AN ANALYSIS OF THE IMPACT OF PRIVATE LABEL BRANDS ON SALES: A CASE STUDY OF OK ZIMBABWE LIMITED (2009-2012)

by

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AUGUST 2012
DECLARATION PAGE

I, Andrew Munodawafa, do hereby declare that this dissertation is the result of my own investigation and research, except to the extent indicated in the Acknowledgements, References and by comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other university.

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Student signature            Date

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Supervisor’s Signature       Date
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Firstly, I would want to thank my family, for the unwavering support and patience during the difficult three years of my MBA. Your support is well appreciated.

My sincere gratitude goes to Dr Maravanyika, my Supervisor, for the guidance proffered on the dissertation from the proposal stage to final dissertation. Also I want to thank him for extending academic resources to make this dissertation a success.

My last gratitude goes to OK Zimbabwe Limited management for affording me the chance to study the organisation and giving unlimited access to the organisation’s information resources. Most gratitude to staff that participated in this dissertation and made this a great success through diligent responses to the research interviews.
ABSTRACT
The aim of this study is to explore the private label branding process and its impact on retail sales performance. Private label branding is a strategic tool adopted by retailers to increase sales and profit margins with a global average contribution to turnover of over 20 percent. The research looked into these elements of marketing mix; pricing, packaging, quality, promotion, advertising and market segmentation and their influence to performance of private label brands.

In efforts to explore factors affecting private label branding in Zimbabwe, this research employs a case study approach, involving a single case organisation, OK Zimbabwe Limited. The organisation was chosen because of its dominance on the local retail industry. Data was collected through unstructured interviews with OK Zimbabwe executives and functional managers identified to be core in strategy making and implementation.

The research outcomes indicate that private label brands have not made any significant impact to OK Zimbabwe sales and profit margins. The failure of these brands is due to lack of management commitment to drive the brands portfolio. The research also concludes that private label brands are affected by these factors; lack of marketing skills and expertise, negative employee attitude, poor quality of brands, price competitiveness and inadequate advertising strategies.

Because of these findings, the research recommends the firm to rebrand private labels and use market segmentation to target specific customers with potential to buy its private label brands. It also recommends that the company should have private label brands produced outside the country, expand the channels of customer communication and change employee attitudes towards private label brands. The findings also discovered some gaps requiring further study. The firm must look into consumer perceptions on private label brands and evaluate the strategic fit of private label branding strategy to organisational culture.
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# LIST OF ACRONYMS OR ABBREVIATIONS

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<th>Description</th>
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<tbody>
<tr>
<td>COO</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
</tr>
<tr>
<td>SADC</td>
<td>Southern Africa Development Committee</td>
</tr>
<tr>
<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
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CHAPTER ONE: INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION
The importance of private labels in fastmoving consumer goods marketing has been clearly established over the past decade. Private label brands or own-brands or house-brands now exceed 15 percent of global supermarket sales and over 70 percent grocery shoppers have shown preference in buying private label brands (Beneke, 2010). Private label brands have the potential to increase sales, store loyalty, profitability, control over shelf space, and bargaining power over manufacturers (Ailawadi & Harlam, 2004). Among consumers, one obvious reason for their popularity and growth is their price advantage over manufacturer brands.

Although manufacturers’ brands have been dominating, large retailers have been developing their private label brands by contracting production from willing manufacturers. However, each generic or product category in each country has witnessed fierce battles between manufacturer brands and private label brands in the quest to control market share. Private label brands are manufactured at low cost and are heavily discounted thus allowing retailers to price them below leading national brands but still achieving higher profit margins.

Despite the abundance of literature on private label brands, there is nothing that has been done to show that Zimbabwean retailers have benefited from them. There does not seem to be any evidence of research in Zimbabwe to examine the reason for the poor performance of private label brands in retail industry. All the three listed retailers have failed to report on meaningful profits in a growing economy despite the presence of private label brands in their business portfolio. The available literature has failed to address the private label branding in Zimbabwe leaving a gap to be covered by the research.
2.2 BACKGROUND

1.2.1 THE MACRO ENVIRONMENT
There are several factors affecting the landscape businesses operate in. These are political, economic, social and technological factors. Political factors include legal and regulatory controls, consumer protection, taxes, tariffs, competitive regulations, fiscal policy, country relations, political governance and indigenisation law. The economic factors include interest rates, inflation, market liquidity, currency and exchange rates. The social factors include demographics, religion, race and beliefs. The technological factors will highlight the extent to which the country has adopted technology usage.

Political Factors
The unity government formed in 2009 has brought some stability and hope to the economy but its tenure is likely to end before 2014. This will bring back uncertainty on the political landscape and future of the country leading to a cautious approach to meaningful investment by both local and foreign firms. This uncertainty originates to policy inconsistency and hardliner stances employed by the government in power before the formation of the Government of National Unity. A more friendly political landscape allows businesses to plan long term sustainability paths.

The recession of 2007-2008 saw most companies having all their capital wiped out by inflation and recapitalising the business after dollarization increasingly become difficult. Most companies ended up looking for foreign partnership in efforts to boost liquidity. However the enactment of the indigenisation law in 2010 became a huge deterrent to potential investors in the country because of its requirements for non-Zimbabwean firms or individuals to cede 51 percent of their equity to locals. The law require
foreigners to own a maximum of 49 percent shareholding and prior to any investment; they are taken through an approval process with many ending up losing interests.

Food industry is a sensitive sector and there has been always intervention by the authorities to protect the consumers through price controls. Price controls are not new to Zimbabwe though, as they came into effect soon after independence in 1980. The government has been declaring these controls without stakeholders’ consultations and therefore impacting heavily on business profit margins. The demise of local businesses was precipitated by these controls introduced during 2007-08 period. This led to the birth of parallel trading and the dominance of the informal sector as individual take advantage of the price-demand gap created. Therefore business decision makers should always be wary of this risk.

The government has put some measures to restrict the importation of certain products mainly agro-based and clothing products to protect local manufacturers. However with the local industry capacity below 50 percent, this is going to affect performance of certain generic products in all retail outlets. Imports into Zimbabwe have been growing since businesses are enjoying tariff-free trade when importing or exporting to Southern Africa Development Committee (SADC) and Common Market for Eastern and Southern Africa (COMESA) countries. This has been facilitated by existing trade agreements between member states of the two organisations.

**Economic factors**

Zimbabwe’s economy has been growing at an average of 7% since adopting a multi-currency system in February 2009. The use of the South African rand and US dollar which are less volatile currencies resulted in inflation going down to a single digit for the first time in two decades. The decline in inflation resulted in prices not moving in long periods and this call for sharp marketing and selling strategies as undercutting amongst competitors increase. Pricing
strategies in Zimbabwe from 2009 put pressure on margins and most firms try to reduce costs as much as possible to remain competitive. The price wars unfortunately claimed fate of many companies both in manufacturing and retailing. The reason why most firms have failed was high interest rates charged by banks on borrowings against low-margins on final products.

Zimbabwe imports 50 percent of its consumer goods in raw or finished form from South Africa. However prices are always affected by the fluctuations of the rand to the dollar resulting in upward and downward price movements on products imported in finished form or made of imported raw materials. This put pressure on profitability and competitiveness strategies on businesses as costs continue fluctuating. The Zimbabwean incomes are low and the disposable portion of it is spent with due care.

The GDP of USD4 billion in 2011 (Government of Zimbabwe, 2011) and USD3.8 billion in 2012 (Government of Zimbabwe, 2012) reflects low government and private spending in the economy. This means the economy is not in a position to fund major investment projects, thus foreign direct capital is the only potential source of funding to revivethe economy. The low manufacturing capacity of the economy lead to imports surpassing exports creating what is called negative balance of payments, which in simple terms implies that we are buying more than our earnings. This is sad situation for the Zimbabwean economy as GDP will continually fall reducing the internal spent and incomes for both individuals and business.

Social Factors

The Zimbabwean economy is dominated by the low income bracket with middle income category slowly disappearing due to the exodus of labour and the economic hardships experienced in the country in the last decade. Any product marketing therefore has to first target the mass market. However the high income bracket comprised of the rich, educated and well travelled consumers actively exist in Zimbabwe. These are people seeking top-end
international brands and will be able to pay the price for the products of their choice. However, regardless of cultural background, most Zimbabweans view low-priced goods imported from South Africa as inferior and it is imperative upon importers to carefully choose brands of repute. Zimbabweans are generally conscious on brands they buy and quality is very important to their purchasing decision making.

1.2.2 INDUSTRY ANALYSIS

Retail Structure
The retail industry is a sector of the economy that is comprised of individuals and companies who are engaged in the selling of finished products to the end user consumer. The customer profile include individual or household consumers or institutional buyers who but all are final consumers (Borg & Altmutter, 2009). The retail sector is particularly sensitive to the economic cycle, being hit harder than average in times of economic recession and recovering its share quickly as the economy picks up.

In Zimbabwe after the price blitz of July 2007, the retail sector was the most affected with the effects currently being felt three years after the economy has been liberalised. With the authorities stamping hard on retailers trying to circumvent their way through price controls, an opportunity arose to informal retailers operating small shops of less than 20m². Soon by end of 2008 these shops could be found at every street corner in urban centres and suburban areas. Initially they targeted basic food commodities that have a higher turnover rate, but since spread cover clothing and household goods.

Manufacturing in Zimbabwe fell to below 40% in 2009 but managed to grow to around 50% currently (Government of Zimbabwe, 2012). In 2008, with most products disappearing from the shelves in formal retail outlets, at informal stores they were readily available and consumers begin to have trust in these
The informal sector managed to import products from South Africa themselves or through runners. Because the informal retailers’ overhead costs are minimal they could afford to charge prices at minimum profit margins. Some of these like Afrofood, Tashon, Buscod and Kapp-Jack managed to grow to formalised business and even dominated the industry together with SPAR in 2009.

The retail sector in Zimbabwe economy can be categorized into the formal and informal with the informal sector growing to be a force to reckon. The informal sector came in as result of unemployment and shortages experienced in the period 2007-09. The main differentiating factor is capital structure with the formal sector dominated by stock-exchange listed firms. These are OK Zimbabwe Limited, TM Supermarkets and SPAR. OK Zimbabwe is a standalone firm; TM is listed through their parent company Meikles Africa whilst SPAR is listed through Innscor Africa. The coming in of Pick n Pay into the market will up the game in competition as they are likely to use their vast experience trading in the region and overseas. Competition is on both price and offering. Added to this list there are other small sole traders, tuck-shops and informal stalls or markets where consumer goods are obtainable in Zimbabwe.

**Retail market share**

The retail sector remains one of the most competitive sectors in Zimbabwe, with an ever-expanding number of operators across a wide variety of formats. Retail industry customer bases constitute of all household consumers and institutional consumers. The household consumer forms the base of all retail strategy. Statistics were not available at the preparation of this research on the market shares of the formal market and the informal market. From investigations, OK and TM are clearly the top two with Spar a distant third. However using financial results it’s clear that OK is the number one in terms of turnover. It is estimated the top three organisations, OK, TM and Spar have
a combined market share of 45 percent with the rest accounting for the 55 percent.

Figure 1.1: Market share by sales

![Pie chart showing market share by sales]

Figure 1.2: Market share by sales for the period 2009 - 2012

Table 1.1: Performance against individual suppliers

<table>
<thead>
<tr>
<th>Supplier</th>
<th>OK</th>
<th>TM</th>
<th>Spar</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. National Foods</td>
<td>3.7</td>
<td>4.8</td>
<td>1.0</td>
<td>90.5</td>
</tr>
<tr>
<td>2. Schweppes</td>
<td>13.0</td>
<td>11.0</td>
<td>7.0</td>
<td>69.0</td>
</tr>
<tr>
<td>3. Lyons</td>
<td>19.0</td>
<td>16.0</td>
<td>9.0</td>
<td>56.0</td>
</tr>
<tr>
<td>4. Delta Lagers</td>
<td>31.7</td>
<td>30.6</td>
<td>23.1</td>
<td>14.6</td>
</tr>
<tr>
<td>5. Dairibord</td>
<td>40.0</td>
<td>26.6</td>
<td>23.3</td>
<td>10.1</td>
</tr>
<tr>
<td>6. African Distillers</td>
<td>14.0</td>
<td>8.9</td>
<td>10.8</td>
<td>66.3</td>
</tr>
<tr>
<td>7. Irvine’s D.O.C</td>
<td>43.5</td>
<td>16.9</td>
<td>20.0</td>
<td>19.6</td>
</tr>
<tr>
<td>9. Unilever</td>
<td>37.8</td>
<td>40.6</td>
<td>14.0</td>
<td>7.6</td>
</tr>
<tr>
<td>10. Innscor Distribution</td>
<td>40.1</td>
<td>40.9</td>
<td>15.6</td>
<td>3.4</td>
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</table>


With each retailer spreading their store network to all over the country and with no barriers to entry, competition for space amongst various forms of retailers takes centre stage. There is a dense ratio of retailers in every business space and competition is intensifying. These retailers compete primarily on price, product offering and store ambience. The retailers are able to achieve cost advantage through buying bulk direct from source and be able to eliminate the middlemen in the supply chain. The other strategy being employed is renovating stores to first-world standards whilst offering niche products that appeal to the top class of the society. These two are working for the big retailers but the smaller traders are lowering their overheads and are able to operate on low mark-ups.

1.2.3 BACKGROUND TO THE CASE STUDY ORGANISATION: OK ZIMBABWE LIMITED
OK Zimbabwe Limited was first incorporated as Springmaster Corporation in 1953 and changed to Deltrade Limited in 1984 and subsequently changed to its current name in 2001 after its demerger from Delta Corporation. Delta had
acquired the business operation in Springmaster in 1977. The inaugural branch was opened in Harare’s First Street in 1942 (OK Zimbabwe Limited, 2012).

Financial Highlights

The following are published OK Zimbabwe financial figures for the year ending 31 March 2012, which are latest for the period under study.

- Revenue - US$412,563,027
- Profit before tax - US$14,980,734
- Profit for the year - US$10,306,497
- Total assets - US$95,495,906

Corporate Management Structure
Business Model

OK Zimbabwe Limited is a listed group registered and conducting business in Zimbabwe. The group is a leading supermarket retailer, whose business covers three major categories, comprising groceries, household, clothing and textiles products. The groceries category includes dry groceries, butchery, delicatessen, provisions and fruit & vegetable sections. The bakeries and fruit and vegetable operations are currently outsourced from Innscor and FAVCO respectively.

OK Zimbabwe has four private label house brands, which are as follows;

- **Pot ‘O’ Gold**– A premium quality brand covering all product categories in groceries. This is found in OK and OK Express stores only
- **OK Value** - Low value brand targeted to as a price fighter in mass market products again for OK and OK Express.
- **Premier Choice** - Premium and up-market brand covering all product generics. These are sold exclusively in Bon Marche stores.
- **Shopperschoice** - Premium-quality brand launched in July 2012 targeting OK, OKmart and Bon Marche stores.

These in-house brands are targeted to contribute 30% of OK Zimbabwe’s total sales. The major objective for developing own brands is to increase sales and boost profitability since private label products are set to operate at slightly higher gross profit margins than manufacturer brands. By having private label brands, OK also gain the advantage of using them to fight supplier branded lines promoting in opposition outlets.
Figure 1.4: Private label brands under OK Zimbabwe Limited

Source: OK Zimbabwe Limited Private Label catalogues

**Vision Statement**

- OK will be the dominant retailer in Zimbabwe.
- OK will register presence in the region.
- We aim to achieve real growth in turnover and profitability.
- We will benchmark with world-class retailers to set the standards for quality retailing.
- We will strive to retain and grow our customer base through the provision of satisfying shopping experiences.
Mission Statement

- Our business is general retailing, providing quality merchandise and service while offering value for money to our customers in all market segments in Zimbabwe.
- We are committed to the development and welfare of our employees.
- We will achieve an optimum return of investment.
- We will strive to build long-term relationships with our suppliers and the community

Strategic strengths of OK Zimbabwe

OK Zimbabwe trade under four store names OK stores, Bon Marche stores, OK Express stores and OKmart introduced in April 2011 after being acquired from South African owned Makro. The brands OK and Bon Marche are among the biggest retail outlets known by everyone in Zimbabwe. The brands possess strong mental and emotional associations among the population of Zimbabwe. OKstore units have high awareness and loyalty in Zimbabwe that gives the company more power in bargaining with suppliers, permits the firm to charge more because the brand has higher perceived quality. The brand’s high credibility allowed the firm to easily launch extensions in the form of OKmart and OK Express. Brand extensions allowed the company to easily segment markets and offer specific products and services to the market segments. By spreading the store network geographically, OK was able to capture all market segments and build a strong brand in every urban or rural town.

The group have 54 branches nationwide offering a full range of grocery and household goods. The number of stores allows the group to enjoy economies of scale through buying bulk and able to lower costs and improve supply efficiencies. They managed to upgrade 15 of their stores to world-class standards between 2010 and 2012 to improve the shop ambiances and with
improved technology at the point of sale, they are able to serve customers faster and also capture essential statistics on consumer purchasing behaviour to be used for strategic purposes.

OK Zimbabwe Limited runs a mega promotion annually; the OK Grand Challenge and the year 2012 marked the 24th edition of the promotion. The promotion impact on the market is huge and has been on the consumer calendar every year. The success of the promotion and the company in general can be attributed to a highly skilled workforce. The company recruits graduate trainees annually to train in various functions of the organisation as succession plan. Because of this all store managers are highly qualified and have received formalised training in retail management. OK’s training culture is highly commendable and has been the mainstay of the organisation’s success.

The company has managed to build strong relations with international suppliers in the region and oversees. OK Zimbabwe is currently buying product direct from manufacturers in South Africa, Zambia, Botswana and China. Using the three distribution centres the company owns, they have been able to buy and re-distribute to all stores nationwide at lower costs than buying from distributors who add costs to the final products.

**Strategic Weaknesses and Opportunities for OK Zimbabwe Limited**

The company’s marketing and procurement roles are interrelated to the extent there is no role clarity and in most cases they duplicate duties. Procurement is responsible for organising promotion with suppliers but Marketing is also responsible for the same and more often there is misalignment of strategies. The portfolio is suffering because two functions have similar responsibility.
OK has a high contract employee ratio compared to permanent employees with official figure reported at 60:40. This has caused a high staff turnover eroding the efforts achieved through skills development. Employees form the core of each brand in retail and not heavily investing in them will only not kill customer loyalty but also succession plans in the organisation. Between 2009 and 2012, the company failed to record significant profit margins with group attributing this to high shrinkage levels and a competitive pressure on margins as a result of many players entering the industry. Better profit margins can be achieved if the company can succeed in reducing losses due to pilferage and at the same time employing strategies that will allow them to buy products at lower costs than competition and enjoy better mark-ups.

Previously, the organisation has managed to put down very nice strategies but with little success as a result of no proper follow through on previously implemented strategies. They have failed to measure effectively success of the implemented strategies. The own brands portfolio has been within the company for more than 20 years but no evidence of evaluation on its success. The lack of proper marketing research being carried by the organisation is a sign of mismanagement. Globally successful retailers do research on their markets on various issues including market share, customer demographics, and consumer behaviour.

The Zimbabwean economy presents a lot of opportunities to OK Zimbabwe because it has recorded positive growth since 2009, and thus the retail share is growing and companies need to get a bigger portion of it. The company should make good use of the recapitalisation fund provided by Investec Africa to expand their store network into new markets whilst consolidating on their strength in the existing markets.
With competitors like TM and Spar struggling at the moment, where the former reported a loss of US$468,000.00 in 2011 and a marginal US$1.7m profit in 2012 (Meikles Limited, 2012). OK should take advantage and consolidate their dominance by grabbing on the market share lost by the struggling retailers and retain it. The use of private label brand is one important strategic tool to grow market share and build loyalty in customers. In building loyalty and awareness of the OK brand in customers will allow customers buy their products thereby wanting to buy again. This will create switching cost in the customers that they will view returning to TM or Spar as a cost to them.

It is time for OK to grow both their sales and profit margins using the strategy of refurbishing their stores and more importantly creating a bond with the customers through the private label brands. The private label brand will be lower than the leading brand in each category while quality of the products will be up to customer expectations. Private labels are lower in cost because the manufacturer does not incur any extra branding and advertising costs.

1.3 PROBLEM STATEMENT
Globally retailers have prioritised their private label brands against manufacturer brands and in some instances; supermarkets have elected to sell only their private label brands. According to The Nielsen Company research (2011), global average contribution of private label brands to turnover is above 15 percent with Europe in particular at 35 percent. In the UK, ASDA, TESCO and Sainsbury private labels contribute close to half of their turnover. In South Africa, Pick n Pay reported in 2011 that their range of private label brands contributed 29 percent to their sales with the company saying they will increase the contribution to 35 percent.

OKZimbabwe has consistently seen their private label brands contribution to sales decline to 1 percent of total sales (OK Zimbabwe Limited, 2012). Despite the group’s efforts in private label branding, annually OK Zimbabwe has reported very thin profits citing low sales and operating margins. There are no
signs of significant contribution of private label brands in improving sales performance and market dominance at OK Zimbabwe. Manufacturer brands still dominate sales yet they do not give OK Zimbabwe unique competitive advantages because competitors can easily copy. This situation calls for an in-depth analysis of private label branding performance in the Zimbabwean retail perspective.

This research seeks to uncover current reasons why private label brands in OK Zimbabwe grocery stores have failed to make an impact on sales performance and profitability. Furthermore, it aims to shed lights on the effect that pricing, accessibility, packaging, retail communications, shelf positioning and in-store promotions have on shopping behaviour with reference to purchasing private label brands. This paper aims to evaluate the impact of private label brands on sales with a view of proffering recommendations to OK Zimbabwe management.

1.4 RESEARCH OBJECTIVES
1. To investigate the level of consumer brand loyalty to OK private label brands
2. To establish the effectiveness of adopted pricing strategies on private label brands at OK Zimbabwe.
3. To investigate the level of brand awareness activities employed by OK Zimbabwe for the private label brands.
4. To assess the market segmentation of OK Zimbabwe’s private label brands.
5. To investigate other factors hindering private label brands sale performance
6. To recommend to management strategies OK should implement to improve the contribution of private label brands.
1.5 RESEARCH QUESTIONS
The study seeks to address the following questions: -

1. Is the quality of private label brands adequate enough to build strong customer loyalty?
2. What impact does price have on sales growth?
3. Is OK Zimbabwe doing enough in promoting and advertising their private label brands?
4. Do OK Zimbabwe’s private label brands target the correct market?
5. Which other factors are affecting the sales of private label brands?

1.6 RESEARCH PROPOSITION
The poor sales performance of private label brands at OK Zimbabwe Limited is due to lack of management commitment.
1.7 JUSTIFICATION OF STUDY
As Hudson Maxim put it (as cited in Kothari, 2009), “All progress is born of enquiry. Doubt is often better than overconfidence, for it leads to inquiry, and inquiry leads to invention” (p. 5). Kothari (2009) further argues that research is the basis of all policies and strategy in all institutions, private or public. Research gives intellectual fulfilment of knowledge and possesses practical value for those in society or business to improve on their performance through efficient application in their duties (Kothari, 2004).

Private label branding is an effective strategic tool for leading retailers globally in their quest to increase market share and profitability. The study seeks to critically assess the company’s private label brands portfolio and strategies in place in improving contribution of private label to sales. The findings of this study will be reported back to the organisation together with the recommendations, for the organisation to consider the contents in their operational and strategic goals.

The study serve to enhance the researcher’s academic knowledge in the area of private label branding and encourage a practical application of the theories and concepts covered under period of study. The researcher, a fulltime retail employee will benefit immensely from the practical knowledge gained from the research and will be able to apply the knowledge on the job.

The rationale behind development of private label brands was to provide consumers with affordable products that are able to increase their purchasing choices in-store. The study will go a long way in trying to focus the strategy on giving value to the consumer through offering lower prices on quality consumer products.
1.8 SCOPE AND DELIMITATIONS OF STUDY
In Zimbabwe there are several retail grocery outlets, however for the purposes of this study the researcher focused on OK Zimbabwe Limited. The research sought to investigate how pricing, advertising and demographic factors influence private brands performance at OK Zimbabwe. The researcher focused to collect information from the retail giant’s head office and the three operational stores, namely OK, Bon Marche and OKmart. These stores are spread all over Zimbabwe and therefore all the geographical regions of the country were covered in the study.

1.9 DISSERTATION STRUCTURE
Chapter One – Introduction

Chapter Two – Literature Review

Chapter Three – Research Methodology

Chapter Four – Results and Discussion

Chapter Five - Conclusions and Recommendations
CHAPTER SUMMARY

The chapter began by introducing the study, detailed background to the study and the problem statement, stating purpose for the study. Next are research objectives, research questions and propositions to the study. The other sections covered are justification of the study, scope of research; discussing on the significance of the study and the description of the research geographical spread. The last section is an outline of the Dissertation structure From Chapter One to Chapter Five, References and Appendix section
CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION
This section analyses the available literature from published researches and critically try and compare information about private label brands from different parts of the world and try and relate it to the area of study. According to Neuman (2006) literature review allows the researcher to gain enough knowledge from other scholars and authors and be able to create new ideas. Literature review assist in my research in identifying gaps in the study of private labels and design my techniques and procedures for the study (Neuman, 2006). The chapter started by analysing branding concepts in broad and the private label branding in detail. The main area of analysis will be on strategies being implemented on private labels and the resultant benefits.

2.2 BRANDING
Kotler and Keller (2006) defined a brand as a name, term, sign, symbol, or design, or any combination that marketers use to identify or differentiate their goods or services with those of their rivals. Therefore a brand differentiates products or services that are similar in attributes and functional usage by giving customers the choices when purchasing (Kotler, 2002). These differences may be functional, rational, or tangible with relations to the performance of the brand after use (Kotler & Keller, 2006). The differences must also be more symbolic, intimate or intangible in respect of what the brand represents (Kotler and Keller, 2006). Given these definitions of a brand, in summary branding is an attempt to create differences that endows products and services with the power of a brand. Brands are more than just names and symbols but represents consumers’ perceptions and feelings about a product and its performance and everything that the product or service means to consumers.

Companies with famous brand names such as Coca-Cola or Xerox often invest as heavily in promoting their brands as in their products (Kotler, 2002).
Companies address customer needs by putting a value proposition to their products (Lombard, 2007). These are set of benefits offered to customers to satisfy their needs and this can either be physical as products or a service (Lombard, 2007). It is therefore with this in mind that Kotler and Keller (2006) further defined a brand as an offering from a known source. But retaining customers over time requires that they have a positive experience with the product or service. Thus the real value of a strong brand is its power to capture consumer choice and loyalty.

**Figure 2.1: Branding strategies** Source: Braemer, (2003)

### 2.2.1 BRAND DECISIONS.
Kotler (2002) argued that branding is a major issue in strategy and developing a branded product or service requires a huge financial commitment over a long period of time to cover for advertising, promotion, and packaging activities. Thus Kent (2003) said a successful brand can be defined as a name, symbol, design or some combination of these which identifies the product or service of a particular organisation as having sustainable competitive advantage. Branding does not involve actual manufacturing of products only. Kotler, (2002) gave examples of brand-oriented companies such as Sarah Lee who contract out all their manufacturing to other organisations. Thus successful organisations have realised that market power
or domination comes from building their brands because in the global business strong brand names have continued enjoying strong customer loyalty (Kotler, 2002).

2.2.3 THE BRAND PROPOSITION
A brand is more than a logo, a name or a corporate design but it is the picture which is anchored in the perception of a customer and affects their preferences when buying (Kotler & Keller, 2006). Daun and Klinger (2006) noted that a brand is shaped through every form of interaction with the target customers and therefore during product implementation stages it is important that the brand value-proposition takes cause at every point of contact with the customer. According to Knox, (2004), marketing professionals are very good at designing research to determine exactly what customers’ value and the findings are then translated into a brand proposition that serves as the base for brand promotion and advertising messages. It tells customers what they want to hear and what they expect of the product (Knox, 2004). Figure (2.1) below indicate the seven fundamental requirements for a brand value proposition.

![Figure 2.2: The Seven fundamental requirements for a brand value proposition](source: Daun & Flinger, 2006)
2.2.3 PRODUCT VERSUS SERVICE BRANDS
To date branding has been much more effective with tangible products than in service industry (Kotler and Keller, 2006). A product brand makes a promise to the consumer which can take various forms; it may offer reliability and consistency, quality, good taste, elegance, purity, or any other factor that consumers value in the product (Kotler and Keller, 2006). Service brand promises are often less explicit, promoted less heavily and delivered less reliably (Jain, 1999). It thus becomes difficult to translate a slogan into genuinely reliable brand promise. With consumer products, delivery of the brand promise depends heavily on the nature of the physical product; its function, appearance, its packaging, and its reliability. In service industry, successful delivery of the promise depends at least as much on the people who deliver the service as on the quality of the service itself (Kotler & Keller, 2006; Jain, 1999).

2.2.4 BRAND EQUITY
Kotler (2002) described brand equity as how customers devoted to the brand and how they value it as a friend. Further, Ladipo, Olufayohe and Omoera (2012) stated that it is related to brand-name recognition, perceived brand quality, strong mental and emotional associations and thus customers are satisfied with the brand and would incur costs by changing brand. Aaker (1996) defined brand equity as a combination of assets and liabilities possessed by a brand that determine net value customers enjoy from the product. These assets and liabilities can be grouped into five main categories or variables; brand loyalty, name awareness, perceived quality, brand associations, and other assets such as patents and trademarks (Farzana, 2012; Kotler 2002).

Organisations will work on building their brand equity in order to increase awareness and loyalty. This will aid more leverage in the company’s negotiations with suppliers and customers along the product value chain and thus reduce cost of product to the final consumer (Kotler, 2001). A powerful brand enjoys a high level of consumer brand awareness and loyalty. Kotler & Keller (2006) noted that the brand name carries high credibility and the
company can easily launch line and brand extensions like when Coca-Cola extended its well-known brand to introduce Diet Coke or Procter & Gamble introduced Ivory dishwashing detergent. Thus a powerful brand can offer a business some defence against fierce price wars.

**Understanding critical sources of brand equity**

Understanding the sources and outcomes of brand equity provides a common denominator for interpreting marketing strategies and assessing the value of a brand (Kotler & Keller, 2006). Jain (1999) argued that the sources of brand equity help managers understand and focus on what drives their brand equity; the outcomes of brand equity help managers understand exactly how and where brands add value. According to Kotler and Keller (2006), various perspectives to the study of brand equity can be customer based techniques, which analyse brand equity from a consumer viewpoint; be it household or organizational consumers.

The principle of the customer based brand equity model believes that strength of a brand is embedded in customer knowledge of the brand gained over a period of time (Jain, 1999). Kotler and Keller (2006) covers that such strength of brand comes from consumer experiences with a brand gained through using or what they have heard about the brand. Kotler and Keller (2006) said a brand with positive customer based brand equity enjoys increased business as consumers act in response to the organisation’s marketing activities.

Brand equity triggers different consumer responses to a product with those brands with no difference being classified as generic products. These products are easy to copy and their only source of competitive advantage lies in price (Kotler et al, 1999). Difference in responses is a result of consumer knowledge about the brand. The knowledge of thoughts, feelings, images, experiences and beliefs that becomes associated with the brand. Globally, world best brands creates an association with its customers and uniquely identifies with the customers product search, like safety in motor vehicles (Jain, 1999)
Measuring Brand Equity

Kotler and Keller, (2006) have come up with two ways of measuring brand equity. The first approach is using an indirect approach to assess the possible sources of brand equity by researching or observing how consumers get to know about a brand. The second approach is to assess or measure the effects of consumer brand awareness in relation to price, promotion and distribution activities being implemented by the organisation. They proposed that companies must conduct brand audits in order to fully discover and understand the position and strength of the brand on the market with the aim of identifying other sources of brand equity that can improve the brand position on the market. This process is a consumer-focused exercise. The brands audits are useful in brand strategy mapping through identifying opportunities existing and potential challenges existing for brand equity (Kotler et al, 1999). Thus brand audits allow for formulation of winning strategies through building and maintaining a heal brand equity.

2.2.5 BRAND CHARACTER AS A WINNING STRATEGY FOR THE BUSINESS

People may be willing to buy tangible products from companies whose character they do not know or like or trust but certainly not services (Kent, 2003). Brand character is often a key factor in deciding whether to stay with the service provider in question (Kotler & Keller, 2006). This link to customer decisions makes brand character a powerful force for driving organizational business performance and serving as a base for corporate value systems (Burt & Davies, 2010). Its power lies mainly in its relation to customers’ perception of value received and its effect on long-term retention. Maximum competitive edge for an organization comes from both delivering on the brand promise and demonstrating the brand character (Kotler & Keller, 2006).

2.2.6 BRAND OWNERSHIP

There are several brand forms that can be found in any retail outlets today. Kotler and Keller (2006) classified these brands in two forms and these products may be found on the shelf in the form of manufacturer
brands and private label brands. Commonly, the manufacturer produces some products under its own name and some under retailer labels (Jain, 1999). Kotler, (2002) gave examples of Kellogg, John Deere, and IBM who sell nearly all of their production under their national brand names, but Whirlpool manufactures both under its own name and under retailer’s names, for example, Sears Kenmore appliances. Even though national brands dominate in most markets large retailers and wholesalers have been developing their private label brands by contracting production from willing manufacturers (Beneke, 2010).

Private label branding has become common in products that dominate the retail sector like dry groceries and perishables but companies like Sears have extended private labelling to textile goods, electronic goods, large appliances and sporting goods (Jain, 1999; Kotler, 2002). Furthermore, Kotler and Keller (2006) gave example of retailers such as The Body Shop and Gap who sell mostly private label brands, Sainsbury, UK’s largest food chain which sells 50 percent store-label goods and its operating margins are six times those of U.S. retailers. The U.S. supermarkets average 19.7 percent private label brand sales to total turnover (The Nielsen Company, 2010).

Retailers worldwide prefer private label brands because they are more profitable since they are produced at a low cost by manufacturers using excess capacity (Ailawadi & Harlem, 2004). Beneke (2010) supported this by saying private label brands have much lower costs on research and development, advertising, sales promotion, and physical distribution, compared to manufacturer brands allowing them to charge lower price but maintaining higher profit margins.

2.2 PRIVATE LABEL BRANDS

Lincoln and Thomassen (as cited in Moore and Carpenter, 2010) defined private labels as brands owned and sold by the retailer and distributed by the retailer. Nenycz-Thiel & Romaniuk (2009) acknowledges that private labels
are now a permanent feature of competitive retail operations all over the world.

2.2.1 HISTORY OF PRIVATE LABEL BRANDS

The private brands were first developed in the UK during the nineteenth century (Vaidyanathan & Aggrwal, 2000). In the middle of the twentieth century, private label brands formed part of important merchandising strategies for most retailers in the UK, like Marks & Spencer and Sainsbury (Glynn & Chen, 2007; Miranda & Joshi, 2003). Expanding on this Collins and Bone (2008) said that historically private label products were commodity-based products simply developed to undercut manufacturer brands that were selling at high prices. Precisely, private label brands were first developed by Sainsbury in the U.K. in 1869 and these brands often compromise on quality to reduce costs and appealed mainly to lower-income consumers (Beneke et al, 2012).

In the mid-1960s, the growth of private label brands became evident that they were a direct threat for manufacturer brands (Beneke et al., 2012). In the 1970s supermarkets were forced to implement new strategies in order to cope with the tough economic recession hitting the world during that period (Ailawadi & Harlam 2004; De Wulf et al., 2005). Walsh et al., (2012) further said that retailers revived business by introducing brands that were branded in their names which were offered at very tempting prices and significantly pushed manufacturers to offer substantial discounts. Simultaneously, they tried to further grow private label brands by providing wider and more established ranges (Schoenbachler et al., 2004; Cuneo et al., 2012).

The major changes of the retail industry occurred in the 1980s (Veloutsou et al., 2004). Furthermore, Collin and Bone (2008) noted that in the 1980s retailers introduced copy brands that were imitating the leading manufacturer brands and these contributed bulk of private label sales. He further said that these brands represented 50 percent of private label brands sales and offered a discount range between 20 and 30 percent in comparison to leading manufacturer brands. According to Tan & Cadeaux (2012), these brands aim
to provide value by producing similar products to manufacturer brands but selling at cheaper prices. Private label brands changed their profile from low-price and lower-quality products to high quality and competitively priced products. Over this period, private label brands were dominated by extreme levels of packaging and functional product innovations (Ailawadi et al., 2008; Pepe et al., 2011). Ailawadi and Harlam (2004) stated that towards the end of the 1980s, private label brands accounted for over 30 percent of the retail turnover with some leading superstores having an even higher penetration.

In the 1990s at the forefront of private label brand developments some supermarkets proved that their products were of equal and sometimes of superior quality when compared to the manufacturer brands (Glynn & Chen, 2009). Various retailers began to offer high quality private label brand lines in-store, launching a number of lines across a variety of market sectors and income brackets (Tarzijan, 2007). Tarzijan, (2007) giving an example said in 1990 54 percent of Tesco’s sales were private labels and in 1993 Sainsbury the British leading retail chain and the leader in private label products had 8000 private label lines, which accounted for two-thirds of sales.

A few decades ago the main characteristic associated with the success of private label brands in the UK was low price, mainly Tesco’s brands carrying the slogan “Pile it high, sell it cheap” (Baltas, 1997). Today manufacturers feel threatened by retailers (Halstead and Ward, 1995), while some analysts claimed that the advance of private labels caused poor performance to the national brands (Ailawadi, et al., 2008). Retailers approached the market in diverse ways (Moore & Carpenter, 2010). Some prefer to focus on private label brands with comparable quality with the national brands, while others give less emphasis on the quality and concentrate on low price (Veloutsou, 2004). The first strategy is mostly followed by multinational supermarket chains, while the second is followed by the smaller local retailers who even launch generic products.
2.2.2 THE DEVELOPMENT OF PRIVATE LABEL BRANDS
The arena of global retailing is going through change with new competitors either entering in new markets or in other product areas from those where they currently operate (Beneke, 2010). Grocery retailing in Europe, Asia, Australia, Africa and the USA varies from country to country (Ailawadi & Harlam, 2004). In some areas there are very few private label products while in others they have completely failed to take off. However, their penetration is quite high in a number of European countries mainly in the UK, Switzerland and Germany where the market shares range between 30 percent and 50 percent (Ailawadi et al., 2008). Thus private label products have become an established characteristic of grocery retailing and have contributed to the financial performance of the leading grocery retailers over the last two decades (Ailawadi et al., 2008).

Ailawadi and Keller (2004) identified at least four tiers of private label brands. These include low quality products, medium quality generics, less expensive but comparable quality products, and premium quality private labels that are priced higher than manufacturer brands. Baltas, (1997); Huei-Chen (2007) argued that over the decades the concept of private label brands has been recognised as beneficial both for consumers and retailers and many consumers make purchasing decisions based not always on the prices of products but on their product characteristics, quality and perceived value irrespective of the product nature. Meaning even when dealing with fast moving consumer goods (FMCG) they consider these factors.

Tan & Cadeaux (2012) also noted that following the introduction of private label brands, the retailers use and perceive their brands to play several strategic roles such as enhancing overall store performance through growing store traffic and retaining store visits and loyalty of their customers. Also, the retailers use private label brands portfolio to create a point of differentiation from its competitors (Halstead & Ward, 1995) and to provide better consumer value in terms of offering better service and product ranges for their customers (Ailawadi, Pauwels & Steenkamp, 2008).
2.2.3 BENEFITS OF PRIVATE LABEL BRANDS
The benefits of private label brands to all retailers over the past two decades can be summarised as;

- leave retailers with higher gross margins and allow them better profitability (Moore & Carpenter, 2010; Huei-Chen, 2007);
- create and support a corporate image (Moore & Carpenter, 2010; Baltas, 1997) and establish brand reputation (The Nielsen Company, 2008);
- support store loyalty (Pepe et al, 2011);
- achieve economies of scale and cost reduction, since the need for investment on image building through advertising is lower (Baltas, 1997) and
- Allow retailers to increase their power against manufacturers (Tarzijan, 2007).

Sales and profit margins
Companies are in business to sustain the economic well being of its shareholders and therefore retailers’ interest in selling goods under its private label brand name is also motivated by maximising return on investment (Jain, 1999). The retailer buys goods under its private label brand name at low cost and then offers the goods to customers at a slightly lower price than the price of manufacturer’s brand therefore increasing chances of higher volume sales. Private brands have great potential to increase profitability because of higher price margins they achieve. The margins are always higher due to the fact that private label brands require minimal advertising expenditure, lower research and development (R&D) costs, low costs of product-testing before launching countrywide and low packaging costs (Kotler and Keller, 2006). Ailawadi et al (2008) made the assumption that the customer is motivated by the lower price and will buy a private brand assuming that its quality is on a par with that of the manufacturer brand.

Building customer loyalty
Beneke (2010) argued that private label brands can support in developing customer loyalty to a business and more importantly the creation of a distinct corporate identity for the organisation. However, these brands can negatively impact on the organisation hence careful managerial practices for private brands should be executed in order to preserve retailer brand equity (Ailawadi et al., 2008). Consumers tend to associate the retailer characteristics with its private label brands. Therefore negative consumer perceptions of the retailer may potentially affect the perceptions of the brands as well (Ailawadi and Keller, 2004).

Also, Beneke et al. (2012) argue that private labels assist building loyalty by differentiating the retailer because these brands are exclusively available at one retailer whilst manufacturer brands are available at many competing outlets. Private label brands present customers with switching-costs headaches when attempting to change retailers because their preferred private label choice is no longer available. Thus, according to research indications are that consumers who purchase private label brands regularly do not only become loyal to that particular brand but also to the retailer through which it is sold.

Quality to consumers
Huei-Chen (2007), said that consumers are concerned with the perceived quality of private labels and their purchase decisions are directly linked to the product quality. Furthermore he said private label brands sales are low when quality concerns are high thus quality should be the most import factor to be considered. That is not to say that price is not considered during customer decision making, since most consumers have a budget in mind before they go out to shop, but rather that price is one of the factors taken into account, rather than the only factor (Hultman, 2008; Veloutsou, et al., 2004). Because of this, grocery retailers have invested heavily in food technology and product development, and it can be argued that they provide value for money.

Successful private label brands guarantee quality through retail control (Cuneo, Lopez & Yague, 2012). Therefore, the most obvious benefit from the
existence of private labels for consumers is the fact that they are able to buy good quality brands cheaper than the national brands (Walsh, Shiu & Hassan, 2012). The presence of private label brands in an supermarket suggests a desire on behalf of the retailer to help consumers (Ailawadi et al., 2008).

**Bargaining power over manufacturers**

Private labels are strategic weapons used in negotiations with manufacturers of national brands (Bontemps, Orozco & Réquillart, 2008). By developing their own brands the retailers are less dependent on their suppliers and are also able to obtain more information about upstream costs in the supply chain (Kotler and Keller, 2006). The power advantage of the retailer is also promoted due to the fact that it is the retailer and not the manufacturers who come in contact with the consumer. Because of the strength obtained through private labels, retailers worldwide can exploit this fact by giving prominence to the availability, display and promotion of private label brands at the expense of manufacturers’ brands (Bontemps et al, 2008).

**Economies of scale**

Increased inter-store competition is fuelling the need for retailers to pursue both private label segmentation and economies of scale more vigorously. Economies of scale will be the main driver of private label brands growth going into the future (Schreijen, 2011). Given the close link between concentration levels in food retail and private label share the ongoing consolidation of supermarkets and the growing presence of hard discount stores are core to the expectation that private label brands market share is set to increase. Retailers are able to use their chain size and benefit from economies of scales more than manufacturer brands.

**2.5 MARKETING OF PRIVATE LABEL BRANDS**

Kotler (2002) defined a product as anything that can be accessible to a market targeting to satisfy consumer wants or needs and can be in the form of physical goods, services, experiences, places, properties or organizations. Thus in strategic marketing the concept of product mix or product assortment is defined as a full collection of all products and items that a particular
company is offering for sale (Kotler, 2002). Therefore product strategies deal with such matters as number and diversity of products, product innovations, product scope, and product design (Jain, 1999). In simple terms, Kotler (2002) put it that under product mix the essential areas of focus are product, packaging, labelling and quality.

Lincoln and Thomassen, (2008) defined private labels as brands owned and sold by the retailer and distributed by the retailer but produced by other manufacturing companies on behalf of the retailer. Therefore this discussion will focus on labelling, packaging and quality of private label brands.

2.5.1 PACKAGING AND LABELLING OF PRIVATE LABEL BRANDS
More than a decade ago, retailers did not invest too much in their private label brands and these brands were often considered sub-standard and little thought was given to their packaging. Kotler and Keller, (2006) defined packaging as a series of activities involved in designing and producing the container for a product. Beneke, (2010) described the primary role of product packaging as a means to captivate consumer attention by breaking through the competitive clutter.

According to Kotler and Keller (2006) packaging is a styling weapon particularly in food products, cosmetics, toiletries, and small consumer appliances. They further noted that a well-designed package is good source for convenience and promotional value to the product. Beneke, (2010) further stated that packaging plays a crucial role particularly in attracting consumers because it is the initial contact point with consumers on entrance. In summary Kotler, (2002) stated that a product's packaging is what first attracts a consumer to purchase a product.

**Building consumer confidence in private brands through packaging**
Now retailers go to great extents to guarantee the packaging of their private label products is matching that of manufacturer brands and sometimes even more unique. This is because when a private label brand appears in more
stores it is able to gain familiarity and reputation through being frequently seen by more consumers. Henry (2012) argued that for retailers to keep shoppers loyal to their private label products they have tried before the attraction has to be based on more than just pricing, but packaging. The argument is private-label brands that want to compare favourably with leading manufacturer brands must have personality that is more than price and communicate with customers beyond the shelf.

Recently, retailers now are focusing beyond bargain searching customer but are designing packaging graphics that appeal to consumers in all income categories. Thus Connolly, (2012) further argued that retailers worldwide are resorting to graphics to craft a presence for their private label offerings and to communicate the quality of their private label brands in-store. As a result, retailers are concentrating their efforts on adding colour and modifying their packaging to match competing manufacturer brands.

Packaging is very important, not just to separate products apart on the retail shelf and attracts customers but also to preserve the quality of the product (Henry, 2012). Packaging should also provide customers with ease of use and most consumers are willing to pay more. Because of health issues consumers are placing increasing importance on assurances of freshness and quality. A good package should be easy to open, dispense, and close (Kotler et al, 1999)

### 2.5.2 QUALITY IN PRIVATE LABEL BRANDS

According to a survey by The Nielsen Company, (2008) indications are that an improved sense of quality is likely a driving factor for consumers’ positive attitude toward private label products. From their study they found out that 63 percent of consumers believe that the private label brand quality is as good as manufacturer brands and 33 percent of consumers said they consider that some store brands are higher quality than manufacturer brands. According to De Wulf et al. (2005) he argued using the Cue Utilisation Theory (CUT) that attributes that indicate product quality can be divided into intrinsic cues
(flavour & colour) and extrinsic cues (price, brand name, advertising). However in the case of private label brands, the extrinsic cues influenced consumers’ judgments of quality regardless of product ingredients (Huei-Chen, 2007). Past research has shown that the consumers expect private labels to be of lower quality than national brands.

**Consumer product knowledge key in purchasing decisions**

Given that users of private label brands have more experience with them than non-users, one would expect that they have much richer knowledge about private labels (Baltas, 1997). Therefore, users will be less likely to make inferences about any private label brands based on extrinsic attributes such as price but are more likely to use intrinsic attributes that have been experienced while using a private label brand (Baltas, 1997). Those with little or no experience with private label brands are more likely to rely on extrinsic cues, such as price and pre-existing plans about private labels quality. In the end they will perceive private label brands as a very homogenous group being much different from national brands (Ailawadi et al., 2008).

**2.5.3 PRICING OF PRIVATE LABELS**

In the entire marketing mix, price is the one element that produces revenue and all the others elements produce costs (Kotler, 2002). Therefore should be treated with much respect it deserves when dealing with private label brands. In order to generate revenue or income all profit-making organizations and some non-profit organizations set prices on their goods or services (Kotler, 2002). Pricing is a strategic function tailor-made to provide adequate return on investment for all businesses (Jain, 1999). According to Beneke (2010) price constitutes 40 percent of the average consumer’s information search on products and services. That is why Kotler & Keller (2006) emphasized on the significance of pricing decisions on the company’s long term profitability strategies. They further argued that pricing strategy can be easily adopted compared to other marketing facets because the private label products are under the retailer’s direct control.
Calculating costs
There are a number of ways suppliers or producers can arrive at final product costs but the most common is variable costing approach (Kotler, 2002). The total unit cost of a single product is made up of variable cost which is cost of producing each additional unit plus fixed cost that are incurred whether the firm is producing or not (Kotler & Keller, 2006). The formula is given as;

\[ \text{Total Unit Cost} = \text{Variable Cost} + \text{Fixed Costs} \] (Kotler, 2002)

Price Discounts and private labels
Product costs from manufacturers are key determinant to the final retail price for private label brands. Some authors have regarded private brands as double-edged swords, referring to their objectives. There are two approaches to retail pricing strategy and these are volume-based and profit margin-based (Jain, 1999; Kotler and Keller, 2006). Private labels have the potential to achieve both once the supplier net price is lower than all other competing brands.

Kotler and Keller (2006) suggested the use of price discounts to allow retailers to competitively price their brands. Their suggested a model were suppliers use their excess capacity to produce private brands and extend a huge discount. Supplier can also base their discounts to retailers on volume can be extended is based on set volume threshold. Through these discounts retailers have two choices when pricing; to pass the full discount to the consumers or retain a portion to in order to improve on profit margins (Jain, 1999).

Importance of price in private label sales performance
Baltas (1997) highlighted that there are two reasons why price is an important driver in the categorization of private label brands and national brands. Traditionally, private labels have been priced below leading manufacturer brands in order to catch the lowly-budgeted consumers’ attention (Schoenbachler et al, 2004). This is reflected in the expectations consumers
have about the price of private label brands where retailer world over have pegged prices at 20 to 40 percent below leading brands (Beneke et al., 2012). Price has also been found to be the major selling point for private label brands in past studies (De Wulf et al., 2005). This continues to be the case despite the decrease in the price gap between private labels and national brands caused by the introduction of premium private label brands such as Tesco Finest in the UK (Glynn & Chen, 2009).

Consumers searching for bargains
Earlier analysis by The Nielsen Company (2008) shows that an increase in private label dollar sales is driven primarily by rising commodity and food prices, particularly in basic categories that are dominated by private label brands and not in unit sales. However, Altintas et al. (2010) argued that the recent uptick in private label unit sales suggests that budget-conscious consumers may be starting to shift away from some established brands in search of better deals.

This was further supported by Davies and Brito (as cited in Beneke, 2010) when they suggest that although price elasticity have a huge bearing on consumer pricing decisions, the price advantage of private label brands is likely to produce approximately 20 to 45 percent higher gross profit margins compared to national brands. The reason being that private label brands more than often are a carbon copy of manufacturer brands therefore no cost on research and development thus allowing retailers to charge lower prices whilst achieving higher profit margins.

Challenges of increasing prices for private label brands
Halstead and Ward (1995) deduced that price increases are more easily absorbed during periods of economic growth but private label brands may find their competitive advantage lost in the long term if they raise prices. His argument is highlighting the importance of maintaining prices as much as possible because manufacturer brand owners may hold prices over the period. However when there are changes in the cost structures or strategy by retailing firms they must make an effort that costs must be absorbed by the
retailer rather than the consumers. This was further supported by De Wulf et al (2005), saying consumers are more likely to believe that extreme advertising and high equity private brands are more expensive. Thus many consumers will opt for other manufacturer brands available.

2.5.4 STRIKING A BALANCE BETWEEN PRICE AND VALUE
While private label products continue to follow the success of manufacturer brands, more retailers are making private label a priority with messages on quality as strong as messages on value (Nenyc-Thiel & Romaniuk, 2009). The Nielsen Company (2008) stated that some consumers view store brands less positively with 16 percent maintaining that store brands are not suitable when quality matters and 16 percent say store brands have “cheap-looking” packaging.

Price and value are paramount with research showing 74 percent of consumers believe it is important to get the best price on a product (The Nielsen Company, 2008). However, most theory agree that most consumers believe private label brands usually provide good value for their money while consumers worldwide are looking for ways to save money and for many of them that means taking a new look at private label products (Tan & Cadeaux, 2012). The consumer exposure to private label brands has been made greater through market activation in the form of blind taste testing and offering satisfaction guarantees on the products (Cuneo et al., 2012).

2.5.5 PROMOTION OF PRIVATE LABELS
Retail shelf space is scarce and many supermarkets have now resorted to charging an administrative fee for accepting a new brand, to cover the cost of listing and stocking it (Kotler & Keller, 2006). In some different part of the world retailers also charge for special display space and in-store advertising space (Beneke, 2010). They typically give more prominent display to their own brands and make sure they are well stocked (Ailawadi & Harlem, 2004).

Promotion and Advertising
The retail sector is operating in a slow growth market and products are becoming homogenousthat telling a difference now requires more than tasting products but serious advertising strategies (Kotler, 2002). Competition from manufacturing brands has been on the increase as manufacturers are increasing their advertising budgets in order to compete with private label brands (Kotler & Keller, 2006). According to Kotler (2002), there are several media for advertising including newspapers, internet, billboards, flyers, wet-tasting, radio and television.

As a result the sector has seen communication with customers becoming an increasingly important tool for product differentiation to distinguish one retail brand from another (Beneke, 2010). Generally, retailers spend less in advertising compared to manufacturers. Pepe, Abratt and Dion (2001)add that brands such as private labels, which fall under the corporate image, are basically promoted together with all company promotions. According to Kim and Parker (1999), advertising costs for private label brands are internalised within the retailing organisation hence rendering it difficult to measure the success of private label brand advertising.

The biggestdilemma is on deciding whether low quality producers should advertise more compared to high quality producers to make up for their quality shortfall. However Jain (1999) said private label brands are generally assumed to be of an inferior quality to manufacturer brands irrespective of their actual quality. In this wake advertising draws attention to preference for a brand, thus differentiating it from competitors. It would appear that increased advertising does not increase sales at a rate that would make this expenditure more lucrative for private label brands.

Approaches to Advertising of private labels
According to Miranda and Joshi, (2003), private label brands’ potentially inferior quality does not require a big advertising budget than manufacturer brands in order to compete on price. Baltas, (1997) in contrast suggests that manufacturer brands cannot often compete with private label brands in terms of pricing and therefore advertising plays a vital role in product differentiation
for manufacturer brands. Retailers are therefore challenged to promote their range of private label brands using small scale advertising budgets. Beneke(2010) asserts that retailers can achieve low cost in private label advertising through placement of one or two private label products together with the manufacturer brands in a newspaper insert. However, globally retailers are aware that private label brands need to be self-promoted to a certain level and that too much advertising thereof is almost certainly unnecessary (Cuneo et al, 2012).

On the contrary to others, Halstead and Ward, (1995) argued that retailers are increasing the advertising and consumer-oriented sales promotion of their brands. Thus they stated that private label marketing appears to be shifting from its usual low cost strategy to adopting the same strategies that are similar to those of manufacturer brands. Retailers are becoming more advanced and are using in-store advertising and promotions to provide customer incentives to increase private label brandssales (Market Analysis Report, 2010). Halstead and Ward, (1995) also noted that the advertising budget for private labels must be controlled and used only as a defensive strategy or when necessary to maintain costs down and improve margins.

**In-store merchandising: shelf space allocation**

As the private label industry grows, national brands are threatened as they now have to compete for limited shelf space side by side with the retailer's own private label products. Beneke (2010) describe shelf space as one of the retailer's most important assets that is a limited vital resource and therefore its allocations plays a key strategic role in private label brands performance against manufacturer brands. Some retailers give more shelf space to their own products, on which they earn better margins, further squeezing national brands by making them less visible.

Allocating private brands prime shelf areas expose them more to customers and allow private brands to eclipse manufacturer brands in terms of sales, customer repeat purchase and brand loyalty in consumers. Allocations to private label have been known to be as sizable as twice that allotted to
manufacturer brands (Nogales & Gomez, 2005). In addition, Suarez (2005) notes that retailers intentionally give their private label brands more valuable positions on the shelves such as placing their own brands directly to the right of the manufacturer brands they are competing against. This being due to the fact that 90 percent of the populations outside America are right handed and are more likely to reach for the private label brands in this respect (Nogales & Gomez, 2005).

Hwang et al. (2004) also argued that the level on which the product is displayed on gondolas has a significant effect on sales. For instance, a product which is located at eye-level hits the consumer’s line of sight and therefore attracting his/her first attention and hence increasing the possibility of the product being selected for purchase. Beneke et al. (2012) agrees with this principle and even further highlighted the influential role that shelf positioning of a private label brand can play with regard to sales of these products.

2.6 MARKET SEGMENTATION AND POSITIONING OF PRIVATE LABEL BRANDS

2.6.1 MARKET SEGMENTATION
Mass marketing was a successful marketing strategy popularised by Henry Ford with his Model-T Ford car and Coca Cola more than 4 decades ago but all these company have sencedropped this strategy and adopted segmentation as a strategy (Kotler & Keller, 2006). The reason is manufacturers and retailers cannot sell to or attract all the buyers in the markets they do business (Kotler, Saunders, Armstrong & Wong, 1999). Consumers are too numerous and have different tastes and lifestyles and therefore behave differently to products (Kotler & Keller, 2006). Rather than try and appeal to all consumers, retailers need to select a specific group of customers using various demographic attributes or geographic regions (Kotler et al, 1999).
Kotler and Keller (2006) defined market segmentation as a process of identifying a group of customers with similar needs and values and focus marketing efforts towards satisfying their needs. The markets must be segmented because they are not homogeneous and as a result they cannot be satisfied by one type of brand (Jain, 1999). Thus, Kotler and Keller (2006) postulates that by dividing the markets into small groups comprising consumers with identical demographic characteristics enable the company to attend efficiently to consumer expectations from their private label products. Kotler et al (1999) suggest that retailers should use two-tier brands in marketing private labels; these are mass marketing and niche marketing. Thus, mass marketing uses value-products whilst niche marketing offers premium private brands.

a) Value-Private Labels - Mass marketing
These are sometimes called me-too or copycat or no-name brands or products. They compete with national brands in-store; these brands essentially attempt to imitate the packaging and content of leading manufacturer brands hence the name copycats (Beneke, 2010). He also noted that more than half of private label brands are copycats. To fight competition from hard discount stores or wholesalers service-oriented chain supermarkets have introduced generic and basic food products at prices that are between 40 percent and 60 percent cheaper than manufacturer brands (Schreijen, 2011).

The value private label products are meant to signal the retailers’ price competitiveness and to prevent consumers from switching to other service providers (Schreijen, 2011). On the other hand these value private label products are used by retailers to compete with national brands and the primary objective is to obtain more bargaining power over producers (Bontemps, et al, 2008). Offered at lower price and quality levels the look-and-feel of the entry-priced value private label products needs to be clearly different from the premium private label range to avoid diluting the quality image of the premium offering.

b) Premium-Private Label – Niche Marketing
Another way of using private label to position the retailer is to shift focus from price to offering quality products (Kotler, 2002). Premium private labels are priced at or above the price points of manufacturer brands (Beneke, 2010; Schreijen, 2011). They acknowledged that keeping the consumer on board is the leading driver at this level. Also, high quality private label products have been developed more recently by retailers in an attempt to build reputation rather than corresponding to a way of attracting new consumers thus dealing with competition among retailers (Bontemps et al, 2008).

By offering high-end product ranges that can outperform in terms of quality, the retailer is able to differentiate not only from manufacturer brands but also with competition from other retail chains private brands (Schreijen, 2011). The higher price level on premium private label range may allow higher margins strengthens quality image among consumers and most importantly builds consumer loyalty. Beneke (2010) gave example of the Spar brand in South Africa where it is pegged above leading manufacturer brands; for example, Spar Fruit Juice is priced more than Ceres Fruit Juice which is the market leader in the generic.

2.6.2 PRIVATE LABEL BRAND POSITIONING

With plenty manufacturer brands and other competitors’ private brands available on the market, there requires a tactical decision on the correct positioning of private label brands in the distribution channel (Paley, 2005). Hence, Kotler (2002) described brand positioning as the task of ensuring that a particular firm’s product or service occupies a predetermined place in a selected target market relative to competition. Thus, a product has to possess various attributes that appeal to the customer which also provides as competitive tool for the firms product range. Knox, (2004) suggested that the positioning of the organisation’s brands can be determined by reputation, the performance of its products and services, its product and customer portfolios and the network of relationships which management has developed in the supply chain.
Beneke (2010) showed that through category management retailers when they are faced with a challenge of limited shelf space, private labels will be positioned close to the leading brand and the retailer will no longer sell the second-tier manufacturer brand. Bergès-Sennou, Hassan, Monier-Dilhan & Raynal, (2007) also showed that the retailers should target the leading brand when introducing a private label. However, they also found cases in which private labels brands failed to target the leading manufacturer brand but target second national brand. Bergès-Sennou et al (2007) in their study comparing three products (two national brands and one private label) found that in many situations it may be more profitable for the retailer to locate the private label close to the second national brand.

2.7 QUALITY AND PRICE PERCEPTIONS OF PRIVATE LABEL BRANDS
In the past some studies have found that consumers perceive manufacturer brands to be superior to private label brands on attributes such as overall quality, taste, aroma, and reliability (De Wulf et al. 2005). However, Walker (2006) revealed varying perceptions in the literature with regard to the quality of private label brands. Beneke (2010) found out that majority of these perceptions to be negative with 66 percent of consumers being either relatively neutral or negative in their attitude towards private label brand quality levels. In his study of the South African market he deduced that consumers are still somewhat doubtful about the quality of private label brands which may partially explain why penetration of private label brands in the grocery sector is relatively poor. This is the reason why Beneke (2010) mentioned in his findings that perceptions will be completely different in the future if private label brands continue improving in quality.

There is an association between quality and price because higher prices are a positive indicator of better quality (Walsh et al, 2012). However, Beneke, (2010) in his findings argued that high quality and high prices are not strongly associated. This may be due to the nature of private label brands which offer good quality to consumers and also at the same time being more competitively priced than leading manufacturer brands therefore offer better
value for money. The reason why most consumers doesn’t perceive that higher price relate to high quality of private labels is attributed to variability in the market whereby some private label brands offer much better value than others (Glynn & Chen, 2009).

Beneke (2010) in his study of three retailers in South Africa namely Woolworths, Shoprite and Pick n Pay critically concluded that consumer purchasing decisions on private label brands is more influenced by the retailer’s store name. Therefore consumers are much concerned by brand name than actual product quality. Thus, most consumers are aware that private label products can offer the same or even better quality than national brands although at a lower price (Beneke et al, 2012). This assertion is interesting in the sense that it suggests that private label brands must be considered just as other manufacturer brands.

2.5.7 VARIABLES AFFECTING LOYALTY TO PRIVATE LABEL BRANDS
Consumer brand loyalty is affected or influenced to a greater extent by three demographic variables namely; gender, age and income (Glynn & Chen, 2009). Consumer tastes and purchasing behaviour towards a brand are strongly correlated with market demographic variables (Kotler & Keller, 2006). The majority of consumers prefer to visit retailers where their brands of preference are readily available and well stocked (Walsh et al, 2012).

Gender
Men and women behave differently because of how they socialize or how they spend their time (Kotler & Keller, 2006). In some researches it has been observed that men respond to marketing efforts more often whilst women are adventurous by trying products out of curiosity (Kotler & Keller, 2006). On the other hand Beneke (2010) in his observations said females have a marginally greater degree of brand loyalty than males. However, there is indication that gender generally has no much influence on how consumers purchase private
label products. Although men are less adventurous, they are not attracted by
the fanciness on packages of manufacturer brand because the associate with
high costs. They are more likely to buy private label brands than women
because women consider image more than price (Market Analysis Report,
2010).

**Age**
Tastes in food, clothes and furniture are often age related and consumers
change the goods and services they purchase when they reach a certain
stage in their life (Kotler et al, 1999). Therefore purchasing decisions are also
shaped by these stages through which individuals pass as they mature over
time. Contradictory findings in the literature exist as to the influence of age
group on private label brands purchasing. Young people below age of 24
years consider brand image when making purchasing decisions and are more
likely to buy manufacturer brands because of their image advantage, although
some youths prefer private label brands because of price (Beneke, 2010). In a
research done in Canada, consumers below the age of 24 years made up
12.7 percent of people who purchase private label brands in supermarkets.
On the other hand in this group 69.5 percent purchased more national brand
products than private label brands. Consumers within the age group 25 to 34
years are generally big national brand consumers and their statistics were
exactly similar to those of below 24 years of age (Market Analysts Report,
2010).

Kotler & Keller(2006) indentified that middle-aged and mature members of the
population are more experienced with private label brands and understand
their price advantage and therefore constitute the largest portion of
purchasers for the brands. Glynn & Chen, (2009) suggest the experience of
older shoppers makes them more likely to consider private label brands as
viable alternatives to national brands implying that older people have more
budget constraints and are more price-sensitive and thus more likely to
purchase a private label product. The assumption is with age, image and
advertising are less influential and older consumers see the functionality and
quality of goods as a more significant influence on purchasing decisions
(Kotler et al, 1999). This is the reason why which retailers are focusing on providing quality and positioning private label products in line with consumer trends.

Income
Shopping trends and habits amongst people of different income groups varies widely, whilst being very similar within the same group (Kotler et al, 1999). Lower income earners are more price sensitive because of budget constraints whilst those in middle to high earning categories are more concerned about brand quality and equity (Kotler & Keller, 2006). Glynn and Chen (2009) suggest that household income has a negative relationship with private label buying. Lower income consumers purchased lower-priced private label goods more often and are more conscious when purchasing manufacturer brands preferring cost-saving sizes (Glynn & Chen, 2009). This was also suggested by Beneke (2010) where he found that less affluent consumers recorded the highest levels of brand loyalty and as monthly income increased loyalty in private labels will decrease at the same rate.

On the contrary, various researchers have found out that low income earners prefer to stick to traditional manufacturer products and often move from one retailer to the other searching for discounts on the manufacturer brands. This finding supports the assertion of Frank Dell, a management consultant for retailers, wholesalers and manufacturers in the United States who suggests that lower income earners are more inclined to buy a trusted brand than potentially waste money trying unknown brands (Kotler & Keller, 2006). This assertion was proved by Beneke (2010) in his study of South African private labels. The highest income earners are also the least loyal to manufacturer brands. In general, Collins and Bone (2008) found that consumers regardless of income level prefer private label brand over their traditional manufacturer brands due to the recessions experienced globally.
CHAPTER CONCLUSION
Branding is a competitive marketing tool designed to identify the goods or services of one seller or group of sellers and to differentiate them from their competitors. Brands are functional, rational and tangible, symbolic, emotional or intangible and must represent consumers’ perceptions and feelings about a product and its performance and everything that the product or service means to consumers. Thus the real power of a strong brand is its power to capture consumer preference and loyalty. Branding is an important marketing strategic tool that requires a huge long-term investment especially for advertising, promotion, and packaging.

Private label branding should be able to build retailer brand equity through having customers devoted to the brand and how they value it as a friend. Since private label brands were developed two centuries ago in the UK, they have evolved to become a permanent strategic tool for successful retailers. The key success factors for higher penetration have been attributed mainly to lower prices and high quality offered. This has been facilitated by huge discounts passed on from manufacturers, ranging between 20 to 40 percent. Benefits of private labels include sales growth, higher gross margins and profitability, good corporate image and brand reputation, store loyalty and increased retailer bargaining power against manufacturers. In order to improve sales performance of private labels retailers have to concentrate in building positive product perceptions and loyalty with their consumers. This can be achieved through designing a good packaging design and brand name that will appeal with the targeted customer base. To support this, product functions must meet customer expectations whilst the shelf price must give customers value for money.
All literature visited correctly agreed on the benefits of private labels and their contribution to sales for major retailers all over the world. However there are a number of contradictions on strategic approaches to private label branding. Some authors have been suggesting that price is the key factor in private
label sales with others suggesting that quality is the main factor consumers consider when making purchasing decisions. Emphasis was made on building consumer loyalty in private labels through building brand equity. Differences only arise on approaches to that with some suggesting retailers have to focus on the demographic variables whilst others still maintain that private brands should be able to offer value for to consumers as a way to build loyalty. In the end, all literature available has pointed out that the only way to maximise on sales is through private labels in retail industry.

Unfortunately in spite of the overwhelming literature on the relevance and benefits of private label branding as discussed above, all this literature is based on first-world economy except for the little available on South Africa, therefore has failed to relate to third world economies. Specific literature on private label branding in a Zimbabwean set up could not be identified. To fill the gaps indentified in literature, the researcher undertook to gather primary information guided by the conceptual framework in Figure 2.2 above and also following the research methodology discussed in Chapter Three. The researcher believes that this study through its findings will go a long way to fill this rather unfortunate information gap.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 INTRODUCTION
The literature review on branding and private label branding served to identify and establish the relevance of private label branding to the success of retail firms. This literature however is not enough to make conclusions on the retail setup in Zimbabwe. With the aim of understanding more on private label branding and how it is likely to influence business strategies at OK Zimbabwe, the researcher carried out a primary research. This chapter therefore deals with the research design, research philosophy, research strategy, population and sampling techniques, data collection methods.

3.2 RESEARCH DESIGN
Degu and Yigzaw, (2006) defined a research design as the process that guides researchers on how to collect, analyze and interpret findings. In other words, it is a logical model that guides the researchers in the various stages of the research. The preparation of research design facilitates efficient gathering of information with less effort, time and money (Greener, 2008). Research design expresses both the structure of the research problem and the plan of investigation used to obtain empirical evidence that will help solve the problem (Cooper & Schindler, 2003).

![Figure 3.1: A general framework on Research Design](source: Saunders et al (2000))
Research design makes the plan for collection, measurement and analysis of data. Research design therefore guides the researcher on budgeting resources by providing important options on; types or methods of research to be undertaken, methods of data collection and the structure of the research (Saunders et al 2000). Research design will guide on the intensity of the study; whether to use a small or larger sample for the study to infer on the whole population. According to Kumar (2005) a research design is the plan, structure and strategy of investigation considered so as to obtain answers to research questions and to control variance. The plan is the overall program of research. It includes an outline of all activities of the research; from writing the hypotheses and their operational implications to the final analysis of the data Kothari, (1985).

Saunders et al (2000) postulate that research design is the ground plan, which enhances the research’s internal and external validity. Kothari (1985) goes on to say that while there are several definitions, together they outline the fundamentals of a good research design. It is a plan that specifies the sources and the types of information relevant to the research question.

Therefore the preparation of a research design which is appropriate for my research problem on private label brands problem involves the consideration of the following:

- Objectives of the research study.
- Method of data collection to be adopted
- Source of information (Sample Design)
- Tools for data collection
- Data analysis - qualitative or quantitative

3.3 RESEARCH PHILOSOPHY
Easterby-Smith et al (2008) explain that failure to think through philosophical issues can seriously affect the quality of any business research. They also outline that knowledge of philosophy can help the researcher recognise which designs will work best and that it enables the achievement of a satisfactory
outcome for the research activity. Saunders et al (2000) went further and explain that research philosophy supports the establishment of knowledge in a particular field and is influenced by the way a researcher thinks.

All research studies are undertaken to find answers to a question or problem and it is assumed that the process is being undertaken within a framework of a set of philosophies (Gasson, 2002). There are two major philosophies to research theory development; deductive theory and inductive theory (Perry, 1998). The difference between the two approaches can be viewed in terms of scientific paradigms or approaches, with the deductive approach representing the positivist paradigm and the inductive approach representing the phenomenological paradigm (Perry, 1998). These research philosophies also known as research approaches can be also classified as qualitative and quantitative.

According to Saunders et al (2000), the positivist design approach assumes that the world is external to the researcher and in which he is attempting to get an explanation, prediction and control by dividing it into parts and isolating them using mechanistic process for explaining social behaviour. Thus positivist believes the researcher is objective and that the truth has to be confirmed with empirical evidence using deductions on quantitative data (Saunders et al, 2000). This is because positivist philosophy was founded on a belief that the study of human behaviour should be conducted in the same way as studies conducted in the natural sciences.

On the other hand, Gasson (2002) explained that phenomenological approach examines the relationship between consciousness and being. The main assumption here is that phenomenological approaches are particularly concerned with understanding behaviour from the subjects’ own subjective frames of reference (Greener, 2008). Research methods are chosen therefore to try and describe, translate and explain and interpret events from the perspectives of the people who are the subject of the research (Saunders et al 2000).
Table 3.1: Research Paradigms

<table>
<thead>
<tr>
<th></th>
<th>Positivist paradigm</th>
<th>Phenomenological paradigm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic beliefs</td>
<td>The world is external and objective</td>
<td>The world is socially constructed and subjective</td>
</tr>
<tr>
<td></td>
<td>Observer is independent</td>
<td>Observer is part of what observed</td>
</tr>
<tr>
<td></td>
<td>Science is value-free</td>
<td>Science is driven by human interests</td>
</tr>
<tr>
<td>Researcher should</td>
<td>Focus on facts</td>
<td>Focus on meanings</td>
</tr>
<tr>
<td></td>
<td>Look for causality and fundamental laws</td>
<td>Try to understand what is happening</td>
</tr>
<tr>
<td></td>
<td>Reduce phenomenon to simplest elements</td>
<td>Look at the totality of each situation</td>
</tr>
<tr>
<td>Preferred methods</td>
<td>Operationalising concepts so that they can be measured</td>
<td>Using multiple methods to establish different views of phenomena</td>
</tr>
<tr>
<td>Include</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Easterby-Smith et al. (1991)

3.3.1 QUALITATIVE & QUANTITATIVE STUDIES

Myers (1997) highlighted that quantitative research methods were originally developed in the natural science field to study natural events and that it is based on the measurement of quantity or amount. Quantitative research being positivist therefore all responses yielded are of a numeric nature (Kothari, 1985). As a result, the data generated from the quantitative research can be manipulated using mathematical or arithmetic processes (Kothari, 1985). Hence, Kumar (2005) asserts that the results from this data are usually objective and reliable since they are based on large and representative samples. However, all authors and scholars conquered that quantitative data provide less detail on behaviour, attitudes and motivation. Quantitative research’s major weakness is that it assumes that there are specific answers to each question. This gap needs to be covered by qualitative methods. The
most common quantitative research techniques include the survey technique, observation, and experimentation.

Erickson (1986) describes qualitative research as that research, which seeks to identify behaviour, beliefs, attitudes, or knowledge that are implicit as well as explicit in a social environment. Qualitative research is mainly used in investigating the reasons for human behaviour, for example motivation research, with the aim of discovering the underlying motives and desires using in-depth interviews. Saunders et al (2003) defines qualitative research as a subjective approach which includes examining and reflecting on perceptions in order to gain understanding of social and human actions.

The researcher picked qualitative approached because of its strength to allow the researcher to pursue premeditated lines of inquiry, while collecting data from the subjects. Also as Kothari (1985) adds that qualitative research yields categorical or non-numeric responses, which doesn’t need mathematical applications but in-depth analysis of responses from the research subjects. Although qualitative research is important in the behavioural sciences where the aim is to discover the underlying motives of human behaviour, also presents the same opportunities to this business related research (Greener, 2008). Therefore through qualitative research the researcher is able to analyse the various factors which motivate people to behave in a particular manner or which make people like or dislike a particular products. Through all this advantages of qualitative approach; the researcher employed it specifically in trying and understanding both staff actions and behaviours in the area of private label branding at OK Zimbabwe Limited.

3.4 RESEARCH STRATEGY
According to Greener (2008) research strategy includes the methods to be used to gather and analyse the data. In other words, strategy implies how the research objectives will be reached and how the problems encountered in the research will be tackled. Thus, Saunders et al (2000) explain that your choice
of research strategy will be guided by your research questions and objectives and whether it will enable you to meet your objectives.

Table 3.2: Relevant Situations for Different Research Strategies

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Forms of Research Questions</th>
<th>Requires Control of Behavioural Events?</th>
<th>Focuses on Contemporary Events?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>How, why?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, what, where, how many, how much?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival Analysis</td>
<td>Who, what, where, how many, how much?</td>
<td>No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>History</td>
<td>How, why?</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case Study</td>
<td>How, why?</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Yin, 2008

Therefore considering the various alternatives available, the purpose of the research strategy is to indicate what type of study was undertaken to provide suitable answers to the research problem and research questions (Greener, 2008). The research strategy alternatives are many and according to various authors they include alternatives such as experiments, surveys, cross-section research, longitudinal, case studies, action research, participatory enquiry and grounded theory.

**Experimental studies**

Experimental studies are done in controlled and structured environments and enable the causal relationships of occurrences to be identified and analysed.
(Saunders et al 2000). Under these conditions, the variables can be manipulated or controlled to observe and record the effects on the subjects studied. For example, sound, light, heat, volume of work levels can be managed to observe the effects. These are normally done in laboratory setup and this study has no relation to this particular research method (Dawson, 2002).

**Cross-Sectional**

Cross-sectional research method is designed to obtain information on variables in different context but at the same time (Saunders et al, 2003). Normally, different organisations or groups of people are selected and a study is conducted to ascertain how factors differ, for example, if you want to investigate associations between labour turnover and productivity you need to select groups where labour and productivity is different (Greener, 2008). This method is suitable where there are resource constrains especially time. However this research is not time constrained and therefore will not be using this method.

**Surveys**

In a survey a sample of study subjects is drawn from a population and studied to make inferences about the whole population (Kumar 2005). The selected unbiased sample is a representative of subjects drawn from the group intended to study (Dawson, 2002). If a sample is unbiased, it is possible to use statistical techniques to demonstrate the possibility that the characteristics of this sample will also be found in the population (Greener, 2008; Saunders et al, 2000). The main methods of asking questions are by face-to-face or telephone interviews, by using questionnaires or a mixture of the two.

There are two main types of surveys, **Descriptive** survey concerned with identifying and counting the frequency of a particular response among the survey group (Kumar, 2005). These surveys are frequently used in business research in the form of attitude surveys (Kothari, 1985). **Analytical** survey, when the intention is to analyse the relationship between different elements or
variables in a sample group (Saunders et al 2003; Greener, 2008, Kumar, 2005). Carrying out this type of survey will require familiarity with the theoretical context so that identifying the independent, dependent and extraneous variables will be easy.

Case studies

Yin (2008), defined a case study as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context...” (p. 8). Also Kumar (2005) refers the case study as a research study which focuses on understanding the dynamics of the present within a single setting. Thus case study offers an opportunity to study a particular subject, for example one organisation or a group of people and usually involves gathering and analysing information that may be both qualitative and quantitative (Saunders et al 2003). It involves gathering detailed information about the subjects often over a long period of time with a view of obtaining an in-depth knowledge (Dawson, 2002). Consequently, the researcher undertook a case study approach in the quest to explore private label branding program at OK Zimbabwe.

Rationale to use a Case Study

According to Yin (1994) relevance refers to the extent to which the organisation selected for the case study fits the purpose and the objectives of the research. Thus case studies do not seek to be representative but the emphasis is on what can be learnt and what value in advancing fundamental knowledge in the relevant area of study is obtained. The researcher has been in the Zimbabwean retail sector for more than eight years and has some insight into the operations of the top three retailers in the country. As a result, identifying the most suitable organisation where a research on private label performance in Zimbabwe would be of relevance was made easy. Also the study organisation has a large managerial structure fit the research objectives; geographically spread units, and an established interest in private label branding. OK Zimbabwe, as mentioned in Chapter One is the leading
retailer in the country and therefore meets the criteria stated in the research objectives.

Case studies can also be used to analyze the contents of the organizations by seeking patterns and themes in the data, and then further analysis through comparing with other organisations (Yin, 2008). However Yin (1994) (cited in Perry, 1998) said that for a single case or organisation to be used in research it has to satisfy any one of the following justifications;

- The case is a critical one for confirming, challenging or extending a theory, because it is the only one that meets all the conditions
- The case is rare or extreme and finding other cases is highly unlikely
- The revelatory case provides unusual access for academic research.

Perry (1998) argues that whichever case selection strategies employed by the researcher, the essential rule is choosing cases that has adequate information required for the study. Ultimately the researcher was motivated by the guidance of these authors and chose to undertake case study research at OK Zimbabwe Limited.

Yin (1994) argues that feasibility of a research requires the researcher to be able to conceptualise, design, execute and report back on the research outcomes with the case study organisation. Access to OK Zimbabwe Limited was granted by management prior to the commencement of study and the researcher also made a commitment to report back to them on research completion.

3.4 DATA COLLECTION

3.4.1 POPULATION
Greener (2008) described a population as the total of individual units under consideration in a study; whether they are people, companies or households. Best (1993) also in defining population in reference to research, explains that
it is any group of individuals that have one or more characteristics in common that are of interest to the researcher. The population under consideration should be clearly and explicitly defined in terms of place and time (Greener, 2008). The population of this study may be defined as all OK Zimbabwe executives and senior managerial employees.

3.4.2 SAMPLING

If data regarding each and every member of the population is to be collected, then the exercise is regarded as a census (Kumar, 2005). Census is cumbersome and almost impossible in some incidences to carry out and researchers have to use samples that represent the population. Therefore, sampling is the scientific process of selecting a number of study units from a defined study population (Saunders et al 2000). A sample is a statistical selection of part of the population whose properties are studied in order to make some inferences about the whole population and the selected sample must be a close representative of the whole population (Dawson, 2002; Kumar, 2005). Thus Kothari (1985) gave the assumption that there exists enough similarity among the elements of the population that a few of these elements will adequately represent the characteristics of the total population.

While sampling is practical and economical, extreme caution must be taken during the process to avoid bias and minimise errors in the findings of the research. The common statistical rule is; a sample must be large enough relative to the population size so that it is reliable and valid (Greener, 2008). The sample constituted of executives and senior managerial employees at OK Zimbabwe Limited. They were chosen solely because private label branding is a strategic tool that is commonly executed by people of seniority positions in any organisation. Thus in order to gather an in-depth information about private label branding in OK Zimbabwe, specific managers and executives are the most appropriate people to provide the most accurate data.
3.4.3 SAMPLING TECHNIQUES

Probability Sampling

Probability sampling, also known as random sampling presents every item of the population with an equal chance of selection into the sample (Kothari, 1985). Individual units are selected from whole group buy using some mathematical processes presenting each individual unit with a chance of inclusion into the sample (Easterby-Smith, 1991). This chance is the probability of section and therefore the researcher is able to measure errors of estimation of the results obtained from the sample (Saunders et al, 2000). This technique is used mainly on quantitative research methods and will not have any part in this research.

Non-Probability Sampling

In a non-probability sampling the chance or probability of any particular member of the population being chosen is unknown and the selection of sampling units is quite subjective because the researcher relies heavily on personal judgement (Easterby-Smith et al 1991). Non-probability sampling is also known as deliberate sampling, judgement sampling and purposive sampling. The commonly known forms of non-probability sampling are quota sampling, convenience sampling and judgemental/purposive sampling (Dawson, 2002).

The most used technique is **Judgemental sampling** and it involves the researcher selecting the sample based upon some appropriate characteristic of the sample members to serve a specific purpose even if this makes a sample less than fully representative (Greener, 2008). This technique is mostly used in predicting elections results and in many cases has proved to be reliable.
Judgemental sampling was used because it is the most appropriate technique in this study. This was at the advice of Yin (1994) when discussing case studies sampling techniques he mentioned people or units are chosen for a particular purpose using the researcher judgemental abilities based on the information required and knowledge of the study organisation. The main reason of choosing judgemental was the drive to have people with in-depth knowledge of the organisation’s private labels included in the sample.

There are no appropriate statistical techniques for measuring random sampling error from a non-probability sample (Saunders et al, 2003). Kumar (2005) argues that projecting the data beyond the sample is statistically wrong but Williams (2007) supported the use of judgemental or purposive method in case study researches because of the nature of the information required which is specific. Thus from this advise will be using purposive non-probability sampling techniques for this research.

3.5 DATA COLLECTION INSTRUMENTS
A wide variety of possible data collection methods are available under this study. These include questionnaire, unstructured interviews, structured interviews and semi-structured interviews and observation, gathering of documentation. Data gathering was done through semi-structured interviews using a questionnaire as the interview guide. The interviews were conducted to selected executives and managers at OK Zimbabwe Head Office and regions.

3.5.1 QUESTIONNAIRE
The questionnaire method involves preparing a list of questions pertaining to the survey that are send to the respondents using mail. The questionnaire provides the respondent with space to fill in their answers. A request to fill up the questionnaire is send to the respondents through a covering letter. There are two common types of questionnaires; structured and unstructured. In **structured** questionnaires the researcher normally follows a pre-arranged sequence of questions. The main advantage of this method is that the
information can be collected in a systematic and orderly manner. However when it comes to personal questions, this method seems to be less effective. Therefore structured questionnaires are too rigid to use in qualitative research and therefore do not constitute part of this research.

Unstructured questionnaires involve using a non-standard format of asking questions that allow the respondent to answer the question in way he is comfortable with. Saunders et al (2003) describes a self-completed questionnaire as a data collection tool in which each person is asked to respond to the same set of questions in the same order.

Advantages of questionnaires
- It is easier to approach a large number of respondents spread all over the population’s geographical spread.
- A questionnaire is free from any interviewer’s bias and errors, which may undermine the reliability and validity of the results emerging from the survey.
- When the questions asked to the respondents need time to be answered and needs some thinking, mail questionnaire is ideal.
- It saves money as cost of travelling, boarding and lodging of interviewers is not to be incurred.
- It gives the respondent time to answer the questions at their free time with any interference from anyone.

This research will not use any mailed questionnaires outside acting as interview guide.

3.5.2 INTERVIEWS
Interviews are a data collection tool involving the researcher following a set procedure when looking for answers to a set of predetermined questions through one on one interaction with the respondent (Kothari, 2008). (Kothari, 2008; Saunders et al, 2003; Kumar 2005) all have recommended interview method as the most suitable tool in case study researches. Although many
authors have recommended interview method, there is no one have
mentioned that it is the best method. Usually interviews are carried out in a
structured, unstructured and semi-structured way where quality of the
information obtained depends upon the ability of the interviewer. However,
Thomas (2010) argues that structured interviews yield data that is easier
toanalyse compared to unstructured interview data.

**Structured Interviews**
Structured interviews involve the use of questionnaires based on a
predetermined and identical set of questions. The questions are read out by
the researcher in a neutral tone of voice to avoid influencing or prompting a
particular response from a participant as by advocated many authors
(Saunders et al, 2000; Kumar 2005; Greener, 2008). The purpose of the
structured interviews is to maintain consistence of findings and also obtain
quantitative data.

**Semi-Structured Interviews and Unstructured Interviews**
Under semi-structured interviews the researcher will have a list of areas to be
covered using standard questions although the researcher may skip or add to
some of these questions or areas, depending in order to get more clarity.
Used in greater detail in this case study were unstructured interviews as
advised by Kothari (1985); where informal discussions were used to
investigate in-depth on specific areas from the subject in an unstructured way.
However Kothari (2008) infers that even in unstructured interviews the
researcher would have a pre-determined range of areas to be discussed in
the interview. Therefore, semi-structured interviews were used to collect data
for this case study on OK Zimbabwe.
Advantages of using Interviews

- More information in greater depth can be obtained.
- The response success is guaranteed as the respondent is likely to answer to all the questions except those the researcher omits due the discussion environment.
- There is greater flexibility because the researcher can change or drop a question when necessary.
- Personal information can be obtained easily in this method.
- The interviewer has an opportunity to catch the respondent by surprise and thus able to record the impulse reactions.
- The language or tone of the interview can be changed according to individual's literacy.
- The interviewer can obtain additional information about respondent's personal characteristics that can be used while interpreting results.

3.6 DATA ANALYSIS

Kumar (2005) defined analysis as a process of, arranging, grouping, coding, synthesising and searching for themes and patterns. Yin, 1994 explained that case study research seeks to search for patterns and themes that can identify and explain relationships. Several authors have gone at length to try and explain how best to present and analyse qualitative data gathered in a research. All tried to provide guidance in case study data analysis but according to Neuman (2006), there is no standard format in data analysis in qualitative studies.

Therefore the adopted strategy for data analysis in Chapter Four used data displays accompanied with in-depth, detailed write-ups to the topical areas. The analysis was done using literature review as the frame of reference to the compare findings from the research (Yin, 1994). The discussion was done based on the objectives and therefore, both results and discussion was presented together and to support the discussion literature from Chapter Two was used.
CHAPTER CONCLUSION

This Chapter summarized the research methodology; stating the research plan, research approach, sample selection, methods of data collection and analysis, and the quality standards of the study. A qualitative study was conducted under the guidance of the phenomenological philosophy for conducting such research. Although there are several approaches to conduct qualitative researches, a single case study was selected over other techniques as it guaranteed the most in-depth analysis of the subject area. Throughout the data collection process extra care was taken to safeguard the confidentiality of the information supplied and as well as not to lead the respondents to give certain expected responses.
CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION

4.1 INTRODUCTION
This chapter will discuss the research finding on the topic with an in-depth analysis of responses obtained from field research. The data will be presented in tabular form and a detailed discussion of results with reference to literature in Chapter Two. It comprises of seven sections with first six being analysis of responses and the last section is a summary the discussions.

One-on-one unstructured interviews were done with each of the members of the OK Senior executives and their juniors who are also executives. These are the people involved in all strategic decision affecting products sold in all the group’s outlets nationwide. Six sets of questions were asked from them and their responses make this chapter.

The sections are as follows;

Section A. Demographics

Section B. Using quality in building customer loyalty in private brands

Section C. Pricing strategies for private label brands

Section D. Customer brand awareness activities

Section E. Market segmentation and positioning of private label brands

Section F. Other factors hindering sales performance of private labels

4.2 SECTION A: DEMOGRAPHICS
The section summarises the background information about the respondents.
Table 4.1: Respondent demographics and work positions

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Length of service (years)</th>
<th>Previous Experience</th>
<th>Professional Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Operating Officer</td>
<td>23</td>
<td>Caps Holdings – Head of Marketing, Dairibord – Marketing Services Manager, OK Zim Marketing Director, MD</td>
<td>Economics, Sales and Marketing, MBA</td>
</tr>
<tr>
<td>Procurement Executive</td>
<td>28</td>
<td>OK Zimbabwe</td>
<td>Procurement</td>
</tr>
<tr>
<td>Operations Executive</td>
<td>25</td>
<td>Worked in the Financial Sector, Edgars Limited, OK Zimbabwe – Area Manager</td>
<td>Retailing, Economics, MBA</td>
</tr>
<tr>
<td>Buying Manager – Dry Foods</td>
<td>21</td>
<td>Management Trainee, Branch Manager, Operations Area Manager</td>
<td>Retail operations and procurement</td>
</tr>
<tr>
<td>Buying Manager – Housewares</td>
<td>22</td>
<td>Branch Manager</td>
<td>Operations, Procurement</td>
</tr>
<tr>
<td>Area Manager – Harare</td>
<td>8</td>
<td>Branch Manager</td>
<td>Economics, MBA</td>
</tr>
<tr>
<td>Group Marketing Manager</td>
<td>5</td>
<td>Public Relations - Old Mutual</td>
<td>Public Relations, Marketing</td>
</tr>
<tr>
<td>Area Manager – Southern Region</td>
<td>13</td>
<td>OK Zimbabwe – Branch Manager</td>
<td>Education, Marketing (IMM)</td>
</tr>
</tbody>
</table>
The data was collected from the company’s senior executives and junior executive who are involved in the organisation strategy making and implementation respectively. The data shows that OK Zimbabwe Limited senior management team has been with the company for a long period of time, with majority of them above 13 years with the organisation. Only three respondents have less than 10 years with the organisation indication all the information obtained truly represents the case.

The strong professional and academic background of the respondents indicates that the company has enough experience and skills to implement strategies like private label branding. The executives have been in the retail sector for a period enough to understand the concept of private label branding. The tables and discussions below will also expose the strategic strength of OK Zimbabwe management in managing a successful private label brand portfolio.

4.3 SECTION B: USING QUALITY IN BUILDING CUSTOMER LOYALTY IN PRIVATE BRANDS

Table 4.2: Packaging for the private label brands

*The respondents were asked to express their views regarding packaging for the private label brands and their responses are summarised below:*

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Operating Officer</td>
<td>Developed outside with the help of our marketing agency. Made using low cost material</td>
</tr>
<tr>
<td>Procurement Executive</td>
<td>Designed by the suppliers. The suppliers skills and innovation to design good packaging</td>
</tr>
<tr>
<td>Operations Executive</td>
<td>It is basic packaging without fancy detail</td>
</tr>
<tr>
<td>Buying Manager – Dry Foods</td>
<td>Packaging quality affected by efforts to reduce costs</td>
</tr>
<tr>
<td>Buying Manager – Wet Foods</td>
<td>Simple packaging</td>
</tr>
</tbody>
</table>
From the responses the study indicates that the approach adopted by the company is to have a simple packaging that is cheap to produce in order to keep cost down. The Procurement Executive noted that the packaging consist of simple designs and cheaper material because of attempts to lower costs and also due to lack of skills and innovation to design best packaging using minimum costs. However, Kotler and Keller (2006) said packaging is a styling weapon particularly in food products, cosmetics, toiletries, and small consumer appliances and if well-designed provide a good source for convenience and promotional value to the brands.

The Chief Operating Officer (COO) and Operations Executive defended the poor packaging of private label brands saying it is the only source to competitively price their own-brands. In contrast, Connolly (2012) argued that retailers worldwide are resorting to adding colour and modifying their packaging to match competing manufacturer brands in order to craft a presence for their private label offerings and to communicate the quality of their private label brands to customers. The responses showed serious misunderstanding of how private label packaging should look like. Beneke (2010) emphasised that product packaging plays a crucial role particularly in attracting consumers because it is the initial contact point with consumers on entrance into the shop.

However the COO said plans are under way to re-visit the packaging design of private label brands benchmarking with that of Tesco in the United Kingdom. He said they are now taking active involvement in the designing of packaging for OK Zimbabwe own brands. There seems to exist divergent
thinking with the rest of the respondents on how the packaging of private label brands should look like. Others still maintain that it should remain as it and others agree that it requires improvement.

Table 4.3: Internal quality rating of private label brands

Question: in your opinion, how do you rate the physical quality of the OK private brands?

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Operating Officer</td>
<td>Good, but sometimes affected by inconsistencies from suppliers. Suppliers are using antiquated machinery</td>
</tr>
<tr>
<td>Procurement Executive</td>
<td>Average. Suppliers lack capacity to produce consistently and delivering on time</td>
</tr>
<tr>
<td>Operations Executive</td>
<td>Good. But no consistency.</td>
</tr>
<tr>
<td>Buying Manager – Dry Foods</td>
<td>Good</td>
</tr>
<tr>
<td>Buying Manager – Wet Foods</td>
<td>Good but except for small batches</td>
</tr>
<tr>
<td>Buying Manager – Housewares</td>
<td>Good especially those imported from China and South Africa</td>
</tr>
<tr>
<td>Area Manager – Harare</td>
<td>Good but lacks consistency</td>
</tr>
<tr>
<td>Group Marketing Manager</td>
<td>They are good although we have some suppliers damaging the reputation of brands by manufacturing poor quality</td>
</tr>
<tr>
<td>Area Manager – Southern Region</td>
<td>Good. Not all are satisfactory</td>
</tr>
</tbody>
</table>

The responses indicated that there are huge inconsistencies on quality of physical products which the senior executives attributed to lack of skills and antiquated machinery being used by local manufacturers. The COO in particular, indicated that in trying to match demand, all local suppliers end up compromising on quality. These product quality inconsistencies are contradictory to best practices suggested by The Nielsen Company.
They said quality is a key driving factor for consumers’ positive attitude toward private label products and retailers should jealously protect the quality of their brands. According to literature, customers are searching for functional benefits in brands and they are likely not to do a repeat purchase if not satisfied with quality. The company however acknowledge that there exists a real problem with the quality of their brands which they need to fix.

Table 4.4: Building customer loyalty in private brands

**Question**: What have been done in the organisation to build customer loyalty in the private label brands?

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Operating Officer</td>
<td>We haven’t build a full basket of private label brands hence customers are still not loyal. We intend to build loyalty through offering low prices always</td>
</tr>
<tr>
<td>Procurement Executive</td>
<td>We offer affordable prices</td>
</tr>
<tr>
<td>Operations Executive</td>
<td>Competitive prices</td>
</tr>
<tr>
<td>Buying Manager – Dry Foods</td>
<td>No loyalty in the brands but we use price</td>
</tr>
<tr>
<td>Buying Manager – Wet Foods</td>
<td>Using price to attract customers</td>
</tr>
<tr>
<td>Buying Manager – Housewares</td>
<td>Our brands are lowly priced to attract customers looking for bargains</td>
</tr>
<tr>
<td>Area Manager – Harare.</td>
<td>We use price advantage to build loyalty</td>
</tr>
<tr>
<td>Group Marketing Manager</td>
<td>We use prices and quality</td>
</tr>
<tr>
<td>Area Manager – Southern Region</td>
<td>They are affordable</td>
</tr>
</tbody>
</table>

The responses above show that all the key managers involved in strategy understand the importance of affordability to customers in building strong loyalty in customers. Literature states that majority of consumers who buy private labels are attracted by price initially and if satisfied are likely to do a repeat purchase. However, none of the respondents clearly pointed on
offering quality product as tool to win customer loyalty. It is stated in literature that quality plays an equal role as price in building consumer loyalty to private label brands. Poor attention or ignorance to quality as literature mentioned result in consumers losing trust in the brands. In fact, Ailawadi et al (2008) stated that private brands can negatively impact on the organisation’s reputation hence careful managerial practices for private brands should be executed in order to preserve retailer brand equity.

4.4 SECTION C: PRICING STRATEGIES FOR PRIVATE LABELS

Table 4.5: Pricing strategies adopted on private brands

| Question: What pricing strategies have been adopted by OK Zimbabwe on the private labels? |
|---|---|
| **Respondent** | **Response** |
| Chief Operating Officer | To sell below lead brand. To also price guided by competition |
| Procurement Executive | To achieve between 5-10% price differential with lead brands. To target suppliers use excess capacity |
| Operations Executive | To sell below leading brands always. |
| Buying Manager – Dry Foods | To always sell 10-15% cheaper than any other brands. Prices are determined by supplier cost and market price. |
| Buying Manager – Wet Foods | Our standard is 10% cheaper than lead brand always. |
| Buying Manager – Housewares | We will always price the private brands below lead brands without necessarily losing attention of market prices |
| Area Manager – Harare | Own-brands must be 5-10% cheaper always. |
| Group Marketing Manager | For procurement |
| Area Manager – Southern Region | We try and sell below lead brands. |
The findings are that a strategy to sell private label brands below leading brands has been adopted in the organisation. This was also supported by Schoenbachler et al (2004) who noted that private labels globally are priced below leading manufacturer brands in order to catch the lowly-budgeted consumers’ attention. All the respondent almost agree on a range of between 5-10 percent cheaper as the target they want to achieve with their private label brands against manufacturer brands. This fell short of what Beneke et al. (2012) indicated; that consumers have strong expectations that private label brands are cheaper than leading brands and retailers worldwide responded by pegging prices at 20 to 40 percent below leading brands.

The company is achieving less price differentials than other retailers globally although this can be supported by Glynn & Chen (2009) assertion that there is a decrease in the price gap between private label brands and manufacturer brands because of the introduction of premium private label brands. Although from the gathering there is no mention of the premium private label brands at OK Zimbabwe.

Table 4.6: Competitiveness of the private label brands

*Question: How competitive are your private brands against the manufacturer brands?*

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Operating Officer</td>
<td>Cheaper than leading brands in each category.</td>
</tr>
<tr>
<td>Procurement Executive</td>
<td>Not as expected although if product is manufactured in South Africa, they are very competitive</td>
</tr>
<tr>
<td>Operations Executive</td>
<td>Cheaper than lead brand but in some cases expensive.</td>
</tr>
<tr>
<td>Buying Manager – Dry Foods</td>
<td>The prices are 10-15% cheaper. Prices are</td>
</tr>
<tr>
<td>Role</td>
<td>Comment</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Buying Manager – Wet Foods</td>
<td>We are achieving around 5-8% cheaper than the lead brands</td>
</tr>
<tr>
<td>Buying Manager – Housewares</td>
<td>We are very competitive</td>
</tr>
<tr>
<td>Area Manager – Harare</td>
<td>Only achieving 2.5 – 5% difference with leading brands</td>
</tr>
<tr>
<td>Group Marketing Manager</td>
<td>We are competitive, because we protect our brand against competition</td>
</tr>
<tr>
<td>Area Manager – Southern Region</td>
<td>Prices generally competitive but other brands sometimes undercut us.</td>
</tr>
</tbody>
</table>

The procurement department is in charge of procuring and pricing of private label brands. All the respondents from the department said before coming up with a final selling price for the private brands they first compare the market prices. After that they compare with other competing brands within OK Zimbabwe Limited stores and ensure that the own brands are cheaper than the leading brand.

The Buying Managers said they can't price the private brands more than 10 percent below leading brands because of the pressure to achieve set gross profit margins targets. However, literature states that private brands are capable of achieving both price and profit margin advantage. In particular, Kotler and Keller (2006) said private label brands profit margins are always higher due to the fact that private label brands require less development and production costs compared to manufacturer brands.
Table 4.7: Discounting in private label brands

*Question:* what strategies are in place to ensure you maintain competitiveness of private brands?

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Operating Officer</td>
<td>We get special prices</td>
</tr>
<tr>
<td></td>
<td>We get quantity discounts</td>
</tr>
<tr>
<td>Procurement Executive</td>
<td>Discounts standard is 5% but we also negotiate for further discounts</td>
</tr>
<tr>
<td>Operations Executive</td>
<td>Suppliers use excess capacity therefore pass the discount to us</td>
</tr>
<tr>
<td>Buying Manager – Dry Foods</td>
<td>These are discounted on invoice. Normally 5 percent discount rate</td>
</tr>
<tr>
<td>Buying Manager – Wet Foods</td>
<td>In perishables we get mostly 2.5%-5 percent discounts depending on the period and volumes</td>
</tr>
<tr>
<td>Buying Manager – Housewares</td>
<td>Receive discounts based on the volumes we consume</td>
</tr>
<tr>
<td>Area Manager – Harare</td>
<td>Suppliers are challenged in meeting our discount requirements. Achieving 2.5% on average currently</td>
</tr>
<tr>
<td>Group Marketing Manager</td>
<td>This is a procurement function</td>
</tr>
<tr>
<td>Area Manager – Southern Region</td>
<td>Discounts are negotiated by the procurement department</td>
</tr>
</tbody>
</table>

It is evident that private label brands delivered to OK Zimbabwe are discounted although the respondents could not give a solid discount structure they require from the suppliers. The other Buying Manager – Wet Foods said “we ask the suppliers doing our brands to price it 5 percent less than their brands”. The entire respondents could not give clear information on the discount strategy they agreed with the suppliers. Kotler and
Keller(2006)suggested two discount models. First, suppliers use excess capacity to produce the private brands and thus using only variable costs and no fixed costs added to product costs as this is inherent to supplier. The second model is supplier and the retailer agrees on a private brand volume-threshold to be purchased in a particular period and discount the prices at an agreed rate.

Literature suggested that the first model is more practical and ideal for private label brands costing as it give the retailer a better discount than volume-based which OK Zimbabwe are pursuing. Suppliers are giving smaller discounts to retailers in order to recover on their margins lost in trying to compete with rival brands. OK Zimbabwe is not strongly involved in how suppliers are costing their private brands and a more active role is required from the organisation.

4.5 SECTION D: CUSTOMER BRAND AWARENESS ACTIVITIES

Table 4.8: Growing private label brands market share through customer incentive promotions

Question: To what extent has promotions assisted in growth of your private label brands market share?

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Operating Officer</td>
<td>They don’t feature because range is not comprehensive.</td>
</tr>
<tr>
<td>Procurement Executive</td>
<td>They don’t feature because they are priced competitively already.</td>
</tr>
<tr>
<td>Operations Executive</td>
<td>In bigger promotions suppliers are more involved and their products are featured but private brands come in as fillers mostly in smaller promotions</td>
</tr>
<tr>
<td>Buying Manager – Dry Foods</td>
<td>The private brands have not yet featured in major promotions</td>
</tr>
<tr>
<td>Buying Manager – Wet Foods</td>
<td>All promotions dominated by manufacturer</td>
</tr>
<tr>
<td>Role</td>
<td>Statement</td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Buying Manager – Housewares</td>
<td>The idea is to promote national brands therefore own-brands rarely feature on promotion</td>
</tr>
<tr>
<td>Area Manager – Harare</td>
<td>Our promotions are meant for supplier brands mainly</td>
</tr>
<tr>
<td>Group Marketing Manager</td>
<td>We do not feature private label brands on promotion. But on our calendar there is a promotion exclusive to our brands although it has never been supported internally</td>
</tr>
<tr>
<td>Area Manager – Southern Region</td>
<td>Only feature in promotions as supporting lines to manufacturer brands</td>
</tr>
</tbody>
</table>

There is no evidence showing OK Zimbabwe feature their private label brands in their customer-incentive promotions. It clear from the responses that the company adopted the old strategy on private label brands where retailers believe the brands are not necessary to include on promotions. The Operations Executive said “that the company prefer manufacturer brands because the suppliers meet the greater expenses of running the promotions”. However, the response from the COO indicated that the reason for the absence of private labels is attributed to the broken or inadequate category representation of these brands.

The Procurement Executive said “we do not include private label brands on promotions like the Grand Challenge because they are already competitively priced”. But as said in literature, promotions are meant to bring customer awareness to brands and promotions like the OK Grand Challenge are household name in Zimbabwe and giving a product a chance to feature on it will certainly build strong customer loyalty in the brands. The Market Analysis Report (2010) found that retailers are now using promotions to provide customer incentives as a strategy to increase private labels sales. OK Zimbabwe could have adopted a wrong or inadequate strategy by not including their brands on promotions like the OK Grand Challenge.
Table 4.9: communication channels employed to advertise your private label brands

*Question: Which communication channels have been used by OK Zimbabwe to bring customer attention to private labels?*

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Operating Officer</td>
<td>Use leaflets and in-store displays and bit of press tactical adverts</td>
</tr>
<tr>
<td>Procurement Executive</td>
<td>Use only below the line methods like leaflets and in-store television</td>
</tr>
<tr>
<td>Operations Executive</td>
<td>Sometimes do wet demos and use point of sale material to advertise the brands</td>
</tr>
<tr>
<td>Buying Manager – Dry Foods</td>
<td>Use press and leaflets together with in-store displays</td>
</tr>
<tr>
<td>Buying Manager – Wet Foods</td>
<td>Communicating with customers in-store</td>
</tr>
<tr>
<td>Buying Manager – Housewares</td>
<td>Use flyers and in-store communication systems</td>
</tr>
<tr>
<td>Area Manager – Harare</td>
<td>Conduct wet demos through the suppliers</td>
</tr>
<tr>
<td>Group Marketing Manager</td>
<td>The strategy on private label brands is to sell without incurring any additional costs like advertising. However, we make use of flyers and in-store communication material</td>
</tr>
<tr>
<td>Area Manager – Southern Region</td>
<td>Use in-store displays and television</td>
</tr>
</tbody>
</table>

There is no sufficient evidence to tell that OK Zimbabwe have a clear advertising strategy for their brands. However all respondents indicated that the organisation make good use of store space by using televisions and shelf display banners to advertise their private label brands. This was also supported in literature by the Market Analysis Report (2010) where they found that retailers are becoming more advanced and are using in-store advertising to increase private label brands sales. This is not adequate enough though,as
Kotler (2002) noted that advertising take good use of all media available like radio, television, print media, flyers, internet and billboards.

The interviews reviewed that OK Zimbabwe is maintaining traditional strategies of running private label; where retailers used to believe that private label brands does not require advertising. In literature, Halstead and Ward (1995) argued that retailers are increasing the advertising of their private label brands by shifting from the usual low cost strategy to adopting the same strategies that are used for manufacturer brands.

The COO, Procurement Executive and Operations Executive indicated that the reason why they don’t advertise their brands in newspapers and radios is premised on the fact that private labels have to maintain costs down to achieve the required price differential with manufacturer brands. Yes, all the literature agrees with this finding on keeping advertising budget low but disagrees on taking a decision not to advertise completely. Literature says that private labels have to maintain their appearance in all media in order to compete against manufacturer brands that are backed by huge advertising budgets. Also Beneke (2010) stated that retailers can still achieve low cost in private label advertising through placement of one or two private label products together with the manufacturer brands in a newspaper insert.

All the respondents agree that they use wet demos in order to bring awareness to their products although none could explain who is responsible for this task. There is a possibility that wet-demo strategy is only a blue-print and was never implemented in the organisation.
Table 4.10: Using shelf space allocation to private label brands bring awareness

Question: How do you allocate shelf space to different brands (especially your own brand) in your stores?

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Operating Officer</td>
<td>We give brands prime space in home areas and gondola ends</td>
</tr>
<tr>
<td>Procurement Executive</td>
<td>Space priority is given to our brands</td>
</tr>
<tr>
<td>Operations Executive</td>
<td>We give the brands enough exposure in-store through gondola ends and occupation of prime space</td>
</tr>
<tr>
<td>Buying Manager – Dry Foods</td>
<td>Get first priority of strategic areas in-store</td>
</tr>
<tr>
<td>Buying Manager – Wet Foods</td>
<td>We even sometimes stock only our brands in order to maximise on space utilisation</td>
</tr>
<tr>
<td>Buying Manager – Housewares</td>
<td>We give it second priority after lead brands</td>
</tr>
<tr>
<td>Area Manager – Harare</td>
<td>Space allocation is determined by rate of sale</td>
</tr>
<tr>
<td>Group Marketing Manager</td>
<td>Because we own the stores, our brands should occupy more space than any other</td>
</tr>
<tr>
<td>Area Manager – Southern Region</td>
<td>We give them prime space except during promotions</td>
</tr>
</tbody>
</table>

The information from all the respondents strongly agrees on the use of shelf space to try and grow market share of private brands. The COO and Operations Executive all said that the private label brands are deliberately given more space on shelf because the company believes the physical product can perform the same functions as manufacturer brands. The Operations Area Managers also said gondola ends are strategically reserved for private label brands except during suppliers-funded promotions. This agree with Beneke (2010) findings that the growth of private label brands is a threat to manufacturer brands as they now have to compete for limited shelf space side by side with the retailer’s own private label products.
However the Operations Executive said giving private label brands more space will result in a backlash by the manufacturers by sabotaging supply of own brands. However, Beneke (2010) regards shelf space as one of the retailer’s most important assets that is a limited vital resource and therefore its allocations plays a key strategic role in private label brands performance against manufacturer brands. What literature is saying puts the retailer above suppliers when it comes to negotiation because distribution channels are manufacturer important partners in brand or product value-chain.

4.6 SECTION E: MARKET SEGMENTATION AND POSITIONING OF PRIVATE LABEL BRANDS

Table 4.11: Market segmentation for private label brands

<table>
<thead>
<tr>
<th>Question</th>
<th>How has market segmentation for private label brands been implemented in your organisation?</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Operating Officer</td>
<td>In groceries, the brands are not store specific. Target the critical mass offering value for money to customers</td>
</tr>
<tr>
<td>Procurement Executive</td>
<td>The products focus on commodities because of the need to push volume. The private label brands target those looking for price benefit</td>
</tr>
<tr>
<td>Operations Executive</td>
<td>Each brand is sold nationwide and segmentation is not a consideration in own-brands. the brands appeals to the mass market</td>
</tr>
<tr>
<td>Buying Manager – Dry Foods</td>
<td>Own-brands are found in every store across all market segments</td>
</tr>
<tr>
<td>Buying Manager – Wet Foods</td>
<td>The brands are lowly priced household goods giving affordability to consumers. No niche focusing</td>
</tr>
<tr>
<td>Buying Manager – Housewares</td>
<td>We do mass marketing because our brands target all household users in Zimbabwe</td>
</tr>
<tr>
<td>Area Manager – Harare</td>
<td>All the own-brands are found in each outlet across Zimbabwe.</td>
</tr>
<tr>
<td>----------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>Group Marketing Manager</td>
<td>Market segmentation suits mostly manufacturers, as for our business we have to stock our brands in every store under our flagship</td>
</tr>
<tr>
<td>Area Manager – Southern Region</td>
<td>There is no segmentation, the products are targeting all consumers based on affordability</td>
</tr>
</tbody>
</table>

There is no use of market segmentation in the organisation as all responses agree that they focus on offering one brand in all markets segments with the ultimate intention of pushing high volumes. This is in contradiction to Kotler et al (1999) assertion that rather than trying to appeal to all consumers, retailers need to select a specific group of customers based on various demographic attributes or geographical settings. Literature suggested that there should be a value-brand targeting those with low budgets and a premium-brand targeting those seeking satisfaction. Also Beneke (2010) found out that Spar in South Africa, has successfully implemented two brands: with one targeting the low income bracket and the other for the niche market competing with leading brands.

Through having a single brand covering all market segments, OK Zimbabwe has lost the reputation of some sections of consumers as they perceive the organisation’s brands as poor. From the information gathered some of the products are produced by highly reputable organisation but lack of proper consumer targeting has affected sales of the good brands. AsBeneke (2010) and Schreijen(2011) noted; a mixture of value and premium private labels allow the organisations to fight leading manufacturer brands from two fronts and capture a bigger share of the market.
Table 4.12: Positioning of private label brands

Question: What strategies are being used to ensure that you own-brands occupy the desired place in their market segments?

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Operating Officer</td>
<td>We have placed the own brands just below the leading brands.</td>
</tr>
<tr>
<td>Procurement Executive</td>
<td>The own-brands occupy second-tier position on the market, below the lead brands.</td>
</tr>
<tr>
<td>Operations Executive</td>
<td>The own-brands are positioned next to the lead brand</td>
</tr>
<tr>
<td>Buying Manager – Dry Foods</td>
<td>Below lead brands</td>
</tr>
<tr>
<td>Buying Manager – Wet Foods</td>
<td>At same level with lead brands but affordable</td>
</tr>
<tr>
<td>Buying Manager – Housewares</td>
<td>The compete with manufacturer brands and therefore positioned at par</td>
</tr>
<tr>
<td>Area Manager – Harare</td>
<td>To sell cheaper than lead brands</td>
</tr>
<tr>
<td>Group Marketing Manager</td>
<td>Our brands compete with lead brands because the quality is almost the same.</td>
</tr>
<tr>
<td>Area Manager – Southern Region</td>
<td>No real positioning of the brands</td>
</tr>
</tbody>
</table>

From all the responses, it is clear that OK Zimbabwe has positioned their brands well close to the lead brands in all the market segments. The responses from the top three executives were similar indicating the strategy is well understood in the organisation and is being driven from the top. Majority of the responses pointed that they position private label brands close to the lead brand to get the perception that the private brands are close to the lead brands in terms of quality. This agrees with Bergès-Sennou et al (2007) findings that showed that the retailers should target the leading brand with their private label brands in order to show positive perceptions among consumers. There is adequate information to clearly show that the company
understands and have fully adopted a positioning strategy for their private label brands.

**Benefits of private labels**

The top three executives said were clear on the benefits of private label brand. They all noted that private label brands are able to increase sales, profit margins, increase market share and more importantly build strong customer loyalty to the organisation. However they all agree that the brands have not yet developed to the point of meaningfully contributing to sales but they are recording significant contribution on profit margins. The Procurement Executive noted that they have managed to dominate market share in certain categories which include eggs, chicken, mineral water and toilet rolls. The buying managers responsible for these categories said the strong market share is because of the faith customers have in the quality of the products.
### 4.7 SECTION F: OTHER FACTORS HINDERING PRIVATE LABEL BRANDS SALES PERFORMANCE

Table 4.13: Factors affecting private label sales

*In your opinion, what are the major factors which have limited your efforts in growing your private label sales?*

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Operating Officer</td>
<td>• Zimbabwean economy – private brands should be driven by domestic supplier base</td>
</tr>
<tr>
<td></td>
<td>• Quality inconsistency</td>
</tr>
<tr>
<td></td>
<td>• Transport costs, licences costs and duties on imports</td>
</tr>
<tr>
<td>Procurement Executive</td>
<td>• Government policy inconsistency on imports</td>
</tr>
<tr>
<td></td>
<td>• Working capital</td>
</tr>
<tr>
<td></td>
<td>• Shelf life of imported products</td>
</tr>
<tr>
<td></td>
<td>• Logistics</td>
</tr>
<tr>
<td>Operations Executive</td>
<td>• Lack of consistence in supply from local suppliers</td>
</tr>
<tr>
<td></td>
<td>• Government policy inconsistency regarding imports of goods</td>
</tr>
<tr>
<td></td>
<td>• Long lead-times on imported goods</td>
</tr>
<tr>
<td>Buying Manager – Dry Foods</td>
<td>• suppliers lack of capacity to meet requirements on quality, demand, and price</td>
</tr>
<tr>
<td>Buying Manager – Wet Foods</td>
<td>• Brand is not being marketed properly</td>
</tr>
<tr>
<td></td>
<td>• No support from store personnel</td>
</tr>
<tr>
<td>Buying Manager – Housewares</td>
<td>• Product unavailability and quality issue with suppliers</td>
</tr>
<tr>
<td></td>
<td>• Lack of proper advertising on the brands</td>
</tr>
<tr>
<td>Area Manager – Harare</td>
<td>• Some store personnel don not appreciate private brand and they give them last priority</td>
</tr>
</tbody>
</table>
From the responses above, it is clear there are three common problems hindering the growth of private label sales at OK Zimbabwe. They all agree that quality is their major problem and the need to address this. They also highlighted issues to do with lead times, where suppliers fail to deliver on time creating shortages on private label brands. The Operations Executive cited some of the delays to deliver OK brands as deliberate attempts by suppliers to kill competition.

The major worrying finding is that of employee attitude towards private brands. Half of the respondents noted that employees in the stores do not take ownership of private label brands and in most cases prefer supplier brands. Further inquiry into reasons for the negative attitude reveals that the employees felt the brands are a burden to them because supplier brands are well supported through product channel merchandisers who assist with ordering and putting product shelf. There is no evidence to support efforts by senior management to correct the employee attitude towards private brands.

The study also revealed that the policies from the authorities are also limiting company efforts to have their product manufactured in South Africa. They cited the imposition of licence requirements, duties and tariffs to import from South Africa and the region as measures or attempts discourage importation of goods. They cited an embargo put on chicken importation in 2011, which is
still in place as an example. However, the company have no influence on political factors hence should come up with other ways to circumvent the status quo.

4.8 SUMMARY OF FINDINGS

4.8.1 BUILDING LOYALTY THROUGH PRODUCT QUALITY
Packaging plays a critical role in attracting customers and inducing initial purchasing decisions. According to Beneke (2010), packaging is the interaction point between a brand and the consumer in a store. Therefore consumers make initial purchases based on the packaging attraction. OK Zimbabwe has pursued the cheaper and simple packaging and design in order to reduce costs but this has far reaching effects on consumer perception to the brands. Packaging is supposed to communicates brand quality but OK Zimbabwe management have other views.

Although packaging is the first step to attract consumers; it is the quality of the functional product that determines whether a customer is likely to do a repeat purchase or not (Kotler et al, 1999). Huei-Chen (2007) also argued that consumers are concerned with the perceived quality of private labels and their purchase decisions are influenced by quality. It was also note in literature that once a customer has tasted a product and is satisfied, will repeat a purchase. If the consumer continuously purchases the same brand then we can say they are now loyal to the brand and this only guaranteed by satisfaction after use. Therefore the finding that there is no consistency in the quality of OK Zimbabwe brands means that they are likely to lose loyalty of customers. This was further supported in the findings when all management staff acknowledged that the brands do not have loyal following from the consumers.
4.8.2 MARKET SEGMENTATION AND BRAND POSITIONING
Market segmentation allows the company to focus marketing resources on particulars customer groups with the highest potential to purchase its brands (Kotler & Keller, 2006). Through market segmentation, OK Zimbabwe is able to satisfy the needs of all the customers through offering specific private label brands to each segment. However OK Zimbabwe is pursuing mass marketing; covering all market segments with one brand and the end result can be failure of the brand in some market segments and this has spill-over effects to other segments as customers share notes.

4.8.3 PRICING STRATEGIES FOR PRIVATE LABELS
Price is the most important element in marketing as it determines the sales and profitability of a business. Management at OK Zimbabwe has guarded this key resource by implementing strategies that are agreeing with literature on private labels. Literature states that private labels’ distinctive advantage comes from their low price against manufacturer brands. They have managed to keep the private label brands priced below leading brands. However, Beneke et al (2012) indicated that prices of private brands globally are 20-40 percent cheaper than leading brands yet OK Zimbabwe are achieving only 5-10 percent. The gap is too big in comparison and has to be closed.

The small price differentials between own brands and manufacturer brands is caused by small discounts being realised from the suppliers. Suppliers are giving discounts of between 2.5 percent and 10 percent. The reason why suppliers accept to do private brands on behalf of retailers is because they use idle capacity to manufacture these brands at variable cost plus mark-up price structure (Kotler et al, 1999). In this case, it seems the suppliers are just passing a discount to their normal prices contrary to what literature has outlined. The discounts therefore are not enough to enable OK Zimbabwe to simultaneously competitively price the private brands and remain profitable.
4.8.4 CUSTOMER BRAND AWARENESS ACTIVITIES
Customer brand awareness activities also called promotion in marketing profession is the process of bringing consumer attention to one’s brands or products (Jain, 1999). Customer incentivised promotions are popular in the grocery retail sector worldwide, although execution varies per each company. OK Zimbabwe has one of their own; the OK Grand Challenge where customers win prizes for purchase of certain product or brand combinations. Management indicated they use supplier brands in these promotions sidelining their private label brands. In this case they are building loyalty in supplier brands at the expense of theirs.

The most common tool in bringing awareness is through advertising. Advertising can be done through radio, television, newspapers, billboards, flyers, internet, and in-store banners. OK Zimbabwe have used flyers more often in advertising their private label brands and have used radio, television and newspapers less frequently to make an impression on consumers. Jain (1999) asserted that advertising differentiates private label brands from its competitors and draws attention to consumer buying preference for a brand. Using the so called below the line or localised advertising strategies is beneficial but limited in terms or reach.

4.8.5 FACTORS HINDERING GROWTH OF PRIVATE LABELS
There are number factors affecting sales of private labels at OK Zimbabwe and these are strategy inconsistencies, supplier capacity and political. It is observed that the majority of local suppliers do not have enough capacity to produce private label brands. This is due to failure to maintain quality of the brands and to produce below costs.

The major worrying factor affecting private brands sales is of employee attitude towards the brands. The respondents indicated some employee have negative attitude towards the brands and they prefer manufacturer brands instead. Employees are brand custodians and formulate the core of organisational success and therefore management must ensure that they correct the situation. The respondents raised issues to do with government
controls and restrictions on imported goods. This is hindering effort to do private label brands in a more efficient economy but there is nothing management can do to change that.

CHAPTER CONCLUSION

The chapter objective was on discussion and display research findings and making critical relation and contrasting with literature with the intention to prepare for research conclusion and recommendation in Chapter Five.
CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION
This chapter will make research conclusions based on the findings in Chapter Four. The other section will make recommendations on the action to be taken to improve sales performance of private label brands at OK Zimbabwe.

5.2 CONCLUSIONS
The research outcomes indicate that private label brands have not made any significant impact to OK Zimbabwe sales and profit margins. Despite management displaying knowledge on private label branding, their execution has not been successful and manufacturer brands continue dominating sales. The research findings on factors affecting sales of private label brands are below.

5.2.1 MARKETING SKILLS AND EXPERTISE
There are inadequate skills to successfully manage private label brands in the organisation. From the information gathered, there is no individual responsible for managing the private label brands. Instead the task is given to each individual buying manager and only one out of the four has a marketing qualification or has been involved in brand management elsewhere before. The current people managing the private brands have failed to improve on brands packaging quality and the actual physical product.

5.2.2 EMPLOYEE ATTITUDE
The research concludes that OK Zimbabwe employees have negative attitude towards private label brands. Store level employees are reluctant to stock private label brands implying they have not accepted it as their brand. This is due to poor employee involvement during strategy planning hence the failure to convince them that the brand is part of the organisation. It is difficult for the organisation to convince customers to buy private label brands when internal people are not emotionally attached to it. There is no communication with employees on objectives of developing and owning private label brands. The top executives displayed high knowledge about private label brands yet their
subordinates responses differed in most cases reflecting their less involvement in the strategic formulation.

5.2.3 NEGATIVE CUSTOMER PERCEPTION
Ok Zimbabwe has failed to constantly afford the customer the opportunity to buy their brands as most of the responses indicate high frequency of stock outs. Consumers they will not continue buying a product with erratic supply. The consumer negative perception is further worsened by failing to enforce quality standards with the suppliers. Quality of a brand has to meet the customer *after-use* satisfaction and failure will result in them buying other product and view private brands as inferior as the case with OK private labels.

5.2.4 PRICE COMPETITIVENESS OF PRIVATE LABELS
It is evident from the research that OK Zimbabwe is achieving their target of selling at between 5-10 percent below leading brands, Management response shows that costs are too high because suppliers are not producing enough of their brands to cover fixed costs and therefore are spreading that costs to private label brands. Achieving this small price differential with leading brands has failed to draw customer attention to the private label brands. Prices should be at least 15 percent less of leading brands to meaningfully entice customers to switch from their favourite manufacturer brands.

5.2.5 PROMOTION AND ADVERTISING
The organisation promotional calendar is busy, with a major promotion in every quarter of the year. The promotions are dominated by manufacturer brands because management believe private label brands will not give the expected return although literature supported promoting private label brands to invite customers. The company also is not using various communication channels to advertise their products outside relying on flyers distributed inside the stores. Consumers use televisions, radios, internet and newspapers to search for information and therefore maintaining product presence in these media will likely improve sales as consumers will come searching for the brands on their next visit. The poor sales performance of the private label brands could be due to fact that customers do not know them.
5.2.6 GOVERNMENT POLICY INCONSISTENCE
The company effort to have private label brands produced outside the country are being affected by government overnight policies banning or restricting certain products to come into the country. The company cited the ban on milk, which lasted for eleven months and was only lifted in April 2012. They also noted the ban of imported chicken since 2011 to date. The issue of duty on commodities have made importing almost impossible and the company has to rely on local supplier base. These policies affect long-term business planning and do not help the retail industry.

5.2.7 TEST OF THE RESEARCH PROPOSITION
The research proposition as stated in Chapter 1 is as follows;

*The poor sales performance of private label brands at OK Zimbabwe Limited is due to lack of management commitment.*

To a greater extend, the research proved that the failure of private label brands at OK Zimbabwe is due to lack of management commitment in implementing appropriate strategies. The study findings indicate management failed to improve on quality, pricing, advertising and promotion of private label brands and more importantly align employee attitudes with private label branding strategy. The acknowledgement by senior executives that they are aware of the challenges faced by their private label brands like quality and are doing nothing to correct it, indicate lack of management commitment to implement a successful private label brands strategy.
5.3 RECOMMENDATIONS

5.3.1 REBRANDING
The private label brands have failed and the company have to establish a new name or packaging design to bring a new-look product that is capable of differentiating brand identity to customers. Through rebranding they are able to give the brands a fresher appearance and evade negative consumer perceptions. This will also convey a message to employees on the seriousness and commitment management has on private label brands. When rebranded they now have to monitor the quality and maintain consistence to build brand equity.

5.3.2 MARKET SEGMENTATION AND TARGETING
One brand-fit-all strategy has never worked since the turn of the century. Management should come up with two target market groups; the low income and niche market. After identifying these two markets should develop two-tier product strategy; with a value private label that will compete on price therefore targeting budget-conscious customers. The premium private label brand will then be developed to differentiate the brands and able to compete with leading brands in niche markets. Market segmentation can give the firm the competitive advantage through matching specific customer needs to brand functions.

5.3.3 GLOBALISATION
The firm must introduce production beyond Zimbabwean boarders through identifying regions with the lowest costs of production without compromising on quality. They should exploit countries within the COMESA region were tariffs are pegged at zero through the free trade agreement existing between member states. Having products produced countries that are cost competitive allow the company to achieve high sales and improved profit margins.
5.3.4 COMMUNICATION WITH CUSTOMERS
Advertising of brands in all media channels like internet, radio, television, newspaper, billboards will introduce the products to customers and will increase chances of customer buying the brands. Focus should be on internet and newspapers as these are cheaper and far-reaching to consumers. Targeting nationally circulated newspapers and the internet has potential to reach all consumers and increase awareness of the private brands.

5.3.5 CHANGE EMPLOYEE ATTITUDE TOWARDS PRIVATE LABEL BRANDS
To successfully turnaround the performance of private label brands at OK Zimbabwe, management need to perform change management programs in order to correct the culture and attitude all its employees have on private label brands. This should be at all levels to meaningfully support the private label brands and see an improved performance of private brands.

5.4 AREA OF FURTHER STUDY AND RESEARCH LIMITATIONS
From the study results there is evidence there exists other factors affecting sales performance of private label brands. There is a need to conduct a research on consumer perceptions to private labels and the impact on sales. There should be a study on the strategic-fit of private label brands to organisational culture. This research failed to cover all those areas due to time and budgetary constraints.
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APPENDIX

Letter of Introduction

Andrew Munodawafa
5777 Unit J
Chitungwiza

26 January 2013

Dear Respondent

My name is Andrew Munodawafa, a graduate student at University of Zimbabwe. I am undertaking a study on *impact of private label branding to retail business: a case of OK Zimbabwe Limited*. This research is solely premised on academic objectives of trying to understand the impact of private labels sales in Zimbabwe. The information obtained will not be used anywhere else outside the academic field. The researcher and the Graduate School uphold unequivocal confidentiality and ethical standards in conducting research.

You are kindly requested to participate in a brief one-on-one interview session. Although your participation is voluntary it is well appreciated and will go along way in the academic development in Zimbabwe. Therefore you are not required to submit your name and no one will know of your participation in this research. Without your help, this research on private label brands will only remain a dream.

If you have any questions or concerns about participating in this study, you may contact me on 0772 881 416.

Yours Sincerely,

Andrew Munodawafa

Interview Guide for

SECTION A: Demographics

1. What is your position in the organization?
   ..............................................................................................................................

2. How long have you been with OK Zimbabwe?
   ..............................................................................................................................

3. Give a brief account of the organization(s) and position(s) you worked in before joining OK Zimbabwe?
   ..............................................................................................................................

4. Can you give me a brief of your professional background?
   ..............................................................................................................................

5. Who do you report to?

6. Which department are you in?

7. Which department is responsible for planning, development and control of own-brands?
SECTION B: Using quality to build customer loyalty

8. Explain how you have come up with the packaging of your own-brands
...........................................................................................................................................
...........................................................................................................................................
...........................................................................................................................................
...........................................................................................................................................
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9. Can you express your views regarding packaging for the private label brands?
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10. What are the main challenges faced by your own-brands suppliers that affect the following;

   a) Quality
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   b) Lead time
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   c) Price...................................................................................................................................
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11. In your opinion, how do you rate the physical quality of the OK private brands? 

12. What have been done in the organization in effort to build customer loyalty in the private label brands?

SECTION C: PRICING STRATEGIES FOR PRIVATE LABEL BRANDS

13. What pricing strategies have been adopted by OK Zimbabwe on their private labels?

14. In retail there is more than one product in each product generic, for example washing powder. Explain how you come up with retail prices for these products.
15. Explain the course of action you take in the event that your own-brands are expensive than other brands

16. How cost competitive is your own-brands compared to other manufacturer brands?

17. What strategies are in place to ensure you maintain competitiveness of private brands?
SECTION D: Advertising and promotion of private label

18. To what extent has promotions assisted in growth of your private label brands market

19. Explain the methods used in bringing consumer awareness to your own-brands

20. How do you allocate shelf space to different brands (especially your own brand) in your stores?
SECTION E. SEGMENTATION AND POSITIONING OF OWN-BRANDS

1. What is your opinion on the geographical spread and coverage of OK Zimbabwe’s own-brands?

2. How has market segmentation for private label brands been implemented in your organisation?

3. What strategies are being used to ensure that you own-brands occupy the desired place in their market segments?
4. To what extent have your own-brands addressed the needs of your consumers with differing incomes?

SECTION F: Other Factors hindering performance of private label

5. In your opinion, what are the major factors which have limited your efforts in growing your private label sales?

6. What would be the best way of winning customer loyalty in your own brands?
End of Questionnaire Guide