (2009). Retail store loyalty: A comparison of two customer segments. *International Journal of Retail & Distribution Management*, 37(6), 477-492. <https://doi.org/10.1108/09590550910956223>