Linking retailer and private label brand equity: Conceptual Framework & proposed scales

The purpose of this paper is to compare two major food retailers and their private labels brand equity, based on a theoretical point of view. Private label (PL) is a major strategic issue in the retailing industry. Although the relevance of this issue, it was not possible to find specific brand equity models for retailer's private labels. Our literature review was complemented with other sources, as deep interviews with academics and retailers, observation, research on trade magazines and forums. Based on all those insights, we proposed a conceptual framework and adapted scales from Yoo & Donthu and Pappu & Quester(2006) that we tested, improved and validated.

Literature review

Historically, food retailers positioned private labels as cheap options in their portfolios, competing for low income and price sensitive consumers (Bonvanei, 2004). Those private labels intended to increase retailer's margin, offering low price options, providing generic products with low quality at very low prices (Sulzbach, 2005).

Many retailers worked hard on their Private – exclusive - labels, improving their quality and developing a strong brand identity in major fast moving consumer goods categories (Mieres,

Martín, & Gutiérrez, 2006). They developed different strategies, according to their objectives and markets: a PL assortment program may include different types of options, starting from the generic low price product, to a targeted and qualitative private label

(Sulzbach, 2005).

For many major retailers, their private label program is a central strategic issue, as a mean to deliver value and exclusivity to their clients and getting higher profits and consumer loyalty (Planet Retail, 2010). Actually, PL predominate in European markets: in the UK and Germany, Private label represents 43, 6% and 32% of the market (Nielsen, 2009).

Brand equity reflects the brand impact on the company financial data and in consumers' preferences, essential to build sustainable competitive advantages, reducing risk and vulnerability (Rao, Agarwal, & Dahlhoff, 2004).To consumers, brand equity is determined by functional and emotional benefits extracted from the brand, along the time. That may affect brand attraction, preferences and favorable buying decisions (Cobb-Walgren, Ruble, & Donthu, 1995), (Keller & Lehmann, 2006).

Recent research is centered on consumer based brand equity, as a set of perceptions, attitudes and behaviors that increase brand utility, volumes and profits (Christodoulides & Chernatony, 2010).Based on Aaker (1991) and Keller (1993) research, Yoo & Donthu (2001) developed and validated a multidimensional model, analyzing the consumer's cognitive and behavioral relevant components. They analysed perceived quality, brand loyalty and awareness / associations, joint in a single dimension and has been used by several authors due to its simplicity and validity in different industries, product categories and countries (Christodoulides & Chernatony, 2010).

According to Pappu& Quester (2006), consumers develop associations with the brands they prefer and consume, including the retailers where they buy their products. Their model, based

on Arnett, Laverie & Meiers (2003), Yoo & Donthu (2001) and Aaker (1996) is a multidimensional scale with four dimensions - retailer awareness, associations, perceived quality, and loyalty - and uses absolute measures for retailer equity, instead of the relative / comparative measures used in previous studies: they propose two separate dimensions of awareness and associations.

In our model we suggest a close relation between PL and retailer's brand equity, with reciprocal benefits: i) PL can be an opportunity to increase consumers' loyalty to retailers if it provides clear functional and emotional benefits to their consumers; ii) PL may be a tangible attribute of the retailer service, that consumers take home and may share with friends and relatives; iii) a private label may benefit from being under an umbrella brand of a retailer with a strong brand equity. We will analyze the relation between private label brand equity, using Yoo & Donthu (2001) model and retail brand equity, using Pappu & Quester (2006). The main research objectives are to identify relevant research dimensions for the study of Private Label Brand Equity and to understand the way different dimensions of both realities relate with each other.

Model Dimensions and research hypothesis

To measure private label's brand equity we propose a conceptual framework based on Yoo & Donthu (2001) and Pappu & Quester (2006) including 5 dimensions. The main information about the model is described below:

- Dimensions: awareness, associations, perceived quality and loyalty's dimensions were analysed both to PL and retailer equity. Overall brand equity is a Yoo and Donthu (2001)'s brand equity dimension, that is not part of Pappu & Quester (2006) model;

- This model test the "overall brand equity" as a dimension on retailer brand equity, although is not proposed by Pappu & Quester, in order to compare with PL brand equity;

- It is important to analize relations between different dimensions from both of the different constructs.

Further to our previous research, in PL brand equity scale, we used three items for awareness; eight items for associations; four items for perceived quality; four items for loyalty, and three items for overall brand equity. In the retailer equity scale, we used three items for awareness, six items for associations, five items for perceived quality and three items for overall brand equity.

Those scales were adapted and pre-tested for further improvement. Our field work occcurred in May 2012, in the Lisbon area. We interview 219 persons with 18 years old or more, with a relevant role in their family shopping routine, based on a door-to-door methodology operationalized by professional interviewers with a specific training for this project. In the definition of the sample, we tried to get the highest level ofrepresentation of the population composed by the food retailer's customers.

Collected data were used for exploratory factorial analysis structural equation modeling (Confirminatory factorial analysis). Our preliminary results show that we got very accurate data, with adequate preliminary results, especially on the retailer equity scale. We are now working on that available data, in order to share those results very soon.

Conclusions, limitations and future directions

Brand equity and private labels are a major strategic issue for many retailers. They are a driver for their profitability and for the development of a sustainable competitive advantage: consumer based brand equity, is usually defined as a set of perceptions, attitudes and behaviors that increase brand utility, volumes and profit; and private labels are an essential component of retailer assortment and a major communication driver.

Researchers have been developing and improving scales for brand equity and retailer's equity. Since Aaker and Keller approaches (1991) Keller, You &Donthu, Pappu& Quester and many other researchers proposed their conceptual frameworks and may of then worked on *their validation, in different industries and cultural environments. We proposed a contextual framework suggesting a close relation between PL and retailer's brand equity, that we tested and validated in a empirical research, comparing two major Portuguese food retailers.

In the future, this scale may be tested in different cultural contexts and in non-food retailing, in order to verify its international validity. We also intend to develop specific comparisons between retailers, helping retailers marketing professionals to improve their performance and monitoring their performance.

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