

FMCG Brand, Supermarket Chain and Consumer Relationships

Ranga Chimhundu

PhD Candidate, Department of Marketing, University of Otago

Tel: +64 (0)3 479 7695 E-mail: rchimhundu@business.otago.ac.nz

Abstract

The new FMCG (fast-moving consumer goods) landscape has increasingly been dominated by large retail chain stores that are highly concentrated. In the FMCG equation, the locus of power has shifted from manufacturers to retailers, particularly to large supermarket chains. Accepted views of brands have however tended to put emphasis on the relationship of manufacturer brands with consumers, thereby largely neglecting brand – reseller relationships. This has been identified as a gap in the literature. The research intends to address this gap by adopting a holistic study that encompasses a three-way brand, supermarket chain, and consumer relationship. The objective of the study is theory building.

Introduction

This short paper is based on a thesis that is in an early stage of development (one month). The topic and research ideas are expected to undergo further refinement in the light of the thorough literature search and review in progress. The research explores a three-way brand, supermarket chain and consumer relationship in a changing FMCG marketing environment. The FMCG landscape is increasingly becoming dominated by large and powerful retail chain stores (Berthon, Hulbert and Pitt, 1997; Dapiran and Hogarth-Scott, 2003). In this set-up, a strong brand that does not have the support of the trade cannot survive, and a strong retailer relationship that is not supported by a brand valued by end-users is not possible. Accepted views of brands however, have tended to put emphasis on the relationship of manufacturer brands with consumers and not really with resellers (Webster, 2000). “This has produced both an incomplete analysis of branding from an academic perspective and incomplete management of the brand from a company perspective ... We must understand better the reseller’s definition of brands as strategic resources and develop models of channel relationships that incorporate brands as key elements, emphasizing cooperation and strategic collaboration rather than conflict” (Webster, 2000, p. 22). The research seeks to address this gap in the literature by developing theoretical linkages that specifically address brand – supermarket chain – consumer relationships. The study is worthy of doctoral research because it builds on mainstream academic literature and is likely to make an original contribution by way of “an incremental step in understanding” (Phillips and Pugh, 2000, p. 64) the relationships among FMCG manufacturers, supermarket chains and consumers, using brands as key elements.

Literature Review

An overview of the relevant literature falls under two subtopics that cover broad issues on the changing FMCG marketing environment and specific issues on brand – supermarket chain – consumer relationships.

The Changing FMCG Landscape

The brand has been a core feature of FMCG marketing since the late 1800s (Berthon *et al.*, 1997). Brands create differences among offerings with potential for need satisfaction and therefore enable a series of benefits for both buyers and sellers. Effectively, brands play a reduction function for buyers and a facilitation function for sellers (Doyle, 1993). Many FMCG manufacturers have relied on the brand as a marketing tool and have largely been reaching consumers of their products through retail outlets. Successful FMCG manufacturers have often wielded power over retailers, in many instances dictating marketing terms for their brands. Weitz and Wang (2004) point out that in the 1960s and 1970s, manufacturers had a considerable influence on retailers' decisions relating to stocking, displaying and pricing of manufacturer brands.

The changing FMCG scene has witnessed a rise in the power of the trade. In the past one or two decades, there has been a shift in power from manufacturers to large retail chains. Retail chains no longer just take instructions from manufacturers. The increase in the power of retailers has been attributed to increased retail consolidation and concentration, increased utilization of information technology, retailer access to information, growth of store brands, and retailer emphasis on category management (Berthon *et al.*, 1997; Panigyrakis and Veloutsou, 2000; Shocker, Srivastava, and Ruckert, 1994; Weitz and Wang, 2004). As a result, there has been a greater tendency now on the part of FMCG manufacturers and retailers to develop partnering relationships (Dapiran and Hogart-Scott, 2003; Hogart-Scott, 1999; Weitz and Wang, 2004). The rise in the power of retailers has made it mandatory for today's FMCG manufacturer to seriously address and balance the consumer marketing perspective with a business-to-business marketing perspective (Webster, 2000).

FMCG Brand – Supermarket Chain – Consumer Relationships

Academic research in this area (Webster, 2000) has examined the historical evolution of brand-consumer-reseller relationships in the context of a world increasingly getting dominated by large

retail chains within the marketing channel. The manufacturer (brand) and the retailer deliver value to the consumer, and the consumer's buying motivations are based on both sources of value. The manufacturer and retailer are in a partnership relationship to deliver that value (Narus and Anderson, 1986). Consumers derive value from a retail shopping trip in several ways that include trust in national brands, a familiar and favourable retail store environment, and store brands that provide good value for money. Manufacturer brands offer several benefits to retailers; benefits that include established consumer demand, favourable consumer attitudes towards the branded products in their stores, a commitment from the manufacturer to support the product and enhancement of retailer credibility and image. All these are seen as valuable business assets for retailers and manufacturers. Therefore, the brand-consumer relationship is an important part of the manufacturer-retailer relationship. The brand offers value to both consumer and retailer; the manufacturer needs the support and loyalty of the consumer and the retailer; the consumer does depend on both manufacturer and retailer, and the retailer needs both the consumer and the manufacturer brand. In such a three-way relationship, the quality of the relationship for any single player will depend on the quality and strength of the relationship between the other two players (Webster, 2000).

In the context of this simultaneous relationship involving three players, Webster (2000) argues that "traditional ways of thinking about branding have largely left the reseller out of the equation" (p. 22). There seems to be an implicit assumption that the brand is strictly a manufacturer-consumer relationship that competes with the retailer's relationship with the consumer for consumer loyalty. There is no consideration of the manufacturer brand's value to retailers in building retailer relationships with consumers. This argument presents a challenge for academic research to do conceptual development on manufacturer-retailer relationships using the brand as the main focus of the relationship, and such conceptual development may as well include the third party, the consumer.

The thesis intends to explore a three-way brand, supermarket chain, consumer relationship with the intention of developing theoretical linkages to better understand and strengthen the relationship. While specific theories that will be used are not yet in place, there is a possibility that relationship marketing theory may be employed. It is recognized that every company, irrespective of its business, stands to benefit from the relationship marketing approach. The approach is nevertheless easier to implement in business-to-business and service industries than

in consumer goods industries (Gronroos, 1996). The holistic approach of investigating a three-way concurrent relationship combines aspects of business-to-consumer relationships and business-to-business relationships, thus merging different paradigms to facilitate the generation of theory. According to Veloutsou, Tsaren and Tzokas (2002), it is recognized that relational and transactional approaches are not mutually exclusive. In addition, note is taken of the fact that most of the research that exists in relationship marketing focuses on the role of human actors although other elements such as the brand, the product and the environmental context (mediated or face to face) may have a significant part to play in relationship development (Veloutsou *et al.*, 2002). Besides relationship marketing theory, other theory options would be behavioural theory and micro-economic theory.

Some of the issues that are currently being investigated with the possibility of incorporating them as research themes have been derived from relevant academic literature (Burt, 2000; Collins-Dodd and Zaichkowsky, 1999; Hutchins, 1997; Vaidyanathan and Aggarwal, 2000; Verhoef, Nijssen and Sloot, 2000). The issues include, among others: multi-national and national brands, store brands, innovation, differentiation, market development, retail consolidation and concentration, brand management, category management, commoditized and non-commoditized product categories, co-operation, collaboration, competition, power, conflict, and trust. While it is not certain yet, the research may also adopt the route of a comparative study of two or more aspects (e.g. commoditized versus non-commoditized product categories), or it may even eventually end up focusing on manufacturer – retailer relationships only. The specific direction will depend on the outcome of the literature search and review in progress. However, assuming that the final research direction will not change from what has been presented in this paper, a brief statement on the intended contribution follows.

Intended Research Contribution

The research is expected to build theory and advance the literature on manufacturer, supermarket chain and consumer relationships. An incremental step (Phillips and Pugh, 2000) will be made in understanding such relationships. It is foreseen that the incremental contribution will largely be based on theory developed from the use of brands as key elements in analyzing the relationships, a perspective argued for as a recommended research direction in the academic literature (Webster, 2000). The research will therefore make a conceptual contribution in the manner outlined by Summers (2001), involving the development of theoretical linkages together

with their accompanying rationale. The final output will be a revised conceptual framework and a series of propositions.

Envisaged Time Frame

The next steps in the research process are planned as follows (assuming full-time study):

- Year 1
 - Literature search, review and theoretical framework development
 - Develop research design
 - Prepare detailed research proposal
 - Organise access for data collection
- Year 2
 - Develop research instruments
 - Fieldwork and data collection
 - Preliminary data analysis
- Year 3
 - Complete data analysis and interpretation of findings
 - Produce draft versions of the thesis
 - Complete final version of the thesis

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