

## Private Affairs

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**A strong, upscale private label program can bond consumers with their favorite retailers.**

Lucky's Market is carving out a niche for itself in the competitive natural/organic supermarket channel with a private label program running the gamut from sliced deli cheeses to vitamins, supplements and essential oils for humidifiers and diffusers.

Now, center store groceries are becoming a bigger part of that mix. "By the end of the year we will have more than 150 private label items in grocery," says Jim Mick, store director, in the Ann Arbor, Mich. location of the Niwot, Colo.-based chain. "We have a lot of canned veggies and fruits that are in production now that we'll have out during the summertime."

However, the company's goal is to ensure its private label offerings are a step above its competitors. "They are the true definition of all-natural, which is cloudy these days—but we only define it one way," says Bo Sharon, founder and CEO. He adds that 10% of private label product sales are donated to charity.

Factors like that are important to an increasing number of shoppers, including Millennials. A 2014 survey of Millennial shoppers conducted by [Santy](#), a full-service marketing communications agency based in Scottsdale, Ariz., revealed that private label is key to the Millennial shopper.

"We found that 96% of Millennials buy store brands," says Alex Berger, digital brand strategist, at [Santy](#). "A key—and surprising—reason is that Millennials are very price conscious and willing to move off of brands that they have been buying for a long period of time if they see a real savings."

[Santy](#) also found that 60% of primary Millennial shoppers believe that store brands are just as good as other brands, Berger says. "They don't necessarily look down upon them in terms of quality."

That is because the quality of private label has increased dramatically in recent years, industry observers say. "Today a lot of retailers are looking for premium ingredients in their private label," says David Richhart, retail and private label division manager, at Ellison Bakery, a Fort Wayne, Ind.-based manufacturer of cookies. Once a licensed Archway supplier, after Archway folded Ellison concentrated on foodservice and making cookies for ice cream manufacturers. Seeing a chance to partake in a growing trend, it launched a private label division earlier this year.



Pacific Coast Cafe® is a registered trademark of Save Mart Supermarkets Corporation.

"Store brands are becoming or transitioning into a more premium product, better than the national brands," Richhart says. "It is no longer a national brand equivalent—it is better than."

Officials for SatisPie say that is so for the Rochester, N.Y.-based company's frozen pies, which they tout as being of higher-quality and using better ingredients than the national brand competition.

"We have taken the route that we took with our in-store bakery pies, which was cleaning up the ingredient panel and getting rid of all the artificial ingredients," says Mike Pinkowski, owner of SatisPie. Available in store label for larger customers and the SatisPie control label for smaller chains and independents, SatisPies are available in fruit, pumpkin and custard varieties.

"The value that we give to the consumer is what makes our product a year-round one," Pinkowski says. "You're not dealing with a \$30 or \$40 dessert out of the bakery case. Our pies are something you can buy for \$5, take home, bake and get six to eight slices of dessert for the family."

The company continues to innovate with unique products, like the upcoming Pumpple, a pie with diced apples on the bottom and pumpkin custard on top, launching in September. "It sounds really weird, but everybody who has eaten it thinks it tastes really phenomenal," Pinkowski says. It is an offering that will help retailers slice up a bigger niche in the frozen pie set. "Mrs. Smith's and Marie Callender's are not going to take a chance on running an oddball flavor like that," Pinkowski says, adding that on buyer visits he likes to do a flip test cut-in to show why SatisPie pies are superior to the national brands.

"I flip their pie and cut the bottom off and do the same to ours," he says. "The buyer can see why for a \$5 dessert they are getting value again. We're not matched to corporate overhead, corporate orders and MBAs running all over the place. We're a family business and we produce a product that I can take home to my family."

That slice of pie would pair well with a cup of upscale private label coffee, such as the exclusive high-quality Arabica bean blends offered by Distant Lands Coffee, based in Renton, Wash. Private label accounts for about half of Distant Lands business now, says Henry Stein, senior vice president, sales.

Distant Lands provides many local roasters across the country with green beans, but Stein advises retailers to choose their roasting partners carefully. "While local roasting can be promoted by the retailer, really the origin of the coffee, the farming and milling practices are crucial," Stein says. "Roasting is the last step in the process. What has happened along the way is far more crucial than what happens at the eleventh hour."

Stein also sees a correlation between stores with a strong private label market share and strong house brand coffee program. "Those retailers with whom we do private label have shares either in the high teens or low twenties, and those who don't put enough emphasis on private label coffee, their private label shares might be three or four percent," he says.

## California Ketchup

Ketchup is one of those categories where in the past private label was seen as inferior to the big national brands. However, officials at The Fremont Co., who bill themselves as “The Ketchup Experts,” are disclaiming that notion—at least when it comes to their product.

“Fremont uses 100% California tomatoes, like Heinz, Hunts and Del Monte ketchup,” says Mike Hackbarth, vice president, private brand and customer demand, for the Fremont, Ohio-based company. “We source specific tomato varieties regionally in California during the peak of the harvest to ensure the best tomato paste is used specifically to make ketchup,” he says, adding that some competitors use inconsistent quality Midwestern tomatoes.

Hackbarth suggests retailers offer innovative SKUs in private label and promote their quality and value, and not necessarily tout a lower price. “Many retailers have replaced smaller branded offerings with private brand 20-ounce organic, spicy, reduced calorie and other specialty ketchup SKUs offering the consumer greater value,” he says. That will also help supermarkets better compete against other classes of trade touting ketchup, such as dollar stores, limited assortment stores and supercenters.



“Focusing on premium brands and shielding ads and merchandising with a quality private brand offering will provide the consumer a value perception,” Hackbarth says. “The ketchup category has multiple sizes and package styles for every brand, which is overkill. Strategically build a product mix based on customers’ needs and avoid duplication with sub brands, package styles and flavors,” he says, adding retailers should look at adding a private brand natural ketchup to compete against the new French’s and Simply Heinz.

Innovation is also being seen on the mustard side of the condiment set.

“More and more retailers are getting into private label mustard with angles looking for variety, organics and more complex flavors,” says Rick Schmidt, vice president, national sales, Woeber Mustard Manufacturing Co., based in Springfield, Ohio. “The more variety you have in organics the better. People that are into organics want new flavors now.”

Woeber is now offering its branded craft beer mustard in private label, along with spicy flavors, like Sriracha. Flavored mayonnaise is also growing in popularity.

“We came out with branded flavored mayonnaise six or seven years ago, but it has been somewhat of a struggle to compete against the big brands,” Schmidt says. “Now on the private label side people want flavored mayonnaise. The buyers see it as a category that is going to be there for a while and they want in on it.”

Retailers also want packaging that stands out, Schmidt says. “Retailers want dressed up containers, glass, appealing seals that go over the top, colored lids—anything to dress it up and make it look like they can charge a little bit more and add more margins,” he says.

And retailers also want to turn up the heat, observers say.

“Lots of various heat flavor profiles are popping up, like Ghost Pepper or Sriracha,” says Tom Barbella, president of Bektrom Foods, a Monroe, Mich.-based manufacturer of a wide range of private label products, including oatmeal, macaroni and cheese mixes, skillet dinner kits, pasta salads, instant potatoes, batter mixes and other products.

"We have launched new flavors in our Cheesy Deluxe line of pasta sides with Nacho Cheese Deluxe and Buffalo Wing Deluxe Shells, and coming right behind these is our Sriracha Deluxe Shells," Barbella says. Bektrom works with retailers to add line extensions to products that have been present in the market for some time, he notes. "We work with that product by adding a flavor profile that is current like Sriracha or Chipotle."

Barbella suggests retailers devote prominent space to tout their private label. "Using your end caps for your own items is always a strong way to show your customers you believe in your products, and allows you to highlight the better retails versus buying branded items," he says.

According to **Santy's** research, there are a few major categories with low private label penetration, including soda, cereal and snack foods, but private label is still carving out a niche. Take the case of pork rinds. In addition to its own national brands, Lima, Ohio-based Rudolph Foods also manufactures a wide assortment of private label pork rinds. "We have a number of customers that request different seasoning blends, bag sizes, shapes, cuts, and we work with them to build in those differences or invent unique products for their offerings," says Mark Singleton, vice president, sales and marketing.

Rudolph Foods will also serve as category manager to help retailers further build sales. "Last year, with one retailer we doubled sales and profits just by changing the planograms and assortment," Singleton says. For instance, he says retailers can dramatically boost pork rind sales by cross-merchandising them in the meat department and possibly merchandising them under the same label they use for their meat. "That would be an excellent way for a retailer to differentiate themselves, especially if they have a strong in-house meat brand," Singleton adds.

Upscale private label is for the birds, says Angie Keane. She is a marketing analyst for Global Harvest Foods, a Seattle-based manufacturer of birdseed, including the Audubon Park national brand, as well as private label that can be customized for the retailer to give them a wing up in the marketplace.

"We supply a number of retailers with best-in-class formulations," Keane says. "We find that loyal customers trust their local retailers to provide a good deal. If the packaging is marked well as an upgraded mix it will do well."

Wild bird feeding is second only to gardening when it comes to outdoor activities, Keane says, and retailers can capitalize on that by using attractive packaging. "Choose a stand-up pouch, as opposed to the more common lay-down bags for your lower weight items," she suggests. "This allows more visibility on the shelf. For higher weight items, like 20-pound birdseed, displaying the product in a box produces the same results with more visibility on the shelf, increased foot traffic and more interest in the category overall," she says.



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