Chapter IV
Launching, creation and sustain private label Brand

The fourth chapter deals with Launching, creation and sustain private label Brand it highlights on Historical Marketplace Dynamics, The concept of branding, Types of Private Labels and their Respective Strategy, New Approach to Private Label Branding, Three trends shaping private label strategies and performance of private brands.

Introduction

The definition of private label branding has evolved significantly over time. Some would argue the term “private label” is a misnomer of great proportions. There is no question that the words “private label” acknowledge the birth, history and existence of generic and store brands. Yet, the term does not adequately capture the extent to which private label has progressed. Today's retail marketers are managing their proprietary brands with the same combination of care and innovation as manufacturers of national brands. In recent years, retailers have been liberating themselves from the traditional definition of private label marketing as being the poor relative of national brand consumer goods, and, in doing so, opening up huge opportunities for private label branding. These opportunities require the adoption of a different set of marketing and branding practices to support and propel the retailer’s business and marketing ideals for its private label brands. The key to successful marketing management for today’s retailers is to understand the contribution and role of their proprietary or “own” brands in the long-term business strategy and marketing mix of the retail store and consider both the supply side and the demand side of the equation. Effective category management can enable retailers to solidify and optimize supply-chain relationships. Strategic brand management goes
hand in hand with these endeavors to establish sustainable points of
difference in each aisle and segment within the store. It also spurs
decisions about how to appropriately define the retailer’s “own” brand
portfolio in order to galvanize consumers to connect and reconnect with
its franchise in a compelling manner.

Historical Marketplace Dynamics
Private label brands were traditionally defined as generic product
offerings that competed with their national brand counterparts by means
of a price-value proposition. Often the lower priced alternative to the
“real” thing, private label or store brands carried the stigma of inferior
quality and therefore inspired less trust and confidence. Yet, they still
grew and prospered by providing consumers lower priced options for
what was often a low involvement purchase decision. Retailers
continued to push more and more private label products into different
categories of the marketplace because they represented high margins
and the promise of profitability with little to no marketing effort.
Over the years, this proliferation of private label offerings perpetuated a
myopic approach to private label brand management. Previously
successful yet, currently flailing private label brands clued today’s
retailer into some important pitfalls to avoid in proprietary brand
portfolio management. Most importantly, these examples underscore a
need for private label marketers to be cognizant of how their initiatives
play a role in the overall marketing mix and the long-term definition and
impact of their portfolio. Historically, private label retailers appreciated
that it was important to tout certain category and product benefits to
incite consumers to purchase. Yet, rather than look at the consumer
directly to understand his brand and product selection criteria, they took
their cues from the national brand competitors that had already
identified and manifested some of the category’s salient attributes and benefits through advertising, packaging and other brand messaging. The result was often a series of “me-too” private label positionings that strived to emulate the category leader. This approach to private label management had resounding impacts on a category as a whole as well as the individual product offerings within it. By commoditizing their private label products, retailers undermined and commoditized a category’s overall potential. They adopted the role of the omnipresent, cheaper choice and often forced branded competition to lower their prices to compete, thereby erasing margins for national products and private label alike. It also created missed opportunities for all category players (manufacturers, suppliers or retailers), since they were not considering latent or untapped consumer needs that their category had the ability to fulfill.

**The Shift in the Private Label Paradigm**

Private label brands have clearly become a more instrumental priority for today’s retailers. They are starting to diversify their offering beyond the expected, enabling them to compete more effectively in existing product categories and foray into new and different product categories that have traditionally been dominated by national brand players. In many instances, private labels have surpassed a national brand’s capacity to deliver on visibility, consumer interest, involvement and appeal. Proprietary brand decision makers are often able to command close to parity or parity pricing for their products, without articulating cost as the differentiating factor. This represents a point of departure from the past: there is an acknowledgement that today’s proprietary brands have the ability to transcend the negative baggage and problems of traditional store brands, creating unique, resonant benefit propositions
for consumers. Retailers are beginning to recognize that they cannot simply rely on national branded products to draw consumers into their stores and sustain loyalty. This is due to the fact that manufacturers’ product brands often have the ability to transcend geographic location, distribution channel or retailer (e.g., Bounty paper towels are available at a wide array of grocery stores, drug stores and mass merchandisers across the United States.) Due to this pervasive presence of national brands, consumers need not have a strong relationship with a particular brick-and-mortar store setting to have access to these products. It is only the proprietary brands, exclusively available at a specific retailer that can be a magnet to draw people into its store versus others and accrue direct meaning and loyalty to the overarching banner.

**The concept of branding**

One of the primary principles of marketing is the notion of branding. The literature is replete with different descriptions of a brand. A brand may be described to be a moniker, expression, mark, figure or drawing or permutation of them, which proposes to differentiate the merchandise of one vendor or set of vendors and to discriminate them from the merchandise of the other contenders. However, the above definition and other equivalent ones are unsuccessful in summarizing the core of what branding incorporates or attains. Certainly, expressed in plain, condensed and uninteresting parlance such descriptions merely stress on the elements of brand recognition and are unsuccessful in encapsulating the core of branding. Realistic advantages like recognition, managing, outlining and others are offered by the client and the firm alike. The evolution of brand recognition incorporates the producer to bring intrinsic vivacity to a good. Thus he/she is providing it with a unique persona and human attributes when the client views it. Thus, he/she is
setting up an unseen, yet alluring link between the brand and the client by incorporating the brand in the client’s existence. To ensure that the brand is thriving, the representations and marks must be linked to and take advantage of the requirements, principles and the existence of the clients in a manner such that the denotations incorporated provide augmented worth and distinguish the brand from others. Specific chief constituents are linked together when brands evolve; these comprise of the goods and their capabilities/limitations, the brand and its moniker, the brand representation and descriptions in addition to the client. These chief constituents of a brand are depicted in the subsequent. There is no doubt that goods signify much more than only operative usage for the clients. Representational expenditure was identified by de Chernatony et al. in his *Theory of the Leisure Class* and referred it to as noticeable expenditure. Balmer (2001)51 cites Karl Marx and his allegory of the parlance of goods in which the ideas are expressed by the linen (p. 175). However, Hankinson (2000)52 asserts a semiotic upper edge lying above the serviceable or operative facets of objects. Provided the representational application of brands it is not remarkable that semiotics, as the examination of symbols in the community, is rapidly being employed to comprehend the conduct of the clients. It is expected that from merely assisting in comprehending the consumption conduct encompassing edifying goods like movies and other works of art (Kapferer, 2001)53 and fashion (Knox, 2000)54, it is extensively going to be applied to infer representational consumption in all facets related to the conduct of the clients (Kunde, 2000)
In the custom related to marketing which depends on the monetary theory and linked focus on logic in purchasing conduct, the identification of goods containing symbolic gist for clients corresponds to the marketing’s relation with behavioural sciences in the 2000s and 2000s. It was proposed that there was a requirement for more knowledge related to the social and psychological personality of the goods (Gardner and Levy, 2005, p. 34) while Levy (2009) encapsulated the core of representation when he proposed that individuals make purchases not merely for their applications but also for what they denote (p. 118). The idea of brands representing social indications is well known with congruity amongst the brand and individual selfrepresentation considered to be a primary stimulating factor in client options. It is stated that brands are used more or less as a parlance. They provide
information related to who one is, where one positioned in life, what one is and what is one doing. The brands selected are elements of an individual- the manner how one converses, the language, dress, actions and parlance. Brands incorporate an individual into them while they get involved in the individuals.

A repeated though infrequently mentioned subject in the literature related to branding pertains to the fact that it is the real good which fulfills the operative advantages the clients seek while the brand offers the much needed representation. Thus a product is effectively sold to the clients at two degrees – internal principles which focus on anticipated quality of the goods and external principles which emphasize of the representational matter of the brand. It is the convictions of the clients which evolve the internal principles related to the ability of the good to fulfill his/her operative requirements while the external or augmented principles evolve from the brand recognition which is the result of promotion.

**Brand Identity**

The essence of brand uniqueness as per Aaker (2006) is the core, eternal spirit of a brand (p. 178). He further adds that this explanation indicates that the most crucial and exclusive attributes of the brand are symbolised by the essence of the brand uniqueness (ibid). Two main constituents are part of brand recognition: the positioning and persona of the brand (Uppshaw, 2005). A prototype which depicts the varied constituents of brand uniqueness was also created by him.
He infers that the uniqueness of a brand is shaped by the communication of its positioning and persona. The complete brand uniqueness comprises of all the manners in which the brand interacts with the clients for instance the performance of the good, brand moniker and marketing actions (Uppshaw, 2005). A prototype referred to as “the Brand Identity Prism” which mirrors the varied facets of developing the uniqueness of the brand has been created by Kapferer (2007). The prototype is expansive and the emphasis of the current study is on the most crucial aspects which include form, persona, ethos, link, indication and self-representation. The brand’s most crucial facet is the brand’s form and its real worth. If this is absent, the brand will fail. The form also includes what the brand accomplishes, what it is and how it appears

Source: Adapted from Uppshaw, 2005, p. 24
(Kapferer, 2007). By interacting the persona of the brand, it ultimately develops a spirit, which consequently explains what type of a human the brand would be if it was real. The ethos of a brand is the foundation for the brand motivation and limitations, assisting the brand to control are extrinsic interactions. In the words of Kapferer (2007, p. 103), a brand is an association. He further adds that brands are incorporated in the transactions undertaken by two or more individuals. A brand is also an expression, a reflection or representation of the personas of the pursued clients. The self-reflection is an equivalent idea as the expression; however it stands for the client’s individual intrinsic representation. The self-portrayal is an individual’s personal representation which may not mirror the actuality (ibid). The brand uniqueness prism is created on the condition that brands can articulate themselves as they are present because they interact.

**Brand personality**

The basis for developing a brand persona according to Melin (2007) relies on the concept that clients select brands in an equivalent technique how they select their friends with whom they communicate. A persona which is appealing is presumed to be linked to a robust and constant link amongst the brand and the client resulting in brand commitment (Melin, 2007). The client can recognize the brand more easily with himself or herself when the brand’s uniqueness is similar to the client per se; this also results in an intense association. When the brand persona and the client merge the worth developed is in the shape of self-articulation for the client (Hankinson & Cowking, 2003 and McEnally and Chernatony, 2009). According to Kim et al. (2001) the chances of the brand persona appeal to increase is much more when the intensity of the self-articulation value and the uniqueness of the brand persona is likely more
They further state that when there is a resemblance amongst the brand persona and the client’s selfarticulation, the client considers the brand to be a living person, or a friend. The personas of the clients are at times articulated by the brands they use. Clients generally segregate themselves as being associates of a particular set (Kim et al., 2001). This is known to be social recognition. The investigation by Kim et al. (2001) disclosed that clients witness the appeal of the brand persona more intensely, when the brand persona itself is unique and selfarticulated. A Brand Personality Scale (BPS) which displays the five crucial aspects of the brand persona has been created by Aaker (2007). Every aspect can be depicted through the use of a few adjectives (See figure 4.3).

Figure No:-4.3

**Brand personality framework**

![Brand Personality Framework Diagram](image)

**Source:** Adapted from Uppshaw, 2005, p. 35

The most crucial facet of the brand persona structure is that it is universal and can be employed across different divisions (Aaker, 2007). The five aspects in the prototype have been created with subcategories
which include the facets of the measurement to elucidate the nature and framework of the measurement. According to Aaker (2007), the five aspects describe nearly 93% of the analyzed variations amongst the brands which compete against one another. She also states that the varied aspects have varying impacts on the clients, for instance the authenticity, anticipation and the ability aspects have an impact on the person’s intrinsic persona, while the style and roughness draw the attention of the clients who want it but do not possess it in reality. The investigation pertaining to brand personas is not as mature as investigations pertaining to human personas (Sweeney and Brandon, 2006). Plummer (2001) raises the doubt if the equivalent explanation using adjectives can be used even for individuals. According to Aaker (2007), while some aspects may suit both individuals and brands, some adjectives may not. Ultimately, the brand persona structure created by Aaker (2007) only incorporates affirmative brand characteristics, while a few brands are not that upright (Sweeney & Brandon, 2006).

**Positioning**

The development of an outlook of a brand in the psyche of the client; attainment of segregation so that it is different from the brands/products offered by the rivals and that it fulfils the requirements/anticipations of the clients is referred to as positioning. The primary aim of a brand promoter must be to develop the required outlook in the psyche of the pursued client. A brand position is an element of the brand uniqueness and value suggestion which is aggressively interacted to the pursued clients and which displays the benefits in contrast to the rival brands (Aaker, 2006). A brand that is suitably positioned has an alluring position which is reinforced by intense links like high ranking on required characteristics such as friendly service, or the shop providing
home delivery (Aaker, 2001). In an economy which is rapidly becoming networked, comprehending the client conduct is important as it has an impact of relating brand to other bodies like other people, locations, things or brands (Keller, 2003a). The sellers need to be capable of comprehending how different bodies must be best mixed, considering a client brand-awareness outlook, to develop the optimal positioning in the psyche of the clients.

The branding emphasis must be on augmenting psychological worth to goods, utilities and firms in shape of elusive advantages – the poignant links, convictions and sentiments that people link to the brand. The enterprise can develop an intense recognition or persona for the brand if it tactically positions the brands in the psyche of the pursued clients. A considerable source of worth can be developed when the enterprise has the capability to bestow the good, utility or company with a poignant importance which exceeds its operational worth (Sherrington, 2003). The assurance of worth must pertain to the individuals or trades a firm wishes to have as its clients (Ward et al., 2009). The objective of a thriving brand is to create an intense-quality link, in which clients are desirous of being loyal to the extent of being obsessive (Chernatony and McDonald, 2008). The choice of a brand is the result of the poignant requirements of a client. Poignant links can intensely differentiate the brand in the psyche of the client in contrast to what the rivals provide. Branding allows the procedure under which the operative assets are changed into association assets.

In powerful brands, brand equity is linked to the real quality of the good and utility and also to different subtle aspects. These subtle aspects comprise of “user descriptions” (the kind of individual who utilises the brand); “application description (the kind of scenarios under which the brand is utilized); the persona the brand portrays (genuine, stimulating,
able, rough); the sentiment that the brand extracts in clients (resolute, tender); and the kind of association it searches to develop with its clients (loyal, relaxed, itinerant). According to Keller (2000), the most powerful brands go on to be innovative in the sphere related to goods and they twist their subtle aspects to suit the times. Eight substitute positioning mediums were recognised by Upshaw (2005) which are employed by enterprises: characteristic–motivated stimulators; issues/responses stimulators; pursued-stimulated positioning; competition-stimulated positioning; emotive/ psychological positioning; advantage stimulated positioning; motivational positioning; and worth positioning. Brands that are aptly positioned reside in the psyches of the clients.

**Brand Positioning**

What information the client keeps in mind related to a specific brand is referred to as brand positioning. Since the factors related to positioning are components of particular knowledge linked to the brand, memory indicates the meeting point of information (Ke, 2002)56. By linking the different characteristics related to the brand and the brand network, marketing managers guarantee that the linked data becomes fixed in the thinking of the client and ascertains a representation of the brand (Nagpaul, 2007)57. Thus effectively, brand representation is the consequence of the linked impact of a multiplicity of brand or the characteristics of the goods. Additionally, the outlook of the clients’ related to crucial characteristics of the goods, considerably impacts the positioning of a good. This permits them to differentiate and make contrasts between goods marketed by contenders (Huang, 2001)58.
Positioning strategies
Hypothetically, firms have the choice to position their brands on nearly innumerable links (for instance a firm can position its cell phone based on its dimension, shape, dexterity, accessibility, elegance, and other attributes.). These links have been segregated into varied groups depending on unconventional foundations of positioning by different investigators (Blankson and Kalafatis, 2004). The positioning policy of a brand is inspired by the way the product is positioned.

Figure No:-4.4
Private label share of market, by value in percentage terms – 2007e (dark) versus 2012e (light).

Source:- Planet Retail, 2008
Internationally, private label brands constitute an average of 19% of total retail market share, with some European countries (e.g. Switzerland and the United Kingdom) fast approaching a 50/50 split in market share between manufacturer and private label brands. In contrast, South Africa’s private label brand penetration rate is a mere 8% (Planet Retail, 2008). The remainder of Africa fares even less favourably. Figures 1 and 2 illustrate the private label brand market share achieved by a host of countries and the share of volume enjoyed by leading global retailers. It is clearly evident that European and North American retailers excel in this respect. Emerging markets such as South Africa, Brazil, China and
Russia experience penetration rates below the international average and are therefore playing ‘catch up’.

**Brands Take a New Approach to Private Label Branding**

There are certain contemporary brands that have either been placed on a pedestal or carefully noted by retail marketers and consumers alike. Their situations and strategies start to lend insight into a more compelling definition for a retailer’s proprietary brand offering and more importantly, a sense of how to optimize success as an exclusive, proprietary brand. It is worth mentioning that these examples are mostly in grocery and mass, however, they still inform and enlighten the strategic approach of other types of retailers including drugstores and department stores.

Retailers in the United Kingdom have been private label innovators in many respects. Take the supermarket landscape as a case in point. Since the UK consumer buys a significant proportion of his weekly purchases from one store, the competitive focus is at the store level and this is where it has been imperative for retailers to create a persuasive consumer connection. In order to accomplish this objective, retailers have had to elevate themselves above competitive retail outlets by having a comprehensive offer. They would develop their portfolios and provide proprietary products in categories where national brand manufacturers’ offerings did not suffice. Perhaps the strongest success story in this regard was that of the Marks & Spencer brand in the late 1980s and early 1990s. This was a clothing retailer known for good basics that complemented its offering with proprietary branded food products. Quality was the cornerstone of the food product range and the only brand provided was its proprietary label. Mainstream retailers could neither emulate Marks & Spencer’s premium quality, nor its price.
Sainsbury’s is another interesting retailer to consider in understanding how to develop an appropriate proprietary brand strategy. In the mid-1990s, it became the first mainstream UK supermarket to have more than 50% of its turnover accounted for by private label. Yet, despite previous accomplishments, Sainsbury's faces an uphill battle today. A key learning from this retailer’s situation is that it grew its private label brand according to the industry’s traditional approach and failed to build proprietary products on the platform of a real consumer need. As a result, it has been forced to look elsewhere to fill these needs. It has reversed its limited value private label strategy to invite Starbucks to run its coffee shop, Yo Sushi (a well-known High Street sushi brand) to provide ready-meal sushi. The retailer has a licensing relationship with popular chef, Jamie Oliver, borrowing from his expertise and charisma in food and cooking to increase sales volume and interest. While this overall strategy is far more consumer driven, it has abdicated the advantage to the competition who, through their successful customer-focused private label brand development, have much more profitable relationships with manufacturers.

It is conceivable that retailers who reached this point were taking private label success for granted and not being fully cognizant of the resounding long-term impact of their private label brand development. The fact that they were providing branded products that emulated manufacturers’ product in terms of quality and price and at the same time were delivering much better margins fueled their portfolio expansion. Yet, for some this heralded the beginning of the end of the traditionally branded good. There was, it seemed, nothing that could not be privately labeled. A proprietary branding phenomenon that had started in limited product categories like fresh produce had expanded out to cake mixes, cookies, pet food, pharmacies, coffee shops, and even, financial services.
Meanwhile, Tesco, Sainsbury’s nearest rival had been developing its offer using a different tack: carefully segmented private label echelons and ranges. Tesco has a value selection for cheaper commodities categories. Yet, this value brand was not manifested as the generic, store brand of the past. The critical point of difference with these products is that they are defined less by which manufacturer gave the retailer an opportunity in a certain product category and more by what a working class family on a tight budget would need to get by.

Concurrently, Tesco created an organics line, a kid's line and, perhaps most impressively, the Tesco Finest sub-brand. Tesco Finest started in ready meals and chilled foods, where the retailer has a natural advantage (these products are difficult to prepare and distribute). Integral to its success was its very high premium-ness. The exceptional price and quality were well received by the higher end consumer. It was also evident that Tesco Finest was an encompassing proposition and could stretch into other categories. But rather than trying to rule the world, Tesco selectively ventured into those specific areas where it could add value. High-end cookie tins, which are popular Christmas gifts, are a good example. Tesco was smart to recognize that manufacturers were struggling to add value in this seasonal, yet, premium playing field because branded products deemed suitable for everyday consumption dominated the category. Tesco Finest was able to compete here because, as a brand, it had more permission to extend into the premium sector. In view of that, its Tesco Finest cookie ranges have been a big success.

Underpinning Tesco's winning private label strategy was spectacular packaging design across the entire range. For instance, Tesco Finest packaging was in silver boxes that were very premium looking with first-rate product photography. There was also a section of the aisle
dedicated to the range. It was well marketed and supported from start to finish. Of course, Tesco's was not baking its own cookies. It was sourcing them from the very manufacturers with whom Sainsbury's was looking to compete. However Tesco was offering to buy at wholesale those products that the branded manufacturers would struggle to sell. Similar to Tesco in the UK, Canada’s largest food retailer, Loblaw’s is also a trailblazer in the private label arena. It too perpetuated a segmented strategy for its two proprietary brands. Together, its No Name and President’s Choice proprietary portfolios have over 5000 SKUs. The No Name brand is its multiple category, competitively priced, value range of products. President’s Choice, on the other hand, is a complementary, higher end private label brand that has premium imagery and a commitment to taste appeal and quality that inspires unquestionable loyalty to its retailer. Retail marketers often cite President’s Choice as a shining example in the area of exceptional private label product quality. This is evidenced by Loblaw’s commitment to the innovation and creation of a superior tasting, excessively chocolaty, chocolate chip cookie that fulfilled a marketplace desire for a rich and indulgent consumption experience. By looking at consumers’ needs wants and desires rather than manufacturers’ existing products for success cues, President’s Choice was able to develop its own unique cookie product that carved out a niche in the category by resonating with consumers in a way that its national brand competitors had not considered. This visible shift to a consumer-centric brand definition gave President’s Choice believability and a point of difference that enabled it to stretch to new and different product categories. It is now considered a premium brand that transcends food, paper goods, hair
care and even plays credibly in discrete categories like financial services.

In the US, Trader Joe’s is a prime example of a retail brand that uses multiple best-practice strategies for its proprietary portfolio offerings. While Trader Joe’s may be considered small in reach when compared to other food retailers, it is clear that this brand has been developed around its target audiences because it galvanizes a cult-like following of loyal gourmet food enthusiasts. The supply side of the coin is as interesting to note as the consumer demand side. Trader Joe’s should be admired for its ability to manage and sustain powerful relationships with manufacturers and suppliers. It purchases in bulk from manufacturers whenever possible and does not mandate slotting and promotional allowances from partners. In addition, a clear commitment to superior product, a store environment that furthers the brand proposition and well defined merchandising strategies round out the strategic direction of this retailer. Trader Joe’s private label offering contributes powerfully to its brand proposition; approximately 85 or 90% of store offering is private label, there are about 2,000 SKUs in the portfolio, and sales per square foot are more than twice that of supermarkets and three times that of other specialty stores. Another proprietary branding approach that is worthy of note is that of the upwardly mobile Target brand. One of the many reasons Target resonates with its consumers is by borrowing equities from design and lifestyle personalities like Michael Graves, Isaac Mizrahi and Cynthia Rowley in various parts of its store. The retailer has lines from each of these individuals and their allure and expertise provide a sense of contemporary relevance for consumers. Like an exclusive or proprietary brand, these brand personalities infuse meaning into the overarching Target promise and experience. The tactic of exclusive offerings is something that has been apparent in department
stores for a long time. If one is browsing through the INC or Alfani racks for work attire in a Federated Department Store like Macy’s, there is rarely a concern that the clothes are going to be substandard when compared to other fashion brands offered in adjacent sections of the store. More often than not, consumers engage with these brands in the same way they identify with other fashion brands of the same caliber. The fact that INC and Alfani have crafted a credible and relevant standing in the minds of their consumer following is important. But of greater significance is the knowledge that consumers who are exclusively loyal to INC and Alfani consider Federated Stores the sole outlets that offer them access to these favored work wear brands.

There are also countless brand success stories outside of the immediate industry that can provide insight and inspiration for proprietary brand managers. NBC (the National Broadcasting Company), for instance, embodies Maslow’s hierarchy of needs in the way its brand is manifested and expressed for its target audiences. It not only connects with consumers through its varied television programming and celebrity personalities, but it occupies a compelling place in their lifestyles. There are many Americans who religiously start off each morning with coffee, breakfast and the “Today Show” or who rally their regular Thursday night ritual around “Must See TV”. Like the NBC brand, proprietary brands have a similar capacity to not only carve a place in consumers’ hearts and minds but in their everyday lives as well.
### Table No:-4.1

**Four Types of Private Labels and their Respective Strategy**

<table>
<thead>
<tr>
<th>Examples</th>
<th>Generic private labels</th>
<th>Classic/Copyright brands</th>
<th>Premium store brands</th>
<th>Value innovators</th>
</tr>
</thead>
<tbody>
<tr>
<td>No-name black and white packages marked soap, shampoo, bread</td>
<td>Waigreens shampoo Osco vitamins Quill office products</td>
<td>President’s choice Body Shop Tesco Finest</td>
<td>Aldi H&amp;M IKEA</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Cheapest-undifferentiated</th>
<th>Me-too at a cheaper price</th>
<th>Value added</th>
<th>Best performance price ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives</td>
<td>Provide customer with a low-price option Expand customer base</td>
<td>Increase negotiating power against manufacturer Increase retailer share of category profits</td>
<td>Provide added-value products Differentiate store Increase category sales Enhance margins</td>
<td>Provide the best value Build customer loyalty to store Generate word of mouth</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Branding</th>
<th>No brand name, or identified as first price Label</th>
<th>Umbrella store brand or category-specific own labels</th>
<th>Store brand with subbrand or own label</th>
<th>Meaningless own labels to demonstrate variety</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing</td>
<td>Large discount, 20%-50% below brand leader</td>
<td>Moderate discount, 5%-25% below brand leader</td>
<td>Close to or higher than brand leader</td>
<td>Large discount, 20%-50% below brand leader</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Basic functional</th>
<th>Originates in large</th>
<th>Image-</th>
<th>All categories</th>
</tr>
</thead>
</table>

Source: Private Label Status in India

Value Innovators in private Labels are in the highest level in private brand category. “Not only have private label introductions increased, but product innovation is reaching unprecedented highs. Retailers no longer only launch 'me-too' products to compete against major national brands. Instead, private label lines are hotbeds of creativity, driving markets and establishing themselves as trend leaders." (Mintel’s Global New Products Database, 2005) Depending on retails store strategy the retailer may adopt any of the private label strategy. Seeing the growing importance of private label it is necessary to have clear definition of
Private labels have emerged as a well-defined growth strategy by most of the Indian retailer. These Private Label not only have high margins of retailer and help in differentiating the retail offer of a store but also help in bridging the gap in manufacturers product mix. Private labels have been a roaring success in food, consumer durables and home care segments, and garnered the most profits in apparels. According to industry estimates, profit margins for private labels range between 15% and 25%.

### Table No:-4.2

Private Label Status Among Indian Retailers

<table>
<thead>
<tr>
<th>S.No</th>
<th>Company</th>
<th>Retail Chain</th>
<th>Private Label Name</th>
<th>No. of Private Labels</th>
<th>Categories</th>
<th>% of sales from Private Label</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aditya Birla Retail</td>
<td>MORE</td>
<td>Kashish, Stop Life, Mariozegnoti, Ac’i’opols Velorio Fratini,</td>
<td>350</td>
<td>Noodles, Home care products</td>
<td>25%</td>
</tr>
<tr>
<td>2</td>
<td>Shopper Stop</td>
<td>Shopper Stop</td>
<td>DJ &amp; C, Bare, Dream line, RIG John miller, Buffalo</td>
<td>75</td>
<td>Women formal wear, Casual wear, Purses</td>
<td>20%</td>
</tr>
<tr>
<td>3</td>
<td>Future Group</td>
<td>Pantaloon</td>
<td>Tasty treat, Premium Harvest, Fresh &amp; Pure, Care mate, Sach</td>
<td>20</td>
<td>Jeans, Shirts, Kids wear</td>
<td>80%</td>
</tr>
<tr>
<td>4</td>
<td>RPG’s Spencer</td>
<td>Spencer’s</td>
<td>Smart Choice</td>
<td>20 brand 6000 SKU</td>
<td>Processed Food, home entertainment, Jam, Sauces, Noodles, Tea</td>
<td>15%-25%</td>
</tr>
<tr>
<td>5</td>
<td>Future Group</td>
<td>Big Bazaar</td>
<td>Reliance select, Reliance Value, Power noodles, Daity Pure</td>
<td>28 trade mark,8 brands</td>
<td>Noodles, chocolates, ready to cook food</td>
<td>15-20</td>
</tr>
<tr>
<td>6</td>
<td>Reliance Retail</td>
<td>Reliance Fresh</td>
<td>V Needs ,V Fresh</td>
<td>50 brands</td>
<td>Noodles Milk, staples, processed food</td>
<td>15-20%</td>
</tr>
<tr>
<td>7</td>
<td>Vishal Retail</td>
<td>Vishal Mega Mart</td>
<td>V Fresh</td>
<td></td>
<td>rice, whole wheat flour (atta) and besan, Jam, Ketchup, Noodles, Cornflakes Squashes.</td>
<td>20-35%</td>
</tr>
</tbody>
</table>

Source: Private Label Status in India
and 20% in the FMCG sector, around 20% in electronic goods and 30-70% in apparels.

Table No:- 4.3

Private Labels of Spencer in Grocery Segment

<table>
<thead>
<tr>
<th>Category</th>
<th>Name Private Label</th>
<th>Contribution In terms of revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processed Food, Noodles, sauces, Marmalades</td>
<td>Smart Choice</td>
<td>10-20% of the total category sale</td>
</tr>
<tr>
<td>Beverage, Juices, Tea</td>
<td>Smart Choice</td>
<td>8-10% of the total category sale</td>
</tr>
<tr>
<td>Home Care</td>
<td>Smart Choice</td>
<td>10% of the total category sale</td>
</tr>
<tr>
<td>Personal Care</td>
<td>Smart Choice</td>
<td>10% of the total category sale</td>
</tr>
</tbody>
</table>

Source: Private Label Status in India

The major factor fuelling the tilt towards private label products in India, is the price differential on an average, the price difference is close to 15 per cent. Spencer’s stocks private labels in food categories including processed food, staples, sauces, jams, pickles, tea, noodles and others, Spencer’s uses the name—Smart Choice—for its private label products. In home and multipurpose needs they have Air Fresheners, Kitchen Wipes, Toilet Cleaners, Glass Cleaners, Floor Cleaners, Dish wash Liquid, hand wash Liquid, Insect Repellants, Naphthalene Balls, Aerosols, Fabric Cleaners (for cuffs and collars), Stain removers. And in beverages private labels are in juices and tea. In the processed food category items like Noodles, Vermicelli, Sauces, Pickles, Jams, Marmalade, Cookies, Honey, Spaghetti, and Pasta are present.
Table No:- 4.4

Details of leading manufacturer in Jam / Spread category

<table>
<thead>
<tr>
<th>SNo</th>
<th>Class Name</th>
<th>Manufacturer Name</th>
<th>Manufacture Code</th>
<th>Brand Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Jams/Spread</td>
<td>Spencer Private Label</td>
<td>1</td>
<td>SPL</td>
</tr>
<tr>
<td>2</td>
<td>Jams/Spread</td>
<td>HUL</td>
<td>2</td>
<td>Klssan</td>
</tr>
<tr>
<td>3</td>
<td>Jams/Spread</td>
<td>Imported</td>
<td>6</td>
<td>Imported</td>
</tr>
<tr>
<td>4</td>
<td>Jams/Spread</td>
<td>G D Foods</td>
<td>9</td>
<td>Top’s</td>
</tr>
</tbody>
</table>

Source: Private Label Status in India

Private label is growing out of center store and is now a factor in peripheral departments, the growth is in areas like fresh fruits and vegetables, meat and fish, and in premium private label and gourmet products. Now we're seeing that the growth is going to be in categories like juices, spices and sauces, because those are categories which don't have strong national brand orientation and at the same time have tremendous profit potential for the retailer as per expert finding. While the profit motive guides a retailer to introduce private labels in many a category, many retailers are conscious to not touch some categories where they gauge that the going is likely to be tricky e.g. the health drink category, as this category is highly brand conscious. Many find the current recession benefits store brands, as consumers look to pinch pennies where they can without giving up quality. The recession is definitely having an impact on private label; there is increase in sale of most of the private labels in most categories.
SALE OF BRANDED PRODUCTS: INCREASING PRIVATE LABEL SHARE IN INDIAN RETAIL

With the growing retail sector, private labels or store brands are a rising phenomenon in the Indian organised retail market. Though shoppers have been migrating toward private labels long before the economic slowdown started, the slowdown has significantly increased the pace of this shift, thus favourably affecting the private label sales of almost all large retailers like Reliance Retail, Aditya Birla Retail, Bharti Wal-Mart Retail, Infiniti Retail, Pantaloon Retail, Shoppers Stop etc., that have private labels in their stable.

This migration is not only linked to price play, with an average private label in India priced 5–10 per cent below national brands, but also to various factors like improvement in product quality, packaging, presentation and retail experience that private labels have graduated to offer. Added to that is the fact that while many product categories like mobile phones, small home and kitchen appliances, etc. were traditionally the strongholds of brands, large-scale commoditisation over the last few years has significantly reduced the power of the brand. Interestingly, consumers will continue to witness heightened competition between national brands and the private labels or store brands in the years to come, with private labels continuing to grow as a painfully visible symbol of retailers’ growing control over consumers and the supply chain. By diminishing the power of traditional brands, private labels are slowly but surely diluting a key source of manufacturers’ influence over consumers, and in turn, their leverage over retailers. The rise of private labels has thus resulted in many conflicts between retailers and brands owing to issues like margins, display and shelf space. Retailers are more inclined to push sales of private labels as it offers them higher margins, enables them to
differentiate themselves from other stores in the vicinity and gives them a chance to have more bargaining power and compete with the national brands rather than just being their customers. The brands view private labels as category killers that make consumers more price sensitive, and are favoured by the retailers in terms of shelf space. Brands are hesitant to offer higher margins to retailers as organised retail still contributes to a very small percentage of their overall sales, and there is also the option of growing the brand through unorganised retail, as the market is largely under-penetrated. While Indian retailers and brands are still learning to manage this conflict, globally, there exists a fine balance wherein both private labels and national brands coexist, creating a win-win situation. The private label phenomenon in Indian and global context is as discussed:

**A. GLOBAL SCENARIO**

- The world private label market is estimated to be US$ 1,780 billion growing at 6 per cent p.a. vis-a-vis national brands which are growing at 2-3 percent p.a. For each US$ 100 spent by consumers globally, US$ 17 is spent on private labels. Retailers like Wal-Mart, Tesco and Sainsbury have successfully launched private labels across all price points from value to premium and have more than 40 per cent of their sales coming from private labels. Some of the successful private label examples are as follows:
  - Wal-Mart’s private label ‘George’ is one of the highest selling apparel brands in the US.
  - Aldi, the German deep discounter has more than 90 per cent of its sales coming from private labels. Some of its private labels sell more than any national brand in Germany, e.g., Aldi’s private label ‘Tandil’ is one of the largest selling washing powders in Germany.
B. INDIAN SCENARIO

As compared to the global scenario, in emerging markets like India the private label market is still at a nascent stage. Though the share is still less than an estimated 7-8 per cent (US$ 1.4-1.6 billion) of organised retail sales, it is growing fast. Growth is primarily driven by:

- Increasing strength of modern trade
- Relatively lesser brand loyalty and high ‘value’ loyalty amongst Indian consumers
- Foray of private label products into new categories, largely those that are becoming increasingly commoditised (dry groceries, oils processed foods, basic apparel, home furnishings, small electricals, etc.) and the new emerging categories where brand strength is relatively much lower.
- India’s largest retail company Future Group has 12 apparel, 4 FMCG and 2 household product private labels in its formats Big Bazaar, Food Bazaar and Pantaloon. Besides these it also has many other private labels across categories and formats.
- Aditya Birla’s private labels cover 7 brands and many products and variants in categories like cereals, processed foods, detergents, etc It is also planning to launch its private labels in milk and dairy products.
- Tata Croma has plans for 100+ private labels across categories like personal care equipment, laptops, small appliances, etc.
- Reliance Fresh sells staples and food items under Reliance Select and Reliance Value brands. It has recently launched Dairy Pure, in the liquid milk segment. Reliance also sells a number of private labels in other categories like apparel, through its various other formats.
- Shoppers Stop has around 10 private labels, the prominent ones being Stop, Kashish, Life, etc.
- Bharti retail recently launched 8 international private labels of Wal-Mart in its supermarket chain, Easy day retailers need to understand
that brands attract consumers to the retail store through advertising and promotion, thereby creating demand for the category. Private labels also benefit in the process as it gives them an opportunity to be picked up by consumers. If private labels are the only available products in the store and national brands are phased out, then it could alienate consumers from that store. Another way in which both entities can benefit is if brand manufacturers offer their excess plant capacity and production/product development expertise to retailers for manufacturing of private labels, thus helping retailers to improve their private label quality standards. In global markets, brands regularly work with retailers to introduce co-branded product lines. For example, Nestle works with Lidl, a discount retailer, to create products and packaging in many categories across countries. In the Indian context, Ruchi Soya had tied up recently with Future Group for manufacturing its private label-Fresh & Pure. Brand owners and manufactures like Indo Nissin (Brand: Top Ramen), Dynamix Dairy (Brand: Dynamix) etc. also manufacture the private labels of a large number of retailers. Refusal to manufacture private labels can greatly hamper the established brands as well. A few years back when Coke and Pepsi in Canada declined to supply private labels to retailers, they took help from a small company called Cott and gained a 20 per cent market share while bringing down the bigger brand’s margins considerably. National brands need to understand that private labels are and will be a part of life and in many ways provide them with unique opportunities. If a private label is launched in a new product category then the national brand marketers should consider it as a market test amongst consumers and can collate learnings from it to create new products. Further, in-store branding of private labels attracts footfalls towards the category shelves, hence providing more sales opportunities to national brands too. However, the question is whether
the Indian market is mature enough to understand the basis of this mutually beneficial relationship and then create and sustain the same. A case in point is that of a large retail group in India that decided to phase out a famous international cereal brand from its stores owing to margin disputes and is instead pushing sales of its private label. It will take some time to prove how right this strategy is, but taking a cue from the global players Indian retailers need to understand that private labels can flourish more alongside national brands, rather than in isolation.

Going forward, in order to coexist, brand manufacturers and retailers will have to work together and not only attract consumers into the store but convert them into buyers by giving them a wide variety of options in terms of price and range. Innovation, promotion and competitive pricing are a few factors that national brands must adopt in order to compete with the private labels. Brand strategies will have to be improvised upon and made to operate at a more micro level to deal with the different private labels of large retailers. Pricing and positioning strategies will not be only based on competitors’ moves—brands will have to consider how the retailers react to the brands’ strategy. To counter the price competition, brands will have to offer promotions and pay a higher fee for the more visible shelf space or slot. On the other hand, retailers would have to continuously work on improving the quality of their private labels amid issues of threshold volumes to justify backend investments. Attractive packaging, in-store branding and promotion, widening the range and exploring categories where there exists untapped potential are other strategies that can bring them at par with the national brands. And there is no doubt that if the retailers and national brand manufacturers create a mutually beneficial coexistence then the ones to benefit most from this would be the consumers.
A New Approach to Private Label Branding
In order to be truly successful, retailers must advance from the generic or store brand mindset of the past to a new private label paradigm. Many retailers have begun to describe their private label brands as “own” brands because there is recognition that these proprietary, exclusive offerings are tools that represent momentous power and potential for the retail store.

The term “own” brands acknowledges that today’s visionary retail marketers have powerful proprietary portfolios that they control and manage and there is potential to reap bigger and better rewards by taking a closer look at the way they orchestrate the role and expression of these brand offerings in the eyes of consumers in each product category. Those retailers who appreciate the magnitude of this brand opportunity have created a new industry standard in their realm of influence and activity.

“Own” brands are articulated and developed in a way that they not only fit with the brand promise of the retail store, but if effective, they also give consumer drivers a key point of departure to enhance and celebrate the overall retail brand proposition to keep consumers coming back for more.

Implications for Retail Marketers
1) Collaborative category management is vital. Strategic category management is instrumental for a retailer to realize its “own” brand goals and aspirations. It requires the development of a symbiotic relationship with manufacturers and/or suppliers to elevate relationships and further a mentality of partnership.

Contrary to the previous mindset of private label management, this approach does not commoditize the manufacturers’ brands by offering a
comparable product at a significantly lower price point. This would undermine the value inherent in the whole category and lower margins overall.

In this new way of thinking, the retailer and trade partnership becomes more about cooperation and less about the retailer negotiating with the manufacturer or supplier on price and listings. By working together, the parties involved can solidify trade relationships and ensure that the category as a whole remains profitable and emotionally appealing to the customer so that both private label and branded goods win. In the spirit of effective category management, there should be a collaboration in understanding and deciding how to optimize the product lines and SKUs that will progress the category definition as a whole and determine planograms and shelving scenarios to rally the greatest degree of category interest and excitement from consumers.

2) Recognize that a salient consumer need should be the springboard for an “own” brand proposition. The “own” brand promise should be defined as a holistic representation of resonant functional and emotional attributes and benefits. This ensures that it takes into account need states that are important to consumers and offers a credible point of difference from other category players.

By crystallizing a differentiated value proposition, an effective “own” brand considers the approach that national brands use to arrive at a holistic benefit proposition rather than the specific positionings they use. This furthers an “own” brand promise that has been informed by the competition, but is clearly not a “me-too” expression. It is also successful because it demonstrates a commitment to offer consumers multiple options and varieties with distinct attributes, benefits and price points.
3) Do not underestimate your power to leverage and own the consumer connection. A successful “own” brand literally has the ability to own the consumer connection. If it is broadly defined, it has the capacity to strike a chord with consumers in multiple product categories.

Unlike national branded products, “own” brands are exclusively available through a specific retailer and can often transcend specific product categories because they use a consumer focus rather than a product focus as their brand foundation.

They have the potential to be magnets that draw consumers into one specific retail store over another. Take Wal-Mart’s success with its exclusive brands like Ol’Roy for dog food or Reli-On for diabetes. These brands inspire such trustworthiness and allegiance from their loyal consumers that Wal-Mart is their pre-meditated retail source whether they are running low on dog food or diabetes medication.

The exclusive brands may be the reason that consumers are initially drawn into the store, but once they are there, Wal-Mart also has the opportunity to encourage them to spend more on incidental or impulse purchases.

Therefore, exclusive or “own” brands not only reinforce enduring loyalty and positive feelings for the overarching retail brand, they often enable the retailer to capture a more significant share of the consumers’ wallet, heart, mind and lifestyle than a national product brand.

4) Optimize and promote synergies of the points of touch you own and influence. Retail marketers are becoming more cognizant of how various aspects of their “own” brand marketing mix work together to create a strong, consistent brand message.
By developing store environments, in-store messaging like signage, merchandising systems, and packaging as well as external messaging like circulars, catalogs and advertising in a congruent manner, the retailer is able to create an enduring impression in-store, at shelf, at the time of purchase and during usage. Many of these brand expressions do not require revolutionary change for extended periods of time, so they perpetuate an eloquent branded voice because of strategic integration rather than constant investment and reinvestment.

5) **Strike the right balance of similarities and differences with brand messaging and portfolio offerings.** Brand architecture is a critical consideration for “own” brand marketing. Once the brand proposition is solidified, the brand architecture strategy enables decision makers to promote this promise at the retail store level in order to engender a sense of familiarity, recognition and trust.

At the same time, “own” brands tend to straddle a broader set of aisles than national brands. Because of this, it becomes more and more important to differentiate an “own” brand’s attributes and benefits on an aisle, category and product basis.

For instance, when shopping at a drugstore, the consumers’ purchase decision pathway in the over-the-counter cough and cold care category is quite distinct from their drivers in the paper goods category. Brand architecture and design expression can help the consumer navigate the breadth of the “own” brand portfolio and understand its depth of expertise in different areas of the store.

6) **Calibrate the “own” brand promise and the proof in the product.** It is important to consider how package design, nomenclature and
product strategy can propel and support the retail marketer’s vision for the “own” brand promise.

Re-branding efforts often go hand in hand with packaging redesign and sub-branding initiatives. These are critical tools that help to visualize and verbalize what the “own” brand stands for and demonstrate its expertise and points of difference in various product categories. These brand executions are the vehicles through which “own” brands deliver on category-mandated functional and emotional virtues, spurring consumers to select the retailer’s brand over others.

However, decorative packaging and product names are not enough for today’s sophisticated shopper. The packaging may be the reason that a consumer picks a specific item off the shelf, but if the product does not live up to his anticipations in use, he will be less inclined to repurchase. Product quality and innovation are a necessary functional underpinning for an “own” brand offering. This is the reason that re-branding efforts are often synchronized with product portfolio rationalization. By undergoing quality assessments, the retailer is able to ensure that its products live up to consumers’ expectations and that negative consumption experiences do not undermine the brand promise that is being developed and executed.

**Benefits of private labeling:**

1. **Brand loyalty:** Private branding allows you *(or your customers)* to create your own unique image, which creates a marketing identity and promotes stronger customer recognition and loyalty.

2. **Custom Tailored:** The packaging and labels can be tailored to meet YOUR specifications, including product name, description, company’s logo and contact information.
3. **Control:** Private labeling allows more control over things like pricing, marketing, sales and distribution.

4. **Lower price = Higher margin.** Because you are paying less for a private label vs. a national brand, your margins are higher. For retailers, margins on private label goods are an average of 10% higher than those on similar branded products with higher margins possible; there is a greater opportunity for higher profit.

5. **Exclusivity:** Private label products are only available from the retailer - customers will not go into a popular megastore and find the private brand product at a lower price. Customers will not find the private brand product somewhere else on the internet either.

**Best Practices in Private Label Branding**

**Align with and support the master (retail) brand**

It is likely no coincidence that some of the strongest private label brand portfolios are those that seem to be in sync with the positioning and strategic intent of the retail master brand. Ideally, their positioning is highly complementary of the retail master brand, reinforcing the equity and positive associations of the latter. Target clearly delivers on this premise, with private label designer brands such as Isaac Mizrahi and Michael Graves. It also has exclusive product lines from national manufacturers, like Converse One Star. These product brands are consistent with the Target master brand positioning, which emphasizes quality, affordability, and perhaps most importantly of all, style.

Even better than merely aligning with a master brand positioning, some private label brands actually infuse positive equity and favorable associations into the master brand—associations the retail brand may not have on its own. For years Best Buy suffered from very unfavorable
perceptions in the area of customer service. The acquisition and storewide deployment of the Geek Squad proprietary brand helped Best Buy improve its customer service levels, and simultaneously improve its overall brand perception. Another example is The Home Depot. Exclusive partnership with brands like Behr, Rigid, and Ryobi are heavily leveraged by the retailer, and are frequently the cornerstone of entire advertising campaigns. Clearly these brands represent strong “reasons to believe” for The Home Depot brand.

Perhaps the best-known example of this phenomenon is the private label brands of Sears. For years, Craftsman, DieHard, and Kenmore have been a dependable backbone for Sears from both a business and a brand perspective. Evidence of this can be found on Sears’ website: “Throughout its history, Sears has committed itself to quality private-label brands. For Sears, its brands are more than just the names of product lines. They are symbols of the company. Sears stakes its reputation on the strength of its brands. Products must meet the most rigorous standards of quality and safety before they earn the right to bear such names as DieHard, Kenmore, and Craftsman.”

**Bring differentiation to the category; fulfill unmet customer needs**

Private label brands are perhaps at their best when their offerings are incremental to the store, or better yet, the overall marketplace. One way to do this is by bringing something truly differentiated to the category. Another related way is through addressing customer needs that are not satisfied by the major national brands. Importantly, this differentiation should be more than merely a lower price than manufacturer brands—private label brands should also be unique in the product or service offering itself.
Safeway is a prime example of bringing differentiation to the market, and in doing so, satisfying an increasingly unmet consumer need. O Organics is a line of over 300 certified organic products available in almost every aisle of the grocery store. O Organics food is produced and handled in accordance with all USDA organic standards—without the use of synthetic pesticides, genetic modification, growth hormones or antibiotics. This is very much in line with the increasing demand consumers have for good tasting natural foods from select organic growers that use earth-friendly farming practices. Similarly, the retailer’s Eating Right brand is touted as “a whole new way to look at nutrition.” It combines foods that meet healthy eating standards with convenient product forms (e.g., frozen and shelf-stable) to help consumers balance the competing goals of nutrition and convenience.

Finally, innovation is another way private label brands can bring differentiation to the category and market. The Home Depot’s Vigoro brand has an innovative Automatic Rain Monitoring feature to prevent unnecessary lawn watering. BEHR’s ColorSmart provides a way for consumers to find, coordinate and preview a BEHR paint color for virtually any paint project. With N:Vision, The Home Depot became the first retailer to offer a free CFL recycling program that allows customers to easily identify and purchase products that have less of an impact on the environment.

**Establish clear boundaries for private label brands**

When retailers successfully develop a strong private label brand there is often a tendency to extend it anywhere and everywhere throughout the store. This includes horizontally across product categories and vertically across price/value tiers. However best practice retailers avoid the temptation to over-extend and/or dilute their private label brand assets.
Like savvy national brand marketers, they ensure their private label brands are extended logically and judiciously, and only in accordance with a brand’s carefully articulated positioning. This helps ensure their private label brands maintain their valuable equity and their relevance in the minds of target consumers.

Once again, Sears provides an example of disciplined brand management. Over the years, it has remained true to brand positioning and category exclusivity relative to its portfolio of private label brands. Despite tremendous category success, Craftsman has remained primarily a tool brand positioned around quality and durability. DieHard, as its name implies, stands for dependable and long-lasting performance. Although DieHard has ventured beyond its automotive roots, it has for the most part only extended within the context of batteries and portable power (including for use in Craftsman tools). Similarly, Kenmore has been consistently positioned around innovation, and although it has been more broadly extended than its hardware counterparts Craftsman and DieHard, it has been reserved primarily for Sears’ appliance categories.

Trader Joe’s follows this best practice by defining several of its private label brands along ethnic lines. Trader Jose’s is for Mexican cuisine, condiments, and even beer; Trader Giotto’s is an Italian line that includes pasta, pizza and bruschetta; and Trader Joe-san’s is for Japanese cuisine. It also has Trader Darwin’s, which is a brand of vitamins and health supplements. Notice also the explicit linkage of each private label line to the Trader Joe’s master brand in the form of sub-branding (i.e., Best Practice #1).
Define brands based on emotional attributes
Consumers tend to gravitate toward (and remain loyal to) brands because they feel an emotional connection to them. This is no different for private label brands than for national manufacturer brands. It is important for private label brands to stand for something more than merely price/value—and even more than a product attribute—they need to provide an emotional benefit that consumers can relate to. Retailers who have been successful with exclusive brands realize this important nuance, and find ways to infuse emotional equity into their private label brands.
Target provides a prime example of emotional branding. Granted, in the case of their designer brands (e.g., Isaac Mizrahi) they have the luxury of being able to leverage the powerful equity that’s already been established by the designer/founder. However regardless of type or origin, Target’s private label brands convey an image that is consistent with the retail flagship brand. One only need look at their ads to see the fun, happiness and style Target seeks to reinforce in not only their exclusive brands, but in the Target brand as well. The same is true for Sears. “Life running beautifully” was a long-time message for the Kenmore brand, and a positioning that evokes strong emotion and positive imagery. “There’s a Craftsman in all of us” is another example of how Sears has assigned an emotional and self-expressive benefit to its famous hardware private label brand. As for DieHard, “Life demands DieHard” reinforces the emotional benefit of trust consumers feel when they look to portable power.
Trader Joe’s private label brands attempt to make consumers enter a carefree and happy state of mind. TJ’s packaging and messaging feature unique humor, a relaxed and laid back Hawaiian spirit, and a neighborhood look and feel. The combined effect is brands that
consumers can relate to and connect with—and ones that are very consistent with the Trader Joe’s master brand positioning.

**Distinguish brands with a distinct identity and appropriate brand linkages**

Finally, best-in-class private label brands develop a distinctive and highly recognizable visual identity and follow a consistent messaging strategy. They also maintain precise guidelines describing the extent to which the private label brand can and should be identifiably linked to the retail master brand (if at all). Undoubtedly, a desirable visual identity and strategically sound brand architecture are part of what make private label brands successful…or if ignored, contribute to their demise. Safeway Select is a private label brand that in many ways looks and feels like a national brand. The same is true for O Organics. With the latter in particular, it is difficult to know it is a private label brand by merely looking at it on shelf. Additionally, Safeway’s private label brands have strict guidelines that inform the essence, identity and messaging for each brand. The Safeway Select brand obviously strives for a close, explicit connect to the retail brand, while O Organics intentionally avoids a connection and maintains appropriate distance from the Safeway brand. These interrelationships (or lack thereof) are reflected in multiple ways for each brand, including product name, color palette, tagline, and package violator.

**PRIVATE LABELS IN INDIAN RETAIL**

In India organized retailers like Bharti Retail, Adhitya Birla Group, Shoppers Stop, Megamarts, Niligiris, Pantaloon Retail India Limited and Godrej are some the important retailers who have come out with private labels
BHARTI RETAIL: Bharti Retail, Walmart’s joint venture partner in India, have bought eight private label in total including Great Value line of food (flour, dry fruits, spices, cereal, and tea), George Apparel. The Private Label lines are going into the Cash & Carry format (BestPrice Modern Wholesale) and discount convenience (Easyday). Equate, a brand for pharmacy and health and beauty items, has been introduced only in the handwash category as of now in Easyday stores. Other Wal-Mart private labels introduced in India include Home Trends (home furnishing), Mainstays (plastic containers, kitchen accessories), Kid Connection (toys, clothing), Faded Glory (footwear) and Athletic Works (athletic shoes, equipment). Astitva, a line for Indian ethnicwear.

ADITHYA BIRLA GROUP: More retail outlets from Adithya Birla Group offers Feasters brand (fruit squash, biscuits, fruit syrup, Instant Fruit Mix Powder, Noodles). More Brands (various grocers). 110 Per Cent (toilet cleaners, detergents, soaps,) and Paradise Room and Air Fresheners, AU79 (Deodorant) and Fresh-O-Dent toothpastes and toothbrushes.

SHOPPERS STOP: Shoppers stop offers Kashish, Haute Curry, Vettorio Fratini and Elliza Donatein private labels in its products offerings. Life’ T-shirts for men, while 'Stop' as ladies western wear.

VISHAL MEGAMART: Vishal Megamart's offers salt and toothbrush under its 'Vneed' brand.

PANTALOON RETAIL INDIA LIMITED: Pantaloon Retail India Limited, offers "Fresh n Pure, Cleanmate, Tasty Treat, Caremate, Sach brands in food and FMCG. DJ&C, Kinghood, John Miller brands in
men”s apparel. Tasty Treat in food segment. In the baby diapers segment Care Mate. In the Electronic Bazaar offers refrigerators, washing machines, air conditioners, fans, toasters, kitchen mixies in the brand name KORYO. From the above data it is very clear that the number of private labels from Pantaloon Retail India Ltd is comparatively more than the other retailers, this is because Pantaloon Retail India Limited is expanding its business and growing faster compared to other organized retailers in India. At present the organized retail in India is about 3 to 4% only, the rest is unorganized retail i.e the kiran stores, organised retailing is growing faster than ever, hence in the coming years Retail consumers can see more private labels in the retail stores and have more options in their selection. We can see the competition becoming intense between private labels and national brands and competition among the private labels from different retailers in the coming years.

**GROWTH POTENTIAL OF PRIVATE LABELS** Experts in the industry say private label brands, which occupy less than 5 per cent of the market in India now, are likely to corner 50 per cent of the market as the retail space opens up and matures. At present Bharti Retail gets 15-20% of sales from private labels and hopes to raise it to 30% in future. For Shoppers Stop, private labels, on average, account for about Rs 200 crore in revenues Almost all modern retailers, including the Future group, Reliance Retail and the Aditya Birla group, are increasingly relying on private label to boost their sales and margins. Future group has been working towards growing their private labels so that some of them can even be leased or sold to other retailers. Examples in the developed countries show that Private labels can have strong brand loyalty as stronger or more stronger than national brands.
For example, Aldi in Germany as the nation’s number one brand. In a recent study, its brand name in terms of consumer trust was ranked ahead of even DaimlerChrysler. Again, Tesco is among the top 10 brands in the UK. Similarly, French retailer Carrefour is one of the 10 most recognised and trusted brands in France. Private labels account for 40 per cent of Wal-Mart sales ($126 billion or Rs 5,16,600 crore), 50 per cent for Tesco ($36 billion or Rs 1,47,600) and are eating into a larger chunk of the organised retail sale in developed markets. In Germany, for instance, private label has shot up from 12 per cent of sales to 34 per cent. This has, in effect, changed the balance of power between brand manufacturers and retailers, giving the latter a decided advantage when negotiating terms with the brand manufacturers. Private labels have evolved from „cheap and nasty substitutes” to the real thing. Indeed, „copycat” private labels still remain a strong strategy for retailers. However, the copycat no longer depends on the price advantage to fight the branded product; it has improved on quality and offers a value proposition to the consumer. Observing the growth of organized retail in India, there is enormous potential for the growth of private labels in India. Indian organized is witnessing heavy investments from well know business establishments in India like TATAs, Reliance, ITC, Godrej, Birla Group. At the same time foreign retail majors like Walmart, Tesco, Carreforre, are also entering/ have entered the retail sector observing its immense potential. All these players have their private labels in the Indian retail.

**PERFORMANCE OF PRIVATE LABELS**

In food and beverages, for instance, Aditya Birla Retail's Feasters Noodles Family pack contributes 40 per cent of the revenues from the category. Kitchen's Promise pickles are outselling Mother's Recipe, and
sales of Feaster's Instant Drink Powders are more than double those of Tang sales. In homecare, the brand 110 Per Cent toilet cleaners have achieved 20 per cent of the category sales and Paradise Room and Air Fresheners contribute to 38 per cent of the category sales. Even personal care products are doing well. AU79 Male Deodorant has already gathered market share of 6.5 per cent within three months of launch. And Fresh-O-Dent toothbrushes contribute to 15 per cent of the category sales. Thomas Varghese, CEO, Aditya Birla Retail, says, "Our brands have performed very well against the FMCG brands across a range of food and non-food categories." Aditya Birla's private labels cover seven brands and over 290 products and variants. The same can be said for Spencer's and Future Group. Mohit Kampani, vice-president, merchandising, food & FMCG, Spencer's Retail, said, "Our private labels have double-digit market share in food (10-20 per cent) and beverages (8-10 per cent), home care (10 per cent) and personal care (10 per cent)." Spencer's sells private labels under the Spencer's Smart Choice name. It is targeting 20 per cent market share across the categories in the next three years.

Devendra Chawla, head (private labels) food and FMCG, Pantaloon Retail India Limited, said: "Fresh n Pure, Cleanmate, Tasty Treat, Caremate, Sachn each case we have 15 to 40 per cent market share in the categories in which we operate. We hope to have 25 to 30 per cent share for our private labels in respective categories." Anand Ramanathan, manager, business performance services, KPMG, noted that some of the major food and grocery retailers' average 20 to 30 per cent private label penetration, peaking at around 50 per cent. Processed food and homecare products are witnessing more heat from private labels because consumers are more open to brand switches in these categories, while personal care is a little tough to crack. Naimish Dave,
director, OC&C Strategy Consultants, noted, "Currently, the contribution of private labels for some players has even touched 40 per cent-plus, from 10 to 12 per cent."

**Three trends shaping private label strategies**

1. **Interacting with shoppers**
Retailers are investing more resources in new campaigns and products that interact with shoppers, adopting a ‘personal touch’ to promote their private label ranges and their company brand as a whole.
A great example I’ve seen comes from The Co-operative in the UK, who recently ran an innovative “Tweet for a table” campaign to engage younger shoppers as it looks to establish relationships with them early on in their lives. Only a tweet was needed to enter for the chance to win a gastro-style meal in a pop-up restaurant. The winning meal was then created using a variety of The Co-operative’s private label products, allowing the retailer to showcase its capability.
Another recent example that really impressed me is from German drugstore DM. Taking a different approach, it linked up with ProduktDesigner to create ‘Foto Paradies’, a website that allows consumers to design their own packaging across a range of private label products. Shoppers were able to change the text on bottles and even include photos, bringing excitement to the category. This scheme took personalisation to new levels, allowing shoppers to create products that are completely unique to them.

2. **Pushing the boundaries of core brands**
Across the industry, there are many more examples of retailers taking their core private label ranges a step further as they look to differentiate
their offer and build shopper loyalty. This is taking a variety of forms. One example is by creating a distinctive umbrella brand, targeting specific shoppers. For example in Norway, NorgesGruppen’s Ultra Sandvika has created a new range of healthy products for children called Jippi. This has been promoted around store with life-size characters to add a sense of fun and attract interest from children and parents in-store. Another approach is the introduction of more targeted ranges within retailers‘core brands. A great example of this is from Spain, with Eroski’s new ‘Cooking’ range. Launched in July 2013, the range is split into three sections to create a complete meal; #1 meat or fish, #2 side, #3 sauce. The range makes it easy for shoppers to create a complete meal of their choice, actively encouraging them to buy-in to the concept and purchase from all three sections. By allowing shoppers to pick and choose various combinations, shoppers feel they are scratch cooking, effectively targeting shoppers looking for the combination of a fresh, healthier option and a convenient solution.

3. Extending brand frontiers
The third private label trend that really stands out to me at the moment is retailers using private label ranges in new ways, broadening the reach of their brands. One such strategy is the collaboration of global retailers to bring private label to new shoppers and markets. For example, Waitrose is leveraging its reputation for high quality products to bring its private label ranges to Dairy Farm’s premium fascia, Market Place, in Singapore. Products from both its essentials and core ranges were merchandised alongside local ranges. Meanwhile French retailer Casino is collaborating with Rustan’s fascia Shopwise, Philippines, and with A S Watson’s fascia Taste, Hong Kong, to bring its core private label range to the Asian market.
Private label ranges are relatively underdeveloped in Asia compared to Europe and America. Casino and Waitrose are using their own ranges, but positioning them as brands within the core offer of these Asian retailers. This will help build their brand presence, reach new customers, drive incremental sales, as well as deliver mutual benefits for A S Watson and Dairy Farm.

**Concluding Remark:-**
In the past, private label was a moniker for consumer products that were lower priced and lower value. Retailers fostered them as they represented a growth engine because of high returns in terms of margins and profitability on a relatively small investment. As the industry continues to advance, there is increased acknowledgement that this approach to private label management may allow for near-term gain, but can have a detrimental impact on a retailers’ long-term success.

There has been a rapid shift in mindset about the role and requirements for today’s private label brands. Retailers are evolving to a new definition and greater focus for these proprietary offerings to elevate their stature and influence on the current and future business strategy. Today’s private label brands need to embody the attitude and demeanor of an “own” brand. “Own” brands are relevant to the broadest set of audiences. The trade feels an affinity and desire for the “own” brand to prosper. The consumer is loyal to “own” brands and seeks them out as an integral part of his/her lifestyle. The retailer celebrates and nurtures the “own” brand as a vital embodiment of its brand proposition that will build and sustain a greater degree of loyalty. This new paradigm of private label thinking requires that retailers consider an arsenal of often-overlooked business and branding tools to further success. Category management and brand management must work together to fuel the
marketing strategy. One cannot replace the other. Both product and positioning points of difference set the “own” brand apart in consumers’ minds. A consumer-centric approach is at the heart of “own” brand development and elevates above the product-centric thinking of the past. In order to have a consistent and compelling brand voice, retailers need to understand the contribution and role of proprietary or "own" brands within their business and also within the lives of their consumers. “Own” brand products, branded communication and expressions should all be developed in accordance with this thinking. When “own” brands are appropriately created and steered, they have the potential to reach their pinnacle of success. In doing so, they create a persuasive connection with consumers, drawing them into a retail store, but more importantly, becoming an essential, experiential and indispensable lifestyle choice that they embrace over the long-term.

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