Maximize store brands' potential

By identifying the "white space" within categories and responding accordingly, retailers could help ensure continued growth on the private brand front.

By Kathie Canning

In recent years, we've all heard much talk about the critical role innovation will play in retailers' quest for further store brand growth. And the recent recession and recovery — along with demographic and other influencers — has worked to spur "fundamental changes" in the way manufacturers and retailers address shopper demands, according to Todd Hale, senior vice president, consumer insights for New York-headquartered Nielsen.

"We've seen some excellent innovation from U.S. retailers and manufacturers as they looked to seize the moment and 'drive the recession wave' rather than 'ride the recession wave,'" he says.

But many risk-averse retailers would still rather take a wait-and-see approach, cashing in as fast followers of name-brand products that have already gained traction among consumers.

By taking a selective line of attack with innovative product development, however, retailers could up the likelihood for success. That approach calls for them to identify the "white space" — or unrealized potential — in terms of product categories and more.

"Without exception, every market has white spaces within, around and between itself and other markets," explains Gregory Ruff, founder of San Francisco-based White Space Strategy, a consulting firm. "Customers themselves cannot describe what they want; the best they can do is to describe extensions of what they are already familiar with."

Where is store brands' white space?

They might not be able to describe what they want, but consumers certainly react positively to a product that fills a specific need. So store brand decision-makers will want to leverage consumer and shopper insights to identify major unmet needs.

"The best way to understand what consumers really want is to understand the 'job' that they're trying to accomplish with their purchases," Ruff says, "and how important and satisfactory each step of that job is currently."

And it's also important to realize that identifying the white space does not have to be a "store brands versus name brands" endeavor, especially in light

of the fact that the significant broad-scale growth store brands saw during the economic downturn is not expected to continue.

"Private label and national brand marketers can enjoy mutual growth by not simply co-existing, but rather evolving and working together to serve the full spectrum of consumer needs and wants," notes Susan Viamari, editor of thought leadership for Information Resources Inc., a Chicago-based market research firm.

As an example, she points to premium-tier private label solutions, which are increasing in number, particularly in food and beverage companies.

"These product line expansions and the motivators behind the moves demonstrate a very real trend in private label," Viamari says. "Today's private label products are, in their own right, true brands, and a growing number of these lines have their own dedicated teams that focus on all stages of marketing, from product innovation to distribution."

Retailers should identify white space opportunities with an eye toward balancing the assortment of store brand and national brand offerings, she adds, at the category level. And they should have a goal of getting shoppers to increase their private label purchases — both in categories in which they are currently buying own-brand options and in certain categories in which they are not.

"Right now, two-thirds of private label sales are generated by the 50 largest private label categories," Viamari explains.

And currently, twice as many edibles categories as non-edibles categories boast a private brand share above 25 percent, according to Nielsen data.

"Of the 67 major edibles categories, 53 have 10 percent or greater private brands share; 22 have 25 percent or greater private brands share," Hale says. "Of the 49 major non-edibles categories, 25 have 10 percent or greater private brands share; nine have 25 percent or greater private brands share."

The chart on this page shows the top 10 and bottom 10 categories in terms of private brand dollar share. Although it might be tempting to view all of the categories in which store brands have a low market share as the biggest white space opportunities, it's not that simple, Hale suggests.

"Consider the marketing muscle in categories like beer, deodorant and hair care," he says. "You should also factor in the competitive arena — number of brands — and category essentials: market size, growth trend, production costs."

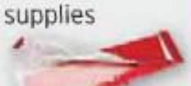
Private brand dollar share

Top 10

1 Milk
2 Eggs, fresh
3 Sugar
4 Wrapping materials/bags
5 Dessert/fruit/toppings — frozen
6 Unprepared meat/seafood — frozen
7 Fruit — canned
8 Pain remedies
9 Cheese
10 Shortening/oil

Bottom 10

1 Computer/electronic prods
2 Beer
3 Deodorant
4 Tobacco and accessories
5 Gum
6 Canning/freezing supplies
7 Wine
8 Liquor
9 Hair care
10 Watches and timepieces



Source: Nielsen Strategic Planner, Total U.S. — All Outlets Combined, 52 weeks ending May 10, 2014, UPC-coded, 116 major category groupings.

Before taking the leap

Before moving forward with any identified white space opportunity, retailers might want to engage in a formal competitive analysis to determine what space is "owned" already, suggests David Capece, founder and CEO of Sparxoo, a brand strategy, design and marketing firm with offices in Miami and Tampa, Fla.

"Talk to customers; figure out what the current brands offer, what they don't offer, and how they are fulfilling or not fulfilling a need," he says. "Ultimately, validating a new product or white space with consumers will minimize the chance of product failure."

Having an understanding of how their target market shops — taking a 360-degree perspective — also is critical, Viamari suggests. Retailers should ask what their target shopper buys in its store(s), in competing stores, in competing channels and online to pinpoint where and why it is losing — and how to address those losses.

"This is the foundation for go-forward marketing programs," she says. "With this, it's possible to get the right products to the right shelf at the right time, and priced effectively across a broad set of criteria, including geography, shopper proximity and competitive environment/competitive intensity."

And to identify opportunities to convert light store brand buyers into medium or heavy buyers, retailers also need to understand their purchase attitudes and behaviors and respond accordingly, Viamari adds.

Speaking of conversion opportunities, Nielsen's research suggests that money-back guarantees could sway Asian-American households to buy store brands more often. Hale notes that Nielsen's research also shows that store brands' positive perception ratings outweigh the negatives across most U.S. consumers across all income groups, household sizes and multicultural households — an encouraging reality for future store brand white space opportunities. SB