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# Global Private Label Footprint

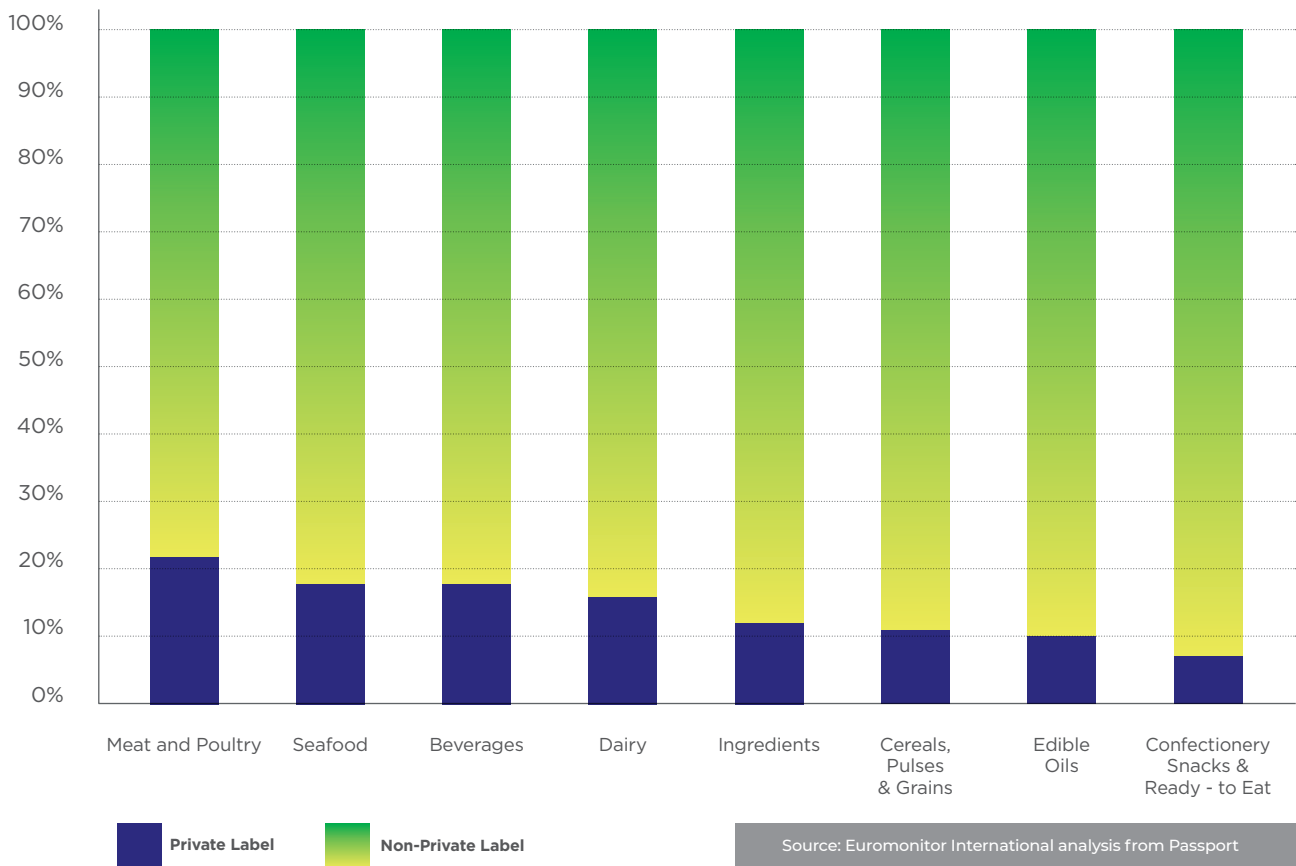


**#PrivateLabel**  
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# GLOBAL PRIVATE LABEL FOOTPRINT

As modern retailing is gaining importance throughout the world, so is private label. Major trends and developments however are still determined by Europe, North America and Australasia, where private label as well as modern retailing is already well established. Private label often mimics the overall food and beverage market, but there are still some significant differences.

Exhibit 17 – Global Penetration of Private Label by Category – 2018



Confectionery, Snacks & Ready-to-Eat products for example is the most important category within overall packaged food, accounting for 31% of sales, but only the second most important within private label alone, where the segment is projected to generate merely 20% of the overall sales value. In developed markets consumers are still hesitant to replace branded snacks, due to quality concerns, while the importance of traditional retailers within this category is keeping sales high in emerging markets, due to the impulse character of many products.

Dairy on the other hand is performing very similar to the overall packaged food level, supported by high

private label sales in Europe and North America. The category remains the most important segment of private label in 2018, accounting for 28% of food and beverages private label value sales on a global level. Within foods alone, the category accounts for 32%, a number very similar to the 29% value share in overall packaged foods. On both levels drinking milk products are witnessing the highest demand within dairy. Major differences can be found in cheeses, where private label brands are showing a very strong performance, and Yoghurt and Sour Milk Products, where consumers are still hesitant to shift away from branded products.

Nevertheless, private label is well established in the dairy category and growth opportunities therefore limited. Even more mature is the meat and poultry market, especially in Europe. Good growth however is expected within the health and wellness segment. By offering organic, natural alternatives or more ethical products, retailers often manage to gradually shift consumer attitudes from loyalty to branded food products to loyalty to retailers' brands. Many discounters, supermarkets/hypermarkets and even drugstores have therefore introduced their own health and wellness private label portfolios. Opposite to the branded product, many of these carry an additional organic certificate. They often cover free from products, especially dairy alternatives as well as naturally healthy products such as honey or cereal bars and an increasing number of meat alternatives. Consumers interested in such products are already health-conscious and thereby easily tempted to choose the organic and often cheaper private label alternative.

As a whole, private label accounts for 10% of global food and beverage sales in 2018, with a significantly lower ratio within beverages (5%) in comparison to packaged foods (12%). Major differences can also be found between regions, as the retail landscape usually dictates the level of private label penetration. Modern trade is a must for private label and sales are therefore naturally higher in developed markets with a strong presence of chained supermarkets/hypermarkets, convenience stores and of course discounters. The highest private label sales can be found in Europe, where they account for 22% of overall food and beverage sales in 2018. Europe is followed closely by Australasia with 16% and North America with 14%. Asia Pacific, Middle East and North Africa, Latin America and Sub-Saharan Africa all register significantly lower shares of private label sales, with numbers between 2-3%.

Especially among the emerging middle class in developing markets, private label still has an image of being a cheap and low quality alternative to established international brands. Furthermore, setting up a viable private label business requires an extensive network of stores, which is not feasible in many emerging markets, as traditional grocers remain dominant.

### Middle East Focus

The continuous growth of modern retailing is strengthening sales of private label in many countries in the Middle East and North Africa. Especially the expansion of Turkey's discounter Bim has had a positive impact on the category. The largest market for Private Label in the region is Turkey, where Bim is leading grocery retailing and the strongest growth for private label was seen in Morocco, where the category witnessed a CAGR of 59% between 2013 and 2018 on the back of the discounter's massive expansion in terms of outlets. Private Label sales in

the GCC remained limited over the years, even though the strong network of modern retailing would have supplied a perfect base for strong penetration. Recent developments however suggest a rapid change in the coming years.

Hypermarkets in the GCC started to invest into private label premium lines to address growing demand for more budget-friendly healthy foods. Carrefour Bio for example received a strong boost through the development of a "Healthy Kitchen section" in several of its' UAE outlets. The brand offers affordable organic options of various packaged food items and is appreciated by the growing number of health conscious consumers.

Private Label in the GCC is also expected to highly benefit from the introduction of the discounter concept in the region. Dukan, the first and sole discounter in Saudi Arabia was introduced in 2014 and has since gained strong market share. In 2018, Landmark group opened a discounter called Viva in the UAE, which is expected to expand its store count rapidly over the coming years. The discounter concept appears during a time that consumers throughout the GCC re-think their spending habits, as they face austerity measures, economic restructuring processes and the implementation of additional taxes and costs. This will give discounters and private label portfolios an opportunity to prove their superiority over branded products in terms of value and could lay the foundation for a long-term private label boom in the region.

### Developed Markets Focus

A very different picture and level of private label acceptance can be found in Europe, explaining the success of the concept there. Discounters like Lidl and Aldi have created a business model based on private label, which has shaped the view and acceptance of the whole industry in the region. Most discounters offer a diverse range of economy, midrange and premium products for very competitive prices. This has raised the bar on consumers' quality versus value for money perceptions. Furthermore, many premium products, such as organic ranges thereby became affordable to a broader consumer segment.

Similar developments can be seen in Australasia and even North America, where private label is already established in leading supermarket/hypermarket chains. Both regions are expected to see an additional boost through the expansion of discounters like Aldi and Lidl in the coming years.

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