

Understanding The Influence of the Retailer– Supplier Competitive Relationship On Private-Label Food Projects in The Saudi Retail Sector

Khulud Alyafie¹, Dr. Nick Ford², Dr. Chris Simms³

Faculty of Business and Law at University of Portsmouth

Abstract

In the last three decades, private-label brands have developed dramatically in terms of quality, packaging, competitive price, and shelf presentation in the FMCG industry. These brands are produced by suppliers for retailers to gain mutual benefits. Therefore, retailers try to maintain their suppliers to collaborate with them in private-label projects. Traditionally, the FMCG industry has been dominated by large multinational suppliers, such as Procter & Gamble, Coca-Cola, and Unilever. However, private-label brands are increasingly competing with these suppliers, such as Tesco, Aldi, and Walmart. As a result, some customers are switching in large numbers from branded to private-label brands. Therefore, retailer's brands decrease the suppliers' sales. In turn, suppliers use several actions to protect their brands from competition exclusion. Consequently, the competition might impact the private-label projects negatively. Despite private-label being important for retailers as they now bring them significant advantages in the retail sector. Relatively few research studies have been conducted into the retailers and suppliers' competitive actions within private-label projects and how its influence into these projects particularly in the food sector. Based on these limitations, this study will seek to investigate this in the Saudi retail sector by conducting qualitative methods. The findings highlight that suppliers use their opportunistic behaviours (e.g., developing a flanking product) to inhibit the success of private-label sales. Consequently, retailers use category management as a strategy to maintain their private-label brands aiming to contribute positively to their category sales performance. This study contributes to the literature by providing new insights into private-label literature.

Keywords: Category Management; FMCG; National Brand; Store Brand; Food Industry