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# DELLMART & COMPANY

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MANAGEMENT CONSULTANTS

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November 30, 2006

**2006**

**PRIVATE LABEL**

**BUYERS SURVEY**

March, 2007

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# INTRODUCTION

*Are Private Label Suppliers satisfying their customers' expectation?*

- *Where do they exceed expectations?*
- *Where do they need to improve?*

*Are there differences in customer service among the retail channels?*

*Which industry issues are important to Private Label Buyers?*

These are just some of the questions answered in this survey and report. Retail evolution has moved from mass to target (consumer) marketing and merchandising. This has included not only product selection, but also format, pricing and promotion variations. Private Label continues to gain in importance for retailers in their efforts to be different than their competition.

Dellmart & Company is a Management Consulting firm assisting retailers, wholesalers and suppliers of food and consumer products. Our field-to-shelf work coupled with international experience provides us with a unique perspective on the industry and Private Label. We have documented the Private Label evolution from our pioneering Direct Product Profit (DPP) studies to our more recent Activity Based Costing (ABC) study for PLMA. Private Label has been transformed from limited selection and excess retail space providing minimum profit contribution to approaching 25% store sales and significant profit.

Assisting clients, we have collected a wide range of performance information and industry averages. While much information is available, little focuses on the Private Label arena. National Brand suppliers and trade associations fund many studies. The problem is these are focused on National Brands and specific trade channels. The retail world has changed. Products once only sold in supermarkets are available in clubs, supercenters, home improvement centers and stationary supply stores. This change gives rise to cross channel questions. Dellmart & Company decided to perform what we plan to be an annual survey to track Private Label across all channels. This 2006 survey looks at the following:

- Communication – How well are Private Label suppliers communicating with buyers?
- Service – How well are Private Label suppliers transacting business?
- New Product Process – How well is the new product process being performed?
- Industry Issues – What topics are of most interest to Private Label buyers?
- Future New Products – What new product types do Private Label buyers want?

Dellmart & Company's 2006 Private Label Survey was designed to answer questions for both buyer and seller.

- For buyers, each participant is receiving a custom report comparing their responses with their peer group and total survey. This is intended to assist them in seeing what others in their channel are thinking and help identify opportunities.
- For suppliers, this survey documents how they are doing in the eyes of their customer. Where are they exceeding expectations and where are there opportunities to improve.

We wish to thank the participants of this survey. This would not have been possible without your taking the time to complete our questionnaire. We know there is much interest in the findings due to the high return percentage.

W. Frank Dell II, CMC

## EXECUTIVE SUMMARY

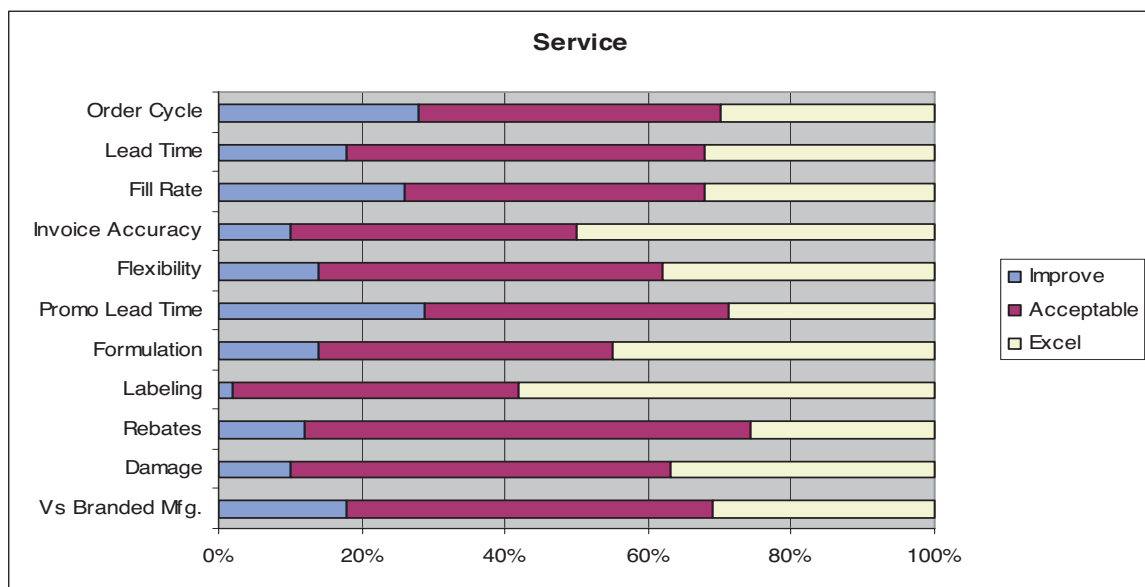
Dellmart and Company's 2006 Private Label Buyers Survey is unique in many aspects. This is the first time a study has been undertaken across such a wide range of trade channels. Participants operate supermarkets, drug, supercenters, membership clubs, hardware, and home improvement stores. Survey participation was high and responses varied. Participating companies had sales in excess of \$564 billion and operate over 85,000 stores. They sell over 100,000 private label items and offer 3,000 different store brands. The average participating company has \$12.8 billion in sales operating 1,900 stores.

On the surface, the reported 53% monthly or more frequent direct communications between Private Label buyers and manufacturers seems high. When considering the predominant use of brokers by Private Label Manufacturers, a lower communication frequency was expected. This high communication frequency is explained by problem resolution being reported by 78% of study participants as the reason. A high incident of problems is the result of poor communication and/or execution. Problem resolution is a non-productive use of either buyer or seller time and does little for the consumer.

Buyer and seller need to clearly communicate with each other to minimize problems. Small and medium size Private Label manufacturers should meet with their buyer on a semi-annual basis. Larger Private Label manufacturers should potentially meet quarterly. These meetings should be of substance and geared to satisfying consumers, exchanging information and increasing sales.

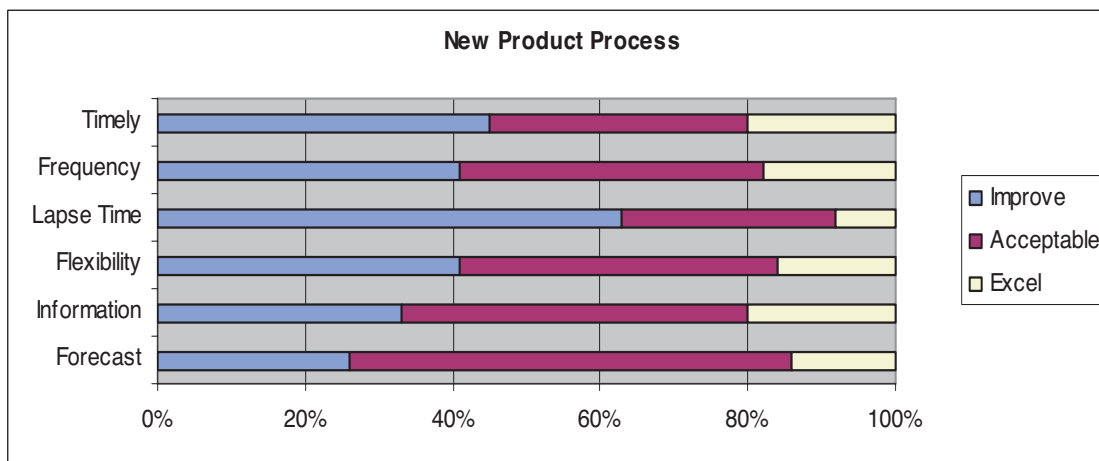
The most important measure of a supplier's service is through the eyes of their customers. Private Label buyers rated all service measures in the acceptable range, although most were at the low end of the range. When Private Label suppliers were compared with National Brand suppliers they received a low but acceptable rating.

Private Label buyers would like to see increased flexibility in promotional lead time, shorter order cycle time and a higher fill rate.

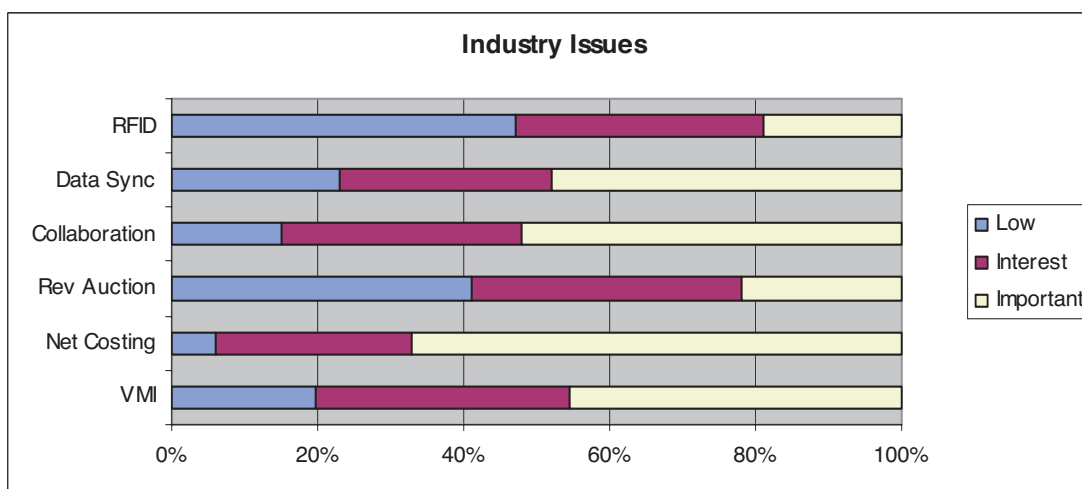


New Products are the life blood of every enterprise. For Private Label suppliers this is not an easy process. Each new item must have an acceptable formulation, label and meet industry and government standards. For Private Label buyers the process requires making hard decisions. Study participants rated all the new product processes components as needing improvement. Total time from concept to delivery received the lowest score of all questions in the survey. One can not be sure if the explosion in new Private Label items has overloaded the new product process or if the process is broken.

Private Label buyers are sending a very clear message that their expectations are not being met. Private Label suppliers need to completely redesign their go to market process.



Every few years a new concept is promoted to the industry as its salvation. Rarely does it work out so simply. Each new concept requires investment in people and time. For Private Label buyers the issue is which of these concepts is my competition concerned with. For the Private Label supplier the issue is which of these concepts is my customer concerned with. Neither buyer nor seller has the time or money to invest in concepts that will not become widely accepted. The message from Private Label buyers is very clear. Dead Net Costing is most important and scored the highest of all survey questions. Collaboration came in second. Both Data Synchronization and Vendor Managed Inventory are of interest, but not a top priority. There is little interest in RFID and it appears Reverse Auctions time has passed.



An important driver for Private Label growth has been the introduction of new items. The question posed is “what product types are Private Label buyers most interested in?” The results should not be viewed as finite as participating firms are responding from different points in their evolving Private Label program. The top three product types are National Brand Equivalent/Better, Value/Good and Organic/Natural. Organic/Natural’s third place finish was not surprising considering the recent introduction of Safeway’s “O” store brand and Wild Oats selling Private Label products to select supermarket chains. Super-premium/Best type products were ranked fourth.

Dellmart & Company’s 2006 Private Label Buyer Survey brings new insight to an important and growing retail segment. Product categories are no longer sold exclusively in a single trade class thus it is important to survey all trade channels. Private Label buyers indicated their preference as:

- Semi-Annual meetings should be held for small to medium suppliers and quarterly for larger ones. These meeting should be of substance including trends and new products. There is great need to move from problem resolution to a focus on selling products consumers want. Progress will be slow until the problems are resolved.
- Overall they view supplier service as acceptable, but there are opportunities for improvement. Promotional lead time and order cycle time need to be reduced or shorten. Fill rate needs to increase.
- The New Product Process is unacceptable to Private Label buyers in all aspects. This process needs to be re-designed to reflect the needs of today’s buyers.
- Dead Net Costing and Collaboration are industry issues most important to buyers. The future of rebates requires further study. RFID and Reverse Auction hold little interest for Private Label buyers.
- Private Label buyers’ preferences for new product types are National Brand Equivalent/Better, Value/Good and Organic/Natural.

In summary, Private Label buyers rate the current state as acceptable, but there is room for improvement. Study participants utilizing in-house brokers were generally less satisfied than those that did not use them. The priorities going forward are ... *clearly communicate to resolve problems, re-engineer the new product process and evaluate Dead Net costing.*

## FINDINGS – COMMUNICATION

Good communication is essential for transacting business. When communications are poor between buyer and seller the results are always problematic. For many reasons, most Private Label suppliers use brokers to manage and execute their sales functions. The exceptions are those retailers that will only deal directly with suppliers and retailers that manufacture their own Private Label products. Therefore, the majority of communication between buyer and sell is through a 3<sup>rd</sup> party. Private Label brokers have evolved into master or in-house brokers in theory providing more than just sales and order taking. Our objectives in this section are to determine what the current state in frequency and quality of communications are between buyer and supplier.

1. How frequently buyer and seller (excluding brokers) communicate is our starting point. Over half reported monthly or more frequent communications.

<b><u>Communication Frequency</u></b>	
Monthly/Frequent	52.9%
Quarterly/Semi-Annual	25.5%
Rarely/Annually	21.6%

Larger retailers reported the most frequent direct communications. As expected retailers not utilizing in-house brokers reported higher direct communication frequency.

2. Communication frequency is important, but the more important issue is what is being discussed.

<b><u>Communication Reason</u></b>	
Resolve Problems	78.4%
New Product Development	66.7%
Sales Presentation	62.7%
Place Order	15.7%

The top ranking topic for buyer/seller communication is to resolve problems. This is the least productive use of limited communication time. Poor communication and/or execution are the most common reasons for problems. Survey response indicated this is an area for real improvement. The low ranking of order placement confirms that electronic ordering is the preferred and most common method used.

3. Should the frequency of meetings be changed?

<b><u>Meeting Frequency</u></b>	
Increase	34.0%
No Change	66.0%
Decrease	0.0%

No one thought that meeting frequency should be reduced. The majority reported no change in meeting frequency was required. A significant percentage thinks an increase is needed. Those calling for more frequent meetings are smaller retailers and those utilizing in-house brokers.

#### 4. Should the quality of meetings be changed?

<b><u>Meeting Quality</u></b>	
Needs Improvement	23.5%
Acceptable	56.9%
Very Productive	19.6%

The majority reported that meeting quality was acceptable, although there is a call for improvement by 24% of respondents.

On the surface, the reported monthly or more frequent direct communication between Private Label buyer and manufacturer of 53% seems high. When considering the predominant use of brokers by Private Label manufacturers, a lower communication frequency was expected. This high communication frequency is explained by problem resolution being reported by 78% of study participants. This high incident of problems is the result of poor communication and/or execution. Problem resolution is considered a non-productive use of a buyer and sellers time.

Buyer and seller need to clearly communicate with each other to minimize problems. Small and medium size Private Label manufacturers should meet with buyers on a semi-annual basis. Larger Private Label manufacturers should potentially meet quarterly. These meetings should be of substance and geared to satisfying consumers, exchanging information and increasing sales.

## FINDINGS – SUPPLIER SERVICE

Most companies prepare Key Performance Indicators (KPI) to inform management how their operations are performing. Some may be financial measurements while, other are physical in nature, like cases shipped. Much of this work is self-serving to appease management. Frequently, companies claim high service levels like fill rate, but ignore other measurers. The only true measure of service is through the eyes of the customer. Whatever the internal performance measurements report, if the customer is not happy it simply does not matter.

The bar for customer service continues to rise. Retail customers have higher expectations and ever increasing demands. Every retailer wants low out-of-stocks, low inventory and high inventory turns. National Brand suppliers pride themselves on high service. There is a difference between National Brand and Private Label. National Brand fills a customer's order from inventory. Private Label fills a customer's order by manufacturing, thus the term Produce-To-Order. The subjects in this section are for establishing a Private Label service base line and to identify where there is excellence and opportunities for improvement.

5. Order Cycle Time – Is defined as the lapse time from when a Purchase Order is issued until the merchandise arrives at the distribution center or store. The longer this time period the greater the inventory the retailers must carry in safety stock due to uncertainty. For this reason distributors have been pressuring suppliers to reduce their order cycle time.

Private Label buyers gave suppliers an acceptable rating of 3.1 (1 to 5 scale) although at the low end of the scale. Only 2 participants gave suppliers an excellent rating. An almost equal percentage of respondents rated order cycle time needs improvement 28% as those that rated it as above acceptable 30%. The food channel had the greatest ratings below acceptance.

6. Consistent Lead Time – When a buyer issues a Purchase Order, they have expectations as to when the merchandise will arrive. Some distributors specify on the Purchase Order the expected delivery date so the Distribution Center or stores can schedule receipt and processing. Variations in lead time significantly increase safety stock and thus inventory.

An acceptable rating of 3.2 was recorded, where 3.0 indicates acceptable. Ratings above acceptable were 32% with only 16% indicating needs improvement. Larger distributors and those with in-house brokers recorded the greatest need for improvement.

7. Order Fill Rate – Buyers have an expectation of receiving what they order. Fill rate is the comparison of merchandise received and ordered. Fill rate can be determined on a total order or by item in the order.

Private Label suppliers received a 3.1 fill rate rating. This is just barely acceptable. Considering Private Label operates on a Product-To-Order business model, this was surprisingly low. Only 32% rated the fill rate as above acceptable while 26% indicated improvement is needed.

8. Invoice Accuracy – Correct invoicing or billing for merchandise delivered is a legal requirement for transacting business. Error invoices always lead to problems and non-productive time expended by both buyer and seller.



Private Label suppliers received a 3.5 invoice accuracy rating, with 90% rating the accuracy acceptable and above acceptable. While invoice accuracy is the second highest rated service measure the question is why only 10% of respondents gave an excellent rating on this question? Invoice accuracy has a legal component and computers are accurate so why not perfection. Inputting bad information into a computer can only result in problems that take time and expense to resolve. Getting it right the first time should be the goal for invoice accuracy.

9. Flexibility - Retailing is a dynamic business and thus changes are to be expected. Change comes in many forms including quantity ordered; date needed and changes in demand. The issue being measured is how well Private Label buyers view supplier's ability and willingness to accept change.

Private Label suppliers received a 3.3 rating, meaning acceptable flexibility. Open communications and a desire for superior service should improve the rating.

10. Promotional Lead Time – Promotions are a key merchandising element for many retailers. They are intended to sell a significant higher number of units and thus requiring additional production time for Private Label suppliers. Promotions create product trial and reward loyal consumers.

Survey participants gave a rating of 3.0 or just barely acceptable. This was the lowest rating within the service measures. A low rating on any promotional measure seems to be counter productive. Better planning and communication are called for here. Opportunities for improvement were reported greatest by the larger format retailers.

11. Formulation Consistency – Consumers expect products to taste and/or perform the same way each time they purchase them. Any variation in product performance creates distrust. A single item that does not perform as expected can impact the complete store brand line.

Participants gave a rating of 3.4 which is good for formulation consistency. Only 14% indicated improvement was required.

12. Label Consistency – Label consistency is important in supporting the retail's shelf image. Variations in packaging only confuse the consumer and this reduces their brand spending.

Participants gave Private Label suppliers a rating of 3.7 for label consistency. This was the highest rating within this service section. Only 2% indicated some improvement is needed.

13. Rebates – The concept of Private Label suppliers rebating money to distributors based on purchases has been a practice for years. The idea behind rebates was to encourage distributors to promote a supplier's products. The idea of rebate promotional effectiveness has been in question for years. The issue is how much is going to the consumer and how much goes to distributor's profits. This debate is primarily in the food channel.

Outside the food channel dead net buying is common, this reduced the number of respondents on this question. The rating of 3.2 indicates acceptable performance.

14. Product Damage – Damaged merchandise is a multi-billion dollar problem for the retail industry. Reclamation and Return-to-Vender centers have been created to handle damaged merchandise.

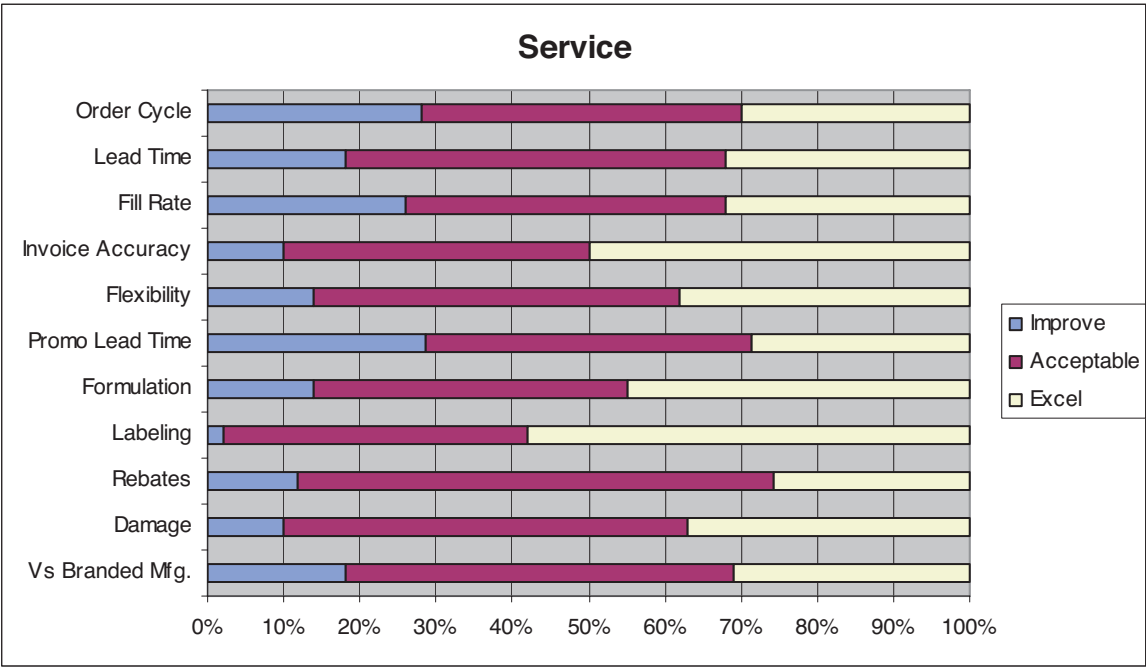


When distributors purchase Private Label product they own it. National brands have historically sold their product with a guarantee sell provision, meaning they will take it back for any reason. There is no guarantee sales provision for Private Label, except for product being recalled.

The issue questioned here is do Private Label products have a greater damage problem than the National brands? A rating of 3.3 indicated that Private Label’s damage issue is acceptable, with only the food channel indicating a need for improvement.

15. Vs Brands Mfg. – Our last service question was to compare Private Label suppliers overall service with that of Branded suppliers. A rating of 3.1 indicated it was comparable. The smallest and largest distributors recorded a need for improvement as well as those distributors that utilize in-house brokers.

The Conclusion on Private Label service is that it is currently in the acceptable range. The above acceptable responses are greater than the needs improvement. The consensus among Private Label buyers is they would like to see shorter order cycle and promotional lead times with higher fill rates. Overall supplier service is acceptable, but not providing any competitive advantage.



## FINDINGS – NEW PRODUCT PROCESS

It has been said new products are the life blood of every enterprise. In recent years there has been an explosion of new product introductions. For National Brands the vast majority do not survive two years in the market place. One of the reasons for Private Label's recent success has been the introduction of new items. Many of these are truly new items not just copies of branded items. The success of retailers like Trader Joe's has proven unique Private Label items that the consumer wants can be a powerful tool in retaining customers.

The new product process for Private Label is not an easy one. After it has been determined that there is a consumer need, the work really begins. Even minor changes in product formulation have a significant influence on the product's performance and cost. Label design is important to the success of any item. New Private Label items can be an extension of an existing store brand or the start of a new store brand. The objective in this section is to understand how well Private Label buyers perceive the New Item process is working for them.

16. Timely presentation of New Items – No distributor likes to be the last one to hear about the latest new item. Buyers pride themselves on being current. New products are an important trend indicator.

Participants gave a rating on timely presentation of New Items at 2.7 on a 1 to 5 scale. This rating is below acceptable (3.0). Forty-five percent of the participants gave a below acceptable rating on this question. Smaller distributors voiced the greatest disapproval. When compared with communication frequency, the results are consistent across all time intervals. Meaning even monthly and frequent communication received poor scores. Unacceptable performance was across all channels and there was greater disapproval among distributors with in-house brokers.

17. Frequency of New Item presentations – Distributors do not like to be kept in the dark nor do they want an avalanche of new products. Having to evaluate many new items at one time can be a burden. Frequency is another communication measure.

Participants gave a 2.7 rating on frequency. This is below acceptable and results are consistent across all trade channels.

18. Time from concept to product delivery – Once the decision has been made to add a new item to the line, the issue is how long it takes to get it in the distribution center and onto the shelves.

Participants gave a 2.4 rating for total time. This was the lowest scoring question in the survey. Over 60% of participants recorded an unacceptable response. Results were consistent across channel and size. Private Label suppliers are clearly not meeting expectations in the time it takes from concept to delivery.

19. Manufacturer's flexibility – Every distributor strives to be different from their direct competition. This difference carries into Private Label where distributors have control over their own brand. To support these differences, distributors are expecting greater flexibility from their suppliers in formulation, packaging, size, case pack, etc. On the Private Label supplier side each variation outside a range increases their production complexity. The question is: are Private Label suppliers meeting their customers' flexibility expectations?

Participants gave a 2.7 rating for flexibility. This rating again is below acceptable by Private Label buyers. Forty-one percent of the responders believe improvement is needed while only 16% reported exceeded acceptable. Food channel reported a lower percentage requesting improvement than non-food channels. Over half of distributors using in-house brokers gave suppliers an unacceptable rating.

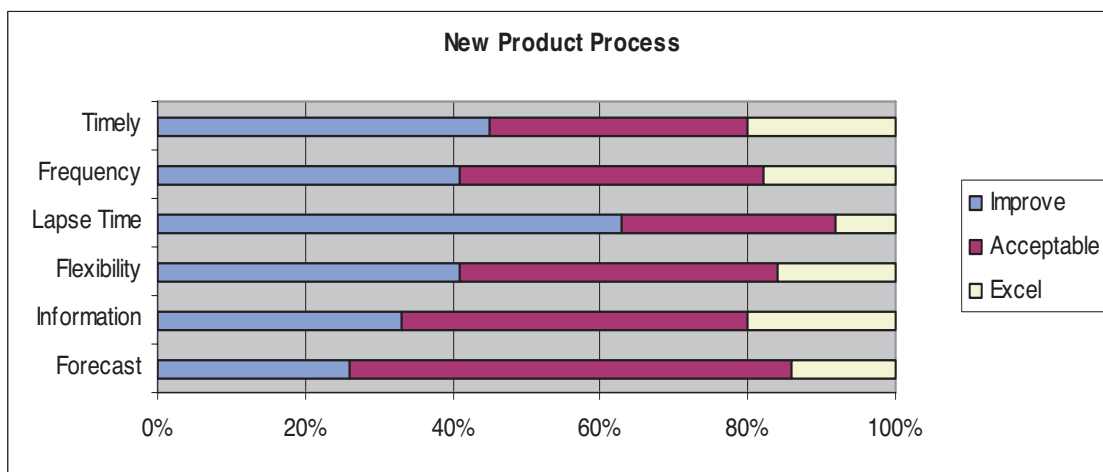
20. Usefulness of market information – Providing market information is an important part of the sales and communication process for all consumer products. Information for information sake is rarely of value. Branded manufacturers have effectively used market information in their selling process. These manufacturers are the primary purchasers of syndicated information. The question is how well are the Private Label manufacturers doing in providing useful market information?

Participants gave a 2.8 rating using a 1 to 5 scale on usefulness of market information. While below acceptable 3.0 it was higher than most anticipated. Larger distributors rated the information lower, as did those distributors with in-house brokers. Both small and large box distributors gave high ratings for the information they received from Private Label manufacturers.

21. Accuracy of volume forecast – Every new product presentation includes an expectation of sales or forecast. All agree new product forecasts are unlikely to be accurate. There are simply too many unknowns. The degree or magnitude of the difference between forecast and actual sales is the issue. A reasonable or realistic forecast builds trust between buyer and seller.

Participants rated forecast accuracy the highest within the new product process section at 2.9 on a 1 to 5 scale. This is slightly unacceptable. The majority of responses were acceptable across all trade channels, but the unacceptable ratings were greater than the few above acceptable.

The conclusion on the Private Label new product process is unacceptable to buyers. No measure achieved an acceptable rating. Private Label suppliers need to completely re-design their new product process.



## FINDINGS – INDUSTRY ISSUES

Every few years a new concept, approach or technology solution is presented to the retail industry. Every time there is a pilot study and unbelievable benefits projected. This is followed by the sales pitch for all to join in on this new solution to correct all the industry's problems. Few of these new concepts become standard operating procedures throughout the industry. The reasons are these benefits are less in the real world than forecast and only a segment of the industry benefits not everyone. Distributors do implement new concepts, but only after significant modification.

A fundamental management objective is to continue to improve its operations. Every new idea requires an investment in time and money, the challenge for Private Label manufacturers is which new idea to support. This section on Industry Issues attempts to answer this question. The decision process is best driven by what is most important to the Private Label manufacturers' customers. For the Private Label buyer the question is which concepts are other retailers most interested in?

22. RFID – Radio Frequency Identification is a new technology often described as bar codes on steroids. A tag is placed on pallets, cases or items. When activated, this tag transmits a unique set of numbers identifying what it is attached to. A reader within a reasonable distance to the tagged product picks up this signal and relays it to a computer where it is matched with a data file. Wal-Mart, Department of Defense and a few international retailers are demanding manufacturers put RFID tags on the merchandise they purchase.

Participants rated RFID at 2.6 on a 1 to 5 scale indicating it is unimportant to them. Forty-seven percent of the respondents indicated little or no interest in RFID. This industry issue ranked the lowest in interest for Private Label buyers.

23. Data Synchronization – The old saying “Garbage-In Garbage-Out” best identifies the issues surrounding Data Synchronization. This is a technology approach with the goal of eliminating bad or incorrect product information in distributors' computers. Manufacturers maintain their product information in a central industry data base. Distributors access this data base for the products they stock. Data Synchronization could be a real cost increase for Private Label suppliers. They would need to list a single item many times for each store brand.

Participants rated Data Synchronization at 3.3. This indicates clear interest in the idea. The larger distributors as measured by sales, the greater their interest in Data Synchronization. Big box retailers also reported the greatest interest.

24. Collaboration – Years of negotiations coupled with the balance of power shift to the distributor from the supplier has resulted in some animosity between buyer and seller. Collaboration is the first step to overcome this situation. The term collaboration has been used to describe just about anything and everything. A realistic description is the sharing of planning (including forecast) information for both normal and promotional time periods.

Participants rated collaboration at 3.6 in interest. This is well within the area of interest and ranked second highest of industry issues. A sub-theme here is the need for more constructive communication.

25. Reverse Auctions – Auctions are a selling process where buyers bid up the price they will pay and the highest bidder is the winner. Reverse auction is where the sellers keep lowering their price and the lowest offer is the winner. In theory an auction creates a pure market conditions.

Participants rated reverse auctions at 2.8 in interest. This is below the minimum 3.0 for general interest and was the second lowest ranked industry issue. Results seem to confirm reverse auctions are no longer of interest to Private Label buyers.

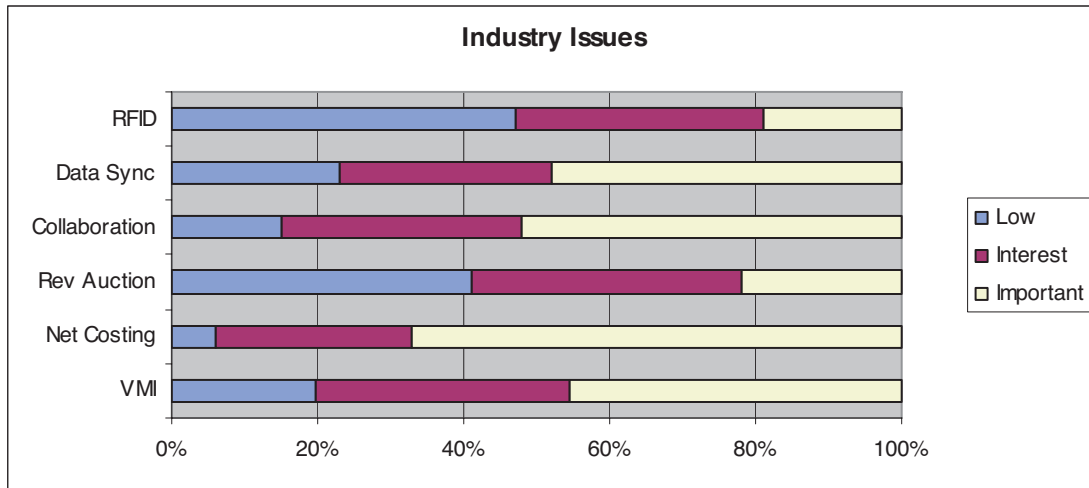
26. Dead Net Costing – Branded manufacturers through their external sales policies offer discount brackets, prompt payment terms and promotional discounts to encourage specific distributor actions. Private Label manufacturers offered rebates based on purchases to encourage promotions. Wal-Mart is credited with creating the Net Costing approach. Their Every Day Low Pricing approach simply did not work well with all these discounts and promotional funds. Their objective is a consistent every day low cost from suppliers.

Participants rated Dead Net Costing at 4.0. This is the highest rating in both this industry issue section and the survey. Net Costing received the highest number of 5 scores indicating it is very important to many Private Label buyers. The food channel rated this somewhat higher than non-food in importance. Large distributors rated this issue higher than smaller ones. When comparing Dead Net Costing with Rebates, the majority who ranked rebates as acceptable or higher, reported a preference for Dead Net Costing.

27. Vendor Managed Inventory – The key assumption for Vendor Managed Inventory is manufacturers know their products better than distributors do, so they should handle reordering. Vendor Managed Inventory has been tried many times over the years. The results have been disappointing; otherwise it would be an industry norm today. Manufacturers have not achieved the distributor's in-stock objectives and inventory turns goals.

Participants rated Vendor Managed Inventory at 3.4 in importance. This suggests distributors have an above average interest. Larger distributors rated this higher than smaller distributors and non-food rated it higher than food. Distributors using in-house brokers ranked Vendor Managed Inventory significantly higher in importance than distributors that do not use them. In-house broker participants may have expected the broker representative to manage the replenishment process and it appears they are not.

Study participants send a very clear message on industry issues. Dead Net Costing and Collaboration are important issues for Private Label buyers. RFID is of little interest to buyers and Reverse Auctions has passed its time.



## FINDINGS – FUTURE PRODUCTS

The explosion in new Private Label items is having a real impact in stores. Many categories are getting Private Label items for the first time. New sub-categories are being created by Private Label items. The objective of this section on future product types is to learn the direction Private Label buyers are looking towards.

Among food and non-food retailers different terms are used in describing products. What food retailers call “Value” products are called “Good” by non-food retailers. “National Brand equivalent” for food retailers is “Better” by non-food. Food’s “Super-Premium” is “Best” with non-food retailers. Participants were asked to indicate all product types they would like Private Label manufacturers to focus on. The ranking is based on the number of responses:

### **Product Type**

1. National Brand Equivalent / Better
2. Value / Good
3. Organic/Natural
4. Super-Premium / Best
5. Ethnic
6. Gourmet
7. Kosher/Halal

Caution should be used when viewing these results as every participating firm is at a different Private Label evolution point. The results indicate National Brand Equivalent/Better and Value/Good, the historic Private Label product types, are most important to buyers. Organic or Natural product types have overtaken Super-Premium/Best for third place. Recent retailer announcements of hundreds of Private Label organic items support these findings. There is limited appeal for Kosher or Halal products.

Dellmart & Company’s 2006 Private Label Buyer Survey has established a base line for acceptable service across trade channels. It identifies problem resolution and the new product process as most in need of improvement. Dead Net Costing and Organic/Natural Private Label are in and RFID is out with Private Label buyers. We thank all who participated and trust the results are beneficial to the industry.

# **APPENDIX**



**I. Communication with Private Label Manufacturers (excludes brokers)**

1. On average how often do you communicate directly with Private Label Manufacturers?

Rarely	Annually	Quarterly	Monthly	Frequently
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2. What are the reasons for this direct communication? (circle all that apply)

Place Orders	Resolve Problems	Sales Presentation	New Product Development
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3. Should the frequency of these meeting be? (exclude ordering and problems)

Increased	No Change	Decreased
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4. How do you rate your direct communication with Private Label Manufacturers?

Needs Improvement	Acceptable	Very Productive
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**II. Service from Private Label Manufacturers** (1 Poor, 3 Acceptable, 5 Excellent)  
(Circle one)

5. Time from order until receipt of product	1	2	3	4	5
6. Consistence of order lead time	1	2	3	4	5
7. Order fill rate – quantity & items	1	2	3	4	5
8. Invoice accuracy	1	2	3	4	5
9. Flexibility to accommodate changes	1	2	3	4	5
10. Promotional lead time	1	2	3	4	5
11. Product formulation consistency	1	2	3	4	5
12. Product labeling consistency	1	2	3	4	5
13. Rebate payments	1	2	3	4	5
14. Product damage	1	2	3	4	5
15. Overall service vs. National Brands Mfg's.	1	2	3	4	5

**III. New Private Label products process** (1 Poor, 3 Acceptable, 5 Excellent)  
(Circle one)

16. Timely presentation of new items	1	2	3	4	5
17. Frequency of new item presentations	1	2	3	4	5
18. Total time from concept to product delivery	1	2	3	4	5
19. Manufacturer's flexibility	1	2	3	4	5
20. Usefulness of market information	1	2	3	4	5
21. Accuracy of volume forecast	1	2	3	4	5

**IV. Industry Issues**

(1 Not Important, 3 Of Interest, 5 Important)  
(Circle one)

22. RFID	1	2	3	4	5
23. Data Synchronization	1	2	3	4	5
24. Collaboration	1	2	3	4	5
25. Reverse Auctions	1	2	3	4	5
26. Dead net costing	1	2	3	4	5
27. Vendor Managed Inventory	1	2	3	4	5

**V. Where should Private Label Manufacturers focus their efforts to better serve your future needs?**

(Check all that apply)

28. Product Types	Check
Value	
National Brand Equivalent	
Super-Premium	
Gourmet	
Organic/Natural	
Kosher/Halal	
Ethnic	

**VI. General**

29. Number of active Private Label items \_\_\_\_\_

30. Number of Private Label or Store Brands \_\_\_\_\_

31. Do you use an in-house Private Label Broker? Yes \_\_\_\_\_ No \_\_\_\_\_

**VII. What questions would you like asked in future surveys?**


Please place your completed survey in the pre-stamped envelope and mail.

Thank you for participating in our study.

## **ABOUT DELLMART & COMPANY**

**DELLMART & Company Inc. (DELLMART)** is a general management consulting firm providing senior management counsel in six interrelated areas - strategy, organization, operations, supply chain, marketing and information systems.

**DELLMART** focuses on the needs of the Food and Consumer Products Industry, assisting Manufacturers, Retailers, Wholesalers and Distributors. The firm's principal has been serving the industry for over 30 years, and has developed a broad range of unique solutions to improve operational effectiveness, competitive positioning and profitability.

**DELLMART's** unique total industry perspective and knowledge coupled with its international experience provides superior assistance and recommendations for its clients. DELLMART approaches assignments individually, considering the client's resources, culture, history, achievements, goals and management capabilities. Assistance encompasses opportunity identification, research, analysis, recommendation development and implementation. DELLMART believes strongly in the joint team approach.

**DELLMART'S** principal has pioneered work in many of today's accepted concepts including: Just-In-Time Procurement, Direct Product Profit, Activity Based Costing, Category Management, Forward Buying, Focused Marketing, Customer Synchronization, Demand Driven Operations, Store and Warehouse Labor Control, Total Company Productivity, Total System Profitability, Supply Chain Management and Logistics Optimization.

For more information please visit our web site [www.Dellmart.com](http://www.Dellmart.com) or we can be reached at (203) 968-8609.