

Going Gourmet

Retailers with store brands are moving into the specialty and gourmet arena via on-trend flavors, seasonal items and healthful fare

By Kathie Canning

Despite the thrifty mindset that persists among American consumers post-recession, sales of specialty and gourmet foods are soaring. According to the New York-based Specialty Food Association, retail dollar sales of specialty foods grew 8 percent in 2013 alone, reaching more than \$88.3 billion, suggesting that even value-minded consumers still relish small indulgences.

The specialty and gourmet arena encompasses unique and exciting flavor profiles, high-quality formulations and beautiful packaging. Moreover, most categories within it are not dominated by any national brands. The space, therefore, presents a huge opportunity for retailers to differentiate themselves from competitors via the right store brand products.

On The Palate

To truly connect with consumers, retailers will need to ensure their own-brand specialty and gourmet items mesh with today's flavor trends, whether those trends are current or emerging. One such trend is that toward ethnic flavors/products, notes Todd Whitten, vice president of sales for Tulocay & Co., Napa, Calif. "Our population is changing, and these consumers have money," he says.

In terms of more specific on-trend flavors, Colette Harris, marketing and PR manager for Pendleton,

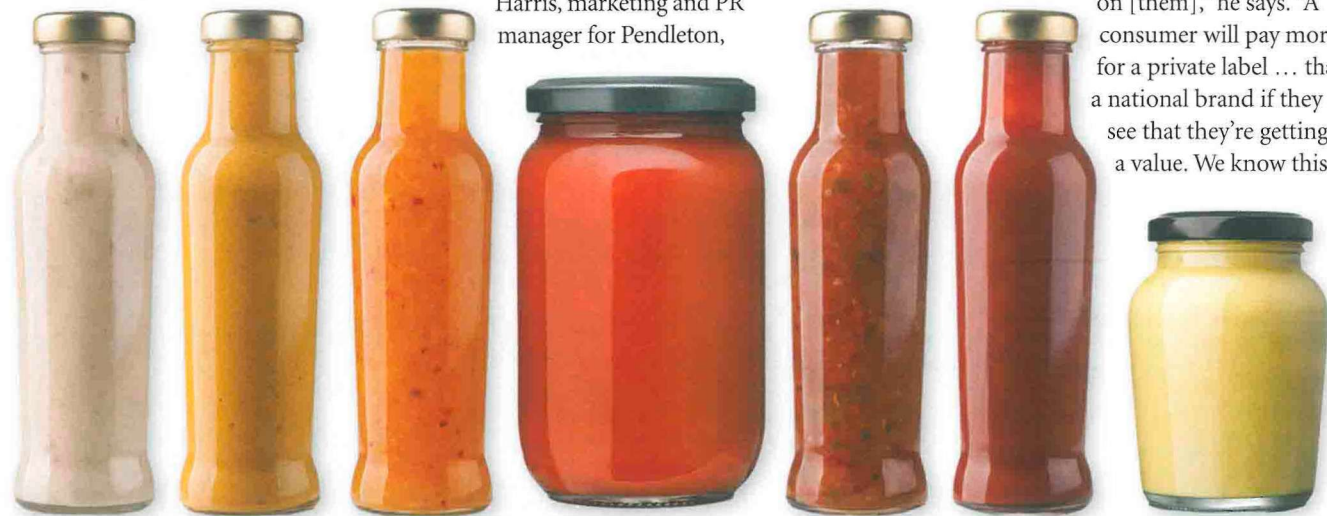
Ore.-based Barhyte Specialty Foods Inc., points to coconut flavors, as well as sriracha and bacon. "Chia seeds and nut butters seem to be big also," she says. And store brand condiments such as various mustards and cooking sauces could be ideal vehicles for retailers to showcase unique on-trend flavors.

"With Pinterest and other social media platforms being so big, I think people are really starting to experiment in their own kitchens," Harris says, "and using different/unique condiments as part of that process to get started with cooking really helps."

Also in vogue, flavor-wise, are specialty finishing salts, all-natural smoked salts, spices and pepper, says Megan Smith, a representative for Woodinville, Wash.-based SaltWorks Inc. "They are really taking off in both the manufacturing/food processing sector [and] the retail consumer sector," she says. "Specialty salts also continue to have a huge push behind them, with consumers becoming more and more aware of them, as more manufacturers are listing 'sea salt' as a marketing technique on their packaging and advertising than ever."

In introducing trend-minded specialty and gourmet items, however, retailers should avoid copying what's already out there, advises Domenic Masone, president of Villa Ravioli, Montreal. "Retailers should find the items they want to duplicate, but put their own spin

on [them]," he says. "A consumer will pay more for a private label ... than a national brand if they see that they're getting a value. We know this



as well from private label pasta that we produce for retailers.”

But don't go overboard when it comes to flavor differentiation, Harris suggests. It's best to ensure product development is centered on flavor trends that show signs of longevity. “Jumping on a hot

new flavor bandwagon that doesn't have longevity doesn't do you any good,” she stresses. “We try to stay away from anything too ‘gimmicky.’”

Healthy Alternatives

One multicategory trend with longevity

Store Brands

What specialty retailers need to know about private label

Demand for Store Brands

Store brands, or private label, unit share in supermarkets has reached 23.4 percent and dollar share is now at 19.4 percent. Total private label sales in the United States last year surpassed \$112 billion.

Source: Nielsen

Courting the Millennial Shopper

Almost four in 10 millennials, consumers aged 18-34, said they buy store brands frequently. Seventy-one percent of millennials said value is the main reason they purchase the store brand vs. the national brand.

Source: Surveylab/ PLMA

More Going Gourmet

More retailers/wholesalers are setting themselves apart with niche brands. More than two-thirds of respondents (67.9 percent) said they offer one or more niche brands in addition to their core store brands. More than one-third are putting a greater focus on premium/upscale store brand products, a significant increase from the 17.9 percent of respondents who said they were doing so in last year's study. Twenty-five percent of respondents are doing more in the niche store brand area.

Source: Store Brands' 2014 State of the Industry Research Study

Full Speed Ahead

The pace of own-brand new product development continues to rise, with 66.1 percent of retailer/wholesaler respondents increasing the pace of development in 2013 in comparison to 2012 (up from 61.7 percent in 2013). Only 3.2 percent of respondents said they had decreased the pace of development.

Source: Store Brands' 2014 State of the Industry Research Study

Driving Incentives

Among the many reasons cited for the escalation in new product development were “better margin on private label products,” “a core driver of loyalty and differentiation for our banners” and “greater consumer acceptance.”

Source: Store Brands' 2014 State of the Industry Research Study

Supermarkets Reign Supreme

Since 2011, annual sales of store brands in supermarkets have increased 3 percent, or \$1.6 billion, and in drug stores they have climbed 9 percent, or \$700 million. In all outlets combined, annual sales have grown 5 percent, or \$5.3 billion.

Source: Nielsen/PLMA's 2014 Yearbook

Management

Strategies

Fast
Fact

4 in 10

Almost four in 10 millennials, consumers aged 18-34, said they buy store brands frequently.

Source: Surveylab/ PLMA

is that toward better-for-you formulations — which represent a huge opportunity within the specialty and gourmet space. For example, retailers could go both upscale and better-for-you for store brand snacks.

“We live a more active on-the-go lifestyle, and young adults are not going after the salty high-fat snacks their parents purchased,” Whitten says. “I believe the new high-protein snacks — energy bars, granola, healthy chips — taste great and give you the protein that is needed to maintain good energy levels.”

Specialty and gourmet store brand items within the freezer case also could go the better-for-you route, Masone suggests, adding that this area of the store has seen little in the way of new and exciting items for some time.

“Consumers are becoming well-educated in reading labels, and we as manufacturers have to adapt or we will fall behind,” he says. “Being a fresh frozen pasta manufacturer, we take this seriously and have added all-natural, vegetarian and even gluten-free [items] to our lineup. We are even tinkering with dairy-free fillings in place of ricotta.”

All-natural and organic products also represent a

prime store brand opportunity within the specialty and gourmet arena, says Agron Kosova, manager of Fine Italian Food, Naperville, Ill. “Consumers are more aware of the quality of food and are trying to buy the best value,” he says. “This doesn’t mean that they are

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Todd Whitten
Tulocay & Co.

looking just for the best price. As we are involved more with imported foods, customers are looking more for authentic products and not imported-style items.”

Seasonal items, rotated in and out, present yet another potential growth area for store brand specialty and gourmet products, according to Rich Turchon,

co-founder, chief operating officer and general manager, sales of Canton, Texas-based Phoenix Food Co. Unique items such as a lemonade cheesecake for spring or a caramel apple cheesecake for fall hold particular appeal. Even seasonal dip mixes could get a unique flavor spin. “In dip mixes, we have some really cool things like jalapeño or bacon or garlic or pesto,” Turchon says, “and depending on how you put them together — for

example, a jalapeño-bacon-cheddar dip mix — it can be different from the standard dip mix.”

Packaging Matters

Healthy or indulgent, seasonal or available year-round, a specialty or gourmet item should be encased in packaging that makes it stand out on the shelf. “Too often with a private label brand, everyone is trying to peel back the costs,” Turchon

Martha Stewart to Speak at Private Label Show

Domestic doyenne Martha Stewart will deliver the keynote address to the Private Label Manufacturers Association (PLMA) 2014 Store Brands Reality Trade Show on Nov. 17.



Wisner Marketing Group; “Store Brand Organics: Where Value Meets Profit” with Robert Vosburgh, PLMA Live news director; and “Store Brands Cosmetics: More than

a Pretty Face” with Len Lewis of Lewis Communications.

Stewart knows private label: Her name is on 8,500 products in thousands of retail locations including Kmart, JCPenney, Macy’s, Home Depot and other retail chains. Categories include cooking, entertaining, gardening, home renovation, crafts, healthy living and pets. The best-selling author and TV personality’s company, Martha Stewart Living Omnimedia, reaches approximately 100 million consumers every month.

At the Nov. 18 PLMA Live Breakfast, Stephen Mader, senior analyst for Kantar Retail, will present on the topic of digital retailing.

Christopher Durham, vice president of retail brands with Charlotte, N.C.-based branding and retail marketing agency Theory House, also will speak at the show. Durham, who speaks on Nov. 16, will present “Store Brands Are for Everybody.”

This year’s PLMA show, held at the Donald E. Stephens Convention Center in Rosemont, Ill., Nov 16-18, will feature more than 2,400 exhibit booths in three halls with 20,000 products across all store brand categories: snacks, food, housewares, pet, health and beauty, general merchandise and more.

Nov. 16’s three concurrent sessions are: “What Your QC Department Isn’t Telling You” with Jim Wisner, president of Libertyville, Ill.-based consultancy

More than 5,000 buyers from every channel — supermarkets, supercenters, drug chains, mass merchandisers, convenience stores, online retailers, importers, exporters, wholesalers, discounters, and even military exchanges — are expected to attend. For more information, visit www.plma.com.



Images courtesy of SaltWorks Inc.

Eye-catching labels and attractive packaging help products stand out on the shelf.

says. “If the packaging doesn’t look high quality, the consumer is going to think the product is not of high quality. And that might not be the case.”

Whitten agrees. “Be as passionate about the packaging as you are about the product,” he stresses.

But retailers should keep the package on par with what currently exists on the upscale side of the category, Smith says. They don’t want to skew “too economy” or “too expensive” in comparison to shelf mates.

That being said, totally unique packaging can work when a product has no competition on shelf. For example, Fine Italian Food offers a line of natural extra virgin olive oil sprays in “unique, elegant packaging,” Kosova says.

Great packaging is critical, but sampling sells. To that end, demos also can be very effective in getting shoppers to try — and buy — new store brand specialty and gourmet items. “If a product is

good, let the customer try it,” Masone advises. “You have a 50/50 chance they’ll put it in the cart instead of perhaps 5 percent by just looking at it.”

Harris likes the idea of demos and also says recipe ideas that go along with the product are helpful. “Give people inspiration as they’re shopping,” she advises.

And cross-merchandising can be a selling tool for certain specialty and gourmet items. “For spices, having them near their intended cooking mates works well, I believe,” Smith says, “such as keeping salts or spices that go well with steak or grilling at the meat counter.” **TR**



Kathie Canning is the editorial director of *Store Brands*, sister magazine of *The Gourmet Retailer*.