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Chase your customer, not your competition: Why private label reigns supreme

Being driven by the competition can be motivating, but constantly looking over your shoulder is not!

Brand owners that focus more of their time and efforts on what the competition is doing, and how to beat or outsmart (market) them, are doing a disservice to their customers and bottom line/balance sheet.

Why? Because consumers “get it.” They want their brand’s attention and are conscious shoppers in the marketplace. They have come to expect the brand to educate them on a meaningful, positive note. They want a social value to be associated with the brand’s value proposition. They need to feel that the brand understands them on an emotionally connected level.

They are less status-seeking and not as interested in conspicuous consumption of branded goods, and are more health and wellness-centric, thus willing to spend more on small indulgences that make them feel good about their purchase and themselves. They want to know that their brand is committed to doing the “right thing” for them and by them.

There also has been a significant shift in the perception of brand value, as well as personal values. Give the customer what they want and devote energy and resources toward understanding what really motivates them to buy one product over another.

While demographics are an important indicator and information resource about consumer lifestyles, habits, population movements, spending, age, social grade, employment, etc., there has been a cultural shift in behaviors fueled by all of the above, not to mention the current economic climate. Thus, there also has been a significant cultural shift in the acceptance of many private-label brands.

With the advent of product being packaged now as more quality-driven in both ingredients and shelf presence, marketed against the national brands, the preconceived notion of buying a product that is a good deal and inexpensive is now more of a badge of honor than courage. There is no longer the social stigma associated with purchasing store brands, now that design has visually transformed retailers’ products into branded items that consumers actually buy.

Consumer perception has shifted and thereby elevated store brands by giving them purpose on the shelf. And, with shoppers displaying confidence in consuming private-label products, retailers understand that the store-brand concept has to be applicable across multiple categories and various package types and materials. Each has its own set of production constraints.



Moreover, because store-brand goods generally carry a lower price point than national-brand goods, the retailer can optimize the production to suit consumer demand and reduce advertising costs. Goods sold under a store brand are subject to the same regulatory oversight as goods sold under a national brand.

Consumers love bargains, and for this reason, private label makes sense. But they also often switch brands for what they perceive as a better deal, and price wars are now infamous for adding to their confusing array of decisions.



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Retailers and brand owners: It's okay to chase the same customer. This sentiment calls to mind a quote from Larry Light, former Chief Marketing Officer of McDonald's. "I don't like talking in terms of market share," he once said. "I do not like sharing my market with anyone."

But the truth is, the customer "pie" is only so big. The same "slice" of customer is shopping myriad retail venues to meet their shopping needs. Consumers are a fickle group to connect with, and it is a fact that they are not as loyal as they used to be.

What was deemed important a few years ago, still is—convenience, value, and selection—but today we find segments of the population shopping at Costco or Walmart and Whole Foods. They're buying in bulk and shopping for natural or organic specialty food items. (Note: There still is a great divide in coffee preferences, where consumers are fiercely brand-loyal. They still prefer to sip either Starbucks or Dunkin' Donuts.)



We know a lot about what motivates consumer behaviors, and marketers are now exploring and delving into what the influencers behind the motivators are. In this way, they can steer product selection and visual imagery to trigger these subtle yet very powerful "hidden" emotional bonds between brand and consumer, because they base as much as 95% of their purchase decisions on emotion.

Package design is inextricably linked to the brand strategy, as well, to visually position products in a compelling manner that commands consumer attention versus competitors. Design has been an integral part of the marketing mix, and when done well, the package will grab the consumer's attention and enhance the in-store experience.

Of particular interest to me is the design of the Whole Foods store brand, 365 Organic. The logo is impressive in its simplicity and clarity. Yet it is vibrant and communicates consistently across multiple categories. A square block locking up the name, and associated visual imagery, denoting the four seasons, anchors the design.

Many retailers have, in addition to developing a base line of store brands, introduced sub-brands to delineate them at the higher end of the brand spectrum. These premium brands add a distinctive visual image to the offering on shelf; one example is Safeway Select, with high-quality products and a lower price point.

Other retailers develop a separate premium brand. One example is Walmart's Sam's Choice, which harkens back to founder Sam Walton. The packaging links the brand to the heritage of the retailer.

Additional brands of this ilk include A&P's America's Choice, Loblaws' President's Choice, and Kroger's Private Selection. These names alone denote selectivity and exclusivity in a world of store brands that historically have been perceived as "less" in terms of quality and price.

At the end of the day, private label versus national brands are differentiated primarily through innovation. Owners of national brands have the ability to spend time and resources to innovate, and the savviest ones have committed to continuously looping back so the competition does not leapfrog them.

Private label does not enter a category with breakthrough products. The retailer owns the shelf space, yet it still has to justify returns per square foot and deliver parity products that consumers want and are a cost-effective alternative.

Here is an example. In 2009, 7-Eleven launched the 7-Select line of staples food products, including cookies, candies, chips, and beef jerky. And now, 7-Eleven is entering the value wine business under the Yosemite Road label, with a chardonnay and cabernet sauvignon to retail for about \$3.99.

This price point speaks to the consumer's need for products that resonate with them on a value basis—their demand for affordable products—coupled with the fact that more people are eating at home.

I do not consider this to be an innovation, as the goal appears to be answering the needs of the marketplace. 7-Eleven understands its core demographic.

So, forget the competition, and focus on understanding your customers. Give them unparalleled choice and they will continue to buy.

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