Overcoming Private-Label Challenges

JEROME MALAVOY, CEO, TraceOne

Jérôme Malavoy of Trace One discusses challenges facing private-label manufacturers, and how manufacturers most effectively can overcome these challenges and increase profitability.

Q: What are the main challenges facing private-label food manufacturers today?

A: There are two major challenges we see facing private-label food manufacturers today. The first challenge is the food safety warranty level retailers will expect. New retailer strategy increases the pressure for brand protection. For example, if you can’t find a sufficient amount of raw material that allows you to guarantee origin, an allergens list, nutritional values and microbiological quality, then you must change the materials.

The second challenge facing private-label manufacturers is flexibility and reactivity. Retailers moving from one value brand to three- or five-tiered brands will ask more from their partners, which requires all parties to have more flexibility.

Q: What services are available that can help manufacturers meet these challenges?

A: For small or medium manufacturers, an online community is a plus. An online community portal would provide manufacturers with the ability to share market awareness.

Sourcing organizations are also very efficient for manufacturers who are managing numerous raw materials in sometimes small quantities.

And, of course, solutions that allow manufacturers to optimize reactivity and communication with the whole private-label industry are important.

Q: Many manufacturers are looking to outsource certain services in order to increase productivity. Which services are best to outsource, and what are the benefits to outsourcing?

A: There are no common rules to increasing productivity; it really depends on your organization's size, the type of products you're developing and the range of your products.

The right question to ask is how to save money. This means asking yourself what you can mutualize. This means looking for ways to complete a product range by working with another manufacturer instead of investing the time, money and resources to build a new production line. By doing this, you're not only saving on investment costs, but also giving yourself a faster go-to-market strategy.

Q: What should a manufacturer consider when developing a new private-label product?

A: The first — and most important — thing is to understand your customer brand policy. Understand which products will really fit with his brand strategy. It's also important to consider collaboration. You must share your market knowledge and awareness. Helping the retailer build the most successful products assortment will make you the essential partner.

Q: How does packaging impact the success of a private-label product, and how can manufacturers improve product packaging?

A: Since packaging is the first contact between the product and the shopper, it has to be able to push the retailer's brand value and messaging in the blink-of-an-eye instant the consumer looks at it.

Manufacturers should be aware of environmental issues and food contact ability. And don't break all the codes. Innovation is important, but don't lose the consumer.

Q: What are some of the major trends you're seeing in the private-label industry, and how do you see these trends evolving in the future?

A: The biggest trends we're seeing in private label include the terms "organic," "free from" and "nutritional," but we know that locally produced will still grow in popularity.

Other trends are less obvious in terms of innovation and brand management. Retailers are permanently building and rebuilding the relationship between their

shoppers and their brands in a moving context (economic, food safety scares, etc.). That's why flexibility and reactivity are essential. A typical example of this is the regular switch between "umbrella brands," which are brands that have a lot of product ranges, and range brands, which are dedicated to a specific range.

One thing I see retailers doing well in the space is involving consumers in the process of product selection. It gives consumers the ability to validate a product from the get-go, which helps to build affinity for the private label.

For more information, please visit www.traceone.com *[1].*

Interview by Lindsey Coblentz, Associate Editor

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