

Stores cash in on private-label brands

By [The Patriot-News](#)

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John C. Whitehead, The Patriot-News, FileWegmans stores have slashed prices on store brand items.

Price wars are under way at midstate grocery stores, and consumers could stock up on savings.

The biggest savings should be seen in less expensive store brands, which are likely to get cheaper in midstate grocery stores.

In the latest volley this week, Wegmans announced it was cutting the price on hundreds of products. Most price cuts are for the Wegmans store brand, said Jo Natale, spokeswoman for the Rochester, N.Y.-based chain.

While Wegmans drew attention to its reductions, other grocers said the price war was already on and will continue.

Midstate grocers said they have been working to cut the price of store brands, and they are expanding their private label selections, as store brands are known in the trade.

Grocers have more control over their store brands than brand name items, so they can go further in cutting their price.

Their profit margin might also be higher, making it easier to absorb a price reduction, said Jeff Metzger, publisher of Food World, a trade publication.

Representatives of Wegmans and other midstate grocery chains have said they can't reduce prices across the board, despite the recent drop in the price of oil and other commodities, until major food manufacturers and suppliers reduce their prices.

Metzger said a major label such as Del Monte must offer the same wholesale price to everyone. But grocers have "a more direct" relationship with a store brand vendor, which means more flexibility.

Scott Karns, president of Karns Foods, said private label items don't have the added advertising and marketing costs that go with major brands.

"It's a much lower cost to begin with" at the wholesale level, he said.

Midstate residents who think they're being hit with high food prices have it better here, said Bob Gorland, who conducts retail studies as a vice president for consulting group Matthew P. Casey and Associates.

"The overall pricing in central Pennsylvania is among the lowest in the U.S. People shouldn't complain," Gorland said.

Except for Weis -- where a spokesman was unavailable for comment Friday -- all midstate grocers said consumers are buying more store brand products. They cite both the lower prices and the improving quality of store brands.

At Wegmans in Silver Spring Twp., shopper Toni Marshall, of East Pennsboro Twp., said she used to be loyal to brand names until the economy tanked and gas prices increased. Then she switched to less expensive store brand cereals, cookies and juices.

Giant spokeswoman Tracy Pawelski said Giant in July expanded its Guaranteed Value brand to include products such as household cleaning items, paper supplies and trash bags, health and beauty care, pet products and more.

"Giant brand sales continue to increase sharply over last year at this time. Giant's private label products are far outpacing the equivalent national brands in the number of items sold," Pawelski said.

Shopping at Giant Friday, Michelle Stoneroad, of New Bloomfield, said her family's grocery store bills have doubled from \$70 to \$140 per week.

She has also traded in her brand loyalty and buys store brand coffee, laundry detergent and paper products, but refuses when it comes to store versions of ice cream and cereal.

This week, Wal-Mart announced Operation Main Street, in which the retail giant pledged to slash prices on thousands of items -- including foods -- throughout every store each week from now until Christmas.

Wal-Mart sales nationwide at stores open at least a year rose 2.4 percent in October, compared to a decline of 0.7 percent for an index of other major retailers tracked by research group Thomson Reuters.

Karns said his same-store sales for October were up 5 percent over 2007. That isn't just because the price of many items was higher than a year ago, he said.

"People are buying the items on sale," Karns said. "It's a lower profit on promotional items and customers are responding very strongly to it."

Midstate residents are served by a large number of competing grocers, including the clubs, such as Sam's and Costco, and discount chains, such as Aldi and Sharp Shopper.

Giant set the tone in the 1970s when it committed to a structure of every day low-pricing, Gorland said. Giant remains dominant, with nearly 43 percent market share in the region according to Food World.

"If you are going to compete with Giant you better have low pricing, or you are not going to be in business for long," Gorland said.

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