

PROGRESSIVE GROCER
Store Brands

No Longer a Niche

By Megan Pellegrini



As Americans continue their love affair with sugar and fat, the number inflicted with diabetes — Type 2 diabetes, specifically — continues to rise. The 2011 National Diabetes Fact Sheet, compiled by the Centers for Disease Control and Prevention (CDC), the National Institutes of Health (NIH), the American Diabetes Association (ADA) and other organizations, reports that 25.8 million children and adults currently have diabetes, and 79 million — 35 percent of adults over the age of 20 — are estimated to be pre-diabetic.

These are certainly staggering numbers — and are expected to climb even higher. The CDC predicts that as many as one-third of the population will have diabetes by 2050.

"An acute realization among savvy retailers is emerging," says Howard Steinberg, CEO of dLife, an online diabetes resource based in Westport, Conn. "Capturing a shopper with diabetes is substantially more profitable than the average shopper."

Solid margins in most diabetes categories, he says, suggest exponential support of and demand for store brand diabetes products in the next few years. The companies that understand these shoppers are far more than a niche, but rather a force, will win big.

"It could very well be that private label will get ahead of major brands in recognizing this potential," Steinberg says.

Target whole-store wellness

As it is, a consumer with diabetes is likely to approach the grocery store with a different perspective than other shoppers, Steinberg says, leading some retailers to target whole-store wellness programs to them.

Do consider making diabetes a whole-store concern that includes diabetes care products, educational resources and more.

"Diabetics — Attitudes & Behaviors," an August 2010 report from global market research firm Mintel International, noted that 18- to 44-year olds are more open to a holistic approach to diabetes management — one that incorporates things such as exercise DVDs/books, personal coaches and classes — while women overall are specifically more interested in cooking healthy recipes.

Currently, growth in store brand diabetes products is centered on the pharmacy: blood glucose testing supplies, insulin delivery devices such as syringes, pen needles and lancing devices, glucose tabs, and even foot care and pain relief brands.

According to "US Diabetes Market Analysis," a February report from global market research firm RNCOS, the most significant growth in the U.S. market is in continuous blood glucose meters, insulin pumps and anti-diabetic drugs, with overall market growth totaling 17 percent in 2009.

"We've seen [an] increase in variety in categories of products used to treat the symptoms of diabetes, such as skin moisturizers to counteract dry skin or to help protect from cuts and abrasions that can be particularly dangerous for diabetes patients," says Eric Harkreader, spokesman for Rite Aid Corp., based in Camp Hill, Pa. "We've also increased the range of diabetes accessories we carry, including socks and compression hosiery."

Rite Aid recently expanded its pharmacy brand of blood pressure monitors to include three models with different price points and features, he adds.

Although retailers face intense competition from national brands, they probably still will find value in offering a premium line or at least a line with great features, says Julie Arel, marketing manager for Alpharetta, Ga.-based Can-Am Care.



"Our pen needle, for example, clicks on instead of having to be screwed on," she notes.

Although syringes still rule the insulin injection market, manufacturers have been pushing pen needles during the last five years because they are easier to use than syringes, Arel adds. In addition, a new category of drugs, the Glucagon-like peptide-1 (GLP-1) drugs, requires pen needles for injection, a reality that should further increase sales.

Another recent product innovation is liquid glucose.

"Patients appreciate that they can get glucose in a new form other than tablets," Arel says.

Packaging counts

Arel notes that some retailers are moving to more premium packaging — storing glucose tablets in shrink-wrapped bottles instead of the standard bottle with a label, for example — but most still use more modest materials to keep costs down.


"It's difficult because they want to use more premium packaging, but many of the segments don't have big margins," she says. "So it doesn't make sense to do so."

But any time a retailer employs a striking, cohesive design across all its store brands, it builds a foundation for loyalty efforts.

"The bigger payoff may be in converting that shopper into a loyal customer across an array of private label products," Steinberg says.

Involve the pharmacy

A few retailers, including Publix, Rite Aid and Walgreen Co., are complementing their price discounts with online resources such as e-newsletters, in-store screening events and nutritional shelf tags that help guide diabetes shoppers to better food choices.

Diabetes Care Product Segment Performance				
	Blood/Urine/ Stool Tests		Insulin Syringes	
	Private Label	All Brands	Private Label	All Brands
 Dollar Sales (in millions)	\$61.4	\$325.6	\$11.5	\$37.4
Change vs. Year Ago	+7.9%	-6.2%	+9.9%	+2.8%
Dollar Share	18.9%	100%	30.9%	100%
Unit Sales (in millions)	3.5	11.8	1.6	4.8
Change vs. Year Ago	+12.9%	-5.9%	+20.3%	+10.7%
Unit Share	24.7%	100%	32.7%	100%
Avg. Price Per Unit	\$17.55	\$27.53	\$7.34	\$7.77

Source: The Nielsen Co. Food, drug and mass merchandiser stores, including Walmart, for the 52 weeks ending Jan. 22, 2011 (prepackaged, UPC-coded products only).

And H-E-B, Steinberg says, has chosen to make diabetes a full-store concern. The retailer's health screenings, for example, come with coupons for healthy living products, and its pharmacists participate in medical therapy management consultations for a variety of health conditions.

Don't discount diabetic shoppers as a niche; their growing numbers present significant store — and store brand — opportunities.

"We expect to see retailers expand diabetes efforts and differentiate their offerings with additional services and staff training," Steinberg says.

He points out that during the past flu season, many retailers failed to hyper-target their flu message to shoppers with diabetes, who are seen by the CDC as a critical high-risk flu patient group.

"The pharmacist is in a unique position to reach out to diabetic shoppers with whole-store wellness ideas and education," Arel adds.

If the pharmacist doesn't buy into the store brand product, she says, that product is much more likely to linger on the shelf.

To that end, private label manufacturers can provide retail pharmacists with launch resources, educational materials such as product inserts, articles for store newsletters, cross-selling and promotional ideas, and other resources to build the store brand.

Rite Aid reaches out to diabetes patients by using both in-store materials and direct outreach. In fact, a number of its sites are recognized by the ADA and the American Association of Diabetes Educators (AADE).

"While these recognitions are a source of pride for Rite Aid, they are even more important to patients worried about the cost of diabetes because these ADA- and AADE-recognized sites can directly bill select insurance companies and Medicare for their clinically proven treatments," Harkreader says.

Members of Rite Aid's free customer rewards program, wellness+, can immediately save 10 percent on all Rite Aid brand products, including its diabetic care items. They also have the opportunity to earn their way toward 20 percent discounts off everything in the store, plus free health screenings, Harkreader notes.

And this past fall, Rite Aid teamed up with the ADA to host more than 1,200 free diabetes clinics during American Diabetes Month in November.

"Diabetes is a very complex condition," Steinberg notes. "The chains that really demonstrate value beyond price, but demonstrate that they understand the challenges of the diabetes lifestyle, will [gain] more share."

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