2003:007 SHU

LULEÅ TEKNISKA UNIVERSITET

EXAMENSARBETE

Facing Private Label Competition

Four case studies on Swedish branded goods manufacturers' responses to private labels

MAGNUS HULTMAN
KRISTOFER LJUNGROS

Social Science and Business Administration Programmes

INTERNATIONAL BUSINESS AND ECONOMICS PROGRAMME

Department of Business Administration and Social Sciences
Division of Industrial Marketing
Supervisor: Manucher Farhang

2003:007 SHU • ISSN: 1404 – 5508 • ISRN: LTU - SHU - EX - - 03/7 - - SE

Preface

This study was performed as our master's thesis during the end of 2002 and beginning of 2003. Throughout the process of writing this, we have learned that writing a thesis is neither overly exciting, nor particularly fun. On the other hand, it has been a very useful and valuable experience, and we have learned a great deal, not only about the topic at hand, but also how to manage great workload within a limited timeframe. However, this workload would not have been manageable if we had not received help and support from a number of people who we would like to mention.

First of all, we would like to thank Professor Manucher Farhang for his help and supervision during the writing of the thesis. Moreover, we would like to express our gratitude to all the managers who were able to allocate their valuable time in order to share their professional knowledge with us during the hectic Christmas season. The thesis would not have been possible to realize without the important contributions of Mr. Norman, Mrs. Wergens Hellbom, Mr. Olsson, and Mr. Nilsson. In addition, during the completing stages of the thesis we received great help with translation from Mrs. Wehlén, which increased the quality of the work even further. – Thank you all!

On a personal level, Magnus would like to thank Ms. Wehlén for her patience with me as well as her occasional delighters. Furthermore, I would like to show my appreciation towards my family, my friends, and others who feel that they deserve it. – I will try to allocate more time for you now when I'm finally done.

Kristofer would like to give the greatest of thanks to Ms. Johnsdotter and Mr. Wikman for always being there when needed, and constantly taking so extremely good care of me; sorry all this work has taken so much of my time away from you… Also, thanks to Mr. Dylan for writing 'Girl of the North Country'…

Luleå University of Technology, 23 January 2003

Magnus Hultman Kristofer Ljungros

Abstract

The aim of this thesis is to gain a deeper understanding of how branded goods manufacturers (BGMs) respond to the increased usage of private labels. The study explores, describes, and starts to explain how BGMs perceive private label activity, respond to private labels in terms of adopted strategies, and perceive the benefits and drawbacks of the strategies they adopt. A contrasting multiple case study has been conducted through interviews with four Swedish companies in the fast moving consumer goods industry, operating in the chemical consumer products-, and consumer food products category respectively. This thesis' main findings are; first, that private labels are perceived to be growing and the perceived advantages of private labels are connected to their overall control, whereas BGMs' advantages are seen to be linked to product development and brand reputation. Second, BGMs respond to private labels by taking them seriously, and striving for an increased distance. Finally, the overall perceived benefit of the adopted strategies is a preparedness for increased private label competition, while the drawbacks vary between companies.

Sammanfattning

Målsättningen med denna uppsats är att uppnå en djupare förståelse för hur varumärkestillverkare bemöter den ökade användningen av egna varumärken. Studien utforskar, beskriver och börjar förklara hur varumärkestillverkare upplever aktiviteten bland egna varumärken, hur de agerar mot dessa genom strategiska åtgärder, och hur för- respektive nackdelar med de genomförda strategierna upplevs. En kontrasterande multipel fallstudie har utförts genom intervjuer med fyra svenska företag verksamma med snabbrörliga konsumentvaror inom kategorierna kemteknik och livsmedel. Uppsatsens huvudsakliga slutsatser visar, för det första, att egna varumärken uppfattas öka, samt att de väsentligaste fördelar egna varumärken besitter kan härledas till dessas övergripande kontroll, medan varumärkestillverkares fördelar är knutna till produktutveckling och varumärkets goda rykte. För det andra, varumärkestillverkare agerar mot egna varumärken genom att bemöta dessa respektfullt, och med en strävan efter ett utökat avstånd dem emellan. Slutligen, den övergripande identifierade fördelen med de tillämpade strategierna är en beredskap för ökad konkurrens från egna varumärken, medan nackdelarna varierar mellan företagen.

Résumé

Le but de cette thèse est d’arriver à comprendre de manière plus appronfondie comment les producteurs de produits de marques manufacturés répondent à l’usage croissant des marques privées. L’étude cherche à découvrir, décrit et commence à expliquer comment les manufacturiers voient la croissance de l’activité au sein des marques privées, comment ils réagissent envers ces mesures stratégiques et comment ils perçoivent les profits et les inconvénients des stratégies qu’ils ont adoptées. Plusieurs études contradictoires au moyen d’interviews ont été réalisées avec quatre sociétés suédoises, travaillant avec des produits de consommation courante, relevant des domaines de DPH (droguerie, parfumerie, hygiène) et de produits de consommation alimentaire. Les conclusions principales de cette thèse montrent que, premièrement, l’on semble constater la croissance des marques privées et que les profits fondamentaux de ceux-ci sont dûs à leur contrôle global cependant que les profits des manufacturiers sont liés au développement du produit ainsi qu’à la bonne renommée de sa marque. Deuxièment, les manufacturiers agissent envers les marques privées en les prenant au sérieux et avec le désir de s’en éloigner. Enfin, le bénéfice global perçu dû aux stratégies adoptées est une préparation à l’ampleur de la concurrence des marques privées, tandis que les inconvénients varient entre les différentes sociétés.

Table of Contents

List of Tables

List of Figures

1 Introduction

This first chapter is intended to give background information to the area of research. First, a brief background discussion regarding branding as a concept will be provided, followed by an introduction to manufacturer brands and private labels. Then the problem discussion, leading to the purpose, research questions, and finally, delimitations for this thesis will be put forth.

1.1 Background

In the rapidly changing international business environment of today, characterized by an ever-increasing globalization, rocketing competition, and continuous market deregulation, a company's brand can be the decisive feature that distinguishes its products from its competitors'. Nowadays, branding is considered a vital strategic tool for companies in order to pursue the increased growth and sales objectives put upon them, and thus ensuring their future success. (Kotler, 2003) The basic functions of branding are to distinguish a company's offering and differentiate one particular product from its competitors, to create identification and brand awareness, to guarantee a certain level of quality and satisfaction, and to help with promotion of the product (Hollensen, 2003). Branding is a crucial element of marketing, as a means of linking items within a product line or emphasizing the individuality of products (Brassington & Pettitt, 2000).

Regarding the object of the branding activities; the brand itself, Kapferer (2001, p.3) explains that *"brand is a deceptively simple concept"*. By this, it is implied that each and everyone immediately can identify an example of a typical brand, but very few people are able to propose a satisfying definition of it, as if every definition that comes to mind would be incomplete in at least one aspect or another. Some talk about the name by which a product is known, others about added value, image, and expectations, whereas still others mention the differentiating mark of the product and consumer badge. (Ibid) Kapferer (2001) agrees to all these definitions in their own right, but claims that a real definition of a brand should include all these things simultaneously. The American Marketing Association (1960, p.910) have attempted to provide a comprehensive definition of this vast concept by stating that a brand is a:

> *"name, term, sign symbol or design or a combination of them, which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors."*

This definition is widely accepted and used in most marketing textbooks today (Kotler, 1997; Tamilia, Corriveau & Arguedas, 2000; Keller, 2003). However, Hollensen (2003) declares that a brand is more than a label used to differentiate among manufacturers; it is a complex symbol that represents a variety of ideas and attributes. Hence, a brand should not be considered merely as a combination of letters and images, but also as a way of communicating to, and between, consumers (Ibid). Nilson (1998) adds on to this by claiming that a successful brand is built on a combination of product benefits, being mainly tangible values, and emotion values of abstract or intangible character. de Chernatony and McDonald (1998) agree, and state that brands should be viewed as holistic entities that derive strength from interlinking parts in which individual values are integrated into a whole. The authors develop this further by identifying three components that comprise a brand; *the functional* *component* – characterizes what a product or service does – *the psychological component* – describes which motivational, situational, or role needs that a product or service satisfies for a user – and *the evaluative component*, which considers how a brand can be judged. For a successful brand, the functional and psychological components must work together, and the brand owner needs to persuade consumers not only that the brand is better than its competitors, but also that the benefits reaped from the brand are of importance. (Ibid)

Brassington and Pettitt (2000) acknowledge a number of advantages that the brand can provide. For a consumer, the brand makes product identification easier, it communicates features and benefits, it helps product evaluation, it establishes a product's position in the market, it reduces risk in purchasing, and it creates interest and character for the product. From the retailer's perspective, the brand implies benefits from brand marketing support, and attracts customers. For the manufacturer, it helps to create consumer loyalty, defends against competition, creates differential advantage, allows for premium pricing, helps targeting and positioning, and increases the power over retailers. (Ibid) Tamilia, Corriveau and Arguedas (2000, p.8) add to this by stating:

> *"when a segment of the consumer market prefers one brand to another and will accept no substitute, the producer or distributor of this brand controls part of the market"*

The authors further claim that brands are commonly divided into at least two groups: *manufacturer brands* – also known as national brands or branded goods – and *private labels* – also commonly known as store brands, own labels, or private brands. The ownership of the brand is the basis of this classification. (Ibid) They refer to Cole et al... (1955, p.20) who explain:

> *"basic to this classification is the assumption that national brands are developed by manufacturers and promoted nationally and regionally and the private labels are controlled by wholesalers, retailers, chains, or other middlemen"*

To further distinguish between these two concepts, the following two sections will more thoroughly go into manufacturer brands and private labels respectively.

Manufacturer Brands

When considering brands in present everyday situations, manufacturer brands would most likely come to mind. Making a list of all leading brands today, from Coca-Cola to Disney to Marlboro, they would fit under the definition for a manufacturer brand. (Keller, 2003) A distinctive mark for these types of brands is that they are created by producers and bear their own chosen brand name. Subsequently, the value of the brand is in the hands of the producer. By building the brand through marketing, a producer can gain distribution and customer loyalty. (Jobber, 2001) Chernatony and McWilliam (1998, p.4) define a manufacturer brand as:

> *"an added value entity conceived and primarily developed by a manufacturer for a specific group of customers and consumers, which portrays a unique relevant and distinctive personality through the support of product development, promotional activity and an appropriate pricing and distribution strategy"*

As already mentioned by Tamilia, Corriveau and Arguedas (2000) this type of brand comes under many names, but throughout this thesis, the names that will mostly be used when referring to the definition above are *manufacturer brands* or *national brands*, and the producers of these will be referred to as *branded goods manufacturers* or *BGMs* in short.

The phenomenon of manufacturer brands has its origin in the United States. They started to appear after the American Civil War, when manufacturers first began to brand medicines, followed by food items and other consumer products. After World War One, these types of brands emerged in force due to food processing technology and transportation efficiencies, which made it possible for BGMs to sell their products on a more national scale, thus the national brand was born. However, before the late nineteenth century, there was little national brand identity. This is blamed on the fact that there was no television or radio available and that all newspapers were local. Consequently, when the availability and supply of mass media gained momentum, the BGMs' opportunity to promote their brands also increased. Mass advertising and sales promotion helped establish national brand awareness among consumers, and the promotional effect made them want to buy such brands because they symbolized national approval through consistent quality. Even today, brand awareness and image are key ingredients in making consumers desire manufacturer brands. (Tamilia, Corriveau & Arguedas, 2000)

Davis (2000) confirms this by claiming that the brand is one of the most important assets for BGMs today. He further declares that companies should capitalize on it because it can help them achieve long term objectives; not only more quickly, but also in a more profitable way (Ibid). This capitalization is, according to Jobber (2001), carried out through various methods of brand building with the aim of gaining customer loyalty. According to Kapferer (2001) the ultimate aim of these brand-building activities is for a manufacturer brand to become a leader brand. This since leader brands apparently defines the very ideal attributes of the entire product category. An example of this is Coca-Cola. In this case, one can ask the question: what do consumers expect from a cola drink? The answer is nothing, since Coca-Cola dominates the category and therefore defines the consumers' expectations. They simply cannot drink a cola drink without comparing it to Coke, in other words Coca-Cola has become the standard and benchmark for all cola flavored beverages. (Ibid) This might be one of the contributing factors as to why Coca-Cola has grown into one of the largest BGMs in the world. The company values its trademarks and other intangible assets to $2,579 million (Coca-Cola Enterprises Inc., 2002). Procter & Gamble, another manufacturer brand giant, almost reach the same amounts; they value their trademarks and intangible assets to $2,464 million (The Procter & Gamble Company, 2002).

Because of these extraordinary brand valuations, the vast majority of the corporate value among typical BGMs in the fast moving consumer goods industry is made up by their intangible assets and trademarks. Today, the tangible assets of a company in this industry may account for as little as 10 percent of the company's total value. Some BGMs have even taken the dramatic step of outsourcing their manufacturing operations to other companies, thus becoming an "assetless" company. They have done this in order to concentrate on solely managing their brands. (Keller, 2003) To be able to maintain their image, and thus their valuation, branded goods companies are spending huge amounts of money on their brand in hopes of building market share and increasing profits (Goff, 2002). However, it is not only the BGMs who want to increase profits and build market share, so does also the retailers carrying their goods, and it is here the second major group of brands comes in to play (Mason, 2002).

Private Labels

As mentioned, brands are commonly divided into two groups (Tamilia, et al., 2000). Håkansson (2000) claims that retailers have provided their customers with manufacturers' branded goods for a substantial amount of time, but have in later years also realized the benefits associated with carrying own created brands. During the past decades, retailers have had to find new ways of developing and sustaining a competitive edge, something that according to Laaksonen and Reynolds (1994) can be achieved through the usage of private labels. The authors further argue that private labels can be seen as one of the most powerful forces in retailing today, and can be used as an important strategic tool for retailers, both with regards to providing differentiation from competitors as well as to increase profitability (Ibid).

Håkansson (2000) states that there is presently an overabundance of different names and definitions used to describe this concept. While some authors use the term *private labels*, others prefer words like *own brands*, *retailer brands*, *wholesaler brands*, or *distributor own brands* (Ibid). Throughout this thesis, we will use the term *private labels*, which in accordance with Baltas (1997, p.315) can be defined as:

> *"consumer products produced by, or on behalf of, retailers and sold under the retailers' own name or trade mark through their own outlets"*

With private labels, the responsibility for the development and maintenance of the brand falls on the retailer, regardless if it manufactures the brand or not (Brassington & Pettitt, 2000). Defined in this manner, as retailer controlled or manufactured products, private labels cannot be seen as a new phenomenon (Håkansson, 2000). Rather, the history of private labels is almost as old as retailing itself, going back to tailors, shoemakers, and bakers, who sold products they made under their own name. However, it was not until the oil crisis and economic recession of the 1970s that private label strategies became a concept of major importance. (Laaksonen & Reynolds, 1994) As the number of consumers seeking bargain products increased during that time, a demand for low-cost, basic quality and minimally packaged generic products was created (Keller, 1998).

Håkansson (2000) states that since then, private labels have gained substantial momentum, and he recognizes a continuous positive growth-rate in most major European markets between 1990 and 1995. Moreover, as private labels have developed, they have become increasingly sophisticated (Ibid).

Laaksonen and Reynolds (1994) have researched the topic of private labels, and managed to identify four generations of private label development (see Appendix A). These range from the first generation's rather simplistic generics, to later generations that have proved to match or even supersede the quality of manufacturer products. The authors mean that it is apparent that their identified third generation is competing directly with the brands that are not category leaders, while the forth generation no longer is concerned with copying, but rather with innovative brand operations aimed at the category leader. (Ibid)

Hence, through the emergence of private labels, BGMs would now be forced to compete with the owner of the shelf space in addition to the traditional competition with other manufacturers (Håkansson, 2000).

1.2 Problem Discussion

With regards to the discussion above, it could be anticipated that the previously rather uncontested manufacturer brand leaders are facing a new and rather serious competition from private labels. The consequences of this new competition mentioned by Håkansson (2000) are addressed in an article by Scott Davis (1994), where it is argued that the manufacturer brands are slowly deteriorating, as it refers to scientific articles titled: "The Brand is Dead", "Brand Burnout", and "Fall of the Brand". (op. cit. p.42) Moreover, it further lists a number of reasons for this brand failure; for instance investment withdrawal and image devaluation. Nevertheless, it is emphasized that the number one reason to the weakening of manufacturer brands is the recent intrusion by private labels. (Ibid)

Whether one chooses to call it intrusion or not, it is obvious that private labels have become a major force to reckon with in retail throughout the world today. Private labels account for about one fifth of total sales in the United States, one forth in Canada, and nearly one half in Europe. (Hoch & Banerji, 1993; Dunne & Narishiman, 1999)

In other words, this extensively discussed and documented trend, in both practitioner and academic oriented literature, characterizes most western economies (Baltas, 1997). In the United States, for instance, private labels are prognosticated to hold a market share (in units) of 23 percent in 2004 (Vaidyanathan & Aggarwal, 2000). In the UK, the world's most developed private label market, the industry has risen in market share with nearly one percent yearly, from a mere 22 percent in 1977 to 39 percent twenty years later. There also seems to be an upsurge in this trend since the rate of market share growth has increased in later years. (Baltas, 1997) Research has further shown that this is not just an isolated occurrence for the UK market alone; on the contrary, this movement seems to reoccur in the vast majority of the major national European markets. In Sweden for instance, private label sales as a proportion of retail sales has almost doubled between 1990 and 1995, from 2,9 percent to 4,9 percent. (Håkansson, 2000)

Ashley (1998) has recognized this tendency and states that whether called private labels, own labels or store brands, non-branded products have become a source of major concern for consumer goods manufacturers in recent years. As mentioned, private label trends have recently fueled interest in the academic literature. More specifically, the literature has noted that though price was once a concern, quality, which is almost at parity with national brands, has emerged as the key ingredient of a successful store brand. Private labels are now considered comparable to national manufacturer brands and have, consequently, started to take competitive actions accordingly. (Parker & Kim, 1995) Kotler (1997, p.447) has even gone so far to call this *"the battle between manufacturers' brands and store brands"*.

de Chernatony and McDonald (1998) validate Kotler's (1997) claim by explaining that the trend towards larger supermarkets and warehouse chains in many European countries during the last 25 years has led to a situation where the manufacturers' ability to maintain high levels of own brand support has decreased due to increasing demands for discounts from powerful retailers, as well as increased private label utilization and competition.

Montezemolo (1997) is of the opinion that the growth of private labels is transforming the role of the distributor from client to fierce competitor – a competitor with a trump card, since it knows about the marketing plans, new product advantages, advertising, and promotional efforts of the manufacturer brands it competes with. The author further states that BGMs across Europe have a very good reason to be concerned. However, if they manage to engage in a comprehensive and proactive response, they will be able to compete successfully. (Ibid)

According to Miller (1995), BGMs have now realized that private labels are impacting them severely, and consequently started to adopt certain measures in response to this growth. However, some product categories have proven to be more successful in this than others. Baltas (1997), for instance, explains that personal-, and home hygiene products are the categories in which the strongest brands currently exist and suggests that these have been successful in slowing down the growth of private label purchases. This is supported by Kapferer (2001) who agrees that these categories possess the strongest brands. The latter further elaborates on this and explains that the brands most severely affected by private labels currently exist among commodity type goods (i.e. kitchen rolls, toilet paper) whereas the consumer food category has an average, but contested, market position in relation to private labels (Ibid). In other words, this would imply that BGMs in certain types of product categories are better than others in managing their strategic responses towards private labels (Baltas, 1997).

Although considerable amounts of academic studies have been carried out within this particular field of research, researchers agree that additional efforts needs to be taken regarding the topic of private labels and their relationship with manufacturer brands (Parker & Kim, 1995; Sethuraman, 2000).

One issue that the science community find especially interesting is the question of how BGMs actually view the increased popularity of private labels (Miller, 1995; Baltas, 1997). According to Parker and Kim (1995), no marketing study, to their knowledge, has considered the potential competition/collusion between established manufacturer brands and private label brands. They refer to statements such as:

> *"The popularity of quality private-label products is causing concern for branded goods marketers"*
>
> *"Private label brands are commanding unprecedented new power"*
>
> *"Private label nightmare: big name marketers are being stalked by high quality store brands"*

…And compare these with statements saying:

> *"The 'boom' in private labels may not be as deadly to brand name products as some have feared"*
>
> *"The competitive pressures of store brands are a blessing to national brand managers"*
>
> *"The war between national brand and private labels may be over"*

(All the above quotations are Parker & Kim, 1995, p.1) Based on these contradictory and inconsistent quotations from popular business magazines, they consider it especially interesting to find out what the BGMs really think about private labels (Ibid).

Another issue currently popular within the research community is the question of how to act towards private labels, in other words, reactions to private label success (Garreston, Fisher & Burton, 2002; Hoch, 1996; Quelch & Harding, 1996; Halstead & Ward, 1995; Lindgren & Ottosson, 2002). Lindgren and Ottosson (2002) explicitly state that it would be particularly interesting to conduct a study on branded goods manufacturers' response to the threat of private labels.

In liaison to this, Hoch (1996) means that branded goods manufacturers have to think, and act, towards private labels differently because they are, often, both customer and competitor at the same time. When market share is taken from other BGMs, there are usually only positive consequences and results for the manufacturer. However, when the sales come at the expense of the private label, BGMs need to tread more carefully, otherwise – as Hoch (1996 p.93) puts it – *"they could be shooting the very horse that transports their product to the consumer"*.

A third issue frequently brought up by researchers is how brand strategies are evaluated and how branded goods manufacturers view the benefits and drawbacks of their strategies. (Hoch, 1996; Calderón, et al., 1997) Calderón, et al. (1997) mean that additional studies need to be carried out within this field of research.

Based on the above discussion, it has come clear that researchers agree that additional studies needs to be conducted on this area in general, as well as on the specific topics brought up. The research area is apparently not yet saturated and although some previous studies obviously have been carried out on the above topics, they have almost exclusively been conducted on either the US, the Canadian, or the UK markets. To our knowledge, and based on our review of literature, no similar study of this kind have yet been carried out on the Swedish market. It would therefore be particularly interesting to look into all of this from a Swedish perspective.

1.3 Purpose

With the above problem discussion in mind, the purpose of this thesis becomes:

to gain a deeper understanding of how branded goods manufacturers respond to the increased usage of private labels

In order to gain the knowledge necessary for accomplishing the stated purpose, three research questions have been outlined; these are presented in the section below.

1.4 Research Questions

- **Research question one:** How do branded goods manufacturers perceive private label activity?
- **Research question two:** How do branded goods manufacturers respond to private labels in terms of strategies they adopt?
- **Research question three:** How do branded goods manufacturers perceive the benefits and drawbacks of the strategies they adopt in response to private labels?

1.5 Delimitations

We have limited our research to view the above stated research questions from the perspective of Swedish branded goods manufacturers. There is a twofold reason to this; firstly due to limitations in time as well as finances, it would be impossible to cover all aspects of the research purpose. Secondly, as discussed above, it would be especially interesting to look at the purpose and research questions from a Swedish point of view, since to our knowledge, no prior research have been conducted looking into these exact issues focusing on the Swedish market in particular.

1.6 Summary of Introduction and Thesis Outline

As can be seen in Figure 1.1 below, this thesis consists of seven chapters. By now, the reader is already familiar with the content of *chapter one* which consisted of a background discussion followed by a description of the research problem, the purpose with research questions and their delimitations. In *chapter two* the reader will be provided with an overview of previous studies relevant to this thesis' research purpose. These will then be narrowed down into a conceptual framework in *chapter three*. *Chapter four* will describe how the research was conducted and which methodological choices that were made, as well as motivations to these choices. This is followed by *chapter five* where the collected empirical data will be presented. This data is then compared with the concepts outlined in the conceptual framework through an analysis in *chapter six*. Finally in *chapter seven* the findings and conclusions of the previous chapter's analysis will be put on display, the chapter will end with a discussion regarding implications for management and theory, as well as suggestions for further research.

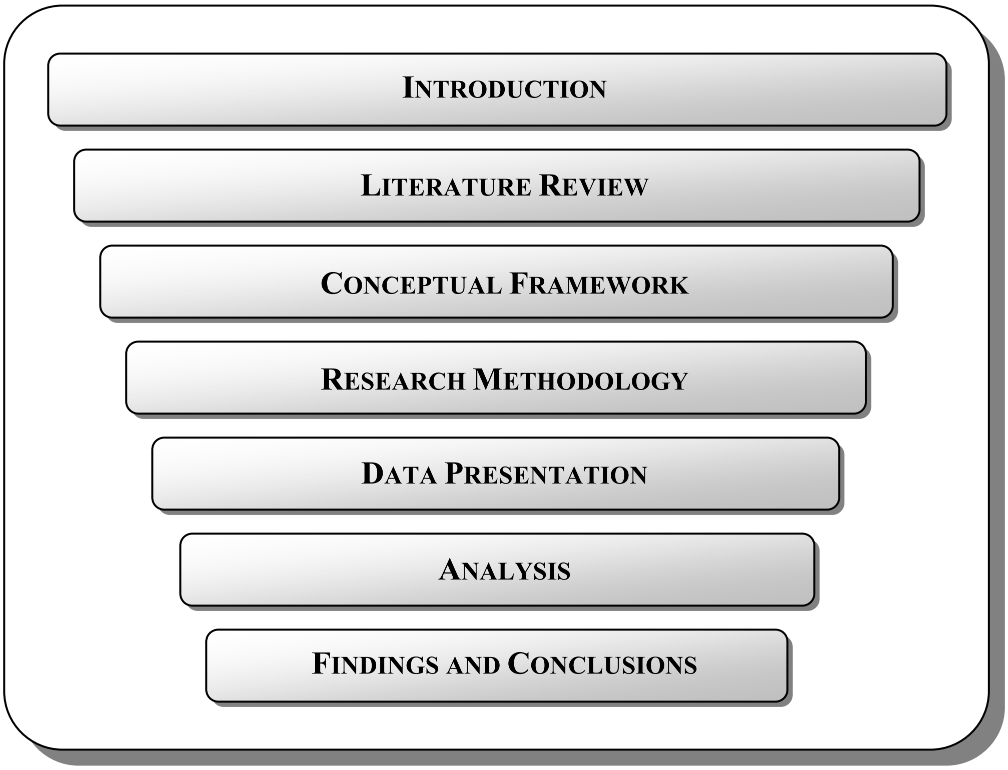

Figure 1.1. Thesis Outline

2 Literature Review

This chapter will present previous research and studies relevant to the purpose and research questions outlined in this thesis' first chapter. First of all, studies regarding BGMs' perception of private labels will be put forth. These are connected to the first research question concerning BGMs' perception of private label activity. Then, in the subsequent section, research discussing BGM strategies towards private labels, including benefits and drawbacks of these, will be brought forth. These theories are chosen with the purpose of linking the literature to the second and third research questions created for the study, i.e. strategies, and benefits and drawbacks of these respectively.

2.1 BGMs' Perception of Private Labels

As stated in the introduction, private labels have experienced a substantial growth in later years; there are more private label store brands on the market than ever before, and these account for ever-increasing unit shares on the expense of national brands. This would imply that branded goods manufacturers should rightfully be concerned about the emergence of private labels, and take action accordingly. On the other hand, it can be argued that many manufacturers have overreacted to the threat posed by private labels, and that manufacturer brands still have substantial advantages over private labels, thus BGMs should not view them as a threat. (Quelch & Harding, 1996) As brought forth in the problem discussion, there is a question of how BGMs actually view the increased popularity of private labels – either as a serious threat because they possess many advantages over manufacturer brands, or as something less intimidating since the advantages of manufacturer brands are still perceived to be predominant. The following two sections will further dive into theories explaining both these differing views. First, the advantages possessed by private labels will be put forth, and then the manufacturer brands' advantages will be accounted for.

2.1.1 Advantages of Private Labels

Several researchers have identified different factors that would speak in favor of private labels; these are presented below.

Hoch (1996) states that private labels traditionally have been viewed as offering consumers an inferior-quality alternative at a value price. However, as manufacturing technology for private labels has increased dramatically ever since, many retailers have moved upscale with their private label products. Hence, BGMs today tend to view competition from private labels as they would with any other brand. On the other hand, the author claims that private labels differ from national brands in many ways that suggest that private labels actually are stronger than other competing national brands. He brings up five factors supporting this argument. (Ibid)

Private label coverage and penetration. The private label is the only trademark that recurs throughout the store; no other brand name can come close to the storewide coverage and penetration in so many product categories that private labels have. In addition, a consistent name reinforces the private label mark, creating both positive and negative spillover effects. (Ibid)

Retailer control. Private labels are the only products for which the retailer absorbs all marketing and inventory investments. Retailers can exert more influence over the performance of their private labels. This since they can control quality levels, advertising and brand image, packaging, wholesale costs, and investment levels for other interdependent marketing activities to a much greater extent than national brands. (Ibid)

Piggybacking. Opportunistic retailers can gain further by piggybacking on traffic generating national brand featured advertising with shallow in-store price reductions on their private label equivalent during the campaign period. (Ibid)

Placement. Private labels are guaranteed full distribution and good shelf placement. Compared to national brands, retailers have much lower expenditure on marketing resources with private labels, since they can accurately position the products relative to the competitors, and do not have to pay slotting allowances to obtain distribution. (Ibid)

Trade deals. Private labels get 100 percent pass-through on trade deals. When national brands offer trade deals to retailers in order to motivate temporary in-store price reductions, they cannot take for granted that the entire reduction will benefit the end consumer, as less than 50 percent of the wholesale price reductions actually get passed on to the consumer. However, when retailers decide to promote private labels, they do so without taking a piece of the consumers' share. (Ibid)

Similar to Hoch (1996), Quelch and Harding (1996) also list a number of factors that would suggest that private labels currently possess advantages over BGMs.

Improved quality of private label products. The gap in quality between private labels and brand name products has decreased substantially in later years. Hence, as private labels improve their procurement processes and become more careful about monitoring quality, brand name products cannot achieve a competitive advantage based solely on quality. (Ibid)

Development of premium private label brands. In recent times, retailers have developed private label lines that deliver quality equal or superior to that of national brands. Thus, they can now be seen as direct competitors to BGMs, competing on equal terms with more prestigious and established brands. The authors mention instances when private labels actually have matched or even superseded the leading national brands in terms of quality. (Ibid)

European supermarkets' success with private labels. In European supermarkets such as Sainsbury's and Tesco, higher private label sales have resulted in higher average pre-tax profits and, as a consequence, lucrative and moneymaking stores. This occurrence have not gone by unnoticed in the rest of the world, and there is hence a great chance that the private label concept will be increasingly adopted in nations that previously have had a lesser private label penetration. (Ibid)

The emergence of new channels. In later years, there have been a growing number of mass merchandisers, warehouse clubs, and other channels, selling dry groceries, household cleaning products, and health and beauty aids. These are usually national chains, and as such, have the incentive to develop their own national brands through private label lines, and have the capability of ensuring quality at a low cost. (Ibid)

The creation of new categories. Private labels have evolved beyond their traditional product lines, and have expanded into new and previously "unexplored" categories; creating increased acceptance by consumers as to choosing a private label over a higher priced name brand. (Ibid)

Quelch and Harding (1996) further bring up a number of factors that would favor private labels over national brands. The authors state that the success of these particular factors varies widely by product category; some are more applicable to non-durable goods (e.g. canned peas) and other to e.g. hygiene products. Nevertheless, the authors assure that several of the five categories presented below would be generally applicable. (Ibid)

Product Category Characteristics

- The product is an inexpensive, easy, low-risk purchase for the consumer.
- It is easy to make from commodity ingredients.
- It is perishable, thereby favoring local suppliers.
- Product category sales are large and growing, so private labels can more easily garner sufficient volume to be profitable.
- A few national brand manufacturers dominate the category, so retailers promote private labels to reduce dependency on them.

(Ibid)

New Product Activity

- National brands are offered in few varieties, enabling a private label with a narrow line to represent a clear alternative to the consumer.
- National brand new product introductions are infrequent or easy to copy.
- Consumers can easily make side-by-side comparisons of national brands and private labels.

(Ibid)

Private Label Characteristics

- Private label goods have been available to consumers for many years.
- Distribution is well developed.
- Variability in quality is low.
- Quality in comparison with national brands is high and improving.
- Consumers have confidence in their ability to make comparisons about quality.

(Ibid)

Price and Promotion Factors

- Retail gross margins in the product category are relatively high.
- Price gaps between national brands and private labels are wide.
- National brand expenditures on price promotions as a percentage of sales are high, raising price sensitivity and encouraging consumers to switch brands.
- The credibility of national brand prices is low because of frequent and deep price promotions.
- National brand expenditures on advertising as a percentage of sales are low.

(Ibid)

Retailer Characteristics

- The retailer is part of a stable oligopoly and therefore sells national brands at relatively high prices.
- The retailer has the size and resources to invest in high quality private label development.

(Ibid)

Leahy (1992) identifies six benefits with private labels compared to manufacturer brands from a retailer's perspective. *Market planning*: private labels can be used to ensure coordinated development by filling in gaps left by brands or by covering a market in its entirety. Retailers can identify product positions within a specific store's assortments rather than on a whole market, enabling them to find niches not easily identified by BGMs. *Control*: since retailers have full control over their private labels, they are able to respond much quicker to demand changes. *Innovation*: retailers are able to take the risks associated with product innovations to a greater extent; since they do not have to buy distribution when new products are launched. *Choice*: being an alternative to manufacturer brands, private labels give consumers an increased base for choosing in the store. *Loyalty*: private labels may create positive associations to the store itself, and since the consumers cannot find the brands anywhere else, store loyalty can be achieved. *Cost*: if the retailer uses the store name for its private label products, brand image has already been created, and advertising and promotions can be kept at a minimum. (Ibid)

2.1.2 Advantages of Manufacturer Brands

Although Quelch and Harding (1996) agree that many national brands are under pressure from private labels, they believe that the challenge must be kept in perspective. The authors state that retailers emphasize private label products, as they perceive them to deliver a higher percentage of profit margins than national brands. However, many retailers do not take into account the costs of promotion for the store name that builds private label demand, and the warehousing and distribution costs for them. Moreover, consumers who buy national brands rather than private labels in the same category, spend more per purchase and deliver higher absolute and percentage margins to the retailer. Also, according to the authors, retailers tend to exaggerate the number of consumers that are attracted to the store by the existence of private labels, compared to national brands. (Ibid)

Håkansson (2000) states that the presence of strong manufacturer brands in a product category can make it difficult for private labels to establish a presence. The author claims that the ability to control consumer demand is dependent on the degree to which consumers favor the brand in their purchase decision. It may thus be very hard for private labels to attack BGMs that control a large portion of product category sales because of brand loyalty. (Ibid)

Taylor and Rao (1982) show that consumers rely more on brand reputation than store reputation as a risk-reducing factor when shopping. Moreover, they argue that consumers perceive greater confidence when purchasing well-known brands in less-known stores than when purchasing less-known brands in well-known stores (Ibid). Rao and Monroe (1989) support this, and find a positive relationship between price and perceived quality and between brand name and perceived quality, while the relationship between store name and perceived quality is much smaller. Hence, Håkansson (2000) reasons that this would imply that renowned manufacturer brands provide value for consumers, value that can be translated into BGM influence over the distribution channel. De-listing such a brand would result in lost sales for wholesalers and retailers; the brand owner therefore controls the demand side, and thereby the profits, of the retailer's and wholesaler's business. (Ibid)

Quelch and Harding (1996) further claim that BGMs themselves can temper the challenge posed by private label goods, and bring up a number of points that would suggest advantages for brand name products.

Simplifies consumers' selection process. The purchase process favors brand name products. Brand names simplify the selection process in cluttered product categories. They exist because consumers still require an assurance of quality when they do not have the time, opportunity, or ability to inspect alternatives at the point of sale. (Ibid)

Brand name reputation. Brand name goods have a solid foundation on which to build current advantage. In surveys where consumers are asked to rank the strongest brands, national brands continuously outrank private labels. National brands have built their consumer equities over decades of advertising and through delivery of consistent quality. (Ibid)

Brand strength parallels the strength of the economy. The strength of private labels varies with economic conditions; private label market share generally goes up when the economy is suffering, and down in stronger economic periods. During such stronger intervals, brands can increase advertising and win back consumers that have turned to private labels due to a weak economy. (Ibid)

National brands have value for retailers. Consumers expect retailers to carry popular national brands. Even if retailers can make more profit per unit on private label products, they must still stock and, often at loss, promote national brands that hold traffic-building power. Otherwise, consumers might be put off and switch stores. (Ibid)

Muddying retailer image. Excessive emphasis on private labels dilutes their strength. A retailer stretching its store name to private labels might find its image muddied. Consumers do not believe that a store can provide the same excellent quality for products across the board as national brands can. (Ibid)

Hoch (1996) also acknowledges the fact that manufacturer brands possess advantages over private labels. Based on his research, he especially recognizes two significant advantages that manufacturer brands still hold over private labels, these are:

Lower price elasticity. Private labels are much more sensitive to price changes than manufacturer brands. This implies that a private label would loose more customers if its price would be raised than in a similar situation involving a manufacturer brand. (Ibid)

Still perceived as better. Despite the growth of private labels in later years, manufacturer brands are still generally perceived to be both of higher quality and maintain a higher quality consistency. (Ibid)

2.2 Strategies Adopted by BGMs and Benefits/Drawbacks of These

As stated in the problem discussion, the question of how to act towards private labels is a very current and vital one. Several scholars and academics have contributed to this field of research by providing substantial amounts of strategic and operational implications, available to manufacturers of branded goods for how to react towards private label growth and success. This section's aim is to provide a rather inclusive account over previous studies conducted within this particular line of research.

The theories connected to the third research question of this study (the one dealing with how BGMs perceive the benefits and drawbacks of the strategies they adopt) will also be found in this section. This since the discussion over benefits and drawbacks of the different strategies are incorporated in the context of the general description of the actual strategy. It is impossible to explain the benefits/drawbacks of a strategy without first explaining the actual strategy, therefore it would not make any sense describing the benefits and drawbacks by themselves. As a consequence, no section specifically discussing the benefits/drawbacks of each strategy will be provided in this chapter, since it would imply a repetition of this entire section on strategies. However, in the following chapter dealing with the conceptual framework, the benefits and drawbacks of each selected strategy will be taken out of its context and more thoroughly explained, because the reader will by then hopefully have gained enough understanding of the strategies in order to specifically comprehend the individual benefits and drawbacks connected to them.

After a comprehensive review of previous studies concerning BGM strategies towards private labels, it has been discerned that theories regarding private label strategies can be divided into three main groups. The first group of theories deals with fundamental and "all inclusive", strategic implications which involve basic recommendations as to how, and why, BGMs should act in response to private labels. A distinctive feature of these theories is that they all mention the option for BGMs to produce private labels. The second group of theories especially embraces this issue, i.e. whether BGMs should produce private labels themselves or not. The third main group of theories consists of general strategies available and applicable for BGMs no matter if they are currently manufacturing private labels or not. Due to the fact that the theories regarding private label strategy are divided this way, this section will, consequently, be divided accordingly.

However, first of all, an interesting parenthesis somewhat unrelated to this chapter but still noteworthy will be presented. It is the findings of the extensive secondary research[1] on private label strategies conducted by Halstead and Ward (1995). Their research has shown that the most common competitive response against private labels done by BGMs has been to reduce price (33%). This was followed by changes – increases or decreases – in the number of manufacturer brands made available (21%), entering the private label market (16%), and changing consumer promotion levels (10,3%). This could be viewed upon as an indicator that lowering the price is still the most popular counterstrategy utilized by BGMs at the present. (Ibid) Putting this aside, the following section will account for the first group of strategies discovered during the literature review, the fundamental strategies used by BGMs.

2.2.1 Fundamental Strategies

Halstead and Ward (1995) provide four basic recommendations available for national brand manufacturers in response to private labels. The **first** recommendation is based on the fact that private labels are increasingly occupying shelf space in the supermarkets. In order to neutralize this, BGMs are recommended to increase trade support in the form of better trade deals, more point of purchase material and slotting allowances for new products. They also

[1] The authors have analyzed more than 600 abstracts from peer reviewed scientific articles covering the topic of private labels during a seven-year period between 1987 – July 1994. (Halstead & Ward, 1995)

recommend BGMs to consider expanding distribution beyond traditional retail outlets. The **second** recommendation concerns sales promotion; the authors have discovered that several academic studies suggest that couponing by BGMs is an effective deterrent to private label brand share increases, and subsequently they propose this. The **third** recommendation is that BGMs, naturally, should keep pressure on the private labels by keeping relatively low prices while continuously increase in quality, value and customer satisfaction. This should, more concretely, be achieved through keeping everyday low prices (EDLP) and continue allocating money for research and development. Finally, their **fourth** recommendation implies producing private labels. The authors mean that the appeal of utilizing excess capacity and exploiting new revenue opportunities is strong and at the same time it represents a form of protection against private label brands since it indirectly helps out in keeping the prices of the manufacturer brands at a low level. On the other hand, there is an overhanging risk for cannibalization on the BGM's own brands. (Ibid)

Stephen Hoch (1996) has elaborated further on this when he lists five strategic measures available for a BGM in order to improve its competitive position towards private labels. The options listed are meant to be neither mutually exclusive nor exhaustive. Furthermore, each move's viability can depend on the distance between the private label and the BGM's brand on both quality and price dimensions. (Ibid) Hoch's (1996) measures are:

Wait and do nothing. One simple alternative for the BGM is to basically do nothing, to wait for the popularity of private labels to blow over. Hoch (1996) means that in some cases it may be imprudent for a BGM to counteract promptly and aggressively to recent increases in private label penetration, especially if the market is highly volatile or very cyclic, or if the counteractions require large, long-term investments that are not easily reversed. This discussion implies that doing nothing would be suitable if a BGM is facing the above-described situations. The author bases the assumption on that there is a clear connection between aggregate private label shares and consumers' personal disposable income. Basically, when disposable income is high – private label market share is low, and vice versa. (Ibid) Figure 2.1 below shows the relationship between aggregate private label share and variations in personal disposable income in the United States between 1971 and 1993.

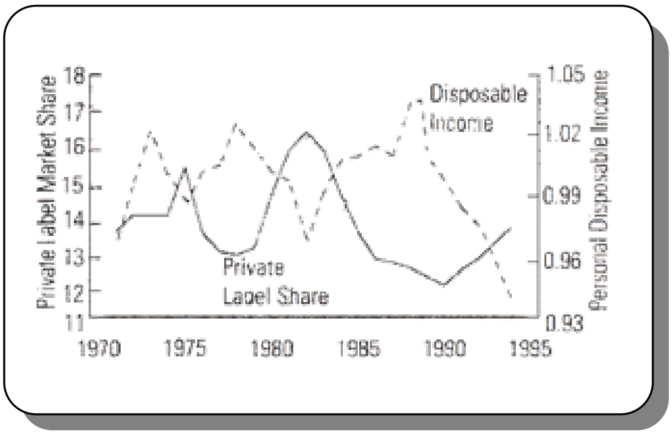

Figure 2.1. Market Share of Private Labels and Personal Disposable Income
Source: Hoch (1996, p.93)

This implies that when times are bad, private labels are popular, but when times are good the opposite is true. This is why it might be a wise move by a BGM to wait until the trend has changed. However, the author raises a flag of warning regarding this strategy; he means that if retail concentration continues to increase, if the weaker private labels begin to perform like the best or drop out during industry consolidation, and if alternative formats continue to take business away from traditional supermarket retailers while investing in their own private labels, the wait-and-see strategy could prove to be very precarious to BGMs. (Ibid)

Increase distance from private labels. The second strategic option requires BGMs to further separate themselves from private labels. These distancing moves usually involve a separation in both quality and price away from private labels. They can be labeled as either "more for the money" or "new and improved". For the first tactic, the manufacturer maintains the current prices whilst giving the consumers additional value. An example of this could be improved packaging (e.g. environmentally friendly packages, more compact containers, no-mess containers). This provides the customers added value without having to pay a higher price for the product. When utilizing the "new and improved" tactic, BGMs make fundamental changes in product quality, either in already existing categories (e.g. fat-free cheese, microwave french-fries), or in products that create entirely new categories or subcategories (e.g. refrigerated pastas and sauces, combined shampoo and conditioner). (Ibid)

The author bases this strategic option on the fact that statistical analysis have shown that consumers view quality and quality consistency as more important than price in their decision to repurchase a brand. He also claims that quality plays a more important role when dealing with goods that are a bit more expensive and diversified, thus providing potential for higher margins and return of investment (e.g. cheese, diapers), whereas price is more important when the goods are more like commodities (e.g. table salt). Consequently, a BGM should use this strategic option thereafter. (Ibid)

Reduce the price gap. As mentioned earlier, the wholesale cost of private labels is substantially lower than that of comparable manufacturer brands. Hoch (1996) claims that even if the retailers take a 25-30 percent higher mark-up on their private labels compared to the manufacturer brands, the shelf prices for their own brands usually are 25 percent less than those for the latter. Therefore, an alternative option for BGMs is to simply lower their prices in order to reduce the price gap that apparently exists. Research have shown that customers are more positive towards buying manufacturer brands if the price gap would not be so high, and that the leading brands are much less sensitive to price gaps than private labels. What this imply is that the absolutely best thing for a BGM to do, is to convince the private label manufacturers to actually raise their price levels so that BGMs could maintain their original prices and by that their profit margins, while at the same time gaining market share. (Ibid)

The author admits that this is very difficult to accomplish and that BGMs should take caution before considering this strategy, since lowering your own prices too much may lead to a loss in brand value and identity, and trying to convince the private labels to raise their prices may result in tense relationships between retailers and BGMs, which could lead to unfavorable situations for both parties (Ibid).

Formulate a "me too" strategy. Another strategic option involves imitating the private label, which, according to Hoch (1996), suggests the national brand's desperation, possibly precipitated by resource constraints. The most ambitious "me too" strategy involves the introduction of a value flanker. Unlike the "new and improved" strategy in which BGMs distance themselves from private labels via investments in product quality, the introduction of a value flanker moves manufacturer brands closer to the private labels. The intent with this strategy is to offer a lower priced, and possibly lower quality, item in order to crowd out the private label or pre-emptively limit the private label's possibility to move upscale. The advantages of this strategy are first, that it gives a BGM the option to preserve both a premium image and at the same time, avoid unwarranted price competition that may grind down both manufacturer and retailer profit margins. Secondly, it presents an opening for utilizing excess manufacturing capacity. The author stresses that capacity utilization is critical when manufacturing is based on continuous process technology, where huge capital equipment costs require that machines never stop. These are the cases when a “me too” strategy is particularly viable. (Ibid)

Nevertheless, there are not only advantages with this strategy; there is a risk that the value flanker could cannibalize sales currently accruing to the premium private goods. The risk for this is highest in grocery categories where differences in quality between brands are insubstantial. The introduction of a value flanker would also require additional advertising expenses since it probably would have another brand name. In addition to this, BGMs would have to pay increased slotting allowances in order to gain distribution for their new products. Finally, it is not certain that the new and cheaper products would provide the profit margins that BGMs do require. (Ibid)

Make regular or premium private labels. Hoch’s (1996) final strategy for dealing with private labels is to cooperate with them by manufacturing private labels directly to the retailer. By doing this, a BGM can produce an item that it can sell at a substantially lower wholesale cost than it would charge for its own brand names. This could be accomplished by either reducing raw material and/or processing costs, or reducing marketing costs (distribution, advertising, sales promotion). The upsides of this strategy are that it utilizes excess capacity and that it strengthens the manufacturer-distributor relationship. The downsides are the fact that BGMs are helping their competitors undermine their own brands, so they are actually working against themselves in a way. (Ibid) Hoch (1996) concludes his prescribed strategic options by stating that no option is better than the other and that, under the appropriate circumstances, virtually any strategy can and will work. Figure 2.2 below depicts Hoch’s (1996) strategic options, and how these are related to the private label in terms of differentiation in quality and price.

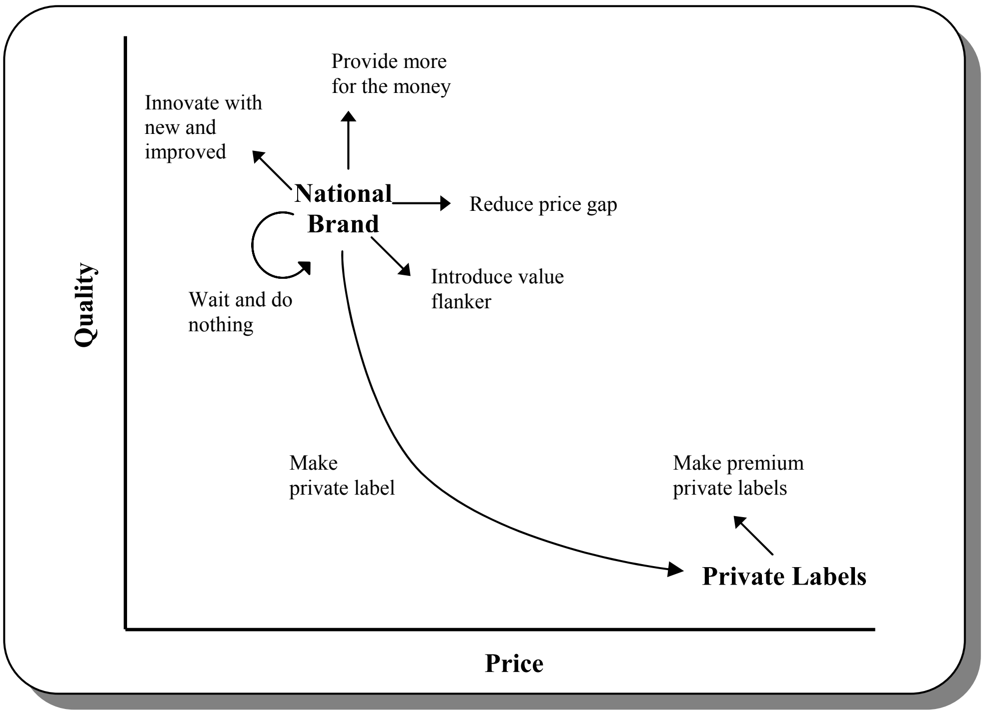

Figure 2.2. Strategic Options for the National Brand
Source: Adapted from Hoch (1996, p.92)

A slightly different approach and another viewpoint is introduced by Gary Lyon (1998). He proposes a number of strategies, and sub strategies, available for BGMs, especially active in the over-the-counter (OTC) non-prescription medicine industry, for how to address the impending "private label threat". He proposes four major strategies of which will be accounted for below. (Ibid)

The author calls his first general strategy *product innovation,* this strategy implies to continuously reinforce the brand's equity through product- and marketing innovation. (Ibid) This can happen on several levels;

- **Reformulation.** Create a new standard of benefit to the customer that will be difficult to duplicate, e.g. Johnson & Johnson's Band-Aid; a regular commodity band-aid with the addition of an antibiotic substance. (Ibid)
- **Packaging and delivery systems.** Develop innovative packages for the products, e.g. "easy twist caps", nose spray instead of drops. (Ibid)
- **Line-extension phasing.** Begin phasing switches and launches of line extensions so that they are covered by already existing patent protection provisions. This prolongs the exclusivity of the medicine. (Ibid)
- **Claims expansion.** Utilize clever packaging in order to give the impression that the manufacturer brands are the best goods, e.g. a bottle of Tums EX contain 96 tablets, whereas a similarly sized bottle of the private label equivalence contains 150 tablets. A price check in 1997 indicated that the retail price of each item was $3.42 and $2.23 respectively; this translates into a 140 percent premium for the manufacturer brands. Moreover, Tums EX promote its calcium content on the package, which have proven to attract pregnant women in particular. (Ibid)

The second general private label defense strategy that Lyon (1998) proposes is called *bridging the gap*. By this he means that the BGMs should manage the price/value gap between the manufacturer brands and the private labels. Furthermore, he recommends that this should start with understanding the price elasticity in the category, preferably through price/volume or similar research. Then the consumer acquisition cost should be lowered, for instance, by lowering trade margins or increasing package costs in order to provide a lower cost per unit. Other integral parts of this strategy is to keep product and marketing costs as low as possible, by deleting slow moving items, avoiding product proliferation, and look for more efficient ways to reach the target consumers. In other words, focus on brand investments that offer the highest possible return with the least possible private label cannibalization. (Ibid)

Another suggested strategy is to build competitive advantage by *becoming the top one* or two favored branded suppliers. If a BGM succeeds in this, the retailers will be forced to carry the BGMs product whether they like it or not because otherwise they would loose customer traffic. This is a rather long-term and hard to reach strategy since it depends on a high number of variables. However, if a BGM wants to pursue it, it should focus on trying to understand the customers' business with an emphasis on stock-turn, return on inventory investment, and trading area market share. (Ibid)

The final strategy to consider is, according to Lyon (1998), the riskiest of them all (other than doing nothing). The strategy involves *launching a private label* either as a supplier or directly onto the market. The upsides with this strategy is that it helps absorb excess manufacturing capacity and that it can improve production efficiencies and capture some profit that would have gone to the private label anyway. Nevertheless, there are downsides as well; there is a potential of cannibalizing one's own brand, the customers can place demands on the supply chain, which end up eroding the slim margin available, and there is the inevitability that focus will be diverted from the core business. (Ibid)

2.2.2 Produce Private Labels

The attentive reader might have discovered that the theories above have all included a possible strategic decision for BGMs to produce private labels themselves. This is, according to Quelch and Harding (1996), a relatively common strategy utilized by branded goods manufacturers for handling the private label increase. Montezemolo (1997) agrees to this and adds that the first and fundamental decision facing BGMs is whether to manufacture private label products for trade clients or not. He continues by proposing that this strategic decision should not be made by anyone lower than top management at the BGM organization. (Ibid) Below, some questions and viewpoints are raised as to how BGMs should position themselves towards this particular strategy.

Glémet and Mira (1993) have thoroughly considered this vital issue and, consequently, conducted research on it. Based on this research the authors have identified a number (six) of alternative strategies, presented in Table 2.1 below, for BGMs to consider when contemplating the issue of producing private labels or not.

Table 2.1. Private Label Strategies

Strategy	Rationale	Environment Specifics
Don't do it	Point-blank refusal to produce private label (traditional brand leader)	Heavily branded markets where product distinctiveness is high and technological advantage can be maintained
Capacity filling	Private label used opportunistically to occupy spare capacity	
Market control	Brand-oriented producers supplying private label products on a long-term basis	High brand share of markets or segments where product distinctiveness is less marked
Competitive leverage	Private labels that copy leading brands in the attempt to win away volume and profit	
Chief source of business	Major focus (both turnover and management attention) on private label	Unbranded markets (or "number 3" type brands) that sustain some source of competitive advantage over private label
Dedicated producer	Private label producer with leading cost position in this market	

Source: Adapted from Glémet and Mira (1993, p.8)

The table shows the different strategies available for BGMs as well as their rationale. Besides this, the environment specifics regarding when it would be most suitable to utilize the different strategies are provided. (Ibid)

Randall (1994) has another, somewhat different approach to this, and he lists five consecutive steps as to how a BGM should approach the question on whether to manufacture private labels or not. *(1) Do we have a choice?* In order to answer this, a BGM must make a thorough analysis of the strengths and weaknesses of the brand portfolio. *(2) What is the capacity situation?* A BGM needs to analyze both its own, and the industry's capacity situation, to see what idle capacity as well as low financial and technological barriers to entry that may exists, in order to facilitate private label production. *(3) What are the company mission and culture?*

Some companies have such a strong orientation towards brand manufacturing, due to training and history, that the company culture does not allow for private label manufacturing. (4) *Do we have the skills to make retailers' brands?* Manufacturing private labels may make it necessary for a BGM to possess different skills, priorities, and managers as compared to manufacturing manufacturers' brands. Due to this, even though a BGM may have the capacity to produce private labels, the question is if it can be done at a profit. *(5) If we do, what and for whom should we make?* According to Randall (1994) the main options BGMs have regarding this are; first, to work for only one, a preferred few, or any retailer. Second, to work for a wholesaler or cash-and-carry group, or for a voluntary group. Third, to make products identical to the existing brands. Fourth, to make products similar to, but slightly different from, the company's brands. Fifth, to make products in the same field as the company's existing brands, but different from anything the company makes now, and finally, to make new brands developed in collaboration with a retailer. (Ibid)

As just noted, both Randall (1994), as well as Glémet and Mira (1993) provide a number of alternatives on the question of producing private labels or not. Quelch and Harding (1996), on the other hand, are a bit more drastic when they recommend BGMs that are currently not making products for the private label market to not start doing so. The authors base this statement on a number of arguments. First, some BGMs produce private labels to use occasional excess capacity. Although this may work well for a time, while also increasing production experience and lower unit manufacturing and distribution costs, BGMs may soon find themselves taking orders for private label goods in categories where the market share for their own brands is weak. The next step in the process would according to the authors be for BGMs to view private label orders as something that help smooth production and take less time and effort per unit to sell than the company's own manufacturer brands. They would hence supply private label goods in categories that are the lifeblood of their own branded sales. If this occurs, there is great risk that a BGM's strategy becomes confused, and it starts to cannibalize its brand name products, which eventually may lead to financial disaster. (Ibid)

Second, since packages and labels have to be changed for each private label customer, and inventory costs increase with each private label contract, the authors declare that BGMs producing private labels can be faced with additional manufacturing and distribution complexities that add costs rather than reduce them. (Ibid)

Third, efficiencies of selling private label contracts are according to the authors exaggerated. When a private label contract comes up for renewal, there is inevitably a long and tough negotiation as competitors attempt to steal the business. Also, as most retailers employ different buyers for national brands and private labels, BGMs must maintain two sales relationships with each retailer. (Ibid)

Fourth, it is easy for BGMs to overstate the relative contribution of private label goods and therefore to understate the cost of cannibalization. Since private label and national brand manufacturing and marketing are based on such different cost structures, it is hard for an organization to do both well. (Ibid) As stated by Quelch and Harding (1996, p.103):

> *"There is no evidence that making private label products enhances a brand manufacturer's trade relationships in the long run and results in preferential merchandising support for its nation brands. Far from enhancing diversification, private label contracts can increase a brand manufacturer's dependence on a few large trade accounts, force the*

manufacturer to disclose its cost structure and share its latest product and process improvements, and result in margin pressure every time a contract is up for renewal".

Quelch and Harding's (1996) reasoning about the hazards of private label production could be complemented with a theory presented by de Chernatony and McDonald (1998). Their "vicious circle of private labels", attempts to illustrate the dilemma currently facing BGMs with regards to private label production. This is presented in Figure 2.3 below:

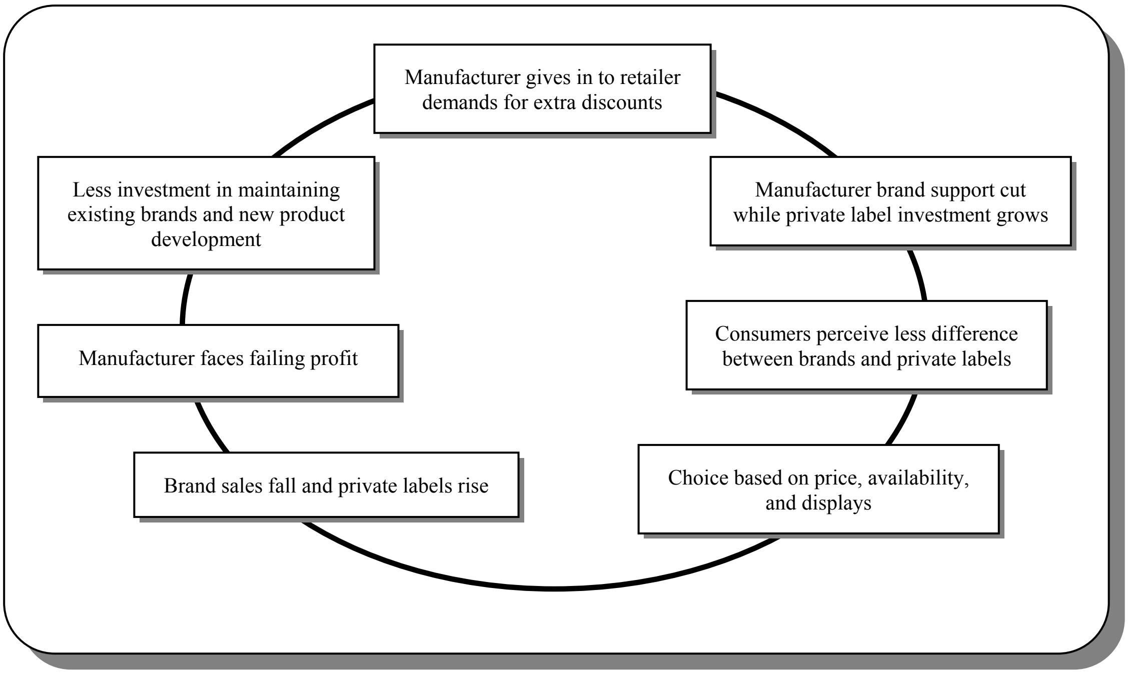

Figure 2.3. The Vicious Circle of Private Labels
Source: de Chernatony & McDonald (1998, p.248)

Hence, given excess manufacturing capacity, many BGMs give in to a self-defying strategy by supplying private labels that are subsequently used to defeat their own brands on the retailer's shelves. (de Chernatony & McDonald, 1998)

2.2.3 General Strategies

In this section, the third group of strategically oriented theories discovered during the literature investigation will be accounted for. A distinctive attribute of these theories is that they aim to be "universally" feasible, in other words BGMs are supposed to be able to put these strategies into action regardless of other strategies already applied.

Quelch and Harding (1996) commences this section by bringing forth ten strategies for branded goods manufacturers in order to stem further share gains by private labels, the authors stress that these strategies are applicable no matter if the BGMs are currently making private label products or not.

Invest in brand equities. For most consumer goods companies, the brand names they own are their most important assets. Consistent and clear positioning, together with investment in product improvements, enhances a brand's perceived superiority in the eyes of the consumers. It also provides the basis for advertising, increases the brand's sustainable price premium over competition, and raises the costs for private label imitators who constantly have to catch up. (Ibid)

Innovate wisely. Most line extensions launched by BGMs can according to the authors be seen as desperate measures to increase sales presence and earn quick promotions. They would be of marginal value to – and confusing for – consumers, the trade, and the sales force, while reducing the manufacturer's credibility as an expert in a category, and adding complexity and administrative costs. Moreover, if line extensions fragment the business, average retail sales per item would decline, which opens the door for private label programs that focuses on brands' best-sellers and therefore can deliver attractive average sales and profits per item. (Ibid)

Use fighting brands sparingly. Giving consumers a low cost branded alternative, in order to avoid losses that would occur if a BGM tried to fight reduced market shares to private labels by dropping its price, could mean that the fighting brand ends up competing with the national brand. Hence, the manufacturer would have two brands rivaling for consumers that would not have switched to private labels anyway. (Ibid)

Build trade relationships. BGMs should leverage their knowledge about consumers and their categories in order to create a win-win situation with retailers. By for instance educating retailers about the actual profitability of private labels, offer to examine purchase data to find how much private label shoppers contribute in real margins, and subsidize in-store experiments to find the genuine pull of private labels on consumers, BGMs can find ways of favoring trade accounts that support their national brands over private labels. (Ibid)

Manage the price spread. Traditionally, BGMs have occasionally increased their prices ahead of inflation, since this is the easiest way to add bottom-line profit in the short run. In addition to this, they have offered periodic reductions of their list prices to the most valued customers, and those who demanded it. As long as some still paid full price, this price-discrimination was thought of as profitable. However, over time customers realized that the inflated prices were not credible, and started demanding the discounts as well. Hence, the BGMs' margins declined, and as a consequence these tactics decreased in popularity. (Ibid)

Know the price elasticity. BGMs must monitor the price gap both to the distributor and to the end consumer, as well as between other manufacturer brands. They must also understand how elastic the price is for each national brand, i.e. how much effect changes in price have on consumers. Knowing this is essential to smart pricing and to maximizing the brand's profitability. (Ibid)

Exploit sales promotion tactics. BGMs cannot prevent retailers from displaying copycat private label products alongside their brands. However, they can take a number of measures through promotional tactics to enhance the merchandising of their brands. For instance, developing special in-store displays and advertisements, rewarding retailers for increasing sales volume with rebates, and distributing coupons to households where retailers are aggressively providing private label products. (Ibid)

Manage each category. Separate product categories vary greatly with regards to private label penetration, the difference in price and quality between private labels and national brands, and relative profitability. Hence, what works in one category does not necessarily work in another. In categories with emerging private labels, BGMs should consider value-added packaging changes and line extensions that make the product stand out on the shelf, while trying to keep consumers' attention focused on the national brands, and raise the costs for private label imitators. In categories with well-established private label penetration, BGMs should aim to lower costs in the supply chain in order to raise means for reinvesting in the brand. (Ibid)

Use category profit tools as a performance measure. Using market share and volume as the primary measurement tools for category performance can lead to poor decision making since they value all share points equally. Rather, BGMs should measure performance by profits in a category, and compare themselves to companies competing in it. (Ibid)

Take private labels seriously. According to the authors, too many BGMs only consider other national brands as their true competitors. As private labels evolve, for instance through introductions of premium labels, every national brand marketing plan should include strategies for actions to be taken in categories, trade accounts, or regional markets where private labels are gaining ground. Also, legal action should be taken against copycat private labels, and arrangements with contract suppliers should be tightened to prevent them from using new proprietary technology when manufacturing private label products. (Ibid)

Montezemolo (1997) presents a number of definite steps available for BGMs to take in order to reinforce their brands and prevent further encroachment by private labels. Like Quelch and Harding (1996) above, this author also claims that the proposed actions are available to all BGMs, whether they do private label manufacturing or not (Montezemolo, 1997). The definite actions include:

- **Be realistic**. The BGM should try to convince the retailers that it is in their own best interest not to eliminate the manufacturer brands. The author means that by instead allocating shelf space to products justified by their profitability the retailers will often realize that they can maximize their profit through a more balanced allocation of space between private labels and manufacturer brands. (Ibid)
- **Monitor price differentials and price elasticity**. BGMs should closely monitor their prices, as well as their competitors', so that they can react quickly and effectively to changes in price. (Ibid)
- **Tailor sales promotion tactics**. Frequent price promotions can create the impression that the product is overpriced when it is not being promoted. Certain designs of in-store promotion make it more difficult for the retailer to compete with effective "compare and save" tactics. (Ibid)
- **Be proactive about look-alikes**. BGMs should consult trademark advisers early in the package and label design process. The brand and package should also be patent protected and registered for trademark as well as for distinctive sign, such as pack shape and label design. This could have a deterrent effect on private labels considering a look-alike tactic. (Ibid)
- **Tighten contracts with own suppliers**. This should be carried out in order to prevent them from using the BGMs' proprietary technology for the manufacture of private label products. (Ibid)
- **Explore alternative marketing and distribution channels**. BGMs have started to look into ways of skipping the retailer link of the distribution chain, and sell their products directly to the consumer. This could be carried out, for instance, via mail order, telemarketing, infomercials, or the Internet. The author is convinced that this strategy has great potential. (Ibid)

Cyndee Miller (1995) has also contributed to this field of study by compiling a list of ten immediate strategic actions that manufacturer brands marketers should take in order to strengthen their own brands towards private labels. These actions are:

- Make sure the brand more than delivers on its promises and that those benefits are conveyed to the consumer though marketing efforts.
- Reduce the product portfolio, weeding out the marginal brands and selecting only those with the greatest potential of becoming power brands.
- Close the price gap between the manufacturer brands and the private labels to the point where the consumer can afford to remain loyal to the BGM.
- Have a reason for being by becoming the brand that performs better than anything else in meeting a specific costumer need.
- Avoid product proliferation by reversing the decline in R&D spending and redirect efforts toward new brand features and market entries that will build categories rather than merely win a few more fractions of share.
- Be a high value marketer, balancing the lowest cost with the highest quality.
- In all marketing communications, emphasize and constantly reiterate a best value positioning, the best combination of performance of quality and price.
- Use brand building advertising to sustain a brand's perceived value in the minds of consumers.
- Build relationships with consumers, possibly through interactive media, to counter the bond between consumer and retailer.

(Ibid)

Whereas Miller's (1995) strategic actions might seem a little vague and opaque, a more "hands on" strategy for facing private labels is brought forward by Parker & Kim (1995), they call it **defensive advertising** and the idea is to increase advertising expenditures in order to regain market share, while at the same time avoiding price competition. This leads to higher margins since it allows the BGM to better price-discriminate or extract consumer surplus. However, this strategy also raises the overall advertising costs for the company. The strategy should be implemented when the competing brands have equivalent or very similar products quality-wise, since this would affect the consumer's judgment towards buying the advertised alternative and lower his/her reservation concerning its price. (Ibid)

Finally, in a research paper from 2002, Guiseppe Colangelo puts forth two harmful counterstrategies towards private labels; these are non-linear pricing, and pre-emption. The concept of **non-linear pricing** is basically to charge different prices to different customers. In the case with private labels, a BGM utilizing non-linear pricing would charge higher prices on their goods to retailers carrying private labels in order to be able to lower its prices to retailers not carrying private labels. It is argued that these strategies are not only harmful towards the private labels, but also, to non-private label retailers as well as towards society in general. **Pre-emption** means that the BGM closes an agreement with the private label retailer by paying slotting allowances to them in exchange for no private labeling in a given category or, more weakly, for a mitigation of it. (Colangelo, 2002)

Colangelo (2002) means that it is known that these two strategies are often used by BGMs in order to lower their prices and to be able to secure enough shelf space for their brands. He also claims that for both these harmful counterstrategies to be successfully implemented, there needs to be high product substitutability between the private labels and the manufacturer brands. In other words, the quality of the private labels must be relatively high. (Ibid)

2.3 Summary of Literature Review

This thesis' second chapter has provided a review over previous studies conducted within the specific topics covered by the research questions outlined in the chapter prior to this. The literature dealing with research question two and three has been accounted for within the same section, due to the fact that these two are so interrelated. In the upcoming chapter, this chapter's literature review will be narrowed down into a conceptual framework, which will then represent the main issues to be studied.

3 Conceptual Framework

In this chapter, we will try to clarify how we have conceptualized the theoretical concepts presented in the literature review, and how these relate to each research question. Ending the chapter is a visualization of how we perceive the research questions to be related to each other, this in order to facilitate for the reader to understand our perception of the research area.

3.1 Conceptualization

According to Miles and Huberman (1994, p.18), *"a conceptual framework explains either graphically or in a narrative form the main things to be studied"*. The authors also state that this is most easily done after a list of research questions have been compiled, which has been done in this thesis' first chapter (more precise in section 1.4).

3.1.1 BGMs' Perception of Private Labels

Regarding how branded goods manufacturers perceive the increased usage of private labels, we will first look into the basic reasoning and contradicting views as to how BGMs should perceive private labels; that is, either as an imposing threat, or as something much milder that should not be overreacted to. The reason to why we chose to consider this is that it provides a good foundation and point of departure to BGMs' basic perception of private labels. Furthermore, in order to get a more in depth vision of this, we will in accordance with Hoch (1996) and Quelch and Harding (1996) focus on factors that would speak in favor for private labels, and advantages that manufacturer brands would possess in relation to private labels. The reasoning behind this main focus on Hoch's (1996) proposed variables is that his study is often referred to by other researchers, and could be considered as a key article on the topic at hand. Hoch's (1996) study is in good way complemented by Quelch and Harding (1996) who add supplementary variables. In addition, some of the mentioned factors are further supported by Taylor and Rao (1982); Rao and Monroe (1989) and Håkansson (2000) and will thus be included in an eclectic list presented below.

Advantages with private labels

- Private label coverage and penetration (Hoch, 1996)
- Retailer control (Hoch, 1996)
- Piggybacking (Hoch, 1996)
- Placement (Hoch, 1996)
- Trade deals (Hoch, 1996)
- Improved quality of private label products (Quelch & Harding, 1996)
- Development of premium private label brands (Quelch & Harding, 1996)
- European supermarkets' success with private labels (Quelch & Harding, 1996)
- The emergence of new channels (Quelch & Harding, 1996)
- The creation of new categories (Quelch & Harding, 1996)
- New product activity (Quelch & Harding, 1996)
- Price and promotion factors (Quelch & Harding, 1996)

Advantages with manufacturer brands

- Simplifies consumers' selection process (Quelch & Harding, 1996; Taylor & Rao, 1982; Rao & Monroe, 1989)

- Brand name reputation (Quelch & Harding, 1996; Hoch, 1996)
- Brand strength parallels the strength of the economy (Quelch & Harding, 1996)
- National brands have value for retailers (Quelch & Harding, 1996; Håkansson, 2000)
- Lower price elasticity (Hoch, 1996)

However, the variables of *product category characteristics* and *retailer characteristics* as suggested by Quelch and Harding (1996) have been excluded. This since the former primarily focuses on non-durable goods and the latter on factors associated with the retailer, which would be beyond the scope of this study. Also the authors' variable dealing with *private label characteristics* is excluded due to the fact that the characteristics in question would serve more as a summary of the advantages already mentioned than as an addition to the conceptual framework. Moreover, the six benefits with private labels brought forth by Leahy (1992) will not be included, as they also take a retailer perspective. Finally, *muddying retailer image* as brought up by Quelch and Harding (1996) could be seen rather as a disadvantage for private labels than an advantage for manufacturer brands (which is what we are supposed to be studying) and will therefore be excluded.

3.1.2 Strategies Adopted by BGMs

Considering how branded goods manufacturers respond to private labels in terms of strategies they adopt, we have chosen to chiefly focus on Hoch's (1996) suggested strategies. This since the author provides the most extensive list of approaches, while also being the study most commonly referred to with regards to BGM strategies. Hoch (1996) is supported by other literature in the theoretical framework, among others: Halstead and Ward (1995), Quelch and Harding (1996), Miller (1995), and Glémet and Mira (1993). However, although Randall (1994) mentions the production of private labels as a strategic alternative for BGMs, he is more concerned with the process of how to approach the strategy, rather than the actual concept of it. Hence, Randall (1994) is not included in the eclectic list below.

- Wait and do nothing (Hoch, 1996)
- Increase distance from private labels (Hoch, 1996; Halstead & Ward, 1995; Quelch & Harding, 1996)
- Reduce the price gap (Hoch, 1996; Miller 1995; Halstead & Ward, 1995)
- Introduce a value flanker (Hoch, 1996)
- Make regular or premium private labels (Hoch, 1996; Glémet & Mira, 1993; Halstead & Ward, 1995)

Moreover, since the main focus of this thesis is to gain a deeper understanding of manufacturer brands' strategies towards private labels specifically, we do not feel a particular need to include the general strategies suggested by Quelch and Harding (1996). Nevertheless, since various other researchers support a substantial amount of their theories, we chose to include the factors by Quelch and Harding (1996) that are backed by other sources. In addition, the strategy concerning advertising has been mentioned by Parker and Kim (1995) as well as by Miller (1996) and will be included, since it is repeatedly discussed by different sources. Hence, these strategies are presented in the eclectic list below.

- Advertise (Miller, 1995; Parker & Kim, 1995)
- Exploit sales promotion (Quelch & Harding, 1996; Halstead & Ward, 1995)
- Manage the price (Quelch & Harding, 1996; Montezemolo, 1997; Colangelo, 2002)

- Build trade relationships (Quelch & Harding, 1996; Montezemolo, 1997; Halstead & Ward, 1995; Colangelo, 2002)
- Take private labels seriously (Quelch & Harding, 1996; Montezemolo, 1997; Hoch, 1996)

Exploit sales promotion is backed by Halstead and Ward (1995) through their reasoning of more point of purchase material and increased couponing activities. *Manage the price* is sustained by Montezemolo (1997) when including monitor price differentials and price elasticity, and by Colangelo (2002) through non-linear pricing. *Build trade relationships* is endorsed by Montezemolo (1997) with the recommendation to tighten contracts with own suppliers and convincing retailers to carry manufacturer brands, by Halstead and Ward (1995) with increase trade support, and by Colangelo (2002) through pre-emption. Finally, the general strategic recommendation to *take private labels seriously* is supported by Montezemolo (1997) as the author suggests BGMs to be proactive about look-alikes, and by Hoch's (1996) general reasoning.

However, the strategic recommendation by Montezemolo (1997) to *explore alternative marketing and distribution channels* has been removed, as we feel that it involves measures beyond the scope of this study. Also, the author's reasoning of *tailor sales promotion tactics* deals solely with the benefits and drawbacks of sales promotion, and will thus not be included until the relevant sections are presented below. Further, all strategies proposed by Miller (1995) – apart from *close the price gap* and *use brand building advertising*, which have been discussed previously – will be excluded, since they deal with very general strategies for branding, and hence do not apply specifically to this study. Finally, the strategies brought up by Lyon (1998) are all concerned with the over-the-counter non-prescription medicine industry, and are thus not applicable here. To sum up this discussion, the strategies utilized by BGMs towards private labels that will be adopted for this thesis' conceptual framework are the following:

- Wait and do nothing
- Increase distance from private labels
- Reduce the price gap
- Introduce a value flanker
- Make regular or premium private labels
- Advertise
- Exploit sales promotion
- Manage the price
- Build trade relationships
- Take private labels seriously

3.1.3 Perception of Benefits/Drawbacks with BGMs Adopted Strategies

On the topic of how branded goods manufacturers perceive the benefits and drawbacks of the strategies they adopt in response to private labels, we will start from the suggested strategies above and use these as our main frame of reference. Hence, the benefits and drawbacks associated with the strategies listed and explained by Hoch (1996) as well as the general ones by Quelch and Harding (1996); Miller (1995) and Parker and Kim (1995) will be included. In addition to this, a number of authors brought up in the literature review have contributed by adding additional benefits and drawbacks to the strategies chosen for the conceptual framework, these are: Glémet and Mira (1993); Halstead and Ward (1995); Montezemolo (1997); Colangelo (2002) and de Chernatony and McDonald (1998). The benefits followed by the drawbacks are presented in the eclectic list below.

Benefits

- Wait and do nothing
    - Avoiding large, long-term investments that are not easily reversed (Hoch, 1996)
- Increase distance from private labels
    - Provides customers added value (Hoch, 1996)
    - Enhances a brand's perceived superiority in the eyes of the consumer, while providing the basis for advertising, increasing the sustainable price premium over competition, and raising the costs for private label imitators who constantly have to catch up (Quelch & Harding, 1996)
- Reduce the price gap
    - Gain market share (Hoch, 1996)
- Introduce a value flanker
    - Preserve a premium image while avoiding unwarranted price competition (Hoch, 1996)
    - Presents an opening for utilizing excess manufacturing capacity (Hoch, 1996)
- Make regular or premium private labels
    - Utilizes excess manufacturing capacity (Hoch, 1996; Halstead & Ward, 1995; Quelch & Harding, 1996; Glémet & Mira, 1993)
    - Strengthens the manufacturer–distributor relationship (Hoch, 1996)
    - Protection against private label brands since it indirectly helps out in keeping the prices of manufacturer brands at a low level (Halstead & Ward, 1995)
    - Increases production experience and lowers unit manufacturing and distribution costs (Quelch & Harding, 1996)
    - Helps smooth production and take less time and effort per unit to sell than the company's own manufacturer brands (Quelch & Harding, 1996)
- Advertise
    - Can regain market share, while at the same time avoiding price competition (Parker & Kim, 1995)
    - Higher margins since it allows BGMs to better price-discriminate or extract consumer surplus (Parker & Kim, 1995)
    - Sustaining a brand's perceived value in the minds of consumers (Miller, 1995)
- Exploit sales promotion
    - Effective deterrent to private label brand share increases (Halstead & Ward, 1995)
    - Enhances the merchandizing of own brand (Quelch & Harding, 1996)
    - Certain designs of in-store promotions make it more difficult for the retailer to compete with effective "compare and save" tactics (Montezemolo, 1997)
- Manage the price
    - Create credible prices for all customers (Quelch & Harding, 1996)
    - Can react quickly and effectively to changes in price (Montezemolo, 1997)

  - Charge higher prices to retailers carrying private labels in order to be able to charge lower prices to retailers not carrying these, hence securing enough shelf space for brands (Colangelo, 2002)

- Build trade relationships
  - Create a win-win situation with retailers (Quelch & Harding, 1996)
  - Find ways of favoring trade accounts that support national brands over private labels (Quelch & Harding, 1996)
  - Neutralize private labels from increasingly occupying shelf space in the supermarkets (Halstead & Ward, 1995; Montezemolo, 1997)
  - Prevent suppliers from using proprietary technology for the manufacturing of private label products (Montezemolo, 1997; Quelch & Harding, 1996)
- Take private labels seriously
  - Enables strategic measures to be taken in categories, trade accounts, or regional markets where private labels are gaining ground (Quelch & Harding, 1996)
  - Deterrent effect on private labels considering look-alike tactic (Montezemolo, 1997)

Drawbacks

- Wait and do nothing
  - If retail concentration continues to increase, if the weaker private labels begin to perform like the best or drop out during industry consolidation, and if alternative formats continue to take business away from traditional supermarket retailers while investing in their own private labels, the wait-and-see strategy could prove to be very precarious to BGMs (Hoch, 1996)
- Increase distance from private labels
  - Limited to goods that are a bit more expensive and diversified (Hoch, 1996)
- Reduce the price gap
  - May lead to loss in brand value and identity (Hoch, 1996)
  - May result in tense relationships between retailers and BGMs (Hoch, 1996)
- Introduce a value flanker
  - Could cannibalize sales (Hoch, 1996; Quelch and Harding, 1996)
  - Adds complexities and costs (Hoch, 1996; Quelch and Harding, 1996)
  - Have to pay increased slotting allowances (Hoch, 1996)
  - Not certain that the new and cheaper products would provide the profit margins that BGMs require (Hoch, 1996)
- Make regular or premium private labels
  - Cannibalization – BGMs are helping their competitors undermine their own brands (Hoch, 1996; Halstead & Ward, 1995; Quelch & Harding, 1996; de Chernatony & McDonald, 1998)
  - Strategy becomes confused (Quelch & Harding, 1996)
  - Additional manufacturing and distribution complexities that add costs rather than reduce them (Quelch & Harding, 1996)

  - BGMs must maintain two sales relationships with each retailer (Quelch & Harding, 1996)
- Advertise
  - Raises the overall advertising costs (Parker & Kim, 1995)
  - Limited to brands with equivalent or very similar products quality-wise (Parker & Kim, 1995)
- Exploit sales promotion
  - Frequent price promotions can create the impression that the product is overpriced when it is being promoted (Montezemolo, 1997)

Concerning the strategic recommendations dealing with the options of *manage the price*, *build trade relationships*, and *take private labels seriously* as proposed by Quelch and Harding (1996) the reviewed literature does not identify any drawbacks.

3.2 Emerged Frame of Reference

According to Miles and Huberman (1994) a conceptual framework is best done graphically, in order to make explicit what is already in the researchers' mind. Figure 3.1 on the following page presents an illustration as to how we perceive the research questions to be related to each other, and how these are used as a base to reach our stated purpose.

The purpose of this study is to gain a deeper understanding of how branded goods manufacturers respond to the increased usage of private labels, and Figure 3.1 shows how the variables outlined in the conceptual framework relate to this. First, the way BGMs perceive the increase in private label activity would be dependent on how the advantages of private labels and manufacturer brands respectively are perceived. This in turn would influence the strategy a BGM adapts in order to respond to private labels. These chosen strategies would subsequently bring with them benefits and drawbacks for the BGM.

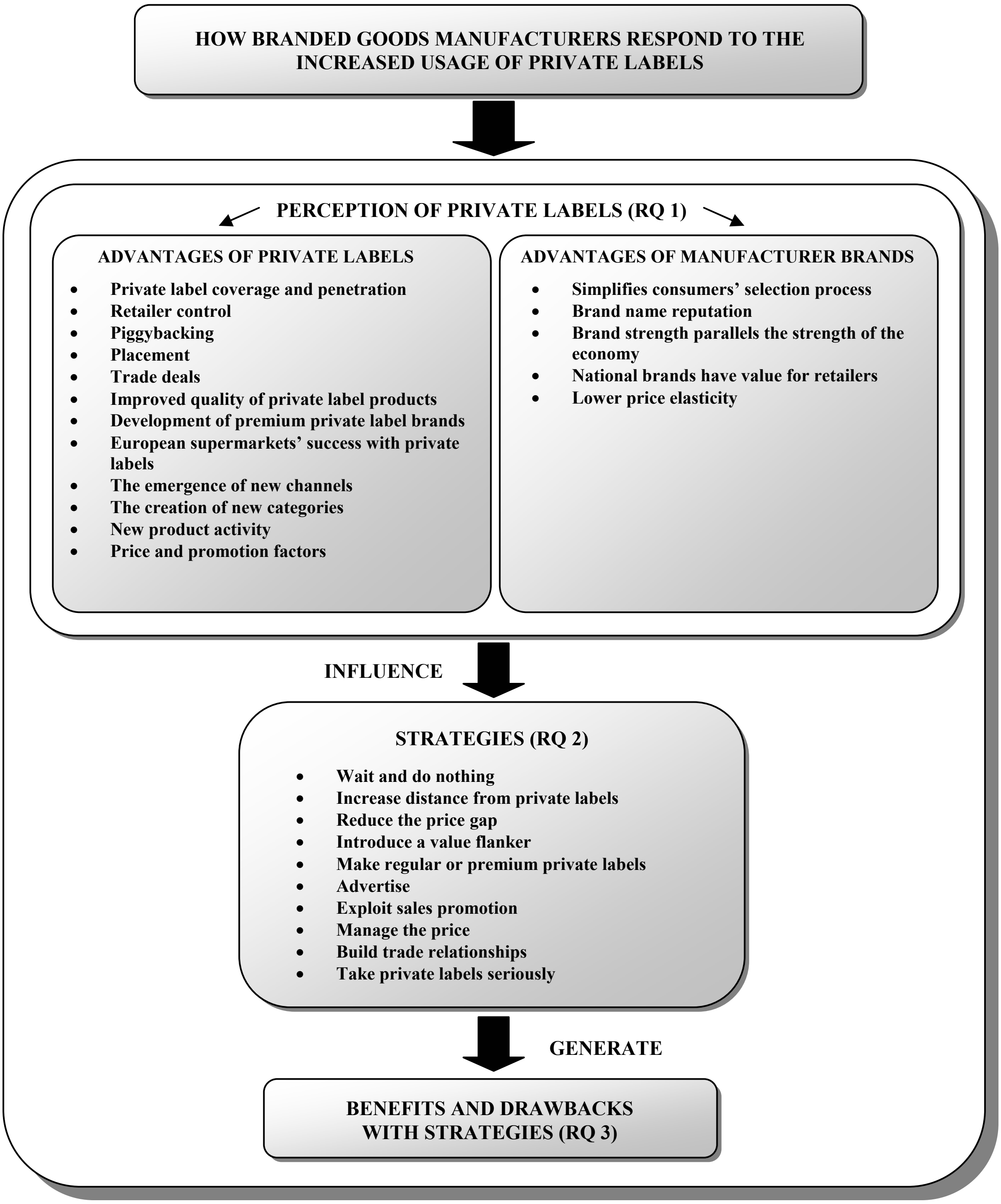

Figure 3.1. Emerged Frame of Reference

3.3 Summary of Conceptual Framework

In this chapter, the previous research reviewed in the preceding chapter has been narrowed down into a conceptual framework. The factors outlined in the conceptual framework serve as the basis for data collection, since they represent the main things to be studied. Finally, the conceptual framework has been illustrated in a graphical frame of reference. The upcoming chapter will explain how the particular research work when collecting data for this thesis has been carried out.

4 Research Methodology

This chapter will discuss and motivate the methodological issues associated with the conducted study. First, the purpose of the research and the research approach chosen will be provided. This is followed by the research strategy and the used method for the data collection. Thereafter, the sample selection will describe the case companies and respondents. Then, the strategy for analyzing the data and the method problems that can occur in this type of study will be discussed. Finally, a figure summarizing the chosen methodological path will be put on display.

4.1 Purpose of Research

There are many different ways of approaching a problem, and there are several research purposes available. As suggested by Reynolds (1971), academic research purposes can be divided according to three different views: explorative, descriptive, and explanatory.

Exploratory studies aim for basic knowledge within a problem area (Wallén, 1996). This is a useful approach when the purpose is hard to demarcate, and the insight of which theories and models to use is unclear. Moreover, an exploratory study is suitable when important characteristics and relations are hard to determine. (Eriksson & Wiedersheim-Paul, 1997) The aim of an exploratory research is to collect as much information as possible about a particular topic, and it is common to make use of many different sources in order to gather this information (Patel & Davidson, 1994). In the exploratory stage, the researcher should gain a better understanding of the research area (Reynolds, 1971).

Descriptive research is appropriate when a problem is clearly structured but the intentions are not to conduct research about connections between causes and symptoms (Wiedersheim-Paul & Ericsson, 1997). According to Miles and Huberman (1994, p.90) describing is another word for making *"complicated things understandable by reducing them to their component parts"*. Reynolds (1971) claims that the goal of a descriptive study is to develop careful descriptions of different patterns that were expected during the exploratory stage. Descriptive studies mainly determine the research objects characteristics and its relevant surroundings (Wallén, 1996). This leads to a development of theory in the long run (Reynolds, 1971).

Explanatory research is useful for studying relations between causes and symptoms (Eriksson & Wiedersheim-Paul, 1997). According to Lundahl and Skärvad (1992) the researcher tries to identify the factors, which together cause a certain phenomenon. Miles and Huberman (1994) state that explanation concerns the activity of making complex issues understandable by presenting how their component parts interconnect according to some rules, i.e. theory. Reynolds (1971) is of the opinion that the goal with an explanatory study is to develop theory that could be utilized to elucidate the empirical findings that was developed in the descriptive stage. Included in this are not only traditional casual explanations, but also explanations of a certain purpose when examining if one specific factor affects another (Eriksson & Wiedersheim-Paul, 1997). According to Yin (1994), the objective of an explanatory study should be to pose competing explanations for the same set of events, and to indicate how these explanations could be applied to other situations. This provides a cycle of theory construction, theory testing, and theory reformulation (Reynolds, 1971).

This thesis will explore, describe, and possibly start to explain how branded goods manufacturers respond to the increased usage of private labels. The research purpose is to some extent exploratory, since we explore our purpose in order to gain a deeper understanding of how BGMs respond to private labels. However, the study is primarily descriptive, since we intend to describe the patterns discovered in the exploratory stage, the deeper understanding gained will help us describe our research area. Moreover, the purpose of this thesis is clearly structured and this further justifies the descriptive purpose. Finally, our research purpose also contains some explanatory features as well, since we aim to explain the results gained in the two previous stages through an attempt to answer the research questions and draw conclusions on the matter. However, the explanatory purpose is minor as no attempt to generalize is pursued. As this thesis' exploratory, descriptive, and somewhat explanatory purpose is now motivated, the research approach will be presented in the following section.

4.2 Research Approach

There are different ways of approaching the matter of academic research (Eriksson & Wiedersheim-Paul, 1997). This section will explain, and give the reasons to how we have chosen to approach our study. First, the matter of inductive versus deductive research approach will be addressed, and second, we will look into whether a qualitative or a quantitative approach will be applied to this thesis.

4.2.1 Inductive versus Deductive Approach

Inductive and deductive approaches represent two different research philosophies; however, valid conclusions can be drawn from both approaches. The inductive way of drawing conclusions is founded on empirical data from where the researcher institutes models and theories based on different occurrences in reality. On the other hand, if the researcher uses already existing theories and investigates these empirically by using different methods, he/she is using a deductive approach. (Eriksson & Wiedersheim-Paul, 1997) The existing theory or model is the foundation for deciding what information that should be selected, how it should be understood and, finally, how to relate the results to the theory (Patel & Davidson, 1994).

For this thesis, the approach is deductive. We have based the empirical study on already existing theories and models, which we later will compare with reality. This way of approaching a study corresponds to what the theory calls a deductive research approach.

4.2.2 Qualitative versus Quantitative Approach

The results arising from quantitative research are assumed to be measurable and presentable in the form of numbers and statistics. The aim is to make generalizations based on the processed results of the investigation. The quantitative method is formalized and structured; it approaches the research problem from a broad perspective. Moreover, quantitative research is highly controlled by the person conducting the investigation and statistical methods have a central role in the analysis of quantitative information. Another distinctive characteristic of a quantitative method is that few variables are studied but on a large number of entities. (Holme & Solvang, 1991)

Qualitative research is less formalized than quantitative ditto, and its purpose is not to generalize, but to make descriptions of situations as a whole, in which the research problem exists. The qualitative researcher strives to gain a deeper and more complete understanding of the collected data and the problem studied. Furthermore, an abundant amount of information can be gathered from several variables, but from a low number of entities. (Ibid) Conclusions drawn from qualitative research are often based on attitudes and beliefs, i.e. data that is not quantified (Lundahl & Skärvad, 1992). Since the primary purpose is to reach a deeper understanding of the research problem, there is no need to draw general conclusions (Holme & Solvang, 1991).

Based on the above discussion, as well as this study's purpose and research questions, the approach chosen for this thesis will be qualitative in its nature. The reason for this is that we want to gain a deeper understanding of how branded goods manufacturers respond to the increased usage of private labels. This implies that we do not intend to make any generalizations, but instead by studying a relatively small sample we will be able to more deeply investigate several variables and thus, better reach the understanding we desire. As this thesis now is focused on a deductive and qualitative research approach, the research strategy will be presented in the following section.

4.3 Research Strategy

Eriksson and Wiedersheim-Paul (1997) identify three major research strategies available for a researcher: experiments, surveys, and case studies. Yin (1994) agrees to this but recognizes two additional research strategies used in the social sciences; history and archival analysis. Which strategy to use in the research can be determined by looking at three different conditions:

1. The type of research question posed.
2. The extent of control an investigator has over actual behavioral events.
3. The degree of focus on contemporary as opposed to historical events.

(Ibid)

Table 4.1 shows how Yin (1994) relates each condition to the five alternative research strategies.

Table 4.1. Relevant Situations for Different Research Strategies

Research strategy	Form of research question	Requires control over behavioral events	Focuses on contemporary events
Experiment	How, why	Yes	Yes
Survey	Who, what, where, how many, how much	No	Yes
Archival analysis	Who, what, where, how many, how much	No	Yes/no
History	How, why	No	No
Case study	How, why	No	Yes

Source: Yin (1994, p.6)

By first taking a look at the research questions of this study and applying these to Yin's reasoning, it is apparent that all the strategies could be more or less applicable for this thesis (since the research questions are all formulated with "how"). But since the study does not require any control over behavioral events, "experiments" is dismissed. Furthermore, this study focuses on how branded goods manufacturers respond to the current increase in private label activity, i.e. it focuses on contemporary events, and thus, "history" is not applicable.

According to Tull and Hawkins (1990), survey research is the systematic gathering of information from respondents in order to understand and/or predict some aspect of the behavior of the population of interest, generally in the form of a questionnaire. A survey gives exact but shallow data and is most appropriate when investigating many entities and few variables (Eriksson & Wiedersheim-Paul, 1997). This type of research strategy could possibly have been utilized to investigate the chosen research area. However, the research questions and the conceptual framework for this thesis provide a relatively high number of variables to investigate and since the purpose stated that we wanted to gain a deeper understanding of our research area, a deep and detailed investigation has to be performed. Therefore, a survey that only investigates shallow information is not suitable for this research.

Yin (1994) explains that archival analysis involves gathering secondary data, i.e. data already collected by someone else for another purpose. The fact that the data has been gathered for a different purpose than one's own can imply problems, but on the other hand, archival analysis is a relatively simple and cheap research strategy (Ibid). Nevertheless, we believe that in order to conduct an as accurate research as possible, it is of essential importance to collect primary data related to our specific research purpose and conceptual framework, hence an archival analysis is in our opinion out of the question.

This leaves us with only one strategy, namely the case study. A case study implies investigating many variables on few entities, in order to get an in depth situational picture. This can be done by questionnaires or interviews and is particularly appropriate in the case of describing or explaining the problem area. (Eriksson & Wiedersheim-Paul, 1997) Yin (1994) claims that a case study is an empirical inquiry investigating a contemporary phenomenon within its actual context, he further states that the case study is generally superior when answering how and why questions about a specific topic and can be in the form of both a single-, as well as a multiple case study. The single-case study investigates a single entity more in depth than multiple-case study that studies two or more entities less in depth (Ibid). On the other hand, a multiple case study enables the researcher to make comparisons and Yin (1994, p. 45) is of the opinion that *"the evidence from multiple cases is often considered more compelling, and the overall study is therefore regarded as being more robust".*

Consequently, the selected research strategy of this thesis becomes a multiple case study. This is the most appropriate strategy since this study aims for deep and detailed information, but at the same time the opportunity of comparison between different cases. The case study for this thesis is of a multiple-case type so that possible similarities and differences between the cases can be discovered. How the information gathering for this multiple case study was carried out is presented in the next section on data collection.

4.4 Data Collection Method

According to Eriksson and Wiedersheim-Paul (1997), there are three ways of collecting data; through documents, observations, interviews and/or questionnaires. Yin (1994) agrees to this, but adds a number of sources of evidence to rely on when collecting data for case studies. These sources include archival records and physical artifacts. Yin (1994, p.91) further states; *"a major strength of case study data collection is the opportunity to use many different sources of evidence".* This use of multiple sources is called "triangulation", which gives the researcher an opportunity to obtain multiple measures of the same phenomenon. This will in turn increase the validity when performing any scientific study. (Ibid) Table 4.2 below shows the strengths and weaknesses with each data collection method recognized by Yin (1994).

Table 4.2. Six Sources of Evidence: Strengths and Weaknesses

Source of evidence	Strengths	Weaknesses
Documentation	• Stable: can be reviewed repeatedly • Unobtrusive: not created as a result of the case • Exact: contains exact names, references, and details of an event • Broad coverage: long span of time, many events, and many settings	• Retrievability: can be low • Biased selectivity: if collection is incomplete • Reporting bias: reflects (unknown) bias of author • Access: may be deliberately blocked
Archival records	• (Same as above for documentation) • Precise and quantitative	• (Same as above for documentation) • Accessibility due to privacy reasons
Interviews	• Targeted: focuses directly on case study topic • Insightful: provides perceived causal inferences	• Bias due to poorly constructed questionnaire • Response bias • Inaccuracies due to poor recall • Reflexivity: interviewee gives what interviewer wants to hear
Direct observations	• Reality: covers event in real time • Contextual: covers context of event	• Time consuming • Selectivity: unless broad coverage • Reflexivity: event may proceed differently because it is being observed • Cost: hours needed by human observers
Participant observations	• (Same as for direct observations) • Insightful into interpersonal behavior and motives	• (Same as for direct observations) • Bias due to investigator's manipulation of events
Physical artifacts	• Insightful into cultural features • Insightful into technical operations	• Selectivity • Availability

Source: Yin (1994, p.80)

Documents include, for instance letters, administrative documents (i.e. progress reports, annual reports), articles and formal studies (Eriksson & Wiedersheim-Paul, 1997; Yin, 1994). Yin (1994) claims that documentary information is likely to be relevant in every case study. Archival records are sources that are able to produce both quantitative, as well as qualitative information, examples of this are organizational records displaying charts, or personal records such as diaries, calendars, and telephone listings (Ibid). An interview implies interaction, either personal or via telephone, between an interviewer (the one asking the questions) and the respondent (the one answering) (Eriksson & Wiedersheim-Paul, 1997). Yin (1994) has the opinion that interviews are the most important sources of data collection in case studies.

An observation involves an observer that registers a process or a situation, without actually disturbing the process/situation itself. The purpose of this is not to find out what people say they do, but what they actually do. This is a very time consuming method of data collection. (Ibid) Yin (1994) has made a distinction between direct observation and participant ditto. Included in direct observations are meetings, sidewalk activities, and factory work, which entails that the researcher has the opportunity to observe certain types of occurrences during a certain time period. In participant observations, the researcher participates and takes a more active role in the studied events. The final source of evidence is cultural-, or physical artifacts; these may be observed and collected as a part of a field visit. Physical artifacts has been used extensively in anthropological research and have less potential relevance in a typical case study, nevertheless, artifacts can be an important component in the overall case. (Ibid) As mentioned, the data can further be separated into primary and secondary data. Primary data is collected by a researcher especially to address the specific purpose of a study. Secondary data is collected for a different purpose by other people than the researcher. (Lundahl & Skärvad, 1992) Befring (1994) explicates primary data as information collected for the primary purpose of forming an analysis platform for the researcher's specific study. Secondary data has, opposed to primary, been gathered for other purposes than the one defined by the researcher, thus some caution must be applied when employing it.

For this thesis, archival records, observation, and artifacts are not utilized since they do not fit into the scope of the study (i.e. archival records are precise and mainly quantitative hard data which does not fit a qualitative study, observations are too expensive and time consuming to fit the scope of this study, moreover, the study does not either require evidence on cultural features, thus artifacts are excluded).

Consequently, the methods of data collection in this thesis become interviews, which is considered primary data, and documentation, which is secondary data. According to Holme and Solvang (1991) interviews are suitable when in-depth information is desired, and this kind of information is required in order to fulfill the purpose of this research. Yin (1994) claims that interviews also allow flexibility and closeness to the respondents, these are also important factors in qualitative studies as well as the fact that it is a two-way conversation, which gives the researcher the possibility to actively participate in the interview. Moreover, the interview allows the researcher to focus directly on the case study topic. (Ibid) As the description of interviews corresponded well with the deeper understanding sought in the research purpose, they were found to be a suitable data collection method for this study.

A case study interview can manifest itself in three forms: open-ended, focused or structured. In the open-ended interview, the key respondents are asked for facts as well as for their opinions on the facts. The focused interview is also performed in a conversational manner but follows a set of questions derived from the case study protocol. This type of interview takes a relatively short time to perform. The structured interview is best suited for surveys and follows a structured questionnaire. (Yin, 1994) This thesis employs focused to semi-structured type of interviews due to the relatively structured interview guide (see Appendix B), which includes ratings, but at the same time relatively open questions of which the respondents can elaborate quite freely on. This type of interview was regarded the most appropriate choice in order to obtain the data necessary to reach the purpose since it allows the researcher to lead informal conversations based on predetermined topics within reasonable time constraints. (Ibid)

Our strategy for the interviews was to start all interview areas by providing the respondents the freedom and opportunity to put forth their overall view regarding the topic, this was done in an attempt to capture the respondents' ad hoc perceptions. Thereafter the interview proceeded according to the structure of the interview guide and dealt with the different issues as they appear in Appendix B. The reason for this particular mode of procedure during the interview was an aim to capture both the respondents' broad perception of the concept, as well as the specific topics specified in the conceptual framework. We also aimed for conducting the interviews in a conversational manner and somewhat open-ended as we wanted to preserve the interview flexibility and the opportunity for the respondents to bring up additional areas related to the subject. As mentioned earlier, interviews can be conducted either in person or by telephone (Eriksson & Wiedersheim-Paul, 1997). For this research, the interviews were performed via telephone due to the geographical distance to the respondents as well as the limited time and financial resources. Although the interview guide is written in English in order to avoid any possibilities for misinterpretations and translation errors, the interviews were conducted in Swedish, because of the fact that this was the respondents' native language. In order to stay clear of possible misconceptions that could appear due to this fact, we thoroughly explained all obscure and dubious definitions and questions that could appear on the interview guide during the interviews.

In accordance to recommendations by Yin (1994), a recording device was used throughout the interviews in order to accurately register the empirical data. By registering the data, the possibility to double-check emerges, which increases the apprehension of the received data from the interviews. The respondents were aware of the use of a mini-disc recorder and had no objections. In addition to the recorder, note taking took place during the interviews. In the end of each interview, it was made sure that no questions according to the interview guide were forgotten. The interview guide was also sent to the respondents in advance more than 48 hours prior the actual interview, so that they would have the sufficient time to prepare for the interviews and gather the information necessary in order to answer the questions asked as accurately as possible. The interviews took about one hour each to conduct.

Finally, we have used documentation in the form of secondary data, such as brochures, annual reports, the companies' websites, and other printed sources provided by the companies. As stated by Yin (1994), documentation offers advantages due to that it is stable because it can be re-examined repeatedly. It is also unobtrusive, meaning that it is not made for the case. It can be exact and contain accurate names, references and other details. In addition, it has a broad coverage over time. As stated earlier, the use of multiple sources of evidence in this study's data collection is called triangulation and is a desired pattern for dealing with case studies, in order to obtain converging evidence and establish the occurrence of an event, it also makes the study more reliable. Now when it is clear that this study utilized telephone interviews, as well as documentation for data collection methods, the next section will deal with how the actual sample on whom to conduct the interviews with, was selected.

4.5 Sample Selection

To collect and analyze data from every potential case or group member included in a research problem is also known as a census. However, for many research questions and purposes it becomes impossible to either collect or analyze all the data available due to restrictions in time, money, and often access. Still, Saunders, Lewis, and Thornhill (2000) emphasize that a census investigation do not necessarily provide more useful results than a well planned sample survey. Consequently, due to the limited time and financial resources allocated for this thesis, we have chosen to conduct a sample selection rather than investigating the entire population.

Miles and Huberman (1994) claim that investigating contrasting cases can help understand a single-case finding, by specifying how, where, and possibly why it proceeds as it does. The authors argue that if a finding holds in one setting, and given its profile, also holds in a comparable setting, but does not in a contrasting case, the finding is more robust. In order to be able to exploit the benefits associated with the multiple-case sample and contrasting cases, we have chosen to include case companies focusing on different product categories, in this case chemical consumer products and consumer food products respectively. We justify our selection of the these particular product categories with the fact that previous research has proposed that the two categories in question differ considerably in terms of how much the private labels have interfered. As mentioned by Kapferer (2001), chemical products, such as detergents and personal hygiene products still possess a strong position in the market, whereas food products are more contested by private labels and only have an average market position relative to private labels.

Miles and Huberman (1994) further state that even though contrasting cases are used, a sampling frame is still required, this should be guided by the study's purpose, research questions, and conceptual framework. With this in mind, we set our sampling frame to large international corporations with strong or leading brands vending fast moving consumer goods through retailer outlets. The justification for this selection is that, based on our extensive literature review, we have realized that it is these companies that have been most severely affected by the recent private label growth, and consequently should know most about the subject. Regarding the number of cases in a multiple-case study, Miles and Huberman (1994) declare that the number of cases depends on how rich and complex the within-case sampling is. Since this thesis' research questions and conceptual framework provide a fairly high degree of complexity for each case, we have chosen to include four cases, of which two cases represents each respective product category from those mentioned above. This would provide us with the opportunity to really focus and strive to fulfill the purpose of this research within the limited timeframe.

In order to find companies on which to perform case studies that fitted within the sampling frame set, we first headed for supermarkets and located the major manufacturer brands available within the two chosen categories. Our second step was to investigate the websites of the located companies in order to find out if they could be integrated within our sampling frame. Thereafter we moved on to stage three by calling up the companies considered most appropriate for our sampling frame in order to locate suitable respondents and explore the possibility of an interview. The choice of case companies fell on the four organizations, active in different product categories, with which the best contacts were established. This choice was based on the fact that we thought it would facilitate the communication process later on during the subsequent interviews.

The companies chosen as sample for this thesis were Cederroth and Colgate-Palmolive representing the chemical consumer products category and Findus and Unilever-Bestfoods representing the consumer food products category. According to Holme and Solvang (1997), the selection of respondent is crucial. If the wrong respondent is chosen, the entire research may turn out to be invalid or even worthless (Ibid). In order to reach this thesis' purpose we felt that it was of greatest importance to reach those persons possessing the most accurate understanding and experience dealing with both strategic as well as more operational issues. Hence, it was vital that the respondents' position enabled them a broad perception of their companies' view of private labels as well as strategic responses to them. Since our chosen respondents held positions of Business Area Manager, Customer Marketing Director, Sales Director, and Customer Business Manager we felt that they were suitable individuals, as they most likely would possess the relevant knowledge in order to answer the questions dealt with in the interview guide. The telephone interviews with the respondents were carried out with Business Area Manager; Sven Norman at Cederroth and Customer Marketing Director; Christina Wergens Hellbom at Colgate Palmolive on Thursday December 6, 2002. Moreover, on Thursday December 12, 2002 Jörgen Olsson, Sales Director at Findus was interviewed and, finally, our last interview was carried out on Wednesday December 18, 2002 with the

Customer Business Manager; Mats Nilsson at Unilever-Bestfoods. This section has presented how the sample for the data collection was selected, the following section will deal with how the selected data was analyzed.

4.6 Analysis of Data

According to Yin (1994), data analysis implies examining, categorizing, tabulating or otherwise recombining the collected data. Every investigation should involve a general analytical strategy in order to come to terms with what to analyze and why. When analyzing data collected from interviews the intentions are to find answers to the research questions that were stated earlier. (Miles & Huberman, 1994) Since this research is a multiple case study, the analysis will be performed both within each individual case, as well as between the different cases. Miles and Huberman (1994) state that a qualitative data analysis focuses on data in the form of words, and that the analysis consists of *"three concurrent flows of activity"* (op. cit. p.10) these are:

1. *Data reduction*. The process of selecting, focusing, simplifying, abstracting, and transforming the data. The purpose is to organize the data so that final conclusions can be drawn and verified.
2. *Data Display*. Taking the reduced data and displaying it in an organized, compressed way so that conclusions can be easily drawn.
3. *Conclusion drawing/verification*. Deciding what things mean – noting regularities, patterns, explanations, possible configurations, casual flows, and propositions.

(Ibid)

This proposition is what the analysis of this thesis is based on. Thus, we will start the data reduction already in the next chapter on empirical data, by selecting, arranging, focusing and sharpening relevant data in a way so that conclusions can be drawn and verified later on. Moreover, in the analysis chapter the condensed data will then be further reduced by within case analyses comparing the theories from the conceptual framework with the collected empirical data. The reduced data will later on be displayed through cross case analyses comparing the four cases between each other, partly via the use of matrices. This will facilitate the noting of regularities and patterns and also help us look beyond initial impressions by seeing the evidence through multiple lenses. Once the data reduction and the data display have been carried out through the use of within- and cross case analysis respectively, conclusions on each research question will be drawn based on the previous stages of analysis and the findings of the study. As the data analysis method now is explained, the next section will deal with the quality standards of this thesis.

4.7 Quality Standards

When conducting a research, it is of high importance to judge the quality of the research, and when establishing the quality standards of a research, Yin (1994) proposes four commonly used tests. These tests are construct validity, internal validity, external validity, and reliability. Construct validity means establishing the correct operational measures for the studied concepts. Internal validity is, according to the author, solely for explanatory or casual studies, and not intended for descriptive or exploratory studies and means establishing a casual relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships. External validity is defined as establishing the domain to which a study's findings can be generalized. And finally, reliability is demonstrating that the operations of a study can be repeated with the same results. (Ibid) Table 4.3 below displays the tactics that can be practical for handling the four tests when conducting case study research to increase quality.

Table 4.3. Case Study Tactics for Four Design Tests

Tests	Case Study Tactic	Phase of Research in which Tactic occurs
Construct Validity	• Use multiple sources of evidence • Establish chain of evidence • Have key informants review draft case report study	Data collection Data collection Composition
Internal Validity	• Do pattern-matching • Do explanation-building • Do time-series analysis	Data analysis Data analysis Data analysis
External Validity	• Use replication logic in multiple-case studies	Research design
Reliability	• Use case study protocol • Develop case study data base	Data collection Data collection

Source: Yin (1994, p.33)

Since internal validity is intended for explanatory or casual studies, and the purpose of this research is primary exploratory and descriptive in its nature, the considerations regarding internal validity in this thesis is irrelevant and, hence, will not be discussed in the following sections

4.7.1 Construct Validity

In order to increase the construct validity of this study, we have collected evidence from multiple sources, i.e. interviews and documentation. This is what Yin (1994) calls utilizing triangulation. The interview guide has also been pre-tested and read by other people than the actual respondents prior to the interviews, this in order to be able to correct some dubious question formulations and thus, reduce the risk for misunderstandings. We also let our supervisor review and propose improvements to the guide before conducting the actual interviews. Moreover, much effort was put into locating the respondents with the correct knowledge to answer our questions as accurately as possible; having the most suitable respondent increases the validity of the study. As mentioned earlier, all the interviews were recorded with a mini-disc recorder, this provided us with the opportunity to repeatedly recheck all the answers, this should have reduced the risk of wrongly interpreted answers from our side. During the interviews, the complicated and unclear questions were thoroughly explained by us and we also asked control questions to really make sure that the respondents understood the questions correctly. The fact that the interview guide was sent some time prior to the actual interview can both lower and raise the construct validity of the study. The validity should be raised because it grants the respondents the time to find the accurate information in order to answer the questions as correctly as possible, but the validity can also be lowered because we have provided the respondents with the opportunity to prepare and bias their answers. Nevertheless, we are of the opinion that the positive effects of this outweighed the negative.

Other factors that could have imposed negative effects on this thesis' construct validity are, firstly the fact that the interview guide was not translated from English into Swedish. However, in this case we felt that the respondents should be questioned using the right terminology, and since no directly translatable Swedish words existed for many of the terms included in our conceptual framework, we judged that it would be better if they were asked on the original terms in order to avoid any misinterpretations. The second factor that could have lessened the construct validity is something we discovered when calling prospective case companies; apparently, for some reason strategies towards private labels are a rather sensitive subject among some BGMs, and they are not particularly keen on talking about it. Yet, since we put a lot of effort into locating the right case companies, luckily we feel that we found companies and respondents who did not have any direct restraints against talking openly about these subjects.

Moreover, according to Yin (1994, p.98) to establish a chain of evidence is *"to allow an external observer – the reader of the case study, for example – to follow the derivation of any evidence from initial research questions to ultimate case study conclusions"*. In order to obtain such a chain of evidence, we have throughout this thesis made citations and references to all the sources from where we have collected evidence. We have also let our supervisor and fellow students review different drafts of this thesis.

4.7.2 External Validity

In order to increase the external validity of a study, Yin (1994) emphasizes the importance of using replication logic in multiple-case studies. He further states that a theory must be tested through replication of the findings in similar surroundings, where the theory has specified that the same results should occur. Once such replication is made, the findings can be generalized to a greater number of surroundings. (Ibid) Since this study only is a multiple-case study containing four cases, two on each product category, the external validity must be considered rather low. With such a low number of cases replication is difficult to perform and consequently, we do not intend to draw any overall generalizations based on this study. Still, we will be looking for patterns among the cases and categories in order to obtain isolated generalizations supported by the empirical data.

4.7.3 Reliability

Yin (1994) claims that reliability demonstrates that the operations of a study, for instance the data collection methods, can be repeated, and when repeated it shows equal results. In other words, a researcher who follows the exact same procedures as described by an earlier researcher, should reach the same results and draw the same conclusions as the earlier researcher did. (Ibid) In this thesis, we have strived to carefully explain every procedure and aspect of the research. Furthermore, we have aimed to follow a structured approach throughout the entire thesis. This because we want to provide readers and other researchers with a logical flow, thus being easy to read and use in future research. Yin (1994) suggests a case study protocol and databases in order to increase the reliability of a study. We have not utilized any of these measures, however we are of the opinion that this methodology chapter along with the interview guide can in a way serve as a supplement to the case study protocol, since it shows, quite extensively, how we have gone about conducting this study. The recordings of the interviews are also available on mini-disc for anyone interested in them. Nevertheless, there are, of course, also some factors that may have influenced the reliability negatively. For instance, when conducting interviews, the respondents may have been biased to some extent. Also, since it is we as researchers that have interpreted and translated the interviews, the influence of our own attitudes, values and own knowledge can always be questioned as well.

4.8 Summary of Research Methodology

This chapter has dealt with all the aspects of how the data has been obtained for this thesis, starting with the research purpose, moving on through research approach and strategy. Then the data collection methods and sample selection have been described, followed by the general analytical strategy. The chapter has ended with a discussion concerning the quality standards of this thesis. Figure 4.1 below graphically summarizes the methodological path pursued during the process of writing this thesis. As this chapter now has come to an end, the following chapter will present the empirical data collected.

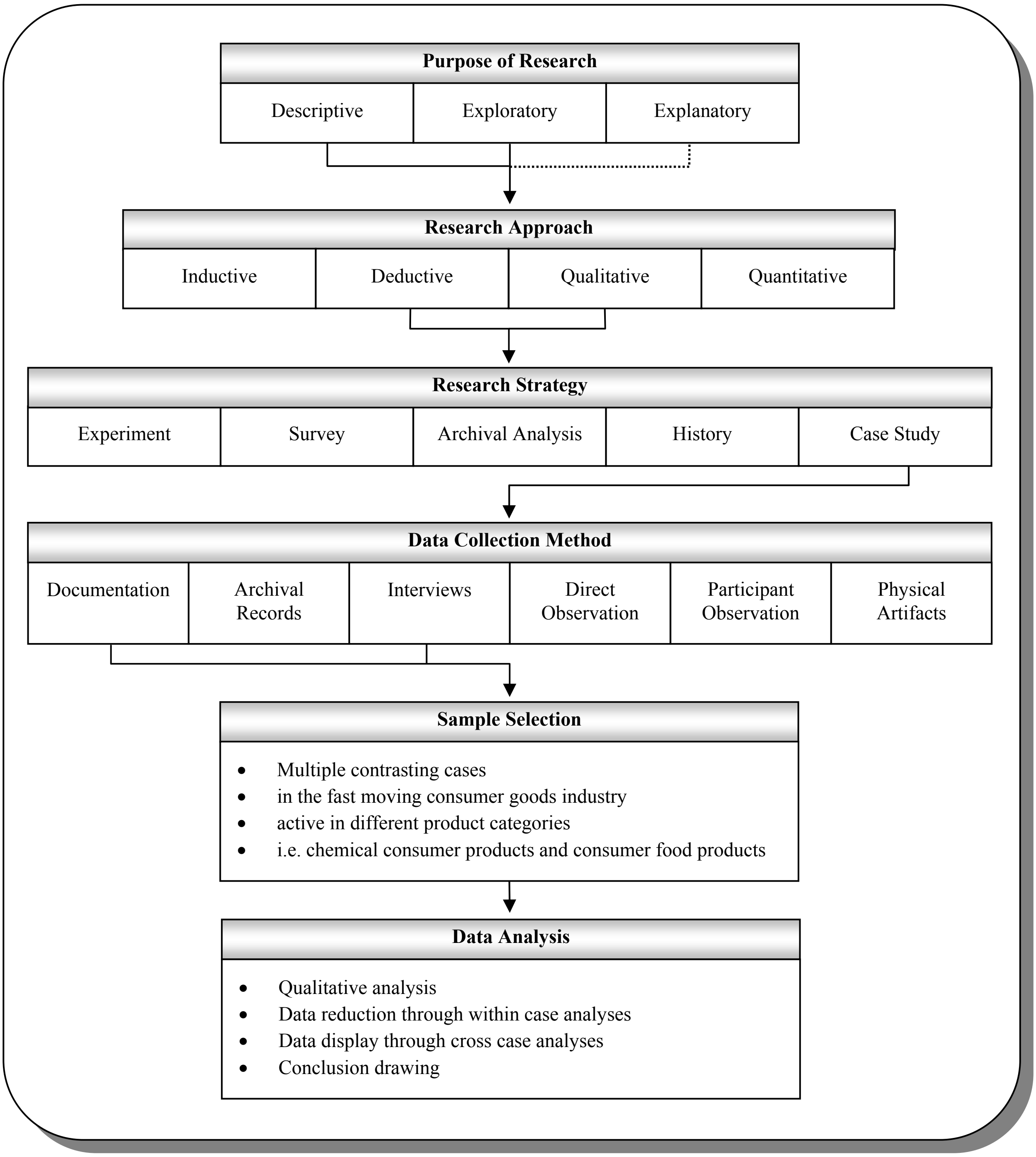

Figure 4.1. Summary of Research Methodology

5 Data Presentation

In this chapter, the empirical data collected in order to enable us to answer the research questions will be presented. As mentioned, the data collection was carried out utilizing four telephone interviews, one for each case study. First, the data from case one will be presented, following the order in the conceptual framework. Therefore the topic area of the research questions will be used as a basis for the sub headlines. In other words, first a general presentation of the company and the respondent will be provided, thereafter the company's perception of private labels is displayed, which will be followed by the company's strategies towards private labels. The benefits and drawbacks of the selected strategies will also be presented under this sub heading since we feel that this makes it easier for the reader to follow instead of reading about the benefits and drawbacks separately. Naturally the data from case two, three, and four will be presented in the same manner.

5.1 Case One – Cederroth International AB

Cederroth International AB (hereafter referred to as Cederroth) conducts marketing and sales of products within the business areas toiletries, health and wound care, household, and first aid through both its own subsidiaries and external distributors. Examples of the company's more important core brands are *Salve*, *Samarin*, *Grumme*, *Bliw*, *Alberto VO5*, natural pharmaceuticals under the umbrella brand *Pharbio*, *Alberto Family Fresh*, *St. Ives,* and *Soraya*. The bulk of the organization's products are manufactured in its own Swedish factories in Falun, Upplands Väsby, and Gothenburg, as well as in a Polish factory in Radzymin. Cederroth was founded in Sweden 1895, but is since 1991 a subsidiary to the Alberto Culver Company, USA. Cederroth is characterized as a "stand alone business"; meaning that the organization is largely independent from the parent company. Although it receives some product supply from the owner, Cederroth is mostly self-sufficient with regards to the markets in Europe where it is operating. The company's sales amounted to SEK 1 583 million in the fiscal year of 2001, and the Swedish group companies accounted for approximately half the sales value. (Cederroth International, 2002)

The Cederroth Logo. Source: Cederroth International, 2002

The respondent, Sven Norman, is the Business Area Manager of Cederroth in Sweden. He is situated at the Swedish corporate headquarters in Upplands Väsby. His responsibilities include, among others, management of the business areas of household- and hygiene products at Cederroth. These are characterized as fast moving consumer goods, with the business mission to provide branded products with high quality and high consumer acceptance, chiefly aimed at a target audience of women aged 30 and above. The part of the company for which the responded is responsible had a turnover of SEK 650 million in 2001, and employed approximately 60 people.

Since Cederroth is acting on a market consisting of a very large amount of brands, it is difficult to single out any products as being main competitors. Rather, the organizations that are operating in the same line of business are perceived to be the foremost competition, and the business area manager brings up Procter & Gamble, Unilever, and Colgate-Palmolive as examples. Moreover, competition from private labels is viewed in a similar sense, i.e. the major competitors are the customers of Cederroth that provide a broad range of products; chiefly being ICA, Coop, and Axfood.

5.1.1 Company's Perception of Private Labels

With regards to how the company perceives the increased utilization of private labels, the business area manager argues that private labels without a doubt will continue to grow in Sweden. Swedish retailers have set a target of 15 percent market share for private labels, but the manager guesses that they will probably reach beyond that. However, there is a difference in private label development dependent on product category. First, retailers have previously scanned every product category, and then entered with a private label, no matter the market's size. In narrow product categories, where there is room for only a few actors, this has lead to a situation were the private label's only reason for being is to put pressure on manufacturer brands' prices. Retailers are beginning to rethink this, and will most likely withdraw from those areas that are not profitable, in order to be able to focus on those that are. Second, private label success is largely dependent on product involvement. Low-involvement products, such as toilet paper and other basic hygiene items, have a much larger degree of private labels, while high-involvement dittos, such as shampoo and facial creams, have lower. This would be due to the fact that the more important a product is for a consumer, the more important a well-known brand becomes, meaning that it is very difficult for private labels to succeed. Also, high-involvement products are much more sensitive to consumer trends, implying a need for a marketing department in order to monitor them. This would be largely beyond the scope of private label developers, and they would hence not be able to thrive in those categories.

Overall, the business area manager declares that private labels are seen as a positive addition to the market. They help to stimulate competition, which in turn raises the need for increased quality and development of manufacturer brands, benefiting the consumers in the end. On the other hand, there is a risk in that introductions of private label products of low or inferior quality may deter consumers from an entire product category, and subsequently harm the manufacturer brands. This would be especially valid for product categories that rather easily can be substituted by the consumers. The manager exemplifies this with a major Swedish private label developer's launch of a new soft-soap laundry detergent, which contains only half the active substances compared to corresponding brands from the manager's company. Due to this, there is a hazard that consumers purchasing the new product may find it unsatisfactory, and thus loose confidence for the soft-soap category as a whole; switching to other variants of laundry detergents. This would in turn imply lost sales for soft-soap products provided by BGMs.

Advantages of Private Labels

Regarding advantages private labels have over manufacturer brands, price is recognized as a chief variable. Further, the fact that private labels are supported directly by the retailers implies that they are able to perform what the business area manager describes as "shielding", i.e. private labels receive larger shelf-allocation than manufacturer brands in the stores. Even though a manufacturer brand might be the market leader, a small private label can be exposed twice as much in the store in order to cause harm to the leading brand. In connection to this discussion the manager admits that private label coverage and penetration, retailer control, and placement are considered to be highly important advantages for private labels relative to the company's own brands.

Further, private labels are seen to have an opportunity of piggybacking on Cederroth's advertisements and sales promotions, and consequently this advantage is perceived to be of high importance. Also, it is recognized that private labels are able to get substantial pass-through on trade deals, and this advantage is also considered as highly important.

The issue of improved quality of private label products is identified as an advantage of medium importance. Historically, private labels have been competing very much on their low prices, but a present trend towards higher quality- and image private labels that are imitating leading brands is acknowledged. If consumers see these quality improvements, while also receiving the products at a lower price, private labels would become a great threat. However, high quality and low price are two incompatible issues. Producing more advanced products inevitably raises costs, and hence prices. Also, since retailers do not communicate their private labels to any great extent, but rather just "place them on the shelves", there seems to be inertia amongst consumers in all European markets to discover that private labels actually possess rather good quality standards. In order for private labels to project a desired quality to the consumers, there is a need for increased advertising and promotion, which in turn implies increased costs; leading to a must for higher prices. Thus, there is a current tendency among retailers to carry both "traditional" low-quality private labels offered at a low price, as well as higher quality, higher priced premium dittos. Nevertheless, this development of premium private label brands is seen to be an advantage of low importance, as it has not yet been developed to any great extent in Sweden.

Consequently, Cederroth is of the opinion that Swedish private labels are perceived not to have reached their full potential so far. However, other European supermarkets' success with private labels is recognized to be an advantage of medium importance, as it may inspire Swedish retailers to further develop their private label concepts. The business area manager states that when meeting with retailers, the UK is constantly brought up as an example of successful private label business, and hence might act as a good benchmark for Swedish retailers.

Moreover, the emergence of new outlet channels, through a growing number of mass merchandisers, warehouse clubs, and other channels providing private label goods, are perceived as being a highly important advantage for private labels, and is apparently seen as a problematic area for manufacturer brands. Also, since private labels have started to evolve beyond their traditional product lines, the creation of new categories is identified as an advantage of high importance, as the retailers carrying private labels become able to create increased consumer acceptance for their own products and brands by existing in many categories simultaneously.

New product activity is on one hand perceived as being an advantage of low importance, as new private label product introductions constantly are copies of manufacturer brands – there is a very small amount of research and development conducted. On the other hand, the fact that duplication strategies make it rather easy for private labels to introduce new similar products at a high pace is seen as an advantage of high importance.

Finally, factors associated with price and promotion are identified as being of high importance. Retailers not only favor private labels on the shelves, but also with regards to promotional activities in the stores. The manager maintains that sales personnel from his organization have to work very hard in order to assert that manufacturer brands receive the same amount of attention that private labels have in the stores. Private labels are generally also cheaper than manufacturer brands.

Advantages of Manufacturer Brands

The business area manager states that the main advantage of manufacturer brands compared to private labels is that a brand enjoys an attraction in the minds of the consumers that a private label simply cannot achieve. Furthermore, although private label quality has improved in later years, manufacturer brands still have great value in the fact that they provide superior product quality in most cases. Moreover, product development is brought up to be one of the most important areas in which manufacturer brands are able to compete with private labels. The amount of research and development conducted by BGMs with regards to new products greatly supersedes the one of private labels. As the manager argues; private labels have so far not launched any new products of their own, but rather repeatedly copied manufacturer brands.

On the issue of the manufacturer brand advantage concerning the simplification of consumers' selection process, this is recognized as a variable of high importance. The brand has a number of benefits associated with it from the consumers' perspective. Private labels are not recognized to the same extent, but are rather seen as unknown low-price alternatives. Hence, in a purchase decision situation, manufacturer brands would have a clear advantage over private labels, due to the fact that consumers already have a pre-determined image of the brand, and would hence have an easier selection process when choosing it. Further, the reputation of the brand name is regarded as being an advantage of highest importance. Consumers apply a personality to a brand, and associate it with certain positive characteristics, while a private label is not perceived to hold the same.

With regards to the parallels between brand strength and the economy, no real clear connection between economic variations and private label market share compared to that of manufacturer brands is identified. Nevertheless, the relationship is recognized to a certain extent, and is perceived to be an advantage of medium importance.

Moreover, manufacturer brands have a strong advantage in the fact that retailers have to carry the products in their assortment in order to attract customers to the store. The variable that national brands have value for retailers is accordingly recognized to be of high importance.

Another recognized advantage of high importance is that manufacturer brands apparently display lower price elasticity than private labels. The manager states that private labels are more dependent on price than manufacturer brands, and that a private label would suffer much greater losses if its prices were adjusted upwards.

Overall, the business area manager ascertains that there is no doubt that the company's brands will survive the threat of private labels. In certain product categories, private labels might actually thrive, but in the area of household and hygiene, there will still be manufacturer brand dominance. Nevertheless, the manager stresses that this means continuous improvements, both with regards to organization, as well as pace of product development, and quality of products; which must constantly be kept at an outstanding level compared to private labels.

5.1.2 Strategies Adopted by Company and Benefits/Drawbacks of These

On the issue of how the company responds to private labels in terms of strategies it adopts, the business area manager claims that the company does not officially pursue any specific "anti private label strategies". Naturally, private labels are taken into consideration when developing competitive strategies, but as the main competition on most markets is perceived to be other manufacturer brands, nothing is explicitly done to match private labels.

Nevertheless, the manager emphasizes that the company is certainly not just sitting around while doing nothing in order to wait out the private labels, and consequently maintains that this strategic measure is definitely not pursued. There is still a very urgent need to take the growth of private labels seriously in order to keep track of the increased competition that they admittedly bring forth. While the company asserts that no strategy is specifically aimed towards private labels, it is admitted that other competitive strategies will still affect them. For instance, there is a clear incentive from the organization towards increased communication – the company aims to be seen and noticed to a greater extent on the market as a whole. The strategic measure of using advertising would be used in order to achieve this increased communication, as well as the addition of exploiting sales promotion in order to assure product placement and exposure in the stores. In addition, as previously mentioned, there is a continuous high focus and concentration on product development and improvement of quality. Hence, although not solely fuelled by the emergence of private labels, the manager admits that these approaches would still indirectly imply an incessant strategy aiming to further increase the distance between Cederroth's brands and the private labels.

Regarding reducing the price gap, this strategy is used to some extent on certain markets. In product categories where there are few actors, the introduction of a private label offered at a significantly lower price would necessitate price reductions in order to stay competitive. However, in other categories, the strength of the brand is perceived to be sufficient to maintain the same price levels as before. The company does not view this as an especially enticing strategy and consequently tries to avoid it to the furthest extent due to the fact that it lowers the company's profit margins. Concerning trying to convince retailers to raise their private label price levels, this is seen as rather impossible. Nevertheless, in negotiations with retailers, the must for low private label prices may be questioned, by for instance referring to price-audits suggesting that the low levels are unwarranted. From that point of view, it is thus attempted indirectly.

On the topic of introducing a value flanking brand, the business area manager claims that certain products carried by the company are very close to private labels with regards to content, price, and appearance, and could hence be viewed as such. However, as these products were not launched as a response to private labels, the actual strategic measure is not used whatsoever by the organization. The respondent does neither see any benefits with using this strategy, as it implies a high risk of cannibalizing on the company's other brands.

Furthermore, the company does not produce any type of private labels presently, despite repeated requests from retailers to do so. There has been great consideration for production, as it is perceived that it would benefit the relationship with the customers (the retailers) and would use excess capacity in the factories. However, when discussing the issue, the conclusion has been that the risks are too great, and the manager brings up the example that producing private labels would lead to open financial records with someone that is simultaneously client and competitor, meaning increased insight to vital information regarding products and prices; something that could do more harm than good. In addition, the decision of whether or not to produce private labels is very much dependent on product category. For instance, in low-involvement categories such as toilet paper, private label production would make sense for BGMs. Since private labels are much bigger in those categories, not producing them would imply a great risk of loosing too much market share, as private label penetration probably will continue to increase. Nevertheless, this imperative would not apply to the high-involvement categories where the company's bulk of products are presently positioned.

Concerning price management, this is viewed as a vital general strategic measure with regards to private labels. Since private labels largely compete with price, it becomes highly important to monitor such areas as competitors' price levels, price elasticity in the market, and consumers' price sensitivity in order to stay prepared for private label challenges.

Finally, the creation and building of trade relationships is not a strategy specifically adopted due to the emergence of private labels, but is rather continuously pursued in order to create stronger ties with suppliers as well as retailers. The business area manager asserts that this is permeating the entire organization, through for instance customer managers and trade seminars, but emphasizes that it would neither increase nor decrease as a response to private label development.

The business area manager states that the main benefit with the strategic measures mentioned above is that private labels are taken seriously, but without using approaches that could harm healthy competition. The organization is well aware of the fact that increased private label development could lead to the demise of certain products, especially those positioned very close to private labels with regards to quality and price, but as long as this is taken into consideration and continuous focus is put on the stronger brands, little danger is seen.

However, the strategic measures pursued by the organization are based on the present market structure among Swedish retailers. Today, private label providers do not exert total control over retailers, there are still independently owned stores that cannot be fully managed centrally, meaning that the full potential of advantages with private labels has not yet been seen. If a centralization of all retail outlets would be achieved, private labels could move up as a much stronger competitor, and threaten manufacturer brands to a greater extent. In that case, a need for stronger strategic measures in order to stem private label competition could arise.

5.2 Case Two – Colgate-Palmolive

The Colgate-Palmolive Company is a $9.4 billion organization serving people in more than 200 countries and territories with consumer products through strong global brands in the categories oral care, personal care, household surface care, fabric care, and pet nutrition. Its key products are toothpaste, toothbrushes, bar and liquid soaps, deodorants/antiperspirants, dishwashing detergents, household cleaners, fabric conditioners, and specialty pet food. The company, which was originally founded in 1806, considers itself truly global in scope and has production facilities and sales offices throughout the entire world. Examples of Colgate-Palmolive brands in Sweden are *Colgate, Palmolive, Ajax, Klorin*, and *Softlan*. (Colgate Palmolive AB, 2002) The Swedish subsidiary, Colgate Palmolive AB, was founded in 1928 and today employs some 50 people. (Kompass, 2002) Colgate-Palmolive AB is, among others, responsible for the company's operations and brands in Sweden.

The Colgate-Palmolive Logo. Source: Colgate-Palmolive AB, 2002

The respondent, Christina Wergens Hellbom, is the Customer Marketing Director of Colgate-Palmolive AB in Sweden (hereafter referred to as Colgate-Palmolive). She is responsible for business account managers, customer marketing, and category management at Colgate-Palmolive's Swedish headquarters in Danderyd. Her department is overall responsible for all products provided by the company, and these are characterized as fast moving consumer goods within the chemical-technical area. The business mission is to deliver high-quality products that satisfy consumers' needs, and to be a partner to the customers. The main target audience is women aged 25-45, and the division had a turnover of approximately SEK 550 million last year.

The main competitors among manufacturer brands are in Sweden identified as being Lever Fabergé, GlaxoSmithKline, and Procter & Gamble. Within private labels, competition is seen as everyone that is operating within the same line of industry, being mainly ICA, Coop, and Axfood, chiefly with the products *Blåvitt*, *Änglamark*, *Skona*, *Eldorado*, and *Willy's*.

5.2.1 Company's Perception of Private Labels

Concerning how the increased usage of private labels is perceived by the company, the customer marketing director states that private labels are unquestionably increasing in Sweden. The 15 percent market share target set by Swedish retailers is perceived to be an understatement, and it is questioned if they will be satisfied with that number. However, the increase will largely depend on how well the private label business is executed. Presently, retailers see an opportunity for a quick-win situation, and hence everyone is trying to expand with private labels everywhere. Over time, it will become increasingly apparent that it is vital to have the right connections and suppliers, and the director claims that some private label manufacturers will be better at achieving this than others. This implies that some product categories can handle future private label development much more successfully than others, which in turn would lead to a differentiation between categories where private labels are able to compete directly with branded goods, or even drive them out of business – and those where they are not. Bearing this in mind, especially with regards to low-price, low-involvement categories, BGMs that are not among the top three manufacturers might find it hard to survive in the future.

Nevertheless, on the whole, the customer marketing director is very positive towards the continuous expansion of private labels. It increases competition, and subsequently forces the company to become even better at providing brands that offer value to the consumers. However, the fact that private labels transform the retailer into both competitor and customer is perceived as somewhat of a complicating issue. On one hand, good relationships must be kept with retailers in order to assure continuous sales of the company's products. On the other, private labels supplied by those retailers are competing for market shares, and could thus be seen as trying to hamper the company's sales.

Advantages of Private Labels

On the topic of advantages private labels have over manufacturer brands, the fact that retailers have both supplier and customer "in the same house" is identified as being the most important one. Retailers have a much easier task of monitoring and controlling such areas as end-consumer relationships, shelf-placement, campaign planning, and trade deals. They have direct power over their own media, and are able to manage the marketing and pricing of their products to a greater extent. The customer marketing director further states that based on the reasoning above, retailer control, placement, trade deals, and price and promotion factors becomes advantages of very high importance for private labels towards BGMs.

Moreover, the high private label coverage and penetration is recognized as a high-importance advantage by Colgate-Palmolive. Since all aspects of private labels can be handled in-house, retailers are able to establish their own products in any category without having to take the rather substantial barriers of entry that exists for manufacturer brands into consideration.

Regarding the issue of private labels using piggybacking, the director sees this as being an advantage of rather low importance. Due to high brand loyalty, consumers are perceived as being able to tell the difference between advertisements and sales promotions for manufacturer brands, and their private label equivalents.

The improving quality of private label products is considered an advantage of medium importance at the company. Although it is recognized that private label quality is improving presently, this is seen as something rather positive, as it implies increased competition that forces the organization to be even better at delivering value to consumers through the brands. Also, an ongoing differentiation among private labels towards lower priced, lower quality fighting brands, and higher priced, higher quality premium private labels is acknowledged. Following the same reasoning as above, this development of premium private label brands is also viewed upon as a medium-importance advantage.

Concerning supermarkets' success with private labels in other European countries, a high advantage is identified in the fact that Swedish retailers are looking towards primarily England – where private labels are very large, profitable and successful – for inspiration as to how they should proceed with their private label concepts. Hence, success in other markets may act as an encouragement for continuous private label development.

Further, the emergence of new sales channels is perceived as an advantage of high importance. As private labels would have greater impact in stores that focus more on low price, this could grow into a possible problem for the organization. However, the creation of new private label categories is viewed as a low-importance advantage. This since private labels always have had a strong presence in the company's product categories, and it would make little difference from a competitive point of view if they spread to additional ones.

New product activity is considered to be a medium advantage. Private label manufacturers are very successful at new product introductions, but they are clearly lacking behind with regards to research and development of new products.

Advantages of Manufacturer Brands

The customer marketing director identifies the main advantage of manufacturer brands compared to private labels to be the opportunity of research and development. Due to bigger resources in this area, the company is able to develop new products both with regards to technology – for instance new chemical compositions – as well as through consumer needs and demands. Hence, there is greater possibility to bring forth products that are more suited to the consumers' needs at a higher pace than private label manufacturers. Moreover, the brands themselves represent something to consumers; it communicates that the products are to be trusted and that they deliver what is promised. However, this advantage was previously largely based on the inferior quality of private label products. Presently, as private label quality is beginning to catch up, it is according to the director starting to diminish.

Considering the BGM advantage that talks about how manufacturer brands simplify the consumers' selection process, it is identified as being of low importance. Although the brand may hold a certain meaning for the consumer, it would not make an actual purchase decision simpler if other variables than brand image and reputation were accounted for. The director states that if consumers for instance are looking for low price and are not concerned with quality, they will probably purchase a private label product, regardless of the existence of manufacturer brands. On the other hand, this does not imply that brand name reputation is an advantage of low importance, on the contrary; in order to create a need for the products in the minds of the consumers prior to entering the store, this variable is extremely important for the organization, and is constantly looked after throughout all business activities.

Moreover, the statement that brand strength parallels the strength of the economy is not recognized whatsoever, and it is claimed that economic factors have a very small impact on the organization. Also, the director questions the actual applicability of this suggested advantage, through the fact that there exist manufacturer brands that are profiled as low-price products, meaning that they would suffer just as much as private labels during stronger economic periods.

Colgate-Palmolive thinks that national brands have value for retailers and see this as an advantage of high importance, since manufacturer brands would receive placement in the stores as the consumers demand the products to be carried by the retailers.

Further, the director maintains that although the company can neither increase consumer- nor retailer prices to any great extent, as demand would fall, there is still much larger flexibility concerning price levels than for private labels. Hence, the lower price elasticity of manufacturer brands is recognized and considered a high-importance advantage for the company.

Overall, the customer marketing director verifies that private labels and manufacturer brands have rather equal opportunities in the market. However, since the company is perceived as having a good portfolio with well-defined brands that fill their function, there is seen little need to be overly concerned with the emergence of private labels.

5.2.2 Strategies Adopted by Company and Benefits/Drawbacks of These

Regarding how the company responds to private labels in terms of strategies it adapts, the customer marketing director asserts that the company does not have any direct strategies aimed against private labels. Rather, they are treated as any other competitor, and nothing is done specifically in order to "block" private labels from the market. The director puts a lot of emphasis on this and states that it is important to remember that the retailers are also customers to the company, consequently they must be given freedom as to what they wish to sell in their stores; too much interference would damage the business relations.

Despite this, the customer marketing director emphasizes that the strategy of just waiting and doing nothing would not be desirable, no real sense is seen in carrying out this strategy from any perspective. As a matter of fact, private labels are actually taken very seriously, the director thinks that it would be unwise to do otherwise since this could significantly harm the company in the long run. Although the organization does not adopt any direct defense strategy against private labels, there are still attempts to somewhat tamper the challenge posed by them. For instance, if it is perceived that private labels receive unwarranted advantages in the store, for example through excessive shelf-allocation or in-store promotion, this is clarified in dialogue with the retailers. Moreover, there is strong focus on continuous improvement of product quality and development, in order to provide increased value not only to the end-consumers, but also to the customers; the retailers. The retailers should feel that there is a meaning and a purpose in stocking the company's products, and through the building and maintenance of trade relationships in combination with product development, it can be achieved. The director states that in a way, this can also be seen as an attempt to increase the distance from private labels, but stresses that it is not performed as a defense strategy. Rather, as with all increased competition, the organization is motivated to become even better at its core business; offering brands. Therefore, the director does not consider the company to be increasing its distance from private labels, since it is only conducting business as usual.

On the topic of reducing the price gap, it is pointed out that prices are set in relation to the consumers' experienced quality and value of the products. As long as the consumers feel that a certain brand can satisfy a particular need, there is no reason to lower prices in response to private labels, since consumers are prepared to pay for the brand appeal. The director claims that presently, this would be feasible, as private labels cannot yet provide the same amount of value as manufacturer brands, and adds that lowering the price at the present time could even serve to damage the brand image. However, if private labels would grow able to provide equal brand value, then price adjustments towards private label levels could become imperative, this in order for Colgate-Palmolive not to loose market share.

Moreover, introducing a value flanker is not a strategy pursued at all. The director maintains that the company's aim is to provide high-value products that are number one in their category. Having two brands in the portfolio in the same product category makes it very difficult, as they would end up competing for media and promotion funds, as well as other resources. Hence, if a value flanker is to be introduced, it has to be self-sufficient, making it easier to launch a high-value product as a complement instead.

It is traditionally not part of the organization's official policy to produce private labels of any kind to the retailers. The director states that if producing private labels, a very large dependence regarding production capacity may be created, as a large part of the produced volume is tied to one customer. Furthermore, when also having brands, private label production could lead to difficulties when negotiation with retailers, as it would imply greater openness of all parts of the company. However, the director can also imagine that an implementation of this strategy could lead to better trade relations with the retailers.

Finally, the strategic measures of utilizing advertising, exploiting sales promotion, and managing the price, are all very important parts of the organization's overall business actions. However, it is perceived that neither their importance nor their amount of implementation have increased or decreased due to the emergence of private labels.

The main benefit with the strategies stated above, is according to the customer marketing director that the company has created a good foundation for facing private label competition, without panicking about it. It is hence possible to maintain equally good relationships with the customers (retailers) – something that is vital for successful business – while at the same time being prepared for increased private label development.

Nevertheless, it is perceived that not reacting strongly with strategic measures aimed directly at private labels could imply a drawback in that they receive an opportunity to take too much market share. Hence, if private label developers find a market that does not present much resistance, a risk is seen in that they could move in forcefully and capture a significant portion of sales.

5.3 Case Three – Findus

Findus Sverige AB (hereafter referred to as Findus) is one of the top food-stuffs companies in Sweden. On the Swedish market, the company conducts marketing and sales on products via retail outlets to consumers as well as directly to restaurants and caterers. Findus' main sales are derived from the frozen food category but the company is also very much active in the colonial products segment. Examples of products that are sold under the Findus brand in Sweden are *Findus Wok, Våra Finaste, I Feel Good, Mediterranean,* and *Pastasås Italia*. The company has manufacturing facilities in Sweden, Norway, Great Britain, France, Spain and Thailand; sales are conducted in some 20 countries mostly focusing on Europe. Findus was originally founded in 1941 and is since 2000 owned by the investment company EQT. In total the main company had a turnover of SEK 5,6 billion in 2001 and employed approximately 3 200 people. (Findus Sverige AB, 2002)

The Findus Logo. Source: Kompass, 2002

The respondent, Jörgen Olsson, is the Sales Director of Findus Sverige AB. The Swedish operations, which the respondent answers for, had approximately 1 400 employees and a turnover amounting to around SEK 2,8 billion in 2001. The department at the headquarters in Bjuv, which is headed by the respondent, employs some 70 people. Due to the broad product assortment carried, the organization cannot identify any specific overall target audience; rather, this is dependent on the different products.

The main competition in Sweden is among other manufacturer brands made up of Procordia, Dafgårds, and to a certain extent Scan. However, when viewed from an overall company perspective and not just Sweden, the main competitor is perceived to be Unilever. Nevertheless, the greatest competitors today in Sweden are actually identified to be the major private label brands among ICA, Coop, and Axfood.

5.3.1 Company's Perception of Private Labels

When addressing how the company perceives the increased usage of private labels, the sales director claims that an increase clearly can be seen in Sweden presently, and that private labels most likely will reach a level suitable for the Swedish market within a few years. However, this will probably vary within different product categories. It is clarified that reaching the 15 percent target set by Swedish retailers implies greater impact in certain categories than others. Private labels have been launched in most product categories in order to gain market shares, many times without examining the actual acceptance for them. In categories that can be classified as mature basic goods, such as toilet paper, private labels have reached a large penetration and coverage, as consumers accept them to a higher degree. In others, where consumer demand is not as developed and purchases take place rather seldom, brands that are well-known would be more desirable.

The director also emphasizes that private labels have much greater potential than what has been utilized in Sweden so far. Successful implementation of private label business is obviously difficult, and comparing it to manufacturer brands that have had functional sales-organizations and processes for 40-50 years, it becomes evident that the newness of private labels will imply some adjustment time. There is however seen no doubt that private label manufacturers will improve, and that they will thrive in the future.

Generally, the director states that the company does not have anything against private label competition. Rather, it is seen as a motivator for improvements of products, sales, and categories – something that would benefit the consumers in the end. As put forth by the sales director at Findus; “private labels are ok as long as they consequently lead to satisfying human demand”.

Advantages of Private Labels

The sales director identifies the most important advantage private labels have over manufacturer brands to be the information flow in the sales process. Retailers have full insight into products, point of sales data, supply chain data, and inventory, as they own and control both the stores as well as the products. They can hence decide product distribution and placement largely independently. Thus, the effort of selling the products to the stores naturally disappears, and there is no real need to consider sales figures and related issues when choosing how to position their products in the stores. Because of this, the director considers retailer control and placement as private label advantages of high importance. However, it is also stated that the actual potential of these advantages is much greater than what has been seen so far.

Furthermore, the high coverage and penetration of private labels are recognized to be advantages of high importance theoretically spoken, but only medium in reality. Since private labels imply owning ones own marketplace, the potential for having a huge impact with a product is great. However, the director expresses surprise that retailers have not managed to implement the concept better. For instance, Findus is able to have 100 percent distribution of its brands in the stores, something that retailers many times cannot achieve with private labels, despite controlling the entire sales process.

The piggybacking activities conducted by private labels are considered as being of medium importance. The director sees that advertisements and sales promotion for the company’s products may benefit competitors, but states that this has always been the case, and that private labels do not have any real additional advantages regarding it.

The director does not recognize trade deals as an advantage whatsoever. Most brands offered by the company are market leaders, and consumers generally demand them in all stores. Competition between retailers implies that not giving 100 percent pass-trough on for instance price reductions could lead to lost sales, and they can hence not afford to keep the surplus to themselves.

Regarding the improved quality of private label products, it is acknowledged that private labels have clearly increased quality-wise with regards to both the products themselves as well to packaging and positioning in later years. Many BGMs that previously produced own brands, and were looked upon as respectful competitors providing high-quality products, have now turned to solely producing private labels. This implies that the number of branded products on the market has decreased, but instead there has been an upsurge of higher-quality private labels. Hence, it is seen as an advantage of high importance. Also, the director recognizes a trend, particularly in the UK, towards a differentiation of lower quality, lower priced private labels, and higher quality, higher priced dittos. However, this development of more premium positioned private label brands is far from being fully developed in Sweden, and it is seen as a medium-importance advantage, since premium brands are predicted not to be introduced until private labels have reached further in the product lifecycle. However, other European supermarkets' success with private labels is expected to influence and inspire Swedish retailers further in that direction, and is consequently identified to be an advantage of high importance.

The emergence of new channels is perceived as an advantage of low importance. So far, the development of private labels has not been dependent on this factor, but rather on a desire for increased margins. However, it is predicted that this advantage will play a more important role in the future. Moreover, the creation of new private label categories is perceived as being of low importance, since private label success is more dependent on developing products that provide value rather than spreading into as many categories as possible.

Concerning the new product activities connected to private label brands, it is stated to be an advantage of low importance, as private label manufacturers are lacking very much behind with regards to new product development. However, the director claims that as long as product categories are growing, it would make more sense for private label developers to simply copy manufacturer brands, since developing new products costs a lot.

Finally, the factors connected to price and promotion are considered an advantage of medium importance. Although the director asserts that price and promotion activities usually function well for private labels when being introduced, it becomes increasingly difficult to uphold them as the products mature and have to act independently, since the costs rise substantially.

Advantages of Manufacturer Brands

The sales director identifies the main advantages Findus have over private labels to be the good reputation and image connected to the brand, as well as product development. The brand itself, and what it represents to the consumers, is perceived to be one of the greatest strengths the company possesses. However, the director emphasizes that private labels are starting to create very strong brands themselves presently. Hence, simply having branded products is not enough to hold an advantage today. The brands need to be constantly maintained in order for them to remain strong not only for the company itself, but also in the minds of the consumers. Consequently, the ability to develop and stimulate products and categories is seen as a fundamental advantage for manufacturer brands. The director claims that BGMs have much greater resources to gain knowledge of the end-consumers, and are able to map consumer needs in order to develop products that satisfies those to a larger extent than private label manufacturers. The fact that retailers have to carry a vast number of different products, means that they can never reach the same level of detailed consumer knowledge that manufacturer brands can.

Furthermore, the director claims that the brand acts as a guarantee for quality. For instance, when conducting consumer research; the company's products are frequently brought up as being the most recognized in most product categories. A consumer purchasing a product in an unknown category for the first time would hence have an easier decision if he/she perceived the brand to represent high quality and value. However, the director expresses a desire that, ideally, this concept should apply to the entire store. When purchasing from a retailer, the actual store-name should act as a guarantee for the consumers, ensuring that all products sold under it hold the same high standards. Presently, with the existence of private label products of lower or inferior quality, this is not the case, and therefore the facilitation of the consumers' selection process is seen as an advantage of high importance for the company.

Concerning the parallels between brand strength and the surrounding economy, it is stated that the advantage varies with how strong the brand is. If a brand or private label does not hold any specific values for a consumer, it may vary much more with economic ups and down than if it does. Hence, brand name reputation must exist in order for this advantage to have an impact, and it is thus rated as being of medium importance.

Regarding national brands' perceived value for retailers, it is recognized that retailers have to carry branded goods in order to attract consumers. However, it is seen as difficult to identify to what degree this applies. Although the company can state that consumers demand its products in negotiations with retailers, it cannot be proved how much of the product assortment that actually has to be manufacturer brands. Hence, this is viewed as an advantage of medium importance.

The alleged lower price elasticity of manufacturer brands is seen as an advantage of medium importance. It is noted that prices depend very much on brand strength; consumers will only pay as much as they perceive a product to return in value. From that perspective, manufacturer brands can have somewhat of an advantage in that they enjoy greater reputation in many cases. However, prices can still never be adjusted beyond consumers' acceptance levels, and hence a strong private label would have equal opportunities.

Overall, the director is not very worried over the emergence of private labels. It is stated that since the company is the market leader in many categories, its products will still be carried despite increased private label development.

5.3.2 Strategies Adopted by Company and Benefits/Drawbacks of These

On the whole, the sales director states that the organization has strategies as to how they wish to work with their products. In order to do so, a number of environmental factors have to be taken into consideration, and one of these factors is competition. Private labels are part of that competition, and no competitor is ever allowed to grow uncontrollably. Hence, if a private label should "attack" a company brand, strategic actions will be taken against it, but these differ depending on which product that is in question. However, the director maintains that he cannot state any specific strategic measures with regards to private labels, due to competitive issues. Nevertheless, if the company is not able to convince consumers that its brands provide additional value, and the consumers choose private labels instead, then the organization obviously has failed. Thus, it becomes imperative to show consumers what benefits the brands hold, and to increase the distance from private labels is consequently stated as a vital strategic measure on a general level.

Concerning the strategy of waiting while doing nothing, the director claims that the only time this is viable is if private label competition in a category has been thoroughly evaluated and found to be of no concern. At such times, resources that would have been spent on counteraction towards private labels can be allocated to other areas. However, many times this is not the case, while the strategy is still adopted; leading to a situation where companies stand unprepared for a new competitive threat in the market. It is fundamental for BGMs to take private labels seriously, and the director argues that anyone not considering private labels a serious actor cannot be seen as a serious brand.

Reducing the price gap is emphasized to be a strategic measure strongly connected to consumer benefits. Prices are set depending on how much the consumers consider the brand to be worth, and as long as they are prepared to pay a higher price, there is no need to lower prices to private label levels, as this could even damage the overall brand perception in the long run. On the other hand, the director maintains that this also implies that if consumers do not find value in the brand, they may switch to a lower priced private label alternative. In that case, possible price reductions could be considered in order to maintain the strong position and market share.

Further, to introduce a value flanker is seen as a rather common strategy by BGMs, as products that are positioned close to private labels with regards to quality and price are launched in response to private label development in product categories. The manager declines to specify whether or not the company uses value flankers, but states that there may be certain products in the portfolio that could be considered as such.

The manager asserts that the organization does not produce private label products presently, although it may consider doing so in the future. Today, the main attitude among manufacturers toward this has shifted from a clear and concise no, to something that is taken under very much consideration or even implemented. In certain product categories, in particular where large private label introductions are inevitable, it would make sense to use excess manufacturing capacity and produce, since someone else will do it otherwise, and private labels will capture sales whether a company choose to manufacture them or not. As the manager argues; organizations must ask themselves “is it better that I bite my own tail than if someone else is?” Moreover, producing private labels would imply a closer relationship with the retailer, while also increasing control over an entire product category. However, if private labels grow to a vital part of a company’s manufacturing, there is risk in becoming too dependent on one buyer. If the retailer chooses to change supplier, great difficulties would occur.

Moreover, the manager claims that the organization has neither increased nor decreased their focus on advertising, sales promotion, managing the price, or building trade relationships due to the emergence of private labels. These are crucial strategic measures nonetheless, but they would be pursued even if manufacturer brands were the sole competition. However, sales promotion has become somewhat more important, especially with regards to temporary campaigns in the stores, but private label development has not really had any greater impact on the strategy.

The sales director sees the main benefits with the above-mentioned strategies to be that the organization has control over future private label development. Previously, private labels were identified as an upcoming competitive threat, but no clear perception was held as to how this should be faced in terms of strategic measures. Today, there is much more planning in advance with regards to how private label threats should be evaluated and possibly responded to.

The biggest drawback would according to the director be that private labels sometimes receive too much attention. It is emphasized that private labels ideally should be viewed upon as any other competitor, with both strengths and weaknesses, but many times they are perceived as protected entities that are beyond the reach of manufacturer brands. This could lead to a situation were an excessive amount of focus is put on tempering private label challenges, while "forgetting" about other competitors that perhaps are stronger, or not concentrating enough on own product development.

5.4 Case Four – Unilever Bestfoods

Unilever was founded in 1930 when the Dutch margarine firm Margarine Unie and the British soap manufacturer Lever Brothers joined forces. Today, Unilever is one of the world's largest manufacturers of commodity goods, primarily food-stuffs, drinks, laundry detergents, and hygiene products. The Unilever Corporation is an international organization selling over 1 000 brands through 300 subsidiary companies in almost 100 countries, and employs approximately 265 000 people world-wide. Unilever in Sweden is organized around three subsidiaries; Unilever Bestfoods AB (hereafter referred to as Unilever Bestfoods) and GB Glace AB that constitutes the food products division of the company, and Lever Fabergé AB, that handles the chemical-technical ditto. Together, they employed about 1 600 people, with a turnover of SEK 4,7 billion in 2001. The Swedish companies manufacture and market a large number of commodity goods with a strong position both on the consumer market as well as among large-scale consumers. Unilever Bestfoods is one of the leading suppliers of food products in Scandinavia, providing fast moving consumer goods through brands such as *Lätta*, *Milda*, *Flora*, *Tre Ess*, *Slotts*, *O'hoj*, *Lipton*, *Kockens*, *Bertolli*, *Crème Bonjour*, *Knorr*, *Maizena*, *Dextrosol*, and *Boursin*. (Unilever, 2002)

The Unilever Bestfoods Logo. Source: Unilever, 2002

The respondent, Mats Nilsson, is the Customer Business Manager at Unilever Bestfoods in Sweden, and is located at the Swedish corporate headquarters in Helsingborg. The Swedish sales department for which the respondent is responsible employed 130 people, and had an annual turnover of approximately SEK 2 billion in 2001. The overall business mission is defined as becoming the number one manufacturer within Swedish food-stuffs commodity goods, to spread joy to the consumers, to outgrow the competition, and to deliver on time. The main target audience is dependent on the product offered.

The main competitors vary between product categories; examples are, among fresh commodities Arla, among colonial products Santa Maria, Teatly within tea, and Campbell amid the soup category. Apart from this, private labels have grown to become a substantial competitor for the company in later years.

5.4.1 Company's Perception of Private Labels

Considering how the company perceives the increased usage of private labels, the customer business manager states that Swedish retailers have set a target of reaching a 15 percent market share by 2005. However, it is claimed that this should be perceived as just a partial target, and that Swedish private label business probably will continue to increase until it reaches levels that are more in parity with the rest of Europe, with a market share of about 20-25 percent, before the expansion slows down. Hence, the manager asserts that there is no doubt that private labels are around to stay, and their presence simply has to be accepted.

Also, it would according to the manager not be sufficient to simply have a brand in order to compete successfully today. Rather, private label expansion forces BGMs to continuously develop their products and become even better at offering strong brands that provide value to consumers. For manufacturers that do not have brands among the top two in a category, the emergence of private labels could prove to become fatal, as private label products grow to take their place on the market.

Overall, the manager maintains that private labels are perceived as any other competitor. There will always be two or three actors in a product category that the company has to compete against, and it does not really matter if these are manufacturer brands or private labels. Nevertheless, it is admitted that it can be more difficult to compete against private labels, as they control their own marketplace to a greater extent than other manufacturers, and can decide their own existence rather independently. Moreover, the fact that private labels turn the retailer into both customer and competitor is seen as somewhat of a complicating issue, since openness in negotiation could reveal sensitive information regarding products and strategies.

Advantages of Private Labels

The main advantage private labels have over manufacturer brands is, according to the customer business manager, that they have 100 percent access to a chain of stores. If launching a new product as a private label, it is guaranteed an advantage of high importance in that it will receive coverage and penetration in all stores, as the retailer can control its outlets centrally. A manufacturer brand trying to achieve the same would have to spend much time and energy on negotiations. However, the manager maintains that this has not been totally implemented in Sweden yet, since there are still independent retailers that cannot be fully controlled.

Further, it is recognized that private labels have a strong advantage in that they can benefit from piggybacking on advertisements and sales promotions performed by manufacturer brands. The manager states that it is the brand leader that drives the market, and if it tries to increase through promotional activities, other products in the same category, including private labels, will gain from that simultaneously.

The private label advantage of placement is considered to be of high importance, as retailers are able to place their private labels at the best positions in the stores at will. Also, today more effort has to be put into negotiations with retailers in order to assure good placement of the company's brands.

Regarding trade deals, the manager does not see it as a particular advantage for private labels. It is claimed that retailers naturally have to make a profit, and if this involves not passing on every percentage of for instance a price reduction to the end consumer, then it would be seen neither as something unfair nor as an advantage.

On the topic of increased quality of private labels, it is stated that private labels being launched today generally hold a higher quality level compared to a few years ago, and that this would imply an advantage of high importance, since they are moving closer to manufacturer brands. Also, the manager sees a differentiation trend amongst private label developers, meaning simultaneous existence of low-priced, low-quality private labels, as well as higher-priced, higher-quality dittos, in order to target different segments in the market. However, the development of premium private label brands is not recognized as an important advantage in Sweden yet, as there has been little existence of them so far. Nevertheless, premium brands are predicted to increase within the near future, especially as Swedish retailers are acknowledged to be influenced by the success of European supermarkets' private label concepts, which is identified as a high-importance advantage.

Moreover, the development of new channels is perceived to be an advantage of high importance. The manager maintains that there appears to be an upsurge in stores almost solely focusing on private labels presently. It becomes very difficult to keep a manufacturer brand presence through such channels, as BGM products many times are not even considered when deciding product assortments.

The manager further claims that private label developers very rarely create new product categories, but rather examine existing ones and launch copy-cat product into those. Hence, although this implies spreading to more and more categories, it is perceived as an advantage of medium importance since no or little own creation of categories take place. Also, it is emphasized that private label manufacturers have not launched much own-developed products to present date. Rather, the market leader brand is usually taken as benchmark and copied. Thus, new product activity is seen as an advantage of medium importance.

Considering price and promotion factors, the manager maintains that private labels are not promoted very much neither inside- nor outside the store. Compared to BGMs, who employ sales personnel in order to ensure placement and promotional activities in the stores, little effort can be seen from retailers to perform the same. However, since retailers have full insight into prices paid for manufacturer brands and their subsequent end-consumer sales price, they have a certain advantage in that private label prices can be adjusted to competitively match those.

Advantages of Manufacturer Brands

The customer business manager identifies the main advantage that manufacturer brands have over private labels to be the long tradition and experience held with regards to producing consumer goods; leading to greater knowledge about both consumers as well as product development. The company has continuously built strong brands during many years, and has had the opportunity to create a vast competence behind products and product development, consequently being able to provide brands that satisfy consumer needs better, something that private labels largely cannot match due to both the newness of the concept, as well as retailers' lack of experience in the area.

The manager states that if a brand is well-known, consumers will more likely select it first when purchasing in the store. Accordingly, it is claimed that manufacturer brands would have a highly important advantage in that they simplify the consumers' selection process.

However, it is also emphasized that this is very much dependent on the reputation of the brand. The company has nurtured its brands for many years, in order to build positive associations for them in the minds of the consumers. This establishment of brand name reputation is considered to be an advantage of high importance.

Considering that brand strength would parallel the strength of the economy, the manager claims that in certain specific cases it does. For instance, products positioned as environmentally friendly would have an upsurge during economically stronger periods, but slump during recessions, as consumers would put much greater emphasis on price than environmental factors. For other goods little correlation is seen, and the advantage is rated to be of low importance. It is pointed out that consumers will get used to purchasing certain products, and they would hardly change their consumption patterns because of variations in the economy.

Moreover, it is stressed that although the organization is a large player on the market with well-known and strong brands, it cannot take for granted that retailers will stock all its products. Presently, due to the emergence of private labels, Swedish retailers are starting to focus their assortment towards a few strong brands and their own private labels, meaning that brands that are rated as number three or four in the market could find themselves deleted. The manager states that the company's products that are market leaders have value for retailers, and will be carried no matter what. Nonetheless, this advantage is seen to be of medium importance, since those brands that are not as strong could be removed by the retailers and replaced with private labels.

That manufacturer brands would have lower price elasticity than private labels is perceived to be an advantage of low importance. It is clarified that the closer a private label is positioned in price towards a manufacturer brand, the lesser will be sold of it, as consumers would choose the manufacturer brand instead. However, there is little possibility for the company to neither adjust its prices nor influence private label manufacturer to raise theirs.

Overall, the manager claims that the organization will continue to develop its business and increase its turnover, despite the emergence of private labels. Being a large and profitable company, with resources to create new products and categories, the manager sees that it will have no problem to continuously thrive. Nevertheless, it is perceived that private label expansion could lead to them taking over certain product areas in the long run, and that small manufacturers could find themselves facing a very difficult situation in the future.

5.4.2 Strategies Adopted by Company and Benefits/Drawbacks of These

With regards to how the company responds to private labels in terms of strategies it adapts, the customer business manager states that the most important measure pursued is to continuously build and strengthen the value of the offered brands. Effective pricing, and an efficient cost structure throughout the supply chain are also identified as strategies that would help in competing with private labels. Moreover, the fact that BGMs are able to develop new products and broaden product categories, in order to strengthen positive consumers perceptions of the brands, is seen as a way to increase the distance between manufacturer brands and private labels. The manager further stresses that since private labels today exist in basically every product category, and could be viewed as everyday competitors like any other brand, it would indeed be a very dire strategic measure to simply wait and do nothing.

Concerning strategies aimed towards reducing the price gap, it is emphasized that prices are set depending on both costs as well as what the consumers are prepared to pay for the product. Lowering prices would significantly decrease the company's margins, and as long as consumers feel that a certain price is worth paying, there is no need to reduce prices because of the emergence of private labels. Nevertheless, continuous focus is put on monitoring prices and the market's sensitivity to them, and manage the price is seen as a key strategy for this. Furthermore, the manager ascertains that there is little possibility to influence retailers to lower their prices on private label products. However, this is still suggested in negotiation with retailers, since narrowing the price gap between private labels and manufacturer brands would eventually benefit the sales of the BGM's products. Nevertheless, in the end, retailers naturally have full freedom over their own price levels.

It is recognized that some BGMs have added brands as direct competitors to private labels in certain product categories, primarily in other markets than Sweden. However, the manager asserts that adding a value flanker would not be a desirable strategy for his organization, as carrying two competing brands in the same category would diffuse the overall image of the company, and stresses that it is more desirable for an organization to put greater focus on its already existing business.

The manager further maintains that it is not part of the organization's present policy to manufacture private label products. However, numerous requests to do so have been received, and it is claimed that if the cost estimates would be appealing and if it would fit with the company's overall business, then production could be considered. There is according to the manager benefits with making private labels in that it would help to cover overhead costs. For instance, if using 90 percent production capacity, producing private labels with the additional 10 percent would benefit all types of products, as it contributes to fixed costs that occur no matter what. This advantage would be valid as long as private label production only takes up a small part of the overall manufacturing. If it however evolves to become a core business, there is a danger in becoming too dependent on one buyer. A retailer might choose to switch supplier, for instance to a low-wage country, leading to a situation where the manufacturer stands without a customer for its chief production.

Furthermore, the organization is continuously increasing communication for its brands, both through advertising and sales promotion. However, the importance of those strategies has neither increased nor decreased due to the emergence of private labels, but rather as a response to overall competition in the market.

Finally, considering the strategic measure of building trade relationships, it is claimed that this has always been, and certainly still is, highly important for the company, but it has not been influenced much by private label increases. However, relationships with the consumers (retailers) are perceived to have changed somewhat during later years, from a rather interpersonal approach to a more business related one. Today, it is increasingly important to be a good trading partner and do business successfully together, something that is more fuelled by the general competitive environment than the emergence of private labels.

The main advantage with the company's pursued strategies is according to the customer business manager that it creates an opportunity to continuously build strong brands, while also finding the right market mix sufficient for facing competitive challenges, including those from private labels. Furthermore, the manager emphasizes that no direct overall drawbacks can be derived from the organization's adopted strategies.

6 Analysis

The empirical data outlined in the previous chapter will now be compared to the theories presented in the conceptual framework. First the data will be further reduced through within case analyses, comparing each case to previous studies on the topic. Then the reduced data will be displayed through the use of cross case analysis where the four cases will be compared to each other. This analysis chapter will eventually lead to a good base for the drawing of conclusions in the upcoming chapter.

6.1 Within Case Analysis of Cederroth

In this section, the empirical data gathered in case one will be analyzed against the concepts outlined in chapter three. First, the company's actual perception of the advantages it possesses towards private labels and vice versa will be compared to the previous research, then its adopted strategies and the benefits and drawbacks of these will be compared in the same manner. This is done in order to find out if there is any correspondence between the empirical data and previous studies within the topic.

6.1.1 Company's Perception of Private Labels

The respondent does not see the introduction of private labels as a particular threat, but instead as a positive addition to the market since they help to stimulate competition, which in turn would benefit the end consumers. On the other hand, he does state that the introduction of private labels has damaged certain categories, and that inferior quality private labels can serve to deter consumers from entire categories in which the company is active. He also claims that some private labels exist with the sole purpose of causing harm to manufacturer brands in certain categories. Moreover, the respondent predicts that private labels will supercede the 15 percent market share goal previously set by the Swedish retailers

Advantages of Private Labels

According to the respondent, the foremost advantages that private labels currently possess over his company are first, the lower prices held by the private labels, which is a variable previously recognized by Quelch and Harding (1996), who promote *price and promotion factors* as one of the factors that would favor private labels over manufacturer brands. The second main advantage enjoyed by private labels is, according to the case company, the fact that private labels receive better shelf allocation in the stores. This corresponds to Hoch's (1996) reasoning regarding *placement*, when he means that private labels are guaranteed full distribution and the best shelf placement. Another major private label advantage identified by the case company is that the retailers' own brands get much more in-store exposure in every category compared to corresponding manufacturer brands. Hoch (1996) has also identified this advantage with his reasoning that private labels are the only trademarks that reoccurs throughout the entire store, this reasoning connects to his proposed advantage dealing with *private label coverage and penetration*. It is also applicable to Hoch's (1996) advantage regarding *retailer control*, as it deals with the retailers' full control over their brand's advertising levels and overall image. Consequently, all of the main advantages enjoyed by private labels acknowledged by the investigated organization have already been proposed by other researchers. Thus, there is a correspondence between the empirical data and previous studies.

Moreover, regarding the other advantages discussed in the conceptual framework, the investigated company recognizes Hoch's (1996) proposed advantage concerning *piggybacking* to be of high importance for private labels, since the respondent feels that his company might have been exposed to this. The same reasoning applies to the theory on *trade deals*, which is also considered a highly important advantage. Other advantages considered to be of high importance by the case company are, first Quelch and Harding's (1996) *the emergence of new channels*, where the respondent feels that the growth of new outlets are beginning to cause problems. Second, the authors' (Ibid) proposed advantage of *the creation of new categories* is agreed upon by the company, which thinks that this can help the private labels to create increased consumer acceptance. Third, *new product activity* (Ibid) is considered a strong advantage, since the company feels that duplication makes it very easy for private labels to copy manufacturer brands. However, the respondent is not worried that private labels will come up with innovative and new products, since they hardly conduct any research and development of their own. Since the proposed advantages above were all seen as important from the case company's point of view, they could be viewed upon as good correlations between theory and empirical data.

The respondent considers two of Quelch and Harding's (1996) proposed advantages to be of medium importance, namely *the improved quality of private label products* and *European supermarkets' success with private labels*. Concerning the first, the company thinks that private labels historically have been considered inferior goods with low quality and that consumers, to some extent, still view them this way although the opinion is slowly turning. Addressing the second, the company admits that many retailers are looking towards the UK for inspiration, and that this could serve as an advantage and incentive for Swedish private labels. The respondent further prognosticates that these two advantages will become more important in the future. Nevertheless, since they are still considered only of medium importance, no clear connection between theory and empirical data can be discerned. The same goes for Quelch and Harding's (1996) *development of premium private label brands*, where the case company could not find any significant evidence of premium private label development at the present.

Advantages of Manufacturer Brands

The respondent at the case company sees three main advantages that his organization possesses towards private labels. First, he thinks that his company's products has an attraction in the consumer's minds that private labels cannot achieve, which corresponds well with Quelch and Harding's (1996) reasoning about *brand name reputation*; that manufacturer brands have a solid advantage on which to build a strong reputation. It also corresponds with Hoch (1996), who says that manufacturer brands are still perceived as better. This, in addition to the fact that the respondent perceives this advantage to be of highest importance when asked specifically, implies a good connection between collected data and theoretical propositions concerning this specific advantage. However, the company's second chief advantage towards private labels is not found among the previous studies, neither is the third. The organization's second main advantage is, according to the respondent, the generally superior product quality in relation to private labels, and the third is its concentration on product development. The respondent states that this is one of the most important areas in which manufacturer brands can compete with private labels, because this is how the BGMs can launch new and innovative products that the consumers want to buy. As stated regarding the last two manufacturer brand advantages, no correlation between empirical data and theory has been discovered.

Concerning the BGM advantages brought up in the conceptual framework, the company considers most of them to be highly important. For instance Quelch and Harding (1996), Taylor & Rao (1982), and Rao & Monroe's (1989) propositions that manufacturer brands *simplifies the consumers' selection process*. The theory states that consumers require an assurance of quality when they do not have the opportunity to inspect alternatives at the point of sale. The respondent agrees to this and says that consumers already have a pre-determined image of the manufacturer brand, which facilitates the selection. The organization also agrees to Quelch and Harding (1996) and Håkansson's (2000) proposed advantage that *national brands have value for retailers*, since the respondent feels that retailers have to carry the company's products in order to attract customers and therefore views this advantage as highly important. Another highly important advantage is the fact that the respondent sees that the products have lower price elasticity than the retailers'. The company can thus charge a higher price than the competing private labels without loosing market share. The respondent's statements correspond well with Hoch's (1996) discussion about *lower price elasticity*, and since this favorable correspondence is the case with all the above mentioned theoretical advantages, it can be said that they all connect quite well with the collected data. This is however not the case with Quelch and Harding's (1996) reasoning that *brand strength parallels the strength of the economy*, as the case company cannot see any clear connection between these factors. Nevertheless, since some parallels could still exist, the company considers this advantage to be of medium importance. Still, due to this unclear connection, no clear match between theory and gathered data could be identified regarding this advantage.

6.1.2 Company's Adopted Strategies

Generally, and officially, the case company claims that it does not adopt any specific strategies in response to private labels. It is said that private labels are considered to be just like any other competitor, and due to the fact that the company considers its main competitors to be other manufacturer brands, these are the main focus when new competitive strategies are developed. However, the discussion with the respondent has provided some indications that the company actually does take some strategic actions in response to private labels in particular as well.

Nevertheless, first of all the respondent clearly emphasizes that the company is definitely not just passively observing the private labels as they continue to grow and gain market share in hope that times will change. Since Hoch's (1996) description of the *wait and do nothing* strategy corresponds rather well with what the company accentuates that it certainly does not do, in addition to the fact that it does not recognize the theory in itself at all, Hoch's (1996) proposition could in this case be identified as a mismatch between theory and empirical data.

The company repeatedly mentions the importance of continuous research and development activities since this can create opportunities and competitive advantages. The respondent emphasizes that the company always strives for improvements and new products in order to add value to the consumers. In addition, the respondent also admits that although not solely fuelled by the increase in private labels, this R&D strategy indirectly could function as a mean to *increase distance from private labels* (Hoch, 1996; Halstead & Ward, 1995; Quelch & Harding, 1996). The BGM strategy above is both recognized as well as to some extent used by the case company, consequently a correlation between theory and empirical findings has been discerned.

Hoch (1996), Miller (1995), and Halstead and Ward (1995) basically describe *reduce the price gap* as either reducing one's own prices or convincing the private labels to increase their. The respondent admits to this strategy and reveals that it is utilized to some extent on certain markets and categories in where there are only a few actors; he claims that it is somewhat a necessity in order to stay competitive in these segments. The company also, occasionally, questions the low prices charged by the retailers during negotiations. Since this strategy also is both recognized and utilized by the case company, a good correlation between data and theory is identified.

The case company has not introduced any brands with the purpose of imitating the private labels; i.e. lower priced and lower quality brands. Thus, Hoch's (1996) strategy; *introduce a value flanker* is not pursued by the company. However, although the strategy is not adopted, the respondent still admits that some of the brands in the company's portfolio could be perceived as value flankers due to their overall similarity to private labels, but this is seen more as a coincidence than a deliberate action. In other words, since the case company has acknowledged the strategic measure of introducing a value flanker as feasible, although not pursued, some correlation between collected data and previous research can also here be recognized.

Another proposed strategy from the conceptual framework that is not utilized by the case company is the strategy mentioned by various authors concerning *making regular or premium private labels* (Hoch, 1996; Glémet & Mira, 1993; Halstead & Ward, 1995). The theory states that this strategy involves the production of private labels based on various reasons, for instance utilization of excess capacity, strengthening of relations, et cetera. The respondent recognizes this strategy and admits that the company on numerous occasions has been approached by retailers with a request of exactly this. He further confesses that the company has seriously considered this strategic option, but as of yet, not gone any further than strategic deliberation on the subject. The respondent also adds that the company might have acted differently if its products were positioned in categories with less consumer involvement. Consequently, although considered by the company, it does not pursue the strategy of making private labels itself. Thus, some connection between empirical data and theory have been identified due to the fact that the case company still acknowledges the proposed strategy as being valid.

A number of the conceptual framework's proposed general strategies are admitted to be continuously and frequently utilized by the company, however the respondent stresses that they would be used regardless of the very existence of private labels. For instance, Miller (1995) and Parker and Kim (1995) propose that BGMs should *advertise* in order to gain advantages towards private labels. The respondent explains that his company utilizes advertising on a regular basis and that private labels surely are affected by this, but not to any further extent than the rest of the actors on the market. The same reasoning and line of thought is applied by the company on Quelch and Harding (1996) and Halstead & Ward's (1995) proposition that BGMs ought to *exploit sales promotion* in response to private labels. Since these two strategies are not used according to the theoretical propositions, they cannot be looked upon as good correlations between theory and gathered data.

However in contrast to those above, price management is seen as a very important strategic measure in response to private labels. Since the latters' main competitive advantage is their price, the respondent feels that it is important to keep tight track of these issues. Previous researchers (Quelch & Harding, 1996; Montezemolo, 1997; Colangelo, 2002) have also recognized this strategic measure, which in the conceptual framework goes under the name *manage the price*. This strategy indicates a good correspondence with empirical data, since price management is both acknowledged and used by the case company.

The company also constantly works on its relations with suppliers and customers in accordance to the theoretical strategy stating that BGMs should *build trade relationships* (Quelch & Harding, 1996; Montezemolo, 1997; Halstead & Ward, 1995; Colangelo, 2002). But while the theory says that this should be done especially with private labels in mind, the case company sees it as a general value that should imbue every aspect of the entire organization. Because of the fact that the proposed strategy dealt with in this paragraph is admittedly utilized by the case company but not in the exact way it is intended to according to the theory; meaning a strict focus on private labels, it cannot be seen as a good correlation between empirical data and previous research.

Finally, the respondent emphasizes that private labels are taken very seriously within the organization and that their progress is closely monitored. These tactics have previously been advocated by other researchers (Quelch & Harding, 1996; Montezemolo, 1997; Hoch, 1996) who all propose different methods in order to *take private labels seriously* as an available strategy for manufacturer brands. Since this strategy is both recognized as well as pursued by the case company, a good match between earlier research and empirical data is identified.

6.1.3 Perceived Benefits/Drawbacks with Company's Adopted Strategies

On a basic level, the respondent explains that the overall advantages with the company's adopted strategies towards private labels is that they will be able to take private labels seriously and monitor their every move without using approaches that would harm healthy competition. The respondent basically says that the organization does not really need to take any drastic measures at the present, however the company will be ready to act when action is needed thanks to the currently pursued strategies.

Moreover, as the within case analysis above made clear, evidence came up that the company currently utilizes four strategies directed especially towards private labels. These were identified as; *increase distance from private labels* (Hoch, 1996; Halstead & Ward, 1995; Quelch & Harding, 1996), *reduce the price gap* (Hoch, 1996; Miller 1995; Halstead & Ward, 1995), *manage the price* (Quelch & Harding, 1996; Montezemolo, 1997; Colangelo, 2002), *and take private labels seriously* (Quelch & Harding, 1996; Montezemolo, 1997; Hoch, 1996). Below, the company's perception of the benefits and drawbacks of these four strategies will be compared to the benefits and drawbacks acknowledged by previous researchers.

Increase distance from private labels
Hoch (1996) sees that a potential benefit derived from this strategy is that it *provides customers with added value*. The respondent mentions that the company's high focus on product development provides a superior attraction in the minds of the consumer, and also higher quality products, in other words added value. The respondent's statement also coincide with Quelch and Harding's (1996) proposed benefit that the strategy *enhances a brand's superiority in the eyes of the consumer*.

Regarding the drawbacks with this strategy, Hoch (1996) mentions that the strategy is *limited to goods that are a little bit more expensive and diversified*. Since the case company is mainly active in product categories whose products are signified to be very diversified and relatively expensive, the strategy in question should still, in theory, be applicable and feasible for the case company. This is strengthened by the fact that the company also actually utilizes the strategy at the current time. In other words, there is a match between theory and empirical data regarding the benefits with the current strategy as well as with the drawbacks.

Reduce the price gap
According to Hoch (1996) a benefit with this strategy is, if utilized correctly, that a BGM will *gain market share*. The respondent claims that this strategy is used in certain segments by the company in order to stay competitive, in other words to maintain market share relative to private labels.

Hoch (1996) also brings up two drawbacks with this strategy; first, it may lead to *loss in brand value*, second, it could result *in tense relationships between retailers and BGMs*. The reason as to why the company does not particularly favor this strategy is that it lowers the overall profit margins. Consequently, the case company acknowledges the proposed benefit but none of the proposed drawbacks, since decreased profit margins is not mentioned in the conceptual framework at all. Thus, only very limited correlation between empirical findings and previous research has been detected.

Manage the price
Addressing the benefits with this strategy, the respondent sees it as a necessity in order to be able to stay prepared for possible private label challenges. A number of theoretical benefits with this strategy are brought up in the conceptual framework, these are; *create credible prices for all customers* (Quelch and Harding, 1996), *can react quickly to changes in price* (Montezemolo, 1997), and *effective price discrimination* (Colangelo, 2002). The respondent's statement connect quite well with the conceptual framework's second benefit, the other two benefits are not strengthened in this case. Furthermore, the conceptual framework does not mention any direct drawbacks with the current strategy, however, the respondent has not been able to come up with any either. Hence, there is another match between theory and empirical data regarding the drawbacks with manage the price.

Take private labels seriously
Quelch and Harding (1996) claim that a consequence of this strategy is that it *enables strategic measures to be taken where private labels are gaining ground*. Montezemolo (1997) also adds that it has a *deterrent effect on private labels considering look-alike tactic*. The respondent explains that the reasoning behind this choice of strategy is that the company always wants to be prepared for unforeseen events connected to the private labels. In other words, Quelch and Harding's (1996) proposed benefit with the strategy to take private labels seriously correspond well to empirical data, whereas Montezemolo's (1997) does not. Moreover, like in the preceding case, neither the respondent, nor the conceptual framework has been able to identify any direct drawbacks with the current strategy.

Besides the four utilized strategic measures above, the respondent at the case company also commented on the benefits and drawbacks of the other strategies brought up in the conceptual framework. These will be similarly analyzed below.

Wait and do nothing
According to Hoch (1996), the benefit with this strategy is the possibility of *avoiding large investments*. The respondent does not recognize this advantage and instead points to the downsides of what might happen if a company does pursue this strategy; it could eventually run out of business. This is basically supported by Hoch (1996) when he mentions the

drawbacks of the "wait and do nothing" strategy. Thus, some empirical support is identified concerning the drawbacks, but not the benefits, with this strategy.

Introduce a value flanker
Hoch (1996) sees two benefits with the utilization of this particular strategy. First, it can help *preserving a premium image while avoiding price competition*, and second, it *presents an opening for utilizing excess manufacturing capacity*. The respondent does not see any of these advantages and claims that the strategy might lead to cannibalization of one's own brands. Hoch (1996) and Quelch and Harding (1996) also provide a number of drawbacks with this strategy, of which *cannibalization of sales* is one, and *adds complexities and costs* the other. Hoch (1996) further mentions *increase slotting allowances,* and *uncertain profit margins*. Since the case company only identified one of the proposed drawbacks and no benefits, the connection between previous studies and empirical data could be considered rather weak.

Make regular or premium private labels
The company does not produce private labels, however some benefits with the strategy has still been discovered; it is a good way to make use of unutilized manufacturing capacity and it could also serve to strengthen the retailer relationships. A number of previous studies has also recognized the benefit *utilization of excess capacity* (Hoch, 1996; Halstead & Ward, 1995; Quelch & Harding, 1996; Glémet & Mira, 1993), and the *strengthening of manufacturer-distributor relationships* (Hoch, 1996). However *protection against private label brands* (Halstead & Ward, 1995), *increases production experience and lowers costs* (Quelch and Harding, 1996), and *helps smooth production* (Quelch and Harding, 1996) have not been identified by the case company. Hence, limited correlation has been found concerning the benefits of producing private labels.

The reason to why the company does not produce private labels at the present is that the perceived drawbacks are overwhelming; the respondent states that producing would imply a greater transparency into the BGMs operations, which would damage the company during, for instance, negotiations. This drawback is not at all mentioned among the theories in the conceptual framework that instead mentions: *cannibalization* (Hoch, 1996; Halstead & Ward, 1995; Quelch & Harding, 1996; de Chernatony & McDonald), *strategy becomes confused* (Quelch & Harding, 1996), *additional manufacturing and distribution complexities* (Quelch & Harding, 1996), and *BGMs must maintain two sales relationships* (Quelch & Harding, 1996). Since none of the drawbacks brought up in the conceptual framework corresponded to the one proposed by the case company, no connection whatsoever can be discovered in this case.

Advertise
The company advertises in order to achieve increased communication to the customers, however the respondent does not mention any drawbacks especially connected with advertising towards private labels, this is due to the fact that it is a very general strategy utilized by the organization. Consequently none of the proposed benefits and drawbacks presented in the conceptual framework is really applicable because these approach the issue from a private label perspective while the company does not.

Exploit sales promotion
The company uses sales promotion in order to achieve in-store product placement and exposure. But, similar to the case with advertising, this is done as a general strategic measure and not as a defense strategy towards private labels. Therefore, neither in this case has the specific benefits and drawbacks connected to this particular strategy been addressed.

Build trade relationships
The strategy concerning the building of trade relations is like the preceding two cases carried out on a basic company level and on an everyday basis, for that reason no specific benefits or drawbacks have been identified here either.

6.2 Within Case Analysis of Colgate-Palmolive

In this section, the empirical data gathered in case two will be analyzed against the concepts outlined in chapter three. This will be done in the same manner as in the section above dealing with case one.

6.2.1 Company's Perception of Private Labels

The respondent at the case company is convinced that private labels will grow considerably in Sweden, and further claims that they most likely will reach beyond the 15 percent market share target set by Swedish retailers. However, she also says that only a few will go on to thrive and that certain categories will be more severely affected than others. Overall, the respondent does not fear this increase in private label activity, instead she welcomes the new competition since it will help her company to provide better brands to the customers. However, the fact that the private labels have become both competitor and customer is a somewhat complicating issue since it brings about colliding objectives and a conflict of interest.

Advantages of Private Labels

The respondent identifies the fact that the retailers have their supplier and customer under the same roof as private labels' main advantage. What this means is that the retailer can control and monitor end-consumer relations, shelf management, campaign planning, and trade deals very closely. According to the respondent, this is a great advantage since the retailers can control their own media and manage the marketing of their brands better. This description of the private labels' main advantage corresponds very well to what Hoch (1996) would call *retailer control* that discusses retailers' influence over the performance of their private labels. Moreover, the company's mentioning of shelf placement corresponds to Hoch's (1996) description of *placement*. The author's proposed advantage on *trade deals* also falls in under the above description, as Hoch (1996) mentions the advantages private labels possess during trade deals. Finally, the *price and promotion factors* brought up by Quelch and Harding (1996) talks about the low price and advertising/sales ratio enjoyed by private labels, at the same time as the organization talks about the high control the retailers possess over the promotional factors and pricing. Hence, Quelch and Harding's (1996) proposed private label advantage also, to some extent, fits within the case company's description of private labels' main advantages over BGMs. Thus, regarding the above mentioned theoretical propositions on private label advantages, a clear correspondence between empirical findings and previous research can be discerned.

When discussing the other private label advantages brought up in the conceptual framework, the respondent identifies Hoch's (1996) *private label coverage and penetration* as an advantage of high importance. The respondent mentions that retailers do not have to overcome the entry barriers that manufacturer brands are forced to, in order to get their products on the shelf. Thus, they receive the storewide coverage that Hoch (1996) proposes. Moreover, the respondent considers *European supermarkets' success with private labels* (Quelch & Harding, 1996) as an advantage of high importance, she is of the opinion that a high number of Swedish retailers are looking primarily towards England for inspiration and new private label strategies. According to the respondent, the company also views *the emergence of new channels* (Quelch & Harding, 1996) as a private label advantage of high importance. Quelch and Harding (1996) state that the growing number of mass merchandisers and similar outlets focusing on private labels are starting to emerge. The case company agrees to this and expresses some concern on the matter. The above private label advantages were all considered to be of high importance for the investigated company, in other words some correlations between theory and empirical data has been detected.

This correlation is not as clearly identifiable on the other private label advantages presented in the conceptual framework. For instance Quelch and Harding's (1996) advantage on the *improved quality of private label products* is considered to be of a mere medium importance, since the respondent thinks that this can also be a good thing as it increases competition and by that helps her company in generating better brands to the end consumer. For the same reason, the respondent also perceives the *development of premium private label brands* (Quelch & Harding, 1996) as an advantage of medium importance. The same level of importance is imposed on the authors' (Ibid) proposition on *new product activity*, where the respondent confesses that private labels are very successful in new product launches as the products are usually copies of successful manufacturer brands. On the other hand, the private labels are lacking behind in terms of new and innovative products introduced, thus the medium importance.

Besides these medium important advantages, the respondent also identified two private label advantages that were of minor importance for her company. First, the respondent does not see that private labels can free-ride on her company's advertising and promotion by utilizing *piggybacking* according to Hoch (1996), since she feels that the brand loyalty attached to her company's brands is well anchored among the consumers. The respondent does not either believe that *the creation of new categories* (Quelch & Harding, 1996) is a particularly strong advantage for private labels. She feels that private labels already possess an established presence in the organization's product categories and that spreading to additional categories would make little difference from a competitive point of view. Since the two proposed advantages dealt with in this paragraph were considered to be of low importance at the case company, no match between previous research and empirical data can be confirmed.

Advantages of Manufacturer Brands

The respondent at the case company thinks that the organization possesses two main advantages relative to private labels. First of all, the company's opportunity for a much higher level of research and development activities compared to that of private labels is considered a major advantage. This enables the company to provide both more technically advanced products as well as more customer oriented dittos at a higher pace than the private label competitors, thus creating competitive advantages. The company's second major advantage is based on the fact that the brands, in themselves, represent something to the consumers. The respondent upholds that the company's brands communicate trustworthiness and reliability to the consumers, and this is something that the private labels cannot yet achieve. This second major advantage closely correspond to Quelch and Harding (1996), and Hoch's (1996) reasoning on *brand name reputation*, when they mention that known brands have a much stronger foundation to stand on in terms of brand image and identity, thus, a strong correlation between collected data and previous research can be identified here. This correlation is further strengthened due to the fact that the respondent perceived this advantage to be of highest importance when specifically asked about it. However, no previous research have mentioned the case company's first major advantage, dealing with higher research and development, as an advantage for manufacturer brands. Consequently, a mismatch between empirical data and theory has been discovered in this case.

Concerning the importance of the BGM advantages brought up in the conceptual framework, the respondent identifies Quelch and Harding (1996) and Håkansson's (2000) reasoning that *national brands have value for retailers* as an advantage of high importance. This is considered important because the respondent feels that the organization's products have created a demand among the consumers on which the retailers have to respond by stocking up on the company's brands. Hoch's (1996) perceived advantage that manufacturer brands have *lower price elasticity* is also recognized by the case company as an advantage of high importance. The theory suggests that manufacturer brands are much less sensitive than private labels to changes in price and that the demand is fairly stable no matter price levels. The respondent agrees to this, and although she admits that her company cannot control either retailer or consumer prices to any great extent, this is still looked upon as an important advantage. Since the two theoretical propositions above are considered to be of high importance for the investigated company, they can be said to coincide fairly well with previous research.

In the same way as the two advantages above can be viewed upon as a good correspondence between empirical data and theory, the two advantages below cannot, as they were both considered to be low in importance by the case company. First, the proposed advantage that manufacturer brands *simplify consumers' selection process* (Quelch & Harding, 1996; Taylor & Rao, 1982; Rao & Monroe, 1989) refers to that the purchase process favors brand name products before private labels when the consumers does not have the possibility to investigate and compare, especially in cluttered product categories. The respondent disagrees to this as she means that if consumers are solely looking for certain product characteristics, for instance price, they will probably buy the cheapest alternative regardless of brand. Second, Quelch and Harding's (1996) proposal that *brand strength parallels the strength of the economy* is also disagreed upon by the respondent. She strongly questions the feasibility of this advantage because of the fact that there exist manufacturer brands with a low price profile. In addition, it is claimed that economic factors have a very small impact on the organization in general. Therefore these two theories in question could be considered as having a rather unclear connection to the empirical data.

6.2.2 Company's Adopted Strategies

The case company basically perceives the competition from private labels as any other competition, and as a result, it does not formally pursue any specific strategies especially aimed towards these. The respondent emphasizes that since the retailers are also customers besides competitors, it is important to give them the freedom they desire, otherwise business relations could be damaged. Nevertheless, even though the company does not adopt any direct and aggressively blocking strategies towards private labels, some indirect and less aggressive strategies could still be disentangled during the interview.

First of all, the respondent admits that the company does not just sit around and waits for the private label trend to blow over, since it still tries to tamper this upcoming challenge. The respondent further states that this strategy would not really be desirable from any perspective and sees no sense in pursuing it. Due to the fact that the case company neither uses the strategy in question, nor acknowledges it as really feasible, Hoch's (1996) *wait and do nothing* strategy does not prove to have strong empirical support in this case.

Furthermore, the company has a very strong focus on constant development, both quality-wise as well as with the creation of new products. The conceptual framework mentions a strategy stating that BGMs should *increase distance from private labels* (Hoch, 1996; Halstead & Ward, 1995; Quelch & Harding, 1996) for example through the creation of "more for the money" concepts or "new and improved" dittos. The case company's activities match quite well with the theoretical propositions, and the respondent also admits that the focus on research and development affects private labels. However, she stresses that this is not carried out as a defense strategy, but rather as a regular business activity, not specifically aimed at private labels. Consequently, the theory concerning *increase distance from private labels* can be considered as a rather weak match compared to empirical findings due to the fact that the case company admits in utilizing it, however not towards private labels in particular.

The respondent admits that it could be possible to lower one's own prices in order to gain market share from the private labels in accordance with the proposed strategy by Hoch (1996), Miller (1995) and Halstead and Ward (1995) known as *reduce the price gap*. However, the company has not adopted it due to a philosophy that prices are set in relation to the consumers' perceived value and quality of the desired brand. The respondent is of the opinion that as long as the consumers feel that the company's brand can satisfy a particular need in relation to its value, there is no need to lower the prices. As this strategy, although not utilized, is still recognized by the case company, some correlation between empirical data and previous studies can be established.

The same cannot be stated concerning Hoch's (1996) strategy exhorting BGMs to *introduce a value flanker*. The respondent does not really see this as an applicable strategy since her company aims to always be number one in each category, and the introduction of a competing brand in the same category would simply not make sense. The company would instead consider it more sensible to introduce a higher value product, positioned even further away from private labels, if the strategy would ever come to mind. In other words, this strategy is neither recognized nor used by the case company. Consequently, no link between collected data and previous studies can be detected.

On the topic of *making regular or premium private labels* (Hoch, 1996; Glémet & Mira, 1993; Halstead & Ward, 1995), which implies producing on behalf of the retailers, the company has acknowledged it as a viable strategic alternative that is very much an option for several BGMs. Still, this is not pursued because of the fact the respondent feels that taking up the strategy in question would imply more problems than advantages in the long run. Moreover, the company traditionally also has a policy to categorically not produce private labels of any kind. Yet, since the above strategy is identified by the company, even though not adopted, some links between theoretical propositions and collected data is identified.

The case company regularly and extensively utilizes advertising and sales promotion activities in order to create attention and awareness of its different brands. So far it goes in line with the proposed strategies *advertise* (Miller, 1995; Parker & Kim, 1995) and *exploit sales promotion* (Quelch & Harding, 1996; Halstead & Ward, 1995), but as the case company views these as very general measures comprised within the organization's overall operations, and not as actions taken specifically towards private labels as the theories propose, these two suggested strategies could be looked upon as somewhat mismatching in relation to the empirical data.

The same reasoning could be applied towards the strategy known as *manage the price* in the conceptual framework (Quelch & Harding, 1996; Montezemolo, 1997; Colangelo, 2002). Also here the respondent upholds that price management and environmental audits of price levels are important parts of the company's everyday operations, but these activities have not, however, increased due to the increase in private label activity. In other words, although the company regularly utilizes price management as a strategic tool, it does not especially use it as a response to private labels. Consequently, also here a mismatch between empirical data and theory is discovered.

As previously stated, the interview revealed that the case company actually can be considered to adopt a number of the private label strategies brought up in the conceptual framework. For instance the respondent claimed that if her organization would get the impression that some private labels received unjustifiable and unwarranted advantages by the retailers, for example through overly excessive shelf allocation and in-store promotion, this would be directly clarified by the company via an open dialogue and personal contact. The proposed strategy *build trade relationships* (Quelch & Harding, 1996; Montezemolo, 1997; Halstead & Ward, 1995; Colangelo, 2002) suggests that BGMs should strive for a good relation with the retailers in order to convince them to realize the value of carrying manufacturer brands as well. Since this is basically what the case company does, the theory in question can be considered as a good correspondence to empirical data.

Another theoretical proposition that matches quite well with empirical findings is Montezemolo (1997) Hoch (1996) and Quelch and Harding's (1996) statement to *take private labels seriously*. These authors want BGMs to not only consider other manufacturer brands as their true competitors, but to especially include private labels in their overall marketing plans and strategies. Since the case company, although sometimes indirectly, is taking deliberate actions to tamper the private label challenge, it could be seen as both recognizing and adopting the proposed strategy in question, thereby the good correspondence mentioned earlier.

6.2.3 Perceived Benefits/Drawbacks with Company's Adopted Strategies

On a general level, the respondent thinks that the main advantage with her company's adopted strategies in response to private labels is that they are prepared for what might happen if the private labels continue to encroach into their territory. By being prepared, the company will be able to take swift and effective action towards the competitors when it is called for, at the same time by lying relatively low at the present, the company does not have to cause unnecessary harm to current trade relations with the retailers. On the other hand, due to the fact that the company has not reacted strongly with strategic measures, there is a risk that private labels perceive an opportunity to move in forcefully and capture shares in markets where little resistance is seen.

During the within case analysis investigating the case company's adopted strategies, it became quite clear that the organization at the present has two strategies adopted towards private labels in particular. These were identified to be *build trade relationships* (Quelch & Harding, 1996; Montezemolo, 1997; Halstead & Ward, 1995; Colangelo, 2002) and *take private labels seriously* (Quelch & Harding, 1996; Montezemolo, 1997; Hoch, 1996). Below, the company's view of the benefits and drawbacks of these two strategies will be compared to the benefits and drawbacks acknowledged by previous researchers in the conceptual framework.

Build trade relationships
The conceptual framework presents four major advantages connected to the building of trade relationships; (1) *create a win-win situation with retailers* (Quelch & Harding, 1996), (2) *find ways of favoring trade accounts* (Quelch & Harding, 1996), (3) *neutralize private labels from occupying shelf space* (Halstead & Ward, 1995; Montezemolo, 1997), and (4) p*revent suppliers from using proprietary technology* (Montezemolo, 1997; Quelch & Harding, 1996). The respondent explains that the company builds trade relations with the retailers in order to create added value for both parties, and also to make them feel like there is a purpose in stocking the company's products and putting them on the shelves. The company also makes perfectly clear to the retailers when something does not feel right, for instance unjustified shelf allocation or in store promotion. The respondent's basic view as to why the company utilizes this strategy could be said to include both the first, the second, and the third proposed benefit from the conceptual framework, consequently some correlation between empirical data and previous research has been revealed.

Regarding the downsides of this strategy, the respondent has not been able to come up with any particular drawbacks, but on the other hand, neither has the conceptual framework. Consequently, also here a correspondence has been identified.

Take private labels seriously
The respondent says that the reason to why private labels are taken seriously within the organization is that everyone wants to be prepared and ready to act on unforeseen events that could cause harm to the organization. This corresponds well with Quelch and Harding (1996) who claim that this strategy *enables strategic measures to be taken*. However as the respondent does not mention that the company specifically seeks a *deterrent effect on private labels considering a look-alike tactic*, Montezemolo's (1997) benefit is ruled out as a weak connection between empirical findings and theoretical propositions.

The conceptual framework does not mention any specific drawbacks with this strategy and neither does the respondent. In other words, there is a connection between empirical data and theory regarding the drawbacks as well.

Besides the adopted strategic measures above, the respondent at the case company also commented on the benefits and drawbacks of the other strategies brought up in the conceptual framework. These will be analyzed in the same way below.

Wait and do nothing
The respondent does not really see any sense in pursuing the "wait and do nothing" strategy whatsoever since it would only cause harm to the organization. Consequently, Hoch's (1996) proposed benefit that this strategy *avoids large investments* is immediately dismissed. However, some correlation between Hoch's (1996) proposed drawback (*if private labels continue to grow the situation will become precarious*) and the respondent's reasoning could be discerned.

Increase distance from private labels
Even though the organization actually pursues a strategy focusing on continuous product development in order to become even better at offering brands, the respondent explains that this is not done as a reaction to the private label increase, but more as a proactive and very general strategic measure that permeates the entire organization. As a consequence, the respondent cannot really address the proposed benefits and drawbacks brought up in the

conceptual framework since these are aimed particularly towards private labels, and not in the general sense that the company sees it.

Reduce the price gap
Hoch (1996) claims that by lowering the price gap, one can *gain market* share. The respondent explains that the company is currently not utilizing this strategy because it is not needed and that it could even damage the brand identity that has been created. However, if private labels would continue to grow uncontrollable, the strategy could come up for discussion in order for the company to maintain its market share. Thus, there is a connection between Hoch's (1996) proposed benefit and empirical data. Also concerning the drawbacks a connection has been discerned, Hoch (1996) states that this strategy *could lead to a loss in brand value and identity* and this is also exactly what the respondent talks about. However Hoch's (1996) second proposed drawback; *may result in tense relationships*, is not mentioned by the respondent and therefore no connection is found in that particular case.

Introduce a value flanker
The case company does not carry any value flankers due to the fact that no direct benefits have been discerned from it. Moreover, the company would find it very hard carrying two brands within the same product category, as they would end up competing for media and promotion funds as well as other resources. Since the case company has not been able to derive any benefits from this strategy, Hoch's (1996) two propositions; *preserve a premium image while avoiding price competition* and *an opening for utilizing excess manufacturing capacity*, are ruled out as poor correlations. However, regarding the drawbacks, some links between theory and empirical data can be found; Hoch (1996) and Quelch and Harding (1996) mention that this strategy both *could cannibalize sales,* as well as *add complexities and costs*. Moreover, Hoch (1996) brings forth the drawbacks of *increased slotting allowances,* and *uncertain profit margins*. The respondent's reasoning as to why the company does not pursue this particular strategy could be analyzed to include Hoch (1996) and Quelch and Harding's (1996) two proposed drawbacks, as well as Hoch's (1996) first. Hence some correspondence between previous research and gathered data has been identified.

Make regular or premium private labels
The company has an official policy not to produce private labels, however the respondent sees a possible benefit in that this strategy could serve to strengthen trade relations between the company and its customers – the retailers. This is a benefit that is also recognized by Hoch (1996), who states that the strategy *strengthens the manufacturer-distributor relationship.* Since the respondent did not acknowledge any of the other proposed benefits in the conceptual framework, i.e. *utilizes excess manufacturing capacity* (Hoch, 1996; Halstead & Ward, 1995; Quelch & Harding, 1996; Glémet & Mira, 1993), *protection against private label brands* (Halstead & Ward, 1995), i*ncreases production experience and lowers costs* (Quelch & Harding, 1996), and *helps smooth production* (Quelch & Harding, 1996) a rather weak link between empirical findings and theoretical propositions could be confirmed.

When addressing the drawbacks with the current strategy, the respondent explains that producing private labels could imply a large dependence regarding production capacity, it can be dangerous to have a large part of the capacity tied to a single customer. Moreover, it would severely aggravate negotiation situations since the company becomes much more transparent if it also produced private labels for the retailer. The conceptual framework puts forth four drawbacks with producing private labels; *cannibalization* (Hoch, 1996; Halstead & Ward, 1995; Quelch & Harding, 1996; de Chernatony & McDonald, 1998), *strategy becomes* *confused* (Quelch & Harding, 1996), *additional manufacturing and distribution complexities* (Quelch & Harding, 1996), and *BGMs must maintain two sales relationships* (Quelch & Harding, 1996). Quelch and Harding's (1996) proposed drawback regarding additional manufacturing complexities corresponds quite well with what the respondent says about the dependence on production capacity. However, none of the above proposed disadvantages with manufacturing private labels even mentions the increased transparency, thus no good correlation between empirical data and previous studies can be identified in this case either.

Advertise
The company advertises on a regular basis since this is a very important part of the overall business actions. However, the respondent does not mention any benefits or drawbacks especially connected with advertising towards private labels, this is because the advertising activities are fundamental parts of the general business, and not measures directed towards private labels. As a result, none of the proposed benefits and drawbacks presented in the conceptual framework are really applicable because these approach the issue from a private label perspective while the company does not.

Exploit sales promotion
The company uses sales promotion in the same way and for the same reasons as it uses advertising described above. Consequently, similar to the case with advertising, this is done as a general strategic measure and not as a defense strategy towards private labels. Therefore, neither in this case has the specific benefits and drawbacks connected to this particular strategy been addressed by the case company.

Manage the price
The strategy concerning price management is, similar to the preceding two cases, conducted on a basic company level and on a day-to-day basis, and for that reason no specific benefits or drawbacks have been identified here either.

6.3 Within Case Analysis of Findus

In this section, the data collected for case three will be analyzed against the concepts presented in the conceptual framework in the same way as it has been done above.

6.3.1 Company's Perception of Private Labels

The respondent sees that private labels clearly have increased substantially in Sweden, and will continue to do so. However, this growth is identified to be more successful in product categories that are more mature and have higher consumer acceptance, therefore the 15 percent market share strived for by Swedish retailers will most likely be exceeded in certain product categories. Also, private labels are seen to have much greater potential than what has been accomplished in Sweden so far, but their increase is nevertheless not feared, but rather seen as a factor for augmented brand development that would benefit the consumers in the end.

Advantages of Private Labels

According to the respondent, the main advantage of private labels is the information flow in the sales process. This implies a great control of both products and stores, through full insight into data regarding products, point of sales, supply chain, and inventory, and leads to better and smoother marketing of products. This corresponds very well to Hoch's (1996) reasoning about the private label advantage *retailer control*, which states that retailers can exert more influence over private label performance since they can control marketing activities to a much greater extent than national brands. Furthermore, the respondent brings up that retailers can decide product distribution and placement of their private labels rather independently, and do not have to take sales figures and related issues into consideration when positioning them in the stores. This argument fits very accurately with Hoch's (1996) description of *placement* as a private label advantage. Hence, the main advantages private labels hold over manufacturer brands identified by the respondent have both been covered by previous research, and a clear correspondence between empirical findings and theory can be recognized.

Considering the other private label advantages stated in the conceptual framework, the respondent recognizes Hoch's (1996) variable of *private label coverage and penetration* to be of high importance in theory, since retailers have a great opportunity of reaching storewide coverage and penetration with private labels when owning the marketplace. Nevertheless, this is seen as not being fully accomplished in reality, and the actual impact of the advantage is thus claimed to be medium. Hence, the advantage can be viewed upon as correlating to theory, as its importance is acknowledged, but also as mismatching somewhat due to the fact that it has not been implemented to its full extent.

Moreover, *improved quality of private label products* as suggested by Quelch and Harding (1996) is clearly identified to be of high importance, as the respondent states that not only is quality constantly improving, but also BGMs previously producing high-quality brands have now turned to private label manufacturing, which would imply higher quality products. Further, Quelch and Harding's (1996) stated advantage of *European supermarkets' success with private labels* is recognized, and considered to be of high importance as it may influence Swedish retailers to further develop their private label concepts. Consequently, since the case company finds these advantages to be of high importance from its point of view, they can in this case be analyzed to match well with theory.

This match can however not be seen as clearly with regards to the advantages of *piggybacking* as proposed by Hoch (1996) and *development of premium private label brands*, *emergence of new channels*, *new product activity*, and *price and promotion factors* as brought forth by Quelch and Harding (1996). First, although *piggybacking* is recognized to have an impact, since competitors can benefit from the organization's advertisements and sales promotion, it is not seen as an advantage specifically for private labels. Second, the *development of premium private label brands* is identified by the respondent to be an increasing trend, but in other markets (in particular the UK) than Sweden. Its forthcoming expansion is however acknowledged, although it presently is viewed to be of medium importance. Third, *the emergence of new channels* is not seen as a contributing advantage for private label development, as the focus so far has been towards increased margins; the advantage in question is not viewed as important. Nevertheless, it is predicted to play a more important role in the future. Forth, *new product activity* is perceived to be an advantage of low importance as private labels not at all are able to match product developments performed by BGMs. However, in accordance with Quelch and Harding (1996), it is recognized that private labels can rather easily copy manufacturer brands, and the respondent states that presently it would even make more sense for private label developers to do so, but it is nonetheless perceived to not be an advantage. Finally, *price and promotion factors* is ascertained to be an advantage of medium importance, as the respondent claims that it may work well for private labels in the introduction stage, but then becomes difficult as costs increase. All in all, as these advantages are recognized, but considered to be of medium or low importance (at least for the time being) for the case company, no real connection between empirical data and theory can be discerned. Further, regarding Hoch's (1996) stated advantage of *trade deals*, the respondent does not agree at all, as it is clarified that retailers not giving 100 percent pass-through on trade deals would have an unfair competitive position towards other stores selling the brands at a lower price. Hence, the empirical data cannot be seen to be in accordance with theory whatsoever in this case. Also, no match between Quelch and Harding's (1996) proposed advantage of *the creation of new categories* and empirical data from the case can be found, as the respondent claims that it does not matter how many categories private labels expand to; the important thing is to develop products that provide value to the consumers.

Advantages of Manufacturer Brands

The respondent brings forth brand name reputation and product development to be the main advantages of manufacturer brands. The respondent's reasoning that the brand and what it represents to the consumers is one of the greatest strengths the company possess, can be analyzed to fit well with Quelch and Harding's (1996) and Hoch's (1996) arguments that *brand name reputation* is an advantage for manufacturer brands. However, the respondent's statements regarding product development – how BGMs have a great advantage in that they are able to gain better knowledge of the end-consumers, and consequently develop and stimulate products and categories in order to provide products that satisfy consumer needs more successful than private labels – cannot be found to match any theoretical propositions.

Quelch and Harding's (1996) suggestion that the purchase process favors a brand name product, and that it *simplifies consumers' selection process* by acting as an assurance of quality for consumers, is clearly identified by the respondent as it is considered an advantage of high importance for manufacturer brands. The respondent states that consumers would have an easier purchase decision if it were perceived that the brand represented quality and value, something that would be true for the organization, as its brands frequently are brought up as the most recognized in most product categories. Hence, a strong correlation between theory and empirical data can be recognized in this case.

Considering the other advantages for manufacturer brands brought up in the conceptual framework, *brand strength parallels the strength of the economy* as brought forth by Quelch and Harding (1996) is considered by the respondent as being an advantage of medium importance. It is clarified that brand name reputation must exist in order for a brand to be able to capitalize on stronger economic periods. Further, in accordance with Quelch and Harding's (1996) *national brands have value for retailers* the respondent recognized that retailers must stock manufacturer brands that hold traffic-building power in order to attract consumers. However, the respondent sees this as an advantage of medium importance, as there is no way of proving to retailers how much of an assortment that has to be manufacturer brands. Moreover, the advantage *lower price elasticity* as stated by Hoch (1996) is acknowledged by the respondent, in that consumers would be prepared to pay more for brands that have greater reputation with regards to provided value. Nevertheless, the respondent stresses that despite this, prices can never be raised above consumers acceptance levels, and hence sees it as a medium-importance advantage. In accordance with the reasoning above, the empirical data can be analyzed to correspond to theory to a limited degree, in that the respondent recognizes the suggested advantages. Still, as they are perceived to be of medium importance, no real clear connections can be seen.

6.3.2 Company's Adopted Strategies

The respondent admits that his company both considers, and currently adopts, strategies especially aimed towards private labels. However, it is also stated that he cannot elaborate on them to any deeper extent due to competitive reasons. Nevertheless, the respondent could explain on a general basis what his company does in response to private labels. He states that if the organization, which he represents, cannot convince the consumers that the brands they carry provide additional value worth paying for compared to the private labels, then the organization obviously has failed. Consequently, it is imperative to, through various tactics and measures, convince the target audience of what benefits the brands hold. Besides this reasoning, the respondent also admits that the company's head strategy shows strong resemblance with the strategy in the conceptual framework that appeals towards BGMs to *increase distance from private labels* (Hoch, 1996; Halstead & Ward, 1995; Quelch & Harding, 1996), a strategy that also proposes different measures for how to differentiate oneself from private labels. Since the company both recognizes as well as adopts this strategy towards private labels, it could be interpreted as a good correspondence between empirical data and previous research.

Moreover, since the case company clearly has responded to the increase of private labels it cannot be seen as a company that just waits around and lets the private labels do what they want, in other words, the *wait and do nothing* strategy proposed by Hoch (1996) is not employed. The respondent says for this strategy to be successfully implemented, the category in which the private label is intruding should have been carefully evaluated and no direct threat should have been discovered. Moreover, the respondent also claims that several BGMs utilize this strategy despite not having taken appropriate actions before. Since the case company does not adopt it but still recognizes this strategy to be very common, some correlation between empirical data and theoretical propositions could be identified.

The strategic measure brought up in the conceptual framework proposing that BGMs ought to *reduce the price gap* (Hoch, 1996; Miller 1995; Halstead & Ward, 1995) implies that BGMs should either influence the retailers towards raising their prices alternatively lower their own prices. The case company does not pursue this strategy as the respondent thinks that it is strongly connected to perceived consumer benefits. He claims that the company's prices are set depending on how much the consumers consider the brand to be worth and, at the present, the consumers are prepared to pay the current prices. However, he also states that if the consumers' perceived value in the brand would start to decrease because of the existence of private labels, the company could consider lowering its prices. Due to the fact that the company does not currently utilize this strategy but still recognizes it as applicable, some correlation between gathered data and previous studies can be discerned also in this case.

To *introduce a value flanker* is, according to Hoch (1996), the launch of a new brand that somewhat closes the gap between manufacturer brands and private labels. The respondent at the case company sees this as a rather common strategy used by several BGMs, and although he does not literally admits that his company specifically utilizes this strategy, he still gives indications that this is the case in some categories. Due to the fact that also this proposed strategy is both acknowledged and, to some extent used by the company, it could be considered a rather good match with the collected data.

The case company does not produce private labels itself at the present. However, the respondent states that he is not completely unfamiliar with the thought of doing so sometime in the future. He also claims that, today, the general attitude towards the proposed strategy in the conceptual framework to *make regular or premium private labels* (Hoch, 1996; Glémet & Mira, 1993; Halstead & Ward, 1995) has shifted from an uncompromising “no” to a more receptive and considerate position among many BGMs. In other words, due to the fact that the company very much acknowledges the strategy in question as feasible, although it is not used at the present, it could be considered to fairly well correspond with empirical findings.

However, all but one of the four remaining strategic actions brought up in the conceptual framework cannot be seen as good correlations between empirical data and theory. For instance, the respondent claims that the company uses advertising and sales promotion on a daily basis and views these as crucial strategic measures. Still, these measures have not been used especially in response to private labels, since the company does not see any real point in it. Consequently, *advertise* (Miller, 1995; Parker & Kim, 1995) and *exploit sales promotion* (Quelch & Harding, 1996; Halstead & Ward, 1995) cannot be seen as good connections between previous studies and collected data.

The company also utilizes different methods of price management on a regular basis, but these measures have neither increased nor decreased due to the emergence of private labels. Hence, Quelch and Harding (1996), Montezemolo (1997) and Colangelo’s (2002) strategy named *manage the price* also becomes a poor correspondence with empirical data. Since the same reasoning as the three above strategies is applicable to the proposition regarding *build trade relationships* (Quelch & Harding, 1996; Montezemolo, 1997; Halstead & Ward, 1995; Colangelo, 2002) it could also be analyzed the same way. In other words, as an indication of a weak relationship between previous studies and collected data.

Finally, because of the fact that the company obviously has taken some action in response to private labels, it is apparent that it views them as a serious player on the market. This is exactly what Quelch and Harding (1996), Montezemolo (1997) and Hoch (1996) want BGMs to do in response to private labels when they say that BGMs should *take private labels seriously*. The respondent also claims that any manufacturer brand that does not consider private labels as a serious actor cannot be seen as a serious brand. As the company obviously has both recognized and implicated this strategy, it could be looked upon as another good correspondence between theory and empirical findings.

6.3.3 Perceived Benefits/Drawbacks with Company’s Adopted Strategies

On a general level, the main benefit with the company’s pursued strategies is perceived to be that the organization has control over future private label development. The respondent explains that previously, no clear perception was held regarding a response to private label competition and that today there is much more planning in advance as to how private label threats should be evaluated and possibly responded to. On the other hand, a possible drawback could be that private labels sometimes receive too much attention and that other competitors might be forgotten.

As brought forth in the within case analysis above, it can be derived that the organization explicitly employs three main strategies aimed specifically at private labels, namely *increase distance from private labels* (Hoch, 1996; Halstead & Ward, 1995; Quelch & Harding, 1996), *introduce a value flanker* (Hoch, 1996), and *take private labels seriously* (Quelch & Harding, 1996; Montezemolo, 1997; Hoch, 1996). How the company perceives the benefits and drawbacks with these strategies will in this section be analyzed against previous research.

Increase distance from private labels
The respondent states that it is vital for the organization to convince the consumers that its brands hold additional value compared to private labels in order to prevent them from switching to the latter. It is further claimed that through the ability to develop and stimulate products and categories, this can be achieved by increased distance from private labels. This would correlate well with Hoch's (1996) proposed benefit *provide customers added value*. Moreover, as the respondent asserts that it is imperative to show consumers what benefits the brands hold, the benefit of *enhances a brand's perceived superiority in the eyes of the consumer* as suggested by Quelch and Harding (1996) is clearly identified. As both these benefits with increase distance from private labels are recognized and considered to be of significant importance, a strong match between empirical data and theory can be discerned.

Hoch (1996) claims that the main drawback with this strategy is that it is *limited to goods that are a bit more expensive and diversified*. Since the case company's offered products in most cases can be said to fit this description, the strategy should be applicable for it. As increase distance from private labels also is implemented as a strategic measure, this would strengthen the theoretical proposition, and a correlation between theory and empirical data thus exists.

Introduce a value flanker
As previously stated, although declining to explicitly specify whether or not this strategy is utilized by the organization, it is nevertheless clearly indicated that this is the case. However, since the respondent does not wish to further elaborate on the issue, neither benefits nor drawbacks are identified. Consequently, no analysis regarding possible correspondence between theory and empirical data can be made.

Take private labels seriously
As brought forth in the conceptual framework, the main benefits with taking private labels seriously are that it *enables strategic measures to be taken where private labels are gaining ground* (Quelch and Harding, 1996) and that it has a *deterrent effect on private labels considering look-alike tactics* (Montezemolo, 1997). Since the organization follows the strategy, and it is claimed by the respondent that presently there is much focus towards planning how private label threats should be evaluated and acted upon, a strong correlation between Quelch and Harding's (1996) proposed benefit and empirical data can be identified. However, this cannot be said to be valid for the benefit suggested by Montezemolo (1997).

Moreover, the conceptual framework does not recognize any drawbacks with taking private labels seriously. Nevertheless, the case company does, as it is stated that private labels sometimes receive too much attention, and are treated as competitors beyond the reach of manufacturer brands, leading to a situation where other competitors or own product development is forsaken. Consequently, taking private labels too seriously could have negative impacts on overall business, and could thus be analyzed as a drawback with this strategy.

The respondent also comments on the benefits and drawbacks of strategies brought up in the conceptual framework that are not utilized by the company, and these will be analyzed below.

Wait and do nothing
The respondent somewhat recognizes *avoiding large investments* to be a benefit with the wait and do nothing strategy as proposed by Hoch (1996). This since it is claimed that under certain conditions the strategy would be applicable and resources could be allocated to other

needing areas. On the other hand, it is emphasized that if following this strategy, companies may find themselves standing unprepared for a new competitive threat in the market as private label development continues. This would correlate very well with Hoch's (1996) reasoning about drawbacks with the strategy. Consequently, a match between theory and empirical data can be found with regards to drawbacks with wait and do nothing, but only somewhat with benefits.

Reduce the price gap
Concerning reducing the price gap, the respondent explains that that the company does not utilize this strategy at the present, because it is not really needed and it could even serve to damage brand perception. However, the company could also consider pursuing it in order to defend market share and position in a possible future scenario where private labels are gaining threatening ground. The respondent's reasoning correlate quite well with Hoch (1996) who claims that by lowering the price gap, one can *gain market share*. Moreover, the respondent's discussion also match Hoch's (1996) suggested drawback that this strategy *could lead to a loss in brand value and identity*, but not that it *may result in tense relationships*. Consequently, a fairly good correlation between theory and empirical data can be discerned.

Make regular or premium private labels
Although the case company does not produce private label products presently, a number of benefits with doing so are still identified by the respondent. First, in product categories where large private label introductions are inevitable, it would make more sense to use excess manufacturing capacity to produce them, rather than letting someone else do it and capture sales. This could be analyzed to correlate fairly well with the suggested strategic benefit that it *utilizes excess manufacturing capacity* (Hoch, 1996; Halstead & Ward, 1995; Quelch & Harding, 1996; Glémet & Mira, 1993). Second, the respondent states that producing private labels would imply a closer relationship with the retailer. Hoch's (1996) proposed benefit of *strengthens the manufacturer-distributor relationship* would be very much in line with this reasoning. Third, it is claimed that private label production would increase control over an entire product category. This could not be said to match any suggested benefits found in the conceptual framework. Finally, the case company does not identify any of the other theoretical benefits, i.e. *protection against private label brands* (Halstead & Ward, 1995), *increases production experience and lowers costs* (Quelch & Harding, 1996), and *helps smooth production* (Quelch & Harding, 1996). All in all, since at least some of the proposed benefits were clearly recognized by the respondent, a rather good correlation between theory and empirical data can be found.

Moreover, when considering the drawbacks with the strategy, four drawbacks of producing private labels can be found in the conceptual framework; *cannibalization* (Hoch, 1996; Halstead & Ward, 1995; Quelch & Harding, 1996; de Chernatony & McDonald, 1998), *strategy becomes confused* (Quelch & Harding, 1996), *additional manufacturing and distribution complexities* (Quelch & Harding, 1996), and *BGMs must maintain two sales relationships* (Quelch & Harding, 1996). The respondent maintains that if private labels would grow to a vital part of a company's manufacturing, there is a risk in becoming too dependent on one buyer, which could prove very difficult if the retailer chose to change supplier. This could to a limited degree be seen to match Quelch & Harding's (1996) reasoning of *additional manufacturing and distribution complexities*. Nevertheless, as this is no clear and concise correlation, and since none of the other drawbacks are identified, no real connection exists between empirical data and theory.

Advertise
Advertising is seen as a crucial overall strategic measure for the company, but it is emphasized that it would be pursued even if manufacturer brands were the sole competition on the market, and it is hence not affected by the emergence of private labels. Consequently, neither benefits nor drawbacks connected to this strategy as brought forth in the conceptual framework would be applicable, since these approach the issues from a private label perspective, and the company does not.

Exploit sales promotion
The same imperative as described above with advertising applies to exploit sales promotion. Hence, the benefits and drawbacks stated in the conceptual framework concerning this strategy is not touched upon by the case company, since it is not used as a strategic measure aimed against private labels in particular.

Manage the price
Similar to the two preceding strategies, no specific benefits or drawbacks are identified with the strategy of managing the price, as it is performed on an overall company level, and not as a response to private label development.

Build trade relationships
Also the strategic measure to build trade relationships is recognized to be vital for the organization, but following the reasoning above, no benefits or drawbacks are stated, since the focus is not towards private labels.

6.4 Within Case Analysis of Unilever Bestfoods

In this section, the data collected for case four will be analyzed against the concepts presented in the conceptual framework in the same way as it has been done above.

6.4.1 Company's Perception of Private Labels

The respondent at the case company claims that private labels are perceived as any other competitor; there will always be two or three actors in a product category that the company has to compete against, and it is unimportant whether these are manufacturer brands or private labels. However, the respondent admits that, since retailers own their own marketplace, they can decide the existence of private labels rather independently, which implies increased difficulty when facing their competition. Also, the fact that private labels turn retailers into both competitor and customer can be seen as a complicating issue. Moreover, the respondent is convinced that the private labels in Sweden will reach market share levels comparative to the rest of Europe; about 20-25 percent. He also adds that manufacturer brands that are not among the top two in their respective product category will experience severe difficulties if private labels continue to grow in the future.

Advantages of Private Labels

The main advantage of private labels is, according to the respondent, that they have 100 percent access to a chain of stores. This means that new private label launches are virtually guaranteed coverage and penetration in all stores, as the retailer can control its outlets centrally. This would correspond fairly well to Hoch's (1996) reasoning of the private label advantages *private label coverage and penetration* and *retailer control*, as the theory states that no other brand name can come close to the storewide coverage and penetration in so many product categories that private labels have, and that retailers can exert more influence over the performance of their private labels. Hence, a rather good match between private label advantages recognized by the respondent and theory can be identified. However, since the respondent states that these factors have not yet been implemented to their full extent in Sweden, somewhat of a mismatch could be discerned.

Moreover, the respondent recognizes that private labels can gain a high-importance advantage of benefiting from advertisements and sales promotions performed by market leader manufacturer brands. This would correlate very well with Hoch's (1996) proposed advantage of *piggybacking*. Also, Hoch's (1996) reasoning about *placement* as a private label advantage, is seen to be of high importance by the respondent, as it is claimed that retailers are able to place their private labels at the best positions in the stores, and that more effort has to be put into negotiations with them in order to assure good placement of brands. Concerning *improved quality of private label products* as brought forth by Quelch and Harding (1996), the respondent clearly identifies that private label quality is continuously increasing, and that this would be an advantage of high importance. Further, Quelch and Harding's (1996) stated advantage of *European supermarkets' success with private labels* is recognized and rated as high-importance, as it may inspire Swedish retailers to further develop their private label concepts. The private label advantage *the emergence of new channels* as proposed by Quelch and Harding (1996) is also seen to be of high importance by the respondent, and it is ascertained that it becomes very difficult to keep a manufacturer brand presence through channels that almost solely focus on private label products. As the respondent considers all the advantages brought up above to be of high importance, a strong correlation between theory and empirical data can be distinguished.

However, this correlation cannot be discerned as clearly when considering the advantages of *development of premium private label brands*, *the creation of new categories*, *new product activity*, and *price and promotion factors* as suggested by Quelch and Harding (1996). Although the respondent recognizes the *development of premium private label brands*, their impact is perceived to be of medium importance in Sweden so far. Nevertheless, the respondent sees that they will increase in the future. Moreover, *the creation of new categories* is somewhat identified to be accurate, as the respondent in accordance with Quelch and Harding (1996) acknowledges that private labels are spreading into an increasing number of product categories. However, since the respondent claims that this is done through copying products in categories already created by BGMs, it is viewed as an advantage of medium importance. This same imperative applies to *new product activity*, in that the respondent admits that private labels have been successful at duplicating market leader brands, but nonetheless only have an advantage of medium importance since very few own-developed products are launched. Further, *price and promotion factors* is recognized as an advantage to a certain degree, as the respondent claims that retailers can adjust their private label prices to competitively match manufacturer brands due to their insight into prices for all products in their stores. Despite this, since it is perceived that little effort is put into promotion activities for private labels compared to manufacturer brands, the advantage is considered to be of medium importance. Finally, regarding Hoch's (1996) stated advantage of *trade deals*, the respondent states that it may be true that retailers take a certain percentage of for instance price reductions offered by manufacturer brands, but it is perceived as an advantage of low importance. Analyzing the reasoning above, it can be discerned that the respondent recognizes most of these advantages, but as they are rated to be of medium or low importance, no real connection between empirical data and theory can be seen.

Advantages of Manufacturer Brands

The respondent recognizes the long tradition and experience held with regards to producing consumer goods to be the main advantage of manufacturer brands, as it leads to greater knowledge about both consumers as well as product development, and creates a competence that facilitates the offering of brands that satisfy consumer needs better than private labels. This reasoning is not brought up by any authors in the conceptual framework, and the empirical data can hence not be said to correlate with theory.

Through the statement that consumers are more likely to select a well-known brand first in the store, and by claiming that manufacturer brands would have a highly important advantage in that they simplify the consumers' selection process, the respondent clearly identifies Quelch and Harding's (1996) suggested advantage that a brand name product *simplifies consumers' selection process*. However, the respondent's argument that this would be largely dependent on brand name reputation cannot be matched to any theoretical propositions. Nevertheless, the line of reasoning concerning building positive associations to the brand in the minds of the consumers, and its high importance for the organization, correlates very well with Quelch and Harding's (1996) and Hoch's (1996) opinion that *brand name reputation* is an advantage for manufacturer brands. Hence, as these suggested advantages are both recognized as well as considered to be of high importance, a strong match between theory and empirical data is discernible in this case.

Furthermore, the respondent recognizes that *national brands have value for retailers* as Quelch and Harding (1996) and Håkansson (2000) suggest, by claiming that products that are market leaders have value for retailers, and will be carried despite the emergence of private labels. However, this is seen as an advantage of medium importance since the brands that are not number one or two in the market might be removed by the retailers and replaced with private labels. Thus, the empirical data can be analyzed to fit somewhat with theory, as whether or not this is an advantage depends on how strong the brand is.

With regards to the other advantages for manufacture brands stated in the conceptual framework, the respondent acknowledges the advantage *brand strength parallels the strength of the economy*, as brought forth by Quelch and Harding (1996) only under certain specific circumstances, for instance with regards to environmentally friendly products, but sees it as an advantage of low importance otherwise. Moreover, the respondent perceives Hoch's (1996) proposed advantage *lower price elasticity* to be of low importance, and states that even though a manufacturer brand benefits if private label prices are positioned close to it, there is little actual opportunity to adjust price levels. All in all, as these advantages are considered being of low importance, no connection between theory and empirical data can be seen in this case.

6.4.2 Company's Adopted Strategies

The respondent explains that the company currently adopts specific strategic measures towards private labels. The most important measure is, according to the respondent, the building and strengthening of the company's brands in the minds of the consumers. Moreover, the company also continuously develops new products and broadens product categories in order to differentiate itself even further from the private labels. Hoch (1996), Halstead and Ward (1995), and Quelch and Harding (1996) all think that a good strategy available for BGMs is to *increase distance from private labels*. They basically say that this is achieved through various value adding tactics with the purpose of offering something "more" to the end consumer. The respondent's reasoning on the company's adopted strategy corresponds quite well with the propositions made by previous researchers, thus a good connection between empirical data and theory has been established. Moreover, the respondent reveals that the company also strives for effective pricing and an efficient cost structure throughout the entire supply chain as a strategic response to private labels, which is in line with the, in the conceptual framework presented, strategy dealing with *manage the price* (Quelch & Harding, 1996; Montezemolo, 1997; Colangelo, 2002). This connection between previous studies and empirical data is further strengthened, as the respondent also admits that price management is considered a key strategy when specifically asked about it. In other words, it can be said that the case company both recognizes and utilizes some form of strategies involving *increase distance from private labels* and *manage the price* as its main response to private labels.

This indirectly implies that the company does not utilize the strategy that Hoch (1996) calls *wait and do nothing*. The respondent also explicitly says that a strategy implying an attempt to wait out the private labels would prove to be dire since these kinds of brands currently exist in almost every product category and that they are definitely here to stay. Consequently, the respondent does not even recognize wait and do nothing to be a viable strategy. Because of this fact, in addition to the fact that the company does not utilize the strategy in question, no correspondence between theory and empirical data could be discovered.

The company has not reduced its prices in response to the recent private label growth; the respondent emphasizes that prices are set on basic costs as well as on the consumers' willingness to pay. The company does not yet feel a need to lower the prices, since the consumers still think that they receive sufficient value for their money. Moreover, if the prices were set any lower, the company's margins would eventually suffer. However, the company still suggests to the retailers that they could raise their private label prices during negotiations. This particular measure is also mentioned in the conceptual framework in connection to the strategy *reduce the price gap* (Hoch, 1996; Miller 1995; Halstead & Ward, 1995). Thus, since the case company both acknowledges, and to some extent adopts this theoretical strategy, a rather good connection between empirical findings and earlier research is discerned.

The respondent at the case company recognizes that a number of Swedish BGMs have started to add brands to their portfolio that strongly resembles private labels, both in terms of appearance and quality, similar to what Hoch (1996) would call *introduce a value flanker*. The case company, however, does not pursue this particular strategy since it would imply more problems than advantages. Due to the fact that the company recognizes this theory, but does not utilize it, some correlation between previous studies and collected data could be identified.

It is not either part of the company's present policy to manufacture private label products according to the propositions by various authors in the conceptual framework (Hoch, 1996; Glémet & Mira, 1993; Halstead & Ward, 1995). These authors suggest the strategy for BGMs to *make regular or premium private labels*, and the respondent admits that the company has received numerous requests to do so. He also reveals that if a retailer would approach with a good enough offer, both economically and policy-wise, the company could strongly consider entering this business. As the case company, even though it does not adopt, strongly acknowledges this strategy as feasible, some connection between empirical findings and theoretical propositions has been found.

Miller (1995) together with Parker and Kim (1995) want BGMs to increase their advertising expenditures as a response to private labels, this strategy is called *advertise* in the conceptual framework. Moreover, other authors (Quelch & Harding, 1996; Halstead & Ward, 1995) push for BGMs to do basically the same with sales promotion activities, this strategy goes under the name *exploit sales promotion* in the conceptual framework. The case company uses these activities on a regular basis and also continuously increases their implementation. Nevertheless, the respondent does not feel that this is due to the emergence of private labels, but rather a general change of strategy. Since the company cannot derive its increased usage of the above-mentioned strategies to the increase in private labels, no clear connection between empirical data and theory can be established.

Like in the case with the above two strategies, the company has always considered the building and maintaining of trade relationships as highly important factors for overall company success. However, the respondent does not see that this has grown more important because of the increase in private label activities, nor has the trade relationships turned in direction towards a private label emphasis, which is proposed by a number of authors (Quelch & Harding, 1996; Montezemolo, 1997; Halstead & Ward, 1995; Colangelo, 2002) in the conceptual framework when the strategy to *build trade relationships* is mentioned. Thus, also here a weak connection between collected data and theory is discovered.

This cannot, however, be said concerning the notion to *take private labels seriously* (Quelch & Harding, 1996; Montezemolo, 1997; Hoch, 1996). This strategy basically urges BGMs to view private labels as true competitors and consequently take actions accordingly. Since the case company already has taken certain actions towards the private labels and definitely not just dismisses them as a trend that will soon blow over, a clear connection between the theory in question and the gathered data can be found.

6.4.3 Perceived Benefits/Drawbacks with Company's Adopted Strategies

On a fundamental level, the respondent emphasizes that the overall advantage with the company's adopted strategies towards private labels is that the company is prepared, and will be ready to act against future competitive challenges from private labels. Moreover, no real overarching drawback has been identified with the company's strategies.

As can be derived from the previous section, the more specific strategies adopted by the company are *increase distance from private labels* (Hoch, 1996; Halstead & Ward, 1995; Quelch & Harding, 1996), *reduce the price gap* (Hoch, 1996; Miller 1995; Halstead & Ward, 1995), *manage the price* (Quelch & Harding, 1996; Montezemolo, 1997; Colangelo, 2002), and *take private labels seriously* (Quelch & Harding, 1996; Montezemolo, 1997; Hoch, 1996). The company's perception of benefits and drawbacks with these strategies will be analyzed against previous research below.

Increase distance from private labels

Hoch (1996) states that a benefit with increasing distance from private labels is that it can *provide customers added value*. The respondent claims that the most important benefit with this strategic measure is the opportunity to continuously strengthen the value of the offered brands. This can be analyzed to match Hoch's (1996) proposed benefit very well. Further, the respondent maintains that by developing new products and broadening product categories; consumers' positive perceptions of the brands can be strengthened. This reasoning would be very much in line with the suggested benefit of *enhances a brand's perceived superiority in the eyes of the consumer* by Quelch and Harding (1996). Consequently, as both these benefits with the strategy are recognized, while also being regarded to be of high importance, a strong correlation between empirical data and theory can be discerned.

Due to the fact that the case company can be said to provide brands that are rather expensive and diversified, the strategy should be applicable in accordance with Hoch's (1996) reasoning that it is *limited to goods that are a bit more expensive and diversified*. Since it is also implemented by the organization, the theoretical proposition would be strengthened, and a match between theory and empirical data can be seen.

Reduce the price gap
On the issue of reducing the price gap, the respondent claims that prices would not be lowered due to the fact that they are set depending on underlying costs as well as what the consumers are prepared to pay. Consequently, as long consumers feel that a certain price is worth paying, there is no need to reduce prices, as this would only lead to decreased margins. However, it is also ascertained that a narrow price gap between private labels and manufacturer brands implies higher market shares for the latter. Thus, Hoch's (1996) proposed advantage of *gain market share* is somewhat identified in this case. Further, none of the drawbacks suggested by Hoch (1996) has been recognized by the respondent. However, it is seen that lowering prices would imply a drawback in decreased profit margins. Because of this, a poor correlation between empirical data and theory can be discerned.

Manage the price
Considering benefits with strategies aimed at managing the price, the respondent asserts that manage the price is very important for the organization, and that continuous focus is put on monitoring prices and the market's sensitivity to them. This focus would lead to a situation where the company *can react quickly to changes in price* as proposed by Montezemolo (1997), and hence a correlation between empirical data and theory can be found regarding this benefit. Further, two other benefits connected to the strategy are brought up in the conceptual framework; namely *create credible prices for all customers* (Quelch and Harding, 1996), and *effective price discrimination* (Colangelo, 2002). These are not touched upon by the respondent, and hence the empirical data does not strengthen theory in this case. Moreover, no direct drawbacks with this strategy are stated in the conceptual framework. However, as the respondent neither recognizes any drawbacks, a match between theory and empirical data can be discerned.

Take private labels seriously
According to Quelch and Harding (1996) a benefit with taking private labels seriously is that it *enables strategic measures to be taken where private labels are gaining ground*. The respondent clarifies that the main advantage with the company's pursued strategies is that they create opportunities for facing competitive challenges, including those from private labels. Consequently, a strong correlation between empirical data and theory is identified in this case. However, Montezemolo's (1997) suggestion that the strategy has a *deterrent effect on private labels considering look-alike tactic* cannot be said to match any statements made by the respondent. Moreover, neither the conceptual framework nor the respondent identifies any drawback with the strategy to take private labels seriously.

Apart from these four strategic measures that the company utilizes, the respondent also commented on benefits and drawbacks with the other strategies stated in the conceptual framework. These will be analyzed in a similar manner below.

Wait and do nothing
Hoch's (1996) suggested benefit of *avoiding large investments* with the wait and do nothing strategy is not identified by the respondent whatsoever. It is rather emphasized that following this strategy could prove very dire indeed, as private labels today exist in basically every product category and could be viewed as everyday competitors. This reasoning could be said to correlate well with Hoch's (1996) statements concerning drawbacks with the strategy. Hence, a match between empirical data and theory can be discerned with regards to drawback, but not with benefits.

Introduce a value flanker
The case company does not carry any value flankers, and the respondent does not recognize any benefits with the strategy. Hence, neither of Hoch's (1996) two proposed theoretical benefits; *preserve a premium image while avoiding price competition* and *an opening for utilizing excess manufacturing capacity* can be analyzed to correlate with empirical findings. However, it is asserted by the respondent that introducing a value flanker would bring substantial drawbacks, since carrying two competing brands could diffuse the overall image of the organization. Since this is not recognized by any theoretical propositions in the conceptual framework, no correlation between theory and empirical data can been identified.

Make regular or premium private labels
The respondent recognizes benefits with producing private labels, despite the fact that the company does not do so presently. In accordance with the suggested benefit that the strategy *utilizes excess manufacturing capacity* (Hoch, 1996; Halstead & Ward, 1995; Quelch & Harding, 1996; Glémet & Mira, 1993) the respondent states that producing private labels with excess capacity helps to cover overhead costs that would occur no matter what. This could also be analyzed to somewhat correlate to the benefit of *increases production experience and lowers costs* as proposed by Quelch and Harding (1996). However, the other theoretical benefits brought up in the conceptual framework; *strengthens the manufacturer-distributor relationship* (Hoch, 1996), *protection against private label brands* (Halstead & Ward, 1995), and *helps smooth production* (Quelch & Harding, 1996) are not identified by the case company. Nevertheless, since some suggested benefits with the strategy were recognized by the respondent, somewhat of a good correlation between theory and empirical data can be discerned.

Concerning the drawbacks with the strategy, the respondent argues that the main danger would be to become too dependent on one buyer if private label production became a core business. This could somewhat be seen to match Quelch & Harding's (1996) proposition of *additional manufacturing and distribution complexities*. However, concerning the other three drawbacks of producing private labels that can be found in the conceptual framework; *cannibalization* (Hoch, 1996; Halstead & Ward, 1995; Quelch & Harding, 1996; de Chernatony & McDonald, 1998), *strategy becomes confused* (Quelch & Harding, 1996), and *BGMs must maintain two sales relationships* (Quelch & Harding, 1996), no correlation can be found with the respondent's reasoning. Hence, no real clear and concise match between theory and empirical data can be discerned in this case.

Advertise
Although the respondent asserts that advertising is continuously used in order to increase communication for the company's brands, its importance has neither increased nor decreased due to the emergence of private labels. As a consequence, neither benefits nor drawbacks of

the strategy as stated in the conceptual framework are relevant in this case, since they approach the area from a private label perspective and the company does not.

Exploit sales promotion
The reasoning above would also be valid for exploiting sales promotion. Thus, as the case company does not aim the strategy directly towards private labels, the benefits and drawbacks as brought forth in the conceptual framework are not touched upon by the respondent.

Build trade relationships
Despite statements by the respondent that building trade relationships has always been, and certainly still is, highly important for the company, and that the relationship approach has shifted from being interpersonal to a more business related one, the growth of private labels has not impacted the strategy. Hence, following the reasoning above, no benefits or drawbacks are brought forth by the case company, as the focus is not towards private labels.

6.5 Cross Case Analysis

In this section, the empirical data gathered from the four cases will be analyzed against each other. This is first done graphically by compiling the gathered data in tables, thereafter in narrative form where the information in the table is analyzed in text. The cross case analysis will be structured according to the three research questions outlined in chapter one, and thus, the case companies' perception of the advantages they possess towards private labels and vice versa will first be compared with one another. Following this, the adopted strategies, and finally, the perceived benefits and drawbacks will be analyzed in the same manner.

6.5.1 BGMs' Perception of Private Labels

Table 6.1 below illustrates the case companies' perception of advantages that private labels hold over manufacturer brands. First, the advantages that were considered to have the greatest impact on the investigated organizations are presented as *main advantages*. Thereafter the companies' perceptions of the other advantages presented in the conceptual framework are displayed according to their relative perceived importance (high, medium, or low).

Table 6.1. Advantages of Private Labels

Case / Advantage	Cederroth	Colgate-Palmolive	Findus	Unilever Bestfoods
Main advantages	• Price and promotion factors • Placement • Private label coverage and penetration • Retailer control	• Retailer control • Placement • Trade deals • Price and promotion factors	• Retailer control • Placement	• Private label coverage and penetration • Retailer control
Advantages				
Private label coverage and penetration	High	High	Medium	High
Retailer control	High	High	High	High
Piggybacking	High	Low	Medium	High
Placement	High	High	High	High
Trade deals	High	High	Low	Low
Improved quality of private label products	Medium	Medium	High	High
Development of premium private label brands	Low	Medium	Medium	Medium
European supermarkets' success with private labels	Medium	High	High	High
The emergence of new channels	High	High	Low	High
The creation of new categories	High	Low	Low	Medium
New product activity	High	Medium	Low	Medium
Price and promotion factors	High	High	Medium	Medium

Main advantages
Concerning the perceived main advantages, all case companies identified retailer control as being of utmost importance, since they have all mentioned the retailers' high influence over their private labels as a decisive advantage over manufacturer brands that possess weaker in-store control. Furthermore, placement is also viewed as an important advantage since three out of the four investigated companies include it among the perceived head advantages that private labels currently possess over manufacturer brands. Also notable is that Cederroth and Colgate-Palmolive, representing chemical consumer products, both view price and promotion factors to be decisive advantages possessed by private labels, whereas the two consumer food companies do not. Moreover, the two chemical consumer companies have also identified four main private label advantages while Findus and Unilever Bestfoods only identified two.

Private label coverage and penetration
With regards to the suggested private label advantage of coverage and penetration, all but one of the investigated case companies identify it as being of high importance. Cederroth, Colgate-Palmolive, and Unilever Bestfoods all state that private labels have much higher possibility of in-store exposure than manufacturer brands, due to the fact that the retailers own the marketplace. Findus basically agrees to this, but claims that it has not been implemented to its full extent in Sweden, and thus views the advantage as being of a mere medium importance.

Retailer control
All the case companies mention a strong advantage in that retailers are able to command a majority of the aspects connected to private label marketing, whereas BGMs cannot achieve the same level of control with their brands. Consequently, retailer control is perceived as a high-importance advantage by the investigated companies.

Piggybacking
No consensus concerning the proposed private label advantage of piggybacking can be found among the case companies. The opinions differ in this matter; for instance, Findus claims that piggybacking has always existed but does not benefit private labels to any great extent, while Colgate-Palmolive emphasizes that consumers today are able to differentiate between promotions by manufacturer brands and private labels. Thus, they see it as an advantage of medium and low importance respectively. The other two companies consider piggybacking to be a more influential advantage for private labels.

Placement
Placement is considered a private label advantage of high importance by all case companies. It is in unison claimed that since retailers can make rather independent decisions as to how they wish to position their private labels in the stores, they can gain substantially against manufacturer brands.

Trade deals
Regarding the private label advantage of trade deals, the two companies in the chemical consumer products category – Cederroth and Colgate-Palmolive – perceive it to be of high importance, while Findus and Unilever Bestfoods – representing consumer food products – view it as a low-importance advantage. Findus states that being market leader in many product categories means that retailers basically must give 100 percent pass-through on trade deals offered by the organization, otherwise competition with other retailers could lead to lost sales. Unilever Bestfoods on the other hand claims that retailers not passing on every

percentage of trade deals to the end consumers has to be accepted as a natural part of their attempt to make a profit, and cannot be seen as an advantage for private labels.

Improved quality of private label products

Both case companies operating within chemical consumer products perceive the improved quality of private labels to be an advantage of medium importance. Cederroth as well as Colgate-Palmolive identify an increasing trend towards higher quality and image private labels. Nevertheless, Cederroth states that increased quality inevitably leads to higher prices, and since private label products traditionally have competed very much with price, their competitive advantage would most likely decrease as quality improves. On the other hand, Colgate-Palmolive views the advantage to be of medium importance since improved private label quality is seen as a positive force that compels the company to become even better at delivering value to consumers through the brands. However, the two organizations within the consumer food products industry consider the advantage to be of high importance. Both Findus and Unilever Bestfoods state that private labels clearly hold higher quality presently, and that they are moving closer towards manufacturer brands with regards to the products themselves, as well as packaging and positioning.

Development of premium private label brands

All four case companies recognize a differentiation trend towards lower quality, lower priced private labels, and higher quality, higher priced dittos. However, there is also consensus as to that this development of premium private label brands has not had its full impact in Sweden yet. Consequently, the companies state that presently, this advantage is of medium or low importance.

European supermarkets' success with private labels

Considering the issue of successful private label implementation in European markets, primarily in the UK, three of the case companies claim that this would be an advantage of high importance, as it may inspire Swedish retailers to further develop their private label concepts. Cederroth agrees to this reasoning, but states that it is currently of medium importance, as it is prognosticated to gain more significance in the future.

The emergence of new channels

Cederroth, Colgate-Palmolive, and Unilever Bestfoods all perceive the emergence of new channels to be an advantage of high importance for private labels, as it is maintained that private label products can receive easier penetration through the present upsurge of channels that focus less on manufacturer brands. However, Findus sees that private labels have not yet started to emerge through new channels, since they currently mainly focus on lowering their margins.

The creation of new categories

No clear consensus can be seen between the case companies regarding the private label advantage of creation of new categories. Cederroth states that as private labels have started to evolve beyond their traditional product lines, increased consumer acceptance can be created, and it is thus viewed to be of high importance. Colgate-Palmolive on the other hand claims that since private labels always have had a strong presence in the company's product categories, it would make little difference if they spread to additional ones, and the advantage is consequently perceived as low-important. Findus also recognizes it as being of low importance, since it is suggested that private label success is more dependent on developing products that provide value rather than increasing the number of categories. Finally, Unilever

Bestfoods sees the advantage as medium important, since private label developers very rarely create new product categories, but rather examine existing ones and launch copy-cat products into those.

New product activity
On the issue of new product activity as an advantage for private labels, all four case companies recognize that private labels are clearly lacking behind with regards to research and development for new products. Based on this, Findus claims that the advantage would be of low importance. However, both Colgate-Palmolive and Unilever Bestfoods state that despite this, private labels have a medium-importance advantage in that they are very successful at duplicating the market leaders and introducing new similar products at a high pace. Cederroth considers these duplication strategies to represent an advantage of high importance.

Price and promotion factors
Both case companies operating within chemical consumer products – Cederroth and Colgate-Palmolive – perceive price and promotion factors to be an advantage of high importance for private labels, since retailers not only favor private labels on the shelves, but also with regards to promotional activities and price levels. Findus and Unilever Bestfoods, representing consumer food products, view it as a medium-importance advantage. Findus claims that price and promotion factors usually function well for private labels in the introduction stage, but become increasingly difficult as the products mature and costs rise. Unilever Bestfoods maintains that private labels have a certain advantage due to insight into price levels throughout the stores, but that they are not promoted much compared to manufacturer brands.

Table 6.2 below illustrates the investigated organizations' perception of advantages that manufacturer brands hold over private labels. These are displayed in the same manner as the preceding table and should be interpreted accordingly.

Table 6.2. Advantages of Manufacturer Brands

Case / Advantage	Cederroth	Colgate-Palmolive	Findus	Unilever Bestfoods
Main advantages	• Brand name reputation • Superior product quality • Product development	• Brand name reputation • Research and development	• Brand name reputation • Product development	• Experience • Consumer knowledge • Product development
Advantages				
Simplifies consumers' selection process	High	Low	High	High
Brand name reputation	High	High	High	High
Brand strength parallels the strength of the economy	Medium	Low	Medium	Low
National brands have value for retailers	High	High	Medium	Medium
Lower price elasticity	High	High	Medium	Low

Main advantages

With regards to the main advantages the case companies' perceive that their manufacturer brands currently possess over private labels, one advantage is repeatedly mentioned by each and everyone, that is the superior product development. Cederroth, Findus, and Unilever Bestfoods all specifically state that product development is one of their foremost advantages since it leads to new and innovative consumer brands, whereas Colgate-Palmolive mentions research and development, which hopefully eventually will lead to ground breaking and original products. It is noteworthy that this advantage was not brought up among the theories presented in the conceptual framework. Moreover, brand name reputation is also widely acknowledged as a main BGM advantage by the investigated companies due to the fact that three out of the four organizations recognizes it. Furthermore, besides the previously mentioned product development, some of the case companies' other perceived chief advantages are not either recognized in the conceptual framework. Cederroth, for instance, claims that its superior product quality is an important advantage, and Unilever Bestfoods views its experience and consumer knowledge as very advantageous factors relative to the private labels.

Simplifies consumers' selection process

The proposed BGM advantage that manufacturer brands simplify consumers' selection process is supported by three of the four case companies. Cederroth, Findus, and Unilever Bestfoods all think that this is the case and consequently see it as a highly important advantage. Colgate-Palmolive on the other hand, thinks that the consumers today know what they are looking for and buy their brands accordingly, for instance, if a consumer wants a low price, the consumer will buy a lowly priced product regardless of brand. Still, overall this proposed advantage enjoys a rather strong recognition among the investigated companies.

Brand name reputation

Similar to the preceding advantage, brand name reputation also enjoys a strong recognition with the case companies since they all regard this as an advantage of high importance relative to private labels. All but Unilever Bestfoods even perceives it as being one of the main advantages possessed over the retailer brands. However, Unilever Bestfoods still sees this advantage as being highly important, as it is stated that it is very important to build positive brand associations in the consumers' minds.

Brand strength parallels the strength of the economy

The notion that brand strength parallels the strength of the economy receives a rather cool and reserved response among the investigated organizations. Cederroth and Findus think that there can be some connection between the two factors and give the advantage a medium importance, whereas Colgate-Palmolive strongly questions the advantage's general applicability and Unilever Bestfoods claims that it would have a very limited impact. Thus, the latter two companies assign the advantage an even lower importance.

National brands have value for retailers

The perceived importance of the proposed advantage that national brands have value for retailers differs somewhat among the case companies depending on their respective product category. Cederroth and Colgate-Palmolive, representing chemical consumer products, view this advantage as highly important since both feel that the retailers have a need to stock up on their brands in order to attract customers. Findus and Unilever Bestfoods, representing consumer food products, only see this advantage as medium important since Findus finds it hard to prove to the retailers how important the manufacturer brands really are, and Unilever

Bestfoods has seen that retailers are starting to remove manufacturer brands that are not market leaders from the shelves.

Lower price elasticity
The advantage dealing with lower price elasticity enjoys a varying acceptance among the investigated companies. Similar to the case above, the level of acceptance differs dependent on product category. Cederroth thinks that this is an advantage of high importance, since it provides the company with the opportunity to charge a higher price than private labels without loosing market share. Similarly to Cederroth, Colgate-Palmolive also thinks that this is a very important advantage. This vision is, however, not shared by the consumer food companies as Findus asserts that prices cannot be raised above certain levels and Unilever Bestfoods sees no real opportunity in adjusting the prices.

Overview of research question one
Regarding the overall perception of the increased private label activities, all the case companies agree that private labels will continue to grow, probably over the 15 percent target set by Swedish retailers. There is also consensus that this growth will have greater impact in some product categories than others. Moreover, a majority of the investigated organizations view the introduction of private labels as a positive addition to the market as a whole, since this increases healthy competition and motivates the organizations to become better at offering branded goods that provide added value to the consumers.

The case companies generally perceive the advantages possessed by private labels to be linked to the fact that the retailers control both the products as well as the marketplace. Some perceived private label advantages also differs according to product category, for instance trade deals, improved quality of private label products, and price and promotion factors. Also, the development of premium private label brands is not viewed as an advantage of much importance presently by any of the investigated companies.

The investigated organizations' main advantages towards private labels are perceived to be their superior product development capabilities as well as the reputation enjoyed by the manufacturer brands. Furthermore, the advantages stating that national brands have value for retailers and that they possess a lower price elasticity seems to vary in recognized importance depending on product category.

6.5.2 Strategies Adopted by BGMs

In this section, the case companies' adopted strategies towards private labels will be compared between the different cases. First, the companies' main strategies will be displayed and presented as *main strategies*. Thereafter, the investigated organizations' perception, and potential implementation, of the suggested strategies in the conceptual framework will be presented. In order to make this data display as clear and concise as possible, the companies' opinions will be presented in an abbreviated and coded manner. Miles and Huberman (1994) claim that coding and summarizing segments of data serves the qualitative analyst in a number of ways. For instance, it reduces large amounts of data into a number of smaller analytic units. It also helps the researcher in obtaining a more integrated schema for understanding local incidents and interactions. And finally, it lays the groundwork for cross case analysis by surfacing common themes and directional processes in multiple case studies. (Ibid) In order to be able to benefit from Miles and Huberman's (1994) proposed advantages, the different responses derived and analyzed from the case companies connected to their adopted strategies will be assigned a specific symbol or code. The explanation of each symbol is accounted for in Table 6.3 below.

Table 6.3. Explanation of Coding

Symbol	Explanation
+ +	The strategy is acknowledged as a response to private labels, and adopted by the case company.
+ –	The strategy is acknowledged as a response to private labels, but not adopted by the case company.
– +	The strategy is not acknowledged as a response to private labels, but adopted by the case company.
– –	The strategy is neither acknowledged as a response to private labels nor adopted by the case company.

As can be derived from Table 6.4 below, certain coded variables are presented within brackets (+). This particular coding structure implies that the case company in question may adopt only parts of a certain strategy, or there is somewhat of an unclear correspondence between the empirical data and the theoretical proposition. For instance, regarding the strategy of reducing the price gap, both Cederroth and Unilever Bestfoods claim that their price levels are generally not lowered in response to private labels, but they still attempt to influence retailers to raise private label prices. Thus, only some correspondence with theory is identified. Furthermore, Findus gives some indications that the company has launched products that could be categorized as value flankers, but declines to specifically state if this strategy actually is in use.

Table 6.4. Strategies in Response to Private Labels

Strategy / Case	Cederroth	Colgate-Palmolive	Findus	Unilever Bestfoods
Main strategies	N/A	N/A	• Increase distance	• Increase distance • Manage the price
Strategies				
Wait and do nothing	– –	– –	+ –	– –
Increase distance from private labels	+ +	– +	+ +	+ +
Reduce the price gap	+ (+)	+ –	+ –	+ (+)
Introduce a value flanker	+ –	– –	+ (+)	+ –
Make regular or premium private labels	+ –	+ –	+ –	+ –
Advertise	– +	– +	– +	– +
Exploit sales promotion	– +	– +	– +	– +
Manage the price	+ +	– +	– +	+ +
Build trade relationships	– +	+ +	– +	– +
Take private labels seriously	+ +	+ +	+ +	+ +

Main strategies
Concerning the main strategies adopted by the case companies, considerable differences can be discerned between the different product categories. Neither Cederroth nor Colgate-Palmolive claim that they adopt any specific strategies in response to the emergence of private labels, as they do not view the private labels as their main competition and consider them as any other competitive element on the market. On the other hand, both Findus and Unilever Bestfoods admit to pursuing strategies especially aimed at private labels. The within case analysis explained that both companies strive to increase their distance from private labels, through continuously strengthening the brands in order to convince consumers that they provide additional value compared to private labels. In addition, Unilever also pursues the strategy of managing the price, by effective pricing and an efficient cost structure throughout the supply chain.

Wait and do nothing
With regards to the suggested strategy of wait and do nothing, there is strong consensus among all case companies that this is neither a desirable approach to take in response to private labels, nor is it something that is pursued. There is an agreement that private labels should be considered a serious competitor, and although no specific strategies may be adopted against them, not reacting at all could cause great harm to an organization as a whole. However, Findus states that the strategy may still be somewhat viable under certain conditions; i.e. if private label competition in a category has been thoroughly evaluated and found to be of no concern.

Increase distance from private labels
Cederroth, Findus, and Unilever Bestfoods in unison recognize the strategic measure of increasing distance from private labels, and that it would be desirable for BGMs to pursue it, while they also adopt the strategy one way or another. All three companies strive towards continuously building brand strength in an attempt to increase the perceived value of the brands in the minds of the consumers. Cederroth and Unilever Bestfoods also claim that BGMs ability to develop and improve products and categories implies a further distancing from private labels. Colgate-Palmolive basically agrees to this, but stresses that it is not perceived as a defense strategy against private labels. Rather, as with all increased competition, there is a motivation to become better at the core business; offering brands. Hence, increasing distance from private labels is pursued through improvements in product quality and development, but not as a measure aimed specifically at tempering private label growth.

Reduce the price gap
Strategic measures taken to reduce the price gap between manufacturer brands and private labels are basically perceived in the same manner by all four case companies. It is recognized that reducing prices could be a viable measure to take against private labels that grow to become threatening competitors in certain product categories, in order to ensure continuous market share. However, it is also emphasized that prices are set dependent on consumer demand, and as long as it is perceived that manufacturer brands offer some additional value worth paying for, there is no need for BGMs to utilize the strategy. Thus, neither of the case companies actively pursues it, except for Cederroth that applies it to some extent on certain markets. Nevertheless, both Cederroth and Unilever Bestfoods admit that they in negotiations with retailers to some extent attempt to practice the other side of the strategy; namely attempting to persuade retailers to raise private label prices.

Introduce a value flanker
Cederroth, Findus, and Unilever Bestfoods all identify the strategic measure of introducing a value flanker as a rather common response to private label development in some product categories. Colgate-Palmolive on the other hand dismiss the strategy, as it would be easier to launch a high-value brand as a complement, rather than carrying a value flanker that has to be self-sufficient. However, it is only Findus that somewhat admits to using value flanker products in reaction to the emergence of private labels, although the respondent declines to specify precisely how it is pursued.

Make regular or premium private labels
It can be said that there is a very strong agreement among the case companies concerning the proposed strategy of producing private labels. Cederroth and Colgate-Palmolive, as well as Findus and Unilever Bestfoods have thoroughly considered the option of making private labels to the retailers and recognized it as feasible alternative for BGMs in general. However, no organization have, as of yet, started to pursue the strategy in question themselves. As mentioned, this position is unilaterally held by all the investigated organizations.

Advertise
There is also a very strong agreement regarding the topic of advertising as a response to private labels. All of the companies regularly use advertising and view it as an important element in their everyday promotional mix. However, none of the case companies have adjusted their advertising efforts as a response to private label growth, consequently none of them do not either see this as a particularly viable response strategy on the whole. In other words, there is a strong conformity among the examined cases that advertising should be used, but not as a response to private labels.

Exploit sales promotion
Since the same reasoning as the one above has been put forth by all the case companies concerning the proposed strategy of exploiting sales promotion, the same apparent consensus between them can also be identified.

Manage the price
Addressing the strategy stating that BGMs should manage the price in response to private labels, all case companies utilize the strategy in one way or another. However, only two of the companies pursue price management with an aim especially towards private labels. Cederroth and Unilever Bestfoods think it is very important to keep track of these issues in relation to private labels, Unilever Bestfoods even considers price management a main strategy for the company in response to private labels. The remaining two companies look upon price management as a general strategy much in the same way as they view advertising and sales promotion.

Build trade relationships
The building of trade relationships is also a vital strategy basically pursued by each and every investigated organization, but the majority of the case companies follow this strategy on a general basis and view it more as a basic philosophy on how the company should conduct all its business regardless of private labels. Colgate-Palmolive, on the other hand, uses this strategy more directly towards private labels as the company would make it very clear to the retailers if, for instance, the company's products were treated unjustly in the stores.

Take private labels seriously
There is a very strong consensus among all investigated organizations, not only that private labels *should* be taken seriously, but also that they *are* being taken seriously. Cederroth claims that the private labels' progress is closely monitored by the organization, and Colgate-Palmolive is presently taking some actions in order to tamper the private label challenge. Moreover, Findus thinks that a BGM that does not take private labels seriously cannot be considered a serious BGM. Finally, Unilever Bestfoods has admittedly taken a number of definite steps in response to private labels and does not just view them as a short-lived and transient trend. Since the case companies in unison both consider this to be an important strategy, and also apparently have adopted it, a clear and evident cross case agreement has been identified.

Overview of research question two
On the whole, when considering the strategies BGMs adopt in response to private labels, there seems to be a difference between product categories as to how the case companies address the issue of whether or not they are actually taking active strategic measures aimed specifically at private labels. Nevertheless, it seems clear that to wait and do nothing is neither a desirable strategy nor something that is pursued. Rather, private labels are taken very seriously by the investigated companies, and all attempt to increase their distance from them in one way or another. Furthermore, although none of the case companies presently produce private label products, the strategy has been seriously deliberated on and may become an option in the future. Finally, the majority of the investigated organizations do not view the strategies of advertise, exploit sales promotion, manage the price, and build trade relationships as applicable approaches to take in direct response to private labels, but nonetheless utilize them on a general level.

6.5.3 Perception of Benefits/Drawbacks with BGMs' Adopted Strategies

In this section, the case companies' perception of benefits and drawbacks with their adopted strategies, as well as the suggested ones, will be displayed. Table 6.5 below first illustrates the perceived overall benefits/drawbacks with the organizations' pursued strategies. Thereafter, how the pros and cons of the strategies brought up in the conceptual framework are perceived by the investigated companies is presented.

The perceived benefits are listed with a "+" sign, and the drawbacks with a "–" symbol. Moreover, the variables highlighted in **bold** writing represent benefits and drawbacks with the strategies that the companies actually pursue, whereas the ones that are not, show the organizations' general view of the remaining strategies from the conceptual framework. Some of the factors in the table below are denominated "N/A", which implies that the company has either not identified any benefits/drawbacks whatsoever, or has not recognized it as a feasible strategy towards private labels and therefore chosen to not comment on it.

Table 6.5. Benefits/drawbacks with Strategies

Case	Cederroth	Colgate-Palmolive	Findus	Unilever Bestfoods
Overall benefits	• Preparedness without overreacting	• Preparedness without overreacting	• Preparedness	• Preparedness
Overall drawbacks	N/A	• Private labels may get opening to gain easy market share	• May harm other business activities	N/A
Strategies				
Wait and do nothing	− Precarious consequences	− Precarious consequences	+ Avoid large investments − Precarious consequences	− Precarious consequences
Increase distance from private labels	+ **Provides added value** + **Enhances brand's perceived superiority** − **Limited applicability**	N/A	+ **Provides added value** + **Enhances brand's perceived superiority** − **Limited applicability**	+ **Provides added value** + **Enhances brand's perceived superiority** − **Limited applicability**
Reduce the price gap	+ **Gain market share** − **Lowers profit margins**	+ Gain market share − Loss in brand value	+ Gain market share − Loss in brand value	+ **Gain market share** − **Lowers profit margins**
Introduce a value flanker	− Cannibalization	− Cannibalization − Additional advertising − Increased slotting allowances	**N/A**	− May diffuse overall image
Make regular or premium private labels	+ Utilization of excess capacity + Strengthen relationships − Greater transparency	+ Strengthen relationships − Greater transparency − Manufacturing complexities	+ Utilization of excess capacity + Strengthen relationships + Increased product category control − Manufacturing complexities	+ Utilization of excess capacity + Lowers costs − Manufacturing complexities
Advertise	N/A	N/A	N/A	N/A
Exploit sales promotion	N/A	N/A	N/A	N/A
Manage the price	+ **React quickly to price changes**	N/A	N/A	+ **React quickly to price changes**
Build trade relationships	N/A	+ **Create win-win situation** + **Favoring trade accounts** + **Prevent shelf space occupation**	N/A	N/A
Take private labels seriously	+ **Enables strategic measures**	+ **Enables strategic measures**	+ **Enables strategic measures** − **May harm other business activities**	+ **Enables strategic measures**

Overall benefits/drawbacks

The overall benefit that each and every investigated organization has in common is that they all mention some form of preparedness towards the potential and predicted increase in private label activity. Cederroth and Colgate-Palmolive state that the chief advantage with their strategies is that private labels are taken seriously and are closely monitored for future expansion without damaging healthy competition and present trade relationships. Findus and Unilever Bestfoods differ somewhat to the prior two companies through the fact that they still mention the preparedness, but do not worry about damaging trade relations and healthy competition to the same extent as the chemical consumer companies do. Addressing the overall drawbacks, neither Cederroth nor Unilever Bestfoods have identified any direct drawbacks with their pursued strategies, whereas Colgate-Palmolive worries about that a too weak response towards private labels may provide them with an opening to gain easy access to the market, and subsequently capture shares without too much of an effort. Moreover, Findus claims that an overemphasis on private label competition could distort efforts away from other important business activities. In other words, only two of the four case companies have detected drawbacks with their generally adopted strategic measures.

Wait and do nothing
There is a rather clear consensus concerning the case companies' perceived drawbacks with the strategy involving wait and do nothing. None of the companies could even consider pursuing the strategy and they all agree that waiting and doing nothing would surely lead to some form of precarious consequences. Findus is the only company that deviates from the pattern as it is claimed that, under some specific prerequisites, an adoption of this strategy could lead to the evasion of large and long-term investments.

Increase distance from private labels
There is also a considerable unity among the investigated organizations' perception of the pros and cons related to the strategy proposing an increase in distance from private labels. Cederroth, Findus, and Unilever Bestfoods have all been analyzed to be followers of this strategy, it has also been discerned that all three companies have identified the same benefits with their adopted strategy, i.e. that it provides customers added value and enhances a brand's perceived superiority in the eyes of the consumer, and also the drawback stating that the strategy is limited to goods that are a bit more expensive and diversified. Colgate-Palmolive differs from the other three in that the company claims not to be utilizing this strategy aimed especially towards private labels, and as a consequence declines to comment on the specific drawbacks and benefits connected to it.

Reduce the price gap
Regarding the strategy of reducing the price gap, both some differences and some conformities between the case companies can be identified. First of all, all four organizations consider gaining market share to be a benefit of high importance. However, neither Colgate-Palmolive nor Findus allegedly utilize the strategy at the present, the two companies also view the fact that pursuing the strategy could lead to a loss in brand value and identity as the main drawback. This differs from the remaining two organizations in two ways; first, both Cederroth and Unilever Bestfoods are analyzed to partly follow the strategy in question, and second, the latter two companies see the potential for lower profit margins as the chief drawback instead of lost brand identity.

Introduce a value flanker
On the topic of introducing a value flanker, considerable differences can be detected regarding the case companies' perceived benefits and drawbacks. Findus is the only corporation that gives indications to actually pursuing the strategy in question, but the company declines to elaborate on this any further due to competitive reasons. The remaining

three case companies have not been able to identify any direct benefits and accordingly not either introduced any value flankers themselves, still, their perceived drawbacks differ in many aspects. Cederroth considers the risk that a value flanker could cannibalize sales currently accruing to the companies other brands as the biggest drawback. Colgate Palmolive agrees, but also adds the increased costs, complexities, and slotting allowances that could be derived from this strategy. Unilever Bestfoods, on the other hand, digresses from the other two by claiming that the greatest drawback with the introduction of a value flanker is that it may lead to a diffusion of the company's overall image.

Make regular or premium private labels
None of the investigated companies are currently pursuing the strategy of producing private labels. Nevertheless, they all identify benefits and drawbacks with doing so. Cederroth, Findus, and Unilever Bestfoods all recognize the benefit that it utilizes excess manufacturing capacity. Further, Cederroth, Colgate-Palmolive, and Findus find that making private labels implies the benefit of strengthening the manufacturer-distributor relationship, while Unilever Bestfoods claims that it also would lower manufacturing costs by helping to cover overheads. Moreover, it is noteworthy that Findus deviates from the other cases by stating that private label production would lead to increased control over an entire product category.

Regarding drawbacks with the strategy, Cederroth and Colgate-Palmolive, operating in the chemical consumer products category, both see greater transparency in trade relationship as a negative consequence. Colgate-Palmolive also recognizes additional manufacturing and distribution complexities as a drawback, which the two consumer food products organizations, Findus and Unilever Bestfoods, in unison bring up a major disadvantage with the strategy.

Advertise
All case companies consider advertising activities to be a fundamental part of their overall marketing mix. However, since none of the organizations view the strategy as a measure directed specifically towards private labels, they have not either commented on the benefits and drawbacks associated with it.

Exploit sales promotion
The case companies have neither commented on the benefits and drawbacks connected to the strategy of exploiting sales promotion based on the same reasoning as discussed in association to advertising.

Manage the price
Considering benefits and drawbacks with strategic measures towards managing the price, neither Colgate-Palmolive nor Findus adopts the strategy as a response to private label development, and consequently does not recognize any benefits connected to it. However, both Cederroth and Unilever Bestfoods use manage the price as a vital approach against private labels, and there is consensus that it brings benefits with it by allowing to react quickly and effectively to changes in price, as the organizations can keep constant track of price levels throughout the markets. Moreover, none of the investigated organizations identify any drawbacks with the strategy.

Build trade relationships
On the topic of benefits and drawbacks connected to building trade relationships, Cederroth, Findus, and Unilever Bestfoods use the strategy on an everyday basis, and not as something

aimed against private labels specifically. Hence, neither benefits nor drawbacks with the strategy are brought up. Colgate-Palmolive on the other hand strives towards building trade relations with the retailers in order to create value for both parties, while in negotiations also clarifying when it is felt that the company's products are treated unfairly. Subsequently, the strategy can be viewed as a response to private labels, and the benefits of creating a win-win situation with retailers, finding ways of favoring trade accounts, and neutralizing private labels from occupying shelf space are identified. Nevertheless, no drawbacks are recognized with building trade relationships.

Take private labels seriously
All four case companies adopt the strategy of taking private labels seriously, and it is in unison recognized that pursuing it implies the benefit of enabling strategic measures to be taken against private labels. However, none of the organizations, except Findus, identify any drawbacks with the strategy. Findus states that taking private labels too seriously could imply that over excessive focus is put on their posed competition, while forsaking other equally important business activities.

Overview of research question three
Addressing the overall issue of how BGMs perceive the benefits and drawbacks of the strategies they adopt in response to private labels, all investigated companies see that they are prepared to face a future increase in competition from private labels. However, depending on product category, the nature of the companies' preparedness is approached differently. The overall perceived drawbacks of the adopted strategies vary considerably between the case companies. The organizations generally do not see any direct drawbacks with taking private labels seriously, but rather emphasize that this enables them to take necessary strategic measures when this is called upon. Further, the majority of the case companies who strives towards increased distance from private labels see that this brings benefits in the form of increased brand value and perceived superiority.

6.6 Summary of Analysis

The empirical data brought forth in the previous chapter, have in this chapter been compared to the conceptual framework outlined in chapter three. The analysis in this chapter started with data reduction through within case analyses of each case. Thereafter, the data was displayed using cross case analyses of the three research questions. As the data now has been analyzed, findings can be outlined and conclusions can be drawn. All this (and more) will be presented in the following chapter.

7 Findings and Conclusions

In this final chapter, the research questions posed in chapter one will be answered through our findings; thereby fulfilling the stated purpose with the study. Each of the three research questions will be answered in separate sections. Moreover, based on the empirical data, the analysis, and the findings, specific conclusions will be drawn for every research question. This will be followed by a discussion regarding overall conclusions and our view of issues that have been raised throughout this thesis. Finally, implications for managers, theory, and further research will be suggested. It must however be noted that this study has utilized a rather limited sample, with organizations representing fast moving consumer goods either in the chemical consumer product category, or consumer food product ditto. Consequently, because of the study's qualitative nature, the findings and conclusions cannot be considered generalizable. Nevertheless, the conclusions brought forth could later be transferred into hypotheses that may be quantitatively tested, and then become generalizable.

7.1 How do branded goods manufacturers perceive private label activity?

Our research shows that private labels are perceived to be growing, and will most likely continue to do so until a substantial share of the Swedish market has been captured. Nevertheless, this increase in private label activity is not viewed as a directly negative factor among the investigated Swedish fast moving consumer goods companies. Rather, it is perceived as a positive competitive addition to the market, and as something that encourages BGMs to continuously develop and improve qualitative consumer brands.

The perceived advantages that private labels possess over manufacturer brands are strongly connected to the fact that the concept of private labels enables retailers to control both the product as well as the marketplace. The studied BGMs view their main advantages to be the ability to develop original products and categories that deliver value, as well as their favorable reputation among the consumers. Further, the perception of some advantages seems to vary dependent on product category.

As mentioned, the studied organizations view the private labels' most important advantages to be based on the fact that the retailers can control all marketing aspects of their private labels. The specific advantages that are mentioned by all companies are retailer control, placement, and private label coverage and penetration. Consequently, it can be concluded that retailers are perceived to enjoy a strong competitive advantage in the fact that they can decide and control the placement and amount of private labels offered in their stores, without having to deal with entry barriers and other complicating factors associated with reaching consumers. On the other hand, the investigated BGMs see that their most vital advantages towards private labels lie in their superior research and development capabilities, and the solid reputation and positive associations related to the brands. Since the vast majority of the investigated organizations see brand name reputation, product development, and to some extent the simplification of the consumers selection process as very important advantages for manufacturer brands, it can be concluded that the fundamental benefits traditionally sought after in a strong and solid brand, are also the advantages perceived to be most useful when competing against private labels in particular.

The two companies operating in the chemical consumer product category have identified that trade deals and price and promotion factors are perceived to be highly important advantages for private labels, while the consumer food companies see these as less significant. This could be an indication that private labels active in the chemical consumer category compete more with trade deals and promotions than private labels in the consumer food sector. Moreover, the improvement in quality of private label products is perceived to be a higher advantage among the consumer food companies than among the chemical dittos. This indicates a higher general quality of food related private labels at the present. This line of reasoning would imply that private labels active in the food industry do not have to compete with price and promotion issues to any larger extent, due to the fact that their quality have reached a level more in parity with manufacturer brands.

The perceptions of the BGM advantages that national brands have value for retailers, while possessing lower price elasticity than private labels, would further serve to strengthen this proposition. The fact that the chemical product companies see these as high-importance advantages, whereas the food organizations do not, could point towards this discussed lower private label quality, in that the retailers would not have to carry national brands in order to attract customers to the same extent, if their own products held comparable quality. Furthermore, the lower price elasticity enjoyed by manufacturer brands could be derived from the fact that consumers are willing to pay more for a product if they receive comparable quality, and since the food product companies do not perceive a very strong advantage in this, it could be concluded that the consumers find comparable quality in the private labels and that the manufacturer brands can easily be substituted. All in all, based on the reasoning above, it can be concluded that the investigated BGMs perceive that private labels have reached further quality-wise within the consumer food sector than in the chemical product category. Thus, it can be said that private labels have been more successful in competing within some product categories than in others, a reasoning which is also supported by previous research as well as by the investigated companies.

The companies studied have not identified a private label advantage in the development of premium private label brands. Since they are perceived as being far from fully developed in Sweden, the threat towards manufacturer brands can be concluded as insignificant presently. Nevertheless, their importance is predicted to increase in the Swedish market within a foreseeable future, and a strong advantage is also acknowledged in that European supermarkets' success with private labels (particularly in the UK) could serve as a source of inspiration for Swedish retailers to further develop their private label concepts. Consequently, it can be concluded that although trivial today, the development of premium private label brands is a private label advantage that most likely will gain in importance.

However, one proposed advantage could not be concluded as particularly important from this investigation's point of view. This is the suggested BGM advantage that brand strength would parallel the strength of the economy. Neither of the investigated organizations perceives that their brands' strength would vary according to the surrounding economic climate. The underlying reason to this could be that the studied entities all carry brands that are market leaders in many cases, meaning that consumers would perceive so much value in- and hold so much loyalty towards the brands that they procure them regardless of economic conditions.

In order to summarize how branded goods manufacturers perceive private label activity, the main conclusions derived from the investigated companies will be presented below.

- Private labels will continue to grow.
- Private labels are perceived to be a positive competitive addition to the market.
- The main advantage private labels are perceived to possess over manufacturer brands is their simultaneous control over both product and marketplace.
- The main advantage manufacturer brands are perceived to possess over private labels is the strength of the brand, the possibility of product development, and an alleged value among consumers.

7.2 How do branded goods manufacturers respond to private labels in terms of strategies they adopt?

Our conducted research indicates that branded goods manufacturers respond to private labels by taking them seriously, and do certainly not just wait while doing nothing. Although the investigated Swedish BGMs in the chemical consumer product category claim to not be using any direct strategies specifically aimed towards private labels, it can nevertheless be derived that all studied organizations in one way or another take measures in order to increase their distance from the private labels. Moreover, it can be seen that individual companies differ in terms of specific strategies they adopt.

As mentioned, none of the investigated entities just waits around for the private labels to compete and grow unrestricted. Rather, there is a strong need to take private label competition with great seriousness, and they can no longer be treated as a second-rate competitor on the Swedish fast moving consumer goods market. As put forth by one of the interviewed managers "anyone not considering private labels a serious actor cannot be seen as a serious brand." Thus, it can be concluded that the investigated BGMs consider it a fundamental necessity to take private labels seriously, and they subsequently adopt the philosophy as a foundation for facing the reality of private label competition, since there can be no doubt that private labels have established a solid presence on the market and most likely will continue to expand.

The organizations within the chemical consumer product category do not admit to pursuing any direct response strategies towards private labels, while both consumer food products companies mention that they aim to increase their distance from private labels as a specific strategic measure. This would indicate that private labels active with chemical consumer products are presently not considered as an overly imposing competitive threat towards the manufacturer brands operating in that category, whereas private labels in the consumer food category are perceived to be more successful at narrowing the gap between manufacturer brands and private labels. Another factor that could serve to strengthen this proposition is the conclusions regarding increased quality among food product private labels mentioned in the previous section.

Although not formally recognized by all studied companies, it has nevertheless been analyzed that the organizations adopt the strategic measure of increasing distance from private labels, either directly or indirectly. As mentioned throughout the data presentation, it is considered a vital measure for BGMs to continuously build and strengthen the value of their brands, while also developing products and categories in order to improve both the offered brands as well as the consumers' perception of these. The explanation as to why all investigated companies strive to increase their distance from private labels could be that the mentioned measures are fundamental parts of BGMs' core existence; building and strengthening brands have always been considered to be of utmost importance for these organizations, and have been their main method towards facing competition in general. This is supported in the preceding section by the fact that both product development as well as brand name reputation are considered main advantages enjoyed by manufacturer brands. However, it can also be concluded that the significance of this traditional approach has increased, and has gained a new meaning through the emergence of private labels. Connecting this to the previous section's conclusion regarding main advantages of private labels, it can be seen that, presently, BGMs must strive even more towards reaching favorable associations with their brands, in order to gain competitive advantages in a marketplace where the retailers are able to control every aspect of their private label marketing.

Based on the findings in this study, it can be concluded that none of the investigated BGMs presently produce private labels. However, it has been discovered that the organizations are increasingly deliberating the issue, and may consider doing so in the future. This proposition is illustrated by one of the interviewed managers, who stated that: "today the main attitude among manufacturers towards this has shifted from a clear and concise *no*, to something that is taken under very much consideration or even implemented." Since BGMs today to a greater extent view this as a desirable and viable option, this would be a further indication that private labels have moved up as a considerable force to reckon with, and have presently turned into a serious player on the market.

On the whole, the majority of the studied companies do not view advertising, sales promotion, price management, and the building of trade relationships to be strategies directly applicable as responses to private label growth. These general strategic approaches are used on an everyday basis as vital tools of the BGMs' marketing mix, and it could thus be concluded that no need is perceived to tailor these specifically with private labels in mind. The fact that the investigated organizations consider their present efforts sufficient enough to counter both traditional competition, as well as the one from private labels, could be an indication that, although a major force to reckon with, private labels have still not reached their full potential on the Swedish market.

In order to briefly present how branded goods manufacturers respond to private labels in terms of strategies they adopt, the main conclusions derived from the studied organizations will be presented below.

- Private labels are taken seriously by BGMs.
- BGMs strive towards increased distance from private labels.
- BGMs do not produce private labels, however they seriously consider it.
- To wait and do nothing is definitely not a desirable strategy for BGMs.

7.3 How do branded goods manufacturers perceive the benefits and drawbacks of the strategies they adopt in response to private labels?

Based on this study's findings, branded goods manufacturers perceive the main benefit of their adopted strategies to be a preparedness towards increased competition from private labels. The studied Swedish BGMs operating in the chemical consumer products category add that their pursued strategies allow them to stay prepared without overreacting. The overall perceived drawbacks with the adopted strategies vary between companies. Moreover, all BGMs see that the strategy to wait and do nothing could lead to precarious consequences, and that the adopted strategy of taking private labels seriously enables strategic measures to be taken when needed. Further, striving towards increasing distance from private labels is by a majority of the BGMs perceived to bring benefits in that it provides added value to the brands, while also enhancing their perceived superiority. The perceived benefits and drawbacks of the remaining adopted strategies differ considerably between the investigated organizations.

As mentioned, the chemical consumer products companies have an addition to the preparedness benefit in that it enables them to avoid overreactions through measures that could harm trade relationships and healthy competition. The consumer food companies have not identified this, which could be derived from the previously discussed issue of increased private label quality and other competitive advantages in this particular category. Consequently, they do not have to worry about damaging trade relations to the same extent, since private labels probably have reached a higher level in their competition with manufacturer brands in this sector. It can thus be reasoned that these BGMs do not have to tread as cautiously as in other categories where competition is not as fierce. This could be further supported by the fact that the chemical consumer products companies declines to formally admit any specific private label response strategies, whereas the consumer food dittos do.

The investigated BGMs basically agree that waiting and doing nothing would imply very few benefits and, if pursued, surely would result in all kinds of unfavorable consequences. The underlying reason behind this consensus in perception would be the previously discussed position that private labels are gaining on the Swedish market. If private labels would not be perceived as such a major player, the BGMs could easily adopt the wait and do nothing strategy without fearing the precarious consequences they mention; there is no need in taking action if the situation does not call for it, or if no real threat is identified.

Since it is quite clear that the studied companies all identify hazards with doing nothing, taking private labels seriously becomes imperative. It can be concluded that BGMs adopting this strategy see a great benefit in that it enables strategic measures to be taken against private labels. The reasoning behind this could basically be seen to correlate with the perceived drawbacks of the wait and do nothing strategy mentioned above; i.e. the current increasing market presence of private labels in Sweden necessitates an approach enabling BGMs to take strategic measures when called upon.

The studied companies adopting the strategy to increase their distance from private labels all see benefits in that it provides customers added value, and that it enhances the brand’s perceived superiority in the eyes of the consumers. It can be concluded that these perceived benefits are closely tied to the previously mentioned advantages the investigated BGMs claim to hold over private labels; mainly product development and brand name reputation. In other words, the strategic measure of increasing distance from private labels is used in order to generate benefits that further strengthen the already perceived advantages that manufacturer brands allegedly hold over private labels. Thus, the BGMs want to become better at their core business; offering brands that provide customer value.

Moreover, a couple of noteworthy differences concerning perceived benefits and drawbacks with BGM strategies in response to private labels can be discerned based on this study. First, the two organizations that, to a limited degree, adopt the strategy of reducing the price gap have both acknowledged a drawback neither recognized by the conceptual framework nor by the remaining two companies; namely that reducing the price gap lowers profit margins. The reason behind this difference could be that the other two companies as well as the conceptual framework look at the strategy from a theoretical branding perspective when they identify loss in brand value as a potential drawback, whereas the first two companies, to some extent, have hands on experience in dealing with the strategy in question. Secondly, regarding the perceived benefits and drawbacks with the strategy of producing private labels, the investigated BGMs in the chemical consumer product category identify a potential drawback in that pursuing this strategy could lead to a greater transparency in negotiations with retailers and thus the revealing of sensitive information. In this case, we have not been able to conclude any reasonable explanation as to why chemical consumer companies identify this drawback when the consumer food companies do not. It might somehow be connected to the fact that private labels in the consumer food sector have reached higher quality levels and are competing more successfully, but it could also be due to plain coincidence.

Below, the main conclusions derived from this study as to how branded goods manufacturers perceive the benefits and drawbacks of the strategies they adopt in response to private labels are briefly summarized.

- BGMs overall perceived benefit of the strategies they adopt is that they are prepared for increased competition from private labels.
- BGMs overall perceived drawbacks vary between companies.
- The benefit with taking private labels seriously is perceived to be that it enables strategic measures to be taken.
- BGMs perception of specific adopted strategies' benefits and drawbacks vary between companies.

7.4 Overall Conclusions

This section will directly address this thesis' research purpose and also give an overview as to how we as researchers view the findings of this study on an overall level. The purpose of this study was to gain a deeper understanding of how branded goods manufacturers respond to the increased usage of private labels. We are of the opinion that through an extensive investigation that has managed to yield sufficient information in order to provide answers to the research questions posed, the deeper understanding sought after in the purpose has been achieved.

Figure 7.1 below illustrates how our conducted research is overall perceived, and how we consider the research questions to be interlinked based on the analyses, findings, and conclusions. This visualization could preferably be compared to the emerged frame of reference presented in Figure 3.1 (page 32), in order for the reader to gain a more thorough comprehension as to how this thesis has evolved. The chief variables identified by all investigated companies are presented in **bold** writing, whereas the ones differing between categories are not, with a coding explanation as to which product category that is in question. The chemical consumer product companies are denoted with *CCP*, and the consumer food product dittos with *CFP*.

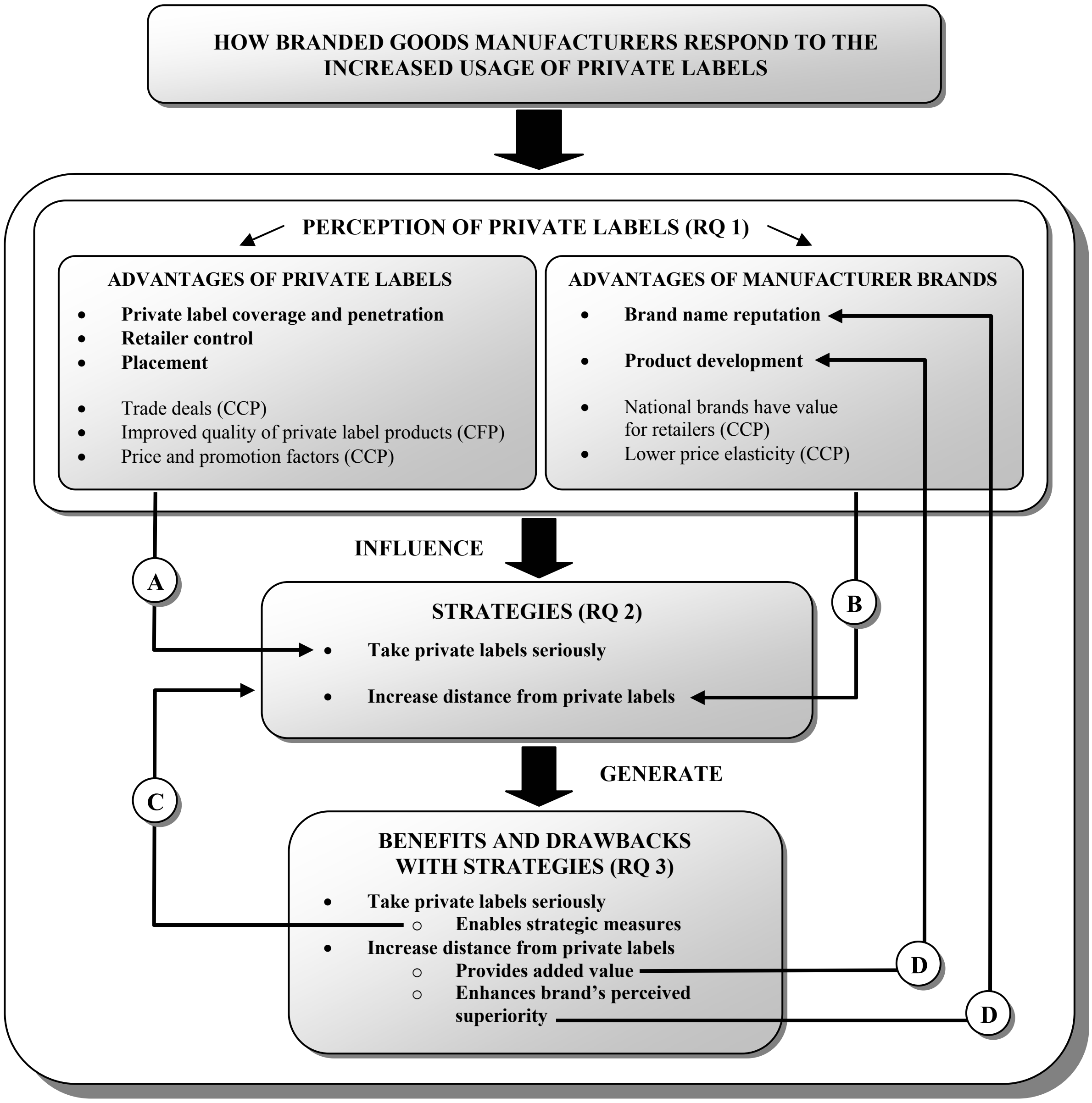

Figure 7.1. Authors' Emerged Perception of Conducted Research

As can be derived from Figure 7.1, the perceived main advantages of private labels are associated to the fact that the retailers through them are able to simultaneously control the product as well as the marketplace. These perceived advantages would in turn serve to influence the adopted BGM strategy of taking private labels seriously (A). Moreover, the main advantages that manufacturer brands are perceived to hold against private labels are the development of original products and categories that deliver value, as well as a favorable reputation. This would subsequently act as a direct influence on the BGMs' implemented strategy of increasing the distance from private labels (B). Further, by taking private labels seriously, the BGMs would gain a benefit in that they are able to take strategic measures against private labels (C), which consequently leads to a situation where the benefits of increasing distance from private labels can be reaped in the form of providing added value to the consumers, as well as enhancing the brand's perceived superiority in the minds of the consumers. These benefits would in turn supplement the BGM advantages of brand name reputation and product development (D). Thus, by viewing the advantages of private labels as strong enough to necessitate strategic measures that serve to differentiate the manufacturer brands from them, the BGMs are able to further strengthen their already perceived advantages.

7.5 Implications

In this thesis' final section, we will first provide implications for practitioners and managers in the fast moving consumer goods industry working with either manufacturer brands or private labels. Thereafter, we will provide some implications and reactions to the theories that have been adopted for the thesis. The thesis will end with recommendations for researchers who feel that they have not had enough by reading this thesis and consequently further want to engross themselves and dive deeper into the current field of research.

7.5.1 Implications for Management

First of all, our research indicates that private labels have become a growing force in the Swedish marketplace and will continue to increase, both in terms of market share and overall importance. Based on our research and the information received from the investigated cases, we recommend managers whose organizations could be affected by this growth not to take the emergence of private labels lightly and treat it as a transitory trend that will soon blow over. Instead, approaching private labels in a professional manner and taking them deadly serious should be the fundament on which to build further strategies as to how private labels should be approached.

Furthermore, we also think it is very important for both branded goods manufactures as well as retailers to continuously strive for reaching favorable trade relationships and not overreact with extreme offensive or defensive strategies, which could serve to harm business relations that might have taken years to create. Just because an increasing amount of retailers are initiating private label programs does not imply that manufacturer brands are out for count, on the contrary, the two are still very much dependent on each other and it is therefore important not only to maintain the existing relationships but also to create new ones.

7.5.2 Implications for Theory

The purpose of this study has mainly been to describe a phenomenon within a specific area of research. We have aimed for a deeper understanding of this phenomenon by answering the research questions connected to how branded goods manufacturers respond to the increased usage of private labels; this has been done with the help from theories proposed by previous researchers. By answering the research questions and thus increasing the understanding of this phenomenon, it could be said that we have made a contribution to the adopted theories by testing them from a new perspective.

Some theories brought up in the conceptual framework have proven to correlate well with the empirical findings of this thesis, for instance the majority of Hoch's (1996) proposed strategies in response to private labels. In addition, a considerable number of Hoch's (1996) and Quelch and Harding's (1996) (as well as supporting authors') advantages with private labels and manufacturer brands have also proven to interlink quite well with the collected data. Therefore, these theories can be considered as reinforced and hence, to some extent applicable in a new setting. On the other hand, a number of previous studies presented in the conceptual framework have also proven to deviate from the predicted pattern as they were tested in this new setting. The most conspicuous deviations will be accounted for below.

First of all, none of the reviewed theories have mentioned a manufacturer brand advantage dealing with the BGMs' superior capabilities of product development. Since this was stated as a chief advantage by all investigated entities, we feel that an addition to the theories on manufacturer brand advantages should be contemplated.

Moreover, neither of the cases identified a particularly strong BGM advantage in Quelch and Harding's (1996) proposition that brand strength parallels the strength of the economy. Several of the interviewees disagreed to this advantage to such extent that they explicitly questioned its overall validity. Based on this, we recommend a possible revision before applying this theory again in a similar setting.

The wait and do nothing strategy as suggested by Hoch (1996) is basically repudiated by each and everyone of the case companies, as it is stated that pursuing this strategy would almost certainly bring devastating results. The theory has in this case proven to be viable only under very specific conditions, and its applicability could thus be questioned. Consequently, it is very likely that the theory does not take the strong private label expansion that has taken place during recent years into account, and could hence be seen as outdated. Therefore we recommend the research community to update this theory and adapt it to the 21st century.

Furthermore, the strategies advocating the use of advertising (Miller, 1995; Parker & Kim, 1995) and sales promotion (Quelch and Harding, 1996; Halstead & Ward, 1995) in response to private labels have not been recognized as viable approaches by any investigated organization, and could thus be seen as irrelevant in this particular setting.

On a general level, the bulk of the reviewed literature approach the area of manufacturer brand/private label competition as an obstacle that needs to be overcome in order for BGMs to succeed in today's marketplace. However, although private label competition is recognized by the investigated companies, this is not necessarily seen as something that entails negative consequences. Rather, it is time after time emphasized that the emergence of private labels could act as a positive force that motivates the BGMs to become even better at their core business activities; i.e. providing brands that offer value to the consumers. Hence, private label competition could be said to benefit the everyday consumers in the end, through the creation of better manufacturer brands. Based on this reasoning, our implication becomes that the research society should also take the positive consequences of private label competition into account.

7.5.3 Recommendations for Further Research

For those who would like to further indulge themselves in the research area of private label and manufacturer brand competition, we present a number of interesting propositions for further research below.

As it seems imperative that private labels are continuously expanding, and since our thesis at numerous occasions has found that the growth of these will not settle until a market share of at least 15 percent is reached, it would be interesting to conduct a study investigating the same variables and product categories as this one, but in a future setting. This in order to see if our discovered patterns regarding BGMs perception and adopted strategies would change over time.

Furthermore, the two investigated product categories in this thesis can both be classified as relatively high-involvement ones, which could be an explanation as to why the studied BGMs have not yet taken particularly strong strategic measures in response to private labels. Thus, it would be an interesting approach to study organizations in more low-involvement categories, as these might pursue different methods when facing private label competition.

Finally, this study has been limited to investigating Swedish BGMs in the fast moving consumer goods industry, and thus no real generalizable conclusions can be drawn outside that specific setting. Nevertheless, the findings of this thesis could serve as a base for the construction of hypotheses, which in a later stage could be tested in a quantitative setting, and by that generate more generalizable results.

References

Printed Sources

American Marketing Association. (1960). *Definition of Terms*. Chicago: American Marketing Association

Ashley, S. R. (1998). How to Effectively Compete Against Private-Label Brands. *Journal of Advertising Research*. (January/February), pp. 75-82

Baltas, G. (1997). Determinants of Store Brand Choice: a Behavioral Analysis. *Journal of Product & Brand Management*. 6(5), pp. 315-324

Befring, E. (1994). *Forskningsmetodik och statistik*. Lund: Studentlitteratur

Brassington, F. & Pettitt, S. (2000). *Principles of Marketing* (2nd ed.). England: Pearson Education Limited

Calderón, H., Cervera, A., & Mollá, A. (1997). Brand assessment: a key element of marketing strategy. *Journal of Product and Brand Management*. 6(5), pp. 293-304

Chernatony, L. & McWilliam, G. (1998). Clarifying the difference between Manufacturers' Brands and Distributors' Brands. *The Quarterly Review of Marketing*. 3, pp. 1-4

Colangelo, G. (2002). *Harmful Manufacturer Counterstrategies to Private Labelling*. Catholic University of Milan. Working Paper D43, L22, M31

Cole, R., DeBoer, L., Millican, R., & Wedding, N. (1955). Manufacturer and Distributor Brands: Some Facts and Issues. *University of Illinois Bulletin*. 52(71), pp. 7-95

Davis, S. (1994). Commentary: Securing the Future of Your Brand. *Journal of Product & Brand Management*. 3(2), pp. 42-49

Davis, S. M. (2000). The power of the brand. *Strategy & Leadership*. 28(4), pp. 4-9

de Chernatony, L. & McDonald, M.H.B. (1998). *Creating Powerful Brands in Consumer, Service and Industrial Markets* (2nd ed.). Oxford: Butterworth – Heinemann Ltd.

Dunne, D. & Narisimhan, C. (1999). The New Appeal of Private Labels. *Harvard Business Review*. (May-June), pp. 41-52

Eriksson, L.T. & Wiedersheim-Paul, F. (1997). *Att utreda forska och rapportera*. Malmö: Liber Ekonomi

Findus Sverige AB. (2002). *Fakta om Findus*. Bjuv: Findus Sverige AB

Garreston, J.A., Fisher, D., & Burton, S. (2002). Antecedents of private label attitude and national brand promotion attitude: similarities and differences. *Journal of Retailing*. 28(2), (Summer 2002), pp. 91-99

Glémet, F. & Mira, R. (1993). The Brand Leader's Dilemma. *The McKinsey Quarterly*. (2), pp. 3-15

Goff, W. N. (2002). What's in a Brand? *Best's Review*. (May 2002), p. 102

Halstead, D. & Ward, C.B. (1995). Assessing the vulnerability of private label brands. *Journal of Product and Brand Management*. 4(3), pp. 38-48

Hoch, S.J. (1996). How should national brands think about private labels? *Sloan Management Review*. 37(2), (Winter 1996), pp. 89-102

Hoch, S. & Banerji, S. (1993). When Do Private Labels Succeed? *Sloan Management Review*. (Summer), pp. 57-67

Hollensen, S. (2003). *Marketing Management – A Relationship Approach*. England: Pearson Education Limited

Holme, I.M. & Solvang, B.K. (1991). *Forskningsmetodik: Om kvalitativa och kvantitativa metoder*. Lund: Studentlitteratur

Håkansson, P. (2000). *Beyond Private Label – The Strategic View on Distributor Own Brands*. Ph.D. Thesis, Stockholm: EFI Stockholm school of economics

Jobber, D. (2001). *Principles & Practice of Marketing*. England: McGraw Hill

Kapferer, J-N. (2001). *[Re] inventing the Brand – Can Top Brands Survive the New Market Realities?* London: Kogan Page

Keller, K.L. (1998). *Strategic Brand Management: building, measuring, and managing brand equity*. Upper Saddle River: Prentice Hall Inc.

Keller, K.L. (2003). *Strategic Brand Management: building, measuring, and managing brand equity* (2nd ed.). Upper Saddle River: Prentice Hall Inc.

Kotler, P. (1997). *Marketing Management: Analysis, Planning, Implementation and Control*. Upper Saddle River: Prentice Hall

Kotler, P. (2003). *Marketing Management* (11th ed.). Upper Saddle River: Prentice Hall

Laaksonen, H. & Reynolds, J. (1994). Own Brands in Food Retailing Across Europe. *Journal of Brand Management*. 2(1), pp.37-46

Leahy, T. (1992). *Branding – the Retailer's Viewpoint*. Houndmills: Macmillan Academic and Professional Ltd.

Lindgren, O. & Ottosson, H. (2002). *The use of private labels as a strategic branding tool: four case studies from the perspective of UK and Swedish grocery retailers*. Master's Thesis, Luleå University of Technology (2002:017)

Lundahl, U. & Skärvad, P-H. (1992). *Utredningsmetodik för samhällsvetare och ekonomer* (2nd ed.). Lund: Studentlitteratur

Lyon, G. (1998). Branded OTCs vs. Private Labels: Staying on Top of the Food Chain. *Pharmaceutical Executive*. 18(11), (Nov 98), pp.80-85

Mason, S. (2002). Private Label Revolution. *GCI*. (November 2002), pp. 40-43

Miles, M.B. & Huberman, M.A. (1994). *Qualitative Data Analysis* (2nd ed.). London: SAGE publications

Miller, C. (1995). Big Brands Fight Back Against Private Labels. *Marketing News*. 29, (01/06/95), pp. 1-8

Montezemolo, G. (1997). When client turns competitor: How to deal with growing competition from retailers' own labels. *Business Europe*. (January 29), pp. 9-10

Nilson, T.H. (1998). *Competitive Branding – Winning in the Market Place with Value-Added Brands*. West Sussex, England: John Wiley & Sons Ltd.

Parker, P.M. & Kim, N. (1995). *National Brands Versus Private-Labels: An Empirical Study of Competition, Advertising and Collusion*. INSEAD, Fontainebleu, France. Working Paper 95/32/MKT

Patel, R. & Davidsson, B. (1994). *Forskningsmetodikens grunder: att planera, genomföra och rapportera en undersökning*. Lund: Studentlitteratur

Quelch, J.A. & Harding, D. (1996). Brands versus private labels: Fighting to win. *Harvard Business Review*, 74(1), (Jan/Feb 1996), pp. 99-110

Randall, G. (1994). *Trade Marketing Strategies: The Partnership Between Manufacturers, Brands and Retailers*. Oxford: Butterworth-Heinemann Ltd.

Rao, A.R. & Monroe, K.B. (1989). The Effect of Price, Brand Name, and Store Name on Buyers' Perceptions of Product Quality: An Integrative Review. *Journal of Marketing Research*. 26, (August 1989), pp. 351-357

Reynolds, P.D. (1971). *A Primer in Theory Construction*. New York: Macmillan Publishing Company

Saunders, M., Lewis, P. & Thornhill, A. (2000). *Research Methods for Business Students* (2nd ed.). Harlow: Pearson Education Limited

Sethuraman, R. (2000). *What Makes Consumers Pay More for National Brands Than for Store Brands: Image or Quality?* Marketing Science Institute. Working Paper. Report no. 00-110.

Tamilia, R.D., Corriveau, G., & Arguedas, L.E. (2000). *Understanding the Significance of Private Brands with Particular Reference to the Canadian Grocery Market*. Centre de Recheche en Gestion. Bibliothèque nationale du Canada. Working Paper. 11-2000.

Taylor, R.L. & Rao, C.P. (1982). An Assessment of the Interaction Effects of Brand and Store Reputation on Consumer Perceived Risk and Confidence. *Akron Business and Economic Review*. (Summer 1982), pp. 43-47

Tull, D.S. & Hawkins, D.I. (1990). *Marketing Research – Measurement and Method* (5th ed.). Singapore: Macmillan Publishing Company

Vaidyanathan, R. & Aggarwal, A. (2000). Strategic Brand Alliances: Implications of Ingredient Branding for National and Private Label Brands. *The Journal of Product & Brand Management*, 9(4), pp. 214-228

Wallén, G. (1996). *Vetenskapsteori och forskningsmetodik* (2nd ed.). Lund: Studentlitteratur

Yin, R.K. (1994). *Case Study Research: Design and Methods* (2nd ed.). Thousand Oaks: SAGE Publications

Internet Sources

Cederroth International. (2002). *Company Website*. [On-line] Available: http://www.cederroth.com [2002, December 13]

Coca-Cola Enterprises Inc. (2002). *Annual Report 2001*. [Downloaded pdf] Available: http://www2.coca-cola.com/investors/annualreport/2001/pdf/ko_ar_2001_financials_section.pdf [2002, November 26]

Colgate-Palmolive AB. (2002). *Company Website*. [On-line] Available: http://www.colgate.se [2002, December 17]

Kompass. (2002). *Welcome – search*. [On-line] Available: http://www.kompass.com/ip [2002, December 17]

The Procter & Gamble Company. (2002). *2002 Annual Report*. [Downloaded pdf] Available: http://www.pg.com/content/pdf/02_investor/financial_reports/annual_report/annual_report_2002.pdf [2002, November 26]

Unilever. (2002). *Company Website*. [On-line] Available: http://www.unilever.se [2002, December 17]

Interviews

Norman, Sven. Business Area Manager at Cederroth International AB. Luleå, 2002, December 6

Wergens Hellbom, Christina. Customer Marketing Director at Colgate-Palmolive AB. Luleå, 2002, December 6

Olsson, Jörgen. Sales Director at Findus Sverige AB. Luleå, 2002, December 12

Nilsson, Mats. Customer Business Manager at Unilever Bestfoods AB. Luleå, 2002, December 18

Appendix A – Evolution of Private Labels

	First Generation	Second Generation	Third Generation	Fourth Generation
Type of brand	• Generic • No name • Brand free • Unbranded	• Quasi-brand • Own label	• Own brand	• Extended own brand
Strategy	• Generics	• Cheapest price	• Me-too	• Value-added
Objective	• Increase margins • Provide choice in pricing	• Increase margins • Reduce manufacturers' power by setting the entry price • Provide better value product	• Enhance category margins • Expand product assortment • Build retailer's image among consumers	• Increase and retain the client base • Enhance category margins • Improve image further • Differentiation
Product	• Basic and functional products	• One-off staple lines with a large volume	• Big category products	• Image-forming product groups • Large number of products with small volume (niche)
Technology	• Simple production process and basic technology lagging behind market leader	• Technology still lagging behind market leaders	• Close to the brand leader	• Innovative technology
Quality/Image	• Lower quality and inferior image compared to the manufacturers' brands	• Medium quality but still perceived as lower than leading manufacturers' brands • Secondary brand alongside the leading manufacturers' brand	• Comparable to the brand leaders	• Same or better than brand leader • Innovative and different products from brand manufacturer
Approximate pricing	• 20% or more below the brand leader	• 10-20% below	• 5-10% below	• Equal or higher than known brand
Consumers' motivation to buy	• Price is the main criterion for buying	• Price is still important	• Both quality and price, i.e. value for money	• Better and unique products
Supplier	• National, not specified	• National, partly specializing to own label manufacturing	• National, mostly specializing for own brand manufacturing	• International, manufacturing mostly own brands

Source: Adapted from Laaksonen & Reynolds (1994, p.38)

Appendix B – Interview Guide

General Information

- Company name:
- Name and position of respondent:
- Number of employees:
- Year of company foundation:
- Annual turnover (SEK):
- Line of industry:
- Products/services:
- Business mission:
- Most important competitor
    - Manufacturer brand / Private label
- Target audience:

Part A – Perception of Private Labels

AI – Advantages for Manufacturer Brands

What are the main advantages that your organization possesses towards private labels?

Do you possess any other advantages than those mentioned?

Please rate the following suggested advantages for manufacturer brands according to their relative importance in your organization:

	Low	Medium	High	
Simplifies consumers' selection process				Please Comment
Brand name reputation				Please Comment
Brand strength parallels the strength of the economy				Please Comment
National brands have value for retailers				Please Comment
Lower price elasticity				Please Comment

Anything to add regarding advantages for manufacturer brands towards private labels…

AII – Advantages for Private Labels

What are the main advantages that private labels possess towards your organization?

Do private labels possess any other advantages than those mentioned?

Please rate the following advantages for private labels according to their relative impact on your organization:

	Low	Medium	High	
Private label coverage and penetration				Please Comment
Retailer control				Please Comment
Piggybacking				Please Comment
Placement				Please Comment
Trade deals				Please Comment
Improved quality of private label products				Please Comment
Development of premium private label brands				Please Comment
European supermarkets' success with private labels				Please Comment
The emergence of new channels				Please Comment
The creation of new categories				Please Comment
New product activity [1]				Please Comment
Price and promotion factors [2]				Please Comment

Anything to add regarding advantages that private labels possess towards your organization…

Overall, do you consider private labels or manufacturer brands to possess the greatest advantages over the other?

[1] Includes: National brands are offered in few varieties, enabling a private label with a narrow line to represent a clear alternative to the consumer; National brand new product introductions are infrequent or easy to copy; Consumers can easily make side-by-side comparisons of national brands and private labels.

[2] Includes: Retail gross margins in the product category are relatively high; Price gaps between national brands and private labels are wide; National brand expenditures on price promotions as a percentage of sales are high, raising price sensitivity and encouraging consumers to switch brands; The credibility of national brand prices is low because of frequent and deep price promotions; National brand expenditures on advertising as a percentage of sales are low

Part B: Strategies in Response to Private Labels

Do your organization use any strategies in response to private labels?
- Why/why not?
- Main strategies (please exemplify)
- Other strategies (please exemplify)

Do your organization produce private labels?
- Why/why not?

Do your organization plan additional strategic measures in response to private labels?
- Why/why not?
- Which?

Please comment on these suggested strategies in response to private labels:

- Wait and do nothing
- Increase distance from private labels
- Reduce the price gap
- Introduce a value flanker
- Make regular or premium private labels
- Advertise
- Exploit sales promotion
- Manage the price
- Build trade relationships
- Take private labels seriously

Anything to add with regards to strategies in response to private labels…

Part C: Benefits/Drawbacks with Chosen Strategy

What do you consider to be the greatest benefits with your organization's strategies in response to private labels?
- Other advantages?

What do you consider to be the greatest drawbacks with your organization's strategies in response to private labels?
- Other disadvantages?

Please comment on the advantages and drawbacks connected to the suggested strategies in part B.

How do you perceive the future for private labels?

How do you perceive your organization's future situation with regards to private labels?