CHANGES IN CUSTOMER BUYING BEHAVIOUR TOWARDS PRIVATE LABELS DURING COVID-19 PANDEMIC

Marie Slabá

Abstract

The COVID-19 pandemic has brought several changes to society. It has severely affected the daily lives of each of us and the global economy. Many authors point to the fact that during COVID-19, there were changes in patterns of normal buying behaviour. During the COVID-19 pandemic, there were changes in customer preferences, purchased product categories, and price perceptions. This article focuses on the customer buying behaviour and changes in perception of private labels due to the COVID-19 pandemic. The author focuses mainly on the issue of perceiving the impact of the COVID-19 pandemic on private label purchases. The article will focus on changes in the preferences of private labels and generally branded and non-branded goods in various categories. Preferences for private labels and non-branded goods have increased for many products. Changes in private labels preferences in the main categories will be analyzed through a chi-square test concerning the essential demographic characteristics of the respondents.

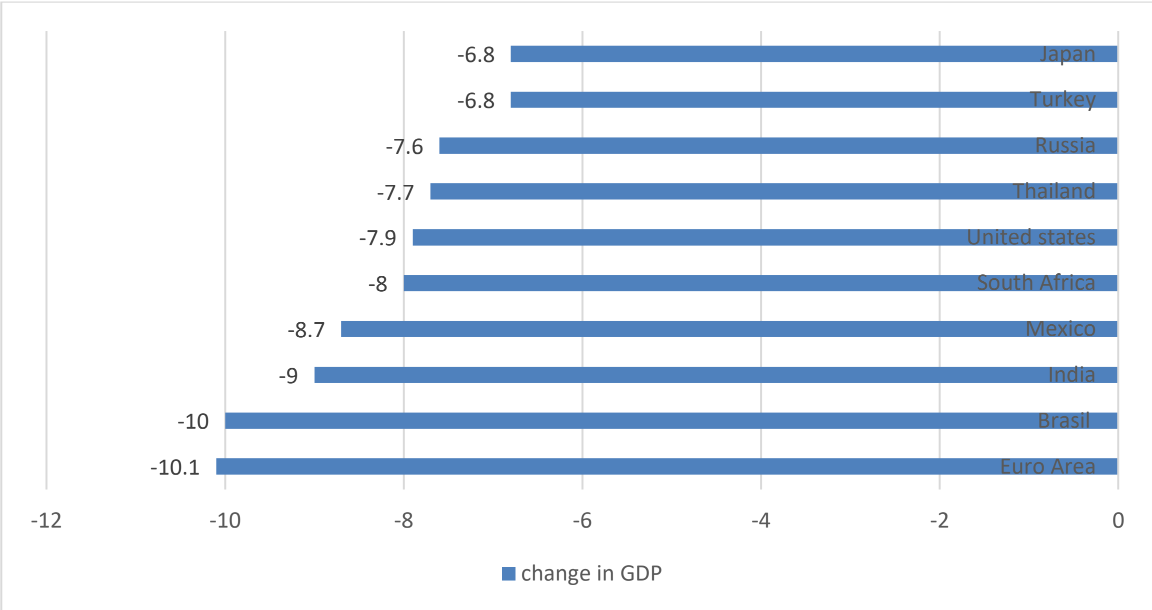
Key words: Buying behaviour, COVID-19, customer, private labels

JEL Code: M14, M19

Introduction

The term marketing is not a new phenomenon in business sphere. However, it is the basis for another concept - consumer behaviour. Consumer behaviour is important for implementation and formulation of any strategy of products in a highly competitive and changing market (Thangasamy, Patikar 2014). And this fact has been more important during COVID-19. Lots of authors point out the demand during COVID-19 was changed very much (Ha, & Luong Thuy, 2020, Baran 2021). The strict lockdowns have changed the consumer behaviour in many spheres (Baicu, Gârdan, Gârdan, & Epuran, 2020). COVID-19 pandemic has severely affected the economy all around the world. The World Bank states at the latest Global Economic Prospects report that economic recession caused by COVID-19 is one of the worst during sanctuaries. The Global Economic Prospects describes near-term as well as immediate and long-term outlook of the COVID-19 impact. Based on the prediction the baseline predict that the economy will shrink by 5.2 % and this is the deepest recession since the Second World War World Bank Group. (2020). The following figure shows the percentage change in GDP growth due to the COVID-19 pandemic in 2020.

Fig. 1: Percentage change in GDP due the COVID-19 pandemic in 2020



Source: (Richter, 2020).

The Figure 1 summarizes the highest declines in the global economy. As Figure 1 shows, the COVID-19 pandemic had the greatest impact on the Euro Zone, then on Brasil, India, Mexico, South Africa, but also on USA, too. Finally the reason is that a number of sectors have been irreversibly affected by the COVID-19 pandemic (Ong, Prasetyo, Chuenyindee, Young, Diaz, Nadlifatin, & Redi, 2021).

The main aim of this article is to reveal changes and shifts in consumer behaviour towards private labels, branded and not branded goods during lockdown and following period.

1 Consumer Behaviour

Consumers are describes based on the lots of descriptive characteristics - for example demographics – age, gender, occupation, income, etc, or psychographics, geographic and many others. Consumer behaviour and purchase decision are influenced of many factors – information, friend, recommendation, advertising, etc. Comprehensive consumer behaviour covers large ground. We can understand consumer behaviour as the process that involve group as well as individuals, selection of the product, use, purchase of products and services, etc. Customers are the most important part and actors on the marketplace. The whole behaviour of customers is a complex process with several stages (Solomon, 2018). Consumer behaviour can be divided into three categories – myopic consumer, impulsive consumer and strategic consumer behaviour. The stages of consumer can be divided into three main stages pre-consumption, consumption and post-consumption (Jiang, 2017).

1.1 Consumer behaviour and COVID-19

The COVID-19 pandemic is connected with shift in the market trends and consumer behaviour as well. COVID-19 pandemic started in 2019 and was spreading around the world very fast, government in many countries declared many restrictions and lockdowns. These governments restrictions lead to the changes in consumer behaviour, preferences, etc. (Shende, Karmarkar, & Joshi)

1.2 Private labels and COVID-19

Private labels are an important tool to compete with other retailers, enhance retailer positioning and loyalty of customers. Private labels can help to achieve competitive advantages and different strategies. The most simply description of private labels is that private labels are products that are sold under the retailer's name – this is the description of private labels issued by the Private Label Manufacturers Association (Czeczotko, Górska-Warsewicz, Laskowski, & Rostecka 2020).

Czeczotko, Górska-Warsewicz, Laskowski, & Rostecka (2021, p. 2) define private labels as brands belonging to supermarkets, hypermarkets, discounters, or other stores that, with a lower price and packaging with the retailer's logo, offer quality equal to or similar to that of the leading product. The most important private labels are usually connected with food, cosmetics and drugstores. The highest market share of private labels in Europe in 2018 (before COVID-19) had United Kingdom (52.5%) and Spain (42.6%). These countries were followed by Germany, France and Netherlands (Wunsch, Nils-Gerrith. 2019). According to International Private Label Yearbook in 2019 the highest share of private labels in Europe had Switzerland (49.6%), Spain (49.5%), followed by Spain, United Kingdom, Belgium and Portugal (PLMA 2019). The market share of private labels according to PLMA's 2021 International Private Label Yearbook stated above 40% in Germany and United Kingdom, in France the market share is 38.5 %. The highest market share of private labels is still in Spain and Switzerland with approximately more than 50% of products sold under retailer brand. In the Czech Republic is the market share slightly higher than in previous years – above 30% (31.5%). Therefore, we can see slight changes in private labels market share as stated PLMA President Peggy Davies

– In spite of the pandemic, the statistics for 2021 indicates consumers' continuing trust in retailer brands. (PLMA 2022). The penetration of private labels varies from country to country and from one continent to another, the highest penetration of private labels is in Western Europe, the lowest penetration of private labels is in Asia Pacific region (less than 5%).

2 Material and methods

This paper builds on the author's previous research on private labels. The main aim of this paper is to investigate the changes to attitude to private labels and their buying due COVID–19 pandemic. The research was conducted on a sample of 200 respondents. Author used Computer-Assisted Web Interviewing method (CAWI) (structured online questionnaire) concerning the main categories of private labels (food, drugstore, cosmetics). The main advantage of online questionnaire are low cost and time of the research. The filtering question was - are you buying private labels? The term of private labels was explained with examples. Only 5 respondents answered that they are not buying private labels. Of course, this sample of 5 respondents is not representative These questionnaires were not excluded, but involved in the analysis of demographical data of the respondents, who do not buy private labels. Three respondents were men, two women, three of them have average monthly income higher than 45,000 CZK, 2 of them was not willing to answer this question.

The first part of the questionnaire contained questions about the perceived changes in respondents' shopping behavior due to the COVID-19 pandemic and the second part of the questionnaire contained the most important demographic characteristics of respondents - age, average monthly income, education, gender, and number of household members.

Author would like to find out the answers for following facts:

1. Customers perceive changes in shopping behavior during the lockdown and perceive changes in shopping behavior as a result of COVID-19 pandemic.
2. Changes in the preferences of private labels due to the COVID-19.
3. Changes in buying private labels in the main categories based on the essential demographic characteristics of the respondents.

Author will use the basic mathematical and statistical methods for the analysis of the primary data obtained by the online questionnaire – for example relative and absolute frequencies and chi-square test for selected demographic characteristics. The specific demographic characteristics were choosen mainly based on the literature search of mainly foreigner papers and researches. For the calculation of chi-square test author used statistic program Stagraphics. The following hypotheses were established for the chi-square test:

$H_1$0: Perceived changes in consumer buying behavior is independent on the gender

$H_1$1: Perceived changes in consumer buying behavior is not independent on the gender

$H_2$0: Perceived changes in consumer buying behavior is independent on the age

$H_2$1: Perceived changes in consumer buying behavior is not independent on the age

$H_3$0: Perceived changes in consumer buying behavior is independent on the income

$H_3$1: Perceived changes in consumer buying behavior is not independent on the income

$H_4$0: Changes in private labels preferences is independent on the gender

$H_4$1: Changes in private labels preferences is not independent on the gender

$H_5$0: Changes in private labels preferences is independent on the age

$H_5$1: Changes in private labels preferences is not independent on the age

$H_6$0: Changes in private labels preferences is independent on the income

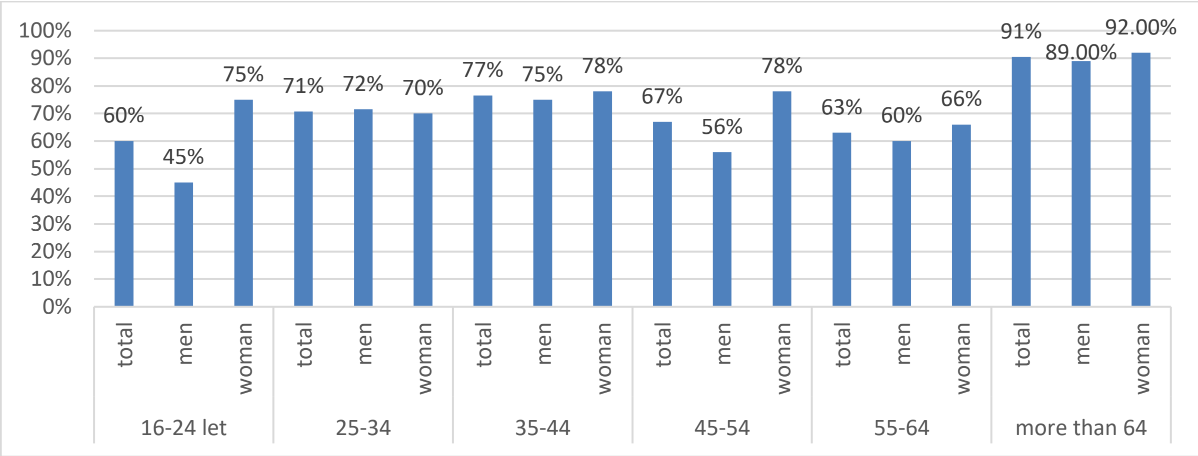
$H_6$1: Changes in private labels preferences is not independent on the income

3 Results and discussion

This part of article summarised the main findings of the author’s research. The representation of men and women in the questionnaire survey was 55% women and 45% men. Most of the respondents belong to the age group between 35 and 44 years 30%. The second most represented age group was the age group of 25 to 34 years and the group of 16 to 24 years. The least represented age group were people over 64 years of age. With regard to the number of household members, households with 2 and 4 members were equally represented in 31%, the least represented group were households with 5 members, which accounted for only 6 percent of all respondents. Most respondents stated that their average monthly income reaches 26,001 to 33,000 CZK in 30% of respondents, but 15% of respondents were not willing to answer this question. As this is sensitive data, respondents were also offered this option in the questionnaire.

In the first question, respondents should indicate, as mentioned above, whether they are buying private labels or not. This question was a filter question and only 5 respondents, i.e. 2.5% answered that they do not buy private labels. The detailed demographic structure of these respondents is given in the previous chapter. Respondents were also asked if they noticed changes in their purchasing behavior due to the COVID-19 pandemic. The following graph summarizes the perceived changes in purchasing behavior due to the COVID-19 pandemic depending on gender and age of respondents.

Fig. 2: Perceived changes in consumer buying behavior as a result of COVID-19 by gender and age



Source: Author's research

As can be seen from the results as a whole in all age categories, respondents recorded changes in their purchasing behavior in more than 50% as a result of the COVID-19 pandemic. In terms of gender and age, only men aged 16-24 stated this fact under 50% - concretely 45% of respondents, which is the lowest recorded value in all categories. The logical result is that the highest age group perceived differences in their consumer behavior due to the COVID-19 pandemic, especially at the time of lockdown. The highest age category, i.e. respondents over 64 years recorded on average 91% that they change their buying behaviour. In detail 89% of men and 92% of women from respondents stated that there was a change in their buying behaviour. The reason is connected with number of restrictions that were imposed during the lockdown. For example, it was a matter of limiting the time when it was possible to shop, etc. In a more detailed analysis, it was also founded that households with one and two members in the highest age category recorded the most changes in their buying behavior (95%). This group was followed by households in the lowest and highest income class.

Another issue that was addressed was whether respondents experienced changes in private labels preferences due to the COVID-19 pandemic. This question was evaluated using a five-point Likert scale ranging from definitely yes, rather yes, I can't judge, rather no to definitely no. In terms of gender or age, there were no major changes in private labels preferences due to the COVID-19 pandemic. The majority of respondents answered that their preferences did not change or certainly did not. Only in the lowest income category with a monthly average income to CZK 20,000, 41% of respondents said they now buy private labels as a possible cheaper alternative to branded goods. In the area of branded goods preferences, 56% of respondents in the lowest income group and 45% of respondents in the 21,000 to 26,000 income group said that their branded goods preferences tended to decline in favor of non-branded goods. The main reason given was the uncertainty regarding the lockdown and the subsequent ongoing COVID-19 pandemic, the reduction in income during the pandemic, or the loss or fear of losing a job. For detail see the following table.

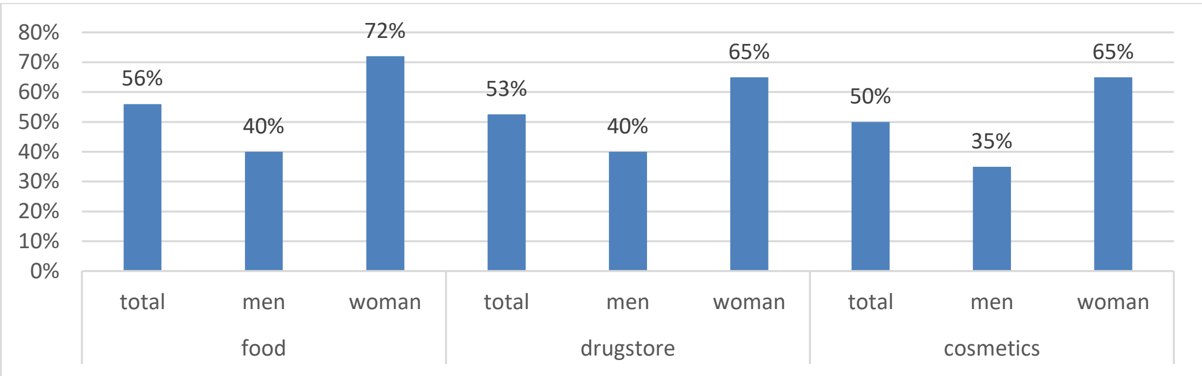
Tab. 1: Reason for the decline of preferences of non-branded goods in %

Uncertainty regarding the lockdown	78%
Uncertainty regarding the continuing COVID-19 pandemic	66%
Reduction in income	45%
Fear of losing job	52%
Loss of a job during COVID-19 pandemic	20%

Source: Author's research

As stated above basically the most important categories of private labels are food, drugstore goods and cosmetics. The following figure summaries buying of these categories based on the gender during COVID-19 pandemic.

Fig. 3: Categories of buying private labels based on the gender during COVID-19



Source: Author's research

As is clear from the previous figure, more women than men said they bought private labels in individual categories during the COVID-19 pandemic. Overall, however, at least 50% of respondents in all categories stated that they were buying private labels.

3.1 Results of the chi-square test

The results of the first two hypotheses based on the chi-square test at the 99% and 95% confidence levels did not proved any significant differences in the perceived changes in the preferences of private labels due to the COVID-19 pandemic with regard to the gender or age of the respondent. Since the P-value of both tests were greater than 0.01, it is possible to reject the null hypothesis for first and second hypothesis. Results follow:

Results of the Chi-Square Test for the first hypothesis

Chi-Square	Df	P-Value
23.425	1	0.1543

Results of the Chi-Square Test for the second hypothesis

Chi-Square	Df	P-Value
33.15	5	0.1103

The final result for these two hypotheses is:

- Perceived changes in consumer buying behavior is independent on the gender
- Perceived changes in consumer buying behavior is independent on the age

The difference was proved in the case of the third hypothesis Perceived changes in consumer buying behavior is independent on the income. This hypothesis was also tested by the chi-square. Since the P-value of this test was less than 0.05 (P-value is 0.0325), we can reject the null hypothesis that perceived changes in consumer buying private labels is independent on the average monthly income at the 95% confidence level. That means that Perceived changes in consumer buying behavior depends on the income. The chi-square test also approved that the changes in private labels preferences is independent on the gender and age. The results of the chi-square test proved that changes in private labels preferences is not independent on the income at the 95% confidence level. Results of the tests:

Results of the Chi-Square Test for the fourth hypothesis

Chi-Square	Df	P-Value
19.325	1	0.03213

Results of the Chi-Square Test for the fifth hypothesis

Chi-Square	Df	P-Value
31.145	5	0.0203

Results of the Chi-Square Test for the sixth hypothesis

Chi-Square	Df	P-Value
24.152	5	0. 0323

Conclusion

This article focused on the changes at the consumer behaviour due to the COVID-19 pandemic with the main focus on the attitude to the private labels. As stated by a number of authors (for example Association (Czeczotko, Górska-Warsewicz, Laskowski, & Rostecka 2020), attitude to private brands is influenced by various demographic factors, but also, for example, the availability of the goods, loyalty, etc. Therefore, the author focused mainly on the impact of demographic characteristics of the customer on the changes in buying behaviour and buying behaviour towards private labels due to the COVID-19 pandemic.

The results of the author's research proved that due to the COVID-19 pandemic there was not great changes in consumer behaviour and attitude to the private labels based on the gender or age. In both cases, the biggest change falls on the income groups with the lowest incomes.

Acknowledgment

This research was supported by the College of Polytechnics, Jihlava, under Grant no. INT/2022/0004 Changes in consumer behavior due to the COVID-19 pandemic.

References

Baicu, C. G., Gârdan, I. P., Gârdan, D. A., & Epuran, G. (2020). The impact of covid-19 on consumer behavior in retail banking. evidence from Romania. *Management & Marketing. Challenges for the Knowledge Society*, *15*(s1), 534–556. https://doi.org/10.2478/mmcks-2020-0031

Baran, T. (2021). Covid effect on retailing: A study on consumers' retailer preferences during economic recession periods: Evidence from Turkey as a predominantly Muslim society. *Journal of Islamic Marketing*. https://doi.org/10.1108/jima-09-2020-0292

Czeczotko, M., Górska-Warsewicz, H., & Laskowski, W. (2020). Towards sustainable private labels—what is the consumer behavior relating to private labels in the UK and Poland? *Sustainability*, *12*(15), 6035. https://doi.org/10.3390/su12156035

Czeczotko, M., Górska-Warsewicz, H., Laskowski, W., & Rostecka, B. (2021). Towards sustainable private labels in an autonomous community during COVID-19—analysis of consumer behavior and perception on the example of Tenerife. *Sustainability*, *13*(13), 7467. https://doi.org/10.3390/su13137467

Ha, N. T., & Luong Thuy, H. D. (2020). Consumer behaviour towards Vietnamese online shopping websites in the COVID-19 pandemic. *VNU Journal of Science: Economics and Business, 36*(3). https://doi.org/10.25073/2588-1108/vnueab.4342

Jiang, Y. (2017). Research progress on the development of strategy consumers' behavior. *2017 International Conference on Financial Management, Education and Social Science (FMESS 2017)*, 269–273. https://doi.org/10.25236/fmess.2017.57

Ong, A. K., Cleofas, M. A., Prasetyo, Y. T., Chuenyindee, T., Young, M. N., Diaz, J. F., Nadlifatin, R., & Redi, A. A. (2021). Consumer behavior in clothing industry and its relationship with open innovation dynamics during the COVID-19 pandemic. *Journal of Open Innovation: Technology, Market, and Complexity, 7*(4), 211. https://doi.org/10.3390/joitmc7040211

PLMA (2020). *PLMA's 2019 International Private Label Yearbook*. Available online: https://www.plmainternational.com/ industry-news/private-label-today (accessed on 4 April 2021).

PLMA (2022). *PLMA's 2021 International Private Label Yearbook*. Available online: https://www.plmainternational.com/d/2021/WPL21/Press/PLMA2021YearbookPressRelease.EN.pdf (accessed on 13 April 2022).

Richter, F. (2020). *Infographic: Coronavirus wreaks havoc on economic growth prospects*. Statista Infographics. Retrieved April 26, 2022, from https://www.statista.com/chart/21942/revisions-to-gdp-growth-forecasts-due-to-coronavirus/?utm_source=Statista&hx002B%3BGlobal&utm_campaign=cee2cfd543-All_InfographTicker_daily_COM_PM_KW24_2020_Fr_COPY&utm_medium=email&utm_term=0_afecd219f5-cee2cfd543-302757553

Shende, Kiran & Karmarkar, Dr & Joshi, Sarika. (2021). Consumer behaviour towards online shopping: study during COVID-19 pandemic. *Kalyan Bharati*,36(VII), 177-182

Solomon, M. R. (2018). *Consumer behavior: Buying, having, and being*. Pearson.

Thangasamy, E., & Patikar, G. (2014). Factors Influencing Consumer Buying Behaviour: A Case Study. *Global Journal of Management and Business Research: E Marketing, 14*(5), 23–31. https://doi.org/10.17010/ijom/2018/v48/i11/137983

World Bank Group. (2020) T*he Global Economic Outlook during the COVID-19 pandemic: A changed world*. World Bank. Retrieved April 26, 2022, from https://www.worldbank.org/en/news/feature/2020/06/08/the-global-economic-outlook-during-the-covid-19-pandemic-a-changed-world

Wunsch, Nils-Gerrith. (2019). *Private label value share in Europe 2018, by country*. Available online: https://www.statista.com/statistics/383261/private-label-value-share-by-european-countries/ (accessed on 18 November 2019).

Contact

Ing. Marie Slabá, Ph.D.
College of Polytechnics Jihlava
Tolstého 16
586 01 Jihlava
marie.slaba@vspj.cz