CONSUMER PREFERENCES TOWARDS PRIVATE LABELS: THAI SHOPPERS' PERSPECTIVES

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ABSTRACT

Purpose – There has been an increasing dominance of the international retailers that have adopted their private label product ranges in many Asian emerging markets. The purpose of this research is to develop a framework factors featuring the consumer preferences toward private label versus manufacturer brands from the Thai shoppers' perspectives.
Design/methodology/approach – A qualitative approach is employed to investigate private label perceptions and preferences by utilizing four focus group interview sessions with female shoppers who either always or never buy private label products in Bangkok.
Findings – The results suggest that Thai shoppers are more receptive to private label purchases for household products and food commodities than for personal care or specialty food products. Moreover, the factors with regard to price/perceived quality relationships and perceived risk are relevant to the Thai shopper context. The potential factors driving private label preferences are identified in three groups: Perceived Saving (3 factors), Perceived Quality (14 factors), and Perceived Risk (10 factors).
Research limitations/implications – The research is an exploratory study from a relatively small urban sample to suggest a tentative framework for further empirical investigations.
Practical implications – International retailers operating in Thailand may apply the findings to more effectively determine private label branding, pricing, product assortment, appearance designs, store merchandising, and in-store activities.
Originality/value – Limited research studies have been conducted to try to understand consumer preferences in the context of southeast Asian consumers. This paper investigates how the urban Thai shoppers perceive private labels and identifies potential factors that could influence the purchase preferences in their perspectives.

Keywords Private label, Store brand, Manufacturer brand, Retailing, Perceived quality, Consumer preference

INTRODUCTION

Private labels are products owned, developed and marketed by a retailer. Consumers have been more and more familiar with private brands over time due to their bargain pricing strategy, packaging upgrades, continuous quality improvements, licensing program expansions, emergence of premium quality or unique, innovative private brands and worldwide dispersions of private label marketing activities (Fitzell, 1998). In fact, from the recent study of The Nielsen Co. in June-July 2008, 72 percent of U.S. household panel respondents considered private label brands as equivalent to manufacturers' name brands (Wong, 2008). Nowadays, almost every supermarket in the West carries both manufacturer's national brand and private-label products. The global private label sales of 38 markets represented 17 percent of total value sales with the growth rate of 5 percent, doubling the 2 percent growth of manufacturers' brand (Tarnowski, 2005).

In Thailand, the international Modern Trade giants, i.e. UK-based Tesco Lotus (hypermarkets), French-based Big C (hypermarkets) and Carrefour (hypermarkets) and Netherlands-based Makro (cash and carry wholesaler), have been dominating retail business in Thailand by their rapid store expansions. For instance, Tesco, who had operated 96 hypermarket outlets and 320 discount convenience stores in 2007, regarded Thailand as its third largest market (Shannon, 2009). All of these retail chains are from Europe where there is traditional dominance in market share of private label value sales with a 23 percent share across 17 markets (Tarnowski, 2005). As such, they started to adopt a private label concept and to strongly promote their own label items to their local operations. Thai consumers in 2006 spent their money on private label goods faster than any other Asian market with 48 percent increase (Yin, 2007).

Despite the rapid growth of private label with the strong push from key international retailers, little is known about what drives Thai consumer preferences towards private label purchases. The aim of this research study is then to gather qualitative insights from private label shoppers in Bangkok as to how private labels are perceived in the Thai shoppers' context and what are potential factors influencing consumer preferences toward private label versus manufacturers' brands via focus group interviews. A conceptual framework from Thai urban consumer perspectives is drawn and presented in this paper.

LITERATURE REVIEW

Western studies identifying potential factors contributing to consumer preferences toward private label versus manufacturers' brands are classified into five groups as previously discussed in Daengrasmisopon (2004). First are factors relating to economic situations, i.e. the conventional notion that private brand volume is inversely associated with economic and disposable income growth as pointed out by Hoch and Banerji (1993). Lamey *et al.* (2004) also found a higher tendency to switch to store brands during an economic downturn. Hoch and Banerji (1993), Ashley (1998), Batra and Sinha (2000) and also Lamey *et al.* (2004) however disagreed in concluding that these "macro level" factors were key preference drivers *per se*.

Second are demographic factors which are such variables as age, income, education, marital status and household size. Several studies (Frank and Boyd, 1965; Coe, 1971; Murphy 1978; Cunningham *et al.*, 1982; Dick *et al.*, 1995) hypothesized certain demographic groups – for instance, low-incomes and large households – were more prone to private label purchases than the other groups. Nonetheless, the findings from many studies appear to be contradictory and, as indicated in Bettman (1974), Burger and Schott (1972) and Szymanski and Busch (1987), correlations between these demographic variables and private brand preferences were considered weak in most instances.

Third, purchase behaviour variables were also identified as private brand preference drivers in Baltas (1997) and Sethuraman and Cole (1999). These studies tried to find commonality in purchase behaviours of private brand users – for example, private label customers were brand switchers or heavy purchasers as they saw significant savings.

Fourth are attitudinal variables, composed of risk perceptions (Richardson and Jain, 1996a; Mitchell, 1998; Batra and Sinha, 2000), product familiarity (Dick *et al.*, 1995; Baltas, 1997) and brand loyalty (Burton *et al.*, 1998). From these studies, private label receptiveness is found to be inversely correlated with risk perceptions, such as performance risk, financial risk or social risk. Consumer familiarity with private-label products could lower perceived risks and consequently indicate an increased propensity to buy them. In addition, store loyal shoppers are also more likely to purchase private labels than store switchers of that retailer (Bonfrer and Chintagunta, 2004).

Fifth, factors concerning price and quality relationships were identified as important drivers toward private label preferences. Apart from the studies along the conventional thought that low pricing as being one key reason to buy private labels (e.g. Omar, 1994; Baltas, 1997), a number of empirical studies – including Stern *et al.*, (1989), Laaksonen (1994) and Hoch and Banerji (1993) have pointed out that private brand shoppers actually trade off between price and perceived quality. Thus increasing private label quality could be more important than lowering the prices. Dick *et al.* (1997), Richardson and Jain (1994, 1996a) found private-label shoppers used surrogate cues, e.g. price, brand name, packaging design and advertising, in assessing perceived quality of private labels. Additionally, consumers also implied private label quality from store aesthetics and image when shopping (Richardson and Jain, 1996b).

Research studies concerning the first three groups seem to have inconsistent results compared with the last two groups. Moreover factors concerning risk perceptions, product familiarity, price and perceived quality variables seem to be more manageable for both retailers and manufacturers as they are more of the product, point-of-purchase and shopper perspectives and are relatively easier for the business to change or control (Daengrasmisopon, 2004).

The literature investigating private label preferences in the Thai context has been very limited. Among a few, Shannon and Lockshin (2002, 2003) investigated effects of cultural variables on private brand preferences among Thai consumers and found private-label shoppers, in general, were not much different from non-users in terms of materialism. The study nonetheless suggested that the concepts of collectivism, materialism and 'face' might have different effects between products with conspicuous versus private consumption and that a polarity of preferences in private brands might exist between some categories. Shannon and Mandhachitara (2005) attempted to support the affects from Eastern cultural factors that Thais spent more time in grocery shopping as a group or with family members resulting in more tendencies for Thais to be socially pressured by accompanied persons to buy private labels. The study, along with Mandhachitara *et al.* (2007), also found that Thai consumers had limited product knowledge and this resulted in deeming private label quality as inferior due to the cheaper price as an extrinsic cue.

From the review of literature, a majority of the empirical studies were done in either European countries or the North America where private label products are widely accepted as indicated from Wong (2008) and Tanowski (2005). Furthermore, most research studies in the Thai context were based on replications of the Western framework and have tried to conclude common factors across all product categories. There might be certain factors that are key drivers for some specific categories or specific retail channels. This highlights a need for exploratory investigations as to what are the potential factors affecting private label preferences among Thai consumers.

RESEARCH METHODOLOGY

This exploratory research study utilized a focus group method to gather data relating to the feelings and opinions of a group of people involved in a common situation (Hussey and Hussey, 1997). Four focus group interview sessions with female shoppers in Bangkok were carried out in an attempt to explore possible factors affecting their preferences toward private labels versus manufacturers’ brands in the Thai context.

Each session composed of at least six private-label shoppers and at least two shoppers who had never bought any private brands in the past twelve months. The private label usage profile groups were designed to be diverse in order to generate all the possible factors from both buyers and non-buyers’ views. Data provided by participants during the interviews were collected by audiotape and written notes. All four focus groups were conducted on January 25th and February 1st, 2003. Below are the main discussion topics that were asked in the focus group sessions.

- Experiences in private label purchase and usage
- Reasons for use/purchase decision of private label products currently used
- Likes/dislikes of private label products currently used
- Reactions towards buying/purchasing private label products of different retailers
- Reactions towards buying/purchasing different private brands of the same retailer.
- Reactions towards buying/purchasing private labels in different product categories, e.g. high versus low involvement, personal versus household, necessity versus luxury products
- Reactions towards buying/purchasing private labels for different shopping purposes, e.g. regular versus occasional versus situational purchase and private versus public consumption exposure
- Product categories considered acceptable to use/purchase private label products
- Product categories considered totally unacceptable to use/purchase private label products
- Product categories suggested to be introduced as private label products.

In order to better stimulate active responses from the participants, some private-label goods were also shown to the groups as fixed stimulus materials. Then open questions were asked to the respondents about their preferences (if any) amongst the selected set of private label products within the same product categories. Subsequently, the participants were asked to indicate their reasons for their particular preferences, or for no preferences, so as to generate all possible factors to develop the tentative framework.

RESULTS

All four focus groups were conducted on January 25th and February 1st, 2003.
The actual total number of participants was 38, comprising 29 private brand shoppers (purchased private-label products in the past twelve months) and 9 non-shoppers (who had never purchased private-label products in the past twelve months). The sample was somewhat higher than the original number (32 female participants) as there were ten prospective interviewees invited (two persons more than originally planned per group to allow for drop-out).

Profiles of the Respondents

The sample consisted of mainly single females (63 percent) aged 26-35 (55 percent). The majority were university graduates or above (92 percent) who were employees in private and public sectors (84 percent). The profiles seem to serve the intent of the researcher in gaining a sample that consists of a sizeable number of young, well-educated participants who tend to be aware of the private label concept.

In terms of purchase behaviour profiles each focus group contained at least two non-private label purchasers in the past twelve months as planned. Most of them were regular shoppers of hypermarkets, supermarkets or personal care stores. However, more than half of the samples were regular shoppers of more than one retailer in their repertoire.

Common Traits of the Private Label Shoppers

Private label customers who participated in the focus groups seemed to have the following characteristics in common:

- They liked private brand items in the product categories where they perceived that quality was not foremost. One participant said, for example, "I don't buy private-label food or personal stuff because I'm afraid the quality is not good. I'm more okay to use household cleaning goods or things that will be disposed after use like tissues or garbage bags since I don't expect much for the quality of these kinds of goods anyway."
- They tended to be more familiar with private brand purchases of household than of personal care or food products. Some comments are "I buy private labels for things like toilet tissue and dishwashing liquid since they are not used with my body and the prices are very cheap." or "I regularly buy toilet tissue and drinking water that are private brands. Those products are all the same as private labels and are the cheapest, especially during promotions."
- Private brands were more acceptable for them in purchasing goods for business purposes. For instance, one business owner indicated, "I buy *ARO* (a private brand

of Makro) A4 paper and stationery for my office. I never buy private labels for myself."

- They liked to try new products available at usual stores. In other words, they tended to use "experience" attributes, such as scent and feeling clean after use of private-label shower cream, where the financial/performance risks of that particular purchase were not too high. One participant said, "I like trying new private-label goods I've never used before, like soaps, shampoos or some products that aren't expensive. Some are acceptable and some are not okay. But I keep trying new things from time to time." But some of them might have had so negative an experience that they stopped buying private brands for the particular products. Another private label shopper indicated, "I used to buy private-label shower cream once. The one that looks like *Dove* (the well-known manufacturer's brand) from Watson's. And the quality was bad. I used it and couldn't wash it off. So I haven't dared to try private brands for body care usage anymore."
- They tended to seek for on-pack product information, e.g. ingredients or manufacturer names, to measure the quality of private-label products. One respondent indicated, "I found the manufacturer of the private-label toilet deodorizer at Carrefour was the same as the one I was going to buy, plus it's cheaper. So I bought the private-label one."
- Their family members can sometimes influence their buying decisions for private labels. One mother of a large family said, "I buy private-label cooking oil at Tesco Lotus because my niece told me it was good. And after I tried it, I think it is quite okay." Also another two young women, "I like private-brand bakery at TOPS. My sister bought it for me once and I thought it was tasty." and "I'm using *Orita* (a private brand of Watson's) talcum powder. My mom bought it home so I tried it and I liked it."

Overall Perceptions toward Private Brands and Their Current Purchases

Among private brand purchasers, they perceived that private labels were smart choices for the product categories they did not require the best quality. They buy private brands for products where they see there are no significant differences in quality. "I buy private-label cotton buds as they are all the same. But I always use branded cotton balls (for facial cleansing) because I'm afraid my face will be allergic to private label brands," said one usual buyer of private brands. Another participant pointed out, "I buy private-brand ground sugar from TOPS. I think all ground sugar should come from the same source anyway." General perceptions on quality of current private-label products they regularly bought were at a satisfactory level. However they periodically found some trial purchases of new private brand items did not meet their expectations. As a result, there would be no repeat purchases of those items. One private label shopper said, for example, "I used to buy *Boots* moisturizing cream. It looked like *Nivea* (a well-known manufacturer's brand) but when I tried it, the cream wasn't thick at all so I won't buy it anymore."

The regular customers of private brands still kept on purchasing certain private-label products because the prices were attractive versus leading manufacturers' brands while the private label quality met their expectations. Nevertheless there were a considerable number of shoppers who regularly bought certain private-label items due largely to the characteristics of the products themselves, for example, "it has a pleasing scent" (shower cream), "it dissolves quickly" (sugar), or "it is tasty" (bakery).

As for shoppers who never purchased private brands, although on some occasions they thought it was acceptable to consume or use some private-label products that somebody else bought, they did not buy those products themselves since they did not trust the product quality. For these shoppers, private-label packaging that was similar to the leading branded product connoted inferior quality to that manufacturer's product. Some non-users thought that, in order to sell private-label products at very low prices, the manufacturers, even some who were also the leading branded products, might lower their private brand product quality so as to reduce manufacturing costs. They would rather try new products within the manufacturer's brand range. For some non-users, they had had unsatisfactory experience in the use of private brand purchases and subsequently perceived even higher functional risks and were reluctant to purchase private brands ever since. "I only used to buy private-brand shampoo once at Boots because the store has good image. But it made my hair fall out so I stopped buying all private brands," a young non-private label shopper declared.

Reasons for Trial Purchases of Private-Label Products

In general, most respondents who were current private brand shoppers revealed their major reasons for trial purchases of private-label products and those were very attractive bargain prices or strong promotion offerings. “I tried new private labels when they had special promotion tags at Watson’s or “buy one get one free” promotion at TOPS,” said one participant.

Some supermarket or personal store shoppers revealed that occasionally they did not realize that some products were private labels, especially those of some premium-image retail chains, such as Boots Retail or TOPS Supermarket. “I bought skin moisturizer from TOPS and at first I didn’t realize it was *TOPS* private-label product.” one participant said.

Packaging similarity to manufacturers’ brands, on the one hand, might signify a similar level of quality to some private brand shoppers. On the other hand, the packaging similarities could pose negative intentions in a consumer’s mind as an attempt to confuse customers by imitating identity of the leading branded product, thus resisting the shoppers to trusting the product quality and subsequently purchasing such a private brand product. “I don’t like private labels simply because they like to copy other products,” a young female participant commented.

Further, some participants first bought private-label bakery products by impulse purchase when they saw or smelled displayed products. One of such shoppers said, “I walked into Tesco Lotus and saw that its fresh donuts looked like they just came out of the oven. So I tried them.”

Some of the private brand shoppers said that they used to buy private labels because the product promoters convinced them to try these products. “I once bought *No.7* (a private-label cosmetic brand of Boots Retail) lipstick and cosmetic powder cake at Boots purely because of the promoter. He was very good at convincing me,” one participant advised.

The non-private label shoppers also suggested several strategies to induce trial purchases of new private labels as well as to switch non-private brand shoppers to start buying private brands as follows:

- Lower prices so as to minimize perceived risk but not too low that consumer confidence in product quality or safety is in doubt
- Do not place retailer's logo on packaging
- Do not imitate packaging design of the brand leader
- Have indications of high quality ingredients on packaging
- Have indications of quality certification on packaging
- Advertise in retailer's promotion flyers to gain awareness
- Hire product promoters to convince customers at point of sales
- Provide product samples or in-store demonstrations for shoppers to test product quality.

Effects of Retailer Images to Private Brand Perceptions

Private-label customers who had multiple routine retail chains felt that some particular chains possessed higher quality images than others. This type of perception did have an effect to their quality perceptions of private labels in those particular chains. Consequently, private brands of some retailers, such as Boots, Tesco Lotus or TOPS, were seen amongst their regular shoppers as superior quality to those of other chains. In addition, most of multi-retailer shoppers considered different retailers had better products in different categories within their individual store repertoires. For instance, same consumers might prefer to shop for private-label shampoo and skin lotion at Boots, food and beverages at TOPS and household cleaning supplies at Big C. This example was particularly possible where the consumer normally did shopping at a large one-stop shopping complex that has a supermarket, a hypermarket and a personal care store all within the same area.

Purchases of Private-Label Products in Different Shopping Purposes/Occasions

Private brand customers sometimes purchased private labels for different specific purposes. Even though the majority of the private brand users did shop for the products for household usage, only a few of them shopped for private brands for personal care usage. One private brand buyer said, "I buy private-label household goods as I don't think much about the quality of such products." Unlike shopping for their own use, some respondents stated that their propensity to buy private brands increased when purchasing products for work-related purposes, for example, buying products for office usage or for resale, where value was a primary concern. There were also some participants who said that they had a tendency to buy private-label products when they planned to buy products in big lots for the whole family or for donation items to Buddhist monks. “I usually buy private-label items before I go back to my home town upcountry. I buy them in big lots for the whole family there because they are not expensive and do not cost me much for a large purchase quantity,” said one participant.

From time to time, unplanned or impulse purchases of private brands could happen, as well. This type of purchases occurred by some private-label customers due to the following incidents. First, the products were merchandised with attractive displays at the preferred retail stores. Second, the products had nice packaging designs. Third, the shoppers realized the needs for emergency purchases. One occasional buyer of private labels said, “I don’t usually buy private-brand products, but sometimes I buy a chilled bottle of *Supersave* drinking water when I feel thirsty in the store.”

Comparisons of Multiple Private Brands within the Same Retailer

To gain more in-depth aspects on product-related factors that potentially influence consumer preferences toward private-label items, the researcher conducted private-label preference comparison sessions using different private-label products within the same category as stimulus materials. For comparisons of private brands within the same retailer, the participants were exposed to three marmalade and two instant coffee products of one retail giant, Tesco Lotus, without price information. The participants were then asked to rank the most-preferred product for each category and write down their ranking with reasons for preferences on the paper before sharing with the group in order to avoid bias from the others’ answers.

Picture 1. Photo of the Three Test Products in Marmalade Product Category within the Same Retailer (Tesco Lotus): Tesco Finest (left), Supersave (middle) and Khumkha (right)

In testing private-label marmalades, the three test products were *Tesco Finest* (highest-priced marmalade imported from UK), *Supersave* (medium-priced marmalade with packaging design somewhat similar to *Best Foods* which is one of the well-known jam brands) and *Khumkha* (lowest-priced marmalade using simple "rubber-stamp" packaging design that the retailer applied across the *Khumkha* range, similar to *Tesco Value* brand in UK). The photo of the three test products is depicted in *Picture 1*.

As indicated in *Table 1*, *Tesco Finest* and *Supersave* gained an almost similar number of most-preferred ranking. The major reasons for preferences of *Tesco Finest* were its premium-look appearance, product texture and the fact that it was an imported product from UK, while some participants preferred *Supersave* for its similarities to the leading brand in terms of product appearance and texture.

Since there were no price information in the comparisons, *Khumkha* apparently received the poorest ranking potentially due to its bland "rubber-stamp" packaging design and inferior quality perceptions from its pale, uncondensed texture. However, when it comes to the actual purchase, consumers will trade off between perceived quality and price of *Khumkha* and it is possible that *Khumkha* would be selected by some value-conscious shoppers.

TABLE 1. PREFERENCE COMPARISONS OF THE THREE PRIVATE-LABEL MARMALADES FROM TESCO LOTUS

	PRIVATE-LABEL MARMALADE BRANDS		
	Tesco Finest	***Supersave***	***Khumkha***
Number of preferences	19 respondents	17 respondents	2 respondents
Major reasons for preferences	Dark texture looks delicious	Product texture and design looks familiar	Its pale texture makes it look like it contains less colour additive
	It has nice packaging design	Size of orange skin is about right	N/A
	It is an imported product from UK	It has less sugar content	N/A
	Size of orange skin is bigger	Colourful packaging design	N/A
	The product has good appearance	It looks safer as the texture can be seen through the packaging easily	N/A

In the subsequent testing, two private-label instant coffee products, i.e. *Tesco Classic* – a higher-priced, imported product from UK – and *Supersave* – a lower-priced, "me-too" instant coffee locally manufactured with somewhat similar packaging appearance to *Nescafé* (a leading manufacturer's brand) – were tested to the participants (see *Picture 2*).

Picture 2. Photo of the Two Test Products in Instant Coffee Product Category within the same retailer (Tesco Lotus): Supersave (left) and Tesco Classic (right)

As for the results of testing between two instant coffee products stated in *Table 2, Tesco Classic* brand was ranked as substantially more preferable to *Supersave* coffee as a result of its greater attractiveness, more premium design and quality perception from its country of origin (UK).

Supersave coffee, on the other hand, was liked by a certain group of participants because of a familiarity of its packaging design since it looked similar to the leading brand. There were nonetheless some respondents who thought both products were not significantly different from one another and had no preferences to any of the products shown.

TABLE 2. PREFERENCE COMPARISONS OF THE TWO PRIVATE-LABEL INSTANT COFFEE PRODUCTS FROM TESCO LOTUS

	PRIVATE-LABEL INSTANT COFFEE BRANDS		
	Tesco Classic	***Supersave***	***No preferences***
Number of preferences	21 respondents	12 respondents	4 respondents
Major reasons for preferences	Packaging design is beautiful	The manufacturer name is well known	N/A
	It is an imported product from UK	It has satisfaction guarantee indication on pack	N/A
	Packaging looks premium	It has more coffee granules	N/A
	The word "Classic" makes it sound premium	It looks familiar, like *Nescafé*	N/A
	The other brand looks like *Nescafé*	Product information is shown on the packaging	N/A

From the first two comparison exercises, the participants, when comparing private-label products within the same retailers, used both intrinsic (quality ingredients) and surrogate (such as brand name and packaging design that connote quality) cues in determining product quality and preferences.

Key product-related factors that the respondents mentioned as reasons for preferences comprise:

- **Product Appearances** (having good product texture and nice/premium packaging materials). “The label design of this one (*Tesco Classic* instant coffee) looked more premium. So I think its taste should be better, too,” one participant said. Another respondent who preferred *Tesco Finest* marmalade indicated, “I like it because the dark texture looks delicious.”

- **Manufacturing Source** (being an imported product and a well-known manufacturer's name). Some comments supporting these types of factors are such as "It (*Tesco Finest* marmalade) is imported from UK. So I think the quality should be good." or "The manufacturer of this product (*Supersave* instant coffee) is well known. I feel more confident with the quality."

- **Brand Name** (having a premium quality connotation of a brand name). One participant pointed out her reason for *Tesco Classic* instant coffee, "The word 'Classic' on its label makes me feel the product is premium".

- **Packaging Design Familiarity** (having similar packaging design to a well-known manufacturer's brand). One of the respondents who preferred *Supersave* marmalade product revealed, "Its texture and product design look familiar to me like how marmalade should look."

- **Product Ingredients** (offering larger amounts of product, an indication of product ingredients on the label and no harmful ingredients). "I think it (*Supersave* instant coffee) contains more coffee granules than the other." and "Its label (*Supersave* marmalade) says that it has least sugar content." are some examples of the comments on product ingredients.

- **Satisfaction Warranty** (indicating a statement on the label offering full refund if not satisfied with the product quality). One participant explained her reason for liking *Supersave* instant coffee, "The label says that if you are not satisfied with this product, you can bring it back for refund or exchange. This means the retailer must be confident in the product quality, so the product should be good."

It is important to note that, though packaging familiarity was listed as one of the potential factors, packaging imitation could connote inferior quality to the manufacturer's brand and could be conversely a reason not to prefer the product for some participants. One non-private brand user indicated, "I like this one (*Tesco Classic* instant coffee) because another one looks like it copies *Nescafé* (a leading manufacturer's brand) so the quality should be low."

Comparisons of Multiple Private Brands across Different Retailers

In addition to the testing on the different private brands under the same retailer, the researcher also tried to explore further with the last two focus groups to gain insights of consumer preferences towards private brands from different retail chains using the same procedure as for the first two product comparison exercises.

The participants in the last two focus groups (3 and 4) were asked to review and rank three private-label feminine pad brands of different retailers, including Tesco Lotus (hypermarkets), Home Fresh Mart (supermarkets) and Boots Retail (personal care and pharmacy stores). Three test products, as depicted in *Picture 3*, were *Boots*, *Home Best* and *Tesco* feminine pads. *Boots* feminine product in this test was an imported product from UK while the other two were locally manufactured.

Picture 3. Photo of the Three Test Products in Feminine Product Category across Three Different Retailers: Boots from Boots Retail (left), Home Best from Home Fresh Mart (middle) and Tesco from Tesco Lotus (right)

As seen from *Picture 3, Tesco* and *Home Best* feminine pads appear to have "me-too" designs (both have similar packaging appearance to *Modess*, the well-known manufacturer's brand) while *Boots* was an imported product with a quite differentiated product appearance. As for the test results (see *Table 3*), *Boots* product of Boots Retail was the most preferable due to the trusted name – *Boots* – and the unique product look. Nonetheless, the fact that it is an imported product or its country of origin (UK) was not clearly mentioned as one of the key reasons for preferences. It is also worthwhile to note that some participants also liked *Boots* because the test product was an ultra thin variant which was perceived as a very premium variant for feminine pad products.

TABLE 3. COMPARISONS OF PRIVATE-LABEL FEMININE PADS FROM DIFFERENT RETAILERS

	PRIVATE-LABEL FAMININE PAD BRANDS		
	Boots	***Home Best***	***Tesco***
Number of preferences*	13 respondents	4 respondents	2 respondents
Major reasons for preferences	It is labelled *Boots* brand	Its packaging is nice and lively	It looks like *Modess*
	It has compact pack size	The pads are soft	The pads are thick
	It is an ultra thin variant	The pads are packed inside tightly	N/A
	It does not look like conventional feminine product	It has a product illustration on the packaging	N/A

* The responses were from Groups 3 and 4 only.

In the last comparison exercise, the participants also used both intrinsic and surrogate cues in their quality determinations when comparing private-label products across different retailers. Like with the testing of private brands within the same retailer, such factors as product appearances, manufacturing sources, brand names, packaging familiarity and product ingredients were mentioned as key reasons for preferences. Nevertheless, many participants mentioned that the retailer's brand and image (Boots

Retail, in particular) was one of the key reasons driving their preferences. Some participants said, “I prefer this one (*Boots* feminine pad) because it’s a brand of Boots. It should have good quality.” and “I like it (*Boots* feminine pad) as I think Boots is trustworthy.”

Products Considered Suitable/Not Suitable for Private Labels

At the later section of the focus groups, the participants were asked to suggest product categories that they thought appropriate for private brands as well as those where private-label items should not be introduced. As the groups perceived *Boots* and *Watson’s* (which are Personal Care and Pharmacy stores) had more premium quality image to other retail chains and therefore were more receptive to private-label personal care and cosmetic products of such retailers, the researcher then asked the participants to exclude these two chains and think of the products in the context of general supermarkets and hypermarkets in order to clearly represent a picture of major retail trade.

Regarding products suitable for private labels as shown in *Table 4,* almost every participant welcomed most household products that many of them currently bought. Many participants also cited food commodities and seasoning products. Other product groups, such as office supplies, stationery, audio recording cassettes, pet shampoos, and sets of necessity products to donate to Buddhist monks, as being regarded as suitablet for private brands, as well. Bottled drinking water was the only suitable drinking product for private labels, yet was generally well accepted across all groups. None of the participants mentioned any cosmetic products as appropriate to be private brands.

Products that were clearly regarded as improper for private labels, on the other hand, were all cosmetic goods and expensive appliances. In addition, the participants strongly rejected private labels in “sensitive” product categories that concern facial care, feminine hygiene, oral care, baby care, medicine and nutrition. The participants did not mention household products as not proper to be private-label items at all. This indicates an opportunity for growth of private labels in household product categories.

TABLE 4. LIST OF PRODUCTS SUITABLE AND NOT SUITABLE TO BE PRIVATE-LABEL GOODS

PRODUCT CATEGORY	SUITABLE TO BE PRIVATE BRAND	NOT SUITABLE TO BE PRIVATE BRAND
Household	Toilet tissue, dishwashing liquid, disposable plastic bag, paper towel, toilet cleaner, toilet deodorizer, fabric softener, scouring pad, floor cleaning equipment, slippers, disposable container and plastic dinning ware	Not mentioned
Personal care	Cotton buds/balls, hand soap, and disposable panty	Facial wash, facial lotion, body lotion, shower cream, shampoo, hair conditioner, toothpaste, toothbrush, mouth wash, dental floss, feminine pad, body deodorizer, baby diaper, baby toy and baby powder
Food	Packaged rice, ground sugar, premium ground coffee, cooking oil, condiments and fresh bakery	Dairy products, instant noodle, candy and baby food
Beverage	Bottled drinking water	Carbonated soft drink, alcoholic drink and fruit juice
Cosmetics	Not mentioned	All products
Others	Office supply, stationery, audio recording cassette, pet shampoo and set of necessity products for Buddhist donation	Pharmaceutical products, dietary supplements, seasonal gift set, lingerie and hi-tech/durable home appliances

Paradoxical to Tanowski (2005) where private-label dairy product, fruit juice and baby diapers received high acceptance, most participants rejected these products as private labels. Another point to note is that a seasonal gift set was considered not appropriate whilst a Buddhist donation set was acceptable. One possible reason is that the participants might perceive the private-brand gift sets have a high social risk associated with its usage since the products would be given to their social groups whereas a Buddhist set was acceptable for it was purely meant for donation purpose.

DISCUSSION

According to this qualitative study, Thai shoppers seemed not to fully accept private-label products in most categories, with an exception for household goods and disposable commodities. This is one of the primary differences from Western countries where purchases of a wide range of private-label items, including personal care, food and drink categories, are commonplace. At a "macro level", possible reasons causing Thai consumers to resist private label acceptances in "sensitive" or high involvement categories are:

- Thai shoppers in general still have low familiarity with the private label concept. This concept has been established in Thailand since the early 1990s (many decades after its emergence in Western countries) and has begun to gain slight popularity in some product categories after the Asian economic recession and the growth of large transnational retail chains since the late 1990s.

- The vast majority of consumers in Thailand are not aware of full satisfaction warranty programs of modern trade retailers. Unlike those in US or European countries, some of the programs are set with many conditions and some do not offer a money-back refund, thus limiting the level of consumer trust of the retail traders. Consequently, the shoppers still perceive high financial risks in purchasing private-label items.

- Most participants mentioned that Thai consumers do not strongly believe in the consumer rights protection mechanisms. They perceive that there have not been many successful cases where consumers took and won legal actions against substandard product quality. Otherwise, private labels could be seen having lower physical risks due to higher consumer trust in quality standards and having lower financial risks since legal mechanisms are more feasible with a worthwhile payback if legal cases are won.

- There has been a lot of debate over the past few years about the threats for local traders caused by the rapid expansions of modern retail giants. Local retailers, ranging from small mom-and-pop independent grocery stores to large local department stores, have been facing continuously strong price competition created by these international chains. Many Thai traders could not stand this situation and have been closing their outlets. This phenomenon raises the notion of "retail patriotism" to local retail associations, as well as in some local communities. Those "retail patriots", as a result, regard private brands of transnational retailers as one of the symbolic actions of the threat from such modern trade giants.

The research findings show that Thai shoppers seem to be more receptive to private labels in product categories that are not closely related to their personal usage, meaning the products with low physical risks. Consequently, chances for wide acceptances in private-label items in some "sensitive" categories, including pharmaceuticals, dietary supplements, baby products, cosmetics and facial care products, are not yet viable for the Thai market at this stage. Also these shoppers did not welcome private-label items in many categories that seem to require high price tags, e.g. hi-tech products or home appliances. These findings can be explained by the concept of private-label risk perceptions (Mitchell, 1998; Batra and Sinha, 2000).

The results from the private-brand product comparison exercises confirm the notions of Richardson and Jain (1994, 1996a) and Dick *et al.* (1997) as the participants mainly used extrinsic or surrogate cues – including packaging graphics, product appearances, manufacturer names and country of origin – in perceived quality evaluations. Further, when comparing different private brands from various retailers, the participants tended to use retailer reputations and store images as one of the surrogate cues in determining perceived quality of private brands, as well. This is also in line with Richardson and Jain (1996b).

The findings here do not support notions of Shannon and Lockshin (2002, 2003) regarding reluctance to purchase private brands for conspicuous consumptions. For example, the respondents thought it was acceptable for purchases of some products that could sometimes expose them to their social groups, e.g. bottled water, office supplies, stationery, audio recording cassettes, slippers, hand soap and products for Buddhism donation.

However, the study is an exploratory study from a relatively small sample among urban female shoppers in Bangkok. It has certain limitations to generalize as a representation to the nationwide or to other southeast Asian countries as its main focus is to suggest a tentative framework for further empirical investigations.

CONCLUSIONS

In conclusion, the findings from this study suggest that the factors with regard to price and perceived quality relationships and perceived risks both seem to be relevant to urban shoppers in Thailand. As such, there are three groups of potential factors influencing private-label purchase preferences in an Asian (Thai) context: Perceived Saving (PS), Perceived Quality (PQ) and Perceived Risk (PR) factors.

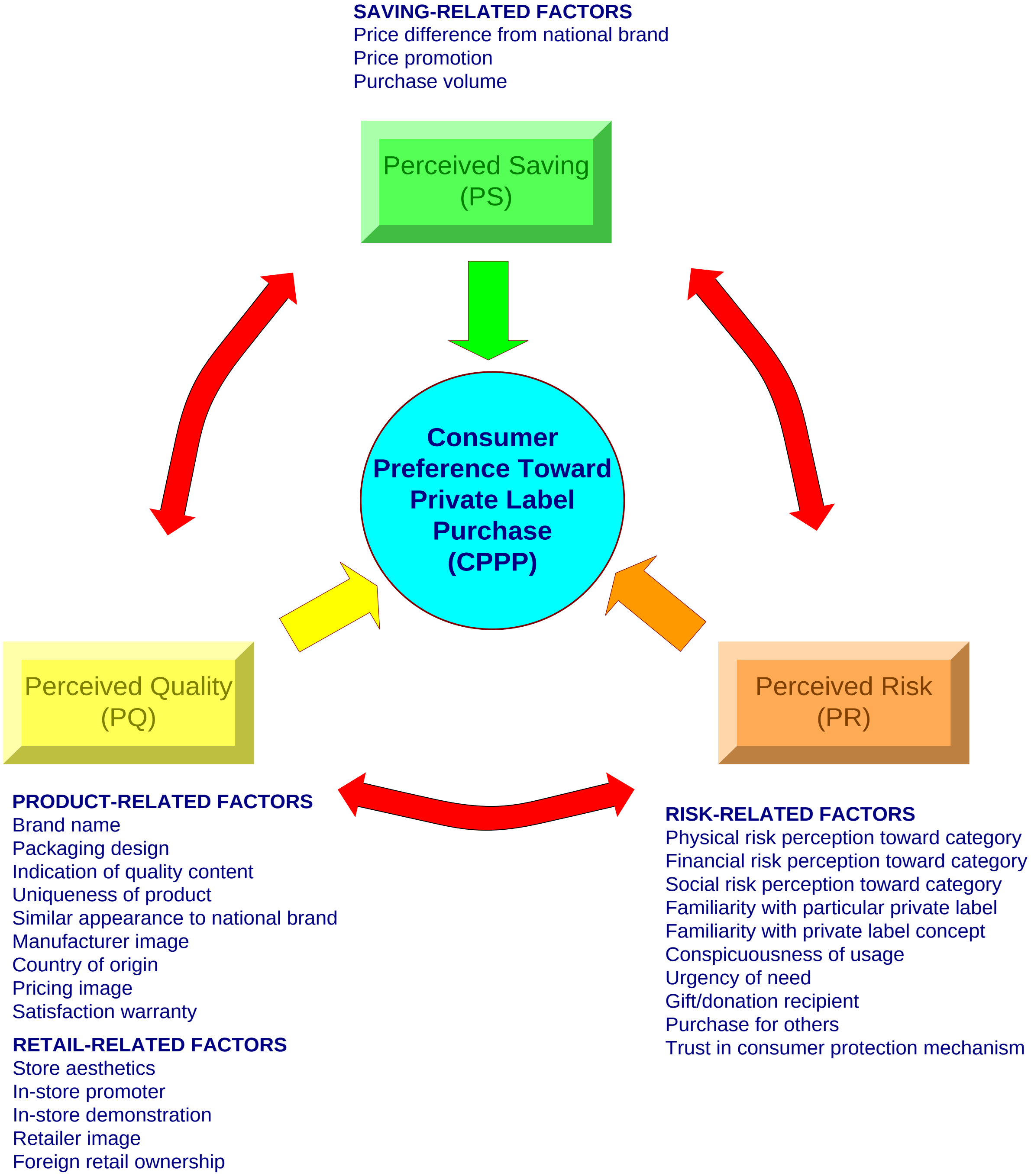
Perceived Saving and Perceived Quality factors are derived from the price and perceived quality relationship factors as modified from the research findings and the literature review. According to the study, consumers tend to trade off between Perceived Quality and Perceived Saving in comparison with the manufacturer's brand given the acceptable level of Perceived Risk.

Perceived Saving factors include (1) price difference from national brand, (2) price promotion and (3) purchase volume. Perceived Quality factors can be categorized as product-related and retail-related factors. Product-related factors consist of (1) brand name, (2) packaging design, (3) indication of quality content, (4) uniqueness of product, (5) similar appearance to national brand, (6) manufacturer image, (7) country of origin, (8) pricing image and (9) satisfaction warranty. Perceived Quality factors relating to retail comprise (1) store aesthetics, (2) in-store promoter, (3) in-store demonstration or product sample at point-of-purchase, (4) retailer image and (5) foreign retail ownership. Lastly, Perceived Risk factors include (1) physical risk perception toward category, (2) financial risk perception toward category, (3) social risk perception toward category, (4) familiarity with a particular private label, (5) familiarity with the private label concept, (6) conspicuousness of usage, (7) urgency of need, (8) gift or donation recipient, (9) purchases for others and (10) trust in the consumer protection mechanism.

Consequently a conceptual framework to hypothesize potential factors that influence consumer preferences towards private label versus manufacturer's brand in a Thailand context is drawn in *Diagram 1*. The factors under each of the three factor groups (PS, PQ and PR) may positively or negatively affect Consumer Preferences toward Private Label Purchases (CPPP). The double-headed arrows between each pair of factor groups indicate that factors in each group may affect other factors in different groups and *vice versa*.
The conceptual framework drawn from this study is offered merely to qualitatively explore possible factors influencing private brand preferences. A further quantitative study amongst private-label shoppers in urban Thailand needs to be done in order to gain attitudinal and behavioural insights concerning private-label purchases, i.e. a relationship direction (positive or negative) of each factor in relation to the private-label purchase preference according the proposed conceptual framework in this study as well as a quantification of the correlation between each private-brand attitude and private-label quality perception. Such insights would help enhance validity of the theoretical framework and suggest further directions for the empirical validation. In addition, it is also worthwhile to understand current private-label shopper profiles and their purchase behaviours, as well as to quantitatively confirm suitability and acceptability of private-label items in each product category and each retail channel, in further studies.

FIGURE 1

FACTORS DRIVING PRIVATE LABEL PREFERENCE IN THAILAND



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