



How to brand your private labels



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Abstract Private labels have become ever-more important and are slowly turning into brands of their own. Retailers increasingly offer three-level ‘good, better, best’ private-label programs that include economy, standard, and premium private-label tier goods. For each of these tiers, retailers must decide under what name to brand their private label. They can either assign their store banner name to a private-label tier or go for a unique brand name that is separate from the retailer banner. The purpose of this article is to outline the advantages and limitations of these two branding strategies: store-banner branding versus stand-alone branding. Herein, we also provide a series of recommendations regarding when to use each brand strategy, based on characteristics of the retailer and the environment in which it operates.

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1. Private labels are becoming brands of their own

Private label (PL) products, also known as store brands or retailer brands, have been extremely successful in recent years. Yearly PL sales in the

consumer packaged goods industry in the U.S. exceed \$115 billion and account for a market share of more than 22% (PLMA, 2016). PL sales in European consumer-packaged-goods markets, traditionally at the forefront of PL developments, are even more substantial with PL shares often exceeding 30%, while still showing impressive growth rates. In Spain and Poland, for example, PL shares have increased by a staggering 10% from 2009 to 2013, resulting in market shares of 41% and 24%, respectively (Nielsen, 2014).

Originally created to provide the cheapest products in the assortment at an acceptable but

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Figure 1. Example of three-tiered private label (PL) architecture of French retailer Système U



low quality, PLs have evolved into products with a quality comparable to, or even exceeding, that of national brands (Dekimpe & Deleersnyder, 2018; ter Braak, Dekimpe, & Geyskens, 2013). This transition has been recognized both in the academic literature and among practitioners. Martos-Partal, González-Benito, and Fustinoni-Venturini (2015), for example, investigated PLs' ability to attract other than merely the highly price-sensitive customer segments, while de Jong (2011, 2015) documented how retailers have invested considerable resources into building their stores to become strong brands, and often placed their PLs at the center of this strategy. After all, stronger PLs allow the retailer to offer a more differentiated assortment, which insulates it better from competitors by avoiding "competitive price matching" (Kireyev, Kumar, & Ofek, 2017, p. 2).

Yet, while acknowledging their increasing quality parity with national brands, consumers may still have difficulties differentiating among different PLs. Schnittka et al. (2015), for example, provide evidence that consumers may be able to recognize PLs, but not to associate them with the correct retailer. Similarly, Szymanowski and Gijsbrechts (2012) have demonstrated that consumers consider PLs as a separate brand class rather than as individual private brands from different retailers. To overcome this impediment and unlock PLs' true potential, the next step is to create unique PL brands (Planet Retail, 2010). This transition is feasible, as retailers have achieved the "necessary mass" for investments in essential branding activities (Kumar & Steenkamp, 2007, p. 9).

The key first element in creating true PL brands is the development of a multi-tiered offering. Three-tiered PL programs follow a 'good, better,

best' approach. This includes an economy and a premium PL tier in addition to the standard PL that has been around for a long time (Geyskens, Gielens, & Gijsbrechts, 2010). Whereas economy PLs are no-frills, bottom-of-the-market PLs that typically economize on more expensive ingredients to reduce costs, standard PLs tend to imitate mainstream-quality manufacturer brands and are positioned as mid-quality alternatives (Vroegrijk, Gijsbrechts, & Campo 2016). Premium PLs, in turn, are at the top end of the market and deliver quality equal to—or even exceeding—that of premium-quality national brands while sometimes even exceeding national brands' prices (ter Braak, Geyskens, & Dekimpe, 2014). Figure 1 illustrates the three-tiered PL architecture for the French retailer Système U in the apricot-jam category. The design as well as the quality of Système U's economy PL *Bien Vu* is modest and contains only 35 g of fruit per 100 g. The quality of its standard PL *U*, on the other hand, is equivalent to that of the market leader *Bonne Maman*, containing 50 g of fruit per 100 g, whereas the premium PL *U Saveurs* is of a higher quality and even contains 56 g of fruit per 100 g. For the latter, Système U opted for fruit from the Roussillon region, and uses a unique and more attractive jar, which helps to justify a 97% higher price than the leading national brand.¹

The second key element in creating true PL brands is choosing brand names that allow consumers to more easily differentiate among various PLs. After all, "the key to branding is that consumers perceive differences among brands in a product category" (Keller, 2012, p. 36). Some PLs have

¹ See de Jong (2015) for a more detailed exposition.

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