



# The 2009 Private Label Report: Emerging Trends and Key Success Factors in Private Label



**Executive Overview**

**March 2009**



# The 2009 Private Label Report

## Topline Overview



The 2009 Private Label Report from the IRI Consulting and Innovation Group allows progressive retailers and manufacturers to optimize their private label strategies in today's tough economy.

The report is a forward-looking, thought-provoking analysis that provides a thorough review of private label performance and best practices across channels, categories, and retailers – as well as current viewpoints from over 1,500 consumers.

### Benefits:

- » Develop a better understanding of consumer attitudes towards private label products based on age and household income levels.
- » Understand private label performance trends across regions, categories, and individual retailer banners.
- » Gain clear insight into how best-in-class retailers are driving private label growth in today's recession and how manufacturers can most effectively respond.
- » Formulate action steps for improving your private label initiatives and performance.

### Report Example – Best-in-Class Case Examples

#### Case Example – Publix

##### The Publix GreenWise Private Label and Store Format

###### Strategy

Florida-based Publix has built an innovative health & wellness platform called GreenWise. The platform is centered around a group of private label products that offer strong value on products that are all-natural, minimally-processed, and are produced using methods that minimize any negative impact on the environment. In September of 2007, Publix extended this wellness platform into a new store format – opening the doors of the first Publix GreenWise Market in Palm Beach Gardens, FL. By early 2009, new stores had been opened in Tampa and Boca Raton.



The Publix GreenWise private label features consistent packaging across categories and is also supported by the free monthly Publix GreenWise Market magazine.

###### Tactics

Publix is using several tactics to support the GreenWise private label.

- » In-store merchandising includes in-aisle "store-within-the-store" merchandising for natural and organic products including the GreenWise private label.
- » All GreenWise products across dry grocery, dairy, fresh meat, pet food, and nonfoods categories feature minimalist but attractive packaging that is consistent across products and provides for attractive brand-block merchandising.
- » A color-coded, shelf-tag identification system (in the new GreenWise stores) that helps shoppers distinguish between organic, all-natural, and conventional products.

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# 2009 Private Label Report

## Report Mythbusters



This report disposes many conventional views on private label success factors.

### Conventional View

1. In today's economy, shoppers are purchasing more private label and the decision is almost entirely driven by increased demand for value... **FALSE.**
2. Private label shoppers who believe that these products are high quality are usually lower-income households... **FALSE.**
3. To understand the private label impact on their brands, manufacturers first need to analyze PL share and growth at the national level ... **FALSE.**
4. For private label retailers, a fast-follower strategy is an effective way to improve category variety and long-term sales performance... **FALSE.**

### What the Data Tells Us

1. In the shopper survey, consumers told us that purchasing a private label is a **brand-driven decision** that involves many factors including their own **emotional connection to the retailer** itself.
2. In looking at shopper attitudes of private label quality, **over 78%** of both lower-income **and higher-income consumers** believe that private label products are typically of **excellent quality**.
3. There are **three critical views** for understanding PL development – **market-level, banner-level, and category-level**. Within these views, PL share is often 2X or 3X what is seen at the national level.
4. A **fast-follower strategy** where the retailer allows manufacturers to drive innovation in the category can create **short-term gains** for the retailer but **at the expense of sustainable category growth**.

### Conclusion

Consumers across shopper segments view private label much more favorably than many retailers realize. Yet even in the current recession, much work remains to be done in converting this consumer view into sustained private label share growth across categories.

# Scope & Approach



IRI conducted primary and secondary research on the marketplace to achieve the study objectives and to offer actionable new insights to retailers and manufacturers.

## InfoScan® Data

**Purpose:** Determine the impact of emerging economic and shopper trends on private label sales and volume performance.

**Approach:** Collected and analyzed IRI-proprietary scan data through Q4 2008 to determine performance metrics across a broad range of food, beverage, and nonfoods categories and across multiple retail channels.

## Consumer Research

**Purpose:** Understand current consumer attitudes towards private label across categories and retailers.

**Approach:** Conducted an online survey\* of over 1,500 IRI panelists to collect:

- ▶ Current consumer attitudes.
- ▶ Private label purchase drivers.
- ▶ Perception of private label by category and by retailer.

## Lower Income Shoppers

**Purpose:** Provide an understanding of how lower-income households purchase PL products across channels and categories.

**Approach:** Utilized consumer panel data to segment and analyze private label performance data based on household income. Analyzed private label shopping patterns across five lower-income micro-segments.

## Retailer Case Examples

**Purpose:** Illustrate in a concise and compelling way what best-in-class retailers are doing to excel in private label.

**Approach:** Developed illustrative case examples on:

- ▶ Supervalu / Albertson's
- ▶ Safeway / Dominick's
- ▶ Kroger
- ▶ Aldi
- ▶ Trader Joe's
- ▶ Publix



# The 2009 Private Label Report: *Executive Summary / Sample Slides*



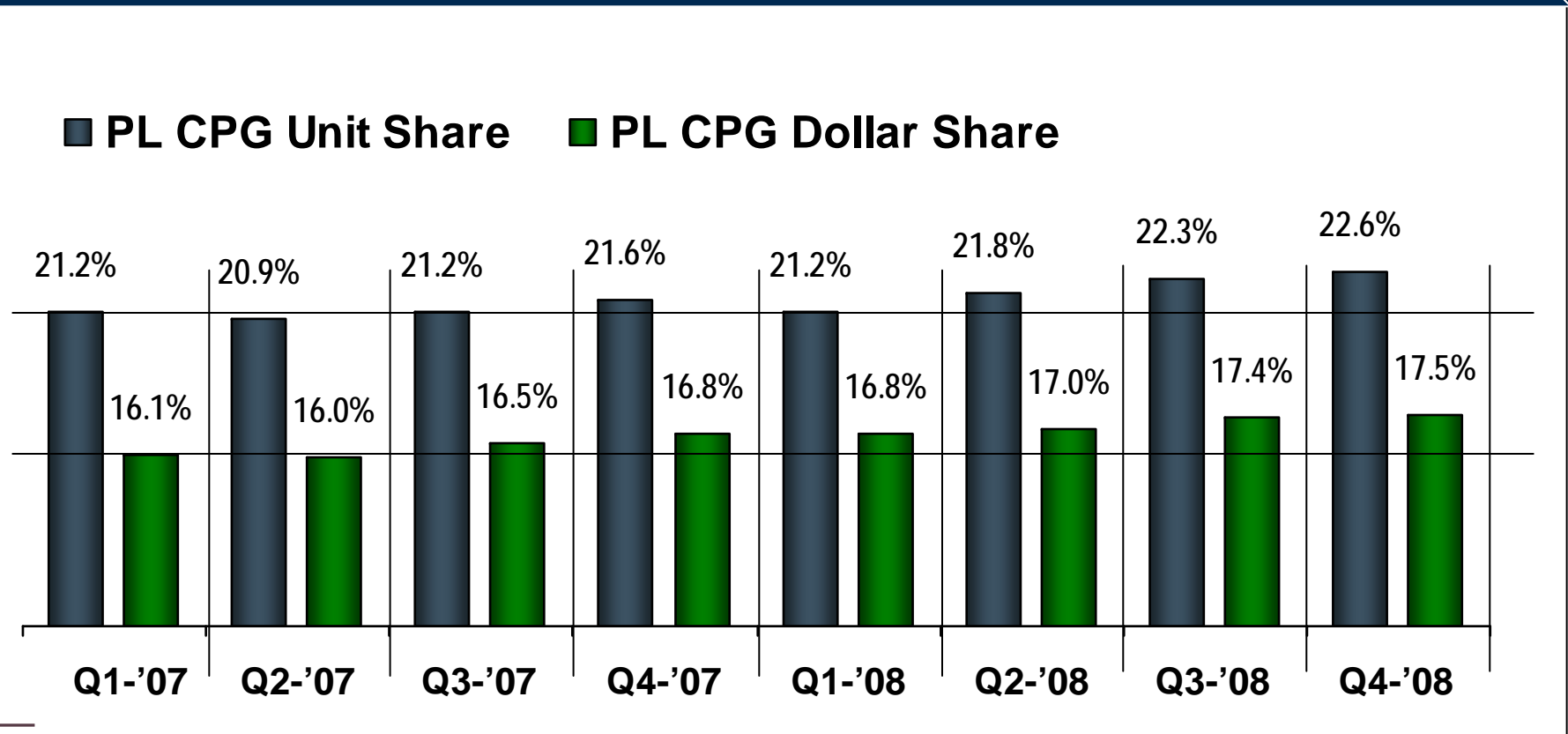
# Executive Summary

## Private Label Share Growth Performance



Private label share in the U.S. across channels has risen in the past two years as shoppers struggle with food inflation and other economic pressures.

### Private Label Share of Total CPG Spending: All Outlets



Source: IRI Consumer Network®, all outlets, all CPG categories.

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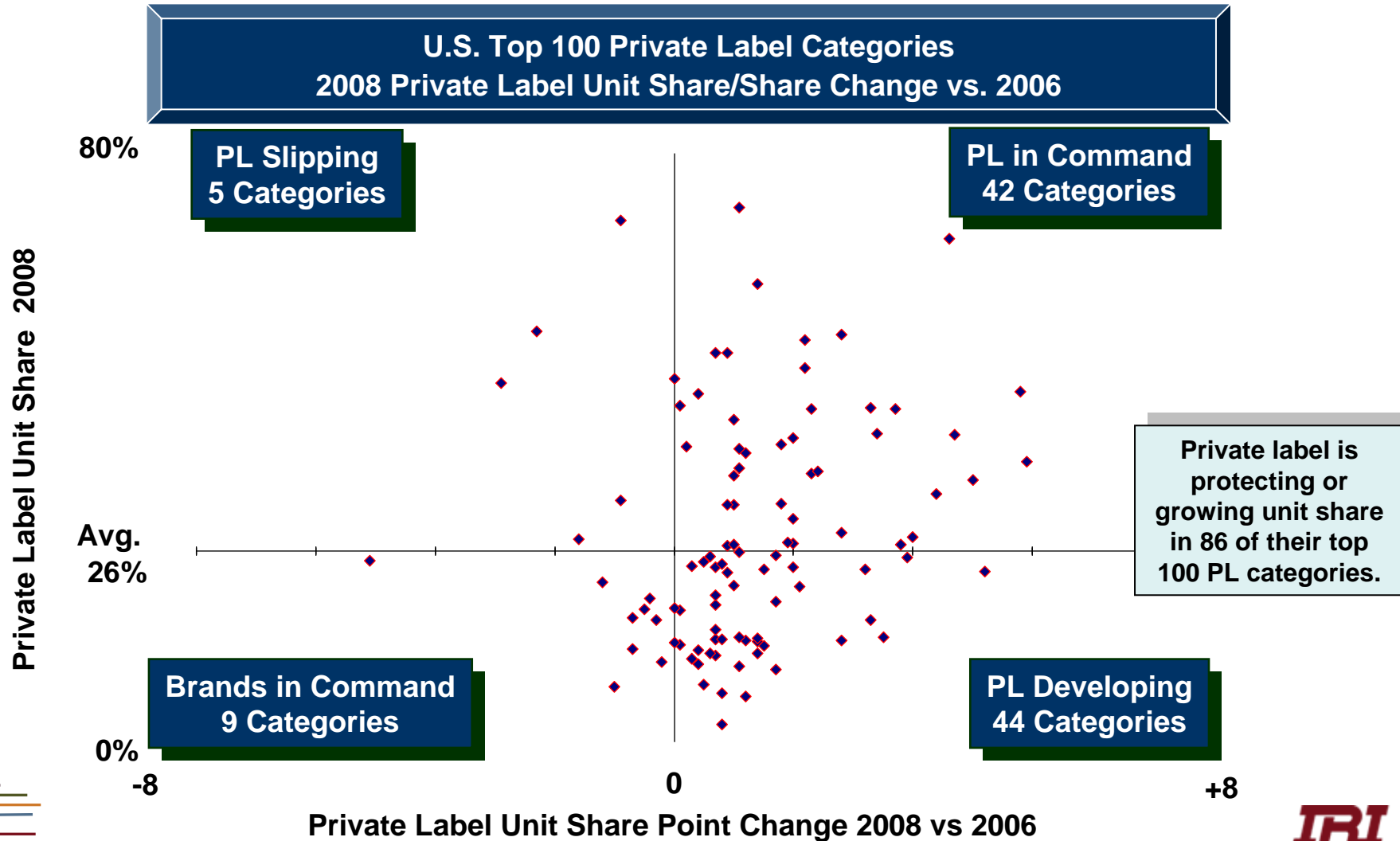


# Executive Summary

## "Where to Play" - Category Perspectives



Retailers can increase their likelihood of category-level success by making smart "where to play" decisions - innovating in key growth categories.



# Executive Summary

## "Where to Play" - Category Perspectives

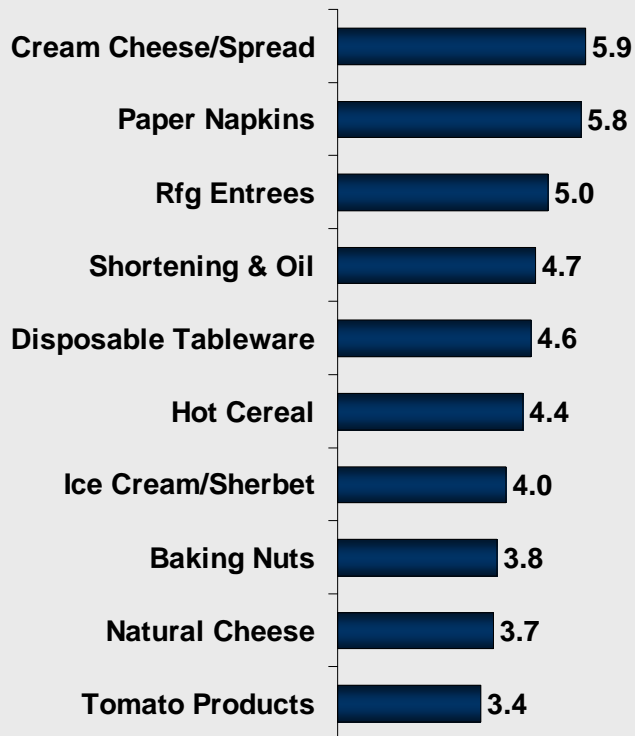


Private Label's strongest growth performance tends to be within commodity-driven categories without a dominant national brand and with relatively low innovation. Retailers are gaining household penetration among these categories.

### Top Private Label Growth Categories

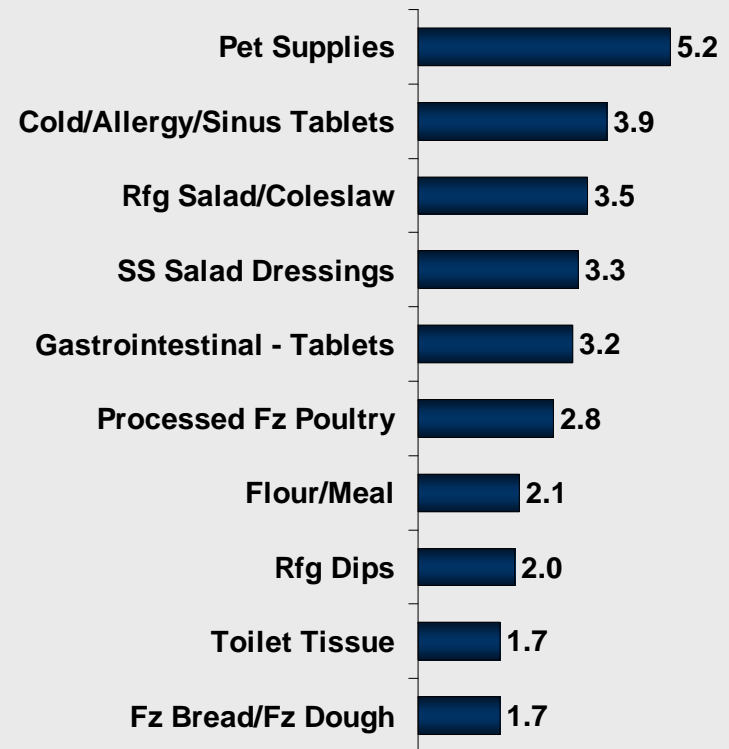
#### "PL in Command" (share >26%)

PL Unit Share Point Growth 2008 vs. 2006



#### "PL Developing" (share <26%)

PL Unit Share Point Growth 2008 vs. 2006

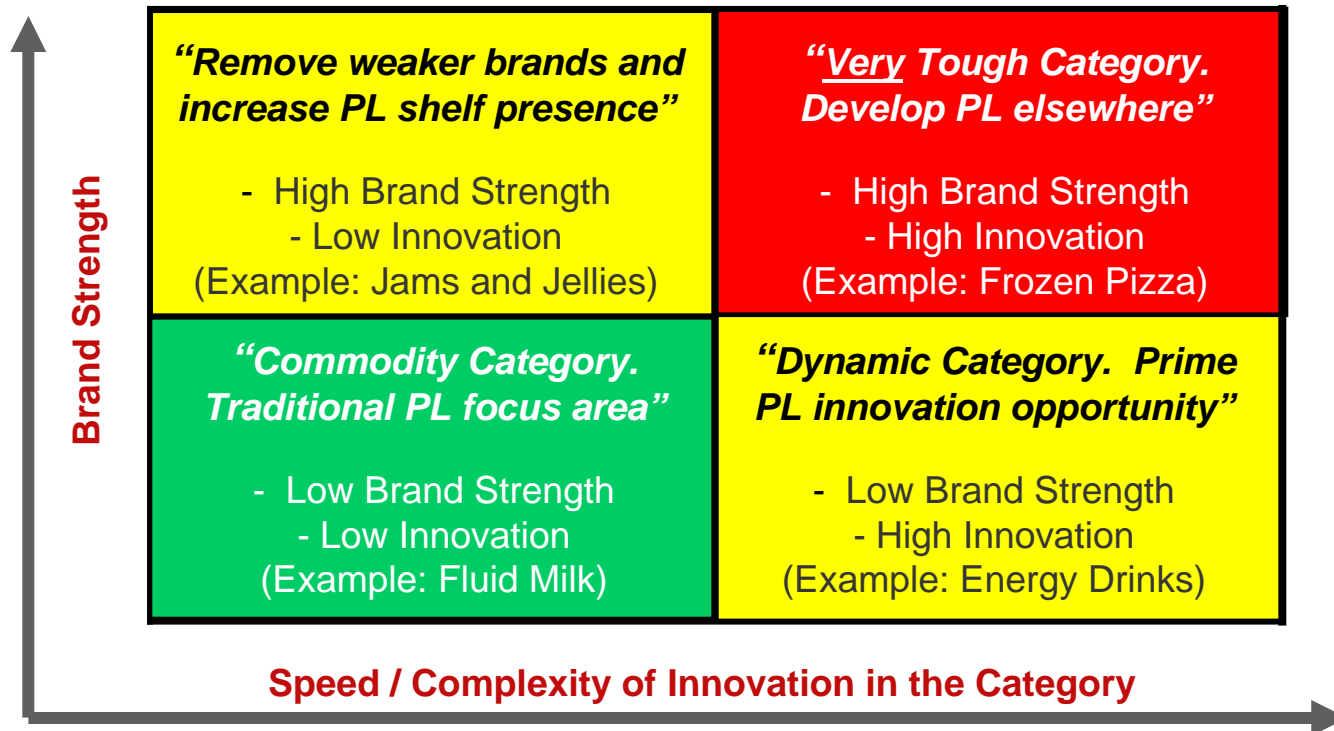


# Executive Summary

## “Where to Play” – New Innovation Areas



Although other factors can come into play when deciding whether to enter a category with a new private label offering, retailers should strongly consider brand strength and speed and complexity of innovation when making these decisions.



### Implication

Most retailers have already focused on “ideal” commodity-driven categories with low brand strength and low innovation. As retailers continue to expand their private label businesses, they will continue to leave their traditional comfort zones and enter categories with stronger brands and faster innovation curves.

# Executive Summary

## "Where to Play" – New Innovation Areas



For a CPG retailer, effective “where to play” decision-making enables the private label business to generate benefits in three key areas.

### Builds the Store as a Brand

- ▶ High-quality private label products build shopper trust and loyalty to the retailer.
- ▶ Consistent value vs. branded products across categories drives a strong consumer value proposition across all shopper segments.

### Generates Traffic

- ▶ Innovation within premium-tier products helps establish the retailer's products as destination items in the category.
- ▶ Focusing on earning a high category share in high-volume, high household penetration growth categories with short purchase cycles drives shoppers into the store.

### Drives Profitability

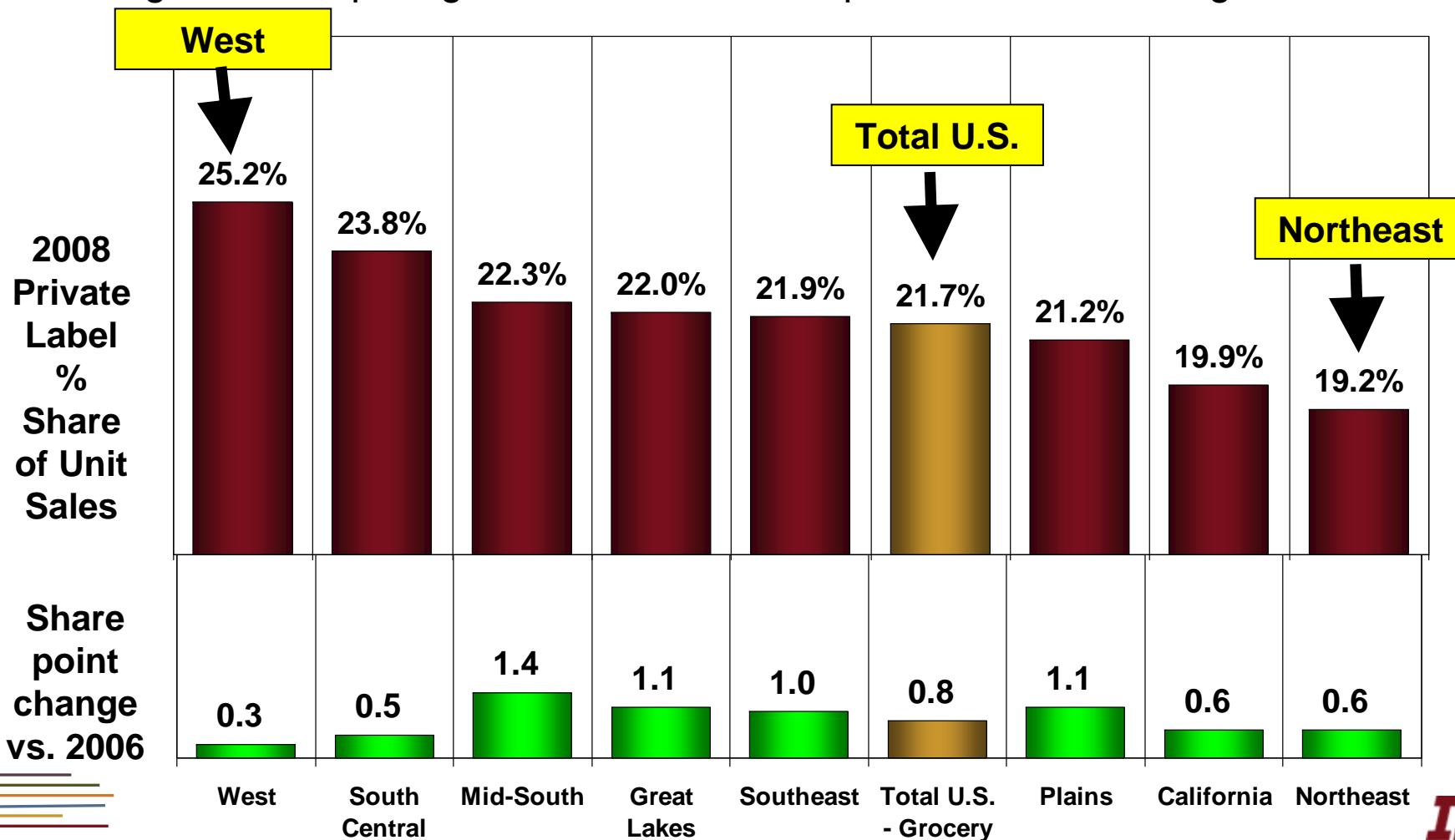
- ▶ Private label volume growth in low-margin categories reduces reliance on loss leaders to drive sales while improving total category profitability.
- ▶ Trading consumers over to private label allows retailers to profitably serve even the most price-sensitive shoppers.
- ▶ Successful innovation within the premium tier increases average dollar ring and category margin performance.

# Sample Slide

## Private Label in the U.S. – Region Performance



Looking across U.S. regions, grocery channel PL shares are highest in the Western region (excludes California) and lowest in Northeastern U.S. Private label share growth comparing 2008 versus 2006 is positive in all U.S. regions.

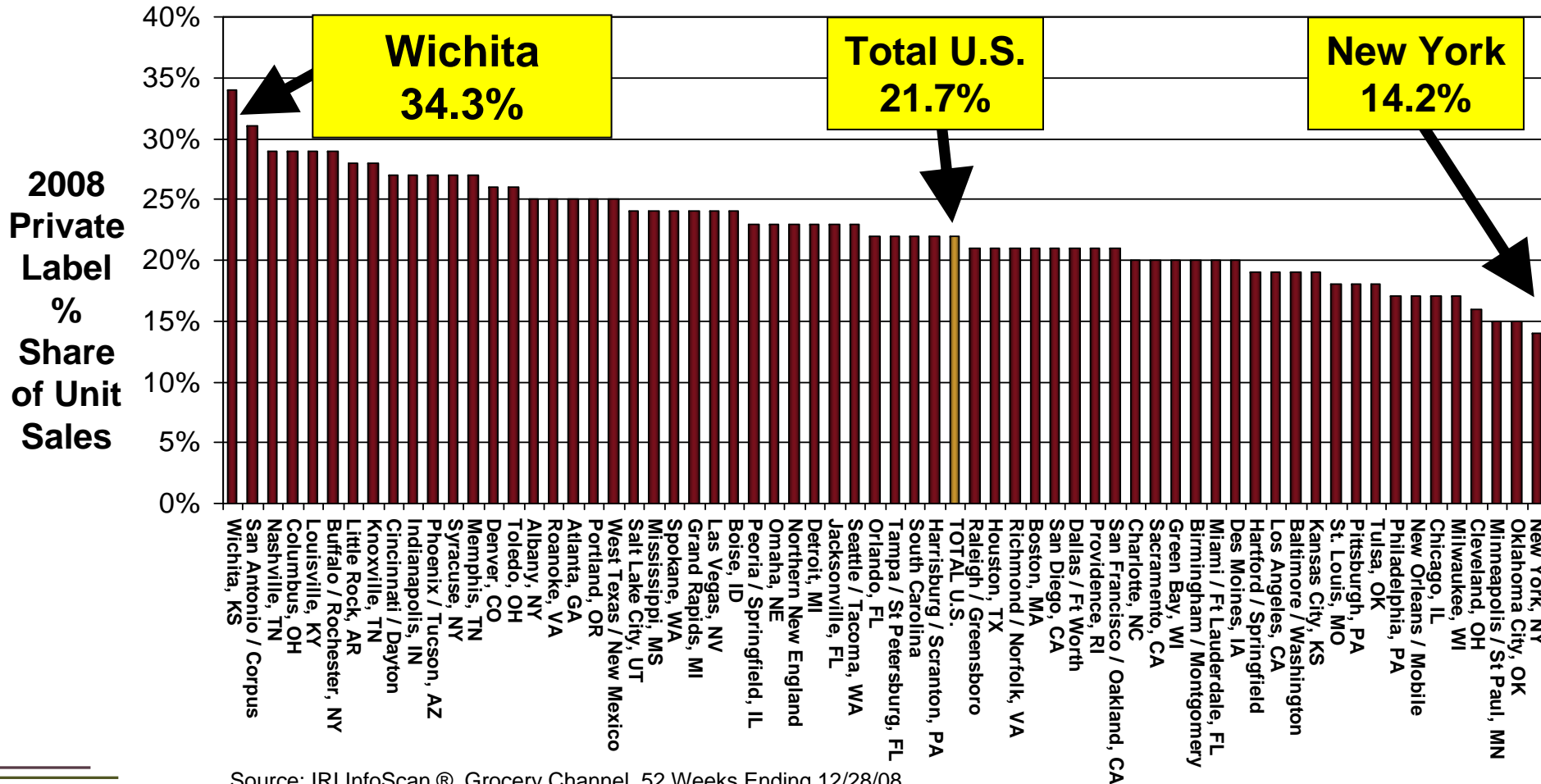


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## Private Label in the U.S. – Market Performance



Looking at individual U.S. markets, private label shares range from the highest in Wichita and San Antonio to the lowest in New York. These shares closely reflect the level of emphasis and strength of retailer private label programs in each market.



Source: IRI InfoScan ©, Grocery Channel, 52 Weeks Ending 12/28/08.



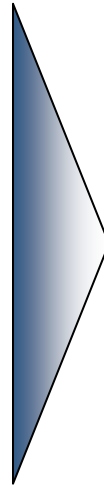
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## Consumer Perspectives – Summary



### What We've Learned

- ▶ Four-of-five shoppers are now “sold” on private label quality indicating that product marketing during the current recession is successfully expanding the positive reputation and reach of these products.
- ▶ Although nearly 80% of shoppers have positive attitudes towards private label (vs. 73% in '07), dollar and unit shares are still below 25%.
- ▶ Particularly in personal care categories, branded manufacturers have successfully differentiated themselves in the minds of shoppers.
- ▶ Consumers perception of private label quality is consistently high across U.S. regions and channels.



### What it Means / Opportunities

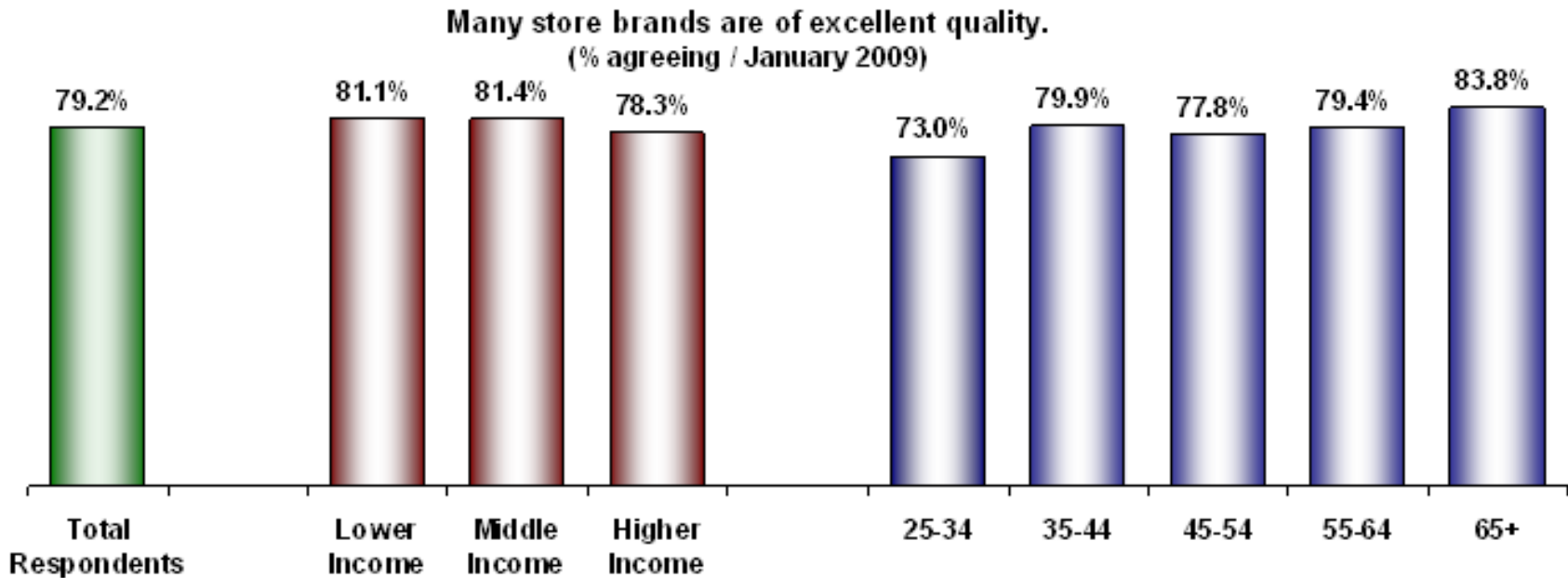
- ▶ Driven by a struggling economy, more consumers across income and age segments are trying private label and recognize the total value of these brands vs. name brands.
- ▶ Retailers still have enormous upside potential in private label initiatives that encourage trial and repeat across food and nonfood categories.
- ▶ Many branded manufacturers still have key advantages in the strong emotional connections between their brands and their loyal consumers.
- ▶ The private label opportunity for retailers is enormous and stretches across U.S retail channels, geographies, and shopper segments.

# Sample Slide

## Consumer Perspectives – PL Quality Perception



Today, nearly 80% of shoppers agree that store brands are of excellent quality. Older shoppers and those with lower incomes are most likely to agree that store brands are delivering quality. Since late 2007, shopper attitudes have strengthened.



Dec '07

73.5%	76.3%	71.3%	75.4%
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### Implications

The quality gap is diminishing between national brands and store brands, creating new challenges for branded manufacturers. This pattern places added pressure on these manufacturers to establish and protect their brand premiums in the minds of consumers during the current recession.

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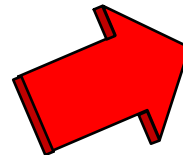
## Consumer Perspectives – Retailer Opportunities



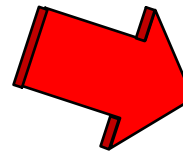
Shoppers across income levels and age groups have positive attitudes around private label and their experiences with these brands. At the same time, private label share growth is sluggish in many categories.

Today, retailers have a major opportunity to leverage the positive consumer perception of private label products into both increased household penetration and increased usage occasions.

Today, private label represents 18% of dollar sales and 22% of unit volume and is positioned to grow in two key ways.



**Penetrate More Households**



**Increase Usage Occasions**



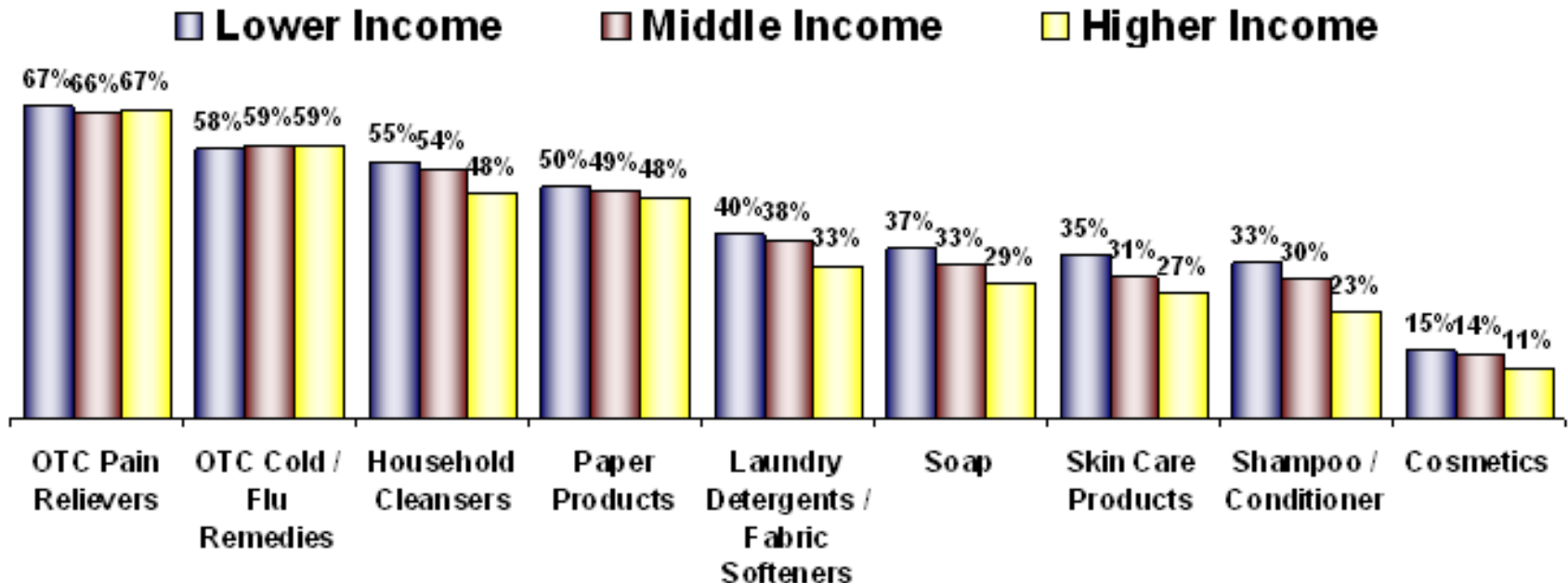
# Sample Slide

## Consumer Perspectives – Category Level



In key OTC categories, shoppers recognize that both PL and branded manufacturers are offering the same high quality product and well over 50% of buyers are willing to buy a private label. In more personal and emotional categories including skin or hair care and cosmetics, the numbers are significantly lower.

How likely are you to buy a store brand if available for each of the following products?  
(% responding likely or very likely)



### Implications

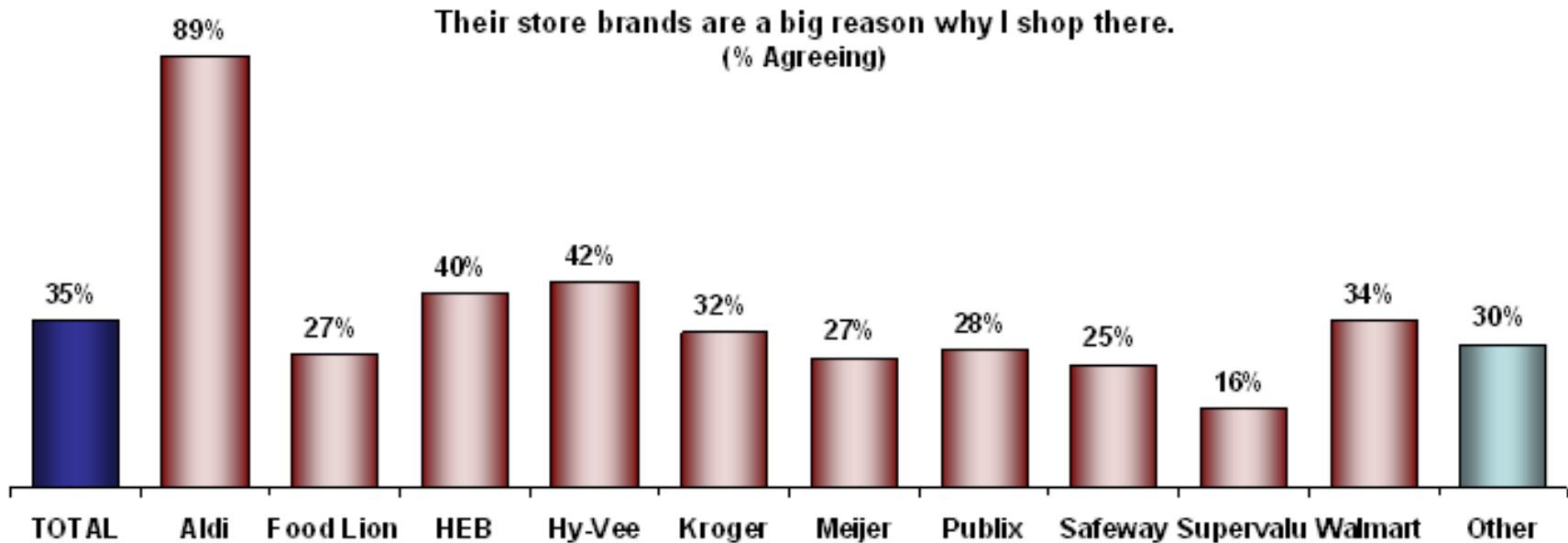
The challenge for manufacturers is to deliver functional performance while creating an emotional, performance-based connection between the shopper and the brand. Without this bond, the brand is at an increased risk of losing market share to other brands, including private label.

# Sample Slide

## Consumer Perspectives – Retailer Level



Looking across several top U.S. food retailers, the private label programs at Aldi, H.E. Butt, and Hy-Vee are most influential in winning loyalty with shoppers.





# The 2009 Private Label Report: *Case Illustrations – Sample Slides*



# Case Illustration

## Supervalu's New Line of Natural and Organics



### Strategy

In order to address its shoppers' growing preference for natural and organic foods, as well as continued demand for value, Supervalu and its other banners including Jewel and Albertson's launched a new private label called Wild Harvest in early 2008. The brand includes about 150 items across several food departments including fresh produce, fresh meat, dairy, and dry grocery.

The new brand is intended to resonate with shoppers looking for organic and natural foods and potentially win market share from natural / organic food retailers including Whole Foods.

### Tactics

Supervalu's health & wellness private label strategy is supported by effective in-store tactics.

- ▶ Wherever possible, Wild Harvest SKUs are merchandised together to create a powerful brand banner effect. For example, Wild Harvest is the focal point of a new 16' health & wellness cereal set (photo).
- ▶ The Wild Harvest name is used to "brand" the organic sections of both fresh produce and fresh meats.
- ▶ Supervalu ad circulars regularly feature Wild Harvest products and include messaging focused on winning trips from natural food retailers, e.g. "Go Wild in our Aisles! Skip the specialty store trips and get ALL your natural/organic items in one convenient location."



*The new line of Wild Harvest cereal is "first-in-line" within the newly-created health & wellness cereal set.*

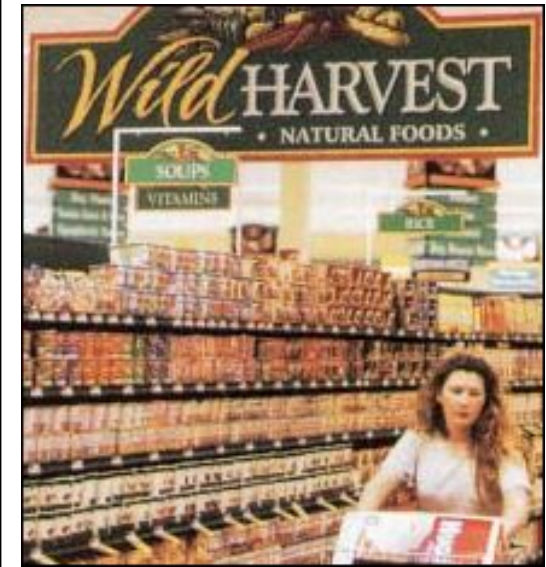
# Case Illustration

## Supervalu's New Line of Natural and Organics

### Impact

While the Wild Harvest brand is still new and continues to be developed, it appears to be achieving Supervalu's short-term objectives for the brand and Supervalu continues to promote the brand heavily. Longer-term, Supervalu intends to increase the total number of Wild Harvest products to 250-300 and extend the brand into new departments and new categories.

During the current recession, Supervalu is pricing its Wild Harvest products approximately 15% below equivalent products at Whole Foods and appears determined to build loyalty among wellness-focused shoppers who are also under budget-constraints.



*Wild Harvest is used not only to brand individual products but also the natural foods section within dry grocery.*

### Supervalu Comments

*"With the Wild Harvest brand, we're focused on helping consumers 'organify their world' by delivering a wide assortment of affordable, fresh, healthy and wholesome foods at their primary grocery shopping destination. Now the entire family meal can be organic – at a lower cost – from products conveniently available (at Supervalu)."*

*- Adam Graham, Wild Harvest brand manager*

*"The Wild Harvest launch demonstrates Supervalu's renewed focus on being a more customer-centric organization. Significant research and consumer insights went into the development of the brand, which has enabled us to create a highly desirable offering that speaks directly to consumers' desire for fresh, wholesome and affordable foods that help them live a healthier lifestyle."* - Duncan McNaughton, EVP, Merchandising and Marketing



# The 2009 Private Label Report:

## *Sample Slides - Retailer Action Plan / Manufacturer Roadmap*



# Retailer Action Plan – Sample Slide

## Overview



To support this study, IRI conducted an extensive analysis of consumer survey results, best-in-class private label programs, and IRI-proprietary private label performance data to help retailers:

- ▶ determine “where to play” and calculate the size of their unique private label business opportunities.
- ▶ understand new consumer attitudes towards private label on a category-by-category basis as a means to improve overall focus on private label product innovation and marketing efforts.
- ▶ utilize private label as a means to differentiate from the competition, offer more affordable solutions to budget-constrained shoppers, revitalize the center store, and improve sales and margin performance.
- ▶ validate the required steps towards success and execute and drive the process.

Phase	IRI’s Private Label Excellence Implementation Process
I	<b>Commitment, Assessment, Benchmarking</b>
II	<b>Identify and Prioritize the Opportunities, Align Suppliers</b>
III	<b>Refine Private Label Strategy, PL Leadership, Best Practices</b>
IV	<b>Space, Assortment, Promotions / Messaging</b>

# Manufacturer Roadmap – Sample Slide Overview



Based on its past work in helping branded manufacturers develop and implement successful private label mitigation strategies, IRI has designed a four-phase private label mitigation process.

This process – or Mitigation Roadmap – was created to help branded manufacturers effectively align internal thinking as well as formulate a series of actionable category-level initiatives and strategies to successfully address the risk of private label growth.



## Key Benefit Areas

- ▶ Deeper understanding of private label consumers and the different types of needs they have.
- ▶ Development of new solutions that meet the needs of key consumer groups.
- ▶ Implementation of targeted execution, i.e. right store, right shopper, right market.
- ▶ Practical and actionable solutions to halt private label expansion at the expense of branded manufacturers in key categories.

# Manufacturer Roadmap – Sample Slide

## Process Methodology



The roadmap is a collaborative process across four core phases from knowledge foundation to strategy development and implementation.

	Knowledge Foundation	Phase One	Phase Two	Phase Three
<b>Description</b>	<b>2009 Private Label Report</b>	<b>Private Label Category Assessment and Diagnostic</b>	<b>Defining and Closing Capability Gaps</b>	<b>Private Label Initiative Implementation</b>
<b>Key Questions</b>	<p>What are the key drivers in the marketplace from an industry, retailer, and consumer perspective?</p> <p>Are there any variations by category or consumer group?</p>	<p>What are our key pain points, needs and capability gaps?</p> <p>What set of initiatives could help us successfully mitigate private label risk?</p>	<p>What do we need to successfully execute the set of initiatives?</p> <p>Are there any information or other capability gaps we need to close before we move to implementation?</p>	<p>How do we achieve our desired position?</p>
<b>Scope</b>	<ul style="list-style-type: none"> <li>▶ Trade Interviews</li> <li>▶ Retailer Case Examples</li> <li>▶ Consumer Research</li> </ul>	<ul style="list-style-type: none"> <li>▶ Situation Analysis</li> <li>▶ Workshop</li> <li>▶ Initiative Recommendations</li> </ul>	<ul style="list-style-type: none"> <li>▶ New PL metrics</li> <li>▶ Retailer and consumer segmentation</li> </ul>	<ul style="list-style-type: none"> <li>▶ Based on the outcome of the previous two phases</li> </ul>



# The 2009 Private Label Report

## *More Information*



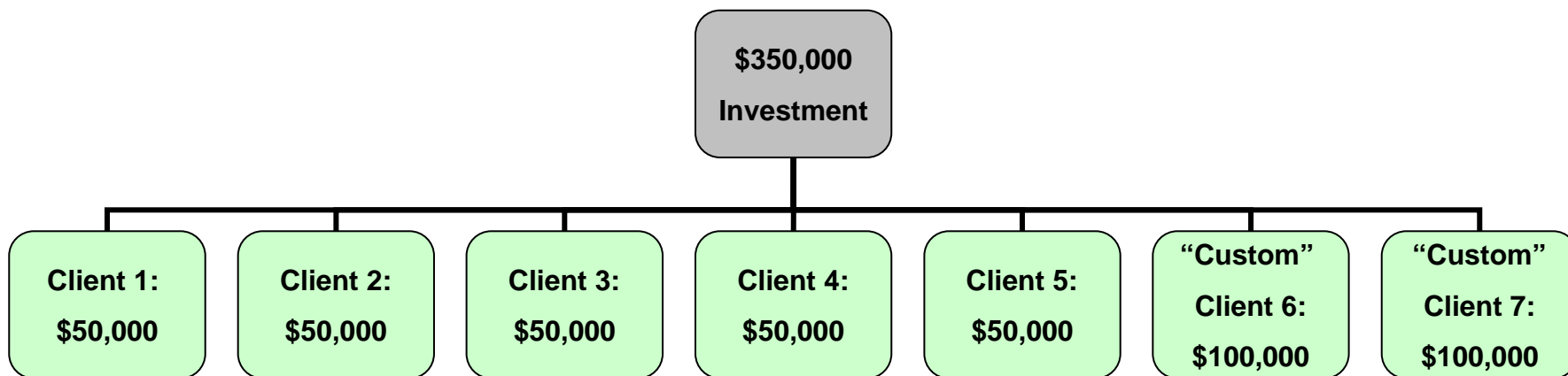
# The 2009 Private Label Report

## More Information



Each thought leadership report is supported by a budget of \$350,000+. This investment is spread across our client base so each client receives over \$350,000 worth of thought leadership work for a fraction of what it would cost to develop a custom study.

In the end, our clients receive a three-month piece of research the very next day and each of our clients can order additional “Custom” work to suit their needs.



### Client Comments

“Working with the Consulting and Innovation Group has allowed us to help guide their research and have an actionable piece of research that we can use from day one – and at a fraction of what it would cost to have this done through a consulting firm.” - Retail Executive

# The 2009 Private Label Report

## *More Information*



- » Report and on-site presentation is \$50,000
- » Deliverable is a PowerPoint presentation with 130 + slides
- » For additional information, contact Sean Seitzinger at 678-613-1427 or [Sean.Seitzinger@infores.com](mailto:Sean.Seitzinger@infores.com)

**Understanding Emerging Trends and Key Success Factors in Private Label**

March 2009

Grow your business profitably in a complex marketplace.

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