Department stores amping up own-brand business

By Marion Deslandes - 11 February 2022

In the past, department stores’ own brands were used to fill a gap in the affordable or entry-level segments of the market, but over time they have evolved, and are now becoming a genuine asset for chains that, like most retailers, have been sorely hit by the pandemic. Between 2019 and 2021, the share of total sales accounted for by the own brands of the 12 department store groups that form the International Association of Department Stores (IADS)* has grown on average from 9% to 11%.

According to a study by IADS, the rise is chiefly due to the impact of the pandemic, as local consumers, more sensitive to the price variable, have “shifted from national and international brands to the [department stores’] own brands,” though it is also a result of strategies deployed in the past “to make [the own-brand] business more profitable and effective for chains.”

Before the pandemic, many department stores set about streamlining their own-brand portfolio to make it more coherent. Some of them, like Manor (Switzerland), Magasin du Nord (Denmark) and Galeries Lafayette (France), even decided to group together several product categories under one single umbrella brand.

Over a period of many years, beginning in the 1980s, Galeries Lafayette had developed some 15 fashion labels of its own in various market segments, from formal to casual wear and menswear, each with a different brand name (among them, Version Originale and Briefing). In the mid-2010s however, the group decided to aggregate its own-brand portfolio under a single banner, capitalising on the chain’s name, Galeries Lafayette, under the aegis of designer Laetitia Ivanez. Only Jodhpur, an own label distinctive for its timeless, classic style, continues to function independently.

Another French group, Le Printemps, changed approach at around the same time too, introducing in 2016 a new brand called Au Printemps Paris, which now incorporates the department store’s own-brand range for fashion, home linen, table ware and bridal wear.

According to IADS, this approach has allowed chains “to generate economies of scale by concentrating investments on a single brand instead of many, as had often been the case in the past.” There are also benefits in terms of advertising, since own-brand collections can be regarded “as genuine brand assets, no longer a mere
terms of advertising, since own-brand collections can be regarded as genuine brand assets, no longer a mere low-price value proposition designed to fill a slot in the assortment. "Besides, nearly 50% of department store own-brand customers are affiliated to loyalty programmes.

**Current challenges: sustainability, customer age, sourcing**

IADS has observed that there isn't a single solution or strategy deployed by department store groups, but identified three challenges all of them are faced with. First of all, the effective promotion of own-brand collections within stores, something that requires investment. Secondly, department stores are vigorously embracing sustainability, although they still face issues like the cost of sustainable materials and the use of certifications. "With this in mind, using [sustainability] labels that are exclusive to a chain seems to be an appropriate investment that helps deliver a simple, striking message," said IADS.

For example, in 2019 Galeries Lafayette launched a sustainable fashion programme called ‘Go for Good’, applied to its own apparel range. By the end of 2020, 40% of the Galeries Lafayette’s own-brand fashion products were labelled ‘Go for Good’, twice the number of the previous year. In 2021, Le Printemps too unveiled its own sustainability labelling, ‘Unis vers le beau responsable’ (Together for positive engagement).

Finally, the third challenge identified by IADS is that of the average age of consumers who choose own brands. It has been found to be around 50, higher than the average age of department store customers in general. Some chains are already working to rejuvenate their clientèle, by following more directional fashion trends. Chilean chain Falabella has opted for introducing new product categories, like maternity wear and plus-size clothes, and to do so online, to attract a new clientèle.

As department store groups worldwide evolve in this direction, the sourcing problems faced by the textile/apparel sector at large are also affecting their own brands. This means rethinking and adjusting collection planning, developing products by working more upstream within the supply chain, often going for proximity sourcing or buying materials in advance.

“Global supply chain issues are evolving rapidly and are far from being resolved, and [IADS] members are developing tactics to stem margin loss and adjust retail prices in the most transparent fashion possible," said IADS, without giving an indication of the average price rises expected for the next own-brand collections by department stores.

* The 12 members are Centro Beco (Venezuela), Beijing Hualian Group (China), Breuninger (Germany), El Corte Inglés (Spain), El Palacio de Hierro (Mexico), Falabella (Chile), Galeries Lafayette (France), Lifestyle International Holding (Hong Kong), Magasin du Nord (Denmark), Manor (Switzerland), The Mall (Thailand) and SM Store (Philippines)

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