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Private label partnerships with retailers: a risk or opportunity for producers?

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Abstract

Purpose – This study identifies benefits and challenges of PL partnerships, and recommendations to improve the PL partnership process.

Design/methodology/approach – Qualitative data was collected via semi-structured interviews (n = 8) with Irish PL retail buyers (n = 4) and producers (n = 4). Data was coded and thematically analysed.

Findings – Three key themes were identified. Theme 1 provides an overview of the benefits of PL partnerships for producers (e.g. volume driven orders, increased efficiencies) and for retailers (e.g. unique products, meeting consumer demand). Theme 2 presents challenges of PL partnerships specific to small and large producers (e.g. small producers may need significant investment to upgrade facilities, while larger producers may require significant volume to justify adaptation of production lines). Challenges common to both (e.g. risks related to short-term contracts, concerns about brand identity) are also discussed. Theme 3 summarised recommendations for successful PL partnerships generally (e.g. setting clear expectations and goals, building rapport and trust), and recommendations specific to producers and buyers specifically (e.g. producers should diversify customers to reduce risk, and retailers should communicate needs and direction).

Originality/value – There is currently limited research on PL partnerships between producers and retailers. This study addresses this gap by identifying key aspects for producers to consider when entering PL partnerships and key aspects for retailers to be aware of to help improve the attractiveness and success of these partnerships.

Keywords Private label, Retail, Producer, Buyer, own brand

Paper type Research paper

1. Introduction

Private label (PL) sales have become increasingly significant in the grocery retail sector, with PL sales in some markets approximately equal to branded sales (Keller *et al.*, 2022). Research to date has identified retailer motivations for using PL, consumer motivations for buying PL, competition among PL tiers and drivers of success in the PL category (Keller *et al.*, 2022), however there has to date been little research on relationships between PL producers and retailers. Considering the significance of the PL market, and the related reliance retailers have on those who produce their PL products, partnership relationships are an important gap in the literature to address. Existing literature on the PL market tend to focus on consumer perceptions, brand development and equity and PL benefits and success factors (e.g. Ailawadi and Keller, 2004; Berges-Sennou *et al.*, 2004; Hyman *et al.*, 2010; Hakan Altıntaş *et al.*, 2010; Calvo Porral and Levy-Mangin, 2016; Rubio *et al.*, 2019; Wu *et al.*, 2021) and there is a lack of literature related to the retailer-producer partnership aspect of PL. Fearne *et al.* (2005) examined retailer-supplier relationships from the perspective of examining justice between

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retailers and suppliers (i.e. how retailers treat suppliers), using a quantitative survey approach. This study differs to existing literature in qualitatively examining both retailer (buyer) and producer perspectives on the benefits and challenges of PL partnerships, and recommendations for mutually beneficial partnerships. Findings can therefore be used to inform producers decisions to enter these partnerships and can provide retailers with insight on key aspects which impact on the attractiveness and success of these partnerships.

2. Literature review

2.1 Demand for, and value of private label brands

The grocery retail market in Ireland and elsewhere has been significantly impacted by financial crises, changing consumer behaviour, rising cost of living, the introduction of new retailers and new retailing models and new technologies. Financial pressures related to the 2008 financial crisis, and the more recent rising cost of living, have had impacts on consumers disposable income. These pressures also have impacted on consumer behaviour with regards to grocery purchase decisions, for example, consumers switching to private label (PL) products and shopping at discounters to save money (Griffith *et al.*, 2016; Perkins, 2022). PL products were formerly regarded as low quality, more affordable alternatives to well-known brands. However, they are now considered to be frontrunners with regards to innovative product development in food and beverage categories (Nielson, 2018), and are often used to meet consumer demand for local produce (Swaen *et al.*, 2021). There is growing consumer interest in the food sustainability, and a related increased demand for local, traceable produce. Publicised supply chain issues such as the Horsemeat scandal of 2012 have influenced this demand, as well as the impact of the Covid-19 pandemic which positively influenced consumers local shopping behaviour (Agnoli *et al.*, 2016; Statistica, 2023; Dudziak *et al.*, 2023). There is also an indicated high level of consumer willingness to pay more for local PL products (BordBia, 2021).

PL brands are managed and owned by retailers, and PLs allow retailers to diversify their product offering to consumers and differentiate themselves within a competitive market (Calvo Porral and Levy-Mangin, 2016; Gielens *et al.*, 2023). Food retailers can create and build consumer loyalty through PL products, which are otherwise known as “own-label” or “own-brand” products (Chen *et al.*, 2023). PLs were initially used by retailers to target price conscious consumers, providing more affordable options to national (market) brands. However due in part to significant investment by retailers in PL brand development, consumer perception regarding PL quality has increased. PL products now appeal to a wide demographic of consumers, with tiered PL brands providing more choice for consumers with regards to quality and price point of products (Nielson, 2018; Rubio *et al.*, 2019). Retailers can use PLs to build their brand equity, for example, partnering with local producers (and communicating this in their promotional strategies) to appeal to consumers desire for local produce (Wu *et al.*, 2021; Swaen *et al.*, 2021). According to the Irish Times, PL sales are worth an estimated total of €3bn to the Irish economy (Pope, 2012). Recent data shows that PL and branded products have an equal share of the Irish grocery market, and that the market is seeing much stronger growth of PL (16.3%) compared to branded (8.2%) (Kantar, 2023), indicating the significance of this category for retailers.

2.2 Benefits and challenges of private label partnerships

A PL may explicitly make reference to the retailer’s name (e.g. Tesco’s Finest) or it may instead use a fictional brand name (Loebnitz *et al.*, 2020). Retailers can either design and produce PL products themselves, or they can source PL products designed by other producers (Wu *et al.*, 2021). Producers may diversify their business by selling some product under their brand name, and selling other product directly to retailers, who will market and distribute it as a PL. This has various benefits for both parties. For producers, there can be various financial and strategic benefits (Wu *et al.*, 2021); for example guaranteed income, and reduced responsibility managing product distribution, marketing and brand development. These partnerships can also provide producers with insight into the market, and a means of transferring production capacities that are in excess of what is needed for their branded endeavours (Hakan Altıntaş *et al.*, 2010). While for retailers, PL partnerships provide their customers with access to quality products produced by speciality producers and PL brands can improve and differentiate retailer store image (Calvo Porral and Levy-Mangin, 2016; Swaen *et al.*, 2021). Retailers can source and market PLs in alignment with their strategy. For example, Lidl regularly communicate their strategy related to sourcing local food, and related to this they develop PL partnerships with local producers and feature them on the products and on promotional materials to increase consumer trust (Swaen *et al.*, 2021). Store brands are also attributed with generating higher margins than national (market) brands (Kremer and Viot, 2012; Gielens *et al.*, 2023), therefore PL partnerships are a valuable aspect of retailer business.

There are however also potential challenges for both producers and retailers related to these partnerships. Local media reporting has indicated some issues in producer and retailer relations. For example, in 2019, farmers protested outside various retailers in Ireland about insufficient prices they were receiving for produce (The Irish Times, 2019). Actions like these demonstrations reflect poorly on retailers and indicate issues in PL partnership pricing negotiations. Retailers take on significant responsibility in acquiring, marketing and managing PLs (Wu *et al.*, 2021), therefore there is potential that operational challenges may also exist. However to date there has been limited exploration of producer or retailer perspectives on these partnerships in the literature, and this study aims to address this gap, examining perspectives of both producers and retailers with regards to benefits and challenges and how to achieve and maintain mutually beneficial partnerships.

Specific research questions are as follows: (1) what are the benefits of PL partnerships?; (2) what are the challenges of PL partnerships? and (3) what facilitates successful PL partnerships? Perceived benefits of PL partnerships are of interest as these will motivate producers to enter and remain in these partnerships, while perceived challenges may be barriers to entering or remaining in these partnerships. Considering the benefits of PL partnerships to retailers, it is in retailers' interest to be aware of the benefits and challenges of PL partnerships to ensure that PL partnerships remain an attractive proposition to producers. There is currently a lack of literature providing insight into these aspects, particularly in relation to small producers. This study therefore intends to examine the experience of both small and large producers to identify if there are any differences in benefits and challenges experienced. The literature acknowledges that small and niche producers may have different needs, concerns and experiences with regards to PL partnerships (Fearne *et al.*, 2005). The experience of small producers is of particular interest considering retailers recruiting of local producers to meet consumer demand for local, unique products, many of which may be small and/or artisan producers. Investigating specific benefits and challenges of PL partnerships for these producers can provide insight to better facilitate successful partnerships and thereby help maximise the retailer differentiation and competitive advantage that partnering with these producers provides.

3. Methodology

Qualitative data was collected via semi-structured interviews (n = 8) with PL retail buyers (n = 4) and producers (n = 4) with experience in PL partnerships. Ethical approval for this study was granted from University College Cork Social Research Ethics Committee.

3.1 Data collection instrument

Two interview topic guides were developed, one for producers and one for buyers. The producer interview guide contained questions related to motivations and barriers for entering PL partnerships, their experience with PL partnerships and recommendations for successful PL partnerships. The buyers interview guide contained questions related to their experience working with producers, their perceptions on motivations and barriers to entry for producers and characteristics of and recommendations for positive PL partnerships.

3.2 Participant recruitment

Participants were recruited via a convenience sampling method, whereby prospective producer and buyer participants were identified through professional contacts and then contacted with an invitation to participate (via email/LinkedIn message). Inclusion criteria used when identifying prospective participants were (1) retailers/producers operating in Ireland, or with previous, recent experience of the Irish retail/producer market (e.g. a buyer having moved to a UK branch of the retailers operations, or a producer having recently ceased PL partnerships), and (2) those with sufficient experience of PL partnerships either through being involved as a buyer in multiple retailer-producer partnership negotiations and relationships, or being a producer with experience of partnerships with various retailers. In total eighteen prospective participants were contacted, of these nine responded and of these eight proceeded to interview. Participants were provided with information about what their participation would involve, and how the data would be used, and a consent form to be signed and returned should they wish to participate. See Table 1 for information on the sample. Buyer participants all represented multinational retailers (retailer names not specified due to ethical constraints), and producers represented various sectors and sizes of organisation, as defined by the European Commission's Better Regulation guidelines SME (Micro, Small and Medium Enterprises) Test, that is micro enterprises as those with less than 10 engaged, small enterprises as those with 10–49 persons engaged, medium enterprises as those with 50–249 engaged (and by default large organisations as those with 250 and above engaged) (Department of Enterprise, Trade and Employment, 2021).

3.3 Data collection

Data was collected in June 2022. Interviews lasted for approximately 30 min and were conducted online via Microsoft Teams. Interviews were audio recorded, and afterwards recordings were transcribed and anonymised.

3.4 Data analysis

The Miles and Huberman's Workflow (1994) approach to analysis was implemented (data reduction, data display and conclusion drawing and verification), with the researchers firstly

Participant	Role/sector	Size of retailer/business
Buyer 1	Regional product buyer	Multinational
Buyer 2	Brand manager	Multinational
Buyer 3	Buying director	Multinational
Buyer 4	Buyer	Multinational
Producer 1	Bakery	Medium
Producer 2	Ready meals	Small
Producer 3	Poultry	Medium
Producer 4	Red meat	Large

Source(s): Table by authors

Table 1. Interview participants – retail buyers and producers

familiarising themselves with the data by reading and re-reading it, coding and making initial notes on key aspects. A matrix related to the research questions was developed to provide a means of organising and visualising key themes of interest in the data (benefits, challenges and facilitators/recommendations for producers and retailers). Data was then re-read and deductively organised according to these categories, with relevant quotes pertaining to each allocated to the relevant section in the table. Following data display, data within each category was considered to identify key patterns and themes. Analysis was conducted by two researchers, thereby achieving inter-rater reliability, and increasing the validity of the findings.

4. Results

Three key themes were identified: (1) Benefits of PL partnerships; (2) Challenges of PL partnerships and (3) Recommendations for successful PL partnerships.

4.1 Theme 1: benefits of private label partnerships

4.1.1 Benefits for producers. 4.1.1.1 Volume driven orders for producers. Volume was discussed by every interviewee as a key benefit to PL partnerships for producers. PL provides producers with volume driven orders from retailers, providing them with a base level of business and a guarantee of getting their products on the shelf:

> Volume driven orders are always attractive to people in production and the one thing that you are guaranteed . . . if you produce private label you end up on shelf (Producer 2).

There was also reference to how producers who opt for PL partnerships are likely to be pursuing a high-volume low-margin strategy as opposed to seeking to make a larger profit of a smaller volume of branded sales. The guaranteed volume was discussed as being beneficial to rationale and finance investment in equipment to further scale the business, particularly for small producers:

> [we knew] if this works . . .

> we'll have the justification for buying the equipment and that would be a massive help to our overall business (Producer 1).

4.1.1.2 Increased efficiencies in production. Producers also discussed the benefits of PL partnerships for creating production efficiencies "*. . . all factories need scale in them*" (Producer 4), which then transfers back efficiencies to their branded production:

> we have this [large] plant and we need to keep it running. So [even with significant branded sales], you might only have the equivalent to keep the factory going for 2 days out of 5, you can't keep people employed on that basis (Producer 1).

> the more private label we have . . . it gives us greater efficiencies in terms of [the price we can buy ingredients for], if we weren't doing any private label there would be very little volume through the business and its difficult to keep the price point down then for your own brand (Producer 2).

PL was also discussed as providing producers with an opportunity to spread risk within their business: "*it diversifies the risk for a supplier if they are producing an own label*" (Buyer 3).

4.1.1.3 Increased efficiencies in distribution and marketing. Producers discussed the benefits of PL partnerships with regards to how the onus to keep shelves stocked and to transport products shifts to the retailer, thereby increasing efficiencies for their business: "*[we] are always trying to drive innovation and savings . . . if you have to spend your money on [distribution] it costs a fortune*" (Producer 1). Marketing efficiencies were also discussed as one of the key benefits of PL: "*. . . [the retailers] they all do very well on promoting the product* *for you on your behalf*" (Producer 3), especially considering challenges related to establishing a brand in a competitive market: *"it can be difficult and very expensive to drive your own brand among the bigger brand players in Ireland"* (Producer 2). Essential distribution and marketing tasks being performed by the retailer also allows producers to invest in other areas of their business, such as product development:

> . . . if we sell something to . . . a convenience store chain, we have to go into every single store and sell it to every single manager and make sure its merchandised or it comes through their distribution channel. With a private retailer the onus is on them . . . so you can spend that money on the ingredients and improving the product and product innovation (Producer 1).

4.1.1.4 Brand recognition and opportunities for future branded partnerships. PL presents producers with the chance to establish long standing relationships with retailers. Particularly for smaller producers it can create opportunities that may not previously have been an option for them: "*if [producers] get into private label with one retailer, then that opens the opportunity within Ireland and further afield*" (Buyer 1). The relationship built during the PL partnership can also create opportunities for the producer to sell branded product with the retailer:

> You get closer to the retailers, and you might also sell a bit of brand as well (Producer 2),

> All the learnings they are gaining by doing private label products with retailers, gives them the opportunity to suggest some of their brands at the same time if they have a relationship with a retailer (Buyer 3).

4.1.1.5 Learnings from retailers. Producers discussed how insight from buyers and others involved in the product development process was a beneficial aspect of the partnerships. One producer mentioned a specific example of how drawing on the expertise of buyers had helped them save money at a time when costs were increasing:

> The buyer would say show me exactly how your prices have gone up . . . what else can we do to get cost out . . . [we modified packaging] so we had a number of different savings on that (Producer 1).

4.1.2 Benefits for retailers. 4.1.2.1 Unique products for customers. Buyers alluded to the ability of smaller/artisan producers in particular to create unique products as being a major benefit for retailers when partnering with these producers:

> For the customer they get access to more innovative products. The small guys are sometimes the ones that bring the newness, the innovation, the excitement into a range (Buyer 3),

> Retailers really like artisan suppliers to sign up to exclusivity because it gives a point of difference in store (Buyer 4).

Passion and dedication displayed by small producers was also mentioned as influencing whether a product is selected by buyers to go on shelves of retailers: "*[some] are just passionate about the product . . . it can be great dealing with them*" (Buyer 1).

4.1.2.2 Meeting consumer demand for local. PL partnerships with local producers were discussed as useful to help meet consumer demand for local products and to know the origin of the products they are buying: *"the Irish consumer wants to see that . . . to go in store and say that's only from down the road, that's great"* (Buyer 2). There was also reference to the security that some of the smaller, more local producers may provide, alluding to macroenvironmental factors at the time of data collection (i.e. supply chain uncertainties or identified weaknesses related to the Ukraine–Russia war and Covid-19 pandemic).

4.2 Theme 2: challenges of private label partnerships

4.2.1 Challenges specific to small producers. 4.2.1.1 Need to/cost of upscaling facilities. When engaging in PL partnerships, facilities and equipment often needs to be upgraded to produce required volumes and to adhere to specified standards. This can be very expensive: "*It's a very costly investment to have everything at a scale that retailers need the certification for*" (Buyer 4). The cost of upscaling may be particularly difficult for smaller producers, who are often working with limited capital and in limited facilities:

> It can be very, very expensive for the small artisan producer to do that, because some of it can be physical changes that they might need to make to their building or process and then there can be a lot of paperwork changes, there might be a lot of resources involved in that (Buyer 1).

4.2.1.2 Audit/health and safety standards. A producer that is supplying PL products needs to meet high audit standards and health and safety regulations required by the retailer: "*The audit barriers or technical barriers, it's really high standard that you need for private label*" (Producer 1). Meeting these requirements can be a significant barrier for producers: "*a huge barrier to entry would be the technical and health and safety standards spec*" (Buyer 1). This can be particularly challenging for smaller and artisan producers, who are usually working within limited capacity, sometimes producing from their own kitchens or other small-scale premises:

> Auditing is a big one especially when you are dealing with the big retailers a lot of retailers require BRC audit standards which is very hard attained when you are a small producer (Buyer 4).

4.2.2 Challenges specific to large producers. 4.2.2.1 Balancing commercial reward and operational viability. The large producer in the sample discussed how although partnerships which require large volume of product for PL may sound appealing from a commercial perspective, it may not be feasible operationally or it may be preferable to produce less branded product with a higher profit margin, than more PL with a lower profit margin:

> . . . commercially you'd be thinking this is great . . . the operation people would look at it very differently" (Producer 4),

> private label . . . in some instances it suits . . . where you have maybe time in a factory somewhere to do a product at a certain spec for a customer. And if it made sense commercially, and operationally, we do it (Producer 4).

4.2.2.2 Need for significant order size to adapt production lines. They also discussed how for larger producers PL orders need to be significant to merit adapting their production lines to the order, and noted how smaller producers may not experience this operational barrier to the same extent:

> I wouldn't see us having the kind of desire to be doing small runs, turnarounds on lines, cleaning down the lines and all that goes with that, it would need to be more longer runs high volume high throughput . . . I could see the benefit in maybe one of the smaller operators who would be able to turn around stuff quickly and be able to work like that on a private label proposition (Producer 4).

4.2.3 Challenges common to both small and large producers. 4.2.3.1 Risk for producers of insecure or short-term contracts. Short term contracts associated with PL (12-month contracts), and the need to re-tender were highlighted as a risky, time-consuming aspect of PL partnerships:

> The biggest problem with private label is the duration of the contract . . . when they are tendered every 12 months it becomes a bit of a battle. It's hard to develop products when you are tendering, you are obviously trying to secure what you have, keep it and we go again but tendering can take 2–3 months depending on how it goes (Producer 2).

Retailers tendering every twelve months was discussed as reducing business security for producers, especially paired with volatility in the macroenvironment (i.e. the pricing and supply uncertainties and changes related to circumstances (impact of Covid-19 pandemic and the Ukraine–Russia war) at the time of data collection).Producers considered that the lack of security from insecure/short contracts can make these partnerships challenging, especially given the unstable nature of food production margins, related to for example fluctuating prices of raw materials: "*. . . all it takes is some kind of a commodity [or energy] increase, and [it's] not going to be viable*" (Producer 4).

PL can pose a significant risk, as volume may not be as expected or a contract can go back out to tender and be lost if the retailer can find a cheaper alternative:

> We had some experience with private label before but we were disappointed because the promised volumes didn't happen, so I would say that's the biggest risk with private label (Producer 1),

> If you don't have something set in stone, depending on how niche your product is . . . buyers are going to go to different places to cheaper alternatives because it's cash margin at the end of the day (Buyer 4).

4.2.3.2 Concerns about brand identity or desire to prioritise branded sales. One of the buyers noted that from their experience the potential loss of brand identity can be a barrier to entry for some producers:"*[some] are a little bit afraid of losing their brand identity and getting into mass market production"* (Buyer 1). This buyer further suggested related risk that losing the identity of the product could result in it being replicated: *"potentially that product could someday be tendered to somebody else or somebody else could potentially copy it because there is no value then within your own brand*" (Buyer 1). This risk was also discussed by a further Buyer (Buyer 4), who suggested the need for producers to seek legal advice to prevent this (see 3.1.2. below).

Related to this concern about brand identity, one of the producers discussed how in their opinion "*you are better off building a brand*" (Producer 3), and how they had reduced their number of PL partnerships to focus on developing their branded partnerships. They also discussed how the strength of your brand and the quality and nature of your product (e.g. if it is a commodity product, or a more premium, specialised product) will impact on the value PL partnerships provide for your company versus focusing on developing your brand. Another producer (a large producer) discussed how they had prioritised branded partnerships rather than PL partnerships with retailers, as they provide more control for producers:

> with branded, you have your own brand guidelines and something that you can hold yourself accountable to, whereas if you're in the own label space you're very much at the behest of the customer (Producer 4).

It is likely however that the size of this producer allows them more bargaining power with retailers than smaller producers would have.

4.2.3.3 Negotiations and time-consuming nature of the tendering process. Previously noted challenges for producers were discussed by both producers and buyers. However, one challenge which was discussed specifically by producers and which buyers did not appear to be aware of or consider, was challenges for producers related to bureaucracy of the tendering process. However, even among producers, opinions were mixed with regards to the negotiations process. One producer discussed previous negative experience with price negotiations and inflexibility on the part of retailers to adjust prices, despite significant price increases of commodities in the time period since the contract was determined/since the previous price review: "*I know from entering tenders previously, for own label like, there is a kind of expectation that you'll be almost doing it for nothing"* (Producer 4). While another producer had positive affect with regards to negotiations with buyers:

> Negotiations weren't tedious . . . I've found . . . they are not really negotiating with you as in they're trying to get the best deal with you, it's more that they are trying to get the best price so they can put it out on shelf at the right price, so that it'll sell. So I've never really felt especially with the likes of [name of retailer] that it's us or them (Producer 1).

The bureaucracy and time involved from initial discussions and negotiations about partnership, through to tender agreements and to products finally being available in stores was discussed as a tedious part of the process:

> What's tedious is what happens then from when the buyer suggests they want it . . . getting from there to product on shelf, it's really time consuming . . . there is a lot of back and forth, everything has to be signed off and approved (Producer 1).

4.3 Theme 3: recommendations for successful private label partnerships

4.3.1 Recommendations for producers. 4.3.1.1 Know what you want and what you can deliver. The importance of both retailers and producers being clear on their individual strategies and what they want from the partnership was discussed. The importance of a clear strategic focus was mentioned as particularly important for smaller producers:

> I think probably the most common challenge I see with smaller suppliers is that [they are very passionate about the product] but they haven't thought about the commercial side of things and thought what is the long-term play here . . . from the producers side it is critical from the start that they understand themselves what it is that we want out of this (Buyer 1).

It is important for producers to be realistic about what they can deliver, and not to overextend themselves profit margin wise or volume wise as this could be detrimental to the partnership (and to their business) in the long-term:

> From the supplier side maybe not signing up to a cost price that isn't profitable for you because sometimes that can happen where a supplier comes in with a cost price to try to win a tender . . . they really want to get the business and then a year later they are in trouble because they have bitten off more than they can chew and it ends up damaging the relationship long term, probably that's one on both sides to watch out for (Buyer 3).

4.3.1.2 Diversify customer base and seek legal advice to minimise risk. Diversifying business is important for producers to ensure that they are not in a risky position if all, or the majority, of their business is with one retailer and the relationship ends:

> I'd say it's better to have eggs in different baskets instead of going into a contract with one big player (Buyer 4).

One buyer discussed experience where they had provided the majority of a producer's custom, and the related feeling of liability/responsibility which made it more difficult for them to exit the partnership, and placed the producer at more risk should they not be successful in winning a re-tendered contract:

> if I'm their only customer it's a worry . . . we've had instances . . . where we've ended up being 80% of a supplier's business, if a supplier ends up losing out on a tender somewhere along the line, you can't exit because you are 80% of the business (Buyer 3).

One buyer also mentioned how risk can arise around patent protection if a producer (specifically smaller, artisan producers) enters a partnership without seeking legal advice:

> The tendering process that happens in most retailers can be detrimental to artisan guys, if you don't have the right type of patents, legal advice on your product. Say you're producing a cookie, for example, and you don't have the right legal advice/patent . . . there's nothing stopping a retailer going off and getting [name of large consumer goods company] or someone like that to make the same thing in a different format, for potentially a cheaper price (Buyer 4).

4.3.2 Recommendations for buyers. 4.3.2.1 Communicate retailer needs and direction. It was also noted as beneficial to partnership success if retailers are clear on what they want and communicate this to the producer:

> the best conversation you can have with a retailer is, I'm looking for something, I need it around this price, I need it to this spec i.e. [name of certification] or I need to match [name of brand] . . . it makes everything nice and quick and straightforward (Producer 1).

This was considered useful as it allows producers to see where their product(s) fit with regards to the retailer's product offering strategy and/or the demographic they are aiming to target:

> openness . . . saying well, look, we're going after this demographic, this is the consumer . . . beneficial because everyone could see what [they] were going after, and how it all fits together and what role we play in it (Producer 4).

4.3.2.2 Recognise the impact of macroenvironmental factors on producers. Producers emphasised how it was important for retailers to be transparent and open in their communications:

> There absolutely has to be an openness and transparency then in terms of, you know, especially at the moment, like in terms of market and pricing and the pressures that are [there] (Producer 4)

One producer discussed a negative experience where he felt a buyer was not being transparent and was trying to mislead him:

> he didn't know anything about increases in the market, I lost all respect for him then, I know he was talking nonsense, the whole world knows prices are going up (Producer 1).

4.3.3 General recommendations for establishing and maintaining mutually beneficial partnerships. 4.3.3.1 Set clear expectations and goals. Once both parties are aware of what each other wants to achieve from the PL partnership, it is important to establish clear and achievable expectations and goals for the partnership including roles and responsibilities specific to each party: "*setting out from the get go what the expectations are . . . and then living up to those expectations on both sides*" (Buyer 1). One buyer mentioned how a joint business plan can be a useful aid in setting expectations and goals:

> something there in writing from the start to say these are the expectations and this is the journey we are going to go on together (Buyer 4).

4.3.3.2 Build rapport and trust. The most successful partnerships discussed by interviewees appeared to be those where there was a good rapport between retailers and producers:

> For me it always comes down to communication and building a rapport with them . . . if you can kind of build a relationship with people I think it makes everything else much, much easier as you go through (Buyer 2).

Some producers discussed how the relationship they had with retailers had an impact on whether the partnership continued:

> . . . as time evolves you have better relationships with some retailers over others . . . so you probably have to pick and choose and that naturally evolved (Producer 4).

Buyers also recognised the importance of trust between producers and retailers for successful, long-standing partnerships:

> in the market where you have to rely on these long-standing relationships there has to be an element of trust between the producers and the retailers (Buyer 1),

> there needs to be a healthy level of respect between both parties . . . and I think a real openness and honesty (Producer 4).

5. Discussion

5.1 Partnerships beneficial for both producers and retailers

Overall, PL partnerships were generally considered positive for both producers and retailers, and challenges related to these partnerships appeared to be primarily a concern of the producers rather than retailers. PL partnerships provide producers with guaranteed volume which not only secures business and revenue, but which can also help to fund development of production processes (e.g. facilities, equipment) and product development. Furthermore, the increased visibility and proven capability from PL partnership can create opportunities for PL partnerships with other retailers, and/or for branded partnerships. These benefits with regards to volume and visibility may be particularly beneficial for small producers but should be considered alongside likely constraints small producers may face with regards to production capability. For larger producers, PL partnerships can be a useful means to maximise their production capacities and provide work for employees, who they may not necessarily be able to provide full-time work for if they were only producing product to meet their brand needs. This accords with the literature which discusses how one of the primary purposes for larger producers to engage in PL partnerships is to make the most of production capacities in excess of what is required for their brand endeavours (Hakan Altıntaş *et al.*, 2010). For both small and large producers, PL partnerships provide increased efficiencies in distribution and marketing, saving the producers time and money co-ordinating and financing these aspects. PLs contribute to retailer brand building (Kremer and Viot, 2012), however it was indicated that some producers may prefer to build their own brand around the success of the product, rather than producing the product to be used as a PL for retailers. Previous study with producers has found that producers can use PL partnerships as a lever to help develop their own product, and to learn about the market, and that PL producers are therefore not only competing with branded competitors, but also indirectly competing with retailers (Hakan Altıntaş *et al.*, 2010). Findings from this study indicated agreement with this, as it was discussed how equipment and/or process efficiency improvements related to PL partnerships and saved distribution costs, can finance further development of branded product, or make production of branded product more efficient. It was further indicated that buyer experience and market insight was useful to inform marketing decisions, for example how to cut the cost price of a product to increase profitability.

5.2 Differences in challenges between producers

Suggested challenges included the need to upgrade facilities and comply with audit standards, and related costs. The need for upgrades and increased compliance was discussed as more of a prominent issue for small producers who are less likely to have the capacity, equipment and procedures that PL partnership would require. Although these upgrades can be costly, it was noted by producers that the business and income from partnerships provides rationale and facilitates this investment, and that investment ultimately benefits the producer as they can then use the upgraded facilities/new equipment to further develop their branded offering capacity and efficiency. This may be particularly useful for smaller producers. Larger producers who have the appropriate facilities and capabilities will instead be concerned with assuring that the order size is significant enough to disrupt their own operations, that is to adapt their production lines, and they will need to evaluate the relative commercial reward for them. Although one of the buyers mentioned how producers may have concerns about brand identity that can make them reluctant to be involved in PL, this was not a concern that was noted by any of the producer participants. Likewise, there was mixed opinion on the role of tight margins and price negotiations as a challenge to PL partnerships, with one producer viewing this as a challenge, while another discussed positive price negotiation experiences with retailers. Further, although various challenges were discussed, it did not appear that any of the cited challenges had prevented the producers from entering or remaining in PL partnerships, although one of the larger producers had ended some PL partnerships to focus on their branded offering.

5.3 Evaluating challenges alongside long-term business objectives

Producers considering PL partnerships should evaluate these potential challenges alongside considering their long-term business objectives and how partnerships may help to achieve these. They will need to consider aspects such as their current (and potential future) production capability, and how their current facilities and processes accord with audits and regulations that would be required. Given the producer challenge mentioned related to cost margins and negotiations, they will also need to consider profitability, and evaluate the merits of high-volume low-profit margin orders from PL partnerships, versus lower volume high-profit sales from their own branded endeavours. PL cost margins may require readjusting elements of product and/or packaging to reduce cost price, to account for the product being sold at a lower price as a PL than as a branded product. Study findings however indicate that any potential losses in this regard may be mediated by the volume PL partnerships offer, and as previously discussed, partnerships can further be beneficial to finance an extension of premises or upgrade of equipment which could facilitate further development of both PL and branded business. Before entering PL partnerships, producers should consider their brand strategy – are they interested in further developing their brand, and focusing on selling product exclusively under it, or do they want to sell entirely PL, or a mix of both. Producers should also be mindful of the recommendation to diversify business with multiple customers to minimise risk.

5.4 Addressing challenges and minimising risk

PLs can differentiate retailers and provide competitive advantage (Kremer and Viot, 2012), therefore it is in retailers best interest to ensure that PL partnerships remain an appealing prospect and positive experience for producers. Retailers should therefore address identified challenges, as these may act as barriers to entry for producers. Retailers should consider how they can minimise risk for producers, for example they could offer longer-term contracts to provide security, particularly if the partnership will require the producer to significantly invest in upgrading premises or procedures, equipment or staff. The most successful partnerships from the producer's perspective appeared to be those with retailers who were flexible and worked with the producers to produce positive outcomes for both, rather than creating an impression they were only interested in what they themselves could gain from the partnership. This accords with previous findings in the literature regarding the importance of communication and transparency in retailer-producer relationships, particularly with regards to retailers communicating effectively with producers (Fearne *et al.*, 2005). A further consideration for retailers/buyers, as discussed by one of the participants, is the importance of liaising with other departments before entering into agreements. Although a large order may be very attractive from a financial perspective, from an operational perspective it may be challenging, depending on the capacity of the production line, and their other tendered commitments. Retailers will also want to make sure that they are considering producers interests as well as their own to minimise problems in the longer term, for example, advising producers to diversify their business, and ensuring producers are being paid a fair price to allow them to achieve a reasonable return. Buyers should set clear expectations and goals for the partnership, and openly communicate with producers about the retailer's direction and customer base, and how this partnership aligns with that. Buyers should also be aware of changing factors in the macroenvironment, such as price increases, and recognise the impact of these on producers, and be willing to advise and support them as appropriate.

This will help develop trust and rapport, which were important aspects of a successful PL partnership discussed by both producers and buyers.

6. Conclusion

To conclude, this study identified several benefits of PL partnerships for producers, such as volume orders, and increased efficiencies in production, distribution and marketing, and it was indicated that some of these may be particularly beneficial for smaller producers. PL partnerships are valuable to retailers as they provide unique products for customers and meet consumer demand for local products. The study also however identified some challenges with PL partnerships including the risk of insecure or short-term contracts, and bureaucracy related to the tendering process, aspects which should be considered and addressed by retailers in order to increase the attractiveness of these partnerships to producers. Small producers in particular may struggle with the need to and cost of upscaling facilities, and with audit and health and safety standards therefore these are aspects where retailers can other support. Findings have practical applicability to producers and retailers engaging in PL partnerships and may be particularly useful for producers who are contemplating these partnerships having not engaged in them before, and for retailers who are considering how to improve producer satisfaction, uptake and longevity in PL partnerships. The findings of this study are considered to have applicability and relevance in markets other than Ireland. However, it is acknowledged that this study has limitations with regards to limited sample size and geographical region. As discussed in the introduction, considering the location of the study (Ireland), small producers experience was of particular interest considering retailer focus on partnering with these producers to meet consumers desire for local, artisan products. Ideally more small producers would have been recruited, but in the absence of this, the retailers provided valuable insights based on their significant experience working with small producers. It is recommended that further study would be conducted with a larger sample of both producers and retailers from various sizes of organisation. However, considering the difficulty recruiting this specific sample it is suggested that future research with retailers/producers should take a participatory approach, and/or a strong business case related to the benefits of participation should be developed and communicated during recruitment to increase industry buy-in. For example, researchers could co-design the study with industry participation, to ensure that they are collecting the data that is most relevant and useful to retailers/producers. They could also offer to release preliminary findings to participants and communicate them in a way that they could be practically applied, to further incentivise participation.

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