



# Actionable Insights Guide for Developing Inclusive Private Label Supply Chains

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# INTRODUCTION

Private Labels, also known as “store brands” or “own labels”, is a term coined in the retail industry for products that are fully owned, controlled and sold exclusively by retailers. Although some sellers outsource the manufacturing of their private labels, they enjoy exclusivity and are responsible for the management of these products throughout their lifecycle.<sup>1</sup> Thanks to this outsourcing arrangement, retailers can use their suppliers’ experience and capabilities for the end-to-end manufacturing of private label brands.<sup>2</sup>

Private label products tend to offer lower price alternatives than traditional, international or national brands, while still maintaining high-quality standards. From an impact perspective, as more companies in Latin America and the Caribbean embrace private labels, there are more choices for consumers, and a unique opportunity to increase the participation of local businesses as suppliers, especially micro, small and medium enterprises (MSMEs). To this end, IDB Invest, the private sector arm of the Inter-American Development Bank Group, supports retailers in developing private label products with small local suppliers.

## WHAT IS THIS ACTIONABLE INSIGHTS GUIDE AND WHO IS IT FOR?

This guide accompanies the 2024 IDB Invest-Accenture study, [\*Private Labels in the Latin American and Caribbean Grocery Market: An Analysis of Local Supply Chains and the Inclusion of Micro, Small and Medium Enterprises, with a Gender Perspective\*](#). It provides a strategic four-step roadmap for retailers to develop private label brands and inclusive value chains, integrating MSMEs and women-owned/led MSMEs as suppliers. It also includes highlights from six retailer case studies included in the report.

*The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the Inter-American Development Bank Group, its respective Boards of Directors, or the countries they represent.*

<sup>1</sup> Asawa, 2021.  
<sup>2</sup> Wonnda, 2021.





# THE OPPORTUNITY

## Developing inclusive private label value chains that integrate MSMEs as suppliers offers benefits for retailers

For global retailers, private label (PL) products have become an increasingly important source of revenues and profits. Many consumers like PLs because of their high availability and low prices. They represent an opportunity for companies to enhance and differentiate their brands, attract more customers, and gain a competitive advantage. Earnings can increase by 25-30% in higher gross margins compared to well-known brands, while creating loyalty-based relationships with consumers.

However, success is not guaranteed. By placing their own stamp on the product, but not fully controlling its manufacturing process, retailers must establish systems that ensure quality and fulfill consumer expectations at competitive prices. It is also imperative for retailers to protect their reputations, especially in cases where PL products and the retailer share the same name or are strongly linked. A PL product that does not fulfill its promise could negatively affect the retailer as a whole. That's why building strong PL supply chains, and good relationships with suppliers including MSMEs, is so important.



**Including MSMEs in PL value chains can offer important benefits for retailers, such as:**

- Cost savings due to lower price structures
- Greater flexibility to adapt to fluctuations in supply and demand and changes to product specifications due to the simpler structures and processes of MSMEs
- Increased innovation as MSMEs generally are open to developing new products and are eager to build corporate relationships that ensure sustainability
- More direct contact with suppliers, which enables more regular audits and better quality control

<sup>3</sup> [Ellickson, Lovett, Sunada, & Kong, 2022.](#)

<sup>4</sup> [CBInsights, 2018.](#)

<sup>5</sup> [CGS, 2018.](#)

<sup>6</sup> [Olbrich, Christian Jansen, & Teller, 2016.](#)

In addition, **locally-produced goods stimulate local economies, helping to enhance retailers' sustainability and reputation.** Consumers increasingly value not only the quality and price of the goods they purchase, but also the impacts they can generate by buying them. For instance, 84% of Latin American consumers surveyed for the IDB Invest-Accenture study reported being more willing to buy sustainably manufactured and ethically sourced PL products.



Despite these potential benefits, **the production of goods with small local suppliers also presents challenges**, including:

- Retailers must adapt their processes and demands to MSME capabilities
- MSMEs may require advice and support to meet retailers' terms and conditions for standardizing and managing their deliverables
- MSMEs may require financial support, such as shorter payment cycles and/or low-interest loans

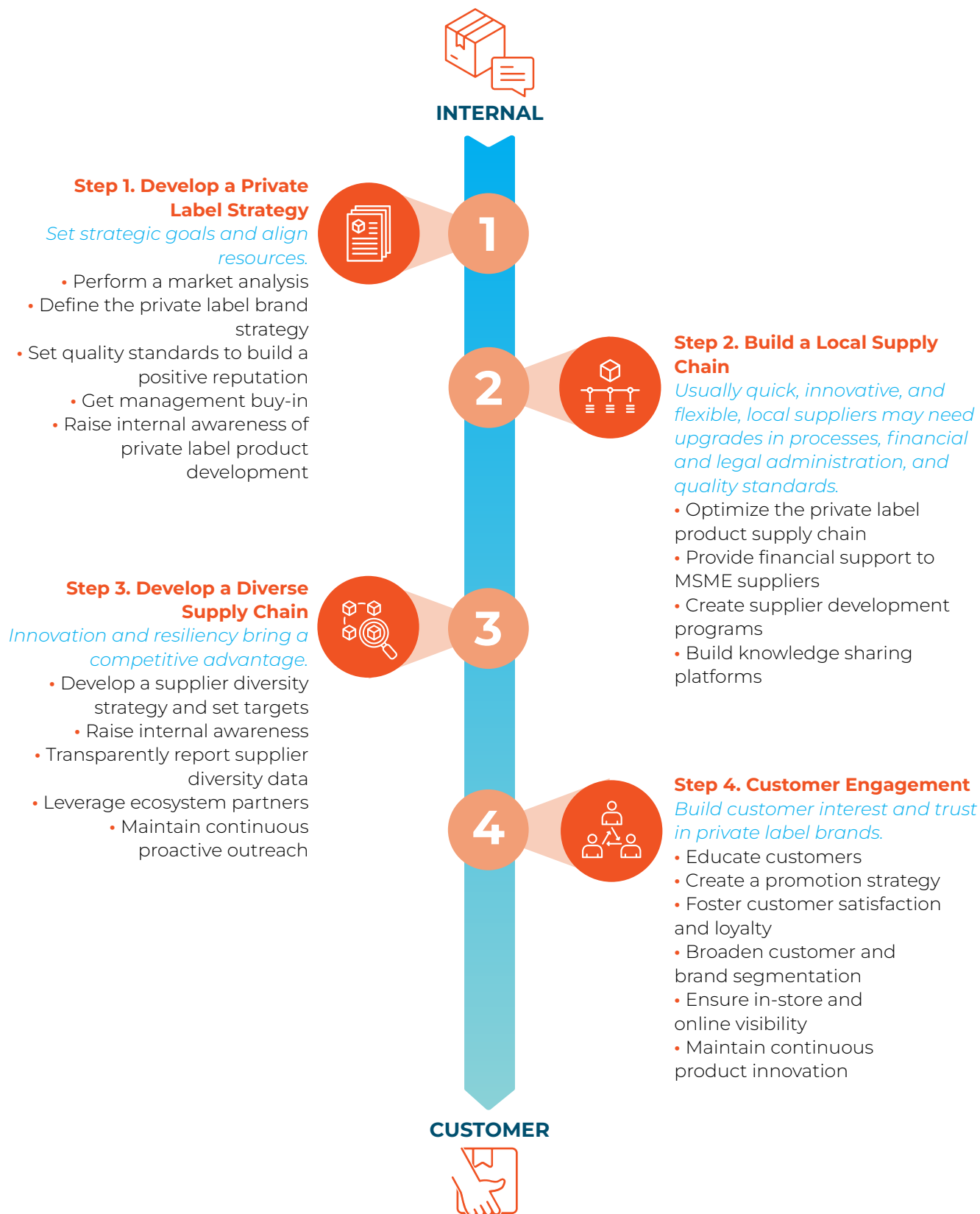


## A HOW-TO GUIDE FOR RETAILERS

**A step-by-step guide for retailers to develop private label brands and inclusive supply chains**

The following steps outline best practices to help retailers successfully develop PL products and inclusive supply chains that integrate diverse types of suppliers, such as women-owned/led MSMEs.

# 4 STEPS TO BUILDING A PRIVATE LABEL BRAND AND INCLUSIVE SUPPLY CHAIN





## STEP 1. DEVELOP A PRIVATE LABEL STRATEGY

*ARE PL PRODUCTS RIGHT FOR MY BUSINESS?*

*WHAT WILL MY COMPANY'S PL VALUE PROPOSITION BE?*



### ➔ WHAT

The first step is to develop a PL strategy within the organization. This involves aligning resources, building necessary teams, setting strategic goals, and establishing Key Performance Indicators (KPIs) to measure results.

### ➔ WHY

It's essential for retailers to know whether PLs are suitable for their corporate strategies. In-house PL development requires a significant investment of time, talent, and resources. When a retailer decides to move forward, it's crucial to identify the basic characteristics these products will have, coupled with a strategy and solid internal structure for developing the products and bringing them to market.

### ➔ HOW

#### PERFORM A MARKET ANALYSIS

- Identify the needs and preferences of target market segments to understand whether PLs are a good fit for the company and its customers. This may include surveys and focus groups and analyzing customer reviews and behavior. It's important to ensure diversity in the pool of surveys and focus groups (i.e., women-owned businesses and minority groups).
- Identify local market gaps and opportunities where PLs can compete with commercial brands.
- Study competitor pricing and offerings (those who offer PLs and established brands) to differentiate the retailer's PL brand and added value for customers.

## DEFINE THE PRIVATE LABEL BRAND STRATEGY

Once the retailer determines that PLs are in the best interest of the company, it's time to establish the brand strategy, mission, values, and positioning by:

- Understanding consumer needs and preferences, as well as strategic market information.
- Identifying product categories.
- Developing a work plan to mobilize the product development team, resources, and budget.
- Deciding how to position the PL (e.g., premium, budget-friendly, and/or sustainable).

## WINNING RETAILER STRATEGIES

**Grupo Éxito in Colombia and La Anónima in Argentina** identify some relevant aspects of their PL strategies. Grupo Éxito developed a price campaign called “*Precios insuperables*” (“*Unbeatable prices*”) that aims to guarantee the cheapest products on the market, even offering a refund of double the difference whenever customers find a cheaper competing product. La Anónima offers a complete and diverse line of PLs, guaranteeing an assortment of products that meet customers' needs and budgets without compromising product quality.

## SET QUALITY STANDARDS TO BUILD A POSITIVE REPUTATION

Quality plays a fundamental role in PL consumer psychology. By requiring suppliers to obtain industry certifications and performing regular audits, retailers can uphold quality standards and build a solid PL brand reputation. If MSME suppliers lack necessary resources, retailers can guide them through the certification process by:

- Visiting the production facilities and conducting product testing to ensure quality standards are being met.
- Identifying what actions suppliers need to implement to obtain certifications.
- Mentoring suppliers and doing follow up visits to monitor progress.

## WINNING RETAILER STRATEGIES

**Carrefour Brasil and Ta-Ta Supermarkets in Uruguay** have implemented different strategies to secure the quality of their PL products. Carrefour Brasil does blind tests to all their products at early stages to verify their quality and performance and receive feedback to enhance the product and production process. Ta-Ta implemented industry-leading quality, environmental, health and safety standards within their PL supply group to ensure the quality of their products (e.g., FSSC 22000, ISO 22000 and BRCGS).





## GET MANAGEMENT BUY-IN

Convincing the top leadership within an organization to support, approve, and promote the development of PL brands is key. This may consist of:

- Demonstrating the intentionality around developing PLs, including local sourcing, to show the strategic alignment of PLs with broader company goals and internal strategies, such as inclusive procurement programs and corporate sustainability strategies.
- Securing the necessary resources (budget, personnel, and time) to develop the PL line and demonstrate commitment to execution.
- Providing regular progress reports on the PL development to senior leadership.
- Accepting steady guidance from C-suite executives.
- Preparing public announcements for leadership to endorse its commitment to the PL brand and build confidence among external stakeholders.

## RAISE INTERNAL AWARENESS OF PL PRODUCT DEVELOPMENT

Private label products are often less familiar to company staff than other products. Retailers can raise awareness and build capacity among staff to help embed PL brand development and promotion across the organization by:

- Communicating (internally and externally) clearly and concisely why the company is developing a PL brand, what the strategy entails, and how it will be implemented.
- Integrating information on PL strategy and products into the onboarding process for new employees to embed this mindset in the retailer's culture.
- Creating internal marketing materials such as posters, brochures, and webpages to promote PL program achievements.
- Providing regular progress updates and highlighting success stories to show positive impacts for the company and community.



# MEASURE YOUR IMPACT

## *Potential Key Performance Indicators (KPIs)*

### □ **Private label performance:**

- Sales and revenue generated by PLs
- Market share of PLs within their respective product categories
- PL program contribution to overall company revenue and profit
- Employee engagement and knowledge of PL strategy

### □ **Cost and pricing:**

- Cost savings achieved with PLs, compared to other leading brands
- PL pricing compared to competitors
- Cost per unit reduction over time

### □ **Compliance and quality:**

- Percentage of PL products meeting quality standards
- Number of PL products recalled or PL products with quality issues
- Compliance of PL products with certifications, quality and safety standards
- Audit scores and results related to PL supplier compliance



## STEP 2. BUILD A LOCAL SUPPLY CHAIN

*HOW DO I BUILD A LOCAL SUPPLY CHAIN FOR MY PL PRODUCTS?*

*WHAT'S THE BEST WAY TO SUPPORT MSMES TO ENSURE QUALITY PL PRODUCTION PROCESSES?*



## ➔ WHAT

After establishing a PL strategy, retailers can create a network of suppliers and production facilities to efficiently source and produce their PL products. Whenever possible, the best option is to recruit reliable local suppliers and support them in strengthening the supply chain with high-quality production standards.

## ➔ WHY

Manufacturing PL products requires close collaboration across the supply chain. It's important for retailers to retain suppliers who are committed to quality and who are willing to work cooperatively so that PLs may prosper.

## ➔ HOW

### OPTIMIZE THE PL PRODUCT SUPPLY CHAIN

- Identify reliable, high-quality, and cost-effective suppliers, negotiate favorable terms and agreements, and include them in each of the retailer's PL product supply chains. This involves setting up logistics, inventory management systems, communication channels, and feedback mechanisms to ensure smooth operations, timely delivery, and product quality.
- Consider sourcing locally to unlock benefits such as reduced transportation costs, shorter lead times, better quality control, and a stronger local economy.
- Foster collaboration and commitment to continuous improvement among all parties by sharing information, goals, and strategies to enhance PL supply chain efficiency.
- Upgrade logistics for efficient transportation, distribution, inventory forecasting, and management systems to streamline inventory.

## WINNING RETAILER STRATEGIES

**Carrefour Argentina** launched The National Call for MSMEs to bring more local products to Carrefour's clients and customers by expanding its list of MSME suppliers and small producers from across the country. The initiative empowers PL suppliers, increases employment, and boosts national industry.

### PROVIDE FINANCIAL SUPPORT TO MSME SUPPLIERS

Small businesses in Latin America and the Caribbean often have limited financial capabilities and struggle with access to financing, especially women entrepreneurs. In the IDB Invest-Accenture study, 15% of MSMEs surveyed cited economic hardship as a barrier to developing PL products. Retailers can assist small suppliers by:

- Purchasing raw materials.
- Covering production costs.
- Shortening payment cycles.
- Committing to consistent and larger volume orders.
- Offering advance payments (also known as factoring)
- Providing microloans with competitive interest rates.
- Arranging inventory management, marketing, management, and logistics support so MSMEs don't incur these costs.

## WINNING RETAILER STRATEGIES

**Walmart Mexico and Central America and Grupo Éxito Colombia** provide financial solutions to their suppliers. Walmart created an initiative to help suppliers access credit, pay for orders in advance (better known as factoring), provide loans for investments in machinery, and agree on payment terms, among others. Grupo Éxito gives their suppliers the option of paying invoices in advance (better known as a cash discount) and offers factoring. It also acts as a guarantor to help suppliers access credit.

### CREATE SUPPLIER DEVELOPMENT PROGRAMS

Beyond financial support, strengthening the performance of MSME suppliers may also call for additional capacity building programs. Ideally, retailers should do both. The six retailers featured as case studies in the IDB Invest-Accenture report implemented some of the following actions and considered them key to the success of their PL brands:

- Strengthen the supplier enrollment process by preparing onboarding systems that allow retailers to collect relevant data from their suppliers such as number of employees and revenues to identify the type of suppliers they have and encourage the inclusion of MSMEs and women-owned/led MSMEs.
- Ensure that the onboarding of suppliers identifies the ownership and leadership of women's businesses following the definition of women-led/owned MSMEs.<sup>7</sup> If relevant, include minority-owned suppliers in onboarding forms.
- Train procurement teams and top leadership on the benefits of sourcing locally and from women-led MSMEs.

<sup>7</sup> A business qualifies as a women-owned/led MSME if it meets the following criteria: (A) >/ 51% owned by woman/women, OR (B) >/ 20% owned by woman/women; AND (i) has >/ 1 woman as CEO/COO/ President/ Vice President; AND (ii) has >/ 30% of the board of directors composed of women, where a board exists.

- Build MSME supplier capacity by identifying knowledge gaps, key challenges, and market trends and developing targeted training programs, including quality management, strategy, finance, legal administration, and logistics. Keep in mind that women-owned/led MSMEs often face different barriers than their male counterparts which should inform training programs.
- Establish close relationships and communication among supply chain participants to foster positive interactions and mutual trust, and in turn, enhance the PL business.

## WINNING RETAILER STRATEGIES

**Walmart Mexico and Central America and La Anónima in Argentina** have both created supplier development programs. Walmart's programs include *"Una Mano para Crecer"*, *"Tierra Fértil"* and *"Apoya una PYME"* which aim to develop small PL producers, MSMEs, and women-led MSME suppliers through training, consulting, and mentoring, improving their access to markets, eliminating intermediaries, and maximizing the producer's profit. La Anónima's *"La Anónima Impulsa"* program seeks to support MSMEs and local businesses with their upskilling and path to professionalization, providing targeted learning goals in partnership with recognized universities.



### BUILD KNOWLEDGE SHARING PLATFORMS

Retailers and suppliers can collect and manage PL sourcing and production knowledge by sharing it in a secure digital space. This could include:

- Sharing information about improving production processes.
- Compiling stakeholder insights.
- Capturing barriers facing retailers and suppliers and how to overcome them.
- Offering training programs and resources on pertinent business intelligence issues.



# MEASURE YOUR IMPACT

*Potential Key Performance Indicators (KPIs),  
Disaggregated by Sex*

## □ **Supplier performance:**

- Percentage of PL products meeting quality standards
- Percentage of PL orders delivered on time
- Average time to fulfill PL orders
- Percentage of ordered PL products in stock

## □ **Inventory and supply chain:**

- Inventory turnover rate
- Supplier lead time
- Days of inventory available

## □ **Supplier relationships:**

- Supplier Net Promoter Score (NPS) or satisfaction ratings
- Frequency and effectiveness of communication with suppliers
- Number of collaborative initiatives with suppliers



## STEP 3. DEVELOP A DIVERSE SUPPLY CHAIN

*HOW DO I DIFFERENTIATE MY PL PRODUCTS AND MAKE MY SUPPLY CHAIN MORE DIVERSE?*



## ➔ WHAT

At this stage, the retailer has established the PL product(s) and its production process. It's now time to innovate by considering strengthening the supply chain with diverse<sup>8</sup> suppliers who add value and differentiate products. This could mean expanding existing networks to incorporate new suppliers who reflect a range of viewpoints, ownership structures and demographics, such as women-owned/led MSMEs.

<sup>8</sup> For the purpose of this guide, the term "diverse" refers to women-owned or led businesses.



Creating diverse supply chains requires a targeted strategy since MSMEs and women-owned/led MSMEs in particular face various barriers to accessing markets. These include limited access to financing, difficulties with long payment cycles, and a lack of adequate government policies to enable MSME development, among others. MSMEs also have to overcome internal challenges related to profitability, production capacity, technological capabilities, quality standards, logistics, and informality.

## ➔ WHY

It's essential for retailers to know whether PLs are suitable for their corporate strategies. In-house PL development requires a significant investment of time, talent, and resources. When a retailer decides to move forward, it's crucial to identify the basic characteristics these products will have, coupled with a strategy and solid internal structure for developing the products and bringing them to market.

## ➔ HOW

### DEVELOP A SUPPLIER DIVERSITY STRATEGY AND SET TARGETS

- Establish concrete strategic goals and set action plans for the company to reach supplier diversity targets.
- Ensure that the teams responsible for meeting supplier diversity targets such as procurement and other business units are well-informed and trained.<sup>9</sup>
- Partner with corporate diversity groups to align strategic objectives, shared goals, and performance metrics.<sup>10</sup>
- Collect sex-disaggregated data during the supplier enrollment process to encourage diversity and inclusion regarding MSME ownership, leadership, and employment.

## RAISE INTERNAL AWARENESS

- Secure commitment of the C-Levels, not only to develop PLs, but also to source from local and diverse MSME suppliers.
- Raise employee awareness about the benefits of supplier diversity, the company's strategy, and ongoing progress towards goals through internal communication campaigns and leader advocacy.
- Integrate supplier diversity programs into the onboarding process for new employees.
- Train procurement, leadership, and human resources teams on inclusive business practices.
- Encourage employees to actively participate in supplier diversity initiatives by volunteering, suggesting diverse suppliers, accompanying MSMEs through the integration process, and participating in training and mentoring activities.

## TRANSPARENTLY REPORT SUPPLIER DIVERSITY DATA

Transparent reporting is an essential part of a company's supplier diversity strategy as it tracks progress, demonstrates commitment to promote diverse supply chains, builds trust with stakeholders, and provides valuable information to inform data-driven decision-making. Also, by analyzing data, companies may quantify the benefits of diverse and local sourcing, such as improved delivery times and product quality, among others.

- Collect data disaggregated by sex and/or other variables from Tier 1 and Tier 2 suppliers.
- Standardize labeling of PL products and enable consumers to trace information such as the place of origin and the producers through QR codes, product packaging, or a dedicated website.
- Encourage MSME suppliers to develop their own diversity and inclusion strategies.

## WINNING RETAILER STRATEGIES

Through its leadership efforts, **Grupo Éxito's PL** MSMEs are enhancing their own diversity and inclusion strategies. The company developed a knowledge sharing platform for its allies and suppliers, providing access to information on topics such as quality standards and gender inclusion. As a direct result of its Supplier Development Program, 52% of the company's PL suppliers now have activities that promote gender equality.

## LEVERAGE ECOSYSTEM PARTNERS

- Connect with allies and stakeholders who can help suppliers optimize their businesses, such as industry associations, logistics and supply chain partners, governments, financial institutions and investors, technology providers, academic institutions, and NGOs.
- Participate in broader gender, diversity, and inclusion initiatives to share knowledge and reinforce the retailer's commitment to inclusion in their value chains.

## WINNING RETAILER STRATEGIES

Since 2019, along with **the National Ministry of Labor, the IDB, IDB Invest and the World Economic Forum, Grupo Éxito** co-leads the Gender Parity Initiative, aiming to accelerate gender parity in Colombia's labor market. The initiative includes a public-private platform to share knowledge and best practices to motivate action both within organizations and through public policy.

## MAINTAIN CONTINUOUS PROACTIVE OUTREACH

- Adopt a proactive approach to identify and engage more diverse suppliers by attending trade shows, networking events, and diversity-focused procurement presentations.
- Engage specialized third parties, such as business certification entities and supplier diversity organizations to reach out to diverse suppliers.<sup>11</sup>

## MEASURE YOUR IMPACT

*Potential Key Performance Indicators (KPIs),  
Disaggregated by Sex*

### ☐ **Supplier metrics:**

- Percentage of women-owned/led MSME suppliers
- Percentage of diverse suppliers at Tier 1 (direct suppliers)
- Number of diverse suppliers onboarded during the year
- Percentage of total contracts awarded to/volume of purchases from women-owned/led MSMEs or other diverse suppliers

<sup>11</sup> Connaughton & Gibbons, 2016.





## STEP 4. CUSTOMER ENGAGEMENT

*HOW DO I KEEP MY CURRENT CUSTOMERS AND ATTRACT NEW ONES TO MY PL PRODUCTS?*

### ➔ WHAT

In the final stretch, the retailer focuses on generating and maintaining strong interactive relationships with customers. This includes strategies and activities to attract shoppers into the network of PL products.

### ➔ WHY

Customer engagement is key to the success of PL products, as it fosters satisfaction, loyalty, and advocacy. By promoting product awareness and encouraging people to try new PL products, retailers expand the consumer base with feedback that helps improve products to meet market needs and trends, ultimately resulting in higher sales and profits.

### ➔ HOW

#### EDUCATE CUSTOMERS

- Raise awareness with customers about the benefits, quality, and value differentiators of PL products.
- Tap into growing consumer demand for products with a local impact by communicating about the company's commitment to inclusive PL supply chains.



## CREATE A PROMOTION STRATEGY

- Develop a marketing plan targeting price-sensitive shoppers with advertising and social media to create awareness and demand for PL products.
- Offer extended discounts or launch cross-promotions with PLs and leading brands.
- Incorporate both online and in-store promotion, reflecting consumer incomes, preferences, and needs.

## WINNING RETAILER STRATEGIES

**Ta-Ta Supermarkets in Uruguay** targets marketing initiatives by giving refunds of up to 200% on PL products in cases of customer dissatisfaction, offering cross-promotions between PL and branded products, and a loyalty program awarding discounts for consumers who purchase PL products.

## FOSTER CUSTOMER SATISFACTION AND LOYALTY

- Offer a “money back guarantee” for customers dissatisfied with PL products.
- Guarantee refunds if there is a lower-priced product, or one with an extended warranty.

## BROADEN CUSTOMER AND BRAND SEGMENTATION

- Launch segmented brands by broadening the scope from low-income consumers to the premium space with specialty PL products that focus more on sustainability or other elements.

## ENSURE IN-STORE AND ONLINE VISIBILITY

- Place PL products strategically within stores for higher visibility and sales. This can include priority shelf space and point-of-purchase displays to prominently display PL products.
- Increase the visibility of PL products through the company’s website, social media channels, and online advertising.



## MAINTAIN CONTINUOUS PRODUCT INNOVATION

- Develop PLs that can swiftly respond to shifting consumer needs and desires, from product features to varieties and packaging.

## MEASURE YOUR IMPACT

*Potential Key Performance Indicators (KPIs),  
Disaggregated by Sex*

### ☐ **Compliance and quality:**

- Number of PL products recalled or PL products with quality issues
- Compliance of PL products with certifications, safety and quality standards
- Audit scores and results related to supplier compliance

### ☐ **Customer insights:**

- Customer feedback and reviews related to PL products
- Retention rates and loyalty among PL buyers

### ☐ **Product innovation:**

- Number of new PL innovations developed
- Time to market for new PL products

