Retail branding as a value creation process: managerial and research priorities.

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May 2012

An ulterior version of this article appeared in Journal of Product and Brand Management, 2013, Vol. 22 Issue 5/6, ISSN 1061-0421

It can be purchased at DOI 10.1108/JPBM-05-2012-0136
Case study

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\(^1\) The authors thank the Auchan category manager, the loyalty program manager and the brand experts for their help. The authors also thank Bill Merrilees and Ann-Marie Doherty for their comments and suggestions in the 7th Thought Leaders International Conference in Brand Management Conference, Lugano, March 10-12, 2011
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Abstract:

**Purpose** - The first purpose of this communication is to highlight retailers’ current challenges related to branding as a value creation process. The second purpose is to identify existing organizational brakes that may slow down retailer brand building. The final aim is to indicate managerial and research priorities in retail branding.

**Design/methodology/approach** – The article confronts the conclusions of previous research and the findings of a longitudinal case study conducted with a major French retailer and brand experts between 2004 and 2011.

**Findings** – The authors identify managerial implications and four research priorities: (1) cultural and organizational change, (2) development and sharing of new capacities, (3) customer behavior knowledge, and (4) development of a strategic retailer brand building model.

**Originality/value** – The question of creating and sustaining retailer brands in the long term is addressed both from a managerial and academic perspective. The longitudinal case study illustrates how a major European retailer copes with branding issues and creates customer value thanks to its brands.

**Keywords** retail strategy, retailer brands, customer value, France

**Paper type** case study
Introduction

In 2008, for their first ever study of a specific sector of activity, Interbrand chose retail because it offers unique challenges, because it has “a culture that creates a tough environment for brand thinking and management”, and because retail brands now operate “the most expansive brand experience for their customers” (Interbrand, Euro Retail Report, 2008).

Indeed, the consequences of retailer brands proliferation (also called private labels or store brands), threatening manufacturers’ market positions and modifying channel competition has been widely explored in retail strategy and retail branding literature (Ailawadi and Keller, 2004; Kumar and Steenkamp, 2007; Rieunier and Volle, 2002; Scott Morton and Zettelmeyer, 2004). These recent studies have underlined strategic branding recommendations aimed at retailers. However, given retailer brands’ worldwide success, a closer examination of long term customer value creation based on brand building is worthy of further investigation.

Thus, the first purpose of this article is to highlight the current challenges facing retailers with respect to branding as a customer value creation process. To answer this question, this article confronts the conclusions of previous research with the findings of a longitudinal case study conducted with Auchan (a major French retailer) and brand experts. The second purpose is to identify existing organizational brakes that may slow down retailer brand building. This issue is addressed from a historical point of view, underlining characteristics of retail culture which are likely to have an influence on effective strategic brand building. The final aim is to indicate managerial opportunities for retailers and research priorities in retail branding.

The article begins with a short definition of retail branding and customer value. The second part presents the case study design. The third section confronts previous research conclusions with the results of the longitudinal case study. In the fourth section, historical
organizational brakes that have slowed down retail branding so far are analysed. Drawing on this analysis and on the case study results, the fifth section presents managerial opportunities for retailers and suggests research priorities.

1. The question of retail branding and the importance of customer value

Retail branding is not a new concept or a new term. Many studies have been conducted, analysing retail brand strategies or “deal-prone” customer behavior (e.g. Corstjens and Lal, 2000; Hoch and Banerjee, 1993). However, there has not been much academic research on retail branding per se (Ailawadi and Keller, 2004). We argue that branding research knowledge can fruitfully be used in retail. As underlined by Ailawadi and Keller (2004), branding and brand management principles can and should be applied to retail brands. Therefore, drawing on branding research and retail strategy literature, we follow the definition of De Chernatony (2009) and combine this with previous retail literature understanding: “retail branding is a systematic process in order to create a cluster of values that promise a unique and welcomed experience for the buyer or user of retailer brands”. In this article we do not distinguish between retailer brands that have their own unique brand name and the ones bearing the store’s brand name or logo, because our focus is on retailers’ general branding strategy.

Customer value has been much researched since the founding article by Holbrook and Hirschman (1982). Keller (1993) suggested that customer-based value should be thought of as a multidimensional concept that depends on (1) what knowledge structures are present in the mind of consumers and (2) what actions a firm can take to capitalize on the potential offered by these knowledge structures. As emphasized by Keller and Lehmann (2003), building customer-based brand value requires the creation of a familiar brand that has favorable, strong and unique associations, and managing it depends on the firms’ ability to maximize the brand
potential according to the marketing activities that they undertake. In other words, long-term brand value depends on two components: brand vision and brand actualisation (Keller and Lehmann, 2009). In this article we analyse the process of retail branding differentiating between two elements: first, brand building (where the brand vision is central) and secondly, brand management (that is needed once a brand has been launched). As a result, important for the further discussion in the article are (1) the consideration of tangible and intangible values in the customer’s mind, (2) the notion of customer-based value creation, and (3) the consideration of both brand building and brand management.

2. Case study design

In order to assess current branding strategies and to obtain insight into retailer brand creation processes, we used a longitudinal case study. We conducted seven semi-directive interviews between 2004 and 2011 (five face to face and two telephone interviews). We used the “key informant” method (Bagozzi, Yi and Philips, 1991; Seidler, 1974). This method is a technique for collecting information on organizations. Informants are chosen on the basis of their present or previous positions and qualifications in the organizations (Bagozzi et al, 1991).

The respondents are: a category manager at one of the two major retailers in France (Auchan), in charge of retailer brand creation and management for the health and cosmetic category, and a loyalty program manager from the same company, responsible for loyalty card data management and store animation. Both are involved in brand management, the category manager creating new product lines (bearing the store brand name or its own private labels) and the loyalty manager organising promotion programs to increase sales across store brands and manufacturer brands. We also interviewed five experts with former or current brand management responsibilities. Experts are specialised in food sectors, such as grocery, chocolate
industry, or in retailing, with former positions in various French hypermarket and supermarket chains. The collected data were analysed thanks to a thematic contents analysis.

The interviews provide an assessment of the retailer’s brand building and brand management competences. They also give insight into the extent of its customer knowledge. In order to complement the data, we also used the retailer’s annual activity reports. The study results enable us to analyse retailers’ competitive situation regarding brand portfolio management and branding resources (Hunt, 2000). The analysis helps specify three main themes: (1) retailer brand building process, (2) customer knowledge, (3) assortment and portfolio management. The next section presents previous research background and its confrontation with the study results.
3. Confronting previous research conclusions with the findings of the case study

We build on previous retail and branding research results to analyse our exploratory qualitative study findings and to evaluate current issues in retailer brand building.

3.1 Retailer brand building process

Both retail branding researchers and branding academics have emphasized the importance of two major steps within the brand building process: first designing a customer driven strategy and secondly implementing it. For example, Kumar and Steenkamp (2007) argue that “for each own label, retailers have to make decisions on the overall strategy, consumer proposition, and objectives for the proposed brand.” The second step is related to tactical elements: “Once these are articulated, then follow the more tactical decisions on branding, pricing, category coverage, quality, product development, packaging, shelf placement, and advertising or promotion.” This is in line with the strategic model developed by De Chernatony (2001a, 2001b), which starts with the management developing a brand vision. The model’s initial strategic steps include the setting of brand objectives and the identification of creative insights to conceive the brand’s core. The final steps of the framework are related to the implementation and to brand evaluation.

Despite these academic insights, we suggest that today retailer brand building is still focusing on the final implementation steps (marketing level) rather than on the initial strategic steps (branding level). The interviews conducted showed that retailer brands are conceived in a product category logic, insisting mostly on product innovation and product quality. The value that a retailer wants to provide the customer with is linked to the development of a product category. This implies organising “marketing actions” and offering various range levels.
For example, the objectives of the loyalty program manager (in charge of stores and sales animation) are “to satisfy customers thanks to more retailer brands, better assortments and optimised ranges”. In the same line of thought, the category manager says that he “first analyses the existing products in a specific segment and then identifies where the retailer should develop a product range”. This is consistent with the results of Cadenat, Menvielle and Pacitto’s survey (2007) about the elaboration of retailer brands in France and Quebec.

Drawing both on our exploratory study and on Cadenat and colleagues’ findings, we argue that retailers are involved in a process of “branded products” creation and development rather than in a brand building process, as defined by authors such as Kumar and Steenkamp (2007) or De Chernatony (2001b).

One of Cadenat et al.’s conclusions is that the main involvement of retailers is on the final (and thus more operational) steps of the process, including product tests, packaging elaboration and final product specifications sheet (“cahier des charges”). Conversely, their involvement is less important on the first (more strategic) stage of the process. Similarly our study shows that the first step of new project development consists of idea generation at the product level rather than at the brand level. In fact, the brand vision and the potential of new products to bear and represent the brand’s values apparently are not part of the process’s first stage.

An interesting result of the case study is that the retailer outsources the marketing competences to manufacturers rather than owning them. The retailer’s category manager whom we interviewed, reports that the main innovative projects are elaborated in collaboration with specialized consultants exploring customers’ expectations thanks to customer focus groups. He
explains that “the development of new products is linked either to existing similar manufacturers’ products or conceived according to customers’ quality requirements. The objective is to define a new product in line with the customer’s satisfaction (global satisfaction and specific criteria mostly related to quality)”. Thus, the product elaboration competences are externalised and the retailer’s customer knowledge has to be complemented in order to meet consumer’s expectations. This finding confirms Cadenat and colleagues’ survey which underlines that retailers rely on manufacturers, not only for their industrial skills (the production of products), but also for their marketing competences (product ideas and product conception).

In line with Cadenat et al. (2007), we conclude that further research is needed about the respective roles and competences of retailers (and manufacturers) in the (co-)elaboration process of retailer brands. In this perspective, we will suggest a few retail research opportunities in the last section of the present article.
3.2 Creating customer value as a long term objective and increasing customer knowledge

Since the early 80’s, researchers have shown that retailers should include customers’ evolutions when setting their strategic long term objectives (Rosenbloom, 1980). More recently, development opportunities have been highlighted by Rieunier and Volle (2002), stressing that customers’ values and consumption trends should be at the core of retailer brands. In fact, offering retailer brands that provide customers with more than mere products has become necessary. Furthermore, customers require more than just value for money. Kumar and Steenkamp (2007) show that retailer brand choice does not only rely on utilitarian reasons. It also relates to hedonic and even symbolic motivations. Kumar and Steenkamp (2007) insist that imbuing the brand with some intangible imagery is needed for “premium store brands”. Therefore, a new challenge of retailer brands is to nurture the customers’ non tangible expectations.

Indeed, the longitudinal case study shows that retailers have difficulties in understanding the customer’s brand choice process and the respective role that their own brands play in this process. Thus they are not able to anticipate customer brand choices. Brand switching motivations are not clear and customers’ volatility is still difficult to explain. For example, the loyalty program manager wonders “Who are the hard-discount customers? What are the reasons why clients buy retailer brands? What kind of marketing actions can we organize to capture manufacturer brand prone customers?”.

We suggest that the question of customer knowledge and particularly the exploration of his intangible expectations might help retailers to provide customer value in the long term. In fact, a brand concept or a brand identity has to be constantly “nurtured”. As Kapferer (2004) says, a brand’s identity relies on elements such as its project, difference, permanence, values
and signs. The brand’s permanence can be endangered if brand managers don’t continuously bear in mind the distinctive values that the brand should convey. In this respect some retailer brands such as « Mmm² !» launched in 2007 by Auchan, tend to lose their initial values and to become mere product lines.

The importance of intangible values has been stressed in the branding literature (Keller, 1993; Keller and Lehmann, 2009). Among intangible values, we identify, on the one hand, the sensoriality of the brand (its design, its style) and, on the other hand, its “associative values”, which can be aspirational or emotional. Thanks to a particular imagery set, a brand represents more than a mere product line. In this respect, although retailers do already have some packaging design competences (Cadenat et al., 2007), they could increase their customer intangible expectations knowledge and use sensorial marketing methods to create distinctive added value for each of their brands (Chitturi, Raghunathan and Mahajan, 2008).

3.3 Solving assortment and portfolio management concerns

Filser and Paché (2008) underline that both assortment and retailer brand portfolios are a source of differentiation for retailers. Observing the practices in retail chains worldwide, they identify three types of assortment strategies: the first one is defined according to the supply chain policy, the second one builds on a specific product category and the third one is related to an experience. Assortment strategy is closely linked to brand portfolio management. Kumar and Steenkamp, (2007, p25) stress that « most retailers today manage a multibrand portfolio of private labels rather than having a simple store brand » and that they therefore have to make sure that each brand within the portfolio has a positioning, which should be both specific and consistent with the company’s strategy.

² loosely translated as “Yum-yum”
Despite these statements, a further result of the case study shows that retailers don’t know (1) how to manage the assortment and (2) how to manage a long term brand portfolio policy. Concerning the assortment, questions are raised such as: “What are the criteria of a good assortment and how can we rationalize it? What are the respective objectives of each brand category within the assortment (manufacturer brands versus retailer brands)? How can we optimize references and shelf placement?”. Questions related to the brand portfolio are asked by the category manager: “What are each brand’s objectives within our own brand portfolio (private labels versus brands bearing the store brand’s name)? Which product categories are legitimate to offer retailer brands? How can we best balance our portfolio, without having some brands cannibalising the others?”. 

In this perspective, Kumar and Steenkamp (2007) insist that the role of retailer brands in one’s assortment is a complex issue. They warn retailers that carrying both private labels and manufacturer brands in a category shouldn’t result in overemphasizing their own labels. For example, “giving them overwhelming shelf space may cause dissatisfaction among customers if they cannot find their favourite brand anymore and start feeling that their choice has been restricted”. Other researchers see cooperation between retailers and manufacturers as necessary to co-construct successful systems of offerings (Filser and Paché, 2008; Messeghem, 2005). The question of assortment and portfolio management today remains one of the central challenges for Auchan.

After analysing three major issues of Auchan’s brand creation and management strategies, we address the question of the cultural historical background that may have influenced the branding process at retailers.
4. The historical background that may explain present branding issues

As stressed by De Chernatony (2001a), “an appropriate and welcome organisational culture can provide a brand with a competitive advantage”. Analysing the retailer’s historical background, we try to assess the appropriateness of its culture and to identify “retarding” forces that might have impeded an adequate brand building (De Chernatony, 2001a).

4.1 A product centered culture that focuses on short term financial objectives

Historically, retailers have developed their skills along the supply chain and the stores, and have diversified towards services. Financial services and loyalty programs became two main competitive advantages. The retailers’ marketing competences thus have focused on three variables: products and services, communication, and physical distribution.

During the 80’s and 90’s, concentration and internationalisation trends reinforced the necessity of ranges and assortment optimization. Retailer brand managers concentrated on operational management, copying existing products or investing in product innovation. Less emphasis was put on the strategic branding level (segmentation, targeting, brand positioning). As stressed by Colla (2001), the main reason why retailers manage their own brands is because of the higher margins they provide, and because they are a differentiation tool both within vertical and horizontal competition. In fact, retailer’s brand development model is typical for companies that have chosen to acquire brands (thanks to mergers, for example) rather than to create a brand portfolio from scratch (Doyle, 1989). In such a context, marketing and branding objectives are less important than financial ones.
Since the early 80’s, researchers have identified a series of brakes hindering the strategic management of retailing firms (Rosenbloom, 1980). The short term perspective, one the founding principles of retail, is still a major concern of retail today. The distantiation from this vision was delayed by the internationalisation movements during the 80’s and 90’s. For example, Auchan started expanding internationally in 1981, with the opening of Alcampo hypermarkets in Spain. In 1989 it entered Italy and the US. In 1996, Auchan acquired Docks de France and reinforced its presence in the South of Europe. Acquisition strategies have maintained retailing firms in a short term financial perspective. One consequence is that “companies whose objectives are primarily financial, are orientated towards buying brands or companies with brands”, while “companies which have objectives that are mainly marketing ones, choose to build brands” (Doyle, 1989).

In this particular historical context, the first retailer brands were created, aiming at increasing margins in the first place and at differentiating the chains from their competitors (Corstjens and Lal, 2000 ; Hoch and Banerjee, 1993 ; Mills, 1995). Today, the main advantages mentioned by European retailers in operating their own brands are margins and prices, rather than competitivity and image (see table 1).
Including branding and customer expectations in the strategic long term objectives would help retailers to better conceive and manage their brands, and thus to increase loyalty and customer value. This is one of the reasons why more marketing cooperation with manufacturers producing retailer brands is said to be needed (Burt, 2000; Filser and Paché, 2008).

4.2 Heterogeneous brand portfolios

Mergers and acquisitions have contributed to create brand portfolios without any real upstream marketing strategy (Goodman and Dion, 2001). Doyle (1989) explores the strategic options offered to firms in terms of brand creation and management. Similarly, Damoiseau, Black and Raggio (2011), examine the factors affecting brand portfolio expansion strategies via either brand creation or brand acquisition. Doyle (1989) underlines the drawbacks of external growth strategies. The risk is to create « a rag-bag of brands with different brand names in different countries, different positioning strategies and no synergy with the existing business ». Constant product launchings (even innovative ones) and the introduction of retailer brands in more and more product categories (organic food, baby food, health, technical products) tend to increase customers’ confusion and shelf space problems for distributors. Between 1999 and 2003, the average amount of retailer brand references in France grew dramatically, reaching 2700 references per retail chain (see table 2).

Retailers’ brand portfolios today consist of 3 to 4 brand categories: discount brands (e.g. “Carrefour Discount” products), “first price brands” (for example “Eco +” at Leclerc), standard
brands (often store brands, bearing the store brand’s name: Carrefour, Auchan), premium brands (e.g., “Monoprix Gourmet” or Carrefour’s “Reflets de France”).

The case study results confirm that rationalizing brand portfolios becomes necessary in order to clarify the offer and to simplify brand management. This is in line with Godey and Lai’s recommendations (2011) who insist that after decades of growth of brand portfolios, firms should lean towards more rationalization and reduction.

5. Managerial implications for retailers and research priorities

Drawing on both an academic and managerial perspective, we have highlighted what key challenges retail brand building is facing today. The case study findings also show some central recommendations aimed at retailer brand managers that should be taken into account to get the most out of the brand value potential in the long run.

Managerial opportunities, in our opinion, are twofold. Firstly, they relate to new brand creation, and secondly, to existing brand management and “brand resourcing” (De Chernatony, 2001a). In fact, the study indicates that retailers resources and activity consist mainly of marketing and merchandising rather than branding.

Firstly, our analysis shows that retail branding has not yet reached its full potential. Both new brand creation and existing brand management can be further fostered. Secondly, the findings indicate that retailers invest more on operational marketing and merchandising than on strategic marketing. Concerning new brand creation, one might argue that not all retailers can afford acquiring the adequate experience or that retailers might prefer to trade new brands off for other types of value creation. However, designing real concepts with specific brand vision,
positioning and targeting strategies can be done either with one’s own resources or thanks to cooperation, for example with manufacturers and possibly customers. Retailers do have a huge potential related to customer information, that they could start exploiting on a larger scale, including brand building and co-creation of new concepts.

Regarding existing brand management, we argue that “nurturing” the concepts with both tangible and intangible elements could enable retailers to strengthen their own labels in the long run and to create more value for all parties (customer value, value for themselves and for other stakeholders). It would also further help them differentiate themselves from other distributors (horizontal competition) and from industrial brands (vertical competition). We summarize opportunities for future retail branding in table 3.

Table 3 here
We suggest a few research priorities, related to the exploration of existing brakes, branding cooperation between retailers and manufacturers, customer knowledge and marketing innovation factors, and finally to the development of a retailer brand building model as a value creation process.

The results of our case study highlight existing brakes at retailers, confirming previous research. Manzano (2000) lists 3 series of brakes that are likely to hinder marketing development within the channel: first human and cultural, second strategic and finally financial. It would be useful to explore them as far as branding is concerned.

The development of new resources implies that learning and teaching at retailers’ should be explored (Cadenat et al., 2007; Gadde and Hakansson, 2008). In this sense, what Gadde and Hakansson (2008) call single resource development and resource combining development can be investigated. Single resource development is linked with the specific know-how that retailers can further develop on their own (e.g., thanks to the panel data information they have on loyal customers). Resource combining can be fostered by both manufacturers and retailers for the assortment policy, for the branding and differentiation strategies of retailer brands and for common merchandising or communication actions, such as events, catalogues or loyalty programs. The co-construction of offerings (from conception to launching in the market) as a potential cooperation area that could enable all partners to create value, should be further investigated.

As stressed by Kumar and Steenkamp (2007), the means to better integrate customer culture and match the gap with manufacturers’ customer knowledge should be identified so that “with multibrand portfolios, retailers [can] develop a “raison d’etre” for each of their own brands to exist” and manage brands at the most of their potential in the long run.
More specifically, we suggest that multibrand portfolio management can be done by differentiating each brand category status. We distinguish 4 cases that should be further studied. First, private label brands that bear a specific brand name and encompass many product lines, such as “Reflets de France” (present in Carrefour stores), need a management where identity and intangible brand value can be fostered. They also need a specific marketing mix management. Secondly, store brands that bear the store’s name, such as “Auchan”, “Casino”, “Carrefour” also deserve intangible brand value management. In this case, identity and intangible brand value are the retailer’s. Thirdly, we suggest that product brands, encompassing a single product, such as “Champagne Veuve Emille” (present in Auchan stores) do not need a sophisticated identity and intangible brand value management. They only need a simple marketing mix management. Finally discount brands, or “first price” brands have neither identity nor intangible brand value and should therefore be managed with a simple focus on price. We illustrate these suggestions in table 4.
A further research opportunity could consist in testing existing brand building models and proposing a model of retailer brand building as a value creation process. One of the models that could be tested, is the one suggested by Park, Jaworsky and MacInnis (1986), differentiating between brand creation stage and brand management stage.

A model including more stages, such as the framework developed by De Chernatony would be an alternative model. Indeed, drawing on De Chernatony’s framework (2001a, 2001b), it would be interesting to test a retailer brand building model and to further explore how such brands can provide customers and stakeholders with more value.

Figure 1 shows the adapted framework after De Chernatony (2001a, 2001b).

6. Limitations and conclusion

We acknowledge limitations in our research. Our results are limited to the French retailing context. Future research could consider other countries and also each store format’s specific context. Moreover, we did not make distinctions between private labels (that have their own brand name) and store brands (bearing the store’s name), nor between premium brands and budget store brands. We view incorporating these distinctions between brand categories as a significant opportunity to provide insights into potential resource allocation trade-offs and on strategic brand portfolio management.

A further avenue for future research would be linked with internationalization of retailer brands. An interesting issue would be the question of “country of origin intangible brand value”. For example: what “country of origin positive or negative values” are associated with Casino
or Auchan brand names abroad? And what should be the status of each brand category abroad in terms of brand portfolio management?

Moreover, a broader investigation of online versus brick and mortar environment would enable to further identify retail brand creation challenges. And finally, differentiating between general retailers versus specialized ones would provide more insights into present retail issues.

This article explored retailer brand building in a both managerial and academic perspective. Confronting strategic brand building literature with a retailer’s present concerns, it suggests that retail culture focusing on short term financial objectives doesn’t help retailers to create coherent brand strategies and manage their own brand portfolio in the long run. It underlines that including end-users’ expectations in the long term objectives can increase customer value creation and hence foster loyalty. It also identifies promising research priorities related to cultural and organizational change, development and sharing of new capacities, customer knowledge and the development of a retailer brand building model.
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