

How Retailers Can Maximize Private Label Profitability

Using An Inclusive Product Development Platform To Travel Quickly From Bright Idea To Store Shelf



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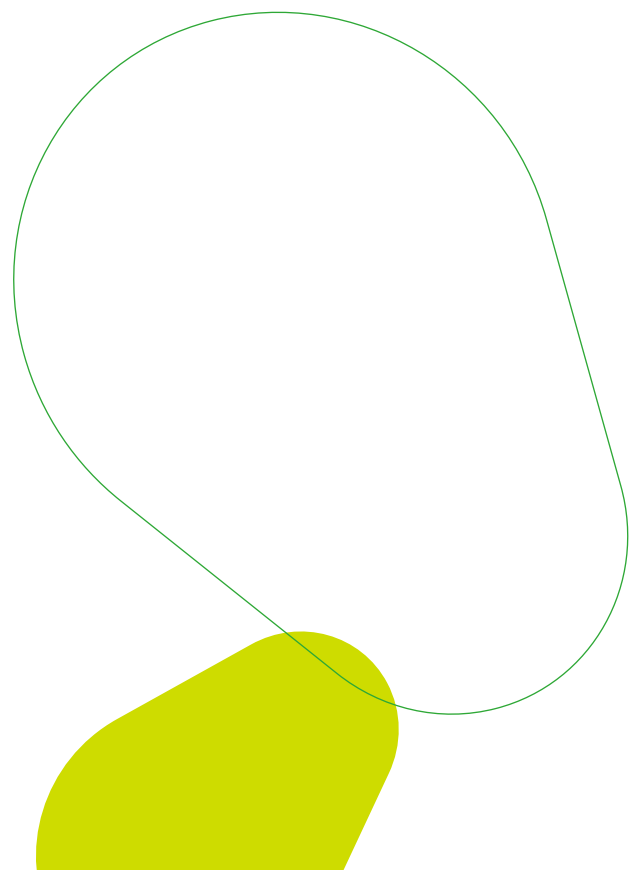
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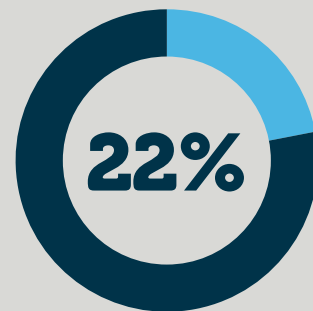
Introduction

COVID-19 revealed the stress points in today's supply chains: empty store shelves at the beginning of the pandemic were only the most visible sign of the limitations of the current manufacturer-to-consumer product pipeline. On a somewhat positive note, however, pandemic-related shortages forced consumers to try alternatives, including private label offerings.

Seeing this opportunity, many retailers sought to accelerate their private label product development. These retailers were not only able to increase market share for items that provided them with higher profit margins; they also helped future-proof against potential disruptions by more closely controlling the manufacturing, quality assurance and fulfillment aspects of producing these products.

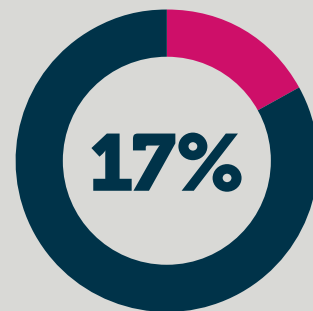
Additionally, as consumer consciousness about health, sustainability, product quality and corporate social responsibility has risen, retailers are seeking a cohesive – and positive – “story” for the products they sell. Greater control of private label products can accomplish this by building consumer trust.

Read on to learn how an inclusive product lifecycle management (PLM) platform with multiple interlocking applications can help retailers craft an efficient and effective private label strategy.



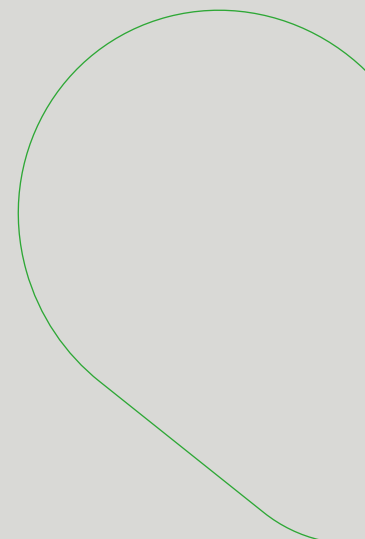
of shoppers said they rely more on private label products now than they did before COVID-19

Source: Hartman Group, "[Food Sourcing in America](#)," Jul/Aug 2020



of consumers intend to buy more private label products even after the height of the pandemic passes.

Source: McKinsey, "[COVID-19 US grocery consumer survey](#)," Jun 2020



Challenges Of Private Label Product Development

Growing consumer interest in private label offerings is prompting more retailers to explore private label product development. The move will help meet shoppers' evolving needs and preferences while also increasing brands' business resilience.

But before a retailer can execute a successful private label strategy, they must overcome a host of challenges, including:



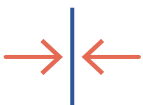
Speed to market

Brands face tremendous pressure to develop new products rapidly and get them on the market without delay.



Expanding assortments

Today's consumers desire different types of products across a wider variety of attributes, such as locally sourced and gluten free. Brands that have maintained smaller assortments historically must grow their offerings to serve shoppers' expectations and nurture customer loyalty.



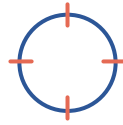
New market constraints

A strong consumer push for recycled packaging, for example, has expanded the criteria a retailer must consider when creating and producing new items.



Evolving regulatory requirements

At the national and international level, retailers must be agile and responsive enough to comply with an ever-changing patchwork of legislative mandates, privacy laws and regulatory requirements.



Greater focus on social and environmental concerns

Consumers increasingly want to know that their brand of choice is aligned with the latest sustainability, societal and environmental issues. Retailers must demonstrate their commitment to being good members of the community.



The need for better data

Traditional information sets — often comprising item names and prices along with purchasing histories — are no longer enough. Retailers must be able to collect up-to-date, complete, accurate, reliable and sharable data to help identify new product opportunities, inform customers and tell their products' stories.



A more dynamic retail landscape

As the pace of change continues to accelerate and the line between online and brick-and-mortar blurs, brands must find new ways to stay competitive. Assortment diversification and new product initiatives will be crucial to lasting success.



Getting On The Right Track With Ideation, Label Design And Packaging

The early ideation stages can be among the most difficult, as retailers sift through information to learn the product attributes consumers want, and forecast where product preferences may trend in the future. Those attributes may include:

- **Greater emphasis on product sustainability**
- **Desire for healthier food and lifestyle options**
- **Interest in locally sourced products**
- **Appeals for environmentally friendly packaging**

Closely aligning new product offerings with shoppers' interests is crucial to building brand loyalty and driving consumer trust.

But timing is a huge challenge. If a retailer wants to launch a product tomorrow, their manufacturing partner should have started working on it six months or even a year ago. Research and development efforts and production take time, and the longer a product is absent from the market, the less opportunity the brand has to tell the product's story and drive revenue.

Moving through this phase efficiently is a crucial element in accelerating new products' speed to market and maximizing profitability.

A sophisticated PLM gives retailers a way to work through ideation as a team, with everyone from buyers to suppliers, label designers, packagers and marketers contributing to the process and ensuring things move forward as expected.

A PLM solution built around an established marketplace — where the tools to discover and develop product ideas already exist — empowers the brand team to make early and coordinated decisions around product attributes, ensuring the final product resonates with shoppers and drives sales.

Shepherding a single new product through the development phase is straightforward, but it's more difficult for retailers with a robust pipeline of items. Managing dozens or even hundreds of new private label products simultaneously requires a technology solution that can track and monitor all the moving parts and enable everyone to know what they should be doing and when.

With access to exactly the right set of production partners and collaboration tools to bring all the teams together, retailers can eliminate delays in developing new product ideas and get their private label offerings on the shelf sooner than their competitors.

66%

of private label brands believe packaging is very important to success.

Source: L.E.K., [2020 Packaging Survey](#)



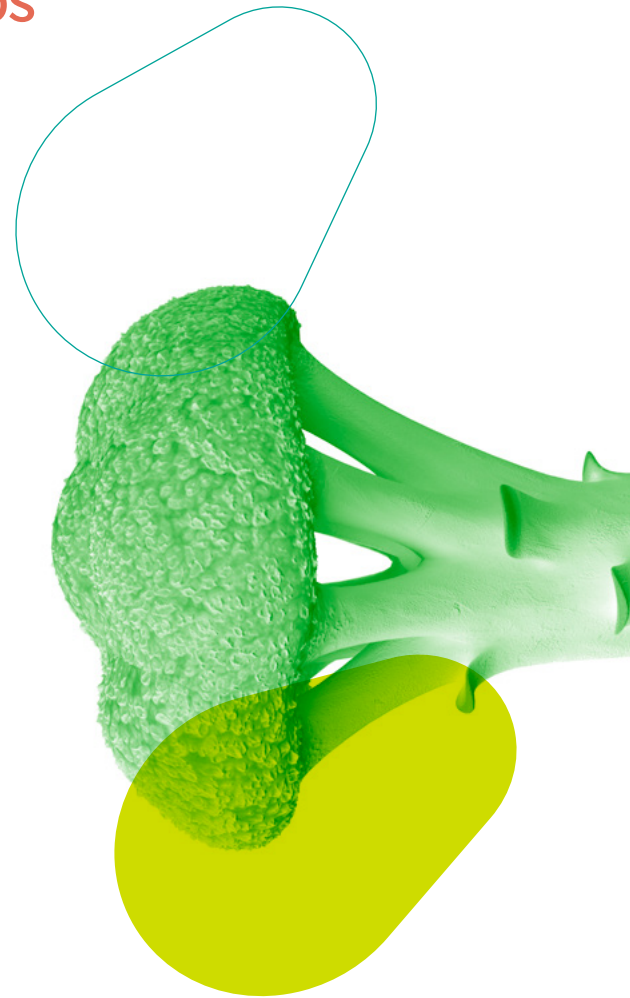
Building Supplier Relationships

Finding suppliers to help with a private label initiative often proves to be a major hurdle for retailers. An organization that has worked with a manufacturer previously can turn to their known partner when a new product comes to light, but what if you want to pursue a type of product you haven't tackled before? What if your supplier doesn't have strong experience in an emerging category or with the attributes you want to focus on?

Leveraging a PLM solution that already contains product ideas and data on potential manufacturers can help streamline the partnership development process by answering questions such as:

- **Which manufacturers have the connections to create locally sourced products?**
- **Which suppliers have experience developing plastic-free packaging?**

Before the pandemic, in-person industry trade shows provided retailers with ample opportunities to connect with potential suppliers, learn which manufacturers had expertise in various product groups and discover how production-side vendors were staying ahead of customer trends and sourcing options. Those face-to-face interactions have now moved online, but retailers in the digital realm need better access to a robust marketplace of suppliers and manufacturers. A powerful PLM solution enables strong connections in the virtual world and can help brands continue to build relationships with key industry partners as they work to move their private label products forward.



Manage All The Moving Parts Of Production

The stream of activities that takes shape as new products move from the idea stage and through the development pipeline is extremely complex. Retailers need to collect key data points — to create specifications, help inform consumers, etc. — but they also must gain consensus among a diverse group of stakeholders on what the data means in regard to market conditions and how it shapes the types of products that should move into production. Without the right tools in place, this intricate sequence of steps becomes an unmanageable mess.

Maintaining a profitable private label strategy means pulling all those disparate pieces together into a single platform with the people, processes, workflows and progress overview you need to keep everything organized. The right PLM solution enables you to quickly detect if a product anywhere in the development program isn't moving forward the way it should. You can then work within the team of stakeholders to get it back on track, ensuring your product reaches store shelves on time.



In 2020, private label
sales grew by

11.6%

over the previous year.

Source: [PLMA](#)

Business Intelligence Gets Products In Front Of Your Most Likely Purchasers

Accurate, complete and actionable data is the foundation of every profitable private label strategy. You need the right information in hand — and a way to analyze it — to know what type of products customers want, which customers represent your most valuable prospects for specific items and how sales will be impacted by the inclusion or exclusion of certain product attributes in each market.

But in the fast-moving retail industry, gathering data can be challenging because consumer preferences and behaviors change at lightning speed. New economic pressures could materialize in a matter of weeks, or a focus on meatless products can appear (or evaporate) just as quickly. As private label products become more popular, customers expect their favorite brands to keep up with the latest trends.

Traditional data collection methods may not capture the up-to-date information you need to create a new private label product that resonates with customers. Consider:

- Do your metrics show what consumers are focusing on today?
- Are you gathering datasets around the most current attribute preferences?
- How quickly can you harvest information about new trends?
- Does your data analytics solution enable you to quickly turn insights into action?

Shifts toward green products — those that contain less plastic or that have child-safe packaging, for example — all require that you collect and analyze very specific metrics. The right PLM tool can pull together data on a wide range of customer behaviors, shopper surveys, trending product attributes and supplier capabilities to deliver the business intelligence you need to plan and diversify your private label assortment.

A robust solution will also enable you to improve engagement with your suppliers using this business intelligence, sharing data back and forth and together optimizing your product development processes. And with access to a global marketplace of experienced manufacturers, retailers can also use a PLM platform to gain awareness of trends, risks and opportunities from a broad array of sources to ensure their perspective is well-informed and complete.

76%

of shoppers said perceptions about private label quality have improved over time.

Source: Nielsen, ["The rise and rise again of private label,"](#) 2018



Conclusion

Private label products are booming, providing customers with a wider variety of compelling items and giving retailers a way to diversify their assortments, drive revenue and make their businesses more resilient. An innovative PLM solution empowers brands to capitalize on private label opportunities by streamlining the product development process, allowing access to a diverse marketplace of experienced industry partners, speeding time to market and maximizing profitability.

Learn more >



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