

Marketing of Private Labels: Strategies and Initiatives

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ABSTRACT

Private labels are developed and sold by retailers and wholesalers. Private labels are gaining in importance and are competing with established brands. Private labels succeed because of certain critical factors. Such brands differentiate themselves and add value so that customers choose such brands over established brands. Companies selling private labels adopt a number of strategies and initiatives to succeed in the competition. The study discusses all these aspects, the reasons for success of private labels, and the measures such brands adopt to achieve business excellence. Academicians and practicing managers will be able to appreciate the importance of and the impact created by private labels. They might suggest effective strategies and initiatives so that customers are delighted by private labels and such brands succeed in the long run.

KEYWORDS

Critical Success Factors, Differentiation, Exclusive Brands, National Brands, Store Brands, Value Addition

1. INTRODUCTION

Retailers and wholesalers develop their own brands which are called private-label brands. Private-label brands are also called a reseller, store, house, or distributor brand (Trabelsi, 2020). Marks & Spencer, The Body Shop, and Benetton carry mostly own-brand merchandize. Private labels are gaining in importance at present. In grocery stores in Europe and Canada, store brands account for as much as 40 percent of the items sold (Martinelli, De Canio, & Marchi, 2019). In Britain, Sainsbury and Tesco which are two of the largest food chains, have more than half of their sales in the form of store-label goods. The percentage of private-label sales is also high in the European markets of Germany and Spain (Derqui & Occhiocupo, 2019).

Private labels are store brands owned by retailers, challenge manufacturer brands, whether global or country-specific (Muszyńska, 2019). European customers prefer store brands more than American customers (Levitvskaya, 2016). In the food retailing sector in Britain and many other European

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countries, private labels owned by natural retailers increasingly confront manufacturer brands. The grocery stores in Britain and the supermarkets of Europe are flooded with private-label products which include blackberry jam, vacuum cleaner bags, smoked salmon, and sun-dried tomatoes (Dovleac, 2016). Private brands have captured nearly 30 percent of the British and Swiss markets and more than 20 percent of the French and the German markets. Private-label market share has doubled in the last five years in some European markets (De & Singh, 2017).

The importance of private labels cannot be overemphasized. Although private labels are gaining in importance, very few studies have aimed at conducting a comprehensive study about the various aspects of private labels, the strategies, and the initiatives companies selling private labels should adopt to succeed in the competition. The study aims to address this research gap.

The objective of the study is to understand the importance of private labels, the reasons for the acceptance and the popularity of private labels, and the strategies and the initiatives adopted by companies selling private labels.

The methodology adopted is the conceptual and the qualitative analysis of the literature on private labels. The latest and the relevant literature were analyzed to understand the various aspects of private labels. Primary data was not collected and empirical analysis was not done in the study.

The novelty and the contributions of the study lie in the fact that an in-depth study of the various aspects of private labels is done. Private labels are becoming important and are having a major impact in the choice of brands. Private labels compete with established brands at present. Due to various reasons, customers sometimes prefer private labels to established brands. It is emphasized how private labels create differentiation and add value for customers. Also, the elderly people have requirements and preferences which are different from that of others. Private labels differentiate their brands and create innovation to cater to the requirements of the elderly. Such aspects are highlighted in the study. Both academicians and managers will be able to appreciate the various aspects of private labels, the reasons for the growing importance of private labels, the impact created by private labels, and the various strategies and initiatives companies which sell private labels adopt to achieve business excellence.

The study is structured as follows:

Section 2 discusses about the roles and the impact of private labels. Section 3 highlights the critical success factors for private labels. Private labels require differentiating themselves from other brands and also require to add value to the brands. These are discussed in sections 4 and 5 respectively. Section 6 discusses about the different strategies adopted by companies selling private labels to achieve business excellence. Section 7 discusses about the salient points of the study with sub-sections 7.1 and 7.2 highlighting the theoretical implications and the managerial implications of the study respectively. Section 8 concludes the study with sub-sections 8.1 and 8.2 highlighting the limitations of the study and the avenues of future research respectively.

2. ROLES AND IMPACT OF PRIVATE LABELS

Private labels are gaining in importance now-a-days than established brands. Manufacturers of name brands are running scared because of private labels. Recessions and economic downturns result in increase of sales for private labels. Customers become cautious in spending during recessions and also when recessions get over. Once some consumers switch to a private label, they do not always go back (Sinapuelas, 2018). But some experts believe that 50 percent is the natural limit on how much private-label volume to carry because consumers prefer certain national brands and many product categories are not feasible or attractive on a private-label basis. Some of the products in which the sales of private labels are high include packaged meats, fresh produce, paper products, medications and remedies, bread and baked goods, and milk and cheese (Jayakrishnan, Chikhalkar, & Chaudhuri, 2016).

Intermediaries sponsor their own brands for a number of reasons. First, these brands may be more profitable. Intermediaries may influence manufacturers with excess capacity to produce private-label

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