

Understanding Private Label Purchasing: Tips for Dental Practitioners

General Overview

Purchasing for today's dental practices involves not only basic considerations related to parameters such as cost, quality, and service, but also decisions about whether your practice's needs will best be met by purchasing brand-name or private-label products. As the private-label market continues to expand, understanding some basic definitions, as well as the ways in which manufacturers and distributors approach private-label sales, will help you navigate today's sometimes choppy purchasing waters.

There's little doubt that you've purchased private-label products in your personal life—perhaps without much thought or even awareness. And chances are that you've made private-label purchases for your practice, as well.

Private-label products are those made by a manufacturer for exclusive sale by a particular distributor under its own brand name. Today, there are more private labels on the market than ever before, with offerings ranging from groceries, household cleaning products, and hardware to health and beauty aids. Furthermore, private labels are continually expanding into new and diverse categories, such as clothing, services such as web hosting, and healthcare markets, including dentistry.

In the dental field, popular private-label products have typically been consumables (gloves, masks, bibs, plastic barriers, cups, etc.). However, many distributors are now offering technique-sensitive private-label product lines, including composites, diamond burs, and endodontic files, to name just a few.

The Consumer's View: A Shift in Perception

While private-label brands are not a byproduct of economic downturns, their strength generally varies based on economic conditions, with the market share typically going up when the economy is suffering and down in stronger economic periods.

While, not surprisingly, price is viewed as the primary driver of consumers' purchase intent for private label¹, it is just part of the equation. The appeal of private labels extends beyond the bottom line, to consumers seeking both value and quality.

What was once a distinct gap in the level of quality between private-label and brand-name products began to narrow substantially in the 1990s, with distributors that contracted for private-label production taking steps to improve their procurement processes and quality monitoring. The result has been the availability of private-label offerings of much higher quality and greater consistency. Consumers have taken notice with a shift in perception away from private labels as simply low-cost alternatives to name brands. Instead,

such offerings are increasingly viewed as high-quality products that fulfill consumer needs across a variety of price points.

Better quality, along with the expansion of offerings, have led to an end to any stigma once attached to buying private labels. The more quality private-label products there are on the market, the more readily consumers choose such products over higher-priced name brands. Indeed, many of those initially compelled by financial pressures to “trade down” via private-label purchasing in the wake of economic recession, and subsequent weak recovery, have found that the perceived quality gap between name brands and private label is not as large as they expected—or, in many cases, might not exist at all.

Consumer Benefits?

Manufacturers are well aware that private-label purchasers are a legitimate and ongoing consumer segment in a wide variety of product categories, and “private-label proponents” maintain that manufacturer response to this awareness can translate into a range of consumer benefits, such as the following:

- Private labels generally provide merchandisers a higher profit margin than national brands, representing an opportunity for consumer savings. Rather than pricing based on cost plus labor, merchandisers are often advised to consider the price their customers are willing to pay for their specialty products; in other words, customers help to determine the price charged.
- Commitment to and investment in innovation is viewed as an effective strategy for maintaining and growing private-label shares. Innovation is a differentiator for both private-label and name brands, and retailers have stepped up their game to deliver new products that fulfill changing consumer

needs and demands.

- Manufacturers of products in categories with emerging private-label penetration sometimes consider the addition of value-added packaging changes and/or line extensions intended to help the products stand out “on the shelf” and shift consumer focus from national brands. For example, private-label pressure is partly responsible for the introduction of easy-open and resealable packages—a benefit that has now expanded to, and is expected from, brand and generic products.
- Distributors looking to sell a full line of products under their brand will most often select a manufacturer with quality, price, and packaging that meet their standards, providing additional reassurance to consumers who already trust such distributors.

Private-Label Purchasing for the Dental Practitioner

Private-label success is typically strongest in commodity driven, high-purchase categories and in those where consumers perceive little differentiation, like consumables. However, anecdotal evidence

POSSIBLE CONSUMER CONSIDERATIONS WITH PRIVATE-LABEL PURCHASING

- Higher profit margins, enabling opportunities for consumer savings
- Commitment to innovation, prompting the introduction of new, more advanced products and services
- Possible value-added packaging changes and/or line extensions
- Distributor commitment to doing business with manufacturers that meet their standards of quality, price, and packaging

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suggests that sales of private-label, non-consumable dental products is increasing as practitioners become more cost conscious in times of economic downturn¹, and distributors are taking notice.

For example, many dental lab owners are increasingly turning to private-label marketing to boost their margins.² Consider the example of a lab that has made the decision to offer private-label zirconia crowns. With many dentists now beginning to view zirconia formulations as interchangeable, that lab is left with a single area of competition—namely price. And while labs that have already positioned themselves as “value laboratories” are wise to offer their private-label zirconia at a competitive price point, boutique-type labs might stress and place additional focus upon quality-related features, such as esthetics, design, and finishing services—a potential “win-win” for distributors and consumers.

Tips for Getting Started. The same principles you apply to the purchase of any supplies and services for your practice can serve you well when purchasing private labels.

- First and foremost, go with a company you trust, with a track record not only for competitive pricing but also for excellent quality and service.
- When in doubt, do some research. Unbiased product information can be found in peer-reviewed journals and in product reviews in industry trade publications.
- Talk to your colleagues, who are often the most unbiased and forthcoming sources of information about the products and services they’ve used.

PREPARING FOR PRIVATE-LABEL PURCHASING

- Go with a company you already trust
- Research private-label products via literature
- Ask colleagues for honest feedback
- Ease into private-label purchasing by going with a distributor that offers both brand-name and private-label product lines

While the decision on whether to buy private-label consumables might be a relatively easy one, you may be reluctant to get on the private-label bandwagon for the purchase of higher-tech products.

One solution is to ease that transition by purchasing from a company that offers name brands simultaneously with their house labels. Somewhat like being able to compare private-label and brand-name products placed side by side in a store, this gives you the opportunity to continue purchasing the brands you’ve come to trust while, at the same time, giving the distributor the opportunity to communicate not just the savings, but also the value and quality of their private-label products in the hope that, when ready, you will try that line and benefit from it.

References

1. Nielsen. The state of private label around the world. Available at: <http://www.nielsen.com/content/dam/niensenglobal/kr/docs/global-report/2014/Nielsen%20Global%20Private%20Label%20Report%20November%202014.pdf>. Accessed: April 3, 2017.
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