

Practical Market Insights Study

## Marketing private labels and own brands to the European retail market

How can manufacturers of food products in developing economies target the European retail market?

Import Promotion Desk  
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## 1. INTRODUCTION TO THE STUDY

The main objective of this study is to gain an insight into the European markets for private label products and an insight into the retail market with a focus on food products – also in respect of entering the retail market with own brand food labels. This information can support decision makers in evaluating their future engagement in these segments.

In compiling this study, information from desk research as well as in-depth interviews with European importers were employed to help create a clear picture. By defining the terms “own brand” and “private label” within this chapter, a baseline will be laid out for a mutual understanding. Please note that there might be some differences in how these expressions are used depending on the country and the structure of the relationships within a value chain.

For the purpose of this study “private label” products are those manufactured by one firm for sale under another business's brand. Private label goods are available across a wide range of industries, from food to cosmetics. They are often positioned as lower-cost alternatives to regional, national or international brands, although recently some private label brands have been positioned as “premium” brands to compete with existing “name” brands. Private label goods are finished products manufactured in, for example, the product’s country of origin, whereas the design, packaging and marketing comes entirely from the retailer’s or wholesaler’s side.

Private label products encompass all the merchandise sold under a retailer's, a manufacturer’s or even a distributor’s brand. That brand can be the retailer's own name or a name created exclusively by that retailer. In some cases, a retailer may belong to a wholesale group that owns the brands which are only available to the members of the group.<sup>1</sup>

Moreover, there are also the so-called “brand owners” who are not necessarily involved in either manufacturing or distribution as this can be outsourced to respective partners. However, the “brand owners” develop and manage their own brand and product and take part in the chain development. Brand owners sell to distributors as well as directly to the retailers.

The expression “own brand” may refer to different levels of the value chain. In the context of this study, the term “own brand” refers to the manufacturer’s brand, whereby this study focusses on manufacturers located in developing economies outside the EU market. Many final product producers in the countries of origin wish to place their product under their “own brand” on the European market.

Specific private label brands managed solely by a retailer, which are for sale at a specific chain of stores, are called “store brands” and can also be referred to as “retailer brands”.

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<sup>1</sup> Source: [www.plmainternational.com/industry-news/private-label-today](http://www.plmainternational.com/industry-news/private-label-today)

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## 2. STRUCTURE AND TRENDS IN THE PRIVATE LABEL MARKET

### 2.1 Main stakeholders and market channels

According to the Private Label Manufacturers Association (PLMA), manufacturers of private label products fall into three general classifications:

- + **large manufacturers that produce both their own brands and private label products**
- + **small and medium sized manufacturers** that specialise in particular product lines and concentrate almost exclusively on producing private labels
- + **major retailers and wholesalers** that operate their own manufacturing plants and provide private label products for their own stores.

The target group for this study consists of small and medium sized manufacturers and, to some extent, large manufacturers located in emerging economies. These manufacturers will have different options for how to enter the European market under a private label.

**Supermarkets and specialised/premium retail chains (retailer or store brands):** manufacturing for a retailer is the most direct way to access the European retail market as a private label supplier. The products, which are manufactured and packaged at origin, will carry the retailer's brand and packaging and fulfil its specifications. They will be imported and distributed directly to the retailer's outlets. This distribution may be facilitated by a local distributor at the destination market.

**European brands and/or European manufacturers (European brands):** private label suppliers may also choose to manufacture products for a specific European brand, whether or not this brand also engages in manufacturing in Europe. European manufacturers may choose to outsource (part of) their manufacturing activities to suppliers in emerging economies in order to reduce production costs or to be closer to their target markets abroad, for example. In some cases, European brands are solely brand owners and may not engage in any manufacturing activities; as such, all the production is outsourced to third parties, and subsequently their full assortment of products is imported.

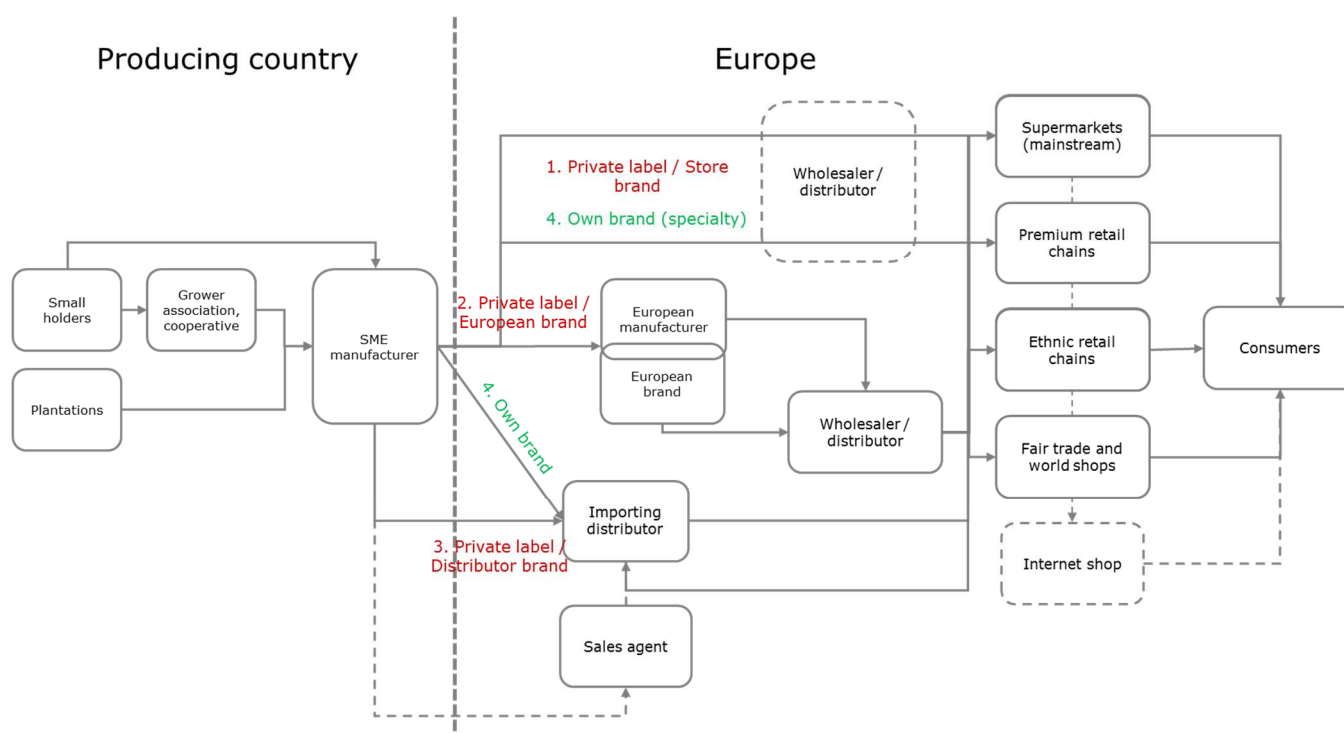
**Distributors (distributor brands):** manufacturers in emerging economies may also be able to produce products under a European distributor's brand. In addition to distributing a wide range of European and non-European brands, distributors often make use of third-party manufacturers to produce specific products or product lines under their own brand. Relying on a wide network of retailers and food service channels, distributors will import these products and redistribute them within Europe.

The different channels and strategies for entering the European market and gaining a place on a retailer's listing will vary widely according to the target buyer (structure of purchasing and product development) and target European market, as well as the product category and segment.

Branded product manufacturers in emerging economies often hesitate to engage in private label production; this reluctance is mainly due to the fear that supplying other brands will cannibalize their own brands<sup>2</sup>. As such, small, medium sized and large manufacturers in emerging economies may also choose not to enter a market under a private label, but rather under their **(4) own brand**. This subject is addressed in section 3 of this document. Figure 1 illustrates the different channels for entering the European market for manufacturers in emerging economies.

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<sup>2</sup> Source: [www.ipdc-europe.com/the-private-label-challenge-in-emerging-markets](http://www.ipdc-europe.com/the-private-label-challenge-in-emerging-markets)



**Figure 1:**  
Channels for entering the European market with private label and/or own brand products

## 2.2 Market statistics: retailer and store brands

While private label manufacturing refers to different levels of the value chain (manufacturers, distributors and retailers), market figures are only available at the retail level. As such, the following section focuses on statistics, developments and prognoses based on the European market for retailer/store brands. It is not possible to break down the given market figures according to the different countries of origin.

Retailer brands are continuing to gain popularity across Europe. The latest Nielsen data shows that market share for private labels increased in 2018 in 12 of the 19 countries, and now stands at 30% or more in 17 countries.<sup>3</sup>

Private labels reached an all-time high in Europe’s largest retail market, Germany, with its market share there climbing to over 45% for the first time. The private label market shares also increased to its highest levels ever in six other countries: the Netherlands, Belgium, Sweden, Norway, Hungary and Turkey. There were even gains in countries where private labels already had a very high penetration. The market shares for retailer brands climbed in the United Kingdom, Germany, Belgium and Portugal, where the share was greater than 40%.

In the UK, where supermarkets are investing in their private label programmes to meet competition from the discounters, market share climbed to more than 46%. The private label share has remained above 40% in the UK ever since Nielsen began compiling data for PLMA in 1997. The UK is known as the birthplace of the private label; chains such as Marks and Spencer offer 100% private label products targeting the higher end market, while other large chains such as Morrisons and Asda have achieved strong sales growth in recent years due to the expansion of their private label brands<sup>4</sup>.

<sup>3</sup> Source: Nielsen, leading global information & measurement company, providing market research, insights & data under: [www.nielsen.com](http://www.nielsen.com)

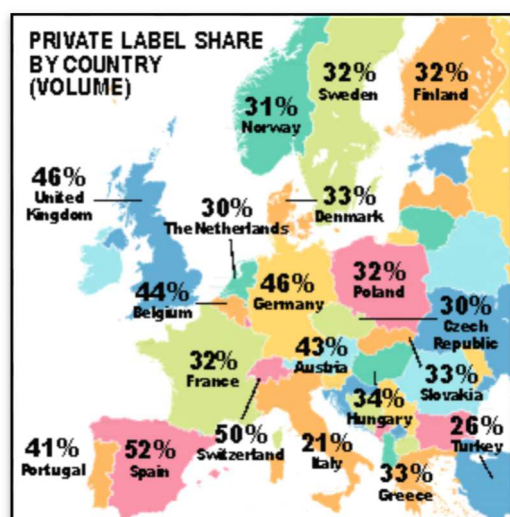
<sup>4</sup> Source: [www.foodnavigator.com/Article/2018/04/24/Premium-private-label-offers-ample-opportunities](http://www.foodnavigator.com/Article/2018/04/24/Premium-private-label-offers-ample-opportunities)

The biggest market share gain was noted in Turkey, where private labels climbed by 3 points to nearly 26%. In Greece, retailer brands still account for one in every three products sold in the country.

In Scandinavia, there were gains in Sweden, Norway and Finland, with the market share for private labels in all three of these countries being above 30%. The private label market share remains above 40% in Austria. And the share was also at 30% or higher in four other European countries – namely in Poland, Hungary, Czech Republic and Slovakia – led by Hungary which climbed to 34%.

Market share stayed at or above 20% in Italy for the sixth consecutive year but declined by one point last year. Prospects for retailer brands look to improve as Aldi, with its strong private label programme, enters the country.<sup>5</sup>

It is not possible to obtain data regarding where exactly the products under private labels are produced, i.e. in which countries. Some retailers are transparent about where private label products are manufactured, but for most retailers, such information is not very transparent nor easily available.



**Figure 2:**

Private label market share by country (volume). Data compiled by PLMA’s 2019 International Private Label Yearbook. Source: [www.plmainternational.com/industry-news/private-label-today](http://www.plmainternational.com/industry-news/private-label-today)

Today, there is no limit to the products produced under private labels (e.g. under the retailer’s brand). Private labels cover lines such as fresh, canned, frozen and dried foods, ethnic specialities, cosmetics and health and beauty products.

For the consumer, private labels represent the choice and opportunity to purchase quality food (and non-food products) at savings compared to manufacturer brands. Private label items consist of the same or better ingredients than the manufacturer brands, and because the retailer’s name or symbol is on the packaging, the consumer is assured that the product meets the retailer’s quality standards and specifications.<sup>6</sup>

Establishing private labels in different European countries may help enterprises to develop a strategy with a specific target market in mind. For example, businesses aiming to export to the UK may find wider opportunities in private labels than those targeting the Italian market. In European markets with a low share of private label products, there may be wider opportunities for manufactures in non-European countries to enter the market with their own brand.

<sup>5</sup> Source: [www.plmainternational.com/industry-news/private-label-today](http://www.plmainternational.com/industry-news/private-label-today)

<sup>6</sup> Source: [www.plmainternational.com/industry-news/private-label-today](http://www.plmainternational.com/industry-news/private-label-today)



## 2.3 Trends in the European private label market

Private labels are a concept that was initially introduced in the United States and Europe in the 70s, but which has experienced significant change in recent years. Consumers' expectations are shifting, and so are their purchasing decisions. Increased access to information has allowed consumers to gradually associate private label products with both price accessibility and quality<sup>7</sup>.

### Segmentation of private label ranges

Retailers have increasingly segmented and differentiated their private label ranges to compete with branded products and to target different consumer groups. In addition to basic products, most large retailers nowadays have private label products of a higher quality for "premium" segments such as gourmet, healthy, free-from, vegan, organic and fair trade ranges.

### European retailers' sustainability programmes

In general, major European retailers/supermarkets have been increasingly focusing on comprehensive sustainability programmes, which are implemented through several business areas and activities, touching upon a variety of components such as nutrition and health, animal welfare, environmental conservation and reduction in food waste.

A few examples of these programmes are:

- + Rewe (Germany) – [Sustainability](#)
- + Ahold Delhaize (Netherlands) – [Sustainable Retailing](#)
- + Marks and Spencer (UK) – [Plan A](#)
- + Coop (Switzerland) – [Actions, not words](#)

The impact of the above-mentioned sustainability programmes is broad, and can result in specific codes of conduct in relation to the product assortment, such as salt and fat reduction, non-GMO ingredients, an increase or full adoption of certification for specific items etc. For example, Rewe has [specific product guidelines for sustainable business practices](#) in categories such as textiles, palm oil and palm kernel oil products, soy in animal feed, cocoa and natural stone.

### Growth in certified private label products

Certified private label products have experienced sharp growth in recent years. Certification is most common in products considered to be risky from a sustainability point of view, such as coffee, cocoa/chocolate, tea and bananas etc. For example, Lidl launched its [own fair trade label \(Fairglobe\)](#) for products like chocolate, coffee, tea, milk, rice, orange juice, sugar and pepper – in addition to the third-party certification schemes.

### Growing popularity of ethnic food

According to interviews conducted with retailer representatives for this study, European consumers are increasingly demanding authentic products and recipes. This is especially true for products which showcase regional and exotic cuisines, thus fuelling the search for manufacturing suppliers in the countries of origin. This is the case, for example, for Thai and Indian curries and Mexican street foods such as tacos and tortillas. Retailers and brands following this trend include [Waitrose's World Ingredients](#) and [Fairtrade Original's World Kitchen](#) products.

<sup>7</sup> Source: [www.foodnavigator.com/Article/2018/04/24/Premium-private-label-offers-ample-opportunities](http://www.foodnavigator.com/Article/2018/04/24/Premium-private-label-offers-ample-opportunities)

### 3. ENTERING THE RETAIL MARKET UNDER OWN BRAND FOOD LABELS

To market their own products and their respective origin, firms producing final products may aim to sell their produce under their own brand. This will often be the brand which they sell in their domestic and regional markets.

#### 3.1 Own brand food labels in ethnic stores

The so-called “ethnic stores” are retail channels which typically feature brands from producing countries that are not available through mainstream supermarkets. They are also referred to as the “nostalgic segment”. They usually cater for specific ethnic communities: Latin, Arab, Asian etc. For this reason, they commercialize brands which are known in origin countries and which these communities want to have access to while living abroad. They do not specifically commercialize high-quality or speciality products.

In Europe, there are a few distributors specialized in importing and distributing these products to retailers and online shops. For example:

- + Nergiz Grossmarkt ([www.nergiz-grossmarkt.de](http://www.nergiz-grossmarkt.de)), Germany
- + Asia Express Food ([www.asiaexpressfood.nl](http://www.asiaexpressfood.nl)), Netherlands
- + Tema Fine Foods ([www.temafinefoods.com](http://www.temafinefoods.com)), Netherlands
- + Heuschen & Schrouff ([www.heuschenschrouff.com](http://www.heuschenschrouff.com)), Netherlands
- + Global Choice Foods ([www.globalchoicefoods.nl](http://www.globalchoicefoods.nl)), Netherlands
- + Hanos ([www.hanos.be](http://www.hanos.be)), Belgium
- + RH Amar ([www.rhamar.com](http://www.rhamar.com)), United Kingdom
- + Oasis Wholesalers ([www.oasiswholesalers.com](http://www.oasiswholesalers.com)), United Kingdom
- + Empire Bespoke Foods ([www.empirebespokefoods.com](http://www.empirebespokefoods.com)), United Kingdom
- + Grace Foods UK ([www.gracefoodsukgroup.com](http://www.gracefoodsukgroup.com)), United Kingdom

#### 3.2 Own brand food labels in the mainstream retail segment

There has been a recent development and change in strategy by mainstream retailers whereby they are looking for new brands outside of Europe. As such, products under the supplier’s own brand may have new opportunities to enter the European market through mainstream retailers.

This development can be traced back to the fact that retailers are finding it increasingly difficult to fill their shelf space and therefore need to find new ways to do so. Moreover, according to the retailer interviews which were conducted for this study, specialities (in smaller volumes) are becoming more and more interesting for retailers as they attract and surprise customers.

As mentioned previously, opportunities to enter mainstream European retailer markets with an own brand product may vary according to the target market, and the strength of the retailer/store brands in those markets. In markets like Scandinavia, Italy, the Netherlands and Eastern Europe, the share of store brands in supermarkets is lower, and these could potentially represent a wider opportunity for own brand products. However, it must be considered that, especially regarding common and mainstream products, European markets are already saturated with European brands. As such, offering a specialty product, with a unique story, packaging and ingredient profile will be crucial in increasing a supplier’s market entry opportunities.

#### Becoming “listed” with mainstream retailers requires extensive research

Entering a new market with an own brand product will require extensive market research. Suppliers are advised to create an inventory of branded and private label products in their target market, for their own product category. This will help them benchmark their product range and proposition against those already on the market and uncover their level of innovation and uniqueness.



In order to place one's own brand in a mainstream supermarket chain in Europe, suppliers of the product usually must become "listed" in the respective retailer's catalogue of accepted suppliers. The process of becoming listed with different retailers will vary according to the profile and strategy of the retailer, as well as their purchasing and product development structure. The relationship between a supplier and a retailer may be direct, or through an importing distributor (either as part of the retailer's group or an independent enterprise), as illustrated in Annex I. As such, the supplier is advised to study the procurement structure of their target buyer and search for a direct point of contact, which could be:

- + a supermarket chain's category manager
- + a supermarket chain's main (general) purchaser
- + a supermarket chain's product development or innovation department
- + an importing distributor's main purchaser or product category purchaser
- + an importing distributor's sourcing or supplier relationship department.

#### 4. REQUIREMENTS FOR CONSUMER PRODUCTS IN THE EU

European market requirements regarding consumer products (i.e. pre-packed products sold to consumers) cover a variety of aspects:

- + legislation
- + food safety
- + product specifications and quality
- + sustainability
- + supply capacity and logistics.

While European legislation applies equally to all suppliers, the specific requirements beyond legislation are usually aligned with a retailer's and/or a manufacturer's policy and code of conduct. Suppliers are expected to fully comply with these requirements, or alternatively devise an action plan that will allow them to gradually achieve full compliance.

For example, the British retailer Marks and Spencer has established minimum requirements for their suppliers of private label products to comply with, so as to safeguard that products are safe, legal and high quality and have been produced with integrity. These minimum requirements are outlined in the retailer's Technical Terms of Trade, complemented by its sustainability programme, Plan A<sup>8</sup>.

##### 4.1 Legislation

Accessing the European Union with a finished product, either under a supplier's own brand or under a private label, will require the supplier to comply with EU Food Law, covering:

- + [traceability and hygiene](#), including the implementation of hazard analysis and critical control point (HACCP) principles;
- + [product composition, related to additives and enzymes](#) (e.g. colouring/thickeners) and flavourings. The substances which are allowed for use in food products are listed as E-numbers;
- + [genetically-modified foods](#), including authorizations, traceability and labelling;
- + maximum contaminant levels: [Maximum Residue Levels](#) (MRLs), other contaminants such as [microorganisms, mycotoxins, heavy metals, dioxins](#) etc.;
- + [food contact materials](#), covering materials and other articles that come into contact with food during production, processing, storage, preparation and serving;
- + labelling requirements for [pre-packed products](#).

<sup>8</sup> Source: <https://corporate.marksandspencer.com/sustainability/food-and-household/supplier-management>

Legislative requirements are often communicated to suppliers as part of the product specification documents; however, manufacturers and retailers often have requirements which are stricter than the general EU legislation. These will vary widely per customer, depending on their target market and internal practices. For example, these requirements can relate to stricter pesticide residue limits, bans on the use of hydrogenated fats, artificial additives, mono-sodium glutamate (MSG) or hydrogenated vegetable oils and fats.

#### 4.2 Food safety

Suppliers are required to have minimum food safety management systems implemented within their facilities in order to export to Europe. This is applicable to all processed foods marketed in the European Union, under own brands and private labels.

While EU legislation requires the implementation of HACCP as a minimum standard, most major European retailers and manufacturers also demand suppliers to be accredited with more comprehensive private standards. The most commonly required systems recognized by the [Global Food Safety Initiative](#) (GFSI) are:

- + the British Retail Consortium ([BRC](#)) Global Standard for Food Safety
- + the International Featured Standards ([IFS](#)) Food
- + the Food Safety System Certification ([FSSC](#)) 22000
- + [GLOBALG.A.P.](#)

Some customers may require compliance with one specific standard, while others may accept compliance with any GFSI-recognized standard, including Safe Quality Food ([SQF](#)) which is most common among suppliers to the North American market.

Retailers' and manufacturers' preferences for one standard over another may be related to the origin of the standard or endorsement by national stakeholders. For example, it is commonplace in the United Kingdom for retailers to require their suppliers to be accredited with BRC Global Standard for Food Safety. At the same time, IFS Food is the most common standard among German, French and Italian retailers, since it was developed jointly by the retailers' associations from these countries<sup>9</sup>.

According to interviews conducted for this study, among these standards, FSSC 22000 is usually perceived to be lower than BRC or IFS, and it is not accepted by some European retailers. The standard has a lower appeal in Europe and is often regarded as a procedural standard rather than addressing all the compliance/food safety requirements of the BRC or IFS.

GLOBALG.A.P. is a common mandatory requirement for fresh produce, but it may also be a retailer's requirement for processed foods such as prepared (frozen, dried) fruit and vegetables, as well as for flowers and plants – such as under [Marks and Spencer's Select Grower Standard](#). An alternative requirement often used by German retailers is the GLOBALG.A.P. – equivalent standard QS. Whereas QS is equivalent to GLOBALG.A.P. at a farm level ([QS-GAP](#)), it also covers further food safety steps along the value chain, from the farm gate to wholesalers and retailers.

#### 4.3 Product specifications and quality

Under private label manufacturing, product specifications and quality will usually be guided by the end-client. This concerns the ingredients, the quantity of each ingredient, the product's preparation (including the machines used), its packaging and other aspects. In some cases, the product is developed together with the supplier, so as to match their profile, access to raw materials and production capacities.

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<sup>9</sup> Source: [www.appluscertification.com/en/service/ifs\\_certification-1328276954926](http://www.appluscertification.com/en/service/ifs_certification-1328276954926)

Quality consistency will be crucial for a successful partnership. This aspect is usually checked periodically by a food quality control supervisor or a food safety technician/food technologist, using laboratory analyses. Checks may be carried out more frequently during the first few months of collaboration with a new supplier.

#### 4.4 Sustainability

Sustainability requirements can take on different names (e.g. ethical sourcing or trading and sustainable purchasing practices) and forms (e.g. codes of conduct, score cards, sustainability programmes and third-party certification). These requirements usually demand that private label suppliers address two main components along their supply chain, these being environmental and social sustainability.

##### Environmental sustainability

Environmental sustainability can range from the implementation of standards such as [ISO 14001](#), regarding environmental management system (EMS) certification, to [organic](#) or even biodynamic ([Demeter](#)) certification, depending on the focus and market segment of the European retailer or manufacturer.

It is increasingly common for such customers to also apply requirements to packaging; for example, German retailers commonly require pre-packaged products to comply with the Green Dot ([Der Grüne Punkt](#)) system, in accordance with the German Packaging and Waste Avoidance Law<sup>10</sup>. Such requirements may also revolve around third-party certification; for example, the use of Forest Stewardship Council ([FSC](#)) certification for any paper or cardboard packaging. For example, the German retailer ALDI has established that all their packaging will be reusable, recyclable or compostable by 2025<sup>11</sup>.

##### Social sustainability

Minimum social sustainability requirements are founded upon international agreements including the core conventions of the International Labour Organization (ILO) or the Universal Declaration of Human Rights by the United Nations (UN), which cover aspects such as minimum wage, working conditions, freedom of association and child labour. These requirements are commonly consolidated into a retailer's or a manufacturer's code of conduct and/or corporate policy. Suppliers who fail to comply with these basic requirements will not be able to access the European market successfully, neither as manufacturers of private label products nor under their own brand.

Retailers and manufacturers increasingly require suppliers to comply with third-party certification and verification schemes governing social sustainability. Some of the most common are listed below.

- + [SMETA/Sedex](#): the main retailers that are members of Sedex are located in the United Kingdom and Ireland: Lidl (UK and Ireland), Marks and Spencer, Sainsbury's, Tesco, Waitrose and Morrisons. Other major manufacturers, which are members of Sedex, can be found all over Europe; for example, Intersnack (Netherlands), Besana (Italy) and Danone (France).
- + [Social Accountability \(SA\) 8000](#).
- + Business [Social](#) Compliance Initiative ([BSCI](#)): for example, German retailers such as Rewe and Aldi joined the BSCI and this entails self-assessment/certification of suppliers; furthermore, [Coop](#) and [United Nordic](#) require social audits in terms of "supplier quality".

<sup>10</sup> Source: <https://packagingeurope.com/getting-ready-for-the-german-packaging-law/>

<sup>11</sup> Source: <https://www.treehugger.com/corporate-responsibility/aldi-says-all-packaging-including-plastics-will-be-reusable-recyclable-or-compostable-2025.html>

- + [GRASP](#): the GLOBALG.A.P. Risk Assessment on Social Practice is a voluntary ready-to-use module developed to assess social practices on farms, addressing specific aspects of workers' health, safety and welfare. Operators certified against GLOBALG.A.P. and/or QS(GAP) can gain certification according to this additional module so as to substantiate their social practices at a farm level. GRASP is only relevant for fresh produce.

While some retailers and manufacturers will require one specific certification over another regarding social sustainability, in some circumstances they can be mutually recognized – as long as they are well documented and annual reports are readily available. Interviews at the PLMA 2019 trade fair, targeting suppliers in emerging economies, revealed that buyers are increasingly requesting compliance with BSCI.

#### **Additional sustainability requirements for specific products**

Additional requirements may also be demanded from suppliers of specific product categories, this commonly applies to commodities such as coffee, cocoa and palm oil, as well as to categories which carry a clear sustainability risk such as fish and seafood. The certification schemes implemented vary according to corporate policy; usually mainstream segments focus on certifications such as:

- + the [Rainforest Alliance](#), now merged with [UTZ](#)
- + the Roundtable on Sustainable Palm Oil ([RSPO](#))
- + the Marine Stewardship Council ([MSC](#)): sustainable fishing
- + the Aquaculture Stewardship Council ([ASC](#)).

#### **Product lines that require specific certifications**

It is also increasingly common for retailers and enterprises to develop product lines which comply with organic and fair trade certification schemes. There are also manufacturers and retailers that focus specifically on these schemes, and which will require full product ranges and ingredients to be certified. For example, organic supermarkets such as Alnatura and Basic (Germany), Ekoplaza (Netherlands) and Planet Organic (United Kingdom) offer solely organic ranges, thus requiring all suppliers to be certified. In another example, the company and brand Fairtrade Original requires their suppliers to have a minimum quantity of fair trade and organic certified ingredients in their products.

Depending on the target market segment and scope of a manufacturer or retailer, certification schemes linked to religious dietary laws might apply; the main ones being [kosher](#) and [halal](#).

### **4.5 Supply capacity and logistics**

#### **Minimum shelf life**

Food products delivered to retailers should have a minimum expiration date of 18 months to 24 months, depending on the product's perishability (e.g. products with no added preservatives might have higher perishability). This will have implications for the supplier's logistical capacities: they will have to safeguard a periodical and consistent flow of goods, at intervals which will vary according to the buyer's requirements and capacities to store stock. These intervals can range from days and weeks, to months.

For example, a supplier may be required to fill one container per month; in cases where production capacity or demand is lower, containers could be consolidated at origin with other food products. Buyers may also expect suppliers to deliver once or twice a year, with a year's supply volume, which will then be stored and managed by a distributor at origin. In such cases, suppliers will have to be especially observant of the expiration dates, from the moment the product is manufactured up to when it is estimated to reach the end-market.

## Just-in-time delivery

When supplying a retailer, a manufacturer (either of own brand or private label products) will mostly likely have to safeguard just-in-time delivery to stores. Retailers in different countries will have different storage capacities, which may also vary per product group (e.g. for refrigerated items).

Especially regarding British retail chains, they do not carry a large stock and often require small deliveries a few times a day. This can be very cost-inefficient and can only be realized by a local distributor.

Over recent years and as the availability of products is no longer always given, retailers in Western Europe have been buying high volumes directly from manufacturers and use their own storage. However, retailers may also source through intermediaries (importing distributors) or agents acting on the retailer's behalf, especially in the case of (small volume) specialty products. As explained in chapter 2, the trade structure for final products is becoming more and more individualised and will vary significantly according to the strategic approach of the retailer and its procurement model.

## 5. CONCLUSIONS

The evolution of the private label strategy has created a new demand for suppliers, meaning they need to re-evaluate their production structure and decide whether to manufacture and supply such products to retailers. At the same time, branded product manufacturers in emerging economies often hesitate to engage in private label production; this reluctance is mainly due to the fear that supplying other brands will cannibalize their own brands.

Entering the European market under private labels or under a supplier's own brand will create different challenges and require that decisions be made based on the enterprise's objectives and marketing strategy.

### 5.1 Market dynamics in the private label sector

#### Private labels facilitate changing supplier origin

The adoption of private labels has brought serious challenges for the industrial sector because retailers have the option to change providers if they do not reach an agreement on price and specifications. Under private labels, a manufacturer's origin is not mentioned on the final product's label therefore, the customer will not notice a change in supplier. The product will remain the same in the eyes of the consumer, regardless of where it comes from and from which supplier it is sourced. Furthermore, in cases where manufacturers are located in a different country, especially in a country which could not yet establish a good reputation regarding food safety issues, private label manufacturing does not necessarily help to create a positive country image – as the country of origin is not known to consumers. For enterprises from developing countries, which suffer a lot from negative images and reputation when cooperating with e.g. European counterparts, this aspect is an important one to consider.

#### Quality: main challenges for sourcing private labels from emerging economies

Product quality and quality consistency are some of the main shortcomings of manufacturers in emerging economies therefore limiting the expansion of private label production in these countries. Interviews revealed that suppliers have specific difficulties in complying with requirements such as pesticide residue limits. Another significant issue is suppliers' access to packaging materials according to the buyer's specifications under private labels. These materials are often not available in the country of origin, thus requiring manufacturers to import them, which has a direct effect on their production costs.

### **Food safety: risks for retailers**

In general, product quality and food safety are the key aspects for successfully manufacturing private label products. Suppliers firstly need to realize that private labels will belong to the supermarkets and will therefore need to fulfil the strictest food safety standards. The retailer will be legally responsible for the product; there are huge reputational risks for the retailer when they introduce a new supplier to the market.

### **Private labels offer long-term opportunities for manufactures**

In manufacturing private labels, one clear advantage for a supplier is the long-term opportunity to produce (increasingly) large volumes for one client. This creates production efficiencies and allows the manufacturer to have stability. While margins might be lower, supplying a product on a regular basis eliminates risks and offers capital for further development. However, the initial investments, especially regarding the adaptations related to food safety standards, might be very high. The upfront costs in developing private labels for a retailer may require financial liquidity from a supplier, who might only start to see a return after a year of operation.

Regardless of such initial investments, suppliers should be ready to offer competitive prices. Working under private labels for a reputable brand means that a supplier will build its portfolio and become a more reputable supplier to other buyers as well. As mentioned previously, suppliers must realize that manufacturing under private labels implicates that they are producing for someone else's brand, and this buyer will require the strictest compliance to standards.

## **5.2 Market dynamics for own brands**

### **Ethnic stores traditionally offer opportunities**

Traditionally, branded food products from emerging economies had the best chances of achieving market access through the so-called ethnic channels. Europe has a number of distributors specializing in this segment, as well as smaller shops selling these items to consumers.

### **Scarcity of high-quality suppliers opens up market for own brands**

Product and trade structures are becoming increasingly monopolistic, resulting in negative effects regarding access and volumes. This creates scarcity in general and scarcity of high-quality suppliers (e.g. suppliers complying with food safety requirements) in some food categories, paired with other factors such as raw material shortages due to climate change, political unrest in certain areas etc. In this scenario, suppliers and distributors can become more powerful at the negotiation stage and have better chances to access the market. The market is afraid of having empty shelves and is therefore becoming more open to discussions concerning own brands, new products, volumes and also prices.

### **Trend towards offering authentic products creates opportunities for own brands**

Another factor which gives own brand products better market access is the retailers' desire to introduce authentic items to their consumers. European buyers are establishing direct connections to producers in the country of origin so that authentic lines can be presented to consumers. Alternative "new" origins are interesting in order to become independent of old trade structures. Offering a specialty product with a unique story, packaging and ingredient profile will be crucial for suppliers in being attractive to a retailer. This is because the European market is saturated with mainstream brands, thus offering very limited opportunities for conventional items.

Additionally, opportunities for own brands may be higher in markets like Scandinavia, Italy, the Netherlands and Eastern Europe, where the share of store brands in supermarkets is lower than in other European regions.



However, suppliers must be aware that products must always comply with the high quality and food safety standards – both as a legal requirement and also regarding the buyer’s specific requirements.

### 5.3 Market dynamics for both private label and own brand segments

While the entry strategy for private labels and own brands may differ, there are some common market dynamics for these two sectors concerning suppliers in emerging economies.

**Product groups:** there is a fundamental difference in opportunities regarding different product groups. Due to the recurring challenges which manufacturers in emerging economies face in complying with logistical requirements, shelf-stable products of low perishability are more likely to access the European market successfully<sup>12</sup>. On the other hand, specialty products with low or no (artificial) preservatives and stabilizers are in high demand (e.g. ajvar) – but will require excellent production planning and logistics.

**Volumes and market channels:** the required volumes differ between product groups and market channels. Basic/standard quality products are required in higher volumes. For example, a supplier may be required to fill one container per month; in cases where production capacity or demand is lower, containers can possibly be consolidated at origin with other food products. In general, of course, it is most cost-efficient for all parties involved if a full container load (FCL) is shipped at any one time.

However, the more specific the product, the lower the volumes required. In the latter case, the product would probably go through an interim importer/importing distributor. The specialised importers/distributors focus either on a product group, organic produce, a market segment (e.g. ethnic foods) or food service. The recommended and most common way to tackle this logistical challenge is to hire and work through a reputable distributor at the destination market, who is preferably part of the end client’s distribution network.

**Quality and quality management** remain the decisive points. Suppliers that are able to offer such assurance to buyers will definitely have a competitive advantage for both their private label and own brand products.

## 6. RECOMMENDATIONS FOR ENTERPRISES

Based on this study, the following recommendations for enterprises, which are targeting the retail or private label market in the European Union, can be made.

**Food safety:** complying with GFSI-recognized standards for food safety should be a minimum requirement for businesses engaging in accessing the European market for consumer (final) products. This is applicable to both private label and own brand initiatives.

Regarding private labels, enterprises should be sensitized to the different market channels and the general standards required by buyers in those channels. A possible participation at the PLMA trade fair should include close guidance and expectation management for the enterprises (e.g. a kick-off workshop) regarding the standards required for targeting retailers (e.g. minimum IFS, BRC) or other buyers (e.g. FSSC 22000 may only be acceptable to intermediate manufacturers or distributors).

<sup>12</sup> Source: [www.iplc-europe.com/the-private-label-challenge-in-emerging-markets](http://www.iplc-europe.com/the-private-label-challenge-in-emerging-markets)

**Finding buyers:** Suppliers are advised to study the procurement structure of their target buyer and search for a direct point of contact, which could be:

- + a supermarket chain's category manager
- + a supermarket chain's main (general) purchaser
- + a supermarket chain's product development or innovation department
- + an importing distributor's main purchaser or product category purchaser
- + an importing distributor's sourcing or supplier relationship department.

These points of contact are not commonly listed on supermarket or importer websites. However, their names are sometimes available on professional networks. Regarding private labels, the online platform [Trace One](#) can be a good resource for finding the right contact person within the structure of a European retailer, importing distributor or brand.

**Product profile:** enterprises with products under their own brand should have a unique product, in terms of its story, packaging and/or ingredient profile. Before engaging in targeting the EU market, the firms should do a market scan, covering the European market, for their product/product category. This step will allow the benchmarking of the supplier's product against the products which are already on the market, thus revealing the product's uniqueness.

**Sustainability:** enterprises should make an effort to form a sustainability profile before participating in European trade fairs and other marketing activities. One recommended activity is applying the [Sedex self-assessment questionnaire](#) and the [other supplier services provided](#). This can help businesses benchmark their status quo against different sustainability pillars, and can potentially be translated into a corporate code of conduct, thus providing a competitive edge.

**Cooperation at origin:** enterprises from the same countries should aim to collaborate in terms of volume consolidation and information exchange. A notable example of different firms collaborating under an umbrella organisation in the form of a consortium is the [Nutresa Group](#) from Colombia.

## 7. ANNEX I – LIST OF ENTERPRISES AND ORGANIZATIONS INTERVIEWED FOR THIS STUDY

Company	Country
Adamjee	Sri Lanka
Ambassador Foods	South Africa
AMS Sourcing	The Netherlands
BioFood	Sweden
Camara de Comercio Lima	Peru
East Bali Cashews	Indonesia
Fairtrade Original	The Netherlands
Frank Hoffmann Konserven	Germany
Grupo Nutresa / Colcafé	Colombia
Happy Food Store	Sweden
ICA, SE	Sweden
La casa de Jack	United Kingdom
Lantmännen	Sweden/Germany
Manjar	Sweden
QFN	The Netherlands
Real	Germany
Rewe	Germany
Rhodes	South Africa
Trace One	Germany
UNIDEX	The Netherlands
Waitrose	United Kingdom

## 8. ANNEX II – LIST OF LARGEST EUROPEAN FOOD RETAILERS

Retailers in Europe	Website
Ahold Delhaize (Netherlands)	<a href="https://www.aholddelhaize.com/en/home">https://www.aholddelhaize.com/en/home</a>
Aldi (Germany)	<a href="https://www.aldi-sued.de/">https://www.aldi-sued.de/</a> ; <a href="https://www.aldi-nord.de/">https://www.aldi-nord.de/</a>
Asda (UK)	<a href="https://www.asda.com/">https://www.asda.com/</a>
Auchan (France)	<a href="https://www.auchan.fr/">https://www.auchan.fr/</a>
Axfood (Sweden)	<a href="https://www.axfood.com/">https://www.axfood.com/</a>
Carrefour (France)	<a href="https://www.carrefour.fr/">https://www.carrefour.fr/</a>
Coop (Switzerland)	<a href="https://www.actions-not-words.ch/en.html">https://www.actions-not-words.ch/en.html</a>
Edeka Group (Germany)	<a href="https://www.edeka.de/">https://www.edeka.de/</a>
E. Leclerc (France)	<a href="http://www.e-leclerc.com/">http://www.e-leclerc.com/</a>
ICA AB (Sweden)	<a href="https://www.icagruppen.se/en/">https://www.icagruppen.se/en/</a>
Intermarché (France)	<a href="https://www.intermarche.com/">https://www.intermarche.com/</a>
Jumbo (Netherlands)	<a href="https://www.jumbo.com/">https://www.jumbo.com/</a>
Lidl (Germany)	<a href="https://www.lidl.de/">https://www.lidl.de/</a>
Marks and Spencer (UK)	<a href="https://corporate.marksandspencer.com/">https://corporate.marksandspencer.com/</a>
Mercadona (Spain)	<a href="https://www.mercadona.com/">https://www.mercadona.com/</a>
Metro (Germany)	<a href="https://www.metro.de/">https://www.metro.de/</a>
Migros (Switzerland)	<a href="https://www.migros.ch/de">https://www.migros.ch/de</a>
Morrisons (UK)	<a href="https://groceries.morrisons.com">https://groceries.morrisons.com</a>
Rewe Group (Germany)	<a href="https://www.rewe-group.com/">https://www.rewe-group.com/</a>
Sainsbury (UK)	<a href="https://www.sainsburys.co.uk/">https://www.sainsburys.co.uk/</a>
Selex (Italy)	<a href="https://www.selexgc.it/">https://www.selexgc.it/</a>
Sligro Food Group (Netherlands)	<a href="https://www.sligrofoodgroup.nl/">https://www.sligrofoodgroup.nl/</a>
SystemU (France)	<a href="https://www.magasins-u.com/accueil">https://www.magasins-u.com/accueil</a>
Tesco (UK)	<a href="https://www.tesco.com/">https://www.tesco.com/</a>