

CANADA'S PRIVATE BRAND BOOM

Store brands gained 5 percent in retail dollar sales in Canada in 2016, more than twice the growth of national brands

By Carolyn Schierhorn



In Canada's \$86 billion (in U.S. dollars) retail food and beverage industry, private brands are trending upward in both dollar sales and retail value share after a period of flat growth, while certain U.S.-based multinational brands such as Hormel Foods' Skippy Peanut Butter have abandoned the Canadian market. Canadians' preference for local and fresh rather than processed food is contributing to these trends.

Total retail sales of private brand fast-moving consumer goods (FMCGs) in the Canadian grocery sector increased 5 percent in the 52 weeks ending Jan. 7, according to New York-based market researcher Nielsen, while national brands grew just 2 percent in sales. In retail value share, private brand FMCGs rose from 18.0 percent to 18.4 percent between 2015 and 2016 in Canada, while declining from 17.7 percent to 17.5 percent in the United States.

The relative robustness of store brands in Canada is not surprising given the country's history of having powerhouse

own-brand products such as Brampton, Ontario-based Loblaw Cos.' President's Choice brand, which launched in 1984 and is distributed beyond the retailer's 24 banners. The largest Canadian grocery retailer with estimated 2016 food sales of \$22 billion (in U.S. dollars), Loblaw Cos. has been a pioneer in the concept of tiered private brands. In addition to President's Choice, Loblaw banners still carry the value No Name brand, which debuted in 1978. In addition, the company introduced its super-premium gourmet Black Label brand in 2011, before top-quality grocery private brands became commonplace in North America.

Cross-cultural influences also contribute to Canada's strength in private brands. Because of the country's close ties to Europe, known for its food activism as well as its highly regarded national cuisines, Canadian consumers embraced the organic, clean label, free-from, sustainability, hyperlocal and fair trade movements before they gained traction in the United States. These and other trends — such as consumers'

Quebec produces 70 percent of the world's maple syrup, so it is fitting that Metro has a category-crossing line of maple-flavored products.



CANADIAN MARKET INSIGHTS

Metro is partnering with a local organic chicken farm on this co-branded private label line.



consumers' insistence on convenience and their propensity to balance healthful restraint with periodic high-calorie indulgence — have ignited much innovation in Canadian store brands, notes Marie-France Gibson, the vice president of private label for Montreal-based Metro Inc., Canada's third-largest grocery retailer.

"As Canada is a multicultural country with a lot of links to France and England, it is the perfect place to test new concepts. And most of the time, innovations and new trends appear here before the U.S.," adds Marie Horodecki-Aymes, the director of design and packaging for Metro, which operates 1,136 food and convenience stores in Ontario and Quebec.

With 36.3 million people, Canada is only 11.2 percent the size of the United States, which has a population of 323.1 million, yet Canada is characterized by tremendous ethnic diversity. More than 20 percent of Canada's population is foreign-born compared to 13 percent of the U.S. population. Accounting for roughly 5 percent of people residing in Canada, South Asians make up the largest visible minority group in the country, followed by ethnic Chinese. Consequently, Asian food of all types is an established component of Canadian store brands rather than a new frontier.

Canadian Chinese cuisine in particular has long been popular in the country, with even small rural towns frequently boasting a Chinese restaurant. Accordingly, Saskatoon, Saskatchewan-based Federated Co-operatives Ltd., which serves roughly 200 member retail cooperatives in Western Canada, provides an East Asian food private brand, Lucky Dragon, in addition to six other store brands.

Urban millennial and other foodies of all cultural backgrounds, however, are driving demand for authentic global cuisine in Canada, whether from Asia, the Middle East, Africa, the Caribbean or Latin America.

Responding to key trends

Metro's Gibson and Horodecki-Aymes both relish the challenges and creativity inherent in addressing ever-evolving consumer preferences and expectations with unique store brand SKUs.

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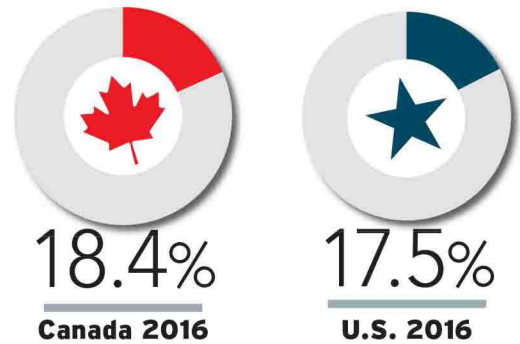
“When you look at consumers all over the world, they are looking for the same things,” Gibson observes. “They are looking for transparency, honesty and discovery.”

Metro provides transparency and adventure through its tiered private brands, which account for approximately 20 percent of retail sales. The two largest of these are Selections, the national brand equivalent with more than 2,500 SKUs, and Irresistibles, a premium brand with approximately 1,500 SKUs across several food categories.

The value-added Irresistibles brand includes several distinct product ranges such as Irresistibles Sans Gluten Free; Irresistibles Life Smart, for consumers who desire nutrient-dense products that have lower sugar, sodium or fat content; Irresistibles Naturalia, a minimally processed free-from line; and Irresistibles Artisan, which offers products “made from the finest ingredients and prepared according to the expertise of [Metro’s] master butchers and bakers,” as the retailer’s website puts it.

Much of the fun experienced by Metro’s private brands team comes from developing new products in the Irresistibles lines to complement and expand the assortment of products that are already on Metro’s store shelves. For this brand, Metro can be more daring in sourcing and packaging design, says Horodecki-Aymes, who notes that many SKUs in the Irresistibles brand have won awards. For example, the retailer recently received three Vertex packaging design awards for its Irresistibles vegetable chips, maple syrup, and Christmas cookie and chocolate assortments, while the Irresistibles Dark Chocolate Green Yogurt Cheesecake and the Irresistibles Frozen Bacon & Cheddar Stuffed Burgers are past winners of the Private Label Manufacturers Association’s Salute to Excellence Awards.

Canada remains ahead of the U.S. in private brand’s retail value share in grocery



Source for Canada: Nielsen MarketTrack. Represents all channels excluding the Internet for 52 weeks ending Jan. 7, 2017.

Source for the United States: Nielsen ScanTrack. Represents all channels excluding the Internet for 52 weeks ending Dec. 17, 2016.

“Irresistibles is a brand that caters to customers who entertain and enjoy good pleasures,” despite also including “healthy propositions” across all categories, Gibson points out. She notes that it can be a challenge balancing the Canadian government’s new Nutrition Facts Table requirements that are being adopted over a five-year period (which resemble the U.S. Food & Drug Administration’s Nutrition Facts Label revisions) with the clear trend toward treating oneself to indulgent desserts, drinks, snacks and other dishes.

At Metro, the majority of the private brand products are sourced from Canadian suppliers. Because the Canadian dollar is weak compared to the euro and the U.S. dollar, financial considerations are a key reason Metro mostly partners with Canadian private brand vendors, Horodecki-Aymes notes. “But for



To celebrate its 70th anniversary this year, Montreal-based Metro has been rolling out a limited-edition range called Collection within its premium Irresistibles brand.

Hemisphere is a new private brand range of exclusive wines at Metro.

some categories such as cheese, certain chocolates and olive oil, other countries do have a strong reputation, so it makes sense to import products,” she explains.

In addition, the localism and organic movements are especially prominent in Canada, driven as much by consumer interest in environmental sustainability, animal welfare and local economic prosperity as they are by concern for health and wellness. Leveraging this trend, Metro has been partnering with Voltigeurs Farm on a co-branded line of organic chicken that is part of the Irresistibles Naturalia range. Voltigeurs



Farm, a well-known organic chicken farm in Drummondville, Quebec, is a name that resonates with Canadian consumers, Gibson says.

Purchasing decisions

“Taste continues to be the driving force influencing most Canadians in their selection of grocery purchases,” but price and value are also critical factors, emphasizes the U.S. Department of Agriculture’s Global Agricultural Information Network (GAIN) report “Retail Foods: The Retail Landscape of Canada,” issued in February. “In more affluent households, shoppers are willing to pay a premium on tasty foods, which has given rise to the popularity of a number of gourmet products.”

The economic recovery in Canada has been slow, however, exacerbated by the weak Canadian dollar. Unlike in the United States, Canadians have been grappling with higher food prices over the past few years.

This climate in which consumers want delicious food at affordable prices has been an enormous boon for Canadian store brands. **SB**

Schierhorn, the managing editor of Store Brands, can be reached at cschierhorn@ensembleiq.com.