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## RETAILERS' USE OF A NICHE MARKET STRATEGY IN PRIVATE LABEL PRODUCT DEVELOPMENT

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### ABSTRACT

The purpose of this research study was to investigate the growing trend of the use of private labeling as a competitive strategy among fashion retailers. Specifically, how retailers differentiate and create niche markets within their own private label merchandise was studied. Previous research has examined how the textile and apparel supply chain, from fiber producers to branded apparel manufacturers, implement a niche market strategy in order to differentiate themselves from the competition (Parrish et al, 2004; Parrish, 2003). However, the goal of *this* research was to incorporate the downstream, i.e. retailers', perspectives regarding a niche marketing strategy in order to create a comprehensive supply chain niche strategy framework. Specifically, the objectives of the study were to:

1. Define niche market strategy for the fashion retail industry, focusing on private label product development;
2. Determine how niche markets within private labels are identified and what variables need to be in place for them to be successful; and
3. Determine what role niche markets will play in the growth of private label merchandise, including strategic benefits.

The research methodology was an in-depth case study research design that was used to gather information from a selected sample of those retailers that participate in apparel private label product development. The final sample consisted of three United States retailers with extensive private label programs. Results indicated a strong use of a niche marketing strategy by retailers in the development and implementation phase of private labels. This strategy resulted in increased profits and market share. This study is significant because it provides a framework for a globally competitive strategy that retailers can utilize in order to develop specialized, niche markets within their private label merchandise not only within the US, but also globally.

### 1 INTRODUCTION

Currently, the US fashion retail industry is facing many challenges. Due to the recent recession, consumer spending has lagged, which has put a downward fiscal pressure on retailers, causing a deflation in prices as well as a decrease in profits. Also, the maturing industry is characterized by an overcapacity of stores, resulting in a highly oversaturated market (Standard and Poor's, 2005). Because of this, consumers have a wide assortment of shopping possibilities, which has created an extremely competitive business environment among retailers. The rise of Wal-Mart with their "everyday low prices" has also had a deflationary impact on retail prices. This has resulted in retailers looking for ways, other than price, to compete. One way they are doing this is by focusing on differentiation (Dunne, Lusch, & Griffith, 2002).

To achieve this market differentiation and to revitalize their merchandising mix, some retailers have started their own product development teams in order to create designs and brands that are exclusive to their stores (Standard and Poor's, 2005). Designs and brands that are exclusive to one store and owned by the retailer are referred to as private

labels (Stone, 2004). Private labels act to set the retailer apart from the competition by offering the customer an item which is available only in that particular store. The goal is to get the customer into the store and/or website and give them a reason to return (Dunne, Lusch, & Griffith, 2002). Not only do private labels provide differentiation from the competition, but retailers are also able to achieve a higher margin of earnings. By designing, sourcing, and distributing all items in-house, thereby eliminating the middleman, the retailers are able to provide the same good of equal or superior quality for less money than a comparable national brand. Retailers can then sell the garment at a lower price to the consumer while still making a higher profit margin, creating a sustainable competitive advantage (Coolidge, 2003; Parker & Kim, 1997).

Currently, private labels are estimated to make up 15 to 25 percent of a retailer's merchandise assortment (Keiser and Garner, 2003). However, a study by Price Waterhouse Cooper estimates that by 2015, 70% of retailer merchandise will be private label (author's personal communication). With so many private labels being offered by the retailer, there is a risk of cannibalization. This happens when one product offering "eats" away at the current market of an established product (Raynor, 1992). One way retailers can prevent this is by concentrating on differentiation and focus within their private label lines. It has been proven that these strategies, also referred to as niche marketing, are related to profitability (Porter, 1998).

According to Fatima Whitaker, President of Whitaker International, a niche marketing consultant firm, retailers have become adept at producing a private label apparel line, but they still do not have the foresight to develop a consistent concept, which will come from understanding the products and the consumer (Abend, 2000). By having a thorough understanding of the product and the consumer, i.e. market, retailers will be better positioned to focus and differentiate their product lines. There is no doubt that those companies who have created these niche markets will be better positioned to compete in the global marketplace *and* achieve higher margins for products while yielding greater profitability (Dalgic & Leeuw, 1994; Linneman & Stanton, 1991).

## **1.2 Purpose and Objectives of Research**

The objectives of this study are to:

1. Define niche market strategy for the fashion retail industry, focusing on private label product development;
2. Determine how niche markets within private labels are identified and what variables need to be in place for them to be successful; and
3. Determine what role niche markets will play in the growth of private label merchandise, including strategic benefits.

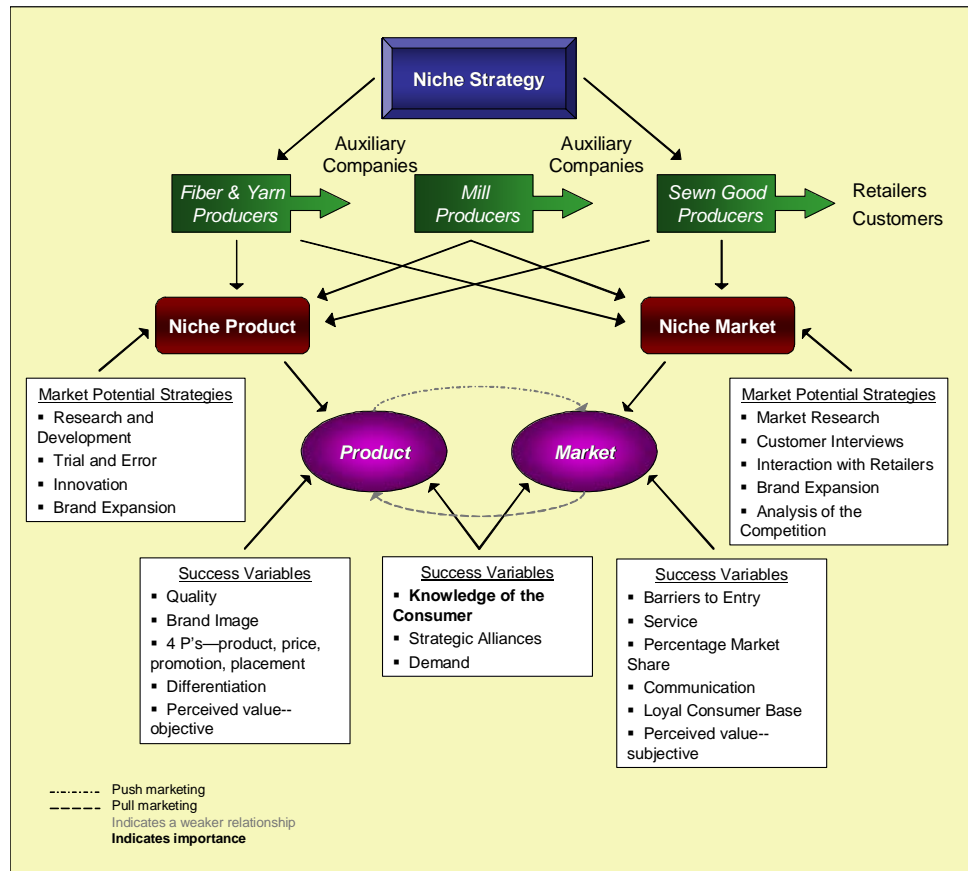
## **2 LITERATURE REVIEW**

### **2.1 Conceptual Framework**

A previous study (Parrish et. al, 2004) was conducted on the concept of the use of niche marketing as a competitive strategy for US fiber producers, mills, and apparel manufacturers. The analysis of the upstream sectors of the US FTAR (fiber, textile, apparel, retail) complex resulted in a strong industry definition of niche and the development of a niche strategy model [Figure I]. The goal of *this* study is to

incorporate the downstream, i.e. retailers', perspectives regarding a niche marketing strategy definition. The methodology used in the current study was adapted from the research methodology used in the previous research.

**Figure I: Niche Strategy Model**



Source: Parrish, E., Cassill, N., Oxenham, W., and Jones, M., "Modeling of Niche Market Behavior of US Textile and Apparel Firms", *Journal of Textile and Apparel Management*, 4(2), 2004.

Parrish et al (2004) found that upstream (fiber/yarn, mill products) and downstream (sewn goods, auxiliary) firms used both a push and pull marketing approach. Auxiliary companies included consulting firms, trade associations, and government agencies. These were included in the study because of their knowledge of the consumer and were, therefore, categorized as downstream. Upstream companies were more likely to use push marketing, and downstream companies were more likely to use pull marketing. However, at some point in time, all firms in the study utilized both approaches.

In order to identify the market potential of a niche market, the most commonly used strategy was *market research*. Other strategies used were *customer interviews*, *interaction with retailers*, *brand expansion*, and *analysis of the competition*. On the other hand, to identify the market potential of a niche product, the most commonly used strategy was *research and development*. Other strategies used include *trial and error*, *innovation*, and *brand expansion*.

Once the market potential of a niche market/product has been determined, the research uncovered certain variables that need to be in place in order for success. Some variables

overlapped between niche market and product, and the most important variable in the success of both is *knowledge of the consumer*. Other success variables which overlapped between market and product were the formation of *strategic alliances* and *demand*. Respondents emphasized that there had to be demand for the product at the consumer/market level for a niche strategy to be successful. For the niche market, the success variables are *barriers to entry*, *customer service*, *percentage market share*, *communication to the consumer*, *a loyal consumer base*, and the ability to create *perceived value on a subjective level*. Because the US textile and apparel market is oversaturated, there is minimum ability to differentiate based on price. Therefore, it is vital to create “perceived value”. Subjective value are attributes that cannot be defined but add value. For example, a brand name adds subjective value. For a niche product, the success variables are *quality*, *brand image*, the *4 P’s of marketing* (product, price, promotion, placement), *differentiation*, and the ability to create *perceived value on an objective level*. Objective value are those product attributes which can be measured such a quality and less shrinkage.

## **2.2 Private Label Branding as a Competitive Strategy**

Private labels are products that are “developed and merchandised with labels that are owned by a retailer, for exclusive distribution by that retailer to compete with branded products” (Keiser and Garner, 2003, p. 16). Private labels typically cost less to make and sell than national or manufacturer brands and traditionally have appealed to consumers due to cost savings (Keller, 2003). Some apparel retailers, such as J. Crew and The Gap, offer only private labels. Other retailers, such as department stores and full-line discounters, present a mix of both branded and private label merchandise. The goal is to attract brand-conscious customers, but by strategically locating private label goods next to branded goods, the retailer is able to benefit from the high profit margins of its private label merchandise (Donnellan, 1996). Fashion retailers have begun offering exclusive private label merchandise in their stores not only to enhance margins, but also to provide greater differentiation (Ryan, 2004).

In a report published by Just-Style, the author (2003) suggests that “the only way to stand out is to sell a label unique to your store. This freshness and distinctiveness will keep consumers as loyal to a retailer as they are to the exclusive brand that store offers” (p. 4). Collins-Dodd and Lindley (2003) empirically demonstrated that private labels contribute to store differentiation in the minds of the consumer by acting as extensions of the store image. Ailawadi and Keller (2004) explain that retailers can create brand image within their private labels in different ways, such as “attaching unique associations to the quality of their service, their product assortment and merchandising, pricing and credit policy, etc.” (p. 332). Private labels provide retailers with key points of differentiation from other competing retailers; therefore, it is important for the brands to be strategically managed (De Wulf et al, 2005).

### **2.2.1 Differentiation within Private Labels**

In *Competitive Strategy*, Michael Porter (1998) stated that in some industries “competition is so intense that the only way to achieve an above-average return is through focus or differentiation” (pp.43-44). Intense competition is a key characteristic of the US apparel retail industry. He also argued that firms that are protected by mobility barriers, in a stronger position relative to customers and suppliers, and more

insulated from rivalry with other groups will be more profitable (Porter, 1998). A way of achieving this protection is through focusing on a particular buyer group and offering a differentiated, specialized product (Porter, 1998). It has been proven that retailers using some variation of a private labeling strategy are in a stronger position relative to the competition, partly because of differentiation (Collins-Dodd and Lindley, 2003). The focus area can be product, service, personnel, channel, and image (Keegan, 1999; Kotler, 2003).

### **2.3 Advantages of Private Labels**

Recent years have seen an increased prevalence in private label merchandise (Keiser and Garner, 2003; Keller, 2003; Kotler, 2003). One of the main reasons retailers have increased their proliferation of private labels is because private label margins typically run 6 percent to 10 percent higher, on average, than national brands (Ryan, 2004). Private label merchandise also differentiates the retailer from competitors, hopefully giving them a competitive advantage. According to an article by John Stanley (2002), some of the advantages of developing a private labeling strategy are:

- Create more dependence on the retailer by the consumer
- Customer sales increase
- An opportunity to differentiate and provide variety
- Customer loyalty in a situation where you can avoid comparisons
- Positive image building
- More freedom in your pricing strategy
- Positive control over stock keeping inventory

Even though private label merchandise is typically priced 25 percent lower than branded products, retailers tend to make higher profit margins from private label goods because they bypass some of the costs, including licensing of names and trademarks, involved in the purchase of other producers' brands (Keiser and Garner, 2003). More importantly, research shows that because consumers are continuously looking for newness and variety, the exclusivity of the private labels drives consumer loyalty, giving the retailers a competitive advantage (Keiser and Garner, 2003; Ryan, 2004).

Another advantage of a successful private label program is that when retailers have gained brand equity in their proprietary products, this equity insulates them from competing retailers, which has the direct impact of increasing sales and profitability and has the indirect impact of decreasing costs as their leverage with brand manufacturers also increases (Ailawadi and Keller, 2004).

### **2.4 Challenges Associated with Private Label Branding**

Despite the advantages retailers reap from a private labeling strategy, there are several challenges that must be addressed. One of the main challenges associated with private label products is the risk of a "fashion misstep" (Ryan, 2004). When the retailer offers a product under a proprietary label which is not trend right, has fit problems, or is not priced competitively, the retailer risks negative backlash from the consumer which affects not only sales of the private labels, but also sales of national brands (Stanley, 2002). In the case of a "fashion misstep", the retailer does not have the benefit of chargebacks as they do with most national brands. Also, since private labels are

typically priced lower than comparable national brands, consumer may perceive the products of lower quality (Stanley, 2002).

Those retailers with a multi-brand private label strategy, also face the additional risk of cannibalization. Cannibalization is when a company introduces a new product that “eats away” at one of its own established markets (Linneman and Stanton, 1991). It is one of the hidden costs of introducing a product into a market that is already served by one of the firm’s existing brands (Traylor, 1986). In a paper by Traylor (1986), the author states that there are two ways cannibalism can be viewed: product-oriented and market-oriented. Product-oriented cannibalism occurs when the firm offers two or more similar products. Market-oriented cannibalism occurs when two or more items of the same firm compete in the same market segment. However, Traylor (1986) acknowledges that while cannibalism is rarely desirable, it can be tolerated if it increases the market value of the firm by stabilizing earnings or if new customers are attracted by the cannibalizing product that might otherwise switch to a competing product.

## **2.5 Conclusions**

The currently published literature focusing on private label branding has mainly focused on consumer’s perception of private labels/store brands (Batra & Sinha, 2000; Burton & Lichtenstein, 1998; Collins-Dodd & Lindley, 2002; Jin & Suh, 2005; Richardson & Dick, 1994; Richardson, Jain, & Dick, 1996; Sethuraman & Cole, 1999) or on the relationship of private labels/store brands to national brands (Ailawadi, Neslin, & Gedenk, 2001; Bellizzi et al, 1981; Cotterill, Putsis, & Dhar, 2000; De Wulf et al, 2005; Forsythe, 1991; Garretson, Fisher & Burton; 2002; Parker & Kim, 1997; Raju, Sethuraman, & Dhar, 1995). Therefore, a study was initiated in order to investigate private label branding from a retailer perspective, focusing specifically on how retailers with a multi-brand private label strategy differentiate their proprietary brands from each other while minimizing the risk of cannibalization.

## **3 METHODOLOGY**

Due to the exploratory nature of this research, a case study approach was chosen to analyze the use of a niche market strategy by US fashion retailers within their private label lines. This particular approach allows for a greater breadth and depth of data to be collected (Yin, 1994). In choosing a smaller number of cases to research, as compared to a larger survey research method, the primary benefit is that a greater amount of information can be gathered on each company than would be possible through a survey of a much larger sample size. Another benefit of using a case study research methodology is the ability to gather unstructured and detailed data that can be qualitatively analyzed. Unstructured data allows for additional insight and is important because various business situations and motivations can be captured. In addition, previous research studies which have used a large-scale quantitative survey instrument to measure US fashion retailers’ perceptions have had a very poor response rate (Parrish, 2003).

### **3.1 Instrument Development**

The case study methodology used is based on the guidelines of R.K. Yin (1994). The particular mode of data collection chosen is the interview method. The two page

interview questionnaire was developed by the researcher and was based on a previous research study which investigated the use of a niche market strategy by the US textile and apparel industry (Parrish, Cassill, & Oxenham, 2006). The survey was adapted for retailers.

The respondents were asked a series of questions associated with niche marketing. The questions pertained not only to the respondent's current employer, but also to related experience. The questions [Table I] were used simply as a guide to the interview. Respondents were free to add additional comments when desired.

**Table I: Interview Questions**

1. Why did your company chose to implement a private label program?
2. What effect has a private label program had on your company?
3. How does your company come up with the ideas for their private label lines?
4. What happens after this idea stage?
5. How do you differentiate your private label products from each other?
6. Have you had experiences with your products "cannibalizing" each other?
7. What do you do when this happens?
8. Does your company practice a niche market strategy within their private label lines?
9. How would you define a niche market strategy?
10. How do those product lines in which you implement a niche market strategy compare with those product lines in which you don't implement a niche market strategy?
11. What factors are important in the success of a niche market strategy?
12. How does your company find a niche market?
13. Does your company use mainly a push or pull marketing approach?
14. Does your company differentiate between the research methodologies for finding a niche market (pull marketing) or a niche product (push marketing)?
15. What role do you see niche marketing as playing in your private label program?

### 3.2 Sample Selection

A sample of three US fashion retailers was selected based on the following criteria:

- 1) the retailer is based in the United States,
- 2) the retailer has a private label program,
- 3) the retailer develops the private label merchandise in-house, and
- 4) the retail develops and markets at least two separate private brands.

Secondary research was conducted in order to verify that those retailers contacted met the criteria. The initial three retailers contacted agreed to participate in the study. When necessary, various people were interviewed within the company to guarantee extensive insight into the differentiation strategies within the private label program.

### 3.3 Data Collection and Analysis

The interviews with US fashion retailer executives were conducted from Summer 2005 through Spring 2006. The data was collected in the following ways: face-to-face interview, phone interview, or email interview. The actual methodology selected was

dependent on the location of the company and the option that offered the most convenience to the interviewee.

Once the interviews were completed, the data was analyzed in four stages. First, the results were organized by research objective. Second, the data given by the retailers was compared for similarities and differences in niche market strategies allowing for a comparison across divisions and across retailers. Third, the results were examined to determine trends in the development and implementation of a niche market strategy within a multi-brand private label program.

## 4 RESULTS

### 4.1 Sample Description

The research sample consisted of three US apparel retailers which currently utilize a multi-brand private label program. Table II provides information about the sample including company identification, the retail classification, and the position of the respondent(s) interviewed within the company.

**Table III: Sample Description**

Retailer	Retail Classification	Respondent
A	department store	VP Product Development Marketing Manager
B	moderate department store	Product Development Manager Marketing Specialist
C	specialty department store	Marketing Manager

Retailer A is a moderate to higher end department store located primarily in the Eastern United States. Retailer A carries both national brands and private label brands. The respondents estimated that private label penetration is between 15 to 20 percent. However, private label penetration varies by department with a higher penetration in home and missy sportswear. Retailer B is a moderate department store located throughout the United States. Retailer B carries both national brands and private label brands. Retailer B has approximately 40 percent private label penetration depending on department. Retailer C is a higher end specialty department store located throughout the United States in metropolitan cities. While Retailer C carries both national and private label brands, the respondent estimated that approximately only 5 percent of the merchandise is currently under a proprietary label. However, Retailer C is focusing on increasing private label penetration in order to improve margins, particularly in the homes division.

### 4.2 Niche Market Definitions within Private Label Product Development

Overall, the respondents defined a niche market strategy as focusing on a specialized consumer segment or market. One respondent stated that his company viewed a niche market strategy as “appealing to the consumer segment most prevalent in that marketplace”. For example, if a specific retail division was located in a lower income area, the merchandise would be tailored to the “pocketbook” of that customer. On the

other hand, if a retail division was located in the northern United States, the merchandise would include apparel with heavier fabrics and darker colors. Related specifically to the product development process of private label merchandise, all three retailers stated that they used a niche marketing strategy to differentiate their products, not only from national brands, but from their own portfolio of brands. One respondent stated that this strategy encompassed differentiating consumers based on “demographics, sizes and colors” as well as lifestyle.

It is interesting to note that all the respondents pointed out that when dealing with apparel, the products, themselves, are not specifically specialized. As one respondent stated “a bagel is a bagel is a bagel, you only change it by adding different flavors of cream cheese or lox”. He stated that in a department store setting marketers and designers can create niche markets within apparel by differentiating based on “fit, styling, brand image, and when appropriate, prestige pricing”; however, developing an innovative new product from scratch is not likely to happen or be worth the risk. Previous research has shown that textile and apparel firms differentiate a niche market strategy based on product (push marketing) or market (pull marketing). However, when interviewing various sources in the fashion retail industry, the researcher found that the retailers in the sample use only a market (pull) approach.

It is also important to mention that the respondents from Companies A and B viewed most (but not all) of their private labels as catering to a specific niche market. The respondent from Company C viewed all of his retailer’s private labels as niche markets. This created a significant overlap of the instrument questions used as a guide for the interview.

### **4.3 Niche Market Identification Techniques**

All the respondents stated that they use market research to identify niche markets within their customer base. One respondent stated that her company uses market research analysis to identify specialized demographics in locations to see if there is a gap in their merchandise mix in that area. Another respondent also stated that his company uses “consumer research” to identify merchandise the company might be missing. In order to identify trends and new fashionable merchandise, all the retailers “shopped the markets in both the US and Europe to find the latest fashion trends”. However, this was used mainly as just a general product development process and not specifically for the niche strategy. However, one respondent stated that it was important to understand the trends to know what was appropriate for each niche market.

Another strategy used to identify niche markets was to take a successful national brand and mimic it at a lower price point. This strategy was used by the retailers at the moderate/better price points versus the bridge/designer price points. Another major initiative retailers are using to create differentiated, niche products within their merchandise mix was to form exclusive agreements with designers. Two of the retailers in the sample currently have agreements with designers, and as the respondent from the other retailer stated, “we’re working on it”.

#### **4.4 Niche Market Success Variables**

In order for niche markets within the private label merchandise to be successful all of the respondents agreed that the product and brand needed to be differentiated. They agreed that in order to offer a differentiated product it was important to know the market in order to offer the market what they need. For example, one respondent pointed out brands aimed at working moms are career oriented and priced “smartly”. For those brands aimed at retirees, the product offerings were heavily weighted toward leisurewear. On the same note, another respondent stated that successful private label brands needed to be “lifestyle driven”.

Another important variable in the success of a niche market strategy in a private label program is to create perceived value to the consumer. This can be done through price, quality, style, fit, or product placement; however, “it varies by market segment”. In addition, one respondent stated that it was important to have the right mix of national brand/private brand in order to give the private brand credibility in the eyes of the consumer. Carrying the appropriate national brand helps to create that perceived value in the consumers’ eyes. Perceived value can also be created through “prestige pricing”. One respondent pointed out that by pricing a private label at a certain point, the retailer is oftentimes able to overcome the consumer’s preconceived notion of lower quality due to the fact that private labels are typically priced below national brands.

Consistency is another important variable in the success of a specialized (i.e. niche) private label. One respondent explained that when a consumer likes a product for some reason, for example, fit, it is important to make sure that fit is consistent so as to not “turn off” the consumer. Another respondent pointed out that even though the focus is on developing a differentiated, niche brand, there still needs to be sizeable volume in order to gain any type of economies of scale. Without the volume, in addition to design and sourcing capabilities, the private label loses the profitability component.

#### **4.5 Benefits of a Niche Market Strategy in Private Label Product Development**

All of the respondents stated that they have seen increased sales since implementing a niche market strategy in their private label program. As one respondent stated sales volume has “grown significantly” and is “excellent”. The specialized private labels outperform in terms of both sales volume and turnover. Also, one respondent pointed out that “successful, lifestyle-oriented” private label brands help the retailer to develop a “fashion leadership role” within the consumer marketplace. Also, by developing specialized brands, all the retailers agreed that it is helping to displace the ideology that department stores are “dinosaurs” and lack fashionable products.

#### **4.6 Role of a Niche Market Strategy in a Private Label Program**

All of the respondents agreed that their companies are using a niche marketing strategy within their private label product development in order to increase the competitiveness of their stores. One respondent stated that they are “channeling the consumer” with the goal of “designing a brand that creates an emotional connection to shopping” for the consumer. He also pointed out that it is important to focus on developing, not just the product, but also the brand.

Whereas private label products have typically been referred to as “predictable merchandise”, all the retailers in the sample are now focusing on “trend right” products in order to “raise the style profile”. All of the retailers continue to keep “safe, classic” private label products in their merchandise mix so as to not alienate the traditional consumer; however, these traditional products do not pull in the consumer as much as previously hoped. These retailers are now focusing on additional fashion oriented brands, in addition to advertising and marketing these brands, to create differentiation. Also, with widespread retailer consolidation, one respondent state that it is “more important than ever to be differentiated by whatever means possible”.

#### ***4.6.1 Niche Marketing in a Multi-Brand Strategy***

One of the main reasons given by the respondents for having multiple private labels was diversification. Having an expanded portfolio of private label brands helps to “spread out the risk” of a fashion misstep. However, each brand requires a distinctive identity that can be obtained through “unique styling, fabrication, [or] fit”. In order to differentiate these brands from each other, one respondent explained that his product development team develops a specific brand profile, generally based on a national brand, which is used to maintain a consistent image. Another respondent indicated that her company uses mainly fit and style to differentiate their private labels.

Unfortunately, when marketing numerous brands in a single store setting, all of the respondents acknowledged that cannibalization was a risk. One respondent stated that his company has very little cannibalization due to the fact that “each brand is targeted for a specific consumer segment”. He recognized that there could be some cross over, but by ensuring that each brand has its own styling and fit, the risk of cannibalization was minimized. Another respondent stated that her company definitely has a problem with cannibalization, but when this happens, they re-evaluate the product and the brand image.

## **5 CONCLUSIONS**

The research results showed that retailers are using a niche marketing strategy in their private label product development process. Within private label lines, niche markets are defined as specialized segments of the market which is consistent with the literature. The framework for this study was based on previous research which found that textile and branded apparel firms use both push and pull marketing approaches in their niche marketing strategy. However, when evaluating retailers, these firms use only a pull marketing approach. One reason for this could be the fact that retailers are the closest segment of supply chain to the consumer, and therefore, have more knowledge of the consumer. This makes it easier to use a pull marketing approach.

When identifying a niche market, retailers typically use market research to analyze the demographics and lifestyle of their consumer base. Another strategy used, mainly in the moderate/better price points, is analysis of competing national brands. Retailers are also forming exclusive agreements with designers in order to bring differentiated labels into their stores. These results are consistent with previous research. However, previous research found that research and development in addition to trial and error played a large role in a niche market strategy. Whereas this is the case for upstream companies

in the US FTAR supply chain, this study found that the retail sector cannot afford introducing a totally new product to the consumer which could risk alienation.

One of the main factors that the retailers believed contributed to the growth of a specialized private label was knowledge of the consumer. This corresponds to the findings of previous research focusing on the niche market strategies of the textile and apparel industry. It is also important to create “perceived value” in the consumer’s eyes, be consistent in the product, and maintain sizeable volumes in order to be profitable. It is important to point out that while retailers use only a market approach in their niche marketing strategy, the success variables of the strategy were product focused. For example, styling and fit are product success variables. By offering a unique image and fit, retailers consider themselves to be “innovative”.

Retailers feel strongly that differentiated private label brands will play a major role in the future of department stores. The main way to differentiate these labels is to apply a niche market strategy. By offering the consumer a clearly differentiated product, the risk of cannibalization can be minimized, ensuring growth in market share and profitability.

### **5.1 Limitations**

There are several limitations of this study which should be considered when interpreting the results. Due to the limited sample size, the results can only be generalized to those retailers that participated in the study and not the entire fashion retail industry. It is suggested that future research expand the sample size. In addition, consumer evaluation of the success of the specialized private labels was not measured; therefore, the researcher relied on retailer perceptions. It is suggested that future research should include consumer perceptions.

### **5.2 Implications of Research**

Despite the limitations, this study is significant for several reasons. First, there is a void in the current research literature relative to the use of a niche market strategy as a competitive strategy by the US fashion retail industry, particularly when related to the development and marketing of private label merchandise. Second, this study clarifies the term niche market in the US fashion retail industry including which factors are important for implementation and success. This definition takes into consideration both company perspectives and academic perspectives in order to provide a universal definition. Finally, this study provides a framework that retailers can use to develop niche markets within their private label merchandise, also known as niche markets, in order to increase competitiveness and profitability.

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