



# Come together — right now

Retailers that collaborate with their suppliers and service providers on everything from product development to promotional activity will up the odds for store brand success.

By Randy Hofbauer

**T**he need for collaborative relationships between retailers, suppliers and their service providers in the private label space is becoming more and more important every day, it seems. The majority of respondents (64.4 percent) to *Private Label ⇌ Store Brands' 2013 State of the Industry Research Study* — which surveyed both retailers and suppliers in January — said collaboration is more important today than it was a year ago.

But too many companies are letting collaboration fall to the wayside because of their busy schedules, says Deborah Ginsburg, founder and CEO of Strategia Design, Oakton, Va. And even though they save time by setting aside collaborative discussions, doing so ends up hurting more than it helps.

“Collaboration is important,” she explains. “It is how we each gain new perspectives — fresh eyes on old things — and find innovative successful solutions in our busy day and work lives. Collaboration in store brands has and remains today a hugely important component to the success of programs throughout the country.”

## Be transparent

The key to making a collaborative relationship work is transparency. Andres Siefken, chief marketing officer with Stamford, Conn.-headquartered Daymon Worldwide, notes that retailers and suppliers have to be open with each other and share the intelligence they possess if they want true collaboration to take place. For retailers, such transparency means sharing insights on what their shoppers are

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and are not purchasing — information that can be very valuable to suppliers, which generally don't know much about a retailer's shoppers.

Meanwhile, suppliers possess strong knowledge about and passion for their respective categories, says Joe McKie, vice president of the Private Brands division of the Food Marketing Institute, Arlington, Va. Retailers could use these strengths to their advantage, as they often don't have an in-depth knowledge about every category in their stores.

"While brand owners cover virtually every category in a store, suppliers have a narrower focus that makes them a rich resource of information," he explains. "As partners, they can dig deeper into a category and provide a trusted and valuable perspective that, when merged with a brand owner's aspirations, provide a clear road map to opportunities."

Siefken notes that suppliers are able to open up to retailers and share "what is in the pipeline from an innovation perspective," which can help retailers be first to market with a product or line developed by a very talented R&D team.

"Many store brand vendors have very good R&D assets," says Steve Fay, executive vice president and sales team leader of Berner Food & Beverage, Roscoe, Ill. "I believe that too often, retailers settle for the mediocrity that most national brand items represent, when many times on a cost-neutral basis, many — maybe even most — products could be positively enhanced."

But unfortunately — and "as strange as it sounds" — it's a rare occasion on which a retailer partner has taken advantage of Berner's R&D team's full

capabilities, Fay states. However, a few retailers have ended up with "gigantic wins" when they did.

"When ALDI challenged me three years ago to create a [ready-to-drink] pumpkin spice latte for the fall season, I checked the category manager out closely to see if he didn't have three ears or something," Fay points out. "He was right; I was wrong. It was an incredible success."

Fay also notes that retailers have a great opportunity to collaborate with their suppliers when the national brands are "dumbing down" product quality to enhance margins or offset commodity price hikes.

"It seems to me that when there is no clear cost driver — such as long-term input cost increases — that the store brand vendor and the retailer should collaborate on behalf of the consumer to keep quality higher," he says. "If, by way of labeling or signage, we together could point out a distinction between where the brand is going and where we are, it would be a win for store brands."

As an example, Fay notes that a few years ago, the leading national brand cheese sauce was made up of 51 percent cheese solids. Today, it contains only a fraction of that amount. If retailers partnered with the right supplier to develop a private brand cheese sauce with twice the amount of cheese solids that sells at a 20 percent lower price point, they could offer a clear value to shoppers.

### Should it stay or should it go?

But partnering with manufacturers means more than just developing innovative new products;



As center store shrinks, retailers will need to consider partnering with their suppliers to determine which SKUs should stay — and which should go.



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it also means properly managing the current assortment of own-brand goods.

"It's not just about adding a bunch of items," explains Dan Kelly, vice president of sales at Musco Family Olive Co., Tracy, Calif. "It's also about thinking through SKU rationalization because as you add private label products, you've got to find space on the shelf for [them]."

For instance, Kelly points to Spanish olives, a product with which he's very familiar.

"Do you need a 5 ¾-ounce, a 7-ounce, a 10-ounce — do you need all of these? Or can you get by with fewer SKUs and accomplish the same end result?" he asks, adding that by cutting unnecessary SKUs, "you make the supplier more efficient; you make the supply chain more efficient; and you have better utilization of the real estate that you have on the shelf. We've done a lot of work in that area."

Kelly adds that the continuing shrinkage of center store — along with retailers' continuing experimentation with smaller-format stores — will require retailers to work with suppliers to become savvier with the shelf space they have. And this reality doesn't apply only to olives.

"Anybody doing business in center store right now, it doesn't matter whether you're selling paper goods, general merchandise, HBC or olives; center store has shrunk over the years, and it's going to probably continue to shrink," he says. "So we have to be more effective with less space."

Also important on the product assortment front is localization. Carol Spieckerman, president of retail consultancy newmarketbuilders, notes that

as more and more retailers evolve into "multi-format/multi-banner players," they will need to collaborate with their suppliers to make format-specific adjustments that take everything from store size to banner promise into consideration when determining store brand product assortment — while not compromising corporate identity.

"Localization is both a challenge and opportunity, as retailers have the ability to make store-level pricing and brand assortment decisions based on constantly changing market conditions," she explains. "Suppliers that consider these filters and that partner with retailers to execute against them will be ahead of the game."

### Partner to package

On the packaging side, retailers sometimes are a bit too close to their brand to be objective during the design process, Ginsburg says.

"Many times, you can have executives in a room who tout '100 years of experience' but fail to truly understand how their key consumer walking in the doors feels about their brand," she explains.

Ginsburg suggests that retailers consider engaging a third party for packaging design, as they can offer a fresh perspective on how customers see a brand.

When selecting an agency here, retailers should consider one that truly understands the retail environment and private branding. By working together, the retailer, supplier and design firm can develop packaging that not only looks good, but also changes the way a customer uses and/or stores a product, Siefken states.

## Don't neglect internal collaboration

When they think of collaboration, retailers often consider only partnerships with suppliers and service providers. However, they would be remiss if they didn't also consider collaboration among their own private label program's team members.

"Many retailers have mature store brand programs," says Deborah Ginsburg, founder and CEO of Oakton, Va.-based Strategia Design. "And in many cases, they have strong teams of people dedicated to their success. There are, however, times when the internal team has not created a strong internal process to move projects through their inner walls."

This reality could be because budgets have been reduced or management has not allocated enough resources to store brand development, Ginsburg offers.

"In this case, it can be very beneficial to engage a third-party resource to come in and provide direction, best practice and 'bodies in seats' resources to start projects and keep projects moving," she says.

Ginsburg explains that back when she was director of strategic design at Ahold, the first thing she would do before beginning a project was put together teams of directors from all functional areas to contribute to the product-development process.

"We would create at the onset a road map that would outline key milestones, costs, potential challenges; [and] outline transition timelines, launch plans and marketing," she explains. "By getting everyone on board, each functional area was able to focus on a shared objective, understand the expectation and be held accountable for the success and/or failure of their part."



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"I love the example of Wegmans Sweet Barbecue Flavored kettle chips — they were the first in market with resealable packaging for this type of product, and the product also combines two items that were already favorites for the Wegmans shoppers: the store's barbecue sauce and its kettle chips," Siefken points out. "That's a lot of innovation all in one place."

Wegmans also looked outside the corporate design world to collaborate on a recent project. The retailer — in conjunction with American Packaging Corp. — leveraged the talents of students at the Rochester Institute of Technology (RIT) in Rochester, N.Y., to redesign several private brand products back in February 2012. The Wegmans Student Design Challenge had several teams of RIT students — each one partnering students from the College of Applied Science's packaging science department with some from the College of Imaging Arts and Sciences' industrial design and graphic design departments — compete to redesign packaging for four of Wegmans' own-brand products: barbecue sauce, laundry detergent, artisan crackers and organic juice. In the end, top honors went to a team that redesigned the Wegmans Food You Feel Good About barbecue sauce bottle.

But sadly, the product developer and the package design team often don't have any contact until the very end — right before the product ships, says Teri Valentine, president and CEO of The Perfect Bite Co., Glendale, Calif. To properly develop packaging that pops on shelves, she says,

everyone needs to be in communication about everything from a product's purpose to the target consumer from the very start.

Ginsburg agrees.

"It has been proven that including design — which would include brand positioning, graphic/creative development, production and prepress — at the table at the onset of projects increases speed to market, improves accuracy of [the] project and delivers better results to shelf through better sales lifts, consumer recognition and loyalty," she says.

And as time goes on, retailers, suppliers and package designers will have to collaborate to make sure packaging stands out beyond the store shelf, Spieckerman says.

"These days, packaging development is an omni-channel proposition, so private brands will need to 'pop' on more than just store shelves, as their presence migrates to retailers' websites, third-party platforms, mobile devices and even scan-and-deliver transit environments," she explains. "Just as retailers and brand marketers have had to take the consumer behaviors that are driving these shifts into consideration, so must private brand suppliers of all stripes."

### Partner to promote

It also makes sense to collaborate when developing in-store promotions that get store brand products into shoppers' hands. For his part, Siefken believes sampling programs are the most effective way to expose shoppers to own-brand goods. And if expense is an issue, he says that shouldn't be a

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problem — retailers should consider partnering with national brand manufacturers to foot a good part of the expense.

“For example,” he explains, “the store can set up a sampling event that combines store brand crackers with Philadelphia brand cream cheese. You see this kind of thinking in action at retailers like Costco, Meijer and others. I think that’s an effective approach.”

### Retailers should consider collaborating internally with their employees, too, for product education and sampling.

Jeff Weidauer, vice president, marketing and strategy with Vestcom, also sees the value in such partnerships — especially when the two products are sold together in a special deal.

“Maybe having private label tuna and a national brand mayonnaise — or vice-versa,” he explains. “Those types of collaborative efforts, we have seen ... huge lifts from programs like that, where you get a bundled packaged deal, and then, a lot of times, the national brand will help fund that for the retailer.”

Retailers should consider collaborating internally with their employees, too, for product education and sampling.

“The stores that offer internal training on new products seem to have success,” Valentine explains, pointing to Hannaford and The Fresh Market as two retailers that do internal product tastings that include employees in the mix of samplers. By getting their employees involved in product tasting, these retailers are helping to develop them as brand evangelists.

### Collaborate to educate

And looking at the bigger picture, retailers might want to consider collaborating with both each other and suppliers to speak directly with consumers about the value of store brand products. Beth Wierzbicki, marketing director with Carneys Point, N.J.-headquartered Clement Pappas & Co., says they could “pool resources to speak directly to consumers” the same way the Corn Refiners Association, the Milk Processor Education Program, the American Egg Board and other industry groups have done.

“There is a simple message about the savings that consumers can achieve that will resonate well with consumers — especially in the new economy — and, in turn, will help to advance the industry,” she explains. “I believe there are inroads to be made to increase consumer awareness levels about the quality and benefits of private label. With greater awareness levels, more trial can be gained, and the private brand industry can gain a greater share of consumer purchasing power.” **PLSB**

## See you at the Summit

On Sept. 18 and 19, *Private Label* ⇌ *Store Brands* will host its inaugural Collaboration Summit, a conference designed to help store brand leaders identify and improve all areas of effective collaboration — both internally and externally. At the event, which will take place at the FireSky Resort & Spa in Scottsdale, Ariz., retailers, store brand suppliers and service providers will learn real-life solutions to the hurdles blocking effective collaboration.

Presentations at the event will focus on real-life store brand collaboration success stories — from both the United States and abroad — between retailers and their suppliers and service providers, as well as solutions to common obstacles standing in the way of effective collaboration. Topics will range from product development and packaging/package design to merchandising and supply chain management.

Some of the speakers who will be sharing success stories include Marc Poulin, CEO of Sobeys; Laura Sturdevant, director of private brands for Walgreens; Pedro Leandro, chief commercial officer with Jerónimo Martins; and Noel Matos, CEO and head of strategic export marketing with M Industry USA/Migros. The summit also will feature a keynote presentation by Jacob Morgan — author of *The Collaborative Organization* and principal of Chess Media Group, a management consulting and strategic advisory firm specializing in collaboration — who will speak about how to improve collaboration internally.

To view the full agenda or register for the event, visit <http://plstorebrands.com/collaborationsummit>.

