STORE BRANDS 2010
Post-Recession Strategies for Private Label

Presented by the Private Label Manufacturers Association
PLMA Industry Roundtable

Store Brands 2010: 
Post-Recession Strategies for Private Label

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After years of historic gains, the store brands industry has entered a new retailing era that is filled with peril but also with unprecedented opportunity. The possibilities abound: there is speculation as to how shoppers will behave once the hard economic times lift completely, what assertive steps major national brands will take to regain sales momentum and win back market share that were lost to the dismal economy and to the growing popularity of private label, and how chain retailers will position their store brand lines to consolidate their recession-era gains and make the most of the emerging landscape in the new decade.

In conjunction with its annual private label trade show in Chicago, the Private Label Manufacturers Association convened a special Industry Roundtable - “Store Brands 2010: Post-Recession Strategies for Private Label” - to discuss these issues and identify others that relate to what strategies store brand manufacturers and their chain retail customers can pursue on a category basis as well as store wide to hold on to recent gains and ensure future stability and growth.

Over the past fifteen years the association has conducted industry roundtables that have focused on a variety of timely trends and developments. Subjects have ranged from organics to urban retailing, from the avalanche of consumer data to store brands' effect on retailers' return on investment, from the veracity of product claims to the transformation of retail chains from simply merchants to full-fledged marketers.

The blue ribbon panel was the first PLMA Roundtable comprised exclusively of store brand manufacturers. It included four former PLMA board chairpersons. The panel was composed of senior executives representing a number of top echelon private label manufacturing companies in the U.S.; several of the firms market both private label and national brands. The group brought to bear years of management and sales experience in private label; some of the panel also offered comparable service and expertise with national brand firms.

Confidence and a sense of community regarding the store brand business characterized the wide-ranging discussions. One of the goals of the Roundtable was to drill down to the category level. The agenda included questions such as what private label manufacturers can do to protect their market share gains in light of national brands re-energizing their product innovation to differentiate themselves from the competition; the brands accumulating vast marketing funds for a push aimed at regaining sales and share; retailers adjusting their private label strategies in a post recession environment; and national brands widening their value offerings as well as chains expanding so-called value retailing.

The euphoria surrounding recent private label growth needs to be leavened by evolving real world relationships among retail chains, national brand suppliers and private label manufacturers. Acknowledging that the tailwind in sales gains provided by the economic downturn will eventually end, the PLMA Roundtable panel nevertheless saw significant potential for store brands ahead and outlined a set of industry challenges for the new era that began in 2010.
All elements of the U.S. private label industry should gird for increased competition from national brands. It is folly to assume that all big CPG firms have been damaged by the recession. Despite the widespread adverse economic conditions, some national brands are actually more powerful than ever. Along with store brands, they have grown share and sales during the last several years largely at the expense of secondary and tertiary brands. As a result, if anything they will be even more formidable competitors for retailers’ brands going forward.

To most effectively stave off the national brand challenge that is sure to come, store brands marketers - suppliers as well as retail chains - will need to double down on product development and innovation. National brands will be coming on strong with more investment to win back the market share that has been lost to private label. They know that it will take more than penny price cuts, coupons and BOGOs to restore themselves to their dominant pre-recession positions. It will take serious product innovation that clearly separates them from the store brand products consumers have been embracing in record numbers. Inevitably, a few retailers will permit top CPG firms to simply buy back share but most will not let the brands walk over them.

In the near term, the biggest threat to national brands is not private label, price wars, or consumer disaffection. It is SKU rationalization by the country’s chains. There may be upwards of 20% fewer products on store shelves as a result. This would diminish consumer options, but also present an important crossroads opportunity for retailers to differentiate themselves by emphasizing their own brands.

In several important respects, both national brands and private label suppliers will be contending with the same challenges from a tougher new stance by retailers. They are holding all suppliers’ feet to the fire, both private label and national brands, claiming to be better advocates for their customers than anyone else. Frugality, born of the recession, is here to stay. Smart marketers will identify and capitalize on the resulting unmet consumer expectations.

At the same time, all marketers must guard against the shrinking category. A receding tide lowers all boats, and that includes private label. Post-recession, some categories will doubtless shrink even beyond SKU rationalization. Only if retailers, national brands and private label collaborate to merchandise a category equally well will it maintain its former size and even expand.
Private label suppliers and chains need to get on the same page with respect to their partnerships. Retailers are still reluctant to forge long term commitments with private label suppliers; suppliers are tired of bidding out a contract for two years only to see it disappear. That environment hurts innovation and research and development. Retailers should be willing to share the cost of innovation with suppliers and even with non-competing chains.

Private label manufacturers are ready to meet the challenge to innovate head on but are powerless without the full support of the chains. Retailers are asking for more product innovation from private label suppliers but manufacturers should flip that and ask chains for more innovation in store brand marketing. They should seek a fairer share of activity in marketing and merchandising dollars. Chains’ sharing of data with suppliers is also essential to private label growth.

Store brand suppliers have never been better positioned to compete. The last few years have been good for suppliers. They have come far, exuding a new confidence in what they do and how they do it. They increasingly view themselves as equals with their retail partners, more collegial and less deferential. Private label manufacturers have become more experienced and sophisticated and are increasingly competing with each other and not with national brands. An industry track record of high quality, innovation, and product assortment has enabled suppliers to talk to retailers with confidence. Price is often the last point of discussion.

Store brand suppliers will be required to make many hard decisions. The survival of the smartest applies to the private label business as well. Manufacturers should learn to say thank you, but no to certain would-be clients and to scorecard all potential retail customers to determine a profitable, right-sized fit. They should look at best in class then choose which chains they really want to do business with. But, at the same time, there’s a good private label supplier out there for every retail chain, not for just the top twenty.

Transparency on both sides should be the new mantra for the private label supplier-retailer relationship. For their part, suppliers would also do well to let retailers behind the curtain more with respect to their operations. Full transparency with the retailer on costs is the future. “Here’s our product, buy it,” is out. Chains need to appreciate that they are buying quality goods but also intellectual horsepower. National brand equivalency is the old way; the new is a value-added supplier that can help leverage consumer interests such as sustainability and social compliance. If a chain doesn’t understand those interests, it won’t survive.
The PLMA Roundtable began with the participants drawing a picture of how the American private label industry has evolved in recent years and placing that development in the context of the long-tailed economic downturn. The seasoned executives overwhelmingly agreed that U.S. store brand manufacturers have become more sophisticated, more willing to ask retailers for higher levels of support across the board, more likely to pass on business that doesn’t fit their own corporate missions, and less inclined to put the price of goods at the top of the list when negotiating with retail chains.

The panel went on to assert that private label suppliers, for their part, are now highly motivated and prepared to leverage and maintain the significant sales and share gains of the past two years by increasing their own innovation and R&D activity in partnership with their like-minded retail customers.

The lay of the land in retailing, along with its principal players, have been dramatically changed by the difficult economy. Asked if retailers were concerned about national brands resurging, particularly with respect to the chains’ store brands programs, one panelist offered: “Not at all, most retailers are walking around with their chest out due to the success of their own private label.”

From the national brands’ point of view, the No. 1 concern is not even greater inroads by private label but SKU rationalization on the part of the chains. They are already seeing that the 3rd, 4th and 5th brands are getting rationalized off the shelf and that space is being filled by private label. Mainstream retailers are encouraged to reduce offerings by pointing to the success enjoyed by limited assortment and dollar stores, which display a fraction of the products - a large percentage of which are private label -- found in conventional supermarkets.

In the near term, a new retail environment with less choice for shoppers will adversely affect national brands. The main threat to national brands in the near term is not private label, price wars at the shelf or consumer disaffection. It is deliberate and orderly SKU rationalization by chains. There may soon be upwards of 20% fewer products on store shelves. This would diminish consumer options but it would also present an important crossroads opportunity for chains to differentiate themselves and subsequently raise share with store brand expansion.

Several chains have begun SKU reductions in earnest. Supervalu’s goal is to “increase holding power for our best-selling items and add space for owned brands.” Industry watchers are convinced that Kroger is also in the middle of an aggressive SKU-optimization process and CVS Caremark has jumped into the fray as well, reported Stores magazine. Supervalu said it will be reducing the number of items it offers per store, in some cases by as much as 25%, in a move intended to more prominently feature
store brand items and extract lower prices from vendors.

Retailers link the idea of optimization to the promise of in-store efficiencies and enhanced customer satisfaction. With fewer products on the shelf, merchants can potentially reduce labor costs and have fewer out-of-stocks. At the same time, editing the mix lifts retailers’ bargaining power with the suppliers whose products remain on the shelves.

According to Ad Age: “Marketers are facing the litmus test of whether their brands truly are indispensable as retailers show a growing willingness to boot even major, well-advertised brands to improve leverage, margins and lower prices.”

“Retailers are much more involved now in their private label,” said a member of the panel. “Just look at the money retailers are spending in keeping the quality of their store brands up: testing, sampling, light product development. I cannot imagine that, after all this investment, retailers will let resurgent national brands walk over them in the post-recession.”

“Increasingly, the major retailers are now targeting their private label share at about 25% across the store. That’s become the new gold standard. Among the factors that will help bring that degree of penetration about are surely SKU reductions but also significant product innovation, which will enable chains to reach that goal and also differentiate themselves from national brand items.”

But it won’t be easy. “Private label manufacturers are ready to meet the challenge to innovate but are powerless without the full support of the chains. Retailers have to operate like brands. Private label has to learn how to become more like traditional pull marketers, driving consumers in to the store, a talent that national brands have long mastered. As well, national brands are themselves coming down hard; in some categories they are coming with lots more money in order to regain share.” Some on the panel conceded, however, that there will be chains that, for one reason or the other, will allow national brands to buy their share back.

One overarching problem for all marketers is the shrinking category. “Some categories are declining as a whole. That will continue if retailers don’t work harder in marketing them, even if private label share in that area is going up. One problem is that national brands have been sleeping in these categories, and in the long run, that’s not good for private label either.

All marketers must guard against the possibility of the eroding category. A receding tide lowers all boats, and that includes private label. Post-recession, some categories will doubtless shrink even beyond any SKU rationalization. Only if national brands and pri-
vate label collaborate to merchandise a category equally well will it maintain its former size and even expand. If national brands and private label both amp up their ads the category grows for all. But gimmicks like $10 for ten macaroni and cheese items are not the way to go. “The Wal-Mart TV ad campaign that heralds its Great Value line is more like it. The campaign the chain has been running in Columbus, Ohio will change the game for retailing nationwide,” offered a panelist. Clever works, too. The TV ad by Meijer featured at the PLMA trade show has fun with a child experiencing the bitter taste of spinach and then assures the viewer that “the only difference between the store brand spinach and the national brand spinach is the price.”

There are many winning categories for private label, however. “In OTC, chains are doing a good job in developing products against entrenched national brands in FDA categories. They are identifying unmet consumer needs; they ask what is a consumer lacking in a specific product and category and then they go after it.”

One factor that may stymie continued private label innovation and expansion is that, despite the recent marketplace success, “retailers are still not looking to make long term commitments to store brand suppliers who are tired of bidding out a contract for two years only to see it disappear. That environment hurts innovation and research and development. The private label industry should be concerned that to have true product innovation you need to spend money in R&D. The question then is: Is that retailer willing to make a long term commitment and even willing to share R&D activity with non-competing retailers in order to get the cost of innovation down.”

A major backdrop to all this is that “there has been a power shift in the grocery game to retailers who can now sit down with both private label suppliers as well as big CPG companies and call all the shots in the name of advocating for its customers. Chains are not going to leave that level of demand at the doorstep of store brands manufacturers only, but they will also hold national brands to that test as well. Even secondary and tertiary brands will get the same treatment; simply put, retailers are holding all suppliers’ feet to the fire.”

One example is Wal-Mart: they are demanding that an emerging consumer need be met by products from a specific branded manufacturer and if that maker cannot meet the challenge the chain will simply find another supplier that can. Some national brands see this as an opportunity to “gap and win.”

Another sea change is the steady migration of former national brand executives to position of authority in retail chains. As they move into these spots, whether marketing, sales or even the board room, they will use their formidable expertise to drag their chain’s private label suppliers to innovate even better than competing national brands. If branded manufacturers don’t have the capability to deliver the right product, as they see it, they will turn to their private label partners.

One question will be whether private label suppliers are in a position to match the new value lines from national brands that are being touted as “innovative.” Several CPG firms see private label as a continuing threat and are willing to invest money in
developing these value lines in the hope they will satisfy what they perceive as the real needs of retailers' consumers more effectively and profitably than store brands. The creation of “value brands” and “value” line extensions is a new strategy of some CPG companies to meet the private label challenge head on.

For private label, the so called value lines are worth keeping an eye on. For one thing, national brand value lines represent a curious dichotomy for major CPG firms and are a radical departure from past practice. That will be a factor in their chances of success. In any case, they are not a serious threat to private label, particularly in categories where retailers confidently see their private label positioned as the 100% “value” solution. But what is important is that the overall concept of value is gaining traction.

Understanding the consumer is a major post recession strategy for all marketers, especially when it comes to how shoppers perceive value.

Private label and national brands are “sort of friends” in companies that manufacture both. There is even some synergism possible; at Hormel, for example, microwaveable trays that first appeared in branded items are now being taken by the company to its private label lines. It’s a win-win when you can take national brand innovation across the aisle to private label. On the flip side, it was speculated that some private label suppliers, if they hit a home run in innovation and R&D with a particular store brand item, might be willing to license the idea to a national brand and, in effect, move the product beyond the realm of private label.

“Equally important as innovation and synonymous with it is flexibility,” it was suggested. “Flexibility in aspects such as the cost of ingredients and packaging is a challenge and it’s important to ask if the retailer understands that. Such a challenge might be a special piece of glass that is a key to a product but unless you are a big manufacturer it’s difficult to source from a glass supplier. Another challenge is to convince retailers to engage in long term partnerships, particularly if the purchase of costly machinery is involved. “Capital expenses, and who shares in them, have never been a more important industry issue.”

To be sure, retailers have made and continue to make major investments in private label. Aided by the tailwind in private label sales in recent years, “all of us are acting more and more like a national brand.” Now the challenge is how much store brand suppliers can invest upfront in order to get money back from chains and sales.

Suppliers have to pick their spots carefully. “We have made a huge commitment in state of the art technology to enable us to make our product at the level of national brand equivalency,” informed a panelist. “There are only about twenty retailers in the country we can sell to that provide enough volume in order for us to make a profit. We won’t ever be the lowest cost provider but we offer our customers tremendous value with our supply chain expertise and a hell of a product.”

“One sure way to resolve all this is for private label manufacturers to just sit down and talk with retailers. But, frankly, some suppliers have not been
accustomed to doing that. Let the retailer behind the curtain. Many big retailers have come to rely on private label suppliers as objective voices that offer added value beyond what goods they make. At the end of the day, chains want to see more private label innovation that they can bring to their shelves and to their customers.”

But private label innovation has its limits. “National brands have a graveyard of failed new and better products. Private label should not feel compelled to copy all of these items just as soon as they hit the shelves. In most instances, let the national brands create the need and niche and then enable private suppliers to copy.”

More retailers are investing in knowledge of the consumer. They have come to realize that fifteen flavors of waters are not what consumers really want. Increasingly, less is more, particularly with the new, frugal, even austere mindset that is entrenched among many American shoppers. “Shoppers are paralyzed by too much choice, confused and overwhelmed by all the seemingly identical options,” reported Smart Money magazine. “At the local drugstore there are 25 different ear plugs, 75 types of eye drops and 256 kinds of deodorant. If your head explodes, there are 248 varieties of shampoo.”

“Frugalista power” is coming into full force, says ad agency BBD&O. “Value is the new black,” proclaimed Penn, Schoen & Berland Associates, with research that labeled this new breed of shopper a “value hunter.” Value is defined as standards for quality, price, convenience and time. The media has picked up the trend. An Associated Press survey found frugality among consumers is outliving recession. “Even as the economic recovery plods ahead, many consumers are refusing to come along. They’re not spending freely and they have no plans to do so. Many of them have steady income. Yet despite recent gains, they’ve lost so much household wealth that they’re far more cautious about spending than before the recession. Their behavior suggests that the Great Recession may have bred a new frugality that will endure well into the recovery.”

The grueling recession that began in 2007 has upended American priorities, with frugality now considered a virtue for the first time in decades, said U.S. News & World Report. A panelist offered: “Frugality is here to stay. Smart marketers will identify and capitalize on the resulting unmet consumer expectations.”

In another industry development, some private label manufacturers have evolved to a point where there is always the possibility that they are not always the low bid on a specific job and they are comfortable with that position. “You have to stand your ground with retailers” in that situation. At the same time, it’s very challenging for a supplier to sell the concept to a potential customer that your added value as a supplier is worth the percent-higher bid.”

Major retailers have become more assertive than ever when it comes to developing private label. One panelist explained that Wal-Mart actually approached a big national brand that held the patent on an important product feature and asked for the right to use the intellectual property in its
own private label item. The national brand agreed to allow Wal-Mart this freedom to practice. “They simply pointed out all the business they do with the branded firm and asked for this professional courtesy. Wal-Mart is one chain that is not only designing their own products but also working with branded patent holders for access to key features.”

Another persistent challenge for private label suppliers, particularly in food categories, is how they can compete with national brands when it comes to data. Data is the key. It’s still a fact of business life that national brands own the branding in many categories, somewhat own the consumers in that space, and also have access to the best data. Big players like P&G literally go into consumer homes to better understand how a product is actually used at the end of its life cycle. The only American retailer who is truly trying to understand the consumer at that level is Kroger. “As private label suppliers, we can’t help until chains truly choose to share consumer information with us. Until then, we can’t do much,” explained a supplier on the panel. “Of course, retailers will gladly share such data with you for a price; $300,000 to $500,000 for a full view, as much as $60,000 for just a peek. That begs the question: How committed then are retailers to their corporate brands?”

However, as one panelist pointed out, “in so many ways, private label is still a simple and relatively inexpensive business. In food, a retailer can take an appealing item, go to a frozen food manufacturer and have it made frozen or even shelf stable. That doesn’t take a lot of data or money.”

One fear that retailers and their private label suppliers may share is that as we emerge from the recession those national brands that have been sitting back on their resources will see opportunity. They will promote heavily and even drop prices in an attempt to buy back lost market share.

Winning back shoppers will not be easy for branded manufacturers. Although many will be tempted to cut back on new product development, now is the time for them to innovate. Some experts believe CPG companies will do the following: more products with new health and wellness claims like “now with more calcium,” or “no trans fats;” new package designs with claims like “re-sealable” or “renewable;” new package sizes and shapes that will make it more difficult for store brands to copy; innovative new flavor profiles with more line extensions, and new advertising in new places to get their message out.

What can private label marketers do? One ally may be SKU rationalization, but it’s too soon to evaluate the results of that activity. But post-SKU rationalization there will be more growth for all leading brands, including store brands, assured a panelist. Another likely fallout is that the some Nos. 3, 4 and 5 brands, already hurt by the economy, will be scrambling even more for their lives.

“In the post-recession period, the store brand supply community can expect to get an infusion of serious new players. Some makers of failing secondary and tertiary brands will be moving into private label manufacturing and some major retailers are actually helping them. SKU rationalization will only intensify this development. But there is no guarantee these new private label entries, experienced only with oper-
national aspects on the branded side, can successfully handle the unique requirements of the store brand business, such as lower margins, supply chain complexities and challenging terms.”

The healthiest big national brands will aim to regain market share and also build back shareholder equity. Getting manufacturing plants humming again is not the big brands’ top priority, it is brand equity. Regaining eroded brand equity is now their principal motivation. They are pure marketers in that they don’t care where the actual products are coming from. The price of their stock is primary. Some have even become virtual marketers, outsourcing production to a variety of contract suppliers, including those that also make private label. The point is CPG companies can more effectively drive their ROI by outsourcing which directly impacts shareholder value. Investment dollars are spent building brand equity instead of building bricks.

The whole supply chain process doesn’t really matter to them. “No national brand has ever apologized for making a profit, especially when they are the leaders in a category,” declared a panelist. But the PLMA group suggested one caveat for national brands: increasingly, consumers see products as discrete offerings and brand equity is a diminishing factor in the marketplace.

For any manufacturer - private label or national brand - the future is very bright for those who can successfully partner with retailers. Full transparency on both sides should be the new mantra for the private label supplier-retailer relationship. This especially true when it comes to costs. The old approach of “Here’s our product, buy it,” is out. Chains need to understand and appreciate that they are buying quality goods from a supplier but also the firm’s intellectual horsepower.

National brand equivalency at a price point 20% under the leading brand in the category is the old way for private label supplier to sell its wares; the new way is as a value-added supplier that can help leverage consumer interests such as sustainability and social compliance. If a chain doesn’t understand those interests, it won’t survive. And for the private label supplier there is a need to better understand the consumer and if you do that, you won’t be perceived as the low cost provider to the retailer. “Low price private label producers are going to go out of business in increasing numbers; it’s survival of the fittest out there,” warned a participant. In the private label industry, the price vs. program platform has to change to program. “We are not there yet,” said a panelist, “but that’s where the world is going.”

As retailers become “the brand” they will need all the tools that the national brands have at their disposal, and that includes serious marketing dollars. But while that day may still be way off, a new challenge awaits. The war chest that some major national brands have been accumulating during the downturn is significant. Given stockholder scrutiny, it has not been as easy as you might think for national brands to build this war chest. But it’s a measure of their resolve to win back share that they have been able to do so. On the playing field, those funds have to be approximated if not equaled by retailers if the chains are to successfully stave off the competition that is sure to come for their store brand programs.

Indeed, all elements of the U.S. private label industry should gird for increased competition from national brands. It is folly to assume that all big CPG firms
have been damaged by the recession. Despite the widespread adverse economic conditions, some national brands are actually more powerful than ever. Along with store brands, they have grown share and sales during the last several years largely at the expense of secondary and tertiary brands. As a result, if anything they will be even more formidable competitors for retailers' brands going forward.

To most effectively meet the latest national brand challenge, store brands marketers - suppliers as well as retail chains -- will need to double down on product development and innovation. National brands will be coming on strong with more investment to win back the market share that has been lost to private label. They know that it will take more than penny price cuts, coupons and BOGOs to restore themselves to their dominant pre-recession positions. It will take serious product innovation that clearly separates them from the store brands consumers have been forsaking national brands for in record numbers.

Private label suppliers need not be fixated on the brands' war chest to compete. “It doesn't matter if the brands have all these resources,” said a panelist. “It boils down to us as supplier partners getting a fair share of the retailer's activity in marketing and promotion. Private label gets half the ad space it deserves and unless the retailer is made to see that this is not fair they won't do anything about it. We must say to the chains, if you love your private label you will give it its fair share. Suppliers need to make this argument persuasively backed by data; lay it all on the table effectively and the retailer will decide to spend a war chest worth of resources, too. That's where the rubber hits the road on the whole war chest issue.”

Returning to the question of which U.S. grocery marketers have emerged strongest from the recessionary period, it was claimed that while store brands surely grew the most during the downturn it was not necessarily at the expense of the flagship national brands. “The No. 1 brands have been growing along with private label. For the market leaders, they don't see what the fuss is all about with store brands. They are so well situated that SKU rationalization actually helps the national brand leader in the category more than it helps private label.” But tertiary brands are perched precariously on the fence. “They simply don't appear to have longevity,” said a panel member. “How long can those brands in the lower tiers really expect to ride into the future?”

“Private label is in transition but so is retailing. Major investments are going to be required. We still have a business that's driven by the price-value of the product. Balance is the key.”

Looking ahead, one panelist suggested, “Get a good partnership. Find retail partners that are committed to defending against the national brands. If you find
yourself in a position of having to bid the business every week you are hampered. You can't be successful if you talk about cost every day.” Private label suppliers need to foster open discussions with the trade. “Build on your strengths, push back when necessary. It can't be a one way street. Price only is a no win situation.”

There is much to be encouraged about. Store brand suppliers have never been better positioned to compete. In the last few years they have come far, exuding a new degree of confidence in what they do and how they do it. They increasingly view themselves as equals with their retail partners, more collegial and less deferential. Private label manufacturers have become more experienced and sophisticated and are increasingly competing with each other and not with national brands. An industry track record of high quality, innovation, and product assortment has enabled suppliers to talk to retailers with confidence.

“I'm very bullish about private label's position in the business,” said a panel member. “We have learned how to compete. But more needs to be done going forward. We have to continually raise our standards and keep improving our business practices. That leads to more collaboration with retailers. But chains won't fully engage unless you do the first two things.”

At the same time, store brand suppliers will be required to make some hard decisions. The survival of the smartest applies to the private label business as well. Manufacturers should learn to say thank you, but no to certain would-be clients and to scorecard all potential retail customers to determine a profitable, right-sized fit. After all, retailers are keeping score as well. Suppliers should seek out and have dynamic conversations with retailers. They should look at best in class then choose which chains they really want to do business with. But there's a good private label supplier out there for every retail chain, not for just the top twenty.

Private label and the leading national brands have both come to terms with the ongoing challenge to innovate. One question, though, is whether chains will fully support private label innovation. “Retailers don't always act like a brand, but they should, particularly if they aspire to reach the next level of store brand growth in the post recession. If they don't, that will be a major obstacle,” offered a panelist. “For suppliers, they need to invest in their product and in their people. That's where the forefront is.”

However, there are some skeptics regarding national brand innovation. After a rough year, packaged-goods companies plan to emerge from their defensive crouch with product innovations designed to drive top-line growth, but some analysts are doubtful whether consumers are ready. Sanford C. Bernstein wondered whether consumers will actually pay more for high-priced, innovative products or if they'll continue to make value their top priority. In the case of the latter,
“There may be more share shift between companies but not necessarily category growth.”

“Retailers are asking for innovation, but as a supplier I want to reverse that challenge. That is, private label needs innovation on the marketing side as well. Products that are the same can look and play differently. At the same time, my company has produced an item that no national brand has and it’s up to the retailer to market this feature to the consumer,” said a panel member.

Another added: “We need to operate like the top 150 brands across the store. We need to figure out how to make what our retail customers want to sell. Don’t fall in love with a particular product. Our product is a starting point; flexibility becomes the key. Select your retail customers well.” It’s important to devise long term strategies with retailers. You can’t just talk about price; you need to emphasize the value and benefits of your company, of being in business with you. As important, listen to the retailer. The deal has to be good for both partners.

Look around, suggested a panelist. “Look at best in class retailers, competing private label manufactur-
sumers who are struggling. According to Nielsen, households making more than $100,000 a year are the fastest-growing segment.

Another member of the Roundtable concurred. “Don’t even fret about private label’s fortune in the post recession, it’s not a concern. The research is right, private label will keep growing. Value brands are not a meaningful threat. The less is more mantra with respect to products on the nation’s shelves also accrues to private label. Clutter isn’t choice and as an industry we must unclutter the shelf. There are too many branded products in no man’s land. As suppliers, it’s important now to talk about one other thing that we can leverage besides increased sales and share penetration and that’s quality. That may be something worth pursuing on the association level as well.

“Change is inescapable, yet here I am bullish in a no growth category,” offered a panel member. “In my category oil is the principal ingredient, there is 30% too much capacity, and 80% of the market is dominated by big brands that compete directly against private label. Despite all that, I am still very bullish. The reason is because the key to success is in us, not them, the chains. You can talk all you want about partnerships and collaborations, and you can wish all you want that retailers would do more for you, even tell you the truth. But you have to deal with reality: some retailers do, some kind of do, some don’t. Here’s my advice, don’t blame retailers for anything, don’t try to change them, just work with them. Adopt Covey’s inside out approach; take the blame, put the responsibility on yourself when things don’t work out. That attitude is tremendously empowering.”