Revista Española de Investigación de Marketing ESIC (2015) 19, 24–45

Revista Española de Investigación de Marketing ESIC

www.elsevier.es/reimke

ARTICLE

Mixed assortments vs. store brand-only assortments: The impact of assortment composition and consumer characteristics on store loyalty

J.C. Gázquez-Abad[a,*], F.J. Martínez-López[b,c], J.A. Mondéjar-Jiménez[d], I. Esteban-Millat[c]

[a] *Department of Economics and Business, Faculty of Business and Economics, University of Almería, Agrifood Campus of International Excellence ceiA3, Ctra. Sacramento s/n, 04120 La Cañada de San Urbano, Almería, Spain*
[b] *University of Granada, Spain*
[c] *Open University of Catalonia, Spain*
[d] *University of Castilla-La Mancha, Spain*

Received 5 March 2014; accepted 4 November 2014
Available online 24 January 2015

KEYWORDS
Assortment;
National brands;
Store brand;
Retailing

Abstract National brand (NB) delistings are not uncommon in food retailing; however, retailer boycotts of individual brands may have negative consequences, particularly in terms of store switching intentions. This paper analyses which kind of assortment ('store brand-only' or mixed) is more profitable in terms of store loyalty. It also analyses the influence of assortment composition and consumer attitude variables on store loyalty using a controlled, online experiment on an established large consumer panel consisting of 1400 individuals in the Spanish market. Four product categories were evaluated: yoghurt, fresh bread and rolls, toilet tissue and laundry detergent. Our results suggest that mixed assortments – particularly those including a large number of NBs – are associated with greater store loyalty.

PALABRAS CLAVE
Surtido;
Marcas de fabricante;
Marca de distribuidor;
Minorista

Surtidos mixtos vs. surtidos solo marca de distribuidor: el impacto de la composición del surtido y las características del consumidor en la lealtad al establecimiento

Resumen La eliminación de marcas de fabricante (MdF) de los lineales de los minoristas se ha convertido en una estrategia cada vez más frecuente, especialmente en el ámbito de los grupos de distribución con base alimentaria. Sin embargo, algunas situaciones recientes parecen sugerir que la eliminación de las MdF de los surtidos puede provocar consecuencias negativas para el minorista. En este trabajo analizamos qué tipo de surtido (surtidos «solo Marca de Distribuidor» vs. surtidos mixtos) es más beneficioso para el minorista en términos de lealtad al

* Corresponding author.
E-mail address: jcgazque@ual.es (J.C. Gázquez-Abad).

http://dx.doi.org/10.1016/j.reimke.2014.11.001

establecimiento. A partir de aquí, analizamos en ambos casos de qué manera la composición del surtido y algunas características perceptuales del consumidor influyen en dicha lealtad. Para ello, se ha desarrollado un experimento online con 1.400 individuos pertenecientes a un panel de consumidores existente en España en el contexto de 4 categorías de producto: yogur, pan de molde, papel higiénico y detergente de máquina en polvo. Los resultados obtenidos sugieren que los surtidos «mixtos» (sobre todo los compuestos por un elevado número de marcas de fabricante) generan mayor lealtad al establecimiento.

Introduction

In recent years there has been a worldwide surge in market share taken by store brands (SBs) in the consumer packaged goods (CPG) industry (Ailawadi, Pauwels, & Steenkamp, 2008); SBs are emerging as fierce competitors of national brands (NBs) (Lamey, Deleersnyder, Steenkamp, & Dekimpe, 2012). Across Europe, SBs have increased their market share to an average value share of 36.7% and unit share of 47.1% (Information Resources, Inc. [IRI], 2013). Spain has one of the largest SB share fractions (value and unit) in Europe (value: 43.6%; unit: 51.6%) (Private Label Manufacturers Association [PLMA], 2014). Sixty percent of Spanish SB customers began buying them as a consequence of economic contractions, and half of these customers have replaced NBs with cheaper ones. Only 21% of these individuals are willing to go back to the higher-priced NBs they previously bought when the economic climate begins to improve (IRI, 2013). In the U.S., SB share is lower (value, 14.6%; unit 17.2%) (IRI, 2013); nevertheless, in 11 of the last 12 years SBs have outperformed NBs in terms of sales growth (Lamey et al., 2012).

The abovementioned figures imply that the number of NBs has been reduced in favour of SBs (Olbrich & Grewe, 2013). Although the current global economic crisis has boosted this tendency there are other reasons for retailers to emphasise their own brands:

- to gain control over shelf space (Amrouche & Zaccour, 2007);
- to reach more consumers by attracting their attention and reinforcing the store image (Ailawadi & Keller, 2004);
- to strengthen their negotiating power with manufacturers (Baltas & Argouslidis, 2007);
- to increase free shelf space to sell the SB (Garretson, Fisher, & Burton, 2002)

Because of all these advantages, many retailers have recently decided to delist a large number of national brand (NB) items (Sloot & Verhoef, 2008), for example, *Walmart* cut big brand names *Hefty* and *Glad* from its food storage shelves in favour of its own *Great Value* brand. *Hefty* and *Glad* were only able to get their shelf space back when they increased their advertising space more than sevenfold and sixfold, respectively. *Hefty* also agreed to produce *Walmart*'s SB (Kelemen, 2012). The former Dutch food retail chain *Edah* decided to delist 2000 NB items prior to introducing 1000 SB items (Distrifood, 2004). A large national grocery retailer in Austria delisted a high-scale regional sausage brand (*Neuburger*) because the manufacturer refused to cut its price. UK retailer *Asda* refused to stock the *P&G* brand *Charmin* and German retailers *Edeka* and *Metro* delisted some NBs because they were unsatisfied with the pricing and distribution policy of the manufacturers (Sloot & Verhoef, 2011). In December 2008 the Spanish retailer *Mercadona* (the largest food retailer operating in Spain, in terms of retail space) delisted almost 800 items from several manufacturers, including *Nestlé* and *Sara Lee*, together with other important Spanish high value brands such as *Calvo*, *Pascual* and *Vileda* (El País, 2009). According to *Mercadona* this decision was simply a consequence of the rotation of these NBs; however, it seemed that multiple conflicts between the retailer and manufacturers were behind the decision.

Many of the abovementioned retailers were however forced to reintroduce these NBs, accepting the manufacturers' terms, in order to end consumer boycotts and avoid further damage to their image (Sloot & Verhoef, 2011). For example, the Dutch chain *Edah* had to reintroduce approximately 1000 of the total number of delisted NBs in response to a large volume of customer complaints and disappointing sales in the 6 months after the large reduction in NB assortment (Foodmagazine, 2005). The Austrian retailer which had delisted *Neuburger* sausages suffered a similar experience, deciding to reintroduce the brand after an extensive online media campaign by *Neuburger* fans calling for a boycott of the chain and many of the NBs delisted by the Spanish retailer *Mercadona* were subsequently returned to the shelves to prevent damage to *Mercadona*'s image and avoid legal disputes with manufacturers. Despite the relisting of NBs the image and even the positioning of *Mercadona* seem to have changed from that of a supermarket to a soft discounter, at least outside Spain.[1]

All the abovementioned examples suggest that delisting NBs may damage a retailer's image and store sales, but why? One argument prominent in the literature is that a 'complete assortment' may be one that includes most of the available brands (Pepe, Abratt, & Dion, 2012) including all well-known brands (Sloot & Verhoef, 2008) and that consumers will view an assortment from which all NBs have been delisted as incomplete.[2] It has also been suggested that delisting NBs may penalise overall profit in those product categories as well as damaging consumers' image

[1] A recent paper (Ter Braak, Deleersnyder, Geyskens, & Dekimpe, 2013) compared two of Europe's leading discounters: the German chain *Aldi*, a *hard* discounter, and *Mercadona*, a *soft* discounter.

[2] At least in supermarkets and hypermarkets. Consumers assume that discounters – particularly *hard* discounters – will not offer any NB in most product categories. This paper considers only retail formats in which offering both type of brands is the usual practice.