INSIDE PRIVATE BRANDS

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Is National Brand Equivalent dead?

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Supplier collaboration, the next generation

As we enter the summer, a lot of discussion in our industry has been about the move from private label to private brands. No more so than in North America. At this year's Velocity conference, hosted by My Private Brand, the focus on private brands and the need to be different, and to act different, was key. As Doug Baker from FMI put it, to practice: "next generation supplier collaboration".

With that theme, Jay Ramsay discusses the power of collaboration beyond the four walls of your retail team and closer working with your private brand suppliers. Kelly Cookson looks at the cost of poor supplier engagement and Steven Howell explores how U.S. retailers can learn from the U.K., in this transition from private label to private brands.

Essential to this is the move from 'me too' products with a focus on National Brand Equivalents is the need to offer consumers something different. As Ben Millar (Global Insight Director at IGD) stated at this year's PLMA in Amsterdam, to "Differentiate through exclusivity". Therefore, I am pleased we have a feature from Chandi Gmuer (VP Consumer Research and Product Testing at Consumer Science) posing the question: is National Brand Equivalent dead?

Robert Neill explores the success factors for Amazon's grocery private brands and Red McKay from Bossa Nova Robotics gives insight into how retailers can better harness in-store data.

Thank you to all our guest contributors, in what I hope you will find an interesting issue. Enjoy your summer.

James Butcher, CEO

S4RB

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Collaboration beyond colleagues

It is a truth universally acknowledged, that when people collaborate and work together, things get done, and they get done better than when operating in an isolated project-by-project way.

The benefits of collaborative working can extend well into the future and become the normal operating procedure of businesses big and small. From the increased self-awareness that comes with having to explain your thinking and processes with people outside your field, to the simple and clear benefit of many heads being better than one, successful modern businesses have accepted that working more collaboratively has long-term benefits.

In retail, nothing highlights this better than the operations around collecting and managing customer feedback, and especially with unsolicited and unstructured feedback such as that coming in from contact centers or social media. The breadth of subject, sentiment and actions and reactions required means that a collaborative approach is really the only way to manage customer feedback and generate real value from the incoming comments.

There are many tools, platforms and methods available to collect customer feedback to analyze and distribute it around your organization. Large scale ERP platforms from the big players at Oracle and Salesforce offer all manner of workflows, queues and functions - if you've got the budget. At the other end of the scale, the newer, more agile kids on the block such as Slack and Asana offer lightweight but just as effective ways to disseminate information around the business and organize joint working.

But…these tools have one thing in common: they are designed solely for collaboration between colleagues; they are built for employee engagement and organizational efficiency. But what about external stakeholders? It is no less important to collaborate with external partners across the supply chain all the way back to the manufacturer. But far too often, critical items are delayed or lost in multiple email chains and reply-to-all loops.

When it comes to private brands, suppliers and manufacturers are just as important as internal colleagues - perhaps even more so. This begs the question: why are they left out in the cold when it comes to collaboration? Our research has found that, when internal and external stakeholders have access to the same information in the same systems as their retail team colleagues and are actively encouraged to collaborate around the same shared goals, quality issues are resolved up to 30% quicker than when using traditional methods like email and the simple act of 'more eyes' typically reduces complaints by 15% to 20%.

New product development is a key area where collaboration can yield significant benefits in time to market. One client saw private brand products launch 10% quicker when using Affinity™ to provide increased visibility, on-boarding and support around their PLM system.

The reasons for such striking benefits are pretty clear. For the same reasons we now expect employees and colleagues to work as one team and move out of their silos, external stakeholders should be enabled to be part of the extended team. The benefits of scale, group-thinking and diversity extend far beyond the front door of the company.

S4RB's Affinity platform is built with supplier collaboration and engagement first. Our Conversations tool is the central place to manage joint activities, easily share critical information and have focused discussion around clearly defined issues and projects.
Because we are supplier-first, segmenting the right data and information is standard and carries far less information security risks than inviting suppliers into your internal systems.

Jay Ramsay
Product Manager | S4RB

From private label to private brands: What U.S. Retailers can learn from the U.K.

The U.K. is the most sophisticated private brand retail market in the world with the highest penetration and share of private brands – 52.5% according to an IRI 2018 report. British consumers have, for some time now, been shifting their buying criteria to demand more value, better service, and greater convenience.

Last summer, a BBC News article identified that there is a "retail revolution" underway when it comes to private brand products. It's a revolution that is presenting quite a challenge for the likes of Nestle and Unilever, which manage many of the world's leading consumer brands.

Grocery retailers in the U.K. aren't slowing down this rate of innovation and continue to adapt their private brand initiatives and products to meet these evolving consumer needs and to promote brand loyalty.

Private brand sets retailers apart

According to The Grocer, U.K. supermarkets are using private brand to differentiate themselves from one another – which is harder to do with manufacturer brands. Their elaborate private brand architectures also mean they can develop sophisticated and diverse portfolios that are much harder for manufacturer brands to develop, particularly on the fresh and chilled sides. In the past few years, there has been a big shift by U.K. retailers, both large and small, towards buying from small, innovative manufacturers, as they understand that entrepreneurs bring innovation and freshness to their shelves.

Getting small suppliers introduced to big retailers

According to Entrepreneur Handbook LTD, most U.K. supermarkets and High Street retailers now have a structured route to bring them into contact with new, small suppliers. Tesco, for example, holds regional roadshows for small food producers, where the manufacturers can meet the supermarket's senior buyers face to face. British retailer Argos, occasionally holds open days for inventors and small suppliers to meet the buying team.

In addition to Tesco, Sainsbury's has a program called 'Supply Something New', to make it easier for small businesses to supply the retailer by providing free training days, technical support, and supplier certification. Waitrose's locally and regionally produced initiative now includes around 1,200 product lines from small suppliers.

What does this mean for US retailers and their private brands?

U.S. private brand sales are projected to grow to capture 25% of dollar share in the next decade. Retailers also earn 25–35% higher gross margins on private brand compared to manufacturer brands. Finding innovative, reliable and committed suppliers is key to developing strong, compelling private brand products and beating the competition. Trading partner collaboration is essential, according to Doug Baker, VP Private Brands, at the Food Marketing Institute. What's going to either aide success or secure failure for some private brands is how trading partners change the collaboration model to better meet the many metrics and demands facing private brands today.

In addition, U.S. retailers must take a page out of the U.K. retailers' playbook and create an environment where they can nurture potential, mitigate risk and harness the innovation and agility of smaller suppliers. U.K. retailers use a holistic approach that can reveal innovative ways to bring trends to life, reduce total costs and unlock hidden value with their suppliers. For U.S. retailers, success will be about finding new innovative products, including local and regional items, that are truly unique, have an interesting heritage, and most importantly, taste great.

Retailer top tips to make sourcing more strategic

1. Make the sourcing process quick, easy, and accessible.
2. Provide potential suppliers access via a unique web portal.
3. Support suppliers through the application process by providing quick feedback.
4. Provide knowledge/training on how suppliers can make their products more attractive or compliant with requirements.

Retailers need to think of investment in a sourcing portal as being part of their investment in innovation and quality. A supplier's size is generally irrelevant when it comes to supporting that goal.

The path to success lies in strategic collaboration with suppliers. Strategic collaboration requires a different mindset between retailer and supply partners, as well as the process and capabilities that allow them to work more closely to identify consumer demand and react to it. It's all about jointly focusing on innovation.

Steven Howell
Consultant | S4RB

Is **National Brand Equivalent** dead?

Chandi Gmuer, Vice President of Consumer Research and Product Testing at Consumer Science, discusses National Brand Equivalents and if they are still a useful measure in the current private brand retail landscape.

For the U.S. private brand industry, National Brand Equivalency (NBE) has long been the Holy Grail. That focus has moved the industry from the generic products of the '70s and '80s to the trusted private brands we have today. However, with the retail landscape undergoing seismic changes, is National Brand Equivalency still a useful measure?

Private brands continue to grow market share and are at the cornerstone of many a retailer's strategy. A typical element of that strategy is increasing shelf space for private brands and delisting national brand and regional brand competitors. Given that fast growing chains like Trader Joe's, Aldi and Lidl are predominantly private brand, the number one brand for such retailers in most categories belongs to the retailers. This means other private brands should be considered as benchmarks, as they are now key contributors to a consumer's perception of quality and value.

About Consumer Science: *Consumer Science is a team of quantitative and qualitative researchers in the field of product integrity, sensory perception and consumer behavior. They work with clients to provide guidance for positioning, innovation and product improvement.*

As a retailer matures in its private brand strategy, it will move from being a fast follower of national brands, to being an innovator in its own right. When developing unique products or even flavors/variants of an existing product, classic NBE thinking can no longer be used.

Benchmarks can still be useful approximations of quality, but they are no longer the rigid yardsticks they previously were. These considerations are heightened when coupled with another shift in retailers' thinking: fresh. Value-added fresh offerings typically have much shorter lifecycles, and need to stay relevant with seasonal offerings and on-trend restaurant-style menus.

These considerations have seen mature private brand markets such as the U.K., emphasizing benchmarking and ranking of their offerings against their private brand competitors over anything else.

GUEST COMMENT | CHANDI GMUER

CONSUMER SCIENCE

In the U.S., a number of lifestyle private brands have already outstripped national brands. For example, retailers now have significant ranges of organic, gluten free and clean label offerings unmatched by any strong national brand. For these lifestyle offerings and also for value-tier ranges, private brands are the de facto standard and go-to benchmarks; it is no longer about NBE.

However, national brands should not be discounted. They often are at the forefront of innovation and quality improvements. Still, they should only be considered as one of the possible benchmarks available. A category-by-category and even item-by-item competitive analysis for a retailer's specific marketplace will yield the most meaningful information. Evaluating a basket of key competitors - both private brand and national brand - provides true perspective on quality and value.

Such an assessment does not need to be limited to how well a product tastes or performs. Consumers consider a multitude of factors, both pre- and post-purchase, in building up their perception of a product. A comprehensive assessment should mirror these factors, including price, packaging function, artwork design, claims/call-outs and nutrient value. Often competing brands will each have their own particular strengths and weaknesses. Opportunities for improvements can be cherry picked from different factors across the competitive set. This approach is particularly important in conscious product positioning - for example premium vs value. It also lends itself to a gap- or white-space analysis to develop differentiated offerings for consumers.

So, although NBE may not be completely dead, it can no longer be relied on as the monolithic quality measure for a retailer's brand!

About Chandi: *Chandi Gmuer is a consumer goods industry professional with experience from Europe and North America, encompassing manufacturing, R&D, retail, sales and consulting. He manages Consumer Science, a research company specializing in primary research and product testing.*

For more details visit: **www.consumerscience.com**
Or contact: **cgmuer@consumerscience.com**

Scaling up in-store technology

Once new technology has proven itself to thrive after being trialed in a small number of stores, it's time to roll it out across the whole portfolio. While taking the next step is exciting, it's important that suppliers and retailers establish clear KPIs to maximize the investment, explains **Red McKay,** ***European Managing Director and VP of Global Sales of Bossa Nova Robotics.***

In the highly competitive grocery sector, retailers have long relied on technology to improve operational efficiency, cut unnecessary costs and waste, and deliver excellence in customer experiences.

Anyone who has been involved in implementing new systems will know it doesn't happen overnight, but follows months, or sometimes years, of testing. Once decision makers at retailers understand the huge potential benefits of introducing new technology, they first agree to a trial period in a handful of stores, to gauge usability, staff co-operation and of course, results.

The purpose of a trial is not only to find out whether the technology 'works,' but to see how it performs against a defined set of KPIs, typically across 5-10 stores. It is also an opportunity to make improvements and understand potential challenges before investing further and undertaking a wider rollout.

It is a journey that Bossa Nova has already undertaken with retailers in the U.S. to launch our fully autonomous, retail service robots in stores across the country. In a nutshell, Bossa Nova robots autonomously travel supermarket aisles, capturing high resolution images and other identifiers of a product in real-time, which are analyzed primarily to identify out of stocks. Store managers receive this information within 15 minutes so they can take immediate actions, maximizing sales opportunities and reducing waste.

The combination of cutting-edge robotics, computer vision, and artificial intelligence technology is undoubtedly taking retailers into unchartered territory. Part of the process is to ensure retailers are utilizing this wealth of comprehensive, real-time and actionable data.

The information gathered by the robots can be supplied to both retailers and brands. From the perspective of private brand suppliers, they would be able to see how accurately the display is, how well those products are performing and what steps could help improve sales performance of individual items and entire brand lines.

With the data collected from the robots, retailers are able to report back to suppliers, recommending any changes to packaging and branding which might improve displays. Data regarding stock levels and how well certain products are performing can also be supplied, so manufacturers can plan more strategically for changes in demand, as well as seasonal trends.

At an operational level, it's also important for any new technology to work as well in a store environment as it does in a lab setting. When scaling up, at Bossa Nova we ensure that we account for deviations within individual stores, such as WiFi, floor material, layout and lighting and other environmental factors.

The tech can enable retailers to make smarter decisions, and it can also bring unknown operational inefficiencies to light. Remaining focused on the initial goals of the technology rollout is vital, as opposed to spreading resources too thinly and getting 'caught up' too early with what the technology can do. It's our job to keep communication channels clear and open, ensuring the project remains on track and focused.

There is no question that scaling up requires strong communication between all stakeholders, including head office, store teams and external technology partners. Helping teams to interpret the data and individual store managers to implement the technology is crucial.

Our AI-powered robots and data solutions have captured the imagination of U.S. retailers, consumers and the press alike, but the lessons we learned during testing can be applied to any new system. By setting KPIs, understanding the capabilities and limitations, and communicating the challenges to all parties, the commercial returns can be enormous. As a retailer, to ensure you get the most out of the technology, this process should be seen as a journey with the tech partner.

For more details on **Bossa Nova Robotics**, visit www.bossanova.com

INDUSTRY

Putting the fire into Amazon's private brands

When shopping on Amazon, I've never really noticed its private brands - apart from perhaps AmazonBasics and the Echo and Fire devices. That probably says more about my shopping habits than anything else! I don't really buy much from Amazon, I'm more of an Amazon window shopper; Amazon is my price comparison tool of choice.

Lately, however, I have a new-found awareness of Amazon brands. Will this encourage me to part with my money there more often? Will I stop browsing and actually start buying things other than those addictive Alexa-enabled devices? Amazon already has approximately 140 private brands, most of which I don't immediately recognize as Amazon brands, and many that I didn't even know were private brands. Amazon has done a great job of sneaking brands under my radar and into my suggestions.

Amazon isn't currently a name that I would go to for all products I want to buy. This is because I don't consider them as meeting the same high standards as Walmart, Target or Kroger. These are stores where I recognize the brands, I trust them, and I know exactly what I expect from them quality-wise. I have already formed brand loyalty to several supermarket private brands.

Then there is the question of whether I see Amazon as a store or a marketplace. How would I feel if Amazon recommended its own private brand products as alternatives to a product I'm currently viewing? Back in March, the Wall Street Journal reported on Amazon's pop-up ad experiment that did exactly that. This leaves me wondering if I like this kind of product placement. The fact that I even question that is a little surprising, since brick and motor retail stores have placed their private brands next to national brands for years, and this I find totally acceptable. However, I am now trying to let go of my current brand loyalty, and also trying to see Amazon in a different light.

With all this said, I wasn't too surprised to read an article on Bloomberg quoting "Most Amazon brands are duds, not disruptors." Amazon has many advantages over traditional retailers, including granular shopper data, search prioritization, etc. but that doesn't mean it will see an automatic win for all categories.

"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," Marketplace Pulse said in its report. "So far there is no evidence of this working." Certainly, I believe that regardless of how much market share and advertising power Amazon has, creating high quality private brands takes time and crucially, collaboration with the suppliers that make the products.

Amazon has so much information at its fingertips. Consolidating quality metrics such as returns data, online ratings, reviews and social media feedback - and then sharing this data with suppliers - will enable Amazon to evolve products that delight the customer. Suppliers need to be held accountable for quality issues but they also need to be supported, so that they understand what is expected of them and how they can meet Amazon's standards.

It's this collaboration with suppliers that will facilitate the creation of innovative products that can ultimately disrupt the industry.

At some point I will no doubt purchase an Amazon brand grocery item, and it has to be good. A first experience with any product for any brand forms lasting opinions. I've said this in my previous articles, and I'll say it again – product is king! Regardless of the existing brand reputation and reach, if Amazon's products aren't good, people won't buy them. For Amazon, certain categories will be much easier to execute successfully online than others. Some products I want to see, touch, and on occasions smell, in-store, before I buy. I walk past store brands each day and I'm seeing them mature, develop and improve until nowadays I'm reaching out for that Marketside pizza instead of the usual DiGiorno. It will be interesting to see what success Amazon has with private brand grocery vs. non-food.

Robert Neill
Solution Consultant | S4RB

The cost of poor supplier engagement

We at S4RB often promote the benefits of retailer-supplier engagement. But first, what do we define this engagement as? We are specifically referring to private brand retailers and the relationship with the manufacturers of the products that bear the retailer's name. We define engagement as a true two-way collaboration between retailer and supplier.

Working with suppliers in this way builds trust, which in turn enables the retailer to extend its team by working together with suppliers to maximize all available resources.

Think your supplier portal generates engagement? Think again!

Many systems boast a supplier portal as a key feature, but this doesn't mean that engagement is a given. A portal may give a supplier another point of contact for its interactions with a retailer, but unless there's also an investment in the support and a change in belief towards real transparency, that's all it is: another possible point of contact.

Sharing information such as Performance KPI down the chain to suppliers gives them a reason to both listen to and respond to the retailer. When criticism is removed and instead, progress is shared, suppliers look to improve.

All this points to supplier engagement being both the journey and the motivation. It is not a quick fix applied in the shape of an online portal or buzz words applied to supplier communications.

Turning to look at this from the negative perspective, what happens when retailers apply quick fixes rather than a real commitment to the collaboration journey with their suppliers?

A major downside is that business-change projects - whether that's implementing a new PLM, reducing single use plastics from products or rolling out SmartLabel® - all cost more, take longer and are less successful.

What is lack of engagement really costing your business?

The following examples are based on a typical mid-sized private brand retailer.

- **Lower productivity costs > $250,000 in resource lost**

Reduced efficiency due to poor engagement, with supplier-facing colleagues operating at 5% to 20% lower productivity (depending on role).

- **Late payment of charges costs $5m annually**

A $5m negative impact on cashflow can be expected as a result of engaged suppliers paying charges relating to deliveries not meeting standards or recalls/withdrawals etc. on average 45 days sooner (based upon annual supplier charges of around $15m).

- **ROI is reduced by > $500,000 for supplier-facing initiatives**

Based on our experience we found that for a typical U.S. private brand team, those without proper supplier engagement can estimate to see over $500,000 lower ROI for supplier-facing initiatives. This is based on a conservative estimate of results being lower and later than planned.

What does good supplier engagement look like?

We've seen first-hand through our work with some major grocery retailers the financial impact of ***good*** supplier engagement. A common starting place is to take handling supplier inquiries and sharing policies and processes away from the retail team by building a supplier portal. One client saw suppliers accessing on average over 2,500 answers online per month – all taking time away from the internal retail team.

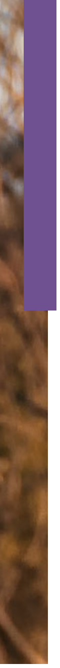
We've also seen plenty of success in the U.K. that is relevant to the U.S. A prime example is a retailer saving > $150,000 by using supplier engagement techniques to support compliance with food labelling changes for local and regional suppliers.

If saving money isn't a compelling enough reason to adopt supplier engagement, let's talk about some of the softer benefits.

Supplier engagement also helps retailers to launch more products, faster. The knock-on effect of a good working experience with a retailer is that suppliers choose them as their partner of choice, giving the retailer access to their latest ideas and innovations.

Customer service departments begin to empower continuous product and service improvement by involving suppliers in customer engagement activities, giving them visibility on large and small complaints alike. Successful engagement can often be the equivalent of an additional 5 FTE added to the private brand team. The result of this is employees are now free to focus their attention on true value-add activities, such as innovation!

Kelly Cookson
Marketing Manager | S4RB



South Africa rises

The need to better understand consumers, source strategically, and engage with suppliers is critical for private brand retailers across the globe. A case in point is Africa.

It's clear that as the Africa Rising movement gains momentum, much of the continent, especially South Africa, is evolving in a uniquely African way. According to Trend Watching, African consumers, especially younger ones, "are aspiring to a new standard, that sets superior benchmarks and positively brands Africa on the global stage." Rising consumer demand aligned with annual growth has created a turning point in food. There is tremendous opportunity for the African food culture to be adopted, adapted and commercialized.

South Africa presents an opportunity to seize

According to the Deloitte Consumer Review - Africa: A 21st Century View survey, South Africa is not suffering from a lack of demand, but sometimes from a lack of supply. Surveyed consumers aged between 15 and 24 attach more importance to the quality of products than price. The research shows that in some categories, such as food and drinks, local brands and products are preferred, which makes a great case for food retailers to seize this opportunity. For retailers that create and manage their own private brands, there are plenty of opportunities to innovate and capitalize on the potential for growth the continent offers; the business opportunities in Africa could far outweigh the risks.

Trend Watching has identified insights that should be on the radar of food retailers operating in Africa:

- **African Magic** - exceptional products, best-in-class that are unique to Africa.
- **Citizen Woke** - products and brands that are respectful, acknowledge African heritage and celebrate the cultural nuances of the markets being served.
- **Green Army** - products and brand initiatives that are focused on novel ways to reverse environmental damage by providing quintessentially African solutions to their challenges.
- **Manifest Empathy** - products that meet the needs of those consumers who may not be traditionally catered for due to their social status, economic stature or because they choose to live their lives on a less 'respected' path away from conservative social norms.
- **Smart Market** - Africans will expect products and brands to use more forward-looking technologies to put truly smart products and services into their pockets, homes and inboxes.

Dare to be different with your brand

By taking the time to truly understand and apply these trends to create compelling new innovations, you will delight your customers (and win new ones!); creating the new face of private brands in South Africa. South African retailers should dare to be different with their brands, embrace disruption, and solve problems. Here's your opportunity! With the challenge of finding the right source of supply in South Africa, food retailers have to reinvent the way they select, specify, source, and manage their supply partners. We see the best of them around the globe doing this by using a holistic approach that can reveal innovative ways to bring these trends to life, reduce total costs and unlock hidden value with their suppliers.

Find the right suppliers for the right products

At S4RB we believe in the concept of strategic sourcing. This all about finding the right suppliers for the right products at the right standard for your private brands and working together with these suppliers as one team.

> Being able to work with reliable, local, high-quality suppliers can help your innovation grow at scale. By enabling this potential, you unlock the supplier's ability to impact your sales and bottom line. Unreliable suppliers can create bottlenecks in your workflow and have a greater negative impact on clients and consumers than you probably realize.

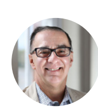
Suppliers need development to succeed

Supplier development is the process of working with your suppliers to improve their performance and expand capabilities for the benefit of your brand over time. It's about generating a new capability or competency in suppliers. This can manifest itself into new product innovations, a new streamlined process or the implementation of a new standard.

We see 'Best in Class' sourcing and supplier development as the ability to:

1. Identify and source new suppliers.
2. Source specific types of suppliers at events; embrace local.
3. Assess suppliers to reduce risk.
4. Develop and upskill suppliers to your brand standards.
5. Support suppliers of choice; create advocates.

So, besides the obvious benefits, strategic sourcing allows the retailer's private brand team to become a high-performing sourcing team. All with the ability to manage local and regional networks of suppliers, embrace new procurement models, improve speed to market and drive enterprise innovation.



Steven Howell
Consultant | 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 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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