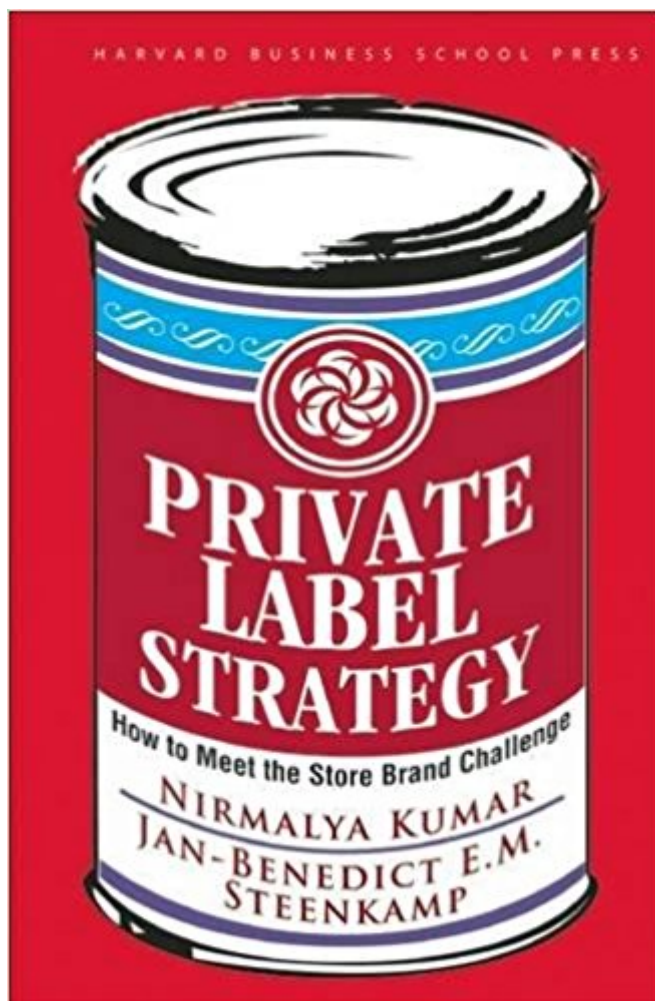


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# Private Label Strategy: How To Meet The Store Brand Challenge



## Synopsis

As retailers have become more powerful and global, they have increasingly focused on their own brands at the expense of manufacturer brands. Rather than simply selling on price, retailers have transformed private labels into brands. Consequently, manufacturers such as Johnson & Johnson, Nestle, and Procter & Gamble now compete with their largest customers: major retail chains like Carrefour, CVS, Tesco, and Wal-Mart. The growth in private labels has huge implications for managers on both sides. Yet, brand manufacturers still cling to their outdated assumptions about private labels. In *Private Label Strategy: How to Meet the Store Brand Challenge*, Nirmalya Kumar and Jan-Benedict E.M. Steenkamp describe the new strategies for private labels that retailers are using, and challenge brand manufacturers to develop an effective response. Most important, they lay out actionable strategies for competing against - or collaborating with - private label purveyors. Packed with detailed international case studies, valuable visuals, and hands-on tools, *Private Label Strategy* enables managers to navigate profitably in this radically altered landscape.

## Book Information

Hardcover: 288 pages

Publisher: Harvard Business Review Press; 1 edition (February 13, 2007)

Language: English

ISBN-10: 1422101673

ISBN-13: 978-1422101674

Product Dimensions: 1 x 7.5 x 9.5 inches

Shipping Weight: 1.3 pounds (View shipping rates and policies)

Average Customer Review: 4.5 out of 5 stars 16 customer reviews

Best Sellers Rank: #595,695 in Books (See Top 100 in Books) #125 in [Books > Business & Money > Marketing & Sales > Marketing > Product Management](#) #818 in [Books > Textbooks > Business & Finance > Marketing](#) #7075 in [Books > Business & Money > Management & Leadership > Management](#)

## Customer Reviews

"...a must-read for specialty retailers of any size." -- The Gourmet Retailer, January 1, 2007  
"...essential reading for any manufacturer, retailer, or policy maker interested in the implications of the rise of private labels." -- Laura Tyson, Professor of Business Administration and Economics, UC Berkeley; former Dean, London Business School and Hass School of Business; former Chair, Council of Economic Advisers for President Clinton  
"A well-researched and timely study of the

challenges that private labels pose for brands." -- Vindi Banga, President Foods, Unilever"Kumar and Steenkamp have written a most analytical and insightful treatment of private labels..." -- Philip Kotler, S. C. Johnson & Son Distinguished Professor of International Marketing, Kellogg School of Management"Private Label Strategy offers interesting insight and an illuminating perspective on the role of and opportunities for brand manufacturers." -- Peter Brabeck-Letmathe, Chairman and CEO, Nestlé S.A. Like the marketing experts they are, the authors have set out to fill a gap on the business bookshelves. -- The Financial Times, March 14, 2007

Move over Chips Ahoy; there's a new President's Choice in town. The old days of packaging generic brands in plain white wrapper and black lettering are long gone. As retailers have grabbed power around the globe, they've transformed private labels from price purchases into powerful brands with their own cachet. As a result, once-powerful brand manufacturers like Nestle and Proctor & Gamble now find themselves competing for shelf space with their biggest customers, like Tesco and Wal Mart. With retailers and private labels continuing to gobble up valuable market share, you might think that brand manufacturers are already implementing competitive strategies. But instead they are still creating strategies based on outdated myths and assumptions about private labels. A different approach is now essential if brand manufacturing wants to stay in the game. In Private Label Strategy authors Nirmalya Kumar and Jan-Benedict E.M. Steenkamp debunk the long-standing myths about private labels, describe the new multilayered strategies that retailers are using for private labels, and change brand manufacturers to develop an effective response. But these esteemed authors don't just tell a story and offer a challenge. They help you meet this challenge head on! Based on international case studies and an unprecedented survey of customer insights, Private Label Strategy offers actionable strategies that you can develop today. The authors provide the tools you'll need to compete against or collaborate with private label purveyors, and explain why you must consider private labels when telling your brand's story. Private Label Strategy is the first book to deal with a radically altered landscape where brand manufacturers compete directly with their retail customers. Some people say, "Brands are dead." Now is the time to prove them wrong.

Gave my students the business with this text. Great book. If you are studying private brands and private labels.

I am an incessant reader of business books and must say this is one of the best I've ever read. The statistics and charts and graphs in this book alone are worth the cost. WalMart's private label brands represent over 40% of Wal-Mart's overall business and they are not alone as a mass chain. As national chains develop critical mass, AG Lafley at P&G recognizes that the power is beginning to shift to the entity which owns the customer- the retailer-- and he's making major changes in P&G's business strategy to continue to compete. The private label business has become extremely competitive and requires significant analysis in how to compete and which categories to compete in-- all based on market trends at the moment. The authors have done an incredible job of breaking it all down and providing an actual path to understand how market dynamics affect what type of private labeling strategy should be taken.

This book if you work in the industry won't tell you anything ground breaking or new, but it's good as a reminder of what you know already. The one exception to this comment is the insight that in studies done, even when private label is actively courted by manufacturers and supported alongside their brand/s there is no evidence to suggest there is a closer or longer term relationship with the retailer. Food for thought.

I have been looking for a book like this and it appears to be one of the few that take on the message of PLs in today's marketplace from the Brand's perspective and the Retailer's perspective. In my line of work and really need to balance the two so this book was perfect for me.

If you are in retail business, this book needs to be on your shelf. This textbook lays out the private label strategy in many industries in retail. It provides a real thought process of how to work against and work with private label.

Read this book when it was first published, while I was editing a B2B magazine for an industry being overrun with private label brands from retailers. The book helped me understand why this was happening, who benefits, who suffers and that the trend is here to stay. Excellent, clarifying read.

Marketing professors Nirmalya Kumar and Jan-Benedict E.M. Private Label Strategy: How to Meet the Store Brand Challenge, a tell-it-like-it-is expose of how the old days of packaging generic brands in white wrapping and black lettering have passed. Today, the once-powerful brand manufacturers find themselves in direct competition for shelf space with the chains that are their biggest

customers, like Tesco and Wal-Mart. Too many companies are still building their strategies around outdated myths that Private Label Strategy debunks. Chapters of Private Label Strategy cover how to compete on price with private labels, how to compete on quality with premium store brands, how to use private labels to maximize retailer profitability, how to cultivate innovation, and much more. "The financial community, of course, presses companies to be specific on the anticipated numbers because it makes the work of the analysts easier. But it may not be wise to play along with this game. For example, Nestle has a policy of not promising specific financial targets but instead articulating its strategy and letting analysts do the work of computing the expected numbers." An absolute "must-read" for anyone involved in branding responsibilities or branding strategy.

Worldwide private label sales in 2007 were \$1 trillion, and growing. This has been abetted by consolidation within the retail industry - eg. Wal-Mart's \$126 billion in private label sales exceeds Nestle's (largest manufacturer) total sales of \$75 billion. Apparel, packaged goods, electronics, financial services, books - all are involved. Private labels are mostly copycats, and don't face the risks and costs of new product introduction. Even without attaining great success, they provide leverage vs. manufacturers. Walgreen's averages \$677/square foot in sales, with prescription drugs making up 63% of those sales. Retailer gross margins on private labels vs. manufacturer brands are about 25-30% higher, but may be less profitable due to slower turnover. About the only takeaway from this book is that private label sales are large and growing, and the major manufacturers' clout and profits suffer accordingly. There really are no good counter-strategies, except to reduce costs and perhaps spiff up packaging, advertising.

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