

MARKETING

PLMA 2011: the numbers speak for themselves

The annual appointment with private labels took place in May (24th and 25th) at the RAI Exhibition Centre in Amsterdam. The Perini Journal has for years been following this show dedicated to private label products – an interesting universe for tissue producers. And for this edition, too, positive growth for private label products is registered in the different goods categories in European countries.

Perini Journal

The economic recession that has affected the world in recent years has constituted a great “incentive” that influenced customer choices. And the optimal quality/price ratio of private label products has strengthened this trend in choice-making. From a research conducted by Nielsen¹ in 2010 through over 27,000 on-line questionnaires in over 53 countries, it emerges that the phenomenon of private label products is on its way to consolidating itself. Over half the consumers who answered the questionnaire stated that they have purchased many more private label products during the crisis. Also, 91% of interviewees said they intend to continue buying them even once the crisis is over.

THE PHENOMENON OF THE DIFFUSION OF PRIVATE LABEL PRODUCTS HAS REGISTERED A CONSTANTLY GROWING TREND FOR OVER 15 YEARS and still continues today thanks also to a policy by retail chains focused on the consistent expansion of the categories of goods proposed through their brands.

A phenomenon that has influenced the survival of small and medium brands that have been forced to leave the field to these retail giants who play on determining factors such as price and volume. Different is the impact on brand products – leader in the categories – that enjoy great health and have begun to cohabitate with PLs, each with its own identity. It is interesting to note the different concentration of PL products in Europe, where the market share is 35%, while in America this figure is still below 20%.

We can also safely state that penetration of PL products varies within the EU, where several different trends exist. For example, Switzerland (46%), UK (42%), Spain (38%), Portugal, France and Germany (28%) lead the growth charts of these products while Italy (16%), Greece (14%) and Turkey (11%) rank last in the European Union. If we look to the East, we notice that China registers a 1% growth like Thailand, the Philippines and Indonesia while in South America we find parameters of around 5% - 6% (for example in Argentina, Colombia, Mexico and Brazil). Striking differences that are due both to cultural reasons and reasons of penetration and structure of the retail chains.

The growth registered in European countries is the result of a penetration policy supported by strong and important ad campaigns by the different retail chains aimed at strengthening the store name and in this way also increasing the visibility of the product categories offered with the retail brand at an obviously competitive price.

LET'S TAKE FOR EXAMPLE FRANCE, WHERE THE CARREFOUR CHAIN LEADS THE GAME. In 2009 Carrefour began a migration policy of its Champion brand to Carrefour, consolidating and strengthening its presence on shelves. The adoption of these policies by retail stores has led them to consolidate their strong image of quality retailers and suppliers also in the different goods categories, thus coming to constitute a valid alternative to brands (as stated by 37% of people interviewed by Nielsen in the survey).

Let's try and give some numbers and see the different percentages of satisfaction expressed by the interviewees. 29% of them feels that the quality of PL products is as good as branded products, and 35% said instead that the quality of commercial brand products is superior to branded ones. And it's the same for the price/quality ratio: we can highlight that 40% of consumers said that PL products are usually much more convenient in terms of quality-related cost.

And what about tissue products? What weight do commercial brands carry in consumer trolleys in the different European countries? If we try and map things out, we can see that in France toilet rolls account for 62%, in Germany

up to 80% like in Spain. An interesting market share also in The Netherlands with 56% and the UK with 48%. 2. 38% was registered also in Greece while in Italy, the percentage is low: around 28%. The latter figure also highlights the inefficiency of the Italian distribution system – i.e., in Italy, retailing is still very fragmented with respect to many European countries like for example the UK, Germany and France. Italy feels the consequences of the different distribution structures offered to the consumer also due to the peninsula's morphology: with 8,100 small and medium size municipalities located in hilly and/or mountainous areas housing a population of slightly over 20%, small stores still prevail.

AND WHAT ABOUT THE USA? WHAT HAPPENS TO THE COMMERCIAL BRAND? What are the growth trends? For what concerns toilet rolls, commercial brand products account for 18%. The total share of commercial brands is 17.4% and in Canada 18.1%. In 2010 turnover for commercial brand products was 90 billion US dollars in the USA and 11.4 billion US dollars in Canada. While in Canada the growth of these products has remained rather stable in the course of the last few years, the USA has gone from a share of 16.6% in 2008 to 17.4% in 2010, with a very good perception by consumers – still according to the research conducted by Nielsen; i.e., consumers retain that PL products are a valid alternative to branded products. Positive comments that allow to perceive optimal growth opportunities also for the PLs of American retail chains. Surely the ambitions of the development programs undertaken by Wal-Mart, Kroger, Costco, CVS and Walgreens are at the basis of the increment in PL market shares.

REGARDING THE LATIN AMERICAN MARKET, Mexico and Colombia lead the way with slow but gradual growth. Mexico has gone from a share of 5.4% in 2008 to 6.9% in 2010 while Colombia registered a 12.1% growth in 2010. PL perception in Latin American countries is very good. About 55% of the consumers interviewed in Colombia and 53% in Brazil feel that PL products are a valid alternative to brands.

We can conclude by saying that PL products surely have good growth prospects in the different markets and goods categories. For tissue products, ecological products capable of combining quality, price and a reduced environmental impact will prevail. The true novelty of this edition of PLMA was indeed the launch by the German company Fripa of the innovative VAMOS toilet roll.

A roll with a green "core" (see article page 150).

And we're all looking forward to seeing this product on the shelves. •