



Consumers' Choice

Private labels and own brands offer customers superb value and great quality. Well established in the US and Europe, they are now playing an increasingly important role in the Asian retail market.

By Helen Dalley



The Collagen skin care range is flying off the shelves, particularly in Mainland China

WITH CONSUMERS CONCERNED about the global economic situation, many are reconsidering which items are necessities and which are frivolities when they shop. Brands now have to prove their worth in order to make it into the consumers' basket. This has created tremendous opportunities for retailers' own and private label brands to grow their market share.

According to the YouGov's Recession Tracker which took data from more than 2,000 consumers early this year, more than four in 10 people are increasingly switching to retailers' brands, indicating that value for money is at the forefront of consumers' minds.

The rise of these products – private labels are retailers' brands they manufacture and sell, own brands carry the name of the retailer – cannot be attributed solely to the good value they represent, however. Quality is also extremely important. The US-based Private Label Manufacturers Association said recently that private labels are emerging as an innovating force, "enhancing the retailer's image and strengthening its relationship with consumers."

In the past, the quality of retailers' private label products may have been considered not as good as named brands, which were perceived as more advanced. But the tightening of household budgets means that consumers are more willing to try new products, particularly when they realise that the quality is similar.

Nielsen reported that private label products are now viewed positively by the majority of US consumers. In a recent survey, nearly three-quarters (72 per cent) of consumers believe they are good alternatives to named brands and 62 per cent consider them to be as good as named brands.

The survey indicated that an improved sense of quality is a key factor in consumers' positive attitude towards private label products; 63 per cent believe private label brand quality is as good as named brands and 33 per cent say they consider them to be higher quality than named brands. According to the survey, price and value are paramount – 74 per cent of consumers believe it is important to get the best price on a product and 67 per cent agree that stores' own brands usually provide extremely good value for money.

Tom Pirovano, Director of Nielsen's Industry Insights, wrote in the report Private Label: What's really driving private label growth? "Private label offerings have evolved from the cheap alternative to national brands into distinctive, high-quality products with a unique value proposition that retailers strategically deploy to enhance the image of their store. Retailers are leveraging private label to entice picky consumers and shore up sales."

Private labels and own brands have a significant



presence in the UK, where the market has grown rapidly in the last few years. In 2006, they accounted for 40 per cent of grocery sales, according to estimates by market researcher Key Note, up from 38.5 per cent in 2002, and will rise to 42.2 per cent by 2011.

The trend is also catching on in Hong Kong. For example, Fortress is the market leader of own brand electronics and home appliances and its air-conditioners and refrigerators have ranked among the most favoured brands since 2001. PARKnSHOP introduced its private label rice, Imperial Banquet, back in 2005. It quickly became one of the top sellers in the market and continues to hold up well against other named brands.

The premium quality of Imperial Banquet has also helped it establish a reputation as having the “best quality on shelf” among traditional Chinese food products. The brand has already extended its range to cooking oil and Chinese sauces, with more on the way.

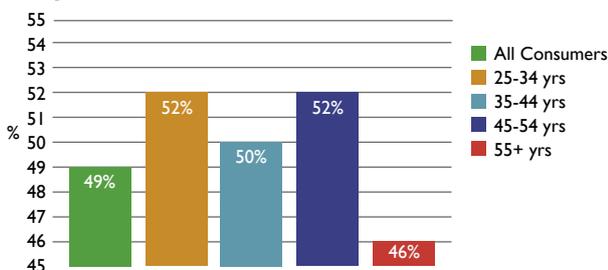
While private labels and own brands are starting to account for an increasing amount of market share in Asia, the market is not as developed as in Europe and the Americas, said Anne Chen, A S Watson’s Group Project Director, who co-ordinates the company’s private label brand development. “Such labels are now very well established in the West, where they debuted, but in Asia it’s a different story,” she said. “Sometimes they are viewed as inferior products, so it’s important to be clear that we are offering customers quality as good as, if not better than, the named brands.”

Watsons Your Personal Store, the Group’s health and beauty retail chain in Asia, has also tasted initial successes. One of its brands, the Collagen skin care range, is flying off the shelves, particularly in Mainland China where 2008 sales were up nearly 30 per cent year-on-year. This range has now been introduced in Hong Kong and was so well received by customers that it sold out in just a few weeks.



PARKnSHOP’s
Imperial
Banquet rice
quickly
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sellers in the
market

Consumers trying cheaper personal care brands



source: YouGov

Meanwhile, Watsons in Hong Kong is also capitalising on the Group's global private label network with the recent launch of the Optimum beauty range from Superdrug in the UK.

"The role of private labels is to create differentiation from our competitors as customers can only find the products in our stores," said Ms Chen. "They are an attractive prospect commercially as they help to boost profits and build customer loyalty."

Rabinder Mahay, Own Label Manager at Superdrug, explained why Optimum was its best-selling own brand range. "Optimum consistently performs better than leading brands in consumer tests in glossy magazines. The range we developed responds to women's growing understanding and awareness of anti-ageing solutions, offering specialised ranges for differing age groups between the ages of 30 to 50 plus years," she said. "All our own brand ranges have been specially developed to meet the everyday needs of our customers, offering fantastic formulations at affordable prices."

Prominently displayed on the store's Website, customer feedback on own brand products are overwhelmingly positive. A sample selection includes:

"It's fantastic, my skin is glowing! People remark all the time about how smooth my skin is." (Optimum Line Decrease Thermal Polisher)

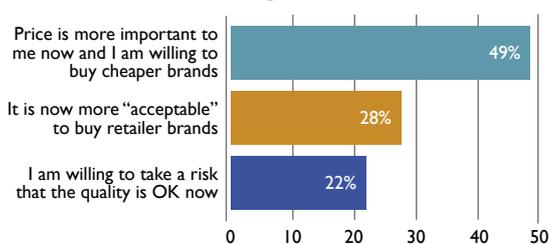
"I have honestly tried all the expensive creams to get rid of creepy, saggy skin, and uneven skin tone, but this product really works. Thank you for saving me from empty pockets with this successful bargain."

(Optimum Firm & Lift Day Cream)



Fortress
air-conditioners
and refrigerators
have ranked
among the most
favoured brands
since 2001

Why consumers are switching



source: YouGov

QUALITY IS THE KEY

PRIVATE LABELS and own brands offer quality as well as value, and the team at A S Watson goes to great lengths to ensure that customers get the very best of both worlds. “We aim to bring confidence to customers, and to ensure the products they buy were manufactured under stringent quality control, and represent good value for money,” said Sébastien Pivet, A S Watson Group’s Head of Quality Assurance for Health & Beauty Retail.

“The role of our department is to support the product development and buying teams in identifying reliable suppli-

ers, verifying that the products were risk assessed as per our international guidelines and ensuring the products delivered in our stores conform to local regulatory specifications.”

This involves meeting the very highest standards. Formulated products such as soap and shampoo are assessed by European toxicologists to prove their safety, and must perform well during internal panel testing against their benchmark. In addition, they must be hygienic, free of any foreign contaminant, and comply with the regulations applicable in their destination countries.

Other Superdrug own brand products also get the thumbs-up.

“The best hair colour I have used. My hair is always so soft and gorgeous after I have used this. I would recommend it to anyone and I swear by this product, and I love telling people about it.” (Colour Performance Natural Rich Darkest Brown).

Elsewhere in Europe, own brands are also performing admirably at the Group’s Kruidvat health and beauty stores in the Netherlands. Market share in baby products is particularly strong. The own brand nappy range is the second-best selling nappy in the country and one out of every three nappies sold in the Netherlands is bought at a Kruidvat store.

“We were the first retailer in the Netherlands to launch own brand baby food, the Instant Mother Formula. This is produced in an established ‘A’ brand factory but with a low price, which helped to guarantee its success,” said Kruidvat Senior Buyer Eva Rooijmans. “We followed it up by launching a wide range of baby food products containing vegetables and fruit.”

Ms Rooijmans said own brands will become more integral to Kruidvat’s success. “We face fierce competition from food retailers in this market. It is therefore critical that we continue to strengthen our ability to differentiate ourselves from other stores through quality and best value own brand products,” she said.

The increasing trend of consumers choosing retailers’ own brands does not mean the traditional named brands are losing their importance. As Ms Mahay pointed out: “Our mission is to meet our customers’ needs, so branded ranges will always have a key part to play in our portfolio and sales mix, as the presence and awareness of branded ranges is much higher, given the marketing expenditure and visibility of these ranges.

“Superdrug’s own brand ranges offer customers a credible, differentiated and high quality alternative to the branded ranges which is important in meeting customer needs, as we want to be known for offering choice and value.”



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