Chapter 11
Assortment Size and PL Penetration in Grocery Retailers’ Portfolios during Economic Crisis: Empirical Evidence from Spain

José Luis Ruiz-Real
University of Almeria, Agrifood Campus of International Excellence, Spain

Juan Carlos Gázquez-Abad
University of Almeria, Agrifood Campus of International Excellence, Spain

Francisco J. Martínez-López
University of Granada, Spain

ABSTRACT
The economic crisis in Spain has had a major impact on the evolution of retail assortments in food base. On the one hand, it has caused alterations in assorted sizes, as well as in the distribution between NB and PL. On the other hand, it has changed the buying behaviour of consumers seeking brands that offer confidence, but at very competitive prices. The purpose of this chapter is to answer the following questions: How has the economic crisis changed the assortment size in different categories of products in Spanish groceries? In which way has the assortment composition of retailers been altered? Do all the retail formats have the same behaviour in assortment management and PL? The authors argue that there has been an increase in the average size of assortment for all the product categories with the exception of products of fill-ins, and the only two retail formats that have increased the weight of the PL in their assortments are large and medium-sized supermarkets.

INTRODUCTION

Food distribution worldwide has not been immune to the economic crisis of recent years, being affected to a greater or lesser extent, depending on the region. In the European Union, the commercial distribution sector is currently undergoing a restructuring process due to changes in the economic situation. Spanish consumers change their habits as does society; socio-demographic and qualitative factors strongly influence consumption. These qualitative factors relate to consumers being more demanding, better informed and analytical when it comes to shop, more sensitive to product innovation, seeking to add value, and representing less loyalty in consumer demand for both brands and establishments (Berne, 2006). Since 2013, the economy continues to be the major concern of Spanish consumers, who remain austere and reluctant to increase their consumption patterns, mainly due to fears over the state of the economy and uncertainty about their evolution.

In determining the size of the assortment, intrinsic aspects influence the retailer, such as the commercial format, but also extrinsic factors such as the economic environment or buying habits and consumption. The unusually prolonged economic crisis of recent years, with the consequent reduction of income for many Spanish families, has caused a shift in the mindset of consumers, many of whom have adopted austere attitudes and behaviours, significantly changing their buying habits regarding food consumption.

According to CEACCU (2014), in research funded by the Instituto Nacional del Consumo (INC), which seeks to understand the changes in shopping habits and food consumption in Spain, from a representative survey of 750 families, 61% of consumers have somehow changed their buying habits to rationalize or reduce consumption and food expenditure, and more frequent and lower value purchases are made. In addition, 29% of consumers recognize that they should now look for more offers, and 9% say directly that they have reduced spending on food. According to the Nielsen Global Survey report for Spain (Nielsen, 2014), 75% of Spanish consumers have changed their pattern of consumption compared with the previous year to save on household expenses, and 51% of them have switched to cheaper brands of food products.

National Brands (NB), the major protagonists in the assortments of retailers for a long time, see how Private Labels (PL) are emerging in recent years, becoming major competitors (Lamey, Deleersnyder, Steenkamp & Dekimpe, 2012). In fact, the number of NB has been reduced in weight in the assortments of retailers, in favour of PL (Olbrich & Grewe, 2013).

PL experienced significant growth in its relative weight in the composition of the assortment during the recent economic crisis, with an upward trend that continued through 2011. This has been very much thanks to an excellent promotion of the PL by many retailers, worried about knowing consumers and providing them value. The economic crisis has provided strong impetus to the development of PL by retailers. At the same time, consolidation and the growing power of retailers, as well as the expansion of the discount format, are key elements to the growth of PL in developed markets.

However, PL growth has slowed down in recent years, after a period of severe economic recession in which consumers flocked to them. The year 2014 represents a turning point in the PL in Spain, since it is the first year since the recession in which its market share has shrunk. Specifically, in Spain the decline was 0.7% in value and 1.2% in volume, which means PL has fallen more than in any other country of the European Union (ESADE Brand Institute, 2014).