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Product label and consumer perception especially in Greece with economic crisis.

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A thesis submitted for the degree of

Master of Science (MSc) in Strategic Product Design

December 2017

Thessaloniki – Greece

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I hereby declare that the work submitted is mine and that where I have made use of another's work, I have attributed the source(s) according to the Regulations set in the Student's Handbook.

December 2017
Thessaloniki - Greece

Abstract

This dissertation was written as part of the MSc in Strategic Product Design at the International Hellenic University.

In this thesis was studied the private label products. The study examined the reasons why private labels become so successful these days, and how consumers perceive the private label in terms of behaviour and attitude especially in Greece.

Firstly, it was determined what is private label products, categories of private labels and the evolution of these products. Moreover, the competitive strategies that can be followed by brand manufacturers, so as to respond to the power of the private label products. Furthermore, it was mentioned many research studies focusing on consumer attitudes about private label products and factors that influence the purchase decision for these. Finally, the position of these products in Greek consumers' mind were examined.

In this part, I would like to thank my supervisor Prof. Ioannis Pollalis for giving me the appropriate guidance and support. I would like to warmly thank my husband and mother for helping me finish this thesis after the beautiful and difficult experience of becoming a mother.

Keywords: Private Label, Retailers, Greece

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Preface

The aim of this paper is to study the private label products, the reasons to be so successful these days, and how consumers perceive the private label in terms of behaviour and attitude especially in Greece.

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Introduction

Private label products have been growing rapidly in recent years. In the past, greengrocer, baker, butcher have created their own products and had their own brand name. Today, they are gaining more and more power, producing more quantities and cooperating with large supermarkets by selling their own branded products.

Although private label products are the subject of many researchers, there are many results and contradictions in consumer behaviour about them. It has been noticed a shift from branded products to private label products. Consumers are responding positively and perceptions about private labels are favourable due to many reasons.

The first part introduces to the subject, definition and the history. Then, the development of private labels is presented. Moreover, the response strategies of branded products are considered. In addition, the attitudes toward private labels and the factors influencing purchasing decisions are being studied to determine the reason for their success. Furthermore, the impact of economic crisis on the consumption of private labels in Greece is analysed.

Definition and History

Before proceeding with the bibliographic research, it must be first determined what it is private label products.

According to the American Marketing Association (AMA) "*private label is brand name or label name attached to or used in the marketing of a product other than by the product manufacturers; usually by a retailer*".¹ In other words, private Label products or own products are produced by retailers or manufacturers and sold in retailers' stores or in other supermarkets. They have been described as an alternative to a lower price product.² Retail or private label products are those commodities with the brand name

¹ Arif Hasan and Fayaz Ahmad Nika, (2014), Private and national brand: a review and agenda for future research, *International Journal of Advanced Research*, Volume 2, Issue 12, 233-238

² Stephen J. Hoch, (1996), How Should National Brands Think about Private Labels?, *Sloan Management Review/Winter*, 89-102

of the store, the name of the retailer or other name. They are products that now offer high quality and, in many cases, even higher than branded products and are committed to both the label and the store. Private label products are usually manufactured by individual suppliers, some grocery stores produce their own products and in some cases manufacturers of national brands sell a private label product.³

For better understanding of the term, it is important to be noted, that in the literature are presented different terminology for private labels. Specifically, the following terms are used: own label products / brands, private-label products / brands, retailer products / brands, store brands / labels, brands with the name of the store⁴. In the present study, the term private label products are used.

In twentieth century consumers discovered the branded products such as Coca-Cola, Nestle, Adidas as a symbol of quality. Over the years retailers gained more power and had their own brands.⁵

More specifically, the first private label products were introduced on the market in the early part of the 20th century. Examples of such products are those, produced by large chains such as M & S (Marks & Spencer) and A & P (Atlantic & Pacific Tea Company). From 1950 to 1993 sales of private label products are growing rapidly. However, the greatest development is observed in the 60s, 70s and 80s, where these products were included in the large producers' product portfolios and began to pose a threat to the most well - known brands. ⁶

³ David E. Mills, (1995), Why Retailers Sell Private Labels, *Journal of Economics and Management Strategy*, Volume 4, Issue 3, 509–528

⁴ Cristina Calvo-Porrall and Jean – Pierre Levy – Mangin, (2014). Private label brands: major perspective of two customer-based brand equity models, *The International Review of Retail, Distribution and Consumer Research*, Volume 24, Issue 4, 431-452

⁵ Nirmalya Kumar, Jan-benedict E. m. Steenkamp (2007), Private Label Strategy: How to Meet the Store Brand Challenge, *Harvard Business Review Press*

⁶ Parker, P. & Kim, N. (1997), National brands versus private labels: an empirical study of competition, advertising and collusion, *European Management Journal*, Volume 15, Issue 3, 220-35.

Nowadays, private label products become more and more popular all over the world. As far as Greece is concerned, the economic crisis has prompted consumers to switch to private label products. However, not only the crisis but also the change in the position of consumers towards branded products. They now consider private label products of the same quality as brand names. Retailers focus on these types of products for higher margin and higher consumer loyalty.⁷ Private label products have a position in the mind of the consumer. One in four products that are sold nowadays in Europe and America are store products.

Categorization and evolution

In the international literature are presented four categories of private label products which essentially demonstrate the evolution of these products over the years. According to Laaksonen and Reynolds (1994),⁸ these categories are: generics, quasi-brand, own brands and extended own brands. Similarly, Kumar and Steenkamp (2007)⁹, define the four types as generics, copycats, premium store brands and value innovators¹⁰.

“Generics” are the first generation of private label products. They are unbranded products with lower quality and price than national and other private label products, such as generic drugs.¹¹ Moreover these products are the products that indicate the product category without including the name of the company that produces it¹² and are targeted at consumers who are sensitive to the issue cost. They are very simple

⁷ Ailawadi, Kusum and Bari Harlam (2004), An Empirical Analysis of the Determinants of Retail Margins: The Role of Store Brand Share, *Journal of Marketing*, 68 (January), 147–66

⁸Laaksonen H and Reynolds J (1994), Own Brands in Food Retailing across, *The Journal of Brand Management*, Volume 2, 38

⁹ Kumar, N. & Steenkamp E.M, J-B (2007), Brand versus Brand, *ERC Journal: International Commerce Review*, 7(1) (Spring): 47-53.

¹⁰ Laaksonen H and Reynolds J (1994), Own Brands in Food Retailing across, *The Journal of Brand Management*, Volume 2, 387–66

¹¹ Kotler, Philip and Keller, Kevin Lane (2007), *Marketing Management*, 14th edition Prentice-Hall of India Private Limited, 460

¹² Kumar, N. & Steenkamp E.M, J-B (2007), Private Label Strategy: How to Meet the Store Brand Challenge, *Harvard Business Review Press*, 30

functional products with subdivided image from the branded products.¹³ It is important to be noted that generic products increase marginal costs with simple technology in low quality.

In the second generation, “quasi-brands” are developed. This is the second type of private product labels, which have the cheapest price, reduce the power of the manufacturers, with the same technology and improved quality. These products have their own label and for them specific strategies are concerned.¹⁴ They are produced intentionally to be as similar as possible to their branded counterparts and that often confuse the customers. Retailers of quasi-brands emphasizes on innovative manufacturing processes and image building.¹⁵

“Own brands” or “premium store brands” represent the third generation of private label brands and have the same quality as branded products at lower prices. Retailers follow the strategy “me too” in order to improve the profit margins of the product category, to develop product collection, to provide consumers with more product diversity, and build the retailer's image in the eyes of consumers. The price of the own brands ranges between 5% -10% lower than those of the branded products and not 20% as in the previous two generations.¹⁶

In the fourth category, in which “extended own brands” are included, retailers offer innovative products at high quality. These products have a strong brand image and value-added strategy. The retailers’ goals are to maintain and increase of consumers, to enhance the margins of the product’s category, to improve the image and, finally, to

¹³Laaksonen H and Reynolds J (1994), Own Brands in Food Retailing across, *The Journal of Brand Management*, Volume 2, 387–66

¹⁴Laaksonen H. and Reynolds J. (1994), Own Brands in Food Retailing across, *The Journal of Brand Management*, Volume 2, 387–66

¹⁵ Arif Hasan and Fayaz Ahmad Nika, (2014), Private and national brand: a review and agenda for future research, *International Journal of Advanced Research* (2014), Volume 2, Issue 12, 233-238

¹⁶ Laaksonen H. and Reynolds J. (1994), Own Brands in Food Retailing across, *The Journal of Brand Management*, Volume 2, 387–66

diversify. The technology used to produce the extended own brands is innovative and their quality is the same and, in some cases, even better than that of the market leaders. The same applies to the price, which is equivalent or higher than the branded products. The incentive for purchase of these products is the consumer's desire for better and unique products.¹⁷ The above is presented in detail in the table 1.

Table 1: Four generations of private labels

	1 st generation	2 nd generation	3 rd generation	4 th generation
Type of brand	Generic No name Brand Free Unbranded	"Quasi-brand" Own label	Own brand	Extended own brand,
Strategy	Generics	Cheapest price	Me-too	Value-added
Objective	Increase margins Provide choice in pricing	Increase margins Reduce manufacturer's power by setting the entry price Provide better-value product (quality/ price)	Enhance category margins Expand product assortment, i.e. customer choice Build retailer's image among consumers	Increase and retain the client base Enhance category margins Improve image further Differentiation
Product	Basic and functional products	One-off staple lines with a large volume	Big category products	Image-forming product groups Large number of products with small volume (niche)
Technology	Simple production process and basic technology lagging behind market leader	Technology still lagging market leaders	Close to the brand leader	Innovative technology
Quality/image	Lower quality and inferior image compared to the manufacturers' brands	Medium quality but still perceived as lower than leading manufacturers' brands Secondary brand alongside the leading manufacturer's brand	Comparable to the brand leaders	Same or better than brand leader Innovative and different products from brand leaders
Approximate pricing	20 % or more below the brand leader	10-20 % below	5-10 % below	Equal or higher than known brand

¹⁷ Laaksonen H. and Reynolds J. (1994), Own Brands in Food Retailing across, *The Journal of Brand Management*, Volume 2, 387–66

Consumers' motivation to buy	Price is the main criterion for buying	Price is still important	Both quality and price, i.e. value for money	Better and unique products
Supplier	National, not specialised	National, partly specialising to own label manufacturing	National, mostly specialising for own brand manufacturing	International, manufacturing mostly own brands

Source: Laaksonen and Reynolds (1994)

In addition, according to Baltas (2007)¹⁸, the categorization of private label products can be done according to the following strategic. By this criterion, three types are distinguished. The first type includes classic private label products that follow a similar strategy with branded products. Their prices are between 10-30% lower than those of the top brands. The strategy followed emphasizes on its basic use. These products have simple packaging, their advertising is limited, while the price and the quality are low. Finally, the third type refers to premium private label product that follow positioning strategy like the branded products¹⁹.

Finally, depending on the distribution network, the products are distinguished in private label sold under the name of the retailer and those with a specific brand name, sold only through a particular retail chain, but are not directly related to the or the brand of the retailer.²⁰

Strategies

There are three steps to a successful strategy: First, define the purpose of placing a private label on the market. For retailers their main purpose is to earn more profits, better image. Then find the supplier or distribution channel. It is very difficult to find a supplier, it could be a retailer or a manufacturer. Marks & Spencer and Tesco work together with both retailer or manufacturer, using the “*mix brand strategy*”. And final,

¹⁸ Baltas, G. and Argouslidis, P.C. (2007), Consumer characteristics and demand for store brands, *International Journal of Retail & Distribution Management*, Volume 35, Issue 5, 328-341.

¹⁹ Yelkur, R. (2000), Consumer perceptions of generic products: a Mexican study, *Journal of Product & Brand Management*, Volume 9, Issue 7, 446-456.

²⁰ Hoch, S.J. and Banerji, S. (1993), When do private labels succeed?, *Sloan Management Review*, Volume 34, 57-67.

recognize these products as different: in price and quality.²¹ Further private label strategy is to build loyalty in the store. If consumers are loyal to the store, they could be loyal to their own label. As a result, the private label must have the name of the store, such as Masoutis does with the “*Mr. Grand*” private label products. Another strategy is to offer low price at a high quality, to offer high quality products and to partner with reputable manufacturers.²²

National vs Private Labels

Customers choose and buy national brands because they trust them as high-quality products and they are faithful to them and to the retailer where they are sold. In addition, national brands spend much more money to advertise and promote themselves than private labels. For National Brands money is paid for raw materials, packaging, production, advertisement, promotion, distribution, but private labels have no obligation to advertise, promote, develop and research for a new product.²³ Sometimes retailers and supermarkets, in order to attract more customers, make discounts and offers, reducing their profit from national brands. And there are restrictions on the sale of branded products, manufacturers determine the price, location on the supermarket corridors and on the shelves. On the other hand, many private labels are sold only by a retailer, increasing loyalty to these products and profit, but it is necessary to create and build the image of the store.²⁴ Private labels could not spend money on promotion and advertisements and would be sold at low prices but in a high quality.

²¹ Peter J. McGoldrick (2003), *Retail Marketing*, McGraw-Hill Education, Second Edition, pp.345-357

²² Reynolds, Jonathan and Cuthbertson, Christine eds. (2004), *Retail Strategy: The View from the Bridge*, Elsevier Butterworth-Heinemann, Amsterdam, pp.29-33

²³KPMG (2000), *Customer Loyalty & Private Label Products*

²⁴ Michael Levy, Barton A. Weitz (2009), *Retailing management*, New York: McGraw-Hill Higher Education, 7th Edition, pp. 384-389

Steps to develop a private label product

Some retailers who sell a large number of private labels, are responsible for the design, promotion and production. On the other hand, private labels are sold by smaller retailers produced by national brands and manufacturers. First, retailers design, produce private labels and work with buyers to choose the best product. Subsequently, retailers have to decide who would be the manufacturer, responsible for producing these products. One option is the reverse auction, where there is a buyer and many producers. Producers compete with each other and retailers receive the best possible price. Another way is to seek suppliers worldwide, looking for low-cost working countries or free-trade countries free of duties and tariffs.²⁵

Product labels are manufactured by four categories of business:

1. Large production companies.
2. Small scale production enterprises focusing on PL production.
3. Large retailers and wholesalers.
4. Regional businesses producing private products label for a market.

Regulations in Europe

According to the independent public revenue authority²⁶: it is mandatory to list all the ingredients of the products, the name of the producer, the place of production or the place of provenance, nutritional ingredients and calories per portion. Directive 89/395 / EEC in Article 11 of the Food and Drinks Code states that the date of minimum durability, the instructions for use, the net weight of food and alcoholic beverages must be stated, with an alcohol content of at least 10%.²⁷

²⁵ Michael Levy, Barton A. Weitz (2009), *Retailing management*, New York: McGraw-Hill Higher Education, 7th Edition, 392-395

²⁶ Commission Regulation (EC) No 258/97 of the European Parliament and of the Council of 27 January 1997 concerning novel foods and novel food ingredients, 27 January 1997: <http://elib.aade.gr/elib/view?d=/gr/kan/1997/258/>

²⁷ Directive 89/395 / EEC with Article 11 of the Food and Drink Code: <http://tangara.gr/koinotikes/11.htm>

Positioning of brand labels

Private label products represent a large percentage of the supermarket sales. It is important to examine the positioning of private labels against national brands. For private label products the retailers are responsible for 4Ps, product, price, place, promotion. Retailers determine the positioning of the product, exterior features, size shape color and quality.

According to S. Chan Choi, A.T. Coughlan (2006),²⁸, one factor that determines the positioning of products is the quality, quality differentiation among and how consumers perceive this quality. If private labels have the quality to be compared to the national label, private labels will be placed in the minds of consumers as better quality as national brands. Another factor is the image, the product characteristics, the size the color, the package. Private labels copy the features of branded products, either packaging or flavor. Sometimes consumers preferences of national brands or private labels depending on the feature of the product and the quality they need. If it is important for them to buy a high-quality product or a product with the perfect taste or texture. And many times, they prefer both national and private brands according to differences in usage and taste. Sayman S., Hoch S J and Raju J S (2002)²⁹ determine that private labels are placed near branded products, at such a distance that they do not compete with each other in terms of price, when the profit is not high and when high quality is found in the category.

Retailers place national brand close to substitute products to increase the consumption of the second one. In the study of Morton and Zettelmeyer (2004)³⁰, there are two national brand and retailers are responsible to decide where to place a store brand. Retailers can replace the national brand with the lower sales and to introduce a store

²⁸ S. Chan Choi, A.T. Coughlan (2006), Private label positioning: Quality versus feature differentiation from the national brand, *Journal of Retailing* 82, pp. 79–93

²⁹ Sayman S., Hoch S. J. and Raju J. S. (2002), Positioning of Store Brands, *Marketing Science*, Vol. 21, No. 4 (Autumn, 2002), pp. 378-397

³⁰ FS Morton, F Zettelmeyer, (2004), The Strategic Positioning of Store Brands in Retailer–Manufacturer Negotiations, *Review of Industrial Organization* 24, Kluwer Academic Publishers, pp. 161–194

brand that imitate the national brand in a category of product with high profitability.
Retailers also place store brands for consumers who are price-sensitive.

Power of private labels

According to the Association of Private Label Manufacturers³¹, the market share of the brands has increased in recent years. Something that differs from product category and industry. There are many reasons and studies for the successful of private labels.

A very reasonable factor for the reputation of the private label is the economic crises. According to Nandan and Dickinson (1994)³², in economic crisis people look for an economical alternative product, but in economic growth they prefer branded products. In recent decades, there has been an increase in prices for brand name products that turn consumer preferences into private labels.³³ In addition, retailers have offered additional coupon reductions to attract consumers for branded products and, when there were no discounts, consumers have preferred the private label at lower prices.³⁴ Moreover, the quality of products is not very different and the consumers are only interested in the price since the quality does not differ. Hoch S.J. and Banerji S. (1993) and Sethuraman R. (1992)³⁵ claim that the economic crisis and the general macroeconomic features push consumers into lower-priced products on private labels. In addition, private labels have improved their quality and benefit from reputation and margin costs.

In the study of Batra and Sinha (2000)³⁶, a different category of products can give the reason why these products is so successful. In large categories, the profit margin is

³¹ <https://www.plmainternational.com/industry-news/private-label-today>

³² Nandan S, Dickinson R, (1994) Private Brands: Major Brand Perspective, *Journal of Consumer Marketing*, Vol. 11, Issue: 4, pp.18-28

³³ Nandan S, Dickinson R, (1994) Private Brands: Major Brand Perspective, *Journal of Consumer Marketing*, Vol. 11, Issue: 4, pp.19

³⁴ Nandan S, Dickinson R, (1994) Private Brands: Major Brand Perspective, *Journal of Consumer Marketing*, Vol. 11, Issue: 4, pp.19

³⁵ Hoch S.J. and Banerji S (1993), and Sethuraman R. (1992), cited in David E. Mills, (1995), Why Retailers Sell Private Labels, *Journal of Economics and Management Strategy*, Volume 4, Issue 3, pp. 509–528

³⁶ R Batra, I Sinha (2000), Consumer-level factors moderating the success of private label brands - *Journal of Retailing*, Vol. 76, No. 2 pp. 176-189

higher than on branded products. According to the survey, when the risk of a proper decision decreases, the product market is growing, especially when it comes to quality, the awareness and previous experience with the product. According to Richardson, Jain, and Dick (1996)³⁷ consumers preferences for private labels depend on demographic characteristics, age, income, gender, education, on perceptions about a category, on the awareness of a product category.

Another reason is the role of retailers. Retailers produce private label products sold in their stores or other stores. There are many reasons why retailers decide to sell private labels. Hoch S.J. and Banerji S (1993)³⁸ claim that consumers, retailers and manufacturers determine the success of private labels. Consumers seek for high quality products at low prices, retailers are responsible for offering products with the appropriate quality, manufacturers are the competition for private labels. David Mills (1995)³⁹ in his study deals with the relationship of producers and retailers in relation to brand names and private label products. Retailers improve their position in the marketplace by selling private labels instead of branded products. Manufacturers promote their products with advertising, but retailers with the lowest price. The elasticity of demand for the brand in the retail store are from one to four. The elasticity of the shops is small and indicates that they are not in perfect competition and there are some differences in pricing store and brand names products. Nandan and Dickinson (1994)⁴⁰ believe that if retailers want branded products in their stores, they must have a large number of them in stock and that is very expensive. Retailers plays an important role for Private Labels for many reasons. Firstly, when a product is offered only by a retailer, consumers are loyal not only to the product but also to the store. Additionally,

³⁷ Richardson, Paul S., Arun K. Jain, and Alan Dick (1996), Household Store Brand Proneness: A Framework, *Journal of Retailing*, 159–185.

³⁸ Hoch, S.J. and Banerji, S. (1993), When do private labels succeed?, *Sloan Management Review*, Volume 34, 57-67. 89-102

³⁹ David E. Mills, (1995), Why Retailers Sell Private Labels, *Journal of Economics and Management Strategy*, Volume 4, Issue 3, 509–528

⁴⁰Nandan S, Dickinson R, (1994) Private Brands: Major Brand Perspective, *Journal of Consumer Marketing*, Vol. 11, Issue: 4, 18-28

retailers are responsible for the image of their products, that they offer high quality products. And it is difficult to compare the retailer's own products with other products from other retailers or with national branded products and branded products that enable retailers to set prices in their own interest and respond to the increase prices of branded products. Moreover, retailers are closer to consumers, their needs and desires. And they can produce products with the same characteristics as brand names.

Retailers realize that the rise in the prices of national brands would give them the opportunity to gain more and more consumers. Retailers gain more and more power and profits become more experience in the field of private labels and they offer better products at high quality.

Response strategies of brands to Private Label products

Periodically, several authors have proposed theoretical models about competitive strategies that can be followed by brand manufacturers, so as to be limited the growing power of the private label products. One of the most well-known models is that developed by Stephen Hoch (1996). In particular, Hoch proposed five competitive strategies to maintain and increase the strength of branded products, namely: (1) wait and do nothing, (3) reduce the price gap, (4) formulate a "me-too" strategy, and (5) produce regular or premium private labels. These strategies are shaped in two dimensions. The first is the quality and the second, the price. ⁴¹

«Wait and do nothing»

According to the first strategy, companies producing branded products need to wait and do not make any changes of their strategic product, as any change can bring the desired results. This is because the strategy based on logic "wait and do nothing" are time consuming and costly, while the demand for private products is often short-term. In particular, Hoch's view is based on the assumption that there is a negative relationship between the disposable income of consumers and the demand for private products. So, when the economic conditions are favorable, and income is rising, demand for private products is decreasing. The opposite occurs when the economy is experiencing crisis. Consequently, companies that produce branded products prefer to maintain their strategies and to expect for changes in the economic environment rather than making radical changes and investments that may be reversible. However, there are risks such as loss of profit and loss of market share of brands, especially when retailers invest in increasing the quality of private products.⁴²

⁴¹ Hoch, S.J. (1996). How should national brands think about private label?, *Sloan management Review*, 37, 2, 89-102.

⁴² Hoch, S.J. (1996). How should national brands think about private label?, *Sloan management Review*, 37, 2, 89-102.

«Increase Distance from Private Labels»

According to the second strategy proposed by Hoch (1996) branded products should keep a distance from private label products. Distance can be achieved through price and or quality differentiation, in particular through the use of two practices, namely "new and improved" and "more for the money".

The first practice (new and improved) has a long-term character, helping the manufacturers to maintain and strengthen the position of branded products on the market (Kim 2006, 80). In other words, the goal is to be achieved a competitive advantage over private labels by introducing new or improved branded products. Improvements and innovations require higher quality and allow the increase of the prices. In this sense, branded products are formulated in the consumer's mind as superior quality products and the consumers are available to pay more to obtain them. The above, of course, presupposes that companies are constantly investigating the new market trends taking into account consumers' preferences.⁴³

On the other hand, the second practice (more for the money) suggests that companies producing branded products should keep their prices stable but increase the value of their products (Hoch 1996, according to Kim 2006, 78). This is based on the logic that high quality is a stronger factor influencing consumers' behaviour than price. Therefore, a product with improved quality but without price changes is of greater value to the consumer by preventing him from switching to private products. However, it is underlined that the decision to follow the "more for the money" practice depends on the product category. Quality is important when it comes to expensive and diversified products, while price is a key factor when it comes to essentials. Improvements can be made to the packaging, product features, image, etc.⁴⁴

⁴³ Hoch, S.J. (1996). How should national brands think about private label?, *Sloan management Review*, 37, 2, 89-102.

⁴⁴ Hoch, S.J. (1996). How should national brands think about private label?, *Sloan management Review*, 37, 2, 89-102.

«Reduce the price gap»

Since the prices of private label products are lower, branded companies could increase the market share of their products through the price reduction in order to narrow the gap. The main advantage is the increase of market share. However, there is always the risk that the price reduction will negatively affect the value and the image of the product.⁴⁵

«Me too strategy»

According to the “me too” strategy, companies that produce branded products imitate the strategies being followed for private label products. This strategy is appropriate when a brand product has lost a large market share and has no resources for improvement. Imitation may be a lower price or a reduction in quality in order to limit the power of private labels. Through the “me too strategy”, price competition is avoided, profit margins are increased, while premium image for the branded products is retained. Also, the use of this strategy helps branded products manufacturers to exploit their own excess capacity and economies of scale and experience. However, there are significant drawbacks, as large amounts of money are usually spent on promoting the new image of products, and there are often problems with distributors who may refuse to place the changed products on their shelves.⁴⁶

«Make Regular or Premium Private Labels»

The last strategy proposed by Hock is the business that produce branded products to collaborate with retailers and to produce private labels directly for them. In this way a significant reduction of costs of raw material, processing, distribution and promotion of the product can be achieved. This strategy creates a win-win situation between the manufacturer and retailer and strengthens their relationship. However, it hides several

⁴⁵ Hoch, S.J. (1996). How should national brands think about private label?, *Sloan management Review*, 37, 2, 89-102.

⁴⁶ Hoch, S.J. (1996). How should national brands think about private label?, *Sloan management Review*, 37, 2, 89-102.

risks. According to Quelch & Harding (1996) the most important disadvantage is that the organization's strategy becomes confused. In addition, practices can ultimately lead to an increase of the complexity of the product production and distribution processes and not to the reduction of costs.⁴⁷

Summarizing, none of the above strategies outweigh the others. Investigations about the market, the needs of the consumers and the characteristics of retailers producing private labels are necessary.

Finally, Steenkamp and Kumar of London⁴⁸⁴⁹ (2007) Business School proposed the following four strategies against private labels:

Fight selectively: when the brand wins private labels in niche marketing.

Partner effectively: collaboration between manufacturers and retailers, by producing for retailers to promote the sales of the retailer and protect their brand.

Innovate brilliantly: with new products to maintain their share in the market.

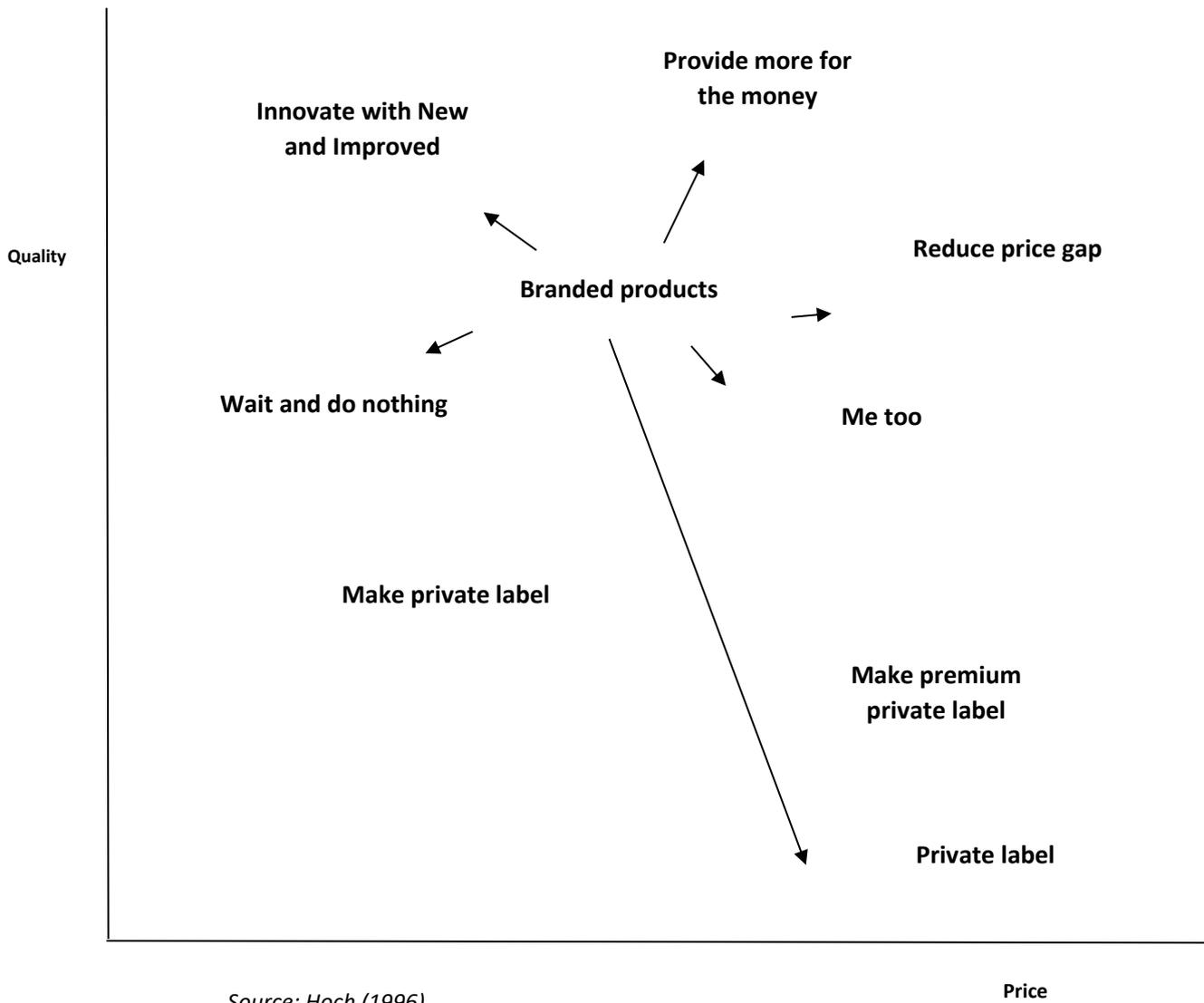
Create winning value propositions: to guarantee that the price is equal to the quality.

⁴⁷ Hoch, S.J. (1996). How should national brands think about private label?, *Sloan management Review*, 37, 2, 89-102.

⁴⁸ Kumar, N. & Steenkamp E.M, J-B (2007), Private Label Strategy: How to Meet the Store Brand Challenge, *Harvard Business Review Press*, 461

⁴⁹ Kotler, Philip and Keller, Kevin Lane (2007), *Marketing Management*, 14th edition Prentice-Hall of India Private Limited, 461

Figure 1: Hoch's Strategies for The National Brand Manufacturers



Attitude toward Private Labels Products

The concept of “attitude” has been studied extensively. However, there seems to be no commonly accepted definition.⁵⁰ One of the first definitions was given by Allport⁵¹, according to which “*attitude is a mental or neural state of readiness, organized through experience, exerting a directive or dynamic influence on the individual’s response to all objects and situations to which it is related*”. Today, the most researchers follow the definition of Katz⁵² which proposed that “*an attitude is the predisposition of the individual to evaluate a particular object in a favourable or unfavourable manner*”.

The consumer's intention to buy a private label product is significantly influenced by its attitude to this category of products.⁵³ For this reason, many research studies focus on consumer attitudes about private label products. Indicatively, according to Jaafar et al. (2011)⁵⁴, attitudes are influenced by both internal (confidence and familiarity with the product) and external factors (perceived economic situation of the consumer). In more detail, trust is linked to the value that the consumer gives to private label products. The value is expressed by the price-benefit. As confidence increases, the more positive is the attitude.⁵⁵ Also, as the consumer feels more familiar with the private label product, the more positive the attitude is. Familiarity is created when there is positive previous

⁵⁰ Chaiklin, Harris, (2011), Attitudes, Behavior, and Social Practice, *The Journal of Sociology & Social Welfare*, Volume 38, Issue 1, 31-54

⁵¹ Allport, G.W., (1935), cited in Vishal, Jain, 2014, 3D Model of Attitude, *International Journal of Advanced Research in Management and Social Sciences*, Volume 3, Issue 3, 1-12

⁵² Katz, (1960), cited in Byrka, K., (2009), Attitude-behavior consistency Campbell's paradigm in environmental and health domains, *Schouten Graduate School of User-System Interaction Research*, 2

⁵³ Chaniotakis, I.E., Lympelopoulou, C. & Soureli, M., (2010). Consumers’ intentions of buying own-label premium food products, *Journal of product and Brand Management*, Volume, 19, Issue, 5, 327-334

⁵⁴ Jaafar, S., Lalp, P. & Naba, M. (2011), Consumers’ Perceptions, Attitudes and Purchase Intention towards Private Label Food Products in Malaysia, *Asian Journal of Business and Management Sciences*, Volume 2, Issue 8, 73-90

⁵⁵ Broadbridge, A. & Morgan, H.P. (2001), Retail-brand baby-products: what do consumers think?, *Brand Management*, Volume 8, Issue 3, 196-210

experience with similar products. If there are negative experiences, then the attitude is negative.⁵⁶

On the other hand, the economic situation and the income of consumers also affects their attitude towards private labels. Consumers with limited income are trying to save their money and have a more positive attitude towards private label products. In addition, private label consumers are more prone to price.⁵⁷

The product category characteristics also affect the attitudes of consumers. In detail consumer attitudes are more positive when the private label product is more complexity, have quality variance and low price.⁵⁸

It is important to be note that earlier researchers suggest^{59 60} that consumers perceive private label as products with lower price, but inferior in terms of quality, appearance, taste, variety of choice, attractiveness. However, in recent years, companies have adopted major changes in strategy, launching private label products with higher quality and pricing those products at the same level as the competing. This changed the consumer attitudes, which became more positive.

Concerning the attitudes of consumers about private label products, Baltas (1997)⁶¹ suggest that private label shopper has been identified as price sensitive but not

⁵⁶ Chaniotakis, I.E., Lympelopoulos, C. & Soureli, M., (2010), Consumers' intentions of buying own-label premium food products, *Journal of product and Brand Management*, Volume 19, Issue, 5, pp. 327-334

⁵⁷ Baltas, G. (1997), Determinants of store brand choice: a behavioral analysis, *Journal of Product and Brand Management*, 6(5), 315-324

⁵⁸ DelVecchio, D. (2001), "Consumer perceptions of private label quality: the role of product category characteristics and consumer use of heuristics, *Journal of Retailing and Consumer Services*, 8(5), 239–249

⁵⁹ Bellizzi, J. A., Hamilton, J.R., Krueckeberg, H.F. & Martin, W. S. (1981), Consumer perceptions of national, private and generic brands, *Journal of Retailing*, Volume 57, 56-70.

⁶⁰ Cunningham, I. C. M., Hardy, A. P. & Imperia G. (1982), Generic brands versus national brands and store brands, *Journal of Advertising Research*, Volume 22, 25–32

⁶¹ Baltas, G., Doyle, P. & Dyson, P. (1997), A model of consumer choice for national vs store brands, *Journal of the Operational Research Society*, Volume 48, Issue 10, 988-95

promotion sensitive. High importance has been found regarding the familiarity with the product. Moreover, Guerrero et al. (2000)⁶² suggest that consumers perceive private label products as reliable, different from producer brands and as product that have value for money.

⁶² Guerrero, L., Colomer, Y., Guardia, M. D., Xicola J., Clotet, R. (2000), Consumer attitude towards store brands, *Food Quality and Preference*, Volume 11, Issue 5, 387-395.

Factors affecting purchasing preferences for Private Labels

Demographic factors

The demographic characteristics of consumers (age, education, income, ethnicity, etc.) are important factors which influence their purchasing decisions for private label products.⁶³ Below are presented the results of several studies that investigate the impact of demographic factors on the purchasing preferences for private label products.

Walsh et al. (2012)⁶⁴ argued that the majority of the consumers choose branded products because they consider them of higher quality. Nevertheless, the researchers observe that over the past years the quality of the private label products has improved significantly and thus they are preferred by a growing number of consumers. The sample of the research was composed by more than 600 participants and personal interviews were conducted. The study reached to the conclusion that age affects the consumers' intention to buy private label products because it moderates their perceptions regarding the quality of the product.

Analytically, Dick et al.⁶⁵ (1995) suggest that older people do not like and do not trust private label products as opposed to those under 45 years who are most loyal buyers. According to the research of ACNielsen (2005)⁶⁶, the age of consumers who buy private label products varies depending on the geographical area in which they reside, since in America, young people prefer private label, while in Asia, these products are preferred

⁶³ Omar, O.E. (1996), Grocery Purchase Behaviour for National and Own-Label Brands, *Service Industries Journal*, Volume 16, 58-66

⁶⁴ Walsh, G., Shiu, E. & Hassan, L.M. (2012), Investigating the drivers of consumer intention to buy manufacturer brands, *Journal of Product and Brand Management*, Volume 21, Issue 5, 328 – 340

⁶⁵ Dick, A.S., Jain, A.K. & Richardson, P.S. (1995), Correlates of store brand proneness, *Journal of Product & Brand Management*, Volume 4, Issue 4, 15-22.

⁶⁶ ACNielsen (2005), The Power of Private Label, A Review of Growth Trends Around the world, Executive News Report from ACNielsen Global Services, 1-12

by older people. On the other side, in Europe, usually middle ages buy private label products.

On the other side, Zhou et al. (2012)⁶⁷ focused on the private labels products of the pharmaceutical industry in China and observed that age is not a factor that influences the consumers' intention. In particular, the researchers studied a sample of 230 participants and they reached to the conclusion that age, as well as the gender, the annual income and the health condition of the participants, do not affect their intention to buy a private label product, since it was mostly influenced by the perceived quality of the product. In addition, Kenning et al. (2011)⁶⁸ focused on the private label products of the food retail sector. The study was conducted on a sample of 300 consumers, while a questionnaire was used as a research tool. Researchers reached to the conclusion that the age and the gender did not influence the price recognition for the private label products.

On the other hand, there is a negative relationship between education level and the likelihood of purchase private label products.⁶⁹ Sethuraman & Cole⁷⁰ (1999) agree with this, while they found that consumers with higher incomes and / or more educated are distinguished by lower sensitivity to price and are more willing to pay more to buy branded products.

⁶⁷ Zhou, Z., Xue, Y. & Ping, Q. (2012), Private label drugs in China: The consumer perspective, *International Journal of Pharmaceutical and Healthcare Marketing*, Volume 6, Issue 2, 124 – 139

⁶⁸ Kenning, P., Hartleb, V. & Schneider, H. (2011), An empirical multi-method investigation of price knowledge in food retailing, *International Journal of Retail and Distribution Management*, Volume 39, Issue 5, 363 – 382

⁶⁹ Hoch, S. J. (1996), How should national brands think about private labels, *Sloan Management Review*, 89-102

⁷⁰ Sethuraman, R. & Cole, C. (1999), Factors influencing the price premiums that consumers pay for national brands over store brands, *Journal of Product & Brand Management*, Volume 8, Issue 4, 340-51

Moreover, Glynn & Chen (2009)⁷¹ also investigated the factors that influence the consumers' purchasing behavior towards private label products. The researchers reached to the conclusion that the demographic characteristics, such as the annual income, the educational level and the number of the family members moderate the consumers' intention to buy private label products. Thus, they observed that the intention to purchase private label products is mostly influenced by other factors, such as the perceived quality and the brand loyalty.

Regarding the size of the household, the multimember households (5 and more members) spend most of their money in private label products than households with fewer members. Married consumers are also more potential buyers of private label products than unmarried or divorced / widowed. Households with high income are less likely to buy private label products than middle-income households.⁷²

In addition, Kuhar & Tanja (2008)⁷³ focused on the purchasing attitude towards the private label products of the consumers in Slovenia. The researchers reached to the conclusion that the consumers prefer private label products because of the lower price and they also observed that the annual income and the number of the family members influence significantly the consumers' intention to purchase private label products.

Furthermore, Hsu & Lai (2008)⁷⁴ investigated the factors that influence the purchasing behaviour towards the private label products focusing on the consumers in China. In particular, the study focused on the Chinese food sector taking into consideration that it is developing rapidly over the past years. The researchers concluded that factors such

⁷¹ Glynn, M.S. & Chen, S. (2009), Consumer-factors moderating private label brand success: Further empirical results, *International Journal of Retail and Distribution Management*, 37 (11), 896 – 914

⁷² Dick, A.S., Jain, A.K. & Richardson, P.S. (1995), Correlates of store brand proneness, *Journal of Product & Brand Management*, Volume 4, Issue 4, 15-22

⁷³ Kuhar, A. & Tanja, T.I.Č. (2008), Attitudes towards private labels - Example of a consumer sensory evaluation of food in Slovenia *Acta Agriculturae Slovenica*, Volume 91, Issue 2, 379 – 390

⁷⁴ Hsu, H.-C. & Lai, C.-S. (2008), Examination of factors moderating the success of private label brands: A study of the packaged food market in China, *Journal of Food Products Marketing*, Volume 14, Issue 4, 1-20

as the low annual income influence negative the price consciousness of the participants and thus their purchasing attitude towards private label products.

Also, Mandhachiatara et al. (2007)⁷⁵ observed that the private label products are mostly preferred over the national products by the consumers with lower annual income. In addition, the researchers argued that the consumers with lower educational level consider that the private label products are of low quality. Similarly, Jones and Mustiful (1996)⁷⁶ studied the social and the demographic factors that influence the purchasing behaviours of the consumers in the U.S.A. towards the private label products. The researchers observed that higher income was associated with inelastic demand towards the private label products.

Finally, Kalyanam & Putler (1997)⁷⁷ argued that various sociodemographic factors influence the consumers' intention to purchase private label products. The researchers argued that the factor that mostly influences the consumers' intention to purchase private label products is the annual income. Thus, they argued that the consumers of lower annual income tend to purchase private label products, contrary to the consumers of high income that tend to purchase national brands.

From the above it is observed that the socio - demographic characteristics affect consumer preferences for private label products. For example, low-income consumers are turning to these products. This seems perfectly reasonable, since private label products are usually in low price. Additionally, older consumers and the very young who do not have steady work also opt for private label products and perhaps again due to limited income. Regarding the educational level, the results differ because some studies

⁷⁵ Mandhachitara, R., Shannon, R.M. & Hadjicharalambous, C. (2007), Why private label grocery brands have not succeeded in Asia, *Journal of Global Marketing*, Volume 20, Issue 2 – 3, 71 – 87

⁷⁶ Jones, E. & Mustiful, B.W. (1996), Purchasing behavior of higher- and lower-income shoppers: A look at breakfast cereals, *Applied Economics*, Volume 28, Issue 1, 131 – 137

⁷⁷ Kalyanam, K. & Putler, D.S. (1997), Incorporating demographic variables in brand choice models: An indivisible alternatives framework, *Marketing Science*, Volume 16, Issue 2, 166 – 181

conclude that highly educated people prefer private label products, while other studies reaching opposite results. Perhaps the issue here depends on the category of the private label product. Finally, families with many members also buy private label products and perhaps again because they have increased revenues. It is noted, however, that some of the research studies do not prove that social - demographic affect consumer preferences for private label products. According to these studies, the factor which is important is the quality of the products. This shows that consumer attitudes are changing with time and turning to the best quality.

Psychographic factors

Apart from the socio - demographic characteristics, psychographic characteristics, such as the product's perceived quality, the perceived value for money, the brand loyalty, the past purchases are also important. More specifically, Bettman (1973)⁷⁸ through his research concluded that lower perceived risk and greater familiarity are associated with the market trend for private label products. Livesey & Lennon (1978)⁷⁹ agree with this view supporting that attitudes of consumers toward private label products are affected by their experience, as well as by the different marketing practices, the different consumers' needs and the perceived risk.

Similarly, Dick et al. (1996)⁸⁰ recognized the intimacy, the perceived quality, the perceived risk, the perceived value-for-money as factors that affect the market trend for private label products.

⁷⁸ Bettman, J.R. (1973), Perceived risk and its components: a model and empirical test, *Journal of Marketing Research*, Volume 10, 184-90

⁷⁹ Livesey, F. & Lennon, P. (1978), Factors affecting consumers' choice between manufacturer brands and retailer own labels, *European Journal of Marketing*, Volume 12, Issue 2, 158-70.

⁸⁰ Dick, A. S., Jain, A. K. & Richardson, P. S. (1996), How consumers evaluate store brands, *Journal of Product & Brand Management*, Volume 5, Issue 2, 19-28

According to Baltas (1997)⁸¹, personal involvement of the consumer in the purchase process of a product can be an important factor in understanding the reasons for which consumers choose a brand against another product and thus to understand the purchasing behavior of consumers for private label products. Thus, private label products that are considered to be low involvement are more likely to be accepted by consumers as there is little differentiation between the different alternatives offered, low perceived risk. On the other side, private label products belonging to categories considered high involvement are less likely to be accepted by consumers.

Also, consumers with specific requirements of the product category do not prefer private label products. These consumers are willing to pay more money for brand products.⁸² Furthermore according to Baltas (2003)⁸³, consumers who buy large quantities of a particular product category (heavy users) are more likely to switch to a more economical solution, which results in significant economic benefit.

On the other side, according to Sethuraman & Cole (1999)⁸⁴, as the perceived difference in quality between branded products and private label products is increased, so consumers prefer branded products. Dick et.al. (1995),⁸⁵ suggest that consumers buy brands when they believe that private label products offer lower grade, containing less reliable components and have lower nutritional value (for food) than branded products. The assessment of the quality of consumers depends largely on the degree of influence

⁸¹ Baltas, G., Doyle, P. & Dyson, P. (1997), A model of consumer choice for national vs store brands, *Journal of the Operational Research Society*, 48 (10), 988-95

⁸² Sethuraman, R. & Cole, C. (1999), Factors influencing the price premiums that consumers pay for national brands over store brands, *Journal of Product & Brand Management*, 8 (4), 340-51

⁸³ Baltas, G. (2003), A combined segmentation and demand model for store brands, *European Journal of Marketing*, 37(10), 1499-1513

⁸⁴ Sethuraman, R. & Cole, C. (1999), Factors influencing the price premiums that consumers pay for national brands over store brands, *Journal of Product & Brand Management*, 8 (4), 340-51

⁸⁵ Dick, A.S., Jain, A.K. & Richardson, P.S. (1995), Correlates of store brand proneness, *Journal of Product & Brand Management*, 4 (4), 15-22.

they have on external (extrinsic or hedonic cues) or internally-functional product characteristics (intrinsic cues).

Coelho et al. (2013)⁸⁶ focused on the case of the private label technology products, such as smartphones. The researchers observed that there is a continuous increasing demand for the specific type of products over the past years. The study concluded that the main factors that influence the consumers' intention to purchase private label products is the perceived quality and the price.

Similarly, De Wulf et al. (2005)⁸⁷ also argued that the perceived quality of the private label products influences the purchasing preferences. The study was realized on a sample of 225 consumers and it focused on the private label food products and the national branded food ones. Thus, the researchers argued that the consumers choose the private label products over the national brand because they consider them more tasteful and of better quality, while at the same time they are available at lower price.

Bao et al. (2011)⁸⁸ investigated the influence of the perceived risk and the familiarity of the consumers towards a private label product on their purchasing intentions. The researchers reached to the conclusion that the risk aversion and the product familiarity affect positively the consumers' purchasing attitude towards private label products. On the contrary, Olson (2012)⁸⁹ observed that the perceived quality regarding the private label products and the national brands is insignificant. Thus, it is argued that there are no perceptual gaps regarding these two types of products since the consumers' purchasing attitude is mostly influenced by the products image.

⁸⁶ Coelho, D.C., Meneses, R.F.Ch. & Moreira, M.R.A. (2013), Factors influencing purchase intention of private label products: The case of smartphones, *Lecture Notes in Business Information Processing*, 143, 313-321

⁸⁷ De Wulf, K., Odekerken-Schröder, G., Goedertier, F. & Ossel, G.V. (2005), Consumer perceptions of store brands versus national brands, *Journal of Consumer Marketing*, 22 (4), 223 – 232

⁸⁸ Bao, Y., Sheng, S., Bao, Y. & Stewart, D. (2011), Assessing quality perception of private labels: Intransient cues and consumer characteristics, *Journal of Consumer Marketing*, 28 (6), 448 – 458

⁸⁹ Olson, E.L. (2012), Outing the supplier: Implications for manufacturers and retailers, *Journal of Product and Brand Management*, 21 (1), 47 – 52

In addition, Park et al (2011)⁹⁰ investigated the influence of the private label product's image on the consumers' purchasing behaviour taking into consideration the consumer familiarity. The researchers concluded that the consumer familiarity and the image of the private label product influence positively the consumers' purchasing intention.

Also, Pepe et al. (2011)⁹¹ investigated the association between the customer loyalty and the purchasing preferences towards private label products and reached to the conclusion that the consumers purchase a grand variety of products, including private label products and national brands. Thus, they suggested that brand loyalty does not affect significantly their purchasing behaviour.

Nevertheless, McNeil and Wyeth (2011)⁹² observed that the quality of the private label grocery products has been improved significantly over the past years and thus a growing number of consumers purchase them. Thus, the consumers in New Zealand do not consider the private label products of low quality and they are motivated to purchase them. Finally, the study concludes that the consumer behaviour is mostly influenced by the product category and thus they do not pay attention on whether a product of a specific category is private labelled or national branded. In addition, the researchers take into consideration the different types of risks included in each product category.

Moreover, Perkowski (2010)⁹³ suggested that the purchasing behaviour towards the private label products is mostly influenced by their packaging. In particular, the researcher focused on the modern technologies used to package the products and reached to the conclusion that the package influences the perceptions of the consumers regarding the quality and the functionality of the private label products. The study

⁹⁰ Park, J.Y., Park, K. & Dubinsky, A.J. (2011), Impact of retailer image on private brand attitude: Halo effect and summary construct, *Australian Journal of Psychology*, 63 (3), 173 – 183

⁹¹ Pepe, M.S., Abratt, R. & Dion, P. (2011), "The impact of private label brands on customer loyalty and product category profitability, *Journal of Product and Brand Management*, 20 (1), 27 – 36

⁹² McNeill, L. & Wyeth, E. (2011), The private label grocery choice: Consumer drivers to purchase, *International Review of Retail, Distribution and Consumer Research*, 21 (1), 95 – 109

⁹³ Perkowski, F. (2010), Smart packaging, *Paperboard Packaging*, 95 (2), 8-11

concluded that the modern packages used for the private label products satisfy the consumers' needs and they choose them over the national brands.

Moreover, Olson (2012)⁹⁴ argued that the purchasing attitude towards the private label products is mostly affected by the consumers' knowledge regarding the characteristics of the product. The study reached to the conclusion that the consumers who have full or better knowledge of the products' specification will develop a better perception regarding both the private labelled and the national branded products. In addition, the researcher took into consideration various categories of products and brands and thus he suggested that the purchasing preferences are highly associated with the knowledge regarding the private label products specifications.

Similarly, Pepe et al. (2012)⁹⁵ argued that the price of the private label products does not affect their demand, which is mostly influenced by the available knowledge regarding their specifications. Therefore, it is suggested that the companies focus on providing more information to the consumers so as to increase the demand of the specific category of products.

Finally, private label products are an extension of the image of the store. Therefore, the image of the store can be considered a significant predictor of consumer attitudes toward private label products of the store. Specifically, the atmosphere of the store affects the evaluation of the quality of private label products in store by consumers. Instead, the evaluation of national brands is not affected by the atmosphere of the store.⁹⁶

⁹⁴ Olson, E.L. (2012), Outing the supplier: Implications for manufacturers and retailers, *Journal of Product and Brand Management*, 21 (1), 47 – 52

⁹⁵ Pepe, M.S., Abratt, R. & Dion, P. (2012), Competitive advantage, private-label brands, and category profitability, *Journal of Marketing Management*, 28 (1-2), 154 – 172

⁹⁶ Dick, A. S., Jain, A. K. & Richardson, P. S. (1996), How consumers evaluate store brands, *Journal of Product & Brand Management*, 5 (2), 19-28

In conclusion, from the studies which refer to the psychological factors that influence the purchase decision for private label products is revealed that the price is important, but no longer dominant factor as in the past. Specifically, consumers are now very aware of the alternatives choices that have mainly through access to the internet. Therefore, the requirements are increasing and so does the importance of factors other than price, such as quality, packing and image of private label products. This indicates a mutation in the market for such products and the need for development and improvement. Finally, it is important to note the characteristics of private label products play an important role, while most studies also show that with increasing of confidence in the product and the reduction of perceived risk, the more positive are the attitudes of consumers.

The impact of economic crisis on the demand for Private labels

Greece

Since the eruption of the Eurozone crisis in late 2009, Greece has plunged into deep recession. Austerity measures increased taxes on income and property, sales taxes rose from 19% to 23%,⁹⁷ and the tax-free threshold for income was lowered significantly. Salaries, especially public-sector salaries and pensions, were significantly reduced, in some cases as much as 30%.⁹⁸

More specifically, in 2014 GDP increased by 0.4%, in 2015 decreased by 0.2% and in 2016 there were no changes.⁹⁹ (Table 2) The private consumption expenditure decreased in the years of recession as presents in the Table 3.¹⁰⁰ Household consumption expenditure of EU Member States in 2016 was in Greece 67.8% (Table 4).¹⁰¹ In Greece, there is a big rate of unemployment during the last years according to the Table 5¹⁰². In October 2017 the unemployment was 0.7 %.¹⁰³ In 2017, According to Greek statistics Authority ELSTAT the first quarter of 2017 the Gross Domestic Product (GDP) increased by 0.4% in comparison with the decrease of 0.1% of the fourth quarter of 2016. ¹⁰⁴

⁹⁷ http://www.sginetwork.org/2017/Policy_Performance/Economic_Policies/Taxes/Tax_Policy

⁹⁸ Busch K., Hermann C., Hinrichs K. and Schulten T. (2013), Euro crisis, austerity policy and the European Social Model. How crisis policies in Southern Europe threaten the EU's Social Dimension, Friedrich-Ebert-Stiftung, Berlin, 12,18

⁹⁹ http://ec.europa.eu/eurostat/statisticsexplained/index.php/National_accounts_and_GDP

¹⁰⁰ European Commission, (March 2012), *The Second Economic Adjustment Program for Greece*, Economic and Financial Affairs, 85

¹⁰¹ http://ec.europa.eu/eurostat/statisticsexplained/index.php/National_accounts_and_GDP

¹⁰² European Commission, (March 2012), *The Second Economic Adjustment Program for Greece*, Economic and Financial Affairs, 15

¹⁰³ http://ec.europa.eu/eurostat/statisticsexplained/index.php/Unemployment_statistics

¹⁰⁴ http://www.statistics.gr/en/statistics?p_p_id=documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4IN&p_p_lifecycle=2&p_p_state=normal&p_p_mode=view&p_p_cacheability=cacheLevelPage&p_p_col_id=column-2&p_p_col_count=4&p_p_col_pos=1&documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4IN javax.faces.resource=document&documents_WAR_publicationsportlet_INSTANCE_qDQ8fBKKo4IN

Table 2: Real GDP growth, 2006-2016 (%) in Greece

	2009	2010	2011	2012	2013	2014	2015	2016
GDP	-4.3	-5.5	-9.1	-7.3	-3.2	0.4	-0.2	0.0

Source: Eurostat

Table 3: Private consumption expenditure at annual change %

Annual Change%	2009	2010	2011	2012	2013	2014
Private consumption expenditure	-1.3	-3.6	-7.2	-5.7	-1.1	0.9

Source: European Commission, The economic adjustment program for Greece

Table 4: Household consumption expenditure as a portion of GDP at current market price (%)

	2006	2011	2016
Greece	62.4	67.6	67.8

Source: European Commission, The economic adjustment program for Greece

Table 5: Unemployment rate (percent of labour force)

	2009	2010	2011	2012	2013	2014
Greece	8.9	11.7	15.9	17.9	17.8	16.7

Source: European Commission, The economic adjustment program for Greece

The attitude of Greek consumers

According to ICAP survey¹⁰⁵, private label products have grown significantly in recent years in Greece as they become more familiar to consumers with the most competitive

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¹⁰⁵http://startupgreece.gov.gr/sites/default/files/07_%CE%9A%CE%9B%CE%91%CE%94%CE%99%CE%9A%CE%97%20%CE%A0%CE%91%CE%A1%CE%9F%CE%A5%CE%A3%CE%99%CE%91%CE%A3%CE%97_%C

price, quality and packaging. Between 2007 and 2011, the domestic private label product market has grown by 11% and was estimated to be around € 2,590 million. More and more private labels are sold, and sales of branded products vary, depending on the category of private label products. At the same time, it is observed an effort by branded products to maintain or even increase their sales with discounts and offers.

SymphonyIRI¹⁰⁶ reports that in 2012 private label sales increased in category products: animal feed, frozen food, non-alcoholic beverages and standardized foods. Private labels in Greece are on average 45% cheaper than national brands because of the significant increase in sales of national products over the past five years. According to the "Kathimerini"¹⁰⁷, in 2013 the consumption of private products was doubled. Greece presents the smallest percentage in consumption; however, the retailers have increased their investment in these products over the last few years by seeing the opportunity presented to them. By pointing out the percentage of private labels in the shops of the companies Marinopoulos SA and AB. Vasilopoulos reaching 20%. In 2015 they showed growth to 53.9% in value and 40% in volume. The price difference between private label and branded products is 49.2%.¹⁰⁸

In 2017 private label sales have declined (15.7%). Most sales come from frozen, non-alcoholic, personal care and homecare products.¹⁰⁹ According to Institute of Retail Trade in Consumer Goods, supermarkets offer to Greek consumers products on average at a much lower price. In a survey conducted in Greece, England, France, Spain and Portugal in July 2017, the average price of the baskets shows that all four countries have a more

[E%A0%CE%A1%CE%9F%CE%AA%CE%9F%CE%9D%CE%A4%CE%91%20%CE%99%CE%94%CE%99%CE%A9%CE%A4%CE%99%CE%9A%CE%97%CE%A3%20%CE%95%CE%A4%CE%99%CE%9A%CE%95%CE%A4%CE%91%CE%A3.pdf](#)

¹⁰⁶ <http://www.april.org.ro/images/fisiere/e956e55db36dc359182411c64798433e.pdf>

¹⁰⁷ Dimitra Manifafa (2013), Δημητρα Μανιφαβα, *Διπλασιάστηκε η κατανάλωση προϊόντων ιδιωτικής ετικέτας σε πέντε χρόνια*, Η ΚΑΘΗΜΕΡΙΝΗ, 19/2/2013, Available:

<http://www.kathimerini.gr/481209/article/oikonomia/ellhnikh-oikonomia/diplasiasthke-h-katanalwsh-proiontwn-idiwtikhs-etiketas-se-pente-xronia>

¹⁰⁸ <http://foodbusiness.gr/iri-xamhllh-h-anaptyjh-tvn-private-label-sthn-ellada/>

¹⁰⁹ <http://www.april.org.ro/images/fisiere/e956e55db36dc359182411c64798433e.pdf>

expensive basket than Greece, 22% Spain, 39% France, 29% England, 14% Portugal.¹¹⁰ Annual consumer survey shows that consumers buy based on price and the quality. More specifically, 41% based on price and 35% based on quality, while in 2016 39% and 29% respectively.¹¹¹ Sales of frozen and dairy products increased and there is an increase in sales of branded products 1.1%, while a decrease of Private Labels -0.2%¹¹²

According to the research conducted by the Athens University of Economics and Business, published by Kathimerini¹¹³, 11.1% of the respondents consider that private label products are better than brand names, 66.3% identical to brand names, 91.3% (84% last year) have a better price. In 2011, 21.5% of the products purchased by the consumer are private label, in 2016, 31.5%, and in 2017, 28.3%. Therefore, there is a reduction in the consumption of these products due to the offers and discounts made by supermarkets for branded products. In the same research Baltas points out that not only the economic crisis but also the increase in the categories of private labels has led to an increase in their consumption.

Private Label products in Greece

In the 1980s, the first retailers introduce in the market high quality products with their name are Veropoulos and Marinopoulos.¹¹⁴ "Galaxias" imported private label products into the market in 1988.¹¹⁵ Since 1999, Lidl has been offering private label products to the Greek consumer. local producers and suppliers have their products exclusively for

¹¹⁰ <http://www.ielka.gr/?p=2244>

¹¹¹ <http://www.ielka.gr/?p=2164>

¹¹² https://www.iriworldwide.com/IRI/media/IRI-Clients/International/State-of-the-Nations_Greece-2017-Q3.pdf

¹¹³ Dimitra Manifafa (2013), Δημητρα Μανιφαβα, *Ψωνίζουσι και επώνυμα και με ιδιωτικό σήμα*, Η ΚΑΘΗΜΕΡΙΝΗ, 14/8/2017, Available: <http://www.kathimerini.gr/922500/article/oikonomia/ellhnikh-oikonomia/ywnizoyn-kai-epwnyma-kai-me-idiwtiko-shma>

¹¹⁴ <http://news247.gr/eidiseis/weekend-edition/veropoylos-ta-prwta-200-xronia-einai-duskola.3459550.html>

¹¹⁵ <https://www.5ae.gr/%CE%95%CF%84%CE%B1%CE%B9%CF%81%CE%B5%CE%AF%CE%B1/%CE%99%CF%83%CF%84%CE%BF%CF%81%CE%AF%CE%B1>

Lidl Hellas: olive oil, meat, wines and others. For example, Kolios produces dairy products, GALPO, (ΓΑΛΠΟ) only for Lidl.¹¹⁶ Today, almost every supermarket provides private label products either by their own name or by the name of another retailers. Greek retailers who offer private labels are AB Vassilopoulos, Masoutis, My Market and Sklavenitis.

Masoutis provides 3 private label categories: a) *“Mr. Grand”* b) traditional products *“Masoutis from our place”* by local producers c) Organic Farming Products *“Bio Masoutis Options”*¹¹⁷.

AB Vasilopoulos another supermarket offering its own private label products 13 product categories: *“AB close to the Greek Land”*: olive oil, beans, flour, nuts, honey, olives, rice. *“AB selection”*: products from pure raw materials. *“AB”*: rich variety in food, refrigerated products, cheeses, sausages, soft drinks, detergents, stationery and cleaners. *“AB Fresh to go”*: packaged meats. *“fish AB fresh to go”*, *“fruits and vegetables AB fresh to go”*. *“AB you’ll love”*: ready-made meals, prepared sandwiches, fresh pizzas and salads. *“AB think bio”*: organic products. *“AB think nutria”*: lactose-free milk, a series of yogurt with bifidus bacteria, gluten-free products, juices with extra vitamins. *“AB think eco”*: eco-friendly detergents, stationery. *“AB kids”*: products for kids, pasta, juices, baby toothpaste, shampoos and bubble baths. *“365”*: products for everyday use. *“Care”*: beauty products, body care, clothing.¹¹⁸ Its prices according to Konstantinos Macheras, general manager at Alfa-Beta Vassilopoulos are similar to the prices of Dia and Lidl.¹¹⁹

¹¹⁶ <https://www.lidl-hellas.gr/el/poikilia.htm>

¹¹⁷ <http://www.masoutis.gr/PrivateLabel>

¹¹⁸ <https://www.ab.gr/products>

¹¹⁹ Reynolds, Jonathan and Cuthbertson, Christine eds. (2004) *Retail Strategy: The View from the Bridge*, Elsevier Butterworth-Heinemann, Amsterdam, 291-297

The supermarkets “Greek Markets” provides different categories of private label: oils, sausages, cheese, legumes, rice, for breakfast, grocery, frozen, ice cream, coffee, household, paper, cosmetics, detergents, cleaners, pasta.¹²⁰

The supermarket “Cash & Carry Metro” and the “My Market” have in their shops private label products with the names of other retailers. There are 3 categories: “ALTA” for Foods and “PAPPY” for non-food products. Products of pure Greek raw materials “ELECTED FLAVORS” and “Best Price” the cheapest prices.¹²¹

“Market In” supermarkets launch private labels with two names “Daily” and “Economy”.¹²² “Greek Group supermarket chain” (ELOMAS) presents 3 categories of private label: a) “quality line”: food, non-food, refrigeration and freezing products, kava, animal feed b) “economy”: food, non-food at the best price. c) “fancy brands”: food, non-food. “Jumbo” was established in 1986, it was selling only toys. Today Jumbo produces many kinds of products: baby items, stationery, seasonal products and household items.¹²³

A different phenomenon is observed in the Greek market, several companies sell private label products and place them in supermarkets. Suppliers and producers cooperate with “Global Synergy Buying Group SA” to sell their products to supermarket distribution channels: groceries, refrigerators and freezers, cans, stationery, detergents, feed, snacks.¹²⁴ These products can be found at “Discount Markt” and at a mini market. Another company is “KALAS GROUP quality products” In addition to the products it produces, it also operates in the production of private label products on behalf of its associates. It produces both salty products, salad products, mustard, ketchup,

¹²⁰ <http://www.ellinikamarket.gr/tms/index.php/proionta-idiotikis-etiketas-katigories>

¹²¹ <https://www.mymarket.gr/Proionda/Idiotiki-etiketa.aspx>

¹²² http://www.market-in.gr/daily_items

¹²³ https://www.e-jumbo.gr/i-etairia/profil-etaireias_213716/

¹²⁴ <http://www.gsbuyinggroup.gr/el/>

mayonnaise and dressing for wholesale and retail chains.¹²⁵ “Paper Heart” supplies AB Vassilopoulos, Sclavenitis, Metro, Galaxias, Veropoulos, Market In, JUMBO with stationery products.¹²⁶

¹²⁵<http://www.kalas.gr/el/branded-products/private-label-products.html>

¹²⁶<http://paperheart.gr/%CF%80%CF%81%CE%BF%CF%8A%CE%BF%CE%BD%CF%84%CE%B1-%CE%B9%CE%B4%CE%B9%CF%89%CF%84%CE%B9%CE%BA%CE%B7%CF%83-%CE%B5%CF%84%CE%B9%CE%BA%CE%B5%CF%84%CE%B1%CF%83/>

Conclusions

Private label products are growing rapidly and have become increasingly popular with consumers. Over the years, they have evolved and have the form they are today, innovative high-quality products. There are many reasons for the reputation of private labels. The economic crisis makes consumers switch to cost-effective alternatives. Retailers become more experienced, benefit from economies of scale and produce high quality products. And consumers preferences for private labels that depend on demographic and psychographic characteristics. Private labels could not spend money for promotion and advertisements and would be sold at low prices but in a high quality. Strategy for private labels: is to build loyalty in the store, to offer low price at a high quality.

National brands in order to respond to the development of the private label follow strategies: wait for changes in the economic environment, make improvements or introduce innovative products, decrease their prices, imitate the strategy of private label, cooperate with retailers.

Consumers' intention to buy private labels are influenced by attitude toward these products. Influenced by internal or external factors such as the trust-value of the product, familiarity, previous positive experience, economy and income, product category, high quality, low prices. Factors that affect purchasing decisions for private label are demographics and psychographic. For the demographic factor, age, income, education level, number of family members, low prices and quality moderate consumers' intention to buy private labels. For the psychological factors, price no longer plays an important role in the purchasing decision for private labels, but the quality, the image of the store, consumer familiarity and knowledge of the characteristics of the products affect positively the decision for private labels. The factors which are more important are the quality and the price of the products.

According to the study private label products have grown significantly in recent years in Greece. After the economic crisis of 2009 the sales of private labels increased significantly. Today, almost every supermarket provides private label products either by their own name or by the name of another retailers. Most sales come from frozen, non-alcoholic, personal care and home care products. In 2017 private label sales are down. This is because supermarkets offer products at a much lower price than before and make discounts on branded products.

Further research could study why private label sales have declined in Greece in recent years.

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Appendix

Table 1: Four generations of private labels

	1 st generation	2 nd generation	3 rd generation	4 th generation
Type of brand	Generic No Name Brand Free Unbranded	“Quasi-brand” Own label	Own brand	Extended own brand,
Strategy	Generics	Cheapest price	Me-too	Value-added
Objective	Increase margins Provide choice in pricing	Increase margins Reduce manufacturer’s power by setting the entry price Provide better- value product (quality/ price)	Enhance category margins Expand product assortment, i.e. customer choice Build retailer’s image among consumers	Increase and retain the client base Enhance category margins Improve image further Differentiation
Product	Basic and functional products	One-off staple lines with a large volume	Big category products	Image-forming product groups Large number of products with small volume (niche)
Technology	Simple production process and basic technology lagging behind market leader	Technology still lagging market leaders	Close to the brand leader	Innovative technology
Quality/image	Lower quality and inferior image compared to the	Medium quality but still perceived as lower than leading manufacturers’	Comparable to the brand leaders	Same or better than brand leader Innovative and different products

	manufacturers' brands	brands Secondary brand alongside the leading manufacturer's brand		from brand leaders
Approximate pricing	20 % or more below the brand leader	10-20 % below	5-10 % below	Equal or higher than known brand
Consumers' motivation to buy	Price is the main criterion for buying	Price is still important	Both quality and price, i.e. value for money	Better and unique products
Supplier	National, not specialised	National, partly specialising to own label manufacturing	National, mostly specialising for own brand manufacturing	International, manufacturing mostly own brands

Source: Laaksonen and Reynolds (1994)

Table 2: Real GDP growth, 2006-2016 (%) in Greece

	2009	2010	2011	2012	2013	2014	2015	2016
GDP	-4.3	-5.5	-9.1	-7.3	-3.2	0.4	-0.2	0.0

Source: Eurostat

Table 3: Private consumption expenditure at annual change %

Annual Change%	2009	2010	2011	2012	2013	2014
Private consumption expenditure	-1.3	-3.6	-7.2	-5.7	-1.1	0.9

Source: European Commission, The economic adjustment program for Greece

Table 4: Household consumption expenditure as a portion of GDP at current market price (%)

	2006	2011	2016
Greece	62.4	67.6	67.8

Source: European Commission, The economic adjustment program for Greece

Table 5: Unemployment rate (percent of labour force)

	2009	2010	2011	2012	2013	2014
Greece	8.9	11.7	15.9	17.9	17.8	16.7

Source: European Commission, The economic adjustment program for Greece

Figure 1: Hoch's Strategies for The National Brand Manufacturers

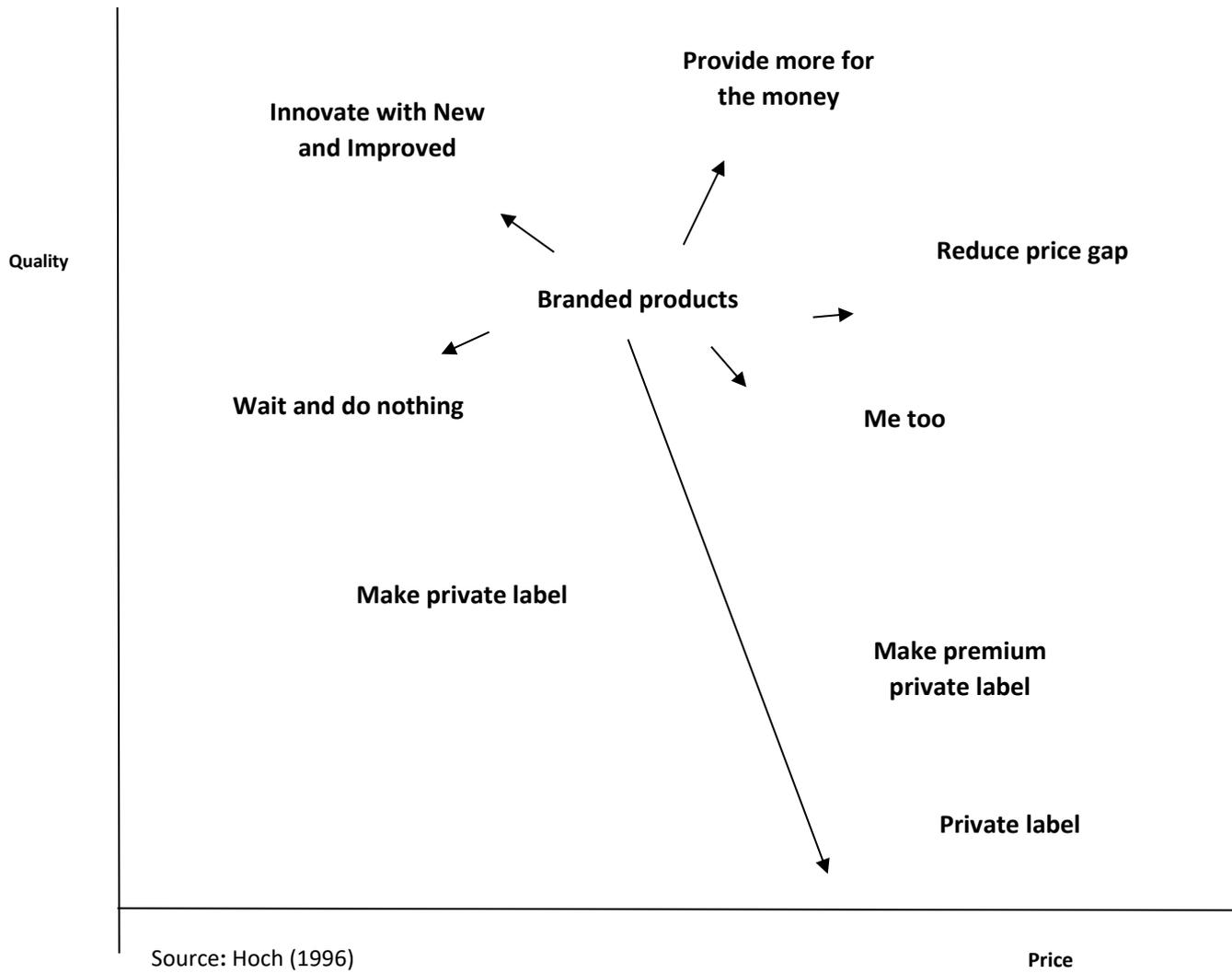
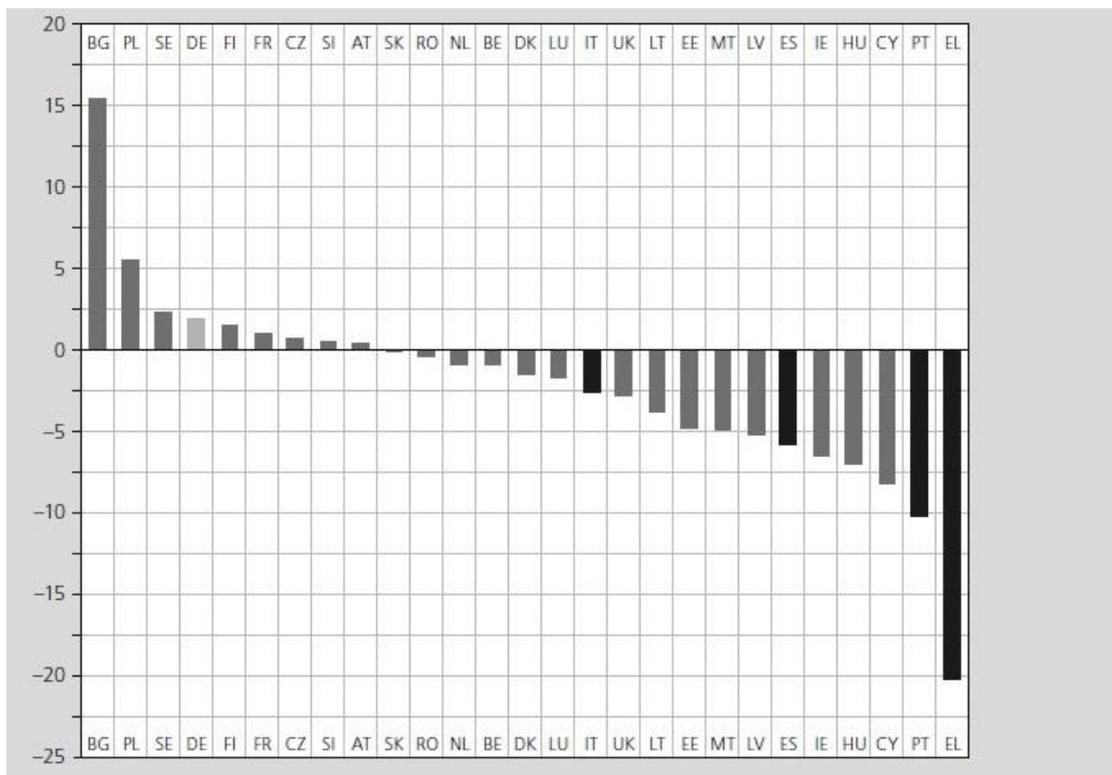
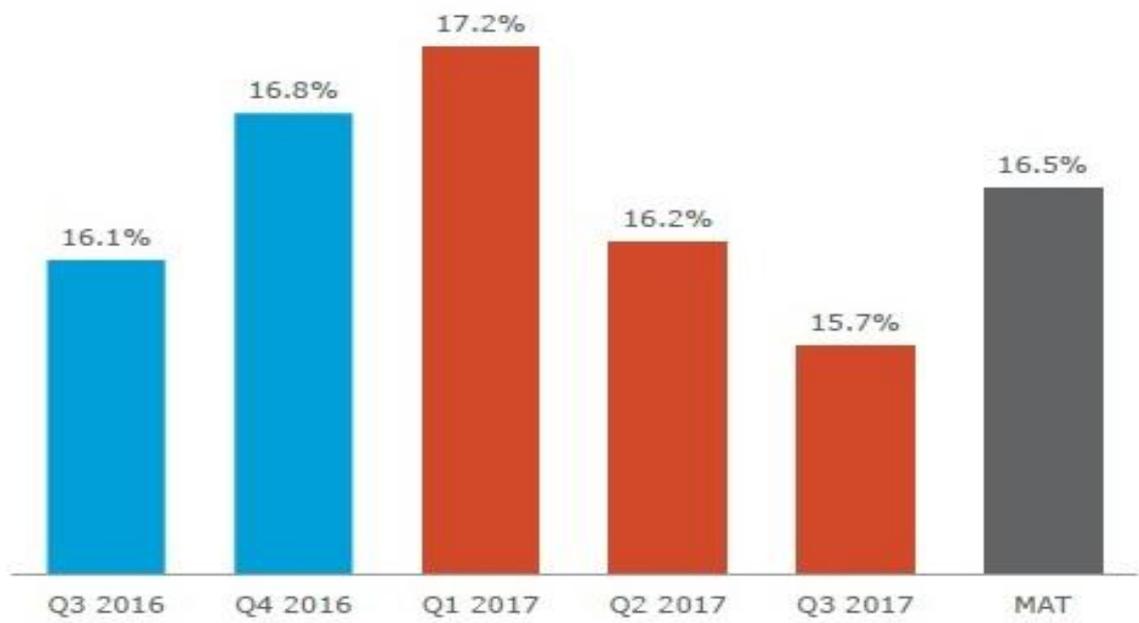


Figure 2: Development of real wages in the EU, 2010–2012 (%)



Source: INTERNATIONAL POLICY ANALYSIS

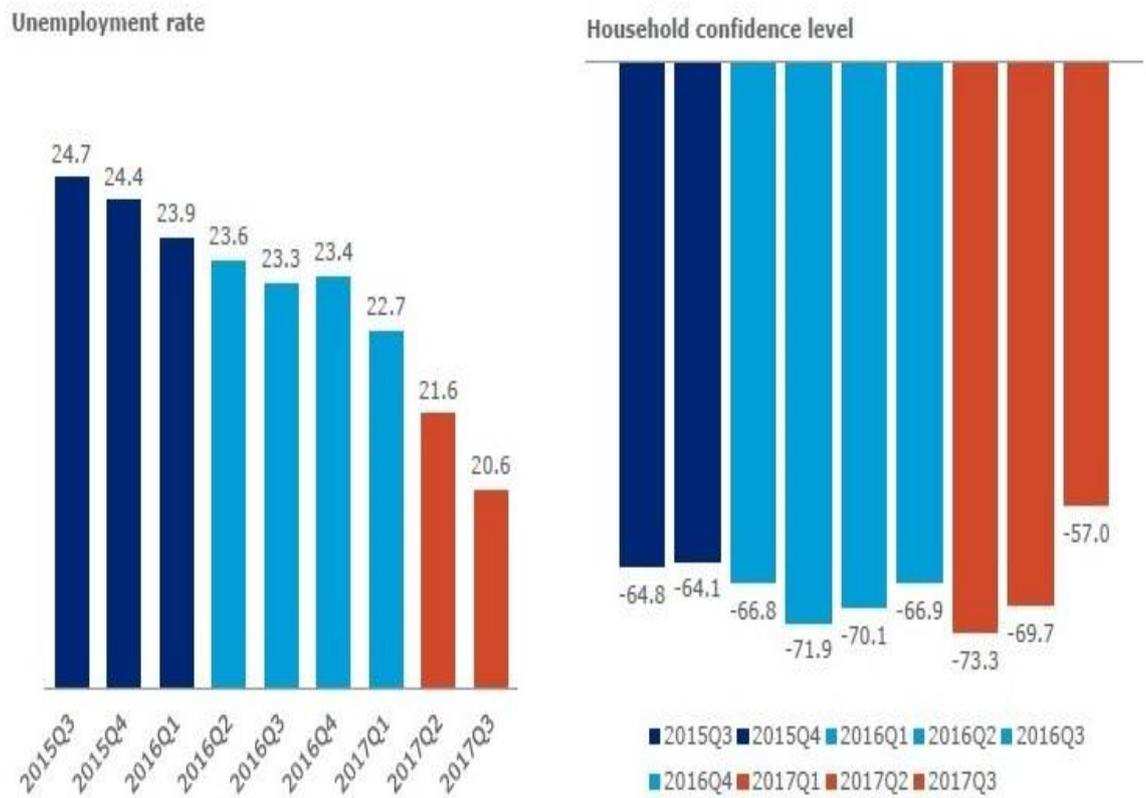
Figure 3: Total FMCG (Fast-moving consumer goods) private label market share, in %, in Greece



Source: IRI

Note: Q1, first quarter

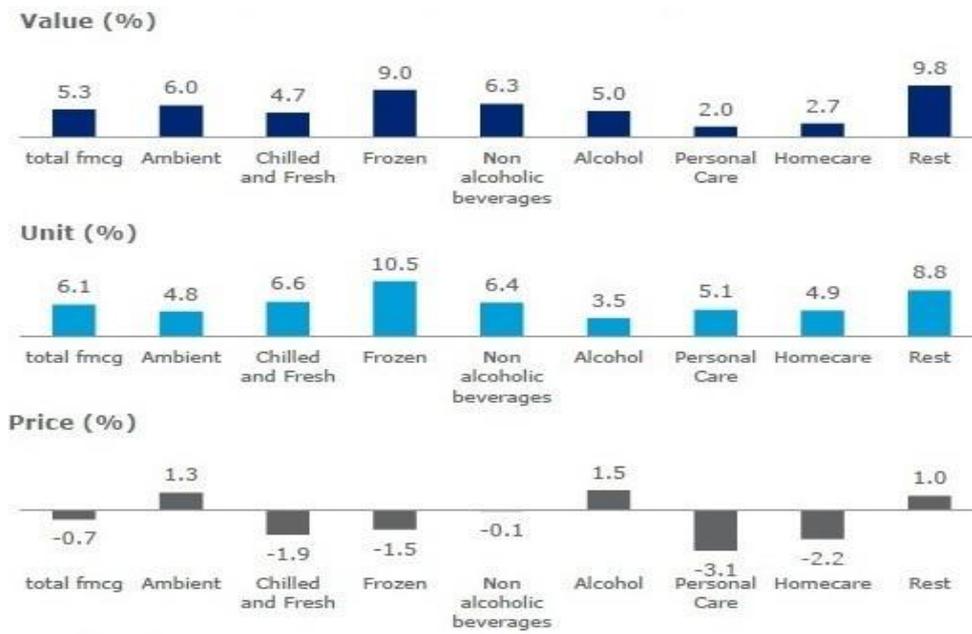
Figure 4: Unemployment rate and household confidence level in Greece



Source: IRI

Note: Q1, first quarter

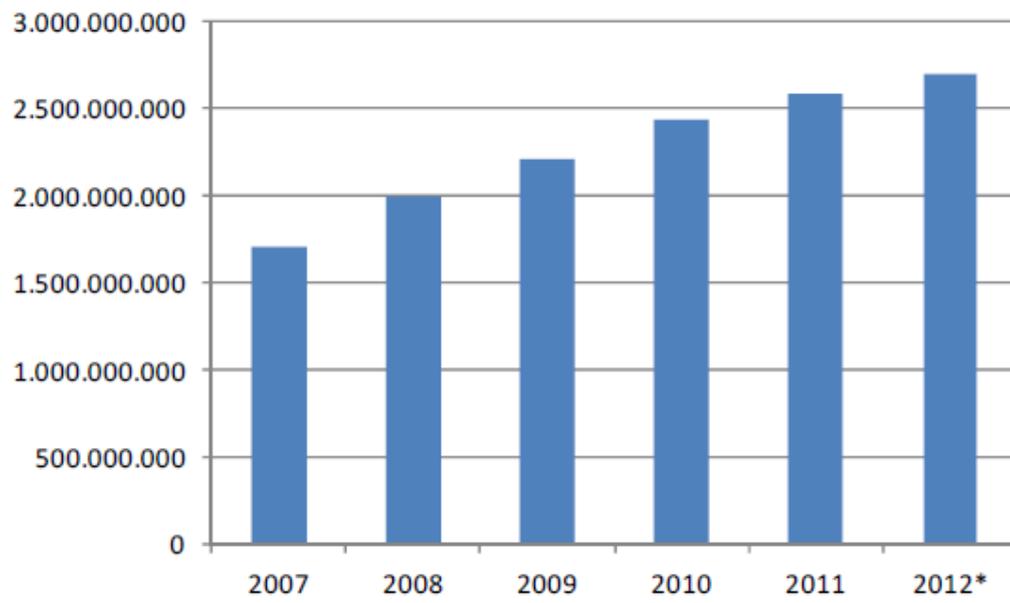
Figure 5: Categories value, volume and price evolution in % in Greece



Source: IRI

Note: Q1, first quarter

Figure 6: Total Purchase Value of Private Label Products (2007-2012) at €



*prediction

Source:ICAP

