

Misconceptions about Store Brands

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National or manufacturer brands have been for a while the choice of consumers and a signal for quality. Consumers usually trust manufacturers' brands and associate them with a certain level of quality. However, this is not the case for store brands. US consumers still lack the knowledge about private label and avoid buying them unless the product does not generate any risk. Private-label brands success is strongest in commodity driven, high-purchase categories and products where consumers perceive very little differentiation (Nielsen 2014). While, store brands or private label market share keeps growing in many European countries counting sometimes even half of brands market share, this is not the case in the United States. Indeed, the market share in several European countries is more than 30% with UK, Spain, and Switzerland having the highest market share among European countries. (PLMA's International Private Label, 2017). The United States private label market share has been lower than its counterparts in Europe and it is only lately that this trend has been changing. Today, the market share of store brands has reached nearly 25% of unit sales in the U.S. and is expanding faster than national brands (PLMA 2017).

So What is Private Brand or Store Brand?

Private brand is any brand that comprises the retailers' name or any name created by the retailer (PLMA 2017). Target, Wal-Mart, CVS pharmacy, Walgreens market their own brands. For instance, Target has a store brand "up and up" in their household product line that is much diversified. Some retailers, such as Wal-Mart, see private label as part of the road to their future success. Indeed, Doug McMillon, president and CEO of Walmart, when speaking at the Bank of America Merrill Lynch 2017 Consumer & Retail Technology Conference in New York stated that "The widespread availability of name-brand products online will compress the margins of private brands over time." He also added that "having a private brand from a margin mix point of view has always been important, but it is even more important now." Therefore, it is important to educate customers about private brands. Indeed there are some misconceptions about store brands:

1. They are of lower quality than manufacturer brands
2. They are manufactured by the retailer
3. There is only one category of store brands
4. They have low prices
5. They generate high risk

The truth about store brands is that they are indeed similar to manufacturers' brands and sometimes even of better quality. Here are some clarifications about store brands:

Who Manufactures Store Brands?

According to PLMA (2017), there are different ways that store brands are manufactured. They can be produced by:

- Large manufacturers who produce both their own brands and private label products.
- Small and medium size manufacturers that specialize in particular product lines and concentrate on producing private label almost exclusively.
- Major retailers and wholesalers that operate their own manufacturing plants and provide private label products for their own stores.

Categories of Store Brands

Private label brands are classified into generic brands, standard brands or copycat brands or flagship brands, premium brands, and value innovators.

1. Generic brands are usually cheap, inferior products. Usually they do not carry the name of the retailer on the package, but simply the name of the product, such as 'milk' or 'butter', in plain script. They usually use very cheap packaging.
2. Copycats or flagship brands or standard brands. They usually carry the name of the retailer and tend to copy the main manufacturer within that category, they have packaging and price points very similar to the main manufacturer.
3. Premium store brands are usually of higher quality than the manufacturer brand and compete directly against the manufacturer's brand. Kumar and Steenkamp (2007) define two types of premium brands: the premium private label which is exclusive, higher in price, and superior in quality to competing brands; and the premium-lite store brand which is promoted as being equal or better in quality to the competing brands, while being cheaper.
4. The fourth category is value innovators which consists mainly retailers cutting down costs and processes to simplify the production and marketing of product ranges, so that a good quality product can be offered at very low prices. They are usually limited in number.

Benefits of Store Brands

Store brands provide retailers with some benefits. It gives them exclusivity to offer their customers special products, which make consumers loyal to them. In addition, store brands create a unique brand image and generate more retailer brand recall and recognition. Finally, store brands increase retailers' revenues and have higher profit margin.

Attitude Towards Store Brands

The positive or negative attitude towards store brands has been attributed to several causes. Consumers evaluate store brands based on price/value of those brands, the products' attributes, on the perceived risk and on their own self-perception (smart shopper). Consumers who buy store brands realize that when they are indeed purchasing store brands they are paying for certain "marketing" practices for manufacturers' brands, which is not the case of retailers brands.

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