Positioning Analysis and Consumer Typologies of Spanish Store Brand Consumers

Carmen Abril [a] ; Maria Avello [b] ; Diana Gavilán [c]

[a] Facultad de Ciencias Económicas y Empresariales; Universidad Complutense; Campus de Somosaguas, Pozuelo de Alarcón, Madrid 28223
cabril@ccee.ucm.es
[b] Facultad de Ciencias Económicas y Empresariales; Universidad Complutense; Campus de Somosaguas, Pozuelo de Alarcón, Madrid 28223
mavello@emp.ucm.es
[c] Facultad de Ciencias de la Información; Universidad Complutense; Ciudad Universitaria;Madrid 28040
diana@soleste.es

Abstract

Store brands are continuously reaching share from manufacturer's brands. Reasons for this are clear improvements in store brand's quality perception and increasing social acceptance of store brands. Retailers are developing sophisticated store brand's portfolio and innovation strategies to attract consumers, however with different degrees of success. We have analyzed the positioning strategies of key retailers in Spain and the consumer's reasons to buy .We have found different consumer typologies depending on key variables such as price, service, store brand quality, innovation and assortment that will help to better understand the dynamics in the market place.

In terms of managerial implications the ideas offered herein suggest different consumer typologies motivated for different factors and increasing importance of store brands as a reason to choose a retailer. These findings will help to better understand the store brands success and will contribute to the development of more efficient manufacturer and retailers strategies in the market place.

Introduction

Store brands are continuously reaching share from manufacturer brands. One factor that explains this situation is the improvement on the consumer perception of store brands (Ipsos Mori, 2006) leading to a change on the consumer behavior towards traditional manufacturer brands.

Globally, store brands have already achieved 20% share and between 25 and 50 % share in most of the European markets (M+M Planet Retail,) . Spain with 34% store brand share has one of the highest shares worldwide (PLMA, 2006) . Growth of store brands in Spain is estimated at 115% between 2000 and 2007 (Euromonitor 2008) which makes the subject even more relevant.

Then, we consider that improve our understanding on factors influencing retailers choice , specially in the context of store brands, will be of great relevance for the academic community and for the industry.

There are several key factors that can influence consumer behavior and retailer perception. Purchase experience, assortment, price, promotion, advertising, store brand quality, service and innovation are key variables that determine consumer attitudes towards retailers .

Literature review suggests that demographic variables are not enough to segment store brands consumers. In fact, purchasing power and social class are not clear drivers of store brands consumption due to the social trend of "smart shopping" where to buy cheap means being perceived as smart (Ailawadi, Neslin, & Gedenk, 2001).

We intend to examine through several statistical procedures differences by retailers, and consumer profiles in order to build some recommendations in terms of retailers and store brand strategies.

We are interested on answering the following questions:

1. Which are key discriminant variables in retailers positioning in Spain?
2. Are there different consumer typologies by retailers?
3. Do these typologies reflect retailers declared positioning?
4. How could these typologies affect manufacturer's strategies?
5. Which is the role that store brands play in these positioning strategies and consumer typologies?
6. How could these typologies affect manufacturer's strategies?
7. Which is the role that store brands play in these positioning strategies and consumer typologies?

In order to perform our study we will analyze some key factors consumers consider when choosing a retailer.

Retailers deliver their offering through customer experience, thus including several different aspects that could influence it. The most common factors studied in the literature are the quality of service, product assortment , pricing policy, promotional and advertising activity as well as store brand quality. We will consider all of them through validated items and scales that will reflect consumer perceptions on key Spanish retailers.

Understanding how a retailer should be positioned in terms of brand assortment is thus of critical importance as it is related to their image (Ailawadi & Keller, 2004). Consumer's perception of the depth of a retailer's assortment is an important dimension of store image as well as key driver of store choice. As the perceived assortment of brands , flavors and sizes increases, variety-seeking consumers will perceive greater utility.

Related to assortment is the retailer store brand strategy. Store brands have been considered of special importance in recent years for retailer´s strategy. Reason for this is that store brands are more profitable for retailers, enhance their negotiation power towards manufacturers, and they contribute to differentiate their offerings and build consumer store loyalty. (Ailawadi, Pauwels, Steenkamp, & Ailawadi, 2008; Alan, Jain, & Richardson, 1995).

Price levels and depth and frequency of promotions are also of capital importance to retailer perceived positioning as retailers image can be influenced by attributes like average

level of prices and how much variation there is in prices over time (Lattin & Bucklin, 1989). Also other authors find significant impact of promotions in retailer's choice (V. Kumar & Leone, 1988; van Kenhove, de Wulf, & van Waterschoot, 1999).

Finally purchase experience is becoming a critical attribute which is also an important marketing trend. We understand marketing experience as company sponsored activities and programs designed to create a special brand related interactions (Brakus, Schmitt, & Zarantonello, 2009). Schmitt developed the concept of Customer Experience Management, which he defines as the process of strategically managing a customer 's entire experience with a product or company.

Customer experience is critical for retailers who are in an ideal position to create experiences for their customers as they are responsible for the total purchase experience: from location, store image, assortment, offerings, advertising, delivery, customer service and post purchase experience.

Method

The research design is composed by a descriptive part and an empirical study based on a survey of 422 interviews done to household purchase responsible, active shoppers at supermarkets and hypermarkets. We have included sample enough in order to be able to measure store brands attitudes and habits by lead retailers, including international ones like Carrefour, Dia,Auchan (Alcampo), Lidl, as well as local ones like Mercadona, Eroski, and El Corte Ingles. These six retailers account for more than 50% of Consumer Packaged Goods market in Spain.

Carrefour captured 13.9% of all food retailers' sales in 2007 and Mercadona was a whisker behind on 13.8%. The top five players together accounted for around 45.8% of the sector, making Spain still one of the more fragmented markets in Western Europe.

Local retailers – Grupo Eroski and El Corte Inglés – along with French operator, Auchan, represent the second tier, well ahead in sales terms of German hard discounter Lidl. But while Auchan and El Corte Inglés have lost market share, Lidl and Eroski (thanks largely to the Caprabo acquisition) are making good inroads. (Euromonitor, 2008)

First, we have gathered consumer information related to satisfaction levels by store as well as price, store brand quality, service, assortment, promotion, advertising and innovation ratings . As consumers typically shop in more than one store, evaluations have been performed on the stores where they declare that consider frequently to shop.

Second, an in order to better understand consumer's relationships with their most frequent retailer, we have included more detailed information on each consumer's most frequent retailer. We have gathered information related to purchase experience, service, price and store brands that reflect different aspects of these variables. We have asked consumers to rate these elements through items and scales already validated in the literature. We will use these ratings to build the positioning map.

In order to assess the impact of the explanatory variables on consumer's choice we have performed discriminant analysis and principal component for positioning maps. Through these techniques we have analyzed retailers positioning to better understand differences on consumer perceptions that could help us to better understand market dynamics.

Results

First, we will map retailers positioning accordingly to consumers ratings on key attributes such as satisfaction, price, assortment, store brands, promotion, advertising, and

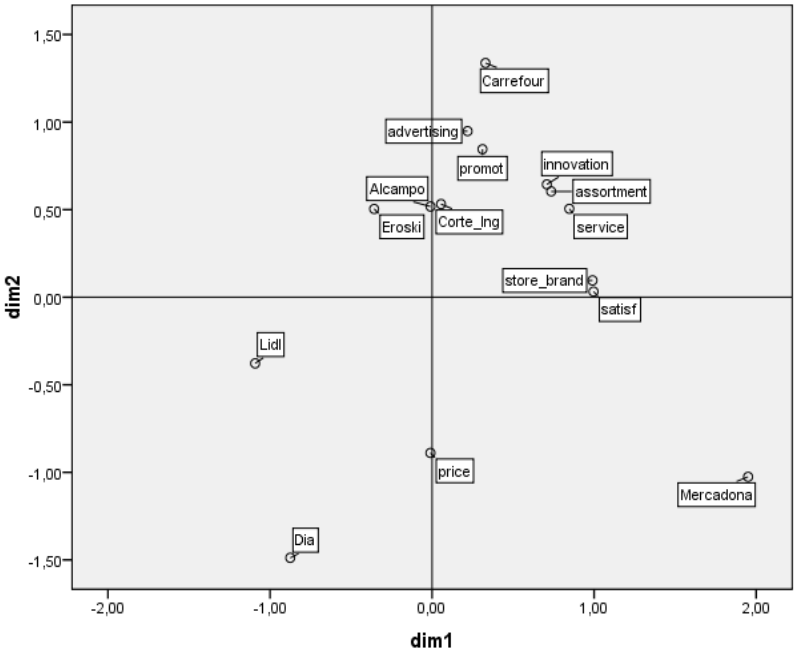
innovation. As consumers typically shop in more than one retailer we have included all retailers where these consumers that are households purchase responsible declare to shop. Items surveyed in the research are shown in table 1.

Table 1- Items rated by household purchase responsible

Items	Scale
Price- Prices in this retailer are cheap	1-7
Assortment-In this retailer I always find the brands I look for	1-7
Store brands- This retailer has store brands with good quality	1-7
Service-Overall this retailer has a good service	1-7
Promotion- This retailer has good promotions	1-7
Advertising-I like the advertising of this retailer	1-7

We have mapped the attributes rated and plot the retailers under these factors. The results on positioning are showed below in table 2.

Table 2 Positioning map accordingly to ratings of purchase responsible



This map suggests two dimensions. Dimension 1 will be related with price versus advertising and promotion. Dimension 2 appears to rely on services and store brands.

Accordingly to this Mercadona, Lidl and Dia will compete on the price dimension , however Mercadona differentiating from them through services and store brands.

On the opposite , Carrefour stands out through promotion and advertising, closer to innovation and services. We could observe a non-clear profile from Eroski , El Corte Ingles and Alcampo that appears to be together and undifferentiated. Thus, we could observe four types of retailers offerings accordingly to consumers perception.

In order to get more depth on these insights, we researched different items related to the variables of price, services, shopping experience and store brands but now focusing on the most frequent retailer by purchase responsible.

These items are shown in table 3. All of them have been previously validated in the literature except store brands items. There are few papers analyzing store brands by retailers as most of the researches on store brands study them in an aggregate way. However store brands are becoming more sophisticated and delivering complex and sophisticated portfolios (N. Kumar & Steenkamp, 2007) so we believe there is a need to study store brands by retailer.

In order to understand different consumer perceptions depending on retailers' store brand strategy we have distinguished two types of items . One group of items will measure store brands accordingly to their traditional value for consumers, which basically is "value for money". Another set of items tries to reflect other aspects of store brands such as innovation, unique products , and high quality. We will group these items under "store brand leadership" as they represent an effort to lead the marketplace adding value as opposite to just follow or imitate manufacturers .

Table 3- Items surveyed for most frequent retailer by purchase responsible

Variable	Item	Scale
Shopping experience	P1- Pleasant place to shop	1-7
	P2-Delivers nice shopping experience	1-7
	P3- Good store image	1-7
Service	P4-Ooverall good service	1-7
	P5-It has high quality products	1-7
	P6-It has nice salespeople	1-7
	P7-It has expert salespeople	1-7
	P8-Good delivery service	1-7
Price	P9-Always find best prices	1-7
	P10-Compared with other stores ,it has best prices	1-7
	P11-Best relationship quality/price	1-7
Store Brand value	MB1-Cheapest store brands	1-7
	MB2-Best store brands ,quality/price relationship	1-7
Store Brand leadership	MB3-Store brands quality similar to lead brand	1-7
	MB4- Store brands with exclusive products	1-7
	MB5- Innovative store brands	1-7
	MB6-Store brands imitate	1-7

With these items we have performed a principal component analysis to detect latent factors behind these items. After, we rotated the solution obtained using Varimax orthogonal rotation to produce the positioning map. Results are shown below.

In table 4 we can see the factor components. We show only those with Eigen values larger than 1. Accordingly to scree plot and to the percentage of variance explained we have decided to work with three factors. The percentage of variance explained with three factors is 65,5%. Next we inspect the matrix of rotated components in order to interpret the selected solution.

Table 4- Total Variance Explained by Components

Component	Initial Eigenvalues	Extraction Sums of Squared Loadings

	Total	% of Variance	Cumulative %	Total	% of Variance
1	5,883	36,769	36,769	5,883	36,769
2	3,026	18,911	55,679	3,026	18,911
3	1,569	9,809	65,488	1,569	9,809
4	1,003	6,267	71,756		

Extraction Method: Principal Component Analysis.

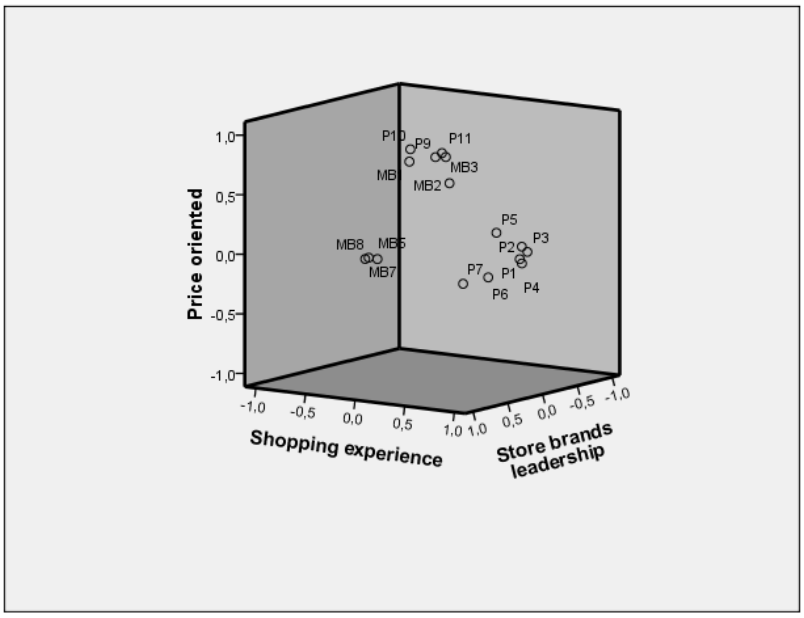
We have used boldface to mark the highest loadings for each item to better interpret dimensions showed in table 5. Looking at factors loadings in Table 5 we can see that first factor loadings are lead by items P1 to P7 corresponding to shopping experience and service. Second factor is lead by MB1 and MB2 which are items representing store brands offering value for money , as well as by items P9 to P11 which also focus on pricing. Finally third factor is related to items MB5 to MB8 which represents store brands with distinctive offerings.

Table 5- Pattern Matrix – Components Loadings

	Component		
	1	2	3
P1	**,865**	-,046	-,054
P2	**,830**	,085	-,102
P3	**,889**	,047	-,099
P4	**,863**	-,006	-,026
P5	**,666**	,203	,029
P6	**,682**	-,149	,169
P7	**,553**	-,190	,347
MB1	-,166	**,726**	,093
MB2	,135	**,782**	-,002
MB3	,198	,573	,036
MB5	,035	,036	**,840**
MB7	-,037	,041	**,914**
MB8	-,012	,051	**,898**
P9	,025	**,768**	-,010
P10	-,206	**,815**	,021
P11	,089	**,808**	-,012

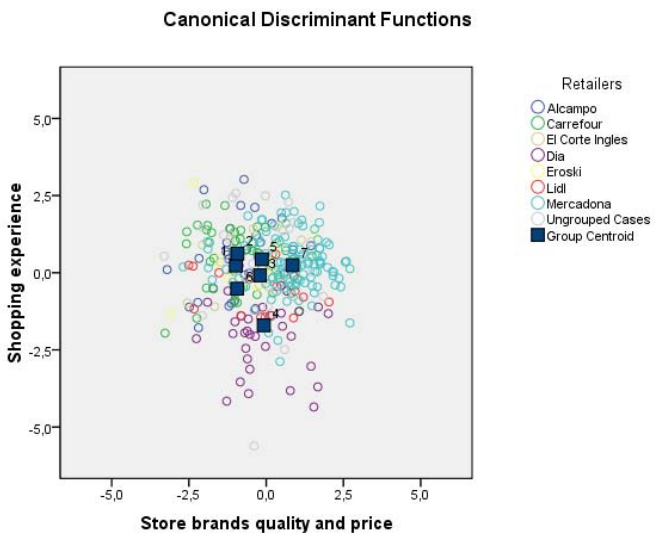
We can interpret or refer to the first factor as “purchasing experience”. The second can be named as price utility and the third as store brand unique offering, that we call “store brand leadership”. Now we plot the items in a 3D cube in the graph 1 , where the three factors appear as discussed.

Graph 1. Principal components factor analysis. Plotting of items



In order to see whether these factors really discriminate retailers we performed a discriminant analysis dividing the sample on two groups. The first sample group we will use to get the discriminant function and the second sample we will use it to test if the classification obtained with the discriminant function is enough satisfactory.

After checking for equality of group means and Box Test of equality of covariance matrices we got the discriminant functions. Only two of them passed the Wilks Lambda test of significance. Looking at the structure matrix and coefficients per items, we observe strong coherence with the results obtained through principal components analysis. We can see it in the following map showed in Graph 2.



Classifications results were quite satisfactory as 66,2% of selected original grouped cases were correctly classified and 59% of unselected original grouped cases were correctly classified.

Discussion and managerial implications

Results show the importance of store brands in retailer's positioning and offering to consumers in the Spanish market.

Following the results obtained store brands seem to have the ability to be perceived as the flagships of the retail offerings not only as price drivers but also more importantly as innovation and unique offering drivers. This later approach becomes more important in the Spanish market dominated by Every-day-low-price policy, as it signals the strong ability of store brands to differentiate retailers' offerings and create consumer loyalty.

In the Spanish market we have found four positioning spaces. The first one is the one signaled by the a strong price offering which is represented by Dia (Carrefour's discounter) and Lidl. The second one corresponds also to a retailer , Mercadona, with a strong price offering but also with a strong and innovative store brand image leading to highest scores on consumer satisfaction. It is worth notice the brilliant positioning of lead retailer Mercadona who is trying to balance the negative connotations of strong price focus , like usually discounters have, with extremely high quality store brand, still at a very competitive pricing. This strategy balancing value and "added value" seems to be in the right path to get market leadership in the very next future.

The third space corresponds to Carrefour , representing high investment in advertising and promotions aiming to deliver best purchasing experience and service to the consumer.

The rest of retailers fall into a white space with and undifferentiated offering playing in the middle of nowhere .

We will gather a series of managerial implications derived from these empirical findings.

Store brands seem to be an integral part of retailers' strategy even if their strategy is not price focused. This is due to the great ability that store brands have to deliver retailer image and offering.

Question is whether retailers not competing on pricing can afford not to offer to consumers their store brands. Consumers are so used to store brands now due to high penetration, that they will consider the lack of store brands as a lack of service more than a decision coherent with retailer premium positioning.

This point seems to back up recent changes on strategy from premium retailer in Spain, El Corte Ingles, who has decided to reinforce and get focus back to their store brand portfolio.

Importance of store brands are putting strong pressure to retailers to adjust their structures to deal with complex mega-brands which they can't anymore outsource management.

Growing importance on store brands pose also interesting issues on assortment and pricing control that are rapidly changing marketplace dynamics and that could lead to European regulation in the next future.

Exhibit 1- variable means by retailer

variables	satisf	price	assortment	store_brand	Service	promot	advertising	innovation
Alcampo	4,73	4,55	5,07	4,64	4,43	4,63	3,76	3,67
Carrefour	4,94	4,42	5,48	4,95	4,70	5,07	4,21	4,22
Corte_Ing	4,73	4,21	4,70	4,77	4,38	4,45	3,71	4,18
Dia	4,17	5,67	3,48	4,13	3,06	3,96	2,87	2,65
Eroski	4,42	4,21	4,40	4,63	4,36	4,35	3,75	3,76
Lidl	4,13	5,53	3,20	3,99	3,38	4,36	3,53	3,26
Mercadona	5,78	5,55	5,06	5,76	5,01	4,38	3,43	4,15

	shopping experience			**service**					**price orientation**		
items	**P1**	**P2**	**P3**	**P4**	**P5**	**P6**	**P7**	**P8**	**P9**	**P10**	**P11**
Alcampo	5,45	5,09	5,15	5,04	5,06	4,45	4,09	4,26	4,47	4,49	5,15
Carrefour	5,42	5,11	5,49	5,24	5,20	4,38	3,92	4,52	4,68	4,30	4,77
Corte_Ing	5,31	4,92	5,15	5,08	5,31	4,92	3,85	5,31	5,00	4,31	4,69
Dia	4,22	4,10	3,82	3,84	4,42	3,66	3,04	3,22	5,90	6,06	5,44
Eroski	5,21	4,75	5,21	5,21	4,96	4,71	4,33	3,63	4,83	4,38	4,63
Lidl	4,71	4,71	4,54	4,83	5,21	4,75	4,63	3,21	5,50	5,58	5,33
Mercadona	5,69	5,33	5,79	5,55	5,84	5,10	4,45	4,51	5,54	5,52	5,93

	Store brands and price			**Leadership store brands**				
items	MB1	MB2	MB3	MB4	MB5	MB6	MB7	MB8
Alcampo	4,28	5,13	4,78	4,23	4,28	4,39	3,69	3,58
Carrefour	4,81	4,87	4,96	4,34	3,96	5,34	4,09	3,70
Corte_Ing	4,83	5,08	5,08	4,83	4,42	4,83	4,08	4,33
Dia	5,94	5,60	5,29	4,46	3,94	5,26	3,91	3,74
Eroski	4,53	5,00	4,93	4,00	4,13	5,13	3,93	4,07
Lidl	5,64	5,36	5,21	4,43	4,07	5,00	4,00	4,07
Mercadona	5,50	6,19	6,08	5,00	4,91	5,43	4,77	4,52

References

Ailawadi, K. L., & Keller, K. L. (2004). Understanding retail branding: Conceptual insights and research priorities. *Journal of Retailing, 80*(4), 331-342.

Ailawadi, K. L., Neslin, S. A., & Gedenk, K. (2001). Pursuing the value-conscious consumer: Store brands versus national brand promotions. *Journal of Marketing, 65*(1), 71-89.

Ailawadi, K. L., Pauwels, K., Steenkamp, J. E. M., & Ailawadi, K. L. (2008). *Private-label use and store loyalty*

Alan, D., Jain, A., & Richardson, P. (1995). Correlates of store brand proneness: Some empirical observations. *Journal of Product & Brand Management, 4*(4), 15.

Brakus, J. J., Schmitt, B. H., & Zarantonello, L. (2009). Brand experience: What is it? how is it measured? does it affect loyalty? *Journal of Marketing, 73*(3), 52-68.

Ipsos Mori. (2006). *Star power: The growing influence of store brands in the US*.

Kumar, N., & Steenkamp, J. E. M. (2007). *Private label strategy: How to meet the store brand challenge (hardcover)*

Kumar, V., & Leone, R. P. (1988). Measuring the effect of retail store promotions on brand an. *JMR, Journal of Marketing Research, 25*(2), 178.

Lattin, J. M., & Bucklin, R. E. (1989). Reference effects of price and promotion on brand choice behavior. *Journal of Marketing Research (JMR), 26*(3), 299.

M+M Planet Retail. *"Private label global trends"*. Retrieved Dec 2004www.planetretail.com

PLMA. (2006). *Private label manufacturing association.*www.plma.com

van Kenhove, P., de Wulf, K., & van Waterschoot, W. (1999). The impact of task definition on store-attribute saliences and store choice. *Journal of Retailing, 75*, 125-137.