

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Management



Diploma Thesis

From private labels to the creation of own labels

Agathe LESAGE

© 2017 CULS Prague

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

DIPLOMA THESIS ASSIGNMENT

Agathe Lesage

Economics and Management

Thesis title

From private labels to the creation of own labels

Objectives of thesis

- o Expose the reasons that make the retailers produce and sell their own products.
- o Trace the history of the creation of private labels and define the concept of Distributors' Own Brands (DOB), Private Labels and Manufacturer Brands.

- o Understand the reasons why the innovative retailers decided to change the direction of the branding strategy.

- o Demonstrate the benefits of the creation of own labels in term of power of branding.

- o Highlight the difficulties of managing the human in retail companies because of the duality between private labels and manufacturer brands.

Methodology

DATA COLLECTION

Survey method

QUESTIONNAIRE on a population of customers/consumers of private labels and manufacturer brands

INTERVIEW with Distributor Own Brand manager

The proposed extent of the thesis

Approx 60 – 70 pages

Keywords

Branding, brand management, retailer, international brands, private labels, conduct of changing, own labels

Recommended information sources

Davies, G., Brito, E., 2004. Price and quality competition between brands and own brands: A value systems perspective. *European Journal of Marketing* 38, 30–55. doi:10.1108/03090560410511113
Kapferer, J.-N., 2005. *Ce qui va changer les marques: [discount, mondialisation & marchés matures]*, 2. éd. Organisation, Paris.
Kapferer, J.-N., 2012. *The new strategic brand management: advanced insights and strategic thinking*, 5th ed. ed. Kogan Page, London ; Philadelphia

Expected date of thesis defence

2016/17 SS – FEM

The Diploma Thesis Supervisor

Ing. Richard Selby, Ph.D.

Supervising department

Department of Management

Electronic approval: 13. 3. 2017

prof. Ing. Ivana Tichá, Ph.D.

Head of department

Electronic approval: 13. 3. 2017

Ing. Martin Pelikán, Ph.D.

Dean

Prague on 29. 03. 2017

Declaration

I declare that I have worked on my diploma thesis titled "From private labels to the creation of own labels" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on March 2017

___Agathe Lesage_____

Acknowledgement

I would like to thank the people who helped me with this thesis.

First, I would like to thank Mr. Richard Selby, a professor at Czech University of Life Sciences. As he has been my supervisor during the few past months, he guided me through my work and helped me find solutions to move forward. I also thank Mr. Claysen, Mr. Salik and Mr. Bos, who helped me by providing me with accurate data on the private labels market. Finally, as a double degree student, I would like to thank the Czech students, Radek and Josephine, who helped me by translating the summary of my thesis from English to Czech language.

Vývoj od privátní značky k vytvoření značky vlastní

Souhrn

Tento výzkum se týká brand managementu uvnitř řetězců a vývoji DOB bez souvislosti se jménem řetězce (privátní značky). Strategie vývoje DOB se rychle rozšiřuje. Celá myšlenka spočívá ve vývoji vlastního brandu a vynechání přímé záštity řetězce. Řetězec tím pádem dokáže reagovat na zákaznickovy preference svojí vlastní značkou. Hlavní otázka tohoto výzkumu je, jestli vytvoření vlastní značky bez promoce řetězce je výhodnější než klasický model privátní značky. Teoretická část se zabývá historií privátních značek, definuje jeho význam, vysvětluje používané strategie a popisuje možné nástrahy. V návaznosti na teoretickou část byly provedeny dva výzkumy, které poukazují na motivaci a výhody spojené s vývojem DOB.

Klíčová slova: budování značky, řízení značky, výrobce značky, soukromá značka, změny chování, vlastní značka distributora.

From private labels to the creation of own labels

Summary

Current research on distributor's brand management has focused on the emergence of the private labels in the retail companies. However, the strategy of branding of the retail companies is progressing very fast. The new strategy of branding consists in creating Distributor's Own Brand instead of private labels. It allows the retailer to create fully-fledged brands so they can directly speak to their target. The basic question explored in this study is whether the retailers should or not create Distributor's Own Brands instead of private labels. First, a literature review traces the history of the creation of private labels, defines the important meaning of Distributor's Own Brand, explains the new strategy of branding and raises the difficulties of managing Distributor's Own Brands. Then, two survey were conducted which showed the motivations and the benefits of Distributor's Own Brands. The first one is a questionnaire made to random customers and consumers. The last one an interview made to three Distributor's Own Brand managers of the consumer goods sector.

Keywords: Branding, brand management, retailer, manufacturer brand, private label, the conduct of changing, Distributor's Own brand (DOB).

Table of content

1	Introduction	11
2	Objectives and Methodology	13
2.1	Objectives	13
2.2	Methodology	14
3	Literature Review.....	15
3.1	The definition of the concept of brands in the retail's sector.....	15
3.1.1	What is a manufacturer brand?	15
3.1.2	What is a private label?.....	16
3.2	History: the emergence and evolution of the private labels	17
3.2.1	From 1980s to 2000s.....	18
3.2.2	How to build a store brand?	20
3.2.3	The recent evolution	22
3.3	The reasons of the evolution of the private labels.....	24
3.3.1	Why do we build distributor's brand?	24
3.3.2	Who produce the Distributor's own brands?	26
3.3.3	The impacts and limits of the emergence of the Distributor's Own Brands (DOBs) 28	
3.4	The case of Decathlon.....	30
3.4.1	Decathlon: an emblem and some innovative brands for the enjoyment of all sportspersons	30
3.4.2	The importance of brand naming.....	32
4	Practical Part.....	33
4.1	Model and hypothesis of the research	33
4.1.1	Framework	33
4.1.2	Hypothesis of the research	34
4.1.3	Field of practical application	34
4.2	Methodology of the research.....	34
4.2.1	Sampling	35
4.2.1.1	Sampling of the questionnaire method	35
4.2.1.2	Sampling of the interview method.....	35
4.2.2	Material	36
4.2.2.1	Material of the questionnaire method	36
4.2.2.2	Material of the interview method	36
4.2.3	Procedure	37
4.2.3.1	Procedure of the questionnaire method	37

4.2.3.2	Procedure of the interview method.....	38
5	Results and Discussion.....	39
5.1	Results.....	39
5.1.1	Results of the questionnaire.....	39
5.1.1.1	The perception of the price, the quality and the value for money of the private labels.....	39
5.1.1.2	The knowledge on private labels of regular customers.....	41
5.1.2	Results of the interview.....	45
5.2	Discussion.....	46
5.2.1	Results report.....	46
5.2.2	Interpretation.....	47
5.2.3	Self criticism.....	49
6	Conclusion.....	51
7	References.....	53
8	Appendix.....	55

List of pictures

[picture 1] Manufacturer brands' logos. [picture]

[picture 2] Private labels' logos. [picture]

[picture 3] Intermarché own brands' logos. [picture]

[picture 4] Voici les produits libres sans nom aussi bons moins chers. Carrefour. [picture]

[picture 5] Decathlon emblem. [picture]

[picture 6] Decathlon Passion brands (Distributor's Own Brands). [picture]

[picture 7] *Easybreath*, an innovative product of Tribord, a Decathlon own brand. [picture]

[Picture 8] The logo of the private labels and DOBs in the questionnaire. [picture]

[Picture 9] Carrefour private labels and Distributor's Own Brands. [picture]

List of tables

- [table 1] LESAGE, Agathe. The evolution of the turnover of the private labels in Western Europe. (2016). [table]
- [table 2] LESAGE, Agathe. The manufacturers of the private label. (2016). [table]
- [table 3] LESAGE, Agathe. The evolution of the private label. (2017). [table]
- [table 4] LESAGE Agathe. The sample of the questionnaire. (2017). [table]
- [table 5] LESAGE Agathe. The sample of the interview. (2017). [table]
- [table 6] LESAGE Agathe. The procedure of the interview. (2017). [table]
- [table 7] LESAGE Agathe. The perception of the price, quality and value for money of the private labels. (2017). [table]
- [table 8] LESAGE Agathe. The perception of the price, quality and value for money of the private labels regarding the generation. (2017). [table]
- [table 9] LESAGE Agathe. The results of the question 1 of the questionnaire. (2017). [table]
- [table 10] LESAGE Agathe. The results of the question 2 of the questionnaire. (2017). [table]
- [table 11] LESAGE Agathe. The results of the question 3 of the questionnaire. (2017). [table]
- [table 12] LESAGE Agathe. The result of the interview. (2017). [table]
- [table 13] NIELSEN. Market share of private label brands worldwide in 2013, by selected country. (2017). [table]

1 Introduction

Since the end of the Second World War, mass consumerism never stops growing in the European countries. The change and development of the way of consumption have revolutionized the landscape of our society. The main changing concerned the place of distribution of our goods. Groceries have given the way to specialized stores. It can not only be supermarkets and hypermarkets but also superstores that are specialists in a specific field. These distributors have appeared in order to distribute some goods from multiple international brands, in a same and unique place. As they called themselves, a retailer is *a business or person that sells goods to the consumer, as opposed to a wholesaler or supplier, who normally sell their goods to another business*, [1]. As we go along the history, the retailers caught the opportunity to develop their own goods and distribute them in the same shelves than the international brands' goods. After a time, the retailers introduce a new branding concept, the private labels. A private label is a brand owned not by a manufacturer or producer but by a retailer or supplier who gets its goods made by a contract manufacturer under its own label. It is also called private brand, [2]. More recently, some specific retailers decided to change the direction of the branding strategy. They decided to segment their supply, including their private labels. Some innovative retailers created the concept of Distributor's own brands. The Distributor's own brands are the exclusive brands, distributed by the retailers. They do not necessary bear the name of the retail companies, [3]. The Distributor's own brands replace the former private labels. From a managerial perspective, the human organisation of the central procurement service has to be transformed. The former team used to work in association with the manufacturer brands' companies. Nowadays, the organisation is much complicated in the superstores that sell not only international brands but also private labels and/or own brands. Some teams have to keep on working in association with the international brands' companies whereas their colleagues have to increase the business of the private labels and/or own brands. On the other hand, a new relationship is being built between manufacturers and distributors in order to produce and improve the distributors' own products. It belongs to the manufacturers' strategy to decide whether or not they should produce for the distributors.

Should retailers create Distributor's Own Brands instead of signing all their goods with a unique private label?

Few authors have drawn the bases of the new distributor's own brands strategy and recommended the desirable characteristics of distributor's brands creation, there is limited research on why retailers should create own brands instead of private labels. This is the focus of the present investigation.

2 Objectives and Methodology

2.1 Objectives

Research on Distributor's Own Brands (DOBs) are progressing but still not mature and it is used to say that the academic studies have failed to pay attention to distributors' brands. The phenomenon of distributors' brands has grown very fast and differently from a part of the world to another. Jean-Noël Kapferer (2012), an emeritus HEC teacher, is internationally famous acknowledged as one the most influential expert on brand management. He is recognised as one of the worldwide leading specialists on brands and one of the most influential. He has promoted radical new concepts and methods, written eleven books on communication and brands. All his works have been translated into several languages and widely diffused throughout the world. Kapferer's unique style of in depth analysis and also creative recommendations originates from his highly international vision and background, and a permanent equilibrium between theory and practice. He was an early advocate of the concept of "brand identity", at a time when American academic pioneers on brand equity did not even know the concept. He is also a constant promoter of the holistic approach to brand identity, congenial to European or Asian brand management, unlike north American theorizing which holds brands as a sum of attributes. Kapferer, in 2012, signed the The New Strategic Brand Management: Advanced Insights and Strategic Thinking (New Strategic Brand Management: Creating & Sustaining Brand Equity). In this work, he provides an extremely precise analysis of the private labels and DOBs. He goes through, among others, the evolution of the private labels in Europe and North America, the management of those brands along side with the manufacturer brands and the origin of the production of the private labels and DOBs. In a continuous research, Gary DAVIES (2004) raises the strategy of the retail groups who create innovative own brands.

Given the research on *why companies create Distributor's Own Brands*, this study has 5 objectives. First, we expose the reasons that make the retailers produce and sell their own products (1). Second, we trace the history of the creation of private labels and define the concept of Distributors' Own Brands (DOB), Private Labels and Manufacturer Brands (2). Third, we draw the reasons why the innovative retailers decided to change the direction of the branding strategy (3). Fourth, we demonstrate the benefits of the creation

of own labels in term of power of branding (4). Finally, we raise the difficulties of managing the human in retail companies because of the duality between private labels and manufacturer brands (5).

2.2 Methodology

The sampling frame was developed from two sources. On one hand, the method used was a questionnaire. The sample is made of random customers and consumers of private labels and manufacturer brands, mainly from France but 10% comes from Central Europe. 103 people have volunteer to answer to the online questionnaire. 66% of the population are female participants. The private labels listed are both National and International private labels or Distributor's Own Brands. On the other hand, interview has been done on three Distributor Own Brand managers of two different retail groups of France.

3 Literature Review

3.1 The definition of the concept of brands in the retail's sector

A distributor is *an entity that buys noncompeting products or product lines, warehouses them, and resells them to retailers or direct to the end users or customers. Most distributors provide strong manpower and cash support to the supplier or manufacturer's promotional efforts. They usually also provide a range of services (such as product information, estimates, technical support, after-sales services, credit) to their customers*, [4]. While the distributor is selling directly to its end customers, they like calling themselves retailers. As a retailer, it can sell all or nearly all these following brands: national or international brands, private labels, distributor's own brands, manufacturer's brands, [5].

3.1.1 What is a manufacturer brand?

Historically, the manufacturer brands were born during the antiquity in Greece and Italy. In the Middle Ages, the cooperative of craftsperson used to use seals to guarantee the origin of its products. But, the manufacturer brands have especially grown from the Industrial Revolution in the 19th century. The majority of the manufacturer brands, most of the time patronymic and today centenarian, still exists: **Hermès** (1837), **Nestlé** (1867), **Maggi** (1884), **Michelin** (1889), **Peugeot** (1896), **Renault** (1899). Then, the 20th century, thanks to the marketing spread in the companies, was very productive for the manufacturer brands. Indeed, we have assisted to a proliferation of brands names identifying one and only product with a very specific promise: Ariel, Dash, Bonux, for **Procter & Gamble** for example. Nowadays, the manufacturer brands keep on overlooking the market, having the tendency to cover more and more goods and have to innovate tirelessly against the private labels in order to justify their price difference.

When the manufacturer brands are also the name of the company or the group who produces them, we also call them corporate brands, [17].

A manufacturer's brand refers to the goods that are produced and sold directly from the factory to the distributor. In some value chain, the manufacturer is also a national or international brand. The international agri-food groups, **Mars Incorporated Company**

and **Mondelez International**, own their factories. The companies produce their goods and manage the distribution to the retailers. **Mars Incorporated Company**, as **Mondelez International**, is a manufacturer's brand but also an international brand.

A national brand or an international brand is a brand that is marketed throughout the national or the international market, [6]. A manufacturer brand offers advantages as well as disadvantages. The manufacturer brand's products are often seen as having a higher quality than comparable private label items. They often carry a high social value. Nevertheless, a brand name costs more than private label. The disadvantage of a manufacturer brand is often its price.



[picture 1]

3.1.2 What is a private label?

The private label is not a recent phenomenon: it was born in United Kingdom in 1869 under **Sainsbury** then **Marks & Spencer** with Saint Michael, it has been settled in France with **Coop** in 1929.



[picture 2]

The Article 62 of the law of the 15th of May 2001 related to the new French economic policies defines the private labels as “The goods which the distinguishing

features have been defined by the company or the group of companies who is in charge of the retailing and who owns the private label.” The private labels are brands developed by a retailer who own them and who distribute them exclusively. The private label can only hold the name of the retailer (we talk about private label, for example the private label **Auchan**), or a specific name in relation with the name of the retailer (Tesco Finest, Monop’Daily) or some private labels can create their own brand, and have their own patent, we called them the Distributor’s own brands, DOBs. It’s the case for **Déathlon** with 25 DOBs including Quechua and Tribord and also for the hypermarket **Intermarché**.



[picture 3]

The private label can be manufactured by the retailer itself (like **Intermarché**) but most of them are outsourced to a manufacturer, most of the time to a SMB (small and medium size company), [17].

A private label refers to the goods that are sold under the retailer’ name, [5]. The private label can also refer to the discount/low-cost goods. They are made to increase the supply that is offered to the customers. They are competing the national brands’ products thanks to their prices, which are generally cheaper. The private labels reflect the values and the promise of the retailer. Indeed, the private label is mostly defined by the signature of the services that the distributor’s company provides to its customers regarding the availability of the products in shelves, the geographical proximity, the supply, [9] (Philippe Malaval and Christophe Bénaroya). Besides, the private labels generate great margins in volume and value for the distributors’ companies.

The retailers are trying to add value, through their own brands, to the function of range and creation of the company. The vocation of the own brands is not to replace the international brands anymore but to widen the supply in terms of goods and prices, in order to better response to the expectations of their customers, [9].

3.2 History: the emergence and evolution of the private labels

Academic studies failed to pay attention to distributors’ brands. The phenomenon of distributors’ brands has grown very fast and differently from a part of the world to another.

In 2014, in Europe, the market share of the distributor's brands has reached 27,8%, it is 2 points less than in 2012 (Nielsen, 2017), [11]. After having known a powerful growth, the private labels are affected by a certain delay in favour of the international brands with whom they share the shelves in the distributor's stores. To face this new trend, the private labels are often powerless because they are, before anything else, the property of the trading name of the retailers. However, some of the retailers do not surrender and they show innovation by developing a new marketing concept that is called Distributors' Own Brands (DOBs).

3.2.1 From 1980s to 2000s

A retailer is *a business or person that sells goods to the consumer, as opposed to a wholesaler or supplier, who normally sell their goods to another business*, [1]. The private labels are owned by retailers. They are made to compete the manufacturer's brands. They are often less expensive than them, [7]. We distinguish two kinds of goods that are sold by the retailers: the international brands and the private labels.

The private labels have appeared for two main reasons. The first one was to answer to the will of rebalancing the power between manufacturers and distributors. The second one was due to the fact that private labels are the one and only possible answer to increase the expected financial results in the mature countries in a context of hyper-focus of the distribution, [13].

In France, we used to attribute the birth of the private labels to Carrefour. Indeed, in 1978, **Carrefour** launched the "Produits Libres", a private label made of many goods of mass consumption. The price's goods were from 15% to 20% cheaper than price's national brands. Regarding communication, **Carrefour** used a headline "As tasty but cheaper", clear and accurate, [13]. For the first time, customers were able to buy a product similar to the national brands' products but less expensive. **Carrefour**'s innovative strategy is called a "me too" strategy. A me-too brand (also called copy-cat) is generally a brand that strongly imitates (product and packaging) a leader brand and who is settled by a big retailer. Most of the time, the launch of the me-too brand can be followed by judicial proceedings due to counterfeiting. Nevertheless, the national brand is not often suing the copy-cat in order to avoid a conflict with the retailer. Indeed, the retailer can represent an important market share in the national brand's turnover, [12]. By the way, **Carrefour**'s

strategy's aim was to design and create an offer the most identical as possible to the national brands.



[picture 4]

Then, in 1990s, the low-cost have appeared in consequence of the successful diffusion of the private labels in all retailers' shelves. The low cost is an economical and marketing concept based on the practise of the cheapest price regarding the average of the market. *The concept of "low-cost" is mostly used in the services field (such as hospitality trade, aerial transportation, car rental), it refers to the hard discounter of services. It also applies to the field of goods. The "low cost" are generally obtained by the cost's compression. This decrease in costs generally comes from the removal of additional services or non essential distinguish features and by a rigorous management control and sometimes a rigorous human resource management.* It is interesting to highline that sometimes the practise of a low cost strategy brings to higher margins than those obtained in a traditional model, [14]. Indeed, by 1990s, the distributor's brands accounted for 25% of retail sales in Britain, Germany and Switzerland and for over 15% in France, Denmark, Belgium and Holland, [8]. In 1995, the annual increase in product lines sold as private labels in Europe was up to 11%, [8]. The "low cost" have been created first for covering the needs in dietary but then it expends in other sectors such as telecommunication and aerial, [13].

The expansion of private labels was different between European countries and the United States of America. Indeed, when we cross the Atlantic, the distributor's brands are less important than in Europe. The exception to the rule is the retailer **Wal-Mart**. Except from **Wal-Mart**, there is no domination on the distributor's market in the USA. Because of

the under development of the private labels in the USA, the private labels are perceived as low-cost, low-quality and bad alternatives, [5]. In the United States of America, the strategy of the retailers is to sell it private label alongside with the national brands whereas in Europe, the strategy is to make the store of the brand, it means selling them with a few other brands alongside of the distributor' private label.

Few years later, after the supermarkets, the specialized retailers had launched its private labels. In 2000, the French fragrance and cosmetics retailer Sephora has launched it first private labels. Now, not only it market share but also the brand image of Sephora private label is growing more and more with time.

Nevertheless, in the majority of the case, the private labels do not replace the national brands in the shelves. The cohabitation is doable because the majority of the private labels are manufactured by the national brands' factories.

3.2.2 How to build a store brand?

Introducing private labels is a cultural and managerial revolution for a retailer, [5]. Introducing private labels means moving to distribution to creation, production to control and marketing of one's own products. Originally, a retailer's activity was to buy and sell. Now, it's becoming much more detailed. Retailers have widened their portfolio of activity. They have become designer and sometimes, manufacturer.

Jean-Noël Kapferer (2012), an internationally recognised teacher from HEC Paris and a leading specialist on brands, has promoted a unique analysis on how ensuring the success of a launch of a distributor's own brand. The author recommends 8 steps that should be followed by the retailer before and during the commercialization of a new own brand in its shelves. The 8 steps are described in J.N. Kapferer's work The New Strategic Brand Management: Advanced Insights and Strategic Thinking (New Strategic Brand Management: Creating & Sustaining Brand Equity):

1. Specify why the retailer needs a private label now.
2. Specify the products that should be covered by the private label.
3. Specify the number of price lines.
4. Specify the number of brands.
5. Define the amount of specifications needed to prove the quality of the private label's products.

6. Check the feasibility.
7. Validate the choice of supplier(s).
8. Sell the private label inside the distributor's place, first.

The first step of launching a private label is to specify the reasons why the distributor needs a private label regarding its expectations about it. Indeed, launching a private label or a distributor's own brand will imply a lot of changing regarding the management of the teams. Workers such as category manager, supply chain manager or the communication team will be involved in a completely new organization.

The second step concerns the level of ambition of the distributor by creating private labels. Even if the strategy can progress with the time, the distributor must start with clearly identifying strategy. To illustrate, hypermarkets must decide at the beginning whether or not they will cover food or non-food products with a private label.

Only after having set a strategy of range, the distributor must deal with the price lines. Indeed, the prices will influence the perception of quality of the products. This is the reason why the distributor has to pay a high attention on the price lines.

Fourthly, the distributor should decide whether or not it wants to create a private label or a distributor's own brand. For example, **Tesco** used its name over all segments of products. There are, among others, Tesco Value (low-price), Tesco (premium or standard quality), Tesco Finest (premium), Tesco Organic, Tesco Healthy Eating, Tesco Fair Trade, [10]. However, in 2011, **Tesco** started to rethinking its concept of branding its private labels. Tesco launched its so called Tesco Venture Brands. They are an advanced form of private label brands that do not carry the retailer name. Tesco venture branded goods are available in a wide range of industries from food to children's toys to sanitary products. Most of the brands are positioned as "premium goods" competing with existing premium branded goods, [15]. Since 1997, **Decathlon**, the French sport items retailer has worked on moving its private label so called "Decathlon product" to 25 "Passion Brands" attributed to each sport that the retailer is selling. **Sephora**, number one upscale skin care and make-up world retailer, is still using its own name on its basic products.

The fifth step is the definition of the level of specifications that the packaging team will put on the pack. For instance, **Decathlon** uses to specify the exact nature, size, quantity of each component.

The sixth step consists in checking the feasibility of the proposals according to, for example, the market size, the intensity of the competition and the sales forecast, the quality of the target, the price and the margin target, the insurance of supplier delivery and the number of supplier, the risk of being sued for counterfeiting, the overall costs...

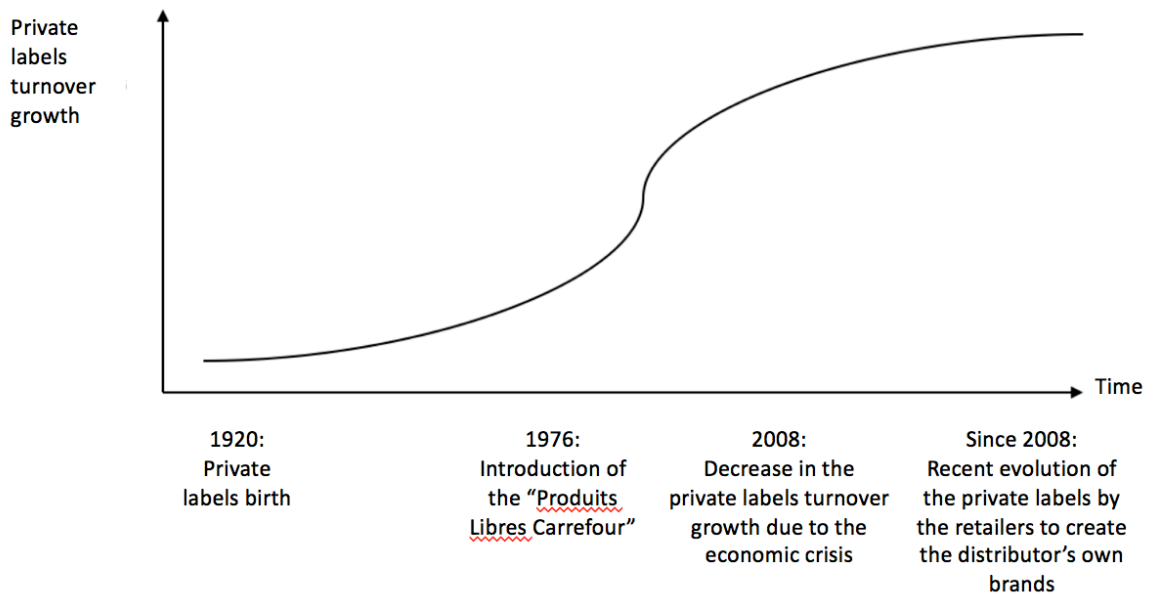
The seventh step refers to the validation of the choice of supplier(s). The author underlines that a solid and reliable supplier should be able to look for innovative and added features. This is important for the brand's evolution.

Finally, the last step refers to the importance of the communication inside the organisation of the company. The retailer must sell the private label inside its company first. This is important to make it become a shared project of everybody in the retail's company. It will help to solve a substantial number of management issues.

3.2.3 The recent evolution

The private labels have grown a lot in France until 2009, up to 39,5% of market share in value for the mass consumption products, and have become a leader on many product categories. Nevertheless, they have been going backwards since 2009 in value and in volume to reach in 2014 respectively 37,4% in value and 50,3% in volume (Kantar WorldPanel), [17]. In 1997, **Decathlon** created its first own distributor's brand named Quechua[®] in order to cover all its own products made for mountain's sports. In 2011, **Tesco** inaugurated the Tesco Venture Brands (such as Llama's[®] or Choko Blok[®]). In Europe, mostly due to the economic crisis of 2007, the distributors had to make their strategy with private labels progressed.

In 2007, the economic crisis had a considerable impact on the purchasing power of the European citizens. Since 2008, the purchasing power of the majority of the inhabitants of Western Europe don't stop falling. Large retailers have been paying the price for it for the last 3 years. Even if the private labels are in a perpetual growth since they have appeared, its turnover is going backwards. This reduction in speed of the sales of the private labels is a benefit for the national brands. Indeed, thanks to promotion on their prices, the gap between private labels and manufacturer brands is reducing little by little. This effect has positive consequences on the sales of the manufacturer brands whereas the sales of the private labels has the nasty tendency to decrease.



[table 1] The evolution of the turnover of the private labels in Western Europe

At this time where the consumers are reviewing their consumption mode, the manufacturer brands are the big winners. As well as the abundant promotion on prices that they are doing, they benefit from their very strong branding. They want themselves to be comforting thanks to their plugging publicity. Finally, they keep their advance thanks to their superior quality. For all these reasons, the distributor's companies innovate, they have designed a new marketing concept: Distributor Own Brands, DOBs.

Some retailers are now considered as trend preceptors of DOBs. **Decathlon**, for example, has launched its first so called "Passion brand" Quechua, dedicated to the Mountain sports, in 1997. Few months after, the retailer has launched Tribord, dedicated to the Water sports. **Intermarché**, the French hypermarket, has decided to do the same, divided its departments with DOBs (Pâturages for the dairy products, St Eloi for the vegetables or Monique Ranou for the cooked meats). A more advanced example is illustrated by **Migros**, the supermarkets in Switzerland. **Migros** is formed only with distributor's own brands (DOBs), there are no manufacturers' brands sold there, [5]. Decathlon has succeeded in doing the same on some of its departments, with the mountain sports for example.

We just have seen that the retailers had made their private labels progressed year after year. We can now try to understand the reasons of this evolution.

3.3 The reasons of the evolution of the private labels

To face the renewal of the manufacturer brands against the private labels, some retailers have settled a new marketing concept called Distributor Own Brands (DOB). As we have seen, it refers to the act of renaming a private label by an innovative brand name and to treat the DOB as a fully-fledged brand. This smart display of the distributor's companies prevents the private labels suffering from the cheap image linked to the retailer but also allows to get into the market of the manufacturer brands.

3.3.1 Why do we build distributor's brand?

At a certain stage in a distributor's growth, Distributor's Own Brand is an advisable step. Indeed, to increase the ROI (Return On Investment), a retailer has only 2 options. It can, [5]:

- 1) Increase it sales per square metre.
- 2) Increase it net margin.

On the one hand, to increase the sales per square metre, retailer has to ask for more price concessions from the brands producers. It can also demand to the brands manufacturers a share of the profits from their advertising and promotional campaigns.

On the other hand, to increase it net margin, the retailer can sell private labels or DOBs because the margin on DOBs is better than on national brands (the retailer has the entire freedom to choose it margin), it increases the negotiating power with the manufacturer due to the new competition, it increases the number of innovation launched by the manufacturer who has to create a new competitive advantage, DOBs can contribute to increase loyalty to the store (even if the authors have not proven yet the relationship between DOBs and store's loyalty).

In addition, in our materialistic societies, people want to give meaning to their consumption. The only way to add-value to a product and tell a story or situate it consumption on a ladder of intangible values is to create a brand, [5]. When goods are branded, the competition that takes place do not concern only the market share anymore. It can become a competition based on values that are driven by the brands. However, building a brand that have the same corporate image than Coca-cola, Marlboro or Adidas is not given to everybody. The new intense competition that comes from the low costs actors and the private labels demand a new brand management that is called "The New Strategic

Brand Management”, (Kapferer, 2012). It’s important to raise that without a special innovation on the DOB’s goods, it is not worth creating a DOB. This new strategy has ended the “Me too” or “Copy-cat” strategy and boosted the coming of the innovation from the retailers.

A brand, as a meaning and a signified, plays important roles for the consumers and, as a consequence, for the company, [17].

- **The role for the consumers**

The brand plays 3 main roles for the consumers: the finding, the reduction of perceived risks and the personalization.

- The function of finding

The distinguishing features of the brand allow the consumer to get its bearings into the supply, to quickly find the product they are looking for. The logo, the colours, the shapes are many landmarks that permit the consumer to recognize with a minimum of effort the product he/she is looking for. This function is especially important for the hypermarkets, among the consumer goods, because the consumers spend in average 5 to 12 seconds in shelves to select a product of a given category. In addition, branded a product permits to memorise easily the procurement process of the product and to reproduce it at every purchase. In this way, the consumer can save time and energy to make an identical purchase.

- The function of reduction of the perceived risks

While signing its products, the brand reveals its origin and commits to its consumers. The brand guarantees a stable level of quality wherever and whenever the consumer buys its products. This role is more important regarding the products of experiment such as cosmetics or cooked meals because the consumer can not evaluate the quality of those products before he/she has bought them.

- The function of personalization

A brand also plays a role at the psychological and social level. Its distinguishing feature allows the consumer to assure its originality, to show its membership to a social group or to feel more attractive while consuming the product (It is often true with the clothes brands). The brand becomes a language, a sign, a recognition for oneself and for the others.

- **The role for the company**

For the companies, branding make the appropriation and authentication possible. It can be a source of competitive advantage for the company.

- The function of appropriation

A brand allows the company to protect legally itself on certain exclusive aspects or features through the right of intellectual property. Regarding the DOBs, the benefit for the company is to demonstrate a certain level of quality on a specific range of products. It also separates the corporate image linked to the supermarket to the corporate image linked to the DOBs.

- The function of authentication

While signing its products, the brand reveals its origin and commits to its consumers. Nevertheless, sometimes the warranty is a simple illusion. The producer of the goods is often not the retailer itself. It is also the case for many companies such as **Nike** or **Adidas** who don't manufacture their goods themselves but they outsource the production of them.

- The competitive advantage

If the product provided is innovative enough and permits a real distinction, the consumers are satisfying and they renew their purchase. It becomes a factor of loyalty. This loyalty is a token of future sales and profits for the company. In addition, the loyalty to the DOB will compete the manufacturer brands.

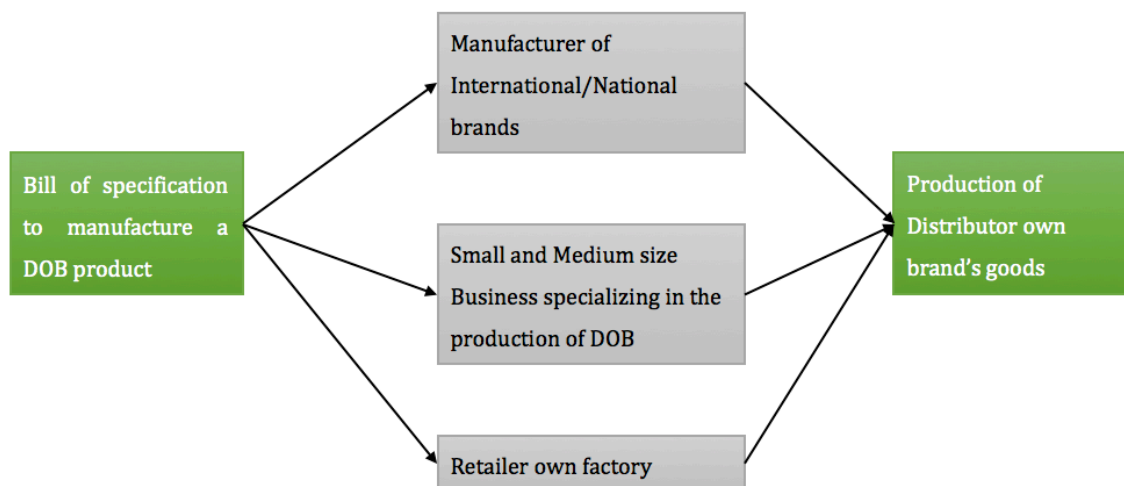
To conclude, we build distributor's own brands for almost the same reasons that we built manufacturer's brands. Indeed, **Decathlon** has decided to create all its Passion Brands (Quechua, Domyos, Kalenji, Tribord...) to increase its financial benefits, to increase the loyalty of its customers but also to separate its image of place of distribution from its brands and to own the exclusiveness of the distribution of the brands. This is for those reasons that Tesco, which is used to brand all its private labels with its distributor's name on it, has recently, in 2011, taken a turning point in its strategy while creating 9 so called "Venture brands".

3.3.2 Who produce the Distributor's own brands?

The birth of the Distributor's own brands is facilitated by the emergence of SMB (small and medium size business) that are specializing themselves on the conception, development and production of the DOBs' goods. Some other retailers are henceforth

manufacturing their goods by themselves. For example, **Intermarché** has opened almost 60 factories in France since 2009 in order to further its economy of scale. The retailers can also choose to produce in their own factories to protect their innovations. This is the reason why **Intermarché** is able to distribute 50% of private labels' goods whereas **Carrefour** and **Leclerc** distribute 30% of private labels' goods, [18]. Although, the most widespread practice is the outsourcing of the DOBs' production to the manufacturer of manufacturer brands.

According to the value systems perspective, there are 3 possible different configurations, [8]. Firstly, the manufacturers can provide their production to the retailers with only their brand on it (It means a National or sometimes an International brand). Secondly, the manufacturers can extend their production to the DOBs goods. They settle for producing for the retailers and they do not attach their brand on the products. Thirdly, the manufacturers can produce the copy-cat for the large retailers and the discounters.



[table 2] The manufacturers of the private label

This new partnership between retailer and manufacturer has permitted the creation of value-added for both sides.

Now, the manufacturer produces what the retailer has sold rather than the retailer sells in it store what the manufacturer has made. The manufacturers have many reasons in favour of the producing DOBs' goods:

- It relieves the burden of fixed costs;
- It allows them to benefit from economics of scale;

- It may be intrinsically profitable, since there is no need for marketing, communication, or sales force;
- If they do not do it, their competitors will.

For those reasons, **Lu** is manufacturing biscuits for **Carrefour** and **Leclerc**, **Samsung** is manufacturing for several DOBs all over the world. However, some companies still refuse to produce goods for DOBs. Their refusal is due to a long-term vision. For example, **L'Oréal** and **Procter & Gamble** don't want to produce for the DOBs because they don't want to share their investment in research for the benefits of the retailers, [5].

3.3.3 The impacts and limits of the emergence of the Distributor's Own Brands (DOBs)

For a long time, the manufacturer brands have looked at the DOBs with condescension. They have denied the sacred title of “brands”. For the manufacturer brands, the retailers were stores where their production was distributed. The retailers were supposed to make the logistics and transport for distributing the manufacturer goods, more than compose an overall offer or manage the shelves. This is for those reasons that the distributors insisted on named them “retailers” instead of “distributors”. The rise of distributor's own brands signifies the end of a particular type of marketing. Regarding the management of the organization (the distributor), selling National brands in the same shelves than DOBs and by the same people has brought miscellaneous changes.

From a managerial point of view, the DOBs have all the features of a National brand. They have a particular target. They have selected a competitor whose clients they will attempt to divert from. They have a defined strategy of price and offer. Finally, they set themselves up with packaging and communication. Nevertheless, the DOBs have to face 2 constraints. First, the DOBs have to find their place in the distributor's marketing mix, in which they now represent a key component of identity, differentiation and loyalty generation. Secondly, the DOBs have to use prices as the driving force behind their own marketing mix, even when they are positioned in a premium segment. For these two reasons, the distributors' brands do not have the same management autonomy as producers' brands. They also have to consider that private label's image is based on the image of the company and that their price positioning, is relative, sets between the 2 client benchmarks of the big brand prices and the hard-discount product prices. However, facing the trust that the consumers allow to their retailer, the branding of the manufacturer brands

is really difficult to surpass. Some products such as Coca-Cola or Nutella, soda or spread DOB will probably never be able to put themselves on an equal branding. It's also the case with the cosmetics market. The consumers are not looking for a good value for money but they are looking for the product that make them dream and enhance their beauty. Even if the cosmetics DOB can be a good compromise, for example **Carrefour** has launched Cosmetics Design Paris in 2012, we should keep in mind that the manufacturer brands are strong of a long story whereas the DOB are victims of their youth. The DOB are limited by their notoriety.

From a human management point of view, the retailer hires co-workers who are dedicated to the entire supply, both national brand's goods and DOB's goods. For example, a department's store manager will manage both the customer of national brands and customer of DOBs. Its sales objectives will be on both goods, each month. This sales policy is often a disadvantage for the establishment of the DOB goods because the sales price of a national brand's product is higher than the price of a DOB's product. Apart from this economical aspect, the colleagues who are not involved in the DOB strategy are sometimes feeling apart. For example, between the product manager of DOB and the category manager of national brands. This phenomenon is strengthened when the retailer's strategy is not enough well explained to all the co-workers. Sometimes, the colleagues can delay unintentionally the launch of a DOB because they have not been informed of the importance of their involvement. The internal communication is extremely important in the company.

Finally, the private labels have appeared in the 1970s. In less than 50 years, the private labels have succeeded in writing their own stories, the story of the retailers who distribute them. Thanks to the attention the retailers allow to their customers, they have rapidly understood the importance of a large supply, made of manufacturer brands, private labels and DOBs, to satisfy all the needs in term of quality and price. However, from a copy-cat strategy to a DOB strategy, the path crossed has been faster than the evolution of the mentalities and the conduct of changes.

The generation of the people of less than 30 years-old (generation born after 1986) has been brought up with the private labels. For them, the private labels are established in their consumption mode. They naturally compare a product of a manufacturer brand with a product of a private label. This generation acknowledges the good value for money of the

private labels. Further, this generation considers private labels and manufacturer brands as equivalent. By the way, according to Anne Sainte-Marie, marketing manager of the DOBs at **Intermarché**, « the customer will soon choose its retailer according to the private labels and DOBs that it can supply », [19]. However, we should keep in mind that the “more than 35 years-old” are almost impossible to convince of the good value for money of the private labels. It is all the more a pity because they own the best purchasing power. It’s a loss of income for the retailers.

The DOBs can be a good display to the generation shock only if we can succeed in writing the story of those new brands quickly enough.

3.4 The case of Decathlon

The innovative French retailer specialized in the distribution of sports goods is a model of modern distribution. Their own brands play a key role in its growth. Decathlon is the 5th largest producer of sports goods worldwide, [5].

3.4.1 Decathlon: an emblem and some innovative brands for the enjoyment of all sportspersons

Decathlon is formed by 70 000 workers whose common sense is to let the enjoyment and benefit of sport available to the more.

The company culture is very strong regardless of the country where **Decathlon** is settled.

The innovation is the heart of every activity, from research & development to design, production and logistics, [16].



[picture 5]

Decathlon S.A. (**Decathlon**) principally designs, manufactures, distributes and retails sports goods. The company retails a comprehensive range of sports goods such as mountain sports equipment, water sports equipment, sports bikes, sports bicycle, sleeping beds, swim wear, mountaineering gear, tents, sporting apparel, footwear, sports electronics gadgets, sunglasses, related accessories, and fishing equipments. It offers its products under various established brands and Distributor’s Own Brands such as Aptonia, Artengo, B'TWIN, Caperland, Domyos, Fouganza, Geologic, Geonaute, Inesis, Kalenji, Kipsta,

Nabaiji, Newfeel, Oxelo, Quechua, Simond, Solognac, Tribord, Wed'ze, and Orao. It also provides services such as financing, social network for hockey, sports insurance, sports gifts, ski rental, mobility, and repair and maintenance of equipment. The company has business operations across Europe, Asia-Pacific and South America. Decathlon is headquartered in Villeneuve d'Ascq, North of France.



[picture 6]

Decathlon principal competitors worldwide are **Sports Direct** (UK), **Sport Unlimited** (US), **Intersport** (SW), **Group GoSport** (FR)... With 1176 stores, **Decathlon** is present in 28 countries: 301 stores in France, 214 in China, 149 in Spain, 113 in Italy, 49 in Russia, 46 in India, 46 in Poland, 36 in Germany, 30 in Portugal, 27 in Belgium, 26 in UK, 21 in Brazil... In 2016, its turnover has reached 10 billion euros including 33% outside France.

Since 1990, thanks to the predominant place attributed to innovation, **Decathlon** has understood the keys to create its successful own brands. Decathlon is now distributing under its own brands some flagship products, such as the Easybreath for **Tribord** or the Tent 2 seconds for **Quechua**.



[picture 7]

3.4.2 The importance of brand naming

Like **Ikea**, **Migros** or **Picard**, **Decathlon** is one the first company that is trying to design, create and sell its own brands. The communication tends to separate the place of distribution from the products that are sold under the retailer's creation.

Since 1988, studies have shown that it's beneficial to widely use brand names on industrial products. The industrial firms value branding benefits more highly, use brand names more widely, use distributor names or generics less widely, attach more importance to brand naming practices, and deploy more marketing managers and specialist agencies in brand naming than do smaller firms. There are several implications to explain those results. First, the creation of effective brand names is an important element in establishing industrial marketing position. Second, small firms must bring more marketing expertise into brand-name development. Third, opportunities abound for specialist agencies in brand naming with such small firms. Finally, future branding research should account for the effects of firm size and focus on industrial products instead of only consumer products, [20].

4 Practical Part

Two researches were done in order to answer the problematic: should retailers create Distributor's Own Brand instead of private label?

4.1 Model and hypothesis of the research

The sampling frame was developed from two sources. On one hand, the method used was a questionnaire. The sample is made of random customers and consumers of private labels and manufacturer brands, mainly from France but 10% comes from Central Europe. On the other hand, interview has been done on three Distributor Own Brand managers of two different retail groups of France. The aim of the research is to demonstrate that the retailers would better create own brands instead of private labels.

4.1.1 Framework

Private labels were defined by the authors as one of the two alternatives to increase the margins of the retailers. It's not only their objectives, the private labels can also provide a choice in pricing for the customers and permit to build a retailer's image among customers, so increase the customer loyalty.

However, the image of the private labels is linked to the image of the place of distribution, the retailer. On the contrary of manufacturer brand, the private label's image is dependant on the image of the retailer. Would it be better to separate the image of the products to the place of distribution for the sales? Why the creation of Distributor's Own Brand appears as the new strategic brand management?

[table 3] The Evolution of the private labels

	1980s	1990s	2000s
Type of brand	Private label	Low cost	Distributor's Own Brand
Name	Hold the name of retailer	Own name of range with the name of the retailer on the packaging	Brand new name
Strategy	Me too (Copy cat)	Cheapest price	Value added

Objectives	Increase margins	Increase margins	Expand product assortment
	Provide choice in pricing	Reduce the manufacturer power by setting entry price	Enhance category margins
	Build retailer's image among customers		Differentiation
Approximate pricing	20% or more below the manufacturer brand leader		Equal or higher than known brand
Supplier	National and not specialized	National, sometimes specializing for private label manufacturing	International, mostly manufacturer brand producer OR retailer own factory

4.1.2 Hypothesis of the research

H1. The private labels are recognizable by the customers only because they hold the name of the retailer on them.

H2. It is worthy to create an Own Brand if the category of products is in full growth and a real community of consumers exist.

4.1.3 Field of practical application

The researches will mix up the companies of the retail sector whether they are large food retailer or non-food retailer. The importance is to highlight the new strategy of Distributor's Own Brand, regardless of the type of products concerned.

4.2 Methodology of the research

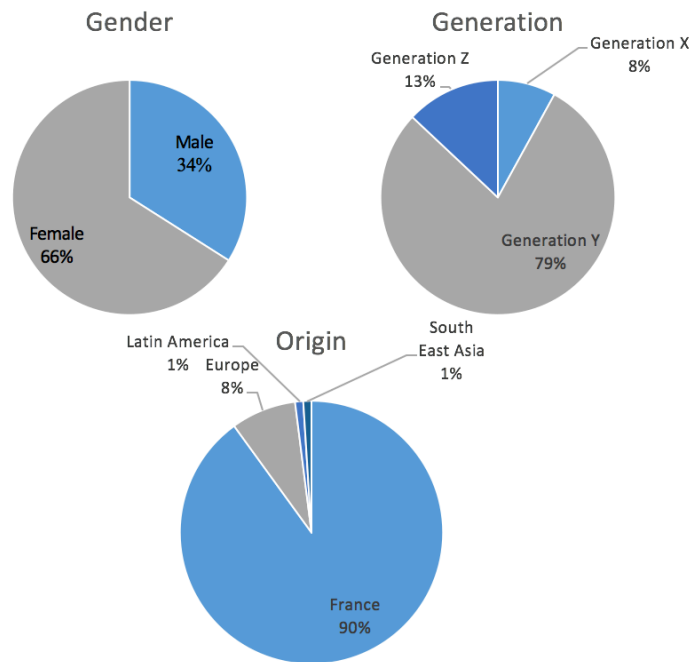
Two survey methods have been used in the present researches. On the first hand, a questionnaire to random customers and consumers. On the second hand, an interview was made to three Distributor's Own Brand managers of the consumer goods sector.

4.2.1 Sampling

4.2.1.1 Sampling of the questionnaire method

A questionnaire was created and sent randomly to a population. The population was mostly made of students, teachers, employees of Grenoble Ecole de Management but also from personal network.

103 people have volunteer to answer the questionnaire, including 66% of women. In more details, the sample was composed by 79% of people from generation Y, 13% of people of the generation Z and 8% of people of the generation X. We consider as generation Y the 21-39 years old, as generation Z the 20 years old or less and as generation X the 40 years old or more. Finally, 90% of the sampling come from France. The others 10% are divided between Europe (8%), Latin America (1%) and South East Asia (1%).

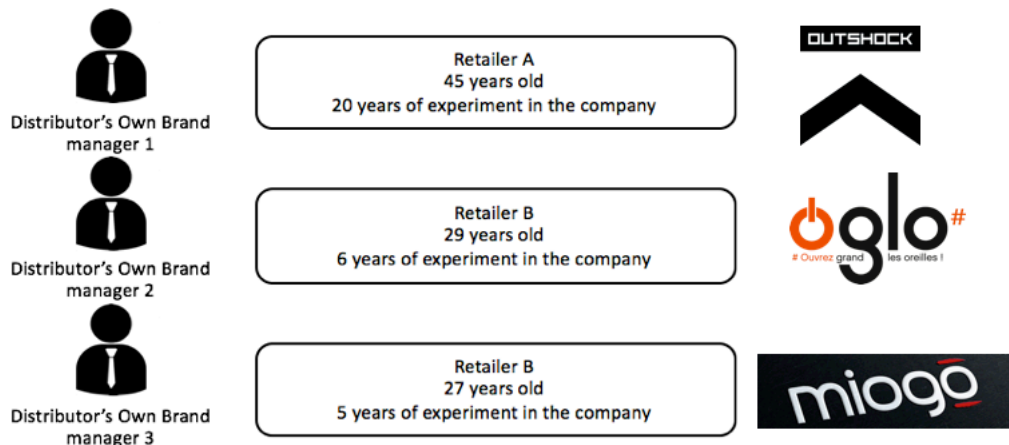


[table 4] The sample of the questionnaire

4.2.1.2 Sampling of the interview method

An interview was driven to three Distributor's Own Brand managers from two different retailers. The questions for the interview were prepared in advance and the meeting were organised for lasting approximately 10 minutes. The sample was chosen non-randomly because the DOB manager were selected regarding their position. The DOB manager number one works for the retailer A. He is 45 years' old and has 20 years of

experiment in the company. He is managing the own brand **Outshock** that is dedicated to boxing. The DOB manager number 2 works for the retailer B. He is 29 years' old and he has 6 years of experiment in the company. He is managing the own brand **oglo#** that is dedicated to small sound system. The DOB manager number 3 works for the retailer B. He is 27 years' old and has 5 years of experiment in the company. He is managing the own brand **miogo** that is dedicated to Kitchen help.



[table 5] The sample of the interview

4.2.2 Material

4.2.2.1 Material of the questionnaire method

To complete the first survey, an online questionnaire was created and published. The questionnaire was made thanks to Qualtrics[®]. Qualtrics[®] is a private research software company. Qualtrics[®] software enables users to do many kinds of online data collection and analysis including market research, customer satisfaction and loyalty.

4.2.2.2 Material of the interview method

To complete the second survey, face to face interview were conducted. This are semi-structured interviews that contain components of both, structured and unstructured interviews. A set of same questions to be answered by all interviewees were prepared in advance. However, additional questions have been asked during interviews to clarify and/or further expand certain issues. No further material ha been used.

4.2.3 Procedure

4.2.3.1 Procedure of the questionnaire method

A questionnaire was created via Qualtrics[®]. During 7 days, the questionnaire was diffused online via the social networks.

First, the definition of “Private label” was given to the participants. Then, three categories of questions were asked to the sample.

First category → The perception of the private labels. The participants were asked to grade their perception on the price, the quality and the value for money of private labels.

Second category → The knowledge about the private labels. In this important part, the aim was to evaluate the knowledge of the participants about private labels. Three questions were asked:

- 1/ Do you know this label? Answer: yes, or no.
- 2/ Do you think this label is a private label? Answer: yes, or no.
- 3/ Are you a customer/consumer of this label? Answer: yes, or no.

In this part, 24 brands were cited, 100% of them were private labels. The author decided to not include manufacturer brands because the research focus on private labels.

Third category → The sample analysis. The participants were asked to fulfil some personal information concerning their age, gender and origin.

[table 6] The procedure of the interview

<p>First category</p>	<p>The perception of the private labels</p>	<p>The participants were asked to grade their perception on the price, the quality and the value for money of private labels</p>
<p>Second category</p>	<p>The knowledge about the private labels</p>	<p>In this important part, the aim was to evaluate the knowledge of the participants about private labels. Three questions were asked:</p> <p>1/ Do you know this label? Answer: yes, or no.</p> <p>2/ Do you think this label is a private label? Answer: yes, or no.</p> <p>3/ Are you a customer/consumer of this</p>

		label? Answer: yes, or no. In this part, 24 brands were cited, 100% of them were private labels.
Third category	The sample analysis	The participants were asked to fulfil some personal information concerning their age, gender and origin

4.2.3.2 Procedure of the interview method

Three different face-to-face interviews were conducted during approximately 10 minutes each. In the semi-structured interviews, the set of same questions were prepared in advance. However, additional questions could have been asked to clarify and/or further expand certain issues.

Only one question was asked regarding the research problem:

“What are the motivations and the reasons to detach their products from the retailer private label?”.

Then, after heard the answer of the managers, some sub-questions were asked in order to clarify or go further some details:

- 1/ Was it a specific demand from the customers to create a DOB for these goods?
- 2/ Was the Private label economically suffering from it image?
- 3/ Is it easier to manage the sales price under a DOB than under a private label?
- 4/ Was it necessary to attach a communication of specific values dedicated to these goods?
- 5/ Did the brand’s image of the private label has expanded too much strong values linked to the retailer’s image that are opposite to the goods’ values?

5 Results and Discussion

In this section, the objective is to test the following hypothesis.

H1. The private labels are recognizable by the customers only because they hold the name of the retailer on them.

H2. It is worthy to create an Own Brand if the category of products is in full growth and the branding is important for the consumers.

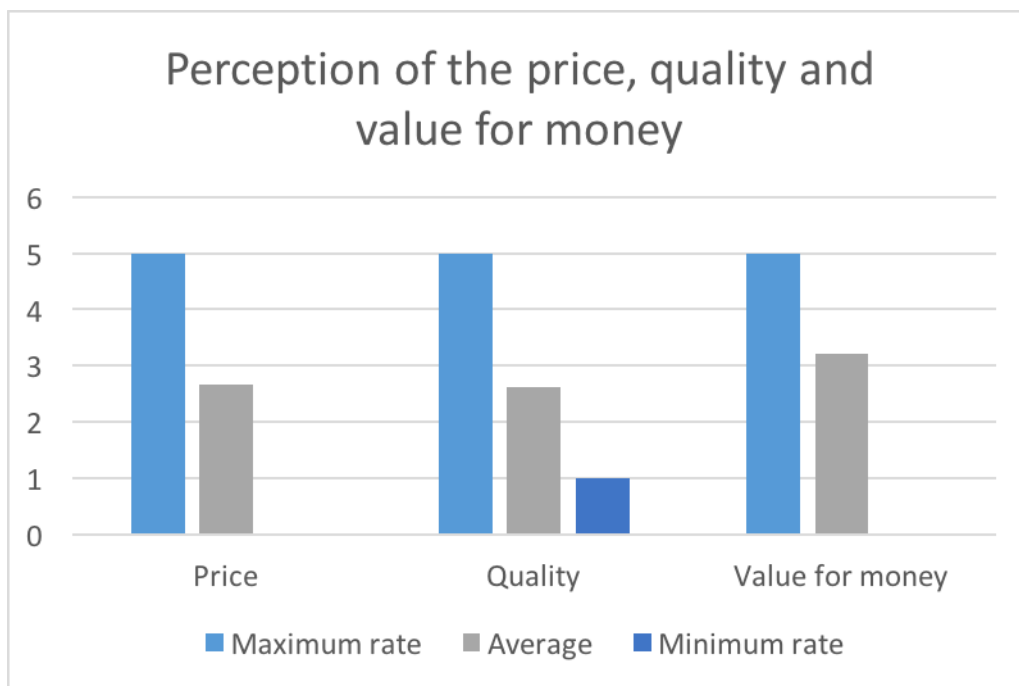
5.1 Results

5.1.1 Results of the questionnaire

The main aim of conducting the online questionnaire was to evaluate the opinion and knowledge of the regular customers about private labels and Distributor's Own Brands.

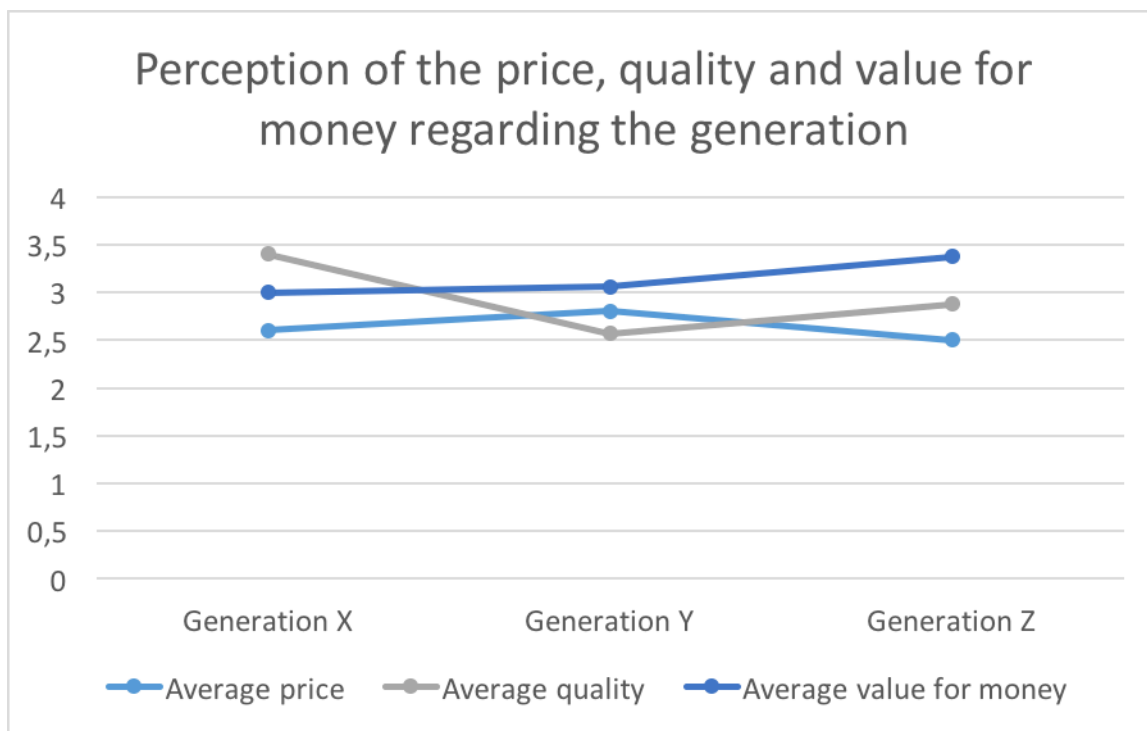
5.1.1.1 The perception of the price, the quality and the value for money of the private labels

First, the questionnaire deals with the general opinion of the participants on the evaluation of the price, the quality and the value for money that they have regarding private labels. We consider the following rating system: 0 is very low and 5 is very high. The average grade of the price evaluation by the participants of the questionnaire is 2,67 out of 5. The average grade of the quality perceived is 2,62 out of 5. Finally, the average grade of the value for money perceived is 3,21 out of 5.



[table 7]. The perception of the price, quality and value for money of the private labels

To go further more details, an analysis of the perception according to the generation was conducted. The average grades, according to generation X (people born before 1977), are 2,6/5 for the price, 3,4/5 for the quality and 3/5 for the value for money. The average grades, according to generation Y (people born between 1996 and 1978), are 2,8/5 for the price, 2,57/5 for the quality and 3,06/5 for the value for money. The average grades, according to generation Z (people born after 1997), are 2,5/5 for the price, 2,88/5 for the quality and 3,38/5 for the value for money. We notice that the best value for money is given by the youngest generation. The more the customers are young, the more the perception of value for money increases. However, the Generation X allows a better quality to the private labels products than the youngest.



[table 8] The perception of the price, quality and value for money of the private labels regarding the generation

5.1.1.2 The knowledge on private labels of regular customers

An evaluation of the knowledge of regular customers on private labels was conducted to have an overview of the link between the private label's image and the retailer's image.

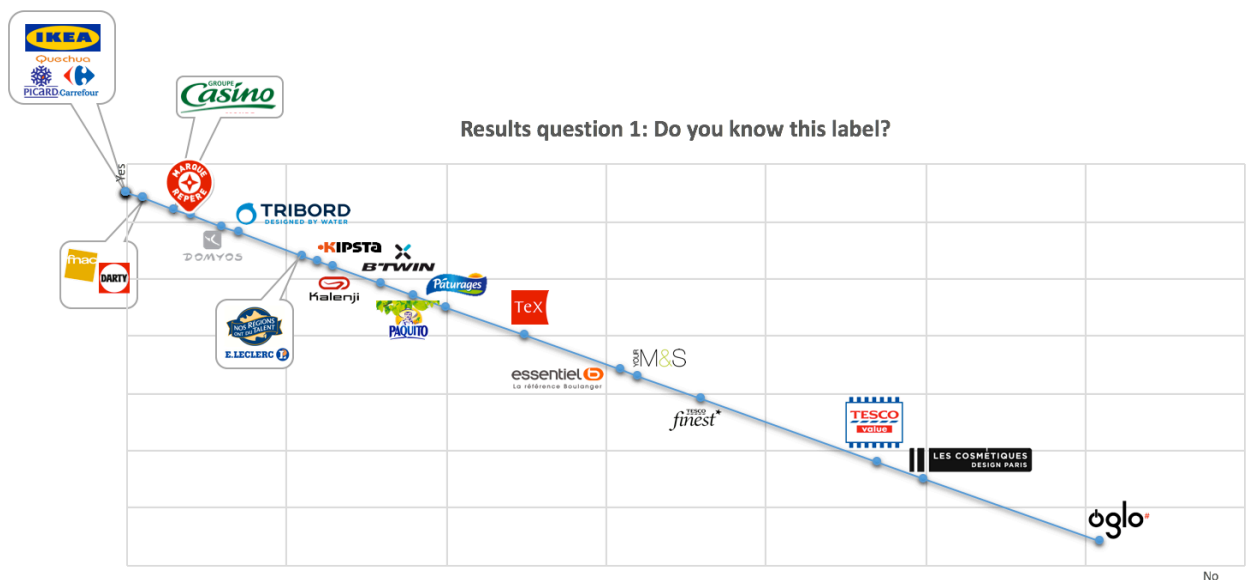
Twenty-four private labels or Distributor's Own Brands were used in the questionnaire. The labels were Carrefour, oglo#, Casino, Kalenji, Picard, Ikea, Domyos, Tesco Value, Nos Régions ont du Talent, essentiel b, Tribord, Fnac, Darty, Kipsta, Marques Repères, Intersport, Paturages, Paquito, Tex, M&S, B'Twin, Tesco Finest, Quechua and Cosmetic Design Paris.

The participants were asked about their knowledge: Do they know this label? Yes, or No. Do they buy or consume the label? Yes, or No. Do they believe that the label is a private label or Distributor's Own Brand? Yes, or No.

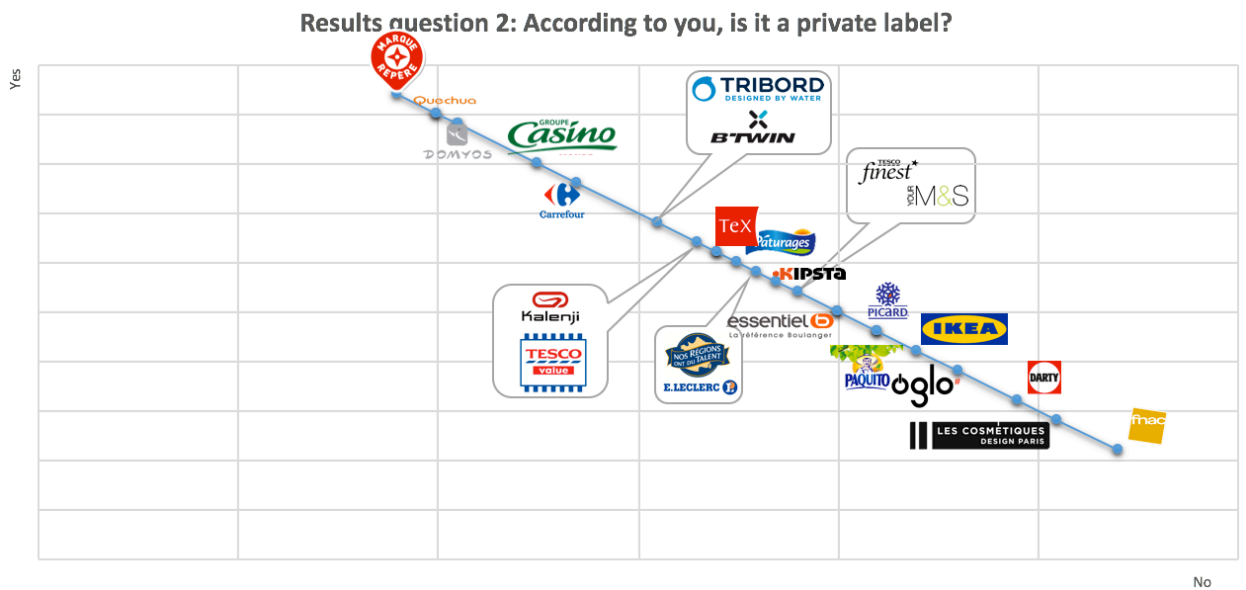


[Picture 8] The logo of the private labels and DOBs in the questionnaire

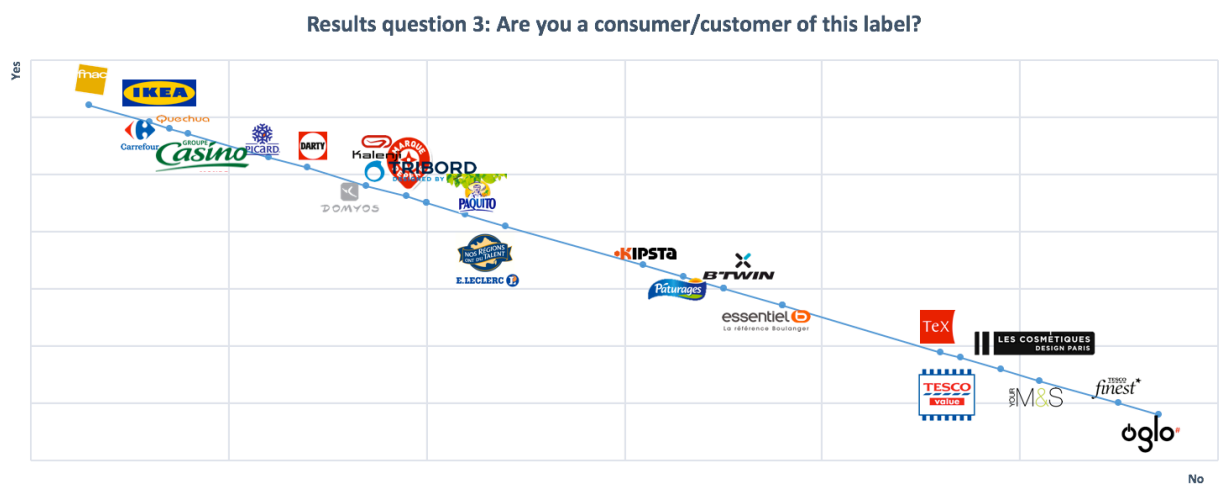
As a result of the first question: Do you know this label? All the participants have answered Yes for the following labels: **Ikea**, **Intersport**, **Picard**, **Carrefour** and **Quechua**. 100% of the participants know those labels but do they know them because they purchase or consume them ? Are they aware that the brand is own by their retailer?



[table 9] The results of the question 1 of the questionnaire



[table 10] The results of the question 2 of the questionnaire



[table 11] The results of the question 3 of the questionnaire

As we can easily notice, the private label Carrefour is known by every participant. A high majority of them also purchase or/and consume products from the so-called retailer.

Going further in details with the brands, Carrefour, Casino, Picard, Ikea, Fnac, Darty, Intersport, Tesco Value & Tesco Finest are private labels and they hold the name of their retailer in their designation. Nos Regions ont du Talent, essentiel b, Marques Repères and M&S are private labels that do not hold the name of their retailer in their designation. Last, oglo#, Kalenji, Domyos, Tribord, Kipsta, Paturages, Paquito, Tex, B'Twin, Quechua and Cosmetic Design Paris are Distributor's Own Brands. It means that the strategy of the retailer is to separate its image and values from the DOB's image and values. Kalenji, Domyos, Tribord, Kipsta, B'twin and Quechua are DOBs owned by the retailer **Decathlon**.

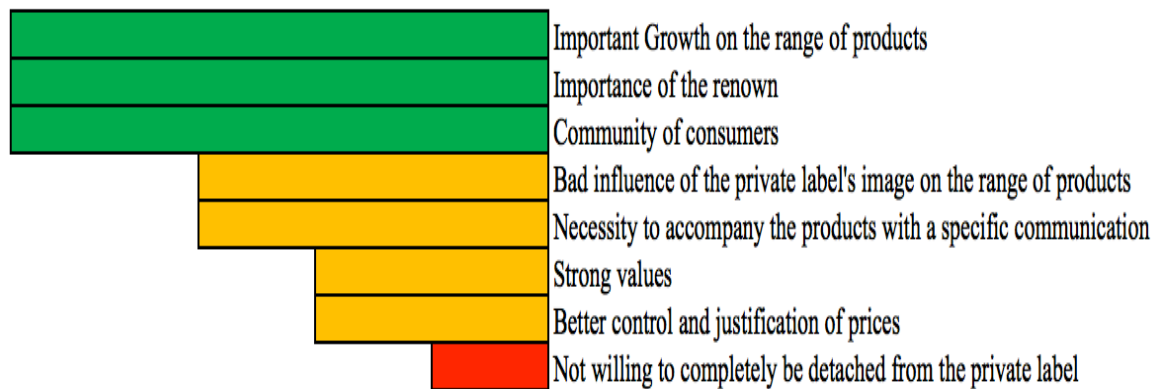
Tex and Cosmetic Design Paris are owned by **Carrefour**. Oglo# is owned by **Boulangier**.
Paturage and Paquito are owned by **Intermarché**.

Distributor's Own Brand	Retailer
	
	
 	
 	
 	
	
 	

5.1.2 Results of the interview

The main aim of conducting the three interviews was to understand the motivations of the Distributor’s Own Brand manager for creating DOB instead of private label.

After analysing the results, we have noticed three common motivations for retailers to create DOB instead of private label. First, when the growth of the range of products is increasing consequently. Secondly, when the renown of the competitive brands is very important for the range of products. Finally, when there is a strong community of consumers.



[table 12] The result of the interview

Indeed, all the range of products, no matter what own brand were enjoying an important growth. For example, the boxing players have been increasing up to 10% each year for 5 years. Besides, these ranges benefit from a strong community of consumers. The community holds specific values and if the retailer wants to enter those specific markets, it has to adopt those values. For example, there is more and more cooking TV shows, YouTube channels or blogs dedicated to recipes. The community of people with a strong interest for cooking has extended over time and is now able to share it together. The private label does not appear sufficiently qualitative to compete the current market and retailers have to adapt their supply. For that matter, the sound system market is plugging with advertising for international brands. There was a huge gap of the incentive reasons of purchasing between the customers of manufacturer brands and the customers of private labels, unfavourable for the last ones. The main actors of the market, internationally renown, **JBL**, **Beats**, **Marshall** and **Bose** have built durable and forceful communities due to a powerful communication on the media mostly through celebrities. The only way of increasing the margins on the category of sound system products, the retailer had no choice but to create a Distributor’s Own Brand. Finally, observations and consumer’s interviews

of the retailers have also revealed the importance of the renown. Indeed, sometimes the private label's renown is a constraint on the consumption. For example, the retailer A, **Décathlon**, used to sell all the goods dedicated to fitness, gym and combat sports under the own brand **Domyos**. Observations and consumer's interviews have shown that a part of the potential customers were not willing to buy boxing goods under the same brand that a gym or a fitness brand. The verbatim record was often "I don't want to wear boxing protections that have the same label than the dancing skirt of my little sister". It is also a matter of coherence. When all the retailer's goods are branded under the same label whatever their function, the customer can't identify easily the function of and find an answer to it needs. For example, a speaker labelled **essentiel b**, the private label of the retailer B, holds the same label than a refrigerator, a dishwasher, a USB port or a hairdryer from the retailer supply. The confusion regarding the use comes quickly.

Then, another motivation, weaker than the other, is linked to the establishment of the price. As a matter of fact, the retailers have to keep a common price line on their own goods. They are often 20% cheaper than the manufacturer goods. Thanks to a DOB, the retailers can set prices that compete the international brands. It allows the retailer to increase the quality of its goods but also its margins.

5.2 Discussion

5.2.1 Results report

To sum-up the results of the questionnaire, the sampling has a positive attitude towards the private labels because people consume the private labels' products in their daily life. This is the reason why the average grade assigned to the value for money is 3,21/5. The best average grade assigned to the value for money is given by the generation Z, the young people of our society. In addition, the sample knows a large majority of the labels named in the questionnaire. As a matter of fact, 100% of the participants know 20% of the labels named. Those famous labels are Carrefour, Ikea, Picard, Intersport and Quechua. Carrefour is probably associated to the so-call retailer. However, in the questionnaire, two other labels are Carrefour Own brands: Tex, dedicated to the clothing department, and Cosmetic Design Paris, consecrated to the cosmetics and body care department. The first supposition, H1. The private labels are recognizable by the customers only because they hold the name of the retailer on them, is illustrated by the obvious

example of Carrefour. Very few people believe that Tex and Cosmetic Design Paris are private labels due to their designation. The strategy of Carrefour regarding Cosmetic Design Paris Own Brand is the exact strategy that the authors described while explaining the advantages of creating DOB instead of private label. Carrefour is doing it best to separate it retailer's image from the cosmetic and body care market sector. Thanks to that, customers can treat the DOB as a manufacturer brand. Carrefour has succeeded in entering into this very competitive and branded market.

Then the results of the interview reveals three main motivations for the retailer managers to create DOBs instead of private labels. First, there is an important growth on the range of product, then, the renown of the brands is very important on the category, last, a large community of users exists. Those arguments illustrate the second hypothesis, H2. It is worthy to create an Own Brand if the category of products is in full growth and the branding is important for the consumers.

5.2.2 Interpretation

As we have seen in the literature review, the authors assigned the quick development of private labels to the development of mass consumption in the 80s. The process of integration and acceptance of the private labels as some competitive brands of manufacturer brands take time. This is the reason why it's easier with the new generation, generation Z, the people born after 1997, and why they allocate the best grade for the value for money to the private labels. They consider the private labels' products as fully-fledged competitors of manufacturer brands' products. They compare all their characteristics while evaluating the supply. However, due to their young age, they are not representing yet the majority of the purchasing power. The perception of the private label quality has improved with time but the cheap prices don't do everything. As we have noticed, 100% of the participants know the private labels that are holding the name of their retailers: Carrefour, Picard and Ikea, for example. The image, so by deduction the quality of the private labels, is strongly linked to the retailer's image and values. The only way to separate them and to create a clear supply is to create Distributor's Own Brands instead of Private Labels. It falls within a matter of coherence of the supply.

Let's focus on the case of **Carrefour**. **Carrefour** owns several private labels and almost all of them hold the logo of the retailer. All of them but two. Indeed, Carrefour has

launched two Distributor's Own Brands over the past years. There are Tex, dedicated to the clothing, and Cosmetic Design Paris, consecrated to the cosmetics and body care. Those DOBs are entirely separate from the Carrefour image of place of distribution. Carrefour settles for distributing them as an exclusivity.



[Picture 9] Carrefour private labels and Distributor's Own Brands

In an interview given to L. Gautherin (2012), Marie-Caroline Renault, the brand manager of Cosmetic Design Paris explained what distinguished the DOBs from the manufacturer brands. First, the assortment is the largest ever created with more than 600 references, a world first. This diversity allows the brand's team to speak to all the women. By the way, the women represent 70% of the Carrefour clientele, [20]. Then, and it's probably the most important, the brand guarantees a high quality to all its products even if they deliberately have chosen to set low cost, 20% to 30% cheaper than manufacturer's brands available in Carrefour stores. For sure, this strategy would have never worked if the cosmetic products were labelled under **Carrefour** label. According to Distripédie, in 2012, the private labels' products of hygiene and beauty represented only 8,1% of the entire assortment. The reason why is that manufacturer brands reassure more than private labels. Clothes and cosmetics manufacturer brands also enjoy a very strong branding, [21].

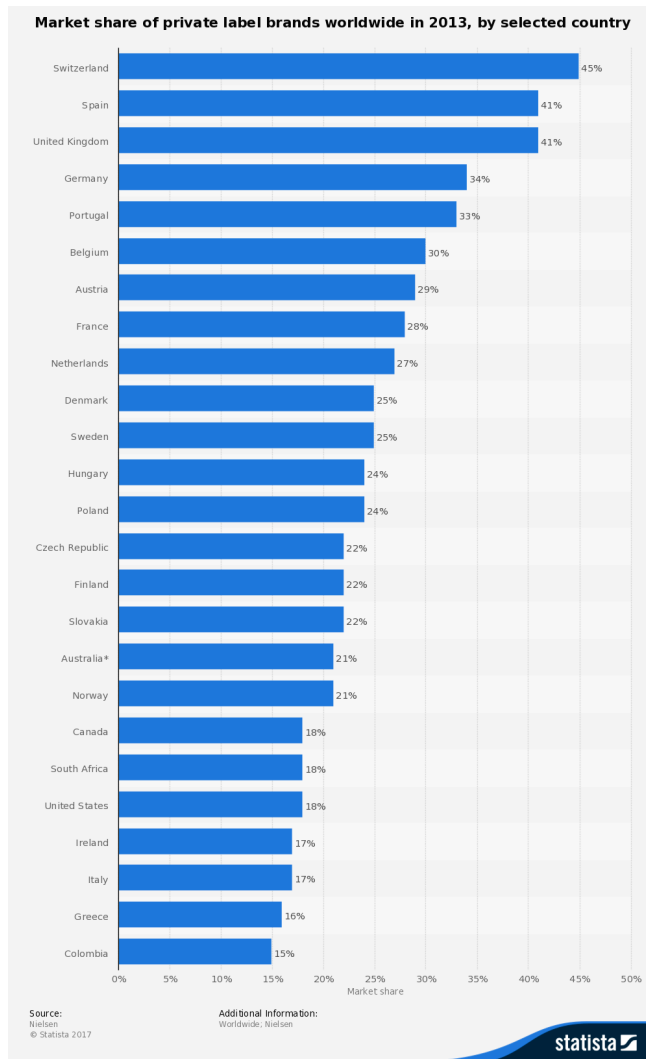
As Marie-Caroline Renault says, creating a DOB allows to manage the private label as an international brand. However, as it is a investment for the retailer to create DOB instead of labelling its products with a private label, there are different characteristics that the assortment of products should respect to become a DOB. First, there must be an

important growth on the range of product. Then, the renown of the international brands is very important on the category. Last, a large community of users exists. On the contrary of the authors statements, the price is definitely not the major argument, either for retailers or for customers.

The retailer Decathlon, at its beginning, was distributing international brands sport-goods (such as Nike, Adidas, Puma, Asics...). Then, the retailer widened its supply thanks to private labels sport-goods called "Decathlon product". The market of sport is made up of communities of users, either it's about beginner or advanced sportsperson or runners, football players, skiers, swimmers, horse riders or golfers... The company has early noticed the high importance of dividing its supply of private labels in order to better speak to its customers. Now, the retailer is a world model in terms of new strategy of branding. Decathlon is so much skilled to create Distributor's Own Brand that 100% of the participants of the questionnaire knew the mountain DOB, Quechua.

5.2.3 Self criticism

First of all, the research-conduct are only qualitative. There are no quantitative figures in this thesis. Secondly, in the questionnaire, the sample is only composed by educated people mostly from France. As we can notice through the following table, the countries are not equally affected by the consumption of private labels. Even if the market share of private labels in France is well positioned, there are other countries where the research would have been more successful, in U.K for example. Then, still regarding the sample, it lacks of housewives but they form the biggest amount of customers of private labels and manufacturer brands. Finally, the research lacks of DOB manager of food retailers whereas it's interesting to study what is happening in those types of place of distribution, as the case of Carrefour shown us for example.



[table 13] Market share of private label brands worldwide in 2013, by selected country

6 Conclusion

Unlike manufacturer brands who were created in the XIXth Century, the private labels were born a century after. The private labels are brands developed by a retailer who own them and who distribute them exclusively. The private label can only hold the name of the retailer, such as **Carrefour**, or a specific name in relation with the name of the retailer (Tesco Finest, Monop'Daily). Some retailers can create their own brand, and have their own patent, we called them the Distributor's own brands, DOBs. According to the authors, the main reasons to build DOBs are to increase the retailer's sales per square metre and to increase its net margin. In addition, in our materialistic societies, people want to give meaning to their consumption. The only way to add-value to a product and tell a story or situate its consumption on a ladder of intangible values is to create a brand, (Kapferer, 2012). By creating a fully-fledged brand, the distributor allows its customers to easier find how to answer their needs, to reduce its perceived risks and to personalize their purchase. There are also advantages for the retail companies, they build a competitive advantage against the whole supply, dominated by the international brands, by appropriating and authenticating the assortment of products (Chantal Lai, 2016). The private labels and DOBs are for the most part produced by producers of manufacturer brands. New SMB (small and medium size business) are emerging and they specialize themselves on the conception, development and production of the DOBs' goods. Some other retailers are henceforth manufacturing their goods by themselves. For example, **Intermarché** has opened almost 60 factories in France since 2009 in order to further its economy of scale.

The research conducted tends to demonstrate that the generation born after the creation of private labels are considering them as brands like the others. However, the majority of the housewives do not have a full trust towards private labels. This is one of the reasons why the Distributor's Own Brand managers create this new concept of brands. The research shows that it's worth creating DOBs on certain assortment of products if three main parameters are gathered. First, when the growth of the range of products is increasing consequently. Secondly, when the renown of the competitive brands is very important for the assortment of products. Finally, when there is a strong community of consumers.

Future researches could be conducted on the possibility of co-branding between national brand and Distributor's Own Brands by asking ourselves whether or not such an alliance can benefit both parts.

7 References

Books

[5] Kapferer, J.-N., 2012. *The new strategic brand management: advanced insights and strategic thinking*, 5th ed. ed. Kogan Page, London ; Philadelphia.

[13] Jean-Noël Kapferer, 2002. *Ce qui va changer les marques*. ORGANISATION Edition. ORGANISATION.

[17] Chantal Lai, 2016. *La marque - 3e éd. (Les Topos) (French Edition)*. Edition. Dunod.

[20] Shipley, D. & Howard, P. 1993, "*Brand-naming industrial products*", *Industrial Marketing Management*, vol. 22, no. 1, pp. 59.

Journals

[8] Davies, G., Brito, E., 2004. *Price and quality competition between brands and own brands: A value systems perspective*. *European Journal of Marketing* 38, 30–55.
doi:10.1108/03090560410511113

[10] Kumar, N., Steenkamp, J.-B.E.M., 2007. *Private label strategy: how to meet the store brand challenge*. Harvard Business School Press, Boston, Mass.

Websites

[1] BusinessDictionary.com. 2017. *What is retailer? definition and meaning - BusinessDictionary.com*. [ONLINE] Available at: <http://www.businessdictionary.com/definition/retailer.html>. [Accessed 16 February 2017].

[2] businessdictionary.com. 2016. *Private label*. [ONLINE] Available at: <http://www.businessdictionary.com/definition/private-label.html>. [Accessed 5 December 2016].

[3] insee.fr. 2016. *Marque propre*. [ONLINE] Available at: <https://www.insee.fr/fr/metadonnees/definition/c1756>. [Accessed 5 December 2016].

[4] BusinessDictionary.com. 2017. *What is a distributor? definition and meaning - BusinessDictionary.com*. [ONLINE] Available at: <http://www.businessdictionary.com/definition/distributor.html>. [Accessed 07 February 2017].

[6] BusinessDictionary.com. 2017. *What is national brand? definition and meaning - BusinessDictionary.com*. [ONLINE] Available at: <http://www.businessdictionary.com/definition/national-brand.html>. [Accessed 08 February 2017].

- [7] Définitions marketing. 2017. *Définition : Marque de distributeur » Définitions marketing*. [ONLINE] Available at: <http://www.definitions-marketing.com/definition/marque-de-distributeur/>. [Accessed 08 February 2017].
- [9] <http://www.e-marketing.fr/>. 2017. *Marque de distributeur (M.D.D.) - Définition du glossaire*. [ONLINE] Available at: <http://www.e-marketing.fr/Definitions-Glossaire/Marque-de-distributeur-M-D-D--238349.htm#otCvUXiPESe6SX1C.97>. [Accessed 13 February 2017].
- [11] lsa-conso.fr. 2017. *Les MDD peuvent-elles rebondir ? - Dossiers LSA Conso*. [ONLINE] Available at: <http://www.lsa-conso.fr/les-mdd-peuvent-elles-rebondir,208999>. [Accessed 16 February 2017].
- [12] Définitions marketing. 2017. *Définition : Marque me-too » Définitions marketing*. [ONLINE] Available at: <http://www.definitions-marketing.com/definition/marque-me-too/>. [Accessed 17 February 2017].
- [14] Définitions marketing. 2017. *Définition : Low cost » Définitions marketing*. [ONLINE] Available at: <http://www.definitions-marketing.com/definition/low-cost/>. [Accessed 20 February 2017].
- [15] Wikipedia. 2017. *Tesco Venture Brands - Wikipedia*. [ONLINE] Available at: https://en.wikipedia.org/wiki/Tesco_Venture_Brands. [Accessed 20 February 2017].
- [16] Decathlon: une entreprise au service de tous les sportifs. 2017. *Decathlon: une entreprise au service de tous les sportifs*. [ONLINE] Available at: <http://corporate.decathlon.com/nous-connaître/entreprise-decathlon/>. [Accessed 23 February 2017].
- [18] lsa-conso.fr. 2017. *Intermarché ravive son industrie*. [ONLINE] Available at: <http://www.lsa-conso.fr/intermarche-ravive-son-industrie,112608>. [Accessed 05 March 2017].
- [19] Le nouvel Economiste | *Politique & Economie, Entreprises & Management, Art de vivre & Style de vie*. 2017. *Les marques de distributeurs*. [ONLINE] Available at: <http://www.lenouveleconomiste.fr/lesdossiers/les-marques-de-distributeurs-14287/>. [Accessed 07 March 2017].
- [20] L. Gautherin. 2012. "La beauté n'est pas un luxe, elle est un droit". [ONLINE] Available at: <http://www.aufeminin.com/netmums-bons-plans-carrefour/les-cosmetiques-design-paris-interview-s747653.html>. [Accessed 27 March 2017].
- [21] A. Marolleau. 2012. *Les marques de distributeurs*. [ONLINE] Available at: <http://www.lenouveleconomiste.fr/lesdossiers/les-marques-de-distributeurs-14287/>. [Accessed 27 March 2017].

8 Appendix

Profile of respondents of the questionnaire

Gender	Percentage
Male	34%
Female	66%
Origin	Percentage
French	90%
Other European	8%
Other origin	2%
Generation	Percentage
Generation X	8%
Generation Y	79%
Generation Z	13%
Gender repartition between generations	Percentage
Female of generation X	3%
Female of generation Y	51%
Female of generation Z	8%
Male of generation X	3%
Male of generation Y	25%
Male of generation Z	3%
Other people who didn't answer the question of gender	7%

Interview of a Distributor's Own Brand manager (French)



UNE MARQUE DEDIEE A LA BOXE

Jusque cette année Domyos® était la marque passion de Décathlon qui développait des produits et services pour la musculation, le cross fit, la Gymnastique Rythmique, la Gymnastique Artistique, la gymnastique, la danse, le yoga, le cardio training et les sports de combat.

Tous ces produits portaient la même promesse, le même langage design, la même signature alors que les aspirations, les motivations et les besoins entre ces différents utilisateurs sont différents (santé, bien être versus dépassement de soi par exemple).

En parallèle, certains de ces sports ont une croissance de pratiquants très forte, c'est le cas notamment de la boxe (10% de pratiquants en plus chaque année depuis 5 ans dans le monde). La boxe étant d'ailleurs le seul sport réellement mondial parmi les 12 sports de combat présents chez Décathlon.

Sport mondial, forte croissance, les signaux sont suffisamment forts pour investir sur ce sport et devenir plus pertinent sur l'usage.

Nos observations, nos interviews utilisateurs ont mis en évidence que la notoriété de Domyos pouvait être un frein pour certains boxeurs. Par exemple le verbatim « Je ne me vois pas porter un casque de boxe qui a la même marque que le tutu de ma sœur » est fréquemment prononcée.

Cette pertinence sur l'usage doit s'accompagner d'un design, d'une communication, d'une promesse qui intègrent les codes de la boxe qui ne sont pas ceux de la santé et du bien être.

C'est pour aller jusqu'au bout de cette pertinence que nous avons décidé qu'Outshock serait durablement la marque de la boxe et pas la marque des sports de combat (les sports de combat n'étant pas un sport mais un ensemble de sport).



« Notre objectif est (...) de faire disparaître l'appréhension de se blesser pour explorer toutes les belles valeurs de ce sport. »

Olivier Clayssen, Outshock