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Store Brands Step Up Their Game, and Prices

By HANNAH KARP

Angela Bartorillo is a bit of a snob when it comes groceries: She finds the store-brand at [Costco Wholesale Corp.](#) "less trustworthy" than her favorites.

But her attachment isn't to labels like Jif peanut butter or Quaker Oats. The 25-year-old from Brooklyn, N.Y., says she's partial to the apple juice and other products made by Archer Farms, the brand owned by [Target Corp.](#)

"It just tastes better—it's not as sweet. I like it better than Mott's," Ms. Bartorillo said while loading up on paper towels on a recent afternoon. "Sometimes it's about price, but sometimes I just like the Target brand."

Every year, U.S. shoppers buy more generic goods, many of them trading down from more expensive, name-brand labels to save money. But consumers are developing loyalty to store brands for reasons besides price, and that could be a problem for food and consumer-products companies as the economy rebounds.

In some cases, consumers even pay more for store brands, many of which have been positioned as gourmet or specialty items.

Private-label products still cost an average of 29% less than their nationally branded counterparts. But they are rising faster in price, at a rate of 5.3% last year compared with the industry average of 1.9%, and can sometimes be the most expensive product in a category, according to market-research firm Symphony IRI.



Prices of private-label perishable foods are rising even faster, up 12% last year versus an 8% jump for national brands.

Target's two-pound jars of Archer Farms roasted almonds, prominently displayed on the end of the nut aisle, recently cost about 16 cents more per pound than Planter's roasted almonds.

"It's much less about value and price than it used to be," says Clarkston Consulting analyst Steve Rosenstock, who conducted a two-month study last fall across major grocery and drugstore chains to examine why shoppers buy store brands. He says 28%

of his survey respondents didn't cite price as a factor in choosing store brands over name brands—loyalty and positive experiences, instead, drove their purchasing decisions.

Grocery chains have abandoned the traditional, cut-rate white-label approach to generics. Taking a page from the playbooks of consumer-goods giants like [Procter & Gamble Co.](#) and [PepsiCo Inc.](#), chains including [Safeway Inc.](#) and [Wal-Mart Stores Inc.](#) are pouring money into polishing up their private labels as brands in themselves. They are expanding lines, adding new flavors and packaging, and finding ways to charge more.

[Kroger](#) Co., for example, is rebranding its "Naturally Preferred" and "Private Selection" organic products under the name "Simple Truth."

[Supervalu](#) Inc. is in the process of replacing all the individual store-name labels at its chains—like Jewel, Albertsons and Cub Foods—with a new, single brand called "Essential Everyday."

Target, meanwhile, is introducing its own frozen pizza, ethnic family meals and concentrated "liquid beverage enhancers" later this year. Coming soon from the Southern grocery chain Harris Teeter: store-brand sriracha—the popular Thai condiment—and "Wasabiyaki" sauce.

"If customers have a good experience with the brand in one category, we have the ability to leverage the whole program," says Sam Mayberry, Supervalu's vice president of private brands.

With their dressed-up store labels, retailers aim to increase market share and boost profit margins amid rising food costs, and the payoff is evident in the narrowing price gap between mainstream brands and stores' private labels.

At Target, the Archer Farms label is positioned a few notches above the store's more traditional generic line, Market Pantry. For example, Archer Farms Triple Berry instant oatmeal was \$4.80 a pound, for instance, compared with \$4.22 for Quaker Oats instant oatmeal.

Target's Market Pantry line came in at \$3.99 a pound, according to Clarkston Consulting's study.

For decades, generics accounted for about 20% of the foods and beverages consumed in American homes, according to the NPD Group. But their market share has climbed to 29%, and stores are trying to push that figure higher.

Not all sales grabbed by store brands amount to a lost sale for manufacturers. That's because private-label items sometimes are produced by the same companies making the national brand, although they keep mum about it.

[H.J. Heinz](#) Co., [Hormel Foods](#) Corp. and [Tyson Foods](#) Inc. all produce private-label products for retailers. [Kimberly-Clark](#) Corp., which makes Huggies diapers, quietly makes private-label training pants.

In addition to improving quality, stores are also embracing more innovative packaging and presentation for their private-label goods. Safeway's vice president of marketing, Diane Dietz, hired three years ago after 19 years at P&G, says she has applied loads of tricks "ingrained in her head" from her days at the Cincinnati-based marketing behemoth. She says one tactic is close observation of how people use products, because "the consumer won't tell you what they want."

She recently helped introduce Safeway's "Snack Artist" chips with resealable bags—a design feature that comparable name brands weren't offering at the time. She also oversaw the decision to list the ingredients in the store's Open Nature brand on the front of packages to tout purity.

Consumer-product companies are fighting back. Name-brands have rolled out more discounts and coupons to defend their market share in recent years.

In addition, Procter & Gamble Chief Executive [Bob McDonald](#) says the maker of Pampers and Tide has been balancing its exposure to chains with store brands by expanding distribution in other channels like dollar stores, which don't sell private labels that compete against P&G products.

They are also redoubling efforts to develop new products, particularly at lower prices.

"We invest \$2 billion a year in research and development, \$400 million on consumer knowledge and about 10% of sales on advertising," Mr. McDonald said in a recent interview. "Store brands don't have that capability."

—Emily Glazer contributed to this article.

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