Manufacturer and Retailer Brand Innovation in Grocery Packaged Goods Categories

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Extended Abstract

The importance of innovation in general as a driving force for the growth of companies is well-documented in the literature (e.g. Brenner, 1994; BCG, 2005; Doyle and Bridgewater, 1998; Hardaker, 1998). This paper investigates the question: Does manufacturer brand innovation enhance or inhibit the position(s) of retailer brands in grocery packaged goods categories? The answer to this question has relevance for the strategic management regimes governing the coexistence of manufacturer brands (national brands) and retailer brands (store brands/ private label) in supermarket categories.

The consumer packaged goods literature has largely portrayed manufacturer brand innovation in FMCG/supermarket product categories, in relation to retailer brands, as a competitive tool that is employed against the retailer brands (in addition to competing with other manufacturer brands). Verhoef, Nijssen and Sloot (2000) noted that superior brand innovation is a successful strategy in competing with retailer brands. Kumar and Steenkamp (2007, p. 51) established from their "research into scores of categories in over 20 countries across the world, [that] private label success is 56 percent higher in categories with low innovation compared to categories with high innovation". Other research has similarly noted that retailer brands are more successful in categories experiencing low innovation by manufacturers (Coriolis Research, 2002), and that FMCG manufacturers have managed to grab share in traditional strongholds of the retailer brands through innovation (Information Resources Inc., 2005). The literature therefore suggests that manufacturer brand innovation does have a negative impact on the situation of retailer brands in FMCG categories.

This paper argues firstly, that the role of manufacturer brand innovation in driving and growing grocery packaged goods categories, and benefiting retailer brands in the process, has escaped the level of academic attention it deserves. Secondly, it is argued that the determination of strategic management regimes that govern the coexistence of manufacturer brands and retailer brands in the categories is partly influenced by manufacturer brands' ability to enhance the situation of retailer brands. The paper employs the theories of power and interdependence. The theoretical value of the paper is centred on offering a fresh perspective in explaining the coexistence of the two types of brands in the categories. An empirical study of a number of categories in the New Zealand FMCG sector is in progress to investigate the adequacy of the arguments advanced in this work.

The paper is a facet of a larger study that is investigating the coexistence of manufacturer brands and retailer brands in selected supermarket categories in the New Zealand FMCG industry.

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