

Drivers of Private Label Supply by National Brand Manufacturers and Outcomes for their National Brands: A Generalizable Empirical Analysis

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Abstract

This paper is the first generalizable empirical analysis of dual branding, i.e., supply of private label (PL) by national brand (NB) manufacturers. We compile a unique dataset that combines the identity of PL suppliers in over 260 packaged good categories with multiple years of scanner purchase data for all products in the Spanish grocery market. First, we provide new descriptive insights, e.g., on the prevalence of dual branding in categories where the manufacturer does and does not have NBs, the longevity of PL supply arrangements, and the differences in PL sourcing patterns across retailers. Second, we integrate prior literature to identify the major drivers of PL supply and test the association of easily observable measures of those drivers with PL supply. The results reveal a more nuanced empirical reality than is evident from prior research regarding the role of multi-category scope, fighter brands, NB differentiation, and the attractiveness of the retailer's PL business. Third, we conduct a difference-in-difference analysis with endogeneity correction and find that starting (terminating) PL supply in a category to a retailer significantly benefits (hurts) a dual brander's NB distribution depth at that retailer but not its market share.

Keywords: Private Label Supply, Private Label Share, Dual Branding, National Brands, Distribution Depth, Manufacturer-Retailer Interaction.