Comparing and contrasting the branded and own label business model

Oxford Symposium on Trends in Retail Competition

Retailers cultivate and manage their store banner as a brand
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

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
Manufacturers of weaker brands became dedicated private label manufacturers

Private Label market share

Mostly weaker brand manufacturers start producing Private Label

They further weakened their brands

Retailers rationalized the category to create more space for Private Label

Some brand manufacturers became dedicated Private Label manufacturers

Branded market share

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

ipltc | International private label consult
Complexity in production vs. low cost manufacturing

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**: Trial and error tactics are used
- **Distribution**: No barriers to enter the market
- **Sourcing**: Work with dedicated private label manufacturers
Concluding remarks

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