

Private labels in the strategy of food producers and retailers

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Abstract

The share of private label sales in the food retail trade has increased remarkably during the past five years in Europe and now account for 10-45% of retail sales. In Hungary, the share of retail store brand products already approaches one quarter of the sales volume in the domestic market. The appearance of store brands and their greater distribution has opened a new chapter in the relationship between producers and traders, which are part competition and part cooperation. A new generation of store brands in Hungary have emerged with the increasing concentration and globalisation of food retailing. Store brands which were previously considered as cooperators are today brand weapons. The retailer's ability to find an ideal balance between manufacturers' brands and store brands is a key factor in business performance. From our research, it is not possible to reach a definite conclusion or to offer one solution for producers in their transactions with retailers. The situation differs from region to region, from country to country, and by the commercial structure: i.e., by product group and products. The only conclusion that we can make is that a retailer's decision to produce private label products depends on the company's own intrinsic abilities and strategic objectives. Furthermore, the decision must take into account the market situation, demand and opportunities.