Chapter 3


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ABSTRACT

The primary aim of this study was to identify the determinants of attitude toward Private Labels (PLs) in Spain in one of the most important industries for such brands: the Fast-Moving Consumer Goods (FMCG) industry. To this end, a conceptual model was proposed based on a review of the relevant literature in the field. To test the model, a database was compiled consisting of 626 consumers who had purchased FMCGs. These data were then analyzed using a structural equation model, which corroborated the association between the following variables: smart shopping, promotion proneness, value consciousness, and the perceived quality of PLs based on their extrinsic and intrinsic attributes. These results emphasize the need that grocery retailers pay special attention to the psychological bonds PLs are able to develop in consumer minds, aside to traditional variables related to their economic value benefits. In light of these findings, a number of implications for PL management are proposed.

INTRODUCTION

The development of private-label brands (PLs) has emerged as a prominent phenomenon in the last fifteen years due to these brands’ high market penetration, especially in fast-moving consumer good (FMCG) categories. Although the first PLs in Spain were launched in the late 1960s, it was not until the mid-1990s that they became an established alternative to national brands (NBs) for consumers (Puelles et al., 2011).

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Retailers’ own brands now dominate the food, household goods and personal care products market in many European countries, in most cases with a market share of more than one third. In Switzerland, United Kingdom (UK), and Germany, PLs have long had a market share of more than 40% (Private Label Manufacturer Association, PLMA, 2015). In Spain, their market share is around 50% (Information Resources Inc., IRI, 2014; PLMA, 2015). Their typologies are quite diverse, as are their characteristics. While some continue to imitate NBs (copycats), others are characterized by plain packaging and labeling to reflect their price (low-price leaders), and still others have been endowed with distinctive traits and serve as the image of the store chain that sells them (fourth-generation PLs).

With the onset of the economic crisis, PLs have taken on even more importance. In both the general and financial press, it is increasingly common to find stories on their impact. This coverage bears witness, among other things, to how PLs are changing the contents of consumers’ shopping carts, how some retailers are championing their PLs, or how NBs struggled to remain on the market, including by taking defensive actions to counter the growing threat of PLs. For instance, some of the leading NBs used their television ads to emphasize the distinctive features that set them apart from PLs or to stress that their products are unique and that they do not manufacture for other brands.

Despite the established presence of PLs, recently there have been signs that these brands may have reached a ceiling in various European countries, including Spain, where their value share growth at hypermarkets and supermarkets seems to have leveled off, or even declined, for the first time since the start of economic crisis.

Over 2014, this reversal, initially detected in France in 2013, spread to neighboring Mediterranean countries, such as Spain and Italy, as well as more distant ones, such as the Netherlands. Among the reasons cited for the change were heavy promotional activity by NBs, compared to decreased promotional activity by PLs, and the narrowing of the price gap between them (IRI, 2014).

Given this background, one aspect of great interest to understanding consumer acceptance of PLs is to understand consumers’ attitudes toward them. Unsurprisingly, consumers who develop a positive attitude toward PLs are more likely to purchase them (Burton et al., 1998). Therefore, understanding how attitudes toward PLs are formed is essential for retailers to design and implement appropriate strategies for their PLs. To this end, it is necessary to determine the impact of several key variables on this attitude. Thus, this study assesses the rationale for the relationship between store brand attitude and the constructs that affects it. The study contributes to the literature by creating an empirically verifiable theoretical model of PL attitude. We adapt some variables from the literature to this specific construct and propose the variables to predict it.

In light of these observations, the primary aim of this paper is to analyze the factors that determine attitudes toward PLs in the Spanish FMCG market. The remainder of this paper is structured as follows. First, an exhaustive review of the literature on PL attitudes is performed, and an overall model is proposed including the most relevant variables identified in previous studies. Next, based on the literature review, a series of research hypotheses are formulated, and a conceptual model is proposed to determine the relationship between each antecedent and the dependent variable (attitude). Structural equation modeling is then used to perform an empirical application using data from a survey to Spanish shoppers who regularly purchase PL products. The independent variables are then synthesized into a more manageable set of factors, to which the aforementioned method is applied, making it possible to determine the partial impact of each factor on attitude. Following a description of the results obtained through this research, the chapter concludes with a discussion of the main findings, as well as recommendations for management and future research.
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