

Clean Ones In The News

Operation Expansion

PLBuyer - A&P recently unveiled a greatly expanded Own Brands program that addresses consumer needs for quality, value and innovation.

We could say that 2009 is shaping up to be a big year for the Montvale, N.J.-based Great Atlantic & Pacific Tea Co. Inc. (A&P), but that would be a huge understatement. After all, the company celebrated the New Year by marking its 150th anniversary — a milestone no other grocery retailer has reached. What's more, A&P is continuing its year-long party with a massive expansion of its "Own Brands" private label program.



That expansion, unveiled in late March, should be good news to critics such as Garland Pollard, publisher/editor of BrandlandUSA.com. In a March SeekingAlpha.com blog, he suggested A&P had, in recent years, mistakenly shifted its strategy from unique store brand products to a collection of unique grocery-store formats.

"Instead of really nurturing its own unique set of in-store product brands, it is now a holding company that is a conglomeration of grocery store branded formats, including A&P, Super Fresh, Food Emporium, Waldbaum's and Pathmark," Pollard wrote.

But Pollard also wrote optimistically about A&P's then-anticipated private label program expansion.

"Thankfully, they are also reintroducing products with A&P stories," Pollard said, "leveraging that brand legacy and receiving favorable press on trend-setting foodie Web sites."

And, despite Pollard's reservations, the concurrent format focus also seems to be working for A&P. In a statement announcing the retailer's third-quarter 2008 (ending Nov. 29, 2008) results, President and CEO Eric Claus said the changes A&P made to its merchandising, pricing and promotional strategies helped the retailer achieve solid performance.

"Our distinct formats continue to succeed, as evidenced by the strong performance of our Fresh, Gourmet and Discount businesses and the improved performance of our Price Impact during the quarter as we completed the integration and transition of this [Pathmark] business," Claus said.

Customer-Centric Approach

According to Doug Palmer, vice president of Own Brands, A&P aims to accomplish a number of positives with its new private label lineup. The retailer wants to provide not only a competitive point of difference with proprietary, innovative high-quality products, but also "consumer-centric" solutions that speak to health and wellness, value and other needs.

Palmer, who joined A&P in 2007, certainly is well-versed in private label program overhauls. The former vice president of Consumer Brands for Pleasanton, Calif.-based Safeway Inc. led the

development of Safeway's massive brand rationalization and consolidation initiative, store brand labeling redesign and O Organics brand launch. He says he is proud of A&P's ability to re-energize its portfolio of brands through expansion and redesign — while simultaneously absorbing Pathmark Stores' private label program. (A&P acquired the 141-store Pathmark chain in 2007.)

"This is a feat that could have only been accomplished by having a great Own Brands team and a very supportive senior management staff," Palmer adds.

And another key player on that Own Brands team is Christine Oliveri, who came to A&P in 2008 after honing her retail skills in marketing and advertising positions with Toys "R" Us and Linens 'N Things. As senior director of Own Brands, Oliveri takes Palmer's staff-related comment one step further, saying A&P is fortunate to have a "very supportive planning team and store managers."

But the private label revamp required much more than strong support, of course. It also called for a significant amount of research and creativity.

"We approached the development and redesign of our brand portfolio with some very comprehensive research," Oliveri says. "We listened to our customers and made the appropriate changes to update the package designs, discontinue some brands and create others."

Oliveri points to A&P's new Via Roma brand as an example of this model at work. Because the New York metro market is home to many customers with an Italian heritage, the development of an Italian cuisine-inspired brand seemed to be a logical course to pursue. Although development of the brand name was "easy," she notes that the package design was not.

"Developing a package architecture which personifies the warmth and personality of the Italian dining experience was a challenge," Oliveri says. "So we engaged a design firm — United Design — to go to a small village in Italy and shoot photos of the residents enjoying 'life.' Their photos are the highlight of the Via Roma package architecture and evident in the brand's tagline: 'Italian Food with Personality.'"

Yet another example can be found in the development of A&P's new Green Way brand, which encompasses organic, natural and eco-friendly products. Oliveri says the Green Way lineup needed to appeal to those consumers who are pursuing a healthy lifestyle and eco-conscious products.

"We are pushing our suppliers to create 'earth-friendly' packaging," she adds. "We believe it is not enough for the product to be grown in an earth-friendly manner. It is also critical that we put the product in an environmentally friendly package. Not all of our suppliers are there yet, but they know it is a requirement [for being] part of the Green Way program."

Green or not, packaging represents the first point of contact for the consumer — and the first opportunity for A&P to make that Own Brands impression. For that reason, A&P had to find ways to consistently communicate its promise of value and quality among the new lineup, Oliveri notes, creating an expectation each time the consumer purchases each brand.

"If you are off target with your label communication, or do not uphold the quality message, your customers will let you know very quickly," she says. "A&P's Own Brands evolution recognizes the value and benefits of a retailer's owning a 'portfolio of brands' versus managing a collection of cost-driven labels and products."

Of course, A&P's suppliers also played a crucial role in the Own Brands expansion and redesign.

"Our relationships with our suppliers are critical to our success," Palmer stresses. "When we sit down with suppliers, the first thing they will hear is, 'quality first; cost second.' Our mission is to

provide a proprietary difference with our brand portfolio, and you cannot sustain momentum with your brands without a discipline for high quality.”

Finally, A&P realized the importance of merchandising and promotion when it came to getting the word out about new Own Brands products. That strategy served the retailer well, for example, during last year’s introduction of the first product under the new premium Hartford Reserve label: a freshly baked, overstuffed apple pie made with five different kinds of apples and sold in the bakery department.

“Reviews have been phenomenal, and sales have shown strong results as well,” Oliveri says. “We launched the pie with a PR campaign, supported by in-store marketing and circular advertising.”

Oliveri says A&P looks to maximize promotional opportunities, as they are viewed as critical to Own Brands support. Some of the retailer’s programs in support of promotions are an “Item of the Month feature,” inclusion of products in A&P’s consumer magazine, sampling and point-of-sale marketing materials.

Flexible for the Future

Although much of A&P’s revamped Own Brands lineup is only a few months old, the retailer ultimately is prepared for a never-ending cycle of fine-tuning and additional launches that meet the changing needs of shoppers.

“Our goals reflect the ever-changing landscape of our marketing areas,” Palmer explains. “Our Own Brands goals are consistent with those market changes, especially in the current economic climate. In short, our goal is to continue to provide our customers with consistent high-quality products at a price they consider a value, while achieving best-in-class sales and penetration growth.”

A&P’s private label penetration continues to improve each year, Palmer adds. And although the economic downturn has been fueling store brand growth, he foresees a continuation of good fortunes for private label even after the economy improves.

“Consumers are increasingly recognizing the value proposition that private label products can offer them, and are responding in a big way,” Palmer says. “This ‘thrift mentality’ our economy has created favors store brands and will be with us for a long time.”

Although Palmer doesn’t expect to see a “huge shopping regression” back to the national brands when the economy recovers, he does note that retailers and suppliers will be under pressure to scrutinize their store brand programs — especially when it comes to quality and brand management.

But A&P is up to the task, Palmer insists.

“Private label is a key aspect of our company’s strategy,” he says. “As consumers continue to look to private label items for value, quality and uniqueness, our program offers a complete solution for different consumer lifestyles, including healthy, value-conscious and upscale.”

Looking ahead, Palmer says A&P will continue to monitor consumer trends to ensure it is offering the products that best meet the needs of its changing consumer base. Although each of its private label lines is available in all A&P banners, A&P doesn’t necessarily carry a full line under each brand in each store, he adds. Instead, the retailer aims to have as broad a representation as possible of every brand in every store.

"This flexibility gives us the opportunity to maximize what our customers are looking for," Palmer says, "and at the same time, provide each brand with the greatest opportunity for success."

And sustainability also will play an increasingly larger role in company and product decisions.

"Sustainability is one of our company initiatives and an integral part of our conversations with suppliers," he says. "We are working with our suppliers to identify earth-friendly packaging, but suppliers have been slow to react. More collaboration between retailers and suppliers will be needed if we are going to show any substantive results."

We have little doubt that A&P will succeed in the years to come in getting that desired collaboration, and in winning over shoppers with its impressive new Own Brands lineup.

"Customers know the only places they can purchase the Own Brands we offer are through our stores and online store sites," Palmer says. "We offer more than 10 brands, which appeals to our diverse customer base and their respective needs. Our diverse assortment of brands and expansive product assortment enable our private label program to provide a complete brand solution to our customers." **PLB**

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