

## Partner with Suppliers for Innovation: A little give and take

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*Innovation within the store brand arena calls for true partnerships between a retailer and its suppliers.*



If the goal is to launch an equivalent to Tylenol acetaminophen or Heinz ketchup, then a retailer's product development process is fairly straightforward – once it identifies the most worthy supplier. But if the goal is to launch something special, something truly unique and "wow-worthy," that process becomes more complex.

That kind of innovation calls for true partnerships between the retailer and its suppliers. Why? Because when faced with limited resources, two complementary sets of expertise are better than one.

"Most consumer product companies have an entire division of the company, an entire business unit, devoted to innovation, looking at what's next, trend spotting, understanding what consumers are asking for," notes Steve Beckman, vice president of creative services for Baltimore, Md.-based Vertis Communications. "They spend a ton of money on that. Retailers don't have that."

The right suppliers, therefore, essentially can serve as a retailer's innovation department, he says.

"As the 'experts' in the category, we can bring insights and ideas as to what innovation can look like in a particular category," explains Laura Daggett, senior manager, innovation for American Italian Pasta Co. (AIPC), Kansas City, Mo.

For example, through its consumer research, AIPC gleans deep insights into consumer need states related to dry pasta and is able to commercialize the optimal solution before the retail customer even becomes involved.

"However, retailers own the packaging design, marketing and support of their products, so we recognize the importance of customer involvement in the process, especially for a more unique item," she says.

In turn, the retailer is able to bring to the table ideas centering on its shoppers' specific buying behavior, wants and needs.

"This is where the retailer really has the advantage over the consumer products company," Beckman adds, "because the consumer products company has to spend a ton of money in research – things like focus groups, shop-a-long studies – to understand their consumers' buying behavior. The retailer has all of that at their fingertips."

## Recipe for success

To make an innovation-focused partnership work, retailers must commit to a number of elements. That commitment begins with a strong understanding of its specific shoppers, Beckman contends.

"They've got the ability to really home in on their specific consumers and understand them very deeply, from where they spend their money to their overall buying behavior," he says. "If they've got a good loyalty program, they can get a lot of good demographic and sociographic stuff. ... You can bring great innovative products to market, but if your consumer doesn't care, [the products] are not going to sell."

From there, the retailer must be able to determine the kinds of products that will resonate with its specific shoppers, Beckman says. And the products not only must be "somewhat rare" and have that "wow factor," but also be producible and affordable for the expected shopper base. Moreover, the retailer needs to already be highly trusted by its shoppers so those shoppers will be willing to make that leap of faith to try something new and unfamiliar.

"Trust is a combination of reliability and delight," Beckman maintains, quoting from a presentation he once heard. "And reliability is key there – not only does it have to delight, but it has to consistently delight me."

Next, the retailer must have a clear understanding of what it wants to accomplish and be able to communicate the concept effectively to its supplier, says Steve Fay, executive vice president for Roscoe, Ill.-based Berner Food & Beverage. In that way, the supplier is not left with "fuzzy, nebulous taskings" that waste time and money, he says.

**'What the retailer needs to bring is quantifiable data.'**

– *George Dempsey, chief operating officer, TricorBraun.*

"From our perspective, what the retailer needs to bring is quantifiable data," says George Dempsey, chief operating officer for St. Louis-headquartered TricorBraun. "Who is your target market? What is your demographic? What is your price point?"

In addition, the retailer should have a defined ethos or market position for the product and communicate that to the supplier so that becomes "a directional backdrop to work toward," Fay says.

And throughout the partnership, open communication between both parties is critical, Daggett notes.

Fay agrees. Such partnerships work best, he says, when the retailer is open and non-condescending, eliciting the supplier's best and most honest response.

"They embrace the ideas you bring them, even if they do not implement them all," he stresses.

Also critical is effective management of expectations such as exclusivity, timelines, budget and more, Daggett says. Data-sharing, too, in terms of research, learnings from other product launches, benchmarking and more will ultimately boost the odds for project success, she adds.

Of course, innovation involves more than the product – the packaging and packaging design, and effective partnerships that take them to the next level, are critical, too.

"You can bring an innovative product to market, and if you're wrapping it in an outdated design or just a bad design, then no one's going to notice the product," Beckman says.



A&P partnered with Kozlik's Canadian Mustard of Toronto to bring these unique mustards to market under the Hartford Reserve label.

### **Consider the supplier**

Suppliers often bear more than their share of the risk when it comes to store brand innovation partnerships. Retailers need to understand supplier concerns here and do their best to mitigate them.

"From the supplier perspective, we ... need to be confident that the new product work will result in a long-term relationship," Daggett says. "The risk we hope to avoid is working with a customer on a product and then [having the customer] turn to another supplier after the resources have been invested."

And if an innovation ultimately fails, a true retail partner does not leave the supplier "holding the bag," Fay stresses.

"They are an active party in sharing the negative financial and other negative outcomes of a failed effort," he says. "If this is not part of partnering, most vendors will not take chances because they know that failures will be [their problem], and if the failure is significant enough, it can be career-threatening for the project manager on the vendor side."

On the flip side, a true retail partner shows appreciation for the supplier partner when an innovation succeeds, Fay says. He shares a story related to one of his retail accounts for which he developed a very successful program.

"[My contact] told me that their most senior management had decided not to bid out the product category that we had innovated with them because they felt that we were competitive 'enough,' and they wanted us to have an opportunity to recover the money and efforts we had put into the project," he explains. "In all fairness, the following year I was facing competitor quotes, but at least they had the decency to recognize our efforts and to reward us."

### **Celebrate success**

The challenges are many, but retailers and suppliers that are able to overcome them truly can innovate with purpose. Fay points to an innovation success story where Berner partnered with a retailer to produce seasonal flavors in the ready-to-drink iced latte category.

"We brought a relevant promotion to what would not normally be peak selling season for the product," he explains. "Normally, sales for this [type of] product drop by 20 to 25 percent during November through January. The introduction of a seasonal flavor, Pumpkin Spice, not only closed the gap on the normal seasonal drop in sales, but [also resulted in] a double-digit increase. It was a great win-win."

For its part, the Great Atlantic & Pacific Tea Co. (A&P), Montvale, N.J., partnered with Kozlik's Canadian Mustard of Toronto after discovering the company's high-quality, unique mustards – then available only in Canada – to market the products under its own Hartford Reserve premium label. Vertis says it worked with A&P to design the unique labels for the line.

"A&P's partnership with Kozlik's Mustard has been a great success," says Jeremy Hausman, brand manager, Hartford Reserve brand. "Our new line of Hartford Reserve Premium Canadian Mustards not only offers creative options for recipes and appetizer dips, but the 12 different varieties also serve as great complements to the rest of our Hartford Reserve line, which includes fresh premium deli meats and cheeses."

These achievements – and others – undoubtedly share another element critical to innovation partnerships: enthusiasm over the innovation being launched.

"Innovation is about passion," Beckman emphasizes. "It's about somebody being passionate about something and bringing their passion to the market in the form of a product they love and care about."

### Eye on the package

The products themselves get most of the attention in innovation discussions, but ultimately, the packaging for any product is the first thing the consumer sees. Recognizing that reality, St. Louis-based TricorBraun, a provider of rigid packaging options, recently opened an Innovation Design Center in Chicago. The 9,000-square-foot center aims to take packaging partnerships between the company and its retailer and consumer packaging goods partners to the next level.



*This photo does not depict TricorBraun's products.*

The world-class center boasts a focus group room that's hot-wired for recording, George Dempsey, the company's chief operating officer, explains. And TricorBraun implemented a formal process for the focus group studies that allows the company to get quantifiable data related to consumer preferences and more that benefit retailers and other customer-partners.

Recently, a company came to TricorBraun's center with a problem – it was getting a number of customer complaints about a particular packaging design.

"So we made some packaging changes, and then we took it to the consumer and said, 'OK, how do you feel about this change and this change, and what does it mean for you?' We think that, for us, not only is it a way to sell more packaging, but it's a smarter, more effective way because our end goal has to be driving sales," Dempsey says.

Although TricorBraun leaves the manufacturing to the contract manufacturers, the company has numerous resources to bring innovative rigid packaging concepts to life, he adds. The company does its own design and engineering and even builds many of its own tools.

"We're going to take what the needs of the brand and the retail market are and turn around to the 600-vendor base that we have and find a technology," he stresses. "If a primary brand is coming out with a hot product and a retailer wants to launch a store brand right behind it, we also can move very, very quickly because we're controlling that process, and by working with our supply chain partners for the actual manufacturing early in that process, we can drastically accelerate things."