

HOW THE DIGITAL TRANSFORMATION IS ENHANCING THE PRIVATE BRAND SHOPPING EXPERIENCE

Produced by
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*Private Brand specialist **Daymon** looks at the impact of the digitalized shopping experience as structural changes accelerated by the pandemic, reframe this space. Where retailers and their Private Brands, must ensure that they are correctly positioned to explore digitalizing their operations not only to gain efficiencies, but to enhance the shopper experience.*

The realities of retailing hit the industry broad side back in 2020, as mediating short-term shocks and long-term implications had to run side by side. Attention was shifted to managing demand fluctuations; financial stability; protecting the people; navigating supply chain challenges; shoring up the customer relationship which became just as important as shoring up the bottom line; re-structuring operations and addressing new consumer behaviours.

Fast forward to 2022 as digitalisation pushed companies over the technology tipping point and transformed business forever as new shopping habits take hold, notably as consumers now consistently purchase across multiple digital platforms with a blend of physical and digital. Indeed, digitalization is not new to retail, however the pandemic certainly created the catalyst for consumers and retailers to dive in and explore online with more depth and from

a refreshed perspective. Working off a broader digital base to engage with their shoppers from ecommerce to mcommerce, social commerce and the metaverse.

For this reason, building an effective digital strategy in this ever-changing arena will afford retailers the opportunity to re-position their Private Brands by taking the following key focus areas into consideration: digitalisation as an **axis for investment**; the **new rules** for digital shoppers and guaranteeing differentiation around customer engagement, and offering **shopping experiences** that go beyond¹.

AXIS OF INVESTMENT

As global digital adoption and seamless integration between physical and digital quickly accelerates and continues to blur, so too there is a greater sense of ease around the use

of technology, a desire for connection, and expectations of “anytime, anywhere” which will continue to evolve retail and propel innovation forward. Digital adoption helps heighten shoppers’ engagement, increase the chances of repeat purchases, and has the potential to add a personalised element to the experience. Within this, physical stores are evolving, online penetration amongst digital-savvy users continues to grow and the concept of phygital stores of the future, becoming a reality.

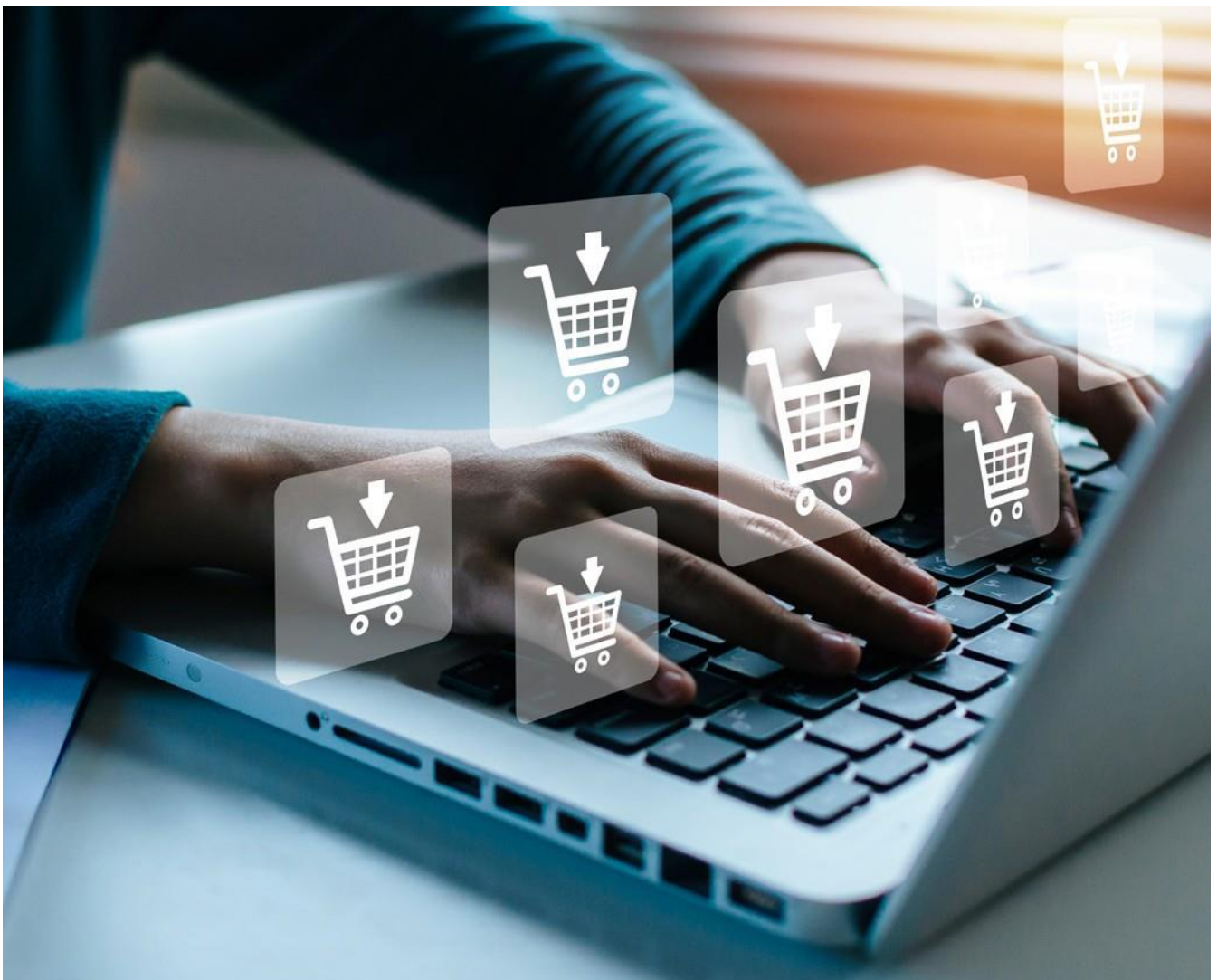
With continued urbanization, the rising number of tech-savvy consumers, and the unabated growth of the ecommerce industry worldwide

has **driven consumer preference to the internet.**

Global grocery sales for example using online channels are anticipated to increase by 8.3% by 2030, up from 4.3% in 2021, as consumers enjoy the ease of seamless digital payments, attractive offers, and convenient and flexible delivery.

At the other end of the retail ‘high street’ in a very partnered sense, stores are expected to remain a vital part of the industry, with 92% of global food and consumer goods sales remaining through physical retail channels in 2030². Indicative, with the opening of brick-and-mortar stores by pure players Amazon and Alibaba. While ‘store-based’ is explored by pure players, at the same time as consumers find

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their digital fit, brick and mortar retailers need to explore their digital relevance.

As consumer lifestyles adapt to this digital re-set, it's interesting to note that 76% of consumers agree that their everyday life and activities depend on technology – 79% for Gen Z shoppers and 80% for Millennials¹³. Despite the expectation that ecommerce would slow significantly after lockdowns were lifted, many countries saw their online purchasing remain stable.

Physical stores are no longer the only option for consumers resulting in the need for stores to change and adapt faster. Retailers are introducing a higher digital engagement in-store, as the growth of digital commerce expands and evolves to match the digitalised lives of today's consumers. That said, as the digital space continues to evolve and reshape the role of physical retail, in the Middle East

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new data reveals that consumers still want the human connection whether through social media or by talking directly with customer service assistants. 65% of those in the region prefer speaking to a human rather than a chatbot, compared to 58% globally¹².

So too, we see the growth of internet access and in turn the increased number of users as online penetration makes inroads for the foreseeable future. The stats certainly paint a picture, as the number of individuals using the internet more than doubled globally in the last 10 years, from 28.9% in 2010 up to 59.9% in 2020³. In comparison, the Middle East and North Africa saw internet usage more than triple, from 25.0% up to 77.8%, respectively³.

Blurred lines where physical experiences are blended with digital ones in-store raises the profile of **phygital stores** – offering a strong appeal that allows retailers and brands to target and attract bigger audiences. This has in turn moved the digital space beyond 'search and buy' transactions to more immersive, connected, simplified, shopping experiences, as consumers demand more tech-enabled stores. Recent Mintel data revealed that 44% of UK adults who buy beauty and grooming products, said more in-store tech would improve their shopping experience.

As attrition grows around merging physical and digital elements in the shopping arena, we see how the best parts of the physical customer experience can be partnered with the digital realm and vice versa. Majid Al Futtaim, owners and operators of both *Carrefour* and the *Mall of Emirates* in the Middle East is a good example as they set the stage across different industries within the region. *Carrefour* launched the first cashier-less, self-service store - *Carrefour City+* in Dubai. The concept uses artificial intelligence and active sensory scanners that accurately identify items. Customers use their phones to access the store, and once they find what they are looking for, they can leave. The store has no checkout counters, no staff interaction, no queues and no wallet or purses are required.



Likewise at the *Mall of Emirates* in the UAE, an immersive, personalised shopping experience has been created in one of their outlets. Leveraging *Cisco's* advanced technologies, the store features digital display screens showing content that uses AI facial analytics to customise product recommendations and display product information once customers pick up an item. The store also boasts AR 'beauty mirrors' so that visitors can virtually try out products

using QR codes for online browsing and a virtual shopping cart⁹.

As consumers play in these dynamic spaces using more apps and mobile interactions, the **importance of devices** has become more evident and has resulted in new shopping behaviours. Google reported that *"the pandemic made people more flexible about whether they buy online or offline"* with 73% of participants saying they were channel-agnostic, compared with 65% pre-pandemic. In the UK for example, smartphones became the most used device for online food and grocery shopping in 2021² (39% in Q3 2021 vs 33% the previous year) while in the Netherlands, 83% of Dutch shoppers were reported to use a supermarket app in 2021⁴. In South Africa, despite the primary device for shopping online being the laptop (46%) - web browser via cell phone (30%) and the retailer app via cell phone (22%) are playing catch up as reported by Daymon in 2021.

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Across the seas in the US, *Albertsons* created an in-app tool that turns a shopping list into a guided store map to determine the fastest route to find products indicating how these types of apps offer opportunities for retailers and brands to connect with consumers in different ways.

Similarly, augmented reality technology is also becoming increasingly sophisticated illustrated by the recent launch at *Amazon* of their AR shoe try-on feature in the US. Alongside this, *Continente* in Portugal developed in-store kiosks where shoppers can search for categories or products and have them delivered to their homes offering a more seasonal profile and catering for purchases that don't fit in their shopping carts.

Witnessing shifts first hand is the UAE's leading tech organisation *talabat*, reporting a more than 60% increase in orders across its portfolio – which includes food, groceries, and other non-food verticals, along with a growth of more than 30% in its customer base. *Talabat Mart* also expanded its presence across all seven emirates with more than 25 stores opened to meet growing demand²¹. Further afield in South Africa, despite the primary device for shopping online being the laptop (46%) - web browser via cell phone (30%) and the retailer app via cell phone (22%) are playing catch up as reported by Daymon in 2021. Developing a deeper connection is local retailer *Woolworths* who are trialling a 'phygital' solution, integrating its social platforms with its physical outlets through an in-store app *InstaShop*, that allows shoppers to browse their digital friends' favourites on Instagram, while physically browsing through the store¹⁹.

NEW RULES

Online is the new 'shop window' for today's consumers and has a **growing relevance** for FMCG and Private Brands. It's reported that 60% of US consumers are visiting brick-and-mortar stores less than before the pandemic, and 43% shopping more often online than they would previously have bought in stores⁵.

Online is a well-established platform for durable goods in Europe such as clothes, shoes, accessories, or physical multimedia while in the

MENA region, online channels are still emerging with expected growth of 14.1% YOY between 2021 and 2026². Also indicative of the shift, is the number of Arab youths saying they shop online – nearly doubling in five years. Almost all young GCC citizens say they shop via a social media app or website at least a few times a month, according to the 14th Annual ASDA'A BCW Arab Youth Survey.

In a recent EuroPanel ecommerce overview, figures indicated that online baskets are larger than those in-store, but with a lower frequency. In more mature online FMCG markets such as China, South Korea, and France, the gap tends to shrink with online baskets closer to offline but still with higher purchase frequency.

If we refer to FMCG business and omnichannel retails, vs pure players, Private Brand is a key element of the in-store business, one that we should expect to see online.

Private Brands share within

FMCG in the UK for example is 46.2% offline and 43.1% online, while in France the share is even higher online than offline⁶. This is also driven by the growing investment from physical stores to bringing the store online and explore the full scope of the consumer journey.

With the growing relevance of online for shoppers, digitalisation is no longer only about investment to gain efficiencies but also about enhancing the customer experience and simplifying their lives. While online affords the opportunity for retailers to explore new features to enhance the path to purchase, it is important to make sure that key rules are replicated online and offline, including Private Brand guidelines. Retailers with a deep knowledge of how shoppers navigate the physical store, now need to understand the new **digital path to purchase** for their shoppers and what matter to them in this hybrid space.

Digital channels offer many opportunities for retailers yet at the same time, it becomes more

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difficult for National and Private Brands, to stand out. For retailers, making sure that their Private Brands get maximum exposure means **understanding how consumers navigate and search** for products. Despite this, and on the understanding that there can be limitations for online product visibility, retailers are looking to enhance the brand-consumer partnership by employing new ways of bridging the gap.

Online allows retailers to articulate their offer through a new set of lenses where the products can be displayed in different ways on their specific paths to purchase. Furthermore, it allows them to create a “shop in shop” element for their Private Brands, through dedicated pages or even specific sites. 100% Private Brand stores provide complete solutions for shoppers who rely on the Private Brand offer and in turn, allows retailers to educate their customers around the quality of the Private Brand programs. Good examples are seen in stores such as *BJ's* an online store in the USA with their Private Brands, *Wellsley Farms* and *Berkley Jensen*, as well as *Loblaws* in Canada with their *President's Choice* range.

As new avenues are explored, online has become a great opportunity for Private Brands and retailers to **communicate** the value of their products. Where production information, formulation and nutritional information is made available - especially considering that more than 59% of consumers always read labels before buying for the first time⁸. It is key therefore, for retailers to make sure that their consumers have a similar, to better shopping experience online. *Albert Heijn* understood this and introduced quick icons online and filters to detail the benefits of their products. Likewise, *Carrefour* created blockchain technology initially for their quality line, recently extended to their organic Private Brand ranges, that gives consumers transparent access to all available information - from when the product was produced through

to shipment and ultimately to stores. This block-chain enabled ecosystem has been deployed globally including the Middle East to increase penetration of food traceability.

Furthermore, as ecommerce grows there is the need to **market** Private Brands online. As Private Brand ecommerce sales have grown, so too has the need to educate consumers using e-marketing around the brand promise, categories, promotions, and usage occasions. Best-in-class retailers such as *Target* use a Private Brand hub on their website to drive e-commerce sales for both click-and-collect and same-day delivery, while *Walmart* has launched a shoppable augmented reality feature within Snapchat that provides meal inspiration and recipes utilizing their Private Brands.

THE SHOPPING EXPERIENCE

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To drive a differentiating digital experience, retailers and brands need to make sure that the shopping experience goes beyond ‘just shopping’ and takes into consideration the customer journey, from start to finish. Making it a memorable trip, building loyalty and trust both online and offline.

With 46% of online shoppers in the UK saying they would be happy to pay more to have a grocery order delivered in under 30 minutes⁹, grocery retailers are tapping into the space of ultra-fast delivery companies. We are now seeing these last milers evolving retail by carrying their own Private Brands - in so doing creating a key differentiator and profitability strategy among rapid delivery firms, a real threat to retailers. German quick ecommerce provider *Flink* rolled out its first premium private label range, ‘*Flink's Finest*’ in 2022, offering fresh products, vegan cheese alternatives, fruit spread and soups – with a strong focus on high quality, ecological credentials¹⁵. In a similar move, German grocery delivery app, *Gorillas*, launched its first private label lines – *Gorillas Daily*, *Gorillas*

Premium, Hot Damn and <start-up beer> in Germany, France, the Netherlands and the UK¹⁶.

As shopping embraces the digital experience, brands are seeing the value of **engaging shoppers** on various online platforms, exploring the value of shared experiences and storytelling. Where social media becomes a two-way street as brands and retailers have multiple one-on-one conversations with their audiences and in turn customers create communities and spaces to share their brand experiences. Take Canadian retailer *Loblaws* who launched a campaign asking their Private Brand *President's Choice* consumers to share their opinions and stories about the brand using *#HeyPC*. *Tesco* launched a similar initiative with their Food Lover Stores around shared recipes. And in a remarkable case, *Trader Joe's*, a US grocery store, was able to transform loyal customers into brand advocates on social media.



Trader Joe's, over and above their official website, runs active social media accounts sharing inspirational ideas with shoppers. Over the years, the company has differentiated products, earned consumer trust, and created a community-orientated experience which has inspired consumers to become their most loyal brand advocates on social media.

By developing an authentic brand and plugging into the customer experience, their fans took it upon themselves to run dedicated social media accounts alongside *Trader Joe's* established platforms. In so doing, gathering a loyal following and encouraging more grocery shoppers to visit *Trader Joe's*. In this way, they have challenged conventional social media rules for a brand of its stature. Over time and many followers later, the *Trader Joe's* fan base has expanded exponentially due to the presence of these fan accounts. What makes them stand-out is the fact that they are even more present via their fan base. It's all in the numbers - '*traderjoe'slist*' on Instagram, not affiliated to *Trader Joe's*, has 1.8M followers with over 5000 posts while the *Trader Joe's* official account has 2.8M followers but only 1592 posts.

Alongside this – people want to buy products and services based on recommendations, inspired by people they trust. **Social commerce** does just that by providing an enhanced authentic shopping experience that sparks discovery, enables personalisation, and builds trust. Illustrated no more poignantly in an incredible turn of events, when in just a day, two of China’s top live streamers sold \$3 billion worth of goods. The social commerce phenomenon will nearly triple by 2025 with the opportunity to reach \$1.2 trillion¹⁹.

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Consumers want to feel inspired, informed, and confident in what they buy, and social commerce serves these needs. It is a democratizing force that opens-up new avenues and opportunities for individuals and small businesses¹⁸. A social experience that is fun, interactive, and filled with content that is highly visual and aspirational compelling users to purchase through the power of visual storytelling⁹. Retailers and brands are embracing this new ecosystem with new partnerships such as *L’Oréal* and *Meta* combining their capabilities to create a new way for shoppers to try on make-up on Instagram using augmented reality and *Walmart* working with TikTok to livestream shopping events¹⁸.

Similarly, the **metaverse** has become a catchphrase for everything related to the

global digital experience where people can play, socialise, work and shop and is a space that brands should explore to engage with new customers¹⁰. A digital environment that creates another level of personalisation and a key engagement channel given its potential of reaching about 3 billion gamers globally with 408M users in Europe and 434M in the MEA region¹¹.

It is a space alive with potential where brands can engage with customers to educate them on their retailer values and programs that create consumer familiarity, in different ways. For this reason, brands and retailers are exploring new ways of connecting with current and future shoppers, for example - within the gaming

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community across various platforms. *Lawson*, a Japanese retailer launched a store in the parareal, akihabara metaverse. Akihabara is a real train station in Japan best known for electronics, anime, and manga shops. Users can interact with one another using their smartphones²⁰.

Furthermore, the metaverse as it continues to reveal its different dimensions, offers the potential for extended services such as customer support, live shows or even business conferences - a space not necessarily to sell products but to educate and engage.

GETTING AHEAD

Digital success for retailers and their Private Brands lies in developing seamless solutions that are consumer focused within the hybrid space and where engagement with shoppers becomes a crucial differentiator. Digitalising retail is not only about investing in technologies but also about understanding what is meaningful to consumers.

HYBRID RETAIL FUTURE

A united front between online and offline will be the key to retail success in the coming years as physical in-store experiences and omnichannel shopping touchpoints evolve symbiotically. The stores of the future will have digital solutions where consumers become accustomed to seamlessly integration with technology creating a more engaging, relevant, in-touch and personalised experience.

CONSUMER FOCUS

Retailers need to have a clear understanding of what digital support shoppers require on their path to purchase and what they truly value, be it online, offline or hybrid. By nurturing and developing an omni-channel mindset - in-store best practices will be shifted online, in turn, online best practices will tend to be transposed on the in-store environment - as new innovative opportunities are identified.

POWER OF ENGAGEMENT

Embracing marketing digitalisation to engage shoppers will be crucial. In this way, social media can play a significant role not only in raising awareness and disseminating information but as an opportunity for retailers and brands to explore in the social commerce space. Private Brands can use this opportunity to lead by being the differentiating factor that creates a special bond with consumers as they engage authentically around the brands they love.

NEXT LEVEL FOR PRIVATE BRANDS

It all comes down to building Private Brands into real consumer brands. From inception to advertising to engagement, the aim of Private Brands is not to solve a business requirement but more to address a consumer need. In so doing, creating a compelling one-of-a-kind solution for consumers to experience on the understanding that we live in a hyper-technological and connected society where needs and behaviours change swiftly. This blend of physical with digital and ecommerce means that retailers must ensure their Private Brands are appropriately positioned in this hybrid world.

Sources: ¹ Daymon Private Brand Intelligence Report 2022, ² IGD, ³ World Bank, ⁴ PanelWizard & Albert Heijn, ⁵ Harvard Business Review, 'How ecommerce fits into retail's post-pandemic future', ⁶ EuroPanel eCommerce 2022 Overview 2022, page 8, ⁸ Food Insight, ⁹ Mintel, ¹⁰ www.forbes.com 'What is the metaverse and why should you care', ¹¹ NewZoo 2021 Free Global Games Market Report, ¹² Euromonitor, ¹³ Wunderman Thompson Data, 2021, US, UK & China sample, ¹⁴ EuroCommerce European E-Commerce Report 2022, ¹⁵ Private Label Manufacturers Association, ¹⁶ Grocery Gazette, ¹⁷ www.flackable.com, ¹⁸ www.accenture.com, ¹⁹ www.businesstech.co.za, ²⁰ diytraveljapan.com, ²¹ www.arabianbusiness.com

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.