THE RISE OF PRIVATE LABEL

How can brands compete more effectively with homebrands?

A Bread & Butter paper

The changing landscape of brands

Homebrands are **increasingly impacting** on many FMCG brands

In many categories this new generation of homebrands is, or has the potential to become, the **biggest competitive threat**

Yet we have seen few attempts at developing **specific strategies** for dealing with the threat

Many brand owners show signs of **resignation** – even recalibrating their view of market size to exclude the ‘unobtainable’ home brand portion

Why?

We understand that competing against **brands owned by the big retailers** is a tricky situation, but does this mean that there is no way for brands to compete effectively with homebrands?

Which raises the question, beyond this 'political' challenge, do we have the **necessary insights** to generate **effective strategies** to compete with this new generation of homebrands?

Is there a knowledge gap?

We need to understand the different consumer relationships with home brands

1. Why do some consumers buy a greater proportion of homebrands?

2. Why do consumers buy homebrands in some categories, but not others?

3. Why are certain categories and brands more 'home brand resistant'?

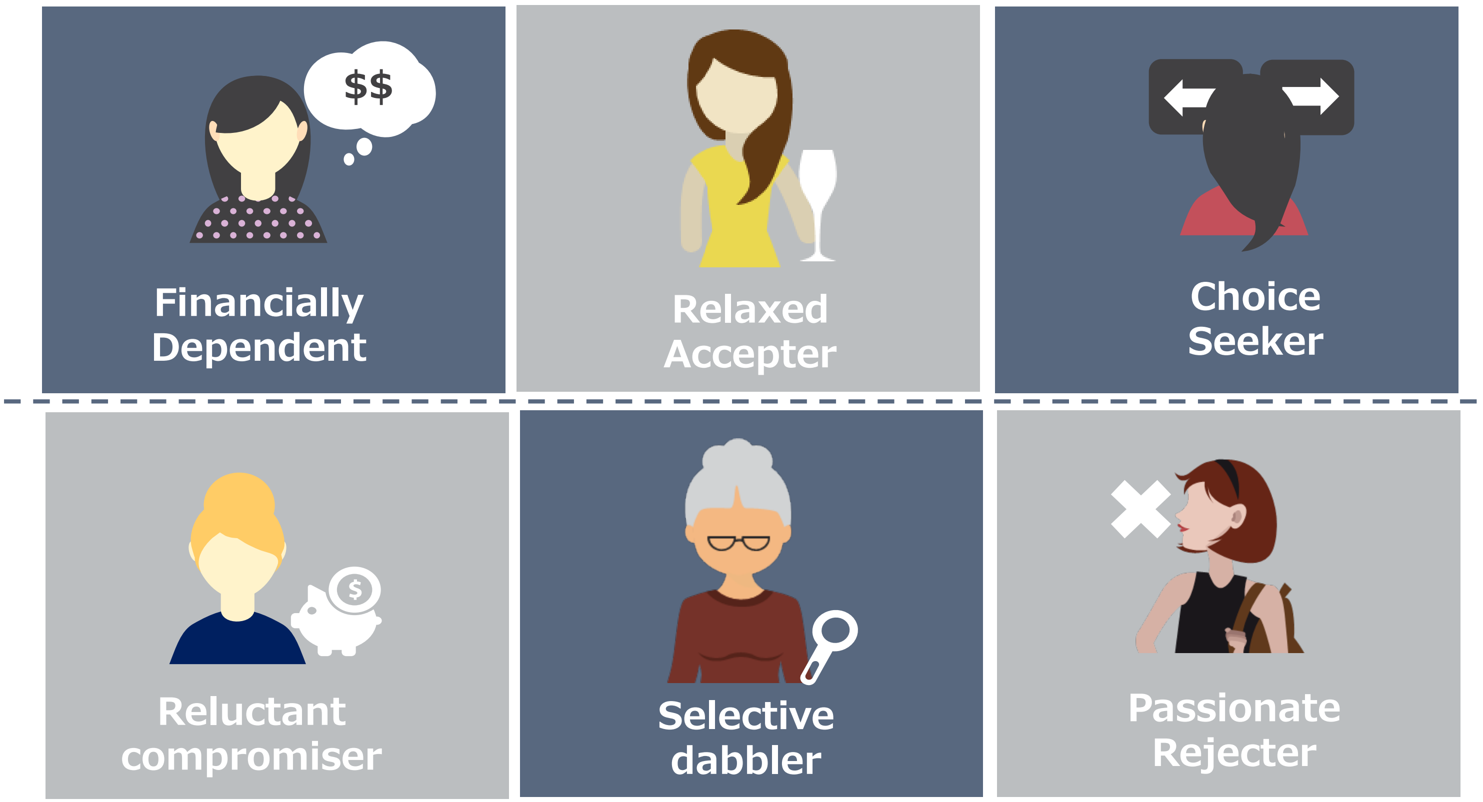
4. Are FMCG marketing strategies actually contributing to the uptake of homebrands?

5. What about the traditional wisdom that 'specialists should win out over generalist brands'?

6. Indeed, do conventional marketing truths apply to homebrands?

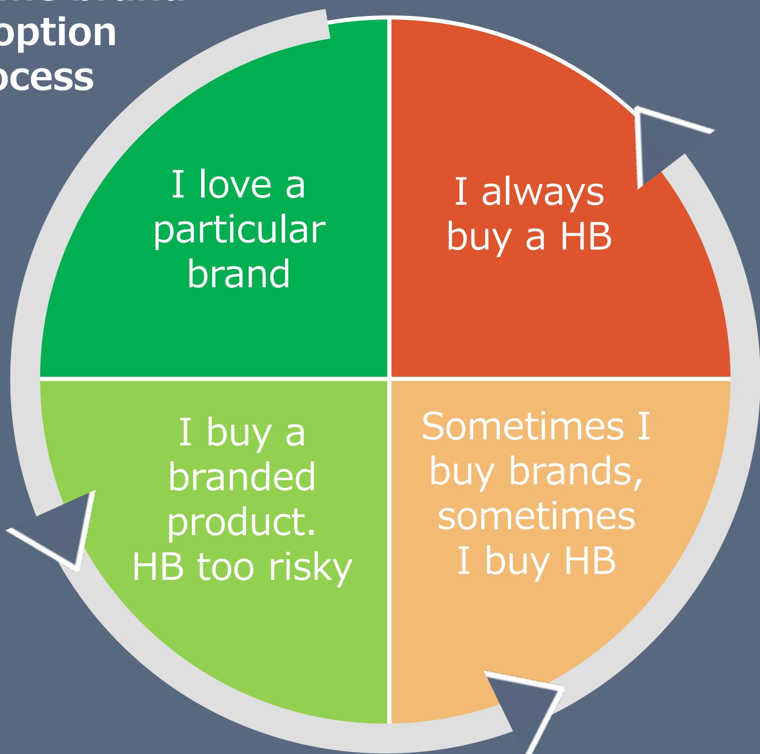
There are six consumer typologies

When it comes to consumer relationships with home brands



To define the typologies, we need to understand *why* consumers are at different points in the home brand adoption process

Home brand adoption process



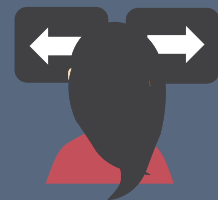
Some consumers have a greater proportion of uncontested brand buying

Whereas for other consumers in the majority of the categories they buy, brands compete on a weekly basis with homebrands

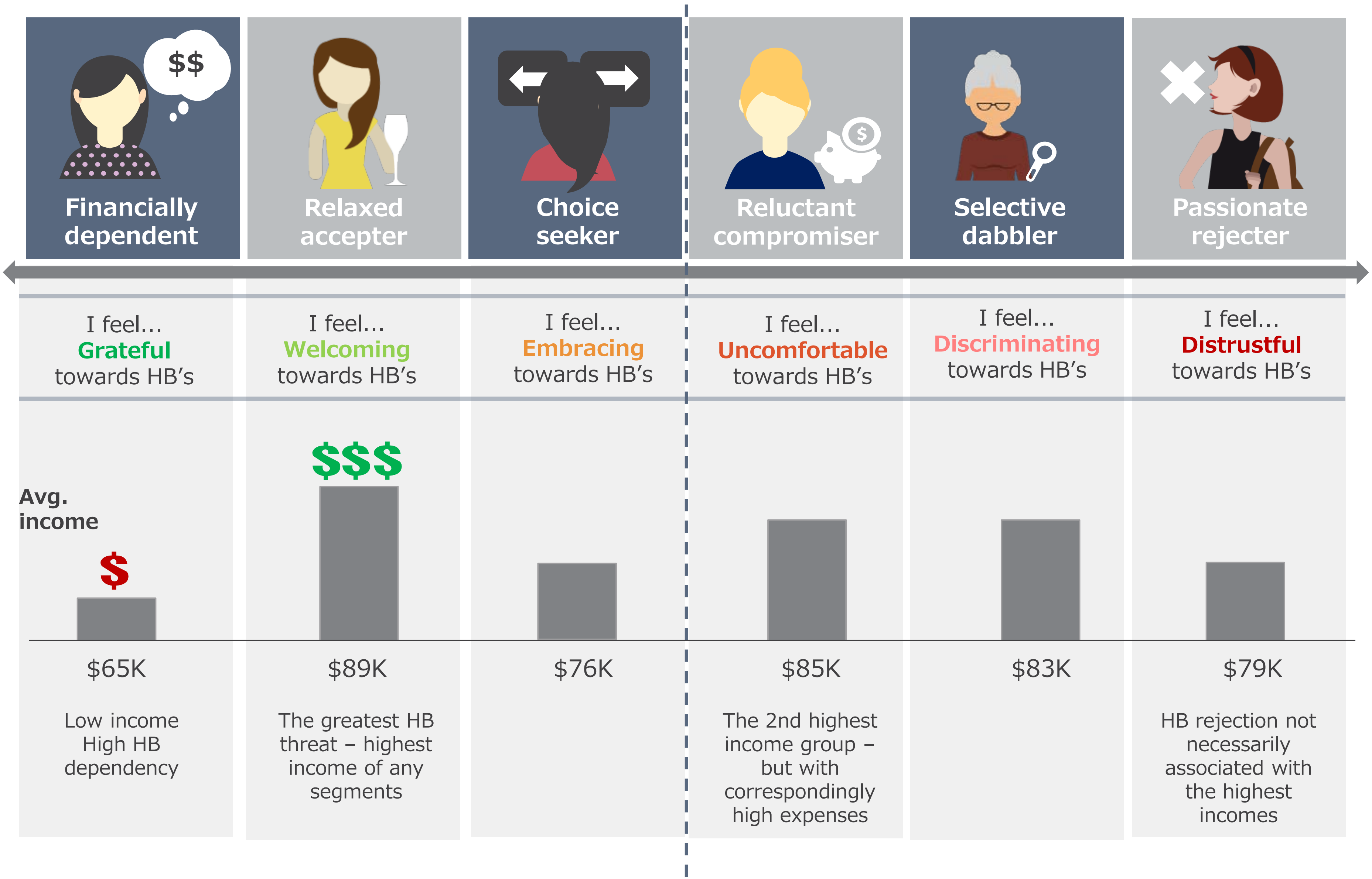
The question is why?

It is the underlying attitudes, as well as economics, that drive the different levels of adoption that define our typologies

Defining the consumer typologies

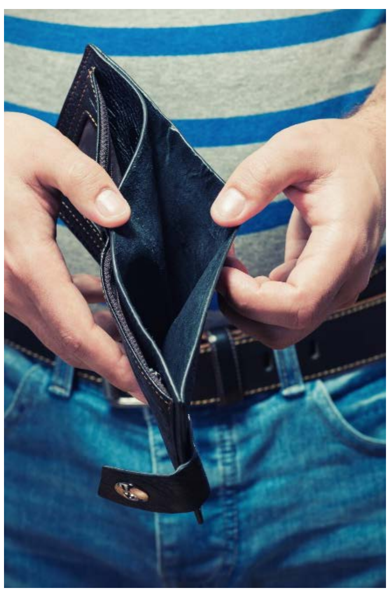
					
Financially dependent	**Relaxed accepter**	**Choice seeker**	**Reluctant compromiser**	**Selective dabbler**	**Passionate rejecter**
Have to buy homebrands, but **happy** to My regular shop would be unaffordable without HB's	**Don't have to buy** homebrands, but **happy to** Could easily afford to buy brands, but there's no difference in quality between brands and HB's, so why pay more?	Don't have to buy homebrands. But I'm happy to, assuming they **don't replace my branded choices** Little quality difference between HB and brands, but I like the choice!	**Have to buy HB's** but **I'm not very happy** about it Can't afford to just buy brands, but HB's are a quality compromise. Also a stigma associated with them	Don't have to buy HB's, but I've found a **few categories where they're OK** Big quality difference between HB and brands, but at a practical level, some items are ok	Don't have to buy HB's, and really don't like to **Not willing compromise** and buy HB – they are too much of a risk!
I feel... **Grateful** towards HB's	I feel... **Welcoming** towards HB's	I feel... **Embracing** towards HB's	I feel... **Uncomfortable** towards HB's	I feel... **Discriminating** towards HB's	I feel... **Distrustful** towards HB's
Habitual purchase of HB's	HB's steadily replacing brands	Constantly experimenting	Seeks brands on special	Limited HB repertoire	Will swap stores to find brands

‘Raw’ income is not necessarily indicative of HB adoption



An in-depth look at one consumer typology:
The Reluctant Compromiser

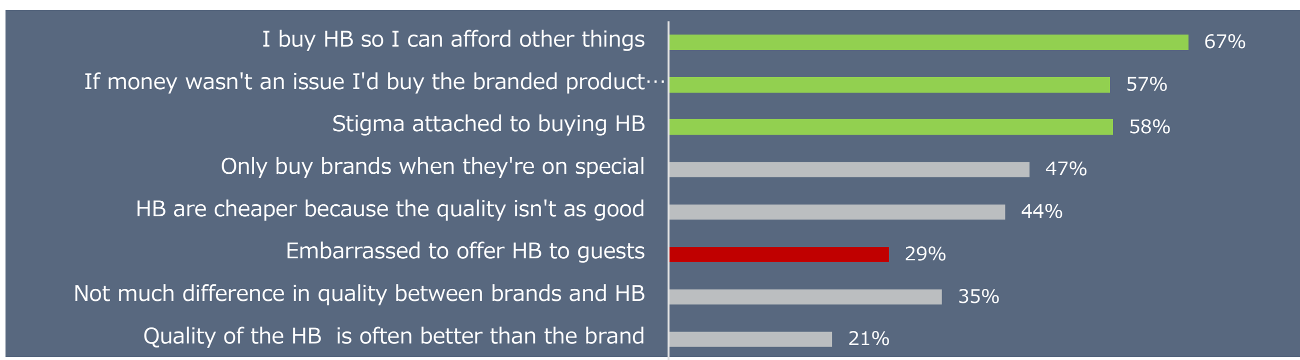
Reluctant compromiser



In the past...
I've always preferred to buy proper brands

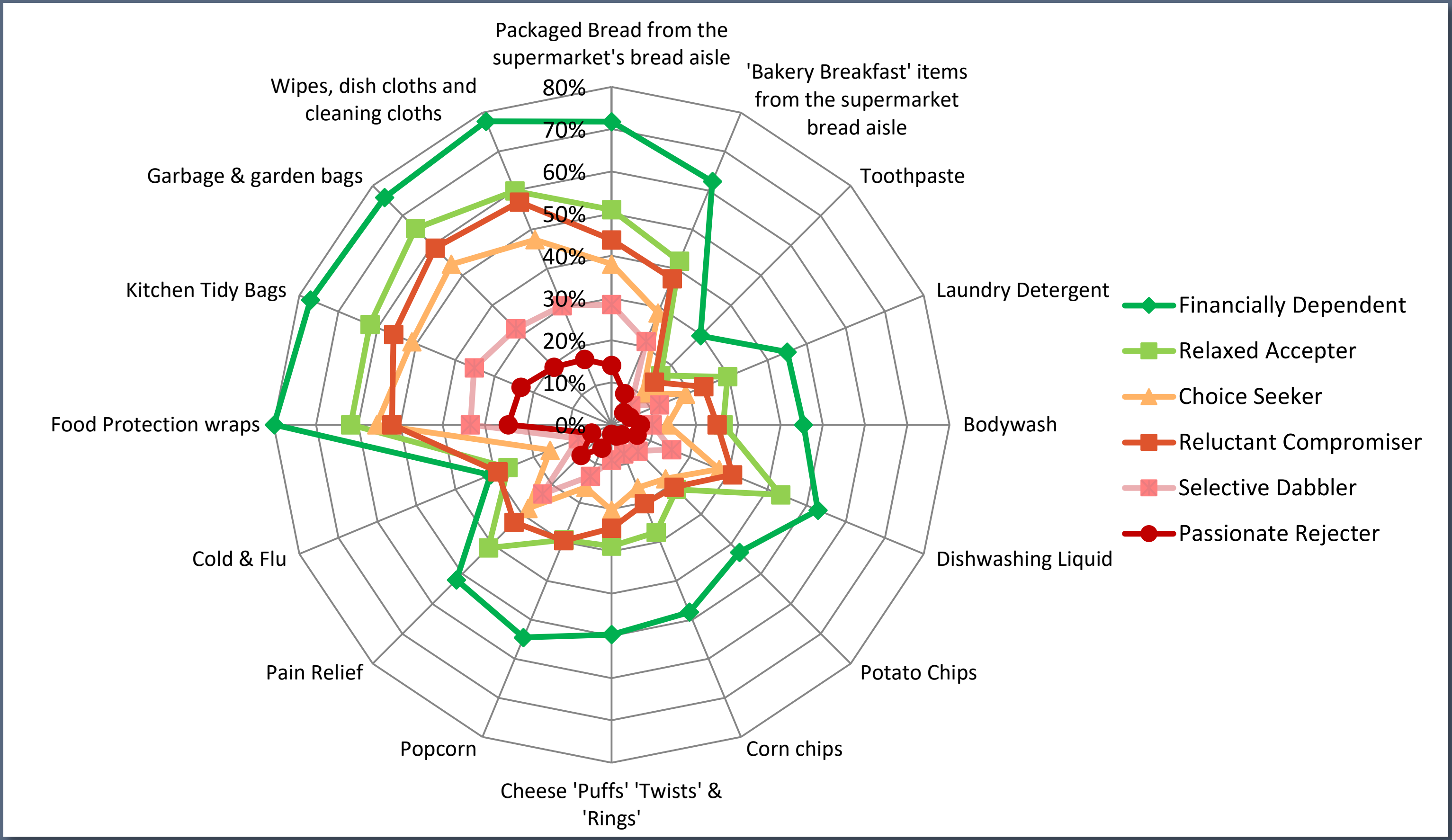
But now...
The budget is tighter, and I really need to make savings. I would still love to buy brands exclusively, but sadly I can't

So...
I buy SB's where I think there is the least compromise, in categories where I think there's probably no difference ('sugar is sugar', 'ham is ham', etc.) and in categories no one else will see



Not all categories are under the same level of home brand ‘threat’

Breakdown of people purchasing more home brands than brands



Despite ‘typology’, there are some categories where consumers in general are less inclined to purchase home brand. Similarly, other categories where consumers are more likely to buy home brand alternatives.

Why are some categories facing greater home brand risk?

…whilst others are seemingly 'resistant' to home brand threat?

Why?

B&B have developed a detailed analysis of these questions, based on our proprietary research and decades of experience.

For more information, contact Rob (robm@bbutter.com.au)

Bread & Butter
RESEARCH AND STRATEGY

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Neutral bay,
NSW 2089