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## Private Labels Stick

As more competitors enter the pet category, store brands are a way for retailers to distinguish themselves while building customer loyalty.

BY CLAY JACKSON

The launch of Wag, Amazon's private label pet food, in May, while not unexpected, sent seismic rumbles through the pet industry.

The world's largest online retailer has always "pursued a strategy of cost leadership, but they've never had a lower-priced pet food than what you can find in-store," said George Puro, president of Puro Research Group, a market research firm in White Plains, N.Y. "And now they do."

However, while Amazon's steady push to seize market share in the pet space raises flags for almost everyone in the industry, the online giant is not the first to get into private branding in the pet segment. Retailers in every channel including grocery, mass merchandising and drug stores, as well as pet specialty, have been seeking to attract and secure the loyalty of their pet-owning customers by offering private label products.

Now, forced to compete in an increasingly crowded market, independent pet specialty stores are finding that they, too, can reap the benefits of offering store brands that their customers come to rely on.

Bill McKee, vice president of private label sales for Simmons Pet Food in Pennsauken, N.J., said people will look back in 10 years and think of today as "the golden age of private label."

Simmons Pet Food is a supplier of private label brands of pet treats, and wet and dry pet food; the family business was founded in 1949 and has an annual revenue of \$1.5 billion, according to McKee.

"Retailers have recognized that private label will help them ... compete in the evolving retail landscape," McKee said. "Private label provides differentiated products that drive loyalty and continuity of purchase. We tell our retail partners that we work for their brand."

Grocery, mass merchandise and online retailers seem to be benefiting from the advantages of offering their own branded products. Private label dog and cat food and treats pulled in 11 percent, or around \$1.6 billion, of total U.S. supermarket, drug outlet and mass merchandiser sales in 2017, according to a study by the Private Label Manufacturers Association and The Nielsen Co.

In the same report, private label pet care products, including cat litter, rawhide chews, flea collars and other products, accounted for \$1.2 billion, or more than 20 percent, of the \$6 billion in pet care purchases made in U.S. supermarkets, drug outlets and mass merchandisers last year.

Retailers are getting into private label for good reason. Indications are that the millennial generation—a demographic with rapidly growing buying power—is fueling the growth of private label brands.

"Recent research about grocery shopping has shown that millennials are still looking to save money without

skimping on quality," Puro said.

"Ninety percent of millennials buy private label to save money, and 83 percent think private label is just as good as national brands," he added, citing data from IRI, a Chicago-based market research firm.

McKee, however, added that pet specialty retailers with premium private label offerings should "not forget about baby boomers just yet," as they still have buying power, but he agreed that millennials are key in the private label trend.

### MAKING A DIFFERENCE

Meanwhile, as more brick-and-mortar stores and online retailers enter the pet space, it gets harder for independent pet specialty retailers to differentiate themselves from the ever-increasing throng of competitors.

Private label branding is one way for pet retailers to "maintain relevance," McKee said.

Samantha Cohen, vendor relations manager and corporate buyer at Woof Gang Bakery, which has more than 100 locations in the U.S., describes the franchise as "full-service pet stores without the pets."

Woof Gang Bakery stores offer fresh-baked treats, dog food, toys, grooming, day care and veterinary services, but so do other retailers such as pet retail behemoths Petco and PetSmart.

"I think the world of pets is always growing, and it's a huge marketplace now, so every pet store, every independent, every online retailer needs to have something to differentiate themselves from each other," Cohen said.

Woof Gang Bakery's private label manufacturing arm, Woof Gang Bakery Products and Distribution (WGPD), began distributing its most popular treats as a store brand in 2014 in 8-ounce resealable bags. In addition to premium baked treats, the Woof Gang line now includes chews, bones, antlers, bully sticks, body parts and chicken feet.

"Having a store brand provides an extra layer of brand recognition," Cohen said.

Each franchise sells national pet food brands and treats, but included in the footprint of every Woof Gang Bakery store is an entire wall devoted exclusively to Woof Gang private label products.

"You bring back customers exclusively for your treats that they can't get anywhere else," Cohen added. "This is something only we can have and create."

Like Woof Gang, Jungle Bob's Reptile World, a pet specialty store with two locations in New York state, continues to cement customer loyalty with a store brand, the Jungle Bob Brand of reptile and aquarium products, according to owner Bob "Jungle Bob" Smith.

Still, 75 to 80 percent of Jungle Bob's shelf space is devoted to national brands.

To counteract this disparity, Jungle Bob's touts its Jun-



Jungle Bob's Reptile World, a reptile-focused pet store with two locations in New York state, offers 250 SKUs of its private label brand, the Jungle Bob Brand, which includes reptile and aquarium products.



gle Bob Brand products as superior and comparatively priced to national brands, gives its line optimal store placement, and offers warranties, guarantees and verbal assurances that store products work as advertised.

The brand consists of 250 SKUs out of the more than 2,000 that Jungle Bob's two stores carry, and includes lighting, bedding, backgrounds, decorations, water bowls, feeding dishes, plastic plants and husbandry items.

"We wanted to distinguish our stores from the competition, and the brand helped," Smith said.

One of the things specialty stores pride themselves on is their expertise in caring for the reptiles and amphibians they sell—and Jungle Bob's is no different.

Every product considered for the Jungle Bob Brand is tested in-store in live environments, and "if they don't perform, they don't earn the label," Smith said.

"The value of your name on the product far outweighs any perceived losses," he added. "Having your own brand eliminates comparison shopping."

Another benefit to having a private label is that it can help stores realize product-procurement-related savings.

WGPD does the manufacturing plus distribution for its Woof Gang Bakeries, cutting out the middleman of the equation, leaving greater margins for franchise owners.

"Because we are buying direct and don't have a distributor or a middleman, we get the very best pricing and are able to mark those prices up," Cohen said. "We are cutting out the distributor and adding exclusivity."

Eliminating distribution costs is an added benefit to having a private label brand, agreed Michael Prince, national accounts manager for Rema Foods, a food importer and private label supplier in Englewood Cliffs, N.J.

"Because of our nationwide coverage, we ... give retailers the chance to offer high-quality pet items without struggling with the logistics of expensive distribution alternatives," Prince said.

### PRIVATE LABEL IS NOT FOR EVERYONE

Still, while there are many benefits to offering a private label brand, Smith said it's not for the faint of heart.

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—Bill McKee of Simmons Pet Food