

Private label food makers rise to today's challenges

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Photo courtesy of High Road Craft Ice Cream Inc.

According to the consulting firm McKinsey & Company, which conducted several U.S. consumer surveys during the height of the pandemic to gauge buying behavior, nearly 40 percent tried new products or brands with the onset of the COVID-19 outbreak. Availability issues attribute to a good amount of the switching behavior—some branded products were out of stock for weeks as CPG manufacturers struggled to meet sudden spikes in demand.

Private labels are a beneficiary of this switching trend. In the firm's survey of more than 2,000 US grocery shoppers last year in September, nearly one in five said they bought more private-label products during the COVID-19 crisis than they did before it. McKinsey & Company reports that leaders at North American grocers and mass retailers say they have seen heightened demand for private-label goods.

Why the switch? Price was the primary reason (48 percent) and the second was lack of availability of their preferred national brands (26 percent), according to the firm's data.



As retailers have more fun with flavor portfolios, Chef Phou plays around with unexpected ingredients such as goat cheese, biscuits, handcrafted jams, chiles and ganache. Photo courtesy of High Road Craft Ice Cream Inc.

The Hartman Group’s Louisa Edgerly, PhD, consumer insights consultant, says that brands have traditionally been a powerful system of influence in consumer food culture. “For many decades, food and beverage companies have invested significant resources in building their brands, carefully crafting an image they sought to project onto target consumer groups,” she says. “Such efforts resulted in offering consumers a broad selection of unique products that span established national brands, popular local choices, creative emerging brands ... and more recently retailers’ own private brands.”

What does this mean for today’s private-label manufacturers? To get some insight, I spoke with Keith and Nicki Schroeder from High Point Craft Ice Cream Inc. and Mark Braun from Hispanic Cheese Makers, Nuestro Queso, LLC. Full Q&As can be found by clicking on the links below. All have been edited for style, length or clarity.

“In turbulent and uncertain times, consumers reach for comfort and familiarity.”

—Keith Schroeder, James Beard award-winning chef and author, and founder / CEO of High Road Craft Ice Cream Inc.



Sharon Spielman, FOOD ENGINEERING (SS): Please tell me a brief history of your company.

Keith Schroeder (KS): Nicki and I, along with another partner, co-founded the business in 2010, with our primary focus being high-touch, luxury-tier ice cream for the culinary community (hotels, resorts, fine restaurants, chef-driven concepts). We expanded into the specialty retail arena, with strong encouragement from a wonderful (now retired) buyer from Central Market, Anita DeSanto, and slowly began developing a greater appetite for larger-scale manufacturing and product development at all levels of our category. As of today, we've been on the Inc 5000 for the last six years running, and are the fastest-growing independent ice cream manufacturer in America. We have over 100 employees covering two locations—one in Metro Atlanta and one in Sheboygan, Wis.

SS: Do you see a correlation between private label sales and our current macroeconomic conditions?

KS: Yes. In turbulent and uncertain times, consumers reach for comfort and familiarity. Additionally, we've seen massive investments of time and talent at our retailer partners—relative to the premiumization of private label. Some of the most talented retail professionals reside in the “Own Brand” side of the business today. It's exciting for manufacturers and retailers.

SS: How has the pandemic affected the way you do business (if it has)?

KS: The pandemic forced us to double down on our commitment to building great teams. In addition to the pandemic, we concurrently adapted to changing socio-economic and socio-political realities by doing more listening than talking. Together with our teams, we navigated the past 18 months or so with priority on creating a great culture, focusing on our core vision: making great craft products at scale.

SS: Have you had to do anything differently (on the production line or otherwise) as private label and in-house brands have risen in the marketplace?

KS: We're steadily increasing capacity and capabilities across both plants. Our goal is to more than double production capabilities by reset in 2022. We've also added liquid nitrogen hardening capabilities, which has made the Atlanta plant far more nimble.

Nicki Schroeder (NS): We've also created exciting novelties, like our Ice Cream Stuffed Cookie Dough Bites and single-serve sandwiches that are perfect for "grabbing and going."



“With ever-changing supply chain challenges, we've had to build a robust bench of partners to work with.”

—*Nicki Schroeder, co-founder and chief brand officer at High Road Craft Ice Cream Inc.*



In turbulent and uncertain times, consumers reach for comfort and familiarity in store. High Road offers a full line of comfort ice cream in their own brand as well as for private label. Photo courtesy of High Road Craft Ice Cream Inc.

SS: When it comes to production, what are the biggest challenges you face as a private-label manufacturer? How do you overcome these hurdles?

KS: Our largest challenges typically stem from the first dance with our private label partners, where we collaboratively adopt a fresher, just-in-time (JIT) production cadence. In the interest of becoming the best of the best private brand partner, we prefer constant steady production over massive inventory builds. It creates more “nail-biter” situations in the early days of the relationship but always proves out when the end products consistently thrill the consumer.

NS: With ever-changing supply chain challenges (liquid nitrogen, paperboard, corrugated boxes) we’ve had to build a robust bench of partners to work with so that we would deliver on time to the best of our abilities.

SS: What is the biggest change you've seen as a private label food manufacturer over the last 10-15 years?

KS: We're relative sophomores to this game. We've been in the private label game very selectively, and love what we see—the attention to culinary integrity and focus on our emerging immigrant landscape—across nearly all retailers. It's an exciting time to be in the food business.

NS: We're seeing retailers have more fun with the flavor portfolios. Unexpected ingredients like goat cheese, biscuits, handcrafted jams, chiles and ganache are being added to private label offerings.

SS: If you had a crystal ball, how would you see the private-label/in-house marketplace in the next 10 years?

KS: I think the U.S. will more resemble Europe, where there are more tiers of outstanding private branded products—and where the consumer begins to realize that if they see the product on a billboard or in a Super Bowl ad, that the private label analog/manufacturer probably can focus on putting those dollars into delivering a best-in-segment product—and therefore will be better than the competition, not simply a generic analog.

SS: Anything else you would like to add?

KS: We want to become a billion-dollar good food company—across all packaged treats (sweet for now). Why not put that ambition out there? We also want to be the best employer in our industry—with a very intentional focus on culinary and cultural diversity.

NS: We want to continue to be big wave surfers in the food industry and push what we are capable of accomplishing with our team and our partners.

“We have invested heavily in automated equipment to not only shift reliance from labor to capital, but also to further improve all of the quality systems that private brands require.”

— Mark Braun, president of Hispanic Cheese Makers, Nuestro Queso LLC



Sharon Spielman, FOOD ENGINEERING (SS): Please tell me a brief history of your company.

Mark Braun (MB): Hispanic Cheese Makers-Nuestro Queso, LLC (HSM), headquartered in downtown Chicago, is a premier manufacturer and marketer of premium private branded natural Hispanic cheeses. The company is skillfully positioned to target the growing appetite among consumers for authentic Hispanic cheeses.

HSM owns and operates one of the most sustainably advanced Hispanic cheese production facilities in the country. It is a fast-growing co-pack and private label production business that is taking advantage of the growing needs and demand from retailers, distributors, food service providers, at home meal companies and other manufacturers to feed the appetite for authentic Hispanic cheeses. The company manufactures for prominent national and regional retailers under their own brands.

“Nuestro Queso” translates to “our cheese,” an acknowledgment of the sense of ownership, pride and passion we strive to communicate to our customers. Our vision is to be the leading preferred dairy producer of Hispanic cheese and dairy products for brand owners. We strive to accomplish these ambitions while enhancing sustainable value for our stakeholders. We are a trusted supplier to major retailers, distributors and foodservice companies as their co-pack and private label partner.

Nuestro Queso seeks to delight its customers with, taste, innovation and unparalleled service by delivering consistent quality. In this regard, the company was recognized and honored in March of 2015 with an award for Business Excellence. In January of 2018, HCM earned its SQF Level III – Food Safety and Food Quality designations as part of its broader food safety and quality programs initiatives. The company was previously featured in Food Engineering Magazine for its extensive investments in a variety of sustainability initiatives.

SS: Do you see a correlation between private label sales and our current macroeconomic conditions?

MB: Yes. I explain the connection to these top macroeconomic factors as follows:

- The initial demand shock that shifted food consumption or “stomach share” from foodservice to retail created a significant shift in demand to the more traditional retail channel. The retail channel is inherently consumer driven and more influenced by brands than say a restaurant. This shock also provided a boost to many retailers who have their own private brands. Further, it gave rise to retailers who were considering adding this category to their private brand portfolio more incentive to add the faster growing Hispanic cheeses to their portfolio.
- The shifts to “stay at home” accelerated the home-meal kit companies such as Blue Apron, Home Fresh, Hello Fresh, Green Chef and a host of others. These companies were suddenly far more relevant as families would cook from home with added convenience. This actually created a new channel of business.
- The rise of the celebrity chefs and the introduction, demonstration and uses of authentic Hispanic cheeses. Their popularity introduced the masses to the relevance, traditions, and origins of Hispanic cheeses. Where traditional cheese makers offered their version of a “Mexican Blend,” which was nothing more than a shredded cheddar or shredded Muenster. Consumers are now more educated. They are starting to recognize the difference.
- The rise of Mexican restaurants. There are now more Mexican restaurants than Pizza places. This is both a reflection of demographics and broader adoption.
- The strategic decisions of best-in-class grocery operators to differentiate their stores with premium quality own brands. There is now more creativity and drive from buyers to develop their own brands, devote shelf space to their creations and have a greater sense of ownership in how they develop and compete.

SS: How has the pandemic affected the way you do business (if it has)?

MB: The pandemic has created a major shift in our production mix, lead times, inventory levels, employee related issues, safety and logistics. All of these factors have made business far more complicated.

SS: Have you had to do anything differently (on the production line or otherwise) as private label and in-house brands have risen in the marketplace?

MB: Yes. We have invested heavily in automated equipment to not only shift reliance from labor to capital, but also to further improve all of the quality systems that private brands require. We have added to our quality control staff in order to provide additional assurances and we are subject to far more audits from customers who have extremely adept food safety programs for which we need to comply.

We have also invested in equipment to be more efficient at vertically integrating our factory to not only make cheese, but to convert and offer more packaging and sizing options.

In addition, managing a growing portfolio of SKU's requires further investment and discipline in processes for inventory management, upgrades to our ERP and tracking and traceability capabilities.

We have modified workspaces and made physical changes to the plant interior to allow for more space between employees.

SS: When it comes to production, what are the biggest challenges you face as a private-label manufacturer? How do you overcome these hurdles?

MB: Our sales are often consultative in nature. There is a special relationship with a private label manufacturer and its customer. Building that trust takes time. And, trust is earned and built over time. This creates a huge barrier to entry. After 11 years in business, we are finally earning trust. But, most important and challenging in today's environment is the human resource element. Good people are tougher and tougher to find and retain.

SS: What is the biggest change you've seen as a private label food manufacturer over the last 10-15 years?

MB: Demand has risen as companies strive to differentiate themselves with special offerings. Private label was once secondary. It is now leading. Buyers want to try different things. They ask can you do this or can you do that. They push the level of innovation.

SS: If you had a crystal ball, how would you see the private-label/in-house marketplace in the next 10 years?

MB: There will be more assimilation into customer's inventory systems, automation of purchase order entry, innovation and development of new channels. Sustainability and proof of such efforts will become more important and as they should.

SS: Anything else you would like to add?

MB: The great brands—and I'm not talking about a product brand, I'm talking about a company brand such as an Aldi or HEB or Whole Foods or Kroger—are driving innovation. They are hiring marketing firms to understand markets, products and driving more

innovation. They are becoming less reliant on CPG companies to feed them products. Instead, they are close to their consumers and becoming a greater and more influential driver of products and product development.