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The enigma of private brands in the emerging Mediterranean countries

The case of Israel

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Abstract

Purpose – The aim of this paper is to discuss the import of private branding strategy for retailers, manufacturers and customers. It seeks to focus on private branding strategies in the emerging MEDA markets, and, using Israel as a case study, aims to identify why the huge potential of private brands has not been exploited in these countries.

Design/methodology/approach – Both secondary data and empirical studies of Israeli exporters and chain store managers were conducted to determine what strategies are used to market private brands in developed, emerging and developing MEDA countries. Also included is a case study based on an analysis of four separate periods of the marketing of private brands in Israel, which are very similar to those seen in other emerging MEDA countries such as Greece and Turkey.

Findings – A review of private branding strategies in the MEDA countries reveals three different markets, each one managed differently: developing, emerging, and developed. The most attractive MEDA markets with regard to private brands for retailers and manufacturers are the emerging countries, which have the most rapid growth potential in this region.

Originality/value – Few studies are to be found in the literature that are based on the development of private labels in emerging countries. Moreover, the paper is the first to survey such development in Israel, one of the most developed countries in the Mediterranean.

Keywords Brands, Emerging markets, Developing countries, Israel

Paper type Case study

Introduction

Private brands in the consumer packaged goods industry have experienced a worldwide surge in availability and market share in recent years (Ailawadi *et al.*, 2008). Private brands now account for one of every five items sold daily in US supermarkets, drug chains, and mass merchandisers, and market share in Western Europe is even larger (Kumar and Steenkamp, 2007) Over the past 50 years, the efforts of marketing and brand managers in North America and Europe, and the heavy financial investments made in private brands, have been successful in every respect. These tremendous marketing efforts have produced huge results in a relatively short period of time, bringing private labels to nearly every item that consumers buy at the retail level, or through food service and institutional facilities (Fitzell, 1988; Sprott and Shimp, 2004). However, the history of private brands is characterized by several rises and falls.

An analysis of the history of private brands reveals two approaches in the marketing literature, with some researchers limiting their perspective to the modern marketing era (Moore, 1995; Baltas, 1999) and others beginning with the mid-nineteenth century (Hoch and Banerji, 1993; Low and Fullerton, 1994; de Chernatony and McDonald, 2002).

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Although the turn of the twentieth century marks the point at which private brands began to become a successful phenomenon, most marketing and branding researchers view the modern marketing era as the most meaningful in the evolution and growth. Following the mid-1970s, retailers, mainly large supermarkets, differentiated themselves from their competitors through the use of private brands, in addition to other factors such as retail services, parking, assortment, size of store and internal décor. As a result, retailers had to offer better quality in their own labels in order to be more appealing to new customers. Later, in the 1990s, private brands succeeded in gaining significant market share to become a real threat to manufacturers' brands. According to Hoch (1996) and Kurata *et al.* (2007), most national brand manufacturers regard private labels as they would any other national brand – tough competition that they must take seriously. Data prove that mass merchants have gained substantial market share at the expense of the traditional supermarket format, and that private labels are growing faster than national brands (Hoch, 1996; Dhar and Hoch, 1997; Tarzijan, 2004).

According to Quelch and Harding (1996) and Amrouche *et al.* (2008), several factors suggest that the private-label threat to manufacturers' brands, which began in the 1990s, is serious and may stay that way regardless of economic conditions. These authors cite the following factors as being responsible for this strength:

- improved quality of private-label products;
- development of premium private-label brands;
- European supermarkets' success with private labels;
- emergence of new channels; and
- the creation of new categories.

In addition, data show that private brands were not weakened in the current global financial crisis but rather gained strength compared to manufacturers' brands. According to the Nielsen Co. (2008) private brand dollar sales at food, drug and mass merchandise stores grew 10.2 percent in 2007 compared to just 2.6 percent for manufacturers' brands. Private brands versus manufacturers brands growth during 2008 was similar in pattern to what was observed during the 2001 recession. The Nielsen Co. experts tend to explain the phenomenon that the world financial crisis impacted private brands market share favorably for two main reasons. The first relates to the merger of retail chains. It appeared that private brands increase the profitability and turnover of retail chains. As a result, private brands and chain build their identity around private brand assortments which leads to increased sales. The second reason relates to the demand for low-cost products. Consumers become sensitive about their expenses during an economic crisis. Carried into practice retailers adjust their assortment to the new circumstances by giving their private brands more space on shelves.

The success of private brands in most western European countries (UK, Germany, France, Spain, and Italy) and Canada is related to several factors. Similar national markets tend to favor fewer strong national competitors, and retail concentration tends to be higher in Europe (Hoch and Banerji, 1993; PLMA, 2006).

Analysis of the position of private brands in regions apart from the US and Western European nations reveals an exciting reality for emerging markets, where private brands have achieved rapid growth of up to 11 per cent, and currently account for 6 per cent of sales (ACNielsen, 2006). The MEDA region, comprising 17 countries, is another

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area that has a tremendous potential for private brands in the near future, mainly because of the presence in this region of powerful emerging countries that have an enormous influence on their neighbors.

The purpose of this article is, first, to describe the import of private branding strategy for retailers, manufacturers and customers. Second, it shows how the position of private brands differs between developing, emerging and developed MEDA countries. Third, depicting Israel as a case study, it focuses on the private branding strategy in the emerging MEDA market in an exploration of precisely why the huge potential of private brands has not been exploited.

The relationship between manufacturers and private brands

The role of manufacturers with regard to private brands has received much attention in the branding literature (Omar and Kent, 1996; Dunne and Narasimhan, 1999; Hoch, 1996; Salmon and Cmar, 1987; Berges-Sennou *et al.*, 2004). In recent years, issues relating to brand leaders that have entered the private brand segment have drawn more research focus than any other topic. According to Glemet and Mira (1995) there are four main risks that manufacturers must consider in developing a private brand:

1. *Loss of power.* Supplying private labels to a distributor may well result in a long-term deterioration of the overall relationship and a loss of branding power.
2. *Price wars.* The decision to offer a private label can easily be made when distributors are willing to switch to a new supplier with a lower price. Launching a private label can also trigger a price war for the whole product category and can even spread to weaker categories.
3. *Commodity products.* Brand manufacturers may be tempted to fill their production capacity by offering private label products to distributors even as they develop their own branded articles. The resulting early "commoditization" of a category can mean forgoing otherwise achievable high levels of margins and re-investment. When consumers notice that a large chunk of the products in a category are private label goods, they may lose interest in branded items and judge them as little different from private brands. It is typically the brand leader that suffers most.
4. *Corporate confusion.* Simultaneous production and marketing of branded and private label products may set up internal conflicts.

The manufacturer's dilemma is less relevant today than several years ago because many brand leaders find themselves under enormous pressure from distributors to brand for them. Therefore, today's manufacturers are much more concerned with the issue of how to brand privately without cannibalizing their own brand (Kwon *et al.*, 2008).

The relationships between distributors and private brands

Today, private brands are perceived by most leading retailers as assets and strategic devices (Gabrielsen and Sorgard, 2007). This is seen mainly in the most competitive food categories that have fairly high margins and generate store traffic (Pauwels and Srinivasan, 2004). This change derived from the fact that retailers now view their shelf space as one of their most important assets (Amrouche and Zaccour, 2007). As strategic devices, private brands provide several benefits to their owners. The primary – and

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rather straightforward – reason is that offering an additional brand to national ones allows a retailer to increase sales by reaching a larger array of consumers' preferences. Morton and Zettelmeyer (2004) state that a retailer's control over brand positioning in the product space enables it to carry substitutes to key national brands or to mimic leading ones. This will decrease the added value of national brands, while allowing the retailer to have better supply terms with national brand manufacturers. Therefore, a second strategic role of private brands is to increase the bargaining power of the retailer with respect to manufacturers of national brands (Narasimhan and Wilcox, 1998). In addition, Lee and Hyman (2008) suggest that retailers should consider the introduction of private brands as brand extensions, with their store brand as the parent brand. The results of this study demonstrate the power of private brands and their potential to fight even harder with manufacturers' brands.

Whereas in the past, the big challenge for retailers was designing private brands so as to give them an identity, today retailers appear to be confronted mainly by two challenges in managing their private brands. The first is to improve brand image through marketing and to minimize the quality gap between their brands and manufacturers' brands. By supplying premium private brands, the retailer attracts those consumers who are interested in quality, and also helps improve the reputation of the store. The second challenge is to find the right categories in which to introduce new private brands in order to establish the retailer's position in the market.

The relationships between customers and private brands

The significance of private brands to customers has been of substantial interest to both manufacturers and distributors. The question of greatest interest to both branding researchers and brand managers is this – how do customers perceive private brands in comparison to manufacturers' brands? One of the earliest studies of the relationship between customers and private brands was that of Myers (1966), who investigated the characteristics of buyers of private-label grocery products and the relationship between purchase of private-label products and store loyalty. Myers' studies generally indicate that socio-demographic and personality characteristics differentiate private-label buyers from non-buyers. Other studies, such as those of Bellizzi *et al.* (1981), Cunningham *et al.* (1982) and Ghose and Lowengart (2001) showed that customers rate and perceive private labels below national brands. According to Richardson *et al.* (1994), the explanation of this phenomenon is related to the tendency of consumers to use product positioning and price as a quality cue.

The study of Erdem *et al.* (2004) analyzed how consumer attitudes toward risk, quality, and price play an important role in consumers' private brands choice. Considering these variables, the authors studied the differences in relative success of private brands across some European countries, including Spain and the USA. It appeared that the differential success of private brands in Europe with respect to the US might be partially explained by the higher brand equity of the European private brands. Private brands in the Spanish market have less quality uncertainty associated with them, and they deliver more consistent positioning and quality levels over time than do the private brands in the US market. Another conclusion of the Erdem *et al.* (2004) study is that the consumers in Spain are more price sensitive compared to consumers in the US. According to Labeaga *et al.* (2007) the private brands are getting behavioral loyalty across some European countries whereas in the Spanish case

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particularly, private brands present an important repetitive brand choice behavior that in a global term is greater than behavioral loyalty to national brands.

The relationship between private brands and manufacturers' brands

The growing market for private brands is a threat to manufacturers of national brands who find their products largely substituted by the retailers' brands (Karray and Zaccour, 2006). Recent studies focusing on the comparison of private brands and manufacturers' brands from the consumer perception point of view conclude that private brands have lower brand equity than manufacturers' brands. According to Wulf *et al.* (2005) with regard to the European market it appeared that even if private brands can offer the same quality as manufacturers' brands, private brands create no perceived positive difference and lack significant brand equity. Confirming the common belief that private branded products can offer the same quality level as manufacturers' brands, the blind test developed by Wulf *et al.* (2005) showed that private brands ranked higher than manufacturers' brands in quality perception and preference. However, consumers ranked private brands higher in a blind test than in a non-blind test. Their interpretation of this result is that private brands have no brand equity. The same findings were found in the study of Juhl *et al.* (2006) of the Denmark market. This superiority can also be seen in Sweden where private brands became a very meaningful competitor to well-established manufacturers' brands (Hultman *et al.*, 2008).

The economic potential of the Mediterranean markets

The market of the MEDA countries is considered to be young and potentially powerful. The total population of the Mediterranean shore countries was 427 million in 2000, with a projection of 523.7 million inhabitants in 2025. The region is not at all homogeneous in terms of population and living standards; however, all countries share a privileged relationship with the European Union, which for the majority of them is their main trading partner. The MEDA countries are Algeria, Bosnia, Cyprus, Egypt, France, Greece, Israel, Italy, Lebanon, Libya, Malta, Morocco, Palestinian Authority, Spain, Syria, Tunisia and Turkey. Of the South and Eastern Mediterranean countries Turkey, Israel and Algeria were at the top of the list as trading partners of the EU in 2002. The European Union remains the main outlet for exports from the MEDA countries, with an overall average of 48.7 percent and figures from 64 to 79 percent for the Maghreb. In this context, the twenty seven countries of the European Union and the twelve countries of the South and Eastern Mediterranean (Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Palestinian Authority, Syria, Tunisia, and Turkey) have in fact planned for the creation in 2010 of an economic, political and cultural space which highlights the strategic importance of the Mediterranean – with, as its target, the creation of a zone of peace and stability based on common principles and values, including democracy and respect for human rights; the development of a social, human and cultural partnership; but above all, the introduction of a common area of economic progress and prosperity based on free trade between the different European countries and their Mediterranean partners, as well as between the Mediterranean countries themselves. After the extension of the European Union, this market together comprises no fewer than 40 countries and nearly 800 million consumers (ATKEARNEY, 2007).

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The position of private brands in the Mediterranean markets

In terms of private brands, the MEDA region can be divided into three markets: developed, emerging and developing MEDA countries. According to ACNielsen (2006) and Euromonitor (2005) surveys (Table I), it appears that the market share of private brands in the developed MEDA countries is around 20 percent, with average growth of 10 percent. In the emerging MEDA countries the private brand market share is around 5 percent with market growth of 11 percent, while in the developing MEDA countries these figures are 1% and less than 10 percent respectively.

Analysis of the position of private brands in terms of quality and price with regard to MEDA countries reveals three different conditions: low quality and low price, average quality and average price, and high quality and average price (Figure 1). Private brands in MEDA developing countries such as Egypt, Morocco and Syria can be characterized as of low quality and low price. In MEDA emerging countries such as Israel, Greece and Turkey, private brands offer average quality at a competitive (average) price. In contrast, private brands in MEDA developed countries such as Spain, France and Italy can be characterized as offering high quality for a competitive price relative to national brands.

Study 1

Method. Expert interviews were utilized in order to find out whether there is a difference between marketing private brands to Developed MEDA countries, Emerging MEDA countries and Developing MEDA countries. In order to find these experts, the researchers obtained a list of registered exporters from the Israeli Export Institute (IEI), which was then sorted into three groups:

(1) exporters of private brands to Developed MEDA countries;

(2) exporters of private brands to Emerging MEDA countries; and

(3) exporters of private brands to Developing MEDA countries.

Only exporters who agreed to take part in the one-hour interview conducted at their offices were invited to participate. These expert interviews were conducted during February-June 2006. In total, nine exporters were chosen, three from each group of countries. These exporters export mainly non-food products to these countries such as toiletries, cosmetics and hygiene products. Each exporter was asked to state the characteristics of the products exported including quality, category, consumer involvement and level (e.g. average, premium). Next, they were asked about price aspects including price gaps and price elasticity and placement aspects including shelf location and store image and finally, promotion aspects such as advertising strategy and public relations.

Findings. A thorough analysis of retailers' strategies with regard to marketing private brands in these three groups of MEDA countries reveals three totally different approaches (Table II). In the MEDA developing nations, the approach toward marketing private brands is based on very low quality products, which are produced by small and medium-sized local firms. These brands can be seen in only a few categories, primarily low-involvement ones. Customers in these countries can find only one level of private-brand products bearing a common brand name that is not connected to the retailer's brand name. These brands are cheaper than the national brands by around 20-30 percent, and retailers are limited in their ability to raise or

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Developed MEDA countries			Emerging MEDA countries			Developing MEDA countries		
Country	PB share (%)	PB growth (%)	Country	PB share (%)	PB growth (%)	Country	PB share (%)	PB growth
Spain	26	16	Israel	5	15	Egypt	2	Less than 10%
France	24	3	Turkey	5	11	Morocco	1	
Italy	11	10	Greece	4	24	Syria	0.5	

Table I.
Comparative statistics of private brand share and growth in the developed, emerging and developing MEDA countries

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Price \ Quality	Low	Average	High
High			
Average		Emerging MEDA countries	Developed MEDA countries
Low	Developing MEDA countries		

Figure 1.
The position of private brands in MEDA countries

Table II.
Private brand positioning strategies in developing, emerging and developed MEDA countries

Characteristics	Developing MEDA countries	Emerging MEDA countries	Developed MEDA countries
Product:			
Product quality	Very low quality	Average quality	Premium quality
Product manufacturer	Small-medium local manufacturers	Mainly medium-large local manufacturers	International manufacturers
Product categories	Few categories	Main categories	Almost any category
Product types	Only low-involvement products	Low-medium involvement products	Also high involvement products
Product levels	One single level (very low quality products)	One single level (average quality products)	Two levels (average and premium quality products)
Price:			
Price gaps (%)	Around 20-30	Around 15-20	Around 7-15
Price elasticity	Very low	Medium	Low
Placement:			
Shelf location	Poor locations	Average locations	The most visible locations
Store image	Poor store image	Average store image	Up-market store image
Promotion:			
Advertising strategy	Focusing mainly on national brands	Focusing on both national and private brands	Focusing mainly on private brands
Public relations	None	Very limited	Very common

lower prices, with these opportunities arising primarily when the manufacturers of national brands engage in aggressive sales promotions. These brands are given the less visible shelves in stores, and are offered in very low-image establishments. Retailers do not advertise these brands and avoid any sales promotion activities.

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The marketing of private brands in the emerging MEDA countries is more advanced from any marketing perspective. In terms of product aspects it appears that these brands offer average quality and can be found in less than a hundred categories, including food and non-food categories with low to medium customer involvement. These brands are produced by medium and large manufacturers, with about 80 percent of the brands produced by local manufacturers and the others by international firms. The main strategy of retailers is to offer a single level of private brand products in order to focus customer attention on these new brands, and thereby to increase customers' awareness of private brands. These brands are cheaper than national brands by around 15-20 percent, and retailers are less limited in changing their prices. This is because in many categories the retailer's margin is very low, so that the categories are very profitable, with the retailer's profit ranging from 30-40 percent more than the profit from selling the competitive national brand. Since retailers want to give these brands a chance, they are assigned better shelf space in terms of visibility near the national brands, although shelf space for these brands is still limited in comparison to national brands. These retailers still suffer from an average store image, and there is no congruence between the image of the store and that of its private brands. This is one of the main pitfalls of marketing private brands in emerging MEDA countries. The advertising strategy of retailers is based on promoting national brands first and foremost, and their own brands only in second place. As a result, consumers tend to be confused and prefer to stick to the most popular and familiar brands.

In contrast with the situation in emerging MEDA countries, in the developed MEDA markets the notion of private brand has a new meaning. Private brands in developed MEDA countries are of high quality relative to national brands and can be seen in hundreds of product categories, including high-involvement categories such as personal care, cosmetics and even baby food. In some instances, these brands cover more than 70 percent of the retail products offered, and are produced by international manufacturers committed to producing premium-quality brands. Over the years, these retailers have developed two levels of private brands: average-quality private brands that compete with average-quality national brands; and premium private brands that compete with high-quality national brands that are very popular and have high brand equity. Private brands are cheaper than the national brands by around 7-15 percent, and even those considered premium brands are still offered to the consumer at a lower price. During periods of high sales promotions, retailers find themselves limited in their ability to change the prices of their own brands. One of the key reasons for their success is the excellent placement given to their own brands. These brands seem to be the most visible in the stores, and in many cases they carry the same brand name as the store name. This strategy increases the confidence of the consumer, who works from the assumption that the chain believes in its own brands and will not jeopardize its reputation. These retailers' focus their advertising primarily on private brands, and they invest vast public relations activities in promoting them.

Private brands in Israel

Israel's economy has always been strongly influenced by Western economic trends, and the marketing and branding approaches applied in Israel are influenced by the modern marketing approaches implemented in the USA and Western Europe

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(particularly in the UK and France) (Kotler and Hornik, 2000). It is reasonable to assume, therefore, that private brands would receive a strong emphasis in Israel's economy, as is the case in Western nations. In actuality, sales of private brands in Israel total no more than 5 percent, which is very far from the penetration rate prevailing in the developed MEDA countries (ACNielsen, 2006).

Study 2

Method. The purpose of study 2 was to better understand the evolution of private branding strategies in the Israeli market and the characteristics of each attempt period from 1985 until 2008. For this reason, the research methodology was based on both oral interviews and the collection of financial data. The first phase comprised semi-structured interviews (60-120 minutes each) with the CEO of the three Israeli main grocery retail chains (Co-op, Supersol and Club Market), and with the three private brand managers of these three chains. These depth interviews were conducted during May-July 2007 at their headquarters. During these interviews, the nine experts were asked to describe the evolution of the private branding strategy of their grocery chain and how they describe the evolution of the private branding strategy of the total Israeli market. The second phase involved the collection and review of financial reports over the past 20 years relating to the market share of private brands.

Findings. An analysis of the nine experts' interviews regarding the marketing strategy of private brands in Israel elicits four separate periods which are very similar to those seen in other emerging MEDA countries such as Greece and Turkey. These experts call them the hesitant attempt period, the renewed attempt period, the forced attempt period and the recognition period. Each period reflects a different approach of the three chains toward managing private brands:

(1) The *hesitant attempt period* (1985-1989). The first attempt to introduce private brands in Israel was made by the Co-op chain, which began selling private brands in the mid-1980s. Since the chain did not itself realize the inherent potential of private brands, it did not promote private brands professionally, so the attempt was pointless. Furthermore, the idea of private brands was new to most people in the field in Israel, and completely foreign to local consumers, so the chain had to advertise private brands in order to create consumer awareness. However, advertising budgets were meager, and no genuine effort was made to inculcate the private brand idea in the local market.

(2) The *renewed attempt period* (1990-1995). After abandoning the private brand idea due to a basic lack of faith in it, the Co-op chain made a second effort to promote private brands in the early 1990s. At that stage, the chain turned with renewed energy to promoting the private brand idea, but again it transpired that the chain had not grasped the real nature and function of the private brand as an aspect of managing a retail structure. However, the Co-op's efforts did encourage its competitors to advance the idea of private brands in their shops and chain stores.

(3) The *forced attempt period* (1996-2001). The third period, which began in 1996, is the most significant of the three private-brand periods in Israel – not because of the success it chalked up, but because these years began to see the professionalization of those involved in private brand management. Over the

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period, considerable efforts were made by all Israel's leading marketing chain stores (Greenberg, *Hypershuk*, Co-op North, *Shekem*, Hamashbir *Latzarchan*, and Ace) to build private brands, but their penetration was not particularly successful. Tracking the penetration stages shows that the chains consistently made all possible mistakes. It is estimated that the food sector, which in 1999 led the product sectors, offered private brands in close to 120 different product categories (food products, beverages, personal care, and domestic products).

(4) The *recognition period* (2002 until the present). A first and most significant turning-point in the approach of Israel's private-brand marketers occurred in 2002. It was the year when most marketers abandoned the old approach that considered private brands as a marketing activity at the tactical level. They replaced it by a more advanced marketing approach, recognizing that the private brand is a prime means for differentiating the distributor – and is in fact the very heart of retail marketing strategy. In practice, the turning point could be seen at Israel's major marketing chains that opened departments specializing in private brand management. From 2002 on, managers of the country's largest marketing chains have constantly declared that private brands would exceed a 10 percent market share in the coming years; in fact, though, it seems that private brands have not yet managed to establish themselves in order to threaten national brands.

Discussion and conclusions

Analysis of the enigmatic low private-brand market share in the emerging MEDA countries despite promotional efforts over many years can be explained by two complementary factors:

(1) a management approach opting for a broad geographical spread; and

(2) poor management of private brand planning and structuring.

Retail policy of expansion and growth

The line of thought that guided marketing chains in emerging MEDA countries is that a strong and successful retail sector would have to be a large one. This is a fundamentally correct approach, but the second variable in the strong and successful retail equation – a well known and identifiable private brand – was almost completely ignored. The food chain stores and other marketing chains in these countries competed with each other in aspects of service that over time became standard, and so the idea of a broad geographical spread became the definitive solution. Activity focused on opening branches throughout the country, and on opening marketing chains and later still sub-chains, which attracted the greatest budgets. Less attention was paid to private brands in these countries. The chains managed to position themselves according to market size (following mergers and acquisitions), but failed to present private brands that were identified with the specific chain and that had a defined, unique identity.

Poor management of private brand planning and structuring

The desire to grow at all costs led those involved in private brand development in these countries to overlook private brands as a central strategic technique. In the overall

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realm of the retail business, only negligible importance was attributed to private branding. Private-brand managers in emerging MEDA countries were in fact drawn from mid-level management. This demonstrates the low importance attributed by marketing managers to the idea of promoting private brands as they considered this a secondary retail activity, and sometimes even an annoyance that no one knew how to cope with. This managerial approach resulted in a number of errors stemming from a lack of experience and knowledge, causing damage which today's marketing chains are still striving to correct.

The first error is a lack of planning. It could clearly be seen that no marketing chain was quite sure what its real strategies should be for marketing private brands. In practice, the entire activity was affected by the caprices of the market and reactions to competitors' actions, but lacked any connection to the company's objectives, characteristics of its consumers, and its marketing and economic capabilities. As a result, countless private brands were introduced in the local market, and periodically each chain store replaced its set of private brands by a new group. For consumers, the result was confusion and lack of confidence in the brands. An example of this can be seen in the branding strategy of the Blue Square chain (Israel), which in a relatively short period replaced its private brands three times (the first group of brands was known as Kingston, the second as Select and the third group as Leader Price). Israeli consumers often found different groups of private brands sharing the same shelf, and were unable to connect those varied groups with the retail chain itself. The presence of different brand groups in a single site made selecting a brand that much harder for Israeli consumers, who had not yet internalized the idea of the private brand or stored the brand name in their memory.

The second error is unfocused marketing activity. The problem of unfocused marketing activity in the private-brand sphere was reflected in the startling lack of fit between the private brands and the chains marketing them. Arguably, the most extreme example is that of the Greenberg chain – cheap stores competing with the large and successful marketing chains. The Greenberg stores marketed the President's Choice private brand, which offered high quality at lower prices and had won an international reputation in private branding. However, due to the low positioning of the chain, which furthermore suffered a major problem in terms of aesthetics, Israeli consumers did not perceive it as a quality private brand. The third error is short-term marketing activities. In general, none of the marketing chains in Israel during this time managed to put together a long-term plan for private brands. Indeed, private-brand marketers in those chains saw private brands as nothing more than a marketing gimmick, designed to assure a regular monthly cash flow. This flawed marketing perception derived mainly from a business culture that sought quick profits, achieved at the expense of the chain's image and position, and at the expense of the brand loyalty of the chain's customers.

The fourth error is a lack of professional marketing activities. The most central problem, therefore, was the question of unprofessional management by private-brand managers. This was expressed in such issues as the number of private brands that should be placed on the shelves, the role of packaging in private brands, setting the optimal price for private brands, determining policy towards national manufacturers during private-brand penetration (on the topic of allocating shelf space, for example) and in the impact of private brands on the chain's image. All of these are basic issues in brand management.

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Limitations and future research

The main limitation of this study is that it focuses only on a single private branding strategy of one emerging MEDA market. The two studies that are presented in the paper reflect the way Israeli's experts in the area of private brands tend to see the differences between marketing strategies of private brands in three separate markets (developing, emerging, and developed) and define the evolution of private branding strategy in their country. Further research is needed. First, it is essential to conduct a similar process of study in countries such as Turkey and Greece. Second, there is lack of information on developing MEDA countries regarding private brand strategy, and therefore it is necessary to research these countries in a more profound manner. Most of the research in this area is quantitative rather than qualitative. It is suggested to conduct more in-depth qualitative research.

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