

# Brand-Name Food Makers Woo Retailers With Displays

By [JULIE JARGON](#) and [ANN ZIMMERMAN](#)

Seeking to combat stiffer competition from cheaper store brands, big-name food manufacturers, including [Kraft Foods Inc.](#) and [General Mills Inc.](#), are joining forces with retailers to promote their brands alongside private-label goods.

In the past, big food companies didn't worry too much about cheaper store brands encroaching on their turf, because consumers were more loyal to name brands and generally believed better quality justified their higher prices.

**But in recent years, retailers have improved their store brands, often mimicking the innovations that national brands have introduced, such as cheese with extra calcium.**

As private-label items have improved and the economy has slowed, many consumers are wondering why they should pay more when they view a store brand as equally or almost as good. **Last year, sales of private-label food and other consumer products jumped 10% to \$82.9 billion from \$75 billion in 2007, according to the Private Label Manufacturers Association, citing Nielsen Co. data.** Meanwhile, sales of branded products increased just 2.8%.

Now, brand-name manufacturers are trying to boost sales and defend their market shares in part by working with retailers to create special displays that allow name brands and store brands to share the promotional spotlight. Their strategy acknowledges that the rise of store brands has been a boon to retailers, whose overall sales have slumped and whose gross profit margins on store brands typically exceed those on branded items by 10% to 12%.

General Mills, for example, is using in-store grocery displays to promote "full meal solutions" that include its brands as well as store brands. At the Food Lion grocery chain, the company recently did a "taco night" display featuring its Old El Paso brand taco shells, taco seasoning mix and refried beans, as well as Pace salsa and Food Lion rice and ground beef.

A "pizza night" display featured General Mills' Pillsbury dough with the retailer's store-brand tomato products.

The new collaboration with retailers comes as [Wal-Mart Stores Inc.](#) prepares for a relaunch next month of its own private brand, Great Value, with improved packaging and quality, as the discounter seeks to take better advantage of shoppers' desire to cut their grocery bills.

The plan carries some risks for Wal-Mart, which became the nation's largest food retailer largely by offering its customers lower prices on well-known brands. "Our customer is aspirational, and she likes branded products," Wal-Mart's Chief Financial Officer Tom Schoewe said in a phone interview Tuesday.

By raising the profile of its private label, Wal-Mart could undermine some of the competitive advantage that has set it apart from other food retailers. "We hope to increase penetration of private label while we continue to grow branded products. That is key," said Mr. Schoewe.

**Gains by private-label products have come largely at the expense of smaller brands.** To cut costs and make room for a greater assortment of Great Value products, Wal-Mart has begun removing slower-selling brand names from its shelves.

"Private label has been around for years, so brands are not dead," said Sara Lee Corp. Chief Executive Brenda Barnes Tuesday at an industry conference in Boca Raton, Fla. "The question is: How do you make sure your brand is the No. 1 brand? There will be consolidation, over time, with only the No. 1, No. 2 and private-label brands remaining," Ms. Barnes said.

For manufacturers such as Sara Lee, who also make private-label brands for retailers, the increasing emphasis on private label-brands has had a silver lining.

"Our brands have been growing, but our private-label brands have been growing at a faster rate, so it benefits us on both sides," said Christopher Fraleigh, chief executive of Sara Lee's North American Retail and Foodservice business.

Kraft Foods Chief Executive Irene Rosenfeld said her company is also expanding its joint, in-store marketing efforts with retailers. Those efforts include in-store meal and sandwich displays at Publix Super Markets and Meijer stores that feature both Kraft and store-brand products. "They bring the bread, we bring the meat and cheese," Ms. Rosenfeld said in an interview.

Ian Friendly, executive vice president and chief operating officer of General Mills' U.S. retail business, told investors gathered at the industry conference that while sales of private-label goods are increasing, sales of competing General Mills products are still rising faster.

But Kraft's Ms. Rosenfeld said, "It will be increasingly important to be the dominant player in the category." She added that 80% of Kraft's brands are No. 1 in their product categories. The company recently shed some brands that ranked lower, including Post cereals, which was the No. 3 U.S. cereal brand by sales, behind Kellogg Co. and General Mills.

Until recently, Wal-Mart's private-label brands didn't pose much of a threat to branded-food manufacturers. The products' packaging was lackluster and the quality and consistency of many of them was uneven.

Although Wal-Mart's Great Value line, with 5,000 products, is the largest food brand in the country, it accounts for just 16% of the retailer's food sales. By contrast, Kroger Co.'s store brands account for 26% of that grocery chain's sales.

At an analyst meeting last fall, Wal-Mart said it would retool its Great Value line, in an effort to spur sales. "We plan to make this brand even stronger," Eduardo Castro-Wright, Wal-Mart's vice chairman and chief executive of U.S. operations said at the meeting. The company tested 5,000 Great Value products against national brands and reformulated 1,200 of them.

—Timothy W. Martin contributed to this article.

Write to Julie Jargon at [julie.jargon@wsj.com](mailto:julie.jargon@wsj.com) and Ann Zimmerman at [ann.zimmerman@wsj.com](mailto:ann.zimmerman@wsj.com)