

The name game

Sales of own-brand products in the ambient food market have soared as cash-conscious shoppers trade down on essentials. And, as *Ben Bold* finds, their success is driving innovation right across the sector

The concept of supermarkets selling products labelled under their own brand is nothing new. In bygone days, own labels were very basic food products packaged in very basic packaging as a cheaper, and often inferior-tasting, alternative to mainstream brands.

But in recent years, the supermarkets have upped their game, creating superior quality own-label products packaged in strikingly designed packaging. While a few years ago, own label was merely an adjunct of a supermarket's commercial strategy, its star has since risen, and is often backed by big-spend marketing campaigns.

Research published by the Private Label Manufacturers Association (PLMA) is testament to the success of own brands. The report, which covers Europe, shows that UK sales by volume of own-label products rose by 3% between 2008 and 2009 and demonstrated a value growth of 6.1%.

This trend was reflected in June, when convenience chain Spar announced its biggest-ever own-label relaunch. The company is overhauling 900 products by improving the ingredients used and redesigning the packaging to create better shelf stand-out. Spar is promoting the launch with a £5m advertising push, as well as point-of-sale activity. Since January, Spar has introduced new lines including own-branded frozen meat and an Extra Value range of essential products.

The word 'essential' has been key in Waitrose's own-brand strategy. In March 2009, it unveiled the essential Waitrose range of value lines targeting recession-bitten, price-conscious consumers. In just a year, it became a major contributor to Waitrose's sales growth (in the 12 weeks to February this year, sales were up 15.5% according to Kantar Worldpanel). Even Marks & Spencer chairman Sir Stuart Rose admitted his firm had been "bested" by Waitrose.

Other examples include Sainsbury's, whose Switch and Save campaign kicked off in 2008, attempting to persuade shoppers to switch to 15,000 own-brand products and save money (many lines are more than 20% cheaper than big brands). Most recently, the firm invited shoppers to participate in a sampling taste test to judge what was better – its own-label products or their leading brand counterparts. In the majority of cases, people voted for Sainsbury's own products.

Straitened shoppers

But taste is not the only factor driving this growth. Patrick McDermott, marketing director at packaging design firm The Design Group – which has worked on own-label projects for retailers including Marks & Spencer and Sainsbury's – says: "I think in terms of the [2008/2009 PLMA data], consumers were downgrading.

"Retailers had made good strategic decisions about upgrading their offering and thinking about brand and design. They had laid the groundwork for it and were able to respond."



Own-label sales have taken off in the ambient food sector

Kate Blandford, the founder of packaging design consultancy Kate Blandford Consulting, spent eight years as Sainsbury's head of packaging design. She says that people's mistrust of big brands is another key factor in driving own-label sales. Consumers are questioning the big brands more than they used to, she reckons. "It's been driven a lot by the well-publicised behaviour of the financial sector – it's made people review their purchasing decisions and whether it's right to have unquestioning faith in big brands."

And while people are less likely to trust their bank, supermarkets have engendered a high degree of consumer trust, which they continue to capitalise on. "They have created a point at which their product strategy is much more sophisticated, which in turn lets their communications strategy be clearer," adds Blandford.

Clearly, the growth of the own brand is good for design agencies. But is it lower-margin work? "Yes, but it's more than balanced out by the frequency of the work," says McDermott.

Yet there is surely one group not so happy to witness the continuing rise of own-label – the big brands. However, Heinz's senior brand manager, Christina Honigfort, contests this. "At Heinz, we believe that there is a place in the market for both branded products and own labels," she says. "Heinz has a very loyal following and we are constantly looking at our portfolio and re-evaluating our range to make sure that we are creating optimum stand-out on shelf."

Neil Fowell, director of sales and marketing at Bapco Closures, which works with names including Del Monte, says that brands are as active as own labels in developing new packaging. He says: "Both [brands and own labels] are making equal strides in trying to change packaging formats and reduce carbon footprints."

The PLMA figures back his point. While total own-label sales by volume may have increased between 2008 and 2009, own label's share of sales was stable, falling a marginal 0.9%, showing that brands are holding their own.

Some own-label brands have so aggressively targeted their big-brand counterparts that their packaging has got them into trouble. In October last year, Sainsbury's agreed to change the packaging of its Pitchers own-label drink after Diageo threatened it with legal action, arguing it was a copy of its Pimm's brand.

But McDermott warns that as an approach it's short-term and dangerous. "I think it does more harm to own labels than branded products, because imitation is the sincerest form of flattery."

Driving change

So how can brands protect their share? "The real opportunity for brands is to bring more innovations to market," adds McDermott. "Having competition from retailers is slightly uncomfortable, but in the long-term, it's better for brands."

Heinz's revamp of its pasta portfolio at the beginning of 2010 is a case in point. "Since the new packaging hit the shelves, base unit sales have increased by 8.5% for the whole Heinz Kids portfolio, with specifically Spaghetti, up 6.2%, and Hoops, up 23%, driving this base sales growth," says Honigfort. So innovation can pay dividends and create stand-out from own-label products.

Bapco, which manufactures closures for an array of brands and packaging types, from pet foods to fruit juices, is working on an undisclosed ambient food own-label launch that should come to market in February 2011. "With the client, we're repositioning their product to bring it up to today's consumer convenience standards," says Fowell. Bapco has managed to combine

WAITROSE ESSENTIAL



If anyone ever thought own-brand packaging design had no value, they'd do well to take a look at the figures at upmarket grocer Waitrose.

The multiple raised eyebrows in March 2009 when it launched its 'Essential Waitrose' range of around 1,400 value own-brand products. The launch – described at the time by Waitrose managing director Mark Price as the supermarket's "biggest and most important launch ever" – was a clear attempt to stop the supermarket's well-heeled shoppers defecting to cheaper competitors.

It worked. Within a year, Waitrose's sales had risen 11% to around £4.5bn, making it the

fastest-growing grocer in the country. Despite initial scepticism, the range has also won plaudits, including a prestigious Marketing Society Grand Prix, awarded in June, for the Essentials range. Even better, then-Marks & Spencer chief executive Sir Stuart Rose admitted defeat. Reporting on his store's trading last Christmas, he said: "There is no doubt about it, we have been bested by Waitrose. It's not a secret."

While the Essentials launch was a major marketing success, at its core was a packaging redesign. Some 1,200 of the 1,400 SKUs initially involved in the launch were already Waitrose products, but repackaged in a project led by the supermarket's internal graphic design department. It undoubtedly helped that prices were lowered on 450 lines as well.

But the unity of the packaging design, which features a clean white background with straightforward images or illustrations of the product and a description in Waitrose's distinctive sans-serif lettering, has created a strong brand presence of its own since its launch.

The range is expanding, too, with more products in the pipeline. So if you're ever tempted to dismiss own-brand packaging as boring, just think of Waitrose and, as they say, follow the money.

three elements in closure technology that in the past would have been sourced separately. The new packaging uses 20% less foil, includes an integrated spoon, can be opened with one hand and is much cheaper to produce.

Design agencies and packaging firms can expect to be on the receiving end of more commissions from supermarkets and brand owners for reasons other than commercial advantage. "There's also the issue of packaging reduction," says Blandford, stressing that packaging designers and manufacturers must strike a balance between making a pack more environmentally friendly and giving it stand-out on shelf.

Sainsbury's is just one retailer with an ambitious target. "With regard to packaging, our target is that we will reduce our own-brand packaging weight, relative to sales, by 33% by 2015 against a 2009 baseline," says a spokesman.

With both supermarkets and brand owners aiming to lighten their packaging and also protect their market share from one another through innovation, observers can expect to see continuing activity from both sectors. And that's good news for packaging firms and designers.

"I think the battle will continue," says Blandford. "I hope we will see more of the iceberg appearing in terms of physical packaging [as opposed to graphic design] and an increase in honesty and transparency – the Innocent approach of we do what we say." ■

PRIVATE LABEL DATA 2009

46.9%

Sales, by volume, at UK supermarkets of own-label goods

52.5%

The share of the own-brand market in Switzerland, which leads the way in Europe

41%

Amount, by volume, of dry grocery goods sales that were own-label in 2009

34%

of sales of dry grocery products, by value, were own-label

75.3%

Share of sales, by volume, of own-label deli products, a year-on-year fall of 1.6%

Researched and collated for the Private Label Manufacturers Association by The Nielsen Company