

ONLINE CASE 1.9: PRIVATE LABEL PRODUCTS AT AMARANTE

supplemental material to the text of

Modern Marketing Research: Concepts, Methods, and Cases

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Amarante is a major retailer in the European market, with more than 6000 stores worldwide under various national and regional chain names. Amarante entered the North American market with the grand opening of two mass merchandisers in Illinois and Massachusetts. A year after start of operations in the United States, the company failed to achieve the targeted sales mix of private labels and branded products. On average, 45 percent of products sold in Europe were sold via private labels; however, only 25 percent of the U.S. stores' sales were of private label products.

Private labels were identified as Amarante's key strategic direction for a number of interrelated reasons. It was one of the main differentiating elements from a competitive standpoint, and allowed the retailer to provide extensive product variety to its shoppers, variety which could be easily customized even down to the store level. Improving bargaining leverage over brand manufacturers, creating greater consumer dependence on store services, and obtaining additional latitude in its pricing strategy were some of the major advantages of a product strategy more heavily focused on private labels.

Amarante gradually built up an impressive knowledge base of the private label shopper segment. Unfortunately, the retailer's expertise could not be readily used by its U.S. stores. North American and European consumers' perceptions, attitudes, and purchasing behaviors seemed to differ substantially, a fact also reflected by a 20 percentile point difference in private labels' contribution to the revenues of the two regions. Because understanding the U.S. consumer market was essential to increasing private label sales in North America, Amarante's management felt some type of primary data collection, most likely in the form of a questionnaire, was a good first step toward this goal.

A closer look at the sales of private labels per product category revealed that the Electronics Division suffered most, with Amarante's private labels contributing only five percent to the division's sales. Therefore, the North American management team decided to start by exploring the current and potential consumers of the retailer's Electronics Division private labels. A leading European research group, with offices in New York and Chicago, was selected to conduct the first survey, which would serve as a pilot for future surveys in other product divisions.

Simon Stoner, marketing manager at Amarante North America, was assigned to lead the project. To provide the research firm with a clear understanding of the project deliverables, he developed a detailed briefing document. The briefing included background information on the company, definition of the current problem, the information needs, and the project's objectives; the document clearly communicated that the retailer was seeking information that would enable its executives to design a marketing plan, one that would achieve a higher contribution from the private label products to the Electronics Division's revenues.

Case Questions

- 1 Considering the situation in which Amarante finds itself, develop the project's briefing document, to be submitted to the research firm selected to conduct the survey. Be specific when describing Amarante's information needs and project objectives.
- 2 In view of the information needs and objectives stated in your briefing document, what are the appropriate data sources for this study? Explain your answer. Be sure to consider the relative cost and complexity associated with obtaining such data.
- 3 Evaluate the management team's decision to start building expertise about the private label shoppers in North America by conducting a consumer survey about the private label shoppers of electronics. Specifically, was it wise to focus on the most under-performing of all the categories as having the greatest eventual profit impact? Was it wise to focus on that category for a first survey, one meant to generalize eventually to other categories?
- 4 Provide an action plan Amarante can follow to help build a knowledge base of private label consumers in North America, being careful to provide concrete support for each of your decisions. Consider as well whether Amarante should collect additional data on other consumer segments, perhaps even outside the United States.