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## Article

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UTMS Journal of Economics

## Provided in Cooperation with:

University of Tourism and Management, Skopje

*Suggested Citation:* Sarimehmet, Ayse; Aydin, Samet (2021) : Branding of private label products by product category: A model suggestion for FMCG market, UTMS Journal of Economics, ISSN 1857-6982, University of Tourism and Management, Skopje, Vol. 12, Iss. 1, pp. 19-31

This Version is available at:

<https://hdl.handle.net/10419/281888>

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*Original scientific paper*  
(accepted April 08, 2021)

## **BRANDING OF PRIVATE LABEL PRODUCTS BY PRODUCT CATEGORY: A MODEL SUGGESTION FOR FMCG MARKET**

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### **Abstract:**

The private label products market is expanding day by day, and the decisions and applications made in this market have become important for retailers, national producers, and consumers. Consumers prefer private label products from retailers that they trust and perceive of high quality. Despite its increasing importance, there is no clear and widely recognized model for branding private label products. In this study, the relationship between the brand value of the retailer, the real quality of the product, and the category of the product were evaluated in terms of branding of private label products in fast moving consumer goods market (FMCG), and a branding model was proposed to comprise the mentioned factors on the branding of private label products. By selecting one of the largest FMCG retail chain of Turkey, a measurement form was developed and applied as a survey (n=353). The results of the research revealed that the perceived brand equity of the retailer has an effect on the branding of private label products according to product quality in the FMCG sector. Another finding of the research is that there is also a relationship between the category of the product and the brand equity of the retailer.

Keywords: branding, FMCG, private label brands

*JEL classification:* M31, L81, D12

### **INTRODUCTION**

The market share of private label products and the diversity of the products in this category grows day by day, and in turn, the importance of private label for retailers, national manufacturers, and consumers increases accordingly (Nielsen, 2014). Private label products are becoming a point of differentiation, on the other hand, they ensure high-profit margin. The consumers of today behave rationally at their shopping, evaluating both the price and quality performances of a product. More consumers started to consider private label products in their buying decisions, thanks to this reason (Ailawadi et al., 2008).

Branding, in the most general sense, is the process to gain a brand identity to a given non-labeled product (Keller and Aaker, 1992). Generally, the first and most important step of marketing is the branding of a product. Products will have a well-defined position in customers' mind depending upon their brands, thus the life cycle of the products are

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also shaped by their brands (Aaker and Keller, 1990). In the marketing history, there are too many examples of unsuccessful branding which are not understood and accepted by customers and revealed a low performance. In many cases, these brands disappeared totally or tried to be survived by rebranding with changed communication efforts (Haig, 2005).

The meaning of brands for consumers and the influence of it in terms of customers' behaviors and attitudes have gained a large interest from both scholars and practitioners, and in turn, the brand literature is a mature academic field (Gil-Saura et al, 2013; Pappu and Quester, 2006). However, still there is no specific process or a solid model for private label products about how they should be branded despite their importance increases. Branding of private label products is different to some extent other than the model of branding of national brands. There are two different ways of branding private label products basically. The first is using the retailer's own name as an umbrella brand; the second is choosing other unique names. Today, the branding of private label products is changing according to the type of product categories and targeted market segments. While national retail chains most often use their corporate name for branding, discount supermarket chains opt for using a different name for each of the product categories.

This research examines the relationship between perceived brand equity of the retailer, the exact quality of the product, and the product category in order to explore the branding of private label products. The data for the study were collected from a sample of consumers of one of the largest Turkish FMCG retailers. Understanding how private label products be branded is a critical issue for marketers in FMCG business where these products tend to grow continuously and reach a dimension to compete with national brands (McNeill and Wyeth, 2011).

## **1. LITERATURE REVIEW**

### **1.1. Brands and Branding**

A brand is the definite type and name of a product manufactured or designed by a company (Oxford, 2020). According to the American Marketing Association, a brand is a name, term, design, symbol, or other features defined by a seller in order to differentiate from the others (Marion, 2015). According to David Aaker, who has global reputation in terms of his expertise in brands and brand management, a brand is a promise given to the customers in terms of functional, emotional, and social dimensions instead of a single name and/or logo (Aaker, 2014).

On the other hand, branding is defined as a process to form a brand, comprising all activities in order to make the products and/or services from the others and making them become noticed easily (Anselmsson and Bondesson, 2015). According to Aaker (1996), branding is a process to create an identity for the brand. The process of branding has three dimensions. The first step is the strategic analysis of the brand that includes the customer, the competition, and other internal and external factors. In the second step, brand identity is constituted and formed in compliance with the value propositions. The third step is the positioning of the brand. Here, by using communication tools the brand identity and value propositions are transmitted actively to the targeted market segment. Then, the relation between the primarily targeted position of the brand and customers' perceptions are evaluated, and the success of the process is determined (Aaker and Keller, 1990).

In the branding process, forming the brand identity is one of the most important stages of branding (Jones, 2005). Because this stage gives a strategic direction to a brand and several decisions are taken about how it should be perceived by customers. In this context, brand identity can be defined as perception in customers' minds that consists of promises and associations of the brand (Jara and Cliquet, 2012). Brand identity is the whole of associations created and desired to be protected as well. These associations also remark about what is the brand and what it represents to whom. Brand identity also links the value proposition of the company or products (including emotional, functional, and personal benefits offered) to its customers (Kotler and Keller, 2006).

Brand architecture is the management process of the design of a brand portfolio. Thus, each sub pieces ensure an advantage to the whole. In this context, brand architecture is a subject of trade branding. It is used for the design of the construction of brands thus this role tries to harmonize each different brand created by the same source (Dooley and Bowie, 2005). Aaker and Joachimsthaler (2000) have contributed significantly to the current perspective of brand architecture and suggested the tools of brand architecture, called the brand relationship spectrum. This tool has four strategies; the house of brands strategy, endorsed brands strategy, sub-brand strategy, and branded house strategy.

The house of brands strategy involves a portfolio of sub-brands that act independently from each other and from the umbrella brand. Unilever, Procter & Gamble, and Volkswagen Group are typical examples of companies that have established and managed their brand portfolios using the house of brands principles (Dooley and Bowie, 2005). The endorsement brand strategy differs from the house of brands strategy. Here, the umbrella brand and its sub-brands are perceptually linked, and the more general values such as credibility, reputation, and quality are provided by the umbrella brand. Novotel by Accor Group and Kit Kat by Nestlé are two examples of this strategy (Dooley and Bowie, 2005).

In contrast, the sub-brand strategy includes more relation between the master brand and its sub-brands. In the sub-brand strategy, both the umbrella brand and the sub-brands are strong drivers. Both of them influence consumers' purchase motivation. Microsoft and Microsoft Office, Gillette and Gillette Mach 3 can be examples of this strategy. Finally, a branded house strategy is featured by a single brand with a dominant driver role that is used to support other descriptive brands. Virgin, for example, has used its name for a whole range of brand extensions, including Virgin Radio, Virgin Active, and Virgin Cola (Dooley and Bowie, 2005).

Brands are categorized into three groups more generally: generic brands, manufacturer brands, and social brands. Generic brands have a strong identity but do not have intangible values. According to Kotler and Keller (2006), if a brand does not have an advantage against its competitors, then it is classified as commodities or generic products. Producer brands can be defined basically as a reference brand or the first brand comes to the mind to reflect the general values. On the other hand, a social brand is a brand concept formulated by having a social benefit (social, environmental, and/or benefit of humanity) (Aparecida Gouvêa et al., 2018). Other classification of brands can be made according to the fields of use as producers' brands, commercial brands, and distributor brands (they are also called as private label or retail brands).

## 1.2. Private Label and Store Brands

Brands that are formed by retailers, instead of producers or manufacturers are called private label or store brands. Private label business has developed especially in mature markets like Europe and North America. According to Nielsen (2014), customers prefer buying these products when they perceive little differences among the products in a specific category. The history of private label has roots in the early 1900s when retailers started to emphasize their own brands to customers (Taylor, 2017). However, in modern marketing, the private label phenomenon began in the 1980s. At that time private label products used to compete with only price. Today, the retail giants are able to serve special products like milk-free, gluten-free, and organic to meet customers' specific requirements, and thus the competition now has risen to quality and diversity as well (McNeill and Wyeth, 2011).

From the perspective of retailers, private label is an attractive business due to high-profit margin and product turnover. Retailers offer private label products that can satisfy their targeted customers in terms of quality and price. There are three main branding strategies for private label products: economic private label products, standard private label products, and premium private label products (Thanasuta and Chiaravutth, 2018). Private label products most often have lower prices in comparison to the standard national brands. Nevertheless, according to the quality level of the product or the brand positioning of the retailer, the level of the price may compete with the cheaper, standard, or premium national brands.

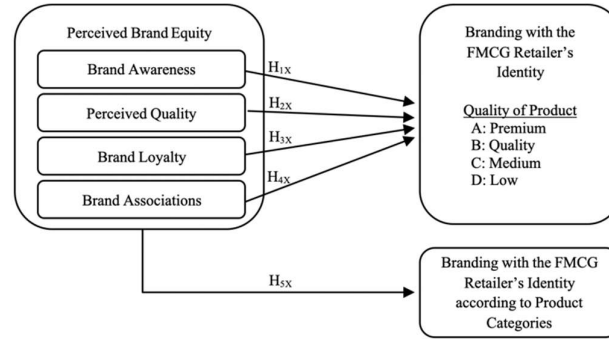
## 1.2. Perceived Brand Equity

Brand equity can be defined generally in two aspects. The first is the total economic value of the brand in terms of economic parameters, and the second is the perceived value of the brand in the customers' minds. Aaker's (1996) brand equity model consists of measures such as awareness, perceived quality, loyalty, and associations.

The core of a brand value is loyalty. If the company has a loyal customer base, then it will be hard for the rivals to attract and gain customers from that company. The best indicator of customer loyalty is the inelasticity of customers in terms of price changes. Perceived quality is another important dimension in Aaker's (1996) model in the way that there is a solid link between the customers' perceptions related to product quality and the brand itself.

## 2. METHODOLOGY AND DATA

The research model that covers the research variables and the relationships between them is shown in Figure 1. Regarding the brand value, Aaker's (1996) Perceived Brand Equity model was used. To test the model, one of Turkey's leading FMCG retailers was chosen and a survey was conducted to its customers. A total of 353 respondents were reached out of the surveying method which is applied to the retailer's customers by interviewing them individually after they visit the stores.



**Figure 1.** Research Model

In this direction, the hypotheses of the research are given below.

H<sub>1X</sub>: Brand Awareness of the FMCG retailer has a positive effect on branding private label products of [Premium Quality (H<sub>1A</sub>) / Quality (H<sub>1B</sub>) / Medium Quality (H<sub>1C</sub>) / Low Quality (H<sub>1D</sub>)].

H<sub>2X</sub>: Perceived Quality of the FMCG retailer has a positive effect on branding private label products of [Premium Quality (H<sub>2A</sub>) / Quality (H<sub>2B</sub>) / Medium Quality (H<sub>2C</sub>) / Low Quality (H<sub>2D</sub>)].

H<sub>3X</sub>: Brand Loyalty of the FMCG retailer has a positive effect on branding private label products of [Premium Quality (H<sub>3A</sub>) / Quality (H<sub>3B</sub>) / Medium Quality (H<sub>3C</sub>) / Low Quality (H<sub>3D</sub>)].

H<sub>4X</sub>: Brand Associations of the FMCG retailer has a positive effect on branding private label products of [Premium Quality (H<sub>4A</sub>) / Quality (H<sub>4B</sub>) / Medium Quality (H<sub>4C</sub>) / Low Quality (H<sub>4D</sub>)].

H<sub>5X</sub>: There is a positive and significant relation between Perceived Brand Equity of the FMCG retailer and branding private label products from [Vegetable&Fruit (H<sub>5A</sub>), Meat&Fish (H<sub>5B</sub>), Milk (H<sub>5C</sub>), Breakfast (H<sub>5D</sub>), Food (H<sub>5E</sub>), Snacks (H<sub>5F</sub>), Beverages (H<sub>5G</sub>), Detergent (H<sub>5H</sub>), Paper (H<sub>5I</sub>), Cosmetics (H<sub>5J</sub>), Health (H<sub>5K</sub>), Baby (H<sub>5L</sub>), Home Appliances (H<sub>5M</sub>), Textile (H<sub>5N</sub>), Electronics (H<sub>5O</sub>), Pet (H<sub>5P</sub>), Stationary (H<sub>5Q</sub>)] product categories.

For the hypothesis group of H<sub>5X</sub>, Perceived Brand Equity of FMCG retailer “M” is considered as a first-degree variable which consists of the aforementioned dimensions as a whole. The product categories were determined by evaluating the websites of FMCG retailer “M” and as well as the other well-known Turkish retailers. The demographic profile of the sample is given in Table 1.

**Table 1.** Demographic Profile of the Sample

	Criteria	f	%
Age	18-25	31	8.8
	26-35	200	56.7
	36-45	96	27.2
	46-60	23	6.5
	60+	3	0.8
Gender	Male	185	52.4
	Female	168	47.6
Education	Primary	14	4.0
	High School	89	25.2
	Undergraduate	100	28.3
	Bachelors	134	38.0
	Graduate	16	4.5

Brand Equity was measured with the scale developed by Aaker (1996). To measure the product quality, scales from Asiedu (2008) were taken. The product categories were defined by examining the website of the FMCG retailer. Table 2 represents the items used to define the level of quality of the products. “M” stands for the chosen well-known and reputable Turkish FMCG retailer. All items were measured by 5-point Likert scale.

**Table 2.** Branding by Level of Product Quality

Premium Quality	Think of a food product. Beyond your expectations, it is a premium quality, high-priced product that is produced hygienically in accordance with natural production methods, very healthy, environmentally friendly (recyclable), belongs to a special place, is fresh, has high nutritional value, meets your expectations with its taste and appearance. the product is to be branded and this high quality product is to be named “M”. How would you approach this branding decision?
Quality	Think of a food product. It is a product that meets your expectations, is fresh, delicious, looks good, is produced in a healthy, hygienic environment, suitably packaged, has good nutritional value, but does not offer any extra features beyond these, quality and above the average price, and this quality product is named “M”. How would you approach this branding decision?
Medium Quality	Think of a food product. It is a product with medium taste, appearance, nutritional value, packaging and production conditions, medium quality and at an average price, and this medium quality product is called “M”. How would you approach this branding decision?
Low Quality	Think of a food product. It is a product that has not been produced under good production conditions, with its taste, appearance, nutritional value, and good production conditions, and this low quality product is called “M”. How would you approach this branding decision?

### 3. ANALYSIS AND RESULTS

The data were analyzed by SPSS v22 software. Before moving to test the hypothesis, Exploratory Factor Analysis and Reliability analysis were conducted. Out of the analysis, the factors were obtained and they were found reliable. The results are depicted in Table 3 and Table 4.

**Table 3.** Exploratory Factor Analysis

	F1	F2	F3	F4
"M" is the first brand that comes to my mind in terms of FMCG.	0.583			
"M" is a brand that I have an idea about.	0.607			
"M" is a brand I am familiar with.	0.809			
"M" is a market that sells quality products.		0.766		
"M" is better than other markets in terms of quality.		0.692		
"M" is the leader in the market category.		0.599		
Even "M" stores sell more expensive, I still do my shopping from there.			0.686	
"M" stores always meet my shopping expectations.			0.572	
I only shop at "M" markets.			0.676	
I recommend "M" markets to those around me.			0.699	
After that, I always prefer "M" markets.			0.699	
The "M" brand has a personality.				0.553
The "M" brand has a rich history.				0.604
"M" is a brand I can trust.				0.818
"M" stores are different from other stores.				0.614

F1: Brand Awareness, F2: Perceived Quality, F3: Brand Loyalty, F4: Brand Associations  
K-M-O Adequacy: 0.947; Bartlett's Sphericity:  $\chi^2 = 2555.534$ ;  $p < .05$

**Table 4.** Reliability Analysis

Variables	Cronbach's $\alpha$
Brand Awareness	0.719
Perceived Quality	0.761
Brand Loyalty	0.881
Brand Associations	0.762

Correlations between the research variables are depicted in Table 5.

**Table 5.** Correlation Analysis

	Premium	Quality	Medium	Low
Brand Awareness	0.627**	0.504**	0.002	0.002
Perceived Quality	0.657**	0.500**	0.112*	-0.020
Brand Loyalty	0.787**	0.582**	0.080*	-0.085
Brand Associations	0.630**	0.512**	0.124**	-0.003
Perceived Brand Equity	0.791**	0.612**	0.094*	-0.036

\* $p < 0.05$ ; \*\* $p < 0.01$

The hypotheses that examine the effect of perceived brand equity on branding private label products according to their level of quality were tested by performing linear multiple regression analyses. Table 6 indicates the results of the hypotheses that cover the effects of dimensions of brand equity on branding premium quality products, that is " $H_{XA}$ : [Brand Awareness ( $H_{1A}$ ) / Perceived Quality ( $H_{2A}$ ) / Brand Loyalty ( $H_{3A}$ ) / Brand Associations ( $H_{4A}$ )] of the FMCG retailer has a positive effect on branding private label products of Premium Quality". The result of the analysis revealed that all dimensions of perceived brand equity of FMCG retailer "M" have positive and significant effects on



branding a private label product of premium quality ( $R^2=0.654$ ). Thus,  $H_{1A}$ ,  $H_{2A}$ ,  $H_{3A}$ , and  $H_{4A}$  were supported. The dimension that has the most effect is found to be Brand Loyalty ( $\beta=0.543$ ,  $p<0.01$ ).

**Table 6.** Branding Premium Quality Products – Regression Analysis

Independent Variables	<i>B</i>	<i>p</i>
Brand Awareness	0.106	0.000
Perceived Quality	0.142	0.026
Brand Loyalty	0.543	0.003
Brand Associations	0.107	0.000
$R^2$	0.654	0.000
F	164.713	

Table 7 represents the results of the regression analysis for the hypotheses that cover the effects of dimensions of brand equity on branding quality products, that is “ $H_{XB}$ : [Brand Awareness ( $H_{1B}$ ) / Perceived Quality ( $H_{2B}$ ) / Brand Loyalty ( $H_{3B}$ ) / Brand Associations ( $H_{4B}$ )] of the FMCG retailer has a positive effect on branding private label products of Quality”. The result of the analysis revealed that on branding a private label product of quality only Brand Associations of FMCG retailer “M” has a positive effect ( $\beta=0.147$ ,  $p<0.01$ ). Thus,  $H_{4B}$  is supported but  $H_{1B}$ ,  $H_{2B}$ , and  $H_{3B}$  were rejected ( $R^2=0.380$ ).

**Table 7.** Branding Quality Products – Regression Analysis

Independent Variables	<i>B</i>	<i>P</i>
Brand Awareness	0.124	0.075
Perceived Quality	0.105	0.051
Brand Loyalty	0.326	0.098
Brand Associations	0.147	0.000
$R^2$	0.380	0.000
F	53.282	

Table 8 represents the results of the regression analysis for testing hypotheses that cover the effects of dimensions of brand equity on branding medium quality products, that is “ $H_{XC}$ : [Brand Awareness ( $H_{1C}$ ) / Perceived Quality ( $H_{2C}$ ) / Brand Loyalty ( $H_{3C}$ ) / Brand Associations ( $H_{4C}$ )] of the FMCG retailer has a positive effect on branding private label products with Medium Quality”. The result of the analysis revealed that on branding a private label product of medium quality only Brand Associations has a positive and significant effect ( $\beta=0.182$ ,  $p<0.05$ ). Thus,  $H_{4C}$  is supported but  $H_{1C}$ ,  $H_{2C}$ , and  $H_{3C}$  were rejected ( $R^2=0.037$ ).

**Table 8.** Branding Medium Quality Products – Regression Analysis

Independent Variables	<i>B</i>	<i>p</i>
Brand Awareness	-0.201	0.011
Perceived Quality	0.141	0.075
Brand Loyalty	-0.010	0.908
Brand Associations	0.182	0.021
R <sup>2</sup>	0.037	0.000
F	3.334	

Table 9 represents the results for the hypotheses that cover the effects of dimensions of brand equity on branding low quality products, that is “H<sub>XD</sub>: [Brand Awareness (H<sub>1D</sub>) / Perceived Quality (H<sub>2D</sub>) / Brand Loyalty (H<sub>3D</sub>) / Brand Associations (H<sub>4D</sub>)] of the FMCG retailer has an effect on branding private label products with Low Quality”. The result of the analysis revealed that none of the dimensions of perceived brand equity of FMCG retailer “M” have positive effects on branding a private label product of low quality (R<sup>2</sup>=0.017). Thus, H<sub>1D</sub>, H<sub>2D</sub>, H<sub>3D</sub>, and H<sub>4D</sub> were rejected.

**Table 9.** Branding Low Quality Products – Regression Analysis

Independent Variables	<i>B</i>	<i>P</i>
Brand Awareness	0.064	0.420
Perceived Quality	0.045	0.570
Brand Loyalty	-0.207	0.019
Brand Associations	0.069	0.386
R <sup>2</sup>	0.017	0.000
F	1.466	

To test the group of hypotheses “H<sub>5X</sub>” that examine the relations between the perceived brand equity of FMCG retailer “M” with customers’ acceptance of branding private label products according to their product categories, correlation analysis was conducted. Table 10 depicts the results of the correlation analysis.

**Table 10.** Perceived Brand Equity & Product Category – Correlation Analysis

Perceived Brand Equity	Vegetable&Fruit	Meat&Fish	Milk	Breakfast
	0.284**	0.158**	0.135*	0.087
	Food	Snacks	Beverages	Detergent
	0.120*	0.228**	0.210**	0.151**
	Paper	Cosmetics	Health	Baby
	0.132*	0.174**	0.147**	0.195**
	Home Appliances	Textile	Electronics	Pet
	0.203**	0.113*	0.089	0.066

\*\*p<0.01; \*p<0.05

According to the results of the correlation analysis, the relations between the perceived brand equity of FMCG retailer “M” and product categories vary in terms of both effect and significance. It’s understood that the customers of FMCG retailer “M” most likely related the retailer brand put on product categories like vegetable and fruit ( $r=0.284$ ;  $p<0.01$ ), snacks ( $r=0.228$ ;  $p<0.01$ ), and beverages ( $r=0.210$ ;  $p<0.01$ ). However, no significant correlation was found between product groups like pet food or electronics and the retailer brand.

**Table 10.** Perceived Brand Equity & Product Category – Correlation Analysis

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	0.284**	0.158**	0.135*	0.087
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	0.132*	0.174**	0.147**	0.195**
	Home Appliances	Textile	Electronics	Pet
	0.203**	0.113*	0.089	0.066

## CONCLUSION

The market share of private label products is increasing day by day. Accordingly, national FMCG retailers allocate more shelf share to private label products. However, it has been observed that retailers may follow different approaches in branding private label products. Despite this, there is a lack of clear models and process maps that should be followed by retail brands. This research addresses two major issues: (1) the effects of perceived brand equity of the FMCG retailers on their branding decisions regarding private label products according to product quality, (2) the relationship between product categories and branding decisions of private label products. An empirical study was conducted by collecting data from a sample of 353 participants.

As a result of the study, a significant effect was observed between the FMCG retailers’ perceived brand equity and the branding decision of private label products based on product quality. This result can be interpreted as that, customers who participated in the research view the given FMCG retailers’ brand more suitable for branding premium quality products. Therefore, customers’ perceptions regarding the brand of the retailer come to the fore in the branding of private label products. Retail brands with low brand perception should not name high-quality products, or conversely, retailers with high brand perception should avoid putting their names onto low-quality products. Retailers should create the marketing mix, keeping in mind the principles of an integrated marketing approach. The strategies implemented by FMCG retailers for private label products will also be in line with the companies’ general strategies.

Another finding of the study is that the acceptance rate of the consumers regarding the branding of private label products with the retailer name changes according to the

product categories. The result of the research has shown that there is a relationship between product categories and the branding of private label products. Thus, FMCG retailers must determine how their customers will react to which product groups by evaluating their private label product portfolio.

The research has shown that firstly, consumer research is required to reveal the relationship between the actual quality of the product and the brand equity of the retailer. The actual quality of the product, FMCG retailer's brand equity, and product categories should be analyzed, and the decision to expand the product in the future should be considered when making a branding decision. On the other hand, as an external analysis, it should be analyzed whether the category in which the product is located is suitable for private label products. Consumer research should be consulted to determine suitability. However, the expectations of consumers from private label products should also be taken into consideration. Again, competitors' products and prices should be analyzed. Issues like "do competitors have products in the same category, how many types, and at what price are they offered" need to be considered.

As a result of the research, considering the branding of private label products the authors suggest the model below.

1. Internal Analyses: FMCG retailer brand equity, actual product quality, product categories.
2. External Analyses: Product category private label perceptions, customer expectations, competitor analysis
3. Branding Decision: The house of brands strategy, endorsed brands strategy, sub-brand strategy, and branded house strategy

According to the model, the branding strategy of private label products should rely on both internal and external analyses. These analyses should be made mostly by making use of consumer research. In terms of internal analyses, first, the perceived brand equity of the retailer should be determined. At the same time, the relationship between brand perception and product categories should be investigated, and category expansion cases should be considered. Throughout the external analysis, the categories in which the consumers want to see more private label products and the expectations of the consumers from the private label products should be investigated and analyzed. Before the branding decision, both national and other private label competitors should be considered. Finally, the branding decision could be realized by choosing the brand name by considering all factors. Considering the expansion opportunities of the brand in the branding decision, branding can be done by choosing one of the strategies from the house of brands strategy, endorsed brands strategy, sub-brand strategy, and branded house strategy.

The most important constraint of the research is that the application was made in only one province and across a single retail brand. Since convenience sampling was preferred, generalizing the research results should be taken with care. It is recommended to conduct studies addressing different retailers and different sectors in wider geography in future research. Another suggestion is to test the brand equity and private label product quality of different retailers comparatively.

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