Private Labels in the context of electronics e-tailing

- a Study of the Swedish Market -

Abstract

The private label has become an integrated part in contemporary markets. Even so, the use of private labels in electronics e-tailing is unexplored ground. In recent years practitioners have realized the potential but few firms have developed an understanding of the effects private labels have on the company and the industry as a whole. The same can be said for academics whose research mostly discusses fast-moving consumer goods. Consequently, there is a need to produce a framework that is applicable both in academia and practice.

The main purpose of this thesis is to understand the relationship between the e-tailer brand and the private label using the concept of customer-based brand equity. This is done by proposing a descriptive model which is consequently tested empirically. Additionally, by applying this model to empirical data the author tries to estimate the total customer-based brand equity of private labels and manufacturer brands to see which one is stronger.

The studies consisted of a consumer-based survey and interviews with consumers and suppliers. A total of 1,069 responses were collected and more than 850 minutes of interview time were analyzed. The results produced a model where loyalty, perceived quality, associations and awareness were acknowledged as drivers of customer-based brand equity. These drivers were based on existing theory but had to be modified to the context of electronics e-tailing before they could be applied. Moreover, the results indicated that customer-based brand equity for private labels was higher than for manufacturer brands.

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Keywords: *Electronics e-tailing, private labels, manufacturer brands, brand equity, customer-based brand equity*

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Thank you…

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Half the money I spend on
branding is wasted; the
trouble is I don't know
which half.
- John Wanamaker

Thesis context:

This thesis is produced as a master thesis for the Stockholm School of Economics. The author co-owns Nexco, a Swedish systems integrator of computer laptops, and is involved in its daily operations. Nexco, along with the Swedish internet retailer Webhallen, sponsored the production of this thesis and helped distribute necessary material.

Contents

1. Introduction

1.1 Background

"-Please name your favorite private label?
-You mean like Eldorado and Euroshopper?"

"We want to create our own product line because we believe our strong brand will spill over onto the products"

"I like them because they are cheap and provide good value"

"We aim to offer our consumers the best that is available. In our private label products there are no compromises, no no-name components, no budget versions"

These are quotes taken from interviews during the pre-study. Two different perspectives on private labels are clearly illustrated. Private labels are normally associated with low quality and cheap prices (Richardson, Dick et al. 1994, Sprott, Shimp 2004). This view of private labels is particularly connected to FMCG (fast-moving consumer goods), which generally are regarded as role-models with regard to private labels (Collins-Dodd, Lindley 2003). During the last years there has been a trend towards premium private labels to the extent that researchers speak of different quality tiers. Private labels have thus been divided into economy, standard and premium categories (Martos-Partal, González-Benito 2011, Szymanowski, Gijsbrechts 2012). Research has shown that economy and standard private labels are often positioned on a broad front. Premium private labels on the other hand are carefully positioned in selected product categories due to the increased risk for the retailer of losing manufacturer brands (Martos-Partal, González-Benito 2011).

The reasons to create a private label are numerous but from a demand perspective there are mainly two effects. The store could create a premium private label hoping for it to inherit the reputation of the store. Grocery retailer Coop is an example of such a brand. On the other hand it is also common to try to reverse the causality and make the private label define the store brand. An example of this would be McDonalds creating their own mineral water brand

instead of selling "Vitamin Water" in order to be perceived as more healthy. In addition to the demand perspective stores may create private labels from a supply perspective encompassing aspects such as margins and supply chain leverage. An example of this is retailer Tesco, which has many brands that do not provide any references to the retailer. Research has shown that standard and private labels are relatively insensitive to manufacturer brands and economy private labels (Gielens 2012).

The widespread success of private labels in FMCG markets has caught the attention of other industries. One of those industries is the electronics industry. The industry has been plagued by low margins but some companies have survived by making their businesses more efficient. Still, in the Swedish market no less than one major e-tailer (Datorbutiken) and three major retailers with online stores (PC City, OnOff, Expert) have been forced into bankruptcy during the last years.

Starting off with disposable goods, e-tailers are setting their eyes upon more expensive products such as TVs and computers. However, unlike FMCG private labels in the electronics industry, when it comes to high-involvement products, are typically of the premium private label type. Interviews from the pre-study have revealed that companies want their private labels to act as an extension of their e-tailer brand. If an electronics e-tailer perceives itself as premium the private label will also be positioned as premium. If the e-tailer wants to identify itself with value for money the private label is positioned as value for money. This strategy is quite different from what is commonly used by FMCG retailers where stores typically aim to create private labels with the purpose of competing in segments where competition is weak regardless of store image (Corstjens, Lal 2000).

The rise of the Internet has changed the foundations of the electronics industry. As consumers get more used to handling their purchases over the Internet and start using web-based services, the line between retailing and e-tailing has become blurred. Today all major physical stores have their own online store in order to stay competitive. The movement towards e-tailing has led to more efficient operations, but also makes it harder for stores to distinguish themselves from their competitors. Basically, quoting a sales manager (Interview set 1, 2013), "We have to convince the customers that we are unique even though we do the same thing as everyone else. In fact, it is likely that two retailers that carry the same product have bought the product from the same distributor and that these products were produced at the same factory at the same time."

The homogeneity in the electronics industry is partially a consequence of the supply chain. Due to a system based on large distributors, the assortments of e-tailers are very similar. Distributors act as the actual importers of goods and in some cases they also do the stocking and shipping to customers. As e-tailers commonly buy from all the distributors they end up with the same assortment. Due to the competitive business culture the margins of the distributors are very low. As a result there is not much room for e-tailers to negotiate prices even if they are large quantity buyers. The low margin of distributors deters e-tailers and manufacturers from bypassing the former as the economic incentives are small.

Some manufacturers have found that private labels are ideal for opening up negotiations with e-tailers. In addition to the potential for increased margins, the possibility of being unique by having a private label is an incentive for e-tailers. Since distributors cannot offer the opportunities of a private label to e-tailers, a few manufacturers have started pursuing a dualistic strategy. On the one hand they sell manufacturer branded products using distributors; on the other they sell similar products to e-tailers as private labels.

In conclusion e-tailers are pursuing the use of private labels as a means to gain leverage in the supply chain and increase differentiation in the assortment. This thesis will focus on the demand perspective - how do consumers perceive private labels in electronics e-tailing?

1.2 Purpose and research question

The overarching purpose of this thesis is to explore the mechanics and relations between the e-tailer brand, the private label and the manufacturer brand in the electronics industry. This purpose originates from two foundations. First, product managers within the electronics industry are driven by the vision that private labels may acquire higher brand equity than manufacturer brands (Interview set 1, 2013). However, this subject is controversial among academics. An empirical study will review the current market to explore this issue. Second, in order to translate the results of the study a private label brand equity framework has to be adopted. Due to the limited amount of empirically tested theory within this field of research it is likely that the model adopted will have to be adjusted in accordance with empirical findings to be contextually appropriate. Based on this overarching purpose, the following research question has been formulated.

1. Do successful private labels acquire higher brand equity than manufacturer brands?

This research question is accompanied by the sub-purpose.

2. Provide a descriptive model for private label equity and its relationship to e-tailer brand equity

1.3 Delimitations

The thesis is limited to major e-tailers and will focus on an external perspective. Internal factors such as leverage in the supply chain and a firm being more efficient when using a private label will not be explored. Furthermore, the thesis will take a demand perspective, thus focusing on consumers' perceptions of brands. Due to probable differences between markets the thesis will be limited to Swedish private labels sold in the local market.

1.4 Expected Contribution

From an academic stand-point this thesis will serve as a validation of previous research as well as an expansion including hitherto unexplored aspects of private labels. Previous studies have mostly been done using retailers and grocery stores. Consequently most theory is based upon a brand equity system designed for these circumstances. It is possible that theory for this thesis has to be modified in order to fit the electronics industry and e-tailers. Moreover, the market studied revolves around higher-priced goods and a higher density of premium private labels. Consequently the findings of this thesis will make an addition to current theory especially in terms of bridging the knowledge gap for private labels that exists between FMCG and high-involvement purchases (electronics representing the latter category). Additionally, the thesis will emphasize the relationships between the e-tailer brand, the private label brand and the manufacturer brand. In most earlier studies only two brands are discussed at a time.

The use of private labels in the electronics industry is a new phenomenon in Sweden. Starting off as trial projects, e-tailers are now competing with each other to be the first one carrying a private label in a particular product category (Interview set 1, 2013). The fast development has caused some missteps among practitioners and the use of private labels is still considered unfamiliar ground for Swedish product managers (Interview set 1, 2013). The knowledge and experience from multiple firms gathered in this thesis will benefit practitioners as they commonly do not share information with each other. The author theorizes that the limited flow of information between firms is related to customs and corporate culture but also to confidentiality as practitioners work in a competitive environment.

1.5 Definitions

The research area of branding is complex and authors often use different terminology to explain similar or related topics. To avoid misunderstandings and to simplify this thesis a number of definitions are outlined below. Sources using other terminology have been adapted to the below definitions.

E-tailer: A company whose main business is e-tailing even though it may operate in a multichannel environment (e.g. also have physical stores).

E-tailer brand: The brand of the store – not its products. Referred to as store brand in the context outside of e-tailing.

Manufacturer brand: A brand developed by the manufacturer of a product.

Private label: A brand developed by the e-tailer of a product.

Convenience sample: A sample consisting of conveniently drafted respondents.

Mini-interview: A short interview, typically 5-10 minutes long.

1.6 Disposition

This thesis is divided into five chapters – Introduction, Theory & Hypothesis Generation, Method, Results and Analysis & Discussion. The *Introduction* chapter introduces the subject and provides background information. It also comprises the purpose of this thesis, research topics and expected contributions. Finally, the definitions and relevant terminology are shortly discussed. The second chapter, *Theory & Hypothesis Generation*, provides theoretical foundations and the creation of a relevant framework. Hypotheses are then created with support of this framework. The third chapter, *Method*, starts with the scientific approach and research design. This is followed by a presentation of the pre-studies supporting the main-study. After that, the main study will be described along with the data sampling procedure. Finally, the quality of the research will be discussed. The fourth chapter, *Results & Analysis*, revolves around the testing of hypotheses, but relevant findings that are closely related to the research questions will also be reviewed. The fifth and final chapter, *Discussion*, will examine the results in the context of existing literature in order to identify unexpected contributions or relevant parallels. The thesis will end with a discussion about conclusions of the study, managerial implications and an outlook for future research.

2. Theory & Hypothesis Generation

The literature needed for this thesis has been gathered from a variety of fields due to the complexity of the purposes. As an introduction to the subject internal documents of Swedish e-tailers were studied in order to identify main points of interest. A key issue was how to define and measure brand equity. Examining literature on brand equity and brand metrics was thus crucial. Another issue was to find relevant studies. To the author's knowledge there is no previous research that has studied private label electronics e-tailing using a demand perspective. As a consequence there is no established academic framework or model on how to measure brand equity in this context. Given the differences between electronics and FMCG there is a risk that previous findings may not apply to the electronics industry. It should also be understood that industries are not static constructs. Hence, the environment facing private labels today is very different from when they were first introduced in FMCG industries.

The author will present a model comprised of selected parts from relevant fields of research. This model will guide the empirical studies in this thesis. The findings of this study will, in line with the sub-purpose, be incorporated into the original model in order to provide simplicity as well as better accuracy and reliability.

2.1 Brand Hierarchy

This thesis will discuss many different aspects of branding utilizing concepts from a wide collection of literature. The terminology used in academia is not uniform and sometimes concepts are overlapping or even contradictory. For example, a manufacturer brand in American literature is often referred to as a national brand and a private label is often referred to as a store brand or own label. There are also temporal differences. Older studies using the term image would likely use the term reputation today (Mårtenson 2007). The following section will outline the framework and terminology that is used in this thesis.

2.1.1 Corporate Brand

The corporate brand is an entity separated from product brands and has a different role in the organization (Aaker 2011). It is an intangible asset that is difficult to imitate thus contributing to sustainable advantages (Roberts, Dowling 2002). In the case of a retailer the corporate brand is constituted by the store brand, manufacturer brands and private labels, and the purpose of the corporate brand is to provide a value proposition to customers, to communicate organizational associations and credibility, and to act as a vehicle of corporate culture and values (Grewal, Levy et al. 2004, Aaker 2011).

Research has shown that a favorable corporate brand image has a positive effect on customer satisfaction which in turn increases customer loyalty (Osman 1993, Bloemer, De Ruyter 1998). Even though the corporate brand encompasses three commonly adopted brand concepts there is limited knowledge about which types of associations that affect product responses (Brown, Dacin 1997). Research has shown that when consumers are unable to evaluate a product brand, manufacturer brands and private labels, they use the store brand or corporate brand as a substitute (Brown, Dacin 1997).

The store as a brand

Corporate brand

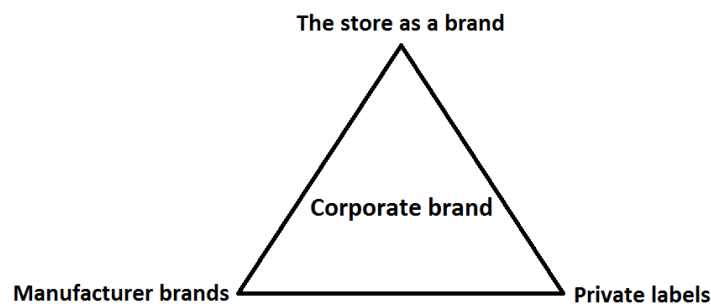Manufacturer brands   Private labels

Figure 1 – The corporate brand

The internal mechanics or brand architecture of a store brand is referred to as brand portfolio structure or brand relationship spectrum (Martenson 2007, Kotler, Keller et al. 2009, Muzellec, Lambkin 2009). Regardless of which term is used, it refers to a what could be called *brand synergy* between the corporate brand and its sub-brands. Brand synergy has two extremes: the branded house (branded family) and house of brands (family of brands) (Aaker, Joachimsthaler 2000, Kotler, Keller et al. 2009).

The branded house is a strategy often adopted by retailers and the key word is brand integration (Martenson 2007, Muzellec, Lambkin 2009). In the branded house all sub-brands share the name of the corporate brand and the link between brands is very strong. Consequently, the corporate brand becomes the primary driver for brand associations and brand equity (Saunders, Guoqun 1997). The key issue is whether the master brand can be strengthened by associating it with the new offerings (Kotler, Keller et al. 2009). Moreover, as the corporate brand adds associations enforcing the value proposition and credibility of sub-brands the branded house is considered stronger than the house of brands and should be the default strategy for practitioners (Aaker, Joachimsthaler 2000). At the same time it is also a greater risk to adopt a branded house as damage to one brand will affect the corporate brand and all other brands within the branded house (Martenson 2007). Perhaps the most successful

example of a branded house is Apple, encompassing brands such as iPod, iPad, iPhone, iMac, Macbook and iTunes.

The house of brands strategy is often adopted by manufacturers and its key word is brand separation (Muzellec, Lambkin 2009). In the house of brands, associations between different brands are restricted. This allows companies to diversify and expand into new markets, categories and segments without diluting the corporate brand (Muzellec, Lambkin 2009). Furthermore, this makes it possible for sub-brands to establish their own values and associations. The key issue for a house of brands is whether the business will support a new brand (Kotler, Keller et al. 2009). A major advantage when pursuing the house of brands strategy is that it involves little risk as brands are separated. A good example would be P&G. The company supplies a large variety of products, but none are closely associated with the P&G corporate brand. If Pampers diapers (owned by P&G) were revealed to be produced by child labor, the impact on the P&G brand would be minor even though the pampers brand would suffer. On the other hand, if child labor was discovered to produce the iPhone, then the Apple corporate brand would take a serious hit.

Even though most companies use mix strategies the brand relationship spectrum is useful for understanding branding strategies (Muzellec, Lambkin 2009). A Swedish company adopting a mixed strategy is Axfood. Two private labels in its brand portfolio are Willys and Garant. The aforementioned shares the name of the e-tailer brand and is only sold in Willys stores whereas Garant is available at Hemköp, Prisextra, Tempo and Handlarn.

According to Kotler et al. (2009) it is impossible to reach the extreme ends of the brand relationship spectrum and thus there will always be some synergy effects between sub-brands and the corporate brand. As a consequence the sub-brands (store brand, manufacturer brands and private labels) may be considered as brand extensions of the corporate brand (Kotler, Keller et al. 2009, Muzellec, Lambkin 2009). Brand extensions fall into two categories. First there are line extensions where the parent brand moves to cover a new product or service within a product or service category it already serves. An example of a line extension would be Ben & Jerry's creating a new flavor with liquid chocolate. Second, there are category extensions. These are parent brands entering a new product or service category different from the ones it already serves. An example is Honda which originally sold cars and motorcycles but later expanded to lawnmowers and marine engines.

Finally it should be noted that all brand relationships are dualistic. For example, the store brand may influence the product brands but the reverse is also true. Research has shown that influence is stronger from the store brand to the product brands than in the opposite direction (Martenson 2007).

2.1.2 Store Brand

The store brand represents the perceptions consumers have about a store's performance (Martenson 2007). In previous research it has been referred to as both store image and store equity (Hartman, Spiro 2005). The difference between image and equity will be discussed in *Section 2.2*, but here it is sufficient to note that the store as a brand reflects perceptions and beliefs about a particular store as well as macro-level associations such as perceptions of retailer categories (discount stores, grocery stores, e-tailers etc) (Keaveney, Hunt 1992). In line with this research an e-tailer would be classified into the e-tailer store category and thus even if everything else was the same that e-tailer would have different store brand equity than an equivalent retailer.

Studies show that a strong store image affects consumer judgments and responses in a positive manner (Brown, Dacin 1997). Associations empirically identified to contribute include recognition, familiarity and confidence (Dimitriadis, Langeard, 1990). Even characteristics traditionally linked to the product, e.g. quality, spill over from the store image and influence product perceptions. Research shows that the quality rating on average increases by 21 percent if the store has an attractive atmosphere (Richardson, Jain et al. 1996). The influences of store image are not static but vary in accordance to the context. For example, it was found that store image was not a credible product brand influencer for certain types of products including home appliances, champagne and some other high-involvement products (Martenson 2007). These findings are closely related to this thesis and their implications will be explored.

2.1.3 Manufacturer Brands

Manufacturer brands, called national brands in American literature, are brands owned by the manufacturer. These are not store specific and typically marketed on a larger scale than private labels (Martenson 2007). As manufacturer brands are owned by the manufacturer their aim is to maximize the profit from manufacturer brand products as opposed to private labels that aim to maximize the aggregate profit from both manufacturer brands and private labels (Hoch, Lodish 1998). As a result, manufacturer brands commonly strive to be positioned differently from private labels (Sayman, Raju 2004), whereas private labels are often

positioned to maximize cross-price sensitivity within a product category (Tyagi, Raju 1998). Generally, manufacturer brands are considered to be of higher quality than private labels (Dunn, Murphy et al. 1986). However, manufacturer brands are also homogenous across stores which mean two stores with similar product orientation located in the same area would carry the same products. If one of them adopts private labels the total number of brands will increase along with product differentiation. If both stores adopt private labels the effect will be even stronger (Martenson 2007). In line with this argument the geographical area can be said to be global and encompass all stores in an e-tailing context. The adoption of private labels would thus severely increase brand differentiation.

2.1.4 Private labels

Private brands, own-brands, own-labels, house brands, store brands, non-store-brands, exclusive brands, distributor brands, reseller brands and generics are all referred to as private labels in this thesis (Ossiansson 2004). These are defined as brands that are owned by the retailer or the distributor and that are sold only in the retailers' own outlets (Kumar, Steenkamp 2007). Another definition is that private labels are products owned and branded by organizations whose primary economic commitment is distribution rather than production (Schutte 1969). Although the definition of a private label is quite unanimous some authors prefer to distinguish the terms label and brand (Ossiansson 2004). A label refers to the product with text information whereas the brand includes associations that add psychological effects (Stavad Mortensen, 2007). This thesis is using the term private label although the meaning is more related to the private brand rather than the private label.

Academia has a number of ways to classify private labels. A study focusing on the historical development of private labels defines four generation of private labels (Laaksonen, Reynolds 1994). These include first generation private labels following the strategy of generic products, second generation private labels going for the cheapest price, the third generation expanding to me-too tactics and finally fourth generation private labels adopting value-adding thinking similar to manufacturer brands. Another study by Zielke (2007) classifies private labels as the classic private label, the generic private label and the premium private label. The classic private label refers to a straight copy-cat with similar characteristics of a manufacturer brand but with slightly lower price (Baltas 1997). The generic private label, on the other hand, focuses only on the basics, drastically cutting costs and competing on price (Yelkur 2000). Finally, the premium private label is positioned and competes in a similar way as a manufacturer brand (Davies 1998). This thesis will refer to private labels in accordance with a

third framework; economy, standard and premium categories (Martos-Partal, González-Benito 2011, Szymanowski, Gijsbrechts 2012). This framework is based upon quality and price. A private label delivering high quality at a high price is considered premium. The standard private label on the other hand competes on a broad scale offering similar quality as regular manufacturer brands following a me-too concept. Finally, the economy private label offers low quality products at an even lower price. Consumers are typically more involved in premium purchases than economy purchases.

Research has shown that private labels need to be considered as substitutes to manufacturer brands in order to be competitive (Quelch, Harding 1996). This should not be done purely with price in mind. In fact private labels contribute more to store differentiation than to price sensitivity (Sudhir, Talukdar 2004). To be successful stores should maintain a healthy balance between manufacturer brands and private labels thus balancing price competition and product differentiation (Ailawadi, Harlam 2004). For example, by March 2010 Tesco sold 70 different chocolate brands. Approximately 50 percent were private labels and some of these were priced higher than manufacturer brands (Philipsen, Kolind 2012).

2.2 Brand Equity

A brand has a dualistic function. Primarily it will affect the consumer, something which is often referred to as customer-based brand equity. Brand equity, in turn, influences a firm's competitive position in the value chain and gives rise to a leverage effect (Goldfarb, Lu et al. 2009). This thesis, due to its demand perspective, will only consider the first-mentioned driver even though both drivers are relevant for firms when managing private labels on a strategic level.

Figure 2 – The brand equity relationship

Brand equity is defined as the marketing effects or outcomes that accrue to the product or service with its brand name as compared to the outcomes if that same product or service did not have the brand name. It is commonly divided into brand image and brand awareness, each

in turn encompassing sub-categories such as recall and recognition (brand awareness) as well as type, strength and congruence (brand image) (Keller 1993). Other authors prefer to use different dimensions of brand equity; perceived quality, perceived value, image, trustworthiness and commitment (Lassar, Mittal et al. 1995). Due to its close connection to business practice there are many non-academic frameworks as well, for example the brand asset valuator (Young & Rubicam, 2013).

This thesis will define brand equity in line with Aaker (1996). The framework was chosen due to the principles lying at its foundation and its acknowledgement of the need for flexibility when applying the framework in practice. Practitioners are highly encouraged to modify the framework to fit the context of the task at hand (Aaker 1996). In this study the context will be private labels in electronics e-tailing. Below is a summary of the principles adopted by Aaker.

- *Brand measures should reflect the asset value of a brand and focus on sustainable advantages that cannot be duplicated. This means measures cannot be tactical descriptors that review the marketing mix or expenditure levels.*
- *Brand measures should reflect constructs that drive the market and consequently constitute indicators of future price levels, sales and profits.*
- *Brand measures should also be sensitive to the construct they are representing. If brand equity falls then the measure should indicate this change.*
- *Brand measures should be generally applicable across brands, product categories and markets.*

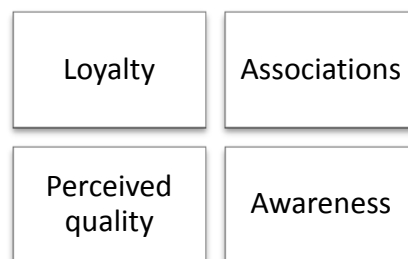Based upon these principles, Aaker (1996) has formulated the following dimensions of brand equity.

Loyalty	Associations
Perceived quality	Awareness

Figure 3 – Brand equity dimensions

2.2.1 Loyalty

Brand equity

E-tailer brand

Loyalty effects

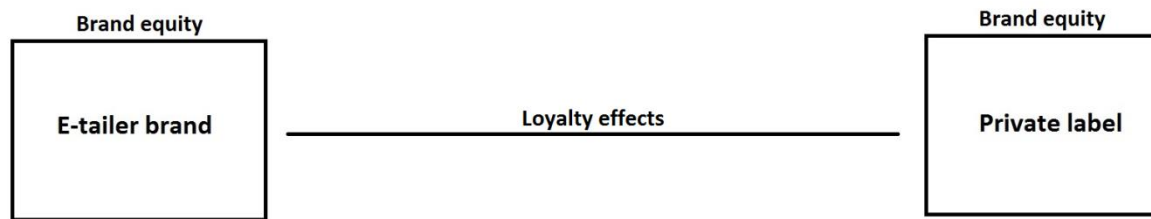**Brand equity**

Private label

Figure 4 – The brand loyalty relationship

Brand loyalty is the single most important factor in retail marketing (Omar 1999). It affects entry barriers, the ability to charge a price premium and the time a brand has to adjust to innovations and threats from competitors (Aaker 1996). Moreover, it is often related and intertwined with other dimensions of brand equity. Over the years there have been many approaches to loyalty. Smith (1970) suggested that there are four types of shopping behaviours; the pre-sold customer, the pliable customer, the store loyalist and the rational shopper. Since then, the majority view has embraced customer satisfaction as the primary driver of loyalty (Martenson 2007). Oliver (2006) found that store loyalty is an outcome of customer satisfaction. This was enforced by an empirical study by Szymanski (2001), who noted that in 88 percent of the studied correlations there was a positive relationship between satisfaction and repeat-purchase behavior. It is outside the scope of this thesis to explore the mechanics of customer loyalty in detail but regardless of how brand loyalty is defined and measured the goal is to identify and expand favorable loyalty segments (Aaker 1996). The segments used in this thesis are based upon the diamond of loyalty (Knox 1998). Four types of customers are identified and categorized along two axes; share of customers and customer involvement. Each segment has its own purchase motivations. *Loyals* are high-share customers that are involved in their purchase decision and invest in the brand. *Habituals*, on the other hand, have an equal share but act on routine and are indifferent to the choices they make. Both segments are generally very profitable to the e-tailer. *Variety seekers* are low-share customers who actively seek substitutes and alternative points of sourcing even though they care about the brands they use. Similarly, *switchers* are the most opportunistic segment. They act on a transactional basis, value price the most and frequently look for discounts.
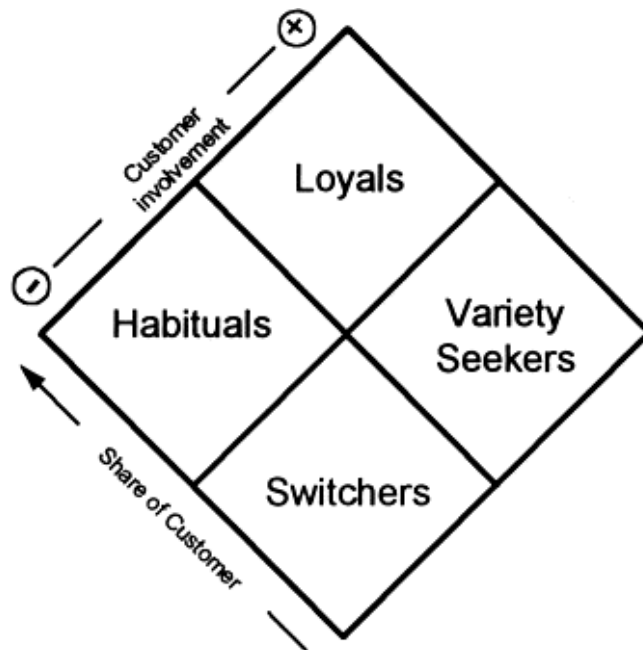
Figure 5 – The diamond of loyalty

This thesis will explore the loyalty towards the e-tailer brand and the consequent effects on private labels. There will be no attempt to study the loyalty of the private label as most private labels in consumer electronics e-tailing are relatively unknown or new to the market (Interview set 1, 2013).

Interviews have shown that product managers expect brand loyalty of the e-tailer brand to spill over to the private label, expecting a better private label pay-off for enthusiast and loyal customers (Interview set 1, 2013). This leads to the following hypothesis:

H1. Customer loyalty is positively related to the brand equity of private labels

2.2.2 Perceived Quality

Figure 6 – The perceived quality relationship

Perceived quality, sometimes transformed into and renamed expected performance, reflects the quality consumers infer to otherwise unknown products (Aaker 1996, Lassar, Mittal et al.

1995). Perceived quality is commonly derived from historical associations such as high-quality goods that have been previously associated with the brand. Generally, quality is assumed to improve customer satisfaction, loyalty and ultimately brand equity (Aaker 1996, Babakus, Beinstock et al. 2004). However, these assumptions are contested by Hardie (1998), who concludes that empirical findings are mixed and inconclusive. A number of studies have even found a negative relationship between quality and brand equity (Yavas, Burrows 1994, Grandzol, Gershon 1997, Ittner, Larcker 2003). As previously mentioned, e-tailers are using private labels to improve their brand image under the presumption that quality positively affects brand equity. Additionally, research has shown that the corporate brand has a weak effect on the perceived quality of a product (Dodds, Monroe et al. 1991, Grewal, Krishnan et al. 1998). This contradicts the beliefs of products managers who intend to use the according to them superior corporate brand to infer quality on private labels (Interview set 1, 2013). In fact, the interviewed product managers believe that the quality inferred by the corporate brand can increase the quality perceptions of private labels to the point where they are perceived to be more qualitative than manufacturer brands (Interview set 1, 2013). In line with this argumentation the author formulates the following hypotheses:

H2a. Perceived product quality is positively associated with the corporate brand
H2b. Private labels have higher perceived quality than manufacturer brands
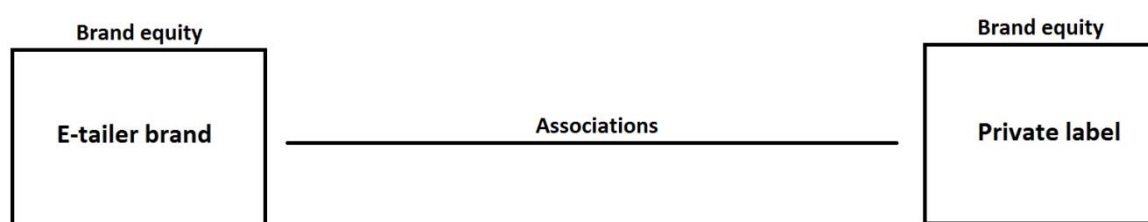

2.2.3 Associations

Figure 7 – The brand associations' relationship

Brand associations can be structured from three perspectives; the brand-as-product (value), the brand-as-person (brand personality) and the brand-as-organization (organizational associations) (Aaker 1996). According to Aaker (1996), brand value is very similar to perceived quality. Studies have shown that perceived quality explained 80 percent of the variation in perceived value, thus implying that these dimensions are closely related (Aaker 1996). Price premium may be used as an indicator to the strength of brand value (Aaker

1996). Moreover, the expected service level may be applied as a complementary metric of brand value, since service is a summation of associations (Christodoulides, Michaelidou 2011). Product managers intend to use the corporate brand to infer superior brand value (brand-as-products) to private labels (Interview set 1, 2013).Since brand value can be measured by the use of price premium and service levels, the following hypotheses are formulated:

H3a. Private labels have higher price premium than manufacturer brands
H3b. Private labels have a higher perceived service level than manufacturer brands

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Brand personality and organizational associations, on the other hand, signify elements not tied to the functionality of the product. For example, a Nike branded T-shirt is probably considered sportier than an H&M branded T-Shirt even though both are perceived to be of the same quality with similar brand values. For the purpose of this thesis brand personality and organizational associations are intertwined and referred to as brand associations.

A common argument among product managers is that private labels may strengthen the e-tailer brand and the private label simultaneously (Interview set 1, 2013). Hence, it is crucial to determine whether the associations of both brands are interconnected by default. If that is the case, the associations must be aligned in order to avoid confusion in the case of branded house products. If they are not aligned, logic suggests that it would be possible to independently position a private label in relation to the e-tailer brand thus creating a house of brands. The latter would mean that the supply perspective would benefit in regard to the demand perspective when developing the strategy for a private label. This reasoning leads to the derivation of the following hypothesis:

H3c. Corporate brand and private label associations are interconnected

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2.2.4 Awareness

Figure 8 – The brand awareness relationship

Brand awareness is among the most common concepts used in marketing (Huang, Sarigöllü 2012). Keller (1993) divides awareness into brand recall and brand recognition. Brand recall refers to the consumer's ability to recall a brand. For example, asking which fast-food restaurants consumers know about. Brand recognition refers to the ability to recognize and identify a brand if exposed to it. This would entail knowing that Coca Cola is a coke when shopping at a grocery store. Brand awareness affects consumer decision-making and increases the probability that a product is to be included in a consumer's consideration set (Hoyer, Brown 1990, Macdonald, Sharp 2000). Huang (2012) has also found that brand awareness is positively associated with the ability to charge a price premium. Additionally, evidence has indicated a positive link between brand awareness and customer-based brand equity (Yoo, Donthu 2001, Kim, Kim 2004). Despite the popularity of brand awareness as a concept there are relatively few studies that empirically have studied the relationship between brand awareness on the one hand and brand equity and financial outcomes on the other (Huang, Sarigöllü 2012). Among these studies, most focus on service related industries (Kim, Kim et al. 2003, Kim, Kim 2005). There is evidence indicating that brand awareness should be re-confirmed in the context of any study as results across industries have been inconsistent (Srinivasan, Vanhuele et al. 2008). Consequently, there is a risk that brand awareness is not related to brand equity in electronics' e-tailing.

Practitioners' opinions about brand awareness are divided. Product managers believe that awareness is not an important factor for private labels. Customers visiting a store are likely to receive a significant boost of awareness due to in-store exposure, thus decreasing its importance. After all, the product is named similarly to the store you are visiting. (Interview set 2, 2013). However, in terms of online electronics purchases there is a risk in applying this logic. Many points-of-sale are reached via price search engines and regular search engines thus emphasizing the need for top-of-mind and brand recall. At this time, according to one

interviewee, the relative novelty of electronic private labels makes them no match for manufacturer brands (Interview set 2, 2013). Something else that makes a comparison fall short is the fact that a manufacturer brand is global while a private label is local to the store (although a few store brands recently have started achieving global reach). Naturally, a manufacturer brand will enjoy an advantage of exposure among non-store users.

By studying brand equity (private label attitude) in regard to awareness the contextual importance of brand awareness will be determined. Is awareness positively associated with brand equity (Hoyer, Brown 1990, Macdonald, Sharp 2000, Yoo, Donthu 2001, Huang, Sarigöllü 2012) or is electronics e-tailing one of the industries standing out from the norm (Srinivasan, Vanhuele et al. 2008)? Even though it would not make sense to apply the concept of awareness to individual private labels, awareness is still an interesting construct to study. In this thesis industry-wide private label awareness will substitute individual private label awareness (Research 2011).

H4. Aware customers have higher private label attitude than non-aware customers

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2.2.5 Measuring Brand Equity

There are two approaches to practically measure brand equity: the direct and the indirect way (Keller 1993). The direct approach involves experiments with groups where one group is subject to brand influence whereas the other is not, e.g. blind testing. The indirect approach involves all other techniques to capture brand equity. Both techniques can be used to capture the effects of brand equity (Keller 1993).

It is acknowledged that brand equity has many definitions (Goldfarb, Lu et al. 2009) and each definition has its proposed method. While most authors discuss the use of one metric per dimension of brand equity they are also in agreement that a universal metric would be more practical (Keller 1993, Aaker 1996). A commonly used one-metric approach is the price premium method (Aaker 1996). However, this method misses out on low-price competition. Does a category brand leader in the budget segment necessarily have inferior equity than a weak premium brand? This methodological drawback has been corrected in the revenue premium method (Ailawadi, Neslin et al. 2003) and the resource premium method (Ailawadi, Keller 2004), which measure the revenue and the resources spent (monetary and other) respectively. There are others still that advocate profit as the ultimate metric (Goldfarb, Lu et

al. 2009). However, when using the latter it is impossible to separate the first and second drivers of brand equity. As this thesis only studies the first driver this method is not a viable option.

The author concludes that working with brand equity using separate measures for each of the phenomena will provide a better understanding and more reliable results than applying a universal measure (Faircloth, Capella et al. 2001). However, for hypothesis testing an overall brand equity metric needs to be defined. This thesis will use overall brand attitude as an indicator of brand equity (MacKenzie, Lutz et al. 1986, Faircloth, Capella et al. 2001).

2.2.6 Practitioners' Inquiry

Propensity to Buy

In interviews product managers often expressed their interest in exploring which product categories that would best suit their private label. In fact it was explicitly requested that the propensity to buy throughout different product categories was studied in detail (Interview set 1, 2013). To accommodate this request the author included a study of the propensity to buy private label products depending on the product type. The need to examine differences between product categories was confirmed by Martensson (2007), but researchers have also expressed the need to study differences within the same product category (Sullivan 1990).

Propensity to buy is a concept not discussed by Aaker (1996) and thus it is conceptually different from the previously discussed factors of brand equity (loyalty, perceived quality, associations and awareness). The four base dimensions of brand equity are all transferrable between the e-tailer brand and the private label. For example, it can be discussed how perceived quality of the e-tailer brand influences the private label. When it comes to the propensity to buy, this line of thought is not applicable. The propensity among consumers to buy the e-tailer brand cannot influence the propensity to buy the private label as they are the same per definition. Instead it is suggested that propensity to buy is a metric of overall brand equity, similar to the price premium method or the brand attitude method. This interpretation of the propensity to buy has previously been applied by researchers as a method for measuring brand attitudes (Rothman 1964). The concept has also been adopted in previous private label studies focusing on customer-based brand equity (Zielke, Dobbeistein 2007).

The framework for product types was based upon the Rossiter-Percy Grid introducing type of motivation and type of decision as two major factors leading up to a purchase (Rossiter, Percy

et al. 1991). Type of motivation is described as informational or transformational whereas the type of decision is classified as high or low involvement. Commonly, the type of motivation is studied through experiments rather than the self-evaluating approach this thesis adopts. Due to the need for simplicity and limited space in the questionnaire (discussed in chapter 3.4.1), this thesis will only study the type of decision. The removal of type of motivation allowed the author to add an additional level of involvement, thus increasing the accuracy of the results. The levels of involvement used are low, medium and high involvement. This thesis will explore if the level of involvement affects private label equity by studying it in regard to propensity to buy.

H5a. The propensity to buy private label products is higher for high-involvement products
H5b. The propensity to buy private label products is higher for low-involvement products

2.3 Descriptive Model

With support of the theoretical framework the author proposes the following overarching model for descriptive purposes.
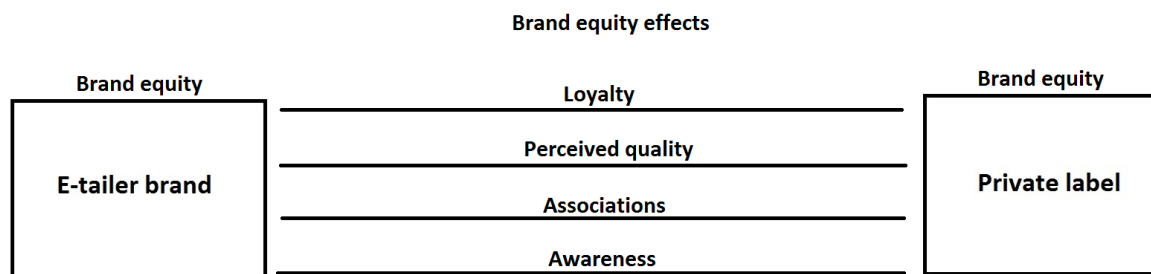
Brand equity effects

Brand equity		Brand equity
E-tailer brand	Loyalty Perceived quality Associations Awareness	**Private label**

Figure 9 – The first brand equity relationship model

2.4 Summary of Hypothesis

The hypotheses are summarized in table 1.

Brand equity	Hypothesis
Loyalty	H1. Customer loyalty is positively related to the brand equity of private labels
Perceived quality	H2a. Perceived product quality is positively associated with the corporate brand
	H2b. Private labels have higher perceived quality than manufacturer brands
Associations	H3a. Private labels have higher price premium than manufacturer brands
	H3b. Private labels have a higher perceived service level than manufacturer brands
	H3c. Corporate brand and private label associations are interconnected
Awareness	H4. Aware customers have higher private label attitude than non-aware customers
Practitioner's request / Total brand equity	H5a. The propensity to buy private label products is higher for high-involvement products
	H5b. The propensity to buy private label products is higher for low-involvement products

Table 1 – Summary of hypotheses

3. Method

3.1 Initial Work & the author's background

The need for studying the phenomenon of private labels originated from practitioners. Traditional market structures are changing and the focus has changed from the sales channel to the brand and the supply chain (Interview set 1, 2013). The view of e-tailers served as a starting point and interviews were conducted with key persons in the industry. However, it is not only the e-tailers that are closely following the development. Manufacturers are also interested in private label development. Supply chains optimized for manufacturer brands are being replaced by new complex chains serving both manufacturer brands and private label products. Some manufacturers are actively working against this development while others wholeheartedly support it. There are also instances where manufacturers have adapted to this new environment to such an extent that they use unbranded products (that later becomes private label products) to increase market shares in local markets even though their manufacturer brand is already present on those markets (Interview set 1, 2013). This development has been spearheaded by higher tier products as dualistic supply chains often result in higher costs. To understand this strategy interviews have been conducted with Swedish system integrators of notebook and desktop computers.

From an academic standpoint the main issue was related to the fact that previous studies were mostly focused on FMCG. A method better adapted for electronics has to be adopted. Moreover, the consequences of e-tailing as opposed to retailing should be discerned.

To the author this study has a two-fold purpose. First, the author is motivated by the need to conduct studies necessary to write a thesis. Second, the author is involved in the day-to-day business of Nexco, a Swedish System Integrator of computer laptops. Nexco supplies e-tailers with laptops that are sold as private labels. Hence, the data gathered and conclusions made in this thesis are relevant to the firm and its partners.

The relationship with Nexco has improved the authors ability to attain information and reach key persons that otherwise would have been unavailable. Moreover, Nexco is at the center of the supply chain which means the authors has frequent communication with both manufacturers and e-tailers. Additionally, Nexco has its own e-store and service center so the author communicates with end-customers on a daily basis. On the downside, there is a risk of myopia thinking and a lack of fresh perspectives. There is also a risk of bias towards private labels as findings indicating the success of private labels can be used as sales arguments for

Nexco. Manufacturer brands are also the typical competitors to Nexco, with other system integrators coming in as a distant second. To counteract the risk of bias the author has applied statistical procedures, explained in the thesis, based on literature and had the method checked by the tutor and students at the Stockholm School of Economics.

3.2 Research Design

The thesis has adopted an abductive approach. The choice was based upon the fact that the metrics used are based on existing theory and findings will later improve on the original framework (Bryman, Bell, 2007). In order to produce a thesis that meets the requirements of generalization a quantitative approach was adopted for the main study. As the core knowledge of the studied phenomenon was gathered from practitioners using qualitative methods, generalizations of these findings through statistical analysis are preferred. Such generalizations benefit highly from a quantitative approach (Bryman, Bell, 2007).

Moreover, the use of an open-minded approach to cause-and-effect is being applied as the causality of empirical evidence would be hard to determine. In accordance with theory (*Chapter 2*), there would be limited use in measuring causality as the relationship between the e-tailer brand and the private label most likely is of a dualistic nature. The private label is affected by the e-tailer brand but at the same time the reverse is true. When causal relationships are examined it will be done through complementary studies. These will be of qualitative nature due to their ability to provide contextual data and information about human behavior (Guba, and Lincoln, 1994).

In conclusion, this thesis, in terms of data research and analysis approach, will not purely make use of a qualitative or quantitative approach. Instead each method will be used where it is most suitable. Qualitative research will first be used in a preparatory stage that consequently will guide quantitative research, for example to frame the questions in the surveys later used in the quantitative research. Qualitative research will then once again be applied to explore and understand the results of the quantitative data.

3.3 Preparatory Work

In preparation of the main study the following pre-studies were conducted. (i) Selection of representative electronics products, (ii) Selection of e-tailer store brands (iii) Test of general knowledge of private labels.

3.3.1 Pre-study (i): Selection of Representative Electronics Products

The common tongue definition of electronics products is a broad concept which calls for a need to define certain products to allow deeper analysis. Pre-study (i) was made with the purpose to identify three product categories that represented different levels along the involvement axis (Winter, Rossiter 1989, Rossiter, Percy et al. 1991). This was necessary to study the propensity to buy with regard to different product types (*see Section 2.2.6*)

The following products were chosen by the author: USB-memory sticks as low involvement products, headsets as medium involvement products and computers as high involvement products. These three products categories were then tested by a survey distributed on public transportation, public areas and on the Internet website Sweclockers. Sweclockers is Sweden's largest (in terms of visitors) news portal for computers and hardware. Questions measuring time spent on the purchase, importance to the customer and involvement level were used to gauge involvement levels for the three goods. The questions were:

- How much time are you willing to spend when you buy…?
- How important are … purchases for you?
- How involved are you in your … purchase?

The survey used a Likert Scale ranging from 1 to 7 with bipolar labels and equal numerical distances where the choice representing low-involvement was placed to the left and was represented by the number (1) and the choice representing high-involvement was placed to the right representing the number (7) (Malhotra, Birks, 2007, Söderlund, 2005).

Cronbach's alpha was used to test internal consistency between the three questions. An alpha of 0.801 indicates an acceptable level of consistency. An index of the scores from the three questions will therefore represent the level of involvement.

This pre-study questionnaire was completed by 36 respondents. As seen in *Table 2*, the three product categories were acceptable as representations of low, medium and high involvement purchases.

Level of Involvement		
	Mean	Standard Deviation
USB-memory sticks	1.34	0.58
Headsets	4.27	1.01
Computers	6.32	0.73

Table 2 – Pre-study (i) findings

Conclusion: *USB-memory sticks, headsets and computers may be used as representations of product categories.*

3.3.2 Pre-study (ii): Selection of E-tailer Store Brands

To achieve main study results that were accepted by the central limit theorem (>30 respondents per store) a limitation to the number of store brands included in the study had to be made. The stores also had to be well-known for the respondents to be able to answer the main study questionnaire in a satisfactory way.

The selection of store brands was done using the same survey as pre-study (i) and thus the same sampling process was used. Respondents were asked to name up to five e-tailers of their choice. Variations between the Sweclockers sample and the public area and transportation sample could be discerned. The author theorizes that this is related to the top-of-mind method and store image. For example, CDON had a much higher recall rate among Sweclockers respondents probably due to marketing. It is probable that in the eyes of the public area and transportation sample CDON is still viewed as a music related e-tailer and thus has a lower recall rate. Moreover, the recall rate was close to 90 percent for all the top five e-tailers in the Sweclockers sample. The following five e-tailers had the highest brand recall.

Brand Recall of E-tailers	
	Recall rate
Dustin	85%
Komplett	66%
Webhallen	64%
CDON	24%
Inet	21%

Table 3 – Pre-study (ii) findings

These results were based on the public area and transportation part of the sample.

All five e-tailers were assumed by the author to be market leaders. As the thesis studies would benefit from a nuanced view the author added the e-tailer Pixmania as an option in the main study. Pixmania is, by the author, the presumed most well-known foreign brand with a reputation of focusing on price at the expense of service and customer support (Interview set 1, 2013). The author theorizes that Pixmania will have significantly different results in regard to the top five e-tailers.

Conclusion*: The main study sample has to be knowledgeable.*

3.3.3 Pre-study (iii): Testing the Population for Brand Knowledge of Private Labels in the Electronics Industry

Convenience sample tests showed that there was a risk of respondents not knowing anything about store brands and private labels in the electronics industry due to lack of familiarity and interest. In order for the main-study to yield useful findings the respondents have to be knowledgeable about the electronics industry and have perceptions about brand image. If brand knowledge is too low, respondents may be reluctant to express their opinion of a private label. E.g. the respondent may have recognized Dustin as an e-tailer but have only vague opinions about the company. In test surveys they would rate the store brand but when transferring the associations to the private label they answered neutrally even though that may not have been their actual opinion (when pushing them in qualitative tests). The explanation given by the respondents was that they knew too little about the industry and the brands.

Consequently the decision was made to limit the sample to respondents with knowledge of the electronics industry. In order to test if respondents at public areas and transportation were knowledgeable enough they were asked to write positive and negative associations about three e-tailers of their choice. If they did not know anything about the e-tailers chosen or could not name three e-tailers they were deemed below the threshold level and not fit for the main-study sample.

Once again the same survey was used as in pre-study (i).

Knowledge of the Electronics Industry	
	Share of sample
Knowledgable	46%
Unknowledgeable	54%

Table 4 – Pre-study (iii) findings

Samples taken from public areas and public transports were deemed inappropriate for the main study due to the high proportion of unknowledgeables. Hence, the sample for the main study had to be found elsewhere.

This procedure can be criticized as it is possible to argue that a public area sample filtered for knowledgable respondents would have been better. This would decrease the risk of bias in terms of knowledge. On the other hand public area and transportation was limited to

Stockholm which would decrease the generalization of the survey findings. There was also a risk of getting too few respondents.

Conclusion*: The pre-study sampling procedure should not be used for the main study. A publically collected sample is not knowledgeable enough to yield useful results.*

3.4 Main Study

The purpose of the main study was to gather data that was relevant from a strategic perspective as represented by the research questions. Consequently respondents had to be demographically diversified in order for the data to be usable as studied e-tailers are active all over Sweden (Dahmström, 2005). Due to these requirements the study had to be comprehensive in order to cover the broad scope but at the same time yield a high number of responses as sub-groups were likely to be found. An online questionnaire in cooperation with a large Swedish e-tailer (Webhallen) was deemed to be the most practical solution. The questionnaire was distributed through Facebook, the e-tailer's website and Sweclockers, thus increasing the chance of attaining diversified respondents. This method ensured that the findings of pre-study (iii) were fulfilled as respondents were knowledgeable. Additionally, due to the points of distribution it is likely that respondents are either decision-makers or buyers (Spekman, Gronhaug 1986). To motivate respondents a competition with prizes worth approximately 20,000 SEK was integrated into the questionnaire. Each respondent had 30 words to propose a private label strategy for a product category of their choice. Responses that were completed under a specific time (too quickly) were deemed unreliable and excluded from the survey.

3.4.1 Quantitative Data Sampling

The data gathered was to represent the Swedish population and a large sample was required. The statistical computer program SPSS was to be used and consequently the sample size had to be large enough to allow the assumption of a normal distribution through the application of the central limit theorem. Preferably, the sample size would be large enough to allow any sub-group/sub-question to have a minimum of 30 observations. In total 1,069 responses were collected and 251 of these were discarded due to the time limit requirement (explained in *Section 3.4*).

The survey was distributed from April 12-25, 2013. The intention behind the long distribution period was to allow visitors (Webhallen e-store, Facebook, Sweclockers) a fair chance to

notice the survey. Otherwise there is a risk that super-enthusiasts visiting these sites daily become overrepresented (Interview set 1, 2013).

The sampling process of this thesis was dependent on the cooperation of an e-tailer. Naturally, this may have increased the risk of bias and skewness among respondents. However, one should keep in mind that this thesis studies e-tailing and thus it is debatable if this is a weakness. Similarly to FMCG studies using samples of supermarket customers this study should with intact credibility be able to use e-tailer customers as a sample.

3.4.2 The Questionnaire

The questionnaire totaled 23 questions excluding the competition and prize related questions used as incentive. The questions were divided into four categories: purchase behavior, attitude towards the store (e-tailer brand), attitude towards private labels and demographic questions. The questionnaire was written in Swedish and in simple language. Concepts and terminology were explained and structured in categories.

Closed questions were used as these questions are simpler to answer, code and analyze. Furthermore, closed questions tend to lead to a higher response rate (Dahmström, 2005). For the purpose of statistical analysis interval scale questions were chosen to be the main components of the questionnaire. A majority were Likert scales ranging from 1 to 7 with bipolar labels and equal numerical distances (Malhotra, Birks, 2007, Söderlund, 2005).
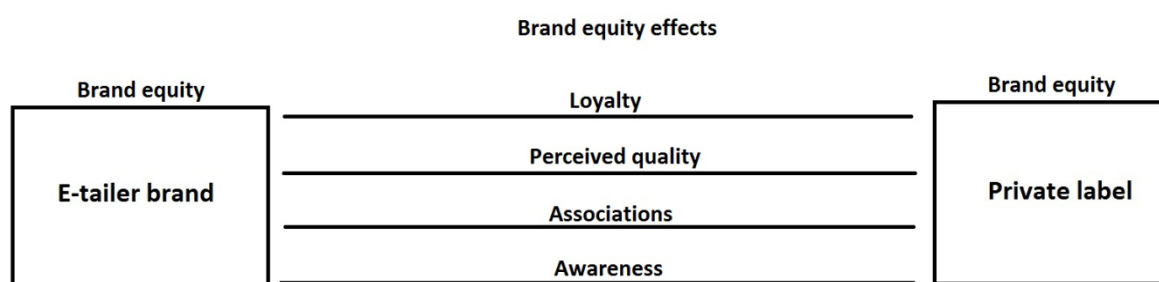
Figure 10 – The first brand equity relationship model

Loyalty: The most relevant measure of loyalty is the size of loyalty segments rather than aggregate measures of loyalty (Aaker 1996). In this thesis loyalty measures will include both extrinsic expressions (customer actions) and intrinsic expressions (what customers think). Subsequently, share of customers will be measured by the number of stores used for purchases and customer involvement will be measured by the attitude towards the e-tailer brand (Knox 1998).

Perceived quality: Perceived quality was studied by a self-evaluating question on how the respondents perceived private label quality in comparison to manufacturer brands. The respondents were given cues to align their frame of reference (Aaker 1996, Dawar, Parker 1994). This is important as perceived quality is a relative concept.

Associations: Associations were represented by price premium and perceived service level (Aaker 1996, Lassar, Mittal et al. 1995). The questions were of self-evaluating nature where respondents compared private labels to manufacturer brands. The questions were categorized by e-tailer brand, manufacturer brand and private label respectively.

Awareness: In the questionnaire awareness was measured by a dichotomous question asking if the respondent had ever heard of a private label electronics product. A nominal yes or no scale was used (Aaker 1996).

Products: As suggested by Martenson (2007) and others there is a chance that brand equity effects will differ between products (see *Section 2.2.6*). Products were classified as high, medium or low involvement (see pre-study 1).

Store: Stores were classified by frequency of visits. Support for this procedure is implied by Corstjens (2000). Respondents were asked to choose one store they frequently visited and one store they did not visit often from the list of stores in pre-study ii. As the survey was conducted in cooperation with Webhallen all respondents had to rate Webhallen regardless of their choice.

	Classification
Webhallen	Type A
"A store I often buy from"	Type B
"A store I rarely buy from"	Type C

Table 5 – Store classifications

Customers: Demographics were recorded for all respondents. These included gender, age and personal income.

3.4.3. Analytical Procedure

The data from the questionnaire was gathered utilizing the online survey service Qualtrics. Qualtrics offers graphical illustrations and allows data to be exported to other programs. The latter function was used to export the data to SPSS where statistical analyses were conducted.

The data was analyzed by comparing mean values. Depending on the nature of the data a one-sample t-test, independent samples t-test, paired sample t-test or a one-way anova was applied. The data was also checked for relevant correlation if appropriate. The hypotheses were accepted if the mean difference was found to be significant at a 1 percent significance level (unless otherwise stated). Once relationships had been confirmed these were explored further by adopting qualitative studies.

3.4.4 Qualitative Studies

To complement the quantitative studies qualitative studies were conducted in order to fill gaps and explore phenomena further. A qualitative approach has the advantage that it puts more attention to the subject's thoughts and views than a quantitative approach (Bryman, Bell, 2007). Two types of interviews, in-depth and mini-interviews, were conducted with product managers and customers. On average an in-depth interview was 40 minutes long. The mini-interviews, on the other hand, are defined as interviews that took place in the context of another purpose or very short interviews with a specific thesis-related topic. Typically these were made with representatives from manufacturers and e-tailers in conjunction with the daily business procedures of Nexco. The respondents of mini-interviews were not necessarily informed that the information they gave would contribute to this thesis.

The in-depth interviews were semi-structured, and the pace and length was entirely up to the interviewees. Nevertheless, the interviewer made sure all relevant aspects were covered, though not in any specific order or with specific emphasis. This decision was based on the fact that a semi-structured approach is more valuable when there already is a clear focus of the research (Bryman, Bell, 2007).

A factor that made in-depth interviews more suitable than other qualitative methods was that some of the persons being interviewed knew each other from before and this could have led to biased answers (Boyce, Neale 2006). There were also more pressing concerns. Commonly, the persons interviewed were competitors or on the opposite ends of a negotiation table. In order to get credible responses, confidentiality and discretion had to take precedence. Thus focus groups and similar methods were not an option.

The customer interviews differed from the rest in that they had a specific purpose and structure. The primary topic of the customer interviews was brand associations and the connection between the corporate brand and the private label. Customers were asked to portray each private label in terms of brand associations. The associations could include

values such as fancy, trendy, environmentally-friendly, etc. The customers were then asked to do the same for the company (corporate brand) (Low, Lamb Jr 2000).

The following table provides an overview of the interviews conducted. Due to confidentiality the names and titles of the interviewees are not included. The interviews are divided into two sets. Set 1 contains interviews made before the main-study, mainly for the pre-study and thesis topic generation. Set 2 contains interviews made to complement the findings from the questionnaire. Due to confidentiality, references are made to the interview sets rather than to individual interviews.

Date	Company	Type	Expertise	No. of in-depth interviews	No. of mini-interviews
N/A	CDON	E-tailer	Purchasing & sales	0	2
2013-03-19	Dustin	E-tailer	Sales & marketing	1	1
2013-03-18	Inet	E-tailer	Store sales	1	0
N/A	Webhallen	E-tailer	Purchasing & sales	0	3
2013-02-10 2013-03-21	Nexco	E-tailer & System integrator	Management	2	3
N/A	Fortune Technology	E-tailer & System Integrator	Management	0	1
2013-03-08	Tronic5	E-tailer & System integrator	Management & Private labels	1	0
N/A	Hawkforce	Niche e-tailer	Management	0	1
2013-03-07	Clevo	Manufacturer	Sales, marketing & management	1	2
N/A	MSI	Manufacturer	Sales & marketing	0	1
N/A	ALSO	Distributor	Sales	0	2
N/A	Tech Data	Distributor	Sales	0	1
N/A	Prisjakt	Price Search Engines	Partner relations	0	1

Table 6 – Interview set 1

Date	Company	Type	Expertise	No. of in-depth interviews	No. of mini-interviews
N/A	CDON	E-tailer	Purchasing & sales	0	1
N/A	Dustin	E-tailer	Sales & marketing	0	1
N/A	Webhallen	E-tailer	Purchasing	0	2
2013-04-29	Nexco	E-tailer & System Integrator	Management & service	2	1
2013-05-02	Tronic5	E-tailer & System Integrator	Management & Private labels	1	2
N/A	Dreamhack	Events	Partner relations & E-sport	0	2
N/A	Micron	Manufacturer	Sales	0	2
N/A	N/A	Customer	N/A	5	0

Table 7 – Interview set 2

3.5 Quality of Research

The evaluation of the quality of research can be divided into two steps, the validity and the reliability (Yin, 2003).

Research is said to have high reliability when the results can be seen as a correct representation of a whole population and when the results are reliable over time. The latter is less important when exploring dynamic constructs (Malhotra, Birks, 2007). Moreover, reliability is attained when research can be performed a second time and yield identical results. In other words the results should be replicable (Golafshani, 2003).

High validity is attained when the research measures its intended construct(s) and also depends on how genuine the results are (Golafshani, 2003). This thesis depends on findings from both quantitative and qualitative research so in order to assess the quality of research both the quantitative and the qualitative research needs to be evaluated.

3.5.1 Reliability

Quantitative research is evaluated in terms of *internal reliability* (are indicators measuring the same phenomenon?) and *stability* (are the results stable over time?).

Qualitative research is evaluated by *dependability* (are the findings likely to apply to other points in time?).

Quantitative studies: *Internal reliability* was not a problem as multi-item measures were not used except in the pre-studies. This did on the other hand cause problems with validity, as will be discussed later.

Mechanisms to improve *stability* have not been implemented in the main study. The author is of the opinion that the only practical way to test stability, having respondents redo the survey, would be pointless. First and foremost, time constraints did not allow another questionnaire to be distributed at a later time. Secondly, it would be expensive to create an incentive for respondents to redo the questionnaire and even if successful the respondents would probably be biased from the first time they responded. Third, as private labels in electronics e-tailing are shifting rather quickly the context in which the second survey is done would not be the same.

Qualitative studies: Dependability was upheld by regular sessions with the author's tutor. Moreover, the author's association with Nexco and its sponsorship of the main-study has allowed peers to review the on-going work. Consultation with Nexco representatives was also available on a regular basis.

3.5.2 Validity
Research should have both high internal and external validity (Malhotra, Birks, 2007).

Quantitative research is evaluated by *internal validity* (are we measuring the right phenomenon?). Malhotra and Birks (2007) emphasize the need to ensure that the hypotheses indeed represent the intended independent and dependent variables.

Qualitative research is evaluated by *credibility* (how believable are the findings?), *transferability* (Do the findings apply to other contexts?) and *confirmability* (has the investigator allowed his or her values to intrude?) (Bryman, Bell 2007).

Quantitative: Internal validity was enforced by pre-studies ensuring that the correct respondents, products and stores were represented in the main study. A presumed weakness is the lack of multi-item measures (Bryman, Bell 2007). The qualitative interviews from interview set 2 were conducted with a secondary purpose to validate the findings of the questionnaire.

Qualitative: The greatest challenge to validity from a qualitative standpoint was to attain a high level of credibility. The persons being interviewed had to be comfortable with expressing honest opinions. This issue was emphasized by the fact that the author is associated with Nexco and has business relationships with some of the interviewees. Before agreeing most interviewees requested confidentiality to their responses. Some respondents declined even though there was a confidentiality procedure in effect. This would admittedly lower the level

of validity as second-best sources had to be used. On the other hand, it is probable that some interviewees became more helpful and motivated due to this business relationship. Instead of just sharing information with a student they collected a favor from a business partner.

While the authors associations may have caused complications in terms of credibility it did on the other hand improve transferability. Qualitative research was made from within an industrial environment with an understanding of the relationships and processes of the business. As a result, research is expected to be more generalizable than if it would have been conducted by an outsider.

Finally, it should be noted that the author has incentives to identify positive relationships and find support for the hypotheses as it would benefit Nexco. Hence, the author is arguably biased towards positive relationships. On the other hand, confirmability will be improved for the same reason. Due to the implications this thesis has for practitioners, findings may be incorporated into the operations of interviewed respondents. At that time the confirmability of the results can be evaluated.

4. Results and Analysis

In this chapter the results and analysis will be presented. The results of the quantitative study will be discussed followed by the qualitative results.

4.1 The Quantitative Study

This section will begin by presenting general results that facilitate the interpretation of the brand equity related findings that are to follow. Brand equity findings will be presented in accordance with the descriptive model (*see section 2.3*) and in the end of each section the author will conclude by approving or disapproving the proposed hypotheses.

4.1.1 General Results

The e-tailer brands were rated in the following order (*table 8*).

Brand	Picked as store type B	Reputation as store type B	Picked as store type C	Reputation as store type C	Weighted reputation
Dustin	12.25%	5.99	16.69%	3.88	**4.77**
Inet	24.64%	6.12	10.69%	4.38	**5.59**
Komplett	31.29%	5.75	16.43%	4.30	**5.25**
CDON	30.90%	5.84	22.03%	3.68	**4.94**
Pixmania	0.91%	4.86	34.16%	2.58	**2.64**
Webhallen	N/A	N/A	N/A	N/A	**6.52**

Table 8 – Summary of e-tailer ratings

The store types were rated as shown in table 9.

Store type	Reputation
Type A[1]	6.52
Type B[2]	5.89
Type C[3]	3.51

Table 9 – Reputation per store type

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[1] Webhallen

[2] "A store I often buy from"

[3] "A store I rarely buy from"

Webhallen has the best reputation of all e-tailers (6.52). There are two possible explanations for this. A. Webhallen has indeed the best reputation or B. Respondents are biased towards Webhallen because of the sampling procedure.

It was found that Webhallen (type A) was consistently rated higher than type B stores. To ensure a high level of reliability to this study the type A store will be excluded as a reference for hypothesis conclusion when different types of stores are compared to each other.

The characteristics of the type A store can be found in table 10.

Characteristic	Mean
Price	5.89
Service	6.26
Quality of goods	6.43
Size of assortment	6.21
Delivery	6.26

Table 10 – Store type A characteristics

4.1.2 Loyalty

Hypothesis 1a states that customer loyalty is positively related to the brand equity of private labels.

Brand loyalty was measured by *the number of stores used for purchases* and *the attitude towards the e-tailer brand*. The statistical analyses were made separately as a two-way ANOVA did not indicate significant interaction (p=0.086) (Multid, 2013). This indicated that the number of stores used for purchases did not have any significant impact on the effect attitude towards the e-tailer brand had on private label equity and vice versa.

Number of stores used for purchases: A one-way ANOVA test showed small but significant differences between groups but post-hoc Scheffe tests could not discern any differences between pairs. On the other hand, independent sample T-tests were able to detect significant differences between some pairs which led the author to accept the results of the ANOVA.

Number of stores used for purchases
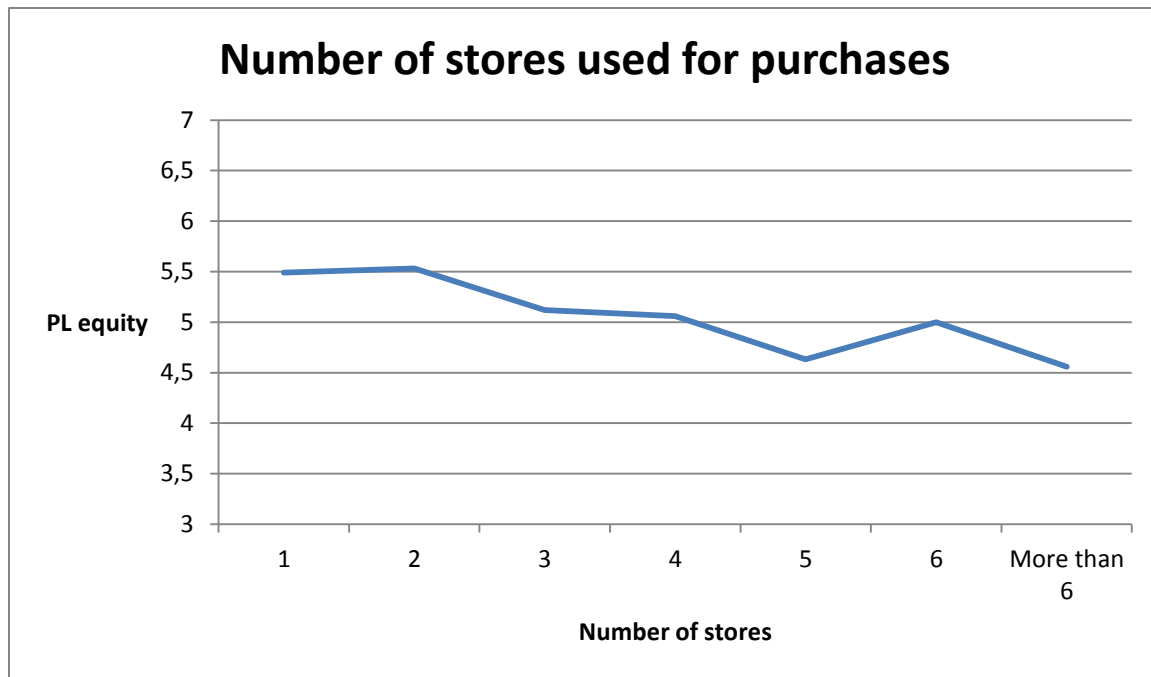
Figure 11 – Plot: Number of stores

Given the results of the ANOVA are accepted (enforced by the T-tests) the mean plot (*figure 11*) would represent the link (with significant mean differences) between private label equity and the number of stores used for purchases. Additionally, the ANOVA test estimated that the number of stores used for purchases only predicts 3.5% of the variability in private label equity.

Attitude towards the e-tailer brand: A one-way ANOVA test showed significant differences between groups and one pair with significant differences was identified. ANOVA declared that attitude towards the e-tailer brand predicts 11.5% of the variability in private label equity. With support of the ANOVA and illustrated by the mean plot (*figure 12*) the author concludes that there is a positive relationship between attitude towards the e-tailer brand and private label equity.

Attitude towards the e-tailer brand
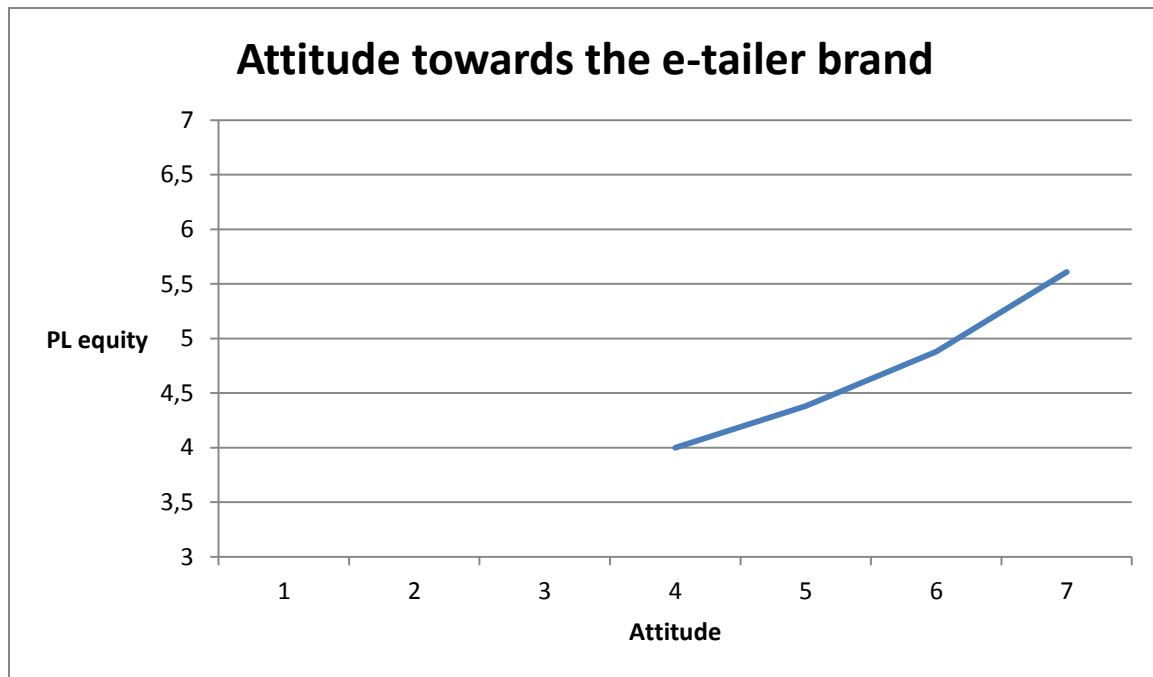
Figure 12 – Plot: Attitude towards the e-tailer brand

Diamond of loyalty:

The statistical tests showed that attitude towards the e-tailer brand was by far the most influential factor. This concludes that for practitioners it is more important to identify and grow the segments loyals and variety seekers with the loyals being slightly more favourable.
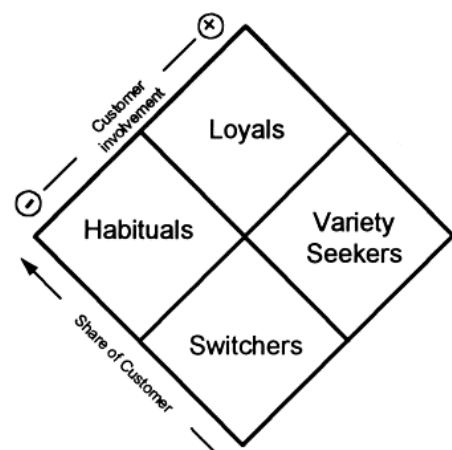
Figure 13 – The diamond of loyalty

H1. Customer loyalty is positively related to the brand equity of private labels

Supported

4.1.3 Perceived Quality

Hypothesis 2a proposes that perceived quality is positively associated with the corporate brand.

Perceived product quality and corporate brand attitude were tested for a relationship using a Pearson Correlation. R=0.613 and p=0.01 are assumed to indicate a positive relationship.

H2a. Perceived product quality is positively associated with the corporate brand

Supported

Hypothesis 2b states that private labels have higher perceived quality than manufacturer brands.

When asking respondents about their attitude towards private labels the mean was found to be 4.52 resulting in a 0.52 difference compared to the neutral value 4.00. The difference was significant at a 1% significance level.

H2b. Private labels have higher perceived quality than manufacturer brands

Supported

This result can be analyzed and broken down per store type.

Store type	Perceived quality	Mean difference	Significance
Type A	5.43	1.43	1%
Type B	4.80	0.80	1%
Type C	3.65	-0.35	1%

Table 11 – Perceived quality per store type

The results indicate that even though private labels are generally perceived to represent higher quality than manufacturer brands this is not true for all types of stores.

4.1.4 Associations

Hypothesis 3a states that private labels have higher price premium than manufacturer brands and hyphothesis 3b states that private labels have a higher perceived service level than manufacturer brands.

Associations were represented by expected service level and willingness to pay more/less. The questions were categorized by e-tailer brand, manufacturer brand and private label respectively.

Price premium: When asking respondents about price premiums (willingness to pay more/less) the mean difference was found to be -0.021 (mean 3.98) compared to the mean the neutral value of 4.00. The results were not significant (p=0.67).

H3a. Private labels have higher price premium than manufacturer brands

$\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad$ ***Not supported***

The results have also been analyzed and broken down per store type.

Store type	Price premium	Mean difference	Significance
Type A	4.25	0.25	1%
Type B	3.72	-0.28	1%
Type C	2.91	-1.89	1%

Table 12 – Price premium per store type

It can be discerned that the willingness to pay more/less depends on the type of store. Hence, the author concludes that store reputation (*see table 9*) affects the price premium factor. The private label of a store with a very good reputation will benefit from the price premium factor whereas a low reputation store will suffer. The threshold point is located somewhere between the type A store (Reputation mean 6.52) and the type B store (Reputation mean 5.89).

Expected service level: The expected service level had a mean difference of 0.87 (mean 4.87) compared to the neutral value of 4. The difference was significant at a 1% significance level.

H3b. Private labels have a higher perceived service level than manufacturer brands

Supported

The results have been analyzed and broken down per store type.

Store type	Service level	Mean difference	Significance
Type A	5.26	1.62	1%
Type B	4.89	0.89	1%
Type C	3.71	-0.29	1%

Table 13 – Service level per store type

Similarly to willingness to pay, the service factor also depends on the type of store. Hence, the author concludes that store reputation (*see table 9*) affects the service factor. The private label of a store with a good reputation will benefit from the service factor whereas a low reputation store will suffer. The threshold point is located somewhere between the type B store (Reputation mean 5.89) and the type C store (Reputation mean 3.51).

Conclusion: The results have been summarized in table 14.

Store type	Price premium difference	Service level difference
Type A	0.25	1.62
Type B	-0.28	0.89
Type C	-1.89	-0.29

Table 14 – Summary of price premium and service level differences per store type

Three conclusions can be made. First, the service level expectations are not complemented by equal price premium differences. Customers perceive private labels to have better service but

do not want to pay accordingly. Second, type C stores should be cautious as customers expect to pay less and also perceive the private label to offer low service. Third, as price premium is lower for private labels regardless of store type (A is not used for conclusions) higher revenue may only be achieved by increasing sales volume.

4.1.5 Awareness

In the questionnaire awareness was measured by a dichotomous question asking if the respondents were familiar with private label electronics products. The results were compared to the overall attitude towards private label products in consumer electronics. If awareness has a positive impact on attitude as is proposed by theory then respondents that have heard of electronics private labels should rate private label attitude higher than respondents that have not heard of electronics private labels.

The mean difference was found to be 0.23 (aware=5.43, not aware=5.2). The results were significant (p=0.022).

H4. Aware customers have higher private label attitude than non-aware customers
$$\textbf{\textit{Supported}}$$

4.1.6 Practitioners Inquiry

Propensity to Buy

Propensity to buy was used to evaluate differences between low, medium and high involvement products. To improve the analysis the results were categorized by store type.

Product types	Store type	Propensity to buy (difference)	Significant (5%)
Low vs. High	Type A	0.01	No
Low vs. Medium	Type A	0.77	Yes
Medium vs. High	Type A	-0.71	Yes
Low vs. High	Type B	0.05	No
Low vs. Medium	Type B	0.65	Yes
Medium vs. High	Type B	-0.55	Yes
Low vs. High	Type C	0.18	Yes
Low vs. Medium	Type C	0.26	Yes
Medium vs. High	Type C	-0.09	Yes

Table 15 – Propensity to buy per product type

The results showed that medium-involvement products are less popular as private labels products. In accordance, it is concluded that there is a connection to involvement but the relationship is not linear. Moreover, it is also concluded that for less popular stores it is advantageous to sell low-involvement products. However, as shown previously this difference is offset by the general advantage a type B store has over a type C store. E.g. a type C store selling private label memory sticks would still be outcompeted by a type B store which did the same.

H5a. The propensity to buy private label products is higher for high-involvement products
Not supported

H5b. The propensity to buy private label products is higher for low-involvement products
Not supported

4.2 The Qualitative Study

4.2.1 Brand Associations

To explore brand associations and the connection between the corporate brand and the private label five customers were interviewed. The interviewees were asked to mention any associations they had to the private label and then do the same for the corporate brand.

Three major findings were discovered. First, associations to the corporate brand were more numerous than for private labels. On average 50% of the associations found in the corporate brand were also found in the private label. In addition, 20% of the associations to private labels were unique, with the corresponding number 50% for the corporate brand. This concludes that customer associations attach more frequently to the corporate brand. Additionally, as 50% of the associations to the corporate brand were developed independently from the private label whereas the reverse relationship only amounted to 20% it is probable that the directional relationship corporate brand-private label is stronger than the reverse. The second major discovery relates to the 20% unique associations to private labels. A portion of them seemed to originate from the brand category rather than the private label itself. E.g. China and old-school design were commonly mentioned. Third, the unique private label associations that were not influenced by brand category may be assumed to be the outcome of private label positioning. For example, there were cases where the CDON private label was associated with gaming even though the corporate brand was not. Similarly, the CDON corporate brand is not targeting gamers uniquely whereas the private label does.

To conclude, evidence suggests that the corporate brand and private labels are interconnected thus implying a strong branded house effect. However, there are cases where separate associations may be built which implies that a house of brands structure is possible. The author concludes that more research needs to be done on the subject.

H3c. Corporate brand and private label associations are interconnected
                                                            Inconclusive

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4.3 Hypothesis conclusion

Brand equity	Hypothesis	Conclusion
Loyalty	H1. Customer loyalty is positively related to the brand equity of private labels	Supported
Perceived quality	H2a. Perceived product quality is positively associated with the corporate brand	Supported
	H2b. Private labels have higher perceived quality than manufacturer brands	Supported
Associations	H3a. Private labels have higher price premium than manufacturer brands	Not supported
	H3b. Private labels have a higher perceived service level than manufacturer brands	Supported
	H3c. Corporate brand and private label associations are interconnected	Inconclusive
Awareness	H4. Aware customers have higher private label attitude than non-aware customers	Supported
Practitioner's request / Total brand equity	H5a. The propensity to buy private label products is higher for high-involvement products	Not supported
	H5b. The propensity to buy private label products is higher for low-involvement products	Not supported

Table 16 – Hypotheses conclusions

Brand equity	Hypothesis	Conclusion	Contributes to purpose
Loyalty	H1.	Supported	2
Perceived quality	H2a.	Supported	2
	H2b.	Supported	1 & 2
	H3a.	Not supported	1 & 2
	H3b.	Supported	1 & 2
Associations	H3c.	Inconclusive	1 & 2
Awareness	H4.	Supported	2
Practitioner's request / Total brand equity	H5a.	Not supported	2
	H5b.	Not supported	2

Table 17– Hypotheses contributions

5. Discussion

Most private label research has been focused on FMCG. Some authors have attempted to transform the vast knowledge from this research area and apply it to other industries. The Swedish electronics industry is not among these industries and a driver behind this study was the need for knowledge, expressed by practitioners. It is believed that this study may be the only one of its kind to study the Swedish market and private labels under the premises of e-tailing.

5.1 Brand Equity Effects

One of the purposes with this thesis is to find empirical support for the descriptive model. Findings will be incorporated into the framework and prove or disapprove assumptions based on theory. Each of the descriptive factors will be discussed in order to refine the metric.

5.1.1 Loyalty

Loyalty of customers was found to positively affect private label equity. Two factors were proposed, *customer involvement* and *share of customers* (Lassar, Mittal et al. 1995). Of these two customer involvement proved to be of greater importance than share of customers. Results indicate that the use of only one factor of loyalty would slightly decrease the accuracy of the loyalty measure. Aker (1996) states that the need for simplicity and adaption to the context should take precedence over theoretical frameworks. In line with this argument the author proposes that customer involvement is sufficient to describe loyalty in the descriptive model. As an extension to this proposition there would henceforth be no need to categorize customers into loyalty segments based on two dimensions using the diamond of loyalty model (Lassar, Mittal et al. 1995).

Descriptive model metric: Customer involvement

5.1.2 Perceived Quality

Perceived product quality was found to be positively associated with the corporate brand, which was suggested by Babakus, Beinstock et. al. (2004). To the joy of products managers this finding confirms that quality is indeed transferrable which will improve the likelihood of private labels achieving higher brand equity than manufacturer brands. Moreover, this notion was confirmed in the study as the perceived quality of private labels was higher than for manufacturer brands. This is quite the opposite from what has previously been observed in FMCG industries (Collins-Dodd, Lindley 2003, Martos-Partal, González-Benito 2011). The

results also contradict the belief that private label quality may exceed manufacturer brand quality only in individual segments but never in the market as a whole (Dunn, Murphy et al. 1986). Although perceived higher quality is commonly associated with premium private labels (Szymanowski, Gijsbrechts 2012) it would be incorrect to classify electronics e-tailing as one large premium segment. This is concluded by the varying results of perceived quality within the industry. In the study perceived quality was found to be dependent upon the e-tailer brand where strong e-tailer brands with good reputation enjoyed higher perceived quality. For weak e-tailers there were slightly negative results which conclude that weak e-tailers should probably keep to manufacturer brands.

Descriptive model metric: Perceived quality

5.1.3 Associations

Brand value was tested by price premium and expected service level. Results indicated that private labels would have a hard time leveraging themselves through price. Even type B stores suffered from negative price premium effects. These results are in line with Martos-Partal, Gonzales-Benito (2011) who mean that most private labels should not leverage price. At the same time the results contradicts other studies advocating that private labels may indeed leverage price premium (Baltas 1997, Yelkur 2000). In terms of service expectations private labels scored higher than manufacturer brands with the exception of type C stores. These results were unexpected as FMCG industries usually portray worse service levels for private labels (Szymanowski, Gijsbrechts 2012). In conclusion it can be said that strong e-tailer brands enjoy the benefits of perceived better service but cannot charge their customers for it. Adopting the perspective of Aaker (1996) and his price premium method as an overall measure of brand equity this result makes no sense as price premium should be a reflection of brand equity, and the results indicate the reverse. However, this situation was accounted for by Ailawadi, Neslin (2004). As previously mentioned they advocate the revenue premium method which also captures sales volume. In this scenario, even though price premium is lower the perceived quality and service level might have increased sales volume thus resulting in higher revenue. Higher revenue would mean higher brand equity and a model fit. Evaluating the results from the revenue premium method was outside the scope of this thesis and no conclusion can be made as to the revenue effects.

In terms of brand associations the results were inconclusive. A probable connection between the corporate brand and the private label exists in the empirical data and is also suggested by Keller (1993). It is also likely that this relationship is stronger in the direction corporate brand-private label than the reverse, which is supported by previous research (Kotler, Keller et al. 2009, Muzellec, Lambkin 2009). A majority of the private labels associations were shared by the corporate brand which might indicate a branded house relationship (Martenson 2007, Muzellec, Lambkin 2009). Of the remaining associations some were linked to the brand category. Only a small part of the associations were unique to the private label. The author theorizes that the results might have been caused by the youth of private labels in electronics e-tailing.

All in all, the author concludes that service level does relate to brand equity but cannot make any conclusions regarding the other dimensions of brand association.

Descriptive model metric: Service and brand associations (inconclusive)

5.1.4 Awareness

Awareness was compared to overall brand attitude towards private label products. As advocated by Aaker (1996) aware respondent rated overall private label attitude more favorably than unaware respondents. This concludes that awareness has an impact on brand equity. However, Lassar (1995) remarks that awareness may not be a suitable factor as awareness acts as a vessel for other factors. Being aware, per definition, means there is an opinion of other factors, else you are not aware. The brand equity value lies in these factors and not awareness itself. It is outside the scope of this thesis to empirically explore the differences between these two concepts of awareness.

A weakness of this study is that brand awareness is measured on a dichotomous scale. As a consequence it is not possible to study brand salience which needs an interval scale. Brand salience is a concept different from both Aaker (1996) and Lassar (1995) and refers to which brands consumers think about rather than what they think (Miller, Berry 1998). The promoters of brand salience mean that brand salience is the driver behind advertising and not brand attitude. While the issue is academic and not empirical the managerial implications differ depending on which view that is adopted. If brand salience is accepted as the driver then

developing advertising that is intrusive or entertaining would be more important than finding a correct strategic positioning and successfully convey it (Miller, Berry 1998).

To conclude, this study shows that there is an impact of awareness but the data is inconclusive as to why.

Descriptive model metric: Awareness (recall)

5.2 Conclusion

This thesis contributes to academia twofold. First, it examines the brand equity of private labels and manufacturer brands in the context of electronics e-tailing. Second, given this context an empirically tested model for brand equity effects is produced.

5.2.1 Successful private labels have higher brand equity than manufacturer brands

This thesis explored four dimensions of brand equity. Two of them; perceived quality and associations, were tested for differences between private labels and manufacturer brands. Both showed significant results in favor of the private label. These results were unexpected as manufacturer brands are generally perceived to be stronger than private labels (Stavad Mortensen, 2007, Quelch, Harding 1996). A majority of researchers agree that certain private label segments may achieve stronger brand equity (Martos-Partal, González-Benito 2011, Szymanowski, Gijsbrechts 2012) but the findings of this thesis are rare as they imply that the default (industry-wide) brand equity is higher for private labels than for manufacturer brands.

5.2.2 A descriptive model for private label equity and e-tailer brand equity

At the start of this thesis the author theorized that the following descriptive model would describe brand equity effects in the context of this study.

Brand equity effects

Brand equity		Brand equity
	Loyalty	
	Perceived quality	
E-tailer brand	Associations	**Private label**
	Awareness	
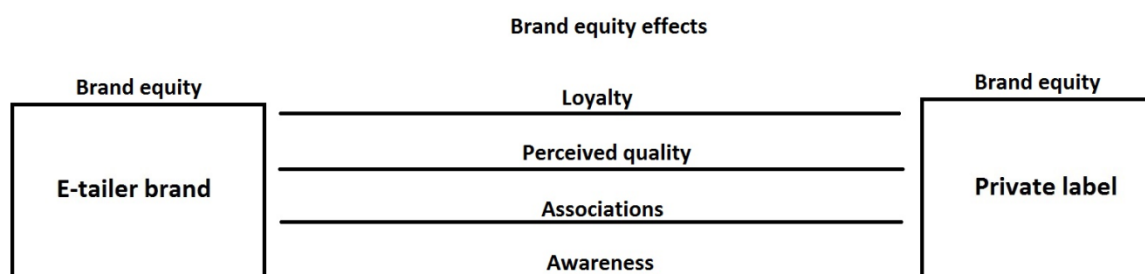
Figure 14 – The first brand equity relationship model

Since then three variables interacting with equity have been observed; first, the type of product, second, the type of store and third, the type of customers. In chapter 2.2.6 the type of

product was introduced as a possible variable. Each product may be classified as a low, medium or high involvement product. The same chapter also introduced the type of store, where successful stores are compared to unsuccessful ones. Finally, chapter 2.2.1 differentiated between types of customers where some consumers were considered more loyal than other. Empirical evidence suggests that all three variables impact the brand equity effects. Consequently, the original model is restructured to incorporate the findings of this thesis.
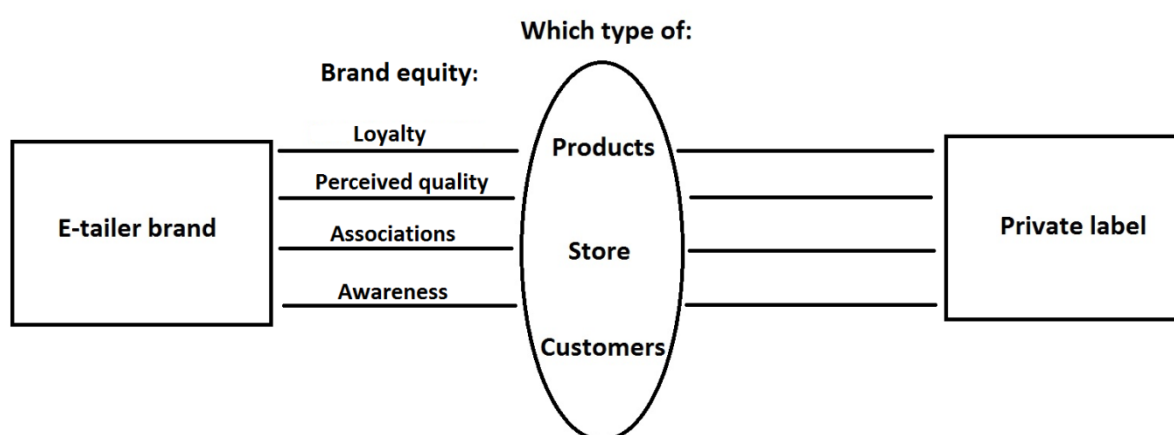
Figure 15 – The second brand equity relationship model

The descriptive model may be used as a guide to measure and understand brand equity and private labels in the context of electronics e-tailing. Relevant attributes are discussed and these should be examined when exploring this topic. That being said, this model is not exhaustive nor is it mathematic in its construct. Brand equity is more than the sum of its parts because the parts interact with each other in non-linear relationships. Hence, the author concludes that mathematic multi-attribute models where each attribute is individually weighted to provide an overall metric for brand equity will never be credible.

5.3 Managerial Implications

While working with this thesis practitioners and academics have come together to produce valuable and up-to date material. The author is proud to have been able to bridge the rift between academia and practitioners and suggests that the findings presented in this academic thesis will also be valuable for guiding practitioners in their line of logic and decision-making.

5.3.1 Marketing communication

E-tailers spend considerable amounts on marketing communication and branding each year. The vast majority of that money is spent on marketing manufacturer brands (Interview set 1, 2013, Interview set 2, 2013). Although the primary objective is to drive traffic to the website manufacturer brands are at the center of marketing communication. This has led to a symbiotic yet competitive relationship between e-tailers and manufacturers. To get their products covered in marketing communication manufacturers bid for marketing space. In practice this is done through bonus programs where e-tailers get an earmarked discount that has to be used for marketing communication expenditures of the manufacturer's products. Larger discounts lead to more frequent exposure.

With the rise of private labels there is now an alternative. Instead of sharing exposure with manufacturer brands it is now possible to put the private label at the center of marketing communication thus increasing the benefits for the e-tailer. At the same time it would also increase the cost of the e-tailer as no financial support is given by the manufacturer brand. Small e-tailers cannot carry this cost. The author theorizes that this will lead to an uneven distribution of private labels in favor of large e-tailers. It is possible that manufacturer brands will use coalitions of small e-tailers to maintain leverage.

Finally it should be noted that e-tailers are prone to focus more on manufacturer brands inside their shops and on private labels outside their shops. E-tailers give three reasons for this. A. E-tailers consider the shop free space that they get paid for. B. It is more important to expose the e-tailer brand to non-store users as it is not as well known. C. Traffic. A private label exposed outside the shop will only direct traffic to the e-tailer's own shop. A manufacturer brand might lead customers to other shops as well.

5.3.2 Private label or manufacturer brand

The findings in this thesis concluded that private label equity is higher for private labels than for manufacturer brands on average. Does this mean e-tailers should adopt private labels? Not necessarily. First, only the first driver of brand equity was explored. The supply-side was not explored (Goldfarb, Lu et al. 2009). Martenson (2007) mentions that profit margins, even though generally considered higher for private labels, could actually be lower once supply-side effects were taken into consideration. E.g. introducing private labels might lead to higher overhead costs, fluctuating stock levels, longer lead time etc. Second, the private label equity differed between e-tailers, products and customers and it was not always higher in regard to

manufacturer brands. Thus each e-tailer has to do an individual assessment of its position, products and customers before committing to private labels.

The study showed that strong e-tailers will benefit more from private labels than weak e-tailers. This result is in line with Martensson (2007) who found that the performance of the e-tailer brand is more important than the private labels. Moreover, the findings indicated that the benefits strong e-tailers reap are so significant in comparison to weak e-tailers that private labels should only be carried by e-tailers with good reputation. This differs from FMCG findings where private labels are relatively equally distributed throughout the market (Philipsen, Kolind 2012).

5.4 Limitations & suggestions for further research

The study of private labels and brand equity is a broad subject. Consequently, the author applied a general approach and explored only the presumed most essential parts based on literature. Findings were discussed without asserting cause and effect using empirical data. Instead conclusions as to the criteria of causality were discussed using theoretical rationality (Hair, Black et al. 2010). Unfortunately, as this may be the only study to explore private labels in the context of electronics e-tailing relevant literature was hard to come by. Instead, literature was borrowed from related fields of research.

The discovery that private labels have higher brand equity than manufacturer brands is a major finding of this thesis. At the same time the relationship is reverse in terms of price premium. As previously discussed, this indicates that price premium is not a suitable factor of brand equity as is proposed by most theoretical models. These results should be confirmed and explored in-depth before a definite conclusion can be made.

There are also other implications. Even though theoretical methods that allow brand equity to be higher regardless of price premium exist these methods refer to situations where the private label is a low segment contender, going for volume and low price. The findings of this thesis imply that the reverse private equity price premium relationship may be found across all segments, even premium products. As practitioners aim to create premium private labels under the impression that it increases price premium (Interview set 1, 2013) the implication that private label equity has a tendency to increase regardless of price premium is important. The author proposes that the mechanics of the high-involvement premium segment should be explored more in-depth to understand the cause of this relationship.

Another limitation of this study is the way the Rossiter-Percy grid was applied (Rossiter, Percy et al. 1991). In future research the impact of the type of motivation should be considered as it is possible that this factor may have a significant impact on brand equity effects (Wu 2007). E.g. headsets have both an informational ingredient, the quality of the sound, and a transformational ingredient, the design and brand associations.

Finally and most importantly, due to the complexity of the research topic this work should be considered as only one of many interpretations of brand equity and the relationship between the e-tailer brand and private label. The author maintains that this thesis has an edge because it was written in close partnership with practitioners and also customized for the electronics e-tailing context. Even so, readers are encouraged to study and incorporate other perspectives to provide a better understanding of the topic.

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Appendix I

In Swedish

Kundenkät Webhallen Facebook/Hemsida

Bäste kund, Vi på Webhallen jobbar ständigt med att förbättra din upplevelse som kund. En nödvändig ingrediens i denna process är information om hur våra kunder ser på marknaden. Ett nytillskott i vår strävan att bli bättre är introduktionen av vårt egna varumärke Webhallen Config. I samarbete med studenter på Handelshögskolan i Stockholm gör vi denna enkät för att undersöka hur du som kund ser på vår satsning. Enkäten tar ca. 5 minuter att genomföra exklusive tävlingsbidraget. Som tack för din medverkan har du chans att vinna fina priser. Tävlingen avslutas den 25:e april och vinnarna publiceras den 29:e april på Webhallens blogg. Obs. att endast seriöst ifyllda enkäter kommer kvalificeras för vinster.

Frågor om ditt köpbeteende

Hur ofta handlar du från Webhallen?

- ❍ Aldrig handlat hos dem (1)
- ❍ Mindre än 2 gånger per år (2)
- ❍ 2-6 gånger per år (3)
- ❍ 6-12 gånger per år (4)
- ❍ 12-18 gånger per år (5)
- ❍ 18-24 gånger per år (6)
- ❍ Mer än 24 gånger per år (7)

För majoriteten av dina elektronikinköp, hur många butiker brukar du handla ifrån? (Dvs. har du handlat en gång från en butik och den gången handlade du endast en sladd så räknas inte butiken)

- ❍ 1 (1)
- ❍ 2 (2)
- ❍ 3 (3)
- ❍ 4 (4)
- ❍ 5 (5)
- ❍ 6 (6)
- ❍ Fler än 6 (7)

Frågor om butiker/återförsäljare

Vad anser du om Webhallen?

	Dåligt (1)	2 (2)	3 (3)	4 (4)	5 (5)	6 (6)	Bra (7)
Pris (1)	○	○	○	○	○	○	○
Service (2)	○	○	○	○	○	○	○
Kvalitet på sortimentet - säljer varor av hög kvalitet (3)	○	○	○	○	○	○	○
Storlek på sortimentet (4)	○	○	○	○	○	○	○
Leverans (5)	○	○	○	○	○	○	○

Välj en av följande kedjor du OFTA handlar ifrån. (Kom ihåg ditt val)

- ○ Dustin (1)
- ○ Inet (2)
- ○ Komplett (3)
- ○ CDON (4)
- ○ Pixmania (5)

Vad anser du om den återförsäljaren?

	Dåligt (1)	2 (2)	3 (3)	4 (4)	5 (5)	6 (6)	Bra (7)
Pris (1)	O	O	O	O	O	O	O
Service (2)	O	O	O	O	O	O	O
Kvalitet på sortimentet - säljer varor av hög kvalitet (3)	O	O	O	O	O	O	O
Storlek på sortimentet (4)	O	O	O	O	O	O	O
Leverans (5)	O	O	O	O	O	O	O

Välj en av följande kedjor du SÄLLAN handlar ifrån. (Kom ihåg ditt val)

- O Dustin (1)
- O Inet (2)
- O Komplett (3)
- O CDON (4)
- O Pixmania (5)

Vad anser du om den återförsäljaren?

	Dåligt (1)	2 (2)	3 (3)	4 (4)	5 (5)	6 (6)	Bra (7)
Pris (1)	O	O	O	O	O	O	O
Service (2)	O	O	O	O	O	O	O
Kvalitet på sortimentet - säljer varor av hög kvalitet (3)	O	O	O	O	O	O	O
Storlek på sortimentet (4)	O	O	O	O	O	O	O
Leverans (5)	O	O	O	O	O	O	O

Frågor om butiken som helhet

Vad anser du om?

	Svagt varumärke (1)	2 (2)	3 (3)	4 (4)	5 (5)	6 (6)	Starkt varumärke (7)
Webhallen (1)	❍	❍	❍	❍	❍	❍	❍
Butiken du handlar OFTA hos (2)	❍	❍	❍	❍	❍	❍	❍
Butiken du handlar SÄLLAN hos (3)	❍	❍	❍	❍	❍	❍	❍

Frågor om egna märkesvaror s.k. private labels. Dessa är varumärken där butiken har valt att använda sitt eget märke på produkter. Ex. på egna varumärken är Eldorado, Euroshopper, Hemköp, Coop och Garant. Webhallen har flera private labels däribland Webhallen Config för stationära och bärbara datorer.

Min åsikt om private label-produkter gentemot vanliga produkter.

	1 (1)	2 (2)	3 (3)	4 (4)	5 (5)	6 (6)	7 (7)
Sämre kvalitet:Bättre kvalitet (1)	❍	❍	❍	❍	❍	❍	❍
Lägre pris:Högre pris (2)	❍	❍	❍	❍	❍	❍	❍
Sämre service:Bättre service (3)	❍	❍	❍	❍	❍	❍	❍
Mindre prisvärd:Mer prisvärd (4)	❍	❍	❍	❍	❍	❍	❍
Vill betala mindre:Villig att betala mer (5)	❍	❍	❍	❍	❍	❍	❍

Har du handlat private-label elektronikprodukter?

○ Ja (1)
○ Nej (2)

Min åsikt om private label-elektronikprodukter gentemot vanliga elektronikprodukter.

	1 (1)	2 (2)	3 (3)	4 (4)	5 (5)	6 (6)	7 (7)
Sämre kvalitet:Bättre kvalitet (1)	○	○	○	○	○	○	○
Lägre pris:Högre pris (2)	○	○	○	○	○	○	○
Sämre service:Bättre service (3)	○	○	○	○	○	○	○
Mindre prisvärd:Mer prisvärd (4)	○	○	○	○	○	○	○
Vill betala mindre:Villig att betala mer (5)	○	○	○	○	○	○	○

Vad tycker du om? (Har du aldrig hört talas om det företagets private label lämna raden tom)

	Svagt varumärke (1)	2 (2)	3 (3)	4 (4)	5 (5)	6 (6)	Starkt varumärke (7)
Webhallens private label? (1)	○	○	○	○	○	○	○
Butiken du handlar OFTA hos private label? (2)	○	○	○	○	○	○	○
Butiken du handlar SÄLLAN hos private label (3)	○	○	○	○	○	○	○

I de tre följande frågorna ska du använda dig av en referensprodukt. Tänk därför på en valfri produkt du har köpt eller kommer att köpa. Bestäm dig nu för vilket märke du hade köpt. Beskriv det märket. Mitt referensmärke har följande egenskaper.

	1 (1)	2 (2)	3 (3)	4 (4)	5 (5)	6 (6)	7 (7)
Kvalitet (1=låg kvalitet) (1)	○	○	○	○	○	○	○
Pris (1=lågt pris) (2)	○	○	○	○	○	○	○
Service (1=Dålig service) (3)	○	○	○	○	○	○	○
Prisvärdhet (4)	○	○	○	○	○	○	○

När jag handlar en private label-produkt från Webhallen förväntar jag mig (gentemot min referens).

	1 (1)	2 (2)	3 (3)	4 (4)	5 (5)	6 (6)	7 (7)
Sämre kvalitet:Bättre kvalitet (1)	○	○	○	○	○	○	○
Lägre pris:Högre pris (2)	○	○	○	○	○	○	○
Sämre service:Bättre service (3)	○	○	○	○	○	○	○
Mindre prisvärd:Mer prisvärd (4)	○	○	○	○	○	○	○
Vill betala mindre:Villig att betala mer (5)	○	○	○	○	○	○	○

När jag handlar en private label-produkt från butiken jag handlar OFTA hos förväntar jag mig (gentemot min referens).

	1 (1)	2 (2)	3 (3)	4 (4)	5 (5)	6 (6)	7 (7)
Sämre kvalitet:Bättre kvalitet (1)	○	○	○	○	○	○	○
Lägre pris:Högre pris (2)	○	○	○	○	○	○	○
Sämre service:Bättre service (3)	○	○	○	○	○	○	○
Mindre prisvärd:Mer prisvärd (4)	○	○	○	○	○	○	○
Vill betala mindre:Villig att betala mer (5)	○	○	○	○	○	○	○

När jag handlar en private label-produkt från butiken jag handlar SÄLLAN hos förväntar jag mig (gentemot min referens).

	1 (1)	2 (2)	3 (3)	4 (4)	5 (5)	6 (6)	7 (7)
Sämre kvalitet:Bättre kvalitet (1)	○	○	○	○	○	○	○
Lägre pris:Högre pris (2)	○	○	○	○	○	○	○
Sämre service:Bättre service (3)	○	○	○	○	○	○	○
Mindre prisvärd:Mer prisvärd (4)	○	○	○	○	○	○	○
Vill betala mindre:Villig att betala mer (5)	○	○	○	○	○	○	○

Om Webhallen och valda butiker börjar sälja USB-MINNEN under private label kommer jag överväga att inhandla ett sådan vid mitt nästa USB-minneinköp.

	Aldrig (1)	2 (2)	3 (3)	4 (4)	5 (5)	6 (6)	Definitivt (7)
Webhallens private label (1)	○	○	○	○	○	○	○
Butiken du handlar OFTA hos private label (2)	○	○	○	○	○	○	○
Butiken du handlar SÄLLAN hos private label (3)	○	○	○	○	○	○	○

Om Webhallen och valda butiker börjar sälja HEADSETS under private label kommer jag överväga att inhandla ett sådant vid mitt nästa headsetinköp.

	Aldrig (1)	2 (2)	3 (3)	4 (4)	5 (5)	6 (6)	Definitivt (7)
Webhallens private label (1)	○	○	○	○	○	○	○
Butiken du handlar OFTA hos private label (2)	○	○	○	○	○	○	○
Butiken du handlar SÄLLAN hos private label (3)	○	○	○	○	○	○	○

Om Webhallen och valda butiker börjar sälja stationära och bärbara DATORER under private label kommer jag överväga att inhandla en sådan vid mitt nästa datorköp.

	Aldrig (1)	2 (2)	3 (3)	4 (4)	5 (5)	6 (6)	Definitivt (7)
Webhallens private label (1)	O	O	O	O	O	O	O
Butiken du handlar OFTA hos private label (2)	O	O	O	O	O	O	O
Butiken du handlar SÄLLAN hos private label (3)	O	O	O	O	O	O	O

Några korta frågor om dig

Kön

O   Man (1)
O   Kvinna (2)

Ålder

_____ År (1)

Total inkomst före skatt (ej obligatorisk fråga men vi uppskattar ditt svar)

O   Under 20 000 kr/mån (1)
O   20 000 - 30 000 kr/mån (2)
O   30 000 - 40 000 kr/mån (3)
O   40 000 - 50 000 kr/mån (4)
O   50 000 - 60 000 kr/mån (5)
O   60 000 - 70 000 kr/mån (6)
O   Mer än 70 000 kr/mån (7)

De senaste 5 åren har jag i genomsnitt köpt elektronik för

- ⭕ Upp till 5 000 kr per år (1)
- ⭕ 5 000 - 15 000 kr per år (2)
- ⭕ 15 000 - 30 000 kr per år (3)
- ⭕ 30 000 - 45 000 kr per år (4)
- ⭕ 45 000 - 60 000 per år (5)
- ⭕ 60 000 - 75 000 per år (6)
- ⭕ Mer än 75 000 per år (7)

Tävlingsbidrag: Beskriv med max 30 ord vilken produktkategori som bör bli Webhallens nästa private label och varför.

Ange din epostadress för att vara med i tävlingen.

Tack för att du tagit dig tid att hjälpa oss bli bättre! Vinnarna kommer att presenteras den 29:e april på Webhallens blogg.