



# Private Label Brands in Romania:

A study focused on Soft Drinks and Savoury  
Snacks

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## Abstract

**Title:** Private Label Brands in Romania: A study focused on Soft Drinks and Savoury Snacks

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**Keyword:** Private Label, Retail, Culture, Modern Retailers, Romania, Emerging Market, Soft Drinks, Savoury Snacks

Private Label Brands in developed countries have become a strong competitor to the manufacture brands, however in developing countries private labels are still not performing as well.

The present study explores the different drivers that impact the performance of the Soft Drinks and Savoury Snacks from Private Labels Brands in the Romanian market. The study focuses in the Retail and Consumer dimensions that impact the Private Label performance. Romania Soft Drinks and Savoury Snack market is expected to grow as well as the modern retailers present in Romania, and thus PLB's will grow as well. However, consumers have trust issues towards private labels, because of the low-quality products that the retailers distribute from Soft Drinks and Savoury Snacks. Romanian culture manifest high levels of power distance, uncertainty avoidance and individualist traits which hinders the performance of Private Label Brands. PLB's in Romania are still not mature as well as the modern retail, additionally the initial strategy of low-quality products still affects the performance of PLB's.

## Sumário

**Título:** Private Label Brands in Romania: A study focused on Soft Drinks and Savoury Snacks

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**Palavras-chave:** Marca Própria, Retalho, Cultura, Retalho Moderno, Romênia, Mercado Emergente, Soft Drinks, Snacks Salgados

Marcas próprias nos países desenvolvidos tornaram-se um forte concorrente das marcas industriais, no entanto, nos países em desenvolvimento, as marcas próprias ainda não estão tão desenvolvidas como nos países mais desenvolvidos.

O presente estudo explora os diferentes fatores que afetam o desempenho das Soft Drinks e dos Snack Salgados de marcas próprias no mercado Romeno. O estudo foca-se nas dimensões do Retalhista e do Consumidor que afetam o desempenho de Marcas Próprias. O mercado de Soft Drinks e Snacks Salgados da Romênia deverá crescer, tal como os retalhistas modernos presentes na Romênia, o que por sua vez leva as Marcas Próprias a crescer também. No entanto, os consumidores têm questões de confiança em relação às marcas próprias, devido aos produtos de baixa qualidade que os retalhistas distribuem nas categorias de Soft Drinks e de Snacks Salgados. A cultura Romena manifesta níveis altos de Power Distance, Uncertainty Avoidance e Individualism que dificultam o desempenho das Marcas Próprias. As Marcas Próprias na Romênia ainda estão no início do ciclo de vida, assim como o retalho moderno, também a estratégia inicial de produtos de baixa qualidade ainda afeta o desempenho das Marcas Próprias.

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# 1. Introduction

## 1.1 Problem Statement

Private Label Brands have become a challenge for manufacturer brands, proved by the outstanding growth over the past years (Cuneo, et.al., 2015), and the respective value of the PL industry which is around US\$ 1 trillion in annual sales (Bone & Collins, 2008).

However, large disparities of PLB penetration can be found between regions across the globe (Erdem, et.al., 2004). Some countries such as Great Britain, Germany and Netherlands have strong Private Label shares, respectively, of 46,3%, 35.7% and 34,1%, and others contrary, like Ukraine, Russia and Romania, present marginal private label shares, of respectively 0,3%, 0,7% and 3,6% (Europanel, 2010).

Private Label Brands purchases are driven by several factors such as price, risk, sociodemographic, consumer purchasing behaviour (Olbrich et al., 2016), cultural influence (Budhathoki et al., 2018) and the retail structure (Sebri & Zaccour, 2017).

Private Label Brands are growing and penetrating in some countries, in others like Romania the adoption by the consumers is slow (Europanel, 2010). Thus, the present study examines what are the determinants that lead the Romania consumer to be slower in adopting Private Label Brands, in the Fast-Moving Consumer Goods categories, such as Soft Drinks and Savoury Snacks, and how the modern retailers can achieve higher shares of PLB in Romania.

## 1.2 Academic Relevance

Quality literature have been written about Private Labels but so far, little empirical research has explored the factors underlying the inconsistency of PLB market shares across countries (Cuneo, et.al., 2015), such as Romania PLB penetration.

“There are a few marketing experts who believe that the share of PLB will increase in the future, thus dominating the global market” (Dimitrieska et al., 2017).

It is important to close the gap of previous researches that focused on the different Private Label Brands performance between countries, thus the present study will study the Romania market, to understand the determinants that drive the Romanian Consumer in purchasing Private Label brands.

“Studies on inter-country differences in private label brands usage are need” (Sebri & Zaccour, 2017).

### 1.3 Managerial Relevance

Private Label Brands are expected to continue to grow, more recent data, (PLMA's 2019), shows that there are some countries with penetration rates over 50% in Western Europe and 30% in Eastern Europe countries. However, penetration of PLB in Romania is still very low. For this reason, it is relevant for Retail Managers to understand what and what not drive the consumer to purchase Private Label goods specially in the **Soft Drinks and Savoury Snacks market**, since these types of products usually have a high sales volume and are expected to grow in the future.

More specifically the market of Soft Drinks is growing on average 7% YOY and the Savoury Snacks 6% YOY and is expected to continue growing at the same rate (Euromonitor Passport, 2019). The Soft Drinks Romanian market is worth 2500 M€ in 2019 and the Savoury Snacks Romanian market is worth 570 M€.

### 1.4 Research questions

RQ1: What **Retailers** related determinants impact the penetration of private label in the soft drinks and savoury snack category?

RQ2: Which **consumer** dimensions impact the penetration of private label brands in the soft drinks and savoury snack category?

## 2. Literature Review

The following literature review is divided in three chapters which impact the adoption and the performance of private label brands: Romania Market, Retail dimensions and Consumers dimensions of Private Label Brands. The first chapter introduces Romania and the Romanian market of Soft Drinks and Savoury Snacks. The second chapter refers to the modern retail by studying the retail structure and the price differences between manufacture brands versus private label brands. The third and last chapter will focus on consumer factors such as Socio-demographics, Hofstede culture model and Perceived Risk.

### 2.1 Romania key figures

Romania has been part of the European Union since January 1st, 2007. In 2018, its population was around 19 million and the capital, Bucharest, is the most populated city, 2 million people live in the city (European Union, 2019).

Economic Indicators	2013	2014	2015	2016	2017	2018
Population, total	19983693	19908979	19815481	19702332	19587491	19473936
GDP (current Billion US\$)	190	199	177	188	211	239
GDP growth (annual %)	3,51%	3,41%	3,87%	4,80%	6,99%	4,09%
GDP per capita growth (annual %)	3,89%	3,79%	4,36%	5,40%	7,61%	4,70%
Inflation, consumer prices (annual %)	3,98%	1,06%	-0,59%	-1,54%	1,33%	4,62%
Unemployment, total (% of total labour force) (national estimate)	7,09%	6,80%	6,81%	5,90%	4,92%	4,18%
Minimum Wage (€)	180	205	240	270	320	407

Table 1: Key Romanian Indicators (World Bank data and Eurostat, retrieved in 2019)

Romania economic growth model is showing signs of fragility, the Gross Domestic Product peaked in 2017, growing 7% but it slowed down in 2018 to 4% growth, the main reasons that lead to this decrease is growth were the deceleration in private consumption and high inflation, powered by energy prices and the diminishing of public policies aimed at increasing disposable income (European Union, 2019).

Furthermore, solid wages increase, work force and skills shortages undermine the country ability to compete internationally (European Union, 2019).

Romania leveraged high level of private investment, in 2017, 20% of their GDP was private investment, but on the other side of the scale public investment fell, to a post-EU recession, at 2.6% of their GDP, which is within the average for EU standards but not within the neighbour countries average (European Union, 2019)..

FTSE Russel, in September 2019, promoted Romania from frontier to emerging market, after 3 years of being on the watch list. The promotion is a result of a reclassification of the liquidity – ‘‘Sufficient broad market liquidity to support sizeable global investment’’ – from ‘‘Restricted’’ to ‘‘Pass’’ (FTSE Russel Country Classification Update, 2019).

However, as in other emerging markets poverty is a severe problem, in Romania the poverty affects the ability to grow, 1,5 million people earn under 3€ per day and 3,9 million suffer from severe material deprivation, this poverty levels are associated with unemployment, low education attainment, high intergenerational transmission of poverty and regional disparities (European Union, 2019).

Regarding Romanian economy the industry sector (26.1%), the wholesale and retail trade, transport, accommodation and food services (20,2%) and public administration, defence, education, human health and social work activities (14.5%), are the main sectors which contribute for the Romanian economy (European Union, 2019).

Romania, Intra-EU exports trade, accounts for 77% of the total exports, Germany (23%), Italy (11%) and France (7%), are the main countries to which Romania exports, outside European Union, the main countries to which Romania exports are Turkey (3%) and United States (2%) (European Union, 2019).

Romania, Intra-EU import trade, accounts for 75% of total imports, Germany (20%), Italy (9%) and Hungary (7%) are the countries from where Romania imports the most, while outside the European Union the main countries are China (5%) and Turkey (4%), (European Union, 2019).

The economic outlook for Romania is positive, in 2019 is expected to grow under 4%, driven by public and private consumption. However, in 2020, it is expected a slowdown in the GDP to 3% -

3,5% due to fiscal policies, wage growth and external demand weakening (Standard & Poor's, 2019).

## 2.2 Fast Moving Consumer Goods

Fast Moving Consumer Goods products are defined as inexpensive, with a high purchase rate and rapidly consumed and require the minimal buyer's effort, (Leahy, 2011), food, beverages, personal hygiene and household utensils can all be categorized as FMCG (KPMG, 2016).

FMCG industry is one of the largest in the world, in 2017 was valued in \$10,020.0 billion and it is expected to reach \$ 15,361.8 billion by 2025 (Allied Market Research, 2018).

Soft Drinks global market is worth \$US 449B and Savoury Snacks is worth \$US 94B (Global Data, 2016)

In absolute terms, the private label FMCG market remained strong between 2007-2012, with sales growing by 24% to reach an estimated value of US\$352 billion (Euromonitor International, 2014).

## 2.3 Private Label

“Private labels (PLs), are brands controlled and sold exclusively by retailers, are no longer a marginal phenomenon in retailing. The PL industry is approaching US\$1 trillion in annual sales” (Bone & Collins, 2008).

Private Label Brands are used by retailers to grow, to create store loyalty and positive image. Large grocery retailers due to the economies of scale and brand equity are better suited to build and distribute private label brands (Executive Euromonitor, 2018).

Private labels are rooted in the big discounters, as a way for them to respond to the growing retailing competitive environment, studies show that there is a connection between the growth of these discounters and the growth of private label (Cuneo et.al, 2015).

Private labels sales are influenced by several factors, however PLB performance tend to be more impacted as the factors are more widespread, such as economic recession and inflation (Europanel,

2010). In past situations of economic hardship and inflation, manufacture brands cut budgets and retailers increase, which lead to higher PLB performance (Europanel, 2010). In part, this can explain the private label growth between 2007 and 2009, consumer had to cut cost and most categories grew apart from soft drinks (Euromonitor, 2018). However, in 2012, due to the growing economy private label brands sales felt by 1%, this growth was driven by two main factors. Firstly, the major brands used price promotions to regain their clients, and secondly the consumers were more alleviated from the recession (Euromonitor, 2018).

Penetration rates differ on different categories of FMCG, in 2012, packaged food accounted for 77% of value share, nonetheless in terms of penetration rate the sector of tissues and hygiene products had 14% of penetration rate, versus packaged food with 12% (Euromonitor, 2018).

Penetration is lower in products that require a high level of Research and Development and where brand image is important, like beauty and personal care, soft drink is also referred as difficult category to enter mostly due to the power exert by the two main players, Coca-Cola and Pepsi (Euromonitor, 2018).

Private labels become viable when retailers are able to leverage economies of scale and reach critical mass (Cuneo, et.al., 2015). Thus, modern retail structures like supermarkets, discounters and hypermarkets are a prerequisite for the success of private label (Ailawadi et al. 2010).

## 2.4 Industry Revenue and Company Shares

### 2.4.1 Soft Drinks

The Romanian Soft Drink industry is valued at 2,5 billion € in 2019, its compound annual growth rate during the period between 2007 and 2019, was 4% (Euromonitor Passport, 2019).

Soft Drinks industry is expected to continue growing over the next years, due to two factors. First, the growth in GDP per capita allows the consumer to spend more, which in the Soft Drinks market it is not translated in buying more amounts but rather buying more expensive products. This phenomenon is also influenced by the healthy lifestyle trend (Euromonitor International, 2019). Second, the market prices increased due to a growth in wages and pensions, that was seen across the FMCG industry.

However, in the future is expect that two legislative measure will negatively impact the Soft Drinks market. One measure will tax drinks having high sugar percentages and the other measure will ban the sales of energy drinks to underage consumers (Euromonitor International, 2019).

Soft Drinks	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
EUR million	1930	1831	1752	1735	1829	1824	1915	2008	2125	2305	2524	2731	2947

Table 2: Soft Drinks Market Size, in terms of value (Euromonitor Passport, 2019)

Overall, companies operating in the Romanian Soft Drink market maintain their position over the period from 2010 to 2019, in terms of value market shares. The market is dominated by Coca-Cola Co and Private Label brands appears at seventh place with only 3% value market share, in 2019.

Company Name	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Others	29%	28%	29%	27%	27%	29%	30%	29%	29%	29%
Coca-Cola Co, The	22%	23%	23%	25%	23%	22%	22%	22%	24%	24%
Romaqua Holdings SA	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
PepsiCo Inc	8%	8%	7%	8%	7%	7%	6%	6%	7%	7%
European Food SA	8%	8%	7%	7%	6%	6%	6%	6%	6%	5%
Valvis Holding SA	0%	1%	1%	1%	1%	1%	2%	3%	3%	3%
Private Label	1%	2%	2%	3%	3%	3%	3%	3%	3%	3%
Maspex Wadowice Grupa	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Perla Harghitei SA	2%	2%	2%	2%	2%	2%	2%	2%	3%	3%
Central Beverage Co Ltd, The	2%	2%	2%	1%	2%	1%	1%	1%	2%	2%

Table 3: Soft Drinks Companies Market Share, in terms of value (Euromonitor Passport, 2019)

The distribution of Soft Drinks has been changing, as modern retailers are expanding to new geographies and to new formats, such as convenience stores, and traditional retail is losing their shares. In 2007 the distribution of Soft Drinks was spread as 31% and 69% Modern Retail versus Traditional retail, however, in 2019, the Modern Retailers have a 58% market share versus a 41% market share of traditional retailers (Euromonitor International, 2019).

## 2.4.2 Savoury Snacks

The Romanian 570 € millions (2019) Savoury Snacks industry, between 2008 and 2019 managed to double the size, due to economic growth and the increase of the disposable income. Moreover, due to a changing lifestyle, in large Romanian cities, that is becoming more hectic, which in part, explains the growth in the Savoury Snacks category, since the consumers use these snacks as an emotional aid and to reduce stress (Euromonitor International, 2019). Healthier production methods and products are changing the perceptions of the Romanian consumers towards Savoury Snacks (Euromonitor International, 2019).

Savoury Snacks	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
EUR million	252	264	284	307	334	357	379	433	468	521	569	613	654

Table 4: Soft drinks market size, in terms of value (Euromonitor Passport, 2019)

Intersnack Romania continue to lead the market due to the broad portfolio and strong marketing efforts. Alka Co, a domestic player, have seen a positive gain of market share due to a rebranding. Private labels are growing mostly because of the opening of convenience stores in the main cities, thus creating an easier access for impulse purchases. Moreover, retailers are also expanding to rural areas which also benefit the PLB's (Euromonitor International, 2019).

Company Name	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Intersnack Group GmbH & Co KG	20%	19%	19%	19%	19%	21%	23%	23%	24%	25%
PepsiCo Inc	16%	15%	14%	14%	14%	14%	15%	15%	14%	14%
Others	15%	14%	13%	15%	14%	15%	15%	16%	15%	14%
Private Label	8%	9%	10%	11%	12%	13%	13%	13%	12%	11%
Mogyi Kft	6%	6%	6%	6%	5%	4%	4%	3%	4%	5%
Alka Co SRL	-	-	-	1%	2%	3%	3%	3%	3%	4%
Chipita SA	3%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Croco SRL	1%	1%	1%	1%	1%	1%	1%	1%	2%	3%
Phoenixy SRL	5%	4%	4%	4%	4%	4%	3%	3%	3%	3%
Bestfoods Productions SRL	4%	4%	4%	4%	4%	3%	3%	3%	3%	3%

Table 5: Savoury Snacks Companies Market share, in terms of value (Euromonitor Passport, 2019)

As seen in Soft Drinks, the distribution of Savoury Snacks as also evolved from a dominant traditional trade to a leading modern trade. In 2007 the traditional trade represented 60% of the total market versus a 40% share of modern retailers, however, between the period of 2007 and 2019

the roles have inverted and in 2019 the modern retailers leverage a 63% share of the total market versus a 37% share from traditional retailers.

## 2.5 Romania Retail and Private Label

Modern retailers are growing contrary to the traditional grocery retailers, which means that the penetration of private label will grow in the next years (Rubio and Yagüe 2009). In Romania, traditional retail, in 2015, represented 48% of the sales while modern trade represented 52% (Food Report Romania, 2016), however, in Bucharest modern grocery retailers covers 74% of the market (Europanel, 2010).

Romania modern grocery retail, in value, is divided as: Hypermarkets 52%, Discounters 22%, Supermarkets 19%, convenience stores 4%, forecourt retailers, 3% (Food Report Romania, 2016).

The penetration of private label in Romania is very low 4,56% (European Union, 2019) comparing with other, similar emerging countries in the Euro space, however, Romania benefits from a higher compound annual growth rate of 7,3% between 2004 and 2012, only Poland and Hungary grew more, respectively 9,3% and 10,8% over the same period. (European Union, 2019)

Nevertheless, private label penetration differs deeply from category to category, in a market of savoury snacks worth 569 M€ (Euromonitor Passport, 2019) in 2019, private labels have 11% of value share, and in the Soft Drinks market worth 2524 M€ (Euromonitor Passport, 2019) private label only managed to get 3 % of the value share.

Modern retailers in Romania	Net Turnover (mil. Euro) (2015)	Number of stores (2015)	Private label Brands
Kaufland	2286	120	K-classic, K-Bio, K-take it veggie, Exquisist
Carrefour	2219	360	Carrefour, Carrefour discount, Carrefour Baby, Carrefou bio
Lidl	1635	238	'Camara Noastra, Pilos
Profi	1243	928	Gradina Bunicii, Dolcini, Vital Grana, Eisler, O&O
Mega Image	1203	670	Gusuri Romanesti, Mega Apetit, Le Boucher, 365, Delhaize, Bio
Auchan	1135	52	Produsul Economic, Rik&Rok, Baby
Metro	1113	30	De-ale noastre, Aro, Fine Life, Horeca Select

Selgros	780	22	
Rewe	725	236	San Fabio,campus,
Cora	368	11	Traditia Gustului, Cora, Cora Kido, Nature Bio, Tentatii Cora, Patrimoine Gourmand

Table 6: Turnover of Moder Retailers in Romania and their Private Label Brands (Ministry of Public Finance, 2018)

## 2.6 Retail Determinants

### 2.6.1 Country Modern Trade

Private Label Brands became meaningful when retailers are able to reach a critical mass, thus achieving scale advantages (Cuneo, et. al., 2015). A mature modern trade structure (i.e., Hypermarkets, supermarkets and discounters) is a requirement in a country for the development of private label brands, only these modern retailers leverage the market power to achieve the high volumes needed for achieving large scale advantages (Ailawadi et al. 2010). Contrary, traditional channels (i.e., small local grocery shops, mom-and-pop stores) are not able to reach economies of scale due to their small size and volume. Thus, in countries in which traditional channels have a significant presence PLB do not perform well.

“Clearly, the lack of a well-developed modern trade structure constitutes a supply restriction that hinders the growth and diffusion of PLBs.” (Cuneo, et. al., 2015). Evidence is shown in countries like Argentina and Ukraine where the traditional retail sales represent 60% and 84%, respectively of the total sales, PLB do not perform well with shares, respectively, of 4,5% and 3% of private label (Cuneo, et. al., 2015).

Because Private Label Brands are developed by modern retailers, it is essential that exist a satisfactory high penetration of modern retailers for a development of private labels (Cuneo, et. al., 2015).

### 2.6.2 Presence of Global Retailers

Private label brands in some countries are still perceived as risky substitutes for manufacture brands, due to the lack of exposure that consumers have from PLB’s still view them as of inferior quality (Cuneo, et. al., 2015).

In countries where the typology of retailers, consists mostly in local retailers, the perceived risk is greater due to the lack of investment, of these small retailers, in brand building. Local retailers prefer to invest in developing PLB that are low-quality or copies of A-Brand products (Kumar and Steenkamp,2007). These actions become a limitation for the future growth of private labels (Cuneo, et. al., 2012).

Opposed, global retail chain - such as Carrefour, Wall-Mart, Tesco - understand the benefits and the strategic role of PLB and have diverge from the pure-price strategy to a more diversified range of PLB (basic, premium and symbolic products), (Geyskens, 2010).

Furthermore, when consumers are not certain about the quality levels, they search for extrinsic cues or signal to form expectations, thus reducing the risk associated (Erdem and Swait, 2004), the universal extrinsic cue which most consumers search when accessing quality is brand (Dawar and Parker, 1994) which most modern retailers possess. Additionally, global brands leverage a higher quality perception among consumers due to their global reach (Holt, et.al., 2004). Thus, consumers will perceive less risk and higher quality and value, when buying private label brands from global retailers (Cuneo, et.al, 2012).

### 2.6.3 In-Store Marketing

Retailers and brands leverage their points of sale to promote their products, offering experiences to consumers (Abril and Cánovas, 2016). Product demonstration or sampling are important tools to increase the perceived quality of PLB, (Sprott and Shimp, 2004). Furthermore, the effect of sampling is greater in PLB's versus manufactures brands, (Sprott and Shimp, 2004), the consumer experimentation decreases the perceived risk from consumers, which in turn, is a critical factor for the intention to purchase private labels (Abril and Cánovas, 2016).

Moreover, in the retail environment the exposure to private labels versus manufacture brands differ (Clement, et.al., 2015). Retailers offer more space to their own private labels (Nogales and Suarez, 2005), thus promoting them at the point of sale, shelf space can be regarded as a way of advertising and a driver for increasing the consumers perception of private label brand equity (Abril and Cánovas, 2016).

## 2.6.4 Price in PLB

European consumers tend to be more sensitive to price than quality and less risk-averse than consumers in the United States. (Olbrich, 2016)

Price orientation impacts positively the purchasing decision of consumers, (Batra & Sinha, 2000). Price savings have a positive correlation with the adoption of private labels, as long as there is a relevant price gap (Zielke and Dobbelstein, 2007).

Affordability and the price performance ratio are the main reasons which lead consumers to choose private labels, (Olbrich, 2016). Additionally, higher price differences between PL and manufacturer brands constitute an incentive for consumers to buy or switch to PL (Steenkamp et al., 2010).

## 2.7 Consumer Determinants

### 2.7.1 Perceived Risk

“Perceived risk is the uncertainty of a desired performance that all customers experience when making purchasing decisions” (Dowling, 1986).

The risk perceptions of consumers determine the success of private labels (Kakkos et al., 2015).

The willingness, for consumers, to buy private labels tends to increase when the perceived risk of purchase errors related to these PLB's is lower (Hsu & Lai, 2008), this risk is less accentuated when consumers distinguish the search characteristics - such as brand, packaging - of products more than experience characteristics - such as flavour, quality (Olbrich, 2016).

Furthermore, the higher the familiarity and positive attitudes towards private labels the higher are the purchase intentions. Moreover, while price consciousness and perceived risks only show slight effects on the purchase intentions of PL, perceived quality and familiarity have an impact on adoption of PL (Olbrich, 2016).

Consumers tend to reduce risk perceptions by buying brands of enhanced image (Wu et al. 2005), consequently, when unwanted risks are expected, consumers tend to reduce the risk by buying manufacturer brands that bear a smaller perceived risk (Liljander et al. 2009).

Additionally, if the perceived qualitative differences between manufacture brands and private labels are low, consumers judge the price-performance ratio of private labels more positively and perceive a lower quality risk (Olbrich, 2016).

The purchase of products that have a superior perceived risk can also bear social risk, which is the loss of image or status associated with the purchase of a particular brand or product (Glynn, & Chen, 2009). This type of risk also takes in account how society influences the purchase decisions (Arslan et al, 2013).

Finally, the degree of risk diverges depending on the category, for example baby foods are seen as more risky than other categories such as paper towels (Batra and Sinha, 2000).

### 2.7.2 Sociodemographic

Successful global retailers such as Wal-Mart and Tesco are progressively using psychographic and sociodemographic data to create subsegments of private label brands (Levins, 2009).

Sociodemographic variables such as income, education and household size are drivers for PLB purchasing (Glynn and Chen, 2009).

Private Labels success is linked to the economic context, consequently, when the economy is in crisis PL shares increase, meaning less household income which lead consumers to search for lower prices, and decrease when the economy is flourishing (Lamey, et. al., 2007).

Lower income consumers have a higher preference for low-priced private label brands, as they behave more rational and thus more price sensitive (Akbat & Jones, 2005), and higher income consumers tend to demonstrate lower interest in private labels (Richardson et al.,1996).

Households with low income, independent of their size, are more prone to purchase PLB, but findings show that larger households are keener to buy PLB due to their economic restrictions (Kuhar & Tič, 2008). “In general, households with a lower income respond more to price elasticity” (Huang et. al., 2007).

Additionally, younger consumers are keener to pay premium for manufacture brands than older consumers that due to financial restrictions are not willing to pay this premium cap (Olbrich et. Al,

2016), moreover, older consumers are more experience in their shopping which results in smarter shopping choices (Glynn and Chen 2009).

Private Label Brands performance and education level are correlated (Glynn and Chen 2009), the higher the education levels the higher the disposable income which means that individuals with higher education could afford to purchase manufactures brands.

However, this negative correlation between PLB performance and education is not homogeneous, well-educated individuals are more confident in their evaluation of products, thus are keener to evaluate the product attributes rather than just evaluate the manufacture brands, therefore have a higher tendency to buy PLB, (Hoch, 1996).

Furthermore, a high need for cognition is associated with a high inclination to purchase private brands (Herstein et al., 2012). This suggest that well educated individuals are inclined to analyse, product-related information and to appreciate the cost benefit of private label brands. Contrary, individuals with a low need for cognition are less confident in their choices and thus are more likely to evaluate products just by brand (Sebri & Zaccour, 2017).

### 2.7.3 Consumer Behaviour and Culture as drivers of Proliferation PL

“Culture is the collective programming of the human mind that distinguishes the members of one human group from those of another. Culture in this sense is a system of collectively held values.” (Hofstede, 1991). Furthermore, culture can be defined by a set of shared behavioural patterns, beliefs norms and values, that provide collective keys to a society for people to understand each other (de Mooji, 2011).

These shared norms and values reflect people consumption decisions (Petersen et al., 2015) and shopping practises (Ackerman and Tellis, 2001).

Consumer uncertainty about quality, consumer learning and perceived risk are PLB drivers for adoption and contributes for differences in PLB performance between different countries (Erdem et al., 2004).

Poor market knowledge, lack of understanding of PLB products and the tendency to deduce product quality through cues such as high price are the principal factors in the retail grocery shopping

difference between the individualistic Western culture and the collectivistic Eastern culture (Sebri, and Zaccour, 2017).

Countries or cultures with a stronger social hierarchy tend to emphasize social class (Deleersnyder et al., 2009) making individuals motivated to show signs of the class which they belong or that they wish to aspire.

Developed countries have been exposed to private labels since the 70's which lead to a higher familiarisation and awareness of their benefits, thus turning Private label Brands as common brand (Sebri, and Zaccour, 2017).

Contrary, in developing markets, private labels are a new phenomenon and have not been added to the consumer shopping habits (Sebri, and Zaccour, 2017). Even though that in these countries the average income is low the price differentiation is not enough to make consumer change from manufacture brands to private labels, the reason is that the perceived risk emerges as critical factor, "Social and cultural stigma remain a barrier to the PL growth", in these cultures products are hedonic and symbols of higher social status (Sebri, & Zaccour, 2017).

## 2.8 Hofstede Model

There are three models commonly used to study cultures, Schwartz model (Schwartz, 1992), the GLOBE model (House et al.,2004) and the Hofstede (1980) model. The Hofstede model will be used in this research, due to the validity it has in empirical studies in several business fields (Budhathoki et al., 2018). The Hofstede model consists in 6 dimensions, that are present in the following paragraphs:

### **Power Distance**

"The extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally". Individuals in high power cultural societies accept without questioning the ranked order of the society, everyone has its own place and in low power distance cultures individuals strive for an equal distribution of the power and demand justification about inequalities (Hofstede, 2013).

## **Uncertainty Avoidance**

Uncertainty avoidance deals with society tolerance for ambiguity (Hofstede, 2011). Uncertainty avoiding cultures tend to avoid innovations, unknown and different from usual situations, individuals in these cultures avoid these types of situations by severe behavioural codes, laws and rules (Hofstede, 2011).

## **Individualism - Collectivism**

Individualism retracts a culture where ties between individuals are loose, everyone is expected to take care of themselves and their closest family. Oppositely, in collectivist cultures individuals since their birth are integrated in a strong and solid in-group, that will follow them throughout their lives (Hofstede, 2010).

## **Masculinity – Femininity**

“Masculine cultures tend to form societies where gender roles are clearly distinct: males are expected to be tough, dominant and assertive, while females are supposed to be humble and reserved” (Hofstede et al., 2010).

## **Long Term Orientation**

“LTO reflects the extent to which a society exhibits a pragmatic, future-oriented rather than a short-term perspective” (Hofstede, 2001). Whereas short-term oriented societies are more likely to have a conventional historic or short-term perspective (de Mooij and Hofstede, 2002).

## **Indulgence versus Restraint**

Cultures scoring high in Indulgence allows free satisfaction of basic and natural human wishes related to enjoying life and having fun. Contrary, restrain cultures controls gratification of needs and regulates it by means of strict social norms (Hofstede, 2011).

### **2.8.1 Hofstede constructs impact on private label**

#### **Impact of Power Distance**

Individuals which belong to cultures scoring high in Power Distance, accept their position in society needing no clarifications, meaning that everyone has its equitable place in society hierarchy

(de Mooji and Hofstede, 2010). Additionally, in these cultures the social status must be clear for everyone, so that others can show their appropriate respect (de Mooji and Hofstede, 2010).

Consumers to exhibit their social status are more prone to buy well-known global brands status rather than standard private labels (de Mooji and Hofstede, 2010).

### Uncertainty avoidance

Cultures scoring high in Uncertainty Avoidance tend to avoid taking risks, (Budhathoki, 2018), previous research has showed that in these cultures the development of modern retailers is less favourable (Budhathoki, 2018).

Since PLB are distributed by modern retailers it is expected that cultures scoring high in UA the less prone are consumers to buy private label (Budhathoki, 2018).

### Individualism - Collectivism

Individual attitudes and behaviours, in these two distinct cultures, are influenced in different ways, in individualistic cultures people are regulated by their own preferences whereas in collective societies individuals tend to be more impacted by social norms (Triandis, 1989). Thus, individuals which belong to collectivist cultures tend to be more concern about the concept “face” (i.e., status earned in a social network) (Bolton et al., 2010), consequently are keener to buy products that reflect their social status (Erdem et al., 2006), hence, collectivist cultures, lead to a lower adoption of PLB.

Divergent, in individualistic cultures individuals are more prone to purchase lower status products which maximize their personal interest, (i.e, cost saving products), thus leading to a higher PL performance (Budhathoki et. al., 2018).

Previous researches concluded that private label consumption was higher in individualistic cultures (De Mooij and Hofstede, 2002)

### Masculinity - Femininity

Consumption decision are expected to characterize the masculinity values of a dominant household member, which usually are described as ambition, materialism, performance and achievement (De Mooij and Hofstede, 2010). Thus, when comes to purchase decisions, individuals from masculine

cultures tend to desire expensive and selective brands, as these brands indicate higher social status (De Mooij and Hofstede, 2002), compared with private label.

In masculine cultures, the description of a good life is usually linked to well know manufacture brands, more frequently than in femininity cultures, (Zinkhan and Preshaw, 1994), the well-known manufacture brands are usually connected with durability and reliability which are more liked by the masculine culture versus private brands (De Mooij and Hofstede, 2010).

### Long term orientation

Cultures with long term orientations use consumption to achieve long-term goals rather than short-term objectives (Sebri, & Zaccour, 2017). Thus, consumers from LTO cultures, will look for products and brands with high quality image and long-lasting products (Petersen et al., 2015).

These consumers will develop lower preferences for brands or products that focus on immediate benefits, such as price discounts which are associated with private labels.

Long term orientated cultures are more attracted with national or global brands than to private labels. (De Mooij and Hofstede, 2002).

### 3 Methodology

The intent of the present study is to understand what impacts private label brands performance in Romania and how can retailers achieve superior growth and similar market shares to countries in the Western Europe, such as Portugal, Spain and United Kingdom. The study assesses how retail dimensions such as In-store Marketing, Price differences between PLB and manufacture brands, the Retail Structure, and which consumer dimensions influence the performance of PLB's such as Sociodemographic, Consumer behaviour, Culture, and the consumer Risk perceptions towards Private Label.

Based on the literature review the following framework was designed:

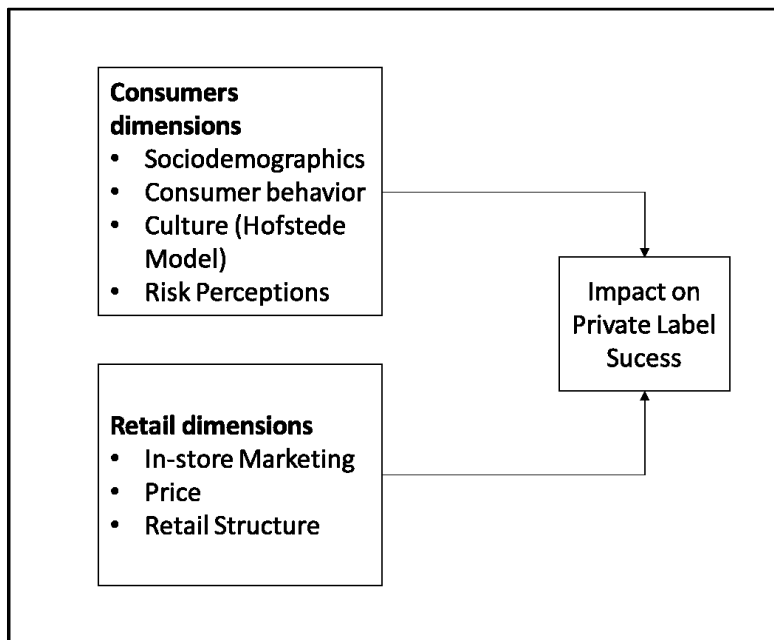


Figure 1: Conceptual Framework

#### 3.1 Research design

The study is exploratory since the main objective is to assess how the Retail determinants and the Consumer determinants impact the performance of Private Labels in the Soft Drinks and Savoury Snacks in the Romania market.

The exploratory approach was chosen because the study does not intent to develop a new theory on what impacts the PLB's performance, but rather to test the determinants that were tested in previous researches and to understand if they impact the performance of PLB's in the Romanian market (Saunders, 2010).

To answer the Research Questions a systematic review of the present literature was made to understand the Romania economy, the retail market in Romania and what is the current state of PLB's in Romania. The literature review was performed also to gain knowledge, from what others have written about PLB and what drives the performance of these brands. The literature shows that there are two relevant dimensions that drives the performance of PLB: Consumer Dimensions and Retailers Dimensions. To understand how these two dimensions, impact the Soft Drinks and Savoury Snacks categories from PLB's experts' interviews were performed and a survey was distributed among the Romanian consumers, additionally, secondary data was used to analyse the Romania culture.

### 3.2 Data collection

A mixed approach was chosen due to the need to gather qualitative data from experts' interviews about the Romanian retail and private label market and quantitative data regarding consumer variables impacting private label performance.

The study collected primary data from semi-structure experts' interviews and consumer survey, and secondary data from the literature review, industry and market reports and other online sources.

The primary data collected was both qualitative and quantitative using two instruments. Qualitative data was gather using experts' interviews to have a better understanding of the Romanian Private Label market. The quantitative data was gathered using a survey that was distributed through Romanian consumers to understand the behaviour and attitudes towards PLB and what drives the purchase of Soft Drinks and Savoury Snacks from Private Label brands.

Secondary data was collected through a systematic review of the literature and complemented by Industry Reports, key figures from the private label in Romania, news and other online information.

### 3.2.1 Expert Interviews

The purpose of performing experts' interviews was to understand, from an expert point of view, the state of the Romanian PLB market, to gather valuable insights about how have Private Label Brands been doing and what is the trend for these brands.

Experts' were interviewed using semi-structure interviews. This type of interview is the best fit for interviewing specialists, because it allows the interviewer to ask additional questions about a topic brought up by the expert that can be particular for an organization or an event (Saunders, 2010). Furthermore, semi-structure interviews allow for the interviewer to focus on the interviewee opinion and experience, to get a rich and in-depth data (Bryman, 2019).

### 3.2.2 Experts' characteristics

LinkedIn was chosen as the platform to find experts based on specific characteristics such as: having worked in the FMCG for more than 5 years, worked or currently working in a modern retailer present in Romania, consultants that worked closely with retailers and consumer packaged goods. In total, four expert interviews were conducted.

Interviewee	Position	Company	Type of Company	Range of Revenue
A	Head of Romania	Daymon	Consulting	1.6B€
B	National Key Account Manager	Nutrient Solutions SRL	Manufacture	3M€
C	Area Director Non-Food Central Europe	Metro AG Romania	Retail	1113M€
D	Head of Buying Department Beverages & Tabacco	Auchan Romania	Retail	1135M€

Table 7: Experts interviewed

### 3.2.3 Consumer Survey

To understand the Romanian consumer attitudes and behaviour towards private label and the main characteristics that drives performance in the Soft Drinks and Salty Snacks categories, a consumer survey was conducted.

Due to language barriers and to avoid dropouts, the survey designed to be accessible to read and to answer, in total the survey has 42 questions which are divided in 5 modules, the introductory module, Private Label awareness module, the consumer behaviour module, price and marketing module, and finally the sociodemographic module.

### 3.2.4 Consumer Survey Sample

The chosen sample technique was convenience sampling, only Romanian participants were chosen, the survey was distributed via Facebook and LinkedIn to the interviewer personal network, and it was asked if the participants were able to share with their personal network.

Bellow are the main Sociodemographic about the sample of the study.

Variables	Results (round numbers)
<b>Age</b>	
18 - 24	66%
25 - 34	22%
35 - 44	8%
45 - 54	3%
Under 18	1%
<b>Household Income</b>	
Less than 1,200 RON	8%
1,200 - 1,500 RON	6%
1,500 - 2,000 RON	5%
2,000 - 3,000 RON	18%
4,000 - 5,000 RON	28%
6,000 - 7,000 RON	14%
More than 7,000	22%
<b>Employment Status</b>	
Employed	44%
Out of work	1%
Student	56%
<b>Household Size</b>	
1	26%
2	24%
3	21%
4	21%
5	8%
6	1%
7	1%
<b>Level of Education</b>	
Bachelor's degree in college	31%

Doctoral degree	1%
High school graduate	37%
Master's degree	31%
<b>Gender</b>	
Female	76%
I rather not say	1%
Male	23%

Table 8: Sample characteristics from the consumer survey

## 4. Analysis and Discussion

The objective of the present study is to understand what drives the Private Label Brands performance in two distinct categories, Soft Drinks and Savoury Snacks and how can retailers achieve a superior market share for their Private Label Brands.

This chapter gives answer to the two research questions, RQ1: **“What Retailers related determinants impact the penetration of private label in the soft drinks and savoury snack category?”** and RQ2: **“Which consumer dimensions impact the penetration of private label brands in the Soft Drinks and Savoury Snack category?”**, using data from the consumer survey, the expert interviews and secondary data.

### 4.1 Retail Dimension

#### 4.1.1 Market

Private Label Brands are distributed by modern retailers, so is crucial that exist a high penetration of modern retailers for the growth of private labels (Cuneo, et. al., 2015). To understand how have Private Labels been evolve and what drives the evolution it is important to understand the Romania Retail and Private Label market. According to the expert interviews there are four key market aspects that determine the performance of PLB’s:

1. Market maturity;
2. Lack of information about the market;
3. No-branded products;
4. Competition from manufacture brands.

The Private Label market is still very young and therefore not so developed as other countries in the European Union. The first modern retail store in Romania was Mega Image, in 1995, and Metro, in 1996, this marked a new era of retail in Romania. In the first year's retailers were focused in expanding their stores to new geographies and only later, when they were already settled in the country, retailers started to focus on developing and launching Private Label Brands, consequently, PLB's have not reached maturity. This means that retailers are still educating the consumer about the advantages of PLB's, changing the consumer habits is a task that requires time.

Private Labels market shares in Romania can be misleading, the two main players, Lidl and Kaufland belong to the Schwarz Gruppe and this group does not share their numbers with market research agencies, thus around 50% of the market is estimated which can lead to great differences between reality and the numbers reported by the market research agencies. The lack of information can hold back investors and retailers that can be misled by the market reports that indicate a lower adoption of PLB's than the actual market share, for the consumer it can be mean an absence of social proof that PLB's are adopted by other in Romania.

Additionally, retailers have No-Brand products which they sell at first price, these products are usually made locally and do not comply with retailer's quality requirements for being sold under theirs' PLB's and thus are sold under a No-Brand. These products do not count for the shares of private label, which in turn affect the PLB market share given by market reports. The No Brand products fill a gap in the market that can be filled by PLB's mostly in more basic products where quality is not the main characteristic that consumers are looking for.

However, most retailers are removing these products, due to their low margin and also because of a change in the consumers shopping habits since they have more income due to an increase salary and a decrease in the food tax and thus the consumer is migrating for the private label's brands and branded products, and thus leaving the No-Brand products. This migration is expected to have an significant effect on the PLB's share.

Furthermore, both categories of Soft Drinks and Savoury Snacks, have two big players that own a great share of the market as well as good relations with consumers, Coca-Cola Co, and PepsiCo in the Soft Drinks market, and the Intersnack Group and PepsiCo in the Savoury Snacks market, these

players heavily invest in advertising and marketing and have aggressive commercial strategies, thus making it hard for private label brands to gain market share.

Consumer are loyal to the main brands of these players (Coca-Cola, Pepsi, Lays, Chio) when they shopping for either Soft Drinks or Savoury Snacks, they are not looking for new products but rather for these well-known brands they usually buy, in both these categories consumers, when shopping, are looking for Brand. 61% of consumers when shopping for Savoury Snacks look for Brand, and in the Soft Drinks 77% of the consumers look for brand. Retailers to have a satisfactory margin on the PLB's do not invest in advertising and it becomes harder to communicate the advantages of their PLB products.

The outlook for Soft Drinks and Savoury Snacks from private label brands is positive, retailers are investing in these categories and the young generation will boost sales because of their new habits and lifestyles, moreover, the two categories are considered to be impulse purchases and retailers are investing in proximity shops which in turn will drive the sales of these two categories.

Retailers should focus on develop more PLB products to replace the No-Brand products since there is being a shift in the Romanian consumption. Additionally, in both categories, Soft Drinks and Savoury Snacks, retailers should differentiate themselves from manufacture brands having in mind that consumers look for Taste and Quality when purchasing both categories, however when purchasing Private Label products from the two categories consumers are looking for Taste and Price. Price / quality ratio is the key aspect that retailers should keep in mind when developing PLB's with the suppliers.

#### 4.1.2 Trend

Data collected indicates that the trend for private labels is of continuous growth. The consumer is getting familiarized - 80% of the Romanian consumer - with PLB's, retailers are expanding to new, smaller, formats to rural areas, and additionally retailers are moving away from low quality products.

The modern retail is gaining ground versus the traditional retail and thus enabling private labels to reach more consumers, as retailers explore new formats and expand to the rural areas. The

proximity formats are one of the key drivers of the Soft Drinks and the Savoury Snacks since most of these products are bought as an impulse. Also, the rural areas are an untapped market for the modern retailers because most of the times the volume is not enough, and consequently traditional retail have the biggest share of the rural market, however in rural areas Private Labels are more prone to succeed because the consumer looks for more cheap and basic products. Furthermore, with the development of new, smaller and more convenient formats the rural area is becoming easier to reach.

Finally, most retailers are moving away from the first price no-brand products and expanding their brand portfolio to more innovative products, such as bio, gluten free, vegan products and other trendy niche segments.

Retailers to surpass manufacture brands will have to innovate at a very rapid pace to create differentiation from the manufacture brands that are usually slower at innovating. The expansion to rural areas and to new formats is also relevant for the retailers that wish to reach more Romanians with their private label brands.

#### 4.1.3 Production & Suppliers

Data collected from expert interviews revealed that Romanian have a lack of qualified producers from Soft Drinks and Savoury Snacks products, which harms the performance of PLB's.

Finding local suppliers is relevant for private labels performance because working locally can decrease logistics costs and help develop a closer relation with the supplier.

For Modern retailers operating in Romania is difficult to find suppliers that can comply with quality requirements and be price competitive.

Retailers use local retailers to produce first price No Brand products with low quality and at a low price, and they choose to import their private labels, mostly from Poland and Hungary because of their know-how in manufacturing Private Label products for several European Countries.

However, in the Soft Drinks category is expensive to import because of the weight and volume, to get around this obstacle most retailers use water producers to produce their drinks since most

beverages are usually concentrate products mixed with water, however the result is usually low-quality products which results in low performance of PLB in this category.

#### 4.1.4 Marketing & Price

Retailers are using in-store marketing to promote their private label brands such as samples, in store displays, and shelf space. Sampling PLB and discounts are the main marketing actions that would make Romanians change from manufacture brands to PLB's.

In the future retailers should invest more and treat their private label brands differently in each category of Private Labels, they should look if the category is more traditional or modern, more quality or more basic to create differentiation within their PLB's and to create a perception on the consumer mind that he is buying different brands.

60% of the Romanians are not willing to change from manufacture brands to PLB's only because of the price, thus retailers should invest in creating quality products, and improving their relationship with the consumers with marketing action focused on demonstrating the products from PLB's. Moreover, for Romanians is not important to get the cheapest price neither in Soft Drinks neither in Savoury Snacks category, but rather good taste and quality products.

## 4.2 Consumer Dimensions

### 4.2.1 Consumer behaviour and Romanian culture

Culture factors heavily impact the success of brands. Brands after the communist fall entered aggressively and retailers were focused on expansion and launched low quality products which made them lost trust from the consumers. Additionally, Romanian culture traits are not favourable to the success of PLB's.

Romania lived as communist country for a long period, and lived with food stamps and rationation, the products distributed did not have any brands. Romania exit communism in 1989 and only then manufacture brands started coming to the country, with very aggressive commercial and marketing strategies. Consequently, consumers started to consume manufacture brands, that

they did not consume before, and creating a relationship of loyalty with them, this together with the aversion of Private Labels due to the fact that these brands were similar to the products that were given during the communism, severely affects the performance of PLB's in Romania.

Additionally, Romania scores high in most of the constructs of the Hofstede model that previous research indicates as drivers of lower adoption of PLB.

Romania culture scores high in Power distance (score of 90), in these cultures people place more emphasis on brands that reflects their social status (Robinson, 1996), these brands are usually well-known brands rather than standard Private Label Brands (Kim and Zhang, 2011). For these cultures it's important to place the products as beneficial for the social status.

The score of 30 in individualism makes Romania society a collectivistic one. Individuals belonging to collectivist cultures are more sensitive to the concept "face" (Bolton et.al., 2010) and thus have a higher tendency to purchase products that reflect "status" (Erdem et al., 2006), which in turn leads to rejection of private labels and the adoption of well know manufacture brands.

Romania have a high preference for avoiding uncertainty, scoring 90 on uncertainty avoidance. Individuals belonging to these cultures tend to associate more loss with the purchase of non-established brands (Erdem et al., 2004). Additionally, the power of brand credibility has showed to be higher in cultures with high scores of UA (Erdem et al., 2004). The products key features and benefits must be clear to the consumers in these cultures.

Furthermore, the first Private Labels were launched with very cheap and low-quality products, thus consumers lost trust since the introduction of these brands, until today the lack of trust in retailers still have an impact on the PLB performance as consumer still not trust the PLB products distributed by retailers.

The shopping habits of the Romanian consumer are changing, mostly in big city centres, salaries have increase which made the consumers more demanding with quality and innovation, most PBL bet in first and second prices, and consumers are searching for higher quality, this means that if the retailers in a certain category do not offer premium or medium quality Private Labels the consumer will switch to branded products.

Romanians do their weekly shopping in Hypermarkets and Supermarkets, most Romanians are aware of PLB's and food is the category which is most bought from Private Label Brands, and Cosmetics and Personal Care is the least bought category. Romanians when purchase Savoury Snacks they look for Taste, Quality and Convenience, and in Savoury Snacks category from PLB's they are looking for Flavour, Price, and Quality, those that do not buy Savoury Snacks from PLB's is because of Trust, Quality, and the price quality ratio.

In the Soft Drinks category Romanians look for Brand, Quality and Taste, however consumers purchase Soft Drinks from Private Label Brands because of the Flavour, Price, and the Quality, the consumers that do not purchase Soft Drinks from PLB's is because of Trust, Quality and Flavour.

Consumers that do not purchase neither Soft Drinks neither Savoury Snacks from PBL feel that is risky to purchase these categories from PLB's, this phenomenon is mostly seen in the Soft Drinks category.

Retailers are still fighting the lack of trust that consumers have on their brands. Sampling and discounts make 80% consumers change from manufacture brands to PLB's however, most consumer stated that the price differences are not enough to make them change from manufacture to PLB products. Retailers should focus on the taste and quality and at the same time preserve the lower price versus manufacture brands.

#### 4.2.2 Sociodemographic

The consumer survey did not allow to reach conclusion about sociodemographic factors, due to the results were very dispersed throughout the answers, however in the experts interviews some insights were given.

There was a consensus in Household size and Income, all the interviewees stated that bigger households and lower income consumers are more prone to purchase Private Label Brands. However, there was not a consensus on Age and Education, three of the interviewees agreed that older consumers due to their lower income were more prone to purchase private labels, only one interviewee stated that younger consumers are more prone to purchase PLB because they see them as "Best value for money". Regarding Education, three of the interviews stated that because

individuals with lower education had a lower income, they would prefer to buy PLB, only one interview stated that well educated individuals understand the advantage of purchasing PLB.

### 4.3 Main Findings from the Expert Interviews and Consumer Survey

To understand which determinants that have the most impact on Soft Drinks and Savoury Snacks from PLB, all the data was merged and evaluated. This exercise was made based on the data collected from primary and secondary sources, and it was characterized from “Extremely Important” to “Not at All Important” (ranging from 1-5), the degree of importance was calculated based on how it was referred in the data collected. The different types of data collection have different weights for the relevance of the study, Experts interviews weighted 60%, Consumer Survey weighted 25% and the Literature Review weighted 15%. In the table below there is the summary of the main findings and their importance.

Importance	Determinants	Literature Review (15%)	Expert Interview A (15%)	Expert Interview B (15%)	Expert Interview C (15%)	Expert Interview D (15%)	Consumer Survey (25%)	TOTAL
5	Lack of trust	0,8	0,8	-	0,8	0,8	1,3	4,3
4	Market Maturity	0,6	-	0,6	0,6	0,6	-	2,4
5	Initial Strategy	-	-	0,8	0,8	0,8	-	2,3
4	Culture	0,6	0,6	-	-	0,6	-	1,8
4	Strong Brand Relation	-	0,6	-	0,6	0,6	-	1,8
3	Lack of Suppliers	-	0,5	0,5	0,5	0,5	-	1,8
3	Change in Consumer behaviour	-	-	-	0,5	0,5	0,8	1,7
3	Traditional Retail	0,5	0,5	0,5	-	-	-	1,4
2	Lack of innovation	-	0,3	-	0,3	0,3	-	0,9
2	Price versus quality	-	0,3	-	0,3	0,3	-	0,9

Table 9: Weight average of the different drivers of PLB performance

**RQ1: What Retailers related determinants impact the penetration of private label in the soft drinks and savoury snack category?**

Experts' interviews and secondary data proved that there are retailers' dimensions that have an impact on the performance of PLB in the Soft Drink and Savoury Snack category.

Modern Retailers are still young in Romania compared with other European Countries, thus the market is still not mature, these modern retailers entered the market with very low-quality product and consumers lost trust on their PLB's, the literature stated if modern retailing is still young in a country its normal that PLB's are still undeveloped. Moreover, in the two categories, Soft Drinks and Savoury Snacks, exist two big players, in the Soft Drinks are Coca-Cola CO. and Pepsi Co, and in the Savoury Snacks there are the Intersnack Group, and Pepsi CO, these players heavily invest in advertising and marketing making it very hard to compete against them.

Additionally, there is a lack of suppliers that can comply with quality requirements, for the Savoury Snacks category this do not have a big impact, however, for the Soft Drinks it has an impact since its very expensive to import.

**RQ2: Which consumer dimensions impact the penetration of private label brands in the Soft Drinks and Savoury Snack category?**

Consumer survey, experts' interviews and secondary data, showed that consumer dimensions have an impact on the performance of PLB in the Soft Drink and Savoury Snack category. The consumer dimension that influence PLB performance are: Romanian culture traits such as Individualism, Power Distance and Uncertainty Avoidance which were proven by the literature review. The feel of risk for trying Savoury Snack and Soft Drinks from PLB's proven to be one of the feeling that consumers have towards PLB's it was also in line with previous studies that stated that consumers find PLB as a risk. The lack of trust on Private Label Brands mainly due to the low quality of the present and past Private Label products. Finally, there still exists a relevant share of Romanians living in rural areas where the PLB's are still not as present as in big city centres, the literature stated that the higher the concentration of modern retailers the higher the PLB penetration.

## 5. Conclusions

The Private Label market is expected to continue growing in the next years, modern retailers are investing more in launching new products and entering new categories, mostly niche categories such as gluten free, vegan and other trending niche categories and also in expanding to new geographies with new and more agile formats, such as proximity format.

Traditional trade is on a decreasing trend since the last years, and modern retailers are in a growing trend across all Romania and thus reaching more consumers and it is expected that this trend will continue.

The Soft Drinks and Savoury Snacks market is expected to grow annually, until 2024, by 6,7% and 5,7% respectively (Euromonitor, 2019). Soft Drinks from private labels can leverage the increasing concern about having a healthy diet, by creating sugar free, and reduced calories products. Savoury Snacks from private labels can leverage the same health trend and also serve as a comfort for stress out consumers, that are growing in Romania because of the change in their lifestyles. Moreover, retailers when working with suppliers should work towards having products with a good flavour, low price and good quality, additionally if retailers can manage to distribute PLB's that are healthier for the end consumer they will leverage from better relations and a differentiation point from the manufacture brands.

However, retailers should be aware that exist a lack of quality suppliers in Romania in both the Soft Drinks and in the Savoury Snacks categories. In the category of Savoury Snacks this problem can be solve be importing products from countries like Poland and Hungary and still be competitive, but in the Soft Drinks category importing its extremely expensive due to the volume, so retailers need to work with water suppliers to manufacture their beverages which most of the times leads to low quality products.

Regarding the consumer side, shoppers are more aware of the benefits of PLB's and most of them purchase Savoury Snacks and Soft Drinks, however, those that do not buy argument that the feel of risk, trust, and quality are the main reasons for not buying these categories from PLB's. Moreover, Romanians cultural traits such as Power Distance, Uncertainty Avoidance, and Individualism negatively influence the performance of PLB's, marketing and advertising

campaigns should be made to fight these cultural traits. Furthermore, Romania was a communist country until a few years which still impacts the perception of PLB's as bad quality product that refer to the product offered to the Romanians in the communist era.

## 5.1 Managerial Implications

Romania is still far from achieving a Private Label Penetrations equal to other European Countries, which already leverage PLB's penetration rates close to 50%.

Nevertheless, the modern retail, in Romania, is growing as well as PLB's, this trend is expected to continue as PLB's are an important driver of the modern retailers' strategy, however there is no one strategy fit all to achieve better performance but there are some enablers for a better path to success.

The first enabler is getting to know the consumers, to deliver a final product tailored to their needs and taste. Retailers should work specifically on the quality and the taste of their Private Label products in the Soft Drinks as well as in the Savoury Snacks category, because those are the characteristics the consumer looks for when purchasing PLB's in these categories. Increasing quality and taste together with a marketing strategy, with actions such as sampling and demonstrations, targeting potential and already existing consumers will also help retailers to gain the trust of the Romanian shopper.

The second enabler is to be up-to-date with global trends in the Soft Drinks and Savoury Snacks categories. Romania is usually slower in adopting new trends, however retailers can leverage a first mover advantage by having innovative products in their PLB portfolio. Increasing concern with what individuals eat is growing globally and is also impacting the Romanian food market, thus impacting the both categories studied. Retailers should develop together with the supplier's healthy versions of their PLB's.

The third enabler is the expansion to new geographies. The majority of modern retailers present in the Romanian market are still concentrated in big cities, however the rural area can be considered an untapped market for the modern retailers, since in these geographies the traditional retail still has a higher share. Rural areas are suitable for the distribution of PLB's, since the rural shopper looks for more basic products at a cheaper price, which is one of the main characteristics of PLB's.

Retailers should enter the rural market with smaller formats, and with a different product offers from those offered in urban areas, mainly simpler and more basic items.

## 5.1 Limitations & Potential for Future Research

Regardless of the contributions that the present study provides, it has some limitations. The main limitation is regarding the sample of the consumer survey and the experts' interview. Due to a convenience sampling technic used to gather responses for the consumer survey, the responses are not representative of the Romanians because most respondents are below 34 years old and live in big city centres, and thus the Romanian population could be better represented in the sample of the study. Moreover, in the expert interview to have a better understanding of the market and the different players, there should have been one representative from each of the main modern retailers present in Romania, different retailers have different strategies for their PLB's which could give more insights about the market.

Further research should have a larger and more representative sample of the Romania consumer, and also have more expert interviews from the main modern retailers present in Romania.

Additionally, the present study is focused in the Soft Drinks and Savoury Snacks categories, further research should study if the findings from this study are intrinsic to other FMCG categories. Additionally, future researchers should try to understand, more in-depth, the different performances between retailers and thus trying to understand the best strategies that leads to a larger penetration of PLB's in Romania.

The present study did not look in depth for the strategy's retailers should follow to continue to grow their private label of Soft Drinks and Savoury Snacks, in the future research should study the best strategies to perform in the Romania Market.

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## 7. Appendix

### Appendix 1: Consumer Survey

Bună ziua!

Dear participant

I would like to thank you, in advance, for your time in doing the following survey.

The survey will support my Master Thesis from Universidade Católica de Lisboa, with the purpose of studying the adoption, by the Romanians, of private label brands in the soft drink and salty snacks.

The survey will take around 5 minutes.

All your answers will be kept anonymous. At the end of the survey you can earn an Amazon Voucher worth 20€ (100 RON). If you have any doubts do not hesitate to contact me, by using the following contacts: [zenunes1995@gmail.com](mailto:zenunes1995@gmail.com) +351917576798

**Mulțumesc!!**

Q1 Private labels (PLs), are brands controlled and sold exclusively by retailers. Some examples:



Q2 Manufacture brands are brands created by producers and with a name of their choice.  
Some examples:

Q3



Q4 Are you aware of Private Label Brands?

- Yes (1)
- No (2)

*Display This Question:*

*If Are you aware of Private Label Brands? = Yes*

Q5 Can you tell me the which Private Label Brands do you know?

Q6 Which categories of Private Label Brands do (would) you buy, on a weekly basis?  
(You can select more than one option)

- Food (like: snacks, chips, chocolates, pasta, rice....) (1)
- Beverages (like: water, juice, energy drinks....) (2)

- Home Care (like: dishwasher, paper towels, laundry detergent....) (3)
- Cosmetics and Personal Care (like: make up, shampoo, soap...) (4)

Q7 Have you bought any **Soft Drinks** (such as juice, carbonated drinks, energy drinks) from Private Label Brand?

- Yes (1)
- No (3)

Q8 Have you bought any **Salty Snacks** (such as potatoes chips, pretzels, popcorn) from Private Label Brand?

- Yes (35)
- No (36)

*Display This Question:*

*If Have you bought any Soft Drinks (such as juice, carbonated drinks, energy drinks) from Private La... = No*

Q9 What are the **three** main reasons for you to not buy Soft Drinks Private Labels?

- Price (1)
- Quality (4)
- Low price/quality (5)
- Availability (6)
- Trust (7)
- Flavour (8)
- Packaging (9)

*Display This Question:*

*If Have you bought any Salty Snacks (such as potatoes chips, pretzels, popcorn) from Private Label B... = No*

Q10 What are the **three** main reasons for you to not buy Salty Snacks Private Labels?

- Price (8)
- Quality (14)
- Low price/quality (15)

- Availability (16)
- Trust (17)
- Flavour (18)
- Packaging (19)

*Display This Question:*

*If Have you bought any Soft Drinks (such as juice, carbonated drinks, energy drinks) from Private La... = Yes*

Q11 When buying Private Label Soft Drinks what are the three main characteristics:

- Price (2)
- Quality (7)
- Low price/quality (8)
- Availability (9)
- Trust (10)
- Flavor (11)
- Packaging (12)

*Display This Question:*

*If Have you bought any Salty Snacks (such as potatoes chips, pretzels, popcorn) from Private Label B... = Yes*

Q12 When buying Private Label Salty Snacks what are the three main characteristics:

- Price (5)
- Quality (6)
- Low price/quality (7)
- Availability (8)
- Trust (9)
- Flavor (10)
- Packaging (11)

Q13 Where do you usually do your grocery shopping, on a weekly basis?

- Hypermarket (1)
- Supermarket (2)
- Convenience stores (3)
- Traditional grocery shop in the neighborhood (4)

Q14 When buying Salty Snacks (such as potatoes chips, pretzels, popcorn) what do you look for:

	Always (1)	Most of the time (2)	Sometimes (3)	Never (4)
Healthiness (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Price (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Quality (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Convenience (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Taste (6)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q15 When buying Soft Drinks (such as juice, carbonated drinks, energy drinks) what do you look for:

	Always (1)	Most of the time (2)	Sometimes (3)	Never (4)
Healthiness (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(2)				
Price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(3)				
Quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(4)				
Convenience (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Taste (6)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q16 Please tell us which statement describes you or your opinions the best

	Strongly (11)	agree (12)	Somewhat agree (14)	Somewhat disagree (15)	Strongly disagree (15)
I avoid taking risks (20)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I want to be sure before purchasing anything (21)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Is risky to buy <b>Soft Drinks</b> of Private Label Brands (22)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Is risky to buy <b>Salty Snacks</b> of Private Label Brands (23)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It is important to get the cheapest price when purchasing <b>Soft Drinks</b> (24)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It is important to get the cheapest price when purchasing <b>Salty Snacks</b> (25)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

I compare **Soft Drinks** products before buying them (26)

I compare **Salty Snacks** products before buying them (27)

Price is the primary reason for purchasing private label brands (28)

Q17 Which of the following marketing action would make you buy a Private Label product:

- Discounts (1)
- Samples / product demonstration (2)
- More Private Label products on the shelves (3)
- Other (4) \_\_\_\_\_

Q18 Do you think the price differences between Manufacture Brands and Private Labels are enough for making you change?

- Yes (1)
- No (2)

Q19 Are you Romanian?

- Yes (4)
- No (5)

Q20 Please indicate your age:

- Under 18 (11)
- 18 - 24 (12)

- 25 - 34 (13)
- 35 - 44 (14)
- 45 - 54 (15)
- 55 - 64 (16)
- Over 65 (17)

Q21 What is your gender?

- Male (4)
- Female (5)
- I rather not say (8)

Q22 What is the highest level of school you have completed or the highest degree you have received?

- Less than high school degree (1)
- High school graduate (2)
- Bachelor's degree in college (3)
- Master's degree (4)
- Doctoral degree (5)
- Professional degree (JD, MD) (6)

Q23 What is your monthly household income:

- Less than 1,200 RON (1)
- 1,200 - 1,500 RON (7)
- 1,500 - 2,000 RON (2)
- 2,000 - 3,000 RON (3)
- 4,000 - 5,000 RON (4)
- 6,000 - 7,000 RON (5)
- More than 7,000 (6)

Q24 How many member has household?

▼ 1 (1) ... 10 (10)

Q25 Please indicate your employment status. Are you currently?

- Student (1)
- Employed (2)
- Out of work (4)
- Retired (6)
- Homemaker (7)

Q26 To have a chance of winning the Amazon voucher you just need to write your email below

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Q27 Thank you very much for your time and support!!!!

## Appendix 2: Experts Interviews Guidelines

Below are the topics that were brought up during the expert interviews. Since the interviews were semi-structure there are some questions that were brought up during each one of the interviews.

1. How have PLB's been doing in the last years? Why?
2. Why is the PLB share is so low comparing with other countries?
3. Which retailers is outperforming the others?
4. What do you have to say about the Romanian suppliers from Soft Drinks and Savoury Snacks?
5. Is the price enough to make consumers change?
6. What drives the soft drinks and savoury snacks sales from PLB's?
7. What type of marketing do retailers use for promoting their PLB's?
8. Do you think that sociodemographic impacts the performance of PLB's?

## Appendix 3: Results from the Experts Interviews

### **Alexandru-Stanu**

Private label brands will grow, all the retailers are investing and reinforcing their private brands, entering new categories and segments. Auchan, Carrefour and Kaufland are entering the Bio, Ecological segment. Also, the premium segment is being explored by the retailers, before retailers had only cheap products but now, they are looking to create premium brand segments,

Modern retailers cover almost all the categories and the trend is to cover, completely all the categories with cheap and premium products.

Romanians are still very fond of branded products, also these brands are fighting PLB's prices, however PLB's cannot go any lower otherwise will not have enough margin to be sustained. Manufacture brands are trying to find local suppliers in order to lower logistics cost and fight PLB's.

Moreover, most consumers do not trust PBL because in the past the quality of the products was poor and now even though there was an improvement on quality people still perceive the products as being from a very low quality.

Traditional retail is still very prominent in Romania, the shares are around 40% traditional retail 60% modern retail, this have a big impact on the consumers, the modern retailers are the ones that bring private label products to the market, so the bigger they are the more private label will grow.

In the modern retailers Lidl is the one with the most success in PLB, the main reason is that consumers do not perceive their PLB as being PLB, due to different names that they use for their brands this create differentiation in store and consumers perceive this brand as manufacture brands and not PLB's.

Kaufland is also investing a lot in PLB, both in marketing and product expansion.

It is also important to mention that private label brands and modern retailing, compared with other countries are still very young.

The price difference is around 15%-20% but this is not the reason that makes consumer change from manufacture brands to PLB's. Trust is key to gain consumers for PLB's and Retailers need to educate the consumer that PLB have good quality and have a very good quality/price ratio.

Maybe if the prices were lower more than 50% maybe this way price would change consumers mind, however this is not possible, so retailers should construct trust and relationships with consumers.

Retailers often do sampling and demonstrations of their PLB's they advertise their brands in the store, and in the shelves.

Older people because they have lower income, Income low, Education Low, household with various elements are more prone to buy PLB.

Romanians care about the social status, Romanians and other Eastern Europe countries consumers give emphasis to brands and luxuries products, moreover people feel a certain social risk if they buy unbranded products.

### **Laurentiu Petre**

The market is not mature yet.

The beginning of modern retail in Romania was around 1996, big global chains started to enter the Romanian Market, first Metro entered, and it were followed by Telkro, Carrefour, Auchan and Kaufland.

When retailers entered the market, the focus was on expanding to new geographies within Romania, only later retailers started to focus on launching and investing in PLB's. However, retailers had two options either import their Private Labels or produce them locally. Retailers found it hard to produce locally but importing was too expensive.

The normal strategy when developing PLB's is to focus on the strongest player in the market and you try to differentiate yourself, most of the times the differentiation is achieved with price differences.

Moreover, headquarter would define a hard target to reach in terms of sales, which often was not achieved due to higher prices in PLB's because retailers were importing these products.

Retailers realise that they would have to work locally, in order to reach sustainable margin and targets. However, it was not easy to find local producer in some categories because the suppliers could not comply with the quality requirements from headquarters, this also delayed the introduction of some products. The lack of capabilities from the supplier side to cope with the demand that modern retailers would bring, was also a problem, retailers were used to supply for example 1million people but now they would have to supply 5million. Most of the times this problem was solved by hiring two suppliers for the same product which made even hard to control the quality.

Additionally, suppliers did not perceived manufacturing PLB's as positive, because they would have to create a new product, which most of the times was a copy of their own products, and by doing a PLB product they would lose market share of their own products.

Logistics was also an issue for modern retailers, Romania is a big country, but it does not have the needed basic infrastructure such as highways. Romania is at bottom of the ranking of the quality of the roads, the logistic structure played a big role on the expansion, sometimes the logistic cost versus the return did not make the operation possible. This problem translates in lower penetration of modern retailers and thus a lower adoption of PLB's.

The traditional trade such as markets also hurt the private label performance, big open markets often sell many items from food to electronics much cheaper than in modern retailers. Moreover, in rural areas the traditional trade holds the largest market shares, which means that there is a large part of the market that is untapped by modern retailers which in turn hurts the performance of PLB's. In order to solve these problems retailers are trying to use smaller formats.

Additionally, cash and carry are pushing their private labels to traditional retailers however these products do not enter to the Private Label statistics.

Lidl is the retailer that most invest in PLB and Carrefour and Kaufland have the best performance.

Romanian care about products that show their social status mostly in categories where there are well know manufacture brands.

**Ionut Balica**

The market has showed marginal decline. Romania have increased salaries and the tax of food and beverages decreased 50%, with this consumer are looking for more premium and mainstream products, and in some categories, retailers do not offer these types of products so consumer will go to the manufacture brands.

Private labels are starting to go premium.

Retailers are removing their first price Private Label products from the shelves. In carbonated drinks most retailers are not investing due to big brands such as Coca Cola and Pepsi, the consumer wants these brands and retailers are not achieving the market share they would like to achieve. However, retailers understand that the water and the fruit juices are a good option for gaining share in the soft drinks market.

Besides the big brands the Private Labels do not offer enough quality to drive a change in the consumer habits. More specific in the water segment there is a very strong connection with brands because each part of the country has a specific water brand that they are loyal to.

In the savoury snack's category, there is also two big players: Intersnack that have brands like Chio, and Pepsi Co. that have brands like Lays, these two group invest heavily in marketing, which makes it hard for PLB's to gain market share.

In categories where there are very strong brands PLB do not develop as well as in categories where there are not strong manufacture brands.

Lidl is the player that most invest and has most success mainly because of their core strategy of not having their name on their brands but rather giving different names, this way consumers perceived their brands as being manufacture brands and not PLB's.

One of the reasons for the bad performance of PLB's is that in the beginning retailers were focused on achieving the first price in the market, to do this the quality of the products was injured and now consumers have lost trust in the brands, so now even though the products have better quality consumers still recall the first low quality products.

Moreover, if the consumers try a PLB from one retailer and doesn't like he will generalize for other retailers.

Price is not the driver for change but rather the quality and trust that consumers have towards private labels.

Romanian culture, as well as other Eastern Europe countries, are very keen on luxury goods and premium product even though they have a low-income consumer still want to buy a nice car, nice cloths and products.

In the future will change:

Retailer will need to invest more in advertising and marketing to fight manufacture brands. This will allow the PLB to be more credible and trusted by consumers. Retailers should also invest in development of quality products.

There is the need to have more supplier of soft drinks and savoury snacks to respond the demand and requirements of modern retailers.

Modern retailers are investing in convenience and proximity stores which will also have an impact on PLB's.

## **Nuno Ferreira**

The first thing that is important to understand is that the Schwarz Gruppe, owner of Lidl and Kaufland, does not share their results, Lidl and Kaufland have around 40%-50% of the market this means that a big part of the market is estimated, thus leaving big gaps for errors.

The market is very unbalanced, you can have a 2liter bottle of juice costing 0,9Ron (20cent) which means that the quality is very low, and products of manufacture brands costing 5 times more. Moreover, the private label products must comply with some quality requirements and these cheap products do not comply with the requirements and thus some retailers sell this product as a No-Brand, and these products do not enter as private labels in the industry reports.

Furthermore, private labels enter with very low prices for example you have Private label pasta costing 20cent for 0,5kg and you have Barilla costing 2€ for the same quantity, so Private Labels must sell much more to gain market share.

Retailers usually have two types of private label: the first price and the mainstream price which owns the retailer name. The first price is produced locally with very bad quality and the mainstream price is imported. For example, Auchan and Carrefour produce their brands in Poland or Hungary, because these countries already have the know-how and the capabilities to produce in mass and with good quality. This strategy was also implemented in Savoury Snacks category. However, in the soft drinks this is different because is expensive to import beverages because of the weight, the solution is to use water producer and buy concentrates to mix with water, this leads to lower prices but also is related with the bad quality of private label soft drinks because the water producers do not have the know-how to produce juices and carbonates.

Additionally, Poland and Hungary have gain know-how and capabilities to produce and supply good quality products at a low price to some European Countries, including Romania.

Culture plays a huge role on the private label products, Eastern Europe country in the past were private from brands, due to the communist regime. The products that they received were no-brand products and they associated private labels with these products. Frozen food is a very good example, in the communism people received frozen products and thus now they look at frozen products as being bad quality even though some of this product have very good quality. This gives a certain advantage to brands.

Additionally, brands, after the fall of the communist regime, entered the Romanian market very strongly, and an aggressive commercial strategy, so far these manufacture brands are still leveraging the first mover advantage.

Romania is one of the countries where they own more houses, because of the communism people received homes, and now they still have them, this means that even though the income is low they don't need to spend on a Rent thus Romanian sometimes have a lot of disposal income, additional in the last years there was an increase in salaries and a decrease in food taxes, this also hurts PLB performance.

Most retailers do not innovate their PLB's, they are still focused in basic products and one of the drivers for the Savoury Snack category is product innovation, for example rice snacks are well known in European countries, however only now they are being launched in Romania. Moreover, Romanians are still very traditional and have not adopted Snack in their diet habits. However, younger consumers are driving the sales of PLB's mostly in big cities where they live their life's at a fast pace.

People lost trust in the beginning because of the bad quality and retailers are still regaining consumers trust.

Retailers should treat their private label brands as a House of Brands, meaning that they should threat each category in a different way, depending if the product is more traditional or modern, or if the consumer looks for more quality or more basic, threating brands in a different way will create a sense of differentiation.

Moreover, retailers need to innovate their products, by launching different products from manufacture brands faster.

## Appendix 4: Results from Consumer Survey

### SOCIODEMOGRAPHICS

**Please indicate your employment status. Are you currently.....?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Student	80	55,6	55,6	55,6
	Employed	63	43,8	43,8	99,3
	Out of work	1	,7	,7	100,0
	Total	144	100,0	100,0	

**How many members has household?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	37	25,7	25,7	25,7
	2	34	23,6	23,6	49,3
	3	30	20,8	20,8	70,1
	4	30	20,8	20,8	91,0

5	11	7,6	7,6	98,6
6	1	,7	,7	99,3
7	1	,7	,7	100,0
Total	144	100,0	100,0	

**What is your monthly household income?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1,200 RON	12	8,3	8,3	8,3
	1,500 - 2,000 RON	7	4,9	4,9	13,2
	2,000 - 3,000 RON	26	18,1	18,1	31,3
	4,000 - 5,000 RON	40	27,8	27,8	59,0
	6,000 - 7,000 RON	20	13,9	13,9	72,9
	More than 7,000	31	21,5	21,5	94,4
	1,200 - 1,500 RON	8	5,6	5,6	100,0
	Total	144	100,0	100,0	

**What is the highest level of school you have completed or the highest degree you have received?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High school graduate	53	36,8	36,8	36,8
	Bachelor's degree in college	45	31,3	31,3	68,1
	Master's degree	44	30,6	30,6	98,6
	Doctoral degree	2	1,4	1,4	100,0

Total	144	100,0	100,0
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**What is your gender?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	33	22,9	22,9	22,9
	Female	110	76,4	76,4	99,3
	I rather not say	1	,7	,7	100,0
	Total	144	100,0	100,0	

**Please indicate your age:**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under 18	1	,7	,7	,7
	18 - 24	95	66,0	66,0	66,7
	25 - 34	31	21,5	21,5	88,2
	35 - 44	12	8,3	8,3	96,5
	45 - 54	5	3,5	3,5	100,0
	Total	144	100,0	100,0	

**Frequency Table**

PRIVATE LABEL

**Are you aware of Private Label Brands?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	27	18,8	18,8	18,8
	Yes	117	81,3	81,3	100,0

Total	144	100,0	100,0	
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**Have you bought any Soft Drinks (such as juice, carbonated drinks, energy drinks) from Private Label Brand?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	65	45,1	45,1	45,1
	Yes	79	54,9	54,9	100,0
	Total	144	100,0	100,0	

**Have you bought any Salty Snacks (such as potatoes chips, pretzels, popcorn) from Private Label Brand?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	28	19,4	19,4	19,4
	Yes	116	80,6	80,6	100,0
	Total	144	100,0	100,0	

**Where do you usually do your grocery shopping, on a weekly basis?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Hypermarket	45	31,3	31,3	31,3
	Supermarket	84	58,3	58,3	89,6
	Convenience stores	11	7,6	7,6	97,2
	Traditional grocery shop in the neighborhood	4	2,8	2,8	100,0
	Total	144	100,0	100,0	

**Which of the following marketing action would make you buy a Private Label product: - Selected Choice**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Discounts	46	31,9	32,4	32,4
	Samples / product demonstration	72	50,0	50,7	83,1
	More Private Label products on the shelves	19	13,2	13,4	96,5
	Other	5	3,5	3,5	100,0
	Total	142	98,6	100,0	
Missing	System	2	1,4		
Total		144	100,0		

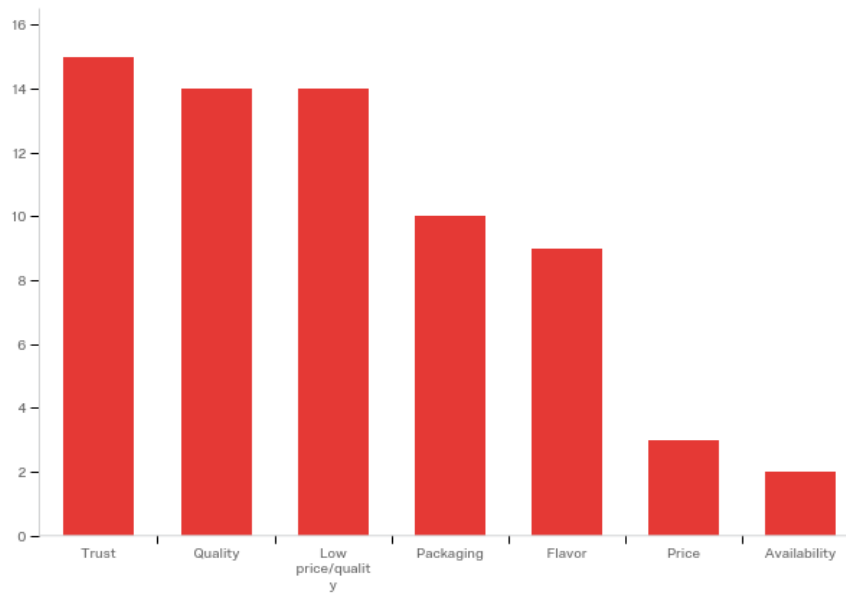
**Which of the following marketing action would make you buy a Private Label product: - Other -  
Text**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		139	96,5	96,5	96,5
	A better quality compared to brand products	1	,7	,7	97,2
	I don't usually buy them	1	,7	,7	97,9
	Quality and Goodwill of the company	1	,7	,7	98,6
	Sample in comparison to known brands	1	,7	,7	99,3
	Sustainability reasons	1	,7	,7	100,0
	Total	144	100,0	100,0	

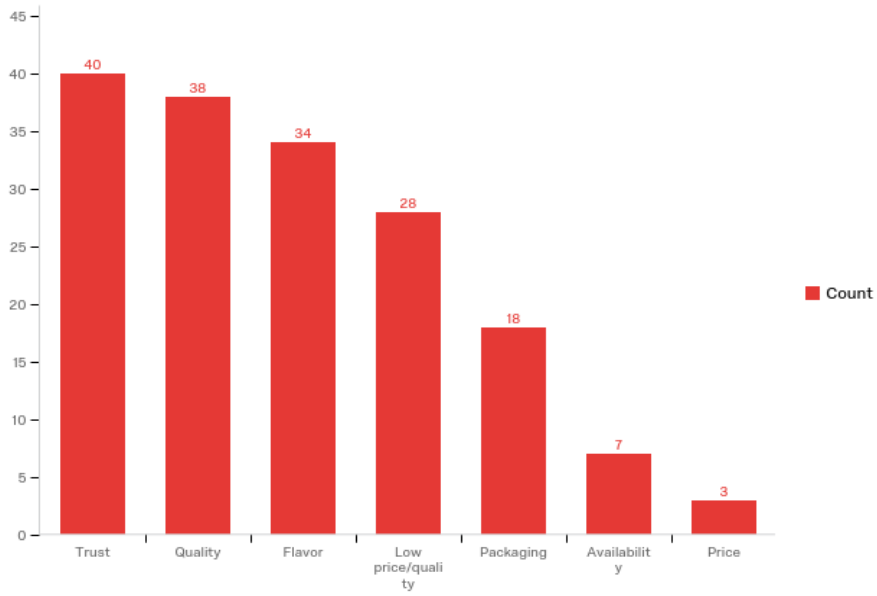
**Do you think the price differences between Manufacture Brands and Private Labels are enough for making you change?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	84	58,3	58,3	58,3
	Yes	60	41,7	41,7	100,0
	Total	144	100,0	100,0	

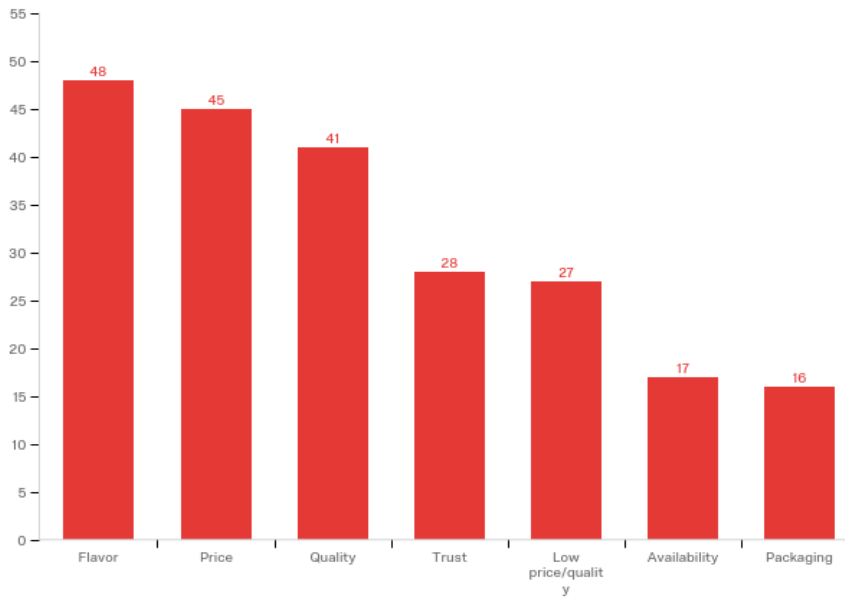
**Q33 - What are the three main reasons for you to not buy Salty Snacks Private Labels?**



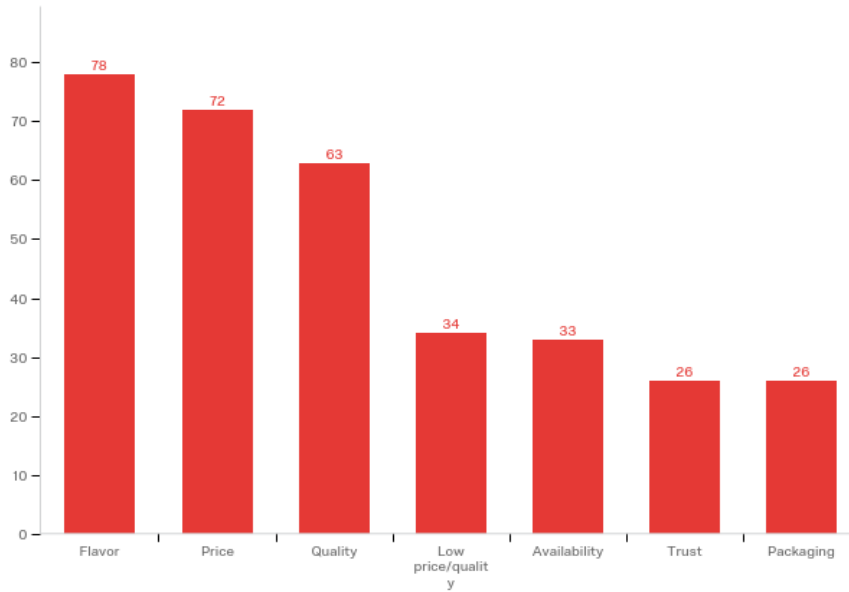
**Q32 - What are the three main reasons for you to not buy Soft Drinks Private Labels?**



**Q8 - When buying Private Label Soft Drinks what are the three main characteristics:**



**Q9 - When buying Private Label Salty Snacks what are the three main characteristics:**



**Q10 - When buying Salty Snacks (such as potatoes chips, pretzels, popcorn) what do you look for:**

#	Question	Always		Most of the time		Sometimes		Never		Total
1	Healthiness	13.89%	20	25.69%	37	41.67%	60	18.75%	27	144
2	Brand	22.92%	33	38.19%	55	32.64%	47	6.25%	9	144
3	Price	33.33%	48	31.94%	46	31.25%	45	3.47%	5	144
4	Quality	52.78%	76	36.11%	52	10.42%	15	0.69%	1	144
	Convenience	28.47%	41	40.28%	58	26.39%	38	4.86%	7	144
	Taste	77.08%	111	21.53%	31	1.39%	2	0.00%	0	144

**Q11 - When buying Soft Drinks (such as juice, carbonated drinks, energy drinks) what do you look for:**

#	Question	Always		Most of the time		Sometimes		Never		Total
1	Healthiness	28.47%	41	20.83%	30	37.50%	54	13.19%	19	144
	Convenience	27.78%	40	46.53%	67	21.53%	31	4.17%	6	144

3	Price	38.19%	55	26.39%	38	32.64%	47	2.78%	4	144
2	Brand	38.89%	56	38.19%	55	20.83%	30	2.08%	3	144
4	Quality	62.50%	90	32.64%	47	3.47%	5	1.39%	2	144
	Taste	81.25%	117	16.67%	24	1.39%	2	0.69%	1	144

### Risk and Price sensitivity

#### Q12 - Please tell us which statement describes you or your opinions the best:

#	Question	Strongly agree		Somewhat agree		Somewhat disagree		Strongly disagree		Total
11	I avoid taking risks	16.67%	24	47.22%	68	30.56%	44	5.56%	8	144
12	I want to be sure before purchasing anything	37.50%	54	45.14%	65	16.67%	24	0.69%	1	144
14	Is risky to buy Soft Drinks of Private Label Brands	15.28%	22	39.58%	57	33.33%	48	11.81%	17	144
15	Is risky to buy Salty Snacks of Private Label Brands	5.56%	8	30.56%	44	44.44%	64	19.44%	28	144
	It is important to get the cheapest price when purchasing Soft Drinks	3.47%	5	13.89%	20	29.86%	43	52.78%	76	144
	It is important to get the cheapest price when purchasing Salty Snacks	3.47%	5	20.14%	29	36.11%	52	40.28%	58	144
	I compare Soft Drinks products before buying them	34.72%	50	47.22%	68	12.50%	18	5.56%	8	144

I compare Salty Snacks products before buying them	38.19%	55	43.75%	63	13.89%	20	4.17%	6	144
Price is the primary reason for purchasing private label brands	23.61%	34	33.33%	48	31.25%	45	11.81%	17	144

## CROSSTABULATION

### Soft Drinks

65 do not purchase PLB Soft Drinks

79 purchase PLB Soft Drinks

A crosstabulation was made to cross information from the question: “ Have you bought any Soft Drinks from Private Label Brand?” with the question 12, that measures the risk and price sensitivity. In the next paragraphs the results are presented.

Respondents when asked if they avoid taking risk most (92 respondents) agreed with this sentence. However, there is not a significant difference between those who purchase Soft Drinks from PLB and those who do not.

I avoid taking risks					
	Total	Somewhat agree	Somewhat disagree	Strongly agree	Strongly disagree
No	65	35	20	8	2
Yes	79	33	24	16	6

119 respondents agreed that they wanted to be sure before purchasing any product. However, only 11% of the respondents that do not buy Soft Drinks from private labels disagreed, versus 33% of the consumers that purchase Soft Drinks from PLB. Consumers that purchase Soft Drinks from PLB tend to not be so sure about what they are buying.

I want to be sure before purchasing anything					
	Total	Somewhat agree	Somewhat disagree	Strongly agree	Strongly disagree

No	65	33	7	25	0
Yes	79	32	17	29	1

79 stated that is risky to purchase Soft Drinks from Private Label brands, however 60% of the respondents who bought Soft Drinks from PLB's disagree with the statement 'Is risky to buy Soft Drinks from Private Label brands'.

Is risky to buy Soft Drinks of Private Label Brands					
	Total	Somewhat agree	Somewhat disagree	Strongly agree	Strongly disagree
No	65	29	13	17	6
Yes	79	28	35	5	11

119 respondents disagree that is important to get the cheapest price when purchasing Soft Drinks from Private Label brands, however 25% of those that purchase Soft Drinks from Private Label brands agree that is important to get the cheapest price versus 9% of those that do not purchase.

It is important to get the cheapest price when purchasing Soft Drinks					
	Total	Somewhat agree	Somewhat disagree	Strongly agree	Strongly disagree
No	65	5	17	1	42
Yes	79	15	26	4	34

118 respondents compare Soft Drinks products before purchasing.

I compare Soft Drinks products before buying them					
	Total	Somewhat agree	Somewhat disagree	Strongly agree	Strongly disagree
No	65	36	8	16	5

Yes	79	32	10	34	3
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Regarding if “Price is the primary reason for purchasing PLB’s” there was no consensus, 43% disagreed and 57% agree, however, of those that purchase Soft Drinks from PLB’s 46% disagree that price is the primary reason, versus 38% of those that do not buy.

Price is the primary reason for purchasing private label brands					
	Total	Somewhat agree	Somewhat disagree	Strongly agree	Strongly disagree
No	65	21	16	19	9
Yes	79	27	29	15	8

### Savoury Snacks

28 do not buy Savoury Snacks from PLB

116 buy Savoury Snacks from PLB

A crosstabulation was made to cross information from the question: “ Have you bought any Savoury Snacks from Private Label Brand?” with the question 12, that measures the risk and price sensitivity. In the next paragraphs the results are presented.

Most respondents avoid taking risk (92 respondents), however 38% of those who answer that they purchase Savoury Snacks from PLB’s disagree with this sentence comparing with the 25% that answer that they do not purchase Savoury Snacks from PLB’s.

I avoid taking risks					
	Total	Somewhat agree	Somewhat disagree	Strongly agree	Strongly disagree
No	28	15	4	6	3
Yes	116	53	40	18	5

119 respondents want to be sure before purchasing any product.

I want to be sure before purchasing anything					
	Total	Somewhat agree	Somewhat disagree	Strongly agree	Strongly disagree
No	28	6	4	17	1
Yes	116	59	20	37	0

Respondents feel that is not risky purchasing Savoury Snacks from PLB's (92 respondents), 70% from those who purchase Savoury Snacks from PLB's feel that is not risky to purchase Savoury Snacks from PLB's.

Is risky to buy Salty Snacks of Private Label Brands					
	Total	Somewhat agree	Somewhat disagree	Strongly agree	Strongly disagree
No	28	14	6	3	5
Yes	116	30	58	5	23

When asked if it is important to get the best price when purchasing Soft Drinks most respondents disagreed (110 respondents). When comparing those who purchase Savoury Snacks from PLB's and those who do not, 25% of those who buy agree that is important to get the cheapest price versus 15% of those of who do not buy.

It is important to get the cheapest price when purchasing Salty Snacks					
	Total	Somewhat agree	Somewhat disagree	Strongly agree	Strongly disagree
No	28	2	11	2	13
Yes	116	27	41	3	45

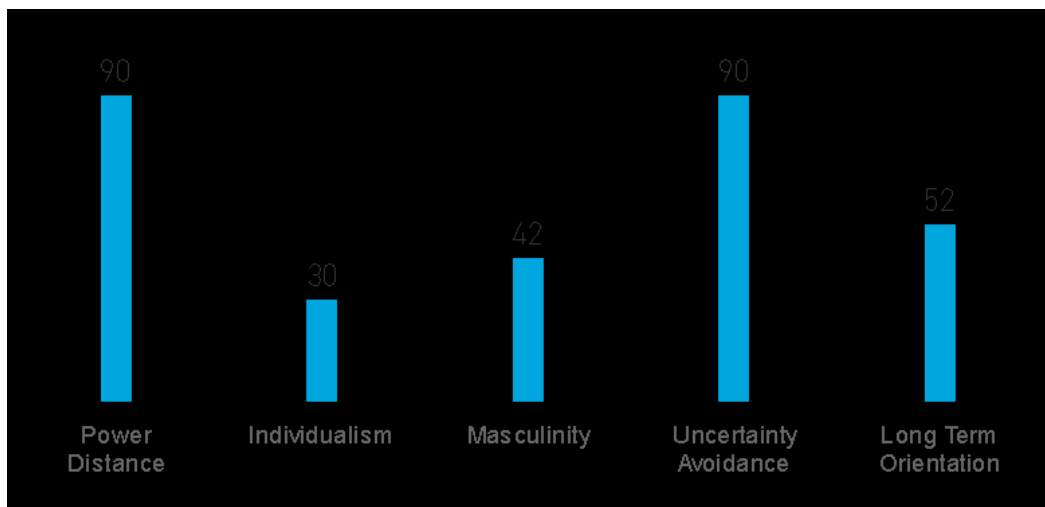
118 respondents compare Savoury Snacks products before purchasing, however this phenomenon is seen in consumers that purchase Savoury Snacks from PLB's and does that do not.

I compare Salty Snacks products before buying them					
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	Total	Somewhat agree	Somewhat disagree	Strongly agree	Strongly disagree
No	28	14	4	8	2
Yes	116	49	16	47	4

## Appendix 5: Hofstede Dimension Analysis

The different dimensions were analysed using secondary data from Hofstede Insights, due to its accuracy, and studies which studied how the different dimensions affects purchase behaviours regarding Private Label brands.



### Power Distance

Romania culture scores high in Power distance (score of 90), which means that people accept a hierarchical order in which everybody has a place in society and needs no further explanation.

Power Distance reflects the individual's consumer behaviour (De Mooij and Hofstede, 2010). Moreover, in these cultures people place more emphasis on brands that reflects their social status (Robinson, 1996), these brands are usually well known brands rather than standard private label brands (Kim and Zhang, 2011).

### Individualism

The score of 30 in individualism makes Romania society a collectivistic one. Thus, Romanians foster close long-term commitment to the member 'group', be that a family, extended family, or extended relationships, everyone takes responsibility for fellow members of their group.

Individuals belonging to collectivist cultures are more sensitive to the concept ‘‘face’’ (Bolton et al., 2010) and thus have a higher tendency to purchase products that reflect ‘‘status’’ (Erdem et al., 2006), which in turn leads to rejection of private labels and the adoption of well know manufacture brands.

### Masculinity

Romania scores 42 in the masculinity dimension, thus considered a relatively Feminine society. In these societies individuals focus on working in order to live, the focus is on well-being and status is not shown.

Masculine cultures usually associate the concept of a ‘‘good life’’ to renowned manufacture brands contrary to feminine cultures where the status is usually not showed (Zinkhan and Prenshaw, 1994). Moreover, masculine cultures link performance and achievement with manufacture brands contrary to feminine cultures (De Mooij and Hofstede, 2010). However, the score of 42 is still very close to being considered a Masculine culture.

### Uncertainty Avoidance

Romania have a high preference for avoiding uncertainty, scoring 90 on this dimension. Unorthodox ideas and behaviours are not tolerated in these cultures. Cultures scoring high in uncertainty avoidance tend to resist to innovation and prefer security.

Individuals belonging to cultures with high scores in uncertainty avoidance tend to associate more loses with the purchase of non-established brands (Erdem et al., 2004). Additionally, the power of brand credibility has showed to higher in culture with high scores of UA (Erdem et al., 2004). Eastern cultures score high in this dimension, and market figures show that PLB do not develop as well as manufactures brands (De Mooij and Hofstede, 2002).

### Long Term Orientation

The intermediate score of 52 in this dimension, leaves Romania in the middle between societies that prefer traditions and view social change with suspicion and societies that encourage thrift and efforts in modern education.

The result of 52 on LTO is not strong enough to characterize Romania as Long Term Oriented neither Short Term Oriented. However, Romania is closer to LTO and in these cultures’ individuals’ value high quality and long-lasting products and these characteristics are associated with manufacture brands, thus in LTO cultures private labels are not expected to develop as well as in countries with low scores of LTO (Budhathoki,2018).