hartman GROUP

Brand Ambition:

Food and Beverage Private Brands & Beyond

Methodology

QUANTITATIVE

- Fielded May 2021
- **n=2,205** U.S. primary shoppers aged 18–75 (MOE ±2.1% at 95% confidence level)
- Respondents recruited as a nationally representative sample (balanced by age, gender, division, income, race/ethnicity and presence of children to match the 2021 Census Bureau Current Population Survey), then screened for shopping habits (50% or more of household shopping, shopped at least one qualifying Retailer in the past 3 months, and purchased food in the past 3 months)
- Readable samples include, plus other key demographics:
  - *Age cohorts:* n=216 Gen Z, n=493 Millennials, n=608 Gen X, n=888 Boomers
  - *Race/ethnicity:* n=1740 Caucasian, n=160 African American, n=250 Hispanic, n=237 Asian / Pacific Islander

QUALITATIVE

Mobile Ethnography

- Fielded May 2021
- Asynchronous task assignment via specialized mobile app. tasks were completed remotely; half of the participants performed a grocery shopping task in person while the other half performed an online grocery shopping task.

Virtual Interviews

- Follow-up interviews to contextualize assignments and dig deeper into key topic areas.

Qualitative Sample

Recruited to represent a mix of food and beverage private brand engagement; key demographics (age, gender, race/ethnicity); socioeconomic status; household compositions; geographies; and grocery channels shopped.

The role of brands in consumer food and beverages choices has shifted—and diminished in its traditional sense—along with evolving food culture over time

The cultural forces most relevant to this shift are:

Consumer access to information

- Rise of the information age increases sources of product information and two-way communication between consumers and brands
- Eroding trust in institutions (including corporations) undermines the ability of food and beverage companies to make unquestioned claims about their products, health and nutrition, and consumers' needs and wants

Consumer attitudes towards health and wellness

- Shifting ideas of health and wellness outline emerging needs for food and beverage products

1970s and prior:
Cultural focus on conformity, convenience; brands serving as ultimate signals of quality

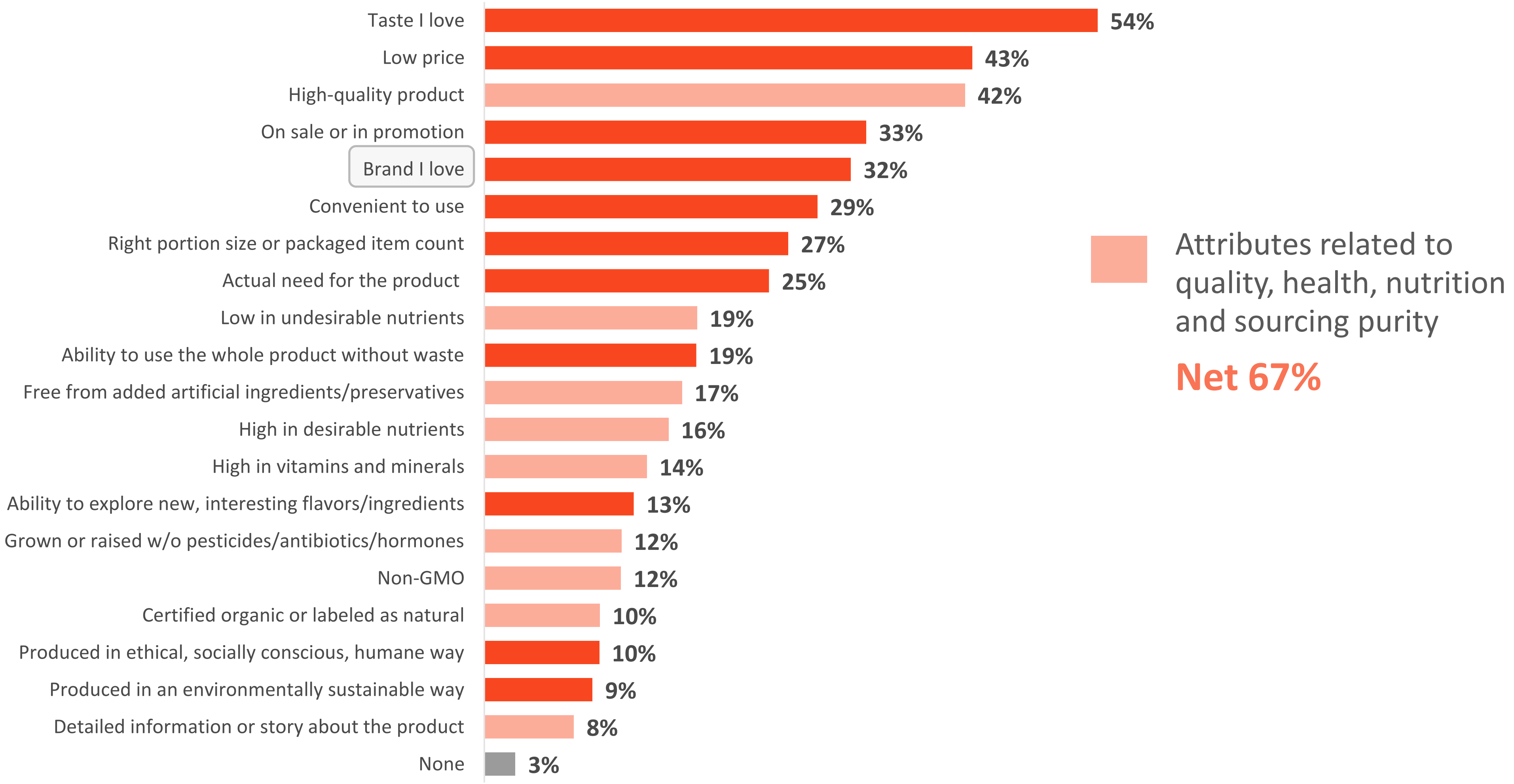
1980s to 1990s:
Increasing focus on individuality, diet, and appearance; brands used as identity signifiers

2000s to now:
Looking beyond the individual to the holistic; more focus on attributes and practices than branding

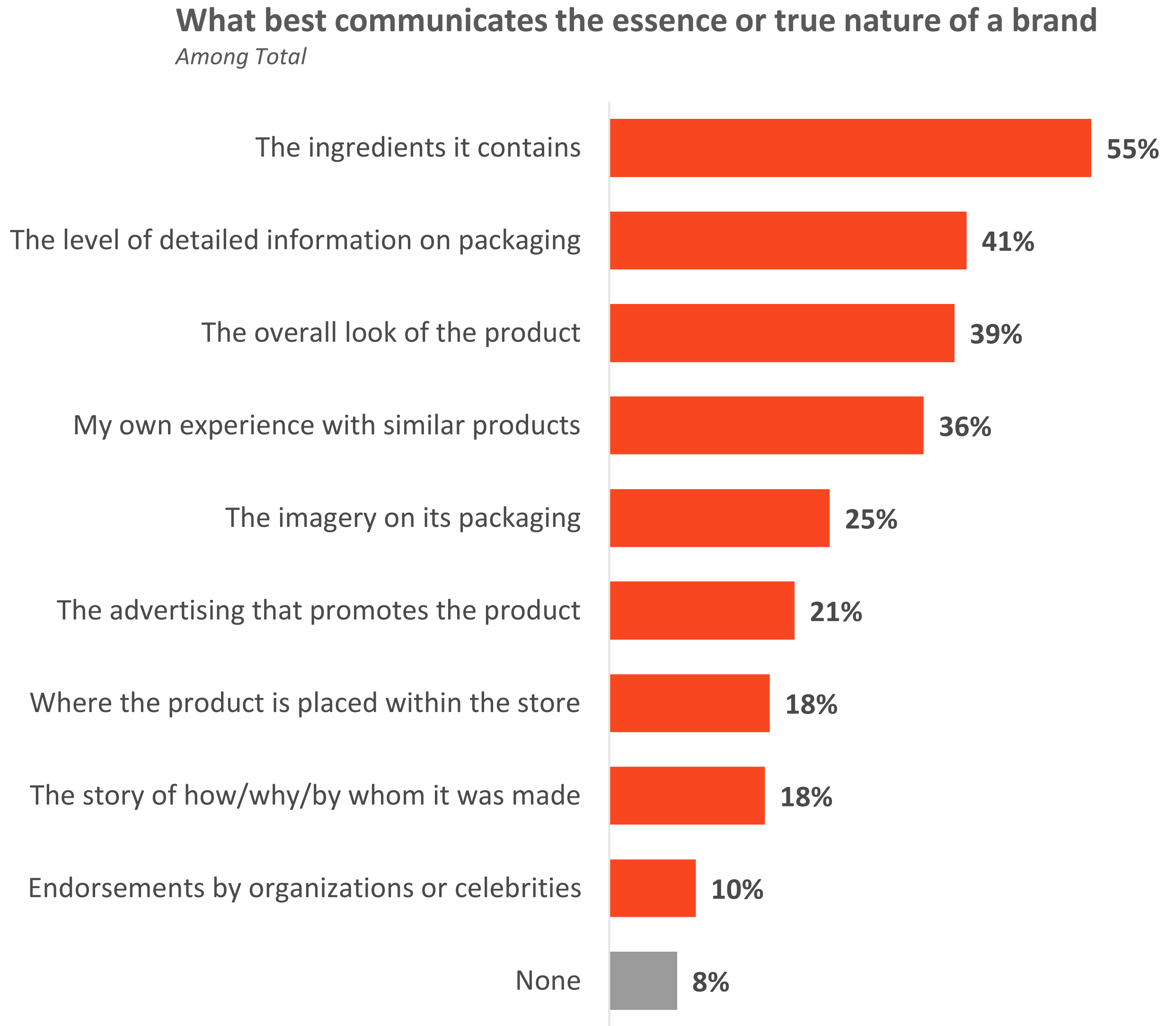
To be sure, the brand is still important, but consumers will first assess the taste and quality of the product for themselves

Product selection drivers

Among Category buyers, Average across 8 profiled categories



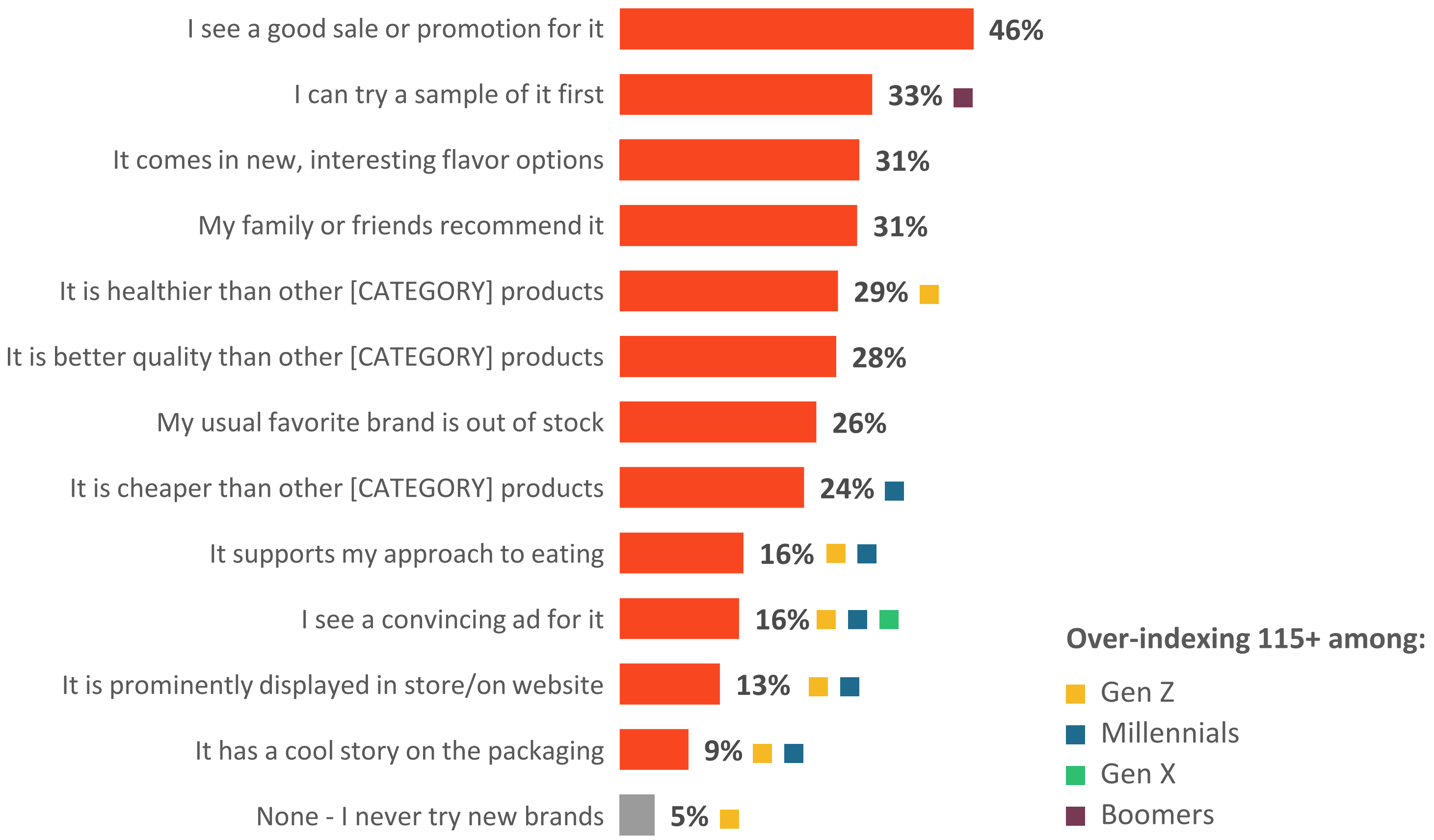
The shift from brand to product evaluation is also apparent when consumers assess new brands, looking at ingredients first and anything the brand tries to evoke second



Promotions are still the most effective way to encourage new brand trial, though younger consumers also respond to new flavors and healthier options

New brand trial motivators

Among Category buyers, Average across 8 profiled categories



Strategic use of promotion and trial programs can decrease the risk consumers face when trying a new product—either the financial risk or the emotional risk of disappointment. This is particularly important for Boomers, while younger generations give weight to other enticements as well.

The structure of the world of private brands has grown increasingly complex—but this complexity is not top of mind for most consumers

Many consumers simply do not think in terms of name brands versus private brands, and some struggle to identify which is which.

Among those who shop where Simple Truth is offered, **only 30% recognize Simple Truth as a private brand.**

Among shoppers of major grocery retailers featuring private brands, **10-15% misidentify major national brands as private brands.**

22% of shoppers of retailers with private brands don't know their store offers one—they aren't sure or say it does not *(16% for grocery, 21% for natural/specialty, 13% for mass merchandise, 14% for club, 27% for drug, and 36% for online-only/primarily)*.

No recognition of Simple Truth as a private brand

"These are the only two store brand items in my fridge, these Kroger cheeses."

– Charlie R., M, 20

In a direct comparison, consumers do recognize the different core value propositions of name brands (taste, quality) and private brands (price, value)

Direct comparison of brand types

Among Category buyers, Average across 8 profiled categories

		Private brands do… …an equally good job as name brands	…a better job than name brands	Name brands do… …a better job: National	Local	Total
Cost / Value	Low prices	29%	42%	15%	11%	25%
	Good value	34%	36%	16%	11%	27%
Taste	Taste	44%	12%	30%	11%	41%
	Pleasing my family/household	47%	12%	26%	11%	37%
	Interesting ingredients or flavors	46%	11%	27%	12%	39%
Quality	Company standing behind its products	48%	13%	23%	12%	34%
	High-quality products	44%	11%	30%	12%	42%
Convenience	Ease of finding in the physical store	50%	13%	23%	10%	33%
	Portion sizes that work for me	56%	13%	18%	10%	28%
	Ease of finding on the website	45%	12%	25%	9%	34%
	Convenient use	57%	12%	18%	10%	28%
Sustainability	Minimal waste (use the whole product)	53%	13%	17%	11%	28%
	Fair treatment of farmers/workers	44%	11%	17%	14%	31%
	Sustainable farming/manufacturing	43%	11%	18%	15%	34%
Consumer engagement	Enhancing my life	47%	11%	20%	10%	30%
	Innovative products	42%	11%	29%	11%	41%
	Attractive packaging	45%	11%	30%	10%	40%
	Impressing guests/others	40%	11%	29%	11%	41%

Consumer evaluations of individual name and private brands follow the main lines of traditional value propositions of the two types of brands

Perceptions of name brands vs. private brands

Among Category buyers, Average across 8 profiled categories

Perceptions of private brand tiers

	Name brands	Private brands	Value	Premium/organic/ better-for-you
High quality	61%	55%	52%	60%
Premium	34%	25%	20%	30%
Best in class	28%	18%	16%	19%
Low cost	17%	39%	42%	36%
Good value	45%	64%	65%	63%
Mainstream	18%	15%	16%	14%

As they learn through experience, consumers are adjusting their perceptions of the taste, quality, and convenience of private brands in an upward direction

"I think they've gotten better and more competitive towards the branded products, the well-known brands, but then again you have to ask yourself, there's a reason why they call them 'store brands' because there's always something missing that the branded product has that the store brand does not."
– Mabel Q., F, 38

"I just made one today and I have to say it was pretty good. Took less than 10 minutes to make and it was just as good or even better then the other more expensive name brand."
– Audie T., M, 44

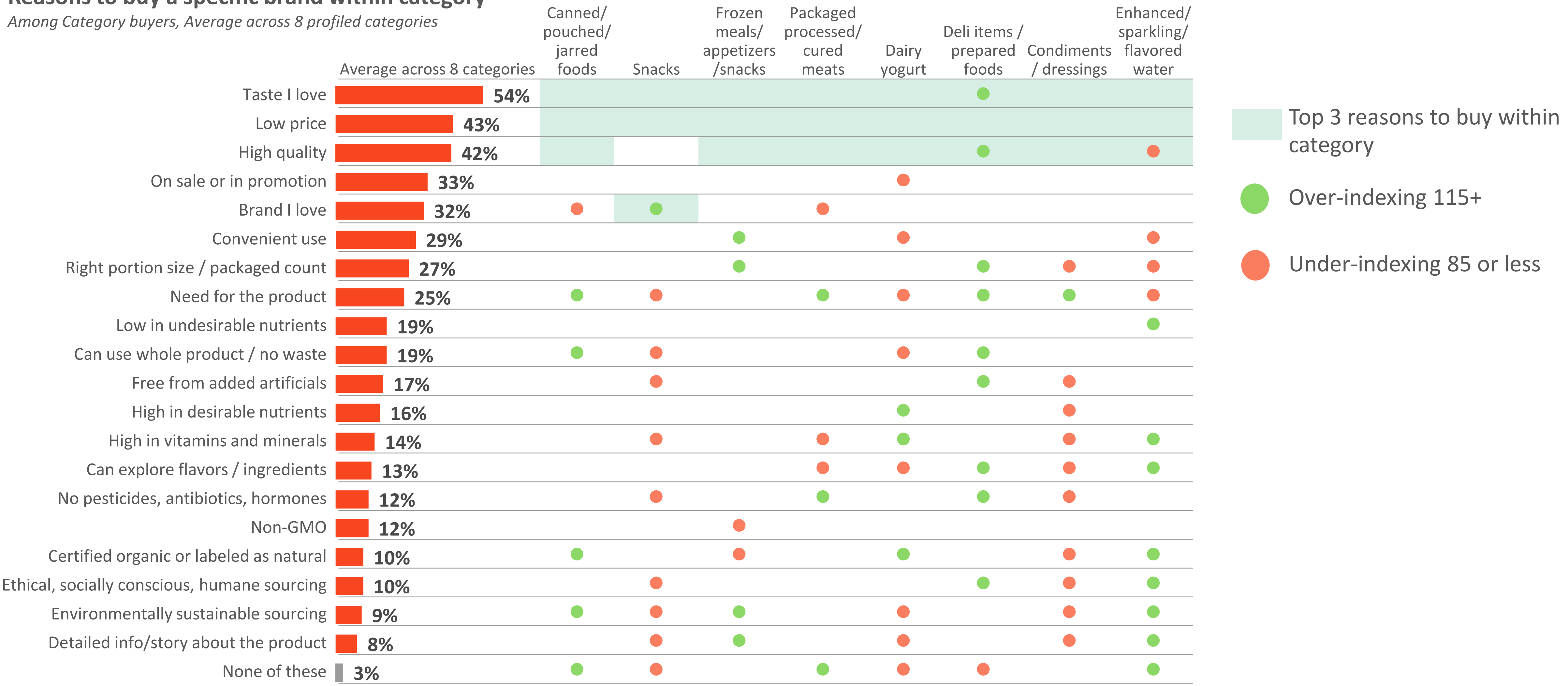
"With the pasta, for example, this is my wheelhouse. This is an area that I know and they're using the right types of product to make the pasta. They're doing air-dried pasta. I mean, these are actual Italian techniques and the pasta tastes great and it's a great price, so it's not a 'Whole Paycheck' experience and I think it's a really quality product."
– Julie M., F, 40

Consumer-generated photos of product

Across most categories, consumers often choose the products they buy based on taste, price and quality, but beyond that differences emerge

Reasons to buy a specific brand within category

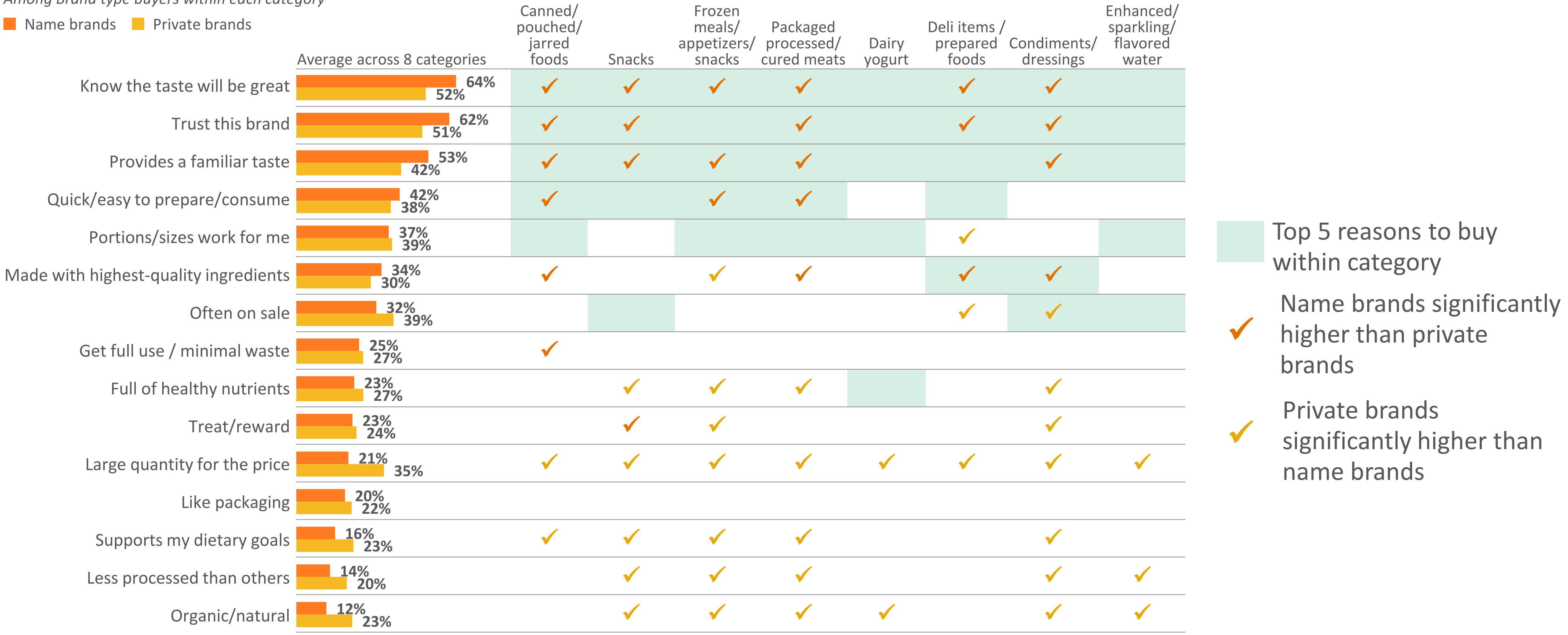
Among Category buyers, Average across 8 profiled categories



Across categories, consumers consistently trust name brands to deliver against their key reasons for purchasing the brands they buy but private brands perform better on some lesser reasons

Reasons to buy for 20%+ of name or private brand buyers

Among Brand type buyers within each category



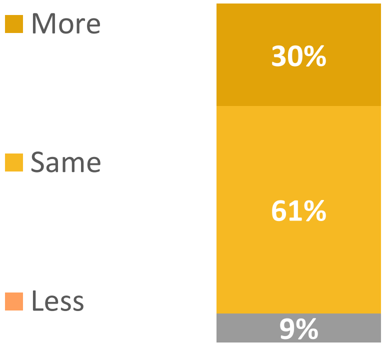
The future of the role of brands is up in the air, as consumers rely less on brands to guide their choices and brands search for ways to build loyalty

In a world of consumers focused more on attributes and less on brand, **the concept of "brand" itself remains viable only insofar as it consistently, meaningfully and distinctively represents the attributes that are relevant to consumers** in a given category or set of categories.

At the same time, when asked directly, about **1 in 3 consumers** reports expecting to buy more private brand products post-pandemic than they did before.

Expectations of post-pandemic purchasing of private brands
Among Private brand buyers

Planning to buy…



No statistical difference between plans to buy different tiers of private brands

There are various aspects of the marketplace to consider which pertain to both national/name brands and private brands:

- **Pricing possibilities**
- **Attribute considerations**
- **Innovation**
- **Implications of the online shopping environment**

Implications

What is a Brand in 2021?	Waning brand dependency means that all food and beverage brands, both private and name, must now compete more on the basis of individual product attributes and overall consumer satisfaction with specific products rather than relying on the strength of the brand to carry underperforming products that do not meet consumers' needs or expectations.
What is the Role of Private Brands?	The success private brands have had thus far in moving consumers to adjust and update their perceptions of private brands—from low-cost "knockoffs" to higher-quality, high-value products across all categories—suggests that they have an opportunity to continue to build their reputation and standing with consumers, especially younger consumers who are just beginning to develop their food sourcing patterns and habits.
How Does Category Affect Brand Choices?	Ultimately, across categories, innovation at a minimum should aim to provide healthy, affordable and enjoyable foods and beverages and at best aspire to support the growing movement towards ways of eating that are better for people and better for the planet. Brand choices are not agnostic to category, so understanding consumers' needs by category is important when developing brand approaches.
What's Next?	Brands of all kinds have an opportunity to step back into their role as an easy heuristic for consumers to use to simplify their choices—as long as the brands in question can prove their relevance and earn consumers' trust as reliable stand-ins for the attributes consumers seek.

Thank You!

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