Store brands programs for food retailers are in the midst of a major transition, and even though these brands historically compete with CPG manufacturers, now is the time to learn from their success.

Historically, the strategy of store brands was to replicate national brands, forcing the store brand to be reactive. Many food retailers now take a proactive approach to store brands, defining their own markets and whitespaces, and tailoring products and assortments to customer and regional preferences. Store brand product innovation, which formerly relied on national brands for inspiration, is now driven from the “outside-in” by leveraging consumer insights drawn from multiple data sources and store-level learnings. And while shoppers used to merely tolerate private label programs, they now expect to see store brands featured in store assortments and are excited by their value proposition.

From an operational perspective, store brand divisions have evolved from exception-based, small operations to scalable organizations supporting a third or more of some retailers’ businesses. Correspondingly, technologies employed to support store brands have evolved from spreadsheets, databases, and home-grown solutions to product lifecycle management (PLM) technology with advanced analytics and balanced scorecards.

A number of food retailers are transitioning their private label programs by successfully translating the following leading CPG innovation transformation practices and adapting them into retail. We break these leading practices into buckets that align with the transformation process – Get Ready, Define Strategy, Transform Capabilities, and Sustain Transformation.

### 12 Leading Practices that Retailers Can Learn from CPG Manufacturers

#### Get Ready

**Define an Innovation Leader** – Leading retailers and CPG manufacturers have created innovation leader roles, such as VP of Innovation, to drive their innovation transformation efforts.

**Assemble the Best Inside and Outside Talent** – Retailers should assemble teams composed of the best inside and outside talent they can find. Match internal rising stars who already know how to navigate their organizations with outside talent from CPG, who bring expertise that the retailer may not have in-house.

**Link Innovation to Company Strategy** – Growing a profitable store brands program is a top three strategic initiative for many retailers. Store brand strategy must be tightly linked to the overall company strategy.

#### Define Strategy

**Set Bold Goals** – In order to command the attention and resources of the company, set bold financial goals for store brands programs. Seek to close the gap in store brand penetration between US and European grocers (the private label market share for European grocers ranges from 35-45% of volume).\(^1\)

**Maximize Portfolio Management** – Retailers should treat the R&D pipeline as a strategic asset to be managed and optimized. Recognize that the portfolio, in aggregate, can be manipulated to drive better financial success.

**Use Stores and Website as Test Labs** – One of the things retailers have that CPG companies do not is a full fleet of stores; retailers should use stores and websites as strategic assets to test, learn and modify new store brand products prior to a full launch.

**Integrate Unique Data Sources** – Another thing retailers have that CPG companies do not is the combination of loyalty card data, web site data and POS data for new product development (NPD) purposes. Retailers should integrate these data sources and apply advanced analytics to glean insight for innovation in NPD.
Transform Capabilities

Get a Seat at the Table – The store brands organization should not be treated as just another vendor; they should be collaborative partners at the most senior levels in strategy, category management, marketing and store level execution.

Expect a Multi-Year Program – Treat innovation transformation as a multi-year program, expecting a 3-year journey managed as an integrated program with program management principles, practices and tools.

Enable Transformation through PLM – Implement advanced Product Lifecycle Management (PLM) and Project & Portfolio Management (PPM) solutions to serve as a driver for innovation transformation. When properly linked to program management, organization redesign, process redesign, and change leadership, PLM can serve as a positive catalyst for change.

Sustain Transformation

Become a Crime Scene Investigator – Channels (including stores, online and mobile selling and social media) are the “scene of the crime” for the execution of innovation. To evaluate and improve execution, retailers need to take an almost forensic approach to understanding what works and what doesn’t work at the channel level and create a full circle feedback loop into the product development process.

Implement an Innovation Balanced Scorecard – Balanced scorecards for innovation are another vehicle for measuring the success of store brand programs along a number of dimensions, such as revenue and margin from new products, consumer sentiment, product development efficiency, and product portfolio yield.

Sources


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