Private labels – a European perspective

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EuroCommerce members

<u>Commerce fed.</u>
- 31 Europ. countries
- Small & large
- Sub sectors: Clothing, DIY, Franchise, Traders, etc.

<u>Companies</u>

A single voice for commerce in Brussels

Importance of commerce in the EU

- 11% GDP
- 6 million businesses, 98% are SMEs
- 31 million persons working in the sector
- Very high competition
  - Competitive prices
  - Innovation
  - Skills development
- A service to consumers and to suppliers

- Less competitive than in the US

BUT:
- Positive contribution to the fight against inflation
- Important role in passing on innovation to consumers

Every day, consumers vote with their feet for their favourite shop

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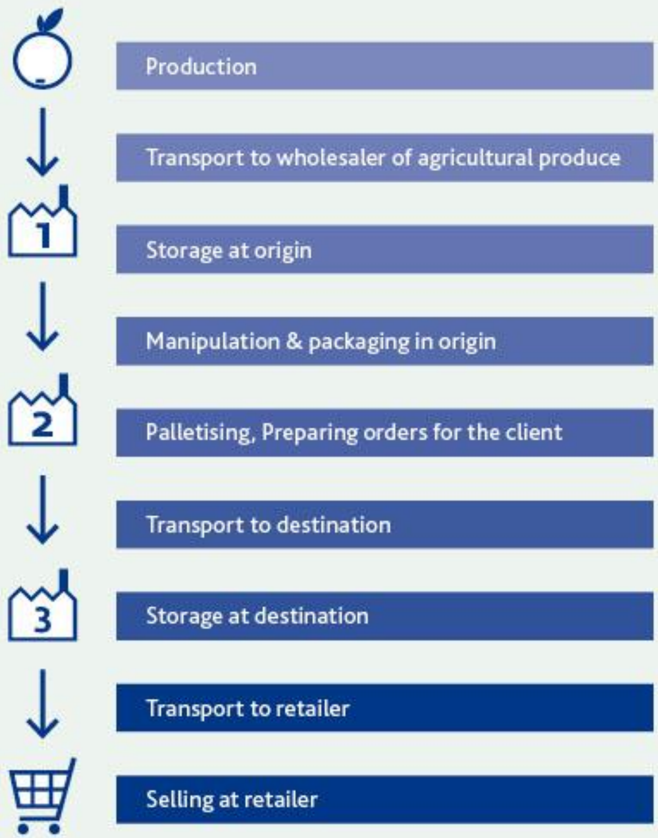
Commerce: a simplified version of the supply chain

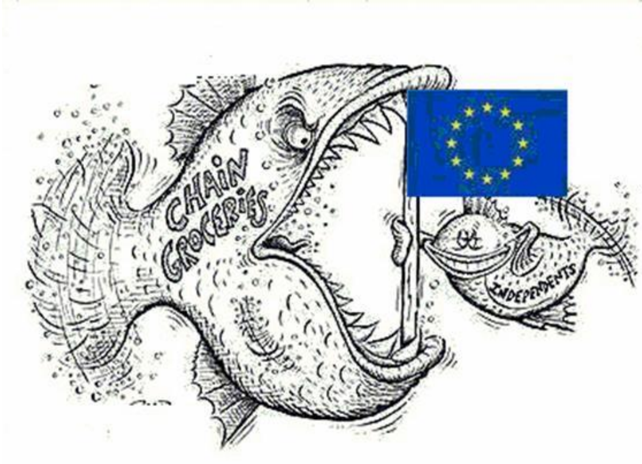
=> Retailers only rarely buy directly from farmers ; they buy from suppliers

Graph 6: The life of fresh fruit & vegetables from farm to shop has many stages – each add value



The growing gap between producer price and retailer price is the result of consumer demand for more added value products

Food supply chain: Where do we come from?



Our challenges

- High volatility in commodity prices
- Importance of national level
- Price evolutions
- Simplistic views of supply chain
- Populism
- Protectionism against low labour cost countries
- Growing media coverage of “abusive practices”
- More responsibility on the commerce sector
- Lobbying of brand manufacturers through farmers

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Food supply chain: a Brussels perspective Who’s doing what?

European Commission

- ENT. ⇒ High Level Forum, coordination with other DGs
  4 platforms, incl. B2B contractual relations
- MARKT ⇒ follow up to Retail market monitoring
- ECFIN: ⇒ study on territorial supply restrictions
- AGRI. ⇒ Revision of the CAP => bargaining imbalances in the supply chain
- COMP ⇒ Enforcement
- SANCO ⇒ Price comparison

European Parliament

European Economic and Social Committee

Own brands – the issue

Accusations

- Unfair competition: dual role of retailers as traders and as producers
- No listing fees
- Copy catting
- Reduce innovation,
- Reduce consumer choice
- Undermine SME development

=> producer labelling would help solve the issue

Retailers' perspective

- Freedom to develop a successful business model
- Part of the marketing strategy
- Improve consumer choice
- Are innovative
- Promote competition
- SME development and access to foreign markets ; long term partnership

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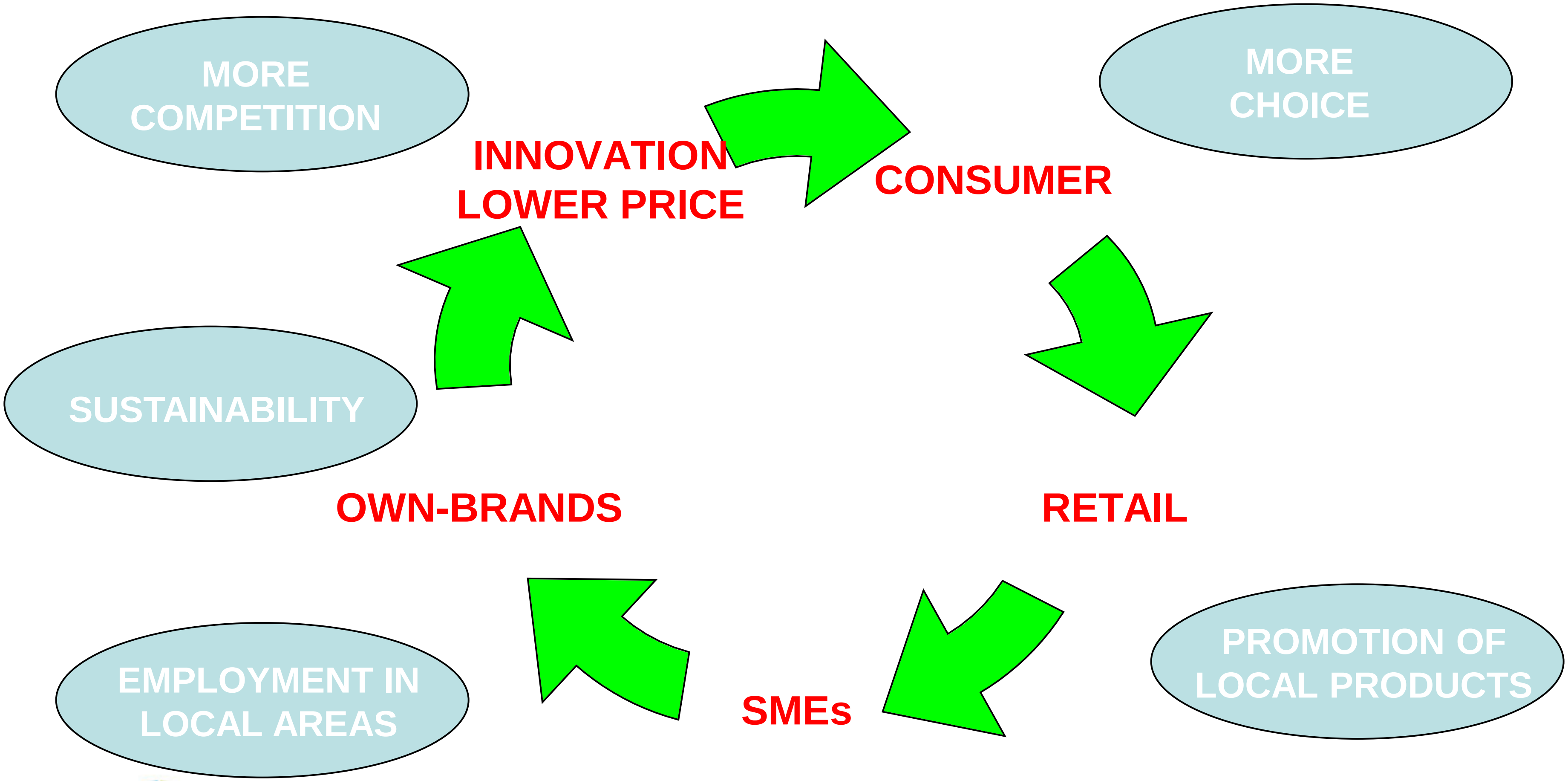
EuroCommerce's position: Own brands, the virtuous circle



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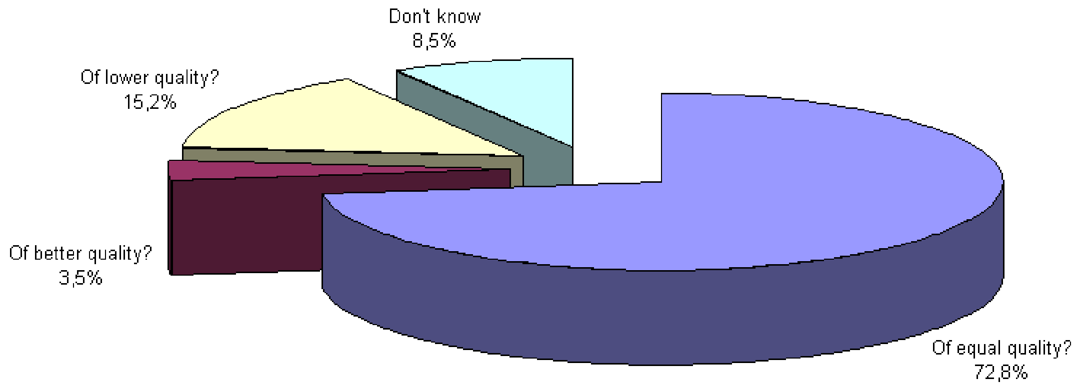
Consumer perception of own brand products

75% of consumers consider own brand products as of equal quality to branded products

In your opinion, as compared to branded products, are own brand products...



Source: CREDOC, Enquête commerce, juin 2005

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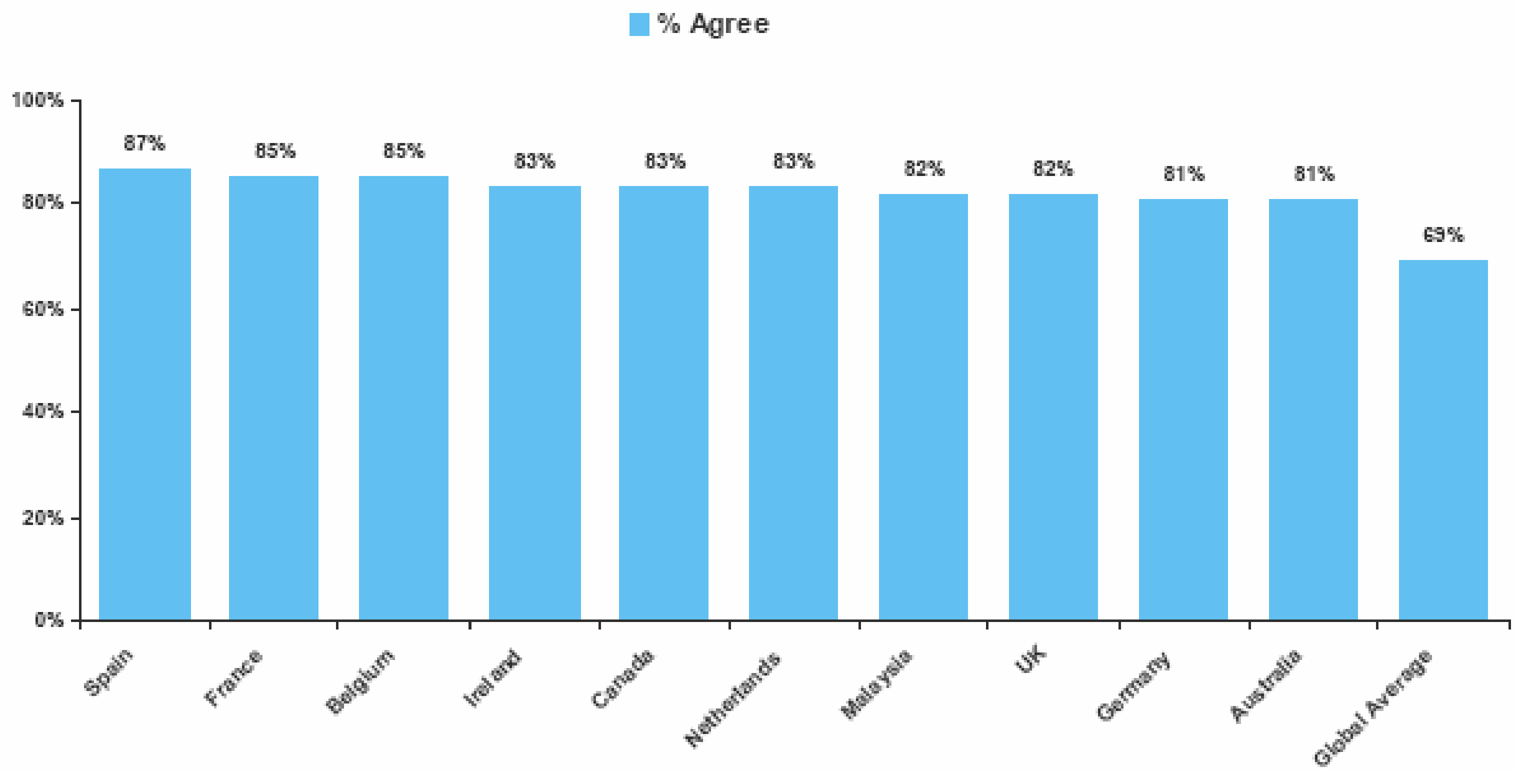
Thinking about supermarket own brands (also known as private labels), how much do you agree or disagree with the following statements:

Supermarket brands are usually extremely good value for money



Base: All respondents

Top 10 Ranked Countries based on those who agree

Who produces own brands?

Own Brands: Share in terms of product numbers by large & medium stores, France, 2008

	SMEs		***Larger companies***		
	French	Foreign	French	Foreign	
Large & medium stores	64,7%	21,9%	7,9%	5,5%	100%
Dry products	64,0%	20,6%	8,7%	6,7%	100%
Beverages	79,3%	11,0%	6,4%	3,3%	100%
Cosmetics, Personal & Homecare	38,2%	50,3%	0,0%	11,5%	100%
Refrigerated section	75,4%	11,4%	11,5%	1,7%	100%

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Own brands – Commission study: key results

- Innovation not under pressure
- Number of product introduction (brands + private labels) still increases
- Profitability of food processing industry remains constant
- Number of SMEs declines, but at normal pace
- Producer indications
  - Provide information to consumers
  - May lead to segmentation of the market
  - Is not going to change bargaining relations between suppliers and retailers
- Perceived imbalance of power between retailers and brand manufacturers does not justify application of legal mechanisms such as codes of conduct / regulation

Practices in the supply chain: our proposal

1. Focus on entire supply chain
   - ⇒ Market power≠ abuse of market power
   - ⇒ Market power => efficiency, innovation, lower prices

2. Analyse national legislation and identify potential gaps
   - – National legislations in place, with wide differences
   - – Many national enquiries with specific proposed remedies
   - – The case of « problematic » national legislations
   - ⇒ support DG MARKT study

3. Analyse enforcement
   - – Creates a level playing field
   - ⇒ Enforcement problem or need for legislative changes?

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Practices in the supply chain: our proposal

4. Promote SME development
   - Support their capacity to innovate and create jobs
   - Reinforce their bargainning power
   - Not about over protection

5. Establish a business stakeholder dialogue
   - With all stakeholders in the supply chain
   - Based on commonly accepted principles

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