

Clean Ones In The News

OPPORTUNITIES AHEAD

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By Craig Levitt

Nonfood private label sales are on the rise, but supermarkets need to be more aggressive to take advantage.

No one is doing cartwheels as the country remains immersed in the throes of a recession, but pardon some private label manufacturers if they are a little less downcast than most. As private label products continue to gain favor with shoppers, some of the biggest growth categories can be found in the general merchandise (GM) and health and beauty care (HBC) aisles.

According to Chicago-based Information Resources Inc.'s September 2009 report, *Private Label 2009, Game-Changing Economy Taking Private Label to New Heights*, across all retail channels, the private label health care category increased 1.8% in dollar sales and 1.4% in unit sales for the 52 weeks ended July 19. That accounts for 35.3% of dollar share and 26.8% of unit share.

General merchandise sales are also up 0.2% for both dollar and unit sales with market shares of 14.0% and 9.8% respectively. Beauty and personal care products—up 0.3% in dollar sales and 0.1% unit sales—account for 12.5% and 9.6% of market share in dollar and unit sales.

“With an aging population and a huge baby boomer audience, there is a shift to where more retailers are seeing and realizing the benefits of a good private label program,” says Tom Hatcher, director of marketing for Portland, Ore.-based Clean Ones Corp., makers of private label gloves. “Private label is a wider spectrum than it used to be. For a long time it was assumed that it was strictly an older, lower income consumer. That’s not the case; it is widespread within all ages and demographics.”

Those demographics also include households with children. According to Daniel Enriquez, vice president of sales for Buena Park, Calif.-based Dr. Fresh, one of the company’s top sellers is the Firefly flashing toothbrush. “The Firefly toothbrush, with its proprietary light-up technology, has been the No. 1 selling kids’ toothbrush for the last four years,” adds Enriquez. Dr. Fresh also develops more than 250 different personal care products for food drug and mass retailers that Enriquez says are “cost-effective.”

That cost effectiveness comes into greater play today as much of the categories growth can be attributed to the economy. According to the New York-based Private Label Manufacturers Association’s (PLMA) 2009 Private Label Yearbook, 75% of shoppers say current economic conditions were important in deciding whether or not to purchase store brands.

Industry observers agree that the economy has been a major factor when it comes to the growth of private label sales. However, many also say consumers are motivated by more than just saving a few dollars when they choose private label products.

“It’s not just the economy [driving private label sales], and it is a mistake to assume that private label is completely dependent on the economy,” says Jim Wisner, president of the Libertyville, Ill.-based Wisner Marketing Group. “The fact is consumers have caught on and have reached a point of understanding that these private label items really are as good as the national brands. Packaging has improved dramatically over the years, which has made a huge difference, private label doesn’t look cheap, it looks every bit as good as what else is on shelf. All that has helped drive consumer acceptance.”



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Some of the leading categories in private label dollar volume include HBC sections such as medications and remedies, cough and cold remedies, vitamins, first aid and pain remedies.

For supermarkets however, it's not all wine and roses when it comes to the nonfoods categories. Insiders say because Wal-Mart has such a huge amount of private label product—and continues to expand its offerings—it can be extremely difficult for supermarkets to compete in many of these categories. Add to that the fact that most supermarket chains don't fare particularly well in GM and HBC to begin with creates quite a conundrum.

"The supermarket industry is not really driven by nonfood sales," says Brian Sharoff, president of the PLMA. "The supermarkets that have been most successful [selling private label], whether it is Whole Foods, Trader Joe's, Wegmans or H-E-B, have been mostly driving the food side. They are going to give up on nonfoods. Some of them have excellent nonfoods programs; it's just not the driver in the car."

He says it may take some time to see the impact of nonfoods private label products. "The recession has definitely caused a spike in consumers interested in private label," says Sharoff. "One hopes that retailers are using that increased interest to develop more nonfoods products, but we will not know that for sure for another six to nine months because it takes time for those products to come to shelf."

That is not to say that grocery retailers can't gain market share in nonfoods private label. Sharoff says that while it may be difficult for some smaller supermarkets to compete in the nonfoods private label arena with the Wal-Marts and Costcos of the world, the larger retailers have the opportunity because of the one-stop shopping that they offer. Unfortunately, he adds, based on evidence from recent consumer and trending studies, at least 50% of all consumers do their primary shopping in at least two or more retail outlets.

While most supermarkets tend to under promote their private label brands, observers say it is even worse within GM and HBC, as they often treat the categories as an afterthought. "There is no reason for a supermarket to feel like they can't promote the way a drugstore or club store does," says Wisner. "They absolutely can, especially when you are talking about health and personal care, because many of these items are small. To carry a 300-count bottle of vitamins and promote it aggressively shouldn't be a big deal. For whatever reason, supermarket chains are a little reluctant to be that aggressive."

Others say that although it is true that supermarkets may not necessarily be putting their best foot forward that choice was essentially made for them by consumers who consistently make most of their nonfoods purchases elsewhere.

"There just isn't a strong opportunity for a supermarket to sell [nonfood] private label merchandise at a comparable price to what alternative channels could charge," says Sharoff. "Supermarkets can't stuff their aisles with a lot of product and then have it sit around with nobody buying it."

In categories such as foot care and first aid, Steve Corsun, CEO of Premier Brands of America, based in Mount Vernon, N.Y., says grocers have begun to increase their store brand assortment. Corsun adds that increasing the product assortment allows grocers to increase their "ad block" when promoting store brands.

"The majority of purchase decisions in the foot care and first aid categories are made at shelf," says Corsun. "Therefore having a consumer desired assortment in private label, along with periodic promotional offers will lead to business growth."

Corsun also sees private label manufacturers moving toward offering unique and innovative items to distinguish themselves from national brands. For example, Premier Brands offers a Bamboo Insole, which is made with bamboo lining and recycled paperboard, providing environmental benefits.

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Becoming more eco-friendly is also an initiative for Clean Ones. The company has already taken steps to do so by reducing packaging size, using recycled plastics and cardboards and attempting to use biodegradable materials in its products. According to Hatcher, private label manufacturers have the opportunity to surpass national brands in today's competitive environment.

"We are looking to offer our retail partners next generation solutions," says Hatcher. "Private label has come such a long way that it is no longer a generic product. Private label companies are market leaders so to speak."

All Clean Ones items are available in private label, branded or a highly successful combined program. Clean Ones prides themselves on the quality of their product, service and expertise in the industry.

Clean Ones – For Clean Hands on Dirty Jobs

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