Chapter 16
Importance and Role of Retail Brands in a Non-Food Market:
A Case Study of DIY Retailing in Spain

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ABSTRACT

Non-food vendors struggle to reduce customers churn when these shop for consumer goods: From simple coupons to sophisticated big-data-based loyalty systems, modern merchants undertake a range of initiatives to maintain customer loyalty to their stores. At the same time, while consensus exists on the fact that retail brands have the ability to generate store loyalty, this fact has seldom been empirically corroborated. Probably due to this lack of certainty, many non-food retailers use "private label" product strategies as a way to preserve healthy business ratios, such as revenue, contribution margin, operating profit, etc., far from the idea of developing customer loyalty to the store. This constitutes the main objective of our work: To prove the existence of a statistic correlation between Consumers' loyal attitudes and behaviors towards "private labels" and their loyalty towards The Store Brand Name that sponsors these brands.

INTRODUCTION

Usually, non-food distributors' moves in the private label (PL) market focus exclusively on the short term, aiming to improve general business metrics such as sales volumes, total revenues, contribution margins, operating profits, etc. However, PLs also have potential to make brand names (those of the store) stand out, beyond mere price considerations, when consumers decide where to shop for any type of goods,

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including food, homecare, or personal and beauty care products (as the most typical consumer packaged goods categories). In fact, unlike the origins of traditional food and drug private labels, "younger" non-food PLs seldom focus on the lowest price segments. They are usually found in the middle part of the pyramid, in the confluence of "popular" (as opposed to low) prices, and medium perceived quality, offering a rational, positive value-for-money balance. It is also worth noting that in these (non-food) categories the product brand (PL) name rarely matches that of the store (retailer brand or store name), while in the classic food categories the opposite is usually the case.

The first question that arises here is what is a "non-food retailer", and whether the term is used in scientific literature. This is because it is somewhat unusual to define something based on denial, or on "what it is not": Saying "let us describe non-food retailing", seems akin to saying something like "let us talk about animals that are not mammals". While mammals account for only 4,381 of over 1.25 million species discovered (Llorente-Bousquets & Ocegueda, 2008) they appear to represent what most people would think of, if asked to name an animal. It is likely that the same is true for food and drug brands, if a consumer were asked to recall the name of any brand. Just as mammals are not the heart of biology, food and drugs are not the heart of retailing, nor of marketing.

Nevertheless, the opposite often seems to be the case; thus, this chapter starts with a literature review on the topic of non-food retailing, and discusses critical terms such as modern distribution, non-food retailing, category killers, and big-box retailers.

Subsequently, concepts such as "brand", "brand equity" and finally, the specific "distributors' brands" are analyzed. The main goal of the chapter is to highlight the importance of private labels in non-food retailing, so it is necessary to review these concepts within the specific field of non-food distribution. In addition, the importance of these private labels to their creators and owners goes hand in hand with their power to improve business results, not only through the short-term above-mentioned indicators, but also (and especially) though long-term real business developers such as customer loyalty. Thus, this part of the discussion ends with an overview of loyalty, and different approaches to a conceptual and operational definition of it, including frequent modern practices such as loyalty clubs, frequent shopper cards, discount coupons, etc.

A general model relating these three key elements – retailing, brand, and loyalty – is then presented. This aims to identify the mechanisms through which retailers' brands (also known as Private Labels, or PL) can contribute to customer loyalty to one specific store or, more precisely (or, in fact, more widely), to a store name, regardless of the specific store at which it is sold.

Empirical research is then introduced in order to validate the above-described relational model. To do so, the Home Improvement product category retailing is used, resulting in 4 main limitations, which are later discussed:

- Sampling limitations.
- Geographic limitations.
- Time limitations.
- Market/Industry limitations.

While the first three can be considered inherent to any limited-resource academic research, the last was dealt with by focusing the empirical study on the two strongest PL, Dexter and Luxens, of the strongest (in its market) and oldest (overall) *category-killer* currently operating in Spain, Leroy Merlin:

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