INSIDE
OWN
BRANDS

SPRING 2019

The importance of successful own brands

As I write this, the post-holiday trading results are starting to filter through and, as anticipated, internet retail has performed well, although not everywhere as well as forecast. And with a combination of trading conditions, a lack of confidence due to the dreaded 'Brexit' debate, and the continued growth in internet sales, the pressures on bricks-and-mortar retail continue.

The importance of successful own brand products is therefore greater than ever, because it is a large part of what differentiates a retailer and the retailer brand. Often in terms of value, but crucially, also in terms of the brand promise. Loyalty to the brand over the door continues to be eroded with the global trend toward convenience and internet shopping. Therefore retailers will need to continue to evolve differentiated products that resonate with customers, whether it be value, health, provenance or sustainability issues such as the 'villain' of 2018, plastic.

This issue's interview with Nikki Grainge, Packaging Development Manager at Waitrose and Partners, makes it clear that sustainability issues are rarely that simple to solve. So, it is important brand owners invest in not just understanding the issues, but public education; to bring customers on the journey with them of what each brand stands for and why. This communication is just as important to suppliers, and this issue of Inside Own Brands has a common theme around improved supplier collaboration. Successful growth in own brands will increasingly rely on efficient collaboration between retail own brand teams and their own brand suppliers to focus on winning products for consumers, in 2019 and beyond.

James Butcher, CEO

S 4 RB

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Retail's backstage mobile devices

In the not too distant past, before the days of S4RB and cloud-based technology, supermarket own brand teams would record the results of benchmark tests for their products with good old-fashioned pen and paper. Nowadays, this feels a little relaxed for something as vitally important to a product's success as testing and evaluating against a competitor's products.

Before computerising the process, members of the retail workforce would line up as blind tasters to taste test various food and drink products made in the supermarket kitchen. Scoring them out of ten, the group would mark their results in blue biro, scratching the surface of their lined A4 jotters before leaving for the day and reporting back the following morning, scribbled notes at the ready.

Over time, multiple Excel spreadsheets have replaced the pen and paper, but this still misses the ability for the information to be combined with other product information to provide 'one view' of performance.

In the ten years that S4RB has been working in own brand retail, technology has evolved significantly and we have been able to implement our cloud-based software to allow retail teams to record their benchmark test scores electronically. In product testing, replacing pen, paper and spreadsheets with mobile devices or even desktop computers has drastically improved the process.

The beauty of recording tests instantly and accurately is that the results can be shared the minute they are recorded in the system. Removing the need for writing down and rummaging through notes means everything becomes instantaneous and the results can be disseminated in whatever format is desired.

In terms of the specific test, it may not matter how you capture the results, but if the product manager or developer are present they can decide there and then if there is a 'pass' or issue a 'fail'. However, the merit of being in a system, such as Affinity™, is that outputs and corrective actions can all be managed in the system.

Whether a product change, an investigation or a re-test, the results together will also provide insights beyond the individual test. "Our products generally have more protein than Sainsbury's" or "Customers prefer our products overall, but they prefer Tesco in Bakery" in order to inform not only product, but category and range level decisions.

Cloud-based software behind the scenes in grocery retail doesn't stop at taste testing of course. For every product a supermarket sells, if the data is collated within one system (rather than being kept in silos), we can access a detailed analytical report at the touch of a button. This saves time and money and ensures that the necessary data is accessible for those wanting to lead the way by analysing their own products and prices verses competitors and acting on their findings.

> **Importantly, cloud-based software provides the facility to view information on any device in any location. Test results, analysis, reports and product information is made available to whoever needs to see it instantly, wherever they are and whatever time zone they are in. This was not the case back in 1995 when Janet first started writing notes regarding that microwave lasagne!**

Next level product innovation arises when suppliers are brought into the loop regarding product feedback. It's the makers of the own brand products who are the specialist product developers and manufacturing experts. By sharing product feedback with them to create a holistic 'one view' of product performance, they will be able to work to ensure quality, generate new ideas and develop more innovative products based on these insights.

Not only does moving into the cloud save on trees and ink, but it gives the retail team and suppliers one view of all product information, providing actionable insights necessary to create a first class, market-leading product. And, Janet's biro gets to stay well and truly tucked inside her bag!

Michelle de Celis
| Solutions Consultant | S4RB

Navigating the 2019 sustainability landscape

In 2018, we saw consumers rally behind sustainability topics such as plastics, palm oil and reducing meat and dairy consumption. Many retailers subsequently made public pledges, responding to these demands by making changes to their own brand products.

Iceland is a great example of a retailer making a bold move with its own brand products, to both meet consumer demand and drive change in the industry. Its banned Christmas TV advert, which highlighted the plight of orangutans in Indonesia resulting from palm oil deforestation, gained huge momentum and according to Iceland's website drew over 70 million views.

Palm oil concerns have long been a regular feature on UK retailers' sustainability hit lists, but thanks to Iceland and campaigning by Greenpeace among others, palm oil has now entered mainstream consumer awareness.

In many other countries, palm oil does not yet face the same level of consumer scrutiny. Due to the many sub-types of palm oil, many suppliers may not actually know that their products contain palm oil. Retailers in the rest of the world therefore have a lot of catching up to do on the issue as consumer awareness grows.

The level of consumer outrage in the UK at the devastating effects of deforestation shows the huge pressure that can be directed at retailers when consumers become more aware of issues. These situations often forcing them to respond and declare their position on the topic, no more so than on their own brand products. Should they move towards an all-out ban in their products or work to educate consumers on why they choose to use sustainable palm oil?

Behind the scenes, retailers actually have dozens of sustainability and CSR policies that they are adhering to and working towards meeting targets for.

For example, Tesco now has 20 or more sustainability policies, covering products from bananas to cotton and wild fish. It wasn't always this way. There used to be only a few hot topics that retailers would focus on – it was easy (well, easier!).

Today's own brand retailers will want to communicate their position on emerging sustainability issues as quickly as possible or else, face accusations of avoiding the problem. They most likely are already working behind the scenes on said issue, but this added pressure may push them to announce their plan publicly.

That said, retailers must be careful not to jump on the latest sustainability bandwagon. Our advice is to take the time to find out what's happening with products before making any announcement.

The BBC series, Blue Planet II has had a huge influence on the public's revolt against plastic packaging and black plastic in particular has come under fire as it is not currently recycled in the UK. Retailers have been applauded for unveiling their plans to eradicate plastic, including the black kind, from their shelves.

However, plastic packaging is a complex topic that the majority of consumers don't fully understand. Black plastic is currently the only destination for recycled coloured plastics and if we stop using black plastic, it moves the problem to coloured plastics. It's crucial that retailers take the time to fully research the implications of any changes they make before they announce them and to help educate consumers in what are complex topics.

It's also imperative that suppliers join retailers on the journey to meet sustainability goals.

There are three simple steps to getting this right:

1) Communication. Send clear, well-presented messages about policies to suppliers, and make sure the right people see those messages. Of course, there should also be a way for suppliers to initiate contact. The communication is not just the 'what' needs to be done, but the 'why'; to ensure suppliers really can align with the brand objectives.

2) Support. Give suppliers the tools, information and help that they need to do their job well and make whatever changes requested of them.

3) Transparency. Share information with suppliers. Let them know that they are a valued part of the team and let them see how well they are performing against the goals set.

In simple terms, here's what suppliers want: "Tell me the objectives [communications], tell me how I am doing [transparency] and tell me how to get better [support]."
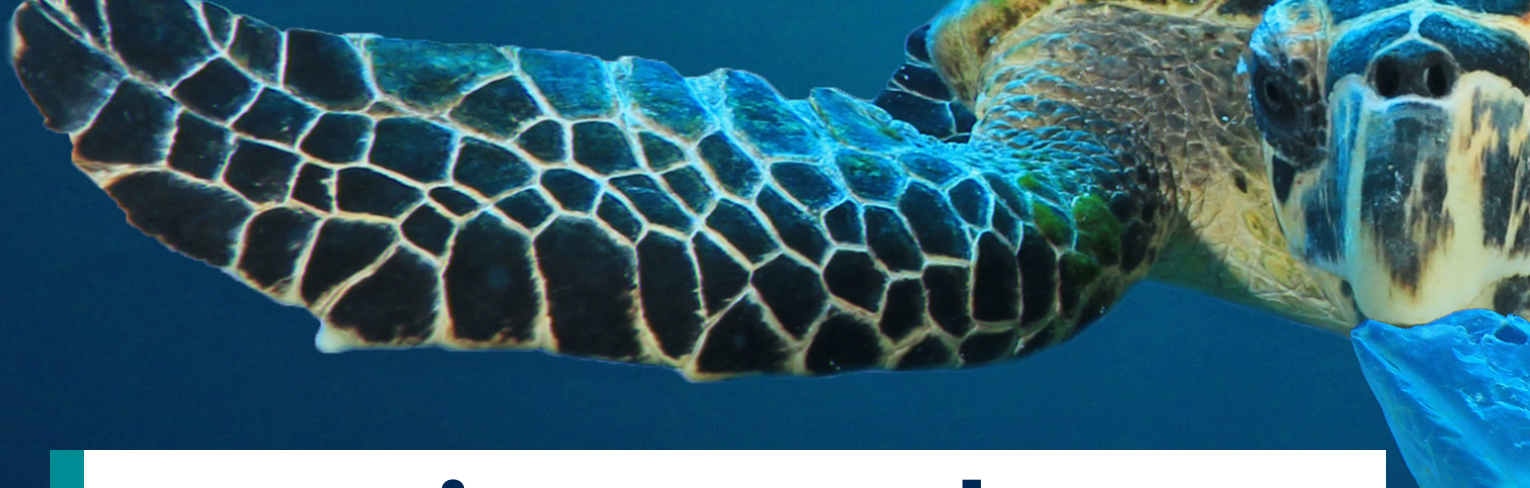
Find out how one UK retailer achieved a 99% response rate for a palm oil survey in under four weeks: **info.s4rb.com/case-studies**

Kelly Cookson
| Marketing Manager | S4RB

Busting myths around **plastic**

On the 10th of December 2017, the final episode of the hit TV series Blue Planet II aired, hosted by Sir David Attenborough. It has helped fuel a movement around the reduction of waste so unprecedented that we are seeing social and political reform not only across the UK, but the globe.

How does that connect to retail? Britain's leading supermarkets are among the main plastic pollution culprits, creating more than 8 million tonnes of plastic packaging waste every year, according to a report by The Guardian.

In order to understand more about what is being done to address this issue, I spoke with **Nikki Grainge, Packaging Development Manager at Waitrose and Partners.**

I met with Nikki at the Waitrose and Partners head office. Guiltily trying to hide my plastic bottle as Nikki took her seat across from me. I gathered my notes and prepared myself for an onslaught of plans for new and innovative products that are going to replace plastic. But Nikki surprised me; as she began our conversation by simply stating: **"Plastic is convenient and good at what it does."**

It has quickly become apparent that plastic is a victim of its own success. It's a relatively cheap product that does the job well. Here's why:

1) It helps extend shelf life, therefore minimising food waste.

2) The printable area allows retailers to put essential information on it (nutritional information, allergens etc.) making it easier to track products, and for consumers to shop.

Unconvinced, I asked the most obvious question: why not just use paper packaging instead? Here's what Nikki explained:

> **"Something not everyone might be aware of is life-cycle analysis. It's literally an analysis of different packaging from creation to disposal. It is a misconception that paper bags are better for the environment than plastic bags."**

She elaborated that when you complete a one-on-one comparison of all the steps in creating a wood product – such as a paper bag – versus the creation of a plastic bag, it takes five times more energy and three times more resource.

This doesn't mean that paper isn't a viable option to be used for packaging -- some things can be put into paper -- but if paper use is to increase, more trees need to be planted!

"Even if we swapped everything out of plastic tomorrow, there is not enough paper in this world to swap everything into paper," Nikki said. "There probably isn't enough immediately available for the UK requirement, let alone globally."

Of course, paper isn't the only alternative and most retailers are investigating new and innovative types of packaging. But as history has taught us, this is a lengthy process which should not be rushed.

Polylactic Acid (PLA), a plastic alternative derived from renewable resources like corn starch or potato starch, was introduced commercially onto the market in the 1980s. It then enjoyed a lengthy spell as plastic's successor but due to the absence of research and rushing the product to market, retailers and consumers at the time didn't know the unintended consequences of PLA.

"People didn't realise what effects PLA would have in that it looks like plastic and acts like plastic – but the trouble was the consumer thought that as well and just threw them away like plastic. When you recycle PLA products with PET products, PLA has a totally different breakdown characteristic which goes gluey and tacky, and it actually damages equipment," She said. "Processing sites would then have to shut down their whole line to do a total clean-up. It's a 24 to 48 hour job."

The key message retailers should take from this is to ensure that the proper due diligence is carried out on any new packaging solution.

The crux of the matter is this: any new packaging solution will need to be recyclable.

Is it possible that we're wasting our time looking at alternative products when many of the materials we use today can be recycled, including plastic?

"Everything is technically recyclable… but investment is needed in the proper machinery or, the proper infrastructure to recycle," Nikki answered. "That's why it's so important that we properly evaluate why we're on the good plastics versus bad plastics campaign."

"Where we can absolutely make sure we're recycling for [a product's] end of life we should. In fact, we need to think of all packaging as having a next life" she added, noting that, "In the UK we're under our recycling rates that both the government and the EU have set."

There is confusion in the media and the public on 'good' and 'bad' plastics. Picking up my plastic single-use water bottle, Nikki informed me that it was made of a plastic called Polyethylene Terephthalate (PET).

She said clear PET is one of the easiest and most efficient things to recycle, and afterwards has a high monetary value. That could generate revenue that could be re-invested in recycling processes.

"…It's of such value you shouldn't be calling it waste," she said. "The right plastic isn't a waste product – it has a real value. We need local authorities to all do the same thing, it's something we're positioning ourselves with other retailers to influence the government to do. It's one thing we can all do to help."

If more retailers started to use easily recycled plastics, this would in turn make recycling simpler for the consumer, thus supporting a circular economy of less waste and more profitable materials being used.

One of the most demonised products is the humble plastic bag. Nikki informed me that even plastic bags are very much recyclable substances and the recycling infrastructure for this already exists. What retailers and consumers need to ensure is responsible disposal of the bags.

Recycled plastic bags are used in many different things such as roads, clothing and even park benches.

Looking at the big picture, there are a few things we as consumers can do to help with the battle:

1) **Don't make any knee jerk reactions.** Don't believe everything you read. There's always two sides to every story.

2) **Understand and appreciate that not all plastics are bad.** Banning plastic would actually be a bad thing to do.

3) **Be more responsible.** For example, stop littering. Litter that becomes waterborne ends up in the ocean.

Josie Burt
| Solutions Consultant | S4RB

Thinking differently about retail dashboards

In my role as a Senior Solutions Consultant, I see dozens of dashboards on a daily basis. Admittedly, often I go searching them out and so maybe I see more than most. Yes, I'm that guy who preaches to everyone about the latest data representation he's seen in the news, or what a genius Charles Minard was. But really, what is a dashboard?

Throw a few pie charts on a page, whether it be online or on a printout, and you've got a dashboard, right? If only it was that easy. What you have there is, at best, a collection of interesting charts. But is that really the purpose of a dashboard? You've got to question why you're interested in a dashboard in the first place.

Most likely it's to discover some kind of insight, something you couldn't find previously without trawling through data, data and more data. Didn't you go there hoping it would tell you what to do next? Isn't that the dream?

Well, in short, yes that is the ideal. Dashboards should be insightful and actionable. For a dashboard to meet both these criteria, a user must be able to get to a piece of information as quickly as possible, and that information needs to drive next steps. Nowhere is this truer than in the retail industry.

What's more, to close the loop and truly be One Team, not only should the retailer benefit from such dashboards, but so should the suppliers. Crucially, this allows a retailer and supplier to be aligned on next steps, knowing they are looking at the same data and therefore sharing 'One View' of performance. For example, if a retailer uses Complaints Per Million Units (CPMU) as a measure of quality, then it should also share this view with the supplier. Importantly, this should include a consistent definition of complaints and sales. In this example sales would be to the consumer, not the manufacturer's sales to the retailer -- a vital distinction. A benefit of doing this is that suppliers can identify and plan next action steps for themselves, releasing the retail team from hours of data analysis and supplier chasing.

We know the retail industry collects huge amounts of data -- about customers, products, complaints, sales, reviews, product tests, social media comments, and anything else you could possibly want to know. But what is the worth of this data if it never sees the light of day? Worse, it sits in a database, often never to be utilised because no one has the hundreds of hours to spare to trawl through it. And even if someone did discover the root cause of a group of complaints, or an inconsistency in a product specification,

how are they going to easily take action on this and set the wheels in motion for rectification?

Before you know it, Excel documents are being circulated, and adapted each time they are passed to the next person. This makes it extremely difficult for a retailer to share a consistent message to others, including suppliers.

> Better dashboarding will lead to better reporting and more actionable insights around the right KPIs. It sounds easy, but, it's actually easier to produce a poor representation of data, and therefore not maximise the potential. Retailers are often very data heavy, and yet very insight 'lite'.

For this reason, we must think differently about dashboarding. Regardless of the tools used, data needs to be represented in a way that produces deep understanding and actionable insights. The user must be able to get to the granular detail if needed and a supplier needs to know exactly what rectifications need to happen and exactly what customers are saying about their products.

As mentioned earlier, a good real-world example of this would be a visualisation of complaints per units sold. In itself this might not offer the actionable insights required by the retailer. However, the key is to enable access to a more granular analysis as needed so that a user can easily identify items that need attention.

Similarly, with customer reviews, a rating is an important KPI. However, just as important are verbatim comments, not only for issues, but also for constructive points, even for four-star-rated items. The input often reads like this: "It's great but…". What follows the 'but' can often hold the key to bridging the gap to turn a four-star item into a five-star product.

Another useful example is the ability to track a new product development process. Let's say you have 15 gates from concept to shelf, and you have certain expectations of each gate in terms of when it should be complete, and a different person responsible for each part, as well as someone responsible for the overall launch/period and dollar value. Doing this for thousands of products in a spreadsheet can be mind-boggling, or impossible. But ensuring your dashboards are both insightful and actionable makes this process easier for the retail team, and easier for sharing a consistent message with suppliers. That's why it's important to think differently about dashboards.

Alex Fitchett
| Senior Solutions Consultant | S4RB

Creating a brand that customers come back for

An excerpt from our latest white paper, Josie Burt examines the reinvention of own label and how retailers can create a brand that customers come back for. Here Josie looks at the importance of choosing your trend.

Choose your trend

Here at S4RB, our work with retailers across the US and UK has found that own label lines that are more transparent about sources of key ingredients, nutrition and allergen information and the manufacturing process, perform significantly better in terms of sales.

However, being transparent with consumers on product origins isn't where this journey ends. Retailers need to be aware of the difference between trends and fads – or buying into a concept that may in fact be costly for the retailer.

A prime example of this is the current wave of healthier foods which are now a staple feature in most stores. The health and fitness trend is gaining momentum and will continue to be a major influence on foods customers look to buy. What retailers need to be aware of, is which trends coming out of the health and fitness revolution are worthwhile adopting and which are fads.

A good example is coconut oil. Five years ago, in order to buy the creamy cooking ingredient, consumers would need to visit a speciality store or buy online and have it shipped from overseas. Suddenly, coconut oil exploded onto the health and wellness scene with all manner of self-appointed health gurus were touting its benefits. This led to a boom in customer demand, which crossed into the own label market, with most major UK retailers producing their own version. However, demand has waned substantially for the product, after reports by the British Heart Foundation and other governing health bodies deeming the product to be unhealthily high in saturated fats and bearing no credence to the health claims originally made.

Taking into consideration that many retailers, such as Waitrose, are now positioning themselves with good health slogans and offering healthy ranges to tie in with this trend, it's important to be aware of which trends are there for the long-term and which are simply ill-researched fads. Building trust with your customer in that you are indeed offering them products that support the brand's ethos, and in this case, health credentials, is an important factor.

Additionally, commercial trends are also worth considering under a certain level of scrutiny. Co-op have positioned themselves in a strong position in light of the pending Brexit situation by re-launching themselves in 2016/17 with their UK sourcing agreements.

This is only one area that own label retailers must address to be successful in creating a brand that customers come back for. I highlight six others in the full version of this white paper: 'The reinvention of own label. How to create a brand that customers come back for.'

You can access your free copy of the full white paper at **info.s4rb.com/whitepapers**

Josie Burt
| Solutions Consultant | S4RB

Parallels between supplier engagement and associate engagement

When we consult with own brand retailers, we often have a discussion about the importance of supplier engagement. During this discussion, the easiest analogy to draw upon is associate engagement.

For 'me too' store brands, it is often a buying exercise, to get an existing national brand equivalent (NBE) at the right price.

But customers now want more than a low-cost NBE, and meeting this demand is essential to grow private brand penetration. With this goal, the retailer/supplier relationship needs to move beyond buying to a more collaborative approach. That means working with the right suppliers, in the right way, to deliver innovation. Don't get me wrong, innovation may still be in price, but it could also be in format, nutrition, convenience, free-from ingredients, or whatever else your brand stands for.

Let's consider the associate analogy further. Gone are the days (for most companies) when people clock in, clock out, and are time-managed and thus tied to their workstations. The world has recognised that good associate engagement gives your team the tools to empower them to achieve more.

Supplier engagement should follow along similar lines. Suppliers need the right tools. You wouldn't expect your colleague in the quality department to manage quality without access to the facts. But many retailers expect manufacturers to be responsible for quality without sharing consumer feedback with them.

S4RB's Affinity™ platform allows suppliers to access information about their products in near real-time, allowing them to be proactive rather than reactive, and helping them provide advice back to the retailer. Just like a good associate!

You wouldn't expect an associate to execute instructions without a clear understanding of the 'why' and the 'how'. So why so often is there just a cold instruction to suppliers "Do this..."?

Affinity's supplier self-help tool allows retailers to communicate the why, and provide the tools for the how. This includes policies, standards, how-to videos and, most important of all, those FAQs that consume so much of a retailer's time to answer by email (that is if you have the time).

There are a lot of parallels between supplier engagement and associate engagement. I'm not advocating that all organisations mimic Google in providing highly generous (and expensive) perks to employees, from free food to massage credits. However, I am saying it's important to treat suppliers more like you treat associates. A bit more massaging of the retailer-supplier relationship will go a long way in relieving pain and building engagement.

James Butcher
| CEO | S4RB

Launching private brands in Latin America

No doubt there is a global private label revolution underway. Central to this is the development of differentiated private brand products and solutions as retailers build and market their own products to meet changing consumer needs. We see the impact of this revolution on the food industry across the globe, especially in North America and Europe.

According to AC Nielsen's 2018 report - The Rise and Rise Again of Private Label - information across more than 60 countries shows that private label products continue to gain share across all major geographies. Relentless expansion by retailers (bricks and mortar as well as ecommerce) over the past decade has given shoppers more access to private brands. Private brands continue to provide many avenues for future growth around the globe. Latin America is certainly becoming one of these new opportunities, despite past performance.

In Latin America, the market for private brands is small in terms of value share. According to AC Nielsen, the challenging economic situation in Latin America may help private label become a good alternative for Latinos looking for value. Penetration and adoption should also increase as consumers are increasingly exposed to private label offerings through retail expansion by global (Walmart and Carrefour) and local (Cencosud, Falabella, and Bodega Commercial) retailers. Today, private brands in Latin America represent less than a 5% share of volume for most retailers, but this is growing and should continue on this upward trajectory because of the link with the growth of the economy.

Here are my thoughts on how Latin American retailers can win with their private brands.

Sourcing reinvented

Sourcing products plays a large role in explaining why private brand market share and volume is low in Latin America. One of the limitations is the productive capacity of each country. It's difficult for retailers to find supplier partners to produce private label products, especially in smaller countries. In many cases, capacity exists with brand manufacturers but there is the dilemma 'to produce or not to produce' for a private brand competitor in their respective category. Having the right tools and solutions to develop new, small, or local sources of supply will be key to production. It's not just a matter of demand, but of supply as well. Improving strategic sourcing will facilitate success for private brands and could threaten the existence of major national brands in these developing countries. As trends change it is important that private brands offer differentiation. It can be price (as it has been historically) but consumers now look for more.

Local or provenance. Ethical sourcing. Authenticity.

And strategic sourcing can be an important part of how retailers achieve this private brand differentiation.

Reinvented brands for reinvented shoppers

Latin American shoppers have become skilled 'omni-shoppers' who will visit the cash and carry to stock up on home and personal care items and use convenience stores for perishable goods. Shoppers are now thinking and spending differently in their quest to get the most from their grocery budgets. Understanding this change and having a clear strategy for offering the right products is the best approach to keep shoppers within the retailer's own environment.

Latin American retailers should invest now in their private brands and seek ways to differentiate themselves to meet consumer needs and therefore gain attractive margins. When expanding the private brand offering, it's crucial to be aware of and build brand and product integrity. Brand and product quality is an uncompromising obligation that retailers must meet. By offering a quality product and being transparent, retailers can build the crucial link between the customer and the brands they own and manage.

Expanding private label into a market such as Latin America, where penetration is low, is not easily undertaken but offers great reward to those who make the leap. Positioning the brand carefully and partnering with the right suppliers are both key elements to success. New private brand teams will also need the right technical systems in place to be able to achieve this. As private brands develop, the challenge will involve greater complexities. There will be a need to manage more products and more suppliers. Tools that deliver the communication and support required to empower suppliers will provide the most cost-effective approaches. Tools will need to empower suppliers to act as 'One Team' with the internal team, and best leverage the expertise and skills from chosen supplier organisations to achieve mutual success.

Retailers that build their private brands on these principles will be the winners with the reinvented shopper.

Steven Howell
| Consultant | S4RB

S4 RB

Solutions for Retail Brands

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.

View the digital magazine:
info.s4rb.com/magazine