

Book Review - Private Label Strategy : How to Meet the Store Brand Challenge

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Book: Private Label Strategy : How to Meet the Store Brand Challenge

Author (s): Nirmalya Kumar, Jan – Benedict E. M. Steenkamp

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Abstract

The present book review analyzed Nirmalya Kumar and Jan – Benedict E. M. Steenkamp's book - Private Label Strategy: How to Meet the Store Brand Challenge. This book brings together two areas - new strategy of retailers for private labels and strategy of brand manufacturers for private labels. Retailers in the present times are more powerful and globalized, and are focusing on their own brands to gain increased profits. Old myths about private labels have now vanished. Consumers' attitude towards private labels is remarkably positive, and it is a challenge for brand manufacturers to think again in a new frame. The main competitive advantage of manufacturer brands is the universal availability and innovation, and now, both are in trouble. A different approach is now essential if brand manufacturers want to stay in the game.

Keywords : Brands, private labels, manufacturer brands, strategy, retail

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Reviewing the past literature on brands and marketing, I observed that in the 20th century, consumers used to prefer buying national brands. By 1970s, consumer behavior and also seller's attitude started shifting from the brands. That was the time when retailers started opening national chains, and this placed the power in the hands of the retailers, and the power of negotiations with brand manufacturers. The retailers started to sell products in their own name by which they earned a thick profit. In the past, retailers were focused more on private label products with no name, or white packaging with a black product name. Nowadays, we notice that private labels are not only the black and white packaged products in retail stores, which target only low-income consumers, but also, there are private labels which offer premium quality and value for money to the buyers, and buyers are very positive to try them and purchase them repeatedly.

The reviewed book - *Private Label Strategy : How to Meet the Store Brand Challenge* by Nirmalya Kumar and Jan - Benedict E. M. Steenkamp gives a great understanding regarding the growth and development phases of private labels and how these brands are posing a challenge to the manufacturer brands. This book is well

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structured for reading and is divided into two parts. The first part discusses about retailers' strategy vis-a-vis private labels, and the second part provides insights about manufacturers' strategy vis-a-vis private labels.

Part One : Retailers's Strategy vis-a-vis Private Labels

The first part focuses on retailers's prospects, various types of private labels, and the strategy for all the categories is provided. This part throws light on the challenges in picking the best strategy for different types of private labels. The first part is further divided into seven chapters. The first four chapters explain the various kinds of private labels and the strategies followed by retailers to compete with manufacturer brands.

The first type of private label brands is generic private labels, brands that have no name, have black & white packages, and so forth. The purpose of these brands is to provide consumers low priced options. The second type of private label brands is copycat brands, which are uncomfortably close in terms of packaging to manufacturer brands. Copycat brands aggressively promote against manufacturer brands. The third type of private label brands is premium store brands, which are brands of premium quality, or price, or both. Premium store brands are further divided into two categories - namely premium lite (better & cheaper) and premium price (high in price and quality). The fourth and last type of private label brands are value innovation brands, which are brands that have the best performance - price ratio.

In last three chapters of this section, the authors have included a discussion about the portfolio of private label brands to attack the manufacturer brands and how the perceptions about the private labels are changing from simply being low price, low quality products to something else, and how these brands are helpful in increasing the profit of the retailers. This section also talks about brand portfolio, that is, the mix of price based segmentation, category based segmentation, and benefit based segmentation strategy.

Part Two : Manufacturers' Strategy vis-a-vis Private Labels

In the second part, the manufacturers's strategies to combat the retailers's power and store brands are discussed with examples from various different private label stores. The first chapter of the second part focuses on various production options like dual strategy and dedicated private label manufacturers. The dual strategy is the strategy where the manufacturer produces both its own brands and private labels for retailers. This strategy considers the total cost of engaging the private label production. This strategy is profitable because the company enjoys a great cost advantage over its competitors. The weak point of this strategy is that it dilutes the focus on manufacturer's own brands, and it does not justify the brand manufacturer's ability to justify the price premium. Dedicated private label manufacturers focus on low cost, and they focus on copying successful manufacturer's brands. Normally, the manufacturers from developing countries follow the same strategy.

The next two chapters of the second part focus primarily on the advantage of innovation to beat private labels. According to the authors, this can be achieved by developing something extraordinary and something innovative in terms of features and pricing. The authors have suggested some points to achieve this, for example, by taking ideas from consumers who are high on innovativeness, by supporting new brands with a strong brand name, and by using high advertisement levels and advertisements that communicate benefits.

An interesting suggestion provided by the authors in these chapters is for new businesses to focus on brands and communication, removing brands that do not have adequate scale, removing brands that lack brand power, and supporting only market leaders or premium niche brands. According to the chapter, the support brands have great potential to add value in terms of business development.

The fourth chapter talks about creating winning value proposition for manufacturer brands by managing the price gap, improving quality, and building an emotional bond with consumers. The authors also advocate the use of consumer promotion because it makes consumers more price sensitive; the authors also advise retailers not to cut product performance in the face of price and quality.

In the last chapter, the authors have expressed their views about the existence of manufacturer brands.

Consumers are still passionate about manufacturer brands. It is not that the manufacturer brands are dead, but some brands are owned by retailers. Manufacturer brands still have an edge over private labels, but the gap is reducing year by year. Hence, manufacturer brands have to respond aggressively to the threat posed by private label brands.

Conclusion and Suggestions

The book, overall, discusses about the different approaches to be followed by the manufacturer brands to compete with private labels, which includes continuous product innovation, new product launches, and intellectual property protection process. The highlight of the book, which makes it very interesting, is the presence of a good variety of international case studies, survey of consumers, and many more real-life examples, so it is easy to connect with the subject. The 'Chapter Takeaways' at the end of every chapter are very helpful to summarize the whole chapter.

The private label concept in modern India is currently in the emerging phase and is almost unnoticed, considering the big size of the overall retail market. Irrespective of the fact that the book is written in context of European stores, and the private label examples are mostly from that region; it is valuable for Indian entrepreneurs as well.