Special Report

Retail Private Label Brands in Europe

Current and Emerging Trends

DECEMBER 2011

SymphonyIRI Group

Insight.
Innovation.
Impact.

Executive Summary – Current and Emerging Trends

The 'Retail Label Brands in Europe' Special Report provides us with a clear indication that with rising unemployment and a major economic crisis in Europe, shoppers are more cautious than ever and continue to look for ways to maintain and even reduce the cost of their weekly grocery shop. This shopper behaviour has helped retailers' own brands continue to strengthen their position against national brands across Europe; home of the most mature private label market in the world. Shoppers in Europe buy nearly as many private label products as they do national brands and in some countries they are viewed as equal to, or better than, many nationally branded products.

With an average 30% discount on national brands, private label goods provide shoppers with a strong value proposition. The value share of private label goods has increased in every country – and is now an average of 30% across the region. Most shoppers are more price-driven than they have ever been in the recent past. They are also more alert to the concept of quality and value. Retailers recognised that price is not the single differentiator for all shoppers and cannot tempt everyone away from national brands. As a result they have invested in the development of a wider variety of competitive offerings. Multi-tiered private label offers meet consumers at the Premium, Standard and Value points often with differentiated features at the higher priced levels. The Premium end offers more than the same for less money. Indeed, in some categories, the private label offer will be the most expensive and innovative product available.

As well as innovating at the product level, retailers have developed clear branding and assortment strategies and leverage their control of shelf space and pricing to drive profile. This presents a real threat to national brands as SKUs (Stock Keeping Units) are rationalised in categories to make way for new private label products. Consumers often perceive private label brands to be 'real' brands in their own right, making it seem increasingly likely they will be able to grow market share further and build shoppers' loyalty to the retailer. However, despite the advances of private label, penetration is lower in categories where the consumer has a strong relationship with brands. National brand manufacturers have not rested on their laurels. They are developing new products and technologies that will bolster their differentiation, are becoming more aggressive with pricing and continue to evolve new merchandising and promotional strategies.

Select Findings

❑ The market share of private label has increased across Europe. The value share of private label products varies from as much as 49.2% of all FMCG products sold in the United Kingdom to 16.1% in Italy. This compares to 18.5% in the USA.

❑ Cost-conscious shoppers are attracted by an average 30% price advantage that retailers offer over nationally branded products.

❑ Consumers still prefer to buy national brands if they can do so at the same price as a retailer own branded product.

❑ Private label products are now available in 9 out of every 10 FMCG categories, giving consumers more brand choice options on every item they buy.

Executive Summary – Current and Emerging Trends

❑ Despite the growth in private label, shoppers still buy a repertoire of branded and private label products at a mix of price points in most categories.

❑ The more market share that private label commands, the more vulnerable it is to consumers' attempts to economise.

❑ The biggest value share and unit share increases in private label were seen in Spain, where the value was up 1.2% and volume by 0.9%, making the 40.4% value share of private label goods closer to the United Kingdom.

❑ Retailers are creating strong brands that rival national brands at many levels.

❑ As private label brands begin to act more like national brands and compete on more factors than price alone, we are likely to see even wider ranges in their price points.

❑ The use of promotions by private label brands is increasing in countries where the price gap with national brands is the lowest; in the United Kingdom and Italy.

Introduction – Understanding the Balance of Power

Our major analysis into the balance of power between national brands and retailers' own labels paints a diverse yet interesting picture across Europe. With rising unemployment and continued economic crises, our research shows that shoppers across the region remain cautious and continue to look for ways to maintain if not reduce the cost of their weekly grocery shop. Savvy retailers have successfully leveraged their understanding of the shoppers' desire for value with an innovative range of products that address the differing needs of shoppers. When combined with existing retailer brand loyalty, these strategies have resulted in gains across the region for retailers' own labels. Nearly every country in Europe, with the exception of Germany and the United Kingdom, has shown increases in both the value and quantity of own brand products bought compared to national brands.

Even though consumers are more price driven today than they have been in the past, private label products are no longer just low-cost alternatives for national brands, but strong brands in their own right and now cover a much broader value spectrum. Retailers, recognising that price alone is not enough to move even the most price sensitive shopper completely away from their favourite brands, have invested in the development of alternative products in categories traditionally dominated by national brands.

Multi-tiered private label offerings with different pricing strategies are now well-established, and are proving successful at sitting in the repertoires of shoppers with varying income levels and shopping modes. They offer more than just 'the same thing for less money': creating value for the consumer by bringing new brand identities, attributes and quality within their price range, and giving the retailer strategic differentiation and the opportunity to reinforce its own brand values. Retailers are also developing product assortments to address niche market needs – further building and broadening customer loyalty.

Even so, the savings afforded by purchasing a retailer's own brand can still be significant for cash-strapped shoppers. A typical European private label shopping basket costs on average 30% cheaper than one filled with national brands.

Despite the advances of private label, penetration is lower in categories where the consumer has strong relationships with brands, but this is changing the more that private labels 'behave' like brands and are accepted as such by consumers. This situation may herald alarm bells for national brand manufacturers as they continue to lose market share to private label brands, particularly since they are already challenged with the rising cost of raw materials and value-savvy shoppers who increasingly want price premiums to be justified. But national brand manufacturers have been busy. They are developing new products and technologies to bolster their brands differentiation, becoming more aggressive with pricing, and continue to evolve new merchandising and promotion strategies.

This report explores current and emerging private label trends across Europe. We will look at key indicators such as the value and volume share of private label as well as the price and promotion pressure for FMCG products across seven European countries. FMCG marketers will gain valuable insight into how the economic climate and the resulting behaviour of shoppers in Europe will impact their brand and retail strategies in the coming year.

Rod Street
Vice President, International Consulting
SymphonyIRI Group

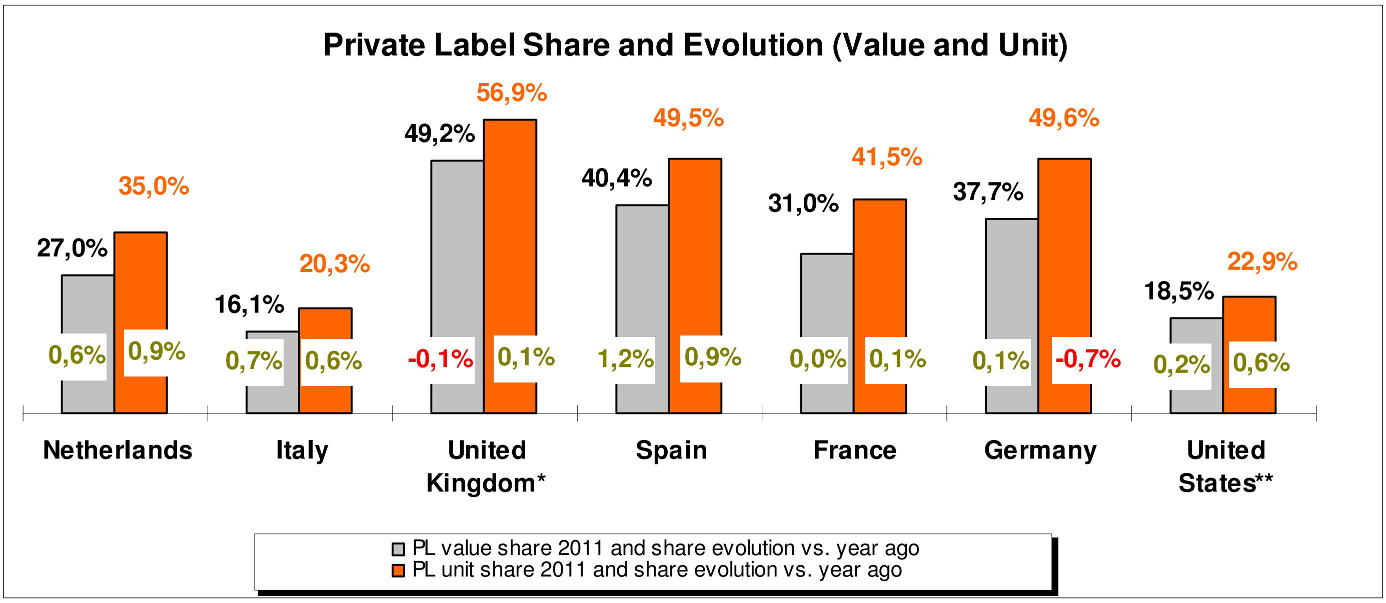
Turning Key Insights Into Actions – FMCG National Brands

Key Insight	Action
The market share of private label has increased across Europe. Value varies from as much as 49.2% of all FMCG products sold in the United Kingdom to 16.1% in Italy. This compares to around 18.5% in the USA.	Understand the risk to your brand portfolio in each category and the extent to which private label erodes key brand positions. Review shopper needs, retailer strategies, market mix and to develop mitigation strategies in priority categories.
Retailer own brands command on average a 30% price advantage over national brands that provides real value to cost-conscious shoppers in the current economic environment.	Manufacturers need to refine their price and promotional strategy to disrupt private label development and consider partnering with retailers to examine portfolio options.
Although private label promises good value for the best price, consumers still prefer to buy national brands if they can do so at the same price.	Ensure brands retain strong proposition built on consistent pillars and demonstrated in everyday execution. Watch carefully price gaps and continue to invest in clearly communicating the value proposition.
Private label products are now available in 9 out of every 10 categories giving consumers more options on brand choice.	Ensure category strategies adequately consider private label trends and retailer strategies. Explore opportunities to partner on category development, where appropriate, with retailers to bring consumers multi-tiered solutions.
Private label brands benefit from a well developed merchandising strategy and still command the biggest share of many FMCG categories.	Understand price and promotional interactions between brands and private labels at retailer level. Use it to inform price architecture, assortment discussions and promotional strategy.

Turning Key Insights Into Actions – FMCG Retailers

Key Insight	Action
❑ Private label remains a growth opportunity for many retailers and is of great importance to further developing loyalty and increasing margins.	❑ Review private label strategy against store strategy, shopper profile and competitor offerings to identify priority opportunities and positioning by tier and category. Ensure strategy is future proofed to environmental and trade development to 2015.
❑ Despite the growth in private label, shoppers still prefer to buy a repertoire of branded and private label products at a mix of price points in most categories.	❑ Review opportunities in larger categories for optimising assortment across brand and private label – for trade share, profitability and category value. Consider partnering with leading suppliers in category reviews.
❑ Continued use of promotions has bought many national brands much closer to the lower prices afforded by retailers' own brands on a day-to-day basis.	❑ Evaluate price and promotional impacts on category value, share and profitability. Use this analysis and insight to ensure clear private label price relativities and promotional approach especially in major categories.
❑ Private label products are now widely available in 9 out of every 10 categories giving consumers more options on brand choice.	❑ Ensure clear, consistent and well integrated cross-category private label branding, propositions and communication strategy to drive retail differentiation. Understand the scope of private label penetration within your stores and shopper base to identify priorities and opportunities for your own brand.
❑ Whilst private label share has increased generally across Europe, in some categories and countries it has reached a plateau - even with mature multi-tiered offers.	❑ Ensure that over-merchandising and promotion of your own brand does not undermine the category role, value or profitability. Review opportunities to optimise assortment at overall category level to drive shopper penetration, loyalty and value.

Increasing Market Share of Private Label – Development by Country



Source: SymphonyIRI Infoscan; 52 weeks ending 4/9/2011 versus same period prior year
*Source: Kantar WorldPanel; 52 weeks ending 02/10/2011 versus same period prior year. Channel coverage: supermarkets, hypermarkets and discounters
** Source: SymphonyIRI Market Insight™ ; 52 weeks ending 8/7/2011 versus same period prior year. Channel coverage: grocery, drug and mass formats point of sales

Private label evolution is strongly impacted by the local retail landscape and macro economy context

Europe is the most mature private label market in the world. Shoppers buy nearly as many private label products as they do national brands in some countries and view them as equal to or better than many nationally branded products. As a result, the value share of private label goods across Europe is an average of 30% of all FMCG products sold, although it ranges widely by category, channel and country.

Spain, UK and Germany continue to sell more private label brands than any other country. Market share is strongest in the United Kingdom where 56.9% of FMCG products sold are private label and retailers command 49.2% value share.

Ironically, the penetration of retail brands, in Germany, particularly in the discounters, may be supporting a decline in volume. The rising cost of weekly groceries in Europe highlighted in the October 2011 SymphonyIRI Group report 'Economic Uncertainty Affecting FMCG Sales' also revealed that shoppers in the United Kingdom and Germany were buying less in their attempt to control the cost of their weekly grocery shop. It seems that the more market share private label commands, the more vulnerable it makes categories to consumers' attempts to economise.

The biggest value and unit share increases in private label were seen in Spain, where the value was up 1.2% and volume by 0.9% making the share of private label goods similar to Germany at nearly 50%. The increase was mainly due to the success of key retailers' multi-tier strategies.

France was the only country to see unit share remain flat at 41.5% – a result of national brand manufacturers stepping up their marketing activities while private label promotional activities decreased.

Even with a continued period of economic gloom, the steady market share gains being made by private label across Europe are about more than shoppers' cost-cutting initiatives. Retailers are starting to create strong brands that rival national brands at many levels.

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Brand Positioning - Private Label Brands Get Stronger

Retailers have worked hard to strengthen their own label brands and have taken a third of the total FMCG market across Europe as a result, proving a worthy challenge for national brands.

While retailers have benefitted from the continuing difficult economic conditions which have made shoppers' more reliant on private label brands to save money, price has not been the only driver.

Private label products are now available in 9 out of every 10 FMCG categories, giving shoppers more opportunities to buy a private label product instead of a national brand.

Retailers across Europe have developed three-tier private label offerings which give consumers an option to buy a private label brand at every price tier, including in many specialised and niche categories. And many of these new private label offerings are at the Premium end of the market, for example Tesco Finest. Indeed, in some categories, the private label offer will be the most expensive and innovative product on offer.

Innovative branding programmes that provide consumers with real solutions to consumers' everyday needs – such as placing all of the ingredients for cake baking in the same place on the shelf – endear brands to time-poor consumers who appreciate the shortcuts in decision making that buying the offer affords them.

As well as innovating in their branding and assortment, retailers have also exploited their control of shelf space and pricing, making it easy for them to broaden their ranges. This presents a real threat to national brands as SKUs are rationalised across the board to make way for new private label brands.

Market share for private label brands has grown significantly in those categories traditionally dominated by national brands and in which shoppers tend to be strongly attached to 'favourites'. These include items such as tea bags, energy drinks, beer and colas.

Recognising that consumers are saving money by 'trading down' from branded products – most markedly in Greece, Spain and Italy – retailers are also strengthening their cheaper alternative ranges that offer attractive value for money. In the United Kingdom for example, Waitrose introduced and rebranded its Essentials range. In Spain most retailers are doing the same - Eroski was the latest retailer to launch a basic brand: Eroski Basic.

Major retailers will need to continue investing in their private label strategy, in terms of pricing, branding, propositions, promotions and communication, to increase share further. But with private labels being viewed by consumers as 'real' brands in their own right, it is increasingly likely that they will be able to grow market share and build upon shoppers' loyalty.

However, more advanced retailers will need to be careful not to damage category value where they are close to a perceivable ceiling in share.

Manufacturers will need to continue to rigorously refine their brand portfolios and strategies to find the best way to compete category by category. This will need to cover all aspects of marketing mix.

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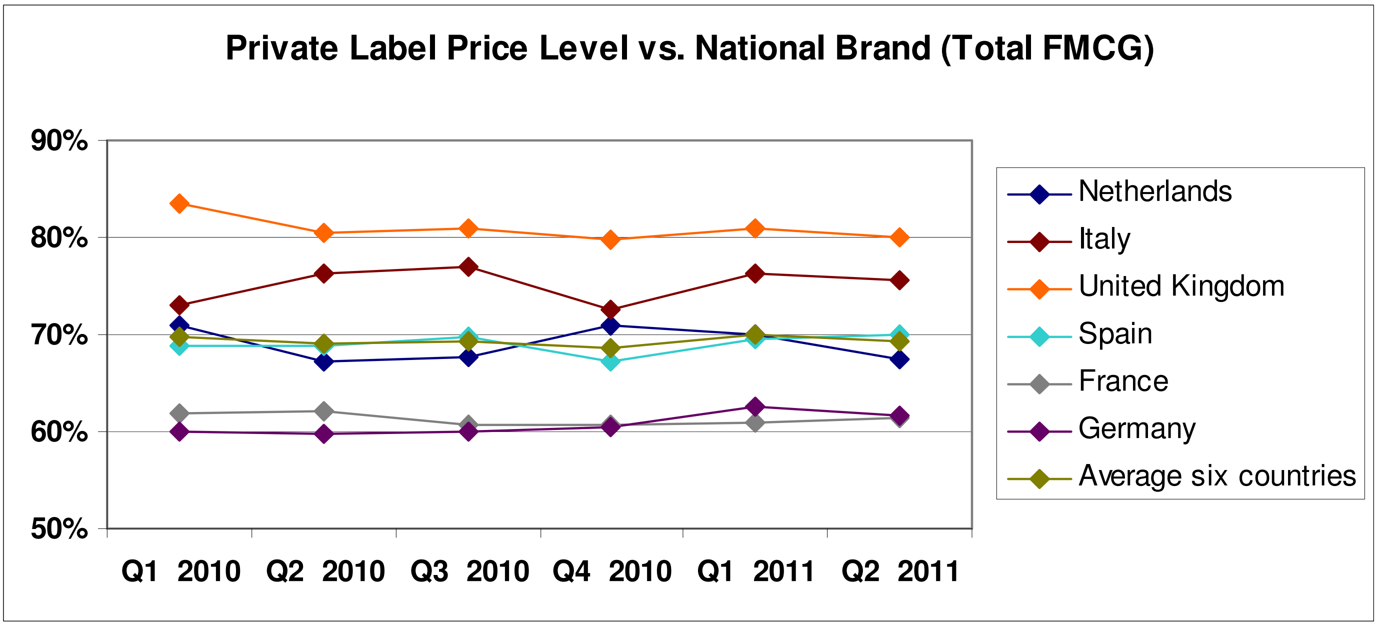
New Pricing Strategies for Private Label



Source: SymphonyIRI Infoscan; 12 weeks ending 4/9/2011 versus same period prior years

Private labels brands: the three-tier pricing strategies

Private label goods cost on average 30% less than an equivalent national brand. Although retailers are introducing new Premium ranges and better value products, the price of private label products remains competitive compared to national brands. In fact in the latest quarter, the relative price of private label products has decreased slightly in every country except Spain and France.

Over the last few years however the consistency of own label pricing differentials testifies to the importance of this offering in retailer strategy to build shopper loyalty.

Retailers have responded by increasing the Premium-end of their ranges to offer more choice to a range of consumers.

The introduction of Premium ranges has closed the price gap for French consumers, meaning the cost of private label brands has increased slightly overall.

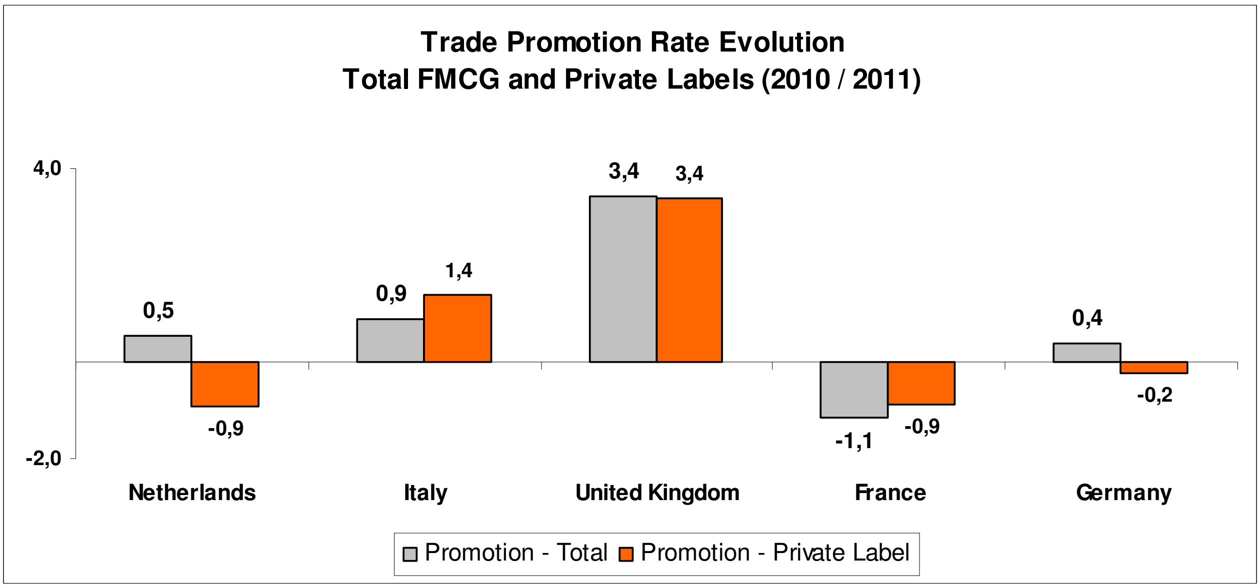
Yet in Italy and the United Kingdom, the success of Premium label brands has not resulted in a higher price for private label brands overall, indicating that retailers are concentrating on both ends of the price range and providing better value at the cheaper end of private label too. They are also using promotions to keep the costs lower for cash-conscious shoppers.

The decreasing cost of private label brands is most evident in the Netherlands.

In Germany private label is already significantly cheaper than national brands, - by nearly 40% - and is purchased mainly in discount stores. Here there are less alternative ways for shoppers to reduce the cost of the weekly shopping basket. In the SymphonyIRI report ‘Economic Uncertainty Affecting FMCG Sales’ report, it is evident that German shoppers are buying less products too, which will also impact the volume of private label products sold in this country.

As private label brands begin to act more like national brands and compete on more factors than price alone, we will likely see even more diversification in the pricing of retailers’ own brands.

Promotional Deal Depth



Source: SymphonyIRI Infoscan; 52 weeks ending 4/9/2011 versus same period prior years

Trade promotion evolution is aligned with total FMCG

When private label was the cheapest product, trade promotions were rarely used. Now the use of promotions by retailers for their own private label assortments has become a normal practice. In the United Kingdom and Italy it is increasing more than or at the same pace as national brands.

As these countries increase the value of their private label assortments, their need to promote in order to remain competitive also rises. In Italy for example, trade promoted volume is relatively high at around 25% for total FMCG sales (October 2011 Symphony IRI Group report 'Economic Uncertainty Affecting FMCG Sales').

The depth of promotional use in the United Kingdom reflects the high prices that private labels command for some ranges and categories.

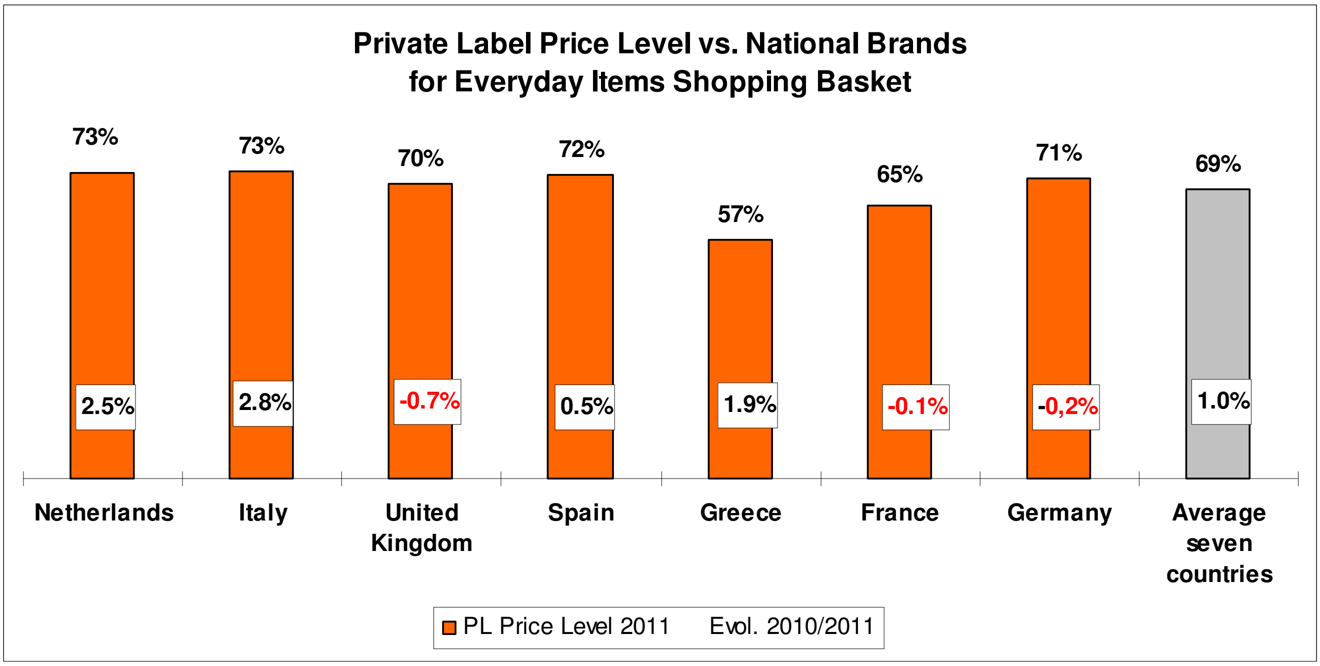
In Italy promotions are used to reinforce private label penetration. Retailers here want to offer consumers a convenient and high quality shopping basket. For example: Coop Italia and Conad are communicating a concept of quality and convenience.

Markets such as the Netherlands, France and Germany have cut back on their already low use of promotion even though the market has grown. Shoppers here already gain enough value from private label brands so that retailers don't need further discounts to grow.

As shoppers become more sensitive to price promotions, manufacturers and retailers will need to find other ways to preserve and drive volume. In many ways the own label challenge is the same as it is for national brands: where over aggressive promotional deals can erode brand loyalty as consumers get used to buying products at a lower price.

We have recently detected a pause in promotional escalation in several countries including the United Kingdom. Although the promotion activity on national brands and private label remains high, this pause means that the pressure will simply move to other aspects of the marketing offer – brand choice, category choice, volume, everyday prices – any area that will enable shoppers to maintain control of their spend and realise maximum value.

Price Level for Every Day Items



Source: SymphonyIRI Infoscan; 52 weeks ending 4/9/2011 versus same period prior years

Overall a shopping basket of everyday items, made up exclusively with private label products is 30% less expensive, but evolution is very much impacted by local factors

The pricing around private label products is evolving and becoming more complex as the price level of private label in some markets splits into three-tier offers (Value, Standard and Premium).

Although each country has a different level of private label penetration, some products are dominant across all countries. Toilet paper for example has a penetration rate that varies from 83.3% in Germany to 29.9% in Italy. The same is true for long life milk, and to some extent butter, ambient fruit juice and cereals. Private label penetration for personal care items such as shower gel, shampoo and aerosol deodorant on the other hand remains low. These tend to be categories where affinity to national brands is very strong.

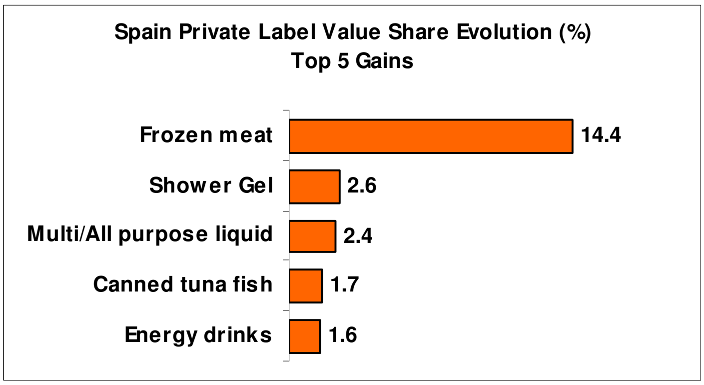
With some private label products being equal to or even more expensive than their national brand competition, private label no longer entirely represents the cheapest deal for shoppers.

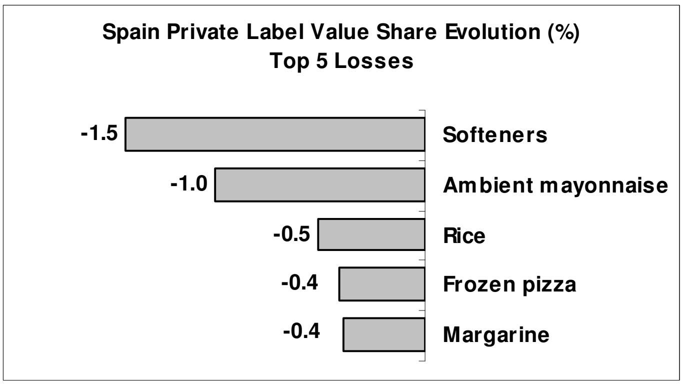
We already know that where penetration levels for national brands is deep, shoppers will prefer to choose a national brand if it can be bought at a low-enough price point that makes it competitive to the lower cost of the retailer's brand (which is usually some 30% cheaper than the price of a national brand).

The average shopper's grocery basket will be a mix of national and private label brands for both every day items and niche, specialist products.

In France, where Premium and Standard private labels have grown (respectively by +4.7% and +3.5% in value), the Value tier decreased by 7.7%.

Private Label in Spain





Source: SymphonyIRI Infoscan; 52 weeks ending 28/8/2011 versus same period prior years
From a European shopping basket of 25 every day items gathering food, drinks and non food – List at the end of the report

Private labels are still growing from an already strong position
National brands have used additional trade promotion to gain market share

Private label share in Spain is 41% - a gain of 1% on 2010. The most important retailer, Mercadona, is gaining private label market share.

Retailers are investing in developing multi-tier ranges, recognising in particular that consumers are turning 'back to basics' to save money – with Eroski following Carrefour and El Corte Ingles in launching a Value line – and also Premium brands. Caprabo, for example, has launched Caprabo Natur, a Premium brand on fresh products that guarantees a high quality product for fish, meat, fruits and vegetables.

Categories posting the strongest growth include fresh ready to eat meals, toilet paper, and frozen meat, which saw the benefit of a new range of products launched by a retail chain. A new category also emerged – non-refrigerated desserts.

Household and perfumery departments also have a high level of private label penetration.

National brands showed a small recovery in 2011, gaining +0.4% of market share. This is due to more aggressive and innovative promotion by manufacturers - for example, Reckitt Benckiser is using direct-mail advertising with price discounts, and CocaCola has started selling products by telephone for the first time anywhere.

Private label promotion activity has decreased, and retailers are investing less in promotion than last year, yet private label is still gaining share, showing their multi-tier strategies are proving successful. Price reduction is the most used type of promotion, followed by display.

The Spanish shopper perceives private label brands as very close to national brands in terms of quality, higher on value (price versus quality). Mercadona – the retailer with the biggest private label share - also has a very positive image among shoppers, with a new store concept that improves the shopping experience. The retailer influences other retailers, including Dia, Lidl and Carrefour with its Carrefour Planet, are also improving the appearance of their stores.

There are significant regional variations in Spain – with private label share ranging from 29% to 50%. This is heavily influenced by the penetration of the supermarket, particularly Mercadona, and unemployment rates: the areas with higher unemployment show higher share.

Although private label shoppers in Spain are not brand loyal, in 2011 52% of them changed to another brand, and 1 in 4 were considering buying national brands once the economy improves. There is an opportunity for retailers to build brand loyalty.

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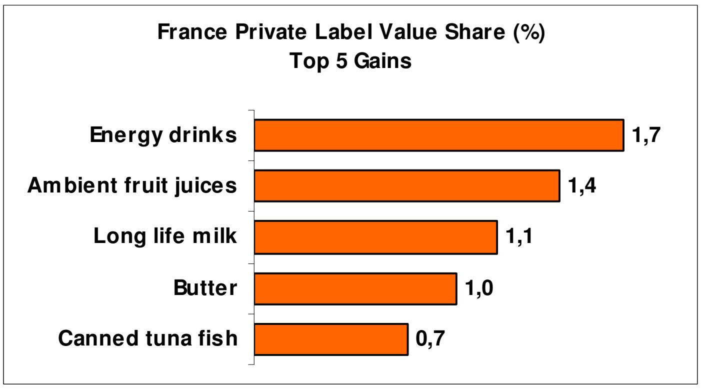
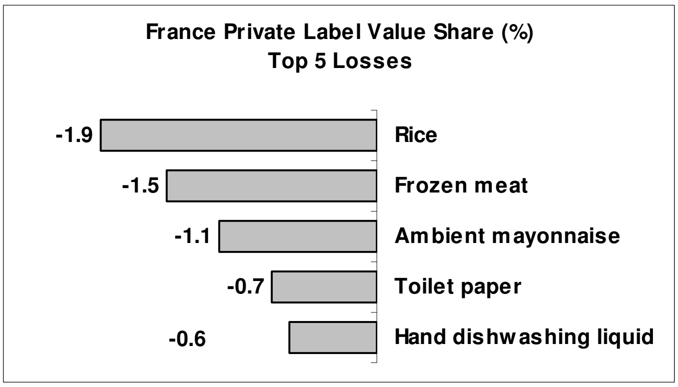
Private Label in France





Source: SymphonyIRI Infoscan; 52 weeks ending 4/9/2011 versus same period prior years
From a European shopping basket of 25 every day items gathering food, drinks and non food – List at the end of the report

Private label is stable but with important differences on tiers, regions and retailers' strategies

After two years of growth in 2008 and 2009, private label share has stabilised since the first half of 2010, with value share staying flat at 31% and a small growth in unit/volume this year (to 41.5%). Items in the everyday European shopping basket showed a small value gain.

This stabilisation occurred in spite of continuing difficult economic conditions for shoppers and an increased offering, and is likely to be a result of national brand manufacturers stepping up marketing while private label promotion activities decreased.

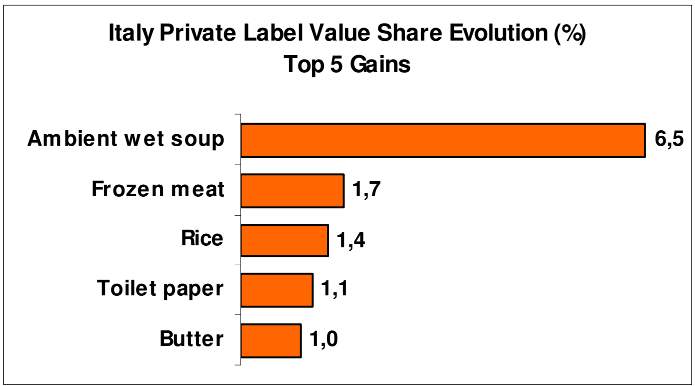
In June the private label market share began growing again, as a result of the return of inflation.

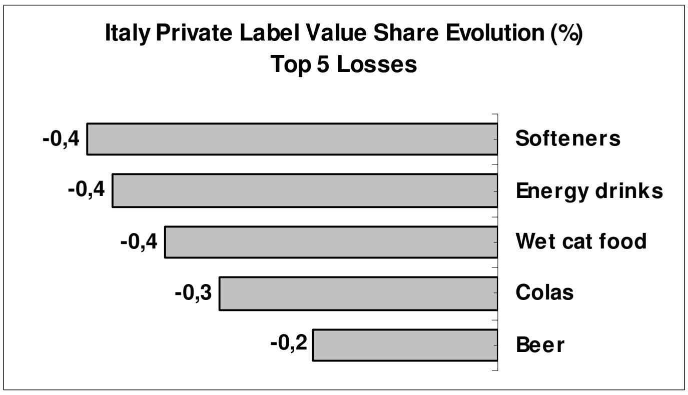
There is a marked difference in value share evolution between Premium and Standard tiers of private label (+4.7% and +3.5% respectively) and the Value tier (-7.7%). This has been driven by retailers' assortment policies, but also indicates weak consumer confidence in economy private label products. Shoppers still prefer national brands on promotion, and 62% of them buying own label goods say that they would have bought a national brand if it had been on promotion.

Market share also varies significantly across regions in France – from 25% to 34% (with an average of around 30%). These variations can be linked to the implementation of hard discounting in some regions, with private labels strong in areas where hard discounters are weak, and also to shoppers' purchasing power.

French retailers are demonstrating contrasting strategies – for example, market leader Carrefour's goal is built on its strategy to cut national brand selection to reach 40% sales levels for its own brand in-store, increased from 25% today, whereas Casino plans to increase SKU assortment and sales of national brands.

Private Label in Italy





Source: SymphonyIRI Infoscan; 52 weeks ending 4/9/2011 versus same period prior years
From a European shopping basket of 25 every day items gathering food, drinks and non food – List at the end of the report.

Private label continues to grow mainly due to strong promotion and advertising activity and categories range expansion
Premium products are seen as valuable

Private labels continue to gain value and volume share in Italy, though growth is slower than in 2010. Inflation is high in Italy, with the biggest price increases in fresh food and drug categories caused by the increased price of raw materials. This gives a lower average value across the every day items European shopping basket, as consumers strive to save money by choosing low price products and looking for promotions.

This environment also provides private labels with major growth opportunities – and many retailers are stealing shelf space from national brands.

Shoppers' acceptance of private label brands continues to increase, due to the economic conditions, expanded store brand offerings and increased assortment, mainly in the Value and Premium tiers.

They are also beginning to perceive private labels as a brand in their own right.

Promotional activity for private labels in Italy is also higher than for branded products – growing at a rate of 1.4% versus the same period of the last year. Retailers' messages are focusing on convenience and quality.

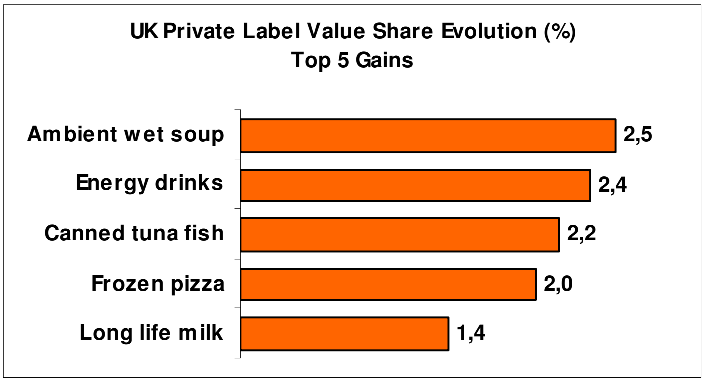
In Italy, retailers' growth strategies for the development of private label is focused on increasing coverage of categories that are already well appreciated by consumers. They also aim to increase the range and targeting of products. For example they are pushing specific fair trade, health and wellbeing and kids' ranges within their private label offerings.

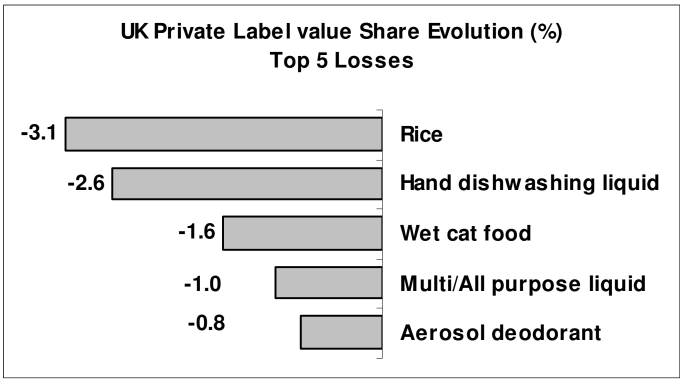
Premium products are growing strongly, up 22.3% on last year with a total share of FMCG of 5%, as consumers become aware that they don't have to sacrifice taste for lower prices. Most are high quality regional food products with a lower price than branded alternatives.

Fresh food, frozen food, petcare and homecare have a private label share higher than the market average. Private label share is also very high in fruit and vegetables category (33.5%).

In the beverage and personal care categories private label share is quite low – at 8.4% and 10% respectively - mainly because branded products are very strong in these categories.

Private Label in the United Kingdom





Source: SymphonyIRI Infoscan; 52 weeks ending 3/9/2011 versus same period prior years.
From a European shopping basket of 25 every day items gathering food, drinks and non food – List at the end of the report.

New strategy from retailers that speaks to consumer need: more value for money and quality

As retailers fight for share of the UK's mature private label market, they have switched strategy from aggressive promotion and discounting to driving enhanced value for money and quality. They are providing quality and variety comparable to national brands, without the cost. For example, Tesco has stopped its double club card point initiative, signalling it intends to focus on quality going forward. Sainsbury's and Asda have both re-branded and enhanced their Standard private label ranges to position them higher in quality perception. Morrison's and Co-op have launched a new Premium label range promoting the concept of 'eating out at home'.

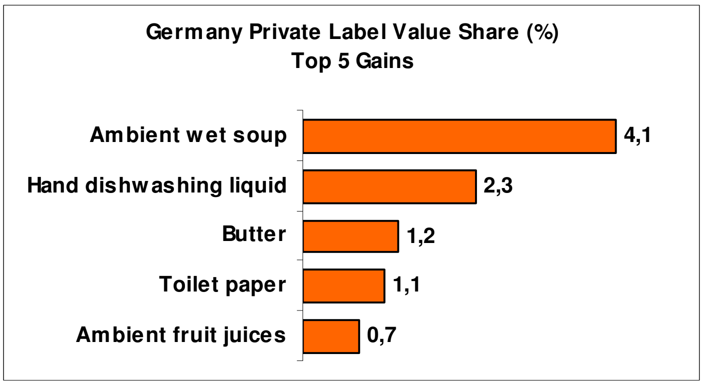
Retailers are also promoting the cheaper 'basket cost', with Tesco and Asda's 'Big Price Drops' on day-to-day products, including many private labels. Private labels are also benefiting from high levels of advertising and endorsement from supermarkets, compared with national brands. Rice and hand dishwashing liquid are an exception to this rule however. Here own label brands do not support the product as heavily with promotions, whereas national brands have 70% of their volume sold on deal. The value share of own label rice fell by 3.1% and hand dishwashing liquid by 2.6% points.

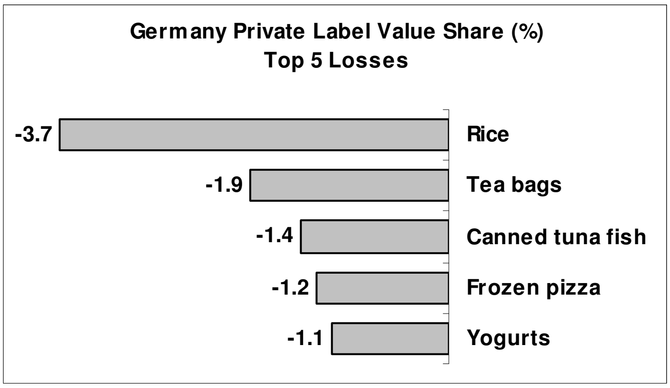
Although attracting a very large proportion of the United Kingdom consumers grocery spend, private label lost value share in 2010 and to a small extent, again in 2011.

However, unit share increased marginally both overall and across every day items in the European shopping basket, which may point to a small overall reduction in price position.

The private label market in the UK currently accounts for 49.2% of UK grocery sales, and this share is likely to increase further this year as daily living costs continue to rise, making consumers even more price sensitive, and the quality perception increases.

Private Label in Germany





Source: SymphonyIRI Infoscan; 52 weeks ending 4/9/2011 versus same period prior years.
From a European shopping basket of 25 every day items gathering food, drinks and non food – List at the end of the report

With the highest volume share, German's private labels are behaving like strong brands

German shoppers are smart: value for money is important, and they know how to get it. Private labels are well established in the German market, and wealthier consumers increasingly shop in discount stores. The rising prices of national brands drove consumers towards private labels, increasing the market share 0.2% across the every day items shopping basket and 0.1% value share overall. Unit/volume share has dropped 0.7% but is still among the highest in Europe at 49.6%.

Retailers across Germany are using private labels to increase profits and build customer loyalty. Far from a passing trend, this is the changed face of retailing in the German FMCG market with discounters offering mainly private label products, supermarkets and hypermarkets continuing to build multi-tiered private label portfolios and specialty stores (for example, pet supermarkets).

The German market has traditionally been focused on economy-tiered ranges, but as quality is emphasised and Premium ranges emerge, consumer acceptance levels for private labels are rising. German shoppers are aware that the difference between branded and private label products is often minimal.

Private labels are 'behaving' like strong brands – with innovations, promotional campaigns, high quality and specialist suppliers – and are increasingly viewed as such by shoppers. Quality remains of critical importance. When the German independent testing institute Stiftung Warentest gave a low quality score to several private label products, many consumers, no longer certain about the credentials of these own label brands, switched to national brands.

The launch of Premium-tiered private label products would fuel further growth in this sector.

There is still a low penetration of private label in categories where the consumer has a relationship with the product, e.g. baby food or feminine hygiene products, and high penetration on items such as ready meals or dried pasta where brands are disparate, products are commodity based and technical innovation is inexpensive. Retailers have posted the biggest gains in dry grocery, frozen food, dairy and pet food. In the soup segment, a growth in the penetration of private label brands occurred when national brands raised their prices – proof that consumers turn to own labels where they expect the same quality and taste at a lower cost.

Competition is fierce and retail chains such as REAL are increasingly adopting cross-channel promotional strategies that were previously the domain of national brands: with TV, outdoor, radio and internet advertising campaigns complementing traditional in-store promotions.

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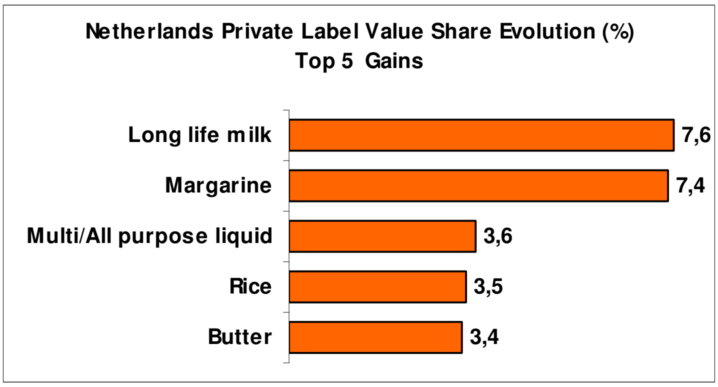
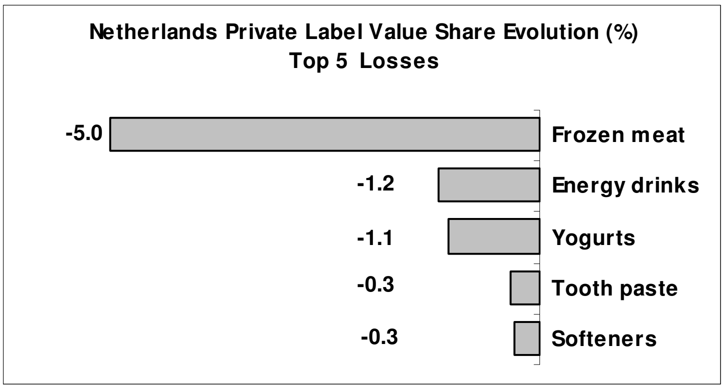
Private Label in the Netherlands





Source: SymphonyIRI Infoscan; 52 weeks ending 4/9/2011 versus same period prior years.
From a European shopping basket of 25 every day items gathering food, drinks and non food – List at the end of the report.

With an uplift in 80% of categories, private label has seen the biggest growth in Value and Specialist ranges

Private labels have posted an uplift in 80% of all categories in the Netherlands as consumers remain cautious in their spending habits, with the strongest gains in shelf-stable milk, eggs, some cookies, seasoning and condiments and rice.

Share declined in categories in which national brands increased promotion and communication with consumers, and re-innovated their assortment – for example frozen categories including pizza, fish and potatoes and fresh milk.

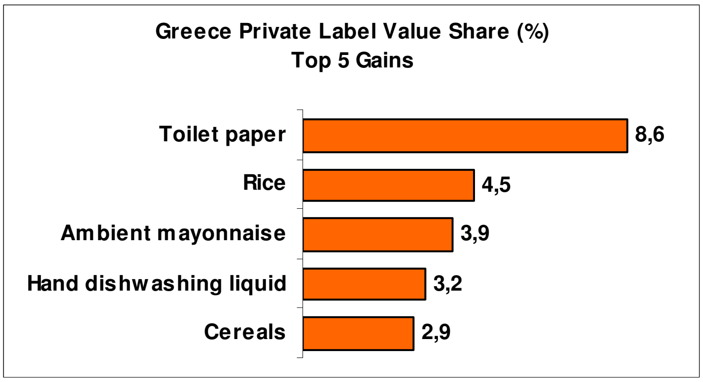
Market leader Albert Heijn's efforts to grow its private label presence have paid off – including the launch AH Puur en Eerlijk (AH Pure & Honest) line of environmentally friendly products – with a growing share of 33.4% in 2010, putting it way ahead of other retailers. Its brand is perceived as high in quality as a national brand.

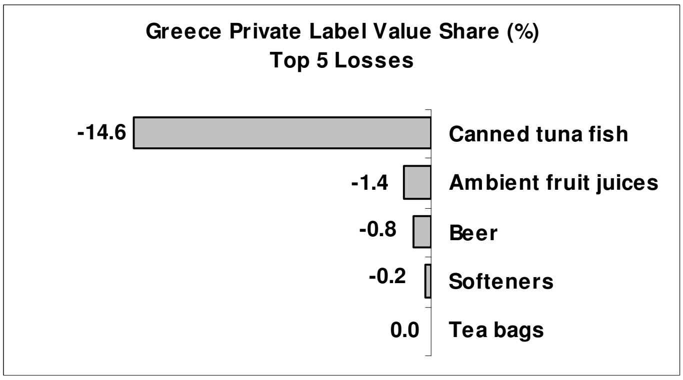
Jumbo joined forces with C1000 to take over Super de Boer, creating a powerful new organisation called Bijeen with an estimated market share of 22.5%. They both introduces a budget line private label. Discounters Aldi and Lidl, fascias almost without National Brands, continue to increase the number of outlets and market share in the Netherlands.

Despite these factors, store brands are not growing across all FMCG categories in the Netherlands. In some categories, including diapers and laundry detergent, national brand manufacturers are heavily focused on protecting and growing share.

The biggest growth has been in Value and Specialist private label – for example, organic, fair trade – while Standard and Premium have both lost share.

Private Label in Greece





Source: SymphonyIRI Infoscan; 52 weeks ending 4/9/2011 versus same period prior years. For canned tuna fish data till 28/08/2011.
From a European shopping basket of 25 every day items gathering food, drinks and non food – List at the end of the report

With about 10% of FMCG sales, private label is expecting to gain share due to the efforts of the two leading retailers and driven by the current economic context

Across a wide range of FMCG categories, own labels are rapidly capturing increased market share in Greece. In general, private label brand development in Greece is well behind that of other countries studied for this analysis, but a difficult economy and heavy retailer focus on growth are serving to hasten development across a range of categories.

The two largest retailers in Greece, AB Delhaize and Carrefour, have worked hard to grow their own label presence through innovation. AB Delhaize in particular has also focused on rationalising the number of products sold per category in store at the same time as building up its own label brand lines.

A retailer with a reputation for selling quality products, AB Delhaize's offerings are viewed by consumers to be of good quality as well as value. The retailer seeks to reinforce this image in promotional materials.

On the whole, store brand market share in Greece has been fairly flat over the past year, slipping less than one point. Private label currently represents about 10% of FMCG sales.

With assortment flourishing and promotional activity intently focused on quality and value, store brands in Greece are expected to continue to gain market share in the coming years.

Conclusion

The current economic gloom is driving shoppers to seek greater value from their purchase decisions and question the almost unconscious decisions that they make in the few seconds that it takes to place product in their baskets.

This is shaking the structure in categories and providing opportunities for the more perceptive and determined retailers and manufacturers to exploit the fractures that are emerging. Success will demand an up to date and incisive view of the decision process for each key shopper segment – what are the shortcuts and triggers that provoke choice? What decisions are now being made on the list as opposed to by the fixture? Has the balance between quality and price moved? How have the needs of shoppers in my category shifted?

Getting behind the story in each category and channel will open up opportunities that can be worked by either retailer or manufacturer or both - for brands and portfolios.

As retailer own label products continue to raise their game, national brands will need to focus on where and how to defend their share of wallet. Conversely retailers will need to continue to enrich the breadth and depth of their private labels, capitalising on their uniqueness to build loyalty and grow share of trade. Insight and innovation will play critical roles in brand growth strategies for both retailers and manufacturers alike. Capturing the value that these offers will demand the maintenance of effective pricing and promotional strategies.

The story in this protracted and potentially double dip economic scenario is not only going to be about a battle between national and retailer brands but also a battle for the growth of value and share of the shoppers wallet that will drive the fortunes of both retailers and manufacturers.

The drive to open up opportunities will be the route to succeeding in both battles.

We at SymphonyIRI look forward to providing these solutions and helping FMCG retailers and manufacturers navigate through today's challenging economic environment.

About the Report

• This report contains data gathered from seven countries in Europe (France, Italy, Spain, the United Kingdom, Germany, the Netherlands, Greece) and the USA. The data has been sourced from SymphonyIRI Group retail databases.

• The market channels used for each country in this report are as follows:

Country	Channels used
UK	Hypermarkets, supermarkets, drugstores and impulse outlets
SP	Hypermarkets and supermarkets
GR	Hypermarkets and supermarkets
GY	Hypermarkets, Supermarkets and hard discounters (excl. Aldi)
NL	Hypermarkets and supermarkets
IT	Hypermarkets and supermarkets
FR	Hypermarkets and supermarkets
USA	Grocery, drug and mass formats point of sales

• The every day items European shopping basket includes:

Softeners
Toilet paper
Hand dishwashing liquid
Multi/All purpose liquid
Shampoo
Shower gel
Tooth paste
Aerosol deodorant
Cereals
Rice
Canned tuna fish
Ambient wet soup
Ambient mayonnaise
Frozen pizza
Frozen burger (all type of meat)
Yogurts
Margarine (all type of margarine, spread, health, cooking…)
Butter (all type of butter, spread, health, cooking…)
Wet cat food
Long life milk
Beer
Ambient fruit juices
Energy drinks (includes sport drinks)
Tea bags
Colas

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Resources and Solutions

To gain insight into opportunities across specific categories, segments, channels or retailers, contact your SymphonyIRI client service representative regarding custom analyses leveraging the following resources:

• **InfoScan Census** ® is a syndicated retail tracking service that enables manufacturers and retailers to acquire industry insights used to make better business decisions. InfoScan Census utilises the data that SymphonyIRI Group collects from grocery, drug, and mass merchandise retailers to provide the most comprehensive and accurate syndicated data offering in the Fast Moving Consumer Goods (FMCG) sector. With access to accurate, granular detail by category, geography, measure, and time period, clients have the tools needed to develop marketing and sales strategies based on product performance, distribution, and promotion responsiveness.

• **Analytics Advantage™ Suite** provides global solutions for all strategic marketing needs. It enables retailers and manufacturers to get fast and in-depth category insights and dynamic analysis for identifying growth opportunities and measure business impact in term of return on investment, sales and profit.

• **SymphonyIRI Consulting** provide strategic insights and advice leveraging a variety of data sources, predictive analytics, enabling technologies, and business analyses to help FMCG manufacturers and retailers address significant sales and marketing issues effectively.

About SymphonyIRI Group
SymphonyIRI Group, formerly named Information Resources, Inc. (“IRI”), is the global leader in innovative solutions and services for driving revenue and profit growth in FMCG, retail and healthcare companies. SymphonyIRI offers two families of solutions: Core IRI solutions for market measurement and Symphony Advantage solutions for enabling new growth opportunities in marketing, sales, shopper marketing and category management. SymphonyIRI solutions uniquely combine content, analytics and technology to deliver maximum impact. SymphonyIRI helps companies create, plan and execute forward-looking, shopper-centric strategies across every level of the organization. For more information, visit www.SymphonyIRI.eu.

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