

Chapters 11 and 12 discussion – 10/02/19

BRANDLESS: NO BRAND, NO LOGO, AND EVERYTHING AT \$3 A PIECE

It's probably never been a better time to be a new Consumer Packaged Good (CPG) brand. Thanks to new distribution channels like Facebook, Twitter, Instagram and YouTube, it's never been easier — or cheaper — for a new brand to build an audience and find customers online.

Brandless hopes to take advantage of this new environment and change the way consumers buy everyday essentials. It's hoping to make going to the grocery store to stock up on pantry items a thing of the past with its direct-to-consumer business model and \$3 price point for every product it offers.

Over the last three years, Brandless has set out to build a collection of products that span categories including non-perishable food, cleaning supplies, health and beauty products, personal care items and office supplies.

In the food category, for instance, it sells everything from canned goods to salad dressings and sauces to snacks and candies to coffee, all priced at \$3 a piece. Housewares include measuring spoons, can openers, corkscrews and a selection of knives, while cleaning supplies include all-purpose cleaner and dish soap. And on the health and beauty front, Brandless sells everything from toothpaste and mouthwash to hand soap and body lotion.

They also created only one product per category, like one kind of organic creamy peanut butter and one kind of organic tomato sauce to keep costs down compared to a large grocery chain that offers thousands of product options.

Brandless says in addition to low price, its products will be GMO-free. Many of its offerings will be organic. Health and beauty items aren't tested on animals and excludes harmful chemicals, like polypropylene and phthalates. Paper products are made of bamboo and sugarcane fiber and adhere to sustainable forestry practices.

The big innovation at Brandless was to make a wide range of household staples and sell them all at a single price. By stripping away what it likes to call the "brand tax" — i.e., all the costs related to the traditional consumer packaged goods distribution model — and going straight to the consumer, Brandless can offer its goods at 40 percent less than comparable products on average.

One of the ways that Brandless has been able to lower costs is by reducing the number of products it offers. With a product development team in Minneapolis led by Rachael Vegas, the company has narrowed its product line down to a couple hundred essential items. Vegas previously worked

at Target for 15 years, where she most recently oversaw the company's center-of-store grocery business.

While Target had tens of thousands of SKUs represented in its grocery markets, Brandless has tried to source just the essentials from its partners. It may not offer a dozen different versions of the same product, but its selection also doesn't seem incomplete. The company is also betting on a few trend-forward items, like say quinoa puffs or gojuchang sauce, and has plans for seasonal items that it expects to sell during the holidays.

Another key difference is Brandless packaging, which seeks to highlight the important details of each product, instead of having a big logo. That means pointing out what's non-GMO, organic, fair trade, or kosher, as well as which things are gluten-free or have no added sugar.

But the biggest difference between Brandless and all the major CPG players is its business model: Rather than sell through traditional retail stores, the company is offering its goods online.

Questions

- 1) What are the main differences between standard CPG, i.e., national brands and Brandless?
- 2) How can Brandless sell its product for less than other retailers?
- 3) The case refers to a "brand tax" as "all the costs related to the traditional consumer packaged goods distribution mode". Can you identify some of these costs?
- 4) How does Brandless add value for the consumer?
- 5) In class, we discussed the importance of a company brand, but Brandless seems to not care about it and offer neither brand nor logo. But is Brandless really "brandless"? Motivate your answer.
- 6) What do you think is the target market of Brandless?