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INTRODUCTION: PURPOSE AND AUDIENCE

This handbook is intended to be a comprehensive reference work in the field of Private Labels (PLs) and retailing. The result of a collective effort by 43 authors from nine countries, it covers the most paradigmatic topics in the field.

The idea for the handbook emerged from the important and consolidated position PLs have acquired in consumer markets in recent years. PLs are clearly of great interest to both academics and practitioners. The battle between PLs and National Brands (NBs) is intense in many markets and may have grown more so as a result of the recession. In this context, the marketing strategies and actions of these actors and the need to gain a more thorough sense of consumer attitudes and behavior toward both types of brands remain key research issues for a broad audience of academics and managers.

With this in mind, we sought to approach the analysis of the PL phenomenon by examining the latest findings and trends in a wide variety of markets, ranging from fast-moving consumer packaged goods to tourism, pharmaceuticals, and fashion. By adopting this broad perspective, we hope not only to make this handbook a reference source for academics, but also to provide a framework for decision-making in business. It thus targets two main audiences:

- Executives looking to hone their expertise and gain insight into the current state of the PL phenomenon, to help them design the best and most accurate strategies.
- Academics, researchers, and doctoral students seeking to deepen their knowledge and familiarity with PLs, who will find key sources in this handbook to do so.

In short, this handbook will help all those interested in the study of PLs by providing a comprehensive overview of the phenomenon.

GENERAL CONSIDERATIONS ABOUT PLs

PLs are brands owned by a retailer and produced by a manufacturer. They are usually cheaper than NBs, due to their relatively smaller marketing budgets. They have also achieved considerable degrees of differentiation by developing more innovative, higher-quality products with clear segmentation approaches, i.e., benefits traditionally offered by leading NBs.
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Here it is worth pausing to ask what terminology we should use to discuss the main subject of this handbook. While we have chosen to use the term “PL” in this preface, several other terms are used in general contexts, for the most part interchangeably. In this regard, according to Medina (2015), the most frequently found term in a search of 320 articles published between 1966 and 2013 was “private label” (42.5%), followed by “store brand” (35%). Nevertheless, other terms were also used, such as “distributor’s brand,” “own brand,” “label products,” “private-label brand,” “retailer own-brand,” “retail brand,” and “house brand” (Lybeck et al., 2006; Medina, 2015). As there are no substantial differences in meaning between these terms, we chose to respect the term used in each chapter, with “private label” and “store brand” being predominant in all chapters and used interchangeably.

In academia, PLs were first studied in the 1960s, in pioneering work such as that by Myers (1967). At first, the interest in researching these brands was largely academic, without much regard for more business-oriented approaches. Indeed, as a result of the then minor market share of PLs and the fact that few retailers at the time had incorporated them into their product assortments, few manufacturers paid attention to the new phenomenon, nor did retailers give it much thought when crafting their strategies.

It was only subsequently that manufacturers, retailers, and public authorities began to show interest in the phenomenon: the first because they began to feel the growing threat these brands posed; the second because they saw how they could use PLs to gain competitive advantages; and the third because they wanted to know whether they could regulate the phenomenon, in order both to ensure consumer sovereignty and protect certain industries.

To understand how PLs are currently understood, it is necessary to consider the evolution of their value positioning in consumer good markets, which is where they were first sold, alongside National Brands (NBs). They were initially intended to target especially price-sensitive consumer segments. However, they have steadily evolved and today they have become useful marketing tools for retailers and wholesalers, positioned as a key alternative to leading brands, offering similar quality at a lower price (Gómez & Rubio, 2005).

For about a decade now, in countries in which PLs have a larger market share, they have sought to differentiate themselves through more innovative, higher-quality products with a greater degree of segmentation, all benefits traditionally offered by the leading NBs. Therefore, the continued growth of these types of brands is in part the result of their continuous evolution ever since they were launched. Retailers tried to make PLs just another brand in the set of choices offered to consumers. They have improved their quality, changed their positioning, and sought to endow their brands with greater prestige so that they would cease to be perceived as mere imitations or knock-offs of NBs and come to have an identity of their own on the market.

Nevertheless, the idea that PLs are simply a low-cost alternative persists today among a broad segment of consumers, and their perceptions of the value for money they offer compared to NBs are even lower, especially with regard to leading brands. This consideration is what has largely prevented PLs from increasing their market shares in many countries beyond what they have already achieved.

PL ROLE IN THE CRISIS AND RECOVERING ECONOMIES

Many current studies seek to explain why these brands have developed so rapidly and extensively in some countries, but have likely “hit a ceiling” in others, whether in terms of supply (i.e., limited commercial concentration) or demand (i.e., weak acceptance among consumers).
The economic crisis that began in 2007 has been considered a sufficiently important factor to justify taking a new look at the status of PLs. This book is coming out at an especially opportune time. The recession, from which many countries around the world now seem to be slowly emerging, has changed the habits and behaviors of consumers, who today place greater importance on value than they once did. As a result, the market share of PLs, which have generally constituted cheaper alternatives to NBs, has been growing in most countries. In response, retailers’ strategy has been to increase the presence of their own brands on the shelves, thereby augmenting the pressure on manufacturers to manufacture PLs or increase the differentiation and value of their NBs.

Currently, PLs generally account for more than 40 percent of all consumer products sold in several European countries, as will be seen in different chapters of this book. They have likewise witnessed especially high growth in emerging retail markets. These gains are giving rise to a more solid base through which to achieve even greater growth, as retailers mature in these countries. However, although the present status of PLs in most markets is favorable for retailers, as the economic crisis has even led to unexpected gains in some countries previously thought to have mature markets, how they will fare in the future remains to be seen.

The question that many analysts are asking in light of the figures suggesting a stagnation or even decline in the market share of PLs in more mature markets is whether these brands have peaked. Given this state of affairs, the relevance of PLs could even transcend to other economic sectors, as these early signs of stagnation/decline in recent years could be an economic indicator confirming the recovery that many macroeconomic figures have begun to indicate. In the editors’ view, the answer to this question is a qualified no. In other words, there is still room for PLs to grow. We believe that the reading of certain chapters of this book, which showcase the wide variety of product categories and markets in which PLs can be sold, will go a long way toward answering this question.

Specialization strategies, innovation, finding new markets (geographical or in terms of the profit sought), and incorporating new technologies are just some of the policies companies have followed to expand these brands that could yield the best results in the future. In this regard, it must not be forgotten that, in general, there is considerable potential for market share growth in terms of value and, especially, volume in emerging markets. In mature markets, PLs can grow in categories in which they are not yet present. Obviously, with some products, the perceived risk is high, and in these markets PLs do not seem to have triumphed. However, with other types of products, such as consumer durables with high purchase frequency and low levels of consumer engagement, prescription and OTC drugs, or services such as tourism, there are still gaps in the market.

Additionally, the potential of more imaginative brand strategies using new technologies or in-store communication actions related to experiential (sensory) marketing could help retailers market their new products or innovate within their existing product portfolio. The field is also broad with regard to the generation of more sustainable brands, more highly valued by the segment of consumers who are health-conscious, concerned about the corporate social responsibility of the companies behind the brands, and even seeking to purchase fair-trade products.

**ORGANIZATION OF THE BOOK**

The structure and content of this book are designed to offer readers a broad view of the current status of PLs in times of economic recovery. Although the vast majority of papers published on the topic refer to
consumer goods, the editors have sought to provide a broader vision, so as to analyze the development of these brands in the context of other products both at large retailers and in more specific sectors in which PLs can also be found.

Therefore, the end result of this work, this book, is an analysis of the state of the question with regard to PLs, especially in terms of how consumers value these brands compared to NBs, the different strategies followed by retailers, and the peculiarities of certain sectors and products.

The book is divided into four sections with a total of 21 chapters. Each section and chapter is briefly described below.

Section 1 is introductory. It contains four general chapters intended to familiarize readers with the topic. The first two chapters deal with theory, while the last two are empirical.

Chapter 1, titled “Private Label Management: Insights and Research Directions,” introduces the book and the first section in general. In it, Sebastián Molinillo, Yüksel Ekinci, Georgina Wyatt, Nicoletta Occhiocupi, and Merlin Stone present an exhaustive literature review. The paper draws on a vast selection of papers (270) on PLs. The overview it offers of current PL research enables a better understanding of the nature of PLs. The study also identifies gaps in the literature, such as the lack of focus on PL services, and suggests directions for future PL research.

Chapter 2, titled “Reviewing the Role of Store Brands in the Global Retail Industry” and authored by Kijpokin Kasemsap, aims to assess the role of PLs in the global retail industry, analyzing the main aspects detected in previous studies. PLs have the potential to enhance business performance and help companies achieve strategic goals in the global retail industry. Thus, their use is required for modern retail organizations seeking to serve suppliers and consumers, boost business performance, become more competitive, and ensure continued effectiveness in the global retail industry.

Chapter 3, “Attitude toward Private Labels: A Model for the Spanish Fast-Moving Consumer Goods Market,” by Mónica Gómez-Suárez and María Pilar Martínez-Ruiz, proposes a conceptual model to determine the main variables influencing PL attitude. The results corroborate the relationship between PL attitude and the following variables: smart shopping, promotion proneness, value consciousness, and the perceived quality of PLs based on their extrinsic and intrinsic attributes.

Chapter 4 also deals with consumers. In this case, the data comes from an emerging PL market. “Private Labels in Chile: Factors Influencing Purchase Intention,” by Mónica Gómez-Suárez, Galo Paiva-Cravero, and Berta Schlettner, sets out to determine whether there are differences in the perception of PLs between PL buyers and non-buyers. It also seeks to determine what factors affect the intention to purchase this type of brand. The main factors influencing purchase intention are frequency of purchase and attitude toward PLs.

Section 2 provides an overview of the different strategies and actions undertaken with regard to PLs in the most common markets for these types of brands. It is divided into eight chapters.

Chapter 5, titled “Private Labels at the Service of Retailers’ Image and Competitive Positioning: The Case of Tesco,” offers a case study of a major UK retailer. María Pilar Martínez-Ruiz, Inés González-González, Ana Isabel Jiménez-Zarco, and Alicia Izquierdo-Yusta trace the evolution of PLs, placing emphasis on the strategies that retail distributors use to obtain and maintain competitive positions. The authors examine the case of the Tesco grocery retail chain, following it from its establishment in the United Kingdom to its most recent expansion into South Korea.

Chapter 6 is titled “Spanish Food Private Labels: In Search of a Differential Positioning” by María Puelles and Rafael Marañón. Recently most PLs have evolved to have a specific differential positioning, some prioritizing quality, others prioritizing other factors unrelated to price. The authors look at
the changes PLs have undergone from the years just prior to the recession to the present and at how the crisis has impacted their positioning.

Chapter 7, by Nieves Villaseñor, Natalia Rubio, and María Jesús Yagüe, is called “Brand Equity of Store Brands and Its Effect on Customer Value: Spanish Consumer Goods Retail Sector.” It provides a comprehensive analysis of the self-perception of value that customers bring to the different retail chains present in the Spanish consumer goods retail sector. The chapter also looks at the components that generate the brand equity of PL brands and how they contribute to building customer value for the chains.

Chapter 8, by Mónica Gómez-Suárez and Carmen Abril, is called “Choice of National Brand vs. Private Label ‘Me-Too’ New Products in a Multicultural Context: Understanding Innovativeness.” It explores the effects of consumer innovativeness and risk aversion on the choice between NBs and PLs in five European countries and the United States. The results show that, although more innovative consumers prefer NBs, significant differences can be found among countries depending on their uncertainty avoidance and risk aversion.

“Does Packaging Matter? Private Label Dress Codes and Consumer Choice” is the title of Chapter 9, by Rita Coelho do Vale and Pedro Verga Matos. The authors provide an overview of the impact of PLs’ “dress codes” on consumers’ product choices and attitudes, assessing the extent to which adopting a different type of packaging can increase the likelihood of PL purchases, specifically when retailers opt for a copyscat packaging strategy.

Chapter 10, by Alvaro Garrido-Morgado, Oscar González-Beníto, and Mercedes Martos-Partal, is titled “Managing In-Store Stimuli for Different Private Label Tiers.” It presents an analysis of the use of the two most common in-store stimuli – price promotions and displays – by explaining the advantages and disadvantages of their use on different PL tiers (economy PLs and standard PLs) compared to NBs. The authors then use a full year’s worth of data from 18 product categories at a top-ten retailer in the food sector to see whether retailers make the expected use of promotions and displays on PLs.

Chapter 11, called “Assortment Size and PL Penetration in Grocery Retailers’ Portfolios during Economic Crisis: Empirical Evidence from Spain,” is by José Luis Ruiz-Leal, Juan Carlos Gázquez-Abad, and Francisco J. Martínez-López. This empirical study shows that the average assortment size has increased for all product categories except for fill-in products. It also shows that the only two retail formats to increase the weight of PLs in their assortments are large and medium-sized supermarkets.

Chapter 12 is titled “Private Label Sales through Catalogs with Augmented Reality.” In it, Gerardo Reyes Ruiz, Samuel Olmos Peña, and Marisol Hernández Hernández show how new technologies have changed the way today’s PL products are being offered. The Internet, social networks, and smartphones are technological advances that enable new marketing strategies and actions for medium-sized and large stores. The challenge for companies when it comes to their PLs is providing customers with products and services of the highest quality. This has encouraged the incorporation of new information technologies into competitive strategies.

Section 3 offers an overview of ethical and food-related developments. It includes five chapters on the most recent advances in the PL marketing of food products from an ethical point of view, covering various key areas, such as sustainable, organic, genetically modified, and fair-trade goods.

Chapter 13, by Victoria Labajo, is called “Premium and Value-added Private Labels: The Case of Private Labels in Sustainable FMCG Markets.” The main purpose of this chapter is to offer insight into the latest trends in retailers’ PL strategies and customer value propositions in a context marked by brand proliferation and multi-brand portfolios.

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In Chapter 14, titled “The Impact of Consumer Values and Perceived Corporate Social Responsibility on the Attitude towards Genetically Modified Food: Implications for Private Branding Strategies,” Giovanni Pino and Juan José Blázquez-Resino provide food retailers with useful suggestions for designing effective PLs. To this end, they address the topic of GM food, which is still a highly controversial issue, especially in Italy.

Chapter 15, by Miguel Llorens and Sonia Carcelén, is titled “The Role of Private Labels in the Organic Food Market.” It looks at how PLs have influenced the development of the organic food product category. Organic PLs are presented as an opportunity for retailers to overcome certain barriers, including the price gap and the lack of availability. The authors review various PL strategies for retailers to develop this category focusing on different marketing areas, such as branding, labeling, pricing, merchandising, and promotion.

Chapter 16, by Ana Isabel Jiménez-Zarco and Carmen Moreno, is called “Fair Trade and Innovation in the Shopping Channel: NGOs’ Marketing Strategies as Retailers of Fair Trade Products.” It examines the case of Intermon Oxfam, an NGO dedicated to fighting poverty. In this case, Intermon acts as a PL for natural products, including products such as staple foods, clothes, and accessories. The high degree of brand recognition and the strong social component of the image associated with these products help to ensure credibility and consumer confidence.

Finally, Section 4 is devoted to the so-called specific markets. It is divided into five chapters, which highlight different products and services that illustrate the most recent trends in PLs in markets such as Do-It-Yourself (DIY) products, pharmaceuticals (generic and OTC drugs), fashion, and tourism.

Chapter 17, by Gonzalo Moreno-Warleta, Mónica Díaz-Bustamante, and María Puelles-Gallo, is titled “Importance and Role of Retail Brands in a Non-Food Market: A Case Study of DIY retailing in Spain.” The authors seek to prove the existence of a statistical correlation between consumers’ loyalty and behavior toward PLs and their loyalty to the store brand name that sponsors them.

Chapter 18, “Generic Drugs in the Pharmaceutical Market: A European Perspective,” by Mercedes Rozano, looks at the role of generics in the pharmaceutical sector. The pharmaceutical market offers an opportunity to analyze the expansion of the “generic” concept in a highly regulated context. The chapter shows how different policies in Europe have resulted in variations in the development of generic market shares.

Chapter 19, “Selling OTC Medicines on the Supermarkets: A Challenge for the European Market,” by María Luisa Fauvel Zamora, María Puelles, and Gerard Clignet, looks at ideas regarding OTC drugs sold under private label in a retail-network context in order to explore how they might one day be sold in Spain and France, two countries where this practice is currently prohibited by law.

Chapter 20, “Online Distribution Strategies: A Mix of Globalization and Diversification in the Fashion Market,” by Alicia Izquierdo-Yusta, Victoria Labajo, María Pilar Martínez-Ruiz, and Ana Isabel Jiménez-Zarco, aims to analyze the main strategies that retail operators are currently following in the industry in order to differentiate themselves from other retailers. It examines how retailers in the industry use PLs as a differentiation resource. The authors also review the case of ASOS, a global retailer adapted to many segments and markets.

Finally, Chapter 21, “Private Label Branding in the Tourism Industry,” by Juan José Blázquez-Resino, Cesare Amatulli, and Giovanni Pino, is devoted to the tourism market. This chapter studies the effect, both direct and indirect, that the economic crisis has had on the tourism distribution channel. From among the multiple intermediaries in the tourism industry, tour operators and travel agencies are identified as key players, because they produce and sell package tours under their own brands. The economic crisis
has had a moderate effect on tourism, but it has also accelerated a number of changes that had already begun in the sector.

In conclusion, we would note that, as researchers, regardless of our own opinions concerning the future growth potential of PLs, we have endeavored to take a neutral stance in this book, placing special emphasis on the main findings of the academic studies carried out to date. We hope that readers will be able to draw their own conclusions about this phenomenon, which has drawn such interest in recent years and remains so relevant today, due to its clear relationship to economic cycles. By bringing together several different perspectives that can be used to analyze PLs in recovering economies, this book covers a gap in the field. We hope it will be of interest to readers.

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REFERENCES


