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Introduction



This IRI Private Label 2014 Special Report provides insight into how private label is performing across seven European countries (the United Kingdom, France, Germany, Italy, the Netherlands, Spain and Greece) and in the United States.

Traditionally private label helps consumers reduce their weekly shopping costs and provides retailers with an opportunity to boost sales and grow their margin. But the landscape is evolving, driven on one side by savvy and smarter shoppers and on the other by a fierce price war between retailers in a number of countries. Private label seems to have reached a ceiling in several countries (France, Spain, Italy and the Netherlands) with value share showing a slowdown or even a decline, for the first time since the economic recession began. Private label value and unit market shares across Europe dropped by 0.1pt versus a year ago and are respectively standing now at 38.7% and at 48.9%, almost half of all purchases.

High promotion activity for national brands has narrowed the price gap with private label and wise shoppers, in many cases, are preferring a national brand, partly as it is easier to compare prices between different channels and retailers. Winning private labels are the ones that can innovate and differentiate themselves from national brands to fulfil shopper needs, like national brands but potentially with the advantage of a lower price point. However, it is the premium segment of private label that is growing faster and at higher prices.

In a challenging environment, retailers and manufacturers are seeking out new paths for growth with new options,



such as the merging of the purchasing divisions (Auchan and Système U, and Intermarché and Casino in France) or by developing highly segmented shopper profiles, according to their needs. Powerful analytic solutions enable sophisticated assortment and merchandising, enhancing collaboration between manufacturers and retailers and predict the best 'mix' between national brands and private label in order to increase shoppers' satisfaction.

This report outlines where the private label market is today and what the growth opportunities for retailers and manufacturers could be.

All of us at IRI look forward to discussing these findings with you.

Tim Eales

Director of Strategic Insight

IRI

Key Findings



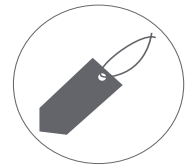
- Private label value market share in Europe dropped by 0.1pt versus a year ago in value and unit, standing now at 38.7% of all value sales and at 48.9% in unit sales, which is the first time that it has fallen since the economic recession began.
- A year ago, France was the only country with private label share decreasing. This year, in addition to France, Italy, Spain and the Netherlands have experienced a slow down and even decreased in private label share in hypermarkets and supermarkets.
- National brands have been heavily promoting their brands, closing the price gap with private label and impacting private label performance.
- Private label in Europe is now a mature market, where retailers increasingly move away from aggressive promotions to offer better value and quality for their products whilst keeping their prices low. However, premium ranges are driving private label sales.
- In most European countries, private label's decline is coming from the food sector.
- Frozen food and chilled & fresh food are the two categories that have the highest share of value sales for private label and the most promotional activity as well, 31.0% and 30.6% respectively, with prices closer to national brands than other sectors.
- The United Kingdom (UK) holds the highest share for private label sales in Europe, accounting for over half the market in value. After stabilizing for several years it has shown further growth (+0.2pt in value share and +0.3pt in unit share). The UK's biggest retailers are continuously bringing new products to improve quality but the growth of private label is also attributable to the growth in the discount sector, where private label is very strong.
- After two years of decrease, private label share in French hypermarkets and supermarkets reduced again, 0.5pt in value share and 0.9pt in unit share. Retailers are reducing private label assortment and increasing national brands promotions.
- For the first time since the recession, private label in Spain faced a slowdown versus a year ago (-0.7pt in value share and -1.2pt in unit share). Price is not the only influencer of the purchase decision, but also convenience, value for money and exclusivity.
- After almost 5 years, private label in Italian hypermarkets and supermarkets stopped growing due to increased competition from national brands on promotion and a decrease in private label assortment while it is increasing across the total market. Only premium and organic products are growing their range.

Key Findings



- Germany is the exception in Europe with private label growth amongst grocery and drugstores (+0.7pt in value share and +1.0pt in unit share) as well as in the total market. Germans believe in the quality of private labels, so are saving money by buying more of them.
- In Greece, private label share still ranks low (15.4% value market share). This is due to a severe price and promotion war between national brands and retailers' private label, which has led to a decrease in national brands' prices. Consumers can often get their favorite national brands at the same price level as private label.
- The Netherlands has experienced the same decline trend amongst hypermarkets and supermarkets as the rest of Europe; private label share has decreased (-0.2pt in value share and -0.7pt in unit share). This is due to a significant decrease in promotion shares for private label (-4.9pt), and a reduced price gap with national brands.
- In the United States, consumers have settled into a new normal, where they are buying the mix of national and private label brands that provides the best value for their own unique needs. Private label value sales growth outpaced the FMCG industry average for the year, leading to value share growth of +0.1pt. This growth was despite a small reduction in the private label price index overall but within that we have seen continued premiumisation of many private label ranges.

Private Label's Evolution and Explanatory Factors



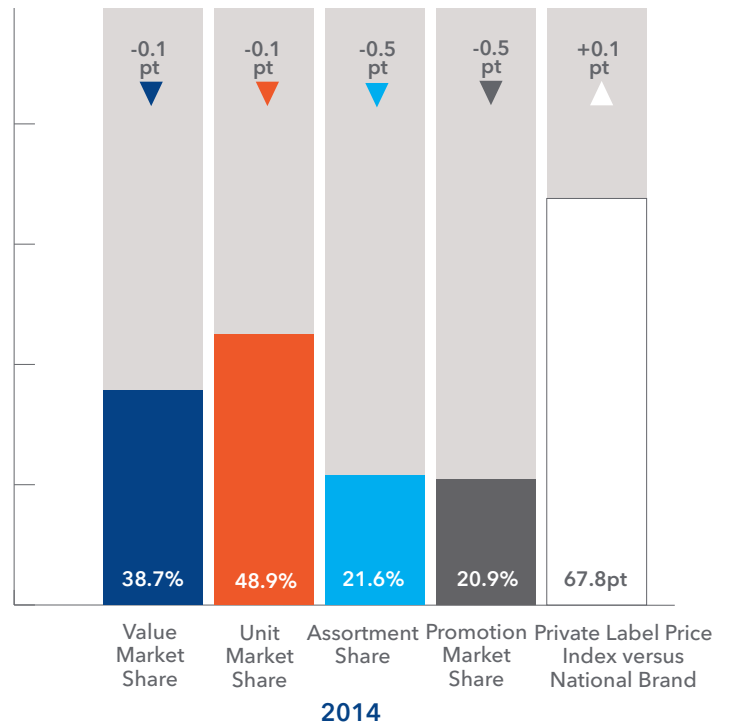
Private label value share faced a slowdown and in some cases, a decline for the first time since 2007 and critically, since the economic recession began.

Private label value and unit market share dropped in several countries and total Europe by 0.1pt versus a year ago, standing now at 38.7% of all value sales, a significant proportion of the total market, whilst unit market share remained stable at 48.9%, almost half of all purchases. National brands have been heavily promoting their brands, whereas promotion shares on private label have been reduced, closing the price gap between brands and private label. This could account for some of the share losses that we have seen for private label at the category level.

Retailers have identified many ways to differentiate their own brands, including with higher prices and targeting more premium products. There is a private label 3-tier approach (economy, standard and premium) depicting the range of products offered and the trend to increase premium private label products to target loyal consumers of established national brands. Private label's market is in a mature stage, where retailers increasingly move away from aggressive promotions and discounting to offer better value and quality for their products, while keeping their prices low.

Private label's evolution for total FMCG and explanatory factors, in Europe

Private label explanatory factors in % and index of total FMCG market and evolution versus a year ago, in point, in Europe.



Sources:
 Value and Unit Share
 IRI hypermarkets and supermarkets (Spain and Greece)
 IRI Total Market inc. hard discounters for Italy, Netherlands, Germany and France (inc. Drive)
 Kantar Worldpanel Total Market UK 52 w/e 2014 September 14

Price and Promotion
 IRI hypermarkets and supermarkets (all countries)

Assortment Share
 IRI hypermarkets and supermarkets (France and Italy)

In the United States, Walmart launched the "Price First" brand for grocery staples; Carrefour introduced a new value brand, "Petit Prix" (small prices), in France and Real offers deep discounts for food and non-food products in Germany.

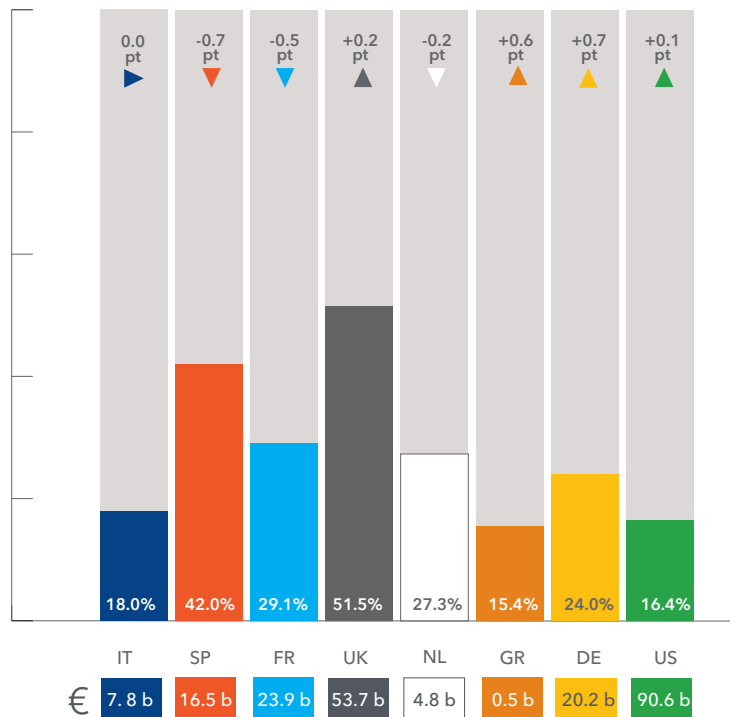
Private Label's Sales



The UK holds the highest share for private label value sales in Europe, accounting for over half the market, followed by Spain with 42.0% of value sales. Spain is showcasing the biggest decline, at 0.7pt versus year ago. This slowdown trend for private label's growth in Europe also includes France with a 0.5pt drop and Italy (0.0pt). Germany follows a different path, where a significant value market share growth is captured against national brands by 0.7pt. Retailers in Germany are offering more innovation and a broader product portfolio, aiming to match consumer's needs, while keeping prices low. Greece holds the smallest value share (15.4%) amongst the countries, despite the economic recession. The penetration of private label is low, due to aggressive promotional offers from national brands. Private label growth comes from higher prices that retailers have established in the Greek market to improve their margins.

Private label's value share by country

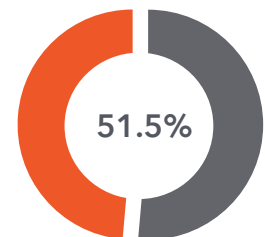
Private label market share in % and value in Euro, in European countries and in the United States, and evolution, in point, versus a year ago.



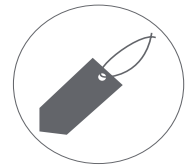
Value Market Share 2014

Sources: Hypermarkets and supermarkets for Spain, Greece, the Netherlands, France and Italy; Kantar Worldpanel Total Market UK 52 w/e 2014 September 14 for the UK; multi outlet w/c-stores for the US; hypermarkets, supermarkets and drugstores for Germany

The UK holds the highest share, for private label value sales in Europe, accounting for over half the market...



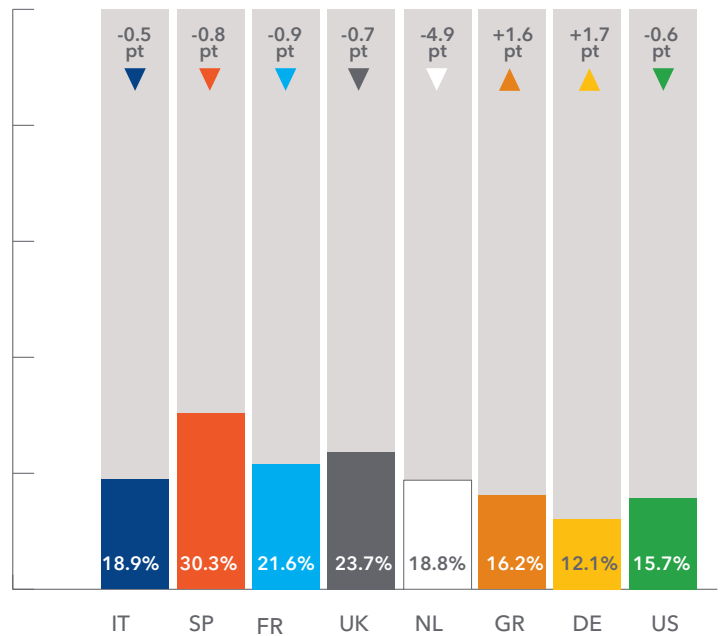
Private Label's Promotion



A reduction in promotion shares for private label and an increase for national brands means that the price gap has closed a little. Promoted volume is dominated by national brands which account for almost 80% of promotion sales across Europe. Spain is observed to have the highest proportion on promotion and this is partially explained by the fact that, for the first time, the Spanish retailer, Mercadona, increased promotion shares for its private label.

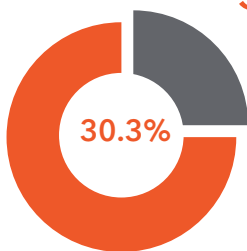
Private label's promotion share by country

Private label promotion share (in %) in European countries and in the United States, and evolution, in point, versus a year ago.



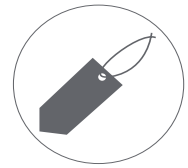
Promotion Market Share 2014

Sources: IRI InfoScan (hypermarkets and supermarkets)



Spain is observed to have the highest proportion on promotion.

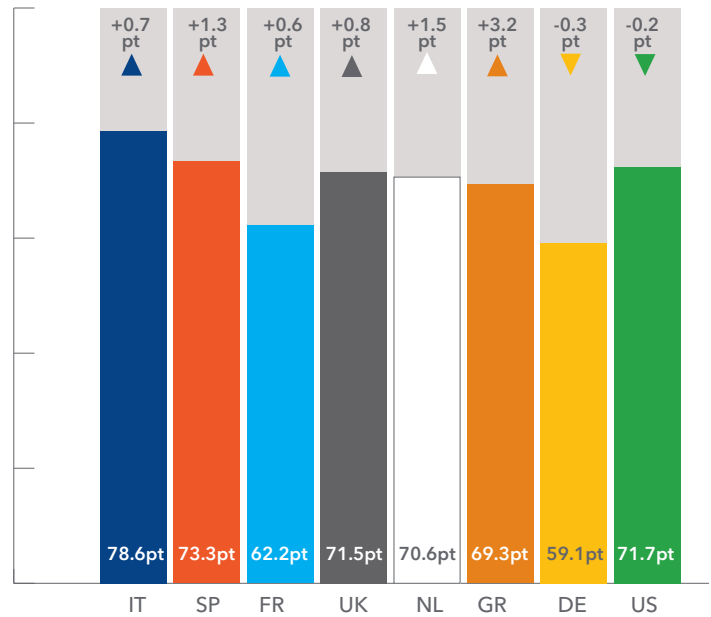
Private Label's Price



There is a significant decrease in the price gap between national brands and private label. Private label's price levels have risen, covering the growing demand for better quality and premium products offering. Meanwhile, a high level of price reductions generated by national brand promotions, has narrowed the gap between them. In the United States, consumers are not so concerned as to whether a product is private label or brand. They seek the product portfolio that will cover their specific needs. Private label in France are priced almost 40% lower than national brands, but still the growth rate for private label is low. In Germany the price index has slightly decreased, since it is important for the retailers to keep their prices low compared to national brands.

Private label's price level by country

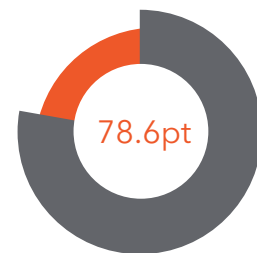
Private label price level in European countries and in the United States, and evolution, in point, versus a year ago.



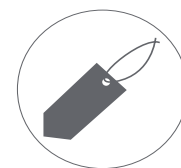
Private Label vs. National Brands Price Index 2014

Sources: IRI Infoscan (hypermarkets and supermarkets) based on average unit prices in Europe and volume prices in USA

Italy has the highest price index for private label and the lowest unit share apart from that in Greece.



Private Label's Sales per Category in Europe

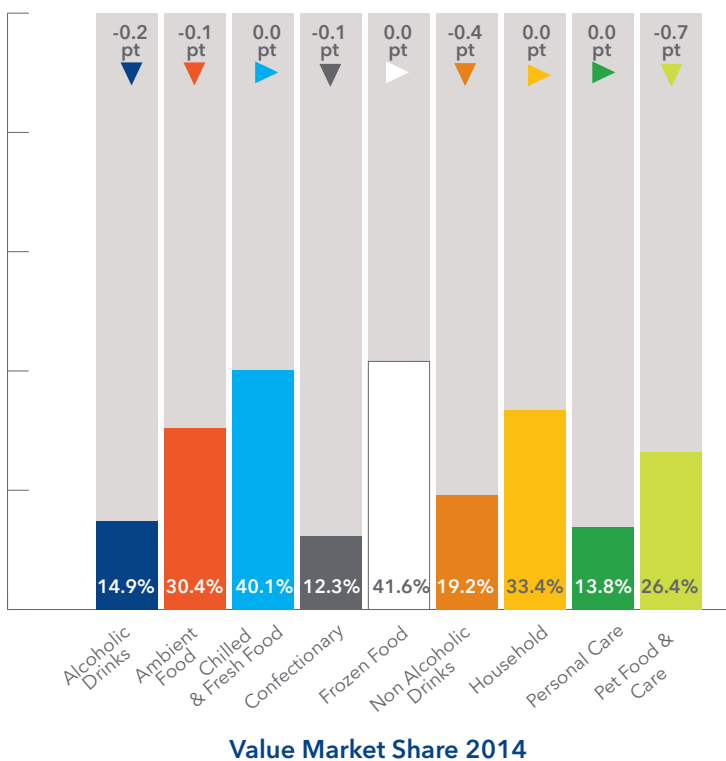


Frozen food and chilled & fresh food are the two categories that have the highest share of value sales for private label, indicating low penetration levels of national brands. No value share change versus year ago was seen, whereas all other food categories were affected by the overall declining trend. Confectionery holds the lowest private label presence, since national brands traditionally enjoyed strong loyalty.

Personal care also displays a low private label share, due to the importance that national brand trust and brand image has for the consumers in this category. Similarly the alcoholic drinks category ranks low in terms of private label share as consumers have strong brand allegiances in this area. All categories unit share trends show pattern of decline, except for frozen food and alcoholic drinks, where a slight unit market share increase was noted for the private label market.

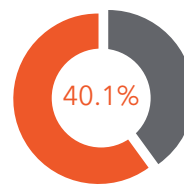
Private label's value share by category in Europe

Private label value share (in %) in Europe and evolution, in point, versus a year ago.

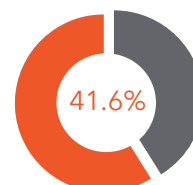


Sources: IRI InfoScan (hypermarkets and supermarkets)

More than 40% of frozen food and chilled & fresh food sales are private label.

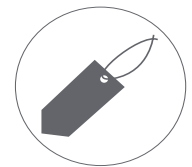


Chilled & Fresh Food



Frozen Food

Private Label Promotion per Category in Europe



The highest promotion share is seen in chilled & fresh food and frozen food categories, 30.6% and 31.0% respectively.

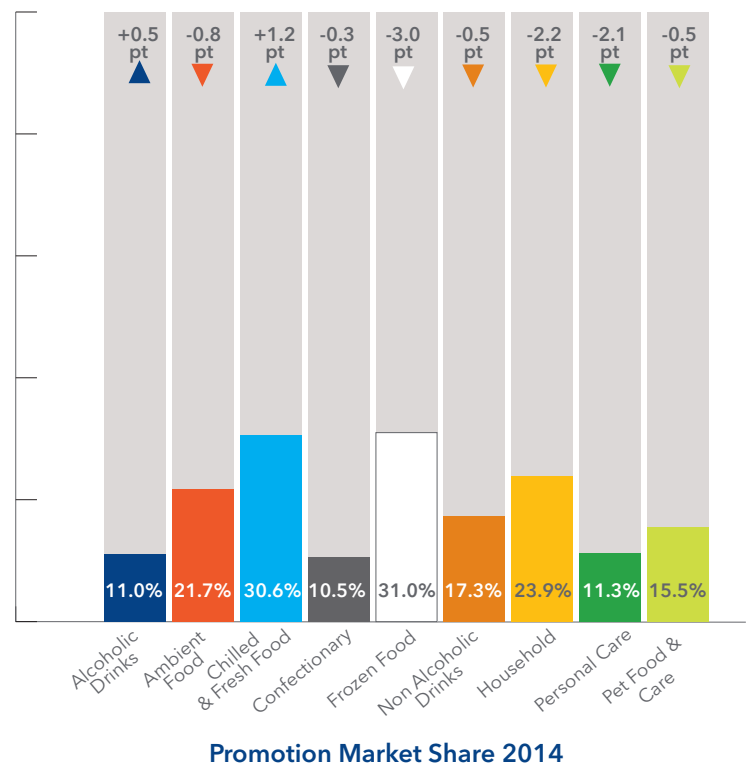
Consumers perceive quality of retailers' brand, based on the choice offered in-store for chilled & fresh and frozen food categories. Lidl, in order to enhance its own private label food line, created a pop-up gourmet restaurant, named "Dill", for 3 weeks. All meals were made from Lidl's private label range and highlighted the high quality of Lidl's products.

In all categories, promotion share levels are still lower versus national brands. Retailers prefer to follow a low price strategy, as opposed to frequent promotions for their own lines. That is obvious from the decline in the household and personal care category promotion share, where promotions have not had a significant impact on consumer choices, demonstrated by stable value sales share.

During the recession, it was critical to have the right offer on shelves and the correct mix of private labels and national brands to maximize sales for the whole category. Retailers must pursue the right selection, not just a bigger selection. Consequently, necessary delisting decisions should be taken with great care. Filling up the shelves with private label only will not help to increase sales. Since, in all categories, the assortment share of private label decreased, more space for branded products was created.

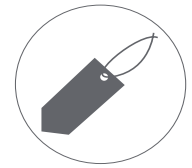
Private label's promotion share by categories in Europe

Private label promotion share (in %) in Europe and evolution, in point, versus a year ago.



Sources: IRI InfoScan (hypermarkets and supermarkets)

Private Label Price Index per Category in Europe



Across Europe, prices of private label have been lower than national brands, with the widest price gap in Germany and narrowest in Italy, Spain and the UK. Seeing this from a category perspective, chilled & fresh and frozen food categories keep prices close to national brands. For the rest, private label prices increased, except for beverages and pet care products. The personal care category draws attention, since private label costs almost half the price of national brands but still take a low value and unit share, compared to other categories. This contradiction confirms the fact that price does not rank as the first priority for the personal care consumer.

Confectionery increased private label's relative price levels to compete with the strong national brand presence.

Retailers are seeking innovative and fresh solutions to cover consumer's needs by offering healthier, organic and gourmet options.

In the household sector, private label increased price levels against national brands, further closing the price gap, as promotion share fell by more than 2pt.

Across Europe, prices of private labels have been lower than national brands with a price gap widest in Germany and narrowest in Italy, Spain and the UK.

Case Study



A Prize Worth Having...

The challenge

A multinational FMCG manufacturer with revenue of 50 billion euros globally wanted to grow value sales of its toothpaste brand in a specific retailer.

The solution

IRI's Assortment Optimization solution identified that variety is the most important attribute for shoppers and specific use and pack size come second, whilst price is the least important attribute.

The client's business need

To identify potential portfolio line-up opportunities, in order to ensure the optimum assortment.

The outcome

The client used IRI's recommendations to build a solid case to present to the retailer.

As a result IRI's recommendation provided triple gains:

+1.1 million euros
for the client's brand

+741,000 euros
for the total category

+124,000 euros
for the retailer's brand

Paths to Growth



Manufacturers and retailers are looking for new paths for growth in mature western markets. With long established expertise in FMCG and retail business, IRI pinpoints what matters to deliver growth for retailers and manufacturers whilst improving the shopper's satisfaction, with unique analytics solutions sustained by the most advanced technology.

- Manufacturers must focus on joint business planning with their retailer partners, to enhance the shopper experience. Manufacturers and retailers can use the same assortment optimisation solution that assesses the true value of each SKU, based on its attributes (i.e. pack size, format, function, price band, etc.), to identify and understand crucial elements that influence shopper decisions and the drivers of growth for individual brand and category as a whole.
- Price and promotion can't be the only levers for manufacturers to develop their market shares. They must build strong brand loyalty with a direct association with their consumers. Retailers will also benefit from these efforts, as the results will drive shoppers to their store and loyalty programs.
- High levels of national brand promotions have reduced the price gap with private label. Private label needs to build on more than just price to differentiate their positioning against national brands; Premium, organic and local positioning have demonstrated that this can be successful.
- Systematic promotion analysis must become the norm. With set goals, appropriate analytics solutions will simulate price and promotion tactics to improve margins, revenue, category performance and competitive advantage.
- KPIs that measure both price gaps and share trends are critical metrics necessary for managing category positions effectively. These should relate to shopper behaviour for a full picture of what is driving change. The price gap will more likely be maintained or widened where a category is shrinking due to recessionary pressure.
- Brands need a clear view of what impacts each trip mission for each shopper segment if they are to gain market share and/or develop margins.
- Enhanced in-store execution helps manufacturers and retailers manage the in-store availability of their brands, minimising empty shelves and waste and enabling growth to be generated despite the tough retail environment.
- Stock control can be maximized by forecasting anticipated sales using diverse inputs including sales data, promotions, weather trends, holiday dates and other historic data. Brands can also use daily and store-by-store data to pinpoint where more stock may be needed on the shelf, where oversupply is causing wastage, or whether availability is impacting the efficiency of promotions.

Resources



This report contains data gathered from seven countries in Europe: France, Italy, Spain, the UK, Germany, the Netherlands and Greece. The data has been sourced from IRI Infoscan® retail databases; 52 weeks ending July 2014 for all countries, except the UK ending June 2014 and Italy ending August 2014 versus the same period prior year. The report also highlights data from the United States sourced from IRI MarketInsight™; 52 weeks ending 14th July, 2014, versus same period the prior year.

Macro-categories analysed: chilled & fresh food, ambient food, frozen food, non-alcoholic drinks (including tea and coffee), household, personal care, confectionery, pet food/pet care and alcoholic drinks (note: does not include wine and spirits for the UK; Greece includes beer and ouzo only).

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

Country	Channels used
UK	Hypermarkets, supermarkets, pharmacies and impulse outlets*
Spain	Hypermarkets and supermarkets
Greece	Hypermarkets and supermarkets
Germany	Hypermarkets, supermarkets and drugstores
Netherlands	Supermarkets
Italy	Hypermarkets and supermarkets
France	Hypermarkets and supermarkets
USA	Supermarkets, drugstores, mass merchandisers, military commissaries, select dollar and club retail chains and convenience stores

*In order to achieve the widest coverage of private label grocery sales across Europe, the headline shares on page 6 of this report have been calculated using data from IRI's Total Grocery measurements as well as UK data supplied by Kantar Worldpanel, covering the period 52 w/e 14th Sept 2014.

The Private label Price Index for European countries has been calculated on the basis of the average price per pack across all private labels relative to the average price per pack across all national brands. An equivalent measure based on volume price has been used for USA.

Resources



If you have enjoyed this report, you may be interested in the following IRI products and services, which provide customisable insights:

IRI 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 IRI 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.

IRI 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. The Analytics Advantage Suite goes from in-store interviews to advanced modelling solutions.

FOR MORE INFORMATION
please contact your IRI Consultant
or send an email to **EU.Marketing@IRIworldwide.com**

Country by Country Review



The United Kingdom



The UK has one of the strongest private label presences in Europe, which, after stabilising has shown further share growth in recent years, despite a fragile economic environment. Retailers have gained shopper's trust to launch new and innovative products to meet today's consumer needs. The UK's biggest retailers are continuously bringing new products in an effort to improve the quality of private label, while keeping their prices low. Each retailer sees their private label range as a destination influencer and the tiers are targeted at specific and different consumer bases.

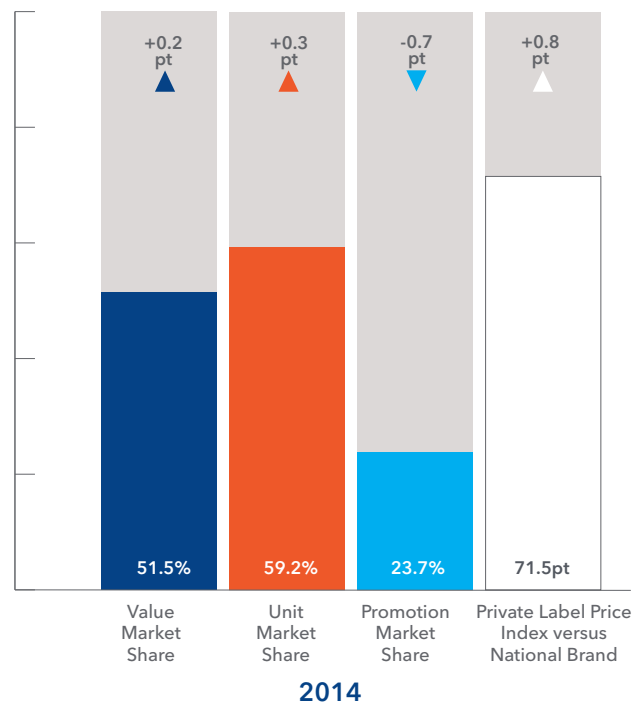
Waitrose has been going after the rise in premium ice cream with their Seriously Intense launches, whilst Tesco has launched at the other end of the price scale, replacing their venture brand, Chockablock, whilst also revamping a number of lines in their Finest range and launching Tesco Loves Baby.

Co-op has introduced 1,000 new lines since September 2013, with 200 more coming for Christmas 2014, whilst also upgrading and rebranding 1,900 existing lines.

Sainsbury's is also planning to improve the quality of 3,000 private label products and Morrison's has recently completed a two year overhaul of its own label offer, particularly with more diverse ranges of its ready meals and a new range, NuMe, for those counting the calories.

Private label's evolution for total FMCG and explanatory factors, in the United Kingdom

Private label explanatory factors in % and index of total FMCG market and evolution versus a year ago, in point, in the United Kingdom.



Sources: IRI InfoScan (hypermarkets and supermarkets) and Kantar Worldpanel Total Market UK 52 w/e 2014 September 14

Tesco launched My Fit Lifestyle a range of healthy eating products.

The United Kingdom



In 2013 and 2014 there has been a reduction in private label share in packaged groceries throughout the grocery multiples and traditional grocery trade, largely due to the promotional pressure coming from the national brands. Meanwhile, in the fresh foods sector and in discounters, private label thrives, with little national brand competition, resulting in an overall growth of total market share for private label in the UK.

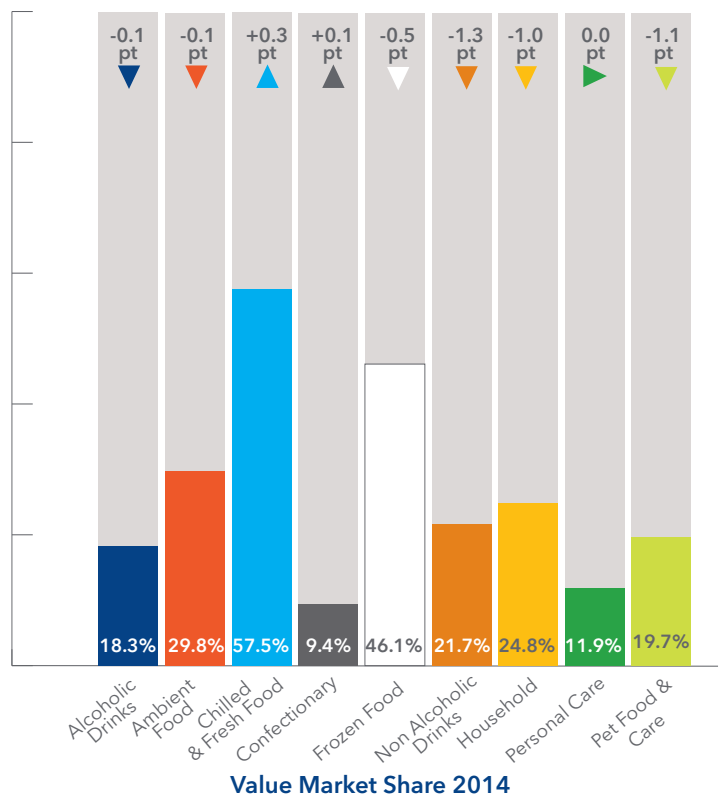
Amongst packaged groceries, the range of categories where private label share decline is steepest, shows no clear pattern in terms of the product type, but there are many examples where increased levels of branded promotion are associated with private label decline. For canned pasta, private label lost value share (21% to 19%), losing 20% in value sales, as branded promotions increased from 58% of volume to 68%. Dry cat and dog food behaved similarly. On the other hand, private label frozen burgers gained value share (44% to 48%) and branded promotions fell from 61% of volume to 45%.

Chilled & fresh food is dominated by ready meals and there are few branded options in that category. Private label value share is above average for all frozen food categories, with frozen vegetables one of the highest, at 67%.

Despite private label's relative strength, half of the frozen food categories showed private label market share declines. Private label share of confectionery remains low due to huge brand domination in that sector, but it is growing very slowly. Personal care private label has been declining for many years. During the past year, private label share has been stable, as branded products for personal hygiene relate better to the consumer's personal image.

Private label's value share by category in the United Kingdom

Private label value share (in %) in the United Kingdom and evolution, in point, versus a year ago.



Sources: IRI InfoScan (hypermarkets and supermarkets)

The United Kingdom

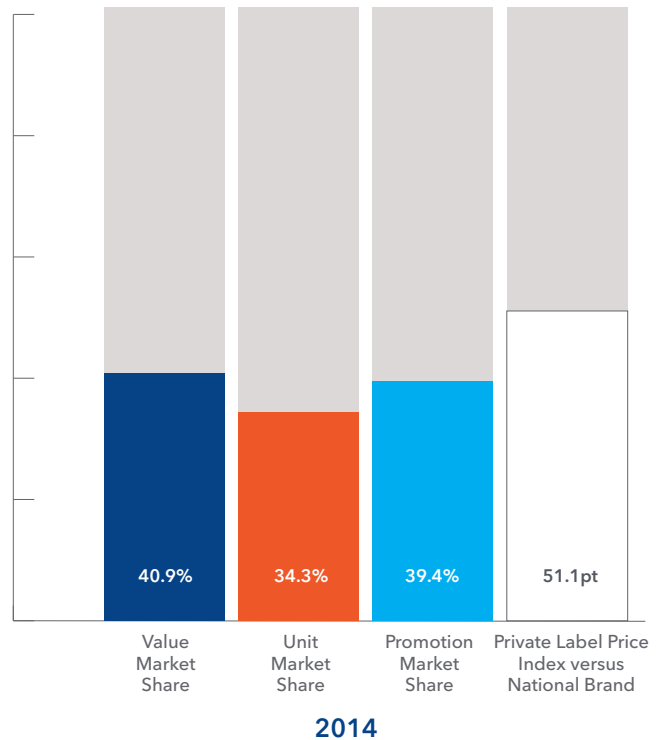


With only 41% of categories where private label has increased value share and fewer increasing unit share, it's clear that private label is struggling to keep pace with brands in the majority of cases. Private label is also low in promotion, with just 39% promotion share. In just over half of cases, private label is widening the price gap with national brands. In the remaining categories, the price gap is closing with private label becoming relatively more expensive.

Overall, private label product cost is just under 30% less than their branded counterparts and, over time, the gap between private label and brand is closing. The majority of private label new product activity is taking place in the premium sector.

Proportion of categories where private label is progressing in the United Kingdom

Total FMCG, market share (value and unit), promotion market share in %, and price competitiveness, in point, in the United Kingdom.



Sources: IRI InfoScan (hypermarkets and supermarkets)

Overall, a pack of private label product is just under 30% lower priced than a pack of branded product and over time the gap between private label and brand is closing.

France



The private label sector in France is a mature market that is reaching a growth ceiling and following negative share and growth trend seen elsewhere in Europe.

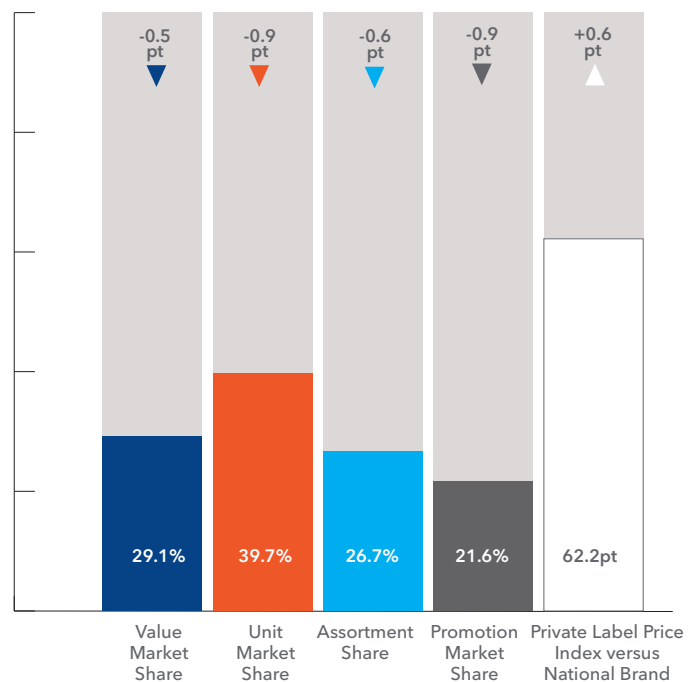
Private label's value sales have been declining the last couple of years, since right after the economic recession. French consumers are still not convinced about the quality of private label products offered and show preference to trusted brands. Private label lost 0.5pt in terms of value market share and 0.9pt in unit share, a new record for France. This year's declining results though, do not include the Click-and-Collect (Drive) channel in France, where an average consumer's basket contains monthly supplies, mainly heavy weight products with a high private label presence.

In hypermarkets and supermarkets, there is a huge decline in private label assortment levels. Retailers position less private label products on shelf and more promotional mechanisms are being used by national brands to eliminate private label assortment. One example comes from the French retailer Carrefour, that reduced its private label presence to include more trade promotions from national brands.

Private label's promotion share declined by 0.9pt this year, giving national brands the opportunity to significantly lower their prices and narrow the price gap versus private label. A significant increase in price for private labels (0.6pt.) depicts that retailers in France are increasing their own label prices in an effort to increase margins, while improving quality offered.

Private label's evolution for total FMCG and explanatory factors, in France

Private label explanatory factors in % and index of total FMCG market and evolution versus a year ago, in point, in France.



2014

Sources: IRI InfoScan (hypermarkets and supermarkets)

France



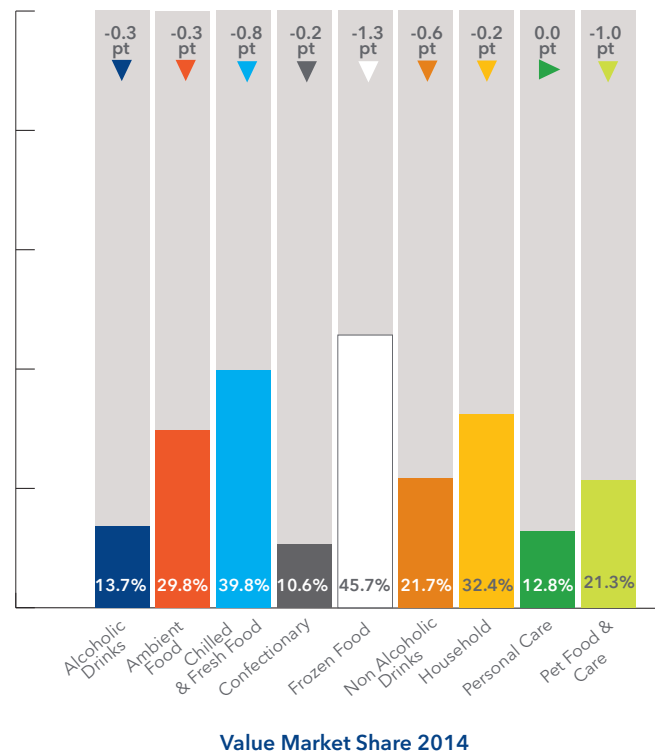
Due to a fierce price war context, France faced a very strong deflation in some categories and in national brands, giving the opportunity to consumers to buy better quality products, at a better value. According to shoppers, branded products are now more attractive than private label, since the price gap has narrowed. Consumers in France are willing to pay a bit more if they feel secure with the ingredients in the products they consuming. Additionally, high promotional activity by national brands highlighted health and wellness benefits, which attracted more consumers.

Like in most European countries, private label decline comes mostly from food sector. Non-food private label categories lost significant promotion share, while loss of value share wasn't as severe. Decreased private label assortment in both food and non-food sectors, coupled with significant price increase, led to decreased value share.

Chilled & fresh food is dominated by ready meals and there are few branded options in that categor. The same goes for frozen food category. These two categories faced the biggest private label decline, due to French consumers being quite cautious about what they eat. In the household category, private label maintained a value share and didn't showcase the same amount of decline as in the food sector. In personal care, private label share remains low and no significant change was noticed versus a year ago.

Private label's value share by category in France

Private label value share (in %) in France and evolution, in point, versus a year ago.



Sources: IRI InfoScan (hypermarkets and supermarkets)

France

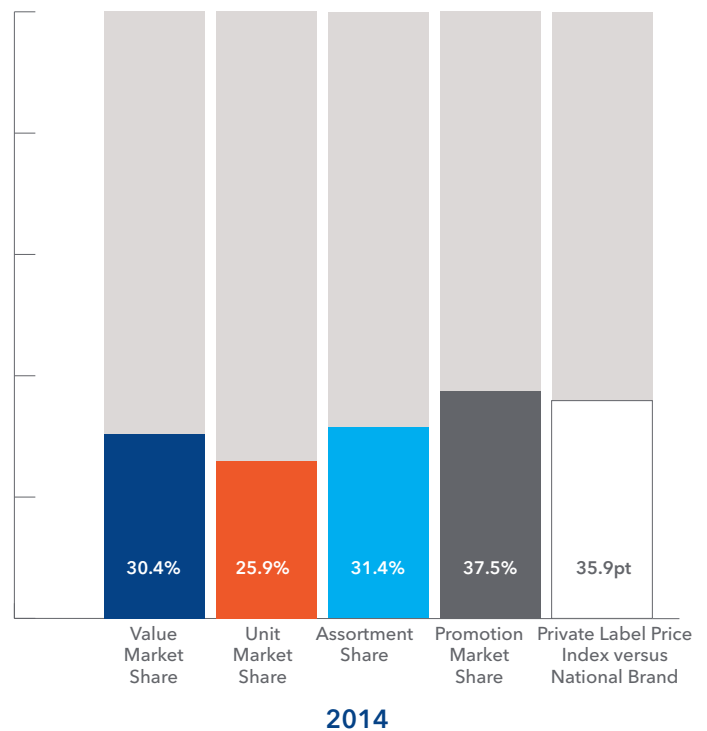


With only 30% of private label categories gaining value and a loss in unit and assortment share, the private label sector in supermarkets and hypermarkets is in decline. Significant differences in promotional intensity are observed between private label and national brands. Less than 40% of private label volume is sold with promotional support. Private label prices still remain low compared to national brands, although almost 36% are trying to close this price gap.

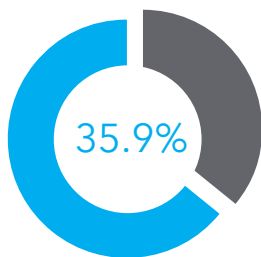
There is a significant call to action for French retailers since there is a differentiated target group amongst French consumers for private label products. Innovation and personalised solutions will drive growth, while increasing distribution across more discounters and hard discounters, would increase private label assortments on-shelf.

Proportion of categories where private label is progressing in France

Total FMCG, market share (value and unit), assortment share, promotion market share, in % and price competitiveness, in point, in France.



Sources: IRI InfoScan (hypermarkets and supermarkets)



Private label prices still remain low compared to national brands, although almost 36% are trying to close this price gap.

Spain



Private label value share in Spain fell -0.7pt versus a year ago, while unit share fell 1.2pt. This marks the first time private label share declined in Spain since the economic recession began. Private label has

lost its allure since price is not the only influencing factor in purchase decisions.

Consumers seek stores that provide:

CONVENIENCE

Proximity stores near home;

VALUE FOR MONEY

Discount stores. Shoppers seek low prices and discounts on both private label and national brands;

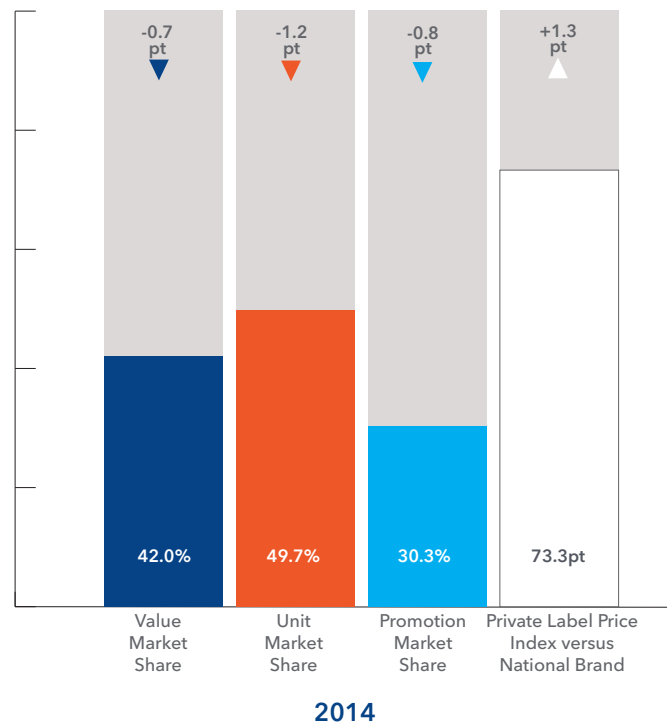
EXCLUSIVITY

Unique and specialised stores; Stores with a more specialised assortment and an innovative in-store design.

Recovery from the recession has been slow for Spain. There is still deflationary price risk since the GDP rate seems to be increasing and the unemployment rate has climbed to 24%. The fast moving consumer goods (FMCG) sector remained flat for 2014, since there were no significant changes in prices and unit sales were stagnant.

Private label's evolution for total FMCG and explanatory factors, in Spain

Private label explanatory factors in % and index of total FMCG market and evolution versus a year ago, in point, in Spain.



Sources: IRI InfoScan (hypermarkets and supermarkets)

Hypermarkets continue to lose market share but declines are slowing (share fell from 17.4% to 16.9%). Meanwhile, large supermarkets captured increased share (47% to 48%), with Mercadona still leading the Spanish market, followed by Carrefour and Eroski. There is an interesting trend with regional retailers popping up. The top 10 retailers in the Spanish marketplace possess 84% of total market share.

Spain



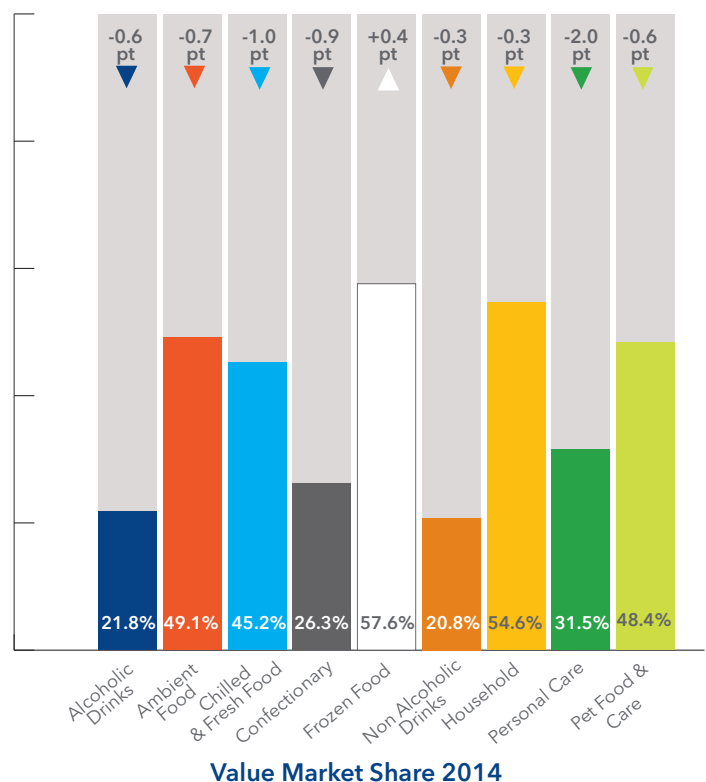
Following consumer market trends, new stores with differentiated concepts are evolving, attracting more private label buyers and offering low prices and value-for-money options. New hybrid stores, similar to low cost and cash & carry, are born. Their design and offers are similar to cash & carry, but they include an assortment that targets, such as busy individuals and large families. Supeco (owned by Carrefour Group), new Costco stores and Dealz (Poundland), with a new “everything at €1.5” concept, are examples of these increasingly popular concepts.

Spanish retailers are also trying to be more innovative and offer consumer convenience when promoting their own labels. Eroski Club is working to find the exact price the consumer is willing to pay and Mercadona plans to launch ‘contactless’ payment for the shopper.

The biggest private label value share is seen in the frozen food category and this is the only category that is still seeing growth. The household category follows, with a small decline (0.3pt) in value sales. Ambient food private label ranks high, indicating Spanish consumers’ preferences when it comes to private label.

Private label’s value share by category in Spain

Private label value share (in %) in Spain and evolution, in point, versus a year ago.



Sources: IRI InfoScan (hypermarkets and supermarkets)

New stores concept are emerging to attract more private label buyers.

Spain

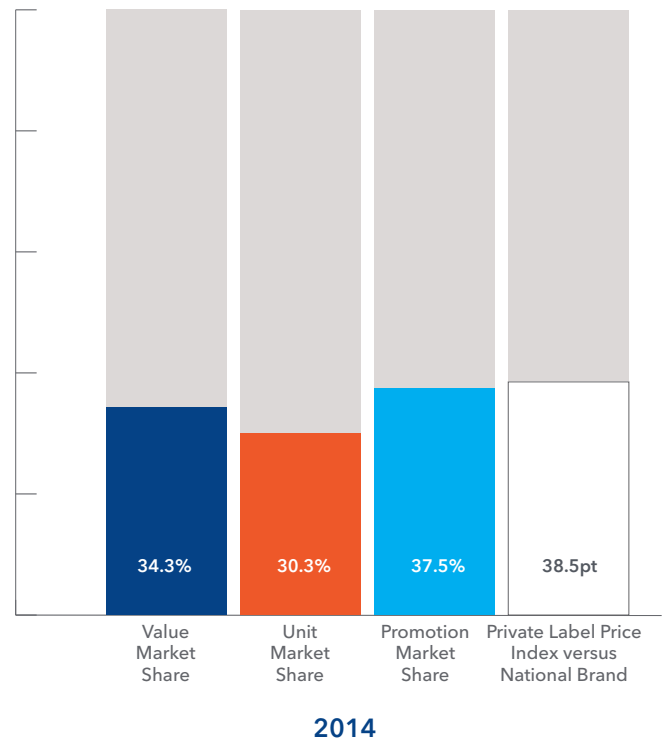


Private label value share increased across almost 35% of categories and 30% in unit share increased. Promotions for national brands covered 70% of the total market against private labels and the price gap between them has narrowed. National brands use a heavy promotional strategy, whereas private label promotional activity is declining. This leads to small price differences when compared on-shelf in-store, where consumers will prefer branded products at similar prices.

From total sales of private label, 13% are on promotion (+4pt versus last year). This increase in promotions is in huge part due to Mercadona, as they are using promotions for the first time.

Proportion of categories where private label is progressing in Spain

Total FMCG, market share (value and unit), promotion market share in % and price competitiveness, in point, in Spain.



Sources: IRI InfoScan (hypermarkets and supermarkets)

Italy



Italy is still struggling to recover from its bad economic recession, and only minimal growth is expected in 2015.

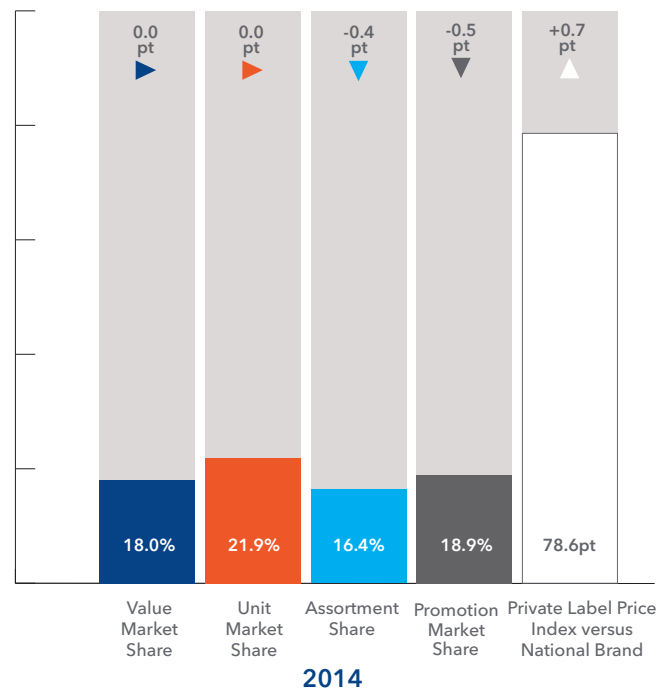
The FMCG sector is still depicting negative trends in both value (-0.8% in the first 8 months of 2014) and volumes sales (-0.9%). After almost 5 years of growth, private label share gains stopped (-0.0pt value share versus year ago) as measured across hypermarkets and supermarkets. The loss is higher if superettes were included.

There are also some regional differences to be noted for the Italian market: North Italy, where all major retailers operate (ex. Coop, Conad, Esselunga and Carrefour) represents almost 60% of total private label sales revenue, making private label share decrease, less significant. Whereas in South Italy the market consists of small retailers unable to invest in their own label's development or face competition coming from bigger retail chains.

Small retailers and big retail chains in Italy lost several private label share points to national brands. Discounters are gaining power in South Italy, becoming an aggressive competitor for many retailing formats, even if their performance remains poor. Drugstores are getting more competitive, due to their convenience, segmented assortment (equal to hypermarket ones) and proximity, placing them at the top, in terms of channel performance.

Private label's evolution for total FMCG and explanatory factors, in Italy

Private label explanatory factors in % and index of total FMCG market and evolution versus a year ago, in point, in Italy.



Sources: IRI InfoScan (hypermarkets and supermarkets)

Italy

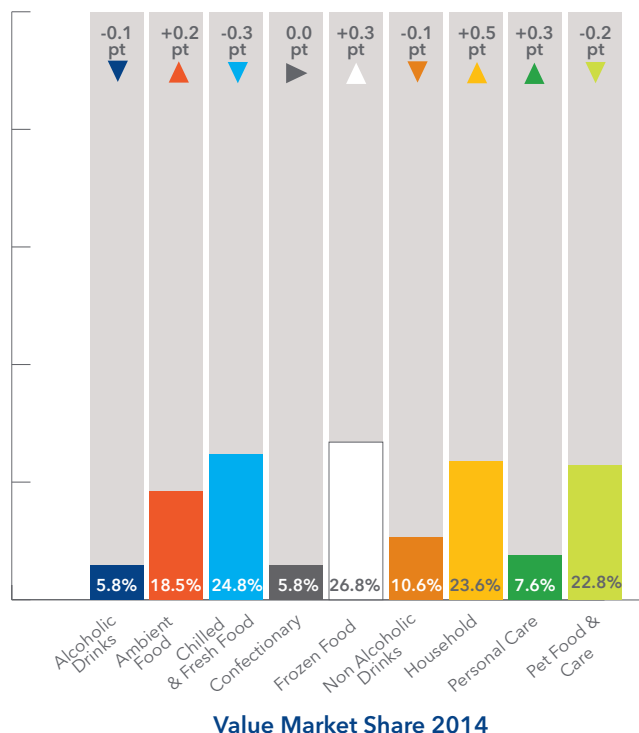


The categories in which private label are not performing well are mainly food and beverage, which count for most sales of FMCG in Italy. These categories also have been less promoted compared to previous years. The highest private label market share is registered in the frozen food category (almost 27% in the total market) and the lowest in alcoholic drinks and confectionary (around 6%), depicting Italian consumer’s preferences for frozen food private label brands but not for confectionary and alcoholic drinks. Private label’s decline is higher in chilled & fresh foods and pet food & care and it is steady for confectionary. In the household category there are some positive signs versus last year, while personal care and frozen food categories still register small growth.

Only premium products and organic products are still growing (value sales are at +6.0% and 7.6% versus previous year in the total market). The private label value tiers are suffering the most, -14.7% versus the previous year in the total market.

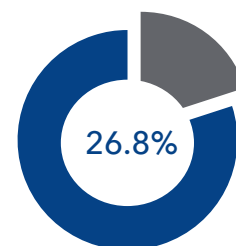
Private label’s value share by categories in Italy

Private label value share (in %) in Italy and evolution, in point, versus a year ago.



Sources: IRI InfoScan (hypermarkets and supermarkets)

The highest private label market share is registered in the frozen food category (almost 27% in the total market).



Italy



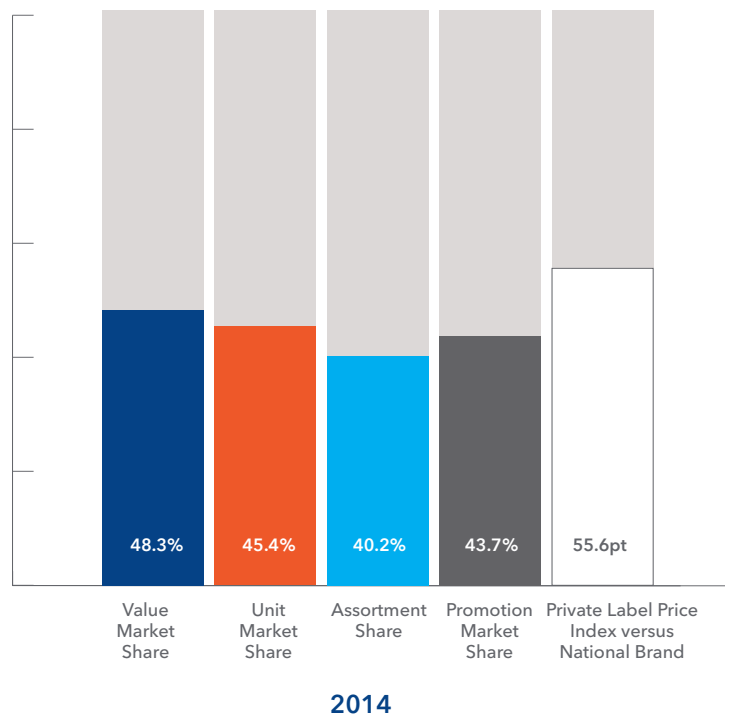
The Italian shopper has become more cautious and price sensitive during the last few years, seeking offers and value-for-money options within the private label sector. There was no change in private label value or unit share versus last year, even though growth was expected, due to squeezed income. Following European market trends, the private label sector is facing a major challenge in the form of increased competition from national brands that are capturing share with high levels of promotional activity.

Private label is also facing downward pressure due to decreasing on-shelf assortment share versus year ago, to the benefit of national brands. Private label products have less space on shelf than they used to, as retailers are seeking to gain the maximum value with an optimal assortment. Promotion market share, meanwhile decreased by 0.5pt, leaving white space for national brands to increase promotional pressure. National brands managed to leverage added value from unique product offerings and innovative solutions throughout the whole buying process.

The price gap between national brands and private label has narrowed, and is impacting more private label sales performance. Some retailers are exploring whether they should reposition their price strategies to compete against promoted national brands.

Proportion of categories where private label is progressing in Italy

Total FMCG, market share (value and unit), assortment share, promotion market share in % and price competitiveness, in point, in Italy.



Sources: IRI InfoScan (hypermarkets and supermarkets)

Private's label negative performance started during Q3 2013 (with a slow growth trend) and was more evident during the first 8 months of 2014. Most of the growth in value market share comes from non-food while food private label sector has been declining. Promotions decreased most sharply in food sector, while non-food prices increased by 1.1%.

Germany



In Germany, shoppers believe in the quality of private label and want to save money even when wages are increasing.

Private label continues to grow with improved quality and more promotional activities; price index is experiencing a decline with increased prices of national brands, whereas there is no drastic price change for private label.

Retailers are innovating and trying for a broader product portfolio. Thus, looking at the current situation, value share has increased by 0.7pt to 24.0%, with the food sector up 0.8pt and not food up 0.2pt. Private label has a stronger share in units with 34.9% (+1.0pt), being cheaper than national brands.

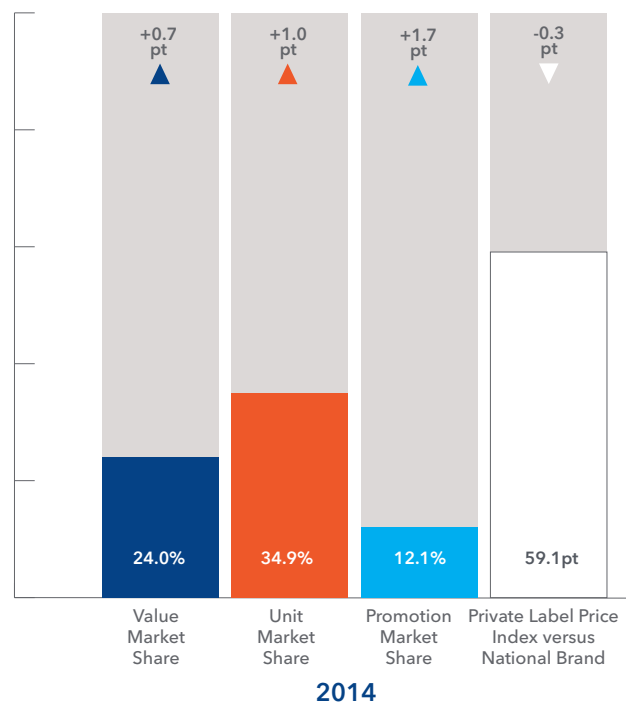
Retailer-level promotions have acted as a pull mechanism in increasing private label sales:

- Chilled & fresh food are heavily leveraging on-shelf promotions.
- Premium product portfolios within chilled & fresh food, especially by the retail giants, REWE and EDEKA, are improving the overall quality of private label, which closes the price gap with brands, despite increased promotional support.

Although private label prices for non-food categories have increased, they have not invested in promotions with the same enthusiasm as national brands did. Across food categories prices have dipped, while promotions continue to drive sales, differentiating Germany from the rest of the European countries. Private label has evolved positively in both value and units with main push coming from the food sector, which grew by +0.8pt in value and +1.1pt in units. The non-food sector shows a stable increase of +0.2pt in value and +0.1pt in unit sales.

Private label's evolution for total FMCG and explanatory factors, in Germany

Private label explanatory factors in % and index of total FMCG market and evolution versus a year ago, in point, in Germany.



Sources: IRI InfoScan (grocery and drugstores excl. hard discounters)

Germany



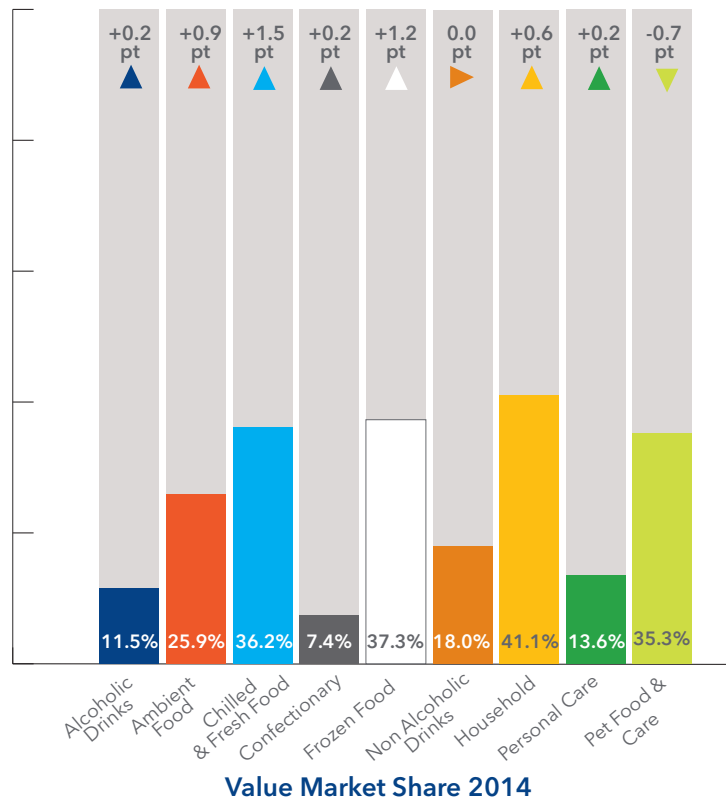
With a strong presence within the non-food sector (mainly household categories), private label doesn't necessarily have a need of promoting much, leading to a dip promotion share. Chilled & fresh food, frozen food and ambient food categories, demonstrate the highest year on year growth for private label value market share, against national brands. Private label markets have also improved quality of private label products and made them available at a lower price. This has given these categories an edge to evolve and gain trust with the consumers, helping to build a solid and trustworthy, up-to-date retailer image.

Private label has a major value share of 41.1% (+0.6pt) in the household category. It attributes to around 68% of the category growth, making its presence stronger than national brands. Private label manufacturers have not only given value to the consumers, but have also provided them the same good quality, keeping the environmental impact in mind and following ecological friendly consumer needs. Private label is growing in chilled & fresh and frozen food categories, contributing significantly to the category growth by around 70%. Promotions have been a major pull for the sales growth.

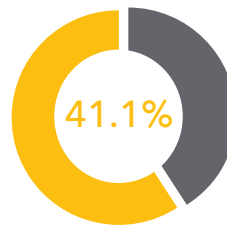
- Private label white products (cheese, butter and margarine) contribute heavily to chilled & fresh category sales.
- Private label has a strong presence in the frozen meat category, overshadowing national brands.

Private label's value share by categories in Germany

Private label value share (in %) in Germany and evolution, in point, versus a year ago.



Sources: IRI InfoScan (grocery and drugstores excl. hard discounters)



Private label has a significant value share of 41.1% (+0.6pt) in the household category. It attributes to 68% of the category growth, making its presence stronger than that of national brands.

Germany

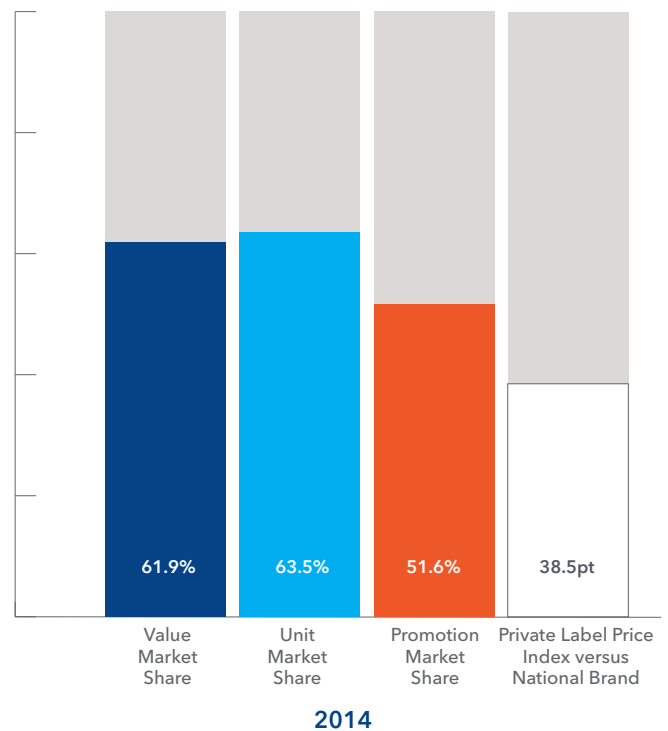


Innovation and the move towards premium private label products have supported the growth in the ambient category. Consumers do not mind paying the extra penny for the improved quality, as premium private label is still more economical when compared to national brands. Pet food & care is the only private label category which lost share (-0.7pt). Innovations in national brands have overshadowed the steady growth of private label. Additionally, the availability also of single packs from national brands in cat food category has led to a consumer shift.

Private label has been growing in 61.9% of the categories, demonstrating that they are gaining popularity and broader acceptance amongst shoppers. Promotions are gaining importance for private label; however, promotions are mainly done within food sector (generally white products and frozen meat), which has given a significant push to category sales. The price competitiveness index is at 38.5pt showing that “value for money” is still the major factor persuading consumers to opt for private label over national brands. Thus, the combination of good quality and a large offer at lower prices still remains the main threat for national brands.

Proportion of categories where private label is progressing in Germany

Total FMCG, market share (value and unit), promotion market share in % and price competitiveness, in point, in Germany.



Sources: IRI InfoScan (grocery and drugstores excl. hard discounters)

...the combination of good quality and a large offer at lower prices still remains the main threat for national brands.

Greece



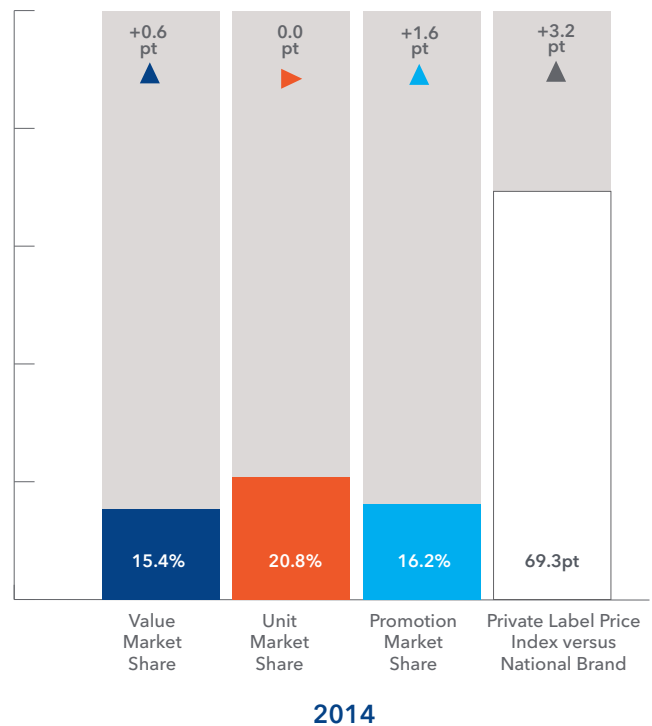
In Greece, private label share still ranks low compared to national brands. This is due to the fact that, during the recession, a severe price and promotion war started between manufacturers and retailers, which led to a decrease of national brands price.

Consumers preferred national brands over private label, since they can find their favourite national brand at the same price level as private label. Most private label products are considered as "low price" in the Greek market and heavy promotions of national brands kept their penetration low, despite the severe economic recession. Moreover, private label range was enriched with products priced closer to national brands, leveraging the premium tier and engaging different consumer needs.

Greek consumers have not put strong trust in the quality of private brands as alternatives to national brand solutions. Low cost retailer, Lidl, for example, still ranks low in consumer preferences (though growing in 2014), while at the same time national brands are promoting constantly in all possible channels, giving national brands a comparable value perception. Consumers prefer branded products due to quality assurances, and they make frequent visits in more than one store to find the optimum product mix that will cover their needs and filling their basket with national brands at very low price levels.

Private label's evolution for total FMCG and explanatory factors, in Greece

Private label explanatory factors in % and index of total FMCG market and evolution versus a year ago, in point, in Greece.



Sources: IRI InfoScan (hypermarkets and supermarkets)

Greece's private label value market share is still low compared to other European countries...

Greece

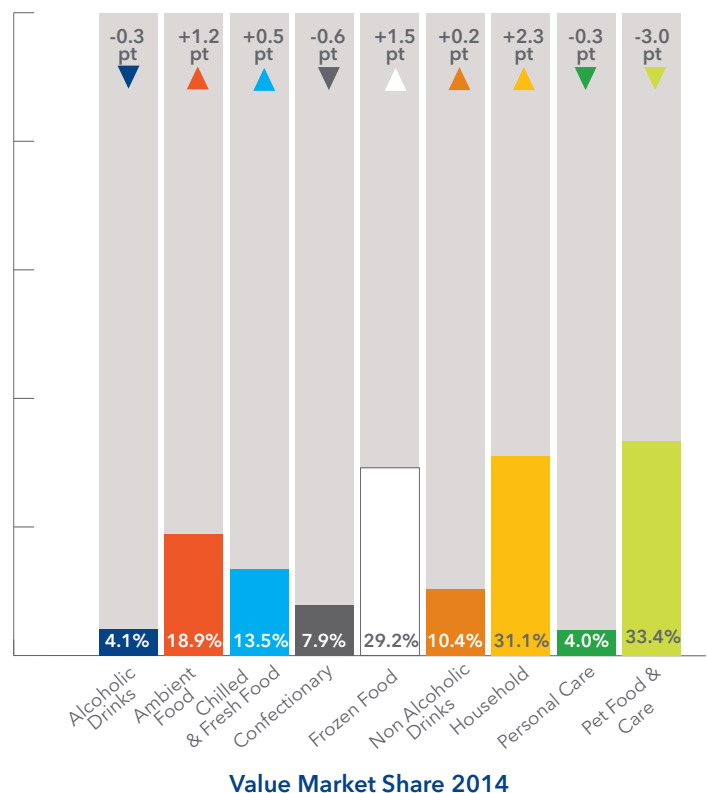


Most Greek private label growth is coming from the non-food sector. A significant increase in the promotion of non-food solutions has supported revenue gains. Greek consumers feel more comfortable buying non-food private label products than they do food and beverage. Price level increases are occurring in the food sector, narrowing the gap between private label and national brands prices, as retailers are trying to maximize their profit margin.

Strong brand loyalty and heavy promotional activity across national brands are negatively impacting private label share trends in Greece. In some categories such as alcoholic drinks and soft drinks, brand loyalty is so strong that price, no matter how tempting it can be, has much less influence on buying decisions as it does in other categories. Moreover, it could be argued that restricted assortment and lack of innovation versus branded products are also contributing to low private label share in Greece. In the personal care category, national brands, perceived as higher quality products, are constantly under promotions. The consumer knows that even if a favorite brand is not on promotion, a comparable branded solution will be available at the same price level. In most instances private label is unable to compete in these situations.

Private label's value share by category in Greece

Private label value share (in %) in Greece and evolution, in point, versus a year ago.



Sources: IRI InfoScan (hypermarkets and supermarkets)

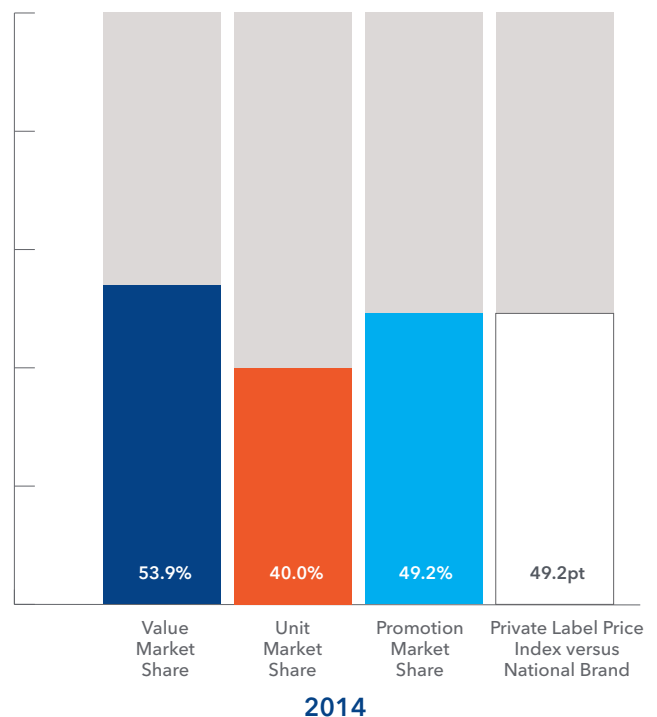
Greece



In Greece, private label has been growing in 53.9% of the categories. Growth in unit share is fairly low (40.0%). Promotional activity is strong, since price wars are fierce. Though private label competes on price, the price gap between private label and national brands has narrowed to 49.2pt.

Proportion of categories where private label is progressing in Greece

Total FMCG, market share (value and unit), promotion market share in % and price competitiveness, in point, in Greece.



Sources: IRI InfoScan (hypermarkets and supermarkets)

Greek consumers feel more comfortable with private label non-food products than they do with private label food solutions.

The Netherlands



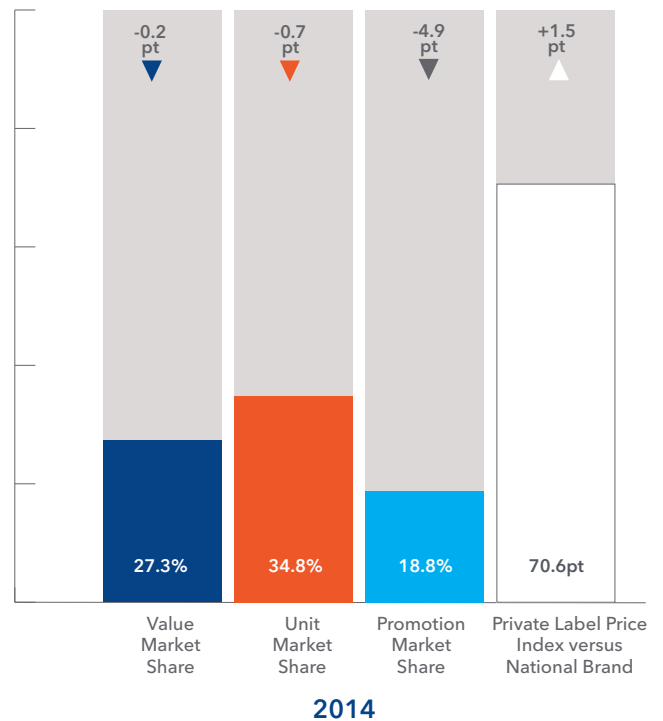
Private label share trends in the Netherlands are consistent with trends elsewhere in Europe. While there is acceptance across the UK and Germany for private label to be better quality, in the Netherlands the primary focus is on the value end of the market. Retailers are trying to keep prices low and offer their products as a “value-for-money” option. Compared to a year ago, private label sales slipped more sharply than the industry average, causing a decline in private label value market share of 0.2pt. This decline was due to decreased share of promotion for private label.

Private label’s evolution in the Netherlands indicates that the decline in share is mainly seen during the summer. Private label share is low during summer time, due to strong national brands present in ice cream, beer and soft drinks. Last year, the value share for private label was even lower, due to increased promotions in these categories from national brands.

In 2013 a large Dutch retailer changed the name of their private label line. The heavy promotional support around this change helped support private label strength for the year.

Private label’s evolution for total FMCG and explanatory factors, in the Netherlands

Private label explanatory factors in % and index of total FMCG market and evolution versus a year ago, in point, in the Netherlands.



Sources: IRI InfoScan (supermarkets excl. Aldi, Lidl and Detailresult)

The Netherlands



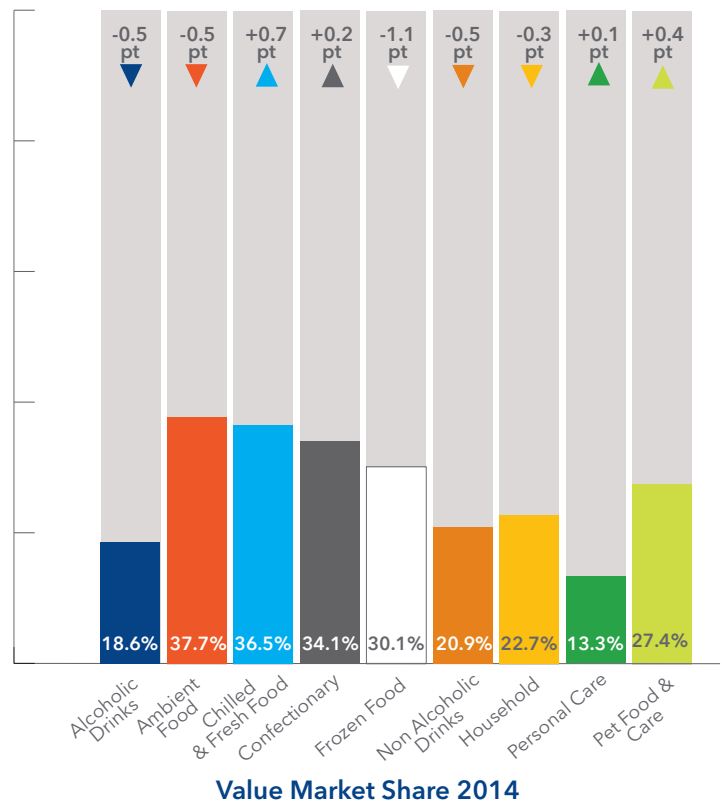
Private label sales are declining more sharply than industry average, causing negative share movements for food and non-food sector. Eighty percent of the decline in non-food can be attributed to lower promotion sales in private label pet food, personal care and household categories. Although the price gap between private label and national brand non-food is declining, the gap is still large. Total food sales revenue in the Netherlands is rather stable, but 90% of the decrease can be attributed to private label. Decreased promotional activity is the main reason for food sales decline.

Promotions for national brands have increased by 2%, whereas private label's volume sold on promotion dropped 23%. This decrease is mainly seen in the ambient food category.

Private label value share is the largest for the ambient food category, closely followed by chilled & fresh food and confectionary. In the last two categories, private label performed better than the rest of the market, although sales in promotion was reduced to a large extend in the confectionary category for private label. Also in ambient food, a lower percentage of private label sales was sold in promotion compared to a year ago. In general, a lack of promotions would be expected to cause a large decrease in unit sales but instead a small unit decrease is noted. As a result retailers decreased promotions for their own labels. The category with the lowest share in private label is personal care. In this category, national brands still take an important position due to better quality perception.

Private label's value share by category in the Netherlands

Private label value share (in %) in the Netherlands and evolution, in point, versus a year ago.



Sources: IRI InfoScan (supermarkets excl. Aldi, Lidl and Detailresult)

Large decreases in private label share are seen for the alcoholic, non-alcoholic drinks, ambient food and household categories. These categories face more competition amongst national brands, as the availability of these products outside supermarkets grows rapidly and new retail channels are created, like online orders and new dump stores.

The Netherlands

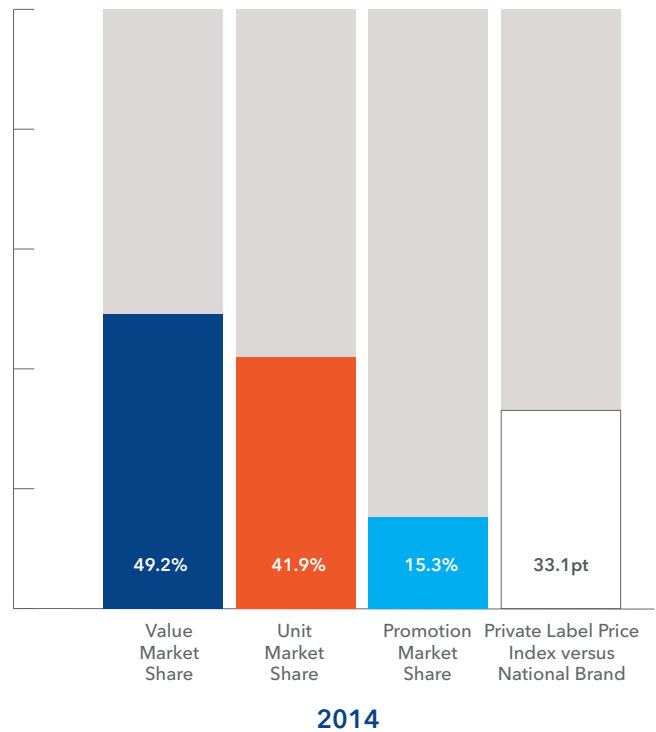


In almost 50% of categories, private label value share is increasing. For unit share, this percentage is lower, underscoring the fact that private label is able to add sales value with higher priced items.

Private label's share of promoted volume sales increased slightly during the last year, following a multi-year trend. However, evidence has shown that increased promotion pressure is no longer enhancing volume sales. As a result, plans for ongoing promotional programs are evolving.

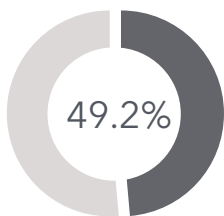
Proportion of categories where private label is progressing in the Netherlands

Total FMCG, market share (value and unit), promotion market share in % and price competitiveness, in point, in the Netherlands.



Sources: IRI InfoScan (supermarkets excl. Aldi, Lidl and Detailresult)

In almost 50% of categories, private label value share is increasing.



The United States



In the United States, consumers have settled into a new normal, where they are buying the mix of national and private label brands that provide the best value for their own unique needs. So, while pockets

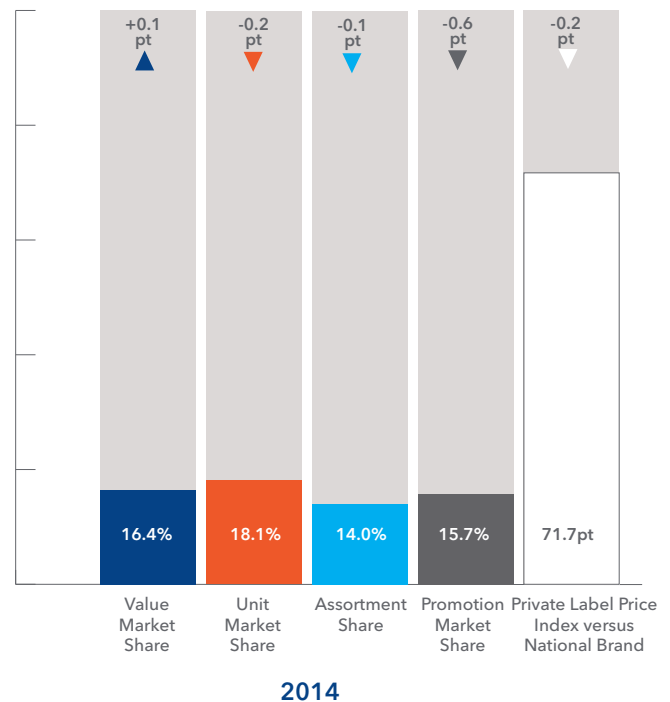
of private label and national brand growth exist, those pockets are defined by unique needs and wants at a very intimate level. To succeed in this environment, national and private brand marketers must invest to understand these micro-level opportunities and tailor their marketing story accordingly.

Private label value sales growth outpaced FMCG industry average for the year, but growth was driven largely by price increases. Private label unit and volume sales trends are negative. U.S. consumers spent \$120 billion on private label packaged goods during the past year, marking a year-over-year increase of 2.1%. Private label unit sales slipped during the same time period, while total FMCG unit sales remained flat.

Conservative purchase patterns continue despite improved consumer sentiment. Consumers are doing a lot of preplanning, limiting purchases to cover specific needs, making adjustments all along the shopping journey in an effort to keep budgets in check. Consumers are demonstrating an ongoing willingness to make trade-offs to save money.

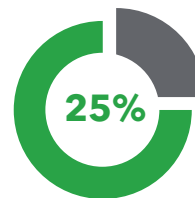
Private label's evolution for total FMCG and explanatory factors, in the United States

Private label explanatory factors in % and index of total FMCG market and evolution versus a year ago, in point, in the United States.

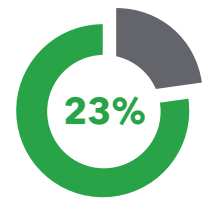


Sources: IRI Infoscan (multi outlet w/ c-store). Price index based on volume prices

According to IRI's MarketPulse survey:



consumers are buying brands that are on sale over their preferred brands



are making product selections based on loyalty card discounts.

The United States



On average, 27% of nationally branded product volume was sold on deal during the past year. This figure has fluctuated only slightly during the past few years.

Private label deal activity, too, has been fairly steady, with 24% of volume sold on deal during the past 12 months. But, deal activity continues to play an important role in driving interest and engagement. Today, 46% of consumers are stocking up on items when they are on sale, and 45% are making additional or unplanned purchases upon seeing products/deals in the store. (Source: IRI MarketPulse Survey)

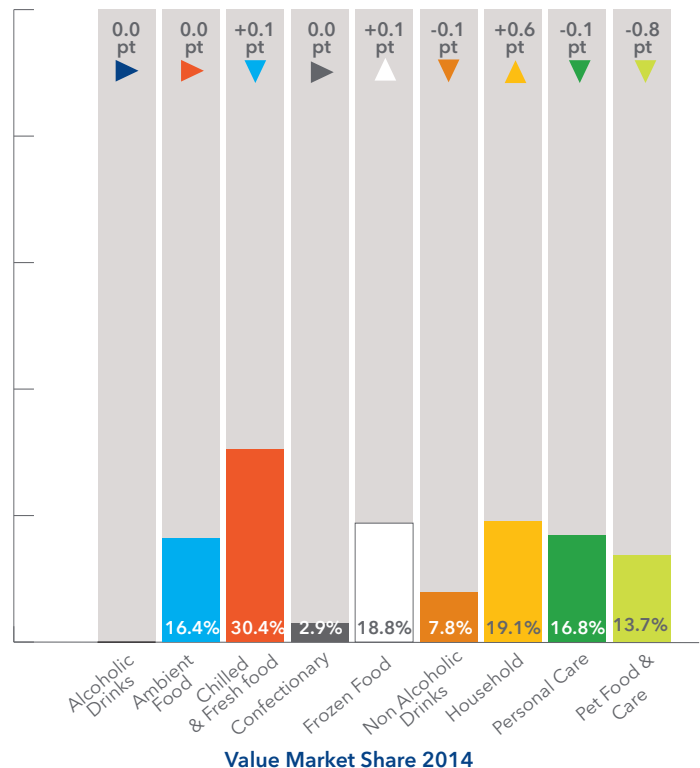
Across many CPG categories, average savings offered by private label solutions has declined during the past several years. This is due to a number of factors, including the increased prevalence of premium-tiered private label offerings and the fact that, in many instances, private label prices are rising more quickly than that of national brand solutions. Cost of goods sold has also increased during the past several years, and private label marketers are passing these costs along to consumers, recognising that, despite these price hikes, their products are often still priced lower than national brand alternatives.

Across many segments, private label share remained flat during the past year. Private label share of household department sales rose 0.6pt, driven by sizable share increases in the mass/super and club channels. Additionally, private label performed well across a number

of sizable home care categories, including food & trash bags, cups & plates and toilet tissue. Private label lost 0.8 share point in the pet food sector, largely due to strong innovation by name brand marketers that helped pet owners keep their pets healthy and happy. In 2013, top pet food launches earned an average year-one \$25 million across the multi-outlet geography*. Key pet launches found great success bringing indulgence, wellness and targeted nutrition.*Source: IRI new Product Pacesetters.

Private label's value share by category in the United States

Private label sales share (in %) in the United States and evolution, in point, versus a year ago.



Sources: IRI InfoScan (multi outlet w/ c-store)