Private Label Manufacturers Playbook

(Pricing & Selling Private Label Products)

April 2012 - April 2017 Postscript

Executive Overview

- Sales of private label/store brand products have accelerated. Consolidation of buying power among the largest grocery retailers, wholesalers, and cooperatives increases the pressure on margins, product performance, and service for private label manufacturers.

- Aggregated buying groups with their dedicated procurement functions, "dead net" pricing and multiple brands are an intense microcosm of this complex marketplace for private label/store brands manufacturers.

- The employment of strategic account management and pricing techniques, to identify and value points of product differentiation is the appropriate response to the industry's desire for innovation and differentiation and can result in a sustainable advantage in this manufacturing space.

Author's Background

- The author has applied his academic background as a CPA and MBA in the private label industry. He has spent his career as a manufacturer serving grocery and foodservice channels, and as a private label brand manager working with the largest private label procurement organizations and private label brokers.

- He was part of the management team that developed and implemented the tools that introduced aggregated buys of private label products on a "dead net" basis to cooperative buying groups and has watched it become a common industry practice. His perspective on the dynamics of this model uniquely qualifies him to critically evaluate competitive sales and pricing techniques.

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What Early Reviewers were Saying - May 21, 2012

"All pricing, sales, marketing, and finance executives in the private label industry should review *The Private Label Manufacturers Playbook*. A quick read that goes to the heart of the business: creating mutually profitable and lasting business relationships."
Tim J Smith, PhD, Managing Principal, Wiglaf Pricing

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Brand Margins Belong to Brand Owners - A Strategic B2B Environment

As the sales and marketing responsibilities and consumer interface for private label products rest with the brand owner/retailer, they also garner all associated margins. Private label manufacturers are limited to **producers' margins in a Business to Business Environment**. Although these margins are typically not as narrow as those of a strict contract manufacturer, the general commoditization of private label manufacturing, as evidenced by the frequent use of reverse online auctions, dictates that manufacturers must approach the market strategically in order to garner sustainable result.

Per Tim J. Smith PhD of Wiglaf Pricing, contemporary Pricing Strategy, or pricing to value, can be reduced down to three questions, all of which must be asked from the customer's perspective - and be responded to by the manufacturer.

1. What is the alternative - who are the manufacturer's competitors?
2. Are they better or worse - what are the points of product differentiation?
3. Why should I expletive care - how do I utilize the findings arising from prospect theory to help the customer care deeply about the positive points of differentiation and little about the negative points of differentiation,

Combining these strategic pricing and marketing techniques with the strategic selling techniques surrounding Large Account Management provides the manufacturer an opportunity to capture higher prices.

Given this as the "ante", for operating in this environment, the following points provide a useful outline of points of differentiation in deciding how best to compete in the market.

Aggregated Buying Groups - the Most Complex Form of Private Label Buyer

Eleven years as CFO, CEO and President/SVP in the Shurfine then Topco cooperative buying organizations provided exposure to private label manufacturers servicing the full range of retail grocery categories (frozen, dairy, grocery, HBC, perishables, etc.) and the top independent grocery retailers and wholesalers selling their products. Understanding and positioning one's organization to take advantage of the lessons learned while operating in this large, sophisticated and complex segment of the private label market place, **makes one a more effective competitor** in the private label marketplace at large.

<u>Cooperative Procurement Organizations - Structure Drives Behaviors</u>

The member-owned cooperative structure employed by Shurfine International, Topco, and most retailer owned grocery wholesalers typically exhibits a low level of permanent invested capital, and an imperative to annually generate a minimum level of earnings.

This structure leads to the following characteristics which serves to differentiate cooperatives from non-member owned organizations and voluntary grocery wholesalers.

- The cooperative's customers are also their owners and in most cases represented at Board level leadership.
- All margins or earnings, in excess of costs of operations are ultimately returned as dividends/rebates to the ultimate purchasers of the products sold through these entities.
    - This drives an ongoing debate as to the preference for: higher everyday product prices in return for higher year end rebates; lower prices and lower rebates; or the members unanimous preference - lower prices and higher rebates!
- The classical cooperative model is also typified by an ongoing emphasis on "member equality", the idea that all members are treated comparably if not equally.

These characteristics contribute to a desire for rational/explainable pricing and similar to foodservice and grocery wholesalers in general, a structural appetite for "sheltered income" typically in the form of Volume Incentive "VI" agreements or backside rebates.

Volume Incentives - Multifaceted Tool for Volume Differentiation

As a manufacturer supplying the foodservice industry, you learned to employ a variety of sheltered income techniques to establish a higher "street" price, while using backside rebates and VI agreements to differentiate between volumes of individual buyers/labels as well as create incentives for certain buyer behaviors. Examples of these techniques applied to cooperatives include:

- Most cooperative members, especially at the warehouse or retail level, accept VI dollars as being beyond the grasp of individual buyers. Thus by providing an invoice price which is "competitive in the market", against which a VI is later netted, provides manufacturers the opportunity to have a higher street or list price while still being price competitive given the higher cooperative volume. This also **provides additional funding** to the cooperative, **without their having to add additional markup** to the product cost as billed to their member.
- As an incentive for maintaining multi-year agreements, agreeing to increase the VI rate over time provides the cooperative **incremental earnings and lower product cost**

without either party having to change sell prices or increase margins/markups.

Application of both of these techniques should be viewed as positive points of differentiation by a strategically aligned customer. These advantages are in addition to the more widely recognized advantages of using VI's as a form of sheltered income.

- The manufacturer gets to hold on to the money until the end of the measurement period.
- Incentives are only paid in return for actual verified performance.
- Programs can be modified to incentivize specific activities.

Volume Based Product Pricing - Battle of the Brands

Simple production economics dictate that actual product costs for similar products with different annual volumes, packaged under different labels are in fact not the same. However many buyers of multiple labels do not allow these differences to be exposed as they engage in a form of pure bundle where they bid out all items as a single group, with the expectation that similarly specified, but differently labeled, products be priced the same, regardless of label dependent volumes.

This practice is common across multi-label buyers, with Safeway, for example, employing a similar requirement across their multiple store brands. Disregarding the potential for changes in overall price levels if buyers change their bundling requirement, the reality exists that requesting line pricing results in higher volume brands subsidizing lower volume brands.

This isn't a problem for a single corporation like a Safeway as the results of any cross subsidies all wash out in a consolidated P&L. In a cooperative it is more problematic as the larger volume members are often of the opinion that they should be getting a lower price than lower volume brands.

From a manufacturer's standpoint, they should still submit "line pricing" based upon some weighting of pricing for comparable volume dependent items, but recognize that buyers may come back and request separate pricing and one should be prepared to support the line pricing presented.

This preference for line pricing may be changing, as cooperative buyers realize the value of volume dependent pricing in their outbound programs. **Signaling the buyers of your willingness** to explore volume dependent pricing should also **enhance your position with the buyer as a strategic partner**.

Value of Cooperative Billing - Diversification of Credit Risk

Cooperatives typically have very strong credit policies with respect to their member customers, with the result that **the credit risk (failure to pay) for the cooperative is lower than that of billing to any individual member**. Thus in cases where products are billed to the cooperative, **manufacturers should consider providing a separate discount relative to arrangements where products are billed to individual companies**. This is especially useful when a manufacturer must "defend" their pricing when it is discovered by other customers. Cooperatives will typically ask for longer credit terms than might otherwise be customary, their funding model requires the positive float, but they do typically pay within the agreed terms.

Also, when a cooperative takes billing, it severs the direct relationship between label owner/customer and manufacturer, thus serving as a filter for unauthorized claims being deducted from manufacturers. This is very useful when manufacturing brands distributed by organizations known for sharp business practices.

Additional Points of Price Differentiation - Emotional Appeals

In addition to the points of differentiation which are unique to cooperatives the following points are key to manufacturer profitability and/or the emotional appeal which can be used in selling the customer.

Know your Markets and Your Competitors - Points of Price Differentiation

When conducting a category or vendor review, the price comparison exercise between competing vendors while often starting with FOB origin prices, **ultimately comes down to a comparison based upon prices on a delivered basis**. Thus while a manufacturing facility might be the least cost producer FOB origin, if you can't get a product delivered to each of the identified receiving warehouse locations cheaper than a competitor, it is a negative point of differentiation.

While the bidding may be broken down into FOB and freight components, ultimately this is a strategic exercise which must factor in: your manufacturing cost structure by facility and their locations; the receiving locations for your key potential customers; the pick-up points for your key inputs; the delivery locations and backhaul opportunities for the head-haul store deliveries for each of your key potential customers; and the availability of common or contract motor carriers in your key traffic lanes. In addition, one must do the same exercise for any competitors who could potentially serve the same customer receiving locations, and weigh the relative competitive strength of your locations to theirs. Finally, it is helpful to know the timing of pieces of business which are potentially up for bid, which competitors might have the capacity and be hungry, and which are at capacity and are likely not to be as aggressive on price. Your private

label broker may be helpful in this last element.
Understanding these factors go directly toward answering the customer's question "What are the alternatives?", and **how aggressively you can price your individual offering**.

Managing Cost Variability through Formula Pricing - Reducing Buyer Uncertainty

Especially in times of volatile commodity costs, it is important to have clearly defined agreements on how price changes should be passed on to buyers. If one knows their costs, and puts provisions in place, manufacturers should not see their unit margins impacted by uncompensated changes in underlying component costs. The simplest method is to agree to tie changes in sell prices to changes in agreed upon price benchmarks for major components. This technique called formula pricing is commonly used in negotiating commodity based categories such as dairy, where in addition to varying prices for changes in the market price of raw milk, prices also change for changes in indices tracking the costs of items such as resins used in plastic bottles.

It is clear that in order to be able to offer the lowest sustainable price to buyers of private label brands, this risk needs to be identified, and responsibility assigned. Establishing this agreement achieves two goals. The manufacturer doesn't take an uncompensated hit for component cost increases. The brand owner achieves a level of security if not outright **certainty that his product cost will be competitive with the market** and not, for example, being rendered non-competitive as the result of component cost declines not being reflected in the cost of their own brands.

Increased Emphasis on Nutrition - Wal-Mart Nutrition Initiative

Wal-Mart's announcement that they will be seeking specific reductions in sodium and sugars in all of their products, especially private label, makes it difficult to deny that the **nutritional characteristics of foods is going to remain a major differentiator of PL offerings, right along with quality, taste and convenience/packaging**. In fact Topco requires that all PL products submitted for consideration also include sufficient formulation and processing data to allow for the calculation of the appropriate NuVal nutritional scoring figures, so that the nutritional value of the product can be confirmed to be equal to or better than that of the national brand equivalent (NBE).

For manufacturers this means that they must have or retain the food technology capabilities which will allow their products to meet these new benchmarks while still retaining the taste a consumer would continue to enjoy. Wal-Mart indicated that they had extended their timeline for meeting their goal out to 2014 to allow manufacturers to meet this new challenge.

This situation provides an advantage to manufacturers who have consistently invested in product R&D and have focused on innovation, or products which are inherently nutritious thus meeting the needs without further development. This is an example of positive point of product differentiation where a **manufacturer should be able to achieve a higher price**, relative to a competitor lacking this characteristic, **if the customer values this characteristic in the positioning of their product relative to their target consumer**.

Demand for Innovation and Better than NBE - Differentiated Products

The movement to dead net purchasing of specified products coincided with the brand owners realization that **private brands could really be a point of differentiation between stores, as opposed to merely a higher margin alternative to national brands**. In addition, as the drive for lower product costs has accelerated, certain label owners have begun to realize that for the price they used to pay for private label products, (say 15% less over the last five years), they could specify a higher value product which really was different.

This has placed a new emphasis on manufacturers to be truly innovative, moving beyond simply matching what the brands are doing, and becoming leaders in their categories. The willingness and ability to take on this new role may be challenging, and most likely more costly. Most manufactures will have to make an evaluation on a category by category basis to determine if their category is especially susceptible to this up market move and whether they have the capabilities and resources to compete in this new marketplace.

This evaluation is the opposite end of the pendulum which started in the early 2000’s when there was a desire to buy truly lower cost “economy” brands. Here manufacturers had to determine how to take costs out of products, while still maintaining lower (minimum) levels of performance. Many had difficulty in getting to this new “good enough” price level, although it should have been the most straightforward form of target pricing.

Manufacturers have two challenges:

- Determine if their product categories and target customers **value a full line manufacturer across** what is now three quality levels, Premium/differentiated, Economy/”Good Enough” along with the traditional NBE. This is true even if they are not prepared to be a true premium supplier
- Develop the product development, manufacturing and costing **capabilities to create these points of differentiation**.

Similar to the challenges brought on by the increased emphasis on nutrition, the suppliers of value added packaging and ingredients to store brands manufacturers should play a key role in helping manufacturers meet these demands. How these relationships evolve will be interesting to observe.

Large Strategic Account Management - Relationship not Size Drives Pricing

All of the discussion about points of differentiation, emotional appeals etc. is **for naught if the manufacturer's relationship with the customer is at the level of a Price or Technical buyer**. These are buyers whose principal metric is cost reduction, often a purchasing agent role. **[The exception to this is if you are the least cost producer and choose as a corporate strategy to compete solely on price]**

The focus of the firm's sales efforts should be to move the relationship and ultimately buying decision toward that of a Utility or Economic Buyer. Buyers who are willing to pay for value, look at ROI, not just cost. These buyers value what the manufacturer has to offer, and as such the manufacturer should value them.

Although these concepts are elaborated further by Tim Smith in Sales vs. Pricing and Strategic Accounts, the somewhat surprising conclusion is that the **standard pricing rules for consumer markets don't apply to these B2B markets**. In consumer markets, theory suggests giving lower prices to Price (sensitive) Buyers while striving for higher prices with less price sensitive Utility Buyers. This implies that you reward business customers that refuse to let you sell your products on benefits and punish those which allow you to develop a relationship at an Economic Level. **This is obviously absurd**.

In B2B markets, Price Buyers should never be given the lowest price. The manufacturer should establish a walk away price and stick to it. This evolved form of price segmentation has at least three distinct advantages:

1. Price Contagion Management - When customers paying a higher price realize that others are paying a lower price, they will typically get upset and demand the lower price. If these customers are considered your best customers who you are selling at a Utility or Economic Buyer level, the results can be devastating.
2. Account Management Incentive Alignment - The goal of account management should be to move customers up the buy-sell hierarchy from Price to Economic Utility buyers. By offering this group a better price, you are providing them a very direct incentive for this movement - lower prices.
3. Mutually Beneficial Value Alignment - Moving to the highest level of relationship, is a shared objective from both a sales and pricing perspective as it is easier to sell to organizations who value what you sell.

This conclusion may seem obvious in hindsight. Online reverse auctions succeed based upon a single metric, price. These auctions were originally used to source coal, a commodity, globally and that is where they are most effective. Similarly, trying to sell innovative differentiated products into an organization who is looking for the "lowest cost alternative" or who are incentivized for reducing costs below a benchmark, are unlikely to be successful as it will not be possible to find a truly comparable product. **So, if there are alternative approaches or even customers, sales time is much better spent pursuing these opportunities**.

Additional Observations

Buying Groups versus Label Groups - A Potentially Lucrative Market

Cooperatively owned buying groups and retailer-owned grocery wholesalers are dedicated to making their customer/member/owners more competitive in the retail marketplace by providing uniquely differentiated product and service offerings, typically store or controlled brands, at the **lowest cost possible**.

Label groups, such as Federated Group and to some extent IGA, have labels or brands primarily as a means to provide a differentiated offering to their customers, but there is little if any concentration on product cost, especially at the label owner level.

In addition to the lack of the aggregated purchasing pressure of a single point of aggregated purchasing, the label volumes are often lower resulting in **fewer price competitive direct alternatives**, as the largest manufactures may not view this as a strategic market, and not price aggressively. If one's manufacturing capabilities can efficiently handle smaller runs and you are prepared to deal with the costs and complexities associated with multiple smaller accounts (credit risk, food shows etc.), **the margins may be sufficient to warrant exploring this segment of the market**.

Private Label Brokers - Serving a Different Master, Two Different Ways

Historically there have been three dedicated Private Label Brokers: Daymon Worldwide; Marketing Management Inc. (MMI) and Federated Group. All operate under the provisions of the 1936 Robinson-Patman Act, and **the amount of brokerage included in the sell price of most private label products typically ranges from 1-5%** depending upon category and broker organization.

Each firm serves the typical broker role as the primary source of information regarding category trends, new items opportunities etc. as well as an initial resource for getting introduced to brand owners. However, they serve a slightly different master than food brokers serving branded goods manufacturers, such as a Crossmark or an Acosta. Under a private label brokerage arrangement, there is typically an **agreement between the broker and the brand owner**, in addition to an agreement between the manufacturer and the broker. The brand owner/manufacturer agreement typically provides that the majority of the brokerage collected be available to be spent back for the **benefit and at the direction of, the retailer or wholesaler buying the product (the brand owner)** and **not necessarily the manufacturer**. This may seem at odds to how most manufacturers view "their broker", until you recognize, that in most cases, manufacturers are retaining brokers to promote "their brands" - hence only one agreement. In the case of private label, they are no longer the brand owner, so the brokerage is simply a cost of the product dictated by the brand owner, just like any other component.

Given this similarity, there are two primary models for deployment or utilization of brokerage, characterized by the primary proponent of each model: Daymon or Federated/MMI.

Daymon's approach focuses on utilizing the collected brokerage funds to strategically invest in people and technology/techniques, both driven by research and experience coming out of their Stamford Resource Center and their "boots on the ground" in many of the nation's major grocers, to help **develop new items and the brand overall** and emphasizing **growing private label penetration across the store**. Most of these funds are necessarily spent at brand headquarters versus at the store or warehouse level.

By contrast, Federated/MMI's approach was once characterized as the "granddaddy of all sheltered income programs", for it provided that the majority of the brokerage collected, 80% or more, was available to be spent **at the direction, of the individual wholesaler or retailer location buying the product**. Given where the money is spent, its utilization is often more tactical in nature focusing on shelf sets, ads etc. This approach is most commonly employed with wholesalers such as Wakefern, AWG, etc.

Retailers/Wholesalers Buying Net - They Can Now Sell Promotionally

With the move toward "buying net" at the turn of the millennium, many manufacturers were justifiably concerned that they lost an additional element of control over their sales volumes as they no longer had the opportunity to boost volumes by periodically "promoting" product. This was compounded by the fact that some retailers and especially wholesalers did not have the category management skills and systems to sell "promotionally" off of a "net" purchase cost, and as a result category volumes declined.

Some brand owners responded to this change by letting the manufacturer hold onto the promotional funds for individual categories, but most developed promotional accrual capabilities, ideally spanning multiple categories and manufacturers, allowing them to implement a more effective storewide private label promotional program.

The reality is that **there will always be a desire on the part of retailers for additional monies**. Whether the the funds are specifically included in the cost workup for the bids, (where buyers specifically ask that it be included, such as for buying shows), or not, you **should expect that additional funds will be expended**.

Sustainable Manufacturers to "Private Label Only" Retailers - The Future?

It is commonly known that private label penetration in the United States lags far behind that experienced in the EU. Successful, ongoing suppliers to the US versions of EU based "private label only" retailers, Aldi/Trader Joe's and the similarly stocked US model, Save-a-Lot, is worth understanding, as their product specifications and corresponding production requirements are fairly straightforward and serve as an excellent baseline for moving on to the more complex multi-label procurement organizations such as cooperatives

Also as outlined in Koen de Jong's book Private Label Uncovered, the market for private label brands in Europe is very different: with store brands introducing new and innovative products almost simultaneously with those of the national brands, versus lagging weeks or months behind; and retailer/brand owners taking a much more aggressive approach toward product formulations and key ingredients, which seems to greatly restrict margins for store brand manufacturers. If this approach does migrate to the United States it is most likely to show up first at these outlets, and **the manufacturers response to these overtures will be a good indication as to where the private label manufacturing industry in the United States may be headed.**

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Approaching the fifth anniversary of the publication of the Playbook, I thought I would reflect on what and how things have changed over the past five years. A few observations:

Unrecognized Influencer

If you know the enemy and know yourself, you need not fear the result of a hundred battles.
If you know yourself but not the enemy, for every victory gained, you will also suffer a defeat.
If you know neither the enemy not yourself, you will succumb in every battle . . . .

Sun Tzu 500-300 BC

The original working title of this paper was "an insiders guide". My thought was when I was with a manufacturer, bidding on business, I always wished I knew more about the buyer's motivations, true needs etc. After spending ten years on the buying and brand development/promotion side of the private label business, I believed it would be at least interesting to assess the business from the perspective of a manufacturer, by someone who had worked on both sides. Pulling out The Art of War for another project I realized I most likely picked up most of the ideas, including The Use of Spies, when I first read the book maybe thirty years ago.

New Publications by Tim J. Smith and Koen de Jong.

Although I am the sole author of this Playbook, I want to acknowledge again the significant influence that the following individuals have on my thinking and recognize that each has published new books since 2012.

- Tim J Smith, PhD, Managing Principal, Wiglaf Pricing, who's textbook Pricing Strategy was the source and inspiration for much of my discussion of pricing strategy has published a new book, Pricing Done Right: The Pricing Framework Proven Successful by the World's Most Profitable Companies. It continues the discussion of "Value-Based Pricing" in a decidedly non-textbook format, and is reviewed as a must read for C-Suite executives and pricing people alike.
- Koen de Jong, Managing Partner of IPLC - international private label consult, whose book Private Label Uncovered introduced me to how private label products are sold and manufactured in Europe, also has a new book, Managing Private Labels. The chapter on Operational Excellence, especially the sections on "competing on elements other than price alone" and "specific skills of the sales manager" are especially close to my heart, and certainly applicable to private label manufacturers in the United States.

Changes in Structure May Signal a Change in Emphasis on Price First Buying

In the section Large Strategic Account Management - Relationship not Size Drives Pricing, I suggested that "trying to sell innovative differentiated products into an organization which is looking for the **"lowest cost alternative"** or which are **incentivized for reducing costs** below a benchmark, are unlikely to be successful . . ." While this may have been good in theory, volume is volume and store brands continued to be sold to organizations, which adopted this price first approach to one degree or another. This approach typically went along with splitting purchasing from category management, which can also be a challenge, as there is a question of who is running the show, purchasing which is focused on costs or category management which is focused on meeting consumer needs. Recently, it seems as though more organizations are moving to a structure where category managers and their focus on consumer needs satisfaction are leading the show, with purchasing reporting up through that group. If this also means a shift away from the price first approach, I suggest it will make for a healthier overall ecosystem.

Change in the Role/Responsibility of Private Label Brokers

The role if not the responsibility of the private label brokers also seems to be changing, if for no other reason than the fact that Daymon has lost their special inhouse relationship with many large retailers. The category managers and manufacturers still need the relevant category and market information. It may simply be coming from a different source including directly from the manufacturer, which places even more emphasis on the skills and experience of the manufacturer's own sales and marketing teams. IT IS NOW MORE IMPORTANT THAN EVER TO ASK THE QUESTIONS: WHAT AM I GETTING FOR MY MONEY; WHAT IS YOUR AGREEMENT, WRITTEN OR OTHERWISE WITH THE BRAND OWNER; AND WHO PROVIDES THE PRIMARY DIRECTION AS FAR AS HOW THE BROKERAGE I PAY YOU IS SPENT.

A contrarian view is that Daymon may return their original role of PL program builders, and de facto gatekeeper of new suppliers in a new market China. Not only does their recent buy-out by Bain Capital have a Chinese element to it (one of the co-investors in Daymon is a Chinese retailer), but independently some manufacturers have eyed the opportunity of selling to China, given the size of the market and the popularity of American brands in general. Not sure if this will this will translate to PL Manufacturers.

Wholesalers are Consolidating and Cooperating

Consolidation especially in the wholesaler and cooperative brand space continues: C&S acquiring AWI - Robesonia, and Affiliated Foods Midwest of Norfolk NE, merging into AWG, and their Shurfine brand being removed from their warehouses; Spartan combining with Nash-Finch; and Western Family closing their Oregon offices and their members joining Topco. In fact just about every retailer owned wholesaler, with the exception of AWG is now a member of Topco, joining the long term wholesaler members SpartanNash and C&S. While the volume of Shurfine brands have decreased, with its potential impact on price levels and product availability still to be determined, the potential increased concentration of all of these wholesaler's volume within Topco, may be a more significant development. To the extent that some if not all of the Nash-Finch, Wakefern and Western Family/Shurfine purchases are now being purchased through the Topco system, means that the observations made under the section Aggregated Buying Groups - the Most Complex Form of Private Label Buyer, are as applicable as ever.

Continued Emphasis on Nutrition and Clean Labels

The focus on nutrition and the movement toward clean labels has only seemed to accelerate, along with the explosion in the health and fitness apps such as MyFitnessPal. NuVal has even released an app which will provide the product's score even if it is not on the packaging. Again, I have to believe that producing private label products to these additional measures of nutrition and clean, and having them be perceived as better than the national brands can only provide them an additional point of differentiation.

Continued Expansion of European Based Retailers in US

Finally I don't know if the continued expansion of European based retailers such as Aldi, Trader Joe's and now Lidl is having any impact on US buying practices, in such areas as formulations and key ingredients, but it seems these formats are clearly becoming a bigger player in the private label market place so we shall see.

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