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USE OF PRIVATE LABELS IN TRADING ACTIVITIES

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One of the important areas for creating a unique assortment policy, and consequently, for stimulating sales, are private labels. The tutorial discusses the use of private labels in the activities of modern trade organizations. The textbook is intended for students in such fields of study as 38.04.06 “trading business” as part of master's programs.

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Introduction

The formation of an assortment policy is an important task in trade. However, the potential for assortment formation largely depends on the product brands owned by suppliers. The mechanism that allows a trade organization to use its own product brands is its own trademarks. A trademark is a sign to distinguish goods and services produced or provided by a company from those of others. Trademarks allow provide consumers with the ability to distinguish goods.

The importance of private labels grows in the current conditions of network trade development and higher competition in commerce. The effective management of private labels allows optimizing the range and price policy, improving the image and business reputation, and achieving higher customer loyalty. This manual is intended for practical consolidation of theoretical knowledge obtained by students in the process of lecture and independent study of the discipline private labels.

The manual contains theoretical material on Trademarks and Their Role in Commerce, Private Labels and Assessment of Their Effectiveness, the Role of Product Categories in the Management of Private Labels, Private Labels Segment State and Development Trends, Private Labels Development Methodology, as well as a business game, a list of test questions, the topics for discussion, and essay topics. The content of practical tasks is aimed at the obtainment and consolidation by the students of the knowledge, skills, and abilities presupposed by the program of the discipline Private Labels.

In the result of the study of the material of the textbook the student shall:

- be able to explain the meaning of the notions “trade-mark” and “private labels”;
- know the functions of trademarks and private labels;
- know the advantages of private labels for trade organizations and manufacturers;
- know the limitations of private labels use in commerce;
- know the private labels segment development trends;
- be able to justify the choice of product categories for private labels;
- know the private labels development methods;
- know the possibilities and limitations of state registration of private labels as a trademark;
- be able to develop the internal and external identifiers of private labels taking into account the target audience;
- be able to assess the effectiveness of private labels management;
- be able to assess the influence of private labels on the economic efficiency of trade.

Trademarks in the development of the assortment policy of trade organizations

The formation of an assortment policy is an important task in trade. However, the potential for assortment formation largely depends on the product brands owned by suppliers. The mechanism that allows a trade organization to use its own product brands is its own trademarks. A trademark is a sign to distinguish goods and services produced or provided by a company from those of others. Trademarks allow provide consumers with the ability to distinguish goods.

The main purpose of a trademark is to provide consumers with options to customize goods (or services) of a company and keep the aside from identical or similar products offered by competitors. Consumers who are quite satisfied with the quality of specific products will likely purchase and use them again. For that, the buyers need to be able to recognize the products easily from other identical or similar goods.

Giving companies an opportunity to differentiate their products from those produced by competitors, trademarks play a pivotal role in the branding and marketing strategy of the company. It helps to create the image and reputation of the product for consumers. The image and reputation creates trust to serve as the basis for the loyal clients of the company. Customers often develop emotional attachment to certain trademarks, based on a set of desired quality and characteristics of products of those trademarks. In addition, trademarks promote the growth of investment of companies to maintenance

and further improvement of the product quality to keep up the attraction of the products with the positive reputation.

Registration received in accordance with the trademark law, provides the company with the exclusive rights to prohibit all sale of identical or similar goods using the trademark or a sign similar to it. If the registration is not made for this case, the investment to product promotion on the market may be useless as competing companies will be able to use this or similar trademarks for identical or similar goods. If a competitor starts using use identical or similar trademark, consumers may be misled and purchase products from the competitor believing he/she buys a correct product. It would not only reduce the costs of the faking company and mislead the buyer but also could cause damage to the reputation and image of the honest company, especially if the competitor's products are of low quality. In addition, the registered trademark may be subject to the issuance of licenses to other companies, thus providing an additional source of income for the company, or serve as a basis for agreement on a franchise. In some cases, a popular registered trademark with good reputation can be used to obtain financing from banks, who start understanding the value of brands for success in business.

History of brand development in trade

Currently, products under the private label are becoming increasingly popular among customers. According to the association of manufacturers of private brands (PLMA) the share of private label products increased in the markets of 18 of the 20 countries surveyed and accounted for 33% of all sold to the European retail market products in 2010. At the same time the position of private labels in some countries are not identical and vary depending on the region and the economic situation in a specific market.

The most rapid growth of private labels in recent years has been noticed in Spain. In 1999, the share of products under private label accounted for only 17% of all goods sold in the country. By 2004, the market share increased to 30%, in 2009 it exceeded 40%. Currently, private label products occupy 49% of the Spanish market.

In Switzerland, the UK and in the segment of private label the competition between discounters and supermarkets is growing. In such circumstances private labels steadily occupy a leading position among European countries, averaging about half of all goods sold.

In Germany in 2010 the number of private label products increased in 12 of 13 surveyed sales organizations, in France – in 8 out of 12. The successful development of private labels in the Netherlands allows to predict the imminent increase in their market share up to 30%.

In Scandinavia, the most rapidly developing private labels are in Norway and Finland, while the share of private label

products in the Swedish market did not changed in 2010, and now it equals 26%.

In Italy, despite an increase in private label products in all 9 stores investigated, their market share remains low – 19%.

Customers in Portugal and Greece – the countries experiencing economic difficulties, have switched to private label products, primarily due to their low price. Market share increased up to 42% in Portugal and for the first time exceeded 20% in Greece.

A significant increase in the share of products under private labels in 2010 occurred in Eastern European countries – Poland, the Czech Republic and Slovakia.

These statistics confirm the trend growth in the popularity of private label products in the European market. In countries experiencing economic difficulties (Greece and Portugal) buyers are attracted by low cost of such goods. In other countries, some consumers who turned to private labels during the recession, are returning to their habitual brand manufacturers, but most of them remain loyal to goods of private label.

In addition, more and more consumers are choosing products of retail chains due to their exclusivity. The price of the goods is no longer a crucial factor, but its quality, design and innovative features. Therefore, the development of private labels requires the development of networks of new trends in the segment of private label.

One of these areas – sales of organic (environmentally friendly) products under the private label. It is understood that the organic products are made only from natural ingredients under friendly technologies without negative impact on the environment.

Environmentally friendly products are now especially popular in Europe and are included into the range of the absolute majority of retailers, including under their own brands.

Thus, the French company Carrefour offers its customers the organic products under its own brand name Agir, which includes four lines:

- Carrefour Agir Bio (mainly food products);
- Carrefour Agir Éco Planète (non-food products, environmentally friendly – cleaning products, energy-saving light bulbs, and others);
- Carrefour Agir Nutrition (healthy food);
- Carrefour Agir Solidaire (Fair Trade products).

The last line – Carrefour Agir Solidaire – includes products that are labeled Fair Trade. Fair Trade is an organized social movement and market approach, which aims to create more favorable trading conditions for producers in developing countries, as well as to help protect the environment. It focuses on exports of coffee, cocoa, sugar, tea, honey, wine, fresh fruit, chocolate, flowers, and other products from developing to developed countries.

Implementation of Fair Trade products, and the goods derived from it under the private labels is typical for many European networks and it is a separate area of private label segment at present.

For example, the British retail chains Co-operative, Sainsbury's, Waitrose, Tesco and Marks & Spencer sell labeled with Fair Trade chocolate under their own brands. In particular, since 2009, private label chocolate of Co-operative is made exclusively from Fair Trade cocoa, imported from the Dominican Republic, Ghana and Peru.

By purchasing these products, a buyer understands that by doing so he helps people in developing countries. Therefore, Fair Trade mark on the packaging serves as a means of attracting customers to the goods.

Another way to attract the attention of buyers and another trend of private label segment of the European market is to create a line of products together with the famous, well-known to consumers persons.

The participation of celebrities in the creation and promotion of goods gives them greater exclusivity, promotes awareness and customer loyalty. This trend is primarily for the clothing market – one of the main segments of the private label, with the exception of consumer goods. So, in 2008, Marks & Spencer has signed a contract with the famous stylist Patricia Field to create a clothing line (35 titles) for retail chain brand.

When creating their own brands, retailers can combine not only with individuals but also with other companies (industrial or commercial).

Placing private label sign next to the logo of the manufacturer has been called co-branding. For example, the German-Discunt store chain Aldi sells Be light (healthy food line) cheese under its own brand, produced by the French company Bel brand Babybel.

Combining retailer with a trading company involves the sale of private label products in one network to the other stores. Thus, the Belgian conglomerate Delhaize in Greece sells products under the brand AB through a network of local supermarkets Alpha Mega.

Co-branding and selling of private label goods of retail chain stores through other retailers are also important directions of development of private brands in the European market.

The development of distribution networks for new approaches to the creation and promotion of products under private labels and their successful implementation show that the European private label product market is promising and is ready for further growth.

The trend of private label segment of the European market confirms the results of a study based on a survey of more than 3.000 customers in France, Germany and the UK:

- The number of buyers, announced about the intention to acquire more private label goods is much higher than the number of those who are going to reduce the purchase of such goods;
- The most frequent buyers of private label products are young buyers (aged 16–34 years), who have a greater awareness of them than buyers of middle and old age;
- Private label products are becoming increasingly popular in the segment of non-food products;
- Buyers believe that private label products have the same high quality as the products under the brand name manufacturers.

And the results of the study of the attitude of customers to private label, and increasing of the share of private label products in the total volume of goods sold in most countries also show that at the present time, private brands are popular in Europe, and suggests that the European market growth in this segment will be even more intense.

Trademarks as a factor in sales promotion

One of the sales promotion tools, receiving widespread in modern conditions, is its private labels. Private labels determine the loyalty of the customers to a retail chain, which in turn has a positive impact on sales. Private labels are an important intangible resource of the trade organization, according to which the trade organization still has the rights for the brand, not the producer. The value of the goods, sold under own brand, in the modern conditions is usually lower and ensures an acceptable level of quality.

Private label is a trademark owned by the retailer. This brand can repeat the name and logo of the retail chain or have its own specially designed name, but its manufacturing and marketing is exclusively controlled by the retailer. The first private labels at the European market appeared in chain stores in the UK. At the end of the XIX century old British chain Sainsbury's launched a project for the sale of bacon under its own brand, and in 1924 Tesco announced about private label (Tesco Tea) sales.

One of the most successful areas of use of own brands is the value transfer of the goods sold under its own brand, the price of other goods, usually of great value with products under its own brand sold as a complement gifts. The desire of the buyer to reduce the time required to process the purchase and sale of goods leads to the fact that the goods were bought in sets. This set is usually possible to identify some key commodity that determines the choice of the organization by the buyer. If you have a loyalty to particular trade organizations, such item becomes a

related product sold under its own brand. Such example is the implementation of souvenirs together with other goods.

The experience of own brands use is also widely spread in the cross-marketing. Often this approach is used for the trade organizations, which sell various product categories. The cost of related products sold under own brand is insignificant, but it determines the possibility to sell more expensive goods. It should also be noted that the practice of trade collection is different for small and medium-sized organizations. Thus the sale of related products influences the taxation. It increases the sales efficiency by generating the most attractive offer for the customers.

The prospects of related products sale under own brand also plays an important role in the economic activities of organizations operating in areas related to the trade. In this case the potential of the brand of such organization allows selling the related or souvenir products at the prices several times higher than their traditional cost in everyday conditions. In its turn the possession of such goods by the consumer positively affect the brand image. In this regard when selling the souvenir products it is expedient to have in the assortment both the goods, which sale is aimed at profiting, and the goods, particularly durable goods, which will in the future affect the brand image.

The retail chains seek to capture the new territories and to increase their market share by opening the new outlets, but face the problem of competition. Often the new shops open almost next door to the competitor sharing the market with it. Accordingly this situation is characterized by the constant redistribution of customer flows between stores.

In the competitive environment the usual methods of stimulation are sometimes not enough. It is necessary to win the

loyalty of customers to a particular retail chain, since the assortment matrix almost all networks is the same.

Own brands can be distinguished as one of the methods of formation of customer loyalty in conditions of constant redistribution of customer flow. In the modern literature the presence of own brands in the assortment of goods sold is defined as an important intangible resource of trade organizations directly affecting the efficiency of economic activities.

Own brand name, as opposed to the brand of manufacturers, is a resource fully-owned by the retail chain. A trading network initiates the creation of a unique product, which will make it differ from many others. It is worth noting that own brands are the intangible assets and intellectual property of a trading network, which is protected by law, so it is forbidden to sell the products under own brand of another store.

The goods subsequently sold under own brand can be manufactured by both the distribution network and independent manufacturers. Given the limited resources of a trade network the expenditures onto non-core activities are often economically inexpedient. In this connection the mechanism of own brands is designed for outsourcing, that is, the network orders the goods under its own brand from an independent manufacturer in the necessary quantity and according to the criteria that suits it. Usually small private enterprises are such manufacturers.

The main advantage for the consumer is the low cost of goods sold under own brand, while the consumer is guaranteed a certain level of quality. Usually the quality of these products is closely related to the positioning of the trade network at the market.

In its turn, the benefits of own brands for a retail chain, as it has been shown, include the full right to manage this resource. A trading network can differentiate the manufacturers, including increasing the volume of sales by engaging new one. Own brands are becoming so popular and efficient way to enhance the customer loyalty that some networks have at once several types of own brands.

It should be noted that own brands are not only the products, which can be seen on the shelves of a specific network, they are own brand and business reputation. In this regard the quality of products sold under their own brands should be closely monitored, as it has a strong effect on the customer loyalty.

The advantage of signing a contract for the supply of goods under own brand for a manufacturer first of all consists in the expansion of markets for its products. In addition, often the retail chains offer to conclude a contract on favorable terms, and the manufacturer does not bear any additional costs for the promotion of its products sales.

Currently own brands are also going through a transformation and the brands, which price at the premium segment stores several times exceeds the actual purchase price, are appearing, but at the moment it is rather an exception than the rule. Accordingly, it is possible to note the considerable prospects of own brands development in the high-price segments.

In this situation it is expedient for the trading networks to have in their product matrix several own brands, which are positioned at different segments of customers. In particular, other methods to stimulate sales, rather than price incentives shall be applied to such brand. The creation of an appropriate brand image in respect of the buyers shall be attributed to such methods.

To this end, it is important to use the positive reputation of the trade network in the advertising of own brands. Such trade mark must be differentiated from the goods of lower price segments. The trade organization must carefully control the quality of such goods, including with the use of mystery shopper method. A deterioration in the quality of goods sold under own brand leads to the loss of business reputation of the trade network.

The small manufacturers do not have the proper capacity to enter the market. The use of own brands of large retail chains allows within a short time ensuring the sale of own products, which in its turn will increase the efficiency of trade in the Russian Federation.

It may be noted that the use of own brands has the great prospects both for the development of manufacture and the higher efficiency of retail chains. The introduction of brands of high price segments has the greatest prospects due to their low prevalence at present.

The same product sold under various brands can have a completely different user value. Moreover, this cost may be several times higher, that is, the value of the brand in the price of the goods exceeds all other components. For this very reason, the major manufacturers of goods often sell the goods manufactured on their order by other manufacturers. In this case, the consumer does not even realize that buying the goods of a world-know manufacturer having the large capacities, nevertheless the real product can be manufactured by a completely different company. This fact benefits each of the parties – the consumer ultimately gets the goods of the quality he presupposed – the owner of the brand controls the quality, the real manufacturer also has the opportunity to expand the market,

while the owner of the brand can focus on its own manufacture. Thus, for a number of goods the manufacturing enterprises acts as a wholesale trading one, which uses its own brand.

The retail chains also widely use the mechanism of own brands. The use of an own brand allows the organization carrying out the trade policy stimulating sales not only in the field of trade services, but also in the area of goods. A carried out program of sales promotion allows a trade organization keeping its rights even in the event of termination of the contract with the manufacturer of the goods, which leads to the mitigation of risks of non-return on the investments made.

The fact that for a buyer the commodity, which has no material basis, has the value is the specific feature of the sale of digital goods. However, the uniform style of such framework is also stimulates the higher sales efficiency.

Own brands are quickly becoming recognizable among the customers of retail networks. The presence an the assortment of own brands makes it unique, the competitors can not have such products. Different trade organizations operate the trademarks differently: they may be a part of assortment or the entire assortment, the goods under own brands can be positioned as affordable and as the goods with a certain level of quality.

Selling the goods under own brands the sales organizations can allocate for them the best location in the trading floor, thus stimulating the sales. Provided recognition of the goods they themselves due to the mutual arrangement in the trading floor can provoke the demand for other goods, which the trade organization needs to sell in the near future.

Own brands positively affect the efficiency of regional goods distribution. Many manufacturing facilities are located

in the regions. The small manufacturers do not have the capacity to carry out the market research and to forecast the demand accurately. All this leads to an increase in the inventory losses. The use of technology provided by the owners of trade marks leads to a reduction of losses and increase in the efficiency of economic activities of the regional manufacturers.

Traditionally in the major cities there are any retailers with the high recognition. While in the regional trade there are the individual trade organizations of small size. In this situation the purchase of goods under any known trademarks can increase the efficiency of economic activities of commercial organizations.

The use of several of own brands has certain prospects. As it has been mentioned earlier, it is possible to promotion own brands, as well as one brand due to the accumulated potential of another brand.

The introduction of goods under private labels in the range of Russian trade organizations was quite unsystematic. Perekrestok is believed to be the first Russian trade network to offer such goods: the own drinking water appeared in the network in 2001. Private labels were becoming increasingly popular in subsequent years. The trade networks began to sell a variety of food and non-food products under their private label, most of which were the fast-moving consumer goods. When deciding on the choice of a product for sale under private label, it is necessary to know which product categories are the most promising in this segment.

The expediency of sale of this or that commodity category under private label directly depends on the opinion of consumers. A survey allows assessing the perception of consumers of various goods under private labels. At the beginning of

2017, 350 residents of Moscow aged 18–25 were questioned. The results showed that currently, the following goods are the most attractive for the consumers in the segment of private label: among non-food products – the paper and wet wipes and among food products – the bottled water. Spices and seasonings, bread, juices, ice cream, frozen vegetables, cereals, and grains are also perceived positively. However, the consumers are not ready to buy decorative cosmetics, perfumes, vitamins, beer, baby food and strong alcohol under private labels, that is, the product categories in which the brand and high quality are of particular importance. In addition, the respondents noted that relatively low prices are the main incentive to purchase the goods under private labels and low quality is the main reason for refusal to purchase. On the whole, the results of the survey confirmed that the product category is essential when choosing between a private label and manufacturer's trademark.

Thus, the correct choice of product categories is one of the most important tasks in the management of private labels. The fast-moving consumer food and non-food goods with low loyalty to the brand are suitable for sale under a private label. Since the poor quality is the main reason for refusal to purchase the goods under a private label, the product categories in which the quality is easy to assess when buying are preferable. Non-alcoholic beverages, including bottled water and juices, dairy products, cereals and grains, frozen vegetables, spices and condiments, bread, confectionery, various types of canned products, tea and coffee, snacks, wet wipes, paper napkins and other cotton-paper products, house cleaning agents, etc. are suitable for sale under a private label. These goods under a private label of a trade organization can successfully compete with similar

products under the brands of manufacturers and to surpass them in the minds of consumers in terms of quality and price. The correct choice of product categories will improve the efficiency of management of private labels and assortment on the whole, which in turn will contribute to the improvement of the final economic results of a trade organization.

Goodwill in electronic trading

In modern conditions buyers ever more frequently resort to search and purchase of goods in the Internet network. In most cases, traditional trade inferior e-commerce due to the fact, that not only provides quality service to customers, low prices, wide assortment, but also a wide range of additional services. To trade in services in e-commerce a convenience of purchasing goods with the minimum elapsed time due to the lack of necessity to visit store, provision of the choice of different payment ways and additional services, as well as delivery of goods is included. The fact that buyers do not always have a possibility and time for a visit to a traditional store for the purpose to study the range of the product directly before buying is one of the reasons for the growing popularity of e-commerce. In this case advantage of e-commerce is to clearly represent on a site all the assortment which the buyer will be able to study at any time convenient for him without spending time on shopping. It is important that the assortment included not only a detailed description of the product and its availability in the warehouse but also quite detailed photos for visual contact with details for selection goods by the buyer.

Creation of a Web shop for small business organizations is possible even with insignificant initial costs, but exactly this thing defines very high level of competition in Internet trade. In this connection in the terms of pricing the level of competition is the main peculiarity of e-commerce. If in routine trade the buyer hardly prefers to attend the territorially remote store

because of an insignificant price difference, this factor is absent in e-commerce. As the main factor in the choice of goods in on-line store the price of goods plays one of key roles. It leads to the fact that for attraction of a buyer the web-shop must offer the buyer a respective price for goods. Largely the possibilities of price competition in electronic trading are limited, which leads to the need of finding other competitive advantage. Despite a long enough period of e-commerce, risks expected by a buyer are one of key reasons of a refusal to buy via the Internet.

Low costs for organization of a Web shop, non-obviousness to a buyer of the address at which he is to raise claims, has led to the problem of increasing the number of unscrupulous on-line retailers. It leads to the fact that when choosing the place of purchase, the buyer largely focused on reviews in social networks, Internet forums and conferences. Thus the competitive position of a trade organization, leading its business activities on the Internet, is largely determined by image of a trade organization, established business reputation. Conducted market research results other intangible resource delivering its economical activity in the Internet network. Results of the conducted market research is the other intangible resource that provide their business on the Internet Joint use of such results allows to enhance their statistical veracity.

It leads to the fact that buyers agree to acquire goods even for a greater sum with the worst terms of goods delivery, but in the store, which they most trust. Increase of customer loyalty also allows to increase a share in an assortment of goods being supplied per one order. In its turn an order made by a steady customer has high probability of its redemption and the trade organization has a possibility to use respective logistics plans.

It emphasizes relevance of goodwill in the economical activity of trade organizations.

At assessment of initial image, the buyer estimates such factors as feedback about the Web shop in different Internet forums, presence of a real store chain, the amount of self-removal points. Often the buyer forms his first order with use of a self-removal service and only subsequent orders are registered with delivery. Integration of traditional and e-commerce has the most positive effect on customer loyalty.

Growth of intangible resources influence on results of the economical activity trade organization is the trend of the recent decades, it is the intangible resource that largely determine results of the economical activity of trade organizations.

Intangible resources associated with interaction with consumers act the greatest role in the economic activities of trade organizations engaged in business activities using the Internet Goodwill, presence of permanent customer bases, customer loyalty, and another reasons are such resources. Vast role of such intangible resources is being explained by a large quantity of the unconscientious Web shops which emerge for extremely short time, sell crummy goods and do not fulfil their obligations.

Before he makes a purchase, the consumer analyzes supply of goods, a ratio of a price and quality technical capability, and aesthetic characteristics, taking into consideration Mass-Media. Product brands offered product range for buyers are traditionally an important factor when making a purchase

If there is an assortment of Internet-shop of famous brands products, buyers have positive associations because such goods characterize quality and reliability, provide confidence. It highlights a store among competitors, strengthens commitment

of buyers. Presence in an assortment of known goods brands talks about good business reputation of a Web shop, general recognition, and uniqueness of goods offered. The widely recognizable brand sets high standards in everything, and in the first place, recognized by consumers quality, which constitutes its primary value. The known brand must continually support its high status in a competitive environment, in another case it should lose the leading position and the place of it occupies the more successful brand. In this case the on-line shop needs to reexamine its assortment taking into account the changed situation. The attempt to use for attractiveness of an assortment brands which lost confidence of buyers is the risk of financial losses, lack of demand for the product, of illiquid assets.

Choosing one or another brand, the consumer follows the principles which he reflects and correlates with his own. For some buyers acquisition solely of goods of a premium class with a goal to show the level of income and the lifestyle by means of clothes, accessories, jewels. Consumer commitment to expensive things is often accounted for not by characteristics of goods, but by a desire of buyers to show their status. The trade markup set by an organization does not always characterize high product quality of the “deluxe” class brand. Practice is widely extended, that the artificially overstated price of goods creates positive image of goods in consciousness of a consumer, it is by itself as well a factor of attractiveness creation. Sale of expensive goods provides high level of income to a Web shop, but riskiness of more time being spent for sale of luxury items because they do not have broad demand exists. People not having been accustomed and not striving for acquisition of premium brands at the choice of goods focus on the ratio of a price

and quality. For an Internet shop risks associated with possible difficulties on sale of class “deluxe” brand goods must be assessed and the niche where it will carry out its activity must be determined.

In modern conditions of competition a vast number of trade organizations conduct struggle for consumers and a role of the brand is particularly vast for buyers not sorting out separate goods segments. Many buyers are experiencing complications at the choice of computer hardware, household refrigerators and TV sets because of knowledge absence about a defined category of goods. These goods are costly and long-term, therefore a consumer has a dilemma of the selection of high-quality goods which will serve without hindrance for many years to justification of a price set by a trade organization. In the first place they choose the technique by parameters confirming product quality in consciousness of a consumer; for a refrigerator it's energy consumption, a type of refrigeration camera, a defrosting system; for a TV set there are a screen brightness, a resolution; for a washing machine are a rotation number, a load, and a speed of a drum rotation. However, often a consumer chooses goods by parameters which actually aren't basic defining ones in consumers characteristics of goods. For example, for compact digital cameras physical size of a matrix, light force on a lens are more important parameters, but often, as a basic parameter, the number of mega pixels is indicated. Also the brand on sale of digital goods plays large role.

A successful brand must not associate with numerous attributes, optimal is only its limited amount. Presence in an assortment of strong competitive brands highlights a Web shop among the rest by its key attributes.

Modern market is characterized by high degree of competition among different goods brands. Very frequently trade organizations resort to unfair competition with giving of other's brand for increase of sales. A release of illegal product is disseminated throughout the world.

Imitation product copied from a likeness of the already existing brand is the counterfeit. Illegal product is divided into several types. The most common type is a fake logo directly. In case of the changed name of product buyers are met for tricks solely because of arising associations at a kind of the familiar brand. At the same time it is difficult to prove violation of non-proprietary rights of an organization because counterfeit logos are not coinciding with genuine ones. Buyers acquiring original products in brand stores are sure of their quality and authenticity. Most often counterfeit logos are found in markets in small settlements where people don't have a possibility to go at large megalopolises for acquisition of an original. Many trade organizations provide a possibility to use a service of goods delivery into postamats or post offices, which is significantly reducing risk of illegal products acquisition from swindlers. In this case not only goods, but delivery must be paid. Paying of delivery is increasing a buyer's costs, which can negatively affect decision of buyers, but everyone who wants to acquire the original brand will not begrudge money and time for high-quality goods which will serve for many years. This type of counterfeit most weakly influences revenues of a trade organization dealing with sale of original production because one must easily recognize the counterfeit logo.

The second kind of falsification is a copy of not only a logo itself, but exterior of goods. This product is positioning itself

as the original on the properties, appearance and quality, so it is set extremely high price. At the moment you can find a large number of fakes that are as close as possible to the original.

In Web shops counterfeits costs are roughly twice-three fewer than costs of original products in brand stores. Such a counterfeit strongly influences revenues of a trade organization because buyers don't always want to acquire original goods at set high prices. Presence of counterfeits completely copied off original ones and not differing from them with almost anything is forcing buyers to doubt of their decision on acquisition of the firm brand.

Buyers who do not have a possibility to buy the real goods at a high price most frequently resort to fakes. In their turn buyers who can afford purchase of branded product, don't want to buy goods similar to widely widespread fakes occurring every second. It affects the trade organization negatively because they do not have time to update an assortment and sell goods from an old collection when the same counterfeit copies appear.

Such type of counterfeiting as the "piracy" can be pointed out. In this case, different books, music, and movies leak in the Internet that deprives the Buyers of a desire to buy these goods in stores. Instead of buying a book in the printed form, one can download it on his or her e-book reader from various Internet resources completely free. One can download music and movies by visiting specialized websites instead of buying a disk. It leads to the decreasing number of the Buyers of different books, discs with music, and movies. It is hard for bookstores to surprise the visitors by novelties and wide range. People mostly buy specialized literature, which is in shortage in the Internet, as well as gift books.

The following type of counterfeit products includes use of previously patented technical solutions. Fake mobile phones made by Chinese manufacturers are widely spread. The price of counterfeit mobile phones is very low. Such price is attractive for the Buyers. Often the price is lowered by various discounts and promotions for different models, but this is only the evidence that such model is a fake or was previously used. The Buyers, who are the experts in all details being typical only for original mobile phones, will easily be able to distinguish the fake. Not everyone has enough knowledge in this field, therefore the Buyers may be under the tricks of swindlers and can buy a copy. In such counterfeiting, the trade organization can be strongly suffered from the fact that mobile devices can not be easily identified among counterfeit ones, and the Buyers will be displeased with quality, technical shortcomings allowed by Chinese manufacturers. The trade organization can not only lose possible revenue from sale of mobile phones of this brand, but also lose its image, because the consumers will find themselves to be had, having bought an “original” (at their point of view) model. And in this case the Buyer in the future perceives a range of goods mostly as selling counterfeit products, which decreases the competitiveness and negatively impacts on both the manufacturer’s image and goodwill. The trade organizations risk not to sell their counterfeit goods, at the same time having the fake, and provide other with an opportunity to make benefits thanks to the reputation that stood the time.

Development of network forms of trade led to the wide distribution of own trade marks. Use of own trade marks allows the organizations to avoid the dependency on suppliers,

promoting the goods under own brands and changing the suppliers of goods regardless of manufacturers.

The trading networks have an opportunity to independently manage intangible resources, related to the goods being sold, leaving the manufacturer only with the production function. The trading network independently leads the Company through the formation of competitive benefits, preserving them in case of the change of manufacturer. Thus, the organizations in the modern trade form not only resources being specific to the trade sphere, as well as use a part of resources related directly to the goods.

Own trade marks become recognized among the trading network's Buyers quickly enough. Presence of own trade marks in the range makes it unique. The existence of such goods among the competitors is impossible. Different trade organizations differently use trade marks – this can be a part of the range or the whole range, the goods under own trade marks can be indicated as the goods of available price group and the goods with determined level of quality.

It leads to the fact that the problem of unlawful use of brands leads to the damage not to the manufacturer, but directly to the trade organizations.

Remote trade, and the electronic trade being a type of it, performs vast social functions. Population groups, for which a visit to traditional stores became more difficult, exist. And the service of such population groups is the important task of electronic trade. But the implementation of social functions is important intangible resource in the terms of trade organizations has a positive impact on image of the trade organization and leads to increase of efficiency of economical activity. Service of

residents of remote regions is one of the important purposes of remote trade, which also is an important social function of electronic trade.

Cost of goods movement arrangement significantly depends on the sizes of purchased batch of goods. Joint use of logistics plans allows small web-stores to lower the costs for goods movement. Range of trade organizations to be sold is the important factor of competitiveness.

One must note that unlike the traditional store, where the Buyer can buy only a part of the goods, in electronic trading the Buyer is striving to buy all goods with one order. Concept of the key goods or the goods is more important In electronic trading in comparison to the traditional one. The Buyer, forming a shopping list, determines basic goods and additionally adds other goods that can be more expensive. For example, the Buyer needs to buy a memory card or battery for the camera before the vacation. As for the photo printer, it is possible to buy it later as well. Moreover, there is no need in such goods before the vacation. However, forming the order, the Buyer can well add such goods into it. If in the traditional store the Buyer buy such additional goods in the absence of primary one, then he or she will form the order fully in the competing store during the purchase.

It leads to the fact that presence of some unique goods in the range allows to attract additional Buyers, which leads to increase of competitiveness of trade organizations. But presence of such goods in the warehouse of trade organization leads to deterioration of use of circulating assets, which negatively impacts on overall effectiveness of the economical activity of such organization.

A problem of direct attraction of Buyers to the web-stores is closely related to the problem of increase of Buyers' loyalty. Each person has a psychological barrier, going through which he or she can start to buy in the Internet network. As it was said earlier, the trade organizations in network are in conditions of tough competition and the Consumer prefers different web-stores with a positive image.

The diversity of payment methods is also the important task of image formation. After decision-making about the purchase of goods, the Buyer thinks about more convenient ways of payment. The web-stores provide the choice of payment method that has a positive impact on the Buyers' loyalty. At present, the vast majority of orders are carried out by cash courier, but there are several web-stores, where such payment method is connected with a number of limitations. The Buyers can pay by using electronic money or entering requisites of bank card. Traditionally, stores accept only cash or bank cards.

The web-store should have a well-functioning scheme of interactions with bank structures, payment systems. After purchase of the goods in the web-store, the Buyer forms his or her own opinion, sharing it with surrounding people. Image of such web-store, as well as its competitiveness can be increased or decreased due to the opinion of the Buyer.

A program of sales promotion plays a very important role for trade organizations. In modern conditions, the use of social networking websites more frequently takes place with use of mobile devices. It leads to reduction of tariffs on cellular communication. Moreover, the service of information transfer is often free and is provided in addition to the basic tariff plan. The cellular networks, where the GSM standard is represent-

ed by 3G/4G, are widely used all over the world. High information transfer rate is being provided in such networks. This helps to introduce the mobile electronic trade technologies. Also, the use of mobile technologies is convenient for the User, when he or she is far away from the PC or is at work, where are the limitations on use of the Internet with personal purposes. Thus, support of mobile devices leads to increase of electronic trade competitiveness.

The web-stores provide the opportunity to use the service of express delivery to the address specified by the Buyer, or to pick up the goods at the pick-up point. One can choose the most convenient delivery method during registration of the order. It is also should be taken into consideration that the delivery is an important indicator of the web-store's functioning, as the courier represents the very image of the Company. Quick delivery confirms the consistent work of the organization itself. Long wait makes the Buyers think about the subsequent orders at other websites. The Company must efficiently distribute the orders, not making the Buyers wait. The quality feedback is an important factor of productive work. In case of unforeseen technical problems in the delivery system, the Buyer should always have the right to contact the Company in order to specify the status of his or her order.

The service of delivery is particularly useful to the Buyers, who are far away from large shopping centers. In these circumstances, the Buyers, who live outside the city and do not have an opportunity to be there, are forced to refuse the purchase, because for them it will be physically complex to reach the large shopping centers. The same relates to the people, who can not get out of home for large purchases because of poor health. In

this case. the quality of trade service performs a social function, and it is important to serve the Buyers with special needs not only well, but also conscientiously.

The web-stores provide an opportunity to return the goods, if it does not fit in a version, size, color, or in case of any defect. The order can be returned during two weeks after the day of receipt. The period of return of monetary funds for returned goods depends on the method of such return i.e. by the courier or by means of independent return

Some web-stores are specialized on provision of discount coupons for the goods and services. Paying the cost of coupon, the Buyer uses the discount on purchase of the goods. In the traditional stores, the discounts can be applied not to all the goods. This fact limits the choice. Cost of the goods at the discount in the web-store is much lower than in retail trade organizations, therefore the Buyers often prefer the electronic trade. In the traditional stores, it is difficult to track discounts, because the websites of stores not always show the prices. The web-stores are seeking to attract attention of the Buyers by various promotions and discounts.

It is well-known that the website of trade organization in the Internet network, as well as its positions in search systems are known to be an important intangible resource of such trade organization. The great importance for use of information output tools in mobile devices with a wide variation of software, as well as characteristics has the use of special tools for navigation across the website and search of information in the Internet network. At the same time, presence of such tools simplifies the process of goods selection, which has a positive impact on the Buyers' loyalty. Development of mobile applications is the

future direction for increase use of potential of mobile devices. This also can simplify the process of purchase.

The purchase of the goods via the Internet is related to a number of risks for the Buyers. Buying the goods via the Internet, the Buyer does not have an opportunity to visually inspect the goods, assess the convenience – he or she is forced to focus only on the description of such goods submitted by the Seller. This risk is particularly strong for the goods represented only in the limited number of web-stores, as well as for the goods required the trying before the purchase. The Buyer has the right to refuse the purchase of the goods immediately during the delivery, but it is related to a number of psychological difficulties, but people use this right infrequently. And the courier, who completes a lot of orders in a day, begins to hurry up a buyer, without allowing him to fully acquaint himself with goods. In addition, for a buyer's detailed familiarization with goods often special knowledge is required which a courier does not have. Of course, if a buyer have no possibility to acquaint himself in detail with goods, he should refuse entering into purchase and sale agreement, but firstly he will need to overcome psychological pressure on the part of a courier, and then he needs to look forward again to a new courier from another store. And here an image of an e-shop plays a vast role. If buyer knows the store has a solid goodwill, all the quarrelsome questions were decided for the buyers' benefit, it simplifies the process of buying of goods.

In addition, according to legislation a buyer is obliged to pay for delivery of goods. As a result, significantly more often a buyer prefers to accept goods of relevant quality which do not suit him somewhat than to refuse goods.

Exactly this thing led to the next stage of development of e-commerce when the majority of some e-shops began to offer to a buyer to pick-up purchased goods.

Such a situation is conflicting on its own with a concept of e-commerce which was promoted in the beginning of its development, since namely a possibility of purchasing goods from home was one of the conceptual slogans. In other words, a buyer perceived the service of delivery of goods itself as an additional convenience, and hardly a buyer would refuse it. But the practice showed to the contrary. Moreover, even positioning of pick-up as a buyer's possibility to refuse delivery for the purpose of reduction of his costs was not reasonable – in many e-shops pick-up service turns out more expensive than buying with delivery, in other stores the restriction on a range of products applies when purchasing with pick-up, as well as an application of a benefit program gets limited.

Thus, the following factor of formation of image of a trade organization is an opinion of a buyer emerging when he visits to pick-up points.

Acquiring goods on pick-up conditions for several times, buyer creates his own goodwill of a trade organization. And subsequently he does not fear any more to purchase goods with delivery in this e-shop. In this case franchising plays a special role. Business models of e-store and traditional shop (and of a goods producer even more) are differing, and it is advantageous for e-shop to use franchising using a franchiser's accrued goodwill. Rendering pick-up services an e-shop uses franchiser's design elements – and during the first visit to a pick-up point buyer receives a respective impression.

Making a purchase in e-shop buyers form a respective image of that shop which largely ensure probability of making subsequent purchases, at the same time the trade organization has no need to bear costs for the repeated attraction of such buyer. Quality of trade servicing is formed at the different stages of execution of transaction. Use of Internet network allows to offer to the buyer a range of products necessary for him. In particular, when making of initial purchase the conditions of goods delivery appear important for a buyer, including the presence of pick-up service of purchased goods, as well as the diversity of forms of payment.

Both directly at the moment of order registration and at the point of its delivery miscellaneous additional services can be offered to a buyer. Such services can be consultations to the buyer, organization of communication with other buyers and other services. When selling digital goods, it is important to transform the information into the format being compatible with the devices of the buyer.

Delivery of goods to the buyer must be carefully tracked. In that regard a method of a secret buyer implemented by specialized firms possesses great prospects. The presence in staff of a trade organization of workers fulfilling the mentioned obligations is the simplest way. However, in this case the efficient quality control of trade service is impossible – in a rather short term the employees will start to recognize the secret buyer by sight – in addition the risk of leak of information about conducted audits is high. A conspiracy between the auditing and audited parties is also possible.

In that regard the use of services of special firms providing the services of a secret buyer is very promising. Such firms can

serve a large number of organizations of different spheres of activity and the probability that the order is formed by one and the same agent can be reduced to minimum.

It shall be noted that a representative of an Internet-shop can reveal an agent from its behavior. A number of factors is contributing to it:

- Often the number of audit parameters is too great. In the result an agent's task is to omit none of them, which forms certain tension during the audit. The problem can be solved by the formation of report forms specifying only the key audit parameters, including their minimum, to check which it is necessary to control the strictly described activity. The agents shall be demanded to ask the minimum of questions formulated in advance, because such questions are an indicator of an agent.
- During the audit it is necessary to create the natural atmosphere. In many cases the organization ordering a check applies excessively clear restrictions on the assortment of acquired goods and amount of purchase. It all leads to the fact that the analysis of the purchase structure its amount rather accurately reveals an agent. In that regard these parameters variability at different checks is very promising.

In the conclusion it is necessary to point out the high economic efficiency of service quality as intangible resource of a trade organization. The quality buyer service requires certain costs, but allows attracting customers even if the prices of a trade organization are somewhat higher than the prices of competitors. At the same time in the electronic trading the goodwill has greater influence in the economical activity of trade organizations in comparison to a traditional form of trade.

Delivery of goods to the buyer must be carefully tracked. In that regard a method of a secret buyer realized by specialized firms possesses great potential. In this case the registered order for goods purchase is perceived by e-shop managers as an ordinary one, which leads to increasing of efficiency of buyer service quality control. In conclusion it must be noted that in the sphere of e-commerce goodwill has greater influence in the economical activity of trade organizations in comparison to a traditional form of trading.

Private labels development methodology

The process of private labels development includes the following stages.

The first stage begins with the process of market research in the area a new private label will operate at. The market can be defined geographically or in terms of the operational scope and a type of consumers. A new name must be consistent with the language and culture of the target audience, must take into account the operational scope (for example, whether we are dealing with a domestic product or with a professional tool), social and educational status of consumers.

Once you have defined customer group, you should review the product (second stage). You must have a full understanding of the nature, functions and key benefits of what you are going to give the name to before we can tell something good about it. You should focus on the specific properties and positive qualities that distinguish the product from competitors.

The third stage is to formulate the content of the message embedded in the private label (slogan). And all information collected during data retrieval should be used to define only determining factors, e.g. those that really affect the customers' preferences.

The fourth stage (synthesis) should help to reduce the message embedded in the private label (slogan) to a simple picture, concept or topic that can be turned into a single word or short phrase. Names can be: words (including loanwords, fantasy words, created from two words, etc.), letters, numbers, draw-

ings, three-dimensional signs, holograms, color or a combination of colors. It is important to take into account not only the appearance of your future trademark, but how it sounds. (it is desirable to specify several options)

At the fifth stage you have to check state registration options of your prospective private label.

Finally, at the sixth stage you tune your private label and its final design.

Business game

Theme (Issue): Development of a Private label.

The game concept: the business game gives you hands-on experience of creating a private label for a particular product (tea) by request of a retailer. The gaming process: participants give a testimonial to potential consumers of the product for who the private label is being developed; they identify the most significant benefits of the product from the point of view of the target audience; they study the legal aspects of the creation of private label, including the grounds for the rejection of the state registration; they formulate an advertising slogan, offer a product name and logo.

Roles:

- a marketing service representative (is responsible for market research);
- a legal service representative (is responsible for the legal aspects of the creation of the private label, including the options for the state registration);
- a designer (is responsible for making the logo).

Expected results: preparation of a private label for a particular product (tea) in accordance with the requirements of the contracting authority, as well as in regards with social and demographic characteristics of potential consumers of the product and requirements of the intellectual property legislation.

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