Supplier and retailer collaboration over the creation of me-too and own brand private labels

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Abstract

This paper investigates how business development takes place through grocery retailers' collaboration with suppliers. The private labels account for up to over 40 % of grocery retailing in Western countries. Grocery retailers have until recently mainly used private labels as cheaper versions of manufacturer brands, but now seem to use private labels in a proactive strategy competing with other grocery retailers and manufacturer brands on both quality and price. We claim this shift in strategic orientation for private labels demands changes in the pattern of collaboration between retailers and their private label suppliers. Departing from a strategic understanding of grocery retailers' collaboration with their suppliers this paper investigate and compare collaboration between two types of private label suppliers and grocery retailers. The paper contributes to supplier development theory with a new understanding of collaboration between grocery retailers and various types of private label suppliers. The relevant management implications are described for both retailers and private label suppliers.

Purpose

The purpose of this article is twofold. First of all we want to establish a platform for describing the private label concept internationally. This will be based on existing knowledge which we will test with an empirical investigation. Secondly, we want to investigate and document how suppliers and retailers collaborate related to the two types of private label in question.

Our initial research indicated a new trend within private label. Rather than private label being an inexpensive me-too imitation of the leading brand, the retailers now seem to use private label more pro-actively to develop high-end products aimed at attracting specific customer segments and achieving other strategic goals for the grocery retailer.

Within the literature about private label a number of studies have compared the relationship between retailers and manufacturers of brands and manufacturers of private label. Only few studies have investigated various forms of private label, and even fewer the interface or collaboration between grocery retailer and supplier of private label.

Hence, our first contribution is to investigate and document the various types of private label explained with the private label hierarchy. This is done with a specific category investigated empirically in the UK and Denmark (category for blocks of chocolate). Our second contribution is to explain and document how the collaboration between retailer and supplier differs – depending on the type of private label developed and investigate the pattern of collaboration. This is supported with an explorative investigation of two active suppliers to the private label industry.

The paper is organized the following way. First we explain the methodology used followed by a literature review encompassing two types of literature. The literature about private label is described with the aim to define and understand the various concepts of private label. This understanding is related to an understanding of retailers' strategic use of various types of private labels in their business development. The private label hierarchy in the UK and Denmark is illustrated with the example – blocks of chocolate. The second type of literature is an understanding of the collaboration between retailers and their private label suppliers. This is done by using elements from supplier development theory. Two empirical cases of collaboration between a me-too private label supplier and a retailer is described and compared with collaboration between an own brand private label supplier and retailer. The results are presented and implications for research and management are discussed.

Methodology

The available literature is tested with an empirical investigation of a certain category in two countries. The UK and Denmark have been selected to give an international perspective. The UK is considered the most developed private label market in the World with a value share of 42.5% and Denmark is considered a developing market with a value share of 21.5% (PLMA International Private Label Yearbook, Nielsen Company 2010). Using the terminology of Johansson and Burt (2004) UK is "high" in development and Denmark an "established" market. In the UK the leading retailer Tesco is chosen (market share of app. 30%) and in Denmark the leading retailer Coop is chosen (market share of app. 40%), represented with its flagship store Kvickly.

The product category "blocks of chocolate" was chosen because the depth and width of the product category would make the nuances very clear. The research was done in March 2010 for Tesco UK and in June 2010 for Kvickly Denmark.

To investigate the collaboration of suppliers and retailers with respect to the different types of private label, an empirical study was conducted as an explorative investigation of two different suppliers of private labels. Firm A is selling products of me-too brands-type within the confectionary product category to retailers. The firm has existed for 10 years and has delivered private labels of the me-too type all the years. The firm sells to a number of retailers in Europe and USA. The products are developed in own laboratory and products are produced by suppliers in Europe and North Africa. A couple of attempts to supply private labels of the retailers own brands type have been tried during the years, but with limited success. This type of supply is clearly an exception measured in turnover for the firm. Traill (2000) distinguish between seven types of suppliers in an investigation of 524 food suppliers from 13 EU countries. The seven strategic groups are found through a cluster analysis. Firm A matches best the "international process innovators" under the group of exclusive private label suppliers.

Firm B is a subsidiary to a big international food producer. Its main activity is in the catering market manufacturing and selling cooking ingredients where the firm supplies a well known and well recognized food brand. Firm B also has an industrial unit selling products as ingredients to other companies. The last unit works with private label where the focus is retailers own brands as opposed to me-too. The unit supplying retailers own brands is relatively new and sells to a handful of retailers in Europe. Products are developed by highly recognized international cooks and produced in a small kitchen-like factory. A new factory has been established recently, but production is done from the principle of doing what the cook does and scale it up. Firm B matches best the supplier type "quality and market skills" under the mixed supplier group (Traill, 2000).

One may question whether it is possible to compare these two different types of suppliers who are active in different categories and work from very different platforms. We believe this is possible as we expect the different categories to work according to the same structures and fundamental strategies. Furthermore, the primary aim of this study is to find some representation for each of the two types of private labels investigated in this paper, and through an explorative investigation and comparison of the two types of firms, to identify the differences.

We expect, from the literature, that the two private labels are different from each other when it comes to profit margin, size of market and the way the collaboration between retailer and supplier is organized. To investigate the differences we compare the me-too and own brand on a number of important dimensions which appeared through the interviews and analyzes.

Semi structured interviews of 1½-2 hours have been conducted with the owners of the two firms covering various questions about private label encompassing both strategic question, operational questions and questions about product development and collaborations with retailers.

The concept of private label

In this paper, we will use the term private label although the terminology for this concept varies widely. Private label is in this paper used as an umbrella concept to include the concepts private brands, own-brands, own-labels, house brands, store brands, non-store brands, exclusive brands, distributor brands, reseller brands and generics (Ossiansson 2004). Likewise, definitions vary, but the following include the fundamentals about the concept. Private Labels can be defined as "products marketed by retailers and other members of the distribution chain" (Keller 2008) and "any brand that is owned by the retailer or the distributor and is sold only in its own outlets" (Kumar and Steenkamp 2007).

The distinction between private label and private brand is a fundamental issue. "It is incorrect to treat retail brands as mere copies since they can involve so much more." (Ossiansson 2004). Stavad Mortensen (2007) devotes her entire book to understanding and utilizing the difference between private label and private brand (or own label versus own brand using US terminology). The short version is that the label is the physical product with written text on the product giving the consumer concrete information about the product (which will be related to the price) while a brand is a promise to the consumer adding psychological aspects to the product just like a manufacturer's brand (which justifies a premium price).

There are different types of private label, but overall the main driver behind the concept is price. This can best be illustrated by the latest European market data where the volume/value index is above 100 everywhere ranging from NL (106), UK (110), Switzerland (117) to Slovakia, Greece, Poland (all 180) (PLMA International Private Label Yearbook, Nielsen Company 2010). This indicates that private label, on average, are products which are cheaper compared with brands.

Laaksonen and Reynolds (1994) use a historical evolution of private labels and distinguish between four generations of private labels: generics, cheapest price, me-too and value-added (see details in figure 1).

Stavad Mortensen (2007) uses a similar split (but not historical derived) between: no name, private label, me-too brand, and own brand.

In this paper we will make use of a mix between Laaksonen and Reynolds (1994) and Stavad Mortensen (2007) and distinguish between generics, cheapest, me-too and own brand. The focus in this paper is on comparing me-too and own brands.

Why retailers get involved in private label

Based on our literature study, we have identified seven main reasons for retailers to get involved in private label:

- Financial reasons (turnover and margins)
- Building loyalty and image to the chain
- To be able to offer a price driven assortment towards consumers while fighting the competition
- To create an alternative to brands and getting more manufacturing cost insights. Hereby increasing the negotiation power
- To be able to cover special segments which could otherwise not be reached

- Export of private label (some retail chains have started exporting their unique private labels to other chains)
- Making members more dependant (special for "member" organizations)

In figure 1, under "objective" some of these have already been covered in general terms and how they relate to different types of private labels. But we will make some comments to the "me-too" and "own brands".

Figure 1 Four generations of private labels

	1st generation	2nd generation	3rd generation	4th generation
Type of brand	Generic No name Brand free Unbranded	"Quasi-brand" Own label	Own brand	Extended own brand, i.e. segmented own brands
Strategy	Generics	Cheapest price	Me-too	Value-added
Objective	Increase margins Provide choice in pricing	Increase margins Reduce manu-facturer's power by setting the entry price Provide better-value product (quality/price)	Enhance category margins Expand product assortment, i.e. customer choice Build retailer's image among consumers	Increase and retain the client base Enhance category margins Improve image further Differentiation
Product	Basic and functional products	One-off staple lines with a large volume	Big category products	Image-forming product groups Large number of products with small volume (niche)
Technology	Simple production process and basic technology lagging behind market leader	Technology still lag-ging behind market leaders	Close to the brand leader	Innovative technology
Quality/image	Lower quality and inferior image compared to the ma-nufactorers' brands	Medium quality but still perceived as lower than leading manufacturers' brands Secondary brand alongside the leading manufacturer's brand	Comparable to the brand leaders	Same or better than brand leader Innovative and dif-ferent products from brand leaders
Approximate pricing	20 per cent or more below the brand leader	10-20 per cent below	5-10 percent below	Equal or higher than known brand
Consumers' motivation to buy	Price is the main criterion for buying	Price is still important	Both quality and price, i.e. value for money	Better and unique products
Supplier	National, not specialised	National, partly spe-cialising to own label manufacturing	National, mostly specialising for own brand manufacturing	International, manu-facturing mostly own brands

Source: Laaksonen and Reynolds (1994)

Newer trends within private label indicates that this general picture of private labels being cheaper than comparable brands cover some very different changes taking place in the private label market. An empirical investigation of a specific product category, chocolate, in the UK market shows that at least four broad types of private labels can be identified: "good", "better", "best" and "special" (Kolind 2010). The good and better categories are priced below the leading brand in the product category. The best and special categories are priced about the same level or above the leading brand. Kumar and Steenkamp (2007) use a similar hierarchy when describing the Tesco brand hierarchy using the terms "Tesco Value", "Tesco Standard", "Tesco Finest" and "Tesco Special". They estimate that 34% of the volume is in the Value area, 61% in the Standard/Special and 5% in the Special/Finest.

The retailers own brand category, is still relatively small in volume (higher in value) but seems to play an increasingly more important role in terms of market share of the private label market. In addition to the financial aspects that these high price/high quality segments pose attractive margins, there is clearly a positive spill-over on image from the products to the chain building higher shopper loyalty.

The changes taking place between various types of private labels can also be explained by using theory about retail strategy and the use of private labels to differentiate retailers from other retailers by developing new product offerings for new or more specific consumer segments (Burt 2000).

For retailers to be able to use private labels to position the retailer at the upper end of the product category demands a change in collaboration with private labels suppliers. Kumar and Steenkamp (2007) explains: "Developing unique products, flavors, and packaging requires retailers to partner with the best manufacturers available, and private label manufacturers to invest co-development time and effort in developing dedicated and unique products for retailers. Private label manufacturers will be motivated to do so only if their relationship with retailers is either based on trust and commitment or protected by contractual guarantees. Therefore, retailers following a premium store brand strategy have to mature beyond simply outsourcing private label production based on the lowest price."

This hierarchy is fundamental to private label theory and to this article. Therefore we investigated one wide and deep category – blocks of chocolate, to document that the hierarchy exists. We used the UK and Danish markets represented by Tesco and Coop (Kvickly chain).

Tesco had by March 2010 not less than 35 private labels within the blocks of chocolate category and about the same number of manufactured brands. Some of the private labels were priced higher than manufacturer brands. All elements from the classical hierarchy were found.

A similar investigation of the same category among Danish grocery retailers was conducted June 2010. The largest grocery retailer Coop had seven private labels in Kvickly in the chocolate product category. There were four times more brands. Similar to Tesco, the classical hierarchy was followed with its different private labels with "X-TRA" as the lowest priced (good), "Coop" as its medium priced (better) and "Änglamark" as the highest priced (best) at the level of similar manufacturer brands.

It is clear that the same basic hierarchy of good, better, best is followed and the price versus quality/uniqueness portfolio is used. It is equally clear that the Tesco hierarchy is far more developed in terms of number of products in the category, the use of "niché" and special private label products and the price level versus brands.

Open innovation, supplier development theory and buyer-seller interfaces
The search for relevant literature starts with the innovation literature. We know from the innovation literature that the interface between buyer and supplier can vary in the innovation processes. Open innovation e.g. describes how a firm may collaborate with external partners through various phases in the innovation process (Chesbrough 2003; Chesbrough & Vanhaverbeke and West 2006). The model of open innovation can be applied to both retailers and suppliers and their collaboration with other parties in the open innovation process. Nevertheless other theories contribute with better explanations of the interface and collaboration about innovation between buyers and suppliers.

The typical grocery retail chain does not produce products themselves, but buy products from suppliers and are very dependent on the suppliers ability to innovate to achieve competitive advantages through private labels. This perspective is dealt with in supplier development theory.

Supplier development theory aims at explaining a buying firms' use of suppliers to achieve competitive advantages. Hahn, Watts and Kim (1990) were among the first to coin the question about how to develop suppliers' resources and capabilities to advance the competitive advantage of the buying firm. The dominant approach in supplier development theory is to view the relationship between supplier and buyer from the buyers' point of view as mirrored in the following definition. Handfield, Krause, Scannell and Monczka (2000:38) define supplier development as:

> *'any activity that undertakes to improve a supplier's performance and/or capabilities to meet the buyer's short-term or long-term supply needs. Buying firms use a variety of activities to improve supplier performance, including assessing suppliers' operations, providing incentives to improve performance, instigating competition among suppliers, and working directly with suppliers, either through training or other activities'.*

First step in a procedure for identifying suppliers of critical products for the buying firm a commodity portfolio model is use. The commodity portfolio model is revealed in figure 2.

Figure 2 Commodity portfolio matrix

	Low volume purchases	**High-volume purchases**
High-opportunity, higher-risk commodities	**Bottleneck suppliers** **Substitution difficult**	**Critical strategic suppliers** **Strategically important**
Critical strategic suppliers **Strategically important**	**Noncritical suppliers** Substitution possible	**Leverage suppliers** Substitution possible

Source: Edited version of Handfield, Krause, Scannell and Monczka (2000:39, figur 1)

Handfield, Krause, Scannell and Monczka (2000) argue supplier development has to do with critical strategic suppliers for manufacturing firms. This also makes sense for retailers. The exact distinction between low and high-volume is blurred, but if a retailer shall be involved in supplier development the volume has to be of a certain size to justify the investment of more-than-normal time and money in the supplier collaboration.

The business-to-business marketing literature contributes with more detailed understandings of innovation in the interface between buyer and supplier. Araujo, Dubois and Gadde (1999) distinguish between four types of interfaces with suppliers from a buyers point of view: a) A standardized interface with no specific connection between supplier and buyer; b) a specified interface with precise directions given by buyer on how to produce; c) a translation interface where directions given by buyer is based on user context and functionality required; and finally d) an interactive interface characterized by joint development based on combined knowledge of use and production. Each of these four interfaces contributes to various degrees to innovation for the buyer. The innovation output is zero in the standardized interface and minimal in the specified interface. In the translation interface the supplier have some room to propose innovative solutions. In the interactive interface the supplier learning about user context opens up for solutions offered. So from an innovation point of view for the retailer the translation and interactive interfaces are the interesting types of collaboration between retailers and suppliers. We will argue the translation interface describe the collaboration between retailer and a me-too private label supplier and the interactive interface mirror the collaboration between retailer and a own brand private label supplier.

Other contributions to the interface between buyers and suppliers have focused on the role of suppliers. Philipsen, Damgaard and Johnsen (2008) have investigated the interfaces between suppliers and buyers from the suppliers' point of view using a resource based approach to how they may harness opportunities for developing new business. They distinguish between standard goods suppliers,

Figure 3 Expected relationships between three main types of suppliers and private labels of value-for-money and retailers' own brand

			Produce private label of me-too?	Produce private label of own brand?
Type of supplier	Traill's (2000) strategic group of food suppliers			
	(label of supplier)	(description)		
Exclusive manufacturer brands	National branders	Supply branded products for national markets	No	No
	International product innovators	Supply branded products internationally		
	Local branders	Supply branded products to local (sub-national) markets		
Mix between manufacturer brands and private label	Mix between manufacturer brands and private label	Supply commodity products on home and EU markets. Some international private label	Yes	No
	Quality and market skills	Sell products on basis of quality to home and foreign markets. Some private label		
	Local unbranded suppliers	Supply unbranded products to local markets		
Exclusively private label	National private labels suppliers	Supply private label to national retailers	Yes	Yes
	International process innovators	Supply mainly private label to retailers internationally		

Source: Own development including elements from Traill (2000: tabel 6)

traditional suppliers and partnership suppliers. Traditional supplier equal a me-too supplier and a partnership supplier equal an own brand supplier.

Private labels and three types of suppliers
When describing suppliers who supply retailers with goods the suppliers are normally divided into three types:
- suppliers of exclusively manufacturer brands,
- suppliers of manufacturer brands and private labels
- suppliers of exclusively private labels

Kumar and Steenkamp (2007) argue, as displayed in the quotation above, that the development of the best or premium private labels or what is here labeled as own brand demand collaboration with the best suppliers. We will argue this is, at best, an imprecise understanding.
- We expect suppliers of manufacturer brands to be very conscious about protecting their brands as one of their main assets. Suppliers of manufacturer brands, especially the leading brands in specific product categories, are expected to support their own manufacturer brand. A number of firms with strong brands do not consider supplying private labels. It will undermine and in the long run destroy their manufacturer brands.

- Some suppliers of manufacturer brands may chose to supplement their brand with a cheaper private label of me-too brand to get a better operational economy by using their production capacity better. Hindering competitors to supply private labels to a specific retailer is also assumed to play a role. These types of suppliers are not expected to deliver private labels at the same level or above their manufacturer brand level. This will undermine and destroy their manufacturer brands in the long run.
- The last category of suppliers exclusively delivers private labels and will strive to comply with the retailers' strategy.

In figure 3 the expected relationship between type of suppliers, the three types described, and suppliers of the two types of private labels investigated in this paper is summarized.

Two firms with two different approaches to producing private labels

Osterwalder and Pigneur (2009:20) argue that to differentiate between various segments five requirements have to be fulfilled:

- Their needs require and justify a distinct offer
- They are reached through different distribution channels
- They require different types of relationships
- They have substantially different profitabilities
- They are willing to pay for different aspects of the offer

We will investigate whether these five requirements are met in comparing the two types of suppliers to retailers.

Firm A is selling products of me-too type within the confectionary product category to retailers. The sale is characterized by large volumes and low profit margins. Large volumes means orders of at least 200,000 items like packages of confectionery. Profit margins are typically between 10-30%.

Firm B is selling cooking ingredients of the retailers own brand type to retailers. The volumes are small and the profit margin is high. Volumes can be as low as 5,000 items. Profit margin is 100% or more.

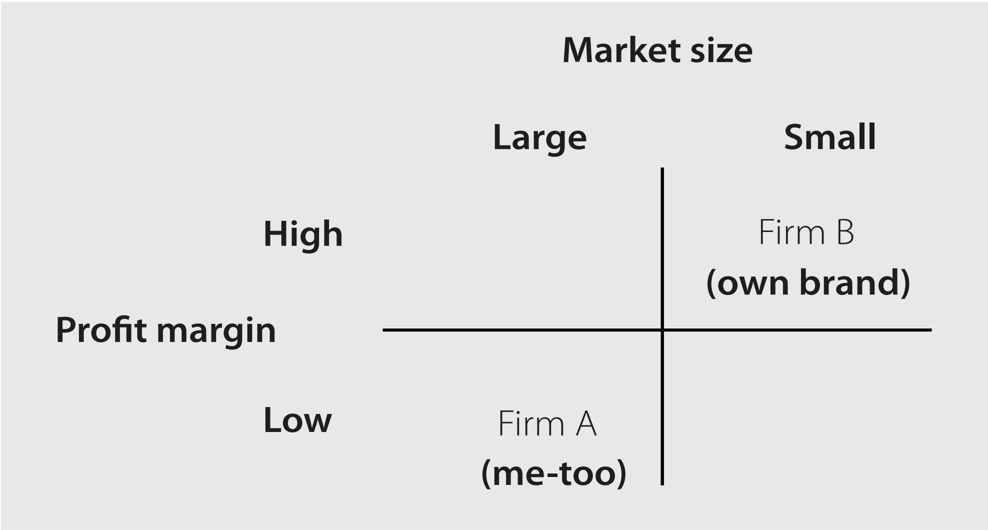
The two suppliers of private labels are placed in figure 4. Figure 4 summarizes the distinction between market size and profit margin – from the view of the supplier.

Firm A may consider to conduct small series of retailers own products. They only do so if they see it as an investment in a new retailer or new packages they can use as a reference to get access to other retailers. If the firm should make a profitable living of it, then the profit margin had to be significantly higher.

Firm B would not be able to handle a large supply of products, because of lack of sufficient production capacity and efficiency at the moment.

Firm A and firm B and their collaboration with retailers differ on a number of dimensions.

Figure 4 Private labels from the supplier view: Market size and profit margin characteristics for suppliers of me-too brands and retailers own brands



Quality

Quality means two different things in relation to the two types of private label.

For firm A, delivering me-too, quality means a benchmark to a specific market leader in the product category. The request from the retailer is always: Please make a match to this specific leading manufacturer brand to a "fixed" price. The job is to make it taste very similar to, look very similar to and often also use packaging similar to the leading manufacturer brand. Often it is easier to make a taste which is better, but this is not the task. The task is to match the leading brand. This is even the case if the taste could be improved significantly. A significant success criterion is to come as close as possible to the leading manufacturer brand on the mentioned dimensions. Furthermore the firm has to be able to deliver a <u>consistent</u> quality. It is very important the taste etc. of the product is consistent which means it will always be the same now, in a month, and in a year from now. Consistent does not necessary mean a good e.g. taste quality. It can also be a consistent less good taste quality.

For Firm B, delivering, own brand, the perception of quality is quite different. The task and benchmark here is to deliver a better taste quality etc. for consumers. The quality has to exceed customers' expectation and they will buy and re-buy the product because of the taste. Needless to say, the quality must be consistent as well.

Price

Firm A's job is to deliver value for money. The consumer has to experience that me-too with minimum 20-30% lower prices compared to the leading manufacturer brand gives value for money. The quality is comparable with the leading manufacturer brand, but the price is lower. The typical situation is the suppliers' contract on delivery of me-too is re-negotiated each year. The retailer sends out a tender and asks for bids from potential suppliers. The tenders include information about technical specifications of the product, delivery terms, price etc.

The price is important in the decision of who of the suppliers will get the contract. The lowest bid normally gets the order (assuming equal quality and delivery performance). Some retailers ask their existing supplier if they are willing to deliver to the same price as the lowest bid. Retailers do sometimes give the existing supplier this chance because it reduces the risk of getting supply from a less known supplier which may cause unforeseen problems with fulfilling the contract.

For firm B, supplier of own brand, price is a less important subject of discussion. It can be difficult to discuss the right price for a product developed by some of the best cooks in the world. This uniqueness makes the product itself most important and the price a less important issue.

Product development horizon

Firm A has a rather short horizon when it comes to development of new products. Because of the tender system, where retailers ask suppliers of me-too brands to make bid for next year's supply of a specific product, the product development relationship is best characterized as arms-length. Suppliers never know if they are replaced in a year and are thus reluctant to engage in a long lasting product development.

The relationship between retailers and suppliers of retailers own brands are of a different type. The two parts need to establish a more long-lasting relationship where there is time and room for developing new ideas to product development. For retailers to be able to get a supplier to develop and produce this type of own brand, demand a longer time frame of collaboration than one year. A time frame of 3-5 year for collaboration makes it attractive for suppliers to engage in developing and producing own brands.

Time

For me-too and thus for firm A to keep development and delivery within the time schedule set up by the retailer is in many cases crucial because of timing to the market. The imitation of the market leader means the timing is important or the window of opportunity is passed. Delays of 3 months or less may make the product commercial dead because the competition has changed to other dimensions.

For own brands and thus for firm B time is less important. Because of the uniqueness of the product a delay of some month do not make a big difference. No other product is able to replace this product, but of course some similar products may gain a larger market share.

Packaging and design

Firm A and me-too follow the known or the main stream packaging. Because it is a me-too and thus an imitation of an existing product, consumer has to be able to recognize similarities with the brand. Packaging has to be of a type consumers are used to. This similarity with the known is often created through the packaging. The development of packaging can be described as the art of variation over a theme with a fixed or known type of packaging. This does not mean me-too brands do not offer new types of packaging, but then it may be trends from other markets, typically the US market, which are transferred and introduced to other countries.

For firm B the situation is rather different. The uniqueness of the product and taste has to be supported by a unique design of packaging. So the task is to find new, nice and exclusive packaging solutions which support the message of the retailers own brand. This is today a key issue (and improvement point) for firm B.

Cost structures

For me-too brands the raw material used in the product account for a significant share of the total price. Firm A thus has to focus on the prices of main raw materials. Finding suppliers who are able to produce the products to low prices are rather crucial for being in business.

Labor account for a larger share for firm B and retailers own brands because the production is less industrialized and thus less cost efficient.

Figure 5 Comparing me-too and own brand

	Firm A (me-too)	**Firm B (own brand)**
Quality	Benchmark with leading brand, consistent quality	Deliver better quality to consumer
Price	Deliver value for money	Uniqueness, price less important
Product development horizon	Short-to-medium horizon	Long-lasting horizon
Time	Development and delivery within time schedule	Time is less important
Packaging and design	Imitation of existing or conventional design	Uniqueness of design to support message in retailers own brand
Costs structures	Raw material account for significant share of costs	Labor account for significant share of costs

Figure 5 summarizes the findings through comparing the me-too and own brand. We will argue that the two types of private labels describe two different ways of collaboration between retailers and their private label suppliers. We will conclude the own brand supplier need another pattern of collaboration with retailers compared with me-too suppliers.

Retailers strategic intend with me-too and own brand private labels

Above the strategic intend of private labels for the retailers were described. In figure 6 the benefits of me-too and own brands are summarized using the seven arguments for retailers to have private labels. It is clear from the detail in the figure that the two types of private labels have different benefits for the retailer. We will conclude the two types of private labels described in this article illustrate two different strategic purposes for the retailer.

Figure 6 Benefits of me-too versus own brand for retailers

	Me-too	**Own brand**
Financial reasons	Yes (focus on volume and turnover)	Yes (often high margin segments)
Building loyalty/image	Yes (focus on volume and turnover)	Yes (exclusive image and high shopper loyalty)
Price image/fight competition	Yes	No
Alternative to manufacturers brands/ increase negotiation power	Yes (mainstream brands)	Partly (often these private labels will replace niche players)
Cover special segments	No	Yes
Export	No (no real value for other chains)	Partly (often these private labels will replace niche players)
Create dependent members	Yes	Yes

Conclusion and discussion

The purpose of this article was twofold. First of all we wanted to establish a platform for describing the private label concept internationally. Secondly, we wanted to discuss and document how suppliers and retailers collaborate related to the type of private label in question.

From existing literature and our empirical investigation, it is clear that there exist fundamentally different types of private labels. The focus in this paper has been on comparing me-too and own brands. Apparently this can be specified in a private label hierarchy with different platforms (on price versus quality/uniqueness positions). The positions can be described as “good”, “better”, “best” and “special”. The good and better categories are priced below the leading brand in the product category. The best and special categories are priced about the same level or above the leading brand. The quality/uniqueness perceptions of best and special are higher compared to leading brands. The hierarchy exist in different countries. This is not surprisingly for very developed markets like the UK (“high” in development) but the same exists for less developed markets like Denmark (“established”). The aim of this study was also to investigate why retailers, from a strategic point of view, develop various types of private labels. From the literature about private label we identified seven arguments for retailers to use private labels. In comparing the me-too and own brand and relate them to these seven arguments we found that the two types of private labels serve different strategic goals. From the retailers’ business development point of view the two types of private labels (me-too and own brands) clearly serves different strategic goals.

The other aim of this study was to compare the collaboration between the two types of suppliers and retailer about development of private labels. We found that the two types of collaboration differed on a number of dimensions found through the explorative empirical study. The coherent pattern of collaboration between the suppliers of the two types of private labels and the retailer, we will argue from our findings, differ significantly e.g. when it comes to quality, price, product development horizon, time, packaging and design, and cost structures.

The findings in this article are based on an explorative study. More research in the various types of collaboration between private label suppliers and retailers is needed to confirm the patterns of collaboration found here. It would also be interesting to investigate how geography and culture influence the collaboration. Does the short term "me-too" co-operation and the long term "own brand" cooperation work equally well in different cultures? Another key issue related to the one described in this article, which we briefly touched upon, is the challenges facing suppliers of brands if/when they consider supplying to the private label market.

The main implication for management is considerations about how the two private label supplier firms are organized. Furthermore where the competitive advantages are found related to the various types of collaboration with retailers needed for the different types of private labels. The findings in this article give some suggestions and ideas.

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