

How to win the smaller wallet battle

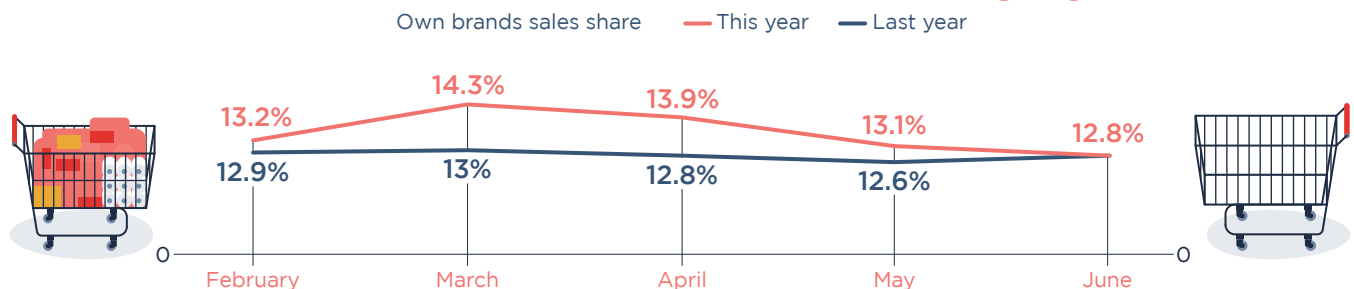
Retailers have an unexpected opportunity to create the next big breakthrough in private brands. They've spent the past decade innovating and investing in new innovative products, packaging, and brand design.

Now, panic shopping and stockpiling since the pandemic has attracted **75 million new shoppers** across Retailer Private Brands, according to Catalina's Buyer Intelligence Database. While forced trial accounts for some of those temporary gains, **41%** of new shoppers to Retailer Private Brands made repeat purchases.

They liked the assortment and product quality.



But a troublesome trend is emerging.



In three months, these retailers have lost all the sales share gains they made in March, which have now dipped to below year-ago levels.

As the pandemic plays out and a recession takes hold, there is new urgency for retailers to lean in and invest their marketing dollars to keep those **repeat buyers** coming back for more.

A new focus on value

It is not as simple as dusting off the 2008 Recession Retailer Private Brands playbook. Then, private brands won because shoppers were looking strictly for value and could shop around to find it. Private brands can't sit back and wait for that to happen again because it won't.

This time is different.



As COVID-positive cases rise again across the country, consumers will likely continue to spend more money in fewer trips to the store and seek out comfort food they can make at home.



CPG marketers will begin using the marketing dollars they saved during COVID-19's early days to fight for their pre-COVID market share positions.

Retailers can win again by taking a fresh look at their marketing budgets. Why spend 90% of it on weekly circulars for mass reach when it's possible to use purchase and lifestyle data to specifically target motivated shoppers and the most relevant buyers who want to discover brand alternatives. Capitalize on trial purchases to engage them with Retailer Private Brands in a personalized way.

Next Move:

- Reallocate advertising spend to create personalized messaging and offers.
- Convert shoppers with either compelling value or by supporting their new pandemic-induced habits.



Learn from 'big win' categories

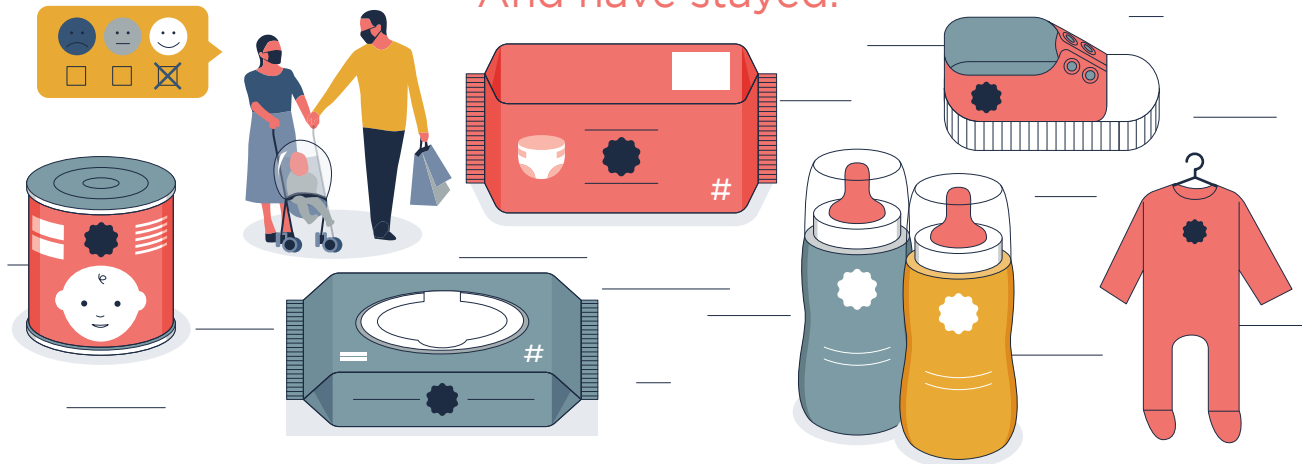
Apply learnings from specific areas where private brands have had big wins during the pandemic:



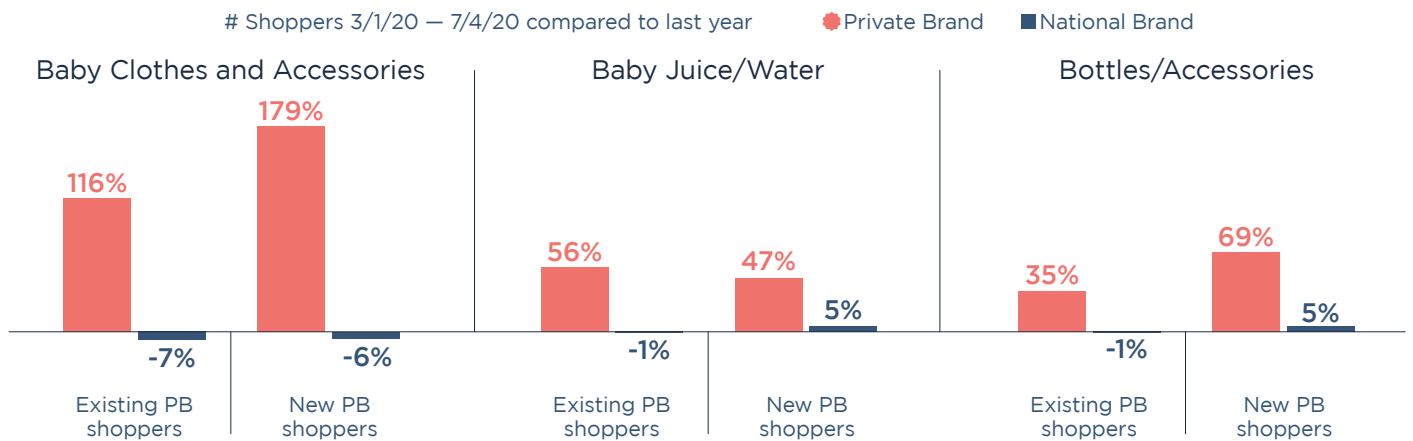
Make room for baby

Spending more at fewer stores sent shoppers to new aisles. As baby showers went virtual and dens turned into daycare centers during lockdowns, young family-related food and supply categories gravitated toward private brands.

And have stayed.



Baby supplies, including bottles, clothing, and other accessories, posted significant gains driven by new and existing shoppers to Retailer Private Brands.



According to the Centers for Disease Control and Prevention, more than **10,000 babies** are born in the US every day. Expectant and new moms are likely looking for value and see Retailer Private Brands as a way to stock up on items they would have typically received at a baby shower.

Next Move:

- Promote the convenience of one-stop shopping when targeting parents with young children.
- Prompt them with offers of baby and young child items throughout the store.



Win at the breakfast table

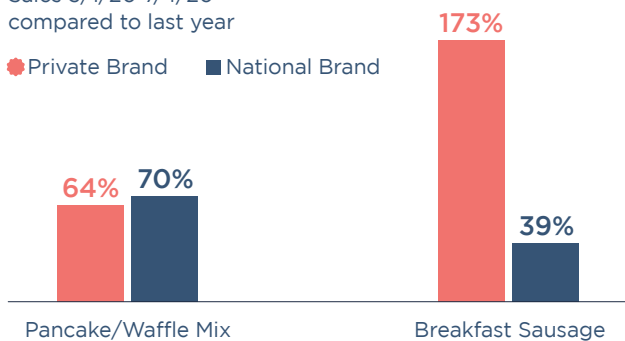
Home has become work, play, school, and gym, making breakfast the new family meal. Until recently, breakfast eaters gravitated toward grab-and-go items, but now consumers are cooking this meal at home before the multi-tasking begins. For retailers, this may be the most likely mealtime to continue to win with private brands. It's already full of low-risk products like milk, bread and eggs.

Long-time staple private brand categories.



Sales 3/1/20-7/4/20
compared to last year

● Private Brand ■ National Brand



At the beginning of the pandemic, commodity-plus categories like pancake and waffle mix surged higher in sales than national brands. As time progressed, national brands picked up momentum, and the result has been fairly similar growth of both private and national brands. Some categories, like breakfast sausage, remain clear winners.

By understanding **which categories continue winning** for private brands during this time, retailers can direct their marketing efforts to leverage these categories as a platform to promote complementary items.

Next Move:

- Think of the pancake as the center of the plate that creates complementary opportunities to encourage promotion of private brands as a meal solution.
- By adding juice, syrup, meat products, and even coffee, retailers can help shoppers bring together a quality offering for the private brand-curious in a value-driven way.



Rise with the new baking nation

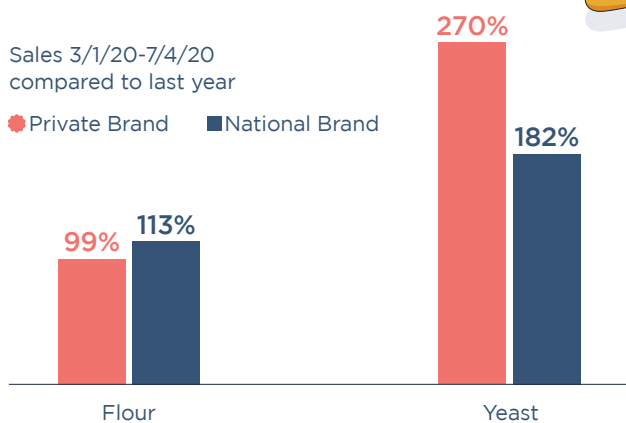
Shoppers continue to want flour — any flour, sugar, vanilla extract, or chocolate chips they can find. Baking has become a new, inexpensive, and addictive form of entertainment.

Why go from store to store to find a name brand for this commodity-driven category?

Buyers didn't stop at the traditional commodity entry points when buying Retailer Private Brands during the pandemic. Lifestyle changes made eyes wander to more commodity-plus categories throughout the store. Adjacent categories like breakfast add-ons and baking enhancers showed impressive growth, although some shoppers have reverted to brand names. Retailer Private Brands have not proven to be clear winners in all commodity-driven baking categories.



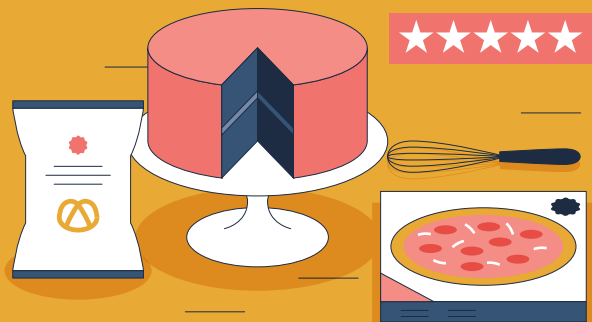
As shoppers stocked up with items that were previously stable and predictable, retailers have had a hard time keeping some private brands on the shelf. It remains to be seen whether shoppers swing back to them once the supply chain adjusts. Flour is one baking category where private and national brands have posted similar growth rates compared to last year. Yeast, however, is showing private brands with a higher jump than national brands.



Slotting fees and promotional trade funding aside, over the long haul this category gives retailers a relatively easy way to simplify their supply chain and assortment to create resiliency throughout the COVID-19 crisis. The longer the pandemic and recession goes on, retailers need to ask themselves if they are perpetuating a pattern that no longer naturally exists.

Next Move:

- Educate shoppers about the breadth of Retailer Private Brand products across the store. This is now a frequently visited aisle.
- Show these new bakers the quality and value they see in this category is also available in other categories such as snacks, frozen foods, pizza and paper products.



Natural and Organic categories see healthy lift

These times call for a fresh look at what's motivating shopper buying patterns. For example, our data shows more new "strong" and "very strong" natural and organic seekers* are attracted to the private brand space for the first time.

They highly index over existing private brand seekers.



We are seeing continuous engagement over a longer period. Understand that natural and organic attributes are likely more important than the brand itself.

Next Move:

- Apply educational messaging to shoppers who value natural and organic guidelines.
- Emphasize that they are non-GMO or free from high fructose corn syrup.



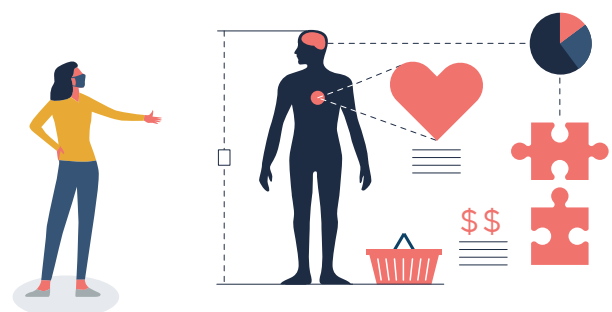
Treat your Retailer Private Brand as a Brand

The pandemic created **a decade's worth of trial in a few weeks**. This gives Retailer Private Brands the right to win if their marketing communications, promotional cadence, and price architecture hold firm.

Use buyer personalities, not just sales, to better understand the why behind these buys:

The lifestyle they represent.
The ingredients they look for.

These are the insights from which you can begin to build loyalty around the needs of this new Retailer Private Brand shopper.



Where can Retailer Private Brands be by 2021?

The pandemic has created an opportunity to improve supply chain excellence, take a fresh look at assortment, co-packer partners, and adjust forecasting models. But if Private Brand Retailers stop there, they will lose all the momentum gained.



New shopping habits and a tighter wallet require closer integration with an investment in marketing communication to drive loyalty of these new participants with a retailer's private brands.

- 1 Think strategically about how marketing can **improve your business across the store**, not just with one-off campaigns for this month's new product.
- 2 Start today building effective 1:1 personalized conversations along the shopping journey. Don't rely solely on promotions and unnecessary discounts when data analytics can **identify those willing to pay full price** for the value private brands represent.
- 3 Remind new buyers of **relevant private brand products throughout your portfolios**. Now, price, variety, cost, and differentiation can better stand up to buyer demand with value that addresses their unique needs. All that hard work has already been done.
- 4 **Set specific growth goals** for each of your private brands that go beyond just sales and sales share. Consider household metrics like sales per trip and trip per household. Align your marketing efforts to these specific goals.
- 5 Seek the why behind the buy: What are the **underlying household preferences and behaviors** driving their interest and repeat participation with attributes of a specific private brand?

Now's the chance to treat your
Retailer Private Brands like National Brands.
Because private brands are brands, too.

Catalina leverages its **Buyer Intelligence Database** to understand Private Brand shopper behavior and the why behind the buy. They can then create personalized marketing campaigns to target the right shoppers, at the right time, at the right place. This allows your marketing dollars to go further. **Here's how** to learn more about how Catalina can support your Retailer Private Brand business.

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