



## The Rise of the Value-Conscious Shopper

A Nielsen Global Private  
Label Report

March 2011

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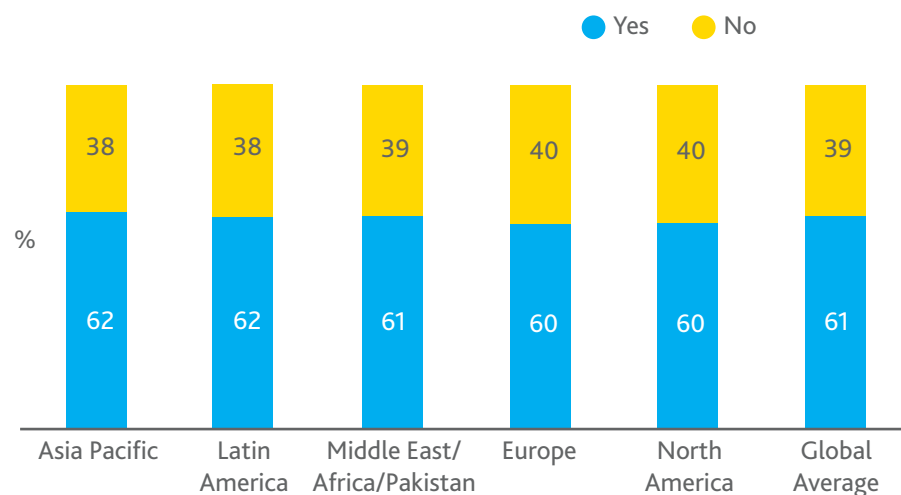
# Ignited by the recession, private label is on an upward trend

Given the recent economic slowdown in developed markets, the 'value conscious' shopper is more visible across store aisles than ever before. No doubt, this trend will continue even as economies stagger out of the recession and rehabilitate. This environment will see a fair share of shoppers retain their 'value mindset' with an increased preference to shop at stores that have everyday low prices (EDLP) and exhibit a tendency to be uncharacteristically frugal. Retailers too will adjust to this environment by exploring newer formats like shop within shops and smaller formats that cater to this shopper.

Findings from a 2010 Nielsen global online survey of more than 27,000 respondents across 53 countries show that the private label phenomenon is here to stay. In fact, while more than half of online consumers surveyed said they purchased more private label brands during the economic downturn, fully 91 percent said they will continue to do so when the economy improves.

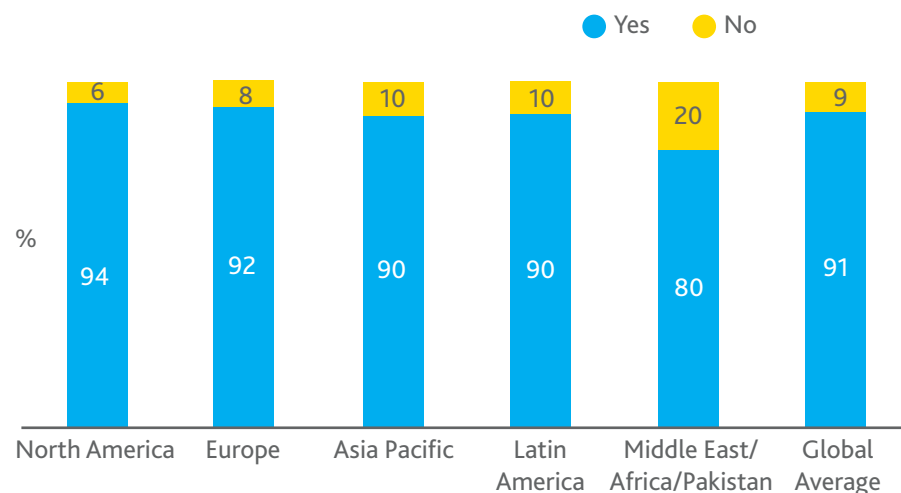
“91 percent said they will continue to buy private label when the economy improves.”

## Consistent worldwide sentiment: The majority of consumers purchased more private label brands during economic downturn



Source: The Nielsen Company, Global Online Survey, Q3 2010

## When the economy improves, virtually all consumers will continue to purchase private label brands



Source: The Nielsen Company, Global Online Survey, Q3 2010

## Global Progress is Continual

On a global scale, the impact of the economic environment on private label has played a more marginal role. Looking at a comparison across markets, there is a slow, but steady continuation of private label progress, which is actually the result of more retailers deploying private label products in a growing number of categories, a phenomenon that's continued for more than two decades.

The victims of this transformation are the small and medium brands that get delisted in favor of private label. Generally, the leading brands in the category are not suffering and private label isn't fatal for healthy brand leaders. Consider this: In Europe where private label is most

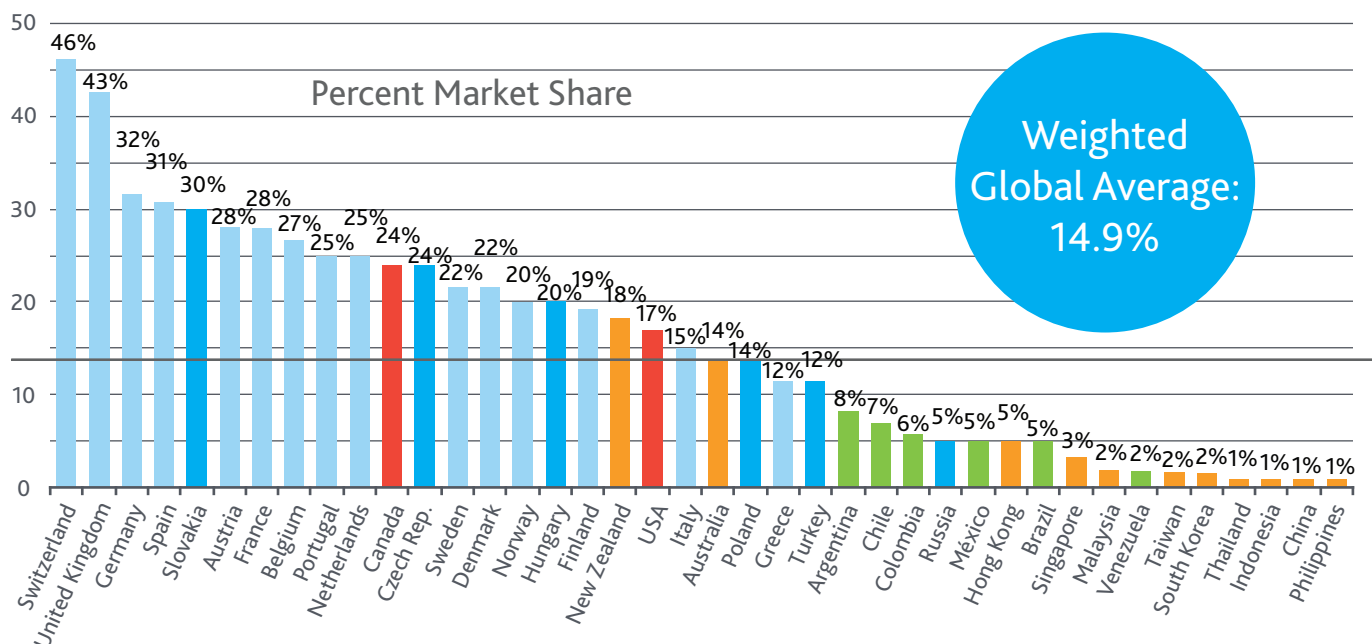
developed, store brands still only capture an average 35 percent market share. In the U.S., private label's market share is still under 20 percent.

As retailers continue to become more adept at using national advertising to build store brands, growth will surely continue. The advertising of retailer banners has grown over time and this has a positive impact on the brands that these retailers carry. The evolution of private label products has also resulted in these brands operating above the lowest price band. Increased store visibility through facings and a proliferation of SKUs has resulted in greater familiarity and awareness of these brands among shoppers.

National manufacturers will realize that the best way to guard their brands' turf will be to treat private label as legitimate competition and reactionary price reduction measures will only provide a temporary reprieve. Clearly, national brands still command a greater proportion of their categories at an overall level and private label usually takes the place of 'challenger' to a vibrant and dynamic market for shoppers.

Private label brands are in a position to compete on value and quality—key attributes that today's consumers seek. The opportunity for retailers is to use private label to differentiate themselves and lead the way with innovation to help build and sustain the image of the entire franchise.

### The private label reality is significant and mostly growing, but not everywhere



Source: The Nielsen Company, 2009 for most countries (some of the smaller markets is 2008 data)

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.



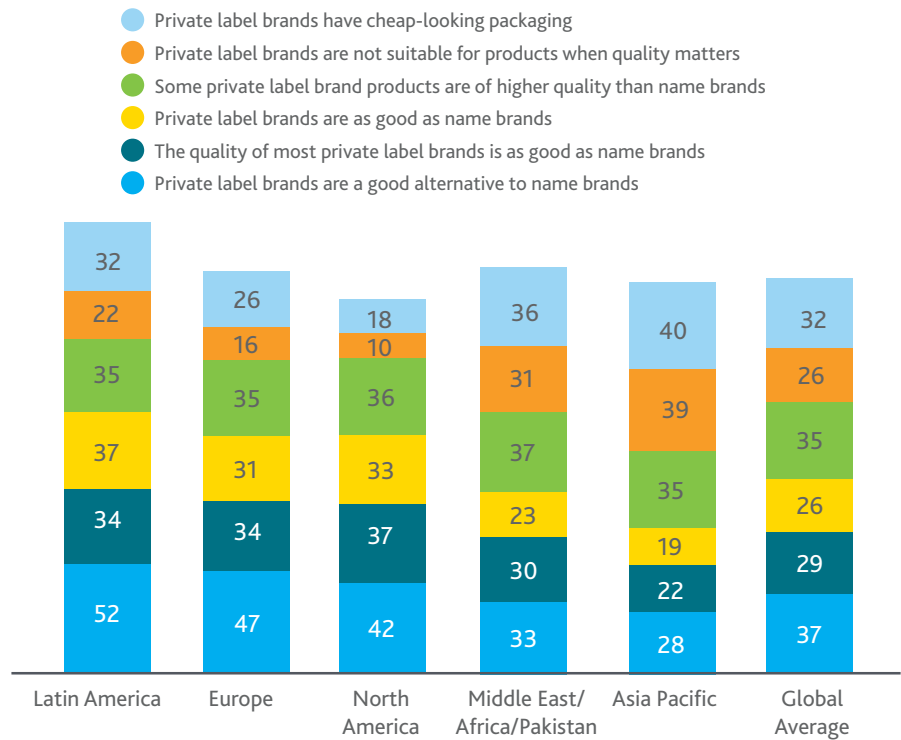
## Perception of Quality and Price

Private label has come a long way since the early days when plain, generic-style packaging was used. And quality often rivals the most trusted name brand products. According to Nielsen's survey, more than one in three global online respondents (37%) perceives private label brands to be a good alternative to name brands. Twenty-nine percent think the quality of most private label goods is as good as name brands and 35 percent believe that some private label products are of a higher quality than name brands.

On the price/value front, 40 percent of consumers surveyed said that private label brands are usually extremely good value for the money. In fact, more than one in four consumers (27%) said that they would be willing to pay same/more for a private label brand if they liked it. Only 22 percent of respondents said that name branded products are worth the extra price. About half of consumers (47%) indicated they purchased private label in less than five categories and one in three purchased private label products in six to ten categories.

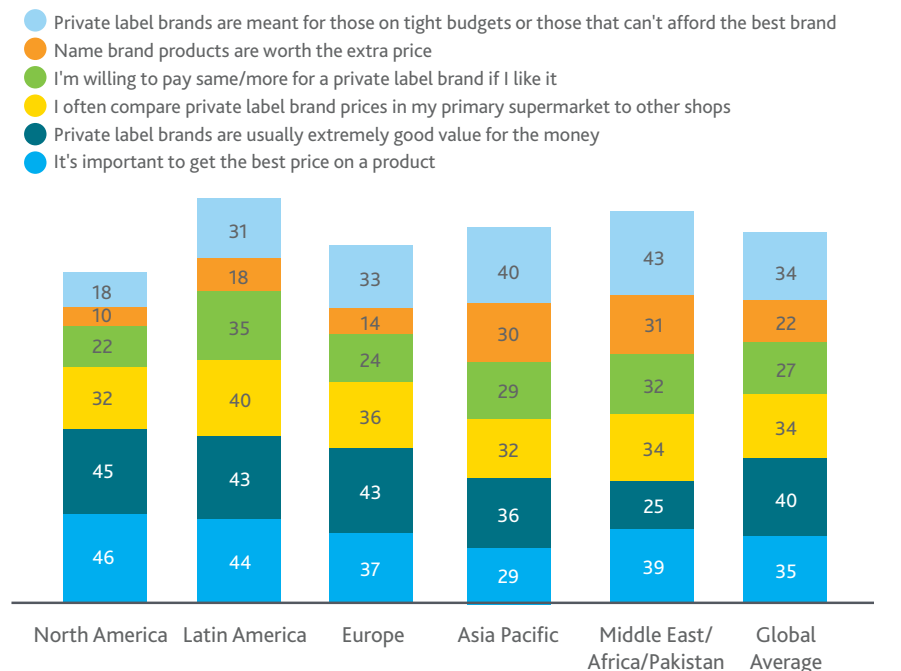


### Global perception of private label brand quality



Source: The Nielsen Company, Global Online Survey, Q3 2010

### Global perception of private label brand price/value



Source: The Nielsen Company, Global Online Survey, Q3 2010

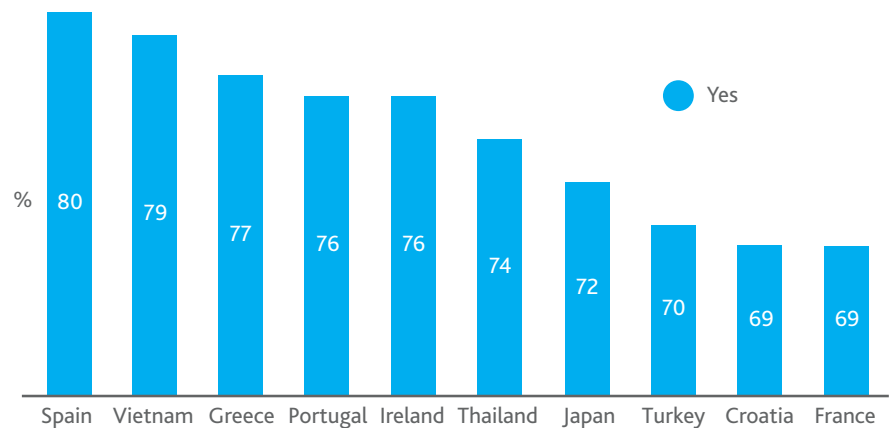
## Economic Realities

Consumers in the most hard-hit economic countries turned to private label to help ease their financial burdens. Consumers in Spain, Greece, Portugal and Ireland were among the top five countries who said they purchased more private label brands during the downturn. Vietnam was the only economically-stable country in the top five, where 79 percent of consumers said they purchased more private label when the economy took a turn for the worst.

The Swiss, Danes, Lithuanians, Czechs and Italians were least likely to say they have purchased more private label during the downturn. Showing tremendous support and affinity towards private label brands, virtually all consumers in Norway, Sweden, Japan, Hungary, Austria, Finland, Great Britain, Netherlands, Portugal and Canada said with more than 95 percent certainty that when the economy improves, they will continue to purchase private label.

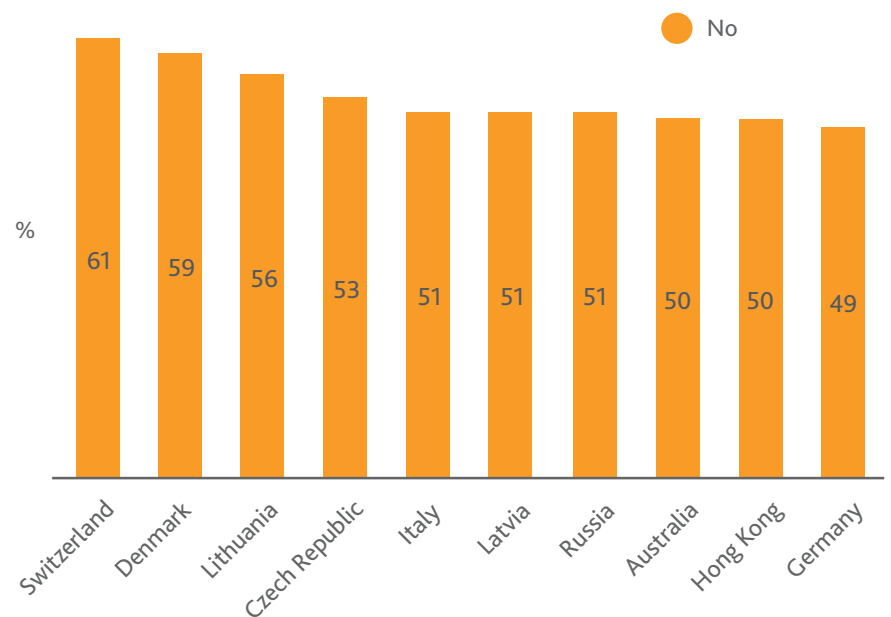
“Consumers in the most hard-hit economic countries turned to private label to help ease their financial burdens.”

### Top 10 Countries that purchased more private label brands during the economic downturn



Source: The Nielsen Company, Global Online Survey, Q3 2010

### Top 10 countries that did not purchase more private label brands during the economic downturn



Source: The Nielsen Company, Global Online Survey, Q3 2010

## Regional Round-Up: Asia Pacific

While retailers in Asia are increasing their investment in private label, it remains largely undeveloped in all markets. Australia, New Zealand and Japan hold the highest private label penetration and thus are generally the most positive about private label products. The most negative countries on private label are typically the Chinese markets of Taiwan, China and Hong Kong.

Like the rest of Asia, Indian shoppers reflect a lower affinity for private labels. However, for a large mass of 'new' consumers who are experiencing modern format for the first time, private label represents an opportunity to 'up-trade' at a price that represents value while still being affordable. Since private label is still

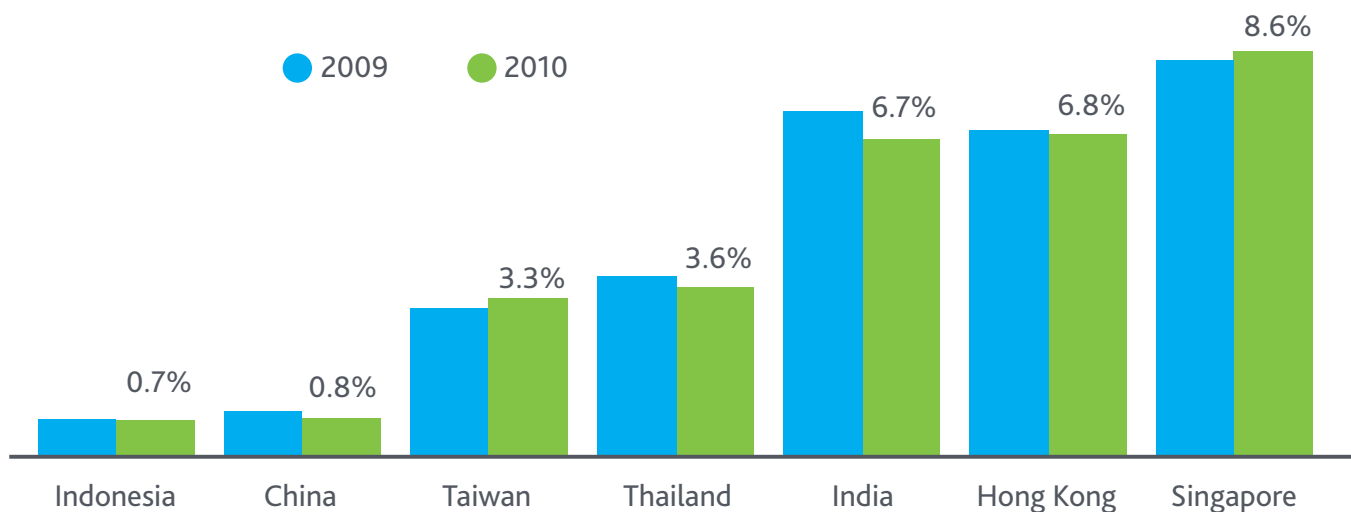
nascent in India, retailers will continue experimenting with it and some will play the game better than others. The private labels that gain a greater share of the shopper basket in a value conscious market like India will invariably be the ones that build themselves around a deeper understanding of shoppers with the same sophistication and focus that national brands do.

Generally, mid- to higher-income consumers in developing countries are often the first to be positive towards private label as low-income shoppers need higher levels of trust in a product because they can't afford to make a mistake. Better to spend a little bit more than to waste money on a product you are not

satisfied with. The categories that tend to have the highest private label shares are those found in basic non-food and commodity-type products like paper, rice, cooking oil and bread.



### Private label share of modern trade in Asia



Source: The Nielsen Company

## Packaging & Price Perceptions

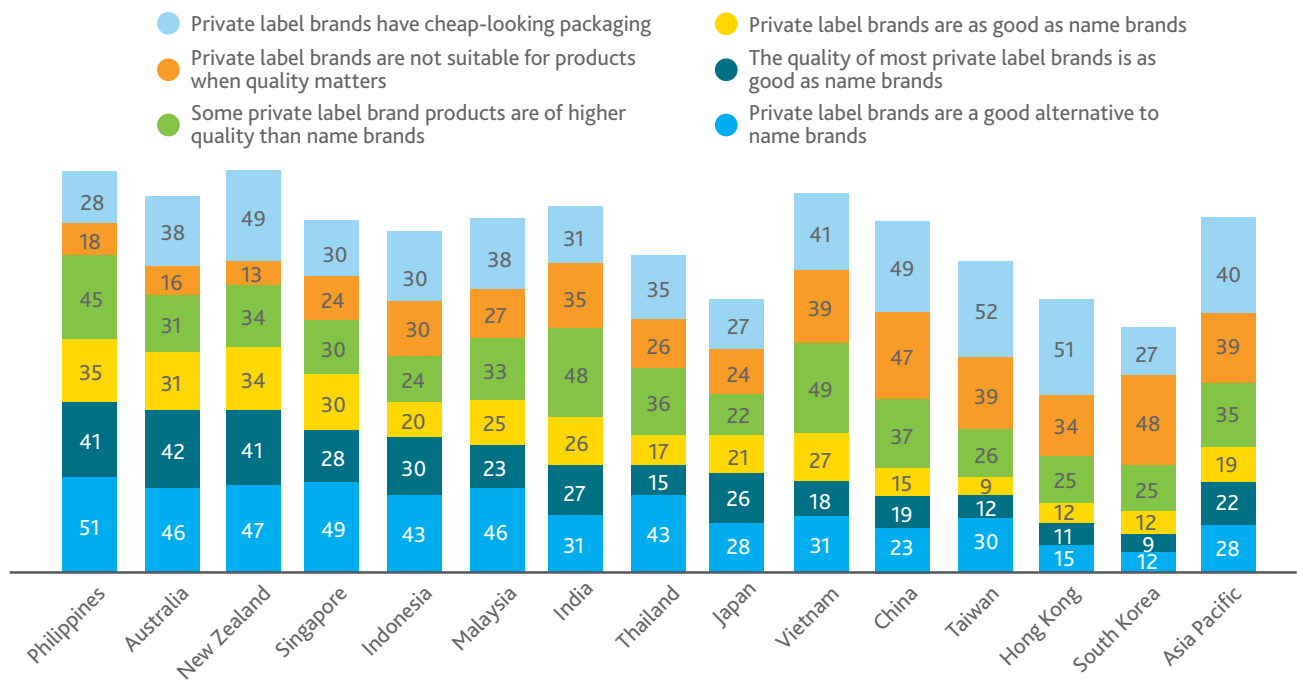
Private label packaging needs work in Taiwan and Hong Kong, according to consumers: 52 percent and 51 percent, respectively, said private label brand packaging was cheap-looking. Just 27 percent of Japanese and Koreans said the same. Regionally, cheap-looking private label brand packaging was noted by 40 percent of survey respondents.

The perception of private label brands being geared toward households on tight budgets or those that can't afford the

'best' brand was highest in the Philippines, where half said as much. Meanwhile, that opinion was in the clearest minority in Japan and Australia, where just 26 percent and 28 percent, respectively believed that. Despite that, half of Japanese consumers were most inclined to agree that private label brands are extremely good value for the money. Just 14 percent of Vietnamese consumers thought the same. Regionally, only 30 percent of consumers thought name brands were worth spending more.



### Asia Pacific perception of private label brand quality



Source: The Nielsen Company, Global Online Survey, Q3 2010

## Europe

To see the future of store brands, look no further than Europe. Thanks to massive consolidation among retailers and early investment in store brands, some European retailers already report over 40 percent of store sales coming from store brands.

Consolidation has enabled companies to invest in product innovation, consumer research, and marketing, all of which has contributed to strong store brand growth. In comparison, the retail universe in the U.S., for example, is much more fragmented, and the most successful retailers tend to have between 20 and 30 percent of sales coming from store brands, highlighting a significant opportunity for growth. Examining what European retailers have done and are doing to drive growth can provide clues to what could be in store for the rest of the world.

In particular, private label goods have played a huge role in British retailing over the last two decades. Retailers have ploughed huge amounts of investment into building and marketing their own label goods—the result being retailer brands with as much recognition and equity as traditional branded goods. Sophisticated marketing shows tiers of private label goods with the major Great Britain retailers offering budget, standard, premium and healthy ranges under different banners.

The dynamics of the private label market in Great Britain are set against a backdrop, which has seen the level of branded goods sold on offer hovering between 40 and 50 percent consistently for the last 18 months. No retailer can afford to take away branded discounts from shoppers in the current trading environment when the competitive landscape is getting tougher.

Private label has taken a hit as British shoppers become ever more fickle in their search for promotional deals and price cuts. Private label sales now account for 52 percent of sales in Great Britain supermarkets, which is slightly down from a year ago (52.8%). Going forward, retailers will be looking to differentiate and steer consumer focus away from just price. Private label is a key way they will achieve this goal.

“Some European retailers already report over 40 percent of store sales coming from store brands.”

### Value share of private label in Europe - All Categories

ALL Categories	2007	2008	Δ08	2009	Δ09
Switzerland	46.6%	46.3%	-0.3%	46.2%	-0.1%
United Kingdom	43.6%	43.4%	-0.2%	42.5%	-0.9%
Germany	31.0%	31.9%	0.9%	31.7%	-0.2%
Spain	25.9%	28.9%	3.0%	31.4%	2.5%
Slovakia	26.7%	28.6%	1.9%	29.7%	1.1%
Austria	27.1%	27.5%	0.4%	28.0%	0.5%
France	25.3%	26.4%	1.1%	27.7%	1.3%
Belgium	27.2%	25.8%	-1.4%	26.6%	0.8%
Portugal	21.1%	23.4%	2.3%	25.0%	1.6%
Netherlands	21.5%	23.9%	2.4%	24.8%	0.9%
Czech Rep.	22.8%	24.5%	1.7%	23.6%	-0.9%
Sweden	21.9%	22.1%	0.2%	21.7%	-0.4%
Denmark	21.0%	22.0%	1.0%	21.5%	-0.5%
Norway	16.8%	17.9%	1.1%	19.8%	1.9%
Hungary	16.3%	18.1%	1.8%	19.6%	1.5%
Italy	13.1%	13.7%	0.6%	14.6%	0.9%
Poland	11.9%	12.4%	0.5%	13.9%	1.5%
Greece	10.3%	11.1%	0.8%	12.2%	1.1%
Turkey	7.3%	8.8%	1.5%	11.5%	2.7%

Source: The Nielsen Company

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## A Question of Quality

Greeks had the best perception of private label brands: 63 percent thought they were good alternatives to name brands. Austrians, Portuguese, Danes and Finns rounded out the top five European countries surveyed (61%, 60%, 59% and 57%, respectively). On a regional basis, 47 percent of those surveyed viewed private label brands as good alternatives.

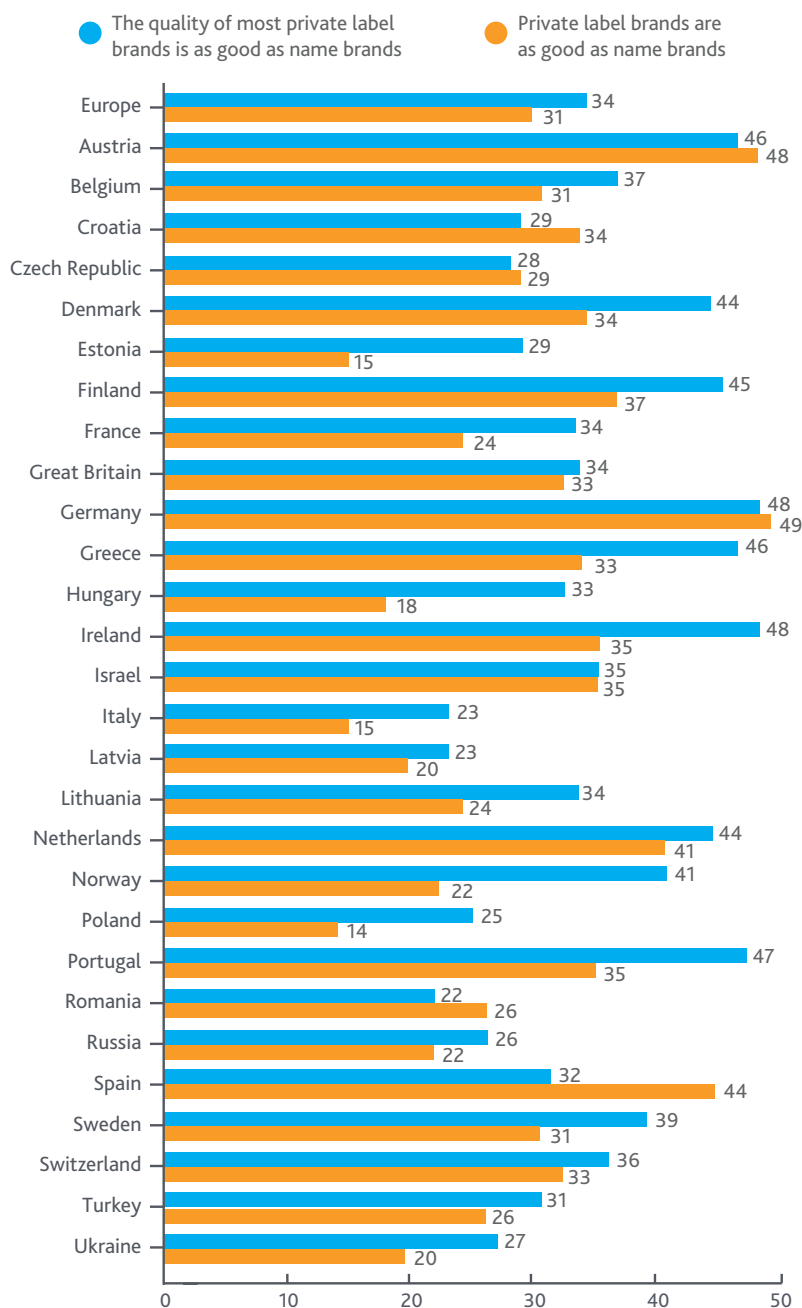
When it comes to quality perceptions, there's a great deal of variation: regionally, just over one-third (34%) said that the quality of private label brands is as good as name brands, and only 31 percent said they were as good as name brands. Germans and Irish led the quality category (with 48 percent of consumers in each saying that private label brand quality was as good as name brand) while 48 percent of Austrians believe private label brands were just as good as name brands.

On the flip side, just 23 percent of Italians thought the quality was as good, and only 14 percent of Poles thought that private label brands were as good as name brands. Turkish private label brand manufacturers had the most work to do on packaging: more than half (52%) of Turkish consumers said private label brands had cheap-looking packaging.

## Economic Impacts

Sixty percent of European residents said they purchased more private label brands during the downturn, with residents of the hardest-hit countries leading the pack: Spain (80%), Greece (77%), Ireland (76%) and Portugal (76%). Just 39 percent of Swiss said the downturn prompted them to buy more private label. Ninety-two percent of Europeans plan to continue buying private label goods when the

## Only one-third of Europeans perceive private label brands equal to name brand quality standards



Source: The Nielsen Company, Global Online Survey, Q3 2010

economy improves. Norwegians and Swedes led the pack at 97 percent, and 96 percent of Hungarians. Latvians were least

likely to continue buying private label, although the vast majority (82%) said they would.

## North America

While representing just 17.4 percent of total dollar share in the United States and 18.1 percent in Canada, store brands represent big business, bringing in nearly \$90 billion of revenue in the U.S. and \$11.4 billion in Canada. Ignited by the recession, store brand activity has shown an upward trend over the last few years in the U.S., but in Canada, store brand development has remained relatively static over the past year, as national brands have met Canadians' needs for value by driving more sales through feature pricing.

Store brand performance varies by department in both countries. In Canada, store brands outperform national brands only in produce and health and beauty. In the U.S., Nielsen shows greater development in food and beverage categories and store brand share growth in all departments except dairy.

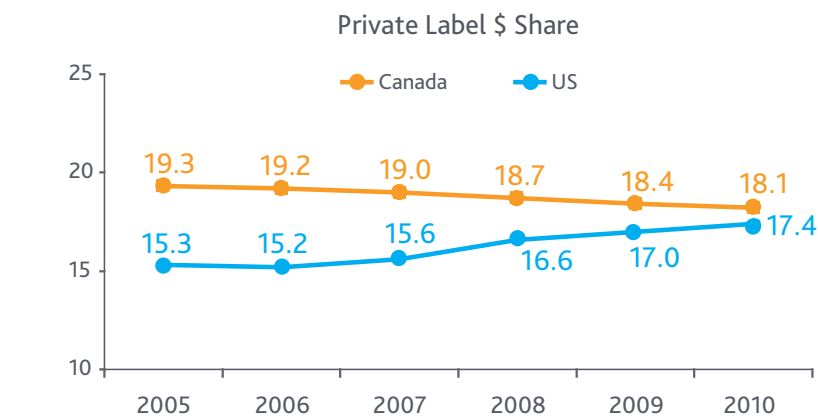
While the vast majority of category sales in both Canada and the U.S. are branded items, store brands likely will continue to grow in both countries over the long-term. Continued economic softness will drive consumers to look for value. Store brand focus will escalate as retailer consolidation impacts the competitive landscape and interest in building store brand share—to bolster profits and enhance the connection of banner brands with shoppers—rises.

## A Good Alternative

Forty-two percent of Canadians and Americans said that private label brands were good alternatives to name brands, with slightly more Canadians (40%) than Americans (37%) indicating that the quality of private label brands was as good as name brands.

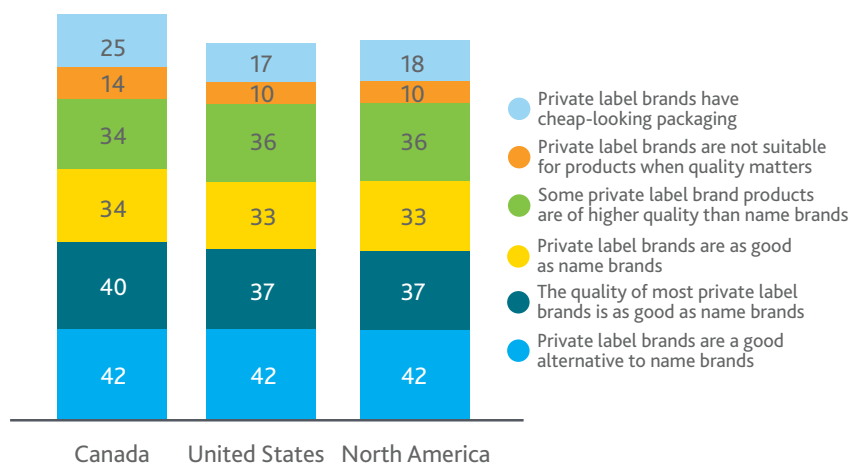
Canadian private label manufacturers may want to work on packaging: one of every

## Private Label dollar share in Canada declines, but rises in the U.S.



Source: The Nielsen Company

## North American perception of private label brand quality



Source: The Nielsen Company, Global Online Survey, Q3 2010

four Canadian said store brands have cheap-looking packages, compared to just 17 percent of Americans.

Twenty-three percent of Canadians thought that private label brands were meant for those on tight budgets—slightly more than the 18 percent of Americans who thought the same. About half of Americans (48%) and Canadians (45%) agree that private label brands are a good value for the price.

More than half of Canadians (60%) and Americans (55%) said they purchased more private label brands during the economic downturn. And virtually all (95% Canadians, 94% Americans) indicated that they'd continue buying private label brands even after the economy improves.

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## Latin America

Total private label shares in the Latin American region ranged from one to 12 percent in 2010. Private label continues a slow, but steady overall growth trend with expansion found in four of the six countries measured. Colombia and Mexico showed the greatest share growth, climbing 6.4 percent and 1.5 percent, respectively, from 2008 to 2010, while Brazil and Venezuela show sluggish performance.

With a low private label share base, growth opportunities exist for all countries. The most successful private label programs are concentrated in the leading retailers in the market. A solid understanding of shopper needs and motivations will be critical for retailers to continue expansion. Significant opportunities exist by offering multi-tier private label assortments with value/price options and providing differentiated brand-building promotional activities.

The Brazilian market in particular is ripe for expansion. Currently, more than 330 companies (including supermarkets, wholesalers and drugstores) market private label products, holding a 4.8 percent share. And that figure is growing: 70 percent of all categories analyzed recorded increases compared to last year. Key to this growth is the fact that 50 percent of all private label spending takes place in urban centers at three main supermarket groups, accounting for about 40 percent of revenues across the sector.

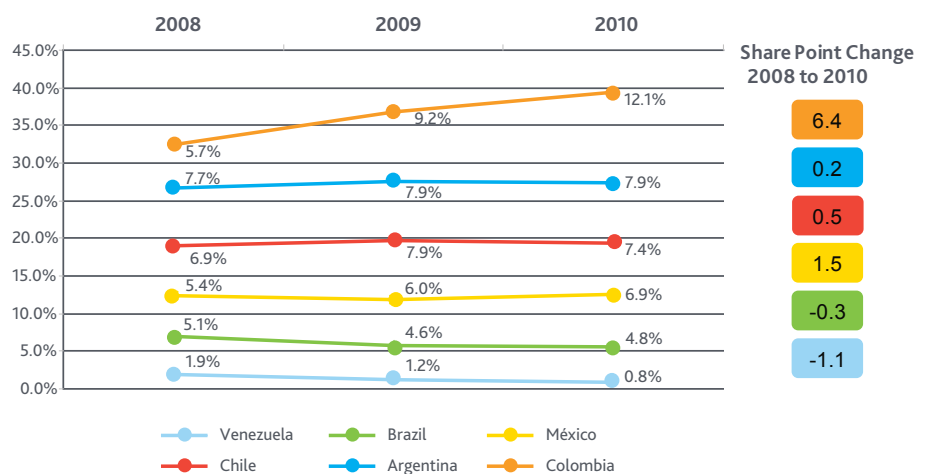
## A Good Value

More than half (52%) of consumers in Latin America believed that private label brands are good alternatives to name brands, with Colombians leading the way (55%) and Brazilians (53%) and Argentines (52%) following closely behind.

Forty-one percent of Colombians thought that the quality of private label brands are as good as name brands, while just 29 percent of Mexicans thought the same. Retailers in Brazil may want to improve packaging design as 42 percent of Brazilians thought that private label brands were "cheap-looking".

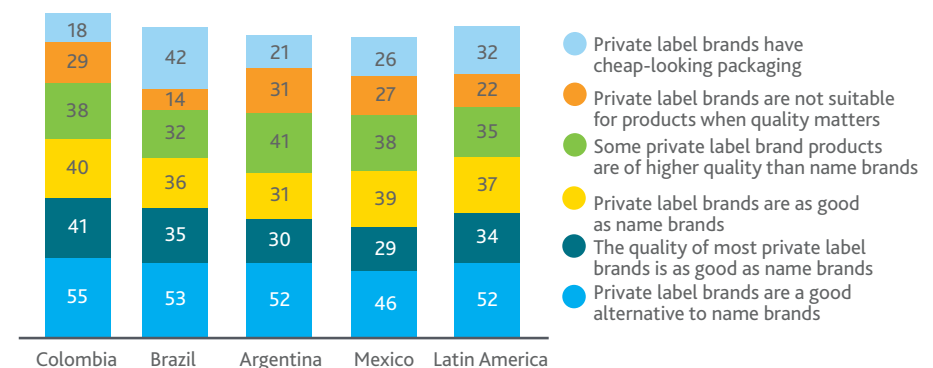
Sixty-two percent of Latin American consumers said they purchased more private label brands during the downturn, led by 68 percent of Argentines. Fully 90 percent of Latin American consumers indicated they'd continue to buy private label brands after the economy improves.

### Latin America private labels shares show slow, but steady growth trends in most markets



Source: The Nielsen Company

### Latin American perception of private label brand quality



Source: The Nielsen Company, Global Online Survey, Q3 2010

## About the Nielsen Global Online Survey

The Nielsen Global Online Survey was conducted between September 3 and September 21, 2010 and polled over 27,000 consumers in 53 countries throughout Asia Pacific, Europe, Latin America, the Middle East and North America. The sample has quotas based on age and sex for each country based on their Internet users, and is weighted to be representative of Internet consumers and has a maximum margin of error of  $\pm 0.6\%$ .

## About The Nielsen Company

The Nielsen Company (NYSE: NLSN) is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence, mobile measurement, trade shows and related assets. The company has a presence in approximately 100 countries, with headquarters in New York, USA. For more information on The Nielsen Company, visit [www.nielsen.com](http://www.nielsen.com).

## Country Abbreviations

Argentina	AR
Australia	AU
Austria	AT
Belgium	BE
Brazil	BR
Canada	CA
China	CN
Colombia	CO
Croatia	HR
Czech Republic	CZ
Denmark	DK
Egypt	EG
Estonia	EE
Finland	FI
France	FR
Germany	DE
Greece	GR
Hong Kong	HK
Hungary	HU
India	IN
Indonesia	ID
Ireland	IE
Israel	IL
Italy	IT
Japan	JP
Latvia	LV
Lithuania	LT
Malaysia	MY
Mexico	MX
Netherlands	NL

New Zealand	NZ
Norway	NO
Pakistan	PK
Philippines	PH
Poland	PL
Portugal	PT
Romania	RO
Russia	RU
Saudi Arabia	SA
Singapore	SG
South Africa	ZA
South Korea	KO
Spain	ES
Sweden	SE
Switzerland	CH
Taiwan	TW
Thailand	TH
Turkey	TR
United Arab Emirates	AE
United Kingdom	GB
Ukraine	UA
United States	US
Vietnam	VN

## Region Abbreviations

AP	Asia Pacific
EU	Europe
LA	Latin America
MEA	Middle East, Africa
NA	North America