



CATÓLICA  
LISBON  
SCHOOL OF BUSINESS & ECONOMICS

UNIVERSIDADE CATÓLICA PORTUGUESA

## **Pricing Strategies:**

# Optimal Price Gap between Private Labels and National Brands

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Dissertation submitted in partial fulfillment of requirements for the degree of International MSc in Business Administration, at Católica Lisbon – School of Business & Economics, 4<sup>th</sup> of June 2012

## Abstract

**Title:** Pricing Strategy - Optimal Price Gap between Private Labels and National Brands

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The importance of Private Labels for retailers in the modern grocery distribution sector increased their responsibilities when defining price strategies. In recent years the literature has been paying attention to the shift from an inside out to outside in approach when defining prices. This present thesis intends to focus on pricing strategies for Private Labels, centering in the development of a consumer oriented price definition by looking on the optimal price gap between Private Labels and National Brands.

Analyzing the Portuguese Market, the goal is to understand the importance of the price comparison between private labels and national brands. The importance of price comparison is essential to understand how the selling price gap will have an influence on consumer's behavior. The ultimate objective is to be able to give some insights when defining pricing strategies and to understand how manufacturers of national brands can react to competitive moves from retailers.

It was concluded that consumers compare more prices within the store than between different stores, enhancing the importance of the price gap as a visible cue with an influence on the consumer behavior. Another conclusion was that the price gap should be tailored according to the nature of the product and the competitive category landscape. Yet, managers should not neglect competitors' PL prices, because in the end price adjustments should not lead to an overall higher "basket price" compared to competitors, which will be translated as a decrease performance in the price image of the banner.

## Preface

The following Thesis is the result of an intensive year fully dedicated to Pricing in the Modern Grocery Distribution Industry. It started with an intensive internship in one of the worldwide leading retailers and is going to end up with the presentation of this personal project on pricing strategies. This thesis allowed me to consolidate all the empirical knowledge obtained during the months spent in business environment.

Nevertheless, this project would not be possible without the support of several persons to whom I am truly thankful.

I want to express my recognition to the Professor Pedro Celeste for his guidance and support during the development of this Master Thesis. Writing this thesis would have been a difficult challenge without his help and knowledge.

But I also would like to add a special acknowledgment to Arnaud le Carbonnier with whom lunch time periods were spent working on the development of skills that will for sure be an important asset for my future career. I had the opportunity to learn and benefit from his strong involvement and support during all this year devoted to pricing matters. I hope that my efforts will fulfill his expectations concerning this topic.

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## Introduction

Price has a strong impact on profitability, but has also a strong impact on the market share. Pricing teams have to manage the trade-off between profitable margins and competitive prices. Pricers have to take into account that those prices, nowadays, are not building only on the purchase price and competitive landscape, but also based on the consumer feeling about the product's value.

The existing literature mainly focus in other drivers of the Private Labels ( for now on referred as PL) development or focus on pricing strategies for branded products without taking into account the specificity of the management of PL. The focus of this thesis is to research pricing strategies for Private Labels. Private Label's products have been conquering share in retailers' assortment due to the opportunity that they offer to increase gross margins and to focus on more price sensitive consumers. PL purchase decision is often a trade-off with the equivalent national branded product. This trade-off is often based on the pricing gap between those two products that work as the strongest visible cue to justify consumers' decision together with the compared value of money. In this thesis it is proposed to observe the price sensitivity of the demand for Private labels when consumers have to choose between a Private label and a National brand, and use the information about the behavior of the demand to suggest pricing strategies for Private Labels based on the Portuguese modern grocery distribution industry.

In order to explore how to build a consumer oriented price gap and what is its impact, the following research questions are propose: **Which has a stronger impact on building the reference price for Private Labels: the price of National Brands or the price of the Private Labels from other retailers?**

- ✓ **What is the optimal price gap between a private label product and a national brand product? Does the price gap vary among different Categories?**
- ✓ **What tactics do manufacturers of National Brands use to reduce the gap?**
- ✓ **What is the impact of the price gap in the price image of the banner?**

## Methodology

The answers to the research questions proposed will be provided by two main stages.

On a first stage, a summary of what have been published on the academic literature will be provided to build a theoretical background. Moreover these chapter intends to collect theoretical publications that will work as guidelines on the interpretation of data collected for this case. Those findings were collected through “Biblioteca do Conhecimento Online (B-ON)” from academic articles published from top journals from the field.

Secondly, a case study that intends to bring real-life examples, was built on primary and secondary data collected. Two different methods to gather primary data was used in this project:

**Price Gap analysis in the Portuguese Market**– In order to assess what are the main trends on price gaps between PL and NB in the Portuguese market, an analysis of a basket of 26 PL products and their equivalent NB was done from the three main players from each type of retailing format: Continente for Hypermarket, Pingo Doce for Supermarkets and Lidl for Hard-discounters. Data was collected on the same day from stores that compete in the same retail area. Promoted prices were not taken into account and the products were compared through their price per unit due to the different sizes available.

**Pricing Customer Oriented Survey** – From the products surveyed, 10 categories were chosen to build a basket of products that was tested with consumers. A survey was done using a convenience sample of 493 respondents from the district of Porto in Portugal. The survey consisted on testing the respondent purchase intentions for PL or NB, using different types of price levels in order to identify the optimal price for Private Labels and the strengths of the NB. Moreover some questions to evaluate their attitudes towards PL and their shopping habits were asked.

Secondary data was collected from the main players in the industry, mainly marketing research companies like Nielsen or Symphony IRI that have been focusing in PL issues.



# Literature Review

In recent years a key element for retailers' strategies has been the development of Private Labels. These allowed the boost of their store image and the improvement of customers' loyalty, maintaining the level of customers' expenditures, despite economic downturns or price increases, in addition to the increase of gross margins and their bargain power next to suppliers (CHINTAGUNTA, BONFRER & SONG 2002).

One of the challenges of developing PL, which has a strong impact on retailers' performance, is to define a competitive pricing strategy for PL. This strategy cannot be dissociated from the pricing definition of National Brands (for now on referred as NB) and has to take into account the nature of the product. This section of the Master Thesis will explore the academic knowledge published on the development pricing strategies in the grocery distribution, from different price strategies due to different sensitivities according to the product's category, to different reactions to promotional levers, as well as exploring the theoretical background of the optimal gap between PL and NB.

### **1. Private Labels' expansion**

The development of Private labels has been shifting the grocery modern distribution market. SYMPHONYIRI (2001) reports that "Shoppers in Europe buy nearly as many private label products as they do national brands and in some countries they are viewed as equal to, or better than, many nationally branded products." According to PAUWELS & SRINIVASAN (2004) retailers, consumers and premium brand manufacturers are benefiting from the expansion of PL, while second-tier brand manufacturers seem to be the most affected. CHINTAGUNTA, BONFRER & SONG (2002) explain that "introducing the store brand may enable the retailer to attract more consumers into the product category who previously did not buy, or it could encourage current consumers to buy more because of the availability of the lower priced store brand". PL, that usually present lower price than leading NB, have been used by retailers to improve their banner price image and enhance higher store loyalty (ATALAWAUI 2001).

PAUWELS & SRINIVASAN (2004) developed a multivariate time-series analysis where they showed that PL benefit retailers' margins by offering "high unit margins on the store brand itself and higher unit margins on the national brands." The increase on NB

margins was explained by the improvement of retailers' bargaining power on suppliers of NB (also illustrated by CHINTAGUNTA, BONFRER & SONG 2002). The increase of margin for PL was explained by PAUWELS & SRINIVASAN (2004) "In the case of decreasing retail prices, wholesale prices decrease even more. In the case of increasing retail prices, wholesale prices increase to a lesser extent, if at all."

Furthermore AILAWADI (2001) argues that the expansion of PL indeed allow retailers to improve their margins but may have a limited impact on the overall profitability of the category because "the most profitable customers are those who buy some but not too many store brand items. In order to retain them, retailers must balance their national brand and store brand offerings."

### 1.1. Brand Positioning of Private Labels

The competitive landscape of a product category may impact the positioning of PL. SAYMAN, HOCH, & RAJUN (2002) affirmed that a PL have a better performance when competing with NB, in a concentrated market illustrated by "less heterogeneity in tastes and offer", due to the fact that they can easily compare PL to the leading brand and perceive the value of a lower price offer. For those categories the authors suggested that when competing against two NB's, its positioning should be next to the leading NB if the extrinsic cues are comparable. In case that the second NB offers smaller margins for the retailer than the leading National Brand, this one should try to use PL positioning to cannibalize sales of the second NB. In case where the main targets for retailers are price-sensitive consumers the PL should bet on a positioning that promoted a competitive price rather than quality.

An example of the natural positioning of PL is that PL's introduction has a higher impact on the price decrease of second-tier brands, than in the leading national brand. This can be due to lower price sensitivity from the leading brand, while second-tier brands, that already generate lower revenues, present higher price sensitivity (PAUWELS & SRINIVASAN 2004). Retailers have been investing in the improvement of their PL assortment to directly compete with the reference NB of the category. Some extrinsic cues are used to influence consumers to associate the PL to the leading NB,

but often those cues are not enough to convince the consumer about the capacity of the PL to challenge the NB on the intrinsic quality wrote [SAYMAN, HOCH, & RAJU \(2002\)](#).

### 1.2. Development of Multi-tier Assortments

[SAYMAN, HOCH, & RAJU \(2002\)](#) concluded that a reduction on the assortment size had a positive impact on the market share of PL which can be observed on the strategy followed by some retailers to withdraw some secondary brands. In addition to a reduction of PL, retailers are introducing different types of PL to occupy needs no longer fulfilled.

Retailers, like manufacturers, are looking to target and optimize the offer for different types of segments. As value for money PL were not able to compete with premium brands, due to their strong investment on innovation and marketing, targeting directly core quality-conscious consumer segments, retailers decided to develop several PL in a category. That multi-tier assortment offers “different price/quality tiers” according to the covered segment and the competing NB ([SAYMAN & RAJU 2004](#); [PAUWELS & SRINIVASAN 2004](#)).

[FOXALL, OLIVEIRA-CASTRO & SCHREZENMAIER \(2004\)](#) stated that the majority of consumers follow a multi-brand purchase behavior, by choosing randomly from their trusted brands. They analyzed the purchase behavior of a sample of consumers and concluded that there are three types of consumers (i) consumers that are “exclusively buyers of premium-priced brands who are presumably maximizing informational reinforcement because their demand for the brand is relatively price-insensitive or inelastic.” The opposite consumer that “buy exclusively the cheapest brands available and can be assumed to maximize utilitarian reinforcement since their behavior is particularly price-sensitive or elastic” and the finally the majority of consumers that follow a multi-brand purchase behavior “selecting a mixture of economy and premium-priced brands.”

[SAYMAN & RAJU \(2004\)](#) defended that “Introducing multiple store brands that are positioned to compete with different national brands is a strategic alternative for retailers”. The use of several PL for one category of product will allow competing with different types of NB, offering an opportunity for retailers to “extent the base

demand". Those authors also defend that a strong assortment of PL allows retailers to increase their bargaining power vis-à-vis of manufacturers of national brands for better deals. In contrast, the same authors suggested that in categories where leading NB have lower market share, retailers should not try to introduce multiple PL. Nevertheless RAJU, SETHURAMAN & DHAR (1995) stated that the introduction of PL improve the profitability of a category when there is (i) a low cross price sensitivity between NB, (ii) a higher cross price sensitivity between NB and PL and finally (iii) an important number of NB exist. This presents a challenge for retailers when defining their price strategies for PL.

## **2. Price a Key Element of the Marketing Mix**

KOHLI & SURI (2011) declared that "Pricing is a key element of the marketing strategy. It does not require significant investments or resources, and is perhaps the most accessible lever to manage profitability. Even minor fluctuations in pricing can have a significant impact on both revenues and profitability". From the marketing mix variable, Price is the only variable where consumers' are expected "to part with their dollars" (KOPALLE, BISWAS, CHINTAGUNTA, FAN, PAUWELS, RATCHFORD & SILLS 2009).

PIERCY, CRAVENS & LANE (2010) added that "the way prices are set not only influences demand, price also shapes how buyers use the product (...) and can have a lasting impact on customer relationship".

### **1.3. Pricing Drivers**

In an industry where prices are one of the main components on the definition marketing strategies and where margins and profitability are often under pressure, understand what impacts price performance should be in the center of management concerns (NIJS, SRINIVASAN & PAUWELS 2007).

In 2007 NIJS, SRINIVASAN & PAUWELS analyzed in two retail areas brand-store combinations to identify and evaluate the importance of pricing drivers for retailers. They concluded that "competitive retailer prices account for less than 10% of the over-time variation in retail prices". The authors identified that the most important driver for pricing was "(i) pricing history, (ii) wholesale prices, (iii) brand demand, (iv) category management, and (v) store traffic/inter retailer price competition. The

authors added that pricing drivers vary from category to category, and is impacted by the power of existent brands and concluded that pricing decisions based on competition are often over estimated, having a strong impact in retailer's performance.

The analysis of pricing drivers concluded that retailers based their pricing decision on "short-term" business needs, without taking into account "customer insights". It is state, that pricing is still too much linked to costs and positioning vis-à-vis of competition, where "typical firms do not have the data, energy, or analytics to understand complex linkages with respect to pricing, customer reactions" (KOPALLE ET AL 2009). Dynamism is required to adapt pricing strategy to a fast moving environment because "inertia in retail-price setting is also decidedly unprofitable" (NIJS, SRINIVASAN & PAUWELS 2007).

#### **1.4. Customer Oriented Pricing**

Previously, managers defined the price by a cost-plus calculation based on suppliers' deals and on the price strategy of competitors, disconnecting it from the other components from the marketing strategy (PIERCY, CRAVENS & LANE 2010). In a publication about customer-centric pricing, CROSS & DIXIT (2005) illustrated that the most frequent pricing strategy used was based on a product-centric perspective. "Product managers focus on the cost of the product, its physical attributes (size, features, and functions), and the margins they seek from the product." The authors added that the competition within products from the same category also impacted the price strategy. The literature recognizes that retailers should shift their pricing practice to a more "customer-oriented" pricing strategy, combining the price definition to the characteristic of the category, that has an impact on which type of pricing driver is important to improve the profitability performance" (KOPALLE ET AL 2009).

### **3. Pricing Strategies for Private Labels and National Brands**

A wrong pricing strategy may have long-term implications, such as an impact on the retailer's banner positioning (PIERCY, CRAVENS & LANE 2010). It is therefore important for retailers to combine pricing strategies for PL and NB, since pricing for both products are complementary. SAYMAN, HOCH, & RAJUN (2002) suggested that "Retailers are, or at

least should be, interested in category profits rather than the profit from any specific brand”, which challenges retailers to closely follow brands performances and adjust their pricing policies to optimize the category profitability.

CHINTAGUNTA, BONFRER & SONG 2002 commented that the introduction of PL makes consumers more sensitive to prices, having as a consequence a lower price for NB and therefore lower margins for those products. Furthermore RAJU, SETHURAMAN & DHAR (1995) found that when price sensitivity is lower for NB, and price sensitivity between the store brand and national brands is high retailers are more likely to work on the PL positioning in order to prioritize profits of the overall category rather than the maximization of the PL share. According to SHANKAR & KRISHNAMURTHI (1996) a strong investment in promoting brand features will allow retailers to decrease the price elasticity for those products. However when managing the profitability of the overall category, retailers should be aware that a strong promotion on different products available will highlight the competition among brands and incentive consumers to compare prices and features which may result in an increase of price elasticity in the category.

PAUWELS & SRINIVASAN (2004) stated that the introduction of a PL may not have as a consequence an overall price reduction on national brands. They observed that some second tier brands became cheaper, but premium brand become even more expensive due to a strong investment on the development of different varieties to catch segments, willing to pay more for differentiation. The literature suggests that independently of the risk associate to the category’s products, NB’s product managers should always emphasize the risk associated to the purchase of the competing PL (SINHA & BATRA 1999). CHINTAGUNTA, BONFRER & SONG (2002) concluded that PL development had an impact on manufacturers of NB, who adapted their pricing strategy to become “more accommodating fashion towards the retailer in terms of the latter’s pricing decisions.”

### **1.5. Price Gap Management**

As retailers look for a maximization of the entire category profits, the introduction of PL and its price strategy should be coordinated with the category existent offer not to

focus in maximizing the profit of a unique brand, but to boost the overall profitability of the category. Prices of different brands in the same category are linked and when building those prices, managers should take into account possible reactions of consumers that compare both prices. [SINHA & BATRA \(1999\)](#) quote a study from Kahneman, D. et al 1986 that has “established that buyers not only hold subjective evaluations of price fairness of the brands they buy regularly, they also display a willingness to retaliate against unfair pricing — even at some cost to themselves”. Even if price comparison may be relegated to a secondary stage on consumers’ purchase behavior, [BINKLEY & BEJNAROWICZ \(2003\)](#), a majority of consumers use the displayed price from the category to make their purchase decision ([FOXALL, OLIVEIRA-CASTRO, SCHREZENMAIER 2004](#)). According to [BINKLEY & BEJNAROWICZ \(2003\)](#) the majority of consumers base their purchase decision on visible cues like the brand or the price. The price gap is used to make a decision when choosing between brands from the same category. Consequently retailers have to coordinate a visible cue that will have an impact on the purchase behavior of the consumer which is to manage the gap between PL and NB.

[KOHLI & SURI \(2011\)](#) stated “Also, they may not know the exact product size/weight, but rather that it comes in small, medium, or large. That’s how consumers judge the fairness of the offer: in comparison to other brands. So, in essence, it’s the relative price that matters, not the absolute price. Thus, the asymmetry between sellers’ and buyers’ knowledge of price, and their abilities to control price, can be exploited by sellers to their advantage.”

The price gap management between PL and NB could be based on the suggestion of [KOHLI & SURI \(2011\)](#) defended that managers should to define prices through the “(i) use research to assess the ideal price point, (ii) create a precise base price for maximum long-run profitability, and (iii) analyze the zone of price indifference.” [CROSS & DIXIT \(2005\)](#) suggested that pricing is used by retailers to communicate to consumers product’s features and how it can create value for him, the pricing gap definition will therefore be a tool, for retailers to describe the quality of their PL based on the reference product of the category.



In-store pricing decisions are mainly decided by retailers. Manufacturers of NB, that saw the increasing competition destroy part of their market share, have been developing some techniques to reduce the switch to PL. Those techniques have as a main purpose to reduce the displayed selling price gap, allowing price of NB to be more competitive.

### 1.6. Package Downsizing

GUPTA, TANDON, DEBNATH & ROMINGER (2007) define package downsizing as the “practice where the package content is reduced without changing the package or the price of the product”. The authors identify package downsizing as a strategic tool to make invisible a price increase or to allow product to maintain the price level and maintain their performance when competing with other products from the same category. In their paper they give three examples of recent package downsizing and concluded that for those brands “had no reported downturn in their sales that can be attributed to this downsizing.

Package Downsizing has been possible due to the fact that consumers usually pay less attention to quantity indications on packages or to the unit selling price. Consumers tend to build their reference price and calculate the value of a product on the selling price of the product, “visual impression of the package size or previous purchase experiences” (GUPTA, TANDON, DEBNATH & ROMINGER 2007).

MANNING, SPROTT & MIYAZAKI (2003) stated that the increase of the use of price unit information may influence consumers’ behavior of price sensitive consumers by shifting their purchase to PL and larger sized package that offer a lower price per unit. While the purchase behavior of brand loyal and value conscious consumers may be less influenced by the use of the unit price information. The two identified different groups of consumers will have a different purpose to use this type of information.

Consumers use unit price information to be sure that retailers is not misleading them by selling them a larger pack that is cheaper than a smaller pack, than to assess the value of the product comparing to equivalent brands (MANNING, SPROTT & MIYAZAKI 2003). It can be concluded package downsizing can be a strategic tool from manufacturers to reduce the selling price gap between PL and NB by erasing a possible

price increase that would expand that gap. Often the downsizing allows even a price reduction of the NB, reducing the visible selling price gap.

### 1.7. Impact of Promotions

PAUWELS & SRINIVASAN (2004) reported that one of the consequences of the introduction of PL was the increase of promotion activities that lowered the average price paid in 2 out of 4 categories. One of the strongest tools for a manufacturer to fight against PL expansion is to invest on promotions for boosting consumption and sales of NB (AILAWADI 2001). Managers can use promotions on their brands to catch the attention of consumers. MURTHI & RAO (2012) showed that promoted brands had a higher impact on consumers with a strong knowledge of prices than consumers that have a more limited knowledge about prices. The same authors recommend retailers should not to claim their promotions “without an accompanying price cuts”.

Two main different types of promotions have been identified: price promotions and non price promotions. The first one, that focus in advertising a price reduction have a strong impact on the brand purchase but have a negative impact on the “post event feedback”, while the second type that focus in offering extra quantity/samples is less effective to boost purchases (GEDENK & NESLIN, 1999).

Promotions intensify price competition between PL and NB, retailers should be aware that despite a sales increase, the overall category profitability may decrease and therefore should pay attention on “brand loyalties and cross-elasticities” (GEDENK & NESLIN, 1999). AILAWADI (2001) identified consumers’ segments that buy exclusively promoted NB or the equivalent PL, but not both. This presents a challenge when managing promotions for manufacturers, promotions may be useless to convince PL’s loyal consumers. Yet GEDENK & NESLIN (1999) suggested that “private label brands are not immune from the detrimental effects of price promotions on brand loyalty, and benefit in the same way as national brands from the neutral to positive effects of non-price promotions. Therefore, from a long-term perspective, we would recommend retailers consider non- price promotions rather than price promotions for promoting their brands”.

## **Case Study**

**Optimal Price Gap between Private Labels and National Brands: an overview of the Portuguese Grocery Market**

*“As a consequence of the economic downturn, Portuguese consumers are turning into smart downtrading shoppers that tend to buy the cheapest/the best value for money product available, only choosing more expensive brands when they see clear value for them.*

*They can choose the cheapest option available in one category at the same time that they buy the most expensive one in another category, depending on what they consider what is the most rational and appropriate option”*

**Kantar Worldpanel Portugal March 2012<sup>1</sup>**

As a consequence of consumers more price driven, Portuguese retailers are developing their private labels' assortment to offer good quality products at lower price, reducing the total amount of their customer expenditures<sup>2</sup>, which have been working in diminishing PL stigmas (Exhibit 1 & 4). PL that offer good value for money has become one of the most important attributes for customers when choosing their retail stores.<sup>3</sup>

One of the key issues in the development of private labels' assortments is managing price gaps in the assortment offered. PL usually offer a lower-price-per unit comparing to the equivalent NB, this gap is the reason why consumers are down trading to PL, they buy a comparable product by saving money (Exhibit 1). PL challenge Managers to create a price gap that attracts consumers, but often this gap is wider than it should be to conquer consumers which mean that margins are not optimize for that product.

Managing this gap depends on the category of the product: in categories with strong NB the gap should be different from categories with weak NB (RABOBANK, 2011). Consumers' characteristics and the local market may also vary the gap between PL and NB. CROSS & DIXIT (2005) argued that the in store competition from brands of the same category impacts pricing decisions and often companies “spend billions on enhancing brand preference and product differentiation” but are not able to maximize the extractable value relative to their efforts.

This study focuses on the importance of defining a customer orientated price gap between PL and NB and has an overview of what is done in the Portuguese retail market.

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<sup>1</sup> [Http://kantarworldpanelportugal.com/?p=1417](http://kantarworldpanelportugal.com/?p=1417)

<sup>2</sup> Sonae 2012 & Jeronimo Martins 2011

<sup>3</sup> Carrefour, 2011

## 1. Trends in the Worldwide Modern Grocery Distribution

The world economy is coming from a severe recession where the Modern Grocery Distribution (MGD) was not one of the most impacted industries because food is very is the last type of goods were consumers cut (XERFI GLOBAL 2010), still crises had an impact on consumers and their shopping habits.

In developed countries (Western Europe, North America and Japan) where we can find more mature markets consumers are spending in a slower rate than before the crisis of 2008/09 (XERFI GLOBAL 2010). One of the consequences of the crisis is the increase of income inequalities that boosts share for upper or lower formats at the expenses of mid-range formats like hypermarkets. Customers looking for more affordable products have increased price competition and the emergence of hard discounters and other price-oriented supermarkets formats (Exhibit 2).

An increasing trend is the format diversification to be able to compete in the entire quality-price spectrum of grocery formats. Main players, which come from developed countries<sup>4</sup>, in the industry through acquisitions or development of new brands, try to better reach a larger number of customer segments offering them formats that better fit their needs (XERFI GLOBAL 2010).

### 1.1. Private Label evolution in the MGD

*“European shoppers are becoming much more inclined to assess the quality and value of the products that they buy. With rising unemployment and a major economic crisis in Europe, it’s understandable that the consumer will want to budget for the overall price of their weekly shop and secure maximum value for money”*

**Rod Street, Vice President of International Consulting at Symphony IRI Group.<sup>5</sup>**

Worldwide consumers are getting more and more price conscious due to the economic instability, turning their shopping habits to private labels that can offer them a better value for money (NIELSEN 2011). During recession periods PL are used by shoppers as a solution to protect their consumption level, while their budget are decreasing

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<sup>4</sup> Xerfi Global, 2010

<sup>5</sup> SymphonyIRI, 2011

(SYMPHONYIRI 2011) This is an opportunity for retailers to make customer try their product and convince them of the equal quality.

Nowadays, consumers judge the quality of PL as good as the quality of the comparable NB which has been translated to an increase of the market share of PL in the basket of consumers from developed countries (Exhibit 1 & 4). In the past the use of PL could be associated with people with low budgets, this believe is diminishing. According to NIELSEN (2011) in the USA the market share for PL is 18, 5% of Fast Moving Consumer Goods sold, while in Europe in can vary from the 49.2% sold in U.K to the 16.1% sold in Italy.

### **1.1.1. Brand Positioning for Private Labels**

The actual context of enhanced income inequalities encourages retailers to follow a multi-tiered store brand strategy, with multi-tier price levels to catch different segments (Exhibit 2 & 5). According to SYMPHONYIRI (2011) Retailers are developing their PL assortment by developing a multi-tiered offer that goes from the value product (focus in budget oriented customer), to standards products (to compete directly to standards national brands) but also more premium products (focus in niche markets).

This strategic positioning in developing recognized brands and assortments allow retailers to focus in a most wide type of customer and shopping habits, allowing companies to differentiate, building and broadening customer loyalty. This bet in a multi-tiered assortment is said to be responsible for the recent increase of 1.2 % in value for PL in Spain<sup>6</sup>. This brand positioning is developed on the preferences of the segment targeted, NIELSEN (2011) illustrates that “the Top 10 private label product favorites among the lowest and highest income groups underscore some significant differences in purchase patterns.”

### **1.1.2. Private Labels as Key Lever for a Competitive Assortment**

A more diversified brand positioning in PL offers the opportunity for retailers the strategic use of the assortment management as a tool to improve their price image

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<sup>6</sup> Nilsen, 2011

perception among customers<sup>7</sup>. A diversified assortment on PL allows customers to have more choices and increases the probability that the weight on PL will be higher. According to a report from CARREFOUR (2011) a higher amount of PL in the final baskets decreases the amount paid which will have an impact on the price image of the banner and reinforces customer loyalty. An assortment will be more competitive by having a stronger weight of PL that will decrease the average price of the products displayed, which has an impact on the price image perception of the retailer.

HAMILTON & CHERNEV (2010) based on Thaler 1985 argued that “price image has a direct impact on the prices consumers expect to pay at a particular store, such that consumers expect prices to be higher at a store with a high price image than at a store with a low price image.” It was proven that PL’s consumers have higher price sensitivity (ATALAWAUI 2001) and therefore a higher consumption of PL can be associated with better price image.

### 1.2. Pricing Strategies for Private Labels

A major trend in the Industry is to use PL to help consumers to keep their volume of consumption despite smaller budgets, while the trend for NB is to use those products to generate traffic. It is known that several factors have an impact on the customer decision to buy or not PL, the Price of the PL is one of the most important factors (Exhibit 1). However in categories where NB are strong, consumers tend to switch to NB if they can purchase at a price that is competitive with the equivalent PL<sup>8</sup>. SYMPHONY IRI (2011) reports that “the United Kingdom is the only country with a decrease in market share reflecting the high level promotion activity on national brands” and a recent Spanish study states that 4 out of 5 consumers would buy the NB if the equivalent PL presented the same price.<sup>9</sup>

The leading NB is the quality reference of its category so its price reflects will reflect the quality and the investment on marketing. As the PL will use this product as an anchor, its price will be strongly connected in function of what it offers. The development of multi-tiered assortments of PL made retailers uses the Price to directly

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<sup>7</sup> Carrefour, 2011

<sup>8</sup> Symphony IRI, 2011

<sup>9</sup> [Http://www.hipersuper.pt/2011/12/13/em-igualdade-de-precos-88-dos-espanhois-elege-produtos-mdf/](http://www.hipersuper.pt/2011/12/13/em-igualdade-de-precos-88-dos-espanhois-elege-produtos-mdf/)

identify their product competitor and compete with it. Standards PL prices use as a reference the leading ND offering on average a 20% to 30% discount, while generic PL that compete directly with hard-discounter for budget customers offer a larger discount that goes from 40% to 60% related to the leading brand (Exhibit 5). Retailers that have also developed premium products use a higher price than the leading brand to emphasize the higher quality<sup>10</sup>.

Therefore the price gap is used by retailers to influence the perception of the customer about a certain product, communicating value and quality information of it relatively to the mainstream product. Some manufacturers use package downsizing to reduce the gap between selling prices and therefore influence consumers that pay less attention to the price/unit ratio. An example can be found in the basket analysis where the “Chocolate Cookies” NB offers less 150g in all formats, closing the gap of the selling price (Exhibit 11b & 12).

Prices are dependent of the characteristics of the Category where the product belongs. [NIELSEN \(2011\)](#) reports that “pricing is a category-dependent function, with differentials as narrow as 24 percent between national and store brands in the frozen food department and as wide as 73 percent in the non-food department.”

Depending of the category and the competition within it the gap between PL and NB may have different dynamics, some NB reduce the gap to directly compete on price against PL and other NB, supported by innovation and strong marketing campaigns, and expand the gap to differentiate from competition<sup>11</sup>.

A [BERNSTEIN RESEARCH \(2009\)](#) report states that “across 200+ household and personal products categories, we found that only 48.5% had branded versus private label price gaps that had expanded year-over-year (50.7% on a sales-weighted basis). Such an even distribution clearly signals that pricing trends across categories within the U.S. HPP sector are too varied to justify general statements such as price gaps are expanding or price gaps are narrowing.” The same report states that “brands with the highest and/or most rapidly expanding price gaps versus private label to be at the most risk for future price reductions and/or share loss”.

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<sup>10</sup> Rabobank, 2011

<sup>11</sup> Bernstein Research, 2009



## 2. Trends in the Portuguese Modern Grocery Distribution

*“In 2009/10 Portugal presents an unusual trend. It is the country that purchases More for Less, presenting one of the major volume increase (+4%) and the highest unit value break of the amount in the basket (-5%). This break is not due to the price of each article, where actually there is an increase of 1%, but to a change on the mix of the market basket that gives a greater weight to PL”*

**Francisca Lino Neto, Nielsen<sup>12</sup>**

The small size of the population, which has a low average income, explains the small size of the Portuguese domestic retail market in Europe. The retail market is nowadays affected by a tough economic crisis driven by a strong fiscal squeeze that had as a consequence the reduction of households' expenditures, forecasting a weak demand for retail goods for the period 2010-14 (Exhibit 3). The exhibit 6 shows that the consumption of some products is decreasing while equivalent cheaper products are increasing, illustrating the down trade that characterize the purchase behavior of Portuguese consumers in difficult periods.

The Portuguese retail market offers low growth opportunities due to its size and its development stage which is quite mature (Exhibit 3). Limited households' budgets and the increase of the gas price have offered the opportunity for formats of proximity to develop. According to [NIELSEN PORTUGAL \(2011\)](#) for the Portuguese Shopper attributes like the convenience/comfort are more differentiator than the Price when choosing the banner to shop, consumers are looking for something more than lower prices. For example between 2010 and 2011, the hard discount format has lost market share (Exhibit 8).

### 2.1. Private Labels in Portugal

Portuguese consumers are in the top of those who admitted that they bought more PL during the economic downturn ([NIELSEN 2011](#)). In Portugal PL continue to gain market share, hypermarkets and supermarkets are the main responsible for this increase (Exhibit 9), [NIELSEN PORTUGAL \(2011\)](#) reports that 99% of their Portuguese panel has bought at least one PL during the year. The exhibit 1 shows that globally those consumers are satisfied with the PL that they bought. When required to compare PL and NB about some attributes, PL report a better performance relatively to Price and

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<sup>12</sup> Nielsen Portugal, 2010

Promotion, while the quality is considered to be equivalent. The Nielsen's panel reports that some consumers don't buy PL in some categories. The main reason declared was the loyalty to the NB and not the lack of confidence in those products (NIELSEN PORTUGAL, 2010).

Even though the Portuguese consumer goes for PL, PL in a list of 23 attributes to make consumers go to a more distant store appears in the 21st position<sup>13</sup>. An experimental study was conducted with Portuguese consumers in three different banners where two different groups of consumers were given two types of vouchers to buy grocery goods. One of the groups had a budget 35% inferior to the national average, the majority of goods purchases were PL with some expectations depending on the category and where NB were preferred. The second group had a budget 40% superior to the national basket, NB were the majority of products bought.<sup>14</sup>

## 2.2. In store attitudes about PL from Portuguese Shoppers

Based on the answers from the sample of the Portuguese population who responded to the thesis' survey (Exhibit 17) it can be concluded that the reference price for the PL is the NB, since a majority of people compare prices of the PL versus National Brands within their primary store. By contrast, a lower percentage of consumers seem to compare the prices of PL between stores. Denying the stigma related to PL, consumers do not associate low price to low quality and therefore they would not mind to buy PL even if the price is too low as well as offer PL products when they have guests. Nevertheless, whenever a promotion makes prices of national brands interesting the majority of the sample state that they would take advantage of it.

Based on the main format chosen by the respondents one may conclude, with a 95% confidence level, some attitudes towards PL (Exhibit 21):

**Hypermarkets** consumers seem to be those that have more doubts about PL, believing that low prices are synonymous of low quality from the product and therefore they would not buy. They also agree that when receiving guests, NB are a better option which reveals a certain stigma about PL. Their loyalty to NB may explain that they the

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<sup>13</sup> Nielsen Portugal, 2010

<sup>14</sup> BBZ, 2011

ones who compare the most prices between PL and NB. Those consumers are also those that use price/unit ratio to compare products. The large assortment seems to have an impact on their willingness to compare.

**Supermarkets** consumers are those that present the higher level of satisfaction about the PL sold in their stores. One may assume that as in super formats assortment is limited, they had more opportunities to taste PL and are more convinced about the quality of those. This familiarity with PL can also be illustrated by the high disagree rate of negative attitudes towards PL, like they rather offer NB when receiving guests or the very low price for PL is synonymous of low quality.

**Hard Discount** consumers are those that present the lowest level of satisfaction for the PL sold in their stores. Nevertheless, when compared to consumers that go to hypermarkets they have less negative perceptions about PL.

### 3. Average Price Gap between Private Labels and National Brand

In 2011 in the Portuguese market a basket with PL on average is 30% cheaper than the equivalent basket for NB, products that are able to present a similar performance<sup>15</sup>

As the Price Gap between a PL and NB seems to be an attribute that will have a strong impact on the purchase behavior (Exhibits 4 & 17) an observation of the existent gap between PL and NB in a basket of 26 products from three different types of players of the Portuguese grocery market was required (Exhibits 11b, 12 & 13).<sup>16</sup>

**First an overview of the positioning from the different retailers is required:**

**Continente** increased in its market share in the last year, Continente's managers explain this increase with their strong investment on PL and the success of their loyalty program "Cartão Continente" used to credit the value from heavy promotions.<sup>17</sup> The banner invests on High-low pricing strategy that has been leveraging the banner's performance supported by the loyalty card that 3 out of 4 Portuguese households own and where more than 85% of sales from their stores are associated to a loyalty card (SONAE 2012).

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<sup>15</sup> [http://www.dn.pt/inicio/economia/interior.aspx?content\\_id=1765174](http://www.dn.pt/inicio/economia/interior.aspx?content_id=1765174)

<sup>16</sup> Prices were surveyed on the same day in Continente, Pingo Doce and Lidl competing in the same retail area.

<sup>17</sup> Sonae, 2012

Furthermore, the banner invested on the development of a complete assortment of PL that almost covers all categories. The assortment is composed by a First price brand that competes with the lowest price on the market, a Standard brand that is on average 20% cheaper than the category leader and Premium brands that target niche segments by offering extra value quality (Exhibit 11a).

**Pingo Doce** saw its second position comforted by an increase of 0,8% in the food retail market share, explained by its Managers has the result of stable and competitive prices, while a strong bet in Fresh Food, PL and brand equity.<sup>18</sup> The banner until recently was promoting its pricing strategy of Everyday Low Price thanks to its PL, but facing an aggressive competition from Continente and its strategy based on promotions, Pingo Doce start to react by offering discounts too.<sup>19</sup> The banner is recognized by the quality of its PL and heavily invests on them, consumers have less choice than in Continente's hypermarket even so Pingo Doce offers the leading NB. Pingo Doce already reports that 40% of its sales come from PL<sup>20</sup>.

The assortment of Pingo Doce is mainly composed by its PL and the leading NB. In this banner secondary NB can be found in a higher number than Lidl, however the assortment is more limited than in Continente which can be explained by a strategy to boost the PL and the format strategy which has more space limitation due to a focus in convenience.

**Lidl** is the leader in the hard discount format. The key lever for the company is the simplicity. All the organization is around minimizing costs to be able to sell products at the most competitive prices.<sup>21</sup> The pricing strategy that has made Lidl one of the major retailing players in Europe is an Every Day Low Price (XERFI GLOBAL 2010).

Lidl's PL are not labeled with the banner's name, the banner created an own label to each different category furthermore the strong investment on PL can be illustrate by the lack of NB in several categories. The assortment strategy followed by the banner is to offer a PL and its equivalent NB.

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<sup>18</sup><http://www.marketeer.pt/wp-content/uploads/2011/03/batalha2.jpg>

<sup>19</sup><http://economia.publico.pt/Noticia/muitas-filas-a-porta-das-lojas-pingo-doce-por-cao-de-promocao-1544242>

<sup>20</sup><http://economico.sapo.pt/noticias/nprint/132935.html>

<sup>21</sup>[www.lidl.pt](http://www.lidl.pt)

The price perception based on the stratified sample and the primary data on price gaps collected (Exhibits 14 & 15) were crossed with the pricing strategies and current practices in managing PL and NB prices<sup>22</sup>:

	<p><b>Worst Price Image - Hi-LO strategy focused on "affordable NB"</b></p> <ul style="list-style-type: none"><li>• Lowest price gap PL &amp; NB (explained by the existence a multi tier assortment with a value for money PL present in several categories).</li><li>• Most competitive NB prices but its standart PL prices are not so higher comparing to the other players.</li></ul>
	<p><b>Average Price Image - EDLP pricing strategy focused on "quality PL"</b></p> <ul style="list-style-type: none"><li>• Middle average price gap PL &amp; NB.</li><li>• Most competitive PL prices supported by a strong message of quality</li><li>• Assortment also focus in offering NB.</li></ul>
	<p><b>Best Price Image - EDLP pricing strategy focused on " Simple &amp; Cheap "</b></p> <ul style="list-style-type: none"><li>• Highest price gap PL &amp; NB.</li><li>• The less competitive assortment of NB, with the most expensive prices.</li><li>• Competitive prices for PL.</li></ul>

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<sup>22</sup> Exhibit 19

Below the synthesis of the market average of the existent gap between PL vs. NB collected through the price survey on three different stores.<sup>23</sup>

Gap PL vs. NB	Product
0% - 30%	Sugar, Milk, Rice; Olive Oil, Sunflower Oil
30% - 50%	Babies Food, Frozen Fish, Porto's Wine, Orange Juice, Ham, Ketchup, Tooth Paste, Bread, Tuna, Children's Chocolate Milk, Soda, Spaghetti, Toilet Paper, Beer
50% - 75%	Ice Cream, Bouillon, Cereals, Cleaning Product, White Chocolate Cookies, Deodorant
75% - 100%	-

It is visible that commodities or products less differentiated have a smaller gap than products where strong marketing efforts and innovation can impact, which present a higher gap. The majority of the categories surveyed have a price gap between 30% - 50%.

#### **4. Purchase Intention Curve for Private Labels**

**Based on the methodology of an international retailer, a pricing methodology for private labels based on a customer centric approach is proposed.**

Using the sample from the Portuguese market and their purchase intentions one tried to identify an optimal price for PL, when competing with NB. 10 representative products from their categories were chosen and respondents were asked to choose, testing a certain price point, whether they would buy the PL or the NB. Four types of gap were tested according to market specificities of the Portuguese grocery market. To not bias the consumer behavior each respondent was testing the 10 products following a monadic approach that would test a unique pricing point, therefore four types of surveys were made.<sup>24</sup>

The price of the NB was based on the most frequent price available in the market, while the reference price for the PL used to calculate the four gaps was built on the weighted average (based on the market share of each player) of what is the reality in the Portuguese grocery market (Exhibit 8).

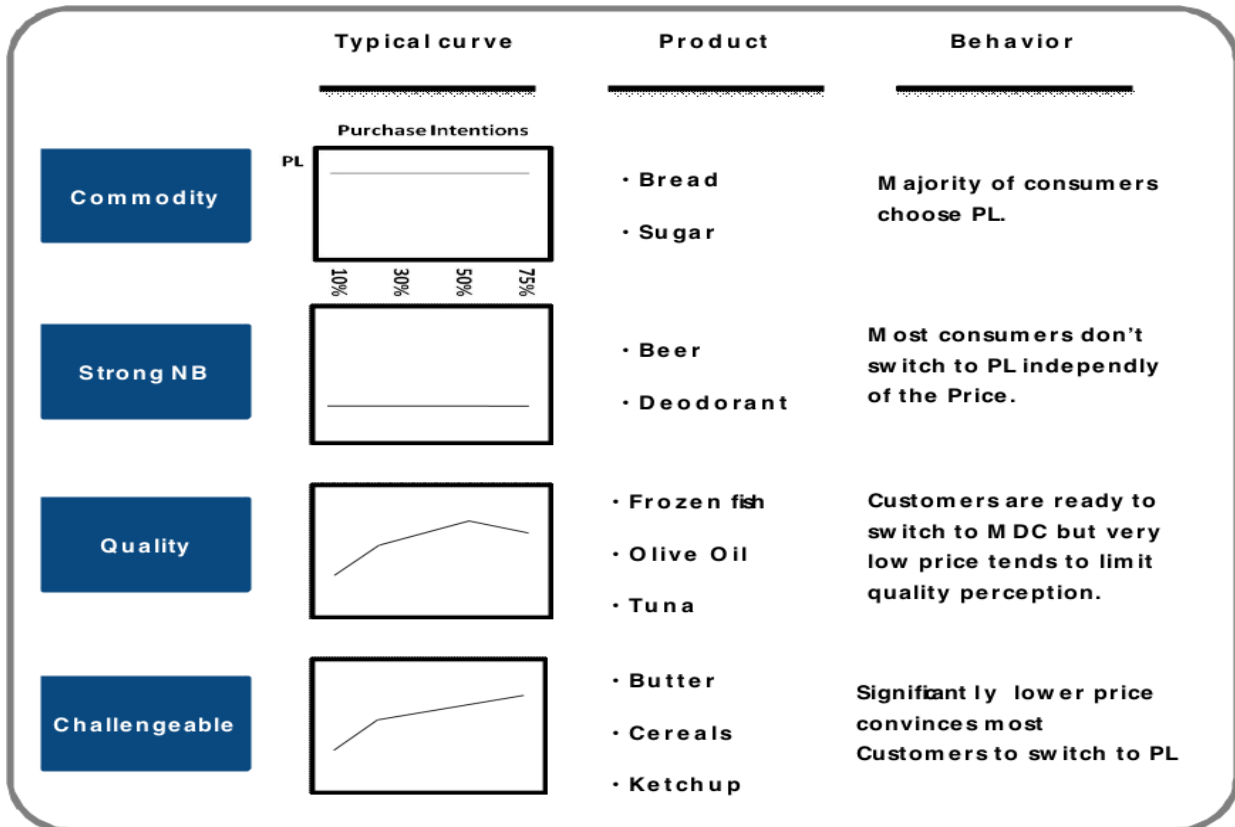
The results of intention purchase for each product can be found on the exhibit 22.

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<sup>23</sup> The market average took into account the Market Share of each banner

<sup>24</sup> See attachments for the survey templates and the price levels used

The behavior of the intention purchase for Private Labels curve can help Pricers to define strategies when defining prices for those types of products. Four different types of behavior for purchase intentions for PL were found. The following figure summarizes the findings:



**“Commodities”**– For products like the Sugar and the Bread where consumers’ present **similar behavior by opting in for PL whatever the gap**. Consumers associate PL to the cheapest option available and have no problem to switch to it, even with a lower gap to NB presented.

In those categories one may assume that the brand loyalty and innovation are inexistent which reduce the bargain power of manufacturers and their NB. One may also assume that those products will always be found in the consumer basket, independently if its budget is expanding or constraint.

**In the Portuguese market the gap for sugar is quite closed, nevertheless bread still has a gap around 40%. According to this thesis survey, retailers could improve their margins by closing it (Exhibit 14).**

**“Strong National Brands”** – In the survey Beer and Deodorant seem to be one of those products where brand loyalty is a strong asset of NB. Innovation and strong marketing efforts allow manufacturers to maintain their strong market share. For consumers, switching to PL may present a strong risk, some attributes of the products created the belief that the quality can only be found in NB so the bargain power of retailers to develop their own brand is weaker in those categories. For periods where budget are restraint, consumers will reduce the consumption of those products but would not switch to PL independently of the price gap.

**Portuguese retailers seem to follow the strategy of offering a competitive price maybe to compete for budget consumers that buy the cheapest option available, independently of the brand (Exhibit 14). But none of the retailers analyzed put the banners name on those products (Exhibits 11b, 12 & 13)**

**“Quality Products”** – In this group, consumers are ready to switch to PL if the gap allows interesting saving like a 30% discount, but tend to come back to the NB if the price is too low. For those products, it is possible to assume that price has a strong impact in the quality perception. By the type of product quality seems to have a strong impact on the consumer behavior and the price works an active clue to assess the quality. Consumers use those PL to maintain their consumption in period of budget restriction but we may assume that if their budget situation improves, their loyalty to PL is much weaker than for other categories like commodities.

**For those three products the price gap survey fits on the average gap existent in the Portuguese market which is a price gap between PL and NB that varies from 30% to 50% (Exhibit 14).**

**“Challengeable PL”** – For products like Cereals, Ketchup or Butter consumers take advantage of the lower price of PL to switch. For those categories brand loyalty looks to not be so important and consumers are willing to switch if they see an opportunity of saving money. It seems that the low price doesn't affect the perception of the quality of the PL, the quality of those products may not be so clear to assess.



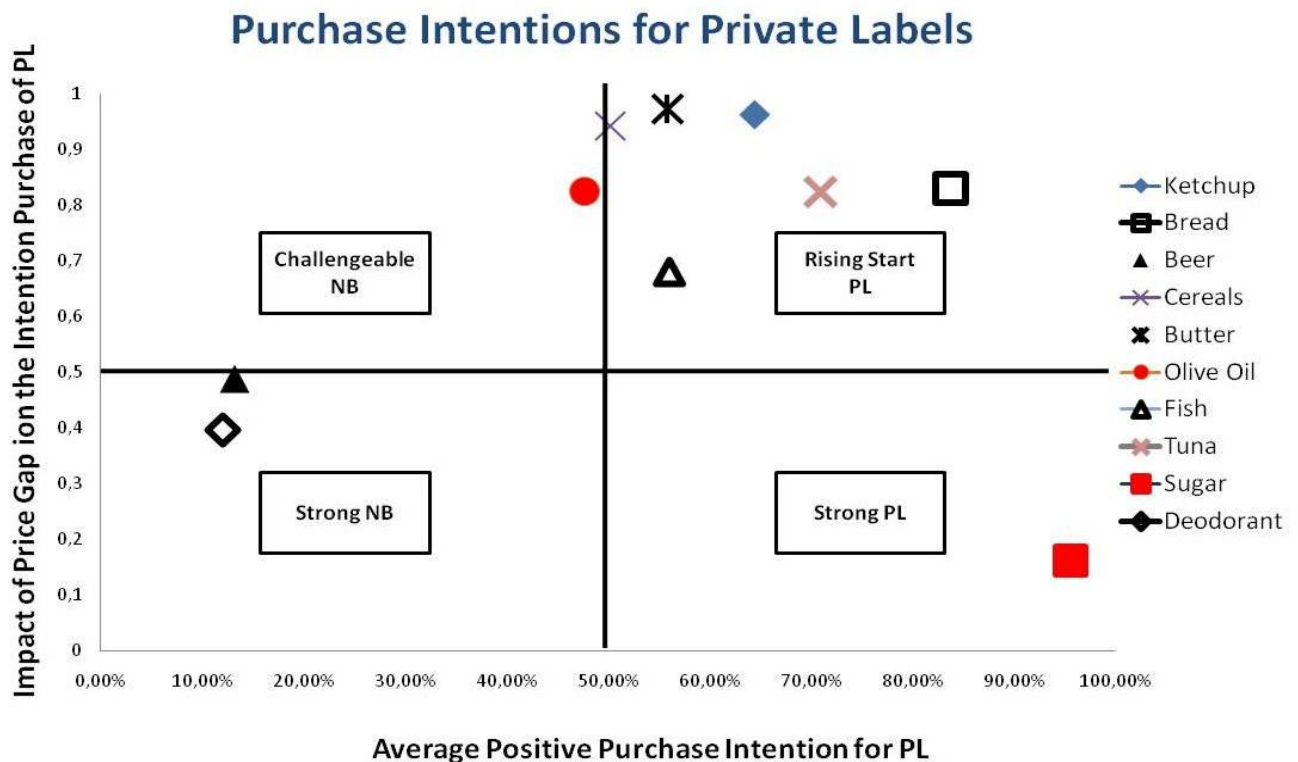
According to the survey retailers should increase the gap for butter to increase sales of their PL, while the strategy used for Ketchup and Cereals seems to match this study that suggests that those PL should bet in a larger gap to be able to attract customers to try them (Exhibit 14).

### 5. Price Gap impact on the Intention Purchases of Private Labels

The previous section gives an overview of the behavior of the demand curve for PL yet Managers should take into account the impact of the price of PL on the demand and on which potential there is potential to expand the share of PL.

To a better understand of the impact of the price gap a correlation analysis was done between the price gap variation of PL & NB and the purchase intentions for PL (Exhibit 23). It was found that there was a positive variation between the increase of the price gap and the increase of purchase intentions. Nevertheless it was observable that the price gap has a stronger impact in some product than others.

To assess the potential of pricing for a product category, the results of the correlation of variation of price gap and purchase intentions for PL was crossed with the average of positive purchase intentions for PL in the 4 price level tested:



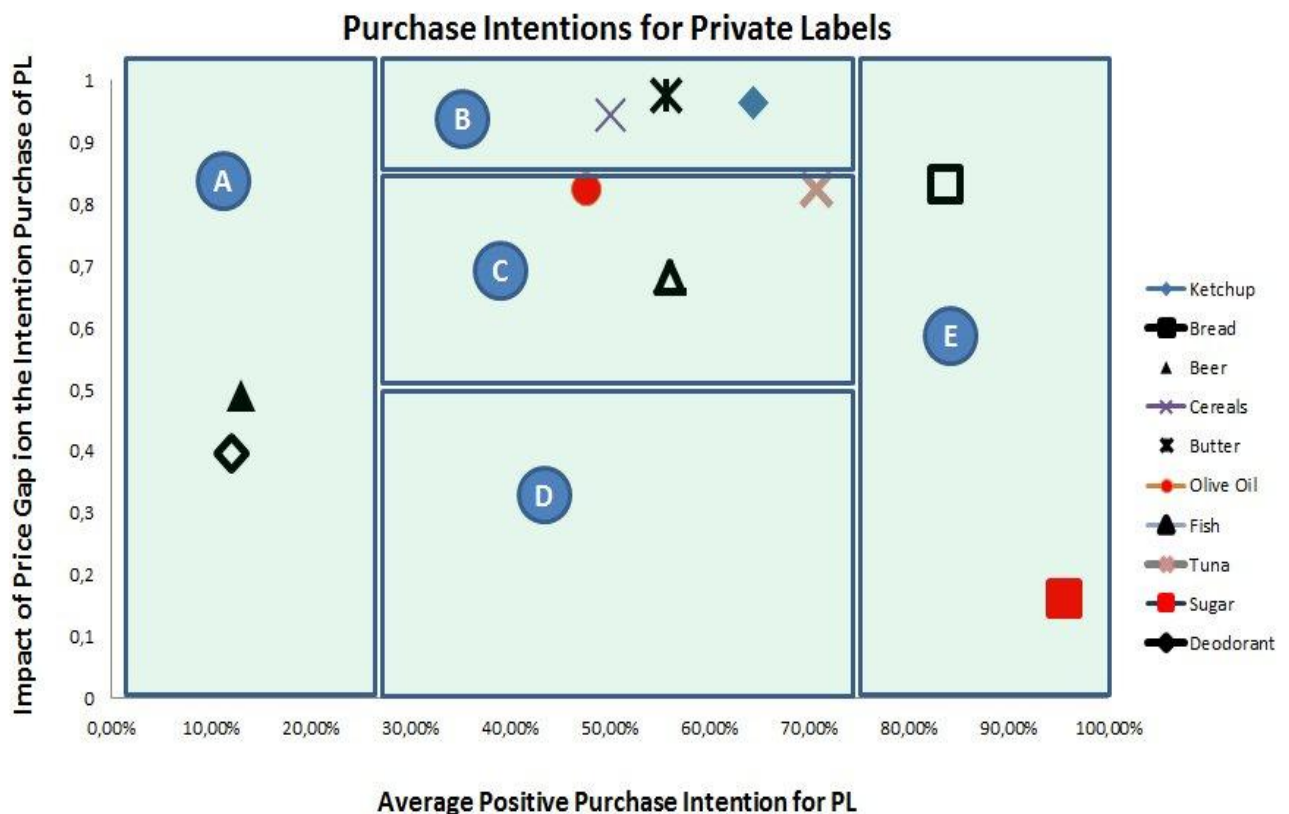
From the previous figure some conclusions are evident that comfort the previous analysis.

In the **“Strong NB”** quadrant categories presented can be characterized by a strong presence of NB brands that are so strong that the variation of the price gap will not have a considerable impact on the increase of PL’s market share. On **“Strong PL”** the variation of the price gap will also have a weak impact on the demand for PL, but in this case this is explained by the strong weight of PL for these types of products.

**“Challengeable NB”** consumers prefer NB, but a positive variation on price gap between PL and NB may have a strong impact on the increase of the market share of PL. The opposite quadrant the same intensity of variation can be found but **“Rising Star PL”** has been already able to conquer the majority of consumers.

### 6. Optimal Price Gap for Private Labels & National Brands

The previous analyses give some insights about how the price of a PL should be tailored to the nature of the product in the point of view of the consumer, but also to the landscape of the intra category competition. The following figure, built on the previous insights, defines pricing strategies for different types of products.



### “Unbeatable NB” (A)

Independently of the gap amplitude, the majority of consumers tend to buy NB. **Retailers should focus their pricing strategy for PL by offering a competitive price to compete for budget consumers that buy the cheapest option available, independently of the brand** (SAYMAN, HOCH, & RAJUN (2002). As stigmas related to PL seem to be stronger for those types of products, a possible approach for beers is to develop an exclusive brand that does not mention the banner name. Continente and Pingo Doce have already created different labels for their PL products from those categories where the banner brand may be a stigma, offering their PL products at a very competitive price (Exhibits 11b & 12).

### “Opportunistic Brands” (B)

The price gap variation has a strong impact for the demand of PL and NB. The price elasticity for these products is the highest. **For products where the NB has a stronger presence, the gap should be closer to 50% to convince consumers to switch and increase their savings, for products where NB are not so strong the gap should be around 30% because the discount offered will already offer an opportunity to consumers to switch.** The key for these categories is to manage the price gap to increase market share for PL.

### “Quality Brands” (C)

For categories with this characteristic **retailers should bet in a gap between PL and NB that should vary from 30% to 50%, a wider gap would have a negative impact in the sale for PL.** The price gap may convince consumers to switch for PL, but the quality perception impacts the consumer’s choice. If convinced of the quality of their PL, retailers should promote trial campaigns to convince consumers about the quality of PL because the price gap may impact the quality perception.

### “Unique PL” (D)

From the basket of products, none was found in this area so the information is limited. Nevertheless it can be assumed that categories where several NB are competing the overall share for each type of brand may be limited and may match very specific

Consumers needs. Products that target special segments may justify the small variation of the PL price on its demand.

### “Strong PL” (E)

The lack of differentiation for type of products made PL to have an important weight on those categories, whatever the price gap consumers tend to chose PL. **Retailers can maximize their margins but should be aware that as these are basic products competitiveness versus other retailers should be monitored closely to guarantee a competitive final ticket for consumers which will impact the price image of the banner.**

#### 6.1. Promotion Effect on the Purchase Intentions of NB

Managing product promotions is a strategic issue for manufacturers and retailers as it is known that promotion will impact price sensitivity of consumers for that product. It was proven that promotions for a product may result in a decrease market share and erosion of the loyalty for NB (AILAWADI 2001; GEDENK & NESLIN, 1999). On the other hand **the large majority of our sample totally agreed with the quote that state that when a promotion makes the price of a NB interesting, they would take advantage of it (Exhibit 17).**

To be able to access the effectiveness of a price reduction of a NB while competing to a PL, it was also analyzed the effects on purchase intentions when consumers had to choose between a promoted NB and a PL and therefore the behavior of the price gap between PL and NB.

In FMCG some categories are more promoted than others mostly due to the life-time of the type of product which make it more interesting to stock or not.<sup>25</sup> From the 10 products used to evaluate the optimal gap, it was selected the frozen fish to evaluate the effect of a promotion on the price gap behavior. Based on the market trend, the promotional mechanic used was to offer 2 by the price of 1 (Exhibit 10), keeping the same gap tested previously for this product in the version of the survey, asking again the consumers which product would they buy.

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<sup>25</sup> United States Department of Agriculture, 2011

The results of the optimal price gap analysis concluded that a NB for this type of product was challengeable by the PL if the price gap was more than 30%. But after a certain point a small price could have an impact on the perception of the quality, decreasing the purchase intention for the PL.

The main conclusion is that consumers would purchase the promoted NB more than PL in 3 out 4 gaps tested while the same NB without promotion would have higher purchase intentions in only 1 gap out of 4 tested. The switching from NB to PL major purchase intentions occurs in the first case (without promotion) with a price gap of 30%, while with the promoted product it occurs with a gap of 75%. With a NB promoted the price gap of 50%, intentions purchase for NB is more than the double than when the NB is not promoted. The visible switch from consumers that would buy a NB with a 50% gap, wipe out the “quality effect” observed for this product when testing gaps without the promotion. It seems that the majority of the sample would take advantage of the promotion mechanic even if it means to pay a higher selling price, increasing the value of expenditure for this product. With a price gap of 50%, intentions purchase for NB would more than double (Exhibit 22 – Frozen Fish).

**Decreasing the price ratio gap by offering an extra free quantity seems to be interesting tool to avoid the migration of consumers to PL for those type of products that have a strong lifetime and where NB are recognized by their quality.** Additionally, it is important to add that retailers also use promotion tools to boost private labels’ sales, but [BLATTBERG, BRIESCH, AND FOX \(1995\)](#) demonstrate that more consumers switch from PL to NB when NB are promoted than from NB to PL when PL are promoted.

# Teaching Notes

### **1. Learning objectives**

The present case-study can be used on marketing and strategy courses covering different ranges from Undergraduates, Masters and MBAs, but also be used by managers looking for inspiration. The purpose of this case is to highlight insights about pricing strategies for Private Labels (PL), centering in the development of consumer oriented definition of the price by looking on the optimal price gap between PL and National Brands (NB). Readers are expected to think critically about the link between the nature of the product and the intra-category competition that will impact how managers should define the price for the product.

### **2. Case-study synopsis**

The case-study presented focus on the analyzis of the price gap between PL and NB on the Portuguese Modern Grocery Distribution (PMGD) sector and aims to bring consumers insights on the definition of the price for PL products. Three main parts build this the case:

The first part of the case gives an overview of the main trends on the Modern Grocery Distribution Industry. The actual context of inequalities increase and economical downturns impacted the industry by shifting consumption habits through the development of price-oriented formats and the increase consumption of PL. Marketing strategies on the base of the PL development are also analyzed.

The second part of the case centers in the PMGD describing the main trends of the market. The development of proximity formats and the increase of the market share for PL are the main components that are guiding local retailers' strategies.

The last part of the case explores what is the average of price gap between PL and NB in the PMGD. In this part the main concern is to understand how the gap varies from product to product, mainly underlining the main factors that will impact the price gap. The goal of this analysis is to define consumer oriented pricing strategies according to the nature of the product and the intra-category competition. The impact of promotions and package downsizing as tool used by manufacturers to avoid the market share increase of PL is examined.

3. Suggested assignment questions

- I. What impacts the most the reference price for Private Labels: the price of National Brand or the price of the Private Labels from other retailers? (closed question)

**Readers should identify the following aspects:**

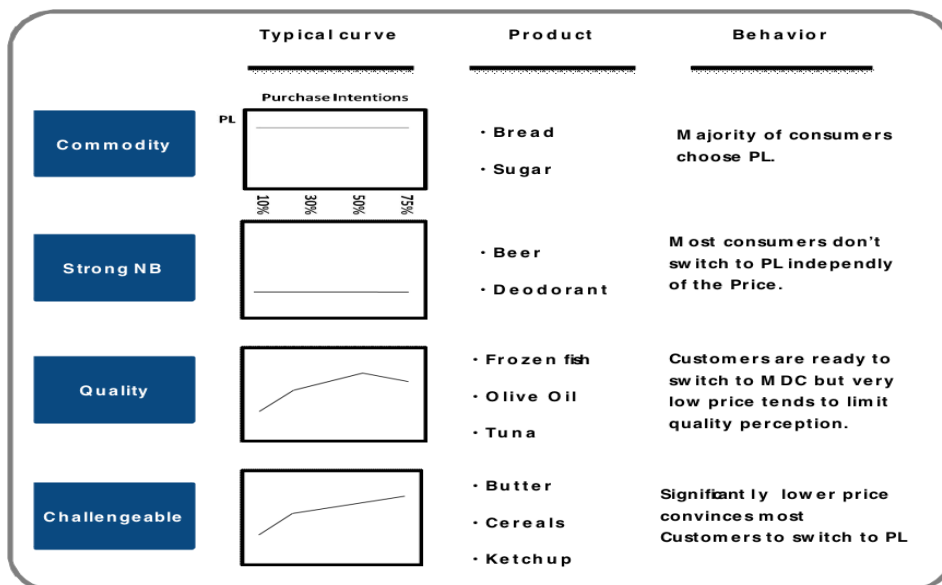
- The type of consumer affects the search for price information and therefore the creation of the reference price.
- Consumers are more willing to compare in-store prices than to compare prices with the price from other stores.

**Recommended readings:** Manning, Sprott & Miyazaki (2003); Sinha, Batra (1999).

- II. What should Pricers taking into account when managing the price gap price gap between a private label product and a national brand product? Which type of product should have a broader or smaller price gap? (closed question)

**Readers should identify the following aspects:**

The nature of the product and the strength of the National brand should be taken into account. The reader can give the following examples:





**Recommended readings:** Ailawadi (2001); Foxall, Oliveira-Castro & Schrezenmaier (2004); Piercy, Cravens & Lane (2010); Sayman & Raju (2004).

- III. A smaller price gap between Private Labels and National Brands boosts competitiveness of National Brands. Identify tactics used by manufactures to reduce the displayed selling price. (closed question)

**Readers should identify the following aspects:**

- Package Downsizing
- Promotions

**Recommended readings:** Blattberg, Briesch & Fox. (1995); Manning, Sprott & Miyazaki (2003); Binkley & Bejnarowicz (2003); Gedenk & Neslin (1999).

- IV. What will be the impact of the definition of consumer-oriented pricing strategies in the overall profitability of the retailer? Will this pricing strategy increase retailing competition through a generalized price decrease? (open question)

**Recommended readings:** Kohli & Suri (2011) ; Nijs, Srinivasan, Pauwels (2007); Cross & Dixit (2005).

# Exhibits

Exhibit 1 – Comparison between Private Labels/National Brands - Portuguese Sample

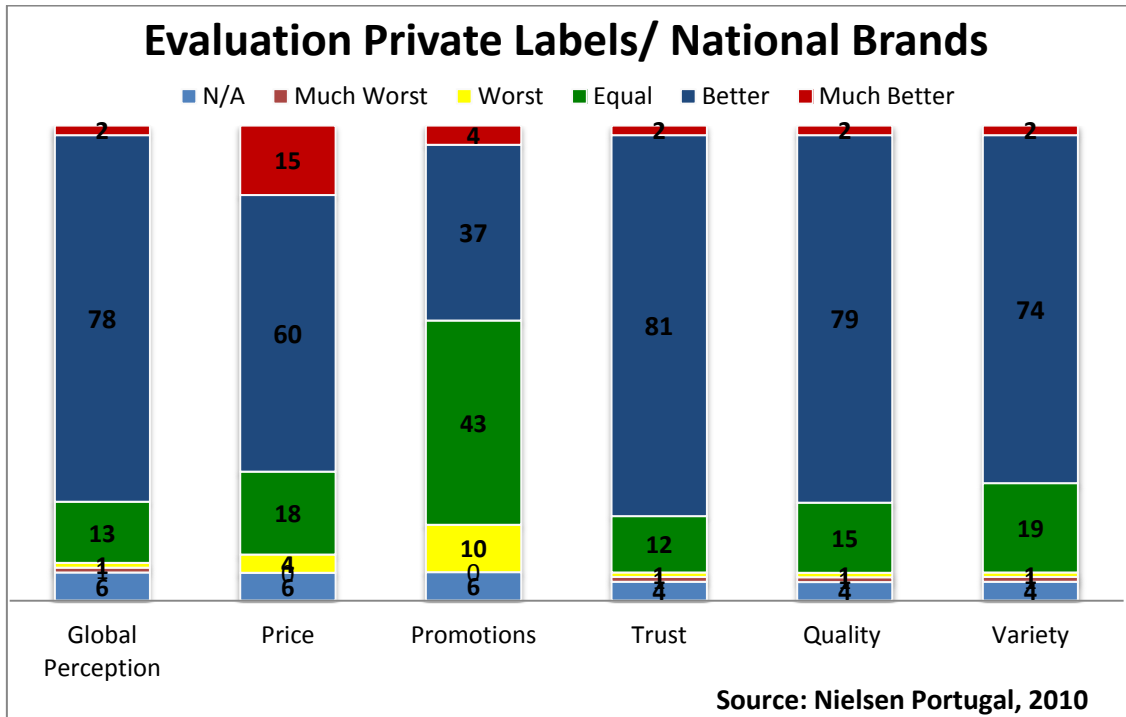
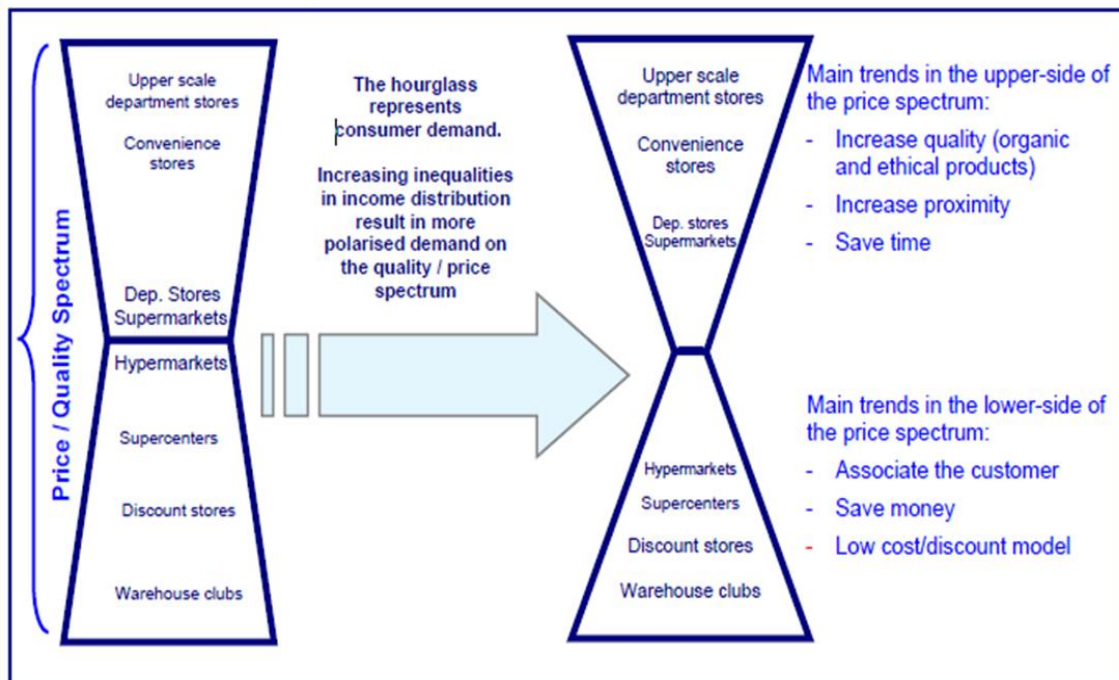


Exhibit 2 – Increase upper and lower price formats due to increase inequalities



Source: Xerfi Global, 2010

Exhibit 3 – The Portuguese Retail Market

Income and demographics

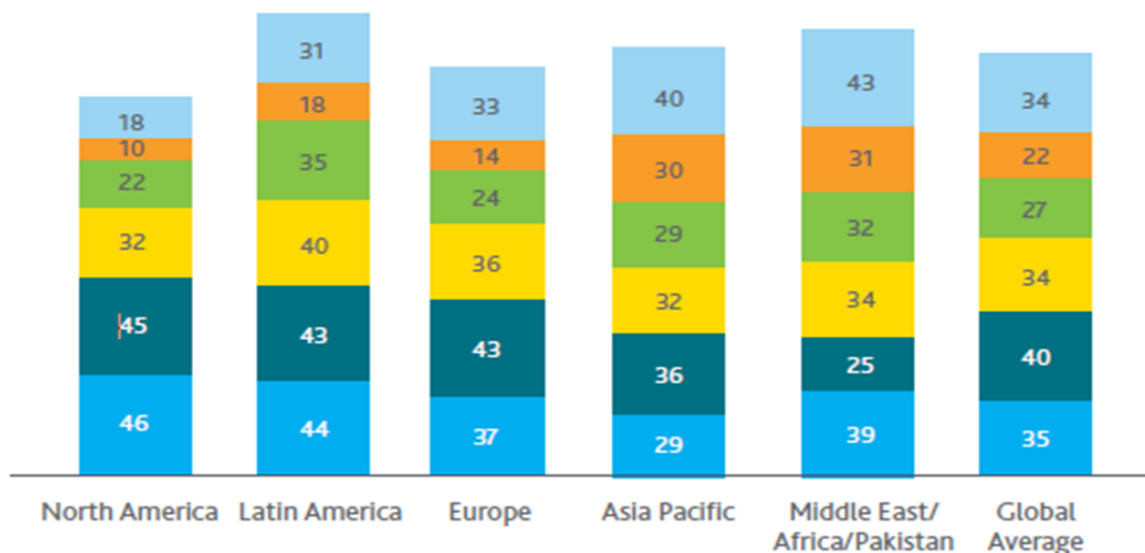
	2005 <sup>a</sup>	2006 <sup>a</sup>	2007 <sup>a</sup>	2008 <sup>a</sup>	2009 <sup>a</sup>	2010 <sup>b</sup>	2011 <sup>b</sup>	2012 <sup>b</sup>	2013 <sup>b</sup>	2014 <sup>b</sup>
Nominal GDP (US\$ bn)	191.5 <sup>c</sup>	201.2 <sup>c</sup>	230.9 <sup>c</sup>	252.7 <sup>c</sup>	233.5 <sup>c</sup>	211.3	201.1	200.5	203.5	213.1
Population (m)	10.5	10.6	10.6	10.6	10.6	10.6	10.6	10.7	10.7	10.7
GDP per head (US\$ at PPP)	21,294	22,335	23,428	24,051	23,589	23,905	23,938	24,255	25,003	25,897
Private consumption per head (US\$)	11,791	12,427	14,274	16,008	14,664	13,330	12,622	12,577	12,787	13,342
No. of households ('000)	3,863	3,903	3,937	3,964	3,989	4,012	4,039	4,071	4,094	4,127
No. of households with annual earnings above US\$5,000 ('000)	3,863	3,903	3,937	3,964	3,989	4,012	4,039	4,071	4,094	4,127
No. of households with annual earnings above US\$10,000 ('000)	3,471	3,533	3,639	3,734	3,736	3,693	3,678	3,704	3,736	3,796
No. of households with annual earnings above US\$50,000 ('000)	632	694	900	1,147	1,073	872	772	770	800	887
No. of households with net wealth over US\$1m ('000)	4 <sup>c</sup>	8	13	9	12	9	8	7	8	9

<sup>a</sup> Economist Intelligence Unit estimates. <sup>b</sup> Economist Intelligence Unit forecasts. <sup>c</sup> Actual.

Source: The Economist Intelligence Unit Limited, 2010

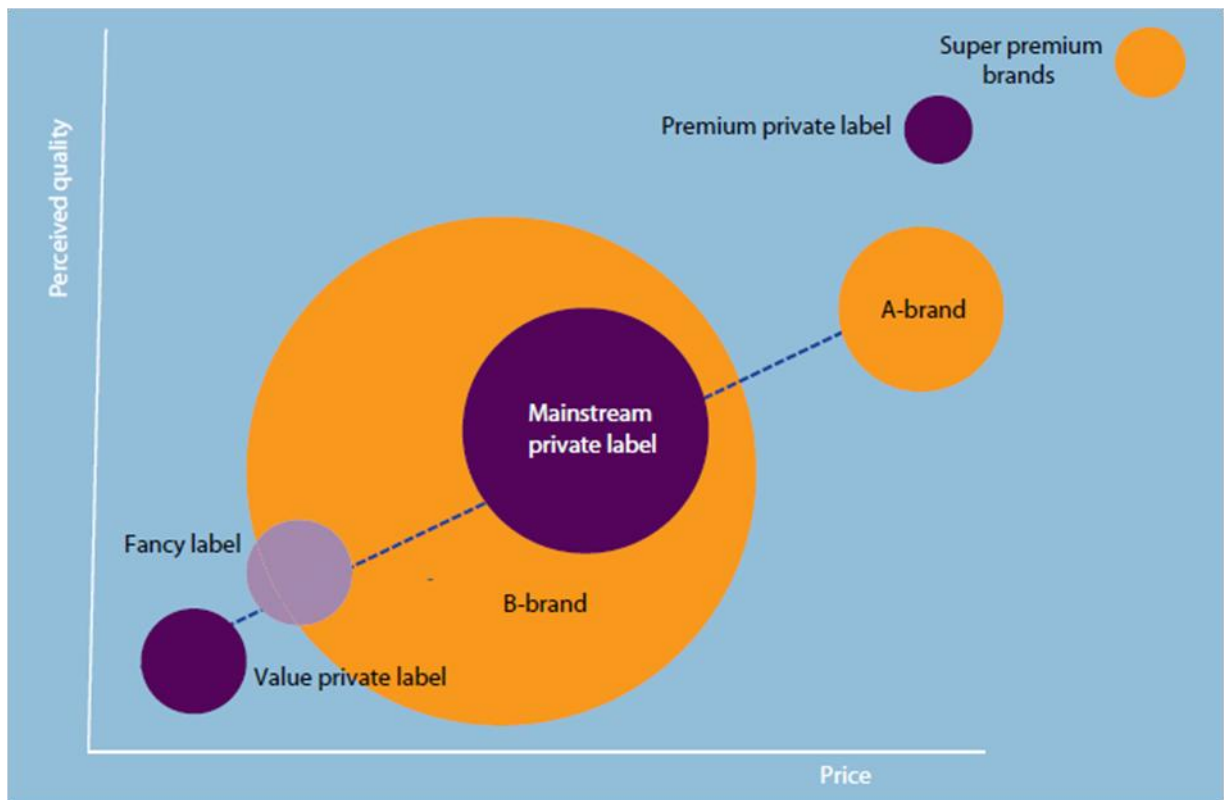
Exhibit 4 – Global perception of Private Labels price/value

- Private label brands are meant for those on tight budgets or those that can't afford the best brand
- Name brand products are worth the extra price
- I'm willing to pay same/more for a private label brand if I like it
- I often compare private label brand prices in my primary supermarket to other shops
- Private label brands are usually extremely good value for the money
- It's important to get the best price on a product



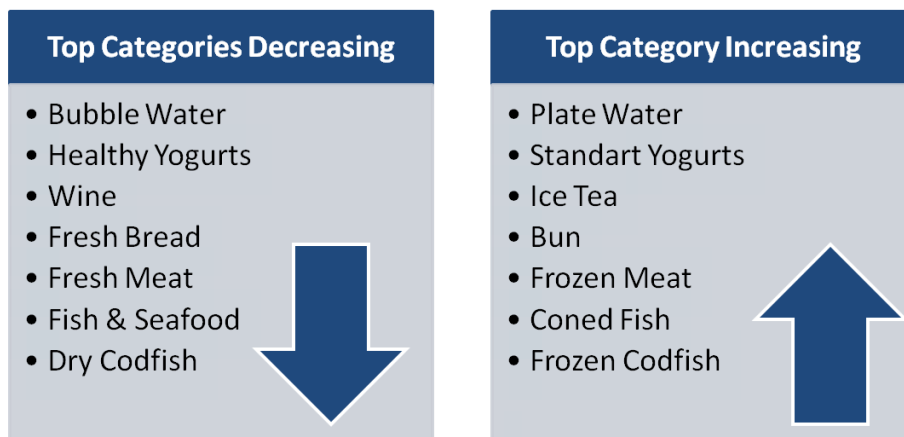
Source: The Nielsen Company, 2011

Exhibit 5 –Product Category Price Segmentation



Source: Rabobank, 2011

Exhibit 6 –Product Category downtrading



Source: Kandar Worldpanel Portugal, 2012

Exhibit 7 – Weight of Store Format

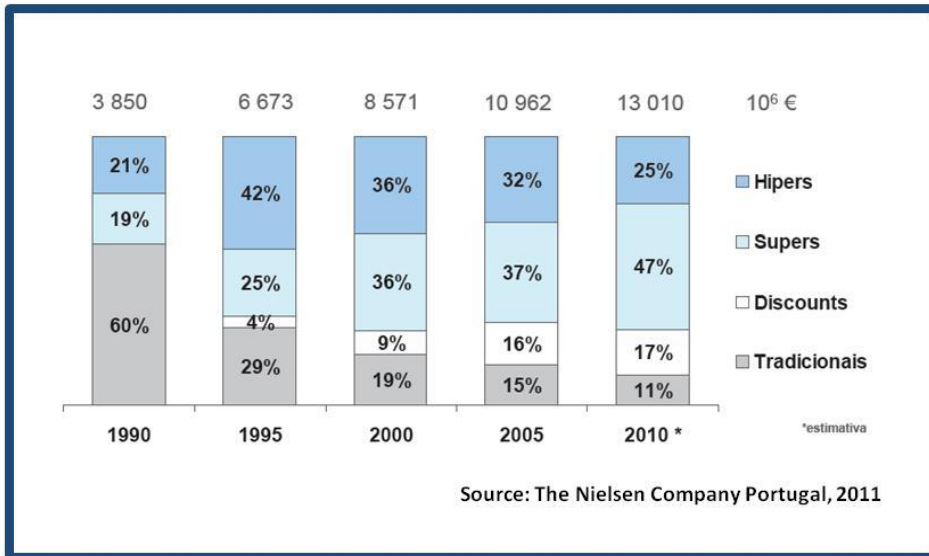


Exhibit 8 – Portuguese Retailers Market Share Mid 2011

	2010	2011	Variation
Continente	24,20%	25,40%	1,20%
Pingo Doce	18,10%	18,90%	0,80%
Intermarché	9,50%	9,50%	0,00%
Lidl	9,20%	9,10%	-0,10%
Minipreço	7,10%	7,00%	-0,10%
Auchan	6,60%	6,30%	-0,30%
Others	25,30%	23,80%	-1,50%

Source: Diário Económico , 2011

Exhibit 9 – Importance of the Store Format in the increase of the market share of PL

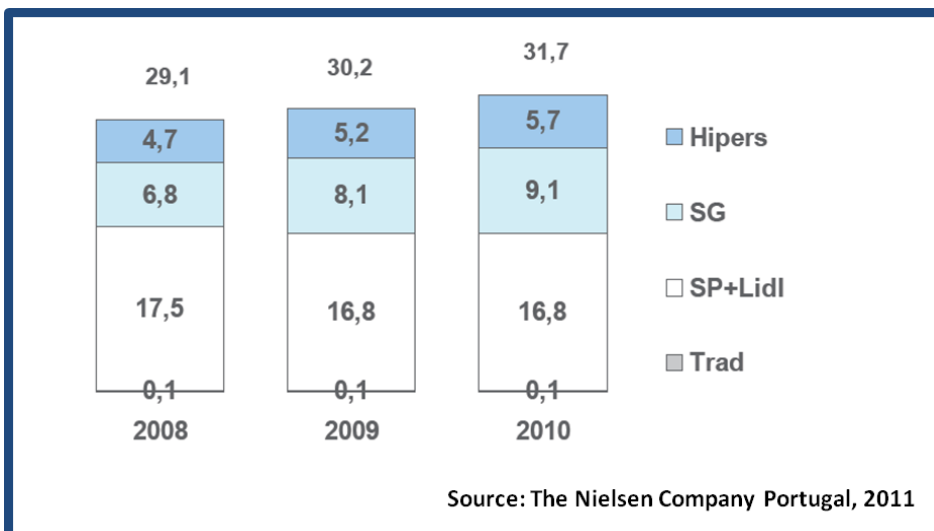


Exhibit 10 – Analysis of Promotional Mechanics on Leaflet

Pingo Doce Leaflet		
Mechanics	Total	Weight
Price Reduction	2	13%
Pay 1 Take 2	12	75%
Extra Free Quantity	2	13%
<b>Total</b>	<b>16</b>	<b>1</b>

Source: Pingo Doce, 2012

Exhibit 11 – Continente’s Private Label Assortment (A) and Price Survey Basket (B)



Product	National Brand					Private Label					Gap NB vs. PL	
	Brand	Quantity	Unit	Price	Price per Unit	Brand	Quantity	Unit	Price	Price per Unit	% Gap Selling Price	% Gap Price per Unit
Sugar	Sidul	1	kg	1,08 €	1,08 €	Continente	1	kg	0,99 €	0,99 €	8,33%	8,33%
Rice	Caçarola	1	kg	0,99 €	0,99 €	Continente	1	kg	0,88 €	0,88 €	11,11%	11,11%
Milk	Mimosa	1	lt	0,59 €	0,59 €	Continente	1	lt	0,52 €	0,52 €	11,86%	11,86%
Butter	Mimosa	250	gr	1,39 €	5,56 €	Continente	250	gr	1,19 €	4,76 €	14,39%	14,39%
SunFlower Oil	Fula	1	lt	1,69 €	1,69 €	Continente	1	lt	1,39 €	1,39 €	17,75%	17,75%
Olive Oil	Gallo	0,75	lt	2,99 €	3,99 €	Continente	0,75	lt	2,39 €	3,19 €	20,07%	20,07%
Porto's wine	Ferreira	0,75	lt	5,49 €	7,32 €	Continente	0,75	lt	3,99 €	5,32 €	27,32%	27,32%
Babies Food	Cerelac	1	kg	5,75 €	5,75 €	Continente	1	kg	3,97 €	3,97 €	30,96%	30,96%
Frozen Fish	Iglo	0,4	kg	3,99 €	9,98 €	Continente	0,4	gr	2,59 €	6,48 €	35,09%	35,09%
Toilet Paper	Colgate	0,075	lt	1,51 €	20,13 €	Continente	0,075	ml	0,94 €	12,53 €	37,75%	37,75%
Thune	Bom Petisco	0,12	kg	1,05 €	8,75 €	Continente	0,12	kg	0,62 €	5,17 €	40,95%	40,95%
Ham	Nobre	0,22	kg	2,39 €	11,95 €	Continente	0,2	kg	1,39 €	6,95 €	41,84%	41,84%
Orange juice	Sumol	1,5	Lt	1,29 €	0,86 €	Continente	1,5	Lt	0,74 €	0,49 €	42,64%	42,64%
Children's Chocolate Milk	Neskik	0,2	kg	0,42 €	2,10 €	Continente	0,2	kg	0,24 €	1,20 €	42,86%	42,86%
Bread	Panrico	0,6	kg	1,59 €	2,65 €	Continente	0,6	KG	0,89 €	1,48 €	44,03%	44,03%
Toilet Paper	Renova	18	units	4,36 €	0,24 €	Continente	12	units	1,49 €	0,12 €	65,83%	48,74%
Beer	Superbock	1,98	lt	3,89 €	1,96 €	Marina	1,98	lt	1,99 €	1,01 €	48,84%	48,84%
Spaghetti	Milaneza	0,5	kg	0,69 €	1,38 €	Continente	0,5	kg	0,35 €	0,70 €	49,28%	49,28%
Chocolate Ice Cream	Olà	0,72	lt	2,99 €	4,15 €	Continente	0,72	lt	1,49 €	2,07 €	50,17%	50,17%
Soda	7 up	2	lt	1,65 €	0,83 €	Continente	1,5	lt	0,56 €	0,37 €	66,06%	54,75%
Caldo	Knor	8	units	1,46 €	0,18 €	Continente	12	units	0,99 €	0,08 €	32,19%	54,79%
Cleaning Product	CIF	0,5	lt	2,29 €	4,58 €	Continente	0,75	lt	1,49 €	1,99 €	34,93%	56,62%
Ketchup	Heinz	0,46	kg	2,38 €	5,17 €	Continente	0,45	kg	0,97 €	2,16 €	59,24%	58,34%
Cereals	Chocapic	0,375	kg	2,59 €	6,91 €	Continente	0,375	kg	0,99 €	2,64 €	61,78%	61,78%
White Chocolate Cookies	Filipinos	0,135	kg	1,39 €	10,30 €	Continente	0,15	kg	0,59 €	3,93 €	57,55%	61,80%
Deodorant	Rexona	0,05	lt	3,49 €	69,80 €	My label	0,05	lt	0,98 €	19,60 €	71,92%	71,92%

Exhibit 12 – Price Survey Pingo Doce Basket

Product	National Brand					Private Label					Gap NB vs. PL	
	Brand	Quantity	Unit	Price	Price per Unit	Brand	Quantity	Unit	Price	Price per Unit	% Gap Selling Price	% Gap Price per Unit
Sugar	Sídul	1	kg	1,09 €	1,09 €	PD	1	kg	0,99 €	0,99 €	9,17%	9,17%
Milk	Mimosa	1	lt	0,59 €	0,59 €	PD	1	lt	0,49 €	0,49 €	16,95%	16,95%
Butter	Mimosa	0,25	kg	1,39 €	5,56 €	PD	0,25	kg	1,09 €	4,36 €	21,58%	21,58%
Ketchup	Heinz	0,46	kg	2,38 €	5,17 €	PD	0,3	kg	1,19 €	3,97 €	50,00%	23,33%
Babies Food	Cerelac	1	kg	5,75 €	5,75 €	PD	1	kg	3,97 €	3,97 €	30,96%	30,96%
Olive Oil	Gallo	0,75	lt	2,99 €	3,99 €	PD	0,75	lt	1,99 €	2,65 €	33,44%	33,44%
SunFlower Oil	Fula	1	lt	1,99 €	1,99 €	PD	1	lt	1,30 €	1,30 €	34,67%	34,67%
Frozen Fish	Íglo	0,4	kg	3,99 €	9,98 €	PD	0,4	kg	2,59 €	6,48 €	35,09%	35,09%
Rice	Caçarola	1	kg	1,15 €	1,15 €	PD	1	kg	0,74 €	0,74 €	35,65%	35,65%
Porto's wine	Ferreira	0,75	lt	5,49 €	7,32 €	PD	0,75	lt	3,49 €	4,65 €	36,43%	36,43%
Ham	Nobre	0,22	kg	3,09 €	14,05 €	PD	0,2	kg	1,68 €	8,40 €	45,63%	40,19%
Soda	7 up	2	lt	1,65 €	0,83 €	PD	1,5	lt	0,74 €	0,49 €	55,15%	40,20%
Orange juice	Sumol	1,5	lt	1,29 €	0,86 €	PD	1,5	lt	0,74 €	0,49 €	42,64%	42,64%
Spaghetti	Milaneza	0,5	kg	0,69 €	1,38 €	PD	0,5	kg	0,39 €	0,78 €	43,48%	43,48%
Bread	Panrico	0,6	kg	1,59 €	2,65 €	PD	0,6	kg	0,89 €	1,48 €	44,03%	44,03%
Tooth Paste	Colgate	0,075	lt	1,59 €	21,20 €	Sensitive	0,075	lt	0,89 €	11,87 €	44,03%	44,03%
Beer	Superbock	1,98	lt	3,90 €	1,97 €	Leger	1,98	lt	2,10 €	1,06 €	46,15%	46,15%
Chocolate Ice Cream	Olá	0,72	kg	2,99 €	4,15 €	PD	0,72	kg	1,49 €	2,07 €	50,17%	50,17%
Thune	Bom Petisco	0,12	kg	1,19 €	9,92 €	PD	0,12	kg	0,59 €	4,92 €	50,42%	50,42%
Children's Chocolate Milk	Neskek	0,2	kg	0,42 €	2,10 €	PD	0,2	kg	0,20 €	1,00 €	52,38%	52,38%
Toilet paper	Renova	12	units	3,49 €	0,29 €	PD	12	units	1,66 €	0,14 €	52,44%	52,44%
Cereals	Chocapic	0,375	kg	2,59 €	6,91 €	PD	0,375	kg	0,99 €	2,64 €	61,78%	61,78%
White Chocolate Cookies	Filipinos	0,135	kg	1,39 €	10,30 €	PD	0,15	kg	0,52 €	3,47 €	62,59%	66,33%
Deodorant Roll-on	Rexona	0,05	lt	3,24 €	64,80 €	Skino	0,05	lt	0,98 €	19,60 €	69,75%	69,75%
Cleaning Product	CIF	0,5	lt	2,44 €	4,88 €	Ultra	0,75	lt	0,99 €	1,32 €	59,43%	72,95%
Caldo	Knor	8	units	1,46 €	0,18 €	PD	8	units	0,38 €	0,05 €	73,97%	73,97%

Exhibit 13 – Price Survey Lidl Basket

Product	National Brand					Private Label					Gap NB vs. PL	
	Brand	Quantity	Unit	Price	Price per Unit	Brand	Quantity	Unit	Price	Price per Unit	% Gap Selling Price	% Gap Price per Unit
Milk	Mimosa	1	lt	0,59 €	0,59 €	Lactolus	1	lt	0,49 €	0,49 €	16,95%	16,95%
Butter	Mimosa	0,25	kg	1,39 €	5,56 €	Lactolus	0,25	kg	1,09 €	4,36 €	21,58%	21,58%
Babies Food	Cerelac	1	kg	5,75 €	5,75 €	Crownfield	1	kg	4,09 €	4,09 €	28,87%	28,87%
Orange juice	Sumol	1,5	lt	1,29 €	0,86 €	Laranjada	1,5	lt	0,89 €	0,59 €	31,01%	31,01%
Olive Oil	Gallo	0,75	lt	2,99 €	3,99 €	Chaparro	0,75	lt	1,99 €	2,65 €	33,44%	33,44%
Toilet paper	Renova	12	units	2,42 €	0,20 €	Floralys	12	units	1,59 €	0,13 €	34,30%	34,30%
SunFlower Oil	Fula	1	lt	1,99 €	1,99 €	Vitoleo	1	lt	1,29 €	1,29 €	35,18%	35,18%
Soda	7 up	2	lt	1,54 €	0,77 €	Freeway	1,5	lt	0,74 €	0,49 €	51,95%	35,93%
Rice	Cígala	1	kg	1,15 €	1,15 €	Golden Sun	1	kg	0,73 €	0,73 €	36,52%	36,52%
Children's Chocolate Milk	Mimosa	0,2	lt	0,39 €	1,95 €	Milbona	0,2	lt	0,24 €	1,20 €	38,46%	38,46%
Ketchup	Heinz	0,4	kg	2,38 €	5,95 €	Kania	0,3	kg	1,08 €	3,60 €	54,62%	39,50%
Thune	Bom Petisco	0,12	kg	1,19 €	9,92 €	Nixe	0,12	kg	0,72 €	6,00 €	39,50%	39,50%
Bread	Panrico	0,6	kg	1,59 €	2,65 €	Landgut	0,6	kg	0,89 €	1,48 €	44,03%	44,03%
Beer	Superbock	1,98	lt	3,89 €	1,96 €	Argus	1,98	lt	1,99 €	1,01 €	48,84%	48,84%
Ham	Nobre	0,2	kg	2,69 €	13,45 €	Sierra Marina	0,22	kg	1,49 €	6,77 €	44,61%	49,65%
Caldo	Knor	16	units	2,59 €	0,16 €	Kania	8	units	0,59 €	0,07 €	77,22%	54,44%
Porto's wine	D.Antonia	0,75	lt	7,99 €	10,65 €	Armar	0,75	lt	3,49 €	4,65 €	56,32%	56,32%
Tooth Paste	Colgate	0,075	kg	2,19 €	29,20 €	Dentalux	0,075	kg	0,89 €	11,87 €	59,36%	59,36%
Cleaning Product	CIF	0,75	lt	2,44 €	3,25 €	W5	0,75	lt	0,99 €	1,32 €	59,43%	59,43%
Cereals	Chocapic	0,375	kg	2,59 €	6,91 €	Crownfield	0,5	kg	1,29 €	2,58 €	50,19%	62,64%
Deodorant Roll-on	Rexona	0,05	lt	2,94 €	58,80 €	Cien	0,05	lt	0,98 €	19,60 €	66,67%	66,67%
White Chocolate Cookies	Filipinos	0,135	kg	-	-	Morenazos	0,15	kg	-	-	-	-
Chocolate Ice Cream	-	-	kg	-	-	Noblissimo	0,72	lt	1,99	2,763889	-	-
Spaghetti	-	-	kg	-	-	Combino	0,5	kg	0,39	0,78	-	-
Frozen Fish	Pescanova	0,4	kg	3,99 €	9,98 €	-	-	kg	-	-	-	-
Sugar	RAR	1	kg	0,99 €	0,99 €	-	-	kg	-	-	-	-



**Exhibit 14 – Average Product Price Gap in the Portuguese Market**

Product	Continente	PD	Lidl	Average Gap
Sugar	8,33%	9,17%	-	8,69%
Milk	11,86%	16,95%	16,95%	14,53%
Butter	14,39%	21,58%	21,58%	18,16%
Rice	11,11%	35,65%	36,52%	24,13%
Olive Oil	20,07%	33,44%	31,01%	26,67%
SunFlower Oil	17,75%	34,67%	35,18%	26,71%
Babies Food	30,96%	30,96%	28,87%	30,60%
Frozen Fish	35,09%	35,09%	-	35,09%
Porto's wine	27,32%	36,43%	56,32%	35,49%
Orange juice	42,64%	42,64%	31,01%	40,66%
Ham	41,84%	40,19%	49,65%	42,59%
Ketchup	58,34%	23,33%	39,50%	42,74%
Tooth Paste	37,75%	44,03%	59,36%	43,65%
Bread	44,03%	44,03%	44,03%	44,03%
Tuna	40,95%	50,42%	39,50%	44,05%
Children's Chocolate Milk	42,86%	52,38%	38,46%	45,48%
Soda	54,75%	40,20%	35,93%	46,39%
Spaghetti	49,28%	43,48%	-	46,80%
Toilet paper	48,74%	52,44%	34,30%	47,59%
Beer	48,84%	46,15%	48,84%	47,89%
Chocolate Ice Cream	50,17%	50,17%	-	50,17%
Caldo	54,79%	73,97%	54,44%	61,52%
Cereals	61,78%	61,78%	62,64%	61,93%
Cleaning Product	56,62%	72,95%	59,43%	62,88%
White Chocolate Cookies	61,80%	66,33%	-	63,73%
Deodorant Roll-on	71,92%	69,75%	66,67%	70,26%

**Exhibit 15 – Average Basket Price Gap from 3 Retailers**

	Continente		PD		Lidl	
	NB	PL	NB	PL	NB	PL
Rice	0,99 €	0,88 €	1,15 €	0,74 €	1,15 €	0,73 €
Milk	0,59 €	0,52 €	0,59 €	0,49 €	0,59 €	0,49 €
Butter	1,39 €	1,19 €	1,39 €	1,09 €	1,39 €	1,09 €
SunFlower Oil	1,69 €	1,39 €	1,99 €	1,30 €	1,99 €	1,29 €
Olive Oil	2,99 €	2,39 €	2,99 €	1,99 €	2,99 €	1,99 €
Porto's wine	5,49 €	3,99 €	5,49 €	3,49 €	7,99 €	3,49 €
Babies Food	5,75 €	3,97 €	5,75 €	3,97 €	5,75 €	4,09 €
Tooth Paste	1,51 €	0,94 €	1,59 €	0,89 €	2,19 €	0,89 €
Thune	1,05 €	0,62 €	1,19 €	0,59 €	1,19 €	0,72 €
Ham	2,39 €	1,39 €	3,09 €	1,68 €	2,69 €	1,49 €
Orange juice	1,29 €	0,74 €	1,29 €	0,74 €	1,29 €	0,89 €
Children's Chocolate Milk	0,42 €	0,24 €	0,42 €	0,20 €	0,39 €	0,24 €
Bread	1,59 €	0,89 €	1,59 €	0,89 €	1,59 €	0,89 €
Soda	1,65 €	0,56 €	1,65 €	0,74 €	1,54 €	0,74 €
Cleaning Product	2,29 €	1,49 €	2,44 €	0,99 €	2,44 €	0,99 €
Ketchup	2,38 €	0,97 €	2,38 €	1,19 €	2,38 €	1,08 €
Cereals	2,59 €	0,99 €	2,59 €	0,99 €	2,59 €	1,29 €
Beer	3,89 €	1,99 €	3,90 €	2,10 €	3,89 €	1,99 €
Deodorant	3,49 €	0,98 €	3,24 €	0,98 €	2,94 €	0,98 €
<b>Total</b>	<b>43,43 €</b>	<b>26,13 €</b>	<b>44,72 €</b>	<b>25,05 €</b>	<b>46,97 €</b>	<b>25,36 €</b>
<b>% PL vrs NB</b>	<b>39,83%</b>		<b>43,98%</b>		<b>46,00%</b>	

The Data used for Exhibits 10, 11, 12, 13 & 14 was collected by store visits in the same retail area on the same day.

Exhibit 16 – Demographic Data of the Survey Respondents

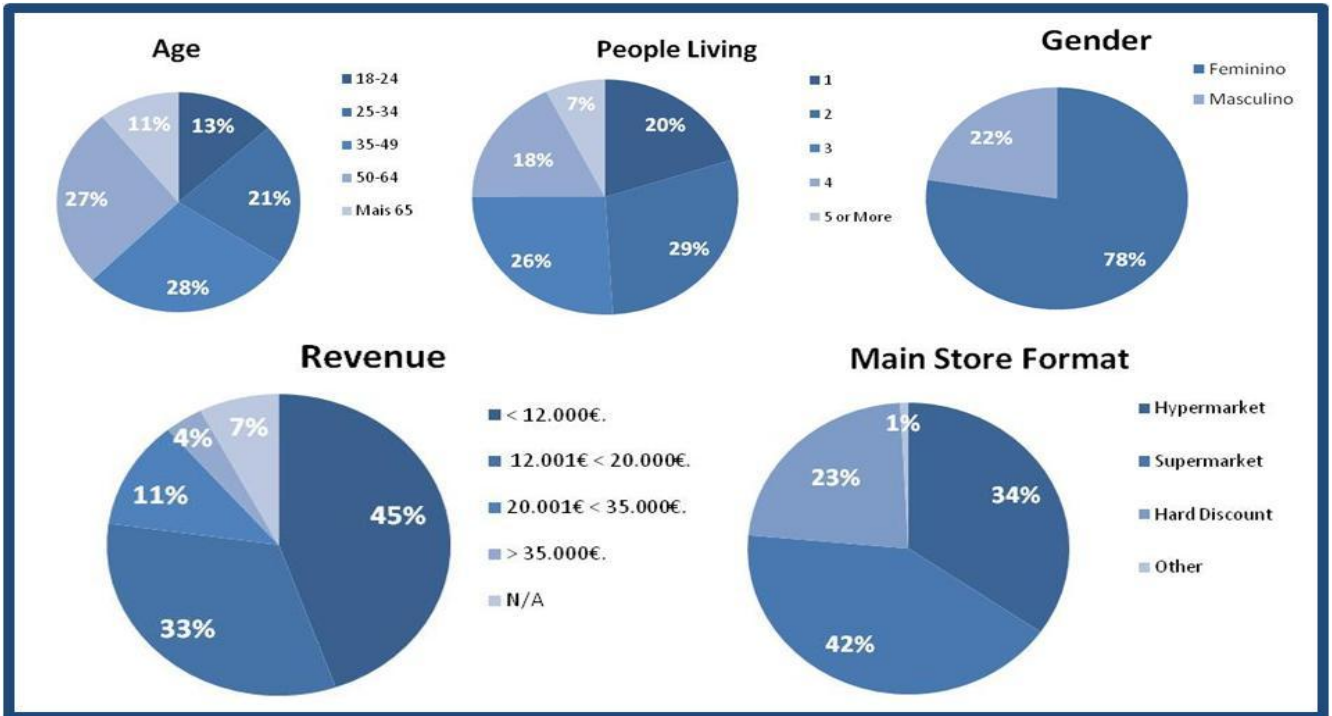
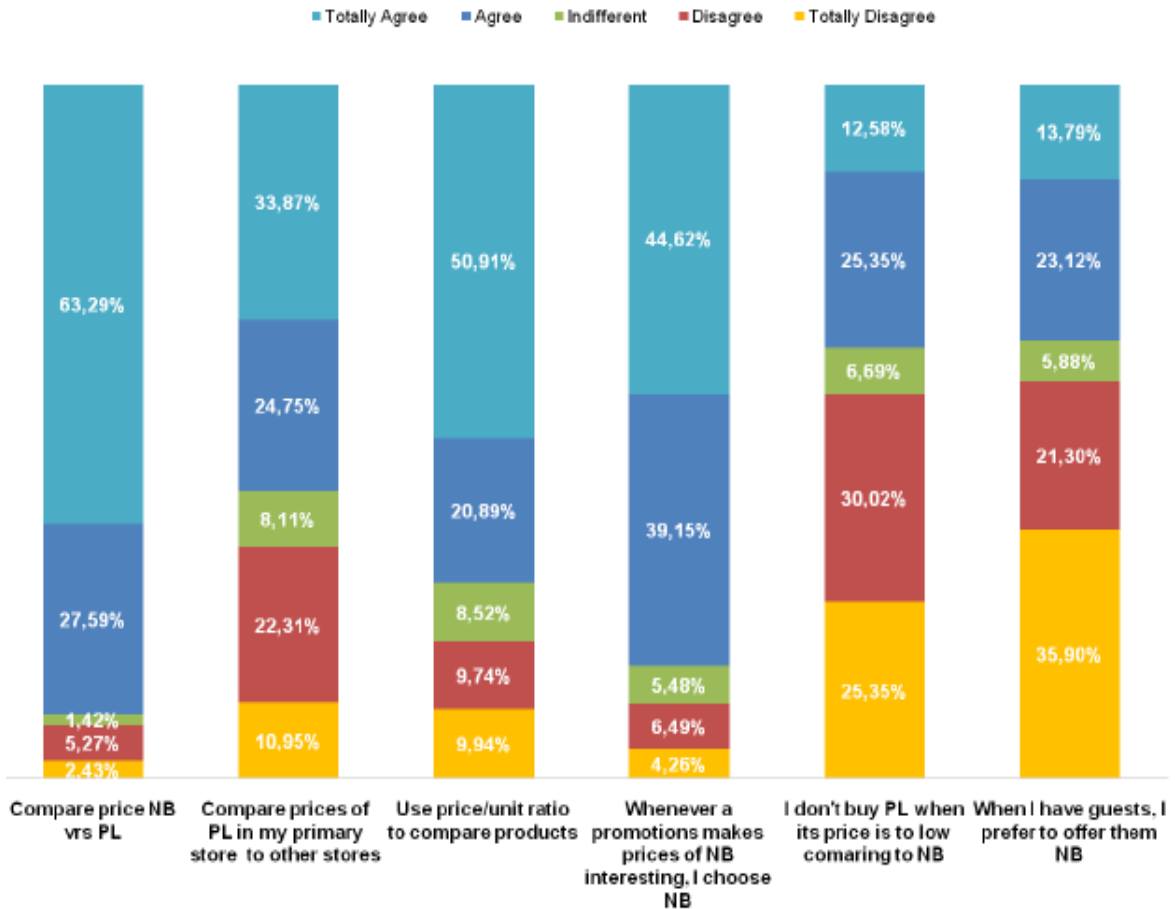


Exhibit 17 – Attitudes toward PL



**Exhibit 18 – Demographic Data Stratified Sample**

**Gender \* MainStore Crosstabulation**

		MainStore			Total
		1	2	3	
Gender	Count	6	51	20	77
	1 % within MainStore	5,8%	26,0%	27,4%	20,6%
	% of Total	1,6%	13,7%	5,4%	20,6%
	Count	98	145	53	296
	2 % within MainStore	94,2%	74,0%	72,6%	79,4%
	% of Total	26,3%	38,9%	14,2%	79,4%
Total	Count	104	196	73	373
	% within MainStore	100,0%	100,0%	100,0%	100,0%
	% of Total	27,9%	52,5%	19,6%	100,0%

**Age \* MainStore Crosstabulation**

		MainStore			Total
		1	2	3	
Age	Count	4	43	5	52
	1 % within MainStore	3,8%	21,9%	6,8%	13,9%
	% of Total	1,1%	11,5%	1,3%	13,9%
	Count	8	57	9	74
	2 % within MainStore	7,7%	29,1%	12,3%	19,8%
	% of Total	2,1%	15,3%	2,4%	19,8%
Age	Count	40	59	16	115
	3 % within MainStore	38,5%	30,1%	21,9%	30,8%
	% of Total	10,7%	15,8%	4,3%	30,8%
	Count	35	30	28	93
	4 % within MainStore	33,7%	15,3%	38,4%	24,9%
	% of Total	9,4%	8,0%	7,5%	24,9%
Age	Count	17	7	15	39
	5 % within MainStore	16,3%	3,6%	20,5%	10,5%
	% of Total	4,6%	1,9%	4,0%	10,5%
	Count	104	196	73	373
	Total % within MainStore	100,0%	100,0%	100,0%	100,0%
	% of Total	27,9%	52,5%	19,6%	100,0%

**Revenues \* MainStore Crosstabulation**

		MainStore			Total
		1	2	3	
Revenues	Count	0	1	1	2
	0 % within MainStore	0,0%	0,5%	1,4%	0,5%
	% of Total	0,0%	0,3%	0,3%	0,5%
	Count	24	79	66	169
	1 % within MainStore	23,1%	40,3%	90,4%	45,3%
	% of Total	6,4%	21,2%	17,7%	45,3%
Revenues	Count	62	73	4	139
	2 % within MainStore	59,6%	37,2%	5,5%	37,3%
	% of Total	16,6%	19,6%	1,1%	37,3%
	Count	18	26	2	46
	3 % within MainStore	17,3%	13,3%	2,7%	12,3%
	% of Total	4,8%	7,0%	0,5%	12,3%
Revenues	Count	0	17	0	17
	4 % within MainStore	0,0%	8,7%	0,0%	4,6%
	% of Total	0,0%	4,6%	0,0%	4,6%
	Count	104	196	73	373
	Total % within MainStore	100,0%	100,0%	100,0%	100,0%
	% of Total	27,9%	52,5%	19,6%	100,0%

**PeopleLiving \* MainStore Crosstabulation**

		MainStore			Total
		1	2	3	
PeopleLiving	Count	1	1	0	2
	0 % within MainStore	1,0%	0,5%	0,0%	0,5%
	% of Total	0,3%	0,3%	0,0%	0,5%
	Count	13	59	12	84
	1 % within MainStore	12,5%	30,1%	16,4%	22,5%
	% of Total	3,5%	15,8%	3,2%	22,5%
PeopleLiving	Count	29	43	26	98
	2 % within MainStore	27,9%	21,9%	35,6%	26,3%
	% of Total	7,8%	11,5%	7,0%	26,3%
	Count	31	52	12	95
	3 % within MainStore	29,8%	26,5%	16,4%	25,5%
	% of Total	8,3%	13,9%	3,2%	25,5%
PeopleLiving	Count	19	26	23	68
	4 % within MainStore	18,3%	13,3%	31,5%	18,2%
	% of Total	5,1%	7,0%	6,2%	18,2%
	Count	11	15	0	26
	5 % within MainStore	10,6%	7,7%	0,0%	7,0%
	% of Total	2,9%	4,0%	0,0%	7,0%
Total	Count	104	196	73	373
	% within MainStore	100,0%	100,0%	100,0%	100,0%
	% of Total	27,9%	52,5%	19,6%	100,0%

Stratified Sample from the convenience sample based on the Store Format Market Share from Exhibit 7

**Exhibits: 18, 19, 20 & 21**

Exhibit 19 – Price perception

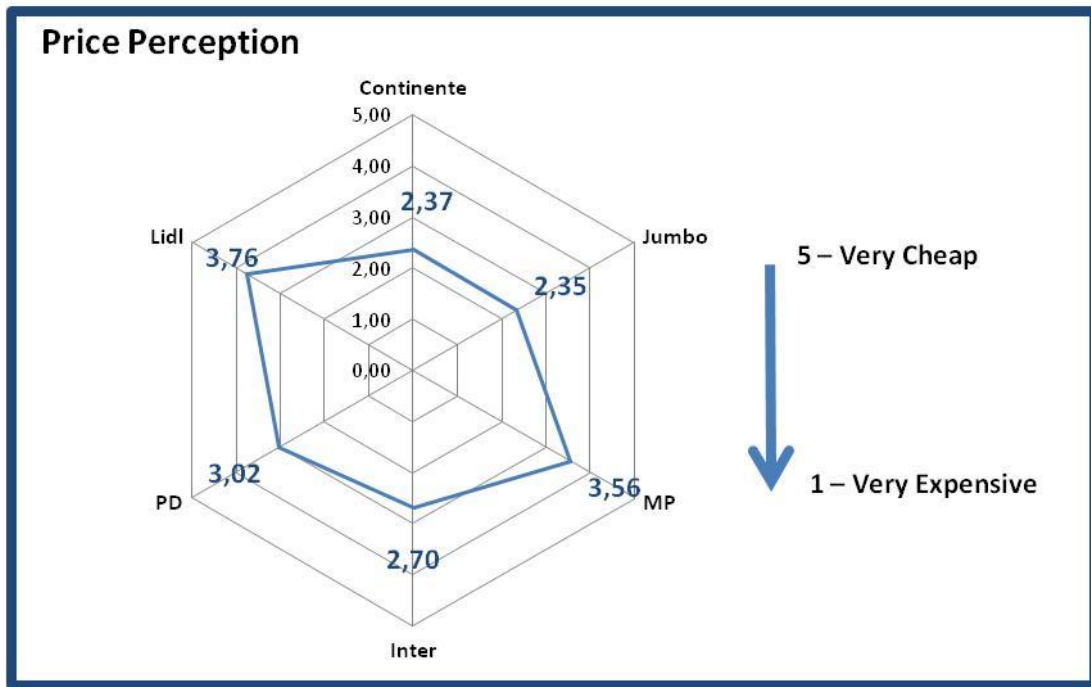


Exhibit 20 – PL Satisfaction

**Descriptives**

**Satisfaction of the primary store's PL**

	N	Mean	Std. Deviation	Std. Error	for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
1	104	3,91	,726	,071	3,77	4,05	2	5
2	196	4,35	,659	,047	4,26	4,44	3	5
3	71	3,49	,606	,072	3,35	3,64	2	5
Total	371	4,06	,747	,039	3,99	4,14	2	5

**ANOVA**

**Satisfaction of the primary store's PL between Store 1 & 2**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	13,070	1	13,070	28,034	,000
Within Groups	138,930	298	,466		
Total	152,000	299			

**Satisfaction of the primary store's PL between Store 2 & 3**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	38,466	1	38,466	92,285	,000
Within Groups	110,456	265	,417		
Total	148,921	266			

**Satisfaction of the primary store's PL between Store 1 & 3**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7,461	1	7,461	16,141	,000
Within Groups	79,968	173	,462		
Total	87,429	174			

Exhibit 21 - Attitudes toward PL

Attitudes Towards PL by Format

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
Instore I compare the price of the PL to the NB	1	4,7	0,589	0,058	4,59	4,82
	2	4,41	0,898	0,064	4,28	4,53
	3	4,14	1,417	0,168	3,81	4,48
	Total	4,44	0,969	0,05	4,34	4,54
I compare the price of PL in my primary store to other stores	1	3,45	1,269	0,124	3,21	3,7
	2	3,32	1,51	0,108	3,11	3,53
	3	3,63	1,579	0,187	3,26	4,01
	Total	3,42	1,461	0,076	3,27	3,57
I use the ratio Price/Unit to compare products	1	4,17	1,265	0,124	3,93	4,42
	2	3,85	1,395	0,1	3,65	4,04
	3	3,2	1,573	0,187	2,82	3,57
	Total	3,81	1,431	0,074	3,67	3,96
Whenever a promotion makes the price of the NB interesting, I choose NB	1	4,03	0,897	0,088	3,85	4,2
	2	4,21	1,073	0,077	4,06	4,36
	3	3,86	1,496	0,178	3,51	4,21
	Total	4,09	1,128	0,059	3,98	4,21
When the price of the PL is to low comparing to the NB, I don't buy it because the quality is not there	1	3,06	1,313	0,129	2,8	3,31
	2	2,45	1,31	0,094	2,27	2,64
	3	2,61	1,535	0,182	2,24	2,97
	Total	2,65	1,378	0,072	2,51	2,79
When I have guests, I prefer to offer them NB	1	3,05	1,368	0,134	2,78	3,31
	2	2,33	1,427	0,102	2,13	2,53
	3	2,37	1,533	0,182	2	2,73
	Total	2,54	1,463	0,076	2,39	2,69

ANOVA

Attitudes toward PL between 1 & 2

	Sum of Squares	df	Mean Square	F	Sig.	
Instore I compare the price of the PL to the NB	Between Groups	5,86344584	1	5,863	9,048	,003
	Within Groups	193,106554	298	,648		
	Total	198,97	299			
	Total	198,97	299			
I compare the price of PL in my primary store to other stores	Between Groups	1,15705128	1	1,157	,565	,453
	Within Groups	610,509615	298	2,049		
	Total	611,666667	299			
	Total	611,666667	299			
I use the ratio Price/Unit to compare products	Between Groups	7,22722135	1	7,227	3,957	,048
	Within Groups	544,292779	298	1,826		
	Total	551,52	299			
	Total	551,52	299			
Whenever a promotion makes the price of the NB interesting, I choose NB	Between Groups	2,20973574	1	2,210	2,143	,144
	Within Groups	307,336931	298	1,031		
	Total	309,546667	299			
	Total	309,546667	299			
When the price of the PL is to low comparing to the NB, I don't buy it because the quality is not there	Between Groups	24,7560858	1	24,756	14,402	,000
	Within Groups	512,240581	298	1,719		
	Total	536,996667	299			
	Total	536,996667	299			
When I have guests, I prefer to offer them NB	Between Groups	35,3750105	1	35,375	17,872	,000
	Within Groups	589,861656	298	1,979		
	Total	625,236667	299			
	Total	625,236667	299			

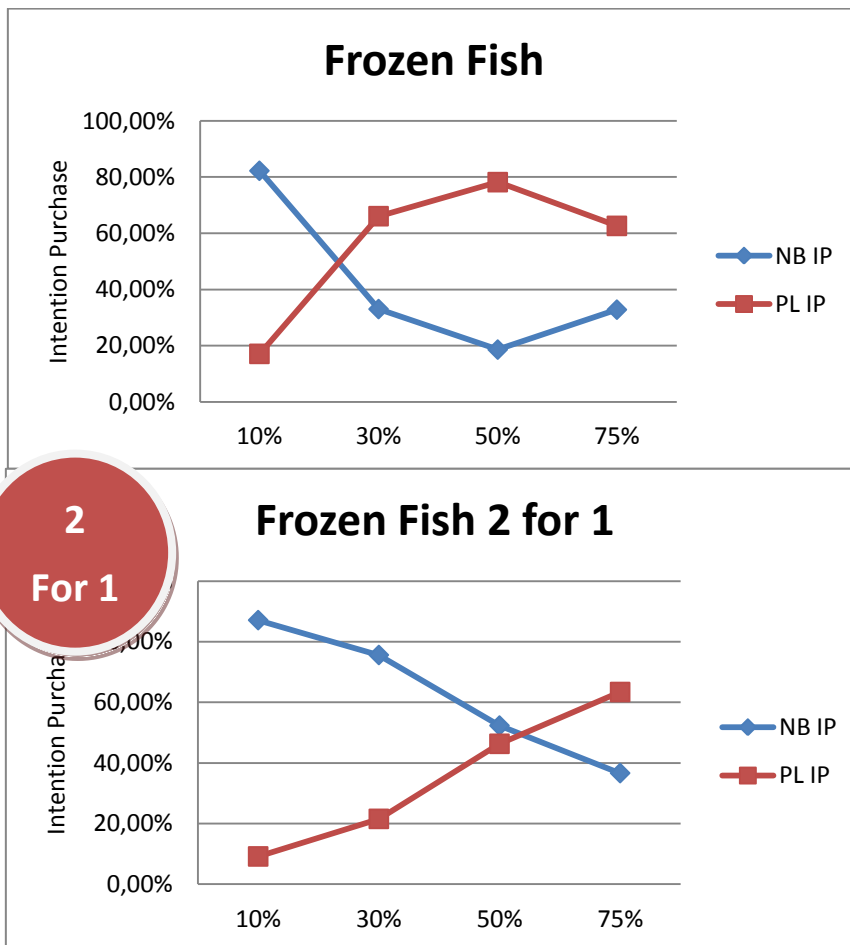
Attitudes toward PL between 2 & 3

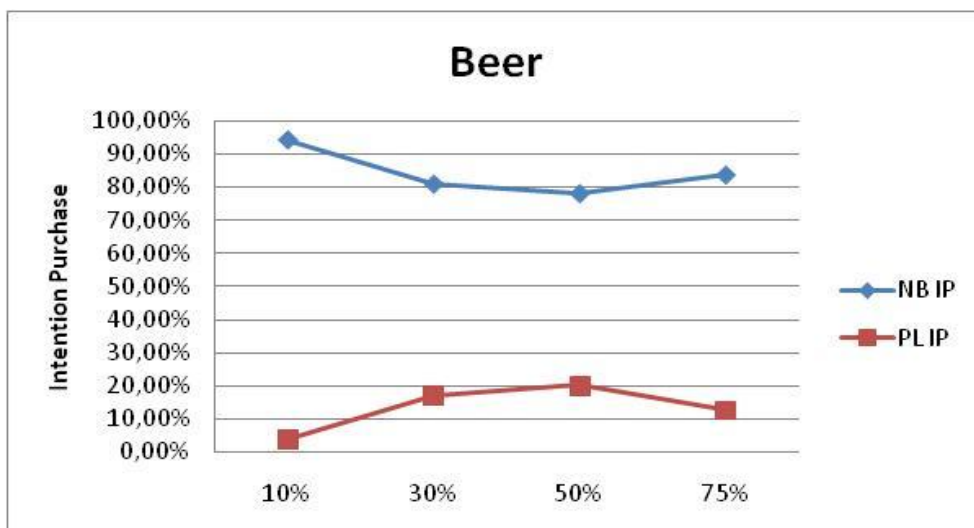
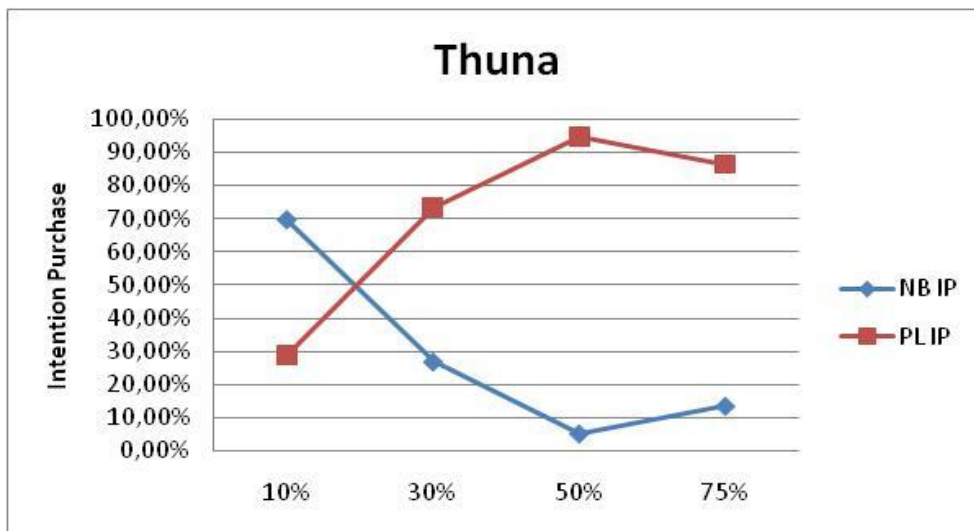
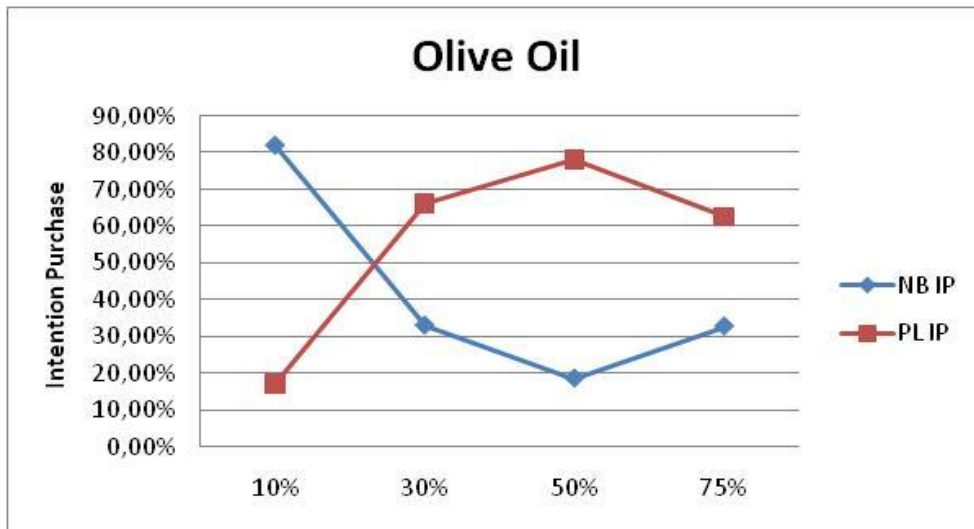
	Sum of Squares	df	Mean Square	F	Sig.	
Instore I compare the price of the PL to the NB	Between Groups	3,72443328	1	3,724	3,313	,070
	Within Groups	297,938468	265	1,124		
	Total	301,662921	266			
	Total	301,662921	266			
I compare the price of PL in my primary store to other stores	Between Groups	5,0857335	1	5,086	2,176	,141
	Within Groups	619,228873	265	2,337		
	Total	624,314607	266			
	Total	624,314607	266			
I use the ratio Price/Unit to compare products	Between Groups	22,0040855	1	22,004	10,551	,001
	Within Groups	552,6476	265	2,085		
	Total	574,651685	266			
	Total	574,651685	266			
Whenever a promotion makes the price of the NB interesting, I choose NB	Between Groups	6,38573038	1	6,386	4,441	,036
	Within Groups	381,015019	265	1,438		
	Total	387,400749	266			
	Total	387,400749	266			
When the price of the PL is to low comparing to the NB, I don't buy it because the quality is not there	Between Groups	1,19709186	1	1,197	,635	,426
	Within Groups	499,544481	265	1,885		
	Total	500,741573	266			
	Total	500,741573	266			
When I have guests, I prefer to offer them NB	Between Groups	0,08200729	1	0,082	,039	,844
	Within Groups	561,580914	265	2,119		
	Total	561,662921	266			
	Total	561,662921	266			

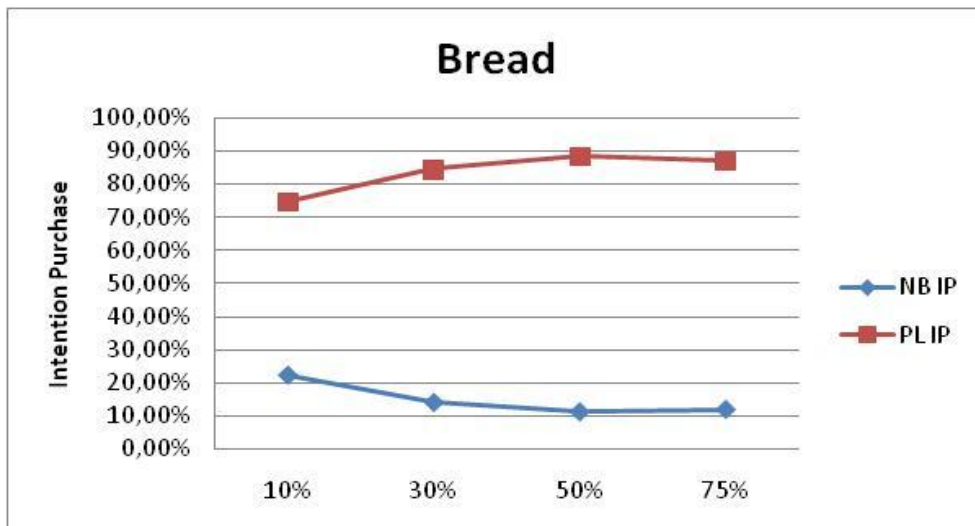
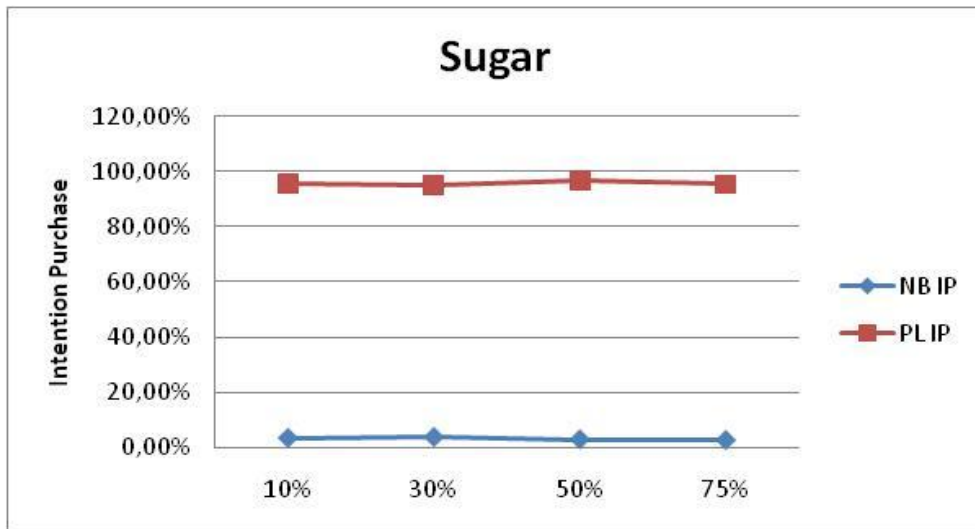
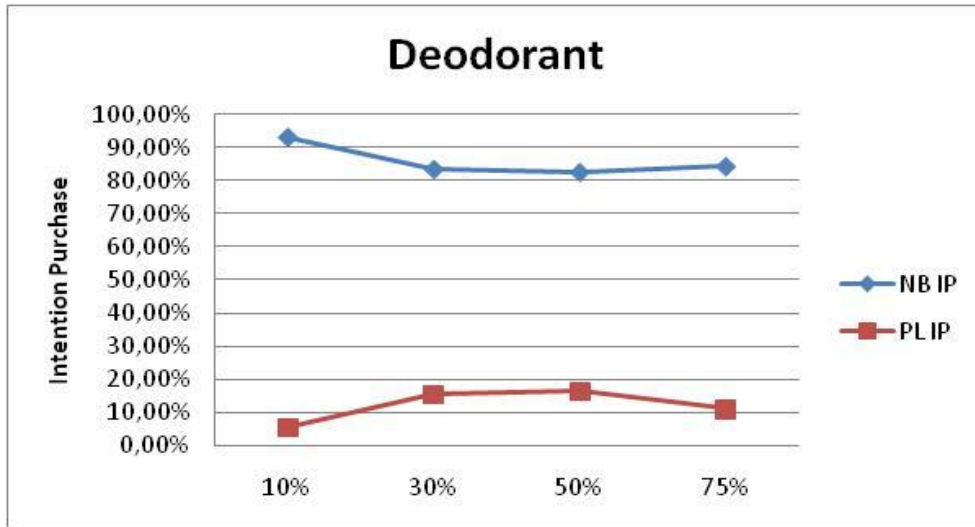
Attitudes toward PL between 1 & 3

		Sum of Squares	df	Mean Square	F	Sig.
Instore I compare the price of the PL to the NB	Between Groups	13,283121	1	13,283	13,031	,000
	Within Groups	176,351165	173	1,019		
	Total	189,634286	174			
I compare the price of PL in my primary store to other stores	Between Groups	1,39579709	1	1,396	,710	,401
	Within Groups	340,238489	173	1,967		
	Total	341,634286	174			
I use the ratio Price/Unit to compare products	Between Groups	40,1845194	1	40,185	20,560	,000
	Within Groups	338,124052	173	1,954		
	Total	378,308571	174			
Whenever a promotion makes the price of the NB interesting, I choose NB	Between Groups	1,21498917	1	1,215	,878	,350
	Within Groups	239,505011	173	1,384		
	Total	240,72	174			
When the price of the PL is to low comparing to the NB, I don't buy it because the quality is not there	Between Groups	8,62269308	1	8,623	4,354	,038
	Within Groups	342,611593	173	1,980		
	Total	351,234286	174			
When I have guests, I prefer to offer them NB	Between Groups	19,6186542	1	19,619	9,501	,002
	Within Groups	357,238489	173	2,065		
	Total	376,857143	174			

Exhibit 22 – Purchase Intention for PL and NB based on 4 Price Gaps









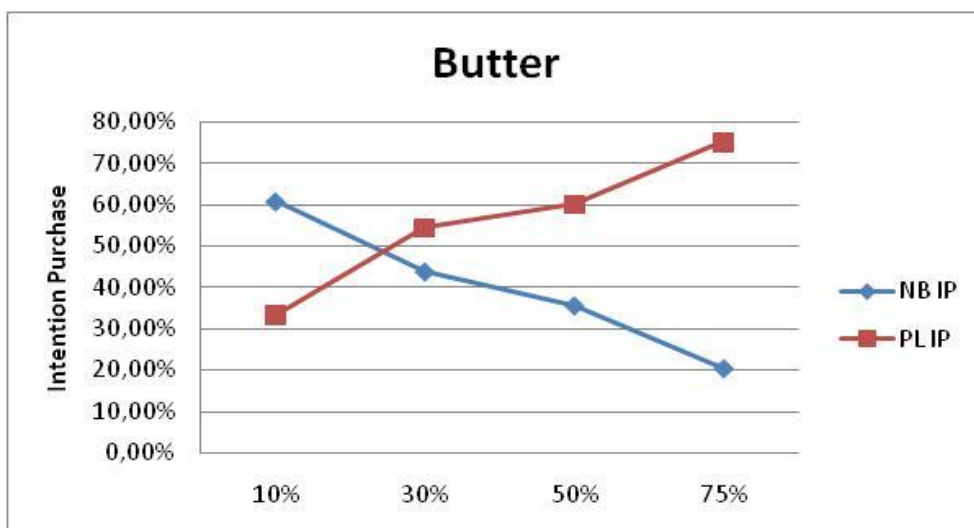
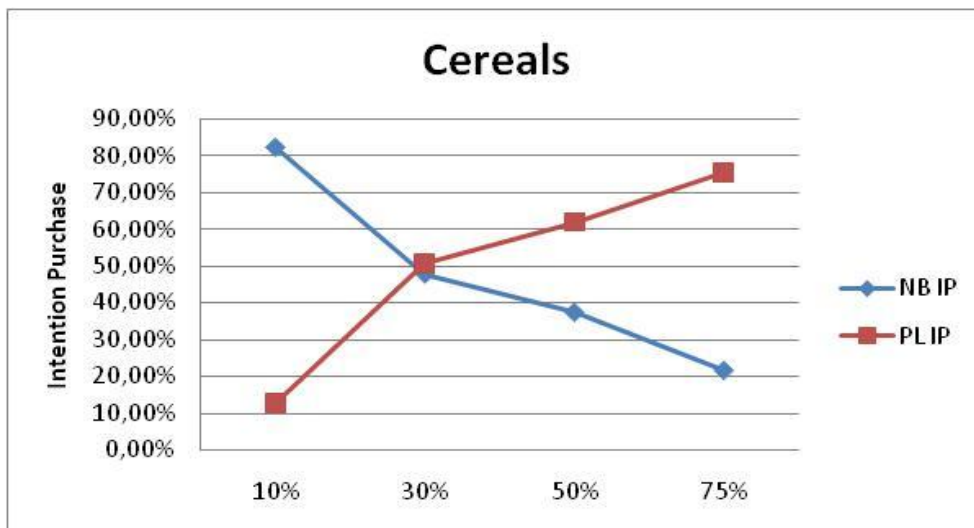
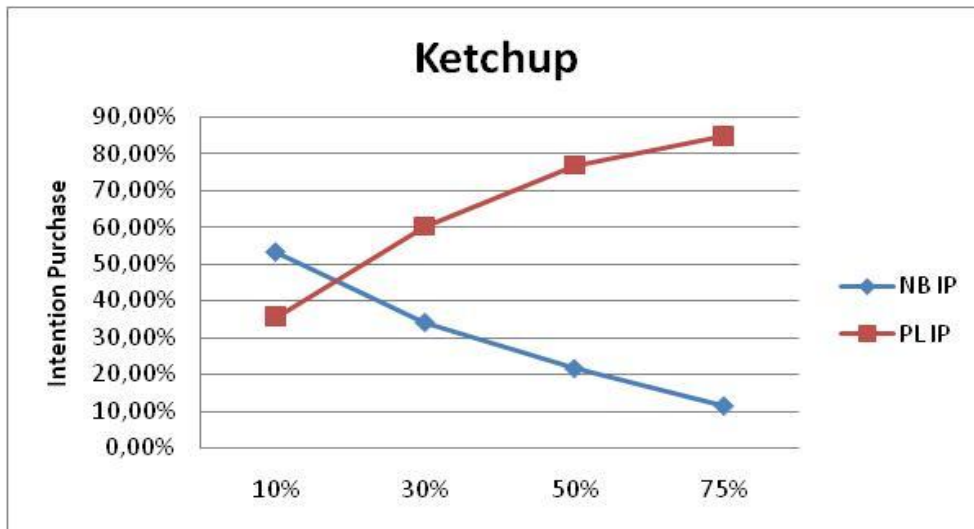


Exhibit 23 – Correlation Price Gap Variation/ Purchase Intention PL

<b>Tuna</b>				
% Price Gap	10%	30%	50%	75%
% Intentions Purchase PL	28,73%	73,41%	94,74%	86,36%
Average Intention Purchase PL	<b>70,81%</b>		<b>R= 0,823994</b>	
<b>Sugar</b>				
% Price Gap	10%	30%	50%	75%
% Intentions Purchase	95,45%	94,86%	96,88%	95,24%
Average Intention Purchase PL	<b>95,61%</b>		<b>R= 0,160705</b>	
<b>Deodorant</b>				
% Price Gap	10%	30%	50%	75%
% Intentions Purchase	5,48%	15,58%	16,33%	10,94%
Average Intention Purchase PL	<b>12,08%</b>		<b>R= 0,396227</b>	
<b>Ketchup</b>				
% Price Gap	10%	30%	50%	75%
% Intentions Purchase	35,43%	60,23%	76,92%	85,00%
Average Intention Purchase PL	<b>64,39%</b>		<b>R= 0,962289</b>	
<b>Bread</b>				
% Price Gap	10%	30%	50%	75%
% Intentions Purchase	74,61%	84,46%	88,37%	87,13%
Average Intention Purchase PL	<b>83,64%</b>		<b>R= 0,830523</b>	
<b>Beer</b>				
% Price Gap	10%	30%	50%	75%
% Intentions Purchase	3,40%	16,89%	20,00%	12,31%
Average Intention Purchase PL	<b>13,15%</b>		<b>R= 0,488043</b>	
<b>Cereals</b>				
% Price Gap	10%	30%	50%	75%
% Intentions Purchase	12,68%	50,68%	61,93%	75,36%
Average Intention Purchase PL	<b>50,16%</b>		<b>R= 0,942766</b>	
<b>Butter</b>				
% Price Gap	10%	30%	50%	75%
% Intentions Purchase	33,13%	54,44%	60,09%	75,24%
Average Intention Purchase PL	<b>55,73%</b>		<b>R= 0,974616</b>	
<b>Olive Oil</b>				
% Price Gap	10%	30%	50%	75%
% Intentions Purchase	11,76%	40,22%	76,96%	61,95%
Average Intention Purchase PL	<b>47,72%</b>		<b>R= 0,822951</b>	
<b>Fish</b>				
% Price Gap	10%	30%	50%	75%
% Intentions Purchase	17,11%	66,08%	78,19%	62,63%
Average Intention Purchase PL	<b>56,00%</b>		<b>R= 0,680591</b>	

# Conclusions

KOHLI & SURI (2011) suggest that “managers must approach pricing as a creative exercise in math and behavioral psychology. If done correctly, profitability can be greatly enhanced via pricing”. ALBA, BRONIARCZYK, SHIMP & URBANY (1994) argued that small prices decreased in a large number of products could result in the improvement of the price image of the retailer and KOHLI & SURI (2011) defended that prices can be increased until a certain level without consumers seeing it. This is was the purpose of this research, to develop pricing guidelines for PL that would take into account the nature of the product, its direct competition within its category but also the consumer perception of its value in order to enhance profitability.

This research meets CHINTAGUNTA, BONFRER & SONG (2002) on the importance of PL improving the price image of a banner, adding to the discussion the depth of the price gap between PL and NB and the strategic choice of the assortment as a component that can improve or not the Price image. In this study, the retailer with the largest gap and with a strong focus in PL in the assortment, presented a better price image. Nevertheless the survey results also sustain AILAWADI (2001) and FOXALL, OLIVEIRA-CASTRO & SCHREZENMAIER (2004) suggestions for retailers to not bet exclusively on PL due to an impact on the profitability of the category. Some products tested showed that even with strong price gaps, the majority of purchase intention would go for the NB as it was predicted by SHANKAR & KRISHNAMURTHI (1996). SINHA & BATRA (1999) suggested that “perceived price unfairness is significantly associated with price consciousness” suggesting to NB’ product managers to justify the gap by convincing them “that what they pay for in higher price premiums for national brands buys them better quality, superior features, and better ingredients, and does not merely make its way into improving the firm’s bottom line.” This suggestion justify in part that the high rank of purchase intentions of PL for products where it is difficult for manufacturers to differentiate their products.

The literature suggests that consumer choices are made inside the category using visible cues like the price gap (BINKLEY & BEJNAROWICZ 2003 ; EXHIBIT 5 ). The results of the survey indicate that consumers compare more prices within a store (PL vs. NB) than compare prices of different PL among different retailers. Retailers should take advantage of the lack of price knowledge among PL to improve their margins.

It doesn't seem to be the case because in the Portuguese market, PL from Pingo Doce and Lidl (both manage a unique type of PL) in 19 PL products, 9 present the same price in both banners. The same survey was able to show that consumers have fewer complexes using PL. On the other hand, it also shows that if there is an opportunity to switch back to NB by a competitive price they do it. Manufacturers of NB aware of that opportunity have been using some techniques to reduce the visual selling price between PL and NB. One of them is to promote NB to reduce the gap and attract consumers.

Managing product promotions is a strategic issue for manufacturers and retailers as it is known that promotion will impact price sensitivity of consumers for that product. It was proven that promotions for a product may result in a decrease market share and erosion of the loyalty for NB in a long term due to an increase of price sensitivity (AILAWADI 2001; GEDENK & NESLIN, 1999). Nevertheless, the results of the price gap survey confirm that using promotions, manufacturers are able to increase their market share. It was also visible that package downsizing can also be used to reduce the gap, almost a 20% variation can be found between the selling price gap and the price/unit gap for a Cleaning product.

Even though the gap may vary according to the type of product, managers should always take into account that PL is an important tool for consumers to protect their purchase power. Another important insight, is that PL prices can be tailored according to the product nature (basic product, NB strength...) allowing fine tuning of prices and margin. But managers should not overlook close competitors' PL prices because in the end price adjustments should not lead to an overall higher "basket price" compared to competitors. Indeed the weight of PL will definitely have an impact on the basket price and thus on the price image, one of the key factor that drives consumers' choice about where to go shopping.

## Limitations and Directions of further Research

The goal of this Thesis was to explore the consumer point of view to build pricing guidelines for PL. Some limitations have to be identified specially in the collect of primary data from the Portuguese market and on the development of the theoretical support for the methodology developed.

SAYMAN, HOCH, & RAJUN (2002) defended that the competitive landscape of the category affects the positioning and performance of PL. In this research only two products from the category were taken into account. So, a deeper study of the category environment would have been required. This study is based on purchase intention from surveys, testing purchase intention in a real environment would have brought more realistic result and in some of the analyses conducted should have been used with real data like the market share for PL. Main limitations are related with the survey, the sensibility of each consumer toward Private Labels should have been identified. Furthermore as the main goal of this research is to enhance profitability real data about margins would have necessary to define the real price for PL and NB that would increase the overall profitability of the category. The relationship between intensity of price gap and the price image was inconclusive due to the limitation from the number of items surveyed.

This case proposes a price gap that tailors the average purchase intention of Portuguese consumers. More than the obvious limitation of a convenience sample used, in a further research several price gaps should be identified according to the type of consumers that FOXALL, OLIVEIRA-CASTRO & SCHREZENMAIER (2004) identified in their research. Furthermore one of the purposes was to create a link between the prices gaps PL & NB length and the impact on price image, the intensity of this impact should also be assessed in future research.

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# Attachments

Product	Market Gap	Price NB	Price Per Unit	PL A	10%	PL B	30%	PL C	50%	PL D	75%
Sugar	8,67%	1,08 €	1,07 €	0,96 €	0,96 €	0,75 €	0,75 €	0,54 €	0,54 €	0,27 €	0,27 €
Olive Oil	26,83%	2,99 €	3,99 €	2,69 €	3,59 €	2,09 €	2,79 €	1,50 €	1,99 €	0,75 €	1,00 €
Butter	18,03%	1,39 €	5,56 €	1,25 €	5,00 €	0,97 €	3,89 €	0,70 €	2,78 €	0,35 €	1,39 €
Bread	44,03%	1,59 €	2,65 €	1,43 €	2,39 €	1,11 €	1,86 €	0,80 €	1,33 €	0,40 €	0,66 €
Beer	47,85%	3,89 €	1,96 €	3,50 €	1,77 €	2,72 €	1,38 €	1,95 €	0,98 €	0,97 €	0,49 €
Cereals	61,90%	2,59 €	6,91 €	2,33 €	6,22 €	1,81 €	4,83 €	1,30 €	3,45 €	0,65 €	1,73 €
Deodorant	70,40%	3,24 €	39,87 €	2,69 €	35,88 €	2,09 €	27,91 €	1,50 €	19,93 €	0,75 €	9,97 €
Frozen Fish	35,09%	3,99 €	9,98 €	3,59 €	8,98 €	2,79 €	6,98 €	2,00 €	4,99 €	1,00 €	2,49 €
Ketchup	38,40%	2,38 €	5,17 €	2,14 €	4,66 €	1,67 €	3,62 €	1,19 €	2,59 €	0,60 €	1,29 €
Thune	44,10%	1,19 €	9,92 €	1,07 €	8,93 €	0,83 €	6,94 €	0,60 €	4,96 €	0,30 €	2,48 €

Prices in Black were rondo-up to create psychological prices.

Price per Unit was used to calculate the Price of the PL

Price of NB is the Modal number or the Median one, while the market gap is the weighted average according to the player market share

## Survey Template



Gostaria de começar por agradecer a sua participação no presente inquérito.

Esta pesquisa realiza-se no âmbito de uma tese de Mestrado e tem como objectivo obter a perspectiva dos consumidores relativamente às suas preferências entre as marcas dos fabricantes e as marcas próprias.

As marcas próprias, vulgarmente conhecidas por “marcas brancas”, são marcas que pertencem àqueles que as distribuem (ex: marca Pingo Doce, marca Continente, etc.).

O questionário demora cerca de 10 minutos a concluir, sendo que queria garantir desde já que todas as suas respostas vão ser mantidas em total anonimato e apenas serão utilizadas para complementar o meu projecto de tese.

Adrien Lopes

## Identification of the main and secondary store for grocery shopping

### Classification of the Price Level of different banners

1. Qual é a superfície comercial em que faz a maioria das suas compras?	2. Em que outra superfície comercial também faz as suas compras?
<input type="checkbox"/> Continente	<input type="checkbox"/> Continente
<input type="checkbox"/> Jumbo	<input type="checkbox"/> Jumbo
<input type="checkbox"/> Minipreço	<input type="checkbox"/> Minipreço
<input type="checkbox"/> Intermarché / Ecomarché	<input type="checkbox"/> Intermarché / Ecomarché
<input type="checkbox"/> Pingo Doce	<input type="checkbox"/> Pingo Doce
<input type="checkbox"/> Lidl	<input type="checkbox"/> Lidl
<input type="checkbox"/> Continente Bom Dia	<input type="checkbox"/> Continente Bom Dia
<input type="checkbox"/> Leclerc	<input type="checkbox"/> Leclerc

### 3. Classifique a sua percepção dos preços em geral de cada superfície comercial.

	Muito Barato	Barato	Médio	Caro	Muito Caro	Não Sabe
Continente						
Jumbo						
Minipreço						
Intermarché / Ecomarché						
Pingo Doce						
Lidl						

Classification of the satisfaction level about PL from the stores frequented

4. Classifique o seu nível de satisfação dos produtos de marca própria das superfícies comerciais que frequenta.

	Muito Satisfeito	Satisfeito	Nem muito nem pouco satisfeito	Pouco Satisfeito	Nada Satisfeito	Não Sabe
A que mais frequenta						
A que frequenta em segundo lugar						

Respondents were asked to choose between PL or NB according to a Price Gap (4 versions of the survey were create)

**A** Desodorizante Roll-On

Marca Própria vendida a um preço de **2,69€**



0,075 Litro      35,88€/ Litro

Desodorizante "Nívea" vendido a um preço de **3,24€**



43,20€/ Litro      0,075 Litro

Que produto compraria?

Certamente  
Marca Própria

Provavelmente  
Marca Própria


Indiferente

Provavelmente  
Marca

Certamente  
Marca

**C** Cereais Chocolate

Marca Própria vendida a um preço de **1,29€**



350g      3,45€/ Kg

"CHOCAPIC" vendido a um preço de **2,59€**



6,91€/ Kg      350g

Que produto compraria?

Certamente  
Marca Própria

Provavelmente  
Marca Própria

Indiferente

Provavelmente  
Marca

Certamente  
Marca

D

Atum

Lata de Atum Marca Própria vendida a um preço de **0,27€**



120g

2,26€/ Kg

Lata de Atum "BOM PETISCO" vendido a um preço de **1,08€**



9,03€/ Kg

120g

Que produto compraria?

Certamente  
Marca Própria

Provavelmente  
Marca Própria

Indiferente

Provavelmente  
Marca

Certamente  
Marca

A

Manteiga

Marca Própria vendida a um preço de **1,25€**



250g

5,00€/ Kg

Manteiga Mimosa vendida a um preço de **1,39€**



5,56€/ Kg

250g

Que produto compraria?

Certamente  
Marca Própria

Provavelmente  
Marca Própria

Indiferente

Provavelmente  
Marca

Certamente  
Marca

A

Medalhões Pescada

Marca Própria vendida a um preço de **3,59€**



400g

8,98€/ Kg

Medalhões Pescada "IGLO" vendido a um preço de **3,99€**



9,98€/ Kg

400g

Que produto compraria?

Certamente  
Marca Própria

Provavelmente  
Marca Própria

Indiferente

Provavelmente  
Marca

Certamente  
Marca

E

Medalhões Pescada

Marca Própria vendida a um preço de **2,79€**



400g

6,98€/ Kg

2 embalagens Medalhões Pescada "IGLO" por **3,99€**



9,98€/ Kg

**Leve 2 Pague 1**

3,99€/ Unid

Ao levar duas:  
2,00€/Unid

Que produto compraria?

Certamente  
Marca Própria

Provavelmente  
Marca Própria

Indiferente

Provavelmente  
Marca

Certamente  
Marca

A

Cerveja

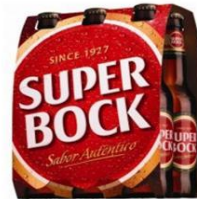
Embalagem Cerveja Marca vendido a um preço de **1,79€**



6 \* 33 cl

0,90€/ L

Embalagem Cerveja Super Bock vendido a um preço de **1,99€**



1,01€/ L

6 \* 33 cl

Que produto compraria?

Certamente  
Marca Própria

Provavelmente  
Marca Própria

Indiferente

Provavelmente  
Marca

Certamente  
Marca

C

Pão de Forma

Embalagem Pão de Forma Marca Própria por **0,79€**



600g

1,33€/ kg

Embalagem Pão de Forma "PANRICO" por **1,59€**



2,65€/ kg

600g

Que produto compraria?

Certamente  
Marca Própria

Provavelmente  
Marca Própria


Indiferente

Provavelmente  
Marca

Certamente  
Marca


**A** **Açúcar**

Embalagem Marca Própria vendido a um preço de **0,96€**



1 Kg      0,96€/ Kg

Embalagem "SIDUL" vendido a um preço de **1,07€**



1,07€/ Kg      1 Kg

Que produto compraria?

Certamente Marca Própria	Provavelmente Marca Própria	Indiferente	Provavelmente Marca	Certamente Marca
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**B** **Azeite Extra Virgem**

Marca Própria vendida a um preço de **2,09€**



0,75 Litro      2,79€/ Litro

Azeite "GALLO" vendido a um preço de **2,99€**



3,99€/ Litro      0,75 Litro


Que produto compraria?

Certamente Marca Própria	Provavelmente Marca Própria	Indiferente	Provavelmente Marca	Certamente Marca
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Nunca compro este tipo producto


**C** **Ketchup**

Ketchup Marca Própria vendido a um preço de **2,14€**



460g      4,66€/ Kg

Ketchup Heinz vendido a um preço de **2,38€**



5,17€/ Kg      460g

Que produto compraria?

Certamente Marca Própria	Provavelmente Marca Própria	Indiferente	Provavelmente Marca	Certamente Marca
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Identification of attitudes toward Private Labels:**

- Compare the price of the PL with the price of the NB
- Compare the price of PL of the main store with the price of PL from other stores
- Use price unit ratio to compare products
- Whenever a promotions makes the price of NB, NB is chosen
- Don't buy PL if the price gap is to wide
- When receiving guests, are PL offered.
- Identification of attitudes toward Private Labels:

7. Quando se encontra na superfície comercial, na altura de escolher determinado produto, a sua atitude mais provável é:					
	Discordo Totalmente	Discordo em parte	Não concordo nem discordo	Concordo em parte	Concordo Totalmente
Comparo sempre o preço do produto de marca própria com o preço do produto da marca do fabricante					
Comparo sempre o preço do produto de marca própria com o preço de outro produto de marca própria da outra superfície comercial que frequento.					
Utilizo o preço por unidade (€/Litro ou €/kg) para comparar diferentes produtos.					
Sempre que uma promoção torna o preço do produto de marca interessante, escolho o produto de marca.					
Quando o preço do produto de marca própria é muito inferior ao da marca do fabricante, não compro porque a qualidade deve ser duvidosa.					
Quando recebo convidados, prefiro comprar produtos de marca do fabricante.					

**Demographic Data:**

**8. Qual é a sua idade?**

Entre os 18 e os 24 anos.

Entre os 25 e os 34 anos.

Entre os 35 e os 49 anos.

Entre os 50 e os 64 anos.

Mais de 65 anos.

**9. Qual é o seu sexo?**

Feminino

Masculino

**11. N° Elementos Agregado :**

\_\_\_\_\_

**10. Qual o rendimento anual bruto do seu agregado familiar?**

Até 12.000€.

Entre 12.001€ e 20.000€.

Entre 20.001€ e 35.000€.

Superior a 35.000€.

Não sei / Não respondo