ECRM WEBINAR

OPPORTUNITIES IN THE VALUE-ADDED PRIVATE LABEL MARKET

Online | 28 October 2020

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IPLC SUPPORT IN PRIVATE LABEL SUPPLY CHAIN

INTERNATIONAL PRIVATE LABEL CONSULT

- Founded in 2003
- Specialist consultancy supporting retailers and manufacturers on Private Label strategies
- In-depth knowledge and hands-on experience of European Private Label industry
- Offices in 9 EU countries:
    - Germany, France, United Kingdom, Italy, Spain, Portugal, Netherlands, Belgium, Ireland

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REASON FOR RESEARCH

THE EXECUTION

KEY FINDINGS

CONCLUSIONS AND RECOMMENDATIONS

PRIVATE LABEL MARKET TRENDS AND INFLUENCES IN EUROPE

- Further consolidation of the European retail market
- Even stronger market share of discounters

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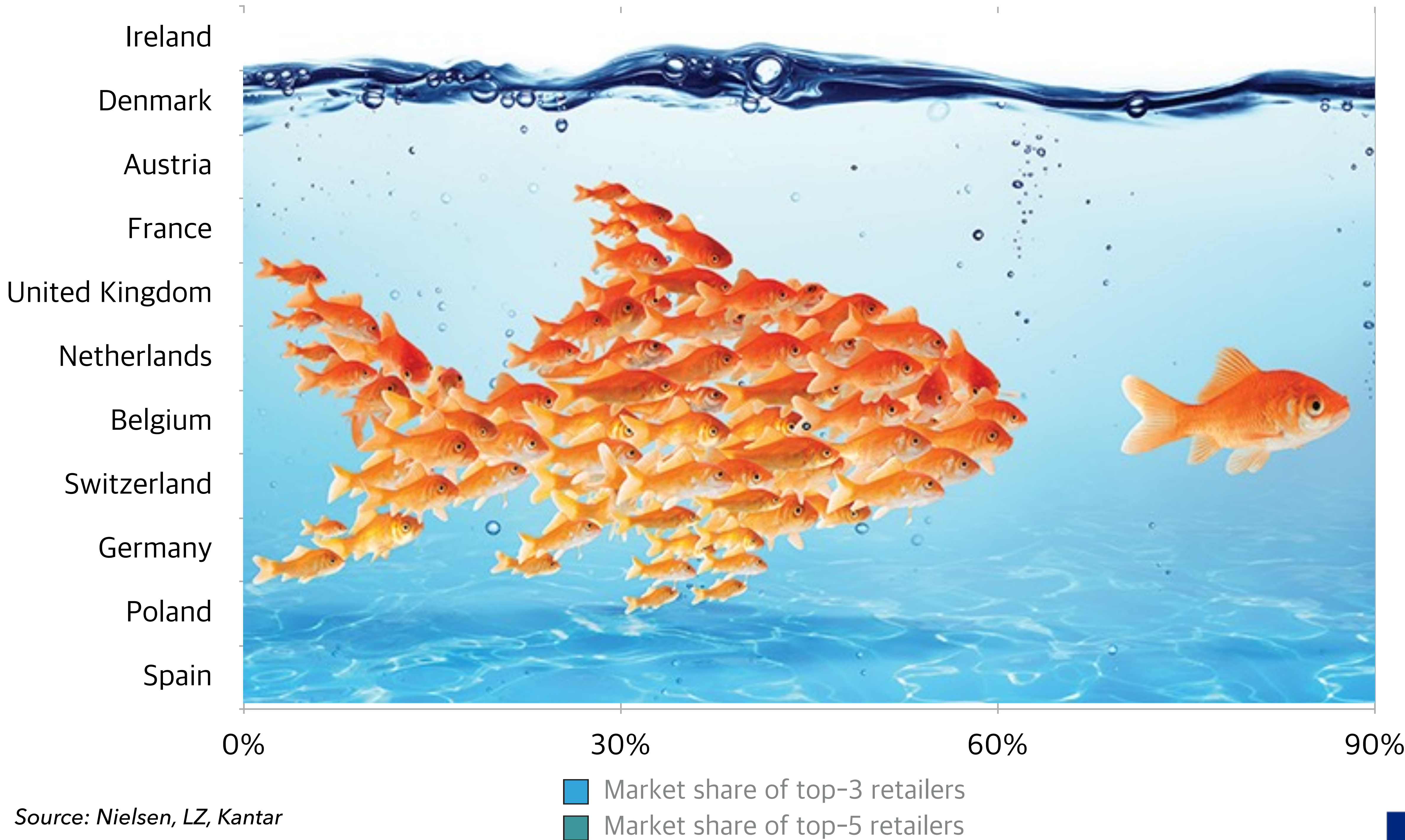
FURTHER CONSOLIDATION IN RETAIL MARKET



Source: Nielsen, LZ, Kantar

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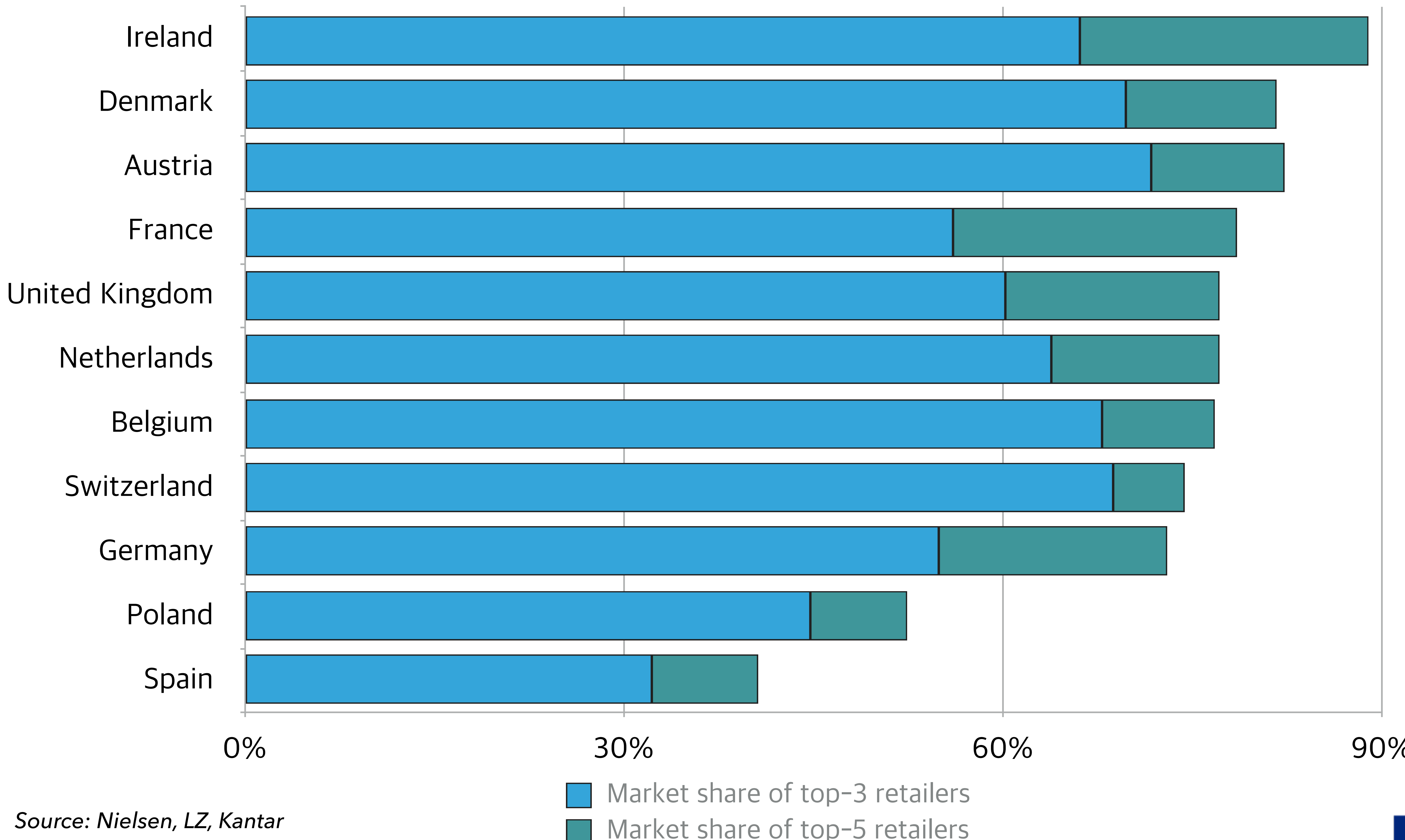

Source: Nielsen, LZ, Kantar

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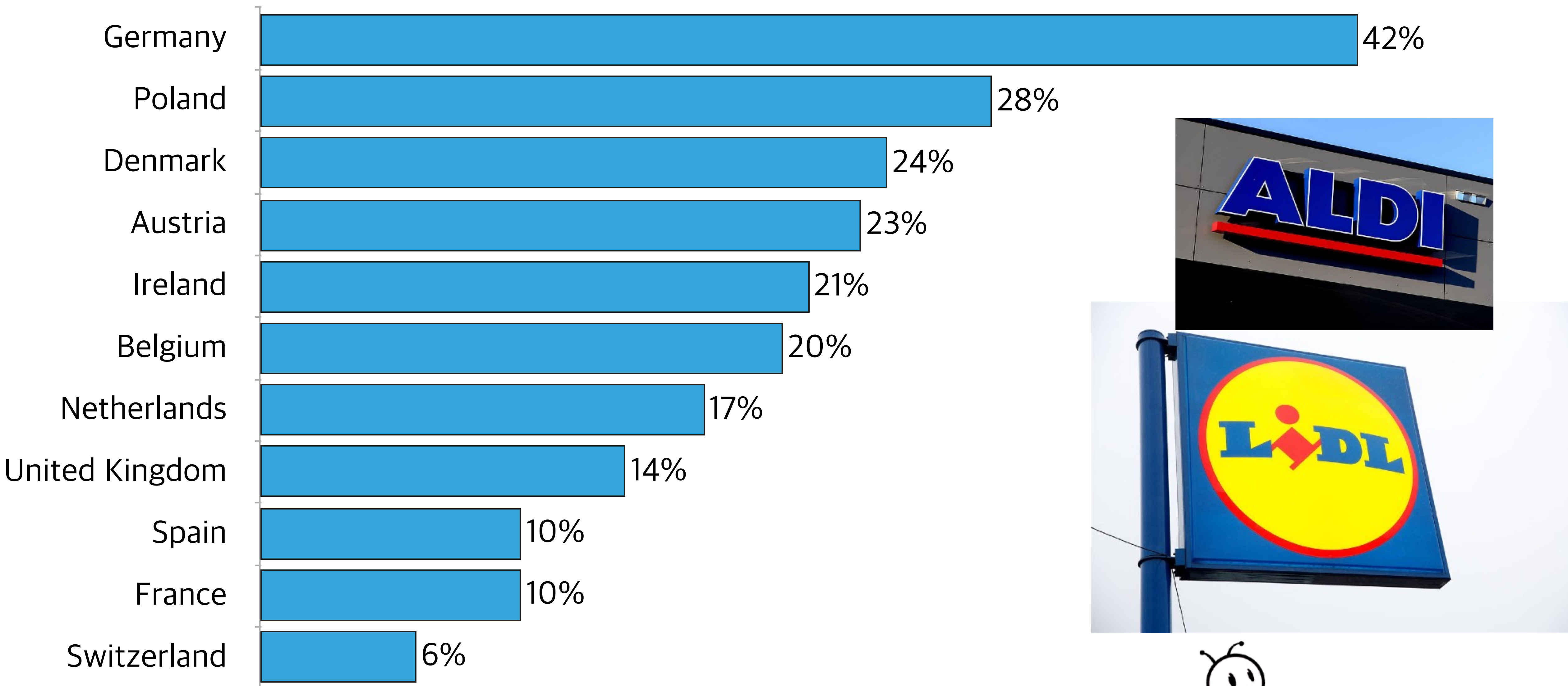
IN EUROPE STRONG DISCOUNT RETAIL MARKET SHARE



Source: Nielsen, LZ, Kantar, GFK, IGD

PRIVATE LABEL MARKET TRENDS AND INFLUENCES IN EUROPE

- Further consolidation of the European retail market
- Even stronger market share of discounters
- Proliferation private label offer within retailers
- Retailers challenge suppliers to present innovations
- Retailers wants to get out of price war between private label

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OBSERVATION 1: PRIVATE LABEL ARCHITECTURE RECONSIDERED

- Discount retailers have become the benchmark for mainstream retailers and set standard for quality and price
- Mainstream retailers reduced prices to narrow the gap with discount retailers
- Budget private labels are being substituted by fancy labels that do not refer to the retailer
- Retailers seek for opportunities to compensate margin erosion

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OBSERVATION 1: PRIVATE LABEL ARCHITECTURE RECONSIDERED

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OBSERVATION 2: FIERCE COMPETITION FOR SHOPPER LOYALTY

- Increased competition due to retail concentration
- Building shopper-loyalty more important than ever
- Reduce the risk of losing shoppers to :
  - discount retail
  - online players
- Private Labels offer opportunities to differentiate

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OBSERVATION 3: GROWTH AT PREMIUM END OF MARKET

- The premium segment in Europe outperforms the total market sales growth
- In 2017 more than half of all worldwide new premium private label product introductions came from Europe
- In a world where conscious consumption is going mainstream products with environmental and social benefits can justify a higher price
- Millennials are reshaping perceptions of premium with authenticity, simplicity, health, sustainability and social responsibility serving as indicators

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PHRASING THE RESEARCH OBJECTIVES

- Understand and define the position of Value Added Private Labels (VAPL) in the private label architecture and strategy of retailers
- Enhance our understanding of size of VAPL within private labels architecture
- Look for trends and developments at the higher end of the private label market

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THE RESEARCH SETUP

- Analysis of a range of academic papers
- Store checks at 25 retailers (online and physical) in 9 countries
- Analysis of more than 2500 products
- Interviews with senior management in retail and manufacturing
- Our own knowledge and experience as *Retailer Brand Specialists*

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THERE ARE LOT OF VALUE ADDED SEGMENTS !

Premium Edeka (Germany)

Regional Leclerc (France)

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FINDINGS

Organic Casino (France)

Vegetarian Carrefour (France)

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Vegan COOP (Switzerland)

Free from Tesco (United Kingdom)

FINDINGS

Eco friendly (Sweden)

Country provenance Leclerc (France)

SO WE MADE THE LISTING

	Country	Basic	Standard	Premium	Regionale provance	Country provance	Organic	Organic personal care	Free From	Eco-friendly	Fairtrade	Health	Seasonal	Kids	Baby	Home	Personal care	On-to-go
Carrefour	FR	•	•	•	•		•		•	•			•	•	•	•	•	•
Leclerc	FR	•	•	•	•	•	•	•	•	•				•		•		
Casino	FR	•	•	•	•	•	•	•	•	•		•		•	•		•	
Tesco	UK	•	•	•		•	•		•	•	•	•	•	•	•	•	•	•
Sainsbury	UK	•	•	•		•	•		•	•	•		•	•	•	•		•
Asda	UK	•	•	•		•	•		•		•	•	•	•	•	•		•
Jumbo	NL		•	•			•			•			•	•	•			
Albert Heijn	NL	•	•	•			•		•	•			•					•
Rewe	DE	•	•	•	•		•		•	•			•		•			
Edeka	DE	•	•	•		•	•		•				•			•	•	
Kaufland	DE		•	•			•		•			•	•		•		•	•
Delhaize	BE	•	•	•			•		•	•			•	•	•	•		
Colruyt	BE	•	•	•			•		•	•								
Carrefour	BE	•	•	•			•		•	•				•	•		•	•

FINDIN

SO WI

	Country	Basic	Standard	Premium	Regionale	Country p	Organic	Organic p	Free From	Eco-frienc	Fairtrade	Health	Seasonal	Kids	Baby	Home	Personal c	On-to-go
Carrefour	FR	•	•	•	•		•		•	•			•	•	•	•	•	•
Leclerc	FR	•	•	•	•	•	•	•	•	•				•		•		
Casino	FR	•	•	•	•	•	•	•	•	•		•		•	•		•	
Tesco	UK	•	•	•		•	•		•	•	•	•	•	•	•	•	•	•
Sainsbury	UK	•	•	•		•	•		•	•	•		•	•	•	•		•
Asda	UK	•	•	•		•	•		•		•	•	•	•	•	•		•
Jumbo	NL		•	•			•			•			•	•	•			
Albert Heijn	NL	•	•	•			•		•	•			•					•
Rewe	DE	•	•	•	•		•		•	•			•		•			
Edeka	DE	•	•	•		•	•		•				•			•	•	
Kaufland	DE		•	•			•		•			•	•		•		•	•
Delhaize	BE	•	•	•			•		•	•			•	•	•	•		
Colruyt	BE	•	•	•			•		•	•								
Carrefour	BE	•	•	•			•		•	•				•	•		•	•
Continente	PT	•	•	•	•		•		•	•		•				•	•	•
Pingo Doce	PT		•		•		•		•			•				•	•	
Intermarche	PT	•	•	•											•	•	•	
Carrefour	ES	•	•	•	•		•		•	•				•	•	•	•	•
Dia	ES		•	•								•		•	•		•	
Eroski	ES	•	•	•					•	•		•					•	•
Esselunga	IT	•	•	•			•		•									
Carrefour	IT	•	•	•	•		•		•					•	•	•		
Conad	IT		•		•		•		•	•	•	•		•				
Coop	IT		•	•			•		•		•			•	•			
Tesco	IE	•	•	•			•		•			•	•		•	•	•	
Dunnes	IE	•	•	•			•		•				•			•		

WE HAD TO COME WITH A DEFINITION AND SOME RESTRICTIONS

- IPLC defined Value-Added Private Label (VAPL) as ranges where retailers charge a significantly higher price over Standard Private Label (SP)
- These include:
  - Premium Private Label
  - Organic
  - Free From
  - Eco-friendly
  - Regional

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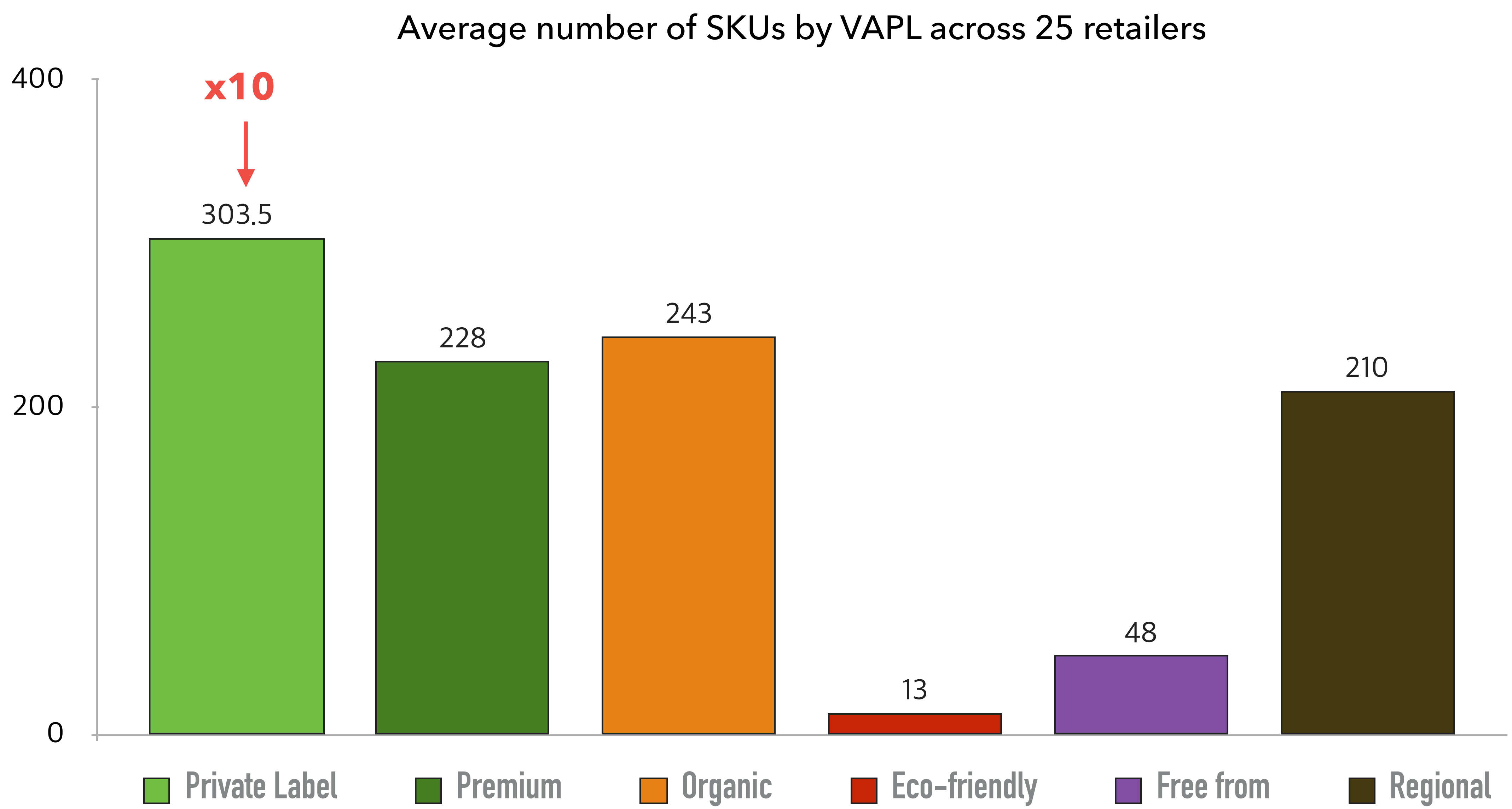
WE COUNTED EACH SKU OF VALUE ADDED PRIVATE LABEL



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PRICE INDEX BASED ON STANDARD PRIVATE LABEL

AVERAGE PRICE INDEX OF VALUE-ADDED PRIVATE LABEL BY COUNTRY

ALL	Standard	Premium	Organic	Eco-Friendly	Freefrom	Regional
Netherlands	100					
England	100					
Belgium	100					
Germany	100					
Portugal	100					
Spain	100					
France	100					
Italy	100					
Ireland	100					

PRICE INDEX BASED ON STANDARD PRIVATE LABEL

AVERAGE PRICE INDEX OF VALUE-ADDED PRIVATE LABEL BY COUNTRY

ALL	Standard	Premium	Organic	Eco-Friendly	Freefrom	Regional
Netherlands	100	175	203	171	295	0
England	100					
Belgium	100					
Germany	100					
Portugal	100					
Spain	100					
France	100					
Italy	100					
Ireland	100					

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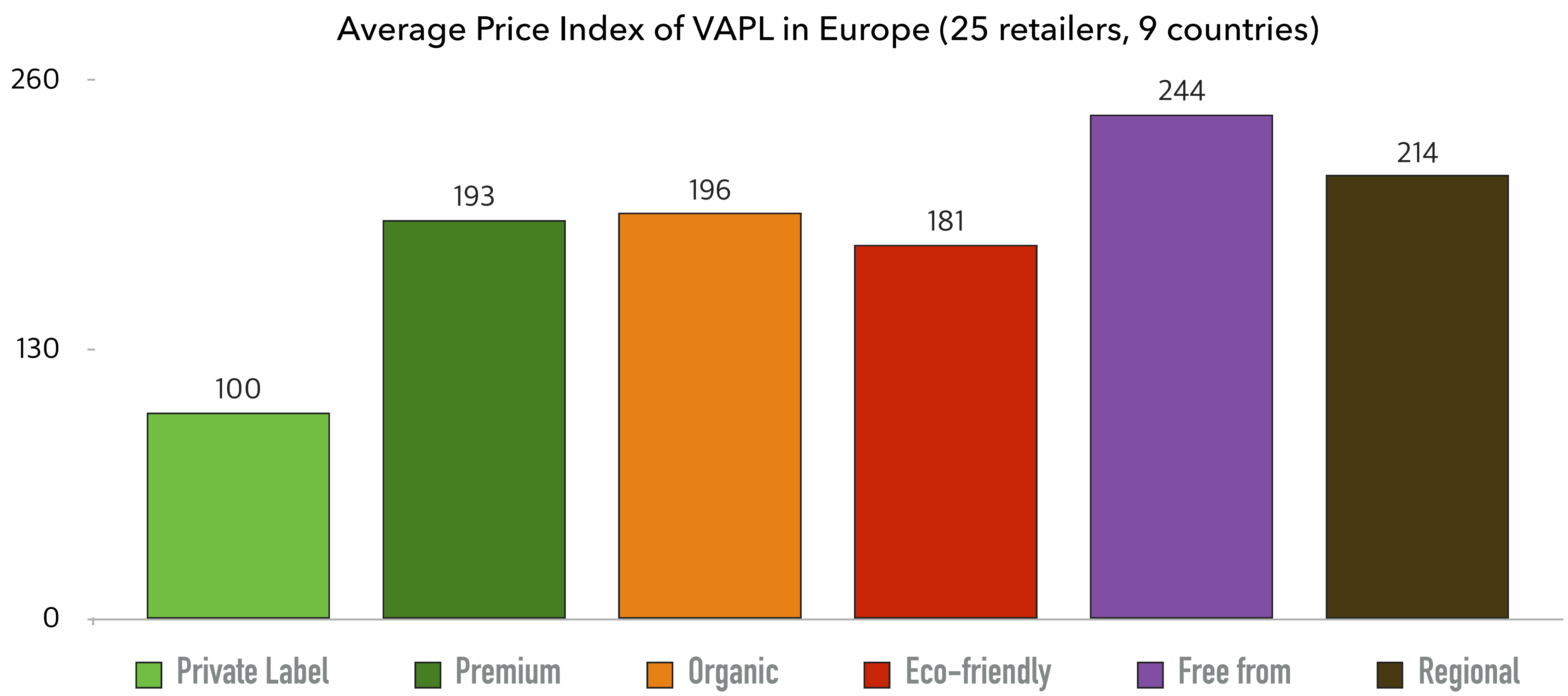
PRICE INDEX BASED ON STANDARD PRIVATE LABEL

AVERAGE PRICE INDEX OF VALUE-ADDED PRIVATE LABEL BY COUNTRY

ALL	Standard	Premium	Organic	Eco-Friendly	Freefrom	Regional
Netherlands	100	175	203	171	295	0
England	100	225	194	172	246	0
Belgium	100	184	163	160	297	0
Germany	100	218	187	271	171	193
Portugal	100	159	216	138	248	165
Spain	100	218	206	220	189	240
France	100	201	177	134	356	219
Italy	100	166	220	0	202	252
Ireland	100	188	196	0	186	0

AVERAGE PRICE INDEX BY VAPL



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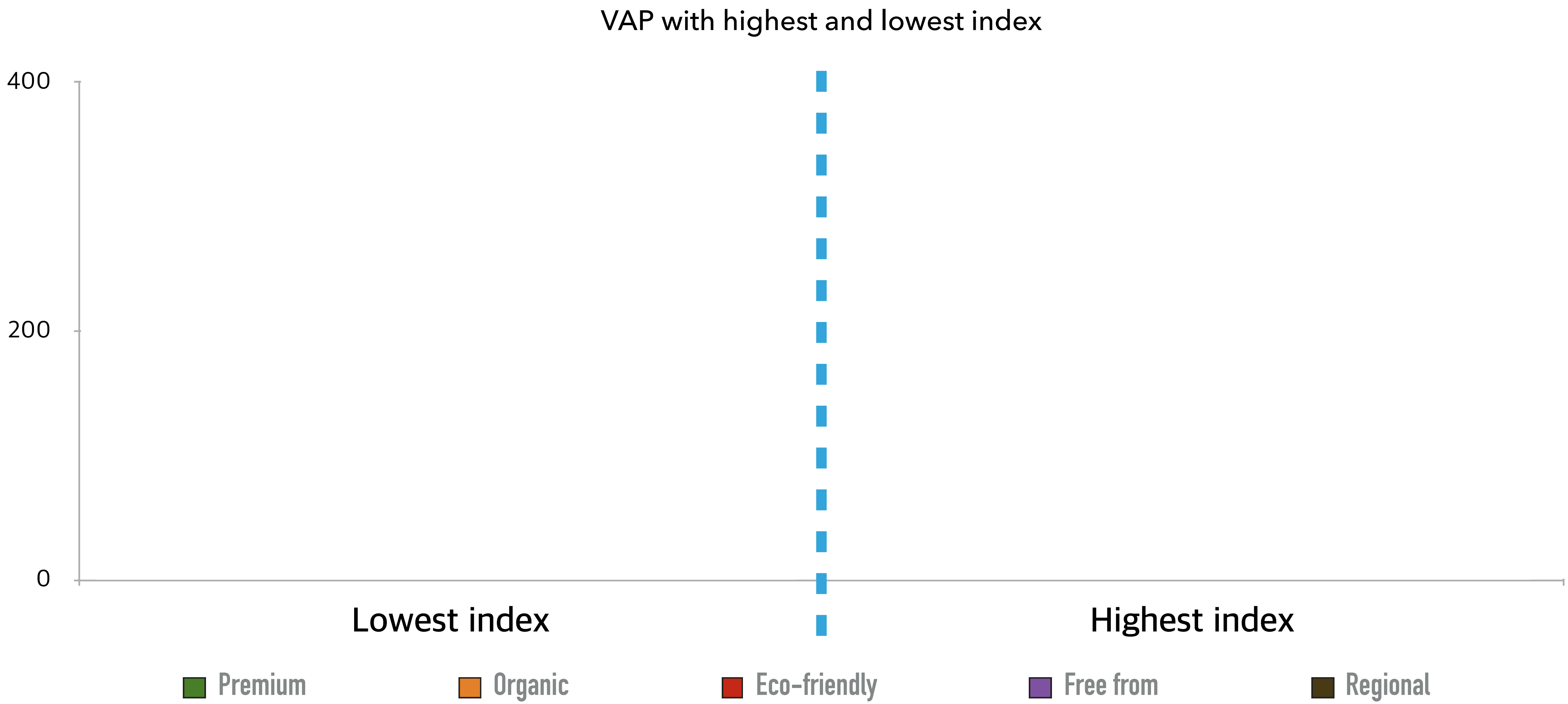
LARGE INDEX VARIATIONS BETWEEN COUNTRIES



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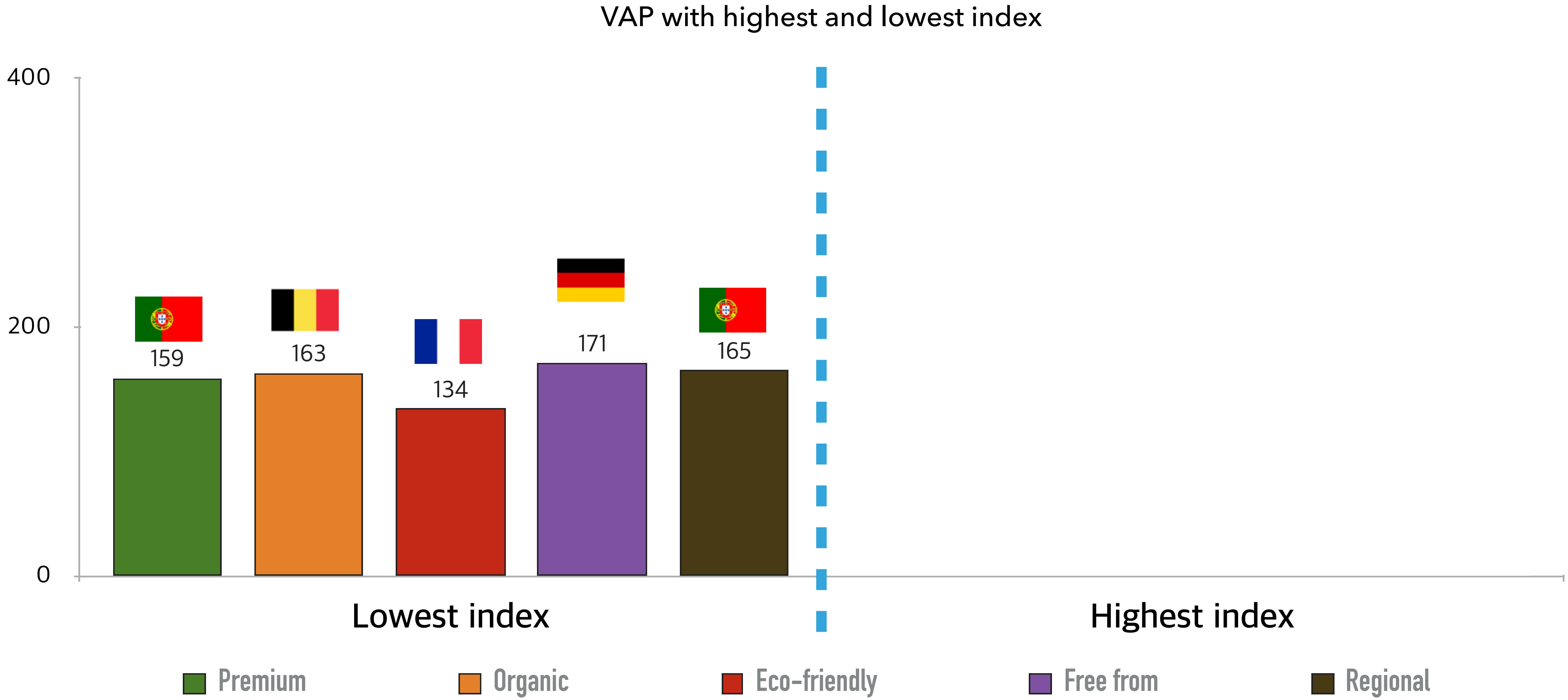

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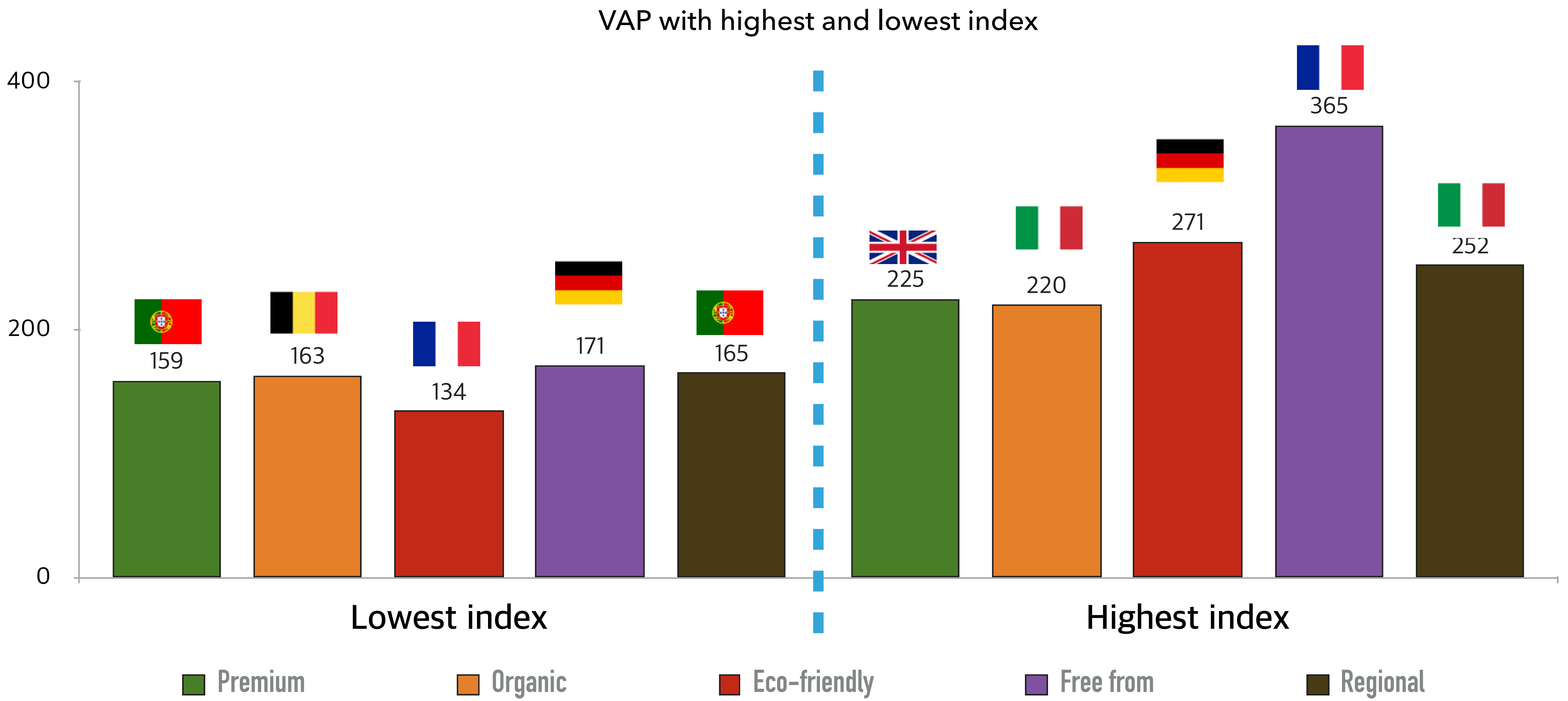

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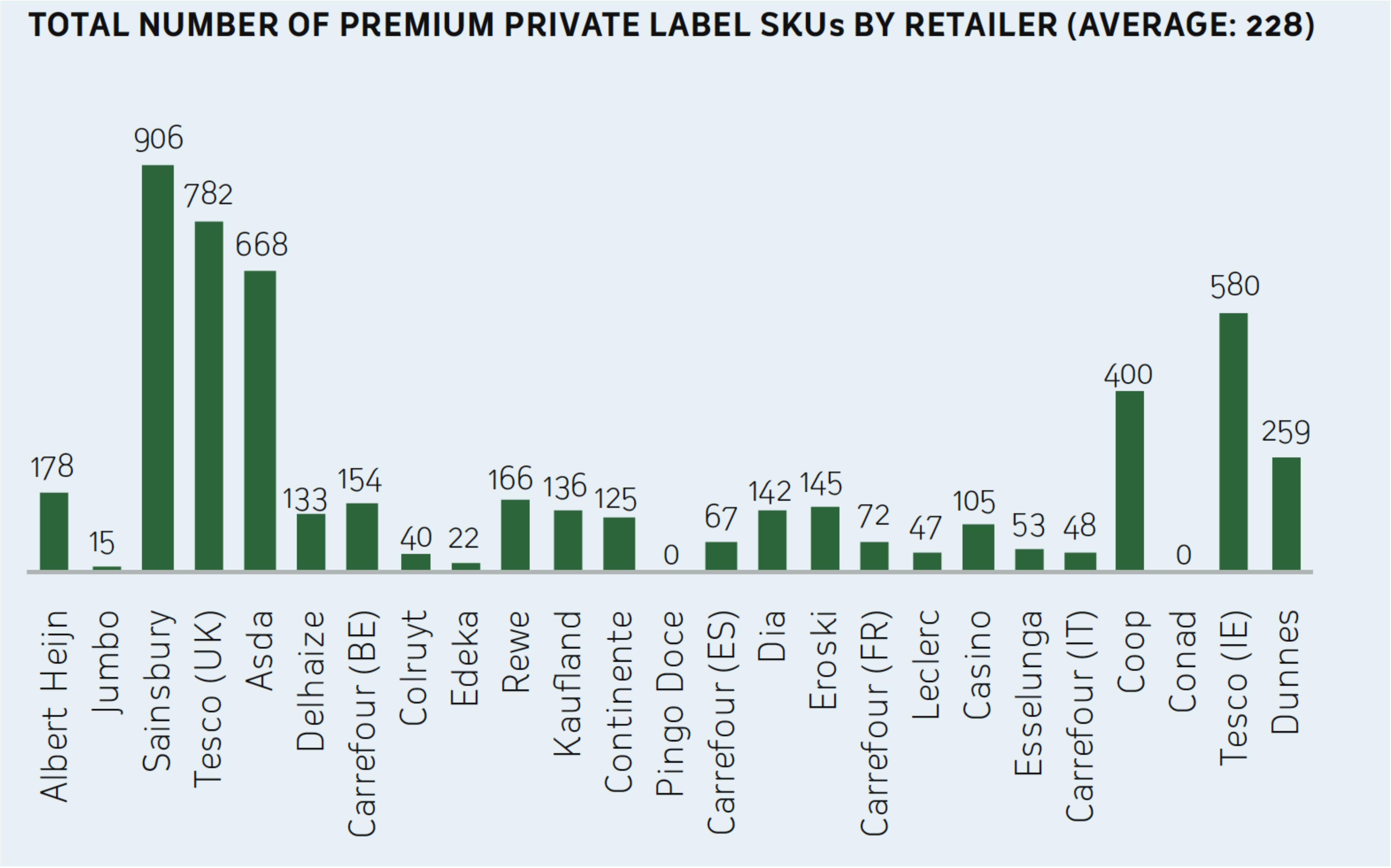
SAMPLE OF THE TOTAL NUMBER OF PREMIUM SKU PER RETAILER



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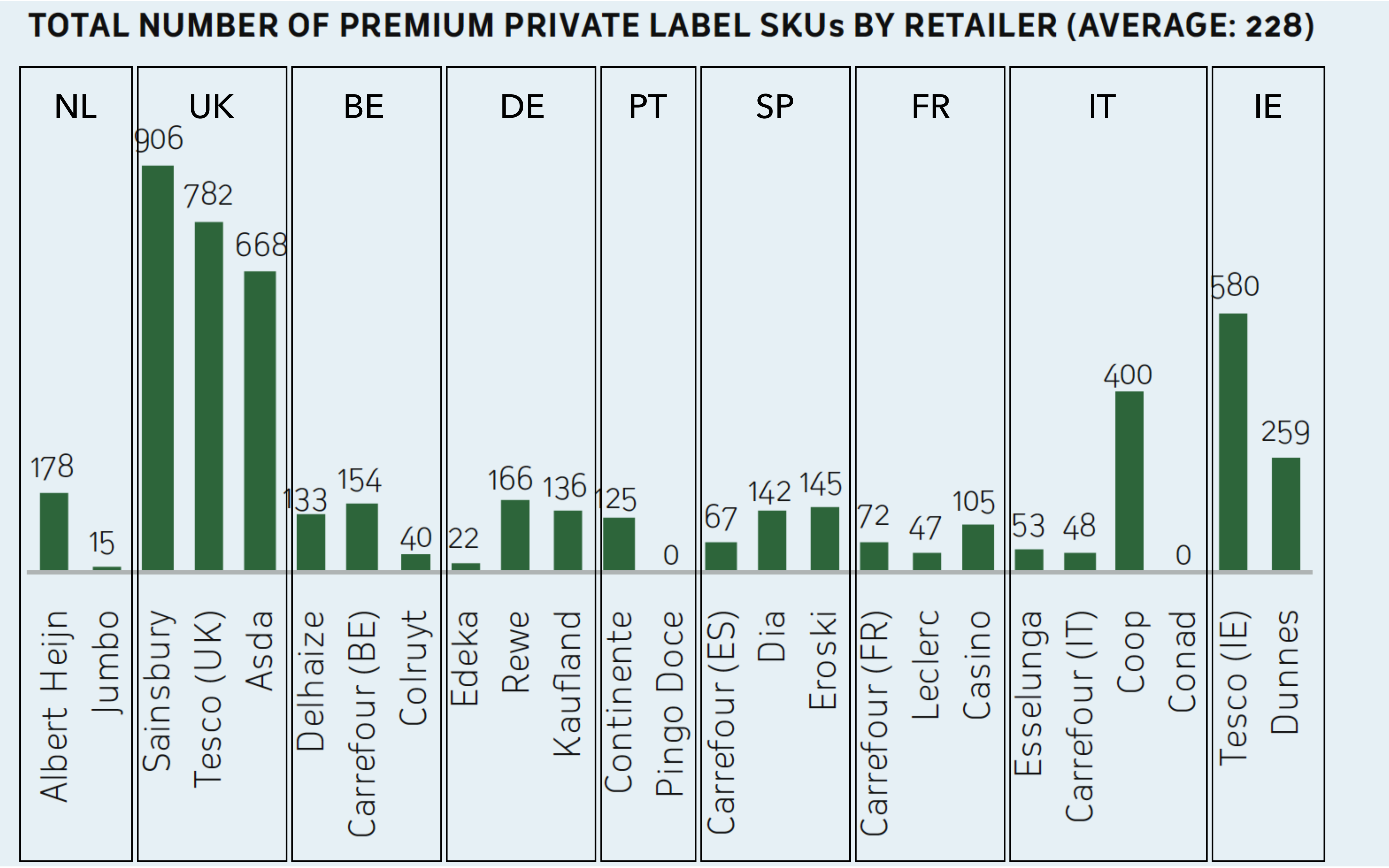

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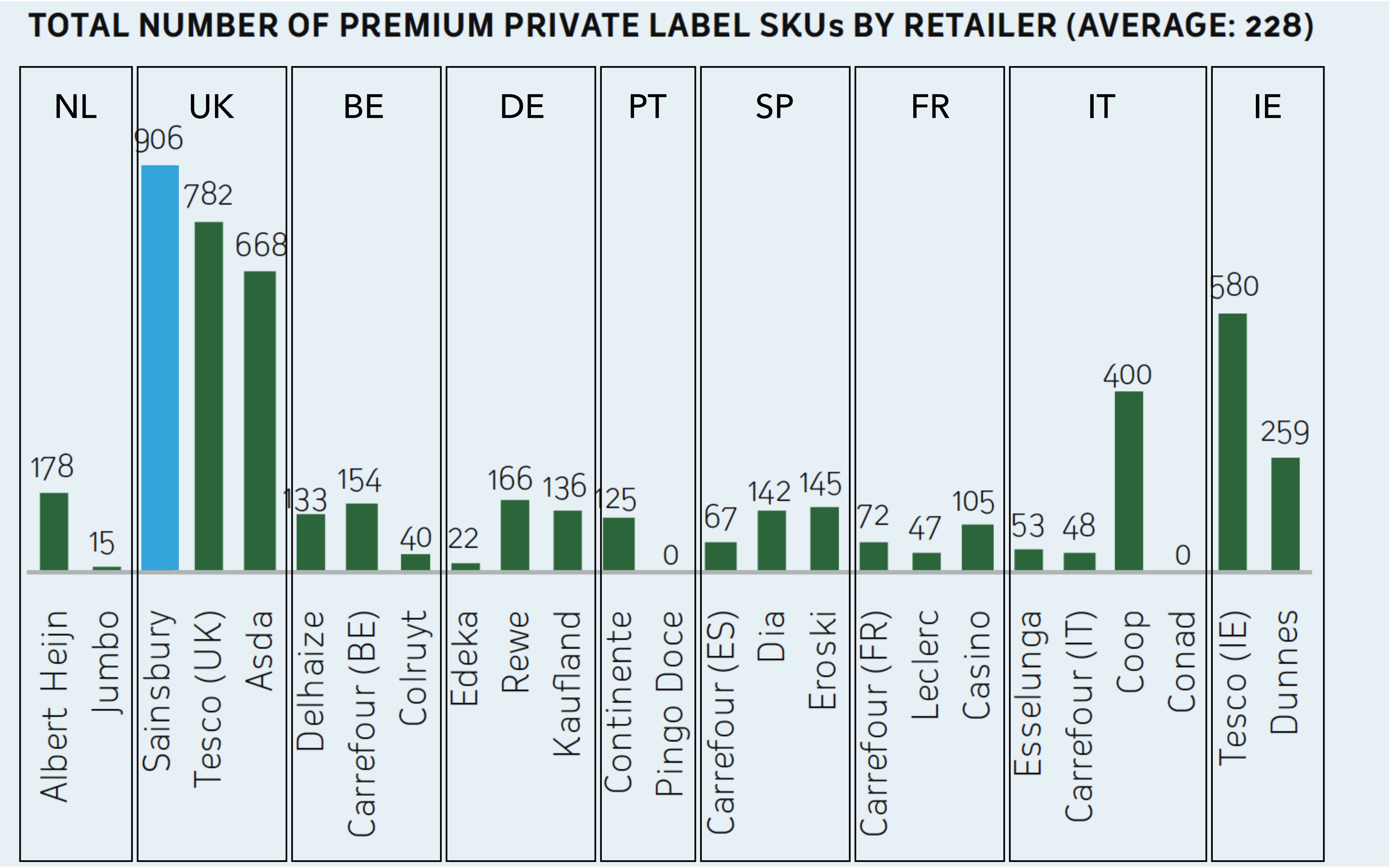

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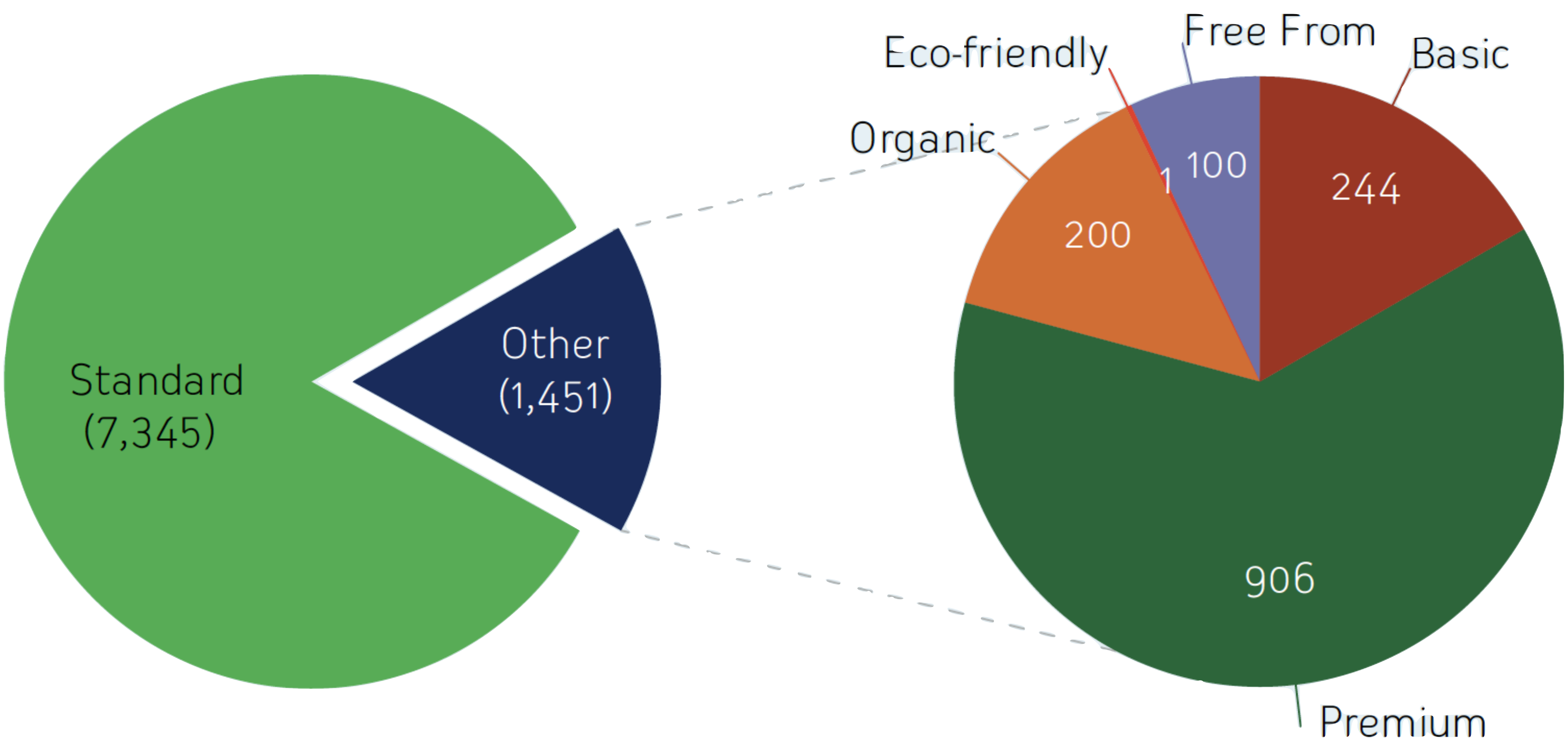
SAMPLE: SAINSBURY'S PRIVATE LABEL ASSORTMENT (8796 SKUS)



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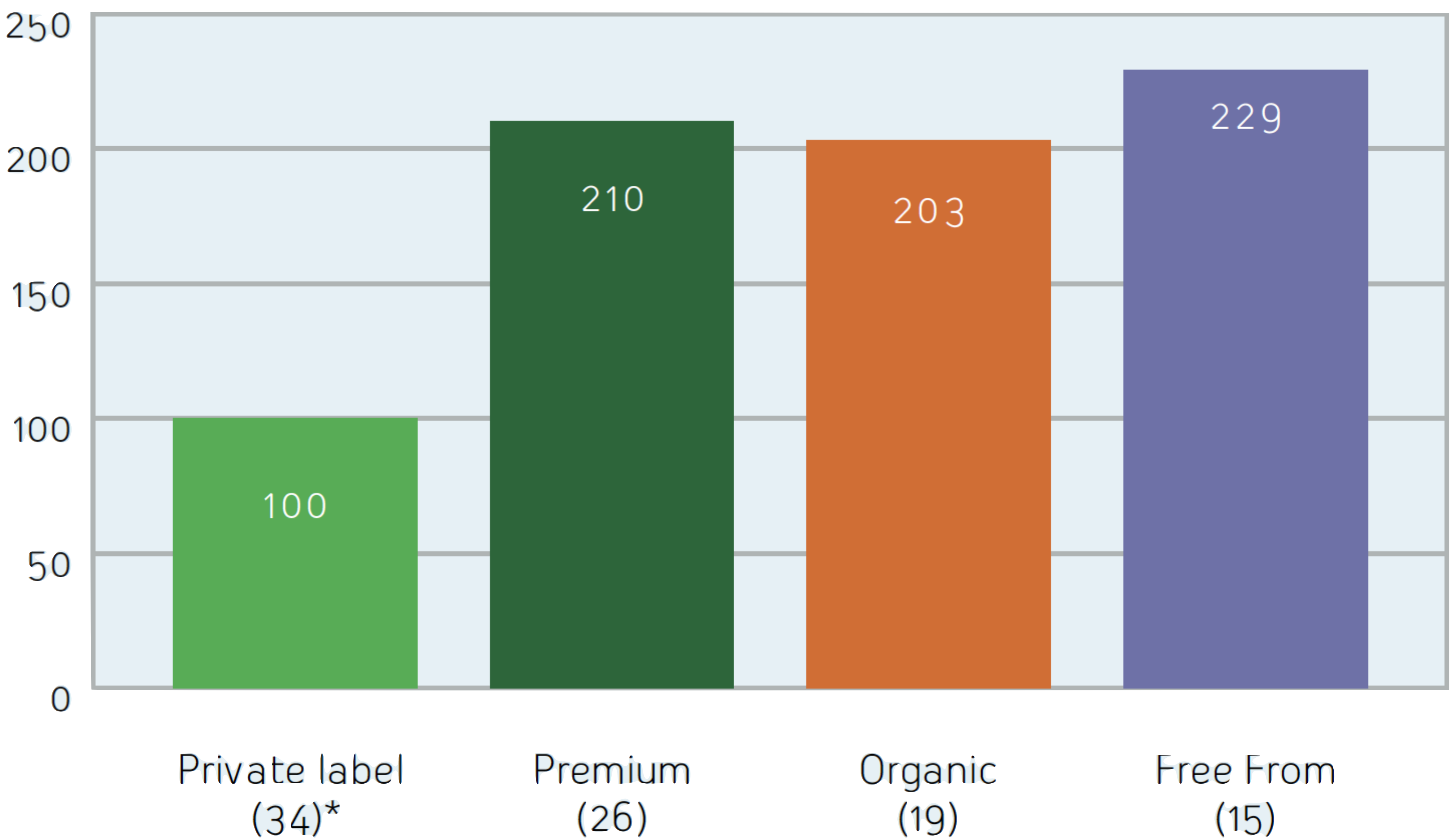
SAMPLE : SAINSBURY'S PRIVATE LABEL INDICES



* Number SKUs used to calculate index

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CONCLUSIONS AND RECOMMENDATIONS

- Within VAPL Organic and Premium have the highest average number of SKUs
- In countries with a strong culture and history of food, Regional was found as a stand alone VAPL
- In France both PPL and Regional sit side by side.
- In Italy and Portugal Regional acts as the PPL
- Free From has the highest index of any of our 6 categories

CONCLUSIONS AND RECOMMENDATIONS

- VAPLs may be more profitable because of:
  - Marginal cost vs SPL (except Free from)
  - Higher selling price
  - Positive impact of cannibalisation
- Focusing on consumer interests allows retailers to demonstrate their
  - social responsibility
  - sustainability concerns
- With even more conscious consumers, VAPL can build stronger loyalty than SPL

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CONCLUSIONS AND RECOMMENDATIONS

- For suppliers of private label, VAPL categories offer new opportunities
- Retailers are looking for suppliers to bring innovation in these key areas
- A proactive attitude and commitment can lead to a deeper engagement with their retail clients
- Mainstream retailers may be in a better position to launch a number of SKUs responding to consumer interests and lifestyles compared to limited assortment discounters

THANKS

ANY QUESTION ?

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