

How Much Does a Brand Matter? Evidence from Supermarket Rebannering

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3rd FTC Marketing and Public Policy Conference

¹The views expressed are those of the authors and do not necessarily represent those of the Commission or any individual Commissioner.

What is the value of a brand?

- Are some brands more valuable than others? Why?
- Why do some firms market several brands?
 - Vertical differentiation
 - Horizontal differentiation
 - Legacy acquisitions

We use banner changes to examine brand value

- Does changing banners improve store performance?
- Do effects vary in store or demographic characteristics?
- What are the returns associated with changing banners?

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Grocery stores are a good industry to study!!

Grocery stores control many banners

COMPANY BANNERS

SAFeway, Albertsons, VONS, Jewel Osco, ACME, shaws, Tom Thumb, United supermarkets, United Express, Randalls, Albertsons Market, PAVILIONS, star market, KINGS, Market STREET, Haggren (NORTHWEST FRESH), CARRS, Andronico's COMMUNITY MARKETS, BALDUCCI'S, Amigos, Lucky, Albertsons Market Street.

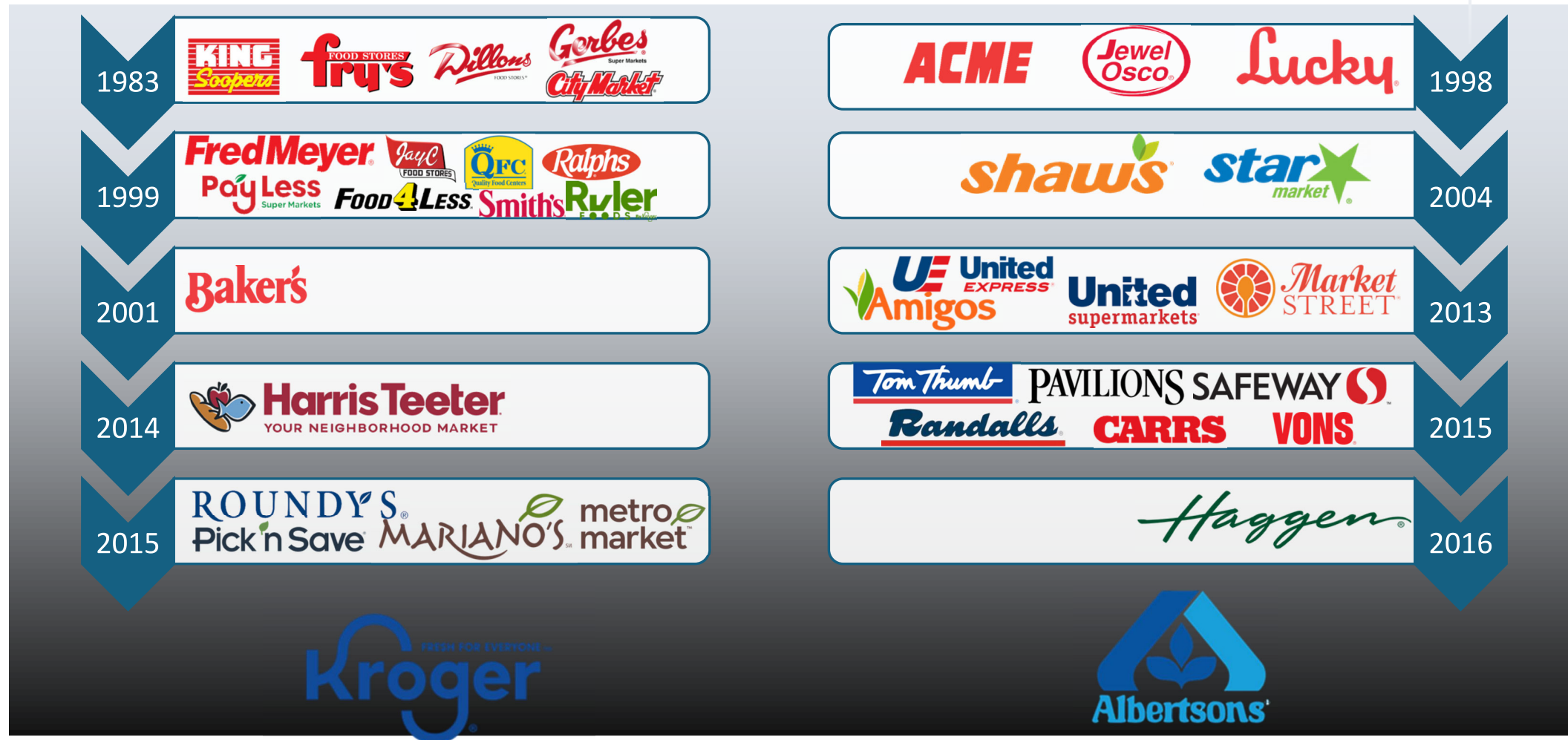
STOP&SHOP, Giant, Peapod, Ahold Delhaize, GIANT MARTIN'S, FOOD LION, Hannaford.

Raley's, BEL AIR, NOB HILL FOODS, Raley's O-N-E MARKET.

Baker's, Fred Meyer, Kroger, Ralphs, CityMarket, Fry's, MARIANOS, Ryler, Dillons, Gerbes, DAY LESS, Smith's, FOOD 4 LESS, JayC FOOD STORES, Pick n Save, metro market, Foods Co, KING Supermarket, QFC.

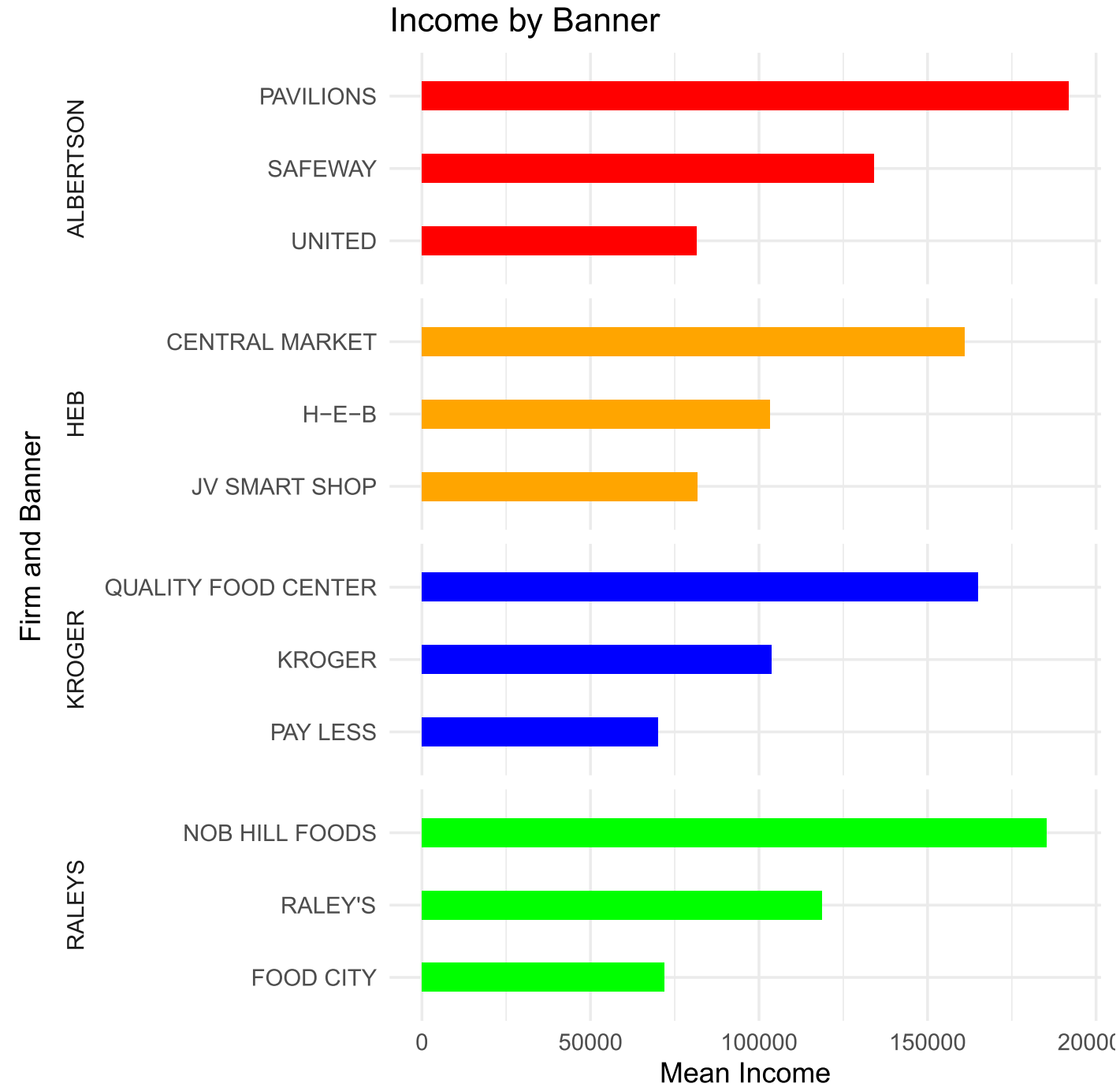
Kroger FRESH FOR EVERYONE™

Some grocers build portfolios through acquisition

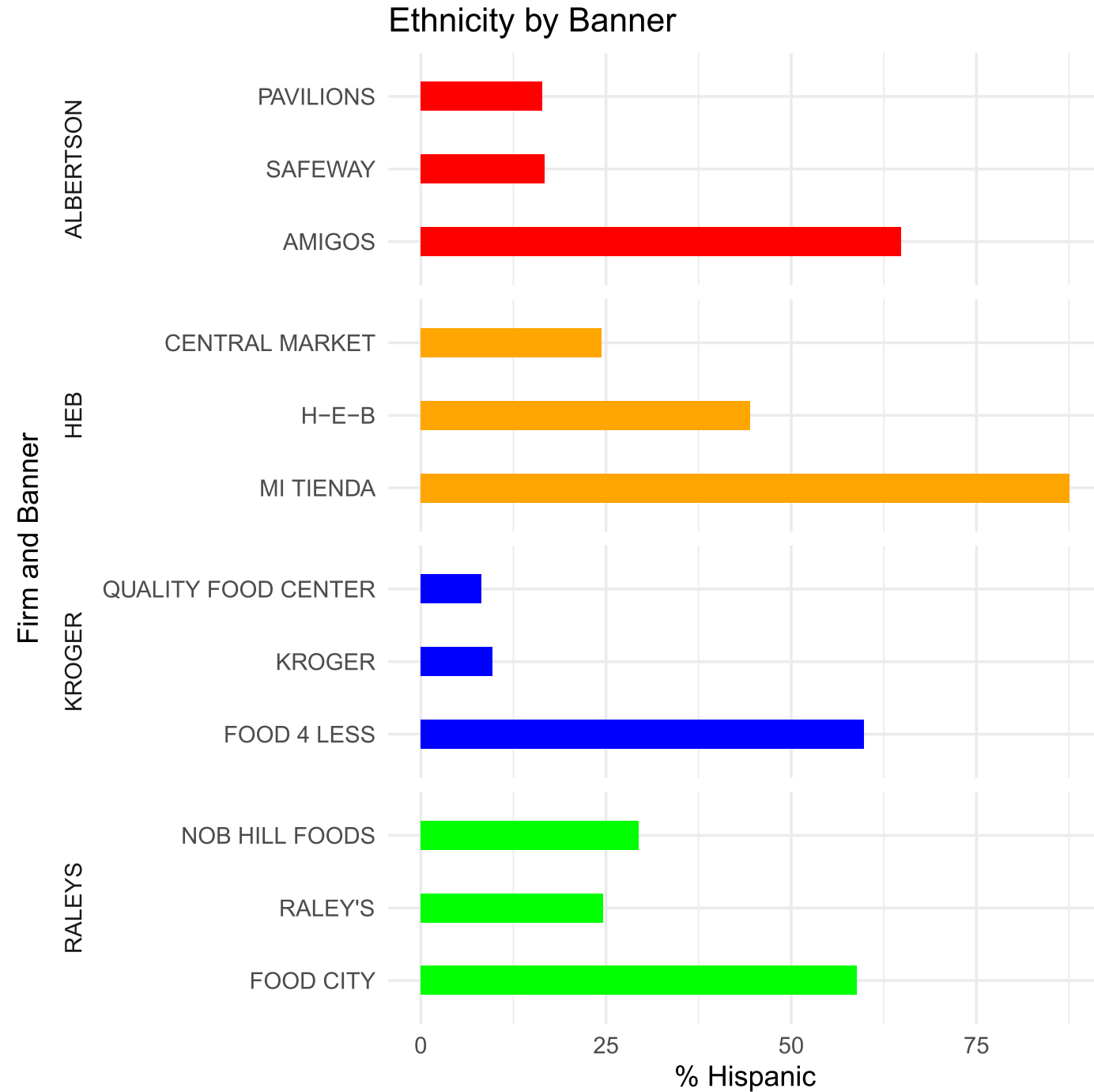


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Many grocers market “value” & “premium” banners



Some grocers use banners to target cultural groups

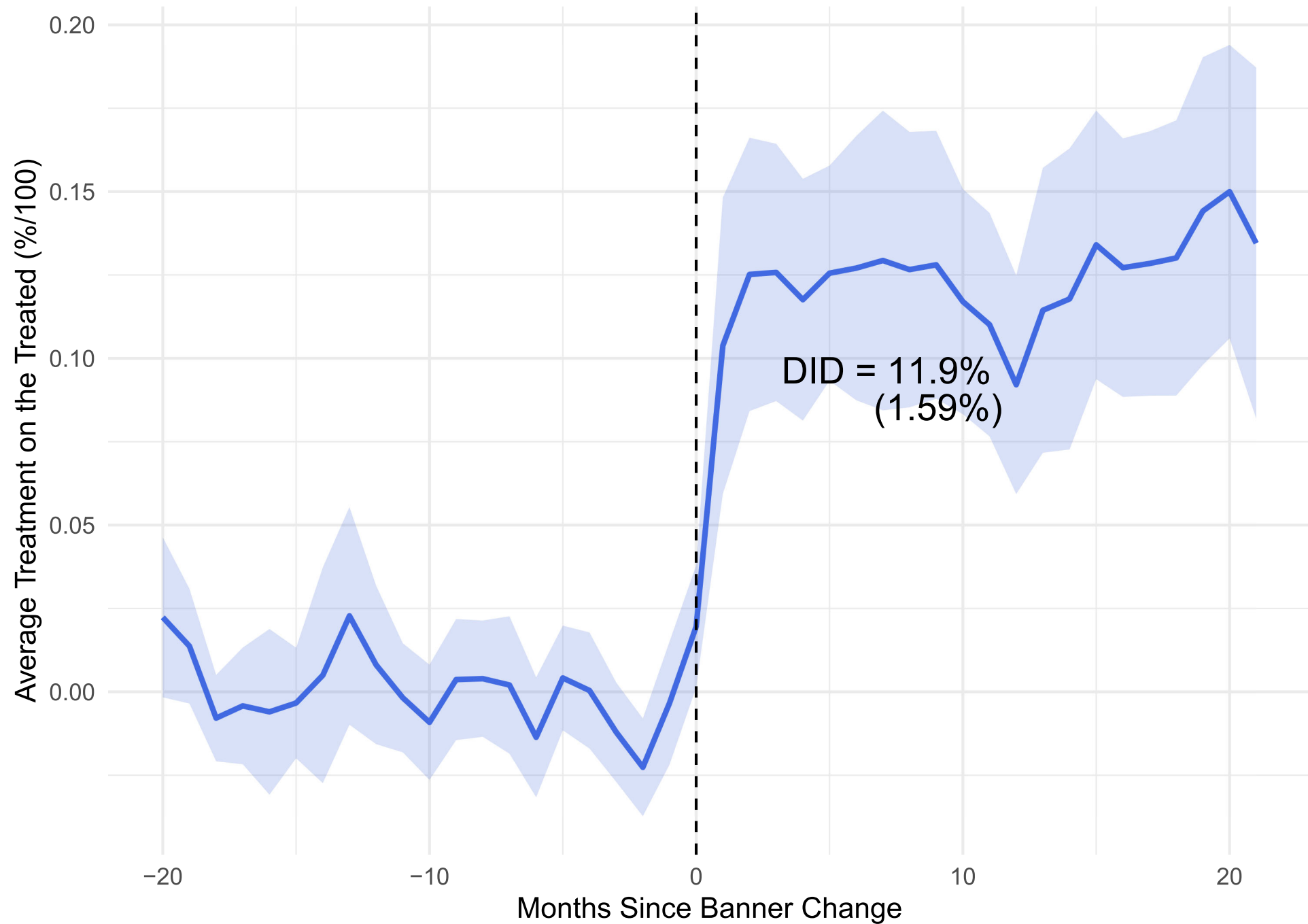


Some banners perform better than others

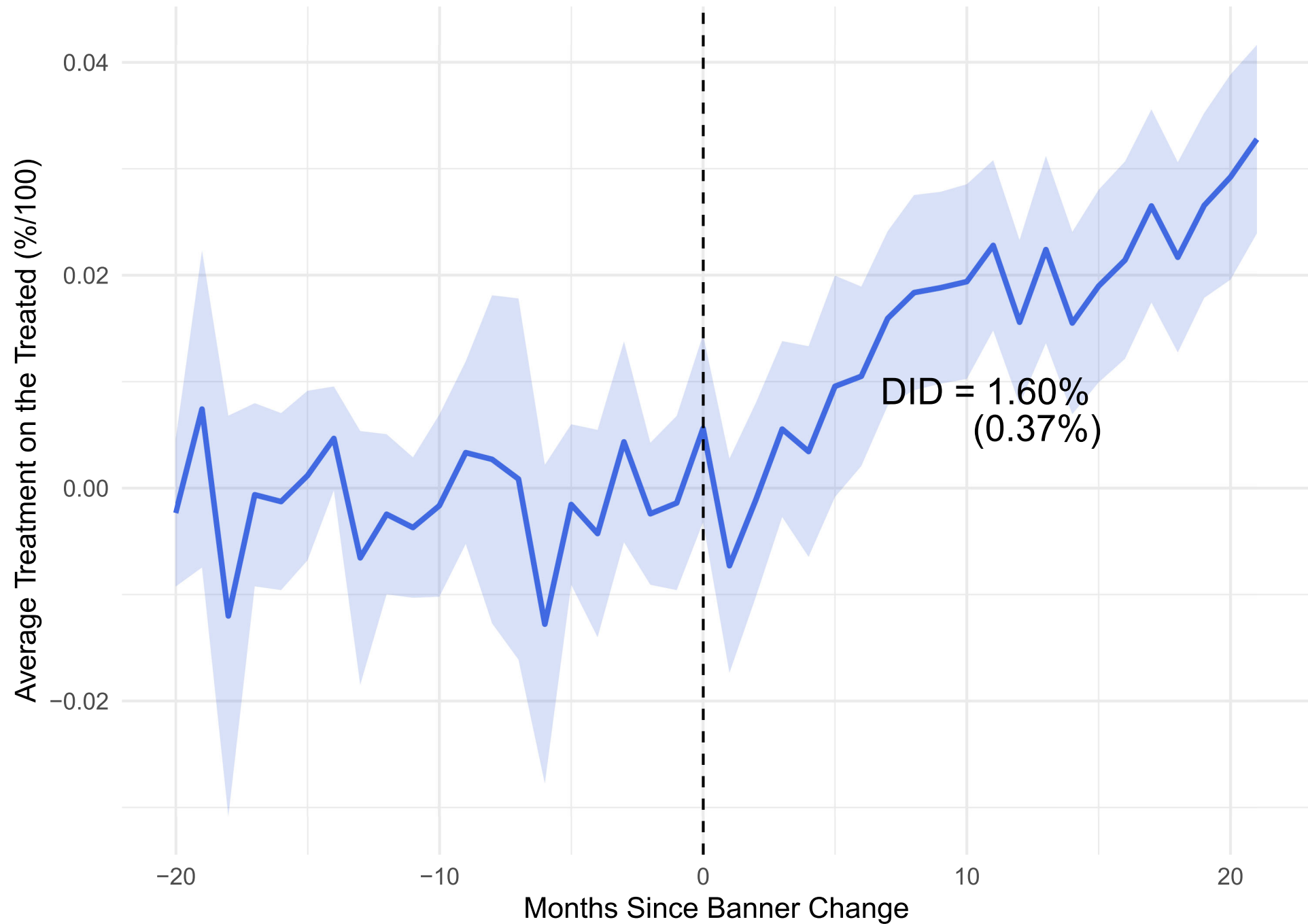
Table: Average annual performance metrics - prior to a banner change

Banner Type	Sales / Store (\$MM)	Sales/ Square Foot	Profit / Store (\$MM)
% Difference between Destination & Origination	28.9%	35.3%	41.6%

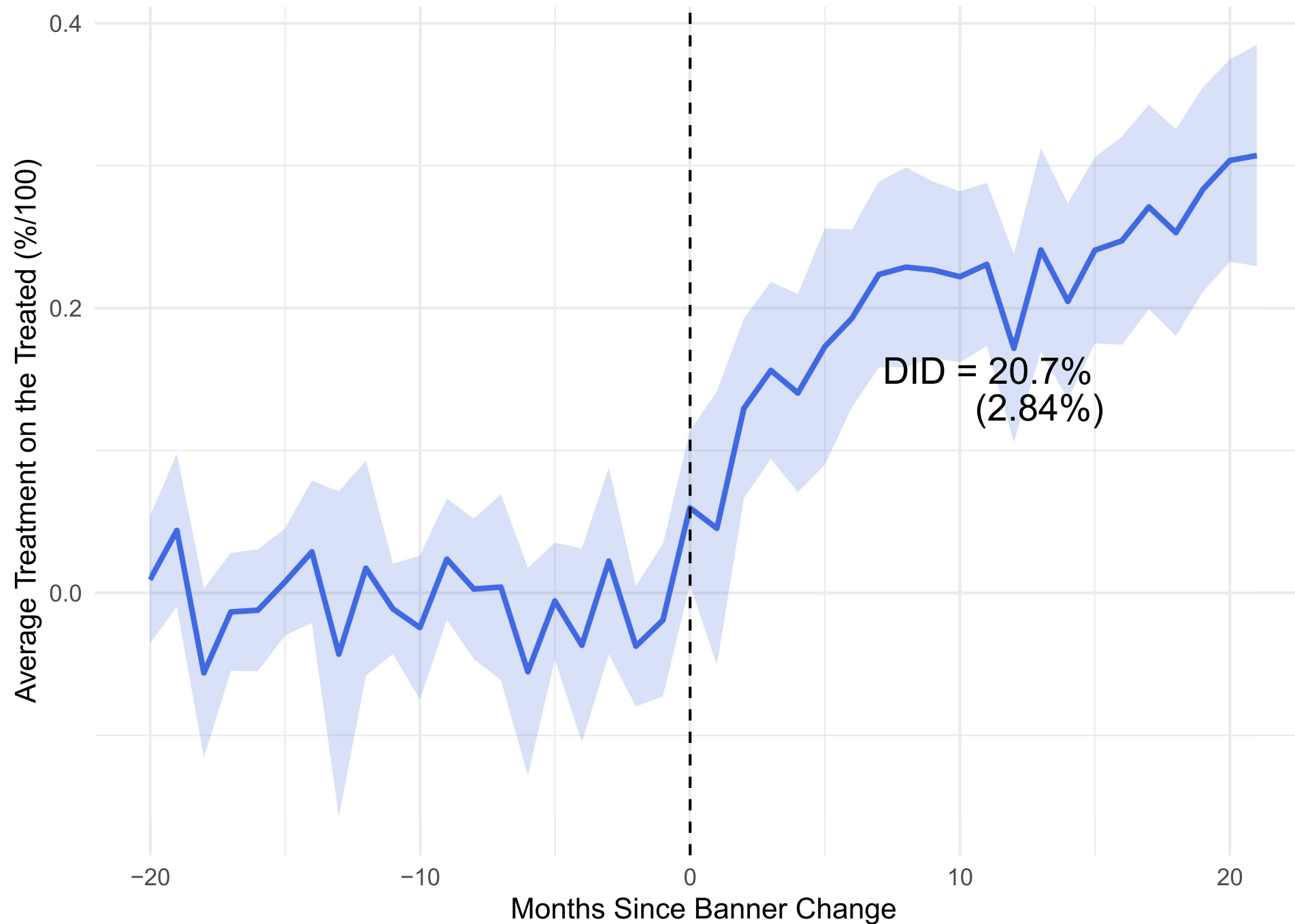
Banner changes result in higher store sales



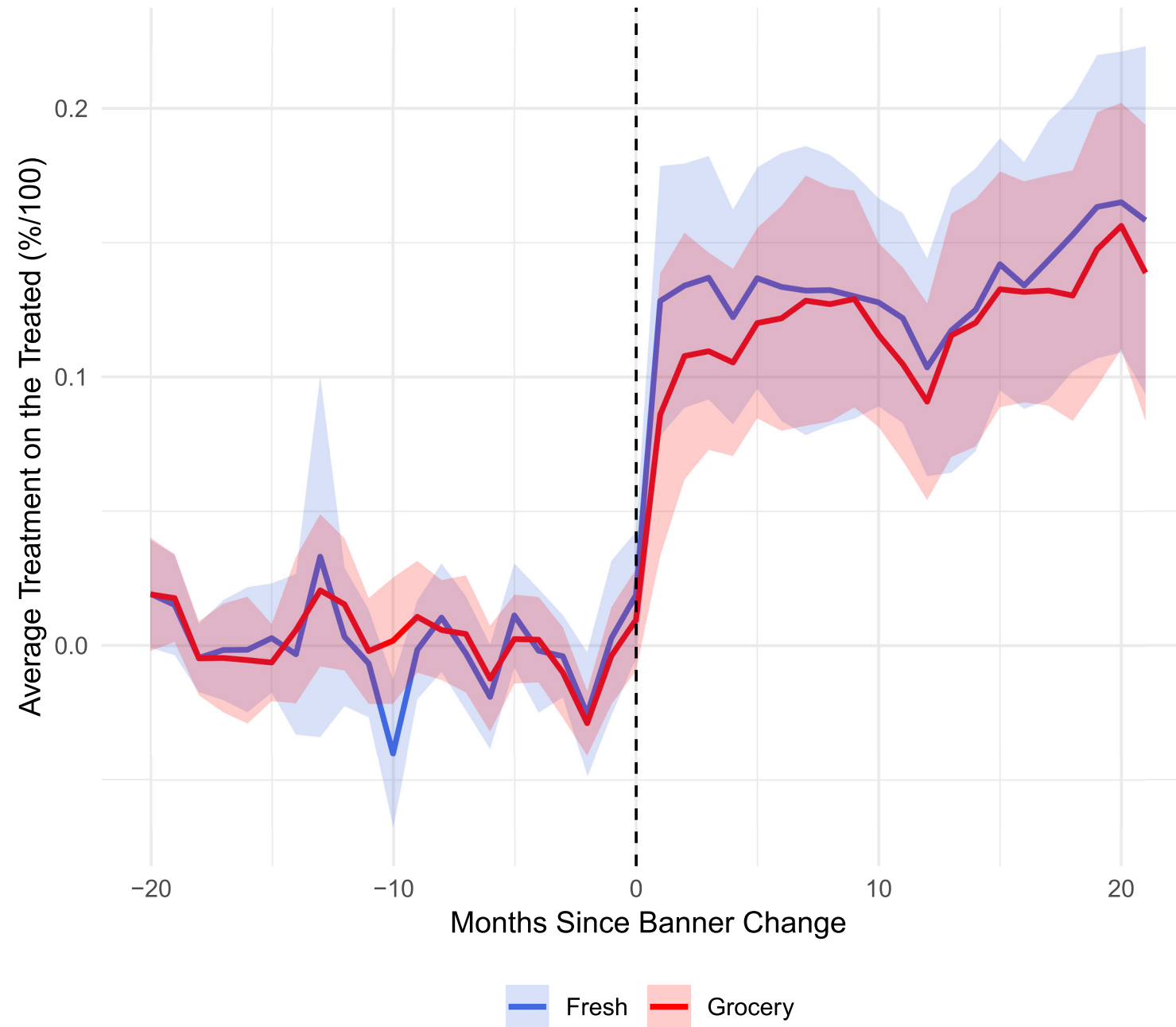
Banner changes result in higher gross margins



Banner changes increase profit margins



Banner effects do not vary across departments



Banner changes have a positive return

- Banner changes cost approximately \$1.8-3.5 MM
- NPV = \$12MM
- ROI = 7.5% in 5 years

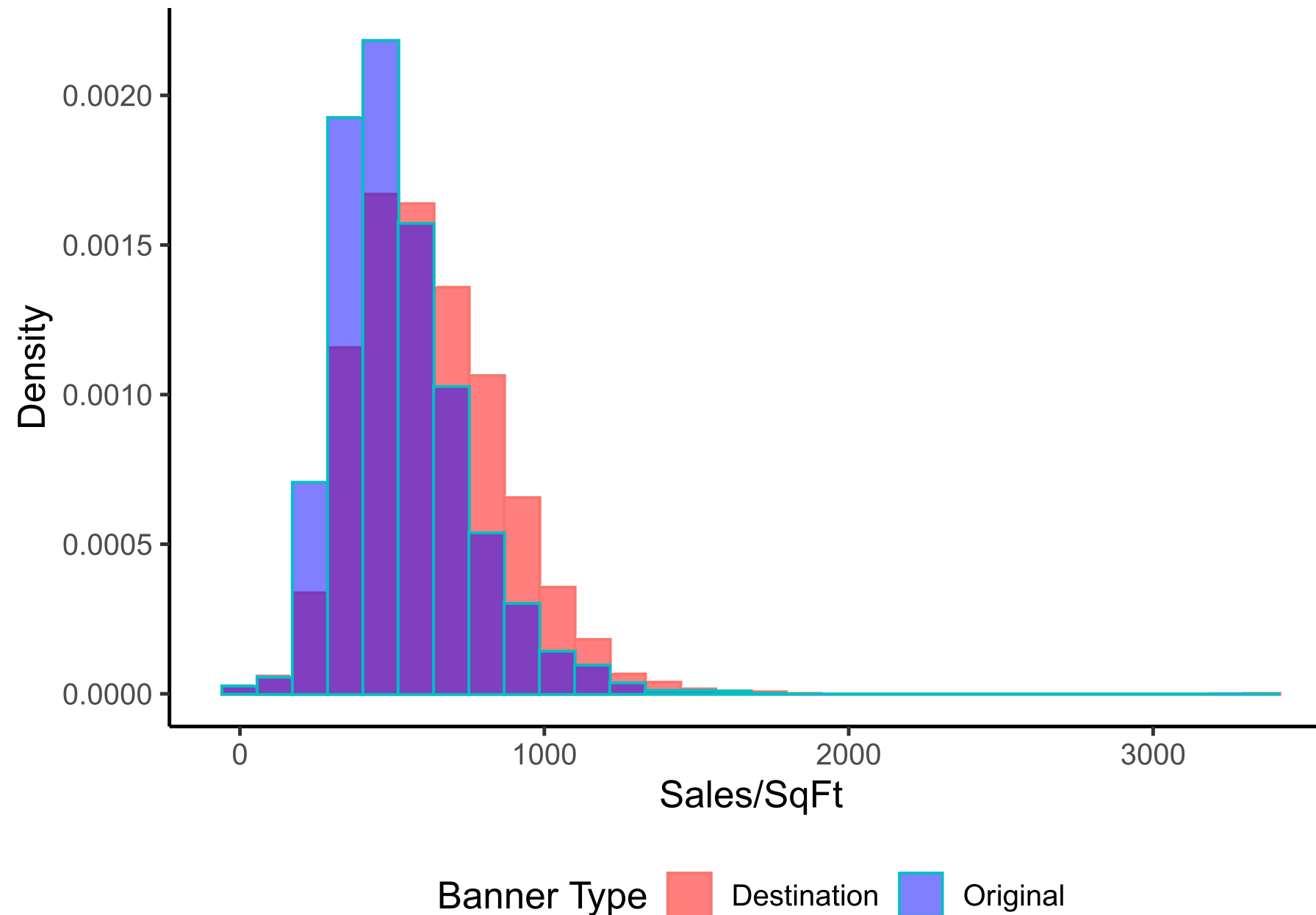
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But: < 20% stores in origination banners switch. Why?

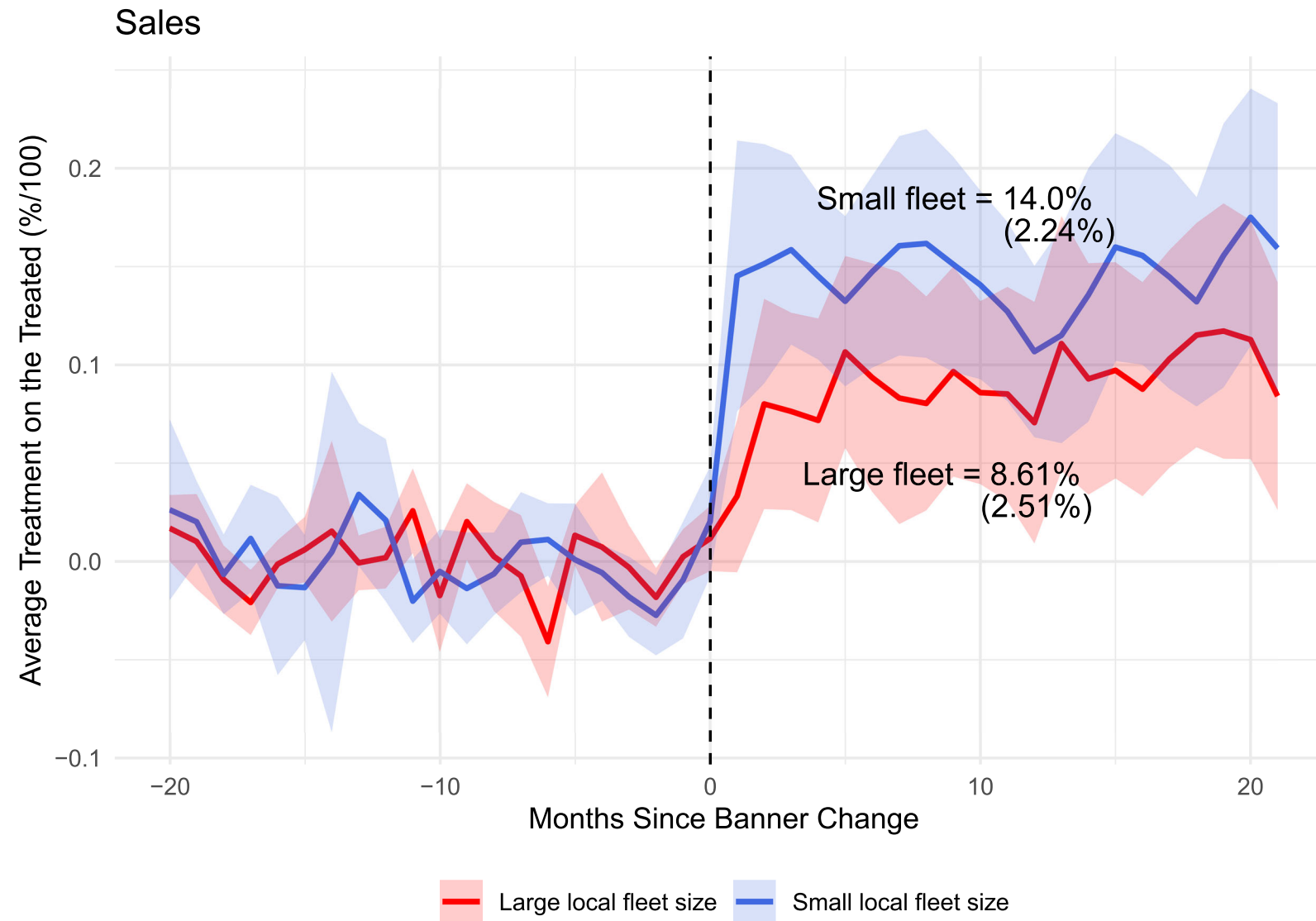
Why do grocers not switch more banners?

- Significant overlap in origination and destination performance



Larger effects when original banner was weak

- Banner strength defined by the number of stores of the same banner in the MSA



We have a lot more planned!!

- ① Model choice of which banners switch
- ② Decompose effects into horizontal vs. vertical differentiation
- ③ Examine changes in private labels
- ④ Model effects of competition
- ⑤ Look at additional banner changes

Thank You!