

The Paperboard Packaging Alliance

The Impact of Private Label



Consumer Packaged Goods manufacturers (CPGs) consider private label brands the most significant competitive threat in recent memory. Store brands are a direct threat to national brands based on lower costs and retailer control, but also place CPGs in direct competition with their customers when vying for consumer loyalty. Store brands now represent one in five items sold by grocers, according to the Private Label Manufacturers Association. With store brands like President's Choice sold by the Albertson's, and Safeway Select offered by Safeway Inc., private label growth has outpaced that of branded competitors in four of the past five years, now accounting for more than \$50 billion (2002) in yearly retail sales.

Retailers	Annual Sales (\$)	Private Label
SUPERMARKET		
Kroger	53.4 Billion	25%
Safeway	35.6 Billion	30%
Albertson's	35.4 Billion	27%
Ahold	26.9 Billion	27%
Loblaws	23.1 Billion	38%
A & P	10.6 Billion	33%
MASS MERCHANDISERS		
Wal-Mart	256.3 Billion	40%
Costco	42.5 Billion	10%
Target	41.3 Billion	40%



The private label market is large and growing faster than national brands. Private label has a 40 percent share in Europe and more than 20 percent in the U.S., with continued growth forecast.

Private label packaging has evolved far beyond the no frill "generics" introduced in the 1980s. Continuing new growth is focused on premium, high quality products positioned in many cases against category leaders. Europe is ahead of the curve in this regard. In the U.K. and Western Europe, many store brand/private label products not only dominate categories, but also represent over 40 percent of retail sales.

In the 1990s, Loblaws of Canada successfully marketed their President's Choice label products to many of the top U.S. retailers. Success with these private label products led U.S. retailers to consider their own store brands. New store labels have been carefully developed to maximize margin potential in competition with national brands. Retailers have added private label product lines to their mix in both the value and premium categories.

The merchandising advantage of these private label products has been promoted through packaging initiatives in graphics, format, and convenience. Penetration of breakthrough private label products like President's Choice chocolate chip cookies was advanced by the "photographic-quality" process printing used, setting it apart from the color block styles used by established brands. CPGs are now strongly focused on new product development and packaging innovation to strengthen national brands that bring merchandising value to the retailer. When the brand equity of national marketers is leveraged with packaging, there is power to move forward in today's dynamic retail marketplace.

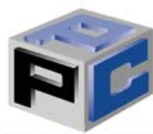
There are tremendous opportunities for the paperboard packaging industry to align with private label industry leaders and educate and support them as they continue to grow across segments and categories.

The Paperboard Packaging Alliance

The Paperboard Packaging Alliance (PPA) is a joint initiative of the Paperboard Packaging Council (PPC) and the American Forest & Paper Association (AF&PA). The PPA provides the paperboard packaging industry with ongoing analysis of evolving packaging requirements and promotes the benefits of paperboard packaging and products. Alliance membership includes companies representing the full range of mills and converters engaged in the production of paper-based consumer goods packaging. For more information about the PPA or paperboard packaging visit www.paperboardpackaging.org.

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