



STATE OF THE PRIVATE LABEL MARKET

Private Label Manufacturers Association (PLMA) Australia/New Zealand CEO Bill Trainor spoke to *Retail World* in an exclusive interview on the private label market, key trends driving retail and private label, the challenges and opportunities.

By Lorna Gloria.

PLMA Australia/New Zealand is part of the world's largest trade association for private label suppliers, a not-for-profit organisation with a network of more than 4000 companies from 75 countries.

While PLMA is headquartered in New York, the ANZ arm is independently run, allowing the association to deliver services that best suit the needs of its members in this region. CEO Bill Trainor is supported by a committee of members that assist in driving its strategic direction and growth.

Retailers are constantly looking for ways to differentiate, hence the explosive growth of product ranges positioned under brands they own. This is commonly known as private label or 'own brand' and is a key strategy for retailers in building consumer loyalty for their business.

There are many manufacturers and suppliers with great capabilities and fantastic product offerings that deliver consumer value, Mr Trainor says, but "the challenge is how to get these products onto retailer shelves", he told *Retail World*.

"Knowing who to speak to, understanding how to engage with retailers, and navigating the highly competitive retail environment makes this very challenging."

He says PLMA ANZ's mission is to help connect manufacturers/suppliers and retailers to build private label opportunities both domestically and internationally.

"We provide clarity on retailer processes and deliver educational programs to support our members and retail partners," he said. "We also provide the industry's best network for companies involved in private label



Private Label Manufacturers Association CEO Bill Trainor.

supply, which is enormously beneficial for manufacturers and suppliers seeking to build their business in this high growth area."

Education: PLMA's role

Mr Trainor says PLMA ANZ plays an important role in educating both manufacturers and suppliers on global trends.

"Through our international network we provide insights on consumer and market trends as well as how retailers are leveraging these opportunities for growth," he said. "Our goal is to ensure our members are the best educated private label suppliers in the industry, while supporting our retail partners with cutting edge insights to grow their private label businesses."

PLMA runs events in Australia and New Zealand with retailers, including workshops and strategy updates. It

also conducts educational events with industry thought leaders, focused on domestic and international trends.

“We have a strong export agenda given there are incredible opportunities for members to grow their private label businesses with retailers internationally,” he said.

“We work closely with PLMA in the US and Europe, which run the world’s largest private label trade shows in Amsterdam and Chicago each year. We’ve just run a market delegation program in Europe for members who attended the Amsterdam show, visiting stores across three countries, guided by one of the world’s leading private label experts.”

In November, PLMA will be collaborating with Austrade for the third year in a row to run the successful Australia pavilion at the annual PLMA Trade Show in Chicago. The association utilises its network to drive strong retailer visitor numbers at the pavilion. This is supported by an education program and store visit initiative ahead of the show to ensure members are well positioned to secure new business opportunities with US and other international retailers.

Market value

Private label in Australia has delivered 14.6 per cent value growth YTD compared with 5.8 per cent growth for branded products, and private label achieved 10.8 per cent value growth in New Zealand last year (NielsenIQ Q1 2024).

“What is even more impressive is there are numerous categories across the retail sector where private label is delivering solid unit growth year on year,” Mr Trainor said.

Private label is claimed to have a 24 per cent share of packaged goods in Australia, while in New Zealand it sits at just 13 per cent. In 10 European markets, private label share exceeds 30 per cent, but in the US the share is just 17 per cent.

“Private label presents an enormous growth opportunity for ANZ manufacturers and suppliers both domestically and in key international markets,” Mr Trainor said.

Challenges

Among the many challenges being faced in the retail sector, inflation and the rising cost of living are paramount, Mr Trainor says.

“Price management is a key challenge for both retailers and manufacturers/

suppliers, as they need to manage increased supply chain costs while delivering margin growth,” he said.

“While there’s been value growth in the grocery sector, this has been largely inflated given price increases.

“And while there’s been some improvement in the first half of this year, the need to achieve volume growth remains a key priority for retailers.”

The retail landscape

The retail sector is under significant pressure to achieve growth with consumer spending habits changing in response to the rising cost of living. A recent presentation from NielsenIQ to PLMA members indicated that Australians are paying 11 per cent more for groceries compared with two years ago. In New Zealand, the increase is 15 per cent, according to PLMA.

“Consumers are migrating to private label, given the great value it delivers, with many consumers recognising that the quality is just as good if not better than that of many national brands,” Mr Trainor said.

Key trends driving retail

With the cost-of-living pressures, it’s expected that consumers will spend more on essentials and will continue to cut back on discretionary spending.

Mr Trainor said: “Out of home and on-premise consumption will be impacted as consumers choose to engage socially at home instead of going out.

“Personal health and wellness will be a continued focus for consumers, as will ‘affordable indulgence’. Private label has a key role to play in meeting these changing consumer needs.”

From a retail perspective, online will continue to grow.

“While we saw strong adoption of online during the pandemic, more than half of [surveyed] Australian households continue to utilise online shopping, with frequency increasing year on year,”

Mr Trainor said. (NielsenIQ Homescan Total FMCG MAT 25/2/24).

Another trend worth noting, he adds, is the role private label will continue to play in meeting consumer needs across most categories.

“The recent NIQ x Advantage Manufacturer & Retailer Outlook Survey highlighted that 53 per cent of [surveyed] retailers globally expect private label to be their number one growth driver in 2024,” he said.

Category drivers

Private label is achieving strong growth across many categories, particularly ‘essentials’, with categories as diverse as toilet paper, eggs, baking mixes, impulse snacks, infant food and personal wash attracting 10-20 per cent unit growth YTD, according to Mr Trainor. (NielsenIQ Homescan, MAT date ending Feb 24).

“This is because consumers are recognising the value private label delivers, both from a quality and price point perspective,” he said.

‘Affordable premiumisation’ is also a “huge” growth opportunity for private label as “consumers look for personal indulgence options they can enjoy in the comfort of their own home”.

The future of retail

Mr Trainor said: “I believe we’ll see a stronger second half of 2024, particularly if the RBA does implement an interest rate cut. This, combined with the implementation of the Stage 3 income tax cuts next month in Australia, will help to ease cost of living pressures to some degree, which has the potential to positively impact consumer spending.

“I do think, however, the next 12-18 months will continue to be challenging for the retail and manufacturing sectors, as while we may see some relief on selected input material costs, overall there’ll still be pressure on the supply chain driven by global events and continued cost pressures.

“While there are great private label opportunities for manufacturers and suppliers in the ANZ region, I’m also excited by the many opportunities available for private label contracts with international retailers. The timing is right for ANZ manufacturers and suppliers to be taking advantage of this huge opportunity.”

Mr Trainor says PLMA ANZ is dedicated to supporting Australian and New Zealand manufacturers and suppliers in growing their private label businesses locally and internationally.

“If this is of interest, I encourage companies to visit plma.com.au to learn more about the benefits we deliver for our members, or if they wish to join, to do so via plma.com.au/memberships,” he said.

For any queries or further information, contact Bill Trainor (contact@plma.com.au).