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# Private Label Today

## Report

**Supporting selected Macedonian companies to exhibit  
at the PLMA – Private Label Trade Fair  
in Amsterdam**

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## **1 AgBiz Program Background**

USAID supports economic growth in Macedonia through programs that strengthen and improve competitiveness of Macedonian agribusinesses, improve the business environment, and encourage local economic development. Accordingly, USAID/Macedonia has awarded ARD the task order for the Macedonia Agribusiness Activity (AgBiz).

The goal of AgBiz is to increase economic growth in Macedonia through expanded, environmentally sustainable production and sales of value-added agricultural products by enabling producers and processors to compete regionally and globally. AgBiz has the following objectives:

- Better enable agribusinesses to understand, identify and enter new export food markets;
- Increase producers' and processors' capacity to understand and meet market demand for added food products;
- Enhance market linkages between producers, processors, and traders;
- Improve business management and operations throughout agribusiness integrated supply chain and value chains; and
- Produce greater incomes for agricultural producers and processors, and create new employment opportunities.

## **2 Project Objective**

The objective of this project was to enhance Macedonian companies understanding in private label concept and explores the opportunities effectively to develop new contacts enhancing Macedonian-origin product sales and into the private label channels and potential to create new, sustainable EU sales.

## **3 Project Background**

The popularity of private label is growing in Europe by 15% year per year. The present value of private label sales in the EU is 42 billion Euro. Private label is winning the loyalty of more and more consumers throughout Europe every day. Retailer brands have posted impressive market share gains across EU in recent years, and recent consumer research suggests that these increases reflect a fundamental shift in shopper attitudes. Private label also has strong growth prospects in developing countries where manufacturer brands are not well established. Private label products are likely to gain a higher profile in such markets as retail chains become more important.

### **3.1 About PLMA**

PLMA's 2008 "World of Private Label", at the RAI Exhibition Centre in Amsterdam, the industry's largest trade show, reflects the global growth of retailers and their private label supply chains. This year's event is the biggest ever, with more than 3,200 exhibit stands, representing more than 1,600 companies, attracting more than 35 national and regional pavilions including new ones from Cyprus, Sweden, Macedonia, Lithuania, Malaysia and Canada promoting their products, regions and countries.

It is a place where Europe's retailers and wholesalers go to find their suppliers for their Private label programs. It is crossroad for buyers and manufacturers from nearly 70 countries where they meet to develop new private label partnerships and see latest product development. Private label made substantial progress across Europe last year as its market share increased in nearly two-thirds of the eighteen countries tracked by Nielsen for PLMA's 2008 International Private Label Yearbook.

Retailer brands maintained their high volume share levels in Western countries, reaching 40% or more in the United Kingdom, Germany, Belgium and Switzerland—and over 30% in France, Spain and Portugal. While market share levels for private label are lower in the evolving retail markets of Central and Eastern Europe, they are climbing at an even faster rate.

The growth of retailer brands is especially impressive when seen from a longer perspective. Compared to five years ago, private label's market share has increased in every one of the eleven countries that Nielsen audited during the period. Back then, private label had a volume share of 30% or more in only four countries.

For many companies Private Label Show in Amsterdam is the most important trade fair of the year, allowing them to make contacts with biggest hypermarkets, supermarkets, discounters, drugstores, importers and exporters. Special PLMA conference which is held before the show opens, offer insight on latest private label trends. It is a valuable source of market research and industry information.

The Trade Show highlights many new developments in products and packaging. Innovations from around the world were on display at a special exhibit, PLMA's Idea Supermarket. The exhibit features hundreds of products from leading retailers in Europe, the United States and around the world. The Idea Supermarket was introduced three years ago and has been expanded to display even more food and nonfood products. In addition, PLMA's New Product Expo displays products and packaging that are new to private label and being shown on the Trade Show floor.

#### **4. Motivation and Justification of the project**

Major supermarkets, hypermarkets, drug stores and discounters today offer almost any product under the retailer's brand. Private label cover full lines of fresh, canned, frozen, and dry foods; snacks, ethnic specialties, pet foods, health and beauty, over-the-counter drugs, cosmetics, household and laundry products, DIY, lawn and garden, paints, hardware and auto aftercare. Is a different partnership relationship in which the chains accepts the responsibility for managing, merchandizing and sales of product under retailer's brand and therefore put a lot of pressure on the manufacturers in terms of consistency, quality and delivery.

For the consumer, private label represents the choice and opportunity to regularly purchase quality food and non-food products at savings compared to manufacturer brands, without waiting for promotional pricing. Private label items consist of the same or better ingredients than the manufacturer brands, and because the retailer's name or symbol is on the package, the consumer is assured that the product meets the retailer's quality standards and specifications.

Therefore, Macedonian agribusiness cannot ignore this sector though many Macedonian companies, processors/exporters are unaware of the EU private label market. They need to understand the rules of private label concept and try to meet food safety standards, dynamics and volume required by the supermarket chains. AgBiz developed this project to allow companies access to a trade show floor with private label products being screened by more than 7,000 business decision making attendees from all over the world and an open opportunity to sell private label to EU supermarkets.

Based on expressed interest the program has identified companies that shows the capability to produce to the standards and volume required for this market. AgBiz justifies the project to support three companies Hina - vegetable processor from Gevgelia, Vitalia – healthy food producer placed in Skopje and InterMak – mushrooms processor from Veles to participate on PLMA based on the following:

- Gain their first access into the private label channels in Europe as very large and growing market;
- Enhance awareness of the scale of private label market and understand and evaluate its opportunities to develop strategic partnership with wholesale and retail chains;
- Improve their knowledge of specific requirements and the necessity to conform to EU food safety standards set by big retailers that are often more stringent than those of the EU;
- Identify new product types and latest trends by assessing buyers' needs and relevant competition in the private label programs segment.
- Develop contacts and sell into the EU private label market;

## 5. Participating companies at PLMA 2008 in Amsterdam, Netherlands

Companies that were selected to be supported by AgBiz to participate as exhibitor on the PLMA trade fair have already adopted HACCP and ISO 9000 / 22000 standards and have the capacity to produce a high volume of product and therefore adequate to approach the EU private label market to identify buyers, understand their requirements and pursue private label sales. The participating companies are presented in the table below:

<i>No.</i>	<i>Company name</i>	<i>Rep. Person</i>	<i>Position</i>	<i>Value chain</i>
1	InterMak -Veles	Vlatko Kostadinov Bojan Kostadinov	Managers	NTFP
2	Vitalia - Skopje	Iskra Vetadzokoska Nikola Vetadzokoski	Marketing and Sales Director Owner and Managing Director	Healthy foods
3	Tehnoalat (Hina Products) - Gevgelija	Desanka Kicukova Tome Kicukov	General Manager Sales Manager	Processed vegetables

## 6. Assistance provided by AgBiz

After identification of companies that showed strong commitment and meet the above criteria to participate on PLMA, AgBiz supported developing of a three-days Trade Fair Exhibition for 3 Macedonian participants. This has included making arrangements for providing all relevant information regarding the Private Label concept. AgBiz coordinated communication with the PLMA officials as the organizer of a pavilion and facilitated the process for registration, providing participants all applications and other documents; worked on

identifying a floor space position and in coordination with participants, develop the applications for stands construction requirements to exhibit their products; suggested all logistics necessary to send exhibiting products to the fair.

AgBiz organized a number of preparatory meetings in Skopje prior to travel. Also AgBiz opened an opportunity to companies' representatives to attend the PLMA two day conference held before the fair. AgBiz member facilitated the exhibition, helping companies in better presentation and negotiation as well as encouraging potential buyers to visit Mak pavilion.

## 7. Financing - cost share scheme

AgBiz program covered the costs for accommodation excluding Vitalia that got support under LoI already signed for the implementation of a Fast Track Project, renting space for participant's stands and registration to attend the special conference on developing private label markets.

The co-financing of this event with detailed costing structure of stand related items and contributions by the stakeholders are provided below:

	<b>Investment</b>	<b>Quantity</b>	<b>Unit cost</b>	<b>Total</b>	<b>AgBiz</b>	<b>Customer</b>
1	<i>Development of Stand</i>		<i>Euro</i>	<i>Euro</i>	<i>Euro</i>	<i>Euro</i>
1.1	Stand space rent	27	320	8,640	8,640	
1.2	Stand construction	27	150	4,050		4,050
1.3	Lightening equipment and interior décor	27	45	1,215		1,215
1.4	Exhibition membership fee	3	1,000	3,000		3,000
1.5	Electricity supply (wall socket)	3	122	366		366
	<b>Total</b>			<b>17,271</b>	<b>8,640</b>	<b>8,631</b>
2	<i>Samples for the exhibition</i>					
2.2	Products	3	150.0	450		450
2.3	Duties and Transport of samples to Amsterdam	3	350	1,050		1,050
	<b>Total samples for the exhibition</b>			<b>1,500</b>		<b>1,500</b>
3	<i>Other promotional materials</i>					
3.1	Company promotional materials	3	500	1,500		1,500
3.2	Printing and displaying promo posters for stands	6	120	720	720	
	<b>Total</b>			<b>2,220</b>	<b>720</b>	<b>1,500</b>
4	<i>Participation Costs and Travel (two person)</i>					
4.1	Accommodation for participants (5 days)	30	155	4,650	3,100	1,550
4.2	Travel /Flights	8	450	3,600		3,600
4.3	M&IE (5 days)	30	110	3,300		3,300
4.4	Exhibitor pass	6	130	780		780
4.5	Local transport and transfer (5 days)	6	56	336		336
	<b>Total Participation and travel Costs</b>			<b>12,666</b>	<b>3,100</b>	<b>9,566</b>
5	<i>PL Conference on Developing Markets</i>					
5.1	Registration fee for conference seminars	6	420	2,520	2,520	
	<b>Total PL conference</b>			<b>2,520</b>	<b>2,520</b>	<b>0</b>
6	<i>AgBiz staff member participation</i>					
6.1	Accommodation for participant (5 days)	5	155	775	775	
6.2	Travel /Flights	1	450	450	450	

6.3	M&IE (5 days)	5	110	550	550	
6.4	Exhibitor pass	1	130	130	130	
6.5	Local transport and transfer (5 days)	1	56	56	56	
6.6	Registration fee for conference seminars	1	420	420	420	
	<b>Total</b>			<b>2,381</b>	<b>2,381</b>	
	<b>GRAND TOTAL IN EURO</b>			<b>38,558</b>	<b>17,361</b>	<b>21,197</b>
	<b>GRAND TOTAL IN USD</b>			<b>58,223</b>	<b>26,215</b>	<b>32,007</b>

## 8. Outcomes and significant benefits to AgBiz Participants

Even on the first attempt PLMA proven to be very relevant place for Macedonian Agribusiness Companies to promote food products in all categories and explore the opportunities for establishing contact with key trade and retail players. This place allowed companies to be spotted by buyers from all over Europe and wider. Trade, Brand and Category Managers, were looking for products that can provide best price for quality, appealing packaging and attractiveness and satisfy the latest requirements of their customers.

This was the first time a group of companies from Macedonia to participate as exhibitors at this fair. It was an excellent opportunity for Tehnoalat, Intermak and Vitalia to enhanced understanding of private label requirements, determine the potential for sales into EU supermarkets under private label. Follow-up questioners regarding participants' exhibition results and observations were fulfilled after the trade fair.

As stated by Ms Desanka Kicukova "the companies used the opportunity to study competition offerings in their product lines, new products and ideas for expanding the assortment and adjusting it towards specific preferences of private label programs". Also they've managed to establish very important contacts with several relevant retailers/buyers with a very good perspective to lead to developing strategic supply partnership relations.

Executive Trading Director of Konzum visited the stands and discussed with Tehnoalat and Vitalia. During the conversation, were analyzed competitive strengths and ability of these companies for cooperation and supplying Konzum. With around 650 retail outlets, most of which hypermarkets and supermarkets, Konzum is the biggest retail chain on the Balkans. It was agreed their representatives to visit Tehnoalat Company in Gevgelia so they can see and assess the operations and ultimately negotiate the details and conclude the deal. Also it was agreed Vitalia to send them price list offers for supplying Vitalia branded products and as well as under Konzum private label.

Trading Manager of Idea Supermarkets from Serbia, having in their consortium also Welpro Chain, present in most of the on the Balkan countries has showed significant interest for pepper based products as well as Vitalia's healthy food program.

The latest consumer's strong emphasis on healthy food encouraged many retail chains to develop substantial private label program in the category and therefore many manufacturers created wide product pallets investing a lot in innovation in products marked as BIO that was a great advantage for Vitalia to expand its horizon. Couple of meetings was held with potential buyers on bio and organic products.

Inter-Mak had several serious meeting with buyers from Italy, Austria interested in products, comparing quality, availability and price with other suppliers of mushrooms from the Balkans specifically from Serbia. Some of them expressed willingness to visit the factory in Veles and to have a chance to talk cooperation, see the processing facility, drying and freezing lines but also they were interested in regions where the mushrooms are being collected. Also established contacts with a company specialized in developing and producing retail packaging for their specific product range.

Attending the special conference held prior to trade fair to help companies from developing markets take advantage of the opportunities in private label was of great benefit to the participants. The conference featured a full schedule of presentations and workshops devoted to private label principles, sales issues such as the procurement policies and practices of larger international retailers, export promotion, EU import rules and regulations, trade finance, supplier-retailer relations, social accountability as a tool to build exports, and quality control and risk management. Unfortunately, representatives from Vitalia and Tehnoalat though considering it as very significant were unable to attend due to other important arrangements.

Overall it can be concluded that participation of three Macedonian agribusiness companies on PLMA enhanced understanding of private label model, current opportunities and constraints to deliver highly competitive private label products to EU customers and initiated potential sales. A follow-up reports on sales obtained from the trade fair will be developed in the next quarter.

## **9. Recommendation and Follow up**

Follow up is always crucial for maximizing the benefits of the event. Thus, three companies should very promptly respond and continue communication with all contacts made during the exhibition. Further, serious well structured offers needs to be provided to all interested parties and continue with the process of upgrading the level of cooperation with most promising ones.

As participant on PLMA the companies also became members of PLMA. With this they have annual access to PLMA International Member Service Page Learn containing calendar of relevant events, publications and research data as well as the PLMA Yearbook that will give excellent insights on what retailers are doing around the world and how you can succeed in private label. This also means a great exposure to a vast number of potential buyers with very strict and clear segmentation of target groups.

Throughout the conference several very relevant meetings were held. The president of PLMA, Mr. Brian Sharof that expressed readiness to support enhancing the capacity of selected Macedonian companies to respond to private label supply chains and committed future cooperation in providing a relevant expert to give the training in Macedonia. In communication with Mr. Piero Piccardi, Member of the Board in the World Trade Center's Association being present in 91 countries presented and offered the opportunity for establishing link with WTC's as the most effective platform for presenting the Macedonian companies into the world markets.

AgBiz should continue with giving additional recommendations regarding effective approaches, activities and investments for customers that will allow their businesses to successfully sell under private label. Support program in the form of potential customer projects can help participants make the improvements in their operations needed to meet the demands of private label buyers.

Further recommendation for improvements in terms of future PLMA participation can be given on the following:

- Identify interest of companies far in advance and secure their commitment by up-front payment for the space
- Expand the group of exhibitors with companies in other categories like frozen food, beverages to create pertinent National pavilion,
- Make all registrations procedures for exhibition space on time and obtain attractive location
- Make hotels reservation several months in advance for more convenient and cheaper accommodation
- Develop support program for companies in maximizing their performance and presentation during the fair and communication with contacts establish during study tour visit, assistance for enhancing capacity of companies for the process of establishing partnership relations and negotiation with the most serious partners