

# Leeds University Business School: Research and Innovation Podcast

Episode 57 – Independent brands – what do consumers think about them and what do their acquirers need to know?

Speakers: Dr Alessandro Biraglia and Dr Bill Davvetas

[00:00:00] **Alessandro:** Hello, welcome to the Research and Innovation Podcast. I'm Dr Alessandro Biraglia. I'm Associate Professor of Marketing at Leeds University Business School.

[00:00:12] **Bill:** And hello from me. My name is Dr Bill Davvetas. I'm also an Associate Professor of Marketing at Leeds University Business School. And today we're going to be discussing increased preference for independent brands, a phenomenon in modern marketplace that we have analyzed in our recent paper with Alessandro.

[00:00:31] **Alessandro:** So indie brands. Yeah, indie brands are on the rise Bill. I mean, I don't know if you saw there's an article in The Guardian, beginning of January that's said, for example, that the indie bookshops, compared to the decline of other shops on the high street, indie bookshops are at a 10 years high in 2022. We're talking about more than a thousand independent bookshops that opened. And it seems that people are starting, going back to like these independent brands and when shops or other businesses are not controlled by other corporations, but they're actually independent, they're family based or they're not controlled or, blittle controlled from other companies.

But I was wondering, you know, this is something that, we were wondering if you remember back at this when we started on the paper, whether this phenomenon is just like a Western phenomenon is something in the UK, in the US, you know, the western world, in Europe, or it's something that consumers appreciate globally.

And I think, you know, we, when we started looking into this, we found some kind of interesting stuff, right?

[00:01:36] **Bill:** Yeah, yeah. So actually, originally we went and looked at stuff about, you know, how people react towards indie brands and whether this is something that we just see here in the UK or whether this is something that would apply elsewhere as well. So, by looking a bit out there, I know here in the UK we have what we call the British Independent Retailer Association, so there is a distinct focus on these sort of businesses, but looking at corporate reports elsewhere in the world, we saw that over the last years there is a huge increase in consumers that do not only appreciate indie products, but you know, they actively look for them when they go out shopping and especially during the Covid pandemic, this phenomenon has become more and more pronounced.

So when looking at those stats, what one could see is that there are countries, like for instance, in New Zealand or Spain or Western Europe, where you see the demand for indie products is skyrocketing. We're talking numbers here, like 70%, 65% of consumers going after those offerings and turning their backs towards, you know, other traditional chain, chain affiliated options and brands.

At the same time, we didn't see such high numbers in other countries, like for instance, China or India, or you know, countries that we commonly associate with what we call the emerging markets, the emerging business world.

So, this was one of the areas that we wanted to look for. And the other area that we wanted to pay particular attention to is: whether what we see here in the UK, and especially in the cases of bookstores that you mentioned in the beginning, generalizes into other product categories, other industries - what happens in bookstores, would it also happen, let's say in fashion? Would it happen in fast moving consumer goods or other big industries out there?

And a common finding while we went through all that, is that we observe indie products to be particularly strong in categories like hotels. We see that more and more people abandon chain hotels and they switch to smaller boutique family owned hotels.

We see that a lot in the beauty industry where even the big beauty players are acknowledging that their best threat right now, their most important threat, is smaller indie products. We see it also in fashion a lot where, you know, here in Leeds for instance, you have the Corn Exchanges where if you go outside, you see a big label saying "Shop Indie", for instance.

And you go inside and you see only those small indie stores. So this created a process of inquiry for us to see, okay, indie's there. Who likes it? Where do they like it more? What kind of products do they like it more? So, this is where we started. So, first of all, I guess we all know that indie starts from the arts industry, okay.

[00:04:25] **Alessandro:** Yeah. Music and cinema

I mean, even Leeds has their independent film festival, which I remember you were also going back in the days. And it's something that comes from the cultural industries. It's very, very important. And then has been established in a more kind of business and general business sense.

Also, I must say, helped by big, corporation like American Express, for example, in the US. Started in the US but also now in other countries with the "small business Saturday". So basically, after the Black Friday, Americans sponsored this activity called the Small Business Saturday, independent Business Saturday, in which they actually ask people after going to Black Friday and buy from this big conglomerate, big corporation, to go and shop small in kind of very independent stores or independent businesses to actually support also that part of the economy.

But what we looked at and basically was particularly relevant, especially if you look at a global business phenomenon, and it's important actually to look at the impact that these type of businesses can have in big countries, like in India, China, like you mentioned, because of course, these are also the big players in terms of consumer demand, in terms of consumer expense.

Also because, you know, there's quite a lot of customers, that there's a big reservoir of customers that this company can have. But yeah, the transition between this, arts to the general business of indie is very important.

What we look at, and have identified, one of the factors we identify, which is common in this type of cultural industries and business, is the authenticity that an indie business can give to the product they sell or the service they provide.

And authenticity, of course, is a blank term. It's lots of meaning of authenticity, but specifically in the paper that we offer, with Bill, we are looking at craftsmanship. So basically how much an indie business could be perceived to be more authentic in the sense of the kind of technique that they use, the kind of effort that they put in a product, kind of quality that they put in a product.

So this is particularly relevant because of course it's also almost like a heuristic. So it's basically kind of a cognitive shortcut. So people believe that an indie business could be even higher quality because they put more effort in what they do, or more craftsmanship in what they do.

And another factor was the warmth that an indie business can provide compared, for example, to a massive superstore. So, for example, if you have a product which is indie or independent versus like a chain, this could be perceived as probably warmer in terms of the benefits that they give to you.

Not warmer in terms of temperature, but warmer in terms of the kind of feeling that you feel in terms of this type of stereotype, that of the indie business. But we found different results. We had three studies in different countries. And we found very different results, compared to, for example, US versus India, or UK versus China, I think.

And also in Italy, with the study in Italy in which we looked at how people that are more individualist versus collectivists, I think in terms of their attitude apply to indie products, I think.

[00:07:32] **Bill:** Yeah, so actually, you know, the easy bit was to expect, what we eventually found - that people appreciate indie products, people appreciate indie firms. They're more likely to buy it. And the, you know, the reasons behind that is, as Ale said, on the one hand, authenticity, you don't cut quarter corners on quality. You stay true to yourself to what you produce. You do not compromise your quality for profit, okay?

The other one is the warm thing. For instance, I remember a few years back there was a paper from some colleagues that found that, let's say, products that are being made by hand are seen as being, transferring the love of the producers to the consumers that eventually buy and use the product.

So this was the first step. But then we thought "is this the same everywhere? And is this the same for every product?" And here we consider two big factors, let's say. One of them was the type of the product. Is it that consumers would prefer independent brands in every category or not? And one big distinction in marketing is this distinction between what we call in literature "utilitarian products".

So products that you buy to solve a problem to, you know, have some practical value for yourself, like for instance, a detergent or a screwdriver, versus the products which we call hedonic. So products that offer you some sort of experiential value, pleasure, fun, and the opportunity to self-express yourself.

Okay, so our prediction and what we eventually found in the paper is that people particularly appreciate indie products in hedonic categories. So in categories which help them get experiential

value, to feel better and sometimes to even communicate who they are, or who they want others to believe they are through their consumption.

[00:09:17] **Alessandro:** For example, a cosmetic.

[00:09:18] **Bill:** Exactly.

Cosmetics, fashion services, and even food categories like for instance, chocolate. Okay. Now the other important aspect was the culture. So, on the one hand we have what we call individualistic cultures, like cultures that prioritize the individual over the collective, over the group, and like UK, US, Western Europe, and collectivist cultures like China or India, for which the group norm are more important than the individual needs and desires.

And what we eventually found there is that the indie phenomenon is particularly strong and valued in individualistic cultures. And the main reason for that is because this idea of control, that you're not controlled by somebody else, is perceived differently by those different types of cultures.

Individualist cultures see control as a limit to expression and authenticity. They see it as a killer of authenticity, essentially. While for collectivist cultures, control is seen as more good, it's noble. It offers protection care, it gives guidance. So this possibly explains why in individualist cultures and countries, people tend to appreciate indie brands more.

[00:10:33] **Alessandro:** Yeah, especially, and you can see this as an emerging factor for big corporation in collectivist countries. Because, you know, I remember even when I ask some people in Indonesia, when in Indonesia, we're doing this, this data collection, "would you prefer an independent brand of a certain kind of product category or like a chain and, or a big corporation?" they will reply "Big corporation. Because, of course, I'm kind of more safer in buying this product" as well. They, like you said, you know, they feel, they feel more protected by this kind of big conglomerate.

I think though this is, as like quite a lot of, of implications, and this is something that we, put in the paper because of course it's something that once we tell companies, okay, "Be indie", some companies are not founded as indie, like are out of its control. What would they do? But also this gives us a quite a good opportunity as marketers to suggest some recommendation for managers in different type of brands, or if they operate in different cultures. Which is something that, I think if you want to, there's like a beautiful table or like graph at the end of the paper that summarizes this very, very well. And I think it's a quite actionable - managerial recommendations.

And if I remember correctly, Bill, we basically, have a two-by-two table in which we basically say, "if you are in this quadrant, you should do this in the other quadrant. You should do that in which situation you're operating, which category you're operating."

[00:11:59] **Bill:** Essentially, what is the main takeaway, I mean, for practitioners and managers, is that, if you are a multinational corporation, and this is how multinational corporations grow across different markets, they usually go and buy out smaller independent players. Okay.

Obviously, this has been their main motivation for years, but what is important to keep in mind is that they should not expect that all the benefits that people associate with an indie brand will

continue to pass on to a brand they own, especially if consumers end up knowing that the brand is not independent anymore.

Okay. And actually a very, very interesting finding, which you know, we revealed in our last study in that paper was the fact that it doesn't only matter whether you acquire an independent brand, but it matters a lot who acquires it at the end of the day? So, what we found is that doing a study in Italy, was that if the independent firm that is being owned is being acquired by a local organization, a local conglomerate, then they can still enjoy the benefits of independence, as we report it throughout the paper.

However, if the independent brand is being owned or acquired by a global corporation, all the benefits disappear. Mostly because people would associate that being owned by a global corporations will end up making the indie product standardized, not special anymore, it will compromise on quality, so it's not going to have the appeal, or this craftsmanship aura that it has had up until now.

So managing that, the process of acquisitions, especially when those involving independent brands, is a critical process for multinationals and it will not necessarily lead to the benefits that they might originally envision when deciding on that.

[00:13:54] **Alessandro:** So basically, what a word of warning for the acquirer is that they might endanger the asset, the major asset they acquire, which is actually the brand. And I also, I think like a good warning to the company once you get acquired, for example, wants to basically sell to another company, is at this point, choose your partners very well.

Because you know, for example, as you said, you know, in the Italian case, you can sell to another Italian company, stay in the same kind of local environment versus instead of a multinational company. But I think, you know, it's a promising area of research. You know, it's something that, here in the marketing department, we work quite a lot with brands and, acquisitions, multinational corporations.

But if you like to find out more about our research, there are links on our papers on this topic in the episode show notes. It's something that, you know, like an exciting thing. I say project that we carried out in the last few years, something that was actually very satisfying to work together. And, that's all from us the moment. Thank you for listening. And bye for now and see you later.

[00:14:56] **Bill:** Thanks for listening. Bye-bye.