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Private labels – a strategy for the crisis

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The economic crisis favours the development of private labels in Poland. The worsening financial condition has prompted Polish consumers to look for savings and to choose a chain's own products more often because of the lower prices. This encourages retailers to expand their own label offers.

Poland has, so far, lagged behind the Western European countries in terms of the share of retailer brands as a proportion of the sales of grocery and chemical categories. According to Nielsen, in 2008 volume and value shares stood at 21% and 13% respectively, whereas in Switzerland and the UK these exceeded 40%. Because of the economic crisis these differences may be reduced a little this year.

An economic slowdown is a time of development for private labels in Poland. Growing unemployment and a reduction in the purchasing power of Poles prompt consumers to cut spending and to look for savings. In order to spend less on everyday shopping they search for cheaper goods and are now more willing to choose the products bearing a chain's own label, which prices, because the marketing of such goods is kept to a minimum, can be 30-40% lower than those of A-brand products. According to Nielsen, almost one-third of the consumers surveyed claimed that they have started to do more shopping at discount stores, whereas one in four have decided to buy private label products.

Growing demand for private labels encourages retailers to expand the range of their own products. There are now a growing number of SKUs, new brands launched and private labels introduced in new categories. In fact, almost all of the grocery retailers operating in Poland are planning or considering such a course of action.

For example, Carrefour has stated that this year it is to launch 100 of its new own label products in all price brackets and all “first need” product groups. Categories which are new in terms of private label products include blue cheese, beverages, yoghurt drinks, biscuits, tea, nuts and, raisins, spices, household cleaning products and washing powders. At the same time the retailer intends to reconsider products which have been on its shelves for two or three years and to replace the least popular. At present Carrefour’s range of its own products includes around 4,300 SKUs, the sales of which account for 10-15% of the chain’s total revenues in Poland.

Furthermore, at the beginning of 2009 Real launched its first 400 products under the new Real Quality brand name. This medium-priced brand, which is being introduced in both food and non-food categories, is to be joined by another few hundred SKUs by the end of 2009. Real Quality is to offer prices up to 35% lower than those of well-known brands.

Moreover, this year, in order to meet current customer needs, Tesco launched 700 discount-price products which do not bear its label but are produced exclusively for the chain. The new range, which includes food, cosmetics and household chemicals, will compete directly with the ranges offered by discount stores.

In addition, the Intermarche supermarket chain intends to add another 200 new products to its private label range in 2009. At present the chain offers more than 900 of its own products, which have already reached a double-figure share as a proportion of its sales.

The Netto discounter and Eko supermarket chain are also planning to expand their private label offers to adjust the product ranges to the current economic condition and customer requirements. In addition, delicatessen chains whose offer is aimed at more affluent customers are planning to introduce products bearing their own labels. By the end of 2009 up to 150 such products are to appear on the shelves of Bomi, and Piotr i Pawel is considering such a move, although a decision has not yet been taken.

What is more, private labels are no longer the domain of large-scale or foreign-owned stores, with such products being launched by wholesale distributors, including Emperia Holding, Eurocash, Bac-Pol and Kolporter Service. As a result private labels are increasingly often present in Polish small format stores.

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