

Advertising Incentives of National Brands against Private Labels

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Abstract : This paper studies the impact of private labels on the advertising incentives of national brands. The worldwide expansion of private labels over the past two decades not only transformed the choice sets of consumers but also forced manufacturers of national brands to design new marketing strategies to maintain their market positions. This paper first develops a consumer demand model that incorporates spillover effects of advertising for antacids, including private labels and finds positive spillovers of national brands' advertising on demand for private label antacids. With the demand estimates, it provides a simulation for the equilibrium prices and advertising levels for leading national brands in a counterfactual where private labels are eliminated to quantify national brands' advertising incentives as a response to the rise of private labels.

Keywords : advertising, private label, marketing, demand

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