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Consumer Perception of Private Label Products in Hungary

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Abstract

Private labels have emerged as a significant force in the retail sector, particularly in the fast-moving consumer goods (FMCG) market. Their importance has grown as consumers increasingly prioritise value for money, often choosing these products over manufacturer-branded items. As a result, private labels have become a competitive tool for retailers, driving down costs and fostering customer loyalty through consistent quality at lower prices. This study investigates Hungarian consumers' perceptions of private label products, focusing on quality comparison between private labels and manufacturer brands. A comprehensive online survey was conducted between April and June 2024, with over 10,000 respondents providing insights into their shopping habits and quality assessments of private label products. The primary findings reveal that more than half of the respondents (52.3%) believe that the quality of private label products is comparable to that of manufacturer-branded products, while 14.7% even consider it superior. Interestingly, 33% of the respondents perceive private label products as inferior in quality, although the differences are often seen as slight. These perceptions are influenced by both objective and subjective factors, including brand loyalty, price, and packaging. Demographic analysis using Cramer's V coefficient indicates that factors such as age, gender, income, and education have minimal impact on these quality perceptions. However, slight variations were noted, with men more likely to view private label products as lower in quality compared to women. Additionally, those with higher education tend to rate the quality of private label products more favorably. The study also explores consumer behavior in

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hypothetical purchasing scenarios, finding that 85.9% of respondents would prefer a private label product if it were identical in content and produced by the same manufacturer as a more expensive branded option. This suggests a strong potential for growth in the private label sector, particularly if retailers continue to emphasize the quality and value of these products. In conclusion, the research highlights the growing trust in private-label products among Hungarian consumers, driven by the perception that these products offer comparable quality at lower prices. Retailers are advised to leverage this trust by expanding their private label offerings, particularly in categories where consumer preference is already strong, and by continuing to market these products effectively to different demographic groups.

Keywords: Private label, Consumer perception, FMCG market, Brand Loyalty, Quality comparison

Introduction

Private labels are one of the greatest success stories of retailers because they account for hundreds of billions of dollars in revenues every year (Benedict–Steenkamp, 2024). For example, in the USA, private label food and beverage sales peaked at 152 billion dollars in 2023, up from 106.7 billion dollars in 2019 (Statista, 2024b). The private label market size was valued at 742,1 billion dollars in 2022 and is expected to grow CAGR at 10.8% and reach 2,049.7 billion dollars by 2032 (Datahorrizzonresearch, 2024). The global market of Private Label Food and Beverages was valued at an estimated 468.6 billion dollars in 2023 and is forecasted to reach 644.9 billion dollars by 2030, growing at a CAGR of 4.7% to 2030 (Research and Market (2024).

Literature Review

EY's (2024) research shows that private label products are on the verge of further growth. The coronavirus epidemic has further strengthened the position of private label products (Kátai, 2020). Persistent inflation burdens the budgets of households all over the world, which also affects their purchasing habits (EY, 2024). An excellent price-value ratio is more important than ever before, but at the same time, people with higher incomes are switching to lower-priced products (Gyöngyössi, 2022). Private label products are becoming more and more popular, according to EY's 2024 international research conducted with more than 23,000 consumers in 30 countries (EY, 2024). Various crises have permanently affected people's lives, especially shopping behaviour. The concerns of the European population have changed, and consumers have adapted their shopping habits accordingly. A typical saving is the purchase of private label products, although this is more common in countries with higher purchasing power than Eastern European countries.

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In countries such as Spain, the Netherlands, the United Kingdom and Germany, fast-moving consumer goods (FMCG), in the case of food products, the proportion of private label purchases exceeds 40%, Spain leads with 47% (GFK, 2024).

As EY (2024) results from rising costs, nearly a third of consumers now prefer private label products, and according to the majority of them, these meet their needs just as well. More than a third of them do not plan to return to the previously preferred premium products. Private label value shares are highest in Europe and North America, respectively, amounting to 31.4% and 17.7% (Verstraeten et al., 2023). private labels enjoy great success in Western. Increasingly Central Europe (Benedict-Steenkamp, 2024)l The popularity of private labels in Europe is constantly increasing; compared to other continents, the consumption of these products is particularly advanced, especially in Spain, United Kingdom, Germany, Holland (Sgroi-Salamone 2022). In Switzerland, private label value share accounted for more than half of the consumer goods market as of 2023, and other European countries followed in the ranking of private label shares. In the Netherlands and Spain, 44.9% and 44.4% of FMCG sales value share were held by private label products (Statista, 2024a).

In Hungary, the private labels had a volume share of 35.2% and a value share of 29.1%, and it was ranked 13th in 2022/2023 out of the 17 European countries examined in terms of volume share (Van Rompaey, 2023). Based on the NIQ retail index, private label products achieved an 18% increase in value in 2023 compared to the entire year of 2022 in Hungary (StoreInsider, 2024 b). In 2024, private label products represent 30% of the value sales of the entire FMCG market in Hungary. The value share of private labels is 33% on the food market, while 21% on the chemical goods market (Store Insider, 2024).

The Sgroi-Salamone (2022) results of the research show that compared to the past, consumers of private label foods have a clear idea of what they are and buy them habitually. In addition to competition between manufacturers and private labels, there is competition between private labels in retail chains (Danyi et al., 2021). Private label products are cheaper than private label products, not because there is a significant difference in quality, but because the retail chain does not have to spend money to bring the private label to market and maintain its reputation (Érsek M., 2023). Increasingly price-sensitive Hungarian consumers increasingly choose private label products in the food product category (StoreInsider, 2024b).

The research of Sgroi-Salamone (2022) has shown that the consumer of private labels is educated, even with medium-high income and high level of education, considers private labels food safe according to the provisions of the law and, through their consumption, achieves an income effect. Enthusiasm for private label products is not only characteristic of the middle

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and lower income classes (EY, 2024). Higher-income consumers will also purchase private label products in the future and are considering this across all categories, including fresh food and packaged food (EY, 2024).

Methods

In our primary research, we asked consumers for opinions on private label products in Hungary. We conducted our survey using an online questionnaire accessible to potential respondents through the Pénzcentrum online platform. Pénzcentrum (www.penzcentrum.hu) is a well-known economic website in Hungary. The online questionnaire was open to everyone, who could complete it without needing identification or registration. Participation in the survey was anonymous and voluntary. The questionnaire was structured to be concise, containing only six substantive questions in addition to demographic questions. Respondents did not encounter any open-ended questions in our survey. A total of 10,260 individuals completed the questionnaire between 22 April 2024 and 17 June 2024. The detailed distribution of respondents according to demographic variables is illustrated in the table below (Table 1).

Table 1: Characteristics of our sample

Distribution by Gender	**people**	**%**
Male	5182	51.6
Female	4856	48.4
Distribution by Educational Attainment	**people**	**%**
Below elementary school	75	0.7
Elementary school	171	1.7
Vocational training	1234	12.3
High school diploma	3703	36.8
College or university	4886	48.5
Distribution by Age	**people**	**%**
Under 18	35	0.3
18 - 29 years	323	3.2
30 - 39 years	845	8.4
40 - 49 years	1942	19.2
50 - 59 years	2424	24.0
60 - 69 years	2603	25.8
70 - 79 years	1722	17.1
Over 80	199	2.0
Distribution by Status	**people**	**%**
Student	120	1.2
Receiving maternity leave benefits (CSED/GYED/GYES)	132	1.3
Homemaker	142	1.4
Unemployed	174	1.7
Performing manual labor	1568	15.6
Performing intellectual work	3508	34.9
Disabled pensioners or retirees	3591	35.7

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None of the above	812	8.1
Distribution by Income	**people**	**%**
We regularly struggle with daily expenses	316	3.1
Sometimes, it is not even enough to live on	440	4.4
Just enough to live on, but no savings	2580	25.7
We can live on it and save a little	3956	39.4
We live very well and can save	1761	17.5
I do not know or prefer not to answer	983	9.8
Distribution by Place of Residence	**people**	**%**
Village	1817	18.0
Town	3776	37.5
County seat	1901	18.9
Capital city	2577	25.6
Distribution by Presence of Children/Minors in Household	**people**	**%**
None	7001	70.1
Yes, one child/minor	1420	14.2
Yes, two children/minors	1060	10.6
Yes, three or more children/minors	507	5.1

Data Analysis

An exciting aspect of our online survey sample is that more men shared their opinions on the topic than women (51.6% vs. 48.4%). This is generally the reverse of what is typical for online questionnaires. We positively assess the successful inclusion of men in our research to such an extent. Men are overrepresented in our sample since their national proportion is 48.2%. Without delving into statistical details, we can state that this could be easily "corrected," for instance, by weighting. We could adjust the gender ratio to match the Hungarian national value. However, this is just one variable. This could be supplemented by all other variables such as place of residence, age, education, etc. The more variables we include, the more complex it becomes, requiring more weighting and possibly excluding more people from the sample. We would nullify the responses of thousands of participants by adding a single word (representative), which we did not intend to do. In our research, we preferred to utilize something other than weighting; many respondents speak for themselves. Moreover, as we will see, the respondent's gender, similar to other demographic variables, does not play a decisive role in the perception of private label products. There is no point in excluding thousands of people from the sample. The strength of our research lies in the significant number of respondents and the diversity of the sample, which provides substantial insights into consumer opinions on private label products.

Like any research, we must note that our research has its limitations. For example, our study cannot be considered a representative survey, and we wanted to present it as something other than representative in a professionally

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questionable manner. Although not explicitly, it can also be seen as a weakness that the questionnaire did not require log in or identification for completion. Requiring login would have compromised anonymity and drastically reduced the willingness to respond, which we did not want. We aimed to measure consumer opinions as broadly as possible, not just with a sample of 500 or 1000 people. We used the Google Forms service, Microsoft Excel and IBM SPSS 28.0 software for the research.

Results

Of the participants in the study, 52.3% believed that the quality of private label products is equal to that of manufacturer-branded products. 14.7% of respondents felt that the quality of private label products is better than that of manufacturer-branded products. The typical opinion among them was that the quality is better, but only slightly better. 33.0% of respondents perceived that private label products are of lower quality. The typical opinion among them was that the quality is lower, but only slightly lower. Assessing quality is a rather tricky task. We can speak of objective and subjective quality measures. Objective quality encompasses those measurable and transparent attributes that allow a product's quality to be evaluated. These attributes do not depend on individual taste or opinion and are often defined by standards, regulations, or industry norms. On the other hand, subjective quality is based on individual opinions, feelings, and experiences. This quality is based on how a particular consumer perceives the product, which can significantly depend on personal preferences, taste, and expectations. This subjective perception can be influenced by the brand name/logo on the product packaging, that is, trust and loyalty towards a brand.

There can be differences between private label and manufacturer-branded products, although this is only sometimes the case. In many cases, the quality may be the same or similar. As everyday consumers, we need visibility into objective quality since consumers do not have access to a mobile laboratory. The quality of private label and manufacturer-branded products can be identical or similar. This is especially true in cases where both products are produced by the same manufacturer, using the same raw materials, through the same manufacturing process, and under quality control systems. Private label products of supermarket chains often compete with renowned manufacturers' products and frequently receive accolades in consumer tests.

However, consumers are not "homo economicus"; the factors detailed above do not prevent them from forming a general opinion on the quality of private label products based on limited knowledge and experience. Consumers can allow themselves the luxury of forming stereotypical, subjective opinions about the quality of private label products without any pangs of conscience. Moreover, this subjectively formed quality perception is critical.

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In our research, we utilized Cramer's V association coefficient to determine whether demographic variables (age, gender, status, income, education, family size, place of residence) significantly influence the quality perception of private label products. The calculations indicated that the relationship between demographic variables and quality perception is fragile, suggesting that quality perception is not dependent on these factors. However, there are some differences, for example:

- A higher proportion of men stated that the quality of private label products is inferior to that of manufacturer-branded products (36.9% of men versus 28.6% of women indicated a lower quality).
- Age did not significantly influence this perception, nor did the number of dependent children/minors.
- As the level of education increased, the proportion of responses indicating that the quality of private label products is equal to that of manufacturer-branded products also increased. Starting from 37.1% among those with less than an elementary school education, this proportion rises to 54.8% among those with higher education. Concurrently, the proportion of those perceiving lower quality decreases.
- Although not substantial, the highest proportion of respondents who believe that the quality of private label products is the same as manufacturer-branded products are those engaged in intellectual work and living in secure financial conditions (around 55%). However, this segment needs to exhibit the most favourable opinion about the quality of private label products. Among those who regularly struggle with daily expenses, 19.0-21.5% believe that the quality of private label products is better than that of manufacturer-branded products. This proportion is between 12.5-13.9%

Examining whether consumers look for manufacturers when packaging private label products is also enjoyable. The results are illustrated in the following figure (Figure 1).

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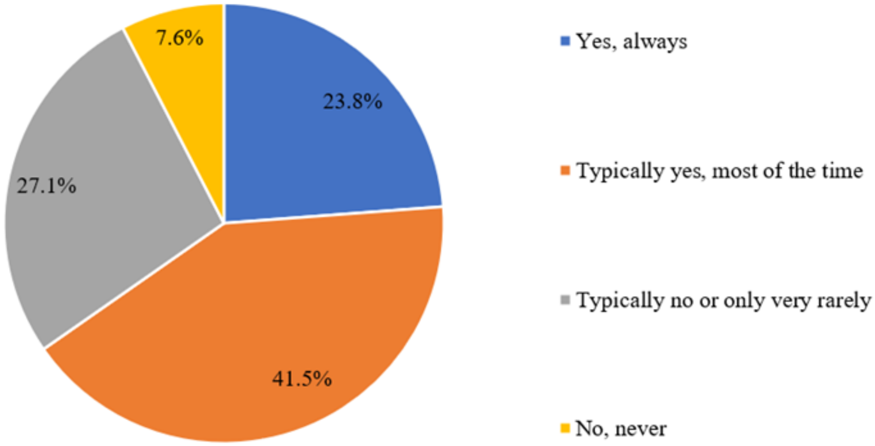
Figure 1: Do you look for the manufacturer of a privat-label product on its packaging?



Source: own research, 2024

It is evident whether the manufacturer's name is displayed on the packaging of private label products or only the retailer's name as the distributor makes a significant difference. A more thorough examination of the packaging is typical among middle-aged or older generations (the proportion increases linearly with age), retirees, those with higher educational attainment, and those engaged in intellectual work. However, the differences are not substantial, and Cramer's V association coefficient indicated a weak relationship between these variables. Of course, there are natural gender differences:

- Cosmetic products were nominated by 37.2% of women and 23.0% of men.
- Electronic devices were nominated by 14.7% of women and 18.5% of men.
- Household chemicals were nominated by 58.6% of women and 45.8% of men.
- Clothes were nominated by 32.6% of women and 24.7% of men.
- DIY products were nominated by 15.8% of women and 35.2% of men.

The differences arise from the interests of the sexes and the roles played in the family.

Our research also included a brief hypothetical scenario for the respondents. We described a situation where a consumer finds a private label product and a manufacturer-branded product in a store. Both products look identical, and upon reading the label, there are no differences in content. The manufacturer is the same in both cases, but the private label product is priced lower. We asked respondents which of the two options they aligned with more.

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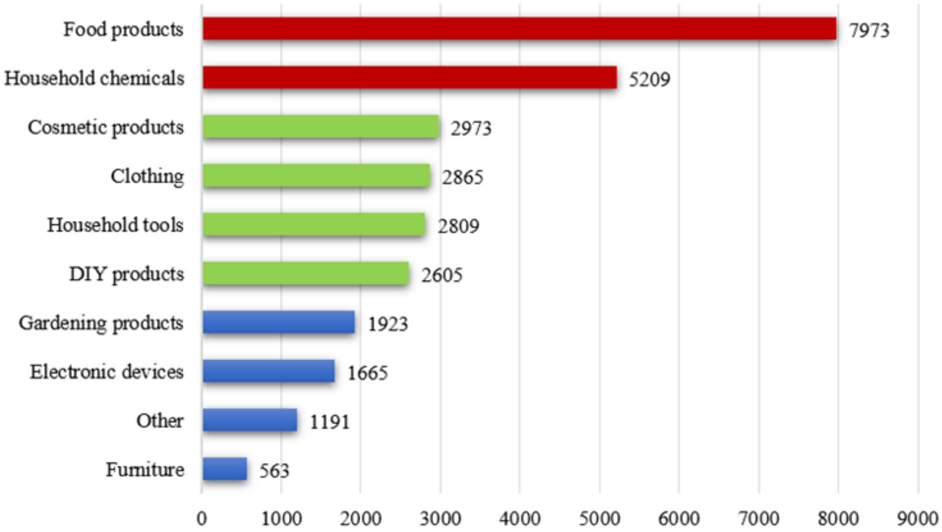
85.9% of the respondents chose the option that they would be pleased to buy the same product at a lower price as a private label. Conversely, 14.1% believed receiving the same quality and content at a lower price was unlikely and would stick with the manufacturer-branded product. We conducted a similar analysis along demographic lines as previously detailed. Though to a lesser extent, the second option was more favoured by men, middle-aged and older generations (the proportion choosing this option increases linearly with age), retirees, those with lower educational attainment, and those living in modest financial conditions. Again, significant differences were not observed, and Cramer's V indicated a fragile relationship in this case.

We asked respondents to indicate the types of products they prefer to be private label products. Consumers could select multiple options, and there was no limit on the number of elements they could choose. It is important to note that the order of appearance of each category was randomly generated and did not reflect the order of importance for other respondents or the researchers. Respondents were informed of this. The total number of mentions for each item is illustrated in the following figure (Figure 2).

Figure 2: What types of products do you like to buy private label products from?



Source: own research, 2024

Unsurprisingly, private label products are most favoured in the food category. Following behind, but still leading, are household chemicals. The middle range includes cosmetic products, clothing, household tools, and DIY products. Essentially, respondents described the non-food private label assortment of FMCG chains. Slightly trailing these categories are gardening products, electronic devices, and furniture, which are also noteworthy.

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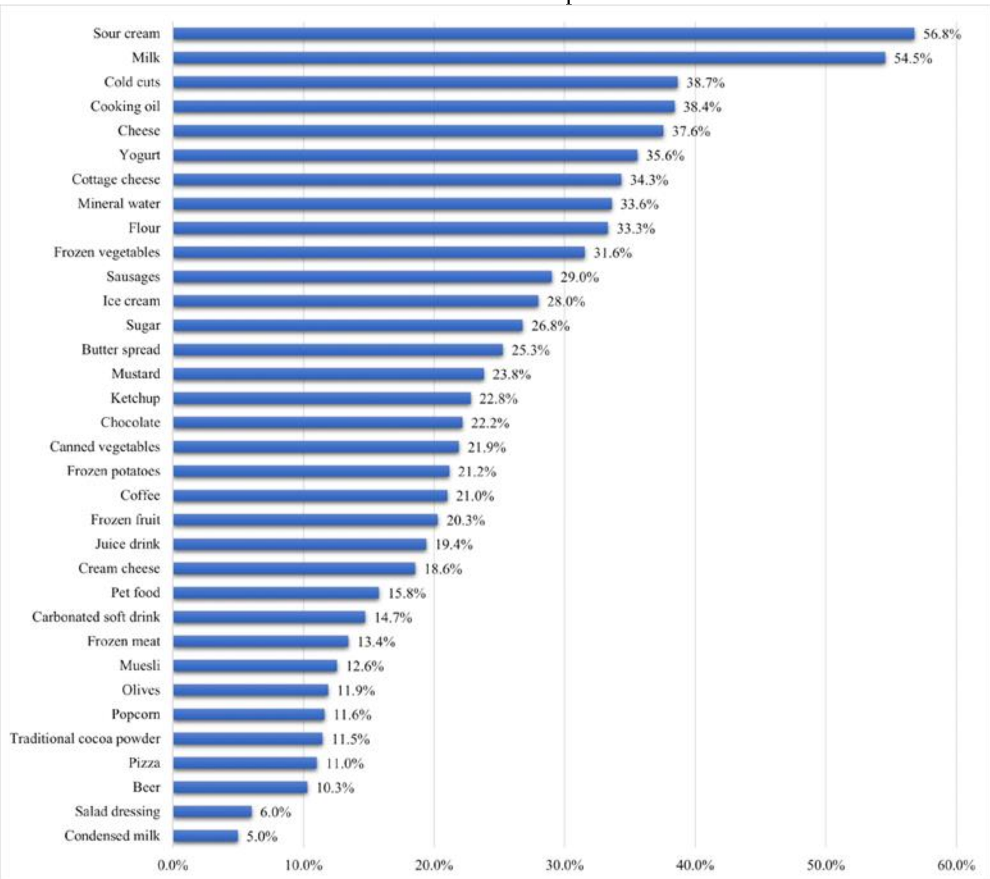
We also asked respondents which food items they prefer as private label products over manufacturer-branded ones. Multiple responses were possible for this question, but we asked respondents to limit their selections to those items for which they typically prefer private label products over manufacturer-branded ones. It is important to note that the order of appearance of each product was randomly generated and did not reflect the order of importance for other respondents or the researchers. Respondents were informed of this. The total number of mentions for each item is illustrated in the following figure (Figure 3).

Figure 3: For which of the listed foods do you prefer private label products over manufacturer-branded products?



Source: own research, 2024

The top 10 products in order are sour cream, milk, cold cuts, cooking oil, cheese, yoghurt, cottage cheese, mineral water, flour, and frozen vegetables. The top two products significantly outperformed the rest, but the middle range is quite close. There are no products on the list that performed

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very poorly. Overall, consumers appreciate a wide variety of private label products.

Conclusion and Recommendation

Our research indicates that private label products are no longer just cheaper alternatives for consumers but are often seen as quality choices. More than half of the respondents believe that the quality of private label products is the same or better than that of manufacturer-branded products. This is a crucial message for both retailers and manufacturers.

Key Findings:

- Increasing Trust in Private Labels: Many consumers trust private label brands. More and more people prefer them over manufacturer brands, especially in the food and household chemicals categories.
- Perception of Quality and Price: The overwhelming majority of respondents believe that the quality of private label products is the same or better than that of manufacturer brands. This suggests that retailers have successfully positioned their products in the medium to high-quality measures.
- Impact of Demographic Factors: Demographic factors such as age, gender, income level, and education have minimal impact on the quality perception of private labels. This indicates that trust in private labels is widespread.

Recommendations for Retailers and Manufacturers:

- Strengthen Quality Communication: Retailers should continue to emphasize the quality of their private label products.
- Targeted Marketing Strategies: Based on the results, marketing campaigns should be tailored to the needs of different demographic groups. For instance, emphasize equal quality for those with higher education and highlight the value for money for those in modest financial conditions.
- Expand Product Range: Retailers should consider expanding their private label product range, especially in categories where consumers already prefer private labels, such as food and household chemicals. However, as long as the product meets consumer expectations, the private label will help success.
- Manufacturer Collaborations: Manufacturers should consider producing private label products as they can provide a stable market and revenue stream. Based on their strategic approach, manufacturers must decide whether to display their names on private label products.

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- Innovation and Premium Category: Introducing premium and innovative products can further enhance the competitiveness of private labels. This can attract not only price-sensitive consumers but also those who are quality-conscious.

In summary, the private label market has significant growth potential, and retailers and manufacturers should leverage this opportunity. Increasing consumer trust and continuously improving product offerings are crucial for future success.

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Data Availability: All data are included in the content of the paper.

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Declaration for Human Participants

This study has been approved by Prof. Hc. Prof. Dr. András Nábrádi (The chair of the Ethics Committee of the Faculty of Economics and Business of the University of Debrecen) and the principles of the Helsinki Declaration were followed.

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