



THE STATE OF PRIVATE LABEL AROUND THE WORLD

**WHERE IT'S GROWING, WHERE IT'S NOT,
AND WHAT THE FUTURE HOLDS**
NOVEMBER 2014

nielsen
.....

AN UNCOMMON SENSE
OF THE CONSUMER™



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PRIVATE LABEL: YOU'VE COME A LONG WAY, BABY

AROUND THE WORLD



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 success is strongest in commodity-driven, high-purchase categories and those where consumers perceive little differentiation.

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.

Private label struggles to gain consumer trust in Asia and the Middle East, where consumers are fiercely brand-loyal.

Long gone are the days of no-frills packaging intended only for those on a tight budget—private label, also known as store brands, are no longer viewed simply as low-cost alternatives to name brands; they're increasingly high-quality products that fulfill consumer needs across a variety of price points.

Shoppers have taken notice of this shift and are responding positively. Today, perceptions about private label are overwhelmingly favorable—almost three-quarters of global respondents (71%) say private-label quality has improved over time. A door once opened by economic necessity has widened to include a variety of private-label products that remain viable and trusted for many consumers worldwide.

To understand current consumer perceptions about private-label quality, value, assortment and packaging, Nielsen polled more than 30,000 online consumers in 60 countries. A few shared sentiments emerged around the world:

- **Price is important to most consumers and is the primary driver of consumers' purchase intent for private label.** Sixty-nine percent of respondents globally feel it's important to get the best price on a product. Moreover, 70% say they purchase private label to save money.
- **Private label's appeal goes beyond price.** Consumers are seeking quality and value, and private label delivers on both of these attributes. Two-thirds (67%) believe private label offers extremely good value for money, and 62% say buying private label makes them feel like a smart shopper.

But do these enthusiastic attitudes translate into sales? The answer depends on the market. In terms of private-label development, the world can be divided into two distinct spheres: the developed world (Europe, North America and the Pacific) and the developing world (Latin America, Asia and Africa/Middle East). While value share is at or above 15% in developed regions (and as high as 45% in Europe), it is below 10% in most developing countries in the study. In fact, it is 5% or less in key markets, such as China, India and Brazil.

While learnings about private-label success in one market can help in another, there is no cookie-cutter approach for all. Private-label growth requires approaches that are tailored to each market. In this report, we highlight the current state of private-label development around the world, the drivers and obstacles to success and the impact these brands have on name-brand performance.

ABOUT THE GLOBAL SURVEY METHODOLOGY

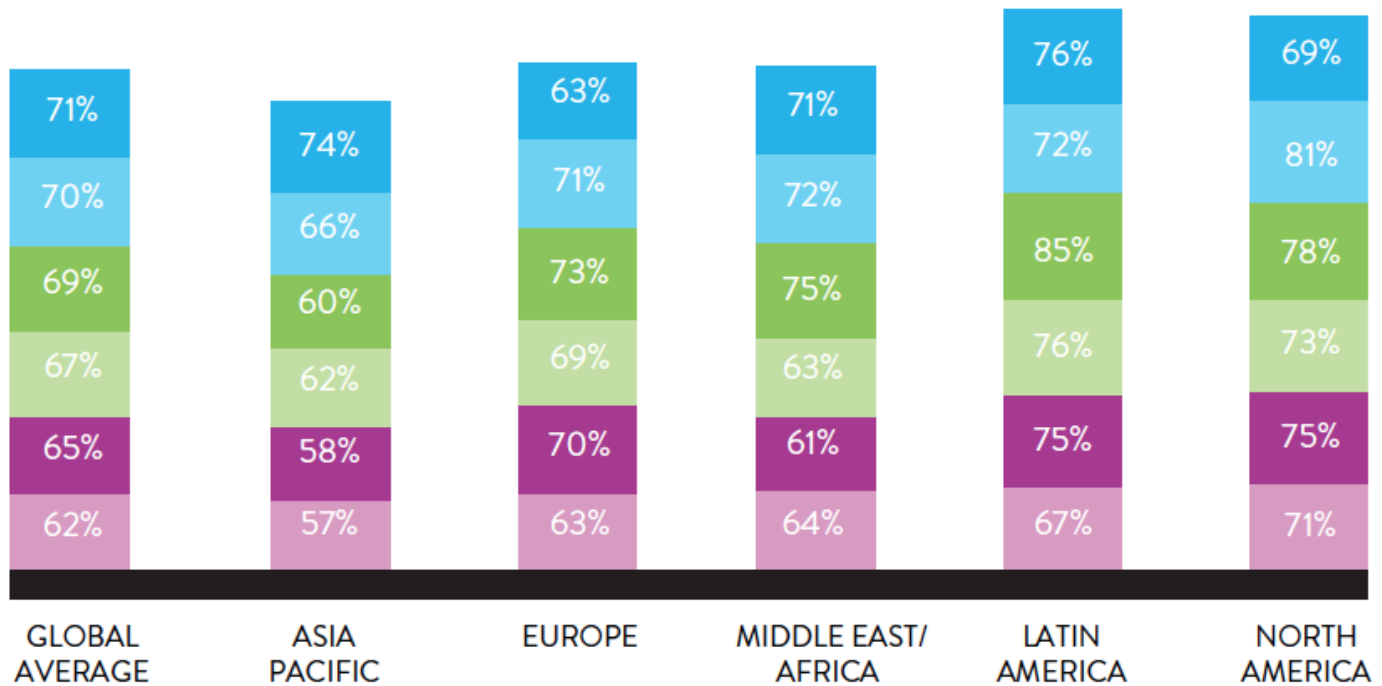
The findings in this survey are based on respondents with online access in 60 countries. While an online survey methodology allows for tremendous scale and global reach, it provides a perspective only on the habits of existing Internet users, not total populations. In developing markets where online penetration is still growing, audiences may be younger and more affluent than the general population of that country. In addition, survey responses are based on claimed behavior rather than actual metered data.

The survey research is supplemented with actual behavior using Nielsen's retail and consumer purchase data.

POSITIVE PERCEPTIONS FOR PRIVATE LABEL ARE SHARED ACROSS THE GLOBE

PERCENT OF RESPONDENTS WHO SOMEWHAT OR STRONGLY AGREE

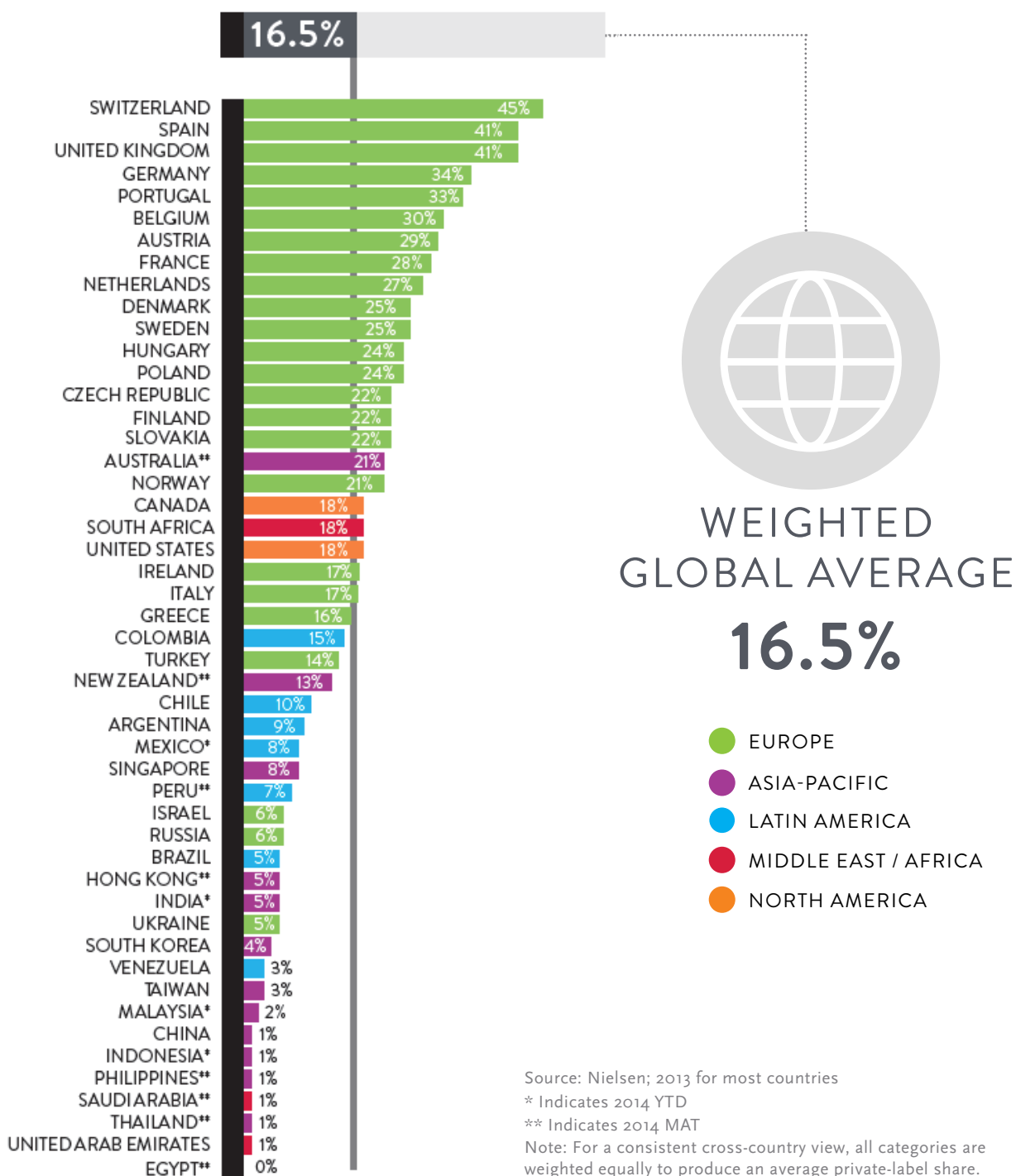
- PERCEPTION OF PRIVATE-LABEL QUALITY HAS IMPROVED OVER TIME
- I PURCHASE PRIVATE-LABEL PRODUCTS TO SAVE MONEY
- IT'S IMPORTANT TO GET THE BEST PRICE ON A PRODUCT
- PRIVATE LABELS ARE USUALLY EXTREMELY GOOD VALUE FOR MONEY
- PRIVATE LABELS ARE A GOOD ALTERNATIVE TO NAME BRANDS
- I AM A SMART SHOPPER WHEN I BUY PRIVATE-LABEL PRODUCTS



Source: Nielsen Global Survey of Private Label, Q1 2014

PRIVATE-LABEL DEVELOPMENT VARIES DRAMATICALLY AROUND THE WORLD

DOLLAR SHARE BY COUNTRY



Source: Nielsen; 2013 for most countries

* Indicates 2014 YTD

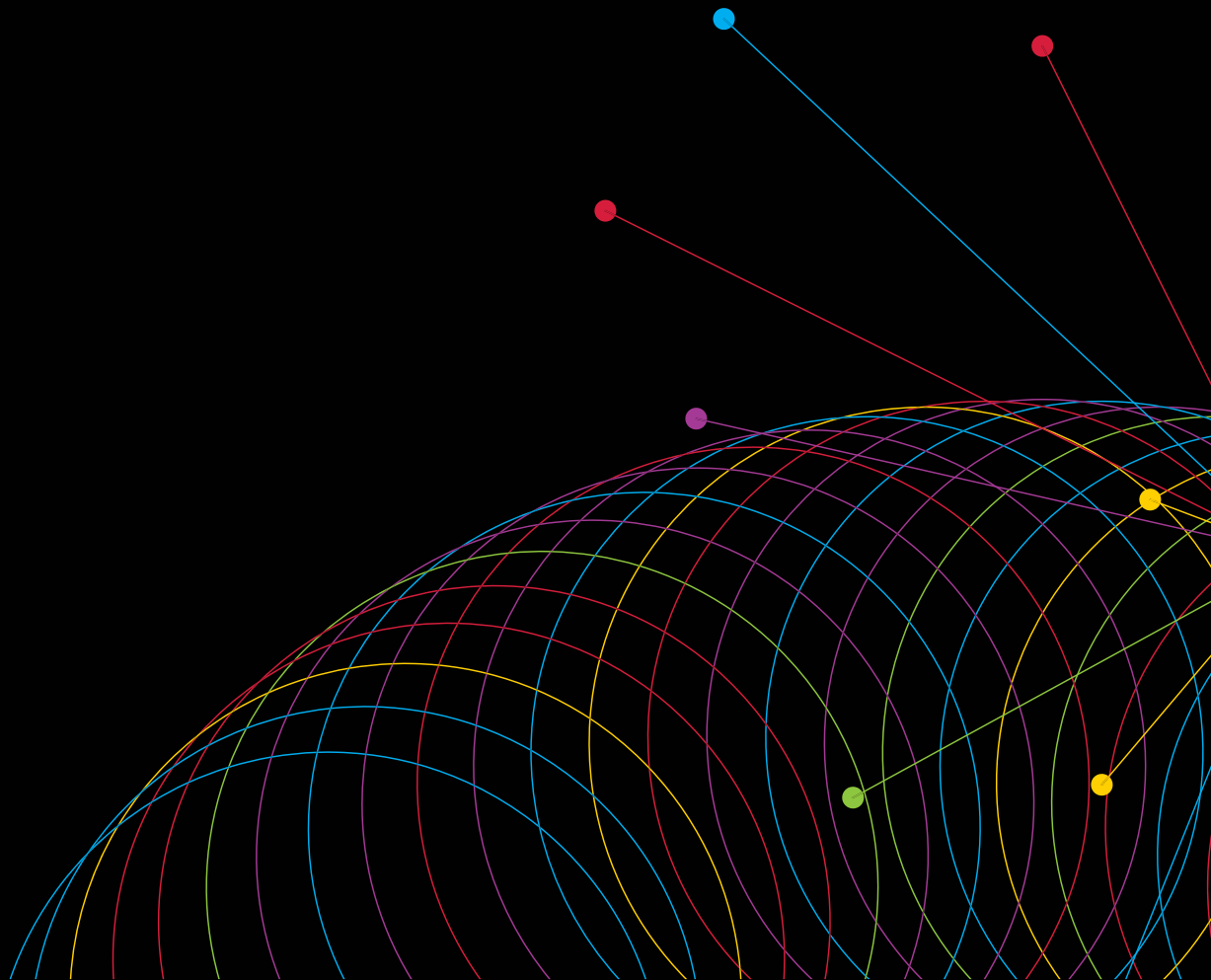
** Indicates 2014 MAT

Note: For a consistent cross-country view, all categories are weighted equally to produce an average private-label share.

Individual country reporting may vary due to reporting differences.

PART I:

THE PRIVATE LABEL-BRAND RELATIONSHIP



A WIN/WIN SITUATION— FOR BOTH NAME BRANDS AND PRIVATE LABEL

Across the globe, 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. But the definition of a commodity varies greatly across the world. In developed markets like the U.S., Europe and Australia, this includes products such as milk, bread and eggs. In India, however, commodities include products that are distinctly local, such as ghee, rice, and atta flour used to make bread.

While some commonalities exist, the categories where private-label market shares are strongest vary dramatically by country. 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.



PRIVATE-LABEL PERFORMANCE DIFFERS BY COUNTRY AND BY CATEGORY

YEAR-OVER-YEAR SALES CHANGE BY CATEGORY FOR SELECT EUROPEAN COUNTRIES



ALCOHOLIC
BEVERAGES



BABY
CARE



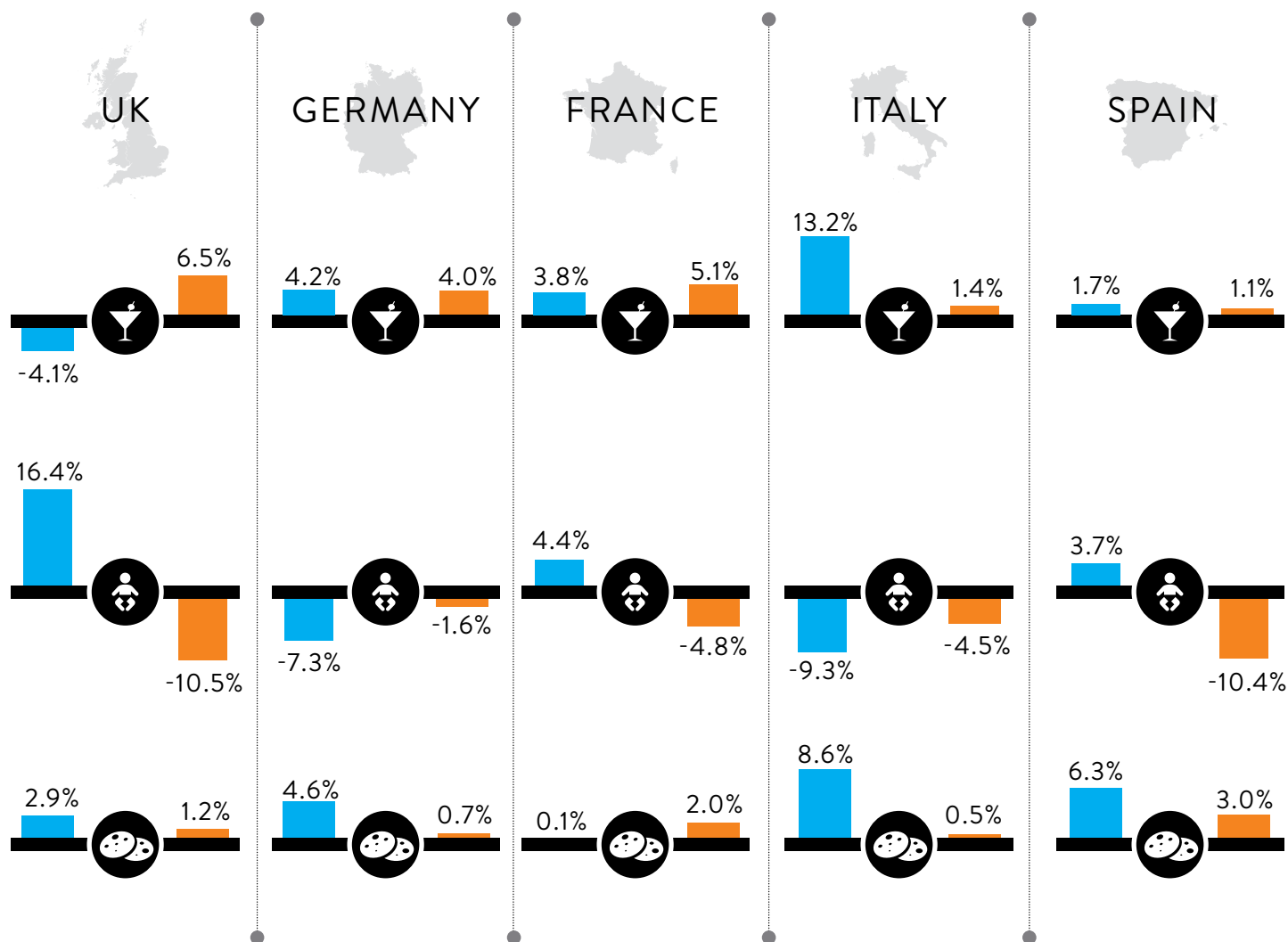
CONFECTIONERY
& SNACKS



PRIVATE LABEL



BRAND



Source: Nielsen

Year-over-year sales change (August 2012 - July 2013 and August 2013 - July 2014)

WHEN BRANDS WIN: HAIR CARE



Though hair-care category share varies by country, name brands consistently outperform private label in the category. In the U.S., only 2% of hair-care sales (as of September 2014) come from private-label brands.

What makes it so difficult for private label to break into the hair-care market? The category has several distinct elements that favor name brands:

- **High innovation rate**—New products launched within one year make up more than 4% of same-year total category sales. Launches in this category are big (generally millions of dollars in sales) and require significant investment, which makes it more difficult for private label to compete.
- **High product differentiation**—Manufacturers have developed products to serve a wide array of needs, including anti-dandruff, color protection and damage repair, among others. The degree of real and perceived differentiation is extremely high.
- **Strong marketing support**—Marketing spend is incredibly high in this category. In 2012, name-brand manufacturers spent around \$6.8 billion on personal care products.¹
- **Strong brand equity**—Name-brand manufacturers' investments in innovation and marketing has created strong brand preferences and loyalty among consumers. Globally, more than one-third (35%) of respondents in Nielsen's survey say they are willing to spend more than the average price on shampoo because it's worth paying extra. It is among the top three products for which consumers are willing to pay a premium in every region.
- **Longer purchase cycle and heavy promotional activity**—Consumers purchase hair-care items less frequently than some other FMCG categories (such as edibles). Since purchasing is more sporadic, the higher price tag for brands is less of a barrier. In addition, hair-care products are often heavily promoted, lowering the price differential between name-brand and private-label products.

¹ According to AdAge estimates

WHEN PRIVATE LABEL WINS: MILK



Share for milk varies by country, but private label often represents 40% or more of total sales in developed markets.

Why are name brands finding it tougher to compete with private label in the milk market? The category has several distinct features that favor private-label brands:

- **Minimal differentiation and low brand equity**—Perceived differences among milk products are low. There are many suppliers, and it is easier for private label to create “me too” products (at lower cost) in this category. Interestingly, the “Got Milk?” advertising campaign—the most successful in the category—was not branded.
- **High price sensitivity and high purchase frequency**—Consumers are highly sensitive to price. In developed markets, milk is a low-involvement, low-risk purchase. Consumers are less brand-loyal and look for the best price. Switching costs are low. In addition, milk has a fast purchase cycle, making its price more noticeable to most consumers. In the U.S., the average branded milk product cost \$3.16, while the average private-label milk product costs \$3.
- **Low innovation rate**—Name brands have done very little to innovate in the milk category. In general, innovation is less common in commodity categories, and new products represent less than 0.5% of same year sales.

While milk is a commodity product in developed markets, it hasn't achieved the same status in many developing markets. More than 40% of respondents in Latin America (43%), Asia Pacific (41%) and Africa/Middle East (41%) are willing to pay more than average for milk because they think it is worth it, compared to 25% in Europe and 19% in the U.S. This is a category with strong private-label growth potential in some developing markets given the size and penetration of the category globally, as well as the strong private-label sales we've seen in more mature markets. Success depends, however, on retailers' ability to convince consumers that their product is of comparable quality to leading name brands.

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 ASSORTMENT CHALLENGE

Private-label growth is partially driven by what's available on store shelves; that is, it's an offer-driven market. Globally, nearly six in 10 (59%) respondents agree they would buy more private label if a larger variety of products were available. It is a misconception, however, that increasing the breadth of assortment will automatically drive sales. Retailers must pursue the right selection, not just a bigger selection. Consequently, necessary delisting decisions should be taken with great care.

Replacing name brands that are declining in share with private-label products that deliver better margins usually comes at the expense of small- and mid-sized name brands. Typically, category leaders are not challenged by private-label cannibalization; rather, the number two and three brands often face the greatest threat to sales. For example, in the U.K. today, on average, 40% of sales come from the category leader, 41% from private label and 19% from all other brands. In the U.S., where the retail market is more fragmented, 31% of sales come from the leader, 17% from private label and 52% from all others. 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.

So how many private-label brands are optimal? It depends on the market and the category. In the U.S. and Europe, consumers are more accepting of private-label products and, therefore, their comfort threshold is lower: only one-third of North American (33%) and European (35%) respondents believe retailers have too many private-label brands on the shelf. In developing markets, where the number of private-label brands is significantly less and the comfort threshold is higher, more consumers feel there are too many private-label brands on retailer shelves (50% in Asia Pacific, 60% in Africa/Middle East and 54% in Latin America). 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.

To determine an optimal assortment strategy, a keen understanding of market dynamics and consumer consumption patterns is necessary. While the right assortment varies by market, one factor is critical for all consumers: Consumers want to comparison-shop. Nearly three-quarters (73%) of global respondents prefer to see name-brand and private-label items next to each other on the store shelf so they can easily review prices.

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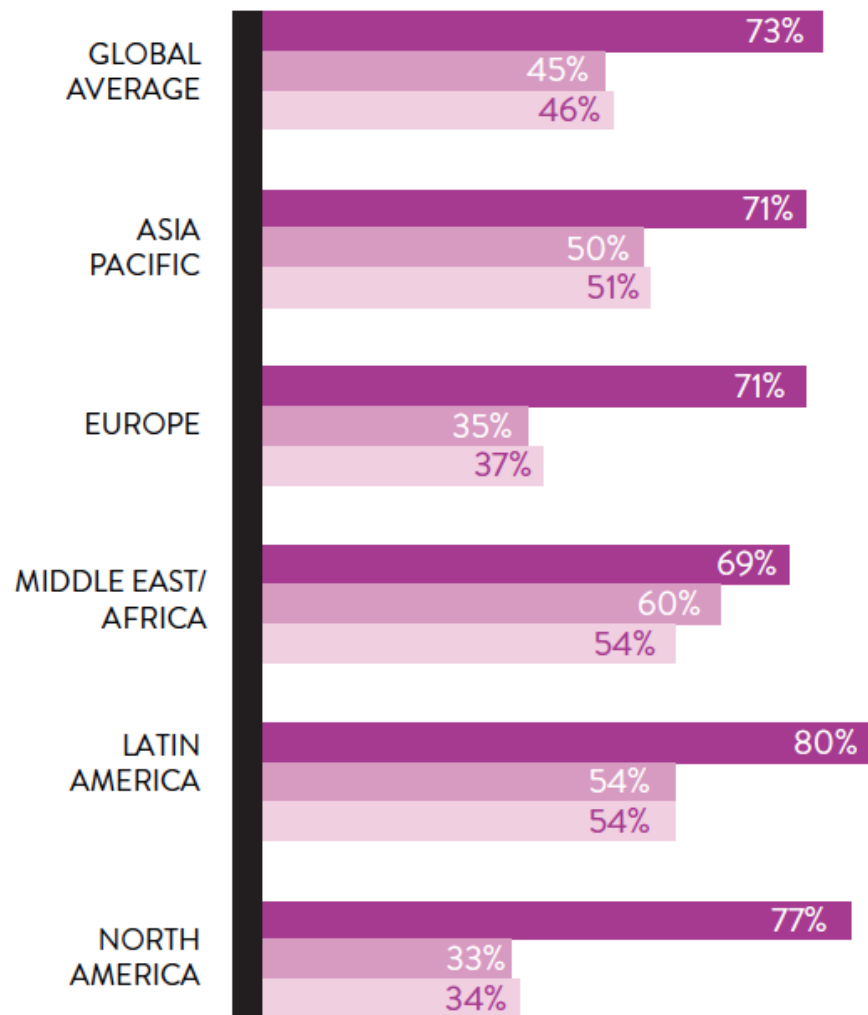
IT IS A
MISCONCEPTION
THAT INCREASING
THE BREADTH OF
ASSORTMENT WILL
AUTOMATICALLY
DRIVE SALES.

”

ASSORTMENT STRATEGIES DIFFER DEPENDING ON THE REGION

PERCENT OF RESPONDENTS WHO SOMEWHAT OR STRONGLY AGREE

- I PREFER TO SEE NAME-BRAND AND PRIVATE-LABEL ITEMS NEXT TO EACH OTHER ON THE SHELF SO THAT I CAN EASILY COMPARE PRICES
- SOME RETAILERS HAVE TOO MANY PRIVATE LABELS ON THE SHELVES
- SOME RETAILERS HAVE ELIMINATED TOO MANY NAME-BRAND PRODUCTS (IN FAVOR OF PRIVATE LABELS), MAKING ME SHOP IN MULTIPLE STORES

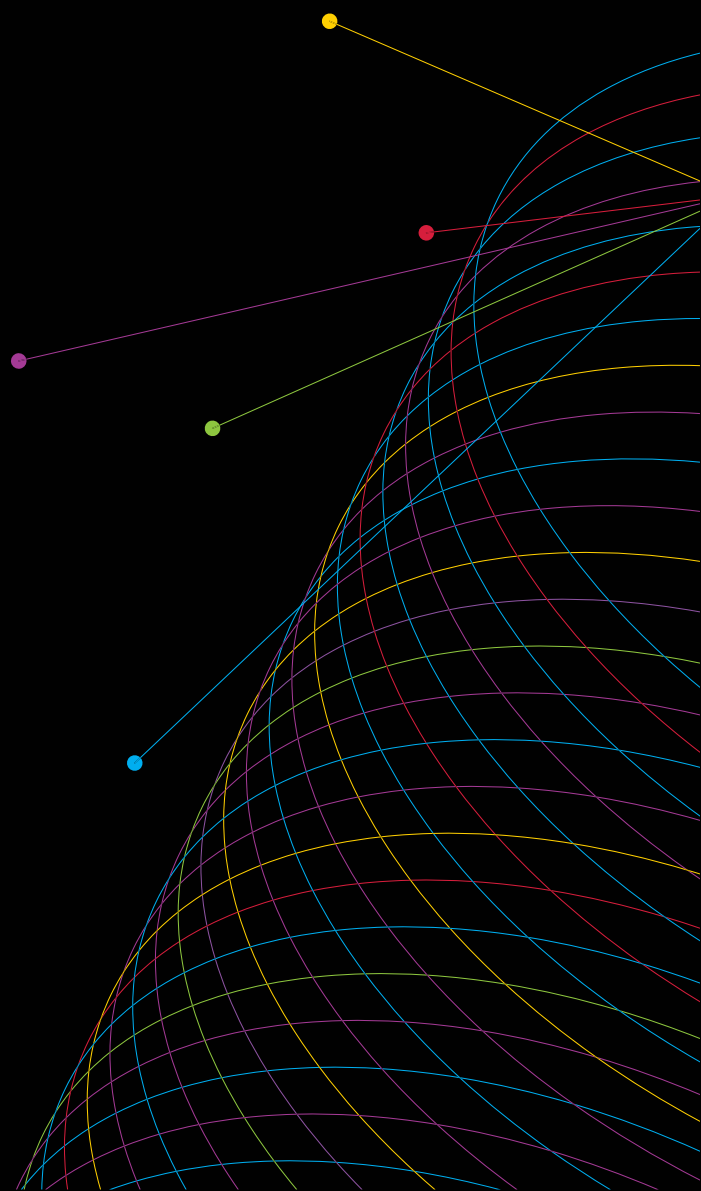


Source: Nielsen Global Survey of Private Label, Q1 2014

PART II

REGIONAL ROUND-UP

DEVELOPED COUNTRIES



EUROPE: THE PRIVATE LABEL LEADER

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.

Private label has become an essential staple in consumers' shopping baskets and perceptions are overwhelmingly positive in the region. 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. Just under one-third (30%) believe private label is not reliable when quality matters.

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.

That said, Europe also illustrates some important truths for name-brand manufacturers. Most importantly, private label does not represent the demise of name brands. Share of basket for even the heaviest private-label buyers hits a tipping point around 50%, and the most developed markets are at saturation levels. Private-label share in Switzerland and the U.K. has remained around 45% for the past 10 years.

"Private label by nature is not predestined to grow; name brands have the growth advantage," said Jean-Jacques Vandenheede, director of retail industry insight, Nielsen. "Commitment to innovation, analytics and marketing are effective strategies for maintaining and growing share. Aggressive promotional activity, as we've seen in the U.K., can also help cap the growth of private label, but such reactive price measures are not sustainable in the long term."



PRIVATE-LABEL SHARE INCREASED IN MOST EUROPEAN COUNTRIES

PRIVATE-LABEL DOLLAR SHARE

CHANGE FROM 2009	2013	
		● INCREASE ● DECREASE ● NO CHANGE
-1	45%	Switzerland
+10	41%	Spain
-2	41%	United Kingdom
+2	34%	Germany
+8	33%	Portugal
+3	30%	Belgium
+1	29%	Austria
0	28%	France
+2	27%	Netherlands
+3	25%	Denmark
+3	25%	Sweden
+4	24%	Hungary
+10	24%	Poland
-2	22%	Czech Republic
+3	22%	Finland
-8	22%	Slovakia
+1	21%	Norway
+2	17%	Italy
+4	16%	Greece
+2	14%	Turkey
+1	6%	Russia

Source: Nielsen

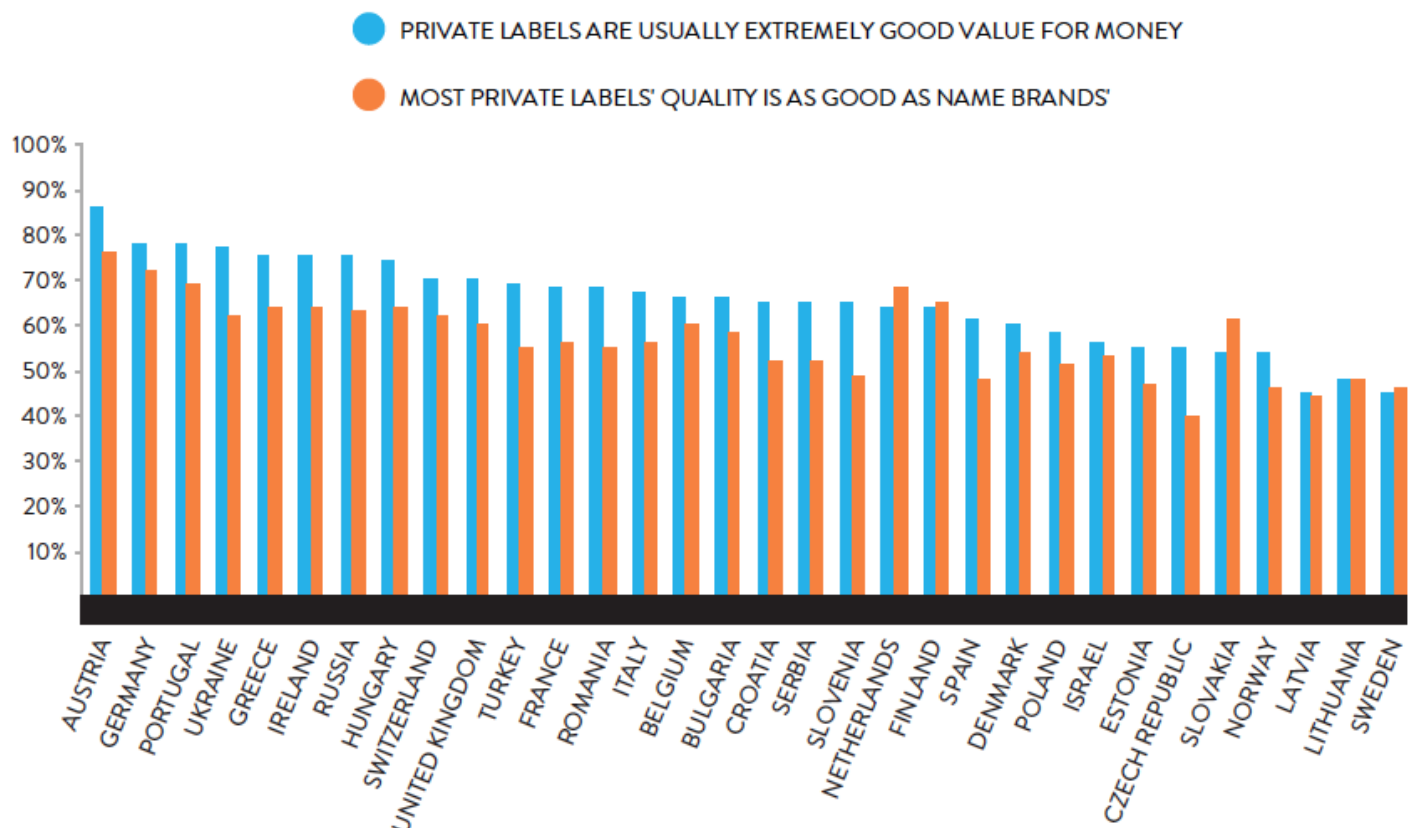
So price is not an irresistible differentiator. Psychological factors can be immensely powerful. Shoppers will not compromise in some categories. For example, private label has not made a sizeable impact in the health and beauty category despite a price advantage of approximately 40%. Moreover, even in the hardest of times, consumers crave occasional indulgences, and they will pay a premium for their favorite brands.

WINNING STRATEGIES

- INVEST IN MARKETING ACTIVITIES TO BUILD PRIVATE-LABEL EQUITY.
- OFFER PREMIUM AND STANDARD PRICE TIERS.
- INNOVATE TO MEET CONSUMER NEEDS.

PRIVATE-LABEL VALUE PERCEPTIONS OUTPERFORM QUALITY IN MOST OF EUROPE, BUT SENTIMENTS ARE HIGH FOR BOTH

PERCENT OF RESPONDENTS WHO SOMEWHAT OR STRONGLY AGREE



Source: Nielsen Global Survey of Private Label, Q1 2014

NORTH AMERICA: POSITIVE PRIVATE-LABEL PERCEPTIONS BUT STAGNANT GROWTH



With dollar shares of 17.5% in the U.S. and 18.4% in Canada, North American private label is just above the average global share of 16.5%. Since the recession ended, growth of private-label brands in the U.S. has been fairly flat as name brands stepped up both promotional activity and innovation efforts to protect share positions and to drive growth. The country's private-label share increased only 1.3 percentage points between 2009 and 2013. In Canada, private-label share has also been stagnant because shoppers have increasingly turned to promotions to save and name brands drove more sales through savvy pricing strategies.

The social stigma of private label has virtually disappeared in the region. The majority of shoppers are pleased with private-label products, calling them a good alternative to name brands (75% of Americans, 73% of Canadians), a good value (74% of Americans, 66% of Canadians) and at parity with name brands on quality (67% of Americans, 61% of Canadians).

"To drive increased private-label growth, retailer focus and commitment will be critical," said Todd Hale, former senior vice president and current consultant, consumer and shopper insights, Nielsen. "Best of breed retailers win by using a combination of organizational focus and operational excellence, and by ensuring they offer the right product at the right price to deliver the right margin across the store in their given categories. Ultimately, retailers must understand shoppers' demand for both private-label and name-brand products and categories."

So what can North American name-brand manufacturers do to compete with private label? “Manufacturers need to recognize that private labels are a mainstay. Retailers are strengthening their bottom lines by connecting with shoppers,” said Hale. “Manufacturers need to adopt a collaborative mindset and help retailers win across the total store with both private label and name brands.”

Manufacturers should consider joint promotion opportunities. For example, if one group of consumers prefers a name brand in a category while another prefers private label, consider promoting them both in the same week. In addition, manufacturers could create integrated shelf sets to help retailers lay out their store shelves. Finally, manufacturers should look for areas where private label doesn’t have a presence, and discuss placement options with retailers in categories where they don’t already have a private-label presence.

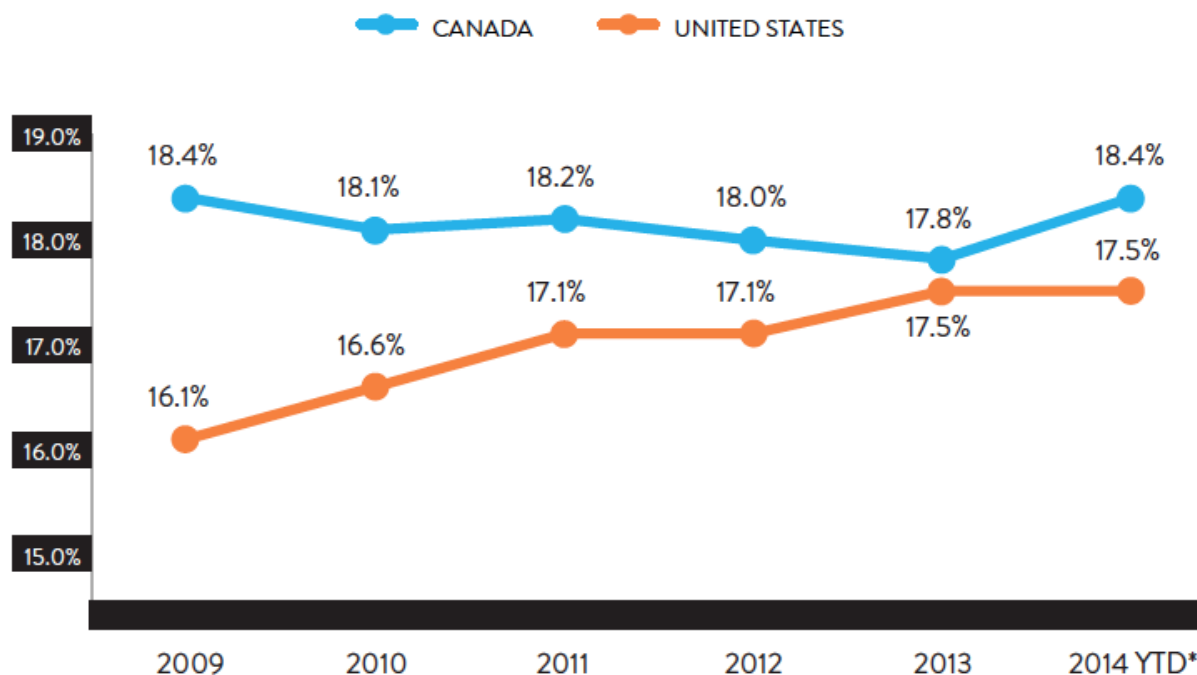
WINNING STRATEGIES

- DEVELOP JOINT PROMOTION OPPORTUNITIES FOR NAME-BRAND AND PRIVATE-LABEL PRODUCTS.
- CREATE INTEGRATED SHELF SETS TO SHOW PRODUCTS SIDE-BY-SIDE.
- CONSIDER PRIVATE-LABEL PLACEMENT OPTIONS WHERE THERE IS CATEGORY WHITE SPACE.



PRIVATE-LABEL SHARE IS VIRTUALLY FLAT IN THE U.S. AND CANADA, BUT VALUE AND QUALITY PERCEPTIONS REMAIN HIGH

PRIVATE-LABEL DOLLAR SHARE



Source: Nielsen
*As of June 2014

	VALUE		QUALITY	
	CANADA	U.S.	CANADA	U.S.
PRIVATE LABELS ARE A GOOD ALTERNATIVE TO NAME BRANDS	73%	75%	MOST PRIVATE LABELS' QUALITY IS AS GOOD AS NAME BRANDS'	61% 67%
PRIVATE LABELS ARE USUALLY EXTREMELY GOOD VALUE FOR MONEY	66%	74%	PRIVATE LABELS ARE NOT SUITABLE WHEN QUALITY MATTERS	27% 24%

Source: Nielsen Global Survey of Private Label, Q1 2014
Note: Percent of respondents who somewhat or strongly agree

THE PACIFIC: MORE VIABLE OPTIONS THAN EVER



Private label in Australia and New Zealand resembles North America and parts of Europe; value share is 21% in Australia and 13% in New Zealand. Virtually all households in Australia and New Zealand purchased private-label products in the past year, and private-label growth (6.6%) outpaced total retail growth (2.4%) in Australia for the year ending May 2014.

There has been a significant shift in perceptions from 2009 to 2014 as the reputation of private label has evolved from cheap compromise to quality offering. Private label is more important than ever as consumers want a viable alternative to name brands. Sixty-two percent of respondents believe private label is a good alternative, and 54% believe most private-label quality is as good as that of name brands.

“Shoppers are increasingly aware of price, which is no longer a differentiator, but an expectation,” said Caroline Burgess, associate director, client service, Nielsen. “Retailers have traditionally focused on ‘me-too’ offerings rather than creating a point of difference with their private-label products. This is changing as more retailers have taken on the role of brand creator, providing reassurance, personality and something unique in the products they offer. The premium tier is particularly valuable as it allows retailers to offer items that don’t exist anywhere else. This increases their brand’s differentiation and appeal and drives store loyalty.”

So what can we expect for private-label brands in the future, and how can they compete?

First, while perceptions have improved, consumers still have quality concerns, particularly when products bear the store name as opposed to pseudo-brands. In addition, strong legacy brands continue to dominate certain categories, creating a barrier to private-label growth.

As in Europe, name brands have attempted to maintain share through aggressive promotions, and deep discounting has narrowed the price differential against private label. Long-term success will require more than aggressive pricing, however. Name brands will need to tier effectively against private-label offerings in the market, develop mainstream branded offerings that are more compelling than “basic” private-label lines and position premium lines as “best in category” above premium private label.

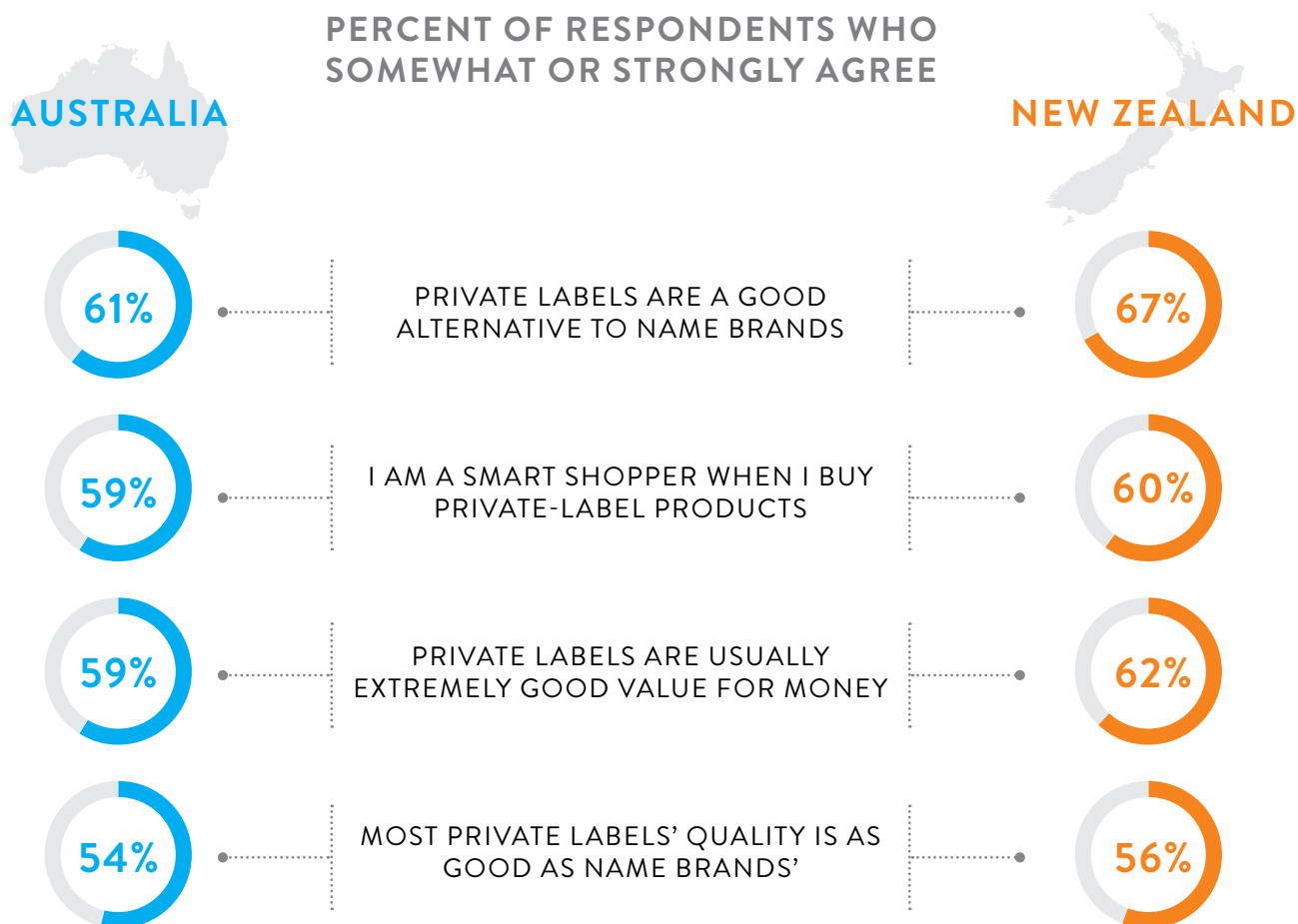
WINNING STRATEGIES

- CREATE A POINT OF DIFFERENTIATION WITH UNIQUE OFFERINGS.
- IMPROVE QUALITY CONCERNS WITH REPUTATION-BUILDING STRATEGIES.
- OFFER PREMIUM AND STANDARD PRICING TIERS TO BETTER COMPETE.

PRIVATE LABEL IS GROWING IN AUSTRALIA; DECLINING IN NEW ZEALAND, BUT PERCEPTIONS ARE MORE FAVORABLE AMONG KIWIS

PRIVATE-LABEL DOLLAR SHARE

	2010	2013/2014 YTD*	CHANGE FROM 2010
AUSTRALIA	14.0%	21.3%	+7.3
NEW ZEALAND	18.0%	13.0%	-5



Source: Nielsen
* As of June 2014

PRIVATE-LABEL GROWTH DRIVERS IN DEVELOPED MARKETS

The U.S., Canada, Australia and several European countries are poised for future private-label growth driven by the following common market dynamics:

- **Consolidation:** Not coincidentally, Switzerland has both the highest retailer concentration and private-label dollar share. In fact, 15 of the 18 most concentrated markets in the world are found in Europe. Private label is a business of scale, and consolidation has enabled companies to invest in the product innovation, consumer research and marketing muscle required to build strong private-label brands. In the U.S., Italy, Portugal, Poland and Greece, among others, the top three (in Europe) to five (in the U.S.) retailers account for less than 50% of total market share. As these markets consolidate, private-label growth will follow.
- **Expansion of the “hard discount” format:** These retailers devote the majority of their assortment to private label and create pressure for other retailers to provide or increase value offerings. In addition, a number of mainstream grocers in the U.S. are experimenting with formats in this space.
- **Continued economic softness:** While private-label brands are not a byproduct of the economic downturn, the recession and weak recovery that followed provided a boost to private label. Financial pressures forced many consumers to trade down, and many found the quality gap between name brands and private label not as large as expected.
- **Innovation:** Innovation is a differentiator for both private label and name brands. This has typically been a core strength for name brands, but retailers are increasingly stepping up their game and delivering new products that fulfill evolving shopper needs. European retailers have led the way, developing award-winning packaging, taking products up-market and appealing to consumers' values (e.g., sustainable and fair-trade products). Retailers in the U.S. and Australia are making strides, but moving beyond me-too products to real innovation remains a pain-point for some.

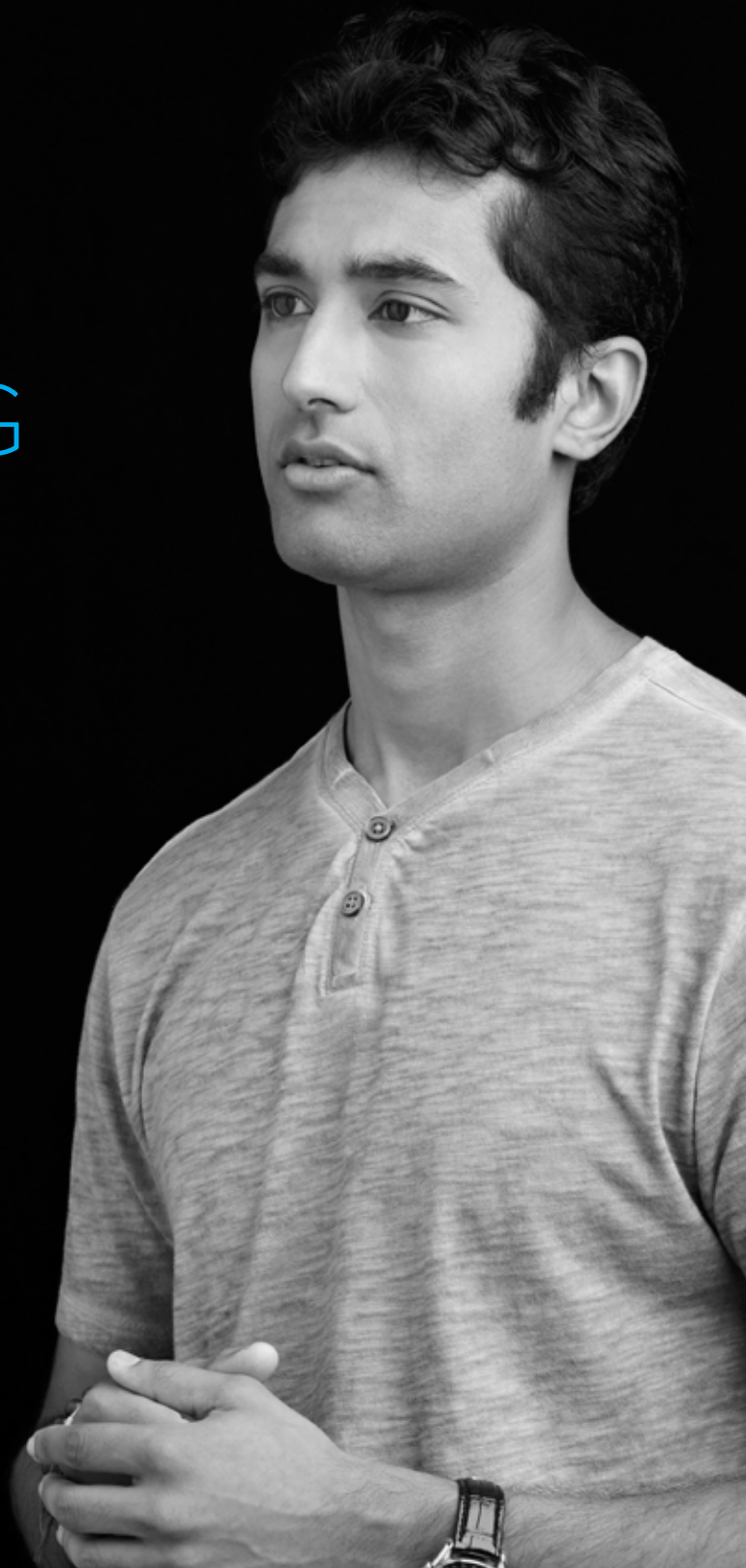
- **New channels:** Long-term growth will be driven by the evolution of private label within pure-play e-commerce channels, where fast-moving consumer goods offerings are limited today. Convenience channels, which are growing rapidly but haven't really ventured into private label, may be another engine of growth.

While private-label growth drivers are largely consistent across the developed world, the developing markets differ greatly in terms of retail infrastructure and consumer attitudes and behaviors. What will drive private-label growth in these markets? It depends on the region.





DEVELOPING MARKETS



ASIA: BRAND LOYALTY REIGNS IN THIS DIVERSE RETAIL LANDSCAPE

Modern trade and private label are not new concepts in Asia—they have been around for the last quarter century. Large format hypermarkets have been operating in Asia since the 1980s. Today, 90% of urban Thai shoppers regularly use hypermarkets, and 65% use them as their main grocery outlet. Tesco Thailand started developing and selling private-label brands as a core strategy when they first entered the country in 1998. Despite this, private-label dollar share has increased only slightly in the last decade and has actually regressed for the past few years, as name brands have increased their promotional activity.

Why has private-label growth been so slow? In short, Asian shoppers are strongly brand-loyal, and retailers have not invested enough in marketing private label to persuade shoppers to trust its quality. Asia-Pacific has the highest percentage of respondents (58%) who believe name brands are worth the extra price—10% higher than the global average, 20% higher than North America and 26% higher than Europe. In addition, it's risky for consumers, particularly lower income shoppers with limited disposable income, to buy a private-label brand product they don't trust. Nearly six out of 10 respondents in Indonesia (59%), the Philippines (56%) and Thailand (58%) believe they risk wasting money when they try new brands. Instead, shoppers prefer to buy the trusted brand advertised on TV every week, especially now that it is increasingly offered at a discounted price.

“Retailers launched private-label programs expecting Asian consumers to instantly trust them without investing the 20 years it has taken in developed markets to build acceptance,” said Peter Gale, managing director of retailer services, Nielsen. “Many Asian retailers virtually copy-and-pasted the European model without dedicating the groundwork necessary. Just launching new private-label products is not going to drive significant growth unless retailers address the fundamental issue of shopper demand properly.”

PRIVATE-LABEL SHARE DECLINED IN MOST ASIAN COUNTRIES

PRIVATE-LABEL DOLLAR SHARE

CHANGE FROM 2010	2013/2014 YTD	
		● INCREASE ● DECREASE ● NO CHANGE
-0.5	8.1%	Singapore
-1.7	5.1%	Hong Kong
-2.2	4.5%	India
-0.2	3.1%	Taiwan
+0.5	1.3%	China
-2.8	0.8%	Thailand
-0.1	0.6%	Indonesia

Source: Nielsen

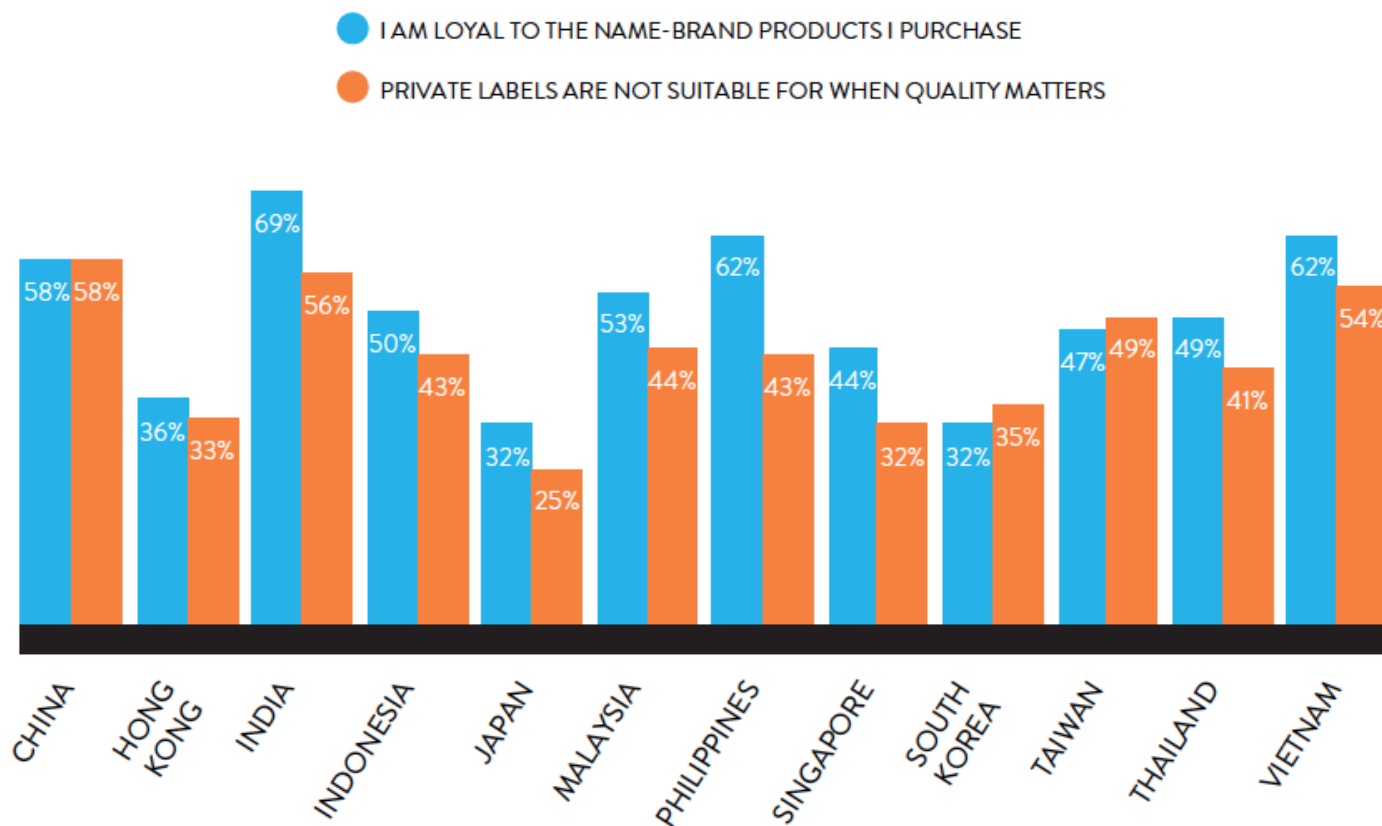
Ultimately, private label's advancement is in the hands of the retailers. Private-label brands are not a quick or easy win, and the future will be brighter when retailers decide it is the right time to fully invest to make private label successful.

WINNING STRATEGIES

- DO NOT ASSUME WHAT WORKS IN ONE MARKET OR CATEGORY WILL WORK IN ALL. UNDERSTAND LOCAL NEEDS AND PREFERENCES.
- INVEST THE TIME AND RESOURCES TO EDUCATE CONSUMERS AND BUILD TRUST IN PRIVATE LABEL.

PRIVATE-LABEL QUALITY IS A CONCERN AMONG BRAND-LOYAL ASIANS

PERCENT OF RESPONDENTS WHO SOMEWHAT OR STRONGLY AGREE



Source: Nielsen Global Survey of Private Label, Q1 2014

SPECIAL FOCUS ON INDIA –THE ASIAN PRIVATE- LABEL TRAIL BLAZER



India may represent the least-developed retail market in Southeast Asia—modern trade penetration is 5%, compared to more than 50% for most Southeast Asian markets—but it is one of the most successful private-label markets in the region. Private label grew 27% between 2012 and September 2014.

What's driving this growth? Above all, a new generation of shoppers is less brand-loyal and more open to trying new products.

“With shoppers looking to trim their shopping bills and find greater value for money, private label caters to a segment that wants to participate in the modern trade experience but is not as brand savvy,” said Sarbani Sen, associate director, Nielsen India. “This is a key reason why private label can be successful in India. Moreover, shopper loyalty is increasingly episodic and event-based, and private label is likely to continue positioning itself as a natural alternative to name-brand products.”

Private label has made a considerable impact in certain categories because of the assurance consumers get from knowing that they can interact directly with the retailer during their shopping trip. Nonetheless, not all categories have been successful: for example, baby care. To increase the chances of success, retailers should enhance in-store awareness, increase visibility and provide value-for-money options. And while private label has gained traction and will continue to grow, brands shouldn't be alarmed, but rather focus on innovation to differentiate their products and prevent shoppers from switching.

WINNING STRATEGIES

- USE PRIVATE LABEL AS A POINT OF DIFFERENTIATION.
- INCREASE IN-STORE VISIBILITY OF PRIVATE-LABEL PRODUCTS.
- HIGHLIGHT THE VALUE-FOR-MONEY PROVIDED.

LATIN AMERICA: PRIVATE LABEL IS A STABLE PRESENCE

Private-label share grew steadily in Latin America between 2010 and 2014, increasing in all of the countries measured. The greatest growth occurred in Chile and Colombia, which increased 2.9 percentage points in the four-year time period.

Retailers have made significant progress in terms of private-label quality. More than three-quarters (76%) of respondents say their perception of private label has improved, led by Peru (84%) and followed closely by Mexico (79%), Chile (78%) and Colombia (78%). In addition, two-thirds believe a private-label product's quality is as good as that of name brands. Perceptions are most positive in Venezuela (74%) and Peru (73%) and least in Argentina (62%).

There are several opportunities for growth across the region.

As in developed markets facing difficult economic conditions, consumers in Latin America are looking to reduce household expenses by switching to less-expensive grocery brands. It is the most commonly cited tactic for saving in Argentina (59%), Chile (41%), Colombia (36%) and Peru (33%).

Diversification of product lines and expansion beyond the value tier will create additional opportunities. Seventy-one percent of Latin American respondents say they would buy more private labels if a larger variety of products were available (vs. 59% globally), and 78% like it when a retailer's private-label offerings include lowest-priced/value items, name-brand equivalents and premium products (vs. 69% globally). As in other regions, retailers must manage their assortment extremely carefully, as Latin American consumers are brand-loyal and do not want more private-label products at the expense of their favorite brands.

In Brazil, the strength of regional retailers creates both a barrier and opportunity for growth. Private label is concentrated in key chains, but 40% of the country's sales come from regional retailers who haven't developed private label—yet.



STEADY PRIVATE-LABEL GROWTH CONTINUES ACROSS LATIN AMERICA

PRIVATE-LABEL DOLLAR SHARE

CHANGE FROM 2010	2013/2014 YTD	
+2.9	15.0%	Colombia
+2.9	10.3%	Chile
+0.8	8.7%	Argentina
+0.7	7.6%	Mexico
+0.2	5.0%	Brazil
+2.2	3.0%	Venezuela

Source: Nielsen
Data for Mexico is 2014 YTD. All others are 2013.

Latin America seems well positioned for continued steady growth, but what will this mean for name brands? “While private label will continue to increase in share, it is currently more of a threat to name brands than a reality,” said Enrique Penella, vice president of retail, Nielsen Latin America. “We expect private label will create price competition and encourage name brands to innovate to maintain share. Name brands of questionable quality in the lowest price tier will feel the biggest impact. Those recognized for quality and that are highly engaged with consumers, however, will remain strong.”

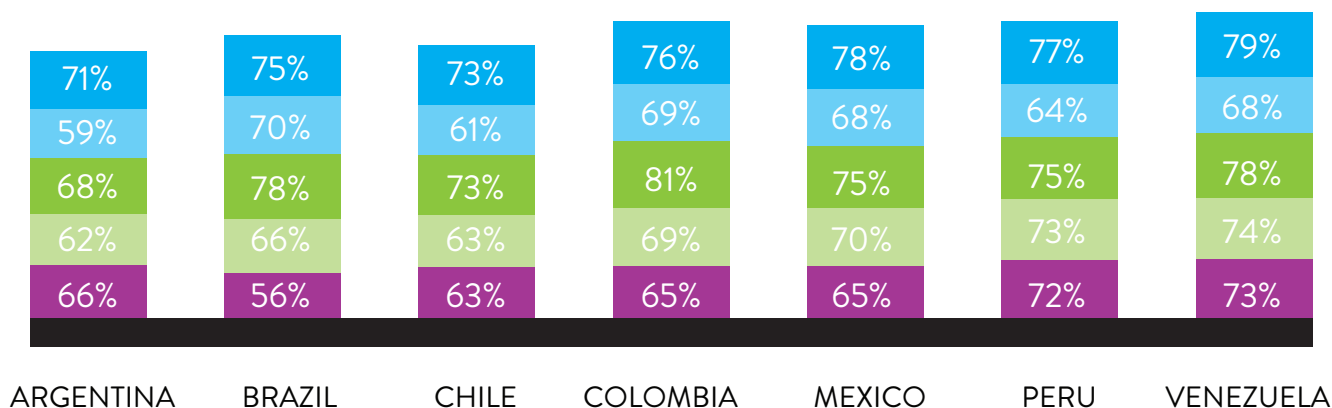
WINNING STRATEGIES

- PURSUE A THREE-TIER PRICING STRATEGY WITH PRIVATE-LABEL PRODUCTS.
- INNOVATE TO MEET CONSUMER NEEDS AND REACH NEW SEGMENTS.
- IMPROVE QUALITY CONCERNS WITH REPUTATION-BUILDING STRATEGIES.

PRIVATE-LABEL PERCEPTIONS ARE POSITIVE IN LATIN AMERICA

PERCENT OF RESPONDENTS WHO SOMEWHAT OR STRONGLY AGREE

- PRIVATE LABELS ARE A GOOD ALTERNATIVE TO NAME BRANDS
- I AM A SMART SHOPPER WHEN I BUY PRIVATE-LABEL PRODUCTS
- PRIVATE LABELS ARE USUALLY EXTREMELY GOOD VALUE FOR MONEY
- MOST PRIVATE LABELS' QUALITY IS AS GOOD AS NAME BRANDS'
- SOME PRIVATE-LABEL PRODUCTS ARE OF HIGHER QUALITY THAN NAME BRANDS



Source: Nielsen Global Survey of Private Label, Q1 2014

AFRICA AND THE MIDDLE EAST: IN THE EARLY START-UP PHASE



With the exception of South Africa, private-label development is still in its infancy in the Middle East/Africa. While private label represents 18% of dollar sales in South Africa, it is 1% or less in all of the Middle Eastern countries in the study.

Given its relatively low penetration, what does the future hold for private label in the Middle East/Africa? While Nielsen expects further private-label growth, brands will continue to dominate in the Middle East/Africa for the near future.

Private-label growth is heavily dependent on the spread of modern trade, which has low penetration and is primarily available in urban areas only. Even in South Africa—the biggest private-label market in the region—30% of sales still come from traditional trade.

As modern trade continues to evolve in this region, discounters will be particularly important to private-label growth, as these are the main outlets selling private-label products today. Discounters are already making inroads in Northern Africa. Turkish retailer BIM has expanded into Morocco and Egypt; more than 50% of its stock-keeping units (SKUs) are private-label brands. In contrast, there are no well-developed discounters in the Middle East. Shoppers in the Middle East enjoy spending time in malls, and big supermarkets or hypermarkets are a source of entertainment. Increasingly, retailers like Spinneys, Carrefour and Choithrams are dedicating more space to private label in the Middle East, but share in most categories remains in the single digits.

Private-label growth also depends on retailers' ability to create a consistent source of manufacturing expertise and supply for private-label brands. This has been a significant hurdle in the region, as many have struggled to find local suppliers able to match the quality of multinational fast-moving consumer goods manufacturers.

Retailers must also overcome strong brand loyalty and uncertainty about quality. Brands have a long legacy in this region, while private label has struggled with low awareness and trust. Purchasing an unfamiliar product is inherently risky, and many consumers don't have the disposable income necessary to take a chance on a product that might not deliver. Fifty-five percent of respondents agree they risk wasting money when they try new brands—the highest percentage of all regions.

Name brands are familiar and provide an assurance of quality; as a result, they generate significant loyalty. Indeed, 57% of Africa/Middle East respondents say they're loyal to name-brand products, compared to 50% globally. As in Asia, poor quality perceptions and strong brand loyalty can pose significant barriers to private-label growth. Therefore, retailers will need to invest in campaigns to increase comfort with private-label offerings.

“There has been positive feedback for this differentiation, but future development will be largely defined by how retailers monitor the performance of new launches and use that information to develop the right products at the right price,” says Onur Yuksel, retail services leader, Nielsen Middle East, North Africa and Pakistan. A more scientific approach beyond a “build it and they will come” strategy is needed.

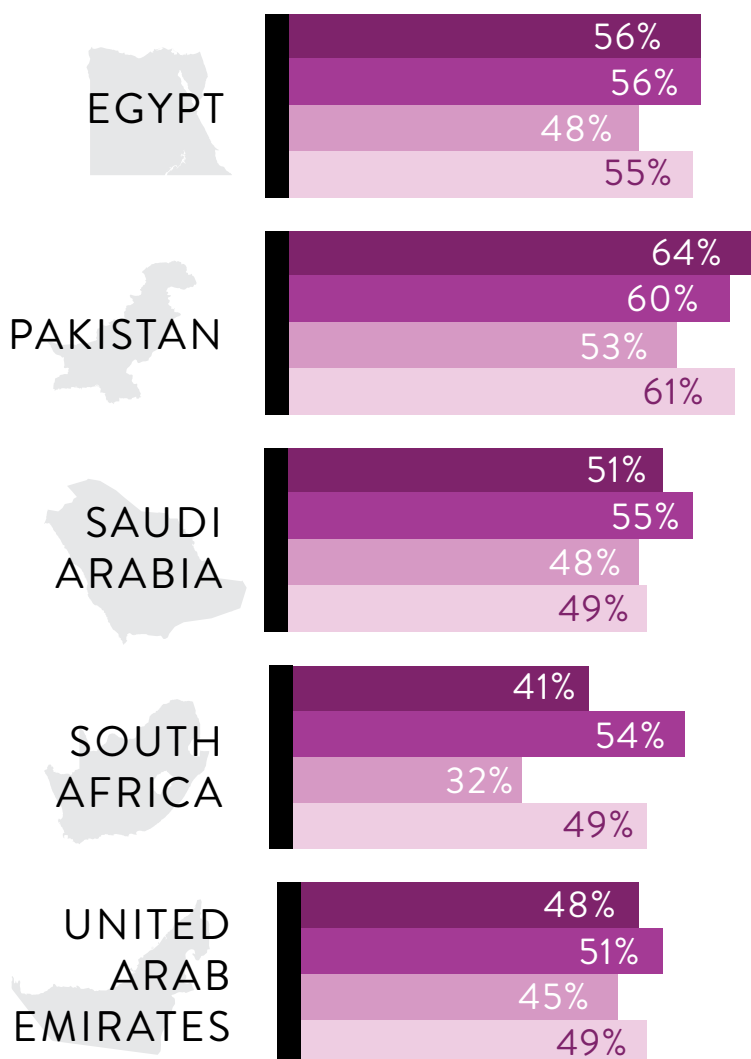
WINNING STRATEGIES

- IMPROVE QUALITY CONCERNS WITH REPUTATION-BUILDING STRATEGIES.
- MOVE BEYOND VALUE OFFERINGS INTO PREMIUM AND STANDARD PRICING TIERS.
- INNOVATE TO MEET CONSUMER NEEDS AND REACH NEW SEGMENTS.
- IN SOUTH AFRICA, IMPROVE PACKAGING QUALITY AND LEVERAGE THE STRENGTH OF THE RETAILER BANNER IN PACKAGING.

BRAND NAMES ARE IMPORTANT IN THE MIDDLE EAST/AFRICA

PERCENT OF RESPONDENTS WHO SOMEWHAT OR STRONGLY AGREE

- NAME-BRAND PRODUCTS ARE WORTH THE EXTRA PRICE
- I AM LOYAL TO THE NAME-BRAND PRODUCTS I PURCHASE
- PRIVATE LABELS ARE NOT SUITABLE WHEN QUALITY MATTERS
- I RISK WASTING MONEY WHEN I TRY NEW BRANDS



Source: Nielsen Global Survey of Private Label, Q1 2014

COUNTRIES INCLUDED IN THIS STUDY

EUROPE	
MARKET	INTERNET PENETRATION
Austria	81%
Belgium	82%
Bulgaria	53%
Croatia	71%
Czech Republic	74%
Denmark	95%
Estonia	80%
Finland	92%
France	83%
Germany	86%
Greece	60%
Hungary	73%
Ireland	78%
Israel	71%
Italy	59%
Latvia	75%
Lithuania	69%
Netherlands	94%
Norway	95%
Poland	65%
Portugal	62%
Romania	50%
Russia	61%
Serbia	57%
Slovakia	79%
Slovenia	73%
Spain	75%
Sweden	95%
Switzerland	87%
Turkey	46%
United Kingdom	90%
Ukraine	42%

ASIA-PACIFIC	
MARKET	INTERNET PENETRATION
Australia	87%
China	46%
Hong Kong	75%
India	16%
Indonesia	22%
Japan	86%
Malaysia	67%
New Zealand	87%
Philippines	41%
Singapore	73%
South Korea	85%
Taiwan	80%
Thailand	30%
Vietnam	44%

LATIN AMERICA	
MARKET	INTERNET PENETRATION
Argentina	75%
Brazil	54%
Chile	67%
Colombia	62%
Mexico	44%
Peru	39%
Venezuela	45%

MIDDLE EAST / AFRICA	
MARKET	INTERNET PENETRATION
Egypt	50%
Pakistan	15%
Saudi Arabia	61%
South Africa	49%
United Arab Emirates	88%

NORTH AMERICA	
MARKET	INTERNET PENETRATION
Canada	91%
United States	84%

Source: Internet World Stats, December 31, 2013

ABOUT THE NIELSEN GLOBAL SURVEY

The Nielsen Global Private-label Survey was conducted between Feb. 17 and March 7, 2014, and polled more than 30,000 consumers in 60 countries throughout Asia-Pacific, Europe, Latin America, the Middle East, Africa and North America. The sample has quotas based on age and sex for each country based on its Internet users and is weighted to be representative of Internet consumers. It has a margin of error of $\pm 0.6\%$. This Nielsen survey is based only on the behavior of respondents with online access. Internet penetration rates vary by country. Nielsen uses a minimum reporting standard of 60% Internet penetration or an online population of 10 million for survey inclusion. The Nielsen Global Survey, which includes the Global Consumer Confidence Index, was established in 2005.

ABOUT NIELSEN

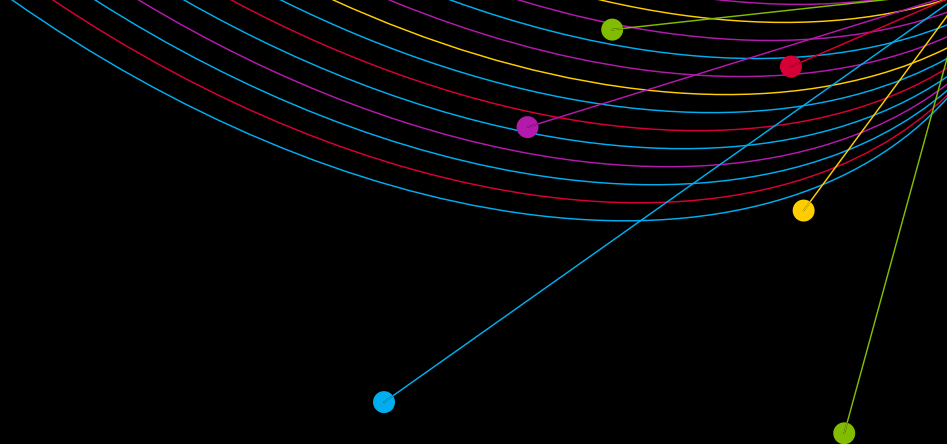
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