

Bulletin



NAWLA - The Global Network of Channel Partners in the Lumber and Building Materials Industry

**Save
The
Date!**

**NAWLA Traders Market®
November 15-17, 2007
Hilton Anatole Hotel • Dallas, TX**

**Registration
Materials
Coming Soon!**



Softwood Export Council Trade Leads

**Bulletin 6-07
June 18, 2007**

NAWLA, through its membership in the Softwood Export Council, co-ops advertising in various trade publications around the globe. Recent ads in various international publications have produced the following trade leads:

Trade Lead #1

Company: Samtexco Trading
Contact: Sameer Dada
Address: A-716 Saima Trade Towers, I.I. Chundrigar Road
Karachi 74200 Pakistan
Telephone: + 92 300 212 7538
Email: www.samtexco-trading.com
www.samtexco@gmail.com

Trade Lead #2

Company: Konrad Berger GmbH & Co KG
Address: Hauptstrasse 9, D - 93096 Koefering
Bayern Germany
Telephone: ++49 940690070
Fax: ++49 94069 0072
Email: info@konrad-berger.de

These are "raw" leads and neither NAWLA nor SEC can vouch for the integrity of the firms submitting inquiries.

NAWLA's membership in the SEC is a gateway to the wealth of information on export opportunities for U.S. products.

Please go to the NAWLA website at www.nawla.org for a direct link to the leads.

Note: NAWLA has no immediate knowledge of companies making inquiries. It is incumbent upon those contacting these importers to satisfy themselves as to the qualifications of all referrals that NAWLA posts.

Included with this month's NAWLA Bulletin:

Softwood Export Council (SEC) Spring Newsletter

**Merrifield Consulting Group
"Global Trends For Private Label Products" Article**

NAWLA Traders Market® Exhibitor List to Date



Suggested Reading for You... and Just in Time!

Brand new for NAWLA members from the NAW Institute for Distribution Excellence:

Facing the Forces of Change: Hot off the presses and packed with insight about new and emerging trends. You must have this book. WARNING! Reading the book's Executive Summary will set the hook so firmly you'll feel compelled to read the entire book!

SMART INVESTMENTS Developing Top Performers in Wholesale Distribution. This book, also hot off the presses is an answer to your prayers. Everyone talks about the need to "attract and retain good people" but where are the solutions. In this book! Learn about "Value Training," "Owning the Training Functions Through Partnerships," how to create "A Structured Approach to Training," and, of course, "Getting Started," plus much more.

5 Fundamentals for the Wholesale Distribution BRANCH Manager. Many NAWLA members have grown through mergers and acquisitions. So now your managing branch managers or you're a new branch manager or aspiring to be one. Published in 2006, this book is yet another valuable information packed resource available at just the right time.

To order the 3 books above, offered from the NAW Institute for Distribution Excellence, please visit their website at: <http://www.nawpubs.org> and be certain to indicate you are a **NAWLA member to get preferred pricing** and quantity discounts that apply.

Happy Reading! Look for more NAWLA summer book club reading suggestions in upcoming Bulletins or send us some of your recommended reading suggestions at www.nawla.org.

2007 NAWLA Traders Market® Update

Come prepared to *kick-up-your-heels* one last time in the Lone Star state for the 2007 NAWLA Traders Market. Don't wait, as this will be your last chance to saddle-on-up at the Hilton Anatole in Dallas as the Traders Market moves to Chicago, Illinois for the next three years!

Please make hotel reservations now by calling the Hilton Anatole Hotel at (241) 761-7500. The rates are \$170/night for single occupancy and \$190/night for double occupancy. State that you are with NAWLA and the group code **NAW**. The cut-off date for reservations is **Friday, October 12, 2007**. Rates and room availability are on a first-come, first-served basis. You can also make online reservations by visiting www.nawla.org/meetings/tradersmarket. Click on the link for the Hilton. Official registration materials will be mailed in early July.

Your 10-gallon hat will be plump full of information after attending this years Educational Programming!

Need to energize your Sales Force? Send them to a full day of business producing sales training on Thursday, November 15, with James Olsen, President of Reality Sales Training and author of [Selling Lumber, Sales Secrets of a Lumber Broker](#). Through discussion, role playing and hands-on practice, industrial suppliers, wholesale distributors, and office wholesalers will learn about prospecting, needs analysis, full disclosure selling, closing and more! *An additional fee is required for this program.*

On Friday, November 16, fellow associations, HPVA and WRCLA, will offer presentations on what is timely for their constituencies. You will not want to miss Friday's educational session, *North American Economic Outlook for 2007 – 2008* with Dr. Stanley F. Duobinis, President of Crystal Ball Economics. Brought back by popular demand from the NAWLA Executive Conference, Dr. Duobinis will present his economic overview and industry outlook for 2007 and beyond. As the former Director of Forecasting of the National Association of Homebuilders (NAHB), Dr. Duobinis specializes in the construction and housing industries.

His insightful analysis on job growth, financial conditions, consolidation, regional and national housing outlook and a host of other pertinent industry topics will give NAWLA member decision makers a firm footing on which to chart the course of their future success.

NAWLA Traders Market Update cont.

On Saturday, November 17, join us for the Magellan Club Breakfast & Program. The keynote speaker is John Wadsworth, Managing Director of Intermark Limited. Mr. Wadsworth, an Englishman, has invested most of his highly substantive career studying, researching and commenting on global timber trade including sawn wood, panel products and paper. As a much sought after consultant he has completed over 350 projects in 60 countries typically concerned with export markets, new investments, acquisitions and new product development. *An additional fee are required for this program.*

*Don't forget to book your hotel room
for the
2007 NAWLA Traders Market*



**The NAWLA Wood Basics Course
September 10-13, 2007
Corvallis, Oregon**

The NAWLA Wood Basics Course is an intensive, four-day training experience that is custom-tailored to the forest products industry. This course is a must-attend for employees and management with two weeks to two years of experience in all areas of their companies. Since its inception in 1981, over 1,300 lumber professionals have graduated from this course.

While receiving specialized training, students interact closely with one another throughout the course, developing close ties that will benefit them throughout their careers. Course topics include Forest Ecology, Engineered Products, Transportation, Grading, Structural Panels, Lumber Manufacturing, Dimension Lumber, Specialty Products, Environmental Issues and many more. This course also includes mill tours and a trip to a working instructional forest.

NAWLA Bulletin Sponsorship Opportunities
Looking for some additional exposure?
Consider sponsoring the NAWLA Bulletin. The Bulletin is an excellent way to increase both name and brand recognition. Sponsorship includes a banner on the top front page with your company information.

**Please contact Susan Skorich at:
sskorich@nawla.org if you are interested.**

Please Welcome NAWLA's Newest Members!



RISI (SA)

4 Alfred Circle
Bedford MA 01730
Contact: Dan Blenk
Phone: (781) 734-8942
Fax: (781) 271-0337

Website: www.risiinfo.com

Recruited by: *Terry Hagen, IWP* and
Ben Paul, Buckeye Pacific

RISI is an information provider for the global forest products industry. They work with clients to help them make better decisions.

Florida Lift Systems (SA)

115 South 78th Street
Tampa FL 33619
Contact: Austin Cline, Jr.
Phone: (813) 621-1000
FAX: (813) 626-4713

Website: www.floridalift.com

Recruited by: *Pete Pereda, Weekes Forest Products*

Florida Lift Systems sells Toyota forklift trucks, fleet management/metrics, rentals, parts, service and training for all manufacturers. They also provide CAD design and layout services as well as storage rack systems.

Industry News



Mark Tesch has joined **American Lumber** as a sales associate.

Swanson Group, Inc. announced they have entered into an agreement with **McKenzie Forest Products, LLC** to purchase its Springfield, OR plywood and veneer facility.

The Parksite Group announced the appointment of *Scott L. Gettelfinger* as its director of commercial sales.

Capital Lumber welcomes *Sam McIntyre* as account manager for its Phoenix division.

Paul Richard Laughlin, 66 an inside lumber salesman for over 30 years for **Schultz, Snyder & Steele/North Pacific** passed away June 2nd.

**NAWLA 2007-2008 Regional Meeting Schedule
dates and locations will be posted in the next
NAWLA Bulletin!**

NAWLA Buyers' School December 10-13, 2007 Chicago, IL



Join us this winter for the powerful NAWLA Buyers' School. You will not want to miss the extraordinary offerings, recent enhancements and program updates to the School as designed by the NAWLA Education Committee. This 3 ½ - day School includes several expanded offerings: session on Inventory Management, session on Hedging Strategies for Office Wholesalers, a Transportation & Logistics Panel of industry experts (office wholesaler, stocking distributor, manufacturer, railroad company, and a logistics manager), numerous industry-specific case studies and an ethics program.

This years top-notch programming and instructors:

- *John McKeller, D.B.A., C.P.M., President of McKeller Company, LLC, and assistant professor at the University of Wisconsin – Madison School of Business* – 2-days on supply chain management and organizational negotiations

Concurrent Sessions: attendees choice

Jason Bader, The Distribution Team, Portland, Oregon – concurrent session on Distribution and Inventory Management

- or -

Errol Baxter, Associate Director of Commodity Products, CME – Chicago Mercantile Exchange – concurrent session hedging strategies for Office Wholesalers

- *Frank Bucaro, Frank C. Bucaro & Associates, Inc., Bartlett, Illinois* – ½-day session on ethical leadership, the “ethics gap” and succeeding when others bend the rules
- Representatives from Bertling Logistics and Burlington Northern Santa Fe have also been invited to participate as panelists.

The School will close with the Graduation Luncheon on Thursday, December 13. Official registration materials with location information will be available in late July. For further questions regarding the program, please contact NAWLA at (847) 870-7470.

Don't Forget To Mark Your Calendars For These Upcoming Industry Events



June 21-23

Southern Forest Products Association

Georgia World Congress Center - *Atlanta, GA*
(504) 443-4464, ext. 214 www.sfpaexpo.com
EXPO 2007 - 29th Forest Products Machinery & Equipment Exposition

June 27-30, 2007

Temperate Forest Foundation - Portland, OR

(503) 579-6762 www.forestinfo.org
Pacific Northwest Teachers Tour

July 12-15, 2007

Mississippi Lumber Manufacturers Association

Grand Casino & Resort - *Tunica, MS*
(610) 982-1731 www.mslumbermfg.org
Mid-Year Convention and Trade Show

July 18-21, 2007

Temperate Forest Foundation - Escanaba, MI

(503) 579-6762 www.forestinfo.org
Lakes States Teachers Tour

July 19-21, 2007

Western Red Cedar Lumber Association

Grand Okanagan Resort - *Kelowna, BC*
(604) 891-1231 www.wrcla.org
WRCLA Annual Cedar Conference

July 22-24, 2007

Appalachian Hardwood Manufacturers, Inc.

The Greenbrier - *White Sulphur Springs, WV*
(336) 885-8315 www.appalachianwood.org
Summer Family Conference

July 26-28, 2007

Southeastern Lumber Manufacturers Association

Lansdowne Resort - *Leesburg, VA*
(404) 361-1445 www.slma.org
Annual Conference

July 26-29

NOFMA - The Wood Flooring Manufacturers Association

Amelia Island Plantation - *Amelia Island, FL*
(901) 526-5016 www.nofma.org
Mid-Year Meeting

July 27-28, 2007

Missouri Forest Products Association

Lake Ozark, MO
(573) 634-3252 www.moforest.org
Annual Meeting

August 4-7, 2007

Window & Door Manufacturers Association

Cambridge, MD
(847) 299-5200 www.wdma.com
Summer Meeting

August 8-11, 2007

Temperate Forest Foundation - Saranac Lake, NY

(503) 579-6762 www.forestinfo.com
Northeastern Teachers Tour

September 5-10, 2007

Hoo-Hoo International

Hervey Bay - *Queensland, Australia*
(870) 353-4997 www.hoo-hoo.org
International Convention

September 11-15, 2007

Wood Moulding & Millwork Producers Association

Fairmont Lake Louise - *Lake Louise, AB*
(530) 661-9591 www.wmmpa.com
Summer Business Meeting

September 12-15, 2007

National Hardwood Lumber Association

Washington Hilton - *Washington, DC*
(901) 377-1818 www.natlhardwood.org
Annual Convention

Quote of the month

*"It's not what you look at that matters,
it's what you see." - Henry David Thoreau*

Keep The News Coming!

Contact us at:

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Website Address: www.nawla.org

Editorial ideas, quotes, and news stories go to
lrowe@nawla.org



2007 NAWLA Traders Market®

Exhibitor List to Date (6/15/07)



Over 270 Exhibitors to Date!

Booth space for the NAWLA Traders Market is almost at capacity, don't miss your opportunity to showcase your company's products.

Contact NAWLA today at 847.870.7470

A.E.R.T./MoistureShield
Abitibi-Consolidated Inc.
Ainsworth Group of Companies
All-Fab Building Components, Inc.
Allwood Industrials
Anglo American Cedar Products
Ante-Holz GmbH
Anthony Forest Products
Anton Heggenstaller GmbH
Arauco Wood Products
Arch Wood Protection
Arrow Reload Systems Inc.
Ashton Lewis Lumber Co.
Asia Building Materials Limited
Auto-Stak Systems, Inc.
BLG Cargo Logistics GmbH & Co. KG
BNSF Railway
Beadles Lumber Company
Benjamin Obdyke Incorporated
Bennett Forest Industries
Bennett Lumber Products
Biewer Lumber
Bitterroot Valley Forest Prds.
Boise Wood Products
Boozer Laminated Beam Co.
Brite Manufacturing Inc.
Buchanan Lumber Sales
Buse Timber & Sales, Inc.
C&D Lumber Co.
CMPC
Cabot
Canadian Forest Products Ltd.
Canadian National Railway
The Carolina Plum, Inc.
Carrier Lumber Ltd.
Cascade Structural Laminators
Cedar Valley Shingle Systems
Cedarsource Manufacturing, Inc.
Centre Island Cedar Products Ltd.
Century Aluminum Railings
Cersosimo Lumber Company
Chicago Mercantile Exchange
Coastal Lumber Company
Coastal Plywood Company
Collins Companies
Columbia Cedar
Colville Indian Plywood & Veneer
Colville Indian Precision Pine Co.
Combilift Ltd.
Composatron Manufacturing
Correct Building Products LLC
Cowichan Lumber Ltd.
DMSi
Dakeryn Industries Ltd.
Desticon Transportation Services Inc.
Diacon Technologies Ltd.

Digger Specialties, Inc.
DiPrizio Pine Sales
Disdero Lumber Company
Domtar Inc.
Duckback Products, Inc.
Dunkley Lumber Ltd.
Durgin & Crowell Lumber Co., Inc.
Eagle Plywood Specialties
East Texas Forest Products
Elk Composite Building Products, Inc.
Elk Creek Forest Products
Emerald Forest Products
Empire Lumber Company
FLW Wood Products, Inc.
Federated Co-operatives Limited
Filler King Company
Finnforest USA - Engineered Wood Div.
Fletcher Wood Solutions, A Tenon Co.
Florida East Coast Railway
Forest Grove Lumber Co.
Forest Products Distributors, Inc.
ForesTel, LLC/NAWLA TeleLink
Fritch Mill
GRK Fasteners
Gator Joist LLC
Gilbert Smith Forest Products Ltd.
Gilman Building Products
Gorman Bros. Lumber Ltd.
Great Southern Wood Preserving
Great Western Lumber Company
Greenland Composites Inc.
Gulf Trading LLC
Haida Forest Products Ltd.
Hampton Lumber Sales
Hancock Lumber Company
Hankins Lumber Sales
Hardel Mutual Plywood
Hoover Treated Wood Products, Inc.
Huber Engineered Wood LLC
Hy Mark Wood Mfg., Inc.
ISIS Wood Product Solutions Inc.
Idaho Timber Corporation
Idaho Veneer Co.
Independent Dispatch, Inc.
Industries Perron Inc.
Inter Dyn-Artis
INTERFOR
INTERFOR PACIFIC
International Beams Inc.
International Forest Products - IFP Canada
InterWrap Inc.
Irving Forest Products
Jager Engineered Wood Products
Norman G. Jensen, Inc.
J.W. Jones Lumber Co., Inc.
K Ply, Inc.
Kalesnikoff Lumber Co. Ltd.
Kenora Forest Products
Klausner Group
Klenk Holz AG
Kott Lumber Company
Krauter Storage Systems
Kullik & Rullmann AG German Timber Export Co.
LP Building Products

There's more...

LWO Corporation
Lake States Lumber, Inc.
Lazy S Lumber, Inc.
Leslie Forest Products Ltd.
Lewis County Forest Products L.L.C.
Limington Lumber
Long Hoh Enterprises Canada Ltd.
Lumber Loc/KK Mfg. Co., Inc.
Lumbermen's Underwriting Alliance
Magnolia Forest Products
Maibec Industries Inc.
Majure Data, Inc.
Malheur/Ochoco Lumber Company
Manke Lumber Co., Inc.
Manning Diversified Forest Products Ltd.
Martco Limited Partnership
Mary's River Lumber Company
Masisa USA
Master Mark Plastics
Maze Nails
McShan Lumber Co.
Middle Tennessee Lumber Co., Inc.
Midwest Reload
Mill Direct Sales
Mill River Lumber Ltd.
J. Mueller Breakbulk Terminal GmbH & Co. KG
Murphy Plywood
NAWLA
Neiman Enterprises, Inc.
Nordic Engineered Wood
NorSask Forest Products Inc.
North American Reload, Inc.
North Florida Lumber Co., Inc.
Northland Forest Products Inc.
Nova USA Wood Products
Old Town Lumber Co.
Oregon-Canadian Forest Products
PPG Machine Applied Coatings
The Pacific Lumber Company (PALCO)
Pacific Western Wood Works Ltd.
Pacific Woodtech Corporation
Pactiv Building Products
Palliser Lumber Sales Ltd.
Pat Power Forest Products Corporation
Patriot Timber Products, International
Pattar Cedar Products Ltd.
Pennsylvania Lumbermens Mutual Ins. Co.
Pine Tech, Inc.
Plum Creek
Pope & Talbot, Inc.
Porcupine Wood Products Ltd.
Postsaver USA
Potlatch Corporation
Power Wood Corp.
Precision Lumber Co.
Premier Forest Products, Inc.
PrimeTECH
Probyn Group Ltd.
Progressive Solutions Inc.
QB Corporation
RBI Enterprises, Inc.
RPM Wood Finishes Group
RSI/Recruiter Solutions Intl. - Forest Products Group
Reality Sales Training
Redwood Empire
Reload Inc.
Rielly Industrial Lumber
Riley Creek Lumber Company
Robbins Lumber, Inc.
Roberts International Corporation
Rosboro
Roseburg Forest Products Co.
The Safer System
SASCO, Inc.
Sawarne Lumber Co. Ltd.

Scoopsoft/BCE Business Solutions
Seattle-Snohomish Mill Co., Inc.
Selkirk Specialty Wood, Ltd.
Seneca Sawmill Company
Shakertown 1992, Inc.
Shasta Green Inc.
Shawood Lumber Inc.
Sherwin-Williams Co.
Sierra Forest Products
Sierra Pacific Industries
Simpson Timber Company
Sinclar Enterprises Ltd.
Siskiyou Forest Products
Skana Forest Products Ltd.
Snaveley Forest Products
Snider Industries
The Softwood Forest Products Buyer
South Coast Lumber
Spruceland Millworks Inc.
Stallinger Timber Industries
Starborn Industries
Stimson Lumber Company
F.H. Stoltze Land & Lumber Co.
F.C. Stone
Stora/Enso Timber Group
Sunbelt
Sundance Forest Industries Ltd.
Sunset Moulding Company
Swan Secure Products, Inc.
Swanson Group Sales Co.
TAMKO Building Products, Inc.
TATA Enterprises, Inc.
TMO Global Logistics
The Teal-Jones Group
Teton West Lumber, Inc.
Tiger Deck LLC
Timber Products Inspection, Inc.
TimberTech
Tolko Marketing & Sales Ltd.
TradeTec Computer Systems Ltd.
Tri Pro Cedar Products, Inc.
TrimJoist Corporation
Trinity River Lumber Company
Tripp Lumber Company
Tristar Companies
Tri-State Lumber Co., Inc.
Trout River Lumber LLC
C.M. Tucker Lumber Companies LLC
Ty-Lan Enterprises, Inc.
U.S. Fence
Union Pacific Railroad
Universal Forest Products
Vaagen Bros Lumber Inc.
Versatex Trimboards
Visscher Lumber Inc.
The Waldun Group
Warm Springs Forest Products Industries
Watkins Sawmills Ltd.
Weaber, Inc.
Weiss Group
Welco Lumber Corp.
West Bay Forest Products & Manufacturing Ltd.
West Fraser Mills Ltd.
Western Forest Products Inc.
Western Lumber Company, LLC
Westervelt Lumber
Weston Forest Group
Westran Services Limited
Westridge Forest Products
Westshore Specialties
Weyerhaeuser Company Ltd.
Williams Lumber Co. of NC, Inc.
Wood Priming Products
WoodPro Software Inc.
Woodtone Building Products
Wynndel Lumber Sales Co. Ltd.
Yakama Forest Products
Zip-O-Log Mills



GLOBAL TRENDS FOR PRIVATE LABEL PRODUCTS (PLPs)

Supplement to the June 18, 2007 NAWLA Bulletin

By: D. Bruce Merrifield

Merrifield Consulting Group, Inc., Article 1.19

Anyone who is occupationally affected by or intrigued with the rapid increase in global PLP sales should carefully read the book *Private Label Strategy: How to Meet the Store Brand Challenge*. (Published Jan/07; authors: Kumar and Steenkamp.) This well-researched, written and comprehensive book focuses on the global, best practices for consumer PLPs or "store brands". But, many of the book's statistics, economic studies and summary guidelines can be readily applied to the accelerating sales of PLPs within commercial/industrial distribution channels in the U.S.

This article will summarize some of the book's highlight findings and then pose some questions for distribution-channel players to think about.

First, PLP sales are growing at the expense of manufacturers' brands around the world:

- Worldwide (retail) PLPs' total sales have passed \$1 trillion.
- Total PLP share of global, retail sales was approximately 14% in 2000 and on trend to hit about 22% by 2009, a 50% increase. In North America, the share gain appears to be going from 20% to 27%. Wal-Mart has, however, already achieved 40% of its sales on store brands.
- The US is actually a laggard in total PLP sales among first world economies. W. European countries range from a low of 25% to a high, in Switzerland, of 38%, and the US will presumably close some of that gap as retail consolidation catches up with Europe's.
- Store brands are present in 95% of consumer product goods categories. Even Barnes and Noble is shooting for 10-12% of its sales to be on store brands by 2008. Their Sparks Notes series, for example, is an equal or better quality knockoff (at least they have more pages) of the Cliff Notes series that I relied on in high school, but costs \$1 less per volume.
- Number one factory brands around the world are still, on average, growing very slowly. Therefore store brand growth is coming entirely, again on averages, out of the share that has belonged to all of the other, lower-ranking, brand names.
- The simple reasons for why store brands are succeeding are: too many name brands have become unchanging commodities that can be reverse engineered – quickly, accurately and cheaply – then made and sold for a lot less than the brand name goods. Consolidating store chains control the retail location traffic and shelf-space for displaying the copy cat products right next to the targeted brand product with unconditional satisfaction guarantees. And, consumers continue to test the products, find real value and spread the word.

PLP sales have shifted supply chain profit power to the retailers from the name brand manufacturers.

- One third of consumers are loyal to the stores (as a brand itself) where they shop ; 50% are still loyal to name brands and will go to whatever store stocks them; and 27% are undecided.
- Between '96-'03 retailers gained 5 share points of the combined manufacturer-retailer profit pool and 50% of the incremental growth in the total supply chain profit pool.

Retailers have deployed a range of PLP brands:

- The original, **generic** PLPs were historically of inferior, even shoddy quality and sold at the lowest price as a minimally sufficient solution. After declining to low-levels of total sales, "value labels" are making a comeback with better quality and unconditional satisfaction guarantees.
- 50% of all PLPs are "**copy cat**" products that clone the quality and look of the best selling brand items as close as is legally possible.
- Many stores now also have "**premium**" label products like: "President's Choice" (at grocery chains), "Sam's Choice" (at WMT) and "Kirkland" (at Costco). These products usually are of better quality than the target brand, but still sell for less.
- And, some stores have total **supply chain value propositions** with focused business models that allow deep discounts on both copy cat and unique product brands like Aldi and Trader Joe's (food stores) and Ikea (furniture). These players have grown the fastest, made the best return on assets, but also are the most restricted by their tight strategic scope.
- The average price discounts from the name brands for the different qualities of PLP are: 56% if the PLP brand is perceived to be inferior (generic/value); 37% for copy cat brands of equal quality; and 21% for premium store brands. One study in the book concluded that 23% of the name brand's price premium was derived from the "imagery" effects that advertising has achieved in consumers' minds over time. These averages mask big ranges in both price differences and market share of unit sales for PLPs. Copy cat PLPs in the "Personal Products" category average 45% less than name brands and have only 4% of the unit share. At the other extreme, "Refrigerated Food" PLPs sell for 16% less and have a 32% category share. Categories with the strongest brand power force PLPs to be discounted the most and still get the lowest share.

The book has in depth research on "price gap management" which involves choosing the prices for both the competing brand name and store brand items as they sit side by side on a shelf. The authors also point out that many retailers put too much emphasis on the better margin percentages that they get on store brands instead of focusing on: "the profit dollars generated per square foot of space and duplicate inventory investment costs". *Different studies in the book conclude that 50% of PLP brands are net losers from a profitability perspective even though the store brands have higher margin percents built into their lower price.*

How so? If, for example, a store brand is sold for a price that is 30% less than the name brand while getting a 25% margin on the store brand versus a 20% margin on the name one, then the net margin dollars are less on the store brand per square foot. And, the store now has at least twice the SKU/inventory costs.

- PLPs give stores buying leverage with brand manufacturers that will deal in order to minimize the loss of both shelf space and volume to the competitive store brands;
- PLPs give stores unique value offerings, especially the better-quality-for-lower-price labels, which grow customer loyalty for the store; and,
- If more loyal customers buy over time more store brands, then those customers will become more profitable and loyal.

The authors cite studies that prove that the first two factors do have modest value, but that the third hope is just that.

Besides the 50% un-profitable, store-brand-item issue, the authors cover other pitfalls for store brands. The retailers that have gone beyond simple copy cat product creation have backed into all of the marketing activities that the brand manufacturers have always done, such as: consumer research; product development; (sourcing/contracting) manufacturing, quality-control and logistics; and advertising. Many retailers don't do all of these activities as well as they need to, nor do the smaller chains have the economies of scale that name brand manufacturers do with universal distribution volume which, in turn, supports the cost of advertising to build "imagery" value.

WHAT SHOULD MANUFACTURERS DO TO COUNTER THE PLP GROWTH TREND?

The second half of the book is dedicated to answering this question. The six chapter headings are:

- Produce Private Labels For Greater Profits
- Partner (the PLP retailers) Effectively To Craft Win-Win Relationships
- Innovate Brilliantly To Beat Private Labels
- Fight Selectively To Marshall Resources Against Private Labels
- Creating Winning Value Propositions For Manufactured Brands
- Are Brands Dead?

To unfairly summarize all of these chapters: none of these "strategies" are easy; and, PLP clones will continue to cherry-pick away at mature, unchanging branded items. Manufacturers will benefit from giving these chapters a careful read.

CLOSING OBSERVATIONS AND QUESTIONS

1. Many wholesale-distributors and retailers of all sizes have sourced private label clones from Asian producers. Offering copy-cat products of the most popular, simple commodities at lower prices with fatter margin percents has usually resulted in quick "new" sales. But,
 - a. What percent of these sales are to new customers as opposed to cannibalizing sales to old customers that were already buying the branded products that yielded almost the same total margin dollars (albeit at a lower margin percent times a higher price)?
 - b. With long supply lines from Asia, plus container quantity shipments, are the clones really turning-and-earning as well as we might think with equal or better fill-rate satisfaction for customers that have switched from standard brands?
 - c. Even if the first wave of copy-cat products proves to be a winner using the more thorough total economic analysis from this article's featured book, when will we cross the line into the 50% of PLP items that aren't profitable? Could we develop a total math model to help us better define that breakeven zone?
 - d. What are the criteria for ranking which items should be cloned first to last? Should the criteria be modified and re-weighted for each new category of items and for each different segment of customers that a category might be sold to? If so, how? Is psycho-demographic analysis a core competency of the company?
 - e. As we source more items and do more repeat buys from Asian sources, how do we stay on top of those producers' all-around reliability and economic efficiency? Should we consider outsourcing all of these problems to a firm like Li and Fung that has grown into a giant, supply-chain, process manager for store brands at huge apparel chains and now has an "industrial division"?
2. In industrial/commercial channels the buyer of goods can often be different than the eventual, internal user of the goods. As cost-controllers at headquarters declare new cost-cutting mandates on purchasing departments, the company's internal users, who may be loyal to traditional brands, may be disappointed with private label alternatives.
 - a. Won't the decision of whether to develop generic, copy cat or premium PLPs be potentially very context and customer-type specific? Distributors often sell products across a number of segments which may have different buying, brand-reaction patterns.
 - b. Because wholesalers, unlike retailers, can't control retail-traffic, shelf-space, in-store advertising and product demonstrations, how should PLPs be sold to both purchasing people and commercial end-users to make up for the merchandising advantages that retailers have?
 - c. Could mimicking the PLP strategies from the world of retailers be less successful in a commercial/industrial distribution channel? Which ones and why?

In closing, *the importance of making the right PLP decisions for all manufacturers, distributors and retailers will continue to grow*. Our understanding of what has already happened in this topic space needs to catch up and stay on the leading edge. Thoroughly digesting and discussing the book, "Private Label Strategy", is a first, easy step. Meeting with the author(s), representatives from Li and Fung and the PLP teams from other, most-progressive, non-competitive distributors and retailers might be a good second step for what could be an important journey over the next 5 to 10 years. If any readers have interest or ideas about such a conference, please let me know

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