

Eco-friendly store brands are a 'win-win-win situation'

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Private label brands (PLBs), like Costco's Kirkland or Walmart's Great Value, [represent 17 per cent of total sales in the United States](#), growing by about 13 per cent annually. That's big business for retailers, and it could be bigger still.

A new study published in the *Journal of Retailing* by researchers with Concordia University in Montreal shows profits for PLBs, also called store brands, can increase if companies couple ethical marketing with higher prices.

"Our findings indicate that consumers expect products with ethical attributes—be they environmentally friendly, sustainably sourced or fair trade—to come with a higher price tag. Companies would be wise to take advantage of those expectations," says Maryam Tofighi, Concordia graduate student and one of the coauthors.

However, the researchers also found that consumers' evaluations of store brands with a lower price point do not benefit from the presence of ethical attributes aimed at enhancing social welfare or environmental protection.

If consumers are interested in maximizing product benefits while minimizing their financial outlay, why don't they choose a low-priced store brand with an ethical attribute over one without?

Because, explains the study's lead author—Concordia marketing professor Onur Bodur, a higher price point signals a standard or premium quality tier positioning that is further strengthened by benefits associated with the ethical attribute (for example, a healthier product).

"These sorts of positive evaluations do not extend to low-priced store brands simply because ethical attributes aren't seen to contribute to the economic benefit which arise from their purchase."

In fact, the reverse is true. When ethical attributes are eliminated from economy store brands, their perceived value increases. "Consumer evaluations are in line with this argument," Bodur says.

The study's findings have important implications for retailers pursuing a two-tier store brand strategy, which includes economy store brands and premium ones.

"Even if the higher-priced store brands with ethical attributes cost more to produce, retailers stand to gain back a larger percentage of the costs associated with their production, because consumers will deem them to be worth the extra charge," says Tofighi.

The presence of ethical attributes in [store brands](#) with higher price points may also improve their competitiveness against manufacturers' national brands, the study concludes.

"When it comes to premium PLB brands, this is a win-win-win situation," Bianca Grohmann, Concordia Research Chair in Marketing and study co-author, says. "Companies see increased profits, consumers get improved products, and the environment experiences better protection."

More information: H. Onur Bodur et al, When Should Private Label Brands Endorse Ethical Attributes?, *Journal of Retailing* (2015). [DOI: 10.1016/j.jretai.2015.11.001](https://doi.org/10.1016/j.jretai.2015.11.001)

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