Private Label in Europe 2012
Is there a limit to growth?

OCTOBER 2012

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Private Label in Europe

Introduction – Driving growth

The ***SymphonyIRI Group Private Label in Europe 2012 Special Report*** reveals how Private Label (PL) is helping consumers across the continent reduce the cost of their weekly shop.

Most leading retailers have well-established multi-tiered PL offerings but they face the challenge of how to remain innovative to retain customer loyalty whilst demonstrating that buying PL does not have to mean compromising on quality.

This detailed Special Report demonstrates that across the nine macro-categories surveyed – alcoholic drinks, ambient food, chilled and fresh food, confectionery, frozen food, household, non-alcoholic drinks, personal care and pet food/pet care – PL remains on average 30% cheaper than equivalent national brands (NB).

For European shoppers suffering recession and stagnant wage inflation the economic reasons for choosing PL is clear, but the price gap does vary. It is widest in Greece, France and Germany but much narrower in the UK and Italy. The price difference is closing overall as NB's respond to PL's growth by investing in aggressive pricing and promotional strategies to retain market share.

Although NB's are still driving growth in many categories, PL is often responsible for a disproportionate share of growth in relation to its share of the market, and in some cases it provides the only volume growth. This report outlines where and why PL is growing and explores current and emerging PL trends across Europe in the UK, France, Spain, Italy, Germany, Greece and the Netherlands. It also provides retailers and FMCG brand owners with valuable insight into how the on-going economic pressures are affecting shopper behaviour and brand loyalty in food and non-food categories.

We at SymphonyIRI look forward to helping FMCG retailers and manufacturers navigate through what remains a very challenging economic environment across Europe.

Rod Street
Executive Vice President, International Consulting
SymphonyIRI Group

Executive Summary – Current and emerging trends

The recession across Europe has continued for longer than expected and retailers are more conscious than ever before of the importance and value of their own brands.

PL's share is rising across Europe with its value share up 0.5% at 35.6% and unit share also up 0.5% at 45.1%. Its share has risen in every food category, although the picture for non-food is less clear across the continent.

Manufacturers are fighting hard to protect their value and unit market share with clever promotion and pricing strategies, the re-engineering of some lines and the launch of new variants. Retailers are also being more creative. Venture Brands in particular are appealing to shoppers who might not otherwise consider PL.

Of course, retailers still need high-profile NB's which effectively act as category 'sponsors' to tempt shoppers into store and into the category.

One way to grow sales of PL and NB is for retailers and manufacturers to work more closely together to track and analyse shopper behaviour. They must also be braver and more innovative when it comes to new product development and packaging. It can be tempting to rein in R&D investment in a recession but creativity and new value is a powerful sales driver and differentiator especially in such a long economic slump.

Nevertheless the rationalisation of brands in many categories has accelerated, but stores must be careful not to alienate shoppers who will always want to buy their favourite brands. Retailers also need to be aware that PL could soon effectively hit a ceiling in some categories making further share drives counter-productive and even eroding value, although it is difficult to judge ahead of time where this limit might be.

NB's must analyse what is happening in each category and respond accordingly as different issues are at play here. Promotions to reignite brand loyalty will tempt consumers back to manufacturers' brands but price rises cannot be avoided if raw material costs, particularly in food, keep moving up. Rising costs are a challenge that retailers promoting their own labels cannot ignore either.

During a recession retailers rightly focus more on PL because it delivers a higher margin return and stores have greater control over category, in-store displays and promotions. The growth in PL has prompted NB's to spend more time assessing the competitive risks in each category, developing and adjusting their portfolio and how they approach individual retail chains.

In all seven countries PL promotional support is growing less quickly or falling faster than the total market. Volume on deal for PL brands is consistently lower that the total FMCG average support across Europe. The differential is typically 10% points. Italy, the UK, the Netherlands and Germany have seen volume on deal increasing in 2012 whilst promotional support has declined in other countries. Some retailers feel a need to promote on a category by category basis and this is shaping NB's activity.

All across Europe retailers have been investing in their PL ranges to ensure that there is something for shoppers at every price point in a category. The dynamics in each national market may be different but the underlying drive is consistent.

With the growth in PL there is a question as to whether in some categories we are approaching a ceiling beyond which PL cannot go without undermining a retailer's share of shopper. There is some evidence that too much PL in any category can damage margins for all and reduce shopper traffic.

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Executive Summary – Countries highlights

❑ **United Kingdom** - In the UK, champion of PL sales in Europe, retailers are spending more on marketing, including additional TV advertising, to reiterate to consumers that buying PL does not mean compromising on quality. Aldi, Asda, Morrison and Tesco are all shouting louder than ever before about their PL and the improvements and innovations they have made to their own brands.

❑ **Netherlands** - Established retailers such as Albert Heijn are working hard to develop their PL so they retain consumers at a time when discounters such as Lidl and Aldi are expanding their branch networks. One indication that shoppers in the Netherlands are still finding it tough financially is that 'value' remains the best-performing tier of PL and it is rapidly expanding its on-shelf presence.

❑ **Greece** - The dire economic situation in this country is a blessing for PL, which appeals to hard-pressed shoppers because products are on average 45% cheaper than NB. In fact, PL has doubled its market share in supermarkets and hypermarkets in five years.

❑ **Spain** - The Spanish are also huge fans of PL, which takes a 41.5% share of sales, the second highest of all the countries surveyed. Leading retailers such as Mercadona and Eroski are increasing their ranges with more launches in non-food areas, such as perfumery. We are also seeing the introduction of more PL ranges at different price points and new PL lines that are healthier and greener.

❑ **Germany** - The Germans have a particular fondness for PL ranges and they tend to purchase them regardless of whether or not they are on promotion if the quality is good. However, PL deals remain prolific here with off-shelf displays dominating. Although there is evidence PL promotion volumes are reducing as many PL brands feel they are strong enough to compete with NB without having to promote quite so much.

❑ **Italy** - The disposable income of Italian shoppers took a massive hit after VAT rose to 21% and soaring raw material prices pushed up the cost of many brands. It means PL volumes are generally flat as Italian consumers hunt out the cheapest deals, whether PL or NB. Retailers such as Conad and Esselunga are responding aggressively to this trend by increasing shelf space for their PL at the expense of some NB.

❑ **France** - Shoppers are less price sensitive in France where NB's are still driving value sales growth in almost every category. There may be a retail price war going on but for many French consumers buying decisions are dictated more by health and wellness considerations. Also, they are concerned about the origin and the quality of the ingredients. In fact, there is evidence that PL prices are actually increasing faster than NB prices in France.

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Turning key insights into actions

Key Insights	Actions
PL has increased its share across Europe with a value share of 35.6% and unit share of 45.1%. Value shares vary from 16.8% in Italy to 50.5% in the UK.	PL growth indicates the strengthening of retailers' approach and continued down-trading pressure in grocery. A projection of the changing shape of tiers and shares in each category should be used to help take pre-emptive positions and used to build a strong overall category offer.
PL share of food categories has increased in all countries in the past year but non-food is increasing only in the Netherlands, Italy and Spain.	Food manufacturers in particular need to review brand propositions for saliency and value in the face of continued pressure on shoppers. Variation by country and category illustrates the vital importance of reviewing at this level to develop specific strategies rather than taking a broader approach.
PL lines cost on average 30% less than an equivalent NB. The price gap is widest in Greece, France and Germany and narrowest in the UK and Italy.	KPIs that measure both price gaps and share trends are a critical part of metrics for managing category positions effectively. These should be related to shopper behaviour for a fuller picture of change drivers.
Manufacturers are promoting more aggressively and developing more sophisticated pricing strategies to retain their market share. In all seven countries PL promotional support is growing less quickly or falling faster than the total market.	Price sensitivity remains a key driver of share trends and one factor in the growth of PL. Promotional and price optimisation is a critical weapon in addressing this. Suppliers need to evaluate everyday price positions and use promotional investment carefully to build volume, position and consumer saliency.
The on-going recession is putting pressure on research and development budgets but product innovation is a key differentiator for both PL and NB.	For retailers and suppliers alike, distinctiveness on the key category buying dimensions is of the greatest importance in strengthening market share and pricing power. With funding constraints money needs to be targeted to those categories with the highest potential returns.
Retailers need to review growth rates in their PL share of shelf and category against their share of trade to be aware of saturating categories with PL and losing growth potential.	Retailers need to consider PL portfolios category by category (not merely consider good/better/best positions) to identify opportunities for growth. Assortment remains a critical penetration and shopper retention driver, category by category.
Only in Spain and the Netherlands has more than 50% of FMCG value growth across food and non-food been driven by PL. However in many countries, such as Spain, PL is responsible for a much higher share of growth than NB.	Manufacturers need to examine both value and volume positions in categories, by retailer, to understand risk factors and the sustainability of current portfolios in the face of sustained economic pressure on households.

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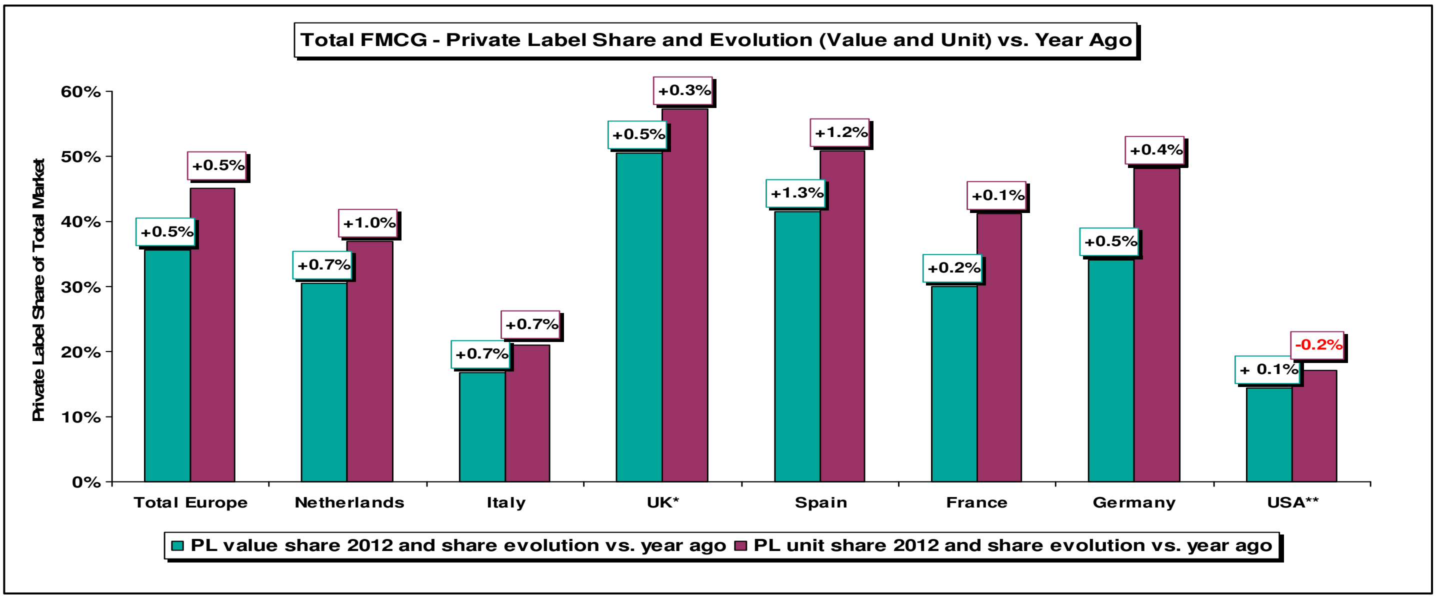
The impact of the continuing recession



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.
*Source: Kantar Worldpanel; 52 weeks ending 10th June 2012 versus same period prior year. Channel coverage: supermarkets, hypermarkets and discounters.
** Source: SymphonyIRI Market AdvantageTM, total U.S. multi-outlets, 52 weeks ended 9th September 2012 versus same period prior year.

PL's share is rising across Europe with its value share up 0.5% at 35.6% and unit share also up 0.5% at 45.1%.

Tough times facilitate PL growth in Europe

Europe is now entering into its sixth year of economic turbulence and is changing consumer attitudes to brands for ever.

The economic downturn is largely responsible for accelerating the growth in sales of PL although this is being facilitated by the continual drive for depth and quality in the product. Retailers are awarding PL more prominence in-store to secure greater margin at the expense of smaller and mid-ranked NB.

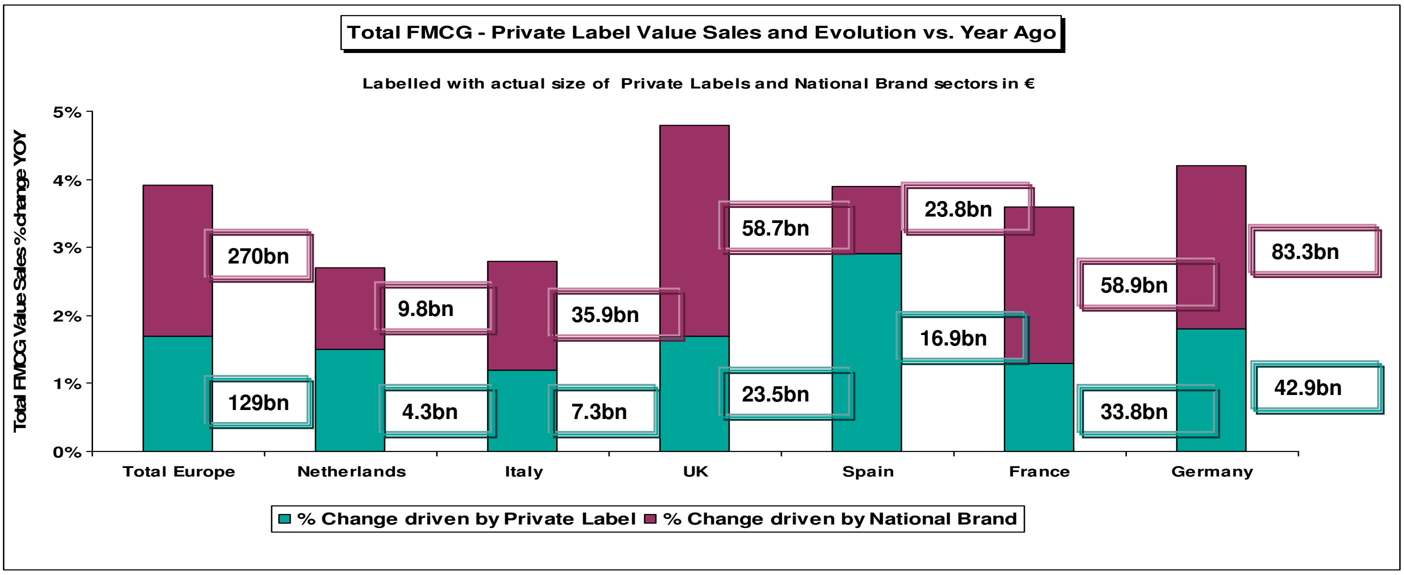
Similarly the economic squeeze is boosting the growth of new channels – both convenience outlets and online sales. An ideal cocktail of factors is helping here: the desire to reduce the big shopping trip and the associated motoring costs; the drive to greater preplanning and control in the shoppers list which favours the online environment and top-up specific shopping trips; the ability to compare and select only the 'best value' on offer.

Combined with the improvements in accessibility to online shopping and a better customer experience, both channels will continue to grow and there will be more of a squeeze on large physical stores.

This continued caution from shoppers over the cost of their shopping basket has also led to NB continuing to boost trade promotion activity which has fuelled a slight and continuing trend towards the price gap narrowing between NB and PL. As activity, already at very high levels in some countries, continues to be the supplier response to consumer pressure, the confusion that it can create in shoppers minds is leading more to look at ways to simplify prices.

Retailers like Asda, in the UK, and Mercadona in Spain have all pushed this 'everyday low pricing' approach to shoppers to help them to perceive value even in tough times and others have also experimented. Against the confusing melee that is often in-store promotions and prices these sorts of strategies are only likely to boost PL further.

Consumers are adopting Private Label



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

All countries have seen value sales growth with sales typically growing between 3% to 4%. In Spain and the Netherlands more than 50% of this growth has been driven by PL.

Consumers' new attitude is here to stay

PL is challenging the position of NB's as its share increases across Europe. Even in France, where consumers are more reluctant to turn their backs on their favourite brands despite tightening budgets, consumers are beginning to switch to PL in larger numbers as the recession drags on.

In Spain, PL has been the consumer champion during difficult times and now has a value share of more than a 41.5%.

In all the countries surveyed value sales are up overall with the exception of Greece, but PL is normally responsible for a much greater share of growth in comparison to its share of the market.

Consumers are becoming more willing to test the value as they are persuaded by the retailers' quality arguments with regards to the taste and performance of food and non-food PL.

In Spain, a survey by IESE Business School discovered that market leading retailer Mercadona's Hacendado brand is one of the country's most loved brands.

In France many consumers still need persuading to switch away from NB as PL's value share of sales rose only slightly from 29.7% in 2011 to 30.0% this year. Nonetheless, shoppers are adding more PL into their shopping basket than they perhaps would do in boom times and this is having an effect on loyalty. In Italy, for instance, 57% of shoppers now change their brand 'very often', up from just 16% in 2004 (source: SymphonyIRI Shopper Insights).

In the UK Tesco has also started pushing its Venture Brands to boost share among shoppers who want value for money but might be put off purchasing a traditional PL range. It launched its first venture brand ChokaBlok in 2010 and is now selling ChokaBlok ice cream in non-Tesco outlets for the first time.

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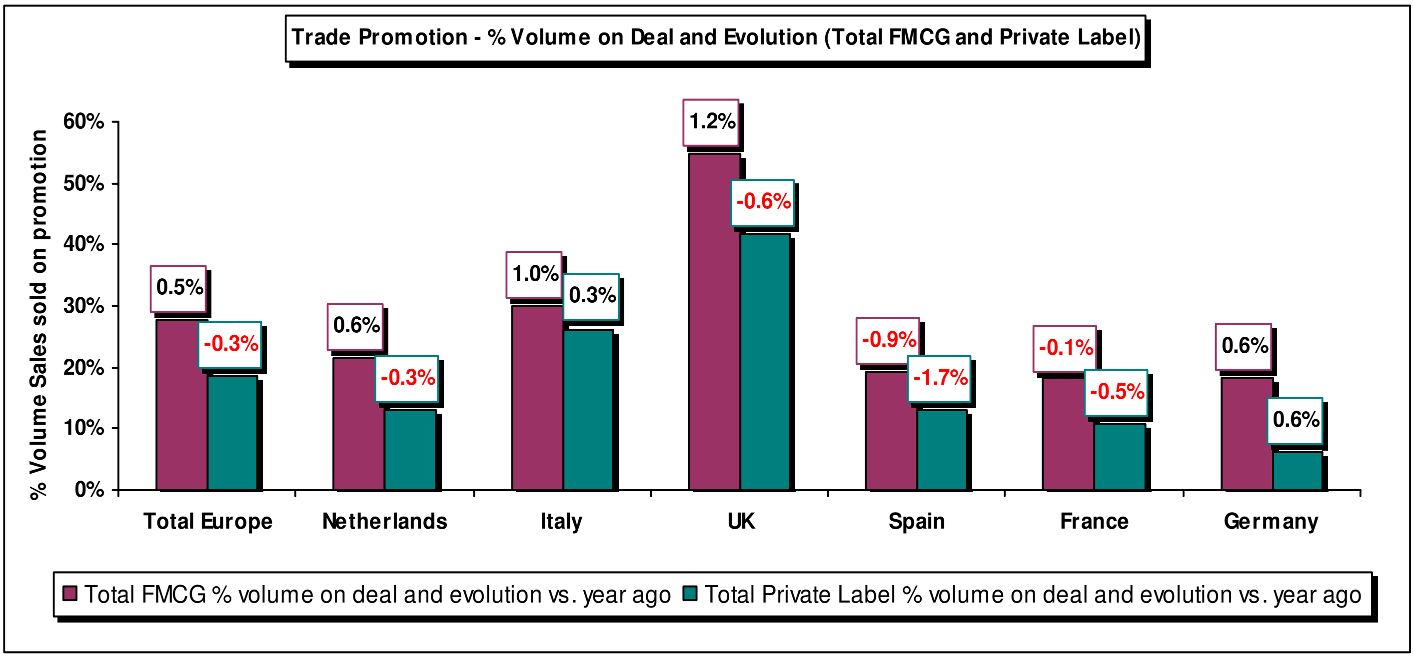
National Brands still find growth



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

Volume on deal for PL brands is consistently lower than the total FMCG average support in all countries, with the differential typically being 10% points.

National Brands sustained by promotion

Despite the recessionary climate NB's can still hold their own and grow sales. Germany, with its strong economy, is the only country where NB are also driving unit sales growth. However, elsewhere PL sales are down in some categories. In the Netherlands, for instance, there has been a fall in PL sales in coffee, frozen fish and personal care. There is no pre-determined upward trend for PL. Shoppers still need to be offered the right proposition in each category.

In the search for growth NB's are pressing on every aspect of the marketing mix – seeking to optimise their offer to the consumer and drive share. No clear overall picture emerges from this across Europe regarding on its impact on for instance, pack sizes, brand variants or promotional tactics. In some cases suppliers have managed to grow their category position through trading shoppers to larger sizes, in others they have targeted new sizes to specific price points to enable the shopper to buy within their weekly budget.

Internet shopping has also provided NB's with a platform for growth. At its simplest the shelves are longer and the ability to maintain availability easier online so enabling those brands in categories where variety is a key consumer value to offer their wider range easily.

The counterbalance to this is the price transparency and sensitivity that the web enhances in all shopping experiences and which provides retailers with a powerful platform to promote and sell their own, normally cheaper brands.

PL is likely to grow online as more shoppers opt for an online or multichannel experience. Once the PL manages to secure a position in the favourites list for the shopper it will be well entrenched.

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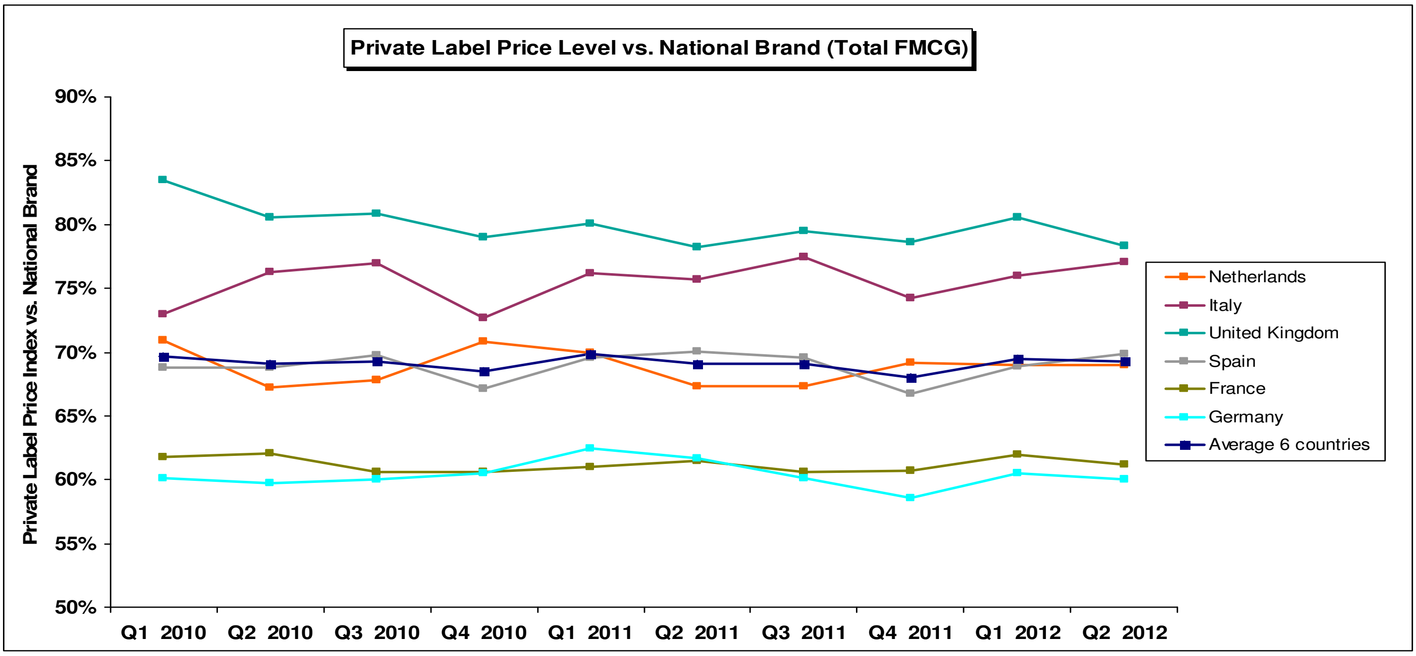
Is there a ceiling on Private Label growth?



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

PL goods cost on average 30% less than an equivalent NB.

The right balance

As PL seemingly relentlessly continues to grow in every market across the world where modern retail chains have become established, there is a real concern by NB's that their growth might be unstoppable. The recession has only accelerated this trend, jumping it to a new level and there seem to be few examples of categories where once dominated by PL they are reclaimed by NB's.

Shoppers continue to buy PL if the quality of the products is good and the price attractive.

Often the victims from the growth in PL sales are the weaker mid-tier NB that lose out as retailers rationalise their ranges down to the top brands and PL to accommodate on-shelf more of their own label to boost their margins or other categories to grow share.

Yet consumers still want to buy their favourite brands and there must be a real question as to whether in some categories we are approaching a ceiling beyond which PL cannot go without undermining a retailer's share of shopper.

In certain categories, such as milk, fresh produce and chilled meals, there does not seem to be an obvious limit on how much share PL can take. Retailers have successfully staked out their quality offer on these categories, but in other categories it is by no means clear that shoppers want only PL or PL plus a leading brand.

In categories, such as toothpaste or soup, many consumers want to be able to choose a brand, like the variety offered by different competitors or want more nuanced and subtle values that are not easily replicated by a retailer. Observation of the health and beauty categories over the last decade provides a sharp reminder of the power of NB's even against well-crafted PL. Shoppers trust the health benefits of particular toothpastes more than others or prefer the taste of a specific NB soup. In a niche category such as ketchup many consumers will never compromise. Heinz for example has an estimated 60% share of the ketchup market in the US and 78% in the UK.

In some categories PL might struggle to exceed a certain share of market even if it is cheaper, promoted or given disproportionate space on shelf. In mature retail markets, such as the UK and

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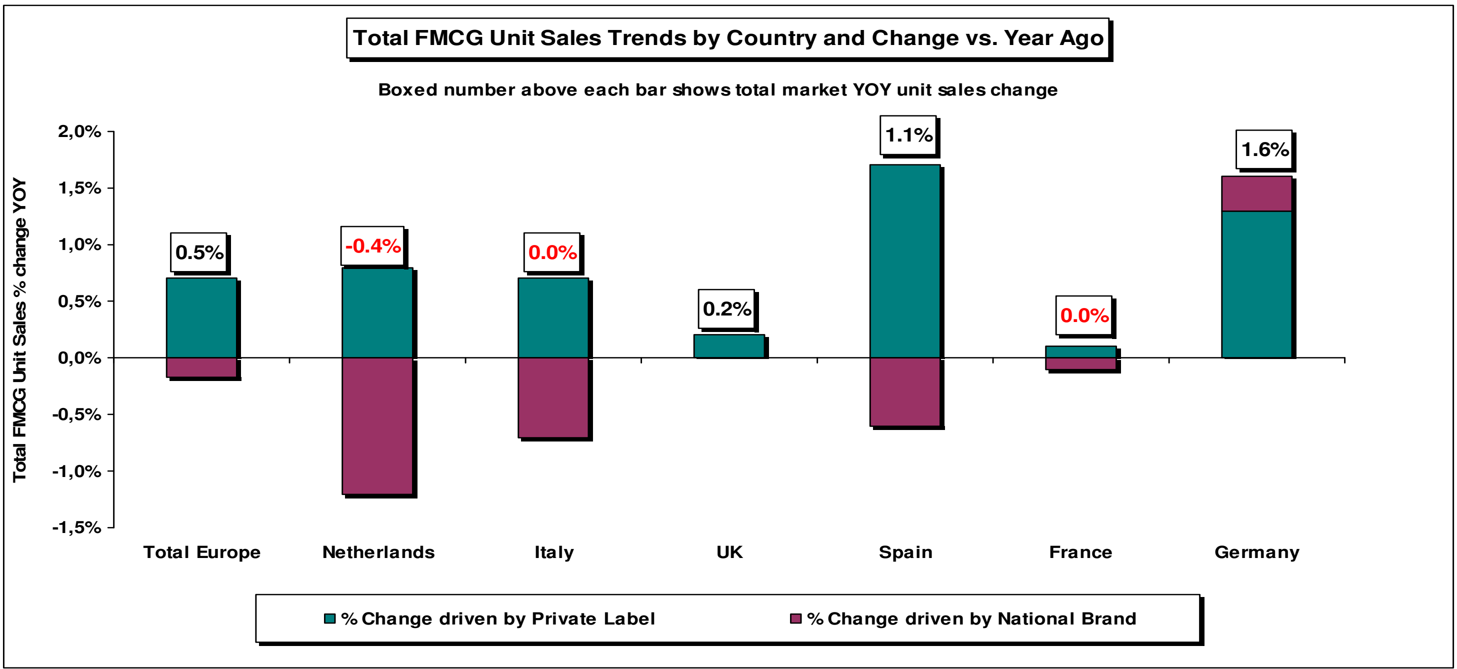
The need for innovation and differentiation



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

In all countries PL unit sales trends are out-performing NB; with the exception of Germany NB sales are declining or flat and PL is driving any growth in volume in the latest year.

Germany, PL sales growth has slowed over time and stopped even in categories where it is extremely strong. There is, in effect, a natural 'ceiling'.

So why should PL hit a ceiling? Ultimately most consumers buy a repertoire of brands at different times throughout the year so PL's market share will fluctuate. Almost no consumer buys only PL or NB and different people are price or quality sensitive depending on their personal circumstances.

There are psychological factors at play too. Even in the darkest recessionary times consumers will occasionally want to treat themselves and are less likely to reward themselves with a PL brand. Factors such as perceived and real health benefits, the convenience of the packaging, pack size and price all play a role in consumer choice.

Retailers with strong PL policies and offers need to bear this in mind in their own quest for growth to make sure that merchandising and range selections do not choke off growth at the expense of the prominence and emphasis on the PL offer.

This not only means is that any range rationalisation must be done with extreme care, however strong a retailer's own brand might be. It also means that relationships with leading NB suppliers and merchandising strategies need to be approached positively and proactively. If people cannot pick up their favourite brands in-store or feel their choice is being constrained they will go elsewhere - and not just for that category!

Growing through innovation

Product innovation is a driver of growth for PL and NB and in recessionary times it becomes even more important. It can be as powerful as price and promotion in generating value and unit sales.

One reason for the perceived lack of innovation and differentiation is a conservative attitude among manufacturers and retailers who prefer to avoid the high failure rates evident across the industry in new product developments and play it safe. Their attitude being reinforced by cash-strapped consumers becoming more risk-averse about buying unknown or premium new products.

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The need for innovation and differentiation

It is 12 years since SymphonyIRI in the Netherlands launched its innovation monitor and the latest evidence is that innovation among NB is the lowest it has ever been.

Ultimately there is a need for PL and NB to co-exist in store, so both have a responsibility to be innovative and creative. Without NB effectively acting as category sponsors and exciting shoppers to enter and trade up in the category most PL ranges would suffer. Therefore every brand must find a good strategic position so that the entire category benefits from creative thinking. Only real differentiation will encourage consumers to try new products.

Of course, there is innovation taking place across Europe. Many PL brands are taking the opportunity to be different and move away from simply mimicking the leading NB and being seen as a low-cost alternative. Indeed, consumers need to see something that is really different to persuade them to change their buying habits or to spend money they might not have budgeted to.

Retailers are moving their products up-market and/or playing to consumers' desires to shop more responsibly. There are many examples of this, from Netherlands retailer Albert Heijn's environmentally-friendly Pure & Honest range to the UK's Sainsbury's allergy sensitive 'Freefrom' range. In Italy Conadis extending its Alimentum line with a range of products for people with special nutritional needs, and a gluten-free offer across its pasta and bakery lines.

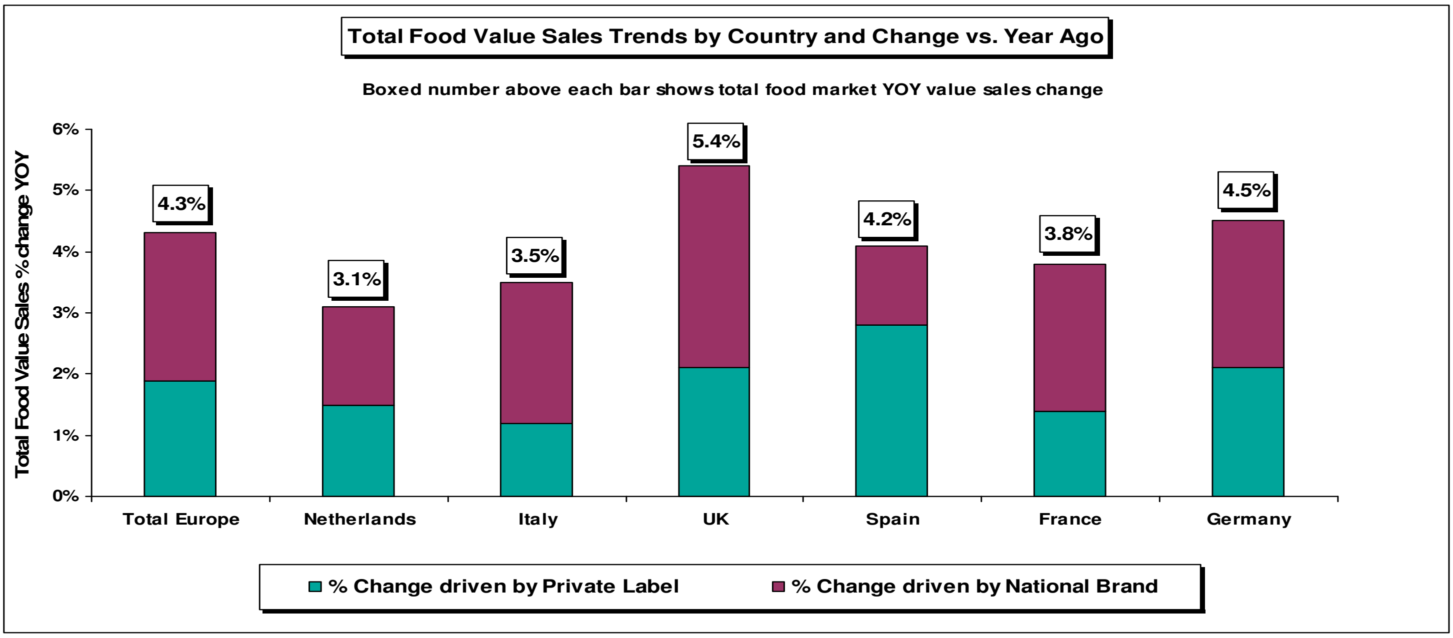
These sort of developments are exciting but the in-depth understanding and focus that NB's bring to their categories would add much needed insight to retailers' offers in many categories and favours those that work in partnership to develop the category and reduce the overall cost of research and development to do this.

With volume sales flat-lining across many categories there is a need for the merely adversarial relationship between the retailer's buying team and the manufacturer's sales and marketing functions, to migrate to a more integrated and co-operative working pattern supported by in a joint business plan.

Retailers and manufacturers need to share the insights and the trend data that they collect on a daily basis about shoppers' buying habits to help drive innovation. This will ultimately boost sales and store and brand loyalty.

Only in this way can the innovation agenda be pressed forward in the current environment. Our research confirms the challenge of product innovation. Even of those products that survive the weeding process of most new product pipelines, the success rate is only one in five. In the grocery environment, food and drink makes up almost 56% of new products but these are on average less successful than other sectors. Personal care, with 28% of new products, has the highest success rate. Across Europe success rates are higher for non-food than for food.

Private Label trends in food and non-food



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

PL share of food has increased in all countries.
Spain has seen share growth accelerate ahead of other markets.

Private Label trends in food

PL value share of food has increased in all countries with Spain accelerating (1.2%) ahead of other markets. The countries with the next highest growth are the Netherlands, Italy and Germany, each up 0.6%.

PL has been driving value growth in nearly every category in Spain (the only exception being non-alcoholic drinks) as retailers expand their own label to meet shoppers' desire for quality and healthy eating. Eroski, for instance, has launched Sannia, a PL range with reduced salt, sugar and fat.

The Euro-crisis means Spanish shoppers are a classic example of what happens with food buying in a very harsh recession. People buy what they need when they need it, purchase less each time they shop but buy more often, and reduce the food they waste.

Germany saw its value share for food rise by to 35.7%, with sales particularly strong in chilled and fresh, frozen and ambient food, where more than half the overall growth is driven by PL. Value sales in PL packaged sausage, cheese and milk were driven by raw material price rises which were passed on to shoppers.

Food prices in the UK are rising faster than anywhere else in Europe at more than 5.0% but wages are stagnant. Retailers have had success in persuading consumers that the quality of their own label is as good as or even better than NB. Walmart-owned Asda, for instance, is publicly promoting the fact it is collaborating with food experts and pushing the input of consumers into its own label development. About 50% of Asda's food sales are PL.

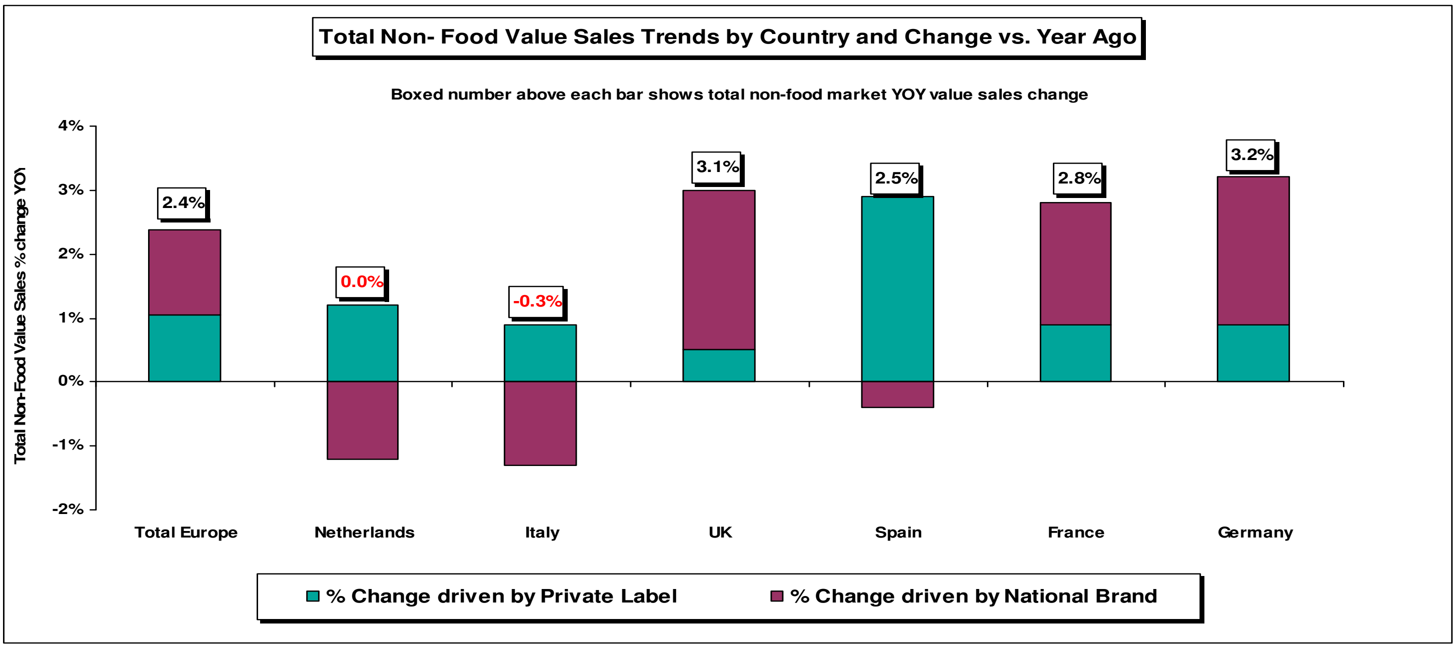
PL's food growth in the UK has slowed slightly in 2012 due to aggressive promotions by NB owners. Only in chilled, fresh and frozen food is PL driving the value growth.

In Greece the price differential between PL and NB has narrowed, as the cost of price promotions by NB has taken its toll. PL is thriving here especially in breakfast products including jams and cereals.

In Italy the FMCG market took a hammering from double digit increases in many commodity costs including coffee, wheat and sugar. Frozen food has the highest PL value market share at about 25% of all sales. The largest year-on-year growth however came in ambient food where the price gap with NB has widened considerably.

Private Label in Europe

Private Label trends in food and non-food



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

PL share for non-food in the Netherlands, Italy and Spain has increased but it is flat or declining in the other countries.

Frozen food has the highest PL share in France, but French shoppers are the most reluctant Europeans to move away from NB. Only in chilled and fresh is PL driving value growth.

The Netherlands is one of the few countries where frozen food is failing to grow its PL value share, although own brand is strongest in chilled and fresh. Among the more specific categories where PL has increased its market share are juices, frozen bakery, seasonings and condiments, beer and mineral water.

Private Label trends in non-food

As price inflation continues to outstrip wage growth and real incomes are squeezed, shoppers are being forced to make cuts wherever possible and this is hitting non-food harder than food and drink.

Indeed, all health and beauty categories, household, pet and personal care products are under pressure, and, as the recession has continued into 2012, PL's share of value sales across Europe has remained flat. Evidence from SymphonyIRI's European Pricing and Promotion Special Report reveals volumes too are dipping in non-food as consumers cut back on non-essentials and NB's have to devise successful promotion and pricing strategies. There are significant national differences. PL's value share in non-food has risen by 1.8% in Spain, 1.3% in Greece, 1.2% in the Netherlands and 1.0% in Italy, but has fallen by 0.1% in Germany.

Across many European countries the growth in PL value sales is not enough to off-set losses in NB sales in categories where trade is flat or declining.

Household is a category where PL has certainly strengthened its position and is challenging NB as shoppers become more reluctant to pay for top names in the recession. This is particularly true in glass/window cleaners, dishwashing and hand dishwashing and household cleaners. Although even here the picture suggests pure economics play a key role. In the UK the PL value share of household has fallen by 0.9% as the strong NB's in these categories respond with more aggressive promotions and sharper pricing.

Many of the continent's pet owners forsake their favourite brands in tough times as consumers show little hesitation about switching to PL for pet food.

When it comes to value share, pet food was the best performer for PL in the UK,

Private Label trends in food and non-food

gaining 0.6%. This category was also particularly strong for PL growth in Italy. Pet food has not increased its value share in France (-0.4%) or Germany (-0.1%), although in Germany it is still the largest PL category at almost 40%.

There has been a large increase in the number of non-food PL in Italy resulting in share improvement. Retailer Coopis extending its eco-range Vivi Verde to non-food, and along with Conad, Esselunga and Carrefour, has increased shelf space for non-food PL. In Italy personal care and household have experienced strong value growth despite the value of the overall category falling due to NB losses.

In the Netherlands PL has a more limited presence in personal care than in many countries, while the largest year-on-year value share growth was not surprisingly in pet food (2.1%) and household (1.3%).

In Spain it is perfumery where many retailers are committed to boosting their own brand sales. Consum has recently invested in the perfumery sector, as has Mercadona. Department store El Corte Inglés launched the Oleada and Veckia low-cost perfume ranges in 2011.

About the Report

• This report contains data gathered from seven countries in Europe: France, Italy, Spain, the United Kingdom, Germany, the Netherlands and Greece. The data has been sourced from SymphonyIRI Group retail databases.

• Macro-categories we are looking at are: Chilled & Fresh Food, Ambient Food, Frozen Food, Non-Alcoholic Drinks (it includes Tea and Coffee), Household, Personal Care, Confectionery, Pet Food/Pet Care and Alcoholic Drinks (it doesn't include Wine for the UK and Greece).

• Total Food includes all human food, drink (including alcohol but not Wine for the UK and Greece) and confectionery, and Total Non-Food includes all health, beauty, household, pet, and personal care.

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

Country	Channels used
UK	Hypermarkets, supermarkets and drugstores
SP	Hypermarkets and supermarkets
GR	Hypermarkets and supermarkets
GY	Hypermarkets, Supermarkets and hard discounters (excl. Aldi)
NL	Hypermarkets and supermarkets
IT	Hypermarkets and supermarkets
FR	Hypermarkets and supermarkets

To gain insight into opportunities across specific categories, segments, channels or retailers, contact your SymphonyIRI client service representative regarding custom analyses leveraging the following resources:

• **InfoScan Census®** is a syndicated retail tracking service that enables manufacturers and retailers to acquire industry insights used to make better business decisions. InfoScan Census utilises the data that SymphonyIRI Group collects from grocery, drug, and mass merchandise retailers to provide the most comprehensive and accurate syndicated data offering in the Fast Moving Consumer Goods (FMCG) sector. With access to accurate, granular detail by category, geography, measure and time period, clients have the tools needed to develop marketing and sales strategies based on product performance, distribution, and promotion responsiveness.

• **Analytics Advantage™ Suite** provides global solutions for all strategic marketing needs. It enables retailers and manufacturers to get fast and in-depth category insights and dynamic analysis for identifying growth opportunities and to measure business impact in terms of return on investment, sales and profit. Analytics Advantage Suite goes from in-store interviews to advanced modelling solutions.

About SymphonyIRI Group

SymphonyIRI Group, formerly named Information Resources, Inc. ("IRI"), is the global leader in innovative solutions and services for driving revenue and profit growth in FMCG, retail and healthcare companies. SymphonyIRI offers two families of solutions: Core IRI solutions for market measurement and Symphony Advantage solutions for enabling new growth opportunities in marketing, sales, shopper marketing and category management. SymphonyIRI solutions uniquely combine content, analytics and technology to deliver maximum impact. SymphonyIRI helps companies create, plan and execute forward-looking, shopper-centric strategies across every level of the organisation. For more information, visit www.SymphonyIRI.eu.

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Special Report

Appendix

Country by Country Review

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Insight.
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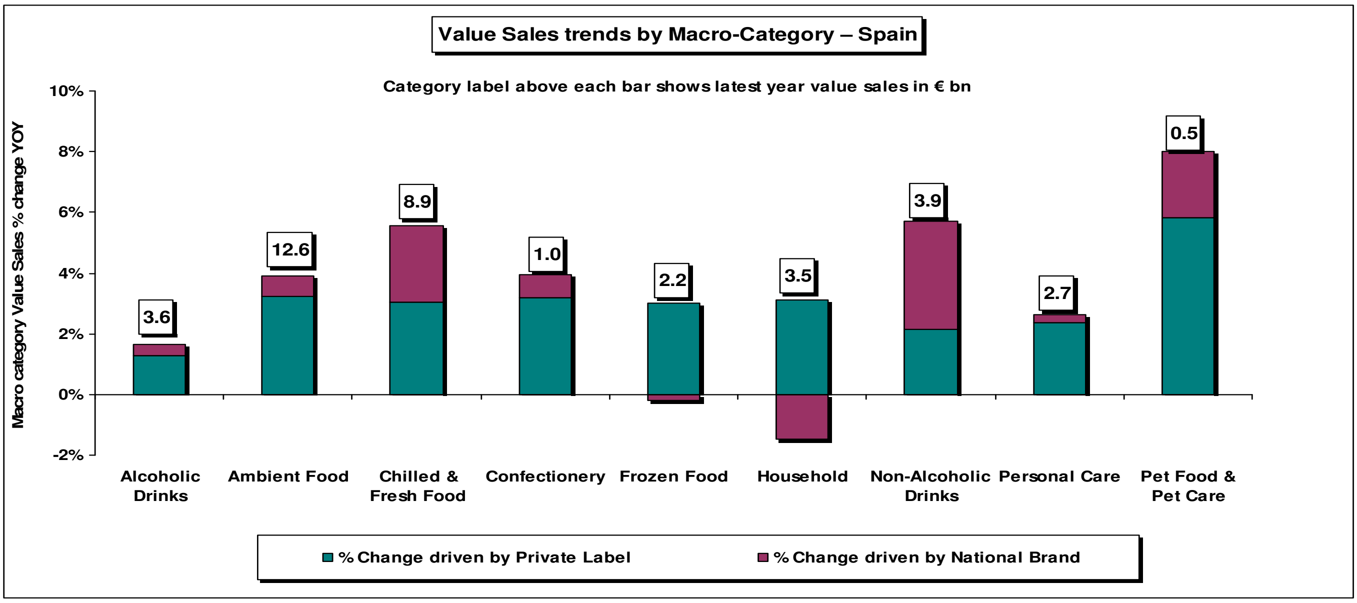
Private Label in Europe

Trends in Spain



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

The majority of value sales growth in all categories has been driven by PL, the only exception is non-alcoholic drink where NB sales have been responsible for over 60% of the category value growth.

Spain has the second largest PL share in Europe at 41.5% and all the top retailers including market leaders Mercadona, Carrefour and Eroski are committed to boosting their PL sales and margins.

Other retailers are reacting. Alcampo (Auchan Group), for example, has created a new banner called SuperAlcampo (nowadays it operates in this market with Simply). El Corte Inglés has also introduced an aggressive and competitive pricing strategy, cutting the price of 5 000 products by 20% to be cheaper than Mercadona or Carrefour. In response, Carrefour is reducing its presence in many countries.

In perfurmery, Consum has developed a PL range similar to Mercadona's existing one and has registered new brands such as its female cosmetics range Kyrey and Om Line for men. Department store El Corte Inglés is also getting in on the act launching the Oleada and Veckia low-cost perfume PL ranges, while Spar has unveiled its Sensations perfumery line. PL has been driving value growth in all macro-categories except non-alcoholic drinks where NB are still wooing consumers despite money being tight.

A number of retailers have developed different PL ranges to fit different price points, such as value, standard and premium. Eroski has launched Eroski Basic to meet shoppers' desires to go back to basics in the current economic climate as well as Eroski Natur, a premium fresh products line. Eroski is also tapping into consumers' yearning to eat more healthily with the launch of Sannia, a brand comprising products with less salt, sugar and fat.

It is among household items where Spanish shoppers are increasingly deserting NBs. This category, along with frozen food, has the strongest PL value share. The largest year-on-year growth is in household and confectionery with both categories experiencing a share growth of 2.2%.

Of all the categories surveyed, pet food and pet care has the largest value share at almost 50%, up 1.9% in the period.

PL in Spain across all categories is on average 30% cheaper than NB equivalents, although the price difference has decreased by 0.4% in the year. In chilled and fresh the price gap has narrowed by 1.1% while in confectionery it has widened by 3.1%.

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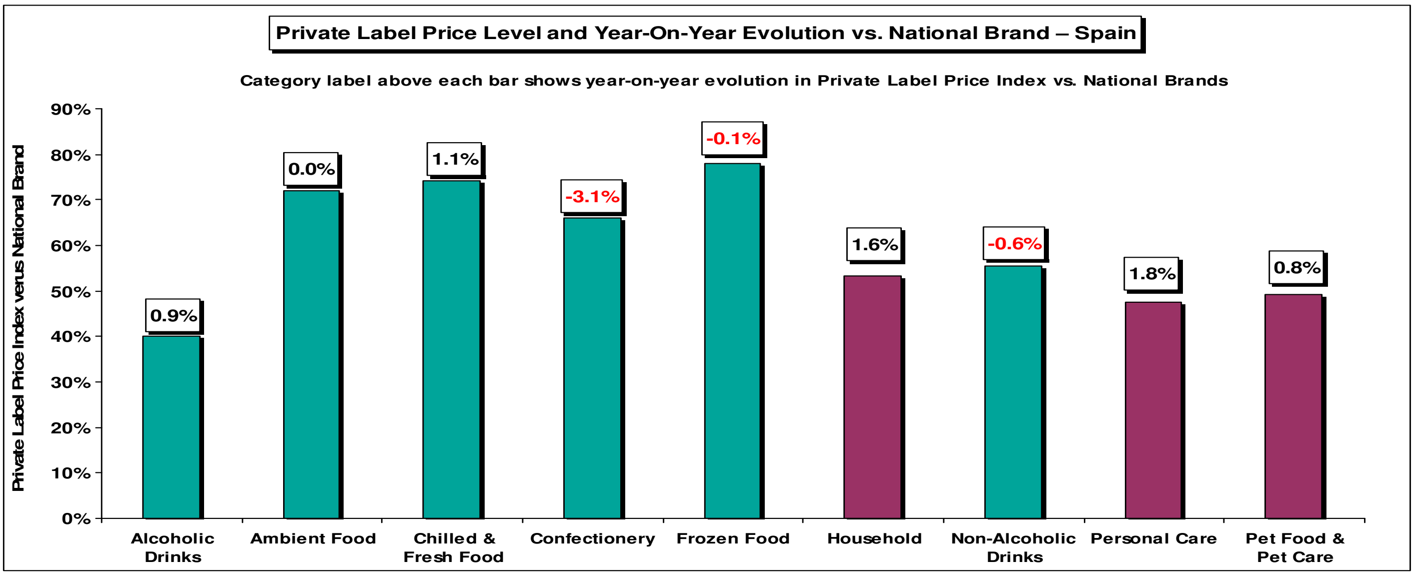


Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

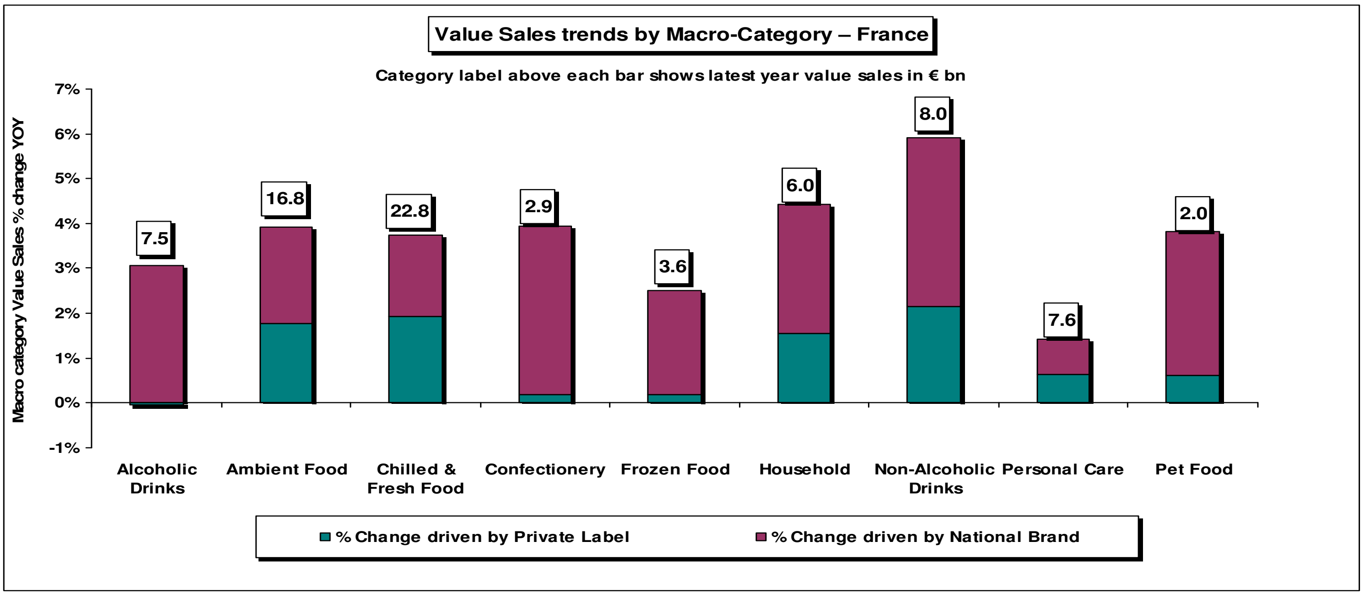
Across the nine macro-categories PL is on average priced 30% cheaper than equivalent NB in Spain but this difference has decreased by 0.4% in the latest year.

This is a difficult time for NB in Spain with SymphonyIRI Group research revealing that 64% of the top manufacturers have seen value sales fall, up from 46% in 2011.

The brand owners doing things well and being innovative or developing clever pricing strategies are seeing their sales rise despite the downturn. For instance, Nutrexpa - famous for its Miel de la Granja San Francisco honey and its Cola Cao chocolate powder - experienced a sharp rise in sales when it lowered its prices.

There is also evidence that those consumers who are most keen on PL are more likely to predetermine what they will buy at home rather than be influenced in store. Prolific PL buyers are also very fickle and much less loyal than those who prefer NB regardless of the alternatives on offer.

Trends in France



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

PL contribution to overall growth has generally been much lower than that driven by NB, with the exception of chilled and fresh food.

The chilling economic winds may be blowing and inflation may be rising but French shoppers are reluctant to give up their favourite brands. NB are still driving value sales growth in every category with the exception of chilled and fresh.

In fact, NB have maintained their level of market share by value in the hypermarkets and the supermarkets thanks to some lowering of prices, fuelled partly by a retailer price war.

However, the French shopper is not overly price sensitive when it comes to switching from NB to PL. PL is on average 40% cheaper than equivalent NBs, although this difference has decreased by 0.6%. The price differential has narrowed across all categories with the exception of alcoholic drinks and, marginally, frozen food.

PL prices are actually increasing faster than NB prices in some categories. One reason for this is that French consumers are more sensitive, in tough times, to buying local and regional products and brands, and then are less concerned about prices. Consumers have also become more health conscious and prefer not to buy items with too much salt or sugar, from NB as well as PL, which has a larger assortment of healthy ranges as well now.

Despite the strength of NB, PL is still growing in value terms in all categories with the exception of alcoholic drinks.

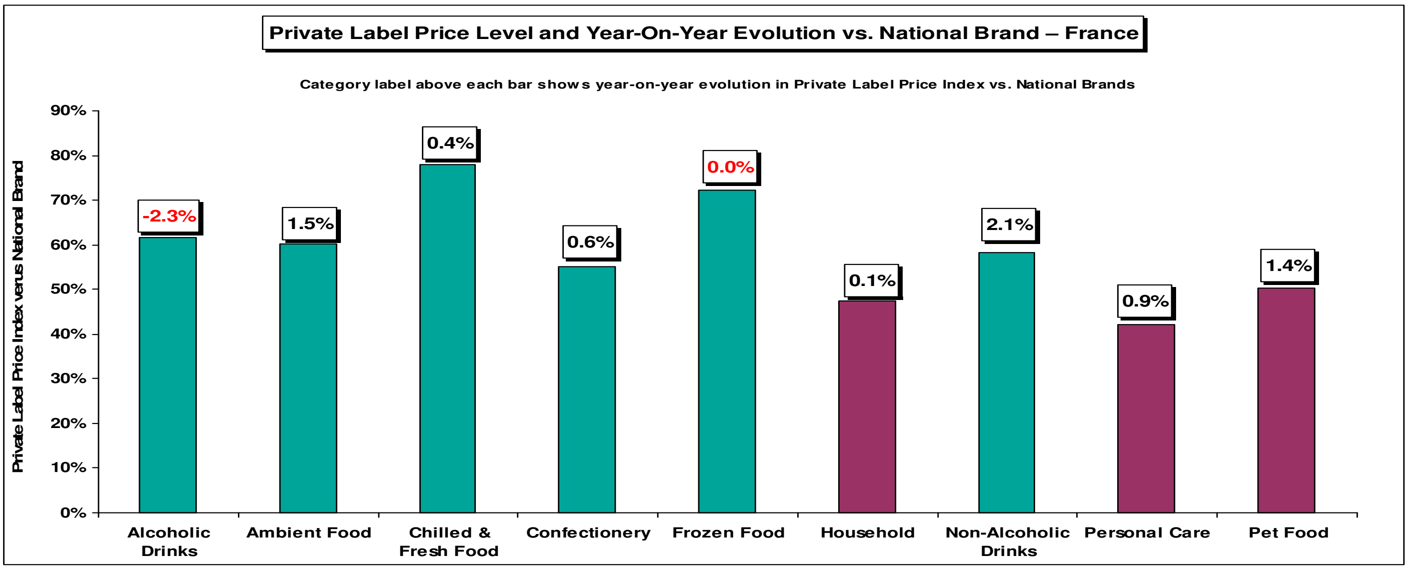
It is notable that PL value share trends are more varied in France than in many other European countries with declines in some food and non-food categories. PL is strongest in frozen food, although this is where the largest share decline (-1.0%) occurred. The largest year-on-year growth has been in non-alcoholic drinks (0.8%) and ambient food (0.6%).

There is also a great deal of trend variety when it comes to unit share. PL is still strongest in frozen food (although share slipped by -1.0%) with the largest growth in non-alcoholic drinks, personal care and chilled and fresh (all increasing their unit share by 0.3%). PL is also being helped by the widespread phenomenon in France of the Drive (click and collect).

These are tough times for French retailers with Carrefour having to work harder in the face of strong competition for PL sales from the Système U retailers' cooperative which has about 800 independent hypermarkets and supermarkets.

Private Label in Europe

Trends in France



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

Across the nine macro-categories PL is on average priced 40% cheaper than equivalent NB in France but this difference has decreased by 0.6% in the latest year.

Nevertheless, promotional activity is not the answer with volume on deal for total FMCG (-0.1%) and for PL (-0.5) flat.

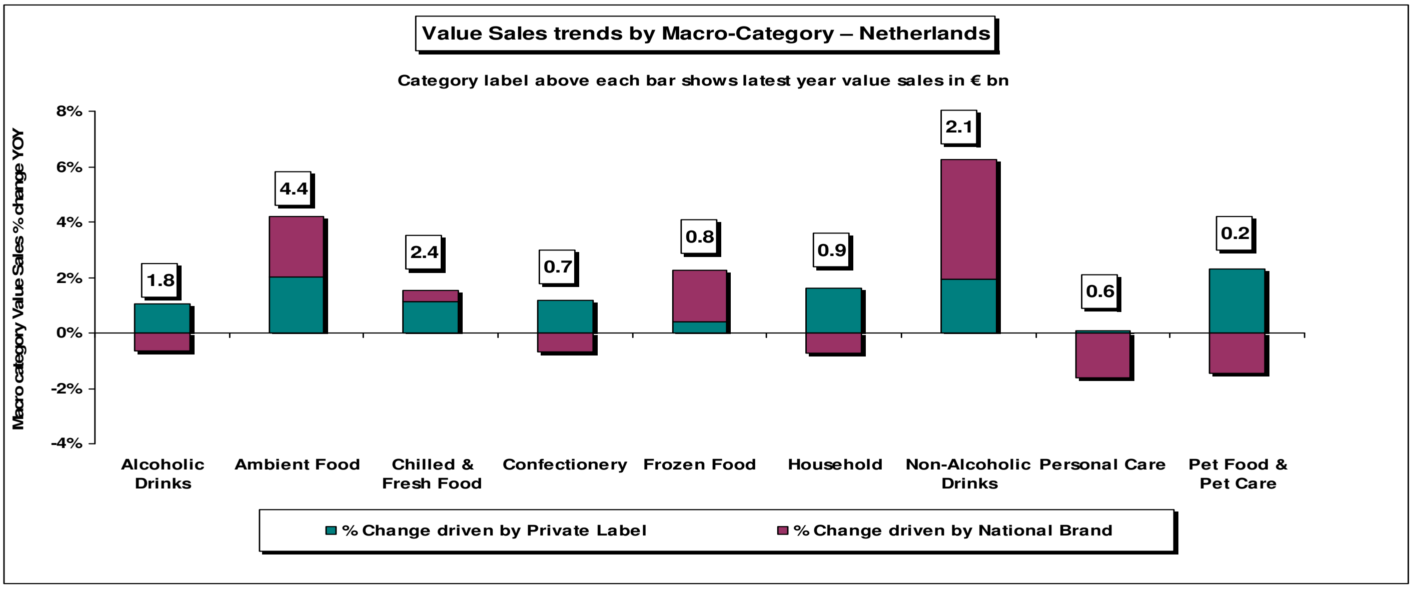
Ultimately, PL still has an image problem in France, particularly the ‘value’ ranges, while the themed PL lines which had been enjoying strong growth, such as PL for green products, seem to have stalled.

In one survey the perception gap regarding the quality of NB products over PL has widened.

In France, PL is no longer viewed as new and different. It is part of the landscape and they behave like NB. To grow, they must compete hard as they are on the same component as NB: price, promotion and assortment. This is perhaps why PL in France is not growing as fast as it is in other countries.

Private Label in Europe

Trends in the Netherlands



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

The categories with the largest value growth have all seen increased expenditure on both PL and NB, with NB driving a significant proportion of the growth. For categories which are showing slower growth or a decline, NB sales are in decline whilst PL are all in growth.

PL value share is growing in all categories with the exception of frozen food (-0.3%). It is strongest in chilled and fresh where its share of total sales is more than 45%. PL has limited presence in personal care and confectionery, while the largest year-on-year growth was in pet food (2.1%) and household (1.3%).

Among the more specific categories where PL has notably increased its market share are juices, frozen bakery, seasonings and condiments, beer and mineral water.

PL has become another 0.9% cheaper than NB in the Netherlands in the past year, with the average price differential about 25%. Although in alcoholic drinks the difference is about 48% while in chilled and fresh food there is often minimal difference in price.

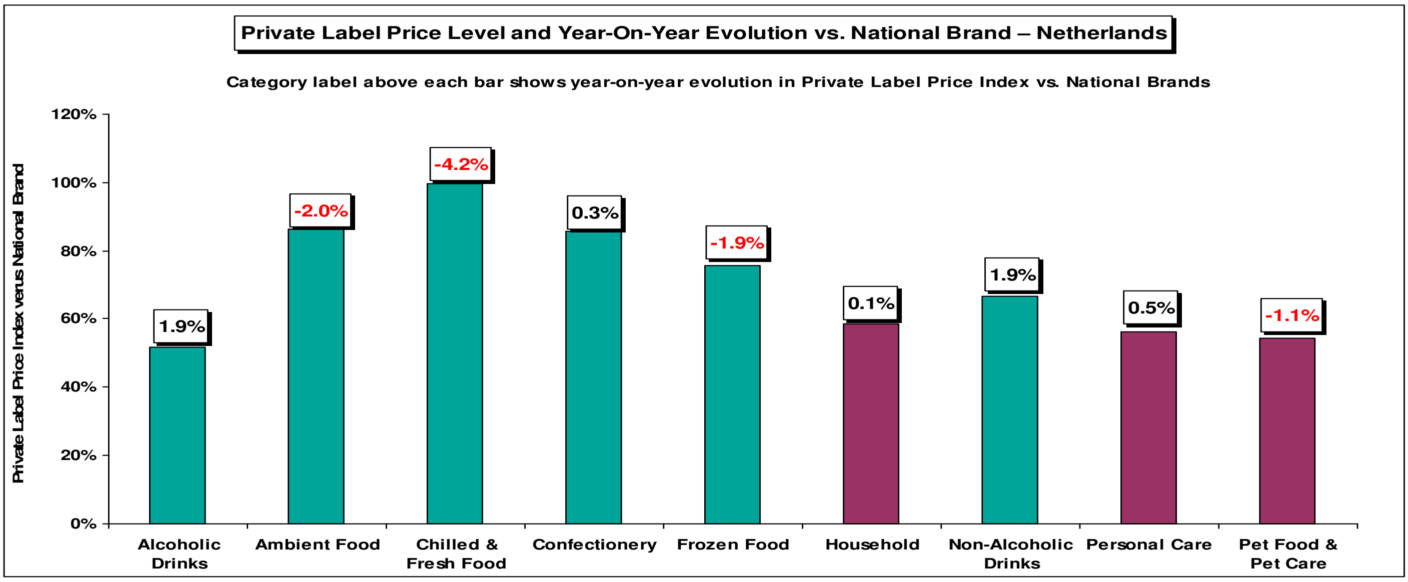
The market leading FMCG PL retailer Albert Heijn has spent the last few years improving the image of its PL to sustain pricing in a number of categories such as chilled. It has also been innovative with the launch of environmentally-friendly products with a range called Pure & Honest. This comprises five categories: organic, fairtrade, sustainable catch (seafood), free-range meat and ecological non-food products.

Albert Heijn is fighting off competition from Aldi and Lidl who are both increasing their number of outlets in the country. Lidl's ranges in particular score highly on perceived quality among shoppers.

Albert Heijn is also facing competition from retailer Jumbo which has grown its number of stores to 293 and has seen its sales grow 40% in the first six months of 2012. It took over Super de Boer in 2010 and bought C1000, and it is well placed to grow its own Jumbo PL brand which is gradually replacing its relatively low profile O'Lacy's brand. The retailer also has a premium private label called Jumbo Exclusief.

Private Label in Europe

Trends in the Netherlands



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

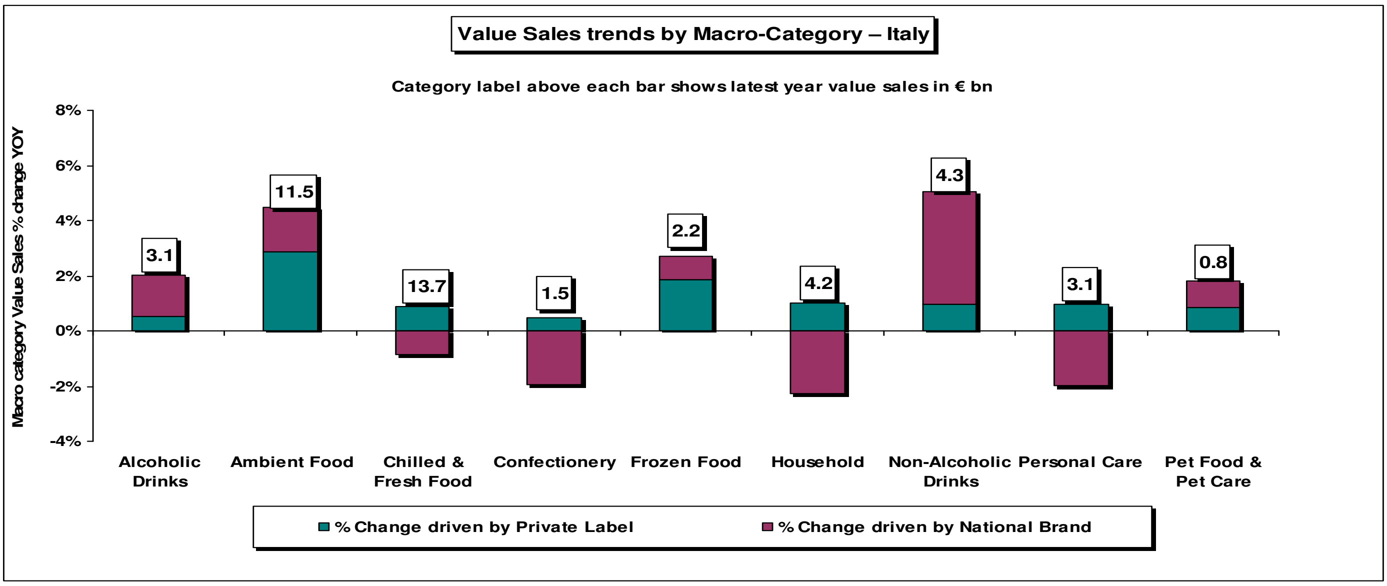
Across the nine macro-categories PL is on average priced 25% cheaper than equivalent NB in the Netherlands but this difference has decreased by 0.9% in the latest year.

It is a sign of the continuing recession that ‘value’ remains the best-performing tier of PL in the Netherlands as more value brands appear on the shelves. Premium PL is in decline, although there is a small growth in specialist PL, such as Albert Heijn’s Pure & Honest range.

The level of promotional support is up on the year with the volume of total FMCG on deal 0.6% higher and PL down 0.3%.

Private Label in Europe

Trends in Italy



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

PL value sales are growing in all categories in Italy. The ones showing the strongest growth are those where NB sales are growing. Where total category sales are flat or in decline there is a divergent trend between NB and PL performance – the latter in growth but not sufficient to offset NB losses.

PL value sales are growing across all categories with the biggest rises in products where NB are finding it hard to halt their decline, such as chilled and fresh food and household.

When it comes to value market share, PL is strongest in frozen food, taking about one quarter of all sales, and pet food. PL is weaker in confectionery and alcoholic drinks. It experienced its largest year-on-year growth in ambient food (2.0%) and frozen food (1.2%). The picture is the same in unit terms, although it has a higher year-on-year growth in ambient food and personal care.

PL is on average 27% cheaper than equivalent national brands in Italy. PL pricing has moved closer to NB as retailers look to retain their margins and recoup additional costs, including raw material price hikes. The exception is ambient food where the price gap has widened significantly.

The FMCG market took a hammering as a rise in VAT to 21% in September 2011 and double digit growth in many commodity costs including coffee, wheat, sugar and cocoa fuelled inflation. Price rises in PL and NB food categories meant volumes for everyone were largely flat.

Italian shoppers are being squeezed and rather than being particularly loyal to PL or NB they are hunting out price cuts as well as promotions. It has put retailers in a strong position for growth as they control the store environment. Co-op, Conad, Esselunga and Carrefour have all increased shelf space for PL ranges, particularly in non-food.

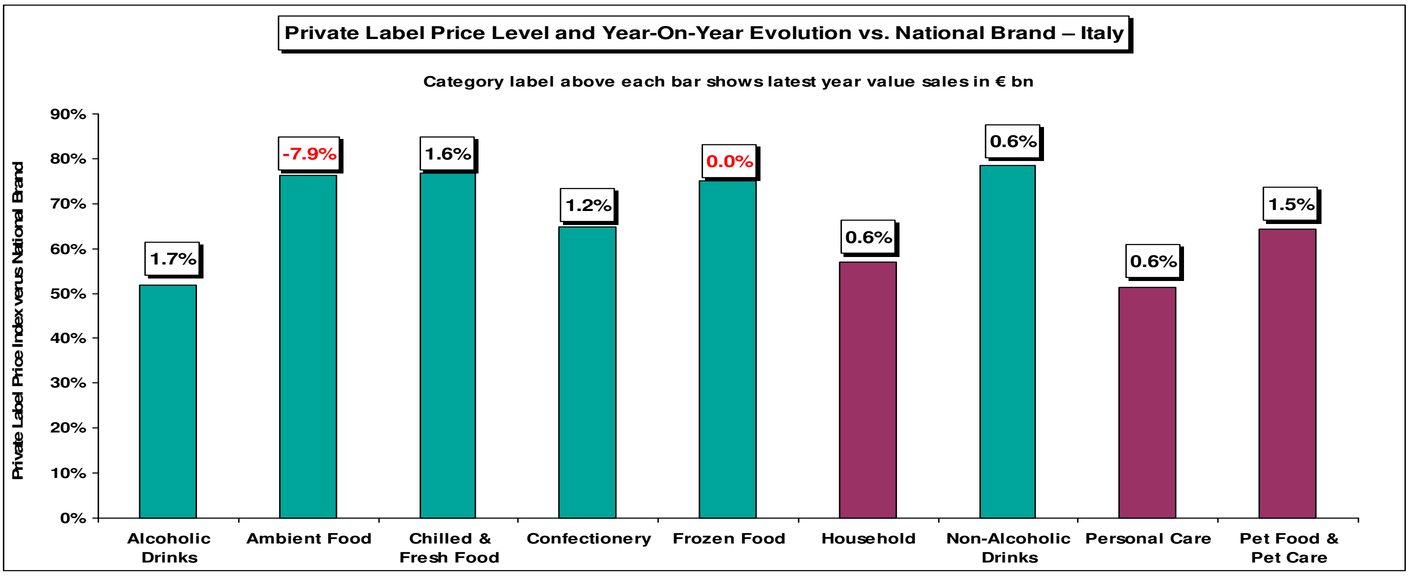
Despite the recession the Italians remain fans of premium PL, with this sector showing the highest year-on-year growth at 25%. These are largely regional products of high quality but attractively priced.

The leading retailers have had a rich portfolio of PL brands for years and are now adding value and attempting to be innovative.

Coop has launched the line Crescendo for babies and extended its eco-range Vivi Verde to non-food and put nutritional information on its food packs. It is also advising consumers on how to dispose of their packaging in a green way.

Private Label in Europe

Trends in Italy



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

Across the nine macro-categories PL is on average priced 27% cheaper than equivalent NB in Italy but this difference has increased by 1.5% in the latest year.

Smaller retailers are leveraging their PL offer too. Interdis Group has a new PL brand called Delizie with 730 products across different categories all cleverly colour-coded.

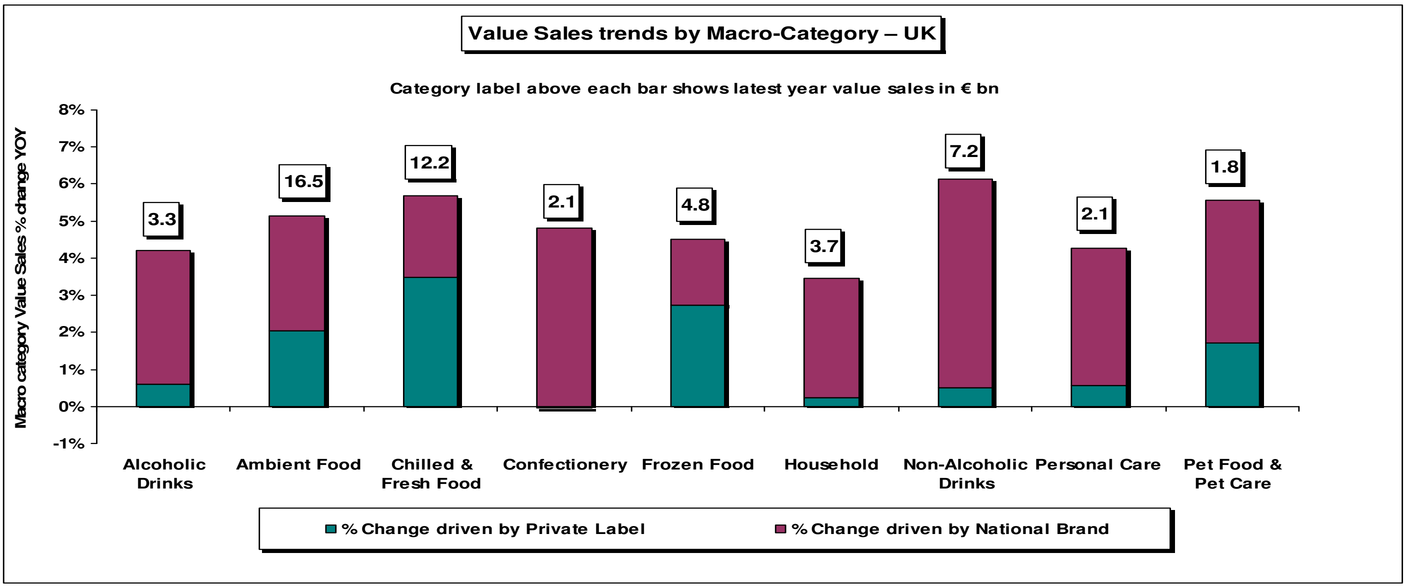
Conad, which has added a 'value' range called Apprezzo, is one of the few retailers still running national advertising to promote its PL offer. Elsewhere, most retailers are using mainly promotional flyers.

It is in the north of the country where the main retailers are strongest in PL. The lowest market share for PL tends to be in Campania in the South.

NB are using price and promotions to try and reclaim sales and share, with about one quarter of well-known brands on offer over the summer months. Trade promotion for FMCG was up 1.0% on a year ago at a time when promotion on PL was just 0.3% higher.

Private Label in Europe

Trends in the United Kingdom



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

All categories in the UK have seen value sales growth for both PL and NB. For the majority of categories the largest proportion of value growth is being driven by NB, the exceptions where PL are performing particularly strongly are chilled & fresh and frozen food.

UK retailers are no strangers to aggressive marketing and in recent months there has been a focused campaign by many store chains to remind consumers that PL does not necessarily mean poorer quality.

Aldi's TV activity compares its PL with branded equivalents, Asda is collaborating with food experts and Tesco is reinventing its Tesco Value range as Everyday Value with new colourful packaging. Morrisons meanwhile is applying its M Bistro sub brand to premium products and reformulating 500 M Kitchen lines. It has also launched NuMe, a selection of 315 chilled ambient and frozen lines to replace its Eat Smart range. PL currently delivers sales of about £6bn to Morrisons.

For retailers such as Waitrose whose consumers tend to be less price sensitive, it is about demonstrating the convenience of PL. The Good to Go range includes 150 products from sandwiches and smoothies to innovative bread-free products. The company has also formed strategic partnerships with the motorway service station chain Welcome Break and chemist Boots to get its PL offer in front of consumers who might never enter its supermarkets.

The retailers have worked hard over the last year to build a personality around their own brands and engage with shoppers. The world of social media is also helping, with dedicated PL websites offering tailored special offers.

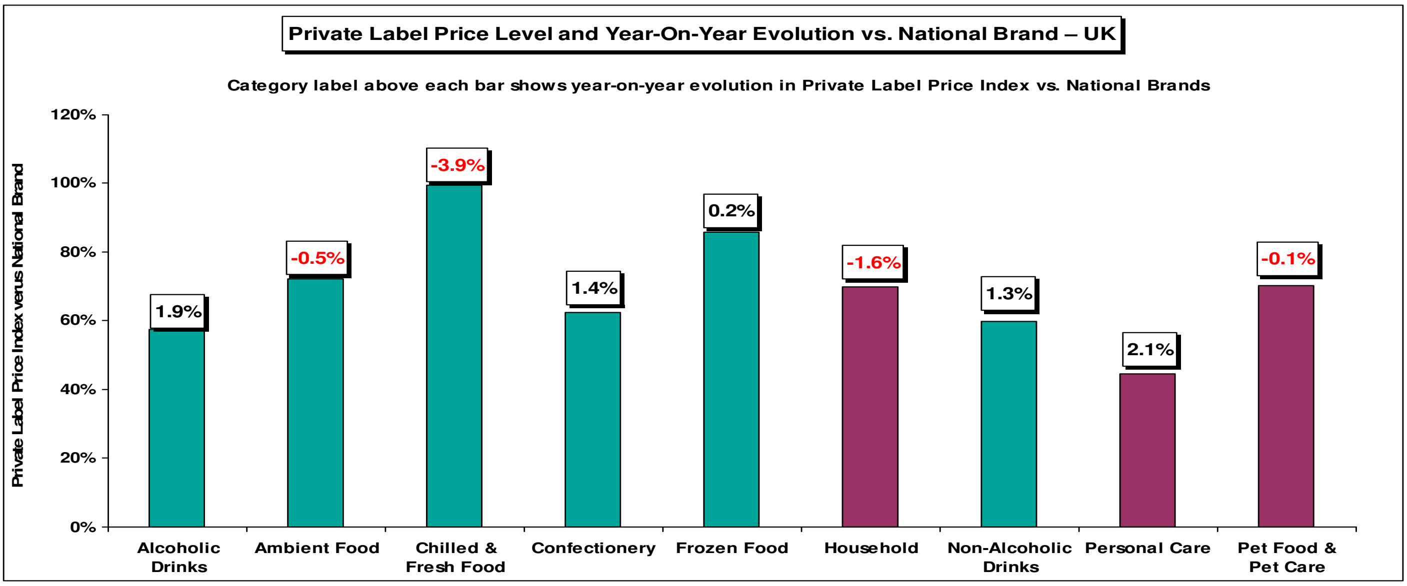
When it comes to pricing, PL is on average 26% cheaper than equivalent national brands in the UK, and the gap has widened overall by 0.2%, including in the chilled and fresh category as the value sector has grown.

PL's growth in the UK is nevertheless being slowed by aggressive promotions by some NB owners and also by the retailers themselves. Sainsbury's has for example a Brand Match offer which effectively incentivises consumers to buy NB.

At a total FMCG level promotional support was up 1.2% whilst PL promotions declined by 0.6%.

Private Label in Europe

Trends in the United Kingdom



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

Across the nine macro-categories PL is on average priced 26% cheaper than equivalent NB in the UK but this difference has increased by 0.2% in the latest year.

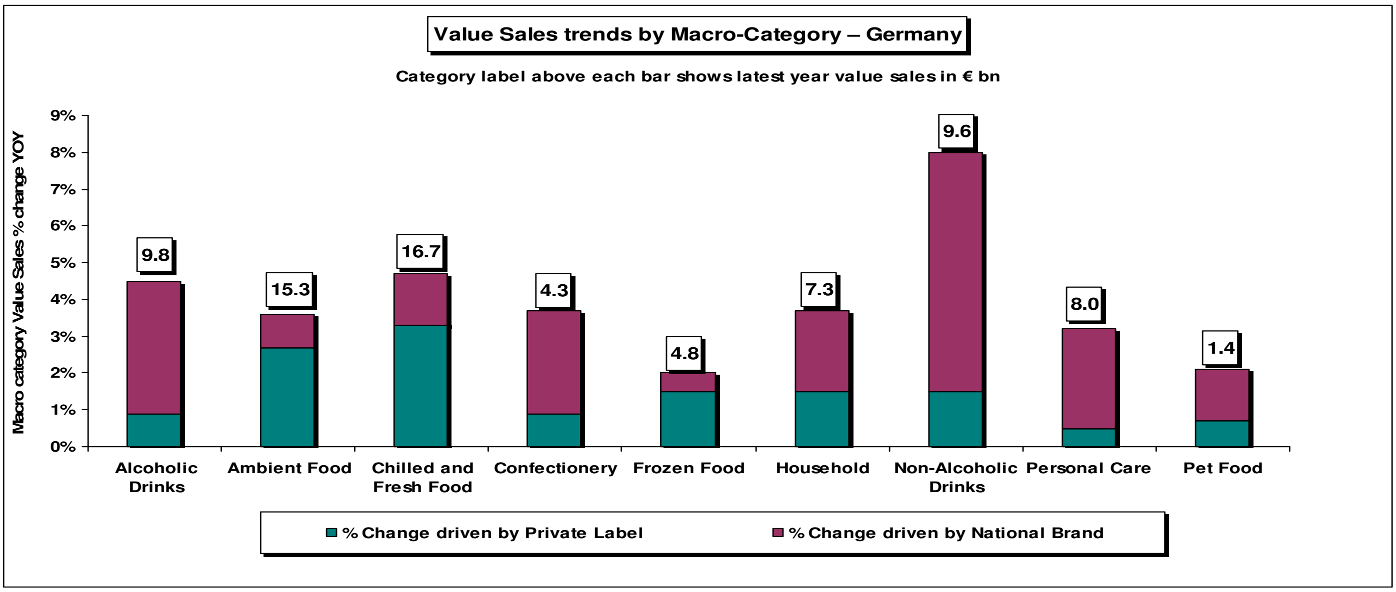
All categories in the UK have seen value sales growth for PL and NB in the 12 months. Figures from Kantar Worldpanel reveal value sales up 5.4%, with the largest proportion of growth actually being driven by NB. The exceptions are chilled and fresh and frozen food. In these categories the proportion of value growth for PL is still ahead of its share of the category.

When it comes to share, only non-alcoholic drinks (-1.0%), household (-0.9%) and confectionery (-0.4%) are not seeing value share growth for PL. The categories performing strongest are frozen food (up 0.6%) and pet food (0.6%) and chilled and fresh (0.3%), which takes the highest value share are about 55%.

When it comes to unit share for PL the picture is mixed with declines for non-alcoholic drinks (-1.7%), confectionery (-0.8%), household (-0.5%) and personal care (-0.4%) but strong gains for chilled and fresh (1.2%) and pet food (0.8%).

Private Label in Europe

Trends in Germany



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

PL brands are growing value sales in all macro-categories in Germany but it is in the food categories (chilled & fresh, frozen and ambient) where their performance is particularly strong – in each of these categories significantly more than half of the overall growth has been driven by PL.

Traditionally PL brands were exclusively available in discounters, but this is no longer the case with PL generating a value share of 34.0% of leading FMCG products in Germany. In total, PL in grocery is gaining a sales share of up to 80% in some categories such as paper-hygiene.

Today nine out of 10 shoppers buy PL once a week and 30% of consumers are buying retailer brands more often than they were a year ago. The top four categories influenced by PL are packaged sausage, cheese, milk and toilet paper.

PL has improved its reputation for quality in Germany and the different price points appeal to shoppers looking for a bargain without conceding quality. Quality remains of critical importance to German shoppers.

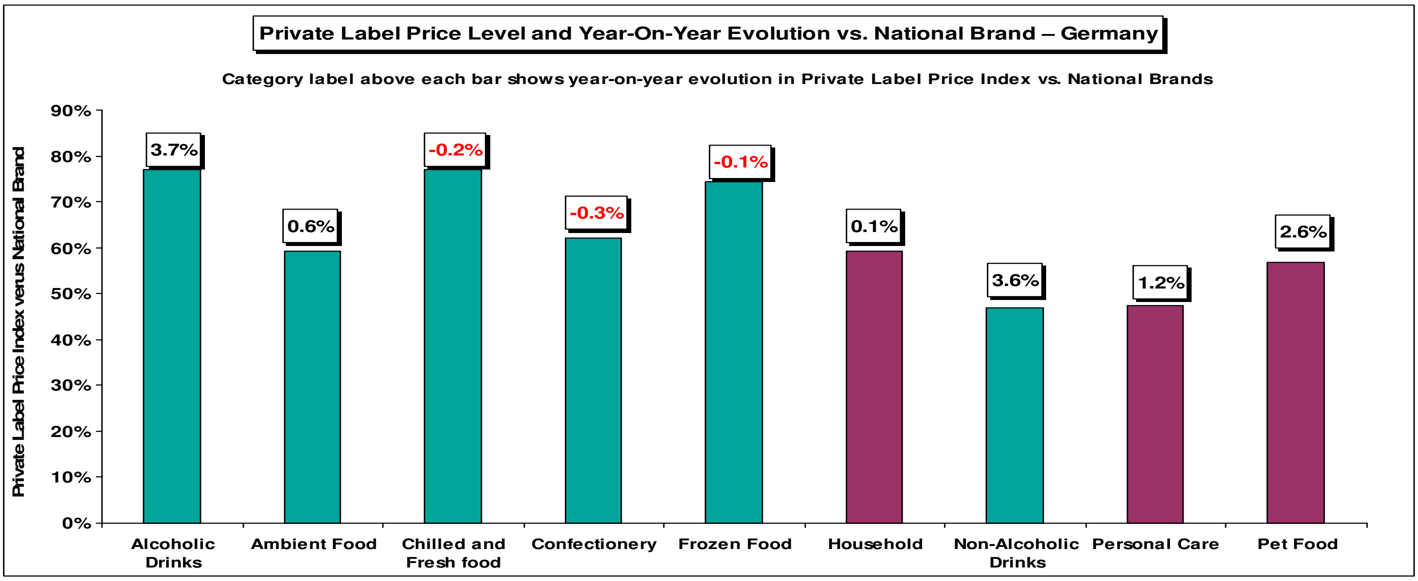
PL is growing value sales in all categories but is particularly strong in chilled and fresh, frozen and ambient food where significantly more than half the overall growth has been driven by PL.

Unlike elsewhere in Europe, pet food has not grown its value share, actually remaining flat (-0.1%), although it remains the sector with the largest PL share. The categories seeing the biggest growths are chilled and fresh (1.7%) and ambient food (1.7%).

The narrowing of pricing in some categories between PL and NB has meant that PL's unit share is in decline in some areas including non-alcoholic drinks (-1.6%), pet food (-1.3%), personal care (-0.2%) and alcoholic drinks (-0.1%). In fact, in the past year the average price difference between PL and equivalent NB has decreased by 1.1%, although it is still 40% cheaper on average among equivalent manufacturers' products. Only in confectionery (-0.3%), chilled and fresh (-0.2%) and frozen food (-0.1%) has the price gap widened. In alcoholic drinks it has narrowed by a significant 3.7% as NB invest in aggressive promotions.

At a total FMCG level promotions were up 0.6% and by 0.6% for PL.

Trends in Germany



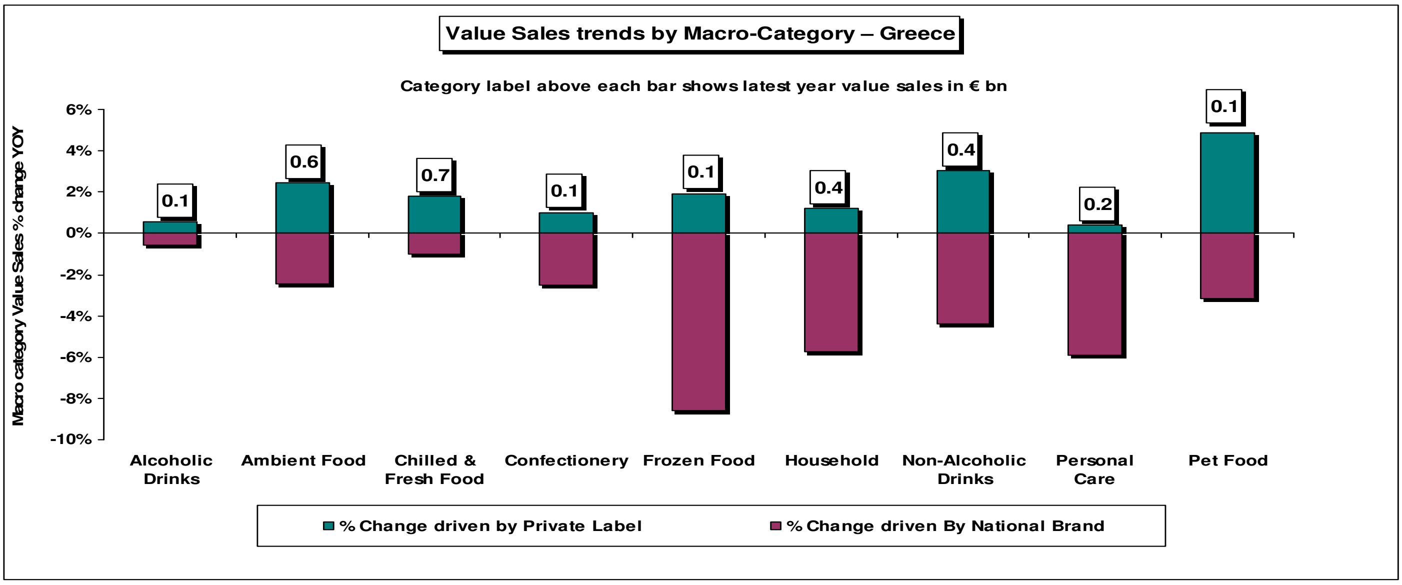
Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year

Across the nine macro-categories PL is on average priced 40% cheaper than equivalent NB in the Germany but this difference has decreased by 1.1% in the latest year.

The German retail market has been confronted by some severe challenges this year after drug store chain Schlecker went bust in quarter one. SymphonyIRI analysts are curious to see which sales channels shoppers switch to because this was a massive non-food retailer.

Private Label in Europe

Trends in Greece



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

PL brands are growing value sales in all macro-categories in Greece.
NB sales are in decline across all categories.

The on-going economic crisis in Greece is helping PL to grow its value and unit share as retailers capitalise on the quality of their own brands in difficult times.

With money so tight in Greece consumers cannot be blamed for deserting NB. Across the nine macro-categories PL is on average 45% cheaper. Although the price differential has narrowed slightly, particularly in confectionery and frozen food, it remains wide in most categories. This means that NB must promote more and cut prices to retain their market share, which is not easy as their own margins and marketing budgets are under pressure in the strained economy.

As a result, PL has doubled its market share in supermarkets and hypermarkets in the past five years to 14.3%. According to SymphonyIRI's study 'Responding to the tough times shoppers needs (2011)' 18% of consumers said they would buy more PL in future.

In response, retailers including AB Vasilopoulos and Carrefour-Marionpoulos have introduced premium, standard and value ranges. Not to be outdone, the smaller supermarkets are also increasing the number of PL products across as many categories as possible.

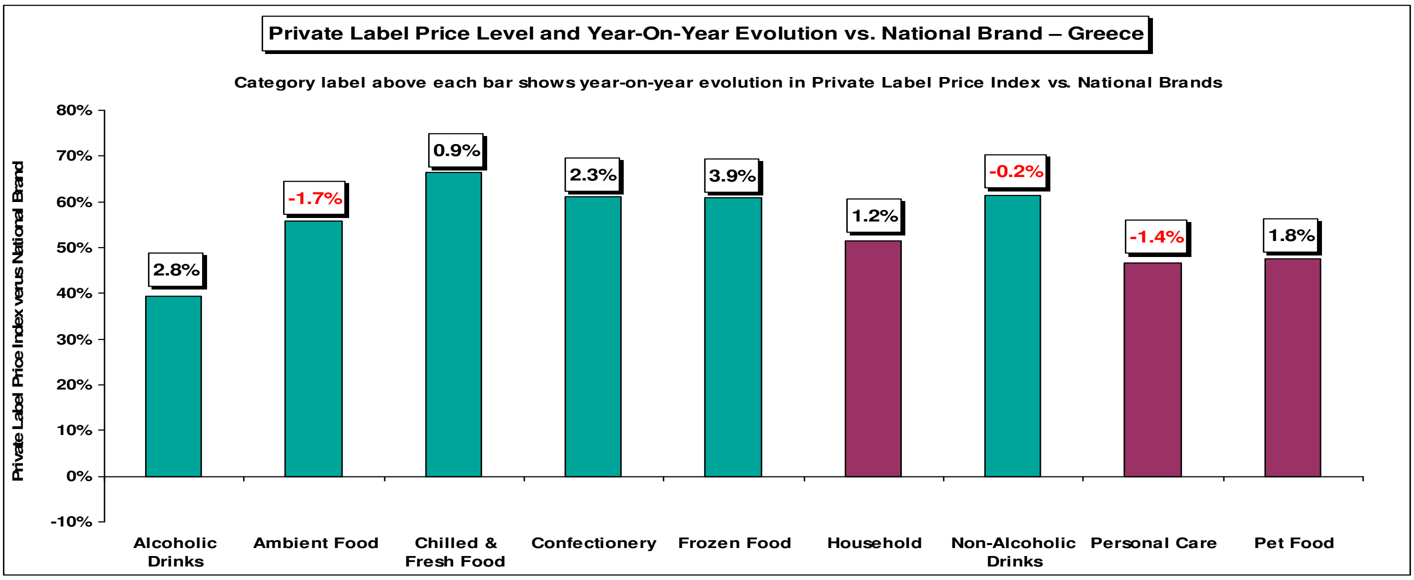
Ultimately the recession has been good news for PL in Greece. It has grown its value sales in all the macro-categories surveyed and NB are in decline across the board. The biggest falls for NB are in frozen food, personal care and household, while PL has seen its biggest value jump in pet food.

Pet food also has the largest value share and has seen the largest share growth (4.3%). Strong rises are also reported in frozen food (3.9%), non-alcoholic drinks (3.2) and ambient food (2.5%).

In terms of unit share, PL grew in all categories, most significantly in non-alcoholic drinks (4.7%), ambient food (4.0%) and pet food (4.0%).

SymphonyIRIGroup

Trends in Greece



Source: SymphonyIRI Infoscan; 52 weeks ending 16th June 2012 versus same period prior year.

Across the nine macro-categories PL is on average priced 45% cheaper than equivalent NB in Greece. However, in the majority of categories this price differential has narrowed in the past 12 months, particularly in frozen food and confectionery.

There are some interesting category trends regarding PL. In breakfast products such as jam, PL's share has grown from 18.3% in 2007 to 30.2% in 2011 while in cereals it is up from 4.6% to 12.6% over the same period. In non-alcoholic drink, PL's share of the water market is up from 1.6% to 8.2%.

SymphonyIRI Group