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# **Positioning Strategies in Retail**

**-A Study of the Swedish Grocery Market**

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## PREFACE

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## ABSTRACT

- Title:** Positioning Strategies in Retail  
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- Tutors:** Mr.Christer Ekelund and Ms.Viveca Fjelnker
- Problem:** Is there a difference in positioning strategy between Swedish and German companies and how is the positioning strategy apprehended by the customers?
- Purpose:** The purpose of this dissertation is to examine the positioning strategies of three companies on the Swedish grocery market with focus on private label and product range. The purpose is further to see if the consumers' apprehension of the stores agrees with the observed positioning strategies.
- Method:** A deductive research method has been used in this research. The primary data has been collected by observations in the selected stores and self-administrated questionnaires. Secondary data has been collected from books, articles and the Internet.
- Conclusions:** The biggest difference between the Swedish stores and the German, was the share of private labels in the product ranges. The customers did not apprehend this difference.
- Keywords:** Positioning, Retail, Product Range, Private label, Grocery

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**APPENDIX 1**

**APPENDIX 2**

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## 1. Introduction

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*In this chapter we will introduce our research problem and the background information concerning the subject. The purpose and the limitations of our dissertation will also be presented as well as important definitions. Finally, a chapter outline is shown to give an apprehensible structure of the dissertation.*

---

### 1.1 Background

Since the deregulation of the European community in 1992/1993 it has become easier for companies to operate across the borders in other member states. Domestic retailers are facing new competition and becoming acquisition targets to large international companies as they establish businesses in new countries. The new opportunities for expansion across borders and strategic alliances also bring the risk of take-overs and increased competition on the domestic market's labels (Dibb et al, 2001).

Another trend today is that many retailers produce their own private labels. Retailers fill their shelves with private label products which may lead to other brands being pushed out (Dibb et al, 2001). Private label strategy is a way of differentiation that has become more and more popular among grocery retailers. The Swedish market is following the trend but is still far behind countries like Germany and United Kingdom. Some large grocery chains in these countries have made private labels their most important brands, which have led to the exclusion of other market-leading brands. An example of this is Lidl, a German grocery chain, who does not sell Coca-Cola but only their own label, Freeway Cola.

### 1.2 Research Problem

The Swedish market for groceries has recently developed in to an integration of wholesale stores and retail stores. The vertical integration of wholesalers and retailers is an international trend that has reached Sweden.

This has made Swedish grocery companies focus on low price alternatives, which can have a great impact on the competition. From being a domestic market, the Swedish grocery market is now going through an internationalisation process. The development of low price grocery stores has attracted foreign companies to establish on the Swedish grocery market (Internet 1). How do the companies differ in their positioning strategies and what are the differences between domestic and foreign companies?

Our focus is to look into if and how private labels and product ranges distinguish the grocery retailers from each other. How do the customers apprehend those factors in the stores? Do the customers' apprehensions agree with the stores positioning strategies?

### **1.3 Purpose**

The purpose of this dissertation is to examine positioning strategies on the Swedish grocery market with focus on private label products and product range. We will compare Swedish grocery retailers with Lidl, a German grocery retailer on the Swedish market, to show the differences in their positioning strategies. The purpose is further to examine if the customers' apprehension of the stores agrees with the observed positioning strategies.

### **1.4 Limitations**

The Swedish grocery market consists mainly of four blocks, ICA, Axfood, KF and Bergendahlsgruppen. We have limited our dissertation to the two largest Swedish grocery retailers, ICA and Axfood. We will compare the Swedish grocery retailers to Lidl, which is a recently established German grocery retailer in Sweden (Internet 2).

The research will be performed in selected stores in the southern part of Sweden. These stores are ICA Maxi, Willy:s and Lidl. We will limit our research to two factors, which are private labels and product ranges. The ranges are limited to eight categories of non-durable goods that will be examined in the research. These are soda, deodorants, butter, cereals, canned tomatoes, canned tuna, frozen baked fish and frozen meatballs.

### **1.5 Definitions**

This dissertation includes conceptions that could be comprehended differently. To avoid misunderstandings, essential words are defined below.

*Private labels* - Products that are manufactured by or for the retailer and exclusively sold by the retailer are called private labels. Products that are not private labels will be mentioned as non-private labels, market leader brands, manufacturer brands or other brands.

*Assortment and product range* – The assortment is the total offering of products in a store. Width is a description of how many different product categories or product ranges the store offers. Depth means the variety of different products within the different product categories or product ranges. Assortment should not be mixed up with product range. An assortment

includes several different products while a product range includes varieties of the same kind of product.

*Private Label Index* – This is our own definition of the relation between the amount of private labels and the total amount of products. In the dissertation this index is called PLI.

### **1.6 Outline**

*Chapter two* presents the method chosen for our dissertation. It brings up information such as choice of methodology, research philosophy and research approach.

*Chapter three* brings up the main theories about positioning strategies and private labels. The purpose is to present a clear definition of these theories and to give a better understanding of the subject.

*Chapter four* includes theories about retailing and information about different types of retailers. The chapter also brings up retailers' positioning strategies, which are location and product assortment.

*Chapter five* introduces the empirical method, which have been used when collecting the primary data concerning the stores. The primary data has been collected through observations to find out the stores' positioning strategies. This chapter also contains information concerning the observations' sample, validity and reliability.

*Chapter six* includes the collection of primary data concerning the customers, which has been made through questionnaires. A presentation of the questionnaire is brought up along with reliability and validity of the research.

*Chapter seven* introduces the three stores with a description of their private labels. An analysis from the result of the observations is presented to identify each store's positioning strategy concerning private labels and product range.

*Chapter eight* presents the analysis of the questionnaires. The result from the questionnaires is analysed and compared to the result from the observations. This comparison shows if the customers' apprehension of the stores agrees with the observed positioning strategies.

*Chapter nine* summarises the dissertation and brings up the most important parts of our research. Conclusions are drawn and differences and similarities are stated. Finally, suggestions for further studies are also presented.

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## 2. Methodology

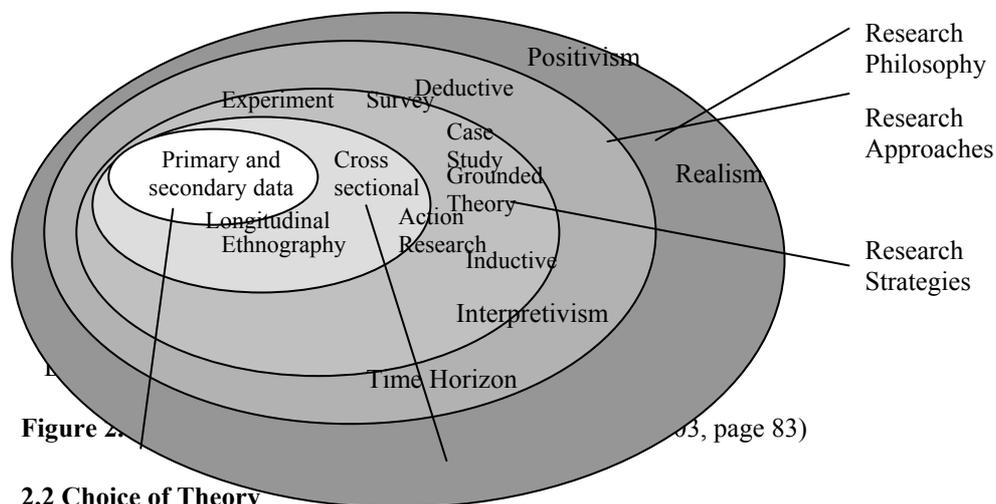
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*This chapter explains the method used for the research in this dissertation. The choice of methodology and theory will be discussed followed by research philosophy and research approach. Time horizon and data collection method will also be mentioned.*

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### 2.1 Choice of Methodology

This dissertation brings up positioning strategies of two Swedish and one German grocery retailer that act on the Swedish market. It focuses on two different factors to see if the chosen companies differ from each other in positioning strategies. To be able to give a structural view of our research, a model called the research process ‘onion’ was applied, which can be seen in figure 2.1 below (Saunders et al, 2003, page 83). This model has helped us to explain and examine our research problem throughout the dissertation.



### 2.2 Choice of Theory

To be able to understand how the Swedish and the German companies have positioned themselves on the Swedish grocery market, we have searched and read literature concerning positioning strategies and retailing.

There are many factors that determine a company's position on the market and to gain a better understanding, theories regarding these factors have been examined. According to Uusitalo (2001) product range is a common factor in retailing positioning and another factor that is becoming more prevalent among both retailers and consumers is private labels ([Internet 3](#)).

Our focus was to look into how private label and product range distinguish the grocery retailers from each other, regarding their positioning strategies on the Swedish market. Therefore, theories concerning these two factors have been presented thoroughly.

### **2.3 The Research Philosophy**

According to Saunders et al (2003) there are mainly three different views on research processes in the literature.

*Positivism* is a philosophy characterised by trust upon science and scientific method as the only sources of knowledge. This philosophical approach is based on the view that in the social science as well as in the natural science, experiences are the exclusive source of all reliable information. The researcher should assume the role of an independent and objective analyst. The researcher neither affects nor is affected by the subject or the research.

Some critics to positivism say that the complexity of the world of business makes it impossible to make definite laws in the same way as in other science. The *interpretivists* believe that the ability to generalise is not of crucial importance and that the details of different situations are needed to understand the reality.

*Realism* is based on the idea that there are social forces, which in large-scale affects people without them being aware of these influences. These forces will influence people in their interpretations and behaviours.

This dissertation is based on theory of natural science and it is observable in social reality. The research is independent and objective but we are aware of the large-scale social forces that affect the consumers. This is why a combination of positivistic and realistic philosophy is chosen for the research.

### **2.4 The Research Approach**

The approach of a research can be either *inductive* or *deductive*. A deductive approach means that the research is based on existing theories to form a hypothesis and then design a strategy to test this hypothesis. The results of the test lead to either confirmation or denial of the original theories. This is sometimes called a "top-down" approach. The inductive approach begins with observations and measures. These observations are used to find patterns, which can be used to form explorable hypotheses that finally will end up in developing theories. The inductive approach is sometimes called a "bottom-up" approach. The inductive approach is more exploratory and open-ended than the deductive approach ([Internet 4](#)). The deductive

approach has been reflected in this dissertation since it was based on existing theories and models on positioning strategies and retailing.

### **2.5 Time Horizon**

In an early stage of the planning of a dissertation it is important to decide if the research should be a study of a particular phenomenon at a particular time or be a representation of events over a period. A study of one particular phenomenon at a particular time is called *cross-sectional*. This is most common when using a survey strategy but it could also be used when performing a qualitative research. The longer study is called *longitudinal* and is used to study change or development over a period of time.

The research in this dissertation will be conducted in one city and at one occasion per store. This dissertation does not intend to show any change or development of the subject. A particular phenomenon at a particular time will be studied and that makes the time horizon cross-sectional.

### **2.6 Data Collection Method**

Data can be divided into *secondary* and *primary* and both of these have been used in this dissertation. Secondary data is already existing material that has been put together for some other purpose. The main focus has been on collecting information from books, articles and the Internet. Primary data was collected through observations in the grocery stores and also through questionnaires that were handed out to the customers in the stores.

### **2.7 Validity and Reliability**

A crucial matter in the research is if the gathered information is valid and reliable. According to Robson (cited in Saunders et al, 2003) there can be several threats to reliability; subject or participant error, subject or participant bias, observer error and observer bias. All of these threats can be reduced and different collection methods use different ways to increase the reliability. The collected information has to be not only reliable but also valid for the research. There are many threats to validity, which may affect the result of the research. The validity may be reduced, e.g. if the research is conducted after dramatic changes and if the asked people believe that the result of the research will affect them negatively.

Generalisability can be called the external validity and is different from the validity described above. To be able to generalise, the research result has to be equally applicable to, e.g. other companies (Saunders et al, 2003).

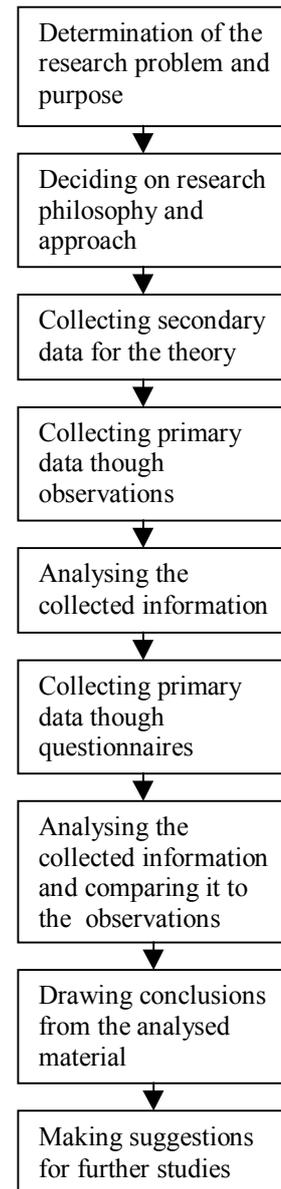
### 2.8 The Research Process

The research process in our dissertation (see figure 2.2) started in August when we began collecting general information about the topic we were interested in. After a lot of reading we finally decided on research a problem and an aim. More specific secondary data was collected and while reviewing theories about our research topic, in books, articles and on the Internet, the decision concerning research approach, philosophy and strategy was made. When these decisions were made the theories concerning our research problem were written down.

The next matter was the collection of primary data through observations. This included the choice of product categories and where the observations were to take place. After making a sample that was suitable for our research the observations were made. Afterwards, the result was analysed and the positioning strategies concerning private labels and product range of each store were determined.

The next level in the research process was to examine how the consumers apprehended the stores' positioning strategies compared to the result of the observations. To do this, a questionnaire was made and handed out to the customers outside each store. 106 questionnaires were collected, analysed and compared to the observations.

Finally, conclusions were drawn from the most essential parts of the dissertation and suggestions for further studies were made.



**Figure 2.2** The Research Process

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### 3. Positioning Theories

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*This chapter contains theories concerning positioning. The purpose is to give a clear picture of the theories used in the research and to give a general picture of the subject. This chapter begins with a short definition of positioning followed by theories of how to choose a target group and positioning strategies. Finally, theories concerning private labels are presented to give a better understanding of this phenomenon.*

---

#### **3.1 Introduction**

The competition on the Swedish grocery market is intense, which makes it important for the companies to distinguish themselves from each other. There are several ways to profile a company on the grocery market and this dissertation will focus on two factors: private labels and product range. Product range have always been an important tool of competition in retailing but a fast growing concept in grocery retailing is private labels, which are products manufactured by the retailer (Dibb et al, 2001). Positioning is a long process concerning steps such as finding a target group and deciding on which positioning strategy to use (Kotler, 1999). This chapter presents essential parts concerning positioning strategies, but specific theories concerning positioning in retail will be discussed in chapter 4.4.

#### **3.2 Positioning**

A position is the profile that companies strive to attain on a market and in the mind of the consumers. The position distinguishes a company from its competitors. A company's position must be evident and have a special place in the consumer's mind. The position indicates companies' benefits to the consumers (Dibb et al, 2001). They should aim at segments where they can offer the most and then position themselves and their products, so that the consumers know the advantages (Kotler et al, 1999).

## 3.2.1 The Importance of a Business Definition

Before deciding which segments that contain the best possible consumers, it is important for the companies to have their own business definition clear. To be able to choose a strategic direction, companies must be aware of how they wish the market to apprehend them and if they are able to fulfil the market's expectations. The business definition should describe the most important components for the business activities and define important keywords, for example strategic intent, values and market definition. The business definition should provide the management with guidelines for the development of the business operation. Focus is put on physical and functional distinctive marks of the company and delimitation of, e.g. product assortment (Knee & Walters, 1990; Hooley & Saunders, 1993).

### 3.3 Target Group

Few companies try to please all consumers on a market. If not using a mass-market strategy, all companies must target their activities against a special group of consumers. Market targeting is a process where the attractiveness of the different target groups is evaluated. This is called segmentation (Kotler et al, 1999).

### 3.4 Market Segmentation

Segmentation means breaking up something in smaller parts, in this case dividing a market or consumers into sub-groups. A market segment consists of consumers responding to similar market stimuli (Knee & Walters, 1990).

Segmenting a market makes it is possible for a company to focus on its customers' needs and at the same time increase efficiency by offering products specific for the need of a special segment. Segmentation makes it easier for companies to develop new and more specialised products. It also helps a company to find a suitable level of prices and to get a strong position on a part of the market (Internet 5).

## 3.4.1 Requirements for Segmentation

Necessary conditions for a successful segmentation are a large population with sufficient money to spend and sufficient diversity (Internet 6).

## 3.4.2 Levels of Segmentation

Without segmentation a company runs a mass marketing strategy. This means that they provide their products to all consumers without consideration of possible tastes and preferences. If a company practises a segmented marketing, it focuses on a special group of consumers and the individual needs of different groups. Market segments are often large groups of consumers and it may be necessary to make segments within the segment. These are called subsegments or niche markets (Kotler et al, 1999).

### 3.4.2.1 The Segmentation Process

The first step in a segmentation process is to divide consumers into groups. The consumer market concerns all the individual households who buy or acquire goods and services for personal consumption. Factors of examination on a consumer market are for example geographic, demographic and psychographic (Kotler et al, 1999).

### 3.4.2.2 Geographic Segmentation

Geographic segmentation divides a market into geographic areas. It can vary in size from neighbourhoods or parts of cities to nations and continents. If a company decides to work on several markets, it is important to pay attention to different needs due to geographic differences.

### 3.4.2.3 Demographic Segmentation

Dividing the market into groups based on demographic variables is called demographic segmentation. Age is a demographic factor since consumers change with age and the marketing mix may therefore need to be adapted depending on which segments are being targeted. The second factor of investigation is dividing a market into groups based on gender. This is common when dealing with products made to fit either male or female customers. The third demographic factor is income (Kotler et al, 1999).

### 3.4.2.4 Psychographic Segmentation

Psychographic segmentation categorises the market into groups based on social class, lifestyle and personality characteristics. Social class is the single most used variable for research purposes and it divides the population into groups based on the occupation of the income earner ([Internet 7](#)).

### 3.5 Positioning Strategies

Positioning is a way to communicate benefits to possible consumers. These benefits should motivate the target group to choose a specific product or service (Kotler et al, 1999).

According to Porter, a famous author and economist, companies should choose between three different positioning strategies: *differentiation*, *cost leadership* or *niche* (see figure 3.1) (Roos et al, 1999, p. 185). He also claims that companies should try to be best in one of these strategies and not all of them, otherwise they will be “*stuck in the middle*” and lose market shares to competitors (Kotler, 1999a).

## 3.5.1 Differentiation

Differentiation means that a company offers products or services, which separate them from what their competitors offer. The products are unique or special, which make the consumer willing to buy them (Dibb et al, 2001).

A company can use their product, service, personnel or image to differentiate themselves on the market (Kotler et al, 1999). Factors that can contribute to make a product special are for example trademark, technique, product quality or customer service. Differentiation does not necessarily mean that just one of these factors is being used. They are often combined and that makes the differentiation successful (Roos et al, 1998). Differentiation can be seen as the key to successful marketing (Dibb et al, 2001).

The reason why companies often need to differentiate themselves is that consumers usually want a product that gives them the greatest value. Companies’ major issue is to understand the consumers and to deliver more value than their competitors do. That is why companies must always strive to deliver what is expected from them. If they claim to offer the best quality of their products they must also do so (Kotler et al, 1999).

## 3.5.2 Cost Leadership Strategies

A cost leader is a company that mostly offers the same products or services at a lower cost than its competitors. To be a cost leader and gain such a position on the market, the company must concentrate on lowering costs but at the same time never disregard, e.g. quality and service. Since the companies have lower costs than their competitors they could receive the same or higher profit (Roos et al, 1998).

## 3.5.3 Niche Strategies

In a niche strategy a certain target group, part of a product range or geographic area is served (Roos et al, 1998). This strategy is not supposed to serve an entire market, but only some segments (Kotler et al, 1999). It is a restricted market where a company specialises their products and uses special resources, knowledge and experiences to identify themselves. A niche market is characterised by few competitors and the goal is to serve the segment better than the competitors, which are serving several segments (Roos et al, 1998). Niche can be divided in two different strategies, “cost leader niche” and “differentiated niche”. The “cost leader niche” consists of low-price companies and is directed towards price-conscious consumers. The “differentiated niche” contains companies attracting certain consumers with special characteristics (Roos et al, 1998).

## 3.5.4 “Stuck in the Middle”

Porter considers cost leadership and differentiation as two strategies excluding each other and should therefore not be combined. Companies that try to apply both of these strategies often end with a lower profit. That is because absolute differentiated companies and absolute cost leaders outclass them (Roos et al, 1998). Critics argue, though, that there are companies, which have succeeded in applying both strategies; Procter and Gamble is a good example of this (Kotler, 1999a).

		Competitive Advantage	
		Low Costs	Differentiation
Target Group	Wide Target	Cost Leadership	Differentiation
	Narrow Target	Cost Leader Niche	Differentiated Niche

**Figure 3.1** Generic Strategies by Porter (Roos et al, 1999, p. 185).

### 3.6 Positioning with Price and Value

Kotler’s (1999a) opinion is that there are mainly five ways for the companies to position themselves in terms of value and price. These strategies are *more for more*, *more for the same*, *the same for less*, *less for much less* and *more for less*.

### 3.6.1 “More for More”

Companies that specialise on making or selling the most exclusive version of a product and at the same time taking out a higher price can be considered more for more companies. They produce or sell luxury goods claiming better quality and style etc. The difference in price is most often larger than for example the actual difference in quality. A risk with this strategy is that it opens up for imitators to copy the exclusive products and in case of economic decrease, the targeted consumers might become more careful in their spending and choose less exclusive products.

### 3.6.2 “More for the Same”

A more for the same concept means that a company sells products of higher quality than products on the same price level. This will give the consumer a feeling of a higher value without having to pay more. A successful example of a more for the same strategy was the introduction of Lexus. The high quality of the Lexus cars made Mercedes owners change to Lexus, even if they were not as exclusive as Mercedes.

### 3.6.3 “Same for Less”

Most products are available at lower prices in low-price stores and outlets. These companies do not claim that their products are in any way better but they can offer well-known labels at distinctly lower prices because of a strong bargaining position. This strategy is called same for less.

### 3.6.4 “Less for much Less”

Less for much less strategy is based on the fact that many companies supply the consumers with more than they ask for. Many people do not want to pay higher prices because of features they do not need or want. This includes both products and services. An example of less for much less strategy in services is airlines. Some companies do not include food and/or beverages in the price of the ticket. By doing this, no customers have to pay for services they do not want. The ones that wish to have food and beverages can pay on the plane and everyone is satisfied. Products that are sold cheaper, but without fancy packaging or with pronounced lower quality are also included in the less for much less strategy. The result of this strategy is lower prices by removing comfort.

### 3.6.5 “More for Less”

Companies that provide a wide product range of well-known brands at lower prices, apply more for less strategy. The concept is to make the consumers

feel they received more value and paid less. Many successful chains in retail use this strategy (Kotler, 1999a).

### **3.7 Private Labels**

A private label is a label created by or for the distributor in the name of a retailer or with a specific brand name (Uggla, 2003; Melin & Urde, 1991; Internet 3). Private labels are owned and controlled by the retailer who is responsible to the customer (Melin & Urde, 1991). Private label products usually try to imitate the leading products on the market by using the same colours and design in packaging (Upshaw, 1995).

Private labels can be produced by manufacturers of other brands, by manufacturers specialised in private label products or by manufacturers owned and operated by the retailer itself ([Internet 3](#)).

The use of private labels is increasing and consumers are becoming more and more loyal and aware of them. 25% of the products, in an average European shopping basket, now consists of private label products. Today, consumers are less likely to buy manufactured branded products and the future of private labels look bright as more consumers support these products (Internet 3).

## **3.7.1 Reasons for Private Labels**

The reasons for launching a private label are to increase store loyalty and gain competitive advantage by having an unique assortment. This strengthens the position in relation to manufacturers and lowers the costs because of an improved bargaining position. It also increases profit and creates community among the stores (Melin & Urde, 1991).

Randall (2000) states that consumers perceive private label products to be just as good as any other brand in many product categories. By offering private label products the retailers build identity and differentiate themselves from their competitors. The label could be either a retailer name or a totally different name. Private label products are usually cheaper than the leading products on the market.

According to Upshaw (1995) there are three reasons for the rise of private labels. First of all, prices are lower than manufacturer brands, second, value is increased by improved quality and third, it leads to higher net margins. As a result of this, private labels have strengthened their position as individual value-added brands. These brands should be operated in the same way as other manufacturer brands.

## 3.7.2 The Generations of Private Labels

Private labels can be categorised into four different generations depending on the product characteristics (Internet 8). The first generation contains generic products. These are to great extent staple commodities with lower quality and about 20% lower prices. The second generation is medium priced quasi-brands with high sales volume and 10-15% lower prices. The third generation is private label products and “me-too” products, which are comparable to market leading brands. A “me-too” product is a product that does not have any functional benefits compared to existing products (Internet 9). This group does not differ more than 5-10% in pricing. The fourth and last generation is developed private brands. These products are unique with image and added value. Compared to equal products, they are of equal or higher quality and cost the same or more.

### 3.8 Fighting Brands

A *fighting brand* is a brand that is introduced on the market to attract price sensitive consumers, while allowing another brand to be a company’s premium brand (Internet 10). Introducing a fighting brand implies some protection against other companies’ brands (Internet 11). A negative effect is that this strategy might lead to cannibalisation of the own premium brand (Håkansson & Wahlund, 1996).

### 3.9 Private Labels and Manufacturer Brands

The competition between manufacturer brands and retailer brands has increased since the 1980’s and the retailers have therefore strengthened their position on the market. Some manufacturers are now afraid that their brands will be pushed out from the assortment by the private label products. This concerns especially companies with weak market positions. Manufacturers with market leading brands are not exposed to the retailers’ strength in the same way as non-market leaders (Upshaw, 1995; Melin, 1999). The reason is that there is only room for the largest manufacturer brands, private labels and sometimes a few innovative brands on the market (Melin, 1999).

Private label products are necessary because they prevent prices on premium brands to rise to the level where consumers might lose faith in them. Even though private labels are a threat to premium brands, they are still a reminder of the price level (Upshaw, 1995). Premium brands still have the primary role in most categories but that could change if companies do not keep their prices in line. Even though prices would get out of line, premium brands tend to rebound easily once pricing policies have been changed. The manufacturers of non-private label products have to be careful though, because private label products will take even more market shares if they can not deliver differentiated consumer benefits (Randall, 2000).

The grocery market is growing slowly and if a retailer wants to increase its market share or if there is a new entrant on the market, someone else has to suffer. No company wants to lose market shares to a competitor and especially not if it is a low-price competitor. To be able to steal market shares, a company has to convince the consumers to convert to their products and that would be both time and cost consuming.

### **3.10 Summary**

The position distinguishes a company from its competitors and it is a way to communicate benefits to possible consumers. A business definition and a target group have to be decided at an early stage of a positioning process. A target group is found by segmentation, which means dividing a market or consumers into sub-groups. This can be made through different factors, e.g. demographic factors.

Examples of positioning strategies are differentiation, cost leadership or niche. Not focusing on one of these could lead to “stuck in the middle”. Five basic ways to position are offering, *more for more*, *more for the same*, *the same for less*, *less for much less* and *more for less*.

Private labels are products manufactured and owned by the retailer. The use of private labels is increasing and consumers are becoming more and more loyal and aware of them. The reasons for launching a private label are to increase store loyalty and gain competitive advantage by having an unique assortment.

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#### 4. Retailing Theories

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*This chapter brings up the main theories of retailing. It includes different types of retailers and their characteristics and also their positioning strategies. Location and product assortment are two factors, which are also presented. These are important factors concerning retailing and will be discussed at the end of this chapter.*

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##### **4.1 Introduction**

The grocery retailers in Europe have gone through vital changes both in structure and in marketing strategies the past couple of years (Uusitalo, 2001). The reasons for the changes are the intense competition between the grocery retailers and the fight for market shares on a mature market with slow growth. Not only the grocery retailers have gone through changes, the consumers have also had to change their shopping behaviour as the retailers have changed.

The Swedish grocery market has also changed and is now more exposed to foreign competition than it used to be. As the foreign grocery retailers are establishing on the market it is important to offer something that differs from that of the competitors. Section 4.4 describes positioning theories, specific for retailing and will therefore be presented in this chapter, which is the reason why it was not presented in chapter three.

##### **4.2 Retailing**

According to Dibb, Simkin, Pride and Ferrell (2001) retailing is the transactions of products that a buyer makes to consume personally, in a family or in a household. A retailer on the other hand is a business, usually a store, which buys products from a producer and re-sells them to final consumers. A retailer can also be a producer of private label products. The retailer is the middle hand between the consumer and the producer. The confusing part is that the retailer has to come up with its own product-mix even though it sells products from other companies.

A retailer also has to find its own target market and analyse the opportunities on that particular market. Both producers and retailers have to satisfy the consumers' needs. Retailers usually sell their products in stores or in service establishments but sales outside the store may also occur, for example via the Internet.

#### **4.3 Types of Retailers**

There are many types of retailers on the market e.g. speciality stores, department stores, supermarkets, hypermarkets and convenience stores (Dibb et al, 2001; Kotler, 1999b). These types of retailers differ in many ways such as size, product range, product lines, price and volume. Following definitions are based on North American stores and can therefore differ from Swedish stores.

### **4.3.1 Department Store**

Department stores have a wide product mix and many product lines. They are usually large and located in the city centre or in malls outside cities. The stores sell clothes, furniture and household products in different departments in the store (Dibb et al, 2001).

### **4.3.2 Supermarket and Grocery Superstore**

Supermarkets and grocery superstores are large, low-cost and self-service stores, which have a complete line of food, laundry and household products. They are usually situated out-of-town where the parking is free and the stocking and handling of products are easier. The supermarkets' low prices have made consumers price sensitive and more demanding. The competition between the supermarkets is intense and to gain advantage against competitors the companies are launching more and more private label products. These products are the same or better than the producers' brand. In some stores about 50% of their sales consist of private label products (Dibb et al, 2001).

### **4.3.3 Hypermarket**

Hypermarkets are bigger and has an even larger product assortment than the supermarkets. The hypermarket is a combination of supermarket, discount and warehouse retailers (Dibb et al, 2001).

### **4.3.4 Speciality Store**

Speciality stores are self-service stores with narrow but deep product range and better personnel assistance than department stores. These stores are

usually placed in the city centre and have window displays to allure bypassing consumers (Dibb et al, 2001).

## 4.3.5 Convenience Stores

A Convenience store is a small store located close to residential districts. It often has long opening hours and sells the most necessary groceries and newspapers at premium prices (Dibb et al, 2001).

### 4.4 Positioning in Retailing

As mentioned before, there is an intense competition between different types of retailers today and it is therefore important for the retailer to take a position on the market. Retailers can position themselves in many different ways, for example as a low-price retailer offering mostly private brands. To be able to take a position on the market it is necessary to identify an unserved or an under-served niche or to be highly differentiated in an attractive market segment. It is also necessary to offer something that distinguishes from the competitors.

## 4.4.1 Strategic Issues

Retailers find it difficult to attract customers and to keep them. The reason is that it is harder today to differentiate since the stores are becoming more alike. All stores offer good service, convenient store locations and similar product assortment. The consumer is getting smarter and less willing to pay more for identical brands as the service is the same everywhere (Dibb et al, 2001).

There are several important factors to consider when positioning as a retailer. Firstly, the assortment policy which concerns product range, quality and accessibility. Secondly, location policy with regards to size, situation and surrounding of the store. Thirdly, pricing policy with consideration of price levels and factors of service and personnel (Knee & Walters, 1990).

### 4.4.1.1 Location

According to Kotler (1999b), “Location, Location, Location”, are the three keys to success. Location is one of the most important factors in strategic retailing and it is also the least flexible. Location is such an important factor because it limits the geographical area and its consumers.

Many factors are being discussed when choosing a location, for example, target consumers, the region’s economic climate, products, public transportation, location of competitors and customer characteristics. Transport to and from the store is of vital importance and both pedestrians and car borne consumers have to be taken into account. Other factors are, e.g. nearby stores and size. The retailers also have to decide where they want to locate, e.g. in general business districts, regional shopping centres, out-of-

town superstores, retail parks, location within a larger store or in strip malls (Dibb et al, 2001; Kotler, 1999b).

## 4.4.2 Product Assortment

The product assortment is the products that a retailer offers to its customers (Simonson, 1999). One of the biggest problems in retailing is the assortment decision (Mcintyre & Miller, 1999). The product assortment in the stores has to match with the consumers' demand on the target market. Decisions have to be made considering width and depth in the product assortment and also the quality. Different types of stores vary in width and depth, e.g. speciality stores, which have a narrow width in their few product lines. Department stores on the other hand, have a wide assortment and different depth in every product line. It is often hard for a retailer to have both width and depth in the product assortment because it requires a large stockpile. Some producers prefer to sell their products through retailers that offer medium width and less depth in their product lines. This is because the presence of competing brands can affect the producers' brands and make them less visible compared to competing products in the stores (Dibb et al, 2001). Retailers often use national brands to draw customers to their stores. Retailers who pursue this traffic-building strategy usually carry more national brands, deeper assortment and offer lower promotional prices on national brands (Internet 12).

### 4.4.2.1 Product Differentiation Strategy

According to Kotler (1999b) a challenge for a retailer is to come up with a product differentiation strategy, for example:

1. To offer exclusive national brands that are not available in any other store
2. To feature mostly private brands
3. To feature the latest or newest products first

A company differentiates by offering a product assortment that is better than its competitors. The difficulty today is to offer an assortment that the consumer wants, which no other competitor offers. This is becoming more and more difficult since other retailers quickly adopt popular products to their assortment. According to Broniarczyk, Hoyer and McAlister (cited in Simonson, 1999) width and depth of the assortment will still be used in retailing strategy and will stay important in the future because it can shape what the consumers want.

According to Arnold et al., Craig et al., Louviere and Gaeth consumers choose their favourite store based on location, price and variety of assortment (cited in Hoch et al, 1999). Interesting is that this is different from Simonson's (1999) thoughts. He states that the assortment is the number one factor but he refers to retailing strategy and not to the consumers' reasons. The variety is important to the consumer because it increases the probability of a perfect match between the product and the

consumer. It gives the consumer a bigger option value and also different alternatives. The variety is of course also important to the retailer since the consumers value variety.

#### **4.5 Summary**

Retailing is the transactions of products that a buyer makes to consume personally, in a family or in a household. A retailer has to offer products that the consumer wants.

There are many types of retailers on the market, e.g. speciality stores, department stores, supermarkets, hypermarkets and convenience stores. The types of retailers that will be examined in this research are supermarkets and hypermarkets. There is an intense competition between the different types of retailers today and it is therefore important to the retailer to take a position on the market. It is also necessary for the retailer to offer something that distinguishes from that of its competitors.

There are several important factors to consider when positioning as a retailer. These factors are assortment policy, location policy and pricing policy. Location is of less importance in this research, therefore, the factors that will be examined are assortment and price.

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## 5. Empirical Method – Stores

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*This chapter presents the empirical method used when collecting the primary data. It was made through observations to find out the grocery stores' positioning strategies. The chapter also brings up the sample and the validity and reliability of the observations.*

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### 5.1 Introduction

There are several strategies that can be used to answer the research questions. Some are more suitable for an inductive research and others for a deductive research. The chosen research strategy for this part of the dissertation was a case study, since the stores have been examined store by store. The study was only valid for the stores in this particular study, which means that it can not be generalised. A case study involves empirical tests in real life. It has the ability to answer why, how and what questions by using different kinds of data collection. Data can be collected with e.g. questionnaires, interviews or observations.

### 5.2 Purpose of the Observations

The purpose of the research was to collect current information concerning private labels and product range. According to the theory, these factors are of great importance, which is the reason why they have been chosen. The information was used to determine the selected stores' positioning strategies regarding the chosen factors.

### 5.3 Research Sample - Observations

The sample in this research is Lidl, ICA Maxi and Willy:s in Löddeköpinge. This sample has been chosen because the stores are situated close to each other and it is possible for the consumers to choose any of the three stores. This is relevant because the consumers' choice is not affected by the location of the store.

#### **5.4 Collection of Primary Data - Stores**

The collection of primary data was done by observations in the stores. Observations normally mean that the researcher observes actions and behaviour of the customer, but in this case, observations mean that the actions of the stores have been examined. The aim was to get information concerning the chosen factors of the research. Since Lidl does not reveal information concerning their stores, the only way to get detailed information from all of the stores was to study the shelves and frozen-food counters in the stores.

#### **5.5 Conducting the Observations**

An observation is usually when the consumer's behaviour is observed and analysed. In our case we have examined the stores' product ranges. The price tags on the shelves and the frozen-food counters were used when counting the products and gathering the price information. If a category included different sizes of the same product, that product was only counted ones. The factors examined in the categories were:

- The total amount of different products.
- The total amount of private labels.
- The cheapest and the most expensive non-private label products.
- The cheapest and the most expensive private label products.

The observations of the different stores were conducted at the same day between 11:00 and 14:00. The stores were situated at a distance of maximum 500 metres from each other in Löddeköpinge.

#### **5.6 The Selected Categories**

The categories chosen for this research were soda, deodorant, butter, cereals, canned tomatoes, canned tuna, frozen meatballs and frozen baked fish. The reason why these categories have been chosen was that they could be found in any grocery store, independent of the store's size. Our limitations and definitions of the categories are presented below.

The soda category was limited to carbonated soft drinks in 1.5-2 litre PET bottles. Cider or sparkling mineral water was not included in this category.

Deodorants were limited to roll-on and stick deodorants, both male and female products.

In the butter category, limitations have been made to include only butter and margarine that are intended for sandwiches.

The cereal category only involved cereals in 300 to 500 g packages. It did not include, for example, müsli or cereal bars.

Canned tuna and canned tomatoes were limited to tin cans or equal packaging.

The categories including frozen food consisted of all sizes of baked fish packages and meatballs.

Another reason why these specific products have been chosen was that they could be compared among the stores without misunderstandings. The sizes of the packages were approximately the same in all the stores and the prices were specified in the same unit.

#### **5.7 Criticism to the Primary Data**

The sample did not contain stores of equal sizes. This might seem misleading, but since the categories were predestined and the relation between factors was examined, the differences in size did not affect the result considerably.

Categories including different sizes of the same product were counted ones, this could have affected the difference between the cheapest and the most expensive product in the category. We were aware of this when conducting the research, but still, it could have affected the result.

#### **5.8 Validity and Reliability of the Observations**

When dealing with observations there are threats to the reliability of the research. Three of the main threats are subject error, time error and observer effect.

### **5.8.1 Subject Error**

Subject errors that could have occurred in this research were if the examined products were out of stock, if a product had been deleted from the assortment without removing the price tag or if the price tag was marked incorrectly. To minimise these problems we used and carefully counted the price tags on the shelves and the price tags on the frozen-food counters. We also counted the products on the shelves and the products in the frozen-food counters, to get as accurate result as possible.

### **5.8.2 Time Error**

If the observations were conducted at a time when the shelves and frozen-food counters were empty there would have been a time error since the time chosen was not representative for the research. To minimise this error the price tags were counted along with the products on the shelves and in frozen-food counters, which is similar to the subject error.

### **5.8.3 Observer Effect**

The observer effect occurs if the observer's presence affects the behaviour of the subject that is being observed. This was not a problem in our observations since the observed objects were grocery stores and their products.

### 5.9 Summary

The research strategy chosen for this part of the dissertation was a case study. The collection of primary data was made through observations in the stores. Observations normally mean that the researcher observes actions and behaviours of the customer, but in this case, observations meant that the actions of the stores have been examined. The purpose of the research was to collect current information concerning private labels and product range. The categories that were examined were *soda, deodorant, butter, cereals, canned tomatoes, canned tuna, frozen meatballs* and *frozen baked fish*. The reasons why these categories have been chosen were that they could be found in any grocery store, independent of the store's size, and that they could be compared to each other without misunderstandings. The sample in this research was Lidl, ICA Maxi and Willy:s in Löddeköpinge.

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## 6. Empirical Method – Customers

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*The collection of primary data through questionnaires is brought up in this chapter. A description of the questionnaire and its purpose is presented. Finally, reliability and validity, which are two important factors to consider when formulating the research, are also brought up.*

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### 6.1 Introduction

The research strategy in this chapter was a survey. The reason why an examination of the customers has been made was to find out how the customers apprehended the stores' product ranges and private labels. This was made to show if the customers apprehended the stores in the same way as the observed positioning strategies.

### 6.2 Purpose of the Questionnaire

The purpose of the questionnaire was to gather information concerning the customers of the different stores. This information was compared to the result of the previous research on positioning strategies. The comparison made it possible to decide which segments were attracted to the different stores. It was also possible to show how the customers of each store comprehended the stores' positioning strategies with focus on private labels and product range. It was also possible to examine how the customers of the different stores comprehended their options between cheap and expensive products and between non-private label and private label products. The answers have been used to generalise the customers of each store, but only in the examined stores.

A self-administrated questionnaire was chosen to lower the risk of us affecting the answers of the questions. The questionnaire contained some questions that the respondents might have considered uncomfortable, e.g. questions about income. A self-administrated questionnaire made it easier to answer these questions. The different questions were carefully designed to provide useful information and the questionnaire was divided into two parts.

The first part consisted of questions concerning demographic factors. This part only consisted of category questions, which mean that the respondents had a range of alternatives and were asked to choose the one that suited them the best. The second part concerned the customers' preferences and a five-point numeric rating scale was used. The end categories were labelled above the scale to inform the respondents about the grade of the scale.

## 6.2.1 Pilot Test of the Questionnaire

The original questionnaire was tested on ten students to see if it was understandable and easy to answer. A pilot study of ten respondents is acceptable (Saunders et al., 2003). The purpose was to refine the questions so there would be no problem for the respondents to answer the questionnaire. We estimated the time needed to fill in the questionnaire to be about 4 minutes per respondent.

## 6.2.2 Demographic Factors

The first part of the questionnaire, questions 1 to 5, was used to examine demographic factors concerning the customers. Demographic factors influence consumers in their actions and behaviour, e.g. when buying products. The demographic factors have been limited to gender, age, level of education, total yearly income of the household and size of the household. These factors were used to segment customers by personal characteristics to determine the segments of the different stores. The reason why this was important was that we wanted to prove that different stores attracted different segments.

## 6.2.3 Customer Preferences

The second part of the questionnaire, questions 6 to 11, was used to determine the customers' preferences of the different stores. The reason was to see if the customers' apprehension was the same or different from the observed positioning strategies.

*Question 6* was used to examine how the customers generally comprehended the assortment in different product categories in the store.

*Question 7* was used to study the consumers' apprehension of share of private labels in the store.

*Question 8* showed the consumers' opinion of the stores' private label products compared to other labels.

*Question 9* was used to examine if the consumers believed that the stores' private labels were cheap or expensive compared to other labels.

*Question 10* showed if the consumers thought that the store offered an ability to choose from cheap and expensive products within the same product category.

*Question 11* was the final question and showed if the store was the customers' main choice to buy groceries or if they preferred another store.

### **6.3 Research Sample - Customers**

The sample of the research was exiting customers from ICA Maxi, Willy:s and Lidl, which were systematically picked. As soon as one questionnaire was answered, the following customer exiting the store was asked to participate. The customer was picked regardless of their age, gender and purchase. The reason why several questionnaires were not handed out simultaneously, was that the respondent should be able to ask questions to the researcher at any time.

### **6.4 Collection of Primary Data - Customers**

The collection of primary data of the consumers, was made by using a self-administrated questionnaire. Since interviews would have been too time consuming, a questionnaire was suitable for this research since many respondents were needed. All respondents answered the same set of questions and all of the questions included closed answers. The research was conducted outside the different stores. Exiting customers were asked to fill in the questionnaire since they had a recent impression of the store they just visited.

### **6.5 Conducting the Customer Research**

The research was conducted on December 15<sup>th</sup> in Löddeköpinge and it was performed simultaneously outside Lidl's, ICA Maxi's and Willy:s' counters. The research was performed at ICA Maxi and Willy:s between 15:00-19:00, with a 30 minutes break between 16:30 and 17:00. Our opinion was that this was the time of the day when most consumers did their grocery shopping. Unfortunately the research at Lidl only lasted between 15:00 and 16:30 because the store manager found out that it was against the company policy to let students perform a research in the store. The total amount of collected questionnaires was 106, from which 50 were from ICA Maxi, 41 from Willy:s and only 15 from Lidl.

### **6.6 Criticism of the Primary Data**

The information retrieved from the questionnaires has been important to the result of this research. If the respondents gave false answers, it had a negative impact on the result of the research but there was no way to determine if the respondents answered the questionnaire honestly. We had to assume what the respondent answered was correct. The amount of respondents at Lidl was low since we were not allowed to perform the research in the store. From the desirable number of 50 respondents we only received 15 because of this matter. This affected the research and made the

result less reliable but there was no option but to use the material. The results from Lidl have to be used with caution since it may be misleading.

### **6.7 Validity and Reliability of the Questionnaires**

There are factors that can affect the validity and/or the reliability when conducting a consumer research. A preparation of the research and an understanding of mistakes that can occur, helps to lower the risk of problems (Saunders et al, 2003).

## **6.7.1 Subject or Participant Errors**

Subject or participant errors are impossible to avoid. It was not possible to know if the respondents, the particular day of the research, had different opinions of the store than they usually have. A temporary change of opinion could have been caused by something that happened in the store when the research was performed. No matter if this change was positive or negative to the customer it could have affected the result of the research but could unfortunately not be prevailed.

## **6.7.2 Subject or Participant Bias**

A subject or participant bias could have occurred if the respondents answered what they thought the researcher wanted them to answer. There was also a risk that the respondents wanted to withhold information concerning e.g. education or income, which could have led to false answers. The respondents were informed that the research was made independently without any relation to the store. Some respondents might still have assumed that the researchers had a connection to the stores and this could have affected their answers.

## **6.7.3 Observer Errors**

There was also a risk for observer errors since the research was conducted at three locations at the same time. The researchers performed the research individually and might have given different answers to possible questions asked by the respondents. To avoid this problem the researchers discussed possible questions that could occur during the research. This was made to give the respondents as similar answers as possible.

## 6.7.4 Observer Bias

Observer bias means that the answers from the questionnaires could be interpreted differently (Saunders et al, 2003). This was not likely to be a problem since the whole group handled the material and it would therefore not be possible for individual interpretations by the researchers.

## 6.7.5 Validity

Threats to the validity could be that the stores refilled their stock on different days and that some customers could have been aware of this. This could lead to loyal customers doing their shopping on days when the shelves were being refilled. Since the researchers did not know when the stores refilled their stock, it was impossible to know if the customers got a right impression of the stores' product assortment.

### **6.8 Summary**

The collection of primary data of the consumers was made through a self-administrated questionnaire. The original questionnaire was pilot-tested on ten students. The research was conducted on December 15<sup>th</sup> in Löddeköpinge, outside ICA Maxi, Willy:s and Lidl. Exiting customers were asked to fill in a questionnaire since they had a recent impression of the store they had just visited. The purpose of the research was to gather information concerning the consumers of the different stores. Questions 1 to 5 in the questionnaire were used to examine demographic factors concerning the customers. Questions 6 to 11 were used to determine the preferences of the customers of the different stores. The reason was to see if the customers' apprehension was the same or different from the observed positioning strategies.

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## 7. Analysis of the Observations in Stores

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*This chapter presents a general description of the three stores with a description of their private labels. Information, in form of tables, concerning the stores' share of private labels and differences in prices with non-private labels and private labels is brought up. Finally, a comparison between the stores is also presented.*

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### 7.1 ICA Maxi

The Swedish ICA-stores are divided in size, turnover, assortment and geographic position. Among ICA's stores, ICA Maxi is the largest one. ICA Sweden AB has 1,764 stores and is Sweden's leading grocery chain. ICA Sweden's total store turnover last year was 77,347 MSEK. The Swedish consumers buy a third of their groceries at ICA. ICA has its own private labels in the stores and they are presented below (Internet 13).

### 7.1.1 ICA's Private Labels

ICA Sweden AB has several trademarks and some of these are *ICA*, *ICA Ekologiskt*, *ICA Frukt och Grönt*, *SKONA* and *EURO Shopper*. ICA contains of many different products with high quality and low price. ICA Ekologiskt consists of only ecologically manufactured products. It includes products as, e.g. müsli, flour, bread and juice. ICA Frukt och Grönt includes a selection of fruit and vegetables. SKONA is ICA's environmental trademark, e.g. detergents, toilet paper and cleaning products. Finally there is ICA's low budget brand, EURO Shopper. ICA also has an assortment of leisure and household products produced under different trademarks but they are not included in the research (Internet 13).

### 7.1.2 Observation of ICA Maxi

From the observations made on the assortment of the chosen categories at ICA Maxi, an average share of the store's private labels was 16.7%. Table 7.1 shows that the categories with the largest share of private labels were canned tomatoes and frozen baked fish. The category with the smallest share

of private labels were deodorants with only 3%. More detailed information concerning the other categories is presented below in table 7.1.

**Table 7.1** ICA Maxi's Amount of Products

Product	Total	Private labels	PLI (%)
Soda	73	9	12%
Butter	23	2	9%
Deodorants	66	2	3%
Cereals	29	6	21%
Tomatoes	9	9	100%
Tuna	8	3	38%
Meatballs	6	2	33%
Baked Fish	8	4	50%

The supply of products and the choice among products of different price levels were large in the categories chosen. The largest difference between the cheapest and the most expensive product was over 450%. In the canned food category, ICA Maxi only had private label products, which is shown in table 7.2 below. More information about the other categories' differences in price and the spread between the categories is also presented in the table.

**Table 7.2** ICA Maxi's Prices on Non-Private Labels

Product	Low (SEK)	High (SEK)	Spread (%)
Soda	4.00	11.95	199%
Butter	21.50	122.00	467%
Deodorants	160.00	658.00	311%
Cereals	31.87	96.33	202%
Tomatoes	-	-	-
Tuna	79.50	99.33	25%
Meatballs	35.00	73.11	109%
Baked Fish	43.17	84.75	96%

The largest difference between the cheapest private label product and the most expensive private label product was 258%. This information was found in the cereal category. The other categories had about 40-50% spread, except the tuna category, which is shown in table 7.3.

**Table 7.3** ICA Maxi's Prices on Private Labels

Product	Low P.L.	High P.L.	Spread P.L.
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	(SEK)	(SEK)	(%)
Soda	5.67	5.67	0%
Butter	13.17	18.17	38%
Deodorants	165.00	165.00	0%
Cereals	17.80	63.73	258%
Tomatoes	11.25	18.75	67%
Tuna	56.43	59.33	5%
Meatballs	41.90	59.78	43%
Baked Fish	41.50	56.86	37%

### 7.1.3 Summary of ICA Maxi

ICA Maxi had a large product range to choose from, both non-private label products and private label products. However, most products from the categories chosen were non-private label products, except from canned tomatoes, which only consisted of private label products. The price difference between the non-private label products was large, especially in the butter category. The private label products did not have such a large difference in price as the non-private label products. Only the cereal category showed a remarkable difference.

#### 7.2 Willy:s

Willy:s is a Swedish grocery chain and part of Axfood AB, which is one of Scandinavia's largest food retailers. Axfood AB has a market share of 18% in Sweden. Willy:s business concept is to offer the lowest prices on food in Sweden. The store concept is low costs and no staffed service counters. Today there are 73 stores all over Sweden.

### 7.2.1 Willy:s Private Labels

Willy:s is the label for Willy:s and Willy:s Hemma. Labels that are common for the Axfood group, are Eldorado, Godegården and Garant. Eldorado is the low budget brand, followed by Godegården, which is the medium brand. Garant is Axfoods premium brand with prices slightly higher than the market leader (Internet 14).

### 7.2.2 Observation of Willy:s

The result of the observation of the selected categories showed an average of 15.2% private labels. The categories with the largest share of private labels were canned tomatoes and frozen baked fish. The only category without private labels was the canned tuna category. Information concerning the individual categories is presented in table 7.4 below.

**Table 7.4** Willy:s' Amount of Products

Product	Total	Private Labels	PLI (%)
Soda	45	4	9%
Butter	20	1	5%
Deodorants	25	2	8%
Cereals	22	5	23%
Tomatoes	9	5	56%
Tuna	6	0	0%
Meatballs	5	1	20%
Baked Fish	6	3	50%

The possibility to choose between cheap and expensive products was large in most categories. The largest price spread was in the butter category, where the difference between the cheapest and the most expensive product was almost 400%. The price in the baked fish category was the same for all products, which gave the 0% spread, shown in table 7.5 below.

**Table 7.5** Willy:s' Prices on Non-Private Labels

Product	Low (SEK)	High (SEK)	Spread (%)
Soda	3.67	10.64	190%
Butter	22.55	111.60	395%
Deodorants	259.90	672.00	159%
Cereals	29.95	88.32	195%
Tomatoes	5.80	14.70	153%
Tuna	49.17	91.71	87%
Meatballs	44.70	61.05	37%
Baked Fish	61.78	61.78	0%

The spread between the cheapest and the most expensive private label product was smaller than the difference between the non-private label products. The largest spread between the cheapest and the most expensive private label product was in the cereal category with a difference of 153%. In most categories there were no difference at all, which can be seen in table 7.6 below. The tuna category had no private label products.

**Table 7.6** Willy:s' Prices on Private Labels

Product	Low P.L. (SEK)	High P.L. (SEK)	Spread P.L. (%)
Soda	3.67	3.67	0%
Butter	19.96	19.96	0%
Deodorants	99.80	99.50	0%
Cereals	15.80	39.96	153%
Tomatoes	7.45	13.24	78%
Tuna	-	-	-
Meatballs	29.95	29.95	0%
Baked Fish	39.09	44.90	15%

## 7.2.3 Summary of Willy:s

The research showed that Willy:s had a rather small share of private label products in relation to all the products in the categories. The customers had the possibility to choose from cheap and expensive products in most categories of non-private label products. The possibility to choose between cheap and expensive private label products was much smaller than the non-private label products. The difference in price between the compared private label products was 0% in most categories.

### 7.3 Lidl

Lidl is a German grocery chain that made an explosive market entry in Sweden on September 25<sup>th</sup>, 2003. Lidl opened 11 stores in one single day on different locations (Internet 15). Lidl & Schwarz Stiftung own Lidl and the head office is located in Bad Wimpfen, Germany. The estimated sales for 2002 were US\$21.7 billion. Lidl has stores in about 20 European countries, e.g. Austria, Belgium, France, Italy, Britain and Sweden (Internet 16).

## 7.3.1 Lidl's private labels

Lidl's assortment consists to a great extent of private label products. Lidl use several different trademarks instead of their own name to sell their products. The only place where it appears that the product is a private label is on the back of the product, where it is marked "produced for Lidl Stiftung". Examples of Lidl's private labels are *Milbona*, which is a label for diary products, *Freeway* that includes beverages and *Little Man*, which is the cereal label (Internet 16).

## 7.3.2 Observation of Lidl

The observation of Lidl showed a large amount of private label products compared to other labels. Lidl's share of private labels was 83.8% in the observed product categories. This means that most of the products examined were private labels and only 16.2% of the products in the selected categories were other labels. Almost all categories consisted of only private label products except from butter (44%) and soda (89%). These categories were the only two in our selection that had other labels in their product ranges, see table 7.7 below.

**Table 7.7** Lidl's Amount of Products

Product	Total	Private labels	PLI (%)
Soda	9	8	89%
Butter	9	4	44%
Deodorants	3	3	100%
Cereals	6	6	100%

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Tomatoes	3	3	100%
Tuna	4	4	100%
Meatballs	2	2	100%
Baked Fish	1	1	100%

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The amount of products offered in the different product ranges was small. The categories that had the largest amount of products were butter and soda. They both had nine items in their product range. Baked fish was the category with the smallest amount of products, it only had one product.

The selection between cheap and expensive non-private label products was not large since most of the examined products were private labels. As can be seen in table 7.8 on the next page, butter was the only category where it was possible to choose products in different price levels.

**Table 7.8** Lidl's Prices on Non-Private Labels

Product	Low (SEK)	High (SEK)	Spread
Soda	4.33	4.33	0%
Butter	22.5	34.83	55%
Deodorants	-	-	-
Cereals	-	-	-
Tomatoes	-	-	-
Tuna	-	-	-
Meatballs	-	-	-
Baked Fish	-	-	-

The price variation among the private label products in the selected categories was larger than the price variation among the non-private label products. The biggest possibility to choose from products in different price levels was in the cereal category, see table 7.9. There were no differences in the deodorant, meatball and baked fish categories.

**Table 7.9** Lidl's Prices on Private Labels

Product	Low P.L. (SEK)	High P.L. (SEK)	Spread P.L. (%)
Soda	3.30	6.49	97%
Butter	17.48	29.96	71%
Deodorants	199.00	199.00	0%
Cereals	15.72	34.61	120%
Tomatoes	7.00	9.18	31%
Tuna	33.75	62.44	85%
Meatballs	32.90	32.90	0%
Baked Fish	49.75	49.75	0%

## 7.3.3 Summary of Lidl

Lidl did not have many products to choose from in the observed product categories. The largest categories were soda and butter, which had nine products. These categories were also the only ones that had other labels than private labels. The possibility to choose from cheap and expensive products was larger among private label products than among non-private label products. The reason is that there were few non-private label products to choose from. The largest spread between the cheapest and the most expensive product was in the private label cereal category, with its 120%.

### 7.4 Comparison among the Stores

Based on the observations, ICA Maxi and Willy:s apply what Kotler calls a “more for less” strategy since they offer a wide range of well-known brands at low prices. This is the strategy that many successful chains in retail use. Lidl, however, is applying a different strategy. Lidl almost fits in the “same for less” category, because it offers similar products at lower prices. The difference is that the products are private labels and not well-known brands. Instead, Lidl offers private label products similar to the well-known labels at low prices.

## 7.4.1 Size of the Store

The stores that have been examined in this research differ in size, which can affect the product range in the categories. Since the relation between the factors was examined, the difference in size was of less importance to the result. However, to avoid misunderstandings the size of the store could be necessary to consider.

## 7.4.2 Type of Store

ICA Maxi, Willy:s and Lidl all belong to the Supermarket and Grocery Superstore category. They are all large, low-cost and self-service stores with complete lines of food, laundry and household products.

## 7.4.3 Location of the Store

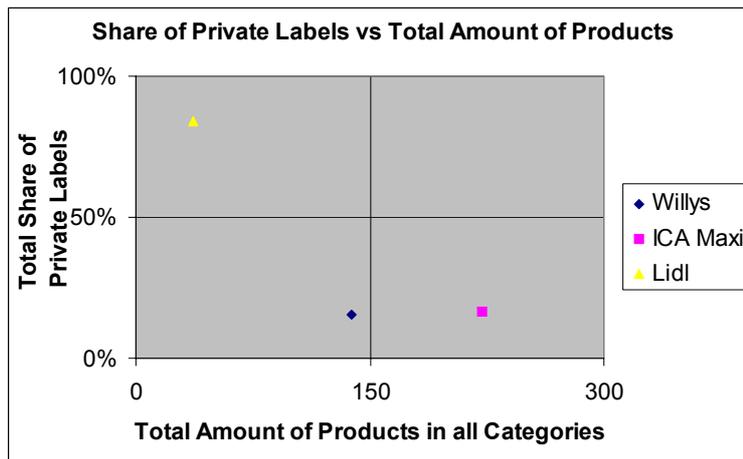
All three stores are located in the same area, which makes the important factor, location, less important. The customers of the different stores may have chosen the store because of the location but this factor does not affect which of the three stores that the customers chose to visit.

## 7.4.4 Product Range

The total number of products in the selected categories at ICA Maxi was six times bigger than the same categories at Lidl and about 60% bigger than Willy:s, which in turn was almost four times bigger than Lidl's categories.

## 7.4.5 Private Label Strategy

ICA Maxi and Willy:s both had about 15% private labels in the selected categories. However, Lidl, had a much larger concentration of private labels with a share of over 80%. This was a significant difference from the two Swedish companies. In figure 7.1 below, the share of private labels can be seen on the y-axis and the amount of products in the selected product categories on the x-axis. This figure shows that Lidl differed greatly from the two other companies, both in share of private labels and in total amount of products in the selected categories. ICA Maxi and Willy:s had about the same share of private labels but differed in total amount of products.



**Figure 7.1** Share of Private labels vs. Total Amount of Products in the Categories

All three stores had both cheap and expensive private labels in some categories, which made the cheaper labels fighting brands. The fighting brands in most categories were cheaper than the cheapest non-private label products. This comparison required that possible differences of the compared products were disregarded.

## 7.4.6 The Stores' Positioning Strategies

ICA Maxi's, Willy:s', and Lidl's observed positioning strategies can be translated into Porter's generic positioning strategies, see figure 7.2 below.

		Competitive Advantage	
		Low Costs	Differentiation
Target Group	Wide Target		ICA Maxi Willy:s
	Narrow Target	Lidl	Lidl

**Figure 7.2** ICA Maxi's, Willy:s' and Lidl's Positioning Strategies

Lidl had a narrow target group compared to ICA Maxi and Willy:s. This was because Lidl mostly had private label products and did not offer the customers an option to choose between private label and non-private label products. Willy:s and ICA Maxi, on the other hand, had both private label products and non-private label products. This means that Lidl is situated in the lower part of the figure, which is the “niche” area (see figure 3.1, page 15).

We believe that Lidl's target group consisted of mostly price conscious consumers who did not care about the label, unless it was a private label product that only Lidl had.

According to Upshaw (1995), Melin and Urde, (1991), private labels generate a higher net margin for the company, which was one of the reasons why Lidl with its 84% share of private labels is a cost leader. Lidl could lower its costs by selling its own labels, instead of selling more expensive market leading brands. At the same time, Lidl is differentiated, since it offers an unique assortment of products only found at Lidl.

Based on this we believe that Lidl applies a mix of a cost leader niche strategy with low costs and a narrow target group and a differentiated niche strategy with a narrow target group and differentiated advantage.

ICA Maxi and Willy:s belong to the two largest companies on the Swedish grocery market. The stores have wide target groups and offer a combination of private label products and other brands.

Both of the stores differentiate themselves with their private label products. ICA Maxi also differentiates itself with its large product ranges. Willy:s, on the other hand, has a large assortment but not to the same extent as ICA Maxi. This means that both ICA Maxi and Willy:s are situated in the upper right corner of the figure, which is a differentiated strategy (see figure 3.1, page 15).

## 7.4.6 Customer Options

The store with the largest spread between cheap and expensive non-private label products was ICA Maxi, followed by Willy:s. The smallest possibility to choose between cheap and expensive products, had the customers at Lidl. The best option to choose between cheap and expensive private label products had ICA Maxi and Lidl, while Willy:s offered private label products with a slightly smaller price variation.

ICA Maxi and Willy:s had a dominating share of non-private labels in most categories. This gave the customers a possibility to choose from the store's private label products and non-private label products. Many categories at Lidl did not include any non-private label products, which gave the customers no alternative but to buy Lidl's own products. This means that the customers at Lidl must be prepared to buy exclusively private labels if they want to be able to do all their grocery shopping at the same place.

### 7.5 Summary

Location, as a factor of influence is not important to this research since the stores are located in the same area. The customers of the Swedish stores had a larger possibility to choose between private label products and non-private label products. Furthermore, the customers at Lidl had a smaller possibility to choose between cheap and expensive products, both in the private label category and the non-private label category. The essential difference among the stores was that Lidl had a completely different private label strategy compared to the Swedish stores, ICA Maxi and Willy:s. Lidl had a remarkably larger share of private label products and did not offer any non-private label products in most selected categories. The research showed that the difference between the Swedish stores was small but that Lidl differed from both ICA Maxi and Willy:s.

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## 8. Analysis of the Customers

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*This chapter consists of an analysis of the questionnaires, which in turn is compared to the result from the observations. The material is analysed store by store and at the end a comparison between the three stores is presented.*

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### 8.1 Introduction

The examination of the customers was made by questionnaires (see appendix 1 and 2). The respondents were asked to mark their answers on a five-graded scale, with number one as the lowest alternative and number five as the highest. When the respondent considered the answer to a question to be neither low nor high, number three on the scale was marked. The mean value was used to make up the result of the research. The minimum and maximum values can be seen in tables 8.1 to 8.3. The standard deviation varied between 0.7 and 1.07 on all questions.

Taking the observations of the stores as a starting point, ICA Maxi had the largest amount of products in the selected categories followed by Willy:s and last Lidl. ICA Maxi also had the largest amount of private label products but in relation to the total amount of products Lidl had a dominating share. Willy:s had the smallest share of private labels with its 15% compared to ICA Maxi's 17% and Lidl's 84%. The customers at ICA Maxi had the best possibility to choose between cheap and expensive non-private label products, closely followed by Willy:s. Lidl did not have many non-private label products, which explained the small option. The customers at Lidl and ICA Maxi had the largest possibility to choose between cheap and expensive private label products, while the customers at Willy:s had the smallest possibility to choose. The spread here was not as large as the spread between the non-private label products. The material presented above is the stores' observed positioning strategies, which has been used when analysing the customers' opinions.

## 8.2 Analysis of ICA Maxi's Customers

According to the research, the typical customer at ICA Maxi was a woman between the age of 51 and 60 years. Her level of education was post secondary and the household's yearly income was 150 001-300 000 SEK. The most common number of people in the household was two people.

**Table 8.1** Statistics ICA Maxi

<b>Descriptive Statistics<sup>a</sup></b>					
	N	Minimum	Maximum	Mean	Std. Deviation
Products Offered	50	2	5	4.38	0.70
Share Private of Labels	48	2	5	3.48	0.77
Private Labels	49	2	5	3.63	0.78
Price Private Labels	49	1	4	3.16	0.80
Selection Cheap/Expensive	49	2	5	3.59	0.84
Valid N (listwise)	48				

a. Company = ICA Maxi

As can be seen in table 8.1 the customers' apprehension of the total amount of products offered at ICA Maxi resulted in a mean value of 4.38. This means that the customers apprehended the offered products as many in the different product categories. This result agrees with the result from the observations, which showed that ICA Maxi had a large amount of products in the selected categories.

The observations of the stores showed that the share of private labels in the selected categories was 17%. The mean value of the customers' apprehension of the share was 3.48. This shows that the customers apprehended the 17% share of private label products to be large.

The mean value of the respondents' answers concerning private label products in the store was 3.63. This shows that they were positive to ICA Maxi's private label products compared to other labels in the store. The result of the questionnaires showed that the respondents apprehended the price level on the private label products to be moderate compared to other labels in the store. The mean value was 3.16.

The respondents' answers regarding the selection of cheap and expensive products in the store had a mean value of 3.59. According to the observations, the option to choose between cheap and expensive products was large and the customers also apprehended it as large, which agrees with the result from the observations.

64% of the respondents had ICA Maxi as their main provider of groceries. This shows that the customers were well aware of the store and what it offers, which strengthens the validity of the answers.

### 8.3 Analysis of Willy:s' Customers

At Willy:s the typical customer was a woman between the age of 18-30 years. The most common education level was post secondary with a yearly income in the household of 150 001-300 000 SEK. The most common number of people in the household was two people.

**Table 8.2** Statistics Willy:s

Descriptive Statistics <sup>a</sup>					
	N	Minimum	Maximum	Mean	Std. Deviation
Products Offered	40	2	5	3.63	0.80
Share Private of Label	41	2	5	3.44	0.81
Opinion of Private Labels	41	1	5	3.46	0.92
Price Private Labels	41	1	5	2.61	1.07
Selection Cheap/Expensive	41	1	5	3.37	0.86
Valid N (listwise)	40				

a. Company = Willy:s

The question about how the customers apprehended the offered products in the different product categories had a mean value of 3.63, see table 8.2. This means that the respondents apprehended the amount of products offered as large. This agrees with the result of the observations, which showed that Willy:s had a large amount of products in the selected categories, even if the product range in the selected categories were smaller than the same categories at ICA Maxi.

The apprehension of the share of private labels had a mean value of 3.44. This means that the respondents believed that Willy:s had a large share of private labels. The result from the observations showed that Willy:s was the store with the smallest share of private labels, which means that the customers' apprehension differed from the result of the observation.

The question about how the customers apprehended the store's private label products compared to other labels in the store had a mean value of 3.46. This means that the customers had a positive attitude towards Willy:s private label products. The customers also believed that the prices on Willy:s private label products were low, since the mean value on the answers to this question was 2.62.

The results of how the customers apprehended the possibility to choose from cheap and expensive products in the store, the respondents' answers had a mean value of 3.37. This means that the customers felt they had a possibility to choose from cheap and expensive products that was barely above average. The result from the observations showed that Willy:s customers had a good possibility to choose from cheap and expensive products, even though it was not as good as at ICA Maxi.

About 51% of the respondents at Willy:s answered that they had the store as their main provider of groceries. This shows that a majority of the customers were well aware of the store.

#### 8.4 Analysis of Lidl's Customers

According to the research, the typical customer at Lidl was a woman between the age of 41-50 years. The most common level of education was post secondary education and the number of people in the household was two people with a yearly income of 0-150 000 SEK.

**Table 8.3** Statistics Lidl

<b>Descriptive Statistics<sup>a</sup></b>					
	N	Minimum	Maximum	Mean	Std. Deviation
Products offered	15	2	5	3.07	1.03
Share of Private Labels	14	2	5	3.29	0.99
Opinion of Private Labels	14	2	5	3.21	0.80
Price Private Labels	14	1	4	2.50	1.02
Selection Cheap/Expensive	15	2	5	3.20	0.99
Valid N (listwise)	14				

a. Company = Lidl

The analysis has been based on the 15 collected questionnaires, even though it is a small number. The result may therefore be used with some caution.

According to the observation, the amount of products in the selected categories was few compared to other stores. What appears from table 8.3 is that the customers' comprehension of the offered products in the different product categories had a mean value of 3.07. This means that the customers apprehended the offered products to be of average amount. This implies that the customers found the amount of products to be neither few nor many, which did not agree with the result from the observation.

The mean value of the respondents' apprehension of the share of private labels in the store was 3.29, which indicates that it was closer to large than small. According to the observation the share of private labels was very large, therefore, the respondents' apprehension differed from the observed material. The reason why the mean value was low could be explained by the fact that the store does not market their products as private label products.

According to the customers, the mean value of the store's private label products was 3.21. This number shows that the customers had a neutral apprehension of the private labels in the store compared to other labels in the store. In this case the customers did not have much to compare with since 84% of Lidl's products, in the selected categories, were private labels. The price level on the private label products on the other hand was apprehended to be low, 2.50 in mean value, compared to other labels in the store.

The customers' comprehension of the possibility to choose between cheap and expensive products in the store was 3.20 in mean value. This

apprehension shows that the customers found that they had an average option to choose between cheap and expensive products. The result from the observation did not agree with this because it showed a small choice of cheap and expensive products.

The majority of the respondents at Lidl did not have the store as their main provider of groceries, only 13.3% favoured this store. Instead, 40.0% favoured Willy:s closely followed by ICA Maxi with its 33%.

### **8.5 Comparison among the Customers' Apprehensions**

The typical customer differs among the stores. In all three stores, the typical customer was a well-educated woman in a two-person household. The age of the typical customer was highest at ICA Maxi and lowest at Willy:s. Most of the customers shopping at Lidl had a yearly income in the range of 0-150 000 SEK per household, while the customers at ICA Maxi and Willy:s had a yearly income of 150 001- 300 000 per household. These figures seem low for a two-person household, when considering that the majority of the respondents had a post secondary education. At Willy:s the typical customer was younger than at ICA Maxi and Lidl, which to some extent can explain the low income. However, it seems unlikely that a household of two people in the age of 41-50 and 51-60 have a yearly income below 300 000 SEK. There may be many reasons to the low income, e.g. the respondents could have been unemployed and/or single parents. Still, we believe that many respondents have stated an erroneous income and stated their own income and not the income of the household.

The customers at ICA Maxi believed that they had a wide selection of products to choose from and this agrees with the result from the observations. Lidl's customers demanded a smaller product range than the customers at Willy:s, whose apprehension agrees with the observed positioning strategy.

ICA Maxi's and Willy:s' respondents apprehended the share of private labels to be about the same, which agrees with the result from the observations. Lidl had the largest share of private labels but the respondents did not seem to understand that most of the products were private labels. The reason could have been that the names on the private label products did not include Lidl's name. This may confuse many customers to believe that the products were German labels and not private labels, since they had not seen the labels in Sweden before.

Compared to other labels in the store, the respondents' attitude towards the stores' private labels were positive at ICA Maxi and Willy:s but neutral at Lidl. The result from Lidl could have been affected by the fact that there were very few non-private label products. Another reason could have been that the customers were not aware of which products were private labels. Willy:s' and Lidl's customers apprehended the price level on the private labels to be low, while ICA Maxi's customers found the price level to be moderate, compared to other labels in the store. The respondents' answers concerning the apprehension of Lidl's private labels might have been

misleading. The respondents apprehended the share of private labels to be of average amount, even though Lidl had a much larger share of private labels than the two Swedish stores.

The respondents' apprehension concerning the possibility to choose between cheap and expensive products in the stores differed around the mean value of 3.5. ICA Maxi's customers apprehended themselves to have the largest possibility to choose between cheap and expensive products followed by Willy:s and last Lidl. This order is in accordance with the result from the observations.

The majority of the respondents at ICA Maxi and Willy:s made most of their purchase of groceries at the store where they filled out the questionnaire. The majority of the respondents at Lidl on the other hand, did not make their main purchase at Lidl, instead they made theirs at ICA Maxi or Willy:s. The reason why most of the customers at Lidl did not make their main purchases at Lidl could have been that the store was recently established in Sweden and had not yet attracted regular customers.

## 9. Conclusions

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*This chapter presents the final conclusions of the research. The most important aspects from the dissertation are brought up along with suggestions for further studies on the subject.*

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One of the purposes of this dissertation was to examine the grocery retailers' positioning strategies on the Swedish market. The focus has been on the stores' private label products and their product ranges. Another purpose was to investigate if the consumers' apprehension agreed with the stores' positioning strategies.

We have examined two Swedish and one German grocery retailer on the Swedish market and compared them to each other to see their differences and similarities. As far as we know, there have been no previous researches made on the subject where the share of private labels has been put in relation to the size of the product offering. No research of the Swedish grocery market regarding their positioning strategies has included Lidl before.

In the first analysis, about the stores' positioning strategies, we found that the largest differences among the three stores were the stores' share of private labels and the amount of products in the product ranges. The largest difference was between the two Swedish stores and Lidl.

ICA Maxi's positioning strategy was to offer large product ranges consisting of mainly non-private label products. The average amount of private labels in the selected categories was 16.7%. The ranges included products in different price levels for both private labels and non-private labels and the customers had a great possibility to choose either cheap or expensive products. ICA Maxi was the store with, over all, the largest assortment in this research.

The analysis of Willy's positioning strategy in this research, showed that it was the store with the smallest share of private label products.

Only 15.2% of the products in the selected categories were private labels. The customers had a large possibility to choose between cheap and expensive non-private label products and the difference in price on private label products did not exist in many of the selected categories.

Lidl was the new entrant on the Swedish market, which had almost 84% private label products in the selected categories. Lidl's positioning strategy was to offer a narrow selection of products with a small possibility to buy non-private label products. Only two of the examined categories included non-private label products. This gave the customers a small possibility to choose products from different price levels, unless they bought private label products.

To show the stores' differences in positioning strategies, with consideration to both private labels and the total amount of products in the categories, chart 7.1 can be a useful tool (see page 47). This is because it shows both the positioning strategies concerning private labels and the strategy concerning size of product ranges. The chart shows that none of the stores have combined a developed private label strategy with wide product ranges. The Swedish stores offered large ranges with a small share of private label products, while Lidl offered small ranges with a very large share of private label products. This difference in private label strategy was the most distinctive difference among the Swedish grocery retailers and Lidl.

Based on the results of the observations, we believe that Lidl applies a mix of cost leader niche strategy and a differentiated niche strategy. ICA Maxi and Willy:s on the other hand applies a differentiated strategy.

In the second analysis, concerning the customers' apprehension of the different stores, we found that their apprehension did not always agree with the result of the observations. The largest differences were Lidl's customers' apprehension of the stores' share of private label products and of the stores' amount of products in the product ranges.

The customers' apprehension of the share of private label products did not differ much among the stores, even though Lidl had a much larger share of private label products. One explanation why the customers did not apprehend this difference was that the Swedish grocery retailers sold a large share of their private label products in the store's name, e.g. ICA's private label and Willy:s' private label. Lidl did not use its name as a private label on the products. Instead, it was mentioned on the back of the product as "produced for Lidl Stiftung". This small text, on the declaration of contents, was the only text that revealed the products to be private labels. Even though Lidl had a much larger share of private label products, compared to the other two stores, most customers still apprehended the share of private label products to be moderate. We can from this assume that if the store's name is not included in the label, the customers do not to the same extent apprehend the products as private labels.

The respondents at Lidl did most of their shopping at ICA Maxi or Willy:s, which had considerably larger product ranges. The customers at Lidl apprehended Lidl to have an average amount of products within their product ranges, even though they were aware of the amount of products at ICA Maxi and Willy:s. From the customers' point of view, this means that the product ranges did not have to be huge to be apprehended as large.

If Lidl succeeds on the Swedish grocery market and attracts regular customers, these customers would have to give up the possibility to buy non-private label products and instead buy private label products. If the customers want to purchase non-private label products they would have to make complementary purchases in other stores with more non-private labels. What is interesting is that most of the customers in all the three stores were more or less positive to private label products. Only about 10% of the respondents had a negative attitude towards the private label products.

According to Dibb, Simkin, Pride, Ferrell (2001), Kotler, Armstrong, Saunders and Wong (1999), a company's position on the market has to be evident to the consumers. This is because the position is supposed to reflect benefits and advantages to the consumers. If the customers' apprehension of the stores' position differs from what the companies want to be apprehended as, it is possible that important competitive advantages will not come to its full use. This could mean that if the consumers do not apprehend their benefits, they are likely to choose another store. This could happen in Lidl's case, since the customers do not apprehend the store's private label strategy that distinguishes Lidl from the other stores. If the customers would become more aware of Lidl's private label products it could have either a positive or a negative effect on the store. ICA Maxi's and Willy:s' customers apprehended the stores in accordance with our observations. Therefore, they have been able to attain a position in the consumers' mind that agrees with the observed positioning strategies.

### **9.1 Personal Reflections**

The customer research of Lidl was less successful since we did not get enough responses to our questionnaires. We are aware of the fact that the

small number of respondents has made the results less reliable. We were not able to affect this, since we could not perform the research at a different time or at another location. We could have prevented this by contacting the stores in advance to be able to change the conduction of the research if any store did not want to participate.

The customer research was made to examine if the customers' apprehension was in accordance with our result from the observations. Based on this we wanted to draw conclusions regarding what these differences meant. We feel that we did not fully accomplish the desired results from the customer research and therefore we were not able to draw the conclusions that we wished for. We have realised afterwards that the questionnaire was not shaped in accordance with what we wanted to find out.

### **9.2 Suggestions for Further Studies**

Based on the information from our research, we believe that the Swedish grocery market is going through a development process with Lidl as a pioneer on the market. Our suggestions for further studies are to examine the development of the Swedish stores and their private label strategy in the future. Are they going towards a private label strategy such as Lidl's?

None of the three stores applied a strategy that combined a large share of private labels with large product ranges. Is it possible to use this combination as a strategy and will the customers be interested in this type of store?

The customer research was made to show if the customers apprehended the stores in the same way as the observed positioning strategies. It would therefore be of interest to examine how the stores could be affected, if the customers' apprehensions do not agree with the observed positioning strategies.

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## Appendix 1

### Enkätundersökning av (*affärens namn*)

1. **Kön**

Man     Kvinna

2. **Ålder (År)**

18-30     31-40     41-50     51-60     60 +

3. **Utbildning**

Grundskola     Gymnasial     Eftergymnasial

4. **Hushållets årsinkomst (SEK)**

0-150 000     150 001- 300 000     300 001-450 000     450 001- 600 000     600 000 +

5. **Antal i hushållet**

1     2     3     4     5     5 +

6. **Hur uppfattar du som kund utbudet av produkter i olika produktkategorier?**

Få    Många  
1    2    3    4    5

7. **Hur uppfattar du som kund (*affärens namn*) andel av egna varumärken?**

Litet    Stort  
1    2    3    4    5

8. **Hur uppfattar du som kund (*affärens namn*) egna varumärken jämfört med andra varumärken i butiken?**

**Negativt**    **Positivt**  
1    2    3    4    5

9. **Hur uppfattar du som kund priset på (*affärens namn*) egna varumärken jämfört med andra varumärken i butiken?**

Lågt    Högt  
1    2    3    4    5

10. **Hur uppfattar du som kund valmöjligheten mellan billiga och dyra varor i butiken?**

Liten    Stor  
1    2    3    4    5

11. **I vilken livsmedelsaffär gör du största delen av dina inköp?**

Lidl     Willys     ICA Maxi     Annan

