The big brands' dilemma

Consumer loyalty to — and trust in — the big brands is waning for many reasons, giving store brands the opportunity to gain market share.

By Kathie Canning

Much has been said in recent years about consumers' waning loyalty to big consumer brands. And the data support the continuing slide in loyalty. For example, the 2015 edition of the annual "American Pantry" study from New York-based Deloitte examined more than 354 brands across 34 product categories and found that 73 percent of consumer packaged goods (CPG) categories showed an overall decline in their brands' "must-have" status (meaning that shoppers would purchase them whether they were on sale or not) compared to the prior year.

Shifting attitudes

A number of factors have worked to change consumers' perceptions toward well-known brands. For one thing, brand-related information — both positive and negative — is now easily accessible.

"With the advent of the Internet, people have much better access to information, including product and brand reviews and feedback," notes Brad VanAuken, partner and chief brand strategist for The Blake Project, Rochester, N.Y. "Due to corruption in big government, big business and even big religion, people's trust in large institutions and their products and services is waning."

As the number of consumers connecting online with friends and family has increased over recent years, so has "the power of word-of-mouth" in regard to conveying products' ingredients and other attributes, adds Rich Nanda, practice leader for the U.S. consumer products corporate strategy and growth area of Deloitte. As a result, more consumers are questioning product and brand attributes.

And if a big brand has a mishap in the plant, a truth in labeling issue or another misstep, consumers typically find out quickly. It's much more difficult for the brand to contain such issues, he says, and rebuilding trust is difficult.

A lack of transparency in the eyes of consumers is a contributing factor, too.

"Large CPG brands have traditionally relied upon messaging that romanticizes their products, both the packaged goods themselves and the process behind them," says Jasen Urena, director of specialty eggs for Fullerton, Calif.-based Hidden Villa Ranch/NestFresh Eggs. "This has distorted many CPG brands in the eyes of consumers, proving to shoppers that they cannot trust them, given their lack of transparency."

Mark Singleton, vice president of sales and marketing for Rudolph Foods, Lima, Ohio, agrees.

"Consumers do not trust that the values of big CPG brands align with theirs and, as a result, choose to support brands that have made an effort to be transparent in sourcing practices, ingredients and production practices," he says, "oftentimes smaller locally produced brands or companies that engage in a conversation with their customers and meet their desires."

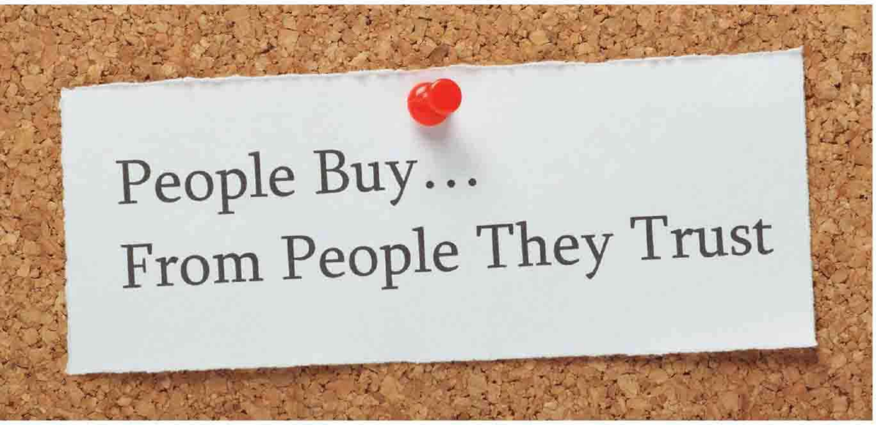
VanAuken concurs that local businesses and brands have a leg up in terms of consumer trust.

"Overlay those trends with the continued growth of strong store brands of comparatively equal or higher quality, and the difficulty of breaking through the increasingly diverse and disparate media sources to build brand awareness and preference, and one can understand what large CPG brands are up against," he stresses.

Raj Shroff, vice president, brand, strategy and design for WD Partners Inc., Columbus, Ohio, calls the movement toward smaller local brands the third wave of retail. The first wave saw mom and pop stores boasting ownership who care, curated products and "a lot of knowledge and community sharing." The second wave saw the influx of the big brands and a lot of "cut and paste" instead of differentiation. Now, consumers are gravitating back toward the values of that first wave and are embracing brands that exude "care and passion."

Of course, economic realities have also come into play. As Nanda notes, much of the waning loyalty started with the recession back in 2008, when many consumers were having a difficult time financially and were willing to try less-expensive alternatives to their favorite brands, including store brands.

"What they realized, quite frankly, is that the sacrifice wasn't all that big of a sacrifice," he says.



A generational push

Consumer attitudes toward the big brands also vary greatly by generation. The least brand-loyal consumers are millennials, Generation X and the second wave of baby boomers (those born during the last five to seven years of the baby boom), while the most brand-loyal are the first wave of baby boomers and the Silent Generation, according to Ann A. Fishman, book author and president of Generational Targeted Marketing LLC.

Younger baby boomers are anti-authority and anti-establishment, have gone through some difficult times economically, and want to know what their peers think. But unless the item is very personal such as a scarf or a purse, they really are not glued to specific brands, Fishman says.

Meanwhile, Generation X — "a generation of latchkey kids that had to do what they needed to survive" — is practical and cynical and knows how to spot the best deal.

As for millennials, they do what their peers recommend, Fishman emphasizes. Highly visual and tech-savvy, they don't trust marketing, the media or leaders.

"I cannot emphasize enough the value of pleasing one millennial," she says. "If one millennial is happy with a product, you can rest assured that 500 people are going to know about it by the end of business."

Ian Baer, chief strategy officer for Rauxa, a marketing agency with offices across the United States, points out that millennials are "the dominant voice" across digital and social media communications.

"And millennials see the current state of the world and economics as a landscape having been ruined by the poor choices of the generation before," he says. "Millennials see it as a badge of honor to not willingly buy into the legacy of a brand, but rather find a lesser-known product that offers the same or similar quality for less."

Opportunity knocks

The issues the big brands are having now present a huge opportunity for store brands. Many retailers already have an advantage over the big brands in that they have plentiful data pertaining to their shoppers.

"There's an old adage that says 'the one who controls the numbers controls everything,' and while control in itself is not the name of the game, the ability to personalize the customer experience rests largely with the retailer," Baer says.

In addition to making own brands part of the personalized experience, retailers could work to build own-brand awareness.

"Brands should stand for something; they should possess strong values, and they should tell compelling stories, VanAuken says. "Further, they should be very consistent in the brand cues across products."

Retailers also need to consider consumers' desire for authenticity and transparency, Singleton says. Whether they opt for simpler ingredient statements or disclosure in terms of sourcing information, they will give shoppers "a reason to pull the bag off the shelf."

The store environment also can work to retailers' advantage. Retailers could invest in store brand product demos/trials and a variety of private brand-related communications in the aisle, Nanda says.

With the younger generations gravitating toward local companies and brands, a retailer also might want to make its store brands part of local events. For example, if it is in or near a college town, a retailer could arrange to send goodie bags containing curated store brand items to college students during "welcoming week" to build awareness and trust, Fishman says.

Finally, retailers need to recognize that today's consumers are very likely to seek out content about their brands before they make a purchase, Baer says. So they will reap tremendous value from content placement in consumers' digital and social paths.

"Mobile is an increasingly important opportunity to provide information just in time to impact that price/promotion/quality evaluation process as it's happening in-store," he adds. SB