INSIDE OWN BRANDS

AUTUMN 2019

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Productive ways of managing your own brands

Hello to you on this lovely Autumn day.

What a time of uncertainty we are living through! News channels are filled with speculation about Government and Brexit, and several established Chief Executives within our retail sector have moved on.

We hope that this edition of Inside Own Brands will provide you with a little insight into productive ways of managing your own brand in this time of uncertainty. Our guest writers add some extra richness.

We begin with some top tips from Lucy McRae for putting supplier engagement at the heart of your supplier portal and follow this with some optimism from guest writer, Clare Daley of Hooley Brown, who cites the seismic changes in global retail operations as an opportunity for ambitious retail chains to invest in their own brand offerings.

Our second guest writer of the issue, Clare Norman at Kingfisher, asks why Quality Management systems in non-food consumer products are too often about the bare bones of compliance rather than delighting the customer.

In our third article, Jan Fura covers the own brand product development process and how to avoid the path to failure when it comes to implementing NPD software.

Jay Ramsay looks at developing options for interpreting customer complaints in this data-rich world, next up is S4RB's CEO, James Butcher, with his reminder that not all customer feedback is a complaint.

Kelly Cookson closes the magazine with a comparison of the giants of retail, Alibaba and Amazon, and looks at their respective strengths, weaknesses and own brand strategy, assessing how greater customer insight may contribute to their future development.

I hope you enjoy assimilating the content as much as I have done.

Happy trading through the festive season.

Penny Coates, Non-Executive Retail Director

S4RB

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7 top tips for building supplier engagement into your supplier portal

Successful retailer-supplier collaboration means more than just having a website i.e. just another portal. It means real engagement. If you are a retailer setting out to build your first supplier-facing portal, or indeed looking at upgrading what you already have, this is your opportunity to build true supplier engagement into the heart of it.

Design

If suppliers don't know how to interact with your portal, you've already lost the battle. You want your design to be intuitive, and you can do that by keeping things simple, clear and direct. Design your portal in a way that helps suppliers navigate effortlessly to the information you want them to see.

Put 'Search' at the heart of the solution and share as much information as possible. Not just policy and process documents, but the 'How To' and FAQ.

If you do this, not only will your suppliers use your portal happily, but they will also adapt quickly to new processes and functionality.

Be a 'one truth' source of information

Your portal is only as good as its content, and only useful if it has the answers your suppliers need.

Developing a comprehensive knowledgebase is one of the most important things you can do when it comes to making your suppliers self-sufficient. Giving your suppliers access to accurate information, on demand, makes the retailer-supplier relationship easier and relieves some of the pressure of dealing with supplier queries.

Allow suppliers to rate answers and their usefulness. You also need to report on and analyse what is being used and read, and where the information gaps are – what are suppliers looking for that they cannot find?

Every question answered by a knowledgebase article is one less query directed at you.

3 Consider your wider audience

To help suppliers help themselves, your knowledgebase needs to be clear, concise and searchable. Everybody learns a little differently, so a good mix of videos, documents, process flows and text help ensure that your content is reaching the widest audience possible.

Suppliers are not entities, they are people and they all have different roles. Consider the audience and ensure information is appropriate to empower them for your brands.

4 Less is more

Don't over communicate by firing five emails out a day and having essays on each knowledgebase article; keep messaging stripped back and relevant. Your suppliers will be more likely to engage with you if you communicate with quality over quantity.

Think about everything your suppliers need to do in a day and contact them considerately, don't overwhelm users with information.

5 Focus on adoption

Supplier adoption and use of the portal should be paramount. You need your portal to be time-saving, helpful and informative.

Your portal should be part of your suppliers' daily routine. Aim to eliminate the need to open multiple systems and include all necessary process in one place. You want your suppliers to look forward to opening your portal, not dread it as another checkbox in their busy day.

6 Listen and adapt

Supplier support is going to be the biggest factor in your portal's success. Ask your suppliers for feedback on the portal and the services you provide. Start conversations and give the opportunity for suppliers to rate your content.

You can do this by embedding feedback links in both your system and email communications and asking for ratings on your knowledgebase pages.

It's important to collect and listen to user feedback, but doubly important to action some of those suggested changes.

7 Always keep evolving

Things move quickly and you need to ensure that your portal and its content are relevant and up to date. Make it your aim to continuously improve your offering and motivate your suppliers to deliver the innovation and business transformation required to survive in today's retail market.

Lucy McRae
Solutions Consultant | S4RB

Exporting compliant food products: inside & outside trading blocs

Clare Daley, Director of Hooley Brown, discusses seismic changes in global retail operations that have created the momentum for ambitious retail chains to invest in their own brand offerings.

But to play brands at their own game and win, retailers must overcome a complex set of challenges – including making product labelling compliant for export markets.

Modernising laws, harmonising blocs

Constant innovations in food production mean countries across the globe are intensifying efforts to modernise their food labelling laws, introducing new regulations and adapting existing standards to guarantee consumer safety.

Pitted against powerful economies (US/UK) and populous markets (India/China), several countries are also reinforcing leverage by aligning with other close sovereign nations.

Harmonisation works by setting aside national goals for the common good. Only by agreeing and upholding minimum standards can there be a level playing field across borders, reduced transactional costs and sustained international trade and investment.

Free trade agreements offer undeniable benefits to member countries and the direction of travel is towards striking major bloc-to-bloc deals, like the recently announced EU/Mercosur accord.

But negotiating in today's increasingly fractious and multipolar trading environment is a torturous, long drawn out process – evident from ongoing struggles between the EU and Canada, Japan and Latin America, let alone the demise of TTIP!

For own label brands, the development of these blocs is good news – offering collective security, stability and economies of scale.

The EU – a case study

Thanks to the implementation of a core set of labelling laws (FIR) in 2014, the European Union is the most advanced trading bloc.

The aim of FIR is to secure the supply of safe foods, protect against misleading business practices and provide consumers with the necessary information for the safe handling and consumption of all foods.

Influencing friends and neighbours

As part of EEA, Switzerland, Norway, Liechtenstein and Iceland have, in Brexit parlance, chosen to be "rule takers" in order to access the internal market whilst foregoing EU membership.

Other non-members, like Serbia, Georgia and Morocco, have modelled their national food laws on those of their main European trading partners. So, once labels are correctly prepared to EU standards, own brands can confidently enter other markets without reworking either recipe or labelling.

Avoiding the harmonisation trap

Implementing the 'hard' FIR requirements – e.g. nutrition information formatting, what needs to appear on pack, where and in what languages – puts enormous pressure on already limited space on pack.

But, even when adhering fully to FIR, own brand retailers can still be caught out by additional product standardisation laws enforced locally! Trading products within an internal market is based on mutual recognition of standards. In the absence of specific EU directives, national standards still take precedence – like the extremely specific regulations for yoghurt in France or complex German guidelines for cakes…

A thorough country-by-country label review will make sure your labels aren't inadvertently misleading local consumers.

Beyond the EU

Younger global markets "pick & mix" elements from both US/EU labelling, adopting the proven practices of FDA/EFSA and prompting assumptions about their compliance.

Challenger blocs, like those led by Saudi Arabia and Russia, are building their own regulatory frameworks, advocating internal consumer interests, such as halal, and already coming down heavily on non-compliant products.

Own brand labellers - beware! Despite some commonality, simply adding Arabic or Russian translations plus the EEC logo onto the label is not enough to make your label compliant and may lead to serious non-conformance penalties.

While harmonised trade blocs are good for scale and security, product specs and labels need checking on a case by case basis to deliver full compliance – and peace of mind for the brand owner!

Hooley Brown are experts in managing complex global labelling solutions and aim to give emerging brands a better chance to succeed in this highly competitive sector by making it easy for them to access what had been out of reach global markets.

For more information visit: **www.hooleybrown.com**

The gulf between food and non-food quality management

Clare Norman, Quality & Compliance Services Manager at Kingfisher, asks why are Quality Management systems in consumer goods such as apparel, housewares, pet food etc (anything that cannot be eaten, really), too often about the bare bones of compliance rather than delighting the customer – the heart of our business?

Comprehensive Quality Management systems are standard practice for FMCG food retailers. Visibility of suppliers/manufacturing sites; audit programs, product history from technical brief to finished product specifications, surveillance test programs; understanding of customer complaints and returns: so called 'big data gathering' combine to provide valuable insight on performance as well as 'Due diligence defence' should the worst happen.

However, focus on quality in the world outside of food has not matched pace. While the BRC Audit standard for food production marches ahead on version 8, its counterpart for non-food consumer goods is still only at Version 4.

At suppliers and manufacturing sites, too often, the answer to the question 'Do you use the principles of HACCP or FMEA?' is answered: "No, this isn't food production. It's just a power tool, paint, furniture, toys…"

Surely an approach to safety and quality good enough to get a man on the moon (which the recent anniversary of the moon landings re-iterates this has been proven for 50 years), is good enough to ensure that the products with which we hope to delight and excite our customers are safe and fit for purpose. Its principles are easily transferable into a non-food environment. But too often I do not see this happening.

The benefits for revenue and profit protection, as well as managing reputational risk, should not be ignored. Yet as I ventured outside the world of major UK FMCG food retailers, I found ignorance of its principles or merits by boards and senior management.

Good quality management is essential for good business but for much of the non-food retailing community, this is just not a reality.

The UK Corporate Governance Code by which retailers and others must abide states:

A successful company is led by an effective and entrepreneurial board, whose role is to promote long-term sustainable success...generating value for customers...contributing to wider society.

The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance… prudent and effective controls which enable risk to be assessed and managed.

In other words: Put the customer experience at the heart of everything you do. Comprehensive quality management, risk management and due diligence should be central to all companies.

A dissatisfied customer or worse, one that has been injured is not fulfilling the spirit of the code. Ultimately it will not sustain a profitable business with a brand enhancing reputation.

However, the spotlight of regulation is beginning to focus more clearly on the production and distribution of non-food products, as are customers, NGOs and other major opinion formers.

The introduction of a raft of safety, sustainability and CSR legislation in recent years, (REACH, Biocides Directive, Poisons & Explosive Precursors, the Abolition of Modern Slavery Act) to name a few of the far-reaching pieces of regulation which are beginning to bite.

A customer base with access to social media such as blogger reviews and the rise of e-commerce and with it real time 'ratings & reviews' bring the perception of quality – value for money - under the spotlight like never before.

The need for comprehensive quality systems must be recognised.

Admittedly, this has come at a time of squeezed resources when in-house, permanent quality management teams are disappearing.

A lack of resource must not result in an abdication of responsibility but an opportunity to embrace the third-party systems routinely used by food retailing counterparts.

Understanding exactly what your products are composed of and how they are designed and manufactured, must become the new BAU.

Understanding why products are returned and having the information to tackle the manufacturer and make corrective actions is standard information in the food arena but is still out of the grasp of many retailers when it comes to their non-food goods.

Although not without the need for significant resource, the alternative could prove much more expensive in the long term.

Dealing with returns and refunds is time-consuming and profit eroding, not to mention reputational risk. In retail markets with sluggish growth and increasing pressures on capping costs to maintain profit margins, effective quality management makes economic sense.

Exceed expectation: Reap the rewards!

Theoretical versus practical: new product development monitoring

There are many factors that go into configuring and implementing software solutions. One of the most important involves paying attention to user experience.

How easy is the experience for users such as suppliers? What is their reward for engaging? Are they being asked to provide chapter and verse about a product with seemingly little to no justification?

In the latter situation, suppliers would feel the task involves a large amount of work and no clear benefit.

That is the test that goes on at user level every day when making decisions to complete tasks within solutions we deploy. Very often the success of an implementation is driven by getting the balance correct.

Over the course of many years working within private brands grocery retail, I have seen this battle regularly lost, especially when it comes to product development.

The drive for improvements in time-to-market is a huge focus for private brand retailers as they go through the process of their own brand evolution.

The classic path to failure often looks like this:

1. Engaging external consultants that assist the retail organisation in mapping and then optimising the different workflow routes for product development from packaging tweaks to true range innovation.

2. Mapping the workflows to the computer systems at a very granular basis to in theory get the maximum level of detail of the current product development loading and status at any one time.

3. Training the users in the fine detail and workload needed to track the detailed process steps. This can often involve tracking individual product lines, but can certainly involve over 20 process steps per workflow, with rigid rules!

4. After a few months the systems run into disrepute due to out-of-date information. This is caused by users finding it too much work to track this level of detail, and/or the rules being too overbearing in the rush to get products to shelf.

5. The reports cannot be trusted, and the software is seen as failing the organisation.

The failure is all due to the lack of recognition of the practicalities of the significant business change process being put in place.

An own brand retail product development process is highly complex, involving the interaction of multiple partners with cost, product performance, packaging, brand, marketing, sustainability and legal elements that often overlap.

There is a time constraint that hangs over the process, increasing the pressures to find solutions to non-standard situations.

For me, the answer has always been to be very careful not to demand too much too soon, and to settle for initially creating much higher level / less complex workflows (less than 10 steps) with guidelines for processes, rather than building locked gates. The other key compromise is to start by tracking at project level (as opposed to product).

Users are more likely to follow these strategies and can cope with the reporting of the status of the product development process. They also then start to see the benefits of the tracking process within the reporting. The next stage is to set up ongoing product development process check-ins to learn from the implementation and begin to increase the levels of detail, where everyone agrees it is needed (e.g. within the artwork workflow).

I have seen enough examples in my time, to guarantee that this more practical approach for a New Product Development cycle with improved times always wins out over the theoretical route.

Jan Fura
Consultant | S4RB

A technical analyst's guide to complaint management

We live in a data rich world; every interaction with an organisation is recorded, codified and stored in a database ready for analysis. Own brand retail is no different in this regard, especially in the world of customer feedback. This is true for complaints, returns and reviews.

Here at S4RB our philosophy is firmly centred around connecting suppliers directly to customer feedback by sharing the incoming comments and reviews directly with the people who can actually do something about it.

As simple as this may sound, the practices and processes of feedback management need to work together to ensure the right data is available to the right people at the right time.

As part of our advisory practice, we advise and benchmark retailers on the **'Six steps of good feedback management'**:

1 Collection
How do you listen to your customers?

2 Categorisation
Do you understand what your customers are saying?

3 Analysis
Can you identify what is important to look at?

4 Action
Can you share it with someone to do something about it?

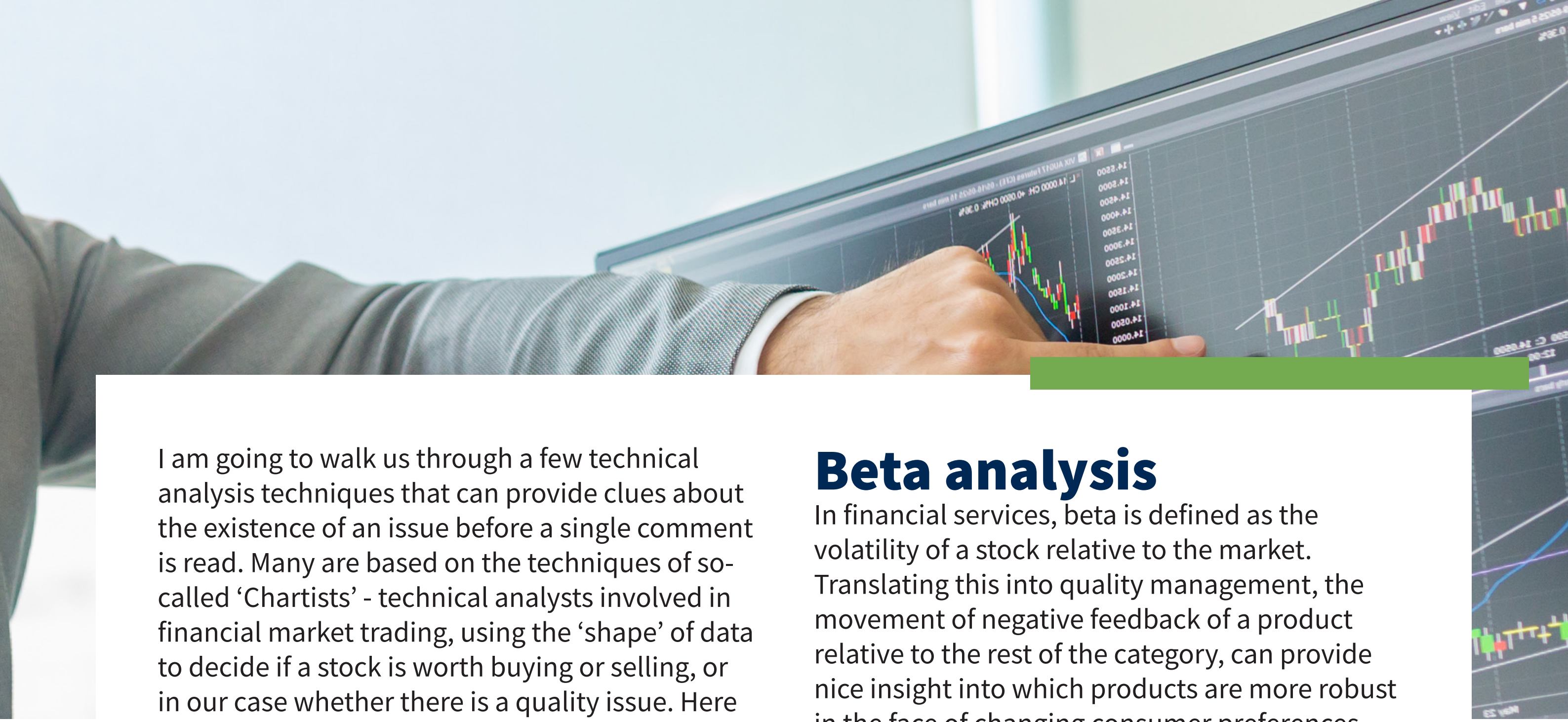
5 Resolution
How do you solve it?

6 Impact
Do you know if you've made a difference?

The nature of customer feedback is subjective - both retailer and suppliers need to know they are acting on issues that have a meaningful basis for concern and cause for correction. However, in reality no one has the ability to act on every piece of feedback that comes through the door, nor should they. This is why many of our partners ask us to help in area #3 – Analysis. This involves using the data to narrow down the areas to look into in more detail.

By far the best way to understand if an increase in negative feedback has a common cause is for someone familiar with the product to read the comments and decide for themselves. Herein lies another problem: how do the experts know which comments to read and which to ignore? **There is simply not enough time in the day to read them all.**

The entry level technique is to simply rank by volume or by change in volume and work through the top 10%. While this is a perfectly valid approach, it carries with it the risk of missing out on the bottom 90% where movements may be more subtle, or issues may be in an early stage.



I am going to walk us through a few technical analysis techniques that can provide clues about the existence of an issue before a single comment is read. Many are based on the techniques of so-called 'Chartists' - technical analysts involved in financial market trading, using the 'shape' of data to decide if a stock is worth buying or selling, or in our case whether there is a quality issue. Here are some areas for focus:

CPMU
Complaints per million units. Quite simply the number of complaints relative to the volume sold (clearly a million can be scaled down to meet a sensible business unit). CPMU is a very quick and easy way to determine if an increase in negative feedback is disproportionate to sales or simply a result of more sales = more complaints.

Trading bands
The volume of complaints over a particular product or category will vary over time, but usually it can be expected to remain within a fairly predictable range, that is until an extraordinary event occurs. Setting bands based on a moving average, plus or minus a standard deviation or two can quickly identify when levels of feedback move outside of expected norms, even if volumes or movement don't qualify for a top 10 place.

Breakouts
A variation on trading bands, breakout analysis looks back at the highest points over a historical time period and sets a ceiling. If and when the level of complaints breaks through this ceiling, this can be an indicator that something extraordinary is afoot.

Persistent trends
Not all movement in quality is cliff edge extreme. Some issues develop over time and only come to the surface when they hit a level that puts them on the top 10 radar. Looking for complaint volumes or CPMU that is trending upwards for three or more periods can give a good early warning of a potential issue in the mix.

Beta analysis
In financial services, beta is defined as the volatility of a stock relative to the market. Translating this into quality management, the movement of negative feedback of a product relative to the rest of the category, can provide nice insight into which products are more robust in the face of changing consumer preferences (clue: a low beta is preferable).

Conclusion
At this point it is worth noting that past performance is not indicative of future results, and clearly not all of these techniques will give definitive answers every time. As part of S4RB's Insights module, we create collections of products based on all these techniques and more, as well as looking at the relationships between the collections.

By looking at the data through multiple lenses we give our customers the best chance of finding and addressing the key issues efficiently and effectively.

Clearly, there is no substitute for analysing the text of customer feedback and drilling into root cause (another area S4RB is leading the market on.) But perhaps by thinking like a stockbroker, any retail product manager can find issues in places they've never thought to look.

Jay Ramsay
Product Director | S4RB

Embracing the noise of customer feedback

Within the four walls of most major retailers, customer feedback is predominantly categorised as 'complaints'. As customers, we sometimes fall into the same trap in our own communications, because it is the vernacular used. But it isn't only complaints. It is feedback, which includes the positive, the negative, the factual and the subjective. Retail own brands could certainly do more to actively listen.

The problem with 'complaints' is that the retailer's core objective is to make the problem go away. However, a replacement or voucher apology doesn't address the fact customers want to be heard, and have their feedback valued.

Call centres, when used by retailers, shouldn't just focus on how many calls can be answered in an hour, it should be about the quality of the own brand experience.

The feedback process varies drastically across industries, for example, TripAdvisor has become the go-to site for feedback on the leisure industry. Yes, there are alternatives, but for whatever reason, TripAdvisor is now the beacon for hotel reviews and for most aspects of travel.

So many people now visit the website before booking a holiday or eating out that establishments actively attempt to garner reviews. Many customer satisfaction surveys now make it increasingly easy for you to post your comments to TripAdvisor at the end.

The point is there is a whole industry that has accepted the need to encourage feedback, to utilise it as fuel for success and identify areas of weakness, this will help brands to develop and become stronger.

So where is the TripAdvisor equivalent of grocery products? Where do you go to find who has the best Free From range, or the tastiest spaghetti bolognese? Is the lack of such a go-to place a sign that there is no need, or a sign that many own brands don't want to listen?

It's obvious that as consumers, we all do a little more research before we spend on a holiday, than we do on which lasagne to buy next. Maybe the TripAdvisor for ready meals isn't about to become the next big thing, though I do think own brands can do a lot more to listen.

We work with retailers to help them share their customer feedback with their own brand suppliers more meaningfully, improving the customer experience and reducing complaints. However, 20 to 30 per cent of 'complaints' also include helpful feedback, with social media pushing this figure closer to 45 per cent.
Gone is the time when brands should focus on the one-star or two-star reviews and look to 'fix' them. They now also need to look at the four-star reviews which say: "this product is really good, but…" and take advice of how to turn a four-star product into a five-star one.

Call centres should not just be considered a cost centre, but a major part of the customer experience and an extension of the marketing department in terms of customer feedback and product insight.

The challenge for retailers is not to try and choke the noise of customer feedback, but to embrace it as much as possible. Given the volume, it is therefore essential that retail own brand teams collaborate effectively with their suppliers, working together as one team to listen and learn and be able react to this feedback quickly.

Do I think that in time there will be a go-to TripAdvisor equivalent for typical food groceries? Probably not.

Do I think retailers could learn a lot from TripAdvisor and invest in encouraging consumer feedback to inform their own brands team and own brand suppliers? Absolutely.

James Butcher
CEO | S4RB

Alibaba vs Amazon: where are the two businesses competing?

The Alibaba vs Amazon story is fascinating due to the massive scale of both operations. Alibaba is well known as the platform of choice in large parts of Asia, but how much do customers and retailers in the West know about it and is it a direct threat to Amazon?

First, let's look at how Alibaba is organised as a business.

The organisation is divided into three core businesses:
1. Alibaba – a B2B trading platform.
2. Taobao – a B2C shopping website with millions of sellers.
3. Tmall – a B2C website selling big name branded products.

As of 2018, the company had 576 million active users, larger than the entire population of the United States. Tmall's annual shopping event 'singles day' is a Valentine's Day offer for singletons which in 2018, generated sales of over $30Bn. That is five times the equivalent value of sales from Black Friday.

Alibaba.com says it has 10 million active business buyers in more than 190 countries and regions.

Alibaba launched a US shopping website called 11main.com back in 2014 which competes with eBay, Amazon and Etsy in that it connects sellers with consumers. A core difference between Alibaba and Amazon is that Alibaba didn't historically hold any inventory and was simply the 'marketplace'. A very large marketplace.

Why brands are rushing to list their products on Alibaba

Alibaba's B2C channels are arguably more attractive to brands than the channels from Amazon. Unlike Amazon, Alibaba isn't using its data to produce competing own brand products. What it is using its data for is to help brands create products which are more sellable – a huge perk that other marketplaces aren't offering.

Alibaba is also competing with other online marketplaces to get exclusive products on its platform, again making its data available as an incentive.

All of this is mighty impressive and clearly Alibaba has the hook to convince big name brands to list their products on its platform. It also has the technology to facilitate an excellent customer experience.

Does Amazon struggle with own brand product quality?

Here at S4RB, we are particularly interested in what Amazon is doing with its own brand product offering and how suppliers are engaged in this process (or not).

Despite Amazon's advantage that allows it to utilise its data to create its huge raft of own brand products, it has to be concerned with the quality of these products. Amazon already has approximately 140 private brands and worryingly, an article from Bloomberg has quoted "Most Amazon brands are duds, not disruptors."

Indeed, a report by Marketplace Pulse said: "The popular narrative has been that by utilizing internal data, Amazon can launch its brands in many categories and capture most of the category's sales. So far there is no evidence of this working."

Conclusion

The strategies employed by both retailers to dominate the market appear markedly different. Alibaba seems to be trying to control the route to market, so it is important for it to lock down exclusivity and have as wide a range as possible. Amazon's strategy seems increasingly to focus on controlling the supply chain, which is why they've moved into own brand products as well as cloud computing and distribution.

Where Amazon really could win with its own brand products is by reading what the customers are saying about their items -- and those of competitors -- and making improvements based on this feedback.
Much noise has been made about Amazon giving preference to its own brands in search results, but clever placement on the website will only go so far when a product is sitting with a two-star review.

Most own brand retailers have an eye on Amazon, and competitive own brand products will be an essential part of any winning formula. More and more Western retailers will also need to have one eye on Alibaba too.

Kelly Cookson
Marketing Manager | S4RB

ABOUT SOLUTIONS FOR RETAIL BRANDS

We are an own brand grocery retail specialist, providing consultancy and retail supplier engagement expertise. Via our Affinity™ platform, we help retailers evolve their own brand products, ensuring quality, consistency and competitiveness while improving the efficiency, accuracy and cost effectiveness of their interactions with suppliers.

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