

LOOK DEEPER INTO...

# PRIVATE LABELS



## Private labels, A public success

What are  
Private labels?

Premium,  
affordable...

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Market Highlights

Key figures...

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A world tour

China, UAE, Canada,  
Europe, Indonesia...

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# JUST A FEW WORDS ABOUT... PRIVATE LABELS

Private labels are not a novelty. The food scene has known them for several decades now. But something has changed. Many aspects of the 'private labels' trend are totally new. The geographical areas where private labels are at stake are more and more numerous. The nature as well as the quality of products have

dramatically changed. New private labels have emerged. Everywhere around the world, retailers are totally rethinking their approach towards private labels, as consumers do. New products, new expectations... private labels might be a segment full of opportunities. Our experts help you determine the best path.

## WHO IS THE CONSUMER?



### Asia-Pacific

Asian shoppers are strongly brand-loyal, and retailers have not invested enough in marketing. 58% of shoppers believe name brands are worth the extra price.



### Middle-East

57% of Africa/Middle East respondents say they're loyal to name-brand products, compared to 50% globally. Poor quality perceptions and strong brand loyalty can pose significant barriers to private label growth.



### Canada

Although the heaviest private label users still tend to be from larger households, the face of the private label buyer is evolving to one person households, age 55-64 years, no kids, with incomes of \$100k +.



### Europe

The consumers' perception towards private labels is quite positive. 70% of European respondents believe private labels are a good alternative to name brands and 69% believe they offer good value for money.

## WHAT ARE 'PRIVATE LABELS'?

Private labels are brands owned by retailers. They market products using either their own name or another name that is unique in the spectrum of offerings.



## WHO ARE THE PLAYERS?



### In UAE

>> Carrefour, Lulu Group, Spinneys, Al Maya



### In China

>> Walmart, Tesco, Carrefour, Lianhua, CRA



### In France

>> Franprix, Casino, Intermarché, E. Leclerc, Carrefour, Auchan...



### In Canada

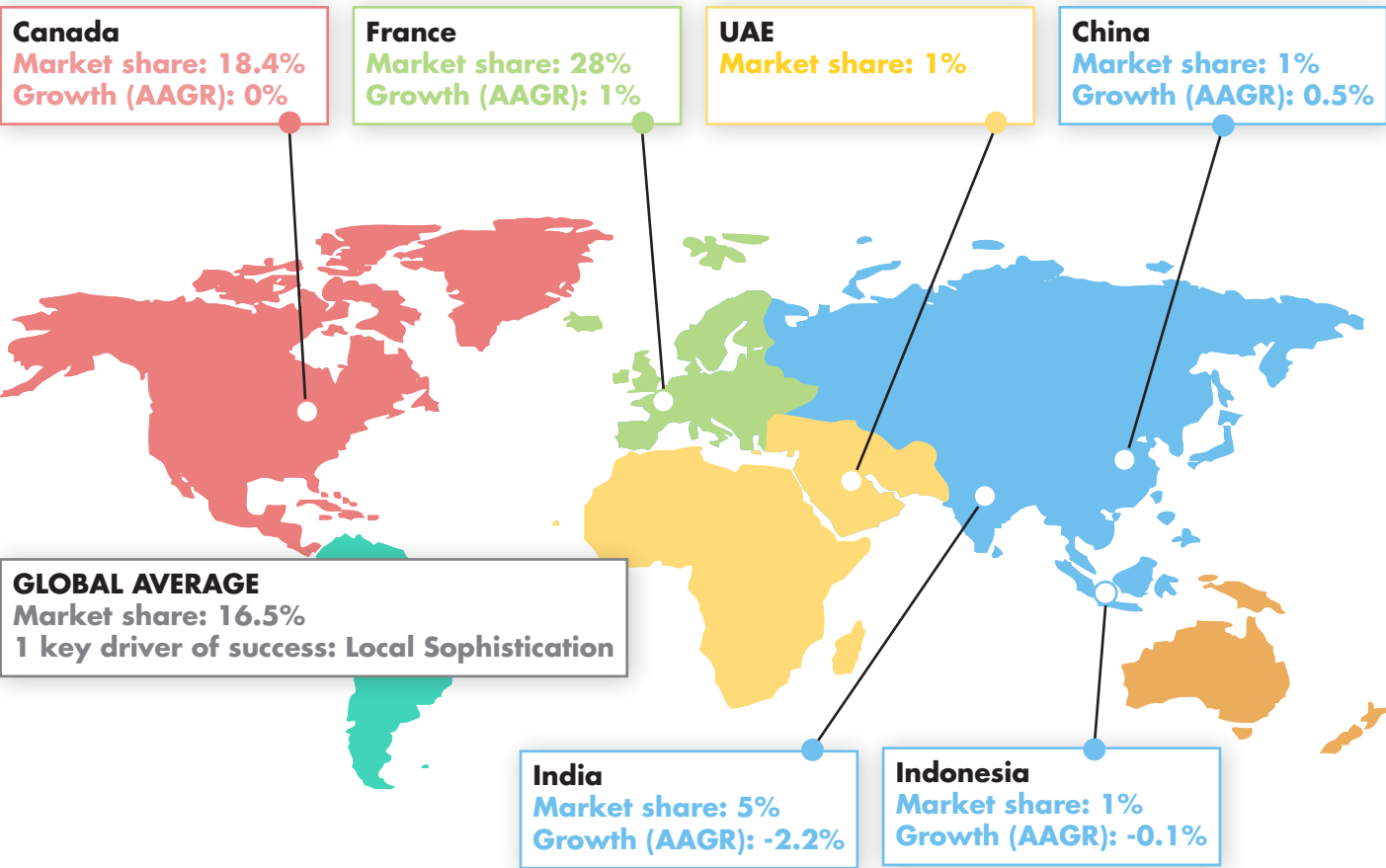
>> Loblaw's, Métro, Sobeys, WalMart...



### In Indonesia

>> Salim Group, Sigmantara Alfindo, Carrefour...

## PRIVATE LABELS, A STRONG TREND



GROWTH EXPECTED IN EUROPE  
DURING THE PERIOD 2017-2021: **+6.90%**

## Private labels market share



Switzerland: 45%



United Kingdom: 41%



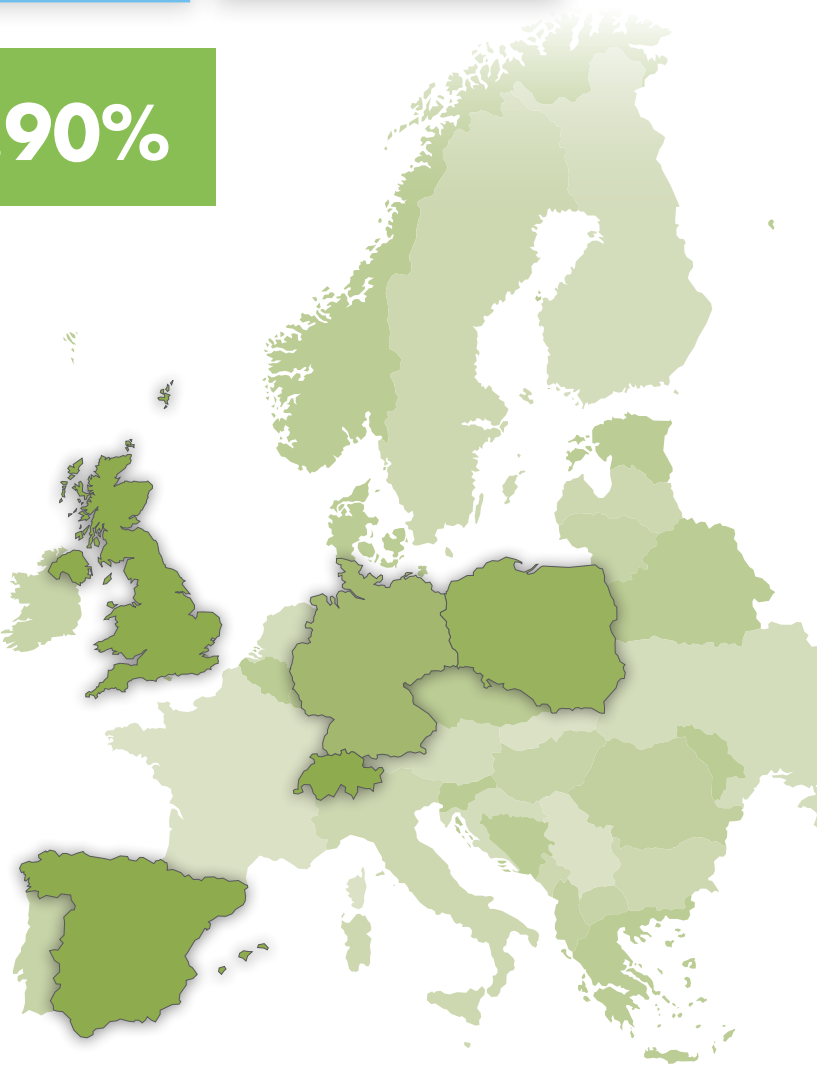
Spain: 41%



Germany: 34%



Poland: 24%





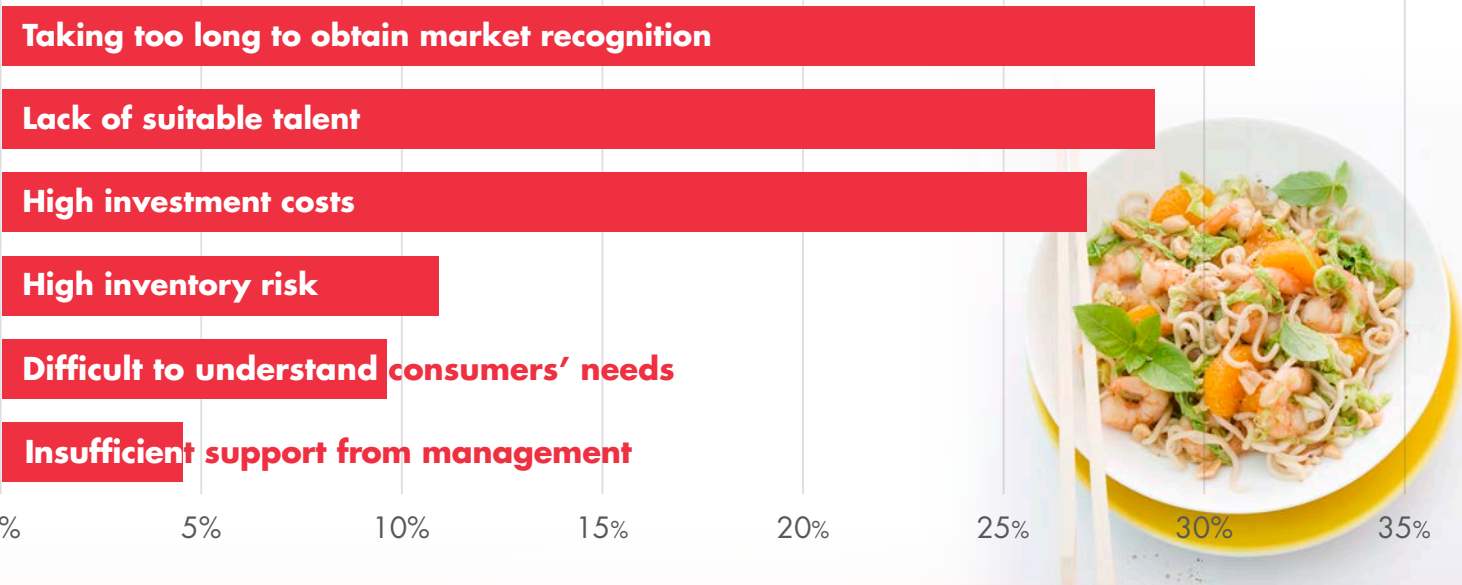
# PRIVATE LABELS IN CHINA:

## ON THE FAST TRACK TO CATCH UP EUROPE BY 2030

According to many experts, China will have closed in on the private-label market share currently seen in Europe (28%), by 2030. How come? On the consumers' side, Chinese shoppers had – and many of them still have – the perception that these products were of an average or lower quality. In other words, their confidence in the value and quality of local branded products is much higher than in the private labels ones. On the other side, in order to build trust, retailers had to face many challenges, two of which were to focus on quality and affordability. The easiest way for them to close the gap was to offer international and local brands. This explains why neither retailers nor suppliers have enough expertise

or experience of private labels in China. Yet, things are changing quite quickly. Leading grocery retailers such as Vanguard, Walmart, Lianhua, or Yonghui, have all announced aggressive plans to accelerate the development of their own private labels. At the same time, the attitudes of consumers towards private labels are becoming more and more positive. A recent research shows that if there is a choice between private label products and manufacturer brand products, 66.7% of Chinese consumers feel uncertain. Then, what are the drivers of success? Retailers should definitely scale up the categories of private label products and strengthen the cooperation with suppliers.

### DEVELOPING A PRIVATE LABEL IN CHINA: A TRUE CHALLENGE FOR ALL RETAILERS



#### LOOK DEEPER

##### Private labels in Asia: it's time to think local

Retailers are facing stiffer competition all over Asia. In order to compensate the loss of margins, they increase their use of private labels, offering several levels of categories. Low prices, best quality and trust are the three key assets in Asia. Yet, according to several experts, another criterion should be taken into account: local! It seems that many Asian retailers have virtually copied the European model without dedicating the groundwork necessary to build loyalty. Addressing the fundamental issue of shopper demand properly might be a solution for the future!

# THE UNITED ARAB EMIRATES,

## A TOP I/E DESTINATION

In 2016, 33.74 million tonnes of food shipments arrived in Dubai through land, sea and air. The United Arab Emirates has a negative trade balance of \$86B, mainly due to food import, since the country imports 85% of its food. It is the 15<sup>th</sup> largest importer and the 29<sup>th</sup> largest exporter in the world. Despite some significant investissements in farmlands in other countries and the development of aquaculture practices, the UAE is still very much dependent on other countries for its food consumption. The situation is unlikely to change. Indeed, food imports are expected to rise from \$100 to \$400 billion in the ten coming years. Why such an increase? First of all, the UAE has a very important expat population (only 11% of its citizens are nationals), most of them benefiting

from generous incomes and fiscal privileges. As the Emirates are also a major touristic spot, the demand for qualitative and gourmet food can't stop rising. Local convenient stores, speciality food stores, organic supermarkets, international supermarket chains... They all have very well taken this trend into account. But is there a place on shelves for private labels? Today, store brands are available at Spinneys, Carrefour, Al Maya or Choithrams, as well as at some cooperatives. They are all developing a full range of products and dedicating more and more space to private-label products every year. Although the share of private label products in the UAE is still very low (1%), the sales of private label products are expected to grow over the next five years...



#### EXPERT SAYS...

##### Is the UAE full of opportunities for Western importers?

"First, consumers are willing to pay an extra price for European products as they trust their quality. This perception is deeply rooted in the population's mind. Second, the demographics of the UAE supports imports as 60% of the population comprises of Asian expats. What they want is

##### Given the strength of import flows, is the UAE trying to develop its food independence? How?

"Currently, there are many farms in the UAE as Al Ain Dairy Farm, Organic Oasis Farm, Emirates Modern Poultry, Marmum Dairy Farm, Emirates..."

**Whole interview with Nimisha Kapil, Project Director, Customer Compass, on our web page:**  
<https://www.sial-network.com/SIAL-THINK-TANK/THINK-TANK-Private-Labels-Interviews>



# IN CANADA, IT'S ALL ABOUT QUALITY



Private-label penetration in Canada reaches 18%, slightly higher than the global average (16.5%). Five years ago, this share stood at 18.1%. Why this stagnation? Recent studies indicate that 68% of Canadian shoppers prefer to buy branded food products on sale rather than private labels. Regarding this situation, many retailers had no other options than offering multi-tiered approach to private labels. Developing upscale, mid-tier, and value-conscious lines has become an effective strategy to appeal to more consumers. As a result, two thirds of Canadian consumers perceive private label quality to have improved over the past few years. Innovation is the other driver for success. Retailers are coming out with new innovations

that consumers want. This is evidenced by the recent introduction of the 200 lines of gourmet "Presidents Choice Black Label" products by Loblaw's. Walmart has also introduced a high end private label line of 100 products. The high end Walmart line is, like Loblaw's Black label, positioned as "affordable luxury indulgence" and the packaging features a black label. The colour black is purposely used in both the Loblaw's and Walmart private label as it suggests "premium" food. There's also the green option (dedicated to organic food) as well as the blue one which suggests the product is healthy. In Canada, there's no doubt at all that the key drivers for growth are innovation and quality.



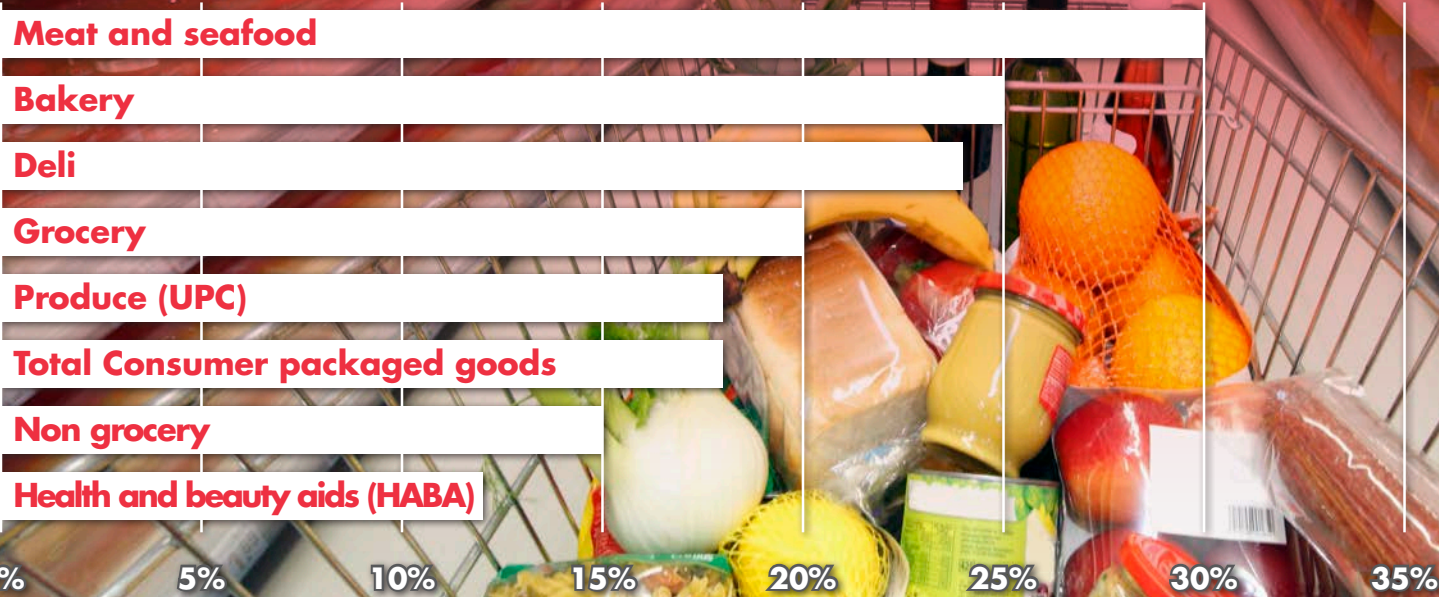
# NEW STRATEGIES TO DEVELOP PRIVATE LABELS IN FRANCE



The private label market in Italy, Spain and Germany is growing, but not in France. The picture is even worse. Private labels suffer from decrease in sales share for the 5<sup>th</sup> consecutive year (26.9% of market share in 2016). How come? In France, private labels are confronted with a price war with A-brands (33.5% of market share in 2016). Experts point out several explanations, the major of which is that retailers grant less promotions on private labels than on

national brands. Another one is the structural gap reduction between the national brands and the private label prices. Last but not least, there's less innovation on private labels than on national brands. This is why some retailers have developed, some retailers have developed new strategies, creating premium labels (promoted and sponsored by famous chefs) as well as organic labels. A true success story! While standard private labels are losing ground, premium and organic private labels are still in growth (+10% in 2017). In France, the improvement of quality and innovation might be the key for future successes.

## PRIVATE LABELS SHARE OF CONSUMER PACKAGED GOODS CATEGORIES (2017)



### EXPERT SAYS...

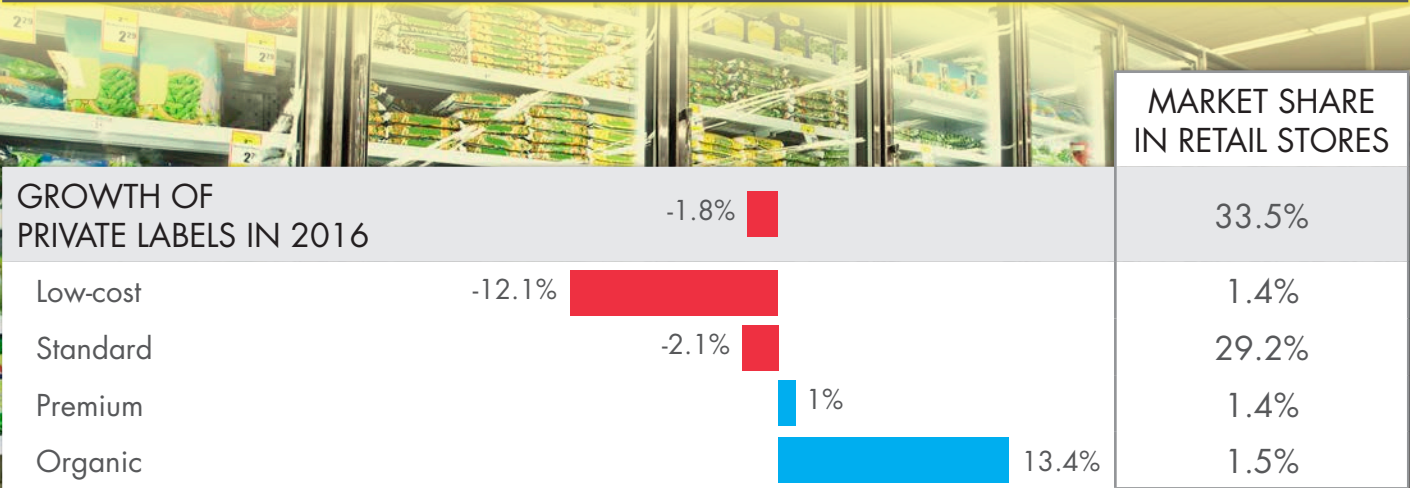
**To what extent is Metro an important private brands player in Canada, when it comes to food?**

"Metro is present in two of the country's biggest

regions, Ontario and Quebec, and is the third-largest retailer in the country as a whole. On the supermarket side, our offering is built around both local stores and discount outlets. And with around 20% market share for private brands..."

Whole interview with Marie-France Gibson, VP Private labels, Metro Canada, on our web page: <https://www.sial-network.com/SIAL-THINK-TANK/THINK-TANK-Private-Labels-Interviews>

## ORGANIC AND PREMIUM LABELS ARE RISING:



### EXPERT SAYS...

**What is the Intermarché strategy concerning private brands?**

"Our strategy harks back to the founding principles of Intermarché: independence and keeping down the cost of living. This means that our private brands really are our own,

with quality products manufactured in our own factories, to optimise the costs and phases of production, for better control and transparency. As a result, our brands are renowned and clearly identified by the consumer, examples being Monique Ranou and Jean Rosier, to name but two. These are brands that have a soul..."

Whole interview with Nelly Graff, Private labels Marketing Manager, Intermarché, on our web page: <https://www.sial-network.com/SIAL-THINK-TANK/THINK-TANK-Private-Labels-Interviews>



# EUROPE, THE KINGDOM OF PRIVATE LABELS?



Value shares of private labels have been dropping rapidly, particularly in countries such as Germany, Switzerland or Spain, where the private label trend used to be the strongest. In the UK, the value share of private labels in the total market, including all grocery retailers,

is up year on year by 0.4 value share points. There, the drivers for success are sophistication and innovation. As an example, Tesco (UK) has created 7 successful brands of local-sounding farms.



## IN INDONESIA, IT'S JUST THE BEGINNING



Private labels value share is quite low in Indonesia (0.6%) compared to what it is in Singapore (8.1%), Hong Kong (5.1%), or even India (4.5%). Not a surprise at all, since the retail organizational structures are still 'traditional' in the world's first Muslim country. Yet, things could change quite rapidly as 69% of

Indonesian consumers consider that private label brand's quality is as good as name brands. Another good indicator? More than 67% of Indonesian consumers admit that they purchase private label products to save money. There's no doubt at all that Indonesia might overflow with opportunities.



## AND ONLINE?



Having launched several private label brands covering food and beverage products, the global online leader is now Amazon! A true success. Since acquiring Whole Foods—the American grocery chain—Amazon has sold \$1.6 million of 'Whole Foods' private label

products just in the first month. A coffee brand under the "Happy Belly" label, a baby food brand under the "Mama Bear" label, and a cheap but qualitative label "Wickedly Prime"... there's now a private label for almost every food category!

**SIAL Network - March 2018**

**Sources :** Nielsen Cabinet - Nielsen ScanTrack - Alpen Capital - Businessinsider - Bloomberg - FDA - Research and markets - Businesswire - LSA - CCFA - OFC - Canadian Grocer - Euromonitor

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