

Rise of the premium private label

By [leigh andrews](#)

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Take an overabundance of FMCG products, add limited shelf space, as well as more competition from retailers' own labels and more frequent change of products stocked by retailers, and retailers and manufacturers alike need a radical new approach to maintain their market share...

José Carlos González-Hurtado, president of IRI International, a leader in delivering big data, predictive analytics and forward-looking insights that help FMCG, OTC health care organisations, retailers and media companies grow their businesses, was one of the speakers at the 60th global Consumer Goods Forum Summit, held at Cape Town's CTICC for the first time this week. I chatted to him exclusively about his presentation, titled 'Shrink to Grow: How to use analytics and technology to optimise your line-up'.



José Carlos González-Hurtado.

1. Talk us through the impact of private label and how this will further revolutionise the market.

Shoppers have traditionally seen private label as a good value option, helping to lower weekly shopping bills and a way for retailers to bring shoppers into store and boost sales and grow their margins. But the landscape is evolving, driven by smarter shoppers and an aggressive price war being waged by retailers in many countries.

The move away from 'me too' products that are cheaper than national brands has led to three tiers of PL product – economy, standard and premium. The growth of premium private label products highlights a desire for quality combined with good value and is an important consideration for retailers and private label suppliers.

In Europe, the continued fall in market share of private label brands across some categories and countries suggests that there is a ceiling to the growth of private label.



It's likely that retailers are struggling to cope with challenging market conditions, including pressure from a discounter channel as well as national brands making a comeback by pumping large amounts of money into promotions, and the continued growth of e-commerce.

Private label is now in a mature stage and retailers there are moving away from aggressive promotions activity and discounting. Every supplier, retailer, discounter or manufacturer needs to create products that meet consumers' demands. Quality and provenance, particularly of food, will become key considerations. Price alone is not enough.

The impact of private label in South Africa will continue as local retailers seek to identify low-hanging category opportunities.

2. Explain the importance of big data for retailers and FMCG marketers alike, and how it brings them closer to consumers.

Retailers understand the importance of data, but they have so much of it that it is often difficult to access and use in a timely and sensible way. Big data analytics is the next crucial shift in the FMCG sector that will help companies define their success. It brings them closer to consumers because the resulting actionable insights will help them deliver the products that best satisfy consumer needs and desires.

3. How does the SA retail market differ to the global space in terms of shopper data – where do we lag behind and what are our unique selling points

The South African top-end retail market is complex, diverse and highly sophisticated. Where there is space for retailers to innovate is ensuring the robust use of strategic data across the entire organisation. In addition, there is real opportunity to further leverage shopper data to actively drive shopper strategy and engagement.

4. Looking into your crystal ball, what's the top retail marketing trend still to come for 2016 that SA retailers should watch out for?

Competitive advantage will be afforded to those retailers and manufacturers that can find real insights from data and turn those insights into actions that lead the business to growth.

In a very fragmented market in terms of FMCG retail in South Africa, with a population highly connected to their mobile devices, big data is definitively strategic to drive the growth of manufacturers and retailers. It will enable them to implement at the finest level all components of the marketing mix according to local specificities and to the various steps of the shopping trip mission – digital is really part of the SA shopping habits in terms of 'drive to' a store.

González-Hurtado concludes that FMCG and retail businesses are a bit behind the global big data drive, so the winners will be the ones who consider big data as a strategic competitive advantage.

There's no better time than now. [Click here](#) for more on the Consumer Goods Forum.

ABOUT LEIGH ANDREWS

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