

# Using Information Processing To Build A Private Label Brand In Big Emerging Markets


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## ABSTRACT

*One of the most visible retailing phenomena of the past two decades has been the increase in sales of private labels (PL), or retail brands. Driven by retail consolidation, attractive margins, consumer sophistication, supply chain efficiencies, merchandising strategies, and pricing, PL offer a wider assortment of price and merchandise options for both retailer and consumer. An important part of the overall merchandising mix in the U.S. and Europe for decades, PL have only recently begun to make inroads in other parts of the world. Using the information processing theory, this paper outlines how retailers in three big emerging markets should use the theory in practice to enhance their PL branding strategy.*

**Keywords:** Private label, Retail brand, Information processing, Emerging markets

## INTRODUCTION

 One of the most visible retailing phenomena of the past two decades has been the increase in sales of private labels (PL), store brands or retail brands. Although the strategies are different, PL have made important inroads worldwide among grocery, discounters, department, and specialty stores. Driven by retail consolidation, attractive margins, consumer sophistication, supply chain efficiencies, merchandising strategies, and pricing, PL offer a wider assortment of price and merchandise options for both retailer and consumer. An important part of the overall merchandising mix in the U.S. and Europe for decades, PL have only recently begun to make inroads in other parts of the world. In emerging markets where PL make up a small percentage of overall purchases, the increase has been nothing less than phenomenal with a 48% growth from 2002 to 2003 (ACNielsen 2003). This high growth will continue as retailers expand beyond their traditional geographic borders.

Using the information processing theory, this paper outlines how retailers in three big emerging markets could implement the theory to enhance their PL branding strategy. The paper first discusses the theory of information processing. Second, it examines the market forces, trends and strategy for PL brands among various consumers and retailers types. Third, using three big emerging markets (China, India and Mexico) it diagrammatically shows and discusses how consumers might process information about PL and national/global brands. Finally, it concludes with “Lessons from Information Processing Theory” – applications based on theory and especially fitted for retail practitioners who use PL as part of their merchandising strategy in emerging markets.

## INFORMATION PROCESSING THEORY

Consumers process information in two different manners, piecemeal and category-based (Hunt 1995; Keavney and Hunt 1992). When researchers first began to study the methods people use to process information, they focused on attribute-based processing, or what is now known as piecemeal processing. Piecemeal processing makes three assumptions (Fiske 1982; Lutz and Bettman 1977; Ryan and Bonfield 1975; Wilkie and Pessemier 1973). First, individuals evaluate attributes anew each time they are encountered. Second, these evaluations are independent of the other attributes that are present. Finally, individuals form their overall judgments by combining

these isolated elements (Fiske 1982; Fiske and Pavelchak 1984). When faced with novel stimuli, individuals process information piecemeal (Bem 1972; Fiske 1982). However, given a history of interactions, a buyer would unlikely process information this way during subsequent interactions. During the initial encounter of a product, and possibly during a limited number of future interactions, the consumer processes information about the product piecemeal.

After processing sufficient information piecemeal in order to develop an “overall judgment” of the object, the consumer begins to process information about the object in a category-based manner. Such category-based processing suggests that consumers attempt to determine the degree to which incoming information is similar to information already processed (via piecemeal processing) and stored in long-term memory (Fiske and Pavelchak 1984). Within the long term memory of an individual resides the “category” associated with a specific stimulus. The individual attempts to match the current information with information stored in the category. According to Keaveny and Hunt 1992, “the more features, or cues, the stimuli shares with the prototype, the more quickly, consensually, and consistently it will be identified as part of the category.”

Consumers develop categories of buying situations. Moreover, consumers with more and better-defined categories make better buying decisions than consumers with fewer, less structured categories (Fine 1992; Sujan, et. al. 1988). Within these buying categories resides information regarding the situation, products and brands, and specific methods that have worked (and not worked) in past buying situations (Hunt and Bashaw 1999). Even if the buyer has not had specific interactions with a particular product or brand in the past, they will still attempt to categorize this situation into one of the categories previously developed. A category match (similar to a category that has been developed) activates the schema associated with the category. The schema, an individual’s cognitive structure containing all history, beliefs, affects, perceptions, and misperceptions relative to the category (Fiske and Linville 1980; Fiske and Taylor 1984; Hunt 1995; Hunt and Bashaw 1999; Keavney and Hunt 1992; Rumelhart and Ortony 1977; Taylor and Crocker 1981), contains the information necessary to handle specific buying situations.

After a buyer has piecemeal processed sufficient information to form the “overall judgment” used in the definition of piecemeal processing, the buyer develops categories containing the relevant schema regarding different buying situations. The buyer muses, “Have I had similar buying situations in the past?” Or, “Have I experienced similar brands in the past?” (Hunt and Bashaw 1999). Depending upon how closely this buying situation matches the categories previously stored in the consumer’s long-term memory, the schema associated with that category may be evoked. Once activated, all information funnels through this specific schema. An activated schema contains, among other things, the history associated with satisfying and unsatisfying consumption of similar brands. Therefore, the behavior of the consumer encountering this situation will be influenced by the information stored in the schema.

Hunt (1995) stated that a schema “. . . is an intricate set of interacting, connecting nodes within the memory of an individual . . . the schema probably has an end node that contains the processed evaluation” (p. 423). This end node contains some evaluation of the affect associated with the schema and has an attitudinal element. Forming an end node is a sign that the individual is category-based processing. Prior to this, the individual processes information piecemeal. When the consumer’s schema is triggered their attitude toward the target of the schema is also triggered.

Consumers have a positive attitude when they have processed sufficient information to formulate an end node and the target of the schema is experienced in favorable way (i.e., it meets the consumers’ expectations for product performance). Consumers of brands with positive attitudes have likely experienced those qualities of the brand in a way that affirms their choice. In the future, these brands’ characteristics activate the consumer’s schema (with the accompanying positive end node) and reinforce their rationale for buying them. The positive end node becomes more strongly held as the brand continues to deliver the desired product characteristics.

Likewise, consumers have a negative attitude when they have processed sufficient information to formulate an end node and the target of the schema has not met the consumer’s expectations for product performance. Consumers of products likely form a negative attitude (and a correspondingly negative end node) when they (the consumer) believe the quality of the product does not deliver the desired value at the particular price point. Such a

schema is resistant to change. When these consumers encounter claims by the retailer that are inconsistent with the beliefs contained in their schema, the individuals will verbally or mentally resist the persuasion attempt and retain his/her previously held attitudes. This action is known as counter argumentation and it protects a schema from change.

Consumers have a neutral attitude when the information they process is insufficient to formulate an end node. In this case, consumers likely piecemeal process and need more information relative to the schema target. At this stage consumers are most malleable with respect to a brand. In other words, some information about a product has been processed, but the data is insufficient to form an end node. The individual will likely seek additional information, particularly if the product category is relevant to them.

## **PRIVATE LABEL BRANDING**

Brand names simplify the selection process and provide consumers with a high degree of comfort when faced with many seemingly similar products. Thriving because consumers want the assurance of quality with limited effort, the strongest national/global brands carefully build brand equity over decades via consistent quality and communication. Brand equity, however, varies greatly from country to country with inter-country gaps resulting from such things as: how long the brand has been around, the competitive climate of the product category, the marketing support behind the product, how receptive the culture is to brands, risk aversion of the society, and the visibility or usage of the product (Moore 1993). Notwithstanding, this brand equity develops because national brands offer consumers a high level of comfort, security and value that PL frequently fail to provide (Quelch and Harding 1996). Consumer-packaged PL succeed when product uncertainty is low, the product can consistently deliver and demand is elastic in the product category (Erdem, Zhao and Valenzuela 2004). In general, the higher the market share of a PL the lower the price difference between the national and PL brand, but that certain risk factors (e.g. economic and performance) likely influence this differential (Medina, Mendez and Rubio 2004). Moreover, consumers relate more to hedonic benefits for national/global brands whereas consumers respond more to the economic benefits in PL promotions (Ailawadi, Neslin and Gedenk 2001).

Retailers offer PL for a number of reasons including a higher profit margin, a tighter rein on distribution, more variety and strategic marketing mix options. In low involvement packaged goods categories, quality PL can help retailers generate store differentiation, store loyalty and store profitability (Corstjens and Lal 2000). But PL come with increased risk. “The retailer must take on all the responsibility – from development, sourcing, and warehousing to merchandising and marketing” (Dhar and Hoch, p. 208 1997). Unlike national/global brands that use the “pull” tactics of the manufacturer, PL are the quintessential “push” product. PL brands have changed the relationship between retailers and manufacturers placing retailers in the position of both client and competition of the manufacturer (Tarzijan 2004). For the manufacturer, PL are best positioned in a market where entry barriers are low, where substantial economies of scale exist, or in situations where the label is a premium for a category that is more inelastic (Dunne and Harasimhan 1999). Traditionally perceived as low-cost, low-quality, unbranded alternatives to national brands, PL now stand up to many of the world’s best brands (ACNielsen 2005). A big success for PL has been the premium PL, first offered in European countries and then copied in the U.S. In fact, once PL reach a minimum quality threshold, their introduction results in lower prices to the consumer (Mills 1995).

Private labels make up an increasingly sizeable portion of grocery store sales in most of the industrialized world. Retailers employ them as a means to compete for consumers in price-sensitive segments, and as leverage to garner better deals from the manufacturer via lower wholesale prices on national and global brands. A majority of consumers in industrialized countries claim that PL brands are a good value and that their quality matches or surpasses national brands (Nielsen 2005). Priced at an average of 31% below national or global brands, PL maintain their highest market share in low emotion, low status, stable-type products, e.g. aluminum foil, paper towels and milk (Nielsen 2003).

Not surprisingly, countries that have a high concentration of retailers also have the highest percentage sales of PL. For example, in Switzerland, where the top five retailers control 88% of the grocery market, PL make up 38% of total sales (Hoyt 2004). A study by ACNielsen found that European consumers buy 22% PL compared with North America at 16% and Asia-Pacific at 4% (Hille 2003). Brand consciousness, a shorter history with PL and a

smaller price differential give consumers in the Asia-Pacific region less incentive to buy PL. However, the potential for PL appears staggering. “Retailers in more fragmented, under developed countries have an opportunity to improve perception of private labels” (ACNielsen 2005, p. 8).

Large discounters such as Wal-Mart and Target include PL in all product categories including groceries, apparel, and personal products. Wal-Mart launched its PL apparel in 1993. In 2001 with the merger of U.K. retailer, Asda, Wal-Mart acquired the PL “George” a successful up-dated career line that has since been thriving as a part of Wal-Mart’s merchandising strategy worldwide. Target, a U.S. retailer, positions its PL as both “cheap chic” and designer based (e.g. Isaac Mizrahi) thereby targeting the trend-conscious customer that might otherwise avoid mass merchandising clothing (Ryan 2003). In fact, Target owns a company that specializes in sourcing clothing and product development which helps explain how it builds store loyalty via 80% of its clothing being PL (The Economist). With discounters adapting high-fashion runway looks as well as creating their own trends, the mass market acquires style quickly and cheaply via PL (Agins, 2005).

PL brands dominate many specialty clothing stores. U.S. brands owned and sold exclusively by a single retailer accounted for 42% of all women’s and men’s sportswear sold in the U.S. in 2003 (Clark 2004). Specialty stores such as Old Navy, the Gap, Victoria’s Secret and Talbot’s sell their own PL exclusively. The Gap, which operates thousands of stores in the U.S. and hundreds in four other countries, has extended its retail brand to include Gapkids, babyGap, GapBody, Banana Republic and Old Navy to capture different market segments with each brand (gapinc.com). The strength of such PL can be illustrated by a recent study; almost 10% of consumers prefer Victoria’s Secret for intimate apparel, in children’s apparel 8% prefer the Gap, and in domestics 20% prefer K-Mart’s Martha Stewart (Duff 2004).

Department stores in the U.S. have built a merchandising strategy that includes PL. In the larger store chains, PL account for about 18% of sales and are expected to reach 20-25% of sales in the next few years (Ryan 2003). The potential for higher margins (between 6% and 10% better margins), the drive to replace under-performing national or global brands, the need to build customer loyalty and the desire to differentiate their offerings have led department stores such as Saks’, Federated, Nordstrom’s and Dillard’s to not only include PL but also feature them as well. . British retailer Marks & Spencer features strong in-house brands that promote the store rather than the individual product (Economist 2003). Focused on predictable kinds of merchandise, PL are designed to complement national and global brands – not replace them. No longer positioned as a product alternative, retailers now position PL as a brand alternative – equal to or better than national/global brands (Burt and Davis 1999).

The preceding sections have outlined how consumers process information and the importance and growth of PL in the overall retail mix. The next section ties together how consumers in emerging markets, who are just starting to be exposed to PL, might process information about the PL and national/global brands. This section discusses and diagrammatically shows how consumers might handle brand information as they increasingly shop at larger retail outlets that carry a large variety of different brands. The section first illustrates how a shopper in a developed market (the U.S.) might process information about PL versus a national/global brand. It then examines information processing of consumers in three emerging markets (India, Mexico and China) to show how a consumer in these markets might process information about a PL and national/global brands.

## **INFORMATION PROCESSING OF NATIONAL AND PL BRANDS**

Consistent with and illustrative of the information processing theory, *Figure 1* depicts the brand schema of a mass merchant shopper in the U.S. considering the purchase of a pair of Levi’s jeans in a Wal-Mart store. In this instance, the consumer associates large selection, low prices, and self-service (node categories) with the mass merchant retailer category. Wal-Mart is selected as the retailer to make the Levi’s purchase due to the nodes that show Wal-Mart is perceived as having a larger selection, lower prices, and appropriate service. The consumer is piecemeal processing Rustler (made by Wrangler) and George (Wal-Mart PL) as there is no summary node (or end node). Specifically, the consumer is unfamiliar with Rustler and knows it as merely a brand of jeans. The consumer has formed nodes indicating that the George brand is a Wal-Mart PL jean. The consumer is category-based processing the Levi’s brand due to the existence of a summary node. The number of nodes prior to the summary

node gives the consumer enough information to form the summary node. In this case, the positive nature of the nodes indicates a positive summary node. Thus, the consumer purchases Levi's jeans.

### **Retailing In Three Big Emerging Markets**

As retailer consolidation becomes the global retailing reality and as consumer sophistication pushes for higher quality and lower price, PL are well positioned to grow in importance for the consumer, retailer and manufacturer. The following section outlines the retailing industries for three large and important emerging markets: India, China and Mexico. Although similar in that each of these markets offers huge potential for PL brands, each is quite unique in terms of its position in the retailing product life cycle, economic development, cultural demands, infrastructure limitations, and governmental regulations.

#### **India**

Retailing accounts for over 10% of India's GDP, employs about 6% of the workforce, has shown double digit growth during the past decade (Heller 2004) and is estimated at over \$330 billion for 2004. According to a study by A T Kearney, India's retail industry surfaced as the "most attractive" market in the world for international retailers in 2005, posed to expand 80% in the next five years as foreign investment restrictions ease (Bellman 2005). Yet India's organized retail market accounts for only about 2% of its total retailing. This highly fragmented retail market, dominated by over 12 million small retail outlets, currently offers most Indian consumers a very limited choice (Mukherjee 2002) with few multinational firms entering India's retail market because of its undeveloped infrastructure and governmental regulations which restricts foreign ownership (Larkin and Bellman 2005; Ganguly 2005).

Indian consumers have a strong preference for foreign brand names in packaged consumer goods. Unilever, Proctor and Gamble, and Colgate Palmolive enjoy significant market share both in urban and rural India (Bhaskaran 1996). Young consumers especially have become aware of brands as they break from traditional cultural modes and buying habits (Bellman 2005). Yet Indian consumers can also be very value conscious. Price is still the first buying criterion in many purchasing situations evident by the popularity of hard discount retailers that focus solely on price.

As the middle class grows, urban areas expand, credit cards become the norm, women increasingly enter the workforce, more people have access to motorized vehicles, and foreign investment is liberalized, the size and density of retail outlets will change. Larger retailers will replace small outlets. As retailing becomes more concentrated, they will tighten their supply chain, deal directly with manufacturers and negotiate for lower prices and PL options. The following three s illustrate how information processing theory may be used to build a PL brand image (via a positive summary node). *Figure 2* shows an Indian consumer considering the purchase of jeans at Metro, a German-based mass merchant in India. In this case the consumer prefers Levi's jeans. In a highly fragmented market with no real dominant retailer, Indian consumers are less likely to have a PL purchase option and are also less likely to prefer a PL because many have never encountered a PL offering. Consumers in India have shown favorable attitudes toward national and global brands yet continue to remain value and price conscious.

The dashed line (in this and the following s) from the Metro PL jeans to the nodes indicates the formation of the desired nodes that would likely lead to a positive summary node in the consumer's schema for Metro PL jeans. The attitudes towards the Metro brand and the particular Metro PL jeans brand would need to be positive. For Metro, this may prove relatively easier in India because of the fragmented retailer market and limited PL choices. By expanding in India, they will be able to more quickly develop name awareness for the Metro retailer brand. Because Indian consumers are favorable toward foreign brands, Metro should emphasize and communicate the PL jeans as a foreign brand. Finally, Indian consumers are price and value conscious. Thus, over time, Indians shopping in Metro retail stores are likely to appreciate the price and value of PL's in general.

#### **Mexico**

Consumers in Mexico purchase almost half of their food at mom and pop stores and open-air markets, and 80% of all retail sales are in cash. Because average wages in Mexico are lower than in developed markets, large

retailers such as Wal-Mart developed smaller, lower-priced options such as its Aurrera Bodega and Mi Bodega -- discount food oriented stores with lower construction and operating costs. Like India, retail outlets in Mexico tend to be small and plentiful and employ a sizable portion of the population -- 15% of the total work force (Boyland and Nicoletti 2001). Yet retailing in Mexico has quickly become more concentrated and has thus become more “organized”. In just over a decade, Wal-Mart’s Walmex runs 411 retailers and 285 restaurants which represents almost 50% of the organized retailing and a quarter of all retailing (Braine 2004). Moreover, Carrefour recently sold its stores in Mexico to a large Mexican retailer; and Soriana, Mexico’s second largest retailer, plans to invest more than \$300 million this year in retail outlets (Bensinger 2005).

Just 1% of grocery store purchases in Mexico are PL, yet recent growth has been strong (ACNielsen 2003) and two-thirds of Latin American consumers say that PL are a good value and quality is at least as good as national brands (ACNielsen 2005). The price differential between PL and national brands was 27%, slightly lower than the global average. However, as retail concentration continues with large retailers fighting for market share and loyalty and as consumers become more sophisticated, value-conscious and accustomed to store brands, the future of PL in Mexico looks bright.

In general, Mexican consumers are risk averse (according to Hofstede’s seminal international culture study), seek low cost retail options, are value conscious and are open to PL brands. *Figure 3* indicates that Soriana management, by raising the profile of Soriana stores and, in turn, Soriana PL jeans, would influence the Mexican consumer to develop a positive summary node. Given the local brand preference of Mexican consumers (relative to their Chinese and Indian counterparts), Soriana’s Mexican country of origin status should be emphasized. Point of sale references to Soriana PL as the low cost jean would be perceived as positive given Mexican consumers preferences for low cost options and value consciousness.

## **China**

China has seen phenomenal growth in its retail sector mirroring its GDP propagation and bulging middle class. Multinational firms from Europe (Carrefour, Metro, Makro, Spar, Tesco, Ahold), Asia (Ito Yokado, Seven-Eleven, Aeon, Shinsegae) and the U.S. (Wal-Mart) have a presence in China (PricewaterhouseCoopers 2004/2005). Since December 2004, when China deregulated retailing as part of its agreement to enter the WTO, foreign retailers no longer have to local partners. The largest retailer in revenue, Shanghai Bailian Group, operates over 4,000 supermarkets, hypermarkets and convenience stores and is growing rapidly.

In China’s large cities foreign concentration and competition has grown fierce (Chen and Rigby 2005). However, the current overall Chinese retail market remains splintered, with plenty of small Mom and Pop stores and many large state-owned stores operating in the small cities and rural areas. Moreover, just a small percentage of the Chinese can afford to shop in Western-style retail stores with most of these consumers clustered in the largest cities. Carrefour’s strategy includes establishing hypermarkets in the coastal cities and hundreds of Dia, hard-discount stores, in the rest of China (PricewaterhouseCoopers 2004/2005).

China’s huge population, as well as its emerging middle class, increasing household income, expanding GDP, growing urbanization, easing of foreign investment restrictions, and building of needed infrastructure provide global and national retailers ample reasons to invest in China’s retail market. Retail sales of consumer goods quadrupled in the last decade and should grow by 65% in the next five years (PricewaterhouseCoopers 2004/2005). Consumer product demand has grown at an extremely fast past and has become very competitive including both global and national brands. Proctor and Gamble has a 14% market share in cosmetics and toiletries, Unilever a 9% share and Colgate-Palmolive a 4% share. Chinese consumers often prefer foreign brand names that imply both quality and status. Multinational companies such as L’Oreal, SABMiller and Carrefour have adopted a strategy to acquire strong local brands as well as adapting their products to meet the Chinese consumers’ needs. Although PL represent only a small percentage of overall purchases, their future in China looks promising with continued retail concentration, increasingly sophisticated and value conscious consumers, and the proliferation of premium positioned PL brands.

The current Chinese retail market is characterized as having strong competition in the largest markets. As China experiences tremendous growth in middle-class consumers, competition can be expected to continue to heat up. Due to years of relative closed market conditions, Chinese geographic regions have generated strong local brands yet ironically, Chinese consumers have exhibited preferences for foreign brands. Chinese consumers have been identified as preferring quality and high status products. *Figure 4* reveals a schema that is likely to generate a positive summary node and, in turn, generate higher a higher propensity to purchase. Recognizing Carrefour as a French retailer, the Chinese consumer is positive. Carrefour marketing managers should name the Carrefour PL jean a French name indicating its French origins and provoking a positive association by Chinese consumers. As the Chinese buy status via their product purchases, they recognize that Carrefour and the PL jean are French which leads to a status purchase for this consumer. Finally, the quality level should be relatively high for this jean and be communicated as such.

Information processing theory provides a strong foundation for examining how consumers not only think about brands but also how they might select them. The following “Lessons from Information Processing Theory” section combines theory with consumer research, practitioner examples and country specific information to provide practical strategic applications for retailers in emerging markets. As such, it helps address such questions as: how do consumers make their initial decisions regarding new brands, particularly PL brands with which they know little about? Also, how do consumers change their impressions and attitudes towards PL brands? Finally, and more importantly to retailers, how can they build PL brands to inculcate the consumer with positive, preferred images and perceptions of those brands?

## **LESSONS FROM INFORMATION PROCESSING THEORY**

### **Know How The Target Market Is Processing Information About Your PL**

To better enable the retailer to successfully market a PL brand, the marketer must be able to recognize the dominant preexisting schema held by the targeted market along with the associated attitudes relevant to that schema, and develop a marketing mix that is based on the current schema. If the targeted market is piecemeal processing (as in each of the PL examples from 1 – 4), they likely have a neutral attitude (and have not formed an end node). With a neutral schema, the retailer should employ a development brand strategy, a strategy that attempts to present actual positive information about the product. The dashed lines in *Figures 2 – 4* illustrate positive information about three PL brands that are assumed positive and helpful to convert a consumer to an adopter of the PL brand. Consumer research can help establish the relevant information that retailers should provide. For some products, the economic benefits of using a PL should be conveyed, e.g. the PL is very similar to the national brand yet it costs 30% less, or the PL is of very high quality and can only be purchased at a particular retailer.

When the consumer’s attitude is positive, the retailer should deploy marketing strategies designed to reinforce and extend the schema. Reinforcing the schema involves offering cues to the buyer that categorically match the information already stored in the schema. In a setting involving retail salespeople, an example of reinforcing statements would be, “This is very similar to the PL product you bought last week.” or “As usual, XYZ Retailer and I stand behind this product by offering you a money-back guarantee.” This works to the degree the consumer matches the new information with the positive schema in the developed category. In practice, a consumer shopping at Wal-Mart might build a category around one of its PL brands like its apparel label George (*see Figure 1*). The consumer might think, “I have been satisfied with the George brand.” The next time the consumer encounters a new George product in the store, the schema built around the George PL brand will be evoked. A schema that consistently reinforces the positive end node becomes stronger and more resistant to change. When the PL consistently delivers a lower price and high quality, the end node becomes stronger. An extension strategy involves expanding the target of the schema. By this, we mean that if the positive attitude is formed towards a PL brand, the retail salesperson should strive to lead the consumer towards developing a positive attitude toward him/her self (as the salesperson) and toward the specific retailer. In the large department store or discounter that carries a multitude of different brands including national and PL, this strategy could provide the retailer with an important competitive advantage if the retailer could effectively extend the schema to other PL and store locations. This lays the foundation for a long-term relationship with the consumer. In the U.S., The Gap which only sells its own PL brands has effectively extended its brand to include brands like Gapkids, babyGap, and GapBody.

A negative schema is the most challenging situation for marketers. In order to upset (or change) the schema, the consumer must be presented with information that is contrary to the information they have stored in their schema. The “upset strategy” is designed to present vastly discrepant information. Marketing efforts in this case should be drastic. The only hope for successfully reaching a consumer who has a negative attitude toward PL brands is to make the consumer question the validity of their preexisting schema. An example of this, when the consumer’s schema is negative because of unfavorable opinions concerning the PL’s quality, would be to copy points from retailers suggesting that shoppers “Discard all your ideas about the quality of PL. Ours match or exceed the name brand.”

Another strategy might be to present a PL that in no way conforms to the consumer’s notion of PL. In other words, the PL is more akin to a national/global brand than to the conventional notion of a PL. In addition, the PL might be in a product category that consumers traditionally do not associate with PL brands, or it could be designed to look like a product that comes from an international exotic destination or design. Target has used this strategy in its apparel brands. Not only does it provide a designer name to its PL fashions but it also provides a designer’s face and presence as well (e.g. Isaac Mizrahi). Often the prevailing schema is one in which foreign products are viewed as superior (Cordell 1992) in which case the PL brands should be named something that implies a foreign maker (Leclerc, Schmitt and Dube 1994). *Figures 2 and 4* illustrate this as the dashed lines communicate the PL’s in Metro in India and Carrefour in China are foreign brands. PL marketers should be warned, however, as research shows that these effects are not stable (Wood, Darling and Siders 1999). The PL must be capable of standing on its own when consumer perceptions change. Purchasing an existing brand that has a schema already in place provides the retailer with a quick entry into the market. In this case, the retailer’s PL conforms not to the consumer’s schema of a PL brand but rather to his/her view of the existing brand.

#### **Formulate A Plan.**

Consumers develop attitudes about brands after they have processed sufficient information. These attitudes are based on the attributes consumers associate with that brand. Does the product compete by being the lowest price, a better value by being low cost and high value or does the product compete by being a premium PL? Developing a list of salient attributes that answers the previous questions would lead to consumers to develop a positive schema (with resulting positive attitude) about their PL brand. A marketing mix that communicates and delivers on those salient attributes moves the consumer from piecemeal processing (with a neutral schema/end node) to category based processing (with a positive schema/end node). Knowing how a PL delivers quality and communicating that information to the consumer via the correct marketing mix is key: product cues (e.g. French name), point-of-purchase information (e.g. what to wear it with), pricing (e.g. mid-point to convey value), and place (e.g. in a more high-end department of the store). In the case of Metro in India (*see Figure 2*), each node connection from Metro PL is a dashed line. This illustrates, not the actual node association, but the desired association. For consumers with this specific schema, an end node that is positive is the likely outcome. Marketers would then develop the appropriate marketing mix to better ensure that the consumer develops this schema for their PL.

The Gap effectively provides the attributes most important to its target markets by keeping its brands distinct and carefully crafting its marketing mix, e.g. Gap stores aim at the 20 and 30 age group with more up-scale locations, spacious stores and higher prices while Old Navy, with its lower prices, more merchandise and warehouse stores, targets teens and moms, shopping for their families (Merrick 2005). Wal-Mart’s strategy in Mexico targets up-scale shoppers with its Wal-Mart stores and value conscious customers with its Aurrera Bodega and Mi Bodega stores whereas Carrefour’s strategy in China includes establishing hypermarkets targeting the growing middle class in the coastal cities while launching hard-discount stores in the less affluent areas of country. These multinational store strategies provide the platform for establishing strong PL that provide the desired attributes to each target market.

#### **Build Consistency In Your PL Brand**

Brands build equity over time via consistent quality and communication. Repeatedly delivering a consistent, simple product offering to a targeted audience helps consumers to move more quickly from piecemeal processing to category based processing. National and global brands have built up equity over time in India, Mexico



and China. New PL brands do not have the luxury of brand equity because it takes years of consistent quality and message to build. Find a few relevant product message points. Deliver this consistent message and make sure the product performs in a manner that is consistent with the message. Discrepancies may prolong the time the consumer would take to move from piecemeal processing (neutral) to category based processing (positive). Or worse, the consumer could form a negative end node because of inconsistencies in message and/or product performance.

The products used as examples in this paper (jeans) can easily be inspected prior to purchase. With this type of good, consumers believe the product advertisements to the degree the claims can be verified prior to purchase (Ford et al 1990). Moreover, informational advertising is effective because the consumer is not distrustful of the ad since validating the advertising information is easy. The ad arouses interest in the product; the inspection prior to purchase confirms the information, and product usage reinforces the quality of the brand. However, advertising can also have a detrimental effect if quality expectations communicated in the advertisement are not met (Parasuraman et al 1985). The PL brand and brand message must be consistent in order for the brand to survive and thrive. Moreover, consumers learn about quality over time by using the product and updating their perceptions. Uncertainty about quality and perceived risk plays an important role in PL and national brand choice and contributes to the differences in the relative success of each. If a PL communicates consistently and delivers product performance consistently, then the perceived risk will be decreased. Thus, consistent quality over time will lead to lower perceived risk and higher brand equity. Although consumers may initially pick PL because of favorable pricing, perceived high quality appears to be an important factor in PL success (Sethuraman 1992).

In our illustrations of various retailers PL brand schemas (*Figures 1 – 4*), we show desired attributes and connections we feel will enhance the PL brand image. In each instance, the PL marketer should exhibit consistency in the message's outcome (the desired node) rather than consistency in tactics. In other words, marketing messages may differ so long as they reinforce a consistent set of attributes.

### **Develop Triggers That Cue Your Target Market**

The use of a trigger as a signaling device effectively builds strong brands if the signal correctly conveys the apparent reality. A trigger is a communication element that causes a consumer to “move” a schema from long-term memory to short-term memory. In other words, a trigger activates a particular schema. For example, McDonald's would use the “Golden Arches” or “Ronald McDonald” to activate their target audiences schema associated with McDonalds. If the target market has a positive schema toward a particular PL brand, triggers can more quickly and accurately help them activate the correct schema. Research shows that promotions signaling economic benefits are especially effective triggers for PL (Ailawadi, Neslin and Gedenk 2001). The retailer would need to develop such triggers and/or conduct consumer research to understand what might be an effective trigger. European retailers' strategy of establishing a top quality PL has been very successful in pushing the number of PL brands in retailing to an all time high. To execute this strategy, the retailer has to effectively provide quality triggers that cue the target market. In markets where consumers tend to be both value and status conscious, such triggers for premium PL would be particularly effective.

Using *Figures 2 – 4* as the only points of information available to the marketer, we can develop specific cues for each of the three situations. In *Figure 2* (Metro in India), research indicates that consumers in India prefer foreign brands. In this case we assume that in the jeans category, getting a good value is also important. This allows marketers to easily develop cues that tie the two attributes together. If Indians prefer U.S. branded jeans, then a cue that identifies the PL jeans as a U.S. brand can also deliver on value (preferred country of origin AND lower price = good value). In *Figure 3* (Soriana in Mexico), the cue can be developed around the PL jean being the low cost option. If this is a dominant shopping motive, it also connects to good value. Finally, in *Figure 4* (Carrefour in China), the marketer could develop a PL brand cue that ties the brand's foreign roots to good quality. This is advantageous in that the PL brand does not have to be the low price leader.

### **Make A Good First Impression**

Because the consumer processes information piecemeal about the PL brand when initially encountering this brand, the branding technique employed by the sponsoring retail store should be different than when the consumer

has a history of product usage of the PL. Thus, the branding strategy for a new PL brand should differ depending upon on the way consumers' process information about the brand. This article demonstrates that it is much easier to reinforce and extend a positive schema than it is to upset or change a negative schema into a positive one. Marketing managers rolling out a new PL brand must take extra care to make the first brand impression a positive one. Research shows that habit or inertia (Corstjens and Lal 2000), plays a significant role in consumer choice in low-involvement categories that are filled with products of a similar nature. This heuristic helps consumers achieve satisfactory outcomes by simplifying the decision-making process and saving on the costs of making decisions. Thus, consumers are often reluctant to switch away from the brand purchased previously. If satisfied, they will likely continue buying the brand unless something causes them to change, e.g. a noticeable price differential. Prior satisfaction with the brand leads to repeat purchase, which in turn can result in habitual buying, or brand loyalty.

Retailers in India, Mexico and China have an enormous opportunity to make a good first impression with PL. Because PL are an outcome of organized retailing, which is just emerging in India, Mexico and China, PL brands have thus far played a very limited role in the retailing strategy there. In Mexico and China, retail concentration is higher but PL sales are still relatively small overall. Moreover, retailers in the three countries can learn from the mistakes and successes of PL in markets that have been successful in using them. This knowledge can be used to formulate an optimal merchandising mix and improve the odds for a successful PL adoption in the target market. Practitioner and academic research can be employed to develop a winning brand strategy based on the target market's needs. Finally, with the increased use of technology, such as radio frequency identification, retailers can quickly pinpoint consumer needs and can immediately adapt their brand mix to match the needs of their particular target market.

This paper set out to explain how marketers might successfully use information processing theory in PL branding strategy in emerging markets. The potential for PL branding in these markets is huge and largely untapped. This paper shows how practitioners can employ the theory to build strong and successful PL brands as these markets develop and expand. The guidelines set-forth, although theoretically based, can be applied directly by practitioners in the nascent retailing industries of any emerging market. Although the examples in this paper use clothing in a larger discounter, the lessons from information processing theory can be generalized to many other PL products and various retailer types.

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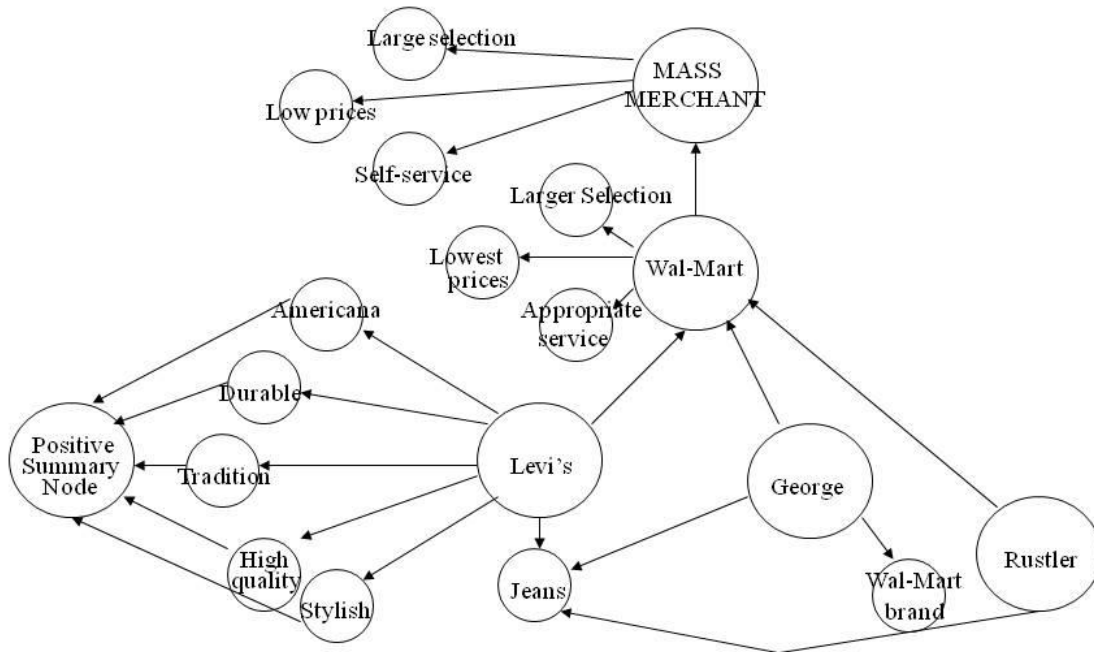
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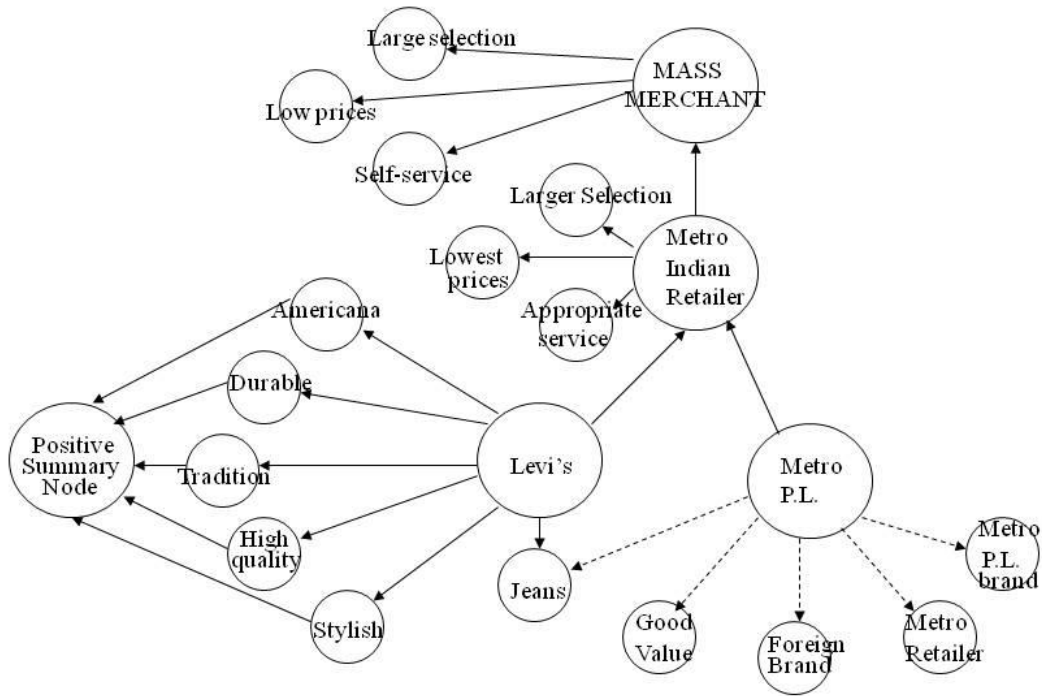
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# Figure 1

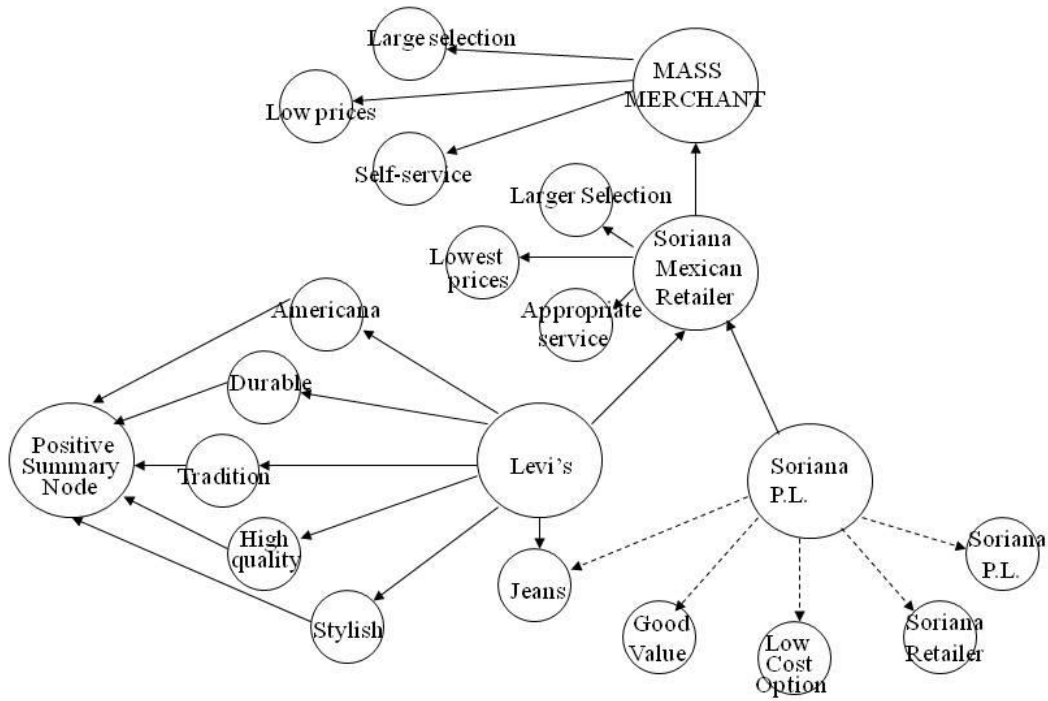
## Brand Schema: Wal-Mart in United States



### Figure 2 Brand Schema: Metro in India



### Figure 3 Brand Schema: Soriana in Mexico



### Figure 4 Brand Schema: Carrefour in China

