

# Store Brands Showing Promise in Growth Markets Around the World

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When the world of private label is discussed, it usually focuses on Europe and North America and the permanent impact it has had in many countries there. What is often overlooked is the growth retail brands are having all around the world and in places where they might not immediately come to mind.

These are countries where private label has not reached the heights of penetration in Europe or the west but are steadily growing and building a following among consumers.



South Africa is a perfect example. The Nielsen Company studied the South African private label market for their study, "The State of Private Labels in **South Africa**" and found South African consumers now spend 10 Rand out of every 50 Rand in supermarkets and hypermarkets on store brands. This translates into total spending of RR38.4B Rand (US\$3.1B) on private labels products. Nielsen also found 63% of consumers found store brands quality to be just as good as name brands. Another 71% saw them as a 'good alternative' to named brands, according to the Nielsen report.

Private label value share in South Africa now stands at 19.6%, which is up from 18.8% in 2014, nearly 10% in only 3 years. Nielsen MD Retailer Vertical Africa-Middle East Craig Henry pointed out much of this growth is coming from higher income households as well.

"More than half of all PL spend is from wealthier households, with LSM 7-10 consumers accounting for more than half of private label spend." Henry was also quoted as saying "That said, spend from middle and lower income households is predicted as having the greatest potential for growth."

This promising outlook has not been lost on the major retailers in the country. **ShopRite Holdings**, one of the countries largest retailers, introduced over 340 new private label products under its RiteBrand label, and saw its private label share grow 1% to 14.7%. **Massmart, which is owned by Walmart**, has launched a project to have more of its private label products to be manufactured by local companies while **Pick n Pay**, which has store brand sales of 20%, has hopes to reach 30% share in the next 3-5 years.



In Israel, private label sales have been estimated at 6.5% by the research firm Storenext and TheMarker. However some retailers have not let this stop them from focusing on their private label lines. Israel's **Rami Levy** supermarket chain launched its store brand 18 months ago but according to the company it already accounts for 16% of sales and has hopes to reach 25% by 2019. Meanwhile **Super-Sol**, with 248 stores throughout the country reports its private label sales to be at 21%.

Meanwhile Israel's largest supermarket chain, **Shufersal**, has shown its confidence in the promise of store brands by taking on one of the world's most popular brands – Coca-Cola. In August the company launched Shurfesal Cola, in cans and bottles at prices 25-30% less than Coke.

In an interview with "Globes" Shufersal CEO Yitzchak Abercohen explained "We're talking here about one of the most important products in the market, and one of the strongest in the world. I very much hope that we get over 10% at Shufersal, and when we get there, we'll be very happy."

Presently the company has over 1,600 private label products and accounts for a fifth of its sales, according to the company.



Elsewhere in the Middle East, another Nielsen report discovered consumers in the **Kingdom of Saudi Arabia** are also

warming to the idea of buying store brands. While private label penetration is estimated to only be about 1%, 68% percent of consumers surveyed has seen an improvement in the quality of private label products in the past few years. Another 63% felt private label products offered good value for the money.

Nielsen is not alone in seeing the potential for store brand growth in the Kingdom. The investment firm Frost & Sullivan studied the market and David Anil Kumar, who is a consultant at Frost & Sullivan, was quoted as saying "With all major supermarkets and hypermarkets in expansion mode, the private label segment is poised to experience significant growth over the next four years. An increase from 5 per



cent to 10 to 15 per cent is expected by 2020." Kumar also said "Major hypermarkets such as **Danube** and **Carrefour** are starting to promote their own private label-branded products that carry a perception of quality, while still being affordable."

One of the retailers in Saudi Arabia but based in the United Arab Emirates, is **Lulu Hypermarkets**. Their 140 stores can be found throughout the Middle East, including in the UAE, Kuwait, Qatar, and Oman, among others. At the SIAL ME 2018 conference, the Chairman of the LuLu Group, Yusuff Ali

M.A., announced LuLu plans to double the number of private label products it offers in its stores as well as to unveil its rebranded private label products.

"We have been constantly innovating and upgrading the quality and offerings of our LuLu products and we are delighted to note the tremendous boost we have been receiving from the market." Yusuff Ali M.A. said at the conference.

"Initially our plan was to sell few products in select categories, but with each passing year we have been adding new categories and product range" he added.

LuLu now has over 2,000 store brand products which cover both food as well

as home and health care products. **Brazil** has also shown slow but steady growth. In 2016, store brands grew by 15.6% to €1.2B and is expected to reach €1.4 billion when numbers are finalized for 2017. Brazilian retailers like **Grupo Pao de Acucar**, the second largest retailer in the country, have seen sales of its Qualita brand grow by 5% during the first half of 2017. The company has 8 store brand lines and more than 3,000 products.

A Nielsen study found 48% of private label sales were from new customers and over 2,000 new products were launched in Brazil in 2016.



## STORE BRANDS BEGIN TO GROW/

Asia has been a tough market for store brands. While retailers like Japan's **Aeon** and **Muji** have made great strides in promoting and expanding their private label products they are not alone. Other retailers and countries in Asia are making gains in private label and acceptance among consumers.



**South Korea** is an example. Sales of store brands, or PB, have reached over US\$8 billion in sales, growing over 35% since 2008 according to data from the Korea Development Institute. While PB sales at discount stores are strong, overall retail private label sales stand at only 3% of total sales.

Retailers like **Lotte Mart** have seen the potential in PB as it makes up almost 25% of their total sales. Shinsegae's E-mart increased their PB penetration with expanding their lines No Brand and Peacock in 2017.

In China, while store brand sales only account for 3-4% of sales, international retailers like Sainsbury's, Aldi and

Waitrose have begun to sell their own label brands on **Alibaba** while E-mart has partnered with **Metro China** to sell its PB brands on Metro's shelves.



**Vietnam's** private label sales are estimated to be about 1% but the influx of foreign retailers with strong store brands like **7-Eleven**, **Lotte** and **Metro** will bring more private label products on the shelves for Vietnamese consumers. Aeon Vietnam has also made their brands a major part of their online store, AeonEshop.com, in Vietnam.

Kantar Worldpanel studied the private label market in Vietnam and found 38% of Vietnamese consumers chose to buy store brands because of their confidence in the retailers who sold them. Kantar also believes the store brand market will grow as the penetration of modern distribution channels grows from its present 13%.

If there is one country flying under the radar which shows the promise of store brands it is India. Overall private label sales are estimated to be about 6% but

retailers like **Flipkart** have consistently expanding their private label lines.

In 2017 the company started its e-commerce "Made-for-India" brand Billion, which includes cookware, clothing, and electrical appliances among others. Overall Flipkart has 10% of its sales from store brands but is aiming to have rise to 15% in the next year and 20-22% of sales in the next 5 years.

"Private label is very important for us," Kalyan Krishnamurthy, the Chief Executives of Flipkart was quoted in The Economic Times of India. "If I look at all the initiatives we are doing in the company and pick, say, the top five, especially building for the longer term, private label will be there," he was quoted as saying. Adarsh Menon, who is the Head of Private Labels at Flipkart spoke to Hindu Business Line about the history of their store brands. "When we first decided to foray into private labels in mid-2016, a 'Tiger Team,' for private labels was created internally to research 50-odd retailers around the world, including Europe, the US, China and India, to envisage what the private label landscape would look like for Flipkart over the next few years. Research revealed that private labels can contribute 10-20 per cent of the company's business." said

Meanwhile **Walmart India** has followed Flipkart's lead by announcing their intentions to expand two of its store brands, Member's Mark and Right Buy, in India. Walmart operates 21 cash and carry stores in India with plans for 50 more in the coming years. The company is releasing new store brand products in its 21 Best Price stores. The goal is to reach middle class consumers and to work with local suppliers to expand the capabilities for their store brand products.

There is an old saying of from small acorns large oaks will grow. While the numbers in these countries around the world are dwarfed by larger economies, as consumers see and accept store brands how long will it be until their sales numbers rival those of established store brand markets?

