Foreword

Private labels, store brands, retail brands...

Too many terms for what the consumer perceives as, simply, brands. Nowadays shoppers can often find them in practically every category in their regular grocery chains. Brands have become so usual in consumer minds that they have reached the highest penetration in some European countries. Moreover, it seems that their growth is unstoppable in other international markets.

Their origin is associated with a paradigm shift in the distribution system in the fast-moving consumer goods market. It is mainly due to the transition from traditional, local and national distribution chains to the present situation with highly concentrated huge retailing groups that control the whole distribution channel.

The formation process of large retail operators by either association or by absorption enabled a different dialogue with manufacturers. The private labels phenomena began in several countries in the simplest and most logical way: retailers were searching for better prices for the products sold in their stores. They were also pursuing new product strategies to attract their customers. For these reasons, they asked the manufacturers themselves to be their suppliers of some products they commercialized under their own brand name. Whilst many manufacturers adopted this strategy, some of them retaining their own brand and others “surrendered” completely. In some cases, new companies emerged in order to be the suppliers of private labels.

Along with the growing popularity and acceptance of private labels, some manufacturers became very concerned with this new context. In many cases, there became unable to offer their products to consumers on the retailers’ shelves even though some time ago, these same retailers welcomed their products with open arms. Thus, the manufacturer brands needed to revise their development policies to face these “younger siblings” competition. Forced to get along by the consumers, nowadays they are looking for a means of coexistence and mutually beneficial development.

Why are private labels so popular? Depending on the country considered, the origin of these brands was more humble or more elitist. That origin conditioned both their development and consumer appreciation of their characteristics. They were extended by an elite UK retailer, which offered their best food products to their customers. However, most of those who followed this retailer’s strategy presented these brands as a low cost alternative to attract buyers looking for savings. Whatever their origin, the private label brands have expanded today in many countries and reached different levels of quality, still being a cheaper alternative than their manufacturer counterparts. May this reason be their only attractive feature? How is it possible that these brands have attained market shares above 50 percent in some countries?

The truth is that today retail brands are not only found just on food items. The same pattern have been followed in very different categories such as sports, furniture, do-it-yourself, gardening, toys, textiles,
household items, fuels, etc., often monitored by the same retailers that boosted the emergence of the private label brands. It has enabled the development of retailers who specialize in private labels, and whose offering far exceeds their grocery industry market share. The same path has driven the development of new chains, addressing to sell their own brands almost exclusively.

Which are the new trends that can be currently observed relating to private labels? Usually, when customers demand something, manufacturers and distributors use to reply. We have already witnessed how new private label brands have expanded into areas such as nonprescription drugs, mobile services, television, fashion and technology become increasingly more familiar. Meanwhile, consumers buy both manufacturer and store brands. They analyze the different alternatives and try to find the label that gives them a better solution.

Therefore, private labels are moving forward, progressing steadily as the latest market share data shows. Nevertheless, is this fact only due to the appropriate retailers’ management, or could it be also provoked by any external factors? Perhaps the term “economic crisis” sounds very familiar to the readers. Indeed, the title of this book suggest the idea that this factor has precisely been one of the determinants of these brands growth.

Throughout the pages of this handbook, all these issues are analyzed in depth. The different authors do not take side with one or another type of brand, but rather show the conviction that the most complete knowledge of reality helps in making the best decisions for both managers and policy makers. In addition, most of the chapters are based on the leitmotif of economic crisis, taking into account the importance that economic recessions have in the distribution environment and in the consumer’s brand choice.

This foreword writer enjoyed a privileged position as manager in one of the first Spanish companies that produced private labels for a retailer. This context enabled my research team to begin a fruitful collaboration with other university colleges regarding private label topic. Thanks to the addition of numerous excellent researchers, some of whom are authors of the chapters in this book, the reader will be able to find some of our ideas.

Finally, I congratulate both the editors and the enthusiastic researchers who collaborated in this handbook, covering different areas of this relevant and ever-changing topic.

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