

The Mixed Brand and Private Label Strategy – Retailer’s Perspective

illustrated by the Rema1000 case

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(WORK IN PROGRESS)

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Abstract

In this paper, the terms “Focused” and “Mixed” suppliers / retailers are introduced and presented in an interface model. The general thesis is that suppliers and retailers face similar challenges and difficulties strategically and organizationally when they work with a mixed brand and private label strategy (working with both brands and private label in the same organization). Different models have been used with different results and the success/failure is not only a result of the individual approach but moreover of the co-operation between the two parties. This paper is limited to the retailers perspective and is covered through a literature review in particular about the reasons for retailers to get involved in private label and illustrated by an explorative case study of the discounter Rema1000.

Keywords: Retailers, suppliers, private label, interactions, dyads

Introduction

The last 10 years, I have been directly involved in selling private label products both in a company dominated by branded sales where private label had low priority but also in a private label dominated company where the priorities were opposite. During this period I have often experienced how difficult it is for the suppliers to balance the strategic focus between brands and private label. Likewise, I have experienced that retailers face the same strategic and organizational difficulties when it comes to a mixed strategy involving both brands and private labels.

It is my general thesis that suppliers and retailers face similar challenges and difficulties strategically and organizationally when they work with a mixed brand and private label strategy. Different models have been used with different results and the success/failure is not only a result of the individual approach but moreover of the co-operation between the two parties. My work concentrates around this area and is illustrated and explained with various in-depth case studies.

In the literature, the branded area is described intensively and the private label area to some extend. Furthermore, the interface and interaction between selling and buying firms is well described. The contribution in this paper is the combination of knowledge from these disciplines, and illustrated with the model of the focused and mixed players.

The article could take three angles: 1) The retailers perspective, 2) The suppliers perspective and 3) The interface/interaction between the selling and buying firm. This article will be limited to the former, the retailers perspective and will be illustrated by the Rema1000 case.

After a methodological and theoretical section, the article starts with a background description of the concepts of brands and private label, respectively. This will be followed by a model developed to describe the terms “focused” and “mixed” retailers / suppliers and a short description of the

evolution in their relationship. In particular, there are many challenging strategic and organizational issues that must be addressed by the mixed players (working with both brands and private label in the same organization) individually but even more so when working together. But as mentioned, this article is limited to the retailers perspective. The model will be followed by a literature review on the retailers perspective mainly focusing in the question - why do they get involved in the development of private labels? The same question will be answered with the Rema1000 case, and moreover the focus of this case is to describe the demands and experience to/with suppliers they have for branded items and private labels, respectively, and how Rema1000 as a retailer has adapted to this situation strategically as well as organizationally.

Methodology

The paper is supported with a literature review in particular about the reasons for retailers to enter the private label market.

To challenge my overall thesis, I have conducted an explorative field study of the Scandinavian discount chain Rema1000. This includes various secondary company information: website, annual reports, articles and most importantly semi-structured interviews with buyers and managers from Rema1000 including the buying manager responsible for the general private label strategy of the chain.

The Rema1000 case is extremely interesting for a number of reasons:

- 1) This retailer has been very successful in Denmark despite a very competitive discount market with local and international players such as Fakta (Coop), Netto (Dansk Supermarked), Aldi and Lidl. This growth has continued during the last years of high economic growth in Denmark but also during the last period of recession. The turnover in 2008 showed an increase of 24.4%. In comparison, close competitors such as Fakta and Aldi grew 9.7% and 9.6%, respectively (Børsen 2009).
- 2) Since the start of Rema1000 in Denmark, the concept has changed dramatically from a chain of local "grocery stores with focus on brands" to a real "discount chain with a balance between branded items and private label".
- 3) This retailer is known as a co-operative retailer who works closely with suppliers. This situation is aligned with the interaction perspective.

Theory

This paper falls into the business-to-business field with an interaction perspective (Håkansson 1982). Business firms working together have been described as dyads (Bonoma, et al, 1978). In this context a dyad is represented by two individual firms and their mutual interaction. Hence, the market in question can be defined as institutions in which interactions (of various kinds) between sellers and buyers take place. Sellers are active by marketing and selling activities and purchasers are active by purchasing, procurement and buying activities. Their joint interest is successful exchange, which normally requires mutual value creation of the exchange on both sides in a long-term perspective (Wilke and Ritter, 2006). Araujo, Dubois and Gadde (1999) suggest four different types of interfaces between suppliers and buyers: standardized, specified, translation and interactive and they evaluate how these four types contribute to increased productivity and innovation. The interaction also raises the question about how much each organization shall adapt to the other part in the interface.

Often the relationship between retailers and suppliers is described in hostile terms like two different teams playing against each other to win. In other words, they play a zero sum game and per definition when the one party gains, then the other party necessarily makes sacrifices. Like in other “warfare” this battle is related to the power of each side.

The concept of asymmetrical and symmetrical relationships is one way to describe the situation. Asymmetrical relationships may exist when there is an imbalance in the relationship characteristics and one of the companies is able to dominate the relationship and influence what happens in it for its own benefit, often for many years (Johnsen and Ford, 2002). During this time, the capabilities of the counterpart company may remain undeveloped while it is locked in a state of continuing dependence. Asymmetrical relationships present particular problems for firms in dyadic relationships where the capabilities in the relationship lie largely with one firm. Also, firms may feel the need to choose one capability path or another rather than trying to integrate or reconcile their conflicting capabilities (Johnsen and Ford, 2002).

Brands versus private label

One fundamental marketing decision concerns the branding strategy. A brand is a distinguishing name and/or symbol (such as a logo, trademark, or package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors (Aaker 1991). A product is something that is made in a factory; a brand is something that is bought by a customer. A product can be copied by a competitor; a brand is unique. A product can be quickly outdated; a successful brand is timeless (King 2007). Branding is about building a unique identity which can be protected and sustained against competition. You often come across two products which when compared on ingredients are identical, when

compared on the packaging are identical and when tested in consumer blind tests are considered identical. Still, the consumers are willing to pay considerably more for the version with the known brand. A product can be “copied” but a real brand cannot.

This study will use the term private label (hereafter PL) although the terminology varies widely (PL, exclusive label, store brand, fancy label, manufacturer brand, national brand, retailer brand, private brand, no-name brand, distributor brand, own labels etc.). Likewise different definitions are possible but in short, PLs can be defined as products marketed by retailers and other members of the distribution chain (Keller 2008). Another more precise definition has been presented by Kumar and Steenkamp (2007): PL is any brand that is owned by the retailer or the distributor and is sold only in its own outlets. To this definition it should be noted that strong PLs have been exported by one retailer to another, typically based on an exclusive agreement.

It is difficult to describe PLs as *one* concept, as there are many types of PLs. The best way to illustrate this point is to have a look at the World’s (probably) most developed retailer in this field, Tesco from the UK. They have developed a Tesco brand architecture (Kumar & Steenkamp 2007) including:

- Tesco Value covering generic quality at low price
- Tesco Standard covering commodity-level quality at medium price
- Tesco special PLs (e.g. Cherokee, Organic, Fair Trade, Free From, Healthy Living, Carb control, Kids) covering special market segments at medium/high price
- Tesco Finest covering premium quality at high prices

Furhermore, Tesco has recently felt a strong pressure from the UK discounters, in particular Lidl and Aldi, and has in response introduced a discount range of products to fill the gap between low-cost own label lines and more expensive branded products (just-food.com, 2009).

Some fundamental differences between brands and PLs can be seen from the following table describing both concepts from a general viewpoint.

Table 1: Brands versus PLs – Identification of Main Differences

	Brands	PLs
Ownership and risk of failures/consumer complaints	Belongs to suppliers	Belongs to distributors and/or retailers
Uniqueness and difficulty of copying	High	Low*
Brand identity	Narrow and always consistent	Stretched and somewhat consistent across categories
R&D drive	High	Low*
Time frame	Long term/sustainable	Retailer dependant
Consumer advertising and promotions	High	Low
Distribution	Widely available	Available in own stores
Price profile	High	Low/Medium*
Consumer loyalty	High	High – but to the chain (not the product)
Buyer / seller relationship	Traditional selling/buying	Long term common objective
Coordination and info sharing between buyer / seller	Medium	High
* except for “special PL” and “premium quality”		

Source: Derived from above definitions and Ezrachi and Bernitz, 2009 and de Jong, 2007

A supplier of branded products is focused on maintaining and building own brands. This is secured through long term, innovative, widely distributed and advertised products to build uniqueness and preference in the consumers’ minds. This justifies a premium price. However, this is not at all the case for a PL supplier where it is the retailer/distributor that, as owner of the label, tries to persuade its consumers through its own marketing organization to choose for the PL. The approach of individual products is often dependant on the overall PL platform as brands are stretched and applied across product categories. Also, as the ownership belongs to the retailer and hence the risk in case of any failure and/or consumer complaint, the retailer will typically involve a team of quality assurance people and technical managers in the development process. In this way, the suppliers account manager is “only” in-directly involved in the brand building but on top of good sales and marketing skills, he needs to manage/facilitate a broad network of expert functions.

A coherent PL product development process needs rigorous research and an unrelenting commitment to the PL’s broader strategy. This has to be backed up by a thorough and robust quality control system. Once the PL is poised for public promotion, marketing and in-store merchandising budgets must be tailored to drive brand awareness, trial, and ultimately, preference (JC Williams Group, 2008).

De Jong (2007) explains that as the PL strategy of the retailer is no longer executed exclusively by the procurement officer, a number of his colleagues such as the category manager, quality manager, concept manager or logistics manager have a major say, sometimes invisible behind the scenes, in who is ultimately chosen as PL supplier. In the UK especially, technical managers within retail have a lot of power and influence in choosing the PL supplier. That is why it is important that a PL supplier communicates with all these professionals and thus manages to build a relationship. For this, the specialists on the manufacturing side must communicate directly with the specialists on the retail side. The supplier that succeeds in doing so will thus bring in a number of major advantages (reducing dependency on one procurement officer alone keeping in mind that buyers change frequently, professionals from both side communicate more efficiently directly and reduce the risk of errors and increase the speed, the general information level increases and the process can be influenced continuously).

The retailer / supplier interface model - the “focused” and “mixed” retailers / suppliers

On both the retail and the supplier side, a high concentration has happened over the past years. The interface between the two players has become increasingly important.

To visualize the forces we are faced with, it is interesting to consider the percentage of a manufacturer’s global sales that Wal-Mart, the world’s largest retailer, accounts for. For example, Wal-Mart now accounts for more than USD 10 billion of Procter & Gamble’s turnover – exceeding the GDP of Jamaica. Further, Wal-Mart sells for USD 126 billion of its own PL which is more than five times the annual sales of Coca Cola - Worldwide (Kumar & Steenkamp 2007).

To the extreme, powers like this have to decide whether they individually want to pursue PLs and/or brands and mutually whether they want to co-operate in the development of these. Thus, retailers and suppliers have to prioritize the strategic direction. For this purpose, the following model is introduced:

Figure 1: Retailers versus Suppliers and Strategic Options (focused or mixed)

		Retailers		
		PL focused 1)	Mixed 2)	Brand focused 3)
Suppliers	PL focused 4)			
	Mixed 5)			
	Brand focused 6)			

1) >55% value share of PL
2) <55% and >20% value share of PL
3) <20% value share of PL
4+5+6) Not defined for this paper

Source: Own development

The exact values mentioned under 1-3 are not of utmost importance but the levels are. The logic behind the levels are that the PL focused players are players who have taken a strategic decision that PL is the most important part of the business. The maximum level of PL value sales that can be achieved by a mixed player has been discussed widely. There is growing evidence – in grocery at least – that there is an upper limit of between 40 and 50% PL for mainstream retailers (Kumar & Steenkamp 2007). This is supported by the fact that the most professional PL mainstream retailer – Tesco – has a PL value share of 50% (Lincoln and Thomassen, 2008). Furthermore, those retailers that operated with PL shares above this range ten years ago have cut back to fall within this 40 to 50% range (Ezrachi and Bernitz, 2009). In similar manner, the brand focused players, have *not* made it a strategic issue to be involved in PL but at best treat PL as a tactical tool. The average PL Value share in the US is 18.2% and 23.3% in Europe (PLMA's 2009 International Private Label Yearbook). Hence, a 20% level is used to make this distinction.

In this way, the given PL market share of a certain retailers is used to categorize the strategic focus of the given retailer. The same logic is used on the supplier side, but the values are not researched and defined for this paper.

On the retail side, the first category (1) typically includes hard discounters with strong PL focus such as Aldi and Lidl. They are estimated to have a PL focus of 95% and 65%, respectively (Kumar & Steenkamp 2007). But also a number of more traditional groceries such as the Swiss Migros, the British Marks&Spencer and American Trader Joes are in this category. The second category (2) typically includes major traditional groceries such as (value shares of PL) Tesco (50%), Royal Ahold (48%), Wal-Mart (40%), Metro Group (35%), Intermarché (34%), Target (32%), Rewe (25%), Carrefour (25%), Kroger (24%) (Kumar & Steenkamp 2007). The last category (3) typically includes retailers in less developed PL countries, retailers in countries with more fragmented retail structure, less powerful/more local retailers and/or retailers with a strategic branded focus. The latter includes retail changes such as petrol stations and kiosks (so-called grey sector). An example of the third category (3) could be the American warehouse club Costco which is the largest membership warehouse club in the World and the fifth biggest retailer in the US. In 2005, the PL share was 10% and in 2009 just below 20%. According to the CEO Jim Sinegal, Costco will now make PL growth a strategic priority and expects a 25% share within a few years. He says some PL items, such as olive oil, have become so popular that Costco no longer stocks a national brand equivalent (PLMA E-Scanner, 2009). Hence, Costco will move from category 3 to 2.

On the supplier side, the first two categories (1 and 2) include various manufacturers and middlemen with full or partly PL focus. The last category (3) typically includes big international brands such as the ones mentioned in the table above (Nestlé, P&G, J&J, Unilever, PepsiCo, Coca-Cola, Danone). Of course, there will also be many smaller and more regional brands in this category.

The retailer / supplier relationship

Historically, the trade was dominated by the manufacturers of strong brands. The first real known PL product started in 1882 which was bacon smoked in in-store ovens in the British Sainsbury's (www.j-sainsbury.com), but up to the 1920s the power was on the manufacturing side. They had the power over the consumers through extensive mass consumer advertising and the retail level was seen as merely a "showroom and storage" facility needed to reach the consumers. The real rise in PL in modern times started in the 1920s when retailers noticed a shrinking profit margin for branded goods. However, the real revolution started in the 1970s when retailers started to develop national chains (Lincoln and Thomassen, 2008). As retail organizations grew and became stronger, the view changed and the need to involve and motivate the trade grew. With further concentration in the retail trade and the continuous development of PLs, the power balance shifted further in the direction of the powerful retailers. In this respect it is interesting to note that the Aldi discount concept started as the leading branded suppliers refused to sell their items at discounted prices (Kolind, 2006). This power shift is important when discussing brands versus PL and the dyadic relationship between retailers and suppliers. In the branded area, the suppliers had and to some extent still have an asymmetrical supplier-dominated relationship but when it comes to the PL area, the relationship is predominantly asymmetrical customer-dominated. Moreover, the products compete for the same consumers.

This, combined with the fact that different competences are needed when handling brands and PL products respectively, make the "mixed model" presented above very difficult to handle for retailers and manufacturers. Below, in the same model, the colours white, grey and dark grey are introduced. The black areas represent rather unlikely situations (PL supplier selling to brand focused retailer, and brand focused supplier selling to PL focused retailer). The white areas are very likely and strategically easy to handle as they represent no conflict of interest except for the normal trade related issues (PL supplier selling to PL focused retailer, and brand focused supplier selling to brand focused retailer). The grey areas illustrate where the real challenges lie, and the center square (marked with cross) is the most critical (mixed suppliers selling to mixed retailers).

Figure 2: Retailers versus Suppliers and Cooperative Challenges (focused or mixed)

		Retailers		
		PL focused 1)	Mixed 2)	Brand focused 3)
Suppliers	PL focused 4)			
	Mixed 5)		X	
	Brand focused 6)			

1) >55% value share of PL
 2) <55% and >20% value share of PL
 3) <20% value share of PL
 4+5+6) Not defined for this paper

Source: Own development

Why do retailers get involved in PL ?

From the retailer perspective, there are clear advantages in developing its own PLs. In the literature, there is general agreement on some of the most important reasons:

- 1) Simple financial evaluation (maximizing turnover and margins).
- 2) Offering a price driven assortment towards consumers and hereby opening this consumer segment while fighting the competition.
- 3) Building loyalty and image to the chain.
- 4) Creating an alternative to brands and getting more manufacturing cost insights. Hereby increasing the negotiation power.
- 5) Covering special segments which could otherwise not be offered.
- 6) Export.

The UK Competition Commission undertook an analysis of the comparative cost structure between a manufacturer's brand and a similar PL product during their investigation of supermarkets published in 2000 (Ezrahi and Bernitz, 2009). They analysed the source of the difference in retail price between a brand and a similar PL and concluded that the retail selling price of a PL was 19.3% less than the brand, even though retailers were able to buy the PL product at a 29.4% lower price. The lower buying price was achieved through a lower supplier margin of 18.8% and a cost saving by the PL producer of 10.6%. The calculation of a 10.6% cost saving is presumed to be based on similarly incurred costs of manufacturing variable cost and fixed cost. The following table summarizes the differences in retail buying and selling prices:

Table 2: Differences in Cost Composition between PL and Branded Equivalent Products

Suppliers cost saving	10.6%
Lower supplier margin	18.8%
Retailers purchase saving	29.4%
Lower retail price	19.3%
Higher retail margin	10.1%

Source: UK Competition Commission 2000

Clearly this indicates that retailers on a percentage level can improve margins by introducing PLs, but this must be combined with the effect on volumes in case brands are replaced with PLs. Some PLs do just not have the traffic building power of brand name goods (Quelch and Harding, 1996).

Kumar and Steenkamp (2007) argue that the appropriate measure is dollar profit per square foot. Optimisation should be done in value (not percentages) with respect to the critical resource of a company which is shelf space in retail. This means that gross margins must be corrected for discounts, slotting allowances, listing fees, promotions, advertising and other "free" services. Furthermore, as brands are usually sold at a higher retail price. Thus even when the net margin as a percentage on brands is lower, the absolute value profit may still be higher than for PL. Lastly,

the shelf space turnover (velocity) is often much higher for brands. European data indicates that, on average, the velocity of the leading manufacturer brands is at least 10% higher, but Kumar and Steenkamp’s work suggests that this is conservative. Table 3 summarizes the key findings of what is probably the most extensive profitability analysis to date. It provides results aggregated across more than two hundred product categories for a major US supermarket chain.

Table 3: Profitability Analysis of PL versus Manufacturer Brands (U.S. Grocery Retail Chain)

	PL	Manufacturers Brands
Gross margin	30.1%	21.7%
Net margin	23.2%	15.9%
Price*	USD 1.00	USD 1.45
Dollar contribution	USD 0.23	USD 0.23
Velocity per square foot (index)	90	100
Direct product profitability	21	23
* Assumed price of PLs is USD 1.00.		

Source: Kumar and Steenkamp (2007)

From table 3 it can be concluded that, in general, one cannot assume that retailers have higher profitability on PLs. The higher gross margin on PLs compensates for the lower PL prices.

Table 2 and 3 also illustrates the second point, that PLs can be a vehicle in launching price competitive products and hereby attracting the cost conscious consumers. With similar products, retail prices can be reduced 20-30%. Some mainstream retailers have been forced in this direction by the intensified price pressure from the discount sector.

There is a general assumption that PLs are for low-income households or those that need to economize by buying bigger sizes. This notion is no longer true. A look at household data indicates that a greater proportion of lower-income households do indeed purchase PLs, but higher-income households are not far behind. In Europe, the market share of PLs across revenue levels indicates that they possess a near equal share of purchases for lower-income households (32%) and higher-income households (28%). In other words, the rich like it as much as the poor (Lincoln and Thomassen, 2008). As the CEO of the Belgium retailer Colruyt noted “Poor people may need cheap prices, but rich people love them” (JC Williams Group, 2008).

On the third point, products bearing these PL brands offer another way for retailers to increase customer loyalty and build a certain retailer profile. Empirical evidence supports the strong relationship between purchasing of PL and store loyalty (Kumar and Steenkamp, 2007). The retailers own the labels and hereby the consumers’ loyalty. Adding PL to the range enables the retailer to differentiate itself from its competitors. Rather than manufacturers brands, PL has become a strategic weapon with which retailers compete for sales, market share and loyalty. This can be achieved through attractive packaging, with high-quality products and exclusive products, but also by offering products that are not available anywhere else. In most cases, the retailer uses

the name of the store as its PL name. In this case, the product, as long as it is used in the domestic household and the packaging remains visible, will continue to promote the store (de Jong, 2007). From a retailer's perspective, brands are commodities, available at many competing retail chains. By introducing store brands, the retailer differentiates itself from other chains. This increases the psychological costs for its customers to switch retailers since they will not be able to purchase their favorite store brands at competing retailers (Kumar and Steenkamp, 2007).

The fourth point has two sides. First of all, developing an alternative to the brands gives an obvious advantage in the negotiation with the branded suppliers. Even the most valuable brands in the World are not immune to this pressure. A former high level marketing executive of Coca Cola conceded that Coca Cola significantly lowered the wholesale price of its products in response to the introduction and aggressive shelf placement of a premium store brand by a large supermarket chain (Kumar and Steenkamp, 2007). Furthermore, de Jong (2007) describes that the general duration of a supply contract for a supplier of a PL is one or two years. The implication is that the retailer in regular, tough negotiations lay down the new conditions for the supply of a specific product. To be assured of the most favourable conditions, the potential suppliers are played off against one another in an uncompromising way. The result of this is that the retailer can make an estimate of the actual cost price of the product. In other words, obtains a rough idea of the profit margin and the mark-up that the branded manufacturer charges for its innovation and marketing effort. The retailer will use this knowledge in his negotiations with the brand suppliers in order to realise better buying conditions.

The fifth point concerns differentiation which can be illustrated well with the already mentioned Tesco special PLs. In general, branded suppliers will offer products that are aimed at the mass market. A retailer on the other hand, can develop products that are targeted to specific consumers who visit its store formula. By means of such niche marketing strategy, very specific target groups can be approached with PLs. With a PL portfolio, sub-segmented through quality and packaging design, the manufacturers brands can be rationalized. This has resulted in the disappearance of many branded items, often secondary and tertiary brands (de Jong, 2007).

The last point is rather special, but successful PLs can also be sold outside the retailer's own stores. For example, Delhaize carries a large selection of pasta from the PL of Italian retailer Esselunga. "Swiss Delice", a premium brand for the Swiss fine food specialities produced by Swiss retailer Migros is not only carried as PL by Migros but can also be found at Sainsbury's and Delhaize (de Jong, 2007). Another example is the Canadian chain Loblaws. In 1978, the chain launched a basic PL under the No Name label which was a commercial success. During the 1980s and 1990s, Loblaws developed an upscale concept labelled President's Choice which was based on a better quality than leading brands and exclusive packaging. By 1994, 15 chains in 36 US states carried President's Choice (Boyle, 2003).

Hence, there are good reasons for introducing PLs, but in general brands are still desired. There are brands so strong that leaving them out of the assortment will mean loss of consumers. The best example of this is from the German discount sector. In fact, manufacturer brands are currently a major engine of Lidl's growth. In 2004-2005, brands sales grew by 16%, versus 9% growth in Lidl's PLs. Even mighty Aldi appears to be no longer immune to the lure of manufacturers brands as Lidl outpaces Aldi in some markets of its larger share of manufacturers brands (Kumar and Steenkamp, 2007).

As mentioned, since the 1970s there has been a general shift towards the upper left hand corner in model 2 towards the PL focused players. But these players have one major problem related to the continuous development of the assortment. Pre-dominantly the area is dominated by "copycat" products which are developed as followers to the branded items. The consumer engines are on the branded side. On one side this means that PL do not face the risks associated with new product introductions, because they only introduce such copycat brands once the manufacturer's new product has become a hit (Kumar and Steenkamp, 2007) but on the other side they also lose valuable time and money as new trends can be overlooked or at least first noticed when over. Also, the PL focused players will often have limited access to R&D facilities as opposed to the brand focused players.

The case - Rema1000

For reasons already mentioned, the Rema1000 case is extremely interesting in the PL area. Rema1000 is a player in an extremely competitive market – the discount retail segment. The chain is part of the Reitan Group which comprises other major retail players in Scandinavia such as 7-eleven, Narvesen in Norway, Pressbyrå in Sweden and Brdr. Løvbjerg in Denmark. In total, the turnover in 2007 of the Reitan Group was NKR 45 billion (Euro 5.1 billion). This study will only cover the Rema1000 story, and only in Denmark. The reason is that this is where the PL concept has been developed successfully as opposed to Norway (where the market is focused on branded items).

How it all started and status 2009

The Rema1000 adventure started in Norway in 1948 when Margit and Ole Reitan started a grocery store in Trondheim. Their son, Odd Reitan, started working in the store where he immediately found big interest in the retail trade. He saw big opportunities in achieving scale through a chain of stores. He started his first grocery store in 1972 in Trondheim and the following years he opened another five stores. During a visit to Germany in 1977 he experienced the Aldi discount chain and the philosophy behind the concept. He was impressed with this new innovative concept of discount thinking. His Norwegian version became REMA which is a combination of "Reitan" and "Mat" (food in Norwegian). The initial focus was an assortment of 500 to 600 SKUs (Stock Keeping

Units). But for competitive reasons and not least to live up to the needs of the shoppers, he decided to expand the assortment. In 1980, the number of SKUs reached 1000, and the name of the retailer was changed to Rema1000. Since then, the number has been increased considerably and has now passed 2500 SKUs. In 1994, the first Rema1000 store opened in Denmark and today the number of stores has increased to 170 stores. The ambition is to create bigger scale through a chain of 300 stores.

The discounter market in Denmark is very competitive and Rema1000 is fighting big international retailers such as Aldi and Lidl which makes the success of Rema1000 even more impressive. In Denmark, the discount market includes the following (major) players:

Table 4: Market Overview of Danish Discounters

Fascias	Owner	# of stores (2009 / 2006)	Turnover per store 2007	Estimated market share	Trend
Netto	Dansk Supermarked A/S	401 / 378	41.054	43.5%	↑
Fakta	Coop	361 / 345	24.514	23.4%	↑
Aldi	Aldi Nord	242 / 245	18.405	11.8%	↔
Kiwi (old Alta)	Supergros	51 / 56	23.135	3.1%	↓
Lidl	Lidl & Schwarz	52 / 41	31.692	4.4%	↑
Rema1000	Reitan Group	170 / 152	30.799	13.8%	↑

Source: Various Homepages, Company Annual Reports and Retail+, Retail Institute (2008)

The concept year 2009

The foundation of the Rema1000 concept is a balance between centralized scale advantages and dedicated and local implementation on store level.

A chain of 170 stores gives certain advantages in scale. These are focused on central purchasing (selection of assortment and conditions), logistics and profiling/marketing. The central functions are centralized from the Danish headoffice in Horsens.

The local dedication is secured through the special set-up which Rema1000 is founded on – all stores are franchised. This means that the person running the store is also the owner. Hereby he/she is personally involved and committed to the success of the store and the satisfaction of the shoppers in terms of important factors such as pricing, assortment, cleaning and service level.

The slogan of Rema1000 Denmark is “much more discount” (meget mere discount). Additionally, the assortment has been focused around the ability to offer a wide assortment with focus on meat, fish and fruit/vegetables. Hereby, consumers do not have to shop around (Børsen, 2009).

Main areas to cover in interviews:

- What is the brand / PL relation today and how has the development been ?
- Why did Rema1000 expand into PL away from the focused brand platform ? (financial reasons, need for price driven assortment, loyalty/image building, alternative to brands/increased negotiation power, cover special segments, export).
- How is the competition in the Danish discount sector seen, in particular how is the competition with the focused PL players Aldi and Lidl ?
- What types of PLs do Rema1000 carry and focus on ? How is the platform secured ?
- What is the experience with suppliers of brands and PL, respectively ?
- What are the criteria for selection of PL suppliers ?
- How did Rema1000 adapt to the increase in PL share, strategically and organizationally ?
- How is a typical PL development program from start to launch ? Who are involved and when ?
- How is the co-operation / interface with suppliers ? What information is shared ?
- What is the best PL case in Rema1000 ?

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