

Antecedents of private label and national brand attitudes

Authors

Juan Carlos Sosa Varela*

Associate Professor
School of Business & Entrepreneurship
Universidad del Turabo, Puerto Rico
Email: jsosa4@suagm.edu

Maria de los M. Santos Corrada

Associate Professor
School of Business & Entrepreneurship
Universidad del Turabo, Puerto Rico
Email: msantos@suagm.edu

Angie Lugo-Salls

Doctoral Student
School of Business & Entrepreneurship
Universidad del Turabo, Puerto Rico
Email: angielugosalls@yahoo.com

Juan Osorio

Doctoral Student
School of Business & Entrepreneurship
Universidad del Turabo, Puerto Rico
Email: cangrejero71@yahoo.com

Edgar Rodriguez

Doctoral Student
Doctoral Student
School of Business & Entrepreneurship
Universidad del Turabo, Puerto Rico
Email: edgar196307@yahoo.com

*** Author of correspondence**

Introduction

Private Label (PL) brands are known to be quickly growing in sales, and this represents big challenges for National Brands (NB). “Increased shopping frequency has been associated with greater brand familiarity, and thus a greater incidence of PL purchasing” (Shannon, 2005). A major question that rises is if consumers are willing to continue paying a price premium for their NB, while economy is clearly not flourishing. Even though consumers recognize quality differences between PL’s and NB’s, they switch to PL’s because of the healing it provides to their pockets. This implicates more marketing efforts from the NB’s to build up their brand equities and loyalties. Also, it is known that PL products increase retailer’s power over suppliers in the vertical and horizontal channels. “Between 1999 and 2003, private label products in supermarkets grew at an annual rate of 17.9 percent compared to national brand product sales growth 14 percent during the same time period (PLMA, 2004). In addition, recent work shows that there is a necessary coexistence between store and manufacturer brands in the consumer packaged goods sector” (Pepe, 2011). All of this puts NB manufacturers in a tough position where they have to look for alternatives to compensate for their decreasing sales volumes. Many have opted to increase their price premiums over PL’s so they can retain or grow their profits regardless of the drops in sales volumes. “Most stores sell some combination of NB’s as well as PL’s. PL’s are of particular interest, because these help the stores in differentiating their merchandize, increase the potential sales by attracting more customers and they may help control costs and build up store loyalty” (Vahie, 2006).

In first place, are consumers really willing to pay a premium price for NB’s over PL’s? NB’s are best differentiated from PL’s for their quality, and it can be said that price has a lot of impact over brand image; also this premium price has direct impact on the profitability of the NB

company. There has also been much research from the consumer-side factors that drive PL success (e.g., Ailawadi, Neslin, and Gedenk 2001; Erdem, Zhao, and Valenzuela 2004), but marketing has received less attention, which is very interesting and important when we speak about brands and products. Another aspect that should be considered is that PL development varies by country so its behavior and impact can be very different. The researchers of this study will focus on markets with a developed PL's to understand how NB's can fight them. For the purpose of this study, only Puerto Rico will be in scope, which is safe to say that is a pretty developed PL country.

Academic studies have provided very useful insights to combat increasing PL sales; still we find several gaps that have yet to be addressed. For example, there are many factors that influence the choice of a PL over a NB, like consumer socio-economic status, store image, price promotions, packaging, product innovation, marketing, and advertising. This study was conducted to investigate some of these specific factors that influence the PL brand image and the consumer choice between PL's and NB's, specifically characteristics of consumers, their socio-economic status, store image, perceived quality of PL's and NB's, prices, packaging, and the difference between product categories.