

THINK RETAIL THINK VERDICT



Private Labels in Retailing 2009

About Verdict Research

Authorative analysis...

Verdict's analysts and consultants work closely with retailers, suppliers, consultancies, investment banks and property companies to identify the key issues, sector and company data and strategies driving the changing retail market.

Our research identifies how retailers can enhance product, store and brand performance as well as the factors that determine future retail success. Our specialist instore auditing team continuously collects price and product data across locations, brands, fascias, ranges and retail sectors.

Rigorous research methodology...

Our in-house retail expertise and rigorous research methodology ensure our reports provide complete and accurate analysis of the major players, issues and trends together with a detailed examination of the strategic implications for the retail market.

For key players in the retail industry, our reports are the first source of information on sector forecasts, retailer performance, store and product portfolio developments and trading strategy.

Global, European and UK analysis across nine core sectors...

Verdict Research reports covers nine core sectors, five year forecasts, strategic issues, key locations, How Britain Shops consumer surveys and the main European retail markets. Also available are a daily news service, weekly newsletter and tailored consultancy portfolios to suit individual business information needs.

Over 20 years of experience...

Verdict Research is the UK's leading authority on retailing and publishes unrivalled independent analysis of the retail industry. With over 20 years' experience, Verdict has close relationships with major UK retailers and access, at the highest level, to key executives working in the top 300 retailers to hear their first hand views. Verdict reports provide clients with a complete picture of the retail sector and unique forecasts to help UK retailers, manufacturers, service suppliers, city analysts, consultants and the media with strategic planning.

A key source for independent analysis and comment...

Verdict Research is regarded as a key source by the BBC, ITV, Sky News and the UK's leading broadsheets including the FT, Times, The Independent and Daily Telegraph. Leading trade publications often refer to Verdict's opinion and research including Retail Week, Drapers, DIY Week, Cabinet Maker and The Grocer.

In addition Verdict regularly appears in the international media. News sources quoting Verdict analysts and data include CNN, the International Herald Tribune, The Australian, Los Angeles Times, and New York Times.



"Verdict are the company of choice for any research analysis and insight into retailing"

Sir Stuart Rose
Executive Chairman
Marks & Spencer

Private Labels in Retailing 2009

For retailers now is the time to introduce new lines, as customers are willing to shop around and give new ranges a try...

In the wake of the global financial crisis and subsequent recession there has been a resurgence of private label. With price being the overriding factor driving most consumers' purchasing decisions, retailers are focusing on value. Private label has been at the forefront of this strategy.

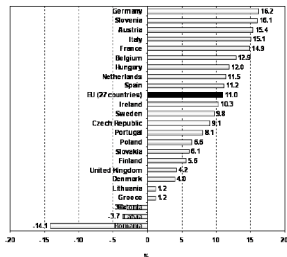
Private Labels in Retailing 2009 is a new report published by Verdict Research that provides a useful insight into the latest private label developments of retailers across different sectors including food & grocery, electricals and DIY. This report has a number of case studies spanning across different countries and retail sectors.

Detailed Analysis of Retailers' Private Label Strategies

Bauhaus	Eroski	Sainsbury
Carrefour	Kingfisher	Tesco
Casino	Mercadona	Target
Delhaize	Metro Group	Wal-Mart
Denner	Migros	Waitrose

Identify and examine the key strategies for Global Retailers to develop and further optimise your private label offer with this new report...

Gross household saving % of gross household disposable income (latest data) 2007



Source: Private Labels in Retailing 2009

"At a time of rising unemployment and rock bottom consumer confidence we expect the savings rate to rise significantly across the EU.

Broadly speaking, in consumers' mindsets frugality will replace thrift. For retailers this means hard work ahead, as prices will need to reflect the value of a product to the consumer and then, if possible, additional benefits..."

- **Benchmark your competitive strategies using the company analysis contained in this report** for key operators including Bauhaus, Carrefour, Casino, Delhaize, Denner, Eroski, Kingfisher, Mercadona, Metro Group, Migros, Sainsbury, Tesco, Target, Wal-Mart and Waitrose.
- **Examine retailer's strategies and responses to the current environment by assessing key macroeconomic data** including inflation, interest rates and unemployment between 2002-2008.
- **Assess the growth potential and the challenges facing the world's key retailers** using this report's in-depth analysis of market drivers, key issues and market outlook.
- **Understand the key issues in the global private label market** using Verdict's analysis of geographical regions, major operators' performance, strategic developments and expansion plans.

Private Labels in Retailing 2009

This report answers key questions including...

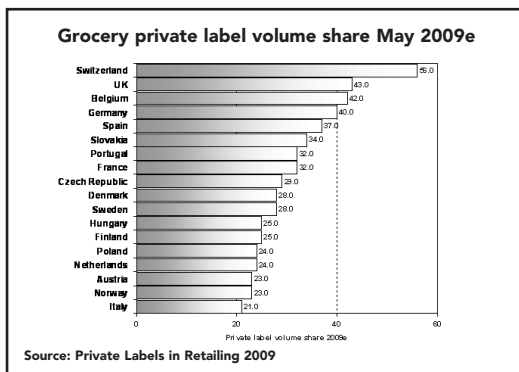
- Are retailers' discount brands here for the long haul or just a trend during the recession?
- What are the future opportunities for retailers' private label propositions?
- Which countries have the highest levels of private label penetration?
- What are the development opportunities for private label in non-food?

Key Market Data

Key macroeconomic data including: inflation, interest rates & unemployment 2002-08

EU Private label volume/ value share, May 2009

Key issues examined in this report...



“As the economy has taken a turn for the worse the share private label takes of overall shelf space has increased across the EU. While discounters such as Aldi and Lidl have a disproportionately high influence on private label sales, countries with the highest proportion of private label sales are actually Switzerland and the UK despite discounters accounting for a relatively small share of overall retailing...”

- **Major grocery players are extending their private label proposition as a response to the discounter threat and greater uptake of own brand products.** At this challenging time private label offers an array of benefits for retailers including better margins and increased brand loyalty. However the lower cost reduces retailers' top-line sales.
- **In the home related sectors there is a significant opportunity for private label development of eco-friendly and energy efficient products.** These products will help retailers to differentiate their offer and appeal to changing consumer attitudes for more environmentally sustainable products, while at the same time producing higher margins.
- **Some retailers have launched discounter fighter ranges to fend off the threat of discounters by appealing to increasingly price-sensitive consumers in the recession.** These discounter ranges are not going to stop the relentless march of the discounters but they can check their growth to a certain extent – however only at the price of severely stunted sales growth as Tesco has found out.

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Catching up

- Traditionally the US has trailed Europe and the rest of the world in private label penetration. While US retailers such as Wal-Mart, Kroger and Safeway all have established private labels, these products only account for at most a quarter of total grocery sales compared with over 50.0% for some UK grocers.
- With the onset of recession and the financial situation deteriorating for many consumers, private label and store own brands are becoming more prevalent in the US. As consumers trade down to cheaper goods, many retailers have witnessed a sales uplift of their private label. Others have responded by enhancing their private label offer. The convenience chain 7-Eleven plans to add 100 products to its 7-Select line. Kroger, the largest supermarket chain in the US, reported that private label sales accounted for 27.0% of its revenue in the first quarter of 2009, an upward trend that we expect to continue.



US retailers have revamped existing private label offers

- One strategy that several US retailers have implemented to boost sales of private label is to revitalize existing ranges. This involves boosting the number of products available in the line or redesigning the packaging. Some retailers are redesigning private label lines to look less like store brands and become distinguished ranges in their own right to rival established national brands.

Wal-Mart upgrades its private label brand

- In March 2009 the world's largest retailer, Wal-Mart, relaunched its Great Value private label brand with more than 80 new products and a new distinctive packaging. Wal-Mart's private label range consists of more than 5,250 items across more than 100 categories making it the largest American grocery brand by value of sales and by volume.
- Though Wal-Mart's Great Value range is the largest private label by sales and volume in the US, the line accounts for only around 16.0% of Wal-Mart's total grocery sales compared with private label accounting for about 25.0% at rival chains such as Safeway and Kroger.
- The revamp of the Great Value brand marks the first time that Wal-Mart has actively promoted its private label. Advertising of the range combined with consumer trends of trading down from branded goods to cheaper store own brands could see Wal-Mart's private label sales rise to around 40.0% of its total grocery sales in the next few years.

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