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An analysis of the factors influencing the supply of private label brands by National Brand Manufacturers in Kenya

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DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis proposal contains no material previously published or written by another person except where due reference is made in the thesis proposal itself.

Bhavika Chandrakant Chotaliya

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Approval

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ABSTRACT

Kenyan supermarket retailers are expanding their product portfolio by outsourcing store brands to local manufacturers under their design and specifications in a phenomenon known as Private Label Brands (PLB). Research on this subject reveals that this new trend is posing a threat to National Brand (NB) manufacturers due to the remarkable growth of PLB and favorable consumer response. However, research from the manufacturer's perspective and the growth of the PLB concept has received limited global attention with no available studies on the Kenyan market.

This study rationally examines economic, strategic and market factors, influencing the supply of Private Label Brands by the National Brand manufacturers with an aim of recommending win-win strategies for the stakeholders. The study used a descriptive survey design characterized by a systematic collection of data from respondents through questionnaires. The collected data is analyzed using factor analysis technique, correlation, and hypothesis tests.

The three categories of factors had an influence on the supply of PLB with the cost of production, negotiation and bargaining power and shelf space allocation emerged as prominent subfactors. The empirical study confirms the existence of a strong relationship between the Kenyan retailer and manufacturer; nevertheless, pricing and low volumes were perceived as constraints. This study is limited by only three factors namely: economic, market and strategic paving way for an in-depth analysis of other factors existing in the Kenyan market.

Key terms: Private Label Brands, Economic Factors, Strategic Factors, Market Factors, Influence, supply, National Brands, Manufacturers, Retailers, Kenya.

List of Abbreviations

PLB Private Label Brand

NB National Brand

KAM Kenya Association of Manufacturers

Definition of Key Terms

Term	Definition
Private Label Brand	Retailer-owned brands outsourced from manufacturers
National Brand	Brands produced by manufacturers

Table of contents

List of Tables

List of Figures

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DEDICATION

This study is dedicated to my Mother Mrs.Shardaben Chotaliya and my Sister Ms.Trusha Chotaliya.

CHAPTER 1: Introduction to the Study

1.1 Introduction

This chapter consists of three sections. The first section introduces the concept of private label brands and national brands in the manufacturing industry. The second section outlines the problem statement, research questions and research objectives. The last section explains the scope of study and significance of this study.

1.2 Background of the Study

Private label brands (PLB) are manufactured and sold under the retailer's brand name or a different brand name controlled by the retailer. They are often supplied by established brand manufacturers and firms supplying branded product, but may also be provided by companies specializing in the manufacture of own-brands. Previously restricted to generic products, private label brands have acquired increased sophistication and now have various price-quality combinations available (Oxera Consulting Group, 2010).PLB is also defined by Chen, Narasimhan, John, & Dhar (2010) regarding ownership and control by upstream and downstream firms; where private labels are owned and monitored by the downstream firms (retailers) and sold exclusively by the given retailer.

In contrast, a national brand is a brand that is marketed throughout the domestic market and is advertised and owned by a manufacturer (Manikandan, 2012). The brands are therefore owned and controlled by upstream firms (manufacturers) and tend to be available at retail outlets. The manufacturers, therefore, make core strategic decisions for national brands as opposed to the retailer (Morton & Zettelmeyer, 2004.)

Over the past decade, the growths of PLBs have posed a challenge to the manufacturer brands, as demonstrated by the phenomenon’s impressive growth (Cuneo, Milberg, & Benavente, 2015). Supermarket retailers are expanding their product portfolio with their owned brands outsourced from local manufacturers under their design and specifications. In 2013, Euromonitor International carried out a survey and found that the global market for private label brands is US$352 billion (Euromonitor International, 2014). The majority of this market lies in Europe and the United States. Across the globe, it has been found that PLB constitutes 30% of the supermarket sales in

36 countries and the percentage of shoppers buying PLB globally adds up to 89 % (Euromonitor International, 2014).

In the Western market, the private label accounts for $1 of every $3 spent in the consumer packaged goods (CPG) market being the most developed market in Private label brand. Switzerland tops in the market share of private labels at 45% in the region and around the world, followed by the U.K. and Spain at 41%. On the other side of the continent of dollars, the shares in U.S counts for 17.5 % and 18.4% in Canada.The PLB concept is just above the global share of 16.5% in the North America, a growth of 1.3% points was seen in the private label share. (Nielsen, 2014)

In Asia, India has been the most successful in the private label market recording a growth of 27% between 2012 and September 2014. The Asia case is reflected in other developing regions such as Africa where South Africa dominates with PLB representing 18% of dollar sales. PLBs are considered to be in their infancy stage in these regions. However, PLBs have become more significant than ever as consumers need a viable substitute to name brands (Nielsen, 2014).

A report by Nielsen (2014) revealed that while the shopping from retail outlets is popular in some Asian countries such as Thailand, with 65% of the shoppers using them as their primary grocery outlet, the private label growth has been slower than in other parts of the world. Consumers believe that a good brand is worth the extra price and lower-income earners are averse to using their little disposable income to buy a PLB they do not trust. This was found to be the case in the Philippines, Indonesia and Thailand. In addition, to Asian shoppers being brand loyal, the slow growth of PLB has been attributed to lack of adequate marketing by the retailers and copy-pasting the European model of PLB without considering the differences in factors influencing shopper demand in different regions.

A consumer report by Nielsen that studied five Sub-Saharan Africa economies ranked Kenya as second largest formalized retail economy, after South Africa (Situma, 2015).This ranking can be attributed to the growing middle-class population of 16.8% which leads to a wealthier customer base for retail outlets thus encouraging the retailers to grow and spread across the East and Central Africa (PriceWaterhouseCoopers (PwC), 2013).The formal retail market in Kenya has increased exponentially in the past three years leading to investments by large African and international retailers such as Woolworths, Carrefour, and Shoprite (Situma, 2015).

The dynamic Kenyan market has resulted in new strategies to gain a competitive edge and increase product range in the retail outlets. Formerly, retailers in Kenya have been selling their own in- house brands mostly grains and freshly baked products(Kagwe, 2013).This not only attracted customers but also increased sales of other goods as is the case of Uchumi, where 65 percent annual revenue was from in-house brands. A similar situation occurred at Tuskys, where fresh bread accounted for 50 per cent of total bread sales in these retail outlets (Mungai, 2013).In the wave of in-house brands, Nakumatt, the local supermarket, has adopted the private label venture by investing shs200 million in carrying out the contract – manufacturing model. The contracts were given to local fast moving consumer goods manufacturers with experience and who were selected by a panel of industrialist for private label production (Kagwe, 2013).

From the perspective of the retailers, PLBs are meant to support local manufacturers who are seen to be driven out of the market by imports, therefore bringing about a win-win situation for both the parties (Kagwe, 2013). However, manufacturers view the entry of PLBs into the market as increased competition as opposed to an opportunity for collaboration (Dunne & Narasimhan, 1999; Mulupi, 2014). Contrary to popular belief PLBs are not solely price driven, and companies have a choice of reaping benefits through innovation, creating opportunities for everyone where the rise of PLB and profitability are not mutually exclusive (Yoon, 2015).

The political, economical, social, technological, environmental and legal (PESTEL) factors in Kenya differ from those in other regions of the world. Hence, factors influencing the supply value chain vary. In accordance, with the best global practices, this study seeks to analyse factors influencing the supply of PLB by NB manufacturer and proposes strategies to make this significantly beneficial to both parties.

1.3 Research Problem

There has been a growth of the retail industry in the country and the region due to the increase in the middle-class population whose percentage is expected to continue rising strongly. This presents an enormous opportunity for the manufacturing sector as the suppliers of the retail industry (PriceWaterhouseCoopers (PwC), 2013).Nevertheless, an emerging trend in the retail market is that of PLB ventures, as consumers find the PLB to be as good in quality as branded products, which poses a threat to the NBs. This new trend translates into successful brands that need to continue to compete effectively or watch passively as private labels gain market share.(The Brave New World Of Private Label, 2015).

The significant growth of PLBs has led to numerous research on the subject, especially in the Western markets (Berges & Bouamra-Mechemache, 2011; Cuneo, Milberg, & Benavente, 2015; Gomez & Benito, 2008; Gomez-Arias & Bello-Acebron, 2008; Oubina, Rubio, & Yague, 2006; Carlos Gázquez-Abad, Esteban-Millat, & Mondéjar-Jiménez, 2014). However, these markets differ from the non-Western markets such as those that exists in Africa, regarding depth and development, leading to the need for increased research on PLBs in other regions (Song, 2011). Additionally, most of the research has neglected the manufacturers'' perspective (Dunne & Narasimhan, 1999; Oubina, Rubio, & Yague, 2006) and the issue of PLBs as opposed to that of the retailer and the consumer. Studies done on the African continent include those done by Beneke, Flynn, Greig, & Mukaiwa, (2013) in South Africa and Muriithi, (2014) and Ng'aru (2015) in Kenya from a consumers perspective.

Modern retailing is becoming more popular in Kenya with the emergence of supermarkets and hypermarkets boosted by the growing mall culture. In 2014, 34% of the total grocery retail sales, and 20% of the overall retail value sales were attributed to supermarkets and hypermarkets (Euromonitor International, 2015).The year 2016 will witness a remarkable transformation in Kenya's fast changing retail industry landscape. The leading supermarket retailer has projected a 12% growth in 2016 attributed to the new entrants, world's largest supermarket chains, leading to an enormous realignment in the thriving retail business (Ngugi, 2016).

The main body of research regarding private labels concentrates on the analysis of the retailers´ incentives to market them and the determinants of the characteristics of PLBs. However, the factors influencing the supply of PLB by NB manufacturers have received little attention in the literature (Gomez & Benito, 2008; Song, 2011). Given the importance of this issue to NB manufacturers, this lack of analysis is surprising (Tarzijan, 2007) and presents a strong rationale for the current study.Furthermore, to the best of the researcher's knowledge, there has not been any research related to the topic carried out in Kenya.

Existing studies conducted in the European and American market find that factors that lead to the supply of PLB by manufacturers range from economic to market and strategic (Verhoef, Nijssen, & Sloot, 2002). Economic factors relate to the costs incurred and means to utilize the existing resources properly. On the other hand, market factors deal with the manufacturers' positions about their competitors and market share. Finally, strategic factors relate to the firm's long-term goals and the steps to be taken achieve these goals.

Win- win strategies will enable the manufacturer and the retailer to understand the concept of PLB and its evolution from the western literature. Developments in the Western market have moved from ‘ me too brands’’ to premium and value innovators. This process change includes negotiation, economic downturn, lack of trust and product management to cooperation, higher credibility, the share of wallet and consumer differentiation (Carlos Gázquez-Abad, Esteban-Millat, & Mondéjar-Jiménez, 2014).

This study aims to examine the growth of PLB in the Kenyan market and determine the extent to which economic, market and strategic factors affect the supply of PLB in the Kenyan retail market

1.4 Research Objectives

The purpose of this study is to examine the factors influencing the supply of private label brands by national brand manufacturers.

1.4.1 Specific Objectives

1. To establish the extent of growth of the private label brands in the Kenyan Retail supermarket

2. To assess the economic factors influencing the supply of Private Label Brands by the National Brand Manufacturers in Kenya

3. To evaluate market factors influencing the supply of Private Label Brand by the National Brand Manufacturers in Kenya

4. To assess the strategic factors influencing the supply of Private Label Brands by the National Brand Manufacturers in Kenya

5. To propose win –win strategies for the NB manufacturers and retailers of PLB.

1.5 Research Questions

1. What is the extent of the growth of the Private Label Brands In Kenyan Retail Market?

2. To what extent do economic factors influence the supply of Private Label Brand by the National Brand Manufacturers in Kenya?

3. To what extent do market factors influence the supply of Private Label Brand by the National Brand Manufacturers in Kenya?

4. To what extent do strategic factors influence the supply of Private Label Brand by the National Brand Manufacturers in Kenya?

5. What are the proposed win –win strategies for the NB manufacturers and retailers of PLB?

1.6 Scope of the Study

The extent of this study is limited to PLBs manufactured for a leading retail supermarket based in Kenya. The choice of the Retailer Supermarket results from it having practiced this strategy for the past three years consistently and with rapid expansion(African Marketing Confederation, June 2015).However, it is worth noting that other existing retail chain stores are rapidly taking up this concept, for a range of products other than the traditional grains and baked goods. This increasing awareness among retailers justifies the need for this study on the factors influencing the supply of PLB by NB manufacturers.

The sample population for this study is limited to the national brand manufacturers producing the leading retailers' PLBs. Currently, the total number of national brand manufacturers producing private label brand products are seventeen. This study will focus on all the seventeen identified manufacturers. PLB have been in existence for three years now and the data gathered will include that from 2013 to 2015.

1.7 The significance of the Study

The limited available research on the subject in Kenya has been consumers perspective while the PLB manufacturers' perspective has hardly been researched. The research findings will contribute towards the knowledge base on PLBs hence providing a basis for future studies.The findings of this research will be informative to potential players on the likely benefit of supplying PLB, and the manner of its implementation.With frequently evolving market dynamics, this research can establish a baseline upon which to review changing aspects or trends that can affect or influence decisions aimed at leveraging on the benefits of manufacturing PLB.

Secondly, the outcomes of this study will benefit the retail chain industry by providing insights on how privately manufactured labels affect the supply chain network. Furthermore, potential strategies for supply by either side, aimed at achieving a win-win scenario, will be proposed hence enhance co-operation and understanding between manufacturers and retailers. The study will assist the manufacturers, retailers and lobbying groups such as KAM in understanding the prominent factors influencing the supply of PLB in Kenya.

CHAPTER 2: Literature Review

2.1 Introduction

This chapter contains three sections.The first section will explore the research on the growth of the PLBs in the retail industry; the second section will analyse the factors influencing the uptake of PLBs by National Brand (NB) manufacturers. The final section will describe the strategies adopted by the PLBs and NB manufacturers, retailers in other studies, and provide a conceptual framework.

2.2 Theoretical Framework

The factors influencing the supply touch on both game theory and the resource-based theory. In the game theory, the prisoner's dilemma occurs where there is the uptake of PLB by one firm, and rejection by another, and, vice versa leads to different outcomes for the manufacturers. However, the resource-based theory incorporates the majority of the factors, and shall, therefore, be the focal point of the theoretical framework of this literature review.

The resource-based theory by Robert Grant (2001) suggests that given the dynamic nature of consumers and the general environment of industry in this age, the resources and capabilities of the firm are the central consideration in formulating and executing strategy. The broadening of the target market is of little value if the company lacks well defined and understood capabilities required to serve the consumers of their products.

Viewing PLB from the resource-based theory aspect, the manufacturers consider the excess capacity they have and the unique equipment they already have in their possession that will be used in the manufacturing of PLB. This forms the base of the resources at their disposal. Furthermore, the business model in place and the know-how from having ongoing production of goods in the categories they pursue, serve to provide the capabilities required to utilize the resources effectively (Grant, 2001).

The utilization of excess capacity increases the efficiency of the NB manufacturers' processes and spreads out the fixed costs per unit, therefore, presenting financial gain if taken up by the manufacturer. Additionally, taking up the opportunity to produce private label, bars entry of other manufacturers into the market presented by the specific retailer (Grant, 2001).

Therefore, NB manufacturers able to capture additional market share from the consumers who will shift to the purchase of PLB products. This increases the dominance of the companies already participating in the industry while gaining market share for firms that lack an established presence. The conservation of supply, marketing and distribution costs may serve as an alternative means to increase the profitability of the firm (Grant, 2001).

The established competitive advantage holds dependent on the speed of imitation by its competitors.

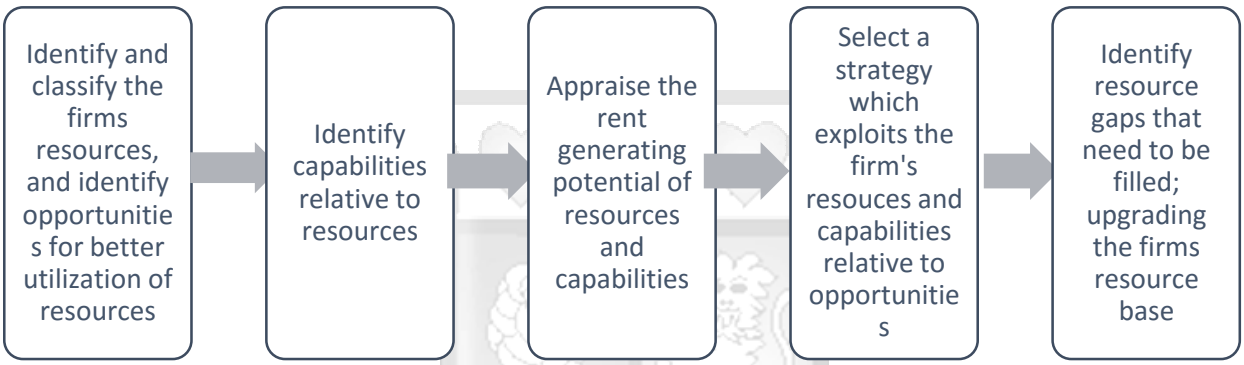

Figure 1 Theoretical Framework (Grant, 2001)

The increasing rate of technological change is decreasing the useful life of equipment and technological resources. Brand equities outlast other resources as they depreciate relatively slower; which has been seen globally in the loyalty commanded by-products such as Heinz sauces and Kellogg's cereal. Therefore, this aspect should be taken into consideration when evaluating a strategy for adoption.

2.3 The Growth of Private Label Brand (PLBs)

Though the strategy of private label branding started in early 1950, it was only in 1993 that it was recognized globally when the US market represented 18% sales of private label. The increasing trend in this sector and strategy has led to the considerable academic literature on various subjects. By Mid-1980's Walmart, the famous retailer alone had approached sales of $1billion (Hyman, Kopf, & Lee, 2010).

PLBs have been familiar with Western consumers and retailers (Hyman, Kopf, & Lee, 2010), and are rapidly gaining traction in other regions of the world where the concept is in its infancy stage (Nielsen, 2014). A question that comes up is whether PLBs will also pose a challenge for manufacturer brands (NBs) in underdeveloped regions. The potency of their growth can be compared to that of supermarkets where it took about 50 years for supermarkets to become a dominant distribution channel in the Western world, in countries e.g. the United States. The United Kingdom, while subsequent waves of growth to get to a similar level in other countries has been significantly shorter for about ten years (Reardon, Henson, & Berdegue, 2007).

Despite the fact that PLBs are currently not key players and do not pose an immediate threat, it has been noted by (Cuneo, Milberg, & Benavente, 2015) that over time through increased modernization and globalization, PLBs will likely become key players in the majority of markets around the world. At the moment, market shares of PLBs are relatively small in the Latin American, Eastern European, Asian and African countries. A Europanel report in 2009 reported statistics for the PLB market shares of countries in these regions as 4.5% in Argentina, 5.2% in Chile, 1.7% in Mexico, 7.7% in Turkey, 2.4% in Serbia, 5.5% in South Korea 2.6% in Malaysia and 1.7% in Taiwan, to name a few.

In the Kenyan context, a 2015 World Bank report predicts 7% growth in the country's economy by 2017, expected to be driven by, among other factors, increased competitiveness in the manufacturing sector that will result in more jobs. In line with the expected growth of the manufacturing industry, ranked wholesale and retail as some of the leading subsectors coming second to agriculture (Kenya Institute for Public Policy Research and Analysis (KIPPRA), 2013).

The prominence and growth of these sectors, especially the retail sector, is expected to feed the emerging trend in the retail market of PLB ventures (The Brave New World Of Private Label, 2015). The rise of PLB should give the needed push to the manufacturing industry as a result of the competition it poses to NB manufacturers.

PLBs come about when retailers expand their product portfolio with their owned brands outsourced from local manufacturers under their design and specifications. Private label brands also are known as store brands', 'house brands', 'retailer brands' and 'own brands'. On the contrary, the manufacturer brands that are produced, designed and distributed to many different retailers under the manufacturer's brand name, widely known as 'national brands' (NB) (Levy & Weitz, 2011).

The growth of private label products in the retail market around the world continues to pose a significant challenge for consumer good companies that manufacture national brands. The PLBs continue to gain both shelf-space and consumption due to the willing uptake by consumers (Gomez & Benito, 2008).PLBs are gaining increasing prominence in several industries; the market share they command is large and growing (Gomez-Arias & Bello-Acebron, 2008). Additionally, with the emergence and growth of premium PLBs, the private labels are not restricted to the bottom of the market but position themselves at similar quality levels. Moreover, in some instances above those of brands that exist in a given category (Kumar & Steenkamp, 2007) and place themselves at quality levels sometimes above those of all other brands in the category.

Benefits abound for retailers who chose to embrace private labels, most notably the increased gross profit margins compared to those achieved by manufacturer brands. In their study, Gomez-Arias and Bello-Acebron (2008) noted that despite absorption of additional merchandising and inventory costs, PLBs have up to 20-30 percent wider gross margins. However, less apparent are the benefits private labels hold for the manufacturers, especially those who sell both their own brands and manufacture competing retailer brands.

According to the study by Gomez - Arias and Bello - Acebron (2008) it has been noted that manufacturers differ based on the quality of products associated with their brand. Therefore, the case of high-quality manufacturers is not similar to low-quality manufacturers. High-Quality manufacturers are only affected when the store brand is a premium private label at a quality level similar or above their own, as the store brand would pose direct competition to the high-quality brand. Otherwise, there exists no threat of entry, and the high-quality manufacturer's profits can be retained or even rise if it allows the low-quality brand manufacturer to make the PLB products.

2.4 Factors Influencing the Supply of Private Label Brands by National Brand Manufacturers

The reception of the private label phenomenon, from the perspective of the manufacturer, differs, with some authors such as Quelch and Harding (1996) arguing strongly against it and others like Dunne and Narasimhan (1999) favoring the involvement of brand manufacturers in the private labels production. Those against private label production provide arguments such as the pressure it puts on the brand manufacturers who are 'forced' to compete against retailers and cannibalization of their own brands (Gomez & Benito, 2008; Gomez-Arias & Bello-Acebron, 2008;

Hyman, Kopf, & Lee, 2010). Conversely, some arguments have been put forward to rationalize reasons brand manufacturers produce store brands (Dunne & Narasimhan, 1999; Quelch & Harding, 1996).

2.5 Economic Factors

Economic factors relate to the costs incurred and means to utilize the existing resources properly. Such factors under this study include cost of production, capacity utilization and economies of scale.

2.5.1 Cost of Production

The reduction of unit manufacturing and distribution costs for producing PLB is a benefit availed to NB manufacturers who take up production of PLB, through the profits gained from this decision that competing companies are not in a position to reap. It also improves the merchandising of the manufacturer's brands. However, in considering the pros, the negative issues should not be ignored in making decisions regarding the uptake of PLBs (Quelch & Harding, 1996). In the short term, the manufacturers could find themselves drawn to produce a PLB to take advantage of surplus production capacity and lower unit costs. Although this strategy could work in the short-term, in the long-term it confuses the firm's original strategy and could cannibalise the sales of the manufacturer's own brands and may lead to financial disaster (Quelch & Harding, 1996, Rhie & Norkus, 2014).

The profitability of the PLB only exists to the extent that both the fixed and marginal costs remain relatively constant. This is because should the marginal costs increase, they will erode the benefits enjoyed as a result of the existence of fixed costs (Quelch & Harding, 1996). Citing an example from the Quelch & Harding,(1996), the contribution from a product was $0.40 per pound for the NB and $0.23 for the PLB. Thus, NB manufacturer had to sell almost two pounds of PLB to match the contribution generated by the sale of one pound of NB.

2.5.2 Effective Capacity Utilisation

The production of PLB allows manufacturers to take advantage of excess capacity, increase experience, achieve economies of scale and consequently, reduce unit production cost and distribution costs (Dunne & Narasimhan, 1999). As argued by NB manufacturers, when they

produce PLBs, they use excess production capacity, reducing inefficiencies, that would be costly otherwise as per the study carried out by Gomez-Arias & Bello-Acebron (2008). PLB production can thus be a way for them to cover costs.

Capacity constraints are also crucial in determining the uptake of PLBs. If the NB manufacturer is unable to produce the quantity required by the retailer, an independent firm may be contracted to carry out the manufacturing of the PLB. However, if the constraint applies only to the product specificity, the retailer may entrust the PLB to the NB manufacturer. In case switching, costs arise, the NB manufacturer may manufacture the PLB if the venture is more profitable than having a competing company take it up (Berges & Bouamra-Mechemache, 2011).

2.5.3 Economies of Scale

Gains derived through lower unit production costs from scale economies achieved through the joint production of PLB and NB, competitors opting out of PLB production, and increased retailer cooperation may increase revenues for the NB manufacturers (Quelch & Harding, 1996). The reduction of production costs comes about in aspects such as printing of package labels, additionally; the NB manufacturers receive better prices from suppliers and have lower inventory holding costs (Hyman, Kopf, & Lee, 2010). This makes the supply of PLBs a preferred means of gaining additional revenue for slight incremental investments (Dunne & Narasimhan, 1999).

Conversely, losses would derive from insufficient PLB-related profits. Erosion of the economies of scale may occur due to the manufacturing and distribution complexities that result from having to change the packages and labels for each PLB customer, and the inventory holding cost that increases (Quelch & Harding, 1996).This is in addition to cannibalization of own NB sales, and disloyal distributors who switch PLB suppliers. Leading to possible losses for the NB manufacturers (Hyman, Kopf, & Lee, 2010).

2.6 Market Factors

Market factors deal with the manufacturers' positions about their competitors and market share. Under this study, the market factors include allocation of shelf space, growth of market share, alternative advertising and expansion through new channels.

2.6.1 Allocation of Shelf Space

PLBs are taking up more shelf space than ever before (Kumar & Steenkamp, 2007) Space competition resulting from shelf space scarcity heightens brand competition; competitive exclusion may arise where taking advantage of their power. The retailer harms the NB producer's shelf space size and allocation (Kuoa & Yang, 2013; Zameer, Waheed, & Mahasin, 2012). Given PLBs are sure of full distribution as well as enough shelf-space allocation, NB manufacturers also avoid slotting allowances for distribution (Hoch,1996). Increased shelf space affects the results achieved by a given brand due to visibility, and hence the likelihood of purchase made (Suarez, 2005).

However, given the difference between the manufacturers' and the retailers' objectives, the retailer who aims to increase stock rotation and the positioning of the PLB (Gomez & Benito, 2008) may lower the NB manufacturer's allocation if requirements matching their objectives are not met (Zameer, Waheed, & Mahasin, 2012). Retailers also support unequal competition to increase their profitability by giving PLBs more favourable allowances on the shelves. Space elasticity of a company's product portfolio decreases with an increase in market share and is greater for PLBs compared to NBs (Zameer, Waheed, & Mahasin, 2012).

2.6.2 Growth of Market Share

An increase in the NB manufacturer's market share is one of the reasons that support the decision to take up the production of PLBs. This is especially true for NB manufacturers with low market share and non-leading brands, (Gomez & Benito, 2008) who aim to gain market share by attacking the market leader (Dunne & Narasimhan, 1999). However, except premium PLBs, the production may lead to increased consumer price awareness thus decreasing profitability, especially in the case that the product is perceived to be of similar quality, and the NB manufacturer is a leading brand (Gomez & Benito, 2008).

Furthermore, Quelch and Harding (1996), in their pioneer article, advise popular brand manufacturers to avoid the production of PLBs at the cost of cannibalizing the NB is usually greater than the financial gain resulting from the PLB. However, these authors do not derive their outcomes from a formal model.

In the study of Gomez and Benito (2008), the growth of the companies' market shares had 61.2, while other reasons did not show statistically significant differences between the two groups such as the growth of market share of the company and the production of these brands to remain in the distribution channel.

2.6.3 Alternative Advertising

With the diminishing reach of traditional advertising, where consumers believe it is easy for them to avoid marketing efforts, the retailers have taken up new, innovative and efficient ways to create favourable impressions on the customers. These include printed targeted coupons at checkout, redesigned product displays to create favorable impressions of their products, in addition to strengthening their interactions with the customers (Conroy & Narula, 2010). Therefore, NB manufacturers with little advertising expenditure, who most likely face low risk of brand cannibalization, are increasingly willing to produce PLBs (Gomez & Benito, 2008) so as to avoid the expensive advertising and promotion costs (Bell, Davies, & Howard, 1997). In this way, retailers are the main partners in consumer-product businesses and supplying PLBs provides a beneficial way to partner with them (Dunne & Narasimhan, 1999).

2.6.4 Expansion through New Channels

Small non-leading NB manufacturers stand to gain more than just shelf space from the production of PLBs, which in itself is an opportunity to remain in the market, due to decreased reference on shelves (Gomez & Benito, 2008).The difficulty faced entering new channels creates further pressure to manufacture PLBs. Manufacturing PLBs may expose these manufacturers to new markets, and they can eventually develop their own brands (Bell, Davies, & Howard, 1997).

However, the terms of quality and competition favour the retailers, and handling additional products may come at an extra cost not always recovered from increases in sales (Suarez, 2005).

2.7 Strategic Factors

Strategic factors relate to the firm's long-term goals and the steps to be taken achieve these goals. Such factors under this study include negotiation and bargaining power, market competition, enhanced manufacturer-retailer relationship, means of supermarket control and market leadership.

2.7.1 Negotiation and Bargaining Power

Results indicate that manufacturers in different competitive positions take up PLBs for various reasons. Low competitive position manufacturers aim at increasing their market share; medium competitive position; one's desire to stay in the channel while leaders engage in PLB manufacturing to control retailers and to aid their bargaining position (Gomez & Benito, 2008).

In the leaders' case, the manufacturers' power compared to that of the retailer will be superior, and the NB manufacturer can discuss better merchandising terms. If the superiority of power lies with the retailer, they can use their negotiating power to realise better PLBs of higher quality and to incorporate the NB manufacturer's' innovations (Gomez & Benito, 2008). The threshold is based on the proportion of store-switching consumers. When store-switching customers are numerous, negotiation failure favours the NB manufacturer and vice-versa.

However, distributors are in a position to demand a particular product range, which may work against the differentiation of the manufacturer NBs, and serve store brands in the long run (Berge`s-Sennou, 2006).

2.7.2 Market Competition

Several authors showed a loss of profit suffered by NB manufacturers who opt to increase their prices rather than take up PLBs as consumers shift to other brands (Berges & Bouamra-Mechemache, 2011; Kenya Institute for Public Policy Research and Analysis (KIPPRA), 2013; Dunne & Narasimhan, 1999). Manufacturer's of NBs, therefore, begin production of PLBs to outdo the competition and prevent the enjoyment of the benefits of PLB production by other manufacturers. These arise from the shift to PLBs by a percentage of the consumers who shift

from the NB. Additionally, PLB introduction is a useful price-skimming tool for loyal and price-insensitive consumers and grow revenues by cutting down long-term price sensitivity (Hyman, Kopf, & Lee, 2010).

This could, however, lead to reduced profit margins, without certainty of distributor loyalty, in the event of the high cost of competition with other PLB producers (Quelch & Harding, 1996). NB manufacturers can avoid such risks with patented differentiation, which leads to competitive advantage. Therefore, as noted by Verhoef et al. (2002), leading brands are to avoid producing PLBs by competitive motives and distance themselves from PLBs through implementing innovations and strengthening their brand image (Hyman, Kopf, & Lee, 2010).

2.7.3 Enhanced Manufacturer- Retailer Relationship

Improvement of the relationship between the retailer and the manufacturer is a reason put forward for the uptake of PLBs; as it leads to favourable merchandising of the NBs (Hyman, Kopf, & Lee, 2010). A co-operative relationship between the retailers and the manufacturers also enables them to analyse information regarding consumer preferences; which is useful to both parties. NB manufacturers are also in a position to make recommendations regarding management of shelf space and the promotion policy (Dunne & Narasimhan, 1999).

A long-term negative of a manufacturer-retailer relationship based on PLBs is that it results in long-term dependence on the leading manufacturer on the retailer (Quelch & Harding, 1996). The manufacturer might feel pressurized to concentrate more on the PLBs, which may lead to decreased profitability. This pressure heightens if they wish to renew contracts on the PLBs (Gomez & Rubio, 2008; Gomez & Benito, 2008; Quelch & Harding, 1996).

2.7.4 Means of Supermarket Control

Manufacturers of well-known NBs do not consider PLBs to be of key importance to their portfolios hence only produce them as a means of controlling the retailers. Retailers, therefore, impose periodic contract revisions with no guarantee of continuity on such manufacturers (Gomez & Benito, 2008)

2.7.5 Market Leadership

Production of store brands was originally for small and non-leading manufacturers. However, new factors come into play such as the stage of development of a country, PLB evolution and the level of retail concentration, as noted by (Galizzi, Venturini, & Boccaletti, 1997). This has brought about the participation of mid-sized and even large companies to the PLB production; however, it remains that PLBs are not leaders add many of the leaders do not produce PLBs (Dunne & Narasimhan, 1999).

Each factor that influences the supply of PLB by the manufacturers has its pros and cons, determined by the position of the NB about the PLB and other NBs, the size of the firm and its objectives for the future. Therefore, a company looking to take up PLB production needs to determine in what way, be it economic, strategic or market-related, the decision will be beneficial to them. However, it is important to note that the factors are not mutually exclusive and should, therefore, be considered jointly. Following the establishment of optimal factors, firms can implement strategies to ensure, with certain compromises, a win-win scenario is achieved.

2.8 The Strategies for a Win-win Scenario

Win- win strategies will enable the manufacturer and the retailer to understand the concept of PLB and its evolution from the western literature. Developments in the Western market have moved from ‘me too brands’’ to premium and value innovators. This process change includes negotiation, economic downturn, lack of trust and product management to cooperation, higher credibility, and the share of wallet and consumer differentiation (Carlos Gázquez-Abad, Esteban-Millat, & Mondéjar-Jiménez, 2014).

Around the globe, PLBs are a source of competitive concern and interest with NB manufacturer’s in high PLB concentration countries looking for strategies to compete, and those in low PLB concentration countries wanting to know when PLBs will create a competitive challenge (Cuneo, Milberg, & Benavente, 2015). However, no clear strategic opportunities seem to have been identified to ensure the existence of a balance of power between retailers and NB manufacturers, and the continued success of NB brands (Kumar & Steenkamp, 2007).

On the surface, the fears of NB manufacturers seem justified with the ever increasing market share that PLBs steal from well-known NBs. However, while PLB is becoming popular, a BCG

(2007) report noted that sometimes consumers remained loyal to the NBs as a result of perceived product superiority, loyalty, environmental and other health and safety benefits. NB managers in low PLB concentration countries have some time to come up with sound strategies to counter the challenge PLB poses and develop a win-win scenario for both NB manufacturer's and the growth and spread of PLBs (Cuneo, Milberg, & Benavente, 2015).

The need for strategies that benefit both NB manufacturers and retailers promoting PLB has been brought out in the factors that show PLBs in a positive light and no longer as just a category killer as was the misguided view of manufacturers. The survival of the PLBs is, after all, dependent on the survival of the NBs; therefore, manufacturers can find ways to exploit the opportunities PLBs create (Dunne & Narasimhan, 1999).

Some of the strategies put forward seek to improve the position of the NB manufacturers such as the argument by Kumar and Steenkamp (2007) that manufacturers need to develop continuously new products that'll create a state where the retailers and competitors shoot at a continually moving target. Firms should couple this innovation with revolutionary inventions that are sustainable through new technology, or creation of novel business models.

Alternatively, NB manufacturers could resort to the multiplication of brands. This has been the case for companies such as Procter and Gamble who creatively deceive consumers by expanding their choice and encouraging brand-switching within the manufacturers' product portfolio; the different brands have no distinct differing characteristics (Berge`s-Sennou, 2006).

Investing in brand equities is a means through which NB manufacturers can deal with the rise of the PLBs. Hoch (1996) refers to this as providing the consumer with additional value while maintaining the price. Investing in brand equities can be achieved by merely making periodic improvements such as to the package design or stressing the brand name while continually monitoring the consumer's perceptions. This enhances the brands perceived superiority and increases the viability of the brand's price premium. Quelch &Harding (1996) and Hoch & Banerji (1993) found that national advertising per NB manufacturer correlates negatively to PLB market share. This view on effective NB advertising was supported by Verhoef, Nijssen, & Sloot (2002).

NB manufacturers often launch new product lines in a bid to increase both their shelf-presence and sales. Line extensions with marginal value may water down the core brand franchise.

Excessive line extension confuses consumers and reduces the NB manufacturers' credibility with trade as an expert on the given category. However, in intense rivalry product categories with substantial premiums product line extensions could be advised. Quelch and Harding (1996) explain this as innovating wisely. Additionally, Hoch (1996) states that innovation, especially in products with short life cycles, could dampen the PLBs market share. This view is backed by studies providing evidence for a negative relationship between NB innovation and PLB market share as the innovation creates a quality gap (Hoch & Banerji, 1993).

Fighting brands should be used sparingly as it may result in the fighting brand competing with the NB for customers who were insensitive to the introduction of PLBs. Fighting brands also known as value flankers are a 'me-too' strategy often placed between the PLBs and the NBs that the manufacturers seek to defend, to control share losses to the PLB by crowding out the PLB (Quelch & Harding, 1996). Hoch(1996) recommends a wait and do nothing strategy given the PLBs' development within given categories is uncertain and impulsive reactions may not be easily reversible. Empirical evidence suggests increased chances of success in holding out till the company is in a position to react with a new and innovative product (Verhoef, Nijssen, & Sloot, 2002).

NB manufacturers building trade relationships to create a win-win plan for their trade accounts can lead to NB producers and retailers jointly maximizing their profits. This is accomplished by NB manufacturers leveraging on their knowledge of both the consumers and their categories, that retailers are inundated with, through customer purchase data, and may not be able to analyze thoroughly. They can loan accountants to retailers to help them understand the PLB profitability including the absolute dollar margin per unit which may be lower if there is low PLB turnover, and as a result of the PLB warehousing and distribution costs. These considerations may be omitted by the retailer when comparing NB and PLB retail margins (Quelch & Harding, 1996).

Furthermore, retailers acknowledge that the excessive use of PLB may ruin relationships they've established with manufacturers, and they cannot afford to have PLBs in all product categories. It is therefore also important for them to develop stable relationships with NB manufacturers; entering categories where the NBs are not strong or where high margins exist (Pandey, 2009). Within an ethically acceptable framework, retailers may share information from market research with NB manufacturers which may lead to innovation as was the case for Wal-Mart and Diet Coke (Hyman, Kopf, & Lee, 2010).

Managing each category while taking into account their differences and level of PLB penetration is a strategy that NB manufacturers should take up. What works for home care products may not work for snacks. Barriers to entry should be sustained in low PLB penetration categories like candy while line extensions and value added packaging may suit categories with emerging PLB categories so as to make the NB products stand out. Finally, in high PLB penetration categories, the key is to lower the supply chain costs to enable capital conservation for reinvestment in the brand (Quelch & Harding, 1996).

NB manufacturers need to manage the price spread and understand the price elasticity of different products. The price gap to both the retailer and the consumer needs to be monitored, as well as that between each NBs and also PLBs in the market (Quelch & Harding, 1996). Hoch and Banerji (1993) conducted a study that showed that there is no relationship between the price gap of NBs and PLBs and market share. However, a subsequent study by (Dhar & Hoch, 1997)reported a negative correlation between NB and PLB prices on PLB market share. A significant reduction in NB prices could affect not only the firm's profitability but also damage its relationship with the retailer as it preys on PLBs' core benefits (Verhoef, Nijssen, & Sloot, 2002).

Exploiting sales promotion tactics through emphasizing the need for performance-based merchandising can counter the effect of retailers displaying similar PLB products along the NBs. Strong brands can secure retail space for customized displays which enhances the merchandising of their brands.Using category profit pools instead of market share and volume as the primary measure of performance improves decision making as share points are not all valued equally (Quelch & Harding, 1996).

Finally, NB manufacturers need to take PLBs seriously and treat them as competition, not brushing off the threat they pose while making strategic, economic and market plans to limit the encroachment of PLBs (Rhie & Norkus, 2014). The oversight is PLBs is dangerous as they steal market share from weaker NBs paving the way for more serious competition (Quelch & Harding, 1996). Trade and in-store marketing receive, at least, two-thirds of the NB marketing budget's due to the recognition of retailers' clout (Dawar & Stornelli, 2012).

2.9 Conceptual Framework.

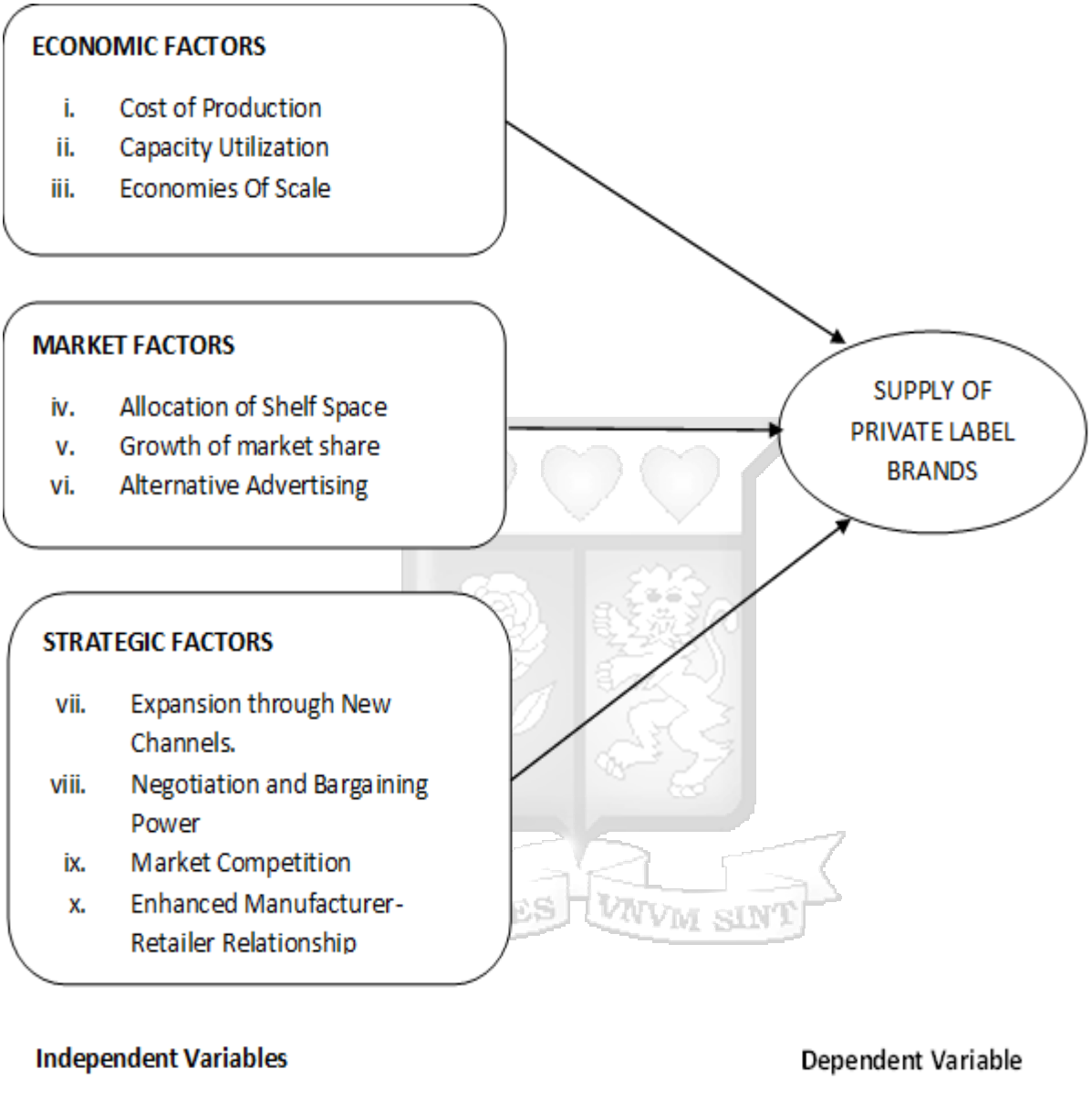

Figure 2: Conceptual Framework (Source: Researcher, 2016)

2.10 Operationalization of the Conceptual Framework

FACTORS	SUB- FACTORS	OPERATIONAL VARIABLE
ECONOMIC FACTORS	**Cost of Production**	Unit manufacturing cost
		Unit distribution cost
		Sharing of fixed costs across all products
	Capacity Utilization	Excess capacity
		Efficiency level
		Switching cost
	Economies Of Scale	Bulk purchases
		Inventory costs
		Storage
MARKET FACTORS	**Allocation of Shelf Space**	Shelf space size
		Shelf space allocation
		Dominating shelf space
	Growth of market share	Gain in market share
		Satisfactory profitability
		Cannibalization of one's own brand sales
	Alternative Advertising	No advertising budget
		Riding on supermarket brand
		Promotion costs
	Expansion through New Channels	Possibility of remaining in the market
		Entrance into new markets
STRATEGIC FACTORS	**Negotiation and Bargaining Power**	Improved negotiating power
		Better merchandising terms
	Market Competition	Risk of competitors taking up the market share
		Gain of competitive advantage
	Enhanced Manufacturer-Retailer Relationship	Co-operation with retailers
		Enhancement of one's own brand
		Mutual benefits
	Means of Supermarket Control	Way of controlling PLB
	Market Leadership	Size of the firm
		Market leader
		Long-term strategy

Table 1: Operationalization of the Conceptual Framework

2.12 Research Hypotheses

Resulting from the review and conceptual framework, Figure 1, the following research hypotheses were stated:

Economic Factors

A: H_o=Economic factors do not influence the supply of PLB by NB manufacturers

H_A=Economic factors influence the supply of PLB by NB manufacturers

Market Factors

B: H_o=Market factors do not influence the supply of PLB by NB manufacturers

H_A=Market factors influence the supply of PLB by NB manufacturers

Strategic Factors

C: H_o=Strategic factors do not influence the supply of PLB by NB manufacturers

H_A=Strategic factors influence the supply of PLB by NB manufacturers

CHAPTER 3: Research Methodology

3.1 Introduction

This chapter discusses the description and rationale of the methods and procedures used in conducting the undertaken study and the choices made in the collection, measurement, and analysis of data. The research design aims to respond to the set research questions and outlines the rationale for processing, collecting and analysis of data. The study covers the research approach, population, ethical consideration, data collection, reliability, validity and objectivity of the data.

3.2 Research Design

This study employed both quantitative and qualitative approach is determining the factors influencing the supply of PLB by NB manufacturers. The objective of the study aims at establishing these factors through standardized collection and interpretation of data. The use of quantitative research methods allowed the researcher to obtain comparable data from respondents.

The study used a descriptive survey design.The study is intended to describe and report the way things are. It is characterized by a systematic collection of data from respondents through questionnaires. The data collection method used in this study was self-administered questionnaires aimed at establishing the objectives of the study identified above (Saunders, Lewis, & Thornhill, 2012).

3.3 Population of the study

Of interest to this study is the NB manufacturing firms producing both PLB and NB; this constitutes seventeen companies of a leading retailer in Kenya. The leading retailer was selected due to its vast range of PLB products in the last three years. Given the small size of the population, no sampling was done; instead, the study conducted a census. This research was done by contacting the key personnel involved in strategic, economic and market decision-making at the senior level; these were the Managing Director, General Manager, marketing manager or the Operations Manager.

The initial population of fifteen increased to seventeen in the course of research. Fourteen manufacturers responded while two manufacturers could not be located, and one manufacturer declined to respond.

3.4 Data Collection

Questionnaires were used for the data collection, as they were the appropriate tool for descriptive surveys. A five-point Likert scale was used to investigate the attitudes of the respondents by asking them to represent the strength of their feeling regarding a given factor on a categorical scale. The end points of the scale used were ‘’no influence to a ‘’ very high influence’ The Likert scale is a universal method of collecting attitudinal data (Dittrich, Francis, Hatzinger, & Katzenbeisser, 2007).

There were two questionnaires (Appendix 7.1); one directed to the manufacturers, and the other directed to the retailer. The manufacturer's questionnaire composed of four sections, first section exploring general information regarding NB manufacturer’s enterprise, the second section pursuing different factors influencing the decision to supply PLBs, the third section seeking the value of the volume supplied and lastly, the fourth section seeking for respondents view of PLB and challenges faced. The retailers questionnaire composed of three sections, the first section studying the growth of PLB regarding quantity and value from 2013 - 2015, the second section seeking the level of relationship with the manufacturer and lastly, the third section seeking for retailers view on PLB and challenges faced. The section with quantitative data was optional to the respondents as it involved the disclosure of sensitive data regarding average monthly sales figures.

Questionnaire data was collected through semi-structured personal interview and email. The questionnaires were filled in the course of a semi- formal interview with the senior managers of the NB manufacturers. Cold calls were made to some managers concerning the questionnaires prior to the email. Lastly, some data was collected through telephone interviews.

3.5 Reliability, Validity and Objectivity

Internal Validity is when the researcher can achieve an outcome through established set of questions (Saunders, Lewis, & Thornhill, 2012). Triangulation of data collection methods

(questionnaires, interviews and secondary data) was used especially for qualitative data to ensure the internal validity.

Research is said to have external validity when it applies to other relevant contexts (Saunders, Lewis, & Thornhill, 2012). This study is relevant throughout the manufacturing sector. All manufacturers can associate themselves with the findings of this research. A similar case applies to all the retailers who will be adopting the private label strategies in the Kenyan market.

Reliability is where another study conducted given similar data and using a similar methodology generates consistent results (Miller & Kirk, 1986; Saunders, Lewis, & Thornhill, 2012). The study guarantees reliability by employing the same questionnaire with all data subjects to ensure the data collected is similar throughout the survey. This method will test the internal consistency of the items listed on the instrument used. A pilot questionnaire was used to gauge the respondents understanding of the questions and the form of responses given.

Objectivity is avoiding the biases between the interview and the interviewee (Saunders, Lewis, & Thornhill, 2012). The researcher abstained from any data manipulation to suit the researcher's point of view.

3.6 Data analysis

Factor analysis has been found appropriate for studies that involve a few or hundreds of variables and items from questionnaires. In factor analysis, the factor loadings represent the strength of the correlation between the variable and the factor (Yong & Pearce, 2013). The primary data collected from the questionnaires was analyzed using confirmatory factor analysis, correlation and hypotheses tests. Factor analysis technique in SPSS software version 20 was used to summarize the data of manufacturers' questionnaire section 2 for easy interpretation, understanding of relationships and patterns. Variables were assembled into clusters (descriptive categories) based on shared variances discovered using mathematical procedures. The acceptable threshold for factor loadings was 0.5 with 0.9 being the optimal factor loading (Walker & Maddan, 2008).

Strengths of the relationship among the subfactors were derived from the correlation analysis while hypothesis tests were carried out to test the null and alternative hypotheses. The hypothesis testing was determined at 95% confidence level. Cross-tabulation was used to list/analyse the factors influencing home care and food products. Qualitative content analysis was used for the

open-ended questions. The error test could not be done due to sample size, however; the descriptive analysis of mean and standard deviation was done to validate the data.

3.7 Ethical Considerations

The key ethical considerations in the case the respondents was informed consent, voluntary participation and respect for confidentiality.

The study is carried out with the agreement of stakeholders and with the acceptance of the decision of refusal.SBS introduction letter, the tool to conduct the research and gather information. The questionnaire comprised of unbiased, objective questions to avoid manipulation and the identity of the respondents was coded to maintain confidentiality.

3.8 Summary

The chapter discusses the descriptive survey design used to answer the research questions of this study.It further discusses the data collection from the fourteen NB manufacturers of PLBs.

CHAPTER 4: Presentation of Research Findings

4.1 Introduction

This chapter discusses and evaluates the findings from the respondents of this research on the factors that influence the supply of PLB by manufacturers. From the 17 semi-structured questionnaires that were sent out to the manufacturers, 14 responses were collected giving an 82% response rate from the target population under study, which was sufficient for the study. The responses were then transcribed, validated and analyzed. The study carried out four statistical tests: descriptive analysis, confirmatory factor analysis, and correlation analysis and hypothesis tests using chi-square. The dependent variable in the research was the supply estimated using average monthly sales values from the manufacturer while the independent variables in the study were the influencing factors.

4.2 Demographic Profile

The population of the study consisted the NB manufacturers in Kenya who supply PLB for major retailers. The majority of the respondents were from Nairobi, and one was from Mombasa. As outlined in the methodology, all the respondents in the study were sales and production managers and the managing directors of the firms. 9 of the companies under study were from the food sector, manufacturing food additives, dairy and grains to name a few. On the other hand, 5 were from homecare industry with products ranging from detergents to toiletries.

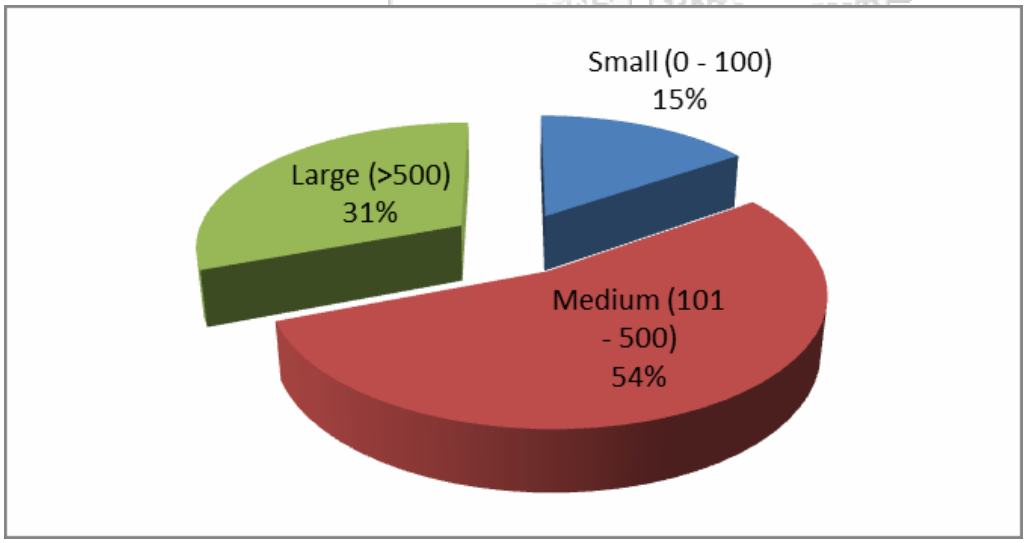

Figure 3: Distribution in % of the size of the organization based on the number of employees

Medium enterprises, based on the number of employees within the organization, formed the bulk of the manufacturers as seen in Figure 3, with 54% of the respondents falling under this category, 31% were large companies, and 15% were classified as small.

There was no dominant age bracket as the companies were evenly spread out with the youngest having operated for two years and the oldest having been in existence for 62 years in the NB production as seen in Table 3. Four companies under the study were less than ten years old.

	AGE	No of Manufacturer	In %
1	0 – 10	4	29%
2	11 – 20	1	7%
3	21 – 30	1	7%
4	31 – 40	3	21%
5	41 – 50	2	14%
6	>50	3	21%
	Total	14	100%

Table 2 Distribution of Manufacturers' age

The median for number of employees is 245; however the average is too high as a result of a large variance between the lowest and highest number of employees.The average ages of the manufacturers in the study were 31 while mode and median were 35.

	No of Employees	**Age**
Average/Mean	463	31
Median	245	35
Mode	200	35

Table 3 Mean, Mode and Median

4.3 The factors influencing the supply of PLB by NB manufacturers using frequency tables

This section looks at the frequency tables based on the respondents rating of different factors on the Likert scale, indicating their influence in the making the decision to supply PLB. The factors with the greatest percentages of very high influence rate indicate their significance in influencing the decision of companies' senior management. Key factors, in each category of factors, are noted, and an analysis of the aggregation of factors is also considered.

4.3.1 Economic Factor

	NO INFLUENCE	SLIGHT INFLUENCE	MODERATE INFLUENCE	HIGH INFLUENCE	VERY HIGH INFLUENCE
Sharing of fixed costs across all products	7.1%	7.1%	7.1%	21.4%	57.1%
Unit manufacturing cost	14.3%	14.3%	14.3%	7.1%	50.0%
Efficiency level	21.4%	0.0%	14.3%	14.3%	50.0%
Bulk purchases	28.6%	14.3%	0.0%	7.1%	50.0%
Inventory costs	35.7%	7.1%	7.1%	14.3%	35.7%
Unit distribution cost	21.4%	7.1%	35.7%	7.1%	28.6%
Excess capacity	28.6%	14.3%	0.0%	28.6%	28.6%
Switching cost	57.1%	7.1%	14.3%	7.1%	14.3%
Storage	50.0%	7.1%	7.1%	21.4%	14.3%

Table 4: Frequency of the influence of economic factors

Table 4 displays the influence of different economic sub-factors to the manufacturers' decision to supply PLB. The most significant sub-factor is sharing of fixed costs across all the products while least prominent sub-factor is storage. Unit manufacturing costs also feature as a key sub-factor. These sub-factors fall under the cost of production making it the key economic factor is taken into consideration while making the supply decision.

4.3.2 Market Factors

	NO INFLUENCE	SLIGHT INFLUENCE	MODERATE INFLUENCE	HIGH INFLUENCE	VERY HIGH INFLUENCE
Gain in market share	0.0%	7.1%	14.3%	7.1%	71.4%
Shelf space size	21.4%	14.3%	0.0%	21.4%	42.9%
Shelf space allocation	21.4%	7.1%	7.1%	21.4%	42.9%
Riding on supermarket brand	42.9%	7.1%	7.1%	7.1%	35.7%
Possibility of remaining in the market	35.7%	7.1%	7.1%	14.3%	35.7%
No advertising budget	50.0%	7.1%	0.0%	7.1%	35.7%
Satisfactory profitability	14.3%	14.3%	21.4%	21.4%	28.6%
Entrance into new markets	35.7%	14.3%	21.4%	0.0%	28.6%
Dominating shelf space	21.4%	14.3%	21.4%	14.3%	28.6%
Promotion costs	57.1%	7.1%	14.3%	7.1%	14.3%
Cannibalization of one's own brand sales	71.4%	7.1%	14.3%	0.0%	7.1%

Table 5 Table showing the frequency of the influence of market factors

Table 5 shows the influence of different market sub-factors to the manufacturers' decision to supply PLB. The most significant sub-factor is gain in market share while least prominent sub-factor is cannibalization of one's own brand, which forms the pros and cons, respectively, of the growth of market share factor. The second top subfactors under frequency method are shelf space size and self-space allocation.

4.3.3 Strategic Factors

	NO INFLUENCE	SLIGHT INFLUENCE	MODERATE INFLUENCE	HIGH INFLUENCE	VERY HIGH INFLUENCE
Co-operation with retailers	0.0%	0.0%	7.1%	21.4%	71.4%
Mutual benefits	7.1%	7.1%	0.0%	21.4%	64.3%
Long-term strategy	7.1%	0.0%	7.1%	21.4%	64.3%
Risk of competitors taking up the market share	28.6%	0.0%	14.3%	0.0%	57.1%
Gain of competitive advantage	7.1%	7.1%	7.1%	21.4%	57.1%
Size of the firm	28.6%	0.0%	14.3%	7.1%	50.0%
Market leader	21.4%	0.0%	14.3%	14.3%	50.0%
Improved negotiating power	21.4%	7.1%	14.3%	14.3%	42.9%
Possibility of remaining in the market	35.7%	7.1%	7.1%	14.3%	35.7%
Entrance into new markets	35.7%	14.3%	21.4%	0.0%	28.6%
Enhancement of one's own brand	50.0%	0.0%	7.1%	14.3%	28.6%
Better merchandising terms	42.9%	7.1%	21.4%	7.1%	21.4%
Way of controlling PLB	50.0%	14.3%	14.3%	0.0%	21.4%

Table 6: Table showing the frequency of the influence of market factors

Table 6 shows the influence of different strategic sub-factors to the manufacturers' decision to supply PLB. The most significant sub-factor is co - operation with retailers, closely followed by mutual benefits and long term strategy. On the other hand, the least popular sub-factor is gaining control of PLB.

4.3.4 Overall 10 Factors under Frequency Analysis Findings

	NO INFLUENCE	SLIGHT INFLUENCE	MODERATE INFLUENCE	HIGH INFLUENCE	VERY HIGH INFLUENCE
Co-operation with retailers	0.00%	0.00%	7.10%	21.40%	71.40%
Long-term strategy	7.10%	0.00%	7.10%	21.40%	71.40%
Mutual benefits	7.10%	7.10%	0.00%	21.40%	64.30%
Gain of competitive advantage	7.10%	7.10%	7.10%	21.40%	64.30%
Sharing of fixed costs across all products	7.10%	7.10%	7.10%	21.40%	57.10%
Gain in market share	0.00%	7.10%	14.30%	7.10%	57.10%
Market leader	21.40%	0.00%	14.30%	14.30%	57.10%
Efficiency level	21.40%	0.00%	14.30%	14.30%	50.00%
Risk of competitors taking up the market share	28.60%	0.00%	14.30%	0.00%	50.00%
Size of the firm	28.60%	0.00%	14.30%	7.10%	50.00%
Bulk purchases	28.60%	14.30%	0.00%	7.10%	50.00%
Unit manufacturing cost	14.30%	14.30%	14.30%	7.10%	50.00%

Table 7: Table showing the overall frequency of the influence of all factors (>50%)

The overall key sub factors that influenced the supply in the Kenyan are more of strategic and followed by both economic and market factors as shown in Table 7. The top factors are cooperation with the retailers indicating the necessity of a good relationship to enable the success of PLB strategy. It is considered a long-term strategy and the manufacturers strive to achieve mutual benefits for both.

4.4 Factor Analysis of Factors Influencing the Supply of PLB by NB Manufacturers

4.4.1 Descriptive Statistics

	Mean	Std. Deviation	Analysis N
Unit manufacturing cost	3.64	1.598	14
Unit distribution cost	3.14	1.512	14
Sharing of fixed costs across all products	4.14	1.292	14
Excess capacity	3.14	1.703	14
Efficiency level	3.71	1.637	14
Switching cost	2.14	1.562	14
Bulk purchases	3.36	1.865	14
Inventory costs	3.07	1.817	14
Storage	2.43	1.651	14
Shelf space size	3.50	1.698	14
Shelf space allocation	3.57	1.651	14
Dominating shelf space	3.14	1.562	14
Gain in market share	4.43	1.016	14
Satisfactory profitability	3.36	1.447	14
Cannibalization of one's own brand sales	1.64	1.216	14
No advertising budget	2.71	1.939	14
Riding on supermarket brand	2.86	1.875	14
Promotion costs	2.14	1.562	14
Possibility of remaining in the market	3.07	1.817	14
Entrance into new markets	2.71	1.684	14
Improved negotiating power	3.50	1.653	14
Better merchandising terms	2.57	1.651	14
Risk of competitors taking up the market share	3.57	1.828	14
Gain of competitive advantage	4.14	1.292	14
Co-operation with retailers	4.64	.633	14
Enhancement of one's own brand	2.71	1.858	14
Mutual benefits	4.29	1.267	14
Way of controlling PLB	2.29	1.637	14
Size of the firm	3.50	1.787	14
Market leader	3.71	1.637	14
Long-term strategy	4.36	1.151	14

Table 8: Summary statistics of the factor

Table 8 illustrates standard deviation, which is used to display the dispersion of data to the mean, is skewed to the right given that the majority are greater than one. Non-parametric tests are suited for data which is not normally distributed, as is the case in this study, and will, therefore, be carried out.

The 31 sub-factors were subjected to the factor analysis using SPSS Version 20. Prior, to performing factor analysis, the suitability of data was assessed. Communalities indicate the amount of variance in each variable that is accounted for. Initial communalities are estimates of the variance in each variable accounted for by all sub-factors while extraction communalities are estimates for the variance of the factors in the factor analysis.

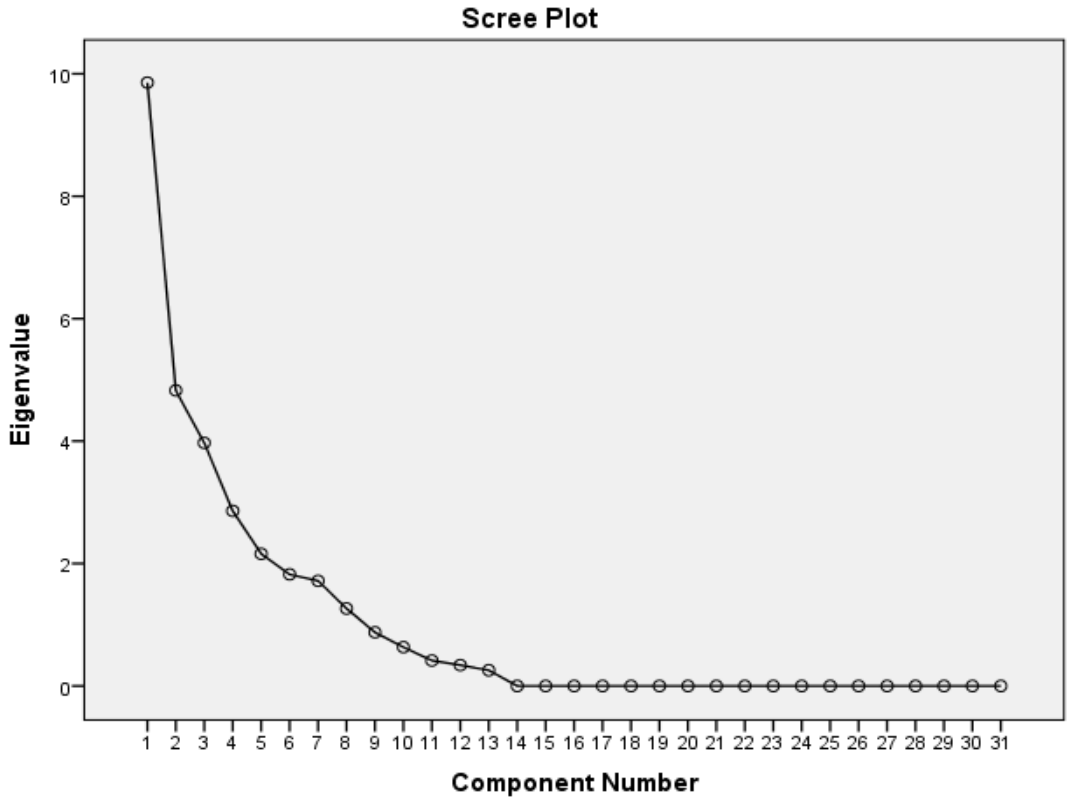

Figure 4: Scree plot of the PCA

Total Variance Explained							
		Initial Eigenvalues			Squared Loadings		
		Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	Unit manufacturing cost	9.857	31.798	31.798	9.857	31.798	31.798
2	Shelf space allocation	4.828	15.573	47.371	4.828	15.573	47.371
3	Better merchandising terms	3.971	12.808	60.179	3.971	12.808	60.179
4	No advertising budget	2.860	9.226	69.406	2.860	9.226	69.406
5	Satisfactory profitability	2.158	6.963	76.368	2.158	6.963	76.368
6	Gain in market share	1.823	5.880	82.248	1.823	5.880	82.248
7	Storage	1.718	5.541	87.789	1.718	5.541	87.789
8	Long-term strategy	1.265	4.082	91.870	1.265	4.082	91.870
9	Riding on supermarket brand	.876	2.825	94.695			
10	Market leader	.634	2.046	96.741			
11	Sharing of fixed costs across all products	.415	1.338	98.078			
12	Possibility of remaining in the market	.340	1.096	99.174			
13	Promotion costs	.256	.826	100.000			

Table 9 Extraction of Principle Component Analysis - Total Variance Explained

The factor analysis, table 9 revealed the presence of eight components with eigenvalues exceeding 1, explaining 31.8%, 15%, 12.8%, 9%, 7%, 5.8%, 5.5% and 4% of the variance respectively.

A clear break on the screen plot was revealed after the eight sub-factors as visible in figure 4.The first factors represent 59.6% of the variance, with the leading factor having 31.8%. The leading sub-factor is the unit manufacturing cost with an extraction of 0.998(economic factor), followed by shelf-space allocation at 0.987(market factor), better-merchandising terms at 0.984 (strategic factor) and no advertising budget at 0.982 (market factor).

4.4.2 Rotated Component Matrix of Factors influencing the supply of PLB by National Brand Manufacturers

Variables	Components			Factors
	1	2	3	
Unit manufacturing cost	0.998			Economic Factors
Storage	0.966			
Sharing of fixed costs across all products	0.954			
Bulk purchases	0.937			
Inventory costs	0.928			
Switching cost	0.925			
Unit distribution cost	0.889			
Efficiency level	0.885			
Excess capacity	0.815			
Shelf space allocation		0.987		Market Factors
No advertising budget		0.982		
Satisfactory profitability		0.969		
Gain in market share		0.967		
Riding on supermarket brand		0.959		
Promotion costs		0.941		
Dominating shelf space		0.919		
Risk of competitors taking up the market share		0.917		
Shelf space size		0.91		
Cannibalization of one's own brand sales		0.894		
Better merchandising terms			0.984	Strategic Factors
Long-term strategy			0.964	
Market leader			0.958	
Possibility of remaining in the market			0.947	
Entrance into new markets			0.91	
Mutual benefits			0.897	
Improved negotiating power			0.88	
Co-operation with retailers			0.866	
Enhancement of one's own brand			0.854	
Gain of competitive advantage			0.853	
Way of controlling PLB			0.818	
Size of the firm			0.806	

Table 10: Extraction Method: Principal Component Analysis

The Table 10 shows the factors/ variables influencing the supply of PLB by the NB manufacturers extracted from the principle component analysis. The variables that explained variations in Economic factors to a great extent were; unit of manufacturing costs with a factor loading of 0.998, followed by storage (0.966) and sharing of fixed costs (0.954) respectively. This means that Economic factors had a high influence on the supply of PLB.

The market factors identified during the supply of PLB, where shelf space allocation with a factor loading of 0.987, the second factor being no advertising costs of 0.982 and satisfactory profitability as an important consideration 0.969. The majority of the subfactors under market Factors have factors loadings above 0.9 hence stating to be the very highly influenced factor among the three factors.

The third factor was Strategic factors influencing the supply of PLB by NB manufacturers. The subfactors explained to a great extent by better merchandising terms with 0.984, when supplying PLB, followed by a long-term strategy with 0.964 and market leader with 0.958.

The factors analysis process, therefore, lead the study to identify the leading sub-factors influencing the supply of PLB by NB brand manufacturers

4.5 Correlation of the Factors

Correlation represents the relationship between two factors. Within this study, a correlation was done between the 31 factors. The correlation coefficient range between -1 to +1, negative one shows a perfect negative or inverse relationship while positive one shows a positive/strong correlation and zero means no relationship among the factors.

In this study, the P values > 0.5 and P values < 0 have been matched to get the total frequency into the category of 31 factors as shown in table 11 from the reproduced correlation matrix (Appendix 7.6).

		FACTORS	>0.5	<0
Economic Factors	B1	Unit manufacturing cost	12	1
	B2	Unit distribution cost	6	0
	B3	Sharing of fixed costs across all products	10	3
	B4	Excess capacity	6	5
	B5	Efficiency level	14	1
	B6	Switching cost	5	5
	B7	Bulk purchases	4	8
	B8	Inventory costs	8	4
	B9	Storage	6	2
Market Factors	B10	Shelf space size	4	11
	B11	Shelf space allocation	5	11
	B12	Dominating shelf space	5	3
	B13	Gain in market share	2	5
	B14	Satisfactory profitability	4	9
	B15	Cannibalization of one's own brand sales	3	11
	B16	No advertising budget	5	3
	B17	Riding on supermarket brand	5	2
	B18	Promotion costs	4	11
Strategic Factors	B19	Possibility of remaining in the market	6	5
	B20	Entrance into new markets	13	1
	B21	Improved negotiating power	6	10
	B22	Better merchandising terms	4	8
	B23	Risk of competitors taking up the market share	3	9
	B24	Gain of competitive advantage	11	3
	B25	Co-operation with retailers	7	2
	B26	Enhancement of one's own brand	2	11
	B27	Mutual benefits	9	5
	B28	Way of controlling PLB	9	2
	B29	Size of the firm	8	3
	B30	Market leader	2	10
	B31	Long-term strategy	9	4

Table 11 Extreme P values > 0.5 and <0

From the table 11, it is observed that the Economic factors from B1 to B9 tend to have a positive relationship between other factors. Efficiency level and Unit manufacturing costs have the strongest relationship with other factors in the matrix.

Market Factors, B10 to B18 have negative or inverse relationship with other factors in the matrix regarding PLB supply contrary to the economic factors

Strategic Factors B19 to B31 displays a very high fluctuating inverse relationship between the factors. This is indicative of one strategic factor having high correlation and low correlation with some of the other factors at the same time.

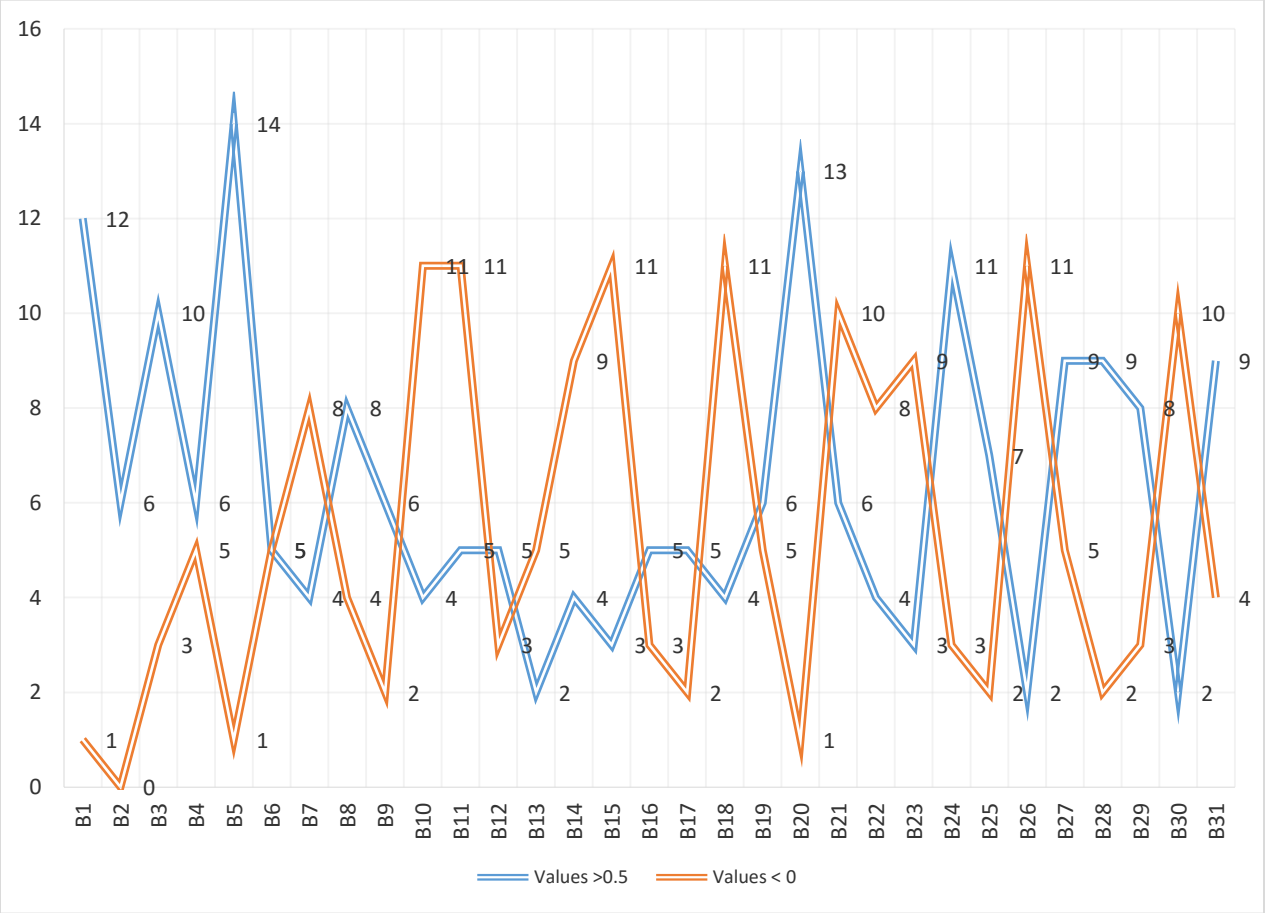

Figure 5: the frequencies of p values >0.5 and p <0

Above graph, figure 5, clearly indicates variation in patterns as the factors change along the horizontal axis. Economic factors start from B1- B9 followed by market factors from B10 – B18 and end with strategic from B19 – 31.

4.6 Hypothesis tests

Regarding testing hypothesis, Pearson Chi- Square test was used to verify the association of between the economic, market and strategic factors and the supply. Where with a value of P<0.05, the null hypothesis is rejected, and we accept the alternative, while the reverse occurs where P values >0.05.

4.6.1 Economic Factors

A: H_o=Economic factors do not influence the supply of PLB by NB manufacturers

H_A=Economic factors influences the supply of PLB by NB manufacturers

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	56.000[a]	52	.327
Likelihood Ratio	38.932	52	.910
Linear-by-Linear Association	.075	1	.784
N of Valid Cases	14		

a. 70 cells (100.0%) have expected count less than 5. The minimum expected count is .07.

Table 12 Chi-square of economic factors

In this study the Chi- Square = 56.00, P = 0.327, therefore we reject the null hypothesis and accept the alternative. In conclusion, the Economic factors do influence the supply of PLB by NB manufacturers in Kenya.

4.6.2 Market Factors

B: H_o=Market factors do not influence the supply of PLB by NB manufacturers

H_A=Market factors influences the supply of PLB by NB manufacturers

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	42.000[a]	39	.342
Likelihood Ratio	33.526	39	.717
Linear-by-Linear Association	1.842	1	.175
N of Valid Cases	14		
a. 56 cells (100.0%) have expected count less than 5. The minimum expected count is .07.			

Table 13: Chi-square of the market factors

In this study the Chi- Square = 42.00, P = 0.342, therefore we reject the null hypothesis and accept the alternative. In conclusion, the market factors do influence the supply of PLB by NB manufacturers in Kenya.

4.6.3 Strategic Factors

C: H_o=Strategic factors do not influence the supply of PLB by NB manufacturers

H_A=Strategic factor influences the supply of PLB by NB manufacturers

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	42.000[a]	39	.342
Likelihood Ratio	31.258	39	.807
Linear-by-Linear Association	.000	1	.983
N of Valid Cases	14		
a. 56 cells (100.0%) have expected count less than 5. The minimum expected count is .07.			

Table 14 Chi-square for strategic factors

In this study the Chi- Square = 42.00, P = 0.342, therefore we reject the null hypothesis and accept the alternative. In conclusion, the strategic factors do influence the supply of PLB by NB manufacturers in Kenya.

4.7 Correlation of the Manufacturer- Retailer Relationship Perspectives

The study looked at the different party's perspectives to their relationship with each other, using a Likert scale of good, poor, and moderate. To describe the strength of this relationship, a Pearson correlation was used. The study found that there exists a strong correlation between the two variables where r=0.588, n=14, p>0.5. This indicates that there is high dependence between the two variables.

Correlations

		Relationship rating by the Manufacturer	Relationship rating by Retailer
Relationship rating by the Manufacturer	Pearson Correlation	1	.588*
	Sig. (2-tailed)		.027
	N	14	14
Relationship rating by Retailer	Pearson Correlation	.588*	1
	Sig. (2-tailed)	.027	
	N	14	14

*. Correlation is significant at the 0.05 level (2-tailed).

Table 15: Correlation between the manufacturer and retailer on relationship perspective

4.8 Factors Influencing the Supply of Home Care and Food Products

Given the difference in the factors that influence different manufacturing categories, a comparative study was done on the factors that influence the supply of the various categories. The analysis was done using cross tabulations (Appendix 7.4)

The Table 16 economic factors in food sections were largely of a high and moderate influence with only 22% counting for no influence. However in the home care, the influence level falls between slight and high influence. Economic factors highly influence homecare

FOOD	Economic Factors	Marketing factors	Strategic factors
NO INFLUENCE	22.2%	0.0%	11.1%
SLIGHT INFLUENCE	0.0%	0.0%	0
MODERATE INFLUENCE	33.3%	55.6%	33.3%
HIGH INFLUENCE	33.3%	0	33.3%
VERY HIGH INFLUENCE	11.1%	44.4%	22.2%
TOTALS	100.0%	100.0%	100.0%

Table 16 Factors influencing the food category

Under market factors, for food category, the moderate influence was 55% followed by the high influence of 44% while in Home care it was spread across the range where slight influence being the highest and very high influence at 20%.

Strategic factors played a moderate influence in home care at 100% while spread across in food where moderate and high were at 33.33%.

HOMECARE	**Economic Factors**	**Marketing factors**	**Strategic factors**
NO INFLUENCE	0.0%	20.0%	0.0%
SLIGHT INFLUENCE	20.0%	40.0%	0
MODERATE INFLUENCE	40.0%	20.0%	100.0%
HIGH INFLUENCE	40.0%	0	0.0%
VERY HIGH INFLUENCE	0.0%	20.0%	0.0%
TOTALS	100.0%	100.0%	100.0%

Table 17 Factors influencing the Home Care category

From the Tables 16 and 17, it is evident that the industry does define the factors that influence in the supply of PLB supply by NB manufacturers in Kenya.

4.9 The Retailer's Perspective

A one-on-one interview with the general manager and the Managing Director of one of the large retailers which consisted of open ended questions, was conducted; this section reveals the findings from the interview.

4.9.1 Growth of PLB

Given the sensitivity of the information, no actual figures regarding the growth of PLB were disclosed. However, the retailer revealed that there has been a growth of 40%-50% in PLB in the three years of its existence. Additionally, the local suppliers of PLB grew from 0 to 17. PLB is expected to grow by 20% in the next few years. The growth of PLB has additionally attracted participation by other retailers in the market, bringing in competition for the PLB space.

4.9.2 PLB as Competition or Opportunity for Collaboration

The retailer views PLB as an opportunity to venture into an entirely new market that was previously untapped. It is also viewed it as competition, where other retailers have adopted the strategy, and other manufacturers have opted to share the strategy evening the playing field.

4.9.3 Challenges Faced in Seeking Supply of PLB

One of the challenges rose by the retailer regarding, the supply of PLB from NB manufacturers included the buying prices of the product from the NB manufacturers being too high. Additionally, there is a lack of transparency in the value chain. Finally, the retailer insists on manufacturers' loyalty and is of the view that on severing of the relationship, the manufacturer will be sharing the strategy and production knowledge with competitor

4.9.4 Relationship Improvement

Understanding mutual benefits gained by the parties is outlined as a means through which the relationship between the retailer and manufacturers can be improved. Furthermore, looking into better pricing terms may benefit all parties; extending to the consumer.

4.9.5 Other Observations

Retailer finds the market immature given that the alignment of pricing and quality that exists around the globe does not translate in Kenya. This view was supported by the existence of quality products at lower prices abroad.

4.10 The Manufacturers' Perspective

The manufacturer's view of PLB was gauged using a series of questions (section D of the questionnaire) and the following were the findings.

4.10.1 PLB as Competition or Opportunity for Collaboration

Out of the 14 respondents, 11 manufacturers believe that the PLB strategy is an opportunity for collaboration rather than purely a source of competition. However, 50% of the manufacturers believe that PLB presents some form of competition to their business while the other 50% are of the view that the use of PLB does not result in any competition.

Through the supply of PLB, the manufacturers gained extra shelf space, therefore, increase in supply volumes to the retailers. However, more products on the shelf result to the competition of space allocation, thus creating competition with the PLB and NB.

PLB, though viewed as a means to increase the volumes supplied is only considered a major avenue for growth into new and larger markets through retail distribution, by 5 of the 14 respondents.

Some manufacturers suggested that PLB creates room for more opportunities as the manufacturers invite other retailers to join this game leading to a little competitive advantage.

4.10.2 Challenges Faced in the Supply of PLB

The key challenges faced by the majority of the manufacturers were low and unsustainable profit margins as a result of the pricing strategy. Eight of the manufacturers indicated that low volumes with lower pricing led to low fixed margin which cannot maintain the quality expected by the consumer. Importation challenges were raised due to unpredictable quantities required by the retailer.

4.10.3 Relationship Improvement

An alteration in pricing strategy was recommended by the manufacturers, with half of the respondents advocating for increased volumes to reduce the unit costs, to enjoy the profitability of the PLB sales. Given that additional products will be utilizing excess capacity, thus great benefit.

To improve the effectiveness of the PLB strategy, manufacturers suggested regular meeting and discussions forums to address the challenges faced. Additionally, game plan sharing would enable manufacturers to know the retailers' long-term goals and align their plans for the benefit of both parties.

The relationship between the manufacturers and retailers can be supported, and improved, by honoring their commitments, timely supply and attractive payment terms. If the quality required, is met at an agreeable price then no disputes arise between the two parties. Disagreement results in a sour relationship and may lead to cessation of supply.

4.10.4 Other Observations

Majority of the manufacturers would renew their contracts, and continue taking part in supplying PLB, thus proponents of the strategy and its continuation while 40% would not take up the strategy again given the opportunity

CHAPTER 5 : Discussions, Conclusions And Recommendations

This chapter discusses and examines the findings from the data analysis of factors influencing the supply of private label brand by national brand manufacturers. This discussion centers on the level of attainment of the research objectives of the study and capturing the implications of these findings for the NB manufacturers and retailers in Kenya. This also elaborates the recommendations derived from the study with suggestions for further research.

5.1 The growth of private label brands in Kenya

The launch of private label products in the past three years has witnessed a steady growth of 40%-50% envisaging a further growth of 20% of total revenue in future. This is supported by Ngugi(2016) highlighting the statement quoted by the CEO of a leading supermarket. This has now attracted new entrants into the market with an increasing product range across different product categories.

5.2 Economic Factors

Based on the hypothesis test carried, it is evident that economic factors influence the supply of PLB by NB manufacturers. The cost of production and capacity utilization are the key sub factors influencing the supply based on the unit of manufacturing cost, sharing of fixed costs across all products and efficiency level. Manufacturing cost per unit is the leading factor with high correlation with other factors. This has been supported by Quelch & Harding (1996) who states that there is a benefit from sharing of fixed cost resulting in reduced cost of production. These findings were reinforced by the manufacturers' perception of requesting for an increase in PLB volumes for the benefit as regards cost reduction and economies of scale. Another finding consistent with Dunne & Narasimhan (1999) also supports economies of scale being a prominent factor that influences manufacturing cost per unit. Conversely, Quelch & Harding (1996) posit that losses would derive from insufficient PLB volume related to profits due to diseconomies of scale.

Gomez-Arias & Bello-Acebron (2008) argues that NB manufacturers utilize excess production capacity leading to a high-efficiency level resulting in lower cost of production which is reflects in this study as the third most influencing factor by the Kenyan NB manufacturers.

5.3 Market Factors

The study reveals market factors are the highly rated factors influencing the supply of PLB by Kenyan NB manufacturers. The main sub-factors are shelf space allocation, alternative advertising followed by growth of market share (gain in market share & satisfactory profitability).

Shelf space allocation follows unit manufacturing cost but has a high negative correlation with other factors like a unit of manufacturing cost, sharing of fixed cost, bulk purchases, long-term strategy, enhancement of one's own brand, and mutual benefits. The study supports the above statement carried out by Zammer, Waheed & Mahasin (2012) on unequal competition to increase retailer profitability by allocating favorable shelf space to PLBs.

The research reveals alternative advertising is the second most influential marketing factor, where NB manufacturers get to ride on the PLBs and the retailers brand name, thus marketing is under one roof for their entire product portfolio. This is highly beneficial to the NB manufacturers in comparison to intensive adverting costs for their product under each category. This is evident as the fact supported by Gomez & Benito (2008), on little advertising expenditure and also by Bell, Davie & Howard (1997), on avoidance of expensive advertising and promotion cost in the production of PLBs.

The growth of market share, the third market factor was also observable in the top list of factors highly influencing the supply of PLBs in the research conducted. The gain in market share is a moderate factor in correlation with other factors. However, there is a significant inverse correlation between gain in market share, and manufacturing being a market leader along with the risk of a competitor taking the market share. This is very similar to the study carried out by Gomez & Benito (2008), on NB manufacturers with low market share and non-leading brands support the decision of taking up the supply of PLB, in conjunction with Dune & Narasimhan (1999), aiming at increasing the market share by attacking the market leader. Satisfactory Profitability is also considered as one of the leading factor influencing PLBs.

5.4 Strategic Factors

The analysis of the data revealed that in the Kenyan market, the NB manufacturers are influenced by negotiation and bargaining power, followed by market leadership, expansion through new channels and enhanced manufacturer-retailer relationship.

Kenyan manufacturers perceive PLB venture as collaboration and not as a competition. This has led to balance the manufacturer-retailer relationship as seen in Table 16 and 17 resulting in a healthy discussion on merchandising terms, thus a leading subfactor under strategic factors under analysis. This is seen in the study of Gomez & Benito (2008); NB manufacturers can discuss better merchandising terms while PLBs can negotiate for higher quality and innovation. Based on the responses received and analyzed, this relationship has opened avenues to explore new opportunities, venture into new markets and expansion through new channels leading to the development of their own NB manufacturers brands. All this is achieved with an additional cost to the NB manufacturer, supported by the study of Suarez 2005.

According to the findings of the study, the second most prominent subfactor under strategic factor is long-term strategy influencing the supply of PLB by the Kenyan NB manufacturers. Due to the strong retailer-manufacturer relationship observed in the correlation matrix, the uptake of PLB is a long term strategy. Manufacturers perceive retailers as pioneers in this creative and innovative venture, opening doors to experience the global retail business model.

Another, leading factor observed in the study is the retailer relationship and motivation to the supply of PLB. This relationship creates forums, opportunity to discuss other rising issues, improved supply chain and better trade agreements. In order to facilitate this, few manufacturers abstain from disagreeing with the retailers to avoid sour relationship leading to expulsion from the market and reduction in benefits.

5.5 Win-Win Scenario

The research findings identified challenges in the economic, market and strategic factors influencing the supply growth of PLB by NB manufacturers in Kenya. According to the resource-based theory, the NB manufacturers should have clarity of their core resources and capabilities enabling a competitive advantage against the players in their industry. The core competencies should be the guiding factors in the supply of PLB. NB manufacturers are not susceptible to all factors because of their strong strategies in utilizing market factors in an effective and efficient manner, thus profound economic factor influence than a market factor. Information on retailer's business model of PLB and its future success is vital to the NB manufacturer to formulate win-win strategies.

Quelch & Harding (1996) study reveals, building trade relationships can moderate the pricing concerns for both retailers and NB manufacturers to maximize their profits. This can be accomplished by NB manufacturers leveraging on their knowledge of the supply value-chain value. On the other hand, retailers swamped with customer purchase data can be analyzed thoroughly from a different perspective by both the parties leading to a reduction in the cost of production, increasing efficiency levels all leading to a drastic increase in PLB volume and the retailers to potential value through a decrease in a unit of cost. Given that pricing was identified as a key concern in the Kenyan market, this is a strategy that can be adopted to address the challenge.

When NB manufacturers are formulating PLB supply strategies, they must take into consideration the size and purchasing patterns of consumer segments that will enable them to understand the relevant NBs and PLBs consumers better. Volume purchased and or consumed, and the market share is dependent on the price-change variable. Based on the correlation of the factors influencing the adoption of PLB, there is an opportunity presented to the NB manufacturers to choose between the market share (market factor) and volumes (economic factor) that will lead to a negative or positive profit based on the opted dynamics.

NB manufacturers pricing and promotions strategies are often designed and executed by one retailer or local market or channel. If these strategies are lucrative, they help NB manufacturers to manage their portfolio efficiently utilize the allocated resources effectively, maximize volume and achieve high-level profit.

Every industry has different factors influencing them. This study shows the factors influencing the Kenyan home care and food categories are different. This is identical to the study of Quelch & Harding(1996), who talks of managing each category with different strategies.

In conclusion, the study has found that the threat of private label though real is not entirely negative. There is a need to strike a balance in the benefits accrued by both the retailers and manufacturer from this phenomenon. Therefore, both sides need to collaborate and co-operate to find and implement strategies that are jointly suitable for their firms; while maintaining a view of the long-term. However, given some of the strategies explained may come with partly adverse effects to either party, a compromise can be arrived at, with the optimal point remaining where the marginal benefit of taking on the strategies is greater than the marginal cost.

5.6 Conclusion

This empirical study has investigated and confirmed the growth of PLBs in the Kenyan retail supermarket. It also demonstrates that with economic, market and strategic factors influence the supply of PLBs by NB manufacturers. Of these factors, unit of manufacturing cost was the most influential factor followed by shelf space allocation and better merchandising terms. This is different from the western manufacturers who consider long term commitment as crucial. It has been noted that; different industries have various factors influencing the supply. To a great extent, there is a collaboration between the PLB and NB manufacturers in Kenya; conversely, competition is moderately evident among the PLB and NB manufacturers.

Moreover, the study of the manufacturers' management of PLB clearly shows motivations for their production and differences in their management about the NB that makes up their product portfolio.

The most compelling evidence within this research displays, pricing strategy as a significant concern to both the parties regarding profit margins, production and sales volumes and price-wars. Manufacturers view this emerging retailer PLB strategy as a new venture and consider themselves pioneers in the implementation of this novel strategy.

Lastly, this study enlightens manufacturers and retailers on the prominent factors influencing the supply of PLBs and assisting in their strategic decisions making to manufacture and retail the PLBs. This is based on factual evidence validating the key factors at play in the Kenyan context depicting a clear, unbiased view of this area of research. It has given insights into both NB manufacturers and retailers' perspective regarding the PLB strategy leading to 60% of them

willing PLB gave the opportunity. The retail sector in Kenya is a booming industry with 20% market share of formal retail and 80% traditional market share waiting to be tapped into (Euromonitor International, 2015).

Further findings were that understanding why NB manufacturers manage their production of PLB is of greater economic value in terms of unit cost of manufacturing followed by better-merchandising terms and shelf space allocation.

In summary, this study reveals that the contributing factors of the west market may not be the same as those of PLB manufacturers in Kenya, but some of these factors appear leading in the West, which does not appear in Kenyan. The difference in the Economy and knowledge is at the immature stage where an understanding of this concept is taking place after the huge shift it has created. The thirst for how to manage PLB and what is happening in the outside world is now coming to light for all the stakeholders in the Kenyan context.

5.7 Recommendations For Retailers And Manufacturers

Some recommendations applicable to both retailers and manufacturers can be drawn from the conclusion of this research. Globally PLBs are growing, this is also being seen in Kenya by many retailers. The Kenyan retail and manufacturing sector are the fast growing industries. It is important that manufacturers and retailers work together since the PLB phenomenon is here to stay (Cuneo, Milberg, & Benavente, 2015).

Based on the responses received from both the retailers and manufacturers, knowledge sharing of consumer trends and behavior pattern together with manufacturers' strengths and challenges should create a platform for discussion. These discussions should begin the platform for fixing political, economic, social, technological, environmental and legal challenges affecting the trade relationships. Retailers cannot exist without NBs, hence, should not view PLBs as a threat rather compete for innovation, culminating to mutual benefits (Dunne & Narasimhan, 1999).

The analysis of the responses of the both parties showed that disputes can be avoided with a robust partnership contract entailing statutory responsibilities, pricing strategies, clear-cut terms and conditions, long-term plans and goals, shared vision and business reviews, favorable

payment terms along with indemnity. Successful manufacturer's characteristic is developing a broad range of contacts across many retailer departments.

NB manufacturers should revisit and accelerate the pace of their direct-to-consumer efforts. NB manufacturers need to develop a product portfolio reflecting each retailer's consumer base, which includes local products and enhancing their packaging and product performance. Underlying each of these suggested strategies is the need to address the diminishing disparity between NB and PLB through a renewed focus on differentiation (Conroy & Narula, 2010).Based on the evolution of objectives and processes, Kenyan market needs to move at a faster pace to be on par with the 60-year-old global PLB market.

The world and retail industry are changing very quickly, one must have a plan and needs to create value by producing or providing safe and healthy products thus building confidence. Brands, manufacturers and retailers have different roles in the above and should know the customer is the King, now and in the future (Private Label Manufacturers Association International Council, 2015).

5.8 Limitations of the Study

Manufacturers had reservations regarding sharing information; that would have otherwise been essential to the study, especially quantitative data. They felt that such data may end up reaching their competitors which would affect their operations.

Additionally, the accessible company contacts did not yield any useful response, and this compelled the researcher to use referrals to access the respondents crucial to the study. The respondents had limited time owing to the nature of their work (in senior management positions) hence had to be convinced to spare at least a few minutes to respond to the questionnaire. The PLB growth trends factual data was not disclosed, and thus, only qualitative data was obtained through an interview.

Finally, the NB manufacturers supplying PLB in Kenya are 17, of whom only 14 were responsive. This resulted in a fixed and limited sample size which made some forms of statistical inference impossible

5.9 Areas for further research

This study is limited to only three categories of factors thus a further study can conduct an in-depth analysis of other factors existing in the Kenyan market. This study sets the ground for additional studies to be carried out such as manufacturer's characteristics that lead to the supply of PLBs and non-PLB supplier, aspiring manufacturers willing to venture into PLBs and factors influencing the retailers in venturing into PLBs.

There is limited availability of information on PLBs and NBs manufacturers' literature in emerging markets, like Africa, which makes it more challenging to compare and contrast with other similar studies. A larger population can be explored for better results while exploring other markets. Moreover, this research has limitations as it is based on the initial stages of PLB venture.

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Appendices

Appendix 1 : Letter of Introduction and Research Questionnaire

QUESTIONNAIRE TO THE MANUFACTURER

Dear Participant;

I am Bhavika Chotaliya, an MBA student at Strathmore Business School conducting research on "An Analysis Of The Factors Influencing The Supply Of Private Label Brands (PLB) By National Brand (NB) Manufacturers In Kenya''.

At this stage of my thesis, I am concerned with collecting data from National Brand Manufacturers producing Private Label Brands which would not be possible without your contribution.

I would, therefore, be very grateful if you could spare about 20 minutes of your time to complete the enclosed questionnaire. All information collected will be treated in the strictest confidence. Responses will not be attributed to any individual or company. The responder shall remain anonymous. Results will be reported in the form of aggregated statistics.

Companies participating in this study are all the supplier of Private Label Brands

Should you have any questions, feel free to contact me on my phone +254 735780640 or email: bhaika1489@yahoo.com or contact Strathmore Business School, Strathmore Univeristy, Madaraka Estate, Ole Sangale Road, Nairobi

Regards

Bhavika Chotaliya,

MBA Student,

Strathmore Business School.

Consent

I have read the above information regarding the research study and consent to participate in this study_____ (Name of the Respondent) 25/02/2016 (Date)

SECTION A: General information

This section aims at gathering general information about the organisation.

1.	Name of the respondent	
2.	Designation of the respondent	
3.	Product category for Private Label Brands	
4.	Number of employees	
5.	Contact details:Telephone number Emaill address	
6	How old is the organisation?	

SECTION B: Factors influencing the supply of Private Label Brand (Blue Label) by Nationa Brand Manufacturers

This section aims at establishing the factors that influence the supply of the Private Label Brand (Blue Label). Please answer the questions indicated by ticking the most appropriate response.

KEY:

1	No influence
2	Slight Influence
3	Moderate Influence
4	High Influence
5	Very High Influence

B.1 Economic factors

To what extent do the following attributes influence the supply of private label brands manufacturing?

	Factor	**1**	**2**	**3**	**4**	**5**
	Cost of Production					
1	Unit manufacturing cost					
2	Unit distribution cost					
3	Sharing of fixed costs across all products					
	Capacity Utilization					
4	Excess capacity					
5	Efficiency level					
6	Switching cost					
	Economies Of Scale					
7	Bulk purchases					
8	Inventory costs					
9	Storage					

B.2 Market factors

To what extent do the following attributes influence the supply of private label brands manufacturing?

	Factor	**1**	**2**	**3**	**4**	**5**
	Allocation of Shelf Space					
10	Shelf space size					
11	Shelf space allocation					
12	Dominating shelf space					
	Growth of market share					
13	Gain in market share					
14	Satisfactory profitability					
15	Cannibalization of one's own brand sales					
	Alternative Advertising					
16	No advertising budget					
17	Riding on supermarket brand					
18	Promotion costs					

B.3 Strategic factors

To what extent do the following attributes influence the supply of private label brands manufacturing?

	Factor	1	2	3	4	5
	Expansion through New Channels					
19	Possibility of remaining in the market					
20	Entrance into new markets					
	Negotiation and Bargaining Power					
21	Improved negotiating power					
22	Better merchandising terms					
	Market Competition					
23	Risk of competitors taking up the market share					
24	Gain of competitive advantage					
	Enhanced Manufacturer-Retailer Relationship					
25	Co-operation with retailers					
26	Enhancement of one's own brand					
27	Mutual benefits					
	Means of Supermarket Control					
28	Way of controlling PLB					

	Factor	1	2	3	4	5
	Market Leadership					
28	Size of the firm					
30	Market leader					
31	Long-term strategy					
	Any other factors – Specify and rate					
32						
33						
34						

SECTION C: <u>Growth of Private Label Brands</u>

1. What was the sales or volumes of supplies of ALL PLB products in the following years in both quantities and value? (approximate figures)

	2013		2014		2015	
	Total Qty (pcs)	**Kshs (m)**	**Total Qty (pcs)**	**Kshs(m)**	**Total Qty (pcs)**	**Kshs (m)**
BlueLabel Products Supplies						

SECTION D: Manufacturer's Perspectives On PLBs

This section informs the study of the National Brand manufacturer's reaction to the effects of taking up the supply of PLB.

1. What is your perspective on the supplier- retailer relationship in terms of good, moderate or poor?
   _____
   _____
2. Do you view the introduction of Private Label Brands as competition or an opportunity for collaboration?_____
   _____
   _____
3. What challenges have you faced in the supply of PLB to the retailer?
   _____
   _____
   _____
4. What can be done to improve this relationship?
   _____
   _____
   _____
   _____
   _____
5. Do you have any other comments or observations?
   _____
   _____
   _____
   _____
   _____

Thank you for taking time to fill in the questionnaire

Appendix 2 : Questionnaire To The Retailer

Dear Participant,

I am Bhavika Chotaliya, an MBA student at Strathmore Business School conducting research on “An Analysis Of The Factors Influencing The Supply Of Private Label Brands (PLB) By National Brand (NB), Manufacturers In Kenya’’. At this stage of my thesis, I am concerned with collecting data from National Brand Manufacturers producing Private Label Brands and the Retailer in the study.

This, however, would not be possible without your contribution, and I would, therefore, be very grateful if you could spare an about 20 minutes of your time to complete the enclosed questionnaire.

I assure you that your response will be treated with complete confidentiality and used only for research purposes. Should you have any questions, feel free to contact me on my phone +254 735780640 or email: bhaika1489@yahoo.com. Alternatively, contact Strathmore Business School, Strathmore Univeristy, Madaraka Estate, Ole Sangale Road, Nairobi.

Regards

Bhavika Chotaliya,

MBA Student,

Strathmore Business School.

Consent

I have read the above information regarding the research study and consent to participate in this study.

_____ (Name of the Respondent)

_____(Date)

SECTION A: The Growth of Private Label Brand in terms of sales in quantities and KSHS. over the past three years:

	Categories	2013		2014		2015	
		Total Qty (pcs)	Kshs (m)	Total Qty (pcs)	Kshs (m)	Total Qty (pcs)	Kshs (m)
	Tissue Paper						
	Beverages						
	Sanitary						
	Spices						
	Organic Beverages						
	Grains						
	Food Additives						
	Flour						
	Sanitary						
	Spreads						
	Flour						
	Home Care And Personal Care						
	Snacks						
	Dairy Products						
	Tea						

SECTION B: <u>Retailers Perspective on PLBs</u>

1. What is your perspective on supplier- retailer relationships?

		Good (3)	Moderate (2)	Poor (1)
1	Tissue Paper			
2	Beverages			
3	Sanitary			
4	Spices			
5	Organic Beverages			
6	Grains			
7	Food Additives			
8	Flour			
9	Sanitary			
10	Spreads			
11	Flour			
12	Home Care And Personal Care			
13	Snacks			
14	Dairy Products			
15	Tea			
16				
17				

SECTION B: Retailers Perspective on PLBs.

2. What is your perspective on supplier- retailer relationship?

   _____
   _____
   _____

3. Do you see the introduction of Private Label Brands as competition or an opportunity for collaboration?

   _____
   _____
   _____

4. What challenges have you faced in the supply of PLB from the National Brand Manufacturers?

   _____
   _____
   _____

5. What can be done to improve these relationships?

   _____
   _____
   _____
   _____
   _____

6. Do you have any other comments or observations?

   _____
   _____
   _____
   _____

Thank you for taking time to fill in the questionnaire

Appendix 3 : List of NB manufacturers in Kenya supplying PLB

The table below provides the names of the PLB and NB manufacturers, the categories in which they operate and their location in Kenya.

CODE	MANUFACTURERS	LOCATION	CATEGORY OF PRODUCTS
M1	MANUFACTURER 1	NAIROBI	FOOD
M2	MANUFACTURER 2	NAIROBI	HOMECARE
M3	MANUFACTURER 3	MOMBASA	FOOD
M4	MANUFACTURER 4	NAIROBI	FOOD
M5	MANUFACTURER 5	NAIROBI	FOOD
M6	MANUFACTURER 6	NAIROBI	HOMECARE
M7	MANUFACTURER 7	NAIROBI	HOMECARE
M8	MANUFACTURER 8	NAIROBI	FOOD
M9	MANUFACTURER 9	NAIROBI	FOOD
M10	MANUFACTURER 10	NAIROBI	FOOD
M11	MANUFACTURER 11	NAIROBI	HOMECARE
M12	MANUFACTURER 12	NAIROBI	FOOD
M13	MANUFACTURER 13	NAIROBI	FOOD
M14	MANUFACTURER 14	NAIROBI	HOMECARE
NONE	MANUFACTURER 15	ELDORET	FOOD
NONE	MANUFACTURER 16	NAIROBI	FOOD
NONE	MANUFACTURER 17	NAIROBI	FOOD

Appendix 4 : Demographic profile

1	Small (0 - 100)	2
2	Medium (101 - 500)	7
3	Large (>500)	4

Table 18: Distribution of the firms in different size brackets based on number of employees

Appendix 5 : Cross tabulation

Economic factors * Category Cross tabulation

			Category		
			FOOD	HOMECARE	Total
Economic factors	NO INFLUENCE	Count	2	0	2
		% within Category	22.2%	0.0%	14.3%
	SLIGHT INFLUENCE	Count	0	1	1
		% within Category	0.0%	20.0%	7.1%
	MODERATE INFLUENCE	Count	3	2	5
		% within Category	33.3%	40.0%	35.7%
	HIGH INFLUENCE	Count	3	2	5
		% within Category	33.3%	40.0%	35.7%
	VERY HIGH INFLUENCE	Count	1	0	1
		% within Category	11.1%	0.0%	7.1%
Total		Count	9	5	14
		% within Category	100.0%	100.0%	100.0%

Market factors * Category Cross tabulation

			Category		
			FOOD	HOMECARE	Total
Marketing factors	NO INFLUENCE	Count	0	1	1
		% within Category	0.0%	20.0%	7.1%
	SLIGHT INFLUENCE	Count	0	2	2
		% within Category	0.0%	40.0%	14.3%
	MODERATE INFLUENCE	Count	5	1	6
		% within Category	55.6%	20.0%	42.9%
	HIGH INFLUENCE	Count	4	1	5
		% within Category	44.4%	20.0%	35.7%
Total		Count	9	5	14
		% within Category	100.0%	100.0%	100.0%

Strategic factors * Category Crosstabulation

			Category		
			FOOD	HOMECARE	Total
Strategic factors	NO INFLUENCE	Count	1	0	1
		% within Category	11.1%	0.0%	7.1%
	MODERATE INFLUENCE	Count	3	5	8
		% within Category	33.3%	100.0%	57.1%
	HIGH INFLUENCE	Count	3	0	3
		% within Category	33.3%	0.0%	21.4%
	VERY HIGH INFLUENCE	Count	2	0	2
		% within Category	22.2%	0.0%	14.3%
Total		Count	9	5	14
		% within Category	100.0%	100.0%	100.0%

Appendix 6 : Communalities

		Initial	Extraction
1	Unit manufacturing cost	1.000	.998
2	Shelf space allocation	1.000	.987
3	Better merchandising terms	1.000	.984
4	No advertising budget	1.000	.982
5	Satisfactory profitability	1.000	.969
6	Gain in market share	1.000	.967
7	Storage	1.000	.966
8	Long-term strategy	1.000	.964
9	Riding on supermarket brand	1.000	.959
10	Market leader	1.000	.958
11	Sharing of fixed costs across all products	1.000	.954
12	Possibility of remaining in the market	1.000	.947
13	Promotion costs	1.000	.941
14	Bulk purchases	1.000	.937
15	Inventory costs	1.000	.928
16	Switching cost	1.000	.925
17	Dominating shelf space	1.000	.919
18	Risk of competitors taking up the market share	1.000	.917
19	Entrance into new markets	1.000	.910
20	Shelf space size	1.000	.910
21	Mutual benefits	1.000	.897
22	Cannibalization of one's own brand sales	1.000	.894
23	Unit distribution cost	1.000	.889
24	Efficiency level	1.000	.885
25	Improved negotiating power	1.000	.880
26	Co-operation with retailers	1.000	.866
27	Enhancement of one's own brand	1.000	.854
28	Gain of competitive advantage	1.000	.853
29	Way of controlling PLB	1.000	.818
30	Excess capacity	1.000	.815
31	Size of the firm	1.000	.806

Appendix 7 : Reproduced Correlations tables

Reproduced Correlations												
		B1	B2	B3	B4	B5	B6	B7	B8	B9	B10	B11	B12
B1	Unit manufacturing cost	.998a	0.647	0.807	0.523	0.819	0.294	0.790	0.656	0.358	0.065	-0.002	0.025
B2	Unit distribution cost	0.647	.889a	0.470	0.430	0.706	0.077	0.459	0.339	0.598	0.206	0.167	0.203
B3	Sharing of fixed costs across all products	0.807	0.470	.954a	0.551	0.719	0.145	0.416	0.384	0.131	-0.149	-0.107	0.162
B4	Excess capacity	0.523	0.430	0.551	.815a	0.657	0.056	0.267	0.455	0.257	0.253	0.241	0.374
B5	Efficiency level	0.819	0.706	0.719	0.657	.885a	0.347	0.557	0.623	0.525	0.334	0.325	0.403
B6	Switching cost	0.294	0.077	0.145	0.056	0.347	.925a	0.417	0.563	0.443	0.278	0.250	0.205
B7	Bulk purchases	0.790	0.459	0.416	0.267	0.557	0.417	.937a	0.783	0.486	0.052	-0.087	-0.241
B8	Inventory costs	0.656	0.339	0.384	0.455	0.623	0.563	0.783	.928a	0.632	0.361	0.280	0.167
B9	Storage	0.358	0.598	0.131	0.257	0.525	0.443	0.486	0.632	.966a	0.451	0.418	0.364
B10	Shelf space size	0.065	0.206	-0.149	0.253	0.334	0.278	0.052	0.361	0.451	.910a	0.921	0.705
B11	Shelf space allocation	-0.002	0.167	-0.107	0.241	0.325	0.250	-0.087	0.280	0.418	0.921	.987a	0.836
B12	Dominating shelf space	0.025	0.203	0.162	0.374	0.403	0.205	-0.241	0.167	0.364	0.705	0.836	.919a
B13	Gain in market share	0.388	0.247	0.344	0.204	0.338	-0.176	0.041	0.062	0.022	0.397	0.429	0.411
B14	Satisfactory profitability	0.730	0.445	0.781	0.377	0.539	0.165	0.396	0.207	0.050	-0.319	-0.355	-0.108
B15	Cannibalization of one's own brand sales	0.080	0.031	-0.058	-0.058	0.146	0.667	0.114	0.246	0.357	0.356	0.322	0.285
B16	No advertising budget	0.431	0.414	0.204	0.055	0.412	0.140	0.360	0.210	0.101	0.298	0.297	0.101
B17	Riding on supermarket brand	0.449	0.451	0.358	0.120	0.468	0.021	0.234	0.124	0.074	0.276	0.331	0.245
B18	Promotion costs	0.183	0.379	0.268	-0.155	0.215	0.059	-0.083	-0.310	-0.075	-0.110	-0.029	0.071
B19	Possibility of remaining in the market	0.145	0.107	0.199	0.252	0.376	0.142	-0.130	0.182	0.163	0.725	0.847	0.816
B20	Entrance into new markets	0.532	0.236	0.516	0.434	0.619	0.289	0.269	0.471	0.161	0.534	0.605	0.579
B21	Improved negotiating power	0.302	0.067	0.601	-0.025	0.214	-0.078	-0.016	-0.067	-0.146	-0.251	-0.104	0.133
B22	Better merchandising terms	0.172	0.374	0.250	-0.150	0.260	0.347	-0.020	-0.172	0.105	-0.075	0.000	0.125
B23	Risk of competitors taking up the market share	0.017	0.332	0.128	0.627	0.366	-0.106	-0.088	0.208	0.357	0.318	0.360	0.479
B24	Gain of competitive advantage	0.593	0.391	0.691	0.652	0.699	0.191	0.374	0.599	0.401	0.228	0.288	0.445
B25	Co-operation with retailers	0.462	0.133	0.725	0.317	0.452	0.075	0.166	0.270	0.016	-0.072	0.056	0.282
B26	Enhancement of one's own brand	0.012	0.070	0.140	-0.389	-0.055	-0.145	-0.033	-0.138	0.104	-0.149	-0.032	0.028
B27	Mutual benefits	0.618	0.314	0.817	0.414	0.539	-0.107	0.265	0.281	0.064	-0.100	-0.010	0.214
B28	Way of controlling PLB	0.510	0.614	0.316	0.345	0.632	0.524	0.449	0.550	0.767	0.435	0.398	0.406
B29	Size of the firm	0.635	0.729	0.646	0.382	0.610	0.048	0.376	0.232	0.430	-0.135	-0.142	0.068
B30	Market leader	0.196	0.189	0.253	0.011	0.191	0.231	0.319	0.422	0.636	-0.097	-0.065	0.073
B31	Long-term strategy	0.704	0.496	0.815	0.496	0.645	0.060	0.474	0.407	0.196	-0.228	-0.192	0.015

Reproduced Correlations													
		B15	B16	B17	B18	B19	B20	B21	B22	B23	B24	B25	B26
B1	Unit manufacturing cost	0.080	0.431	0.449	0.183	0.145	0.532	0.302	0.172	0.017	0.593	0.462	0.012
B2	Unit distribution cost	0.031	0.414	0.451	0.379	0.107	0.236	0.067	0.374	0.332	0.391	0.133	0.070
B3	Sharing of fixed costs across all products	-0.058	0.204	0.358	0.268	0.199	0.516	0.601	0.250	0.128	0.691	0.725	0.140
B4	Excess capacity	-0.058	0.055	0.120	-0.155	0.252	0.434	-0.025	-0.150	0.627	0.652	0.317	-0.389
B5	Efficiency level	0.146	0.412	0.468	0.215	0.376	0.619	0.214	0.260	0.366	0.699	0.452	-0.055
B6	Switching cost	0.667	0.140	0.021	0.059	0.142	0.289	-0.078	0.347	-0.106	0.191	0.075	-0.145
B7	Bulk purchases	0.114	0.360	0.234	-0.083	-0.130	0.269	-0.016	-0.020	-0.088	0.374	0.166	-0.033
B8	Inventory costs	0.246	0.210	0.124	-0.310	0.182	0.471	-0.067	-0.172	0.208	0.599	0.270	-0.138
B9	Storage	0.357	0.101	0.074	-0.075	0.163	0.161	-0.146	0.105	0.357	0.401	0.016	0.104
B10	Shelf space size	0.356	0.298	0.276	-0.110	0.725	0.534	-0.251	-0.075	0.318	0.228	-0.072	-0.149
B11	Shelf space allocation	0.322	0.297	0.331	-0.029	0.847	0.605	-0.104	0.000	0.360	0.288	0.056	-0.032
B12	Dominating shelf space	0.285	0.101	0.245	0.071	0.816	0.579	0.133	0.125	0.479	0.445	0.282	0.028
B13	Gain in market share	0.196	0.114	0.274	0.040	0.622	0.485	0.313	-0.128	-0.161	0.200	0.225	0.170
B14	Satisfactory profitability	0.218	-0.054	0.037	0.231	-0.127	0.133	0.336	0.251	-0.153	0.299	0.319	-0.065
B15	Cannibalization of one's own brand sales	.894a	-0.219	-0.274	-0.069	0.187	0.053	-0.222	0.161	-0.254	-0.118	-0.246	-0.205
B16	No advertising budget	-0.219	.982a	0.921	0.609	0.350	0.559	0.222	0.511	0.004	0.206	0.260	0.224
B17	Riding on supermarket brand	-0.274	0.921	.959a	0.671	0.483	0.637	0.432	0.536	0.061	0.323	0.439	0.362
B18	Promotion costs	-0.069	0.609	0.671	.941a	0.133	0.181	0.440	0.899	-0.141	-0.041	0.229	0.378
B19	Possibility of remaining in the market	0.187	0.350	0.483	0.133	.947a	0.776	0.300	0.084	0.202	0.410	0.394	0.170
B20	Entrance into new markets	0.053	0.559	0.637	0.181	0.776	.910a	0.394	0.142	0.187	0.631	0.605	0.098
B21	Improved negotiating power	-0.222	0.222	0.432	0.440	0.300	0.394	.880a	0.347	-0.193	0.372	0.754	0.650
B22	Better merchandising terms	0.161	0.511	0.536	0.899	0.084	0.142	0.347	.984a	-0.111	-0.015	0.188	0.299
B23	Risk of competitors taking up the market share	-0.254	0.004	0.061	-0.141	0.202	0.187	-0.193	-0.111	.917a	0.506	0.132	-0.278
B24	Gain of competitive advantage	-0.118	0.206	0.323	-0.041	0.410	0.631	0.372	-0.015	0.506	.853a	0.682	0.077
B25	Co-operation with retailers	-0.246	0.260	0.439	0.229	0.394	0.605	0.754	0.188	0.132	0.682	.866a	0.408
B26	Enhancement of one's own brand	-0.205	0.224	0.362	0.378	0.170	0.098	0.650	0.299	-0.278	0.077	0.408	.854a
B27	Mutual benefits	-0.283	0.206	0.410	0.171	0.336	0.548	0.729	0.062	0.127	0.691	0.810	0.391
B28	Way of controlling PLB	0.557	0.100	0.099	0.067	0.249	0.269	-0.083	0.238	0.200	0.357	0.036	-0.058
B29	Size of the firm	0.040	0.110	0.217	0.333	-0.060	0.100	0.287	0.350	0.183	0.400	0.288	0.156
B30	Market leader	0.153	-0.316	-0.235	-0.231	-0.081	-0.063	0.265	-0.083	0.062	0.373	0.297	0.439
B31	Long-term strategy	-0.390	0.399	0.493	0.313	0.031	0.429	0.536	0.285	0.313	0.714	0.721	0.222

Reproduced Correlations						
		B27	B28	B29	B30	B31
B1	Unit manufacturing cost	0.618	0.510	0.635	0.196	0.704
B2	Unit distribution cost	0.314	0.614	0.729	0.189	0.496
B3	Sharing of fixed costs across all products	0.817	0.316	0.646	0.253	0.815
B4	Excess capacity	0.414	0.345	0.382	0.011	0.496
B5	Efficiency level	0.539	0.632	0.610	0.191	0.645
B6	Switching cost	-0.107	0.524	0.048	0.231	0.060
B7	Bulk purchases	0.265	0.449	0.376	0.319	0.474
B8	Inventory costs	0.281	0.550	0.232	0.422	0.407
B9	Storage	0.064	0.767	0.430	0.636	0.196
B10	Shelf space size	-0.100	0.435	-0.135	-0.097	-0.228
B11	Shelf space allocation	-0.010	0.398	-0.142	-0.065	-0.192
B12	Dominating shelf space	0.214	0.406	0.068	0.073	0.015
B13	Gain in market share	0.432	0.250	0.219	-0.053	-0.024
B14	Satisfactory profitability	0.496	0.368	0.683	0.152	0.496
B15	Cannibalization of one’s own brand sales	-0.283	0.557	0.040	0.153	-0.390
B16	No advertising budget	0.206	0.100	0.110	-0.316	0.399
B17	Riding on supermarket brand	0.410	0.099	0.217	-0.235	0.493
B18	Promotion costs	0.171	0.067	0.333	-0.231	0.313
B19	Possibility of remaining in the market	0.336	0.249	-0.060	-0.081	0.031
B20	Entrance into new markets	0.548	0.269	0.100	-0.063	0.429
B21	Improved negotiating power	0.729	-0.083	0.287	0.265	0.536
B22	Better merchandising terms	0.062	0.238	0.350	-0.083	0.285
B23	Risk of competitors taking up the market share	0.127	0.200	0.183	0.062	0.313
B24	Gain of competitive advantage	0.691	0.357	0.400	0.373	0.714
B25	Co-operation with retailers	0.810	0.036	0.288	0.297	0.721
B26	Enhancement of one’s own brand	0.391	-0.058	0.156	0.439	0.222
B27	Mutual benefits	.897a	0.114	0.472	0.327	0.749
B28	Way of controlling PLB	0.114	.818a	0.509	0.394	0.171
B29	Size of the firm	0.472	0.509	.806a	0.364	0.576
B30	Market leader	0.327	0.394	0.364	.958a	0.282
B31	Long-term strategy	0.749	0.171	0.576	0.282	.964a