Business

RETAIL: Private brands an edge for stores: Home Depot's HDX label gives consumers a choice to save money.

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Mark Ward picked up a pair of scissors at Home Depot and noted the big, rubber handles. A screwdriver set labeled with the store brand looked comparable to others he could buy, he said. And the wrenches? "Those don't look bad," Ward said.

Ward, a Newnan resident, said he very rarely buys store brands. But if the price is right? "I'll try anything once," he said.

Home Depot is hoping shoppers like Ward will try a new brand, HDX, it rolled out in February. It's not Home Depot's first brand --- Husky, Veranda and Hampton Bay are among the store brands the company sells --- but as more people are willing to try off-brand products as they look to save money in a still-slow economy, the company sees an opportunity to increase sales and move further into its own brands.

HDX makes more of a connection to the company's name and brand, from the Home Depot initials to its orange packaging, than some of the other house brands Home Depot sells. The company is hoping the trust consumers have for Home Depot will parlay itself into sales of HDX.

The tools, cleaning supplies and fans are aimed at first-time buyers or light do-it-yourselfers, and HDX is considered a value brand, the "good" level in a range of "good, better, best" for the company. It plans to expand HDX into other categories, said John Deaton, Home Depot's senior vice president of brand and product development.

Deaton said the company saw an opportunity to sell more value items and receive a "subtle draft" from the connection to the color orange. HDX will be replacing the company's lower-end Workforce brand, and can stretch across more categories, Deaton said.

A 16-ounce HDX fiberglass hammer sells for $6.97, while a similar Plumb hammer costs $9.97. Workforce hammers can sell for under $5 at the store, while some name brands can go for nearly $60, depending on the weight and material. HDX also markets eight rolls of paper towels for $9.97, a 10-piece screwdriver set for $9.88 and a 25-foot tape measure for $4.88.

Home Depot does not manufacture HDX or any of its other brands, but store-branded products tend to make a retailer more money, even if they cost customers less than a name brand, because of the lower costs of advertising and packaging. They can be very profitable for a company that manages them well.

The share of such private brands sold has been steadily increasing over several years, said Andres Siefken, chief marketing officer for the retail branding company Daymon Worldwide. It is close to 20 percent of all items sold now, he said, after being nearer to 16 percent.

Siefken said he expects the reach of private brands to rise as customers become more inclined to try them. Some private brands have already become popular draws for stores: Craftsman at Sears, for example, or Kirkland at CostCo.
Because people have been willing to try more store brands to save money, there is a greater likelihood that they will find something they like and stay with it even when they have the money to return to a name brand, said Ken Bernhardt, marketing professor at Georgia State University's Robinson College of Business. That can prove a strong opportunity for stores.

There are some name brands that can only be bought at certain stores, which also draw customers there: Behr paint at Home Depot, for example, or Liz Claiborne, which is now sold exclusively at JCPenney. Increasingly, companies are looking to position their own store brands as a reason to shop there instead of just as the more affordable option.

"If they can only get it from you, it almost becomes a branded item," Bernhardt said. "They can gain a strong consumer following."

Home Depot has done "extremely well" with its other brands, Bernhardt said, and he expects HDX will also do well. He said the timing is right for introducing a new store brand because customers are still willing to trade quality for price, at least to a certain extent.

"I want it to be cheap, but I don't want it to be so cheap that I have to come back and get it again," said Salih Ozgurdal, a Dunwoody resident shopping at a Home Depot store last week. "With the name Home Depot, I would hope it's good quality."

If Home Depot's brand builds a following, the company has a chance to keep customers coming back, said Marshal Cohen, chief retail analyst for NPD Group. He said over the past several years, stores' private labels have evolved, becoming more like name brands.

The number of private brands on store shelves is higher than it's ever been, he said, as more stores look to expand their offerings. Lowe's, which has brands like Kobalt, recently expanded its allen + roth brand into furniture-style bath vanities, quartz countertops and laminate flooring.

If a store brand is well-thought of, it doesn't need to be the cheapest item for sale, said Jeff Buck, CEO at the Atlanta retail analytics firm QuantiSense.

He said Home Depot has the chance to play off employees' expertise and shoppers' trust to position HDX well --- as long as the products are well made.

If they aren't, he said, Home Depot runs the risk of losing the trust of that shopper altogether.

"With the color and name, it's playing on that loyalty," he said. "There's a risk associated with that."