De chernatony and mcdonald essay

De Chernatony & McDonald (1992) define the term brand as: “ an identifiable product, service, person or place, augmented in such a way that the buyer or user perceives relevant unique added value which match their needs most closely. . .

its success results from being able to sustain these added values in the face of competition. ” The nature and role of own brands have changed dramatically from their original position as a product alternative to now being considered as a brand alternative. (Burt & Davies 1999. Burt (2000) supports this by stating that retailer brands are no longer viewed by consumers as less expensive or lower quality alternatives to national brands. They are now perceived as being equal to manufacturer brands. In order to discuss the concept of own branding within the UK grocery sector, it is necessary to appreciate its evolution.

Own label products can be traced as far back as the late nineteenth century. In North America, grocery retailers and wholesalers created their own brands to ensure quality products to their customers and to build a strong store image to secure customer loyalty. The first foodstore to introduce own-label brands was the Great Atlantic and Pacific Tea Company, which established it’s own grocery tea, brands: the ‘ Eight O’clock Coffee’ and ‘ Our Tea,’ in 1882. (Fitzell & Kinock 1998.) Although this is a clear example of own-label branding it was not a conscious use of a brand name. According to De Chernatony & McDonald (1992) interest in own brands, in the UK, can be linked to resale price maintenance (RPM.

) This mechanism forced retailers to follow manufacturer's rules regarding selling prices. Hankinson ; Cowking (1993) state that prior to the abolishment of the RPM in 1964, the manufacturer held the balance of power in the distribution channel. Consequently it was they who had control over who developed the brands, as well making decisions regarding advertising and pricing. However, this situation has now been turned around with the retailers gaining increasing power and being able to state their own product specifications and prices.

Hankinson ; Cowking (1993) conclude that this was achieved through bulk purchasing, zero to low advertising and a clear product quality, which was lower than that of the national branded lines. Fitzell ; Konick (1998) report that increased competition among the major food retailers and consolidation of their activities combined with an increase in efficiencies of scale had induced a greater need for the stores to differentiate themselves. This is primarily achieved through the introduction of retailer own brands in the stores alongside manufacturer brands. Similarly, De Chernatony ; McDonald (1992) state that the increasing concentration of multiple retailers can be best described under the concept of the wheel of retailing. In simplistic terms, McGoldrick (1990) describes the wheel of retailing as conveying that retailers commence as cut-price, low-cost, narrow margin operators which subsequently ' trade-up.

' He argues that improvements in premises, advertising costs, the provision of credit and other customer service all result in increased expenses, margins and prices. This results in a sales policy, which is based on quality goods and services rather than focused primarily on price. Inevitably, this opens up the opportunity for the next low-cost retailer to become established and thus the wheel continues to revolve. Many authors have discussed the advantages and disadvantages associated with retailer brand product ranges for both the retailer and the manufacturer. McGoldrick (1990) has summarised the main rationales under three headings: store image/consumer loyalty, competitive edge/extra turnover and higher/better profit margins. A common issue that all writers discuss in relation to this is the competitive threat to manufacturer brands.

This highlights power relationships within the grocery channel between the retailer and the manufacturer. Many authors (Fitzell ; Kinock 1998, Burt 2000, ; Dawson 2000) have talked about the shift in channel power from the manufacturer to the retailer As retailers grow in size they control floor-space, shelf-space and consequently sales. By doing so they take advantage of excess capacity in manufacturing sectors. De Chernatony ; McDonald (1992) state the reason behind manufacturers fall from power is as a result of failing to acknowledge the retailers increasingly innovative stance, customer-driven approach and their commitment to developing their own brands. Instead, manufacturers decided to focus their strategy on cutting back on advertising their brands and pursuing the strategy of buying more shelf-space. De Chernatony ; McDonald (1992) comment that retailers became more efficient through centraslised buying and warehousing.

This is supported by Burt ; Davies (1999) who state that the centralised nature of management decision making has played a major role in the development of own brands. McGoldrick (1990) concludes that as retailers seek to achieve higher quality and distinctiveness in their own-brand products, it is vital for a successful relationship to be formed between the retailer and the supplier. Burt ; Davies (1999) support the view that changing perceptions of the relationships of the roles and functions of the different players in the distribution channel have helped to shape retailer brand development. The recognition of this channel power of the retailer has placed greater emphasis on the need to differentiate product offerings in the market.

Retailers have gone from being the distributors of brands to selling their own brands. Fitzell ; Konick (1998) state that the retailers themselves are increasingly becoming more like brands. This makes it increasingly difficult for the consumer to distinguish clearly between a national brand and a retailer's own brand products. One product positioning strategy as identified by McGoldrick (1990) is that of generics. Generics are a form of retail branding with place an emphasis on basic ' economy' principles. That is an unbranded or brand-free product, which is marketed using plain, unsophisticated packaging with a variable quality range, and perhaps most significantly, with prices up to thirty per cent lower than comparable brands.

(Burt & Davies 1999.) Generic products were first introduced onto the consumer market in the 1970s. During this period the brand product range comprised of a three-tier structure of leading manufacturer brand, the retailer brand and the generic brand offering. McGoldrick (1990) observes that this structure complied smoothly with the marketing segmentation principles of providing for the upper, middle and lower end of the market. McGoldrick (1990) argues that although generics enable retailers to build a significant market share, there were risks associated with this type of strategy. The retailers branded the generic range themselves, as a low, down-market range.

This affected consumer's perception not only of the retailer's image and reputation but also of the price and quality associated with these ranges. This is supported by other authors such as Burt & Davies (1999) and De Chernatony & McDonald (1992.) Primary emphasis is given to the contents of the product rather than its appearance or retail name. Therefore, consumers perceived this product range not as an additional tier in own brands but as an alternative to the current own brand range. (Burt & Davies 1999.

) Retailers saw generics weakening their profitability and tarnishing the quality image associated with their other product lines. De Chernatony & McDonald (1992) argue retailers had misjudged the consumer's needs by assuming that low prices were the key determination factor for driving consumer choice. This view is supported by Hankinson ; Cowking (1993) who state that manufacturer brands were considered superior to own brand and generics both of which are associated as being of a lower standard of quality. McDonald (1990) states that the major advantage of generics is the ability of retailers to gain economies of scale in cost reductions related to buying power.

He concludes that price is not the only determining factor when choosing brands. Retailers eventually realised that consumers were seeking value for money without having to compromise on quality issues. Retailing branding has moved through several stages of development, from generics to own-label, un-supported retail brand and now currently into a fourth stage as identified by Laaksonen ; Reynolds (1994,) in Dawson (2000.) That is the extensive innovative product development and sub-branding stage.

They identified that each stage of retail branding has different product characteristics, production technology input; market position and consumer motivations associated with it. These stages overlap and not all companies follow the same sequence. Wileman ; Jary (1997) as noted in Burt (2000) suggest a similar sequence with five stages of retail branding: generics, cheap re-engineered low cost par quality and leadership. Burt (2000) suggests that what both these schemes illustrate is that different forms of the retail brand exist in the marketplace. McGoldrick (1990) the central objective of own branding is to achieve and maintain competitive advantage. Although price is the main way of gaining competitive advantage and distinguishing a retail brand from a manufacturer’s brand, McGoldrick argues that it is not the only way.

He notes other important factors, such as quality, design, convenience, assortment and innovation as playing a vital part in the process of brand development. By considering these other ‘ product pluses’ Fitzell & Kinock (1998) state that in recent years own brand products have significantly improved in quality and packaging enhancements, making them comparable to the national brands. McGoldrick (1990) argues that retailers must develop a strong role in product innovation and development, as competing on a price only basis is a difficult competitive positioning strategy to maintain in the long-term. Hankinson & Cowking (1993) support this by adding that retailer’s can establish a secure presence in areas, which have not previously been explored or failed by national brands through innovation. Burt (2000) supports McGoldrick's views on innovation and quality as being major positioning elements of an own-brand strategy. Hankinson & Cowking (1993) place emphasis on quality products, which represent value for money to consumers as being the key to own brand success and gaining customer loyalty.

Burt & Davies (1999) also recognise the importance of moving away from price competition and instead focusing on establishing innovative product ranges. McGoldrick (1990) argues that the perceived risk associated with own brands depends on the length of time that it has been established, the marketing support by retailers and consumer's perceptions of the retailers overall reputation. Consumer perceptions of quality are a key determinant of own brands positioning in a market. Livesey ; Lennon in Burt (2000) find that the highest purchasers of retail brand products were the younger more affluent consumers who were more willing to take risks with new products. While the bargain conscious consumers would choose to buy the ' regular' ' choice of brand.

In a recent study by Dick et al (1996) as noted by Burt (2000) they recognise that the factors which influence product quality are attractive packaging, labelling and brand image. These are strong influencing factors in retail brand success. According to Hankinson & Cowling (1993) own brands have traditionally focused on their functional attributes, such as performance at lower prices. They argue own brands based on such attributes lack any symbolic values.

If brands are to be successful, they must convey other differentiating factors. De Chernatony & McDonald (1992) conclude that brand availability, price and point-of-sale displays influenced consumer choice. They also state that strong brands lie in communicating added value to the consumer through packaging and other such measures. These clues help consumers to build up their perceptions to brands and associate values to them. They comment that packaging design can communicate the characteristics of the own line products and reinforce the store’s overall image. They describe this as the ‘ silent persuader’ of own brand products.

Recent developments in the UK grocery sector have seen the extensive use of brand extensions which have opened up new opportunities in new market sectors, most notably into previously untouched, non-food areas: financial services; customer-care services and travel services. The central aim of such a strategy is to create and promote a single brand, which has universal wide applicability. Hankinson ; Cowking (1993) describe this type of retailing as a one-stop retailing experience. They state that this makes it difficult to define the nature and characteristics of a retail food outlet. The extension of brands is supported by other authors such as Burt (2000) who says that brand names now extend beyond the core product offer, confirming the central role that retail brands now play within the corporate strategy of an organisation. One of the most innovative concepts in retailing has been the explosion of e-commerce.

This will become an important concept within the food retail industry. Dawson (2000) and other authors suggest that e-commerce represents the first paradigm shift in retailing for over 50 years. Another key development in food retailing is the concept of the store loyalty card. Although the idea of a store card is to make existing customers more loyal, the primarily concern of loyalty cards is to obtain valuable customer information about their shopping profiles (Burt 2000.

Another recent issue to take into consideration as identified by Davies (1999) is the theft of brand identity. This refers to the passing off or copycatting of branded products by retailers. Burt ; Davies (1999) refer to the Asda/United Biscuits case in which Asda was accused of copying United Biscuits packaging. When the case went to court both sides claimed victory. Although Asda's packaging could lead to confusion it did not violate United Biscuits registered trademarks.

Clearly, this case raises many questions about brand identity. Finally, an interesting issue as identified by Burt & Davies (1999) is the concept of the internationalization of the grocery market. Recent events, such as the taking over of Asda by the American giant Wal-Mart raises many important questions about food retail and its impact on the international arena. As Dawson (2000) states, retailing is an evolving industry, which requires constant exposure to innovation. Burt & Davies (1999) conclude that retailer brands are seen as broadening product ranges, enhancing product markets and providing unique products rather than just simply replacing existing manufacturer brands.

They key variables to achieve this are through innovation and new product development. De Chernatony & McDonald (1992) support this by emphasising the importance of providing consumer-relevant added value and not just focusing on low prices as a key-differentiating tool. Today's own brands are turning into well-established retailer brands. They have higher margins, which strengthen the retailer's bargaining power relative to the manufacturer's. (Fitzell ; Kinock 1998.

) Own brands are backed with significant corporate promotional campaigns, which reinforce their personalities and convey clear values to the consumer (De Chernatony ; McDonald 1992.) Hankinson ; Cowking (1993) also support this. They talk about the personality of the brand in communicating values to the consumer. Originally own brands were introduced onto the market as a cheap alternative to more prestigious manufacturer brands, with an inferior quality emphasis placed upon them.

Burt ; Davies (1999) state that they are now universally accepted as a brand alternative offering the same quality of products and product innovation as manufacturer produced brands. According to Burt (2000) changes in attitude and behaviour in the use of market power, the management and of image and a greater understanding of the core principles of brand management have all contributed to the development of the retailer as a brand.