

# Discussing impact of private label brands

Dr Magda Nenycz-Thiel, a senior researcher from the Ehrenberg-Bass Institute for Marketing Science at the University of South Australia, recently addressed South African marketers and brand managers on the subject of private label brands at a meeting hosted in South Africa by Caxton Magazines and the Newspaper Advertising Bureau (NAB).



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On the question of whether private label brands a threat to national brands, Dr Nenycz-Thiel said the answer was yes and no.

She states that private label users are no different from those that buy national brands, as they do not appeal to different buyers groups. They fall in line with normal market share and buyer stats where big brands simply have more buyers than small brands, whether they are national or private brands.

Private labels only show some indication of creating store loyalty when they are more qualitative, priced higher and less frequently bought goods and the rejection of private label brands is very low. Often, consumers who reject private labels and national brands do so for opposite reasons.

## Rejection issues

Private labels are rejected before they are even tried, mostly because of poor perceptions on quality and a lack of trust from the potential buyer. For national brands, trust is established post purchase once consumers have tried and experienced the brand; therefore rejection tends to mostly occur after trial, the opposite of private label brands.

Dr Nenycz-Thiel makes the point that national brands have better knowledge by the non-users of a brand in the category

than private label brands do. This is mostly because they advertise out of store whereas private labels do not, and are therefore not known by the category nonusers or buyers. Private labels tend to have better exposure in-store because of their shelf space advantage and in-store promotional support.

On the issue of private label premium brands, she states that they are slightly different in the sense that they tend to be rejected less and are well known by non-users of the category. This is generally because they are packaged well, of good quality and advertised out of store. Otherwise they perform in line with general market share statistics of the category they fall into. However, premium private label brands do have a very negative effect on second tier national brands that don't advertise that much or at all. For these brands, there is generally no need for retailers to stock them as they don't generate much traffic to the store.

## **Mentally, physically available**

Her main recommendations and implications from the findings are that all brands need to be mentally and physically available to their category buyers.

Because heavy users are a small segment of consumers, retailers need to remind light and non-buyers of the category of their specific brands, at a time when they could be in the market. This is where growth of any brand (private or national) will come from.

## **Sampling to encourage private labels**

Another insight is that private label brands should try and initiate trial of the brand through sampling and reinforced quality of the brand. Retailers should advertise private label brands out of store, particularly for categories that are not bought that often, or are more qualitative (definitely relevant to premium private label brands). Reaching the maximum number of category light and non-buyers where they have stores stocking those brands is crucial for the retail marketer.

National brands should regularly monitor their quality and maintain regular consistent good branded advertising that reaches the maximum amount of category's light and non-users - the heavy users will know their favourite brands well enough and will need little reminding - marketers should get to them anyway with high reaching mass marketing.

## **Local print media relevant**

John Bowles, joint MD of NAB says, "Private label is big business around the world and the more we see retailers getting this right, the more manufactured national brands are going to have a tougher time getting bought and thought of."

"If maximum reach is important, then local media offers the solution. Community newspapers reach on average close to 70% of decision makers in every area they are delivered to each week (ROOTS 2010) - more than any other print option. They are delivered around the stores where brands (private or national) are stocked, making the message relevant with limited wastage. These buyers use them to plan their shopping every week making them the ideal vehicle to meet the challenges both private label and manufactured national brands face."