

STRATEGIC USING OF PRIVATE LABELS FROM RETAILERS' PERSPECTIVE IN TURKEY

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Türkiye’de Perakendeciler Açısından Özel Markaların Stratejik Kullanımı

Özet

Rakipleri karşısında rekabet avantajı sağlamaya çalışan perakendeci işletmeler kendi markalı ürünlerini de geliştirmeye yönelmektedirler. Her ülkede farklı kullanılmakla birlikte perakendecilerin markaları; özel marka, özgün marka, dağıtıcı markası ve mağaza markası olarak isimlendirilmektedir. Çalışmada perakende gıda sektöründe perakendecilerin markalı ürünleri, özel markalı ürünler olarak ele alınmakta ve perakendecilerin kendilerine ait olan ve sadece kendi mağazalarında satışa sundukları “özel markalı ürünler” incelenmektedir. Bu noktada, Türkiye’de perakendecilerin özel markalı ürünler geliştirmelerinin stratejik amaçlarının bilinmesi son derece önemlidir. Bu kapsamda çalışmada, Türkiye’de faaliyet gösteren “Perakende Bilgi Platformuna” kayıtlı ve “perakende.org” web sitesinde yer alan gıda perakendecileri ile anket uygulaması yapılmıştır. Sonuç olarak, perakendecilerin özel markalı ürünleri geliştirme amaçlarının temel boyutlarının ortaya konulması ve yerli-yabancı literatüre katkı sağlanması amaçlanmaktadır.

Anahtar Kelimeler: Gıda, marka, perakendecilik, özel marka, mağaza markası.

Abstract

Retailers that attempt to gain competitive advantages against their rivals are inclined to develop their own branded products. Although this strategy is differentially used in different countries, retailers’ brands are named such things as private label (PL), own brand, distributor’s brand and store brand. Retailers’ branded products, which retailers own and sell only in their own stores, are called “private label products,” and these products are examined in the food retailing sector in this study. At this point, it is very important to understand retailers’ strategic objectives for developing private label products in Turkey. Thus, in this study, a questionnaire was administered to food retailers registered in the “Retail Information Platform” and on the website “perakende.org” in Turkey. Hence, the main aim of this research is to show the primary dimensions of retailers’ objectives in developing private label products and to make contributions to the domestic-foreign literature.

Keywords: Food, brand, retailing, private label, store brand.

Strategic Using of Private Labels from Retailers' Perspective in Turkey

1. Introduction

Retailers that attempt to gain competitive advantages in the midst of intensive competition in the retailing sector tend to develop their own branded products as a competitive strategy. In the literature, branded products that retailers own and sell only in their own stores are called private label products. The gradual increase in the tendency toward private labels by retailers makes this subject a focus of interest, especially in recent years in Turkey. Even in the most highly-developed private label country, Switzerland, where 97% of categories had private label entries, these products' total market share was 45% (Nishikawa/Perrin, 2005: 24). Countries such as Germany, Belgium, the UK, and Spain have already surpassed 30% (Gomez/Rubio, 2008: 51). According to the "2006 market brands report" from the Retailing Institute, private label sales grew by 0.5% compared the prior year in Turkey. The total share of private label sales was 21.7%. Across the product areas of private labels, the food product group growth trend had the highest market share. The cleaning product group was second (Retailing Institute, 2006). This growth in private labels is attributable to several factors: retail concentration, retailers' marketing strategies, economies of scale, size of the national brand market, and consumer acceptance (Gomez/Rubio, 2008: 51).

Various studies in many countries have examined this subject both generally (retailer-manufacturer) and from a basically theoretical perspective. However, there are no empirical studies that specifically explain the objectives of developing private label products from the retailers' perspective. There are several studies about private labels in the literature. Some of these studies are

consumer-based studies examining the price sensibility of consumers, (Sethuraman/Cole, 1999; Sinha/Batra, 1999; Miranda/Joshi, 2003), the risk perceptions of consumers (Batra/Sinha, 2000; Mieres et al., 2006), consumers' evaluations (Dick et al., 1997), store loyalty (Corstjens/Lal, 2000) and image (Vahie/Paswan, 2006). Other studies focused more specifically on the competition between national brands and private labels (Bontemms et al., 1999; Steiner, 2004; BURT, 2000; Hultman et al., 2008), PL manufacturers' objectives, and the competitive positions of retailers and manufacturers with regards to private label products (Jonas/Roosen, 2005; Oubina et al., 2006; Oubina et al., 2006; Gomez/Benito, 2008).

In Turkey, the number of the studies with regards to private label products are highly inadequate. These studies are especially consumer-based studies. Some of these studies are examining consumers' evaluations (Kurtuluş, 2001; Özkan/Akpinar, 2003), perceptions (Korkmaz, 2000; Orel, 2004; Yüksel/Bulut, 2007) and the risk perceptions of consumers (Bardakçı et al., 2003). Other studies focused on the development of NB and PL products (Albayrak/Dölekoğlu, 2006; Savaşçı, 2003) and the relationship between manufacturers and retailers (Özgül, 2004).

To our knowledge, no published articles have specifically focused on retailers' opinions. Therefore, this study has been designed to develop a better understanding of the main dimensions of the objectives in developing private label products for food retailers. This paper is structured as follows: First, the existing literature on private label products is reviewed. Second, we describe the research methodology. The following section presents the findings of the study. And finally, the conclusions, limitations, and suggestions for future research are discussed.

2. Literature Review

Private Label Products

With the increasing importance of brands and branding issues for enterprises, retailers have begun to develop their own branded products just like the manufacturers' brands or national brands that were created, financed, and owned by manufacturers. The brands that wholesale dealers or retailers own are called private labels. (Lamb et al., 1992: 236). According to another definition, private labels are the brands that are owned and controlled by a retailer (Sayman/Raju, 2004: 279). The terms such as own brand, own label, retailer's brand, distributor's brand, and store brand are widely used synonymously with the term private label. The most important characteristic of these brands is that

they are presented for sale only in the store of the retailer who owns a brand. (Dick et al., 1997: 18; Berman, 1996: 352). With private labels, retailer is responsible for the activities like developing the brand, obtaining a financial source, and storing and marketing the product. While the manufacturers are responsible for the success of their national branded products, retailers play a great role in the success or failure of their private label products. (Dhar/Hoch, 1997: 209). With private labels, retailers play a bigger role mostly in terms of investment, which manufacturers manage; retailers make their own decisions in production and behave as the owner of the manufacturer (Erdoğan, 2003: 28). Private labels have changed the nature of retailing and pushed distributors into a manufacturing role through backward integration (Tamilia et al., 2000: 17). As national brands are generally advertised and have a wider distribution system all over the country, they are able to stand against the competition (Özkale et al., 1991: 9). Private labels, though, are not seen in a wide distribution system. In addition, retailers can constitute their private labels with different product types or different product categories (Tamilia et al., 2000: 10). Private labels are considerably less expensive than national brands, so they are known as “convenient brands for the budget.” Retailers force manufacturers to spend more on promotion of their national brands. Thus, retailers spend less money for awareness of their private label products among consumers who come to their stores, and national brand products’ prices rise. Hence, retailers easily carry out private label leadership (Ar, 2004: 40- 41).

Retailers’ Strategic Objectives and PL Products

The businesses that work in the retailing sector want to gain more consumers. Certain strategies may be used to develop relationships with consumers. Product and service quality developments, having good relationships between consumers and employees, and competing with rivals through lower prices are all examples of these strategies. On the other hand, retailers increasingly attempt to develop their private label products due to the control power, and high margins that private labels provide to retailers (Terpstra/Sarathy, 1994: 280).

Private labels currently constitute an important marketing tool, and retailers tend to develop their private label products for various reasons or objectives. Each of these objectives is analyzed below:

Cost Perspective

Private labels do not compete for shelf space, and, in these brands, slotting allowances and distribution payments are not considered. (Jonas/Roosen, 2005: 641). Private labels can provide high profit margins, as

they are better presented in the store and are sold at lower prices than are national brands (Parker/Kim, 1997: 221; HOCH, 1996: 89; Quelch/Harding, 1996: 107). By controlling the advertising and promotion costs of private label products in the market (Delvecchio, 2001: 240), retailers can offer discounts to consumers in great quantities. Private labels offer lower prices, owing to their manufacturing costs, inexpensive packaging, minimal advertising, and lower overhead costs (Dick et al., 1997; 18).

There is also a relationship between economic conditions and consumers' preference for private label products. For retailers, private label products will be influenced less by negative economic conditions (Savaşçı, 2003: 90). A study by Hoch and Banerji (1993) noted that the development of private label products has followed a periodic term. In negative economic conditions, consumers' discretionary income falls and the demand for private label products rises. However, the popularity of national brands increases when the economy gets better (Hoch/Banerji, 1993: 58; Hoch, 1996: 93). Because of the economic crises in Turkey, especially during the crisis in 2001, consumers' incomes have fallen and shopping habits have changed, such that economic stagnation has occurred in the retailing sector. As a result, it has been observed that the loyalty to national brands has been lost, price has become vital, and private labels' popularity has increased (Orel, 2004: 158- 159).

Relationship Perspective

Retailers develop their private label products by taking into account consumers' wants and needs. Private labels, as a part of strategic marketing plans, provide a better focus for consumers and differentiate the retailer from its rivals. Retailers are the same as one another in their merchandise resources, colors, styles, assortments, and also usually prices and presentations. However, retailers that present their private labels using branding techniques separate themselves from the competition and differentiate themselves (Tamilia et al., 2000: 16-17). Private labels are considered a fundamental tool for a successful differentiation strategy (Dodd/Lindley, 2003: 346). Thus, retailers that give consumers a different choice with their private label products are able to have a different position in the market (Ferne/Pierrel, 1996: 49). Retailers have the power of high pricing for their private labels due to their rivals' selling only national brands (Erdoğan, 2003: 28-29). Retailers primarily have to take account of the fact that a brand has an image and that that image is in consumers' minds. They also have to look at which brands have which positions in consumers' minds. If they want to compete successfully, the action point must be consumers' minds (Bariş, 2003: 59-61). Thus, it will be possible to reach more consumers, and retailers that get a position in consumers' minds with their private label products will be able to occupy a different position in

the market compared with their rivals (Vahie/Paswan, 2006: 69). Retailers wish to be not only sellers that sell products produced by manufacturers, but also to be the businesses whose private labels are chosen by consumers and produced by themselves (Erdoğan, 2003: 28-29).

Private labels also allow retailers to fill the gaps in their product assortments that the manufacturers have neglected. Clearly, retailers use private labels in order to reinforce the store image and to get a position in the consumer's mind. This has resulted in diverting loyalty from the brand to the store (Tamilia et al., 2000: 17). If the retailer is successful with its private label products, or if its private label products are chosen by consumers, they will have to return to the same store to buy private label products (Steiner, 2004: 112). This is because private label products are only sold in the store of the retailer who owns the brand (Dick et al., 1997: 18). The retailers that develop relationships between consumers and private label products and gain an advantage over their rivals will also support efforts toward developing new products (Jonas/Roosen, 2005: 639). Because the feedback process of learning consumers' reactions toward private label products works in retailers' favor, this period carries with it important data that the retailers will use in developing new products.

Retailers utilize not only a low pricing strategy, but also give importance to other factors like product quality, product development, packaging, and better presentation of the product in the store. As manufacturers of nationally-branded products, retailers also have to understand consumers, determine their wants and needs, and develop brands that can present several benefits to consumers and that have considerably different characteristics than other brands (Orel, 2004: 158). Furthermore, the study made by European Commission shows that the role of private label products has especially changed in the food retailing sector. These brands, which constitute an alternative to the national brands (with low quality and prices), are presented to consumers with improved quality and new product assortments (Soberman/Parker, 2003: 3). According to Corstjens and Lal (2000), presentation of private label products that have high quality can be an instrument for retailers to generate store differentiation, loyalty, and profitability. For instance, Carrefour actively markets its private label products and positions these products as high-quality alternatives to national brands. Carrefour seems to understand that positioning private labels on the basis of lower prices may signal lower quality rather than greater value (DICK et al., 1995: 21).

Market-Based Perspective

When the national branded manufacturers increase their products' prices without a reason, retailers can increase their control of shelf space by enlarging it, and can thereby compete with national brands (Savaşçı, 2003: 90). Retailers, by marketing their private labels, reduce the number of national brands in the shelf space (Oubina et al., 2006: 746). Retailers also have the advantage of presenting low-cost private label products and introducing more price alternatives to consumers (Omar, 1999: 215). Consumers receive savings if they prefer private labels. However, according to Hoch and Banerji (1993: 63), the most important factor in private labels is the development of the products' quality. Retailers present product variety to consumers with their private label products, and, compared with national brands, they offer the chance of buying quality products cheaper (Hedges, 2003: 61). At the same time, retailers use private labels as a tool in order to control the channel and lessen the dependence of the store on national brands (Tamilia et al., 2000: 25-26). Through this practice, developing and marketing private label products against national brands (and also manufacturers), retailers increase their bargaining power (Tarzijan, 2004: 321- 322).

Retailers that cannot be easily imitated by rival retailers and that can build a different store image will have also obtained an important competitive position. From this point of view, the store image (being the result of functional and psychological characteristics) for the retailers influences the buying decision period and consumers' behavior (Ünusan et al., 2004: 48). Some studies have shown that consumers have positive attitudes towards private labels if they have a positive image of the retailer (Dodd/Lindley, 2003). The retailers that constitute their product assortments with high quality national branded products and have a good image can also reinforce their image by presenting their private label products (Shenin/Wagner, 2003: 201). If they have high-quality private label products in stock that are wanted by consumers, they can reinforce their image. Although retailers have a powerful image, they cannot build a brand image that is less desired by consumers, or even not desired by them at all. Retailers must have this fact in their consciousness. Besides, stocking these high-quality national branded products in addition to private labels can develop consumers' preferences about the retailer's image and also both of them can obtain the retailer as a brand over time (Ailawadi/Keller, 2004: 337; Dodd/Lindley, 2003: 346). In addition, retailers must pay attention to other cues about product quality associated with private labels, like the attractiveness of packaging, labeling, and brand image, as well as the image of the store itself which may transfer to consumers' perceptions of private label quality (Dick et al., 1995: 15). Meanwhile, the name or the

retailer's logo may be put on the products' packages. Thus, consumers' interest can be attracted not only to products, but also to retailers (Sparks, 1997: 157; Dodd/Lindley, 2003: 346; Burt, 2000: 885). Private label products with retailers' names placed prominently on the packages become a means of advertising for the retailers' own stores (Özkan/Akpınar, 2003: 25) and carry the retailers' name to consumers' homes (Omar, 1999: 215). For this reason, retailers may grow as a brand by using their names and logos on the products' packages (Dodd/Lindley, 2003: 346).

3. Methodology

A survey of food retailers in the Retail Information Platform was conducted because these retailers are perceived to be marketing-oriented and also tend to have private label products. Therefore, the aim of this study is to show the main dimensions of food retailers' objectives in developing private label products in Turkey. As a result, factor analysis has been used for the items related to retailers' objectives for developing private label products.

Sampling

The sampling frame was the food retailers registered on the "Retailing Information Platform" and also found on the "perakende.org" web site. In total, 350 food retailers were listed and invited to participate in the study by fax. The study was carried out from April to June of 2006. In total, 72 retailers answered the questionnaire, representing a 20.57% response rate. When compared with previous studies, the sampling size was sufficient in order to use analysis techniques to describe the objectives for developing private label products from the retailers' perspective (Jonas/Roosen, 2005; Oubina et al., May 2006; Oubina et al., 2006; Özgül, 2004).

Data Collection and Questionnaire

The questionnaire was designed based on a literature review of previous studies (Batra/Sinha, 2000; Tamilia et al., 2000; Vahie/Paswan, 2006; Quelch/Harding, 1996; Schneider, 2004; Fernie/Pierrel, 1996; Hoch/Banerji, 1993; Hoch, 1996; Verhoef et al., 2002; Oubina et al., May 2006; Oubina et al., 2006; Jonas/Roosen, 2005; Corstjens/Lal, 2000; Dodd/Lindley, 2003; Dick et al., 1997). The first section of the questionnaire contained general information about sampling. It included eleven background questions. The second section was designed to collect information about the objective items. All items related to developing private label products were derived from the literature. Hence, a

pool of 25 items was generated from this method. At this point, the responses to scale items measuring the importance of objectives for developing private label products were measured using a five-point Likert-type scale anchored by “not important at all” (1) and “very important” (5). Prior to the final data collection, the questionnaire was pre-tested with 30 retailers from the sampling frame. Two questions needed simplification, as the phrasing was inadequate. Internal consistency for the objective items was assessed using Cronbach's α , which was 0.908.

Therefore, food retailers' objectives for developing private label products are the following:

- Get a different place in the market than rivals (*Location*).
- Support the efforts of developing new products (*NewProduct*).
- Present product variety to consumers (*Diversification*).
- Increase consumer's loyalty to store (*Loyalty*).
- Reinforce the store image (*Image*).
- Increase competitiveness against national (manufacturer) branded products (*Competition*).
- Develop relationships with consumers (*Relationship*).
- Develop cooperation with manufacturers (*Cooperation*).
- Use it as an advertising tool (*Advertising*).
- Be less influenced by crises in the market (*Crisis*).
- Allow consumers to buy products with lower prices (*Price*).
- Increase the store's profitability (*Profitability*).
- Increase the market share (*Market share*).
- Reach more consumers (*Consumer*).
- Obtain control over shelf space and stocks (*Shelf*).
- Force rivals to reduce their pricing (*Rivalproduct*).
- Provide a cost advantage to store (*Cost*).
- Support forming retailer as a brand in time (*Brand*).
- Check the present consumer group who buy national branded products (*Presentconsumer*).
- Increase profit margins in product categories (*Profitmargin*).
- Present qualified products with convenient prices to consumers (*Quality*).
- Create differentiation as a store (*Differentiation*).

- Create a special target market for the store by focusing on a certain consumer group (*Targetmarket*).
- Lessen the dependence of the store to national (manufacturer) branded products (*Dependence*).
- Follow rivals (*Following*).

4. Results

Characteristics of Sampling

Of the 350 questionnaires faxed, 72 were returned. Reasons for non-response were “it is not our policy to participate in surveys” or “we are too busy at this time.” Out of the 72 respondents who completed questionnaires, there was a 37.5% response rate from business owners (27 persons), 26.4% from business managers (19 persons), and 36.1% from business owners and managers (26 persons). Results for respondents’ education showed that 50% of the respondents had graduate education (36 persons), and 40.3% were high school graduates (29 persons), which together constituted the majority of the sample. Of the remainder, 8.3% had primary education (6 persons) and only 1.4% had earned a post graduate degree (1 person). Males constituted a great majority (98.6%) of the business owners/managers (71 men, 1 woman). When the ages of the business owners/managers were examined, the largest group was 40 years old and over, with a rate of 36.1% (26 persons), while 31.9% of the respondents were in the 35-39 age group (23 persons). In the 25-29 age group, there were 12 respondents, and 9 respondents were in the 30-34 age group. Only 2 respondents were in the 18-24 age group.

The characteristics of the food retailers that participated in the study are given in Table 1, below.

Table 1: Characteristics of the Food Retailers

		Frequency	Per cent
Firm Size	1-49 Employees	23	32
	50-149 Employees	20	27,7
	150 or more Employees	29	40,3
	Total	72	100
Establishment Year	1953-1974 (Old and Experienced Businesses)	4	5,6
	1975-1994 (Moderate Experienced Businesses)	32	44,4
	1995-2005 (New Businesses)	36	50

	Total	72	100
Level of Activity	Locally	58	80,6
	Regionally	14	19,4
	Total	72	100
Number of Branches	1	5	6,9
	2	10	13,9
	3	11	15,3
	4	11	15,3
	5	2	2,8
	6 or more	33	45,8
	Total	72	100
Ownership of Private Label	Yes	27	37,5
	No	45	62,5
	Total	72	100
Percent of Private Label of Total Sales	5 % or less	16	59,2
	5 – 10 %	3	11,1
	10 % or over	4	14,9
	Not Answered	4	14,8
	Total	27	100
The Year Presented the First Private Label	Before the year 2000	8	29,6
	The year 2000 or after	18	66,7
	Not Answered	1	3,7
	Total	27	100

As seen in Table 1, a great majority of food retailers that returned the questionnaire had formed large businesses (40.3 %) that employed 150 or more employees. Retailers that had moderate experience and were established between 1975-1994 (32 food retailers) and retailers that were established between 1995- 2005 and were thus new businesses (36 food retailers) formed the majority. Retailers working locally constituted a great majority of food retailers. Fully 80.6% (58 retailers) of the retailers worked locally, while the others worked regionally. There were no food retailers working nationally and internationally. In terms of the number of branches, the most dominant group of retailers had six or more branches, and there were 33 of these retailers (45.8%). When food retailers were examined for whether they had private labels, 27 food

retailers had private label products (37.5%) and 45 did not (62.5%). The number of the retailers whose private label product sales constituted 5% or less of their total sales were 16. As seen in Table 1, private label products presented to the market by food retailers were especially likely to be seen in 2000 and after. While 18 food retailers presented their first private label in the year 2000 or after, 8 food retailers presented their first private label before the year 2000.

Exploratory Factor Analysis

The main purpose of this research was to determine with which strategic objectives private label products had been developed and/or would be developed by food retailers in Turkey. To accomplish this main purpose, the objective items were factor analyzed (principal components, varimax rotated). First, we applied discriminant analysis in order to examine if differences existed between the private label food retailers and non-private label food retailers in their objectives for developing private label products. Results indicated no significant difference in these objectives between the two groups of retailers. Hence, both of these groups were included in the factor analysis together depending on the discriminant analysis. For the statistical analysis, SPSS version 13.0 was used. Before carrying out the factor analysis, a reliability analysis for the scale was conducted using Cronbach's alpha. The beginning value of Cronbach's alpha was 0.884. Cronbach's alpha then became 0.893 when 3 items were extracted from the scale. These items were 1) support the efforts of developing new products, 2) use it as an advertising tool, and 3) follow rivals.

The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was 0.79, which can be considered an acceptable value. It is also understood that factor analysis can be used with Bartlett's test of sphericity ($\chi^2=560.79$; $P=0.00$). The principal component analysis with varimax rotation was used to validate the structure proposed in the theory-based model. All items with factor loadings greater than 0.50 were accepted. In this context, excluding three items that had low factor loadings leads to considerable improvement over the previous attempt, and some meaningful patterns emerged. These items included: reach more consumers, obtain control over shelf space and stocks, and lessen the dependence of the store to national (manufacturer) branded products. Rerunning the factor analysis on the remaining 19 items resulted in a 6-factor solution with a more consistent item structure. Exploratory factor analysis indicated that loadings ranged between 0.53 and 0.81. In total, 6 factors (accounting for 67% of the total variance) with eigenvalues greater than 1 were extracted and labeled as follows. Finally, based on the factor scores, we

labeled the six factors (in descending order): “increasing the market share,” “positioning,” “increasing competitiveness,” “developing relationships,” “increasing profit margins,” and “cost leadership.” Table 2 displays these factors and their specifications.

Table 2: Factor Dimensions, Concerned Expressions and Factor Loadings

	Eigenvalues	Variance	Factor Loadings
FACTOR 1: Increasing the Market Share	6,34	31,74	
<i>Increase market share</i>			0,732
<i>Allow consumers to buy products with lower prices</i>			0,691
<i>Increase the store's profitability</i>			0,646
<i>Present qualified products with convenient prices to consumers</i>			0,611
FACTOR 2: Positioning	1,89	9,48	
<i>Get a different place in the market than rivals</i>			0,813
<i>Increase consumer's loyalty to store</i>			0,689
<i>Create differentiation as a store</i>			0,651
<i>Reinforce the store image</i>			0,630
<i>Present product variety to consumers</i>			0,537
FACTOR 3: Increasing Competitiveness	1,48	7,43	
<i>Increase competitiveness against the national (manufacturer)branded products</i>			0,728
<i>Support forming retailer as a brand in time</i>			0,715
<i>Check the present consumer group who buy national branded products</i>			0,660
FACTOR 4: Developing Relationships	1,38	6,90	
<i>Create a special target market for the store by focusing to a certain consumer group</i>			0,701
<i>Develop relationships with consumers</i>			0,567
<i>Develop cooperation with manufacturers</i>			0,537
FACTOR 5: Increasing Profit Margins	1,33	6,67	
<i>Increase profit margins in product categories</i>			0,811
FACTOR 6: Cost Leadership	1,12	5,64	
<i>Force rivals to reduce their pricing</i>			0,780

<i>Provide a cost advantage to store</i>			0,742
<i>Be less influenced by crises in the market</i>			0,662
Factor Analysis with Varimax Rotation, KMO: 0.79, Bartlett's Test: 560.79; p < 0.000			

When dimensions and sub-items derived from factor analysis were examined, “increasing the market share” factor explains 31.74% of all factors related to retailers’ objectives for developing private label products. In this factor, the “increase the market share” sub-item had the highest factor loading, at 0.732%. The “allow consumers to buy products with lower prices,” “increase the store’s profitability,” and “present qualified products with convenient prices to consumers” sub-items had, respectively, 0.691, 0.646, and 0.611 factor loadings in this factor.

The second factor that affects retailers’ objectives for developing private label products, positioning, had 5 sub-items, and this factor explains 9.48% of the total variance. The factor “get a different place in the market than rivals” item had the highest loading, at 0.813%. “Increase consumer’s loyalty to store,” “create differentiation as a store,” and “reinforce the store image” are the other sub-items that contribute to this factor, with loadings of 0.689, 0.651, and 0.630%, respectively. The “present product variety to consumers” sub-item had the lowest loading, at 0.537% in this factor.

The “increasing competitiveness” factor relates to retailers’ competitive dimension and consists of the “increase competitiveness against the national (manufacturer) branded products” (factor loading = 0.728), “support forming retailer as a brand in time” (factor loading = 0.715), “check the present consumer group who buy national branded products” (factor loading = 0.660) sub-items. This factor explains 7.43% of all factors related to retailers’ objectives for developing private label products.

Factor 4 is defined as a relationship dimension. This factor consists of “create a special target market for the store by focusing on a certain consumer group” (factor loading = 0.701), “develop relationships with consumers” (factor loading = 0.567), “develop cooperation with manufacturers” (factor loading = 0.537); these sub-items explain 6.90% of the total variance.

The “to increase profit margins in product categories” sub-item, with a loading of 0.811, constitutes the fifth factor, increasing profit margins.

The sixth factor, cost leadership, consists of the “force rivals to reduce their pricing” (factor loading = 0.780), “provide a cost advantage to store” (factor loading = 0.742), “Be less influenced by crises in the market” (factor

loading = 0.662) sub-items and explains 5.64% of all factors related to retailers' objectives for developing private label products.

Construct Validity: Confirmatory Factor Analysis

A confirmatory factor analysis was used to examine if the determined six-factor structure derived from exploratory factor analysis displayed good model fit. A 6-factor model with 19 items partly supported the sample data and had moderately good fit indices (RMSR=0.08, RMSEA=0.01, CFI=.894, GFI=.801, NNFI=.864). The alternative model consisting of 5 factors with 16 items indicated preferable fit indices when 3 items were excluded from the model. These items were one item (create differentiation as a store) from factor 2, one item (check the present consumer group who buy national branded products) from factor 3, and the one item (increase profit margins in product categories) that constituted factor 5. The results of fit indices for the 5-factor model are RMSR=0.08, RMSEA=0.00, CFI=.911, GFI=.829, NNFI=.882, Chi-square / df = 1.34. This suggests that the revised five-factor model has a more valid structure than the six-factor model. The revised model dimensions and sub-items are shown in Table 3. Therefore, retailers' objectives for developing PL products can be classified and should be evaluated with five dimensions and sixteen sub-items. The zero-order correlations of these factors ranged from 0.27 to 0.75 at the $p < 0.05$ level.

Table 3: Revised Factor Dimensions

FACTOR 1: Increasing the Market Share
<i>Increase market share</i>
<i>Allow consumers to buy products with lower prices</i>
<i>Increase the store's profitability</i>
<i>Present qualified products with convenient prices to consumers</i>
FACTOR 2: Positioning
<i>Get a different place in the market than rivals</i>
<i>Increase consumer's loyalty to store</i>
<i>Reinforce the store image</i>
<i>Present product variety to consumers</i>
FACTOR 3: Increasing the Competitiveness
<i>Increase competitiveness against the national (manufacturer)branded products</i>
<i>Support forming retailer as a brand in time</i>

FACTOR 4: Developing Relationships
<i>Create a special target market for the store by focusing to a certain consumer group</i>
<i>Develop relationships with consumers</i>
<i>Develop cooperation with manufacturers</i>
FACTOR 5: Cost Leadership
<i>Force rivals to reduce their pricing</i>
<i>Provide a cost advantage to store</i>
<i>Be less influenced by crises in the market</i>

5. Conclusion

The purpose of this paper was to classify the strategic objectives for PL products from the retailers' perspective in Turkey. In this light, an empirical analysis was conducted on data from 72 retailers. Similar research exists in this field, but none exists on the Turkish market. Some useful and applicable findings can be drawn for these retailers. According to the exploratory factor analysis results, PL products are generally developed using six main dimensions as strategic objectives. These dimensions are increasing the market share, positioning, developing relationships, cost leadership, increasing profit margins, and competitiveness. This finding was different from the studies that examined other countries. For instance, Jonas and Roosen (2005) examined private labels in organic products in Germany. In this study, while few variables are put forward related to retailers' objectives for developing private label products. In Spain, Oubina et al. (2006) found three main dimensions of the objectives in developing private label products: the equity of the store name, competitive position, and profitability. Our findings comprise all of these dimensions, but also reveal a unique dimension: developing relationships. This concept speaks to the fact that private labels are a vital tool for developing relationships with consumers and manufacturers. Thus, PL products can be used as a communication tool for retailers. In addition, with private labels, there is an interdependence between manufacturers and retailers (Oubina et al., 2006).

The primary dimensions obtained from the results of confirmatory factor analysis in this study were similar to findings and theoretical perspectives from previous studies in literature.

Factor 1 - Increasing the Market Share: to lessen the presence of national brands found on shelves (Gerretson et al., 2002: 91) or lessen the dependence of the store on national brands (Quelch/Harding, 1996: 102). Private label

products are perceived as branded products in market place (Erduran, 2009). Consequently, it needs to develop a branding plan like branded products for PL products to increase market share in Turkey. In this context, it shouldn't be forgotten that the market share of PL products can less be increased compared to national branded products (Cotterill/Putsis, 2000: 36).

Factor 2 - Positioning: to reach more consumers by gaining a position in their minds and reinforcing the store image (Tamilia et al., 2000: 17; Vahie/Paswan, 2006: 69), and to increase consumers' loyalty (Schneider, 2004: 24). In this light, retailers pay attention to newness and packaging issues and generate alternative solutions to satisfy the consumers' buying expectations concerning private label products (Halstead/Ward, 1995: 47). The one of the most important thing in PL positioning is quality and its elements. Because, the PL preference of Turkish Consumers' focuses on quality (Gavcar/Didin, 2007), and this positioning process depends on national branded products competition (Choui/Coughlan, 2006).

Factor 3 - Increasing Competitiveness: to differentiate themselves with regards to price and product portfolio as compared to rivals (Schneider, 2004: 24). Trust is a basic driver in Turkish PL market (Öncel, 2003). Turkish retailers must choice a trust-based strategy for competition. Furthermore, price discrimination (Kim/Parker, 1999) and market structure (Narasimhan/Wilcox, 1998) may be analyzed between PL and national brand competition.

Factor 4 - Developing Relationships: to develop relationships with manufacturers (Ferne/Pierrel, 1996: 54). Thus, retailers must find the best partners with whom to take on the competition (Ferne/Dedman, 2000: 17). Retailers may also keep on a relationship strategy with consumers based on loyalty and trust.

Factor 5 - Cost Leadership: to control shelf space, introduce lower prices to consumers by controlling costs, and obtain bargaining power over manufacturers (Savaşçı, 2003: 90; Batra/Sinha, 2000: 175; Halstead/Ward, 1995: 46). PL pricing has no effect on national brand products pricing (Bontemps et al., 2005). It means that PL pricing policy can be accepted as an independent process.

This structure suggests that objectives for developing PL products are business-oriented, not culturally oriented. We emphasize, however, that a profit component is also important in developing PL products (Hoch/Banerji, 1993: 57; Schneider, 2004: 24). The purpose of this study was to show a dimensional structure and model without relying on crosscultural comparisons for retailers in Turkey. Consequently, this study has shown a valuable model that matches previous studies in the literature.

This study has an important implication for managers. A reliable and valid structure provides an important point of view for retailers developing PL products in Turkey. The main limitation of this research is its inclusion of only retailers that are registered in the “Retail Information Platform” in Turkey. In future studies, it would be beneficial to conduct a cross-cultural analysis and include product groups and company size into the analysis.

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