INSIDE PRIVATE BRANDS

FALL 2019

Risk and reward in a landscape **of increasing transparency**

ALEX GILLETT
HOWGOOD

What is **holding back store brands** in **America?**

JAN-BENEDICT STEENKAMP

Change management for private brand retailers

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Productive ways of managing your private brands

Hello to you on this lovely Fall day.

We are living through a time of opportunity for US retailers as they continue to turn private brands into success differentiators for their organizations. However, further gains will require retailers to execute well on key consumer trends and drive further collaboration with their trading partners.

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

We begin with looking at developing options for interpreting customer complaints in this data rich world, next up is considering the evolution of Store Brands in the USA. Despite the Private Label share growth that America is enjoying, the absolute share levels lag significantly behind Western Europe and we consider why and what might change?

Our third article looks at how technology can help suppliers and retailers involved with private brands to manage their way through change. Then an article considers the theory versus practice of monitoring and measuring new product development, this being a familiar balancing act for all involved in New Product Development.

Our fifth article compares the new 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.

The penultimate article in this edition features Alexander Gillett, CEO and Co-founder of HowGood. Alexander looks at the risks and reward involved in operating in this arena of great and still increasing transparency.

We close the article with top tips for putting supplier engagement at the heart of your supplier portal.

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

Happy trading through the holiday season.

Penny Coates, Non-Executive Retail Director

S4RB

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Retailer and private brands industry survey in 2019

Solutions for Retail Brands (S4RB) partnered with the Food Marketing Institute (FMI) on its 2019 From the Industry survey to include a section relating to retailer-supplier engagement. This section of the survey sought to understand the perspectives of retailers and suppliers about the value of engagement in U.S. private brand retail, existing engagement levels, plans for enhancement, challenges to engagement, and which industry companies are doing the best jobs with this.

The aim of the survey was to reveal:

1 ***How does the perception of retailer-led supplier engagement compare between retailers and manufacturers?***

2 ***What are industry leaders doing differently?***

3 ***How do individual organizations stack up against industry leaders?***

4 ***How can executives help their organizations to systematize the creation of efficient and effective retailer-supplier partnerships through supplier engagement?***

Industry survey takers were asked six questions relating to engagement. You can read the results from the full survey in our report: The State of Retailer and Private Brand Supplier Engagement in 2019.

I will share two of the results in this article.

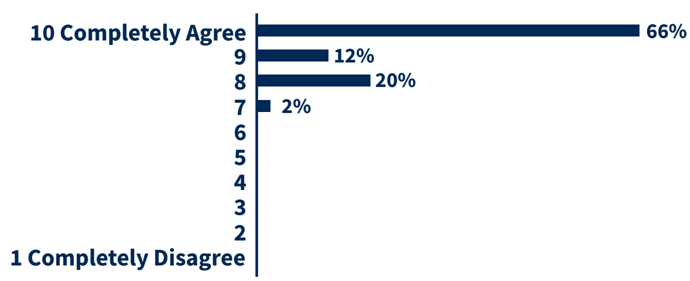
Supplier Engagement as lever for private brand performance

Question: To what extent do you agree with the following statement: Improved retailer-supplier engagement would help to further drive private brands performance.

98% of respondents strongly agreed with the statement that “Improved retailer-supplier engagement would help to further drive private brands performance”.

For those who subscribe to the premise of private brands being a joint venture between a retailer and a manufacturer, this is a no-brainer. However, as a proud advocate of such a case it is still heartening to see that there is a clear consensus between both retailers and manufacturers.

To what extent do you agree with the following statement:



98% agree improved retailer-supplier engagement will drive private brand performance

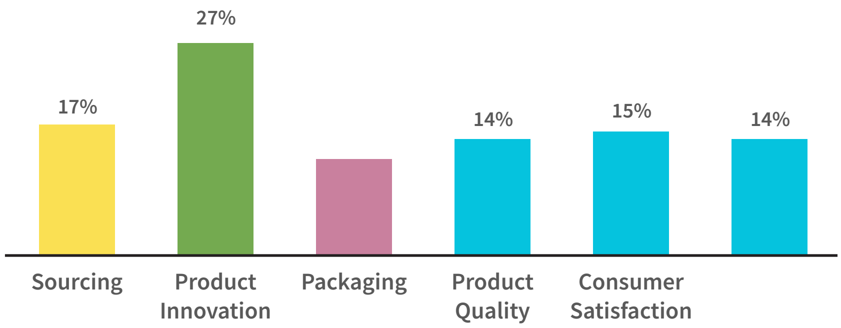
Beneficiaries of improved engagement

Question: Which aspects of private brands would most benefit from more partner engagement?

Retailers and manufacturers are broadly in agreement on the benefits of improved engagement.

When done well, respondents identify multiple beneficiaries of this engagement, with Product Innovation coming out top. Those looking to leverage the power of private brands to differentiate themselves take note.

Which aspects of private brands would most benefit from more partner engagement?



Key findings

The full results of the retailer-supplier engagement survey clearly show that attitudes towards supplier relationships have shifted considerably, just as associate and employee engagement has moved over the past decades from ‘command and control’ to ‘engage and collaborate’.

This is mirroring what we see in the terminology used in the retail market in general - there is a lack of consistency in what is meant by ‘engagement’. Crucially, the full report shows that supplier engagement is not the automatic result of implementing a supplier portal (as reflected by manufacturers need for more communications).

The need for better communications and true collaboration will only increase with the continued move from private label to private brand and the need to deliver winning products.

The results within this report also showed that 80% of retailers surveyed are still committed to improving and there will be an ongoing need to continue to move forward.

The report detailing the answers and insights from respondents across the full six questions relating to retailer-supplier engagement is available to download here: www.info.s4rb.com/whitepapers

Risk and reward in a landscape of increasing transparency

HowGood has built the most extensive data library on product sustainability and sales in the industry. S4RB has recently partnered with HowGood to help private brand retailers to reduce risks that can lead to negative consumer feedback and damage to reputation.

If you're working in the FMCG or CPG industry today, then you know transparency is essential to growth. Brands that cannot claim sustainable sourcing practices or tell the story behind their ingredients are starting to lose market share to those that can. But what comes as a surprise to many is that these rules apply to large-scale players just as much as they do small ones. In fact, some of the highest-grossing mainstream brands in the food industry are seeing the effects of a growing demand for transparency -- whether positive or negative.

In an era where transparency is becoming a basic cost of entry, there is an ever-increasing risk for food manufacturers and private label brands who either lack insight into their own supply chains or are not successful in communicating their sustainability claims. But where there is risk, there is often also reward: brands and retailers that are walking the talk - and talking the walk - are quickly capturing the hearts and wallets of today's consumers.

Three indicators of transparency: sustainability, processing claims, and ingredient disclosure.
Transparency can be difficult to measure, especially given the lack of a clear definition in the context of CPG. In a recent report, Nielsen found three primary drivers in the eyes of consumers: sustainability, processing claims, and ingredient disclosure.

Sustainability
Products that tout sustainable practices are undeniably on the rise: according to Nielsen, 64% of American households opt for sustainable products, up 4% in the last year alone. What's more, 73% of millennials are willing to spend more on a product if it comes from a brand they consider sustainable, so we can only expect to see this sales trend grow in tandem with millennial purchasing power.

In fact, millennials aren't the only young consumers rewriting the sustainability book. Gen Z'ers are looking for environmentally- and socially-responsible brands, and they're also willing to throw any brand to the curb that doesn't live up to their standards. This generation is practically defined by its lack of loyalty. This gives major brands an immense vulnerability, as their status as an established go-to in the industry no longer makes them sticky.

One particularly illuminating example is seen in the coconut water market. As a proxy for a number of categories that are seeing disruptive brands gain market share, HowGood performed an analysis of our sustainability attributes against Nielsen's sales performance data. What we saw told the same story as we are seeing in countless other markets: while the category as a whole was down 4%, the two brands that could claim both sustainable farming practices and clean ingredients - C20 and Harmless Harvest - were up 19% and 42%, respectively. It is clear that, in this market and many others like it, brands are at immediate risk without these critical attributes.

Processing claims
One of the top-performing claims in both the food and personal care industries is "simple processing." Whether related to manufacturing practices or the quality of an ingredient list, brands whose products cannot claim this attribute are commonly seeing their customers shift their loyalty to find clean, free-from alternatives.

A shift to more minimally-processed products could yield significant sales increases. Across the grocery industry, HowGood analysis has found that products with our simple processing attribute (driven by ingredient lists that are all or largely organic and free from industrial ingredients), are outperforming the conventional market by an astounding 12%. One caveat to keep in mind, however, is that given the skepticism that is inherent to upcoming generations, independent certifications are particularly important in this arena as a means to prove on-label claims.

Ingredient disclosure
In a landscape of fad diets and allergy-awareness, the free-from market is also capitalizing on consumers' desire to know exactly what is in their foods. But this desire for disclosure is not exclusive to specialty shoppers.

Across the industry, we have observed a significant shift in sales away from brands that cannot or do not trace their supply chain back to individual farms. In fact, products with conventionally sourced ingredients are trailing by 10% behind those that source ingredients from small farms.

There are two issues here for brands: the first is a lack of in-depth knowledge into their own sourcing practices; the second is a decision to source from conventional suppliers. Each of these could spell a decrease in performance that is only due to further decline in the coming years.

This trifecta of sustainably grown ingredients, minimal processing, and responsible sourcing from small farms is proving essential for growth in our current high-risk landscape.

The success stories: brands that are translating transparency into sales

While countless brands are losing market share as a result of changing consumer values, the demand for transparency does not have to portend a dip in your bottom line. Several brands are rewriting their stories to resonate in our new landscape, and the results are phenomenal.

Lesson One: You don't have to have it all figured out from day one.

The Applegate Success Story

Applegate is taking transparency to new levels. As a meat manufacturer, its segment is under fire due to a prominent narrative that millennials are eating less meat. With this rising generation's concern for global warming and responsible global citizenship, plant-based foods are taking over grocery store shelves.

But Applegate is turning this marketplace risk into an opportunity for reward. By reinventing the responsible meat-eating narrative, it has launched a premium brand called The New Food Collective. Sourcing its pork exclusively from small farms practicing regenerative agriculture, the company is de-anonymizing the meat supply chain and enabling a level of transparent storytelling that is nearly unprecedented on the mass market.

What makes Applegate's story particularly interesting is that it's being transparent about more than just sourcing. "This has been hard—harder than we thought it would be, honestly," the company states on the website. "But that just makes us work harder." In this honest admission, the organization makes the essential transition from "products" to "people." Through transparency into both ingredients and corporate strategy, the company is known for two of the traits most desired by today's conscientious consumer.

Lesson Two: Private brand sustainability will pay off in more ways than one.

The Ahold-Delhaize Success Story

One trend that has persisted since the 2008 recession is an inclination toward private brand products. Fueled by money-saving motives, shoppers have gravitated toward store brands and have generally not drifted away. Ahold-Delhaize's private brand Nature's Promise is capitalizing on this increased attention and further leveraging it as a means to rewrite the company-wide sustainability story. The majority of Nature's Promise products can proudly claim a number of HowGood's top-performing attributes, ranging from animal welfare practices, to direct sourcing from small farms, to fair labor practices in the growing and processing of ingredients.

These practices are translating to sales not only because consumers are looking for sustainable options (products that achieve the most HowGood attributes are outperforming the rest of the food industry by 18%). The Nature's Promise brand is also working indirectly to rebrand Ahold Delhaize's banners as sustainability industry leaders, bringing in new customers who would otherwise be forced to seek out natural food stores and local co-ops. That means increased sales of high-margin products and an increased customer base overall.

Where to start? Tools for identifying your brand's areas of opportunity.

While it's useful to know that sustainability and transparency are two primary factors driving sales, the question remains: how can I capitalize on this market demand? Where do I start?

HowGood has worked with hundreds of brands that know "sustainability matters," but lack the insight into the most strategic way to reformulate either their products or their messaging to attract today's consumers. That is why we created the Formulation Impact Tool (FIT).

Drawing from HowGood's database of 33,000 ingredients, FIT enables brands to quickly and accurately assess any formulation across a variety of sustainability impact metrics. Because the tool performs calculations on the ingredient level, it is easy to zero-in on a product's problem ingredients and find more sustainable alternatives.

For example, a shift from the preservative sodium benzoate — which scores very low on metrics like processing, biodiversity, and labor risk — to an alternative like citric acid could move a product closer to a valuable sustainability claim. Citric acid is one of the best preservatives to use to avoid labor risk in your supply chain. Furthermore, even as an industrially fermented ingredient, it requires less processing than many others. This is one of thousands of insights available through FIT that can help demystify the process of minimizing risk.

The bottom line

Brands that do not embrace transparency are going to be facing an ever-more hostile environment. But the good news is, you don't need to be a small brand to succeed, nor do you need to source 100% sustainable ingredients. It is not an all or nothing decision. By focusing on improving attributes that perform well in your segment, and being honest about your company's action plan, you can become the brand stealing market share in our next category analysis.

You can also be among the first to benefit from FIT. HowGood is looking for brands to beta test the tool; email contact@howgood.com to get on the list.

For more information on HowGood - please visit: www.howgood.com

GUEST COMMENT

What is holding back store brands in America?

In 2019, store brand share in the U.S. reached an all-time high of 22.8%, up from 16.2% in 2007. This equates to a transfer of $60 billion from national brands to store brands. To put that in perspective, this equals the total revenues of Kraft Heinz, Campbell Soup, Hershey, and General Mills combined. Yet, compared to Western Europe, where store brands account for nearly 4 out of every 10 euros or pounds spent on consumer packaged goods, America is lagging. Why is that?

One factor is that there are few nationally operating grocery banners in the U.S. (Walmart, Kroger, Target, and hard discounter Aldi being the most prominent), which gives national brands a scale advantage. But my research has shown that there is another, crucially important factor: store brand quality. People want good prices but not so-so quality. What is going on?

To answer this question, I draw upon my consulting and academic experience as well as results from a recent survey conducted by Consumer Reports among over 75,000 members who provided information on 140,000 store visits, covering 96 grocery banners, from mighty Walmart to small, regional chains

Here are the key insights:

1 According to the Consumer Report survey, average store brand quality on a 5-point scale from 1 (=worse) to 5 (=better) is a measly 3.1. Compare that with European store brands, which routinely score above 4, according to my experience.

2 Store brand quality varies little across chains. In fact, for two-thirds of the banners, store brand quality received a score of 3 (=not bad, not good) in the Consumer Report survey. For brands to be successful, you have to do better than that.

3 It is a truism in brand marketing that the most important function of a brand is that of a guarantee of quality across the entire range. Strong brands deliver consistent quality across all product touchpoints. Whichever Tide product I buy, I get top quality. That is not the case for store brands. Store brands may give good quality in one category (score of 4, perhaps even 5) but poor quality in another. That undermines trust.

4 Store brands often do not get the top management attention they deserve. Compare that with the laser-focused attention on brands in CPG firms. When I talk with store brand suppliers and with store brand buyers, all the talk is about price, price, price. Yes, you have to be competitive, but if the retailer buys on price, that is what you will get.

How to rectify this situation? I recommend three things:

1. ***Change your mindset.*** Truly embrace that store brands are brands, first and foremost. Have trust in them, love them, nurture them, rather than carry them as a poor cousin of the "real thing."

2. ***Learn from best practices.*** There are a few grocers who, according to U.S. shoppers, deliver high store brand quality (score of 5) – Costco, Trader Joe's, and Central Market. I might add Kroger's Simple Truth (not its standard Kroger brand). Go to these places, study their store brands, tear them apart and analyze where they are different from yours, and act accordingly.

3. ***Build longer-term relationships with store brand suppliers.*** What is the impact of changing suppliers every six months, and making unexpected, additional demands? These have one effect: there is no trust, and it is never about quality. Hard discounters Aldi and Lidl have used a relationship model with tremendous succes in Europe. They are regarded as tough but fair and dependable. Are you? It allows them to get high quality for low prices, while suppliers actually prefer to work with them, because long-term contracts give them certainty. On top of this, building high levels of supplier engagement will ensure you become the retailer of choice.

Only if you do that can you up the game, build store loyalty, and grab higher margins.

The author, **Jan-Benedict Steenkamp,** is C. Knox Massey Distinguished Professor of Marketing at the Kenan-Flagler Business School, University of North Carolina.

This article draws on his latest book, ***Retail Disruptors: The Spectacular Rise and Impact of the Hard Discounters*** (Kogan Page, 2019). He is also the author of ***Private Label Strategy: How to Meet the Store Brand Challenge*** (Harvard Business School Press, 2007).

You can connect with Jan-Benedict on **linkedin.com/in/jan-benedict-steenkamp-bb535ab**

SPOTLIGHT ON

Change management for private brand retailers

With private brands increasingly becoming a strategic focus for retailers, another focus is investment in behind the scenes technology. Any new system has the potential to drastically impact internal operations and processes with the aim of boosting productivity, innovation, and collaboration with trading partners. This is an opportunity for retailers to improve the way innovation is executed to capitalize on commercial opportunities.

You just invested in new technology. Now what?

What can retailers do to maximize supplier adoption of new technology?

In order to utilize its full potential and limit disruption, a new technology must be integrated into a retailer's current operating model and business processes, which includes supplier engagement.

Most retailers face similar challenges with adoption of new systems, such as adjustments in current processes to incorporate the new technology, winning over suppliers who will be the end users of the new solutions, training users, and monitoring progress of usage.

The inability of a retailer to transfer technical capabilities into commercial opportunities, due to lack of supplier adoption, stifles organizational change and value creation. A process to manage supplier adoption is required to achieve easy deployment and significant value, and manifest long-term success.

Supplier adoption is all about change and change management. To drive change, retailers need to communicate their vision, motivate change, develop support, and manage and sustain momentum with all suppliers.

How to develop the change management plan for suppliers

Effective change management can be conceptualized as a three-step process:

1. Suppliers are first prepared for change
2. Change is implemented
3. Change is monitored

Finally, when successful, the new supplier behavioral patterns become permanent.

Suppliers' responses to change may range from resistance to compliance, through to becoming an enthusiastic supporter of the change. Be prepared to deal with the full range of reactions!

Here's a simple outline to follow:

Prepare for change

Communicate the plan

Focus on supplier management

Drive formal training programs

Ensure end-user readiness

Underpin the process with continued communication updates (on the 'what' and they 'why')

Maintain support (FAQ, How-to guides) and a place to ask questions (which continues on beyond the change into business-as-usual)

Evaluate return on investment

Motivating and supporting suppliers through change management

Motivating and supporting change is all about your approach to providing information to suppliers about the reality of the change, and how you expect it to be accomplished.

When communicating the vision, the private brand team must clearly articulate goals to all suppliers. Your vision must be realistic and based on your strategic plan. Let key suppliers provide feedback into this vision.

Suppliers grow tired of the rhetoric of the “improvement of the month,” and must believe that this change will make an improvement. Motivation is defined as any process or tool that can be used to create a desire by suppliers to improve performance to earn an award or to enhance the business process. Adopting the new technology becomes the means to improve performance.

Give your suppliers the opportunity to prepare for change by learning about what’s changing and what’s required. Preparation and training can help them transition more easily into required roles or transition out of the business should it become a necessity.

Develop the support they need to support change. Suppliers should have easy and real-time access via a support and self-help portal which should include:

- Process changes and training
- Information on how to access the system
- Self-guided training materials such as step-by-step instructions
- Performance KPIs

Communication is critical. Communicate often but limit communications to what’s important. Make sure suppliers know where to go for information. Quickly and honestly answer any questions that come up. Don’t make suppliers feel excluded from the adoption events. This creates an environment of fear, skepticism, and disillusion. Inevitably, motivation and productivity will take a hit until a shift in mindset occurs.

Managing and sustaining change management momentum

Sustaining efforts is the most difficult part of managing change in any organization. Similar to any other performance improvement exercise, there must be activities put in place to maintain momentum. This stage is the “Turning Point” and is vital for learning and acceptance. Lay good foundations for this stage by making sure everyone is well trained and given early opportunities to experience what the changes will bring. Don’t expect everyone to be 100% productive. Build in contingency time.

The bottom line is that the adoption of new technology and solutions will benefit everyone who has to interact with it. And if your private brands organization is following best practices by transparently explaining the benefits to suppliers and providing support,then there’s nothing to fear and only progress to be gained.

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 organization in mapping and then optimizing 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.

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

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

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 organized as a business.
The organization 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 $30B. 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 U.S. 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 utilize 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

A technical analyst's guide to complaint management

We live in a data rich world; every interaction with an organization is recorded, codified and stored in a database ready for analysis. Private 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 centered 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 beat 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 analyzing 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

ABOUT SOLUTIONS FOR RETAIL BRANDS

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

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