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**Brand Competition and Demand for Health-differentiated food
Products with Private Labels**

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Canadian retail chains are introducing private label product lines in order to gain bargaining power over national brand manufacturers, and also foster horizontal differentiation from competing retail chains. An emerging trend in marketing private labels in Canada has been product differentiation in health and wellness food attributes; as consumers pay increasingly attention to food-health in their product choices. This study applies a model of vertical and horizontal retail brand competition to estimate the extent to which consumer choice of health-related food attributes has affected retailer pricing and brand-level competition. Brand-level competition in attributes (e.g. health attribute sodium-content) is modelled using Pinske and Slade's (2004) Distance-Metric approach to identify the location of private labels and national brands in terms of their location the food attribute space (e.g. difference in sodium levels between brands). The methodology builds on a Nested Logit Model of individual consumer behavior from which we derive a brand-level demand system for the highly differentiated category of canned soup in the Canadian market. The model is able to overcome difficulties of unobserved product characteristics and consumer heterogeneity in demand. The stage of analysis combines the demand estimates with the estimation of retailer and manufacturer cost functions to estimate retailer pricing behavior in the marketing canned soup. The analysis applies a set of proprietary scanner data for one large multi-national retailer present in the Canadian market.

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