

# PRIVATE BRANDS & REDEFINING INNOVATION

*Consumer-Centric; Delivering  
Across Portfolios & the Right KPIs*

Produced by  
**Daymon**

*Innovation is no longer limited to premium tiers - it is important to demystify innovation as niche and expensive products for a small customer group. Rather than focusing on product attributes to build uniqueness, it is becoming clear that the key focus must be on the consumer, identifying evolving needs and values and making sure the PB offer is aligned accordingly. Taking into account inflationary considerations, innovation will be a key differentiator to deliver meaningful products to today's consumers at affordable prices.*

While many retailers around the world needed to press pause or slow down on innovative strategies as global events reshaped consumer behaviour; increased supply chain complexities and in turn a dialled up inflationary squeeze – consumer demand for innovation has not abated. What were once shopping preferences before the pandemic are now expectations, giving Private Brands scope to redefine innovation.

## GLOBAL VIEW

It is important to demystify innovation as a niche market for expensive products serving a small customer base. It can

no longer be limited to premium tiers and should rather focus on product attributes to build uniqueness with a key focus on the consumer – identifying their needs and values and making sure the Private Brand offer is aligned accordingly.

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With consumers searching for new products as these needs and values evolve, mindful of purse strings tightening- offering meaningful, affordable innovation will be key for retailers. Capitalizing on increased trial and trust, establishing differentiation, and securing customer loyalty - the three main pillars for the

success of Private Brands - will further partner the innovation evolution as the pendulum swings in favour of retailers able to deliver to today's shoppers.

The stage is set as 81% of Canadian Private Brand buyers claim familiar store brands give them confidence to try new foods and flavours<sup>1</sup>, while 67% of global consumers, when looking to make a purchase, reveal it is nice to have or essential for the product to be novel or unique<sup>2</sup>. Furthermore, 58% feel that private labels are as innovative as national brands, with 26% saying they are more innovative<sup>3</sup>.

Retailers therefore have the opportunity to explore various avenues as product innovation hits refresh. German retailer Penny has developed a 'Food for Future' vegan and climate-friendly range where their products are marketed as using fewer emissions and containing no animal products - offering the likes of plant-based burger patties and rice nuggets and egg and cheese substitutes. Coop Sweden recently launched

methane-reduced beef under the LOME (Low On Methane) brand by piloting with biotech company Volta Greentech and food company Protos. The product, which Coop says is the first of its kind, has a smaller methane footprint as it comes from cows that are fed a new seaweed supplement that makes them burp less. In a different vein, Lidl offers a soup made of vegetables that cannot be sold in supermarkets, termed 'wonky' vegetables, perfect for making soup while preventing wastage at the same time.

## REGIONAL VIEW

Innovation blends across categories but also borders, with 30% of South African shopper's stating that "more innovation" as a factor that motivates them to buy Private Brands. While 64% think that

Private Brands are better than mainstream brands when it comes to having more organic and sustainable products<sup>4</sup>. Alongside this, in the MEA "curiosity" is what motivates 59% of consumers when it comes to trying new flavours<sup>2</sup> as they explore and enjoy discovering new things.

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With a focus on sustainability and championing healthy living, Carrefour's UAE bio-store opened last year in Dubai and offers a selection of fresh fruit and vegetables sourced from 100% organic certified farms; poultry and meat with no added hormones and organic-fed fish from approved piscaries. With 20% of all products in-store exclusive to their Private Brand, "Carrefour Bio". In addition, they have a dedicated in-store area where small- and medium-enterprises can display their home-made products, supporting this sector both economically and in the spirit of community-based upliftment.

Innovative product development sees M&S bringing the 'high in protein' trend, popular in Europe and the UK, to the UAE's flavoured milk category with a UHT coffee milk. High in protein, this coffee flavoured drink offers additional functional benefits as a source of calcium and vitamin D and uses only Fairtrade coffee.

## MOVING FORWARD

To execute an effective, meaningful Private Brand innovation strategy Daymon recommends following three principles - focusing on the consumer, delivering across the portfolio, and setting appropriate KPIs:

### (1) Focusing 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. By centering their innovation strategy on their consumers, creating a unique destination experience, driving store choice, and enticing consumers to try new items across their portfolio.

### (2) Delivering Across the Portfolio

Innovation is valuable throughout the quality and tier spectrum. Brands need to shift their focus beyond premium, to deliver interesting and

consumer-centric products that fit every need, as consumers transition to a "smart shopper" mentality looking across tiers to find the exact solutions they are looking for.

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### (3) Setting Appropriate KPIs

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 require different metrics to show success and should not be seen as a one-to-one comparison of a core item's sales or growth performance. By setting personalized metrics for innovative products ahead of time, teams will ensure that the correct incentives are aligned to create dynamic and impactful innovation.

*Sources: <sup>1</sup>Mintel, <sup>2</sup>Globaldata Consumer Survey Q1 2022, <sup>3</sup>IRI Report "Private Labels: Hiding in Plain Sight 2022" European respondents survey, <sup>4</sup>Daymon Proprietary Customer Research, South African Customer, LSM 7-10, n-1,000, Feb 2022)*

## About Daymon

*With 50 years of experience building successful private brand programs around the world, Daymon is the only solution provider that influences all aspects of private brand development, from strategy to execution to consumer engagement. Daymon's unique approach helps retailers and brands set themselves apart through a full suite of best-in-class private brand development services, including: strategy, analytics and insights, product development, supplier development and management, account management, and design and packaging management.*

*Daymon drives brand innovation, differentiation and results.*

**For more insights and recommendations for driving your brand, contact [fdc@daymon.com](mailto:fdc@daymon.com).**