Retail brands in France

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Summary

1. Introduction
2. History of French retail brands
3. Typology of retail brands
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1. Introduction

- A long history
  - Casino
  - Forza and Prisunic (now Monoprix)
- A recent acceleration
- A real stake within:
  - manufacturers-retailers negotiations
  - the innovation process
  - the creation of value stemming from retail brand
- In France, an increasing phenomenon:
  - Market-share is increasing

2. History of French retail brands

- 3 steps:
  - Probably the first: Casino (1901)
  - A strong stream with variety stores (magasins populaires in French): Prisunic (Forza)
  - A revolution in 1976: Etienne Thil launched the « produits libres » (free products) = no name products followed by « produits orange » (orange products) by Euromarché, « produits blancs » (white products) by Continent (Promodès), …

3. Typology of retail brands

- Four types of retail brands (Kumar & Steenkamp: Private Label Strategy, HBR Press):
  - Generic private labels
  - Copycat store brands
  - Premium store brands
  - Value innovators own labels

Generics

- A traditional retail brand
- First step in entering retail brand market: “produits libres” of Carrefour in 1976
- Still-ubiquitous
- No name product or a sub-brand with poor quality at a very low price
- 3 strategies:
  - Store brand + a sub-brand (Tesco and Sainsbury)
  - Stand-alone brand: “1” of Carrefour (“*premier prix*”)
  - Consortium brand: Euroshopper (Ahold + 8 other European retailers)

Copycats

- = imitation of the leading manufacturer brands in the category
  - Quality ensured by reverse engineering
  - Similar packaging
  - Placed close to the national brand to enable comparison and cause confusion among the consumers
- It entails troubles for manufacturers on:
  - Innovation, research and product development efforts
  - Image-building efforts
- Zara is considered a copycat fashion brand through:
  - the sale of knock-offs of famous designers
  - redesigned by young talented unknown designers
  - at a reasonable price

ZARA

Premium store brands

- Premium-lite store brands
  - When a retailer makes a superior product at a lower price
  - Well-known ex.: Staples (US)
- Premium-price store brands
  - Pioneered in the UK:
    - Sainsbury
    - Marks and Spencer
    - Tesco
  - priced higher than manufacturer brands

Value innovators own labels

- Top quality goods at low prices by:
  - analyzing every element of cost
  - Stripping away most superfluous elements
  - Aldi, Lidl
- In France:
  - ED was founded by Carrefour in 1978
  - Netto by Intermarché (nothing to do with the Danish company) tries to do the same as Aldi
- H&M and IKEA are doing the same in non food retailing

Aldi North

Aldi South

4. Importance of retail brands

- Figures from PLMA 2007
- Market-share in retailers' sales
- Some figures about retail brands in France

Figures from PLMA 2007

COUNTRY	PL SHARE (*value*)
United Kingdom	39.3%
Germany	30.8%
France	25.2%
Spain	24.9%
Italy	13.7%

Market-share in retailers' sales

Rank	Retailers	Sales (B$)	%RB	RB sales
1	Wal-Mart (US)	236.47	40%	112.92
2	Carrefour (Fr)	83.77	30%	30.00
3	Ahold (NL)	71.70	22%	18.83
4	Metro (Ger)	57.55	12%	8.24
5	Ito-Yokado (Jap)	46.99	26%	14.59
6	Kroger (US)	46.91	24%	13.44
7	Tesco (UK)	45.90	42%	23.02
8	Target (US)	42.47	45%	22.82
9	Rewe (Ger)	40.54	20%	9.68
10	Costco (US)	38.11	11%	5.01

Source: M&M Planet Retail 2005

Some figures about retail brands in France

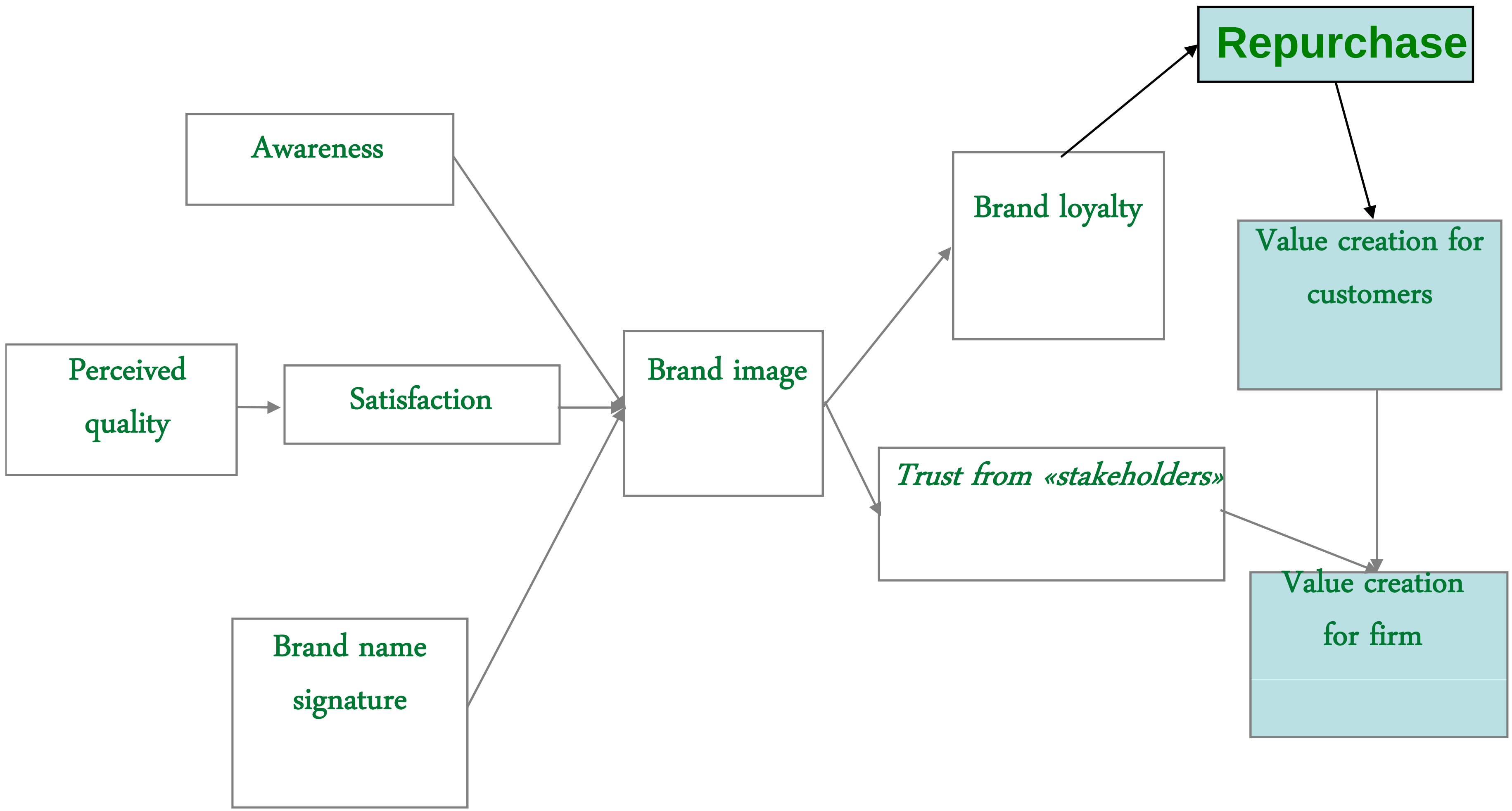
Product area	Market-share (volume)	Market-share (value)
Frozen food	49.8	40.2
Complete ready meals	40.8	33.6
Grocery	38.7	27.7
Confectionery	16.8	12.0
Non-alcoholic beverages	23.4	17.1
Alcoholic beverages	22.4	17.6
Home care	27.5	19.5
Paper plastic & wraps (PPW)	49.2	42.6
Personal care	13.8	6.8

ACNielsen for PLMA 2004

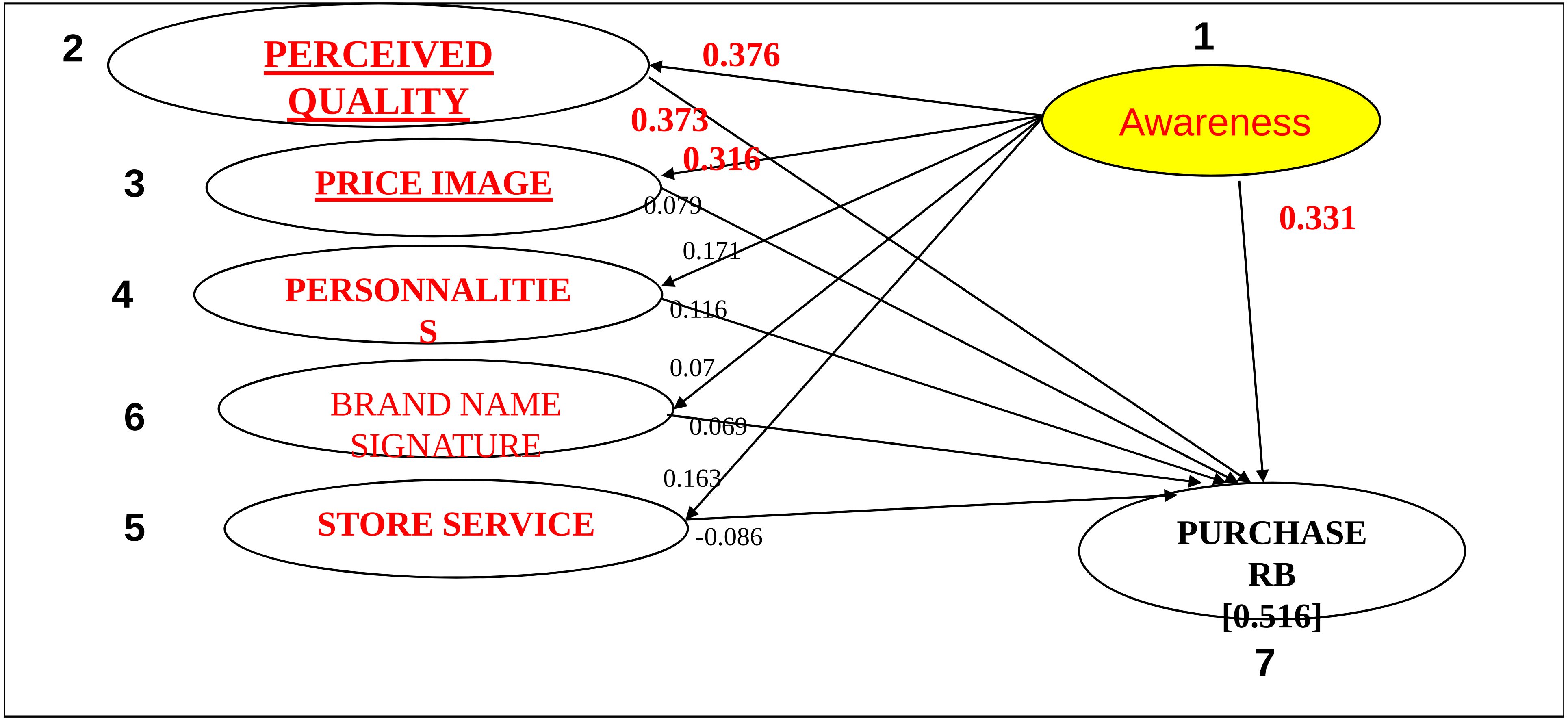
5. Retail brand for what?

- Traditionally retailers use it as both:
  - A strategy to attract customers with lower prices
  - A tactic when negotiating with manufacturers
- Today a brand to fight against hard discounters:
  - Retail brands are concentrated on products directly in competition with hard discounters
  - LME = a recent act which will favor hard discounters
- Tomorrow, a way to create value (CPG) from:
  - Perceived quality & price image
  - ➔ Trust from customers
  - ➔ A saving of time for costumers
  - ➔ Value for customers ➔ stakeholders ➔ firm
  - That is already true for some retail brands (*Reflets de France*, …)

Value added brand



Why do consumers buy RB?



R^2=0.516; GoF=0.867; AVE = 0.595

Software: Xlstat-PLSPM

Source: Magali Jara PhD results

6. Perspectives

- Concerning consumer packaged goods (CPG):
  - Retail brands are and will be probably more and more the most effective weapon for retailers against manufacturers
  - Innovation stems now more and more from retailers rather than manufacturers
  - Innovation seems to be a key-point in the fight in France (as in many other developed countries) between retailers and manufacturers
- What could be the future?
  - When inflation (+ economic crisis) is back, retail brands have many advantages for consumers and if the consumer value of the retail brand is acceptable, consumers will probably be more an more attracted
  - The war between retailers and manufacturers is far from being over
  - What's about an eventual partnership between retailers and manufacturers?
  - Will most of SMEs in CPG be totally under retailers' power after having been under retailers' pressure?

7. Conclusion

- In France, retail brands are a real stake as far as consumer packaged goods are concerned
- Retail brand market share is still growing and could still grow with the economic crisis!
- Retail brand strategies are more and more efficient including the innovation process to create value for the retail company