Brand Strategy in the Food Market: A Conceptual Analysis

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Abstract: Food market is a sector where strong competition exists and companies must try to evidence themselves from the wide offer consumers have available. Brands are an important strategic asset to help them acquire competitive advantage in the long term as they enhance the products with the power of brand equity which, in simple terms helps to explain how it's possible to obtain different results from a branded product than from an unbranded one. Retail brands are a derivation of a brand and embody the personality of the retailer being about 30% cheaper than brands. Interestingly is to observe that in the past retail brands were seen as a low quality offer but nowadays they actually compete against national brands.
In order to fight retail brands, national brands may adopt one of the four strategies: a do nothing strategy or do a price adjustment, a quality adjustment or a portfolio adjustment. The strategy of doing nothing may harm brands forever as a misinterpreted evaluation of the power of the national brand could actually conduct it to a niche were few consumers would actually be interested in buying. The three remaining strategies, namely price adjustment, quality adjustment and portfolio adjustment will constitute the basis of this work. The aim of this work is to conceptually analyze how these strategies work and what would be the most appropriate choice for companies in order to actually win the battle against retail brands. This work enlightens the power of a brand, the present scenario and provides agenda for future work.

Key-words: Brand equity, Brand strategy, National Brands, Retail Brands

1 Introduction

Food sector is the largest manufacturing sector within EU and is, according to data from FoodDrink Europe, 2013, the largest employer with over 4,2million employees (Avermaete, 2002; Menrad, 2004; Traill, 1998 cited by Bareghe, Rowley, Sambrook & Davies, 2012; FoodDrinkEurope, 2013). In Portugal, food sector is responsible for 4,1% of GDP, 8,4% of exports, 14,4% of imports (according to INE data, 2012) and 12% employment (according to INE data, 2011) (ENEI, 2014). Food sector is characterized as a sector where strong competition takes place (FIPA, n.d.) being the level of competitiveness rising for the past years (van Duren, Sparling, Turvey & Lake, 2003 cited by Johnson, Dibrell & Hansen, 2009) and consumer packaged food a sector where strong price competition is rising (Anselmsson, Bondesson & Johansson, 2014).
Market is in general characterized as being "a sea of noise, parity, clutter and dullness" (Randall, 2014), full of similar products that target the same needs and only distract customers to make an easy and safe choice (Keller, 2013). The challenge that is posed is for companies to be able to survive and even prosper in such a demanding reality and the only way to do so is to distinguish their goods and services from the rest of the goods and services offered by their competitors (Randall, 2014). Brands are a strategic asset that companies have available and can be fundamental to do so (Keller, 2013; Jost, 2014). Branding is empowering a product with brand equity, one of the most important concepts in marketing that helps to explain why marketing over branded products produce stronger results than marketing over unbranded ones (Keller, 2013). Although customers take conclusions about the quality of a product by acknowledging its package and price, the most important element that conditions the perception of quality is in fact the name of the brand (Rubio, Oubiña & Villaseñor, 2014).
A brand is an important antecedent of customer loyalty at the time of purchase (Rubio, Oubiña & Villaseñor, 2014) as they can differentiate a product from all the others meant to satisfy the same need;

in addition, brands help the company to build stronger relationships with its customers based on confidence and loyalty. These attributes allow simplifying the act of purchase for the customer allowing him to make the decision from the wide variety of products of the same category he has available, in less time. Brand recall, a feature of brand equity, is especially important in the food market as it helps the customer to recognize a brand that in late experiences have been able to satisfy his needs (Juhl, Esbjerg, Grunet, Larsen & Brunso, 2006). Brands can also be seen symbolically as capable of transferring status to the customer who buys these brands, helping him to project a desired image of himself to the world (Keller, 2013). They are responsible for transmitting the idea of quality and performance, superiority and confidence to its customer (Vallaster & Lindgreen, 2011) and these characteristics allow brands to charge higher prices and to detain superior margins. However, these higher charged prices and superior margins also open space in the market for competition: the market detained by these brands is desirable and competition through price is possible (Jost, 2014).
There are two types of brands considered in this work: national brands (NB's) which are owned by the manufacturer, and retail brands (RB's) which are brands that are connected to the retail site.
Retail brands are a derivation of the brand and are connected to the selling site embodying the personality of the retailer and distributer as one (Aiello e Donvito, 2008 cited by Mendonça, 2012). Retail brands are a concept designed by retailers that aim to combat national brands through lower prices. In fact, these brands are about 30% cheaper than national brands (Lamey, Deleersnyder, Dekimpe, & Steenkamp, 2007) and exist in a wide variety of products including the food sector, which leads to a direct competition between these brands and national brands (Mendonça, 2012).
Brands should therefore adapt their strategies to this new reality as a way to prosper within such an evolving market. The strategies that can be used to do so are at least four. One of the strategies, the most dangerous one is to do nothing that could lead the brand to an isolated area were customers seek higher prices while the major percentage of the market would be detained by low price competitors (Hilleke & Butscher, 1997). The three other strategies to use would be price adjustment, quality adjustment and portfolio adjustment (Jost, 2014) and will constitute the basis of this work.
The aim of this paper is to consider the role of the strategies price adjustment, quality adjustment and portfolio adjustment in the battle between national brands and retail brands in the food market in a conceptual matter and elaborate propositions that connect the three strategies. This paper enlightens the power of a brand, the present scenario between national brands and retail brands within the food market and provides agenda for future work.

2 Two perspectives: national brands vs retail brands

2.1. Brands

A brand is, according to AMA – American Marketing Association – a "name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers". However, a brand can actually be interpreted as more than that because of the emotional compound it undertakes (Keller, 2013).
The perceived quality of a brand is related to positive associations that occur within the minds of the customers when thinking of that brand (Morgan & Rego, 2009). People relate themselves to brands similarly to the way they relate to people (Fournier, 1998) and become emotionally attached to the brands they love (Albert et al., 2008; Batra et al., 2012; Shimp & Madden, 1988; Thomson et al., 2005 cited by Fournier, 2012). A brand with perceived quality has the ability to reduce risk and bring profits to the company while allowing the company to practice premium prices. The marketing actions made with these brands bring more profit when compared with lesser quality brands and require less price adjustments and spent with marketing (Morgan & Rego, 2009).
The importance of a brand can be analysed by two perspectives: the one of the customer and the one of the manufacturer. In the customer's perspective, a brand is important as it supplies information about the manufacturer and helps the customer to attribute the responsibility of the product to its manufacturer. The brand allows brand recall, which may influence the purchase, as it helps the costumer to make the best choice out of all available alternatives and it also helps the customer to save time (Juhl, Esbjerg, Grunet, Larsen & Brunso, 2006). With their knowledge of a brand, customers can safely and easily make a decision and even infer about what they don't know about the brand. Customers offer their trust and loyalty to the brand considering it will behave a certain way and if this bond is not

broken they are likely to continue to buy the brand. In a symbolic manner, brands give status to the customers reflecting values and characteristics and even projecting a desired image to others (Keller, 2013). In the manufacturer's perspective, brands serve as an identifier and can offer legal protection of the intellectual property. Brands can also signal a certain level of quality offer that will allow future purchase meaning competitive advantage within the market (Keller, 2013).

Branding is related with one of the most important concepts of marketing – brand equity. Brand equity has a wide variety of definitions according to different marketing perspectives. For Aaker (1991) brand equity is a group of assets connected to a brand […] that add or subtract value […] to a company and/or to customers of that company (Aaker, 1991, cited by Beristain & Zorrilla, 2011). According to Farquhar (1989), brand equity is "the value endowed by the brand to the product" (Farquhar's, 1989 cited by Anselmsson, Bondesson & Johansson, 2014). Rust et al., 2000 defines brand equity as being the subjective perspective of customer related to a brand beyond and above its objective value (Rust et al., 2000 cited by Beristain & Zorrilla, 2011). According to Keller, 2013, brand equity consists in the effects of marketing uniquely due to a brand. There are studies that found a positive correlation between brand equity and the financial performance of the company (Hong-bumm, Woo Gon & Jeong, 2003; Madden, Fehle & Fournier, 2006) and that brand represents a competitive advantage to the company (Jost, 2014).

2.2. National Brands

National brands are brands owned by the manufacturer, embrace the philosophy of its owner (Eaton & White, 2002 cited by Soberman & Parker, 2004) and are sold in many retail stores (Nenycz-Thiel, Sharp, Dawes & Romaniuk, 2010). These brands are normally associated with advertisement which allows marketing of that brand. As a result, customers get familiarized with those brands resulting in willingness to pay more for them. Brands allow customers to express themselves, embodying the values brands defend (Eaton & White, 2002 cited by Soberman & Parker, 2004) and the more advertised and more aggressive that advertise is, the higher the prices national brands are able to charge and higher the gap between national brands and retail brands (Connor & Peterson, 1992, cited by Soberman & Parker, 2004). Soberman & Parker, 2004, even associate national brands with advertised brands and they call retail brands a "version of a national brand without the perceived quality enhancement provided by advertising". They argue that national brands get the premium and charge higher prices due to the advertisement. Price premium may be the best single measure of brand equity available" and it's an outcome of brand strength (Aaker, 1996 p. 107 cited by Anselmsson, Bondesson & Johansson, 2014). A price premium is conquered by a brand which is able to lead the consumers to be willing to pay more for its products than from similar products of other suppliers (Aaker, 1996 cited by (Anselmsson, Bondesson & Johansson, 2014).

2.3. Retail Brands

Retail brand is defined as being the derivation or a specific part of a brand that is connected to the retail selling point and is perceived as being capable of embodying the personality of the retailer and the retail market as a whole (Aiello e Donvito, 2008 cited by Mendonça, 2012). Retail brands are sponsored and owned by the retailers and are only sold in their stores (Bushman, 1993; De Wulf et al., 2005 cited by Nenycz-Thiel, Sharp, Dawes & Romaniuk, 2010) unlike national brands that are transversely sold through many retailers.

The entrance within the market spectrum of alternative low priced brands can be summarized as been due to patents which lost their validity (brand loss of legal protection), products and technology being no longer restricted, market potential being wide in terms of volume and expansion, the domain of intensive production over extensive one and the fact that a major part of the market is not being satisfied by current brands due to the lack of economic power customers present, among other factors (Hilleke & Butscher, 1997). Also, as retail brands have been born with the intention of offering value-for-money or applying a low-price strategy, national brands didn't take into account retail brands in the past (Verhoef, Nijssen & Sloot, 2002). This lead to a market development as it can be seen in Figure 1, where national brands began to lose their hegemony to low price competition.

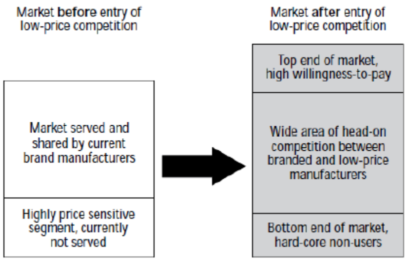

Figure 1: Market development in response to the entrance of low price competition (Hilleke & Butcher, 1997)

In figure 1, one can see that the low-price competition- retail brands - targets a segment that wasn't being served. The impact of the entrance of retail brands within the market is to attract the price conscious segment that wasn't being served by the current national brands and also to attract customers that although using national brands weren't entirely satisfied by them (Hilleke & Butscher, 1997). The propensity of customers to purchase retail brands has been studied by Richardson, Jain & Dick in 1996. They came to the conclusion that demographic factors, individual difference variables, and certain customer perceptions of the particular category would explain that choice (Batra & Sinha, 2000). Batra and Sinha (2000) added customer level variables to that study such as "category-specific perceptions" of the consequences of making a wrong brand choice, the degree of variation in quality across brands, the "search" versus "experience" nature of product features, and customer price-consciousness.

Retail brands have been growing widely due to low prices and less expenditure with merchandising when compared with national brands (Bao, Bao & Sheng; 2011). Unlike national brands, retail brands have low publicity investment and high-perceived value (Rubio, Oubiña & Villaseñor, 2014). The performance of retail brands is connected to socio-economic factors; their market generally rises when the economy is down and decreases in powerful economic periods (Lamey, Deleersnyder, Dekimpe, & Steenkamp, 2007). Purchasing retail brands is not connected though nor does it depend on economic crisis; many customers argue that after the economic crisis passes they'll continue to buy the retail brand (IRI, 2010). About 60% of customers affirm that their positive attitude and willingness to buy retail brands won't change as a result of economic positive turnover (Rubio, Villaseñor & Oubiña, 2015). Retail brands are relatively cheaper than brands (Sinha & Batra, 1999; Mendonça, 2012); its success suggests price consciousness by the half of the customers (Sinha & Batra, 1999; Raju et al., 1995a, b cited by Méndez, Oubiña & Rubio, 2008) and are increasingly becoming a major competitor of national brands especially in the grocery sector and more specifically in the domain of packaged goods (Nenycz-Thiel & Romaniuk, 2016).

Retail brands are predominant in Europe which might be explained by the fact that Europe has lesser national brands and less variety of products within those brands which linked to the high retail store concentration leads to less competition between manufacturers and open space for retail brands to arise (Hoch, 1996). Customer's category price consciousness along with improvements in quality helps explaining their success (Sinha & Batra, 1999). Retail brands are very important for retailers because of their potential to increase store loyalty, chain profitability, control over shelf space, bargaining power over manufacturers, and so forth (Richardson, Jain & Dick, 1996). Retail brands also add diversity to a product line in a retail category ((Raju et al. 1995; Soberman and Parker in press cited by Choi & Coughlan, 2006).

2.4. Competition between national brands and retail brands

According to a study made in Spain and published by MARM (Ministerio del Medio Ambiente, Rural y Marino), the rate of retail brand's users has been tendentiously rising from 2005 to 2011 from 70,4% to 91,5%. Later, according to a PLMA study made in twenty European countries in 2012, retail brands have been augmenting their market share and 50% of customers refer the ratio quality vs price when mentioning retail brands that increasingly are becoming substitutes to national brands themselves without prejudice for the customer. Also, according to a study made with Spain retailers, a conclusion was taken that retail brands have been capable to retain more customers than national brands have been able to (Rubio, Villaseñor & Oubiña, 2015).

Retail brands have been growing in many product categories (Soberman & Parker, 2004). Their positioning within the market has been changing through time, particularly in food market. This can be explained by several factors; to start food market constitutes a thriving environment for retail brands as the products are normally acknowledge of presenting higher frequency of purchase, low perceived risk and lower price (Sethuraman and Cole, 1997 cited by Gómez & Benito, 2008). Also, the strong willingness national brands present to produce retail brands that are of high quality (equivalent to the one of national brands) and differentiated (Soberman & Parker, 2004) may have been decisional for retail brands. They're becoming a viable alternative to national brands in terms of quality and performance (Semejin, Riel & Ambrosini, 2004) and are increasingly acknowledged as being "quality-equivalent" and associated with innovation, new product development and launch (Soberman & Parker, 2004). Despite the fact that they were initially understood as low price/low quality solutions when compared to national brands (Rubio; Oubiña & Villaseñor, 2014), the truth is that today this is no longer applied and its market share have grown mostly due to improvements in quality and also packaging aspects (Welmann, 1997 cited by Choi & Coughlan, 2006). Retail brands are turning their selves more attractive to customer and they are no longer just a generic alternative to national brands (Rubio, Villaseñor & Oubiña, 2015). Retail brand's success is connected to a shift of national brand's investment from marketing to price promotions which lead to everlasting decreased differentiation between national and retail brands which ultimately turned national brands vulnerable to retail brand's attacks (Hoch & Banerji, 1993; Mela et al., 1998 cited by Sinha & Batra, 1999). Another important cue is that customers acknowledge that manufacturers, which also own national brands, produce retail brands. This has lead to a feeling that the quality of retail brands and national brands is the same and the only variation is price. Customers have become resistant to high prices and resentful about the price gap between national and retail brands (Ashley, 1998 cited by Sinha & Batra, 1999). They perceive in many situations the price gap as being unfair which can influence its shopping behaviour. Customers are now better informed and able to understand if the premium price charged by national brands corresponds to higher quality, features and better formulations; if it's not the case they'll assume price unfairness (Sinha & Batra, 1999). National brands have then been forced to deal with prices and keep up the prices charged by retail brands (Sinha & Batra, 1999). Nevertheless, not all is lost. If customers face a choice within a category of products in which the price of the national brand and the price of the retail brand is alike, the customer prefers the national brand due to attributes such as quality, flavour and image (Nueno, 2011 cited by Martinez, 2012).

Manufacturers and retailers struggle for the commercial channel control although they both need each other to survive. Retail brands are majorly produced by the same manufacturers that produce national brands as they represent for them an opportunity to use their overcapacity and to support their heavy fix costs with the installed capacity. This helps manufacturers to monetize their productive capacity and allows them to explore and improve their relationship with retailers while guarantying a better exposure in the marketplace (Ailawadi, 2001 cited by Juhl, Esbjerg, Grunet, Larsen & Brunso, 2006). Nevertheless, this decision of producing retail brands by national brands lead to an increasingly positive positioning of retail brands within the market now representing a real threat to national brands (Roger, 2010). The production of retail brands by the half of manufacturers, although many times necessary, involves several risks such as loss of power and the danger of turning the product category into a commodity (Verhoef, Nijssen & Sloot, 2002).

3 Brand Strategy

From the point of view of the manufacturer who detains a national brand, retailers who own their own retail brand are simultaneously an important selling channel and competitors that can harm national brands sell. Manufacturers have to keep in mind that their strategies must defend their national brand from retail brands never harming retailer's interests (Choi, 2016).

There are at least four strategies that can be followed by companies when they get subject to strong competition through low priced retail brands. The first and the most dangerous one is to do nothing, not reacting to these actions. This strategy is dangerous because the national brand could be leading itself to a market niche in which quality/price is high while a major percentage of the market would be detained by its price-aggressive competitors (Hilleke & Butscher, 1997). The other three strategies are enumerated in the following sections and are price adjustment, quality adjustment and portfolio adjustment.

3.1. Price adjustment

Price adjustment is usually the most often used strategy in competitive markets (Hilleke & Butscher, 1997; Jost, 2014). This strategy must be performed in markets where price conscious customers are rising, where there's a tendency for lowering price levels or in undifferentiated markets where the only perceptible difference is price (Berman, 2015). Customers will alter their purchasing behaviour from a national brand to a retail brand if the retail brand is capable of achieving the same results than the national brand itself. If the product functions alike, customers will easily switch their preferences from national brands to retail brands. If national brands offer products that are very much alike to the ones that retail brands offer and the customer has a hard time understanding what differentiates them, he will be more likely to choose a brand that offers quality to a lower price (value for price). However, if the manufacturer is able to offer a greater service and a total solution, customers will be less likely to make the switch (Thomas & Kohli, 2009). As these authors defend, we can assume that:

P1. Competition by price augments when there's no significant differentiation between a product of a national brand and a product of a retail brand.

Generally one can assume price as a quality indicator and customers are willing to pay more for a product of higher quality (Steenkamp, 1988 citado por Boyle & Lathrop, 2013). Price is generally associated with a perception of quality, the higher the price charged the higher the quality that can be expected and represents the willingness customers present to pay the extra for the additional value brands present. A strong brand is connected with its ability to charge a premium price while reducing the risk for consumers (Davcik & Sharma, 2015). When prices are higher, there's an expectation that a relationship between the higher price and the quality offered exists (Shapiro, 1968; Lambert, 1972 cited by Sinha & Batra, 1999). If the manufacturer is capable of offering more added value for a product or service, he can demand a higher price for that product. Quelch and Harding (1996) defend the strategy "more for the money" which they consider to be the investment in the brand equity approach. Strategies like improving image, packaging and even advertisement (Ashley, 1998 cited by Verhoef, Nijssen & Sloot, 2002) would impact negatively the retail brand market share (Verhoef, Nijssen & Sloot, 2002). This strategy can be also a technique to differentiate the product within the market. Another technique to be used from the national brand is to be able to offer superior quality and physical and intangible benefits to customers that, if the marketing is well done and customer perceives a higher perceived value, will allow companies to charge higher prices (Thomas & Kohli, 2009). As so, we can assume that:

P2. If the manufacturer is capable of offering more added value for a product or service, he can demand a higher price for that product.

P3. A customer is willing to pay more for a product or service that he considers of higher quality/highly differentiated.

National brands are more expensive than retail brands (Lamey, Deleersnyder, Dekimpe, & Steenkamp, 2007). When a customer has towards himself a choice between a retail brand and a national brand price might be decisional. If the brand costs more than the retail brand, what will the customer choose: price or premium? The reason why a customer pays the premium can come out of three different reasons: the fact that the customer consider there's a strong difference between the retail product and the branded product; the fact that the customer is sensitive to quality swings in the product that leads him to pay more for the national brand or due to the fact that he's loyal to the national brand although he knows there's no significant difference in terms of quality between national brands and retail brands. Saving money is the reason why customers tend to buy retail brands (Ailawadi, 2001 cited by Juhl, Esbjerg, Grunet, Larsen & Brunso, 2006). Higher quality is associated with national brands implicitly or explicitly and if both brands are charged alike, customer understand a possibility of buying more quality while saving money (Woodside, Ozcan; 2009).

So, one can assume simultaneously the following:

P4. When confronted with a price reduction in both a national and a retail brand, the customer tends to prefer the national brand.

P5. If the price difference between a national brand and a retail brand is not significant, the customer tends to choose the national brand.

There's no longer a stigma associated with buying retail brands (Quelch & Harding, 1996 cited by Wulf et al., 2005) and there's a changing of direction from the half of retailers to premium retail brands that compete with national brands on quality and image rather than on price (Roach, 1995 cited by Wulf et al., 2005). Within the segment of retail brands, premium retail brands are rapidly growing and they are connected to the top quality tier instead of value-for-money (Nenycz-Thiel & Romaniuk, 2016). They include names that redirect the customer for the idea of premium; unlike other retail brands there's an investment in packaging and advertisement that value-for-money retail brands didn't present (Lincoln and Thomassen, 2008 cited by Nenycz-Thiel & Romaniuk, 2016) and they match the quality of national brands (Nenycz-Thiel & Romaniuk, 2016). So, one can assume that:

P6. The positioning of a retail brand in the premium segment shows that customers are willing to pay higher prices for higher valued products or services.

Customer brand loyalty is diminishing as customers attention is being guided towards strong price competition and discounts (Shocker et al., 1994 cited by Choi, 2016). Also, retailers have major power over manufacturers as they decide the price of retail brands and the margin over national brands so national brands don't get to decide their retail price (Choi, 2016). Hoch and Banerji (1993), conclude that price is less important than quality in retail brand market share. The strategy for national brand to cut its wholesale price is unlikely to get good results as they need the cooperation of the retailer to actually reflect this cut into the final retail price. If the retailer wants to promote its brand the retailer's national brand price can even increase and a major cut would be necessary in order to be reflected in the retail price (Choi, 2016). As so, we can assume that:

P7: Price should be the ultimate strategy to develop; first national brands should always develop other approaches.

P8: National brands must be valued in order to avoid competition by price that in the medium/long term is an unaffordable strategy to maintain.

P9: If the producer is capable of reducing production costs, the left margin should be used to enhance differentiation instead of pursuing price competition.
Another issue to keep in mind is that the entrance of retail brands in the market leads to price decrease in the category entered. On the contraire, if the market share of a national brand rises, the price of that national brand is augmented and so can the price of retail brands rise (Putsis, 1999; Putsis and Cotterill, 1999; Cotterill and Putsis, 2000 cited by Anselmsson, Johansson, Marañon & Persson, 2008). So, one can assume that:

P10. A battle of prices is neither advantageous for the manufacturer nor for the retailer.

P11. Price becomes a disadvantage in retail brands selling as the customer will no longer accept a higher price for a product that once had an inferior value.

The context in which the product is going to be used can also influence the choice between retail brands or national brands: consumption of retail brands is satisfactory for a usage context (Ratneshwar and Shocker 1991 cited by Woodside, Ozcan; 2009). Customers are less price conscious in categories where the risk involved in purchase is high. There are evidences that customers try often to reduce the risk involved in purchase by purchasing at a higher price (Shapiro, 1968; Lambert, 1972 cited by Sinha & Batra, 1999). However, customer's perception of price unfairness in national brands leads them to be more price conscious and punish national brands (Sinha & Batra, 1999). If the category of product presents less risk, the motivation will be lower prices – customers experience price-aversion and become price conscious. If a certain category is risky, customers tend to rely on price as an indicator of higher quality (Sinha & Batra, 1999).
Following a strategy based on price, national brands can try to match the price competitors practice or keep the price unaltered. Price adjustment (reduction) must be performed when customers are price conscious, where there's a generalized price decreasing and in markets where products are undifferentiated and price becomes the only perceived difference (Berman, 2015). Price reduction must nevertheless assure that profit exceeds or equals the loss of margin national brands get by reducing their prices (Hilleke & Butscher, 1997). National brands can also keep their price unaltered - the national brand may not be able to reduce its price for many reasons linked to the complexity of the product, the product being highly differentiated and under a strong national brand, or in situations where market is not price conscious. If the manufacturer is not able to lower its production costs, then the national brand won't be able to follow a price strategy either. National brands can also keep their prices if there's a fear that a strategy based on price may harm its image and status (Berman, 2015). We therefore assumed that:

P12: When there are sales in national brands customer may think that the product offered will be of lower quality.

The decision not to alter prices when faced with low price competition may be dangerous though; national brand can be over-evaluating their value next to their customers. As so, company must fulfil a deep auto-evaluation so as to understand its power in the market and the loyalty of their customers (Berman, 2015).

3.2. Quality adjustment

Quality adjustment is a strategy that can be used by national brands while fighting retail brands. Using innovation as a strategy allow national brands to ever being one step ahead of retail brands by improving the quality of the existing products and launching new products answering the needs of their customers (Jost, 2014). Innovation allows technological leadership and improves the relationship of national brands with their customers that will understand the brand as an evolving reality, adaptable to their needs and desires; will create a relationship of loyalty and identification towards customers and will dissuade retail brands to even try to enter the same market segment (Porter, 1980; Zhou, 2006). There are two standards for product quality: one is perceived quality, a subjective and intangible feature that is imbued in products as to distinguish them from competitors; the other one is objective, can be quantified and verified and determines the positioning of the product (Méndez, Oubiña & Rubio, 2008). Perceived quality as defended by Kotler, 2006, is related to the aptitude of a product to satisfy customer's latent or expressed needs. Both intrinsic and extrinsic attributes of products are used in their evaluation being extrinsic attributes more used when little knowledge exists about the product and no objective evaluation can be performed (Sawyer et al., 1979 cited by Méndez, Oubiña & Rubio, 2008). When analysing between national brands and retail brands, the first is seen as having higher perceived quality (Bellizi et al., 1981 cited by Méndez, Oubiña & Rubio, 2008) and, as Nueno, 2011 defended, the customers prefer national brands to retail brands when the presented price is similar (Nueno, 2011 cited by Martinez, 2012). We can therefore assume that:

Q1. Quality is the main differentiator factor between national brands and retail brands.

Q2. Customers prefer national brands (when price is alike) to retail brands because national brands are still acknowledgeable as being of superior quality.

Q3. When the perceived quality of national brand and retail brand is similar, price becomes the decisional factor.

Differentiation as a mean of quality adjustment is perhaps one of the most effective strategies to avoid the entrance of competitors within the same market segment. Differentiating is turning the brand unique, different from all the competitors' brands and can conduct the company to be able to charge a premium price for that brand (Davcik & Sharma, 2015). This will create loyalty in the customer and the task of entering the market and gaining customer's loyalty gets harder and expensive for competitors, who eventually give up the task (Porter, 1980). Quality differentiation is defined as being a variation in a characteristic that will be of value for mass customers and is very important for national brands; however, it can be lost if a retail brand is able to match that characteristic. Conversely, many retail brands look to minimize their feature differences from national brands trying to be remembered in the customer's minds as comparable to national brands (Choi & Coughlan, 2006).
Glémet and Mira (1993) proved that the higher the level of innovation by national brands the lower would be the retail brand penetration into the market and Hoch and Banerji, 1993 proved that the higher the quality gap between national brands and retail brands, the lowest the retail brand market share (Verhoef, Nijssen & Sloot, 2002). Innovation within the food sector is most often due to process innovations than product innovations that, when existent are rather incremental than radical product innovations (Capitanio et al.; 2012; Avermaete, 2002 cited by Baregheh, Rowley, Sambrook & Davies, 2012). Also, package innovation along with product innovation is becoming the focus of study by the half of scholars due to its proved importance within food sector (Earle, 1997; Gellynck and Vermeire, 2009 cited by Baregheh, Rowley, Sambrook & Davies, 2012). We can assume that:

Q4. National brands must be placed in a way that it clearly distinguishes itself from the level of quality offered by its low price homologue.

Q5: The fact that retail brand's quality is acceptable and sometimes very similar to the one presented by national brands leads the customers to prefer the retail brand.

The competitive positioning between leader national brands, impacts the way that the retailer brand wants to be positioned. If national brands are different in feature, retail brand chooses to positions itself near one another (Sayman, 2002; Choi & Coughlan, 2006). If there's no differentiation between leader national brands however, it is retail's brands best interest to differentiate itself from the national brands (Choi & Coughlan, 2006).
National brands with positive brand equity are capable of assuming premium prices but when they present no advantage in quality in relation to retail brands they are obliged to continuously overcome themselves in terms of brand equity which can be made with constant publicity and emotional connection with the costumer (Sethuraman, 2000).

3.3. Portfolio adjustment

Portfolio adjustment can be made through the launch of a fighter brand designed to a strong competitive market in terms of price (Ritson, 2009). The launch of a fighter brand is aimed to compete in the low-price segment and to protect the national brand (Hilleke & Butscher, 1997; Jost, 2014). Hoch, 1996, called this strategy a me-too strategy. The strategy of introducing a fighter brand acts as a barrier for the entrance of retail brands as it breaks market share into small segments and turns unprofitable for retailers to serve these markets (Verhoef, Nijssen & Sloot, 2002). The two-product strategy (both national brand and fighter brand) can be used for national brands in order to fight against retail brands but also to avoid their existence. Once the national brand has a two-product strategy, two market segments will be targeted which diminishes the opportunity for retail brands (Hilleke & Butscher, 1997). As so, we can assume that:

PF1: Portfolio adjustment allows national brand to be positioned in more markets and to augment their target customers.

PF2: The fighter brand must be launched only if the market is characterized as being price conscious.

Fighter brand looks like a big opportunity when it comes to fight competitors through lower prices while the national brand is protected with premium price. However, the launch of a fighter brand can actually meet some challenges that can harm the strategy. Besides being an expensive strategy, it is dependable on acquiring shelf space from the retailer, may steal market share from the own national brand (cannibalization) (Verhoef, Nijssen & Sloot, 2002; Ritson, 2009) and can even harm the relationship between the manufacturer and the retailer (Verhoef, Nijssen & Sloot, 2002). Also, the fighter brand might be unable to fight against competitor brands and may even lead to financial losses as its launch may lead national brands to lose focus on innovation as a result of being too much aware of competitors and to lose focus on premium brand management by giving more attention to the fighter brand than to the premium brand that should be the thing that should really concern the company, among others (Ritson, 2009). To avoid this to happen, it's crucial that the customer understands the difference between national brand and fighter brand (Jost, 2014). That differentiation is made using the price, which has to be significantly inferior to the national brand; this obliges the fighter brand to target a different market segment from the one national brand targets thus avoiding cannibalization. The quality fighter brand presents and the brand used by the fighter brand is also important to differentiate the fighter brand from the national brand (Hilleke & Butscher, 1997). We can therefore assume:

PF3: Portfolio adjustment is a sensitive strategy, as the national brand must clearly differentiate itself from the fighter brand to avoid its own prejudice

PF4: When both national and retail brands don't mean qualitative differentiation, the fighter brand launch can harm the selling's of the national brand through cannibalization.

PF5: When the national brand clearly differentiates itself from the retail brand, the launch of a fighter brand must be clearly differentiated from the national brand, emphasizing the offer of an inferior price along with inferior quality.

PF6: The fighter brand must always be positioned inferiorly to the national brand in terms of both quality and price.

When launching a fighter brand, manufacturers have to decide whether or not should they launch the fighter brand under their main brand or under a different one. This might even be one of the strongest decisions manufacturers have to make as there are advantages and disadvantages in both of the choices. On the one hand launching the fighter brand under the same brand will strengthen the fighter brand within the market but the risk of cannibalization is real and can even prejudice the perceived quality of the main brand. To avoid this impact, the fighter brand must position itself in the market as of below quality than the main brand but above all its competitors to avoid harming perceived quality of the main brand (Hilleke & Butscher, 1997). We can therefore assume:

PF7: If the national brand is capable of launching a fighter brand under its own brand, national brand will ally the existent trust of their customers and the target of a price conscious customer.

PF8: The quality of the fighter brand must be positioned as superior to all the retail brands existent in order not to prejudice the national brand's image.

4 Conclusions and future research

This paper conceptually analyses three strategies to be used by the half of national brands in order to compete against the advance of retail brands and propositions that connect the three strategies are developed and proposed. The schematic relation concerning the propositions connecting the price adjustment, quality adjustment and portfolio adjustment is presented in Figure 2.

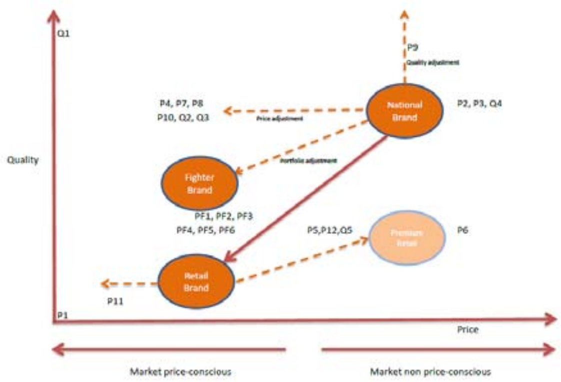

Figure 2: Propositions connecting retail brands and national brands with the strategies: quality adjustment, portfolio adjustment and price adjustment

Many authors defend quality as being the differentiator factor that would turn possible for the national brand to win the battle against retail brands. Being one step ahead of their main competitors would allow national brands to charge premium prices instead of fighting for low prices and would lead to confidence and loyalty by the customer's behalf. However, when there's no possible differentiation and the perceived quality of both national and retail brands are alike, price is argued to be the decisional factor for customers to choose. It is also argued that price should be the last strategy to consider in terms of benefit to the manufacturer but a possible one when the market is majorly price conscious. Portfolio adjustment is also a possible strategy that is defended by many authors; nevertheless, portfolio adjustment should be a well-designed strategy in order to allow the national brand to coexist both in the premium and price conscious segments but not harm the national brand by cannibalization.

This theme deserved through time some attention by the half of researchers. Hoch, 1996, in his framework of brand strategy defended that the size of the company matters when it comes to selecting the best brand strategy. He described six strategies to compete against retail brands namely "new and improved", "value for the money", "reduce the price gap", "me-too strategy", "wait and do nothing" and produce retail brands. Anselmsson & Johansson, 2014, studied the Swedish market with both qualitative and quantitative interviews with brand managers and came to the conclusion that five of the six Hoch's strategies were supported, namely "wait and see", "increasing the distance", "me-too products", "reducing the gap" and "producing retail brands" being "increasing the distance" the most used strategy that can be performed by marketing and advertising, introducing new products or improving the existing ones. Jost, 2014 has followed a model of monopoly in a vertically differentiated market for highlighting the costs and benefits of the three strategies: price, quality and portfolio adjustment and evaluating the best response for manufacturers in a game-theoretic framework. He came to the conclusion that results from the application of the different strategies are largely dependable on the mode of competition; the choice between price and/or portfolio adjustment may depend on the mode of competition. Also, the success of portfolio adjustment depends largely on how the national brand manufacturer is able to brand its premium and fighter brand highlighting their differences for avoiding cannibalization and loss. Choi, 2016, built a general demand model based upon retail and national brand's competition in terms of price and quality focusing on price decisions. He came to the conclusion that national brands shouldn't follow the direction of reducing its wholesale price since it is disadvantageous both for them but for retailers as well, who will never back

up this decision. Building brand equity on the other hand is the best choice to fight retail brands, and this choice will be even supported by the retailer who also wins from national brands with strong brand equity. Verhoef, Nijssen & Sloot, 2002 used a sample of 101 Dutch brand manufacturers and an inductive approach and discovered that strategies as "wait and do nothing", brand strengthening and product innovations are very used by manufacturers. National brands should therefore increase their distance from retail brands with innovations and brand strengthening. They also found that manufacturers with no specific strategy perform worse in terms of brand performance. Juhl, Esbjerg, Grunet, Larsen & Brunso, 2006 in their attempt to understand what the score between national and retail brands is, came to the conclusion that national brands are in greater competitive position to fight against retail brands. They selected five retail chains and three product categories and performed a questionnaire with households responsible for grocery shopping. They discovered that national brands benefit from brand recall more than retail brands do and that customers choose primarily the store and then the brand whether national or retail brand. The strategies of retail brands and national brands in the market are quite different. Manufacturers build their power through customer loyalty that, when existent, leads to hegemony of the national brand in the market as the customer looks for the national brand and if he doesn't find it, in the limit he can even decide go shop elsewhere. Meanwhile, retail brands have been able to build their power in a different manner, by building interest in their stores that have conducted retail brands to success and growth (Garretson, Fisher & Burton 2002). The response by national brands has been discounts and promotions that have misunderstood results of whether or not they're winning the battle against retail brands. This positioning has also led to an erosion of their brand loyalty (Garretson, Fisher & Burton 2002). National brands should invest their efforts in differentiating their selves from retail brands. When national brands invest all its efforts in improving the brand premium through marketing efforts, the retailer also wins: the retailer's total profit by selling a brand premium will increase even though its profit due to retail brands may decrease (Choi, 2016). National brands largely depend on retailers that manage both their retail brands and also national brands. Despite that big advantage by the half of retailers, they need national brands as they build store traffic (Ailawadi and Keller, 2004 cited by Glynn, Brodie & Motion, 2012). National brands are important for retailers in terms of profitability; it has been found by Glynn, Brodie & Motion, 2012 that the benefits for retailers to sell national brands are multidimensional and comprise financial benefits, customer expectations of the brand, manufacturer support and brand equity. Even if retailers can obtain greater benefits per unit on store brands, these brands, as opposed to manufacturer brands do not have the ability to generate traffic in shops (Mills, 1995; Lal and Narasimhan, 1996 cited by Gómez & Benito, 2008).
A further investigation to companies belonging to food sector would be of interest in the continuation of this work. Because of its economic importance, food sector presents some characteristics that leads to a ferocious competitive environment between national brands and retail brands and companies struggle to survive with their national brands while working along with retail brands reinforcing their relation and hopefully position with the retail selling point. The propositions that were gathered in this work could constitute the basis for a questionnaire and semi-structured interviews with marketers that in a daily basis deal with this fight and develop a strategy in which they intend to succeed in the market could be performed. The results would mean a reinforcement of the scientific body and could be of use for companies to take into account in their daily activity.

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