

Beat private label brands:

Winning strategies to conquer anchors

People tend to make decisions by comparing options, and consumers are no exception. Anchoring can play a significant role in influencing consumers' purchase decisions – especially in choosing private label. For brands, knowing precisely how to overcome, and use, anchors can be a powerful tool in pricing strategies.

WHAT IS AN ANCHOR AND WHY IS IT PROBLEMATIC?

When assessing the perceived value of different products or services, consumers will latch onto a known price point to base their comparisons – and purchase decisions on.

This reference, or starting point, is their anchor. Anchors are arbitrary; they can be formed with little accuracy or reasoning, but once formed - they can be rigid and resilient.

Private label provides consumers with a lower anchor.

Only by conquering these anchors, can brands drive conversion.

3 PROVEN STRATEGIES TO CONQUER PRIVATE LABEL ANCHORS

1

MEET THE ANCHOR

If consumers are already anchored to your private label competitors' low prices, use promotions as an immediate attack strategy: Bring your price closer to their anchor, while maintaining the brand perception of premium. This approach is an effective way to convert buyers from private label.

While the need to lower prices limits value growth potential, when planned strategically, it can be a powerful way to grow volume.

BREAK THE ANCHOR

To overcome the anchor, without reducing prices, ensure consumers assessing your product perceive it as distinct enough to prevent them from activating their private label anchor. Instead, you want them to form a new anchor based on your product. In this longer-term strategy, you can help consumers create a new anchor by providing the brand value that private label cannot offer.

For example, introduce new product features/services to differentiate or improve brand communications by tapping into consumer psychology principles.

3

USE THE ANCHOR

An alternative longer-term strategy is to use the private label anchor against itself by taking advantage of consumers' tendency to opt for the middle-priced option: Introduce a far more expensive decoy option into your portfolio. This strategy will provide a maximum price for consumers to compare against, and the private label price becomes the minimum price.

As a result, you subtly lead consumers towards choosing the middle option.

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