



# Perfect Positioning

*Retailers are using robust testing to grow private brands.*

The private label industry is one of the few bright spots in this down economy. Store brand sales grew about 10% in 2008 to \$82.9 billion compared to 2.8% growth for name brands. More dramatic increases are expected in 2009 as financially battered consumers flock to private brands as a way to save money. Many retailers correctly see this as a once-in-a-lifetime opportunity to expand their base of loyal private brand customers for keeps.

What are retailers doing to accomplish this goal? They are introducing new product categories, expanding product lines, and improving existing private brands to increase consumer satisfaction and loyalty. One way retailers are boosting market share is through the development of robust testing programs to help ensure that their private brands meet consumer expectations.

## Some History

In the 1950s, the “store brands” concept was strictly based on a low price point. That idea evolved into “private label” in the early ‘70s when a national brand equivalent (NBE) quality selling point was added to the low price point. In the ‘90’s, some retailers began to embrace more of a “private brand” concept that was modeled after European retailers’ programs.

European retailers created their own standards based on consumer needs/desires within their chain for their private brands. They do not use a national brand as the quality standard. In Germany, Aldi may have a four-ply bathroom tissue as their private brand even though the leading national brand may only have two because their consumers like four.

Many U.S. retailers were intrigued by the European private brand concept because it reached 30% to 50% market share (depending on the country) and the products were so respected by consumers. Yet despite U.S. retailers’ efforts to replicate their European coun-

terparts, store brand market share in the U.S. continued to hover around 18% to 20% until 2008.

No one knows why private label never “caught fire” in the U.S., but long periods of economic prosperity likely made many consumers indifferent to store brands’ many benefits. The 2008 economic crisis changed everything, and private brands were perfectly positioned to reap the rewards.

## Private Brand Perfect Storm

The perfect “robust” storm for private brands is occurring and smart retailers are seizing this unprecedented opportunity.

In October 2009, a *Consumer Reports* survey found that store brands were equally good – or better – than national brands nearly 80% of the time based on comparative blind tests conducted in 29 food categories. Store brands were found to be 27% less expensive than national brands, and 70% of respondents said they were highly satisfied with the quality of the store brands they bought.

How are retailers achieving this success? The answer is: robust testing programs. Robust testing programs are comprised of:

- Creation of specifications and/or standards for the entire brand,
- Establishment of a Total Quality Management Systems (TQMS) based on actual Critical Control Points (CCP) of the specific retailer,
- Quality Assurance Six Sigma approach for continuous improvement of current products,
- Set up of Corrective Action/Preventive Actions,
- Supplier certification program,
- Product qualification program,
- HACCP based safety program,
- Claims validation using world-class protocols and statistics,
- Worldwide approach to supply chain management.

Robust testing is heavy on sensory

and consumer testing. The information is used to improve current products and to help evaluate whether a new product is a worthy brand addition. Experienced sensory judges are used to detect subtle sensory differences between products and can quantify the exact degree of differences. These experts can be used as a reliable analytical tool for quick answers to problems and can actually predict consumer dissatisfaction in advance.

Another significant part of robust testing is auditing suppliers’ manufacturing capabilities, quality assurance systems, regulatory compliance, social compliance, and environmental performance. Retailers cannot depend on the U.S. regulatory agencies to do this in a timely manner. Most recalls are caused by minor issues that could be corrected.

Robust testing programs allow retailers to mix value and high tier quality products within the same brand at a 95% confidence level.

## Looking Ahead

This private brand perfect storm presents retailers with immeasurable opportunities. One retail client who initiated a robust testing program has reduced recalls by 45% over three years and now advertises its high quality levels. Another retail chain client is estimated to have doubled sales in three years. Investing in a robust testing program can bring staggering results – nothing else is as effective in building private brand loyalty. ■

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