

Private Labels in Europe

Retailers command over 20 percent market share



Private label products are seizing an increasing share of global retail sales and the momentum of growth is formidable. In his book: *Private Labels in Europe* Koen de Jong of IPLC describes the phenomenon from both a retailer and manufacturer perspective.

EUROPE often lags behind trends and developments in the US, but the situation for private label shows the opposite picture. Here, Europe is clearly leading the way and is the world's most advanced and sophisticated private label region. This is reflected in the high average market share for private label in Europe: 23 per cent, in comparison with the United States: 16 percent and Canada: 19 percent (source: AC Nielsen).

Besides the ability to really connect to consumers, external factors drive private label market growth in Europe. Increasing competition due to the growing presence of hard discounters and consolidation of the retail landscape are the two main external factors. Consolidation creates the economies of scale for leading retailers that are needed to develop wider and deeper private label ranges. Such ranges are important tools, used in the fierce competitive struggle. Retailers cultivate these tools by constantly improving the marketing of their private labels, developing exciting new products and designing packaging with a consistent look on the shelves. Leading retailers have launched multi-category sub-brands in segments like value, premium, health and

convenience. By doing so they have entirely enclosed the branded product offer.

Cross-border expansion of leading retailers has resulted in the export of successful private label strategies. French retailers entering Spain and Italy, the unification of Germany and the influx of Western European retailers into the emerging markets of Central and Eastern Europe are known examples. This spurred competition in the markets of -for instance- Hungary, Poland, the Czech Republic and Slovakia, and led to local retailers feeling the need to develop their own private label programmes as a competitive tool. The marketing sophistication of some of the large retailers and an increased availability of private labels has resulted in a wider consumer acceptance in different markets.

Research of IPLC reveals that European retailers increasingly adopt an active strategy to sub-segment the market. By doing so they latch on to trends and developments in society. In close cooperation with their suppliers they succeed in developing private label ranges that create consumer enthusiasm and optimise the retailers return on sales.



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The eight countries having the highest private label market share in the world are all European. Almost without exception, the retailers in these countries use the name of their store to endorse their private label range. Take for example French retailer Casino or the UK-based Sainsbury's. With not less than respectively 11 and 9 different sub-brands under their Casino or Sainsbury label, they address various segments in their market. Themes such as: equitable consumption (fair trade), durable consumption (organic, animal welfare and environmentally friendly) and health (products low in fat, sugar and salt or functional food) are used to address consumers with tailor made products.

The advantage the retailer has over the brand manufacturer is that products can be offered in *each single* category. Not even the largest brand manufacturer is in the position to do so.

Private labels in Europe

Trends and challenges for retailers and manufacturers
by Koen A.M. de Jong

Private Labels in Europe has been written based on experience gained over 16 years in management and four years of consulting in the European private label manufacturing industry. The book is an indispensable source of knowledge and reference for managers working in retail or manufacturing (both branded and private label) and any other professional seeking to gain a deeper understanding of private label. It shares best practices and useful sales tactics from both a manufacturer and retail perspective.

Part of the book covers the findings of extensive field research carried out by IPLC in eight European countries having the highest private label market share in the world. Over 170 photographs illustrate the private label sub-branding strategies of 26 major retailers in the United Kingdom, France, Germany, Switzerland, Spain, Italy, Belgium and the Netherlands.

As the European region is considered the most advanced globally in terms of private label sophistication, Private Labels in Europe will inspire all parties involved. They will be enabled to improve their performance and to develop scenarios for further growth.

For more information on Private Labels in Europe see: www.iplc.nl

Private Labels in Serbia & Croatia

The mix of dominant retailers who also prevail in production operations colours the landscape of the private label industry in Serbia and Croatia. While the percentages of private label brands is growing in Croatia – consumers are getting more and more used to them, and foreign entrants to the market are pushing their Western Europe models – in Serbia the market is still showing stagnant growth, as foreign retailers have yet to gain a foot-hold and introduce their consumer base to the cost-benefits and quality assurance their brand can establish. However, in this space that still exists, experts predict that growth of this market is imminent.

Delta

The dominant Serbian retailer Delta has expressed in its plans a commitment to developing its private label further, while currently it has over 600 private label products in its Delta Maxi Group in Serbia, Tropic retail stores in Bosnia and Herzegovina, Maxi in Montenegro and Picadilly in Bulgaria. Delta places a high value on the quality of its products, most of which are produced domestically in the country of operation, and maintains that commitment to ensure its own brand stature. Meat and dairy is sold under the brand name Adut, while fruit and vegetables carry the Favola brand and seafood Mistral. Happy Pets is the brand for pet food and non-grocery items are branded Alba, Casabella, Pikolino, Ambiente and Free Line. Recently introduced chewing gum is marketed as Pollar.

Interex

The French retail chain Interex, part of the larger Intermache with 2,000 stores in eight countries, has been operating in Serbia for six years, and sells through its brand name Top Budget. Currently, 200 items are available in Ser-

bia, of which 70 percent are food, and 30 percent non-food items. In its home market, Intermache reaches 35 percent through sales of private label goods, and though the numbers are still weak in Serbia, continued growth suggests market potential as customers begin to break brand habits and come to trust private labels.

Konzum

Croatia's largest retailer, which is part of the Agrokor group that includes production operations, has been successful in introducing its K-Plus line of products, mostly sourced from domestic firms and from its parent company. Konzum maintains strict control of quality of the products it brands, which span both food and non-food items and seeks to offer a modern presentation at value pricing. Through its wholesale branch, Velpro, the private label Rial is under development.

Billa

The Austrian leader Billa, one of the first to enter the Croatian market in 2001, and which today has over 50 outlets, retains an active strategy for developing private labels under its brand Clever. A reduction of costs of outside marketing expenses allows Billa to maintain low price to value ratio. In Croatia, Billa currently has around 250 products under its own private label in all product groups. Marketing manager for Billa in Croatia, Aleksandra Sobat, points out regarding their strategy, "Retail chains aren't getting rid of any name brands from their assortment because of their own private label, instead they are expanding their assortment with their own private label. In this way, it is up to the producer of the brand to fight for an adequate number of consumers with what means are available."

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In clearly recognizable packaging that communicates the chosen theme, wide ranges of products are offered. Even short lived trends can be picked up and be exploited as was the case with the Tesco 'Carb Control'. This range of low-carbohydrate products was only available for about a year or two. Because fewer consumers followed a low-carb diet, Tesco decided to withdraw this private label from the market again. Another example of private labels that are only temporarily on display are the festive labels introduced in the United Kingdom and the Netherlands. During Christmas and Easter, lines of premium products in attractive Christmas or Easter packaging are offered to seduce the consumers during a period of time that they are willing to spend more in supermarkets.

In the future, retailers will improve their organisation and increase their professionalism. With a strategy focussed on private label they will attempt to increase consumer loyalty and improve the profitability of the various cat-

egories. In doing so, retailers will be alert in responding to trends and products that are developed for specific market segments. One could think of vegetarian or Halal products or products developed especially for senior consumers.

However, a word of warning to the retailers would not seem to be out of place. Ruthlessly playing private label manufacturers against each other with the sole aim of buying against the lowest possible price may have dangerous consequences. Private label products not only represent a major part of sales turnover and profit, but also carry the name of the store brand on the packaging. If retailers fail to protect this adequately, they run the risk of undermining their own brand equity. If retailers have no private label suppliers that can perform as well as the large brand manufacturers, they will not be capable of successfully continuing to fight the brands. ■