Chapter 2

Reviewing the Role of Store Brands in the Global Retail Industry

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ABSTRACT

This chapter aims to review the role of store brands in the global retail industry, thus describing the overview of store brands; store brands and national brands; store brands and consumer buying behavior; store brands and store image; store brands and perceived risk; store brands and perceived quality; store brands and price; store brands and marketing channel; store brands and shelf space allocation; and the importance of store brands in global retail industry. The utilization of store brands is required for modern retail organizations that seek to serve suppliers and consumers, improve business performance, reinforce competitiveness, and gain continuous effectiveness in the global retail industry. The chapter argues that applying store brands has the potential to enhance business performance and reach strategic goals in the global retail industry.

INTRODUCTION

A recent trend characterizing the retail industry is the rapid growth of store brands (Martos-Partal, González-Benito, & Fustinoni-Venturini, 2015). The large penetration of store brands has been accelerated by a substantial increase of their availability across various categories (Erdem & Chang, 2012). Store brands, also known as private labels, have been growing in sales across the globe over the last three decades (Sethuraman & Gielens, 2014). The recent growth of store brands has significantly influenced the retail industry (González-Benito & Martos-Partal, 2012). Store brands have been increasingly investigated by marketing scholars (Hyman, Kopf, & Lee, 2010). Manzur et al. (2011) stated that retailers can compete against national manufacturers by launching store brands. Store brands can be viewed as an extension of the brand name of the store itself (Beristain & Zorrilla, 2011).
Stimulating growth in market share is the important perspective for brand managers, including retailers who offer store brands (Romaniuk, Dawes, & Nenycz-Thiel, 2014). Increased competition from store brands is forcing manufacturers to create and develop their strategies related to trade intermediaries (Fang, Gavirneni, & Rao, 2013). The higher prices of national brands give the opportunity for the price-sensitive consumers to prefer store brands (Kaswengi & Diallo, 2015). Store brands are developed by retailers (Bao, Bao, & Sheng, 2011). Store brands are experiencing an increasing growth in different product categories to the point that they represent a threat for their national counterparts (Amrouche & Yan, 2012).

Store brands hurt the manufacturers of competing national brands while benefiting retailers (Ru, Shi, & Zhang, 2015). Store brands increase channel profits, retailer profits, and consumer welfare, while having mixed effects on equilibrium retail prices (Cohen & Cotterill, 2011). National brand manufacturers are experiencing the competition of store brands, and retailers utilize store brands as defensive mechanisms from the powerful global brands and national brands, to increase the consumer’s store brand loyalty (Ailawadi, Pauwels, & Steenkamp, 2008). The strength of this chapter is on the thorough literature consolidation of store brands. The extant literature of store brands provides a contribution to practitioners and researchers by describing the multifaceted applications of store brands to appeal to the different segments of store brands in order to maximize the business impact of store brands in the global retail industry.

BACKGROUND

Earlier store brand studies in the 1960s and 1970s were mostly focused on profiling store brand prone customers in terms of shopping habits, socioeconomic factors and personality characteristics (Dick, Jain, & Richardson, 1997). Originally, store brands had a clear orientation to price, which is the main motivation for their purchase (Burt, 2000). The evolution of store brands can be recognized in terms of a strategy adopted by the retail industry with the aim of competing with national brands (Bergès, Hassan, & Monier-Dilhan, 2013). Industry reports confirm that the market share of store brand increases around the world reaching the significant levels across Europe and North America (Kumar & Steenkamp, 2007). The increased globalization of economic activities has created opportunities for retailers in the emerging markets, especially in BRIC nations (Brazil, Russia, India, and China). Firms in the emerging markets should recognize the importance of brand management (Kasemsap, 2014a).

The competitive pressure in the Western countries’ retail sectors had lead the global retailers (e.g., Wal-Mart and Carrefour) to lay more focus on the emerging markets (Diallo, 2012). The strategic role of store brands has been emphasized in prior European studies (Martos-Partal & González-Benito, 2011) and especially in France (Ataman, Mela, & van Heerde, 2007). Store brands have greater penetration in the European market than in the United States (Rubio, Oubina, & Villasenor, 2014). One of the reasons the academic literature gives for this difference is the greater perceived value of store brands in Europe than in the United States (Erdem, Zhao, & Valenzuela, 2004).

Although store brands were initially recognized as addressed for the price-sensitive buyers, their evolution has followed a new strategic approach, based on the importance of the brand, in order to be considered as the real brands by consumers (Kapferer, 2008). Despite the financial impact that store brands have in the international retail market, there are limited studies on store brands in the Asian context (Lin, Marshall, & Dawson, 2009). Previous research on store brand drivers focused on marketing...