



Successful OWN BRAND MANAGEMENT

Roland Berger Strategy Consultants

Munich, April 2010

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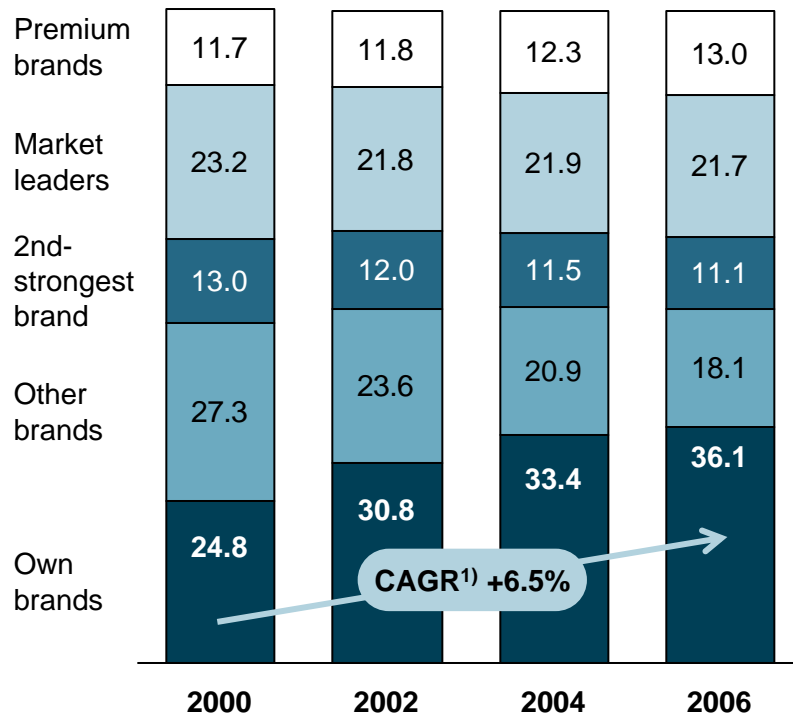
- A. The trend toward own brands – An opportunity for retailers**
- B. Challenge – From retailer to brand manufacturer**
- C. Your own brand – Our expertise**
- D. Contacts – Our team of experts at Roland Berger**



Own brands are becoming successful at the expense of B/C brands, and offer potential for differentiation

Current development of own brands

Market share [%]



1) CAGR = compound annual growth rate (relating to market share)

Own brands as a means of differentiation

Organic own brands



Low-fat/healthy own brand lines

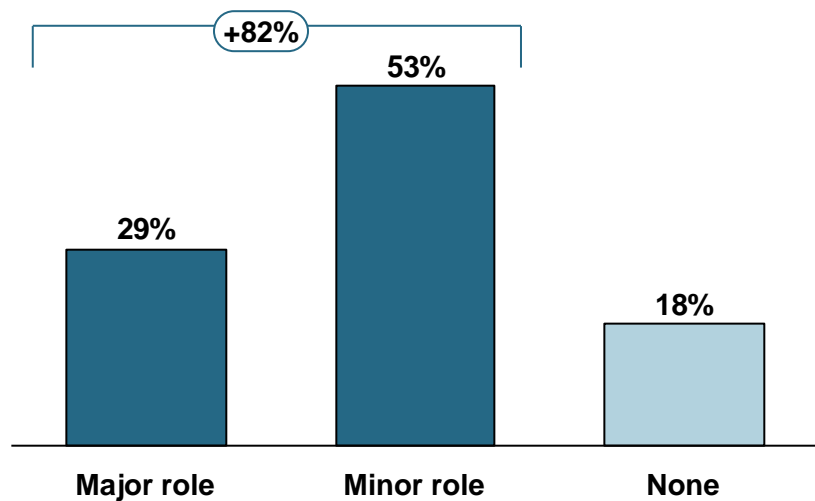


A successful own brand strategy influences the choice of store and thus strengthens customer loyalty

Perception of own brands in Germany, 2009

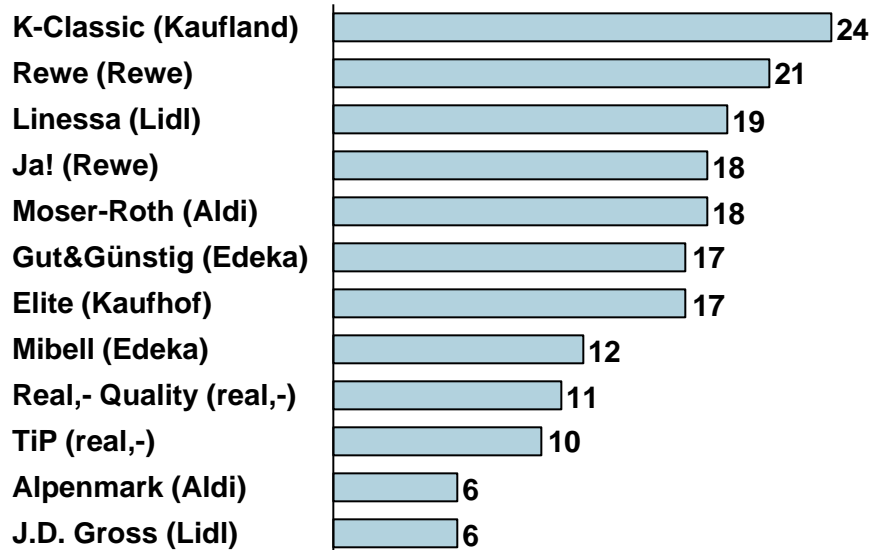
Influence of own brand offerings on the choice of store [% of those surveyed]¹⁾

"What role do own brands play for you when deciding where to shop?"



Overview of preferred stores and own brands [% of those surveyed]²⁾

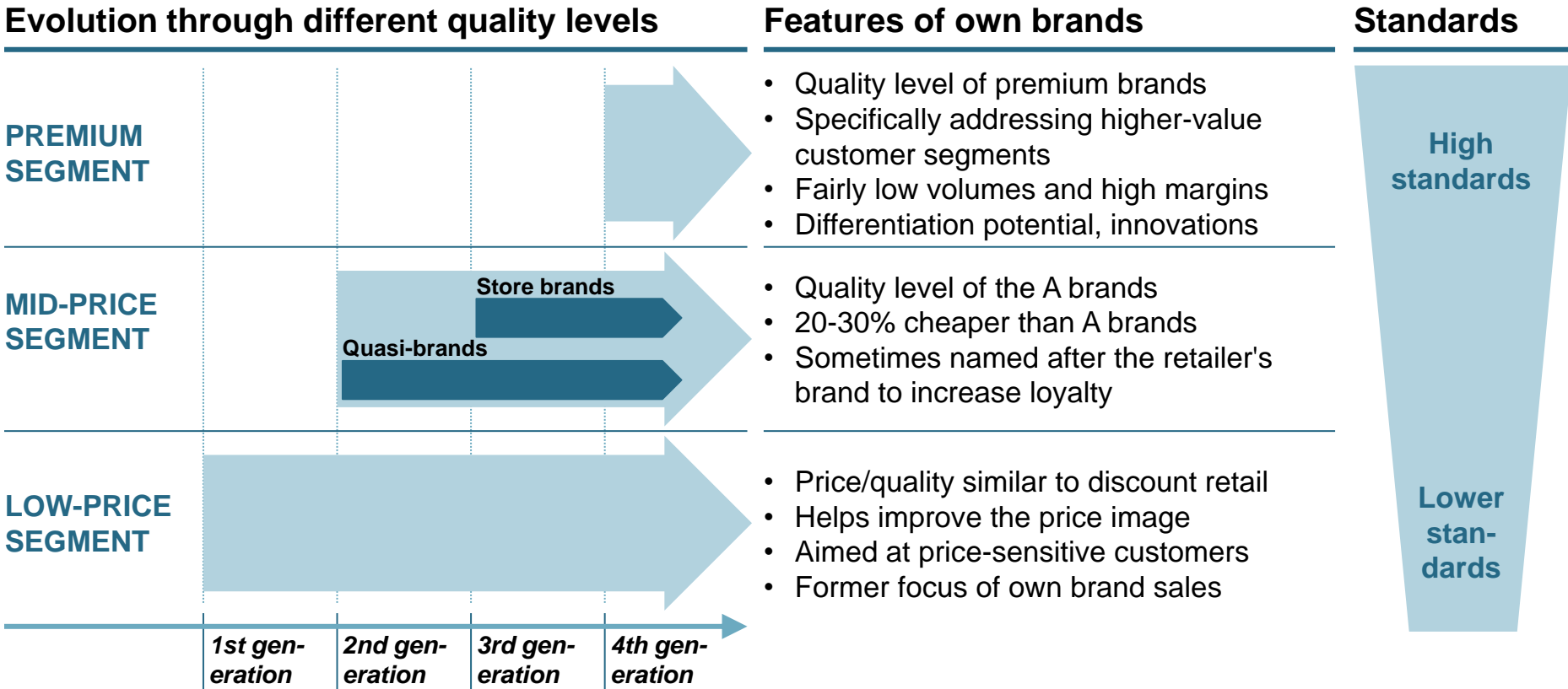
"... is a brand for which I go specially to retailer X."



1) n = 810 heads of household aged 18+ 2) n = 810 heads of household aged 18+ who know the own brand; several answers allowed

Own brands have become retailers' branded goods – This places greater demands on management

Historical development of own brands



In developing an own brand strategy, core questions in six areas need to be answered

Core questions in developing an own brand strategy

- 1 What **own brand architecture** promises the greatest value improvement potential?
How many quality levels and brands should be chosen?
- 2 In which **categories** do own brands have the highest potential and which **segments** are thus addressed?
- 3 How should **product range decisions** be made on the basis of target segments' buying behavior?
What **marketing mix** supports sales of own brands?
- 4 How should the own brand architecture best be **communicated** internally and externally?
How can the sales department be prepared for its new role in the context of own brands?
- 5 Where in the company should own brand management be anchored in **organizational** terms
What budget needs to be allocated to it?
- 6 What **monitoring tools** are needed to measure the success of own brands?
How can operational decisions be empirically supported?

Roland Berger can help you professionally manage your own brands

Key challenges of own brand management

Support from Roland Berger

STRATEGIC

- 1** Architecture
- 2** Customer segments
- 3** Categories

OPERATIONAL

- 1** Delisting brands
- 2** Price
- 3** Quality
- 4** Communication
- 5** Placement
- 6** Promotion

ORGANIZATIONAL

- 1** Organizational structure
- 2** Budget
- 3** Monitoring

Defining own brand architecture as the basis for choosing items for each segment and category

Strategic challenges and possible solutions

CHALLENGES

1 ARCHITECTURE

- What architecture fits best into the existing product range?
- How can we guarantee that the architecture is adhered to?

2 CUSTOMER SEGMENTS

- Which customer segments should be addressed specifically by the own brand strategy?

3 CATEGORIES

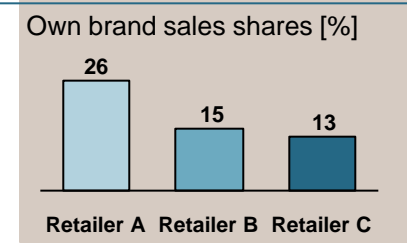
- Which categories offer the greatest potential for own brands?

POSSIBLE SOLUTIONS

- Three-stage architecture (low price, mid-price, premium) with the greatest value-boosting potential
- Targeted delisting of brand items and continuous tracking via an architecture tool ensure consistent maintenance of the individual price levels

- Analysis of brand affinities, loyalties and penetration rate of the different customer segments provides information about own brand potential
- Focus groups enable deeper understanding of the segments
- Migration analysis helps to track changes in behavior in the segments ex post

- Benchmarking with competitors at category level
- Adjustment for specific features such as product range and customer structure
- Focus group for detailed understanding



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The own brand concept leads to operational challenges related to delisting, price and quality

Operational challenges and possible solutions (1/2)

CHALLENGES

1 DELISTING BRANDS

- Which items should be delisted to make space on the shelf and create consistency in the price architecture?

2 PRICE

- How should prices be set?
- How can we guarantee that the price architecture is adhered to?

3 QUALITY

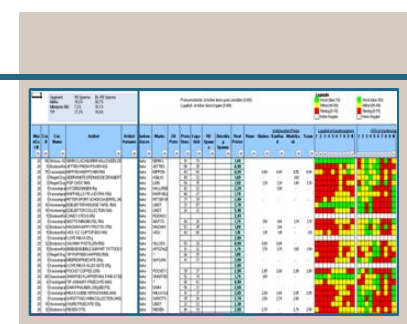
- How can the required quality of own brands be guaranteed?

POSSIBLE SOLUTIONS

- Identify the brand items with low loyalty, high penetration and price sensitivities in the target segments
- Identify branded items at the desired price level

- Take into account the price architecture, advertising prices, competitor prices and price sensitivities in the category
- Each week, monitor whether the own brand prices set are still within the target range (price changes to "A" brand or competitors' own brands)

- Define "A" branded items as quality reference (specification)
- Intensify quality assurance
- Use surveys, tastings and user blogs to get continuous customer feedback



7 FRISCHKEIMT-ARTIKEL										Produktdetails EM				Produktdetails A-Marken			
Artikel	Füll-Menge	Füll-Einheit	VK-Brutto	VK-Brutto IST	Abw. Brutto Grundpreis	Abschlag IST vs. ca. Marke %	Artikel	Füll-Menge	Füll-Einheit	VK-Brutto	VK-Brutto IST	Abw. Brutto	Abw. Brutto Max				
JOHARI 0,1% 500g	500	g	0,89	0,00	-8,89		OPTIMELL JOHAI	500	ml	0,75	0,75	0,00	0,00				
KAKAOBRUNN 0,1% 50g	0		0,00	0,00				0		0,00	0,00	0,00	0,00				
WISCHLAGSÄHNE 20%	200	g	0,49	0,00	-1,81		FRISCHLAGSÄHNE	1.000	ml	2,49	2,49	0,00	0,00				
MILCHLAIBERERF 3,5%	1		0,49	0,00				0		0,00	0,00	0,00	0,00				
H.SCHNAP 24% 200g	200	g	0,49	0,00				0		0,00	0,00	0,00	0,00				
CREME-FRANCOE 30% 14	150	g	0,49	0,00	-4,84		CREME-FRANCOE	150	g	0,95	0,95	0,00	0,00				
JOHARI MIT CEREALE										0,00	0,00	0,00	0,00				
JOHARI MIT FRUCHT										0,00	0,00	0,00	0,00				



Creating a clear understanding of the own brand architecture is a key communication challenge

Operational challenges and possible solutions (2/2)

CHALLENGES

4 COMMUNICATION

- How is own brand architecture anchored internally?
- How should the new own brand architecture be communicated to the customers?

POSSIBLE SOLUTIONS

- First persuade and inspire people within the company: internal roadshows, product tests, campaign and product previews, etc.
- Externally, first increase brand recognition and then focus on profiling/creating differentiation
- Balanced media mix (TV, radio, print, online, etc.)



5 PLACEMENT

- How should own brand architecture be reflected in shelf placement?

- Define general shelf-stacking guidelines
- Harmonize with existing planogram rules
- Support goods presentation with POS advertisement (shelf talkers, price labels, pallet borders, etc.)



6 PROMOTION

- What mix of actions to increase sales should be used?

- Boost first-buyer rate through tastings, displays, coupons, flyers, etc.
- Increase loyalty through coupons, CRM, flyers, etc.



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Embedding own brands in the organization is mission-critical – Permanent monitoring using customized tools

Organizational challenges and possible solutions

CHALLENGES

1 ORGANIZATIONAL STRUCTURE

- How are own brands embedded in the organization?
- Who is responsible for the own brands?

2 BUDGET

- How is the budget for own brands determined?

3 MONITORING

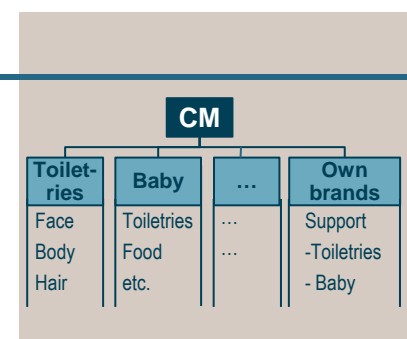
- How can efficient and sustainable processes be guaranteed?
- What monitoring tools are required?

POSSIBLE SOLUTIONS

- Close link between own brand management and category management must be ensured
- Options
 - Standalone department within category management
 - Own division reporting to CEO
 - Responsibility of the Marketing division

- Existing (marketing) budget often does not reflect the strategic importance of own brands
- Options
 - Allocate a fixed share of the marketing budget
 - Annual negotiations as part of marketing planning
 - X percentage points of the gross margin of own brands

- "Own brand management" tool standardizes processes, creates data transparency and enables collaboration between departments and national companies
- Various monitoring tools at category, store and SKU level are needed to compare target vs. actual and for benchmarking



ID	Brand	Main category	Purchase Area	Country	Product description (English)	Quantity	Unit	Status	Price
1170	Unilever	Commodities	DE	DE	1000g	100	g	DE	2.90
1171	Unilever	Commodities	DE	DE	1000g	100	g	DE	2.90
1172	Unilever	Commodities	DE	DE	1000g	100	g	DE	2.90
1173	Unilever	Commodities	DE	DE	1000g	100	g	DE	2.90
1174	Unilever	Commodities	DE	DE	1000g	100	g	DE	2.90
1175	Unilever	Commodities	DE	DE	1000g	100	g	DE	2.90
1176	Unilever	Commodities	DE	DE	1000g	100	g	DE	2.90
1177	Unilever	Commodities	DE	DE	1000g	100	g	DE	2.90
1178	Unilever	Commodities	DE	DE	1000g	100	g	DE	2.90
1179	Unilever	Commodities	DE	DE	1000g	100	g	DE	2.90
1180	Unilever	Commodities	DE	DE	1000g	100	g	DE	2.90

We have comprehensive project experience and links with customer-centric category management

Our USPs in own brand management

1	CUSTOMER-CENTRIC APPROACH	We link the own brand strategy with a solid segment strategy based on customers' buying behavior
2	IMPLEMENTATION COMPETENCE	If required, we assist you with creating the concept, launching it and establishing the processes in day-to-day operations
3	PROJECT EXPERIENCE	We have comprehensive project experience in national and international retail
4	READY-TO-USE TOOLS	The tools we developed for own brand management can be quickly tailored to your particular needs
5	HOLISTIC PERSPECTIVE	We do not limit ourselves to a product or marketing perspective. In our view, own brand management is a process reaching across divisions

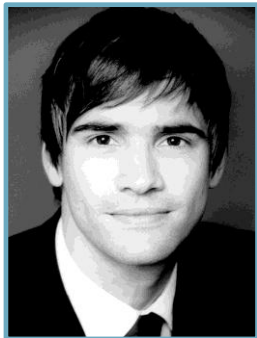
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