

THE IMPACT OF SHELF SPACE ON BRAND CHOICE

An experiment comparing store brands and national brands

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Abstract

National brands and store brands face fierce competition in terms of shelf space. Recent decades have witnessed store brands occupying more and more shelf space in a great number of supermarkets at the expense of national brands. Shelf space is a powerful tool for retailers to compete with manufacturers. However, while the impact of shelf space on consumer choice of national brands has been studied, very little is known about the influence of shelf space on the choice of store brands.

This study addresses the question; should retailers use shelf space as a tool to gain more sales for their private labels? An online choice experiment (mimicking an in-store shelf arrangement) was conducted to compare the effects of the number of facing of a brand and its vertical position on shelf on consumer choice of national brands and store brands. This study included survey to examine factors that could affect the strength of shelf space's impact on brand choice, including consumer perceived quality of store brands, consumer perceived risk of store brands, consumer perceived risk of product category purchase and consumer past usage of store brands.

Results showed that while consumer choice of national brands significantly increased as a result of the increase in the number of facings, consumer choice of store brands was not affected by facing quantity, nor vertical position. The effect of shelf space on store brands was consistent across different product categories and across different groups of consumers, despite their levels of perceptions towards store brands or product categories, as well as their store brand past usage. Nevertheless, the effect of shelf space on national brands varied across product categories. It also depended on how the consumer perceived quality, and risk associated with buying store brands, and risk in category decisions. It also depended upon how frequently the consumer used store brands in the past.

This study provides new insights into the effect of shelf space on brand choice. Our results show that the effect of shelf space is not the same for the two types of brands. Indeed, it is less likely that retailers can gain more sales for store brands by allocating more shelf facings to them, or by moving them to a favourable vertical position. The findings suggest that the choice of store brands may be driven by factors other than shelf space. For national brands, the results suggest that managers need to consider characteristics of product categories, consumer perception and past usage of store brands to organize shelf space effectively. Considering the above implications, this study is believed to make an important contribution to store brand management.