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Development of Distributor Brands vs. Development of Manufacturer Brands

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Abstract

The level of proficiency in conducting new product development (NPD) activities varies among organizations, and how different NPD activities are performed is perceived to be important for the outcome of the NPD process (Cooper 1993, 1998, 1999). Contrary to NPD activities, differences among NPD actors are not frequently studied. Actors are assumed to be equal and comparable. In this study we have investigated how actors affect activities and outcome in NPD, and thereby extended the traditional focus on activities. Two distinct actors, manufacturers and distributors, that both develop new products were studied. While most NPD studies have been conducted among manufacturers, few studies have looked at how distributors develop new products. Consequently, we wanted to investigate if manufacturers and distributors conducted different NPD activities, and if the outcome of a NPD process controlled by a manufacturer differed from the outcome of a process controlled by a distributor.

In-depth interviews with manufacturers and distributors within the grocery industry in Norway were conducted, and sales numbers from an AC Nielsen Scan Track database were analyzed. We observed that different actors had different goals, conducted different activities, and reached different outcome.

Introduction

New product development (NPD) is perceived to be central to business prosperity, and many studies have been conducted to detect what drives success in NPD (Cooper, 1990; 1993; Cooper and Kleinschmidt, 1986; 1987). According to Cooper (1999) two classes of success factors have been uncovered. The first deals with doing the right projects; the second with doing projects right (Cooper 1999:115). Doing the right project is captured by a number of external or environmental success factors over which the project team has little control. Although perceived as important these factors are not as often investigated. The second type of success factors emphasize doing projects right and focus on how different activities are performed. Many NPD studies have been occupied with revealing these controllable factors that are perceived to make the difference between winners and losers.

NPD studies have been criticized for focusing too much on activities. According to the IMP group, interdependencies exist between activities, actors and resources and to emphasize only activities is a too narrow approach (Håkansson, 1987). Contradictory to the traditional approach within NPD, where resources are perceived as given and actors are viewed as independent and distinct units with clear boundaries, the IMP approach perceives resources to be heterogeneous and actors to be unique. One of the main contributions of the IMP research is the development of the ARA-framework, which provides insight into interdependencies between activities, actors and resources (Håkansson, 1987:17).

To try to extend the activity focus within NPD, the actor perspective from the ARA framework is included. Traditionally, activities are perceived as antecedents to NPD outcome, and success factors describe different activities which increase the level of NPD success. Since different actors might have different goals, and might utilize different activities to reach these goals, we want to include actors. The aim of this study is to explore how different actors might affect NPD activities and NPD outcome.

The setting studied is NPD within the grocery industry in Norway. Two different actors, which both develop new products are investigated. These actors are manufacturers and distributors. While the manufacturers primary commitment always has been to develop and produce new products, the distributors traditional dedication has been to distribute and sell these products. Although, lately distributors have started to develop and produce their own products. The level of penetration for distributor brands varies widely across industries and countries (Steenkamp and Dekimpe, 1997), and different products are obviously at different stages of evolutionary development (Glémet and Mira, 1993). But evidence suggests that distributor brands will continue to grow - driven, in part by the self interest of retailers, which view distributor brands as a strong contributor to profitability, as measured in terms of return on sales (Glémet and Mira 1993).

In spite of the emergence and growing importance of distributor brands, most conceptual and empirical research still focuses on manufacturer brands (Steenkamp and Dekimpe,

1997). Accordingly, many NPD studies have been conducted among manufacturers, while less is known about how NPD is performed among distributors. Distributors and manufacturers have different goals for developing new products. While distributors focus on how to get the best, meaning the most profitable, product assortment in their store, manufacturers often emphasize how to achieve an efficient production line. Unutilized facilities and free capacity might trigger the development of new manufacturer brands, while a wish for higher margins might trigger the distributors to develop their own brands. These differences between manufacturers and retailers have triggered us to investigate how the NPD process for distributors differ from the manufacturer's NPD process, and if the outcome of a NPD process controlled by a manufacturer differ from the outcome of a process controlled by a distributor.

The article is structured as follows. First a brief literature review of branding definitions, NPD activities and NPD outcome are presented to motivate two research questions. Then the methodology is described, before empirical observations are depicted and discussed.

Theoretical Background

Actors

One of the requisites for the development of science in marketing is preciseness in language. Definitions need to be explicit, and people should not use the same word with different meaning. Already back in 1969 Schutte recognized what he called the outdated and confusing terminology within branding. He presented a list of many different terms and descriptors and their respective fuzziness in meaning used to characterize different kinds of brands used in branding. Concepts as national brands, private labels, store brands, manufacturer brands and our own brands are just some of the terms mentioned as troublesome by Schutte. All of these terms are still actively used within marketing (see table 1), but the meaning of the words has changed over time. Historically the concept national brand captured brands advertised and sold throughout the whole nation. These national brands were owned by manufacturers and marketed to wholesalers and retailers within the channel of distribution. The term private brand was coined in the early part of the last century to denote products that were not advertised in national magazines. These private brands referred to those products that were branded privately by distributors (Schutte, 1969:8). To day it is often ownership and control that distinguishes national brands from private brands. It seems like the two concepts presented by Schutte (1969) have influenced how the concepts are understood and defined (Raju, Sethuramen and Dhar, 2001; Dhar and Hoch, 1997; Richardson, Dick and Jain, 1994), even though the labels, manufacturer brand and distributor brand, not are frequently used. In this article both the labels and the definitions are to be included.

Manufacturers brand: owned and controlled by an organization whose primary commitment is production.

Distributors brand: owned and controlled by an organization whose primary commitment is distribution.

Table 1: Brand definitions

Article	Definitions
Raju, Sethuraman, Dhar (2001), MS	Store brands, or private labels are brands owned, controlled, and sold exclusively by a retailer
Dhar & Hoch (1997), MS	Store brands are the only brand for which the retailer takes on all responsibility- from development, sourcing, and warehousing to merchandising and marketing.
Hoch (1996),SMR	Private labels differ from national brands in several distinct ways: <ol style="list-style-type: none"> 1. PL is the only trademark that recurs throughout the store 2. PL is the only product (other than fresh meat, produce, and deli items) for which the retailer absorbs all marketing and inventory investments. 3. PL are guaranteed full distribution 4. PL get 100 percent pass-through on trade deals
Burt (2000), EJM	Retail brands Morris (1979): Consumer products produced by or on behalf of, distributors and sold under the distributor's own name or trademark through the distributor's own outlet. Key factors: <ul style="list-style-type: none"> • The process of retail brand production • the labeling of the product range • the unique availability of the product
Richardson, Dick & Jain (1994), JM	Store brand grocery items are products owned and branded by organizations whose primary economic commitment is distribution rather than production (Schuttee 1969)
AC Nielsen (2002)	Private labels are products that are sold exclusively in one particular store 4 types: Generic, store brand, non-store brand, exclusive brand
Schutte (1969), JM	An outdated and confusing terminology exist within branding. National brand has become a marketing cliché. Price brands: low price brands Private brands: products that where not advertised in national magazines. Manufacturers brand: owned and controlled by an organization whose primary commitment is production. Distributors brand: owned and controlled by an organization whose primary commitment is distribution.

Two categories of actors, those who develop manufacturer brands and those who develop distributor brands, are to be investigated in this study.

Activities

Product development activities are perceived to be vital for the outcome of the product development process. The dictum: If you do not like the result, then look at the process that delivers it (Cooper 1993); illustrates that the NPD process is perceived to be an important success factor. The Fuzzy Front End of innovation (idea generation, elaboration, and evaluation), business and market opportunity analysis, technical development and product testing, and product commercialization where the new product launch is coordinated, implemented, and monitored, are all different activities included in the NPD process. According to Song & Parry (1997) and Cooper (1999), the quality of implementation of these activities will affect the NPD result.

According to Dhar & Hoch (1997) understanding best practices is generally important to all industries, but it is even more important in retailing. The reason is that retailers can easily observe each other's action, assess the impact of those actions, and quickly imitate successful strategies.

Hoch & Banerji (1993) studied when distributor brands succeeded, and found significant determinants of distributor brand share. Number of national manufacturers', total manufacturer advertising, dollar category volume, retail margin, average quality, quality consistency and distribution of store brands all correlated positively with the market share. Contrary to the manufacturing brand where the success factors are related to how the manufacturer conducts the NPD project, success factors for distributor brands are related to the nature of the product and to the manufacturer's behavior (Glémet and Mira 1993). The retailer's action is less emphasized.

A distributor brand is the only brand for which the distributor must take on all responsibility - from development, sourcing, and warehousing, to merchandising and marketing. Unlike the decisions distributors take about manufacturer brands, which are largely driven by the manufacturer's action, the distributor plays a more determinant role in the success and failure of its own label (Dhar & Hoch, 1997). We find it therefore interesting to explore how the distributor conducts their NPD process. Activities as

- solid up-front-homework- to define and justify the project,
- sharp, stable, and early product definition,
- a slave-like dedication to the voice of the customer,
- a well-planned, adequately resourced, and proficiently executed launch, and
- product advantage-differentiated, unique benefits, superior value for the customer, are some of the success factors mentioned for manufacturer brands (Cooper 1999:118)

The issue to investigate here is if these factors also apply for distributor brands. The following research question is stated:

RQ1: Do manufacturers and distributors conduct different NPD activities?

Outcome

NPD outcome for manufacturing brands has been measured in many different ways. Customer satisfaction, financial return, and technical advantage are just some of the NPD success measures applied (Griffin and Page, 1996). Recognizing that no single measure suffices for gauging the success of every product development project, Abbie Griffin and Albert L. Page hypothesized and found that the most appropriate set of measures for assessing NPD success depends on the strategy. They present a typology to help researchers and practitioners to think through their measurement needs.

A logical approach for a firm to take would be to determine which type of project or firm strategy situation needs to be measured and then use the appropriate set of measures in the table (typology) as their measurement benchmark (Griffin and Page 1996:492)

Market share or revenue growth are suggested as the most useful success measures for product improvement strategies or line extension strategies, according to this typology. Most NPD project within the grocery industry can be classified as either a product improvement or a line extension. New-to-the-world or new-to-the-firm products are rarely developed and launched within this industry.

Store differentiation and loyalty (Corstjens and Lal, 2000), percentage retail margins, dollar margins per unit, total dollar profit (Ailawadi and Harlam, 2004) and private label market share (Hoch and Banerji, 1993; Hoch, 1996) are some of the success measures applied for distributor brands.

To compare the outcome of manufacturer brands with the outcome of distributor brands multiple success and failure measures are chosen. These measures are:

Market share: Sales volume (units in '000 kg) for a new product /total sales volume within the product category

Relative sales growth: (sales volume T1-sales volume T2) / sales volume T1

Failure rate: Number of product failures/total number of products within each brand.

Studies have shown that distributor brands can contribute to store differentiation and loyalty (Corstjens & Lal, 2000), which leads to higher percentage retail margins than manufacturer brands (Ailawadi & Harlam, 2004), and enables retailers to earn higher percentage margins on manufacturer brands. However, the dollar margin per unit may be smaller for distributor brands because of their lower retail price, and Ailawadi & Harlam (2004) found that heavy distributor brand users contribute much less to the total dollar profit of the retailer than do light distributor brand users. Manufacturer brands and distributor brands have complementary roles, and it is important for the retailers to retain a balance between these brands to attract and retain the most profitable customer.

While the manufacturer has been occupied with tracing the success of each NPD project, the distributor has emphasized the total profitability of the store. In this study the project-study approach will be applied, and the following research question has been stated:

RQ2: Do the outcomes of a NPD process controlled by a manufacturer differ from the outcome of a process controlled by a distributor?

Methodology

The retail structure within the grocery industry in Norway has changed drastically the last 15 years. Outlets have been reduced in number, become organized in chains, and increased in size. 8202 grocery stores existed in 1980. Ten years later the number was reduced to 5926, and in 2001 only 4308 grocery stores existed (AC Nielsen, dagligvarefasiten 2001). The development of grocery chains in Norway started late, but it developed rapidly and became concentrated around fewer actors than in most of Europe. The four largest chains had a market share of 48.2% in 1990. Four years later the market share had increased to 97% (Kleven and Steen 1996), and today these four chains have 99% market share¹ (www.dagligvarehandelen.com). These chains are Hakon Gruppen, Coop Norge, NorgesGruppen and REMA 1000 Norge AS.

To be able to investigate how the NPD process of distributor brands differs from the NPD process of manufacturer brands, in-depth interviews with key informants in these four retailer chains have been conducted. Interviews with key informants in four food manufacturing firms in Norway (TINE, Orkla Food, Gilde and Prior) have also been performed. Case studies provide unique means of developing theory by utilizing in-depth insights of empirical phenomena. In this specific study, the process behind development of new products was investigated. A comparison was made between how the distributors and the manufacturers developed new products.

A contrasted group's design was applied to investigate actors affect on outcome (research question two). In such a design, units of analysis are regarded as members of categorical groups, and member of each group are measured with respect to the dependent variable (Frankfort-Nachmias & Nachmias, 1996:132). Products were in this study grouped according to manufacturer brands and distributor brands.

¹ The volume from kiosks and gasoline stations are not included in these numbers

Table 2: New products launched January 2000 to January 2003

	Manufacturer brand	Distributor brand
Jam	Orkla: NORA (4) Lerum Konserver: Lerum (12) Rogaland Konserve-fabrikk: Hervik (3) Div. manufacturers: Rognebær gele (1) Total: 20	Coop: XP (2) Hakon Gruppen: Rimi (8) Hakon (8) Norges Gruppen: Eldorado (4) Oluf Lorentzen Import: Den Gamle Frukthage (13), St.Dalfour (3), Brimi (4), Teksle Broker AS: Gøtt (4) Total: 46
Juice	TINE: Meierienes (4) NEN Produkter: NEN (3) Lerum Konserver: Lerum (7) Bramhults AS: Bramhults (3) Div. manufacturers: Chiquita (3), Cranberry (1), Country Choice (5), V8 (1), Ocean Spray (1) Total: 28	Coop: XP(2) Norges Gruppen: Eldorado (3) Farmers (1) Hakon Gruppen: RIMI (4), Hakon (5) Total: 15
Pizza	Orkla: Stabburet (3), Mia (3) Gilde: Favoritt pizza (1) Keco AS: DrOetker (7) Total: 14	Norges Gruppen: Eldorado (2) Hakon gruppen: Rimi (1) Total: 3

The unit of analysis was product projects, and the population consists of products launched in the period January 2000 to January 2003 by the four grocery retailers in Norway. The sample frame is the AC Nielsen ScanTrack database², which is based upon income scanning data from 390 representative grocery stores in Norway every week. The population is approximately 4000 stores with total revenue of 98,1 billion NOK (1999). From this sample frame, consisting of 750 jam, juice and pizza products, a sample is made up of all new products launched within the time period studied.

Comparative statistical analyses are performed to examine the difference between means of the groups. A t-test, which assesses the statistical significance of the difference between two independent samples, is utilized here. Since contrasted groups differ from one another in many ways, it might be difficult to assess the causes for the observed differences. To reduce the risk of being wrong when making causal inference based on contrasted group's design, supplementary evidence over time should be obtained. Product outcomes are therefore measured for three independent product categories; jam, pizza and juice, at eight different points in time.

² To be included in the database, the stores must be larger than 100 m², have a minimum NOK 200 000 in annual revenue, and be open more than 10 months a year. Gasoline stations are not included even though they fulfil these requirements. The scanning penetration in Norway (by December 2002) is numeric 73%, but 93% of the revenue comes from stores with scanning equipment. These stores represent those without such equipment.

Observations

Contradictory to the manufacturer, whom most of the time develops and produce brands in-house, the distributor often separates the production from the development. Some distributors produce in-house by their own industry, but most commonly the production is taken care of by a third party. How close the relationship between the third party and the distributor is, varies. Close, long term relationships are established between some of the actors, while other distributors keep their producers at an arms length distance, and give the contract to those that best meets their specifications. To distinguish those that both produce and develop from those that set out the production is important, since these actors' activities seems to differ. In-house production triggers a more continuous development process. Consequently, distributors with in-house production have more in common with manufacturers than those that set out the production.

Generally speaking, the manufacturer's goal seems to differ from the distributor's goal. The manufacturer's most important goal is growth, and the challenge is to create growth without destroying the brand. To be able to create growth manufacturers highlight innovation. As one manufacturer states it:

*We must innovate to get into the retailer shelves.
Manufacturer*

The relationship with the retailer is important for the manufacturer. After all it is the retailer that controls the access to the customer. The retailer wants the manufacturer to innovate, and the manufacturer wants to create value-added products to meet the retailer's demand.

*It is a goal for us to develop new products that the customer is willing to pay a higher price for, so that the retailer can get a higher margin.
Manufacturer*

Since continuous innovation is important for the manufacturer's relationship with the retailer, a new product, which does not contribute to increased revenue, might not be viewed as a failure. Although the product does not fore fill its economic goals, and is removed from the market, to launch the product might have been the right thing to do. By continuously launching new products, successful or not, the manufacturer sends out an important signal. "We innovate, and we take risk". It is the total growth within a product category over time that is important for the manufacturer. Consequently, to give the consumer time to get used to new ideas or new products might be the appropriate thing to do.

While growth, increased price and access to the retailer store are wishful effects from launching new manufacturer brands, higher margin, customer loyalty and increased knowledge are three reasons for development of distributor brands. Distributor brands, which are only available in one specific retailer chain, might distinguish this chain from the rest and give them a competitive advantage. A spin-off product from developing

distributor brands is increased production and price knowledge for the distributor, which makes them better suited to negotiate with the manufacturer. Higher margin is a result of fewer intermediary actors from production to consumption and economies of scale. Synergies from developing and in-sourcing products together with Nordic sister organizations are perceived to be an economic potential that will increase the margin for distributor brands.

Activities

Solid up-front-homework

The predevelopment phase is conducted in-house by both the retailer and the manufacturer. Retailers perform market screening, analyze sales figures and define product concepts. The closeness to the customer is an advantage for the retailer, and employees, who observe and talk to the customer daily, are vital idea sources for new distributor brands. Retailers identify holes in the product portfolio that need to be filled, and try to spot underdeveloped product categories with a great growth potential. Prior to the predevelopment phase, distributor brand strategies are outlined.

Distributor observations	Distributor actions
We sell a lot of orange juice.	Let us develop our own orange juice, with the same or better quality, but at a lower price
This product (e.g. detergent) has a high margin	Let us see if we can develop this product.
This product is invisible in the shelves	Let us give the product a new package
<ul style="list-style-type: none"> We sell a lot of pork ribs for Christmas, but the rest of the pork is not very popular. The manufacturer is stuck with a pile of steaks. Kids like the steak better than the ribs. 	Let us pack the pork rib together with the steak, and label it "family rib"

Both the distributor and the manufacturer find it important to screen the market and listen to the voice of the customer, but differences are also observed. While the distributor often look at the sales numbers, and are concerned with transportation and how the product is exposed in the store, the manufacturer seems to be more concerned with the brand and how the product meets the consumers demands. Unutilized capacity in production facilities and observation of new trends might generate new product ideas.

Manufacturer observations	Manufacturer action
Consumers want convenience	Let us make our existing products more convenient.
<ul style="list-style-type: none"> The retailer wants us to continuously develop new products We need to improve our brands 	Let us develop a new brand extension. Let us ask the consumer what kind of taste they want
<ul style="list-style-type: none"> One of our machines are not fully utilized We have access to a superior raw material 3 month a year 	Let us develop a superior higher priced fresh drink that we only sell three month a year.
Consumers want healthy and fresh food	Let us develop a fresh drink with a lot of anti-oxidants

Manufacturer's innovation strategies help them to decide what kind of products they are to develop. New ideas are evaluated at an early stage in the development process. Questions like; does this product fit into our innovation strategy?, are asked. If the answer is yes, more thorough business cases are written up. The aim is to investigate if there is a market and an economic potential for the product and a lot of different analyze's are conducted. How thorough and extensive these tests are, varies according to the project's complexity.

Sharp, stable, and early product definition

Both distributors and manufacturers need to define in advance what they want to develop, since a lack of conceptualization increases the time-to-market. Without a clear product definition the technical development become more difficult, and consequently the development takes longer time.

To define a sharp, stable, and early product definition can be difficult. How difficult it is, depends on what kind of products that are to be developed. As one retailer states it:

This is not exactly rocket science. We do not write extensive specifications. We through ball with the producer.

Distributor

For "copy cat" products the conceptualization stage might be even more simplistic.

We send off a branded bottle of ketchup to different producers, and ask for a product as close to this ketchup as possible. Those who come up with the best product get the contract.

Distributor

As the level of product newness increases, so do the need for specification. A successful project that is developed due to time is often defined according to both technical specifications, sensorial experiences and benefit for use.

The reason why it took five years to develop this product was a lack of a precise and stable product definition.

Manufacturer

New product development projects with a low level of product newness might also sacrifice from the loss of a clear definition.

The market department tells us to develop a new yogurt, without describing what kind of taste etc. they want. The result is frustration and time delay.

Manufacturer

While conceptualization is an activity that is conducted in-house, commonly both manufacturers and distributors include an external design bureau in the process. These

bureaus helps the actors describe the products profile, define the customer segment and propose how the product is to be positioned.

A slave-like dedication to the voice of the customer

A new manufacture product is often a result of the combination of a marketing pull and a technology push strategy. Successful manufacturers listen to both the voice of the customer and the voice of the internal organization. They satisfy customer needs by utilizing existing technology, since production facilities and organizational knowledge limits what they are able to do.

Distributors do also listen to the voice of the customer.

By looking at the consumers understanding of the product, we changed the package for our coffee. We used to sell different kinds of coffee in the same kind of paper bag. The only difference was the label tag. By vacuum-packing the coffee in more appealing aluminum boxes, we tripled our sales numbers.

Distributor

The distributor's ability to think holistic is according to the distributor, what distinguish them from the manufacturer.

Manufacturers develop products that are very well customer segmented, but they do not take into consideration distribution and handling in the store. We sit on the top of the distribution chain, and need to understand how the product function in the store.

Distributor

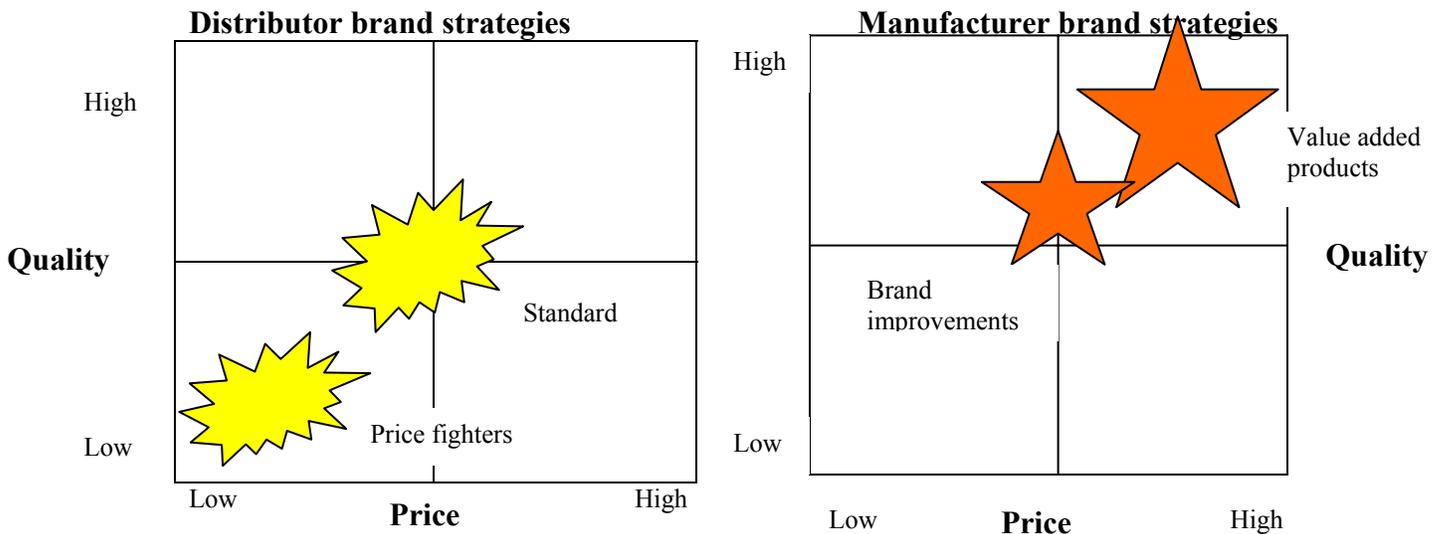
We have to consider how to make the most out of the raw material. If we do not utilize all the raw material, the end-product price will increase.

Distributor

Product advantage-differentiated, unique benefits, superior value for the customer

The grocery industry develops mostly incremental innovations. Very few of the new products launched can be classified as radically new. For distributor brands the product benefit is often a low price. Non-of the Norwegian retailers go for premium distributor brands like what we can observe in England and France (e.g. Tesco Finest). Two different distributor brand platforms exist, price fighters and standard. The standard platform comprises two categories. *Base product category*, containing copy products of national market leaders, is the largest group (80-90%). Examples might be copy products of Kellogg's Cornflakes and Uncle Ben's rice. By copying these volume products the distributor intend to increase the total category profitability. The next category is called *profile products* and consists of copy products of manufacturer brands with a great

customer engagement (10-20%). Examples might be fresh juice and frozen fish loins. The aim for the profile product is to build the store profile. Both these two categories of distributor brands are on average sold 10-20% below the national market leader. Price fighters are different low priced volume products. Reference points for price fighter products are the cheapest ordinary products sold by soft discounters. Examples might be non-food and dry food products like detergent, dog food or coffee.



Contrary to distributors, manufacturers develop value-added products that the customer is willing to pay a higher price for. The most successful innovations for manufacturers seems to be those that are medium new-to-the-firm and medium new-to-the-world. Consequently, manufacturers often modify existing products and use existing technology in a new way when developing new products.

*The opportunity is to apply new ideas into existing technology.
Manufacturer*

A lot of the product development conducted by manufacturers is product modifications and brand extensions. To keep a brand alive, manufacturers need to develop it continuously. An example of a product modification might be to develop a new taste for an existing product. A brand extension might also consist of changes in packaging. Changing the package can make the product user-friendlier and thereby increase the customer value. The goal for most manufacturers is to add value and thereby be able to charge a higher price for their product modifications. Manufacturers do also develop line-extensions, and products with a higher level of product newness. Although high-risk project often is avoided, they do exist. Development of functional food is one example.

A well-planned, adequately resourced, and proficiently executed launch

Distributor brands differ from manufacturer brands in several distinct ways. With a manufacturing brand the retailer has little or no influence over advertising and brand image. With a distributor brand retailers have more control, but absorb also all marketing and inventory investment. Distributor brands are guaranteed full distribution and good shelf placement. Compared to manufacturer brands, this substantially reduces the marketing resources that the retailer must expend (Hoch 1996).

When looking at the post-development phase for manufacturer brands and distributor brands both differences and similarities emerge. First, the reduced need for market communication for distributor brands are observed. Retailers spend less money on advertising than manufacturers, and distributor brand advertising is mostly limited to the distribution of direct mail. While manufacturer brands quite frequently are presented in TV, newspapers and magazines, only one of the four retail chains in Norway presents their distributor brands in TV commercials. Instead of branding individual products, the retailer store concept is branded by the distributor. Secondly, while different commercialization activities are conducted for distributor brands and manufacturer brands, the organization of the process is quite similar. All advertising and brand building for distributor brands are outsourced to advertising agents and design houses, who define product profiles and design product packages. Most manufacturers do also buy commercialization services from advertising agents. In-house advertising agencies are rarely observed among grocery manufacturers in Norway.

Outcome

When comparing market share³ means for new manufacturer brands and new distributor brands, we did not observe any significant differences in any category from January 2000 to June 2001. Both the manufacturer and the distributor group had very low level of market share in this time period. From January 2002 the market share increases in all categories and differences between manufacturers and distributors are observed, although not systematically across product categories. For jam, distributor brands have a significantly higher mean market share than manufacturer brands, while the situation is opposite for juice where the manufacturer brand group has a significantly higher market share mean than the distributor brand group. Within the pizza category the differences in market share are non-significant.

³ The market share is calculated based on sales volume in kg.

Table 3: Comparison of means -market shares in sales volume

		Januar y2000	June 2000	January 2001	June 2001	January 2002	June 2002	January 2003
Jam	MB	0	0.0031	0.002	0.0006	0.0325	0.6196	0.5305
	DB	0	0.0027	0.0078	0.0125	0.0359	0.2290	0.2174
	sig. T	-----	0.875	0.251	0.299	0.884	0.020*	0.026*
Juice	MB	0	0	0.0095	0.1076	0.1891	0.4656	0.4474
	DB	0	0	0.0363	0.3151	1.3276	1.2374	1.2521
	sig. T	-----	-----	0.281	0.228	0.002**	0.038*	0.032*
Pizza	MB	0	0.05	0.1857	0.5912	1.3828	1.7180	1.5504
	DB	0	0	0.0067	0.9313	0.7021	1.3128	1.1015
	sig. T	-----	0.658	0.550	0.628	0.692	0.774	0.748

MB: Manufacturer brands means market share, DB: Distributor brands means market share, **: sig. T<0.001, *: sig. T<0.05

To further investigate the most interesting time period, we compared the means for relative growth in sales units from June 2002 to January 2003. The result was non-significant T-values for all three categories, indicating that the growth curve for manufacturer brands and distributor brands are similar when we look at the mean numbers.

Table 4: T-test (Comparison of means - relative growth)

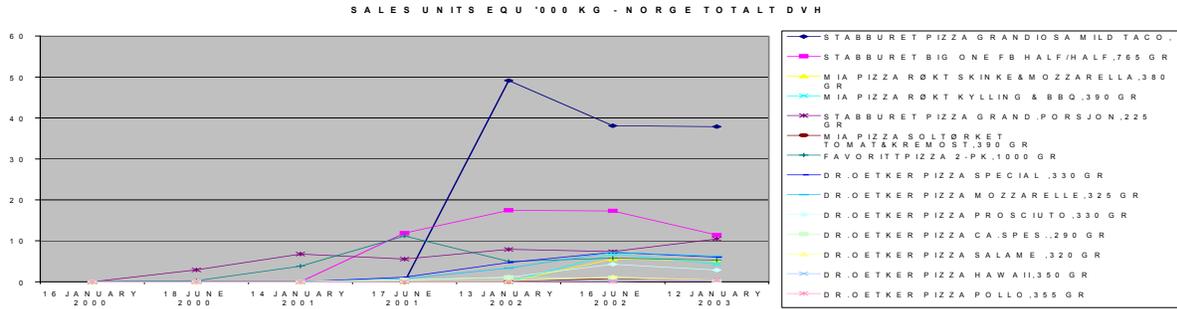
	n (db/mb)	t	Sig
Juice	28/ 15	1.266	0.213
Jam	20/46	-0.173	0.863
Pizza	14/3	-0.452	0.658

When looking at the sales curve for all new products studied, we observe individual differences within both groups. New products launched as brand extensions of familiar brands seem to have a higher sales volume from day one than the rest of the brands. This is the case for both manufacturer brands (e.g. Stabburet Grandiosa, Nora⁴, Meierienes) and distributor brands (e.g. Eldorado), even though there are fewer well established distributor brands in the market.

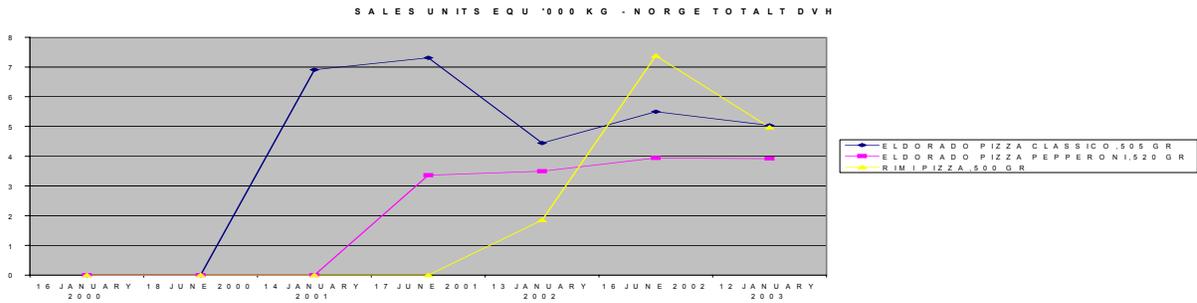
⁴ Sales volume for familiar brand extension does vary according to product type. To exemplify NORA strawberry jam has a much higher sales volume than NORA blueberry jam.

Figure 1: Sales curves

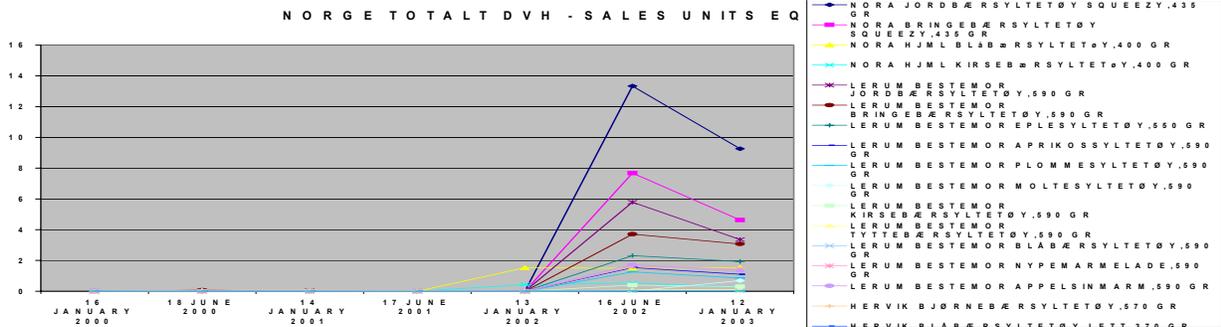
Manufacturer brands, pizza



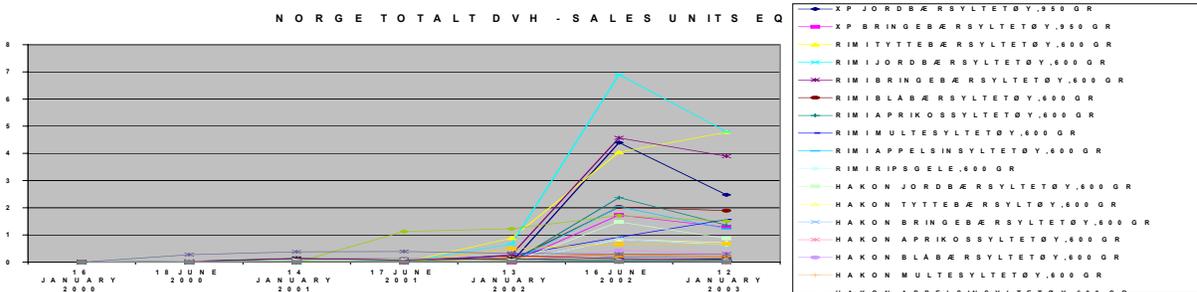
Distributor brands, pizza



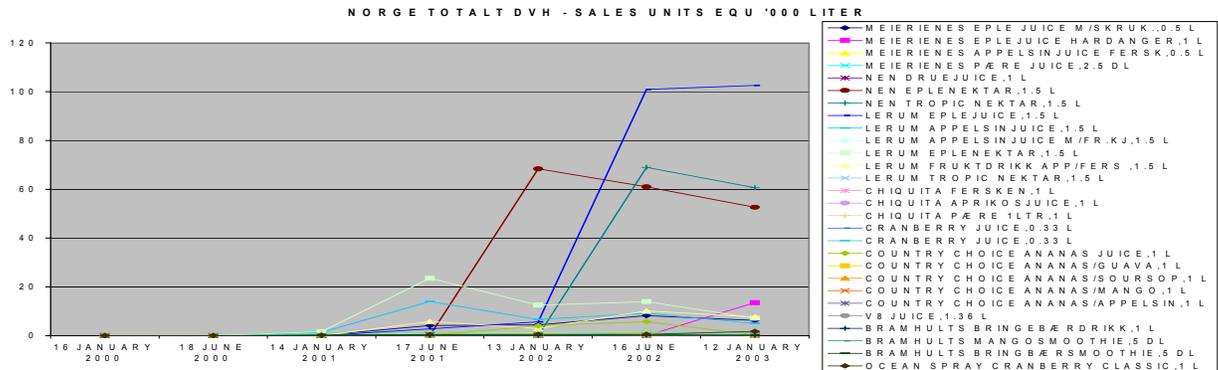
Manufacturer brands, jam



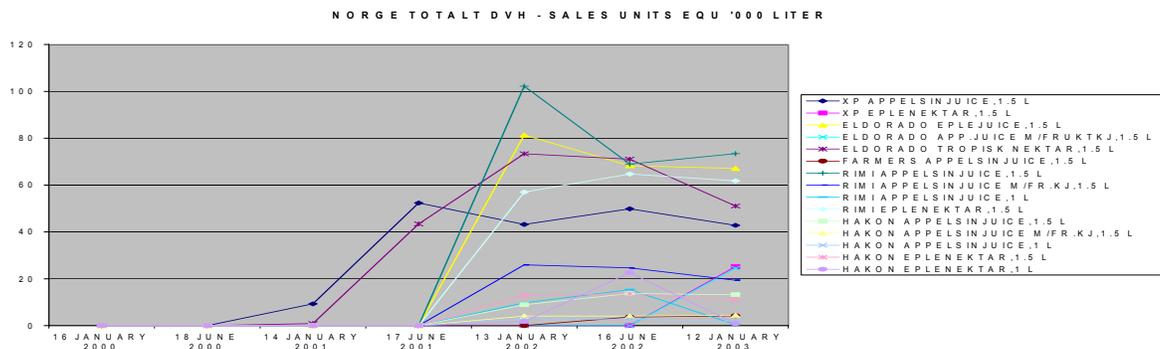
Distributor brands, jam



Manufacturer brands, juice



Distributor brands, juice



To be able to understand the outcome of new product development, it is important not only to investigate the level of success. Also the failure rate needs to be considered.

In this study the failure rate is observed to be higher for manufacturer brands than distributor brands in two out of three categories⁵. Numbers of relative jam and juice failures are higher for both new products and for the total product assortment in the time period studied. We do also notice that the number of new products launched was higher for manufacturer brands than distributor brands.

⁵ Distributor brands have a higher failure rate than manufacturer brands within the pizza category. Very few pizza distributor brands are launched. Consequently, one product failure gives a very high failure rate.

Table 5: Number of failures

	Manufacturer brands		Distributor brands	
	% total failures	% new failures	% total failures	% new failures
Juice				
Meierienes	6/21=0.29	2/7=0.29		
NEN	3/10=0.30	0/3=0		
Nora	11/25=0.44	1/11=0.09		
Lerum	6/13=0.46	0/7=0		
Chiquita	0/9=0 $\bar{\Sigma}=0.30$	0/5=0 $\bar{\Sigma}=0.08$		
Røra			2/12=0.17	0/0=0
XP			0/1=0	0/1=0
Eldorado			0/7=0	0/3=0
Farmers			0/1=0	0/1=0
RIMI			1/6=0.17	1/6=0.17
Hakon			0/6=0 $\bar{\Sigma}=0.06$	0/6=0 $\bar{\Sigma}=0.03$
Jam				
Nora	18/56=0.32	2/9=0.22		
Lerum	22/54=0.41	3/18=0.17		
Hervik	0/16=0 $\bar{\Sigma}=0.24$	0/4=0 $\bar{\Sigma}=0.13$		
XP			0/2=0	0/2=0
RIMI			0/8=0	0/8=0
Hakon			0/8=0	0/8=0
Eldorado			5/15=0.33	0/5=0
DGF			6/30=0.20	2/17=0.12
St.Dalfour			0/8=0	0/5=0
Brimi			0/5=0 $\bar{\Sigma}=0.08$	0/5=0 $\bar{\Sigma}=0.02$
Pizza				
Stabburet	6/19=0.32	2/7=0.29		
Mia	0/3=0	0/3=0		
Favoritt pizza	0/3=0	0/1=0		
Dr.Oetker	2/11=0.18 $\bar{\Sigma}=0.18$	2/11=0.18 $\Sigma=0.22$		
Eldorado			1/3=0.33	1/2=0.50
Rimi			0/1=0 $\bar{\Sigma}=0.25$	0/1=0 $\bar{\Sigma}=0.33$

Discussion

The results reveal that distributors conduct different activities than manufacturers when developing new products. The main difference exists within product uniqueness and product launch. While new manufacturer brands most often are value-added and higher priced products, new distributor brands are mostly low priced copies of volume products. Whereas manufacturer brands are heavily advertised, new distributor brands are launched without almost any market communication. As for the predevelopment stage the process seems quite similar. For successful projects both manufacturers and distributors conduct up-front homework and defined product concepts in advance. Manufacturers and distributors do also listen to the voice of the customer. Whereas manufacturers generate information directly from focus groups and different consumer tests, distributors gain most of their information from in-store customer interactions. Manufacturers do also emphasize information about production capacity, while distributors are concerned with how to transport and expose the product in the store. Distributors are more retail oriented

than the manufacturer, who combines a customer orientation with a production orientation.

	Raw material information	Production information	Store information	Customer information
Distributor				
Manufacturer				

Level of information:  High  Medium  Low

Our results also reveal that the outcome of a new product development process controlled by a distributor differ from the outcome of a process controlled by a manufacturer. The failure rate is the main difference. Manufacturers launch more new products and fail more often than distributors. As for market share and growth, no systematic differences were spotted when we looked at the means.

Different actors have different goals, conduct different activities, and reach different outcome. To perceive all actors as equal is according to this study a wrong assumption to make. Perhaps the most appropriate way to begin a discussion of this research's implications is to discuss what is not suggested by the findings. The study should not be interpreted to suggest that distributors are better than manufacturers due to the low failure rate. Since manufacturers and distributors have different goals, it is understandable that they conduct different activities, and reach different outcome. To continuously develop new products is more risky than to copy market leaders. Consequently the failure rate for manufacturer brands are higher than for distributor brands. Considering that the manufacturer's goal is growth, it is more surprising that the growth rate or the market share not is higher for new manufacturer brands than for new distributor brands. One explanation might be that distributors develop very familiar products (orange juice and ham/cheese pizza) that are easily accepted by the customer. Low prices make it uncomplicated for the customer to try new distributor brands.

	Manufacturer brands	Distributor brands
Goals	<ul style="list-style-type: none"> • Growth • Access to the store 	<ul style="list-style-type: none"> • Increase margins • Create loyalty • Knowledge
Activities		
Up-front home-work	Both do there homework	
Clear product definition	Both define product concept	
Market orientation	Customer oriented and production oriented	Retail oriented
Differentiated products	<ul style="list-style-type: none"> • Value-added and higher priced products • Continuous innovation 	Copy of large volume products sold at a lower price
Proficient launch	<ul style="list-style-type: none"> • Heavy market communication • Build product brands 	<ul style="list-style-type: none"> • Little market communication for product brands • Build store brand
Outcome		
Market share	No systematic differences	
Growth rate	No significant differences	
Failure rate	High	Low

Limitations and Directions for Further Research

It is important to notice that the sample in this study was limited to only three product categories (pizza, juice and jam). These categories were chosen because of the existence of both manufacturer brands and distributor brands. Replication of this research with other product categories and in other industries would provide a means of validating the results.

Another limitation to consider is the variables applied to measure activities and outcome. Product development is a multifaceted phenomenon that needs to be measured with multiple variables. Means for market share, growth and number of failures made it possible to compare manufacturer brand outcome with distributor brand outcome, and some success factors (Cooper 1998) were applied as antecedent variables, but further research should investigate different antecedent and effect variables.

In summary, researchers have made significant progress towards understanding the role of activities in new product development. To further extend our understanding of what affects new product development outcome, we need to consider actors in addition to activities. If our observations, that different actors have different goals, conduct different activities, and reach different outcome, is corroborated in other studies it is of great importance for the development of new product development theory.

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