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POSITIONING

Manufacturer branding versus private-label: pros and cons.

By Paul Friederichsen

Oftentimes I am asked, what are the pros and cons of having your own brand versus supplying the product for someone else's brand? As in anything, there are two sides of the coin, but deciding which way to go should never be a coin toss. More often than not, it is not an either/or proposition; it is both.

The world of branding can be divided into two camps: brands that are owned and marketed by the companies that actually produce the products or services, and brands that are owned and marketed by companies that sell these products or services. Because brands are fundamental to how products or services are marketed and sold, understanding the distinctions, implications, advantages and disadvantages for these two branding approaches becomes critical to business strategy—whether you are a manufacturer, a distributor or a retailer.

BRAND BREAKDOWN

Brands that are owned and marketed by producers are commonly referred to as "national brands" or "manufacturer brands." Owners of these brands cultivate their targeted customer base primarily by means of advertising directly to them. When these brands are marketed correctly, customers will seek them out, thereby forcing their consideration and stocking by the appropriate distribution channels. Manufacturer brands serve the interest of the manufacturer first and benefit the retailer who carries them second.

Brands that are owned and marketed by sellers are referred to by various names such as "private-label," "store brands," "proprietary brands," "owned-brand" and others. Provided the sales volume is sufficient, a private-label strategy can provide the retailer with several advantages unavailable to them by carrying national or manufacturer brands only. In fact, the vast majority of chain retailers, regardless of the category, carry some mix of national brands versus private-label brands (some carry private-label brands exclusively). As you'd expect, private-label brands serve the interest of retailers first, and benefit the manufacturer who produces them second.

Any examination of these two camps of brand strategy would be remiss without acknowledging the evolving positive attitude and growing acceptance of private-label brands. Gone are the days when consumers strictly associated private-label brands as something akin to cheap, generic and low quality. According to the Private Label Manufacturers Association in England and Germany, private-label brands account for almost half of all products sold. Closer to home, more ceiling fans are sold under Home Depot's Hampton Bay label than under the category legend Hunter. Private-label brands can even eclipse the strength of the retailer, as in the case of Kenmore, Craftsman (now sold by Lowe's) and DieHard (now sold by Ace Hardware and Advance Auto) brands brought to us by Sears.

In both manufacturer brands and private-label brands, paid media (advertising) has been considered the traditional means of generating awareness and demand, but that model is changing rapidly. Traditional advertising media (TV, print, radio) now shares that role with so-called non-traditional ad media (digital), as well as influencer and relationship-building "owned" social media platforms. So regardless of the brand, be it manufacturer or private-label, it is not enough to be unique and add value versus the competitor. It must also be marketed effectively to succeed.

The changing consumer demographic appears to fuel the benefits offered by private-label branding. Looking at the shift from Baby Boomers and Gen-Xers to Millennials, Harvard Business Review observed with regard to the "Millennial mindset" that 77% don't want to buy brands their parents did, and 88% think private-label products are just as good. Let me add an important note here: this is true as long as the private-label brand (and its retail owner) aligns with the Millennial customer's value system, especially when it comes to issues like sustainability, manufacturing transparency and social responsibility. The next generation of consumer is just as brand-oriented as the previous, but how it is communicated and identified is the key.

PROS AND CONS

Since the manufacturer is building its own brand and customer base, it does so in hopes of leveraging its customer demand into shelf space (or, nowadays, Amazon orders). When it comes to marketshare, as the saying goes, nothing succeeds like success. So the cultivated customer loyalty for its brand, stimulated by marketing and cemented by trial and repeat purchase, translates into power and control of its own destiny for the producer.

Depending on the product category, the level of advertising support and the relative popularity of the manufacturer's brand, the retailer/e-retailer can reap greater credibility, prestige, variety, customer traffic and loyalty ("I shop there because they carry my favorite brands.") as advantages by stocking and promoting the manufacturer brand themselves.

When it comes to private labels, a clear advantage is that the manufacturer gains volume that it might otherwise lack. To operate at peak efficiency, manufacturers need to fill capacity. While margins may be slimmer, supplying product to a dedicated seller eliminates a lot of the headaches and expenses that come with self-branding. Such private-labeling relationships may paradoxically spur the development and growth of the manufacturer's own brand by providing much-needed critical mass of manufacturing capacity and capital.

The retailer, on the other hand, gains exclusivity. This overarching advantage covers a multitude of competitive concerns. Private labels are difficult if not impossible to comparison shop; they can be carefully prescribed to meet the retailer customer's unique needs; they can be strategically placed in a brand category architecture to maximize the retailer's profitability (whether as an entry price point, or now and more commonly a super premium, or somewhere in between); and they promote the retailer as a shopping destination by creating their own customer brand loyalty. Other advantages include: differentiation for the retailer in the marketplace; more freedom and flexibility in pricing, greater control over product attributes and quality; and the ability to fill gaps not filled by national brands, as well as keeping national brands competitively priced.

Advancements in technology have also facilitated private labeling, as in the case of tile distributors who report that the advent of ink-jet printing and excess capacity allows them to now source market-specific products in a way that was unheard of just a few years ago due to minimum orders and financial risks.

DIVERSIFICATION

The floorcovering business was once unsophisticated when it came to branding, especially when compared to packaged goods or categories like electronics. Not anymore. As the flooring marketplace has become more fragmented, the response by manufacturers has been an accelerated course in brand architecture.

As a result, today's floorcovering manufacturer must deliver brand strategies for multiple channels to compete and survive in the marketplace. This not only increases the opportunities for sales that keep the plant humming efficiently, but it also ensures against a devastating loss of business in any one area. For example, a manufacturer may have its own brand sold through specialty retail and also produce an OEM product line sold under another floorcovering label (which may or may not be a direct competitor). It may also produce private label product lines for distributors, buying groups and large retailers, and produce commercial or multifamily brands sold through brokers, contractors or direct to national accounts and developers, etc. Within each of these channels may also come multiple sub-brands and collection variations, each targeted for a specific purpose that the manufacturer must orchestrate daily. In every case, each brand must have product specifications and design portfolios that are unique.

MARKETING TO PULL-THROUGH: THE CONSUMER

Historically, brand development and floorcovering consumer marketing have seemed at odds with each other. As any marketer will tell you, the flooring category is not an easy place to build a consumer brand for a few reasons.

For starters, "The Fifth Wall" justification used to assert the importance of floorcovering actually reveals an inherent branding challenge. Flooring has long played a supporting role in décor and so it fights harder for consumer brand awareness and shelter book editorial than other flashier, sexier components that meet the consumer at eye-level, such as furniture, appliances, cabinetry, etc. (Note: this is about to change as flooring starts going up the other four walls.) Secondly, floorcovering is an infrequent purchase. As the recent recession demonstrated, it can be also an easily deferred purchase. Therefore, it is challenging to develop brand awareness, trial, repeat purchase and loyalty with a product that is considered only every few years.

However, manufacturer brands such as Stainmaster, Armstrong, Mohawk and Pergo do enjoy some degree of brand recognition, thanks to an investment in consumer advertising. In Stainmaster's case, this still pays dividends even going back to its network TV campaign introduction when it was part of DuPont.

Private-label brands are leveraged as part of the retailer's overall appeal as a destination for floorcovering solutions and dis-

MARKETING CHECKLISTS

MANUFACTURER BRAND	PRIVATE-LABEL
For the Manufacturer	For the Manufacturer
• Independence	• Volume
• Control own destiny	• Less support and expense
• Building own brand	
• Higher margins	For the Retailer
	• Exclusivity
For the Retailer	• Customized to local needs
• Credibility, prestige	• More control, profitability
• Customer loyalty	• Can't be comparison-shopped
• Variety	• Keeps manufacturer brands competitive

counts—as with Home Depot's LifeProof, Lumber Liquidator's Bellawood or Floor & Décor's Duralux, among many others.

MARKETING TO PUSH-THROUGH: THE TRADE

Manufacturer brands in floorcovering are often called "trade brands," and for good reason. B2B marketing by the manufacturer is designed to drive both demand and distribution among distributors and retailers. For the majority of floorcovering brands, their ads will never grace the pages of Good Housekeeping or Elle Décor, and they will never be seen on a single episode of "Fixer Upper." They rely primarily on the good graces (and incentives) of the retailer carrying them and the dynamic of the "directed sale."

One of the more exciting examples of how trade advertising can be wielded to great effect is Mohawk's recent "power of one" campaign showcasing the power of the classic brand conglomerate, made up of several category-leading brands positioned as "must-haves" on any showroom floor. Or consider the incredible media weight behind Coretec. Or the breathtakingly beautiful photography in a Bentley spread. What has been interesting to watch is how the distinction between creative strategy and execution of consumer and trade advertising among floorcovering brands is blurring as manufacturers seek higher and higher consumer-like inspirational ground.

A TALE OF TWO BRANDS

Many years ago, I witnessed both branded and private-label used with equal impact by Home Depot; it was an excellent example in how it is done. In the mid-90s, Home Depot brought to market a new, unheard-of brand, creating a whole new category of floorcovering. The brand, of course, was the Swedish import Pergo, and the new category was called "laminate flooring." By keeping the manufacturer brand with the odd-sounding name, Home Depot attracted a lot of curiosity, interest and tremendous sales.

Later, in the early 2000s, Home Depot launched another new brand, but this time in the very established and, frankly, vanilla (at the time) category of resilient flooring. The brand was TrafficMaster, and the product was touted to be something new called "luxury vinyl tile." It totally disrupted the status quo in the aisle, and it's never been the same since! The private-label strategy, in this case, allowed the retailer to "scream" new and different in packaging, merchandizing and promise. It was so radical in unique styling and look that customers were pulling it off trial shelves before the shelves were fully stocked.

In both cases, the brands were unique, well-defined, compelling and filled a gap in the marketplace. The lesson is that it doesn't matter to the consumer what the brand strategy happens to be—as long as it's a good one. ■

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Paul Friederichsen is a marketing and branding expert with a career spent in ad agencies as a creative director and strategist and with numerous clients over the years in the floorcovering industry. He is a partner in the international brand consultancy The Blake Project, is a contributor to Branding Strategy Insider, and is the director of education for Domotex USA 2019.