

Long-Live Brands!

BY MITCH BLUM

MARKETING DRIVE

When it comes to cultural trends, the only thing that Americans love more than embracing new ones is declaring the death of old ones. I'd use the wonderful phrase "jumped the shark" to describe this phenomenon (John Hein's term for identifying the point where things pass their peak, named after the *Happy Days* episode in which a leather-jacket-clad Fonzie water skied over a shark), but in all honesty, "jumped the shark" itself jumped the shark quite a few years ago.

This phenomenon, however, isn't just limited to cultural trends and television shows. Everything from political parties to media vehicles are constantly being declared "over." Eight years ago, the Democrats were deemed irrelevant while today the Republicans are being declared D.O.A. Television was supposed to replace radio, while the internet was going to kill off newspapers. (Okay, that last one might still turn out to be true.)

One of the more notable occurrences during our Great Recession has been the explosive growth of private labels. Sales and purchase intent of private labels have been growing exponentially, with no end in sight. The temptation, naturally, is to seize upon this latest trend as a sign of the end of brands.

It's a new era! Brands are dead! The age of brands is over!

I'm not so sure about that.

Just like video never actually managed to kill the radio star, the ascension of private label in no way indicates the death of brands. Actually, I'm more inclined to view private label growth as a triumph of branding.

Let's start with some pertinent facts. According to Nielsen.com:

"During the year ending February 2009, Nielsen reports that store brands in the U.S. posted \$84.4 billion in sales, a nearly 10 percent annual increase attributable in large part to consumables like dairy, packaged meats, frozen foods, deli, dry grocery and alcoholic beverages."

National brands need to up their game to stay on top.

The key takeaway is that store brands had a really good year. According to the Miller Zell/NRN 2009 Shopper Behavioral Study (an online survey of 801 adults conducted during the week of December 22, 2008):

"Nearly nine out of every ten respondents reported 'brand switching' (from national brand to store brand) within Grocery in the last six months, with another one-third reporting that they have 'brand switched' in Apparel."

It's hard to argue with those numbers. If you're shopping at grocery these days, you're probably sampling some store brands. Of course, even with this impressive growth, the U.S. still lags most countries in store brand dollar/value share. Again, according to Nielsen.com:

"There's plenty of room for the American store brand trend to turn into a juggernaut, since the domestic 17% store-brand share trails the uptake in western European counterparts like Switzerland (46%), the UK (44%), Germany (32%), Spain (29%), Belgium (28%), Austria (27%), Canada and France (26%). Given the interdependency of the global economic

markets, the appetite for store brands may well be increasing across affected regions.”

The future of private label looks rosy indeed.

THE RISE OF STORE BRANDS

A funny thing happened on the way to the 21st century. As leading retailers grew into national behemoths and consolidation reduced the number of major players in each category, retailers began to realize that, to succeed, they'd need to differentiate themselves from their key competitors.

National retailers began to focus on building their own brands more aggressively. Sure, they'd continue to feature national brands in their circulars and their television advertisements, but the intention behind their advertising campaigns changed substantially. The messaging hierarchy had shifted significantly: National brands were now playing second fiddle to the retailer's brand.

Over time, this movement towards retailer branding spread from advertising throughout the entire operation, from retailer-centric displays and clean-store policies to an increased emphasis on online stores, and ultimately, unto the products themselves.

This new generation of store brands has played a very different role from the lowest-cost positioning of traditional private label offerings.

One approach to building a private label brand is illustrated by Target's Choxie, which is positioned as an upscale chocolate-candy brand without being explicitly sold as a Target store brand. When launching Choxie, Target clearly calculated that the brand might have a greater chance of success without consumers necessarily being aware of its lineage.

Safeway took the opposite approach with its successful "O" line of organic products. Featuring more than 300 certified organic products throughout the store, the "O" line is obviously a Safeway brand and is a natural outgrowth of its "Ingredients for Life" positioning. As a result of the brand's success, Safeway is now going to offer the "O" line through other retailers in non-competitive markets.

Trader Joe's is probably the best example of the power of store brands and private label. It is estimated that 70 percent of TJ's sales are in private labels. Trader Joe shoppers appear not to discriminate between national brands and TJ's private label due to the trust and affection they have for Trader Joe's. A few years ago it was quite chic to boast of buying TJ's Charles Shaw line of wines. Sold for as low as \$1.99 a bottle, "Two Buck Chuck" became a badge of pride for smart, savvy shoppers.

The common thread that ties Choxie, "O" and Two Buck Chuck together is that they have all undeniably become established brands in their own right.

THE VALUE OF BRANDING

Why do consumers purchase branded products anyway? There are a multitude of answers to that important question which are entirely dependent on one's perspective.

A nutritionist would contend that consumers train their palettes to respond positively to the taste of manufactured ingredients that appear in many mega-corporate branded products. A psychologist might contend that consumers purchase brands that were in their childhood household to stimulate nostalgic feelings of security. An anti-consumerist would contend that brand loyalty is merely a product of mass brainwashing via advertising.

Conspiracies aside, brands can act as a powerful solution to the 'paradox of choice.' In his 2004 book, *The Paradox of Choice*, psychologist Barry Schweitzer discussed decision-making at the supermarket shelves in terms of finding happiness through goal achievement. Possessing too many choices at the shelf could lead to consumer anxiety, and ultimately, dissatisfaction. By having a "favorite" or "preferred" go-to brand, consumers can automatically filter their choices and thereby lessen the stress of shopping.

Brands transcend the purely rational decision-making process. While the new value equation (product quality and shopping experience compared to price paid and effort required) will always be an important consideration, we must never forget that many decisions are made emotionally and subconsciously—in other words, in the realm where brands live.

More than anything else, brands represent a promise between a company and a consumer. Brands ask for our loyalty and in return they promise to deliver both rational and emotional benefits. And as long as brands honor their commitments and treat consumers fairly, they'll maintain our trust and our loyalty.

FIVE WINNING SOLUTIONS

So how can national brands, now faced with significant challenges from both surging private label brands as well as their traditional competitors, win the consumer's mind and the shopper's cart? Here are five ideas:

1) Take a Stand

Make sure that consumers know what you believe in. Tell them why you do the things you do.

What Happens Next?

Making predictions is always a dangerous game but since people seem to love them, I'll happily oblige:

- It's a safe bet that consumers will continue to sample and switch to private label, primarily as a money-saving measure, as long as the economy is faltering.
- Positive experiences with private label will result in increasing loyalty towards those products and further experimentation with private label in other categories.
- Innovation will be a key driver of success. Complacent brands, whether national or private

label, will struggle to win and maintain consumer loyalty.

- The majority of consumers will switch back to national brands after their confidence in the economy returns unless private label brands make a concerted effort to deepen their engagement with consumers through two-way conversations, responding to feedback and criticism, delivering innovation and forging an emotional connection — in other words, by acting like a “real brand.”
- The Red Sox will bring home yet another World Series title to Boston, relying on pitching and defense to compensate for their lack of power.

As your brand essence represents your outward-facing personality, your belief system represents your soul. Everything about your company: culture, products, communications, promotions, events, etc., should be a manifestation of your corporate belief system. Believe in something so that consumers can believe in you.

2) Make a Difference

Bring those beliefs to life by demonstrating sincere support for causes and charities that make sense for your brand. Cause marketing should be viewed as a form of brand building first and a potential sales driver second. Consumers are smart; they'll quickly dismiss callous attempts to exploit charities for profit. Sincerity is demonstrated by imbuing support for the cause throughout every facet of your organization. Make it real so that consumers are proud to associate with your brand.

3) Provide Great Content

Give consumers a compelling reason to engage with your brand. Today's consumer has endless options to fill their time with content that informs, educates, entertains or inspires them. Why should they watch your ad, forward your video, read your packaging or participate in your contest? Rejecting brand communications is easy. Make it hard for them to ignore you. When it comes to content, you're not just competing with other brands. You're competing with television, movies, books, blogs and even the old fashioned bicycle ride.

4) Perfect the Packaging

Packaging might just be your only opportunity

to communicate directly with the shopper, so design it based on that assumption. Would a shopper understand the core essence of your brand if they were exposed to nothing but the packaging? In an era of clean-store policies, media fragmentation and general loss of control, the importance of design and packaging can't be underestimated. Packaging must succeed on multiple levels, conveying the rational attributes of your product while forging an emotional connection and standing out from the competition at the shelf.

5) Have a (Real) Conversation

There's a big difference between talking at each other and having a real conversation. Digital conversations require effort and investment, most likely without a quantifiable ROI. Conversations about your brand are already happening online. (You can search Twitter and the blogosphere if you want to hear them.) You need to choose whether you're going to ignore those conversations, listen to the legal department and play it safe online, or demonstrate that you truly “get it.” This is the new face of customer service and public relations, if you want it to be. ■



MITCH BLUM, vice president, strategy and planning at **Marketing Drive**, provides strategic direction that helps brands realize their full potential. He can be reached at 617-368-6700 or mitch.blum@marketingdrive.com.