

Comparing and contrasting the branded and own label business model

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Retailers cultivate and manage their store banner as a brand





Premium Private Label



Price entry Private Label



National brand equivalent

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Characteristics of Private Label marketplace



Annual contracts

Retailers renegotiate their contracts for supply every year

Quasi monopsony

Few powerful retailers vs. many private label manufacturers

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Characteristics of marketplace for Private Label



Annual contracts

Retailers renegotiate their contracts for supply every year

Quasi monopsony

Few powerful retailers vs. many private label manufacturers

High buyer power

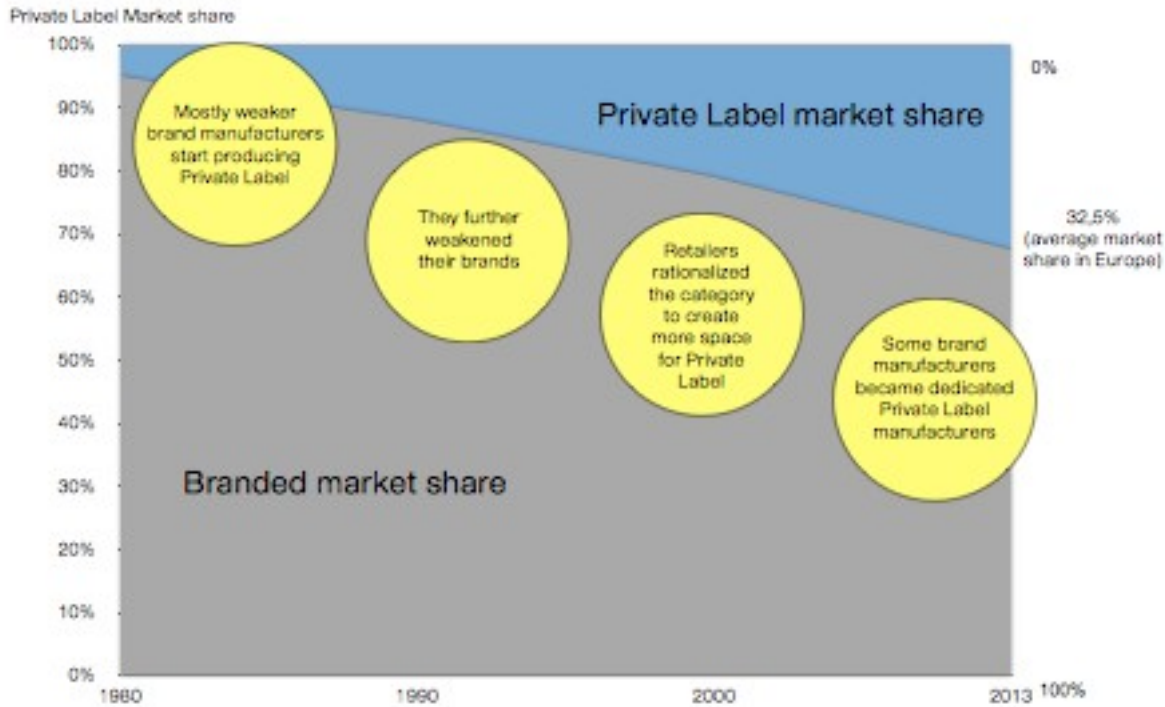
Overcapacity in private label manufacturing

Fierce competition

Private Label suppliers are pressurized to sell at near cost

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Manufacturers of weaker brands became dedicated private label manufacturers



Business model of Private Label manufacturer is different



Private label manufacturer

Retailer owns the brand

One target group

Primary focus is the retailer

Culture of fast response

Complexity in production

Brand manufacturer

Manufacturer owns the brand

Two target groups

Primary focus is consumer

Culture of research/planning

Standardization in production



Complexity in production vs. low cost manufacturing



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Private label innovation is a different ball game



Ownership	Retailers own the store / use it as a laboratory to test
Low cost	Access to data, shelves / execution capability
Experimenting	Trail and error tactics are used
Distribution	No barriers to enter the market
Sourcing	Work with dedicated private label manufacturers

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Concluding remarks



Business models

Business model of Private Label and Brand Manufacturer differ widely

Retail power

Monopsony and overcapacity in private label manufacturing

Consolidation

Private Label manufacturers must consolidate to restore balance of power

Co-existence

Brands and Private Label will continue to co-exist on the shelves