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Private Label Soars During Pandemic, Battling Brands



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Why spend precious resources trying to beat the brands when you can be them?

At least that seems to be the philosophy as some F&B retailers bet big on not just selling, but becoming brands on their shelves. And it's a bet that they're doubling down on, amid the pandemic.

While large CPG companies control vast, global brands, some of the faster-growing product lines, strictly speaking, aren't traditional brands. Consumers often are seeking healthier foods and greater transparency, and many of the private label brands are offering just that. The pandemic has resuscitated many large CPG brands while super-charging private label. **In the battle of the brands, who will win? Could it sometimes be a brand with the name of a retailer on the packaging?**

Trader Joe's is continuing to tap thousands of private label products, and in less than a year, Target built a \$1 billion food brand - that it is continuing to grow. And let's not forget about Costco's Kirkland Signature, whose sales have been strong.

Private label was on a roll pre-pandemic. Thanks to COVID-19, it's accelerating, although a rush to comfort has sent many consumers back to big brands. Supply shortages, however, led consumers to try private label, and they often found they liked

it. The savings didn't hurt either. Some retailers, such as Target, are scaling faster than you can say "bullseye."

What's behind the trend? In uncertain times, many consumers trust the retailer to not simply put product on shelves, but to pick the best product and put their name on it. Retailers often offer detailed product information on packaging and on their own websites. The days where private label meant good price, but not good quality, are gone. Nielsen said about two thirds of consumers rank "store" brands as being as good in quality as traditional brands, and more than a third rank some private label as better than traditional brands. Private label provides a point of difference for a retailer in a digital age. It's not just a product at retail; it's a reason to shop on retail websites and in stores.

According to Nielsen, "Food is the strongest channel for private label development." Still, different people react differently to private label. Hispanics "display the most positive attitudes toward store brands," according to Nielsen. Gen Xers spend more than the U.S. average on store brands, while Millennials spend heavily on them as well. Brands can mean status. But private label can piggyback on a retailer's reputation for savings or quality. Private label's success also may be a backlash to selection. If there are 15 brands of peanut butter, you may prefer to let the retailer pick. Trader Joe's is filled with variety from shredded bite size wheats to natural spring water, Joe's O's cereal to meatless meatballs, whole kernel corn to caramel sauce, cheese-less cheese cakes to cornbread mix, mango sorbet to vanilla fudge chip ice cream. What's it not filled with? Lots of brands. The sign over the baked goods section may say it all. "Trader Joe's saves you dough." "The customer knows best" is the old slogan. "The retailer knows best," in some customers' minds, may be truer today.

While Trader Joe's is a private label veteran, Target last September rolled out its Good & Gather brand with 650 items, growing to a billion-dollar contender in less than a year. That's faster acceleration than a Tesla. Target said it is adding another 600 items from dairy to deli and bread to beverages as it plans to expand to nearly 2,000 items. Stephanie Lundquist, Target's executive vice president and president, food and beverage, said Good & Gather helps "set Target apart." In other words, private label is how retailers like Target brand themselves.... in addition to the bullseye, of course.

The marketing has always been the message, and that hasn't entirely changed. With private label, though, the lack of traditional marketing may be the message. Stores are filled with private label marketing on packaging where consumers shop. Retailers are trading slotting fees for better margins and customer loyalty. Big manufacturing companies with big brands also are making many of the big store brands, growing sales of their own products at these stores while helping build the store brand.

Still, not everything works. Retailers can suffer if the brand with their name on it fails to win over customers. Amazon tried to roll out its 365 Everyday Value brand as a retail name - opening and closing a dozen stores. After a Whole Foods supplier of private label beans, grains and rice shut down, Whole Foods had to figure out how to move forward. There's also the fact that brands still rack up sales - and customers love their favorite

brands, sometimes even more during the pandemic. Still, it looks like private label is likely to continue to grow. FMI's U.S. Grocery Shopper Trends COVID-19 Tracker survey of shoppers found one third expect to buy more private label foods during the pandemic and 13 percent to buy much more. As they say, "to each, his own." It seems at least for retailers, that often means their own label(s) these days. So who will win the double down bet? It's anybody's game, but consumers will ultimately make the call.