

## It Takes Two

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Retailers and national-brand marketers are finding mutually beneficial ways to co-promote their products



After years of quiet cohabitation on the shelf, the success of private labels has given way to competitive tension between retailers and national-brand marketers.

United Supermarkets' "Meal Deals" pair private labels with national brands.

But rather than wage war over category share, trading partners have begun to develop plans to jointly promote their products. Many are discovering creative ways to reap rewards that would be unattainable without the other's help.

"What the national-brand marketer gets is excellent merchandising support, because the retailer has extra incentive to perform," Jim Hertel, managing partner for Willard Bishop, told *SN*.

Meanwhile, the retailer is able to get more bang for its promotional buck since the national-brand marketer is lending financial support to the promotion. (Typically, both sides fund their own portion.)

"Retailers get a better event for the same investment; that's a great promotional ROI," Hertel observed.

Barilla America is among the national-brand manufacturers who've discovered that joint promotions lead to incremental sales.

The company teams with retailers to create meal solutions that use its pasta sauce as a foundation and include store-brand salad, meat, cheese and wine.

"These joint promotions usually help overall sales," Joe Landfair, vice president of sales for Barilla, Bannockburn, Ill., told *SN*.

Bi-weekly "Meal Deal" promotions hosted by United Supermarkets, Lubbock, Texas, also combine private labels and non-competing national-brand products. Each offer combines one full-priced item and several others that are free, according to spokesman Eddie Owens, who couldn't elaborate on how the promotions are funded.

A recent offer included a Classic Cooks-brand 10-inch frying pan for \$9.99, with a variety of private-label items including Red River Farm large eggs, 12-count; Food Club jumbo biscuits, 16-ounce; Pioneer gravy mix; and Smokehouse Ranch bacon, 12-ounce, free.

Co-promotions can even work well when the highlighted items compete with one another, according to Anthea Jones, senior vice president of store operations for Bi-Lo, Mauldin, S.C.

"When you are seeking trial of your store brand, if you can say, 'Buy this national-brand item and get this private-brand item for free,' it drives some trial of the item you're trying to push and it also helps the national-brand manufacturer," he said in a recent Willard Bishop white paper.

Bi-Lo has added to its promotional mix "Our Brand Challenges," which give shoppers the chance to buy items including Kraft Sharp Cheddar Chunk Cheese and get its store-brand Southern Home counterpart for free. Purchases of White House applesauce, six-pack, and Hawaiian Punch Fruit Juicy Red will also earn shoppers the private-label equivalent. To redeem the free offers, shoppers must print an online coupon and present it at the checkout.

“We've worked with our national-brand partners, they're on board, and it was incremental to all other things we were doing,” said Jones. “We set up the calendar timing and make sure everyone's aligned to the category strategy so everyone meets their financial needs.”

For several years, Publix Super Markets, Lakeland, Fla., has likewise paired store brands with national brands because “CPG brands and retailers rely on one another for strength,” said spokeswoman Maria Brous.



Food retailers are pairing recipe ingredients like store-brand marshmallows with national-brand cereal.

These offers not only drive national-brand product sales, but also incite risk-free trial of corporate brands.

“While we recognize that there are some items consumers are willing to try in private label, there are still other items that consumers will remain national-brand loyal to,” said Brous. “Offering alternatives or suggestions to consumers that they may not otherwise have been aware of is a great way to increase sales and loyalty among both.”

Programs like these also make sense since they allow brand manufacturers to control which retail locations benefit from their promotions. That's not always the case when coupon offers involving just the national brand are distributed.

More than one in three (35%) national-brand coupons end up being redeemed at Wal-Mart Stores, according to Gerry Gersovitz, president of San Francisco-based Instant Combo Savings, a promotion-solutions company that provides electronic “buy the national brand, get the store brand free” coupons.

“People will walk right into a Kroger, pull the national-brand coupons out of the in-store dispensers, and then leave the store and use them on products purchased at Wal-Mart,” he said.

During a trial program from ICS that included a “buy the national brand, get the private brand free” offer, one-week volume lift exceeded 400% for both the private-brand and national-brand products. ICS estimates the annual gain for each participating private brand is between 20%-30% based on growth in household penetration.

Retailers looking to put together creative promotions like these should not be afraid to make the first move, especially since manufacturers are often game.

“Talk to us,” said Barilla's Landfair. “We work with all our retail customers to provide nutritious and affordable food for people, and we work hard to approach that engagement with fairness and equality and look for the same from them.”

Hertel suggested that it would be silly not to broach the subject, given the time, money and hard work trading partners have already invested in their relationship. The discussion can be part of the regular dialogue between category manager and supplier.

“Another great time to get it going is during yearly or bi-yearly top-to-top sessions involving the retailer's senior vice president of merchandising and the supplier's vice president of sales,” suggested Hertel. “Frequently, decisions can be made right then and there.”

In the past, general competition as well as national-brand concerns about packaging similarities and infringement of intellectual property rights may have put the two sides at odds, but “such concerns should decline as retailers get more sophisticated in their development approaches,” said Hertel.

Landfair agrees.

“We're all looking for ways to grow sales and make good business decisions in doing so,” he said. “It gets more difficult when national and store brands compete for the same consumer, so finding complementary combinations is an important element for both parties to find success.”