

Retail Marketing Strategy

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Lecture-19

Welcome back everyone. Today we will be beginning with week 4 of the course Retail Marketing Strategy. See as far as the last week was concerned, if you remember we had a great discussion about the intersection between retailing and consumer behavior. We tried looking at it from various perspectives like one was why would consumer buy certain products and services or we looked at the consumer decision making process starting from the need recognition to finally, post purchase behavior where we also touched upon the facets of cognitive dissonance. Along with that we also tried looking at why would certain prefer online channels or offline channels right and we also looked at the benefits that online channels provide vis-a-vis which offline channels provide and we also touched upon the value that comes from these channels whether that was from utilitarian motives or hedonic motives perspective. Along with that in the end we also touched upon the facets of customer centric approach and we precisely looked at their tenets.

So, as far as last 3 weeks were concerned I really hope that you enjoyed learning about the basics of retailing as well as the advanced concepts that we have touched. But now as we are entering week 4 we will be learning about again one of the most interesting topics which is about private label brands. Now what is most fascinating about private labels is that earlier they were considered as the cheap and nasty substitutes for national level brands or you can say the brands which were basically manufactured by the well established marketers, but now the things are completely different. So, as we get into this weeks we will be definitely learning about the meaning of private labels we will also be delving into the various types of private labels that exist and that indeed again is going to be a very fascinating discussion.

Learning Objectives:

After going through this module, the learner will be able to appreciate:

- Meaning of Private Label Brands
- Transformation of Private Label Brands

Along with that we will also be looking at the transformation of private label brands, but before we move further and we start understanding all this war between private label brands.

Private Label Brands vs. National Level Brands

And national level brands and what are the benefits that you know whether it is consumers or retailers or manufacturers they derive from private label brands vis-a-vis the benefits that come from national level brands we first need to understand the distinction between private label brands and national level brands.

Primarily, a private label is a brand that is owned by the retailer itself. Also referred to as the store brand, own label or distributors owned brand.

On the contrary, a national level brand is the one that is owned by a well-known manufacturer and is a prominent or established product. These are produced and controlled by manufacturers.

For eg. Levis - A National Level Brand, Westside's – Nuon – A Private Label brand, Koryo is also an electronics private label brand owned by Future Group (Acquired by Reliance now)

Now see if I want to explain this or to put it very simplistic a private label brand is the one which is owned by the retailer itself. It is basically manufactured by the retailer or it could even be outsourced, but as far as the brand name is concerned it will always be sold under the retailers brand name.

In other words it is also called as the store brand own label or distributors own brand. I am again repeating it as far as the private label is concerned it is one of the brands which is manufactured or conceived by the retailer itself. On the contrary if you talk about a national level brand it is the one that is owned by a well known manufacturer and is a prominent or established product. These are controlled or manufactured by the national level players itself, but one kind of distinction which you can also consider is national level brands are going to be much popular in a generic way right as compared to private label brands. But you could also see a situation in which a private label brands if it is extremely good and comes across as a value offering which means it is available at a much lesser price as compared to a national level brand then it can even out beat a national level player or a national level product right.

So, we will be talking about some of the examples that if you talk about Levi's it is indeed a national level brand. Rather I would say it can even be considered as a global and international brand which certainly it is, but when you talk about West Side Neon it is indeed a private label brand. So, Koryo is also one of the examples of private label brand which is owned by Future Group which was later acquired by the Reliance Group right. So, let us understand this with one of the situations.



The image shows the logo for Kalpataru Jain Store on the left and a photograph of the store's interior on the right. The logo is circular with a blue background, featuring a stylized 'K' and 'J' intertwined, surrounded by green leaves. Below the logo, the text 'KALPTARU JAIN STORE' is written in a serif font. To the right, a photograph shows the interior of the store, with shelves stocked with various products, including packaged snacks and beverages.

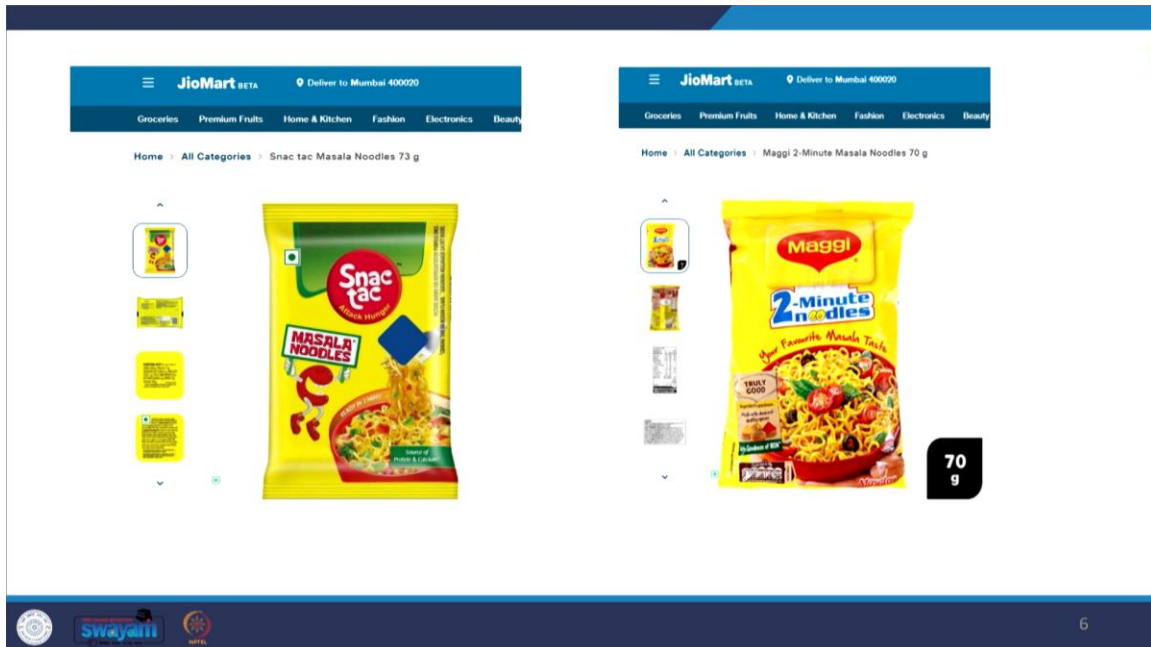
Kalpataru Jain Store
 Kalpatarujainstores@gmail.com
 365, Gali No.1, RajaPark, Jaipur-302004
 91160-28866 | 0141-3566852

Source: <https://kalpataru-jain-store.business.site/>

Let us say what you see on screen is the snapshot of a Kalpatru Jain store which is based in Rajapak Jaipur.

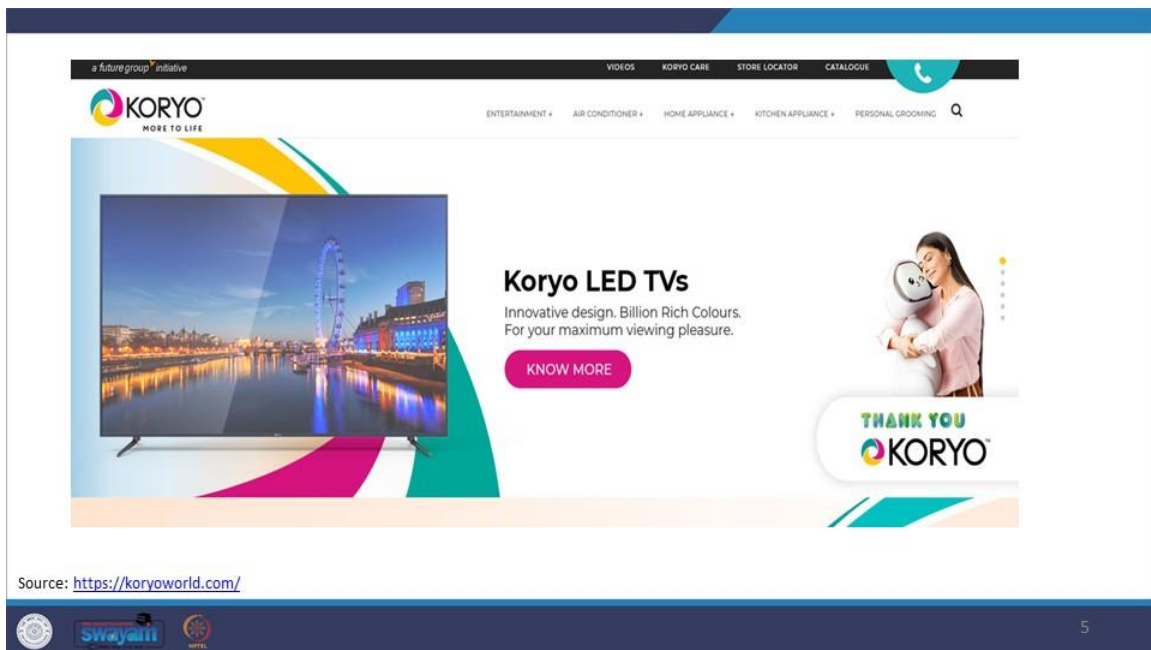
Now, let us say when you enter this store along with Kisan Jain what you see is Kalpatru Jain, along with Kisan Sauce what you see is Kalpatru Sauce, along with Tata Salt what you see is one of the brands by the retailer itself which is called as Kalpatru Real Salt. Another brand could be Kalpatru Juice brand which could be offered as a substitute to real juice. Now, let us say all the products which we have discussed whether it is about Kalpatru Jam, Kalpatru Salt and likewise these can be considered as an example of private labels which indeed means the brands which are manufactured by the retailer itself. Now, in this case I use the term Kalpatru to bring in that connectivity and kind of establish the meaning of private labels. But it is not going to be the case that you know a retailer will be using the name of the retail store itself.

The brand could be given a different name as well. Now, let us further delve into this. Now, what you see on screen is Snack Tac which is one of the private label noodles brand and is owned by the Reliance Group precisely we can say is available at Smart Point right.



But now what you see is Nestle Maggi which is one of the well established and national level brands. Now, Snack Tac which is owned by Reliance Group is a private label brand and the other snapshot which you see of Maggi is a national level brand.

So, I hope you got a perspective about the national level brands as well as private label brands. Now, Koryo as I was saying in the beginning is also one of the examples of private label brands.



Source: <https://koryoworld.com/>

But another thing which we need to understand this as compared to earlier times that even private label are emerging as brands even the marketers or retailers would try to give it more of the feel of a brand and bring in a feel good factor when consumers precisely use it right. Now, as I was telling you there was a certain dichotomy earlier. In earlier times many people felt that private labels are basically cheap and nasty substitutes like they would only buy private labels when they do not have that much income or let us say in that particular time they did not have that much disposable income that could be for variety of other expenses that they have incurred.

"Private Labels were initially seen as a cheap and nasty substitute for real thing" – (Kumar and Steenkamp, Private Label Strategy, cf. Make it your own, the Economist, 1995)

On the contrary, it was only well-established national level brands that were considered as **symbols of quality, trust and affluence** (Kumar and Steenkamp, Private Label Strategy, A Harvard Business School Publication)

Source: Kumar, N., 2007. Private label strategy: How to meet the store brand challenge. Harvard Business Review Press.

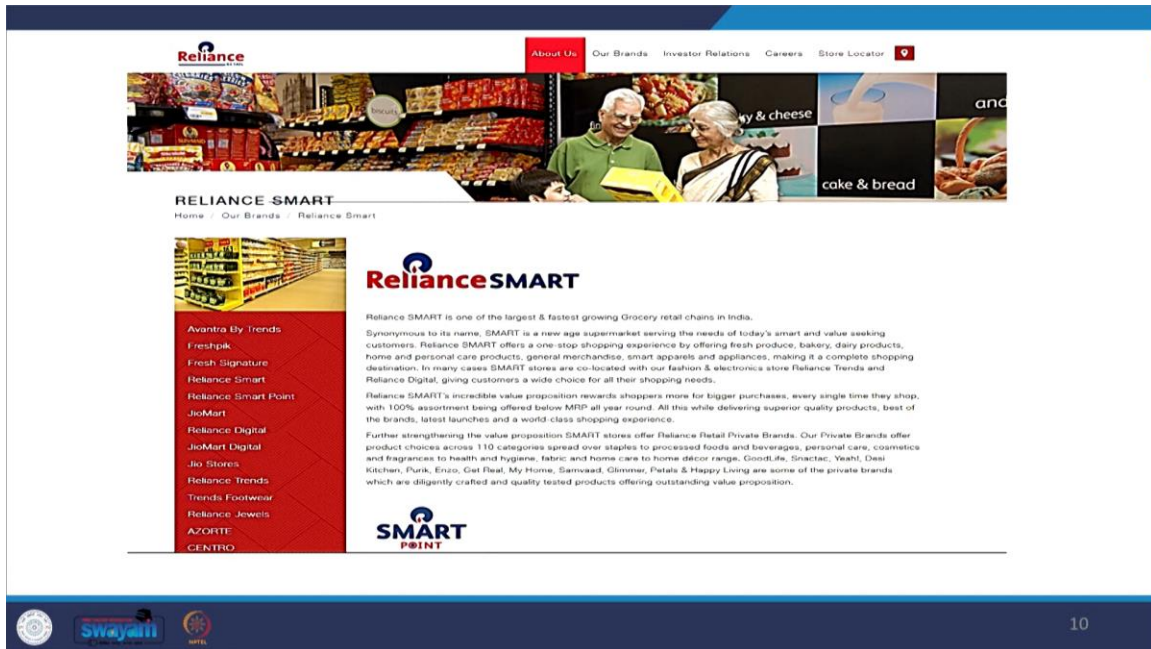


So, they felt that you know only in these situations people would be buying private label brands whereas, national level brands have captured the market and were basically considered as the symbols of quality, trust and affluence. Now, affluence in this case simply indicates the richness belonging to a certain class or prosperity which means national level brands were basically meant for rich people or who belong to a certain class whereas, as we were discussing private label brands were basically seen as only cheap substitutes that did not have that much quality and that could not be even relied upon much. Now, if you want to learn more about such interesting things about private label I would urge you to go and read or first find the book private label strategy which has been written by Kumar and Steenkamp. This again is one of the fascinating books when it comes to understanding the core of private label brands right. Now, as we move further another thing which you need to understand is now the things are completely different.

But now the narrative is different....

Private label brands have indeed been very instrumental in changing the retailing landscape and making the **competition fierce** (Cuneo *et al.*, 2019)

Now, private label brands are not seen as substitutes for rather cheap substitutes and nasty substitutes for national level brands. They have rather kind of made great strides when it comes to the quality and are even emerging as the brands which are now emerging in the or occupying a space in the preferential list of the customers or to put it more technically or being retailing students or marketing students we can say they are now emerging or occupying a space in the consideration set of the customers right. So, what you see on screen is the fact that private label brands have indeed been very instrumental in changing the retailing landscape and making the competition more fierce. This key point has basically been derived from one of the key research papers on private label brands by Cuneo et al which was published in 2019.



Now let us see we were talking about Reliance Smart when I gave you the example of the noodles where we were comparing snactac with Nestle.

Now, let us read these particular sentences from this snapshot. Further strengthening the value proposition smart store offers reliance retail private brands are private brands offer product choices across 110 categories spread over staples to process food and beverages, personal care, cosmetics, fragrances to health, hygiene, fabric, home care to home decor range. Food life snactac, yay, desi kitchen, purik, enzo, get real, my home, samvad, glimmer, petals and happy living are some of the private label brands which are diligently crafted in quality tested products offering outstanding value proposition. Now see first one point which definitely becomes clear is they have made the competition much fiercer. Now I will give you more examples of this when we move further, but again one thing which you really need to understand in this case is they are clearly highlighting that what these brands offer is a outstanding value proposition which means they are indeed at par with national level brands when it comes to quality or maybe you can show the same trust to these brands, but the prices which are being charged are less as compared to the national level brands.



So, this again is one of the most fascinating things when it comes to private level brands. Now let us say when we are talking about good life which is one of the private label brands by smart point or reliance. Now they are available in categories like powdered spices, whole spices, flours, sugar, salt, dry fruits, cooking oil, rice and pulses all these options. Now why I specifically read this is to indicate the categories in which they will be competing with national level brands. Now in terms of spices good life is competing with MDH Everest right and other spices brands.

When it comes to oil they are competing with Fortune, Mahakush, Dharas, Safula, Nature Fresh and all these brands. Pulses, Tata, Sampan or could be Patanjali and when you talk about flours they could be competing with Ashirvat, Organic, Tatva, Nature Fresh. And finally, even when you consider the category of rice they are competing with India Gate, Dawat and 24 Mantra Organic and there could be a number of other brands also. Now just imagine the competition is happening on which level and when the scholars said that private label brands have indeed made the competition much more fiercer they cannot be more right with respect to the discussion that we just had.

TRANSFORMATIONS OF PRIVATE LABELS

Now see as we move further private labels definitely had a journey from you know being nasty and cheap substitutes to being value offerings or being in the consideration set of the shoppers or something which was even preferred by the consumers over and above national level brands.

Private label brands now compete on quality:

Low quality private labels do exist, but quality wise private label brands have made great strides. For eg. Tasty Treat

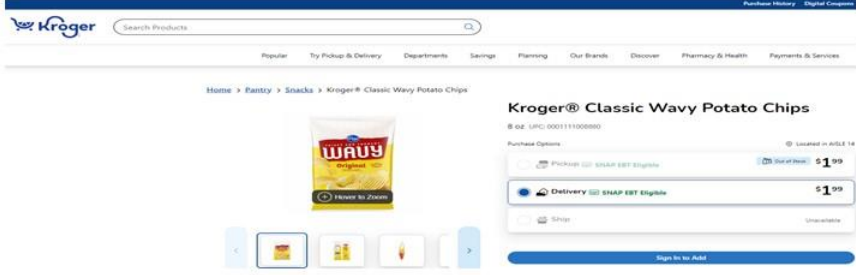
Walmart's Sam's choice has been tagged better than Tide detergent

Source: Kumar, N., 2007. *Private label strategy: How to meet the store brand challenge*. Harvard Business Review Press.

So, we will be looking at this transformation now. So, one thing is private label brands now compete on quality. Low quality private labels do exist nobody is denying that, but as far as quality is concerned private label brands have indeed made great strides we can

consider the example of Tasty Treat a brand owned by the future group. Walmart, Sam's Choice is one of the private label brands which belongs to Walmart as far as detergent category is concerned it has been considered better even than Tide. Now Kroger's potato chips have also been considered better than Pringles.

Kroger's potato chips better than Pringles



How about private labels in India that are better than national level brands?

Source: Kumar, N., 2007. *Private label strategy: How to meet the store brand challenge*. Harvard Business Review Press, <https://www.kroger.com/p/kroger-classic-wavy-potato-chips/0001111008880?fulfillment=PICKUP>

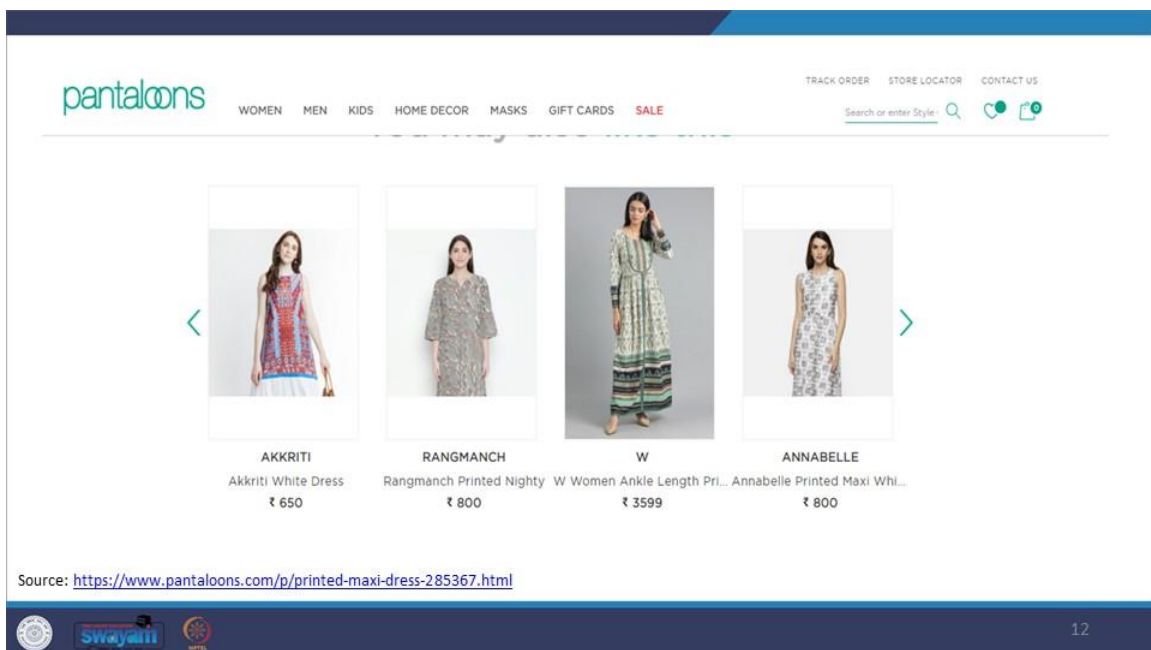
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So, just for your information I have put in one of the snapshot Kroger's classic wavy potato chips this brand has even been considered much better than Pringles which is one of the national level brands. But can you think of the private labels in India or the private label brands that are popular in India or as far as your experience is concerned some brands that you could even consider better than national level brands. But in order to talk about this further we first need to understand the private label brands that are popular in India.

Private Label Brands sold in India across various sectors:

- **Big Bazaar** - Tasty Treat, Fresh and Pure, Premium Harvest, Tasty mate, Koryo
- **MORE (Aditya Birla Group)**- Feasters, Kitchen Promise, Best of India, Maha Saver
- **Vishal MegaMart**- V Fresh, Khakhis, V-Needs
- **Shoppers Stop**- Vettorio Fratini, Stop, Life, Mario Zegnoti, Acropolis, Push and Shove.
- **Pantaloons**- Bare denim, Akkriti, Bare Urbana, Annabelle

Now as far as Big Bazar is concerned Tasty Treat, Fresh and Pure, Premium Harvest, Tasty Mate, Koryo are all private labels. Then some examples have also been given for more like Kitchen Promise, Vishal, Mega Mart, V fresh, We need, Shoppers, Stop, Stop Life, Mario Zignotti, Push and Shove, Vaterio, Fretini and when you get to pantaloons Akriti and Bare Urbana could be considered as their popular private label brands.



So, you can also see this on the screen snapshots are being provided for the private label brands by pantaloons.

The screenshot shows the Shoppers Stop website. At the top, there is a navigation bar with the Shoppers Stop logo, a search bar, and links for Wishlist, My Bag, and a user icon. Below the navigation bar, there are category links: BARGAINS, WOMEN, KIDS, BEAUTY, MEN, HOMESTOP, CROSSWORD, BRANDS, GIFTS, and DISCOVER. The main banner features a photograph of two men in a field, one wearing a green jacket and the other a white t-shirt. Overlaid on the right side of the banner is the text "VETTORIO FRATINI" in white on a dark blue background, followed by "Up Your Fashion Quotient" in white, and a red "SHOP NOW" button. Below the banner, the source URL is provided: <https://www.shoppersstop.com/vettori-fratini>. At the bottom of the page, there are logos for Swayam and a small circular logo, and the page number 13 is displayed on the right.

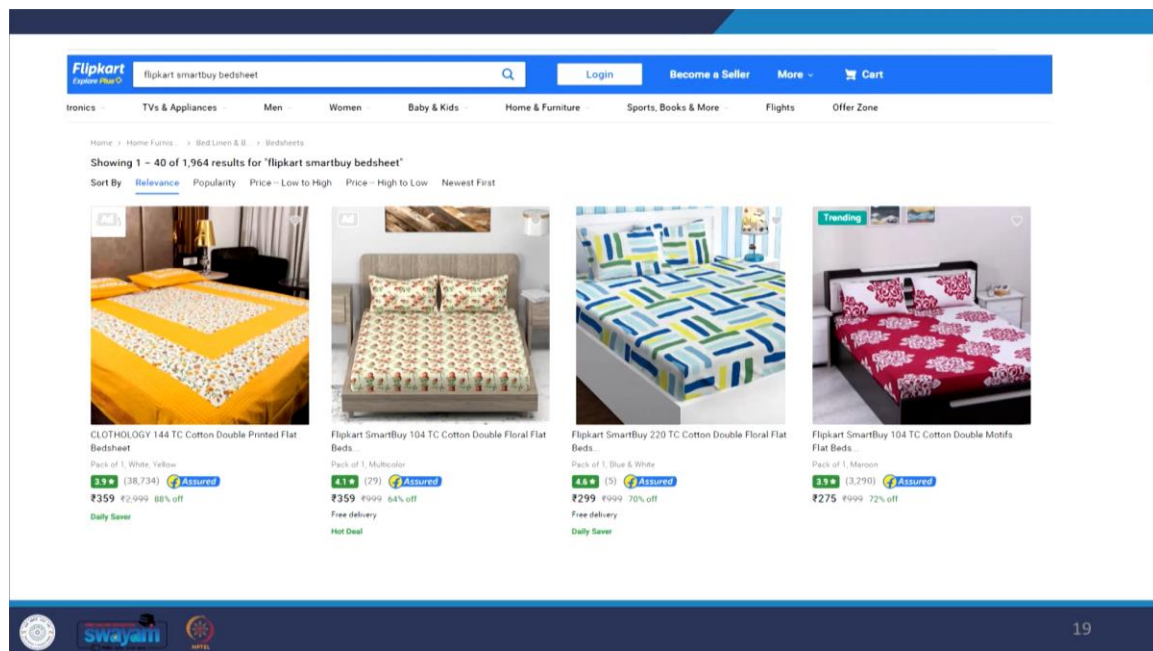
Now the next one which you see is for Shoppers Stop which is Vatterio, Fratini and it also stays up your fashion question which means they are trying to kind of build a perception that it is all about for the people or happening people who want to up their fashion game. The next one which you see is obviously Tasty Treat.

The screenshot shows the Tasty Treat website. The main banner features a collection of various snack products, including bags of Tasty Treat Masala Khakhra, Tasty Treat Masala, Tasty Treat Barbeque Bhujia, Tasty Treat Corn, Tasty Treat Popcorn, Tasty Treat Masala Chutney, Tasty Treat Masala Chocolate Cakes, and Tasty Treat Masala. The products are arranged on a red background. Below the banner, the source URL is provided: <https://tastytreatofficial.com/about-us/>. At the bottom of the page, there are logos for Swayam and a small circular logo, and the page number 14 is displayed on the right.

Now even in this case just see the product categories in which they might be competing with they are competing in the category of soup in which it could be a competition to Knorr they also have a product category of products they also have pasta as a product category which could be competing with again Nestle. Then you also have Suji ras then

you also have a mango drink which could be competing with Mazza and likewise other brands.

The whole idea is to give you a snapshot the competition has indeed been made more fiercer or challenging as far as the private label brands are concerned. But see it is not like only the brands that have a physical existence or are majorly operating through brick and mortar retail shops only have private labels even online retailers or e-tailers have not been far behind with respect to launching their private labels and you will understand this why even they did not want to be left behind with respect to launching private labels when we will have a discussion about the benefits or I would say the competitiveness which private labels bring.



Now if you look at Flipkart Smart Buy is again one of the popular private labels by Flipkart and they are also dealing or providing a lot of product categories which you might not have even been aware of. So they are providing products in the category of home furnishings the next snapshot which you see is of coolers.

Flipkart
Explore More

Search for products, brands and more


Login Become a Seller More Cart

ronics TVs & Appliances Men Women Baby & Kids Home & Furniture Sports, Books & More Flights Offer Zone


Home > Home & Kitchen > Home Appliances > Air Coolers

Showing 1 - 40 of 1,566 results for "flipkart smartbuy cooler"

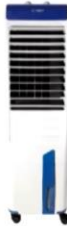
Sort By Relevance Popularity Price -- Low to High Price -- High to Low Newest First




Orient Electric 85 L Desert Air Cooler with Aerofan tec.
White, Black, Snowbreeze Magna Neo 85/CD8502H
4.2★ (10,697) Assured
₹9,399 ₹17,290 45% off



Orient Electric 40 L Room/Personal Air Cooler
White, Aerocool 40
4.1★ (55) Assured
₹6,199 ₹10,490 40% off
Upto ₹200 Off on Exchange




Flipkart SmartBuy 30 L Tower Air Cooler
White, Blue, Alpine
3.8★ (18,918) Assured
₹5,999 ₹8,499 29% off




Flipkart SmartBuy 47 L Tower Air Cooler
White, Black, Polar
3.8★ (18,918) Assured
₹6,999 ₹9,499 26% off

20


Now Orient and Flipkart Smart Buy are basically competing with each other and you can also consider other coolers brand in this category along with that they are also competing in product categories like electronic home appliances then you also see one of the brands which is basically in the category of tempered glass.



Flipkart SmartBuy Bucket Spin Mop Floor Cleaning and Mo...
4.1★ (6,189) Assured
₹599 ₹1,499 60% off
Free delivery
Lowest price since launch



Flipkart SmartBuy PowerChef Premium 500 W Mixer Grinder
4.1★ (92,048) Assured
₹1,249 ₹2,799 55% off
☐ Add to Compare




Flipkart SmartBuy Tempered Glass Guard for Vivo X90
Pack of 1
Assured
₹599 ₹999 40% off
Free delivery


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Now just imagine in which categories they are competing as far as the national level brands are concerned.


SOLIMO Crunchy, Tasty & Nutritious Muesli




LIMITED TIME DEAL Ends in 02:19:49
[Subscribe & Save](#)
 Amazon Brand Solimo - Fruit and Nut Muesli 1kg
 ★★★★★ 13,115
 ₹395.00 (₹395.00/kg)
 M.R.P. ₹660.00 (34% off)
 ✓prime



LIMITED TIME DEAL Ends in 02:19:49
[Subscribe & Save](#)
 Amazon Brand - Solimo No Sugar Muesli 1kg
 ★★★★★ 13,115
 ₹325.00 (₹325.00/kg)
 M.R.P. ₹660.00 (46% off)
 ✓prime



LIMITED TIME DEAL Ends in 02:19:49
[Subscribe & Save](#)
 Amazon Brand Solimo - Cranberry Muesli 1kg
 ★★★★★ 13,115
 ₹335.00 (₹335.00/kg)
 M.R.P. ₹660.00 (44% off)
 ✓prime




LIMITED TIME DEAL Ends in 02:19:49
[Subscribe & Save](#)
 Amazon Brand Solimo - Honey and Raisin Muesli 1kg
 ★★★★★ 13,115
 ₹345.00 (₹345.00/kg)
 M.R.P. ₹660.00 (43% off)
 ✓prime

Source: amazon.in, <https://www.amazon.in/stores/page/C8D36824-CFFD-4BC3-98DB-4C8E10272362/?>


swayam

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Now Amazon is also you know one of the pioneers when it comes to private label brands now what you see on screen is again one of their popular private label Solimo which is again available with respect to Muesli along with that they are also offering products in categories like home furnishing then foldable wardrobe even tissues in hand washes soaps and all these things.




Sponsored #1
 Amazon Brand - Solimo 100% Cotton 2 Piece Bath Towel Set, 500 GSM (Single Brown and Olive Green)
 ★★★★★ 1,467
 ₹799 (₹8.00/ft²) (36% off)
 Get up to 5% back + rewards worth ₹2,000
 ✓prime FREE Delivery by Thursday, 25 May




Sponsored #2
 Amazon Brand - Solimo 3-Door Foldable Wardrobe, 8 Racks, Brown (Plastic)
 ★★★★★ 827
 ₹1,999 (₹8.00/ft²) (59% off)
 Get up to 5% back + rewards worth ₹2,000
 ✓prime FREE Delivery by Thursday, 25 May




Sponsored #3
 Amazon Brand - Solimo 2-Ply Kitchen Tissue/Towel Paper Roll - 6 Rolls (60 Pulls Per Roll)
 ★★★★★ 20,634
 ₹379 (₹6.32/roll) (M.R.P. ₹600.00) (37% off)
 Get up to 5% back + rewards worth ₹2,000
 ✓prime FREE One-Day Delivery Tomorrow 10 am - 2 pm




Sponsored #4
 Amazon Brand - Solimo 2-Door Foldable Wardrobe, 8 Racks, Beige
 ★★★★★ 203
 ₹2,109 (₹8.00/ft²) (56% off)
 Get up to 5% back + rewards worth ₹2,000
 ✓prime FREE Delivery by Thursday, 25 May




Sponsored #5
 Amazon Brand - Solimo Glycerine Bathing Bar (Pack of 5), 5 x 125g
 ★★★★★ 2,239
 ₹179 (₹3.58/100g) (M.R.P. ₹440.00) (59% off)
 Buy 3 items, get 5% off
 ✓prime FREE One-Day Delivery



Sponsored #6
 Amazon Brand - Solimo Lemon Balm Shower Gel, 100% Paraben Free, 100% Vegan, 500 ml
 ★★★★★ 95
 ₹199 (₹3.98/100ml) (M.R.P. ₹490.00) (59% off)
 Buy 4 items, get 5% off
 ✓prime FREE One-Day Delivery



Sponsored #7
 Amazon Brand - Solimo Germ Protection Soap, 125gm (Pack of 5)
 ★★★★★ 20
 ₹139 (₹2.78/100g) (M.R.P. ₹440.00) (54% off)
 Get up to 5% back + rewards worth ₹2,000
 ✓prime FREE One-Day Delivery



Sponsored #8
 Amazon Brand - Solimo Dreamy Red Double Bedsheet with 2 Pillow Cover, Multicolor, 95 GSM
 ★★★★★ 11
 ₹229 (₹8.00/ft²) (M.R.P. ₹440.00) (48% off)
 Get up to 5% back + rewards worth ₹2,000
 ✓prime FREE Delivery by Thursday, 25 May


Source: amazon.in, https://www.amazon.in/s?k=solimo&crd=WALT1VB8TJVG&srefix=solimo%2Caps%2C287&ref=nb_sb_noss_1


swayam

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Now just imagine the categories in which they are competing the same goes with Flipkart Smart Buy as well and definitely even Alexa, Ecodot which is one of the most popular products of Amazon is also one of the private label brands.

echo dot
"Alexa, play Bollywood songs."









Loud 360 degree sound



Millions of songs



Voice control Smart home

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Now let us look at this particular study I was telling you that how private labels have emerged better when it comes to quality.

A German study compared the technical characteristics and quality across 50 consumer product categories.

In more than half of these, **50%** highly discounted private label brands like **Aldi** rivalled or exceeded the product quality (Reported in Jean Noel Kapferer, The New Strategic Management, London)

Trust on private label brands was further pushed by Kroger by screaming, “Try it, Like it or Get the National Brand Free”?

*Source: Kumar, N., 2007. *Private label strategy: How to meet the store brand challenge*. Harvard Business Review Press. Pp 27





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So in one of the German study which compared the technical characteristics in quality across 50 consumer product categories they found out that 50 percent highly discounted private labels were much better than even national level brands or even exceeded the product quality.

Now you can just see the journey which private labels had and even Kroger came up with a very catchy tagline try it like it or get the national brand fee. Now even if you consider this is more about fostering trust and confidence that our private label brands are much better than national level brands also in certain product categories which a retailer like Kroger was actually claiming.

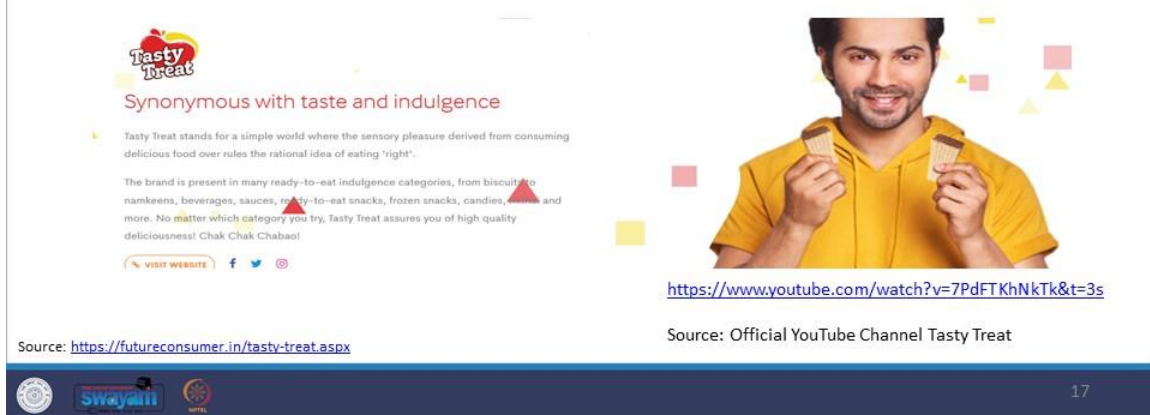


So this is how they were doing it in various eyes or various different products were being presented for specifically similar products they would display their products in adjacent tiles and they would also put these tags which was about brand guarantee try it like it or get the national brand fee. Now you can just imagine on what level the competition was getting fiercer or I would say more stronger because the claim was direct that we are much better than the national level brands and if you think in terms of your experience we are not at par with them or you did not like us then you can take the national brand for free. See that this particular I would say strategy was all about fostering confidence and once customers started trying the private label brands and they let us say and if with time they develop a preference over us and then definitely your profitability will be touching next levels.

Now this again is one of the popular strategies as we just discussed. Now another transformation which happened in case of private labels indeed is that they are now emerging as brands. Large retailers are heavily investing in branding activities we also saw this in case of Kroger's just now.

Private labels are now emerging as Brands:

Large retailers are heavily investing in branding activities. Tasty treat is being endorsed by a huge Bollywood star in India.

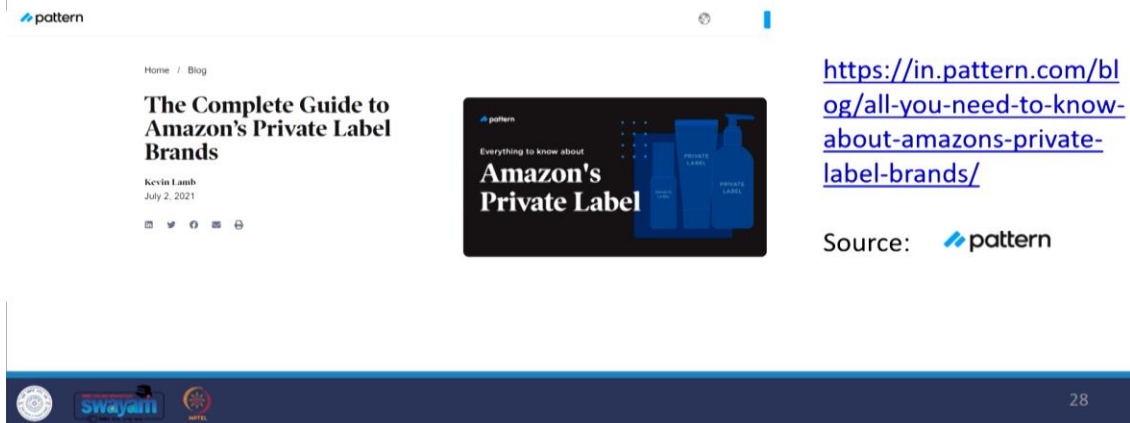


The screenshot displays the Tasty Treat website on the left and a promotional video on the right. The website features the Tasty Treat logo, the tagline "Synonymous with taste and indulgence", and a paragraph stating: "Tasty Treat stands for a simple world where the sensory pleasure derived from consuming delicious food over rules the rational idea of eating 'right'". It also lists product categories: "The brand is present in many ready-to-eat indulgence categories, from biscuit to namkeens, beverages, sauces, ready-to-eat snacks, frozen snacks, candies, and more. No matter which category you try, Tasty Treat assures you of high quality deliciousness! Chak Chak Chabao!". A "VISIT WEBSITE" button and social media icons are at the bottom. The video on the right shows actor Varun Dhawan in a yellow shirt holding two Tasty Treat biscuits. A URL <https://www.youtube.com/watch?v=7PdFTKhNkTk&t=3s> is provided below the video. Source information is at the bottom: "Source: <https://futureconsumer.in/tasty-treat.aspx>" and "Source: Official YouTube Channel Tasty Treat". Logos for Swayam and NPTL are in the footer, along with the page number 17.

Now Tasty Tree it is being endorsed by huge poly board star in India which is indeed Varun Dhawan. Now Tasty Tree stands for a simple world where sensory pleasure derived from consuming delicious food overrules the rational idea of eating right.

But in order to understand how they are branding it or how they are kind of trying to bring Tasty Tree in direct competition with national level brands we will have a look at this video which is all about understanding how the particular product Tasty Tree is being marketed. So we will first have a look at this video and then we will be moving forward. Now I really hope that you enjoyed looking at the video of Tasty Tree and indeed it was a fun marketing campaign.

The focus is being heavily laid on emotion and imagery, no more on just offering a low price.



pattern

Home / Blog

The Complete Guide to Amazon's Private Label Brands

Kevin Lamb
July 2, 2021

Everything to know about
Amazon's Private Label

<https://in.pattern.com/blog/all-you-need-to-know-about-amazons-private-label-brands/>

Source: pattern

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Now another thing which we need to understand in case of private labels is that now the focus is being heavily laid on emotion and imagery as in retailers are trying to build in a perception that these are equally at par with the national level brands and these can also be treated as synonymous to let us say trust quality and affluence which was earlier only the case with national level brands. It is no more about just offering a lower price when it comes to private label brands.

Now as far as this is concerned I would urge you to go and read this fantastic article which has been written by Kevin Lam and is all about the complete guide to Amazon private label brands and when you will be going through this article you will be learning a lot more exciting things that Amazon now has over 100 private label brands like Amazon Essentials, 206 Collective, Solimo, Mountain Falls and as far as Amazon is concerned their private label journey started in 2009 and even at that time or in some of the researchers it has been said that they captured 1 percent of the total sales whereas in specifically in the year 2017 to 18 Amazon's private label brands definitely saw a growth of 81 percent as far as the sales of private labels were concerned in different product categories.

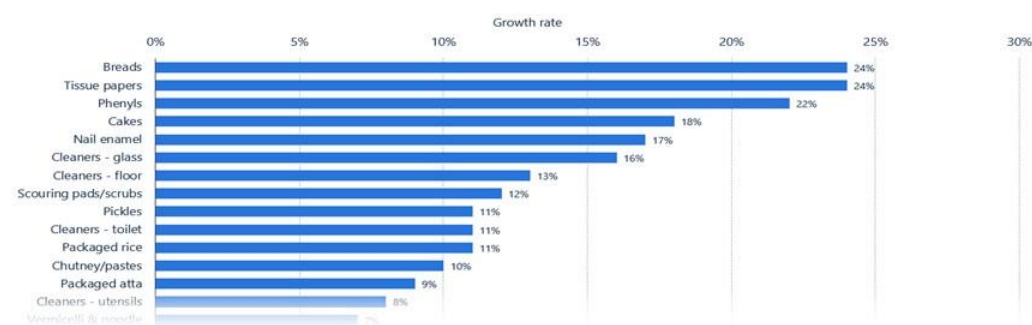


Now this is all about India's private label journey. Historical offline retailers have leveraged private labels as a tool for profitability mainly on account of higher margins and ease of customer acquisition. See again they are trying to foster the same thing that gone are the days when private labels were only kind of brought into the market or offered to customers simply with respect to offering a low price substitute which means they would easily buy or the price sensitive shoppers would easily buy that but then definitely there was a rise of private label brands in offline retail the share of private labels is category dependent and could range up to 90 percent for fashion approximately 50 to 20 percent in food and 8 to 10 percent in general merchandise. The number of private labels is dependent on the width category assortment for offline retailers in certain categories with low brand presence private labels have become mainstay brands large format retailers have also indicated that introducing private labels help them improve margins through increased scale.

See one thing why private labels could be considered better is you control them you can control the marketing expenses right and the share of profits is not being shared with any of the middlemen or the manufacturers that by situation that is why the situation gets much better off when we talk about private labels. So, as far as this report is concerned the link for the same has been provided in the slide I would again urge you to go and read more about it and trust me you will again be learning a lot more exciting things specifically with respect to the private label dynamics in India right.

Main private label categories in India as of May 2020, by growth rate

Leading private label categories in India May 2020, by growth rate



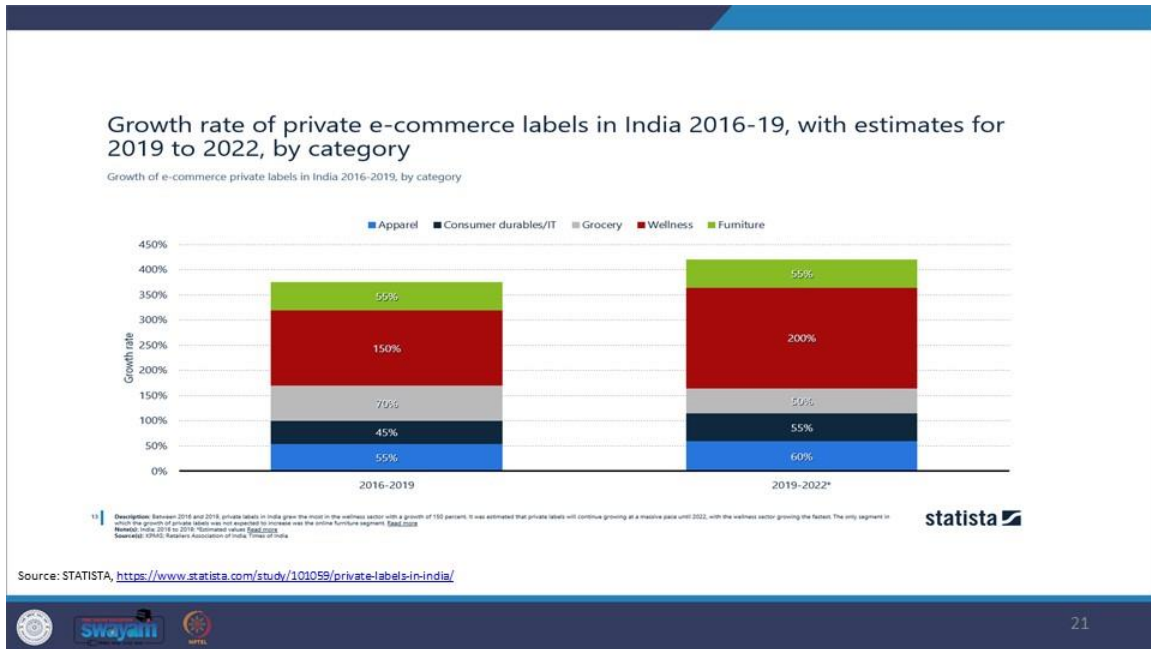
16 Description: By May 2020, bread and tissue paper were main growth drivers for private labels in with a growth rate of 24 percent each. While food comprises a large share among private labels, apart from cakes and breads food items are not the most dominant drivers in the growth of private labels. Statista
 Revised: India May 2020
 Source: Statista

statista

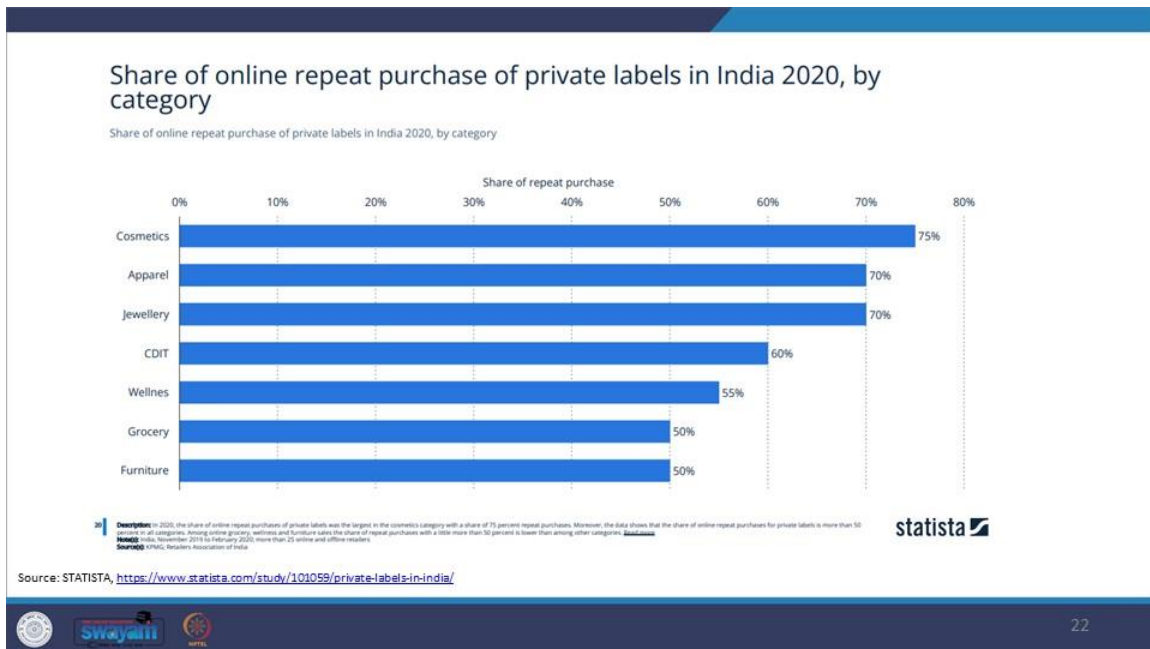
Source: STATISTA, <https://www.statista.com/study/101059/private-labels-in-india/>



So, this snapshot which has been derived from statista provides a view of the private label categories in India as of May 2020 by growth rate. So, a major growth has been seen as far as the private labels are concerned in the category of breads, tissue papers, phenyls, cakes, nail enamel, cleaners, glasses. See now these are a few product categories in which you might see consumers not being very brand conscious right that is why you see a huge growth in these particular product categories even pickles, cleaners, packaged rice has also been considered as a few product categories in which there was a growth as far as the private label categories were concerned.



Now this snapshot provides you a growth of the private e-commerce labels in India from the year 2016 to 19 with estimates from 2019 to 22 by product category. Now particularly in this case if you see in case of wellness products there was a jump of around 50 percent. Now even when you look at the category of apparels as far as private labels are concerned there was a growth by 5 percent. Likewise if you see in case of consumer durables there was a growth by almost 10 percent whereas, a decline was seen in case of grocery products. Now this is one problem why the sales fell as far as groceries were concerned is something which can be looked upon by the retailers or even researchers.



Now this snapshot also provides a view of the online repeat purchases of private labels. Now see in case of cosmetics it was around 75 percent, apparel 70 percent, jewelry 70 percent, wellness 55 percent, grocery 50 percent and even furniture 50 percent. Now you can just imagine these products are indeed being liked by customer that is why you see that loyalty or repeat purchases right. So again this squashes the myth that consumers only prefer national level brands there is a growing segment of customers or a major population who is indeed preferring private label brands for a lot of benefits that they bring in right. Now I thought when we are discussing so many fascinating things about private labels let me dig in some research and bring in some insights from the growing private labels research.

So the first one is private label brands have indeed made the markets much more competitive and we have definitely discussed about this. We definitely saw when it comes to good life the number of product categories in which it was competing with starting from spices to finally getting into various rice brands as well.

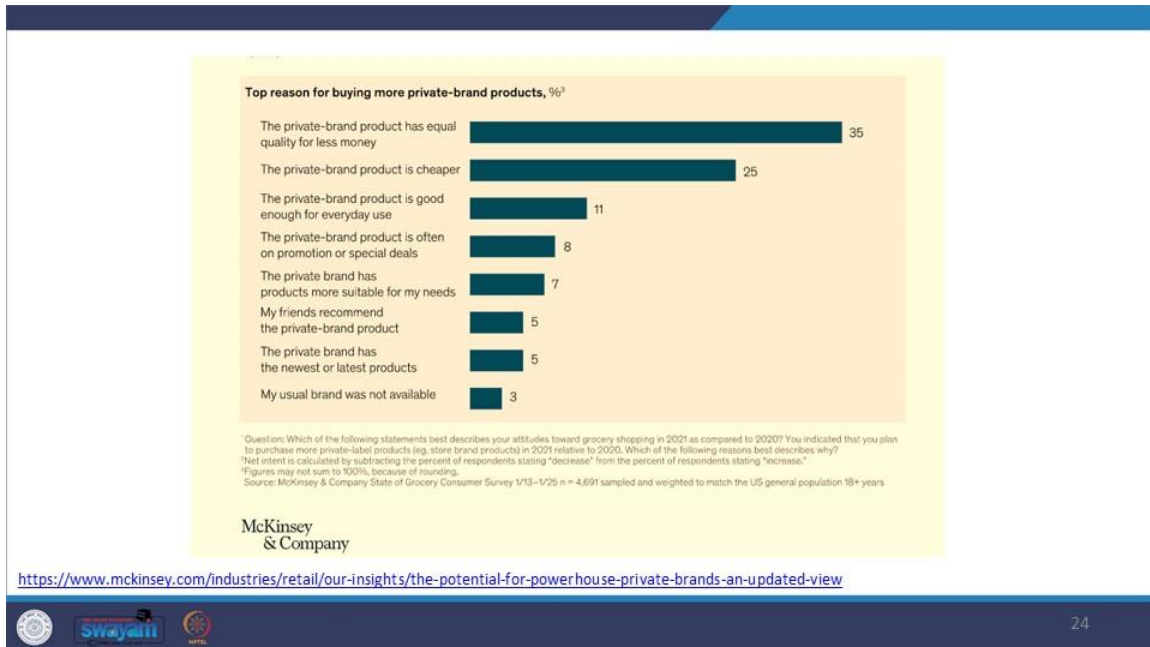
Some recent insights from growing research on Private Label Brands:

- Private label brands have indeed have made the markets much more competitive (Cuneo *et al.*, 2019)
- Private label brands provide a chance to companies/retailers to differentiate themselves from their competitors (Rubio *et al.*, 2017)
- Have higher margins, result in greater profitability (McNeill and Weith, 2011)
- Positively impact store loyalty (do Vale and Matos, 2017; Binninger, 2008)



Another thing is private label brands provide a chance to companies or retailers to differentiate themselves from their competitors. See once the private label has become popular let us say if we consider the example of Kroger chips which were considered better than Pringles. Now the consumers if they like it or they have developed a liking for it will only be coming to Kroger's right.

So it definitely gives a chance to the retailers to differentiate themselves, but also allows them to win the loyalty of the customers and they also indeed result in higher margins and greater profitability because the marketing expenses are in your control and even no percentage of profits is being shared with the manufacturer or any other middlemen. And as I just said when consumers have developed a preference for private labels they will be definitely coming to your retail store only because these are not available anywhere else. So they indeed give a huge push to store loyalty. Now let us look at some of the top reasons for buying more private brand products.



The private brand products has equal quality for less many which indeed as I was saying are basically value offerings they are at par if they have been manufactured right or by keeping all the things in control then they definitely offer a very kind of at par quality as compared to the national level brands are available at a lesser price.

So we all know then why consumers would prefer them. They are indeed cheaper, good enough for everyday use, is often on promotion or special deals because everything is in control of the retailer they can decide on the promotions. And the other thing is if you achieve economies of scale or the production level reaches reaches the next level then definitely the cost decreases and then you will be able to offer these products at much more discounts as compared to the national level brands. Another reason was private brand has products more suitable for my needs. They have been recommended by friends definitely word of mouth now that can be word of mouth also or word of mouth in general in physical circumstances.

Now let us say if someone tries a private level brand which is available at a much lesser price as compared to a national level brand and could also be very good in quality then you will definitely see the snowball effect of positive word of mouth and you will see a lot of people coming and buying it forward. The private brand has the newest or latest products the usual brand was not available. Now this again is one of the reasons for which people bought private label brands.

Let's discuss the reasons behind growing acceptance of Private labels:



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Now we will be having a discussion about the reasons behind growing acceptance of private labels or how they are occupying a such important space when it comes to the consideration set and preferences for the customers.

Private Label purchases have been recognized as smart shopping:

- Low prices, Best deals, At par quality
- Specially in apparel shopping, Financial times noted that it is all about smart consumerism now.
- German electronics retailers, Saturn used this slogan “Geiz ist Zeil” translating to “Thrifty is stimulating”



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Now first is private labels indeed have been recognized as a means to smart shopping and why not you are getting one of the best products for lesser prices and even of the equal or at par quality as far as the national level brands are concerned and many times they could even be better.

So in order to sum up why they are being recognized as a way to smart shopping is simply because they are available at low prices best deals come in and they have at par quality. Specifically in apparel shopping financial times noted that it is all about smart consumerism now which means how you are trying to derive maximum benefit for the every rupee spent or rather to put it in a best perspective it is all about how you are trying to derive the maximum value for every rupee spent and private label brands definitely fit in that criteria and one of the German electronics retailers set in even use the slogan geiz is sealed which means thrifty is stimulating which means there is definitely a certain kind of joy when you buy products at lesser prices and you end up saving some money. Along with that there is again one of very fascinating facets about private label brands you know that it was once said that people would only buy private labels when there is a recession right in the economy or let us say when people are not left with much disposable income to spend or buy products in services only then they will be buying private labels but this is not been proven till date.

Not at all a Recessionary phenomenon: Shares of private label brands have increased in all economies in last 30 to 40 years

Harvard Professor, John Quelch argued, Share of private labels generally goes up when the economy is down and down when economy is growing (John Q and David, H Brands vs. Private Labels: Fighting to Win)

However, it was later proposed that private label share increases after and extensively during a recession than an expansionary phase

The German weekly Stern once wrote, The harder the times, better off Aldi is...

However the share of private label brands have increased in all economies in the last 30 to 40 years. One of the Harvard professors John Quelch argued share of private labels generally goes up when the economy is down and down when the economy is growing but this indeed has not been proven till date rather it was proposed that private label share increases after and extensively during a recession then in expansionary phase which means that it is not like people are only going to buy private label brands when there is a recession it is not like this people will indeed be buying private label brands in an expansionary phase or I would say in period of boom also once their preferences have been developed that is why the German weekly stern once wrote the harder times better of LDAs.

LDAs again one of the leading retailers on global markets. Now the whole idea is see whenever we are looking at this statement the harder the times the better of LDAs what they are trying to say is when there is a recession then for LD it are all good days because people would be rushing more to LD to buy more of products specifically the private label brands which eventually kind of inflates their profitability to the next level.



So, as I just mentioned profitability now profit migration in case of private labels now if you talk about apparels if there is a branded sales the margin is 35 to 40 percent whereas, in case of private labels it is 60 to 65 now just imagine the distinction between the profit margins that exists in case of national level brands and private label brands. So, even retailers end up earning a lot more right in case of grocery it is 7 to 10 percent in case of branded sales whereas, in private labels 10 to 14. Likewise in furniture it is again so high 45 to 50 percent in case of private labels and only 18 to 20 percent in case of national level brands.

Likewise for cosmetics 70 to 75 percent now this is even touch the roof whereas, in case of branded sales it is 25 to 30 percent. Now this again definitely gives you a clear indication why would retailers prefer or push private label brands because their profitability gets so much high because of the available margins. Now as far as this is concerned the same report has been highlighted in the slide as well I would again request you to please use this link and read more as far as this report is concerned because this will again give you much more insights about the private retailing dynamics as far as India is concerned. So, finally, we are ending this session now as we move forward in the next session we will be learning about the various types of private label brands and trust me you will be surprised to see that there are so many categories even in private

labels whereas, you might have thought you know private label brand is just has one type or one category this could have been your thought process. Along with that I will also tell you a very fascinating difference between the copycat me too and counterfeit products and that again is going to be one of the most insightful things that we will be learning.

So, looking forward to meeting you in the next session wishing you a good day for now. Thank you. Thank you.