
# Too many brands?

**Benefits of store brand consolidation include operational efficiencies, brand awareness and customer loyalty.**

**By Michal Christine Escobar**

Today's store brand proliferation — an overabundance of brands on the part of certain retailers — is the result of private label's starting off on the wrong foot back in the 1970s, says Ben Ball, senior vice president of Northbrook, Ill.-based Dechert-Hampe. It took retailers 20 years to recover from negative perceptions associated with the black-and-white labels and subpar products and another 20 years for them to figure out what store brands are supposed to be. During that recovery period, store brand proliferation began to occur as retailers introduced multiple-tier strategies.

"Then we started to realize it was way too many full-line brands for a retailer. We started to get all confused about what was what and began overloading the shelves," Ball adds, "and wound up with a mess in terms of proliferation."

New product development also contributed to the explosion of store brands, states Todd Maute, a partner with New York-based CBX. As retailers began to innovate with products and enter new categories, their corporate brands didn't fit with the products they were creating, forcing them to generate new brands: one for the baby aisle, one for the snack aisle, one for the canned food aisle, etc.

But in recent years, many retailers have consolidated their store brand portfolio. For example, BJ's Wholesale Club, Westborough, Mass., recently reduced the number of private label lines it offers from 10 to just two. Many retailers are beginning to realize that offering fewer brands that resonate more strongly with consumers is more effective than offering many brands that resonate very little or not at all. Additionally, managing so many private brands can be a real hardship.

## Several snares

Private brands can be a great way to drive loyalty with customers, but when a retailer has too many brands, its resources are spread too thin and it becomes difficult for that retailer to really stand behind each and every one, states Charisse Jacques, partner in the retailer practice with Kalypso, Beachwood, Ohio.

Maute agrees.

"From what we've experienced in working with retailers that have multiple brands, 95 percent of the time they decide to consolidate because it's too


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hard for them to manage and/or they can't give the brands emphasis or support," he says.

Plus, it's difficult for retailers to manage a large portfolio of private brands simply from an operational standpoint — it's just not very efficient, he adds.

David Giannetto, senior vice president of Salient Management Co., Horseheads, N.Y., agrees.

"Because the retailer is spending more money in the store on unproductive products, brands and packages, and also at every point in the supply chain, [it is] diffusing marketing and sales efforts and failing to have a clear focus on what role each product or brand plays within their portfolio," he says. "Too many store brands have an exponentially larger negative impact on an organization over time."

And when a retailer has many brands, the customer often doesn't know whose brand it is — and that's a major issue, Maute states.

"You don't get the marketing benefits or the ability to establish loyalty to a banner unless the consumer knows they can get that product only there," Maute says.

Jacqueline Reynolds, CEO of The ShopShop Inc., Los Angeles, agrees.

When retailers offer a large number of private brands, those brands become the "generic option." And the retailer loses out on its chance to create any relationship with the customer, other than price, through the store brand, she states.

But a retailer that has many private brands shouldn't necessarily begin consolidating immediately. It must first change its strategy when it comes to corporate brands.


## Maturity required

"When retailers are ready to use their store brand as a strategic investment to drive loyalty and profitable growth, then retailers should begin to consolidate their store brand portfolio," Jacques says. "If the retailer only thinks of their store brands as a way to drive margin, they haven't reached the level of maturity to take strategic actions like consolidating store brands."

And store brand consolidation should take place only after the retailer performs a thorough evaluation of the brands. For example, the brands should be evaluated based on their ability to generate revenue and to make productive use of the shelf "real estate" they occupy, Giannetto says. For some retailers, this process can be difficult because they become emotionally attached to their store brands, but it's important to listen to the consumer: If they aren't buying it now, they're not going to buy it later.

However, many other retailers are able to accurately determine which brands are relevant and have equity and which ones don't, Maute says. Those retailers are no longer creating brands based solely on product innovation, but instead are creating brands driven by consumer needs and wants, allowing them to expand into various categories and removing the limitations previous brands experienced. An example of such a brand would be one covering an organic line.

## Reap rewards

While retailers ultimately might save money on packaging design, warehouse management, distribution and staffing, the main benefit to consolidating the store brand portfolio is customer loyalty.

"In my opinion, the biggest benefit to cutting down the amount of store brands offered by a retailer is the ability to truly invest in the [brands that remain] in such a way that you can drive loyalty with your customers," Jacques says.

Giannetto agrees.

From a consumer's perspective, a store brand product often is just another option on the shelf. But when a retailer is able to imbue its corporate brands with its values and its personality, the consumer is more likely to be consistently drawn to the brand. The fewer store brands there are, the easier it is for a retailer to strengthen each brand's positioning, he states.

And with fewer store brands, it's more likely that the retailer can focus on delivering differentiation within a variety of categories or filling gaps in customer needs that national brands don't address, says Matt Robinson, market development director for Symphony EYC, Atlanta.

Of course, there is no "magic number" of brands that each retailer should strive to attain. Instead, the number will vary based on the retailer's perception of its customer needs. A great example of a retailer that has connected with consumers from the beginning through a solitary store brand is Issaquah, Wash.-based Costco Wholesale Corp.

"Costco has taken the Kirkland Signature brand and elevated it in their shoppers' minds to stand for what Costco stands for: superior quality and value, but superior quality first," Ball notes.

And really, that's what store brand consolidation is all about: allowing retailers to clarify their positioning and value proposition to their customers, Jacques says. SB