Best Practices in Private Label Branding

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Do you remember when generic (non-national branded) products meant plain white or yellow packaging with big black lettering and poor product quality? Retailers have certainly come a long way since the forgettable early days of store brands. In fact today many private label brands are virtually indistinguishable on shelf from their manufacturer branded counterparts.

According to a recent study by IRI, private label growth in 2013 significantly outpaced the industry average growth rate (4.1% to 2.8%). Private label CPG now accounts for over 17% of multi-outlet unit sales, and enjoys a nearly 22% unit share in the grocery channel. Impressively, this trend has continued even as the U.S. economy has shown signs of emerging from deep recession.

Through our work over the years with U.S. and global retailers we have identified a set of five best practices with respect to private label branding that seems to drive continued success in this increasingly important area of their business. In this article we will showcase six retailers—Target, Sears, The Home Depot, Safeway, Best Buy, and Trader Joe's—that embody many, if not all, of these best practices in their private label branding efforts.

Best Practice #1: Align with and support the master (retail) brand.

It is likely no coincidence that some of the strongest private label brand portfolios are those that seem to be in sync with the positioning and strategic intent of the retail master brand. Ideally, their positioning is highly complementary of the retail master brand, reinforcing the equity and positive associations of the latter. Target clearly delivers on this premise, with private label designer brands such as Isaac Mizrahi and Michael Graves. It also has exclusive product lines from national

manufacturers, like Converse One Star. These product brands are consistent with the Target master brand positioning, which emphasizes quality, affordability, and perhaps most importantly of all, style.

Even better than merely aligning with a master brand positioning, some private label brands actually infuse positive equity and favorable associations into the master brand—associations the retail brand may not have on its own. For years Best Buy suffered from very unfavorable perceptions in the area of customer service. The acquisition and storewide deployment of the Geek Squad proprietary brand helped Best Buy improve its customer service levels, and simultaneously improve its overall brand perception. Another example is The Home Depot. Exclusive partnership with brands like Behr, Rigid, and Ryobi are heavily leveraged by the retailer, and are frequently the cornerstone of entire advertising campaigns. Clearly these brands represent strong "reasons to believe" for The Home Depot brand.

Perhaps the best-known example of this phenomenon is the private label brands of Sears. For years, Craftsman, DieHard, and Kenmore have been a dependable backbone for Sears from both a business and a brand perspective. Evidence of this can be found on Sears' website:

"Throughout its history, Sears has committed itself to quality private-label brands. For Sears, its brands are more than just the names of product lines. They are symbols of the company. Sears stakes its reputation on the strength of its brands. Products must meet the most rigorous standards of quality and safety before they earn the right to bear such names as DieHard, Kenmore, and Craftsman."

Best Practice #2: Bring differentiation to the category; fulfill unmet customer needs.

Private label brands are perhaps at their best when their offerings are incremental to the store, or better yet, the overall marketplace. One way to do this is by bringing something truly differentiated to the category. Another related way is through addressing customer needs that are not satisfied by the major national brands. Importantly, this differentiation should be more than merely a lower price than manufacturer brands—private label brands should also be unique in the product or service offering itself.

Safeway is a prime example of bringing differentiation to the market, and in doing so, satisfying an increasingly unmet consumer need. O Organics is a line of over 300 certified organic products available in almost every aisle of the grocery store. O Organics food is produced and handled in accordance with all USDA organic standards—without the use of synthetic pesticides, genetic modification, growth hormones or antibiotics. This is very much in line with the increasing demand consumers have for good tasting natural foods from select organic growers that use earth-friendly farming practices. Similarly, the retailer's Eating Right brand is touted as "a whole new way to look at nutrition." It combines foods that meet healthy eating standards with convenient product forms (e.g., frozen and shelf-stable) to help consumers balance the competing goals of nutrition and convenience.

Finally, innovation is another way private label brands can bring differentiation to the category and market. The Home Depot's Vigoro brand has an innovative Automatic Rain Monitoring feature to prevent unnecessary lawn watering. BEHR's ColorSmart provides a way for consumers to find, coordinate and preview a BEHR paint color for virtually any paint project. With N:Vision, The Home Depot became the first retailer to offer a free CFL recycling program that allows customers to easily identify and purchase products that have less of an impact on the

environment.

Best Practice #3: Establish clear boundaries for private label brands

When retailers successfully develop a strong private label brand there is often a tendency to extend it anywhere and everywhere throughout the store. This includes horizontally across product categories and vertically across price/value tiers. However best practice retailers avoid the temptation to over-extend and/or dilute their private label brand assets. Like savvy national brand marketers, they ensure their private label brands are extended logically and judiciously, and only in accordance with a brand's carefully articulated positioning. This helps ensure their private label brands maintain their valuable equity and their relevance in the minds of target consumers.

Once again, Sears provides an example of disciplined brand management. Over the years, it has remained true to brand positioning and category exclusivity relative to its portfolio of private label brands. Despite tremendous category success, Craftsman has remained primarily a tool brand positioned around quality and durability. DieHard, as its name implies, stands for dependable and long-lasting performance. Although DieHard has ventured beyond its automotive roots, it has for the most part only extended within the context of batteries and portable power (including for use in Craftsman tools). Similarly, Kenmore has been consistently positioned around innovation, and although it has been more broadly extended than its hardware counterparts Craftsman and DieHard, it has been reserved primarily for Sears' appliance categories.

Trader Joe's follows this best practice by defining several of its private label brands along ethnic lines. Trader Jose's is for Mexican cuisine, condiments, and even beer; Trader Giotto's is an Italian line that includes pasta, pizza and bruschetta; and Trader Joe-san's is for Japanese cuisine. It also has Trader Darwin's, which is a brand of vitamins and health supplements. Notice also the explicit linkage of each

private label line to the Trader Joe's master brand in the form of sub-branding (i.e., Best Practice #1).

Best Practice #4: Define brands based on emotional attributes.

Consumers tend to gravitate toward (and remain loyal to) brands because they feel an emotional connection to them. This is no different for private label brands than for national manufacturer brands. It is important for private label brands to stand for something more than merely price/value—and even more than a product attribute—they need to provide an emotional benefit that consumers can relate to. Retailers who have been successful with exclusive brands realize this important nuance, and find ways to infuse emotional equity into their private label brands.

Target provides a prime example of emotional branding. Granted, in the case of their designer brands (e.g., Isaac Mizrahi) they have the luxury of being able to leverage the powerful equity that's already been established by the designer/founder. However regardless of type or origin, Target's private label brands convey an image that is consistent with the retail flagship brand. One only need look at their ads to see the fun, happiness and style Target seeks to reinforce in not only their exclusive brands, but in the Target brand as well.

The same is true for Sears. "Life running beautifully" was a long-time message for the Kenmore brand, and a positioning that evokes strong emotion and positive imagery. "There's a Craftsman in all of us" is another example of how Sears has assigned an emotional and self-expressive benefit to its famous hardware private label brand. As for DieHard, "Life demands DieHard" reinforces the emotional benefit of trust consumers feel when they look to portable power.

Trader Joe's private label brands attempt to make consumers enter a carefree and happy state of mind. TJ's packaging and messaging feature unique humor, a relaxed and laid back Hawaiian spirit, and a neighborhood look and feel. The combined effect is brands that consumers can relate to and connect with—and

ones that are very consistent with the Trader Joe's master brand positioning.

Best Practice #5: Distinguish brands with a distinct identity and appropriate brand linkages.

Finally, best-in-class private label brands develop a distinctive and highly recognizable visual identity and follow a consistent messaging strategy. They also maintain precise guidelines describing the extent to which the private label brand can and should be identifiably linked to the retail master brand (if at all). Undoubtedly, a desirable visual identity and strategically sound brand architecture are part of what make private label brands successful…or if ignored, contribute to their demise.

Safeway Select is a private label brand that in many ways looks and feels like a national brand. The same is true for O Organics. With the latter in particular, it is difficult to know it is a private label brand by merely looking at it on shelf. Additionally, Safeway's private label brands have strict guidelines that inform the essence, identity and messaging for each brand. The Safeway Select brand obviously strives for a close, explicit connect to the retail brand, while O Organics intentionally avoids a connection and maintains appropriate distance from the Safeway brand. These interrelationships (or lack thereof) are reflected in multiple ways for each brand, including product name, color palette, tagline, and package violator.

The Home Depot also adheres to sound strategy and strict guidelines for its private label brands. N:Vision, for example, has an attractive visual identity that is consistently applied through every element of the brand's marketing mix. The retailer also consistently uses visual cues and promotional events to reinforce a partnership strategy between The Home Depot and the private label brands that are sold exclusively at its stores.

It probably should not be surprising that best practices for private label branding are not all that different from those of their national brand counterparts. After all, consumers are consumers, and the principles of sound branding and marketing apply universally. As such, the retailers that are most successful in their private label branding efforts are the ones that learn from—and apply the principles of—their national brand business partners. They build private label brands that reinforce and/or complement their retail master brand, infuse those brands with meaningful emotional benefits, and execute consistently with precision and strict adherence to brand positioning and strategy.

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