

The next Kirkland? Online retailers create their own brands

29 March 2018, by Joseph Pisani



In this Jan. 23, 2018, photo, items from the Uniquely J brand from Jet.com are on display in Hoboken, N.J. Jet says it started to work on Uniquely J before the site was bought by Walmart Inc. in 2016. But while you can find Walmart's private-label brands on Jet, you won't find Uniquely J in Walmart stores. (AP Photo/Julio Cortez)

In Andrea Bright's home, Kleenex tissues, Charmin toilet paper and Glad trash bags have all been replaced by one brand: Prince & Spring.

Never heard of it? It's the 3-year-old house [brand](#) from Boxed.com, one among many new lines from online retailers vying to be the next private-label juggernaut. Think Costco's Kirkland Signature or Kroger's Simple Truth, but for online shoppers only.

Online retailers are creating their own brands for the same reason brick-and-mortar stores have long done so: They make a bigger profit, and the items help attract and keep customers. Jet.com launched Uniquely J last fall. Amazon now has Wickedly Prime, AmazonBasics and several other brands. And one new website, Brandless.com, has gone even further. Adamant that it's not a private label, it nonetheless sells only its own goods such as

toothpaste, tampons and trail mix.

For shoppers, who may see the new brands atop their search results, the online-only [store](#) labels can offer cost savings on basics, organic items they can't find in nearby stores, or a change from products they see everywhere.

Bright, an academic counselor from Mattoon, Illinois, started buying Prince & Spring products about two years ago. They cost less, she says, and she finds them to be "very good quality."



In this Jan. 31, 2018, photo Boxes of Prince & Spring tissues and bags of its organic French Roast coffee are arranged for a photo in New York. Prince & Spring was created four years ago by Boxed.com, an online bulk seller, as its house label. (AP Photo/Mark Lennihan)

Since online retailers don't have store shelves, they find other ways to get their labels in front of customers. Sites design packaging that pop on screens (Jet, for example, hired a tattoo artist for Uniquely J coffee labels). Some use organic ingredients or recycled materials to stand apart, while others ship boxes of free samples to hook shoppers.

In a box from Jet last December, Rachel Simpson got freebies: two Uniquely J sauces, including a Sriracha one.

"That was a pleasant surprise," says Simpson, a data entry clerk who lives in Jonesboro, Arkansas. She frequently buys another brand of Sriracha from Jet, as well as other condiments.

Jet analyzes customer data to decide what free samples to send and also what products to make. Sriracha is a hot seller, but it didn't have an organic version, so it created one for Uniquely J.

Jet says it started to work on Uniquely J before the site was bought by Walmart Inc. in 2016. But while you can find Walmart's private-label brands on Jet, you won't find Uniquely J in Walmart stores.

brand to its site immediately. Wickedly Prime soups showed up at its new Seattle convenience store, and AmazonBasics smartphone chargers are at its physical bookstores.

Store brands typically start out selling frequently bought products, such as toilet paper and napkins, and grow from there. Prince & Spring did that, and now plans to add laundry detergent, almond butter and bottled water.

To make store brands, retailers find manufacturers who can produce the items they want, says Woochoel Shin, a marketing professor at the University of Florida's Warrington College of Business. But sometimes it's the big brands that also make the private-label goods—something many don't want to advertise.



"If consumers knew that, who would buy the national brand product?" says Shin, who has studied store brands.

In this Jan. 26, 2018, photo products costing \$3 or less are on display in the lab of the online retailer Brandless in San Francisco. Brandless co-founder and CEO Tina Sharkey says Brandless makes money on every item, despite the level price, by working with manufacturers directly to make the goods. (AP Photo/Eric Risberg)

"We evaluate that all the time," says Dan Hooker, who's in charge of the [online retailer's](#) private brands. "But right now, it's an exclusive Jet.com offering."

Amazon blurs the line. When it bought Whole Foods last year, it added the grocer's 365 store



In this Jan. 23, 2018, photo, fig and thymes mini crisps from the Uniquely J brand from Jet.com are on display in Hoboken, N.J. Online retailers are creating their own brands for the same reason brick-and-mortar stores have done so for decades: They make a bigger profit from those products and the items help attract and keep customers. (AP Photo/Julio Cortez)

Kimberly-Clark, the maker of Kleenex tissues and Huggies diapers, says the private-label goods it makes account for less than 5 percent of its sales, but it won't say which retailers it works with. Asked on a conference call in January about increasing competition from Amazon's Mama Bear diapers, Kimberly-Clark CEO Thomas Falk answered a different question: "We haven't confirmed that we are making Mama Bear; we really don't talk about any private-label relationships."

Amazon says it can't say who makes its diapers, and Kimberly-Clark did not respond to a request for comment.

No matter who's making them, the new online entries increase the pressure on big brands, which have already been dealing with the growth of private-label brands in stores.

How much of an effect are the new online brands having? Amazon, Boxed, and Jet wouldn't give sales figures. But brick-and-mortar retailers show that store labels can be very lucrative.

The owner of Albertsons, Safeway and other supermarkets says its O Organics label recently surpassed \$1 billion in annual sales, its fourth brand to do so. Kroger's Simple Truth has passed the \$2 billion mark. And wholesale club Costco says Kirkland-branded nuts, milk and other goods made up about a quarter of its \$129 billion in annual sales.



In this Jan. 23, 2018, photo, treats from the Uniquely J brand from Jet.com are on display in Hoboken, N.J. Online retailers are creating their own brands for the same reason brick-and-mortar stores have done so for decades: They make a bigger profit from those products and the items help attract and keep customers. (AP Photo/Julio Cortez)

Online-only brands are taking inspiration from well-known [store brands](#) in other ways. Boxed, often

described as the online version of Costco since both sell bulk-sized items, looked to Costco when it needed to come up with a name for its house brand, says Jeff Gamsey, Boxed's vice president of private brands.

The company considered Prince & Greene, the cross streets of Boxed's old New York office and a nod to Kirkland, named for the Washington city where Costco was once based. But someone realized that Prince & Greene had the same initials as Procter & Gamble—the maker of Charmin and Bounty, and the very company the brand would be competing with. Greene was replaced with nearby Spring Street.

As for Brandless, don't take the name too literally. "We're a new kind of brand," says co-founder and CEO Tina Sharkey, who says she doesn't consider it a private label because the site doesn't sell any other brands.

Its biggest selling point: Everything on the site costs \$3, whether it's the organic virgin coconut oil or the tissues made of sugar cane and bamboo grass. Sharkey says Brandless makes money on every item by working with manufacturers directly. "Nothing costs us more than \$3 to make," she says.

Since the company launched last summer, it has more than doubled the number of items it sells to 250. It doesn't reveal sales figures, but says within 60 hours of launching, it received orders from all 48 states that it ships to.

In this Jan. 26, 2018, photo dinner products including pasta and sauces costing \$3 or less are on display in the lab of the online retailer Brandless in San Francisco. Brandless co-founder and CEO Tina Sharkey says Brandless makes money on every item, despite the level price, by working with manufacturers directly to make the goods. (AP Photo/Eric Risberg)

Sharkey attributes the demand to young people ready to shed big brands.

"Millennials don't want to buy the products that they grew up with and their parents use," she says.

© 2018 The Associated Press. All rights reserved.



APA citation: The next Kirkland? Online retailers create their own brands (2018, March 29) retrieved 24 January 2021 from <https://phys.org/news/2018-03-kirkland-online-retailers-brands.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.