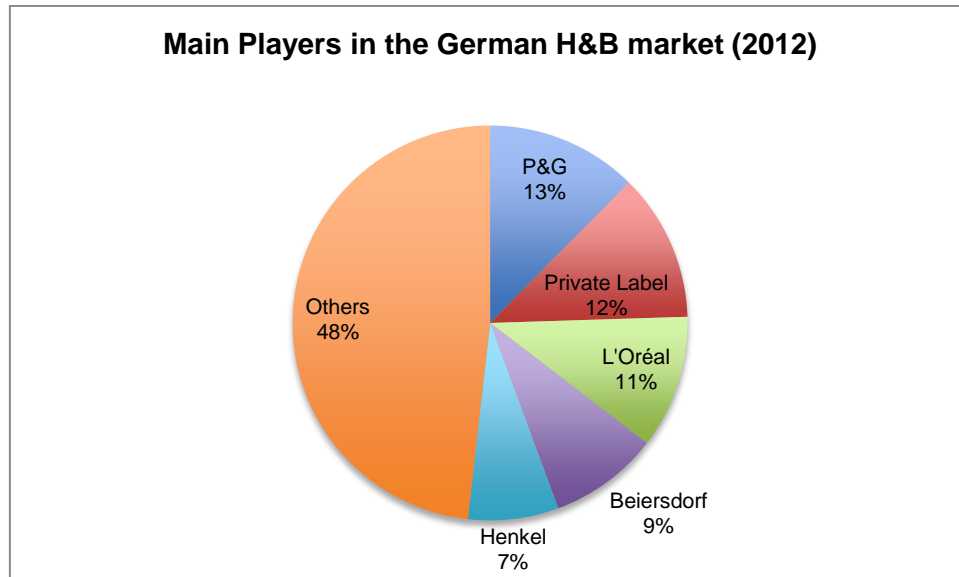
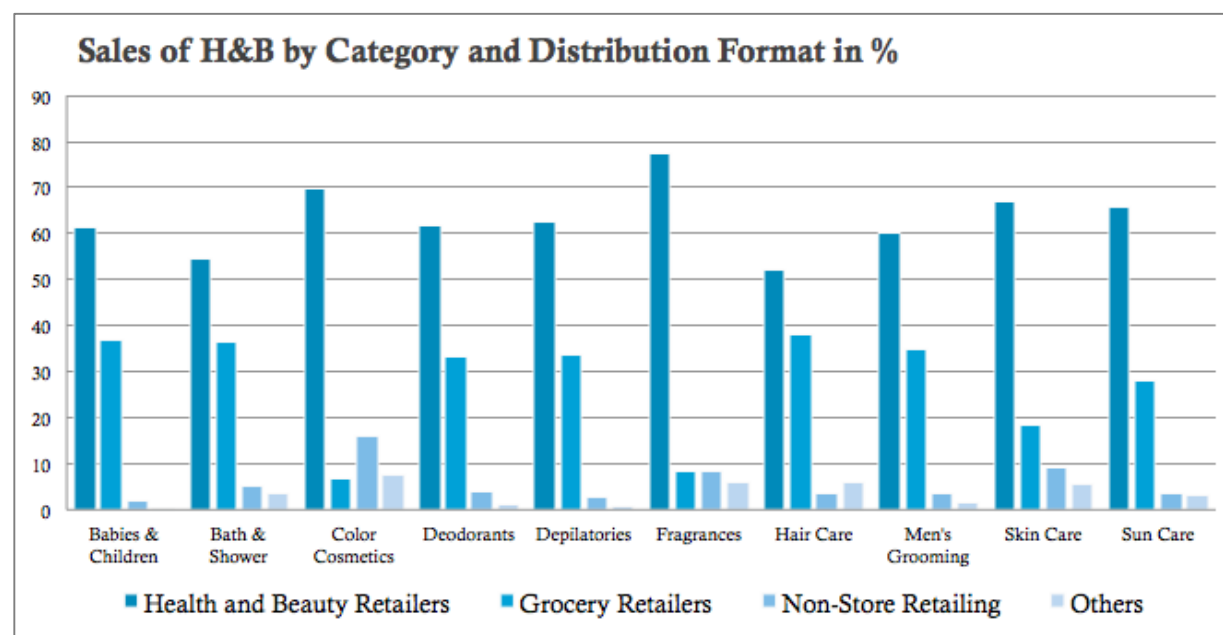


# Appendix

## Literature Review – Relevant Graphs and Tables



(Euromonitor, 2013)



(Euromonitor, 2013)

Rank	Brand	Score
1	Nivea	30.6
2	Samsung	29.8
3	dm	28.5
4	Volkswagen	26.2
5	Tchibo	24.8
6	Audi	24.7
7	Lindt	22.2
8	Rossmann	21.9
9	Ritter Sport	21.4
10	BMW	21.3

(BrandIndex, 2013)

## Survey – Master Thesis on Private Labels in the Health & Beauty Industry

### Definition “Private Label”

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. Also called Private Brand.

Examples: Tesco Value, Tesco Finest, Rewe Beste Wahl, ja!

### Definition “Health & Beauty Industry”

In this case, the term Health & Beauty industry includes all products that are connected to the personal hygiene and external appearance of a person. Pharmaceutical products, like pills or meditative creams are not implied.

Examples: Shampoo, Deodorant, Make-Up, Sun Lotion

1. In which of the following fast moving consumer goods (FMCG) categories have you ever bought a Private Label product?
  - Bottled water
  - Alcoholic beverages
  - Other non-alcoholic beverages (e.g. juice)
  - Dairy products
  - Basic side dishes (e.g. rice)
  - Cosmetics & Beauty products

- Cleaning & Hygiene
- Fresh food (e.g. vegetables, meat)
- Others, please specify:

2. Where do you usually buy Health & Beauty products?

- Drug Store
- Supermarket
- Discounter
- Department Store
- Expert store
- Online
- Others, please specify:

3. Please answer the statements below (HB = Health & Beauty)

	Completely agree	Slightly agree	Neither agree nor disagree	Slightly disagree	Completely disagree
When buying HB products, I always pay attention to the brand					
When buying HB products, I often take whatever is on promotion					
I don't need a lot of time when buying HB products because I know exactly what I want					
I often buy many things that I did not intend to buy in the first place when shopping for HB products					
I can differentiate Private Labels from national brands in the HB section					

4. How would you describe your purchasing behavior for Health & Beauty products?

- I am buying the same brand(s) and products since many years
- I usually stick to the same brand(s) but I am trying new product innovations from this brand/these brands

- I usually stick to the same brand(s) but I am sometimes trying new product innovations from other brands as well
  - I am buying many different brands based on incentives like promotions or advertisements
  - I don't think that there is any pattern in my purchasing behavior for Health & Beauty products
5. Have you ever bought a Health & Beauty product from a Private Label? If you answer this question with "No" please continue with question 7.
- Yes
  - No
6. Which product have you ever bought from a Private Label? Please continue with question 8 afterwards.
- Shampoo or conditioner
  - Hair coloring products
  - Face cream (day and/or night)
  - Make-up removers
  - Body lotion or after sun
  - Hand cream
  - Shower gel
  - Deodorant
  - Sun protection
  - Color cosmetics (lipstick, nail polish etc.)
  - Razors and/or razor blades
  - Cotton products (pads, q-tips)
  - Toilet paper and/or paper tissues)
  - Others, please specify:
  - Non of the above
7. What are the reasons why you have never bought an H&B PL product?
- The difference of quality between PL and national brands
  - My habit of buying national brands (like Nivea, Dove)
  - The packaging / look is unattractive to me

- Prestige reasons
- It's hard for me to identify PL products in the stores
- Others, please specify:
- I have bought a H&B PL product before

8. Which of the following products would you consider buying from a Private Label brand?

- Shampoo or conditioner
- Hair coloring products
- Face cream (day and/or night)
- Make-up removers
- Body lotion or after sun
- Hand cream
- Shower gel
- Deodorant
- Sun protection
- Color cosmetics (lipstick, nail polish etc.)
- Razors and/or razor blades
- Cotton products (pads, q-tips)
- Toilet paper and/or paper tissues)
- Others, please specify:
- Non of the above

9. Which of the following brands do you know?

	I have never heard of this brand before	I have heard of this brand before, but never tried it	I have tried this brand once/few times	I am using the products of this brand on a frequent basis
Balea/Balea Men				
Alterra Naturkosmetik				
P2 Cosmetics				
SUN DANCE				
Alverde				
ISANA				
ELDENA				
Biocura				
Satessa				

Cien				
ISEREE				

10. Please rank the following criteria that you take into consideration in your purchase decision from not important to very important

	Not important	Rather not important	Neutral	Important	Very important
Preis					
Qualität					
Verpackungsdesign					
Angebotsbreite					
Limitierte Editionen (z.B. Winterduft)					
Geruch und Textur					
Image der Marke					

11. How do you usually get informed about product innovations or new offers in the Health & Beauty Industry?

- ☐ In-store advertisement
- ☐ Ads in print media
- ☐ TV commercials
- ☐ Social networks
- ☐ Friends or/and Family
- ☐ Others:

12. How would you rate your own loyalty towards the retailer where you usually buy H&B products?

- ☐ I am very loyal and usually do not purchase H&B products from a competing retailer
- ☐ I usually go to the same retailer but only due to convenience (e.g. good location)
- ☐ I don't have a retailer that I usually go to

13. What kind of design do you personally prefer for H&B product packaging?

- ☐ Poppy colors and fun motives
- ☐ Elegant style and solid colors
- ☐ As simple as possible
- ☐ Customized/personalized design (e.g. I can choose my own color when shopping a product online)

- ☐ I don't care about the design

14. Have you ever bought a Private Label product and decanted it into a different container?

- ☐ Yes
- ☐ No

15. Do you follow any brands from the Health & Beauty industry via a social network platform like Facebook, Twitter or Instagram?

- ☐ Yes
- ☐ No
- ☐ I am not active in any of these networks

16. How much do you spend on average per month on H&B products?

- a) < 10 Euro
- b) 10-20 Euro
- c) 21-30
- d) 31-50 Euro
- e) > 50 Euro

17. How old are you?

18. What is your sex?

- ☐ Female
- ☐ Male

19. What is your current profession?

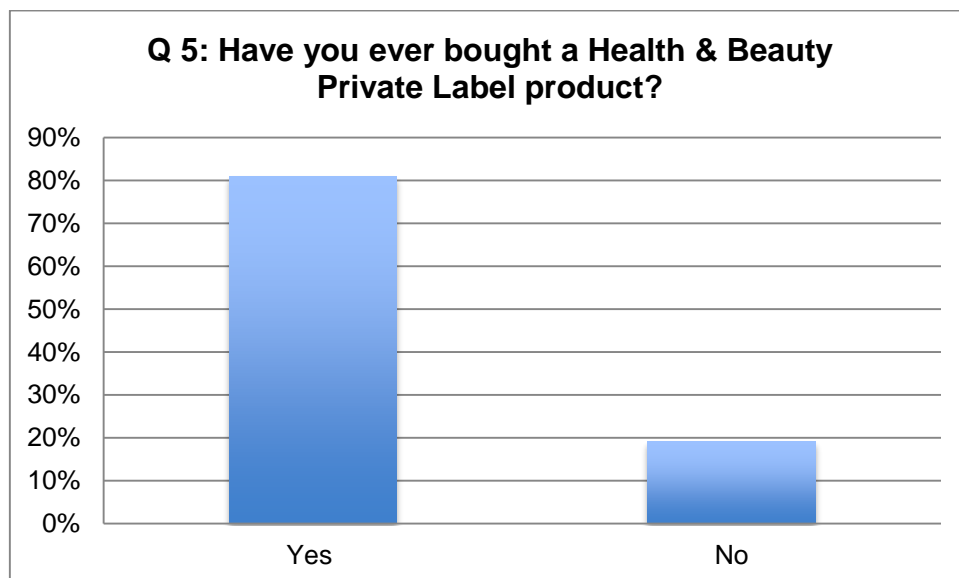
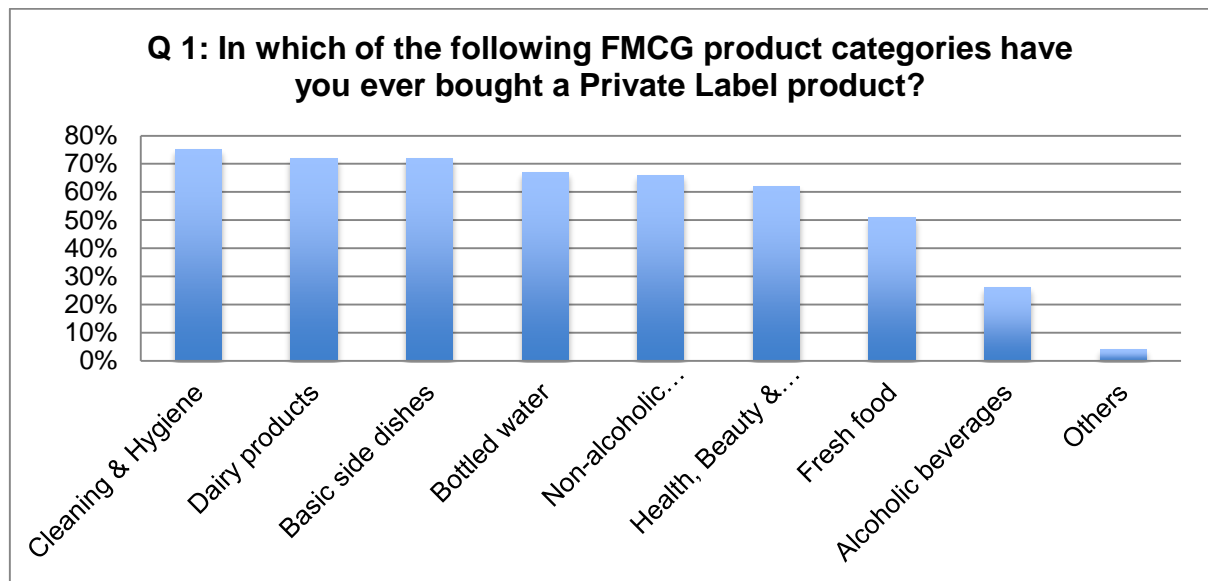
- ☐ Student/Apprentice
- ☐ Part-time working
- ☐ Full-time working
- ☐ Unemployed
- ☐ Retired
- ☐ On maternity leave

20. What is your monthly gross income in Euros?

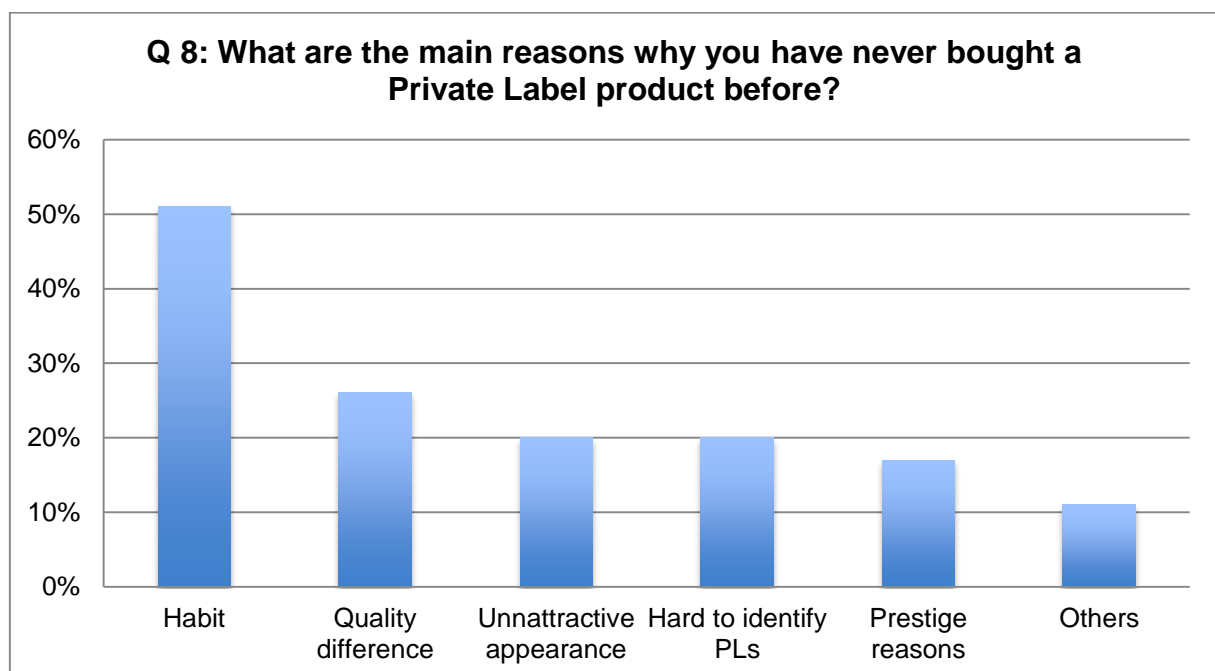
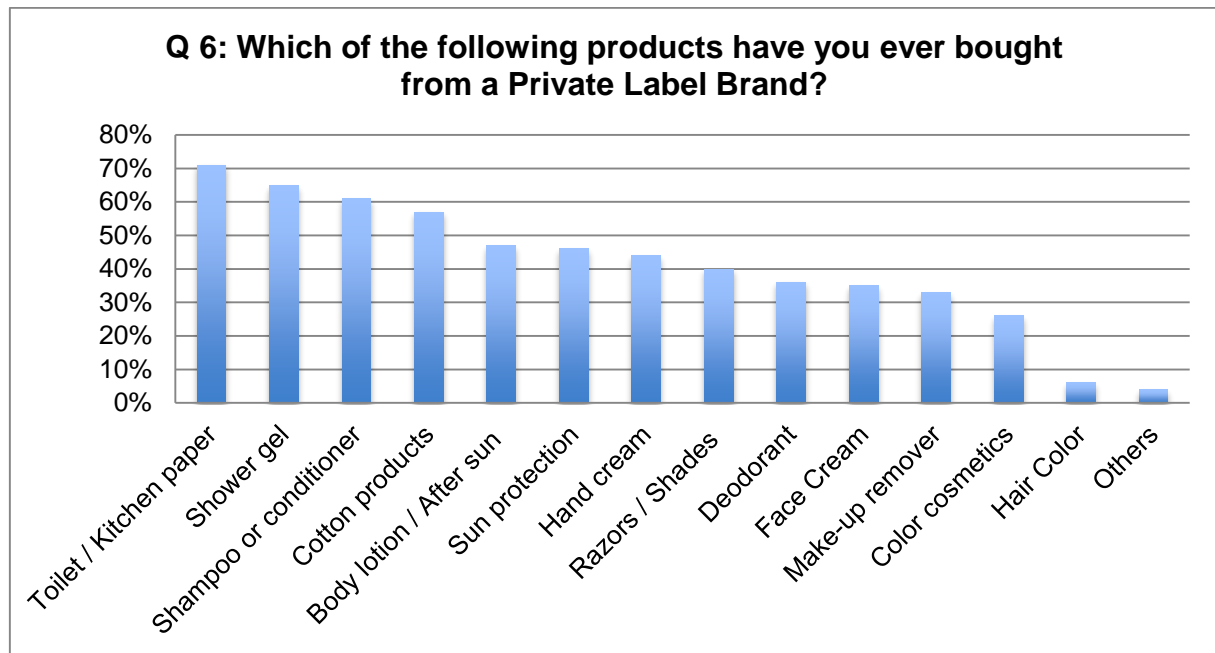
- ☐ 0-500
- ☐ 501-1.000

- 1.000-2.000
- 2.000-5.000
- 5.000-10.000
- >10.000
- Not specified

## Results from the survey







## Expert Interview with Daymon Worldwide

### 1. Why do you think retailers should invest in Private Label development?

Private labels are nowadays becoming essential part of many retailers around the world. Private Brands allow retailers gain higher level of control over the price-quality balance on the products they sell in stores. So, customers will receive appropriate

quality without paying extra for the brand while retailers will enjoy higher margins and higher turnover.

2. *How does the process of Private Label development usually look like?*

The process of development of the Private Label starts with the clients' business review. It is essential to understand, what categories are most appropriate for development of the private label. In addition to this, it is essential to get to know the client, to see his preferences and tastes. It is also crucial to have several international and local benchmarks in order to get as much information about competitors' strategies as possible.

After all this research is done, the technical task is formulated for the design team. After several samples are issued and tested, the final decision with the client is made.

3. *In how far does the attitude towards Private Labels differ from country to country?*

The attitude towards PLs is very different from region to region. For instance, in European countries, such as Switzerland, Spain, UK, Germany and Portugal, etc., PL development is on average twice as high as in most of the other regions in the world. In some countries, such as Russia, private labels are not known well by the consumers and therefore not so popular.

4. *How does the typical Private Label customer look like?*

Private labels can be of three main tiers: economy, standard and mainstream. Any category of products can be a private label: from under ware to cars. This basically implies that anyone can be a private brand user.

5. *Is there a difference between the purchasing behavior of women and men concerning Private Labels?*

There definitely is. For example, mainly men do not care as much as women about the prices of the products – they go for brands that they know to make the decision process easier and faster.

6. *Which type of Private Labels will be successful in the long-run (low cost vs. high quality)?*

It will always depend on the region and on the economic conditions of the country. For example, in China it has been a long time that economy products were very popular, while now with growth of

7. *Are Private Labels that are branded like the retailer (e.g. Tesco Finest) or Private Labels with an independent brand name (e.g. Balea) more successful?*

It is hard to say whether so-called Banner brands or Fancy brands are more or less successful. Retailers usually choose the type of PL according to the overall strategy of the company. For instance, if the retailers want the quality and the prices of the products to be associated with the retailer's banner, it will go for Banner brands (like Carrefour, for instance). On the other hand, if the retailer wants variety – it will go for fancy ones (like Aldi, for example)

8. *What do you consider the most important Marketing activity for enhancing a Private Label brand's success?*

Education of the consumer – this seems to be the most important marketing activity. The consumer should know about all the benefits of your PL (if it is done by local producers, if the retailer personally guarantees absence of any unacceptable ingredients in the products, etc.) as well as should understand the reasons why the price for the product is so low/high in comparison to branded products.

9. *How do you consider the design of the package to be a driver of Private Label success?*

The design is extremely important, however it is not the only thing that matters. The package can send the customer communication on the quality of the product, on its value and benefits and, therefore, persuade the customer to try it. However, if the content is dissatisfactory – no package will save the product.

10. *Is there a big difference in success between categories? If yes, why do you think this is the case?*

Of course. Attitude towards different categories influence the level of PL development. For example, while consumers will not pay much attention to the brand of sugar they buy, such items as diapers, baby food and pet food are extremely hard to be sold under PL – consumer wants to be 100% of the quality of the products he buys for the children

and pets. Therefore he would prefer to go for well-known, proven, trusted brands rather than for a PL (especially because most of the consumers still believe that PLs are not of high quality).

*11. What is important to consider when developing Private Labels in the Health & Beauty industry?*

Health and Beauty is a rather tough industry for PLs. The industry is very innovative and for a retailer it will cost too much to invest in R&D as much as a manufacturer does. In this category of goods it is essential to have a high level of differentiation. Brand equity is also very strong because of the level of marketing activities of the manufacturers. These points should be taken into consideration, when creating PLs. The products should allow enough choice, be up-to-date in terms of innovation and the label should have a great marketing support in order to be successful.

## **Expert Interview with P&G Poland**

*1. In how far do you perceive the emergence of Health & Beauty Private Label brands as an additional increase of competition?*

In the recent years, we have noticed the increased number of private brands appearing on the Polish market. As the financial crisis has prompted people to spend the money more consciously, we have remarked an increasing number of Private Labels launches, more customers shifting to Private Labels from mid-tier and low-tier products. The number of customers who have never tried a Private Label product has decreased significantly. The brands simply stopped attracting the customers as much as the lower prices do in lower segments. However, our company does not perceive Private Labels as the direct competitor, as we represent different segment of the market.

*2. Who in your opinion is your biggest competitor in Health and Beauty: well-established companies' brands like the ones from Henkel or L'Oréal or Private Labels?*

We receive much more competition from the well-established players like L'Oréal or Unilever.

*3. What is according to you an advantage of Private Labels over your branded products in general?*

We believe in our products, our quality and our marketing. The strategy of Private Labels is mostly directed to tap low-tier of the market, putting their strategies mostly to

price-conscious target group. As long as the strategies of Private Labels will be centered on price, I do not give them many chances.

4. *Do you think it is necessary for branded products to have adapted marketing strategies in these times when private brands become so popular?*

Yes. It is always necessary to adopt marketing strategies to the external environment and rising role of Private Labels is one of them.

5. *Do you think Private Label brands can become as successful as a triple AAA brand in the European market (example: DMs brand Balea is ranked second most successful H&B brand in Germany, after Nivea)?*

Each brand has the potential to succeed but it depends on the customer-focused approach and well-tailored marketing strategy, so I believe that Private Labels in Europe can become a triple AAA brands as well.

6. *In what Health and Beauty market segments do you see the biggest opportunities for Private Labels?*

I believe that different categories offer different opportunities for new brand launches. Promising examples can be found in the categories, in which the quality is not a determinant of the purchase and different brands offer similar utility. On the other hand, I am persuaded that we should be talking not about the categories with the biggest opportunities for retailers but the particular segments of the market in terms of target customers.

7. *How do you perceive the quality of Private Label products compared to your own ones?*

We always try to offer superior quality even if we have to decrease our margins, I am not sure if Private Labels would be willing to do it to the same extent.

8. *How do you communicate the benefit of your product compared to the cheaper alternative of the Private Label brands to the customer?*

It depends on the product. In general we focus on specific areas of the product, either the functional or emotional sides of it (mostly both). Each new product that we launch is derived from consumer insights; we try to convey it in the form of benefit. You know the concept of: Insight - Benefit - Reasons to Believe (RTB), don't you?

9. *How can you influence the merchandising of your products (to guarantee awareness) in retailers with strong Private Label brands? Shelf space and position in the shelf? e.g. dm*

You caught me. With dm it is actually very hard. It is more about trying to place more SKUs than really influencing the brand visibility. We have around 28 and it is one of the best scores. For the rest, we have our methods.

*So you can not/do not want to answer this question?*

Let me put it this way. It is more about good relationship, bargaining power, really a lot of factors. The most important - we are successful.

10. *According to the specialists, big Health and Beauty conglomerates decreased their pricing in the recent years. To what extent are such changes the result of increased competition from Private Labels versus other conglomerates e.g. Unilever or L'oreal?*

This is not a secret, I believe, that in the recent years we had to cut our margins due to the fact that customers pay more attention to the prices. They would like to stay with their favorite brands but not to pay that much and are tempted to change. In such the situation, you have to do something.

## **Expert Interview with Your Own Brand – Germany**

1. *Which types of Private Label products does your company produce?*

We are producing all kinds of Body Care products, which are sold in the German and in international markets. The two main categories are aerosol (shaving gel, hair spray, deodorant spray, etc.) and non-aerosol products (shower gel, shampoo, hair colors, fragrances, creams, etc.) Additionally, we also produce mosquito protection spray and aerosol products for housekeeping (oven purifier, toilet cleaner and furniture care).

2. *In which price/quality categories are your products to be categorized?*

We are offering our customers (B2B) products with a relatively low introduction price. However, we always produce according to quality benchmarks of the market leader of the certain category. We are convinced that we are declaring an excellent price/performance ratio. In application tests, our products can keep up with the products of national brand manufacturers.

3. *How would you describe the typical Private Label consumer?*

In our opinion the typical Private Label customer no longer exists. Throughout all social layers, people are purchasing in discounters and drug stores and in all baskets Private Label products can be found. Whereas some retailers are still counting on the “cheap” Private Labels (Rewe; “ja!” and Metro: “Tip”), Private Labels from drugstores are already regarded as quality brands. The designs are drafted by popular agencies and are often not recognizable as a Private Label for the customer. However, the products are still priced in the lower quartile, compared to the complete offer. Price and quantity promotions are still playing an important role, the German customer is very price sensitive. However, the layout and quality are getting more and more important. For the component of quality it goes that far that people are expecting the highest standards even though the prices are often low. People will complain about defects in a Private Label product to the same extent as about defects in national branded products.

4. *Which categories do you consider to be important for Private Labels (today and in the future)?*

Items that are serving the basic services generate the main revenue. This includes, shower products, shampoos, hair styling products, grooming items and sun protection. These categories have to be present at all retailers. Depending on the shelf space and possibility to distribute the offer, niche categories like products for elderly people, baby care, intimate care and organic products are placed as well.

5. *How do you perceive the impact on retailer-loyalty caused by a Private Label?*

The Private Label brand represents next to the store layout the possibility for a retailer to distinguish itself from the competition. Whereas the offer of national brands is similar to a large extent, Private Labels give the possibility to freely decide how the product assortment should look like. Therefore, some retailers have teams with up to 100 employees who are managing and developing the Private Label products. All Private Labels try to win the customers for the category of baby care and baby nutrition. If young parents are convinced from a Private Label brand they will buy everything the baby needs when growing up from this brand (diapers, food, etc.). Moreover, when parents trust a brand for their child, they are likely to buy other categories from the brand as well. This example shows that a high degree of customer loyalty can be generated by a successful Private Label brand.

6. *What do you consider to be important Marketing activities for Private Labels?*

The price is fundamental and is on the same level at all retailers. Additionally, the quality is crucial because it is a prerequisite for the customer and not a differentiator

for the retailer. Differentiation can be achieved via professional layouts, a coherent product assortment and a good selection of additional products in niche segments. Usually, there is no advertisement for Private Labels (exception: Lidl's current campaign). Thus, the products need to convince the customer at the Point of Sale. This is mostly working through the design and smell/scent of a Health & Beauty product.

7. *How do you perceive the development of Private Label importance since the establishment of your business?*

Our company was established in 1999. Since then, Private Labels experienced constant growth and an increasing share at all kinds of retailers. Since 2-3 years only, we were able to identify a slight decline in the retail channel of discount markets. Our interpretation for this is that customers are searching for something special in the category of Health & Beauty. Basic needs are fulfilled with Private Labels from discounters but people tend to hunt for regional and biological products when it comes to wellness, luxury and exceptional ingredients. Private Label brands are trying to satisfy these new needs but customers are still having doubts that they can do so to the same extent as national brands. In order to grow further, products need to be continuously innovative. This is the only way to secure shelf space in the store and high research and development efforts need to be made.