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Article

Marketing mix effects on private labels brand equity

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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.

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; Corstjens & 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

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(Keller, 1993). From a managerial point of view, adequately managing brand equity enhances the result and productivity of marketing activities (Keller, 1993; Yoo & Donthu, 2001). Therefore, to increase such positive effects and manage brands properly, firms must develop strategies to foster the growth of brand equity (Keller, 2007). In this context, identifying factors that build brand equity represents a central priority for academics and marketing managers (Valette-Florence, Guizani, & Merunka, 2011).

In the domain of private label brands, the phenomenon of their brand equity is only just emerging; research on the topic is scarce. There are few studies focus on comparing manufacturer and private label brand equity (e.g., Ailawadi, Lehmann, & Neslin, 2003; De Wulf et al., 2005; Sethuraman & Cole, 1999; Suárez, Nogales, & Barrie, 2012) since traditionally, researchers viewed private labels as products with the lowest brand equity in the market (Ailawadi et al., 2003). However, recent studies suggest that private labels are able to enjoy brand equity (Beristain & Zorrilla, 2011; Cuneo, Lopez, & Yague, 2012; De Wulf et al., 2005). Consumer-based private label brand equity research (e.g., Beneke & Zimmerman, 2014; Beristain & Zorrilla, 2011; Calvo-Porral, Martinez Fernandez, Juanatey Boga, & Levy-Mangin, 2013) indicates that private label brand equity is a multidimensional construct structured similarly to manufacturer brands but with some particularities. These works show evidence that Aaker's (1991) conceptual model can be extended to these particular brands but also highlight the need to further research the topic. Specially, these findings demonstrate that more attention is needed to understand how private label brand equity is created and how it can be managed across the various marketing mix activities that retailers use to support their brands.

Previous research suggests that marketing mix elements are key variables in building brand equity (Yoo, Donthu, & Lee, 2000). In this context, Keller (1993) states that brand equity should be managed over time by fine-tuning the supporting marketing program, because brand equity represents the effect of accumulated marketing investments into the brand (Keller, Heckler, & Houston, 1998). Indeed, a major challenge marketing teams face is deciding on the optimum marketing mix to achieve the greatest impact on the market (Soberman, 2009). Previous studies focus on exploring marketing activities effects on manufacturer brand equity (e.g., Bravo, Fraj, & Martinez, 2007; Buil, de Chernatony, & Martínez, 2011; Villarejo & Sánchez, 2005; Yoo et al., 2000); however, few studies explore which marketing activities contribute most effectively to build private label brand equity.

Although currently, private label brands are considered clear alternatives to manufacturer brands (Kapferer, 2008), we propose that marketing mix efforts might have different effects on private label brand equity. In general, manufacturers rely more on traditional mass media, while retailers engage much more in experience marketing through their stores (De Wulf et al., 2005).

Therefore, to close this research gap, the research goal of this investigation is to measure the effect of some marketing mix elements on the creation of private label brand equity, focusing on in-store specific activities such as in-store communication, in-store promotions and distribution intensity, as well as other marketing mix elements such as advertising, price and monetary promotions.

To analyze the aforementioned relationship, the present research proposes a model that relates marketing mix efforts to the private label brand equity construct. It extends Yoo et al.'s (2000) framework to the domain of private label brands, adding other marketing mix efforts specific to retailers' marketing strategy. Therefore, the contribution of this paper are twofold: first, to identify the effects of marketing mix efforts on private label brand equity, and second, to add to previous models the in-store specific marketing tools controlled by retailers.

The next section reviews the literature that addresses the effect of marketing mix elements on brand equity. Then, the review narrows to those studies investigating the effect of marketing mix elements on private labels brand equity. The following section discusses these results and introduces additional marketing mix elements, proposes a model and describes the hypotheses derived from it. The subsequent section explains the methodology followed and presents the results obtained. Finally, the article concludes with a discussion of the results and implications of the research, some limitations of the study and suggestions for future lines of research.

Marketing mix efforts and brand equity

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 & Romaniuk, 2009; Nenycz-Thiel, Sharp, Dawes, & Romaniuk, 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-Mangín, 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