

# THE GROWTH OF OWN BRAND



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# The Growth of Own Brand

Once the domain of only the most value-conscious shoppers, own brand products are enjoying increasing popularity amid growing consumer interest and greater retailer focus.

Today, own brand products – items manufactured and packaged specifically for a retailer and marketed bearing that retailer's brand – are no longer considered to be a cheap compromise to established national brands.

With the price and quality gaps that once distinguished own brand from national brand products narrowing rapidly, Nielsen reports that **one in three Australians now rate own brand products as “just as good as” national brands and believe “the quality of store brands is improving.”**



For retailers, own brands present a real and growing opportunity to take advantage of shoppers' growing acceptance of non-national brand products, leverage the strength of their existing brand, and enjoy better control over margins and profit. For these reasons, many retailers are beginning to give own brand products the same level of attention as their national brand counterparts.

Challenging economic conditions and the continuing

threat of recession are additional factors influencing this change. These realities are driving increased consumer price sensitivity and substantially reducing the stigma once associated with own brand products.

The rise of online, however, is the single most influential factor driving a dramatic change in consumer shopping habits. Where product comparison once meant traveling between retailers to check what was on the shelf, today's consumers are using smartphone price comparison apps to scan barcodes and make instant, in-store evaluations. Online shoppers are exposed to almost infinite choice and can search for, compare and buy an enormous range of products at the click of a button.

# Why Own Brand?

In addition to giving consumers better insights and greater convenience, the online revolution has significantly eroded the power of national brands. The concepts of exclusive territories, product ranges and distribution channels have been shattered by online shoppers who can buy products from international stores in the local currency and arrange express delivery to their door in a matter of minutes.

## Control the Entire Customer Experience

Own brand products provide retailers with the opportunity to leverage the existing strength of their brand. Unlike the 'one size fits all' approach of national brands, own brand products can be developed specifically to meet a retailer's brand promise and thus act as an extension of their brand. The trust that consumers have for the retailer's brand will naturally transfer to their own brand products.

Importantly, own brand products also give retailers the ability to control the entire customer experience – from promotion to purchase to after-sales service. Poor service extended by national brands can reflect poorly on the place of purchase, even though the retailer has no control over this aspect of the customer experience. **With own brand, the retailer can ensure that every step of the product lifecycle reflects their value proposition and delivers a positive customer experience.**

With 26% of Australian shoppers claiming they are buying more own brand products than ever before, these products are rapidly becoming a meaningful tool to build true brand loyalty.



# Execute Clever Category Management

Retailers are increasingly using own brand products as an important tool in their approach to category management. With own brand products no longer necessarily offered at a substantial discount to national brand equivalents, many retailers are looking to capture a higher share of own brand dollars by organising their own brand products into strategic tiers.

A comprehensive own brand strategy gives retailers the flexibility to create a multi-tier approach that allows them to appeal to different consumer segments and better control margins across a product line.

A popular approach is to create a value tier at the lowest price point, a mid-range tier of national brand equivalents, and a premium tier featuring unique products that often carry a different brand name and aren't sold elsewhere. Interestingly, Nielsen reports that one quarter of Australian shoppers claim that they are buying more expensive own brand products.



ENTRY TIER



MID-RANGE TIER



PREMIUM TIER

## Enjoy Better Margin Control

Own brand products are particularly effective at reducing the erosion of margins as their unique barcodes don't support easy price comparison via SKU matching technology. This means that consumers are forced to focus on product features, benefits, packaging and price (in addition to the retailer's brand) to make a purchase decision.

A comprehensive own brand strategy that is developed and implemented effectively has the potential to deliver the 'holy grail' of increased sales and better margins for retailers. Additionally, it will grow brand equity for the retailer's overall brand as well as the specific own brand products.

# Reduce Dependence on National Brand Products

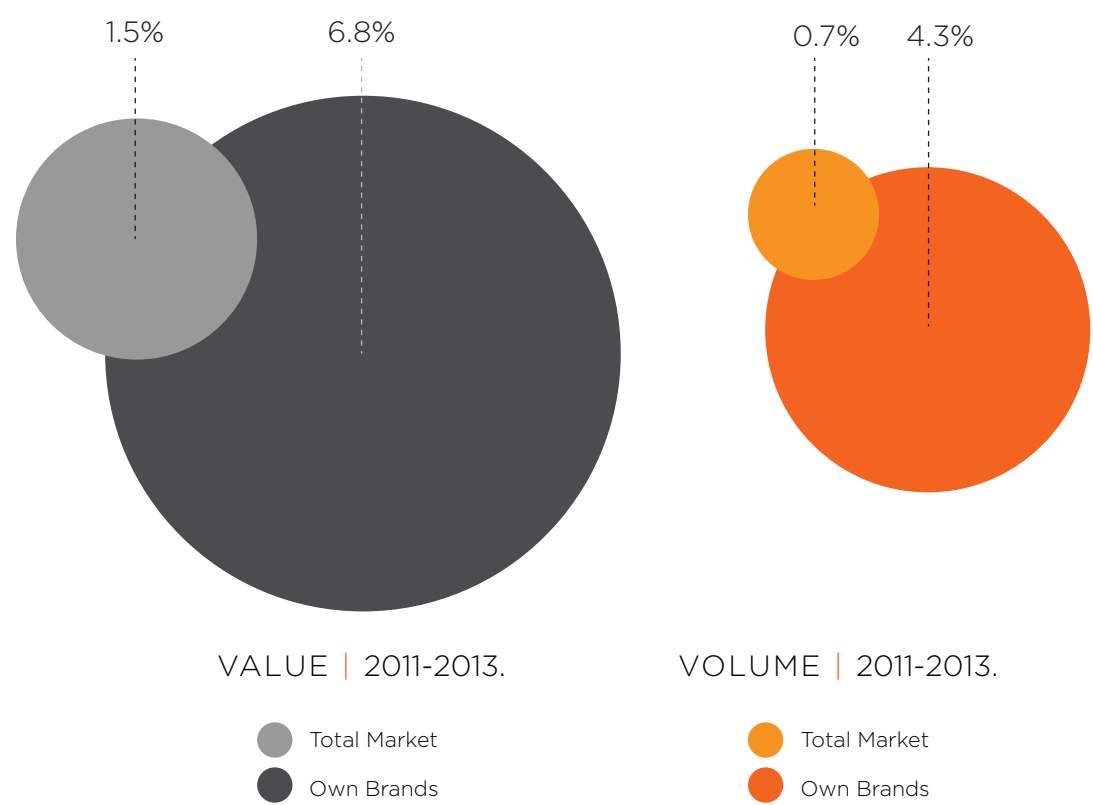
A strong own brand strategy allows retailers to reduce dependence on national brand products and improves their negotiating power with national brand suppliers. Retailers with a strong portfolio of own brand products enjoy a degree of leverage in negotiations with national brands, and can be more selective in their approach to purchasing and supply.

A strategic own brand product portfolio combined with a strong relationship with national brand suppliers will ensure a successful and profitable product category.

## Outperform the Market

Nielson reports that retailer-owned brands outperformed the market in both value and volume from 2011-2013. During this period, value growth of own brand products was 6.8%, compared with 1.5% growth for the total market. Similarly, own brand volume growth was 4.3%, compared with a growth rate of 0.7% for the market.

These figures clearly demonstrate the significant opportunity that exists for own brand products into the future.



## Conclusion

Investment in own brand products represents a unique opportunity for retailers to strengthen their business strategy while building significant brand equity.

Their growing popularity means own brand products are rapidly becoming an important asset for retailers, with the potential to deliver long-term competitive advantage and act as a barrier to entry for potential competitors.

No longer seen as a low-quality, low-price choice, own brand products represent a real and growing opportunity for retailers to control the entire customer experience and develop an innovative approach to category management.

With consumer sentiment towards own brand products on the rise, it makes good commercial sense for retailers to consider making own brand a component of their product portfolio.

## A Little About Intersource Solutions

Established in 1999, Intersource works with leading brands across the household appliance industry to develop innovative own brand product solutions.

We partner with our clients to provide an end-to-end product development service that encompasses the entire product lifecycle. From market analysis and strategy to manufacturing, certification and delivery, Intersource's expertise and strong international relationships allow us to deliver compelling own brand products for clients.

The Intersource team has more than 100 years experience in business consulting, technology innovation, manufacturing, sales and marketing. We are passionate about sharing our knowledge and experience with clients to produce innovative product solutions that support their brand and growth objectives.

To speak to our team about building a stronger business with own brand products, please call +61 2 8095 7500 or email [strategy@intersource.co](mailto:strategy@intersource.co).