

# Possibilities and risks by production for private labels of the largest Russian retail chains

## Possibilities and risks by production for private labels of the largest Russian retail chains

Date:	October 1, 2006
Pages:	82
Price:	US\$ 2,390.00
ID:	PD2BD8B82EAEN

### Methods of the research

1. Depth interviews with representatives of retail trade networks, which develop or are going to develop own private labels. Interviews with well-known owners of private labels, as Sedmoi Kontinent (The Seventh Continent), Kopeika (Copeck), Azbuka vkusa (ABC of taste), Victoria (chains Kvartal (Block of buildings), Victoria, Dioshevo (Cheap)), SPAR, «O.K.», Nakhodka (Find), Grossmart (chains Billa etc.), and series of regional chain retailers.

2. Depth interviews with representatives of companies which produce for own private labels of retailers and representatives of companies which don't produce such items in principal. Interviews with more than 50 popular foodstuff suppliers were conducted, among them Wimm-Bill-Dunn, Ostankinski bagel plant, Farm Frites, Ramkon, Valuiski fat-and-oil factory (trade mark Milora), Russkart, Imperatorski tchai (Imperial Tea), Abasko, Prosto Petro Group, Moskovskaya Orekhovaja kompania (Moscow Nut Company), confectionary plants Kolomenskoye (trade mark Shokoladnitsa), Cheriomushki and many other well-known companies.

3. Qualitative research of private labels consumers. Depth interviews with private labels consumers. Sampling – 50 respondents. The goals of the interviews were the following:

- reveal characteristic features of perception of chain private labels by consumers;
- reveal characteristic features of consumers' attitude to chain private labels;
- reveal characteristic features of consumers' attitude to the most popular private labels and degree of satisfaction by products which are represented under these labels.

4. Quantitative research. Standardized interviews with private labels consumers (representational sampling in Moscow, 800 respondents). We pursued the following objects in this work:

- find perception maps of the most popular private labels in the Moscow retail chains market. Perception maps for 8 most popular marks in Moscow were drawn up;
- evaluate quantitative parameter of consumers' perception of private labels and attitude to them.

For the quantitative technique the Moscow market was chosen as the most mature market of retail chains with private labels.

As for other regions of Russia, production under private labels is offered quite scanty and it is impossible to obtain a complete picture of consumers' perception of private labels at the national level.

5. Analysis of information regarding private labels of Russian retail chains, which has been published in the Internet and mass media.

### Abstract

- Do you want to get to know whether it is profitable to produce items for private labels of retail chains?
- Do you want to get to know, could your brand be replaced in the shop shelf of a chain by a private label produced by yourself after 2 years of cooperation?
- Do you want to get to know which problems now face the companies which started to produce for private labels 2-3 years ago?
- Do you want to estimate risks by production for private labels?

You can find answers to these and other important questions in the research by "Proryv" company

The research represents a deep analysis of possibilities and risks by production under private labels for manufacturers.

The research is based on analysis of experience of the largest Russian retailers in the sphere of development of private labels and on analysis experience of the largest foodstuff producers in production for private labels. Analysis of creation of private labels by retail chains in collaboration with producers we also compare with characteristic features of perception of private labels by consumers.

We show the characteristic features of perception of private labels generally as well as characteristic features of perception of the private labels, which are most popular by consumers.

In summary, vision of the line of private labels development and grandiose plans in Russia, made by retailers and producers, do not correspond absolutely with perception of private labels by consumers.

- Benefits of development of private labels for retail chains;
- Strategies of development of private labels by retail chains;
- Strategies of price positioning of private labels;
- Strategies of choice of retailers of product categories for development of private labels;
- Wrong beliefs of producers about production for private labels;
- Possibilities in production of private labels for producers;
- Risks in production of private labels for producers;
- Consumers` perception of products under private labels;
- Product categories, in which consumers have confidence in private labels and in which not;
- Knowledge which consumers possess about the most popular private labels and consumption of the most popular private labels in Moscow;
- Consumers` estimation of the most popular private labels by consumers by the criteria «reliability», «freshness», «naturalness», «taste properties», «economy», «prestige»;
- Perception maps of 8 most popular private labels by consumers.

## Table of Content

Introduction

Part 1. Tendencies in development of the private labels segment in the Russian retail

I. Private labels in the world

II. Private labels in Europe

III. Private labels in Russia

IV. Private labels in the Ukraine

Part 2. Practice of creation of private labels by the largest Russian retail chains.

I. Benefits which retailers gain by creation and development of private labels

1. Development of private labels provides the retail chain increase of profitability

2. Private labels contribute to forming of consumers` loyalty to the store brand

3. Promotion of competitive power of the retail chain

4. Development of private labels makes retail chains more independent from suppliers

5. Private labels constitute fictitious assets of the retailer, which raise capitalization of the company

II. Strategies of development of private labels

1. Development of private labels with the name of the chain

2. Development of private labels with another name

3. Development of individual private labels

4. Varied approach to development of private labels, when for each price segment or line a label is assigned

III. Strategies of price positioning of private labels

1. Development of private labels in the lowest price segment

2. Development of private labels in the medium price segment

3. Development of private labels parallel in several price segments

4. Trials to create private labels in the premium segment

IV. Strategies of choice of commodity groups for development of private labels

1. Choice of commodity groups possessing low loyalty of consumers to the brands, i.e. where consumers pay more attention to properties of items than to image characteristics of a brand

2. Choice of commodity groups with long shelf-life
3. Choice of commodity groups with a large advertisement budget
4. Choice of commodity groups with „substandard” risk to face with low-quality goods

### Part 3. Possibilities and risks by production for private labels

#### I. Wrong beliefs of manufacturers regarding production of goods for private labels

1. A private label enables launching a the manufacturer’s brand and helps to displace competitors from shop shelves
2. A retail chain guarantees launching of a private label
3. A private label reduces costs concerned with «admission» into the chain

#### II. Possibilities which manufacturers open up by production for private labels

1. Higher load of production facilities
2. Stability and predicted sales amount by production of private labels
3. Production for private labels enables to launch own manufacturer’s brands into retail chains or broad the assortment of own brands there
4. Reduction of costs, concerned with admission into chains
5. Improvement of terms of cooperation with a retail chain
6. Reduction of costs for marketing, advertising, launching of manufacturer’s goods and brands
7. Production of private labels is a way to displace competitors from shop shelves

#### III. Risks by production for private labels for manufacturers

1. Strong dependence on supplies to the retail chain
2. Discounts which the retail chain expects, can considerably exceed the marketing budget, which the manufacturer spends for launching of own brands
3. Sooner or later the retail chain will strive for replacement the manufacturer’s brand by a private label
4. Competition between a private label and manufacturer’s brands
5. Lack of skill of retail chains to work with the own trademark
6. Extension of requirements of retail chains, which result in increase of production costs

### Part 4. Perception of private labels by buyers

#### I. Perception of private label products by consumers

1. Private label is a product of a small farm (own subsidiary or farmer’s one)

2. Private label is a product of a small workshop, which has been organized somewhere at the shop or is a department of the shop

3. Private label is production of well-known companies which is produced for the retail chain

4. Private label is a product which is produced for sale in retail chain and is sold in this retail chain only

II. Associations with a private label

1. «This production allows saving money»

2. «It's for people without great pretensions»

3. Instable quality – «expecting a dirty trick»

4. «Inexpensive, but its quality is not worse than those of some famous products»

III. Perception of private labels in the premium segment

1. No, because a private label isn't a prestigious product

2. No, because I'm not sure in the quality of the product which was produced by a little known company

3. No, because a retail chain isn't specialized in production and that is why it cannot produce high-quality items, one needs specialization to make it

Part 5. Quantitative estimation of consumers` perception of private labels

I. Ideas, which consumers have about private labels

II. Commodity groups, in which consumers have confidence in private labels

III. Knowledge which consumers possess about the most popular private labels and consumption of these items

IV. Consumers` estimation of the most popular private labels by key consumer properties

1. Reliability

2. Freshness

3. Naturalness

4. Taste properties

5. Economy

6. Prestige

Supplement 1. Perception maps of the most popular private labels

1. Nash Produkt

2. Perekriostok

3. Ramstore
4. Piatiorochka
5. Paterson
6. Kvartal
7. Aro
8. Romashkino

#### List of charts

Chart 1. Variation in prices between private labels and brands of manufacturers by different product categories.

Chart 2. Ideas of consumers of private labels (the definitions which are most often mentioned).

Chart 3. Commodity groups, in which consumers have confidence in private labels.

Chart 4. Commodity groups, in which consumers have no confidence in private labels.

Chart 5. Knowledge which consumers possess about the most popular private labels and consumption of these items in Moscow.

Chart 6. Consumers` estimation of the most popular private labels by the criterion «reliability».

Chart 7. Consumers` estimation of the most popular private labels by the criterion «freshness».

Chart 8. Consumers` estimation of the most popular private labels by the criterion «naturalness».

Chart 9. Consumers` estimation of the most popular private labels by the criterion «taste properties».

Chart 10. Consumers` estimation of the most popular private labels by the criterion «economy».

Chart 11. Consumers` estimation of the most popular private labels by the criterion «prestige».

Chart 12. Consumers` estimation of the private label Nash Produkt by key consumer properties (by 5-point scale).

Chart 13. Consumers` estimation of the private label Perekriostok by key consumer properties (by 5-point scale).

Chart 14. Consumers` estimation of the private label Ramstore by key consumer properties (by 5-point scale).

Chart 15. Consumers` estimation of the private label Piatiorochka by key consumer properties (by 5-point scale).

Chart 16. Consumers` estimation of the private label Paterson by key consumer properties (by 5-point scale).

Chart 17. Consumers` estimation of the private label Kvartal by key consumer properties (by 5-point scale).

Chart 18. Consumers` estimation of the private label Aro by key consumer properties (by 5-point scale).

Chart 19. Consumers` estimation of the private label Romashkino key consumer properties (by 5-point scale).

#### List of tables

Table 1. Shares and rate of sales growth of private labels by commodity groups, in value

Table 2. Relation between the concentration level of retail trade and the share of private labels in retail trade

Table 3. Possibilities and risks by production for private labels of the largest Russian retail chains



### I would like to order:

**Product name:** Possibilities and risks by production for private labels of the largest Russian retail chains  
**Product link:** <http://marketpublishers.com/r/PD2BD8B82EAEN.html>  
**Product ID:** PD2BD8B82EAEN  
**Price:** US\$ 2,390.00 (Single User License / Electronic Delivery)

*If you want to order Corporate License or Hard Copy, please, contact our Customer Service: [office@marketpublishers.com](mailto:office@marketpublishers.com)*

### Payment

To pay by Credit Card (Visa, MasterCard, American Express, PayPal), please, click 'BUY NOW' button on product page <http://marketpublishers.com/r/PD2BD8B82EAEN.html>

### To pay by Wire Transfer, please, fill in your contact details in the form below:

First name:  
Last name:  
E-mail:  
Company:  
Address:  
City:  
Zip/Post Code:  
Country:  
Tel:  
Fax:  
Your message:

\* All fields are required

Customer Signature \_\_\_\_\_

Please, note that by ordering from MarketPublisher.com you are agreeing to our Terms & Conditions at [http://marketpublishers.com/docs/terms\\_conditions.html](http://marketpublishers.com/docs/terms_conditions.html)

To place an order via fax simply print this form, fill in the information below and fax the completed form to **+44 20 7900 3970**