PRIVATE LABEL BRAND SUCCESS

FOCUS ON COSMETICS AND PERSONAL CARE RETAILING IN BULGARIA

Stephanie Langwieser

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ABSTRACT

Title: "Private Label Brand Success - Focus on Cosmetics and Personal Care Retailing in Bulgaria"

Author: Stephanie Langwieser

Keywords: Private Label, Store Brand, Bulgaria, Emerging Markets, Culture, Marketing Strategies

The private labels´ positive development took mainly place in the Western word while in emerging countries private label brands have usually performed far less. This study investigated the development as well as consumer attitudes towards private labels of the cosmetics and personal care category in the Bulgarian market. Specifically, country-level market factors and culture-specific personality traits were researched with the help of qualitative as well as quantitative methods. The study found that Bulgarian market factors are generally attractive and show growth potentials and market opportunities for private labels, also within the cosmetics and personal care category. However, private label brands are still not well perceived by the Bulgarian customers. Negative consumer attitudes towards cosmetics and personal care private labels might be correlated with culture-specific personality traits of Bulgarians, including being collectivistic, having a masculine culture and being materialistic. Negative attitudes results in low demand and a lack of incentives for retailers engaging in marketing activities.

SUMÁRIO

Título: “Sucesso da Marca de Marca Própria - Foco em Cosméticos e Revenda de Cuidados Pessoais na Bulgária”

Autor: Stephanie Langwieser

Keywords: Marca Própria, Marca da Loja, Bulgária, Mercados Emergentes, Cultura, Estratégias de Marketing

O desenvolvimento positivo das marcas próprias teve lugar principalmente na palavra ocidental, enquanto nos países emergentes marcas próprias usualmente tiveram um desempenho muito menor. Este estudo investigou o desenvolvimento, bem como as atitudes dos consumidores em relação as marcas próprias da categoria de cosméticos e cuidados pessoais no mercado búlgaro. Em específico, fatores de mercado em nível de país e traços de personalidade específicos da cultura foram pesquisados com a ajuda de métodos qualitativos e quantitativos. O estudo descobriu que os fatores do mercado búlgaro são geralmente atraentes e mostram potenciais de crescimento e oportunidades de mercado para marcas próprias, também dentro da categoria de cosméticos e cuidados pessoais. No entanto, as marcas próprias ainda não são bem percebidas pelos clientes búlgaros. Atitudes negativas do consumidor em relação as marcas próprias de cosméticos e cuidados pessoais podem estar correlacionadas com traços de personalidade específicos da cultura de búlgaros, incluindo ser coletivistas, ter uma cultura masculina e ser materialistas. Atitudes negativas resultam em baixa demanda e falta de incentivos para os varejistas se engajarem em atividades de marketing.

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1. INTRODUCTION

In the past, retailing stores sold bland looking goods with downplayed designs, often indicating poor quality under their private label brands (PLB). Likewise called store brands or generic brands these PLB refer to goods that are manufactured for and sold under the name of a specific retailer (Patti and Fisk, 1982). In the past, these brands could solely fight for the attention of very budget conscious shoppers.

However, private label brands´ story has changed. These originally "low-price alternatives" to manufacturer brands gradually developed their own brand identity. Private labels started to be used by retailers to build loyalty, their appearance was polished by artful illustrations and consumers started to develop favourable perceptions.

The private labels´ positive development took place primarily in the Western word, particularly in Western Europe (Nielsen, 2014). In a survey carried out by Nielsen in 2014, Switzerland has the highest private-label share around the world at 45%, followed closely by the U.K. and Spain at 41% each. In **emerging countries**, private label brands have usually developed far less (Nielsen, 2014). While value share is at or above 15% in developed regions (and as high as 45% in Europe), it is below 10% in most developing countries according to Nielsen´s study in 2014.

Bulgaria is the country with the lowest GDP/capita within the EU and can be classified as an emerging country (Eurostat, 2018). Bulgaria´s rate of purchasing power standards (PPS) was 47% of the EU average in 2014, while Luxemburg, country with the highest PPS in the EU, shows a rate of 257%, while the neighbouring countries Romania and Greece are at 55% and 73% respectively (Eurostat data, 2014). It is not surprising that Bulgarian consumers are price sensitive which would indicate an emerging trend of consumer orientation towards cheaper private label products. However, as demonstrated by industry reports, private label brands are still not well identified by customers in Bulgaria and even though the market share of private labels is expected to increase in the future, it is growing far less than in other countries in Europe (USDA Foreign Agricultural Service, 2016).

The majority of private label fast moving consumer goods (fmcgs) can be found within the packaged food category which accounted for 77% of value sales in 2012 (Euromonitor International, 2014). The greatest penetration, of almost 14%, registered the sector of tissue and hygiene products (Euromonitor International, 2014). Notwithstanding, retailers have found it challenging to penetrate the **cosmetics and personal care category** where private label penetration was just 3% in 2012 (Euromonitor International, 2014).

1.1 PROBLEM STATEMENT AND RESEARCH QUESTIONS

Research has investigated the disparity between developed and emerging markets regarding PLB development through different factors including country-level market factors (Cuneo et al., 2015), marketing activities carried out by retailers (Steenkamp and Geyskens, 2014) as well as the influence of cultures (Budhathoki et al., 2018). However, the development as well as consumer attitudes towards PLB of the cosmetics and personal care category in the Bulgarian market has rarely been researched so far.

As a consequence, the following research questions have been developed:

RQ 1: How do country-level market factors influence the development of cosmetics and personal care private labels in Bulgaria?

RQ 2: How do culture-specific personality traits of Bulgarian consumers influence their attitude towards cosmetics and personal care private labels?

1.2 BULGARIA - MARKET OVERVIEW

To give a quick overview of the country, table 1 summarizes key facts about Bulgaria.

Capital	Sofia
Official EU language	Bulgarian
EU member country	since 1 January 2007
Currency	Bulgarian lev BGN (Bulgaria has committed to adopt the euro once it fulfils the necessary conditions.)
Schengen	Bulgaria is currently in the process of joining the Schengen area.

Table 1: Key Facts about Bulgaria (European Union, 2018)

Industry (23.8%), wholesale and retail trade were the most essential sectors of Bulgaria's economy in 2016 (European Union, 2018).

Germany, Italy and Romania are Bulgaria´s most important export partners within the EU, while outside the EU Bulgaria exports most to Turkey and China (European Union, 2018). In like manner, Germany, Italy and Romania are Bulgaria´s main partners in terms of imports, while outside the EU most imports originate from Russia and Turkey (European Union, 2018).

In 2018, Bulgaria´s economy is expected to show the fastest growth rate since the global financial crisis (UniCredit Research, 2018). Real GDP growth is forecasted to reach 4.0% yoy this year, due to rapidly rising income, a rebound in residential construction and EU funds absorption as well as stronger releveraging in the household sector (UniCredit Research, 2018). Consequently, growth is expected to be resilient enough to slow only marginally in 2019 to 3.9% yoy.

Bulgaria´s situation in the labour market continues to show a favourable development (UniCredit Research, 2018). The unemployment rate fell to 5.7% in 1Q18 (seasonally adjusted) which is close to its all-time low (UniCredit Research, 2018).

The favourable economic outlook for 2018-2019 triggers positive consumer expectations about future income and should therefore positively affect buying power of cosmetics and personal care in the forcasted period (Euromonitor, 2018).

The table below gives an overview of Bulgaria´s macroeconomic data including a forecast.

EUR bn	**2016**	**2017**	**2018F**	**2019F**	**CAGR**
GDP (EURO bn)	48.1	50.4	53.8	57.4	**4.52%**
Population (mn)	7.1	7.1	7.0	7.0	**-0.35%**
GDP per capita (EUR)	6777	7153	7666	8211	**4.92%**
Real economy. change (%) GDP	3.9	3.6	4.0	3.9	**0%**
Private consumption	3.5	4.8	4.3	4.2	**4.66%**
Exports	8.1	4.0	5.8	5.5	**-9.22%**
Imports	4.5	7.2	5.9	5.8	**6.55%**
Monthly wage. nominal (EUR)	485	542	591	644	**7.35%**
Unemployment rate (%)	7.6	6.2	5.4	5.0	**-9.94%**

Table 2: Macroeconomic Data and Forecast - Bulgaria (UniCredit Research, 2018)

1.3 COSMETICS & PERSONAL CARE IN BULGARIA

The cosmetics and personal care industry can also be referred to as beauty and personal care industry and includes the following product categories: Baby and child-specific products, bath and shower, colour cosmetics, deodorants, depilatories, hair care, men's grooming, oral care, skin care and sun care.

1.3.1 INDUSTRY REVENUE

The development of the industry´s revenue in million euros showed a constant rise from 2013 until 2017 (Euromonitor, 2018). In 2017, revenues in the cosmetics and personal care market amount to €415.53 million (Euromonitor, 2018).

Beauty & Personal Care	2013	2014	2015	2016	2017	CAGR
Total Sales in million €	363.7	373.56	384.4	399.22	415.53	**2.7 %**

Table 3: Sales of Beauty and Personal Care: Value 2012-2017 (Euromonitor, 2018)

Forecasts until 2021 predict that the industry´s revenues will grow further (Statista, 2018). In 2018, the average revenue per person within the category amounts to €57.54 which is low in comparison to Europe´s average of €143.08 in 2018 (Statista, 2018). However, it should be taken into account that Bulgaria is the country with the lowest GDP/capita within the EU and its rate of GDP per capita in PPS was only 49% of the EU average in 2017 (Eurostat, 2018).

1.3.2 COMPETITIVE LANDSCAPE

Bulgaria´s retailer landscape ~~it~~ clearly indicates that foreign companies like dm-Drogerie Markt (Dm), Metro, Kaufland, Billa, Lidl and Carrefour are present at the market (Euromonitor, 2014). Within cosmetics and personal care, multinational companies like L'Oréal Bulgaria, Unilever Bulgaria and Henkel Bulgaria were amongst the fastest growing companies thanks to a high number of new launches within dynamic categories like colour cosmetics, baby and child-specific care and hair care (Euromonitor, 2018). A key growth driver in cosmetics and personal care is the dynamic development of drugstores like dm-Drogerie Markt (Dm) and Lilly in urban areas (Euromonitor, 2018).

The table below shows the most important brands within this category and their development from 2013 until 2017. L'Oréal Bulgaria, Avon Bulgaria and Beiersdorf Bulgaria are the market leaders in Bulgaria.

Company	**2013**	**2014**	**2015**	**2016**	**2017**	**CAGR**
L'Oréal Bulgaria EOOD	12.5	13.2	13.7	14.1	14.5	**3.0**
Avon Bulgaria EOOD	7.9	8.0	8.2	8.2	7.9	**0.0**
Beiersdorf Bulgaria EOOD	6.7	6.6	6.6	6.6	6.5	**-0.6**
Unilever Bulgaria EOOD	5.9	5.6	5.4	5.4	5.4	**-1.8**
Procter & Gamble Bulgaria EOOD	5.8	5.7	5.4	5.3	5.4	**-1.4**
Henkel Bulgaria EOOD	4.8	4.8	5.0	5.2	5.2	**1.6**
Aroma AD	3.5	3.6	3.6	3.5	3.3	**-1.2**
Oriflame Bulgaria EOOD	3.4	3.1	2.9	2.8	2.8	**-3.8**
Sarantis Bulgaria Ltd	2.2	2.4	2.5	2.7	2.7	**4.2**
Colgate-Palmolive	2.2	2.1	2.2	2.1	2.0	**-1.9**
Pierre Fabre Dermo	1.3	1.3	1.4	1.4	1.4	**1.5**
Notos Bulgaria EOOD	1.3	1.4	1.5	1.4	1.4	**1.5**
Estée Lauder Bulgaria	1.1	1.2	1.3	1.3	1.3	**3.4**
Ficosota Syntez OOD	1.1	1.2	1.2	1.3	1.3	**3.4**
Everet Sofia EOOD	2.2	1.5	1.4	1.3	1.2	**-11.4**
GlaxoSmithKline Plc	1.2	1.3	1.3	1.2	1.2	**0.0**
Coty Inc	1.1	1.2	1.2	1.2	1.2	**1.8**
dm Bulgaria EOOD (Private Label)	**0.6**	**0.8**	**0.9**	**0.9**	**1.0**	**10.8**
Others	**32.8**	**32.8**	**32.0**	**31.9**	**32.0**	**-0.5**
Total	100.0	100.0	100.0	100.0	100.0	
Total market size in million €	363.70	373.56	384.40	399.22	415.53	**2.70**

Table 4: Percentage retail value rsp (Euromonitor, 2018)

1.3.3 DISTRIBUTION CHANNELS

According to a market analysis carried out by Euromonitor in 2017, grocery retailers accounted for 32.3% of the sales, while non-grocery specialists for 48.6%. On the other side, 17.8% of sales, were achieved in form of non-store retailing, including direct selling, home shopping and internet retailing (4.5%). 1.4% of sales was attributed to non-retail channels, in specific to hair salons (Euromonitor, 2018). It can be concluded that 80.8% of cosmetic and personal care products were sold in store-based retailing including both grocery retailers and non-grocery retailers. The most important distribution channels within non-grocery retailers were drugstores (16.6%) followed by beauty specialist retailers (15.2%) and pharmacies (13%) (Euromonitor, 2018).

1.3.4 PRIVATE LABEL PENETRATION

During the last couple of years, Western European retailers have invested heavily into the Bulgarian market and the retail sector became more concentrated and competitive. These developments lead to increasing value shares of private labels (Bozhinova, 2013). However, as reported by the industry, private label brands are still not well perceived by the Bulgarian customers (USDA Foreign Agricultural Service, 2016).

Grocery retailers and drugstores have recently expanded their private label presence in categories such as baby and child-specific products (Euromonitor International, 2018). In 2017, Kaufland Bulgaria introduced K-Classic Baby, Lily Drogerie and Lidl Bulgaria, entered the organic segment with Bioboo Cosmetics and Lupilu, respectively (Euromonitor International, 2018). Dm launched a new private label, called TrendIT Up, in colour cosmetics targeting younger (Euromonitor International, 2018). Metro Cash and Carry Bulgaria also entered the bio segment including cosmetics and personal care (Euromonitor International, 2018).

The table below demonstrates the penetration in percentage of private labels in cosmetics and personal care by category between 2013 and 2017. The overall private label penetration in the cosmetics and personal care category was 1.5% in 2017 showing just a slow growth in the past years. The categories with the highest penetration of private labels are bath and shower (3.5%), followed by sun care (2.8%) and oral care (2.4%). The lowest penetration can be found within the colour cosmetics (0.1%) and the baby and child-specific products (0.5%).

The table also illustrates that the PLB´s penetration is higher in the mass beauty and personal care segment (1.6%) than in the overall beauty and personal care segment (1.5%). However, the penetration rate is quite low in comparison to Western European countries like UK (3%) and Germany (5.9%).

Category	2013	2014	2015	2016	2017	CAGR
Beauty & Personal Care	1.1	1.4	1.5	1.5	1.5	**6.4**
Mass Beauty & Personal Care	1.3	1.5	1.6	1.6	1.6	**4.2**
Baby and Child-specific products	0.6	0.8	0.7	0.5	0.5	**-3.6**
Bath and Shower	2.7	3.0	3.4	3.5	3.5	**5.3**
Colour Cosmetics	0.0	0.1	0.1	0.1	0.1	**0.1**
Deodorants	1.6	1.8	2.0	2.2	2.3	**7.5**
Depilatories	0.8	2.0	2.2	2.0	2.3	**23.5**
Hair Care	1.0	1.1	1.3	1.4	1.3	**5.4**
Men's Grooming	0.6	0.9	1.0	1.1	1.0	**10.8**
Oral Care	1.4	2.3	2.3	2.3	2.4	**11.4**
Skin Care	1.6	2.0	1.9	1.8	1.8	**2.4**
Sun Care	2.5	2.1	2.7	2.8	2.8	**2.3**

Table 5: Penetration of Private Labels in Cosmetics & Personal Care by Category: % Value 2012-2017 (Euromonitor International, 2018)

1.3.5 BRAND SHARES: PRIVATE LABELS VS. MANUFACTURER BRANDS

When comparing brand shares of the year 2017, private labels are clearly in a disadvantage against manufacturer brands (Euromonitor International, 2018). Market leader is Avon, dominating the market with a share of 6.2% (Euromonitor International, 2018). The second and third largest brand shares have Dove (4.1%) and Oriflame (3.3%), closely followed by Nivea (2.9%), Yves Rocher (1.7%), L’Oréal Dermo-Expertise (1.6%) and L’Oréal Paris (1.4%) (Euromonitor International, 2018). Dm´s private label Balea reaches brand shares of 0.6%, other private labels together mere 0.3% (Euromonitor International, 2018).

2. LITERATURE REVIEW

The following chapter reviews the literature related to the problem statement. Firstly, country-level factors that influence the development of private label brands in Bulgaria are analysed Secondly, the influence of culture-specific personality traits on consumer attitudes towards private label brands are outlined.

2.1 COUNTRY-LEVEL MARKET FACTORS

A literature review about different factors facilitating private label product penetration in the retail market is presented to understand the differential success of PLB between developed and emerging markets. These factors include the retail structure, retailers´ marketing activities and brand building, distribution system, socio-demographics and legal restrictions.

2.1.1 RETAIL STRUCTURE

Walmart, Aldi, Metro, Auchan, Carrefour, Costco, Lidl, and Tesco – they all fall under the term "modern retail" and are supermarkets, hypermarkets, convenience stores or discounters. By contrast, another channel format is traditional retail which comprises the family-owned grocery chains, small independent stores, and informal merchants.

PLB are developed by modern retailers which have enough resources and market power to keep prices at a low level – low enough to offer consumers an incentive to switch from manufacturer brands to PLB (Steenkamp et al., 2010). A well-developed retail structure is therefore a prerequisite for a successful development of PLB (Cuneo et al., 2015).

It was widely presumed that modern retailers would eventually displace traditional trade not only in the West but also in emerging markets (Child et al., 2015). Nonetheless, in many cases expectations about their entrance in emerging markets have been proven wrong and traditional trade remained remarkably resilient there (Child et al., 2015).

Accordingly, the prerequisite for a successful development of PLB, the well-developed retail structure (i.e., modern vs. traditional trade), has not been met by a couple of emerging markets.

Evaluation of a country´s retail distribution structure

How to measure if an emerging country possesses a well-developed retail structure and retailers with sufficient market power? Several studies use the **retail concentration rate** that captures the weight of the top three or four modern retailers operating in a market to measure **retailer market power** (Sebri and Zaccour, 2017). Furthermore, a high retail concentration rate has been associated positively with PLB penetration (Sethuraman and Gielens, 2014; Rubio and Yagiie 2009).

However, this measure is only applicable in markets where the traditional channel share is marginal (Cuneo et al., 2015). This is not the case in many emerging countries and thus applying the retail concentration rate measure may lead to erroneous assumptions (Cuneo et al., 2015). It is important to analyse where most consumers shop and measure the **ratio between the market shares of modern and traditional trade** (Cuneo et al., 2015). If traditional trade accounts for a substantial percentage of sales in a market, PLB growth potential may be limited regardless the above-mentioned prerequisite of well-developed retail structure and a high retail concentration rate (Cuneo et al., 2015).

2.1.2 RETAILERS´ MARKETING ACTIVITIES AND BRAND BUILDING

The problem in many emerging markets is, that consumers perceive risk when buying PLB because they are unfamiliar with PLB, distrust local retailers´ brands due to low-quality perceptions or are uncertain about the quality (Cuneo et al., 2012). One reason to explain these uncertainties is that in many developing countries, the retailer landscape mainly consists of local retailers that do not invest in brand building (Cuneo et al., 2015). By contrast, international retailers such as Carrefour, Lidl, and Aldi have invested into their PLB image and started promoting quality and even premium private labels (Geyskens et al., 2010).

The perceived risk is an important factor influencing consumers´ purchase decisions regarding PLB (Rubio et al., 2014). To reduce the risk, consumers use risk reduction strategies such as gathering information from the packaging, reassurance (e.g., through private testing, free samples), brand loyalty or relying on price cues or store image (Rubio et al., 2014). Furthermore, studies demonstrated that the consumers´ familiarity with PLB reduces perceived risk (Cuneo et al., 2015) which means that an expansion of global supermarkets, hypermarkets, and especially discounters in a country would help to increase familiarity and decrease uncertainties regarding PLB (Cuneo et al., 2015). If consumers are more familiar with PLB, they are more likely to adopt them.

2.1.3 DISTRIBUTION SYSTEM

A well-developed logistic structure is crucial for retailers to access suppliers and stores in a timely and efficient manner (Cuneo et al., 2015). This means, that retailers will only enter a market if they are able to create a cost-efficient distribution system to be able to offer consumers significant price differentials with manufacturer brands (Cotterill and Putsis 2000). Underdeveloped logistic structures might hinder global retailers from entering a market.

What is more, retailers often encounter difficulties in finding local manufacturers that are willing and capable of producing the private label products in a good and consistent quality (Jong, 2015). Mediocre or inconsistent product quality and unpredictable delivery rates would are then inevitable. Another challenge is that national brand manufacturers commonly refuse to produce private labels for retailers because they fear cannibalization effects on their own brands (Jong, 2015).

As a conclusion, a more highly developed structure of modern trade leads to higher PLB share.

2.1.4 SOCIO-DEMOGRAPHICS

Glynn and Chen (2009) found income, education and household size to be inhibitors of PL products purchasing. Sebri and Zaccour (2017) have further researched on the influence of socio-demographics on PLB purchases and found that income as well as education affect PLB´ performance. Their research resulted in two different segments possessing contrary characteristics. The first one consist mainly of emerging countries, including Bulgaria, the second one is made up of Western countries (Sebri and Zaccour, 2017).

Numerous studies found that household income has an impact on PLB performance. The findings are not surprising as authors stated that households with higher incomes are less likely to buy PLB (Hoch, 1996; Ailawadi et al., 2001). Another study demonstrated that PLB's share increase in case of an economic downturn and shrinks when the economy is flourishing (Lamey et al., 2007).

Sebri and Zaccour (2017) have investigated the effect of socio-economic development on PLB performance in emerging markets and found distinct results between developed and emerging countries, latter having a negative relation. Their research outcome was that a higher literacy rate, rising wealth and larger urban population is positively correlated with revenues, which leads to decrease in PLB performance.

Likewise, impact of education on PLB performance differs between developed and emerging countries. Well-educated consumers in developed countries are more confident about their ability to evaluate product-related information besides extrinsic cues and thus tend to purchase more private labels (Sebri and Zaccour, 2017). By contrast, emerging markets show a negative relationship between PLB performance and level of education: Since highly educated people in emerging countries normally have a higher income, they prefer to buy manufacturers' brands (Sebri and Zaccour, 2017).

It would be expected that the inequality of wealth distribution would be conducive to PLB success nearby lowest disposable income shoppers. Against expectations, the revenue inequality (measured with the Gini Coefficient) does not favour the development of PLB in emerging countries (Sebri and Zaccour, 2017). This is, because even low-income consumers desire to acquire and possess brands. Lower prices of PLB are not a sufficient reason for consumers to divert from branded products (Sebri and Zaccour, 2017).

2.1.5 LEGAL RESTRICTIONS

The government can play a critical role in the development of modern trade (Child et al., 2015). Retailers may face difficulties to expand in emerging markets due to legal restrictions. One challenge might be difficulties that arise when foreign retailers want to invest in local players (Jong, 2015). Furthermore, there are often high tariffs should you want to import products into the emerging market (Jong, 2015). To sum up, legal restrictions and high associated costs may discourage retailers to implement and execute a private-label strategy.

2.2 CULTURE-SPECIFIC PERSONALITY TRAITS

This section starts with a definition of culture and its relevance for marketing. Subsequently, an overview of the widely applied cultural framework of Hofstede is provided, before summarizing the current literature dedicated to culture-specific personality traits that influence consumer attitudes towards private label brands.

2.2.1 CULTURE AND MARKETING

The term "culture" is used in a variety of ways and there are many definitions in the social sciences. Generally, culture can be described as a set of shared behavioural patterns, beliefs, norms or values (Triandis, 1994). The United Nations agency UNESCO provides a similar definition:

"A set of distinctive spiritual, material, intellectual, and emotional features of society or a social group, and that it encompasses, in addition to art and literature, lifestyles, ways of living together, value systems, traditions and beliefs."

Essentially, culture is a collective phenomenon shared among its members who were conditioned by the same education and life experience (Hofstede et al., 2010). In the fields of international marketing considering national cultures besides other national characteristics is crucial for nearly all marketing activities (Budhathoki et al. 2018). International marketing managers analyse nations with respect to cultural characteristics in order to explain differences in consumer behaviour, product usage, brand preferences or motives, which are not captured by differences in other country-level measures (de Mooij, 2015).

Therefore, there is a strong rationale behind investigating if the disparity of private label performance between developed and emerging markets is, at least partly, due to culture-specific personality traits of the consumers.

2.2.2 HOFSTEDE'S CULTURAL DIMENSIONS THEORY

Academic literature has identified a number of cultural frameworks which define and measure culture. Three major large-scale models are Hofstede's cultural dimensions theory called 6-D Model©, Schwartz's Culture Model and the Global Leadership and Organizational Behaviour Effectiveness (GLOBE) Research Project. Especially Hofstede's cultural dimensions theory and the GLOBE model overlap in certain aspects even though they vary with respect to purpose, sampling and type of questions used (de Mooij, 2015). Pasts research found that various of Hofstede´s cultural dimensions affect private label performance in a country. Subsequently, a brief discussion of the cultural framework is presented. The Hofstede model consists of six dimensions:

Power distance: The power distance dimension measures to which degree the less powerful members of society accept and expect that power is distributed unequally (Hofstede, 2001).

Individualism versus collectivism: This dimension measures the degree to which individuals are connected to each other (Hofstede, 1980). Countries that score high on individualism are characterized by loose ties between individuals meaning that persons look after themselves first (Segalla et al., 2006). By contrast, in collectivistic cultures ties between individuals are strong and individuals are expected to look after their relatives or members of a particular group in exchange for loyalty (Hofstede, 1991).

Masculinity versus femininity: Masculine cultures represent a preference in society for material rewards for success, achievement and heroism (Hofstede, 2001). On the other hand, in a feminine society individuals value modesty, caring for the weak and quality of life (Hofstede, 2001).

Uncertainty avoidance: Uncertainty avoidance can be defined as a feeling of unease about a situation with uncertainty and ambiguity (Segalla et al., 2006). When cultures are high on uncertainty avoidance, individuals prefer to avoid and reduce risk. On the other hand, in low uncertainty avoidance societies, individuals are more open to take risks (Hofstede, 1980).

Long term orientation versus short term orientation: Long-term oriented societies are more pragmatic and future-oriented while short-term oriented societies are more likely to have a conventional historic or short-term perspective (de Mooij and Hofstede, 2002).

Indulgence versus Restraint: A society that scores high on Indulgence allows for relatively free gratification of human desires related to enjoying life and having fun (Hofstede et al., 2010). On the other hand, restraint cultures suppress gratification of needs with strict social norms (Hofstede et al., 2010).

2.2.3 THE INFLUENCE ON CONSUMER ATTITUDES TOWARDS PRIVATE LABELS

After having presented Hofstede´s widely used cultural framework, culture-specific personality traits are discussed that influence consumer attitudes towards private labels, according to literature. In particular, some of the cultural dimensions, as described above, as well as other culture-specific personality traits are presented.

Long-term (LTO)/short-term (STO) orientation

de Mooij and Hofstede (2002) found that market share percentages for PLB are correlated negatively with long-term orientation. Likewise, Petersen, Kushwaha and Kumar (2015) explained that high LTO cultures prefer brands that have a higher quality image of products lasting longer and have lower preferences for brands focusing on immediate benefits like price discounts, which are generally associated with the image of private labels. By contrast, STO cultures are expected to show a positive relation with market share percentages for PLB.

Individualism/collectivism

de Mooij and Hofstede (2002) describe a positive correlation between individualism and market share percentages of PLB. This means that collectivist cultures prefer manufacturer brands to private label brands. Literature offers the following explanations: First, with the help of manufacturer brands consumers demonstrate status in society. Since individuals in collectivist cultures have a higher tendency to purchase products that reflect "status" (Erdem et al., 2006), they tend to reject private labels. Second, the need for harmony makes people more brand loyal (de Mooij and Hofstede, 2002). By contrast, consumers in individualistic cultures like to buy private labels because they prefer to maximize personal interests like cost saving or convenience (Budhathoki et al., 2018).

Masculinity/femininity

Consumers from masculine cultures have a higher desire to own expensive and selective brands, as these brands are used to indicate social status (De Mooij and Hofstede, 2002). This means that masculinity has a negative effect on private label performance in a country. However, a more recent study from Budhathoki et al. (2018) did not find a direct relationship between masculinity and private label performance. The absence of the impact may be explained by a change in the image of private labels over time caused by modern retailers´ marketing activities.

However, as stated in the chapter above, PLB image has not improved to the same degree in developed and emerging countries.

Need for cognition

Individuals with a high need for cognition enjoy engaging in complex situations, have better learning abilities and develop more confidence in evaluating product information (Wu et al., 2011). In the sense of consumer behaviour, shoppers with a high need for cognition like to analyse product-related information and make rational purchase decisions (Herstein et al., 2012). A consumer with a low need for cognition, instead, prefers to make purchase decisions influenced by symbolic messages.

Past research has shown that educated consumers have a higher tendency to purchase private labels than the less well educated (Herstein et al., 2012, Cunningham et al., 1982; Hoch, 1996). The rationale behind this finding is that shoppers with a high need for cognition appreciate the cost-benefit of private labels more than shoppers with a lower need for cognition who prefer to trust a strong manufacturer brand image (Herstein et al., 2012). The need for cognition is dependent on individuals but literature suggests that there are also cross-cultural differences in the need for cognition.

Materialism

Materialistic consumers, or more modestly value-seeking or prestige sensitive consumers rely on acquiring and possessing objects to achieve personal goals and desired states (Richins, 2004). They like to express their materialistic lifestyle by buying powerful and well-known brands (Phau and Prendergast, 2000) and prefer them over private labels (Herstein et al., 2012). The logic behind these findings is that private labels do not offer the same prestigious image as manufacturer brands. Moreover, cross-cultural studies have shown that materialism varies across nations (Sebri and Zaccour, 2017; Herstein et al., 2012). Furthermore, consumers in less economically developed nations try to imitate the more expensive and extravagant consumption of Western countries (Herstein et al., 2012).

3. METHODOLOGY

This chapter is concerned with presenting the methodology used to answer the research questions. After introducing the qualitative approach, the second part of the chapter discusses the methodology of the quantitative survey in more detail. It includes the questionnaire design, the population characteristics, sampling procedure as well as an overview of the constructs.

3.1 EXPERT INTERVIEWS

The purpose of the expert interviews was to answer the research questions with the help of valuable industry insights that picture the company´s perspective of the matter. What is more, expert interviews posed an effective possibility to quickly obtain good results (Bogner, Littig and Menz, 2009). The interview guidelines can be found in Appendix 1 and Appendix 2.

The interview questions dealt with five topics:

- Retail structure
- Retailers´ marketing activities and brand building
- Distribution system
- Socio-demographics
- Legal restrictions

In total, the opinions of four experts were collected. Interview partners were representatives working in the field of cosmetics and personal care in Bulgaria. One interview was carried out in person, while three other expert opinions were collected in a written form.

The interview conducted personally was held with a managing representative of the firm Brenntag Bulgaria EOOD, one of the leading Bulgarian chemical distributors producing, among others, for the cosmetics and pharmacy industry. It was semi-structured using guiding questions. However, flexibility was provided to further explore topics that the interviewee addressed when answering the questions.

The three interviews conducted in a written form included open questions as well as some closed questions. It was send out to 12 Bulgarian companies in the cosmetics and personal care industry using the software Qualtrics and ensuring of confidentiality and anonymity of the results. The list of the contacted companies can be found in Appendix 3.

3.2 CONSUMER SURVEY

A customer survey has been deemed the most suitable research method to answer RQ2.

3.2.1 HYOTHESES & CONCEPTUAL MODEL

The development of hypotheses and the conceptual definition of the constructs to be used in the consumer survey are described in this section. The hypotheses were derived from the literature review about the influence on consumer attitudes towards private labels and aim to answer RQ2. Together, they compose the research framework.

The table below pictures the Bulgarian culture through the lens of the 6-D Model© and shows the deep drivers of the Bulgarian culture relative to other cultures in the world.

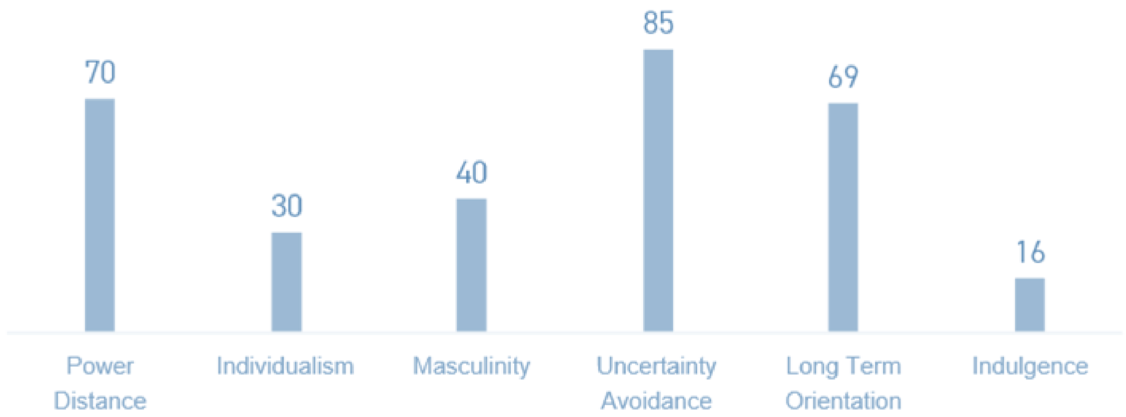

Figure 1: Hofstede´s 6-D Model© - Bulgaria ((Hofstede Insights, 2018)

It can be seen that Bulgaria scores high on the dimension Power Distance (score of 70) which indicates that Bulgarians accept a hierarchical order and the fact that individuals in the society are not equal.

More interesting for this thesis is the fact that Bulgaria is clearly considered a **collectivistic** society with its score of 30. Bulgarian society fosters strong relationships and people´s self-image is defined in terms “We”. Also, loyalty over-rides most other rules and regulations in society.

Another essential dimension for this work is Masculinity. Here, Bulgaria´s score is 40 and is thus a relatively **feminine** society focusing on well-being.

With reference to **Uncertainty Avoidance**, Bulgaria scores 85 on this dimension which means that Bulgarian have a very high preference for avoiding uncertainty. Cultures exhibiting high Uncertainty Avoidance may refuse innovation and prefer security.

The last dimension crucial for this thesis is **Long Term Orientation**. With a score of 69, Bulgaria scores high on this dimension which makes it a **pragmatic** culture.

Last but not least, Bulgaria has a very low score in the dimension of **Indulgence**, indicating a tendency to cynicism and pessimism. Also, Bulgarians have the perception that their actions are to some extent restrained by social norms.

Two other personality traits that influence consumer attitudes towards PLB are **need for cognition** and **materialism**. The need for cognition is dependent on individuals but literature suggests that there are also cross-cultural differences in the need for cognition (Herstein et al., 2012). Likewise, cross-cultural studies have shown that materialism varies across nations (Sebri and Zaccour, 2017; Herstein et al., 2012). The consumer survey aims to indicate the level of need for cognition and materialism among the Bulgarian society in order to draw conclusions of consumer attitudes towards PLB.

Taking into account the above, the following table shows the conceptual model including hypothesis and constructs.

Constructs	Null-Hypotheses	Alternative Hypotheses
Long-term/short-term orientation	H_{01a}: Bulgarian consumers are long-term oriented.	H_{A1a}: Bulgarian consumers are short-term oriented.
	H_{01b}: There is a relationship between long-term/short-term orientation and consumer attitudes towards cosmetics and personal care private labels.	H_{A1b}: There is no relationship between long-term/short-term orientation and consumer attitudes towards cosmetics and personal care private labels.
Individualism/collectivism	H_{02a}: Bulgarian consumers are collectivistic.	H_{A2a}: Bulgarian consumers are individualistic.
	H_{02b}: There is a relationship between collectivism and consumer attitudes towards cosmetics and personal care private labels.	H_{A2b}: There is no relationship between collectivism and consumer attitudes towards cosmetics and personal care private labels.

Masculinity/femininity	H_{03a}: Bulgarian consumers have feminine cultural characteristics.	H_{A3a}: Bulgarian consumers have masculine cultural characteristics.
	H_{03b}: There is a relationship between masculinity/femininity and consumer attitudes towards cosmetics and personal care private labels.	H_{A3b}: There is no relationship between masculinity/femininity and consumer attitudes towards cosmetics and personal care private labels.
Need for cognition	H_{04a}: Bulgarian consumers have a low need for cognition.	H_{A4a}: Bulgarian consumers have a high need for cognition.
	H_{04b}: There is a relationship between need for cognition and consumer attitudes towards cosmetics and personal care private labels.	H_{A4b}: There is no relationship between need for cognition and consumer attitudes towards cosmetics and personal care private labels.
Materialism	H_{05a}: Bulgarian consumers are materialistic.	H_{A5a}: Bulgarian consumers are not materialistic.
	H_{05b}: There is a relationship between materialism and consumer attitudes towards cosmetics and personal care private labels.	H_{A5b}: There is no relationship between materialism and consumer attitudes towards cosmetics and personal care private labels.

Table 6: Conceptual Model

3.2.2 SURVEY DESIGN

The questionnaire starts with ensuring the respondents of the confidentiality and anonymity of the results. Afterwards, respondents are asked to answer questions to find out their awareness of PLB, their attitude towards private labels compared to manufacturer brands as well as questions about culture-specific personality traits. The last part of the survey consists of demographic information of the respondents. In total, the questionnaire duration is approximately 5-10 minutes. Furthermore, to prevent language barriers, the survey was translated to Bulgarian. The Bulgarian questionnaire is enclosed in Appendix 4, the English questionnaire in Appendix 5.

Culture-specific personality traits

The literature review serves as the source for identifying the conceptual model including hypotheses and constructs, as stated above. The questions asking about culture-specific personality traits are measured on a four-point Likert scale anchored at 1 ("Strongly disagree") and 4 ("Strongly agree") without a middle option. This "forced choice" scale size was chosen to prevent that respondents chose the neutral option and instead encourage them to make a decision. The survey is designed in a way that several Likert items are attributed to the constructs to test the hypotheses. The table below presents the constructs and the belonging Likert items.

Constructs	Likert Items
Long-term/short-term orientation	○ I would rather stick to old traditions than adapt to new ones. ○ I strive for quick results rather than invest into the future. ○ I usually plan far into the future (several years).
Individualism/collectivism	○ My personal feeling of accomplishment is more important than recognition by others. ○ Serving my country is more important than following personal interests. ○ I enjoy having opportunities to help other people.
Masculinity/femininity	○ I agree with the motto "working in order to live".

	○ I agree with the motto "live to work". ○ I enjoy talking freely about my personal success and achievements.
Need for cognition	○ When making a purchase decision I like to read carefully through product descriptions provided on the packaging. ○ I appreciate private labels because they are good value for money. ○ When making a purchase decision I trust into well-known brands rather than private label brands.
Materialism	○ I feel good if I wear expensive products in public. ○ I enjoy possessing luxury brands. ○ Showing off prestigious brands makes me feel uncomfortable.

Table 7: Constructs and corresponding Likert items

Consumer attitudes towards cosmetics and personal care private labels

Consumer attitudes towards PLB of the cosmetics and personal care category in comparison to manufacturer brands as well as the respondents´ evaluation of importance of different attributes when buying cosmetics and personal care products is measured on two four-point Likert scales anchored at 1 ("Very bad) and 4 ("Very good) and 1 ("Not important") and 4 ("Very important"), respectively. Both Likert scales include the same set of attributes which are shown in the table below.

Attributes
○ Security
○ Price
○ Brand
○ Effectiveness
○ Social Approval
○ Packaging and Design
○ Ingredients/formulas

Table 8: Attributes

Furthermore, the survey includes an open-style questions to reveal the respondents' awareness of PLB in the cosmetics and personal care category as well as several multiple-choice questions asking about demographics.

Population

The target population consisted of Bulgarian citizens. In order to get a representative sample of the Bulgarian population, the respondents varied in terms of demographic characteristics.

Furthermore, the sample size was large enough to obtain statistically significant results. In total, 86 answers were collected.

Sampling procedure

The data was collected online with the help of the software Qualtrics and analyzed with the statistics software IMB SPSS Statistics. The chosen sampling technique was convenience sampling as participants that were easy to contact were selected. The selection took place in two ways. Firstly, participants received an online link to the survey, and secondly, through personally handing out the survey in paper format. The survey was carried out personally in the Bulgarian cities Sofia and Plovdiv.

4. RESULTS ANALYSIS & DISCUSSION

There is a disparity between developed and emerging markets regarding PLB development. This thesis investigated different factors including country-level market factors, marketing activities carried out by retailers as well as the influence of culture on consumer attitudes towards PLB. Main focus was cosmetics and personal care category in the emerging market Bulgaria. The results of both the qualitative expert interviews and the quantitative survey are analysed in this chapter.

4.1 EXPERT INTERVIEWS

To investigate how country-level market factors influence the development of private label brands of the cosmetics and personal care category and to answer RQ1, expert interviews have been conducted. The interview questions dealt with five topics:

- Retail structure
- Retailers´ marketing activities and brand building
- Distribution system
- Socio-demographics
- Legal restrictions

The findings are listed below.

4.1.1 RETAIL STRUCTURE

The first question dealt about the Bulgarian retail structure. As stated in the literature review, a well-developed retail structure is therefore a prerequisite for a successful development of PLB (Cuneo et al., 2015). Every one of the four interviewees stated that there are several retailers in Bulgaria that fall under the definition of "modern retail". Examples of international modern retailers that were named were Metro, Kaufland, Lidl, dm and Billa while Bulgarian retailers were Fantastico, Koop and CBA.

It is important to analyse where most consumers shop, whether its traditional or modern retail, in order to measure the ratio between the market shares of modern and traditional trade (Cuneo et al., 2015). If traditional trade accounts for a substantial percentage of sales in a market, PLB growth potential may be limited. The representative of Brenntag explained that most urban

Bulgarians shop in modern retail, while cosmetics are mainly bought in pharmacies and drug stores. Furthermore, she stated that consumers shopping at supermarkets for cosmetics and personal care products are more interested in economical mass market. Another interviewee revealed that when taking into account the whole country, urban and rural areas, most non-urban Bulgarians shop at traditional retailers.

In line with the literature review, all interviewees agree that a well-developed retail structure including modern retailers is a prerequisite for a successful development of private labels in Bulgaria.

4.1.2 RETAILERS´ MARKETING ACTIVITIES AND BRAND BUILDING

The problem in many emerging markets is, that consumers perceive risk when buying PLB because they are unfamiliar with PLB or because they distrust them (Cuneo et al., 2012). This is an important factor influencing consumers´ purchase decisions regarding PLB (Rubio et al., 2014). Interviewees were asked about the level of consumers´ familiarity with PLB in Bulgaria. According to the representative of Brenntag, Bulgarian consumers are generally familiar with private labels, however, multinational manufacturer brands are clearly preferred since many consumers distrust private labels. The other interviewees responded that consumers are generally not familiar with private labels. Concerning consumers´ familiarity with PLB, it has to be taken into account that there are differences between urban areas and rural areas with the latter being less familiar.

International retailers such as Carrefour, Lidl, and Aldi have invested into their private label image and started promoting quality and even premium private labels. Interviewees were asked if Bulgarian retailers invest into brand building. The representative of Brenntag revealed that Bulgarian retailers do not really invest in brand building for their private labels. The only marketing activities carried out for private labels are price promotions. The other interviewees confirmed that Bulgarian retailers invest less into brand building than international retailers.

A lack of marketing activities may lead to unfamiliarity with PLB and perceived risk when buying them. The representative of Brenntag stated that it is true that Bulgarian consumers often perceive risk when buying private labels because of the PLB´s low quality image. Consumers´ doubts are bigger in regards of cosmetics and personal care items than food. As a consequence, local retailers like Fantastico offer PLB for food but not for cosmetics and personal care products which could be an indicator for low demand due to the consumers´ concerns regarding cosmetics PLB. Two of the other interviewees confirmed that Bulgarian consumers generally perceive risk when buying private labels. One of the interviewees explained that Bulgarian consumers trust into well-advertised or traditional Bulgarian products. Only one interviewee answered that consumers generally do not perceive risk with private labels.

4.1.3 DISTRIBUTION SYSTEM

A well-developed logistic structure is crucial for retailers to access suppliers and stores in a timely and efficient manner (Cuneo et al., 2015). In regards of private labels, underdeveloped logistic structures and difficulties in finding local manufacturers that are willing and capable of producing the private label products in a good and consistent quality (Jong, 2015) pose a great risk when entering an emerging market.

Interviewees were asked about the logistic structure and distribution systems in Bulgaria. The representative of Brenntag confirmed that the logistic structure and distribution systems have an effect on private label development in Bulgaria. However, since the logistical structure in Bulgaria is already well-developed it is probable, that there are other factors influencing the country´s poor level of PLB development. One of the other interviewees stated that even though the logistics structure in Bulgaria is well-developed, old distribution systems still exist. Regarding difficulties with finding local manufacturers, the representative of Brenntag revealed, that there are many manufacturers for cosmetics and personal products which are well-known for their quality standards. Local manufacturers produce for local retailers as well as for multinational brands resulting in high export rates. Moreover, Bulgaria has a long tradition of producing cosmetics, like the Bulgarian rose. The experts interviewed in a written form confirmed that retailers, local and international ones, do not encounter difficulties in finding local manufacturers.

4.1.4 SOCIO-DEMOGRAPHICS

Past literature (Sebri and Zaccour, 2017; Glynn and Chen, 2009; Lamey et al., 2007; Ailawadi et al., 2001; Hoch, 1996) found that socio demographic factors might inhibit the development of private labels in emerging countries. The interviewees were asked if income, education, literacy rate and household size affect PLB development in the cosmetics and personal care industry. The representative of Brenntag and two other interviewees stated that rising income might be negatively correlated with private label development. The explanation given was that Bulgarian consumers prefer to spend their income on manufacturer brands which are used as status symbols. On the other hand, the fourth interviewee stated that it is probable that income does not affect PLB development. A higher level of education may correlate negatively with the demand for PLB as stated by three interviewees while the other interviewee does not see a correlation. Reasons given for the negative relation were that together with rising education the income increases which in turn enables consumers to buy more expensive manufacturer brands. Household size is unlikely to have an influence according to the interviewee of Brenntag, while the other three interviewees stated that there might be a positive relation. This means that larger households prefer private labels. The rationale behind the relation is that larger families, whose budget has to be divided among more persons, prefer to save money by buying PLB.

4.1.5 LEGAL RESTRICTIONS

Legal restrictions may discourage retailers to implement and execute a private-label strategy. All interviewees agreed that there are no legal restrictions in Bulgaria, neither for local nor for international retailers, that might make it difficult to develop cosmetics and personal care PLB in Bulgaria.

The table below summarizes the results of the expert interviews.

Constructs	**Factors negatively affecting PLB development**	**Findings of the expert interviews**
Retail structure	• Poorly developed retail structure (Cuneo et al., 2015) • Substantial percentage of sales attributed to traditional trade (Cuneo et al., 2015)	There are several multinational as well as national modern retailers in Bulgaria. Furthermore, most Bulgarian consumers shop in modern retail.
Retailers´ marketing activities and brand building	• Lack of marketing activities (Rubio et al., 2014; Cuneo et al., 2012)	Cosmetics and personal care PLB are not well advertised in Bulgaria which leads to unfamiliarity and perceived risk among consumers which is an important factor influencing consumers´ purchase decisions regarding PLB.
Distribution system	• Underdeveloped logistic structures (Jong, 2015)	The logistical structure in Bulgaria is well-developed.

	• Difficulties in finding willing and capable local manufacturers (Jong, 2015)	Retailers, local and international ones, do not encounter difficulties in finding local manufacturers. There are many local manufacturers for cosmetics and personal care products which are well-known for their quality standards and produce for local retailers as well as for multinational brands resulting in high export rates.
Socio-demographics	• Socio demographic factors including income, education, literacy rate and household size (Sebri and Zaccour, 2017; Glynn and Chen, 2009; Lamey et al., 2007; Ailawadi et al., 2001; Hoch, 1996)	Three out of four interviewees stated that rising income might be negatively correlated with private label development. A higher level of education may correlate negatively with the demand for PLB as stated by three interviewees. There might be a positive relation between household size and PLB development meaning that larger households prefer PLB.
Legal restrictions	• Legal restrictions posed by the government (Child et al., 2015).	There are no legal restrictions in Bulgaria, neither for local nor for international retailers, that might make it difficult to develop cosmetics and personal care PLB in Bulgaria.

Table 9: Results of the expert interviews

4.2 CONSUMER SURVEY

The aim of the consumer survey was to find out how personality traits of Bulgarian consumers influence their attitude towards cosmetics and personal care private labels. At the beginning, demographic information and consumer behaviour towards cosmetics and personal care private labels are presented. Afterwards, hypotheses are analysed.

4.2.1 DESCRIPTIVE ANALYSIS: INFORMATION ABOUT RESPONDENTS

In total, 86 surveys were collected from which 11 cases had to be excluded due to incompletion and invalid answers, resulting in 75 valid cases. All respondents fulfilled the prerequisite of being Bulgarian. Concerning their gender, 60% were female and 40% male. Most respondents were 44 years old or younger (78.7%), about one fifth (18.7%) was between 45 and 64 years and the rest (2.7%) were older than 65 years. The highest level of educational attainment for the majority of respondents was high school (36%), about one third (30.7%) had a bachelor´s degree and about another third (30.7%) had a master´s or doctorate degree while 2.7% attained no diploma. Approximately 40% of the respondents were students while another 40% were full-time workers or self-employed. 8% worked part-time, 4% was unemployed and 2.7% was retired. Table 8 summarizes the basic information in percentages.

Variables	Results in %
Nationality	
Bulgarian	100
Other	0
Gender	
Female	60
Male	40
Age	
<18	2.7
18-24	45.3
25-44	30.7
45-64	18.7
65 or more	2.7
Education	
Primary school, no diploma	2.7
High school graduate, diploma or the equivalent	36

Bachelor's degree	30.7
Master's degree or Doctorate degree	30.7
Occupation	
Student or Student-worker	42.7
Full-time employee or self-employed	40
Part-time employee	8
Unemployed	4
Housekeeper	2.7
Retired	2.7

Table 10: Basic information in percentages

4.2.2 DESCRIPTIVE ANALYSIS: ATTITUDES TOWARDS PRIVATE LABELS

Respondents were asked if they have ever bought a private label. 60% of those have bought a private label while 40% have not. However, only a few persons (20 respondents) could name cosmetics and personal care private labels. Cien (Lidl´s private label) was named nine times, Balea (dm´s private labels) eight times, Alverde (dm´s private labels) three times and Aro (Metro´s private label) two times.

The following figure demonstrates the importance of attributes when buying cosmetics and personal care products. Price indicates the lowest mean of 2.75 closely followed by packaging and design with 2.76. Effectiveness is the most important attribute with a mean of 3.84. Security has a mean of 3.77, ingredients 3.57, brand 3.11 and social approval 2.84.

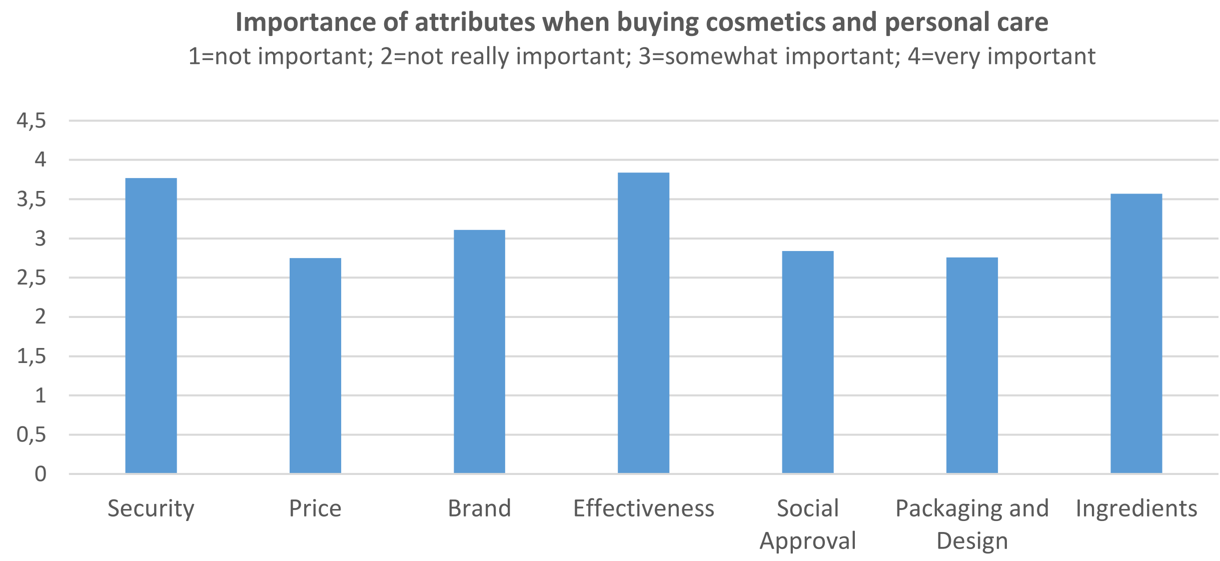

Figure 2: Importance of attributes when buying cosmetics and personal care

Subsequently, PLB´s performance of the cosmetics and personal care category was ranked according the same attributes. The results are shown in figure 3. The total mean of cosmetics and personal care private labels´ perceived performance is only 2.26. Only price has a mean of 3.25, while the average score of the other attributes is only 2.1 (ingredients=2.15, security=2.05, brand=2.09, effectiveness=2.32, packaging and design=2.01 and social approval=1.95).

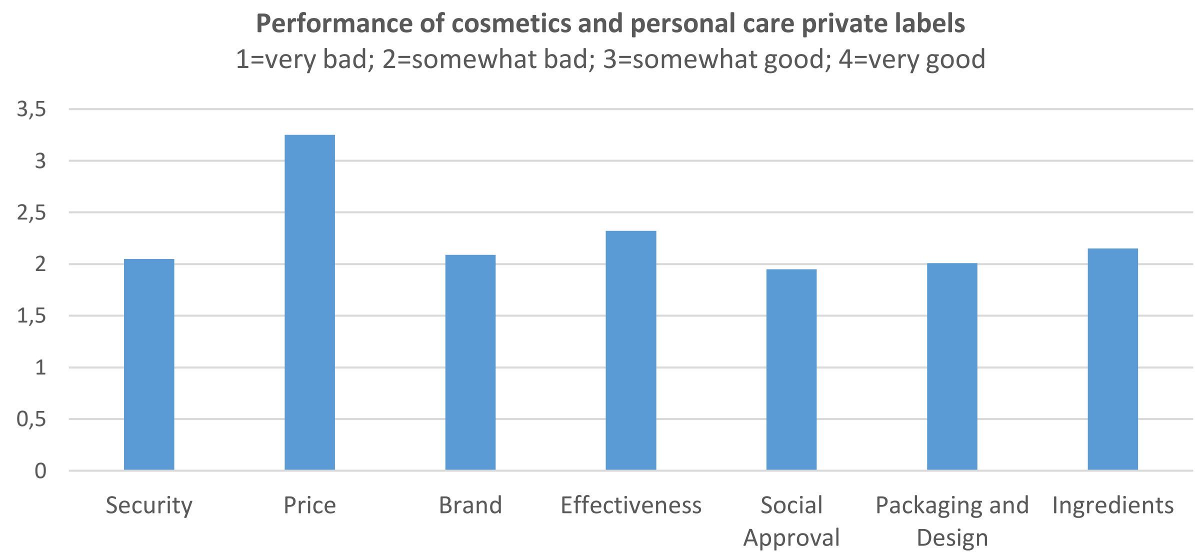

Figure 3: Performance of cosmetics and personal care private labels

4.2.3 DESCRIPTIVE ANALYSIS: CULTURE-SPECIFIC PERSONALITY TRAITS

The survey is designed in a way that several statements concerning culture-specific personality traits are attributed to the constructs to test the hypotheses. The following section analyses the results. The total means of the respondents´ inclination to the several constructs were obtained by coding particular variables reversely.

H01a: Bulgarian consumers are long-term oriented.

According to Hofstede's cultural dimensions theory Bulgaria scores high on the dimension of Long-term orientation which makes it a pragmatic culture. H01a was built on Hofstede´s theory and tested with the variables shown in the table below. The total arithmetic mean across the observations is 2.80 meaning that respondents "somewhat agree" to variables expressing long-term orientation. Therefore, HA1a can be rejected. Even though H01a can be accepted, their inclination to long-term orientation could potentially be higher and has to be interpreted with caution.

Variables	Mean
I would rather stick to old traditions than adapt to new ones.	2.55
I strive for quick results rather than invest into the future. **reverse**	3.09
I usually plan far into the future (several years).	2.76
Total mean	**2.80**

Table 11: Descriptive Analysis: Long-term/short-term orientation

H02a: Bulgarian consumers are collectivistic.

Bulgaria is considered a collectivistic society according to Hofstede (Hofstede, 1991). H02a can be accepted and HA2a be rejected since the total mean of the variables related to "Collectivism" is high (3.26).

Variables	**Mean**
My personal feeling of accomplishment is more important than recognition by others. **reverse**	2.85
Serving my group of people is more important than following personal interests.	3.24
I enjoy having opportunities to help other people.	3.69
Total mean	**3.26**

Table 12: Descriptive Analysis: Collectivism/Individualism

H03a: Bulgarian consumers have feminine cultural characteristics.

Hofstede's cultural dimensions theory describes Bulgaria as a relatively feminine society. However, H03a has to be rejected since the total arithmetic mean across the observations scores higher for masculine variables (2.93). As a consequence of this result, the alternative hypothesis HA3a is accepted ("Bulgarian consumers have masculine cultural characteristics").

Variables	Mean
I agree with the motto "working in order to live". **reverse**	3.01
I agree with the motto "live to work".	2.51
I enjoy talking freely about my personal success and achievements.	3.28
Total mean	**2.93**

Table 13: Descriptive Analysis: Femininity/Masculinity

H04a: Bulgarian consumers have a low need for cognition.

Literature suggests that there are cross-cultural differences in the need for cognition (Herstein et al., 2012) with consumers being less likely to purchase private labels to have a lower need for cognition (Herstein et al., 2012, Cunningham et al., 1982; Hoch, 1996). According to this rationale, H04a has been developed. Overall, the total mean of 2.62 indicates that Bulgarians have a relatively high need for cognition taking into account that the variable "When making a purchase decision I trust into well-known brands rather than private label brands." has been coded reversely. Consequently, H04a is rejected and HA4a is accepted stating that Bulgarian consumers have a high need for cognition.

Variables	Mean
When making a purchase decision I like to read carefully through product descriptions provided on the packaging.	2.83
I appreciate private labels because they are good value for money.	2.96
When making a purchase decision I trust into well-known brands rather than private label brands. **reverse**	2.07
Total mean	**2.62**

Table 14: Descriptive Analysis: Need for cognition

H05a: Bulgarian consumers are materialistic.

H05a has been built on the rationale that according to cross-cultural studies materialism varies across nations (Sebri and Zaccour, 2017; Herstein et al., 2012) and that manufacturer brands are being preferred by materialistic consumers (Herstein et al., 2012). Giving the low level of PLB development in Bulgaria H05a has been created. The results of the study demonstrate a high mean of 3.20 in favour of H05a, proving that Bulgarians are materialistic. Therefore, the alternative hypothesis HA5a is rejected.

Variables	Mean
I feel good if I wear expensive products in public.	3.04
I enjoy possessing luxury brands.	3.16
Showing off prestigious brands makes me feel uncomfortable. **reverse**	3.39
Total mean	**3.20**

Table 15: Descriptive Analysis: Materialism

4.2.4 SPEARMAN'S CORRELATION: ATTITUDE TOWARDS PLB & CULTURAL FACTORS

A Spearman's rank-order correlation was run to determine the relationship between variables “Long-term/short-term orientation”, “Individualism/Collectivism”, “Masculinity”, “Need for Cognition” and “Materialism” and the variable “Attitude” (attitude towards cosmetics and personal care private labels). The variable “Attitude” was built from the mean of question 6 (performance of cosmetics and personal care PLB). However, only answers from respondents stating “3=somewhat important” or “4=very important” at survey question 5 (importance of attributes when buying cosmetics and personal care) were taken into account when creating the variable “Attitude”. This means that respondents´ attitudes were not counted if they are indifferent to certain attributes when buying cosmetics and personal care products.

Spearman's rank-order correlation has proven to be an appropriate method since it examines the correlation between non-metric variables that have ordinal properties (Malhotra and Birks, 2007). A significance level of 0.05 was adopted which means that there is a 95% chance that statistical findings are true (Corder & Foreman, 2014). The correlation coefficient varies from 0 (no relationship) to 1/-1 (perfect positive/negative linear relationship). With the help of this method the following hypotheses could be tested. The SPSS output can be found in Appendix 6.

H01b: There is a relationship between long-term/short-term orientation and consumer attitudes towards private labels of the cosmetics and personal care category.

The results show that there is a small negative association between long-term/short-term orientation and consumer attitudes towards cosmetics and personal care private labels. The result is statistically significant. [r=-0,298, n=75, p=0,009]. However, since the association is very small H01b cannot be accepted. HA1b holds meaning that there is no correlation between long-term orientation and attitudes towards private labels of the cosmetics and personal care industry.

H02b: There is a relationship between individualism/collectivism and consumer attitudes towards private labels of the cosmetics and personal care category.

The two variables "Individualism/Collectivism" and "Attitude" are negatively correlated confirming H02b. The result is statistically significant. [r=-0,786, n=75, p=0,000]. Since Bulgarians are collectivistic according to this study, collectivism correlates negatively with consumer attitudes towards private labels of the cosmetics and personal care category.

H03b: There is a relationship between femininity/masculinity and consumer attitudes towards private labels of the cosmetics and personal care category.

A negative correlation between the two variables was found confirming H03b. The result is statistically significant. [r=-0,713, n=75, p=0,000]. The study confirmed that Bulgarians have masculine cultural characteristics which correlates negatively with consumer attitudes towards private labels of the cosmetics and personal care category.

H04b: There is a relationship between need for cognition and consumer attitudes towards private labels of the cosmetics and personal care category.

The two variables "Need for cognition" and "Attitudes" were tested, however no correlation could be found. The correlation coefficient is very low (0,192) and the result is not statistically significant (p=0,099). Therefore, H04b can be rejected and HA4b can be accepted.

H05b: There is a relationship between materialism and consumer attitudes towards private labels of the cosmetics and personal care category.

A negative correlation between a materialistic culture and attitudes towards PLB of the cosmetics and personal care category was found confirming H05b. The result is statistically significant. [r=-0,784, n =75, p=0,000]. Since Bulgarians are materialistic according to this study, materialism correlates negatively with consumer attitudes towards private labels of the cosmetics and personal care category.

The table below summarizes the results of the hypotheses testing.

Constructs	Null-Hypotheses	Confirmed/Rejected
Long-term/short-term orientation	H01a: Bulgarian consumers are long-term oriented.	Confirmed
	H01b: There is a relationship between long-term/short-term orientation and consumer attitudes towards cosmetics and personal care private labels.	Rejected
Individualism/collectivism	H02a: Bulgarian consumers are collectivistic.	Confirmed
	H02b: There is a relationship between collectivism and consumer attitudes towards cosmetics and personal care private labels.	Confirmed
Masculinity/femininity	H03a: Bulgarian consumers have feminine cultural characteristics.	Rejected
	H03b: There is a relationship between masculinity/femininity and consumer attitudes towards cosmetics and personal care private labels.	Confirmed

Need for cognition	H04a: Bulgarian consumers have a low need for cognition.	Rejected
	H04b: There is a relationship between need for cognition and consumer attitudes towards cosmetics and personal care private labels.	Rejected
Materialism	H05a: Bulgarian consumers are materialistic.	Confirmed
	H05b: There is a relationship between materialism and consumer attitudes towards cosmetics and personal care private labels.	Confirmed

Table 16: Results of the hypotheses testing

4.3 DISCUSSION

Bulgarian market factors are generally attractive and provide market opportunities for private labels, also within the cosmetics and personal care category. However, private label brands are still not well perceived by the Bulgarian customers. Negative consumer attitudes towards cosmetics and personal care private labels might be correlated with culture-specific personality traits of Bulgarians, including being collectivistic, having a masculine culture and being materialistic. Negative attitudes result in low demand and a lack of incentives for retailers to engage in marketing activities.

Against expectations, the Bulgarian culture was not found to be feminine as described by Hofstede. Instead, this study found that Bulgarians have masculine characteristics. An argument against Hofstede's theory would be that his study might be outdated as today´s local and global conditions have changed. For example, due to globalization and technology, cultures have started to influence each other at much greater rate than seen before. However, another explanation of the divergent results might be that both studies are constrained by the character of the individual being surveyed. Regarding this survey, the reliability and validity was limited due to a relatively small sample size and the respondents mainly living in urban areas of Bulgaria. Should a future survey include a more representative sample of the Bulgarian society, the findings might converge to feminine tendencies. It could be concluded, that if the Bulgarians do in fact have masculine characteristics, it conforms the negative correlation found by this study.

As described in the literature review, Bulgaria scores high on the dimension of Long-term orientation. Even though the study´s results confirmed that Bulgarians are long-term oriented, the result has to be interpreted with caution. That is, since their inclination to long-term orientation in this study is only marginally higher than their inclination to short-term orientation. Furthermore, in contrast to the literature findings, no significant relationship between long-term/short-term orientation and consumer attitudes towards cosmetics and personal care private labels was observed. The missing correlation might be caused by the fact that almost half the respondents are short-term orientated.

As discussed in the literature review, Bulgarian consumers were assumed to have a lower need for cognition. Surprisingly, the findings of the consumer survey demonstrated the opposite. However, it has to be noted that according to the expert interviews, highly educated consumers, who tend to have a higher need for cognition, usually receive higher incomes, which in turn, motivates them to buy manufacturer brands instead of PLB. This behaviour can be explained by the culture-specific personality traits materialism, masculinity and collectivism. However, this assumption is not confirmed by this study, as no relationship between need for cognition and consumer attitudes towards cosmetics and personal care private labels was found.

5. CONCLUSIONS AND LIMITATIONS

The last chapter presents the main findings and conclusions, managerial implications as well as limitations and suggestions for further research.

5.1 MAIN FINDINGS

The purpose of this thesis was answer to the problem statement, namely researching the development as well as consumer attitudes towards PLB of the cosmetics and personal care category in the Bulgarian market.

RQ 1: How do country-level market factors influence the development of cosmetics and personal care private labels in Bulgaria?

Expert interviews as well as past literature found that Bulgaria´s retail structure, logistical structure and distribution system generally do not inhibit the development of private labels. However, the lack of retailers´ marketing activities, rising educational levels, shrinking household sizes and rising household income were found to influence the country´s private label development negatively.

RQ 2: How do personality traits of Bulgarian consumers influence their attitude towards cosmetics and personal care private labels?

The research can conclude that Bulgarian consumers are collectivistic, have masculine cultural characteristics and are materialistic. Furthermore, a negative relationship between these three culture-specific personality traits and consumer attitudes towards cosmetics and personal care private labels have been confirmed. To sum up, this means that the personality traits of being collectivistic, having a masculine culture and being materialistic influences Bulgarian consumers´ attitudes towards cosmetics and personal care private labels negatively.

5.2 CONCLUSIONS

As a conclusion, Bulgarian market factors are generally attractive and show growth potentials and market opportunities for private labels, also within the cosmetics and personal care category. The expert interviews revealed that Bulgaria´s retail structure, logistical structure and distribution system generally do not hinder the development of private labels of the cosmetic and personal care industry. However, retailers´ marketing activities and socio-demographics, were found to be probable causes for the country´s poor private label performance. Higher income and a higher level of education may correlate negatively with the demand for PLB, while household size may correlate positively with PLB development. Furthermore, cosmetics and personal care PLB are not well advertised in Bulgaria which leads to unfamiliarity and perceived risk among consumers which is an important factor influencing consumers´ purchase decisions and attitudes regarding PLB.

However, if Bulgarian retailers invest into marketing activities for their private labels and how income, education and household size affect private label development, also depends on consumer attitudes. How the Bulgarian culture influences consumer attitudes which in turn affects the country´s private label development was investigated with the consumer survey, which found, that Bulgarian consumers are collectivistic, have masculine cultural characteristics and are materialistic. Furthermore, a negative relationship between these three culture-specific personality traits and consumer attitudes towards cosmetics and personal care private labels has been confirmed.

Materialistic personality-traits might explain why most Bulgarian consumers prefer manufacturer brands over PLB because the former are used as status symbols. This behaviour is supported by masculine characteristics representing a preference in society for material rewards for success, achievement and heroism. It is also supported by collectivism meaning that Bulgarians care about their in-groups and what others think of them (Hofstede, 2001).

Cultural and market factors are likely to be interdependent for the following reasons. According to the expert interviews, consumers with a high income prefer to buy manufacturer brands. This behaviour can be explained by the culture-specific personality traits materialism, masculinity and collectivism. In this context, respondents of the consumer survey also stated that cosmetics and personal care private labels perform poorly regarding “Social Approval”. Furthermore, highly educated Bulgarian consumers usually receive higher incomes making education an indirectly influencing factor.

The lack of marketing activities leads to uncertainty, fear of uknown and little knowledge about private labels, as confirmed by the expert interviews. Increased marketing efforts could, however, improve the private labels´ image. An improved image goes hand in hand with social approval. Since the Bulgarian culture is collectivistic, social approval is crucial for consumers when making a purchase decision.

5.3 OUTLOOK

At present, cosmetics and personal care private labels are not well developed and perceived, according to the study. However, Bulgaria´s economy is developing well. Even though lower than expected European growth and further slowdown in Turkey constitute risks to Bulgaria´s forecasted growth, improvements in employment, wages and pensions, should lead to rising real incomes and reductions in poverty (World Bank Group, 2018). Furthermore, educational reforms are implemented at all levels of education in the country (EC, 2018). Consequently, if income and education will be correlated negatively with private label development in the future is not certain.

First, assuming that Bulgaria´s projected economic development continues, literature about developed countries and private label attitudes might hold. Being concrete, the relationship between education and private label brand share in Western countries was found to be positive (Sethuraman and Gielens, 2014; Baltas and Argouslidis, 2007). Accordingly, private labels might move away from the perception of "lowest price" to "good quality at reasonable prices" in Bulgaria too, which might motivate educated and higher income consumers to make a purchase.

Second, according to literature, consumers in less economically developed nations, like Bulgaria, try to imitate the consumption of Western countries (Herstein et al., 2012) where PLB became major players in the competitive landscape (Euromonitor International, 2014). This could mean that in the future and following the Western model, attitudes towards cosmetics and personal care private labels might improve. This may be especially true, if retailers increase marketing efforts aligned with Bulgaria´s cultural characteristics. It should reinforce perceived quality, brand image and social recognition.

However, as seen in the results of this study, it has to be noted that Bulgarian consumers are prestige sensitive and show a clear desire to buy powerful and well-known brands. This culture-specific personality trait might pose difficulties for the success of private labels.

5.4 MANAGERIAL IMPLICATIONS

Additional to researching the development as well as consumer attitudes towards PLB of the cosmetics and personal care category in the Bulgarian market, the study addresses several managerial implications which are mainly targeted at retailers entering the Bulgarian market or retailers considering adding private labels to their portfolio. Several factors were identified that influence consumer attitudes and the development of cosmetics and personal care private labels in Bulgaria. Taking into account these factors, managers are able to adapt their marketing communication and marketing mix. The strategic objectives include:

- Increased familiarity
- Improved image
- Reduced perceived risk
- High quality
- Every-day-low-pricing

5.4.1 INCREASED FAMILIARITY

The study showed that Bulgarian consumers are widely unfamiliar with cosmetics and personal care private labels. A crucial communication task is therefore to build knowledge in consumers´ minds. One method could be through creating hands-on experiences enabling customers to try out cosmetics samples in stores or at stands. Blogs linked to the retailer´s website, email marketing or social media content can further increase familiarity and deliver true value to prospects. The content shared should be informative and entertaining at the same time allowing consumers to satisfy their needs with the help of the private labels. Advertisement campaigns using paid media are more cost intense but reach large amounts of prospects. When deciding on the content of the campaign, attention should be paid to the Bulgarians´ **masculine cultural characteristics**. Advertising should reflect the right female-male roles in shopping and buying decisions (Mooij, 2018). Since the Bulgarian culture is masculine it is characterized through strong role differentiation.

5.4.2 IMPROVED IMAGE & REDUCED PERCEIVED RISK

Bulgaria scores high on **uncertainty avoidance** and low on **indulgence** on Hofstede´s model. This means that Bulgarian consumers prefer to avoid and reduce risk and tend to have cynicism and pessimism. For this reason, the perceived risk associated with private labels must be reduced. Guarantees including but not limited to cash-back or replacement promotions, transparency ensuring quality, endorsements and testimonials are possible strategies to reduce financial and functional risk. At the same time the reputation of the private label and the image of the retailer are enhanced.

Another important objective, in line with the **collectivistic culture**, is to improve the private label´s image and reduce social risk. This can be done with advertisements using opinion leaders and pointing out quality, ingredients and efficiency. Also, packaging and design of the cosmetics and personal care items play an important role. Cheap looking designs should be avoided. To achieve coherency and recognition, private labels´ advertising and appearance should be aligned to the retailer's overall marketing strategy.

5.4.3 HIGH AND CONSISTENT QUALITY & EVERY-DAY-LOW-PRICING

Competitive advantages are gained, if retailers chose lower prices for their private labels than for manufacturer brands. This means that private labels follow an every-day-low-price strategy while for manufacturer brands a high-low strategy is adopted. However, Bulgarian consumers are **prestige sensitive** and care about their status in society. Therefore, when designing a communication strategy for cosmetics and personal care private labels, the focus has to lie on quality rather than on the lower price. Retailers need to balance a market-oriented price and high quality and consistent for their private labels.

5.4.4 ENTERING THE BULGARIAN MARKET

If a foreign company has identified Bulgaria has an attractive market for offering cosmetics and personal care private labels, a suitable market entry method has to be chosen.

First, the balance of risk and control should be analysed (Schlegelmilch, 2016). Generally speaking, the more risk involved, the more control the company has, and vice versa (Schlegelmilch, 2016). Entering Bulgaria by producing the products in the home country and exporting them to Bulgaria bears the least risk. Opening wholly owned foreign subsidiaries is most risky, however, the firm keeps the highest level of control.

What is more, the capital and knowledge resources a company has at its disposal and is willing to invest are determining factors for choosing an entry method (Schlegelmilch, 2016). Small and medium-sized companies with limited resources might start by exporting goods to Bulgaria. An advantage of exporting is higher flexibility due to smaller resource commitment and limited risks (Stonehouse et al., 2004). Licensing, franchising and co-marketing are so-called contractual agreements. Firms that do not want to commit to high amounts of resources and risk by entering Bulgaria, might choose one of these forms.

Multinational corporations and firms that are ready to make a substantial commitment of resources, might consider establishing wholly owned subsidiaries in Bulgaria. This entry method offers the fullest means of participating in a market (Schlegelmilch, 2016). Since private labels are usually introduced by large retailers, the most common entry method into the Bulgarian market is to open wholly owned subsidiaries or to acquire local retailers. The production of cosmetics and personal care private labels could be done by local cosmetics manufacturers, since they are, as stated by the interviewed experts, renowned and reliable business partners. Another equity entry method are joint ventures, which were found to offer attractive opportunities for a market entry in a volatile emerging market (Schlegelmilch, 2016). However, Bulgaria´s economic situation is fairly stable (UniCredit Research, 2018). Notwithstanding, a joint venture offers the foreign firm to benefit from the local Bulgarian partner as they might have already established relationships with suppliers, might provide access to distribution channels and are familiar with local culture, business practices, laws, regulations and language (Schlegelmilch, 2016).

These considerations are true for both foreign manufacturers and retailers of cosmetics and personal care which are planning to enter the Bulgarian market.

5.5 LIMITATIONS AND FURTHER RESEARCH

There are several limitations to the findings of this study. Firstly, due to limited time and resources a non-probability sampling technique for the consumer survey was applied, namely a convenience sample. For this reason, the samples were collected in a process that did not give all individuals in the population equal chances of being selected. Secondly, the reliability and validity of the study was limited due to a relatively small sample size. Furthermore, respondents of the consumer survey mainly live in urban areas of Bulgaria, namely in Sofia and Plovdiv. Hence, the attitudes of urban inhabitants were overrepresented compared to attitudes of rural inhabitants. Further research should be conducted applying a more extensive sample as well as a probability sampling technique.

The findings of this study suggest that Bulgarians´ attitudes towards cosmetics and personal care PLB are currently negative compared to manufacturer brands. Further research should consider what strategies might offset negative consumer attitudes toward PLB.

Cosmetics and personal care private labels traditionally have the lowest market share among different product categories of private labels while packaged food PLB have the highest market share (Euromonitor International, 2014). Further research could investigate if the results can also be applied for the packaged food category or other product categories and if results vary.

What is more, this thesis studied the Bulgarian market. However, it would be interesting to investigate other emerging markets, for example in South America or Asia where private labels are even less developed than in European emerging markets (Nielsen, 2014). Furthermore, culture-specific characteristics could also be investigated in developed countries to study differences to emerging markets.

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APPENDIX

APPENDIX1: INTERVIEW GUIDELINE (BRENNTAG BULGARIA)

Retail structure

Walmart, Aldi, Metro, Auchan, Carrefour, Costco, Lidl, and Tesco – they all fall under the term "modern retail" and are supermarkets, hypermarkets, convenience stores, or discounters. By contrast, another channel format is "traditional retail" which comprises family-owned grocery chains, small independent stores, and informal merchants.

1. Are there Bulgarian retailers that fall under the definition of "modern retail"?
    a. Do they produce private labels in the cosmetics and personal care category?
2. Where do most Bulgarian consumers shop?
3. Do you agree that a well-developed retail structure including modern retailers is a prerequisite for a successful development of private labels?

Retailers´ marketing activities and brand building

4. Are Bulgarian consumers familiar or unfamiliar with private labels?

International retailers such as Carrefour, Lidl, and Aldi have invested into their private label image and started promoting quality and even premium private labels.

5. Do Bulgarian retailers invest in brand building?
6. Do consumers perceive risk when buying private labels? If yes, why?
7. Are there differences in consumer perceptions between local and international retailers?

Distribution system

A well-developed logistic structure is crucial for retailers to access suppliers and stores in a timely and efficient manner.

8. What effect does the logistic structure and distribution systems have on private label development in Bulgaria?
9. Do international retailers encounter difficulties in finding local manufacturers that are willing and capable of producing the private label products in a good and consistent quality?
   What about national retailers?
10. Do you know local manufacturers for cosmetics and personal care private labels?

Socio-demographics

11. Could you think of socio demographic factors (like income, education, literacy rate and household size) that might inhibit the development of cosmetics and personal care private label brands in Bulgaria?

Legal restrictions

12. Do you know of any legal restrictions that might make it difficult for foreign retailers to develop private labels in Bulgaria?
13. Do you know of legal restrictions for Bulgarian retailers?

APPENDIX 2: INTERVIEW QUESTIONS (12 BULGARIAN FIRMS)

Retail structure

Walmart, Aldi, Metro, Auchan, Carrefour, Costco, Lidl, and Tesco – they all fall under the term "modern retail" and are supermarkets, hypermarkets, convenience stores, or discounters. By contrast, another channel format is "traditional retail" which comprises family-owned grocery chains, small independent stores, and informal merchants.

1. Do you agree that a well-developed retail structure including modern retailers is a prerequisite for a successful development of private labels?
2. Where do most Bulgarian consumers shop, in "modern retail" or "traditional retail"?

Retailers´ marketing activities and brand building

International retailers such as Carrefour, Lidl, and Aldi have invested into their private label image and started promoting quality and even premium private labels.

3. Are Bulgarian consumers familiar or unfamiliar with private labels?
4. In comparison to international retailers, how much do Bulgarian retailers invest in brand building?
5. Do consumers perceive risk when buying private labels?

Distribution system

A well-developed logistic structure is crucial for retailers to access suppliers and stores in a timely and efficient manner.

6. What effect does the logistic structure and distribution systems have on private label development in Bulgaria?
7. Do international retailers encounter difficulties in finding local manufacturers that are willing and capable of producing the private label products?
8. What about national retailers?

Socio-demographics

9. Do the following socio demographic factors affect the development of cosmetics and personal care private label brands in Bulgaria?

Socio Demographic Factors	**Negative Effect**	**Positive Effect**	**Do Not Affect**
Income			
Education			
Literacy Rate			
Household Size			

Legal restrictions

10. Do you know of any legal restrictions that might make it difficult for foreign retailers to develop private labels in Bulgaria?
11. Do you know of legal restrictions for Bulgarian retailers?

APPENDIX 3: LIST OF CONTACTED FIRMS FOR THE INTERVIEW

Firm	Web
Aroma AG	www.aroma.bg
Bulgarska Rosa	bulgarianrose.bg
Rubella AG	www.rubella.bg
Lavena AG	www. lavena.bg
Rosa Impex OOD	www.rosaimpex.com
Krasnaya Linea – Bulgaria GmbH	www.krasnaya-bg.com
Refan GmbH	www.refan.net
Henkel Bulgaria EOOD	www.henkel.com
Beiersdorf Bulgaria EOOD	www.nivea.bg
Ficosota Syntez Bulgaria EOOD	www.f-s.bg
Aries Cosmetics	www.ariescosmetics.com
Unilever Bulgaria EOOD	www.unilever.com

APPENDIX 4: CONSUMER SURVEY BULGARIAN

Мил участник,

Аз съм студентка от Католическия университет на икономика и бизнес в Лисабон. В момента си пиша дипломната работа,чиято цел е да се разбере поведението на потребителите и образованието към продукти със собствена марка.

Затова искам да Ви попитам за вашето мнение! Гарантирам, че проучването е анонимно и конфиденциално. Всички отговори ще се използват само във връзка с проучване.

Не са необходими повече от **5 минути** за попълване.

Благодаря много за помощта ви!

ПЪРВА ЧАСТ - ВЪВЕДЕНИЕ

1. Българин/българка ли си?

[ ] Да

[ ] Не

Моля те прочети следващити дефиниции внимателно.

Продукти със собствена марка:	Търговска марка:
Това са продукти,които магазина ги продава под свое име или под друго име,което магазина си избира. **Например: марката “Cien“ от магазина “Lidel“.** 	**Това са продукти който се продават под марково име.** **Например: марката “Elvive“ от производителя “L’Oréal“** 

ВТОРА ЧАСТ - ПРОДУКТИ СЪС СОБСТВЕНА МАРКА.

2. Моля назовете продукти със собствена марка от сектор: козметика и лична хигиена.

....

3. Вие някога купували ли сте продукти със собствена марка?

[ ] **Да**

[ ] **Не**

4. Какви продукти със собствена марка би купил/а? (Многоброен отговор е възможен)

[ ] Козметика & лична хигиена (грим, парфюми, продукти за коса, продукти за тяло, продукти за кожа,продукти за слънце)

[ ] храна

[ ] напитки

[ ] храна за животни

[ ] продукти за вкъщи (почистващи продукти, за миене на съдове, на дрехи,...

5. Колко важен е всеки атрибут за вас, когато купувате козметика и продукти залична хигиена?

1 = не е важно; 2 = не е наистина важно; 3 = малко важно; 4 = много важно

Атрибути	**1**	**2**	**3**	**4**
- Сигурност				
- Цена				
- Марка				
- Ефикасност				
- Социално одобрение				
- Опаковане и дизайн				
- Състав / формули				

6. Какви резултати дават продуктите със собствена марка,които се използват за козметика и лични грижи ?

1 = много лошо; 2 = донякъде лошо; 3 = донякъде добро; 4 = много добро

Атрибути	**1**	**2**	**3**	**4**
- Сигурност				
- Цена				
- Марка				
- Ефикасност				
- Социално одобрение				
- Опаковане и дизайн				
- Състав / формули				

ЧАСТ 3 - КУЛТУРА.

Моля, посочете нивото на съгласие със следните изявления.

1 = силно несъгласие; 2 = донякъде съгласие; 3 = донякъде съгласие; 4 = Силно съгласие

Изявления	**1**	**2**	**3**	**4**
7. Бих предпочел да се придържам към стари традиции, отколкото да се адаптирам към нови.				
8. Стремя се за бързи резултати, вместо да инвестирам в бъдещето.				
9. Обикновено планирам в бъдещето (няколко години).				
10. Моето лично чувство за постижение е по-важно от признаването на другите.				
11. Обслужването на хората е приоритет пред лични интереси и нужди.				
12. Радвам се да имам възможност да помагам на други хора.				
13. Съгласен съм с мотото "да работя, за да живея".				
14. Когато вземам решение за покупка, вярвам в добре познати марки, а не в продукти със собствена марка.				
15. Радвам се да говоря свободно за личния ми успехи и постижения.				
16. Когато взимам решение за покупка, искам да прочета внимателно описанията на продуктите, които се съдържат на опаковката.				
17. Оценявам продукти със собствена марка, защото са с добро качество за добра цена				
18. Съгласен съм с мотото " живея за да работя".				
19. Чувствам се добре, ако нося скъпи продукти на обществени места.				
20. Обичам да притежавам луксозни марки.				
21. Показването на престижни марки ме кара да се чувствам неудобно.				

ЧАСТ 4 - ДЕМОГРАФИЯ. Ние почти сме готови! В последната част бих искала да знам повече за вас. Моля, не забравяйте, че това проучване е анонимно и само за изследователски цели.

22. Моля, посочете пола си

[ ] Женски

[ ] Мъжки

23. Моля, посочете възрастта си

[ ] <18

[ ] 18-24

[ ] 25-44

[ ] 45-64

[ ] 65 или повече

24. Образование: Каква е най-високата степен или ниво на завършено училище?

[ ] Няма завършено образование

[ ] Основно училище, няма диплома

[ ] Гимназия, диплома или еквивалент

[ ] Бакалавър

[ ] Магистърска степен или докторска степен

25. Професия: Моля, посочете вашето настоящо занятие

[ ] Студент или работещ студент

[ ] Наето лице или самостоятелно заето лице на пълен работен ден

[ ] Служител на непълно работно време

[ ] Безработен

[ ] Домакиня

[ ] Пенсионер

Благодарим ви за сътрудничеството! 😊

APPENDIX 5: CONSUMER SURVEY ENGLISH

QUESTIONNAIRE

Dear participant,

I am a student from Católica Lisbon School of Business and Economics. Currently, I am writing my master thesis that is directed at understanding consumer behaviour and attitudes towards private labels.

Therefore, I would like to collect your opinion! I can ensure you that the present survey is anonymous and confidential. All the answers will be used for research purposes only.

It won’t take more than **5 minutes** to fill it out.

Thank you so much for your collaboration!

PART 1 – INTRODUCTION.

1. Are you Bulgarian?
[ ] Yes
[ ] No

Please read the following definitions carefully.

Private Label Brand	Manufacturer Brand
These are products that are offered by the retailer store under its own name or under alternative names that the retailer choses.	**Products sold under a brand name are called manufacturer brands. The producer of the brand is the owner.**
Example: The brand “Cien” from the retailer “Lidl”.	**Example: The brand “Elvive” marketed by the manufacturer “Loreal”.**
	

PART 2 – PRIVATE LABEL BRANDS.

2. Can you name private labels in the cosmetics and personal care category?

....

3. Have you ever bought a private label?

[ ] Yes

[ ] No

4. Which private label products would you buy? (Multiple answer possible)

[ ] Cosmetics & Personal Care (Make-up, Perfume, Hair care, Body care, Skin care, Sun care)

[ ] Food

[ ] Beverages

[ ] Pet Food

[ ] Home Care (Cleaning agent, Dishwashing, Laundry care, etc.)

5. How important is each attribute to you, when buying cosmetics and personal care?

1=not important; 2=not really important; 3=somewhat important; 4=very important

Attributes	1	2	3	4
Security				
Price				
Brand				
Effectiveness				
Social Approval				
Packaging and Design				
Ingredients/formulas				

6. How do cosmetics and personal care private labels perform regarding the following attributes?

1=very bad; 2=somewhat bad; 3=somewhat good; 4=very good

Attributes	1	2	3	4
Security				
Price				
Brand				
Effectiveness				
Social Approval				
Packaging and Design				
Ingredients/formulas				

PART 3 - CULTURE.

Please indicate your level of agreement with the following statements.

1=Strongly Disagree; 2=Somewhat Disagree; 3=Somewhat Agree; 4=Strongly Agree

Statements	**1**	**2**	**3**	**4**
I would rather stick to old traditions than adapt to new ones.				
Showing off prestigious brands makes me feel uncomfortable.				
I appreciate private labels because they are good value for money.				
My personal feeling of accomplishment is more important than recognition by others.				
When making a purchase decision I trust into well-known brands rather than private label brands.				
I enjoy talking freely about my personal success and achievements.				
I agree to the motto “working in order to live”.				
I feel good if I wear expensive products in public.				
I usually plan far into the future (several years).				
When making a purchase decision I like to read carefully through product descriptions provided on the packaging.				
Serving my group of people is more important than following personal interests.				
I agree to the motto “live to work”.				
I enjoy possessing luxury brands.				
I strive for quick results rather than invest into the future.				
I enjoy having opportunities to help other people.				

PART 4 - DEMOGRAPHICS. We are almost done! In the last part, I would like to know more about you. Please remember that this survey is anonymous and for research purposes only.

22. Please indicate your gender

[ ] Female

[ ] Male

23. Please indicate your age

[ ] <18

[ ] 18-24

[ ] 25-44

[ ] 45-64

[ ] 65 or more

24. Education: What is the highest degree or level of school you have completed?

[ ] No schooling completed

[ ] Primary school, no diploma

[ ] High school graduate, diploma or the equivalent

[ ] Bachelor’s degree

[ ] Master’s degree or Doctorate degree

25. Occupation: Please indicate your current occupation

[ ] Student or Student-worker

[ ] Full-time employee or self-employed

[ ] Part-time employee

[ ] Unemployed

[ ] Housekeeper

[ ] Retired

Thank you for your collaboration! 😊

APPENDIX 6: SPSS OUTPUT

FREQUENCIES – INFORMATION ABOUT RESPONDENTS

Are you Bulgarian?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	75	100,0	100,0	100,0

Have you ever bought a private label?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	45	60,0	60,0	60,0
	No	30	40,0	40,0	100,0
	Total	75	100,0	100,0	

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	45	60,0	60,0	60,0
	Male	30	40,0	40,0	100,0
	Total	75	100,0	100,0	

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<18	2	2,7	2,7	2,7
	18-24	34	45,3	45,3	48,0
	25-44	23	30,7	30,7	78,7
	45-64	14	18,7	18,7	97,3
	65 or more	2	2,7	2,7	100,0
	Total	75	100,0	100,0	

Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary school, no diploma	2	2,7	2,7	2,7
	High school graduate, diploma or the equivalent	27	36,0	36,0	38,7
	Bachelor's degree	23	30,7	30,7	69,3
	Master's degree or Doctorate degree	23	30,7	30,7	100,0
	Total	75	100,0	100,0	

Occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Student or Student-worker	32	42,7	42,7	42,7
	Full-time employee or self-employed	30	40,0	40,0	82,7
	Part-time employee	6	8,0	8,0	90,7
	Unemployed	3	4,0	4,0	94,7
	Housekeeper	2	2,7	2,7	97,3
	Retired	2	2,7	2,7	100,0
	Total	75	100,0	100,0	

MULTIPLE RESPONSE – WHICH PLB WOULD YOU BUY?

Case Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
$PLB[a]	75	100,0%	0	0,0%	75	100,0%

a. Dichotomy group tabulated at value 1.

$PLB Frequencies

		Responses		Percent of Cases
		N	Percent	
PLB[a]	Cosmetics	38	33,3%	50,7%
	Food	30	26,3%	40,0%
	Beverages	12	10,5%	16,0%
	Pet Food	7	6,1%	9,3%
	Home care	27	23,7%	36,0%
Total		114	100,0%	152,0%

a. Dichotomy group tabulated at value 1.

DESCRIPTIVES – ATTITUDES TOWARDS PLB

Importance of attributes when buying cosmetics and personal care

1=not important; 2=not really important; 3=somewhat important; 4=very important

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Security	75	1	4	3,77	,628
Price	75	1	4	2,75	,960
Brand	75	1	4	3,11	,863
Effectiveness	75	2	4	3,84	,404
Social Approval	75	1	4	2,84	,945
Packaging and Design	75	1	4	2,76	,942
Ingredients	75	1	4	3,57	,701
Valid N (listwise)	75				

Performance of cosmetics and personal care private labels

1=very bad; 2=somewhat bad; 3=somewhat good; 4=very good

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Security	75	1	3	2,05	,751
Price	75	1	4	3,25	,718
Brand	75	1	4	2,09	,873
Effectiveness	75	1	4	2,32	,932
Social Approval	75	1	4	1,95	,853
Packaging and Design	75	1	4	2,01	,814
Ingredients	75	1	4	2,15	,968
Valid N (listwise)	75				

DESCRIPTIVES – CULTURAL FACTORS

Long-term/short-term orientation

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
I would rather stick to old traditions than adapt to new ones.	75	1	4	2,55	,990
I strive for quick results rather than invest into the future.	75	1	4	1,91	,903
I usually plan far into the future (several years).	75	1	4	2,76	,970
Valid N (listwise)	75				

Long-term/short-term orientation_reverse

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
I would rather stick to old traditions than adapt to new ones.	75	1	4	2,55	,990
I usually plan far into the future (several years).	75	1	4	2,76	,970
I strive for quick results rather than invest into the future_reverse	75	1,00	4,00	3,0933	,90305
Valid N (listwise)	75				

Collectivism/Individualism

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
My personal feeling of accomplishment is more important than recognition by others.	75	1	4	2,15	1,238
Serving my group of people is more important than following personal interests.	75	1	4	3,24	,942
I enjoy having opportunities to help other people.	75	1	4	3,69	,636
Valid N (listwise)	75				

Collectivism/Individualism_reverse

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Serving my group of people is more important than following personal interests.	75	1	4	3,24	,942
I enjoy having opportunities to help other people.	75	1	4	3,69	,636
My personal feeling of accomplishment is more important than recognition by others_reverse	75	1,00	4,00	2,8533	1,23784
Valid N (listwise)	75				

Masculinity/Femininity

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
I agree to the motto “working in order to live”.	75	1	4	1,99	1,084
I agree to the motto “live to work”.	75	1	4	2,51	1,309
I enjoy talking freely about my personal success and achievements.	75	1	4	3,28	,879
Valid N (listwise)	75				

Masculinity/Femininity_reverse

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
I agree to the motto “live to work”.	75	1	4	2,51	1,309
I enjoy talking freely about my personal success and achievements.	75	1	4	3,28	,879
I agree to the motto “working in order to live”_reverse	75	1,00	4,00	3,0133	1,08420
Valid N (listwise)	75				

Need for cognition

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
When making a purchase decision I like to read carefully through product descriptions provided on the packaging.	75	1	4	2,83	,935
I appreciate private labels because they are good value for money.	75	1	4	2,96	,761
When making a purchase decision I trust into well-known brands rather than private label brands.	75	1	4	2,93	,935
Valid N (listwise)	75				

Need for cognition_reverse

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
When making a purchase decision I like to read carefully through product descriptions provided on the packaging.	75	1	4	2,83	,935
I appreciate private labels because they are good value for money.	75	1	4	2,96	,761
When making a purchase decision I trust into well-known brands rather than private label brands_reverse	75	1,00	4,00	2,0667	,93481
Valid N (listwise)	75				

Materialism

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
I feel good if I wear expensive products in public.	75	1	4	3,04	1,144
I enjoy possessing luxury brands.	75	1	4	3,16	1,128
Showing off prestigious brands makes me feel uncomfortable.	75	1	4	1,61	,837
Valid N (listwise)	75				

Materialism_reverse

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
I feel good if I wear expensive products in public.	75	1	4	3,04	1,144
I enjoy possessing luxury brands.	75	1	4	3,16	1,128
Showing off prestigious brands makes me feel uncomfortable_reverse	75	1,00	4,00	3,3867	,83655
Valid N (listwise)	75				

SPEARMAN'S CORRELATION
– ATTITUDE TOWARDS PLB & CULTURAL FACTORS

Correlations

			Attitude	Materialism
Spearman's rho	Attitude	Correlation Coefficient	1,000	-,784**
		Sig. (2-tailed)	.	,000
		N	75	75
	Materialism	Correlation Coefficient	-,784**	1,000
		Sig. (2-tailed)	,000	.
		N	75	75

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

			Attitude	Collectivism/Individualism
Spearman's rho	Attitude	Correlation Coefficient	1,000	-,786**
		Sig. (2-tailed)	.	,000
		N	75	75
	Collectivism/Individualism	Correlation Coefficient	-,786**	1,000
		Sig. (2-tailed)	,000	.
		N	75	75

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

			Attitude	Masculinity/Femininity
Spearman's rho	Attitude	Correlation Coefficient	1,000	-,713**
		Sig. (2-tailed)	.	,000
		N	75	75
	Masculinity/Femininity	Correlation Coefficient	-,713**	1,000
		Sig. (2-tailed)	,000	.
		N	75	75

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

			LTO/STO	Attitude
Spearman's rho	LTO/STO	Correlation Coefficient	1,000	-,298**
		Sig. (2-tailed)	.	,009
		N	75	75
	Attitude	Correlation Coefficient	-,298**	1,000
		Sig. (2-tailed)	,009	.
		N	75	75

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

			Attitude	Need for cognition
Spearman's rho	Attitude	Correlation Coefficient	1,000	,192
		Sig. (2-tailed)	.	,099
		N	75	75
	Need for cognition	Correlation Coefficient	,192	1,000
		Sig. (2-tailed)	,099	.
		N	75	75