

Walmart Food-Bag Consolidation Wipes Glad, Hefty From Shelves

Despite Amplified Ad Spending by Brands Last Year, Ziploc Emerges Clear Winner in Shootout

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Published February 4, 2010

BATAVIA, Ohio (AdAge.com) – In the latest of a growing wave of brand consolidations, Walmart has sent Glad and Hefty bags packing from its food-storage shelves. Similar decisions are likely to play out across other categories over the course of the year, as Walmart steps up efforts to streamline brand assortments, often to the benefit of its fast-expanding Great Value brand and national brands that survive the vetting.



Hefty parent Pactiv Corp. confirmed that Walmart has removed the brand's food bags off its shelves.

The move follows a shootout in a series of store tests starting late last year, which appear to have prompted the Glad, Hefty and Ziploc brands to hike ad spending late dramatically, despite a deep recession and flat to falling category sales, in efforts to stave off de-listings. The contests had high stakes for the brands, given that Walmart makes up a third or more of their sales. Walgreens and CVS, too, have significantly pared their trash and food bag brand lineups in recent months.

In food bags, Walmart has consolidated nationally with one brand, SC Johnson's Ziploc, and its own private label, Great Value, wiping Glad and Pactiv Corp.'s Hefty off its shelves, according to a person familiar with the matter. (Pactiv confirmed the move for its brand, while spokespeople for Walmart, Clorox and SCJ declined to comment.)

In trash bags, Glad and Hefty have retained their places on the shelves, two people familiar with the matter say, but Hefty now has a smaller assortment limited to its CinchSak line. This position was most likely preserved, says Consumer Edge Research analyst Bill Pecoriello, by Pactiv Corp.'s agreement to take over all private-label manufacturing for Walmart's Great Value trash and food bags.

The clearest winner in the Walmart bag war -- besides the retailer's own Great Value -- appears to be SC Johnson's Ziploc, with mixed results for Glad, owned 80% by Clorox Co. and 20% by Procter & Gamble Co., and Pactiv Corp.'s Hefty.

Mixed bag

Pactiv, which has taken over all private-label manufacturing for Great Value from smaller, non-branded producers, also stands to pick up volume, but as margins on private-label manufacturing tend to be considerably smaller, it's less clear what the net impact on profits will be.

For the 52 weeks ended Dec. 27, the bag categories collectively accounted for \$1.9 billion in sales as measured by Information Resources Inc. data, which exclude Walmart, and likely account for more than \$1 billion in additional sales at Walmart and \$4 billion total across all channels, including club and dollar stores.

Even before this, the categories already had some of the largest private-label penetration rates in package goods, with more than a third of dollar sales and more than half of volume in the combined categories coming from store brands in measured channels. So Walmart and other big retailers such as Walgreens and CVS have probably been more aggressive at culling national brands there than they will be in some other categories, though the moves are still indicative of a broader trend, said Mr. Pecoriello.

"If you look at the trash-bag category, you really have to ask yourself, 'Is there really a need to have more than one brand and private label?'" he said. "I think Walmart is going to make similar moves in some of the cleaning areas and then across the portfolio."

Faced with the threat of mass de-listings, the bag brands collectively hiked ad spending last year to \$112.4 million through November, according to Kantar Media, up 78% from the year-ago period and 63% from full-year 2008. Hefty had the biggest increase, hiking spending more than sevenfold to \$23 million. Glad increased spending 58% to \$57.9 million and Ziploc 37% to \$31.5 million through November compared to the year-ago period.

Hefty win?

Picking up the private-label manufacturing — often viewed as a concession by brand marketers -- was portrayed as a prize by Hefty executives, who addressed the trash-bag portion of the business only on a Jan. 27 conference call. Analysts, though, raised questions about the margin impact and potential for industry pricing disruption as private-label manufacturers seek new outlets for their sudden excess capacity.

Clorox exited the private-label bag manufacturing business last year after deeming it non-strategic.

A spokeswoman for Pactiv confirmed it has also taken over manufacturing for Great Value food bags and added, "We are currently off the shelf on the food-bag business, but we expect to be back on the shelf in that category sometime in the future."

Indeed, Walmart's assortment decisions aren't always permanent and are reviewed sometimes more than annually. In some lower-priority categories such as food and trash bags, Walmart is moving closer to practices of club and dollar stores, which often carry only one national brand — sometimes on a rotating basis -- plus private label. That gives ousted brands a chance to win their space back while ratcheting up pressure for price and sales performance on all brands year-round.

It's less clear how a third, related segment — disposable food-storage containers -- will be handled. But in Cincinnati area Walmart stores, only Ziploc disposable containers were to be found and only in endcap space, with Gladware and other disposable food containers removed entirely from the main food-storage display.