HARNESSING THE PRIVATE LABEL POTENTIAL

The formula for success

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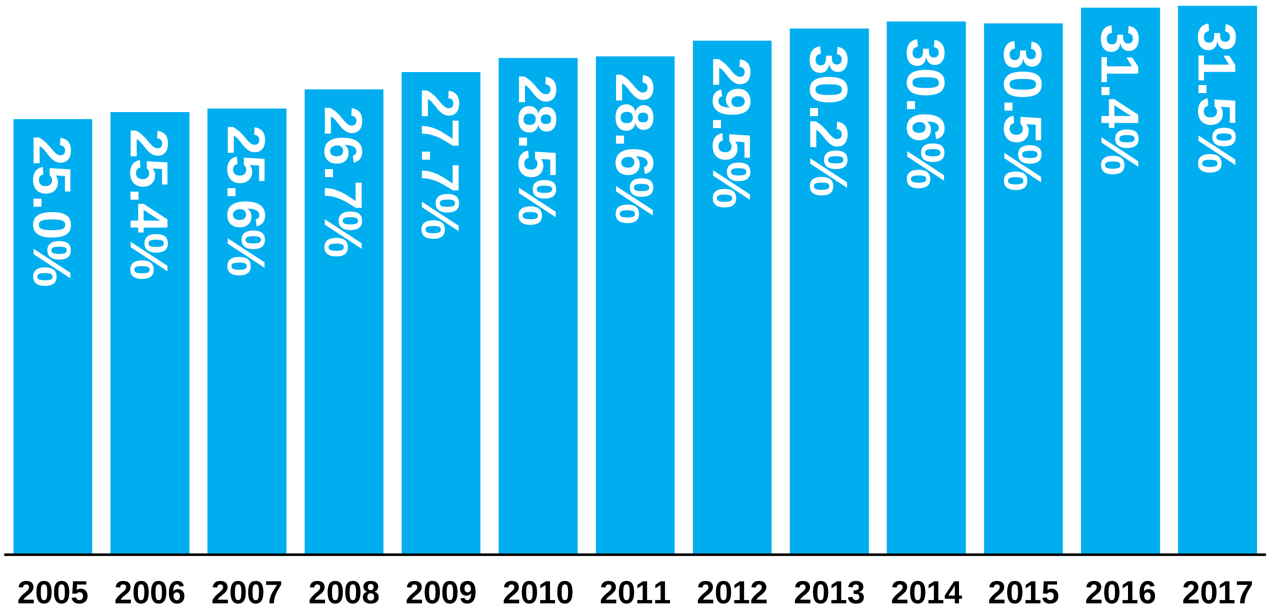
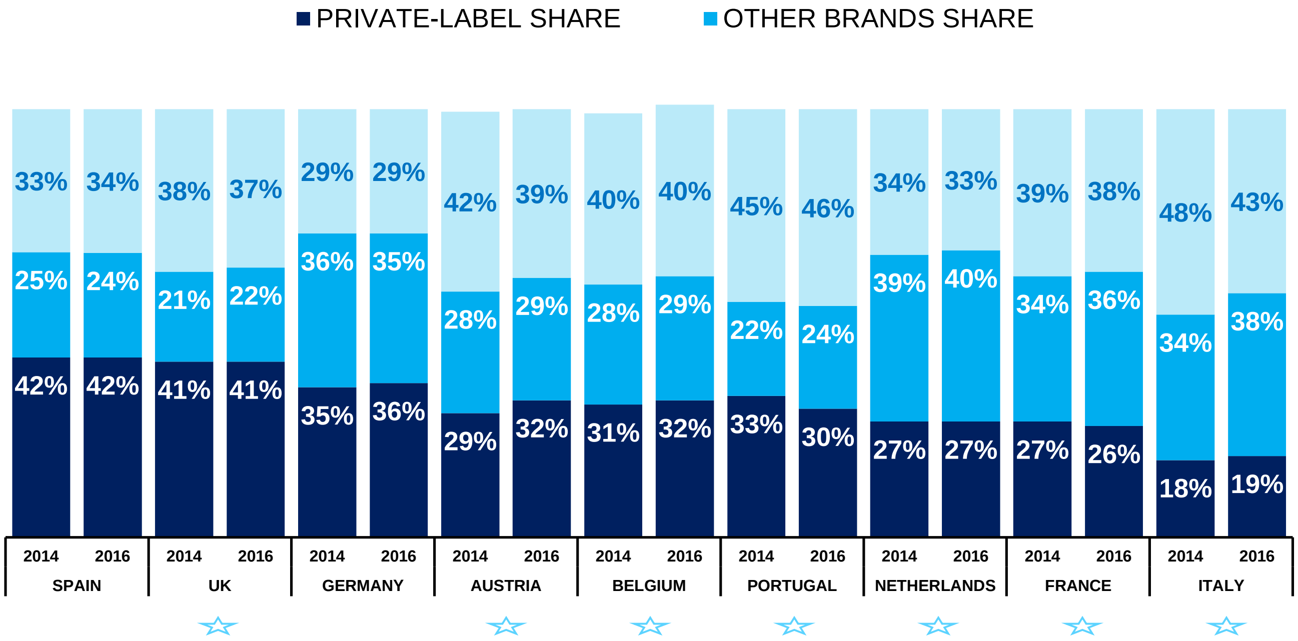
PRIVATE LABEL SHARE OF MARKET VALUE IN WESTERN EUROPE



The momentum of more affordable store brands has continued even after Europe's 2008 downturn, indicating a foundational change in shopper behavior.

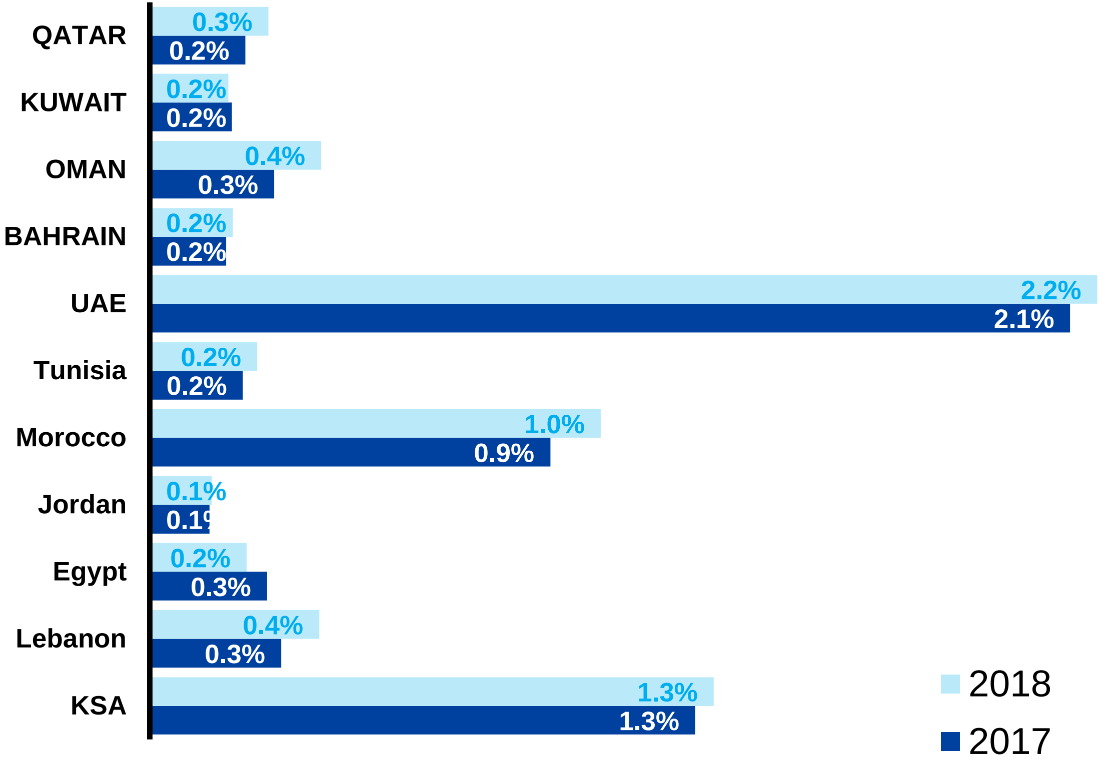
PRIVATE LABEL SHARE, TOP BRANDS AND SMALL BRANDS BY COUNTRY



2016 vs 2014

Smaller, Secondary brands are also winning market share from multinational name brands. E.g. In the Netherlands, France, Italy, Portugal, the U.K. and Belgium.

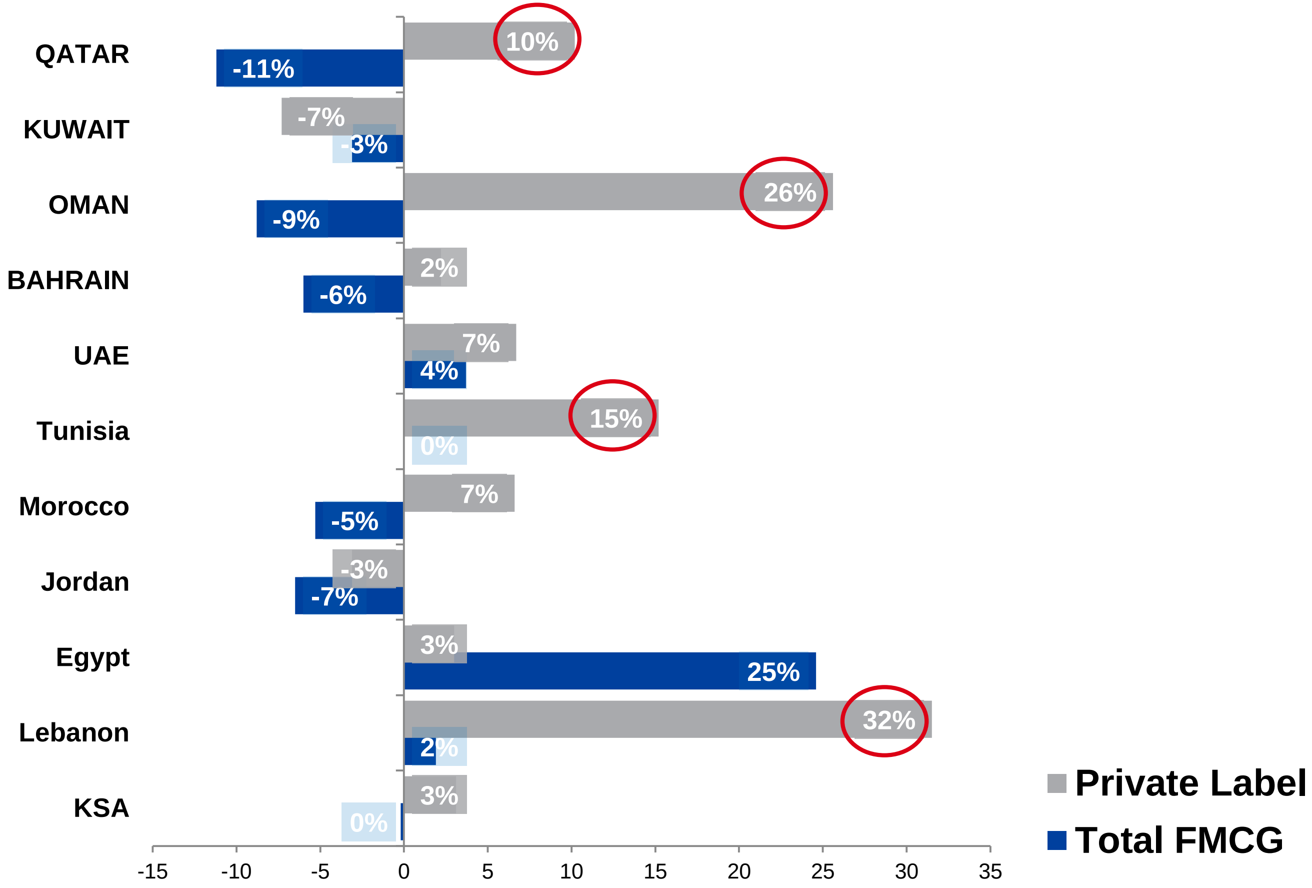
PRIVATE LABEL IS STILL UNDEVELOPED IN MENA MARKETS



Nielsen RMS Data 2018

One of the limitations in MENA is productive capacity of each country; it is hard for retailers in small countries to find partners to produce private brands.

PRIVATE LABEL IS GROWING



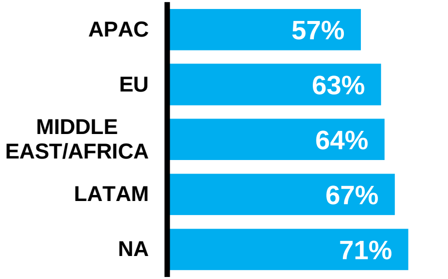
Nielsen RMS Data 2018

Growing with double digits in most of the countries while total FMCG growths are straggling.

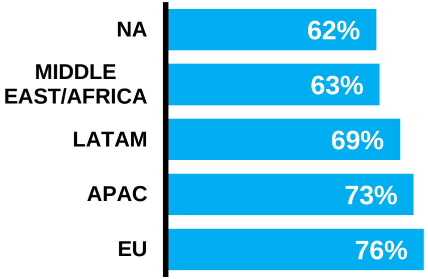
This growing will continue because this is now part of the growth of the economy.

PERCEPTIONS ABOUT PRIVATE-LABEL

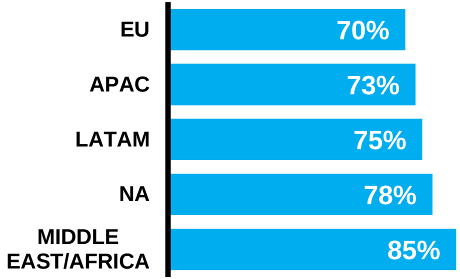
I AM A SMART SHOPPER WHEN I BUY PRIVATE LABEL



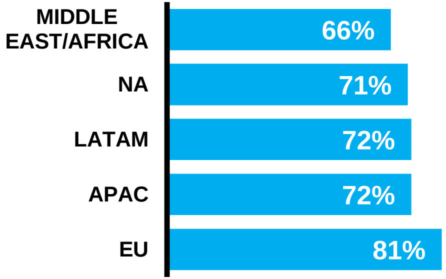
PRIVATE LABES ARE USUALLY GOOD VALUE FOR MONEY



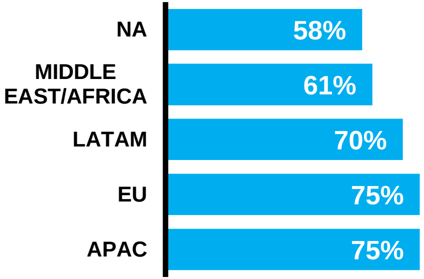
IT IS IMPORTANT TO GET THE BEST PRICE ON A PRODUCT



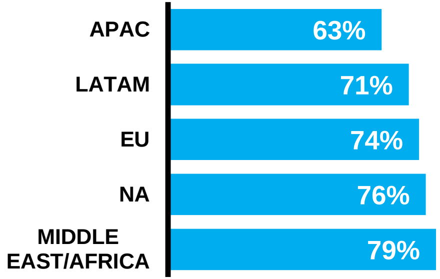
I PURCHASE PRIVATE LABEL TO SAVE MONEY



PRIVATE LABELS ARE GOOD ALTERNATIVE OF NAME BRAND



PERCEPTIONS ABOUT PRIVATE LABEL QUALITY HAS IMPROVED OVER TIME



NA—North America; LATAM—Latin America; APAC—Asia-Pacific; EU—Eu rope
Source: The Nielsen Global Connected Commerce Survey, Q3 2016

TOP PRIVATE LABEL CATEGORIES

KSA 40%	UAE 29%
PAPER PRODUCTS	MEAT REFRIGERATED
OIL/GHEE	EGGS
DETERGENT	OIL
MILK POWDER	VEGETABLES FIXED WEIGHT
SUGAR	RICE

Nielsen RMS Data 2018 – GCC – Top 5 Private Label Categories

TOP PL CATEGORIES

- Top 5 Private Label Categories are doing 40% of the private label business in KSA.
- Top 5 Private Label Categories are doing 29% of the private label business in UAE.

TOP 5 PRIVATE LABEL CATEGORIES

Tunisia 76%	**Morocco** 51%
TOILET SOAP SHOWER GEL	CHEESE
CHEESE	BISCUIT
DETERGENT	OIL
HOUSEHOLD CLEANERS	TOILET PAPER
SALTY SNACKS	DETERGENT

KNOW YOUR CONSUMER
Is the new shopper brand loyal?
Over **50%** of Americans have a **POSITIVE OPINION** for **Great Value**

59% MILLENIALS
63% GEN X
58% BOOMERS
63% WOMEN
55% MEN

Nielsen RMS Data 2018 – North Africa – Top 5 Private Label Categories

TOP 5 PRIVATE LABEL CATEGORIES

Egypt 63%	Jordan 57%	Lebanon 56%
FACIAL TISSUES	FACIAL TISSUES	FACIAL TISSUES
DETERGENT	OIL	WATER
OIL	COFFEE	NUTS
TUNA	MILK	TOILET PAPER
TOILET SOAP SHOWER GEL	POWDER MILK	RICE

PRIVATE LABEL

TOP PL CATEGORIES

- ❑ Top 5 Private Label Categories are doing 63% of the private label business in Egypt.
- ❑ Top 5 Private Label Categories are doing 57% of the private label business in Jordan.
- ❑ Top 5 Private Label Categories are doing 56% of the private label business in Lebanon.

Nielsen RMS Data 2018 – Egypt & Levant – Top 5 Private Label Categories

TOP 5 PRIVATE LABEL CATEGORIES

Bahrain 53%	Oman 71%	Kuwait 75%	Qatar 50%
COFFEE	WATER	FACIAL TISSUES	YOGHURT
OIL	MEAT REFRIGERATED	NUTS	JUICES
WATER	OIL	OIL	CHEESE
BREAKFAST CEREAL	CHEESE	WATER	BISCUITS
CHEESE	BREAKFAST CEREAL	KITCHEN ROLLS	BREAKFAST CEREAL

Nielsen RMS Data 2018 – Lower GCC Countries – Top 5 Private Label Categories

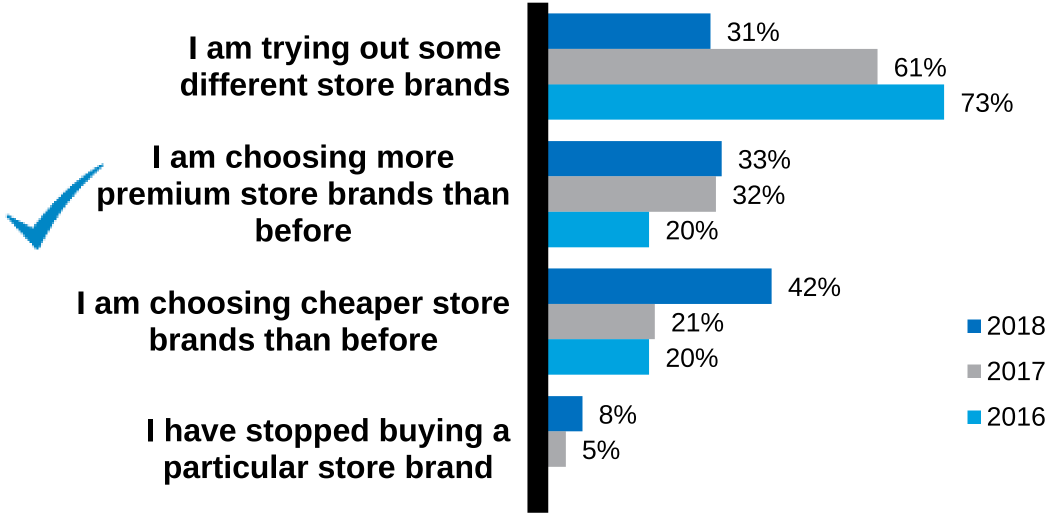
WHAT'S BEHIND THE RISE OF PRIVATE LABEL?

- Retailer consolidation is yielding buying power and scale, reducing reliance on large manufacturers.
- The growth of discounters (e.g. Aldi, BIM) is highlighting private label as a value and differentiator.
- Traditional supermarkets are also turning to private label in order to combat discounters.
- Shoppers are flocking to fresh foods, which have high private label potential.
- The premiumization of private label is adding appeal and shopper reach
- Private label's improving equity is accelerating wider consumer adoption.

Private Label's increasing popularity is more than just a cyclical change. It reflects the "New Normal" of consumer buying habits, and is the result of retailers' consistent investment in quality, innovation and brand positioning.

PRIVATE LABEL PURCHASE

CHANGES MADE IN PRIVATE LABEL SELECTION

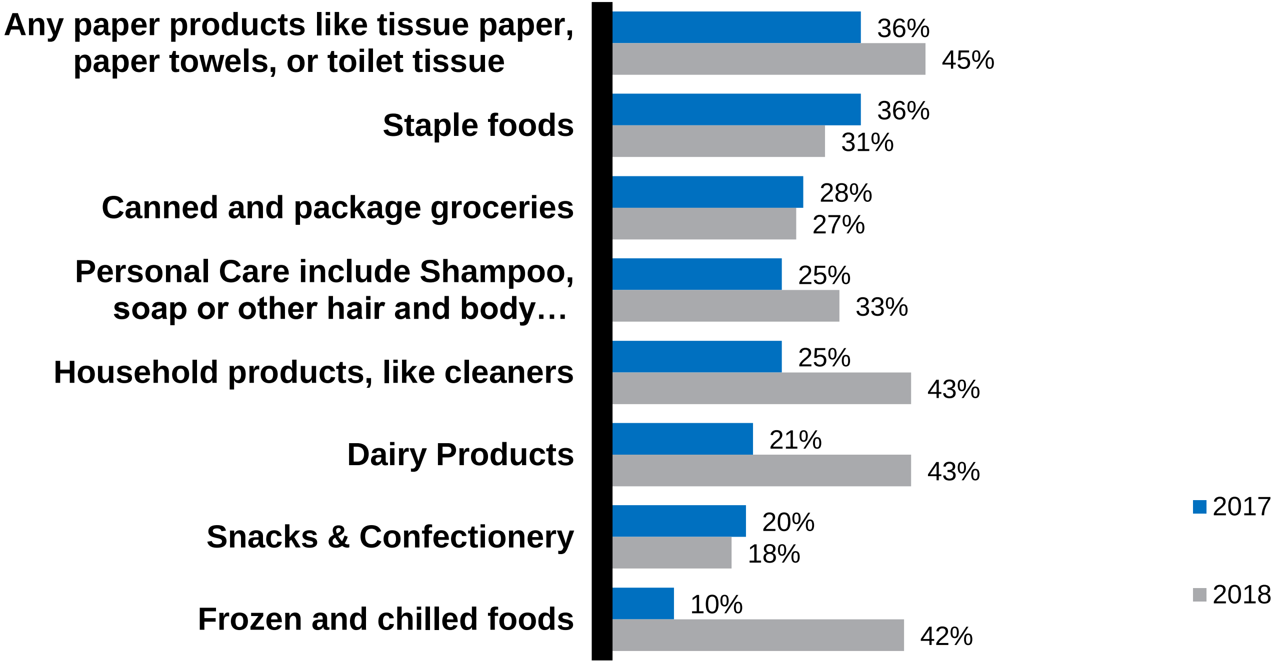


Consumer is looking for cheaper but with best quality. They even do not try regular cheap looking different store brands.

Base: UAE SHOPPER TRENDS - Those claimed to have made some change in P12m. 2016 (n=30), 2017 (n=38), 2018 (n=36)
Q117. What changes have you made?

PRIVATE LABEL PURCHASE

CHANGES MADE IN PRIVATE LABEL SELECTION IN CATEGORY LEVEL



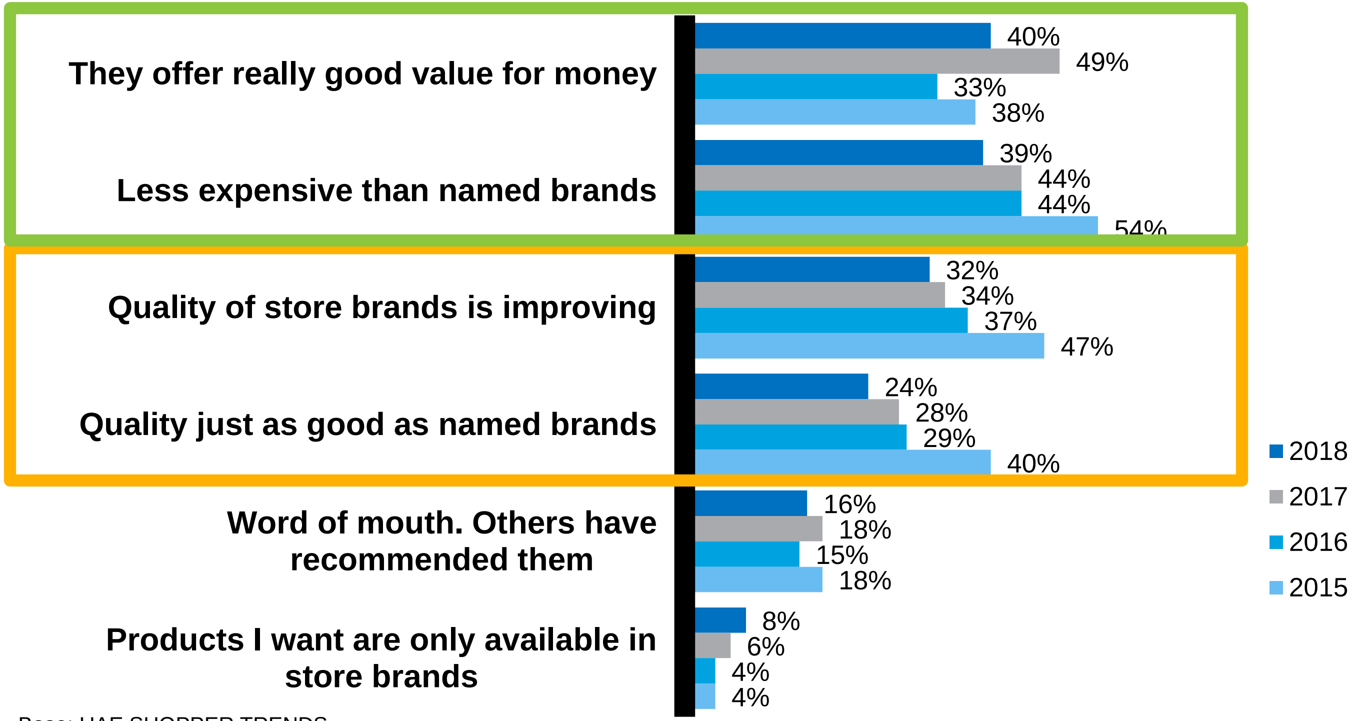
Base: UAE SHOPPER TRENDS - Those claimed to have made some change in P12m. 2017 (n=38), 2018 (n=36)
Are you buying more, about the same of less store brand <category> than 12 months ago?

In UAE, Interest in purchase of private label products is increasing in DPH, Dairy and frozen foods, decreasing in snacks and staple foods.. In Saudi there is an interest increase to PET FOOD category. (SAUDI ST 2018)

PRIVATE LABEL DRIVERS

Shopper opinion of Private Labels is changing- though they increasingly consider it is VFM,
Quality seems to be declining compared to named brands- sustainability could be an issue

DRIVERS BEHIND BUYING PRIVATE LABEL



Room for further improvement for private labels by endorsing quality of products

Base: UAE SHOPPER TRENDS
All aware of Private Label. 2015 (n=486), 2016 (n=597), 2017 (n=590), 2018 (n=575) Q115 Why do you buy store brands?

A FORMULA FOR PRIVATE LABEL SUCCESS

DISCOVER ▶ DEVELOP OPPORTUNITY DRIVERS ▶ DEPLOY ▶ MEASURE

DISCOVER	DEVELOP OPPORTUNITY DRIVERS			DEPLOY	MEASURE
PRIORITIZE OPPORTUNITIES	MERCHANDISING PLAN	AWARENESS & TRUST	CONCEPT & PACKAGING	LOCALIZE & PERSONALIZE	EVALUATE & CALIBRATE

Start with a market lens to find your best private label opportunities

1- Quantify the opportunity

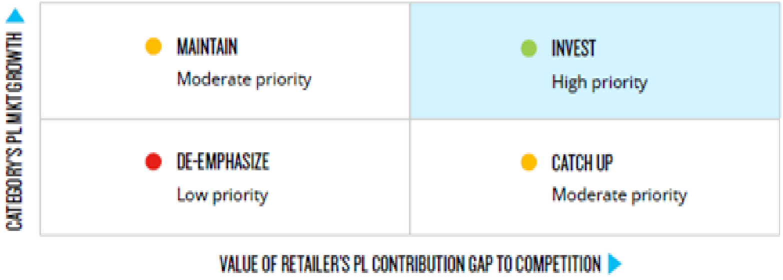
Determine how your private label program stacks up to the market's potential

(RETAILER PL CONTRIBUTION % - TOTAL MARKET PL CONTRIBUTION %) x RETAILER TOTAL SALES

VALUE OF RETAILER OPPORTUNITY OR SURPLUS

2- Prioritize Categories

Evaluate each category by its development gap and market growth rate.



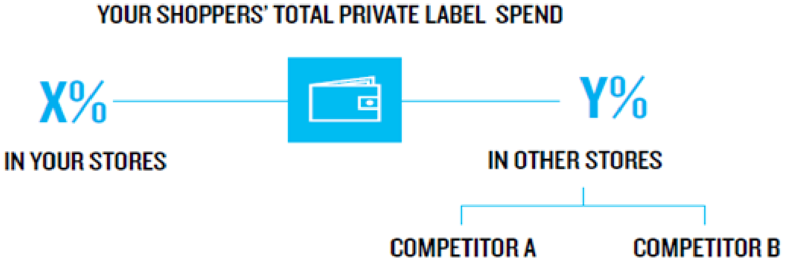
Room for further improvement for private labels by endorsing quality of products

A FORMULA FOR PRIVATE LABEL SUCCESS

Refine your private label focus with a shopper lens

3- Evaluate the competition

Uncover where your shoppers are spending their private label dollars outside your store, and how much you can earn those dollars back.

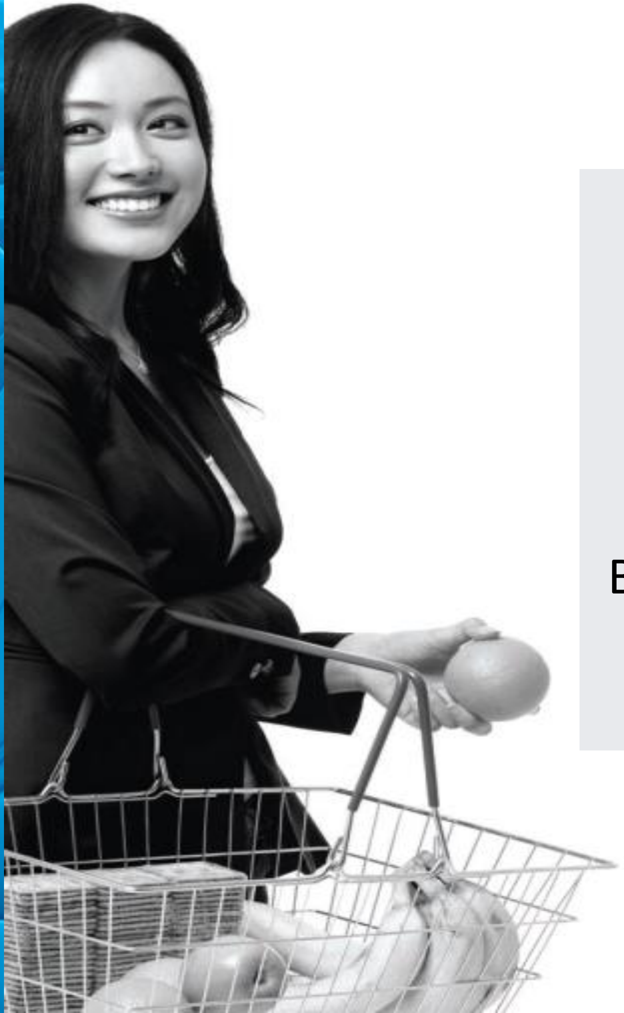


Refine your private label focus with a shopper lens

Find your merchandising sweet spot

After your defining private label opportunities, turn to your merchandising plan to determine what's driving them.

From more profitable pricing to a more optimal shelf position, there's probably a lot of potential in your existing range.



66%

UAE SHOPPERS CLAIM TO COMPARE THE PRICES OF STORE BRANDS WITH LEADING BRANDS

90%

KSA SHOPPERS CLAIM TO COMPARE THE PRICES OF STORE BRANDS WITH LEADING BRANDS

Ref. Q132 We have a few questions about your attitudes towards grocery shopping.
In general when shopping, to what extent do you agree or disagree with the following statements?
Base: , 2018 Shopper Trends UAE & KSA

A FORMULA FOR PRIVATE LABEL SUCCESS

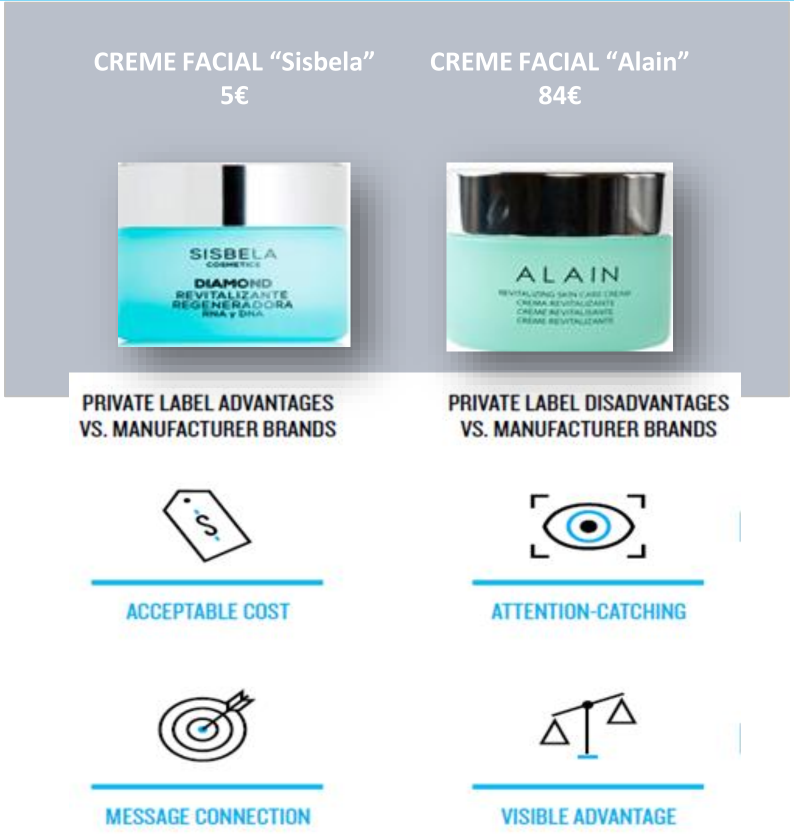
Build Awareness and Trust for the "RIGHT TO WIN"

Compare your customer Use the full marketing mix to break through the clutter:

- Catchy product names
- Standout packaging
- Prominent shelf place
- New flags to increase the visibility.

Show how your product is better than others:

- Direct comparison to competition.
- Distinct benefit focus from other brands
- Consumer testimonials



Do shoppers know about your store brands, and do they trust them?

Compare your customer engagement with private label role models and competitors to determine where to strengthen your value proposition.

- Trust and Quality Perception
- Value Perception
- Clear & Compelling Messaging

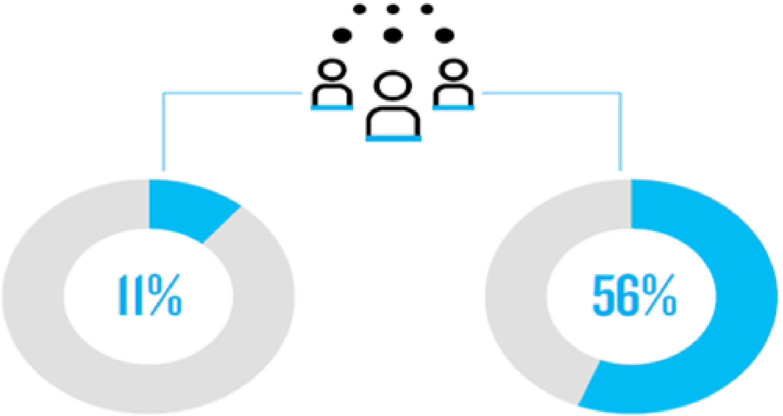
PREMIUMIZATION HELPS PRIVATE LABEL

Win Dollars from smaller manufacturers

CLEANER LABELS

MORE PREMIUM OFFERINGS

DIFFERENTIATED INNOVATION



Only about one in ten private label shoppers buys store brands because they offer a unique feature or benefit not offered by national brands

But more than half of the consumers would like to see more unique or innovative products made by retailers, instead of "copycat" items.

The traditional allure of private label was based on price and functionality. But today's shoppers are willing a venture into new. From cookie butter to rose in a can.

In many markets, private-label offerings are becoming a local alternative to premium. Organic and natural are emerging trends helping top-performing retailers grow. In addition to meeting a consumer need, offering fresh options often boosts sales across the entire store.

Consumers want true innovation

As retailers build market-leading private labels, the next frontier for growth is meeting consumer demand for health, wellness, sustainability and innovation. This means developing even more clean, premium and differentiated product offerings.

DON’T FIND CUSTOMERS FOR YOUR PRODUCTS, FIND PRODUCTS FOR YOUR CUSTOMERS.

-Seth Godin

American author and former dot com business executive

GUIDELINES FOR PRIVATE LABEL GROWTH

COMPREHENSIVE PROCESS
Discover PL opportunities, develop the drivers of those opportunities, deploy strategies to capture them and constantly measure your progress.

ORGANIZATIONAL FOCUS
Manage and market your private brands with the same dedication and discipline that a manufacturer would use to support its national brands.

OPERATIONAL EXCELLENCE
Offer reliable quality and a clear value proposition that differentiates your product lines across categories and tiers.

SHOPPER FOCUS
Combine a deep understanding of your customers' needs with innovative product development and demand-based targeting.

Laser-Focus Your Private Label Launches

The secret to success is , Focus. Pinpoint customer segments with highest potential, localize and personalize your launch tactics to best serve them.

“WE ALSO SEE A PREMIUMISATION OF PRIVATE LABEL PRODUCTS SPECIFICALLY IN FOOD WHERE HEALTH, WELLNESS AND FOOD SAFETY ARE DRIVING CONSUMER DEMAND. IN MARKETS WHERE LEGISLATION GUARANTEES PRODUCTION PROCESSES AND FOOD ORIGIN, PRIVATE-LABEL PRODUCTS GRANTED WITH PRODUCTION ORIGIN LABELS (SUCH AS ORGANIC LABELS OR LOCALLY PRODUCED LABELS) ARE RESPONDING TO CONSUMER DEMAND WITH AFFORDABLE PREMIUM PRODUCTS AND ARE CAPTURING A GOOD PART OF THESE SEGMENTS GROWTH.”

MARIE LALLEMAN - EVP STRATEGIC CLIENTS

“ONE OF THE LIMITATIONS THAT WE ARE GOING TO HAVE IN LATIN AMERICA IS THE PRODUCTIVE CAPACITY OF EACH COUNTRY; IT’S HARD FOR RETAILERS IN SMALL COUNTRIES TO FIND PARTNERS TO PRODUCE PRIVATE BRANDS. IN MOST CASES, BRANDS COULD HAVE THE CAPACITY, BUT THERE IS THE DILEMMA TO PRODUCE OR NOT PRODUCE FOR THEIR COMPETITORS. DEVELOPING NEW, SMALL OR LOCAL MANUFACTURERS WILL BE KEY, AND IT’S NOT JUST A MATTER OF DEMAND, BUT OF SUPPLY AS WELL.”

PEDRO MANOSALVA - RETAILER SERVICES LEADER, GROWTH MARKETS, NIELSEN

STORE BRANDS SHOULD AIM TO CREATE THE CUSTOMER LOYALTY.
THE PRIVATE LABEL STRATEGY HAS TO START WITH UNDERSTANDING THE OWN CUSTOMER AND EXPECTATIONS.
SECONDLY, IT IS ALWAYS ABOUT DIFFERENTIATING, INNOVATION, ATTRACTIVE PACKAGING, AND PRODUCING THE BEST QUALITY WITH THE MOST COMPETITIVE PRICES.

ONUR YUKSEL
RETAIL VERTICLE & LOYALTY ANALYTICS LEADER - AME

“PRIVATE LABEL WILL CONTINUE TO GROW IN DEVELOPED MARKETS AS CONSUMERS ARE NOT REVERTING TO PREVIOUS SHOPPING BEHAVIOUR. IN EMERGING MARKETS, PRIVATE-LABEL BRANDS ARE GROWING, AND THIS WILL CONTINUE BECAUSE THEY ARE NOW PART OF THE GROWTH OF THE ECONOMY.”

OLIVIER DESCHAMPS - SVP RETAILER SERVICES - WESTERN EUROPE, CANADA AND PACIFIC

"WE ALSO SEE A PREMIUMISATION OF PRIVATE LABEL PRODUCTS SPECIFICALLY IN FOOD WHERE HEALTH, WELLNESS AND FOOD SAFETY ARE DRIVING CONSUMER DEMAND. IN MARKETS WHERE LEGISLATION GUARANTEES PRODUCTION PROCESSES AND FOOD ORIGIN, PRIVATE-LABEL PRODUCTS GRANTED WITH PRODUCTION ORIGIN LABELS (SUCH AS ORGANIC LABELS OR LOCALLY PRODUCED LABELS) ARE RESPONDING TO CONSUMER DEMAND WITH AFFORDABLE PREMIUM PRODUCTS AND ARE CAPTURING A GOOD PART OF THESE SEGMENTS GROWTH."

MARIE LALLEMAN - EVP STRATEGIC CLIENTS

"SHOPPERS EXPECT BRANDS TO PLAY A DIFFERENT AND BIGGER ROLE IN THEIR DIGITAL LIVES. CONSUMERS NOW DEMAND PERSONAL BENEFITS FROM BRANDS, LIKE 'THIS MAKES MY LIFE EASIER', OR 'SAVES ME TIME'."

JEANNE DANUBIO - HEAD OF RETAIL FOR LEAD MARKETS

"THE KEY IS TO CONNECT WITH CONSUMERS. THE GROWTH OF DISCOUNTERS WILL CONTINUE, SO THE WAY TO COMPETE IS NOT BY BEING DISCOUNTERS; YOU HAVE TO OFFER SOMETHING ELSE. HOW DO YOU MAKE SOMETHING BETTER, STRONGER, INNOVATIVE? DEVELOP THE PACKAGING AND BE CREATIVE ON FORMULATIONS AS CONSUMERS ARE BECOMING OBSESSED WITH HEALTH, PROVENANCE AND FOOD SECURITY."

MIKE WATKINS, HEAD OF RETAILER AND BUSINESS INSIGHT, U.K.

"GIVEN THEIR WILLINGNESS TO PAY A PREMIUM FOR NATIONAL BRANDS THEY TRUST, MULTICULTURAL HOUSEHOLDS ARE LIKELY TO CONTINUE TO INVEST IN NATIONAL BRANDS IF THEY CONTINUE TO PROVIDE THE QUALITY THEY DEMAND."

JORDAN ROST - VICE PRESIDENT OF CONSUMER INSIGHTS, NIELSEN

THE SCIENCE BEHIND WHAT’S NEXT ™

This artwork was created using Nielsen data.