The Battle for the Grocery Consumer: The Emerging Brands

by Fred Brown

In my previous post, we discussed how retail grocery product placement is more than artistic flair. It's closer to a science – a science that helps the consumer choose the products that they THINK they want, while providing the most profit to the retailer. Food manufacturers compete for prime product placement to maximize sales. This ongoing jockeying for prime product placement continues, even with the predictions of the demise of the traditional grocery store.

Grocers use product placement plans called planograms, which are diagrams or models that indicate the ideal placement of retail products on shelves in order to maximize sales. Prime planogram locations are the perimeter of the store, eye level on the aisles, and at the store entry. There are many planogram strategies – block placement, commercial placement, and vertical placement – that impact placement decisions. There are also many studies that affect these decisions, some even suggesting that consumers scan shelves from left to right, starting at eye-level first and then working down. Planograms are constantly re-evaluated and revised to address consumer trends, seasonal promotions, and supplier incentives and rebates. But one factor is constant – product margin correlated with demand is the key reason why certain products get the nod for consistent prime placement.

Product placement is one of the key contributors to a grocery retailer’s profit. But a new food supplier has arrived on the market that upsets the entire placement applecart. That new supplier is the retailer itself, and the product is their own private label brand.

While private label brands have been around for years, they were not an immediate success. The original private labels were quietly offered by the retailer as low-cost alternatives to branded products. I distinctly remember buying my favorite grocer’s tomato soup in a can (with a simple white label and bold red letters reading Tomato Soup), thinking how much it looked like the food rations pictured in advertisements for atomic war fallout shelters – not fancy, but functional, and less expensive than the traditional brand. As private brand sales increased, retailers looked for ways to increase their margins – some even purchasing manufacturing facilities and producing their own private label products, eliminating supply chain costs to further increase profits.

However, the retailer’s private label sales strategy has changed over the years. They realized that not only could they offer a lower cost/higher margin product to their consumer, but they could make even more profits by offering premium private label products – still competitively priced, but positioned as a premium alternative to traditional brands. So the retailer’s private label strategy has morphed from “the least expensive alternative” to “the best value multi-tiered” strategy, providing products for all consumers. In fact, this multi-tiered strategy has been so successful, the major grocery retailers now build their placement strategies to consider their own brands for prime shelf locations. Alas, the traditional food manufacturers face even stiffer competition – now from their own sales channel!

So, next time you walk along the outer perimeter of your favorite grocery store, take note that there are private label (and traditionally branded) food products sneaking closer to that edge of the store walls, looking to gain your attention. Also notice that in the center aisles, the retailer’s own private label brand(s) are edging up or down the shelves to eye-level, competing with traditional brands for the prime shelf space.

The battle for product placement continues!

My next and last article in this series will contemplate how innovation can help the traditional food manufacturer successfully compete with the now primary competitor – the retail channel owner.

More Reading

The Battle for the Grocery Consumer: The Challenge of Product Placement for CPG Manufacturers

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