Private grocery labels promoted for deal hunters

By Matthew Boyle, Bloomberg Businessweek

Like many U.S. grocery chains, Safeway wanted to improve its private-label offerings during the economic slump, when consumers were eager for brands that offered better value. So three years ago it poached veteran marketer Diane Dietz from Procter & Gamble and named her chief marketing officer.

Since joining Safeway, Dietz has been digging into P&G's bag of branding tricks. In June, to promote the introduction of Safeway's Open Nature line of antibiotic-free meat, she had a 305-foot-long picnic table (a Guinness World Record) constructed in San Francisco's Marina District, where celebrity chef Tyler Florence of Food Network fame helped prepare a meal for several hundred people. The resulting buzz was a publicity bonanza for the house line.

Store brands have come a long way from their copycat days, when they confined themselves mostly to yellow boxes of faux Cheerios and black-and-white cans labeled "beans." Back then, grocers were loath to anger the Kraft Foods and PepsiCos of the world by pushing their own labels too hard.

Now, with deal-hunting shoppers increasingly brand-disloyal, Safeway, Kroger, and Supervalu – which together account for 40 percent of U.S. retail food sales, according to Citibank analyst Deborah Weinswig – are increasingly willing to devote more shelf space to their own merchandise.

As of mid-November, store brands accounted for 31.4 percent of the 14,400 new food and beverage items introduced in the United States this year, according to market researcher Packaged Facts, based on data from Datamonitor's Product Launch Analytics. That's double the share logged in 2010 and up from just 8.7 percent in 2009.

To fuel sales of their in-house lines, retailers are recruiting veteran marketers to help out-innovate traditional packaged goods companies.

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