Store Brand Topic Roundup from the 2014 Innovation and Marketing Summit

There was a lot of great content shared during the 2014 Store Brands Decisions Innovation & Marketing Summit. Retailers continue to focus on growing their store brand (private label) business as a strategic imperative. Here are my key takeaways.

Emulate or Innovate?

We heard a lot of discussion on whether store brands should “emulate” (copy national brands) or “innovate” (come up with their own products). The clear takeaway is that there is a place for both, depending upon the retailer’s strategic objectives.

- **If all that the retailer cares about is margin, then they can get away with just emulating** with a national brand equivalent (NBE) that copies the national brand. However, this type of “me too” strategy doesn’t grow the business; it only shifts business from lower margin national brands to the NBE. To grow the category overall, retailers need differentiation – which only comes from innovating.

- **The most successful retailers (when it comes to private brand share) appear to both emulate and innovate.** In addition, when they emulate, they do so with an eye towards not just copying, but incorporating some additional value to the NBE. In addition, these retailers typically have a premium line (upscale for the masses) where they also innovate. However, truly ‘world class’ private brand retailers go even a step further and use private brands to drive and set trends themselves - in which case, other retailers end up copying what they do. Trader Joes is an example.

Focus on the Shopper, not Just the Consumer

A clear advantage for retailers vs. manufacturers is that they have so much perspective on their shopper, and they need to take advantage of that. Incorporating shopper insight, along with general consumer insight, enables the retailer to be more targeted as they develop their private brand products. In addition, they should proactively think about shopability. Very few manufacturers take shopability into account, and the rubber meets the road when the consumer is in the store shopping for products.

Learn from CPG Companies, but Only as Appropriate

Much is said about the things retailers can learn from consumer packaged goods (CPG) companies, but not everything in the CPG world is appropriate for retail. It’s important to only take the most applicable leading practices. One presenter described the differences between the industries as “retailers snorkel, while CPG companies scuba dive.” As an example, Safeway creates more than 700 items per year across more than 700 categories, but Frito Lay creates just over 100 items per year over far fewer categories. This tells us that retailers need to stay “shallow and wide” in terms of how they approach their product development process. In the CPG world, a focus on phase gate processes and productivity are important, but this is less true for retailers. However, retailers should take a hard look at the organizational structure that CPG companies utilize, since they know what it really takes to build a brand.

To Innovate, Evolve the Operating Model

To truly innovate in private brands and use them as a vehicle to drive differentiation, retailers need a different operating model.

- **Externally: Bring all the Players to the Table** – A standard linear product development process may let retailers down. When the most knowledgeable people aren’t involved until later in the process, retailers aren’t able to take advantage of their knowledge. It will help to get all the key players around the table earlier in the process, and be willing to co-invest in the innovation if it’s needed.

- **Internally: Build the Private Brand Organization of the Future** – The way that merchandising and private brand teams work together needs to change. The private brands team should be structured and should operate like they are a CPG company competing against the national brands for shelf space. This requires distinct roles within the private brands team (i.e. marketing, sales, insights) as well as investment in the brand (trade funding to provide the merchant and resources to support future development).

All in all, the Summit was a valuable experience to dive deeper into the challenges retailers are facing with store brands.

What’s your view?

Did you attend the Summit? What were your key takeaways?

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What's your view? Add your question or comment