Private Brands Conquer the Swedish Market
How Retailers Regard and Handle Private Brands

Master’s thesis in Business Administration
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Preface

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Abstract

Background  The story of private brands begins in Great Britain in 1928, when Marks & Spencer launched their private brand St Michael. In Sweden, the first private brand was developed during the 1920's; a coffee named Prinsess Kaffe produced for ICA. Until 1980, private brands were just a cheap alternative to manufacturer owned brands. During the years, it gained more and more market shares. Because of the introduction of private brands, the retailers have gained an increased power over manufacturers and they now also have to handle the competition between manufacturer brands, private brands and customer's demand.

Problem  In the Swedish every day commodity trade, private brands represent approximately 15% of the total assortment. A problem that has arose concerning the competition during the latest years, is that the trade constantly increases in the direction of effort on private brands. Private brands are one way for the supermarket chains and the retailers to increase their power over the shelf space, marketing and price setting. Due to the increased competition concerning the shelf space in the stores, the authors found it interesting to investigate how private brands are dealt with. The authors made the research from the retailer’s perspective and their view of private brands and how they compete.

Purpose  The purpose of this thesis is to investigate how private brands are regarded and dealt with, according to the retailer.

Method  This study is accomplished with a qualitative method. The authors wanted to gain a deeper understanding for how the private brands influence and compete with manufacturer brands. The authors chose to do a descriptive study since it was in line with the qualitative approach that was used. Further on, the authors used the basic qualitative research which refers to that data is collected through interviews and observations. Eight retailers were interviewed from ICA, Axfod and Coop.

Result  The result of this study gives an explanation of how private brands are dealt with. Private brands receive premium shelf space in the store, but in the end it is up to the customer to decide upon the future of private brands. Demonstrations are the most common way to promote the private brands in stores. In the future the retailers claim that private brands will be developed into both niche products as well as low price products.
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1 Introduction

In this chapter, a general description of the topic will be presented followed by a problem discussion. To further narrow the research, a purpose and research questions will be stated. Some fundamental keywords will also be defined in the end of this chapter.

1.1 The Story of Private Brands

The first brand of any kind appeared in Greek and Roman times, but it was not until 1830 the brand played a more important role and the development of brands increased. The story of private brands begins 1928 in Great Britain when Marks & Spencer launched their own brand St Michael. The development continued and wholesaler’s retail chains in many countries introduced their private brands (Riezebos\(^1\), 2003). In Sweden, the first private brand, “Prinsess Kaffe”, was developed during the 1920’s and 1930’s; a coffee produced for ICA (Projekt Merkurius, 2006). Until 1980, private branded goods were just a cheap alternative to manufacturer owned brands. During the years, the private brands gained more and more market shares. Among the reasons are that private brands are better placed in the stores, they obtain more facings on the store’s shelves (Melin, 1997).

The development of both manufacturer and private brands the latest year has been more and more focused on concepts than only a product name. This means that the retailers develop an idea, often connected to lifestyle that can be applied to many different products in the assortment (Riezebos, 2003). The concept idea can also be applied in private brands with the example ICA Gott Liv. This brand is representing healthy food that contains less sugar, fat and salt and has more fibers. Before 1990, the reputation of private brands was equal to low quality and low prices, but today, the perception of private brands is different. The competition among retailers and manufacturers has become harder (Murphy, 1990). During the 1990’s, the retailers tried to make their private brand more attractive by changing packaging designs for a better look and increasing the price in order to give the impression of a higher quality. Before this period, many of the manufacturer brands had no or few competitors (Melin, 1997).

In Great Britain, private brand products represent innovation. The same trend has come to Sweden which can lead to an increase in the sales for private brands. On an international basis, the average percentage of private brand sales in Sweden is relative low, only 15%. As a comparison, private brands represent 37% in Great Britain and 35% in Germany of the total turnover. According to P. Cheverton\(^2\), the customers are not expecting any lower quality in private brands compared to other brands, rather as an excellent compliment to the traditional brands. Due to the acceptance from the customers towards private brands, the possibility for the food chain to produce, new private brand products has increased (Sundström, 2006a).

There are three possible steps in the development of private brands. The first step includes cheap basic products, as Euro Shopper, X-tra and Eldorado. The prices of these products are 30% lower than comparable products of distributor owned brands. The second step is

\(^1\) Rik Riezebos is a managing consultant and work as a director of the Erasmus brand management centre.

\(^2\) Peter Cheverton is the founder of the company Insight Marketing and People. He works with strategic marketing and the building of brands.
products with a similar quality as other comparable brands, but with about 10-15% lower price, for example ICA, Coop, WiLLYS and Hemköp. Finally, the third step concerns high quality private brand products to a higher price compared to other comparable brands. The British retailer chain Tesco, has taken this third step with a new assortment of perishables under the brand; Tesco finest. As a comparison, ICA has started with ICA Gott Liv that can be seen as products striving towards the third phase (Sundström, 2006b). There are several advantages with private brands, both for the producer and the customer. It creates less dependency on manufacturers and a higher profitability for the distributors. The customers experience a larger range of products to a lower price. The retailers do also process an increased power over manufacturers and have to handle the competition between manufacturer brands, private brands and customer’s demand (Riezebos, 2003; Östberg, 2005).

According to T. Svanton, private brands are estimated to within three to five years correspond to an average of 25% of the total turnover of the convenience goods market in Sweden. The increase in sales is about 20% every year for the private brands (Sundström, 2006b). Figure 1-1 below shows the sales of private brands in the Nordic countries and how it has changed from 2003 to 2005. The increase has been about the same in all countries, except for Norway and Great Britain. Norway has the same share as 2003 while Great Britain decreased their share of private brands. Sweden has had an increase in the share of private brands and it is easy to believe that this trend will continue.

![Share of private brands in selected countries](image_url)

**Figure 1-1** - The share of private brands in selected countries (Nordic Competition Authorities, 2005, p 87).

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3 CEO of Svensk Dagligvaruhandel (Swedish everyday commodity trade).
1.2 Problem discussion

As mentioned earlier, private brands represent approximately 15% of the total volume in the Swedish everyday commodity trade, while in other countries, the volume of private brands can correspond to 50%. A problem that has arisen concerning the competition during the latest years, is that the trade constantly increases the effort on private brands. In the beginning, this leads to an increased competition on manufacturer brands, though as time goes by, the retailers can increase their power and by that control the space on the shelves (Supermarket, 2002 in Ulver, 2003). Private brands are one way for the supermarket chains to increase their power, not only on the shelf space, but in both marketing and price-setting. Since the retailers earn more on private brands, there is an opportunity to adapt the pricing to manufacturer brands and therefore control the sales (Norrländska Socialdemokratern, 2004). According to Gripenberg (2005), retailers had a total turnover of 150 billion SEK 2004 and of that 20 billion SEK was from private brands.

Most chains control all products that are sold in the stores by categorizing them into different categories; one product category which most stores have to sell and another where they can choose from a list of products. As every little space on the shelves is evaluated according to its sales, it is very important for manufacturers to get their products in the first category. To harden the competition even more, the retailers develop private brands which are cheaper for the store to purchase than the manufacturer brands. The private brands have a prominent shelf placement and if the manufacturer wants a premium place for their brands, they have to pay for it. Due to this development towards private brands, many food producers have lost market shares (Nordic Competition Authorities, 2005).

The phenomenon of private brands has been criticized by manufacturers, researchers and representatives for the customers. They claim that private brands are copies of other traditional brands and there is a risk for a decrease in product development. Another critique that customer organizations state is; better information about where and by whom the private brand products are produced. There has also been a new situation for the manufacturers, because of the private brand; several smaller manufacturers have given up their own brands in order to start producing the retailer’s private brands. Other larger manufacturers have started cooperation with the retailers, for example Arla, the main dairy producer in Sweden, has started to produce the crème fraiche for ICA and Swedish Meat are producing the pre-packed meat for Axfood (Norrländska Socialdemokratern, 2004).

There have been debates and discussions the last years concerning private brands, both with negative and positive aspects. The manufacturer brands have been challenged by retailer’s private brands and the competition has increased. There are many negative opinions concerning private brands, for example concerning quality, but still they increase in sales and are an important profit source for the retailer. The new competition private brands contribute to, has according to Borgman (2005), lead to a price decrease in product categories where private brands exist. Varley (2001) stresses the importance of calculating profit according to shelf space. This has made that the retailer wants to purchase high profit margin products which lead to competition to get shelf space among manufacturers of different brands. The increased competition between shelf spaces made the authors interested to investigate more how private brands compete with manufacturer brands. The authors made the research from the retailer’s perspective and their view of private brands and how they compete. The research also concerns whether there is a difference in different store sizes how private brands regarded.
1.3 **Purpose**

The purpose of this thesis is to investigate how private brands are regarded and dealt with, according to the retailer.

1.4 **Research Questions**

- What role does the retailer play in the competition between manufacturers and private brands concerning premium shelf space and other in-store promotion?

- How does the retailer do to create a positive response from customers towards the private brands?

- Is there a difference in how retailers regard and handle private brands in different store sizes? Are private brands favored?

- What is the retailer’s opinion concerning the future of private brands?

1.5 **Delimitation**

The focus will be on the situation today of how private brands compete within the retailer industry. In order to answer the research questions, a background to today’s development is accurate. This study has the focus on the Swedish market, but to clarify, examples from other countries will be given. The authors did also delimit the research to retailers in Jönköping and Huskvarna. This thesis is written from a retailer perspective.

1.6 **Definitions**

**Brand**

According to Bräthe (in Bengtsson & Kapferer 1995), the definition of a brand is a registered trademark that can include among others; symbols, labels and characteristics. Bernitz (2003) stresses that a brand is used in order to distinguish products or services from each other and serve as its main purpose to individualize a company’s products and to use in marketing.

**Branding**

Is to give brand names to products, for example selling a variety of good under the same brand, the same name (Collin & Ivanovic, 1989).

**Branded goods**

As Hart and Stapleton (1987) describe, branded goods are goods that are identified with a proprietary name. They are normally pre-packed by the producer for purposes as trading or promotion.

**Private brand**

Is a brand sponsored by a wholesaler and is often developed when retailers develop a new, own brand. The retailer has control over the brand when it comes to pricing and can decide how to display the items for maximum impact to the customer (Imber & Tottler, 2000). Private brands tend to promote the outlet loyalty rather than the brand loyalty as in manufacturer brands. They can be specific for one store or for a whole chain.
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of retailers (Hart & Stapleton, 1987). Private brands are often also named as private labels or distributor owned brand. The authors will use the term private brand throughout the thesis.

**Manufacturer brand** is, according to Imber and Tottler (2002), a brand name from a manufacturer, not a retailer or wholesaler. They compete in quality rather than price and are trying to make the customers loyal to their brand.

**Store name image** The way in which a store is defined in the mind of the shopper. The psychological attributes, the physical characteristics and the retailing assortment result in how customers perceive quality and value of the store (Bennett, 1995; Koschnick, 1995).

**ICA’s private brands** ICA and its specific alignments (ICA Gott Liv, ICA Ekologisk, ICA Asia och ICA Italia), the low price brand Euro Shopper, environmental friendly Skona, Prima Cookery, Novaline, Mywear, Deco design and A-selection (ICA, 2006a).

**Axfood’s private brands** WilLY:S, Hemköp, the low price brand Eldorado, Fixa and Func (Axfood, 2006a).

**Coop’s private brands** Coop, the low price brand X-tra, environmental friendly Änglamark, Ideas daily, Ino3(I), Lumatron, Linea piú, Tero, Hugin, Cycltrack, Friends, Nowon and Units. Coop and X-tra continuously replace the old private brands Signum and Blåvitt (Coop, 2006a).

### 1.7 Reader’s Guide

**Chapter 1** In the introduction, the authors is presenting a general description of the history of private brands followed by a problem discussion. Thereafter, a purpose and research questions is stated. The chapter is closing with some fundamental definitions.

**Chapter 2** In the frame of reference the theoretical contribution is presented. Theories concerning, among others; the power of the private brand, the brand concept, branding, the private brands as a means of competition and product exposure in stores are further explained.

**Chapter 3** In the third chapter the methodological framework is presented. This chapter concerns the choice of method and the method used to collect data. Thereafter an analysis of the data is described followed by an evaluation of the study.

**Chapter 4** The empirical findings are presented in chapter four. A summary of the interviews made with retailers at ICA, Coop and Axfood is presented. The interviews contained discussions concerning the perceptions towards private brands, how private brands compete and finally how they are exposed in the stores.

**Chapter 5** The analysis is presented in chapter five and is a comparison between the theoretical framework and the empirical findings. This chapter will lay as a ground
for the authors to be able to answer the research questions and fulfill the purpose.

**Chapter 6**  In the conclusion, the research questions are answered to further clarify and to conclude the thesis.

**Chapter 7**  In this chapter suggestions for future studies are stated by the authors. The future studies concern among others private brands from the manufacturer’s and customer’s perspective.
2 Frame of References

In the frame of reference the theoretical contribution will be presented. Theories about, among others; brand, branding, the power of the private brand, competition and product exposure will be further explained. The theoretical framework will work as a ground for the empirical study base.

2.1 The Power of Private Brands

Private brands have become a success in the large retail chains, the margin is higher and the retailers can buy large volumes to low prices (Norgren, 2005). Private brands have also positive effects for the customers. The prices of the product categories that contain private brands have been stable, while the prices in the other categories have increased (Gripenberg, 2005). According to Borgman (2005) research has shown that 1% higher share of private brands give 0.4% lower price on provisions.

There are many reasons for retailer chains to develop private brands. It gives them a better negotiation position towards manufacturers, they can decrease purchase costs and by that generate a higher profit or decrease the product prices or both. Another reason is that the chain may want to differentiate itself from other retailer chains with private brands and increase customer loyalty. The retailers can also have specific requirements on their products as, for example, environmental friendly and good working conditions. Retailers are positive towards private brands since it gives higher profitability than for manufacturer brands. 80% believes that the quality of private brands can be compared to manufacturer brands and 5% believes that it is higher quality of their own brands (Konkurrensverket, 2002).

One reason for the growth of private brands is the trade internationalization. Products are produced abroad to a lower cost than in Sweden, which leads to increased competition. Retailers are forced to keep costs down because of the internationalization and when new foreign retailer chains established in Sweden (Kungl. Skogs- och Lantbruksakademien, 2005). The products that 2005 got the highest share of private brands in Sweden were paper products and cling film, while chilled goods had the largest increase. Europe is dominant in selling private brands with Switzerland in front where 45% of total sales are private brands (AC Nielsen, 2005a).

One of the reasons of why there is a difference in the share of sales of private brands in different countries is the retailer concentration. The higher shares of total market share the top five retailers got, the higher the concentration is. In most countries, the higher the retailer concentration is the higher amount of private brands sold. Another reason is the growth of hard discounters, such as Lidl, selling almost exclusively private brands. The more the hard discounters expand and start new stores, the more private brands are launched in retailer stores in order to meet the competition and customer needs. Private brands are often cheaper, but in countries with a high amount of sales of private brands, private brands exist in many categories. Tesco has for example everything from very cheap products to products that are healthy, organic or specially designed for children (AC Nielsen, 2005b).

There is always an ongoing debate about the private brands influences in retailing and in customer behavior. According to an investigation from Sifo 2004, 58% of the customers believe that it is enough private brands and they do not want any more. The customers are also concerned about where the products come from and are dissatisfied with the labeling on private brands (Noodapera, 2005). Norgren (2005) claims that due to the focus on pri-
Frame of References

Private brands, they end up in exceptional positions with the purchasers. Since there are not many actors in the purchasing process and the purchasing volumes are large, a manufacturer that cannot sell to the lower prices disappears from the market.

From the beginning, private brands competed against large manufacturers such as Arla Foods and Scan. The situation today is moving towards that large manufacturers are producing private brands as well as their own, and they have to market themselves in other ways. The large manufacturers are getting even larger when producing private branded products and the smaller are eliminated one and one (Beck-Friis, 2006). The retailers are in control over the products and give notice to the manufacturers that are not offering lower prices. With the retailer’s control, known brands are disappearing from the store shelves in advantage of the private brands even if many customers disagree (Beck-Friis & Wahlberg, 2005).

Private brands are often sold at lower prices which make the customers wondering about the quality. Many are critical to the products and do not have confidence in quality compared to more expensive manufacturer brands (Storwall, 2005). In a research made by Movement Research and Consulting AB, it is stated that due to the critique of quality, many customers avoid buying private brands, while 27% intend to increase their purchase of private brands. 3% wants to decrease the purchase of private brands. The marketing of private brands are often low price, but only three out of ten customers claims it is cheap. The customers are not only critical to low quality, but also the lack of labels of country-of-origin, environmental friendly and detailed information about the product (Ekstrand, 2005). Even though there is massive critique towards private brands, an investigation made on 14 countries, has shown that almost every customer bought private brands at least one time during 2004 (ACNielsen, 2005a).

According to the research ACNielsen did 2004 about Swedish customer’s perspective on private brands, 40% thought it was a good complement to the rest of the assortment. 10% preferred other brands than the private brand. 8% thought private brands decreased the liberty of choice in the store while 18% disagreed to that statement and thought the choice of food was larger now than before. A majority of the customers thought that it had become easier to compare prices between products since the wide range of private brand products was launched (Kungl. Skogs- och Lantbruksakademien, 2005). The persons who are buying private brands are seen in every customer category. Within Europe, private brands correspond to 30% of purchases in retailer chains independent on income, size of household or age (ACNielsen, 2005b). Even if there are, negative opinions concerning private brands, there are more and more products that are sold as a private brand. The fact that retailers gain increased profits by selling private brands and the customers can buy products to lower prices are seen as the main factor to the increase of private brands (Frennemark, 2005).

2.1.1 The Manufacturers View

In a research made by Konkurrensverket (2002), the manufacturers claim that due to the development of private brands, almost all smaller manufacturers will be cut out. Instead, they think the manufacturers will be divided into two groups where one produce private brands for the retailer chains and the other group only produce their own strong manufacturer brands. 75% of the manufacturers believe that the retailers have got competitive advantage since it is the retailers who decide the price for the customer for both private and
manufacturer brands (Konkurrensverket, 2002). According to Ossiansson\(^4\) (1997), price control was one of the reasons behind further product development in private brands. Ossiansson continues with that the real competition between manufacturers and retailer chains is that retailers favor their own brands in negotiation processes.

There are different opinions whether the manufacturers will develop their products further or not. 33% says they will develop new and better products, while 33% stresses they will decrease their product development. The latter group also believes that coming products will probably have lower quality to be able to compete with lower prices. 75% of the manufacturers believe that the product assortment will decrease the great variety of brands and that the increase in private brands lies in the retailer chains centralization of purchase decisions (Konkurrensverket, 2002). Ossiansson (1997) claims that, the purpose of private brands was not to eliminate smaller manufacturer brands, but to encourage the competition.

### 2.1.2 The Future of Private Brands

According to Frennemark (2005), Sweden has got the fastest increase of private brands in 2005, within the European Union. The development can turn to either the one that exist in Great Britain, private brands with high quality as focus, or the one in Germany where low price is the most important aspect. From 2005 and three years on, it is expected that private brands sales in Sweden should be around 25%. Borgman (2005) states that the private brands will be sold in a wider product range, everything between high quality and more luxurious products to cheaper products. There will also be a focus on country-of-origin since many Swedish customers are requesting better labeling and prefer Swedish goods. More private brands products produced will be produced in a regional level instead of international.

Another change for the development in private branding is that chains like Lidl have decided to start to sell manufacturer brands as well as their own. After several negotiations with Arla in order to make them produce milk for their private brand, they have now given in. Lidl is today selling products from both Arla and Scan beside their own brands. A. Svensson\(^5\) claims that, Lidl had to take the decision to sell manufacturer brands since the sales were not as good as expected. He continues claiming that products with quality are demanded even in low price stores (Rundqvist, 2006). Another side of the dilemma is that Arla has started to produce milk for Lidl’s private brand in Denmark, even though they refused to do that in Sweden. A. Svensson explains that it is another situation there and another type of competition. In Sweden, milk is a national product and many times also regional. In Denmark, dairy products are often imported and the products country-of-origin is not of the same interest as in Sweden. This shows that private brands forces manufacturers to take different actions in order to stay competitive (Sundén, 2005).

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\(^4\) Eva Ossiansson is senior teacher and a researcher at Gothenburg University within the field of marketing and branding.

\(^5\) Anders Svensson is director of the sales department at ArlaFoods Sweden.
2.2 The Brand Concept

A brand is a registered trademark and can be explained as: “A name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from competitors” (Kotler, 1994, p 442). In order to measure a brand, a strong brand can be distinguished by loyalty from the customers from the intended target group. Loyalty refers to the fact that the customer return to the store to purchase products from the specific brand again. A strong brand should have the ability to maintain and to improve the position on the market (Bräthe in Bengtsson & Kapferer, 1995). According to Riezebos (2003), a brand is used for distinguishing the company’s products from others. The brand can never have positive associations for all people and certain target groups must be ignored. Kapferer (1992) stresses that, a brand is important for a product because it gives the product a unique image and a message the company want to spread. Cheverton (2002) stresses that; a brand is complex, much more than a slogan and a name. The heart of a brand is an idea and an idea is able to change. This is the reason for how the brands change and grow. Brands develop over a long time and are being refined regularly. A brand can facilitate the company to target their audience. Segmentation is used in order to identify the target group and to understand them; the offer can be tailored for the target and lead to a competitive advantage. Successful brands must have the ability to create a space in the targeted customers’ mind and also to be able to change the brand when the customers’ minds are changing.

A brand can also be connected with the store’s name. Store names can influence the customer’s opinions about the value and quality of the store’s products. Customers are also affected by the store name in perceived retail service quality. Retailers often differentiate themselves in product assortment, but stores selling the same product under the same brands differentiate by their store name. Therefore it is important to be able to manage the brand and give it the right image for the customers. The stores promote their name and can later give private brands the same name as the store, in order to provide the customer with positive associations with their products (Vocino & Oppewal, 2005).

2.2.1 Brand Management

According to Arnold (1992) brand management is about balancing a wide variety of inputs. The balance must be between internal capabilities and external market. Brand management acts as a link between the company and the customer. Brand management is an incremental process. The brand management process (see figure 2-1) starts by a market analysis, not from the company’s perspective. It is important to start from an objective view of the external market. The next step, brand situation process, is for the company to examine the strengths and weaknesses of their own position on the market. In this step, the management must evaluate which decisions are leading to which effects for the brand. In the third step, targeting future positions, the company can define the future target. The first two steps should lead to a view of how the market will develop and what strategic decisions is the most appropriate. The fourth phase; testing new offers, concerns the implementation phase. The most common failure that is made has to do with this implementation phase. Therefore it is important to test the new brand and product in advance. After the test one should be able to do some adjustments before the launch. In the final step, planning and evaluating performance, a clear and precise goal for the marketing activity should be presented. The objective can include understanding and awareness of the benefits of the brand.
Levy (1999) stresses that after deciding upon how the brand and the product are organized in the mind of the customer, the brand manager have to decide how to deal with it. Setting goals, making decisions and taking actions are some steps the manager needs to handle.

2.2.2 Brand Image

According to Riezebos (2003, p 63), a brand image for any kind of brand is the following; “A brand image is a subjective mental picture of a brand shared by a group of consumers”. Brand image refers to the personality of a product or a company. The brand image can determine the products position on the market. Brand image is the way the market perceives the brand identity and the identity refers to how the company presents the brand to the specific market (Yadin, 2002). A brand image is a network of knowledge which is stored in the long term memory. The brand name acts as the center and the name is linked to several associations (Riezebos, 2003). Cheverton (2004) stresses that; a strong brand image will protect the company from their competitors. A strong brand needs a high credibility to build up a brand image and also customers that will value that specific image. Paley (2004) stresses the importance of maintaining a personality for the brand. For instance, advertising is a tool which can be used in order to create a positive image for the brand. To create an awareness of the brand, a logo or a symbol can be used repeatedly in order for the customer to remember the brand.

There are three different components of a brand image that can be distinguished merely; content, favorability and strength. The content is the associations a brand name gives a customer. These associations can be few or many and can be related to for example; knowledge, feelings or smells. The favorability of a certain brand can be either positive or negative. It concerns the feeling of each association the customer have. A brand can therefore have both positive and negative association by the same customer. Finally, the strength component refers to; to what extent the association is linked with the brand. When forming an image it is important to inquire to what extent the associations is linked to the brand name (Riezebos, 2003).

Concerning private brands, the retailer can create the image they want to mediate to the customer since they create the private brand only for their own use (Knapp, 1999). Ossiansson (2004) stresses that, images are one important part of marketing and to be able to create new images the use of symbols and styles is very important. Since private brands are using few marketing activities in order to sell the product, the packaging and symbols are very important in order to create a brand image and to sell the products.
2.3 Private Brand as Means of Competition

According to Bengtsson, Briggert, Gyldén and Strömblad (1995) the private brand is the future for the retailers. Using the private brand as a tool for the long term planning, the retailer has reached a new direction, the private brand trend. In the existing private brands there is an option to compete, grow and become more profitable. The focus has shifted from production to a brand focus. Since the market is very competitive, it is vital to build up a brand advantage (Kotler, Armstrong, Saunders & Wong, 2002). Because of the private brand, a new kind of competition has arisen, namely between the retailers and the manufacturer. When retailers introduced their private brands on the market and in the stores, the manufacturer brand had to compete about the shelf-space with the retailer (Håkansson, 2000).

Håkansson (2000) stresses; that customers evaluate competing brands on the behalf of how risky they are and form a judgment about why the private brand is a risky purchase. These risks could be in terms of; financial, performance, social, psychological and time risks. This means that the customer has to take how much money can be lost into consideration when buying an unfamiliar private brand. The fact that something can be wrong with the unfamiliar private brand must also be reflected upon. The social risk refers to that the new brand might not be approved by the group the customer belongs to. The risk of the private brand not being compatible with the customers’ image is included in the psychological risk. Finally, the time risk refers to the risk of having to spend time on replacing the private brand.

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<td>Private Brand: All customer/ proposition segments</td>
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Figure 2-2 - The differences between manufacturer and private brands (Ossiansson, 2004 p 148).

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6 Per Håkansson wrote his doctoral dissertation about private brands in 2000 at the economic research institute at Stockholm School of Economics.
Main differences between manufacturer and private brands are shown in figure 2-2. One
difference in building the brand is that the private brand is built in order to create a com-
petitive product line and not to build on a unique product as the manufacturer do. When
manufacturer build brands, the aim is to keep the assortment as narrow as possible, while
retailers are doing the opposite. Even if the retailer wants a broad assortment, it is impor-
tant to focus on balancing the number of private brands. Retail chains are striving towards
reaching as many customers as possible. Another difference concerns the marketing effort
and differentiation. The advantage for the retailer is the possibility to use not only mass
marketing as the manufacturer, but also to have a direct contact and a relationship with the
customer when mediating the message with private brands. The retailers have the possibil-
ity to adapt and to adjust to customers with the aim of creating loyalty, promotion and
store design. Concerning the brand image, the manufacturer can have a certain image for
the brand while the private brand image is embedded in the whole retail chain. Further on,
it is important to have a flexible positioning for the private brand in order to be able to
change to the customer needs (Ossiansson, 2004).

According to Parment (2006), the customers tend to chose premium products in categories
where it is important for them and change brand to a low cost or a private brand in prod-
uct classes that are of less importance for the customer. This means that the customer have
become more flexible and having a more flexible buying behavior. The need for the manu-
facturers and retailers to profile their brand is high but having a flexible price and exclu-
siveness level is more important. Successful brands can be found in all levels from low
price to exclusive goods, but the most important success factor is that they offer value and
advantages for the customer.

2.3.1 Private Brand in the Retailer Marketing Mix

“Retailers have now recognized that a supermarket need not be just a place to buy a selection of
brands. Instead the shop itself, its location, its atmosphere, the service it offers, the range of goods
and prices, can become the brand and retailers can begin to extract the benefits which invest-
ment in branding can bring. The value which the store name acquires can be transferred to a range of
goods which themselves reinforce the image of the store”. (Terry Lehay, 1992 in Håkansson,
2000, p 1)

More and more distributors tend to start developing their own private brands (Kotler et al.
2002). Since the 1980’s the private brands have increased their market shares on the Euro-
pean market. Håkansson (2000) stresses that; private brands have been developing from
low price products, to high quality and very sophisticated products. In Great Britain, for
example, many private brands present a superior quality than the manufacturers’ brand.
Today, many private brands have a well communicated brand personality and directly
compete with the manufacturer brand. One reason for why the private brands are develop-
ing and growing is because the retailer can possess more control over the relationship with
the customers (Winsor, 2004). Ossiansson (2004) also stresses that the private brands were
first seen as cheap imitations of manufacturer brands. As the quality and design have be-
come upgraded, private brands begun to compete directly with the manufacturer brands.
The private brand is seen as a differentiator for the different chains, because the aim for
the private brand is to have a product to a reasonable quality to a reasonably price. One of
the purposes with private brands is to profile and distinguish the store from the competi-
tors. The private brands have a higher profit margin for the retailer than the manufacturer
brand. Another advantage with the private brand is the fact that it gives the retailers a
greater position when negotiating with manufacturers (Supermarket, 2003: Ossiansson,
The market where the private brands have reached its greatest success is the food and beverage markets. One reason for this is because of the customer can try the product to a small amount of risk, to a low price and the fact that the customer easily can decide whether they like the product or not (Håkansson, 2000)

The main aspects, in order to have a strong brand with a high perceived value, can only be reached by positive associations from customers and a high brand recognition and recall. The same fundamental goes for the private brands. For private brands, both the recognition and the recall of a brand can be created in the retailers’ stores. Private brands must compete on the same conditions as manufacturer brands, namely by creating sustained positive associations of the brand in the mind of the customers (Håkansson, 2000). Before launching a new brand the retailer and manufacturers must consider the following questions; “Do we have the know-how and other resources necessary to launch the brand?”, “Can we achieve consumer acceptance?” and “Are there any profitable positions within the product category that we can aim for?” (Håkansson, 2000 p 59). These questions must be dealt with, in order to be able to continue with the strategy making. There are several benefits for the retailer that could occur because of a launch of a private brand. To create a positive store image is another. Leahy (1992 in Håkansson, 2000) adds that one of the benefits is that the private brand is an option to the manufacturer brand and this leads to an increased choice for the customer.

Ossiansson (2004) stresses that launching a private brand, have many advantages for the retailer. Private brands give the retailer a greater control over the brand, both in the stores as well as in the production process. The retailers are in direct contact with the end customer and can therefore faster reply to any demands from them. If the retailer succeeds in the process of making a positive alternative to manufacturer brands the retailer can build a strong customer loyalty. Further on Kahn (1998 in Ossiansson, 2004) states that there are mainly two factors the success of a private brand can rely on; the quality that the customers perceive the good and the activity of retailers and manufacturers. Anselmsson and Johansson (2006) stress, that the retailers have a unique opportunity and resources in marketing the private brand. They act as selling channels for both their own brands as well as for the manufacturer brands. Therefore the retailers possess the power over how the manufacturer brands are displayed in stores. The retailer can use loyalty marketing, databases and sales promotion in order to create a unique and close relationship to the customer. The retailers have a better possibility to locally promote their brands than the manufacturer has the resources to do.

According to Anselmsson and Johansson (2006), private brand cannot be seen as any regular competitor to the manufacturer since the retailers’ acts as both customer and competitors. The manufacturers are competing against the retailers concerning the same customers and are competing with similar products. The worst scenario for the manufacturer would be that the manufacturer will out maneuver its distribution channel. The retailers are also dependent on having manufacturer brands in their store in order to serve customers with different demands. In order to convince the customer to purchase the private brand it is common to use advertising in combination with sales promotion. The sales promotion includes both customer tailored promotion such as discount coupons and products free of charge. It also includes trade promotion that focuses on shelf space.

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7 Ulf Johansson, associate professor and Johan Anselmsson, assistant professor are working at Lund University with Lund International Food Studies.
Håkansson (2000) stresses that there are both positive and negative aspects with private brands. In order to be able to understand the increased interest and popularity for the private brands, it is important to look at the positive and negative aspects of the private brand from the retailers' perspective. The positive aspects are for the retailer; control, innovation, cost, loyalty, market planning and choice. Control refers to that the retailers have greater control since they can respond faster to demand changes. Innovation aims to decrease in distribution cost and this in its turn allows the retailer to a greater extent take risks concerning product innovation. When introducing the new brand it is often the same name as the store name and this decrease the costs for promotion since the customer already have a perception of the brand. Because of the private brands the choice for the consumer increases and the private brand is an alternative to the manufacturer brand.

There are also some negative aspects of private brands and Apéira (2001) stresses that the private brands affect the other manufacturer brand products and many lead to a decrease in the product range and can lead to fewer brands in the store. When the private brand receives a greater space on the shelves less space is left for the manufacturer brands. When the retailers increase their amount of private brands the competition increases in the store.

### 2.3.2 Responses of Manufacturers to Competition from Private Brands

Manufacturers claim that the increased amount in sales of private brands is not a result from brand competition, it is rather that the retailers gives the private brands an unfair amount of shelf-space and decreasing the manufacturer brand’s space on the shelves (Håkansson, 2000; Ossiansson, 2004).

In order to answer to the increased use of private brands, the manufacturer must have strategies in order to cope with the increased competition. According to Mattsson (1973 in Håkansson, 2000), there are two different positions a manufacturer can take to wards their dependence of the distributor. The manufacturer can either decrease their dependence to the organization or adapt to a cooperative strategy. Decreasing the dependency of the distributor refers to integration, horizontal or vertical, for example mergers or cooperation with other distributors or manufacturers. It can also be to change the market emphasis from a concentrated to a less concentrated market or to differentiate the products. Vertical competition includes the relation between producer and wholesaler, wholesaler and retailer and retailer and producer. There is a conflict in the power structure, but it is argued that the retailer seem more appropriate for that role. However, the power has not always been at the retailer, it is the last decade’s development of private brands that lies behind it (Kaldor, 1949 in Gustafsson, 1970; Anselmsson & Johansson, 2006). If the manufacturer chooses to adjust to the increased competition, they can chose to start producing private brand products for the distributors account, reduce the price or to increase the promotion. In order to stay competitive and to possess an independent position, the manufacturer must rely on its own resources and the characteristics of the market. The manufacturer is depending on the strategy of the distributor in order to attain an independent or a cooperative strategy. The manufacturer is also dependent on the resources available (Håkansson, 2000).

Hoch (1996 in Håkansson, 2000) proposes different strategies for manufacturer in order to respond to the retailers’ private brands. One strategy for the manufacturer is to do nothing and wait for what happens. If the market is of a high unstable character, it is better for the manufacturer to avoid aggressive reactions since it can require long term investments. Another strategy is to increase the distance from the private brands. The manufacturer can de-
velop new products with high quality and can chose to raise prices and add more value for the customer. Reducing the price gap to the private brands is a third strategy to use and a fourth is to introduce a new product under the existing brand that is of lower price and quality to directly compete with the private brand. As an example, ArlaFoods (2005) mentioned in a press release that they introduced new, low price milk in order to be able to compete with the new low price brands. Ossiansson (2004) stresses that many manufacturers’ have been forced to renew their brands and the threat from private brands have made many manufacturer brands less profitable than before. Ellwood (2002) stresses the importance of the necessity for the manufacturer to develop their customer branding together with the customer driven branding. Both retailers and customers want to know the selling proposition of the manufacturer in comparison to the retailers’ private brand. Following this, can facilitate and strengthen the manufacturer brand towards the private brand.

In order to stay competitive, it is according to Anselmsson and Johansson (2006) and Håkansson (2000) important for the manufacturer to differentiate the products. This means that the products should be perfectly inimitable, profitable, and distinctive. The differences must be essential in order to convince the customer to pay a higher price for a manufacturer brand than to choose the similar low price private brand.

### 2.4 Product Exposure in Stores

According to Diez de Castro (2004), merchandising concerns the assortment and the exposure of products in stores. Product exposure can also be used to promote goods by placing them in the best spots. For the retailer merchandising is the shared facilities that help receiving the optimal level of profitability. The key indicators for success in merchandising are the sales and profitability per square meter. The profitability per square meter can be divided into two zones; cold and hot. The hot zones refer to the areas where the sales per square meter are higher than the mean. Around these zones, an area of attractions is generated. The hot zone can; for example, be the areas close to the cashier or zones that are created for a specific purpose, such as promotion. Other important aspects to consider are how the lightening and the decoration of the stores look like. The cold zones, refers to the areas with lower sales per square meter than the mean. The cold zones are, for example, zones close to the entrance of the store, zones with soft lightening, unclean or disordered areas. It can also include usage of unnecessary shelf space and products.

Handling the space of the shelf concern two main goals, firstly to optimize the returns on the investment cost of retail space and secondly, provide inspiring and logical interface between the customer and the products. A common rule is that the more a product is selling, the more shelf space it receives. However, fast-selling products may not have a high profit and therefore do not get as much shelf space as a high profit product, for example milk. The shelf space is also calculated on promotions and special offerings. An advertised product receives more shelf space than a product that is not; and products that can be connected to the advertised product receive more shelf space than usual. For example, if pasta sauce is promoted, the pasta sales are expected to increase and therefore receive more shelf space (Varley, 2001; Anderson, 1979).

Facing, refers to the products displayed on the shelves. It is the number of units situated together, next to each other. The principle of facings is; what you do not see you do not buy. Using too few facings of one product result in lower sale but using too many does not result in a greater sale. In order to calculate the right amount of facings, computer programs calculates number of facings and shelf positions (Diez de Castro, 2004).
Optimizing the allocation of products in terms of profit, may make customers buy both more and increase the profit. To find the most profiting shelf space allocation for products, different software or mathematical calculations can be used. There are relations between profit and space per square meter as well as for the whole space in the store (Zufryden, 1986). There are five aspects of space allocation where the profit can be increased if it is handled in a proper way. They are product category location, item location within categories, off-shelf display, point-of-sale and fixture location. By using different models or calculations as described earlier, the space allocation can be used better, both in overview and in increased sales of certain brands, high profit products or in total (Yang & Chen, 1999). The shelf space allocation is depending on what kind of products it is. Seasonal products get better space at their peak and heavy and large products have to naturally receive more space. Products are also sorted in different product categories and by customer characteristics. For example, all fruit is placed in the same area and products for children are placed in a lower level (Varley, 2001). Diez de Castro (2004) stresses that in order to display the products on the shelves, there are better and inferior positions concerning visibility and profitability. Concerning profitability; the highest profitability is on the shelf in the height of the hips. On the top and the bottom shelf the profitability is low. The same goes for the visibility; the highest visibility is on the middle shelves.

2.4.1 Shopping Habits and Store Design

According to Diez de Castro (2004) there are three different types of shopping habits the customer uses, merely; planned purchases, suggested purchases and impulse shopping. The planned shopping purchase refers to that the customer are aware of what he/she will purchase in advance and has the knowledge about the brand, size and price of the products and has a written list of purchases. The suggested purchase refers to that the customer purchases products that are, for example, promoted in the stores. When the customer buys products that are not on the list or on offerings only on impulse is referred to the third shopping behavior. Where products are placed and how they are displayed is very important since over 70% of all purchases are made on impulse (Schultz, 2005). In order to increase the probability of purchase, impulse purchase products should have a visible place and be situated in the busy areas of the stores (Varley, 2001). To use point-of-sale strategies which can be explained as a point where something extra happens, is a good way to increase sales. A point of sales is used to obtain product attention and can also be used to show new promotions and extra offerings. Showing products off-shelf together with a promotion, increase the sale more during the promotion than having on-shelf displays (Schultz, 2005). More shelf space or off-shelf displays are common ways to catch the interest of the customer (Varley, 2001). Simonson and Winer (1992) also explain the relationship between display and quantity purchased. A more conspicuously display make the customer try other brands as well as buy the usual brand at the same time.

The design of the store is important when a retailer sells private labels that are the core of the assortment. Private brands consist in many different product categories and the design of the store can help with the brand stretching process. It means that by displaying the private brand through the whole store, the retailer increase brand awareness, confirm brand values and can develop new markets for the brand. The display of products can also be used by promoting the private brand further (Varley, 2001). There is a relationship between brand market shares and share of product display space. The quantities of each brand demanded and supplied are seen in the shelf space they receive. Retail managers have to calculate the demand and sales for the brand and give it more or less shelf space depending on
how large the costs are. Highly demanded products receive more shelf space and to lessen space for other brands the profit will be increased (Anderson, 1979). If the customers are willing to trade to a brand that is more profitable for them these product should have a greater shelf space. Since the driving force behind the private brands is profit, these products have a greater shelf space (Anselmsson & Johansson, 2006).

2.4.2 Shelf Space Management

The shelf space in the store is a limited asset for a company and therefore it is vital to place the products on the shelves in a good way. Today, the private brands have been taking market shares from the manufacturer brands and therefore also shelf space. One of the reasons for the success of the private brands is space management. Space management refers to several models explaining the importance of the “right” placement of the products on the shelves; it can also refer to the proper design of a store. Because of space management the most profitable products are placed in the eye catcher of the customer. When discussing private brands and space management, the conclusion is most often that the private brands receive the premium place in stores. Further on, private brands tend to have an easier access into the assortment of the store, since it is products from the “own family” (Anselmsson & Johansson, 2006).

The planogram is the illustrations that give the personnel in the stores an indication of how the ideal allocation of the products should look like. The planograms act as a link between the buying and the merchandising section (Varley, 2001). The planogram can influence the retailer in how he/she decides to divide the shelf space among the different products. It is useful since it reduces the time, planning the shelf space manually. Therefore it is important to know to what extent the planogram is used (Anselmsson & Johansson, 2006; Yang & Chen, 1999). Since the retailer chain has a wide variety of sizes of their stores, store planning is very complex. Most of the retail group uses one system for how to plan the store space but local variations such as depending on competition and population might occur. For the local variations a local planogram will be made (Varley, 2001).

On a store level space management focuses on three dimensions; profitability, values and tactics. These dimensions can be useful for the retailer when it comes to attracting the customers and make them do their purchases in a specific store (Anselmsson & Johansson, 2006). According to Yang & Cheng (1999), the most important for the retailer is to attract more customers and make them satisfied with what the retailer offers. In order to do that, the correct placement in the store is the tool in accomplishing this. Varley (2001) stresses that; space management includes among others the display, layout and allocation of the shelf space. It is of great importance to display the products according to; their categories, by natural products and finally by use.

2.5 Summary of Theories

A brand is a trademark and can be connected with the store’s name and the perceptions the customer have about the retailer. Brands must be managed carefully and have the right image in order to convince the customer’s to buy a specific brand. Logos, packages designs, feelings and smells, all have to interact and be managed to create a positive view of the brand. The brand can be used in competition and to have a strong brand is often vital for firms to survive. Many retailers develop an own private brand in order to be able to offer the customers something that can be connected to the store and differentiate themselves from the competitors.
Private brands have developed a new kind of competition where the retailers have more power. Private brands mostly compete by having a lower price, but the development goes towards competing in quality as well. The share of private brands has increased in extent in Sweden and most of the European countries the latest years. The retailers and the customers are the winners since private brands gives higher profit and lower prices on the products. The losers are the manufacturers since they are forced to decrease their production cost of start producing the private brands for the chains. Overall, there is a positive attitude towards private brands and the share intends to increase further the coming three years.

For retailers, product exposure is very important since there can be large differences in profit whether products are placed on the floor, in the middle of the shelf or on a gable. Every square meter is calculated in how much profit that can be made and many use tools such as planograms and computer software to their help. Product placement is also important to convince the customer to buy more and to promote the goods in a campaign. Since the most profitable products are placed in the most profitable places it is often private brands that receive the best placement.
3 Methodological Framework

This chapter concerns the choice of method and the method used to collect data. After this, an analysis of the data is described followed by an evaluation of the study and critics towards the method chosen and the references will close the chapter.

3.1 Choice of Method

When choosing the proper method the purpose, research questions and theoretical framework of the thesis is the most important (Trost, 1997; Ghauri, Gronhaug & Kristianslund, 1995). Ejvegård (2003) stresses the importance of choosing a proper method and putting a lot of effort in the choice, since it will permeate the entire thesis. A descriptive study starts by collecting data; thereafter the data is organized and categorized. This study is most often used when having general research questions and when situations are surveyed described. This course of action fit the thesis' design, since the study consists of a description of how the private brands are regarded and handled from a retailer’s perspective. General research questions were formulated from the stated purpose in order to be able to describe the competition situation. The authors have made continuously selections of which data to use. The choice of empirical data is described further in the empirical study base, in section 3.2.

Trost (1997) stresses, that there are mainly two different approaches to choose from, namely qualitative and quantitative research. Qualitative studies are used to obtain knowledge that is deeper and different to the knowledge obtained from quantitative studies. A qualitative approach is recommended for studies where the research question concerns understanding or finding patterns (Trost, 1997; Lee, 1999). Ghauri et al (1995) and Merriam (1998) stress that, when conducting a qualitative study; researchers strive towards understanding people’s experiences and the meaning of it from the respondent’s point of view and not the researchers’. Qualitative studies are descriptive and a qualitative research is flexible concerning the design of the study (Merriam, 1998).

This research was accomplished with a qualitative method. The authors wanted to gain a deeper understanding for how the private brands influences and compete with manufacturer brands. The result of this study gives an explanation of how the private brands compete with manufacturer brands. The study was descriptive and the purpose was to explain tendencies concerning private brand development. The authors chose to do a descriptive study since it was in the line with the qualitative approach that was used. Further, the authors used the basic qualitative research, which according to Merriam (1998) refers to that data is collected through interviews and observations. The result of the thesis was an analysis and a conclusion of the empirical findings from the theoretical frameworks point of view.

Since the emphasis of this thesis was to create an understanding for how the competition between private and manufacturer brands was seen by the retailer (store owners), the authors found it accurate to conduct a qualitative study. Another reason why the authors chose the qualitative approach was; to create closeness to the data by performing interviews. The authors also wanted to be able to compare the results the different from retailer chains. This is done to find out differences and similarities in the view of competition depending on the size of the store.
### 3.2 The Empirical Study Base

When choosing method for data collection in qualitative researches, the choice is between using primary or secondary data (Thomas, 2004). In this research, the authors have chosen to use primary data in form of in-person interviews. In a qualitative study, the selection group should be varied therefore it is be better to do a stratification of the selection group. This, according to Trost (1997), can be conducted through divide the organization into categories and characteristics that might influence the study. Thereafter one or several individuals are selected for the study depending on how many interviews that are needed. The authors found it sufficient to interview only one retailer from each store size in ICA, Axfood and Coop. Where it was more than one store of the same kind and size, for example two stores in the size WiLLY:S, a selection was made. If there only was one store in one size, it is marked with all in selection method below. The authors interviewed eight retailers. The foundation to the empirical study base choice is described below.

**Population:** Retailers with stores situated in Jönköping and Huskvarna. The reason for including Huskvarna was to have a back-up if some stores in Jönköping could not be a part of this research or if there were difficulties in reaching the right persons.

**Frame of Selection:** The choice of supermarket chains depended on that ICA, Axfood and Coop together have the largest market shares of food stores in Sweden, 73.8% of the total market (Ossiansson, 2004). To select the proper stores required information about types of stores within each group of companies, this was found on ICA, Axfood and Coop’s homepages. The selection of food stores was found in the yellow pages and the homepage hitta.se. The authors chose both search engines to verify that all stores was found and listed. The search words used was the name of the stores as well as the chains and concentrated in the area of Jönköping and Huskvarna. The list of all stores can be found in appendix one.

**Stratification:** The selection of stores includes supermarkets of several sizes; small, medium and large. Some of the retailer chains got four different sizes of stores, but the authors found it sufficient with stores in those three sizes. This was done in order to have the possibility to study similarities and differences among different sizes of stores and to give as wide perspective as possible of private brand from the retailer’s perspective.

**Selection Method:**

- **ICA Supermarket:** Selection
- **ICA Nära:** Selection
- **WiLLY:S:** Selection
- **WiLLY:S Hemma:** All
- **Hemköp:** All
- **Coop Forum:** All
- **Konsum:** Selection
- **Konsum Extra:** All
Due to a late decline in one of the interviews, namely with ICA Maxi Jönköping, the empirical study was only conducted with eight retailers and not nine as first planned. The authors did not believe that this decline had any particular influence on the result of the study and therefore chose not to schedule another interview with another retailer at an ICA Maxi outside Jönköping. The two interviews with ICA Supermarket Klostergatan and ICA Nära Flamman gave a good view of how ICA sees upon the private brand subject and the authors found that the information sufficient.

3.3 Interviews as a Way of Conducting Primary Data

Primary data is data collected by the authors of the thesis and acts as a base for the empirical findings. One of collecting primary data is by personal interviews. When choosing what kind of method to use, advantages and disadvantages must for every method be weight against each other (Thomas, 2004; Wiedersheim-Paul & Eriksson, 1997). Primary data was conducted with the help of several retailers of different supermarket chains in Sweden, merely; ICA, Axfood and Coop. The authors chose to interview the retailers since they have the overall responsibility for the product assortment. They could give the authors a detailed description of how their chain’s private brands deal with manufacturer brands as well as how the private brands are promoted. They were also able to explain how private brands often are favored in terms of product exposure and offerings. The retailer’s personal opinions were both an advantage and a disadvantage. The advantage was that the negative aspect of private brands could be stressed and the disadvantages that the information could be slanted and not objective. The authors did however found that the objectivity still could be maintained on a pleasant level since more than one retailer was interviewed in the same retailer chain.

Interview is a method for data collection (Merriam, 1998). The purpose for an interview is to search for specific information or an increased knowledge within a certain area. The method chosen should give a reliable result and that others should have the possibility to examine the result again (Lantz, 1993). The most common way to decide which kind of interview to use is to take the degree of structure into consideration. The choice is between an open (low degree of structure) or a structured (high degree of structure) interview (Merriam, 1998; Kylén, 1994; Jacobsen, 1993). Lantz (1993) and Jacobsen (1993) stress that, in the open interview the respondent has the opportunity to speak freely and develop his/her thoughts and opinions. The structured interview refers to already decided questions and the respondent can chose the answer from several alternatives.

Trost (2001) stresses that a standardized interview means that the situation and the questions for all respondents are the same. If the questions are presented exactly in the same way for all respondents, the interview has a high standardization. On the other hand, a low standardization refers to that the questions are asked in an order that suits that specific interview and it is also allowed to ask attendant questions. When doing research the most common method to use is a high degree of structure and a low degree of standardization.

The authors chose to do interviews due to the higher flexibility it gave. Since a situation is described and the aim was to receive personal opinions, interviews were a proper method. The authors used a method of high degree of structure and a low degree of standardization. This is because the authors found it valuable to have a possibility to ask attendant questions that lead to a deeper knowledge in the field of interest. In order to increase the trustworthiness of the empirical findings, the authors chose to record most of the interviews and taking notes as well to make sure to not miss any information. To create a reliable re-
sult and give other persons a possibility to examine it, the interview questions are attached in appendix two and three. The interview was open and it was more of a conversation where the questions were helping to lead the interview forward. Every interview started with a presentation of the thesis and what had been accomplished so far. All interviews were performed in Swedish.

3.3.1 In-person Interviews

In-person interviews are more preferable than telephone interviews since it has fewer limitations concerning the lengths of the questions and also the ability of using visual aids. Even if this kind of interview is more costly than, for example a telephone interview, the benefits are higher. This method is seen by researchers as the best way to receive detailed data (Frey & Mertens Oishi, 1995).

The authors have chosen to do all interviews in-person since it is the best way to receive data for the empirical findings. Since all interviews with the companies are situated in the close area of Jönköping there were no difficulties with doing the interviews in person. The interviews were conducted in Jönköping and in Huskvarna. In order to have an accurate empirical base, the authors chose to revise the interview questions several times before the actual interviews to assure that all questions were clear and precise. A test interview with Kenneth Thörnberg, the owner of ICA Supermarket Rimforsa, was made before the actual interviews. The authors found it important to do a test interview since it gave an implication of the length of an interview, the necessity of each questions and also the possibility to erase or add new questions. The test interview was not a part of the empirical base since the questions were revised after the test interview. The authors chose to contact the researchers by phone in order to present the subject of the thesis and book the interview. All respondents were asked if they wanted the interview questions in advance or not, only two; WiLLY:S Huskvarna and Coop Forum wanted that.


3.3.2 Interviews as a Funnel Model

The funnel model, see figure 3-1, starts with an open introduction to the subject and the understanding of the importance of common responsibility between the respondent and interviewer. The interview continues with open questions and narrows down to more precise questions. The interviewer later precise the information with control questions as asking for examples. To round up, the interviewer open up again and gives the respondent more information about the research; the respondent has the possibility to ask question. The interview is then completed and contact information is gathered if the researcher needs further information (Kylén, 1994).

The authors performed the interview according to this funnel model in order to be able to both have an open discussion as well as precise questions. Both parts were participating and the authors could direct the questioning session in right way. The interview started with explaining the purpose of this thesis and what the authors wanted to contribute. The question session started openly with questions about the perceptions of private brands and the respondent’s thoughts concerning the future development. Thereafter, the authors nar-
rowed the interview by asking more specified questions about for example about brand image and how they place products on the shelves. To control the information, the authors asked the respondent to give examples and illustrations to clarify the answers. When the interview was about to finish, the authors asked open questions again about the importance of having private brands. To end the session, the respondent was able to ask questions about the research and contact information was gathered to be able to ask further questions if it was necessary. The interview finished with asking the respondents whether they wanted to be anonymous or not. All respondents agreed to publish their full name.

To facilitate the interview session, the authors made an interview guide, in order for the respondents to see the questions in advance and by that prepare answers and material to hand out. The guide was also a help for the authors when the interview was carried out to ask the right questions. The questions do not necessarily have to come in the same order for all respondents and it is up to the interviewer to formulate the questions. The interview questions can be seen in appendix two and three.

3.4 Analysis of Data

There are many different approaches of how to analyze qualitative data. The difficulty is to distinguish analysis from data. Though, many of the analyses made are found in forming for example interview questions. In some cases the data is analyzed throughout the whole process (Thomas, 2004). A qualitative analysis shall answer questions in the research and pose new ones for further research. The most common ways to answer questions are (1) compare collected empirical data with theory related to research questions. (2) Developing a case description, used when the theory in the field is limited (Krippendorff, 1980).

The authors’ analysis is based on the theoretical framework and empirical findings collected from interviews. The analysis process started in smaller scale when the interview questions were formed for the empirical part. The research questions are answered with summaries and arguments for what the authors have found throughout the study. This was the basics the authors draw their conclusions upon. The analysis and conclusions lead to a discussion about fields that could be deeper explored and investigated in further researches.

3.5 Evaluation of the Results

Validity and reliability is often used to evaluate quantitative researches. As McBurney and White (2004) state, validity refers to whether the conclusion of the research is true or false. Since there can be a reality beyond the one perceived, qualitative researchers have better
use of Denzin and Lincoln (2000) suggestions of credibility, transferability, dependability and conformability when evaluating a research. These can be compared to the traditional forms of validity evaluation, where credibility refers to internal validity, transferability to external validity or generalizability, dependability to reliability and conformability to objectivity (Guba & Lincoln, 1989). These four terms refer to the trustworthiness of the research and to be able to fulfill that, the research shall reflect the reality and the ideas from the participants (Holloway, 1997).

*Credibility* refers to whether the study can be compared to the involved people’s perceptions (Holloway, 1997). To achieve credibility the researchers can use different methods like for example member check where the findings are verified through feedback from participants (Guba & Lincoln, 1989). To achieve credibility, the authors have given the respondents the opportunity to read and approve what was compiled from the interview session. It was only Rösiö that wanted to do so before publishing. The other respondents believed it unnecessary to approve what was written since the nature of the questions concerned mostly personal views and not information about the organization or company itself.

*Transferability* measures to what extent the findings can be transferred to similar researches or situations. Transferability is relative and refers to the degree which main conditions overlap or match (Holloway, 1997). Guba and Lincoln (1989) suggest that to achieve transferability it is important that the data shall be clear and specific for the reader. However, it is difficult to compare researchers and measure transferability since the nature of the study can change over time. The authors believe that this research has achieved transferability and the results can be applied to other researches. The interviews were performed in different sizes in three different groups and all respondents gave similar and by that, trustworthy answers. The authors believe that the result would be similar even if the research was done in another geographical area than Jönköping. Axfood and Coop are centrally governed and do therefore have the same structure in their stores. ICA is more self dependent, but ICA as group, does still have a common goal for all ICA stores and they do work to increase private brands.

*Dependability* can be achieved if the research is consistent and accurate (Holloway, 1997). Denzin and Lincoln (2000) argue that the researcher needs to explain changes in the context within the field of how the research is conducted and how it has influenced the study. Guba and Lincoln (1989) suggest that the researchers can use an audit trail with detailed descriptions of the research process for the reader to follow all decisions made. The authors have reached dependability by making an own audit trail for own use. Every time the thesis was changed or updated, a new version was saved to be able to go back and check if necessary. The major change was that Carl Ehn at ICA Maxi did not turn up at our appointment and the authors had to conduct the research without the largest size in the ICA group. The authors have also proofread the thesis several times in order to avoid errors. Information from the respondents was also checked with information from the group’s homepages.

*Conformability* refers to the extent which others can confirm results. It is important that the data can be traced to the origins and that the data is checked and rechecked throughout the study (Denzin & Lincoln, 2000; Holloway, 1997). Documenting over gathered data can be done together with the audit trail to achieve dependability to make the outline even clearer for the reader (Guba & Lincoln, 1989). To achieve conformability and make it possible for others to trace the data, the authors have recorded some of the interviews and both have been taken notes at all times. The respondents’ full name and date when the interview was performed is also published.
3.6 Criticism

Some of the critique towards the method used is that the interviews are made in Swedish and are freely translated into English by the authors. This may lead to misunderstandings, but the authors have checked and rechecked the data in order to try to avoid errors. Another factor that may have affected the results is that the authors got a decline by ICA Maxi and could not make an interview with an ICA in the largest size. However, the answers from the other respondents was quite similar which make the authors believe that the information loss what not extensive. Some of the respondents were also stressed and had a lack of time which forced the authors to do the interviews fast. Due to that, some information and some further questions may have been missed. One negative aspect with the interview technique is that it requires plenty of time and the result can sometimes be difficult to analyze.

Some of the respondents did get the interview questions in advance and some did not. The questions were not of that kind that needed to be prepared from the respondents, which is why some said they did not need the questions before the session. The negative aspect when the respondents know the questions is that they can make up good answers before they are asked. However, many of the questions were of personal opinions and the authors do not believe that sending or not sending the questions in advance affected the results.
4 Empirical Findings

The empirical findings will present the answers from the interviews made with retailers in ICA, Coop and Axfood. The result is presented under each retailer chain. The interviews mainly contained discussions about the perceptions towards private brands, how private brands compete and how they are exposed in the stores.

4.1 ICA

ICA is one of the leading retailer chains in the Nordic countries and has about 2400 stores where 1506 of them are situated in Sweden. 2004 they had a turnover of 43 373 MSEK and the sales in Sweden was 79 billions SEK. Every retailer own its store and runs it as an own business. ICA stores have four different concepts which are divided in size, turnover, assortment and geographical situation. ICA Nära is the smallest one, often combined with other services as for example drugstore representatives. Secondly, is ICA Supermarket which is placed near the customers. ICA Kvantum has greater assortment of products such as allergy adapted and environmental friendly food and products within the area of beauty and media. The largest store is Maxi ICA Stormarknad which offers food, clothes, books, household utensils and equipment for the garden (ICA 2006b, ICA 2006c).

4.1.1 Private Brands Capture the Stores

Tauschek at ICA Nära Flamman stresses that there are both positive and negative aspects concerning private brands. It is important to be aware of the different private brands and their specific purpose. For example, the private brand ICA has, according to Tauschek, high quality and act as a premium brand for ICA. Euro Shopper on the other hand, is the low price brand and ICA uses it to compete with the low price stores. Tauschek have a more negative perception to this brand since “you pay for what you get, Euro Shopper only competes with price, not quality”. However, as a retailer he was more positive about private brands before, this is mainly because of that the profit margins are not as high any longer. Carlpihl at ICA Supermarket Klosterkatan stresses that, private brands today is a very important part of ICA. It helps keeping the total price level low in comparison towards the market leader brand. Overall, Carlpihl is very positive towards private brands.

The development of private brands will be different depending on the perceived value of the brand. Concerning the brand ICA, Tauschek at ICA Nära Flamman stresses that it will strive towards becoming a premium brand, while brands like Euro Shopper or the private brands of for example Lidl will remain low price. ICA wants to have quality products, but have Euro Shopper to be able to compete with Lidl and Netto. Tauschek stresses that ICA does not need private brands but have and develop the products because of the higher profit. Tauschek also believes that it will only be the larger producers that survive in the brand competition and the smaller will be more niches and sell to specialized stores. The manufacturers also decrease the quality of their products to be able to have a lower price. In the future, Carlpihl at ICA Supermarket Klosterkatan claims that “the private brands will respond to a greater part of the total sales at ICA, maybe even be increased to 50% of the total sales in the future”. Further on, Carlpihl stresses that all private brands of ICA will continue to increase and it is important to continue the product development of both the brands ICA, ICA Gott Liv and Euro Shopper. The healthy niche brand ICA Gott Liv is something that will grow even more rapidly. Carlpihl stresses that there is a high interest and effort in developing new products within the different brands and this is made both by individual retailers
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and from the headquarters. Today there are about 100 new products introduced every year under the different private brands in the categories from perishables to colonial goods to special goods. There exist a so called “retailer council” which consists of retailers from the different supermarket sizes that comes with suggestions on how the private brands further can be developed. On a central level of the organization, there are category managers and product developers that are responsible for the development of the private brands. Further on, Carlpihl stresses that this development is positive for both the customer and the retailer and he are positive towards the increase of private brands. Because of private brands, the customer has a lower price situation both for products of private as well as manufacturer brand. The private brands lower the prices of goods from manufacturer brands because of the hardened competition.

Further on, Tauschek at ICA Nära Flamman stresses that ICA strives towards improving and developing more products under their private brand in new product categories. ICA has a testing kitchen where all products are tested carefully before the products are launched. “It is up to each retailer to decide whether they want to purchase ICA’s private brands, but they can subscribe on new products”, stresses Tauschek. Thereafter ICA sends their new products to the retailers, Tauschek calculates the sales and ranking to see if he shall keep the product or not. It is only the sales and profit per shelf that counts when deciding which products to have and not.

ICA Nära Flamman has a share of private brands of 16% of all products and has remained there during the last years. Tauschek does not work actively to increase the share, but ICA has a goal to increase the shares further. He continues that if you want to work with premium brands there is a maximum limit of private brands of 50% of the product shares. In some product categories it is not necessary to have private brands. For example, dairy, bread, beer and confectionery are product categories with a small margin and the manufacturer brands are very strong. Colonial products are an appropriate product category for private brands, since they can serve as a good complement to the manufacturer brands. “Private brands should be present in those categories with high margins, such as meat”, Tauschek stresses. He continues that a product share of private brands of 20% would be the best. Tauschek believes that ICA has a wide variety of private brands as they have products that are both environmental friendly, low price, healthy, ecological and premium.

According to Carlpihl at ICA Supermarket Klostergatan, there can never be a situation of too many private brands. Since it is the customers that are deciding upon the development there can never be too many private brands. When the customers are not pleased with the private brand the amount of manufacturer brand will increase again. At ICA Supermarket Klostergatan the private brands represent 12.5% of the total sale, but Carlpihl stresses that this number is not completely correct since it is products that are not included, for example, fruit and vegetables, bread and pick’n mix. When including these, Carlpihl estimates the amount of private brands to 20%. The optimal level for his store is an amount of private brands over 25%. It is important to stay with the different private brands in order to present a clearer view of what the products represent to the customer. “It is a matter of security to have different private brands because if something happens there is much more to loose if all private brand products were under the same name”, according to Carlpihl.

The image Carlpihl at ICA Supermarket Klostergatan wants to mediate with his store is to offer products to a higher quality than what the customer can expect and to offer a wide variety of perishables. To fulfill this statement Carlpihl claims that the private brand products do not help directly in achieving this goal. Instead Carlpihl has chosen to increase the choice of locally produced products and niche products in order to fulfill his business
statement. The image for ICA Nära Flamman is to be a store that has quality products to low prices, states Tauschek. The customer shall be able to shop fast and find the products easily with the prices on easy-to-read signs. Private brands can help the retailer to achieve the image by its low prices, but Tauschek believes it is more important to have products with quality than low price product with no quality at all.

4.1.2 How Private Brands Maneuver Manufacturer Brands

Tauschek at ICA Nära Flamman means that it is important to have private brands for a retailer under a retailer chain’s name. ICA is a well known brand and customers know what they get if they buy ICA’s products. The customers are expecting to find the brand ICA in an ICA store. However, Tauschek stresses the importance of having different private brands since all represent different areas. Skona represents the environmental friendly category, ICA healthy, ecological and quality products while Euro Shopper is the low price brand. Carlpihl at ICA Supermarket Klostergatan has always been positive towards private brands and he has seen the advantages for the customers due to the increased amount of private brands. Further, he stresses that the customers perceive the trend with private brands differently. One negative aspect is that the different stores become more similar to each other and as far as space allows a decrease in niche products is possible to occur. Concerning the increased competition, Carlpihl stresses the importance of private brands and in particular to be able to offer the customers products from different pricing levels to niche products. In order to compete with manufacturer brand, Carlpihl claims that “the most important aspect is the name ICA”. The customers have a high confidence in the name and the perceived value and quality in the private brand products labeled ICA is high, the name itself generates a sale. The image has also changed for the whole ICA and due to the TV commercials, the interest for ICA has increased and the youth’s attitude towards ICA has become more positive.

Private brands are not to a great extent promoted at ICA Supermarket Klostergatan; this because the margins are already very tight, claims Carlpihl. For the healthy brand ICA Gott Liv the promotion is higher both from the individual store and from ICA. “As an average, 10 to 15 private brand products are promoted every week in the leaflets that is sent to the customer”, tells Carlpihl. As a general rule, there are always private brand products represented in the leaflets. The promotion of private brands is mostly centralized and Tauschek, at ICA Nära Flamman, do not promote them further. Private brands are always present in every weeks TV commercials. Carlpihl stresses the importance of using them in the marketing. At ICA Supermarket Klostergatan the private brands are represented in the weekly leaflets sent out to the customers but are also represented every month in the magazine from ICA; Buffé. Also special offerings are sent out to the loyal customers and many private brand products are displayed there, mostly products from ICA and ICA Gott Liv. In order to further promote the products, Carlpihl has introduced a recurrent event, which occurs once a month where the customer can try new products and most often these demonstrations includes private brand products.

It is up to the individual retailer which products to have in the store, there is an original assortment for each supermarket size but in the end, it is the retailer that chooses and ICA only comes with suggestions. Carlpihl at ICA Supermarket Klostergatan does not see any restrictions on products that are not suited for private brands and are open for a further development of new product categories, for example baby food is a category that Carlpihl would like to have a private brand in. Further, he stresses that the private brand is very important and that it would be difficult to manage without it.
4.1.3 The Battle of the Shelf Space

Shelf placement is important for Carlpihl at ICA Supermarket Klostergatan and also for Tauschek at ICA Nära Flamman and it is planned on the basis of sales. First and last in a row of shelves are the products with the lowest sale and in the middle the products with the highest sales. The highest sales shelf placements are often devoted to ICA since they have the highest margins. Tauschek stresses that Euro Shopper is often dedicated the bad placements and “the private brands are also placed to the right of the leading brand in the eye catch, the best sales spot”. However, if a manufacturer brand sells more and got a higher profit, these will have the best places that the private brands often have. To increase the interest for private brands, Tauschek purchases large quantities and place them in a visible spot. Floor and gable exposure is important to increase the interest for a product. The product exposure is looked through once a year, but Tauschek does it division by division continuously. They use information systems to see the profitability and sales per product to see how the product is ranked. Thereafter, own design planograms are used to redesign the product exposure and shelf space. Planograms from ICA are only used when large changes will take place. Carlpihl claims that since each store is individual and has a different design it is very much up to the retailer to plan the shelf space and exposure of products but a planogram can be a helpful and act as a guideline. Carlpihl also reflects upon the customer circulations in the stores and uses that in order to place the products. Further on, he places the products in the same way as Tauschek does with the private brand to the right of the manufacturer brand and placing the private brands in the premium positions in the store. Carlpihl also follows rankings in order to plan the shelf space and the amount of facings. He also works with a space programs that follow specific product segments. In this program, Carlpihl studies the inflow of products. Since almost 1000 new products are introduced every year and only 1 out of 10 are products that last, it is important to study this trend in the spacing programs.

Tauschek at ICA Nära Flamman is subscribed to display programs where private brands are present on occasions. Further on private brands are promoted by the signs situated on the sidewalks and walls. Consultants from ICA comes to the stores and work with displaying private brands with labels. Tauschek believes that the products with the highest margins shall have the best shelf placements.

4.2 Coop

Coop is a company owned by the customer co-operations in Sweden, Denmark and Norway. In Sweden, Coop has five retailer stores direct under the Coop name; Coop Forum Bygg & Trädgård, Coop Forum, Coop Extra, Coop Konsum and Coop Nära. Coop do also have retailer stores under names as Konsum, OBS and Power, these are often called Coop MedMera. Coop Sweden’s turnover 2005 was 26 billion SEK. Coop Forum is a hypermarket and offer besides provisions; clothes, shoes, toys, electronics and entertainment (Coop 2006b; Coop 2006c). Konsum offers a wide assortment of everyday commodity and are situated over whole Sweden close to the customers. Konsum Extra offers about the same assortment as Konsum but to lower prices (Coop MedMera, 2006).

4.2.1 Private Brands Capture the Stores

According to Persson at Konsum Extra, private brands force the prices to decrease and she is therefore positive towards the development. Sollenby’s (Konsum Dalvik) attitude towards private brands is that it is a necessity because of the hard competition. This competi-
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The attitude towards private brands among the customers has changed the latest years to becoming more positive due to that they have lower prices according to Sollenby at Konsum Dalvik. Sollenby has also noticed the change in customer perceptions about private brands; “the customer is today more willing to try new brands and because of the lower price many customers is willing to substitute the manufacturer brand with a private brand”. According to Rösiö at Coop Forum, the customer’s attitudes towards private brands are mixed. Some is affected by the lower quality a few brands got and are therefore more negative to the development while others are very positive about the fact that they keep prices down.

Both Sollenby at Konsum Dalvik and Persson at Konsum Extra believe it is positive to have different private brands since they serve different customer segments and niches. Persson also believes that “private brands are most needed in dry goods such as pasta, but can do well in every product category”. One area Coop could develop further is the healthy private brand. They have started to sell whole meal products, but Persson believes they can do more in that area. Sollenby cannot see any specific product category where private brand should not be present, but he is to some extent questioning private brands in the cured meats and provisions. At the moment, there is no category that is missing in the private brands of Coop, they already have the private brand Änglamark which is environmental friendly and at the moment there is no need for any further niche brands. According to Rösiö at Coop Forum there are no product categories that are not suitable for private brands. The private brands are large on the colonial good category but also on the cured meats and provision. Further on, Rösiö stresses that fruits and vegetables are one category where the private brands are not present to a great extent. In the near future, he believes that the perishables will take a greater place as a private brand at Coop and he can also see an increase in private brands in the dairy category. Rösiö also believes that Coop can develop more private brands within the categories of dairy, candy and bread.

According to Persson at Konsum Extra, it is important to have private brands as a retailer since they are not able to compete in price otherwise. They can also use the brand to show their own store name and the profile it possess. Persson could not tell the amount of private brands they got in Konsum Extra, but she estimates that they have at least one private
brand product in about 35-40% of the product categories. Sollenby at Konsum Dalvik claimed that specific stores within Coop have no goals on how many percent of the total demand of products that should be private brands. Rösiö at Coop Forum believes that a higher share of private brands would be positive, as long as they have alternatives. Coop Forum always has three alternatives within each product category to choose from; a low price brand, middle price brand and a premium brand. X-tra does often represent the low price, middle price is Coop and the premium brands are the market leaders. Rösiö clams; “there is a limit of how many private brands a store can have as long as there are other alternatives as well for the customer to choose from”.

Development of new products within the private brand is constantly taking place at the headquarters. It depends on the size of the store and the size of the product category whether the new products will be sent out to the store. Sollenby stresses that Konsum Dalvik does not sell all private brand products, but most of the new products are automatically sent to the store. Further on, Sollenby stresses that “as long as the private brands have an economic value for the store and the customer the development will continue”. There can never be a too large share of private brands since it is products with good quality and just as good as the manufacturers’ products. The private brands create a higher pressure on the manufacturer and the competition has increased. Coop does not work actively to develop new private brand products, but they try to highlight the products they already have.

The image for Konsum Extra is according to Persson to have a high profile of perishables. However, she believes that private brands cannot help to achieve that image; they do only have a private brand in breads. The image that Sollenby wants to mediate to the customers is that Konsum Dalvik is a convenience store with a high level of service and to be customer friendly, to have a close relationship with the customers. It is also about being able to be flexible and Sollenby stresses that the pricing is not the primary competitive force for this specific store. Coop Forum’s image is, according to Rösiö, that they shall have everything that the customer needs under the same roof, at the same place. Private brands help to some extent to achieve the image since they strive to have three price categories in each product segment and the private brands represent the middle and low price classes.

**4.2.2 How Private Brands Maneuver Manufacturer Brands**

Persson at Konsum Extra claimed that Coop is working towards the goal to have at least one Coop product in each product category, but the stores are free to choose which products they will sell, depending on assortment and store size. Coop stores choose an assortment classification where they have a frame of which products that shall be sold. Smaller stores do often have more private brands since they give a higher profit. Coop does not have any minimum limit of private brands that have to be sold. Sollenby told that “the retailer can to a certain extent affect the demand of private brands but mostly this is decided by the headquarters”. Some of the products have agreements that they must exist in every store and this cannot be ignored. Persson does believe that it is important to have a good mixture of different brands to give the customer the opportunity to choose. Since Persson strives to have a wide range of products she believes that it can be too many private brands. The mixture cannot be affected, that will hurt the customer’s choice.

Persson at Konsum Extra stresses that private brands are promoted by advertising in the weekly commercials as member products. Members in the customer co-operation get lower prices than people that are not members. They do also offer testing of new products in the stores and place them in good spots during campaigns. To increase the interest of private
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brands they use exposure together with other products and put the products on gables to be more visible. Persson claims that “in order to promote private brands it is important to have the products on the best positions in the store, to create an awareness of the specific brand and the product”. To further promote the private brand, Sollenby at Konsum Dalvik uses multi purchases such as customers buy three packages to a reduced price. The promotion of private brands is taken care of by the headquarters and no extra promotion is made by the individual store. It is important to convince the customer to try the private brands and this is made through among other demonstrations in the store. This creates an interest for the products and the customer has the possibility to try it before buying it. According to Rösiö at Coop Forum, private brands are promoted mainly by direct advertising and in TV commercials. Coop Forum does not do anything extra in the store to set off private brands; rather they choose to handle the products just like other brands. Rösiö believes that all products must be attractive for the customers independent of which brand they have. However, to increase the interest for private brands they could work with free good samples or tasting and highlight their products in the commercials.

Sollenby at Konsum Dalvik believes that price is probably the most important aspect in order to compete with manufacturer brands. Since some private brands are “new”, customers do not always recognize the brand in the same way as the manufacturer brand. In the long run, the customer becomes aware of the private brands and when they realize that the private brand is just as good as the manufacturer brand they choose the private brand. It is the customer that possesses the power over the development of the private brands. Persson at Konsum Extra believes that it is important to have private brands since it gives the managers the ability to control the price development. Private brands compete with both price and quality depending on the brand. Coop competes with both, while X-tra competes with price only. Sollenby also stress the importance of having private brands in order to compete with the chains like WiLLY:S and Lidl. The private brand also helps identifying the store. It is important to follow this trend in order to survive as a store. However, Sollenby does not believe that private brands are the most important aspect from a competitive angle, towards other food chains. Customers of today are movable and that they do not chose to do their purchases at Konsum Dalvik because of the private brands.

Rösiö at Coop Forum wants to continue with having different private brands of Coop, this in order for the customer to be able to actively make a choice of what product to purchase and to be able to see the differences between the private brands. As a retailer, Rösiö stresses the importance of having a private brand in order to strengthen Coop’s name as a brand. The private brands also help creating an attitude towards the products; a product with a low price and a good quality. To have a private brand also comes with some advantages towards the competitors. “Today, the retailers compete with their private brands”, states Rösiö.

4.2.3 The Battle of the Shelf Space

Persson at Konsum Extra stresses that private brands always gets more than one facing, but the best shelf spaces goes to the product that sells the best. The customer decides what they want and the product placement is made thereafter. Planograms are used in product exposure and are designed by Coop that sends them out to the stores. Private brands are often placed next to the market leader’s brands. Sollenby at Konsum Dalvik stresses that “the shelf spaces are planned by the headquarters with the help of planogram and the private brands receives a more generous shelf space than the manufacturer brands since we earn more money on the private brands”.

Once every year there is a new strategy for the placement of the products that each store
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has to adapt to, but during the year, the retailer have the responsibility for placement of the products.

Rösiö at Coop Forum claims that “private brands receive a larger shelf space in the store and are often displayed on half pallets”. However, if another brand sell better than the private brand, these receive the best shelf places. The store and shelves are built up with help of planograms from the head office, but of course some individual adjustments are made. Coop have a concept for each store size with products that retailer have to sell. 99% of the product assortment is controlled by Coop and the individual retailer can almost not affect the decisions at all.

4.3 Axfood

Axfood has about 500 stores, owned by the retailer itself and is one of the largest retailer chains in Sweden. The Axfood group’s turnover 2005 was 28 086 MSEK and the turnover for WiLLY:S and Hemköp was 23 254 MSEK. Axfood has three different stores in retailing; WiLLY:S is the largest store in which they aim to offer the cheapest bag of foods in Sweden. WiLLY:S Hemma is situated close to the customers and offers a basic assortment of food with prioritizing of pre-cooked and fresh food. Hemköp aims to be a fashion store for trendy food customers. They shall offer a wide assortment with focus on food trends and new products (Axfood 2006b; Axfood 2006c).

4.3.1 Private Brands Capture the Stores

Öhlund at WiLLY:S Huskvarna stresses that he was skeptical towards private brands a couple of years ago but today his attitude is more positive. Further on Öhlund claims that, customers at WiLLY:S Huskvarna is mostly elderly people and they seem to be more skeptical and negative towards private brands than other customer segments. “The attitude towards private brands has changed the last years both from the consumers and the retailer’s perspective”, claims Öhlund. This attitude change has been in the positive direction and the sale of private brands has increased at WiLLY:S Huskvarna. For example, in the early stages of implementing private brands at WiLLY:S there were some teething problems with the quality. Today, there are more controls of the products and the perceived quality have been improved. Johansson at Hemköp has got a positive attitude towards private brands. First, he thought they were just a cheap complement, but has during the years developed to have both a low price and high quality. This is also in line in with the customers attitudes. They are today more positive since they know more about the product and its origin. Johansson believes it is important to have private brands in order to be able to compete with the price. The name of the company, in this case Hemköp, represents quality and trendy food which force the private brand to have the same quality as the name represents.

Jonsson at WiLLY:S Hemma states that there are two aspects of private brands that the retailer has to have in mind. Firstly, it is good economically both for the retailer, as it gives a higher profit and for the customer as private brands are sold to lower prices than manufacturer brands. They can purchase large quantities to a low price. Secondly, it can be negative for the product development, since the products are not developed in the same pace as before. This is especially concerning private brands, since private brands are more or less copies of the leading brands products. Jonsson also stresses that the customers have changed their opinions concerning private brands and are today more positive than for a couple of years ago. This could especially be seen when the brand WiLLY:S was introduced, a much higher quality than Eldorado.
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The share of sold products of private brands at WiLLY:S Huskvarna, according to Öhlund is one of the lowest of all WiLLY:S store in Sweden, namely 18%, this means that WiLLY:S possesses the place 94 out of the 103 stores concerning private brand shares. Private brands are constantly increasing and the goal from Axfood is a rate of 25% of private brands this year for the WiLLY:S stores. The share of private brands is continuously measured centrally every week and Axfood is striving towards increasing the share. Jonsson at WiLLY:S Hemma has a positive view of this since it is positive for the store from an economical perspective. However, Jonsson stresses that “it can be too many private brands in a smaller store, such as WiLLY:S Hemma as we do not have the same possibilities in space to have the wide range of product assortment, it is easier for the larger WiLLY:S to increase the amount of private brands”.

WiLLY:S Hemma has at the moment a share of private brands at 22% of the total product assortment. The private brands are measured each week in terms of sales since they have centrally decided requirements of sales to obtain. Axfood also wants the chains to increase the share of private brands and are in control of many of the products sold in the stores. They use a classification system where they classify products in different categories. Depending on store size there is an amount of goods that they always must have in the stores. Private brands almost always belong to the “must have” category. Today, according to Johansson, Hemköp have a level of private brands of about 10-15%.

The amount of private brands will constantly increase and all product categories are not yet represented of a private brand. Öhlund at WiLLY:S Huskvarna stresses that there are perhaps enough private brand products, the market has to adapt and then the development can continue. WiLLY:S Huskvarna is today competing with mostly low price private brands. Today, it is difficult for the different food chains to compete on price; instead Öhlund finds it more important to “compete with a wide assortment of products and brands and with for example customer treatment or opening hours”. In the future, Jonsson at WiLLY:S Hemma believes that private brands will continue to have a fast growth rate as the low price chains take more and more place in the Swedish commodity trade market. They have to have products that can compete with the low price chains, but Axfood is also planning to develop a private brand with higher quality. Johansson at Hemköp claims, that in the future it probably will exist even lower priced brands on the market as Lidl and Netto grows continuously. On the other hand, Johansson believes that the existing products will be more niches and concentrating on themes as healthy or ecological food. Hemköp are now in the process of launching their healthy private brand. Johansson believes that private brands are very important for a retailer chain, since all other chains have their own private brands. Private brands are a possibility for Hemköp to be able to compete with the low price stores.

The image Öhlund at WiLLY:S Huskvarna wants to mediate with the store is the low price. The private brands are a great help in the image creating process. Since the market leaders are producing almost the same products, the low price of the private brand is the image WiLLY:S Huskvarna wants to mediate. The image for the store WiLLY:S Hemma, according to Jonsson, is to be a low price store, with a large amount of perishables. WiLLY:S Hemma is a so called “complement store” where the most customers only buy perishables, goods that you buy often. Private brands represent the low price, but since there are almost no private brands in perishables, they do not help in achieving the image. Johansson claims that Hemköp strives towards having the image of a store profiled of perishables and high service. Private brands can help Hemköp to obtain the image since they always need to have fresh private brands in the store.
4.3.2 How Private Brands Maneuver Manufacturer Brands

From a competitive view, Jonsson at WiLLY:S Hemma claims that it is very important to have private brands in order to be able to compete. The stores have to sell the goods they earn money on and these are the private brands. “Private brands almost only compete with price against manufacturer brands, but since WiLLY:S’s private brand WiLLY:S came, they are also able to compete with a higher quality” states Jonsson. Further, he claims that the private brand WiLLY:S has to be as good as the leading manufacturer brands or better. Jonsson also states that it is very important for a retailer to have private brands to offer the customers. They help to keep the price down which many customers are very concerned about. Öhlund at WiLLY:S Huskvarna finds it very important with the private brands and in the increased competition with the other food chains it is even more important. The private brand WiLLY:S is a strong brand name that offers products to a low price and high quality.

Öhlund at WiLLY:S Huskvarna states, that it is not up to each individual store to increase the amount of private brands, instead, this is taken care of centrally. They are working with improving and developing new products for their private brands Eldorado, Hemköp and WiLLY:S. In order to make sure that all new products are available in every store, one or several cartons of each new product will automatically be sent to the store, depending on the store size. This in order to make sure that each new private brand product will have a chance to take an ordinary part of the assortment of the individual store. This process, when the new products are automatically sent to the store is called a “rapid start”. The individual retailer is controlled by decisions made by Axfod. Axfod are also the main responsible part in taking decisions concerning private brands.

Öhlund at WiLLY:S Huskvarna stresses that; “there can be too many private brands on the market and on the shelves and it is important to keep a good mix of both private and manufacturer brands”. It is also important that there are alternatives for the customer to choose from, not all customers like the private brands and chooses to stay with the already known and established manufacturer brand. Öhlund continues with stressing the importance of not exclusively connecting the shares of private brands and the total turnover. On the ranking, WiLLY:S Huskvarna are on the place 40 of 103 when it comes to the turnover and with this statement Öhlund stresses that it is not only the private brands that generates the best turnover. Johansson at Hemköp stresses the importance of having a balance between manufacturer and private brands. “The maximum limit of private brands in a store like Hemköp is about 25% of the total product assortment, thereafter the store has to rethink what they really want to obtain”, claims Johansson.

In the product category of fruit and vegetables, Jonsson at WiLLY:S Hemma believes that private brands are not that suitable, but will not be surprised if it comes in the future. Besides that, he does not see any limits for private brands in every product category. Jonsson also believes that it would be good if new private brands products with alignment to, for example, environmental friendly and healthy products were developed. WiLLY:S Hemma does not have any products in these categories today, but it could be another way to compete with the manufacturer brands. Johansson at Hemköp agrees with Jonsson concerning fruit and vegetables not being suitable for a private brand. Another product category that Johansson finds it unnecessary with private brands, in dairy products and milk in particular, since the margins are already very low in that specific area. In all other product categories, Johansson stresses it is possible to have private brand. However, private brands do not sell equally in all product categories, perishables is most difficult to get the customer to try private brands. It is most important to have private brands in the basic product range as bread, canned food, pasta and coffee. Johansson does also believe that it is good that
Hemköp got a different range of private brands under different names. All private brands represent different quality, origin and price which make it easier for the customer to choose products. Öhlund at WiLLY:S Huskvarna stresses that private brand can be further developed and be present in almost at product categories everything from dairy products to colonial products. In the product categories of meat and fruits and vegetables Öhlund does not believe private branding is a good idea. Further on, Öhlund stresses that WiLLY:S Huskvarna is lacking in complementing with private brands such as environmental friendly or healthy product lines, but they need to handle the standard brand first. The development has been to fast and in order to be able to represent the brand they need to focus more on the private brand WiLLY:S at first.

In order to be able to compete with the manufacturer brands, Öhlund at WiLLY:S Huskvarna stresses the importance of marketing and in the marketing the “mouth to mouth way” is a tool when customer is spreading the advantages with the private brand to another customer. The price is another strong factor in the competition towards the manufacturer brand. With the private brands at WiLLY:S Huskvarna, the message is to mediate is a low price to a high quality, this concerns the premium brand WiLLY:S, since the brand Eldorado has a lower quality to an even lower price. For Öhlund it is important to convince the customers to buy a private brand in order to make the customer to stay loyal to the store and make repurchases. Johansson at Hemköp stresses that, “private brands compete with price and that that is the only way to compete with manufacturer brands”. To handle the competition from private brands, the manufacturers reply by start producing the private brand for Axfod as well as their own. They also decrease their packages into smaller formats and by that decrease the price of the products. Another common way is to have competitions in the store where the customer can take part in if they buy their products. The manufacturers do also often have offerings when the customers get an extra product for free if they buy their goods, so called “multi purchases”, according to Johansson.

In order to promote the private brands Öhlund at WiLLY:S Huskvarna stresses the importance of letting customers try the products convince them to chose the private brand. Especially, WiLLY:S Huskvarna works a lot with, “quiet demonstrations” this means; that the customers can test the products in the store and thereafter decide whether that specific product is a good substitute for the manufacturer brand. Öhlund stresses that “those who tries the products are ‘hooked’”. Further on, the promotion of private brands at WiLLY:S Huskvarna is mostly in the shape of leaflets which is sent out 32 times a year. In these leaflets the private brands are having a significant part. The points with having almost only private brands in these leaflets, are to create awareness to the products and to present the low price. At WiLLY:S Hemma, Jonsson states that private brands are promoted in the leaflets that are distributed each week, but not in TV-commercials. Jonsson also promotes the private brands by recommend them to the customer and have special labels on the shelves that show the customer that it is a private brand with quality. Jonsson claims that personal promotion is extremely important to get customers try the private brands and the personnel can also explain the differences between the products. When a new private brand product arrives they often have campaigns in form of a good price and good placement that will convince the customer to try the good. Johansson at Hemköp stresses that all promotion campaigns are centrally planned and often contains private brands. Further on, private brands are also promoted by offerings with multi price; buy three pay for two. To increase the interest for private brands, Öhlund at WiLLY:S Huskvarna chooses to demonstrate the products in the store and have a better positioning for the private brand. Further on, Öhlund stresses that it is not necessarily that the private brands receives the best place, if
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the manufacturer generates a higher sales, it should have the better position even if the margins is higher for the private brand product.

“\textit{It is extremely important to have a private brand, of course due to the competition but also for the store as a brand}”, states Öhlund at WiLLY:S Huskvarna. Since the other chains have private brands it is important to follow the trend in order not to lose market shares, according to Öhlund. Jonsson, Öhlund and Johansson do all claim that it is very important to have different brands with different directions. Eldorado represents the real low price, while WiLLY:S and Hemköp represent both low price and high quality. Since the different private brands are targeting different segments it is important to remain with several private brands.

4.3.3 The Battle of the Shelf Space

Öhlund and Johansson explained that; at all stores; WiLLY:S Huskvarna, WiLLY:S Hemma and at Hemköp there is a system for the different products, both manufacturer and private brand products. The products are divided into three categories; A, B and C. A-products are products that the retailer can chose to display on, for example, the gables. Almost all private brand products are A-products. A-products also have a higher margin than other products. B-products are products that can never be displayed anywhere except for their ordinary shelf space. The B-products give a less margin for the retailer. C products are seasonal products such as charcoal and can be displayed on for example the gables during some time periods.

Shelf space management is taken care of centrally and all the stores have already designed shelves for the products. “\textit{The best sold product with the best profit margin receives the best place and it is not always private brands}”, states Jonsson. All products are placed in the best suitable economical perspective for the store. Planograms are used when larger redesign projects will take place, according to Jonsson at WiLLY:S Hemma. Öhlund at WiLLY:S Huskvarna stresses that there is a planogram for every section in the store and all WiLLY:S stores are more or less built up in the same way. Most of the private brands are placed on the favorable areas such as in the eye catch and with a generous space with several facings. As a contrary, the manufacturer brands such as Felix or Findus are placed on the bottom or top shelf. Of course, the retailer can to some extent decide the shelf space as well, if the private brand have a low sale, the retailer can chose to give it less space, according to Öhlund. Hemköp promotes private brands by product exposure like shelf placement. The product placement is centrally designed and are calculated after statistics, how much of each good that is sold. Comparisons in sales are also made between placements in the shelf or on the gable. Johansson at Hemköp stresses that in most cases the private brand Hemköp got the largest space and best positions. In the stores, the private brands are having good shelf space and most often represented on the gables and on market places in the store according to Öhlund. Öhlund continues; “\textit{the reason for why the private brands are having a better shelf space and position in the store is because of the higher margins compared to manufacturer brands}”.

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5 Analysis

The analysis will compare the theoretical framework with the empirical findings in the areas of private brands, private brands in competition and product exposure. This will lay as a ground for the authors to be able to answer the research questions and fulfill the purpose.

5.1 Private Brands Capture the Stores

In figure 2-2, the differences between manufacturer and private brands are described. The characteristics of private brands do well describe the private brands of the retailers. ICA, Coop and Axfood have private brands that are; embedded in the whole retail chain, they have a broad assortment, and some of their private brands are imitations of manufacturer brands and finally, they are flexible to customer demands. Private brands are a debated issue and both retailers and customers have many opinions concerning the subject. According to Borgman (2005) and Konkurrensverket (2002), private brands cause lower prices on goods for the customers and generate a higher profit for the single retailer. This corresponds to the positive attitudes towards private brands that the interviewed retailers have. All of them stressed that they were very positive towards private brands, particularly the private brand with the retailer chain’s name. The retailers make a higher profit on the private brands and can give the customers a lower price. ICA Närä Flamman and WiLLY:Š Hemma has a more negative attitude towards their low price brands Eldorado and Euro Shopper since they have a lower quality than the other brands. ICA Närä Flamman claimed that they only sell Euro Shopper in order to be able to compete with Lidl and Netto. Tauschek, at ICA Närä Flamman, was also more positive towards private brands before, since they had higher margins than today.

Noodapera (2005) states, that 58% of the customers thought that it was enough private brands and they did not want to see more products like that on the market. The customers have a lack of confidence concerning the labeling and the country-of-origin. Kungl. Skogs och Lantbruksakademien (2005) states in a report that 40% thought that private brands was a good compliment and only 8% thought private brands decreased the liberty of choice of products. The customers of Konsum Extra and Konsum are positive towards private brands while the customers of Coop Forum have a more mixed attitude. Above all, it is the quality of the products that the customers have opinions about. The customers also have different opinions within the Axfood group. WiLLY:Š Huskvarna has a large customer group of pensioners which are more negative towards private brands, while families and younger persons are more positive. However, all retailers claim that the attitudes has changed during the years and the customers are becoming more and more positive as the products develop further and the higher the quality gets.

ACNielsen (2005a, 2005b) states in a report that the development of private brands has increased in most European countries. The private branded goods are of either premium quality, low price quality or have a combination of both. Frenemark wrote that the expected sales of private brands will increase to 25% until 2007. All stores believe there will be more private brands in the future and that the products will develop in both low price and premium brand areas. Carlpihl, at ICA Supermarket Klostergatan, believes that the share of private brands can increase up to 50% of the total share of sales and that ICA will develop even more niches under the brand ICA. Coop Forum stated that the future share of private brands within Coop will be around 20%. Konsum Dalvik stresses that it is the customer that will direct the development and that it will be more of low price brands,
while Konsum Extra believes that both premium brands and low price brands will increase. Everyone within the Axfood group believes that private brands will increase, but they will include niches and special themes as for example a high quality brand or Hemköp's healthy food.

All interviewed retailers do also believe that it is important to have private brands in order to be able to compete with low price stores. It is also important from the angle of the store; they can convey the image of the store into the products. All chains also continuously develop new products that they can have under their private brand. Öhlund does also stress that the stores are not able to compete only with price, but need to have a wide product assortment with high quality products to offer to get the customers an opportunity to choose what they want. WiLLY:S stores have the highest amount of private brands, 18-22% while the other stores have a share of about 12-16% of the product assortment.

Riezebos (2003) describes brand image as the personality of a product or company and can determine the products position on the market. Yadin (2002) continues with the brand image is the way the market perceives the brand identity and that refers to how the company present the brand to their customers and their specific market. Whether the chain the stores belong to, all retailers believe it is important to have a private brand to be able to compete and to convey the image of the retailer chain's name. The chain's name is the same as many private brands which help the retailers to deliver the same image on the products as the store. This corresponds to Ossiansson (2004) who claims that images are one important part of marketing and it is important to use symbols and packaging to deliver the image.

All stores have an own image beside the image of the store name. ICA Nära Flamman and Konsum Dalvik want to perceive the image of a store that is close to the customer and with the ability to make fast purchases, with a high level of service. ICA Supermarket Klostergatan, Konsum Extra and Hemköp do all strive to have a high amount of perishables and wide assortment of high quality products. Coop Forum wants to achieve the image of having everything the customer wants under the same roof, to different prices. WiLLY:S Hemma and WiLLY:S Huskvarna both strives towards having a low price store. Private brands can help the stores that strive for low price and a wide assortment to achieve their image. For the other stores, the private brands are more used to keep prices down and mediate the retailer chain image.

5.2 How Private Brands Maneuver Manufacturer Brands

According to Håkansson (2000), a new kind of competition has arisen between the retailers and the manufacturers because of the private brands. Today, due to the increased interest for private brands, the manufacturer brands have to compete with among others, the shelf-space. All retailers interviewed stress the importance of having a private brand from a competitive view. This is due to the fact that private brands give a higher return and therefore the retailers are welcoming the development of private brand. Most important to remember is that it is the customer that possesses the power over the development of the private brands.

Earlier, the most important aspect of the competition was the price, but today, as Öhlund at WiLLY:S Huskvarna stressed, with the private brand WiLLY:S they are now not only competing on low price but high quality as well. All respondents stress that the private brand with the same name as the store (ICA, WiLLY:S, Coop and Hemköp) must be as
good as, or better than the leading manufacturer brand. Håkansson (2000) stresses that; private brands have been developing from low price products, to high quality products, this goes in line with how the retailers perceive the development as well. The competition does not only concern manufacturer brands, but also a competition between the different food chains. This does not Sollenby agree upon, he stresses the fact, that at Konsum Dalvik the customers does not come because of the private brands and private brands are not the most important aspect in the competition between the food chains. All retailers interviewed stress the importance of separating the private brands from each other and that different private brands represent different competitive advantages, some compete with quality, special characteristic, price and some only with price.

As described by Ossiansson (2004) in figure 2-2 there is several differences between manufacturer and private brands. One main issue that several retailers stress is the fact that in the marketing effort the retailers can reach out to the customers. Since the store has a direct relationship with the customer, Jonsson at WiLLY:S Hemma points out the cashiers’ responsibility in the marketing, to promote the private brand in the store. This is a unique possibility that the manufacturer does not have. Another difference that all retailers stress is the great width of private brands. The target group is large and the chains are striving towards reaching as many customers as possible.

Recognition of a private brand can be created in the retailers’ stores and private brands are competing on the same conditions as manufacturer brands, merely by creating positive associations of the brand in the mind of the customers, according to Håkansson, 2000. To increase the interest for private brands, many of the retailers choose to demonstrate the private brands in the store. Carlpihl, at ICA Supermarket Klostergatan, have made this a reoccurring event where he once a month demonstrate products in the store, most often a private brand product. Sollenby, at Konsum Dalvik, stresses the fact that since some private brands is not as established as the manufacturer brands. Therefore it can be difficult for the customer to recognize the private brand in the same way as the manufacturer brand. In a longer perspective, Sollenby stresses, that the customer will become aware of the private brands and realizing that the private brand is just as good as the manufacturer brand and thereafter switch to the private brand. At WiLLY:S Hemma and at ICA Nära Flamman demonstrations is not used in order to create positive associations in the mind of the customer.

Anselmsson and Johansson (2006) stress that, the retailer possess a unique opportunity when marketing the private brand. To convince the customer to purchase the private brand, it is common to use advertising in combination with sales promotion. In order to be able to compete with the manufacturer brands, Öhlund at WiLLY:S Huskvarna stresses the importance of marketing the “mouth to mouth way”. This means that the customers are spreading the advantages with the private brand to another customer. Further on, Öhlund claims it is important to convince the customers to buy a private brand in order to make the customer to stay loyal to the store. In this process, the marketing plays a very important role. This is agreed upon by other retailers as well. Johansson, at Hemköp, claims that using “multi purchases” in the marketing is a good way to market the private brand. According to Rösiö at Coop Forum, Persson at Konsum Extra and Sollenby at Konsum Dalvik, private brands are promoted mainly by direct advertising and in TV commercials. Further on, they claim that no extra marketing is made in the store in order to set off private brands.

All retailers are aware of placing the private brand products on favorable places in the store to promote the private brands further during campaigns, but also in the ordinary shelf placement. At ICA and Axfood, private brands are promoted in. The use of many private
brands in the leaflets creates awareness in the customers’ minds. Further on, to promote the private brand in the store, Jonsson has labels on the shelves that show where the private brands can be found. Private brands are not to a great extent promoted in the store at ICA Supermarket Klostergatan and ICA Nära Flamman, because the margins are very tight.

Håkansson (2000) stresses that; when introducing a new brand, it is often labeled with the same name as the store name and this decrease the costs for promotion since the customer already have a perception of the brand. As a retailer, Rösiö at Coop stresses the importance of having a private brand with the same name as the store in order to strengthen the brand name. Tauschek at ICA Nära Flamman and Carlpihl, at ICA Supermarket Klostergatan, also stresses the importance of having a private brand under the retailer chain’s name. In order to compete with the manufacturer brand, Carlpihl claims that the most important aspect is the name ICA. Since ICA is a well known brand, the customers are expecting to find the brand ICA in the store and the perceived value and quality in the private brand products labeled ICA is high. Further on, they state that the name itself generates a sale. There are some negative aspects of private brands and Apéira (2001) stresses that the increased competition can lead to a decrease in the product range of the manufacturer brands and result in fewer brands in the store. As all respondents has stated, it is up to the customers to decide whether they want a broad assortment of manufacturer brands or not, but it is important that there are alternatives for the customer to choose from. Everyone does not like the private brands and wants to stay with the manufacturer brands.

Håkansson (2000) stresses that the manufacturer can choose to adjust to the competition against the private brands, they can for example choose to produce private brand products for the distributors account. To handle the competition from private brands, the manufacturers reply by start producing the private brand for Axfood, ICA and Coop as well as their own manufacturer brand. Anselmsson and Johansson (2006) claim it is easier for private brands to be a part of the original assortment in the store and this is confirmed by all the retailers interviewed. At Axfood and at Coop there is automatically sent out a box of the new private brand product when launched, at ICA the retailer can chose to subscribe on new products or not.

Anselmsson and Johansson (2006) stress that; the retailers are dependent on having manufacturer brands in their store in order to serve customers with different demands. This is confirmed by most of the retailers interviewed, based upon that customers wants a mixed assortment with different brands to chose from. There are areas where manufacturer brands are more developed and with a higher quality than private brands, therefore it is important not only selling private brands. Jonsson, at WiLLY:S Hemma, stresses that in the product category of fruit and vegetables, private brands are not suitable. Excluding these, Jonsson does not see any limitations for the development of private brands into other product categories. Further on, he is welcoming a private brand that is environmentally friendly in order to compete with the manufacturer brand. Johansson at Hemköp agrees with Jonsson concerning the fruit and vegetable product category but he also finds it unnecessary with a private brand in dairy products since the margins are very low. Öhlund at WiLLY:S Huskvarna stresses, that private brand can be further developed and be present in almost all product categories. Carlpihl does not see any restrictions on products that are not suited for private brands and are open for a further development of new product categories, for example baby food.
5.3 The Battle of the Shelf Space

Anselmsson and Johansson (2006) stress the importance of placing the products in a satisfying way since the store and shelf space is not unlimited. The space management can facilitate the process of finding the most profitable space for the products, in the eye catcher of the customer. All retailers interviewed agreed upon the importance of space management. Due to the launch of many new private brands the retailer must carefully consider the profitability of each product in order to find a good balance. Handling the space of the shelf concern; optimizing the return and providing a logical interface between the customer and the product (Varley, 2001; Anderson, 1979). At Axfood and Coop, space management is taken care by the main office and the store already has designed shelves for the products. The general rule for ICA, Axfood and Coop is that the best sold product with the best profit margin receives the best place. It is not necessarily the private brands that receive the greatest shelf space, but most often, this is the case. At Coop Forum, private brands normally receive a larger shelf space in the store and are often displayed on half pallets. At Konsum Dalvik, the private brands receive a more generous shelf space since they earn more money on private brands than on the manufacturer brand. Anselmsson and Johansson (2006) stress that since the force behind private brands is profit; it is naturally to allow them greater shelf space.

Anselmsson and Johansson (2006) discuss the assumption that private brands have an easier access to become the original assortment of the store. All chains interviewed have stressed the possibility to subscribe on new products. At Coop and Axfood, the new private brand products are sent out to each store, amount of cartons is dependent on the store size. At ICA, the retailers possess a greater independence and can choose to subscribe on new private brand products or not. Concerning the above mentioned statement, most often the private brand has an easier access to the store and shelf space than the manufacturer brand.

Diez de Castro (2004) stresses that; the shelf space allocation depends on the products itself. Seasonal products receive a better space at their peak and heavy and large products are given a greater space. At all Axfood stores, the products are divided into A, B and C-products and depending on the grouping the products are allowed to be displayed on gables. C-products are what Diez de Castro refers to as seasonal products and for example charcoal is during the summer allowed to presented and promoted on gables. At ICA and Coop there are no rules for this, but seasonal products are receiving a greater space during their peak and it does not matter whether the products are private brand products or not.

Diez de Castro (2004) stresses that; the highest profitability for the products is on the shelf in the height of the hips. On the top and the bottom shelf the profitability is low and the highest visibility is on the middle shelves. At Konsum Extra the general rule is that the private brands are always presented with more than one facing on the shelf, but the best shelf spaces goes to the product that sells the best. At ICA Supermarket Kloster gatan and ICA Nära Flaman, the shelf placement is very important and is planned on the basis of sales. First and last in a row of shelves are the products with the lowest sale and in the middle the products with the highest sales. “The highest sales places are often devoted to the brand ICA since they got the highest margins while the low price brand Euro Shopper receives the less good places”, stresses Tauschek at ICA Nära Flaman. The private brands are also placed to the right or next to the market leaders brand’s leading brand in the catch of eyes; the best sales spot, all retailers stress. However, if a manufacturer brand has a higher profit or a higher sale they will have the better position. At Axfood, the retailers claim that the private brands normally receive a better and larger position in the store and are often represented on the gables.
As Varley (2001) describes, planograms are illustrations that gives the personnel in the stores an indication of how the ideal allocation of the products should look like. Due to different store sizes, planning shelf space is complex and many retail groups such as Axfood or Coop use one central system for how to plan the store space, but local variations occurs. At Axfood’s stores, the planograms are centrally decided and calculated by sales of each product. At WiLLY:S Hemma, the use of planograms only occurs when larger redesign projects take place. At Coop, the use of planograms is very important in order to expose the products in a profitable way. The planograms are designed by Coop, but both Rösiö from Coop Forum and Sollenby at Konsum Dalvik stress the importance of local adjustments. Further on, Sollenby stresses that Coop comes up with a new placement strategy that the stores adapt to, but during the year the retailer is responsible for the product placement. Carlpihl also takes the circulation in the store into consideration and uses that when placing the products. At ICA Supermarket Klostergatan and ICA Nära Flamman, Carlpihl and Tauschek follows rankings and space programs to plan the shelf space and the amount of facings. Carlpihl claims that each store is individual and it is up to the retailer to plan the shelf space, but planograms can be a helpful and act as a guideline for the retailer.

According to Varley (2001) over 70% of all purchases are made on impulse, therefore it is very important to consider product placement. Showing products off-shelf most often increases the sales and the interest in the products. At ICA Nära Flamman, and WiLLY:S Huskvarna, Tauschek and Öhlund stress the importance of displaying products on gables and on the floors in order to increase the interest for private brands. Further on, private brands are promoted by the signs situated on the sidewalks and walls.
6 Conclusions

This final chapter will conclude the thesis and answer the research questions.

In order to conclude this thesis about how private brands conquer the Swedish market, the research questions are answered. This is done to fulfill the purpose: The purpose of this thesis is to investigate how private brands are regarded and dealt with, according to the retailer.

What role does the retailer play in the competition between manufacturers and private brands concerning premium shelf space and other in-store promotion?

Concerning the choice of which products that are becoming a private brand is a decision centrally taken. Though, at ICA there is a trade council that comes with suggestions for future development. The question about what kind of private brand products to have in the store differs between the different chains. At Axfood and Coop, the decisions are taken on a central level and the new products are automatically sent to the store. At ICA the retailer possess a greater power over what products to purchase or not. All retailers interviewed, stress the importance of the power of the customer and it is up to the customer to chose whether to have private brands or not. Concerning shelf space, private brands are almost always placed at the best places, to the right of the market leader in the eye catcher. Why they normally receive the best spots concerns the profitability. However, many respondents stressed that if other products sell more or have higher profitability; these receive the best shelf place. Though, it is important to differ between the private brands concerning the shelf space. Most often it is the private brand with the store name that receives the better placement.

Except for what is already stated, there is no particular promotion in the store. This is due to the fact that the margins are already tight and without promotions, the products can become cheaper. At ICA and Axfood, the private brands can be marketed by signs at the shelves displaying the private brands, for example, ICA has red arrows to show the private brands. There is no difference in in-store promotion concerning manufacturer brands or private brands. When it comes to campaigns or launching of new products both ICA and manufacturers do in-store promotion.

How does the retailer do to create a positive response from customers towards the private brands?

One of the most important aspects for the retailer to increase the interest for private brands is, according to almost all respondents, to demonstrate the product in the store. As Öhlund at WiLLY:S Huskvarna quoted, demonstrations are the best way to make a customer try the private brand and when they have tried it they are “hooked”. Another important aspect of the marketing is the mouth-to-mouth approach. In this kind of marketing, the cashiers and other personnel play an important role. It is important for the personnel to be well informed and to make recommendations to the customers about the private brands. Another aspect of the mouth to mouth issue is when customers promote the private brands to their friends by having private brand products in their homes.

Another way to promote private brands outside the store is that the private brands are always present in the weekly advertisement sent out to customers of ICA, Axfood and Coop. At ICA and Coop, private brands are often presented in TV commercials as well. All chains do also use multi purchases to make the customer buy the private brands, for example buy two, get one for free.
Is there a difference in how retailers regard and handle private brands in different store sizes? Are private brands favored?

Depending on the different sizes of the stores, private brands receive different amounts of shelf space. Of course in the smallest stores, Konsum Dalvik, ICA Nära Flamman and WiLLY:S Hemma, there are not enough space to promote many private brands on gables and squares. Each private brand receives fewer facings in smaller stores, but they are still present. At Coop Forum, Rösiö stressed that it is the product and not the brand that decides the shelf placement. However, private brands are almost always placed in better positions with pallets and gable exposure, no matter store size. Coop and Axfood have well planned planograms for the different sizes and kinds of stores to follow, while at ICA, the retailer self has the possibility to design the store.

At Axfood, all products are divided into A, B and C-products and private brands are almost always A-products. It is only the A-products that can be exposed on gables and squares, in those matter private brands are favored. All respondents favour the private brands from an economical perspective, they are often more profitable. The larger stores try to have more than one brand to choose from in order to increase the possibility for the customers to choose what brand they want to purchase.

What does the retailer think about the future of private brands?

All respondents were very positive concerning the future for private brands. Most of them thought that the private brands could be further developed into new product categories. However, the question in which categories to extend, they disagree. Some of the interviewed claimed that meat and perishables were not suitable categories for private brands, while others thought it would be good if private brands were further developed in these categories. Dairy products, milk in particular, were also a category where the interviewed thought it would be difficult to have a private brand in, since the margins are already very low. All retailers did however believe that the development of private brands will continue further. One negative aspect is that the different stores within the retailer chain become more similar to each other when introducing many private brands. This may lead to a decrease in local and niche products that are special for a specific store.

Once again, it is the customer that has the power to end the development or further extend the share of private brands. All retailers agree upon that private brands will continue to develop in different directions, both to niche products like healthy brands but also towards lower price brands. The retailers also believed that there will continue to be different private brands instead of just one. This, in order to, represent different areas and to reach a wider clientele. All retailers protect their premium brand with the store’s name (ICA, Hemköp, Coop and WiLLY:S) and these brands will not be elaborated with since they have many associations with the store itself and can damage the reputation of the whole store. With the other private brands, there is a greater opportunity to elaborate, while with private brands with the store name, the retailers want to stay with a high quality product to a good price.
7 Suggestions for Future Research

In this chapter the authors gives suggestions for further research. During the progress of answering the purpose of this thesis, new questions have arisen and these thoughts are presented below.

The authors of this thesis want to mediate some areas of interests that can be interesting to further study concerning the field of private brands. The area of private brands in Sweden and its development is an interesting subject to look deeper into. Below follows suggestions on research questions and field of interest to study.

- How does the manufacturer reply to the threat from the private brands?
- How are the private brands handled from the main offices’ perspective? Are the directions implemented in the stores?
- What is the attitude towards private brands from the customer perspective?
- What is the future for chains such as Lidl and Netto that almost only chooses to sell private brand products? Will the manufacturer brand take a greater place in these stores in the future?
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Appendices

Appendix 1
List of Possible Stores to Interview in Jönköping and Huskvarna

ICA
- Maxi ICA Stormmarknad, Jönköping
- ICA Nära Flämman, Jönköping
- ICA Nära Gräshagen, Jönköping
- ICA Nära Hovslätt, Jönköping
- ICA Supermarket City, Jönköping
- ICA Supermarket Klostergatan, Jönköping
- ICA Nära Kaxholmen, Huskvarna
- ICA Supermarket, Huskvarna
- ICA Nära Öxnehallen, Huskvarna

Coop
- Coop Forum, Jönköping
- Coop Konsum Hovslätt, Jönköping
- Konsum Dalvik, Jönköping
- Konsum Extra, Jönköping
- Konsum, Huskvarna

Axfood
- WiLLY:S Råslätt, Jönköping
- WiLLY:S, Huskvarna
- WiLLY:S Österängen, Jönköping
- WiLLY:S Hemma, Jönköping
- Hemköp, Jönköping
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Appendix 2

Interview Questions in English

1. What is your attitude towards private brands?

2. How do you think private brands will develop?
   a. Towards the way in Germany or Great Britain? (only low price or premium products as well)

3. Do you work for increasing the share of private brands?
   a. Central or in each store?
   b. How do you work to increase it?
   c. Do you want to increase private brands?

4. Can it be too many private brands?

5. What share of private brands do you have in your store?

6. How has the attitude towards private brands changed?

7. How are private brands promoted?

8. What image does the store strive to?
   a. In what way can private brands contribute to get the right image?

9. How do you do to increase the interest for private brands?

10. Can the individual retailers affect the supply of private brands or are product purchases centralized decisions?

11. How important is it to have private brands in the purpose of competition with other retailer chains?

12. How do private brands compete with traditional brands? (Private brands against manufacturer brands)?

13. How do you handle the competition between different products/brands?
   a. Who has the power?

14. What does the manufacturers to be able to compete with private brands?

15. Within which product category is it most appropriate to have private brands?
   a. Do you want to complement it with other missing alternatives (like environmental friendly)?

16. How do you plan shelf space?
   a. How much more/less place do private brands get?
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b. Do you use tools to calculate effective/profitable shelf space?
c. How do you place private brands in the store? (cold/hot zones)

17. Do private brands always receive larger shelf space even if the demand of other brands is greater?

18. Shall private brands have the same brand on all products?
   a. One brand for each product category?
   b. One for each product?

19. How important do you think it is to have an own brand as retailer?
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Appendix 3

Interview Questions in Swedish

1. Vad är din inställning till egna märkesvaror?

2. Hur tror du egna märkesvaror utvecklas?
   a. Mot Tysklands eller Englands sätt? (enbart lågpris eller finare produkter)

3. Arbetas det för att öka andelen egna märkesvaror?
   a. Centralt eller för varje butik?
   b. Hur arbetar ni för att öka detta?
   c. Vill ni öka egna märkesvaror?

4. Kan det bli för många egna märkesvaror?

5. Hur stor andel egna märkesvaror har ni i er butik?

6. Hur har attityden till egna märkesvaror förändrats?

7. Hur marknadsför egna märkesvaror?

8. Vilken image eftersträvas för butiken?
   a. På vilket sätt kan egna märkesvaror bidra med detta?

9. Hur gör ni för att öka intresset för egna märkesvaror?

10. Kan handlarna själva påverka utbudet av egna märkesvaror eller är produktinköp centraliserade beslut?

11. Hur viktigt är det att ha egna märkesvaror ur konkurrenssyfte med andra dagligvara radjor?

12. Hur konkurrerar egna märkesvaror med traditionella varumärken (egna märkesvaror mot leverantörsvarumärken)?

13. Hur hanterar ni konkurrensen mellan olika varor/märken?
   a. Vem har makten?

14. Vad gör leverantörerna för att svara på egna märkesvaror -trenden?

15. Inom vilka varugrupper är det lämpligast med egna märkesvaror?
   a. Vill ni komplettera med alternativ som saknas (typ miljövänligt)?

16. Hur planerar ni hyllplatser?
   a. Hur mycket mer/mindre plats för egna märkesvaror?
   b. Används hjälpmedel för att räkna ut hyllplats?
   c. Hur placeras egna märkesvaror i affären? (varma/kalla zoner osv.)
17. Får alltid egna märkesvaror större plats trots större efterfrågan på annat märke?

18. Ska det vara ett och samma varumärke på alla egna märkesvaror?
   a. Ett varumärke för varje varugrupp?
   b. För varje vara?

19. Hur viktigt tror du det är att ha ett eget varumärke som grossist?