Dr. Wieselhuber & Partner GmbH
Unternehmensberatung

PRESS RELEASE

Store Brands vs. Brand Names – Who's Ahead in the Consumer Goods Industry?

[October 9, 2014] Regardless of their respective industry—food, near-food, or non-food—store brands (aka "private labels") have definitely grown in stature, while brand names have suffered a significant loss of market share in the past five years. At the same time, profits of *both* store brand and brand name manufacturers are often unsatisfactory. What developments are impacting brand names and store brands these days? And which business model is the most successful—brand names, store brands, or a combination of both (hybrids)? What are the concrete success factors and what could strategic impulses look like? For answers to these questions, check out the latest publication by Dr. Wieselhuber & Partner (W&P), "*Unternehmenswertsteigerung im Spannungsfeld Private Label vs. Marken*" ["*Increasing Corporate Value between the Poles of Store Brands and Brand Names"*], which qualitatively and quantitatively evaluates 85 German corporations in the food, fast-moving consumer goods (FMCG), and non-food sectors. This study compares the success and success factors of brand name products, store brands, and hybrids regarding corporate value development.

The new study yields clear results: On average, corporations with primarily store brands report a lower appreciation value than do manufacturers of brand name products. In fact, hybrid companies, which deliberately complement their brand name products with store brands in order to attain marketing and performance synergy, operate at the same appreciation value level as manufacturers of pure brand name products. To put this into numbers, while the ROCE (return on capital employed) of pure store brand manufacturers clocks in at eight percent, manufacturers of branded products and real hybrid corporations are at over ten percent. For food, near-food, and non-food manufacturers, there are major performance differences between average performers and the respective top tier that reports an ROCE of 15% and more. The most important success factors are degrees of investment, growth, and rate of internationalization. Interestingly, the size of the corporation is negligible, the study also shows.

Corporations can use these results to their strategic advantage, such as when store brand manufacturers increasingly undergird sales by enhancing corporate profiling. With product quality becoming progressively important—and the line of merchandise more and more interchangeable—companies should use their store brands to hone the appeal of their stores and generate greater profits. *"Food retailers and home improvement stores are beefing up their high-quality store brands, such as Obi with its Obi Selection, sporting good retailers like Intersport with their McKinley brand, or electronics retailers like Media Saturn with PEAQ,"* explained Gerald Lindinger-Pesendorfer, department head of W&P's food/FMCG division, who spearheaded the study. Cooperating with retailers, leading store brand manufacturers have in some instances been able to assume the role of "category captains." Garnering mutual respect at both poles of the industry, this new role lays the foundation for increased profits, while demanding of store brand manufacturers a high degree of investment, concept know-how, and knowledge of the particular market segment.

Leading brands can maintain a solid market position, if they can generate emotions *on top* of providing their respective function. *"This emotional asset gives leading brands a leg up on the competition, so higher price is practically a must,"* explained Mr. Lindinger-Pesendorfer. Yet if clearly positioned, "smaller" brands are able to successfully compete in their respective market segment as well—take Frosch with its household care products, or Henglein, a specialist in fresh dough, pastry, and pasta products.

Looking toward the future, industry segments between the poles of brand names and store brands will remain an exciting arena. Even though store brands are growing in popularity, robust brand names are still irreplaceable value drivers.

At the same time, drastic changes in the retailing landscape (growth of e-commerce, growing clout of discounters, and a shrinking retail segment) will continue to impact both segments. For store brands to thrive in this environment, manufacturers must zero in on high quality and innovation, plus leverage the opportunities of internationalization. As Mr. Lindinger-Pesendorfer suggests, "*Companies striving to be competitive internationally need to secure country-specific industry expertise. As such, corporations with a national focus should restructure their organization and take the culture of their new market into account.*" As an expert for consumer goods, Mr. Lindinger-Pesendorfer sees opportunities for brand name manufacturers that target their brands very precisely, while keeping an eye on changes in values, digitalization, and demographic shifts. Hybrid organizations offer the most varied strategic options, and their broad use of core competencies can generate valuable synergies. Eco-conscious companies able to identify areas of growth that mutually support one another effectively will be tomorrow's winners.

Our latest W&P publication is available on request.

About Dr. Wieselhuber & Partner
Dr. Wieselhuber & Partner (W&P) is an independent, cross-sectoral top-management consultancy company for family companies as well as business units and subsidiaries of group companies in different sectors. We put a focus on strategy implementation, optimization of capital resources, structural financing, leadership management, innovation and new business, sales and marketing, as well as restructuring and reorganization in order to support the top management and eliminate corporate crises. Headquartered in Munich, Dr. Wieselhuber & Partner offers its clients a comprehensive sectoral and methodic know-how with claims to the high standard of sustainably and continuously boosting growth and competitiveness, the profit-yielding power and the corporate value of its clients.

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