A SURVEY OF PRIVATE LABELING STRATEGY BY SUPERMARKETS IN NAIROBI.

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DECLARATION

This project is my original work and has not been submitted for a degree in any other University.

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This project has been submitted for examination with my approval as University supervisor.

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DEDICATION

To my parents: Alfonce Kyalo and Rosina Ndinda for their love and parental care. The relentless effort to educate me and for their believe in the power of education. Thank you and may the almighty God bless you.

To my brothers and sister for their support and encouragement, and may the love we have for each other prosper eternally.

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ABSTRACT

The survey for this report was done between 16th July and 17th August 2001. The study sought to determine the awareness of retailers on private labeling, why retailers would go into private labeling and the problems they encounter while introducing and managing their brands. The study gave a special reference to supermarkets in Nairobi.

The population of interest included all supermarkets operating within Nairobi. The information sought in this study was collected using a questionnaire having both structured and unstructured questions. Thirty-eight supermarket executives responded to the questionnaires and this gave the primary data for this study.

The findings of the study suggest that retailers in Kenya are moderately aware of the practice of private labeling with only a few having their own store brands. Those who have store brands are majorly in the grocery, frozen food & vegetables, confectionery, bottled water/ beverage, stationary and personal care product categories. These products are either under the outlets specific name or a name the outlets owns.

The results of the supermarkets surveyed reveal that most of those with private labels rated them highly compared to competitor's products in terms of quality, features, packaging, design, variety services and the brand name. They also rated the prices of the private labels as being generally low compared to competing products and that the store brands are allocated good shelf space compared to the competing brands. The supermarkets mostly do target all customers with their store brands.

The findings also suggest that there are many reasons why retailers would go into private labeling. After carrying out a factor analysis on the responses, then seven factors emerged. These were named: the supermarkets desire to control the distribution channel, winning more customers into the store, the need for higher margins, the general state of the economy and business cycle, expansion of the store, differentiating the store, and reducing the cost of supply.

The stores were also found to be facing a myriad of problems to varying degrees in their pursuit to introduce and manage their store brands. These problems include increasing competition, quality standards, the pressure to compete on price, marketing the products, capital, and difficulty in differentiating the products. Other problems reported were the pressure to invest elsewhere, choosing the supplier, fragmenting markets, unfavorable bylaws and decreasing brand loyalty in many categories.

TABLE OF CONTENTS

CHAPTER THREE

CHAPTER FOUR

CHAPTER FIVE

LIST OF TABLES

CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND

Retailers have developed a range of strategies for attracting customers and encouraging those customers to buy and to continue buying goods and services available at their stores rather than from competitors. Private labeling is one of these strategies that retailers are adopting so as to be more competitive.

Chernatony and Malcolm (2000: 233) contend that the interest in own labels by retailers stemmed originally from being able to circumvent Resale Price Maintenance (RPM) and offer a lower priced range of goods to compete against manufacturers' brands. After the abolition of RPM, the manufacturer no longer stipulated retailers' pricing. By commissioning manufacturers to produce and pack products to their own specification, retailers were able to sell their own labels more cheaply than manufacturers' brands

Many retailers are thus placing their own brands among the products they market. Retailers are also becoming more professional in managing their stores, and thus beginning to realize the value of own labels in reinforcing their positioning.

Retailers have also recognized that their stores need not be just a place to buy a selection of brands. Murphy (1990) asserts that the shop itself, its location, its atmosphere, the service it offers, the range of goods and services can become the brand, and retailers can begin to extract the benefits that accrue to investment in branding. He further adds that the value, which the store name acquires, can be transferred to a range of goods, which will reinforce the store image.

Water for instance being the most basic and plentiful Earth's resources has become a liquid asset for many merchandising businesses. Uchumi supermarket has come up with its own Uchumi water brand. This opportunity is worth exploiting as consumers turn away from tap water for what is increasingly considered as purer, healthier alternative to soft drinks and alcohol. Other areas that have seen the penetration of private labels include frozen vegetables, sugar, paper, salt, cereals, among others. This growth has however been uneven across product categories as noted by Batra and Sinha (2000).

According to Chernatony and Malcolm (2000), own labels were initially used as a low price proposition. Retailers have however shifted away from competing against each other just on price and instead began to emphasize quality and service. They are becoming more concerned with the quality of their own labels, which are no longer 'cheap and cheerful' alternatives to quality brands.

Retailers are becoming just as sophisticated in their strategic marketing as the national brand manufacturers. The marketing of private labels has taken advent with advertising, promotion, product and packaging strategies being prepared so as to refresh and give the private labels some quality element. One of the first initiatives that retailers took to upgrade their own label products was in the area of packaging. Previously, own label packaging endorsed the general perception of the product as a cheap alternative to manufacturers' brands. Chernatony and

Malcolm (2000) note that retailers are becoming increasingly more attentive to changing environmental circumstances, and are launching innovative own labels to capitalize on new consumer trends. The adoption of information technology is seen to aid in managing retail stores more professionally so as to make more rapid adjustments to their portfolio of brands as new opportunities evolve.

The growth of private labels could be seen as a tireless effort of designing good branding strategies by retailers to enable their products compete more effectively with other retailer and manufacturer brands. This growth according to Corstejens (2000) has traditionally been attributed to two major causes. First, retailers advertise the national brands (which attract people to the store) and sell private labels (which typically have lower variable cost and therefore potentially higher margins) to the price sensitive segment. This enables them to compete profitably in this segment. Secondly, private labels enable retailers to get better deals from manufacturers in the form of lower wholesale prices on the manufacturer brands. The suppliers of manufacturer brands continue to get squeezed by retailers looking to build margin.

The growth of private labels has been on the rise in retail outlets in Kenya. As store brands continue to capture more shelf space as well as acceptance among consumers, the issue of competition between manufacturer and store brands is bound to intensify. The battle is over shelf space and consumers money (the shilling).

Randall (1994) confirms that store brands are certainly a bone of contention between retailers and manufacturers. Manufacturers claim that they spend all the development time and money to produce a new brand, only to find that retailers having waited long enough to see if it will survive, merely copy it to sell the copy at a lower price. Others claim that store brands are category killers, mee-too products that suck all the profits out of the market by making consumers price sensitive. They reflect the growing retailers' control over the distribution channel and are seen as reducing the power traditionally held by manufacturers as a source of influence over consumers and their leverage over merchants. These store brands threaten to turn manufacturers into invisible vendors who must content themselves with supplying cut-rate commodities to all-powerful retailers. Manufacturers can therefore not rely on recouping the huge development outlays by selling at a reasonable price protected from by store brands. This will force manufacturers to cease innovating and everyone –not least consumers- will suffer.

Retailers according to Murphy (1990), see manufacturers as not being very good at new brand development. They claim that most launches fail, and do so because they are "mee-too's" with no real consumer advantage. The torch of innovation has passed to retailers, they claim, as they are now closer to the market and more sensitive to consumer needs.

Consumers are today more likely to be more loyal to a particular store and switch brands when necessary, rather than have to shop from several different stores to satisfy their brand preferences. Due to increase in the products available in a given category, consumers are often confused about price, size, quality, and value hence greater difficulty with comparison-shopping. This, according to Lisanti and Tony (2000), leads to compromises based on convenience rather than preference based on choice. This could therefore be a motivating factor to retailers who are well placed to identify consumer needs and give more and better shelf space to their products.

There is no known previous research that has been done on private labels in Kenya. However most of researches done are in the developed world where private labels are at an advanced stage. One study by Corstjens and Rajiv (2000) on Building Loyalty through Store Brands showed that quality store brands can be an instrument for retailers to generate store differentiation, store loyalty and store profitability even when the store brand does not have a margin advantage over the national brands. Another study by Rajeev and Sinha (2000), on Consumer Level Factors Moderating the Success of Private Labels Across Different Product categories, showed that, purchase of private labels in a given category increase when consumers perceive reduced consequences making a mistake in brand choice in that category, and when that category has more 'search' than 'experience' characteristics.

Despite the lack of literature on retail brands in Kenya, many own labels have been introduced in retail stores and more so in supermarkets. However little emphasis has been given to store brands as compared to manufacturer brands.

1.2 STATEMENT OF THE PROBLEM

For any business unit to have a competitive edge in the present market situation, it has to develop strategies, which will enable it to succeed in the market place. Private branding for retailers is one of these strategies.

Researches have been done on different retailing strategies in Kenya. One study was by Karemu (1993), which was investigating the state of strategic management in the Kenyan retailing industry. Another study by Lagat (1995) sought to investigate the state of Marketing intelligence activities in Kenya's retailing sector. Ngatia (2000) did a comparative study of service Providers and Customer Perceptions of service quality in the Retailing industry.

Retailers in Kenya are locked in fiercely competitive environment, many of them in low or no growth markets. With competition getting tougher and price control lifted, supermarkets fight to win customers and remain competitive in order to survive. The state of the Kenyan economy is bad. With high inflation rate, very low economic growth, low per capita income coupled with joblessness and retrenchment; most consumers are likely to be seeking for the value for their money. The supermarkets also have limited scope within which to differentiate themselves from competition as any new strategies adopted are easily copied and even matched by the competition.

Like any other business, Supermarkets need to devise strategies to survive in this competitive environment. This has seen some of them going into private labeling. Many successful store brands have been introduced in the developed and developing worlds and specifically in Kenya. However, there is no report showing the marketing and growth of private labeling in Kenya.

Since the initiatives and marketing of store brands by retailers in Kenya is unknown, the study aims at exploring and investigating issues related to the growth of store brands in Kenya. Is it as a source of differentiation, profitability, store loyalty or are there a host of other factors that have compelled retailers to go into private branding? The study also seeks to establish the challenges faced by retailers when introducing and managing their brands.

The research will therefore seek to answer the following questions…

What are the reasons of going into private labeling, and what are the challenges the Kenyan retailers face while introducing and managing their own brands?

1.3 OBJECTIVES OF THE STUDY

The objectives of the study include:

i) To establish retailers awareness of private labels

ii) To find out what is making retailers go into private labeling.

iii) To establish the challenges faced by the retailers in introducing and managing their own brands.

1.4 IMPORTANCE OF THE STUDY

This study will be useful and of interest to:

i) Retailers who want to know how to manage and increase their sales through the sale of private labels, as well as those who would be interested in starting private label programs.

ii) Manufacturers and suppliers by knowing better how to fight the private label growth from eating up their market share and determining whether to make and supply private labels to the retailers.

iii) Consumers in evaluating the choice of products offered in retail outlets given that a wide variety of similar goods are offered at different prices and different qualities.

iv) Marketers interested in promoting the sale of private labels in trying to penetrate a very competitive market dominated majorly by manufacturer brands.

v) Scholars who wish to do research on the retailing industry and more so on private labeling which is a new phenomenon in Kenya.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 HISTORY OF PRIVATE LABELS

The history of private labels is of many ups and downs. Keller (1998) traces the first private label grocery products in the United States to have been sold by the Great Atlantic and Pacific Tea Company (later known as A & P) founded in 1863.

During the first half of the twentieth century, a number of store brands were successfully introduced. Due to the competitive pressure from the sophisticated mass marketing practices adopted by large packaged goods companies in the 1950s, private labels fell out of favor with customers.

Assail (1993) adds that the rampant inflation in the late 1970s and deep recession in the early 1980s reduced real income for many consumers and led to a sharp reduction of discretionary income (the amount left after the paying for necessities and taxes). This consequently led to reduced spending and consumers became more price sensitive. Consumers also became more likely to buy low priced private brands (store-owned brands) or generic products (unbranded products identified by product category only).

This is the time when there was successful introduction of low-cost, basic quality and minimally packaged private labels and generic products. The subsequent economic upswing hampered the sale of these products due to the lack of perceived quality, which saw consumers return back to national or manufacturer brands. Keller (1998) also notes that the sales of private labels have been highly correlated with disposable income.

To compete in today's market place, private label makers are improving quality and expanding the variety of their offerings to include even premium products. This has seen private labels make major inroads in new markets.

Categories that are particularly vulnerable to private label advances would be those where there is little perceived quality difference among brands in the eyes of sizeable group of consumers like paper towels, bottled water, plastic bags salt e.t.c.

Boone (1992) explains that in Europe, Private brands are more popular than other major country markets. UK's grocery store brands perform at quality level similar to leading producer brands and often have no price discount versus leading brands. The UK's store brand penetration stands out at 39%(Corstjens and Rajiv, 2000). In the United States, one out of every five items sold every day in the supermarkets, drug chains and mass merchandisers are accounted for by private labels or store brands. (Private Label Manufacturers Association, 1999). Analysts predict that with improvements in product and packaging quality and expansion into more product categories, private brands will continue to grow throughout the international market (Boone, 1992).

Retailing institutions have however not been particularly marketing oriented in the past, tending to be more focussed on merchandise than consumers. The retail outlets compete by attempting to make the most of its uniqueness, which if valued by customers comprises its differential advantage. The continuous strive for differential advantage is characteristic of competition in retailing. Since retailers deal directly with the consumer, they must fulfil certain expectations that may be less important to other types of businesses (Davidson et. al 1988)

2.2 Private Labels

Private labels also known as own brands, store brands, private brands, distributors own brands or retailer-originated brands are defined by (Borgnesi et al 1997) as the merchandise manufactured for sale only by the retailer under a name the retailer owns. Keller (1998) defines private labels as products marketed by retailers and other members of the distribution channel. Private labels can be called store brands when they actually adopt the name of the store itself in some way e.g. Uchumi water.

Chernatony and McWilliam (1988) present a very complete definition a distributor's brand as an added value entity, produced by or on behalf of a distributor following the distributor's specifications. It is targeted at specific consumers and portrays a unique relevant and distinctive personality, which is clearly associated with the distributor and is backed by a coherent use of marketing resources.

Hyde and Davidson (1985), define a private brand as one that is owned by or controlled through contract rights by a retailing company or by a company that is an affiliated group of retailers.

2.3 Manufacturer Brands

Manufacturers' brand is defined as an added value entity conceived and primarily developed by a manufacturer for a specific group of customers and consumers. It portrays a unique relevant and distinctive personality through the support of product development, promotional activity and an appropriate pricing and distribution strategy (Chernatony and McWilliam, 1988).

2.4 Marketing

According to Stanton et al (1996), marketing comprises " a system of business activities designed to plan, price, promote and distribute want satisfying products and services to present and potential consumer segments.

Kotler and Armstrong (1997) move closer to define marketing as a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

2.5 The Marketing Mix

Kotler (1998) defines marketing mix as the set of marketing tools that firm uses to pursue its marketing objectives in the target market. These tools have been classified into:

i) Product- Which refers to product variety, quality, design, features, brand name, packaging, sizes, services, warranties and returns.

ii) Price- Which refers to list price, discounts, allowances, payment period, credit terms.

iii) Promotion – Which refers to advertising, personal selling, sales promotion, merchandising, public relations.

Place – Which refers to channel coverage, assortments, locations, inventory, and transport.

2.6 Brand

The American Marketing Association defines a brand as a name, term, sign, symbol, or design, or combination of these, intended to identify the products or services of one seller or group of sellers and to differentiate them from those of competitors (Keller, 1998).

2.7 Brand Equity

Aaker (1996) defines brand equity as a set of assets (or liabilities) linked to a brands name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/or that firms' customers.

The major asset categories are:

Brand name awareness, Brand loyalty, perceived quality and Brand associations.

2.8 Retailing

Retailing, the merchandising aspect of marketing, includes all the activities involved in selling goods or services directly to final consumers for their personal non-business use. Many institutions – manufactures, wholesalers, and retailers – do retailing. Most retailing is done by retailers businesses whose sales come primarily from retailing. Most retailing is done in retail stores, but in recent years, non store retailing, selling by mails, telephone, door to door contact, vending machines and numerous electronic means – has grown tremendously (Kotler and Armstrong, 1997).

2.9 Supermarket

A supermarket is a relatively large, low-cost, low-margin, high-volume, self-service operation designed to sell groceries, fresh produce, meat, bakery, dairy products, laundry, and household maintenance products. Supermarkets earn an operating profit of about one percent on sales and ten percent on net worth (Kotler 2000).

The dominant features of a supermarket marketing strategy are large in-store inventories on self-service aisles and centralized checkout lines. Often, low prices resulting from self-service are stressed (Zikmund and d'Amico 1994). Pickering (1963) argues that a supermarket should have at least 2,000 square feet of sales area, with three or more check-outs and operated mainly on a self-service basis, whose range of merchandise comprise of food groups, basic household requirements and cleaning materials.

2.10 Types of Retailers

Retailers can be classified based on their most prominent strategies. They can be selling products with an in-store retailing strategy or non-store retailing strategy. The following is a description of in-store retailers by their most prominent strategies:

Table 2(a): Classification of Retailers

Major Group	Retailer classification	Brief description
In-store	Specialty store	Narrow variety, deep selection within product class, personalized service, makes up large bulk of all retailing operation.
	Department store	Generally chain operations Wide variety, full range of services
	Supermarket	Wide variety of food, and non food products, large departmentalized operation featuring self service aisles and centralized checkouts
	Convenience store	Little variety, shallow selection, fast service.
	General mass merchandiser	Wide variety, shallow selection, of high turnover products, high prices, few customer services

	Catalog showroom	General mass merchandiser using catalog to promote items.
	Warehouse club	General mass merchandiser that requires membership to allow shopping.
	Specialty mass merchandiser	Less variety but greater depth than general mass merchandiser, low prices few customer services.
	Off-price retailer	A specialty mass merchandiser selling limited line of nationally known brand names.
	Category discounter	Specialty mass merchandiser offering deep discounts and extension assortment and depth in a special product category

Source: Zikmund and d'Amico Effective Marketing, Creating and keeping customers (1994) pg. 339

2.11 Retailing in Kenya

Little has been written about the history of retailing in Africa and more so in Kenya. This can be attributed to an attitude of contempt towards retailers. Though retailing in Kenya is an old practice, the advent of supermarkets is a new phenomenon, and so is retailing in store brands. Karemu (1993) traces supermarketing to have taken root in Kenya in the 1970's with only a few set up in the 1960's. Among the first were K & A (1962), Ebrahims Self Service Store (1970) and Uchumi supermarkets (1976) all in Nairobi.

The supermarkets started as self-service stores, covering small trading areas so that movement of customers could easily be monitored. The assortment and volume of merchandise was also limited. These (trading area, assortment and volume) were to increase to make them become supermarkets. This meant that the management could no longer monitor customer's movements closely and the cashiers were far removed from where customers selected their merchandise.

In recent years, many several new supermarkets have come up in Nairobi. The most notable one being Nakumatt that started operating from Nakuru and has since opened branches in Nairobi, Mombasa, Kisumu. The reason behind this is that fair competition is allowed and there is increased population, which provides a ready market for the supermarket products.

2.12 Retailer Marketing Decisions

Retailers are continuously searching for new marketing strategies to attract and hold customers. Previously, retailers attracted customers with unique products, and more or better services than what their competitors offered. Today, due to manufacturer drive for volume, their branded products are found everywhere. This makes stores to look more alike as they offer similar assortments, and thus becoming 'commoditized'.

Customers too have become smarter and more price sensitive thus they no longer see why they should pay more for identical brands. For these reasons, many retailers are rethinking their marketing strategies. Retailers face major marketing decisions about their target markets and positioning, product assortment and services price, promotion and place (Kotler and Gary 1996).

2.12.1 Target Market and Positioning Decisions.

It is important for retailers to define their target markets and then decide how they will position themselves. Should they focus on upscale, mid scale or downscale shoppers?

2.12.2 Product Assortment and Services Decision

Retailers need to make decision on product assortment, services mix and store atmosphere, which are three major important product variables. The retailer's product assortment must match target shoppers expectations. Customers are interested not only on the range of goods but also on the quality level. Other retailers can match the product assortment and quality and therefore, the retailer needs to look for ways to differentiate itself from competition. Product differentiation is more visible alternative. The retailer can offer merchandise that no other competitor offers, like its own private brands or national brands on which it holds exclusive. The retailer can also offer highly targeted product assortment like apparel for kids. Retailers must also decide on a service mix to offer customers. The service mix is one of the key tools for setting one store apart from another (Kotler and Gary 1996).

The stores atmosphere is another element of the product arsenal. The physical layout determines the ease of moving around. The store must have planned atmosphere that suits the target market and moves customers to buy.

Zikmund and d'Amico (1994) adds that store atmospherics contribute to mental impression of what the store is. It may influence store image, increase store traffic, influence the amount of time shoppers spend in the store, or encourage shoppers to make impulse purchases. The quality of store brands is important for it opens up the possibility of differentiation, store loyalty and profitability. A sizeable segment of consumers that continuous to buy the national brand is equally important to achieve the profit potential of the quality store brand to the retailer. Otherwise low quality store brands only pave the way for price wars by emphasizing and intensifying consumer price sensitivity (Corstjens and Rajiv 2000).

Early on, private labels were developed as a means of offering a more economical product with a higher profit margin than afforded by brand name sales. This meant low quality packaging, which often emulated national brands, including references to color, graphics, container sizes and even shapes.

2.12.3 Pricing Decision.

The pricing policy of a retailer is a crucial positioning factor and must be decided in relation to the target market, its product and service assortment, and its competition. Though all retailers would like to charge high mark-ups and achieve high volume, these two seldomly go together. Retailers therefore seek either high markup on lower volume, or low markups on higher volume (Kotler and Gary).

In the United States, private labels are usually priced from 15 percent to 40 percent lower than branded products. Since lower price is a major motivator for private label purchases, it is deemed logical that a change in the price-ratio between private label and branded products would affect private share. As prices go up (or branded-product prices go down) private label share significantly decreases (with a negative correlation of 0.43). While a decrease in branded product prices could slow private label growth, it would also diminish branded-product profitability (Ashley 1998).

Selling store brands at a large price gap versus national brands only makes sense if big gaps lead to improvements in long-term price image or store traffic. Hoch as quoted by Harrison (1999) adds that selling private labels at a lower price could create a gap between private label sales and profits. Consumers he showed, choose a store with better national brand prices and the worst store brand prices instead of selecting a store that has the best store brand prices and the worst national brand prices. However when the gap between the prices of national brand and private label decreases store brand unit sales decrease; but the monitory sales and profits rise.

Private label products may obscure consumer price comparisons. Consumers as a measure of retailer competitiveness can use prices for well-known brands. In contrast, private label prices are not as directly comparable, largely because of differences in product quality, taste, appearance, or other factors. These same factors make it difficult for consumers to evaluate the appropriateness of the price differential between the branded product and the private label product (Borghesi and de la Cruz 1997).

2.12.4 Promotion Decision

Retailers use normal promotion tools – advertising, personal selling, sales promotion and public relations – to reach customers. They advertise in newspapers, magazines radio and Television. Circulars may support advertising. Personal selling requires careful training of sales people on how to greet customers, handle their complaints and meet their needs. Sales promotion may include in store demonstrations, displays, contests, and visiting celebrities. Public relation activities such as press conference and speeches store openings, special events, newsletters, magazines and public service activities are always, available to retailers (Kotler and Gary 1996).

Examining the effects of persuasive advertising on branded and private label sales volume, Ashley (1998) showed that, although persuasive advertising has a positive effect on branded-product volume, it has no significant effect on private label volume. So the increase in branded product volume (and total category volume) is what can cause a decrease in private –label share.

2.12.5 Place Decision

Retailers often cite location as a critical factor to success. A retailers location is key to its ability to attract customers. The costs of building or leasing facilities have a major impact on the retailer's profits. Thus site locations are among the important decisions made by a retailer. Small retailers may have to settle for whatever locations they can find or afford. Large retailers usually employ specialists who select locations using advanced methods (Kotler and Gary, 1996).

Private labels enjoy certain marketing advantages over national brands that influence the way the latter approach to competition. Private labels are guaranteed full distribution and advantageous shelf placement. They are the only products for which the retailer absorbs all the marketing and inventory costs (Chernatony and Malcolm, 2000).

2.13 Retailer Outlet Branding

Retailers and other channel intermediaries may affect the brand equity of the products they sell as well as how they may create their own brand equity. According to Keller (1998), retailers create their own brand equity by establishing awareness and associations to their product assortment (breadth and depth), pricing and quality service. An outlet can become a premier retail brand by being seen by consumers as low price, high value provider of a host of every day consumer products. Consumers may form these associations in many ways –on the basis of personal experience, word of mouth, through advertisements or other direct means.

Keller (1998) outlines four guidelines that are particularly relevant for a retailer in building brand equity.

i) Creating a brand hierarchy by branding the store as a whole, as well as individual department, classes of service or shopping experience. Establishing a brand hierarchy helps to create synergies in brand development. This call on retailers to consider portfolio issues and what other retail chains or stores should be introduced to provide more complete market coverage. E.g. an outlet to tap the growing discount market.

ii) Enhance manufactures brand equity

Retailers should exploit as much as possible the brand equity of the brands they sell by communicating and demonstrating their points of difference and other strong favorable and unique brand associations. By cooperating with manufacturers to pushing their products and enhancing programs to better communicate the value and equity of brands sold, retailers can be able to sell these products and even their own products at higher prices and margins, generating greater profits as a result.

iii) Establish retailer's brand equity

Retailers must establish brand equity at all levels of brand hierarchy by offering added value in selection, purchase or delivery of product offerings. Therefore retailers must create their own strong, favorable and unique associations that go beyond the products they sell. A sharp positioning in the minds of the consumers is necessary. To communicate these broader associations, retail strategies are often reflected in image campaigns that focus more on advantages to consumers of shopping at and buying from the stores in general, as compared to the promotions on specific sale items.

iv) Avoid Overbranding

If the retailer is selling own store brand or private label, it is advisable not to 'overbrand' by employing too many brands. Retailers are more susceptible to "bottom-up-branding" where each department creates its own set of brands sometimes with little connection among them. The greater the extend to which an abstract association e.g. value, fashionability e.t.c can be seen as desirable and deliverable across categories, the more likely it is that efficiencies can be gained by concentrating on a few major brands.

2.14 What Drives Private Label Shares

In the last few years a number of studies have investigated the factors that lead to successful store brands. For example, Hoch and Banerji (1993) analyzed across category differences in private label market share. They localized the drivers of store brand performance with the three parties that make up the retail channel: consumers, retailers and manufacturers. In a cross-sectional analysis of 185 grocery categories, they found that six variables could explain 70% of the variance in market shares. Store brands obtained higher market share when:

- Quality relative to the national brands was high,
- Quality variability of store brands was low,
- The product category was large in absolute terms ($ sales),
- Percent gross margins were high,
- There were fewer national manufacturers operating in the category,
- National advertising expenditures were low.

The first two variables show that, all-else equal; consumers are more likely to buy private labels that provide parity quality. The middle two factors reflect the retailer's scarce resource allocation problem. Because retailers must draw on internal funds for the branding, packaging, production, and advertising of their store brands, they invest more heavily in large categories offering high profit margins so as to maximize their return. The last two variables demonstrate the influence of manufacturers and show that private labels can be crowded out of the market when national brand competition is high and when those brands invest advertising resources into the consumer franchise.

The percentage of units accounted for by private labels varies widely by category. Researchers as outlined by (Quelch and Harding 1996) have identified several factors that favor private label penetration.

2.14.1 Product Category characteristics:

- The product is an inexpensive, easy, low risk purchase for the consumer.
- It is easy to make from commodity ingredients.
- It is perishable, thereby favoring local suppliers.

- Product category sales are large and growing, so private labels can more easily garner sufficient volume to be profitable.
- A few national brand manufacturers dominate the category, so retailers promote private labels to reduce dependency on them.
- Products are perceived as commodities and there is excess manufacturing capacity.
- Low levels of manufacturer investment are common with the product process employing low technology.

2.14.2 New Product Activity

- National brands are offered in few varieties, enabling a private label with a private line to represent a clear alternative to the consumer.
- National brand new-product introductions are infrequent or easy to copy.
- Consumers can easily make side-by-side comparisons of national brands and private labels.

2.14.3 Private Label Characteristics

- Private-label goods have been available to consumers for many years.
- Distribution is well developed.
- Variability in quality is low.
- Quality in comparison with national brands is high and improving.
- Consumers have confidence in their ability to make comparisons about quality.

2.14.4 Price and Promotion Factors

- Retail gross margins in the product category are relatively high.
- Price gaps between national brands and private labels are wide.
- National brand expenditures on price promotions as a percentage of sales are high, raising price sensitivity and encouraging consumers to switch brands.
- The credibility of national brand prices is low because of frequent and deep price promotions.
- National brand expenditures on advertising as a percentage of sales are low.

2.14.5 Retailer Characteristics

- The retailer is part of a stable oligopoly and therefore sells national brands at relatively high prices.
- The retailer has the size and resources to invest in high-quality private label development.

Raju, Sethuramen, and Dhar (1995) studied the factors that influence the retailer's decision to introduce a store brand into a category. They showed that:

(1) Store brands are more likely to be introduced into categories where price competition between the national brands is low (because margins will tend to be higher); and (2) the number of national brands is high (which implies that introducing a store brand will have less impact on margins).

More recently Dhar and Hoch (1997) undertook a large-scale study of how store brand penetration varies across U.S. retailers. They argued that store brands are the only brand for which the retailer must take on all responsibility from development, sourcing, and warehousing to merchandising and marketing. Unlike decisions retailers take about national brands, which in large measure are driven by the manufacturers' actions, the retailer plays a more determinant role in the success or failure of its own label. Based on data from 34 food categories for 106 major supermarket chains operating in the largest 50 retail markets in the U.S., they showed that:

1. Overall chain strategy in terms of commitment to quality, breadth of private label offerings, use of own name for private label, a premium brand offering, and number of stores consistently enhance the retailer's store brand performance in all categories. Also, the extent to which the retailer serves a customer base containing less wealthy and more elderly households and operates in less competitive markets improves the performance of the store brand.
2. Retailer promotional support can significantly enhance private label performance.
3. Retailers often use national brands to draw customers to their stores. Retailers who pursue this traffic building strategy usually carry more national brands, deeper assortments, and offer better everyday (lower price gap) and promotional prices on national brands. Each of these actions work against the retailer's own brands, highlighting the important balancing act the retailer must perform to profitably manage the sales revenue and margin mix in each category. At the same time, adding a higher quality premium store brand program may mitigate this trade-off.

4. When retailers obtain more than their fair share of a category (high category development index, CDI), they also do much better with private labels.

5. From the national brand's perspective, encouraging the retailer to carry more brands and deeper assortments may be the most effective way to keep store brands in check. The importance of these variables, however, may depend on the national brand's market position. For example, a category leader may be glad to see a rise in store brand share if it comes at the expense of one of its secondary national brand competitors.

6. The exact impact of most of the variables depends on the underlying quality of store brands in a category. When store brand quality is high, competition at the retail and brand level are more important, as are variables capturing economies of scale and scope enjoyed by the retailer. In contrast, demographics associated with consumer price sensitivity matter more in low quality categories.

7. Finally, premium store brands offer the retailer an avenue for responding to the national brand's ability to cater to heterogeneous preferences. This appears more likely in categories where store brands already offer high quality comparable to the national brands.

2.15 Factors Which Foster the Resurgence of Store Brands

The nine most important of factors according to Dhar et al (1997) that explain the development and growth of distributor's brands are presented below.

1. Profit Margins

The need for profit margins is probably the first reason retailers develop their brands. Hyde and Davidson (1985) affirm that increased price promotion activity on national brands has reduced gross margins for retailers resulting in greater interest in private brands as an opportunity for attaining satisfactory margins.

On the other hand, a higher gross margin from a brand obviously does not guarantee a greater net profit because "there are usually additional storing, selling, promotion, purchasing and other costs connected with the development of an owned brand". The need for distribution efficiency has led distributors to solve such problems. The first solution was to increase store space and acquire more stores operating under the same name or ownership. As a result, retailers developed the capacity to write off costs (advertising, promotion, purchasing, storage, etc.) over a larger number of outlets. Second, Electronic Data Interchange (EDI) helped reduce inventory-carrying costs as well as the lead-time needed to adapt to dynamic market conditions. EDI also helped them link up with suppliers and resellers, either upstream or downstream the value chain. Such inter-organizational links impacted on their procurement practices and led to inventory management efficiencies.

2. Merchandising Control

A more market driven approach to merchandising by some retailers is mentioned as a reason for the proliferation of distributors' brands (Hyde and Davidson, 1985). Private brands reflect the retailer's interpretation of consumer needs. These brands are part of strategic marketing plans, which have the objective of better targeting customers and differentiate the retailer from its competitors. This has enabled the retailer to move away from being a simple order taker of manufacturers' brands.

Greater freedom in pricing and in promotional activities as well as the desire to offer products of a quality adapted to customer desires is a reason for a distributor to offer his own brand. Retailers exercise greater control in their offering in order to meet their strategic objectives and consumer demands. The distributor feels the need to adapt his products to his market and he has a privileged position to do so. He is closer to his customers than the manufacturer. In some cases, distributors have seen the opportunity of introducing a brand that would appeal to a market segment. In some cases, it is the lower income segment that is first targeted. Afterwards, the distributor moves to a variety of brands appealing to a broader clientele with its premium brands. Distributors' brands have changed the nature of retailing and wholesaling and pushed distributors into a manufacturing role through backward integration.

With private labels, the retailer seeks to differentiate itself from the competition and provides uniqueness and exclusivity to the customer (Fernie and Pierre, 1996; Hyde and Davidson, 1985). Retailers are homogenous in their merchandise resources, color, styles, assortments, price points, presentation, environment, and store layout (Hyde and Davidson, 1985). Private brands are also seen as a way of taking control of the channel and to achieve differentiation.

Retailers have been using brand management techniques and applying them to their stores. They are using their own brands to reinforce store image, to promote more store loyalty, and be present in the consumer's mind (Leahy, 1987). This has resulted in diverting loyalty from the brand to the store, but not to specific brands. Leahy (1987) argues that store branding is seen as a solution to differentiate a store from the competition and to guarantee a return on the investment. Loyalty to the store is seen to stronger and more lasting than loyalty for any individual product or service.

Distributors' brands are being used to give customers a choice among a range of prices. The brands have also stimulated improvements in product choice and quality. The private brand allows the retailer to respond quickly to market conditions and to have some control where his brand should be positioned in market. A distributor's brand allows the retailer to fill gaps in product assortment that the manufacturer has neglected (Leahy, 1987).

3. Technological Improvements

Product innovations have come from manufacturers rather than from distributors. The manufacturer has generally assumed task of stimulating and creating generic demand, for encouraging the acceptance by the public of new types of products.

Distributors' brands are usually marketed once the generic demand for the product has been established. Distributors' design opportunistic policies on the basis of price spread and profit potential. Advertising of a manufacturer's brand helps sell private brands by expanding generic demand. The distributor waits until solid demand has been developed and then offers its own private brand, comparable in quality to the national brand but at a lower price. In some cases, distributors also put great efforts to promote, even at a national level, their own brands.

The assumption that distributors are not product innovators is due to the enormous cost needed to the creation and development of new products and the necessary technology that this development implies. Once the generic demand is well developed and the technology becomes more wide spread, distributors' brands begin to appear.

Hoch (1996) states that manufacturing technology of own brand suppliers has increased dramatically since 1970. Many private brand retailers have increasingly moved upscale. They have relegated the low quality brands to either white label generics or have established a distinct second tier distributor's brand. With time, private label suppliers have been able to improve and acquire technology that help them manufacture good quality brands at a better price compared to their national brand counterparts.

Hoch and Banerji (1993) mention that distributors' brands enjoy more success in product categories where quality levels are high and variability of the quality is low. Thus a distributor's brand is more successful when it is of a high quality and the variation of the quality vis-à-vis other brands in the category is small. This concept is linked with the private label supplier's ability to improve and acquire the right technology to produce the goods and to respect quality standards. If barriers to obtain the technology are high, it is more difficult for these suppliers to get into the business of manufacturing private brands for distributors.

Retailers have created sophisticated private label development departments and have formed strong partnerships with suppliers for developing completely new products. As retail concentration increases, private brand innovation is also bound to increase.

In the US, the existence of excess manufacturing capacity has encouraged manufacturers of established brands to accept the business of private label programs (Hyde and Davidson, 1985). From another perspective, Leahy (1987) argues that own brands are in a better position to innovate because the cost of launching a new product is lower than for a manufacturer. The distributor does not have to buy distribution for his products. He affirms that for an increasing number of sectors, store brands are the shortest, cheapest and most successful new product development route for the retailer and the manufacturer. The manufacturer leans towards risk aversion because of the enormous financial commitment needed for developing a product.

4. Price Differential

Previously, the price gap between the two types of brands has been a determinant of private label growth. Hoch and Banerji (1993) confirmed that for some products, the narrow price spread has reduced the opportunity for a distributor to develop his own brand. Today, the gap between raw materials and prices of national brands has created an opportunity for private label penetration in more product categories, some of which are now dominated by private labels. The larger the price gap between a manufacturer and a distributor's brand, the easier it is for a distributor to develop its own brands.

Doyle (1993) says that during the 1980s, brand makers tried to cash in on the equity they had built up in their names over time rather than engaging in the activities that made them national brands: innovation, product differentiation, image and relationship building. Clearly, manufacturers have been increasing prices over time while raw material prices have increased at a slower rate. This situation has permitted the introduction and development of strong quality distributors' brands. Distributors have been able to cover all the extra cost of developing a distributor's brand program.

5. Price Sensitivity

Price sensitivity is believed to have an impact on own label sales. Hoch (1996) believes that elderly consumers, large households, as well as Blacks and Hispanics tend to be more price sensitive and more prone to purchase a distributor's brand than a national one. However, to attribute sales of distributors' brands only to price sensitivity is shortsighted. To assess the impact of private brands on such buyers would require the need to look at the type and location of retail establishments. Consequently, shelf space tends to be allocated more to manufacturers' brands than private ones. Based on this fact alone, one would expect that store brands would be less popular among such consumers. The same author has observed that highly educated people tend buy more private brands because they are more informed of the relative quality of these brands. In addition, stores that are situated in areas with an educated population have in general more shelf space available and are part of a retail chain. As a result, private brands are more visible in such stores.

One of the main reasons why customers buy more and more store brands over manufacturers' brands is the tactics used by the latter. Doyle (1993) and Dhar and Hoch (1997) confirm that throughout the years of bombarding the customer with price promotions and specials, they get accustomed to jumping from brand to brand, which they see as differing little from one another. The consumer has also developed a higher sensitivity to price differentials.

Dhar and Hoch (1997) argue that heavy promotion of national brands has a positive effect on the growth of store brands because high levels of promotion increase consumer price sensitivity, which in turn favors the store brands. Hyde and Davidson (1985) state that brand value has emerged as a key-buying determinant of today's highly educated customer. Clients do not rely anymore on brand names only for verification of value.

6. Economic Conditions and the Business Cycle

Certain economic conditions and the business cycle have generally influenced the popularity of private brands. Cole et al. (1994) argues that the decline in economic conditions stimulates purchases on the basis of price. This situation favors the buying of a distributor's brand, which is generally the price leader in its category. Distributors' brands are therefore, closely related to general economic conditions (Hoch and Banerji, 1993). If a customer's purchasing power is high, he or she will tend to prefer a manufacturer's brand. On the other hand, if a customer's purchasing power is low, he or she will tend to prefer a private brand. During good economic times and high consumer expectations, the customer is less sensitive to price differentials.

However, this tendency is not always applicable to all customers and to all types of goods. For prestige products, the customer generally prefers national brands. For low implication products, brand choice depends not only on disposable income or price sensitivity, but also on product availability. Hoch and Banerji (1993) reported that in the event of a decline in business activity and increased unemployment, most respondents expected store brands to gain sales. There is a significant correlation between disposable income and the purchase of distributors' brands. Specifically, if the customer has a high level of disposable income, this will favor the sales of manufacturers' brands. On the other hand, store brand purchases are high when disposable income is low, especially for grocery goods. Several authors mention that today's customer has a real lack of disposable income.

7 Retail Concentration and Favorable Market Conditions

National and private brands are subject to different market conditions. According to Conor and Peterson (1992) sectors of the economy in which manufacturers' brands enjoy high sales are highly concentrated with much product differentiation. For example, they mention "in 1980-1981, four national brand manufacturers accounted for 85% of US retail sales of branded food products in 36 selected product classes and none was less than 60%". On the other hand, these same authors state, "private label food manufacturers operate in markets that have structural configurations that encourage rigorous price competition". This means that, product differentiation is practically absent in these markets. Advertising is done mostly on a regional and local level with much emphasis on price (Conor and Peterson, 1992).

Quality differences between a distributor's brand and a national one as a group are minimal. Manufacturing technology tends to be more standardized for categories in which distributor's brands are common (Conor and Peterson, 1992).

Hoch and Banerji (1993) also mention that if a high level of retail concentration is present in the market, distributors' brands are likely to appear. Mass merchants are better positioned to develop and distribute their own brands because of greater economies of scale and scope. Such firms have the capacity to support their own brands through strong store advertising, and their superior supply chain management expertise. This expertise can be in storage or procurement management, and in other logistical services such as inventory management and quick response systems, which are essential for the success of a distributor's brand program.

Greater market concentration among fewer retailers has placed them in a better position to develop their own private brand programs. Sales and performance of private labels have also been found to correlate to the distribution of the brand in a large retailer's specific area (Hyde and Davidson, 1985).

8. Consumer Perception of Private Brands

Customer's perception of a distributor's brand has been changing over the years. The quality of a manufacturer's brand used to be superior to that of a store brand, but now the quality of such products is equivalent or catching up with the national brands.

Reda (1995) mentions that merchants across all channels have developed good quality and sound value private brands, many of which can be comparable to products marketed by branded manufacturers. Another factor that is affecting manufactures' brands negatively and distributors' brands positively is the increasing consumers' skepticism toward big business (notably manufacturers).

In addition, consumers are expressing greater buying confidence towards retailers and wholesalers. Distributors are not perceived as "big business" (Davis et al., 1986). As a result, these "two factors have produced a shopper whose loyalty is tougher than ever and whose willingness to try new products is greater". The consumer perceives private labels as a better value, same quality product compared to the national brand. Lack of differentiation is then a major problem for manufacturers' brands.

9. Shifting Power in the Grocery Distribution Chain

Sparks (1997) argues that store brands have proven to be a good tool in re-balancing the power relationship between retailers and manufacturers. As Conor and Peterson (1992) point out, private labels are highly present in non-manufacturer dominated markets. The power shift to grocery retailers in the grocery distribution chain has promoted growth in terms of numbers and quality for private brands.

Jap (1995) argues that retailers are using store brands as a means to reduce retailers' dependence on manufacturers and as a weapon for channel control. Store brands are thus used as one competitive tactic against the manufacturer and as a marketing communication tool for targeting and keeping consumers. Benedict et al. (1997) even go further by stating that store brands reinforce the retailer's negotiating position vis-à-vis the manufacturers. They say that even a threat of a distributor introducing a new brand induces manufactures to make price and promotional concessions.

The retailer has to have a reliable supplier for his brands and therefore, a certain degree of vertical integration is needed. Sparks (1997) adds that, retailer brand producers are highly significant partners in retail restructuring and some have become major companies in their own right. By effectively working together, retailers and their private brand manufacturers have challenged existing vertical power relationships. Store brands have allowed some mass retailers to extract more value from their national brand manufacturer. Such actions have improved supply chain operations.

CHAPTER THREE

3.0 METHODOLOGY

3.1 Research Design

This study was exploratory and aimed at eliciting information on the growth of store brands by retail outlets in Kenya. It was a cross-sectional study of supermarkets in Nairobi investigating practices relating to their own brands. A survey was thus deemed to be a suitable research design.

3.2 Population

The target population of interest in this study included all supermarkets located within Nairobi. Though there is was no comprehensive list of supermarkets within Nairobi, with a list obtained from Proctor & Allan and updated with one adopted by Ngatia (2000) from Brookside Dairy limited, langat (1995) and Karemu (1993) from KCC Dairy limited, a list of 180 supermarkets resulted (Appendix 2). These were deemed to be in order of size as they were ranked according to sales volume by the respective firms to the supermarkets.

3.3.0 Sampling

3.3.1 The sample unit

The population of 180 supermarkets was classified into three categories

The first 20 were classified as large supermarket.

The next 60 were classified as medium sized supermarkets.

The last 100 were classified as small supermarkets.

This classification was based on the sales volume obtained from Proctor & Allan, which sells fast moving consumer goods, to supermarkets that are its major distribution channel. Karemu (1993), Lagat (1995) and Ngatia (2000) adopted the same method of classification.

3.3.2 Sample size

From the 20 supermarkets classified as large, all were picked for the study, since according to Murphy (1990), size of the retail outlet is a major determinant of going into private labeling. Out of the 60 classified as medium sized, 30 were picked randomly. For the remaining 100 classified as small, a sample of 10 supermarkets were picked randomly for the study. A total of 60 supermarkets constituted the sample for this study.

Note: the above classification was purely for the purposes of sampling and did not have any material significance in the analysis of the data collected. Since the supermarkets had been classified into size, the background information sought to verify this classification. This was through responses on trading space, number of employees, number of departments, number of branches and the checkout-counters.

All the supermarkets constituting the sample were contacted. Out of the intended 60 supermarkets, 38 (63.33%) responded positively. 7 ((11.67%) declined to participate citing different reasons and were therefore not interviewed nor was a questionnaire left for them to fill. 15 (25%) did not respond in either way after questionnaires were left for them to fill and for the respondent to pick later. Postponement of agreed dates meant the researcher could not persuade the respondents further as this was seen to mean unwillingness to respond to the questionnaire by the respondents.

The response rates are shown in the table below:

Table 3.0 Response Rate

Size	Positive	(%)	Negative	(%)	No Reply	(%)
Large	13	21.7	2	3.3	5	8.3
Medium	17	28.3	4	6.7	9	15
Small	8	13.3	1	1.7	1	1.7
Total	38	63.3	7	11.7	15	25

Source: Research findings

Note: Uchumi and Nakumatt, the two leading supermarket chains in Nairobi are included among the respondents.

The response rate of 63.33% was deemed sufficient for the study. Compared to other studies on supermarkets in Kenya, Langat (1995) achieved a response rate of 62% whereas Karemu (1993) achieved 55%.

3.4 Data Collection

Data was collected by means of a questionnaire (appendix 1). These were self-administered where possible, otherwise the 'drop and pick-up later' method was used. The questionnaire was targeting senior managers in the supermarkets and questions were derived from literature review on private labels. The questionnaire consisted of both open and closed end questions that were aimed at getting primary data from the correspondents. The questionnaire had four sections. Section one containing highly structured questions targeted to capture specific supermarket data. Section two had moderately structured open and closed questions, aimed at capturing the awareness of private labeling and the reasons of going into private labeling. Section three aimed at briefly establishing the general practice of marketing by the retailers while selling their own brands where as section four sought to capture the challenges retailers face while introducing and managing their own brands.

3.5 Data analysis

Data collected was analyzed by use of descriptive statistics more so tables, percentages, proportions, frequencies, and means. Factor analysis was used in analyzing data. It was to identify the constructs that underlie the observed variables. It isolated and eliminated variables that did not seem to belong to the rest of the variables in addressing question 15 of the questionnaire. A statistical package for social sciences (SPSS) was be used to perform Factor analysis. Descriptive statistics enabled the researcher to summarize and organize data in an effective and meaningful way as they provided tools for describing collections of statistical observations and reducing information to an understandable form.

3.5.1 Factor analysis overview

Factor analysis is a systematic, statistical procedure used to uncover relationships amongst several variables. It is used to uncover the latent structure (dimensions) of a set of variables. It reduces attribute space from a larger number of variables to a smaller number of factors and as such is a "non-dependent" procedure (that is, it does not assume a dependent variable is specified).

An Exploratory factor analysis (EFA), which seeks to uncover the underlying structure of a relatively large set of variables, was deemed to be relevant for this study. The researcher's à priori assumption was that any indicator may be associated with any factor. This is the most common form of factor analysis. There is no prior theory and one uses factor loadings to intuit the factor structure of the data.

The factor extraction method adopted for this study was Principal Component analysis. Principal component analysis (PCA) is by far the most common form of factor analysis. It seeks a linear combination of variables such that the maximum variance is extracted from the variables. It then removes this variance and seeks a second linear combination, which explains the maximum proportion of the remaining variance, and so on. As a result, using this method enables the factor loadings to be higher, which leads to greater interpretability.

Researchers have also given indicators as to the minimum sample size to conduct a factor analysis. Some of them suggest that the ratio of sample size to number of variables should range between 2:1 through to 20:1(Darlington: 2000). For question 15 of the questionnaire, the ratio of sample size to number of variables is 3.3:1 therefore meeting the minimum requirements.

The factor analysis for this research was conducted using the statistical package SPSS Version 9.0. In its procedure, rotation is applied to identify meaningful factor names or descriptions. A rotation, which requires that the factors remain uncorrelated, is an orthogonal rotation, while a rotation, which requires the factors to be correlated, is called Oblique rotation. For this study, orthogonal rotation using varimax was applied. This is because varimax yields results that make it as easy as possible to identify each variable with a single factor. It minimizes the number of variables that have high loadings on any one given factor. Each factor will tend to have either large or small loadings of particular variables on it. Orthogonal rotation was therefore done to re-orient the factor loadings so that the factors would be more interpretable (Bryan, 1997).

CHAPTER FOUR

4.0 DATA ANALYSIS AND FINDINGS.

4.1 Findings on Supermarket Details.

In this section, the data from the completed questionnaires was summarized and presented in the form of tables and mean scores. Further, factor analysis was carried out to reduce the number of factors that the retailers deem important while going into private labeling. The whole sample was analyzed first. The researcher intention was to base the samples on ownership and size. Size was to be measured in terms of trading space (all branches), number of employees, number of departments, number of branches and the number of checkout counters. Ownership had been defined as local, foreign or local and foreign.

Year of establishment of the supermarkets

Table: 4.1 Distribution by year of establishment

Year (range)	Frequency	Percentage
1961-1970	1	3
1971-1980	5	13
1981-1990	13	34
1991- To Date	19	50
Total	38	100

Source: Research findings.

From the table, it can be noted that most of the supermarkets 31 (84%) are relatively young having been established during and after the 1980s.

Classification of supermarkets in to size

All respondents (38) gave the outlets approximate size as requested and this was deemed sufficient enough to allow for the classification of the outlets using this measure. The variation in the number of employees and branches was big indicating a significant difference in the size of the outlets. The variation in the number of departments and number of checkout counters was small and that some of the supermarkets, which had earlier been classified as large and had many branches did not disclose the number of checkout counters. For this study therefore, the total trading space, number of employees and number of branches were adopted as a confirmatory measure of size (since the supermarkets had been previously classified).

Table:4.2 Distribution by size of trading space in square feet.

Size (range)	Frequency	Percentage
upto 2000	2	5
2001-5000	10	26
5001-10000	4	11
10001-15000	3	8
15001-20000	5	13
20001-25000	5	13
25000-30000	3	8
30001 and above	6	16
Total	38	100

Source: Research findings.

The results above indicate that 2 (5%) of the supermarkets have a total trading space of less than 2,000 square feet, while 36 (95%) of the supermarkets had total trading space falling above 2,000 square feet. The trading space was ranging from 800 to over 300,000 square feet. Comparing this with the literature definition of supermarket (a store with at least 2,000 sq ft. of trading space), we can conclude that 36 (95%) of the sample studied can be referred to as supermarkets. The remaining 2 (5%), are commonly referred to as mini-supermarkets, and don't qualify according to the definition. However, for the analysis in this study they were included and will be categorized as being small supermarkets.

The average trading space was found to be 15,700 sq. ft. This can also be used to classify the supermarkets. The major limitation to this classification however, is that the bigger supermarkets with over 30,000 sq. ft. may have inflated the average. Thus 14 (37%) are large while 24 (63%) are classified as either medium or small supermarkets.

Size in terms of the number of employees

For the classification of supermarkets in terms of number of employees, the size class code, Kenyan standard, according to directory of industry, 1986 was adopted.

Table: 4.3 Distribution by the number of employees

Employees	Frequency	Percentage	Class code
5-19	13	34	A
20-49	8	21	B
50-99	7	18	C
100-199	3	8	D
200-499	4	11	E
Over 500	3	8	F
Total	38	100	

Source: Research findings.

The literature reviewed was lacking in terms the criteria for classifying supermarkets in to small, medium and large supermarkets. The size code class by directory of industries was therefore used to categorize supermarkets in terms of the number of employees. However, researchers in this field have not stressed classification of supermarkets in terms of the number of employees. Their classification has been on the basis of trading space, number of checkout counters, the sales turnover, mix of merchandise and the mode of selling. Since the sampling frame was based on a list of supermarkets already classified according the sales volume (see Appendix 2); this sub-division will act to vary the earlier subdivision (in terms of sales volume).

The number of employees was ranging from 3 to 1,800 being the number of employees of the largest supermarket chain in Kenya with 20 branches.

From the above table we can conclude that 21 (55%) of the supermarkets studied are small, while 17 (45%) are large supermarkets. This is with the assumption that supermarkets with less than 50 employees are small and those with over 50 employees are large. A similar procedure was done for the number of branches.

Table: 4.4 Distribution by number of branches

Branches	Frequency	Percentage
1	16	42
2	9	24
3	7	18
4 and over	6	16
Total	38	100

Source: Research findings.

The results (from the table above) indicate that most of the supermarkets 16 (42%) studied were single branch supermarkets. The respondents attributed this to the relatively underdeveloped retailing industry in Kenya, which they said has expanded rapidly in the last few years. 9 (24%) had two branches, 7 (18%) had three branches while 6 (16%) had over 4 branches. The average number of branches for all supermarkets was found to be 2.07. Taking this threshold, the supermarkets can be divided into large 13 (34%) having over three branches, and 25 (66%) as being small or medium sized supermarkets.

4.1.1 A summary of Distribution of Supermarkets by size

Table :4.5 Distribution of supermarkets by size

size dimension	Large	Small &Medium
Trading space	14	24
Number of emloyees	17	21
Number of branches	13	25
Average	15	23

Source: Research findings

The above findings confirm the previous classification by sales volume and by size in terms of trading space.

4.2 Findings on Supermarket Profiles

Table: 4.6 Distribution by the years of respondents job experience.

Years	Frequency	Percentage
Below 2	16	42
2 -- 3	6	16
4--5	6	16
6--7	3	8
8--9	5	13
Above 10	2	5
Total	38	100

Source: Research findings.

Majority of those who responded 16 (42%) had worked with the supermarket for less than two years. This is due to the fact that most of the supermarkets are young with a majority having been established in the late 1990s.

Table: 4.7 Ownership of the supermarkets

		i) Local	ii) Foreign	Iii) Local and foreign
N	Valid	37	0	1
	Missing	1	38	37

Source: Research findings.

Out of the thirty-eight supermarkets that responded positively to the questionnaires, thirty-seven (97.4%) were locally owned whereas only one (2.6%) was said to be both local and foreign owned. There was no supermarket that reported to be wholly foreign and most of the large supermarkets were found to be of Kenyans of Asian origin.

4.3 Awareness of private Labeling Strategy

The respondents were managers, directors or owners of the respective supermarkets studied.

Table: 4.8 Ever heard of a private label / Store brand?

Response		Yes	No
N	Valid	21	15
	Missing	17	23

Source: Research findings.

Twenty-one (55.3%) of the managers said they had heard of private labels or private brands. Fifteen (39.5%) reported that they had never heard about a private brand or a store brand. This could be attributed to literacy levels of those managing the supermarkets and the fact that super marketing is a new concept in Kenya having taken root in the 1970s. Two (5.3%) of the supermarkets did not give an answer to this question.

Some of the respondents came to know of the store brands after the researcher gave a local example to facilitate further response to the questions. However, it can be said that a majority of the respondents knew what a store brand is from the brief definitions outlined by them in answering question eight of the questionnaire. All the twenty-one (55.3%) respondents gave what would generally be referred to as right definitions of a store brand as outlined in the literature. The responses are summarized in the table below:

Table: 4.9 Definitions of Store brand/ Private Label

Definition of a store brand	Frequency	Percentage
Products sold under the outlet name.	3	14
Packing and selling products under own name	8	38
Products produced for the retailer under outlets name.	4	19
Agreement to manufacturer and have products branded with outlets name.	5	24
Branded products that are store specific.	1	5
Total	**21**	**100**

Source: Research findings.

Table: 4.10 Supermarkets offering for sale products under the outlets specific name.

Response		Yes	No
N	Valid	15	23
	Missing	23	15

Source: Research findings.

Fifteen (39.5%) of the respondents had products selling under the outlets specific name. The remaining twenty-three (60.5%) had not started labeling products under the outlets specific name.

Table: 4.11 **Categories in which retailers are selling products under their own name.**

Response		Grocery	Confectionery	Frozen food/ Vegetables	Soft drinks/ Beverage/ Bottled Water	Stationary	Personal care products	Dairy	Apparel (Clothing)
	Valid	12	2	4	2	1	1	0	0
	Missing	26	36	34	36	37	37	38	38

Source: Research findings.

There were few categories into which the supermarkets had products selling under their own name. Twelve (31.6%) of the thirty-eight who responded positively had products in the grocery category. Two (5.3%) had products in the confectionery category while four (10.5%) were selling products in the frozen food/ vegetables category. Two of the supermarkets were selling products in the soft drinks/ Beverage/ Bottled water whereas one (2.6%) of the supermarkets was selling products in the stationary and personal care categories respectively. No supermarket was reported to be selling products in the dairy, apparel or any other category.

Managers from the fifteen supermarkets that reported to be selling products under the outlets name, were able to list almost all of the products they were selling apart from the few who had a wide variety of products especially in the grocery category and specifically the cereals. One of the respondents classified some of the cereals sold under the outlets name as "Indian foods" which the researcher perceived to be mainly bought by Kenyans of Asian origin. All the products were correctly named starting with the outlet name and followed by a different name mostly the category name. In the grocery category, most of the products sold under the outlets' name were cereals like rice, beans, and the pea variety. Other products offered for sale were sugar and salt.

Products under the confectionery category were mainly crisps, cakes and popcorns. Two of the supermarkets were offering for sale bottled water under their own specific name. One was a large supermarket and the other was a medium sized supermarket. Most of the products sold under the frozen food/ vegetable category were mainly fresh farm produce like kale's, spinach, cucumbers, oranges to name just but a few, which were packed in packets having the outlets name, and a sticker specifying the particular product. Most of the products had the outlets name followed by the general or the category name on these stickers.

Only one of the large supermarkets was selling stationary under its own name, and these were loose writing pads and foolscap's. One supermarket was reported to be selling paper serviettes that were classified under the personal care product category.

Table 4:12 Selling own products under a different name other than the outlet name.

Response		Yes	No
N	Valid	3	35
	Missing	35	3

Source: Research findings.

Only three (7.9%) of the thirty-eight supermarkets that responded positively had products selling under a different name other the supermarkets name. Thirty-five (92.1%) did not have any products selling under a different name from the supermarkets specific name.

e: 4.13. The categories that retailers sell goods under a different name other than the outlets fic name.

nse	Grocery	Confectionery	Frozen food/ Vegetables	Soft drinks/ Beverage/ Bottled water	Stationary	Personal care products	Dairy	Apparel (Clothing)
alid	2	1	0	0	0	0	0	0
lissing	36	37	38	38	38	38	38	38

Source: Research findings

Of the three supermarkets who were selling products under a different name other than the outlets specific name, two (66.7%) or 5.3% of the total respondents were selling products in the grocery category. Only one (33.3%) or 2.6% of the total population were selling products in the confectionery category. There were no supermarkets offering for sale products in any other category under a different name other than the outlets specific name.

4.4 The reasons of going into Private Branding

This subsection was measuring extend to which supermarkets would consider (or considered) the various factors as being important while going into private labeling.

Table: 4.14. The relative importance of private labeling to retailers.

Factors	N	Minimum	Maximum	Mean	Std. Deviation
1:High profits	38	3	5	4.05	.84
2:High sales margin	38	3	5	4.16	.72
3:Autonomy in Carrying out business	38	1	5	3.29	1.06
4:Controlling prices of other brands	38	1	5	3.21	.99
5:Expansion of retail outlet	38	2	5	4.08	1.00
6:Increasing market share	38	2	5	3.95	.87
7:To differentiate the store	38	2	5	3.89	.95
8:Win customer loyalty	38	3	5	4.32	.57
9:Reduce cost of supply	38	2	5	3.87	.93
10:Internalize decision making	38	1	5	3.45	.95
11:Fill in gaps neglected by manufacturers	38	1	5	3.61	.86
12:Controlling the distribution channel	38	1	5	3.18	1.01

13:The increase in price between National and Private brands	38	1	5	4.05	.87
14:Consumer price sensitivity to price differentials	38	3	5	4.32	.62
15:General state of economy and business cycle	38	3	5	3.95	.66
16:Economies of scale	38	2	5	3.74	.89
17:Consumers awareness of quality of manufacturer and store brand	38	2	5	3.89	.76
18:Shift of channel leadership from manufacturers to retailers	36	1	5	3.25	1.08
Valid N (list wise)	36				

Source: Research findings, Mean score is on a 5 point scale.

It is evident (from the table above) that supermarkets considered the importance of the various factors of going into private labeling to varying degrees.

Higher profits had a mean of 4.05, which can be classified as important. High sales margin with a mean of 4.16 was classified as being important while going into private labeling. The autonomy in carrying out business was seen as being fairly important with a mean score of 3.29. The managers saw going into private labeling for purposes of expanding the retail outlet as being important with a mean of 4.08, just as increasing the market share which had a mean of 3.95.

All these factors studied were reported as being either fairly important to being important. The most important of these were winning customer loyalty and the consumers price sensitivity to price differentials between the brands both of which had a mean of 4.32. The least important on the other hand was the desire to control the distribution channel by introducing own brands, which had a mean score of 3.18. (See table 4.15 below).

The reasons of going into private labeling are therefore ranked in the table below:

Table: 4.15 Response on the Relative Importance of Going into Private Labeling

Factors	N	Minimum	Maximum	Mean	Std. Deviation
1:Win customer loyalty	38	3	5	4.32	.57
2:Consumer price sensitivity to price differentials	38	3	5	4.32	.62
3:High sales margin	38	3	5	4.16	.72
3:Expansion of retail outlet	38	2	5	4.08	1.00
5:High profits	38	3	5	4.05	.84
6:The increase in price between National and Private brands	38	1	5	4.05	.87
7:Increasing market share	38	2	5	3.95	.87
8:General state of economy and business cycle	38	3	5	3.95	.66
9:To differentiate the store	38	2	5	3.89	.95
10:Consumers awareness of quality of manufacturer and store brand	38	2	5	3.89	.76
11:Reduce cost of supply	38	2	5	3.87	.93
12:Economies of scale	38	2	5	3.74	.89
13:Fill in gaps neglected by manufacturers	38	1	5	3.61	.86
14:Internalize decision making	38	1	5	3.45	.95
15:Autonomy in Carrying out business	38	1	5	3.29	1.06
16:Shift of channel leadership from manufacturers to retailers	36	1	5	3.25	1.08
17:Controlling prices of other brands	38	1	5	3.21	.99
18:Controlling the distribution channel	38	1	5	3.18	1.01

Mean score ranked on a 5 point scale.

Source: Research findings

4.5 The practice of private labeling

It was found out that, overwhelming majority 31 (81.6%) of the managers believe store brands should emphasize price, promotion and quality of the store brand. 3 (7.9%) reported that while selling a store brand, the store should emphasize on its quality. 2(5.3%) respondents felt the store should emphasize on the price. None of the managers reported promotion as a factor to be emphasized on its own. (See table 4.16 below)

Table: 4.16 What should the store emphasize when selling its own brands?

Response		a: price	b: promotion	c: quality	d: A combination of all these
N	Valid	2	0	3	31
	Missing	36	38	35	7

Source: Research findings.

Table: 4.17. Which group of customers should be targeted with store brands?

Response		A: Lower end	B: Middle class	C: Upper-class	D: All customers
N	Valid	0	5	0	30
	Missing	38	33	38	8

Source: Research findings.

Question 17 sought to find out which group of customers the supermarkets would target with their own brands. Both those who had started and those who had no private labels in place gave their views with regard to the target market.

From the table above, thirty (78.9%) of the respondents reported that store brands should be targeting all customers. This fact was attributed to the need by the supermarkets to increase their sales volume without necessarily alienating any group of customers. Five (13.2%) reported that the store should target to serve the middle level customers with their store brands. One of the managers expounded on this, and said that since majority of the residents of Nairobi are in the middle class, and that the supermarket would be interested in maximizing on the profits and sales margin, then targeting the middle class would be the most prudent decision. Non of the supermarkets would be willing to target the lower end or the upper class exclusively, as these were deemed not to be profitable enough.

Table4.18 Retailer comparison of their products and competing brands (especially manufacturer brands).

Response		1:Quality	2:Features	3:Packaging	4:Design	4:Variety	5:Services	7:Brand name
N	Valid	15	15	15	15	15	15	15
	Missing	23	23	23	23	23	23	23
Mean		3.93	3.80	3.60	3.93	3.93	4.13	3.73
Mode		4	3(a)	3(a)	3	4	4	3
Std. Deviation		.80	.77	.83	.88	.59	.74	.96
Minimum		3	3	2	3	3	3	2
Maximum		5	5	5	5	5	5	5
Multiple modes exist. The smallest value is shown, 5=Very superior, 4=Superior, 3=Neither superior nor inferior, 2=Inferior, 1=Very inferior								

Source: Research findings

On average, the retailers who had started private labeling strategy felt that their products were almost superior in terms of quality with a mean of 3.93, features (3.80), packaging (3.60), Design (3.93), Variety (3.93), and brand name (3.73). Services were rated as being superior to those of competitors with a mean of 4.13.

Table: 4.19 pricing of private labels.

Responses		1: Very low	2: low	3: Neither high nor low	4: High	4: Very High
N	Valid	2	9	4	0	0
	Missing	36	29	34	38	38

Source: Research findings.

It is evident (from the table above), that those supermarkets that had private labeling programs in place considered the prices of their products as being generally low. 2 (5.3%) of the respondents or

13.3% of those who had private labels considered their products as selling at very low prices. 9 (23.7%) of the total respondents or 60% of those with private labels considered the prices of their private labels as being low. 4 (10.5%) or 26.7% of those with private labels reported their prices as being neither high nor low. No respondent reported the prices of their store brand as being high or very high.

Table 4.20 Allocation of shelf space

Response		1: Best	2: Better	3: Good	4: Same	4: Bad	6: Worst
N	Valid	2	1	8	4	0	0
	Missing	36	37	30	34	38	38

Source: Research findings

The findings indicate that, store brands are allocated a good shelf space than their competing products. 2 (5.3%) of the respondents or 13.3% of those with private labels reported that their store brands are allocated the best shelf space. 1 (2.6%) or 6.7% of those with store brands reported that their products are allocated better shelf space while a majority 8 (21.1%) or 53.3% of those with store brands reported that their brands are allocated good shelf space. 4 (10.5%) or 26.7% of those with store brands reported that their brands are allocated the same shelf space as the competing brands, non of the supermarkets reported as allocating its products bad or the worst shelf space. This conforms to the researcher expectation that store brands are generally allocated a better shelf space than the competing brands.

Table 4.21: Marketing Research on products

Response		Yes	No
N	Valid	25	11
	Missing	13	27

Source: Research findings

37 (97.4%) of the respondents gave answers to this question but 1 (2.6%) did not respond to the question on marketing research on products. 25 (65.8%) reported that they do marketing research on products. 11 (28.9%) do not carry out marketing research on products.

Table 4.22 Customer Surveys

Response		Yes	No
N	Valid	31	5
	Missing	7	33

Source: Research findings

Thirty-six (94.7%) of the supermarkets responded to the question on customer surveys. 31 (81.6%) reported to be carrying out customer surveys while 5 (13.2%) do not carry out customer surveys. 2 (5.3%) did not respond to this question.

Table 4.23 Frequency of customer surveys

Response		i) Once a year	ii) More than once a year	iii) Every two years	iv) Every three years	Others: All the time when customers buy
N	Valid	0	30	0	0	1
	Missing	38	8	38	38	37

Source: Research findings.

Of the thirty-one supermarkets that reported to be carrying out customer surveys, 30 (78.9%) carry out the process more than once a year. 1 (2.6%) of the supermarkets reported that they carry out customer surveys on a continuous basis all the time when customers buy.

Table: 4.24 Important factors in selecting suppliers of private labels. Descriptive Statistics

Factors	N	Minimum	Maximum	Mean	Std. Deviation
i) Producing quality products consistently	38	4	5	4.58	.50
ii) Financial soundness	38	1	5	4.16	.89
iii) Adequate capacity to meet current and future targets	38	3	5	4.32	.70
iv) Transport infrastructure for reliable delivery	38	2	5	4.11	.80
v) State of production machinery	37	1	5	3.73	.87
vi) Commitment to the supermarket	38	3	5	4.18	.69
vii) Flexibility to respond to short term market fluctuations	37	3	5	4.14	.79
viii) Ability to hold adequate stock	37	3	5	4.46	.73
ix) A good marketing department	37	1	5	3.49	1.28
x) Agreement to payment terms	38	2	5	4.45	.80
Valid N (list wise)	35				

Source: Research findings.

5=very important, 4= important, 3=fairly important, 2=unimportant, 1=totally unimportant.

Producing quality products consistently is considered by the retailers as being in between important and very important while selecting a supplier of a store brand, with a mean score of (4.58). Financial soundness is important with a mean score of 4.16 whereas an adequate capacity to meet current and future targets is slightly more important with a mean of 4.32. Transport infrastructure for reliable delivery is regarded as being important with a mean of 4.11 while the supplier's state of production machinery is seen as being slightly important with a mean of 3.73. Commitment to the supermarket (4.18), flexibility to respond to short term fluctuations (4.14) ability to hold adequate stock (4.36) and agreement to payment terms (4.45) are important while selecting suppliers of store brands. A good marketing department (3.49) is fairly important with some of the respondents reporting it to be totally unimportant.

4.6 The Challenges Retailers encounter in Introducing and Managing their Brands

Most of the managers who were interviewed indicated that there were myriad of problems for those who had started and those who were about to engage into the practice of private branding.

Table: 4.25 Problems encountered when introducing and managing own brands.

Problems	i) Choosing supplier	ii) keeping inventory	iii) Capital	iv) Quality standards	v) Marketing the product	vi) Increasing competition	vii) Pressure to compete on price.	viii) Pressure to invest elsewhere	ix) Decreasing brand loyalty in many categories	x) Fragmenting markets and media	xi) Difficulty in differentiating	xii) Unfavorable by-laws
Valid	5	0	14	16	15	21	16	7	2	4	13	4
Missing	33	38	24	22	23	17	22	31	36	34	25	34

Source: Research findings

Twenty-five (65.8%) of the respondents gave answers to this question which was targeting those who had started or those who about to start private labeling programs. Three (7.9%) of the supermarkets conducted indicated that they were at advanced stages of introducing their products and therefore answered questions relating to the problems encountered in introduction of their own brands.

Five (13.2%) of the respondents indicated that choosing a supplier was a problem. None indicated keeping inventory as a problem as they said that they treat the products just as any other they receive from the manufacturers in terms of keeping records. Capital was mentioned by fourteen (36.8%) of the respondents who saw it as a limiting factor in advancing into other categories of products. One of the managers of a medium sized supermarket mentioned the cost of packaging, printing, and storage, as a major hindrance to going into private labeling.

Quality standards of the products was mentioned by sixteen (42.1%) of the total respondents. This was attributable to the retailers' lack of direct control into the production and delivery process as it falls beyond the scope of their core business. Marketing the product was mentioned as a problem by fifteen (39.5%) of the respondents. This was seen as the process of increasing the number of customers who buy these products. The creation of awareness about the outlets own products was mentioned by one of the managers as a major challenge when trying to sell more of their products.

Twenty-one (55.3%) of the respondents highlighted increased competition as a problem facing the supermarkets. This was seen as the major problem as it was mentioned by majority of the respondents. Competition was seen as originating from a variety of products imported at lower costs, other supermarkets, the manufacturers and even small retailers who break the bulk and sale the goods in plain packages. One respondent gave an explanation for this phenomenon as the motivation by some supermarkets to copy what is already successful with some lacking originality and thus crowding around one single idea, and this has led to increased competition.

The pressure to compete on price was a major challenge as reported by sixteen (42.1%) of the supermarkets. This was majorly due to the fact that most the supermarkets were labeling products perceived to be commodities, with no major visible difference in the eyes of the consumer, thus leaving price as the only avenue to attract more customers to purchase the products. Value sensitive customers, reduced category growth, and over-capacity were mentioned by some of the respondents as reasons forcing them to reduce the prices of their own brands.

Pressure to invest elsewhere was reported by seven (18.4%) as a problem especially while introducing own brands. The supermarkets cited that there exists many ways of expanding the outlet, and that private labeling was just one of the strategies. The funds available for expansion of the outlet were reported by some to be utilized in many different ways.

Two (5.3%) cited decreased brand loyalty among many categories as a problem. One of the respondents said that the Kenyan consumers are willing to experiment while at the same time expecting high quality of service and total package. Thus the retailers are therefore not assured of a profitable group of customers loyal to their store brands. Fragmenting markets was reported by four (10.5%) of the respondents, whereas difficulty in differentiating the products was mentioned by thirteen (34.2%). Four (10.5%) of the respondents mentioned unfavorable bylaws as some of the problems they face in an effort to introduce and manage their own brands. These were bylaws regarding hygiene, weights and quality standards that the supermarket becomes liable to the moment it packs and brands products under its own name.

4.7 Factor Analysis on the Reasons for going into private labeling

Factor analysis method was used to determine the significant factors retailers may consider or considered while going into private labeling.

able: 4.26 Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
omp ent	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
	3.654	20.298	20.298	3.654	20.298	20.298	2.124	11.802	11.802
	2.001	11.118	31.415	2.001	11.118	31.415	2.065	11.471	23.272
	1.866	10.367	41.783	1.866	10.367	41.783	2.021	11.226	34.498
	1.791	9.950	51.733	1.791	9.950	51.733	2.008	11.153	45.651
	1.411	7.837	59.570	1.411	7.837	59.570	1.887	10.485	56.136
	1.321	7.338	66.908	1.321	7.338	66.908	1.599	8.885	65.021
	1.108	6.153	73.061	1.108	6.153	73.061	1.447	8.040	73.061
	.906	5.032	78.093						
	.838	4.658	82.751						
0	.609	3.386	86.137						
1	.520	2.891	89.028						
2	.471	2.619	91.647						
3	.391	2.172	93.819						
4	.341	1.895	95.714						
5	.283	1.571	97.285						
6	.209	1.161	98.446						
7	.173	.960	99.406						
8	.107	.594	100.000						

traction Method: Principal Component Analysis.

The principal component analysis extracted seven factors. These seven factors explain 73.061% of the total variation with factor 1 contributing the highest variation of 20.298%, factor 2 11.118% and so on (table 4.20).

4.7 Factor Analysis on the Reasons for going into private labeling

Factor analysis method was used to determine the significant factors retailers may consider or considered while going into private labeling.

Table: 4.26 Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.654	20.298	20.298	3.654	20.298	20.298	2.124	11.802	11.802
2	2.001	11.118	31.415	2.001	11.118	31.415	2.065	11.471	23.272
3	1.866	10.367	41.783	1.866	10.367	41.783	2.021	11.226	34.498
4	1.791	9.950	51.733	1.791	9.950	51.733	2.008	11.153	45.651
5	1.411	7.837	59.570	1.411	7.837	59.570	1.887	10.485	56.136
6	1.321	7.338	66.908	1.321	7.338	66.908	1.599	8.885	65.021
7	1.108	6.153	73.061	1.108	6.153	73.061	1.447	8.040	73.061
8	.906	5.032	78.093						
9	.838	4.658	82.751						
10	.609	3.386	86.137						
11	.520	2.891	89.028						
12	.471	2.619	91.647						
13	.391	2.172	93.819						
14	.341	1.895	95.714						
15	.283	1.571	97.285						
16	.209	1.161	98.446						
17	.173	.960	99.406						
18	.107	.594	100.000						

Extraction Method: Principal Component Analysis.

The principal component analysis extracted seven factors. These seven factors explain 73.061% of the total variation with factor 1 contributing the highest variation of 20.298%, factor 2 11.118% and so on (table 4.20).

Table: 4.27 Rotated Component Matrix (a)

	Component						
	1	2	3	4	5	6	7
18:Shift of channel leadership from manufacturers to retailers	.814	-.120	5.530E-02	5.876E-02	-6.911E-02	.136	2.240E-02
17:Consumers awareness of quality of manufacturer and store brand	.624	.444	-3.263E-02	.306	9.106E-03	-.161	1.667E-02
3:Autonomy in Carrying out business	.590	.148	.453	.234	.327	7.907E-02	2.075E-02
12:Controlling the distribution channel	.564	.230	6.543E-02	-1.446E-02	4.165E-02	1.754E-02	.308
13:The increase in price between National and Private brands	7.669E-02	.753	7.125E-02	-.235	.127	-7.852E-02	-5.370E-02
11:Fill in gaps neglected by manufacturers	1.183E-02	.733	-.113	.371	-3.894E-02	-2.218E-02	4.954E-02
8:Win customer loyalty	.210	.591	.157	-.151	2.920E-02	.233	.372
2:High sales margin	.157	-.140	.877	.119	-.128	-.111	.105
1:High profits	3.461E-02	.243	.708	4.931E-02	.419	-1.060E-03	5.952E-02
14:Consumer price sensitivity to price differentials	.110	-4.486E-02	-.543	.262	.520	-.453	-5.914E-02
15:General state of economy and business cycle	8.609E-02	-4.709E-02	9.612E-03	.828	-1.346E-02	-5.431E-02	-1.656E-03
16:Economies of scale	.106	-3.621E-02	.283	.743	.245	.208	-7.246E-02

10:Internalize decision making	.164	.259	-.196	.524	-2.387E-02	.361	.420
4:Controlling prices of other brands	.228	1.701E-02	-4.912E-02	2.616E-02	.771	.167	-.136
5:Expansion of retail outlet	-.268	8.475E-02	.171	5.655E-02	.750	8.934E-02	.213
7:To differentiate the store	.263	-.202	-.129	.102	.183	.803	.158
6:Increasing market share	-.264	.353	.123	.164	.203	.643	-.404
9:Reduce cost of supply	.101	4.268E-02	.136	1.640E-02	3.313E-02	-6.889E-03	.869

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

Rotation converged in 10 iterations.

Source: Research findings.

The initial matrix was rotated orthogonally using varimax with Laiser Normalization to give the above results. From the table above, the individual statements constituting the seven factors extracted are summarized and identified below.

Factor 1

- The shift in channel leadership from manufacturers to wholesalers and retailers in the industry.
- Increasing awareness by consumers about quality of manufacturer and store brand (i.e., lack of product differentiation.
- Autonomy in carrying out business

This factor can be named the supermarkets desire to control the distribution channel.

Factor 2

- The increase in price between national and private brands
- To fill in gaps neglected by manufacturers.
- To win customer loyalty

The above can be referred to as winning more customers into the store.

Factor 3

- Higher margin Growth.
- Higher profits.

Factor three can be named the need for higher margins

Factor 4

- Consumer price sensitivity to price differentials between the brands
- The general state of the economy and the business cycle
- The existence of economies of scale and scope in distributors as a result of increased concentration in the distribution channel.
- To internalize decision-making

Factor four can be referred to as the general state of the economy and business cycle.

Factor 5

- Controlling prices of other brands.
- For expansion of the retail outlet

Factor five can be named the expansion of the store.

Factor 6

- To differentiate the store
- To increase market share

Factor six can be referred to as differentiating the store.

Factor 7

- To reduce cost of supply

This single factor remains to be classified as reducing the cost of supply.

CHAPTER FIVE

5.0 Overview

The objectives of the study were to establish retailer's awareness of private labeling, to find out the reasons that would make retailers go into private labeling and to establish the challenges faced by the retailers in introducing and managing their own brands. In the later parts of the literature, some factors were highlighted as being important while going into private labeling. This study attempted to give a general view on the state of private labeling strategy within the Kenyan supermarkets. This chapter will give discussions, conclusions, recommendations, limitations, drawn from the study, and suggestions for further research.

5.1 Discussions and Conclusions

The findings of the study as highlighted in chapter four are discussed in this chapter. The discussion is subdivided into five parts. Part one deals with the supermarket profile. Part two will address issues related to awareness of private labeling strategy by the supermarkets with part three emphasizing on the factors that would make the retailers go into private labeling. Part four will look at the practice of private branding by the retailers and then part five will be addressing the problems encountered by the retailers in introducing and managing their own brands.

5.1.1 Supermarket Profiles.

Most of the supermarkets studied were young owing to the fact that supermarketing is a relatively new concept in Kenya compared to the developed countries where it has been practiced for decades. About half of the supermarkets were established after 1990, and this reflects that some of them are quite new in the retailing business.

The prior classification of the supermarkets into large, medium and small had to be modified slightly, since there was no documented procedure for classifying the supermarkets in this manner. So, the researcher subdivided them into two categories as being either large or small/medium. This kind of classification confirmed the earlier categories of sales volume, which were used for purposes of sampling. 15 (39%) of those studied were classified as being large (compared to the 13 previously classified as Large). 23 (61%) were classified as being either small or medium sized supermarkets compared to the earlier classification (17 as medium and 8 as small) according to the sales volumes.

Most of the supermarkets surveyed were local but owned by Kenyans of Asian origin. Majority of the respondents had worked with the supermarkets for less than 3 years since most of the supermarkets were new establishments.

5.1.2 Retailers Awareness of Private Labeling

55.3 % of the respondents reported that they had heard of private labeling. This is a moderately high percentage owing to the fact that supermarketing is a new concept in Kenya. The literacy levels of those managing the outlets were relatively high (as noted by the researcher) and this could have led to the high percentage of those having knowledge on private labeling. Fifteen (39.5%) of those who reported not to have heard of private labeling were however quick to learn after getting local examples from the researcher. The reasons for those who reported never having heard of a store brand were either their low literacy levels, or the fact that private labeling just as supermarketing is a relatively new concept in Kenya.

The definitions given by the respondents clearly indicate that some of those managing the stores have a general idea of what a private label or a store brand is. Some see private labeling as packing and selling products under own name, others see store brands as branded products that are store specific, and others see it as a product produced for the retailer under outlets name with special agreement with a manufacturer.

The general view is that more than halve (55.3%), of those managing the stores had knowledge of store branding as a strategy that would be important to their stores if properly implemented. However given that all supermarkets classified as large were to be sampled, this could have increased the average, as it is more likely that the large supermarkets are managed more professionally than the small and medium sized ones.

There were 15(39.5%) of the supermarkets studied that had products selling under their own names in one category or the other. Though private branding was reported by some as being relatively new, the practice had started to take root in the supermarkets.

The penetration of private labeling in Kenyan supermarkets has been into few categories, namely the grocery, confectionery, frozen food, soft drinks, stationary and personal care products. Most of the supermarkets were selling groceries (31.6%) and more specifically cereals like rice, peas, beans, salt and sugar in packets having the stores names on them. Other products sold as store brands included bottled water, serviettes, writing pads, foolscap's, cakes, vegetables and fruits. This could be seen as a significant development in the Kenyan retailing industry with retailers starting to know the value of the store brands in reinforcing the store image among other benefits.

There were 3 (7.9%) supermarkets that reported selling products under a different name other than the outlets specific name in the grocery and confectionery categories. These retailers did not give reasons as to why they chose a different name other than the outlet name. These products however are regarded as store brands (Keller 1998).

It is important to note that most of the supermarkets have started private labeling programs in the "commodity market". This is basically so because there is no intense competition and customers perceive no difference between the products (brands). Thus in conclusion, retailers are moderately aware of private labeling as a practice that can be utilized by their stores.

5.1.3 The reasons why the supermarkets would go into (or are already into) Private branding.

After ranking all the factors outlined in the questionnaire, winning customer loyalty and consumer price sensitivity to price differentials were ranked as being the most important. The supermarkets see store brands as a strategic tool of ensuring customers are loyal to the store. Higher profits, higher sales margin, increasing market share and the expansion of the outlet were also considered as being important by the supermarkets.

More important was the general state of the Kenyan economy and business cycle. The fact that the economy is on recession, with low economic growth, high inflation rate, low per capita income, joblessness and retrenchment, consumers are seeking for value for their money. For these reasons, it can be argued that some of those with private brands especially in the grocery category may have introduced them due to the hard economic times Kenyans are facing. This is consistent with (Hoch and Banerji, 1993), argument that store brands are closely related to the economic condition.

The retailers also see store brands as being a source of differentiating the store from competition. The fact that they are packing products under their own name will make them look different in the eyes of the consumer from the other stores.

Factors relating to controlling the distribution channel seemed not to be of major importance to the retailers. Controlling prices of other brands and the distribution channel were ranked last. This shows that the retailer's immediate goals may not necessarily be to control the distribution channel. With private labeling being on an "infancy stage", then supermarkets are more likely to concerned with what would be referred to as more important goals like winning customer loyalty, differentiating the store, increasing the profits and sales margins as indicated by the rankings.

After the factor analysis, seven factors that emerged were: the supermarkets desire to control the distribution channel, winning more customers into the store, the need for higher margins, the general state of the economy and business cycle, expansion of the store, differentiating the store, and reducing the cost of supply.

5.1.4 The practice of Private Labeling by the supermarkets

A majority of the supermarkets (81.6%) reported that the retailer should emphasize price, promotion, and quality. It was also reported that the store brands should target all customers (79.9%). Unlike the west where store brands mainly target the lower end customers, in Kenya majority of the population who visit the supermarkets belong to the lower and middle classes, with only a minority upper class. Therefore it would be more prudent for the discerning retailer to target all the classes of customers since no group is deemed too large to be exclusively profitable enough. In addition, they can have a feel of all range of classes and then later decide on which segment of the market is more profitable to be targeted.

Those who had store brands already in place rated them highly compared to the competing brands in almost all aspects. Given that most of the supermarkets who had gone into having store brands were in what can be classified as a commodity market (where product differentiation is practically absent, price is the major competing tool and no major players dominating these categories), it is possible for the supermarkets to rate their products this highly. Services were rated highest, mainly because the stores have a direct contact with the customers compared to the manufacturers who have to use the retailers to render services such as product information.

Pricing of the private labels was reported as being generally low, and this is true for private labels the world over. Being in the commodity market, it is expected that the supermarkets should lower their prices to attract more customers and to remain competitive. The store brands were reported to be allocated generally good shelf space, and this is why in future, manufacturers in Kenya may find it as a great challenge being allocated good shelf space by the retailers whom they will be competing with.

The supermarkets do marketing research on products (65.8%) and customer surveys (81.6%). This can be said to be a move in the right direction as they can be in a position to monitor the progress of all products including the performance of their own store brands.

An investigation in the selection of suppliers of private labels revealed that the suppliers' ability to produce quality products consistently was rated as most important with a mean of 4.58. This proves that the supermarkets are concerned with the quality of products that they offer for sale. The ability to hold adequate stock and agreement to payment terms were also rated as being important in selecting the suppliers of own brands.

5.1.5 The challenges faced by retailers in introducing and managing store brands.

The majority of the respondents (55.3%) mentioned increasing competition as the major challenge they face in introducing and managing their brands. This could be attributed to low priced imports in all categories, the mushrooming of many small retailers in the residential estates (who buy in bulk and pack the products in plain packages) and the motivation to copy what is already successful hence crowding around one single idea. Maintaining quality standards and the pressure to compete on price are other problems faced by the supermarkets.

Marketing the product and capital are problems that may be hindering the supermarkets from starting private labeling or even advancing into other categories. Differentiating the store brands is a problem that could be attributed to the fact that many of the supermarkets are in commodity categories where differentiating the product is not very easy.

Other problems that the retailers face are choosing a supplier, pressure to invest elsewhere, fragmenting markets, decreasing brand loyalty in many categories and unfavorable bylaws.

5.2 Recommendations

The survey results out rightly indicate that there is a moderate level of private label awareness within retailing industry as portrayed by the executives of the supermarkets. This therefore calls for all players in the retailing industry to formalize private labeling practice so as to be able to realize its full inherent benefits. Supermarkets should be more assertive in making consumers and other retailers aware of the existence of their store brands.

The retailers should stop seeing private labeling just as a way of breaking bulk but as creating and adding value to the stores image as a whole. This will require more commitment of resources into building and marketing the store as a brand. After establishing the store as a brand, then the retailers can leverage on this by having more products selling under the stores name. There is also need to diversify the categories in to which the supermarkets are selling their own products by being more innovative and negotiating with manufacturers who may be having excess capacity to introduce the products under the outlets name.

Supermarkets should try and differentiate themselves by having more unique products selling under their own names. This would make the practice more prevalent and many more customers will be in a position to evaluate and purchase the products.

5.3 Limitations of the study

Given that the population of the study was compiled from different sources, it can be indicated here that there is no single comprehensive and accurate list of all supermarkets in Nairobi. The rate at which new outlets are coming up is also high with acquisitions and subsequent change of names taking place. These could have led to errors of omission in the sampling of supermarkets.

The survey research design may have invoked its weaknesses such as being obtrusive, obvious and as such affecting the respondent's response. The use of questionnaires with predetermined questions may have forced respondents to respond to questions without necessarily having understood them.

The lack of a documented framework on private labeling forced the researcher to use the literature available in designing the questionnaire. This may have left out questions, which could have brought out more conclusive results. Time and money were major limiting factors, as the researcher would have studied more samples to get a clearer picture of the situation.

Some respondents shied away from responding with others adamantly refusing to fill in the questionnaire citing lack of time. This reduced the number of respondents to 63.3% and thus reduced the probability of reaching a more conclusive study. With this response rate however, conclusions were made.

5.4 Suggestions for Further Research.

This research was broad based and focused on different aspects of private labeling. For a more thorough study, the researcher recommends that different dimensions of private labeling be studied. Such a study can be done on a particular category of products without aggregating all categories of private labels together, as has been the case with this particular study.

A study can be carried out on the practice of marketing these private labels, with another study done on the importance of private labeling. Challenges retailer's face in their pursuit of private labeling can be studied at a much wider scale. The researcher also recommends that a study be carried on manufacturers and consumers perception on private labeling.

The practice of private labeling can also be done on different retailing outlets like those specializing in selling clothing, shoes and even food.

UNIVERSITY OF NAIROBI

FACULTY OF COMMERCE

MBA PROGRAM - LOWER KABETE CAMPUS

Telephone: 732160 Ext. 208
Telegrams: "Varsity", Nairobi
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P.O. Box 30197
Nairobi, Kenya

31st July, 2001

Dear Respondent,

I am a postgraduate student at the University of Nairobi, pursuing a Masters degree in Business Administration. As part of this degree, I am required to undertake a research project. The title of my research is "**A Survey of Private Labeling Strategy by Supermarkets in Nairobi**".

Your supermarket has been selected to participate in the study. A questionnaire to help in the data collection has been prepared and I kindly request you to take a few minutes to complete the questions to the best of your knowledge.

The information sought is strictly for academic purposes, and your response will be treated in strict confidence. A copy of the research report will be made available upon request.

Thanking you in advance,

Yours faithfully,

Mr. Kyalo S. K.

MBA Student

Sign ____________

QUESTIONNAIRE

Please spare a little of your time to fill in this questionnaire. Where there is a choice, indicate your answer with a tick (√).

Part One

1) Name of supermarket ______________________________

2) Year of establishment ______________________________

3) Size of establishment in terms of:

i) Trading space, all branches (in square feet) ______________

ii) Number of employee's ______________

iii) Number of department's ______________

iv) Number of branches ______________

v) Number of checkout counters ______________

4. Ownership of the supermarket

i) Local [ ] ii) Foreign [ ] iii) Local and Foreign [ ]

5. Position held by respondent ______________________________

6. Number of years worked with the organization ______________

Part Two

7) Have you ever heard of a store brand or private label? Yes [ ] No [ ]

If yes, kindly give a brief description of what you understand by a store brand/ private label.

____

____

____

____

9) Does your supermarket offer for sale products under the outlets specific name?

Yes [ ] No [ ]

10. In which categories do you have products selling under the stores specific name?

Grocery (food &household disposable) [ ]

Confectionery [ ]

Frozen food/vegetables [ ]

Soft drinks/ beverage/ Bottled water Dairy [ ]

Stationary [ ]

Personal care products [ ]

Apparel (clothing) [ ]

Others (specify)________________________

11) Would you kindly list some of the products your supermarket sells under its own specific name.

i) ________________________ v) ________________________

ii) ________________________ vi) ________________________

iii) ________________________ vii) ________________________

iv) ________________________ vii) ________________________

12) Does your supermarket offer for sell its own products under a name it owns other than the outlets name? Yes [ ] No [ ]

13) If yes, please indicate in which categories:

Grocery (food &household disposable)	[ ]
Confectionery	[ ]
Frozen food/vegetables	[ ]
Soft drinks/ beverage/ Bottled water Dairy	[ ]
Stationary	[ ]
Personal care products	[ ]
Apparel (clothing)	[ ]

14. Kindly list some of these products you sell under a different name which you own.

i) ______________________ v) ______________________

ii) ______________________ vi) ______________________

iii) ______________________ vii) ______________________

iv) ______________________ viii) ______________________

15) What is the relative importance you may consider or you considered while going into private labeling?

	[5] Very Important	[4] Important	[3] fairly important	[2] unimportant	[1] Totally unimportant
1.Higher profits	[ ]	[ ]	[ ]	[ ]	[ ]
2.Higher sales margin Growth	[ ]	[ ]	[ ]	[ ]	[ ]
3.Autonomy in carrying out business	[ ]	[ ]	[ ]	[ ]	[ ]
4. Controlling prices of other brands	[ ]	[ ]	[ ]	[ ]	[ ]

5. For expansion of the retail outlet	[ ]	[ ]	[ ]	[ ]	[ ]
6. To increase market share	[ ]	[ ]	[ ]	[ ]	[ ]
7. To differentiate the store	[ ]	[ ]	[ ]	[ ]	[ ]
8. To win customer loyalty	[ ]	[ ]	[ ]	[ ]	[ ]
9. To reduce cost of supply	[ ]	[ ]	[ ]	[ ]	[ ]
10. To internalize decision making	[ ]	[ ]	[ ]	[ ]	[ ]
11.To fill in gaps neglected by manufacturers	[ ]	[ ]	[ ]	[ ]	[ ]
12 Controlling the distribution channel	[ ]	[ ]	[ ]	[ ]	[ ]
13.The increase in the price between national and private brands	[ ]	[ ]	[ ]	[ ]	[ ]
14.Consumer price sensitivity to price differentials between the brands.	[ ]	[ ]	[ ]	[ ]	[ ]
15. The general state of the economy and the business cycle.	[ ]	[ ]	[ ]	[ ]	[ ]
16. The existence of economies of scale and scope in distributors as a result of increased concentration in the distribution channel.	[ ]	[ ]	[ ]	[ ]	[ ]
17. Increasing awareness by consumers about quality of manufacturer and store brand (i.e., lack of product differentiation).	[ ]	[ ]	[ ]	[ ]	[ ]
18. The shift in channel leadership from manufacturers to wholesalers and retailers in the industry.	[ ]	[ ]	[ ]	[ ]	[ ]

Part three

16) On which factors should the store emphasize while selling their own product to customers?

a) Price[ ] b) Promotion [ ] c) Quality [ ] d) A combination of all these [ ]

17) Which group of customers do you think should be targeted with your store brands?

a) Lower end [ ] b) Middle class [ ] c) Upper-class [ ] d) All customers [ ]

18) If you have your own products, how would you rate them compared to competing products (especially manufacturer brands) in terms of:

	[5] Very Superior	[4] superior	[3] Neither superior nor inferior	[2] Inferior	[1] very inferior
1. Quality	[ ]	[ ]	[ ]	[ ]	[ ]
2. Features	[ ]	[ ]	[ ]	[ ]	[ ]
3. Packaging	[ ]	[ ]	[ ]	[ ]	[ ]
4. Design	[ ]	[ ]	[ ]	[ ]	[ ]
5. Variety	[ ]	[ ]	[ ]	[ ]	[ ]
6. services	[ ]	[ ]	[ ]	[ ]	[ ]
7.The brand name	[ ]	[ ]	[ ]	[ ]	[ ]

19) What can you say about the prices of your brands compared to manufacturer brands?

Very High [ ] High [ ] Neither high nor low [ ] Low [ ] Very low [ ]

20) Compared to other brands can you say your products are allocated shelf space which is

Best	Better	Good	Same	Bad	Worst
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]

21) Does your supermarket conduct marketing research on products?

Yes [ ] No [ ]

22) Do you conduct customers surveys? Yes [ ] No [ ]

(If yes go to question 23 and if no go to question 24)

23) If yes, how often?

Once a year [ ] ii) More than once a year [ ]

iii) Every 2 years [ ] iv) Every 3 years [ ]

v) Other (specify)

24) In selecting the suppliers of your own brands, how important would each of the following be?

	5 Very Important	4 Important	3 fairly important	2 unimportant	1 Totally unimportant
i) Producing quality products consistently	[ ]	[ ]	[ ]	[ ]	[ ]
ii) Financial soundness	[ ]	[ ]	[ ]	[ ]	[ ]
iii) Adequate capacity to meet current and future targets	[ ]	[ ]	[ ]	[ ]	[ ]
iv) Transport infrastructure for reliable delivery	[ ]	[ ]	[ ]	[ ]	[ ]
v) State of production machinery	[ ]	[ ]	[ ]	[ ]	[ ]
vi) Commitment to the supermarket	[ ]	[ ]	[ ]	[ ]	[ ]
vii) Flexibility to respond to short term market fluctuations	[ ]	[ ]	[ ]	[ ]	[ ]

vii) Ability to hold adequate stock	[ ]	[ ]	[ ]	[ ]	[ ]
xi) A good marketing department	[ ]	[ ]	[ ]	[ ]	[ ]
x) Agreement to payment terms	[ ]	[ ]	[ ]	[ ]	[ ]
xii) Others (specify)	[ ]	[ ]	[ ]	[ ]	[ ]

Part Four

24) What are some of the problems you encounter in introducing and managing your own brands?

Choosing supplier [ ]

Keeping inventory [ ]

Capital [ ]

Quality standards [ ]

Marketing the product [ ]

Increasing competition. [ ]

Pressure to compete on price. [ ]

Pressure to invest elsewhere [ ]

Decreasing brand loyalty in many categories.[ ]

Fragmenting markets and media. [ ]

Difficulty in differentiating. [ ]

Others (specify)

Thank you for your assistance, and for taking time to fill in this questionnaire.

Appendix 2: List of supermarkets in Nairobi.

1	Uchumi	47	Roysambo Grocers	93	Jojan
2	Nakumatt	48	MITO	94	Cheeji
3	Tusker Matresses	49	Mount (K) sundries	95	Victory
4	Ukwala	50	Budget	96	Vantage
5	Select 'n' pay	51	South C	97	Stella
6	Mesora	52	Tesco	98	Amil and Dryesh
7	Jack and Jill	53	Tirana	99	Geska
8	Fairlane	54	Tolleys &Baskets	100	Green Forest
9	Safeways	55	Joja Ks	101	Donholm star shop
10	Chandarana	56	Fair price	102	White star
11	Magic	57	Harrys	103	Jazeer
12	Mega Market	58	Salisbury	104	Kilimani Grocers
13	Fairdeal	59	Shopping paradise	105	Elipa
14	City matresses	60	Mega &Mecca	106	Kimani
15	Metro Cash and Carry	61	Ngara	107	Woodley Grocers
16	Sheela	62	Mis Whole store	108	Rose jam
17	Woolworths	63	Midas Touch	116	K&A
18	Ebrahims	64	Trichem	117	Gulabchant
19	Rikana	65	Seven Eleven	118	Goodfar stores
20	Tristar	66	Lucky shop	119	Ronnys
21	Mumsies	67	Bist provision store	120	Green spot
22	Lucky star	68	Lucky and sons	121	Porarim
23	Country Matresses	69	Continental	122	Tihana
24	Baranuki	70	Rose collection	123	Susu
25	Peponi Grocers	71	Mathare	124	Kamindi
26	Stella	72	Flora Petty	125	Ridgeways
27	Muthaiga	73	Myles	126	Umoja
28	Santosh	74	Centalite	127	Sunrise
29	Gigiri	75	The Good Earth	128	George
30	Starehe	76	African Grocers	129	Juja Road
31	Schilada	77	Uchuzi	130	Pangani
32	Nova	78	Alliance	131	Sikendo Grocers
33	New Westlands	79	Sheere	132	Baobab Mini
34	Deepak cash and carry	80	Robert Ondieki	133	P & Shah
35	Queensway	81	Dry House Holdings	132	Mumbi
36	Continental	82	New Ricken shopper	135	Fontana
37	Karen	83	Rajesh Gloria	136	Fairose
38	Spring valley	84	Well Brand	137	Chemusia
39	Westlands General Store	85	Market Ways	138	Kenton
40	Super value	86	Ngara Road	139	Decoy's Discount
41	Spicy spice	87	Lilian Rahisi	140	Tricor
42	Ongata Rongai	88	Mwiki	141	Pop-in
43	Umoja mini	89	Fransa	142	Joss
44	Maridadi	90	Datelvey	143	Hurlingham Grocers
45	Eastleigh Matresses	91	Rafaels	144	Calendermian
46	Muthaite	92	Hollifield supermarket	145	Sippys

146	Versani	164	Angelas
147	Furaha	165	Better price
148	Save More	166	Broadway
149	Shaflus	167	Evergreen
150	A&D	168	Keinani
151	Quick pick	168	Frankaal
152	Vijiko	170	Bashi
153	Susy	171	Toyo
154	Faine Fayne	172	African grocers
155	Corner	173	Supervalue
156	Acacia	174	Macson
157	Borno	176	Star supermarkets
158	Choices	177	New Westlands stores
159	Supra	178	Fooddies
160	Nafroni	179	Parklands Pricelie ltd.
161	Jeska	180	Njonde
162	Alphany		
163	Marta		

Appendix 3

Communalities

	Initial	Extraction
1:High profits	1.000	.743
2:High sales margin	1.000	.866
3:Autonomy in Carrying out business	1.000	.743
4:Controlling prices of other brands	1.000	.696
5:Expansion of retail outlet	1.000	.727
6:Increasing market share	1.000	.854
7:To differentiate the store	1.000	.840
8:Win customer loyalty	1.000	.634
9:Reduce cost of supply	1.000	.788
10:Internalize decision making	1.000	.714
11:Fill in gaps neglected by manufacturers	1.000	.692
12:Controlling the distribution channel	1.000	.471
13:The increase in price between National and Private brands	1.000	.659
14:Consumer price sensitivity to price differentials	1.000	.857
15:General state of economy and business cycle	1.000	.698
16:Economies of scale	1.000	.753
17:Consumers awareness of quality of manufacturer and store brand	1.000	.707
18:Shift of channel leadership from manufacturers to retailers	1.000	.708
Extraction Method: Principal Component Analysis.		

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