Private Label on food market.

Comparing Spain and Europe.

How will be the next 10 years?

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TREBALL FI DE MÀSTER

Private Label on food market. Comparing Spain and Europe. How will be the next 10 years?

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INDEX

INDEX FIGURES, IMAGES AND TABLES

1. ABSTRACT

The **increasing of PL`s market share** is reinforced with the current trend of retailing concentration, the global economic recession and even with the changing consumer habits. These brands to manufacturer brands **based on lower prices and less quality**.

Nowadays, there are a huge **range of products** in the big supermarket chains and other types of retailing shorts. Consumers can find different types: **Manufacturer brands, distributor own brands or private labels.** All of them have remarkable differences, from quality, prices, marketing, strategy, shelf location, promotion, advertising and distribution. There are two main strategies use for retailers: Hard-discount where quality is more important than quantity and the rest in which more products in the lines is better.

At European market consumers are more accepting PL`s product. **Switzerland, UK and Spain have the highest private label share**. For these reason, we found interesting to compare both FMCG markets and obtain results that will help manufacturers to face with private labels producers.

In Spain, grocery retailers continue to be led by Mercadona. New stores with differentiated concepts are evolving, attracting new buyers. **Innovation and continuous working is the key.** National Brands should develop attributes that positively influence consumer, buying behavior and are difficult for retailer to replicate (safety, social causes, innovation and sustainability). National Brands should **use the new 5 P`s:** purpose, penetration, prominence, participation and portfolio.

Manufacturers and retailers are looking for new paths for growth in European and Spanish markets. Impulse R&D programs to innovate at their products; on-line sales, grocery E-commerce, changing formats and introducing technology access or the information consumers data to obtain individual marketing, new food sources and brand collaborations.

2. INTRODUCTION

2.1. Motivations for the study

Why studying which actions and strategies are the best to compete against private labels, comparing Spanish versus European market?

Private labels have become a real and important problem for the manufacturer companies. The increase has produced a change in Spanish and European market. Even countries like Italy, North countries or France where private labels have not been affecting like in the rest of Europe, are becoming aware of it and are preparing different strategies to handle it.

In my case, I am focusing on Food Industry, but comparing with other markets. Firstly, because my studies are closed related to food industry and my work experience has been on this market. Secondly, is one of the most affected markets for private labels. As I was interested in this subject I started looking for information in order to discover the "key points" and the different manufacturer companies' strategies. Moreover, during the research it was pleasure to meet different people who are close related to this problem and had the opportunity to have interviews and learn about it.

So, during the research period I discovered some differences between markets, and in which countries the private labels were less relevant (referring to market share) than other Food & Beverage companies. I decided to taking advantage of my knowledge and experience at this industry and trying to find strategies to compete with them.

Finally, extending the context to a European market and defining the main factors to compete, I tried to do a growth forecast at this subject. It might be useful and interesting for all the participants to guess how the market is going to move and in which direction related with private label products.

3. CONCEPTS

Before starting with the thesis it would be necessary to define some concepts that may help to clarify or understand future concepts. During the thesis the reader will find concepts using similar word, but the meaning is completely different.

In order to clarify theses possible mistakes, I will give the definition of each word to make easier the read. I chose the most popular concepts that appeared in the papers and its authors used more.

- Private Label (Private label brand): A manufacturer produces this brand for a retailer. However, the name of the retailer is not in the front-pack of the products.
- Distributor own brand (DOB): The name of the retailer is the name of the brand.
- Store brand: a brand owned by the retailer but without matter if it is being labelled with the retailer’s name.
- Generic brand: is a private label of DOB, in our case, it will be used as a synonym of store brand.
- Retail brand: same definition of store brand.
- Manufacturer’s brand: the brand is produced and owned by the manufacturer, but the names have not to be the same, such as: Knorr by UNILEVER, Gillette by P&G or Oreo by Kraft. We can also find, that Manufacturer Bran the same, such as DANONE basic yoghurt by DANONE or Nestlé Chocolate by NESTLÉ.
- Branding Brand: same definition than Manufacturer’s brand.
- Name brand: same definition than Manufacturer’s Brand.
- National Brand: is a manufacturer brand, which is only sold in one country. Nevertheless, today this is very difficult; as a consequence some authors use it as a synonym of Branding brand or Name brand.
- Fast Moving Consumer Goods (FMCG): refer to items that are purchased and consumed frequently by consumers. These are non-durable items, which have relatively low prices. The main product categories that fall under FMCG include personal and household care and food and beverage.

- Brand equity: is the value premium that a company realizes from a product with a recognizable name as compared to its generic equivalent.
- Store image: personality of the retail store or an individual's emotion and cognition formed by perceptions or memory inputs toward a specific store in terms of functional quality and psychological attributes.
- EPOS (Electronic Point-of-sale Systems): It allows payments by bank or credit cards, verifies transactions, provides sales reports, coordinates inventory data, and performs several other services normally provided by employees.
- SKU (Stock Keeping Units): Warehousing item that is unique because of some characteristic (such as brand, size, color and model) and must be stored and accounted for separate from other items.
- USP (Unique Selling Proposition): is a term used by advanced marketing professionals that basically states every advertising campaign must explain what`s unique about particular company, product, or service.

4. PRIVATE LABEL

4.1. What is a private label?

In order to understand the main point of this thesis is fundamental to define and know the definition of private label, which is the origin, the main features and principal strategies.

Store brands, also called private brands, private labels, own brands, retailer brands, wholesale brands and distributor's brands have drawn academic and managerial attention, in parallel with their growing market share. Following the definition of store brand or retail brand given, it can be defined as the brand which identifies the goods and services of a retailer and differentiates them from the competitors. In recent years, more retailers carry store brands which have continued to increase their importance, particularly in Europe (Liljander, Polsa & Riel, 2009). Their increasing market share is reinforced with the current trend of retailing concentration, the global economic recession and even with the changing consumer habits (Erdem, Zhao & Valenzuela, 2004). These brands benefit consumers by providing them a competitive alternative to manufacturer brands based on lower prices, due to their lower manufacturing and overhead costs, their less expensive packaging and the lack of advertising (Cunningham, Hardy & Imperia, 1982; Dick, Jain & Richardson, 1995).

4.1.1. Origin

The generic private labels started in the U.S and Europe as cheap, inferior products whit lower quality. Historically, they did not carry the name of the store, but the name of the product, such as 'milk' or 'butter', in plain black script on a white plain background. These cheap, shoddy products, did offer lower income and price sensitive customers a purchase option, and as result enabled the retailer to expand its customer base (Sedliaková I, Holienčinová M, Nagyová Ľ by Slovak Consumers)
The history of private labels can be dated up to the 19th century, when there has occurred the first private brand − the brand of The Great Atlantic and Pacific Team Company (A & P), which has marketed its own brand of baking powder in 1880. According to Lupton et al. (2010), private label brands have established their market in the United Stated and Europe in the past few decades. Consumers tended to

perceive private label brands as a substitute or option to the national brands because of their white − black packs, location somewhere on the bottom shelves and low price. However, over the time, there have been several significant changes, which have made private labels acceptable alternatives for the purchase (Kumar & Steenkamp, 2007).

The beginning is not clear because there are different origins. In some cases it is thought that the first was in France in the 70th years when the shop called “Continente” started to sell generic brands using white packaging and cheaper prices, but other believe that the beginning was in 1869th when Sainsbury started to sell its own brand in Great Britain.

In general, the history of private labels is divided into different periods:

1. The period of price competition in the 70th years.

   In this period, there was an increase of competition; emergence of commodity products with pricing fighters, which’s aim, was the increase of sales and market shares and increase of customers’ price sensibility. Beginning in U.S. with generic products without brand and only with the name product labelled. At the same time, where located in Great Britain and France with “Marks & Spencer” and “Forza” products and later in Spain with Simago products, using simply and white packaging.

   At the middle of seventies, Carrefour started to introduce Distributor Own Brand (DOB) when offered more than fifty products without manufactures brand. This was the new market strategy.

2. The period of competitive differentiation in 80th years.

   It was associated with the era of own and exclusive brands, as well as with the era of imitation of branded products in view, quality and packaging. Arising in Spain with “Día”, firstly, it was a French affiliated company called Promodes. The shop were well-located at the cities center, offering few products but with high quality and perfectly positioning in several establishments.

   At the same time in Belgium started selling different quality DOB`s products in the same establishments. As a result, the best quality products sold in the begging of the month and the rest in the last days.

3. The period of overall corporate image-building in the 90th years.

   When to the fore front are becoming own brands or own labels and when to the competitive market of private labels entered also the British market and has been misled special type of organic product lines, various health-promoting products (health foods) and others; like Carrefour which started to offer ecologic products called "Carrefour Eco" with high demand.

   In Spain, Día strategy was a success and the German hard discount started to establish with the new LIDL supermarket, opening more than 100 shops.

   These types of hard discounts fix lower prices, few products, hard cost control and low margins, more simply and less quality products. These products are manufactured for German DOBs, like Milbona. Although, these supermarkets also offer manufacture brand products, their quality are not the same.

   Moreover, the Corte Inglés case was a forecasting. This company used its well-known image for increasing the position of its own brand products, overtaking the manufacturer leaders. The best example is the whole milk, which are together at the fore front and the packaging is marked with "manufacturing specially for El Corte Inglés by Central Lechera Asturiana" following by Carrefour selling wide assortment of own products manufactured in special allocations, becoming in premium products which are sold with high prices than the manufactures brand products. (Alonso V, Teresa M., 2012)

4. The period of expansion.

   DOBs have always been related directly with retailers' development and expansion around the world. Increasing their sales, distributors produce new brands for new markets. At that moment, each distributor has numerous range of own products in different countries, so they decided to concentrated them. An example is Unilever Group which reduced from 1600 brands around the world to 400 for being competitive.

   Nowadays, there are a huge range of products in the big supermarket chains. Consumers can find different types: manufacture brands which usually are the leaders, distributor own brands or private labels. All of them have remarkable differences, from shelf location to price, promotion or advertising.

4.1.2. Features

Among other retailer benefits, private labels add diversity to the product line in a retail category (Raju et al. 1995). This product differentiation can reflect quality differences or just differences in features. Improvements in both packaging/features as well as quality have been partially responsible for private label sales growth. How to position a private label product in competition with national brands is thus an extremely important managerial question. Moreover private label distribution, price, communication and store brand equity are features that clearly affect.

Quality differentiation usually exhibits itself through the perception that private labels are of lower quality than the corresponding national brands (e.g., Ann Page canned soups – the A&P grocery chain's former private label – were widely viewed as lower quality than Campbell's canned soups). Quality differentiation is based on the notion that the characteristic on which differentiation occurs is one for which all consumers value the highest possible level (all else held constant – such as price). A superior quality national brand may lose its quality differentiation from the private label if private-label retailers are eventually able to match the national brand's technology and perception (e.g., President's Choice cookies compared to the national brand Chips Ahoy). However, the quality differentiation literature predicts that a second product – a private label in our context – in the market would find it optimal to differentiate itself by offering a lower quality product than that of the market leader.

In contrast, feature differentiation refers to the degree to which products have different forms, sizes, or packaging. Different brands in a category may exhibit little feature differentiation (e.g., McCormick and Spice Islands spices both come in jars that fit the standard kitchen spice rack, and both brands sell a broad range of commonly-used spices), or more significant feature differentiation (e.g., Progresso canned soup comes in a pop-top can while Campbell's requires a can opener; Kleenex brand facial tissues interlock, enabling a special top-of-box dispensing feature, while Puffs brand dispenses out of a larger hole spanning the top and side of the box, and can dispense multiple tissues at a time). Unlike a “quality” characteristic, a “feature” characteristic of a product is one for which “more” is not always “better,” and can include characteristics where variety is valued by the consumer (Choi SC, Coughlan AT, 2006).

Dick et al. refer to offering lower prices owing to their lower manufacturing costs, inexpensive packaging, minimal advertising and lower overhead costs as distributor own brands’ strengths. This clear orientation to price is the main motivation for their purchase. One of the advantage is that creating the own brand can obtain the clients’ loyalty. Although, there are several products at the market with similar features, which offer more variety on their products will have more customer loyalty management. A differentiation strategy and image positioning are related with a better client opinion and purchase motivation.

Previous literature emphasizes three key antecedents of store Brand Equity – the store reputation, store image and store price perception – especially in the case of store brands named like the store or retailer (Collins- Dodd & Lindley, 2003; Semeijn, Van Riel & Ambrosini, 2004; Wulf et al., 2005)

- Store reputation: the attributes related to the social and strategic behavior of the store or retailer, provided it may be linked to aspects such as the company’s commitment with society (Brown & Dacing, 1997), or to its global corporate strategy (Fombrum & Shanley, 1990) and its strategic planning (Higgins & Bannister, 1992). Therefore, store reputation variable will comprise both the social and the strategic image of the store or retailer. There is a clear linkage between store reputation and the retailer or store brands, since some images and associations that make up the store reputational image, will be transferred to store brands (Mendez, Oubi˜na & Rozano, 2003). Following Martinez-Leon and Olmedo-Cifuentes (2009), the corporate reputation has great influence in creating and increasing Brand Equity, both for the consumers and the companies. Some authors, such as Semeijn et al. (2004) note that the store or retailer reputation is a direct indicator of the perceived quality of store brands. According to Dick et al. (1995), a better store image – social and overall corporate image – leads to greater perceived quality of store brands. Moreover, the image and associations generated by the store or retailer are positive related to the awareness and familiarity of store brands (Collins-Dodd & Lindley, 2003).

- Store commercial image: has been extensively studied. Following Thompson and Chen (1998), it can be defined as the attitude derived from the evaluation of the main attributes of the store; whereas other authors, such as Huvé-Nabec (2002), define store image as a set of associations linked to the store in the memory of consumers which creates an impression or an overall image. The store commercial image is considered a multiattribute variable (Bloemer & Ruyter, 1998), and most authors have emphasized functional attributes such as service, product quality, variety, the store atmosphere or value for money (Chowdhury, Reardon & Srivastava, 1998; Erdem, Oumlil & Tuncalp, 1999; Jacoby & Mazursky, 1984; Jin & Kim, 2003).

- Store price image. The price represents the monetary expenditure that the consumers must incur in order to make a purchase (Keller, 1993). Then, price could be defined as the sum of the value that consumers have to exchange for the benefit of possessing or using a product or service (Kotler & Armstrong, 2008). The price image is related to the consumer price reference, which is the subjective price level the consumer uses to assess the prices observed in several products; that is, the price that a consumer expects that a product will have, or the price considered fair or adequate (Fuentes, Luque, Montoro & Cañadas, 2004). Other authors, like Rondan (2004) remark the main relevance of price regarding frequent purchase products. Although retailers charge lower prices for their own brands, it does not mean they are lacking of Brand Equity or do not provide good value (Ailawadi & Keller, 2004). Following Ailawadi, Pauwels and Steenkamp (2008), store brands low-price positioning derives from the consumers' perception of store brands as a convenient price option, compared with manufacturer brands. Nevertheless, store brands are not necessarily targeted only at the price-sensitive consumers and a key factor for store brands' success is their quality, when comparable to manufacturers' brands (Hoch & Banerji, 1993). Despite the fact that store brand consumers are price sensitive (Ailawadi et al., 2001; Richardson et al., 1996) the most important driver of store brands is their perceived quality. (Calvo-Porral C, Martinez-Fernández VA, Juanatey-Boga O, Lévy-Mangín JP. 2013)

4.1.3. Strategy

Many private label retailers have purposely sought to minimize feature differentiation from national brands, by making their packaging, sizes, typeface, and labeling extremely similar to their respective target brands. In a mid-1990s lawsuit against Venture Stores, Inc., Unilever alleged trademark infringement of Venture's lotion for mimicking its Vaseline Intensive Care Lotion (Harvey et al. 1998). However, the court ruled in Venture's favor, stating that the Venture store brand's label explicitly invited the consumer to compare Venture's product with its target brand. Two interesting features of this case deserve mention in our context. First, the principle upheld was the legality of minimum feature differentiation (or horizontal differentiation, in economic and legal terms); but one of the basic insights of location modeling is the optimality of maximum feature differentiation. Second, while the apparent issue is the lack of pure feature differentiation through trade dress imitation, it would seem intuitively that venture was also trying to signal a product of similar quality to its consumers. This suggests that in many real-world cases, the retailer's positioning of the private label inherently involves both feature and quality positioning messages to its consumers. The concept of differentiation of the private label from the national brand is thus not a unidimensional concept. The overall interchangeability or substitutability between them is a function of both quality and feature differences across products, and the retailer's positioning choice for its private label will naturally reflect both dimensions. (Lynda J. Oswald, 2010)

This trend of copying others packaging is a serious problem for manufacturers, who invest considerable resources in establishing their own brand image. So manufacturers formed an organization In order for retailers to overcome generic brand images, they have attached brand names to products to allow them to be differentiated from generics, and they have changed their package design strategy from simple structures to ones which are comparable to those of national brands. Premium brands can exceed national brand design in some product categories.

Price is an important factor when consumers make a purchasing decision. There is no doubt that the lower price was one of the most important factors leading to the successful performance of generic brands. Early studies described lower price as a considerable attraction for generic consumers. Consumers could find generic products priced 30% to 40% lower than national brands (Bellizzi et al., 1981), and 10% to 20% lower than private brands and indeed, sometimes as much as 65% below producers ‘brands (Strang et al., 1979). In other words, customers could save 16% to 20% by not buying national brands in financial terms (Dietrich, 1978). It is interesting that if the price gap between generics and other brands is reduced, generic products are prone to disappear from markets. As most householders perceive generics to be low-priced products, a pricing strategy based on a significantly lower price appeals to a mass market and is attractive enough to lure consumers from competing brands (Bellizzi et al., 1981). Similarly, Faria (1979) discovered, through a field survey, that 67% of consumers who bought generic brands viewed price as the main reason for buying them. It can be said that without considerable price gaps, the success of generics would be difficult, as the generic brand-prone consumer group exhibit a relatively low brand loyalty.

But how retailers can offer products with such as low prices, it is the key point. It is possible by reducing direct or indirect marketing expenditures, such as advertising, that national brand producers in contrast have to allocate to establish a product as a brand in the consumer‘s mind. Lower packaging and labelling costs, as well as lower product quality, are used to construct the lower price structure of generic products. Altering product quality, however, can considerably affect consumer experiences and quality perceptions. (Beneke Justin, 2010)

Maintaining a price gap between generic and the rest of retailer brands, to remain attractive to consumers, whilst gaining comparable product quality perception to other retailer brands, might be a complicated dilemma, because higher quality products need higher production costs. Retailers cannot avoid developing inferior product quality as a means of reducing prices. It can be said, therefore, that when establishing a generic brand strategy, retailers should consider the trade-off between prices and acceptable quality levels.

In addition, price promotions and discount on retailer brand products have been a good strategy to move away consumers from national brands. Frequent price promotions would have an adverse impact on a brand`s perceived quality and it can affect significantly the consumer decision-making process. As a consequence, the price reduction of retailer brands to encourage consumers away from competitors might not be a wise marketing activity, although such a promotion might attract consumers from other retailer brand. But, the strategy of price promotions should be taken into account to avoid profit loss, sales increase or decrease in each product category, brand image damage, the generation of new demand and so on. Consumers tend to wait for another price promotion, repeatedly. More importantly, consumers conditioned by retailers using frequent price promotions can become almost dependant, and expectant on the lower discounted price

By contrast, many consumers realized that the product quality differential between store and national brands has reduced due to the effort which retailers have made to improve quality levels more recently. There is evidence to argue that the improved store brand quality has contributed to its recent growth, encouraging consumers away from national brands (Hoch and Banerji, 1993; Steenkamp and Dekimpe, 1997; Wellman, 1997). Similarly, regarding the future, Steenkamp and Dekimpe (1997) concluded, through a case study, that quality improvement is the key to success of retailer brand development.

Whilst retailers compete with national brands, there are many types of competition like: price cutting; package imitation; allocation of golden shelves to retailer brands; and in-store merchandizing and the like.

The brand is one of the important issues that consumers use to evaluate a product or service. Brand naming is an integral part, requiring retailers to invest their resources, like time cost and/or monetary cost. It is apparent that brand name plays a crucial role in shaping consumers‘ perceptions about product quality. In addition, the brand name plays an important role in understanding store patronage decisions with price discounts and perceived brand quality.

When retailers select the brand alliance approach, the success of the retailer brand relies considerably on the degree to which each brand is positively positioned or perceived in the consumer‘s mind (Kotler and Keller, 2006). Not surprisingly, it is evident that its primary aim is to generate synergy effects for both parties. For retailers, the advantages are as follows:

- Retailers can save some financial resources in establishing brand awareness, with the help of a trading partner.
- They can maintain good working relationships with manufacturers with ease.
- They can reduce their burden of marketing activities, due to the sharing of branding-related works with suppliers or producers.

The shelf allocation and display is one of the most remarkable strategies use for retailers. The shelf space is an invisible financial investment, the effectiveness of such a policy, where retailer brands are placed in advantageous place and given more space than manufacturers‘ merchandise, should be measured in terms of sales and profit proportional to space allocated. Obviously, retailer brands are normally assigned more space in proportion to the level of their market share. One of the most useful strategies is displaying retailer brands next to the leading brands increasing their exposure to consumers, and leading consumers to compare retailer brands with national brands in terms of price.

In addition, display location and the exactly position on the shelves has become an important factor. There are some studies which confirm that who found that for a single product, a few facings on shelves at eye level were more effective than five facings on the bottom shelves (Cho, Y. S. 2010)

As a final point, the change on the way of distribution has been one of the potential advantages for private labels. The increase in store size that has occurred has seen the majority of food retailing concentrated on large superstores and supermarkets. The increase in scale of units has brought increased vehicle requirements at such stores and the need to handle larger volumes of a wider range of products. As the stores increased in size, so the complexity of the back door increased and the potential for congestion and disturbance has been enhanced. The effect on distribution has been to force consideration of vehicle scheduling and how best to manage the large volumes needed by a modern superstore.

The retailer development of own brands has clear distribution effects. Since own brands are within the control of retailers for longer than manufacturer brands, closer control can be exercised throughout the distribution channel. Food retailers have invested heavily in food technology and product development and encouraged technological change in suppliers. This is well demonstrated by the detailed involvement for example that Marks and Spencer and Tesco, for example, have with their suppliers and represents the movement from a physical distribution to a logistics orientation. Such involvement, particularly in own-brand development, provides distribution savings by better knowledge, information and co-ordination in the distribution channel. If a retailer has an own brand strategy, then manufacturer brands often have a greater battle to obtain shelf space. Individual manufacturers can gain by accurate adherence to delivery schedules and standards set by the retailers. Accurate and effective physical distribution thus becomes a competitive weapon for the manufacturers. (Findlay Anne, 2002)

However, distribution is also affected by the need to maximize selling space and avoid large distribution areas within stores. The stock therefore has to be held away from the retail location which places a premium on effective and consistent distribution. At the same time, stock holding can be expensive and wasteful and can hide proper consumer demand. The aim is to eliminate as much as is consistent with maintaining an appropriate service level (Smith, D. L. 2006).

Finally, there are two main strategies use for retailers: Hard-Discount where quality is more important than quantity and the rest in which more products in the lines is better.

In one hand, the aim of hard-discount retailers is to supply customers with basic goods of daily need at the lowest possible prices, while maintaining high-quality standards. This is achieved through four fundamental policies:

- Limited assortment of products.
- Increasing the percentage of private labels offered at low prices.
- Establishing and maintaining a high quality/price ratio, i.e., high quality at low prices.
- Efficient operations.

Offering a limited assortment of products is the most crucial pillar of the hard-discount model, as it enables retailers to provide a high volume of basic goods and helps to streamline efficient operations. It involves limiting the range of product categories and stock keeping units (SKU) within each category.

The large purchasing volumes are a result of a focus on everyday products – and the large number of stores. In 2006, orange juice and toilet paper, for example, were the most important products for Aldi and Lidl in Europe. These everyday products guarantee frequent repeat purchases and few SKUs.

Hard discounters use private-label products for two main reasons. First, they involve lower costs, allowing for lower price points. Second, they give hard discounters more leverage with their supply base, as they can exchange one supplier for another more easily: the discounter owns the label, not the manufacturer. Creating private labels allows the retailer to cut out the middleman ("disintermediation"), be more selective of suppliers and implement quality controls to its liking. Examples like Aldi, Lidl, Dia or Mercadona are using this strategy.

However, private-label products do have two key drawbacks. First, any blame or liability for quality problems is shifted from the manufacturer to the retailer itself. Second, consumers have more difficulty identifying with or recognizing a private label brand than they do national brands. This is where the quality and "value for money" aspects become crucial. Hard discounters have embraced the phrase "quality, not quantity." They put great emphasis on the good quality of their standard private-label products, while providing a limited range of products. Suppliers must pass rigorous quality controls and meet tight objectives. Hard discounters can quickly substitute or change their supplier according to the quality and service provided. This allows retailers to maintain a high level of competition or rivalry between suppliers, and maintain a competitive cost-versus-quality balance. At the other hand, supply the Supermarkets with a huge amount of products, creating the visible differentiations with manufacturers' products. Although in this case retailers are not looking to compete at quality feature with manufacturers, they are competing with low prices. The margins are not as good as positioned the private labels at the first positions, but they have to obtain manufacturers brands to supply consumers' demand.

4.2. Current Situation

Nowadays, the perceptions about private- label brands are favorable around the world, but value shares are not correspondingly distributed; they are much higher in developed regions like Europe, North America and Australia.

Private-label growth typically comes at the expense of small- and mid-sized brands, while category leaders remain relatively safe. Retail consolidation and the expansion of the discount format are key drivers for private-label growth in developed markets.

In the case of Europe the value share is 45 %, which is high comparing with other developed regions in 2013.

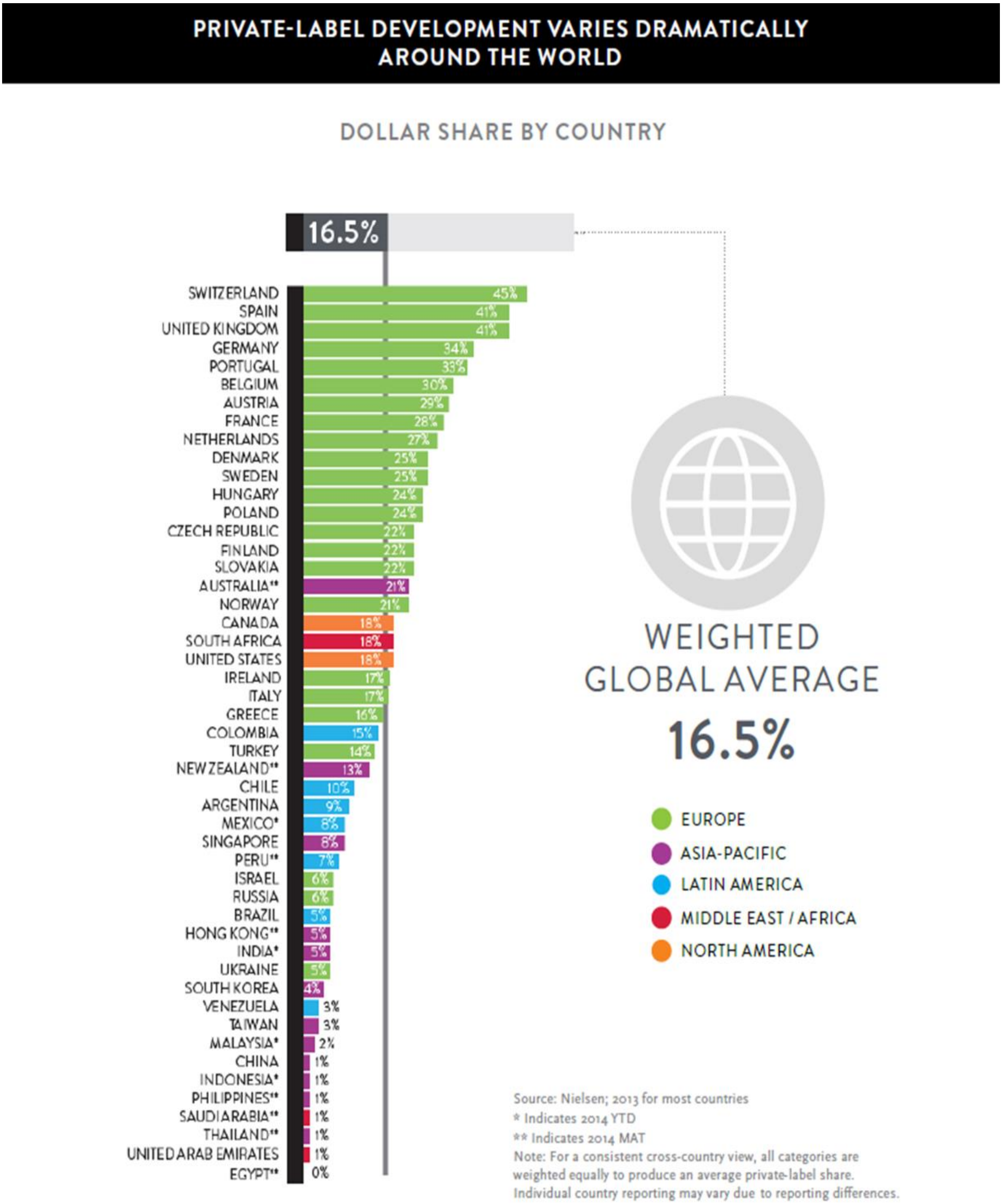

Figure1. Dollar Share by country

Source: Nielsen Global Survey of Private Label, Q1 2013

The Figure 1 Shows the important of private levels in almost European countries, where are above the weight global average 16. 5 % dollar share. Switzerland, Spain and United Kingdom are the top countries where private-labels are more developed. The culture and the situation in these countries are the main reason of this increase in the last years.

Even in the most-developed European markets, where one might expect similar purchasing habits across countries, big differences exist in private-label and name-brand performance for each category by country.

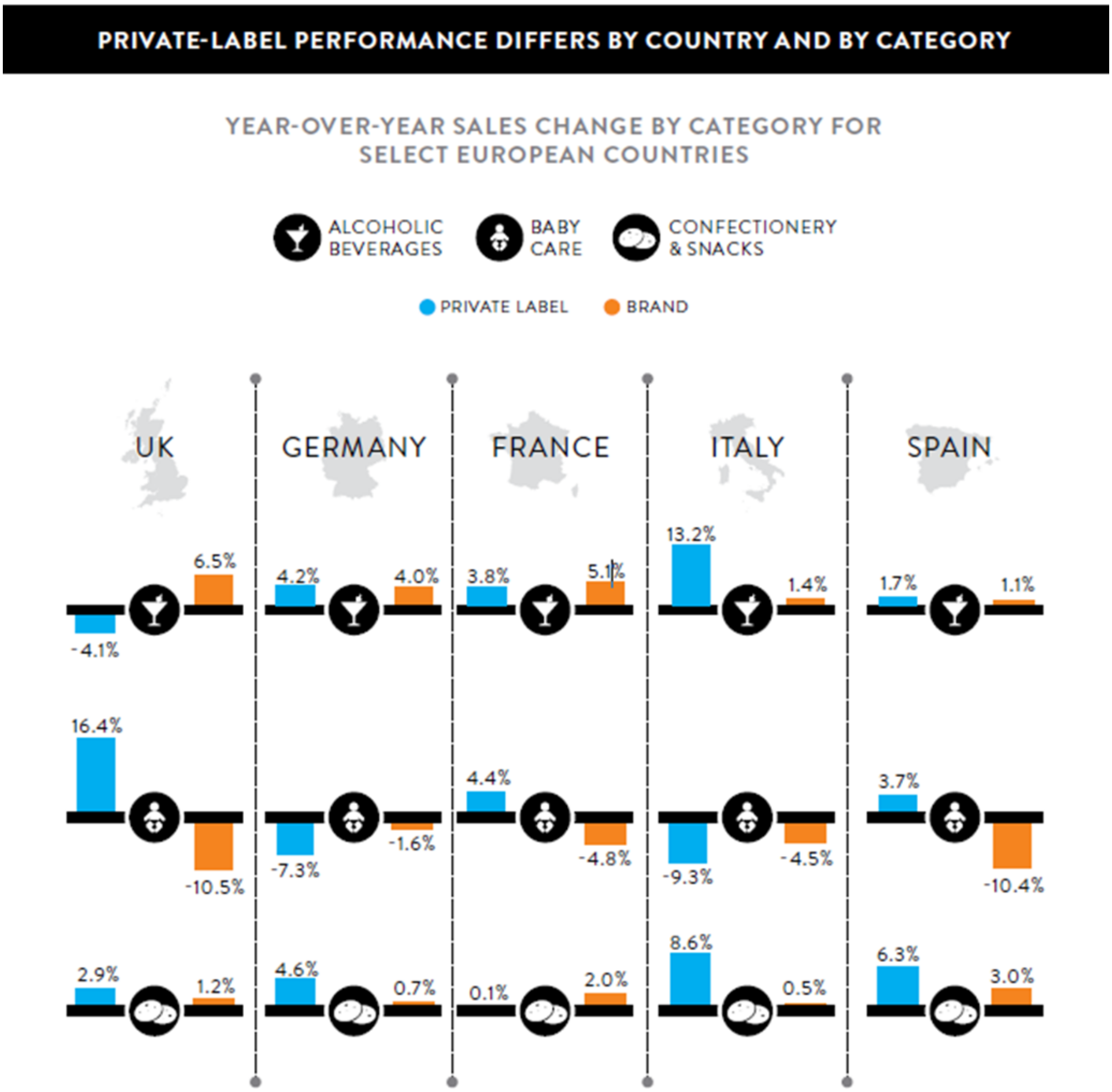

Figure 2.Private Label category situations

Source: Nielsen Global Survey of Private Label, Q1 2013

Private-label sales and shares are strongest in commodity-driven, high-purchase categories and those where consumers perceive little differentiation, such as paper products and some medications and remedies like aspirin.

At food category, milk, bread and eggs are the most affected categories. At the case of milk, private labels represent more than 40 % of total sales in developed markets like EU as Nielsen review shows. The products in which private labels are more developed are caused by three main reasons:

1. Minimal differentiation and low brand equity- There are many suppliers and it is easier for private labels to create lower cost products in this category. Moreover, the differences are so minimal.
2. High price sensitivity and high purchase frequency- Consumers are highly sensitive to price. In developed markets, milk is a low- involvement and low-risk purchase. Consumers are less brand-loyal and are looking for the best price.
3. Low innovation rate- name brands have done very little to innovate in milk category. In general, innovation is less common in commodity categories, and new products represent less than 0.5 % of same year sales.

It is also important to recognize that while private label holds very high shares in traditional commodity-driven products like milk, sales growth is slow as consumer demand saturates. Additional opportunities exist for retailers that look beyond commodity categories and move into either higher growth categories or those categories where private-label share is relatively low today.

The actual challenge that retailers have is to pursue the right selection, because a bigger selection is not the solution. For example, in the U.K, on average 40% of sales come from the category leader, 41% from private labels and 19 % from all other brands. Retailers must manage their shelf space carefully. Removing too many high-penetration, high-frequency or strong niche brands from store shelves can drive shoppers to the competition.

At European market consumers are more accepting private labels products, only the 35 % of European respondents believe retailers have too many private- labels brands. Correspondingly, more than half of respondents in developing markets also think retailers have eliminated too many name-brand products, driving them to shop in multiple stores from Nielsen 2014 review.

4.2.1. European Market

Nielsen company shows on its latest report that private label is most developed in Europe, particularly in the Western markets. Private label accounts for $1 of every $3 spent in the consumer packaged goods (CPG) market. Switzerland has the highest private-label share (in the region and around the world) at 45%, followed closely by the U.K. and Spain at 41% each. Private label is less developed in eastern and central Europe, where share varies greatly from a high of 24% in Poland to a low of 5% in Ukraine.

Seventy percent of European respondents believe private label is a good alternative to name brands and 69% believe they offer good value for the money. Europe provides a strong model for how retailers can successfully develop and grow private-label brands. The region’s successful private label retailers have invested in brand management activities like those of their manufacturer peers, building significant brand equity and recognition for their products by providing value with standard and premium offerings for consumers at all price points. Importantly, they are also innovating to address unmet consumer needs.

The winnings strategies for the increase at European market are:

- Invest in marketing activities to build private-label equity.
- Offer premium and standard price tiers.
- Innovate to meet consumer needs.

Private labels have increase or decrease at dollar share from 2009 to 2013 Nielsen database:

Table.1. *Dollar share by European Countries from 2009 to 2013*

Change from 2009	**Country**
-1	Switzerland
+10	Spain
-2 +2	United Kingdom Germany
+8	Portugal
+3	Belgium
+1	Austria
0	France
+2	Netherlands
+3	Denmark
+3	Sweden
+4	Hungary
+10	Poland
-2	Czech Republic
+3	Finland
-8	Slovakia
+1	Norway
+2	Italy
+4	Greece
+2	Turkey
+1	Russia

The private labels situation is entirely related to two main factors: Economic situation and European grocery retailing growth as Figure 3 and Figure 4 show.

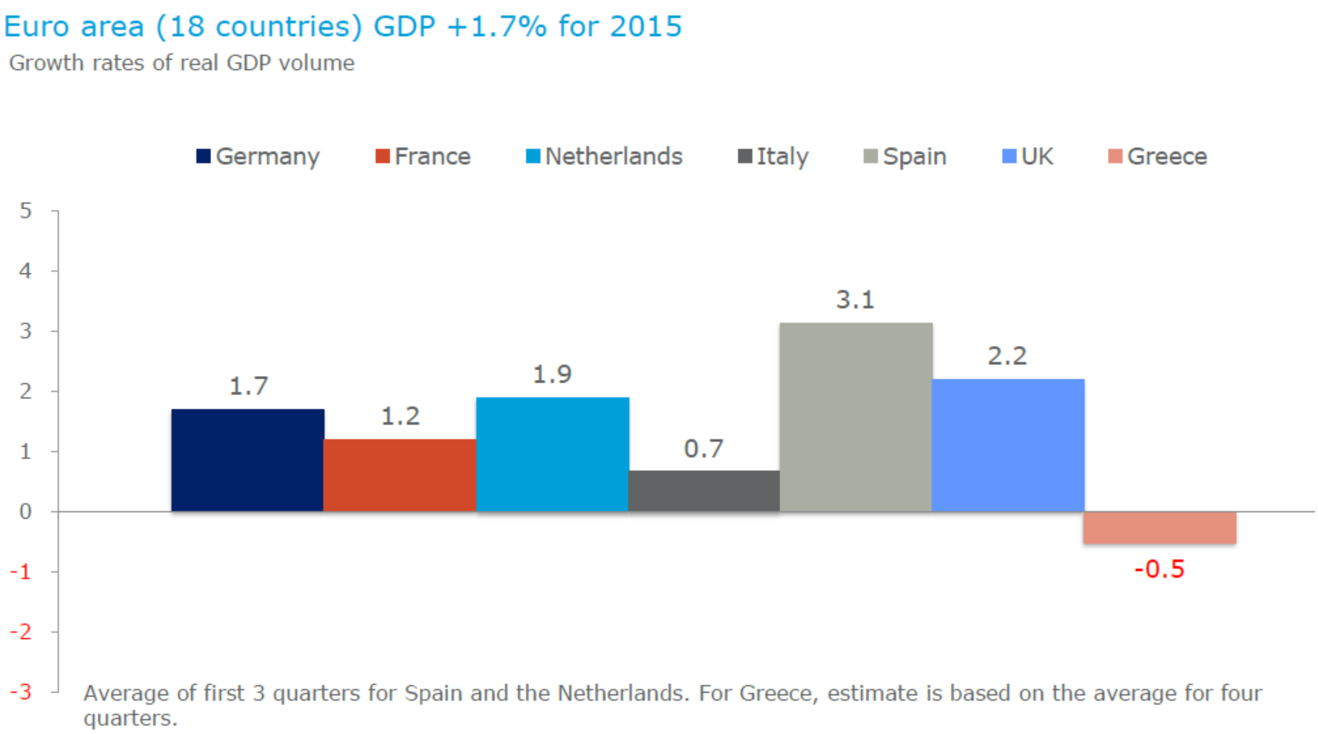

Figure. 3. GDP 2015 % change versus 2014 in Europe

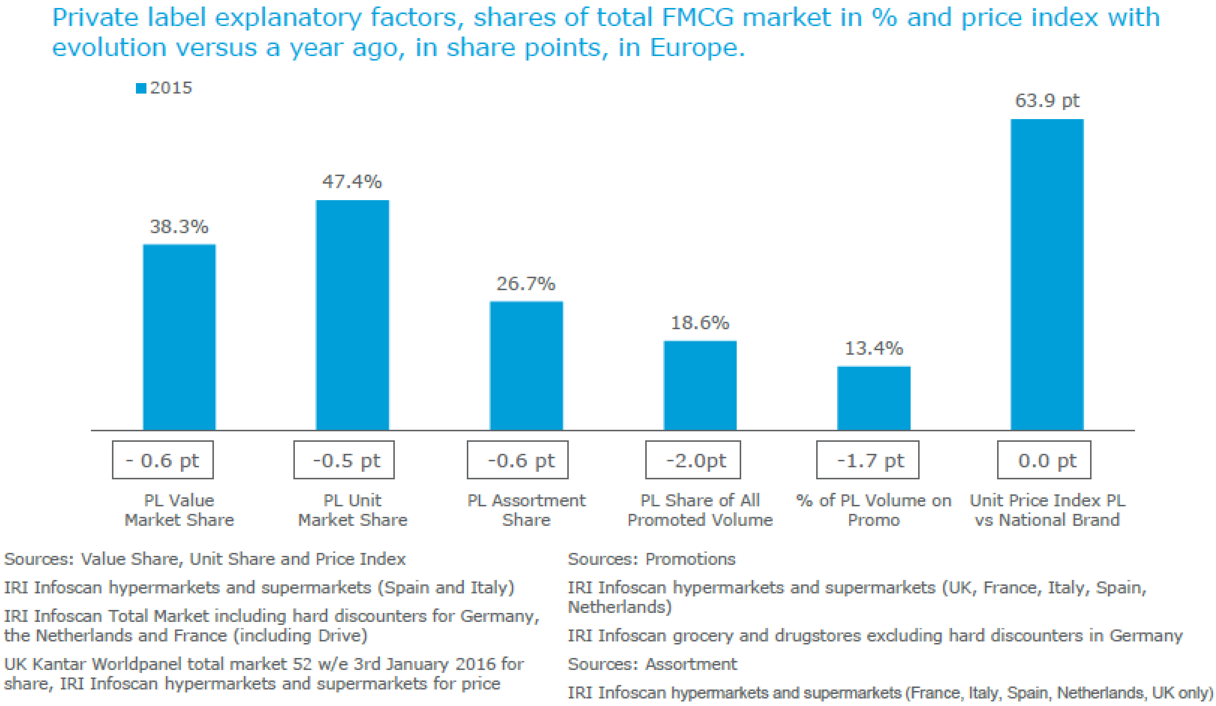

Figure 4. Private label's share for total FMCG and explanatory factors, promotion, assortment and price, in Europe (France, Germany, Italy, Netherlands, Spain, UK

IRi special report 2016 explains that in 2015 private label value market share in Europe fell by 0.6 points to 38.3% compared to the previous year as a share of the total FMCG market. Private label unit market share also dropped – by 0.5 points – to 47.4%. In particular, France has the highest private label share decrease of the eight countries that were monitored in 2015 yet it has a high private label value share at 34.1%, compared to Italy's 17.2% value share and Australia's 13.9% value share. The United Kingdom (UK) has the best result with an increase of 0.4 points that brings its value share to an impressive 51.8% in 2015. There are some facts in each country:

- For French retailers and manufacturers operating in the private label space, 2015 was a difficult year. All categories struggled from 2010 to 2015, whilst national brands grew by 12.8% in value; private label only saw a value increase of 1.5%. Private label growth needs to be encouraged across the country to compete with the promotion pressure coming from national brands.

- The outlook for private label is more positive in Italy for the premium tiers with growth in 2015 despite it being a tough year. There has been investment in premium price private label assortment (by product and by category) to provide shoppers with options to trade up. At general level in Italy private label lost share, especially in the economy offer.

- In Spain national brands were more successful in 2015 than private label. This is partly due to the consumer's mindset, as many Spanish shoppers perceive national brands to be higher quality products and will purchase branded items even if it means that they spend a bit more.

- In the UK, the value share of private label in the total market, including all grocery retailers, is up year on year by 0.4 value share points. Within the supermarket sector alone, private label is down year on year by 0.4 value share points. These points to the potential loss of supermarket private label sales to the discounters, primarily from the economy range.

- In 2015 total private label sales were stable in the Netherlands yet total private label share is now under pressure. Retailers introduced lower value private label products to halt the growth of hard discounters but this hasn't been that successful as the quality wasn't comparable to that of the hard discounters. This is an area that needs to be re-evaluated.

- In Germany private label is decreasing (-0.8 points in value share) although it remains high with a value market share and a unit market share at 38.4% and 50.9% respectively. Shoppers tend to accept higher prices for higher quality goods, form national brands and premium private label products, in an extremely price sensitive market where discount formats dominate. As a result there has been slightly more support for branded goods where assortment has grown by 5.0% compared to 3.2% growth for private label goods since 2013.

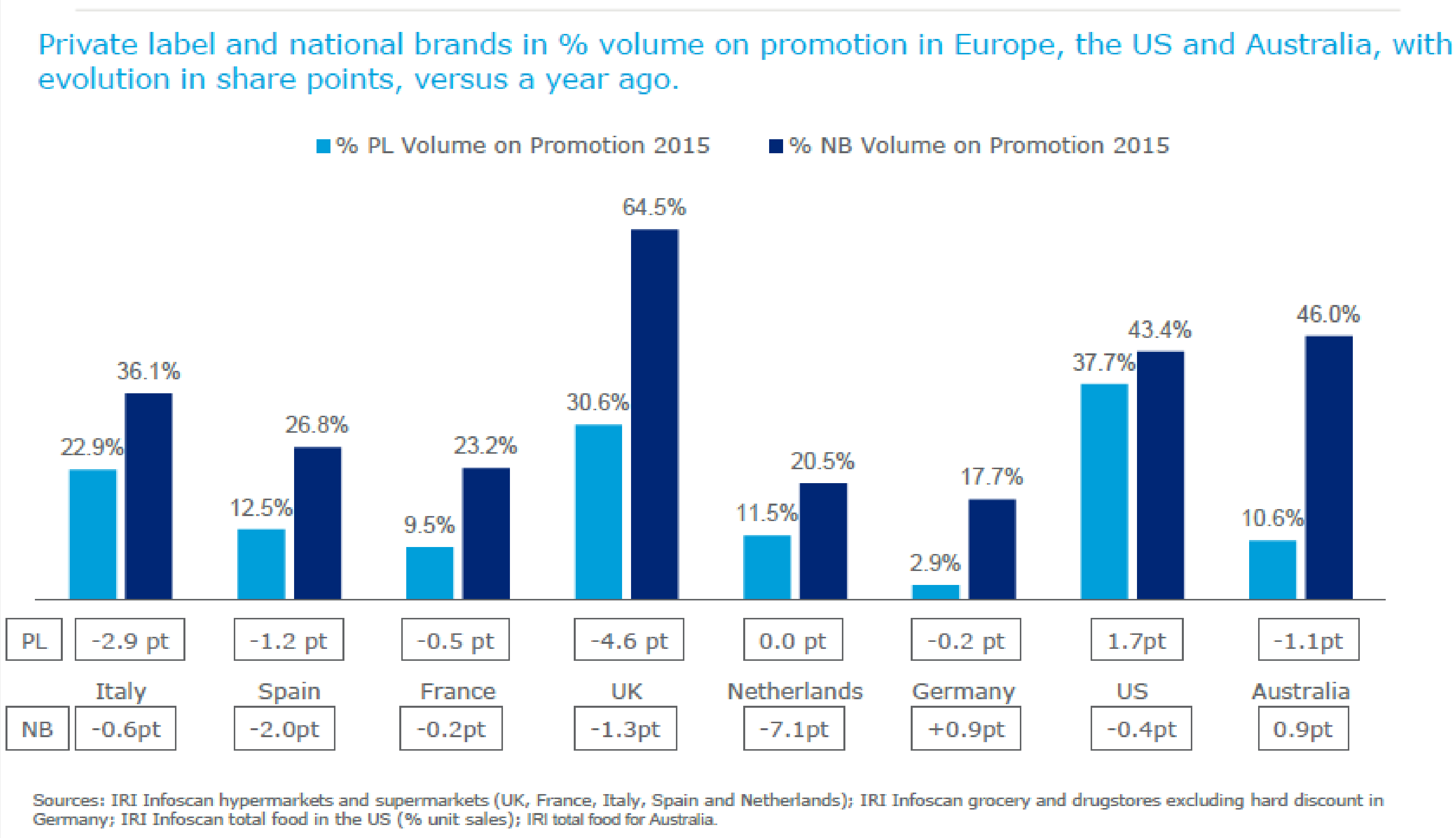

Figure 5. Private label's % volume on promotion by category in Europe (France, Germany, Italy, Netherlands, Spain, UK)

The food sector continues to be a key area for private label manufacturers across Europe. Frozen food (43%) and chilled & fresh (39%) were the category leaders in 2015 in terms of value market share. Household (31.2%) and then pet food (26.5%) were the best performing non-food categories whilst confectionery (12.1%) and personal care (13.9%) struggled to increase their value share.

Although, value share of all categories are in decline or stable with the biggest drops shown for chilled & fresh food (-1.3 points), non-alcoholic drinks (-1.0 points) and frozen food (-0.8 points). Non-alcoholic drinks and chilled & fresh are facing high promotional activity coming from national brands, a strong affinity with shoppers who are more willing to buy their favorite brands. Despite some successful innovations in the past years (Mercadona face cream) it's hard for the private label to grow in these categories. Personal care is also facing the strong growth of specialist retail chain with their own brands as well but more appealing for shoppers. Finally, frozen food saw the biggest reduction in promotional activity for private label across all categories.

In Europe in 2015 private label value market share was 38.3% while private label unit market share was 47.4%. These figures are both down (-0.6% and -0.5%) compared to the previous year. It's interesting to see that the private label share of all promoted volume has also fallen from a year ago. It's down -2.0 points at 18.6% and the percentage of private label volume on promotion has dropped (by -1.7 points) to 13.4%. National brands remain highly promoted for the benefit of most shoppers who are searching for (and expecting) quality from national brands.

The UK, Spain, the Netherlands and Germany have the highest rankings for private label value share in 2015, versus a year ago. The UK has a substantial lead over its European counterparts at 51.8%, followed by Spain at 41.5%. The value share figures are much lower for Italy, the US and Australia (below 20% for these three countries). Yet of the eight countries analyzed only two – the UK and Australia - have seen a point increase on their private label value share results.

The UK dominates again, when the percentage of volume sales on promotion for private labels versus national brands, is considered across countries. In 2015, in the UK, the national brand share of volume on promotion was 64.5% compared to 30.6% for private label. The closest to this leading position is Australia at 46.0% for national brands and

10.6% for private label. However despite a positive picture there was little growth for the eight countries in this area.

4.2.2. Top retailers in Europe

There are many retailers around Europe, more than 1050 according to Retailer-Index. They generate around 3.0 trillion € turnover in 2012. The most important Food chain retailers are:

Table2. *Top 10 Food retailers in Europe and Turnover for 2015 in Billions €.*

Rank	**Retailer**	**Turnover Europe**	**Headquarter**
1	Schwarz	86	Germany
2	Tesco	72	UK
3	Metro	56	Germany
4	Carrefour	56	France
5	Aldi	52 e	Germany
6	Edeka	52	Germany
7	Rewe	51	Germany
8	Auchan	49 e	France
9	E.Leclerc	44	France
10	ITM	32	France

e = estimate

1. Schwarz

Schwarz Group GmbH is a private family-owned German retail group which owns and operates the Lidl and Kaufland brands. It is the second largest retailer in the world behind WalMart in terms of revenues. There are more than 11000 stores spreading around 28 countries. It is often regarded as Germany's top employer and Europe's top retailer.

Headquartered in Neckarsulm, Schwarz Gruppe achieved a turnover of nearly 80 billion euro in the fiscal year 2014/2015. The Schwarz Gruppe is owned by the Dieter Schwarz Foundation GmbH (99.9% of the shares) and the Schwarz Gruppe Industrietreuhand KG (0.1% of the shares); the latter holds 100% of the voting rights.

Schawarz Group has reported a strong net sales growth of 7 % year to 79, 3 bn € in the financial year 2014. Lidl's revenue grew by 9% to €59 bn year on year, while Kaufland's revenue accounted for €20.3 bn, up 2.8%. Lidl operated around 9,800 stores out of which 3,200 are in Germany. Kaufland operated 1,190 stores, including 640 stores in Germany. But, the forecast for this group is to grow around 6 % annually between 2014 to 2017, generating revenues of 71 bn € by 2017.

Lidl is Swartz Group`s core fascia, accoutering for 74 % of group revenues FY2015 and driving group-level sales growth. With sales up around 9 % in 2015, Lidl has outpaced rival Aldi in recent years, prompting the latter to adapt its proposition.

The principal winner keys, according to Fung business intelligence centre are:

- Small stores. Limited-line grocery discounters have been among the winner in postrecessions retail, benefiting from shoppers 'flight to budget stores in Europe.
- International expansion and a newfound flexing of the proposition by discounters have underpinned their outperformance of the grocery sector.
- Boosting private label product quality.
- Increasing marketing expenditure and focus on using social media.

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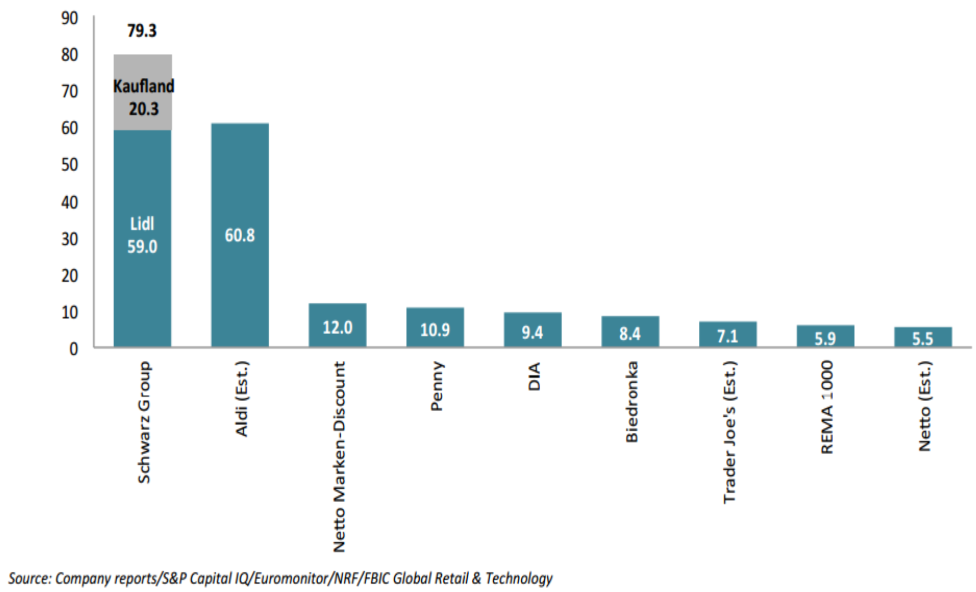

Figure 6.Top Discounters: Net revenues, 2014 (€ Billion) by Fung Business Intelligence report Nov.2015

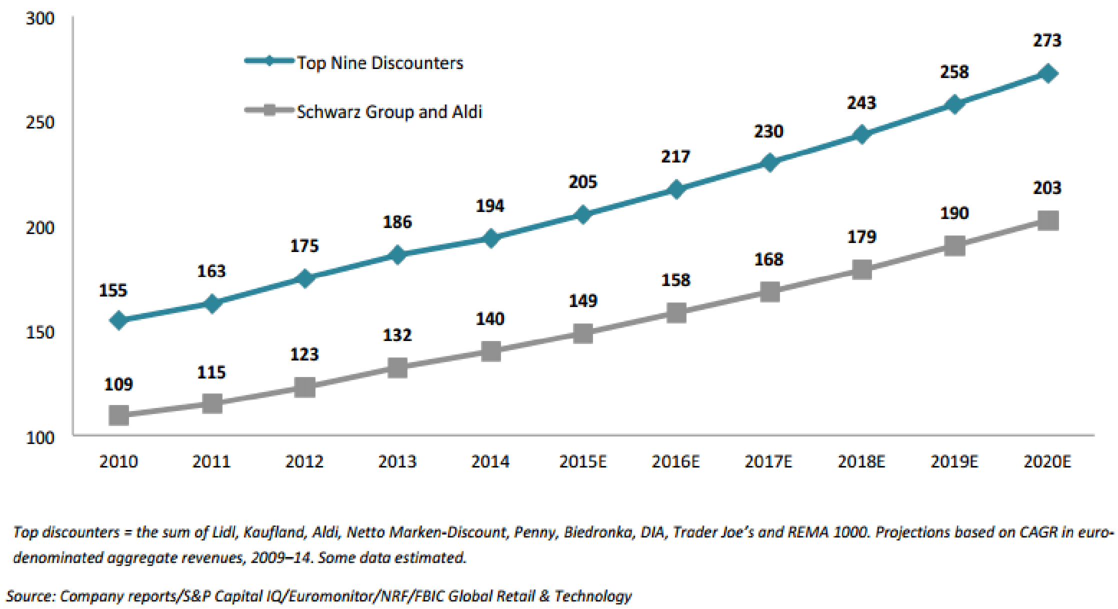

Figure 7.Revenue Projections for Top Discounters, and Schwarz Group and Aldi (€ Billion)

Private label, the hard discounters are based on an offering dominated by their private labels. Lidl has long stocked Coca-cola, for instance; Aldi began stocking Coca-cola only in 2012, promoting a price war and a temporary delisting of the product at Lidl. Their private labels are designed to look like brands, the leading ones. They do not bear the Lidl name on the front, also they has moved beyond its traditional offering a single

SKU per product,; like nondiscount grocers, and it has developed a premium umbrella own-brand called Deluxe.

Table 3 *Lidl: Examples of Umbrella Own Brands, Germany*.

Private Label	**Range**	**Image**
Biotrend	Organic foods	
Deluxe	Premium range	
Cien	Beuty and personal care	

Lord Nelson	Teas	
Dentalux	Oral care	
Toujours	Nappies/diapers	

W5	Household cleaning products	

2. Tesco

Tesco PLC is a British multinational grocery and general merchandise retailer headquartered in Welwyn Garden City, Hertfordshire, England, United Kingdom. It is the third largest retailer in the world measured by profits and second-largest retailer in the world measured by revenues. It has stores in 12 countries across Asia and Europe and is the grocery market leader in the UK (where it has a market share of around 28.4%), Ireland, Hungary, Malaysia, and Thailand.

Tesco was founded in 1919 by Jack Cohen as a group of market stalls. The first Tesco store opened in 1929 in Burnt Oak, Barnet. His business expanded rapidly, and by 1939 he had over 100 Tesco stores across the country.

Originally a UK grocery retailer, Tesco has diversified geographically since the early 1990s and into areas such as the retailing of books, clothing, electronics, furniture, toys, petrol and software; financial services; telecoms and internet services. The 1990s saw Tesco reposition itself; it moved from being a down-market high-volume low-cost retailer, to one which appeals across many social groups, by offering products ranging from its "Tesco Value" items (launched 1993) to its "Tesco Finest" range. This broadening of its appeal was successful, and saw the chain grow from 500 stores in the mid-1990s to 2,500 stores fifteen years later.

Tesco is listed on the London Stock Exchange and is a constituent of the FTSE 100 Index. It had a market capitalization of approximately £18.1 billion as of 22 April 2015, the 28th-largest of any company with a primary listing on the London Stock Exchange.

The mainly Tesco key- points according to The Institute of Grocery Distribution are:

-Regaining competitiveness in the core UK business: Tesco is now rolling out these principles to all categories, supporting its new price cuts campaign on popular brands in a bid to tempt back shoppers who have migrated to discounters. The retailer has indicated that January's 25% cut in the prices of 300 brands is just the start of its ambitions.

- New management structure taking shape: Lewis will also be committed to building the right team around him to deliver change across Tesco. In June, Matt Davies, Halfords Group Chief Executive will join Tesco in the new role of UK and Ireland CEO. Davies has a reputation for focusing on customer service and building staff morale. A non-executive director of Debenhams, he will also bring valuable non-food retailing experience to his new role. His people skills will be much-needed as Tesco takes action to reduce costs across head office functions by 30%.

- Reshaping the store portfolio: At the start of the year Tesco announced it would not be going ahead with plans to develop 49 sites for large format stores in the UK and that it would close 43 existing stores.

- Targeting international investment where it counts: Having retreated from the US and China, and given that it is a leading player in many of its territories, Tesco will be reluctant to withdraw from further markets. In central Europe, Tesco is trimming its estate through limited store closure programmes across all four markets it operates in. However, it is also investing in its convenience operations. It is, for instance, bringing Tesco Express to Poland, remodeling its large format stores in the style of the flagship Watford Extra and extending the reach and choice of e-commerce services. In Asia, Tesco faces restrictions on Sunday trading in Korea, while trading in Thailand has been affected by political unrest, but the rapid growth of consumer spending in these markets makes them attractive long-term investments.

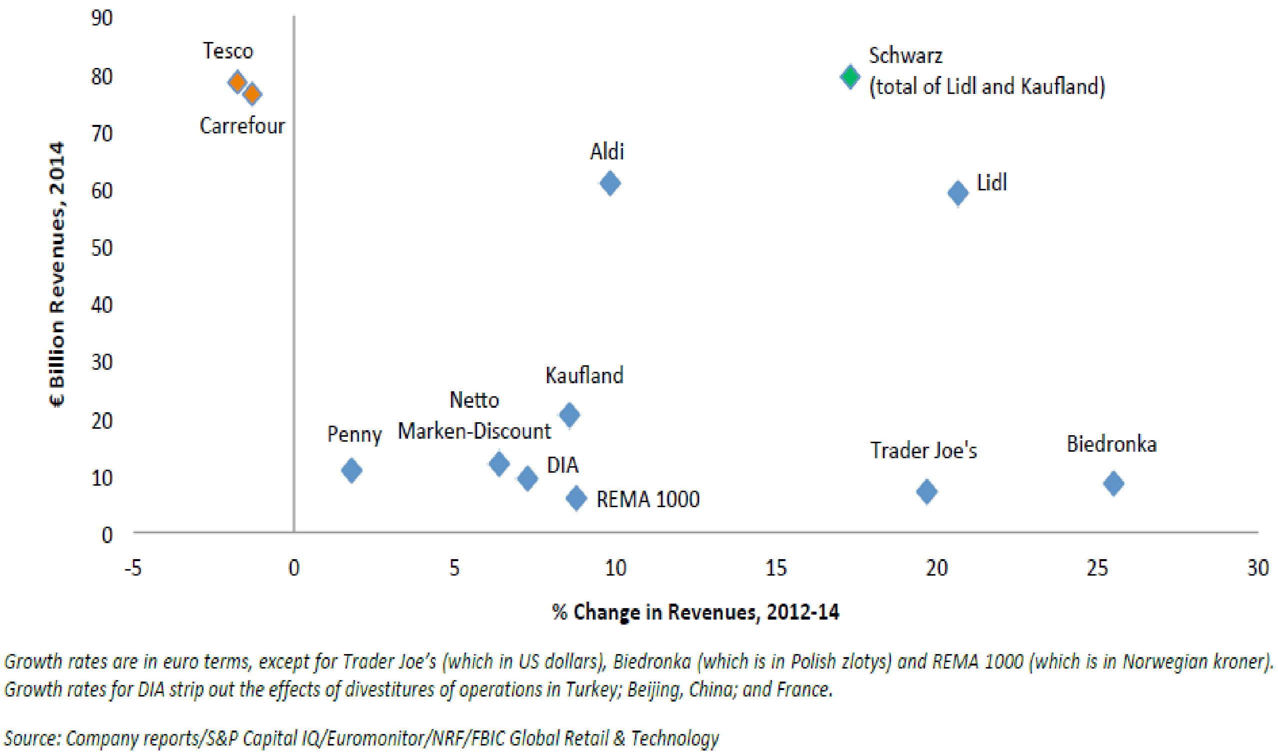

Figure 8. Top Discounters vs. Tesco and Carrefour: 2014 Revenues and % Change in Revenues, 2012–14.

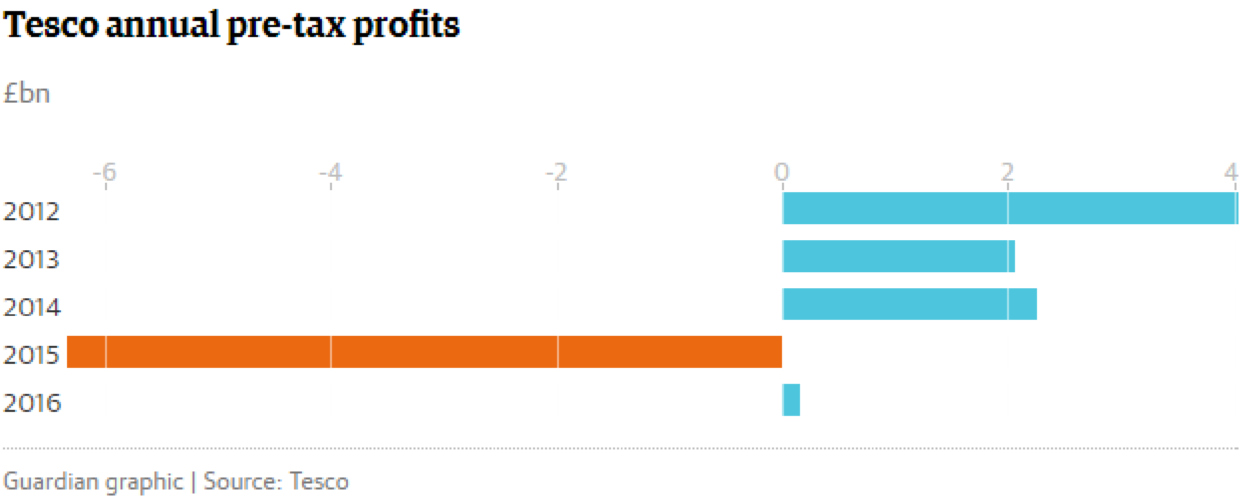

Figure 9. Tesco annual pre-tax profits from Tesco.

One of Tesco's biggest investments to date has been the launch of seven "farm brands". The new labels, with fictitious names such as Woodside, Willow and Boswell Farms, were created for a new budget range of produce, meat and poultry designed to compete with the discounters. Prior to the launch a basket of 51 comparable products cost

£103.11 at Tesco versus £89.06 at a discounter. The new brands mean that the price of the Tesco basket has now come down to £86.34 – a 16% reduction.

Tesco venture brands are an advanced form of private label brands launched by Tesco in 2011 that do not carry the retailer name. These products fall under the category of Tesco venture brands and complement their current value, standard and finest ranges. Tesco venture branded goods are available in a wide range of industries from food to children's toys to sanitary products. Most of the brands are positioned as "premium goods" competing with existing premium branded goods.

Image 1. Tesco Private label products.

3. Carrefour

Carrefour S.A. is a French multinational retailer headquartered in Boulogne Billancourt, France, in the Hauts-de-Seine Department near Paris. It is one of the largest hypermarket chains in the world (with close to 1,600 hypermarkets at the end of 2015), the second largest retail group in the world in terms of revenue (after Wal-Mart), and the second in profit. Carrefour operates in more than 30 countries, in Europe, the Americas, Asia and Africa.

The Carrefour group was the first in Europe to open a hypermarket, a large supermarket and a department store under the same roof. They opened their first hypermarket on 15 June 1963 in Sainte-Geneviève-des-Bois, near Paris in France. In May 2011, Carrefour reviewed its situation under conditions of stagnant growth and increasing competition in France from rivals including Casino Guichard-Perrachon SA, and planned to invest €1.5 billion ($2.1 billion) to change the supermarket with the new concept of Carrefour Planet in Western Europe. In April 2015, Brazilian businessman Abílio Diniz revealed he was in talks to raise his 5.07 percent stake in Carrefour and has the support of shareholders to take a board seat.

The strategy of Carrefour is aimed at achieving organic, sustained, profitable growth in excess of the broad market growth rate. Carrefour had based their strategy on the 3 elements in Retail Store Strategy as follows:

- Target Market: Carrefour, being an international retailer, segments its target market geographically. France is Carrefour's established home market and the group's main priority. The objective is to generate growth, firstly by developing its multi-format model, increasing convergence and giving fresh impetus to hard discount formats, and secondly by enhancing sales growth, price competitiveness and its price image.

The Carrefour group's second priority consists of Spain, Italy and Belgium which, together with France, make up Carrefour's "G4" countries. In these mature European countries, appropriate measures will be taken to maintain growth (Spain) or improve performance (Belgium and Italy).

Growth markets represent the Carrefour group's third priority. The Group will focus most of its development resources on countries with stronger growth potential, mainly the BRIC countries (Brazil, Russia, India and China). The Group's development in these regions will be based on various formats aimed at building the customer base (hypermarkets, cash and carry).

- Retail Format: Carrefour owns many retail formats and brands under its group brand: GroupeCarrefour (Carrefour SA). They have presence in retail formats like: Hypermarkets, Supermarkets, Hard discount stores, Convenience stores and Cash & Carry. The brand is known as:

Some of GroupeCarrefour's brand is:

- Hypermarket format: Carrefour, Atacadão, Hyperstar
- Supermarket format: Carrefour Bairro, Carrefour Express, Carrefour Market (Formerly Champion as of 2008), Champion Mapinomovaoe, Globi, GB Supermarkets, GS, Carrefour mini, Gima
- Hard discount stores format: Dia, Ed, Minipreço
- Convenience stores format: 5 minutes, 8 a HuiT, Marche Plus, Proxi (supermarket), Sherpa, Dìperdì, Smile Market, Ok!, Contact GB, GB Express, Shopi (supermarket)
- Cash & Carry format: Promocash, Docks Market, Gross IPer.

- Sustainable Competitive Advantage: Client-oriented culture of getting to know their customers better in order to serve them better

With 19.5 million loyalty card-holders in France and Spain, Group Carrefour has an excellent base from which to forge closer relationships with customers. As a multi-format retailer, Carrefour can offer solutions addressing a wide variety of shopping habits according to European Grocery Discounters

In 2009, the Carrefour group is enhancing its knowledge of customers, with the aim of serving them better and improving its brand image. In stores, the Carrefour brand will be conveyed in a way that is closer to the customer and more emotionally involving. By being more competitive, the brand will again become a tool for winning customers, enhancing customer loyalty and distinguishing Carrefour from the pack. In towns and villages, as convergence accelerates, the Carrefour brand will provide its best stores to more customers. In this way, Carrefour will make customers want to come, and keep coming, to its stores, regardless of the format or product offering. By focusing on retailing, Carrefour will become customers' preferred retailer.

Finally, transformation and innovation are the last key-points that transform to Carrefour Group in one of the Retailers Leaders.

French retailer Carrefour’s CEO Georges Plassat has made no secret of disdain for the Carrefour Discount brand so it should come as no surprise that Carrefour would dramatically shift its brand strategy and remove the Carrefour name and logo from the value tier brand. The Carrefour Discount label was created in 2009 by the then CEO Lars Olofsson, but when Plassat took over in 2012 he made it clear he wanted to disassociate the Carrefour logo from low quality, discount products, as it degrades the impression of the Carrefour retail brand. So at least, Carrefour will cease to use the Carrefour logo for its discount product range beginning in 2015. However Carrefour Discount goods will continue to be available in Carrefour stores without the Carrefour logo.

Image 2. Carrefour Private Labels

4.2.3. Spanish market

According to Euromonitor International, the evolution of the Spanish economy is crucial to explaining the performance of grocery retailers in 2015. During this year all major national and international organizations agreed that the Spanish economy is set to record a positive GDP growth rate of over 2%, which is somewhat limited by the poor performance of other major EU economies and the slowdown of the Chinese economy. The better economic framework encouraged Spanish consumers to buy not only primary need products but also some indulgent products.

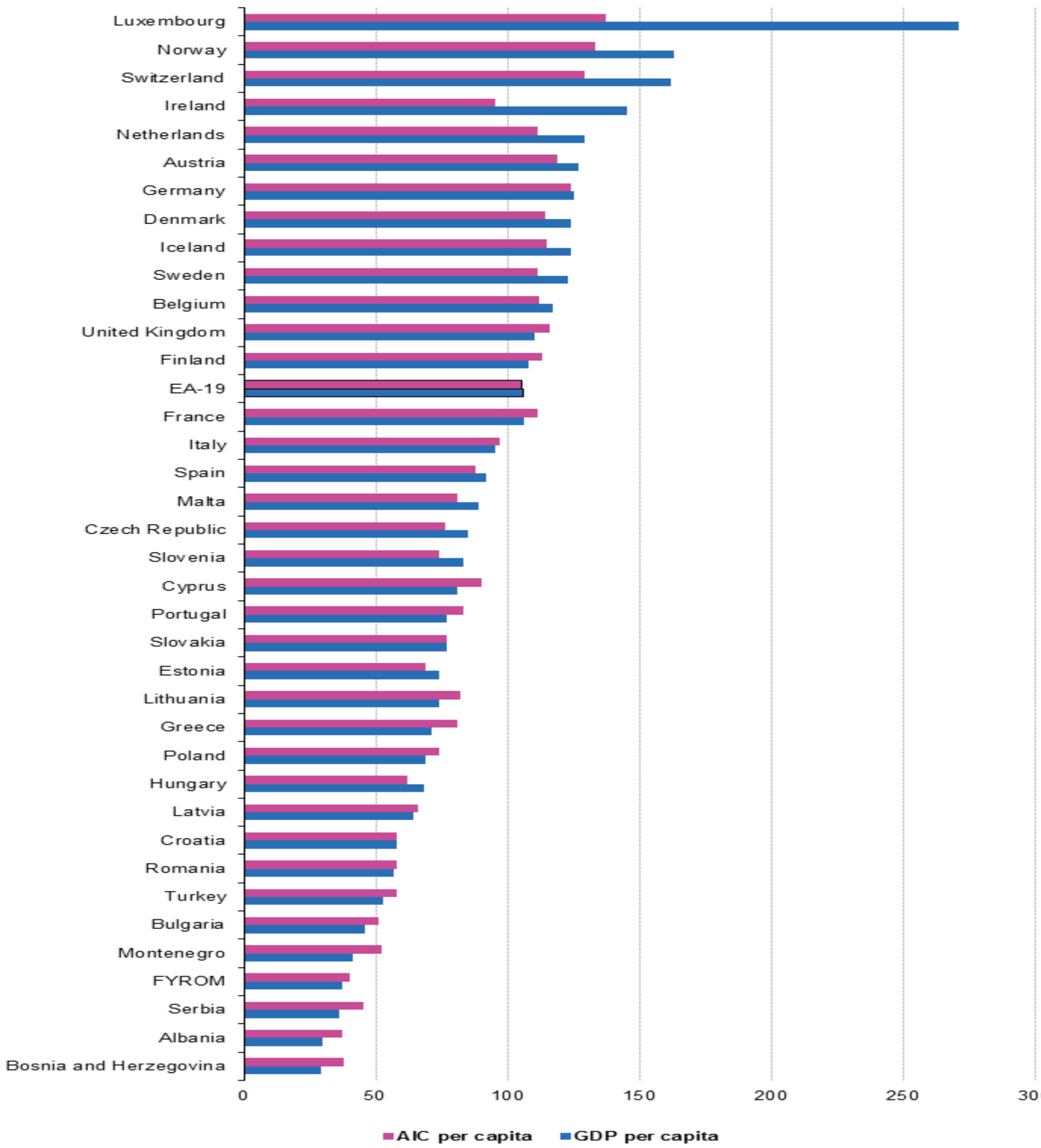

Figure.10. Volume indices of GDP and AIC per capita, 2015 (EU-28=100) - Source: Eurostat

Grocery retailers continue to be led by the Spanish supermarkets chain Mercadona, with the company accounting for a 20% value share in 2015. The company is benefiting from two factors: Firstly, the strong expansion strategy it follows and continues to follow, which includes for example the opening of stores in the regions of Ceuta and Melilla in the coming years. Secondly, the high acceptance amongst Spanish consumers of Mercadona’s private label ranges. Spaniards feel that they get a good value-for-money deal when acquiring Mercadona’s products. In fact, some of its private label ranges are viewed by the Spanish consumers association, OCU, as being amongst the best quality products sold in the country.

Prospections say that with the Spanish economy is expected to continue on its recovery, grocery retailers is predicted to see further growth over the forecast period. While the review period saw a slight decline on average in constant 2015 value terms, with consumers opting for products with the most competitive price, Spanish consumers will likely increase their spending on grocery products over the forecast period. At the same time, economic growth will contribute to Spaniards spending more time outside of their homes, socializing at cafes and bars, which should benefit the foodservice channel to the detriment of retailing. Overall, grocery retailers are anticipated to increase at a constant 2015 value CAGR of 2% over the forecast period.

Related to private labels, IRi Special Report from January 2016 explains that the past year private label value market share was 41.5% and 84.0% of this share was held by the top ten retailers in the country. For the same period private label unit market share was 49.1%.

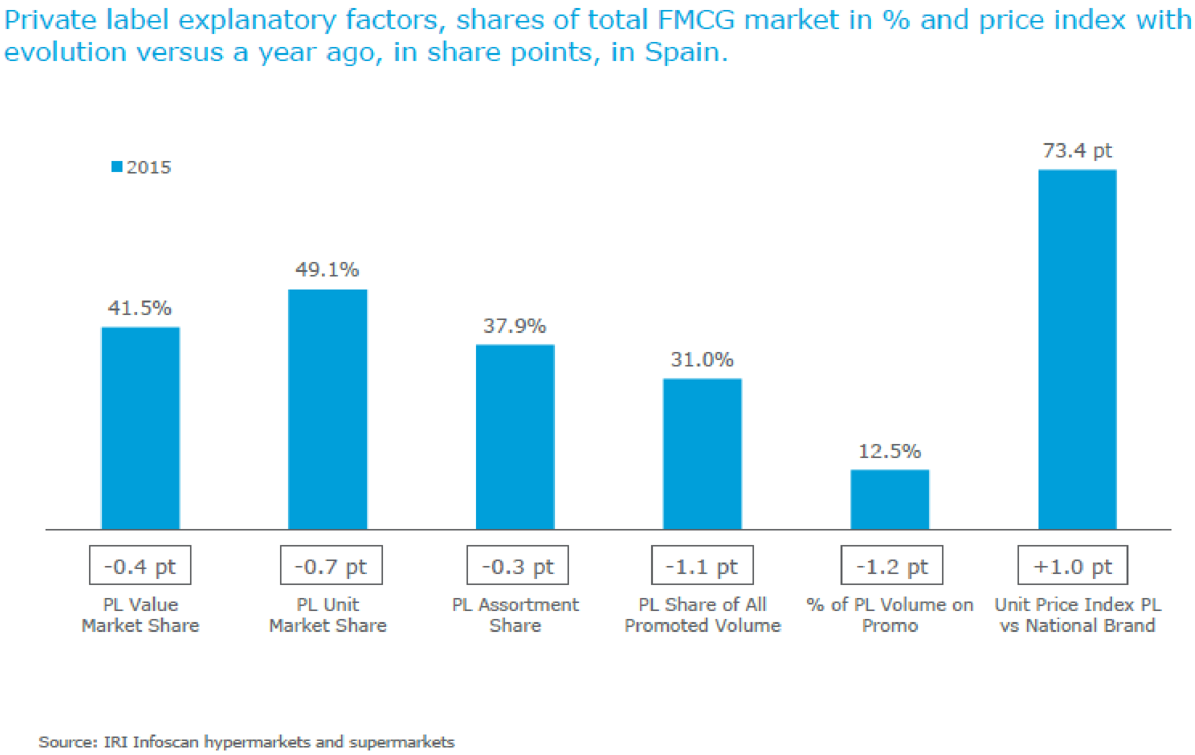

Figure 11. Private label`s share for total FMCG and explanatory factors, promotion, assortment and price, in Spain

The retailers to watch were Mercadona, Bon Preu, Lidl and Consum who all experienced increasing sales. In 2015 value sales evolution increased in Spain by 1.8%.Although at the end of 2014 two new retailers entered the Spanish market with different store types: Costco’s new low cost stores offer a shopping format that is a mix of cash and carry and hypermarket whereas Poundland’s Dealz stores are positioned between a convenience and small store, offering 60% of their assortment at a 1.50 euro price point.

In addition, Carrefour, Covalco and Hermanos Martín have also leveraged the cash and carry and hypermarket store format and new types of convenience store are increasing in petrol stations.

In 2015 national brands were more successful than private label. The former increased value sales by 2.5% compared to +0.9% for private label. In late 2015 private label prices were higher and this therefore affected consumption. At this time national brands' consumption increased by 1.0%. The price gap between national brands and private label increased slightly but many shoppers will choose manufacturer brands over private label, even if it means spending a few more euros. The report concluded that 41.0% of shoppers will consider purchasing a branded product rather than another option, and this response may be due to manufacturers investing in promotional activities. Between 2014 and 2015, 27.4% of promotions were implemented by national brand manufacturers from 27, 4 % to25, 9 %.

In comparison private label share was 10.9% in 2015 and 12.6% in 2014. In Spain the quality perception of private label is linked to the image of the channels that promote products. Despite private label's lower ranking the Spanish shopper has a positive perception of the channels that are connected to private label.

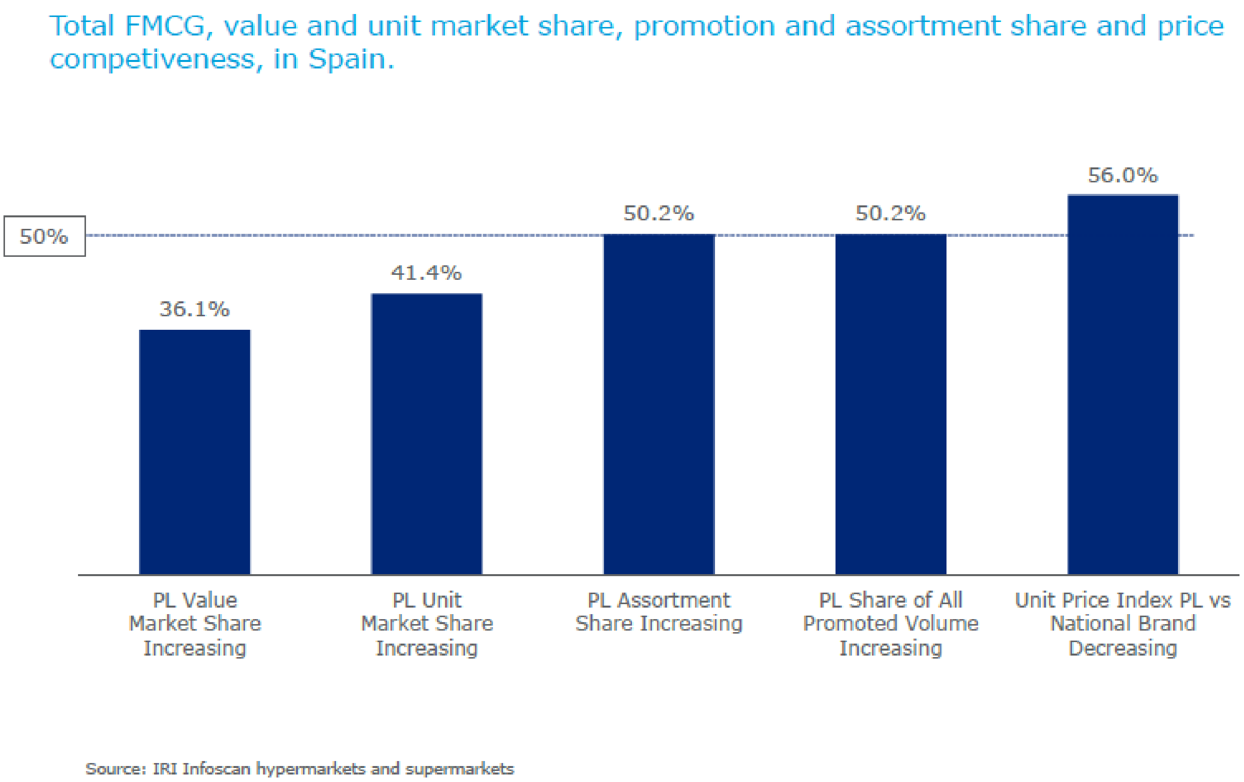

Figure 12. Proportion of categories where private label is improving its competitive position in Spain

At a regional level private label share is lower in the north. This is influenced by several factors including unemployment and GDP figures and regional channel's brand strategies. Interestingly Mercadona has recently opened its first store in Vizcaya (Basque Country), an area with the lowest private label share in Spain at 26.1%. This lower ranking in the north of the country may change in the months ahead.

Categories such as cleaning products have a lower fidelity than those of perfume or alcohol. Shopper loyalty is more ambivalent for the food categories where there is a primary need for a product and a lower level of exhibition.

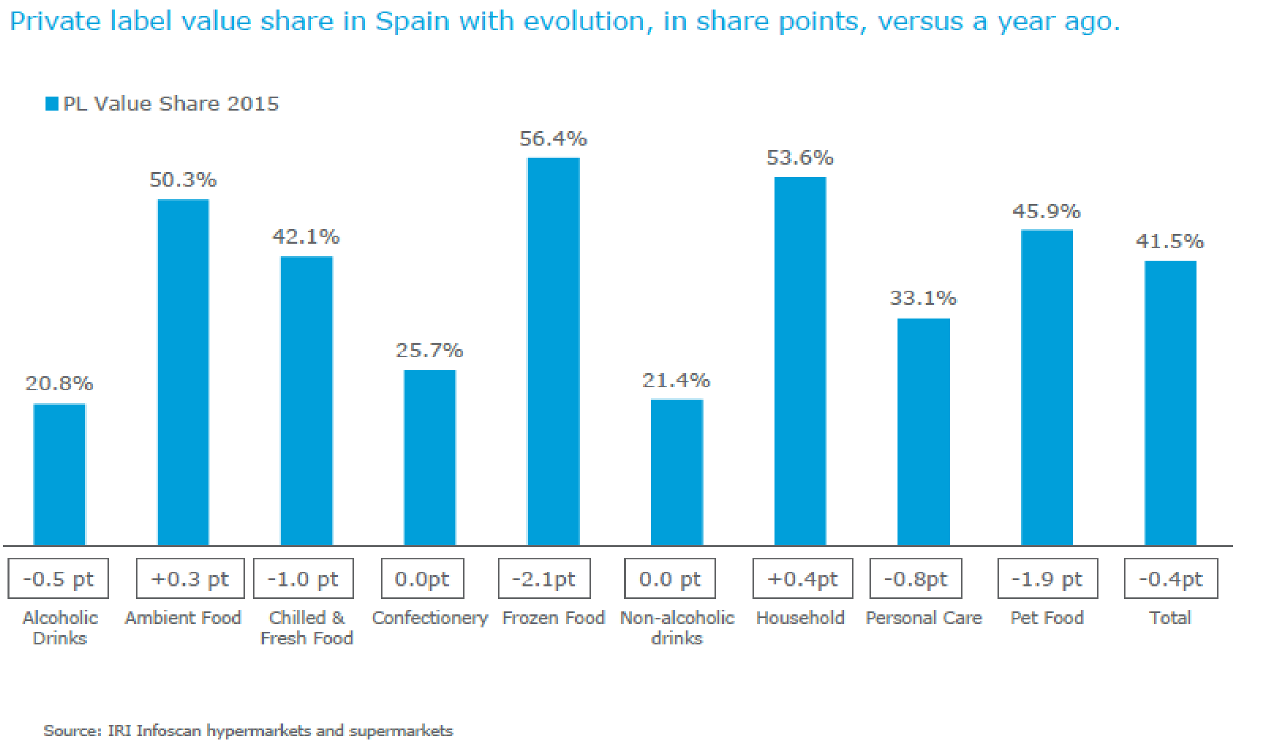

Figure 13.Private label`s value share by category in Spain

In Spain 78% of green products' sales are from national brands, but private label share for green products was 22% in 2015, +3 points more than in 2014. There is an increasing assortment of green private label and some retailers such as Aldi, Carrefour, Alcampo and El Corte Inglés have their own line of green products.

The convenience category has seen a big increase in private label sales with prepared meals and easy to eat solutions such as spreadable tomato or hummus. Baby milk powder has also experienced a major sales increase (+700% in value) and in the beauty sector make up has increased its value sales by 21%. This is due to several retailers who are investing in this category.

Growth strategies for retailers include opening new stores, mergers, convenience and proximity formats and implementing price strategies.

4.2.4. Top retailer in Spain

Table 4.*Turnover in Spain for 2014 in Million €*

Rank	Retailer	Turnover	Nr of stores
1	Mercadona	20,161	1,521
2	El Corte Inglés	14,592	196
3	Carrefour	7,751	582
4	Eroski	6,100	2000e
5	DIA	4,496	3,135
6	Auchan-Alcampo	3,915	182
7	Inditex	3,442	1,869
8	Metro Group	3,355	109
9	Lidl	2,530	530
10	Groupe Adeo	1,800e	108

e =estimate

1. Mercadona

Mercadona is a Spanish family-owned supermarket chain. Francisco Roig Ballester and his wife, Trinidad Alfonso Mocholi, founded the company in 1977, which began as a small butcher shop in Valencia. Juan Roig assumed the role of CEO in 1981 and the company has since expanded nationwide. In the 1990s, Juan Roig oversaw a series of changes companywide and revealed the new façade of Mercadona which was able to compete with its French competitor Carrefour and the co-operative Eroski. Mercadona has locations in 46 provinces of 17 autonomous communities.

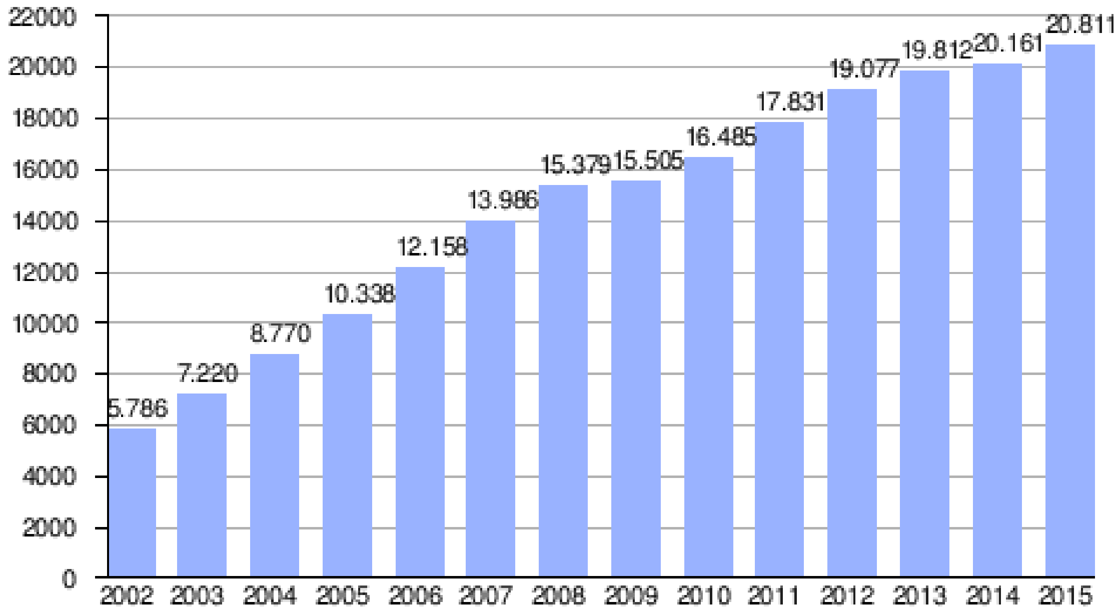

Figure 14. Revenue in Millions of €. Mercadona.

Source: Mercadona Annual report 2015.

The model of Mercadona seeks to satisfy the needs of the five stakeholders in its sustainable agro-food chain: The Boss, its employees, its suppliers, society, and the capital; placing The Boss at the center of every decision.

- A model of urban proximity: building and approaching stores to the client. There are designed for making shopping easy and quick. With its 22.1% market share at December 2015, Mercadona is the largest supermarket chain by sales in the country (tripling the 7.7% share of its immediate follower Carrefour) and the third largest by floor space. Five million Spanish households shop at Mercadona.
- Provide the highest quality at the lowest price: Mercadona has developed a line of own-brand products (Hacendado, Bosque Verde, Deliplus, and Compy), which are consistently ranked #1 in terms of value for money by clients and are up to 40% cheaper than its competitors. The goal is to offer a total shopping model which meets all the ‘food, cleaning, hygiene, and pet care needs’ of “The Boss”.
- Reduce unnecessary cost: reducing the packaging or not doing marketing campaigns. Mercadona has save more than 400 Millions of € since 2012.

- Closed relation with the suppliers: the company focuses on a limited number (120) of integrated supplier-manufacturers, with whom it holds a relationship of trust and a model of 'virtual integration'. Mercadona invests in them and purchases the products directly from them, eliminating any additional costs from intermediaries and often signing long-term offtake agreements. For instance, Mercadona holds guaranteed contracts at stable prices with the farmers supplying agricultural products. This close, long-term relationship allows the company to squeeze its suppliers and demand the highest level of quality from them.
- Product innovation: Mercadona's operating model also has a strong focus on innovation. The company is the leader in R&D in the food and personal care industry in Spain, with an average of over 400 innovations per year. In fact, Mercadona was the first retailer in Spain to use barcode scanners. The company has a pragmatic approach to innovation, always pursuing the interests of The Boss. For instance, sticking a plastic lid on the tuna cans to make them easier to open translated into a 60% increase in sales. Of the total 450 innovations in 2014, 100 innovation products came from 'co-innovation' developed in collaboration with clients. The company has 12 'co-innovation' centers, where it held over 6,000 sessions with The Boss only in 2014. In addition, the company incentivizes innovation among suppliers by, for example, organizing supplier innovation contests such as the 'Sorolla' innovation prize. As a matter of fact, Mercadona suppliers' investment in R&D doubles the Spanish average.
- The human capital: This human capital strategy is also designed to serve Mercadona's business model: "to satisfy The Boss you must be 100% satisfied and 100% committed".

Mercadona decided to adopt the hard discount model, but using his own brand name for the products. Most of the suppliers chose Mercadona for the relation quality-price, the great and long-term contracts and the great communication at the point of sale.

Image 3. Some of the Mercadona own brand product. Free gluten innovation 2012.

2. El Corte Inglés

El Corte Inglés S.A., headquartered in Madrid, is the biggest department store group in Europe and ranks fourth worldwide. El Corte Inglés is Spain's only remaining department store chain, as well as owner of several associated businesses, such as:

Hipercor - hypermarkets

SuperCor - supermarkets

Repsol Opencor - petrol station convenience store

Sfera - fashion chain

Optica 2000 - vision and hearing

Bricor - home and DIY chain

Viajes El Corte Inglés - travel agency

Tecnologías de la Información y Comunicaciones

Centro de Seguros y Servicios (CESS)

Seguros El Corte Inglés - life, pension and reinsurance

Financiera El Corte Inglés

This section presents an analysis of the turnover and consolidated profit according to the contribution made by each of the companies within the Group, grouped by area of activity:

Table. 5. *Figures in millions of euros*.

Format	**% Share**	**Ejercicio 2014**	**Ejercicio 2013 (*)**	**% Var. 14/13**
El Corte Inglés Department Stores	60.1	8,768.19	8,463.86	3.6
Hipercor Hypermarkets	10.8	1,570.53	1,716.30	(8.5)
Convenience Stores Supercor	4.1	591.04	615.72	(4.0)
Sfera	1.4	205.14	164.06	25.0
Bricor DIY	0.6	90.72	79.57	14.0
Óptica 2000 optician	0.5	78.33	75.38	3.9
El Corte Inglés Travel Group	16.1	2,350.12	2,248.98	4.5
Informática El Corte Inglés Group	5.1	737.10	660.34	11.6
Insurance group	1.2	182.02	176.35	3.2
Other lines of business	0.1	18.84	20.60	(8.5)
TOTAL	**100.00**	**14,592.03**	**14,221.16**	**(2.6)**

(*): Data calculated according to the International Financial Reporting Standards (IFRS)

Source. El Corte Inglés Corporate Information.

The consolidated turnover for the 2014 financial year (closed on 28 February 2015) amounted to 14.592,03 million euros, which is an increase of 2.6% on the previous financial year. This upward trend in sales can be attributed to an improvement in the general economic situation and a certain degree of recovery in consumption, as well as the attractive nature of the commercial offer from the group and the consistent effort to achieve customer satisfaction.

The way in which turnover has evolved over the last four years is shown in the following graphic:

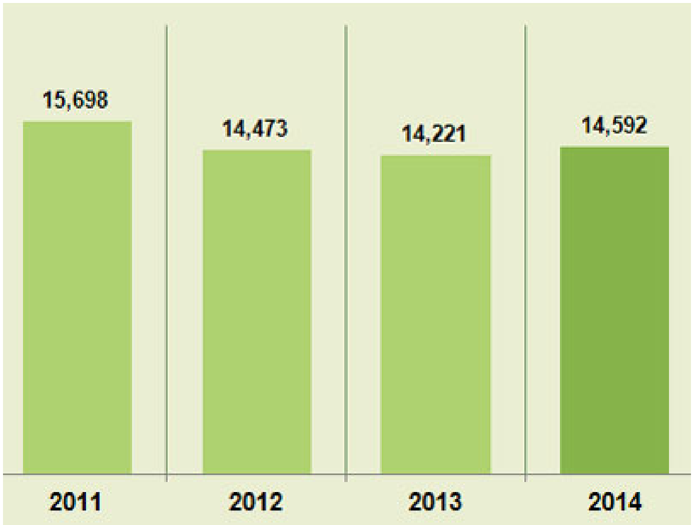

Figure 15. Turnover (Millions of euros) over past 5 years.

Source: El Corte Inglés Corporate Information.

El Corte Inglés is maintaining a strategy based on the ongoing improvement and renewal of its commercial offer, with innovative products and services adapted to the latest market demands. The company introduces new items and services in all the areas of business; from exclusive fashion brands to new decoration concepts, the latest trends in technology and sport, pioneering food and catering ideas, etc.

Moreover, the commitment of quality and guarantees enables us to satisfy the demands of customers with different tastes, interests and budgets.

In the field of food and consumer products, a major effort has been made in the fresh produce sector where, besides maintaining extremely high quality, additional outstanding products have been included and a highly competitive pricing policy has been maintained.

In fact, during the 2014 financial year, the ongoing price-check commitment was expanded to cover 8,000 basic shopping cart items. This strategy, which was launched last year, enables maximum competitiveness to be offered consistently and systematically while also maintaining the same levels of quality and service that characterize the company. Hipercor is thus responding to its commitment to support households by contributing to their daily savings plan.

Supercor presents a large-scale format, predominantly in fresh products and a wide variety of products and brands capable of satisfying any consumer demands. The quality of fresh products with professionals working behind the counter and close to 21,000 references of every type, offer a distinguishing feature.

Supercor Exprés is focused on speed and flexibility when shopping, with an offer based on food products, fresh produce, household products and perfumes, as well as newspapers, magazines and other services. The long opening hours, which adapt to the needs of the local area in which each one is located, offer customers great flexibility and a large range of some 5,000 products for their shopping requirements needs.

El Corte Ingles has a large amount of private labels products, but at the food products are the most interesting for this thesis. The brand is considered a premium private-label, selling them at its Hypercor supermarkets. The brand will also add to its low-cost alternative, Aliada, which offers approximately 600 products, as well as the Hipercor private-label brands. Hipercor is the hypermarket banner of the El Corte Inglés group.

El Corte Inglés's department stores represent 60 per cent of its business, totaling more than €8.8 billion. Hipercor is the third-highest earner in the group's earnings, after the SuperCor supermarket banner.

Image 4. El corte Ingles private label.

Actually, El Corte Inglés has started selling its private label ranges in the UK through Tesco. Tesco will begin stocking 48 products from El Corte Inglés's range of cured meats, vegetables, rice, canned fish and vegetables, nougat, olive oil and vinegar following a successful, five store trials that has been running since November 2015 in the greater London area. El Corte Inglés has been looking for new opportunities to sell its private label ranges internationally and began marketing its ranges in China in Q4 2015.

3. Eroski

Eroski is a Basque supermarket chain with nearly 1,000 outlets spread across Spain (excluding franchises). It is run as a worker-consumer hybrid co-operative within the Mondragón Corporation group. The establishments vary in size from the largest hypermarkets, simply named 'Eroski' (of which there are 75 stores, including 40 with petrol stations), down to smaller 'Eroski Center' stores (473, including 2 petrol stations). There are also 219 'Eroski City' outlets and 234 'Eroski Viajes' travel agent centres. The group's total sales floor space is approximately 1,500,000 square metres (16,145,866 sq ft). The company was founded in 1969 in the regions of Biscay and Gipuzkoa in Spain as a co-operative between ten supermarkets in the region. Its headquarters located in Elorrio, Biscay.

According to Retails Analysis, Eroski said that during 2014 its turnover fell 2% to €6.11 billion, with its performance affected by 'unfavourable market conditions'. The retailer said that sales at Caprabo reached €1.33 billion, while at Vegalsa-Eroski sales rose to €947.3 million, from €939 million in the previous year. Despite the fall in revenues the retailer pointed to the successful relaunch of its Eroski Club programme in the second half of the year, an expansion in the number of stores operated by franchisees and the positive effect from its 'Contigo' format, which boosted the space and visibility for the fresh category.

Following the announcement, Eroski said that would maintain its strategic focus in 2015, a step that will see an emphasis on five key elements:

- Expanding 'Contigo' store design, focusing on fresh: Eroski has been updating its stores to its new 'Contigo' design. The tagline 'Contigo' ('With you') highlights Eroski's closeness to its shoppers and demonstrates its co-operative values, ethics and socially responsible stance. Renovated stores see the retailer dedicate further space to the fresh produce category, while also aiding its visibility in-store. The retailer has rolled out the new design in over 70 stores by mid-2015. The retailer has said that stores operating under the concept have experienced sales growth of 9% (hypermarkets) and 6% (supermarkets), while growth reached 11% for the fresh produce category specifically.

- Adding new franchisees: Against a backdrop of large-scale debt, Eroski has only limited room to manoeuvre financially, a development that has encouraged it to investigate opportunities to expand through franchising. In its 2014 annual results the retailer noted that sales through franchised stores grew 6%, aided by the addition of 58 new stores by franchisees. As a result of franchisees success, the retailer has placed them at the core of its Strategic Plan to 2016, when it is aiming to add franchised stores in Andalusia, Madrid, Castilla La Mancha, Catalonia, Extremadura and Levante.

- Improving its Eroski Club programme: Eroski has said that it is increasingly able to offer shoppers a personalized offer due to the strong uptake of its Eroski Card, which was relaunched in the fourth quarter of 2014 and, according to the retailer, is used in relation to 85% of sales. To continue to involve the benefits provided by the programme, Eroski has enhanced it through the integration of interactive elements, such as contests, promotions, games and product testing. The interactive components added in the recent launch are set to facilitate further interaction with shoppers and generate more 'engagement', which should boost its data and insight on individuals.

- Growing proximity format, targeting missions: Eroski has also said that it intends to recover the 'spirit of neighborhood food store', which will see it focus on growing its proximity store presence and provide shoppers with the best value, customer service and expertise in fresh. Through its Eroski City format, the retailer is raising the visibility of its tiered private label ranges and helping it to differentiate from rivals.

- Build further alliances to enable investment in price: To help support its lower prices and the continued evolution of its offer, the retailer’s president, Agustin Markaide, has said that is aiming to build further associations, outside of operating with the Alidis alliance. Markaide said that the agreements would be aimed at sharing best practice around technology, product development and buying, with its recent cooperation agreement with DIA targeted at the latter element.

In 2010, Eroski has launched a value private-label called Eroski basic. The range consists of some 200 products including basic ambient foods, fresh produce and cleaning products. The company said the line is backed by the retailer's "quality standards" and do not incorporate trans-fats and provide traffic light nutrition labelling.

The label was launched at the first years of crisis situations to cater to their interest in quality and price, and offer to their clients the best quality at a low price.

Image 5. Eroski private label products.

5. CONSUMER SOCIETY IMPACT

5.1. Evolution consumption

The food chain connects three important sectors: the agricultural sector, the food and drink industry and the distribution sector. Together they generate a value added figure of approximately €561 billion, equivalent to 5% of EU value added. In 2009, there were almost 24 million people employed in the food chain, i.e. almost 10% of EU employment.

According to Data & Trends of the European Food and Drink Industry 2011, food consumer prices, which represent retail prices, moved in line with inflation. They are set by the retail sector as part of business strategies to attract consumers. Food consumers prices are largely the result of retailer strategies and do not necessary reflect the actual value of food and drink products.

Figure 16. Food supply chain monitor-Consumer price in Europe Union

Sources: Eurostat (Food Price Monitoring Tool) and DG AGRI.

In Europe, food retail markets are increasingly concentrated. In most EU countries, the market share of the top 3 retailers ranges from 30% to 50%. It is above 50% in Estonia, above 70% in Ireland, almost 80% in Sweden and almost 90% in both Finland and Denmark.

In line with Planet retail report, the market recovery is not universal and the situations between different European countries are completely diverse. The consumption is a parameter which has been really affected for this economic situation. In general North Countries have still spent more money at food markets than countries less developed.

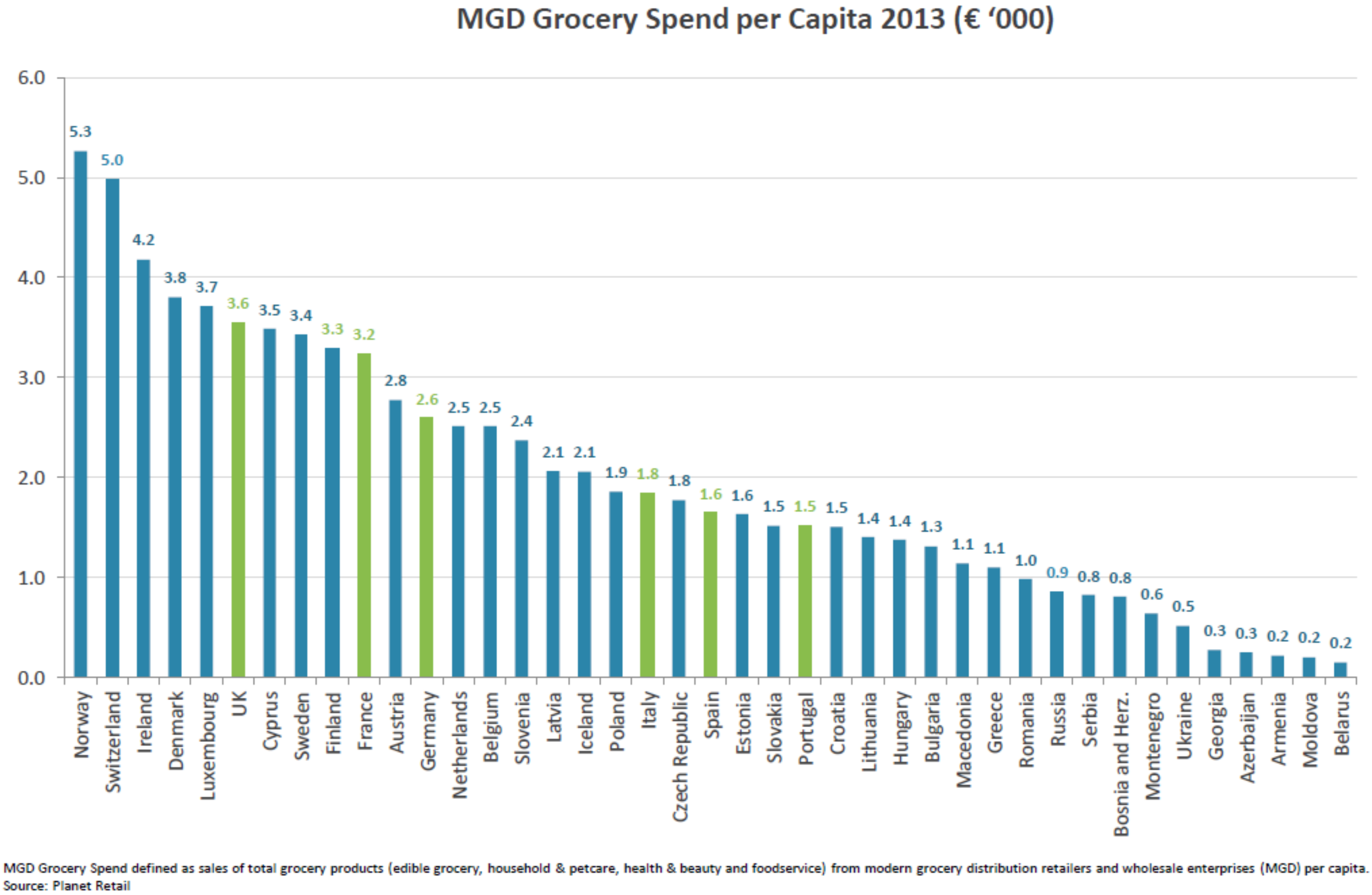

Figure 17. Groceries spend per Capita at European countries.

Source: Planet Retailer

5.2. Consumer private label impact

Despite some ups and downs, in absolute terms the private label market experienced robust growth over the 2007-2012 period, around 10% of the total value of these markets combined, a share that remained stable over the review period.

Private label growth has been driven both by the expansion of large grocery retailers and the trend towards more sophisticated lines that command higher prices and margins. Indeed, the emphasis is shifting from aggressive promotion and discounting of private labels to providing better quality and a unique offer.

The influence of economic conditions on the growth of private label was reflected in the data relating to the 2007-2012 period. When the recession first hit developed economies between 2007 and 2008, private label FMCGS flourished as consumers cut expenditure drastically. In 2008, the private label market grew by almost 12% in current value terms, while real GDP increased by just 3%. In 2009, however, the private label market stagnated as the global economy went into recession, with real GDP falling by almost 1% in that year and in 2014 it started the decrease in some countries like Spain, France or Greece.

Following a recovery in the world economy in 2010, when GDP was boosted by 5%, growth slowed to a rate of 4% in 2011. This led to a renewed increase in demand for private label FMCGS, with global sales jumping by 9% in current value. This was also partly attributable to an increase in private label prices in developed markets as a result of quality improvements, as several retailers developed premium ranges that competed directly with branded products.

Market concentration in Europe drives private label penetration in the grocery market: European countries for which the retail market is very concentrated experience an important level of private label penetration. In Germany, private label penetration reached almost 35% of the market in 2010, almost 40% in the UK and 45% in Switzerland.

In 2012, private label sales fell 1% by current value, as real economic growth slowed to around 3%. This was partly due to the response by the major brands, which sought to compete with premium private labels by running numerous price promotions and stepping up advertising.

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.

Furthermore, with consumers no longer under as much financial pressure as they were during the recession, many of those who traded down when money was tight were able to switch back to their favorite brands. Also, with food companies in better financial positions, many invested in new products and innovative new concepts.

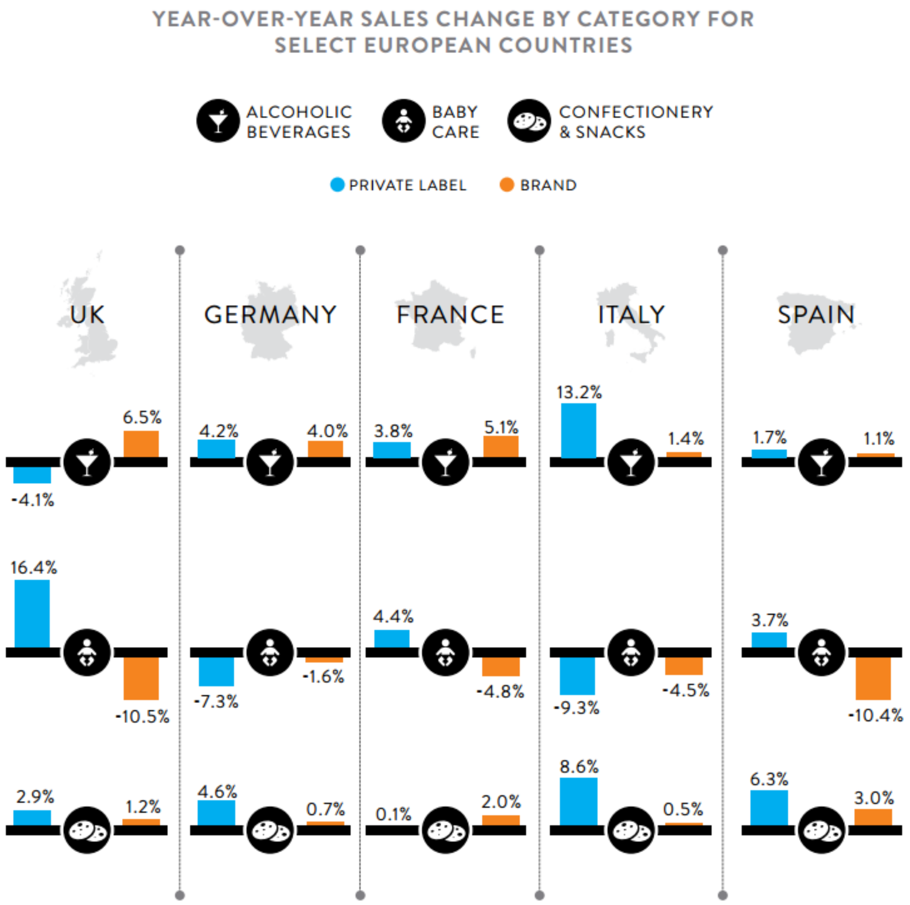

Figure 18.Year-over-year sales change in private label products

Source: Nielsen. Year-over-year sales change in private label products (August 2012 - July 2013 and August 2013 - July 2014).

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.

Consumers' "new normal" puts value in the cross-hairs of every purchase decision and paves new roads of opportunity for private label and national brand CPG marketers. Consumers have embraced private label as a viable money-saving option, yet national brands remain critical. Manufacturers and retailers must work together to provide a balanced assortment of national and private label solutions, targeted at the store level, to offer solid value to key and high potential shoppers.

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 as 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.

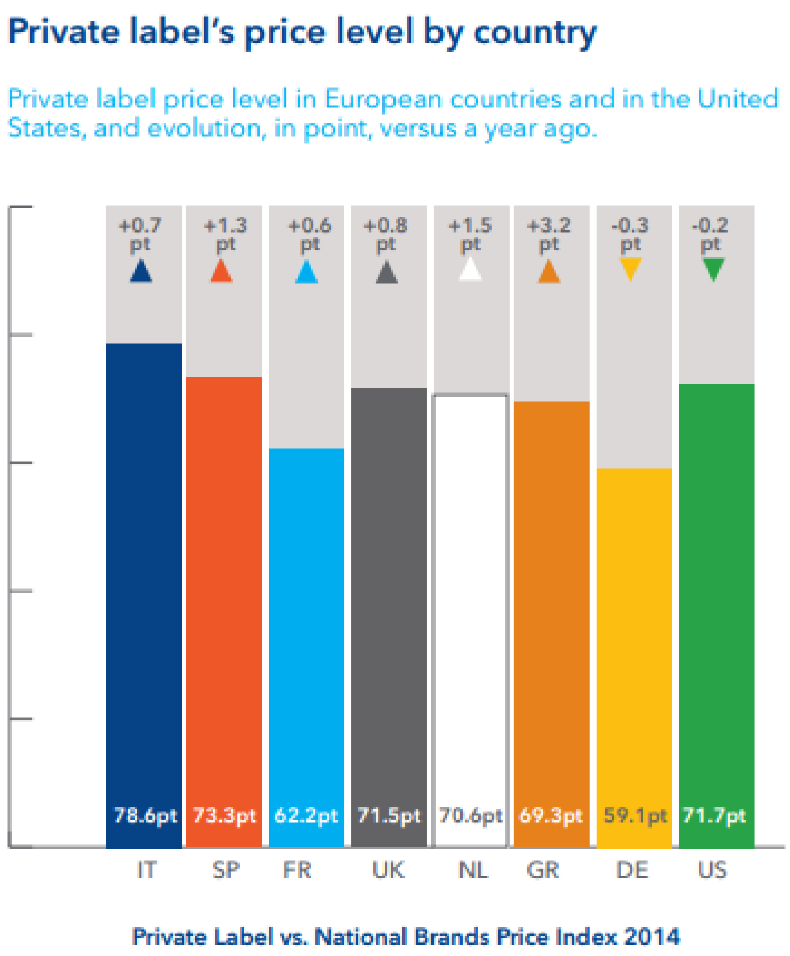

Figure 19. Private Label´s price level by country.

Source: IRI Info scan (hypermarkets and supermarkets) based on average unit prices in Europe and volume prices in USA.

In the case of Spain, 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.

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.

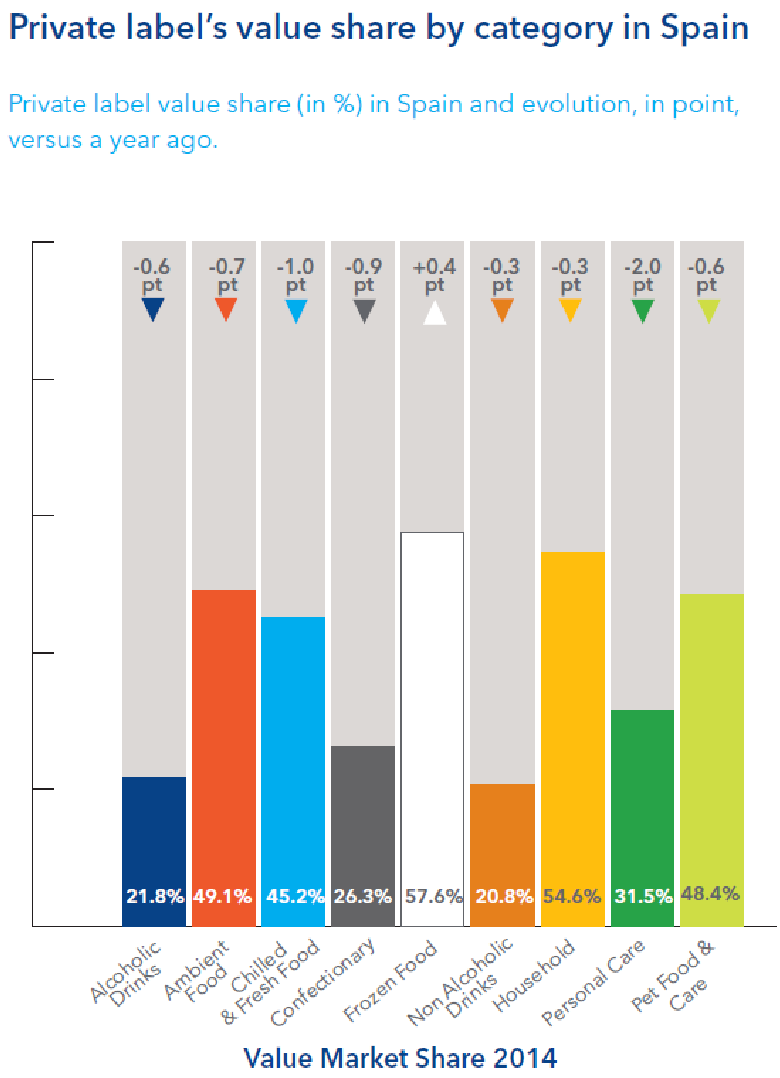

Figure 20. Private Label´s value share by category in Spain.

Sources: IRI InfoScan (hypermarkets and supermarkets)

6. EUROPE AND SPAIN COMPANY IMPACT

Currently, there are more retailers working and distributing their products in the FMCGS. Retailers are obtaining more importance every year, becoming the most relevant source of economic increase at 2001.

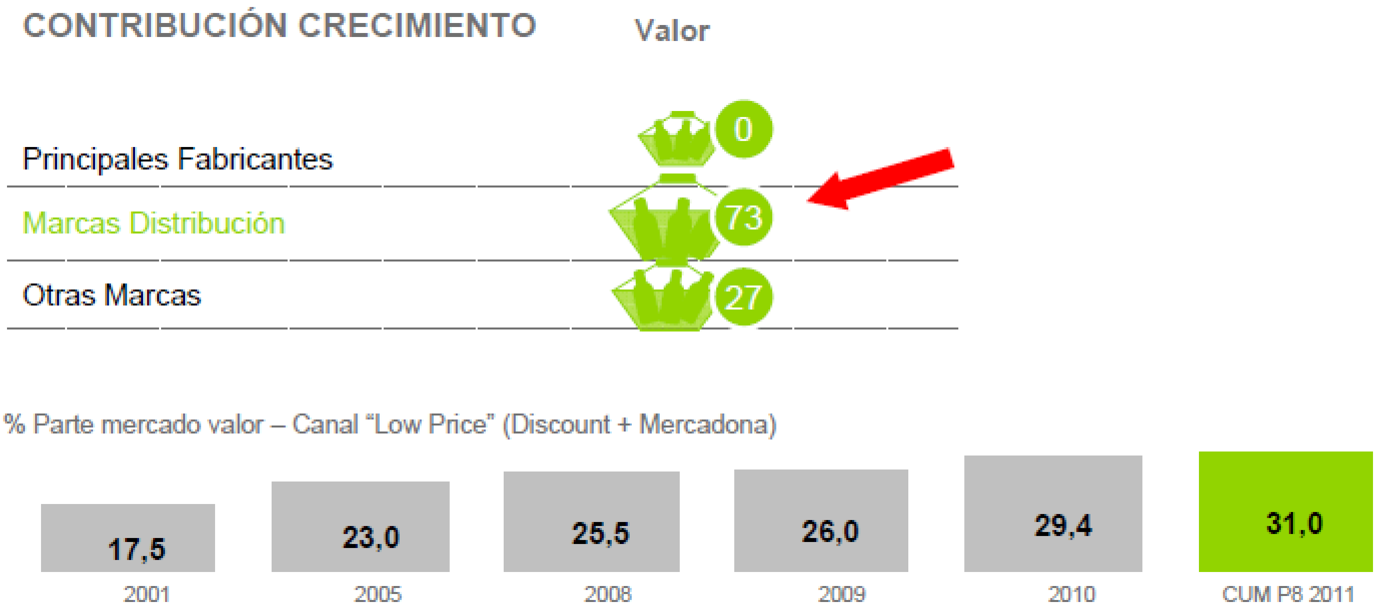

Image 6. Contribución crecimiento y su valor.

Source: KantarWorldpanel 2011.

Although the National brands are still more competitiveness than the private labels during last years, the increase in consumption is clearly affecting to manufacturer companies. According to KantarWorldpanel 2008, market share was 46.7 % for national brands and 27, 1 % for private labels, but during the years this gap has become lower; national brands market share is around 43.5 % and private labels 31.1 %. The datum demonstrates the power and the huge increase of private labels.

In the battle for the customer, store brands are winning. Unless manufacturers can create a clear reason in the consumer's mind that the brand is more important than the store when making their choices, the manufacturers are bound to lose margin to the store. Discounts do not do this. Coherent branding strategies do.

As expected, private labels perform counter cyclically to business cycles in the U.S. and Europe. During recessions, store brand sales tend to increase more rapidly; however, they remain stable or contract slightly in good times. However, as the economy improves, the migration back to national brands lags and is less than the initial gain. In the long run, given the promising track record of store brand performance, a continuation of this trend would be unsurprising.

Due to increased PL competition, NB manufacturers increasingly pursue a dual-branding strategy, although only a few companies, like Dole, Heinz, and Kraft, are willing to openly acknowledge this. In contrast, other NB manufacturers, like Coca-Cola, Heineken, Kellogg, and Gillette, explicitly state not to engage in PL production.

One of the benefits, and an important reason why NB manufacturers consider producing PLs, is that they assume it will improve their relationship with the retailer, and that they will benefit subsequently from the retailer goodwill that is created. In contrast, NB manufacturers are reluctant to produce PLs out of fear that the retailer will demand the lowest costs possible - otherwise it will simply shift to a cheaper manufacturer.

NBs suffer from PLs, which has led some NB manufacturers to engage in PL production. In the meanwhile, retailers have even further developed their PL portfolio. Premium PLs have emerged, which are classified as top-quality tier products (Kumar and Steenkamp 2007).

Manufacturers must focus on joint business planning with their retailer partners, to enhance the shopper experience. Manufacturers and retailers can use the same assortment optimization 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.

National brands should develop attributes that positively influence consumer buying behavior and are difficult for retailers to replicate. Leadership in exclusivity, product safety, social causes, innovation and sustainability can help build distinctive advantages that translate into competitive advantages over retailers and other national brands. Consumer product and retail executives see innovation and exclusivity as brand associations that consumers value most besides price and product performance. (Deloitte report)

For each of its products, a national brand should assess the value, brand and relationship equity and decide which of these attributes will be difficult to replicate. By aligning with widely appreciated social causes, a national brand may be able to foster brand and relationship equity. Targeted marketing efforts, using a mix of both new and traditional media, can also help communicate values and attributes to consumers.

For example, Procter & Gamble has specific strategies pertaining to social responsibility, operations and sustainable product innovation. Since July 2007, P&G's policy of developing and marketing sustainable innovations and products has generated sales of $13.1 billion.23 P&G also facilitates donations for the causes it supports. P&G donates one dose of vaccine for each pack of Pampers that is purchased as part of the "One Pack=One Vaccine" campaign.

Moreover, National brands might identify regional or local variations in tastes and preferences and use them to create products. While for national brands a movement toward local variants runs counter to conventional wisdom related to economies of scale, local variants provide an opportunity to appeal to consumers in a more focused way than homogenous store brands. National brands can also look to deliver personalized customer experiences to compete against homogeneous store brands. For example, Mars, Inc. offers M&M chocolate candies with personalized colors, text and logos. (Deloitte review, retail branding, strategy 2010)

Following Deloitte review, National brands can develop a retailer-specific strategy to compete against low-end, mid-range and premium products, which could include manufacturing private label goods. Retailers increasingly deploy thoroughly researched store strategies for their private label brands. Such strategies sometimes result in SKU rationalization that predominantly impacts second tier national brands. National brands that survive rationalization will be pitted against a bevy of private label products. From a price-sensitivity perspective, removing secondary national brands helps private labels and hurts primary national brands.

National brands can develop granular, heterogeneous strategies that address threats from competing retailers. Their owners need to identify their cost and quality constraints before developing competitive strategies. At the low end, national brands can create differentiated fighter brands or manufacture private labels. A mid-range product strategy could require constant product innovation, packaging changes, price positioning and targeted promotions. In order to compete in the premium market, national brands could focus on well-communicated product performance claims driven by innovation and positive brand associations.

At least, many consumers are savvy when it comes to promoting branded goods. Excessive promotions train the consumer to wait for deals and can shift the focus from product attributes to prices. Consequently, national brands should pull back price-related promotions that can decrease consumers' reference price points. When developing a promotions strategy, consumer product companies should more actively consider non-price-related promotions. While short-term promotions can increase sales, they can damage brand equity in the long term and narrow the premium between national brands and private labels. According to Professors Leonard Lodish and Carl Mela, brands were less able to command a pricing premium, and private label products gained market share, between 2003 and 2005. Their analysis shows that some of this deterioration is self-inflicted by short-term promotion strategies where brand managers over invest in price promotions at the expense of advertising, product development and distribution strategy.

National brands have taken a slower approach to online sales than retailers, perhaps because of potential conflicts with existing channels. Moreover, these retail executives are more likely to expect significant sales growth from both the retailer's online presence and the consumer product company's direct-to-consumer efforts. Retailer SKU rationalization presents an opportunity for national brands to shift some consumers to their online channel for lower-volume SKUs.

National brands should use the New 5 P`s: Purpose, Penetration, Prominence, Participation and Portfolios.

<u>Purpose</u>

- Means a reason to exit over and above making money.
- Driven organizations financially outperform their rivals.
- Drives " share of mind"
- Inspires innovation
- Beats process.

To refresh the world & inspire moments of optimism.

To inspire & nurture the human spirit

To become an inspiring growth partner that delivers creative, branded food and beverage solutions enabling operators to innovate, and delight their consumers

Penetration

"Focusing only on your current consumer base is unlikely to drive true growth potential; brands grow by increasing penetration-reaching as many category buyers as possible. Penetration-led strategies are highly likely to result in growth". (Source: Byron Sharp, how Brands grow)

- Emotional activity is more effective.
- Sell to the market, not a segment.
- Don't navigate by existing customers.
- Compete with culture

Prominence

It means that a brand is easy to think of, choose and find. Powerful brands use their marketing to make themselves famous-making it easy for consumers to bring them to mind.

- Pursue salience, not "USP" differentiation.
- Be consistent and coherent, not erratic.
- Know the value of design and UX (User Experience)

Participation

Campaign give brands a short-term sales uplift by prompting consumers to purchase, but sustained growth comes from sustained engagement. Powerful brands create experiences that give consumers the opportunity to interact with them more deeply and more frequently.

-Drives trial and creates networks to market to on a lower cost basis.

-Creates data enabled relationships

Portfolios

With falling costs of production and media, the " portfolios not plans" mindset-spreading resources across a range of opportunities- is as relevant to the development of marketing activity as it is to venture capitalists.

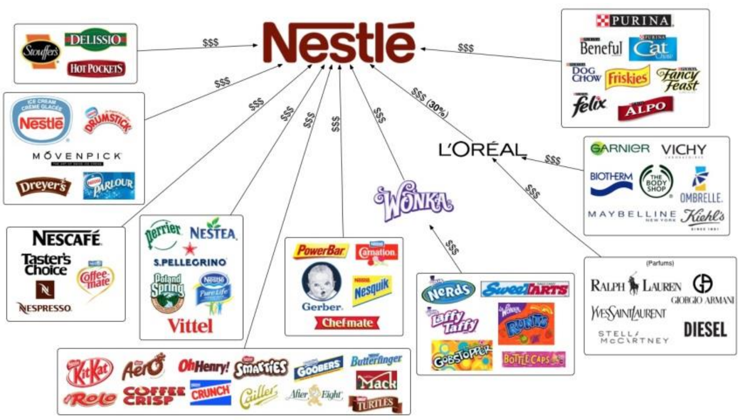

Image 7. Unilever and Nestle portfolio.

7. COMPANIES STRATEGIES: SUCCESSFUL CASES

In order to obtain and compare the different successful companies strategies to fight and compete with Private Labels, a few questions have been selected to create the most useful and global ideas of the actions taken. The companies which have helped to improve and obtain professional and objective perspectives are:

- Eva Ortigas Velilla; who was CSD Culinarios during 2013-2015 and actually is CSD Productos del Café (Horeca) at Nestlé S.A.
- Toni Forés, Marketing Manager at Juvé & Camps S.A.
- Silvia Rivas, Trade Marketing at Unilever España S.A.

The full interviews are at the Appendix, but consequently there are some highlighted and outstanding sentences of each interview.

According to Eva Ortigas about the importance and the evolution of PL´s "*Depends on the product category we are talking about, there have been a huge Private Label increase like at Tomato Sauce with a 70 % market share on PL, or sterilized Ready-Made dishes with a 45 %, but in the case of Noodles just between 5-10 % of market share"* so " *depends on the category Pl´s are the main rival, because basic products are easier to copy for Pl´s, but in products that consumers have a "life relation" the Manufacturers Brands are the main competitors.* This theory is supported by Silvia Rivas from Unilever "*PL´s at Wash &Care category is decreasing with a market share around 19 %*" losing points in the last two year" and at least from Juvé & Camps, Toni Forés explained "*at Cava Market, the Crisis and the private labels development portfolios has increased the sales at this category, but since 2014 they are decreasing"*

During the thesis, there some remarkable retailers that are capturing more market share every year and National Brands companies have to adapt their Brand strategy to stop this increase. Eva Ortigas explains that "*If you want to be a leader and increase the turnover in, company has constantly being adapted to the consumers and distribution channels".* In the case of Nestlé "*we are more digitalized right now, using e-commerce and Facebook promotions, trying to adapt at this channel"* and finally in the case of Juvé & Camps-" *the Private Labels are not a problem, because at market segment that our products are, there are no private labels*"; at this category consumers prefer quality vs. price.

At Unilever case "*The PL already is the market share leader, but is not considered the main competitor*" like Nestlé the main competitor are the rest of manufacturers. "PL *usually sells in volume, while the rest of manufacturers use value and volume"*

Related to innovation like a way of differentiation, Eva Ortigas from Nestlé explained to me "*In the case of new channels, the supply of product is short, and there is a difficult at innovation, because you have the challenge to bring successful products to market,"* and according to Silvia: "If *an innovation became to stay at some discounts channels, the pipeline will be huge comparing to other clients. This action obtains better distribution in less time"*

There are different ways to compete versus PL´s. In line with Unilever "*The way that is directly more effective but is the most difficult, it is to reduce cost, not at products, otherwise manipulation and service like for example, doing special economic picking o serving less volume*" […] *"Offering a post-sale service, relating client and brand sentimentally or preparing packs and promotions with value added that retailers don´t offer*"

The quality-price relation is one of the strengths of Private Labels; companies like Nestlé has had to compete with them: *"Manufacturers mission is not to get that consumers don´t taste Pl´s products, is to get that they don't repeat with them.; offering quality products, doing attractive promotion, working on brand engagement with end consumers and with an important resources investment. When your product is good and the economic factor is not driver consumption, people prefer NB´s"*

Related to Discount channels, Silvia Rivas explained "*The huge developments of discount channels have created the necessity of having the most number of references at shops and working with them"*

At the end of the interviews, the last question was related to their future perspective, how Private Labels will develop next 5-10 years. In the case of Eva Ortigas explained *"the first threaten for Pl´s is the economy recovery and the continuously NB´s innovation and renovation. At my category, it is being noticed the PL´s slow down and I think is something which is going to become steady, even negative evolution".* Silvia Rivas, Unilever represented said that although Pl´s are decreasing, there is still a threat, because consumers recognize some Pl´s like a brand, giving them all the added value that NBs have.

According to Toni Forés "The *trend is that PL´s are going to create more value on its products […], moreover discount channels are offering fewer products from competence"*

Finally, according to Eva *"Consumers are more demanding, more fitness and worrier about health and nutrition, looking for organics products. They trust in big and lifelong companies […] and they will get to stop PL´s*"

8. FORECAST

Manufacturers and retailers are looking for new paths for growth in European markets. While National Brands are using the different strategies that are explained in the last point, **PL`s are using strategies like: price wars, Pound shops, Meal Deals or Loyalty Cards.**

The idea of Meal Deals will become one interesting point to develop. In retail environment where all major players are involved in price-matching, differentiation in-store has focused on developments in fresh food and food to go. Some Delicatessen counters have sprouted olives, salad and sushi bars; if National Brands could gain importance at this bars, driving initiative to consume their products, it would improve their brand equity and market position.

The idea of organics products are not new, PL´s and NB´s are competing at this market. National Brands should increase the budget which is dedicated at this area and impulse **Research and Development programs to innovate at their products**. This sector is continuing growing and consumers are even more worried each year for what and the way of their daily diet is composed of. At least, in terms of benefits, the margins are supposed to improve.

In contrast to organic products, Fairtrade products performed well during the economic downturn. However, more recently sales performance has been weaker, Kantar report shows that although sales in the year to November 2014 were down by 4.7% (with volumes down 7.6%) some products continued to increase sales – bananas, sugar and coffee among them. **Consumers are becoming more aware and it might be another great opportunity to growth.**

On-line sales are also expected to (more than) **increase at double digit**. Grocery E-commerce will be one of the most importance actions that make the difference. The proportions of web shoppers who make grocery purchases online are increasing while technologies are a really remarkable part of consumers’ life.

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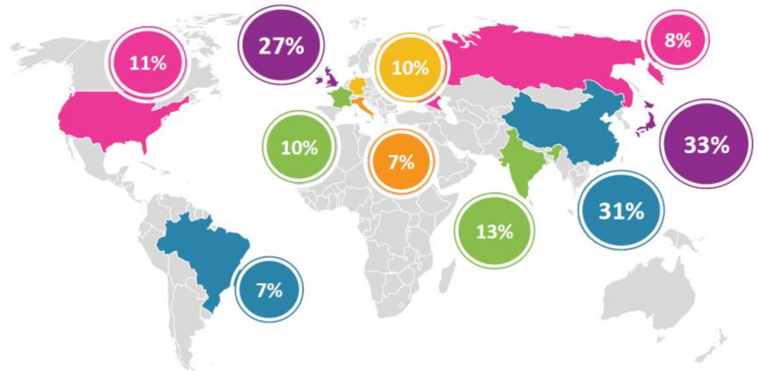

Image 8: Proportion of shopper who has made grocery purchases online in 2014.

Source: Planet retail´s Online Shopper Survey data.

Grocery E-commerce may be high growth but it is not straightforward – it needs to be high profile and executed skillfully. The format will be in considered (click & collect, external to a store or as a freestanding unit) are some which are using. Innovate at this sector; approaching technology to the consumers might make a change in the way of purchasing.

Moreover, consumer lifestyle trends show that they spend less time purchasing each year (Figure 21). **New lifestyle and new technologies have changed the way consumers buy the products** (Image 9). Develop **mobile apps** create an easy access to the product, in which consumers can obtain all National Brands portfolio and collect them in a near shop point or send them at their homes.

Image 9. New shopping applications.

Source: KantarWorldPanel2016: Consumer INspiration

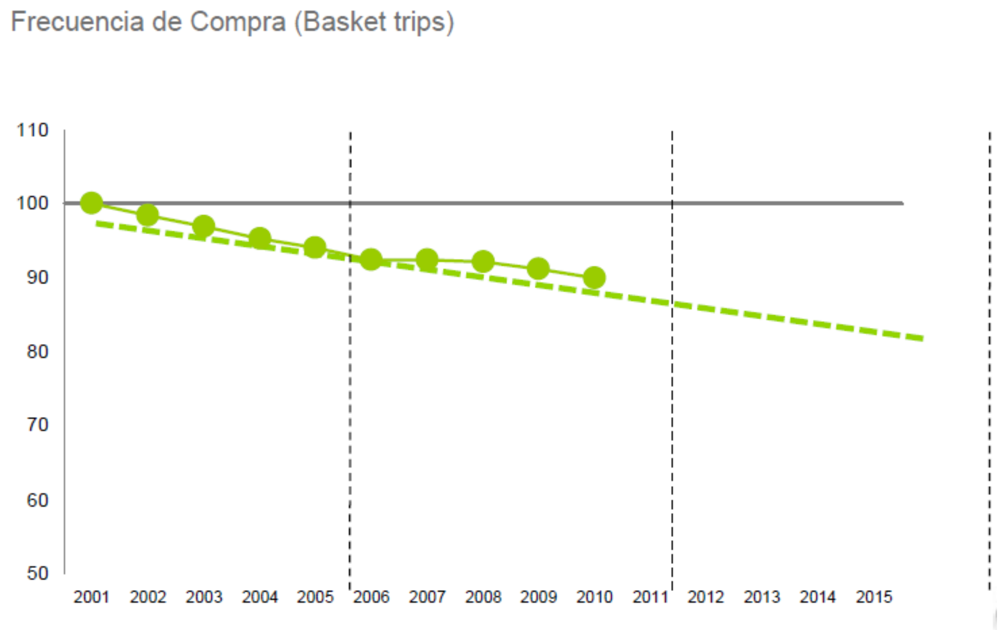

Figure 21. Basket trips across years.

Source: KantarWorldPanel2016: Consumer INspiration

According to IRI report Private Label and National Brands: **Paving path to growth together,** companies should evaluate the audience and consumer behavior at a granular level to capitalize on micro-segment growth opportunities, investing in market research companies, to **obtain all the information about their consumers**. Moreover, identify buyers with a high propensity to purchase the brand by studying buyers of similar products from competitive brands, products with similar properties within your/competitor brands; understand the dynamics of what and how people are buying at the price zone level, then structure your offering (pricing/assortment) at this more granular price zone level.

Furthermore there are **new techniques that companies are using to obtain more information about their consumers**, for example using **Neuromarketing** to obtain the most clear consumer opinions. Neuromarketing is the study of how people's brains respond to advertising and other brand-related messages by scientifically monitoring brainwave activity, eye-tracking and skin response. All the innovations are focused on **create individual marketing for each client**, and the main goal is to understand the customers' values and emotions, and earn their loyalty and trust. Another example is the **digital marketing**, which the concept is not new, but there are new techniques developing at the moment (Figure 22)

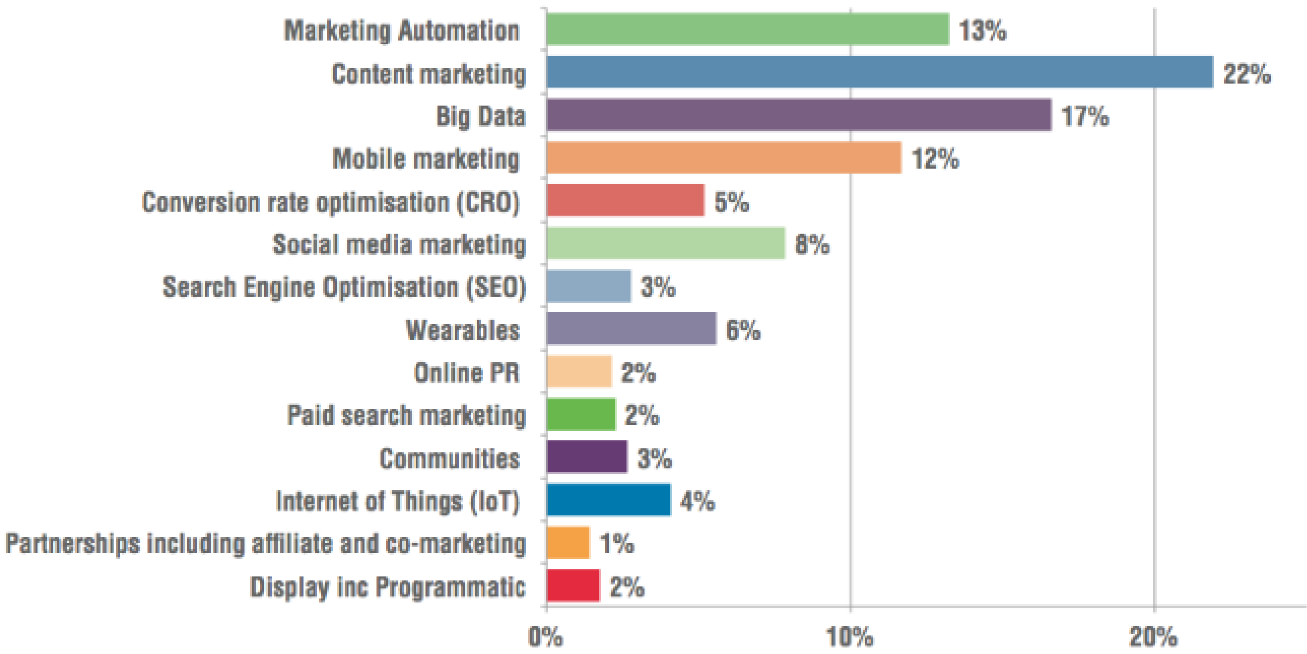

Figure 22.Digital marketing activities with the greatest impact in 2016.

Source: Smartinsight

- Big Data (including market and customer insight and predictive analytics)
- Content marketing
- Communities (Branded niche or vertical communities)
- Conversion rate optimization (CRO) / improving website experiences
- Display (Banners on publishers, ad networks social media including retargeting and programmatic)
- Internet of Things (IoT) marketing applications Marketing Automation (including CRM, behavioral Email marketing and web personalization)
- Mobile marketing (Mobile advertising, site development and apps)
- Paid search marketing, e.g. Google AdWords Pay Per Click Online PR (including influencer outreach)
- Partnerships including affiliate and co-marketing
- Search Engine Optimization (SEO) S
- Social media marketing including Social CRM and Social Customer Care
- Wearables (e.g. Apple Watch, activity trackers, augmented reality)

Innovation is the key for National brands. Research and Develop in new packages, forms, tastes, colors, ingredients or concepts are the wat to maintain consumers' loyalty, and to obtain new ones. Offering innovative products with the best quality is what society and young consumers are looking for. New technology and innovations-including 3D printed food, algae and insects as a form of protein, wearable technology and smart shopping tools-had the potential to radically change the food supply chain in the very near future, according to Mike Stones from Food manufactures. There are three trends where innovation will help and keep a great advantage: **Sustainability, Convenience and Health.**

The sustainable diets were already focusing attention on alternative meat ingredients, as concerns mounted about feeding the growing global population with limited natural resources. Offering alternative ingredients-such a macro-algae, micro-algae and insects-all offered environmental advantages. Of course, there are a challenges of increasing production, cost competitiveness and consumer acceptance. Moreover, vegan, vegetarian and other food cultures are gaining followers quickly. Companies should invest money **developing and researching alternative ingredients**, but always maintaining their personality and quality or creating parallels or subsidiary brands with a clearly green, natural and respective vision.

Brand collaboration, Co-Branding or Partnership, are some of the ways to create strategic alliances and improve innovation, market penetration and channels distributions, among other things. There is considerable value in sharing knowledge and resources and working together to create scale, reduce time and costs, and share risk. There is extensive evidence to suggest that collaboration can create a win-win situation for the brands involved. Synergistic brands have significant advantages and by the sharing of specific competencies, resources and customers companies can more effectively leverage brand value, nurture loyalty, and build a compelling brand. But not only have the collaboration to be between big and multinational companies, because Startups are becoming really important at this point. **Startups and established companies would both improve their success rates if they collaborated** instead of competed. Startups and established companies bring two distinct and equally integral skills to the table. Startups excel at giving birth to successful proof of concepts; larger companies are much better at successfully scaling proof of concepts.

Startups are better at detecting and unlocking emerging and latent demand. But they often stumble at scaling their proof of concept, not only because they're often doing it for the first time, but also because the skills necessary for creating are not the same as scaling. Startups must be agile and adapt their value proposition several times until they get it right. According to Forbes, 58% of startups successfully figure out a clear market need for what they have.

In contrast, **big companies** often end up launching things they can make, not what people want. Successful established companies are focused on increasing scale and are often better at scaling proof of concepts than creating new products from scratch. **They have huge advantages in procurement, distribution, and manufacturing, as well as sales and marketing advantages.** But they have a challenge not only creating a proof of concept, but leaving it alone until it is ready to scale. (Harvard Business Review-Eddie Yoon and Steve Hughes)

	Co-branding Martini-Coca-Cola.
	Co-Branding: McDonalds-McAfee.

	Co-Branding: Philadelphia –Milka

9. CONCLUSIONS

According to European Commission, th**e food and drink industry is the EU's biggest manufacturing sector in terms of jobs and value added.** It is also an asset in trade with non-EU countries. EU food legislation is highly harmonized and the sector benefits significantly from the opportunities offered to it by the Single Market. At the same time however, the sector faces challenges in international and European markets. The European Commission works to improve the competitiveness of the sector and the functioning of the Single Market. It also strives to **create new trade opportunities for food and drink products.**

Europe is clearly so far at one of the most difficult situations. **The macroeconomic environment is clearly affected for three aspects: Refugees, Terrorisms and Brexit**. Although there are other indicators, these three are the most important and are affecting directly, like Brexit case, or indirectly like refugees or terrorisms to the market.

Focusing at Food Industry, **exportation is the most added value activity**. The European food industry is the world's leading exporter of processed agricultural products (PAPs) and has a positive trade balance. Nevertheless, its market share of the global export market has been shrinking over the past ten years to the benefit of Brazil and China.

The most important destinations for exports of EU PAPs are the USA, Switzerland, the Middle-East, Russia, China, Norway and Japan. EU imports mainly originate from Switzerland, the USA, Ivory Coast, China and Indonesia. So, the **Russia crisis has become a big issue for Europe;** Russia has used the embargo to strengthen its own agricultural production and in a decade could be a true exporter. So Russia is just a catalyst of the crisis, not the cause. Even if the embargo was ended tomorrow, our problems with the agricultural sector would not be solved. Certainly, the embargo has made the crisis worse, but it's not the cause. Europe has traded with Putin's Russia for a long time now and pork imports have been sporadic during that entire period.

International relationships are going to be the key for next years if Europe and the other countries which clearly depend on this market want to maintain value market, price and demand, instead of introducing to a new crisis period again. The market relation between Europe and Russia and Great Britain should try to maintain past strategies to preserve demand, prices and distribution channels.

Global exports of foods and beverages from the UK since 2015 have seen substantial increases. According to the International Trade Center, categories that showed the most increases include Cocoa, up 24.9% to $955 million), Food Preparations up 22.3% to $2.6 billion, Vegetable and Fruit Preparations up 17.2% to $653 million, Cereal and Milk Preparations up 8.1% to $2.3 billion and Coffee, Tea & Spices up 6.3% to $556 million. The UK exports to the US total 14.5% of its total exports with the number one food export being in beverages at $2.1 billion.

On the other side of the pond, the UK depends on the EU for approximately one-quarter of its food, but only 4% from North America according to the UK Department for Environment, Food & Rural Affairs. Britain will be affected the most as the value of its pound continues to fall against the dollar and euro, making imports more expensive and more expensive and difficult for European countries to export products to UK.

This situation is going to be a problem for both; although Private Labels are going to suffer more.**Uk market is an important PL´s destination, climbed to 46 % in volume share in UK, the strict legislation and border issues will restrict and reduce their volume at UK market.** Although manufacturers are going to suffer as well, they can manage more budget and power, so they can use this situation to improve the position and market share at UK from PL´s. In addition, cost will increase; labeled or quality restriction will become a huge problem for PL manufacturers which will see reduce at margins. So, quality-price will be more important to differ from a lot of brands.

According to numerous consultants, **the futures of channel distribution are e-commerce and the use of digital technology**. Consumers are able to pick the products using their mobile phone or any digital gadget from anywhere and they just have to wait and the shopping is at their homes. This process will increase a lot during these years and more consumers will use it. Increasingly, retailers are **introducing e-commerce** models that make it even easier for tech-savvy, time-crunched consumers to get the items they need.

A smaller number of consumers are using **“click and collect” services** in which they order groceries online for pickup at a store or other location or at least they order groceries online and pick them up in-store or using a drive-thru The growth of **online CPG sales** has been driven in part by the maturation of digital natives, the consumers who grew up with digital technology (the Millennials and now Generation Z). These consumers have an unprecedented enthusiasm for and comfort with technology, and online shopping is a deeply ingrained behavior. Current usage of six e-commerce options (home delivery, in-store pickup, drive-through pickup, curbside pickup, virtual supermarket and automatic subscription) is greatest among the youngest respondents, and they are also the most willing to use all of the e-commerce options in the future.

European populations are driven to follow Asian and Pacific consumers, where digital shopping is most popular. The reason is that the region’s rapid urbanization and high population density make the home delivery model economically viable, particularly when coupled with low labor costs, as has been the case in China. In addition, booming smartphone ownership and usage have created huge mobile commerce opportunities. Finally, in China in particular, food safety concerns have driven consumers in search of high-quality goods online.

Of course, there are some differences in the way that some products are sold through these channels. Stock-up categories like personal care and household products are prime selections for e-commerce inventory, while immediate use items like fresh and frozen foods, condiments and beverages will be slower in adoption. However, there is tremendous opportunity **among niche consumer segments**—especially in the **healthy eating space** and other categories that may be more difficult to find on in-store shelves.

According to Nielsen, a number of specialty retailers have emerged in the health and wellness space, from national online grocery delivery services with extensive fresh sections to local produce delivery services. Additionally, specialized meal delivery services have emerged to provide consumers the ingredients (premeasured for a family of two or four) to make selected healthy meals in their homes. There is great potential for online retailers that offer consumers a wide variety of good-for-you foods and provide guidance for consumers aspiring to healthier lives.

E-commerce is only part of the digital picture. A complete digital strategy includes interaction at every point along the path to purchase, including finding stores, making lists, checking prices, researching products, sharing content and purchasing. These touch points occur both in and out of stores, and consumers are increasingly using technology to simplify and improve the process. In-store digital enablement options can bring the ease, convenience and personalization of online into brick-and-mortar stores.

Image 10. The Race to Convenience

Finally, it is important online and in-store is fundamentally different channels, with unique uses, expectations, challenges and economics. When developing a strategy, retailers need to consider the entire retail landscape and respect the differences between channels. **Online and offline tactics should complement each other to drive increased engagement and sales across all outlets**. Example like Amazon strategy which has started selling online fresh food delivery or frozen products, will be followed for more companies.

To conclude, national brands have to find the way of differentiation. The use of marketing will help them to find the key to get in touch with consumers emotions. Consumers will demand high quality at all the products, and it must be a requirement. National brands have advantage at this stage and they have a better emotional relation with consumers. Companies should develop their **marketing strategy based on an emotional impact at their clients**. Consumers with " fully invest" such relationship investments to brands are more loyal, switch less likely to other brands, are willing to pay a price premium or are less price sensitive and have higher brand forgiveness. Using again the interpersonal relationship metaphor, in this case, consumers see the brands as family and/or part of themselves. At least, some companies are starting to open the **own shops or creating their own space at supermarkets** (Examples. Lindt, Carte D´or, …), there are clearly advantages that permit companies control all the process from the productions, marketing, distribution to sales, but the risk and cost are still high. Only well-positioned and defined position labels are doing.

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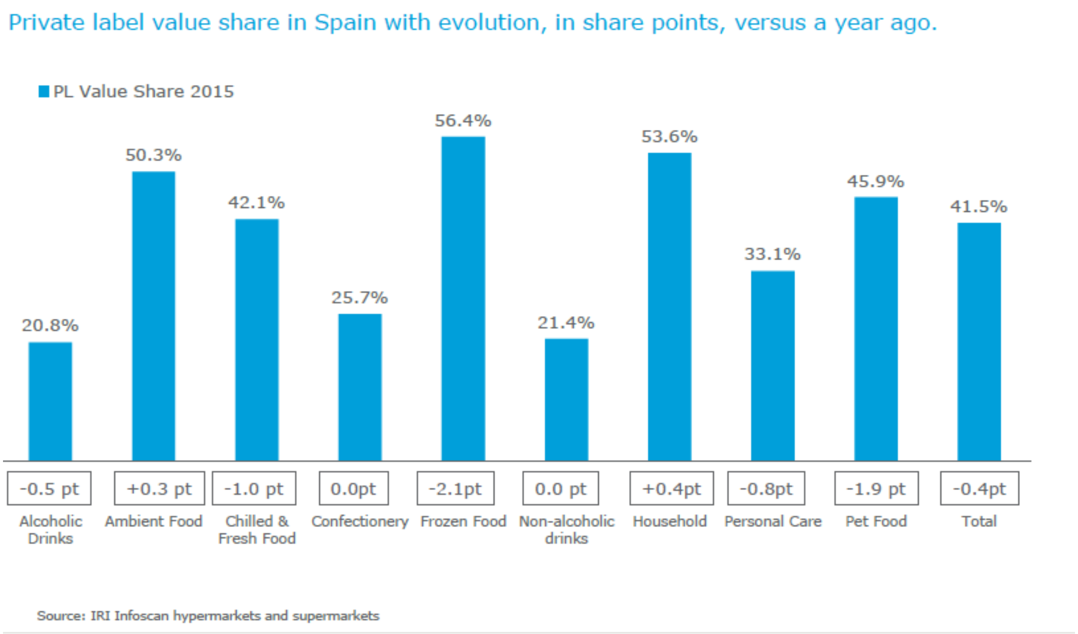
11. APPENDIX

CUESTIONARIO DE PREGUNTAS

1	**Eva Ortigas Velilla**	**CSD Culinarios (2013-2015)** **CSD Productos del Café (Horeca) en la actualidad**	**Nestlé**
2	**Silvia Rivas**	**Trade Marketing**	**Unilever**
3	**Toni Forés**	**Marketing Manager**	**Juvé &Camps**

1. Según los últimos datos del año 2015 en Europa la Marca Distribución ha alcanzado un 38.3 % de cuota en Gran Consumo, con una evolución no tan positiva como años atrás, cayendo en 0.6 pt. En España, sigue estando por encima de la media con un 41% de cuota, pero sin llegar a adelantar a la Marca Fabricante.

En su caso, dependiendo de la categoría según el gráfico ¿Qué peso tiene la Marca Distribución en la categoría categorías en las que están presentes? ¿Qué evolución ha tenido a lo largo de los últimos 3 o 5 años?



En el caso de las categorías que yo gestioné desde 2013 a 2015 (Ambient Food), había bastante disparidad, desde categorías dónde prácticamente el 70% de la cuota era para PL como el Tomate Frito, pasando por otras como Platos Preparados Esterilizados donde suponía un 45% y en otras donde no conseguía introducirse como Noodles (5-10%). Sí que es verdad que se notó una ralentización en los últimos 3 años e incluso en categorías como Platos Preparados un descenso de cuota.

La DOB en la categoría de Wash&Care también está teniendo una ralentización, actualmente tiene una cuota de mercado de 19,67% en valor. Perdiendo 136 bps entre YTD14 y YTD16.
La cuota en volumen actualmente es de 31,5%, perdiendo 59 bps entre YTD14 y YTD16.

En el mercado del cava la crisis y una oferta más amplia de productos con marca de distribución han ayudado al incrementado de las ventas de estos. También es verdad que desde el 2014 con una mejoría de la economía se han ralentizado el crecimiento de las marcas de distribución en el sector del cava hasta disminuir las ventas como está pasando actualmente.
El 2015 las marcas de distribución en el sector del casa tenían un share de 17% total mercado cava nacional (datos IRI panel detallista).

2. En muchas de las categorías, la marca distribución se sitúa como la marca con más participación de mercado. ¿Diría que es su principal competidor? ¿O siguen siendo el resto de fabricantes? ¿A quién teme más?

En mis categorías era mi principal competidor. Sí que es verdad que hablamos de Platos Preparados Esterilizados y Deshidratados donde se encuentra mucho producto “básico” de fondo de despensa y no demasiado difícil de copiar. Casos como el Café Soluble, el Cacao en Polvo o los Noodles, son muy distintos. Ahí son los fabricantes los que luchan por la calidad del producto, son marcas de toda la vida y la marca blanca no consigue posicionarse como en otras categorías más básicas.

La marca de distribución actualmente es la marca con más cuota de mercado pero no es considerado el principal competidor. Nuestro posicionamiento en el mercado compite contra el resto de fabricantes. La marca de distribución normalmente construye en volumen, mientras que el resto de fabricantes juegan tanto en valor como en volumen (dependiendo la marca).

Para nosotros sigue siendo el resto de fabricantes nuestros principales competidores. Esto es debido principalmente que en el segmento de precios que se mueven nuestros productos no encontramos ninguna marca de distribución. En nuestro segmento el consumidor premia la calidad vs precio.

3. Dado el desarrollo en España del canal discount (Mercadona, Dia% y Lidl) en el que han ganado 2 % de cuota cada año y que suponen casi el 50% de la distribución en España, ¿Cómo ha afectado este desarrollo a su estrategia de Marca? ¿Se han visto obligados a desarrollar nuevos productos orientados para este canal? ¿Han diferenciado marcas / productos para este canal? ¿Se ha visto afectada su innovación o novedades?

Si quieres ser el líder y crecer con tu cifra de negocio has de estar constantemente adaptándote tanto al consumidor como al canal. Igual que nos hemos adaptado a ser mucho más digitales y lanzar e-commerce y promociones a través de Facebook, está claro que nos hemos tenido que adaptar al canal y ofrecer formatos específicos para éste. Así mismo, al tratarse de un canal de surtido corto, la dificultad de referenciar novedades te reta como fabricante a lanzar realmente productos que vayan a ser un éxito. Y aunque sean hard/soft discount, no son tontos, y si algo funciona, lo quieren.

El gran desarrollo del canal discount ha creado la necesidad de trabajar con ellos e intentar tener el máximo número de referencias listadas en sus tiendas. El listing o deslisting de una única referencia es muy importante en el canal discount, aun así desarrollar productos o diferenciarlos versus el resto de enseñas o canales no es posible en España. Si una innovación consigue ser listada en uno de estos discounts, el pipeline (el primer pedido) es de un volumen superior al resto de clientes y se tiene que tener en cuenta para no romper stocks. Este listing implica conseguir una distribución mayor en menos tiempo.

Nuestra presencia en canal discount es muy baja debido estrategia de bajos precios, mucha promoción, poco surtido y potenciación de la marca del distribuidor que desarrollan los discount. Para nosotros no es un canal prioritario y por eso motivo no hemos variado nuestra estrategia.

4. El canal Discount, especialmente liderado por Mercadona y Lidl ha conseguido que sus productos tenga marcas propias bien valoradas por sus consumidores, en los que se valora especialmente su binomio de precio - calidad, y donde el consumidor ya no sólo busca el precio. ¿Cómo han luchado contra este fenómeno? ¿Cuál es el punto clave para diferenciarse y conseguir fidelizar al consumidor para que no se vaya o para que no pruebe estas marcas que suelen ser más económicas?

Evitar que el consumidor pruebe estas marcas de distribuidor es prácticamente imposible. La misión de los fabricantes no es conseguir que no las prueben sino que no repitan, y eso se consigue ofreciendo productos de calidad, realizando promociones atractivas, trabajando en el engagement de las marcas con el consumidor final y con una fuerte inversión en medios. Cuando realmente tu producto es bueno y el factor económico de necesidad deja de ser el primer driver de consumo, la gente vuelve a su marca de siempre.
Sí que es cierto que en otros sectores fuera de alimentación, ejemplos como Deliplus o Bosque Verde (marcas de cosmética y limpieza de Mercadona), están haciendo muchísimo daño a los fabricantes, puesto que aquí el tema emocional o de fidelización a una marca es mucho menor.

Se puede luchar de muchas maneras siempre dentro de las posibilidades. La forma que repercute directamente pero también de las más difíciles es intentar reducir costes, no tanto de producto, sino en la manipulación y el servicio como por ejemplo hacer un picking especial más económico o servir un volumen mínimo.
Otra forma, es dar una serie de beneficios que la marca de distribución todavía no esté ofreciendo e intentar diferenciarse lo máximo posible intentando hacer por ejemplo que el producto sea lo más profesional posible, u ofreciendo un servicio post-venta o intentar que el cliente quede conectado “sentimentalmente” con la marca y hacerlo partícipe. Otra forma sería realizar un pack o promoción con un valor añadido que la distribución no ofrezca.

Principalmente nuestra apuesta por la calidad y la innovación es nuestro principal reclamo para el consumidor, pero repito como en la pregunta anterior, nuestra presencia es muy limitada en este canal y no hemos realizado ningún plan especial.

5. Por los datos que hemos visto en el último año 2016, parece que la marca distribución empieza a ser más estable y no viene con crecimientos tan potentes como ha hecho hasta ahora. ¿Cuál cree que será la tendencia en sus categorías para los próximos 5 / 10 años? ¿Cuál cree que será la amenaza principal de la marca distribuidor?

La principal amenaza de la MDD es la recuperación económica y la continua inversión de los fabricantes en innovación y renovación. En mis categorías de Alimentación Seca ya se estaba notando una ralentización del crecimiento de la MDD y creo que será algo que se estabilice por completo o incluso que empiece a dar evoluciones negativas. El consumidor cada vez es más exigente, se cuida más, se preocupa más por la salud y la nutrición, busca productos ecológicos o bio, y confía en las grandes marcas de empresas de toda la vida, asi que creo que la tendencia de categorías como Cafés y Culinarios será positiva en los próximos años y conseguirán frenar a la MDD.

Creemos que la marca de distribución seguirá decreciendo pero llegará un punto en el que se mantendrá estable. No vemos una amenaza fácil y clara ya que el consumidor hoy en día ya aprecia la marca del distribuidor como una marca más, dándole el valor añadido que implica ser una "marca". Una posible amenaza que ya pasa hace años es que no compense al distribuidor la venta de sus productos, al tener un precio de venta al público tan bajo hace que el margen que gana la enseña vendiendo un producto de su marca de distribución vs. el resto de fabricantes sea mucho inferior, esto a veces crea incongruencias entre las directrices de la central y las propias tiendas.

La tendencia será crear más valor en la marcas de distribución debido a que el consumidor asocia barato con baja calidad. Con la evolución positiva de la economía los productos con marca distribución reducen el crecimiento e incluso empiezan a bajar como está pasando en el primer semestre de 2016. Además también se observa un crecimiento de los establecimientos discount que posicionan su marca con un surtido muy reducido de competencia.

6. Si pudiera volver atrás, teniendo como experiencia todo el aprendizaje de los últimos 10 años, ¿Qué cambiaría a nivel de estrategia para contrarrestar a la marca distribución? ¿Cuál cree que será el valor más relevante para diferenciarse de la marca distribución en el futuro?

Jeje hace 10 años no sabía ni que existía la marca blanca!!!
Fuera bromas, creo que lo único que realmente podría haber frenado a la marca de distribución es la no existencia de una crisis económica y de una cadena llamada Mercadona. Desde mi punto de vista los fabricantes lo han hecho bien, han seguido apostando por productos de calidad, por marcas potentes, por inversión en medios y por una constante innovación haciendo caso a las nuevas tendencias y demandas del consumidor final. Es verdad que ha habido que ajustar precios de mercado y ser más agresivo promocionalmente, pero realmente pienso que la Calidad, la Fuerza de una Marca, la Preocupación por un futuro mejor con productos respetuosos con el medio ambiente y Sostenibles y la constante mejora en temas de Nutrición y Salud, tiene que seguir siendo lo que diferencie a un Fabricante de una MDD.
HACENDADO puede ser una marca súper conocida por todo el mundo y con una buenísima percepción calidad – precio, pero nunca representará los valores ni el vínculo emocional con el consumidor de una marca como LITORAL o NESCAFÉ.

Aquellos que han podido diferenciarse más son los que han podido frenar el crecimiento de la marca de distribución en su categoría, la estrategia es diferenciarse no con un producto nuevo ya que la marca de distribución lo va acabar copiando, si no dando otros servicios al cliente que la marca de distribución no puede ofrecer y estudiar bien a los consumidores para saber que pueden necesitar, así como crear una “lovemark”. (Ejemplos: Apple, google, Coca-Cola...)

Crear una categoría que se posicione en incrementar el valor de producto y un incremento del precio de los mismos. Creo que la calidad y la innovación siguen siendo dos valores esenciales para la diferenciación de las marcas de fabricantes vs la de distribución.