



Fakultät für
**Wirtschafts-
wissenschaft**

Competition Between National Brands and Private Labels

– Determinants of the Market Share of National Brands

Chair of Marketing

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Price, Promotion, Product Variety, and Brand Preference



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Overview

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1. Research Questions

- How can purchase of National Brands be influenced in competition with Private Labels?
- Which determinants influence the purchase of National Brands?
- Are there differences between product groups?
- Are there differences between retailer settings?

2. Literature Overview

Study	Title
Raju, Sethuraman and Dhar 1995	The Introduction and Performance of Store Brands
Putsis 1997	An Empirical Study of the Effect of Brand Proliferation on Private Label – National Brand Pricing Behavior
Mills 1999	Private labels and manufacturer counterstrategies
Cotterill and Putsis 2000	Market Share and Price Setting Behavior for Private Labels and National Brands
Verhoef et al. 2002	Strategic reactions of national brand manufacturer towards private labels
Olbrich, Grewe and Orenstrat 2009	Private Labels, Product Variety, and Price Competition – Lessons from the German Grocery Sector
Rubio and Yagüe 2009	The Determinants of Store Brand Market Share – A Temporal and Cross-Sectional Analysis
Olbrich and Grewe 2013	Proliferation of private labels in the groceries sector: The impact on category performance
Sethuraman and Gielens 2014	Determinants of Store Brand Share
Cuneo et al. 2015	The Growth of Private Label Brands: A Worldwide Phenomenon?
Fornari et al. 2016	Leading national brands facing store brands competition: Is price competitiveness the only thing that matters?
Olbrich, Hundt and Jansen 2016	Proliferation of Private Labels in Food Retailing: A Literature Overview
Olbrich, Jansen and Hundt 2017	Effects of pricing strategies and product quality on private label and national brand performance
The present study	Competition Between National Brands and Private Labels: Determinants of the Market Share of National Brands

3. Hypotheses

	Independent variable	Dependent variable	Positive/negative	Related literature
H1a	Δ price of National Brands	Δ market share of National Brands	-	Putsis 1997; Cotterill and Putsis 2000; Pesendorfer 2002; Sethuraman and Gielens 2014; Fornari et al. 2016.
H1b	Δ price of Private Labels		+	
H2a	Δ share of National Brand price promotions		+	Raju, Sethuraman and Dhar 1995; Baker, Baltzer and Mølleri 2006; Olbrich, Grewe and Orenstrat 2009.
H2b	Δ share of Private Label price promotions		-	
H3a	Δ National Brand variety		+	Raju, Sethuraman and Dhar 1995; Baker, Baltzer and Mølleri 2006; Olbrich, Grewe and Orenstrat 2009.
H3b	Δ Private Label variety		-	
H4	Δ brand preference		+	Banks 1950; Padberg, Walker and Kepner 1967; Sriram, Chintagunta and Neelamegham 2006; Rubio and Yagüe 2009; Ebrahim et al. 2016.

5. Empirical Analysis – Data Collection

- Household panel data from 2006 to 2015
- 7,211,154 sales,
- 98,326 households (about 30,000 at same time)
- Product groups: chocolate, coffee, hair shampoo, laundry detergent
- Retail settings: non-discounters and discounters
- Data sample (chocolate in discounters):

household-Id	date	quantity	weight (gram)	revenue (Eurocent)	brand	National Brand (NB)/Private Label (PL)	normal price/price promotion	brand preference 1	(...)
...									
100001	2006-11-08	2	200	276	<i>brand 1</i>	NB	normal price	1	...
100001	2006-11-08	1	100	65	<i>brand 2</i>	NB	normal price	1	...
100010	2007-10-30	1	200	99	<i>brand 3</i>	PL	normal price	3	...
138661	2008-04-24	2	500	398	<i>brand 2</i>	PL	price promotion	4	...
987314	2015-10-28	1	200	129	<i>brand 1</i>	PL	normal price	2	...
...									

5. Empirical Analysis – Results and Discussion

	chocolate		coffee		hair shampoo		laundry detergent	
	non-discounter	discounter	non-discounter	discounter	non-discounter	discounter	non-discounter	discounter
weeks	521	521	521	521	521	521	521	521
R ²	.155	.146	.041	.212	.208	.202	.110	.162
	standardized estimate (estimate)							
Δ price of National Brands	-.026 (-.016)	-.201*** (-.878)	-.081* (-.041)	-.066 (-.119)	-.179*** (-.160)	-.241*** (-.605)	-.169*** (-.473)	-.100* (-.820)
Δ price of Private Labels	.067 (.025)	.034 (.407)	.080 (.054)	.112** (.380)	.039 (.052)	.021 (.101)	.170*** (.851)	.043 (1.117)
Δ share of National Brands price promotions	.156** (.150)	.184*** (.508)	.086* (.089)	.204*** (.558)	.289*** (.233)	.242*** (.382)	.049 (.034)	.070 (.147)
Δ share of Private Label price promotions	-.148*** (-.047)	-.015 (-.052)	-.057 (-.024)	-.026 (-.071)	-.145* (-.078)	-.126** (-.355)	-.121* (-.044)	-.138** (-.415)
Δ National Brand variety	.076 (.000)	.004 (.000)	.073 (.001)	.092* (.005)	-.035 (.000)	-.002 (.000)	.058 (.001)	.130** (.012)
Δ Private Label variety	-.067 (-.001)	.046 (.003)	-.096* (-.001)	.032 (.002)	-.178*** (-.005)	-.029 (-.002)	-.122** (-.003)	-.058 (-.008)
Δ brand preference	-.316*** (-.271)	.211*** (1.47)	.041 (.037)	.379*** (1.733)	.021 (.017)	.184*** (.449)	.090* (.051)	.317*** (.983)

* p < .05; ** p < .01; *** p < .001

5. Empirical Analysis – Hypotheses Review

	Independent variable	Dependent variable	Hypotheses review
H1a	Δ price of National Brands	Δ market share of National Brands	partly supported
H1b	Δ price of Private Labels		supported for coffee in discounters and for laundry detergent in non-discounters
H2a	Δ share of National Brand price promotions		partly supported
H2b	Δ share of Private Label price promotions		partly supported
H3a	Δ National Brand variety		supported for coffee and for chocolate in discounters
H3b	Δ Private Label variety		partly supported for non-discounters
H4	Δ brand preference		partly supported for discounters

6. Discussion

- price changes and shares of price promotions indicate differences between the groups.
- Influence of brand variety is very weak and only partly significant.
- change in brand preference for discounters increase the sales of National Brands
- for chocolate in non-discounter settings brand preference is negatively correlated

7. Summary in One Sentence



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8. Limitations

- Prohibition of retail price maintenance (i.e. Olbrich and Buhr 2005)
- Analysis of four product groups
- Usefulness of a high market share can be discussed

8. Limitations

- Not considered:
 - Product positioning on the shelf
 - Package sizes
 - Limited editions



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9. Further Research

- Multigroup analysis
- Demographic variables (i. e. household size or household income)
- More detailed information about the price (normal price vs. special offer price)
- *market share of retail stores*

Thank You for Your Attention!

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