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Best Practices For Private Labeling

An expert shares strategic considerations for new private labelers and her thoughts on the next big opportunity for private retail brands.

by Matt Pillar

We recently had an opportunity to quiz Danika Manchester, strategic business development manager at SATO Labeling Solutions America, on some good ideas for private labelers. Here are her suggestions and her thoughts on the next big opportunity for retailers to capitalize on private label initiatives.

For many retailers, private-label merchandising has been a bright spot in an otherwise dim sales environment. Many who haven't begun private labeling wonder, what's it take to get started?

Manchester: First, determine the private label strategy as an executive team. Initially private labels were best known as the lower-cost option to a brand name product and as an opportunity for the retailer to increase profit margin. Now, private labels can also be known for exclusivity and premium quality and can be used to increase store traffic, increase control over product specifications, or decrease time to market.

Private labels should leverage the company values and brand while aligning with customers' needs. Is the main objective to retain existing customers who are able to buy brand names elsewhere? Is there a gap in the retailer's offering that this label will offer the consumer? Is the target consumer's concern lower cost, higher quality, or more current features? Is a new offering needed for a currently underserved consumer segment? The private label will be much more successful in meeting corporate objectives if goals are specified and in line with the retailer's identity and the needs of their target customer.

What advice do you give new private labelers from a workflow perspective?

Manchester: Make creating the private label a corporate initiative. Put together a cross-functional, cross-departmental project team. Review the current workflow, and identify areas where processes will change. Share the corporate objectives for the private label. It is essential that the team assess and allocate the resources needed to develop and support the pri-

ate label. Merchandise buyers who had been purchasing established brands may not currently have the skill set required for creating merchandise specifications from scratch. Selecting material content and communicating requirements and orders with foreign factories may be overwhelming. Even if the same factory is manufacturing national brands and private label goods, the retailer needs to provide product specifications, including trim, ticketing, packaging, and shipping requirements. Goods will need to be sourced from multiple locations, possibly through multiple contacts. Sourcing companies can facilitate this, but it is a service and has a price. Marketing will need to design a campaign to associate the private label with the retailer and introduce and highlight the benefits of the new "store brand" to the consumer.

How has RFID been an enabler of private labelers?

Manchester: With private labels, the benefits of RFID (radio frequency identification) can be utilized both for supply chain management and store-level tracking. Source-tagged goods are tracked through shipment and distribution to store receipt. As retailers increase their utilization of RFID at the store level, data synchronization will allow for even more benefits. As an item exits the store, the replenishment request can be made immediately to the distribution center and also to the buyer to manage orders with the factory. Bringing manufacturing, supply chain, and store requirements together under the management of a single organization allows the most useful information to be coded for use during each stage in the process. Loss prevention and decreased stock-out situations lower the retailer's costs even more.

Brands supplying to multiple retailers are required to incorporate the requirements of each into their manufacturing processes, increasing costs which are passed on to the retailer and consumer. Excellent examples are DVDs and CDs, which contain multiple types of electronic article surveillance tags, although retailers do not use multiple retail security systems. ■