



EGE **EPIC** Growth Exchange

27th and 28th March 2025, Dublin, Ireland



Malachy O'Connor

Food Industry Consultant, IPLC Partner

Private Label – Pricing when you are a follower

IPPLC

Private Label

Pricing, Innovation & Margin Mitigation

Malachy O'Connor
IPLC Ireland

A photograph showing the silhouettes of two hikers on a mountain ridge. One hiker is standing and reaching out to assist another hiker who is climbing. The background is a dramatic sunset with orange and yellow clouds. The image is used as a background for the slide.

IPLC

Malachy O'Connor

- +25 years experience
 - Retail Buying
 - Retail Marketing
- 8 years freelance
 - Strategy Consulting
 - Negotiation Skills Training
 - Category Management Training
 - Peer Networking



About IPLC

- International Private Label Consult
- Specialist consultancy founded in 2003
- Strategic support for all PL stakeholders
- Hands-on experience in both supply & retail
- 12 consultants in 10 countries
- 12 PL Supplier Groups with +200 members



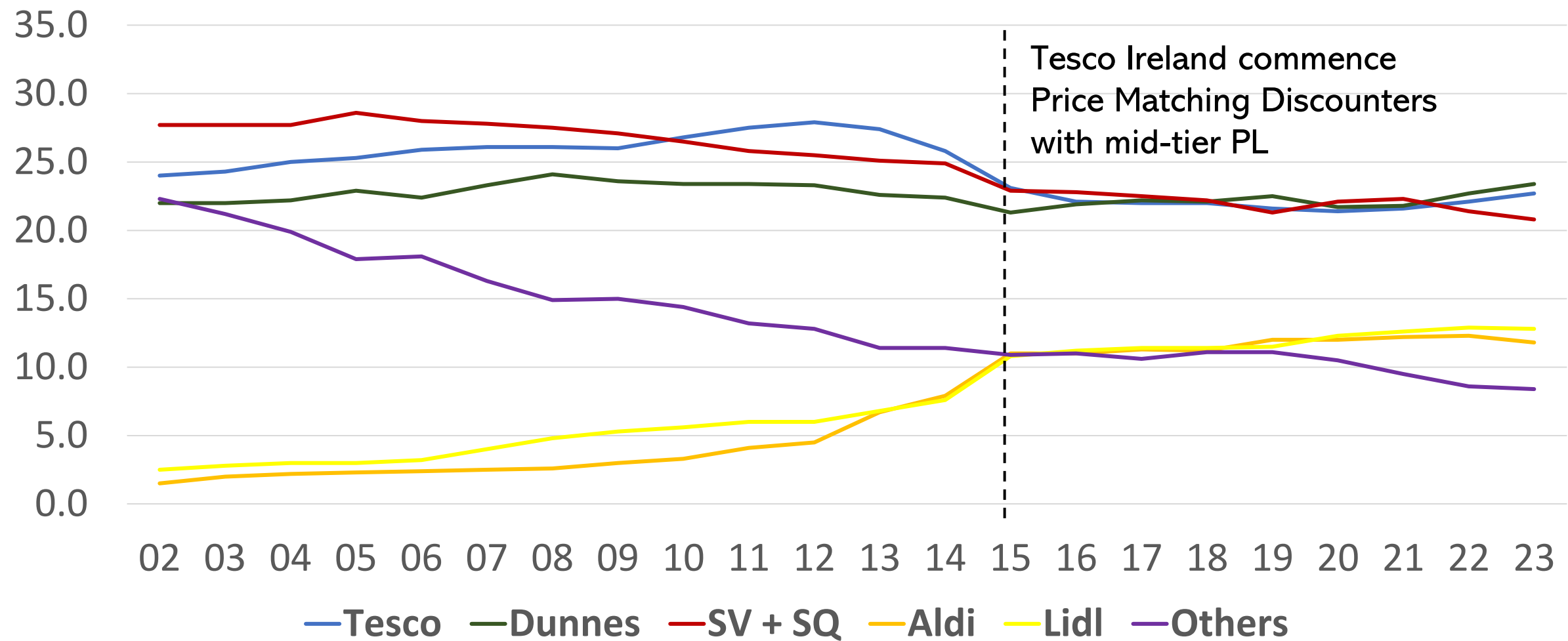
Agenda

1. Context
2. Findings
3. Themes

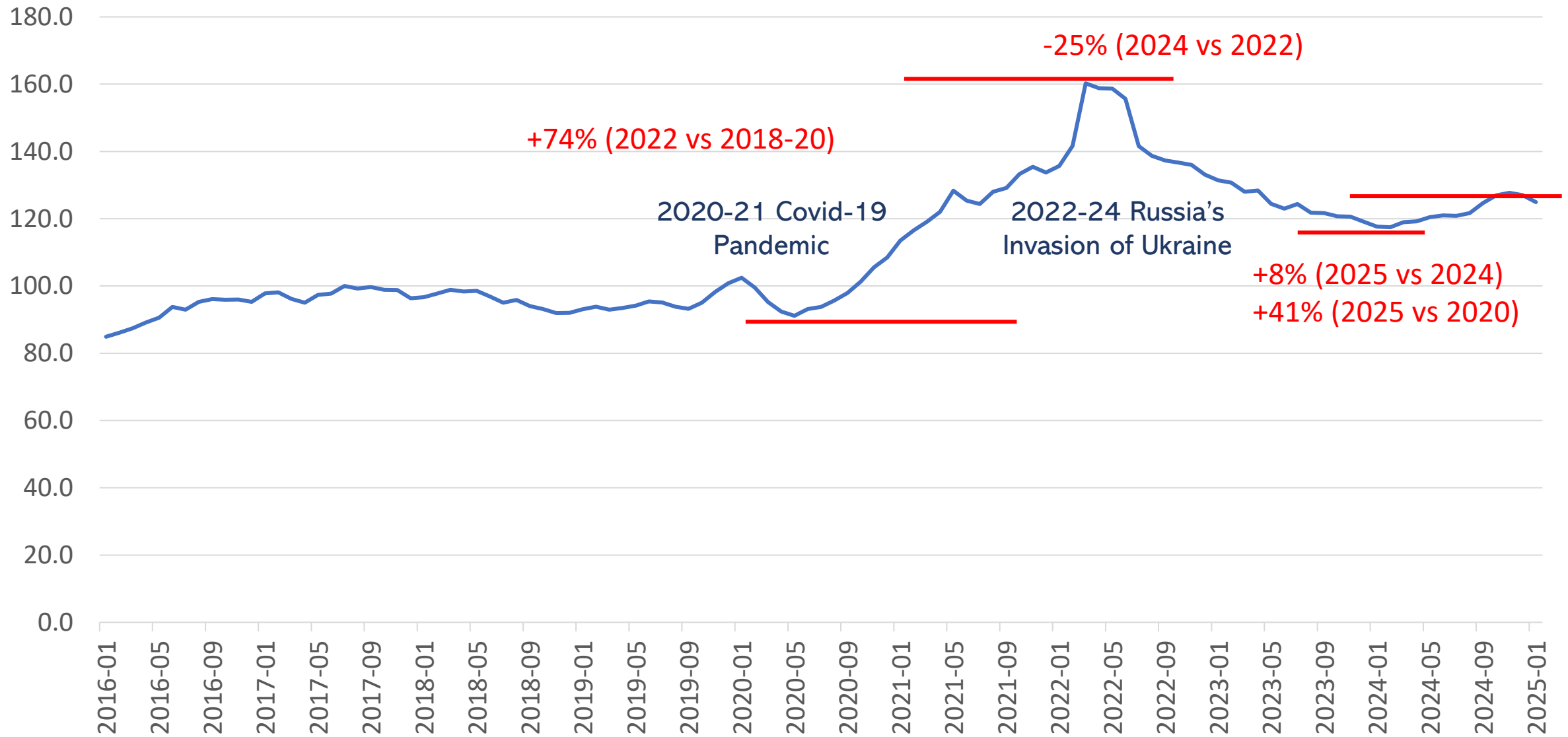
Context



Ireland Grocery Market Share 2002-2024



UN FAO Food Price Index



Why was it so difficult to navigate?

1. Increasing Discounter Share

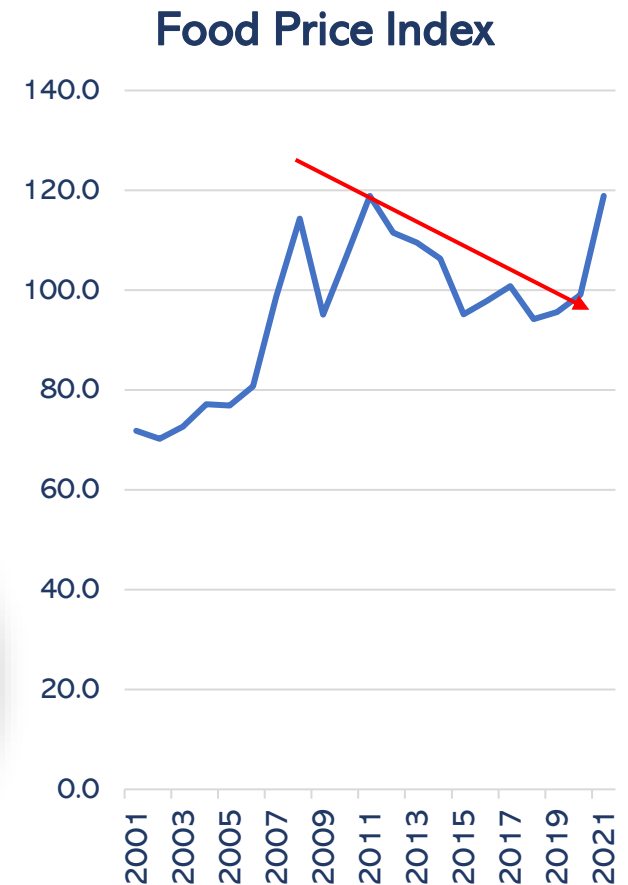
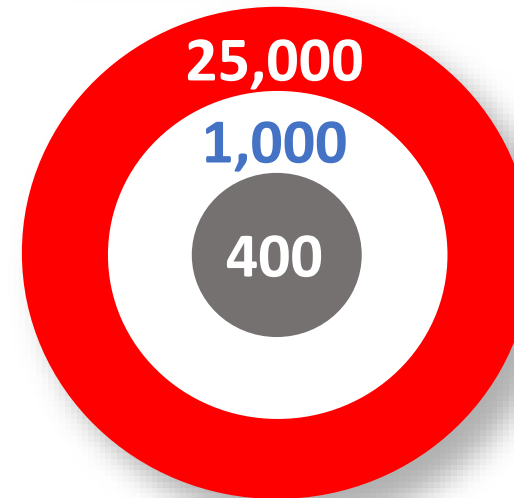
- Multiples were more rebate focused
- Increased PL share
- Increased control for retailers

2. Competitive Strategies

- Mainstream retailers' response
- PL focus
- Sharpened price position
- Polarised core range

3. Downward trajectory for 10 years

- Buyers <30 years old
- New millennial cultures
- Corporate memory loss





2022



2023



2024



Findings



The Evolving Balance of Power

- Tsunami of cost increases
- Suppliers become brave
- Availability not assumed
- Retailers change tone

"Our buyer actually asked me to stop supply. This allowed him to demonstrate the seriousness of the situation and to justify internally to accept the price increase. It allowed him to deliver proof that the price increase just had to be accepted."



(Supplier, Netherlands)

The Evolving Balance of Power

Please share your thoughts on the evolving balance of power between retailers and suppliers	Agree	Neither	Disagree
Retailers actively demonstrate that they need a sustainably profitable supply base	69%	21%	10%
We are communicating much more openly now, sharing insights, managing expectations	66%	20%	14%
There is more collaborative problem solving between suppliers and retailers than before	63%	21%	16%
Retailers are prioritising supply security and on-shelf availability more than lowest price	62%	22%	17%
Private Label suppliers have more power now compared to 2019	60%	24%	16%
Retailers prefer to stick with suppliers they know rather than take a risk on a new supplier	58%	21%	21%
Discussions are now less confrontational and more mutually respectful	56%	21%	23%
Retailers are less confident in their ability to find alternative suppliers	55%	21%	24%
Branded suppliers have less power now compared to 2019	52%	28%	20%
Suppliers still need retailers more than retailers need suppliers	51%	29%	20%
The balance of power has shifted in favour of suppliers	48%	24%	28%
Retailers have improved their forecasting capabilities to enable service level demands	38%	34%	28%

Retailer Margins

How are retailers managing their margins?	Agree
Retailers have passed on the Cost Price Increases directly to shoppers	63%
Retailers are supporting premium-tier Private Label ranges to improve their margin mix	61%
Retailers are actively engaged with suppliers on supply chain efficiency projects	53%
Retailers are revising product specifications to remove costs	46%
Retailers are open to suppliers using more standardised ingredients & recipes for different customers	40%
Retailers are capping their value-tier offer to minimise margin dilution	39%
Retailers are reducing costs through their sustainability strategies e.g. reducing primary packaging and shelf-ready packaging	39%
Retailers are open to using less sustainable ingredients/packaging to ensure availability and competitive pricing	26%

"In December 2022 the UK's National Food Crime Unit's annual report called out the cost-of-living crisis as a specific risk where cost-cutting by businesses may lead to fake or unsafe products being offered to consumers or other customers."



Retailer Buying Strategies

- Leveraging Volumes
- Contract lengths
- Flexing Range
- Open Book
- Vertical Integration
- Global Sourcing

"Long-term partnerships and index-linked pricing require grown-up discussions and I feel we have earned respect over the way we have collaborated"



(Supplier, UK)

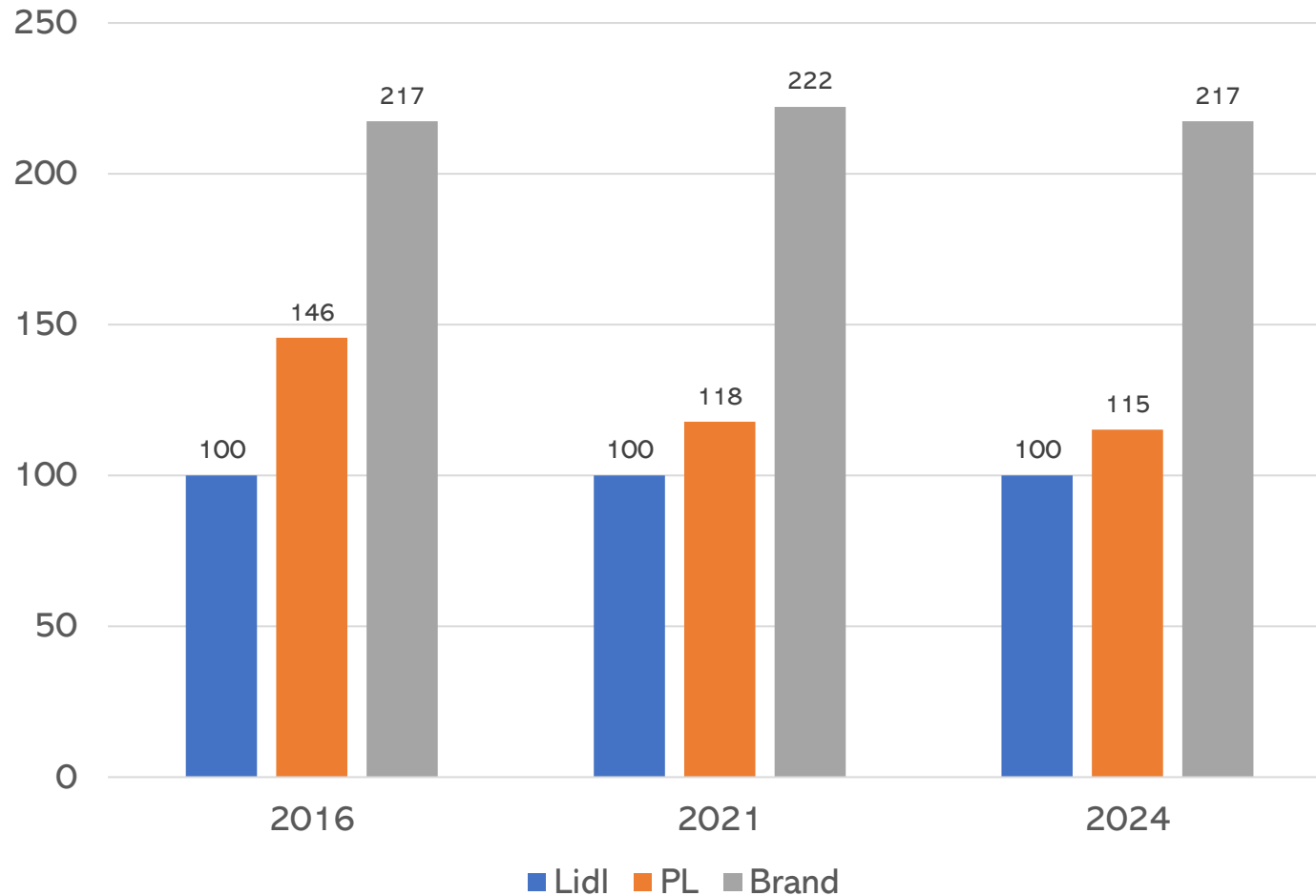
Horizon Scan

- Early detection
- Emerging trends
- Red flags
- Understanding the dynamics
- Improve resilience & preparedness



PRIORITY	TOPIC	DETAIL
1	Managing Volatility	Managing input cost volatility, recovery through negotiated CPIs and better Procurement. Reducing risk on key contributors like energy, geo-politics & war, climate change and currency.
2	Maintaining Competitiveness	How do we win business & driving the right value/volume/profit so that we can re-invest and finding production/supply chain efficiencies?
3	People	We're competing for people & talent. How do we find the right people with the necessary skills. How do we keep them engaged and retain them?
4	Creating Growth	Harnessing the insights to create innovation that meets new shopper needs, optimises new formats, channels & export markets whilst adding value and improving margins both for supplier and retailer.
5	Sustainability	How do we find the correct balance of implementing legislation, setting & achieving targets & reporting whilst managing the additional costs and prioritising the activities that retailers want versus those that will make an impact.
6	Digital Transformation	How do we harness technical advances to produce more efficiently & forecast more accurately to give shoppers what they want whilst reducing food waste?

Average Index to Discounters (Lidl)



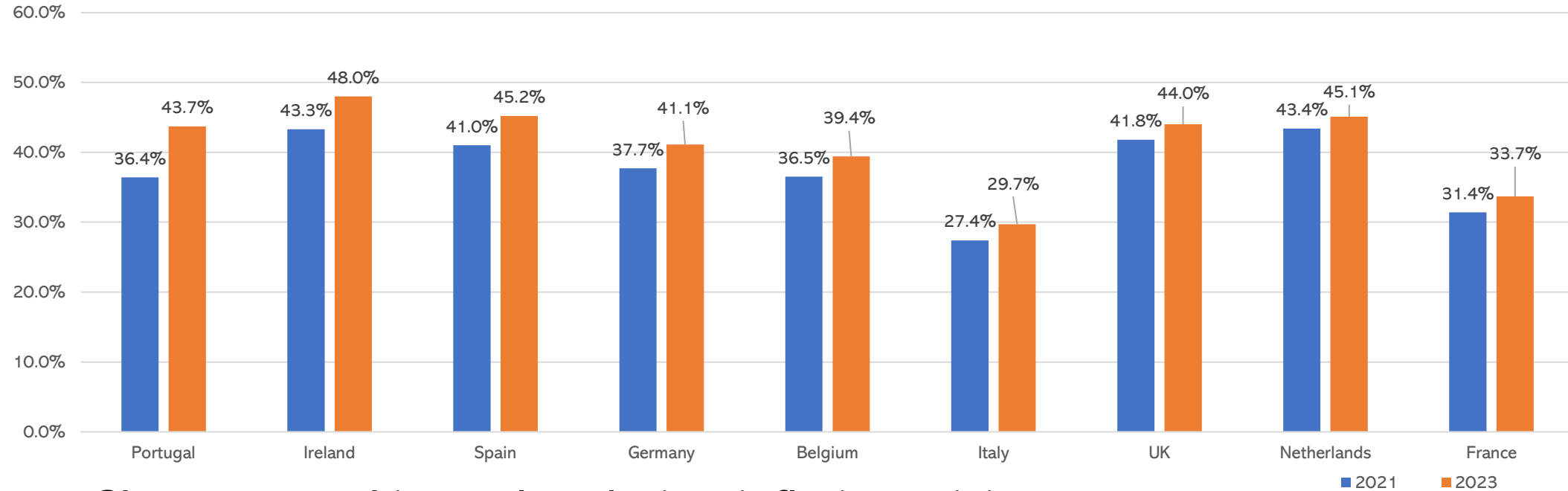
5 Turbulent Years

- Climate crisis
- Global Pandemic
- Russia invades Ukraine
- Disrupted supply chains
- Inflation crisis

So, the indices haven't changed significantly since 2021, but:

1. Inflation has impacted RSPs
2. Brand/PL mix has changed

Private Label Value Share in European Markets

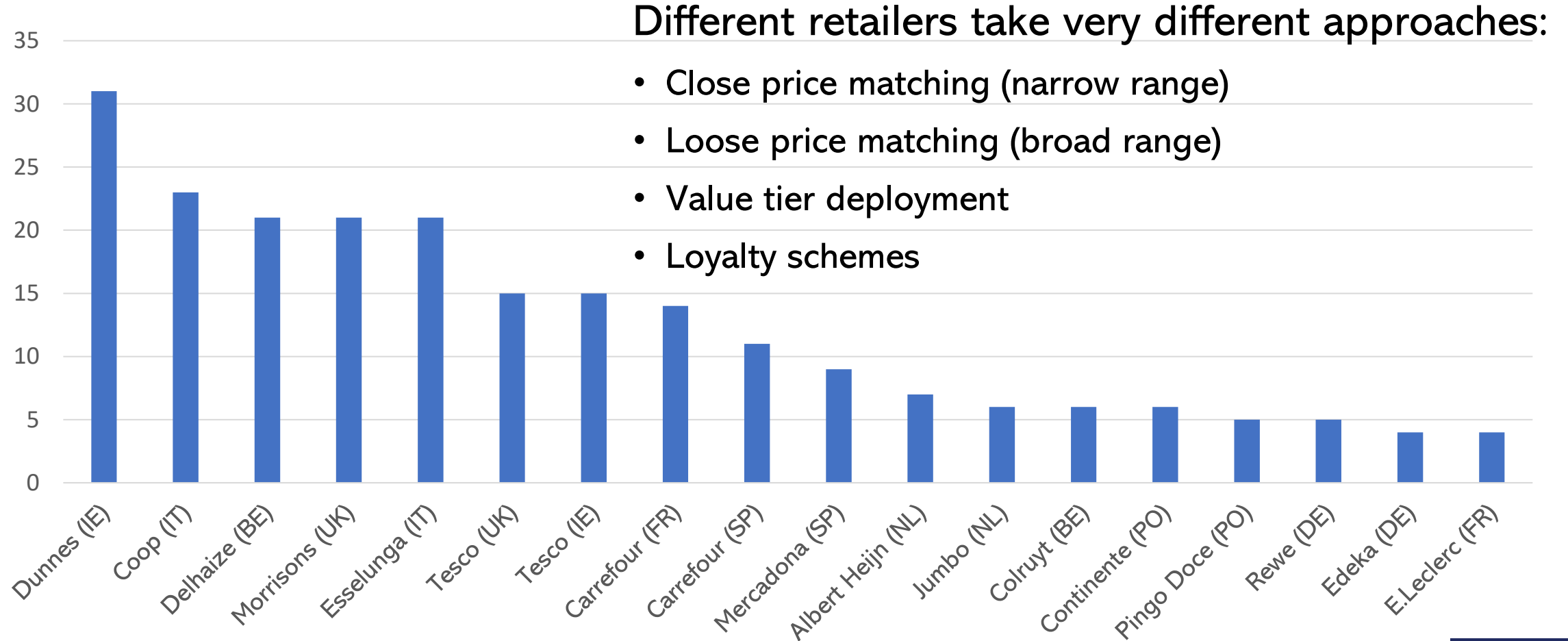


1. Shoppers seeking value during inflation crisis
2. Discounter store openings & revamps
3. Supermarket discounter mitigation strategies
 - Increased PL ranges
 - Increased PL prominence
 - Price-matching & reduced PL prices

% Food Inflation EU Area

Period	% Inflation	€/W/H
Mar-24	1.5%	129.77
Mar-23	19.2%	127.85
Mar-22	6.7%	107.27
Mar-21	0.6%	100.52

Standard-tier Private Label (Supermarkets) vs Discounter PL (Lidl)



Value = Price + Quality + (Sustainability + Availability)

Save yourself a trip.

We've price matched
hundreds of products.

TESCO
Every little helps

Aldi
Price
Match



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✓ **SAVE AGAIN** at the till with

€10
OFF
€50

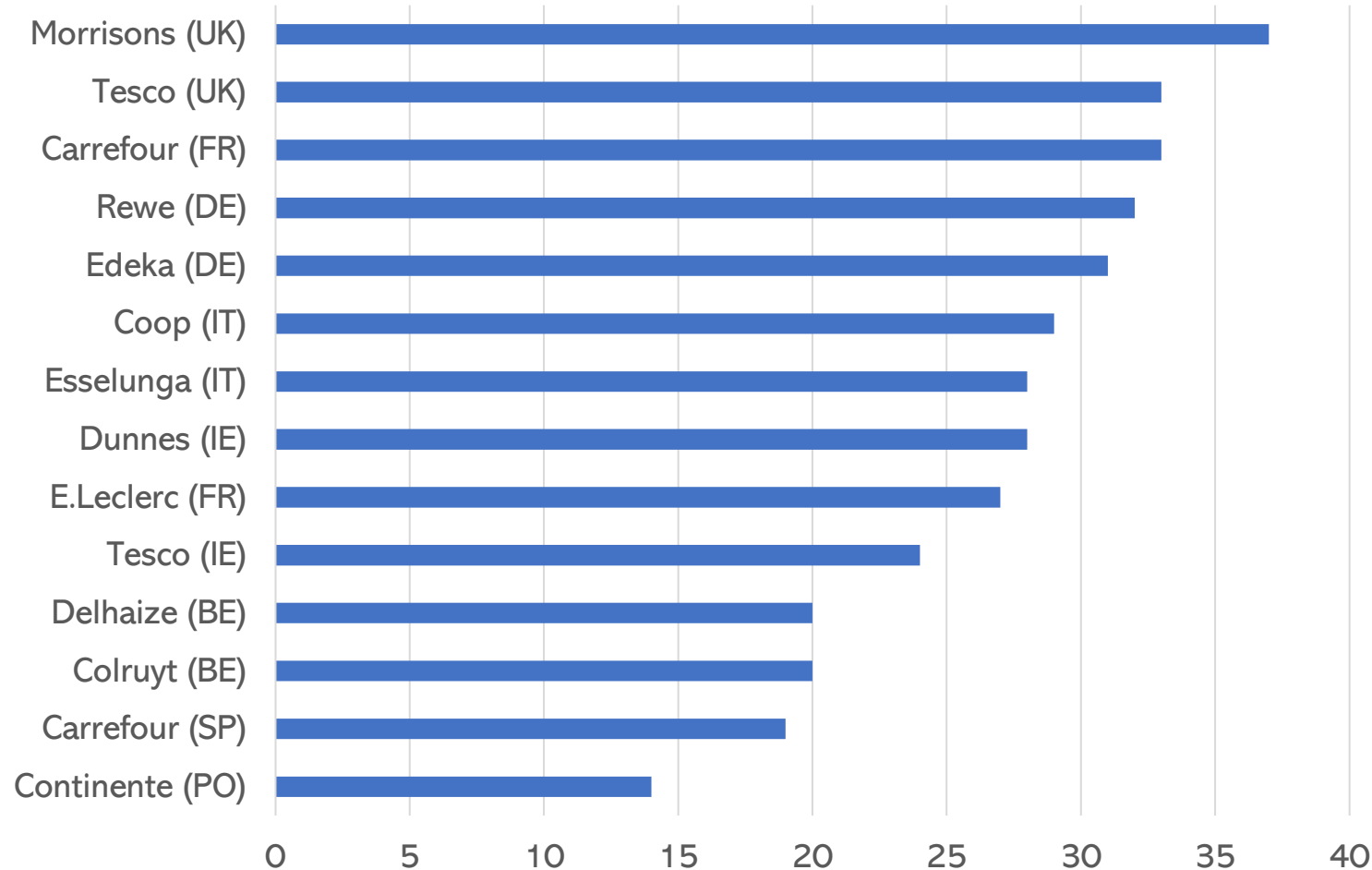
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€50 YOU SPEND***

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Price**



Value Tier: % Cheaper than Standard Tier PL



Value-tier PL

- SKU counts +34% vs 2021
- Re-brands
- Re-launches
- Prices increased +36%
 - Std PL +31%
 - Brands +27%

Note: Inflation includes pack size reductions

Value-tier Private Label

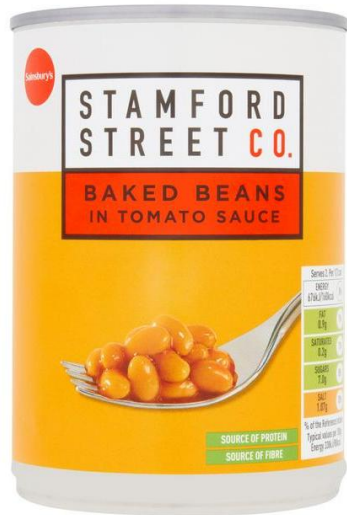


1993



2012

Sainsbury



Elcampo



Edeka



Esselunga



Rewe



Coop

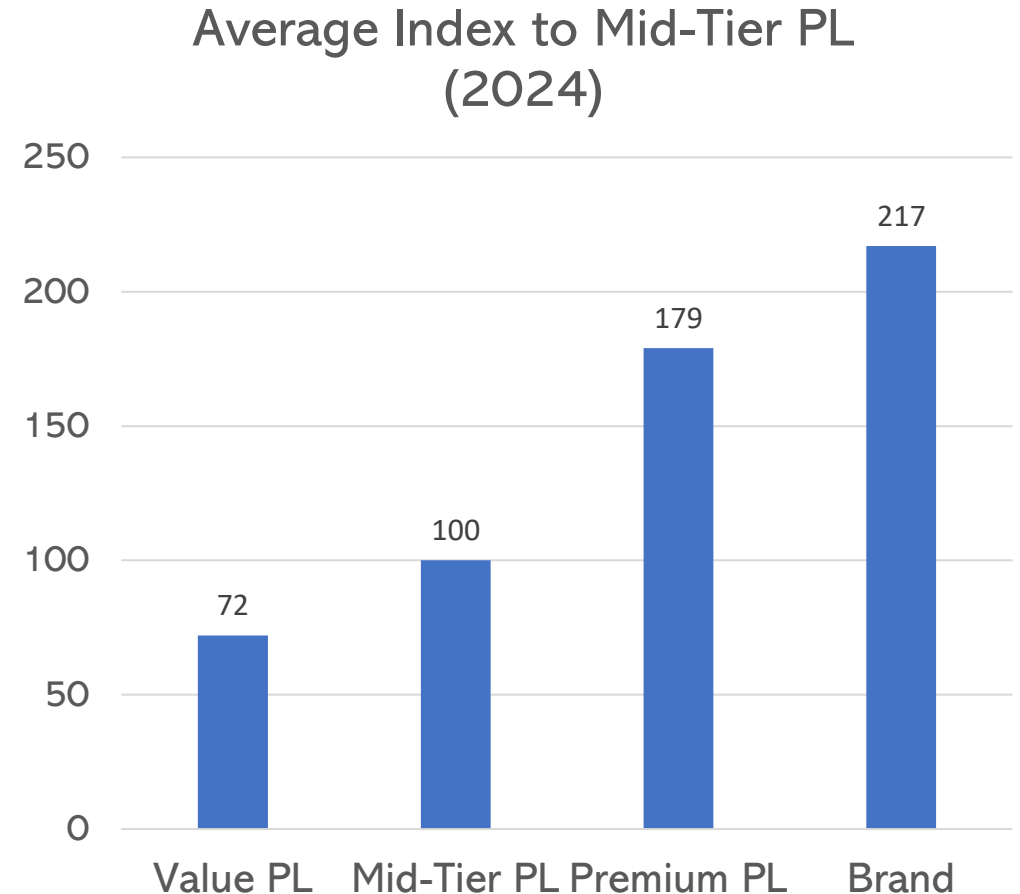


Aldi

The Role of Brands & Premium PL

From our 2024 research we found that:

- Premium PL sells +79% to mid-tier PL
- Value-Added PL commands a 'premium'
 - Organic
 - Vegan
 - Regional
- Brands sell +117% to mid-tier PL
- Discounters are selling more brands:
 - Shopper needs
 - Enhances PL value proposition
 - Margin mix benefits



Commercial Mitigation

Pasta Sauce	SKUs	RSP€	KG	€/KG	Cost	GM%	GM€/U	U/S/W	GM€	Sales €/w
Essentials	1	€0.65	0.440	€1.48	€0.64	1.5%	€0.01	25	€0.25	€16.25
Cucina	3	€0.85	0.500	€1.70	€0.66	22.4%	€0.19	150	€28.50	€127.50
Dolmio	1	€3.49	0.750	€4.65	€1.73	50.4%	€1.76	35	€61.60	€122.15
S/Selected	10	€1.99	0.350	€5.69	€1.02	48.7%	€0.97	50	€48.50	€99.50
						38.0%			€138.85	€365.40



€0.65



€0.85

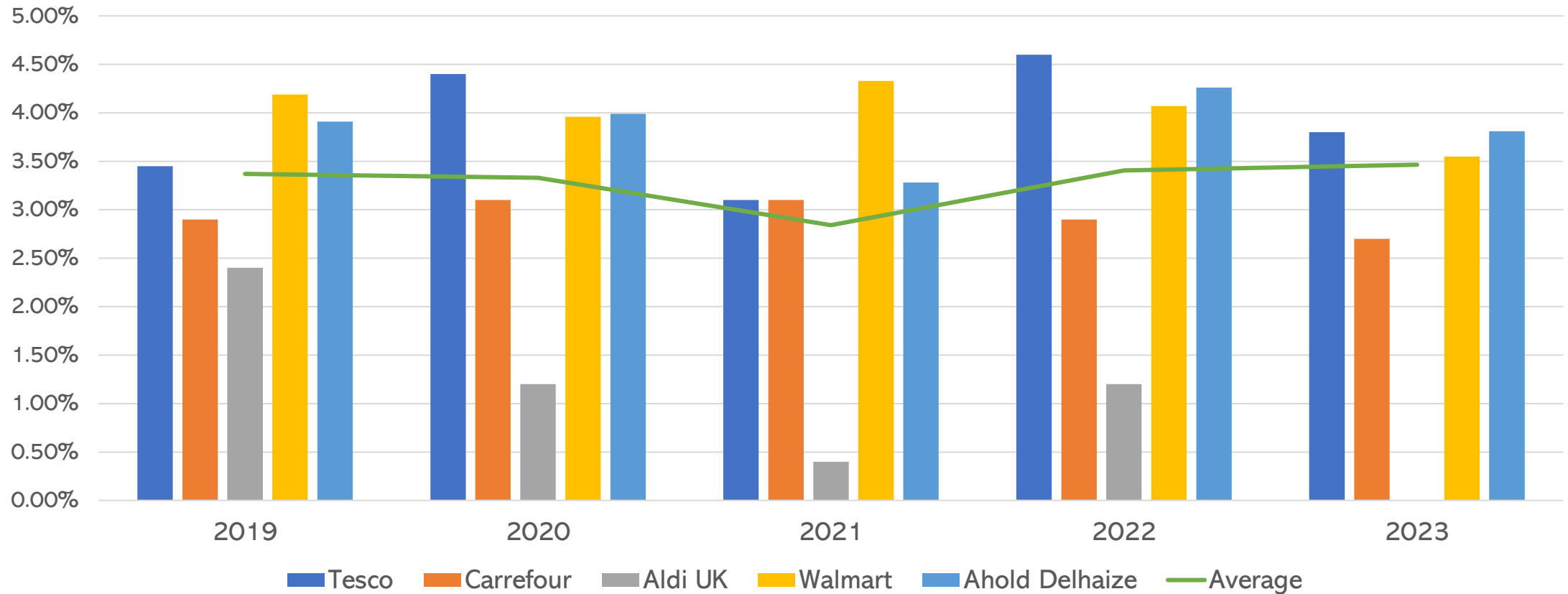


€1.99



€3.49

Group Operating Margins by Year

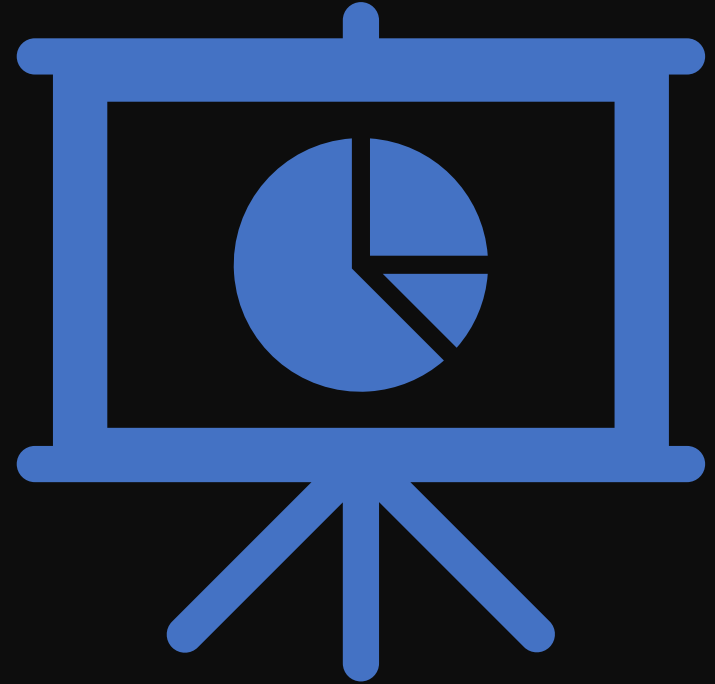


2025 Dynamics

- Inflationary pressures accelerate again
- Category specific hyper-inflation
- Inflation flowing through?
- Mitigation strategies
 - Shrinkflation/Value Engineering
 - NPD
 - RPIs in non-focus categories



Themes



Key Themes

1. Remains an ultra-competitive sector
2. Managing margin mix through PL & Brands
3. Price is only one element of 'value'
4. PL is a vital strategic lever
5. Diversified value delivery
6. Discounter growth under threat
7. Downward cost pressure
8. Retailers still need great supplier partners:
 - Innovation & differentiation
 - Transparent & efficient supply chains
 - Corporate Sustainability Due Diligence Directive
 - Innovative price strategies



Thank you

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