

Department of Marketing



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Private Label Supply by National Brand Manufacturers: Received Wisdom and Empirical Reality

Abstract: This paper integrates the conceptual and theoretical literature on motivations for private label supply by national brand manufacturers to identify relevant drivers of the “dual tracking” decision and then tests them with unique data containing the identity of private label suppliers across all packaged good categories for retailers accounting for almost 70% of sales in a major European market. The empirical analysis examines the association of these drivers with the decision to supply private label to each retailer and the conditional decision to supply exclusively to that retailer. The broad coverage of the data provides generalizable results on how much received wisdom aligns with empirical reality. One example of the nuanced reality refers to the role of national brand equity. High market share manufacturers are more likely to supply private label but manufacturers of premium priced and differentiated national brands are less likely to do so. Another refers to the role of price discrimination. Manufacturers whose national brand offering spans both high and low prices are more likely to also supply private label, so it does not appear as if private label supply is a substitute for a low-priced fighter brand. Several results, such as the effects of variables measuring how attractive a category is for private label, align well with received wisdom. Others, such as effects of the manufacturer’s brand and category diversity, and the effects of all the variables on the decision to supply exclusively to a given retailer, are new and we hope they will be useful in further theory development.