Talking Private Brands
Power up your sales potential

Private Brands Summit
On-Demand Education Series

# Private Brands 2021: Raising Expectations

Shelley Balanko, Ph.D., Senior Vice President,
Hartman Group

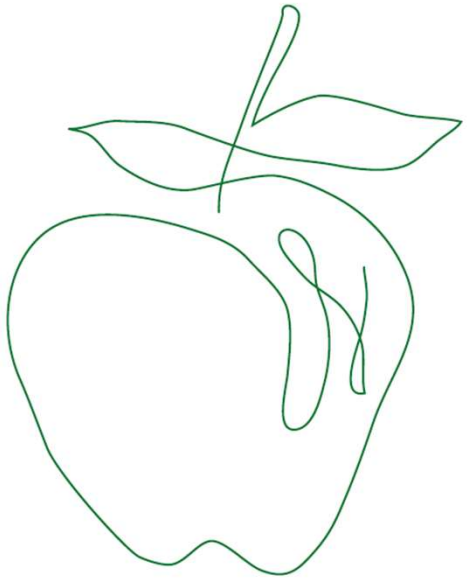
Sponsored by BAMBOO ROSE

FMI THE FOOD INDUSTRY ASSOCIATION

# FMI ANTITRUST COMPLIANCE

- As the **food industry association**, FMI works with and on behalf of the entire industry to advance a **safer**, **healthier** and **more efficient** consumer food supply.

- FMI brings together a wide range of members across the value chain — from **retailers** who sell to **consumers**, to **producers** who supply the food, as well as the wide-variety of companies providing critical services — to **amplify** the collective work of the industry.



# FMI ANTITRUST COMPLIANCE

- It is FMI policy to comply in all respects with the antitrust laws.
- All participants in FMI meetings and events are expected to comply with applicable antitrust and competition laws.
- Avoid discussions of sensitive topics that can create antitrust concerns.
  - Agreements to fix prices, allocate markets, engage in product boycotts and to refuse to deal with third parties are illegal.
  - Discussions of prices (including elements of prices such as allowances and credit terms), quality ratings of suppliers, and discussions that may cause a competitor to cease purchasing from a particular supplier, or selling to a particular customer, should be avoided.
  - No discussion that might be interpreted as a dividing up of territories.
- It is important to avoid even the appearance of unlawful activity.
- Questions or concerns? Please consult with FMI staff team member.

hartman GROUP

# Brand Ambition:

## Food and Beverage Private Brands & Beyond

# Methodology

## QUANTITATIVE

- Fielded May 5–22, 2021
- **n=2,205** U.S. primary shoppers aged 18–75 (MOE ±2.1% at 95% confidence level)
- Respondents recruited as a nationally representative sample (balanced by age, gender, division, income, race/ethnicity and presence of children to match the 2021 Census Bureau Current Population Survey), then screened for shopping habits (50% or more of household shopping, shopped at least one qualifying Retailer in the past 3 months, and purchased food in the past 3 months)
- Readable samples include, plus other key demographics:
  - *Age cohorts:* n=216 Gen Z, n=493 Millennials, n=608 Gen X, n=888 Boomers
  - *Race/ethnicity:* n=1740 Caucasian, n=160 African American, n=250 Hispanic, n=237 Asian / Pacific Islander
  - *Health & Wellness segmentation:* n=288 Core consumers, n=444 Inner Mid-Level consumers, n=858 Outer Mid-Level Consumers, n=615 Periphery consumers

## QUALITATIVE

### Mobile Ethnography

- Fielded week of April 28 – May 2, 2021
- Asynchronous task assignment via specialized mobile app. tasks were completed remotely; half of the participants performed a grocery shopping task in person while the other half performed an online grocery shopping task.

### Virtual Interviews

- Fielded May 4 – May 7, 2021
- Follow-up interviews to contextualize assignments and dig deeper into key topic areas.

### Qualitative Sample

Recruited to represent a mix of food and beverage private brand engagement; key demographics (age, gender, race/ethnicity); socioeconomic status; household compositions; geographies; and grocery channels shopped.

01

# Are Private Brands Important to Retailers?

# Retailers offering well-executed private brands initiate a cycle of mutually reinforcing positive perceptions of a store and its brands, bolstering consumer trust

**Mutually reinforcing relationship between private brand and the retailer**

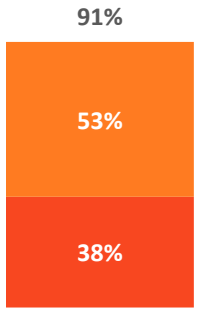
*Among Total*

**Over-indexing 115+ among:**

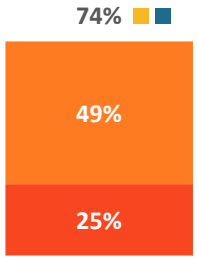
- Gen Z
- Millennials
- Gen X
- Boomers

**Total describes me**

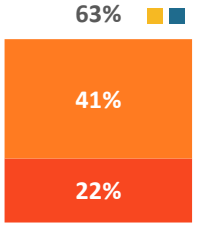
- Describes me somewhat well
- Describes me very well




A good experience with store brand products makes me **trust the store** that offers them more




**I choose to shop at the store/stores where I shop specifically because of its/their store brand/brands**

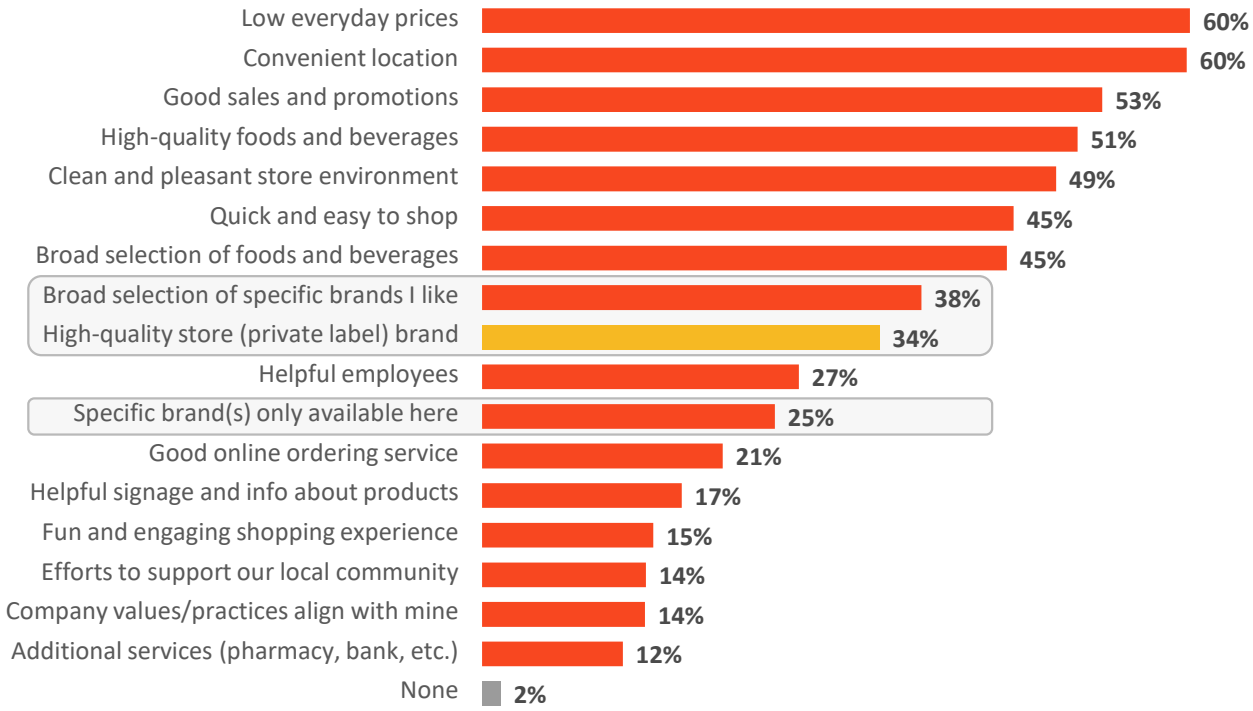



**I trust store brand** products more than name brands because the store stands behind its products

# A well-executed private brand can bestow additional benefits onto its retailer, beyond sales

**"Very important" store selection criteria**

*Among Total*





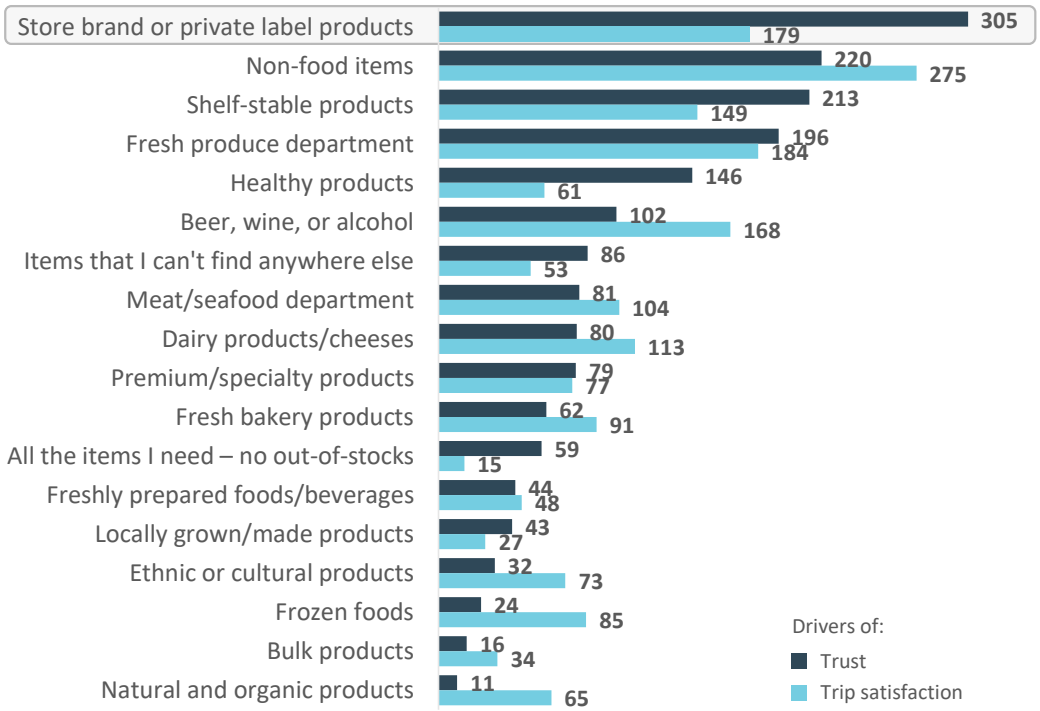
**H-E-B Select Ingredients**


 **Indexed to Total. Green** indicates scores >115; **red** indicates scores <80.

# A well-executed private brand can drive trust and trip satisfaction

**Product categories/types as drivers of retailer TRUST and trip SATISFACTION**

*Based on ratings of assigned P30D retailers*






*From The Hartman Groups Food Sourcing in America 2020 study: Key drivers are based on derived importance calculated using a logistic regression predicting top box trust and trip satisfaction. Showing index scores against the average level of impact each product category/type has on the level of trust and trip satisfaction in the retailer.*

# The reciprocal relationship relies upon consumers' ability to identify private brands and perceive the relationship to the retailer - revealing a strategic decision about the role of private brands


Stop & Shop shopper's view of the Nature's Promise aisle sign.

The **"branded house" approach** has its roots in the history of private brands and is perhaps the most familiar to consumers: a retailer-owned brand that spans multiple categories and often carries the name of the retailer in its brand name (e.g., "Kroger," "H-E-B").


Aldi shopper's cart showing the wide variety of private brand products bearing various names.

The **"house of brands" approach** is a more recent development that more closely mirrors the way that national brands have tended to work, with multiple category-specific or category-limited brands that often do not bear the retailer's name or have a clear association with the retailer in the branding or packaging.

Participant-generated images

# However, the role of brands in consumer food and beverages choices has shifted—and diminished in its traditional sense—along with evolving food culture over time

The cultural forces most relevant to this shift are:

**Consumer attitudes towards health and wellness**

- Shifting ideas of health and wellness outline emerging needs for food and beverage products

**Consumer access to information**

- Rise of the information age changes branding and promotion, increases sources of product information, two-way communication between consumers and brands
- Eroding trust in institutions (including corporations) undermines the ability of food and beverage companies to make unquestioned claims about their products, health and nutrition, and consumers' needs and wants

**1970s and prior:**
Cultural focus on conformity, convenience; brands serving as ultimate signals of quality

**1980s to 1990s:**
Increasing focus on individuality, diet, and appearance; brands used as identity signifiers

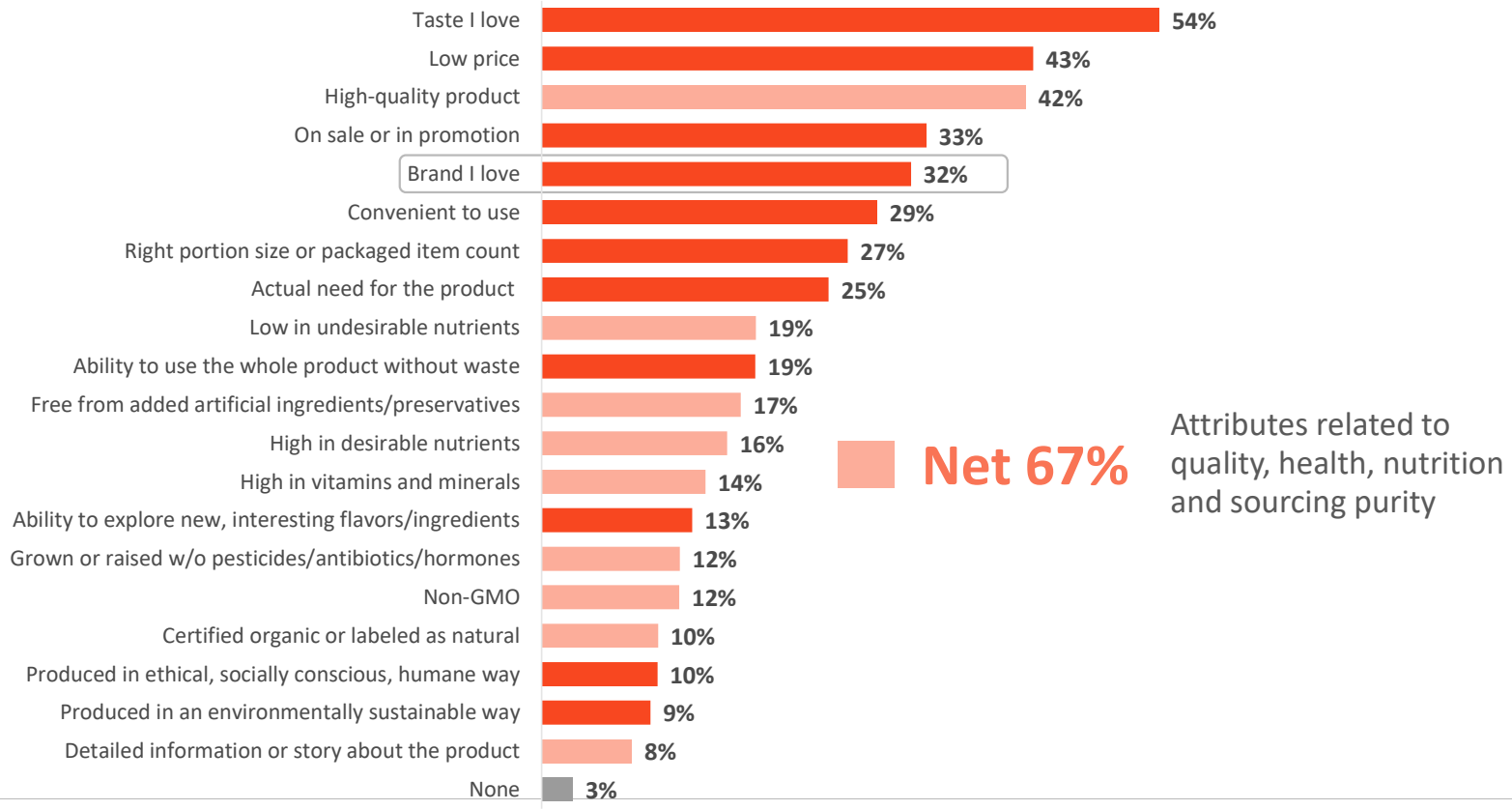
**2000s to now:**
Looking beyond the individual to the holistic; more focus on attributes and practices than branding



# To be sure, the brand is still important, but consumers will first assess the taste and quality of the product for themselves

**Product selection drivers**

*Among Category buyers, Average across 8 profiled categories*

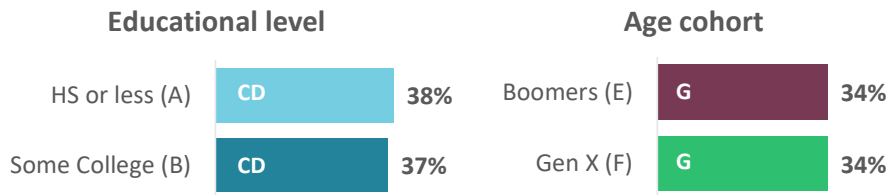


# However, younger consumers and more educated consumers report less tendency to rely on brand as a selection criterion when choosing foods and beverages

**HIGHER importance of and dependence on brand**

**Say brand is a very important product selection driver**

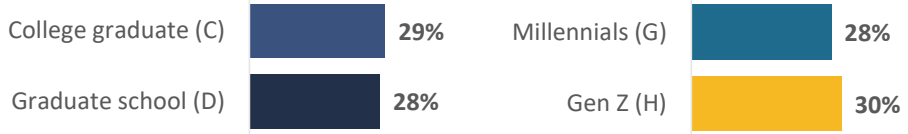
*Among Category buyers, Average across 8 profiled categories*




**Less educated and older shoppers**

- Less engaged in food, nutrition, and connections to individual health
- Most likely to report the use of brand as a product selection criterion

**Age and educational level are the sole two demographic predictors of the level of consumers' reliance on brands as a heuristic**




**More educated and younger shoppers**

- Most engaged by product attributes and story
- Least likely to report the use of brand as a product selection criterion

**LOWER importance of brand, more focus on product attributes**

Capital letters (A, B, C) denote statistically significant differences between the indicated groups at the 95% confidence level.

# The shift from brand to product evaluation is also apparent when consumers assess new brands, looking at ingredients first and anything the brand tries to evoke second

**What best communicates the essence of a brand**
*Among Total*


02

# What Is the Role of Private Brands?

# Over the last several decades, food and beverage retailers have evolved their own offerings from private “label” to private “brands” in their own right

**These early private brand offerings were often simply cheaper versions of successful name brands.**


**Private brands now present customers with a strong, competitive option that is not only cost-effective but also often taps into modern notions of healthy, high-quality foods and beverages.**


Consumers recognize this evolution and are on board with the change.

*“We had White Rose and things like that. That was some of the store brands. But **I’ve noticed that they’ve improved throughout the years**, some of the store brands. **So, I’ve been willing to try**.”*
*– Audie T., M, 44*

*“**I still have some hesitancy** to purchase the products because this is the same stuff they’ve been selling all along. They just repackage it to sound better. **Is the new Bowl & Basket any better than the old ShopRite? I don’t know**.”*
*– Walter H., M, 63*

# The structure of the world of private brands has grown increasingly complex—but this complexity is not top of mind for most consumers

**Many consumers simply do not think in terms of name brands versus private brands**, and some struggle to identify which is which

Among those who shop where Simple Truth is offered, **only 30% recognize Simple Truth as a private brand.**

Among shoppers of major grocery retailers featuring private brands, **10-15% misidentify major national brands as private brands.**

**22% of shoppers of retailers with private brands don't know their store offers one**—they aren't sure or say it does not.


*No recognition of Simple Truth as a private brand*

*"These are the only two store brand items in my fridge, these Kroger cheeses."*

*– Charlie R., M, 20*

# As they learn through experience, consumers are adjusting their expectations of the taste, quality, and convenience of private brands in an upward direction




*"I think they've gotten better and more competitive towards the branded products, the well-known brands, but then again you have to ask yourself, there's a reason why they call them 'store brands' because there's always something missing that the branded product has that the store brand does not."*
*– Mabel Q., F, 38*

*"I just made one today and I have to say it was pretty good. Took less than 10 minutes to make and it was just as good or even better then the other more expensive name brand."*
*– Audie T., M, 44*

*"With the pasta, for example, this is my wheelhouse. This is an area that I know and they're using the right types of product to make the pasta. They're doing air-dried pasta. I mean, these are actual Italian techniques and the pasta tastes great and it's a great price, so it's not a 'Whole Paycheck' experience and I think it's a really quality product."*
*– Julie M., F, 40*

Consumer-generated photos of product

# Traditionally positioned by low-cost; contemporary private brand value is judged across six interlocking facets, described in the New Value Paradigm (NVP)

***Is this a fair price? The right price?***
Total cost of an item; price relative to perceived quality, relevance, experience

***Will the item meet my taste/usage standards?***
Ingredient list, flavor distinctions, personal recommendations, freshness, production techniques, compelling narratives


***Is this item easy to use? Readily available? Useful on multiple occasions? Empowering and engaging?***
Format, location, directions, packaging

***Will I relish using/consuming this item? Is the purchase experience, atmosphere enjoyable?***
Simplicity, good design, pleasure, savoring, discovery, authenticity, inspiration

***Will I avoid wasting this item? Will I get a lot of use out of this item?***
Price per unit, right size packaging

***Is this item necessary, meaningful? Can I customize? Will I/my family actually use/consume this item?***
Full utility, no waste, need vs want, family vs individual use

* THG, 2020: Value in the Time of COVID-19

# In a direct comparison, private brands win on cost/value and are strong competition for name brands on taste, quality, convenience, sustainability, and consumer engagement – dimensions of NVP

**Direct comparison of brand types**
*Among Category buyers, Average across 8 profiled categories*

**Private brands do…**
**…an equally good job as name brands**

| | | |
|---|---|---|
| Cost / Value | Low prices | 29% |
| | Good value | 34% |
| Taste | Taste | 44% |
| | Pleasing my family/household | 47% |
| | Interesting ingredients or flavors | 46% |
| Quality | Company standing behind its products | 48% |
| | High-quality products | 44% |
| Convenience | Ease of finding in the physical store | 50% |
| | Portion sizes that work for me | 56% |
| | Ease of finding on the website | 45% |
| | Convenient use | 57% |
| Sustainability | Minimal waste (use the whole product) | 53% |
| | Fair treatment of farmers/workers | 44% |
| | Sustainable farming/manufacturing | 43% |
| Consumer engagement | Enhancing my life | 47% |
| | Innovative products | 42% |
| | Attractive packaging | 45% |
| | Impressing guests/others | 40% |

# In a direct comparison, private brands win on cost/value and are strong competition for name brands on taste, quality, convenience, sustainability, and consumer engagement – dimensions of NVP

**Direct comparison of brand types**
*Among Category buyers, Average across 8 profiled categories*

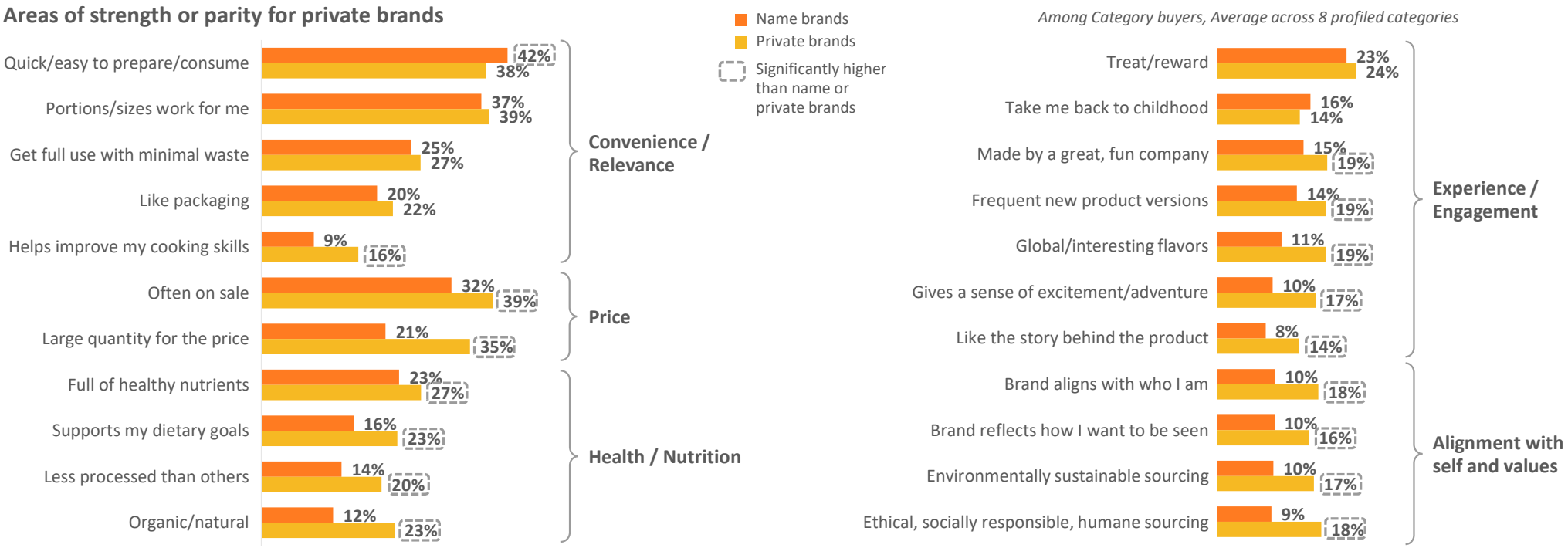
| | | Private brands do… …an equally good job as name brands | …a better job than name brands |
|---|---|---|---|
| Cost / Value | Low prices | 29% | 42% |
| | Good value | 34% | 36% |
| Taste | Taste | 44% | 12% |
| | Pleasing my family/household | 47% | 12% |
| | Interesting ingredients or flavors | 46% | 11% |
| Quality | Company standing behind its products | 48% | 13% |
| | High-quality products | 44% | 11% |
| Convenience | Ease of finding in the physical store | 50% | 13% |
| | Portion sizes that work for me | 56% | 13% |
| | Ease of finding on the website | 45% | 12% |
| | Convenient use | 57% | 12% |
| Sustainability | Minimal waste (use the whole product) | 53% | 13% |
| | Fair treatment of farmers/workers | 44% | 11% |
| | Sustainable farming/manufacturing | 43% | 11% |
| Consumer engagement | Enhancing my life | 47% | 11% |
| | Innovative products | 42% | 11% |
| | Attractive packaging | 45% | 11% |
| | Impressing guests/others | 40% | 11% |

# In a direct comparison, private brands win on cost/value and are strong competition for name brands on taste, quality, convenience, sustainability, and consumer engagement – dimensions of NVP

**Direct comparison of brand types**
*Among Category buyers, Average across 8 profiled categories*

| | | Private brands do… …an equally good job as name brands | Private brands do… …a better job than name brands | Name brands do… …a better job (National) | Name brands do… …a better job (Local) | Name brands do… …a better job (total) |
|---|---|---|---|---|---|---|
| Cost / Value | Low prices | 29% | 42% | 15% | 11% | 25% |
| | Good value | 34% | 36% | 16% | 11% | 27% |
| Taste | Taste | 44% | 12% | 30% | 11% | 41% |
| | Pleasing my family/household | 47% | 12% | 26% | 11% | 37% |
| | Interesting ingredients or flavors | 46% | 11% | 27% | 12% | 39% |
| Quality | Company standing behind its products | 48% | 13% | 23% | 12% | 34% |
| | High-quality products | 44% | 11% | 30% | 12% | 42% |
| Convenience | Ease of finding in the physical store | 50% | 13% | 23% | 10% | 33% |
| | Portion sizes that work for me | 56% | 13% | 18% | 10% | 28% |
| | Ease of finding on the website | 45% | 12% | 25% | 9% | 34% |
| | Convenient use | 57% | 12% | 18% | 10% | 28% |
| Sustainability | Minimal waste (use the whole product) | 53% | 13% | 17% | 11% | 28% |
| | Fair treatment of farmers/workers | 44% | 11% | 17% | 14% | 31% |
| | Sustainable farming/manufacturing | 43% | 11% | 18% | 15% | 34% |
| Consumer engagement | Enhancing my life | 47% | 11% | 20% | 10% | 30% |
| | Innovative products | 42% | 11% | 29% | 11% | 41% |
| | Attractive packaging | 45% | 11% | 30% | 10% | 40% |
| | Impressing guests/others | 40% | 11% | 29% | 11% | 41% |

# When asked about the private brands they buy, consumers identified a range of strengths including price, health/nutrition, experience, and values-alignment



# When asked about name brands they buy, consumers report their strengths as great and familiar taste, but this territory is starting to be shared with private brands

**Traditional name brand strengths**

*Among Category buyers, Average across 8 profiled categories*


Trust is not given blindly. It is built on and accrued over multiple experiences with a brand.

Significantly higher than value or premium/organic/BFY private brands

Consumers satisfied with a **name brand** often cite trust, taste, familiarity and reliability:

***"Campbell has been in business for a long time, and I trust this brand. Its canned products are of a high standard and are tasteful."***
*(Campbells canned/pouch/Tetra Pak/jarred foods)*

***"I know the quality and organics of the brand and trust the consistent quality."***
*(Amy's frozen entrees/meals/appetizers/snacks)*

***"It is a trusted brand that I grew up with. I can count on quality with them."***
*(Oscar Mayer packaged cured/processed meats)*

They also call out trust, taste and quality with **private brands** across tiers, ***though often with a price caveat***:

***"Clancy's brand has the same taste as name brand at half the cost."***
*(Clancy's snacks)*

***"I like the taste of this prepared food, but I prefer the Publix brand deli meat over Boar's Head."***
*(Publix deli items or prepared foods)*

***"Lucerne is a brand that I trust, and its dairy yogurt products are very tasteful."***
*(Lucerne dairy yogurt)*

***"Everything I buy from Trader Joe's is always high quality and delicious taste. I love Trader Joe's and highly trust and recommend them."***
*(Trader Joe's deli items / prepared foods)*

***"Good quality at a reasonable price and natural ingredients I trust."***
*(Whole Foods Market canned/pouch/Tetra Pak/jarred foods)*

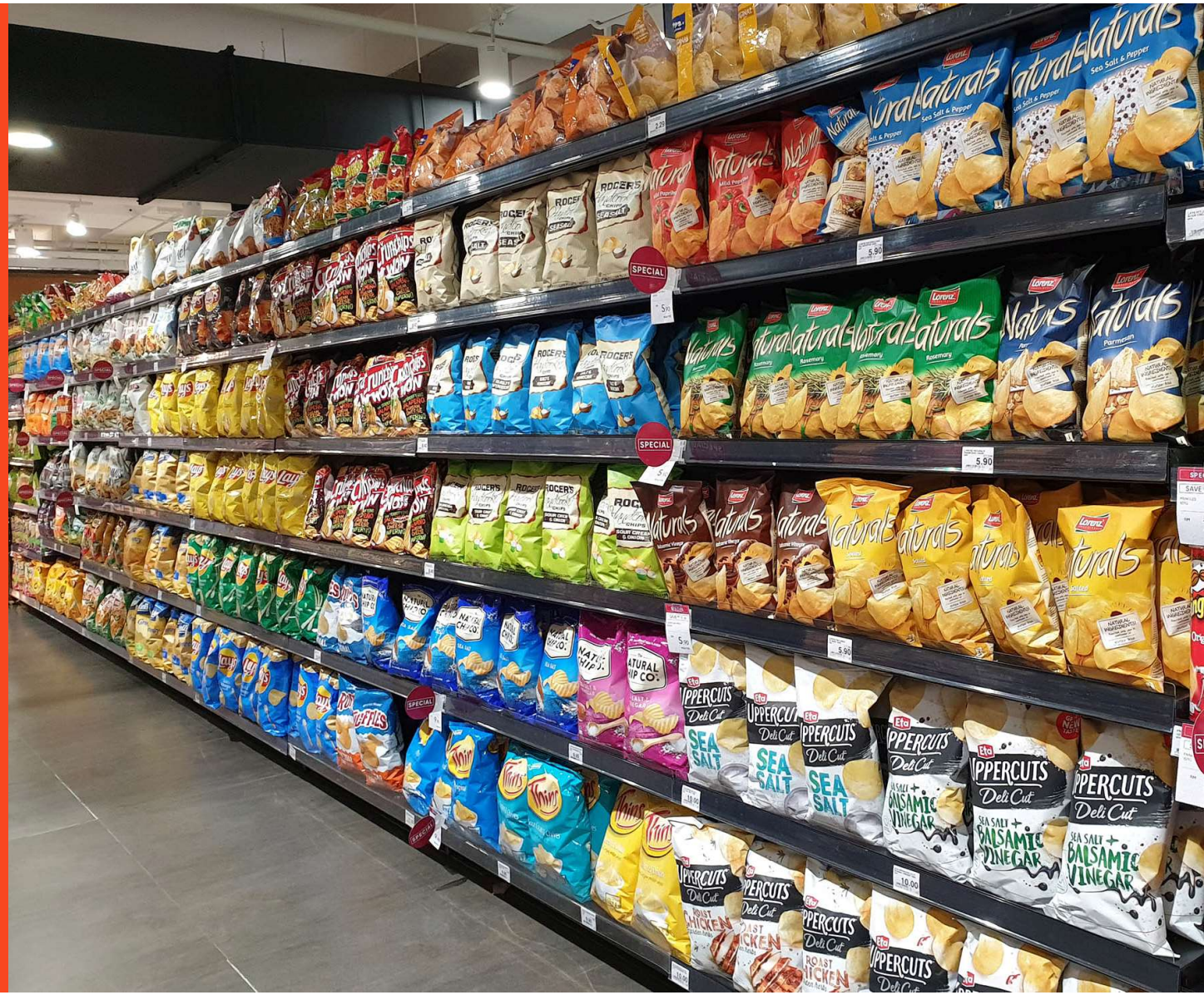
***"Good quality, great taste, trustworthy brand."***
*(Wegmans snacks)*

***"It always satisfies my taste buds."***
*(Wholesome Pantry deli items or prepared foods)*

***"Great taste, great price."***
*(Great Value snacks)*

03

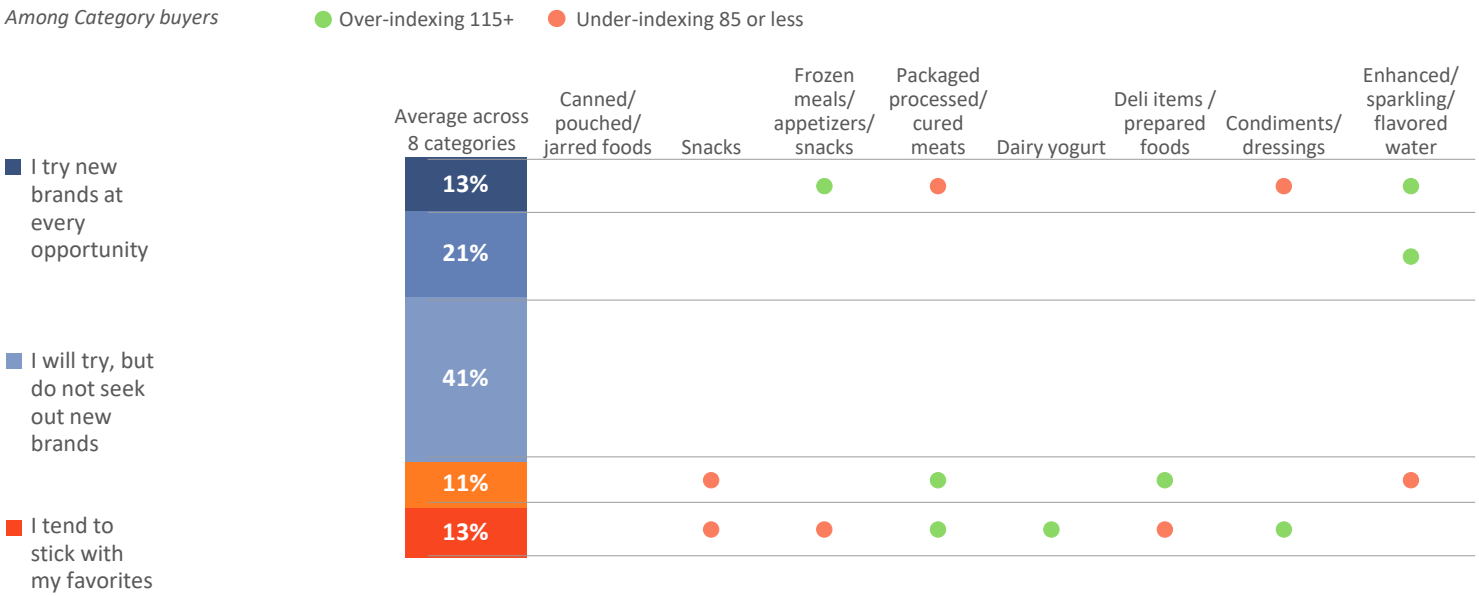
# What’s Next for Private Brands?



# Routine categories that beg discovery provide opportunities for private brands

**Willingness to try new brands**

*Among Category buyers*




Novel flavors attract more trial in categories that people consume frequently (e.g., frozen entrees/meals, water categories), where tedium could easily set in. Categories with more established followings (e.g., condiments, packaged meats) and those with functional health benefits (e.g., dairy yogurt) show relatively higher resistance.

# Consumers welcome true innovation when it aligns well with their needs and would welcome lower-cost versions of innovative products from private brands


*"If you look at the section for the regular yogurt there's tons and tons of flavors. So that was one thing I picked for my new product, to have a dairy alternative type yogurt with lots of flavors. I'm not lactose intolerant but I do feel better after eating the non-dairy foods."*

*– Alexa M., F, 22*


*"If I could just take that [creamer] as my base and then add the Smidge and Spoon cinnamon for flavor, and then it would have the health benefits from the flaxseed. That would be perfect."*

*– Nelly L., F, 53*

Product examples provided by participants.

**Hopes for future products**
*Among Private brand buyers*

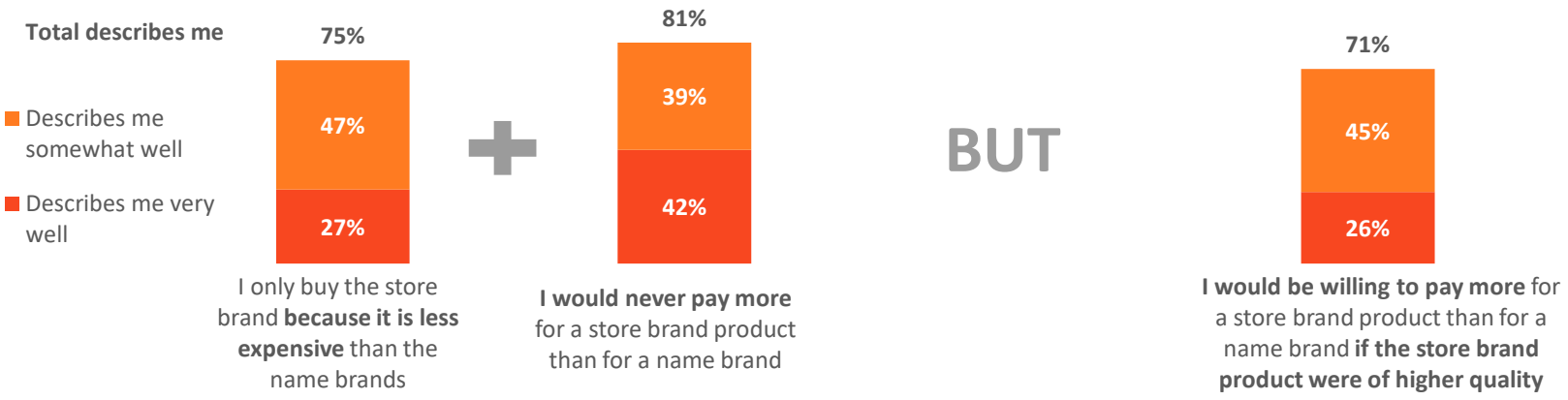
# Innovation and premium ingredients are private brands' future, but so are low prices

Despite updated looks, new products and premium offerings, **private brands are still expected to provide most (or all) of what name brands are offering while starting from a lower price point**.

However, investments in private brand innovation and commitments to ingredient purity/sustainability will be rewarded, especially given the reciprocal relationship between consumers' perceptions of a retailer's private brand and their trust/satisfaction with that retailer.

**Willingness to pay more for private brands**

*Among Total*



# Key learnings

## Key learnings from today

- Private brands are good for business – they can build trust and drive satisfaction, if done well
- Consumers are attribute-focused when making purchase decisions
- Private brands have evolved from simply being the lowest cost option – premium ingredients and experiences are expected
- Opportunity exists in private brand innovation – consumers want healthier and cheaper versions of products they already buy

**ABOUT THE HARTMAN GROUP**

The Hartman Group is the premier food and beverage consultancy in the world. Companies and brands across all segments of the food and beverage industry benefit from our unparalleled depth of knowledge on consumers, culture, trends, and demand-side market strategy. We listen closely to understand our clients' business challenges and tailor solutions that deliver transformative results. Through a unique suite of integrated custom, primary research capabilities, market analytics, and business strategy services, we uncover opportunity spaces and avenues for growth. We deliver more compelling insights that fuel inspiration and ideas for innovation.

Shelley Balanko, Ph.D., SVP
The Hartman Group
3150 Richards Road, Ste. 200 Bellevue, WA 98005
Tel (425) 452 0818 x.103 Fax (425) 452 9092
shelley@hartman-group.com

Talking Private Brands
Power up your sales potential

Private Brands Summit
On-Demand Education Series

# Thank you!

Sponsored by BAMBOO ROSE

FMI THE FOOD INDUSTRY ASSOCIATION