

# A Study of Consumer's Preference on PB and NB Products Using Conjoint Analysis

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## Introduction

After Korean retail market has been widely opened in 1996, there have been rapid changes in the retail market. The new retail formats like supercenter have grown very rapidly and now supercenters like E-Mart, Homeplus owned by Tesco, Lotte Mart are dominating the retail market. As the large-scale retailers have more market power, bargaining power has shifted from manufacturers to large-scale retailers. On the other hand, there have been more competitions among retailers.

As supercenter have more bargaining power and they face more competitive market situation, they have tried to take advantages of economies of scale. One of them is to develop private brand (PB). Since the biggest supercenter in Korea, E-Mart, launched 3,000 private brand products in the late 2007, PB has become a big issue in the retail market.

PB is a product which is developed by either retailer itself, or PB's manufacturing partner, and gets marked with PB logo on its product to be sold only at distributor's stores. These PB products are sometimes called "PL"(Private Label) products and PB is used contradictory concept of NB (National Brand) product. Because PB products are planned and manufactured by a retailer, manufacturers who made PB product have no need to advertise its product. Thus PB product tends to have lower price than the same kinds of product with National Brand. In other words, it enables to reduce raw material cost, research cost, distribution cost, marketing cost, management cost, and various marketing costs, which allow it to have 10 ~ 40% lower price.

Thus PB seems to be successfully deriving price-sensitive consumer's purchases of PB products as PB lets consumers recognize a product with cheap prices. In the other hand, quality-sensitive consumers show negative attitude toward PB products because there is a general awareness that NB products have superior quality.

In this circumstance, a study on PB products launched in retailer's stores - consumer's choice between PB and NB products and the most effective property of a product on such choice - is necessary at this point. Speaking of which, there was a related domestic study led by Park (2004). In this study, Park (2004) estimated PB product's preference value by characteristic in the process of searching a method which can overcome quality issue of PB products. However this study focused on preference analysis about consumer's choice within the PNB (Private National Brand) products, which is planned cooperatively between PB product and the manufacturer, so we cannot say it is a formal analysis between PB products and NB products. Park and Kang (2003) analyzed elements that affect purchase intention of PB product, using structure equation model, by regions. However this research also wasn't helpful with analyzing the preference about consumer's choice.

Thus, the purpose of this study is to analyze a product's characteristic, which has the most influence on customer's choice between PB and NB products, and observe if consumer's preference by the differences in brand actually plays a role in product purchases. This study will find out which characteristic of a product has the most influence when consumer makes a purchase, and analyze if actual consumers make a purchase with recognition of the brand difference between PB and NB brands using conjoint analysis.