

# Sweet Retailing

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## Sweet Talk



### Private Label vs Brand

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In a recent research report titled Private label vs Brands, Rabobank said that the share of private label sales in the global food market would likely double from 25% to 50% by 2025.

A strong statement indeed. But just how relevant is this to the UK confectionery market and what should retailers be doing about it?

Before attempting to answer that question, it is worth understanding why private label is such a hot topic at the moment and why it might be set to grow so dramatically.

The Rabobank research not surprisingly cites the recession as a big boost for private label. As the discounters grow, more and more shoppers are looking for the “value alternative” in every category and this can often be a private label option, which is becoming increasingly accepted by many. But don’t assume that private label is always designed to be the cheaper option. Supply of private label has also improved in general, opening up the opportunity for many more types of retailer.

#### Emotional attachment to confectionery brands

Confectionery brands rightly point out that the key difference is that sweets and chocolate are often bought with a great deal of emotion and impulse. Private label tinned tomatoes might be one thing but private label chocolate might not suit everyone.

Alistair Menzies, Head of Sales and Marketing at Divine Chocolate says, “Unlike some other sectors, chocolate is a highly emotional and impulse purchase and it is therefore a market where consumers have stronger relationships with the brands they choose to buy. Nobody wants to take a risk on their favourite treat and own brand doesn’t have the engagement or the quality consistency that good brands are known for”.



To be fair to the research, it suggests that “A brands” will continue to be a strong force going forward and it is “B brands” that will lose out to private label. The words price, choice and familiarity are used and this does tend to ring true in the confectionery market.

### **Appeal to all levels**

"Brands were the ones who developed the retail structure, they were the original pillars of the shopping sensation we enjoy today. They should always have an important part in the overall market place. We support that brands should have private label alternatives as it offers the consumer choice especially on a good, better and best principle but as branded presence slides back in the shadows of private label it is becoming obvious that brands are losing their original grip and footprint in the market place," says Lisa Gawthorne from Panda Liquorice.



She continues, “50-50 is quite a different landscape to what we were witnessing five years ago when brands had a bigger share. At Panda we are firmly rooted in the belief that brands do matter and having such a loyal customer base that has grown with the brand for 29 years makes this ever more important”.

Alistair Menzies from Divine suggests, “There is a balance that can be reached to benefit everyone - giving consumers the choice they want in chocolate whilst supporting a mix of smaller businesses and producers (a role retailers should take seriously). Chocolate brands are the source of the real expertise in chocolate manufacture and also of innovation and new product development. If retailer power grows and own-brand continues to squeeze out the chocolate brands, consumers will not only lose choice, but the source of expertise, innovation and development will go too. Ultimately the end result would be that there would cease to be competition in the sector, and there would be serious economic impact on all brands - and their suppliers - and at the end of the chain, the cocoa and sugar farmers who grow the main ingredients”.

### **The consumer perspective**

As a retailer, one question to surely ask is, what does the consumer actually want where confectionery is concerned? In fact, what do YOUR customers want? For larger retailers this might not be so straight forward to define, but for smaller retailers the profile and location of shoppers is likely to be quite specific. The optimum range for one regional retailer might be entirely different to another and so a localised approach becomes key in this instance.

Good, better and best makes a great deal of sense. Good might mean a range of brands, but don't always confine private label to the bottom end of the market. Whilst some private label offerings are certainly designed to give a lower priced alternative to shoppers (and often a stronger margin for retailers), this is not always the case.

“We are a nation of chocolate lovers and we have strong relationships with the brands we buy. Own-label products, while offering a range of prices and flavours, may be sampled but will never engage the consumer in the same way as brands with real personalities and stories to tell – you leave out the nation’s favourite brands at your peril,” says Divine’s Menzies.

### **Packing your own private label**



There are an increasing number of manufacturers that will develop and pack a private label range of confectionery for all manner of retailers both large and small. For some, this can be a very shrewd option and a strong point of difference. If customers view the retailer as the brand and place their trust in it, they are more likely to be positively attracted to a private label confectionery

range. We might understand that this can be the case for larger retailers but it can also work for smaller businesses such as farm shops, tourist attraction gift shops and no doubt many specialist confectionery shops.

We spoke to Katherine Ebbs, House of Dorchester’s Marketing Manager; this is a company that amongst other services is able to pack a wide selection of quality chocolate products for all sizes of retailer.

“We can offer everything from a simple bar to a speciality assortment and we service a wide range of customer types including gift shops, garden centres, department stores, delicatessens and farm shops.

Whilst many might think that having a private label range packed is just for larger retailers, House of Dorchester would beg to differ.

“We specifically have ranges that can accommodate small print runs to enable smaller retailers to stock private label. Our 85g Chocolate Bar is a great example of this where we can supply as few as 300 bars in different flavours.

Origination charges and packaging commitments can be scary to smaller retailers but they should get good advice from their supplier as to what products would work for them based on the investment they want to make and the image they want to portray for their brand,” says Katherine.

### **Best of both worlds**

The end result for most retailers will be to offer a mixture of both brand and private label to gain the benefits that each can offer.

Key confectionery brands are often supported with a significant marketing budget to heighten awareness and encourage trial or develop loyalty. This helps to draw in an audience for retailers that stock the brand.

Private label confectionery can offer many retailers a strong point of difference, standing them apart from the competition. Private label that offers a value alternative can help to provide the “good, better and best” methodology, ensuring your range appeals to as wide a shopper profile as possible. On the other hand, private label that helps to reinforce your own retailer brand can encourage shopper loyalty so long as the product matches the same aspirations as your brand. Both methods of private label can offer the potential for higher margins than branded confectionery, but of course the brands invest in the marketing!

There is no correct answer that is fool-proof. However, the current climate has certainly opened up a good number of opportunities for confectionery retailers and it might be wise to give them all careful consideration.