Private label trends in Europe

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Private Label Trends in Europe

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Müller, Germany
Overview – Private Label Trends

- Where Private Labels Are Growing
- Why Private Labels Are Growing
- Future Challenges
Where Private Labels Are Growing

Europe has the highest PL penetration and the highest growth rate worldwide

Europe 23% (+0.7%)
Emerging Markets 6%
North America 16%
Latin America 2%
Asia Pacific 4%
Global 17% (+0.4%)

Source: ACNielsen, Sept. 2005
Where Private Labels Are Growing

PL Share of Sales in Major European Markets (%), 2005

Source: GfK/Europanel
Private label share of Europe's leading grocers (%), 2004 vs. 2003, estimated

Source: Planet Retail
Where Private Labels Are Growing

Shares by product area (%)
Globally 2004, based on value sales

<table>
<thead>
<tr>
<th>Product Area</th>
<th>Manufacturer Brands</th>
<th>Retailer Brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refrigerated Food</td>
<td>68 (-3)</td>
<td>32</td>
</tr>
<tr>
<td>Paper, Plastic, Wraps</td>
<td>69 (-1)</td>
<td>31</td>
</tr>
<tr>
<td>Frozen Food</td>
<td>75 (-1)</td>
<td>25</td>
</tr>
<tr>
<td>Personal Care</td>
<td>95 (-0.1)</td>
<td>5</td>
</tr>
<tr>
<td>Cosmetics</td>
<td>98 (-0.4)</td>
<td>2</td>
</tr>
<tr>
<td>Baby Food</td>
<td>98 (-0.2)</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: ACNielsen, Planet Retail
Private Label Trends in Europe

Full-Range Retailers

- Pushing PL shares by
  - Extending lines
  - Launching new lines: special interest premium
  - Revamping lines

Discount Retailers

- Pushing PL shares by launching new lines:
  - premium special interest

● CRevamping lines
Private Label Trends in Europe

Migros, Switzerland

Rewe Group, Germany

Colruyt, Belgium

Boots, UK
Private Label Trends in Europe

Discount Retailers

Aldi, UK

Plus, Germany
Private Label Trends in Europe

Full-Range Retailers

Pushing PL shares by
- Extending lines
- Revamping lines
- Launching new lines (special interest, premium)
- reducing floor space for branded products

Discount Retailers

Pushing PL shares by launching premium and special interest lines

Pushing brand shares by listing more branded top products
Private Label Trends in Europe

Discount Retailers

Lidl, UK

Lidl, Scandinavia
Why Private Labels Are Growing

Why Private Labels Are Growing

As always, it’s all about Power and Profit
Why Private Labels Are Growing

Shift in balance of power – factors driving PL growth

CONSUMERS
Well informed and accustomed to PL

RETAIL ENVIRONMENT
Concentrated market with fierce competition

RETAILER
RETAIL BRANDING

MANUFACTURERS
Overcapacities and dependence
Why Private Labels Are Growing

Price Differential Private Labels Versus Brands
Average price of PL product compared with leading brand

<table>
<thead>
<tr>
<th>Country</th>
<th>Price Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>52%</td>
</tr>
<tr>
<td>Germany</td>
<td>54%</td>
</tr>
<tr>
<td>Spain</td>
<td>56%</td>
</tr>
<tr>
<td>Hungary</td>
<td>57%</td>
</tr>
<tr>
<td>France</td>
<td>60%</td>
</tr>
<tr>
<td>UK</td>
<td>64%</td>
</tr>
<tr>
<td>Norway</td>
<td>66%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>73%</td>
</tr>
<tr>
<td>Italy</td>
<td>74%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>74%</td>
</tr>
<tr>
<td>BRAND</td>
<td>100%</td>
</tr>
</tbody>
</table>
Future Private Label Challenges

- Accelerated growth in new categories
- Blurring dividing lines
  - Increasingly professional PL marketing
  - More manufacturing know-how
Future Private Label Challenges

Accelerated growth in new categories

New economy private label range for cosmetics, offered in Norma discount stores in Austria
Future Private Label Challenges

Blurring dividing lines

Private Label, or Manufacturer’s Brand?
Future Private Label Challenges

Benchmark Private Label:
Tesco Finest (left) and Coop Fine Food (right)
Future Private Label Challenges

- Accelerated growth in new categories
- Blurring dividing lines
  - Increasing professional PL marketing
  - Better manufacturing know-how
- Co-operations
  - Between PL suppliers and retailers
  - Between brand suppliers and retailers
- Suppliers becoming service providers
Future Private Label Challenges

Co-operations

French brand manufacturer Fromagerie Bel sells its Babybel cheese with the Aldi label "Be light" on it.
Future Private Label Challenges

Co-operation ...

... or confrontation!

"Asda marketing and brand director Richard Hodgson described it as his job to 'undo' the marketing of brands sold in Asda stores and to drive consumers to the retailer’s private label offering instead."

Planet Retail News, 11 May 2006
Future Private Label Challenges

Co-operation ...

... or confrontation!

ASDA Essentials, UK
**Summary**

Where Private Labels Are Growing
- Europe: highest penetration and growth rate
- Growth seen in strong and weak PL categories
- *some discounters are extending the brand ranges*

Why Private Labels Are Growing
- Shift in balance of power: Control over supply chain
- Retail branding
- Higher margin contribution

Future PL Challenges
- Blurring dividing lines
- Co-operation or confrontation
Summary
Our comprehensive report
Private Label Trends Worldwide, 2006
is available from
www.planetretail.net