

Private brand – differentiating concept and source of stimulation of the Romanian retail trade

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Abstract. *Recent studies show the importance of the private brand in the stimulation of retail sales. This paper has three main scopes: to evaluate the consumers' attitude towards the retailers' private brand according to the satisfaction and loyalty levels; to show the role of private brands in the consumers' preferences; and to identify the key factors of success in private brands commerce. The authors have selected the descriptive method, the questionnaire, by performing a survey among the loyal customers of four Metro Cash and Carry stores, which represent a representative sample. The final conclusion is that the private brand is the cornerstone completing the puzzle game on a strongly competitive consumer market.*

Keywords: private brand, retail, quality-price ratio, merchandizing, loyalty program.

JEL Classification: D49, L22, L81, M3, O12.

Introduction

In the current global context, when the economic recession tends to prolong, with repercussions on the quality of life, and the competition in retail sales has reached the highest peak ever, the durable criteria approach of trade activities has become a must. Consumer market segmentation is currently considered the “breath of life” resuscitating the final distributors through innovative and competitive levers.

This paper aims to analyze the consumer’s behaviour towards the retail traders’ private brands and the impact that the private brand may have on the sales volume. The scope of this paper is to present the results of the study performed by the authors, in the sense of the evaluation of the interest shown by customers towards the retailers’ private brand products ranges and of the determining factors which had an important contribution in the last few years to the transformation of private brands into competitive means, not just in large distribution networks, but also between them and large producers.

In order to identify the variables which are necessary for the research, we made a synthetic presentation of opinions of the specialized literature and we have highlighted the phase of the knowledge of the utilized concepts. The scope of this approach was to create a fusion between the existing scientific opinions in the field and the trade practices developed up to the present.

The retail trade science is governed by the multiple models and directions. Thus, Mc Nair (1958), Hollander (1966), Davidson, Bates and Bass (1976) studied the evolution of *en detail* sale forms and referred to the need to permanently introduce innovative concepts in this extremely dynamic field, in order to generate revenue margins (Hirschman, 1978; Filser, 1984) and new market niches.

During the last years, at the same time as the start of the global crisis, we have witnessed profound mutation at international level, which contributed to the development of new commercial technologies and caused changes in the power ratio between various retail trade forms (Barth and Anteblian, 2011). We are witnessing a structural transformation of the consumer market architecture, through the exploitation of the interests of all classes of clients or purchase occasions (Haan, 2011). Girod (2003) showed that brand consolidation has a special role in building the company image in the field of retail trade. Renowned paper and research authors in the field (Kumar and Steenkamp, 2013) believe that promoting sales through the retailers’ private brand, anchored in a permanently innovative activity, may create the greatest success, because in this manner offer is fully adapted to needs (Lamey et al., 2007), in order to attract new clients and conquer new markets. Recent studies performed in the developed European countries evidence the increasing importance that important retailers give to the promotion and diversification of their private branded products offer (Moati and Rochefort, 2008).

The research performed in this paper starts from the studied specialized literature, from the conclusion of elaborate studies in the field of retailers’ private brands, which were performed in the markets of developed countries (Canada, France, Belgium, Austria) or by various international renowned networks of retailers, specialized items and opinions from the management of economic entities in this field in Romania.

The questions for which the authors sought answers refer to the perception which the clients have on the private brand products of the retailer and the proportion in which these products are adequate for the consumers' needs. The results of this analysis confirm the tendency evidenced at global level (Evans, 2011), that in the last few years we witness an important increase in the demand for private brand products, implicitly, a modification of the sales structures for retailers, this being the reason for which large retailers focus more on this commerce niche. Among the main factors contributing to the change in the consumers' tastes we can enumerate: the purchase power, the quality/price ration, the discount policy, the exclusive character of certain private brand products, the promotional policy, merchandising and the visibility of this category of products in the sales area or the sale of products of superior quality compared to the producers' brands. On the other hand, most of the important "trading coaches" have very clear procedures regarding the merchandising of their private brand and policies for the stimulation of the private brand products sales, as levers for attracting and building customer loyalty, as "players" in an extremely dynamic and competitive market.

1. General aspects regarding the retailers' private brand

On a long term perspective, the retail trade evolution is marked by profound transformations, shown as a succession of phases in time (Chevalier and Mayzlin, 2007). History has proven that, during periods of economic turbulences, sustainable innovative concepts are tested and adopted, followed by medium to long periods of perfecting them, by refining and adapting them to the conjecture conditions.

Occurring as a need of the retailers to build customer loyalty through products which cannot be distributed through other store networks, but also due to the manufacturers' desire to ensure a certain volume of activity in the production cycle, retailers' private brands have registered an unprecedented evolution (Evans, 2011), being perceived in the last few years as "saviours" of the crisis situation. In trade, the private brand is considered the opponent of the producer's brand and refers to products or items sold under the name of the retail stores, which owns them.

The phenomenon of private brands trade, which appeared at the middle of the 20th century, has developed visibly during the last ten years and, with the onset of the financial crisis which spread to global level; it became a mass interest phenomenon for the large retailers, for the manufacturers and the consumers. A new type of relationship is growing between demand and offer (Kapferer, 2005), more "relational" than "transactional", centred around building customized solutions, adapted to the increasing segmented needs. These days, the saturated markets, which have become hyper-competitive, the clientele of each retail network has become valuable patrimony, which must be protected and valued.

2. Why the private brand?

Known in the specialized literature under the names "marque maison", "private label" or "store brand", the private brand is a distinguished sign through which the characteristics of a product are defined by a store or store network, in their capacity as sole owner of the brand under which the product is sold. There are few situations when the private brand

products are manufactured by the trading company itself; in most of the cases, they are manufactured by industrial or agricultural producers (Dupré and Gruen, 2004). Despite the success of the retailers' private brand (RPB), it is accepted that distributors are strongly dependent on manufacturers, and for this reason the traders "must develop a policy of real partnership with the suppliers" (Kapferer, 2002). No victory can be declared either for manufacturers or for traders in the battle between each other (Bergès, Bontems and Requillart, 2009), because there can be no clear delimitation between the importance of the producers' brand and that of the retailer's brand, and, during the sales process, usually one sustains the other.

Together with the increased diversity of the offer and the needs, various critical opinions appeared against the exclusive beliefs which centred the commercial businesses only on costs and margins (Davidson, Bates and Bass, 1976). The consumers are more and more involved and exigent, which nowadays is expressed by the responsible consumption concept (Lecompte, 2006); they expect added value also at the level of the relationship with the retailer in the field of commercial service. The development of new business models in the recent years, adapted to the new market architectures, has also influenced the strategic policy of large traders, who valorised their operational activity through the increased importance given to their private brands.

3. The advantages of private brand products trade

The relational triangle manufacturer – trader – consumer appears in the private brand trade, and there is a series of advantages for each operational side.

For the *large traders*, among the main advantages we may specify:

- The private brand ensures an important *differentiation* between the large retailers, because the sold products are customized and cannot be found in any other retail network. The neighbouring stores cannot speculate price advantages at any moment. The table below presents some of the most important private brands promoted by the retail networks in Romania:

Table 1. Retailers' private brands

Hypermarket	Private brands portfolio
Carrefour	Nr. 1, Carrefour, Tex, Reflets de France
Metro Cash and Carry	Horeca Select, H Line, Rioba, Aro, Fine Food, Sigma
Auchan	Auchan, Mieux Vivre Environment, Rik and Rock, Mmm, Mieux Vivre Bio, In extenso
Cora	Cora, Winny, Tradiția Gustului
Mega Image	365, Bio, Care, Delhaize, Eco, Gusturi românești, Le Boucher
Billa	Clever, My
Kaufland	K-Classic
Penny Market	Boni, Karat, Top Appetit
Lidl	Pilos, Baconi, Combio

Source: adaptation from <http://incomemagazine.ro/articole/ce-se-ascunde-in-spatele-marcilor-propriei-din-hypermarketuri>, October 27.2015.

- The private brand *creates consumer loyalty* because, once they become accustomed to a product, they will always come back to the same retail network to buy it. Loyal clients represent approximately a third of the total number of consumers, but the private brand also represents a source for attracting new clients.

- Since the private brand products are usually manufactured by the large producers of known brands (e.g. Albalact, Napolact, Kandia, Bunge, Dobrogea etc.), *the quality* of these products is very close to that of national brand products (the manufacturers' products).
- Although the producers/suppliers are approximately the same for both categories of brands (the producer's and the trader's) and the quality is approximately similar, the private brands allow the retailers to set lower prices than for the producers' brands, at least for the following reasons:
 - The supply volume is very large, therefore the negotiating power compared to the producers is great, allowing them to obtain important discounts.
 - The significantly larger volume of private brand flow compared to producers' brand allows the stores to sell products at lower prices and this on one hand, stimulates sales, even if the profit margin per unit is lower, and, on the other hand, the costs are lower, because the volume of expired, damaged or improper for sale products is lower.
 - The private brand products are generally cheaper, because many promotion and sales costs of the producers' brands are reduced: publicity, branding, in store sampling, promotional competitions, merchandizing, etc. For private brand products, the traders take care of all forms of promotion and their expenses are significantly lower.
 - Most of the times, private brand products “cut out” the middle man and, implicitly, supplementary costs.
- The private brand products are targeted at people with limited budgets (“economical” products), but also at “pretentious” consumers, because the main retailers sell their private brands in different quality/price classes. However, for the same quality, researches show that, compared to known brands, the private brand products are up to 40% cheaper. During the last years, consumers have had the option to choose high quality and premium private brand products; many of these products do not have an equivalent on the market (exclusivity).
- The merchandizing of private brand products has become a “science” for the retailer, being based on clear procedures of positioning the products in the sales area and on the shelves. The traders have the advantage of placing their private brands next to national brands, without the need for an excessive promotion to inform the clients, who are already familiarized with the product groups.
- The private brand consolidates the position of the distributors in relation to the producers and suppliers, which involves a greater purchase power and an increase in the profit margins. This policy is completed perfectly by the discount policy, leading to an improved retailer-client relation and an increase in the sales volume.
- Due to the quality-price advantages, the clearance speed of these products is faster, thus reducing the risk of large stocks expiration, therefore the profitability of this commercial segment is higher than producers' branded products, despite of the large discounts offered to the clients.

For the *producers*, the main advantages consist in:

- The possibility for economic growth, because delivering products to retailers for sale under a private brand represents an opportunity to extend the business, respectively, to grow the production volume based on certain orders and pre-contracts.
- Avoiding interruptions in activity and reducing the expenses generated by lack of orders.
- Balancing the profitability indicators, through an optimal sizing of the operational activity and through the permanent control of the quality/price ratio, adapted to the demand.
- Reducing the expenses for promoting the products sold under the producer's national brand, under the conditions imposed by the excessive offer or supra-saturation of the market.
- Lack of obligation to associate the name with a low quality product.

For the *consumers*, as end users of the private brand products, therefore, the central elements of the economic cycle, the advantages are:

- They can purchase a product of the same quality as the producer's national brand for a much better price.
- They benefit from a very diversified offer (distributor's private brand and producer's brand).
- They can use and benefit from the price advantage, especially during times of economic crisis defined by a decreased purchase power.
- They can benefit from the supplementary effect of the competition between the private brand and the producers' brand (through continuous discounts, prizes, vouchers, supplementary services, etc.).
- They generate a positive effect on the population's welfare.
- The diversification of the private brand offer covers almost all the categories of food and non-food needs.
- They can find at least a solution to satisfy a need in line with the allocated budget.
- They are safe from the risk of significant losses, because the prices within the same store network vary very little from one store to another.

4. Case study concerning the consumers' position towards the retailers' private brand

4.1. Research methodology

The research method used in the elaboration of the case study was the investigation based on a questionnaire, which in our opinion is created as "a set of questions, well organized and structured" (Havârneanu, 2000) with the purpose of obtaining answers which allow us to formulate documented conclusions for the opinions stated in the first part of this paper. The questionnaire included 25 questions, out of which 22 questions specific to the research theme and 3 questions to help build the respondent's profile. The sample consisted of 80 persons, clients of Metro Cash and Carry Company. In order to formulate accurate conclusion on the research results, we selected four Metro stores, two situated in Bucharest, one in Bacau and one in Brasov. The sample consisted of 77.5% women and 22.4% men. For the majority of the respondents, the frequency of purchases from Metro Cash and Carry network is weekly, bi-monthly or monthly (94%).

The questions of the questionnaire aimed to obtain answers regarding:

- The proportion of purchases from large retailers.
- The monthly average value of the purchases.
- The structure of periodic purchases of the sample per categories of retailers.
- The degree of familiarity with the main retailers' private brands.
- The budget allocated for purchases from Metro Cash and Carry stores.
- The private brand products ratio from the total purchases.
- The structure of private brand purchases per groups of products.
- The influence of prices of the decision to buy private brand products.
- The quality/price ration for private brand products, compared to producers' products.
- The impact of the purchase power on the decision to buy private brands.
- The role of the promotional policy on the decision to purchase private brands.
- The role of merchandizing and the impact of offering discounts for private brand products on customer loyalty.
- The frequency of defects, low quality or non compliance compared to the producer's brand, etc.

The questionnaires were interpreted by using the statistical method and analogical models.

The analysis focused on the opinion of traditional customers of Metro Cash and Carry with regard to the perception and the position of the private brand of the store in the consumer's preference. The questions, most of them closed ones, had 3-6 short answer options. In the following pages, we will interpret and present the main conclusions of the performed research.

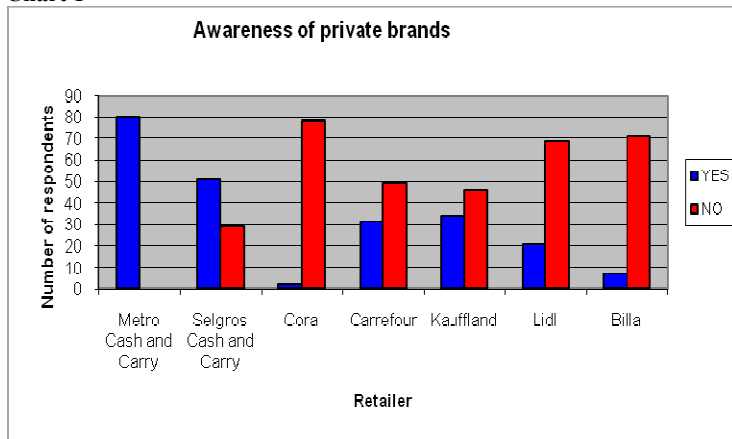
4.2. Research results

In order to analyze the degree of familiarity with the private brands of the main store networks, seven known retailers in the area of the locations involved in the analysis were specified in the questionnaire: Metro Cash and Carry, Selgros Cash and Carry, Cora, Carrefour, Kaufland, Lidl, Billa (Table 2). The structure of the answers can be visualized in Chart 1, attached to the table. All the customers in the sample know that private brand of Metro Cash and Carry, a natural answer, since the sample was created from the retailer's clients. As it can be observed, the private brands of the competitive stores are known in various proportions. The second position is taken by Selgros Cash and Carry, which is a normal tendency, since most of the interviewed clients are professionals in the field of retail.

Table 2. *Are you familiar with the private brands of the large stores?*

Retailer	Yes	No
1. Metro Cash and Carry	80	0
2. Selgros Cash and Carry	51	29
3. Cora	2	78
4. Carrefour	31	49
5. Kaufland	34	46
6. Lidl	21	59
7. Billa	7	73

Chart 1

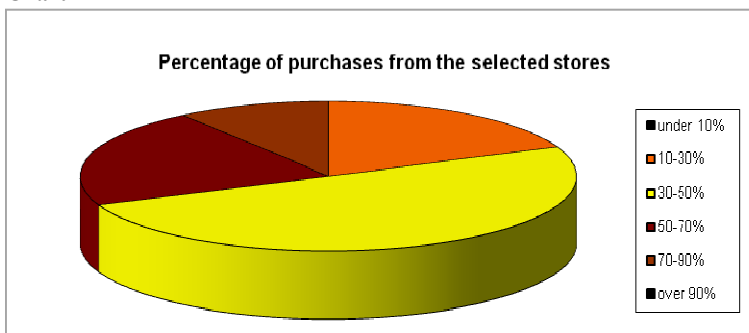


In order to have an image of the degree of relevance of our study, we considered interesting to evaluate in what degree the clients in our sample are loyal to large stores.

Table 3. *How frequently do you buy monthly from large retailers?*

Percentage of total purchases	Number of answers	%
under 10%	0	0
10-30%	15	18.75
30-50%	40	50
50-70%	17	21.25
70-90%	8	10
over 90%	0	0
<i>Total answers</i>	80	100

Chart 2

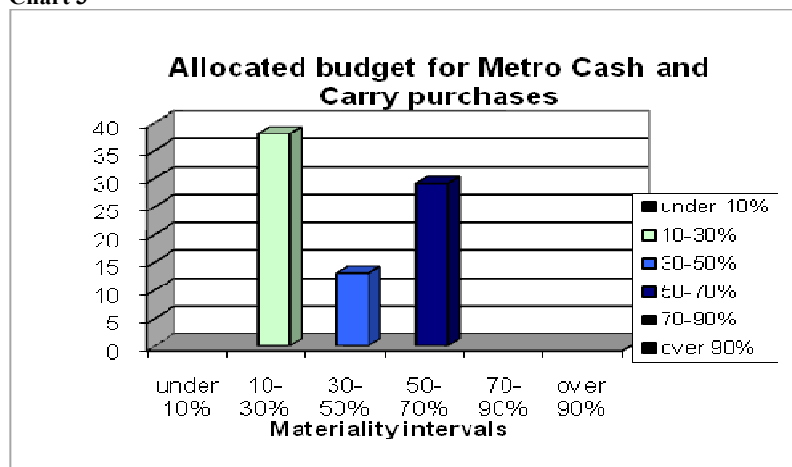


The chart shows that approximately 71% of the respondents buy between 30% and 70% of their monthly purchases from large retail networks.

The performed research showed that approximately 47.5% of the respondents allocate among 10% and 30% of their monthly budget for purchasing goods from Metro Cash and Carry stores, and 47% of the respondents allocate among 50% and 70% of their budget for shopping at Metro Cash and Carry. The conclusion is that the entity under analysis represents an important element in the supply of the products necessary to cover the needs of the consumers included in the sample.

Table 4. *What proportion of your total purchases do you think is represented by Metro Cash and Carry shopping?*

Metro Loyal Client	Number of answers	%
under 10%	-	0
10-30%	38	47.5
30-50%	13	16.25
50-70%	29	36.25
70-90%	-	0
over 90%	-	0
<i>Total answers</i>	80	100

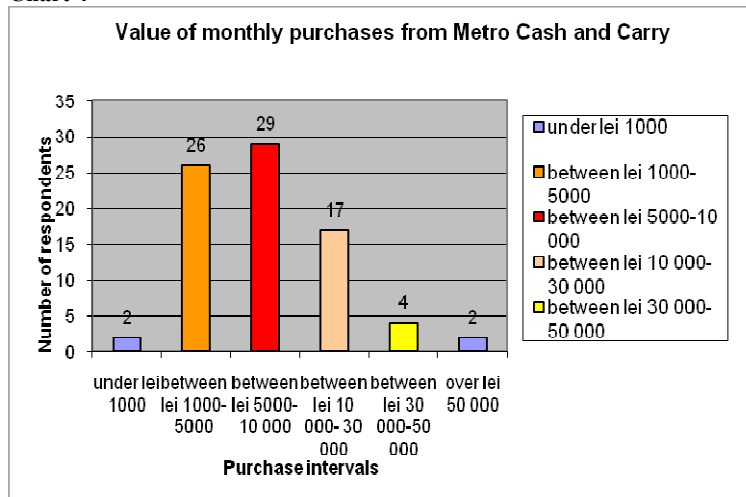
Chart 3

In order to consolidate the image of the selected sample, we considered useful the following question: “What is the monthly average value of the purchases you make from Metro Cash and Carry?” with the answer options presented in Table 5. The summarization of the answers showed that 36.2% of the respondents allocate a budget of lei 5,000 – 10,000 for the purchases from Metro Cash and Carry, 32% make monthly average purchases of lei 1,000 – 5,000 and 21.25% of the respondents spend monthly between lei 10,000 and lei 30,000 for such purchases, the remaining difference being distributed among the other groups. The conclusion is that the value of the purchases is significant and the evaluation of the respondent’s attitude towards the private brand of the trader can be considered relevant.

Table 5. *What is the monthly average value of the budget allocated for Metro purchases?*

Metro monthly purchases	Number of answers	%
Under lei 1000	2	2.5
Between lei 1000-5000	26	32.5
Between lei 5000-10 000	29	36.25
Between lei 10 000-30 000	17	21.25
Between lei 30 000-50 000	4	5
over lei 50 000	2	2.5
<i>Total answers</i>	80	100

Chart 4

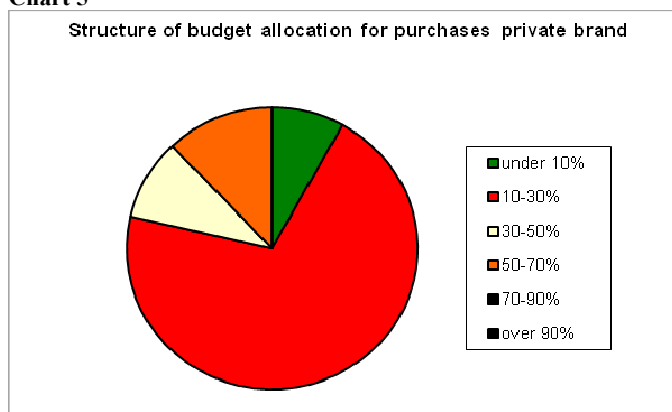


With regard to the clients' interest for the private brand, which is also the theme of the analysis in this scientific undertaking, the synthesis of the data shows that approximately 70% of the respondents allocate a percentage between 10% and 30% of the budget for the purchase of private brands of large stores, a preference which, according to the internal surveys of the large surface stores was greatly amplified during the years 2014-2015 and tends to become a priority of the large retailers' commercial policy for the years to come.

Table 6. *What percentage of the total budget do you allocate for private brand purchases?*

Budget for private brands	Number of answers	%
under 10%	6	8,0
10-30%	53	70,7
30-50%	7	9,3
50-70%	9	12,0
70-90%	0	0,0
over 90%	0	0,0
<i>Total answers</i>	75	100,0

Chart 5



The obtained conclusions confirm the fact that, during the last years, retail undergoes great transformation at global level under the impulse of the unprecedented competition between the large competitors.

According to statistic data collected from local and international economic publication, the situation of the Romanian customers' preference is similar to that of the population from many European countries. If 15-15% of the Romanian consumers prefer to buy private brand products from the large retailers (with small differences from one retailer to another), a recent international study on the sales of Carrefour international networks shows that in England the preference for private brands is 43%, in Belgium 42% and in Switzerland 53%. Moreover, in the developed countries, the statistics for the last few years indicate a substantial increase of the consumers' preference for private brand products, which for certain retail networks represent a percentage of 75%-85% (for example, Lidl).

Regarding the interest shown by the sample for the private brand of other stores, the main competitors of Metro Cash and Carries were shown to be: Selgros (33%), Kaufland (38%), Cora (21%) and Auchan (8%).

Going into detail with the analysis of the Metro Cash and Carry brands, Chart 6 shows that, from the total of respondents, 55% purchase the private brand of the store (we are talking about Aro, Fine life, Rioba, Authentic, Vortez, Horeca Select, etc.) in a volume varying between 10% to 30% of the monthly purchases. Sources from Metro Cash and Carry management stated that the tendency of the customers' preference for the private brand is generalized at global level, and for this reason, most of the renowned retailers have heavily documented internal procedures regarding the supply, presentation, display and promotion of the products from this category. Among the advantages of the private brand for the clients, the following were mentioned: exclusivity in the sale of certain product ranges, the retailer's guarantee for the quality of the products, therefore, an easier solution of the quality non-compliances when even lower prices appear for many of the sold categories.

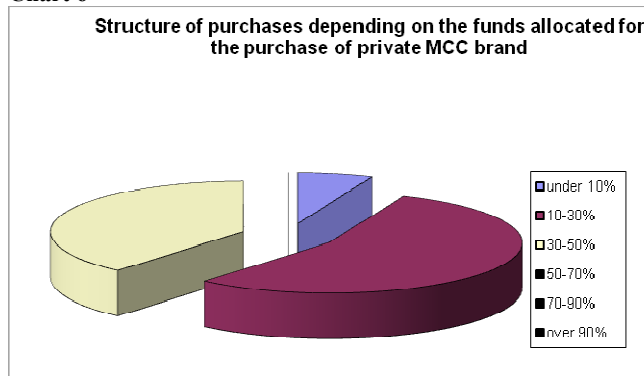
A Mercury Research study performed in July 2015 on a sample of 351 persons, above 18 years of age, showed that, although the price is an important criterion, it is not always the main reason of the interest for the private brand. However, it is considered that the basis of the consolidation of this preference is the decreasing purchase power of the population, which is in direct correlation with the economic crisis which has been ongoing in all the countries of the world during the last few years.

The surveys show that the exclusivity of the sale of certain product ranges is given the importance of 30% in the customers' preferences, and the retailer's guarantee of the quality of the products with 31%. New innovative techniques which differentiate the offer, both materially and visually, appear and are developed continuously, which leads to the conclusion that modern and creative commerce is the survival opportunity in a durable context.

Table 7. What budget percentage do you allocate for the purchase of Metro Cash and Carry private brand products?

Budget for Metro private brand	Number of answers	%
under 10%	5	6.25
10-30%	44	55
30-50%	31	38.75
50-70%	0	0
70-90%	0	0
over 90%	0	0
Total answers	80	100

Chart 6

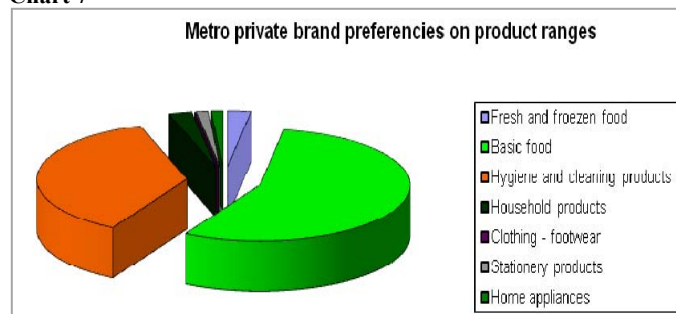


A question of great relevance within the questionnaire conducted by the authors of this paper evidences the interest shown by the customers for the private brand ranges, as shown in Table 8 and Chart 7. Leading with a percentage of 55.75% of the total preferences is the range of basic food range and with 36.7% the hygiene and cleaning products range.

Table 8. What are main ranges of products you prefer from among Metro private brand products?

Metro private brand ranges	Number of answers	%
Fresh and frozen food	2	2,5
Basic food products	44	55.7
Hygiene and cleaning products	29	36.7
Household products	2	2,5
Stationery products	1	1.3
Home appliances	1	1.3
Total answers	79	100,0

Chart 7



International studies available regarding the retailers' private brand show the same preference of the consumer for basic food products (sugar, oil, meat, biscuits), personal hygiene products (soap, shower gel, deodorant, napkins) and house cleaning products (detergents, cleaning products, etc.). According to the statistics, from the above specified ranges, the best selling are the cheap products, with a price estimated in average at 72% of the prices of the producers' brands.

With regard to the private brand of Metro Cash and Carry, the following are some relevant conclusions:

- Most of the time, retailers choose to sell the private brand, because the supplier/producer's sale price is more attractive, thus becoming a cheaper alternative for the clients, as well.
- The same product sold under the private brand can originate from several suppliers. From the point of view of quality, it is important to state that the demand for a certain private brand product is in close correlation with the renown of the products supplier. For example, the private brand oil ARO may originate from various production sources. But the oil produced by Bunge Romania is superior in quality to ARO oil, produced by Prutul SA, therefore the demand shall be conditioned by this aspect. Most of the times, the suppliers accept to produce under the brand of a hypermarket/supermarket when they have the long term objective of very large production volume.
- As a tendency, the private brand products are usually situated a little under the quality level of the supplier's brand, because the stores are interested to obtain a lower purchase and sale price, so that the retailer can increase the volume of sales, as final scope of the commercial activity. In fact, this is the explanation of the producers' hierarchy in forming the private brand.
- Within the same retail stores network, most usually the private brand products are differentiated by quality. Metro Cash and Carry distributor operates at three levels of quality, known by the customers: basic quality (promoted by ARO brand), average quality (such as Fine Life, Horeca Selected) and premium quality (Rioba range). The differences are found in the different level of satisfaction obtained by the consumers, in the form of presentation of the products, in the price, but also in the shelf display policy, in other words, in the merchandising techniques.
- The quality of certain private brand products may sometimes exceed that of the products sold under the producer's brand. For example, during the evaluation of the consumers' tastes, Metro Cash and Carry Company performed certain tests by the blind method on several products, among which: chocolate, biscuits, cereals, household paper, napkins, etc. In one of these tests, the clients tasted various products, presented identically, without having any technical information, only basic information, and their answers were surprising. Many times, the opinions regarding the superior quality of the private brand products, compared to the producer or supplier's brand were categorical. For instance, with regard to taste, the chocolate produced by Kandia under the Fine life brand (private brand) was more appreciated than the original Kandia brand.

Extending the analysis through specific questions, were found that of the total ranges, in the fresh and frozen food group, the determinative percentage goes to fruit, vegetables and fish sales. Given the specific of the activity, the tendency is normal, because Metro Cash and Carry stores are supplied in very large quantities with these groups of merchandize and, thanks to the interest to increase the product flow speed, they promote the policy of discounts for large quantities ordered by the clients. These groups of merchandize are especially adequate for redistribution. Moreover, thanks to the traditional relationship, clients can benefit from other important discounts. Actually, it is in the interest of the cash and carry companies to sell up the available stocks over a short period of time, considering the high rate of perishability. The seasonal character has a great importance for this category of products, leading to a specific modality of supplying and pre-contracting.

The statistics from all the important retailers from the Romanian market indicate the highest sale percentage for basic products of their private brand: sugar, oil, flour, dairy products, bakery products, etc. For these groups of products, the stores sell the private brand merchandize at prices situated almost always under the level of the producers' brands. The commercial margin is very low, but not necessarily the profit, as well, because the negotiating power for these groups of products is very high compared to suppliers.

Per total, with an overall sales percentage between 6% and 35%, private brands offer certain advantages to the retail distribution networks, among which: increased sale volume, increased turnover, promoting their own brand, increased reliability, stability and diversity of the offer. For Metro Cash and Carry stores, the aggressive marketing of the last two years determined an increase in sales for private brand products by over 90%. The tendency is global at international level and it can be considered a favourable alternative to attract and build client loyalty in the conditions of economic crisis and socio-economic downfall.

The summarization of the answers showed that, from the total demand, the leading sales are for sugar and oil, with a percentage of 87.25%, values similar to those presented in the Mercury Research Survey 2013, where it is shown that 54% of the Romanians buy oil and 34% of them sugar from private brands. The same study shows that approximately 90% of the private brand products are manufactured in Romania, this conclusion being also confirmed by the questionnaire conducted by Metro Cash and Carry Company.

The private brand for personal hygiene and cleaning products represents another segment which conditions the turnover of retail stores. The highest demand is for: detergents, house cleaning products, napkins and toilet paper, body and hair care products or child care products. Most of these categories have price differences of 25-45% compared to the average values of the producers' brands.

In the authors' opinion, the key question of the questionnaire considered the ranking of the preferences that form the base of the increased demand for private brand products. As we specified, the engines for the increased preferences for the private brand of stores were the quality/price ratio, this characteristic representing 78.5% of the motivation to

choose the private brand of stores. Given the conditions of the extended economic crisis, it is unanimously accepted that in most of the European countries the demand is more and more channelled towards the private brands of the stores. This is also the reason why the large retailers give an ever increasing attention to the display and promotion of these categories of products. The fight for “survival” is in many situations a reality that forces the retailers to find innovating solutions for building client loyalty and to attract new clients.

For field documentation, we also visited other commercial networks. We found that their operational activity is based exclusively on explicit operational procedures which offer safety in the operational activity. The procedure regarding the private brand is extremely documented and includes information regarding: the sizing of products on the shelf, the sizing of stocks depending on the product flow, the modality to add new products to the portfolio, ensuring the safety stocks for out of rhythm periods of entries or oscillating demand, liquidating the slow moving stocks, eliminating certain products from the portfolio, the modality of displaying the products on the shelf, promotional policy, etc.

For Metro Cash and Carry, the merchandizing, one of the most usual forms of sustaining the retail trade, based on scientifically developed principles, methods and practices, is essential for the display of merchandize on the sales area.

According to the results of the questionnaire, a special role in the increasing sales of private brand products is played by the aggressive promotion, for which retailers invest very large amounts. The most attractive forms of promotion are considered to be the magazines and flyers (52% of the impact), followed by visits to the store (31%), media channels, etc. From this point of view, Metro Cash and Carry shows a special care for its clients, sending them offers, discounts and other facilities both by post and in electronic form, with a high frequency.

An extremely important criterion for the stimulation of private brand sales is the discount policy. Metro Cash and Carry gives important discounts for situations such as: premium clients, large volume of orders, stock liquidation, items close to expiration date, special events (for example, winter holidays), individual negotiations with top clients, etc.. For an important segment of our sample, the discount policy has a decisive importance in purchasing the private brand (70-90%). Practically, some of the clients can be considered “offer hunters” for private brand products. It has been found that this category of clients consists either of small clients, who count only on this type of opportunity, or on very large clients, who purchase almost exclusively from Metro stores and, given the very large volume of their orders, belong to the Premium class, who can benefit from special sales conditions. Per total, however, the situation is normal, because approximately 65% of all of the interviewees rank the importance of this criterion under 30%, therefore, the interest for the private brand products is not decisively conditioned only by one criterion.

An extremely important aspect in the purchase decision is the positioning of the private brand products, 94% of the respondents considering essential the modality of presentation

and the visibility of private brand merchandize. From this point of view, the procedures dedicated exclusively to the private brands are rigorously explicit in case of most “important players”: positioning merchandize at eye level, arranging them on the shelf according to size, the number of exposed sides, labelling, audio-visual promotion, etc.

Given the fact that the structure of clients is very different for cash and carry stores, for certain categories of traditional clients, oriented strictly towards certain groups of products, the positioning of the merchandize on the shelf is without relevance, since the intention to purchase those products exists in any situation. Another category, of new or undecided clients, considers the positioning of merchandize essential in making the purchase decision for the private brand products.

Out of all of the interviewees, 51% consider the frequency of complaints between the private brand and the producer’s brand as impossible to differentiate, and 34% consider such a question irrelevant in making the purchase decision. We can deduce that directing client’s interest towards private brand product is not influenced by certain misgivings regarding defects and non-compliance, compared to the other merchandize on the market.

When requested to make a comparison between the private brand and the producer’s brands, 52% of the respondents do not consider that there are major quality differences between the two, 25% consider the private brand better, because it offers greater safety and a faster solution to non-compliances and only 23% consider that the private brand is inferior as compared to the producers’ brands. Here, as well, the answers are conditioned by the buyer’s profile and the type of preferred private brand (first price or profit brand).

Irrespective of the client’s profile, for the question “What is the influence of the price in making the decision to buy private brand products?”, the answers show that the price size is essential. Therefore, due to the high concentration of the answers, we can conclude that no matter how many advantages and characteristics these products have, the option for purchasing private brand is influenced by the price size in the greater measure, the other characteristics being considered, but only secondary.

For the question regarding the importance of the income size on the decision to purchase private brand products, 47.5% of the interviewees answered “very high importance” and 47.5% answered “high importance”. In conclusion, corroborating the answers of the two questions concerning the conditioning of private brand purchases by the size of incomes and price, it is clearly visible that this orientation of buyers’ preferences towards private brand products has appeared out of necessity, then it was developed and refined later on, together with the perfecting of the organizational culture, which represents the source of differentiation and segmentation of the retail market for most of the important retailers of the world.

As a confirmation and explanation of the new tendency of the global market for retail trade, we have the answers regarding the impact of the economic crisis on the orientation of the consumers towards the private brand products of stores. Approximately 88% of the total respondents believe that the onset of the crisis and its continuation has changed their purchase options, which subsequently proved to ensure them a high satisfaction level.

Conclusions

The conducted researches showed that the economic recession of the recent years has changed the order of priorities regarding the policy of retail operators. We consider that in these sectors, which are strongly competitive, where the profit margins per unit are reduced due to the limited freedom to intervene on sale prices, the cost control per expense item has an incredible incidence on the profitability indicators. Irrespective of the size or sale method, the retailers' priority must be channelling their efforts to identify new methods to increase the efficiency of using expenses and permanent adapting their offer to the evolution of consumers' demand.

An important aspect of this paper is our opinion, the interest we have shown in identifying the key factors of success and the phenomena which may influence the commerce with private brand products, considered by many specialists as a real opportunity to reposition the retailers on the market. Through our undertaking, we tried to present the main correlations establishing the balance between the consumer's vision and the retailers' strategic actions for promoting the sales of private brand products as faithfully as possible.

Conducting the case study on a sample of experienced clients, with economic power and knowledge in the field of retail, performing the interviews in four different geographic locations and including large number of thematic questions in the questionnaire, four of them being open questions, allowed us to create the profile of the consumer of private brand products and to identify the determinant factors for the purchase decision. Among the most important conclusions of this research, we mention:

- The buyers know the private brands of retail networks and most of them allocate 20-50% of their monthly budget for such purchases.
- The main categories of private brand products of the store preferred by consumers are basic food and hygiene and cleaning products groups.
- There is a clear delimitation between "economic" products buyers and "high quality" or "premium" products buyers.
- The demand increase was determined by the diversification of private brand products offer and the introduction of substitutive products for many of the producers' brands.
- In the field of private brand products, clients usually stay loyal to the retail network that offered them advantages.
- The quality of private brand offer is comparable to that of national brands.
- The determinant factors for the purchase of private brand products are: quality/price ratio, merchandizing, discount policy, exclusivity in sale, promotional policy, purchase power, very diversified products range, high satisfaction in consumption.

The conducted research showed that for the retailers, apart from the multiple advantages resulting from the sale of private brands, there are also a series of inconveniences, such as:

- The private brand sales "oblige" each group of stores to resort to the same type of promotions, approximately at the same time, for the same range of products (loyalty card, discounts, etc).
- The clients will consider price first when considering whether to stay loyal to a brand.

- A private brand usually means a similar product in a customized packaging.
- In many situations, the retailers' private brand has a lower image due to the smaller prices, but without justification, because they are owed to the high negotiating power in relation to the producers and the retailers' interest to attract clients towards the private brand.
- Despite the success, we must admit that, due to the total dependence of the retailers on the producers, there must be a permanent "policy of real partnership" between the private brand and the national brands, involving all the aspects involved in merchandize sale.
- The launching of "private label" products on the market is always cyclically staggered from the product categories manufactured by producers, but, from the trader's perspective, this is a great advantage, because distributors lower the launching – development costs, and the promotional costs necessary to create the demand and the market segments for the new products.

The conducted research showed us that the option of stores to sell private brand products has the main purpose to optimize profitability by building client loyalty and increasing the negotiating power in relation to the suppliers.

Starting from the almost total dependence that retailers have on the large producers, the authors have decided to conduct a future research in order to evidence the partnership relations between them and the impact that the "permanently negotiated cooperation" generates on the operational activity of each of the two economic entities. We believe that the distributors' private brand will be the "star" of retail in the next few years; strategies will be built around it, policies will be adopted and partnerships will be established in relation to it. The experience of developed countries comes as a confirmation that the private brand is not just an option in the context of global crisis, but a profound concept having an impact on the global vision concerning the role of modern retail in maximizing the consumption satisfaction.

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