DRUGSTORE PRIVATE LABELS AND UNIVERSITY STUDENTS AT THE CZECH MARKET

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Abstract

Private labels have become an essential part of customers' purchases of many retail goods. Private labels are primarily associated with food. Nevertheless, over the last decade, private labels have been strengthening in all markets and all fields. This paper aims to examine drugstore private labels' situation in the specific segment of full-time university students. The author's research focuses on the drugstore and cosmetics private labels buying by full-time university students in the Czech market. There are three leading players at the drugstore market in the Czech Republic – Rossmann, DM drogerie markt, and Teta drogerie. All these drugstores offer their private labels. The author's research investigates the frequency and categories of drugstores' private labels that university students buy. The author's research has shown that most respondents buy drugstores' private labels regardless of their preferences for branded goods or private labels. The author evaluated men's and women's answers separately to reveal possible differences in the approach to drugstores' private labels. Based on the chi-square test, the author revealed that purchasing of drugstores' private labels is independent on preferences of private labels and not independent on the gender of the respondents at the 99% confidence level.

Key words: private labels, drugstore, drugstores' private labels, the Czech market

JEL Code: M14, M19

Introduction

Over the last decade, we have seen a significant increase in the importance of private labels. The growth of private labels has negatively affected branded goods and the market share of branded goods. Therefore, the development and growth of private labels were not overlooked. Retailers claimed that private labels' economic and strategic benefits are among the most critical factors for increasing private labels. Retailers can achieve a significant competitive advantage through private labels (Cuneo et al., 2015). Over the last decades, there have been numerous studies about the private labels phenomenon (e.g., Boyle, Lathrop & Kim 2021; Kadirov, 2020; Meirelles, & D’Andrea 2021). Gil-Cordero, Rondán-Cataluña & Sigüenza-Morales 2020 emphasize the importance of private labels), studying the relationship between private labels and macroeconomic variables. Private labels were promoted initially, mainly in the food market. Although there is still a significant increase in private labels in the food sector, mainly due to a significant increase in competition from private labels in retail chains, other areas also lose out on games. According to Coelho, Meneses, & Moreira (2013), private labels were for a long time associated mainly with food. Nevertheless, nowadays, they are associated with drugstores, cosmetics, the clothing industry, technological products, home appliances. However, we can find private labels in other less traditional areas, such as the pharmaceutical industry, i.e., in the offers of domestic and foreign pharmacies. One of the main reasons is the over-saturation of the pharmacies' market. Companies in this market are pushing to find new alternative ways to increase their profits (Kurdyumova, 2019). Although many private labels can be found in many markets today, undoubtedly, the largest markets for private labels are the food markets and the markets for drugstore goods and cosmetics. According to statistics, private labels are growing the fastest in the drugstore market in the Czech Republic.

Furthermore, it is necessary to state that not only in this market, but these private labels also contribute mainly to increasing customer loyalty. Thus, customers' loyalty is one of the critical reasons for increasing private labels in the drugstore market (MediaGuru 2020). This research builds on the author's previous research, which concerned the relationship of full-time university students to private food labels. This article analyzes private labels' situation on the drugstore market in the Czech Republic, especially concerning this specific segment - full-time university students and their preferences concerning private drugstore labels or branded goods. This article will analyze the frequency of buying and categories of private drugstore labels and drugstore retail chains.

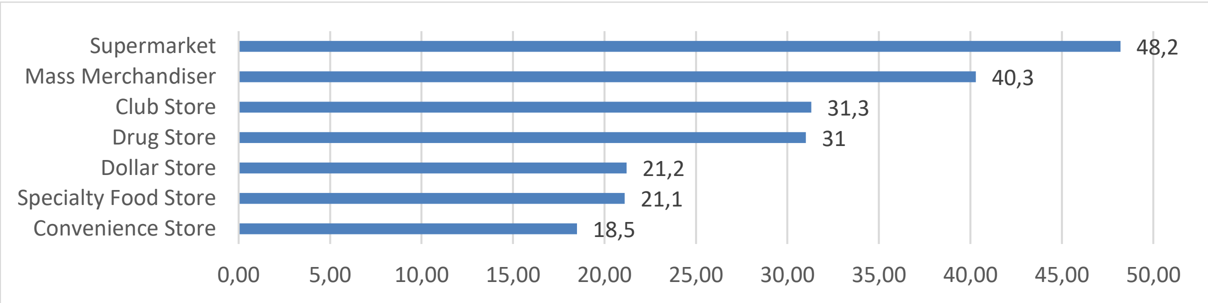
1 The situation on the drugstore private labels market

By the 1960' branded goods dominated all markets, brands of manufacturers, producers, and other companies. The manufacturers' brands recognized the quality, performance, functionality, feeling, experience, and emotional connection. After decades, significant changes occurred in markets. The dominant role of retailers has led to the entry of private labels into the markets. Private labels called non-branded, general goods, retailers, or store brands represent retailers' brands offered in their retail chains (Dimitrieska, Koneska, Kozareva, & Teofilovska, 2017). The main reasons why private labels have started to gain ground are (Bonfrer & Chintagunta, 2004) - satisfying the wishes and needs of customers, gaining loyal customers, competitive advantage, change of consumer behavior and shopping habits, expanding the low-cost offer of own products and services.

1.1 The drugstore private labels market

There are not as many chains in international drugstore markets as there are in retailer markets. In general, it can be stated that the drugstore market is dominated by several major players worldwide. Therefore, the situation is more different, and private labels are crucial aspects that lead to increased profitability, competitive advantages, and loyal customers. Statista (2015) statistics show that supermarkets have 48,2 % private label loyal shoppers and drugstores 31% in the USA. For detail, see the following figure.

Fig. 1: Loyalty of private label shoppers in the USA in 2014 (in percent)



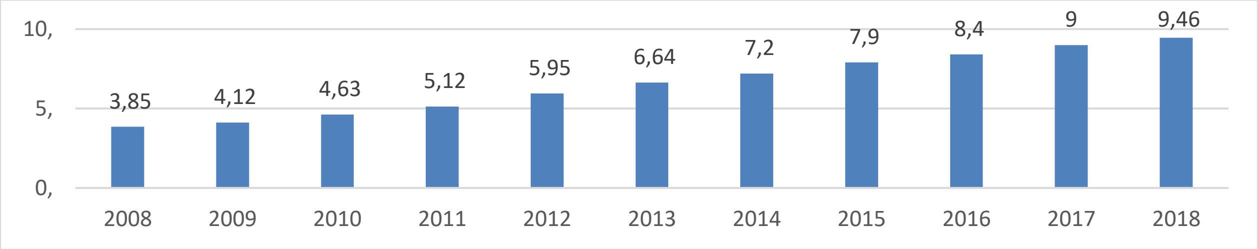
Source: Statista (2015)

The drugstore market situation is also changing due to the COVID-19 pandemic, and therefore, the year 2020 on the drugstore market brought several changes. One of these changes is the so-called one-stop shopping, i.e., the possibility of shopping in one place, lower attendance of shopping centers. The Czech drugstore chains were among the few retailers that could remain open in the Czech market during pandemics (Misto prodeje, 2020).

1.2 The drugstore private labels market in the Czech Republic

There are only a few dominant players in food, drugstore, and cosmetic goods in the Czech Republic. There are only three drugstore significant companies: DM drogerie markt, Rossmann, Teta drogerie. DM drogerie markt showed an increase in turnover of 8.49% compared to October 2019 and October 2020, approximately 11.483 billion CZK. DM drogerie markt has branches in the Czech Republic and Hungary, Slovakia, Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Romania, Bulgaria, Northern Macedonia, and Italy. The entire worldwide DM drogerie markt group achieved a turnover of EUR 11.519 billion (+ 2.9%). It currently employs more than 60,000 people and operates almost 4,000 stores in 13 countries, the percentage of which is constantly increasing (Misto prodeje, 2020). However, Rossmann strengthened its position in the Czech market during the year and became the fastest-growing company with a turnover of EUR 10.35 billion in 2020. Rossmann focuses not only on the expansion and modernization of branches but also on the loyalty program (including digital), social responsibility, brand campaign (Rossmann 2021) – for detail, see the following figure.

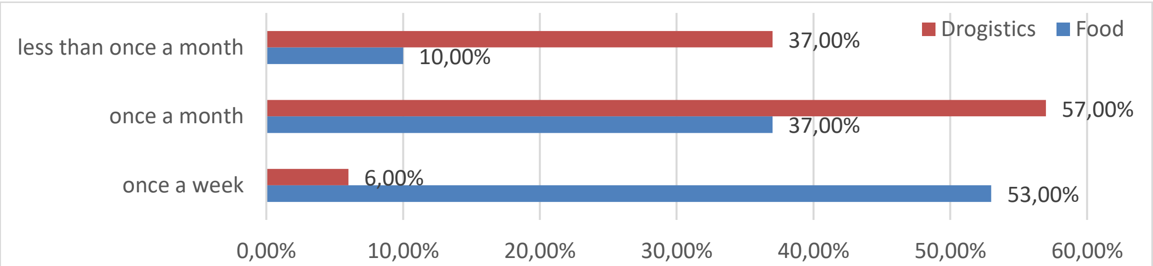
Fig. 2: Rossmann's annual revenue from 2008 to 2018 (in billion euros)



Source: Sabanoglu, 2019

The great competition on the Czech market in drugstore goods is also represented by classic retail chains, especially concerning the growing popularity of one-stop shopping. Therefore, it can be assumed that competition in the Czech market will intensify. As indicated above, private labels play an essential role in all the various retail chains, whether food or drugstore. A comparison of these two categories is offered in the chart below. As can be seen from the following figure, most customers buy private labels in food products. Respondents stated this fact in 53% that they buy private labels of food products at least once a week. In drugstore goods, the situation is slightly different concerning the standard frequency of purchases of drugstore goods. Thus, most respondents who buy private labels in this area are about one month (57% of respondents).

Fig. 3: Frequency of buying private labels (in %)



Source: Nielsen 2018

Materials and methods

This article presents the second part of the author's research, which focuses on several aspects of the approach, perception, and preferences of private labels in various areas (food, drugstore, cosmetics). In this part of the research, the author primarily focuses on a specific segment of full-time university students.

This article aims to analyze students' access to drugstore and cosmetics private labels and preferences of private labels in the category of drugstore goods. In particular, the following aspects will be examined:

- Preferences of private labels or branded goods at the drugstore market
- Frequency of buying private drugstore labels
- Drugstore chains, where private labels are bought most often
- Categories of drugstore private labels buying by full-time students

The author will evaluate the answers of men and women separately. The author aims to reveal significant differences in access to private labels of drugstore chains between university students, depending on gender. For the primary purpose of this article, the author designed an online questionnaire. The questionnaire consisted of closed questions with the option to choose one or more answers. The questionnaire was prepared based on a search of professional foreign literature, scientific articles, statistics, and reports of major international companies (such as Nielsen, Statista, and others). The respondents were full-time university students. The author used basic mathematical and statistical methods to analyze the primary data (absolute and relative frequencies) and the chi-square test. The chi-square test performs a hypothesis test to determine whether or not to reject the idea that the row and column classifications are independent. The chi-square test was used to test the following hypotheses:

$H_1 0$: Buying of drugstore private labels is independent on the gender

$H_1 1$: Buying of drugstore private labels is not independent on the gender

$H_2 0$: Buying of drugstore private labels is independent on the preferences of private or branded goods

$H_2 1$: Buying of drugstore private labels is not independent on the preferences of private or branded goods

Results and discussion

Full-time students are a specific segment with their shopping habits, preferences, and elements of shopping behavior. Research on private labels is mainly focused on general, gender, or other demographic and socio-economic characteristics. Therefore, the author focused on full-time students who show many specifics in their purchasing behavior.

This article focus on the specific part of the author's research – attitude full-time students to drugstore private labels. The main results of the author's research will be analyzed in the following test. A total of 550 students were approached, and 400 questionnaires were received back. The response rate was 72.7%. Unfortunately, 60 questionnaires were excluded. So a total of 340 (61.8%) questionnaires were included in the analysis. From the total number of respondents, 59% were males, and 41% were females. The following table shows respondents' distribution according to the number of household members and the average monthly income in CZK. Income is considered a sensitive figure in terms of socio-demographic characteristics, which was reflected in respondents' responses, of whom 18% refused to provide this figure.

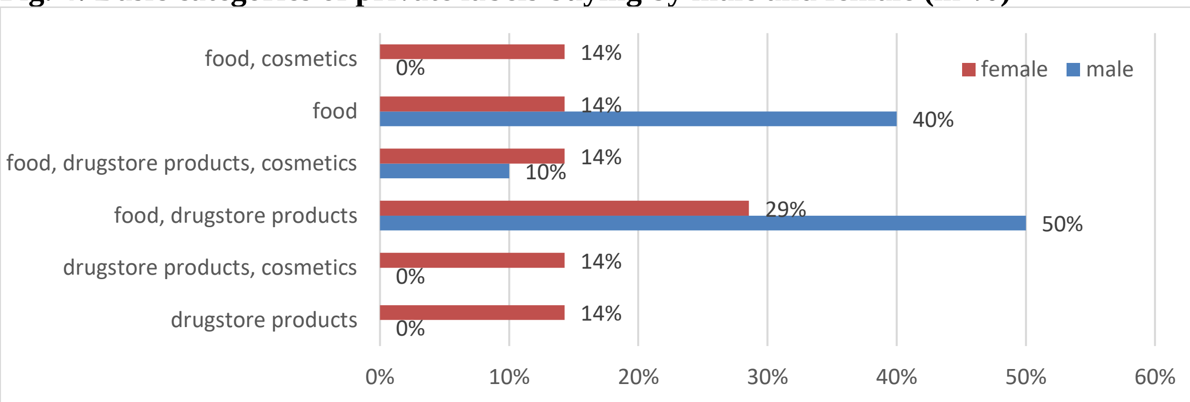
Tab. 1: Distribution of respondents according to the number of household members and the average monthly income in %

Number of household members	1	6%	Average monthly income (in CZK)	Less than 20000	18%
	2	35%		20001-26000	12%
	3	12%		26001-33000	24%
	4	35%		33001-45000	12%
	5	12%		More than 45000	18%
				I do not want to answer	18%

Source: Author

The following figure shows categories of private labels generally purchased by men and women. Overall, 50% of men said they bought private labels in the drugstore products category and 10% in the cosmetics category. 71% of women said they buy private labels in the drugstore products category, and 42% of women buy private labels in the cosmetics category.

Fig. 4: Basic categories of private labels buying by male and female (in %)



Source: Author

After performing a basic comparison, the author tested the null hypothesis: Buying of private drugstore labels is independent on the gender at the 99% confidence level.

Results of the Chi-Square Test for the first hypothesis

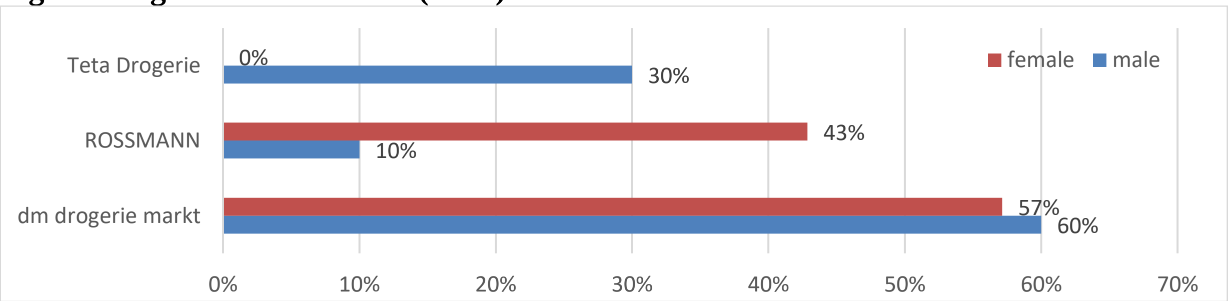
Chi-Square	Df	P-Value
22.35	1	0.001452

The chi-square test results for the first hypothesis proved that buying drugstore private labels is independent of the gender at the 99% confidence level. Since the P-value of this test is less than 0.01, we can reject the null hypothesis that Buying of drugstore private labels is independent on gender at the 99% confidence level. Based on these results, we can state in the author's survey that the sample showed that more women buy private labels in the categories of cosmetics and drugstore private labels in a specific segment of full-time students. Overall, however, the situation in the drugstore and cosmetic private labels is slightly different from food private labels. 88% of respondents stated that they prefer branded goods in this category. In the author's previous research, which addressed private food labels, 86% of respondents said they buy these private labels more than once a week. However, 88% of respondents stated that they prefer branded goods in this category; overall, students stated that despite this fact, they also buy private labels in this category, in 71%. The chi-square test also proved that full-time students buy drugstore private labels regardless of their preferences (see below). Results of the Chi-Square test for the second hypothesis - Buying of drugstore private labels is independent on the preferences of private or branded goods.

Chi-Square	Df	P-Value
23.452	1	0.0243

The Chi-Square Test results for the second hypothesis proved that the Buying of drugstore private labels is independent on the preferences of private or branded goods at the 99% confidence level. Since the P-value of this test is more significant than 0.01, we cannot reject the null hypothesis that Buying drugstore private labels are independent on the preferences of private or branded goods. Furthermore, the respondents were asked which drugstore chains drugstore private labels buy. The results are summarized in the figure below.

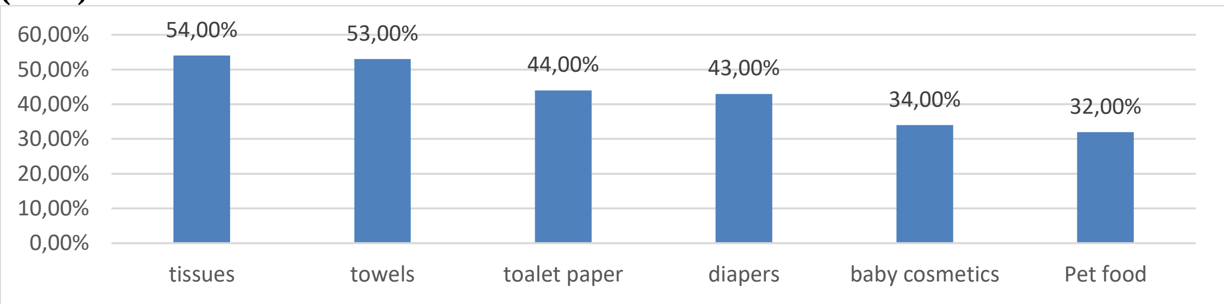
Fig. 5: Drugstore retail chains (in %)



Source: Author

Most of the respondents are buying drugstore private labels in DM drogerie markt (60% of male and 57% of female), none of the females indicates Teta Drogerie and 43 % of female are buying drugstore private label in ROSSMAN. The author also dealt with specific categories of drugstore private labels that full-time university students buy. Since this segment is very important, the author assumed that there would be apparent differences in drugstore private labels that prefer full-time university students and research of company Nielsen. The following figure shows the share of private labels' most essential categories on the drugstore market based on the Nielsen research.

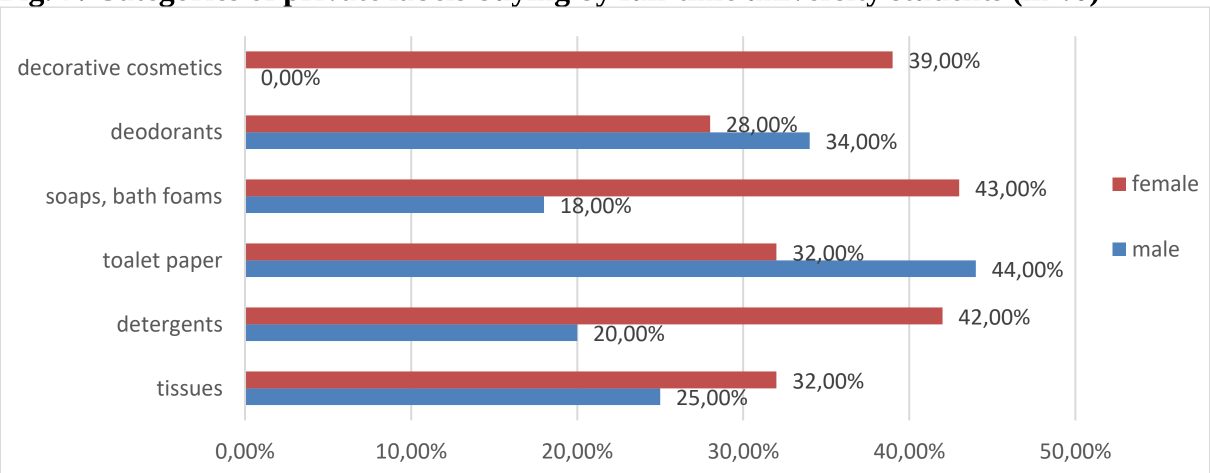
Fig. 6: The share of the most critical categories of private labels on the drugstore market (in %)



Source: Nielsen 2019

The following figure shows the share of the most critical categories of private labels buying by full-time university students. Furthermore, as expected, the categories of drugstore private labels are different for the full-time university segment. Compared to the Nielsen study, only tissues and toilet paper appeared to a greater extent in the author's research. Women in this segment buy the most private labels in the categories of soaps, bath foams (43%), detergents (42%), and decorative cosmetics (39%). Men prefer toilet paper (44%).

Fig. 7: Categories of private labels buying by full-time university students (in %)



Source: Author

Conclusion

Private labels represent a significant part of the modern trade structure, and their global share has been still increasing. Private labels' issue is pervasive and has been attracting the attention of researchers around the world for decades. The authors focus on food private labels. The author also focused on drugstore private labels and a specific segment of full-time university students in her research. It is clear from the research that this segment approaches private labels a little differently. Therefore, this research will continue. The author intends to examine the perception of private labels by this segment compared with branded goods and the evaluation of individual aspects that influence the reasons for the purchase of private labels by the segment of university students.

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