

Coop Private Label Development Strategy*

Roberto Nanni**

Abstract

Coop private label portfolio is the tool to realise the cooperative mission to provide consumers guarantees on quality, safety, environment care, ethical commitment, fair trade as well as good value. Coop private label range was extended over time focusing on intercepting new emerging needs to be able to provide a full range of products for different types of consumption and maintain the leadership in the Italian retail market.

Keywords: Large Retailers; Development Strategy; Market-Driven Management; Private Label; Innovation; Global Markets; Customer Cooperative; Over-Supply

1. Coop. A Success Story

Consumers' Cooperatives history dates back to 1854, in Turin, when – at a time of rising food prices and earnings instability – the General Society of Turin Workmen was created, to open a 'Distributorio sociale' (co-op store) focused on 'buying commodities such as rice, flour, pasta, soap, etc. wholesale and resell them in winter to members at cost price'.

The first Coop Private Label product was launched in 1896, the Panettone cake of Milan Cooperative Union. From this pioneering birth, through the years Coop evolved into the current system, in which Cooperatives are associated in Coop Italia (since 1967). Coop Italia, initially created as a Consortium to optimize purchasing and negotiation with suppliers, has expanded its skills to include marketing, quality assurance, logistics, etc. Since the beginning, Coop Italia, as the National Consortium, has been responsible for Private Label products research, development and management: Coop Private Label is the 'common good for all Cooperatives and the conveyor of brand values', regardless of the specific commercial strategies Cooperatives adopt in their territories. In 1980, Coop Italia Non Food was created to broaden the competencies on new products sold in store, in particular, hypermarkets. The two Consortiums merge in 2016, to optimize their presence on the market. Coop is Italy's leading retailer with a market share of 14,6 % (2015-Hypermarkets + Supermarkets + Discount).

Coop Private Label is the leading retailer brand in Italy:

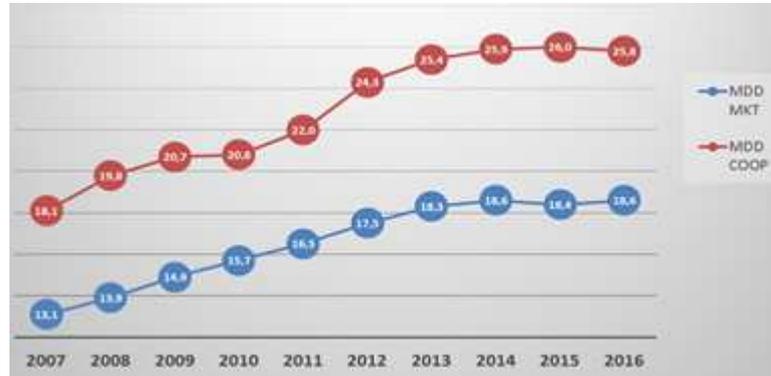
- ≈2,8 Bln € sales, 30% of Coop total sales;
- 1,7 Bln € sales of Grocery, 26,5% of Coop total sales;
- 85% market penetration;

* Invited Article

** Director, Coop Private Label (roberto.nanni2@coopitalia.coop.it)

- ≈4.000 SKUs (grocery + meat&produce + non food);
- ≈500 suppliers (85% Italian).

Figure 1: *Coop Private Label Share on Total Assortment*



2. Private Label Role and Values

Coop Private Label is the tool to realize the Cooperative mission, that is to say to provide consumers guarantees on quality, safety, environment care, ethical commitment, fair trade as well as good value. A challenging mission that requires a particular attention to products, from development to production and post-marketing control.

Figure 2: *Coop Mission*

**To safeguard people
purchasing power, health and
safety**

To protect the environment

**To promote a critical
conscience on consumption**

**To contribute to the
development of cooperatives**

Based on this principle, Coop mission is declined in Coop Private label values:

Goodness. The first evaluation index for products, since customer satisfaction starts from here. Through the years, Coop has developed a customer satisfaction evaluation system, involving the most important players: our consumer members. From 2000 to 2015, 2300 tests were performed with over 400.000 members; 90% of Coop products passed the tests: those not approved were reformulated and retested.

Value for money. This value is part of Coop DNA, a ‘funding’ value for a consumer cooperative created for this very purpose and grown to become market leader in Italian large scale retail. Coop attention to commercial positioning evolved

as well, monitoring not only market leaders but also horizontal competitors such as discount and specialised stores. Coop Private Label selling price can never disregard products intrinsic qualities nor the control and selection activities carried before they are launched on the market; that is why it is seldom the ‘lowest price possible’.

Safety. A process that starts from suppliers selection, and covers all the supply chain up to the finished product. Coop food safety policies, developed through the years, include the absence of colouring agents, hydrogenated fats and GMOs and the latest choice to eliminate palm oil from all its Private Label products; an important choice since Coop instead of merely ‘remove’ this products, decided to reformulate them in partnership with its suppliers.

Transparency. Supply chain control is crucial to provide guarantees to consumers; for Coop, it is an important expertise to be shared with its customers. The Origini Trasparenti (Transparent Origins) campaign aims at communicating in a clear and transparent way what are the sources of all raw materials used for Coop products. A useful information tool for those who want to know the story of a product, starting from the origin of its ingredients.

Ethics. Since 1988, Coop Private Label suppliers are required to undersign Coop’s ethical code based on the SA 8000 standard, and they are subsequently checked by independent auditors. In addition to this basic requirement, Coop has launched specific campaigns, such as the latest ‘Buoni e Giusti Coop’ (Coop Good and Fair); this activity involves all Fruit & Vegetables Italian suppliers and it addresses a social issue that is critical in some production areas.

Ecology. Environment care is declined on Coop products thanks to the use of recycled, recyclable or compostable materials. Packaging reduction is pursued with the use of recharges and the elimination of unnecessary over-packaging.

3. Coop Private Label Range

Coop Private Label range was extended over time to go beyond the mere introduction of new products on the market, focusing on intercepting new emerging needs to be able to provide a full range of products for different types of consumption.

The result was the creation of Coop specific lines such as organic, healthy, fair trade, etc. Coop Private Label leadership in these products testifies the reliability and trust achieved through the years, which allows Coop to include in its private label products that are not traditionally linked with its core offer.

Coop Private Label lines are:

Fior fiore. A wide selection of products of the best gastronomic culture for food lovers, all characterised by the same idea of taste, authenticity, originality, pleasure and knowledge. The line includes Italian traditional and local specialties as well as foreign excellence products.

Vivi verde. A selection of Food and Non Food products. All food is organic and does not contain tropical fats nor flavourings (including natural flavourings). Non food products have a ‘green plus’, clear and objective, which allows customers to qualify the product as ‘environment friendly’: ecolabel certified products as well as innovative products with a high ecological value.

Solidal is the fair trade line; over 80 products, from over 50 producers cooperatives and organisations operating in several developing Countries. Some examples: chocolate bars and spread, tea and coffee, banana and pineapples, rice, fruit juices, roses. All products are certified fairtrade.

Bene.sì healthy products. One line to include the growing and diversified demand for wellbeing and healthy products. The offer is organised on 2 types of product: functional (with) and 'free from' (without): gluten, lactose, yeast, etc.

Crescendo Baby / Kids. The line for kids is a reliable, cross-category offer, including food and non food products. Products for Babies 0-3 years (baby food, nappies, feeding bottles, etc) and for Kids 4-10 years (fruit juices, snacks, breakfast cereals, etc). All food is organic.

Coop Origine includes all products coming from certificate supply chains (eggs, milk, cured meat, etc). Globalization of goods and recurring food scandals and frauds have made consumers worry, especially about productions considered at risk, for which the expectations on safety are naturally higher. Coop has been working on these productions for over 15 years, and it knows and controls every single step.

Amici speciali (Special friends) is dedicated to pets. Developed to answer the needs of a significant market with a complete and segmented offer (over 53 % of Italian families have pets), this line has the same guarantees of controls and safety that Coop applies to all its Private Label products.

Bibliography

- Ailawadi, K. L., Pauwels, K., Steenkamp, & Jan-Benedict E.M. (2008). Private-Label Use and Store Loyalty, *Journal of Marketing*, 72 (6), 19-30.
<http://dx.doi.org/10.1509/jmkg.72.6.19>
- Arrigo, E. (2012). Alliances, Open Innovation and Outside-in Management, *Symphonya. Emerging Issues in Management (symphonya.unimib.it)*, 2, 53-65.
<http://dx.doi.org/10.4468/2012.2.05arrigo>
- Brondoni, S.M. (2010). Intangibles, Global Networks & Corporate Social Responsibility, *Symphonya. Emerging Issues in Management (symphonya.unimib.it)*, 2, 6-24.
<http://dx.doi.org/10.4468/2010.2.02brondoni>
- Brondoni, S. M., & Musso, F. (2010). Ouverture de 'Marketing Channels and Global Markets', *Symphonya. Emerging Issues in Management (symphonya.unimib.it)*, 1, 1-6.
<http://dx.doi.org/10.4468/2010.1.01ouverture>
- Chang, E. C., & Luan, B. (2010). Chinese Consumers' Perception of Hypermarket Store Image, *Asia Pacific Journal of Marketing and Logistics*, 22 (4), 512-527.
<http://dx.doi.org/10.1108/13555851011090538>
- Gnecchi, F. (2013). Retailing, Private Label and Global Competition, *Symphonya. Emerging Issues in Management (symphonya.unimib.it)*, 2, 79 – 87.
<http://dx.doi.org/10.4468/2013.2.06gnecchi>
- Huang, J. Y., Chou, T. C., & Lee, G.G. (2010). Imitative Innovation Strategies. Understanding Resources Management of Competent Followers, *Management Decision*, 48 (6), 952-975.
<http://dx.doi.org/10.1108/00251741011053488>
- Lamey, L., Deleersnyder, B., & Dekimpe, M. G., Steenkamp, Jan-Benedict E.M. (2007). How Business Cycles Contribute to Private-Label Success: Evidence from the United States and Europe, *Journal of Marketing*, 71 (1), 1-15.

<http://dx.doi.org/10.1509/jmkg.71.1.1>

Riboldazzi, S. (2005). Global Retailers and Competitive Customer Value, *Symphonya. Emerging Issue in Management (symphonya.unimib.it)*, 2, 77-87.

<http://dx.doi.org/10.4468/2005.2.07riboldazzi>

Riboldazzi, S. (2010). Retail Policies in the Global Gasoline Market, *Symphonya. Emerging Issues in Management (symphonya.unimib.it)*, 1, 86-101.

<http://dx.doi.org/10.4468/2010.1.09riboldazzi>

Tassinari, V. (2010). Retailers, Frontiers of Innovation and Local Legislative Constraints, *Symphonya. Emerging Issues in Management (symphonya.unimib.it)*, 1, 18-22.

<http://dx.doi.org/10.4468/2010.1.03tassinari>

Vahie, A., & Paswan, A. (2006). Private Label Brand Image: Its Relationship with Store Image and National Brand, *International Journal of Retail & Distribution Management*, 34 (1), 67–84.

<http://dx.doi.org/10.1108/09590550610642828>