Lancaster University Management School
Working Paper
2004/006

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***Acknowledgement:**
We gratefully acknowledge funding from Britain's Economic & Social Research Council (ESRC) for the three year research project on which this paper is based (Grant Reference No. R000239531; 'Retail Competition & Consumer Choice: Long-term change and household dynamics').

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Abstract

The paper shows how consumer 'loyalty' is developed *locally* over time and space. By charting developments in UK food retailing and inviting comparisons with North America, the paper argues that own labels have been used in Britain to defend major store investments in that more highly regulated environment. Drawing off results from a major new long-term (20 years plus) study of retail change and consumer behaviour in a typical UK location, we demonstrate how multiple variants on own label have been developed – and used strategically to 'construct' loyalty in different consumer groups.

Key words: Own label, customer loyalty, locality, consumer behavior**.**

Introduction

In Britain, a small number of large and powerful food retailers have come to dominate the market. In this paper we outline key aspects of the evolution of their own-label offer: seeking to identify the roots of two major developments. The first is that, though some characteristics remain shared with North America, the own-label market in Britain has begun to develop in distinctive ways. We secondly argue that Britain's move to fewer, but larger, food-based stores has given sub-sectors of own label particular roles in securing the loyalty of certain types of customers. We feel that this strategic use of own label invites future research on comparisons with North America. Our argument draws on results of the first part of a major three year government-funded academic research project that we are currently undertaking, designed to explore the effects of long-term retail change in particular localities on consumer grocery shopping patterns. The study is providing new insights into how consumers view and 'live' loyalty to own label (and the wider store offer). Whilst the empirical insights presented in the paper refer to the experiences of how loyalty has been developed in British food retailing, we allude to other literature suggesting that there may now be a divergence from experiences in the North American market. In particular, the paper demonstrates how, in contrast with North America, British food retailers have constructed 'loyalty' to low-cost own label as a market defense mechanism.

In the British market, a detailed knowledge of consumer behavior and the development of loyalty has become the hub around which retailers formulate innovation and marketing activities. Loyalty has always been hard to define. Over the years numerous strategies have been developed by Britain's retailers in order to address the loyalty issue. Loyalty to brand; loyalty to store; loyalty to reward schemes; loyalty to distributive format; loyalty to promotion are all considered. Deciding which is the key aspect cannot be answered in one short paper. The goal of this paper is to outline the fundamentals of the recent evolution of own label in Britain. The framework that we use addresses specific aspects of own label brand development: both as a means to generate consumer loyalty and as a defense mechanism in this highly competitive and concentrated market.

Here we argue that the contrasted experience of retailer brands in Britain and North America goes beyond slight differences in terminology. That said, we will not attempt a taxonomy of brands and prefer to use the term own label as this describes the core element of our observations. By own label we mean products produced for major British retailers and which clearly carry their logo. Inherently, the corporation is underwriting the quality of the item.

It is important to remember that we are studying the strategic development of food-sector own label - we are not modeling their performance once adopted. Whilst purchasing patterns for own label products can be modeled (even across nationalities (Ehrenberg, 1968), we argue it is important to recognize that both the nature of the offer and consumer behavior (hence loyalty) have evolved. This, we believe, adds detail to work such as that by Corstjens and Lal (2000) which demonstrates the positive performance of high value-added own brands. That performance, however, whilst clearly demonstrating benefit, does not explain the adoption of such products in the first place (Richardson, Jain et al, 1996; Russell Wagner Kamakura, 1997; Grewal, 1998). We will show how this adoption has happened in Britain – and why – but will, where possible, contextualise this in relation to comparable experiences in the USA and Canada.

Our contention is that the significance of own label in Britain has risen because of a two-fold change in the nature of the product. For the majority of food retailers, own labels arrived in Britain in the 1960s, and, as a transatlantic concept, were also initially and uncritically referred to as generic products. However, they needed some adaptation to the conditions faced by British retailers and to British consumer habits. We will later give a typical example of this phenomenon. We secondly suggest that wider changes in British retailing regulation soon came to influence the use of own label as both a loyalty weapon and a market defense system. Most significantly, there was a strong consolidation and market concentration that gave great power to the major British retailers as compared to suppliers. Crucially, with retailers themselves effectively positioned as corporate brands, low-cost own label took off again as 'quasi brand' primarily in the 1990s due to economic downturn and an increased price-focus. Nowadays, the latest generation of own label has reached some maturity in terms of quality, technology, image, and number of SKUs.

Brief overviews of the general factors influencing own label development in the UK are presented in the second section of the paper. Attention focuses on the retailers' market condition and evolution of regulation with the uniqueness of the British case being stressed. In section three the concepts of brand and loyalty are then explored in light of specific local circumstances. Section four provides some empirical evidence from our major new study of one fairly typical locality in South East England, Portsmouth. The paper ends by assessing the implications of 'constructed loyalty' for retail marketers and future research.

Constructing Loyalty

In Britain, retailer own labels (give or take some sub-sectoral trends) have been steadily growing in the last two decades and are now stabilized at around 40% (See Table 1). Some major suppliers, often initially reluctant to produce such lines, have found that own-label runs can facilitate higher production volumes and hence economies of scale. Accordingly, many traditional brand leaders, once unwilling to produce own label for their largest clients now do so. It is important to note that, if not universally recognized by consumers, it was always known by those involved in retail that many reputable manufacturers did indeed produce own label. In 1994 a list appeared in SuperMarketing (1994 p30) noting that whilst Coca-Cola, Procter & Gamble and Mars were among those who did not produce own label, Heinz, RJR Nabisco and PepsiCo were among a longer list of those who did[1]. Our suggestion is that success may indeed be due to popularity (as Ehrenberg and others attest) but also that such popularity can be controlled by shelf space. Consider these lines from trade journal Supermarketing discussing Sainsbury's launch of its own label cola (see also Sparks 1997 for a discussion of Cott cola) "powerful as companies like Unilever and Nestle are, the last thing they want is to risk their brands being delisted"[2]. In addition the political context in Britain regulates these market relations – but in a generally "hands-off" manner. Retailers and manufacturers want to be seen as proactive but within acceptable 'fair trading' conventions and in ways that do not limit consumer sovereignty especially in terms of price and freedom of choice. Markets and brands are socially constructed and the patronage of stores may also demonstrate loyalty to a specific social context (Granovetter, 1992). It is relevant to note that concentration on the retail side is in Britain also mirrored by manufacturing side (Grant, 1987). In 1988 seven companies[3] already accounted for about half of the total turnover (Ogbonna & Wilkinson, 1996).

[INSERT TABLE 1 ABOUT HERE]

[1] The main reasons for manufacturers producing own brands are: selling excess production, plant running at higher production level, fostering closer and more intimate retailer relationships, absorbing fixed costs, achieving new distribution channels, reducing costs, mixing brand policies for business development, being beneficial to brand leaders as own brands compete with minor brands, gaining entry for smaller manufacturer to the market without high cost of advertising and sale promotion, fear of competitors supplying own brand (McMaster 1985) p 85-86.

[2] Indeed in 1977 Tesco removed all Nescafé and Maxwell House coffee from the shelves for a month demanding that prices be cut (Martin 1990; Ogbonna and Wilkinson 1996)

[3] Hillsdown Holdings, Associated British Food (the Westons), United Biscuits, Unigate, Tate and Lyle, Rank Hovis McDougall, Northern Foods (Ogbonna and Wilkinson 1996) p 401.

We contend that the divergence by Britain from the North American model of own label offer has accelerated over the past 30 years. In 1970s Britain – at the peak of British firms copying the style of US generics – it was possible to visit one of the then leading supermarket chains (Fine Fare) and purchase products that would be recognizable as generic own labels by any visiting North American[4]. With economy packaging in bright yellow, the Fine Fare range covered staple food ingredients such as flour. At that time, Fine Fare was owned by the Canada/UK Weston empire which also owned Loblaw in Canada – from which the idea was copied directly. The goods were positioned as a low-cost alternative to manufacturer brands. So, a basic North American concept was being copied in Britain. From such a position of apparent similarity, we now pursue our argument that, in Britain, generic/own brands (here referred to as own label) have subsequently developed in interesting – and strategy-driven ways.

Other research has shown that alongside this transatlantic divergence in branding in food retailing has been a broader power transition in retailer-manufacturer relations (Hughes, 1996). Hughes' work stresses the significance of retailers such as Marks & Spencer (historically an own-label-only retailer) in pioneering high added value chilled foods for an emergent 'yuppie' market. Marks and Spencer, it should be recalled, dominantly retailed non-food and with an all-own-label "St Michael" retailer brand offer. Only after forays in Canada when food alone seemed to generate footfall did they begin to compete in the British food market.

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[4] For a more complete UK history of retailer brand development see: Simmons, & Meredith (1984)., Davies, Gilligan et al. (1986) and Fernie & Pierrel (1996).

This high-end offer is one of our two key directions in the evolution of own label. In this case the trajectory is very much upwards to higher-value products. To return to Loblaw, there is the clear example of Presidents Choice as a parallel to this higher-value phenomenon. Here it has been suggested (Professor Stephen J Arnold - personal communication) that Presidents Choice offers similar quality to top manufacturer brands - but at a lower price. Whilst this relationship broadly describes the situation at the top end of the British market, Burt (2000) has contended that many own labels are now superior to manufacturer brands. All the British market leaders in food retail now have a high-end offer. UK Safeway launched a premium own label range “The Best” (paralleling Tesco “Finest” and Sainsbury “Taste the Difference”) as recently as April 2000. Intuitively, these trends can be read as a response to growing affluence and an ability to pay for the convenience of pre-prepared chilled foods. Yet we will later show why there has been a resurgent market for low-cost staples.

Some similar themes to those of Hughes were pursued by Cotterill (Cotterill, 1997) when examining possible convergence by the US retail system towards the UK-style retailer-dominated model. In the USA, so-called ‘Private Label’ generated US$37.8 billion in 2001 reaching 20% unit volume marks in the supermarket channel (DSNRetail, 2001). In Europe own label is growing at 5.9% annually and reached US$278 billion across Europe in 1998 as opposed to US$217 billion in 1993. In 2000 own label food products in UK supermarkets represented about 20% of sales worth £10.2bn (US$ 18 bn) according to Mintel (Furness, 2002; Batra & Sinha, 2000). Own label has now reached critical mass in Europe both in terms of profit and management but also in consumer shopping basket and ‘mindspace’.

In this paper we argue that it is the wider contextual factors – especially retailer market power – that has driven own label to the center stage in Britain. There is indeed an interesting convergence on own label by all the major retailers in Britain that aids our understanding of the differential growth and profile of own label. It has to be remembered at this point that UK food retailers are often quoted as an example of strong differentiation within the food industry even in such a concentrated and competitive market environment. Asda, one of the top four UK food retailers and now owned by Wal-Mart, is a value-oriented operator with wider non-food offering and permanently low prices as opposed to promotion, thereby reflecting the Wal-Mart strategy (Johnson, 2002). Competitor J. Sainsbury by contrast has a strategy that focuses on quality and range driven by strong ready-made meal and early own label penetration. This compares with the strategy of Tesco – easily the UK's 'number 1' operator in terms of market share – which is a mid-range grocer diversifying in many services, whilst niche grocery retailers like Waitrose and Marks & Spencer are very upscale. It has been suggested that this distribution of strategic orientations contrasts with US market conditions where the location is argued as dominating brand differentiation as the determining factor in consumer choice (Scheraga, 2002).

Insights into the differential perceptions of retailers held by US consumers were offered some time ago by Fotheringham (1988; 1992) who used multinomial logit modelling to study the performance of rival stores in Florida. Fotheringham showed that, whilst apparently possessing superior performance characteristics to its nearest rivals, a large new store in his study area failed. He concluded that the store had been badly located – in a neighborhood where the local populations were not willing to patronize that particular retailer. So, there may be, even in a modeled approach, some highly specific store and location factors. Similar factors were also identified by Wrigley and Dunn (1984) who suggested that loyalty to a particular store might (in their British panel-data study area) be a complicating factor.

Referring back to on the importance of own label market shares of leading UK retailers (see Table 1). The table offers some evidence that the days of the copy-cat or me-too products are over (Rafiq & Collins, 1996; Burt & Davis, 1999)[5]. In order to reinforce the widely-noted drive to added-value, differentiation and quality, all leading British supermarkets have now developed a specific layer of management to oversee their own label development. For example, Asda note in their 1997 annual report to shareholders that their '…brand plays a vital role in delivering value and it continues to grow in stature as well as volume. We introduced nearly 4,000 new lines last year, many of them unique to us' (Asda Annual Report, 1997). In fact, Asda in 2002 had 8,500 own label food lines and 3,500 non-food. This represented about half of the sales in its 256 UK stores (Land, 2002). Interesting differences exist within Asda own labels. For instance, 'Asda Smart Price' (with about 650 lines) has a clear mandate to compete with the discount retailers. 'Asda Brand' (about 7,000 products) is aimed at competing with national manufacturer brands and with similar products from rival retailers. 'Asda Extra', however, is a special premium range (about 130 products) aimed at consumers needs for 'authenticity and excitement'. The 'Good for you!' brand is aimed at the specific consumer segment that is sensitive to less fat/ health related attributes (over 250 lines) and, finally, Asda's 'Organic' range (125

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[5] The legal situation on copy-catting is still not what manufacturers would like and is different from other EU countries (in the UK the manufacturer has to complain about trademark infringement or prove confusion as opposed to EU law where unfair competition applies). In the UK the 1988 Copyright Design and Patent Act is used in addition to the 1994 Trade Mark Act. See also Burt & Davis (1999).

own label lines) reflects new trends towards more environmentally friendly and sustainable products[6].

Usually the one category where British own labels now dominate is chilled food (see Table 2). In categories such as shampoo where the market is more fragmented by image and lifestyle-led national brands, it is more difficult to start a new retailer product and reach profitable market share. Indeed, we would accept the contention that where purchase usage is visible to others (or highly personal) the manufacturer brand dominates. In addition, categories requiring much innovation but with short product life cycles (often where brand leaders already make substantial profits and where manufacturers are unwilling to make an own brand) are harder to conquer by own labels. Furthermore, as the food sector becomes more and more saturated non-food areas such as crockery, cutlery, bed linen, towels, clothing and glassware are becoming popular. This is the case in the UK with Tesco Finest brand (Furness, 2002).

[INSERT TABLE 2 ABOUT HERE]

We argue, therefore, that there has been a remarkable rise in the scale and scope of own label products in Britain – especially in the Asda chain (Kirby, 2000). As a result they have become part of the everyday retail consumer experience and are earning more and more loyalty – a huge contrast with the early days of this particular retailer. As we note *how* this has changed we can also see *why* it has changed. Asda's percentage of own label was historically low for a very good reason. In its earliest

[6] It is interesting to note that for example in Germany the medium price medium range does not exist

forms, the Asda chain – like its deep-discount format rival Kwik Save – focused on offering heavily-discounted manufacturer or secondary brands to poorer, price-conscious shoppers in the “rustbelt” north of England. In some ways its operations were very American. Because it was manufacturer-friendly it was able to offload the costs of packing, pricing and delivery onto the manufacturers. Asda stores of this vintage – generally much larger than those of its rivals – were geared to an endless stream of direct deliveries and to a warehousing system where much of the product for sale was in cages on the shop floor. At this time, the market leader J. Sainsbury was the heaviest user of own labels that were, in many cases, not cheaper generics but own label with a strong enough image of quality to be clear rivals to manufacturer brands. With the further evolution of own label, perceptions of quality have been seen as key for success by British food retailers. Supporting Burt (2000) J. Sainsbury noted in their 1997 annual report that “The quality gap between manufacturers’ brands and own brands has narrowed to the extent that some own brands are rated even better than their branded rivals” (p.6). Stores like Iceland have taken it a step further by making a pledge not to use GM (genetically modified) food in their own labels - underlining the clear evolution of own label (Webb, 1999). British own labels are more and more sophisticated and have diversified into non-food areas (Glemet & Mira, 1993).

In all probability the involvement of the J. Sainsbury chain allowed the association of quality to attach to own label products. J. Sainsbury – like early rivals Lipton – began trading over 100 years ago as an importer and distributor of tea and similar basic household needs. Its longevity, and its association – like brands such as

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and that few retailers (e.g. Spar) are successful in managing full European own label. See also Nielsen, Mars – with delivering consistent quality will have built up trust. The trust in retailer own label that the UK has experienced is, we believe, unique and a vital one, a point picked up by Davies (Davies, 1992).

Another important aspect of own label development in the UK is the technological revolution that has occurred in retailing, particularly in the last decade. As researchers such as Fernie and Sparks have made clear, a logistics revolution led by Tesco directly re-configured the supply chain in Britain (Fernie, Pfab *et al*, 2000; Sparks, 1993a). Driven by point-of-sale data and an emergent emphasis on own label, the market leaders through the 1980s and 1990s developed regional distribution centers (RDCs) (France & Garnsey, 1996; Hopping, 2000; Bonney, 2002; Disney, Naim *et al*, 2003)[7]. With the manufacturers now pulled into supplying Tesco, J. Sainsbury and Safeway RDCs, the old Asda system had become an irritant. Asda was soon forced into the now-hegemonic distribution system – ironically this is the opposite of Wal-Mart's current situation in Germany. Indeed, the new initiative by British retailers 'factory gate pricing' is leading to even more savings being realized in the primary supply chain. Of course, many suppliers view it as yet another way to pass back costs in the supply chain whilst controlling more distribution (Anonymous, 2002; Knowles, 2002). In addition it has been demonstrated that not all retailers have the same needs or views on RDC and that one size does not fit all. Smaller independent retailers will probably be losing market share to such trends (Robert & Paasschen, 1996). Large volume own label fits better with new logistic models than layer-picking using mixed product tote bins and partly full pallets.

Laaksonen, et al. (1994).

[7] This is a major difference compared to the rest of Europe. In the UK sophisticated distribution arrangement exist, all the major players are committed to own label, the penetration of the hard

Before further developing our main arguments it is necessary to briefly consider the role of brands in general. Understanding the performance of own label surely cannot be separated from our general thoughts about brands (Carman, 1970; Fournier, 1998; Garretson, Fisher et al, 2002). We can find at one extreme the approach of Corstjens and Lal 2000 – and also Ehrenberg *et al* (1990) for whom the modeling of brand performance included the 'double jeopardy' concept: in essence, brand performance could be predictably modeled mathematically and a brand has large market share because it is popular (and vice versa) (Barroso, 2002; Girard, 2002). Indeed, researchers such as Wrigley and Dunn (1984) showed from stochastic panel data how brand performance modeling could be extended to store choice modeling.

At the other extreme sits the more intuitive view of the brand that derives from the origins of the concept. As is well known, the early advertising of the Mars bar stressed its consistent quality: precisely the same quality of purchase time after time. In an era of food adulteration, the public could trust the quality of these early branded products and for the best of them that image of quality has endured.

The main problem for leading grocery retailers is that they are faced with challenge of managing multiple brands and own label. They obviously do not control the image of all of the merchandise that they sell – indeed it is precisely the product mix of given retailers that represents their overall 'utility' to the consumer (Helman & de-Chernatony, 1999; Dall'Olmo-Riley & de-Chernatony, 2000). To reverse the point,

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discounter is less, population density is high, most groups are publicly owned and promotional media

British market leaders such as Tesco and Asda/Wal-Mart themselves offer an added value shopping experience. They themselves create the differentiation from which their consumers benefit by their "value added" offer of enhanced service, price and convenience. Current literature identifies eight main components of store image: location, merchandise, store atmosphere, customer service, price, advertising, personal selling and sales incentives programs (Ghosh, 1994; Omar, 1999). Several of these are clearly under the direct control of the retailer rather than the manufacturer. In the case of Asda/Wal-Mart store image or personality characteristics are developed and carefully nurtured over time. These characteristics include being friendly, trustworthy, respected, caring, fun and exiting (Henderson & Mihas, 2000). In addition, Asda/Wal-Mart puts great effort into improving its core value proposition of everyday low price (EDLP). Addressing a gathering of major British suppliers in 2003, a leading Asda/Wal-Mart figure suggested that the public was coming to trust Asda to offer Every Day Low Price and that this would bring their loyalty. We note here that *loyalty* implies that the subject has the chance to defect to rivals or make other choices – this option does not always apply as we later demonstrate. Trust and Loyalty are key terms in brand identity and here we have a leading retailer itself identifying with the same terms. Trust is an important component of loyalty and can be defined as 'a consumer's confident belief in a retailer's honesty towards the consumer' (Bloemer & Odekerken-Schroder, 2002 p 72). In turn this leads to the need to clarify the idea of commitment as 'a consumer's enduring desire to continue a relationship with a retailer accompanied by the willingness to make effort at maintaining it' (Morgan & Hunt, 1994; Bloemer & Odekerken-Schroder, 2002 p 72).

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for the creation of distinct retail brand is authorised.

Now, it may be that the phenomenon we are recording is merely spatial contingency and constrained choice. Just because we see that shoppers regularly visit stores such as Tesco and regularly return with broadly the same products week after week does not of necessity equate to conscious 'loyalty'. More overtly, some retailers – Tesco were pioneers again – began to organize loyalty card schemes. These were organized so that regular shoppers obtained discounts in return for their regular patronage. Initially, the purpose of these cards was to gain market information about regular customers. This had two big effects. One was the access to powerful market information. A commentator in Supermarketing stated (1998 p 28) "The retailer is sitting on the sort of information ……. they know exactly what is being sold, what it looks like, they know the promotions going on, so they can see the gaps in the market". This helps product innovation – but such knowledge has a further use. By use of sophisticated modeling, superstores can be located in neighborhoods where sales are likely to be maximized. However, loyalty scheme evaluation is a difficult exercise. As many as 70% of US consumers in the grocery sector are frequently reassessing their choice of retailer. Many loyalty scheme members are effectively free riders, mistakes are difficult to correct, schemes are expensive to set up and competition is often on un-equal terms (Cigliano, Georgiadis *et al*, 2000; KPMG, 2000; Mauri, 2001; Coyles & Gokey, 2002). Tesco (and J. Sainsbury with its Nectar scheme) are the strongest loyalty programs in the UK with over 10 million registered shoppers[8].

Understanding customers' changing buying patterns can unlock the power of loyalty and even some local communities tried to copy this success (Worthington &

[8] For a further interesting study on card loyalty and data analysis see Mauri (2001).

Hallsworth, 2000). Yet own label development may be a less expensive way to get consumer loyalty to a product: often one that cannot be replicated by the competition. The changes in own label through four stages gives a clear indication from the retailers that they aim at achieving just that (Burt, 2000). Diversification into non-food and services again reflects changes in customer buying patterns. Store loyalty and establishment of a clear identity via own label go together – but can give rise to dissonance. This is illustrated by McMaster (1985, p.86): "I don't like the store but I like their own brand [….] has become an impossible proposition". This is further demonstrated by the fact that own label has "shifted to the creation of consumer loyalty to the store rather than just the product" Ogbonna and Wilkinson (1996, p.407).

[INSERT TABLE 3 ABOUT HERE]

Table 3 offers a perspective on changing consumer-buying patterns (also Corstjens & Corstjens, 1995). Yet what we interpret as local "loyalty" may simply reflect the possibility that, as British retailing has moved into fewer but larger stores, the amount of effective choice locally has fallen. This is supported by recent work on the phenomenon of food deserts. These are parts of Britain with poorest incomes and lowest mobility and where local fresh food provision has declined so far that basic healthy fresh food requirement cannot be met locally (Wrigley, 2002; Wrigley, Guy et al, 2002). Transparently the food desert is an extreme outcome when professional market research seeks high-spending areas but avoids the rest. However, far more common than being left with no food superstore is the position (for Britain tolerates local monopolies) of being left with just one. At this point, we argue, competition and choice are defined by what appears on the shelves of the one store that most residents can reach.

Brand leverage is commonly used to create own label success by associating the store name with a product. Leverage potential can be substantial for multiple retailers though brand stretching is not always easy to achieve in a global sourcing context (Court, Leiter et al, 1999). Recently leverage has been used mainly to shift to varietals of private label – the second of our key themes. We should note that the overall success of retailer own label in Britain, viewed strategically, has been credited to several wider factors in addition to these particular issues of positioning that we wish to pursue. These wider factors include: (a) perceived excessive price premiums of leading brands; (b) the need to supply basic commodity products to which it is difficult to add value; (c) higher prices being no longer seen by the consumer as synonymous with higher quality; (d) ease of comparison with branded goods (to which they often bear an uncanny resemblance); (e) advertising cost, design and packaging costs supported by brand leaders. This reflects a significantly different situation compared to North America.

Based on the manufacturer brand characteristics described previously, we may ask if a similar degree of trust and/or loyalty can attach to retailer own label products (Steenkamp & Dekimpe, 1997; Corstjens & Lal, 2000). As a note of caution, studies have shown that consumers, especially the young, are willing to try new lines and switch quite easily. 'Consumers are very open to private label, if they have a sense of confidence in the stores that bring them to the label, it helps' (Andy GingerVP of brand development for SEARS DSNRetail Today, 2001 p25). Is it, then, reasonable to claim that the leading British retailers have achieved the status of a brand and perhaps even a corporate brand? (Ind, 1997; Burt & Sparks, 2002; de-Chernatony, 2002; Schultz & de-Chernatony, 2002).

Note, too, that British trade journal Retail Week voted, in 1998, Marks and Spencer as “Retail Brand of the decade”. The brand values considered were “awareness, integrity, value-for-money, loyalty, professionalism, consumer benefit, innovation/modernity, personality, respect and consistency” (Retail Week, 1998. p11). In the top six also came food retailers Tesco, Asda and Morrisons.

Where does this brief tour of the own label, brand and loyalty concepts now leave us? In the context of the British grocery sector at least, we believe that retailers have indeed come to be seen as trustworthy agents in a brand-related sense. We also consider that retail performance is, as Fotheringham suggested, situated and that not all localities are alike. Finally, that the rise in British own label performance has been linked to spatial shifts in the locations of the major players. Giving a further strong contrast to North America, consider the spectacular costs of location and developing stores in Britain. When Fine Fare/Loblaws yellow pack generics were on offer, the most common retail food outlet was the High Street or Town Center supermarket on the (then) US model. Some of these stores were rented from institutional property developers, others were adapted from previous uses such as cinemas. Most were comfortably part of the high/main street urban fabric. Tensions arose, however, when retailers demanded bigger premises (often just to accommodate larger supermarket trolleys). These were far harder - and more expensive - to fit into regular shopping locations.

Led by Asda in the mid-1960's – and followed later in the 1970s primarily by Tesco – there was soon a retail revolution in store location with the arrival of the British Superstore format. Superstores are smaller than the French hypermarket or US supercenter but freestanding, with car parking and typically around 60,000 sq ft GLA (still not considered as destination stores as many Wal-Marts). By the mid-1970s, J. Sainsbury, too, was following this trend.

A press release of July, 1975, accompanied J. Sainsbury's plans to move to a large, out-of-town, car-oriented site near St Albans. This plan was opposed locally and the restrictive British development planning system (Hallsworth & McClatchey, 1994; Clarke & Hallsworth, 2000) demanded a planning inquiry. J. Sainsburys noted:

> "..no matter what the outcome of the enquiry, J. Sainsburys intend to close their town center store which is one of the very few counter service shops that they have left. It was built in 1922."

Justifying a move to larger stores they commended lower prices on petrol (gasoline) and the fact that their new superstores *exclusively* offered their lower Red Star prices. Price advantages included: "Weetabix – red star price 39p – normal price 46p". This makes interesting reading – not least because a leading national retailer, J. Sainsbury, was still operating counter service from a store built in 1922! North American readers will be familiar with a constant churning of re-located or rebuilt food stores in many locations. Not so in Britain – which explains the longevity of many of the out-of-town food superstores built since about 1970. Note, too, that J. Sainsbury quoted price advantages on branded goods. Their extensive own label range may have been more evenly priced. What is, important, however, is that J. Sainsbury and the other market leaders were embarking upon a program of building new, car-oriented high-cost stores in locations not previously seen as appropriate for retailing.

Crucially, too, they were burning their boats and abandoning market share by closing smaller stores in traditional, established shopping locations. It seemed that only larger stores in peripheral locations could meet their new demands. Figures of £20million (US$36 million) just for a development site for a basic food superstore were recorded and the retailers spent on and on – even, by the 1990s, in the face of a generally falling property market. As chronicled by Wrigley (Wrigley, 1996; Wrigley, 1998) this was not sustainable (and was characterized as a Social Trap by Hallsworth, 1996). The risk was that the retailers may have over-paid for sites and could then be left with unsustainable sunk costs if cheaper price-focused rivals entered the market.

Lastly, having confirmed that British retailers have moved strongly into premium-price high-value-added own label to foster customer loyalty, we now consider the resurgence of the lower end – ostensibly back in the world of the generic. We argue that the extension downwards into cut-price own label was a direct response to market threats from hard-line discounters: the cheaper price-focused rivals that had been feared. Attracted by perceived high gross margins in the UK retail trade, a host of these so-called "hard discounters" – based in mainland Europe and led by ALDI and Lidl – entered the market (Monopolies & Mergers Commission, 1981; Burt & Sparks, 1994; Burt & Sparks, 1995)[9]. Now, as Sparks and Burt have demonstrated, much of the apparent high margin was illusory and linked to the above-mentioned high land and building costs. Nevertheless, had the hard discounters taken substantial market share from their much lower property cost base there could have been severe problems for the established British retailers (Euromonitor, 1993). Indeed, this invasion came at a time when Asda was not flourishing and it responded by changing some of its stores to a more down-scale image. The timing – in the middle of an economic recession and income-polarization – should also have been right for the discounters. A clear possibility would have been for the leaders, who had all moved towards larger car-based stores, to open a new wave of small-shop rivals to the incoming smaller discount outlets. What the market leaders did, instead, was to avoid further build costs but work their existing fixed assets harder. They decided to produce (or re-introduce?) ranges that closely resembled the often-forgotten generic or so-called value own label. The first of these was the Tesco "Value" brand, which commenced in 1993 with 126 lines and now covers 400. In retrospect, the IGD (Institute of Grocery Distribution) attributed the same causality to this as we have done. In an account watch report of 2000 they reported, "The launch of the Tesco Value ranges was a response to the competitive threat posed by the discount store operators. The popularity of this range has ensured its inclusion ever since" (IGD, 2000, p.119).

Note, incidentally, that the standard Tesco own label range is much larger – 6,500 lines in 2000. So, these value or economy ranges competed with the hard discounters on price and yet from the same expensive, well-fitted, stores in which the market leaders had already invested. These "cathedrals of consumption" therefore now offered trusted – but discounted – products from a far more pleasant shopping environment than the basic retail 'sheds' of the European 'hard' discounters. If some Tesco customers had indeed fallen on hard times in the 1990s recession and might then be tempted by the discounters, so the low cost own label s were offered in order to retain their custom (loyalty, patronage). Note, too, that the dominant offer from the

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[9] Discount retailers are not new. Off-price retailings, warehouse clubs, factory outlets, high-street

hard discounters was secondary or tertiary European brands rather than the leading manufacturer brands that Kwik Save and Asda had discounted in an earlier generation. In essence, Tesco and the other market leaders had no intention of losing regular customers to low-cost rivals. So, always assuming that their regular shoppers could still reach their nearby large superstore, the intention was to give them every encouragement to continue to do so. Note that the local "pull" of these larger stores (weighted for lower UK disposable incomes) is effectively that of a full Wal-Mart supercenter. To fully compete, rival discounters would now have to develop an encircling ring of several small stores. Such a scale of new development would be unprecedented in the relatively small and densely populated British Isles. So, using low-cost own label (backed by the familiar Tesco or J. Sainsbury label) was a way of fighting off the discounters with their relatively unfamiliar tertiary or European brands.

We can use two further examples to reinforce our claim that a typical British response to new market pressures is to modify the offer at existing stores. The first comes from 1992 when the US club group Costco first entered the British market. Notwithstanding that Fernie has demonstrated how the smaller British home was not suitable for storing bulk purchase items, market leaders in the vicinity of Costco began to stock larger packs (Fernie, 1998). So on this occasion the retailer response was to begin to offer warehouse-club-style larger packs – at least until the threat went away. Again, when Wal-Mart with its strong non-food offer entered the British market, existing rivals rushed to offer non-food goods. In some smaller UK Safeway stores this often initially amounted to little more than a few mobile cell phones or

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discount, have considerable coverage in the US literature Robinson & Bailey (1994).

electric shavers stacked behind the customer service desk. On other occasions a truck packed with larger electrical goods might appear in a quiet part of the car park. Eventually, any spare space in-store where non-food goods could be displayed would be used.

Our discussion has demonstrated that, once expensive out-of-town sites dominated the UK market, there arose strong pressure to defend them. Critically, we contend that ’stretching’ of the store profile by a diverse portfolio of own label products is part of this. Can this, however, be linked directly to the concept of loyalty in the way that the Asda commentator hoped (above)? In the June 2002 “Account watch” on J. Sainsbury’s produced by Britain’s IGD, attention was paid to own label strategy. The IGD stated that J. Sainsbury had 9,000 own label that were positioned to offer four benefits. One of these was to (p. 81) “Increase customer loyalty by offering a product only available at J. Sainsbury’s”. They later add “Sainsbury’s sees the (economy) brand as …essential as it pursues a wider consumer franchise”.

Locally-embedded Loyalty: An Illustration

Following a year-long investigation into the supply of groceries from multiples (chain) supermarkets, a recent report from Britain’s Competition Commission highlighted that ‘whether or not consumers have adequate choice will depend very much on local circumstances, which will vary widely from area to area’ (Competition Commission, 2000). Using that stance our major three-year research project is exploring changing patterns of customer behavior over the long-term (20 years plus) and has clearly demonstrated that the concept of loyalty and own label varies significantly at the very local level. Preliminary results from our survey show some interesting findings on the evolution of the concept of local store loyalty over 20 years. We are positioned to offer some empirical findings on the longevity of the 1970s and 1980s food superstores. Our study has revisited a retail study area (in Portsmouth in the South East of England (Hallsworth, 1988) some twenty years later, enabling us to develop unique insights into the concept of loyalty by shoppers at a local level over the long-term. Major local food superstores are being re-visited and a sample of over 2500 responses on shopping habits, obtained by at-store survey. In another exercise over 2150 questionnaires were dispatched to residents living in key areas equidistant from major competing stores. Finally, interview panel and focus group work with selected residents is providing essential context to retail change.

In this way, the project addresses the crucial relationship between choice and provision (as well as complex questions such as the nature of 'desire', loyalty, and the source of retail provision change), which can only be addressed by a combination of extensive and intensive research. We bring together the political-economic and ethnographic approached enabling us to 'test' the theoretical argument concerning retail power, competition and local consumer choice in the UK grocery sector. We are uniquely positioned having conducted a similar survey in the early 1980s, to provide a historical benchmark against which current consumer behavior can be judged.

The key insights from the Portsmouth study are three fold. Firstly, unlike the case with many supermarkets in North America, in England we find that existing retail locations are rarely abandoned. Indeed, their primacy has recently been cemented, in most cases, by plans to extend the size of existing stores. This reflects partly the result of recent stringent land-use or town planning regulations but also ongoing market concentration. The consequence is that the main multiples have been able to build up local loyalty over a long period of time. Investment in loyalty (including loyalty to a location) can generate extra rewards to the supermarkets. Some stores in our study area have been fully part of the local economic landscape for more than two generations at the same place. In at least one case the store has barely changed – even in décor – over the last 22 years. Alongside this, indeed the average time spent by our respondents at their current address was 17.6 years. Local stores have evolved and grown alongside new needs and with changes in lifestyle of the area. They have been able to answer local consumer demands for groceries over a period, which has witnessed many dramatic changes locally. Provision by independently run ('Mom & Pop') small shops has almost completely disappeared. Yet the quality and availability of food products has increased, the ready meal revolution has occurred, womens' place within the household and the idea of family meal have changed considerably. Equally, mobility has increased, services offered by the retailers has radically changed the approach to shopping (out of town shopping centers, non-food ranges, opening hours, banking insurance services, internet home delivery) and so on. Rising car mobility has meant that shoppers effectively live closer to their main stores in drive-time terms than in the past. Non-car usage (walking) for grocery shopping has diminished from 8.33% to 4.7% in 2003 and the proportion of households with 2, 3, or 4+ cars is now up to 52.4 % from 32.16 % in 1980. What is more, respondents take less time to reach the shops. In 1980, 17.1% claimed to be 5 minutes or less away from their main grocery store as opposed to 38.5% today. We discovered that 65% of the respondents in 2003 claimed to have a regular store where they did most of their main shopping. This is considerably higher than 20 years ago when the figure stood at 58%. This could be a reflection of higher loyalty to a store fascia. Indeed, most of the major British multiples are present in the area (except Morrisons) and choice can be considered as abundant. Access to all stores is relatively easy and all stores are within a 6-mile radius of our sample.

Yet evidence of the trade-off between choice and loyalty-like behavior includes the fact that only 31% of customers use their main store for 100% of their shopping. This is down from 46% 20 years ago. The number of smaller outlets available has decreased due to concentration in the industry so shoppers are now using a wide repertoire of larger superstores. Probably, however, greater mobility and shopping trips that commence from work rather than home can explain these trends. Indeed 55 different other stores (including 30 convenience stores) were mentioned by respondents as 'further local grocery stores sometimes used'. In our study, loyalty fragmentation at a local level appears both to be much higher than what is normally assumed at the headquarters of the main multiples and what is taken into account for policy purposes at national legislative level. Switching stores is part of consumers' behavior and is a response to specific needs – and opportunities. The demise of the (non-independent) chains in the local convenience sector could have also been over-stated[10]. Indeed, Tesco recently moved into this sub-sector by buying a major chain of convenience stores.

Evidence that loyalty and differentiation need to be re-visited at local level is also to be found in the fact that 71.9% of our sample of shoppers shopped alone (yet often for a larger household) as opposed to 42.5% 20 years ago. Despite this, most multiples still present themselves as 'family shops' while in fact catering for people shopping alone. As noted, consumers' lifestyles have evolved (time constraints, mobility, household type) leading to some rotating buying behavior patterns (shopping linked to school trips, bank, visiting parents/friends, work etc) and product requirement (bulk, specific items, brands, households product, personal products etc). In respect of lifestyle changes the social structure in the study area has also evolved. Most notably, the respondents who claim to be retired from work has increased from 1% to 23.3% in 2003. We should note that corporate downsizing means that many people (especially aged between 50 and 60) have been forced into premature retirement. In the long run and with older retirees this could have a great impact on own label demand as older generations have been alleged to be less prone to trying new products and to rely more heavily on established habits and known brands. They are often also considered as more loyal to store fascia and unwilling to change. Again this demonstrates the importance of local condition for the marketing success or failure of the retailers in nurturing loyalty. This reinforces the idea that store loyalty and brand differentiation are becoming even more crucial for the retailers. This, in a context of increasing difficulty in expanding market share, and the fact that the amount of family income devoted to grocery has diminished over the years.

At an even more local level results from four discussion groups held in low-middle and rich neighborhoods in the same area also revealed interesting changes in aspects of loyalty in respect of own brand. First it is clear that the full depth of the own label range is not often noticed by shoppers. Different groups identify primarily with one sector – be it value or finest , and they buy that own label regularly. Those

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[10] Over the last 10 years 432 new superstores have been built while 25,000 small stores have closed in

whose focus is on the lowest, value, sector report that they barely notice the premium own label ranges when they are shopping in their local store. Symbolically, their eyes are cast on the lowest shelves where the cheaper products are found. Secondly own label quality has widely been recognized in most cases as being equal or superior to the manufacturer brand. Indeed some respondents have commented the fact that 'for a treat dinner' (such as to celebrate a birthday) the J. Sainsbury 'Finest' range was an appropriate choice. It was, conversely – and expectedly – seen as less appropriate to use everyday. This is a clear reflection of the investments by the main retailers in developing quality, sustainable, own label .

However, a good own label range is not of itself enough to ensure loyalty. Cheaper own labels are perceived as a low risk purchase – so trying-out an item is considered to be easy. Long-term adoption is, however, another matter and often depends on the acceptability to the intended end-recipients (e.g. children). The stance of not using GM (genetically modified) ingredients or sugar substitutes is becoming a loyalty/selling point for several British retailers. We should also note that (especially with older respondents who remember post-war rationing) most respondents do not like wasting food. They can develop negative attitudes towards own label if they feel products do not respond to their particular needs. Pack sizes are often too big for a single person even if the overall price is cheaper than the smaller version. Own label loyalty depends on those repeat purchases. The majority of our respondents stated that they would carry on buying own label into the foreseeable future. This was moderated by the perceptions that repeat purchases (especially for own label) is hindered by

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the UK (Financial Times 2003).

constant changes in packaging (color and size, increasing range) and constant reshuffles of store layout.

Also the study area has demonstrated that brand name products and store fascias are forgotten very quickly. Respondent were ask to ‘name stores that have closed in the last decade or products that have disappeared’; generally they did not feel that anything was missing. After being prompted over a specific, local and once-popular store they acknowledged its closure and claimed to miss it – but their loyalty had rapidly been re-directed elsewhere. This was reinforced by several respondents who had not notice that certain manufacturer brands had disappeared from the shelves – sometimes to being replaced by own brands. It seems that the in-store offer can be used to re-direct loyalty without undue effort. Note, too, that many own label foods are not presented as such: especially in the area of fresh food, cheese, meat and dairy products. Stores such as Marks and Spencer that exclusively sell their own label are not, however, perceived by the public as selling own label – the store name has become the brand.

Lastly, and more worrying for retailers and manufacturers, own brand products in general were felt to be of similar quality in just about all the supermarkets, with comments like ‘When in our chosen supermarket we happily buy their own brand’. This was not only for the basic staples but increasingly for all ranges offered as own brand. This leads us to feel that if the UK Safeway own brand disappeared (as may happen with anticipated market concentration in the British retail sector) most of their customers would soon switch their own brand loyalty to the new owner’s fascia.

This has implications for the presumed "reduction of choice" that, at time of writing, is concerning the Competition Commission.

Conclusion

In this paper we have argued that in the last twenty years Britain & North America have diverged in terms of market structure and that a British response has been to create targeted and segmented own labels. Broadly, own brands have been segmented both to follow diverging consumer markets and to respond to discounters. As RDCs developed, so own brands added further to retailer power in the supply chain but the process is ongoing and evolutionary. For example, consumers vary in their perceptions & usage of own brand: there is evidence that consumers are actively choosing to whom their loyalty should be given. Purchasing patterns are based not only on financial and quality parameters but also softer indicators such as trust and consistency. This is exemplified when own premium own labels are perceived to be better quality than some brands and are considered suitable for a special occasion or for a treat. Brand choices are permanently under review and consumers are getting access to an increasingly large amount of information. It then requires even more effort from both manufacturer and retailers in order to satisfy consumer needs.

In respect of locational factors we have shown that locality effects do make a difference and that British food superstores have a long life. Multiples market share has come largely at the expense of the smaller, weaker supermarkets chains and independently owned convenience shops (Clarke, 2000). In some parts of Britain this has led to food deserts – though our study of a more "middle-England" market demonstrates that consumers do not feel deprived of local choice. Indeed, the tendency to concentrate on market extremes masks an underlying level of satisfaction with what the British retail trade is offering. This, we suggest, is an essential underpinning to any analysis of own brand loyalty in Britain.

Table 1: Own label market shares profiles of leading UK retailers

	1980	1992	1995	2002	Own Brand Labels
Sainsbury	54	55	47.8	44	Taste the Difference, Be Good to Yourself, Blue Parrot Café, Freedom, Perform + Protect (Household/health and beauty), Jeff &Co (Clothing)
Tesco	21	41	41.8	41	Finest, value, Organics, Healthy Eating, Kids, Florence & Fred (Clothing)
Safeway	28	35	35.5	33	The Best, EatSmart, EatStreet, Savers
ASDA	5	32	34.0	44	GoodForYou, Extra Special, value, Kids, George At Asda (Clothing_)

Source: Assembled from Marketing, 1st August 2002 p 15 and Wrigley 1998. 2002 figures are based on percent of customer spend. The contrasted data sources are not directly comparable.

Table 2: Chilled food market in the UK

Fresh Prepared Food Sectors	£m RSV 2002	% market growth 2002 v 2001
Yoghurts and fromage fraïs	1,010	+7
Sandwiches	588	+8
Hot-eating pastry products	463	+9
Fruit juice	305	+8
Cold-eating pastry products	195	+4
Quiche and flan	166	+12
Party food	69	+14
Ready meals	1,326	+13
Leafy and side salads	431	+11
Pizza	316	+6
Convenience salads	315	+11
Pasta	111	+17
Dips	109	+7
Bread	95	+18
Soups	83	+14
Sauces	77	+4
Prepared fruit	61	+21
Stir fry	58	+2

Source: Geest estimates/Williams de Broë/Taylor Nelson Sofrès, 2002

Table 3: Dimensions of loyalty

Behavior		
	Emotive loyalist	Rarely reassess purchase decision Strongly feel that chosen brand is best for them
Loyal	Inertial loyalist	Infrequently reassess purchase decision Uninvolved, don't consider change or feel it is not worth the effort
	Deliberative loyalist	Frequently reassess purchase decision Reaffirm chosen brand through rational criteria
	Lifestyle downward migration	Reassess purchase decision because of change in needs
Downward migrators	Deliberative downward migrators	Frequently reassess purchase decision Choose new brand through rational criteria
	Dissatisfied downward migrators	Actively dissatisfied May be prompt to revaluate because of specific experience

Source: (Coyles & Gokey, 2002)

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