

Times & Trends

A Snapshot of Trends Shaping
the CPG and Retail Industries



October 2009

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Times & Trends Special Edition: U.S. & Europe Private Label 2009



Crisis Shopping Strategies Evolve Into Permanent Habits

Shoppers across the world have experienced the painful pinch of a global recession. Over a year later, with only mild signs of an impending recovery, consumers continue to hold onto their pennies and their new-found ways of living and saving. Experts predict a slow return to economic health, forecasting that Europe's recessionary conditions will likely trickle well into 2011.

IRI's ongoing research into changing shopper behavior during this global financial crisis uncovered a new group of individuals permanently changed by the times. We call these shoppers the "Downturn Generation." This unique generation has adopted money-saving survival strategies for the long term, meaning their new habits and frugal ways are here to stay.

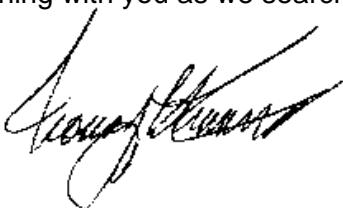
The Downturn Generation's influence on CPG marketers is pervasive, and the continued growth of private label throughout the U.S. and Europe is an undeniable and telling example of the group's power over the market. Like manufacturers, retailers remain intently focused on how shoppers are reacting to today's economic challenges, and their efforts are paying off in the private label sector. New strategies that help the Downturn Generation shopper save money now on high-quality private label products will likely turn these shoppers into loyal customers even after the economy turns bright.

In this report, we examine the growth of private label sales across the U.S. and Europe, revealing how these sophisticated, tailored new versions of yesterday's brown label private products continue to entice consumers. Across the U.S. and European countries, shoppers are continuing to make private label a common shopping choice, even with predictions of a recovering economy. In the U.S., private label spending has risen nearly one point versus year ago, with a total of 18% of CPG dollars now spent on store brand offerings. Across European countries, private label share of spending varies, with highest share in Germany and Spain, and lowest share in Greece. Though private label share varies, almost all of the countries included in this report show overall growth in private label.

Given differences in cultures, tastes and shopping habits, not to mention income levels, ethnicities and trip missions, the strategic options available to manufacturers and retailers are enormous and complex. While cultural traditions differ at the country and even regional level, the driving need for high quality, low-cost CPG solutions is a distinct commonality across European nations. Successful marketers will continue to align marketing and merchandising strategies to tell the story of the brand and reinforce the brand's inclusion in the shopper's life.

A significant concern to manufacturers, in particular, is the long-term effects of increased private label purchase activity. Research shows once shoppers move to private label, they tend not to migrate back to brands. Brand manufacturers that help shoppers justify continued spending on the brands they prefer, while empowering them to save money with private label products where it makes sense, are the manufacturers that will retain shopper loyalty over the long haul.

Today's world economy provides a fascinating opportunity to study shoppers. I am eager to continue learning with you as we search for new ways to serve the needs of our customers.



Thom Blischok
President, Consulting & Innovation



EXECUTIVE SUMMARY: TURNING INSIGHTS INTO ACTION CPG MANUFACTURERS

INSIGHT

- » Recessionary conditions will persist into 2010 across many Western European countries, paving the way for continued strong performance by private label packaged goods
- » Private label share varies markedly at the country level, from a low of 7% in Greece, to a high of 35% in Spain (and even higher in Germany**)
- » Sub-branding continues to play a key role in European private label development strategies, and is now heavily leveraged by U.S. retailers seeking to grow their store brand programs
- » The average private label discount versus varies at the country level, and is being impacted by recessionary economic conditions and ongoing private label program development
- » Innovation has long been a key private label mitigation strategy for manufacturers; today innovation on the part of retailers is a driving force behind ongoing development of private label in Europe

ACTION

- » Manufacturers should increase frequency of feature ad and display-based merchandising across key categories/brands with a heavy focus on affordability and unique product attributes
- » Explore expanded distribution opportunities across channels and retail accounts with low private label development
- » Explore the feasibility of partnering with retailers to provide multi-tiered- *branded and private label*- solutions with a clear value proposition across broad consumer segments
- » Re-evaluate pricing strategies to ensure alignment against corporate goals as well as the value needs of key consumer segments
- » Continue to focus on innovation and brand positioning strategies

** German data throughout this report excludes discounters, resulting in understated private label share figures.



EXECUTIVE SUMMARY: TURNING INSIGHTS INTO ACTION CPG RETAILERS

INSIGHT

- » Recessionary conditions will persist into 2010 across many Western European countries, paving the way for continued strong performance by private label packaged goods

- » Private label share varies markedly at the country level, from a low of 7% in Greece, to a high of 35% in Spain (and even higher in Germany^{**})

- » Sub-branding continues to play a key role in European private label development strategies, and is now heavily leveraged by U.S. retailers seeking to grow their store brand programs

- » The average private label discount versus varies at the country level, and is being impacted by recessionary economic conditions and ongoing private label program development

- » Innovation has long been a key private label mitigation strategy for manufacturers; today innovation on the part of retailers is a driving force behind ongoing development of private label in Europe

ACTION

- » Support private label initiatives with frequent and targeted promotional programs, including in-store initiatives as well as feature ad support

- » Develop best-in-class marketing, pricing and promotion strategies to ensure maximum relevance and impact across key consumer groups

- » Align product development efforts against the core private label needs of key consumer groups

- » Constantly monitor price gap at the market and store level to ensure alignment against corporate goals as well as the value needs of key consumer segments

- » Analyze product development best-practices across departments and categories to identify low-cost private label innovation opportunities

^{**} German data throughout this report excludes discounters, resulting in understated private label share figures.



INTRODUCTION

Retailers across Western European countries are flexing their private label muscle in attempt to capitalize on recession-driven opportunity to build market share and shopper loyalty.

A majority of Western European countries are grappling with unstable economic conditions. In fact, according to the European Commission, several large European countries, including the UK, Germany, Spain, Italy and France have seen their economies contract at rates well-above anything seen since the post- World War II era. Recessionary conditions are expected to persist well into 2011.

Like shoppers in the United States, European consumers have tightened their belts. Consumers are shopping across channels, redeeming coupons, adhering to pre-made shopping lists, and delaying or eliminating “non-essential” purchases. While tactics vary, the goal is the same: consumers want to save money on FMCG purchases.

At the crux of many savings strategies is private label packaged goods. Private label is generally well-entrenched in the European marketplace. But, for several reasons, development varies at the country, market, retailer and category level.

First, retail concentration differs across countries. Those countries with higher levels of concentration tend to have a more well-developed private label presence.

Category dynamics are also at play. Across some categories, brand manufacturers have established excellent brand equity, and they reinforce that position with heavy investments in branding and promotional activity. Innovation tends to be high, and private label share tends to be lower.

Retailer strategies also play a major role in setting private label boundaries. Dominant retailers have the power to exert great control over a country’s private label market.

With the recession expected to continue for more than a year, consumer deal-seeking behavior is at a high. Many retailers are exercising their private label muscle in attempt to capitalize on recession-driven opportunity to build market share and shopper loyalty. For national brands, it is time to step up competitive efforts.

This report explores current and emerging private label trends in the United States and Europe, as well as influencing factors that are reshaping the CPG industry. Manufacturers and retailers with a clear understanding of these forces will be able to develop and execute competitive strategies for their brands which meet corporate goals while simultaneously delivering against consumer needs.



PRIVATE LABEL SHARE TRENDS

Retailer efforts to elevate private label have been bolstered by a turbulent economy, driving private label share of CPG spending to new heights.

“The private label phenomenon will continue to be a bright spot for innovative retailers that invest in providing a high-quality, convenient, affordable alternative to shoppers. It is also a call to manufacturers to ...ensure that all product development, merchandising, pricing and related strategies are closely tied to a well articulated, shopper-centric strategy.”

Thom Blishock
IRI Consulting & Innovation
President

Private label plays an integral role in retailers' differentiation strategies. As such, over the past several years, retailers have invested heavily to build the strength and relevance of their brand.

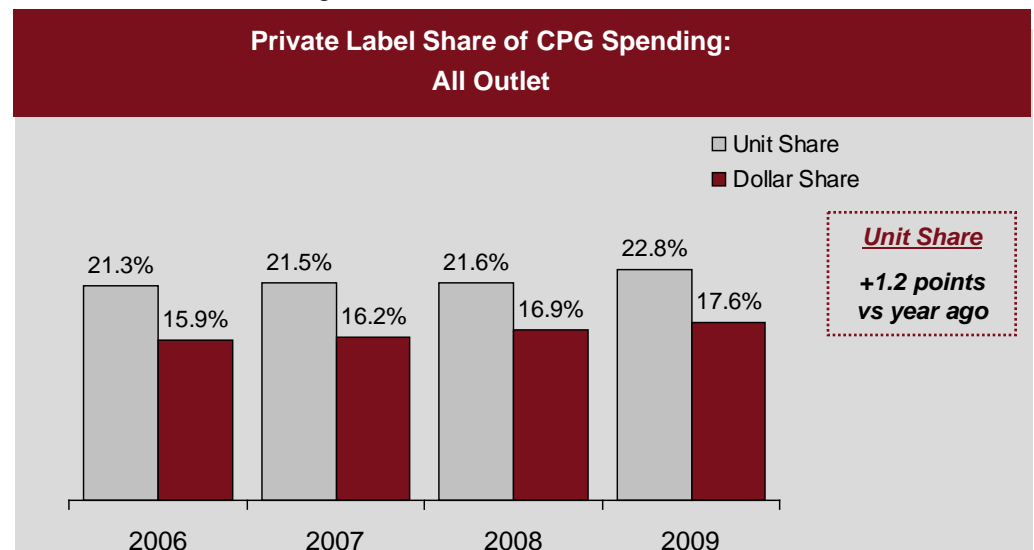
Packaging has been improved from generic black-and-white labels to colorful packages imparting a sense of quality and prestige. Ingredients have been enhanced, with store brands now regularly keying in on critical trends, such as organic ingredients, added vitamins and nutrients, new technologies (e.g. fast-melt, anti-aging, etc) and more. And, store brands are being featured in an increasingly prominent manner across promotional platforms.

In the midst of these stepped-up private label development efforts, economic turmoil hit the U.S. economy. The housing market crashed, unemployment levels rose, fuel prices soared and consumers became increasingly concerned about their fiscal well-being.

The United States has now officially been in recession for more than a year. Consumers are intently focused on saving money, but are also still fixated on quality and convenience. For many, store brand CPG products are answering this call quite nicely.

Private label CPG products now represent just over 17% of CPG spending, and more than one-fifth of CPG products purchased through retail outlets. For some retailers, though, store brands hold much higher share of sales. For example, in the first quarter of 2009, private label represented 35% of Kroger unit sales¹, and 25% of Spartan Stores unit sales².

Some indicators point to an economic brightening, but questions remain about how long it will take to fully emerge from this recession. One thing is for sure, though. Private label gains made during the recession will long outlive the downturn.



Source: IRI Consumer Network™; 52 weeks ending 7/19/2009 and same period prior years

¹ Wall Street Journal, 6/24/2009

² Supermarket News, 7/30/2009



PRIVATE LABEL PRICE DISCOUNT BY DEPARTMENT

Average discount offered by private label varies markedly at the department level, and may change drastically as private label innovation evolves.

CPG prices increased significantly in 2008, climbing an average 4.9% over 2007 levels. But, as reported in the January issue of *Times & Trends*, 46 of the top 100 categories experienced above-average increases. In fact, several staple CPG categories saw prices rise at double-digit rates.

The July issue of *Times & Trends* provides a detailed analysis of private label pricing trends over a two year period. For much of that time, store brand prices climbed at nearly twice the rate of industry average. This trend eased in the fourth quarter of 2008, and private label prices are now occurring at a rate well below the industry average.

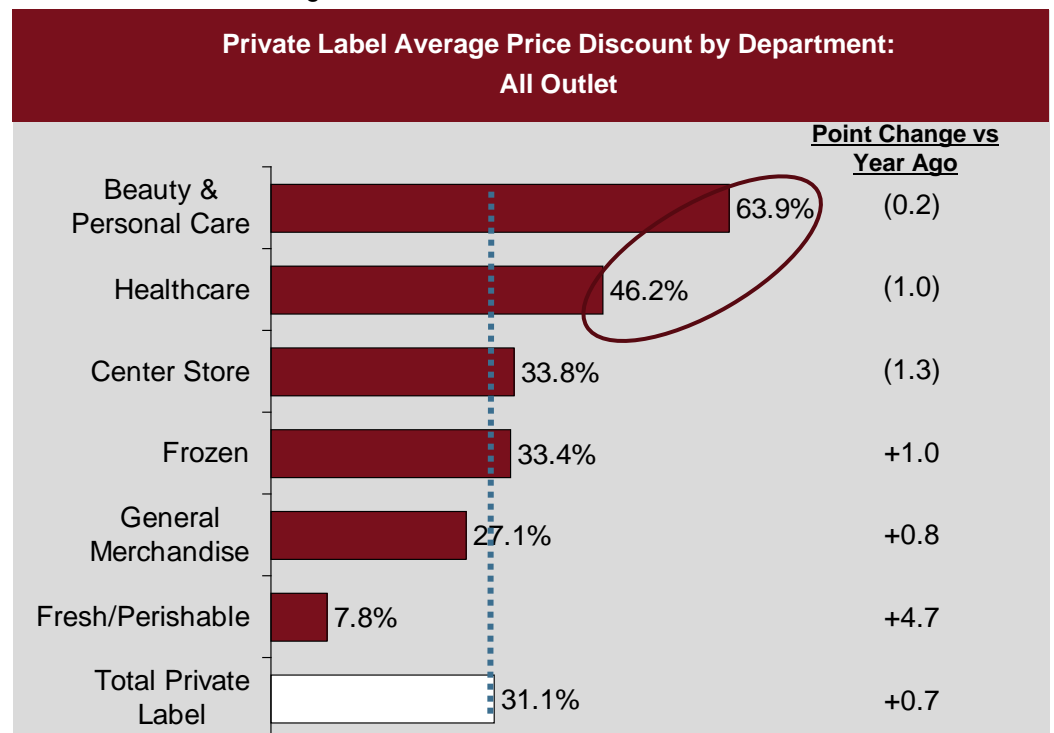
Despite this rollercoaster ride, store brands still offer shoppers considerable savings over national brands. Discounts average 31.1%,

slightly more versus last year's average of 30.3%. The rate of savings varies markedly at the department level.

As private label innovation increasingly expands beyond "me-too" products, the cost of store brand research and development has the potential to rise significantly. This may erode some of the savings offered by private store brands, and/or retailer margin on these items.

The private label price gap has shrunk across some departments, including center store and healthcare.

Savvy retailers will creatively leverage innovation from across CPG, and perhaps beyond, to offer consumers truly unique products that reinforce differentiation, yet still provide savings over national brand offerings without eroding margin.



Source: IRI Consumer Network™; 52 weeks ending 7/19/2009



Adopted from Europe, sub-branding has become a rather commonplace strategy in the United States, and is contributing to accelerated private label growth in the country over the past year.

U.S. vs EUROPE KEY MARKET DIFFERENCES

Key market differences between the U.S. and Europe have led to substantial differences in the level of private label development and growth. Some of these influences are structural, and will not change significantly in the foreseeable future. Others are more strategic in nature, and are increasingly being adopted by major U.S. retailers.

Though the U.S. private label market will not likely be able to completely close the gap between private label share in this country versus European countries with well-developed private label programs, U.S. retailers are increasingly leveraging lessons learned from Europe to accelerate their own private label development efforts.

Following is an overview of relative private label development, key market differences, and lessons from Europe that may be implemented by U.S. retailers. The sections that follows provide a more detailed look at European private label trends.

Private Label Development

Across 36 leading CPG categories within the grocery channel, U.S. private label share is 18%. Despite accelerating growth over the course of the current recession, private label share in the United States remains about half the level seen in Spain, the UK and Germany, and ten full points lower versus France and the Netherlands. These standings are consistent with findings from IRI's "U.S. & Europe Private Label 2008" report.

Key Market Differences

Across countries studied for this report the retail environment is heavily concentrated. This gives retailers significant power over the direction of market development. It also provides European retailers significant operational efficiencies, and the brand equity to gain trial and repeat purchase behavior. In addition, European markets have a strong hard-discounter presence, bringing urgency to the need for competition across value brands.

Lessons from Europe

Sub-branding, or the creation of high-equity umbrella brands under which multi-tiered product offerings are developed, has historically been a key aspect of European private label development strategies. Detailed later in this report, this technique is still being leveraged by European retailers, including Carrefour and METRO Group, today.

Sub-branding has become a rather commonplace strategy across U.S. retailers as well. For example, 7-Eleven plans to add 100 new items to its private label lines this year. Additions will be made at both ends of the spectrum, adding breadth to 7-Eleven and 7-Select lines. And Kroger, has grown its own brands across three tiers: private brands (premium tier), banner brands (mid-tier) and value brands (value tier). the retailer announced that 27% of its fourth- quarter grocery growth stems from store brands, with increases coming from both general Kroger and premium/organic Private Selection products¹.

¹Annual Report; Marketing News 5/30/2009



Private label development across Europe is being positively impacted by adverse economic conditions, a concentrated retail environment and intense retailer focus on leveraging private label as key competitive tool.

EUROPE PRIVATE LABEL DEVELOPMENT BY COUNTRY

Private label development is strong across much of Western Europe but varies at the country level. Across a majority of European countries studied for this report, private label holds a much more entrenched position and is growing much more quickly versus the patterns seen in the United States.

Several factors are contributing to the success of private label in Europe.

The economy is clearly a driving force behind private label growth in Europe. Many countries in Europe are experiencing recessionary conditions. In fact, the European Commission expects that several large European economies, including the UK, Germany, Spain, Italy and France, will contract at rates well-above anything seen since the post-World War II era.

Predictions are that, while up-ticks may occur in 2010, recessionary conditions throughout much of Europe will persist into 2011. For consumers, private label is playing a critical role in lightening the financial burden.

Retailers view this as an opportunity, and have stepped up communication efforts,

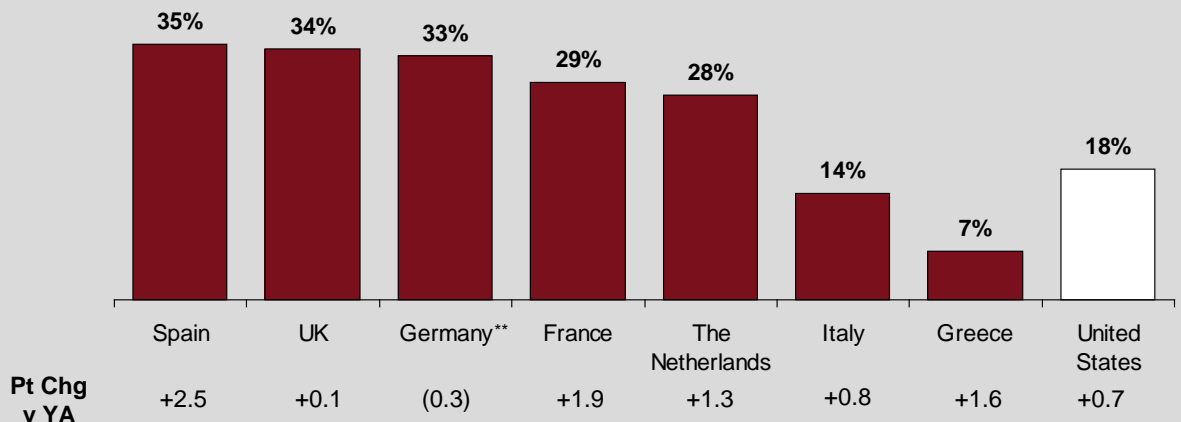
touting the value and quality of their store brand offerings. These efforts have been well-received by consumers.

In addition, the retail environment in Europe is very conducive to a strong and growing private label presence. Across several sizable countries, the fast moving consumer goods (FMCG) market is highly concentrated, giving the retailers great power to define the competitive arena. This point is explored in more detail later in this report, using Spain's Mercadona as an example.

Finally, private label innovation is quite strong in Europe. A recent report by research group XTC finds that private label represents 14% of innovation in the European grocery industry¹.

Retailers across countries studied for this report are increasing the breadth and depth of their private label offerings. The likely result of these efforts will be increased private label penetration which, in turn, will continue to drive private label share higher in years to come.

Leading CPG Categories*
2009 Grocery Channel Private Label Value Share by Country**



*Based on 36 of the largest CPG categories across the countries studied.

** German data excludes discounters, resulting in understated private label share figures.

Source: IRI Consumer Network™; 52 weeks ending 6/29/2009; IRI InfoScan. ¹ Just-Food, July 2009

[Times & Trends]

A Snapshot of Trends Shaping the CPG and Retail Industries



Private label pricing policies are evolving in response to recessionary economic conditions and ongoing private label program development.

EUROPE PRIVATE LABEL PRICE DISCOUNT

While private label offers significant savings over national brands across countries, price gap varies rather significantly at the country level.

The largest savings come from Greek private label products, which provide savings of 53% over their nationally-branded counterpart. At the other end of the spectrum is private label lines in the Netherlands and Germany, which, on average, bring consumers savings of 26%.

Private label pricing strategies are influenced by a number of factors.

First, private label development varies across European countries. Some countries, such as Germany, have established value-tier lines and are

seeing a majority of private label growth stem from more premium offerings. Other countries, such as the United Kingdom, are experiencing growth across more value-oriented product offerings. These extensions will have a logical impact on average price discount.

The economy is also a formative force of private label pricing strategies. After a tumultuous year, commodity prices in Europe have moderated. But, the European Union economy is still in a recession. With consumers in Europe solidly entrenched in savings mode, retailers are likely to reevaluate private label pricing policies in an effort to win shopper loyalty and share of wallet.

Private Label Pricing Among Leading CPG Channels Grocery Channel

<u>Country</u>	<u>PL \$ Share</u>	<u>PL Discount vs Branded</u>
Italy	14%	(22%)
UK	34%	(31%)
France	29%	(37%)
The Netherlands	28%	(26%)
Germany**	33%	(26%)
Spain	35%	(43%)
Greece	7%	(53%)
United States	18%	(31%)

** German data excludes discounters, resulting in understated private label share figures.

Source: IRI Consumer Network™; 52 weeks ending 6/29/2009; IRI InfoScan

Note: Price gap analysis based on price per volume among select key CPG categories



EUROPE

CROSS-COUNTRY DEVELOPMENT: STAPLES

Private label is well-entrenched across staple FMCG categories, but brand manufacturers are developing new strategies in an effort to win back share of wallet.

Across key staple FMCG products, private label is quite well-entrenched. As illustrated below, share is above-average across a majority of categories in nearly all countries studied.

In Italy, the cheese category shows lower-than-average private label share, at 9%. But, rather significant price increases over the past year are helping to turn the tide, and private label cheese gained one full point versus year ago.

It is no surprise that private label has made significant penetration gains in the midst of difficult economic times. Detailed in the September issue of Times & Trends, Private Label 2009: Game-Changing Economy Taking Private Label to New Heights, private label penetration gains have cut across a range of FMCG categories. This is logically leading to increased share of spending in many instances. Private

label share of toilet tissue in the United States, for example, climbed nearly three points over the past year.

Brand manufacturers in the U.S. are aggressively working to stem share lost to store brands over the course of the recession. For example, after years of adding features to products to encourage consumers to pay more for their brands, Procter & Gamble has recently begun offering lower-priced variations of key brands aimed at frugal shoppers. Charmin, Tide and Bounty are all examples of brands seeing development at the value end of the product spectrum¹.

In Europe and in the United States, as the recession wears on, and even beyond, consumers will look at affordability through a new lens. To succeed, FMCG marketers must understand what that lens entails, and deliver against it consistently.

Grocery Channel 2009: Private Label Value Share by Country: "Staples" Categories

	<u>FRANCE</u>	<u>GERMANY*</u>	<u>THE NETHERLANDS</u>	<u>ITALY</u>	<u>SPAIN</u>	<u>UK</u>	<u>US</u>
Bread & Rolls	35%	38%	43%	21%	44%	43%	27%
Frozen Vegetables	69%	45%	53%	34%	73%	40%	41%
Milk	42%	64%	58%	14%	41%	86%	63%
Natural Cheese	39%	51%	46%*	9%*	35%	N/A	44%
Paper Towels	59%	80%	61%	31%	76%	N/A	18%
Toilet Tissue	61%	80%	54%	28%	76%	N/A	17%
Total Top CPG	29%	33%	28%	14%	35%	34%	18%

Source: IRI Consumer Network™; 52 weeks ending 6/29/2009; IRI InfoScan

¹ Source: Farmers Guardian, June, 2008

* In Italy & the Netherlands, the Natural Cheese category includes both Natural and Processed Cheese categories; Germany's category-level analysis excludes Aldi and other discounters

[Times & Trends]

A Snapshot of Trends Shaping the CPG and Retail Industries



While brand-name products dominate a handful of core FMCG categories across most countries, private label in Spain is quickly closing the share gap.

EUROPE

CROSS-COUNTRY DEVELOPMENT: LOW-SHARE CATEGORIES

Across a majority of European countries studied, large multinational manufacturers continue to dominate a handful of core FMCG categories.

Examples include carbonated beverages, cereal, coffee and laundry detergent. Within these categories, brand investment, in terms of promotion and innovation, is significant.

As noted over the past several years, though, Spain is an exception to this trend. In years past, private label share across these categories has been higher versus other countries studied, but below category average. While this is still the case, the gap is closing quickly.

Savings offered by private label products across these categories are significant. And, retailer promotional activity has reinforced those savings, with multi-unit discounts, additional price cuts, and more.

Spanish market leader, Mercadona is leading the charge to reduce prices. As detailed later in this report, the retailer has slashed assortment greatly, removing references of some 800 manufacturers, over the past year. With well-established private label lines, strategic moves such as this have the potential to significantly impact the country's private label market structure in the coming year.

Grocery Channel 2009: Private Label Value Share by Country: Low Share Categories

	<u>FRANCE</u>	<u>GERMANY*</u>	<u>THE NETHERLANDS</u>	<u>ITALY</u>	<u>SPAIN</u>	<u>UK</u>	<u>US</u>
Carbonated Beverages	8%	16%	15%	7%	11%	8%	8%
Cereal	21%	41%	22%	10%	35%	21%	10%
Coffee	17%	28%	26%	6%	30%	17%	13%
Laundry Detergent	11%	25%	15%	7%	33%	N/A	7%
Total Top CPG	29%	33%	27%	14%	35%	34%	18%

Source: IRI Consumer Network™; 52 weeks ending 6/29/2009; IRI InfoScan

*Germany's category-level analysis excludes Aldi and other discounters.

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A Snapshot of Trends Shaping the CPG and Retail Industries



[Store brands continue to gain share of the French FMCG market, driven by a turbulent economy and strong growth across premium tier offerings.]

EUROPE FRANCE

Bolstered by a turbulent economy and loosened regulation concerning marketing of store brand offerings, French private label share growth has been strong over the past several years. This past year has been no exception; private label within the country gained nearly two share points, and now represents 29% of the FMCG market.

Economic influence on private label within France closely mirrors trends seen in other parts of the world. During 2008, FMCG prices escalated sharply; consumer finances were further strained by rising energy costs and weak financial markets; and shoppers turned to private label as part of an economic survival strategy.

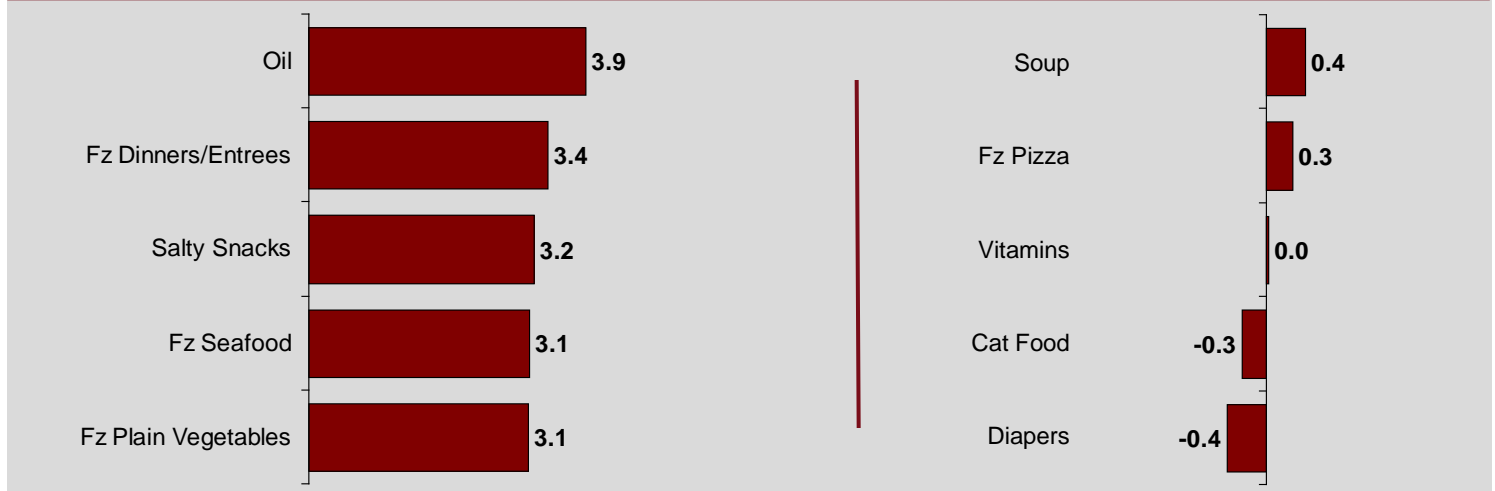
Private brand won share across nearly all FMCG categories. Performance across food and beverage categories was particularly strong, as at-home from-scratch cooking rituals gained traction and consumers sought to stretch their food and beverage dollars.

Premium-tier store brands have been a driving force in France over the past year. Organic products and other high-end offerings are being well-received by shoppers looking for lower-priced offerings that still provide nutrition and indulgence.

Over the past year, market leader Carrefour made several strategic moves. First, the retailer transitioned the Champion banner to the Carrefour name. With that transition, products previously sold under the Champion name are now marketed under Carrefour private label, bolstering the retailer's share of the private label market.

Secondly, Carrefour expanded its reach into the value end of the spectrum with the May roll out "Carrefour Discount," a line of 400 food and non-food products with pricing aligned to hard-discounter policies.

**FRANCE: Grocery Channel Private Label Value Share Point Change
Leading CPG Categories with Largest Private Label Gains/Losses**



Source: IRI Consumer Network™; 52 weeks ending 6/29/2009; IRI InfoScan

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In the German market, premium-tiered private label offerings are fueling sector growth.

EUROPE GERMANY

The German private label market is lead by discount retailers, including Aldi, Lidl, Penny, Norma and Netto. These retailers each entered the market with an economy-tier line of product offerings. These lines have been well-received by German consumers, evidenced by private label's respectable 33% share of the country's FMCG market*.

Over the past couple of years, though, growth of the German private label market is being driven by an increasing shopper appetite for premium-tier product offerings. Retailers are working quickly to capitalize on this trend.

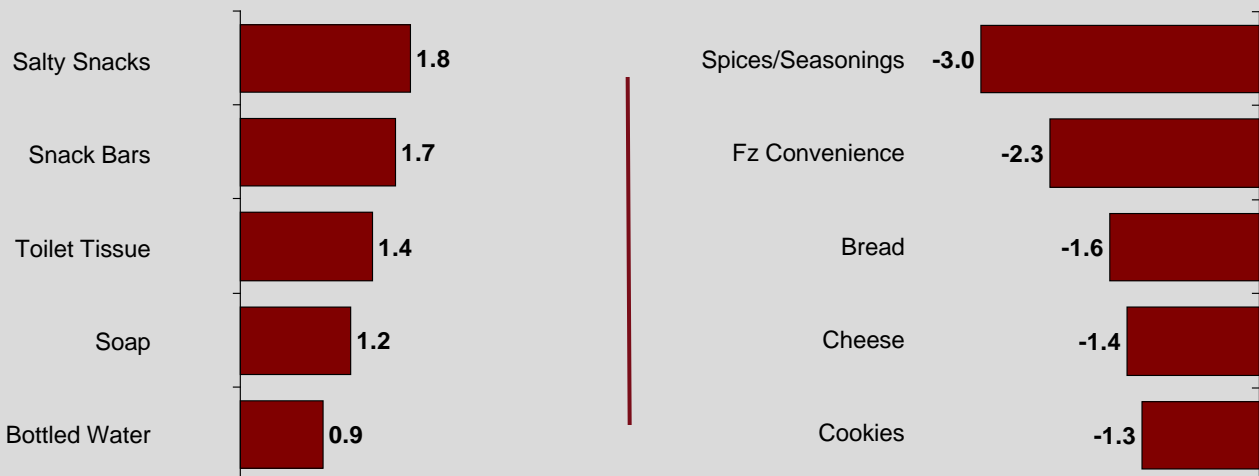
METRO Group is now offering a multi-tier private label line, marketed under the name of "Real." Current offerings are in the value and mid-tier range. But, by the end of the year, the retailer will release a completely new premium private label line, dubbed "Real Selection."

In October of 2009, Rewe Group plans to launch Feine Welt (Fine World), a line of more than 100 items that will supplement existing lines including the retailer's existing organic line, Rewe Bio, and its value line, ja!. While Germany's average private label discount versus national brands is about 26%, the Feine Welt line will save shoppers 15% versus comparable nationally branded offerings¹.

Private label development efforts in Germany have been supported by stepped up marketing (advertising support and in-store efforts) surrounding the quality and value of premium private label offerings.

As line extensions continue and marketing efforts heat up, it is premium-tier offerings that will drive the German private label market place in the coming year.

GERMANY: Grocery Channel Private Label Value Share Point Change Leading CPG Categories with Largest Private Label Gains/Losses



Source: IRI Consumer Network™; 52 weeks ending 6/29/2009; IRI InfoScan

*Note: German data exclude Aldi and other discounters; ¹ Company Web site; ² Source: fruitnet.com, September 21, 2009.

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Private label has established 14% share of the Italian FMCG market, but penetration varies at the regional level.

EUROPE ITALY

Private label in Italy remains lower versus many other European countries. In 2009, private brand penetration reached 14% of CPG sales, reflecting an increase of nearly one share point.

But, Italy shows rather significant private label trends at the regional level. For example, the southern part of the country relies heavily on Organized Large-Scale Distribution (GDO), which places less emphasis on store brands versus nationally branded alternatives. As such, consumers are more accustomed to national brands, and demand for store brand products has simply not flourished.

In other parts of the country, though, private brands are well-received. Consumers view store brands as largely equal to national brands in quality. And a wide range of product offerings ensures relevance across a broad segment of Italian shoppers.

Store brands are gaining steam across a range of FMCG categories. In fact, very few categories show share declines.

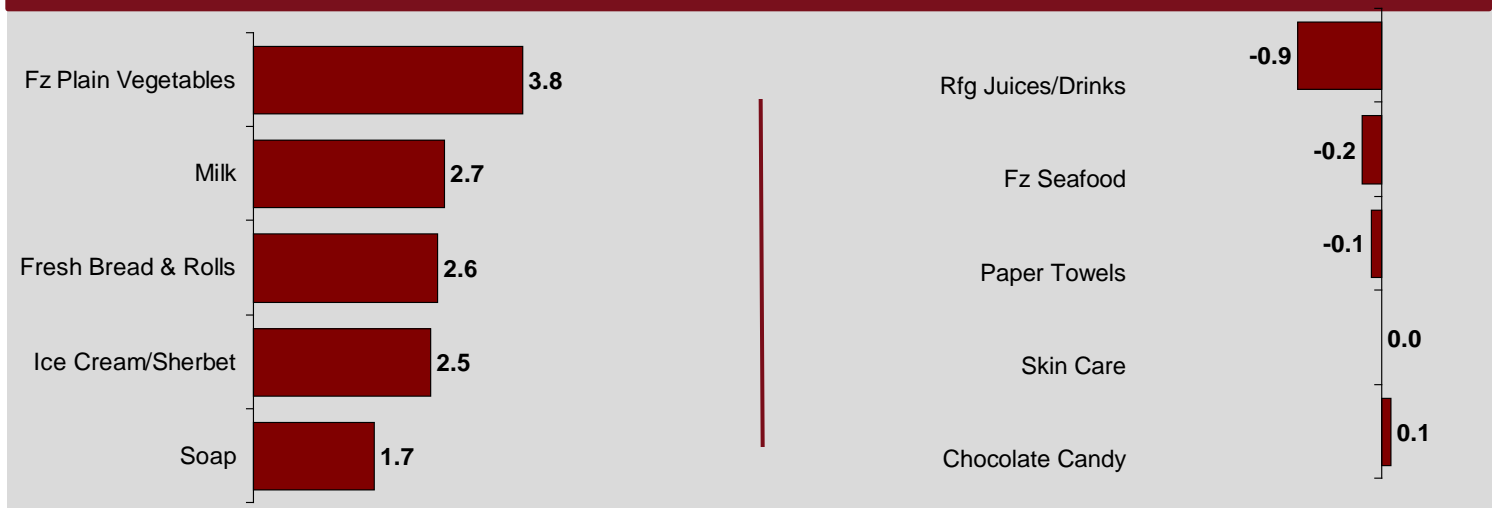
Milk demonstrated particularly strong share gains over the past year, driven by a sharp increase in the number of retailers offering a range of store-brand milk options (including fresh milk, baby milk and UHT, or shelf-stable milk).

Private label offerings continue to expand, not only across major Italian retailers, but now across mid-sized chains looking to differentiate themselves from their competitors.

With this increased focus has come increased promotional activity, ranging from in-store initiatives to feature and other types of advertising support.

As availability and awareness of private labels builds, the strength of store brands in Italy is expected to intensify.

ITALY: Grocery Channel Private Label Value Share Point Change
Leading CPG Categories with Largest Private Label Gains/Losses



Source: IRI Consumer Network™; 52 weeks ending 6/29/2009; IRI InfoScan

[Times & Trends]

A Snapshot of Trends Shaping the CPG and Retail Industries



Innovation and promotional activity are driving strong private brand growth in the Netherlands.

EUROPE THE NETHERLANDS

Private label innovation in the Netherlands is high, particularly at the premium end of the product spectrum. In fact, in some categories, such as fresh ready-to-eat meals and fresh juices, innovation activity among store brands is higher versus their nationally branded competitors.

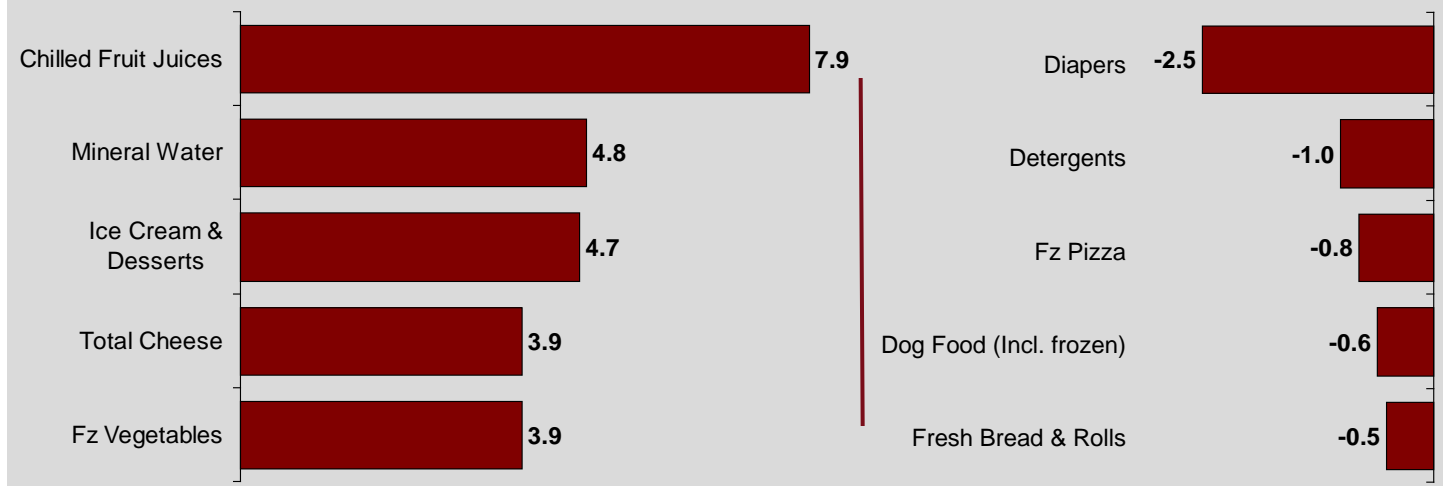
Not surprisingly, these high levels of innovation are helping to drive strong store brand growth within the country. In 2009, private brands achieved 28% share of the FMCG marketplace, on share gains of nearly one and a half points versus the prior year.

While overall gains are impressive, some categories are posting gains well above the industry average. For example, store brand chilled fruit juices gained 7.9 share points versus year ago. Growth is attributed to a strong presence across ultra fresh juices, and to a trend away from fruit shot (which are mostly branded products) in favor of less expensive real fruit options.

Albert Heijn, the clear private label leader in the Netherlands, continues to press hard to fortify its position. Just this summer, the retailer launched AH Puur en Eerlijk (AH Pure & Fresh), an environmentally-friendly line of products "...produced, grown or sourced with extra care for people, animals, nature and the environment." The line includes organic, fair trade, sustainable catch (fish), free-range (meat) and ecological (cleaning) products, and seeks to gain broad acceptance across an increasingly earth-conscious consumer marketplace.

As seen across other European countries and the United States, private label in the Netherlands is enjoying increased promotional support. This support, coupled with increased range of store-brand options, is likely to be a driving force in the growth of private brands in the country in the foreseeable future.

THE NETHERLANDS: Grocery Channel Private Label Value Share Point Change
Leading CPG Categories with Largest Private Label Gains/Losses



Source: IRI Consumer Network™; 52 weeks ending 6/29/2009; IRI InfoScan

Times & Trends

A Snapshot of Trends Shaping the CPG and Retail Industries



New retailer strategies and a transforming economy will play a defining role in the evolution of the Spanish private label marketplace.

EUROPE SPAIN

The economy is a driving force behind the strong growth of store brands within the Spanish marketplace. Consumer deal-seeking behavior is high, and Spanish retailers are leveraging store brand products to meet the need for value. Over the past year, private label share of the Spanish FMCG market grew two and a half share points, to 35%, with the strongest growth coming from categories which support at-home meal rituals.

In 2008, Mercadona became the top FMCG retailer in Spain, displacing long-time rival Carrefour for the first time in many years. As the top player in the country, Mercadona is poised to play a key role in evolution of the Spanish private label marketplace.

Mercadona is currently heavily focused on assortment reductions. Over the past year, the retailer has reduced some 800 manufacturer references¹. According to TNS data, private label now accounts for more than half of Mercadona sales. If assortment reduction continues,

private label share will likely increase significantly.

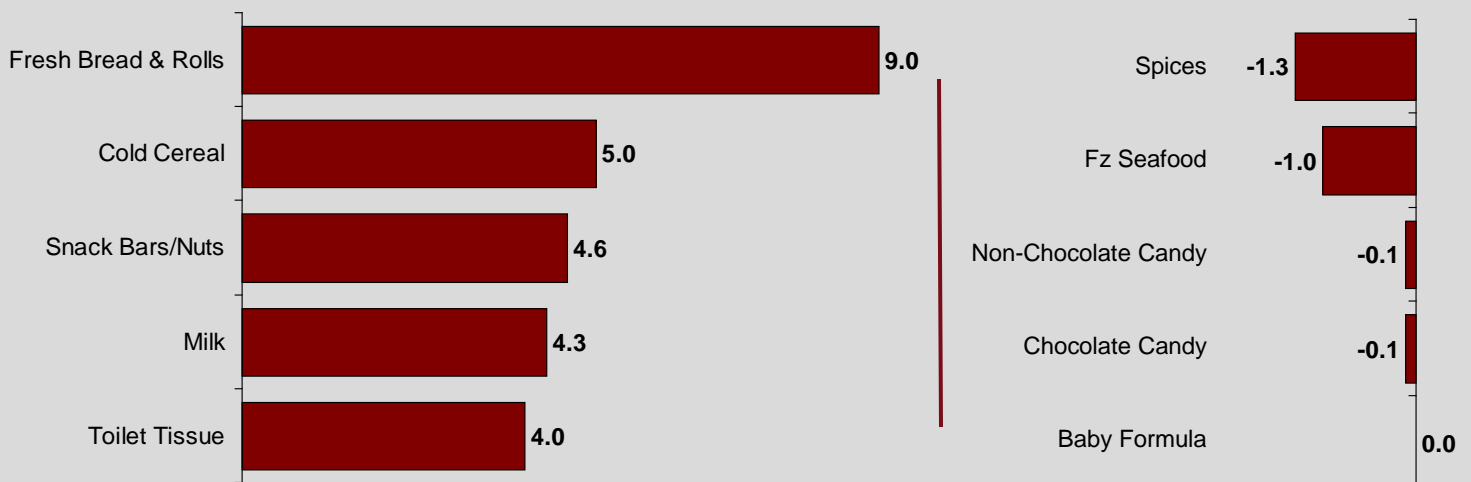
While Mercadona is the overall private label leader in Spain, Carrefour does continue to dominate in some regions of the country. Like Mercadona, Carrefour is intently focused on fortifying its store brand presence.

The retailer is capitalizing on at-home food rituals with stepped up promotional support across store brand meal ingredient/component categories. One campaign touts meal solutions at prices that allow a family of four to eat for less than one Euro per person per day.

Promotional support of store brand has been well received by Spanish shoppers looking to reduce their FMCG budgets.

Evolving retailer private label strategies and a transforming economy will have great influence on tomorrow's store brand environment in Spain.

SPAIN: Grocery Channel Private Label Value Share Point Change Leading CPG Categories with Largest Private Label Gains/Losses



Source: IRI Consumer Network™; 52 weeks ending 6/29/2009; IRI InfoScan. ¹ Company Web site,

Times & Trends

A Snapshot of Trends Shaping the CPG and Retail Industries



The UK private label marketplace is marked by intense competition at the value end of the product spectrum.

EUROPE UNITED KINGDOM

The Financial Times recently quoted a survey by uSwitch.com, which reveals that “over 30 million people are opting for supermarket own labels in an attempt to save money on weekly shopping.” This represents slightly less than half of the UK’s population of about 61 million people. Still, own label, or private label, share of the FMCG marketplace in the UK remained fairly flat last year, at 35%.

At-home meal rituals contributed to the solid growth of meal ingredient/ component categories such as fresh bread and rolls, spices and processed cheese. Own label vitamins also gained sizable share, attributable to consumers’ favorable opinion regarding the efficacy and quality of store brand options within the UK.

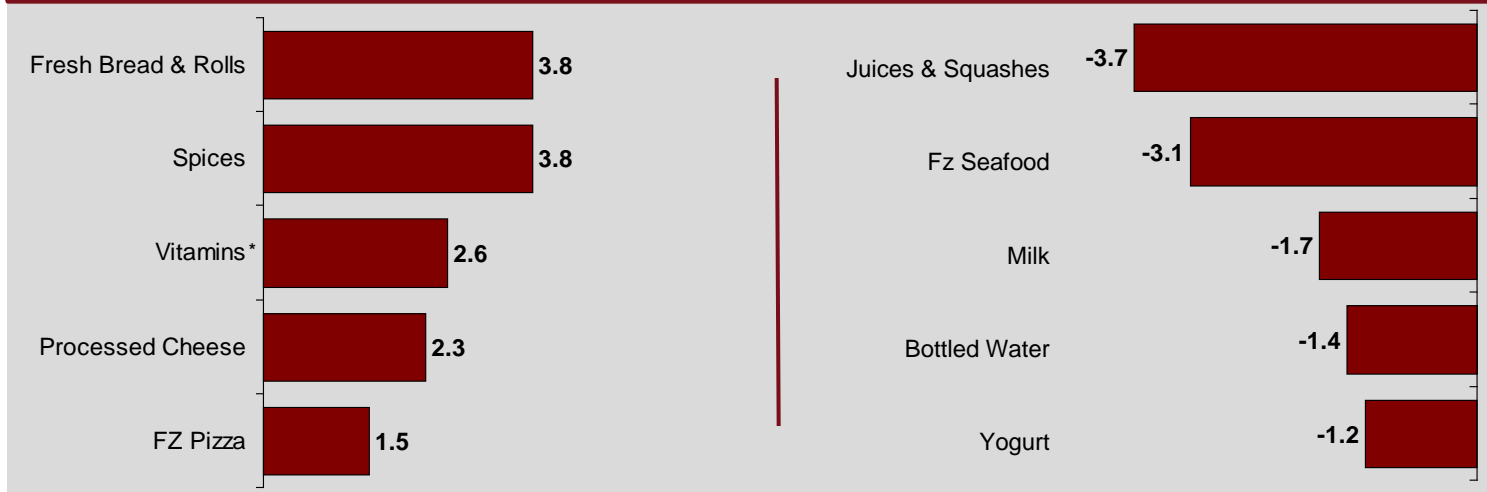
Key players in the UK marketplace include Tesco, Asda, Sainsbury’s and Morrisons. But, discounters, including Aldi, have gained traction in a recessionary economy, leaving the “Big 4” scrambling to solidify their position.

To that end, late in 2008, Tesco launched the “Discount Brands at Tesco” line, which consists of 350 items ranging from tea bags to shampoos. The launch was the biggest “money-saving” measure for the retailer since the launch of its “Value” line 15 years ago¹.

Sainsbury’s launched the “switch and save” drive in January of this year to lure consumers into trading down to its own label options. According to company reports, the campaign yielded 60% year-over-year rise in sales of the retailer’s “basics” range products.

Though the economy has shown some signs of brightening, competition at the value end of the spectrum will continue to build in the near future as consumers will remain cautious. It extends beyond the country’s largest retailers. One example: Waitrose introduced its “essential Waitrose” line, 800 value-tiered private label offerings, earlier in 2009. The line quickly gained steam, and already represents 13% of the retailer’s sales².

UNITED KINGDOM: Grocery Channel Private Label Value Share Point Change
Leading CPG Categories with Largest Private Label Gains/Losses



Source: IRI Consumer Network™; 52 weeks ending 6/29/2009; IRI InfoScan

* All Outlets, Includes Boots & Superdrug. ¹ MSN.com 9/17/2008; ² Marketing Week, June 22, 2009

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Though Greek private label development lags that of other European countries, retailer focus on building their brands is strong.

EUROPE GREECE

After a years-long struggle to gain foothold, private label in Greece is poised for growth. In fact, over the past year, private label share of FMCG sales climbed 1.6 points, to seven percent.

Like several other European countries, private label growth in Greece is being heavily impacted by the economy. Key players, Group Carrefour and AB Delhaize are heavily promoting their private label offerings in attempt to appeal to shoppers seeking low-cost solutions to everyday needs.

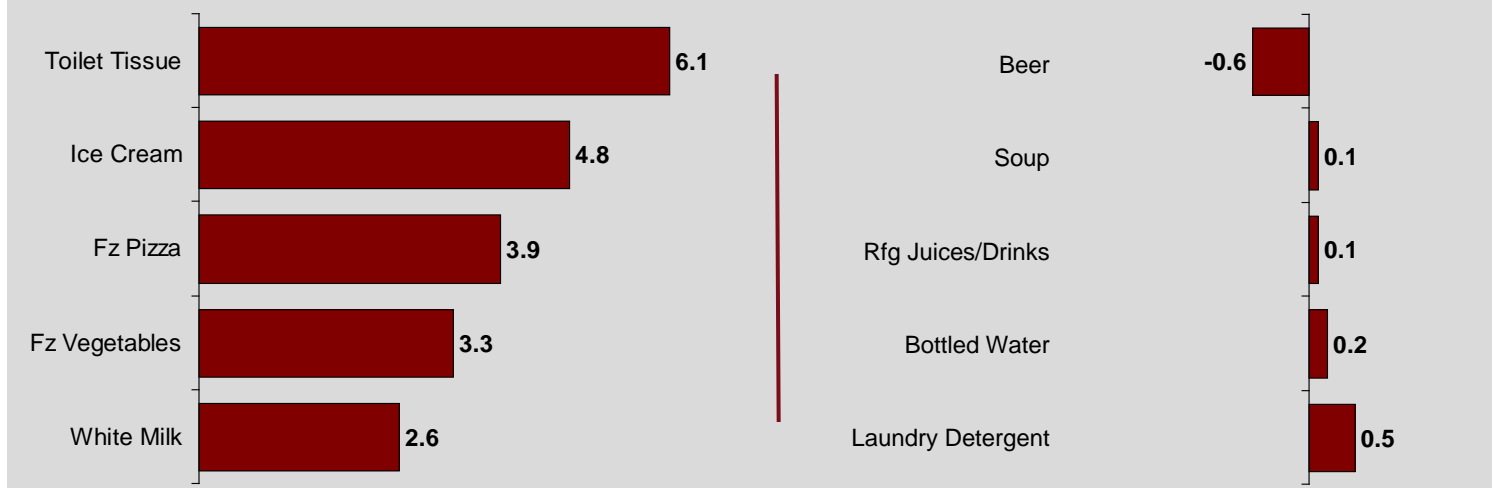
Private label milk now holds an estimated 18% share of category sales. Bolstered by everyday-low-price positioning and heavily supported by promotional campaigns, private label share of white milk sales climbed 2.6 points over the past year.

As illustrated in the charts at the bottom of this page, very few key FMCG categories are experiencing private label share declines.

Clearly, Greek private label development is well behind that of other countries studied in this report. Nonetheless, assortment is rapidly expanding in breadth and depth.

And, retailers are heavily leveraging television and other media options in an effort to improve consumer perceptions of private label in the country. As these efforts expand and take hold, the Greek private label market is likely to flourish.

GREECE: Grocery Channel Private Label Value Share Point Change
Leading CPG Categories with Largest Private Label Gains/Losses



Source: IRI Consumer Network™; 52 weeks ending 6/29/2009; IRI InfoScan



CONCLUSIONS CPG MANUFACTURERS

Manufacturers seeking to develop effective private label mitigation strategies should consider the following action items:

- » Continually identify and assess brand-specific opportunities and risks with respect to private label
 - Invest to identify optimal price gaps versus private label
 - Stem share loss across categories demonstrating growing private label presence through value-oriented promotions, such as BOGO and multi-unit programs
 - Explore the feasibility of value-tier product line expansion to thwart trade-down private label

- » Continually refine competitive strategies vis-à-vis private label
 - Re-evaluate pricing strategies to ensure alignment against needs of key consumer segments
 - Invest in product and packaging innovation within categories that demonstrate growing private label presence
 - Leverage highly-targeted and affordability-oriented marketing campaigns, including feature ads and in-store efforts, across categories with highest private label threat

- » Measure and monitor actual versus planned impact of private label-related initiatives
 - Test-market product, pricing and promotion changes prior to and immediately after roll-out
 - Track and benchmark store-level shifts relative to private label among key retail partners



CONCLUSIONS CPG RETAILERS

Retailers seeking to grow private label share should consider the following action items:

- » Continually identify and assess private label opportunities and threats
 - Invest to understand core private label needs across key consumer segments
 - Tailor private label offerings at the market level
 - Support private label with highly targeted marketing campaigns, including in-store display and feature ad initiatives

- » Continually refine private label development strategies
 - Evaluate feasibility of multi-tier offerings across key categories/product lines, either alone, or in partnership with brand manufacturer partners
 - Continually re-evaluate pricing strategies at the market and store level to assure alignment with store goals and to maximize value proposition among key consumer segments
 - Analyze product development best-practices across departments and categories to identify low-cost private label innovation opportunities

- » Measure and monitor actual versus planned impact of private label-related initiatives
 - Test-market product, pricing and promotion changes prior to and immediately following roll-out
 - Track and benchmark store-level private label share shifts relative to national brands



RESOURCES

To gain insight into opportunities across specific categories, consumer segments, channels or retailers, contact your IRI client service representative regarding custom analyses leveraging the following resources:

IRI Consumer Network™

Nationally representative panel of households tracking purchases with hand-held barcode scanners; extensive demographic profiles enable in-depth analysis of purchase behavior across standard or custom-defined consumer segments across channels.

IRI AttitudeLink™

IRI's custom survey capability that can be executed via email, telephone or Internet; the ability to link attitudes with actual purchase behavior enables clients to track sales across custom attitudinal segments.

IRI Total Store Advantage™

Total Store Advantage™ Powered by IRI Liquid Data™ helps you to make better decisions by providing the fastest, most direct path to operational and strategic insights across the entire store. The solution delivers on-line access for complex ad hoc analysis along with standard dashboards that address a wide variety of cross-category business issues.

IRI Advantage on Demand™

Advantage On Demand™ Powered by IRI Liquid Data™ delivers speed to new insights with on-demand, best practice reporting, leveraging unique capabilities across the ILD Advantage solutions not available anywhere else to answer your top business questions.

IRI's The 2009 Private Label Report: Emerging Trends & Key Success Factors In Private Label

Updated through Q2 2009... IRI's Consulting & Innovation team has just released a new private label thought leadership report that uncovers emerging private label strategies and tactics of best in class retailers. This report is a forward-looking, thought-provoking analysis that provides a multi-faceted review of how effectively private label is serving U.S. shoppers during the current recession. The report analyzes the factors that are driving private label performance today, the opportunities that still exist for retailers and how branded manufactures can more effectively compete against private label in a tough economy.

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>>> MORE INFORMATION

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About IRI

IRI is the world's leading provider of consumer, shopper, and retail market intelligence and insights supporting 95 percent of the FORTUNE Global 500 consumer packaged goods (CPG), retail and healthcare companies. Only IRI offers the unique combination of integrated market information, automated and predictive analytics, innovative enabling technologies, and domain expertise. With IRI, leading retailers and manufacturers are able to quickly discover breakthrough insights driving smarter decisions and actions across the enterprise for breakthrough results. Companies around the world depend on IRI for improved productivity, stronger brands, and dramatic revenue growth. For more information, visit <http://us.infores.com>

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