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# The Impact of Brand Delisting on Store Switching and Brand Switching Intentions

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**Abstract**

A tool retailers often use to improve their negotiating position with brand manufacturers is to delist – or threaten to delist – the manufacturers' brand. Because brand manufacturers rely mainly on retailers to sell their products to consumers, a brand delisting will cause a sales loss for the brand manufacturer. Therefore, many brand manufacturers feel enormous pressure to give in and improve buying conditions to favor the retailer. The question thus emerges: Can a brand manufacturer resist a retailer's threat to delist its brand(s)? If a brand delisting severely hurts retail sales, it is easier for a brand manufacturer to resist. The authors study the impact of brand delistings on store switching and brand switching using a controlled online experiment and in-store shopper survey. They develop and test a conceptual model with several antecedents of consumers' reactions to a brand delisting and conclude that brand equity, market share, and the products' hedonic level drive store and brand switching.


*Keywords:* Retailing; Brand management; Brand equity; Category management; Store loyalty; Brand loyalty; Retail power; Private labels

Many suppliers complain – usually off the record – that powerful retailers force them to alter the buying conditions to benefit the retailers. In most situations, manufacturers initially try to resist retailer demands or improve their offer only slightly in return. Retailers might threaten to or actually delist a manufacturer brand if their demands are not met (Bloom and Perry 2001) or simply to improve the shelf position for their own private labels (Distrifood 2004; Steenkamp and Dekimpe 1997; Steiner 2004). A brand delisting refers to the removal of all items of a single brand, leading to unavailability of the brand within the store. Recent practitioner publications indicate that such brand delistings are not uncommon in food retailing. For example, one of the largest food retail buying organizations in the Netherlands boycotted the brands Fanta and Sprite in the summer of 2005 because of a buying conflict with the Coca-Cola company (Distrifood 2005, see also DeLeersnyder et al. 2007). A brief survey of 90 national brand manufacturers in the Netherlands revealed that a majority (67 percent) expect retailers will delist national brands (EFMI 2007) and believe delistings are occurring more frequently.

Despite the great managerial relevance of this topic, brand delisting has gained almost no attention in the literature. In Table 1, we offer an overview of prior research on the unavailability of items in a category, which distinguishes between short-term unavailability (e.g., stock-outs) and long-term unavailability (e.g., assortment reductions). We view brand delisting as a form of assortment reduction. Prior research into short-term unavailability mainly considers the unavailability of items (Breugelmans, Campo, and Gijsbrechts 2006; Campo, Gijsbrechts, and Nisol 2000; Sloot, Verhoef, and Franses 2005), though Verbeke, Farris, and Thurik (1998) study consumer responses when all items of a preferred brand temporarily are out of stock. Research on assortment reductions addresses the effect of permanent item deletions using natural and field experiments that involve a considerable percentage of items in a category being delisted (e.g., Boatwright and Nunes 2001; Borle et al. 2005; Broniarczyk, Hoyer, and McAlister 1998; Drèze, Hoch, and Purk 1994; Sloot, Fok, and Verhoef 2006).

We focus on the behavioral consequences of a brand delisting; specifically, we measure the impact of a brand delisting on store switching intentions (SSI) and brand switching intentions (BSI). For manufacturers, BSI represents an important metric

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Table 1
Overview of studies of assortment unavailability

| Length of unavailability | Type of unavailability | Studies |
|---|---|---|
| Short-term (out-of-stock) | Item(s) | Campo et al. (2000), Campo, Gijsbrechts, and Nisol 2003, Emmelhainz, Stock, and Emmelhainz (1991), Fitzsimons (2000), Sloot et al. (2005), and Kalyanam, Borle, and Boatwright (2007) |
| Short-term (out-of-stock) | Brand(s) | Verbeke et al. (1998) |
| Long-term (assortment reduction) | Item(s) | Boatwright and Nunes (2001), Borle et al. (2005), Broniarczyk et al. (1998), De Clerck et al. (2001), Drèze et al. (1994), Food Marketing Institute (1993), and Sloot et al. (2006) |
| Long-term (assortment reduction) | Brand(s) | This study |

that indicates how brand sales will be affected if their brand were delisted. A high BSI score indicates that consumers likely will switch to another brand, which implies a negative sales impact for the delisted brand. For the retailer, the SSI is the more important metric, because if consumers will visit another store to buy the delisted brand, they suffer negative consequences in terms of store sales and store profits (e.g., Borle et al. 2005). When consumers switch to other stores they probably buy other items in other categories as well, leading to additional sales and gross margin losses. Moreover, retailing research identifies store loyalty as an important driver of retail profitability (e.g., Kumar and Shah 2004).

The main objective of this research is to gain a deeper understanding of which factors that surround the brand delisting explain SSI and BSI. Information from this study should help retail managers improve their decisions when they (1) want to rationalize assortments, (2) want to improve buying conditions by using brand delisting as a possible 'power' tool in negotiations with manufacturers, or (3) confront a manufacturer that threatens to stop distributing its brand through the retailer. In addition, brand manufacturers can use the study outcomes to analyze how vulnerable they are to a brand delisting and how they might react to such an action or threat.

To address these research objectives, we use two studies. In Study 1, we conduct a controlled experiment in a specific category to measure the effect of brand delistings that vary in terms of the brand equity of the delisted brand. Thus, we control for assortment size (i.e., number of brands) and the proportion of high-equity brands within the assortment. We measure the effect of these assortment-related variables and brand equity of the delisted brand on SSI. In Study 2, we conduct an in-store survey in a natural environment to measure the effect of a hypothetical brand delisting on SSI and BSI. Whereas Study 1 focuses only on the effect of two important variables from prior research (e.g., Broniarczyk et al. 1998), Study 2 includes far more variables. In Study 2, we survey 16 stores and 10 different product categories, which enable us to test the effects of several brand-, product category-, retailer assortment-, and store-related antecedents on BSI and SSI. Thus, we use Study 1 mainly to gain insights into the effects of assortment-related variables, in combination with the delisted brand, and then employ Study 2 to extend Study 1 by studying BSI and including more factors. Moreover, because the second study includes 16 stores and 10 different product categories, the results of Study 2 are more generalizable.

Our research contributes to marketing and retailing literature in several ways. First, to our knowledge, it is the first study to investigate consumer reactions to a brand delisting. Second, we consider a new assortment-related variable to explain consumer reactions to a brand delisting, namely, the proportion of high-equity brands in the assortment. Third, we develop a conceptual model that explains SSI and BSI using objective, measurable variables, which offers a useful tool retailers and brand manufacturers can use to assess the potential impact of a brand delisting.

## Literature review

### *Studies on assortment reductions*

No studies have specifically investigated the reduction of an entire brand. However, several studies on assortment reduction appear in recent marketing literature, in which consumers are confronted with a delisting of one or more items that previously were part of the assortment known to the consumer. Most assortment reduction studies are based on natural and field experiments and focus on the relationship between item delistings and category sales (Boatwright and Nunes 2001; De Clerck et al. 2001; Drèze et al. 1994; Food Marketing Institute [FMI] 1993), though some also study the impact of item delistings on store sales (Borle et al. 2005). Because of the differences in the depth of the assortment cuts studied in natural experiments (i.e., the percentage of items in a category), it is not surprising that different results regarding the cuts' effect on category sales have emerged

Some of the results of natural experiments have been confirmed by laboratory experiments. Broniarczyk et al. (1998), using two laboratoy experiments to measure the effect of item reductions on store choice, show that retailers may make substantive reductions in the number of items they carry without negatively affecting customers' store choice intentions, as long as the retailer only eliminates low-preference items and holds category space constant.

For this research, literature on assortment reductions as well as on temporary unavailability of items can offer valuable insights. Retailing studies focus continuing attention on this issue; Sloot et al. (2005) provide an extensive overview. Within this research stream, one study investigates stock-outs of all items of five high-share brands (Verbeke et al. 1998). In an experimental study, they show that more than 40 percent of