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## Secrets to Battery Success

by Kate Parham

April 19, 2011

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As the country recovers from one of the worst recessions in history, Americans are looking for stability, for something that will last, in everything from the stock market to the batteries in their digital cameras. So it comes as no surprise that private label zinc air batteries, those used in electronic vehicles, hearing aids and cameras, saw a 5.17 percent increase in dollar sales for the 52 weeks ended Feb. 20, 2011, according to Chicago-based research firm SymphonyIRI Group. "Although the hearing aid segment by comparison is small, it continues to grow at a double digit rate annually," says John Yannuzzi, vice president corporate brands at Powermax Battery, a Rancho Cucamonga, Calif.-based battery maker. This also coincides with another new trend in batteries: online sales. "The newest [thing] in batteries is the availability of products online by specialty battery Web sites," says Elliott Alexander, president of Miami-based Micropower Battery Co which runs Web site Microbattery.com. "Online sales are bringing a much broader variety of brands and lower prices to consumers, commonly 50 to 70 percent cheaper than traditional walk-in retail outlets."

Unfortunately, private label zinc air batteries are the only battery subcategory, including both private label and national brands, to see an increase in sales for the 52 weeks ended Feb. 20. In fact, battery sales as a whole are down, especially in the private label category. While overall battery dollar sales dropped 5.77 percent to \$1.46 billion in the period reviewed, private label battery sales declined 9.83 percent to \$231.3 million.

Why are private label batteries doing worse? "As the items [powered by batteries] get bigger and more expensive, consumers get more conservative with their brand selection" says Tyler Grant, director of sales at Rocket Electric Co., Ltd, a Korean battery maker with U.S. offices in Los Angeles.

Jesse Otazo, vice president of sales at Hengwei Battery USA, St. Petersburg, Fla., isn't worried, though. "While private label batteries declined in 2010, we are not likely to see a continuation of that trend in 2011," he says. "The 2010 decline was primarily driven by the national brands efforts to minimize share loss to private label." Essentially, national brands offered special packs, like 10 batteries for the price eight. "While this is an excellent strategy short term, the novelty should soon wear off and consumers will probably regard the new packs as standard after a period of time," predicts Otazo who is confident the quality and price of private label batteries has never been better.

The largest drop in sales came in private label NICD/NIMD/LITH-ION/lead-acid batteries which saw a 37.58 percent decline in dollar sales for the period. "The price points for these rechargeable batteries are very high compared to traditional alkaline," says Tyler Grant, director of sales at Rocket. This subcategory's average unit price increased by \$3.60, SymphonyIRI reports. As for lead acid batteries, Grants guesses that the decline in automobile sales caused the drop in this type of battery's sales. Batteries that are hot with consumers today provide not only exceptional value but also a wide variety of benefits. Eco-friendliness needs to be a key selling point, for example. Shoppers want a green battery at a reduced price. Popular products also increasingly address cost per cell by offering larger package sizes with lower unit pricing.

Indeed, large packs (24 and 48) are leading the category, while cost per cell is down at retail, says Russ Bongiorno, vice president of sales & marketing at Fuji Batteries, Mahwah, N.J.. "If you can offer a green product at a reduced price you have a win-win situation for retailers," says Bongiorno. Rechargeable batteries will continue to grow in use and popularity. "Over the years, the technology has moved from Ni-Cd to Ni-MH and now to Li-Ion and lithium polymer," says Alexander. "With rechargeable lithium technologies, we are continuing to see improvements in design and capability."

### Soaring Costs

The private label loss in dollar sales came at the same time that overall unit sales of private label batteries rose 0.03 percent, signaling that what was sold likely was sold at lower prices than in the previous year's similar 52-week period.

Rising cost of freight contributed to shrinking margins as well. "Oil and gas are very volatile," says Bongiorno. "As oil and gas prices rise, the manufacturer's margin shrinks causing the manufacturer to raise prices to maintain a profit margin."

High costs for raw materials such as silver, zinc and manganese also are driving up costs. "Silver prices have nearly tripled in the past two years, greatly affecting the prices of silver oxide watch batteries," says Alexander. "This year, manufacturers are introducing mercury free (or MF) watch and hearing aid batteries, which is expected to add around 10 percent to the manufacturing costs."

"While raw materials have been on the increase, the real challenge is the exchange rate," says Otazo. "As the dollar continues to decline, foreign manufacturers have no real way to absorb the devaluation." Coupled with increasing labor costs, Otazo believes battery prices will increase in the upcoming years. Showing it Off

"Private label batteries offer additional discounts to retailers and consumers over the branded names," says Bongiorno. "They are increasingly offering larger package sizes with lower unit pricing." When it comes to in-store merchandising, it's of utmost importance to not only display private label items right next to branded items but also to make sure the items are properly rotated, to keep date codes fresh. Using end cap displays and secondary placements also is important as are attractive design, with bold graphics that people will remember.

Promotions are also integral to promoting private label battery sales. Target promotions throughout the year and use floor displays for secondary locations, in addition to doing a special event, says Yannuzzi. Yannuzzi has found the more popular themes for promotions to be buy one, get one free and bonus packs.

### Eye on the National Brands

National brand battery makers also are trying to appeal to consumers who want greener products with excellent value. Mercury-free batteries seem to be all the rage.

Duracell recently released a mercury-free hearing aid battery called EasyTab. The brand also came out with MyGrid, a charging station with 12 magnetic strips that charges everything from cell phones to iPods, to appeal to consumer's desire for one-stop charging.

Energizer also created a mercury-free hearing aid battery called EZ Turn & Lock, which uses 100 percent recyclable packaging.

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