

Research on the Innovative Decisions of Supermarket Private Brands and Designated Manufacturers

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Abstract: One of the core competencies of a supermarket lies in its branding. With the continuous development of the market economy and the ongoing evolution of consumer demand, private brands have progressively emerged as significant contributors to supermarket growth. However, a pivotal developmental challenge for supermarkets is navigating the innovative decision-making process between private brands and designated manufacturers. This paper aims to investigate the innovative decisions between private brands and designated manufacturers, along with the relevant promotional strategies employed during entry into the United States market.

Keywords: Supermarket; Private brand; Brand manufacturer; Innovative decisions

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1. Introduction

The development of proprietary brands has become a focal point for many retailers in the current business landscape. As consumers increasingly prioritize product quality and price, supermarkets are gradually shifting their focus towards their own brands as a significant source of revenue. However, both product quality and price and the innovation decisions made by manufacturers play pivotal roles in the success of these private brands.

2. Definition and comparison of private brands and designated manufacturers

2.1. Definition and characteristics of private brands

A private brand refers to a product brand developed, produced, and sold by a specific enterprise. It represents the independent creation of the enterprise, with complete brand ownership resting within the company. Serving as a core component of the business, private brands embody the image, values, and quality standards of the company. The core competitiveness of private brands lies in their capacity to control research and development (R&D), production, and marketing, as well as to understand and meet consumer needs^[1]. With high brand recognition and loyalty, consumers often develop emotional and trusted connections with these brands.

2.2. Definition and characteristics of designated manufacturers

Designated manufacturers, found in the market, specialize in producing goods and establishing brands for other companies. They engage in manufacturing and producing products for other brands through original equipment manufacturer (OEM) and agency arrangements. The core competitiveness of these manufacturers lies in their advanced production technology and resources, enabling them to provide high-quality product manufacturing and supply chain services. They benefit from stable production technology, economies of scale, and a keen sensitivity to market demand ^[2]. However, compared to proprietary brands, their brand influence and popularity are relatively lower. Their primary business focus revolves around providing production services for other brands.

2.3. Differences and connections between private brands and designated manufacturers

Ownership stands out as the primary distinction between private brands and designated manufacturers. Private brand ownership entirely rests with the enterprise, while designated manufacturers primarily produce for other brands. Furthermore, brand influence represents a significant difference between private brands and designated manufacturers. Private brands typically boast higher brand awareness and loyalty, while designated manufacturers tend to have weaker brand influence. Another differentiating factor is the control power ^[3], evident in areas such as product R&D, production, and marketing. Private brands enjoy full control over these aspects, while designated manufacturers primarily concentrate on product manufacturing, with limited control over research, development, production, and sales quality.

Despite their differences, private brands and designated manufacturers share a close connection. Private brand enterprises can expand their brand presence by collaborating with designated manufacturers, extending their influence into new product domains, and enriching their product offerings for increased diversification ^[4,5]. Such collaborations often involve private brand enterprises partnering with designated manufacturers to OEM products and utilize other production methods. These partnerships aid in cost reduction, scale expansion, and bolstering brand influence within the market.

3. The importance of innovative decisions for private brands and designated manufacturers

3.1. Enhancing competitiveness

Innovative decisions made by private brands and designated manufacturers are pivotal in achieving product or service uniqueness and competitiveness. By responding to evolving consumer needs, companies can devise new ideas, technologies, or designs that set them apart in the market. Through ongoing innovation, enterprises can sway consumers towards choosing their products or services, thereby securing a competitive edge.

3.2. Fortifying market position

Fostering a stronger brand image and market presence can be attained through innovative decision-making. By consistently introducing new products, technologies, or services, enterprises can heighten consumer awareness and loyalty to their brand. Concurrently, sustained innovation attracts more consumers and partners, facilitating the gradual establishment of a positive reputation and brand image in the market ^[6,7].

3.3. Expanding market share

Innovation serves as a catalyst for capturing a larger market share. Companies can cater to the diverse needs of

consumer segments by enhancing product quality and innovation, thereby attracting a broader consumer base. This expansion of market share leads to increased market scale and higher economic benefits for enterprises.

4. The development and challenges of the supermarket private brands

4.1. Advantages of private brands

Private brands, defined as product brands designed, produced, and sold by retailers, have seen increasing significance in the market due to consumers' growing awareness of product quality and brand. Several advantages of private brands include:

- (1) Quality control: Supermarkets exercise complete control over the entire product supply chain, from procurement and production to sales of raw materials, enabling them to ensure product quality and provide high-quality, reliable products to meet consumer demand.
- (2) Differentiation competition: Private brands are typically unique to each supermarket, featuring distinct design, packaging, and marketing strategies that differentiate them from competitors^[8,9]. This differentiation effectively establishes a competitive advantage for supermarkets in the market.
- (3) Profit increase: Sales of private brands allow supermarkets to reduce dependence on other brands. Private brands often yield higher profit margins, effectively driving supermarket profit growth.
- (4) Enhance customer loyalty: Private brand goods are exclusive to supermarkets, fostering customer loyalty as customers are compelled to return to specific supermarkets for these unique products.
- (5) Advantages of own channels: Selling private brand products through supermarket channels ensures direct sales implementation and enables quick access to firsthand customer data and feedback. This facilitates a closed loop of product improvement iteration, providing supermarkets with natural advantages over fast-moving consumer goods (FMCG) brand owners.

4.2. Challenges of private brands

Despite their numerous advantages, private brands also face several challenges.

Firstly, building and maintaining a brand reputation requires significant time and resources, particularly in competition with well-established brands in the market. Supermarkets must consistently deliver high-quality products to earn consumer trust.

Secondly, launching new products that meet consumer needs demands strong R&D and innovation capabilities. This necessitates ongoing investment in capital and human resources, along with forging long-term, stable partnerships within the supply chain to ensure high-quality, timely product launches.

Lastly, supermarket private brands must demonstrate competitiveness in product quality, price, marketing, and other aspects to effectively compete with well-known brands in the market^[10,11].

5. Innovative decisions of designated manufacturers

By continuously enhancing product quality and performance, as well as offering diversified product lines, designated manufacturers can better adapt and compete within their own brand market. These methods necessitate designated manufacturers to possess the capability to strengthen R&D and innovation, and to consistently refine their products and production processes while maintaining their unique selling points and differentiation.

The key to success for designated manufacturers in the competitive landscape lies in the development and execution of innovative strategies. Brand manufacturers should closely align themselves with market

trends, possess a keen sense of market dynamics and foresight, and remain vigilant to changes in consumer demand. They should actively listen to consumer feedback and guide timely adjustments to products and strategies. Through market research, competition analysis, and active engagement with consumers, designated manufacturers can derive insights to tailor innovative strategies accordingly ^[12,13].

Brand manufacturers should prioritize team cooperation and resource integration to cultivate an open innovation culture. They should encourage employees to contribute innovative ideas and solutions while providing the necessary resources and support to ensure the effective implementation of innovation strategies. Strengthening collaboration with supply chain partners is essential for brand manufacturers to collectively drive innovation implementation forward.

6. The peculiarities and influence of the American market

6.1. Consumption habits and purchasing behaviors in the American market

The American market is characterized by a diversity of consumption habits and purchasing behaviors. With a wide array of choices available, consumers in the United States prioritize factors such as product quality, brand reputation, and cost-effectiveness when making purchasing decisions. Compared to other countries, Americans exhibit a great fondness for and willingness to try new products and innovations, emphasizing personalized and customized shopping experiences. It is noteworthy that American consumers tend to exhibit relatively low brand loyalty, often making purchasing decisions based on individual needs and market competition.

6.2. Impact of the regulatory environment of the US market on designated manufacturers

Numerous laws, regulations, and standards in the United States govern the production and sales activities of designated manufacturers, encompassing areas such as product quality, safety, and environmental protection. In the US market, designated manufacturers must rigorously adhere to these regulations and standards to ensure that their products meet the requisite requirements, thereby safeguarding consumer safety and satisfaction.

6.3. Attitudes and trends of the American market toward private brands

Private brands are assuming increasing significance in the US market, primarily driven by consumer demand for personalization and customization. To gain competitive advantages by leveraging brand reputation and market penetration, an increasing number of supermarkets are investing in establishing their own brands. Concurrently, private brands have gradually earned the trust and favor of American consumers, who are increasingly interested in their value and quality.

7. Innovation decisions of private brands and designated manufacturers in the American market

7.1. Market research and product positioning

Companies must conduct comprehensive research into the needs, preferences, and purchasing behaviors of their target consumers, as well as the US market landscape, to inform their innovation decisions. Market research enables enterprises to identify market gaps and potential business opportunities, providing a solid foundation basis for precise product positioning. Additionally, understanding competitors' product characteristics, pricing strategies, and marketing activities is crucial for enterprises to differentiate themselves in a competitive market ^[14,15].

7.2. Innovative product development and design

During the product development and design phase, enterprises should prioritize product quality and safety to ensure compliance with relevant US regulations and standards. They should strive to make new products more competitive by innovating in product functionality, appearance, packaging, and other aspects. Furthermore, companies can develop products that embody both brand characteristics and organic health attributes to meet market demands.

7.3. Building an efficient supply chain system

Establishing a robust private brand supply chain system is essential for enhancing supply chain efficiency, reducing operating costs, and ultimately lowering product prices. This helps maintain a price advantage over competitors and facilitates rapid market share acquisition. It is imperative to control and mitigate costs and risks throughout the supply chain while enhancing short-term asset income and efficiently managing operating capital with minimal risk.

8. Conclusion

Mastering the development, production, and sales processes enables enterprises to enhance competitiveness and market position by improving product quality and performance. It can be asserted that the innovative decisions of private brands and designated manufacturers hold significant importance in the supermarket industry. Market characteristics and consumer demand stand as key factors that private brands and designated manufacturers must consider when making innovative decisions.

Disclosure statement

The author declares no conflict of interest.

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