



GLOBAL PERSPECTIVE ON PRIVATE BRANDS

2022 PRIVATE BRAND
INTELLIGENCE REPORT

Daymon

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SOLVING CHALLENGES WITH PRIVATE BRANDS

A MESSAGE FROM MICHAEL TAYLOR, PRESIDENT OF DAYMON

The global retail industry has been under a microscope, with retailers and suppliers alike closely examining the pressing challenges and changes that have cascaded down since the start of the pandemic over two years ago. What we hoped was just a passing storm has transitioned into a new retail reality, with the rise in demand, complex supply chain disruptions, and inflation taking hold.

Along with these key industry developments, new macro forces including intricate geopolitical conflicts and elevated consumer expectations are set to amplify these challenges for retailers, marking a crossroads for the Private Brand industry. As challenges persist, retailers have an opportunity to support the growth and evolution of their Private Brands, providing solutions for their core consumers across the retail spectrum while capitalizing on opportunities that arise.

When it comes to separating yourself from the competition, Private Brands stand as the key to providing truly differentiated offerings with a customized shopping experience. Shoppers appreciate the benefits of Private Brands and are returning time and time again to retailers that provide for their unique needs and preferences, with increased trial furthering brand and banner loyalty.

With consumer loyalty directly dependent on who can provide them what they want, when they need it, and at the right value, Private Brands are in the perfect position to come out on top. But as the evolution of the shopping experience shows no signs of slowing down, Private Brands must update strategies to meet consumer expectations for the long term or risk losing out to the competition. But with many retailers still navigating the newfound, compounding complexities, where should they shift their focus and place their bets?

This 2022 edition of the Daymon Private Brand Intelligence Report stands as a guide for the global Private Brand industry and shines a light on how retailers can put their best foot forward across the retail and supplier environment.

Moving forward, Private Brands are the tool for continued loyalty and success. However, it is how they continue to adapt that will define them for future consumers. After you read the report, I encourage you to contact me at MichaelTaylor@daymon.com to learn more about Daymon and how we can facilitate the development of your Private Brand programs.



DAYMON'S 2021 - 2022 GLOBAL TRENDWHEEL

The Global TrendWheel is Daymon's proprietary forecasting tool that identifies, defines and tracks the evolution of global consumer behavior to help our partners navigate the changing retail landscape. Our Global TrendWheel is updated every two years to encompass the variety of forces driving global retail shifts and events, from demographic to economic to political, that have impacted our culture. This tool is pivotal in analyzing the values and factors that are influencing purchasing in the short and long term and establishing a framework to be strategic in continued brand devolvement.

Our 2021-2022 Global TrendWheel comprises six Mega Trends that assess long-term broad movements and 42 Micro Trends that center on updated consumer lifestyles and behaviors. This tool provides a simple way to address the "WHY" behind the changes we are witnessing today and is instrumental when developing or updating brand strategy, innovation, product development, merchandising, marketing, and more.



MEGA TREND: IDentity

SHIFTING IDENTITIES TRANSFORM GLOBAL RETAIL

Societies are transforming, driven by shifting demographics, economic pressures, technology, and a newfound outlook around embracing individual differences. This increasingly diverse population has varying and specific needs, resulting in changing expectations of products and retailers as well as new buying behavior.



MEGA TREND: B-Well

HEALTH & WELLNESS: THE MODERN LIFESTYLE

Health and Wellness has become a mainstream desire and is no longer limited to a niche group. Consumers have a wide range of wellness aspirations, from simply looking to extend beyond traditional routines to achieving an ideal state of holistic well-being. This pursuit is driving demand for total solutions that are tailored to specific lifestyles and unique health needs.



MEGA TREND: Always On

THE IMPLICATIONS OF A 24/7 WORLD

As global digital adoption and seamless integration quickly accelerate, the lines between the physical and digital continue to blur. A broadened ease of using technology, desire for connection, and expectations of “anytime, anywhere” will continue to evolve retail and propel innovation forward.



MEGA TREND: One World

COMMUNITY & INFLUENCE BEYOND BORDERS

With historically unprecedented population migration and advances in technology, we have become globally linked. Interconnectedness is influencing behaviors towards global environmental issues and the desire for community both locally and beyond borders. There is a growing awareness that what we do as individuals affects the whole world – and vice versa.



MEGA TREND: JOYment

SURPRISE & DELIGHT TO ESCAPE THE EVERYDAY

In an increasingly turbulent world, consumers are looking for ways to drive satisfaction and happiness in everyday life. As a result, demand for products, services and experiences that deliver enhanced engagement, simple joys and empowerment is becoming more pronounced.



MEGA TREND: Value Matters

BALANCING PRICE, QUALITY & PERSONAL VALUES

The definition of value is evolving, and one size does not fit all. Consumers are assigning value across multiple dimensions based on their personal needs such as quality, transparency, budget, and accessibility to reach a balance. Addressing this balance is key as shoppers are becoming more selective and mindful in their spending.



REFOCUSING PRIVATE BRAND INNOVATION

Retailers have continued to face and overcome ongoing challenges including shifts in consumer behavior, supply chain complexities resulting in out-of-stocks across categories, and inflation taking hold. While many Private Brand retailers around the world needed to press pause or slow down on innovation strategies to solve for these immediate challenges, consumer demand for innovation has sped up. What were once shopping preferences before the pandemic are now expectations. In order to meet changing consumer expectations and maintain brand and banner relevancy, retailers must rejuvenate their Private Brand innovation strategies or risk falling behind to the competition.

THE IMPORTANCE OF PRIVATE BRAND INNOVATION

While innovation may seem like a “nice to have” versus a necessity in today’s volatile retail environment, consumer pressure to deliver is at an all-time high. In fact, three in four consumers from Brazil to Egypt, Mexico to Morocco, and Turkey to the Philippines are still looking to try new products and services. To satisfy this demand, there are 3 key reasons why Private Brands must remain vigilant with their innovation strategies: to build on newfound Private Brand trial, establish differentiation, and maximize brand and banner loyalty.

The most time-oriented reason retailers need to continue innovating within their Private Brands is to capitalize on increased trial and trust. Consumers are becoming brand-agnostic, with 70% of US shoppers having purchased a new or different brand than they had prior to the pandemic. Within the US, 89% of consumers now trust Private Brands just as much or more than National Brands. With this trust established, consumers are prone to trying additional products within a retailer’s portfolio. For example, 81% of Canadian Private Brand buyers claim familiar store brands give them the confidence to try new foods and flavors. However, as consumers are constantly searching for new items to deliver on their expectations, retailers must continue innovating, with yesterday’s Private Brands unable to deliver to today’s shoppers.

Globally, there is still room for development as various markets grow their Private Brand offerings; for example, only 24% of Chinese consumers think Private Brands are differentiated from National Brands.

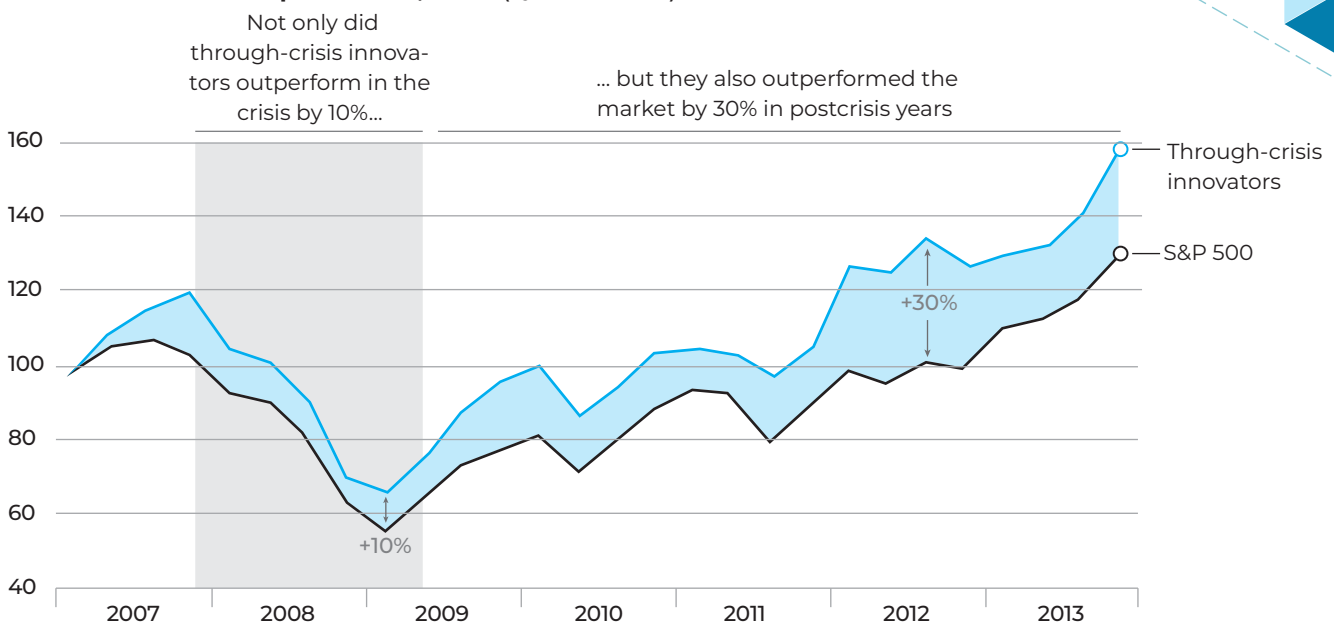
Beyond expanding on trust, another reason why innovation is so critical within Private Brand today is in establishing differentiation. Previous Daymon research shows that competing retailers’ assortments overlap by as much as 98%, meaning National Brand assortment alone is no longer a driver of banner choice. In fact, 25% of South African consumers indicated they buy Private Brands because there is more product choice. The power of Private Brands rests in their ability to offer shoppers items that can only be purchased at their banner, with consumers returning for their unique and differentiated offerings.

The last reason why innovation is pivotal for Private Brands today is securing consumer loyalty. The true strength in Private Brand innovation is its capacity to extend loyalty beyond the portfolio, with stronger Private Brands creating banner-loyal consumers. Our research shows that 75% of loyal US Private Brand shoppers have a preferred store they shop at, while 48% of UK consumers agree that Private Brand range is important when deciding where to shop. Conversely, not investing in a holistic innovation strategy can detract from banner loyalty altogether. Within South Africa during the height of the pandemic, 18% of consumers cited better Private Brands were the reason behind their transition.

Private Brands have the power to make or break banner loyalty - how retailers reshape their innovation strategies now will determine their future success.

Innovation Investment Tied to Stronger Crisis Recovery

Normalized market capitalization, index (Q1 2007 = 100)



EXECUTING YOUR INNOVATION STRATEGY: THE THREE PRIVATE BRAND INNOVATION PRINCIPLES

Forming an effective Private Brand innovation strategy starts with a clear understanding of what ownable innovation means for the brand itself, in order to go beyond copying tried-and-true items to create Private Brand versions, innovating purely for the sake of novelty, or only focusing on the assortment. When deciding how to execute this strategy, Daymon recommends following the three Private Brand innovation principles: Focus on the Consumer, Deliver Across the Portfolio, and Set Appropriate KPIs.

1 Focus on the Consumer

With evolving consumer needs and values driving purchasing, retailers that execute their innovation strategies by focusing on the consumer will solidify a stronger connection to their Private Brands. Retailers must identify the short- and long-term trends that are driving purchasing, shift their strategy to encompass these trends, and incorporate technology and proper merchandising to create high visibility. Retailers around the world are shifting gears to deliver consumer-centric innovation in this way.

For example:

- Walmart US has made it more accessible for shoppers to filter for specific diet needs on their online platform. By collaborating with an e-commerce nutrition platform, they allow shoppers to easily locate and purchase food products and supplements based on their personal dietary preferences.
- UK retailer Waitrose recently launched a new holistic living range, with specific products to target the growing health-oriented consumer. Their new 'Gut Health' brand is the first UK Private Brand to have a certified gut-health claim, fulfilling a growing consumer need while leading the way within this space.
- Woolworths South Africa has created marketing campaigns to target customers in unique ways, from allowing consumers to match beauty and skincare products to their skin before they buy online, to launching and marketing products for all skin types and sizes. They drive the narrative of not only having a wide assortment, but being top of mind for consumers in these categories.


While these are only a few examples of investments made within Private Brand, it is evident that retailers who center their innovation strategy on their consumers create a unique destination experience, driving store choice and enticing consumers to try new items across their portfolio along the way. Pages 10 and 11 showcase examples of leading with the consumer to develop specific innovations that meet their unique needs.



2 Deliver Across the Portfolio

As Private Brands span multiple tiers, so should their innovation. The previous mentality around Private Brand innovation focused primarily on the premium tier, correlating innovation purely with higher price points. However, innovation is valuable across the quality and tier spectrum; a Daymon custom analysis shows that innovation is most important in the mainstream Private Brand tier. Brands need to shift their focus beyond premium, to deliver interesting and consumer-centric products that fit every need. Currently, 75% of US consumers prefer stores to have both value and premium Private Brand products. More consumers are transitioning to a “smart shopper” mentality, looking across tiers to find the exact solutions they are looking for. By creating a balance of innovative and core items across the portfolio, this will help bridge the gap between the tiers, promoting new trial while providing for every need and price point.





One way to achieve this balance involves revolutionizing core items. This may include incorporating other trusted flavors from within the portfolio or experimenting with new packaging. Another route is to expand upon an innovative item that has already garnered a following. US retailer Trader Joe's is one example of a retailer who builds upon successful innovative items, such as their Everything but the Bagel Seasoning. Based on this success, the seasoning has since appeared in countless other products and categories, such as chips and dips. This move expanded their innovative offerings within their Private Brand portfolio, while introducing a product that consumers can trust even before purchasing.

3 Set Appropriate KPIs

Too often, products are brought to life and discarded because their KPIs are not meeting the “right” sales expectations. While the overall goal of a product for brand owners is sales, innovative items may serve different purposes such as consumer loyalty, incremental purchases, or basket size. Each of these functions requires different metrics to show success and should not be examined as a one-to-one comparison of a core item's sales or growth performance.

If a product is completely new to market, its defining metric may be around driving excitement, trial, or growing basket size. The brand behind it must set their own standards on how to quantify success. For example, new items can be benchmarked against similar items in other Private and National Brands, or against the segment as a whole. Another way to monitor a new product's success is through industry press, awards, and consumer engagement. On-trend and innovative products are often selected for a variety of industry awards based on different innovation components, as well as featured in industry publications. Additionally, many retailers host their own Private Brand awards asking customers to vote on their favorite products, whether by category, flavor, assortment, or packaging. Hosting and marketing these awards provide an opportunity to discover which products are performing well, with the high visibility promoting new trial in return.

Private Brands must always consider the type of innovation, whether product- or price-driven, the ‘why’ behind the development, and the metrics to measure progress. By setting personalized metrics for innovative products ahead of time, teams ensure proper incentives are aligned to create dynamic and impactful innovation. How a retailer establishes KPIs for new products now will not only determine their success, but ensure future products are tracked accordingly with clear expectations.

While executing innovation comes with inherent trial and error, retailers that center their strategies around the consumer, deliver across their portfolio, and set appropriate KPIs will minimize risks and set their programs on the right track for growth.



B-Well: Evolving Diets

Ongoing shifts in diet optimization to meet specific health, lifestyle, and environmental concerns

Diet optimization does not apply solely to people – this trend has also trickled down to animals. Especially with younger owners, pets are increasingly seen as extensions of one’s family; this humanization of pets creates innovation opportunities throughout the pet aisle, but particularly in treats and food.

Pet owners are increasingly concerned with the quality and ingredients of their pets’ food, and often extend their personal better-for-you connotations to animal diets. While not all human diet trends are healthy for pets, the rise of innovations such as human-grade pet food serve to meet this interest in healthier options by emphasizing ingredient quality, manufacturing regulations, and nutrition standards.



INNOVATION - MICROTRENDS

Focusing on the consumer is a critical component of developing innovation that solves actual consumer needs, rather than simply developing new items. By leveraging the Daymon TrendWheel to identify and deliver against relevant microtrends, innovation can connect the dots between the consumer’s “why” and retail’s “what.”

Identity: Genuine Self

Embracing and featuring the variety of lifestyles and characteristics that make consumers unique

Rather than seeking to blend in, consumers are embracing the many differences that make up their unique identity. They are abandoning traditional labels around characteristics, encompassing everything from race and gender to beauty and fashion, and are embracing authentic narratives. Brands are responding by helping to celebrate imperfection, individualistic physical qualities and diversity to ensure inclusivity.

Packaging and product formats have traditionally catered to the ‘average’ consumer in aggregate, but innovations against accessibility challenges are both expanding access to new consumer groups and improving overall consumer experience. For example, beauty brands are developing applicators and packaging that reduce fine motor skill requirements or can be applied with only one hand, which is critical for some disabled or aging consumers. Crucially, these innovations do not sacrifice performance for accessibility – rather, they result in better overall product design for a wider range of consumer populations.





One World: Eco-Citizen

Awareness of the link between commerce and the environment driving increasingly conscious consumption

Recyclable packaging – particularly plastic waste – continues to be one of the primary issues associated with sustainability in most CPG categories. However, consumers are increasingly aware of and influenced by additional opportunities to create a more sustainable retail ecosystem, including the limitations of recycling alone. Innovation that expands the sustainability impact, or applies it to new, unexpected categories, push the boundaries of impact possibilities.

For example, recyclable packaging only matters if it is recycled properly; brands and retailers are expanding beyond this point of entry into other parts of the loop by reducing barriers to collection and processing. Other retailers are replacing packaging with plant-based plastics, both avoiding landfills and utilizing surplus materials from other industries. Beyond packaging, product format innovation also creates sustainability benefits. For example, the solidification or concentration of liquid products reduces water rights conflicts, excess water usage, packaging size, and transportation costs.



Value Matters: Transparency = Trust

Aligning personal values through transparency of origin, ingredients, production, preparation, and safety

Access to information continues to break down borders between consumers and brands. While some brands have featured origin stories for decades, integrated platforms and additional technologies such as blockchain move beyond the label to provide increasing opportunities – and expectations – of traceability and communication.

As technology becomes more refined, consumers can get closer to the entire production lifecycle based on their values. For example, retailers are augmenting once-stagnant QR codes with blockchain-enabled product traceability on products such as eggs and meat; this allows consumers to learn about variations such as diet, location, and method of raising. As the goalposts continue to move on transparency expectations, these dynamic points of information should educate consumers and spark innovative developments to meet their needs.



OMNICHANNEL: POSITIONING PRIVATE BRANDS TO WIN

While the term omnichannel has been a buzzword amongst the retail industry for more than a decade, the world saw how the e-commerce and digital landscape quickly accelerated as a result of the pandemic. As global consumer needs changed overnight, retailers were forced to shift gears and adapt to the evolving purchasing behaviors of the new omnichannel shopper.

Where previously consumers were beginning product searches on digital channels for browsing and pre-trip planning, these consumers are now consistently purchasing across multiple digital platforms, utilizing services such as click and collect, same day delivery or a hybrid of both. With this increased blend of digital and e-commerce, retailers must ensure Private Brands are appropriately positioned in this hybrid world.

This begins by ensuring that, first and foremost, Private Brands are fully represented within a retailer's e-commerce platform; consumers can't purchase what isn't there. Private Brands must be fully represented online across display and search. Developing an integrated strategy that incorporates merchandising, product information, package design and marketing across channels is fundamental to ensuring Private Brand omnichannel success.

The accelerated shift to digitally-enabled shopping is not a fad brought on by the pandemic; over the next five years, global e-commerce in Edible Grocery, as an example, is projected to grow at a CAGR of 9.6%, over 2.5 times the rate of store-based growth in the same period. The need for retailers to develop an omnichannel mindset is more important than ever, and so too is the necessity of shifting in-store best practices and applying them to their online equivalencies. No longer can Private Brands be developed through a singular lens of in-store; rather, a multi-lens approach factoring in the connection between omnichannel applications and the in-store experience is required. Developing an integrated strategy that balances this hybrid approach will support the acceleration of Private Brand growth.

MERCHANDISING

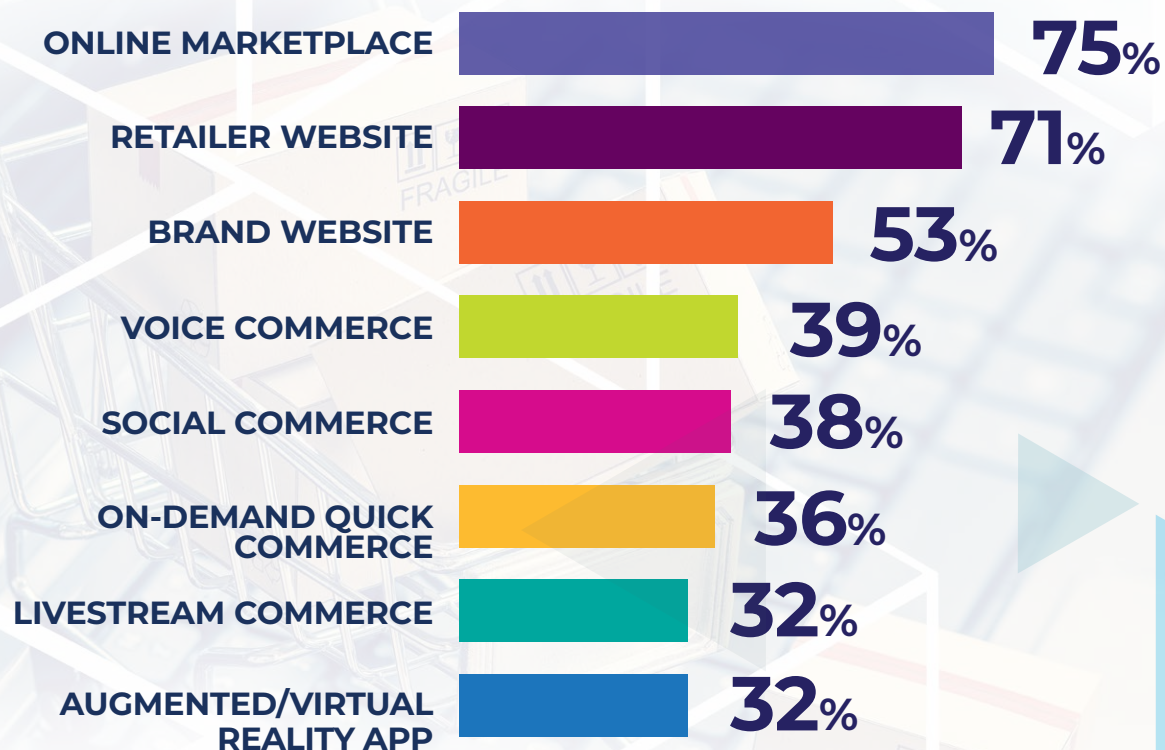
In-Store: Merchandising provides implicit and explicit cues to consumers that connect to brand strategy, category dynamics, and quality tiering. Primary shelf placement may be National Brand adjacent to drive like-item comparison, or brand blocked to convey breadth of assortment. Placement level at shelf also cues product quality or brand role, such as placing primary brands at eye level for maximum visibility and access. Additionally, secondary placement options such as destination sets and endcaps create multiple touchpoints, feature opportunities, and cross-category connections to further drive purchasing.

Digital Shelf: In designing the digital shelf, retailers must first understand how to display Private Brands to align with the in-store strategy. Depending on the e-commerce platform, the number of SKU's displayed at one time will vary between four to twelve. The online equivalent to primary shelf space is the top row of search results; depending on the algorithm of the e-commerce platform, items may not necessarily be adjacent to National Brand equivalent items.

Digital Plus-Up: A retailer's e-commerce platform offers unique merchandising opportunities not found in stores. Understanding how consumers utilize search will influence how retailers establish their e-commerce platform. Over a third of US consumers utilize search both to help guide them within a product category and when looking for a specific brand. Private Brands must ensure that not only are all categories represented and available for e-commerce purchase, but that they're optimized within search and are easily found and displayed within the first two rows. This not only supports trial and sales growth, but ensures consumers can easily find Private Brand items.

Additionally, with 36% of digital Private Brand shoppers in the US clicking on "suggested items," this is an additional opportunity for Private Brands to display complementary items. Lastly, as nearly 50% of US consumers who regularly purchase items online shop from a list, incorporating this feature, or one that highlights previously purchased items makes it easier for consumers to purchase.

Purchase Incidence Among Digital Commerce Types, Past Six Months



Source: Ipsos Essentials Wave 51, October 2021

PRODUCT INFORMATION

In-Store: With 31% of US Private Brand shoppers wanting to see the actual product either through transparent packaging or photography, in-store shoppers rely on their ability to physically pick up an item to see the product information including ingredients, nutritional claims, and pricing.

Digital Shelf: Globally, 57% of consumers trust product label information on packaging or website pages in purchasing decisions. Therefore, the e-commerce experience relies heavily on brands having fully optimized product display pages. This provides consumers with an equivalent in-store shopping experience in which they can easily compare products. These product display pages not only feed search on a retailer's website, they drive internal and external SEO. Each item should have page content that includes multi-angle and/or 3D dynamic item images, enhanced nutrition claims and product descriptions.

Digital Plus-Up: The online digital shelf and product display pages offer an opportunity not found within the in-store shopping experience. Private Brands can utilize additional selling features such as ratings and reviews; 65% of consumers globally find independent consumer reviews very or extremely trustworthy. Best-in-class retailers utilize product display pages to communicate enhanced product information. Retailers such as Albert Heijn and Carrefour utilize quick icons or filters to call out health attributes such as dietary or nutritional claims. Many retailers also incorporate a recipe section on their website, inclusive of Private Brand items that link to product display pages for a seamless addition to an online basket. This integration can highlight adjacent category options which, in return, influences purchasing decisions and promotes trial.

US Consumer Motivators to Increase Online Private Brand Purchases

46% lower prices than NB

29% coupon/mobile offer

26% better assortment

22% recommended by others

54%

of Private Brand shoppers cite price as a top driver when shopping online monthly

PACKAGING DESIGN

In-Store: Traditional packaging is designed for the physical shelf and takes into consideration types of merchandising structures, factors in constraints as well as National Brand adjacencies. Assortments utilize repetitive 'billboard' themes for impact and to create a consumer connection to brand identity. On-pack digital communication opportunities such as QR codes have taken on a new role over the course of the pandemic by linking to an item's product display page, which provides additional product information including usage instructions and enhanced nutritional information.

Digital shelf: How product images are displayed at the digital shelf is often the first, and potentially the only, impression consumers see before selecting an item.. This “moment of truth” online is parallel to a first impression at shelf; however, online, a consumer has a more limited view of package design, often just a thumbnail image. It is important that Private Brands take this into consideration when designing packaging, especially as 28% of Private Brand shoppers in the US state that it is hard to see “on package” claims when scrolling. This is also why additional product display pages must be developed that incorporate additional packaging images, nutrition, and ingredient panels.

Digital Plus-Up: Providing customers with easily accessible product information is an essential element of designing both for the traditional shelf and online, as 41% of US Private Brand shoppers want simple packaging that focuses on key claims and clearly communicates the item is a Private Brand. Customers want easy-to-read packaging, accurate product descriptions, and appealing photography that accurately depicts the product.

MARKETING

In-Store: Traditionally, Private Brands have utilized marketing vehicles in stores such as aisle violators, endcaps, and shelf tags to draw attention, prompt impulse purchasing, and highlight new items and promotions. These tactics are still valid to capture consumers who are shopping in the physical store, but the rise of digital has reduced their impact. For example, in 2019, 63% of Chinese consumers reported seeing products at shelf as a source of Private Brand information; now, with the rise of digital, that number has dropped to 30% as of 2021.

Digital Shelf: As e-commerce Private Brands sales have grown, so too has the need to market Private Brands online. One way this can be done is by creating a Private Brand hub on a retailer website to educate consumers on the brand promise, categories, promotions, and usage occasions. Best-in-class retailers such as Target utilize a Private Brand hub to drive e-commerce sales for both click and collect and same day delivery. Private Brand web banners and side bar billboards are additional ways to reach consumers on a retailer’s website, app, or through display ads.

Digital Plus-Ups: Best-in-class Private Brands utilize multiple digital tactics to maximize their customer impressions and increase brand engagement, as 49% of US Private Brand shoppers currently using social media prefer to learn about deals and promotions via email and social channels. This is an opportunity for retailers to create customized Private Brand digital promotions promoted exclusively through e-mail and social media channels. Best-in-Class retailers are dedicating 24% of their social content to promote Private Brands, sharing video demos, promoting digital coupons, or amplifying user-generated content.

Wegmans, a US-based regional retailer, is known for posting lifestyle images featuring Wegmans’ Private Brand that link to a landing page, highlighting the corresponding recipe featuring Private Brand items. These items are linked to Wegmans’ e-commerce platform for easy purchase. France-based retailer, Jow, follows a similar strategy to Wegmans, using shoppable recipes on Monoprix. Retailers with a strong social media foundation, such as Walmart and Kroger, are expanding into new platforms, such as TikTok, to produce exclusive Private Brand video content in partnership with micro-influencers for expanded consumer reach and engagement.

Private Brands are poised for growth as e-commerce sales continue to increase globally. Consumers not only want to shop online for Private Brands; they expect them to be there. To compete with National Brands and deliver upon customer expectations, retailers must establish a clearly defined Private Brand omnichannel strategy that leads with one consistent voice across omnichannel platforms, clearly communicates the Private Brand value proposition and integrates digitally across merchandising, product information, package design and marketing all while taking into consideration how these elements connect back to in-store implementation.



ADDRESSING SUPPLY CHAIN CHALLENGES

The pandemic shed light on the fragility of the global supply chain, forcing retailers to examine the interdependency of the many aspects of supply chain management and rethink their broader strategies. Industries across the retail landscape are still grappling with challenges across the board, from labor shortages and closed factories to transportation bottlenecks and rising commodity prices. All of these will continue to experience tensions when coupled with external forces such as climate change and geopolitical conflicts. Private Brand programs have certainly felt the impact of these challenges and have had to shift focus to solve for these immediate issues; however, retailers must also be proactive in managing their supply chain and Private Brand program strategies across three critical levers – supplier networks, pricing, and marketing – to prepare for future consumer needs as well.

SUPPLIER NETWORK

A critical transition that must happen between retailers and suppliers is from cost-driven commoditization to strategic partnerships. While these relationships have been focused on Request for Proposal (RFP) cycles to eliminate cost and redundancy, this approach has ignored considerations of the broader environment and reduced these relationships to singular transactions. Instead, retailers must identify critical areas of the business and support them with long-term strategic partnerships to improve their collective ability to support the Private Brand program and weather future crises.

One benefit can come in the form of ensuring preference in order fulfillment; some retailers are moving away from imposing strict penalties to instead creating a more attractive environment by reducing cash terms or nuisance fees to incentivize rather than penalize. Another benefit is improving innovation; some retailers partner with suppliers to develop new or exclusive items, a mutually beneficial undertaking which differentiates the retailer's assortment versus competitors while creating an exclusive segment for the supplier.

Over the long term, retailers should consider diversification of their supplier network as well. Supplier centralization has been driven by a variety of factors, such as avoiding complexity in vendor management, aggregating purchases to scale, and navigating government regulations or incentives. However, retailers should weigh the benefits to expanding these networks, particularly to go beyond cost-driven commoditization, for both future supply chain concerns as well as overall business strategies. These benefits may be directly related to logistical issues, such as out-of-stocks; for example, multiple suppliers can mitigate risks in scenarios such as crop failures or factory closings. These benefits can also support broader business strategies; partnering with local suppliers lowers transportation costs, while also contributing to causes such as reducing carbon footprints or supporting small businesses.

PRICING

While many factors are contributing to rising costs within the current supply chain, retailers should consider how their purchasing strategies may be able to mitigate some of these increases. Rather than purchasing items or raw materials on a short-term or as-needed basis, leveraging tools and strategies such as container optimization, foreign currency conversions, contract buying, and demand forecasting for items and packaging can help control – if not decrease – these input costs. For example, leveraging volume- or time-based contracts creates more transparency to volume expectations, allows for future cost planning, and aligns incentives across the supply chain to create efficiency. Generally, products with a single ingredient majority should be purchased as volume-based contracts (e.g., commodities like oil, sugar, maize); products with equal mixes should be purchased as time-based contracts (e.g., pasta sauces, condiments). As another example, some retailers are partnering with suppliers with similar raw materials needs to create mutually beneficial purchasing power, driving per unit costs down and taking advantage of on-the-ground knowledge that is closer to the source.

The second component is determining what, if any, consumer-facing price changes should be implemented. The pandemic and supply chain issues are affecting consumers globally as well: 70% of consumers globally feel prices for food and beverages have risen since mid-2021. While retailers may be pressed to pass along internal cost increases, determining the best approach should not be treated as a one-size-fits-all decision that only looks at short-term gains and losses. A variety of factors should be considered in this calculation – price elasticity, consumer willingness to pay, category dynamics, National Brand pricing, target price gaps, brand positioning – on a category-by-category basis.

Retailers should also consider examples from other channels, such as discounters who rationalize the total number of offerings in favor of a smaller number of strong options; applying to other channels may help maximize shelf space and give Private Brands room to shine. To note, retailers should also consider long-term implications of price increases at this time; if retailers are reporting profit growth while, at the same time, passing along these costs, consumer trust and loyalty will be negatively impacted.

MARKETING

While mitigating these challenges as much as possible via supplier networks and pricing strategies, retailers should be proactive in communicating these challenges to consumers to create transparency and trust. This may relate to out-of-stocks, pricing, or other related issues. For example, many retailers in Europe are providing transparency to their pricing breakdowns to ensure consumers understand where their money is going. Other retailers are committing to price freezes and marketing these to encourage long-term consumer loyalty, rather than short-term stock-ups and panic buying.

Finally, emphasizing Private Brands as a solution for consumers as they navigate the impact of all these challenges is an underlying opportunity that will drive positive impact for the long term as well. Retailers should select messages that support their brands' positionings rather than address as one-size-fits-all. For some Private Brands, the emphasis on price and savings may be best – many consumers are still facing significantly-reduced incomes, and Private Brands can provide the ability to enjoy quality items across all categories, especially if coupled with additional promotions such as price freezes. For others, encouraging trial – for example, in-stock Private Brand items as alternatives for out-of-stocks – through endcaps, displays, and recipes can showcase Private Brands' variety and ability to meet various lifestyles.

While some challenges are beginning to subside, the rifts exposed by the pandemic and maintained by additional forces will continue to have a long-term effect unless significant changes are made to supply chain strategies across the industry. By adjusting approaches across multiple points of impact, from supplier networks to pricing strategies to marketing, retailers can continue to solve for today's challenges while building a stronger foundation for the future of their Private Brand programs.



KEY LEARNINGS & TAKEAWAYS

There are many unknowns in retail, especially given a volatile environment like the one many are faced with today. When charged with solving for a full list of challenges, retailers can have confidence in one fixed variable: consumer needs and values drive purchasing. As consumers are ever-evolving, retailers must ensure their Private Brand programs are up to speed, ebbing and flowing to meet the expectations of today's and tomorrow's consumers. Consumers rely on the benefits and value that Private Brands have to offer - retailers must update their current strategies with the following essential actions top of mind to guarantee continued favorability and success no matter what challenges come down the road.

REINVEST IN PRIVATE BRAND INNOVATION

In order to meet changing consumer expectations and maintain brand and banner relevancy in the long term, retailers must rejuvenate their Private Brand innovation strategies now or risk falling behind to the competition. Heightened Private Brand trial over the past two years has led to brand-agnostic behavior, with trust and loyalty extending beyond the portfolio to the banner. To capitalize on this trust, retailers must not only focus on consumer expectations that are driving purchasing, but examine all tiers and categories that would benefit from Private Brand innovation. With these shifts, appropriate KPIs must be set to ensure new items are meeting the right parameters for success. Consumers are already turning to best-in-class retailers for their innovative Private Brands—these measures will ensure meaningful differentiation to stand your brands and banner apart from the competition.

DEVELOP A HOLISTIC PRIVATE BRAND OMNICHANNEL EXPERIENCE

Online shopping skyrocketed as consumers quickly adopted new purchasing behaviors as a result of the pandemic. This behavior is here to stay, but rather than replacing traditional retail, it has become complementary. Consumers are shopping across channels depending on individual purchasing needs and as such, Private Brands must be equally represented on the physical and digital shelf. Retailers must develop integrated strategies that incorporate proper merchandising, product information, package design and marketing across channels to ensure Private Brand omnichannel success. Applying in-store learning to online platforms can help create consistency for your Private Brands, but it is important to also consider the unique benefits and tactics to make your Private Brands shine for online platforms. Key learnings from online strategies can also translate to in-store implementation, blurring the lines between channels to establish a truly consistent omnichannel and digitally-enhanced shopping experience that consumers are expecting.

MEND THE SUPPLY CHAIN FOUNDATION

There is not a “one-size-fits-all” solve for remedying the cracks in the global supply chain, but there are key learnings retailers can take from current challenges to be proactive in managing their supply chain and Private Brand program strategies for the long term. The pandemic has exposed how interconnected every aspect of the supply chain is, making partnerships between suppliers and retailers essential in identifying pitfalls and coming up with mutually beneficial solutions. As costs continue to rise, retailers should update purchasing strategies to mitigate some of these increases, working within these reinforced partnerships to control input costs and deciding if any consumer-facing price changes are necessary. Finally, it is essential for retailers to be proactive in communicating changes in supply to consumers, providing an opportunity to create transparency, build trust, and further Private Brand trial. Mending the foundation of the supply chain with these considerations at the center is the best defense to whatever may come your way, protecting not only your supply chain but the future of your Private Brand programs.



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GLOBAL PERSPECTIVE ON PRIVATE BRANDS

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