Marketing mix effects on private labels brand equity

Carmen Abril a,*, Belén Rodriguez-Cánovas b

a Facultad de CC Económicas y Empresariales, Universidad Complutense, Campus de Somosaguas, 28223 Madrid, Spain
b Universidad Pontificia de Comillas, C/Alberto Aguilera 23, 28050 Madrid, Spain

Article

Marketing mix effects on private labels brand equity

A R T I C L E   I N F O

Article history:
Received 8 June 2016
Accepted 15 September 2016
Available online 25 October 2016

JEL classification:
M31
M37

Keywords:
Private labels
Store brands
Brand equity
In-store communication
Distribution

A B S T R A C T

The present study explores some marketing mix effects on private labels brand equity creation. The research aims to study the effect of some elements under retailer's direct control such as in-store communications, in-store promotions and distribution intensity as well as other general marketing mix levers such as advertising, perceived price, and monetary promotions. The results indicate that the most efficient marketing mix tools for private label brand equity creation are private labels in-store communications, private labels distribution intensity and the perceived price. These results highlight the importance of the store as a key driver for the private labels brand equity creation. As opposed to manufacturer brands we find no effect of advertising on the private labels brand equity and an opposite effect of the perceived price. This study is a pioneering contribution in the domain of private labels brand equity research exploring a more comprehensive and in-store specific set of marketing mix initiatives as sources of brand equity. The results suggest important implications for retailers when managing their own brands.

© 2016 European Academy of Management and Business Economics (AEDEM). Published by Elsevier España, S.L.U. This is an open access article under the CC BY-NC-ND license (http://creativecommons.org/licenses/by-nc-nd/4.0/).

Introduction

Private label brands, also known as "store brands" or "distributor brands", were considered low-price, low-quality products several decades ago; currently, however, they represent a clear alternative to manufacturer brands (Kapferer, 2008). They account for more than 40% of the market in six European countries (Private Label Manufacturers Association [PLMA], 2015). In general, private labels refer to brands owned by the retailer or distributor and sold only in its own stores (Kumar & Steenkamp, 2007). Conversely, manufacturer brands are brands owned by manufacturers with the purpose of commercializing them.

One determinant of a private label’s success is the concentration of the retailing industry (Hoch & Banerji, 1993). This concentration has implications for manufacturer brands and private label dynamics: First, retailers can grow larger because they can achieve economies of scale by offering similar products at lower prices (Dhar & Hoch, 1997). Second, a retailer’s critical mass allows it to find powerful suppliers to manufacture its private labels, thereby ensuring good quality.

The development of private labels has resulted in many advantages for retailers. For example, they can serve as strategic tools to enhance differentiation and positioning between retailers (Grewal, Krishnan, Baker, & Borin, 1998; Richardson, Jain, & Dick, 1996; Semeijn, Van Riel, & Amborsini, 2004; Sudhir & Talukdar, 2004). They can also build store loyalty, strong consumer relationships and store image (Bigné, Borredá, & Miquel, 2013; Bonfrer & Chintagunta, 2004; Collins-Dodd & Lindley, 2003; Cortijes & Lal, 2000; Miquel-Romero, Caplliure-Giner, & Adame-Sánchez, 2014; Richardson et al., 1996). However, managing private labels is unquestionably a challenge for retailers (Wu, Yeh, & Hsiao, 2011), whose main business traditionally has been distribution of products. Retailers must be aware of the strategic role of their private labels and develop strong investments and efforts to build their private label brand equity (Burt, 2000; Dekimpe & Steenkamp, 2002). Because brand management is critical to the success of both retailers and manufacturers (De Wulf, Odekerken-Schröder, & Goedertier, 2005), creating and maintaining brands is increasingly important in the current highly competitive environment (Seetharaman, Nadzir, & Gunalan, 2001). In this context, the concept of brand equity is a key driver of brand management, from both practitioner and academic viewpoints (Keller & Lehmann, 2006). In general, “brand equity” is defined as the incremental utility or value that a brand name imbues to a product (Farquhar, 1989; Rangaswamy, Burke, & Oliva, 1993; Srivastava & Shocker, 1991). Elements of brand equity positively influence consumers’ perceptions and subsequent brand buying behaviors (Reynolds & Phillips, 2005). With a consumer-based behavioral approach to brand equity, it can be viewed as the differential effect of brand knowledge on consumer response to the marketing of the brand.
In general, brand equity is the utility or value that a brand name gives to a product (Farquhar, 1989). In this study we will consider brand equity from the consumer perspective, therefore, we will build on the literature of Consumer Based Brand Equity (Aaker, 1991; Keller, 1993; Yoo et al., 2000). Aaker (1991) considers consumer based brand equity as a set of assets (liabilities) linked to a brand’s name and symbol that adds to (or subtracts from) the value a product/service provides to customers. This value added can be created through several dimensions: perceived quality, brand loyalty, brand associations, and brand awareness.

Early research has suggested exploring the effect of marketing mix elements on brand equity creation (e.g., Barwise, 1993; Shocker, Srivastava, & Reukert, 1994). Yoo et al. (2000) empirically investigate whether distribution, price, advertising and store image enhance manufacturer brand equity creation. Subsequent studies identify new effects such as consumer’s perception of advertising and nonmonetary promotions (Buil et al., 2011).

No early studies address the effect of marketing mix elements on private label brand equity, probably because the first generations of private label brands received no marketing support (Ailawadi & Keller, 2004). Although some retailers exhibited a strategic marketing orientation toward their private labels (Burt, 2000), marketing support of private labels is considered a recent phenomenon. In the case of private labels, three unique characteristics of private label brands can influence which marketing mix strategies are most effective: First, private label brands are sold exclusively in their retailers; second, private label positioning is influenced by the retailer’s positioning (Kapferer, 2008), and third, private label brands form a category in consumers’ minds (Nenycz-Thiel & Romanjuk, 2009; Nenycz-Thiel, Sharp, Dawes, & Romanjuk, 2010), defined by some specific attributes such as perceived value.

The few studies that address marketing mix effects on private label brand equity (Beneke & Zimmerman, 2014; Beristain & Zorrilla, 2011; Calvo-Porral & Lévy-Mangin, 2014) focus on store image (considered a marketing tool in this context; e.g., Srivastava & Shocker, 1991) and on the effect of store price image in terms of affordability (Beristain & Zorrilla, 2011; Calvo-Porral et al., 2013), both revealing a positive influence on private label brand equity.

Proposed model: justification and hypothesis

As the previous section explains, extensive literature shows that marketing mix efforts have an effect on brand equity creation. Yoo et al.’s (2000) framework indicates the specific marketing mix tools that have proven most relevant in building manufacturers’ brand equity: distribution intensity, advertising, price and store image. However, since private label brands are owned by the distributor and sold exclusively in their stores, other marketing mix elements under the direct control of the retailer, such as in-store promotions and in-store communications are important to consider. Therefore, we extend Yoo et al.’s (2000) model by incorporating these two additional marketing mix initiatives.

In this sense, the current research makes two contributions. First, it represents pioneer research on retailers’ marketing
activities for their private label brands, including special activities related to retail environments such as in-store promotions and in-store communication. Second, this work extends the exploration of several selected marketing mix elements on private label brand equity.

In line with extant literature, the current study hypothesizes directional relationships between marketing efforts and an overall construct of private label brand equity. Fig. 1 summarizes the relational paths among marketing efforts constructs and the private label brand equity construct. The following subsections discuss in depth the hypotheses related to each selected marketing effort.

**In-store communication**

Following previous arguments, one might expect that retailers use their stores and point of sale to communicate their private label brands. In the context of this investigation it is interesting to highlight that the effects of in store exposure differ between manufacturer brands and private labels (Clement, Aastrup, & Charlotte Forsberg, 2015).

Brown and Lee (1996) suggest that shelf space can be conceived as a way of advertising. Nogales & Suarez, 2005 find that retailers offer more shelf space to their private labels, thus promoting them intensively at the point of sale. One reason for this decision is that increased shelf space enhances consumers’ perception of private label brand quality (Dursun, Kabadayan, Alan, & Sezen, 2011) and the private label brand image (Corstjens & Lal, 2000) thus, increasing private label brand equity. In addition to these arguments, other in-store elements such as posters, banners or features (Gázquez-Abad & Martínez-López, 2016) might help build private label brand awareness and familiarity that, in turn, will increase the overall private label brand equity.

Therefore,

**H2.** Private label brand in-store communication has a positive effect on private label brand equity.

**Price**

Price is a marketing tool used to position and differentiate the product (Yoo et al., 2000). Brand equity literature states that a high price has a positive effect on brand equity (Bravo et al., 2007; Yoo et al., 2000) because consumers use price as an extrinsic cue to infer product quality (e.g., Rao & Monroe, 1989). Private label brands are characterized by their perceived value (Kumar & Steenkamp, 2007). Many studies show evidence that the price gap between private label brands and manufacturer brands is a driver of private label brands’ success (e.g., Dhar & Hoch, 1997; Kapferer, 2008; Sethuraman, 2003). Thus, consumers expect lower prices for private label brands than for manufacturer brands (Sethuraman, 2000). Indeed, much research has established price as a determinant variable of private label brand success (e.g., Ashley, 1998; Dhar & Hoch, 1997; Raju, Sethuraman, & Dhar, 1995; Sethuraman & Cole, 1999; Sinha & Batra, 1999). In particular, a crucial factor for private label brand success is its positioning in value perception (e.g., Sethuraman, 2000), because an important characteristic consumers associate with private label brands is value (Nenycz-Thiel & Romaniuk, 2012). We therefore posit for private labels a reverse hypothesis about the price effect on brand equity than that of expected for manufacturer brands:

**H3.** Private label brand price has a negative effect on private label brand equity.

**Monetary promotions**

Literature suggests that monetary promotions relate negatively to brand equity (Mela, Jedidi, & Bowman, 1998; Valette-Florence et al., 2011; Yoo et al., 2000). However, these promotions enlarge the advantageous price gap of private label brand and the attractiveness of purchasing them. Thus, private label brand consumers can consider that they are receiving more value for a lower price due to coupons or price reductions. In this case, monetary promotions would reinforce the private label brand’s positioning on value. All these arguments lead to the following hypothesis:

**H4.** Frequency of private label brand monetary promotions has a positive effect on private label brand equity.
Distribution intensity

Distribution (referred to the availability in number of stores) is a marketing tool aimed to put the product into consumers' hands in the appropriate place and time (Kreutzer, 1988). Literature evidences that intensive distribution, when products are placed in a large number of stores, is positively related to brand equity (Yoo et al., 2000). In the domain of private label brands, it is intuitively appealing to posit that distribution intensity will also have a positive effect on private labels brand equity. If the private labels are distributed in a large number of retailers' stores, consumers will have greater exposure to the product, leading to greater brand awareness and satisfaction as consumers save time searching and traveling to stores—in other words, they experience more convenient purchasing. Greater satisfaction will lead to stronger brand loyalty (Yoo et al., 2000), and thus, the effect of distribution intensity on the overall private label brand equity will be positive. Therefore,

H5. Private label brand distribution intensity has a positive influence on private label brand equity.

Advertising activity

Advertising is one of the most visible marketing tools (Buil et al., 2011; De Chernatony, 2010), and it has a positive effect on brand equity (Bravo et al., 2007; Buil et al., 2011; Cobb-Walgren, Ruble, & Donthu, 1995; Simon & Sullivan, 1993; Villarejo & Sánchez, 2005; Yoo et al., 2000). By extension, it seems intuitive that in the domain of private label brands, the effect of advertising on private label brand equity will be different. The following hypothesis synthesizes this argument:

H6. Private label brand advertising activity has a positive effect on private label brand equity.

Methodology

With the aim of analyzing the proposed model to explore the effect of marketing mix elements on private label brand equity and to empirically test the proposed hypotheses, we conducted a survey in Spain in 2014 using a sample of private label brand consumers. Spain is a relevant country for private labels management since it enjoys the highest the private label share in Europe, 50% (Alimarket, 2014). Therefore, this filter as necessary in brand equity studies (e.g., Pappu, Quester, & Cooksey, 2005).

Data were collected through store-intercept surveys in which consumers responded to a questionnaire consisting of items identified from the literature review. Exploratory factor analysis followed by confirmatory factor analysis using structural modeling (Amos) investigates the relationships between marketing efforts and private label brand equity and examines the hypothesized paths in the proposed model.

Sample selection and data collection

To be eligible for the study, respondents needed to be aware of and familiar with the focal brand on their questionnaire and to have recently bought it. Previous studies on brand equity highlight this filter as necessary in brand equity studies (e.g., Lassar, Mittal, & Sharma, 1995; Pappu, Quester, & Cooksey, 2005). In line with previous similar brand equity studies (e.g., Buil et al., 2011; Netemeyer et al., 2004; Yoo et al., 2000), two criteria determined the selection of product category and brands: wide availability and consumer familiarity. The product category yogurt fit these criteria well. Three private label brands represented different private label brands from different retailer brand formats.

We selected yogurt, first, because it is a category in a mature market in which private labels are solid accounting for 57.1% of market share in Spain (Alimarket, 2014). Second, this category is large, with numerous brands operating in the Spanish market. Finally, it has been successfully used in previous private label brand research studies (Cuneo et al., 2012).

The yogurt private labels in this study, Hacendado, Carrefour and Milbona, correspond to three different retail brands and formats: Hacendado is the yogurt private label from Mercadona, a lead supermarket; Carrefour is the yogurt private label from Carrefour, a lead hypermarket; and Milbona is the yogurt private label from Lidl, a lead discounter.

These selected private label brands can be classified as third-generation private label brands. We haven't considered premium private labels since in Spain, similarly to most of the countries in the world, fourth-generation private label brands or premium private label brands account for around 3% of market value (Kantarworld Panel, 2014).

Participants were exposed to one of the three versions of the questionnaire, which were identical except for the private label brand of interest. The data were collected via store-intercept survey using systematic sampling (every three). Field workers collected the data during different times of the day and on different days. The survey yielded a total of 450 complete usable questionnaires. 72.2% of participants were women. Half the respondents were aged between 31 and 50 years. Respondents aged more than 50 years made up 13% and those younger than 30 years accounted for 18.4%. The largest proportion of respondents lived in a family unit of four to five people (38.7%); those living in a household size of two to three people accounted for 37.8%; 15.8% lived in a family unit of more than five people; and 7.8% lived alone.

Survey instrument

A seven-point Likert-type scale measured private label equity, using the anchors “strongly disagree” (1) and “strongly agree”. Likert scales are useful to measure constructs because they can gauge personality, perceptions and attitudes (Bordens & Abbott, 1996; Hodge & Gillespie, 2003), and six- to seven-point Likert-type scales have been shown to be optimal (Green & Rao, 1970). A pretest with 20 participants validated the questionnaire. It contained two sections: In Section 1, the 23 items identified from literature review measured marketing mix elements and the construct of the overall private label brand equity. Section 2 included questions on demographics.

Four items from Yoo et al.’s (2000) consumer-based overall brand equity scale measure the incremental value of the focal product due to the brand name. Following Yoo et al. (2000) and Buil et al. (2011), the questionnaire examined perceived rather than actual marketing efforts for two reasons. First, data of actual marketing in the study were not available. Second, perceived marketing efforts play a more direct role in the consumer psychology than actual marketing efforts (Yoo et al., 2000).

Previous research measures private label brand distribution intensity by the number of retail stores where the private label brand is available according to the consumer’s perception. The questionnaire adapts Yoo et al.’s (2000) three scale items. Private label brand advertising activity was measured as the consumer’s subjective perception of the intensity of private label advertising activity and the firm’s investment in it (Buil et al., 2011).

To measure private label brand monetary promotions, the survey asked for the relative perceived frequency of monetary promotions developed on the focal private label brand using Yoo et al. (2000) and Buil et al.’s (2011) three-item scale. To measure in-store promotions, the questionnaire adapts items from Yoo et al. (2000), adding ad hoc items related to private label activities in store, for
Table 1
Constructs, items and measurement results.

<table>
<thead>
<tr>
<th>Constructs, items and measurement</th>
<th>Standardized loadings</th>
<th>t value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Distribution intensity (CR = 0.72; AVE = 0.71; Cronbach’s alpha = 0.95)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DIS1</td>
<td>More retailers sell yogurt X, as compared to other competing yogurts brands</td>
<td>0.92</td>
</tr>
<tr>
<td>DIS2</td>
<td>The number of retailers that deal with yogurt X is more than that of its competing brands</td>
<td>0.96</td>
</tr>
<tr>
<td>DIS3</td>
<td>Yogurt X is distributed through as many retailers as possible</td>
<td>0.93</td>
</tr>
<tr>
<td><strong>Price (CR = 0.72; AVE = 0.75; Cronbach = 0.94)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRI1</td>
<td>The price of yogurt X is high</td>
<td>0.97</td>
</tr>
<tr>
<td>PRI2</td>
<td>The price of yogurt X is low (r)</td>
<td>0.85</td>
</tr>
<tr>
<td>PRI3</td>
<td>Yogurt X is expensive</td>
<td>0.95</td>
</tr>
<tr>
<td><strong>Advertising activity (CR = 0.80; AVE = 0.69; Cronbach’s alpha = 0.95)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADS1</td>
<td>Yogurt X is intensively advertised</td>
<td>0.92</td>
</tr>
<tr>
<td>ADS2</td>
<td>Yogurt X spends a lot in advertising compared to other competing yogurt brands</td>
<td>0.95</td>
</tr>
<tr>
<td>ADS3</td>
<td>The advertisements for yoghurt X are frequently shown</td>
<td>0.93</td>
</tr>
<tr>
<td><strong>Monetary promotion (CR = 0.71; AVE = 0.68; Cronbach’s alpha = 0.94)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROM1</td>
<td>Price deals for yogurt X are frequently offered</td>
<td>0.95</td>
</tr>
<tr>
<td>PROM2</td>
<td>Too many times prices deals for yogurt X are presented</td>
<td>0.91</td>
</tr>
<tr>
<td>PROM3</td>
<td>Price deals for yogurt X are more frequent than competing brands of yogurt</td>
<td>0.91</td>
</tr>
<tr>
<td><strong>In-store promotions (CR = 0.71; AVE = 0.78; Cronbach’s alpha = 0.93)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACT1</td>
<td>Yogurt X frequently offers tasting in store</td>
<td>0.81</td>
</tr>
<tr>
<td>ACT2</td>
<td>Store employees frequently recommend yogurt X</td>
<td>0.96</td>
</tr>
<tr>
<td>ACT3</td>
<td>Store employees often inform me about yogurt X</td>
<td>0.96</td>
</tr>
<tr>
<td><strong>In-store communication (CR = 0.48; AVE = 0.82; Cronbach’s alpha = 0.90)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INST01</td>
<td>Yogurt X has more space on retailer shelves, as compared to other competing yogurt brands</td>
<td>0.75</td>
</tr>
<tr>
<td>INST02</td>
<td>Yogurt X has more visual elements (posters), as compared to other competing yogurt brands</td>
<td>0.89</td>
</tr>
<tr>
<td>INST03</td>
<td>There are many more retail activities in yogurt X, as compared to other competing retailers</td>
<td>0.86</td>
</tr>
<tr>
<td>INST04</td>
<td>Yogurt X appears more advertised in retailer leaflets, as compared to other competing yogurt brands</td>
<td>0.82</td>
</tr>
<tr>
<td><strong>Overall Private Label Equity (CR = 0.67; AVE = 0.66 Cronbach’s alpha = 0.96)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OB1</td>
<td>It makes sense to buy yogurt X instead of any other brand, even if they are the same</td>
<td>0.87</td>
</tr>
<tr>
<td>OB2</td>
<td>Even if another yogurt brand has same features as X, I would prefer to buy X</td>
<td>0.94</td>
</tr>
<tr>
<td>OB3</td>
<td>If there is another brand of yogurt as good as yogurt brand X, I prefer to buy yogurt</td>
<td>0.93</td>
</tr>
<tr>
<td>OB4</td>
<td>If another yogurt brand is not different from yogurt brand X, it seems smarter to purchase X</td>
<td>0.88</td>
</tr>
</tbody>
</table>

Notes: X focal private label. (r) = reverse code. One factor loading parameter in each set of loadings that measures the same factor is constrained to 1. The goodness-of-fit statistics of the measurement model of 23 indicators for 7 constructs are as follows: $\chi^2_{(226)} = 477.531$; goodness of fit index = 0.92; adjusted goodness-of-fit index = 0.88; incremental fit index = 0.98; normed fit index = 0.96; Tucker–Lewis index = 0.98; comparative fit index = 0.98; root mean square error of approximation = 0.05; standardized root mean residual = 0.04.

*Significant at p < 0.05.

a total of three items. Finally, in-store communication consists of every visual element consumers can perceive to communicate the focal private brand such as shelf space, posters, banners or leaflets. For this purpose, we developed four ad hoc items based on previous literature (Ailawadi, Beauchamp, Donthu, Gauri, & Shankar, 2009).

Several statistical methods can be used to achieve our results objectives. We chose structural equations modeling methodology since: (i) presence of latent variables (ii) complex relations among the different variables of the model and (iii) the need to test the theory of the model (Biely & Hauser, 1977; Kline, 2015). Therefore, the confirmatory factor analysis using structural equations modeling tested the unidimensionality of the marketing mix elements. The 23 items obtained from the exploratory factor analysis served as indicator variables in the confirmatory factor analysis.

Results

Measurement model

Cronbach’s reliability, exploratory factor analysis and confirmatory analysis were used to select and assess the final items used for hypothesis tests. Cronbach’s measure reliability coefficient was first calculated for the items in each marketing effort construct and for the overall private label construct. Cronbach’s alpha for all the constructs were above 0.70, the cutoff level of reliability recommended (Nunnally & Bernstein, 1994). Exploratory factor analysis then examined whether the items produce the proposed factors and whether the individual items are loaded on their appropriate factors. Factor analysis using principal component analysis and Varimax method suggested seven factors. All the indicators were significant, with factor loading higher than 0.7 and no cross loading. The explained variance exceeded 60% in each case. A Bartlett test and Kaiser–Meyer–Olkin (KMO) index were satisfactory (significant and above 0.7, respectively).

Following Anderson and Gerbing (1988), a two-step approach for structural equation modeling was executed. First, a confirmatory analysis detected the unidimensionality of each construct, and then a structural model tested the proposed hypotheses. The analysis uses Amos 21 maximum-likelihood estimation method. However, it is important to highlight that this method requires multivariable normality in every observed variable. The result of multivariate kurtosis coefficient was 47.783, indicating that sample did not present a normal distribution (Mardia, 1974). An approach to manage the presence of nonnormal multivariable data is to use the bootstrap procedure (West, Finch, & Curran, 1995; Yung & Bentler, 1996; Zhu, 1997), as suggested by Bollen and Stine (1993). We ran a resampling of 1000 bootstraps, in accordance with our sample size Nevitt and Hancock (2001). The confidence intervals of regression coefficients and standardized regression coefficients revealed that estimated values were significantly different from zero, suggesting that the model was acceptable. Confirmatory factor analysis (CFA) confirmed the adequacy of all the proposed items to measure the constructs. Furthermore, CFA of the multi-item scale produced an acceptable fit for the data accordingly to Hu & Bentler, 1999Hu and Bentler’s (1999) goodness-of-fit criteria (see Table 1). Composite reliability (CR) values are greater than 0.6 (Baggazzi & Yi, 1988) and Cronbach value is superior than 0.7 (Nunnally & Bernstein, 1994) which guarantee the good internal
Discriminant validity of measurement scale.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1. Distribution intensity</td>
<td>0.843</td>
</tr>
<tr>
<td>F2. Perceived price</td>
<td>0.319</td>
</tr>
<tr>
<td>F3. Advertising activity</td>
<td>0.559</td>
</tr>
<tr>
<td>F4. Monetary promotion</td>
<td>0.455</td>
</tr>
<tr>
<td>F5. In-store promotion</td>
<td>0.533</td>
</tr>
<tr>
<td>F6. In-store communication</td>
<td>0.474</td>
</tr>
<tr>
<td>F7. Overall private label equity</td>
<td>0.298</td>
</tr>
</tbody>
</table>

Note: Significant, \( p < 0.05 \).

PL: private label.

Discussion and conclusions

The current study explores the relationships between private label brand equity and several marketing mix elements that retailers use to support their private labels: in-store promotion, in-store communication, distribution intensity, price, advertising activity and monetary promotions.

Our research reveals important academic and managerial implications. For the retailers the current research shows effective means to build the brand equity of their private labels. For academics our research contributes to the scarce brand equity literature on private labels suggesting new elements and factors to consider.

Our results show that private labels in-store communication, its distribution (availability in number of stores) and the perceived price play an important role in building private label brand equity. This research underlines the importance of in-store communication as opposed to advertising that in the context of our research shows no effect on private labels brand equity.

These results can be explained from different perspectives. In the first place, retailers invest less in advertising than lead manufacturer brands do since retailers tend to leverage the advertising of manufacturer brands to grow their private labels (Soberman & Parker, 2006). On the other hand, when retailers enhance private labels exposure in the store, which they control, it is possible that the effect of this exposure in consumers is stronger than the exposure of a mere advertising commercial.

Previous research shows that the effect of some in store communication activities differ between manufacturer brands and private labels (Clement et al., 2015). Therefore, our results underscore important implications for the brand management of private labels since they suggest in store marketing as a possible source of competitive advantage for private labels versus manufacturer brands.
Given that consumers make a majority of decisions in the store and they are affected by the stimuli they find there our results are even more significant.

These results along with the positive effect of distribution intensity on the private label brand equity highlight the importance of the store as primary source of private labels brand equity. Distribution intensity, i.e., the level of availability of the private label brand, is an important driver of the private label brand equity. Although private label brands are unique, exclusive for every retailer, consumers’ perception of private labels distribution positively affects brand equity. Given that retailers’ strategy regarding the number of outlets seems difficult to change, this result suggests the importance of seeking alternatives when physical distribution will not be possible. For example, availability in online channels might compensate the limited number of stores where the retailer operates, even slightly increasing their share (Dawes & Nenycz-Thiel, 2014). In addition, some cobranding or cross-service strategy, such as retailers’ agreement with some petrol stations, might also contribute to increase the availability perception.

Concerning price, the private label brand perceived price is a key factor for its success, in that private label consumers expect advantageous prices. In this context, price is an important tool to offer a value proposal to the market and an alternative to manufacturer brand positioning. In general, price is considered an external cue of perceived quality. Indeed, previous research on manufacturer brand equity suggests that a high price has a positive effect on brand equity because consumers relate price to product quality. Interestingly enough, however, our results reveal that a higher price perception of private labels negatively affects their brand equity. This counterintuitive result can be explained, as we hypothesized, since private label brand price is not an indicator of the brand quality but rather a reflection of the retailer price positioning (González-Benítez & Martos-Partal, 2014). Some anecdotal evidence illustrates this result: Retailers’ aggressive positioning in price does not mean that their private label brands’ price advantage, which can be as large as 30% over manufacturer brands, reflects a comparable difference in quality (Rubio, Oubiña, & Villaseñor, 2014; Apelbaum, Gerstner, & Naik, 2003). Similarly, consumers will not infer significantly improved quality with an increase in price in a private label, because their categorization of these brands would lead them to expect value as an intrinsic characteristic. Model-free evidence in brands with high perceived value positioning such as Zara or H&M sheds light on this result: Higher prices for these two brands does not necessarily positively contribute to an increase in their brand equity.

Limitations and further research

As with all empirical studies, the current research has several limitations, and overcoming them can be a guide for future research. First, the data are based on consumer surveys; therefore, the research is not exempt from individual subjectivity. Future research could combine actual measures of marketing activities with perceptual measures. Second, the current research explores the effect of some marketing mix elements on overall private label brand equity. Future research could extend the model to include additional dimensions of the consumer-based brand equity construct in order to better understand the brand equity creation process. Third, the current study does not include all possible marketing activities retailers use to support their private label brands. Future research might include other marketing tools such as the use of slogans (Aaker, 1991), company image (Keller, 1993) or brand-naming strategy (Keller et al., 1998) to improve the knowledge of private label brand equity creation. Finally, this research is limited to Spain and to one product category. Future research should consider different countries and market differences in product categories and private label strategy.

References


Dekimpe, M., & Steenkamp, J. (2002). Lessons to be learnt from the Dutch private-label scene. European Retail Digest, 34, 33–35.