

Quality Promise Program Empowering Consumers As Your Quality-Control Agents

By Felicia Rogers

Do Private Brands Really Pay Off?

Some may say private brands are a “cost of entry” for today’s retailers. Some say they’re necessary to compete. I would say they represent a major strategic opportunity for retailers of all types and sizes. Private brands represent an opportunity to grow revenue, to boost profits, to strengthen bonds with customers, to differentiate and insulate from the competition, and to effectively compete with major national brands.

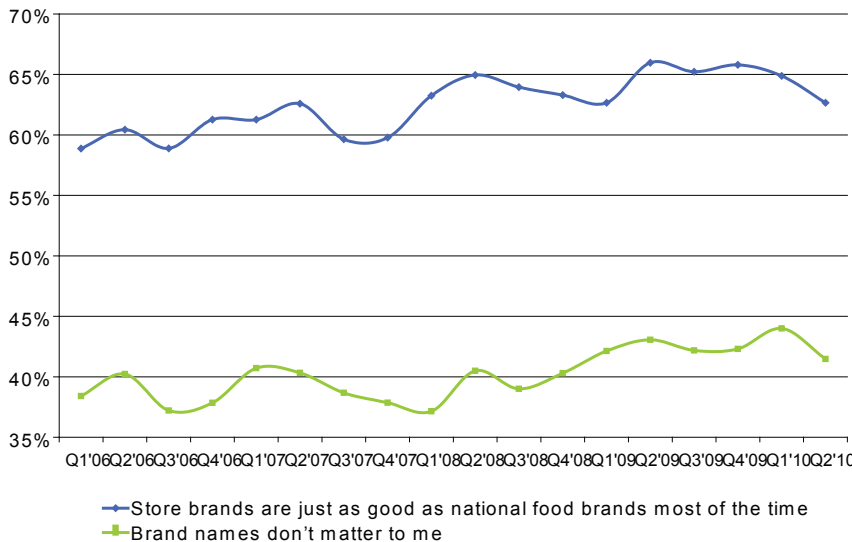
The growth of private-label products has been explosive over the past decade. According to a study by The Nielsen Company for the Private Label Manufacturers Association, private brands accounted for one in four products sold in U.S. supermarkets in 2009, representing a \$55 billion business. These numbers are astronomical, compared to just five years ago.

Growth of private brands is at least partially attributable to improved quality and branding, which has been bolstered by a very sluggish economy. Decision Analyst’s Health and Nutrition Strategist™ (HANS™) study shows that consumers have grown more accepting of private brands in recent years (See Graph 1 below). Exposure to such products has increased over the past few years as consumers have struggled through one of the toughest economies since the Great Depression which started in 1929. Many have turned to private brands as a way to save money. Their private label experience has been very satisfying—in fact, so satisfying that many are unlikely to return to national brands when economic conditions improve.

What Are The Keys To Success?

Graph 1: Consumer Acceptance of Private Label Brands

Quality perceptions of store brands have improved in recent years, especially since the beginning of the recession.



Source: Health And Nutrition Strategist™
Base = 15,209 American consumers who shop for groceries
Top-2 Box: Agree completely/somewhat with statements about grocery shopping

Health and Nutrition Strategist™

The Health and Nutrition Strategist™ is an ongoing survey of 4,000 nationally representative U.S. adults per year. The sample source is our proprietary online panel, American Consumer Opinion®. Data collection started in January 2006. The Health and Nutrition Strategist™ is a massive, integrated knowledge base of food and beverage consumption, restaurant usage, health habits, and nutritional trends.

While many variables must be optimized to strike it rich with a private brand, three are essential:

- High-quality products.
- Well-defined target market.
- Consistent delivery against the brand promise.

Establish High Quality

Historically, private-label products were marketed as low-priced alternatives to their national brand counterparts. Unfortunately, this strategy was harmful to virtually all private brands. Over time, a low-price positioning resulted in perceptions of low quality.



Over the past decade, however, “store brands” have experienced a metamorphosis of sorts. Retailers have invested tremendous time and effort to build brands that have become viable competitors to the major national brands. These retailers are now adding to their bottom lines with these higher-quality products as consumers embrace them wholeheartedly.

Focus On Target Market

However, not all consumers are wired to fall in love with private brands. Some are strongly committed to buying national brands. They feel the quality is superior. They trust the well-known names. They are willing to pay more for those brands. Deep down, there is a desire for status and prestige, which is often delivered by well-known, well-respected national brands.

Understanding consumers is no simple task. From our HANS™ market intelligence database we can examine consumer shopping behavior for hundreds of variables. In regard to grocery shopping, we have identified five shopper style segments (see Graph 2 on this page and the HANS™ Shopper Style Segments on page 3). One or two of these segments clearly represent the most promising consumer targets for private brands.

“Store Brand Fans” represent the most easily attracted target (or low hanging fruit) for private brands (hence the name). These shoppers think highly of private brands, typically considering them to be just as good as national food brands and able to deliver good value for the

money. This buyer tends to be a young female head of household, who is looking for high quality at a low price to feed her family. She enjoys browsing and discovering new products as she shops. This inquisitive nature may be what prompts her to try private brands in the first place. This suggests that several key marketing elements are important to capture this customer’s attention—namely attractive packaging, prominent shelf placement, multiple facings, and perhaps promotional pricing.

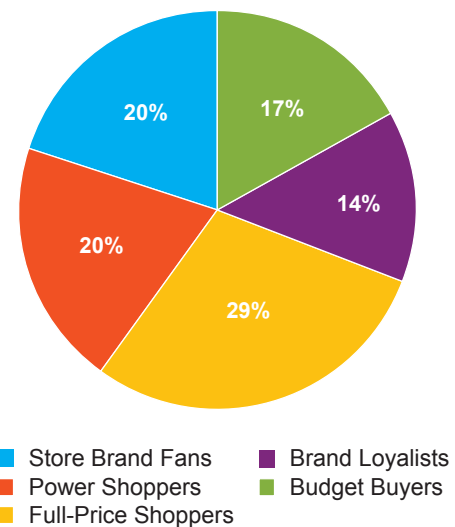
In addition, “Budget Buyers” are a group likely to purchase private brands, although they are a somewhat less compelling target audience. These are primarily older men who shop infrequently (and don’t enjoy it, by the way). They are unwilling to pay for national brands, feeling that private brands are just as good. They are looking for low prices, and a quick and painless shopping trip. For these customers, easy access and clearly displayed prices—if they are lower than national brands—will woo them easily.

Deliver Consistently

Unfortunately, providing great products and targeting the right consumers does not guarantee long-term success. Retailers must work hard to ensure product quality is both good and dependable. That is, from store to store, from purchase occasion to purchase occasion, customers expect to receive the same product quality consistently.

This is a challenge somewhat unique to private brands. In comparison, national brands typically handle their own manufacturing, which puts nearly 100% of quality control

Graph 2: Shopper Style Segments



HANS™ Shopper Style Segments

Budget Buyers

- Hate grocery shopping
- Get in/out quickly
- Lowest price shopper
- Store brands:
 - Equal to national
 - Good value for money
- National brands:
 - Never buy them
 - Not willing to pay for
- Responsible for:
 - Little food shopping
 - Little food preparation
- Older men
- Low income

Brand Loyalists

- Enjoy grocery shopping
- Enjoy browsing aisles
- Enjoy seeing new products
- Organic & natural
- National brands:
 - Always buy them
 - Willing to pay more for
- Responsible for:
 - Food decisions
 - Food shopping
 - Most food preparation
- Trusted advisor
- Middle-aged women
- Children join shopping
- Average income

Full-Price Shoppers

- Brand names matter
- Not coupon users
- Not seeking specials
- Do some or little:
 - Food shopping
 - Food preparation
- Younger men
- Often single
- Well educated
- Higher income

Power Shoppers

- Detailed shopping list
- Seek out specials
- Bargain hunters
- Active coupon users
- Responsible for:
 - Food decisions
 - Food shopping
 - Food preparation
- Often married
- Spouse joins shopping
- Lower income

Store Brand Fans

- Enjoy browsing aisles
- Enjoy seeing new products
- Lowest price shopper
- Store brands:
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 - Never buy them
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- Responsible for:
 - Food shopping
 - Most food preparation
- Often married
- Younger women
- Children join shopping
- Lower income & education

in their company's hands. Consistency becomes a big challenge for private brands, which are typically sourced from manufacturers outside the retail organization, and more often than not, from multiple manufacturers. How can an organization monitor and enforce quality standards across manufacturers? The remainder of this paper describes a program for monitoring product quality where the rubber meets the road—and the secret is to engage customers to do this job for you. Believe it or not, this can be done cost-effectively and can enhance your customers' impressions of your organization at the same time.

Empower Your Customers As Your Quality-Control Agents

Customers are the ultimate judges when it comes to product quality. If it's good, they will keep buying. If it's not so good, they will quickly lose interest. However, you may not ever know what is happening. You might see sales slipping for a particular product or even a certain sku, but how will you know it's a matter of substandard quality when most customers are unlikely to proactively share

their experiences with you? They would rather just move on silently.

Here is where a Quality Promise program can bring tremendous value to your organization. Quality Promise is much more than a customer complaint line. It's a private community of your customers who are dedicated to helping you monitor the quality of your products. It's a program that can help you engage a select group of customers in a big way and one that you can promote to showcase your unwavering commitment to quality. Here's how a Quality Promise program works.

First and foremost, establish a partnership with a company who:

1. **Will manage the community for you.** You will want your partner to develop a sophisticated database and registration form to collect detailed household and behavioral information about all who register for the community. This database provides valuable information for recruiting specific participants to evaluate certain products. Because it would also include details about product usage and household

demographics, it can be utilized as an important marketing planning tool. That is, you would have a database of your private brand customers, their product habits and preferences, and household profile information (perhaps including media habits), that can be used to inform direct-marketing efforts and other marketing plans.

2. ***Is recognized as an expert and has a long history in product research.*** Not all community companies are well versed in the science of product testing, and vice versa. While the community itself plays a significant role, the product tests and analyses are critically important to the success of this program. After all, the products are the primary focus of this effort.

Working with your partner firm, your organization will likely take the lead in recruiting community members. You will do this by advertising and promoting the program via POS (point-of-sale) materials, receipts, your website, social networking, your employees, product labeling, Internet search engines, etc. This activity alone tells the world that quality really matters to your company. In response to this promotional activity, your customers sign up to participate on a volunteer basis. Although low-cost incentives (such as gift card giveaways) increase participation and help establish good will (and should be used), the key to doing this economically is the ***volunteer network*** of your customers.

Establishing the community is only one part of the process. Your partner will develop a scientific system for evaluating private-label products throughout your stores.

This is the heart of the program. Community members will be asked to buy products on their regular shopping trips, use them during a specified time frame, and report their experiences through a standardized online survey. The analysis of results quickly reveals products that need attention. These types of findings should trigger further diagnostic testing.

In creating the Quality Promise program, it is ideal to centralize management of all the key tasks.

- Dedicated panel website
- Large database to compile and manage panelist registration information
- Master product-testing questionnaire
- Survey/Product test execution and management
- Standardized and centralized reporting/Online library
- Normative database of test results by product category

A fully-integrated system managed by one partner who is not only a community expert, but also really understands product evaluation and diagnostics, in concert with a dedicated volunteer network of your customers, will enable you to detect and quickly rectify product quality or inconsistency issues. Ultimately, a Quality Promise system helps you establish accountability with your manufacturers and upgrade the quality of your private brands over time. It will also enhance your corporate brand image as program visibility grows and product quality improves, and increase market share and profits as quality progresses. There. You've captured the prize. Increasing profits is the ultimate reward. Right?

About the Author

Felicia Rogers is an Executive Vice President at Decision Analyst. She may be reached by calling **1-800-262-5974** or **1-817-640-6166** or by emailing frogers@decisionanalyst.com.

Decision Analyst is a global marketing research and analytical consulting firm. The company specializes in advertising testing, strategy research, new products research, and advanced modeling for marketing-decision optimization.



604 Avenue H East ■ Arlington, TX 76011-3100, USA
1.817.640.6166 or 1.800. ANALYSIS ■ www.decisionanalyst.com