

Investing in Innovation for Private Brand Management During Uncertain Times

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Amid the shutdowns and stay-at-home orders, our food supply chain and grocery retailers have risen to the challenge. While demand across the board rose, private labels have gained sales disproportionately — **increasing by 29%**, outpacing national brand product sales, which grew by 24%, according to the most recent data from [Nielsen](#).

Private labels have also gained many new customers in recent weeks due to limited shelf selections and consumers focusing more on value when shopping. After trying a private brand for the first time, **60% of US shoppers said they would continue to buy the store brand option**, according to research consultancy [Magid](#).

For private brand retailers to be ready for the New Next, grocers must focus on growth, agility, transparency, accuracy, and brand protection.



Business growth and agility

The private label selections on the shelves today were developed to reflect different times. Consumer behaviors have changed, and their grocery needs with them. A rapid and flexible response is necessary. Retailers must act quickly to tailor their offerings to changing customer needs and be prepared to experiment and evolve. Such speed means developing and launching new products in weeks instead of months, necessitating closer than ever collaboration with product suppliers.

Consumer transparency and labeling accuracy

Consumers' trying private labels for the first time and those increasing the range of private brands they buy will be looking for reassurance that they are getting quality products. Consumers who can't find the information they need will simply return the product to the shelf.

Retailers need to provide complete information about ingredients and sources through multiple channels. The retailers that only make the minimum information available will be at a competitive disadvantage. Just as important is a focus on labeling accuracy going forward. **Labeling errors account for around 50% of product recalls**, and in the case of undeclared allergens, those that are not detected in time can have irreversible consequences.

Crisis management and brand protection

Even in the best of times, when a food contamination incident occurs, finding affected products and notifying suppliers can take days and sometimes weeks, especially when dealing with hundreds of manufacturers and thousands of products. During a crisis, it can be overwhelming.

The risks of not being prepared are high. In the past, food contamination incidents have impacted customer trust, brand loyalty, and the bottom line of companies involved. Research by [Allianz](#) found **recall costs could reach \$10 million** for significant events.

For retailers, this means having complete and accurate product ingredient information and working with trusted suppliers that have the required certificates and are subject to regular factory audits and product testing.

“This is going to be an exciting time over the next two to three years for private brands to capitalize on growing penetration.”

– John Evans,
Director of Private
Brands,
Weis Markets



[Watch the webcast
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COVID-19: Leading
with Private Brands.](#)

Your spreadsheet is not a competitive advantage

As private brand momentum in [grocery retail](#) has picked up in the last decade, the blunt reality is that most retailers have not adequately invested in either the processes or systems needed to support their programs. Despite the complexity of food products, the many regulations they must conform to, and the dire consequences when things go wrong, collaboration with private brand manufacturers is too often managed using only spreadsheets and email.

By contrast, leading grocers have already embraced cloud-based collaboration solutions for [brand compliance](#), which enables retailers and suppliers to work together directly. Because of the efficiencies, they're able to develop and manage a higher number of brand ranges containing more SKUs, allowing leading grocers to pull further ahead of their counterparts who have yet to invest in improved ways of working.

Managing Private Brands

As grocery experiences an unexpected and unprecedented spike in demand across all channels, it comes with a new set of challenges. While the quantity of products is dependent on suppliers, holding those suppliers accountable for the quality and safety of the products is up to you.

Suppliers, like everyone else, have also been disrupted. So how do you rapidly mobilize and expand your network to identify alternate suppliers as borders close and out of stocks persist?

Here are five common questions we are hearing from our customers:

1. How can I protect my private brand supply chain?

Since production volumes could become impacted if workers at manufacturers or their suppliers are unable to work, steps for protecting your supply chain are vital.

Grocers should communicate directly with their manufacturers/suppliers to ensure they are implementing FDA-recommended enhanced practices for the correct and safe handling of products and the welfare of operatives. They should document the process and conduct follow-ups with audit checklists to ensure compliance at each of the critical delivery control points.

2. How can I find alternative sources if there is a product supply issue?

When there are disruptions — such as a locked-down location or an infected workforce — the impact can be substantial.

Grocers should review manufacturers of similar products they already work with to see if they can cover the demand. Otherwise, an alternative source of the product must be found and onboarded quickly.

3. What if certain ingredients are no longer available?

The loss of critical ingredients or a significant reduction in volume will impact many products, manufacturers, and suppliers.

Grocers should first review the recipes of all of their private brand products to understand which may be affected. Then they should communicate with the relevant manufacturing partners/suppliers to agree on a course of action. One action could include substituting the ingredient to a suitable alternative or temporarily suspending the manufacture of the impacted products.

4. How can I maintain consumer trust at this time?

Consumers are increasingly concerned about the food they eat and want to know more about ingredients and their origins. With the current health crisis, consumers are demanding even more assurances of a safe workplace.

Grocers should increase their efforts to ensure labeling accuracy and provide additional sources of information that consumers can refer to, such as Smart Label. They should also maintain their commitment to ethically-sourced products and sustainable packaging.

5. How can I manage the on-going risk of food contamination?

Grocers need to maintain focus to track contamination incidents. Leverage automation to identify products impacted by tainted ingredients, alert suppliers, and trigger mitigating actions including shelf withdrawal and product recall at scale.



Preparing for the New Next

When a food safety incident occurs, knowing all the ingredients in products, verifying supplier safety practices, and finding alternate supply sources can be overwhelming, especially when dealing with hundreds of manufacturers and thousands of products. The current situation has emphasized the importance of managing all information that helps ensure food safety.

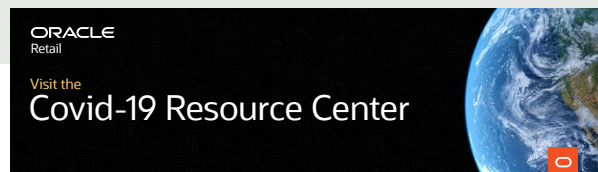
To be ready for “the new next,” grocers must focus on the following:

- Crisis management and brand protection
- Compliance with current and upcoming regulations. The FDA has delayed the roll-out of the New Era of Smarter Food Safety, but it is still coming
- Consumer transparency and labeling accuracy — expectations continue to rise
- Business growth and agility — a rapid and flexible response is necessary

By adopting an integrated approach to [managing private brands](#), grocers can take advantage of improved efficiencies, and responsiveness to consumer tastes, while ensuring food quality and safety and preparedness are a number one priority.



[Learn more about private brand innovation from Velocity's Private Brand Event and on-demand sessions](#)



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