

The Effect of Private Brands on Business Performance in Retail

Radojko LUKIĆ¹

ABSTRACT

In the length of time many new retail features were developed, as a part of the total value chain (from manufacturer to customer). One such feature is: the development of private brands (private-label merchandise, private-label brands, store brands, house brands, own brands). Because of economic importance, both in theory and in practice, more complex stress was put on its research from various perspectives: the individual countries and regions - geographic, retail companies and formats (types of stores), product categories, as well as from the perspective of the perception of customers / consumers. In the context of it, special empirical emphasis was placed on the effects of private brands on business performance in retail, in particular, on cost, gross margin, profit, in other words, on profit indicators, such as: rate of profits from sales, profit rate of assets and the rate of profit of the share capital.

Having such starting point, this paper attempts to, as thoroughly as it can, primarily empirically, investigate the impact of the development of private brands in the retail business performance. Using the latest available relevant data gathered from various scientific and professional sources, including well-known agencies that primarily conduct empirical analysis of private brands in some countries, companies and retail formats and product categories.

The results should serve as a reliable basis for creating the most efficient strategy for managing the development of private brands in order to improve business performance in retail. This is especially true of the so-called "emerging market" private brands, as it is the case with Serbia.

KEYWORDS: *brands, market share, customer perception, price, gross margin, marketing costs, profit*

JEL Classification: *D40, L81, M41*

Introduction

Under the conditions of strong competition on the retail market, retailers continually develop new strategies and ways of doing business as a function of better market positioning and, thereby, achieving the target profit with an aim to meet the needs and demands of customers. As part of that, the importance of developing private brands is increasing. The main objective of the development of private brands is to achieve the highest possible customer satisfaction with optimal investment as a fundamental prerequisite for achieving the desired profit.

¹ *Radojko LUKIĆ*, Faculty of Economics, University of Belgrade, Serbia,
E-mail: rlukic@ekof.bg.ac.rs

In today's retail business conditions, development of private brands, in line with the aim of improving competitiveness and market position, has become "a global phenomenon" and a critical factor in the success of retailers. Private brand, because of economic importance is thoroughly researched from different perspectives, both at macro and micro level.

In this paper, a private brand is primarily focused from the perspective of its impact on overall business performance of retailers. It is, in fact, seen as a critical success factor of modern retailers. As a function of achieving the goal of research in this paper we firstly show the dynamics of development of private brands by individual countries and regions, retail companies and formats and product categories. Then, in short, we present the theoretical basis of the effects (advantages and disadvantages) that the development of private brands has. In addition, we conclude that there are controversies in the literature regarding the effects of the development of private brands in the business performance of retail companies. In the end, relying on the theoretical basis of analysis of the effects, the original data based on the empirical effects of the development of private brands in the overall performance of retailers are examined. Based on the theoretical and empirical results in this paper we propose the appropriate strategies for more efficient management of the development of private brands in order to improve overall business performance of retailers, particularly the so-called "emerging markets", as it is the case with Serbia.

1. Literature Review

In the West, because of economic importance, extensive literature analyses the problems of efficient management of the brand (Kelle, 2003), including the development of private brands. A number of books and monographs concerning this matter were published and many chapters (*Berman, 2010; Levy, 2007*) the books in the field of retail management were devoted to examining the economic effects of the development of private brands (*Berman, 2010; Levy, 2007*). Highly evaluated journals also published a number of articles devoted to research of various aspects of the development of private brands (*Ailawadi, 2004*). Special renowned agencies conduct, first of all, empirical analysis of economic effects of the development of private brands.

Lately, in countries with characteristics of the so-called "emerging markets", both theoretical and empirical study of private brands is increasingly conducted. Theoretical and empirical attainments of the West concerning this issue are used to a great extent. In this paper, all accessible theoretical and empirical achievements are used as a fundamental framework for comprehensive understanding of the effects the development of private brands in the overall business performance of retail, especially in countries with characteristics of so-called "emerging markets", as it is the case with Russia, Serbia and other countries in the region.

2. Hypotheses, Methodology and Data

The issue of efficient management of the development of private brands is, by nature, very relevant and complex. It is examined from various perspectives and within its framework different hypotheses are tested. In this paper, after a brief overview of development theories, those hypotheses regarding the effects of the development of private brands in the business performance of retail companies are tested. These are primarily the following:

The first hypothesis (H1): The influence of development theory on the applicability of the concept of the development of private brands by individual country and region (geographic concentration), retail companies and formats and product categories.

The second hypothesis (H2): The influence of culture of a customer on the acceptance of private brands, especially in countries with features so-called "emerging markets".

The third hypothesis (H3): Is the strategy of private brands acceptable in relation to other, alternative and competitive, in terms of improving business performance of modern retailers in the future.

The fourth hypothesis (H4): The relationship between intellectual capital management, information and communication technology and development of private brands concept.

The fifth hypothesis (H5): What should the balance-sheet accounting treatment of private brands in modern retail companies be like.

These are the following research methods: historical method, comparative method, accounting method and statistical method.

The application of the given methodology in testing the set of research hypotheses is based on original empirical data collected by specialized agencies for private brands, as well as from published articles primarily in highly evaluated international journals.

Obtained in this way, theoretical and empirical results should serve as a basis for creating the appropriate strategy for managing brands in the function of business performance in retail improvement. This particularly applies to the countries with a negligible share of private brands in total sales value, as it is the case with Serbia.

3. Results

3.1 Theoretical basis for the development of private brands

As is known, the structure of the assortment of retailers can be composed as to include different types of brands: the manufacturer's or a national brand, private brand or store brand and generic brand. The manufacturer's or a national brand products are manufactured and controlled by the manufacturer. They are well known, supported by the manufacturer - sometimes before the actual sales to customers, retailers require limited investments in marketing, often represent the maximum quality for customers, and dominate in sales of many product categories. Retailers who prefer manufacturer brands are small firms, web firms, discounters and others who want to have a well-known manufacturer brands and strategies that have lower prices (customers are able to compare prices of different retailers for items of the same name brand).

Manufacturer's or national brands are - even though they are increasingly exposed to fierce competition from private brands - the dominant type of brand, with the participation of over 80% of the total dollar sales value of retail trade in the world (Berman, 2010).

Private brand or store brand is different from the manufacturer's brand in that it bears the name of wholesalers or retailers, it is more profitable for the retailer, it is better controlled by the retailer, it not sold by other competing retailers, it is cheaper for buyers, and increases the buyer's loyalty the retailer (Berman, 2010) In operations with private brands predominantly, retailers can dictate terms to suppliers, organize distribution and storage,

and if necessary, financially sponsor customers and others, create presentations, and compensate for the loss of unsold items. All this affects the interests of retailers to increase the rapid development of private brands. Important global characteristics of so far development of private brands in the world are as follows (Berman, 2010):

1. Private brands participate in the dollar value of sales with 17%, and in unit sales with 22% of U.S. It represents the dollar value of sales: food stores 19%, pharmacies 15%, and mass merchandise 12% in the United States. In Northern Europe, the share of private brands in total dollar value of sales ranges from 13 (Italy) to 32% (Spain).
2. Prices of private brands are generally lower for 20 to 30% compared to manufacturer brands, what is beneficial to customers and retailers (the costs are lower and revenues are distributed to a small number of participants, ie. remain almost entirely to them). Retailer's profits are higher than private brands, despite lower prices.
3. Most U.S. customers prefer private goods brands - 80% buy them regularly.
4. For many companies, such as *The Gap*, *Old Navy*, *The Limited*, *McDonald's* and other private brands represent a larger amount or the whole of their earned income.
5. Large virtual retailers (eg *Amazon.Com*) sale strong, both private and national brands.

In the past, private brands were treated as special discount versions of the middle class products. The current position of private brands is completely changed for the better. Retailers rapidly develop private brands with: **more distancing brands**, packaging innovations, in-store merchandising, creating an appropriate assortment in the shop and support. In this way they cause the increase in the perception of customers towards the private brand. It has a positive impact on the performance of private brands.

In the long term, private brand is lower cost alternative for customers in relation to national brands. Customers increasingly believe that the private brand goods are good and sometimes of better quality than national brands (Berman, 2010). The new form of private brands is the premium of private brand. It is in terms of price, costs and quality more acceptable to customers.

The famous retailer *Wal-Mart* uses a new approach to the development of private brands. It is well known for its discount prices and value-oriented private brands.

Generic brands contain generic name of product as a brand, such as canned peas; they are no-frills goods stored by some retailers. They are treated as a special form of private brands. Items of this type are placed in secondary positions on the shelves, have little or no promotional support, may be of lower quality, stored in a limited range and have plain pack. Retailers control the generic brands and their prices are lower than national brands.

Generic brands at supermarkets participate in the sale less than 1 percent. "In the prescription drug industry, where the quality of manufacturer brands and generics is similar, generics provide 60 percent of sales" (Berman, 2010).

High competition between manufacturers and retailers for a place on the shelf and profits leads to a strong fight between certain types of brands. The manufacturer, private and generic brands are each fighting for a place on the shelf and control of sales and profits. This is appropriately reflected in the overall business performance of modern retailers.

3.2 Global development of private brands

In this paper, the global development of private brands will be observed by individual countries and regions, retail companies and formats and product categories. Shows the market share of private brands in value sales by country for the period 2010-2015.

Table 1. Private Labels: Share of Market by Value, 2010-2015

Country	2010 (forecats) (%)	2015 (forecast) (%)
Switzerland	46	47
UK	41	43
Germany	33	35
Spain	32	35
Netherlands	32	34
France	30	32
Belgium	29	31
Denmark	24	25
Australia	24	27
Canada	22	24
World	22	24
USA	21	23
Sweden	18	19
Czechoslovak Republic	15	18
Italy	13	14
Poland	13	16
India	11	14
Turkey	9	12
Japan	9	11
Brazil	7	9

Note: Based on selected mature and emerging markets and analysis of The Nielsen Company.

Source: PlanetRetail - Grocery Retailing in the UK: Power shifting to retailers, Planet Retail Ltd, April 2010. (www.planetretail.net-Planet Retail 2010)

Data presented in the given table clearly show the high market share of private brands in the value of sales in Europe. It is, generally speaking, significantly lower in the so-called "emerging markets", but with a certain tendency of growth. The situation in this regard is similar in countries in transition.

Market share of private brands in the sales value is different by individual retail companies. Presents selective leading retailers in terms of market share of private brands in their sales value.

Table 2. Top 20 retailers: Private label penetration

Retailer	2007 (estimate) (%)	2008 (forecast) (%)
Wal-Mart	38	39
Carrefour	35	36
Metro Group	17	18
Tesco	48	50
Schwarz Group	61	60
Seven & I	28	30
Target	15	16
Costco	16	18
Auchan	25	25
Kroger	25	26
Aldi	94	94
AEON	21	23
Rewe Group	27	29
Walmart *	17	17
Edeka	16	17
Ahold	24	26
Casino	33	35
Sears	42	42
Best Buy	8	10
CVS *	14	15

Note: * excludes pharmacy.

Source: Planet Retail Ltd - www.planetretail.net By: Overview of private label in Europe & Update on PLMA 2009, Declan Fennell, Board Bia Amsterdam, 22 April 2009.

Leading global retailers largely control the market share of private brands in total sales value. Table 3 shows the concentration of retail markets and market share of private brands.

Table 3. Retail concentration of the most developed private label markets

	Country	Region	Private label share	Retail concentration
1	Switzerland	Europe	45%	86%
2	Germany	Europe	30%	65%
3	United Kingdom	Europe	28%	65%
4	Spain	Europe	26%	60%
5	Belgium	Europe	25%	80%
6	France	Europe	24%	81%
7	Netherlands	Europe	22%	64%
8	Canada	North America	19%	62%
9	Denmark	Europe	17%	89%
10	United States	North America	16%	36%
11	Serbia (2009) *:	Europe	2.3%	44.96%
	Delta Maxi		12%	27.73%
	Mercator-S		18%	17.23%

* Author's calculating based on analysis of internal reports of observations of retail companies, as well as data: (January 2011), ("Moderate Optimism"), Progressive Magazine, No. 80, p. 35.

Source: Nielsen, AC. (2005). The Power of Private Label

From the data presented in the given table it is clearly shown that major retailers in Europe control over 80% market share of private brands. This is almost the case in all private brands markets, in developed as well as "emerging". So, for example, in Serbia, with characteristics of "emerging markets", major retailers (Delta Maxi and Mercator-S) control over 40% market share of private brands.

In order to improve overall market and business performance global retailers use different strategies of creating their own brand. So, for example, a new approach to global retailer *Wal-Mart*: the lower the price and value orientation private brands.

Market share of private brands in the sales value is different by individual retail formats - types of stores (Table 4). The growth rate of dollar sales of private brands is, however, significantly higher in conventional stores (18.3%) than in supermarkets (9.8%). It can be concluded, on the basis of this that in the future private brand, because of economic importance, will be sold in all types of retail stores.

Table 4. Private Label Sales Growth by Format, US, 2008

	Private Label Dollar Sales Growth (percent)	Private Label Dollar Share of Store Sales (percent)
Supermarkets	9.8	17.9
Drug Stores	15	13
Convenience Stores	18.3	1.5

Source: The Nielsen Company, YTD Dollar Sales Ending 09/06/2008 vs. Year ago, Total US. By: Agriculture and Agri-Food Canada, Global Private Label Trends, International Markets Bureau, Market Analysis Report, April 2010, p. 5.

Level of development of private brands is different in individual product categories. Table 5 shows the level of development of private brands in certain categories of products for selective countries.

Table 5. Private brands by product category

The volume share of private labels in 2009, by category	United Kingdom	France	Germany	Belgium	Netherlands	Spain	Portugal	Italy	Austria	Switzerland
Dairy products	58.7		54.7	52.7	29.9	41.7	32.7		47.7	69.1
Frozen food	49.5	57.2	53.5	65.2	23.2	74.2	41.7	28.1	51	72.9
Delicacy	75.3	52.7			44.8	37.1		25.2		
Dry food	41	44.2	53.1	46.1	25.6	51.8	36.1	17.5	44.8	56.3
Sweets	22.3	19.7	35.2	28.8	16.3	23.6			28.6	51.3
Hot drinks			37.4	48.2	29.2	42.6			32.5	54.2
Soft Drinks	43.2	20	55.8	37.4	18.2	27	20.7	13.5	36.3	48.8
Alcoholic beverages	28.1	23	28.6	23.8	13.9	26.9		5.2	16.4	
Household Cleaners	37.8	34.2	46.2	38.7	22.6	48.8	39.4	22.5	42.4	52.8
Stationery		56.3	72.2	64	34.9	69.7	45.6		42.4	52.8
Personal hygiene products	16.8	8.1	12.6	10.1	6.4	17.1	7.9	8.7	16.1	20.7
Grooming products and pet food		26.5	53.7	38.9	23.3	41.1	42.3	21.9	45.2	40.8

Source: Progressive Magazine, No. 79, December 2010, p. 20.

From the data presented in the given table we can notice a significant share of private brands in retail of food and beverages. high proportion of private brands in the food and beverage sector is estimated in Western Europe: the United Kingdom (43%), Germany (34%) and France (30%), while it is significantly lower in the United States (17%) and

Canada (18%). (AC Nielsen. Quoted: Deloitte - Designing a strategy for success in food and beverage, Branded Vs. Premium private label, p. 4)

Because of economic importance, in the future, development of private brands in other categories - non-food products will be definitely increasing.

4. The development of private brands in Serbia

Serbia has underdeveloped market of private brands, and in terms of development of private brands Serbia belongs to the "emerging markets".

Table 6. Private Labels: Share of Market by Value, Serbia

Country	Market share (%)
Russia, 2008, 2013 (prediction)	3; 4
Slovenia, 2009	11
Croatia, 2009	7
Serbia, 2009	> 3

Source: PlanetRetail, Private Label Trends Update 2009 (by: Global Trends and private labels potential expansion into the Russian market, PricewaterhouseCoopers, November 2009, Slide 3) and the Progressive Magazine, No. 79, December 2010, p. 17.

There is the smallest market share of private brands in sales value in Serbia among the countries of the region. The results showed that in Serbia about 19% of consumers (15 years old and up) buy private brands. That percentage is, however, much higher in the region: Croatia 39%, Slovenia 30%, Czech Republic, Hungary, Poland and Russia 28%, and Western Europe 45%. In Serbia, 49% of consumers think that the private brand is of the same high quality as national brands, and 46% of consumers believe that products sold as private brands are worse in quality (The Progressive magazine, No. 79, December 2010, pp. 18). The most popular private brands that can be found in retail chains in Serbia, "Fedele", "K +", "Favola", "Asset" and "Rial".

Even though it shows slight increase of growth, market share of private brands in total sales in Serbia is still small and it is different in some retail chains and for example, at major retail chains in 2009 it accounted for Delta Maxi 11.25%, with a tendency to increase for five years at 25%, and for Univerexport 6%, aiming to increase until 2010 up to 10% (source: Private Labels, Market, Sep / Oct 2009). It is, therefore, much lower compared to leading global retailers Market of private brands in Serbia, like in other countries, is controlled by (40%) leading retail companies (Delta Maxi and Mercator-S).

Branded foods and beverages are mainly bought in supermarkets in Serbia. Market share of private brands in the staple foods, frozen food, meat products and personal hygiene products increased (Koncar, 2010).

Prices of private brands are much lower compared to branded products, due to lower marketing costs illustrates the comparative prices of private brands and branded products of the company Mercator S operating in Serbia.

Table 7. Comparative prices of private brands and branded products, the company Mercator S

Private brand products	Price	Branded products	Price
Pepper 100g sweet "Fedele"	64.00	Sweet pepper 100g	99.50
450g frozen peas "Favola"	64.00	450g frozen peas	82.50
Non-carbonated water 1.5L "premium"	24.90	Non-carbonated water 1.5L	36.50
Tea sausage 1kg "trump card"	730.00	Tea sausage 1kg	798.50
Crystal Sugar, "Fedele" 1kg	57.50	Crystal sugar 1kg	59.40
Cooking chocolate, "Fedele" 200g	86.90	Cooking chocolate 200g	127.70
Trappist cheese "Premium" 45%, 1kg	519.80	Trappist cheese 45%, 1kg	699.90
Toilet paper "Alba" Double Layer 4 / 1	45.50	Toilet Paper Double Layer 4 / 1	54.00
Detergent "Alba" Apple 1L	50.50	Detergent Apple 1L	63.00
Account	1.643,1	Account	2.021,1

Source: The trademarks and save up to 40%, Press, Belgrade, 05.02. 2010.

Therefore, there is great potential for the development of private brands in Serbia, as an important instrument of market positioning and improving overall business performance of retailers. In order to accelerate the growth of private brands on so-called "emerging markets", which means in Serbia, it is important to be well informed about everything, to educate and build confidence in customers. Positive effect of it is an improved perception of customers towards the private brand. In addition we can largely use the experiences of developed private brands markets.

5. Private label participation in the total value of retail brand

Brand value is one of significant overall performance management tools (market, business and financial) in retail (Keller, 2003). It is calculated by discounting the expected cash flows or profits from the development and introduction of the brand. Brand value affects the market position of individual retail companies. Shows the value of retail brand for 10 top retailers in the United States.

Table 8. The value of retail brand top 10 retailers in the United States

Rank, 2009	Retailer	Brand value	Changes in brand value
1	Walmart	\$ 154,144 B	19%
2	Target	\$ 25,500 B	49%
3	Best Buy	\$ 17,806 B	-19%
4	The Home Depot	\$ 17,043 B	18%
5	Walgreens	\$ 14,319 B	28%
6	CVS	\$ 14,122 B	12%
7	Sam's Club	\$ 10,540 B	11%
8	Dell	\$ 10,291 B	-12%
9	Coach	\$ 8,887 B	-2%
10	Amazon.com	\$ 7,858 B	22%

Source: Interbrand Design Forum.

Practical research found that the private brand participate with more than 50% in creating the total value of retail brand in the United States.

6. Economic performance of private brands

Private brand is one of very important instruments of managing economic performance in retail. It affects: store loyalty, store image, the flow of customers through the store, sales and promotional costs, limits, differentiation and margin benefits. Table 9 presents the theoretical alternative advantages of a national in relation to a private brand.

Table 9. Alternative Advantages of Manufacturer versus Private Brands

Impact on Store	Type of Vendor	
	Manufacturer Brands	Private-Label Brands
Store loyalty	?	+
Store image	+	+
Traffic flow	+	+
Selling and promotional expenses	+	-
Restrictions	-	+
Differential advantages	-	+
Margins	?	?

+ advantage for the retailer, - disadvantage to the retailer, ? depends on circumstances.

Source: Levy, M. and Weitz, B.A. (2007), Retailing Management, McGraw-Hill, Irwin, Boston, p. 375.

Private brands benefitsfor retailers are lower prices, higher margin and more effective strategic control. It is adequately reflected in their overall business performance.

An important characteristic of private brands is that prices are lower 15-40% on average compared to national brands. This affects the behavior of customers towards private brands. O. Namely, they buy the same quality at lower prices Shows the grocery chains private brands pricing policies in individual countries.

Table 10. Private Label Pricing (Grocery Channel)

Country	Private Label Discount vs Branded
Italy	(21%)
UK	(51%)
France	(40%)
Netherlands	(25%)
Germany	(30%)
Spain	(38%)
United States	(30%)

Source: IRI Consumer Network, 52 weeks ending 7/19/2009. (By: Global Trends and private labels potential expansion into the Russian market, PricewaterhouseCoopers, November 2009, Slide 6)

From the data presented in the given table we clearly see that the average discount of private brands is 30%. It encourages the buying of private brands. Prices of private brands were lower compared to branded products due to lower marketing costs, because there is no competition since products are sold predominantly in only one retailer.

Practical research presented that the margin of private brands is bigger compared to branded products, especially in the case of their uniqueness. Table 11 presents the profitability analysis of private brands in relation to the manufacturer's brand of the grocery retail chains in the United States.

Table 11. Profitability analysis of private labels versus brand manufacturer brands (U.S grocery retail chain)

	Private labels	Manufacturer brands
Gross margin	30.1%	21.7%
Net margin	23.2%	15.9%
Price *	\$ 1.00	\$ 1.45
Dollar contribution	\$ 0.23	\$ 0.23
Velocity per square foot (index)	90	100
Direct product profitability	21	23

* Assumed price of private labels is \$ 1.00.

Source: Adapted from Ailawadi, K.L. and Harlam, B. (January, 2004), "An Empirical Analysis of the Determinants of Retail Margins: The Role of Store-Brand Share," Journal of Marketing, Vol. 68, Issue 1, p.159. and Steenkamp, J. B. E. M. (2007), Private Label Strategy: How to Meet the Store Brand Challenge, Harvard Business School.

In the presented case, therefore, the margin of private brands is higher than the manufacturer's brands margin. This raises the principal question: Are the private brands more profitable for the customers compared to branded products? The survey, conducted on the major pharmacies in the United States (for 2000), found that the increase of private brands purchase share increases the rate of gross margin and that the total dollar amount of gross margin is reduced respectively (Table 12). Thus, there are limits imposed on the increase of profitability of private brands. In the present case the most profitable market share of private brands is up to 35%.

Table 12. Store-Brand Share and Retailer Profitability

Variable	Mean Value for Customers Whose Store-Brand Share is		
	0%	<35%	≥ 35%
Percentage gross margin	27.4%	32.4%	36.8%
Total gross margin dollars	\$ 15.88	\$ 77.79	\$ 48.35
Total dollar amount	\$ 54.68	\$ 244.23	\$ 128.53

Source: Ailawadi, K. L. and Harlam, B. (January, 2004), "An Empirical Analysis of the Determinants of Retail Margins: The Role of Store-Brand Share," Journal of Marketing, Vol. 68, Issue 1, p.161.

In the case of retail formats - discounters, private brands margin may be lower compared to the branded products. It is obvious from the results given in Table 13 for companies with

characteristics of major brands, medium sized brands and private brands in the food and beverage sector.

Table 13. Business Performance of branded vs. premium private brand foods and beverages

	Large branded	Mid-size branded	Private label
Gross margin	44.3%	27.0%	17.9%
SG & A (cost of sales and promotions) as a percentage of sales	27.2%	17.2%	10.5%
Operating margin	11.2%	5.1%	4.0%

Source: Deloitte - Designing a strategy for success in food and beverage, Branded vs. premium private label, p. 9.

Data presented in the given table clearly show that the cost of sales and advertising are significantly lower for private brands than national brands. It has a positive impact on private brands operating margin.

In the literature there are different opinions regarding the effects of the development of private brands for retail business performance. So, for example, according to one study on the example of retail stores in Germany for a period of six years (from 2000 to 2005) it is found that when developing a private brands varieties of products are reduced and that the price increase over time (Olbrich, 2009). The comparison of certain retail formats shows following: turnover is reduced in supermarkets, especially in the hypermarkets, while it increases in the discount stores (Table 14).

Table 14. Regression analysis of private label turnover at retail formats in Germany

Outlet format	Dependent variable	Expected significance	Standardized regression coefficient	t-value	Significance	R ²	Proved?
Discount stores	Turnover of private labels	+(H7)	+0.880	32.682	0.000	0.775	Yes
	Turnover of national brands	+(H8)	+0.010	0.167	0.867	0.000	is not significantly
	Total turnover	+(H9)	+0.639	14.639	0.000	0.409	Yes
Supermarkets	Turnover of private labels	+(H7)	+0.892	34.670	0.000	0.795	Yes
	Turnover of national brands	+(H8)	-0.663	-15.596	0.000	0.440	Yes
	Total turnover	+(H9)	-0.379	-7.218	0.000	0.144	No
Hyper markets	Turnover	+(H7)	+0.936	46.870	0.000	0.876	Yes

Outlet format	Dependent variable	Expected significance	Standardized regression coefficient	t-value	Significance	R ²	Proved?
	of private labels						
	Turnover of national brands	+ (H8)	-0.894	-35.217	0.000	0.800	Yes
	Total turnover	+ (H8)	-0.819	-25.124	0.000	0.671	No

Note: The meaning of the following hypothesis: H7 Over time, turnover of private labels continuously increases; Over time, turnover of national brands continuously decreases, and H9 - Over time, total turnover continually increases.

Source: Olbrich, R. and Grewe, G. (2009), "Consequences of competition between national brands and private labels - Empirical results from different German outlet formats", *International Journal of Retail & Distribution Management*, Vol. 37, No. 11, p. 947.

Conclusions

Economic importance of private brands in all countries of the world is increasing. It affects the key factors in overall performance in retail. These are: customer loyalty to shop, store image, prices, margins, marketing costs, profits, brand value and market value of retail companies. Efficient management of private brands can successfully control these factors impact intensity and therefore improve overall business performance in modern retail.

Research in practice found that - with increasing market share of private brands in total value of sales only to some, optimal limit - the value of key indicators of business performance in retail (sales, margin, profit) increase respectively. If the limit is exceeded they show negative values.

Also, in terms of development of private brands the varieties of products are reduced, prices increase over time and turnover is reduced in supermarkets, especially in hypermarkets, while it is increased in the discount stores. This means that it is necessary to determine for each retail company and store - under the given circumstances - the optimal combination of private brands and national brands participation in the overall range and the values of sales. Much greater economic benefit is achieved by the application of "mixed strategy" brands in retail.

The development of private brands is important for the so-called "emerging markets", as it is the case with Serbia. Private brand is one of the very important instruments of retail companies market positioning, especially in these markets. In other words, the effective control of market positioning - the development of private brands - is one of the critical success factors of retail companies operating in emerging markets. It is quite understandable when one takes into account the fact that the private brands have initially lower prices, higher margins and lower marketing costs compared to national brands. It affects, especially at the beginning, much higher profit from the private brands compared to national brands. During time, there is a need for every retail company to established, under

the given circumstances, "optimal strategy" brands (and retail stores) in order to improve its overall business performance.

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