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PRIVATE LABEL FOR INNOVATION UNDER THE COVID-19 CIRCUMSTANCES

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Abstract: *The issue of rapid development of the innovations market of goods and services under Covid-19 circumstances requires the creation of new types of individualization, which are an effective tool to enhance the company reputation, generate additional profits and help to attract buyers' attention. The results showed that since the beginning of Covid the number of private labels has doubled including the innovation sector. This indicates that the development of innovation, commerce, and increased competition lead to new forms of individualization, which under Covid-19 improve the identification of manufacturers and help them to earn extra income in the process of commercialization of innovations.*

Keywords: *private label, innovation, commercialization of goodwill*

INTRODUCTION

The spread of the Covid-19 coronavirus affects all spheres of human life, and innovation with trade are no exception. In the modern world, it is quite difficult for newly created innovative products to enter the market, conquer it and compete with the products of well-known popular brands. Although considerable research has been devoted to the process of creating innovations, their classifications, rather little attention has been paid to how intellectual property, in particular objects of means of individualization and their new types including private labels helps owners to profit from innovations, especially in the Covid-19 pandemic.

Solving of this problem will have practical benefits for producers and consumers of innovations, thus stimulating economic development and competition. The goal of the present paper is to investigate a relationship between private label and innovations during pandemic and providing practical recommendations for finding new strategies for their implementation.

LITERATURE REVIEW

The World Intellectual Property Organization offers its own concise understanding of the concept: "Innovation means doing something new that improves a product, process or service". Schumpeter, who is called the founder of the theory of innovation in the economy, saw innovation as "the economic impact

of technological change, as the use of new combinations of existing productive forces to solve business problems" (Kogabayev & Maziliauskas, 2017).

To identify producers of goods and promote their products, it is advisable to use such objects of the intellectual property market as individualization means - a group of objects of intellectual property that serve to distinguish goods, services, enterprises, organizations, and other objects in the field of economic turnover (Borzenko et al., 2019, p. 262). The Civil Code of Ukraine argues that individualization means include trade names, trademarks, and geographical indications (art. 420). According to the International Trademark Association (INTA), the main types of non-traditional objects are colours and combinations of colours, shapes, aromas, sounds, tastes, touch, and movement. Today's realities need to be developed and improved, so it is advisable to identify modern objects of means of individualization, namely private label.

METHODS

The study was conducted to further investigate the implementation of innovations using modern and traditional means of individualization. To solve research issues were used literature research, statistical information, and databases were used. They were processed using applied document review, comparison, and analytical methods, as well as graphical and tabular methods to visualize the analysis of theoretical and statistical data. A database of the World Intellectual Property Organization is used to collect statistics on the number of individualized objects in the world. The sample is representative of the objects of study, countries, and years. Based on the research data from Statista, it was identified which countries use private labels the most and which product categories are the most popular among consumers.

RESULTS

Each innovative product is associated with the country of origin. Therefore, we will analyse the relationship between the country's income level and the number of innovations. For example, the annual Global Innovation Index WIPO (2020) assesses innovation performance in more than 130 economies (Table 1).

Table 1: Global Innovation Index 2020

Rank	Country	Score (0-100)
1	Switzerland	66.08
2	Sweden	62.47
3	United States of America	60.56
4	United Kingdom	59.78
5	Netherlands	58.76
14	China	53.28
45	Ukraine	36.32
131	Yemen	13.56

Source: created by author based on WIPO Global Innovation Index 2020

There is a clear trend between innovation leaders and high-income countries such as Switzerland, Sweden, and the United States that lead in terms of innovation, bragging about advances in robotics, computer software, and intellectual property.

However, modern epidemiological realities require an increase in competitive advantage, especially in innovations and retail segments, so it is advisable to single out the modern objects of individualisation - private label. In research from Tandon and Verma (2020) private label is a trademark owned by a retail chain (supermarket, hypermarket, etc.). For the consumer, private label is a choice and an opportunity to regularly buy quality food and non-food products with savings compared to manufacturer brands, without waiting for discounts. It is worth noting that the perception of private labels is positive around the world, but not uniform: they are significantly developed in European countries, the share of private labels in 2018 was 39.4% and tends to increase (see Figure 1).

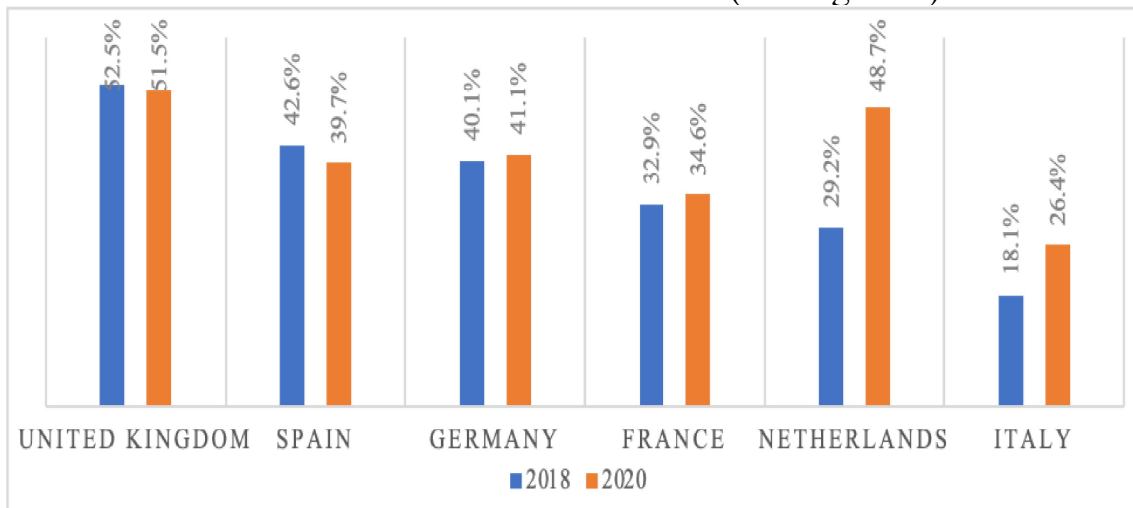


Figure 1: The share of private labels in European countries

Source: created by author based on Statista database, 2021b

The leading position in 2018 is occupied by the United Kingdom (52.5%) and Spain (42.6%), but in 2020 Covid-19 adjusted and countries such as the Netherlands and Belgium became leaders in the consumption of private labels.

It is advisable to distinguish between the benefits of using a private label, for example: pricing (the benefit of the buyer is to buy a quality analogue of branded goods at a lower price); sales (reducing marketing costs for product promotion); product profitability (due to control over production costs and pricing, retailers control the optimal level of product profitability); little-known companies that produce good quality products have a chance to break into the international market and ensure stable operation of their own production.

The risks of using private trademarks include a low level of innovation among manufactured goods, they will have standard features that will satisfy most consumers; lack of reliability of product quality, as the production of goods, is in hands of third-party manufacturers, it is important for companies to work with

proven manufacturers; impossibility of manufacturing certain types of products; additional costs of owners for logistics, certification, and licensing of goods.

Given the difficult situation in the world with the advent of the coronavirus, the attitude of consumers to the purchase of goods has changed in the direction of affordability, rather than the importance of the brand. Therefore, the number of private labels has doubled due to several main factors: first, the shortage of food and non-food products, second, the decline in consumer purchasing power, and third, the unknown nature of the duration and severity of the pandemic. The most striking foreign examples of private label use are the American supermarket chain Walmart, which holds the record for the number of private labels - 319 brands in 20 categories, as well as Target, Kroger, and Amazon, which have expanded their brands in recent years (ScrapeHero, 2021).

If talk about the categories of goods under private labels that are most popular among consumers, then in US supermarkets in 2020, the leaders in sales were household paper and plastics (see Figure 2). Of particular note is the field of vitamins, minerals, and supplements of private brands, which are becoming relevant in the coronavirus situation and where there are significant increases in sales, as buyers have taken the initiative to seek ways to protect their health. Along with the need for physical health, the pandemic has increased the focus on mental well-being, so consumers are turning to products that improve sleep and mental performance to provide additional support during uncertainty.

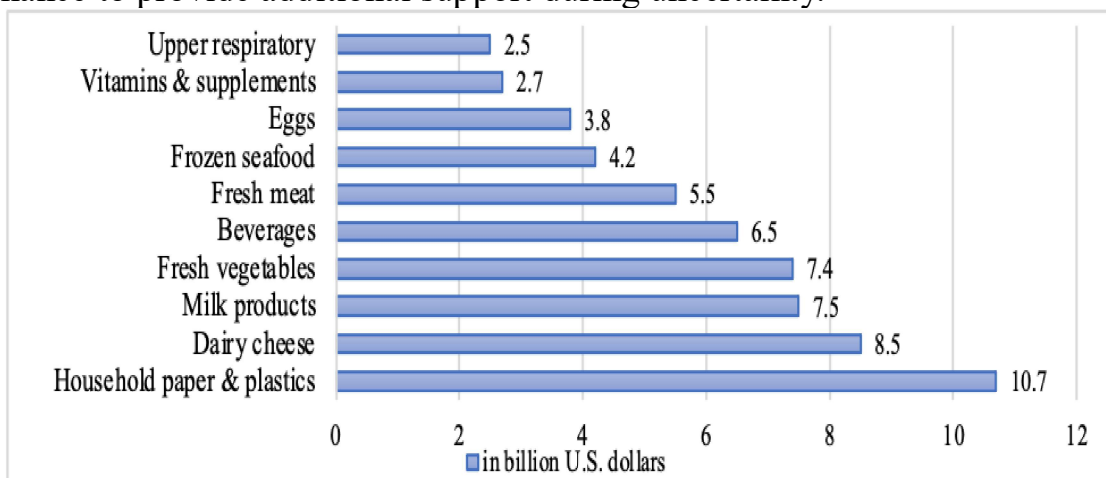


Figure 2: The most popular categories of private labels in the US, 2020

Source: created by author based on Statista database, 2021a

Thus, the pandemic has accelerated the development of private brands, but in order to consolidate at this level and ensure their further growth, brand owners need to implement the following key activities:

- Digital switchover: Retailers should cover their private label products on digital e-commerce platforms, websites, and applications. This will help to gain a new online audience of buyers and use the benefits of goods that are already in the

digital trolleys of consumers, to recommend additional products when paying or replace those products that are not in stock.

- Attracting attention: private labels have the opportunity to gain consumer loyalty through innovative launches and restarts, repackaging of goods, and indicate the benefits of the product through labelling.

- Loyalty programs: price remains the main advantage for private labels, so retailers can encourage consumers and prospective customers with coupons/promo codes for products in the categories that consumers buy the most, or in related categories. This will encourage the repurchase of a private label. And also, do not forget to remind about the ways to celebrate holidays, birthdays, and dinners at home with products of private brands.

- Compliance with trends: private brands should monitor consumer trends that are present in the market of relevant goods. Consumer interest in current plant products or healthy snacks will continue to stimulate innovation in these categories.

- New ideas: retailers can create a completely new solution for a private brand or using existing products in central stores for a private retail program to combine them into a completely new set of dishes.

CONCLUSION

As a result of the study, it was revealed that the development of commerce and increased competition lead to the emergence of new forms of means of individualization of innovation. Private labels are gaining active use, which in the realities of the Covid-19 have expanded the scope of influence on innovation. For the consumer, a private label is a choice, and an opportunity to regularly buy and consume food and non-food products that meet international quality standards with savings compared to well-known brands without waiting for discounts.

And the last point is that modern trends individualization of innovations in the Covid-19 circumstances, such as private labels not only improve the identification of economic entities in the market and contribute to their additional income in the commercialization process but also have established themselves as an effective mechanism in difficult times that can save manufacturers from bankruptcy and satisfy consumers.

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