

Diversification of Private Labels in the Japanese Retail Industry

Dr. David Marutschke

Abstract

The purpose of this conceptual paper is to understand why major retailers in the Japanese fast moving consumer goods market have grown and diversified their private labels in recent years. Based on these insights, the paper discusses the potential of private labels to address a fundamental shift in consumer attitudes towards higher price-sensitivity and long-term value orientation. For this analysis, Japanese articles from professional magazines and newspapers published within the last few years are reviewed which include keywords such as “private brand” and “private label”. In addition, publicly available surveys among Japanese retail companies are analyzed, including the annual Nikkei retail survey and the annual supermarket statistical research report by the Japan Supermarket Association.

Four underlying motives of major Japanese retailers to grow private labels are identified. The first motive is to differentiate through price, appealing cost effectiveness of the entire retailer’s brand. The second motive is to differentiate through “smart value”, which aims at outperforming rivals in terms of the gap between perceived price and benefits. The third motive is to differentiate through unique value by offering goods with exclusive features. The last motive is to differentiate through cumulative advantage, where goods are specifically designed to create or modify consumer habits over time. The findings suggest that the traditional two-dimensional concept of price and quality and tiered brand schemes are outdated to explain recent trends in private labels. This conceptual paper offers a new way to incorporate unique and long-term value perspective into the investigation of private labels.

1 Introduction

Private label products have become an essential part of our daily lives around the globe. No

matter if we go to supermarkets, drug stores or even electronic supply stores, we are able to select from a large variety of products which are sold under the retailer's own label. They represent a significant opportunity for retailers to differentiate products and enhance profitability while serving the wide and changing tastes of consumers.

From a global point of view, private labels achieved impressive market penetration, and the positive trend continues to grow. 89% of shoppers worldwide were buying private labels in 2013 (Euromonitor, 2018). Japan is the world's second largest retail market (IBP, 2015), and private labels are slowly but steadily gaining in popularity, which makes this market a particularly interesting research object. In addition, understanding the underlying market dynamics challenges some common conceptions such as Japanese consumers to be traditionally brand-conscious buyers, who are willing to pay a premium price for products with well-known brand names and who are less interested in low quality or low-priced goods.

This paper analyses recent trends of major Japanese retailers to expand private labels and their underlying motives, with special focus on the packaged consumer goods market. First, a literature review and statement about the research gap is given, followed by an analysis of recent retailer activities in private label development using case examples and related survey data. Subsequently, customer-oriented motives are discussed and their opportunities and challenges to meet dynamically changing needs, before ending with concluding remarks.

2 Literature review

Private labels, sometimes also called private brands, store brands, house brands, own brands, own label or retailer brands, have been present in the marketplace for several decades. Although the exact definition of the term varies among marketing professionals and practitioners, the retailer's ownership and exclusivity are a common theme throughout the literature. Armstrong & Kotler (2014) define private brand as "a brand created and owned by a reseller of a product or service". According to the private label manufacturer's association, a private brand encompasses "... all merchandise sold under a retail store's private label. That label can be the store's own name or a brand name created exclusively by the retailer for that store." (PLMA, 2017). The Japan Ministry of Internal Affairs and Communications counts those products as private labels which are planned and developed by major retailers such as superstores and which are sold under their own brand (MIC, 2017a). They can be found across many fast-moving consumer good categories such as processed foods, soft drinks and toiletries, but retailers have extended the line-up even to

more complex durable goods such as electronic devices and even services including mobile and insurance services.

The reasons for retailers to develop private labels are manifold. One commonly stated reason is that they lead to higher gross margins compared to manufacturer brands (Richardson et al., 1996), mainly because of lower investments on product development, commercialization and advertisement. In many cases, retailers purchase products under the private label at wholesale prices which are only slightly above the marginal costs (Liu & Wang, 2008). By doing so, profits can be secured even in a highly price competitive market. Researchers have identified positive effects on the demand for manufacturer brands which can help raising the profitability of entire product categories (Vahie & Paswan, 2006). Others argue that retailers use private labels as bargaining tools so they can negotiate better prices, ordering or delivery terms with manufacturers (Ailawadi et al., 1995; Chintagunta et al., 2002; Narasimhan & Wilcox, 1998). As the label is solely managed by the retailer, the company has more control over the product from research and development, distribution, merchandising and marketing. Miquel-Romero et al. (2014) argue that private labels have potential of building long-term customer relationships as they increase consumer's propensity to buy private labels even in new categories. The Japanese literature lists the ability to secure profits, strengthen negotiation power and to diversify product offering as the primary objectives (Shigetomi, 2015; Yahagi, 2014; Fujino, 2009). In the 2015-2016 Private Label Sourcing Survey by Deloitte, one of the largest surveys on this topic, retailers were asked to identify their primary objective for developing private labels. The most stated objective was to create a lower price alternative at equivalent quality (59% for grocery and 42% for general merchandise), followed by establishing exclusivity and differentiation (12% for grocery and 23% for general merchandise). Only 8% and 13%, respectively, stated to develop private brands primarily to build a "price fighter" brand in the product category (Deloitte, 2015).

Literature on brand management considers a two-dimensional space using relative price and quality vectors to determine the positioning of private labels against established manufacturer brands (Bakker, 2015; Riezebos, 2003). The most common are two-tier (low, mid-tier, Steiner (2004)) or three-tier (low, mid, premium tier, Lamey et al. (2007)) brand schemes. Yang & Wang (2010) define low tier as acceptable quality at the lowest price, mid-tier as equivalent quality (to manufacturer brands) at lower price and premium tier as higher quality at a high price. Kumar & Steenkamp (2007) distinguish between three positioning strategies "generic", "copycat" and "premium". Here, generics are seen as products with little added value, often poor quality and

available at a price less than half of that of the leading manufacturer brand (Nishikawa & Perrin, 2005), while copycats are goods which re-create well-known brand products by imitating their features and packaging, positioned at an equal quality level but priced moderately lower than the original manufacturer (Bakker, 2015). Finally, the term premium is used for goods which are positioned in the high quality and price segment, with a quality level equal to or even superior to that of manufacturer brands (Sayman et al., 2002).

Similar to the three-tier brand model discussed above, the Japanese literature distinguishes between three categories that emerged in the last decades but uses terms slightly differently. According to Yahagi (2014), supermarkets in particular increased their efforts into creating “generic brands” in the 1970s, which are defined as low quality product at low cost, to cope with the challenges resulting from economic downturn and strong price competition. Products classified under “standard brands” were introduced later with a quality level similar to leading manufacturer brands, which have been further improved in the 1990s to match diverse customer needs. This was also the time when “premium goods” under the private label were introduced and surpassed the quality of their established counterparts (Yahagi, 2014). The author suggests that there has been a shift historically, from private labels which appeal cost effectiveness (*kakaku sokyū gata*) to more quality-oriented labels (*hinshitsu jūshi gata*). One argument is that established brands take countermeasures by raising the quality of own their products, making private brand options obsolete in the consumer’s mind. This in turn forces retailers to enhance their quality level continuously (Tsuchihashi, 2010).

The above overview shows that both Western and Japanese literature uses price and quality vectors to explain different positioning strategies of retailers. However, a look at the recent years suggests that private label segmentation has become more sophisticated and diversified. For example, *Topvalu* by Aeon Group, one of Japan’s biggest private label in the market has a three-tier brand scheme that consists of *Topvalu Best Price*, *Topvalu* and *Topvalu Select* labels, but also offers *Topvalu GreenEye* (*toppu baryū gurīn ai*) which promotes safety, health and sustainability-oriented features. According to a company statement, this label is treated separately from the three-tier scheme (Aeon Group, 2014). Other major retailers used to offer two-tier brand schemes such as *Seven & i Premium* and *Seven & i Premium Gold* by Seven & i Holdings, but the company has further diversified into several sub-labels, including *Seven & i Premium Fresh* and *Premium Lifestyle* (Seven & i Holdings, 2017).

This trend of label diversification suggests that a two-dimensional price/value approach with tiered brand schemes shows an incomplete picture of the market. Furthermore, Japanese literature tends to focus on strategic, organizational and contractual issues between producers and retailers to understand the company's motivation, while relatively few take a customer-oriented view and integrate the issue of brand and product value perceptions. The aim of this paper therefore is to better understand the situation in Japan by investigating recent activities and underlying motives of Japanese retailers to develop and expand private labels. This analysis takes a fundamental shift in consumers attitudes towards higher price-sensitivity and value orientation into account. Special focus is put on major retail companies as they cover the majority of the market share (Toukei Data, 2017). The findings should help to understand why and how retailers are growing private labels to meet customer needs and how this can be explained despite the commonly known high level of brand consciousness of Japanese consumers. The findings should also give directions for future research on key differentiators of private labels and the impact on consumer perception. For this analysis, articles from professional magazines and newspapers including Diamond Chain Store, Chain Store Age and Nikkei Marketing Journal published within the last few years are reviewed which include related keywords such as "private brand" and "private label" (*puraiibēto lēberu, PB shōhin* etc.). In addition, surveys among Japanese retail companies are analyzed, including the Nikkei annual retail survey as well as the annual survey conducted by the Japan Supermarket Association (JSA) and the Private Label Manufacturer's Association (PLMA). Various market reports and company statements by major retailers are examined to understand industry / company specific trends.

3 The private label landscape in Japan

From a global perspective, the market penetration of private labels is still relatively low in Japan. In a report from 2011, PricewaterhouseCoopers made a forecast for the 2010-2015 period that only 9% to 11% of the market's total value would come from private labels in Japan, putting the country on the 18th place in a global survey among 21 countries. These numbers are significantly below the global average of 22% and 24% (PwC, 2011). Euromonitor International comes to a similar result in a report published in 2015 which suggests that Japan is the only Asian market among the 10 largest global private label markets, but has the lowest private label penetration with an estimated share of less than 10% (Euromonitor, 2015). Yahagi (2014) argues that the relatively low penetration rate of private labels in Japan can be explained by the fragmented nature of the retail industry. The author suggests that Japan's retail industry consists of many small and independent stores which do not have the capacity to develop or market such products on a large scale.

Nevertheless, the market is constantly growing and is gradually changing the retail landscape which has been dominated by manufacturer brands in the past. In 2013, the market size of private label business for food and non-food products in Japan has grown to approximately 3 trillion JPY and is expected to grow further to 3.2 trillion JPY by 2017 (Japan Marketing Association, 2017b; Chain Store Age, 2014; Fuji Keizai, 2014). In fact, the U.S. Agricultural Trade Office provides positive private label growth projections for Japan in all five retail types (general merchandise supermarkets, supermarkets, convenience stores, Co-op and others) between 2012 and 2017, with growth rates of up to 29.86% in the case of convenience stores (Aoki & Oakley, 2016). According to a survey among Japanese supermarket operators from 2017 conducted by the Japan Supermarket Association (JSA), 75% of the respondents stated to offer private label goods. Almost half of them (49.1%) expressed that sales with private labels have increased in 2017 compared to the previous year¹. Only a minority of 11.8% of the total sample has been confronted with decreasing sales (JSA, 2017). In the 49th Japan retail survey conducted by Nikkei Marketing Journal, more than half of the companies (56.5%) stated to expand sales generated by private labels (Nikkei MJ, 2016). It is also worthwhile to mention that Japan is already represented in five of the 50 largest markets for private label worldwide, primarily related to chilled and processed food, with four of them having positive growth projections for the 2015-2020 period (Reklaite, 2015).

The Japanese private label market is dominated by a few major retailer brands. The four biggest in terms of sales are *Seven & i Premium* (Seven & i Holdings), *Topvalu* (Aeon Group), *Co-op* (Japanese Consumers' Co-operative Union) and *CGC* (CGC Group). Together, they accounted for 2.5 trillion yen in 2015, a 7.7% increase from the previous year (Diamond Chain Store, 2016c). Among these brands, *Seven & i Premium* holds a unique position, not only because it takes the biggest share of 1.1 trillion yen but also because of its strong growth rate of 22.8% in 2015, significantly exceeding competitor performance. According to the 2017 Nikkei business map (*Nikkei gyōkai chizu*), *Seven & i Premium* and *Topvalu* alone have a market share of almost 70% (Toukei Data, 2017). Data from the Japan Supermarket Association further suggest that company size matters, as the share of companies offering private labels is positively related to the number of stores under operation (JSA, 2017).

The following elaborates on the trends, activities and underlying motives behind private label strategies of major Japanese retailers that were identified during the review of market reports,

¹ For large retailers which operate at least 51 stores, these numbers increase to almost 90% and 60%, respectively.

professional magazines, newspaper articles, surveys and scholarly articles.

3.1 Demonstrate price effectiveness

The launch of price-oriented goods (*kakaku sokyū gata*) under the retailer's brand in the early 1970s represents the origin of the Japanese private label market (Ohno, 2015). The primary objective of this form is to attract customers by offering products which are functionally equivalent to national brands but positioned at a lower price. In retail management, it is often argued that companies use this strategy in times of a price war to offer a low cost alternative without damaging the national brands' equity (Rao et al., 2000). The economic situation and outlook of a country also can have a big impact on the success of price-oriented private labels. Quelch & Harding (1996) claim that private label market share generally goes up when the economy is suffering and down in times of favorable economic conditions. When consumers are more cautious in spending and more price sensitive in economically difficult times, retailers can rely on low-cost labels to meet sales and profit targets. This fits to the insight by Shill et al. (1995) that the share of private labels and generic products in Japan has significantly grown in many markets after the collapse of the Japanese bubble economy in the early 1990s (Kato, 2009).

Miyashita (2010) suggests that management in the Japanese retail industry is reshaping its focus on private labels since 2008 in the context of the global recession triggered by the American subprime crisis. The high cost pressure caused by rising oil and material prices further pushes retailers to look for new ways to secure their profits. Several indicators suggest that the social and economic conditions remain quite challenging for retailers, as the country's economic growth came to a halt in the aftermath of the Great East Japan Earthquake in 2011. According to the Japan statistics on salary from 2015 (Kokuzeichō, 2015), the share of population with annual salary of equal or less than 3 million JPY is 39.9%, which is an increase of more than 2 percentage points compared to 10 years ago (37.6% in 2005). Considering the debate of a growing share of non-regular employees with lower income than regular employees (JILPT, 2016), more people are expected to take budget cuts in everyday consumer spending. Data by Trading Economics shows that Japan consumer confidence took big hits by the subprime financial crisis in 2008, the Great East Japan Earthquake in 2011 and consumption tax hike in 2014. Although the index is slowly recovering, it is still below 2013 level (TradingEconomics, 2018).

Several data sources suggest that the economic situation has a big impact on consumer spending behavior. According to a survey among Japanese retail buyers conducted by Musashino

University, the share of respondents who agreed that consumers are “aggressively saving money” has increased from 35.8% in 2016 to 41.8% in 2017 and 37% in 2018. 72.9% of retail buyers confirmed the importance of addressing needs of low-end consumers (Diamond Chain Store, 2017, 2018). A report from Euromonitor warns that “many Japanese consumers are concerned about their future financial prospects and are thus restricting spending where possible” (Euromonitor International, 2017). Even for dual-income households, Miura & Higashi (2017) find that the savings rate has increased by 0.78 to 0.88 percentage points between 2007 and 2015, when controlling for income and financial assets. This trend is expected to continue as the level of consumer confidence and expectations towards economic recovery remains at a relatively low index below 45 (RTTNews, 2018).

In this environment, where the preference of Japanese consumers towards lower priced goods tends to become stronger, retailers are increasingly investigating the role of their private labels in fighting the price pressure. For example, Aeon Group announced in early 2018 to lower the prices of 100 items under their *Topvalu* label about 10% on average, a continuation of a price reducing campaign initiated in 2016 (Nikkei, 2018; Nikkei MJ, 2018). Similarly, Seiyu announced to reduce 100 items under its private label for an average of 7% (Seiyu, 2017a). Half of the respondents in the 50th annual retail industry survey conducted by Nikkei Marketing Journal stated that they plan to increase private label goods which are cheaper than manufacturer brands (Nikkei MJ, 2017a). Increasing product sales which are “slightly less expensive” and “significantly less expensive” than established brands were the only options which got higher response rates than the previous year. According to the 2017 Japan Supermarket Association survey, the most common feature of private label goods, which retailers want to appeal to consumers is “low price”, with a response rate of 74.9% among 183 surveyed companies (JSA, 2017).

However, low price does not necessarily mean to undercut manufacturer brands with heavy price discounts, nor can it be concluded that retailers want to appeal cost effectiveness at the expense of quality. In fact, a survey conducted by the Japan Management Association at the Private Label Trade Show Japan in 2017 reveals that only a minority of 22.2% stated that they want to develop more goods which are priced below national brands, and even fewer (6.7%) stated to position themselves at a lower quality level than manufacturer brands (Japan Marketing Association, 2017a). One example that illustrates this trend is the private label *Kihon No Ki* by Seiyu Ltd. which was launched in 2012. Featuring very simple design and packaging, these products cover essential daily good categories such as detergents, cleaning agents and kitchen utilities.

According to Diamond Chain Store, the aim is to appeal the price effectiveness of the Seiyu brand to customers by offering the lowest price in a given category, planning for further expansion of the brand across items for everyday consumption. The product development director at Seiyu confirms that these products are positioned at “basic quality”, but also emphasizes that quality level should at least be on par with manufacturer brands (Diamond Chain Store, 2016d).

3.2 Appealing consumers with smart value

In a discussion of new emerging trends among Japanese consumers, Salsberg (2010) refers to the “hunting for value”, where more consumers make cuts in their overall spending and question the effectiveness of spending extra money for convenience. This is quite different from the traditional view of the Japanese consumer who is willing to pay a premium price for convenience, brand recognition and social status. Instead of aiming for the highest quality product to meet one’s needs in the “best” way possible, consumers are seeking for the “smartest” solution which has the right balance between perceived price and benefits. This idea is similar to the “good-value pricing” discussed by Armstrong & Kotler (2014) which stands for “just the right combination of quality and good service at a fair price”. Kubacki (2015) confirms that if the consumer perceives a good value from a brand, they can be expected to evaluate it positively and develop a positive attitude.

It appears that the observations of Salsberg (2010) are not just temporary but reflect a general shift in purchase attitudes that is gradually changing consumer spending patterns. The Mitsubishi Institute for Food Strategy (*Mitshubishi Shokuhin Senryaku Kenkyūjō*) which regularly investigates the buying behavior of different customer segments puts special attention to the “new economical group”, a growing number of customers who have a relatively low income but still want to enjoy daily life in a “smart” manner. Similar to the definition by Armstrong & Kotler (2014), the authors explain that “smart” here means to get the most out of a purchase given the limited amount of money available for disposal. Despite their financial restrictions, this emerging group has “surprisingly no sense of sad resignation” (translated from Diamond Chain Store, 2016b). According to the Hakuhōdo Institute of Life & Living, this “new cost performance mindset” is changing the retail landscape that is driven by consumers who seek the best possible product at the lowest possible price. “Even if priced a little higher, a better cost performance is perceived if the product is more durable, more effective or shortens time” (translated from NHK, 2017). A research paper by the U.S. Commercial Service confirms that “the Japanese consumer was always known for being quality oriented and rather picky, but now is also frugal” (Ikeda & Okamoto, 2015). Consequently, quality and value for money are the top motivators for Japanese consumer’s brand

loyalty according to an Epsilon survey conducted in 2015 (Enterprise Innovation, 2015).

Although private labels have always been regarded as an effective way to communicate primarily reasonable prices, quality becomes an increasingly important factor which is evident in the growing number of quality-oriented (*hinshitsu jūshi gata*) private labels (Ohno, 2015). According to the 2016 retail survey by Nikkei MJ, 41.5% of the respondents stated that they developed value-oriented goods under their private label which are at the same or even higher price level compared to established manufacturer brands. In addition, 14.1% of the respondents stated that they plan to replace price discounts of manufacturer brands with goods with their own label to improve profitability, a 4.5 point increase compared to the 2014 study (Nikkei MJ, 2016). The survey results from the Private Label Trade Show Japan in 2017 reveal that the majority aims to elevate the product quality of their own label at least to the same level of manufacturer brands (53.4%), if not higher (39.9%) (Japan Marketing Association, 2017a). Both high quality/luxury feeling (29.4%) and low price (27.3%) were the most frequently mentioned characteristics of future private brand products under development. It can be argued that instead of focusing on one of the extremes within the quality/price dimensions, Japanese retailers distinguish themselves from leading manufacturer brands by taking a more balanced approach between the two to convey “smart” or “good” value of their products. As the CEO of Seven & i Holdings puts it in an interview with Diamond Chain Store Magazine in 2015:

“The times when price discounts generated more demand is over. The question now is how many and what products with better value or taste we can offer to the market. When prices rise, it becomes more important to develop products which are just a little bit better or which can be used a little longer” (translated from Diamond Chain Store (2015b))

Consequently, repositioning the private label against established brands and communicating a more balanced offering in terms of perceived quality and price becomes a critical success factor. As an example, Seiyu Ltd. started a two-tier private label strategy in 2013, after its *Great Value* (GV) line-up, a private label adopted from the US parent company Walmart Inc., had weakened in market presence (Nikkei Messe, 2013). The company is now expanding its offerings through the price-oriented label *Kihon no ki* but also a value-oriented brand *Minasama no Osumitsuki*. Featuring separate logos and package design across distinct product categories helps customers to distinguish both line-ups. For the latter, the company emphasizes their strict quality criteria (at least 70% of responses in consumer tests need to have “very good” or “good” evaluation) and value

adding features such as seasonal flavors or economical package size (Seiyu, 2017b). In an interview published by the Diamond Chain Store Magazine, the product development and strategy director explains as follows:

“Our fundamental thinking towards private label is to have products which exceeds the quality level of national brand products (...). Taking the low price for granted, we think it is important to offer higher quality than national brand products.” (translated from Diamond Chain Store (2016d)).

Aeon Group also reorganized its private label branding in 2014 by consolidating its eight sub-labels of its popular *Topvalu* into a three-tier brand scheme consisting of *Topvalu Best Price*, *Topvalu* and *Topvalu Select*, making the branding simpler and more transparent to consumers. While *Topvalu Best Price* remains a price-oriented label for daily necessities, Aeon aims at embracing “new and enhanced value” by providing a wide range of goods of reassuring quality for reasonable prices under the *Topvalu* label and higher quality and performance goods under the *Topvalu Select* label in terms of ingredients, function, and production processes (Aeon Group, 2014).

“Smart value” also plays a growing role in markets where products are positioned only at the extremes within the price/quality dimensions. Seven & i Holdings launched *Seven & i Premium Fresh* in 2017 as a sub-label of its popular *Seven & i Premium* label, specifically targeting the perishable food market of fruits and vegetables, meat and seafood. According to the project leader responsible for the company’s group merchandising, the aim of this new brand is to raise customer loyalty by offering “high quality at reasonable prices” in a market which has been polarized into two opposites, the low-priced commodities for the regular customer and the high-priced organic food sector which targets more health and environment conscious customers (Nikkei Trendy Net, 2017). Under its already popular *Seven & i Premium* label, the company aims at attracting customers with products that provide a sense of “high food safety and security” by tight control and clear communication of the production origin and processes.

3.3 Growing focus on unique value

The diversification of private labels through multi-tiered pricing, adding features or better communication of established production process are based on the idea to win customers by outperforming competitors in terms of the perceived gap between price and benefits. However, a closer look at the 2017 survey report by the Supermarket Association of Japan reveals that a

significant share of retailers tries to prevent competition and put exclusivity through unique value into the core of the private label strategy. When asking large retailers (operating at least 51 stores) about the benefits of introducing private labels, the share of respondents agreeing to “enhance competitiveness against rivals” is not only the lowest among all respondents (58.1%), but also records the strongest decrease in the past years, dropping 27.2% percentage points compared to 2014 (JSA, 2017). At the same time, some of the most frequently stated appeal points for future private label products suggest more distinctive features, including “health-oriented” (55.2%) and “simplicity & convenience” (51.7%). Seiyu Ltd. for example made an official statement to put more efforts into developing products which have not yet been created by established manufacturers before (MarkeZine, 2014).

Seven-Eleven’s “Gold bread” (*kin no shokupan*) which was launched in April 2013 under the *Seven & i Gold* label illustrates the idea of providing unique value and separating oneself from competing products. Although bread itself is a well-established product category in the Japanese retail market, Seven-Eleven communicated distinct value through the use of natural and unusual ingredients (French butter, cream and special malt) and unique production processes (investing more time for fermentation time under low temperature) (Okada, 2013). 650,000 units were sold within the first 15 days after product launch, which is surprising considering the fact that the product was priced more than 50% above regular bread from well-known manufacturer brands at the time of product launch. However, the label reflects the retailer’s brand concept which emphasizes its focus on uniqueness rather than its relative position against competitors as explained below (Okada, 2013):

- Not getting involved in price competition
- Provides value that is not delivered by national brand products
- Own the value that clearly distinguishes from other products

Similarly, the Consumers Co-operative Union (Co-op) introduced a new sub-label *Coop quality* in June 2015 as part of a larger initiative to renew about 4000 items sold under their main *Coop* label within 3 years (Diamond Chain Store, 2016c). *Coop quality* is seen as a value-adding label under which products need to meet the following criteria in order to be introduced to the market ²:

- Clear connection between the used ingredients and production processes and taste

² Translated from http://goods.jccu.coop/feature/promise4/coop_quality/

- Clear distinction with products from competitors
- Achieve a minimum of 80% approval rate in monitored consumer tests (stating “tasty”)

Finally, the Euromonitor Snapshot of Global Trends in Private Label uses Aeon’s *Topvalu GreenEye* as an example of how the company targets entirely new customers with a health- and environment-oriented lifestyle (Yu, 2016). As part of a brand reorganization initiative launched in 2014, this label was positioned separately from their three-tier brand scheme of *Topvalu* by focusing on organic product development with reduced use of chemicals (Aeon Group, 2014). As Aeon has more control over the product from development to marketing and sales, the company is able to oversee and communicate the origin of ingredients and production processes more transparently and appeal to the growing number of health-oriented consumers. Similarly, Japan’s second largest convenience store Lawson achieved success under its *Natural Lawson* label by offering a “green smoothie” made from cruciferous vegetables, kiwi and apple, a product not sold before by any other manufacturer or retailer. Within 5 months after its launch in 2015, the company was able to sell 6 million bottles (Diamond Chain Store, 2015a). The company continues to capture the health market by expanding the line-up of products such as “Natural Lawson snacks” made with untreated ingredients and under gentle production processes ³.

The increasing market power of major retailers and the need to grow value through unique offerings also leads to closer collaborations between established brand manufacturers and retailers. This is possible as leading companies established a strong network of partners over the years that enables the retailer to enter exclusive cooperation agreement and oversee the whole process from research and development, procurement, marketing and sales (Yahagi, 2014). For example, Seven-Eleven lists names of its private label good manufacturers on the packaging which is often a well-known and established national brand (Chain Store Age, 2014). More recently, the collaboration is communicated directly to the consumer by developing co-branded goods. The convenience store chain Natural Lawson and the food company Bel Japon have released a chilled dessert range under the brands *kiri* and natural sweets that featured unique ingredients (Yu, 2016). Similarly, Seven & i Holdings worked together with Coca-Cola Japan to develop a co-branded green tea (*Hajime ryokucha*) and canned coffee (*Georgia private reserve*), from which the latter was sold 95 million times within the first 11 months after product launch. Both products featured the logo of Coca-Cola and the *Seven & i Premium* label. The aim of this collaboration was reportedly to benefit from Seven-Eleven’s power to gain customer insights and Coca-Cola’s brand and marketing strength

³ Retrieved from <https://www.lawson.co.jp/recommend/original/kenkosnack/index.html>

(Diamond Chain Store, 2015b, 2016c).

3.4 Influencing consumer habits

Although evidence in the private label market is still rare, a few cases are identified which suggest that Japanese retailers are deliberately using private brands to change or deepen existing consumer habits to their advantage. This is illustrated in a co-branding initiative launched by Seven & i Holdings with Lotte Confectionary for Lotte's popular milk chocolate Ghana. Instead of creating a wholly new product as in the case of brand collaborations like the kiri / Natural Lawson dessert mentioned above, the Ghana chocolate with its well-known logo, font and red color of the established Ghana brand was kept, with only slight adjustments of the packaging, such as the additional *Seven & i Premium* logo and minor changes in shape. The merchandiser in charge revealed in an interview with the Diamond Chain Store Magazine that the co-branding initiative was launched to "attract customers who are used to buy the Ghana brand" (translated from Diamond Chain Store, 2016a). It is argued that penetrating the chocolate market with private labels was considered to be difficult as the market is dominated by established manufacturer brands. Even though the chocolate market itself is growing strongly for premium versions, *Seven & i Premium* was not able to get a foot into the market, even after testing several value-added products. The company eventually found through market analysis that consumers were used to buy chocolate from their favorite brand and hesitated to switch to a private label. Consequently, a co-branding initiative was seen as a feasible approach to let customers try out the product without the necessity to withdraw from their favorite brand (Diamond Chain Store, 2016a). In other words, the primary motive of this co-brand initiative was to let customers get exposed and gradually grow accustomed to the *Seven & i Premium* label for this product category.

A similar idea is raised in the discussion of the retailer's new sub-label *Seven & i Premium Fresh* which covers perishable food including fruits and vegetables, meat and seafood. To reach ambitious growth targets of the central *Seven & i Premium* label⁴, among others, the CEO of Seven & i Holdings stated that the *Premium Fresh* sub-label was launched to "develop quality products, which consumers will purchase frequently and in high quantity" (translated from Nikkei MJ, 2017b). Furthermore, a member of the merchandise restructuring project at the group company states that the high brand awareness of the *Seven & i Premium* label among convenience store

4 The company reportedly aims at expanding the number of those products, which are sold under its central brand Seven & i Premium and generate annual sales of more than 1 billion JPY, from 192 in 2017 to 300 in 2019 (Seven & i Holdings, 2017)

customers can help boost sales if applied to the group's supermarket business as well (Nikkei, 2017). A key differentiator here is to get consumers accustomed to the private label through regular and frequent purchases, even across channels such as convenience stores and supermarkets. This fits to the insights of Porral & Levy-Mangin (2016) that the role of familiarity becomes more important in influencing consumer behavior through private labels which are frequently purchased and are strongly associated with consumer trust and loyalty. By offering a clear and consistent branding across many perishable goods via the *Seven & i Premium Fresh* sub-label, Seven & i Holdings is not only able to reposition themselves between low- priced commodities and high-priced organic food, but also save customers from excessive choice which can produce "choice paralysis" and dissatisfaction (Schwartz, 2006).

4 Discussion

While Western and Japanese literature has studied the development of private brands especially in the early stages of price- and quality-oriented goods, research on more recent diversification attempts and their underlying motives has been relatively modest. One reason might be the fact that market penetration in Japan is still low from a global perspective. However, private labels are clearly on a growth path which is remarkable considering that Japanese consumers are known for their relatively strong brand consciousness and preference for premium priced high-quality products over cheap alternatives. It has been argued for a long time that Japanese belong to a collectivist culture and therefore are sensitive to brand names and price which are visible products cues that represent their social status (Johansson, 1986; Moriuchi, 2016). This characteristic has influenced buying patterns for many product categories, including food and other fast-moving consumer goods (Ashkenazi & Jacob, 2003).

On the other hand, Hines & Bruce (2001) observed that Japanese have become less loyal, looking for the best deal, not only in terms of quality and brand awareness, but also price and convenience. In the 2014 Global Private Label Report by Nielsen, only 32% of the survey respondents from Japan strongly agreed to the statement "I am loyal to the name-brand products I purchase", and an even lower share of 25% strongly agreed that "private labels are not suitable for when quality matters". Both numbers are the lowest within the set of investigated Asian countries (Nielsen, 2014). These findings suggest that modern Japanese consumers are not only less loyal to well-known brands but also have a relatively positive attitude towards private labels in general. Consumers may therefore switch between established brands and private labels more easily. Kikuchi (2011) even supposes an increasing competition among different private labels themselves

as consumers are comparing and choosing the best alternatives across retailers.

The Japanese retail industry has found private labels an appropriate way to address the consumer's new mindset. Focus has been on low cost alternatives and "me-too" products in the past, which featured similar packaging and attributes compared to established manufacturer brands. The literature suggests that there has been a general shift away from these simple, price-oriented goods to higher-priced quality-oriented options over the decades to keep the respective label relevant to the consumer (Yahagi, 2014; Tsuchihashi, 2010). However, data presented in this paper suggest that this shift is not enough to explain the diversification of private labels especially in the last few years. Retailers have diversified into many different forms of private labels, that also provides unique features not offered elsewhere and which bind the customer to the retailer's brand across channels. Several cases of major private label rebranding initiatives are identified where new (sub-)labels are created or consolidated, to position them in more transparent ways. Furthermore, retailers and well-known manufacturers are now collaborating more closely and in more creative ways, ranging from co-development to co-production and co-branding agreements. The following discusses four motives of major retailers behind the diversification of private labels.

First motive: Differentiating through price

The idea of offering goods at a lower price than national brands under the retailer's label has been discussed in previous literature, especially as a way to survive under strong price pressure in economically tough times. For example, Co-op and Daiei drastically reduced prices of their own label products in 1992 including orange juice, mayonnaise and detergent in the aftermath of the bubble burst (Nikkei, 2016). In hopes to secure big orders by retailers and to increase production plant utilization rates, more manufacturers were willing to produce under the retailer's label. Sato (1995) therefore argues that low priced private labels have been used in the 1990s by retailers as a strategic tool rather than just a marketing tactic. It can be argued that the growing negotiation power of retailers had a reinforcing effect to accelerate the development of private labels (Sato, 1995), which were dominated by "copycat" products with lower price tags than alternatives from established brands (Kato, 2009).

In recent years however, the idea of low price/low quality positioning appears to lose in significance. While a tiered brand model is still relevant for some retailers, the majority refrains from reducing price at the cost of quality as the 2017 survey by the Japan Supermarket Association showed (JSA, 2017). Instead, companies carefully choose specific goods and offer them under their

own label as “price fighter” options in key product categories to appeal the cost effectiveness of the whole retailer’s brand. These product categories focus on daily necessities such as detergents and other kitchen utilities which are bought frequently across a large customer base. In times of growing saving rates and modest consumer confidence, it is expected that these goods will attract customers who make mostly rational choices based on price. This is in line with Mizuno (2016) who points out that the ongoing commoditization of food products will further push retailer to differentiate with private labels. Japan is still a nation which is fueled by consumption. 25.8% of the monthly household income is spent on food expenses on average, with seniors and young adults in their 20s and 30s being the main consumer groups (Aoki & Miyamoto, 2017; MIC, 2017b). Household spending on food reached its highest point since 1987 in 2017 (Nikkei Asian Review, 2017), but increasing food prices had a bigger impact than wage growth, which means more budget-minded consumers will look for reasonable alternatives in the future.

However, retailers also have to be aware that differentiating through price has its limits to draw customer attention, which makes the integration of branded differentiators inevitable (Mizuno, 2016). This implies the risk of losing the ability of demonstrate price leadership. In fact, a survey among Japanese consumers in Tokyo, Chūbu and Kantō area reveals that although the sense of uncertainty towards private labels has decreased between 2009 and 2014, so did the positive attribute related to cost-efficiency (e.g. whether private labels help to maintain family budget) (Shigetomi, 2015). This is one possible reason why according to this survey, fewer respondents agree to the statement that they have chosen a private label over an established manufacturer brand at point of selection. Japanese retailers are challenged to win customers also through quality (Kikuchi, 2011). However, instead of simply adding quality and performance features, retailers are pursuing a more balanced approach among the product/price dimensions which is discussed as the second motive.

Second motive: Differentiating through smart value

Although retailers around the globe promote a wide variety of “value-priced” products, this term is often misused as a synonym for low price or bundled price. In Japan, value-oriented products seem to fit to the core idea of value as being the cognitive trade-off between perceptions of quality and sacrifice (Sánchez-Fernández & Iniesta-Bonillo, 2007; Leszinski & Marn, 1997). In particular, many Japanese retailers emphasize cost-effectiveness of their private label products but also make small changes in ingredients or production processes to appeal quality attributes as a means to achieve equal or higher customer-perceived value compared to established brands. This

is consistent with the suggestion by Yang & Wang (2010) and Beneke et al. (2013) that perceived relative price and perceived product value is critical in the buying process of private label goods. After all, brand value is perceived if the benefits obtained by the brand are higher than the cost of acquiring it (Kubacki, 2015; Chen & Tsai, 2008). The case examples presented above show that additional value is created in different ways, such as focusing on more freshness and safety of ingredients in terms of origin as well as changing the proportion and number of ingredients. To communicate the positioning more clearly, retailers further enhanced and simplified their multi-tiered labels. For example, Aeon has consolidated their eight labels to a three-tiered label in 2014, while Seiyu replaced its *Good Value (GV)* label with a two-tiered label in 2013.

The opportunity of smart value products is the ability to serve the growing number of consumers who seek good quality but also became frugal, without the necessity to discount leading manufacturer brand goods. Furthermore, higher consumers' loyalty can be achieved, as it is mostly driven by quality according to Coelho do Vale et al. (2016); Nies & Natter (2012). It is expected that consumers can make purchase decisions easier and quicker as the distinction against established brands and against other private (sub-)labels of the same retailer is communicated clearer by tiered brand schemes and additional information on the packaging. On the other hand, the right mix between national and private brand will become more important in the future, as a too strong focus on one's own label can hurt the store image and even the sales performance of established manufacturer brands (Yahagi, 2014). For example, Watanabe (2013) found that a too aggressive expansion of private labels offered in a certain product category can hurt the store's image as consumers feel being put under pressure by a limited selection of established brands. Early signs of this trend are given by Shigetomi (2015) which shows an increasing level of consumer dissatisfaction towards a limited selection of established brands. After all, "smart value" is a relative term and perceived only by comparison. Reducing the original set of brands for comparison can therefore damage the perceived value.

Third motive: Differentiate through unique value

Instead of closing a "quality gap" with established brands, retailers put more efforts into a distinct branding and positioning strategy. The case examples mentioned above show that companies are experimenting with a variety of private labels and sub-labels with products not offered anywhere else. To be able to create and market exclusive products, retailers enter exclusive collaboration agreements with manufactures, which can range from simple co-development to full co-branding initiatives. To customers, unique value is communicated by isolating the label

from the regular tiered brand scheme. For example, Aeon's *Topvalu GreenEye* exists since 1993, but was repositioned as a standalone label next to a new three-tiered *Topvalu* label scheme after their rebranding effort in 2014. This enables Aeon to concentrate on health and safety conscious customers and appeal exclusiveness through the offer of organic and sustainable foods that contain reduced levels of pesticides, chemical fertilizers and synthetic additives. It can be argued that the development of unique private label goods is the first step of a full branding approach that adopts all elements of brand equity, such as knowledge, salience, performance, and imagery as proposed by Rossi et al. (2015). They can also be seen differently from the common concept of "premium private brands" with value characteristics of traditional private labels but quality characteristics of established manufacturer brands (Nenycz-Thiel & Romaniuk, 2016).

There are several opportunities involved with the development of private labels that provide unique value. It is expected that consumers benefit from a larger variety of products which clearly distinguish the retailer from rivals and well-known manufacturers, enhancing the retailer's brand image in terms of innovativeness and creativity. Furthermore, retailers are able to attract more distinct target groups (such as health- or environment-oriented customers) that were not among the regular customer base before. In case of products co-branded by two familiar brands, consumers are more likely to develop a sense of trust and therefore develop a stronger purchase intention (Zickermann, 2014; Beezy, 2005). However, a strong focus on exclusiveness can also bear several risks, especially if multiple brands are involved. A constantly changing assortment of products that are co-branded could lead to confusion regarding each brand's image. In the worst case, irritation can damage the image of both brands (Park et al., 1996). Also, negative spill-over effects could affect the other brand unfavorably (Zickermann, 2014). Since established manufacturers are more likely to enter co-branding agreements with retailers who provide valuable insights from a large customer base, the retailer needs to closely examine the trade-off between strengthening product development capabilities at the expense of sharing customer data and market intelligence which might be used by manufacturers to develop competing products.

Fourth motive: Differentiate through cumulative advantage

Two case examples by Seven & i Holdings were given that put the creation or change of customer habits at the core of the product strategy. One is a co-branded product of *Seven & i Premium* and *Ghana* chocolate that aims at gradually accustoming consumers to the retailer's brand in a product category where consumers have developed a strong preference towards popular manufacturer brands. The other is a sub-label of the same company for fresh vegetables, meat and

seafood, a product category which consumers buy frequently and across the retailer's multiple channels including supermarkets, convenience stores and online shop.

Price-oriented and value-oriented private labels are based on the conventional idea to build competitive advantage by serving a target group of customers better than rivals, either by competitive prices or higher quality. Based on the price/value dimensions, a customer's incentive to purchase an offering must exceed its incentive to pursue the next best alternative (Anderson & Narus, 1996). However, the two examples above indicates that Seven & i Holdings is aiming for building cumulative advantage. Lafely & Martin (2017) refer to behavioral psychology arguing that consumers are not making fully rational purchase decisions (in the case of private labels in terms of price or value), but simplify and automatically fill in missing pieces of information into the decision process. Hence, cumulative advantage is built if a company offers the "easiest" choice instead of the "cheapest" or "best" (smartest). Ideally, customers would get accustomed to the brand through regular and frequent purchases, avoiding the necessity to make a choice among a large variety of alternatives and establishing a sense of trust and security towards the brand (Lafely & Martin, 2017).

It is too early to tell whether influencing consumer habits is an industry-wide phenomenon of private labels in Japan. However, when the JSA asked retailers about their current and future appeal points of their private brands to consumers, the most stated appeal point (69%) is referred to "safety & peace of mind" (*anzen, anshin*), a term strongly associated in Japan with trust and familiarity. Furthermore, it is noticeable that over the four-year period, response rates constantly decreased for all appeal points among large retailers, including "price" and "quality". The only point which remained basically stable, was the appeal of health-orientated features (JSA, 2017). This appears contradictory, as retailers are allegedly motivated to develop more private label goods⁵, but at the same time care less about appealing specific product features to consumers. One possible explanation is that major retailers put greater emphasis on influencing buying habits over time and develop a strong attachment to the brand, instead of trying to outperform rivals in specific product characteristics.

Several opportunities of growing cumulative advantage can be pointed out. First, expanding the number of stock-keeping units under the private labels across many product categories can

⁵ 86.7% of those respondents also stated to keep or even increase the number of stock keeping units (SKU) under their private label, a trend which is also supported by Nikkei surveys as discussed above.

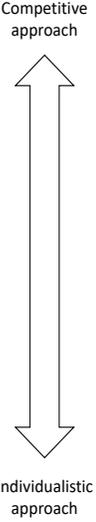
help to communicate a simpler and more consistent brand image to consumers. This can help solving the consumer's confrontation with too many choices, ultimately reducing their likelihood to buy (Schwartz, 2006, 2004). Secondly, expanding private labels to frequently purchased goods and across channels means that consumers are more exposed to the label over time, which may help them to develop a sense of familiarity and trust for the retailer. Research suggests that the familiarity of private labels has a great influence on purchase intention and loyalty (Porral & Levy-Mangin, 2016). Thirdly, companies which follow an omni-channel strategy can use private labels to help making the consumer experience more seamless across channels, such as supermarkets, convenience stores, department stores and online shopping. Here, the private label becomes a symbiotic link to the experience that the product and the retailer delivers (Danzinger, 2017). For example, a consumer might select the retailer's private label in a convenience store instead of a manufacturer brand because of the positive experience made in a supermarket, which strengthen the relationship of trust to the retailer. Private label brands therefore have the opportunity to become an integral element of an omni-channel retail strategy to support customers who purchase products across many sources. Salsberg (2010) already emphasized that more consumers are selecting between different channels, making their behavior less predictable.

On the other hand, several challenges need to be addressed. Creating new habits or changing existing ones requires time and is dependent by the level of brand exposure to consumers. The focus on consistency and familiarity across private label products may provide less room for experimenting and change as in the case of products with unique and distinctive features. Furthermore, if the retailer plans to integrate its private brand across different retail channels, it becomes more challenging to manage the label across many different touch-points and to meet a variety of needs which may differ dependent by the channel such as supermarket and online store. Finally, similar to the previous section, established manufacturers are more likely to enter long-term collaboration agreements including co-branding if the retailer is able to provide valuable market insights. For example, Lotte Confectionary was only willing tie up with Seven & i Holdings as the company provided significant consumer data and needs analysis through their sophisticated inventory management system (Diamond Chain Store, 2016a). Hence, the retailer needs to be aware of the trade-off between enforcing product co-development capabilities and the sharing of customer data which might be used against them.

As Table 1 suggests, the diversification of private labels in Japan can be explained by four different motives of retailers to attract and retain customers. Price- and smart value-oriented labels

follow primarily a competitive approach to outperform manufacturer brands in terms of the relation between perceived price and quality. On the other hand, private labels which focus on unique value or are able to create cumulative advantage follow an individualistic approach that tries to isolate the retailer from competition. The primary motivation here is not to enter a price war or to surpass manufacturers in terms of product features, but to better target specific groups of customers, to better serve their needs and to deepen relationships with them over time. It is worthwhile to note that the same label can assume several functions in order to fulfil these motives. For example, the *Seven & i Premium Fresh* label offers a smarter choice in the perishable food segment, but also helps to increase brand exposure and promote frequent purchase by loyal customers.

Table 1: Private label motives of major retailers and assumed consumer benefits

	Private label motives of major retailers	Private label focus and activities of major retailers	Private Label Examples	Benefits for consumers (assumed)
	Gain competitive advantage through price	<ul style="list-style-type: none"> Add "price fighter" in key product categories to appeal cost effectiveness of the whole brand Strict quality control to match quality level of established manufacturer brands 	Topvalu best price (Aeon Group), Kihon no Ki (Seiyu Ltd.)	<ul style="list-style-type: none"> Facilitates purchase decision by making rational choice based on price Increase saving rate given a limited amount of money at disposal
	Gain competitive advantage through smart value	<ul style="list-style-type: none"> Launch or revise multi-tiered branding Adding features to existing ones from manufacturer brand products Enhance communication of added features and established production processes (including package design) Set high targets in consumer tests to confirm and improve perceived value 	Seven & i Premium and Premium Fresh (Seven & i Holdings), Minasama no Osumitsuki (Seiyu Ltd.)	<ul style="list-style-type: none"> Facilitates purchase decision by making the best choice with the highest value given a limited amount of money at disposal Enjoy good quality products without the feeling of abandoning a "better" option
	Differentiate through unique value	<ul style="list-style-type: none"> Create products with unique features and new production processes Create private sub-labels to better communicate unique value Co-branding between manufacturers and retailers for entirely new products Set high targets in consumer tests to confirm and improve perceived value 	Topvalu Green Eye (Aeon Group), Seven & i Premium Gold, (Seven & i Holdings)	<ul style="list-style-type: none"> Ability to choose from wider and constantly changing selection of products Ability to choose from products which are closer to one's own specific needs
	Differentiate through cumulative advantage	<ul style="list-style-type: none"> Expand private labels and sub-labels to raise exposure for consumers over time and across channels Co-branding between manufacturers and retailers for existing products to influence habits 	Seven & i Premium and Premium Fresh (Seven & i Holdings)	<ul style="list-style-type: none"> Develop a sense of familiarity and trust for the retailer Facilitates purchase decision by making choice out of habit More seamless retailer's brand experience across channels

5 Summary and conclusions

This paper examined recent trends and underlying motives of Japanese retailers in private label development based on a review of scholarly articles, survey data, newspaper and professional magazines such as *Diamond Chain Store* and *Nikkei Marketing Journal* within the last few years. The primary motivation for this research is that private labels in Japan have still a low market penetration rate compared globally but have seen significant growth rates in the past years, with positive growth projections set by several market research institutes. Using case examples from professional magazines and company reports, four underlying motives of major Japanese

retailers are identified. The first motive is to differentiate through price, in order to appeal cost effectiveness of the retailer's brand, while maintaining at least the same quality level as the competing manufacturer brand. The second motive is to differentiate through smart value, which aims at outperforming rivals in terms of the gap between perceived price and quality. The third motive is to differentiate through unique value generated by goods which are not offered by other retailer labels or established manufacturer brands in respect of product performance or production processes. The last motive is to differentiate through cumulative advantage, meaning that labels are specifically designed to create or modify consumer habits and grow loyalty to the retailer's brand over time.

The findings suggest that the traditional two-dimensional concept of price and quality in terms of added features and price discounts is outdated to explain the retailer's diversification attempts in private label strategy. Past literature on private label in Japan suggests that there has been a shift in retailer focus from low quality/low price segments to higher quality products. However, evidence presented in this study suggests that company focus is not simply geared to either price or quality. A more diversified set of (sub)labels are the result of a competitive approach, where retailers position themselves strategically against competitors, and an individualistic approach to differentiate themselves through exclusive and long-term value. Closer collaboration agreements with manufacturers and established brands enables retailers to strengthen their product development and marketing capabilities which are necessary to realize this diversification strategy.

Limitations and future research

This analysis focused on Japanese retailers to discuss how and why retailers differentiate their private labels. Motives related to customer-perceived price, value and purchase habits are elaborated. Hence, further analysis on the consumer side is needed to understand if and to what extent these motives are reflected in actual value perception. It is suggested to conduct consumer surveys and in-depth interviews based on the four motives discussed above. Another limitation of this research is the primary focus on large retailers. Expanding the scope to all firm sizes would help to understand how private labels can be exploited even by small and mid-scale companies to succeed in the highly competitive and fragmented market. Mizuno (2016) emphasizes that small retailers need to increase their efforts of developing quality-oriented and value-adding goods in order to better differentiate themselves and prevent severe price competition. Future research should address the question how this can be accomplished even with low resources and limited partnerships. Recent signs of consolidation through active mergers and acquisitions also need to be

considered which are ongoing in many retail channels despite the highly fragmented nature of the Japanese retail industry (Euromonitor International, 2018).

References

- Aeon Group. 2014. *Aeon to restructure the topvalu brand in its 40th year*. Company news release. http://www.aeon.info/export/sites/default/common/images/en/pressroom/imgsrc/140212R_1.pdf.
- Ailawadi, Kusum L., Borin, Norm, & Farris, Paul W. 1995. Market power and performance: A cross-industry analysis of manufacturers and retailers. *Journal of retailing*, **71**(3), 211-248.
- Anderson, James C., & Narus, James A. 1996. Business marketing: Understand what customers value. *Harvard business review*, **November-December**.
- Aoki, Sumio Thomas, & Miyamoto, Marika. 2017. Japan: Retail foods, Japan retail industry 2017. *USDA foreign agricultural service. global agricultural information network*.
- Aoki, Sumio Thomas, & Oakley, Anne. 2016. Japan: Retail foods, Japan retail industry 2016. *USDA foreign agricultural service. global agricultural information network*.
- Armstrong, Gary, & Kotler, Philip. 2014. *Marketing: An introduction*. 12 edn. Prentice Hall.
- Ashkenazi, Michael, & Jacob, Jeanne. 2003. *Food culture in Japan*. Greenwood.
- Bakker, Diederich. 2015. *Vertical brand portfolio management. strategies for integrated brand management between manufacturers and retailers*. Springer Gabler.
- Beezy, Miriam Claire. 2005. *Co-branding: A popular form of strategic alliance*. Los Angeles, CA: Foley & Lardner LLP.
- Beneke, Justin, Flynn, Ryan, Greig, Tamsin, & Mukaiwa, Melissa. 2013. The influence of perceived product quality, relative price and risk on customer value and willingness to buy: a study of private label merchandise. *Journal of product & brand management*, **22**(3), 218-228.
- Chain Store Age. 2014. Kakudai suru pb shijō. *Chain store age*, 11-1, 50-51.
- Chen, C-F., & Tsai, M-H. 2008. Perceived value, satisfaction, and loyalty of tv travel product shopping: involvement as a moderator. *Tourism management*, **29**, 116-1171.
- Chintagunta, Pradeep K., Bonfrer, André, & Song, Inseong. 2002. Investigating the effects of store-brand introduction on retailer demand and pricing behavior. *Management science review*, **48**(10), 1242 - 1267.
- Coelho Do Vale, R., Verga Matos, P. & Caiado, J. 2016. The impact of private labels on consumer store loyalty: An integrative perspective. *Journal of retailing and consumer services*, **28**, 179-188.
- Danzinger, Pamela N. 2017. Growth in store brands and private label: It's not about price but experience. *Forbes*, **July 28**.
- Deloitte. 2015. 2015-2016 private label sourcing survey shifts in countries and capabilities. *Company report*.
- Diamond Chain Store. 2015a. Lōson. *Diamond chain store*, **11-1**, 56-57.
- Diamond Chain Store. 2015b. Seibun irebun japan. *Diamond chain store*, **6-1**, 68-73.
- Diamond Chain Store. 2016a. Case study 1 - seibun irebun japan. *Diamond chain store*, **1-15**, 66-69.
- Diamond Chain Store. 2016b. Kakusa shakai ni aru yūryoku māketto. *Diamond chain store*, **7-15**, 70-71.
- Diamond Chain Store. 2016c. Puraibēto burando shōhin. *Diamond chain store*, **5-1**, 71.
- Diamond Chain Store. 2016d. Seiyū. *Diamond chain store*, **7-15**, 72-73.
- Diamond Chain Store. 2017. Kakaku to hinshitsu no baransu wo jūshi. *Diamond chain store*, **1-15**, 56-61.

- Diamond Chain Store. 2018. Sabetsuka no jitsugen e kīwādo wa kenkō. *Diamond chain store*, 1-15, 50-55.
- Enterprise Innovation. 2015. *New research finds new patterns of loyalty among Japanese consumers*. <https://www.enterpriseinnovation.net/article/new-research-finds-new-patterns-loyalty-among-japanese-consumers-1936168096>.
- Euromonitor. 2015 (11). *Private label in food: assessing growth, category development and strategies*. Euromonitor Passport.
- Euromonitor. 2018. *Strategy briefing - the new face of private label: Global market trends to 2018*. Euromonitor Passport.
- Euromonitor International. 2017. Market report: *Retailing in Japan*. *Euromonitor international*, 2.
- Euromonitor International. 2018. *Retailing in Japan - country report*. Euromonitor Passport.
- Fuji Keizai. 2014. Pb shokuhin no kokunai shijō wo chōsa. <https://www.fuji-keizai.co.jp/market/15040.html>.
- Fujino, Kaori. 2009. *Hitto suru! pb shōhin keikaku, kaihatsu, hanbai no shikumi*. Dōbunkan.
- Hines, Tony, & Bruce, Margaret (eds). 2001. *Fashion marketing: Contemporary issues*. Butterworth Heinemann.
- IBP. 2015. *Japan: Doing business and investing in Japan guide volume 1 strategic, practical information and contacts*. International Business Publications.
- Ikeda, Yuki, & Okamoto, Yoshiko. 2015. An introduction to the 2015 Japanese consumer. *U.S. commercial service industry paper*.
- Japan Marketing Association. 2017a. *9th private label trade show Japan 2017 show report*. https://www.jma.or.jp/pb/pdf/oempb2017_report.pdf.
- Japan Marketing Association. 2017b. *Private label trade show 2017 report*. <https://www.jma.or.jp/pb/en/>.
- JILPT. 2016. *Labor situation in Japan and its analysis: General overview*. The Japan Institute for Labour Policy and Training publication. <http://www.jil.go.jp/english/ljsj/general/2015-2016.html>.
- Johansson, J. K. 1986. Japanese consumers: what foreign marketers should know. *International marketing review*, 3(2), 37-43.
- JSA. 2017. *Annual supermarket statistical research report 2017*. <http://www.super.or.jp/wp-content/uploads/2017/10/H29nenji-tokei.pdf>.
- Kato, Kō. 2009. *Mayakashidarake no puraiβeto burando*. Kōdansha.
- Kikuchi, Hiroyuki. 2011. Development and problem with pb commodities of retail trade. *Tōyō University repository for academic resources*, 77, 141-151.
- Kokuzeichō. 2015. *Minkan kyūyo jittai tōkei chōsa*. <https://www.nta.go.jp/kohyo/tokei/kokuzeicho/minkan2015/pdf/001.pdf>.
- Kubacki, Krzysztof (ed). 2015. *Ideas in marketing: Finding the new and polishing the old*. Springer Gabler.
- Kumar, N, & Steenkamp, J. B. E. M. 2007. Private label strategy: how to meet the store brand challenge. *Harvard business school publishing*.
- Lafely, A. G., & Martin, Roger L. 2017. *Customer loyalty is overrated*. Harvard Business Review, 2017 January-February.
- Lamey, L., Deleersnyder, B., Dekimpe, M. G., & Steenkamp, J-B. E. M. 2007. How business cycles contribute to private-label success: Evidence from the United States and Europe. *Journal of marketing*, 71(1), 1-15.
- Leszinski, Ralf, & Marn, Michael V. 1997. *Setting value, not price*. <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/setting-value-not-price>.

- Liu, T., & Wang, C. 2008. Factors affecting attitudes toward private labels and promoted brands. *Journal of marketing management*, **24**(3/4), 283-298.
- MarkeZine. 2014 (10). *Hatsubai kara uriage 30% zō wo keizoku!* <https://markezine.jp/article/detail/20985?p=3>.
- MIC. 2017a. *Handbook of Statistics Bureau, Japan Ministry of International Affairs and Communications*. <http://www.stat.go.jp/data/kouri/handbook/2-05.htm>.
- MIC. 2017b. Statistical handbook of Japan 2017. *Statistics Bureau, Ministry of Internal Affairs and Communications*.
- Miquel-Romero, Maria José, Caplliure-Giner, Eva María, & Consolación, Adame-Sánchez. 2014. Relationship marketing management: Its importance in private label extension. *Journal of business research*, **67**(5), 667-672.
- Miura, Ko, & Higashi, Masato. 2017. *The recent increase in dual-income households and its impact on consumption expenditure*. Bank of Japan Review, 2017 November.
- Miyashita, Yuji. 2010. Nihon ni okeru pb shōhin no kaihatsu doko to hatten kanōsei. *Jōsai International University Bulletin*.
- Mizuno, Kiyofumi. 2016. *Pb senryaku no hensen to tenkai*. Kōyō Shōbō.
- Moriuchi, Emi. 2016. *Routledge handbook of Japanese business and management: Japanese consumer behaviour*. Routledge.
- Narasimhan, Chakravarthi, & Wilcox, Ronald T. 1998. Store brands and channel relationship: a cross-category analysis. *The journal of business*, **71**(4), 573-600.
- Nenycz-Thiel, Magda, & Romaniuk, Jenni. 2016. Understanding premium private labels: A consumer categorisation approach. *Journal of retailing and consumer services*, **29**, 22-30.
- NHK. 2017 (10). *Kouri no saizen ni henka ari*. Translated by the author. NHK Broadcast (News Watch 9 on Oct. 11, 2017). Summary available on <http://datazoo.jp>.
- Nielsen. 2014. The state of private label around the world. *Nielsen company report*, **11**.
- Nies, Salome, & Natter, Martin. 2012. Does private label quality influence consumers' decision on where to shop? *Psychology and marketing*, **29**(4), 279-292.
- Nikkei. 2016. Shinka suru pb shōhin (2) teikakaku to hinshitsu, ryōritsu shi seichō. *Nihon keizai shinbun*, **8-30**.
- Nikkei. 2017. Sebun & ai, pb sasshin, hatsubai 10nen, 19nendo uriagedaka 1.5chōen mezasu, furyō no sūpā shitazasae. *Nihon keizai shinbun*, **3-10**.
- Nikkei. 2018. Nihon shōhi di, 1gatsu, 3gyōshu purasu, 22nen buri, gaishoku, neage teikōkan usuragu. *Nihon keizai shinbun*, **2-4**.
- Nikkei Asian Review. 2017. *Food taking bigger bite out of Japanese households' spending*. <https://asia.nikkei.com/Politics-Economy/Economy/Food-taking-bigger-bite-out-of-Japanese-households-spending?page=1>.
- Nikkei Messe. 2013. *Nikkei no shimen kara*. <https://messe.nikkei.co.jp/rt/news/120232.html>.
- Nikkei MJ. 2016. Dai 49kai nihon no kouri gyōkai chōsa. *Nikkei marketing journal (ryūtsū shinbun)*, **6-29**.
- Nikkei MJ. 2017a. Dai 50kai nihon no kouri kigyō chōsa - yasukute kōhinshitsu tōnyū susumu, pb shōshin, shōhinsū fuyasu 44%. *Nikkei marketing journal (ryūtsū shinbun)*, **6-28**.
- Nikkei MJ. 2017b. Pb de yasai, seiniku mo, sebun puremiamu sasshin. *Nikkei marketing journal (ryūtsū*

- shinbun*), 3-13.
- Nikkei MJ. 2018. Aeon ga pb, 100hinmoku nesage, heikin 10%, 17nichikara. *Nikkei marketing journal (ryūtsū shinbun)*, 1-15.
- Nikkei Trendy Net. 2017 (3). *Sebun puremiamu sensen pb ga nerau shinshijō towa*. <http://trendy.nikkeibp.co.jp/atcl/pickup/15/1008498/031300659/?P=2>.
- Nishikawa, C, & Perrin, J. 2005. *The power of private labels 2005 - a review of growth trends around the world*. Tech. rept. AC Nielsen.
- Ohno, Takahiro. 2015. The background to quality emphasis private label development in 7eleven. *The journal of Kanazawa Gakuin University*, 13.
- Okada, Taguchi. 2013. *Sebun irebun shinkaron - naze yasuari shinakutemo ureruno*. Asahi shinbun shuppan.
- Park, C. Whan, Jun, Sung Youl, & Shocker, Allan D. 1996. Composite branding alliances: An investigation of extension and feedback effects. *Journal of marketing research*.
- PLMA. 2017. *Private label manufacturers association: 2017 private label trade show*. <http://plma.com/storeBrands/facts2016.html>.
- Porral, Cristina Calvo, & Levy-Mangin, Jean-Pierre. 2016. *Food private label brands: the role of consumer trust on loyalty and purchase intention*. Vol. 118. *British Food Journal*.
- PwC. 2011 (May). *The private labels revolution*. Pricewaterhouse Coopers company report. <https://www.pwc.ru/ru/retail-consumer/assets/private-labels-eng-may2011.pdf>.
- Quelch, John, & Harding, David. 1996. Brands versus private labels: Fighting to win. *Harvard business review*, **January-February**.
- Rao, Akshay R., Bergen, Mark E., & Davis, Scott. 2000. How to fight a price war. *Harvard business review*, **78(2)**, 107-117.
- Reklaite, Agne. 2015 (11). *Top 50 largest private label markets*. Euromonitor Passport.
- Richardson, P. S., Jain, A.K., & Dick, A. 1996. Household store brand proneness: A framework. *Journal of retailing*, **72(2)**, 159-185.
- Riezebos, R. 2003. *Brand management: A theoretical and practical approach*. Financial Times Prentice Hall.
- Rossi, Patricia, Borges, Adilson, & Bakpayev, Marat. 2015. Private labels versus national brands: The effects of branding on sensory perceptions and purchase intentions. *Journal of retailing and consumer services*, **27**, 74-79.
- RTTNews. 2018. *Japan consumer confidence remains stable in January*. <http://markets.businessinsider.com/news/interestrates/japan-consumer-confidence-remains-stable-in-january-1014641195>.
- Salsberg, Brian. 2010. The new Japanese consumer. *McKinsey quarterly*, March.
- Sánchez-Fernández, Raquel, & Iniesta-Bonillo, M. Ángeles. 2007. The concept of perceived value: a systematic review of the research. *Marketing theory*, **7(427)**.
- Sato, Yohei. 1995. *Gekiyasu pb shōhin senryaku no uragawa*. Yell books.
- Sayman, S, Hoch, S J, & Raju, J S. 2002. Positioning of store brands. *Marketing science*, **21(4)**, 378-397.
- Schwartz, Barry. 2004. *The paradox of choice: Why more is less*. Ecco.
- Schwartz, Barry. 2006. More isn't always better. *Harvard business review*, **June**.
- Seiyu. 2017a. *Seiyu company statement*. http://www.seiyu.co.jp/pdf/i_download/224.
- Seiyu. 2017b. *Seiyu company statement*. http://www.seiyu.co.jp/pdf/i_download/52.
- Seven & i Holdings. 2017 (March). *Okagesamade "sebun puremiamu 10 shūnen" "19 nendo uriage 1 chō 5 sen*

- oku en ni muke, aratana sutēji e*. Company news release. http://www.itoyokado.co.jp/__resources__/0ec4e5e5-69cd-4162-9f3c-6619dda4a6b3.pdf.
- Shigetomi, Takako. 2015. Nihon ni okeru pb no tenkai jōkyō to pb ni taisuru shōhisha ishiki, taido no henka. *Ryūtsū special feature*, 5(514), 19-31.
- Shill, Walter E., Guild, Todd, & Yamaguchi, Yumiko. 1995. Cracking Japanese markets. *The McKinsey quarterly*, 2, 32-40.
- Steiner, R L. 2004. The nature and benefits of national brand/private label competition. *Review of industrial organization*, 24(2), 105-127.
- Toukei Data. 2017. *Market size of private brand products (puraibēto burando shōhin no shijō kibo)*. https://toukeidata.com/seikatu/pb_sijyoukibo.html.
- TradingEconomics. 2018. *Japan consumer confidence 1982-2018 data*. <https://tradingeconomics.com/japan/consumer-confidence>.
- Tsuchihashi, Haruko. 2010. Puraibēto burando senryaku no rekishi. *Aoyama keiei ronshū*, 44(4), 111-130.
- Vahie, A., & Paswan, A. 2006. Private label brand image: Its relationship with store image and national brand. *International journal of retail and distribution management*, 34(1), 67-84.
- Watanabe, Yuri. 2013. Pb no sekkyoku tenkai ga motarasu shōhisha no kyōi ninchi to tenpo hyōka no kanrensei ni tsuite. *Hōsei daigaku kenshō ronbun*, 36.
- Yahagi, Toshiyuki. 2014. *Dyuaru burando senryaku - nb and/or pb*. Yuhikaku.
- Yang, Defeng, & Wang, Xinxin. 2010. The effects of 2-tier store brands' perceived quality, perceived value, brand knowledge, and attitude on store loyalty. *Frontiers of business research in china*, 4(1), 1-28.
- Yu, Alice. 2016. *PLMA workshop: Winning with retailer product development systems*. Euromonitor International.
- Zickermann, Peter. 2014. *Co-branding: Fit factors between partner brands*. Anchor Academic Publishing.