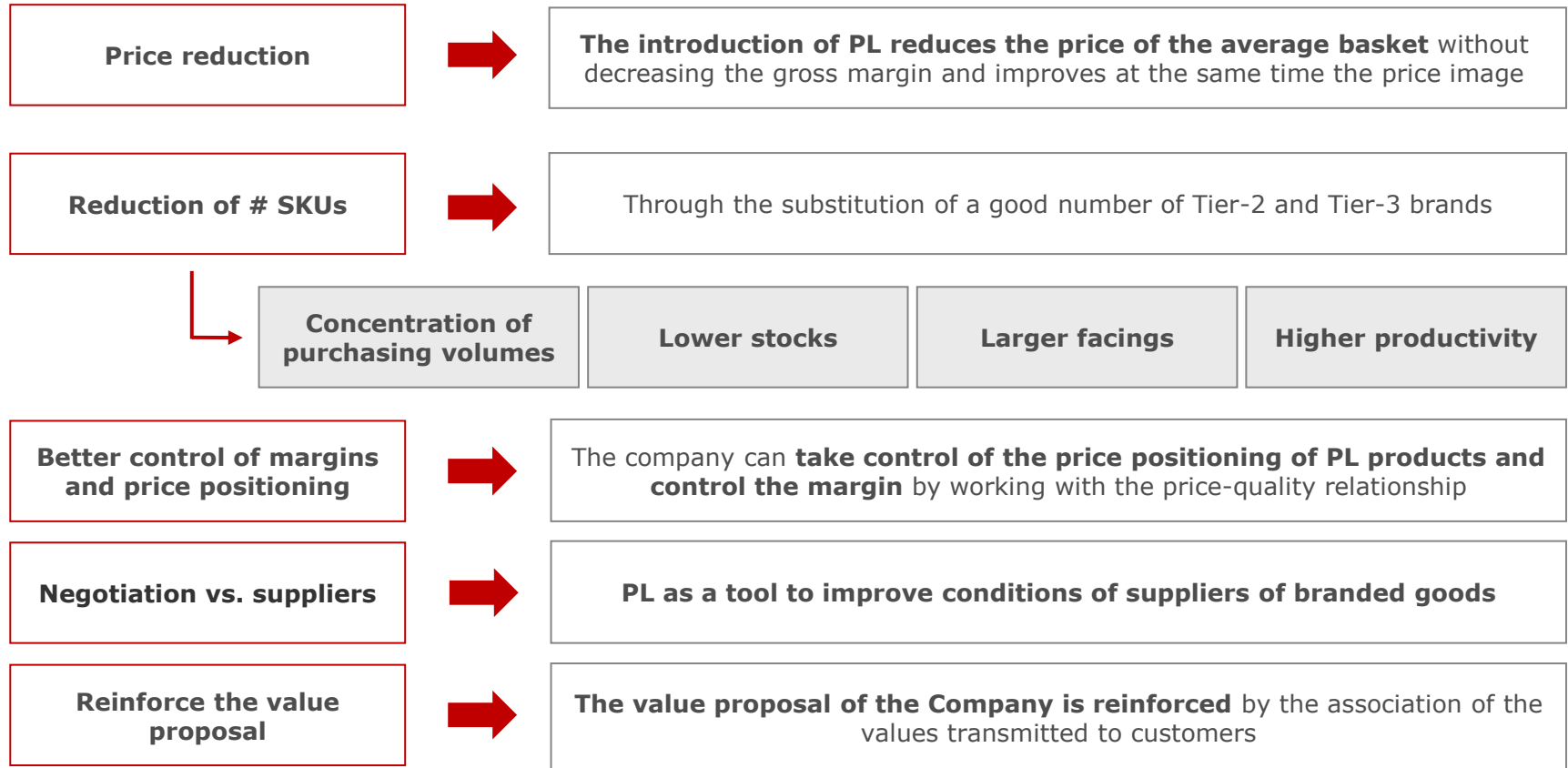


Private Label development

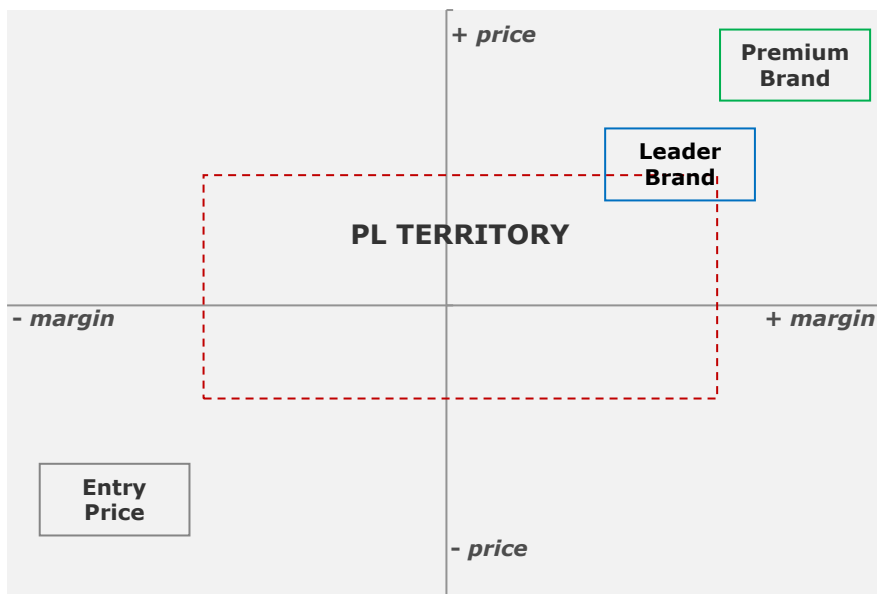
PL - Key issue in the format repositioning

Wide, competitive and right price-quality relationship are key attributes of the PL for mass-market food retailers and should be one of the pivotal axes in the assortment definition

Proper positioning and development of the PL brings substantial advantages



Private label - Positioning strategy



Entry Price

- **PL can be used to be the cheapest option for customers. However,** this is a 'niche' in the assortment and **should not normally be the core target** for the PL strategy.
- Most retailers tend to use a different brand or 'exclusive names' to differentiate these products from its core PL range.

Leader and other manufacturer brands

- There are a wide range of options from entry price products to leader brands, with different positioning in price and quality. We call them 2nd, 3rd, 4th tier brands, which have lower quality and are less well known and marketed than leader brands.

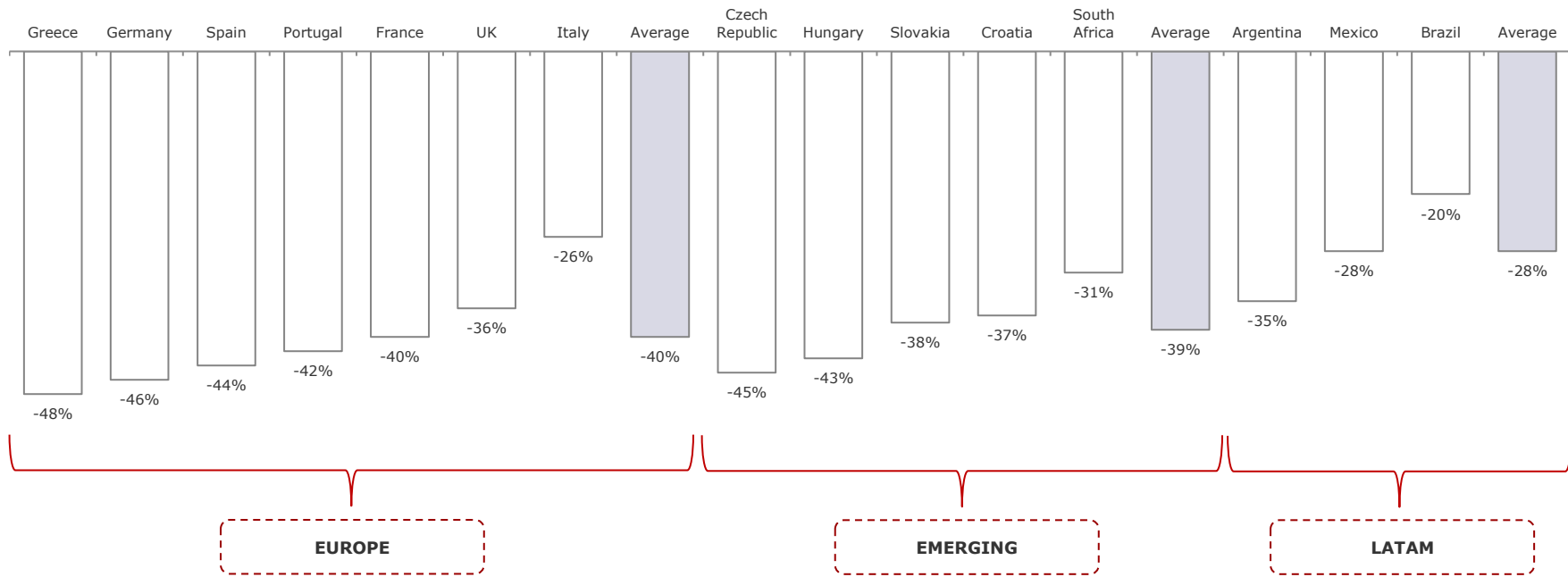
PL Territory

- **PL's main territory is in the 'core of the market', that is the assortment ranging from Leader brands up to the vicinity of entry price.**
- With a proper PL development, several of the **2nd, 3rd and 4th tier brands can be delisted**, substituting them with a **PL with higher quality and cheaper price**. This will have a substantial impact in the reduction of the assortment, concentration of purchasing volumes and in-store productivity. The PL range can also be a good option for some customers to trade-down from leader brands, giving retailers the opportunity to have more flexibility to build-up the pricing policy
- **PL should offer better quality-price relationship in the target category.** If the target is Leader brands, our PL should have similar quality with a substantial discount in price (25-40%). This is the way to differentiate the PL from 2nd and 3rd tier brands that offer cheaper prices but lower quality.

PL price positioning vs. national brands - Benchmarking

The degree of competitiveness in the market, the concentration of players and the development of suppliers determine the PL price gap vis-a-vis national brands. LATAM countries show the smaller gap with Brazil as the country with the lowest price gap

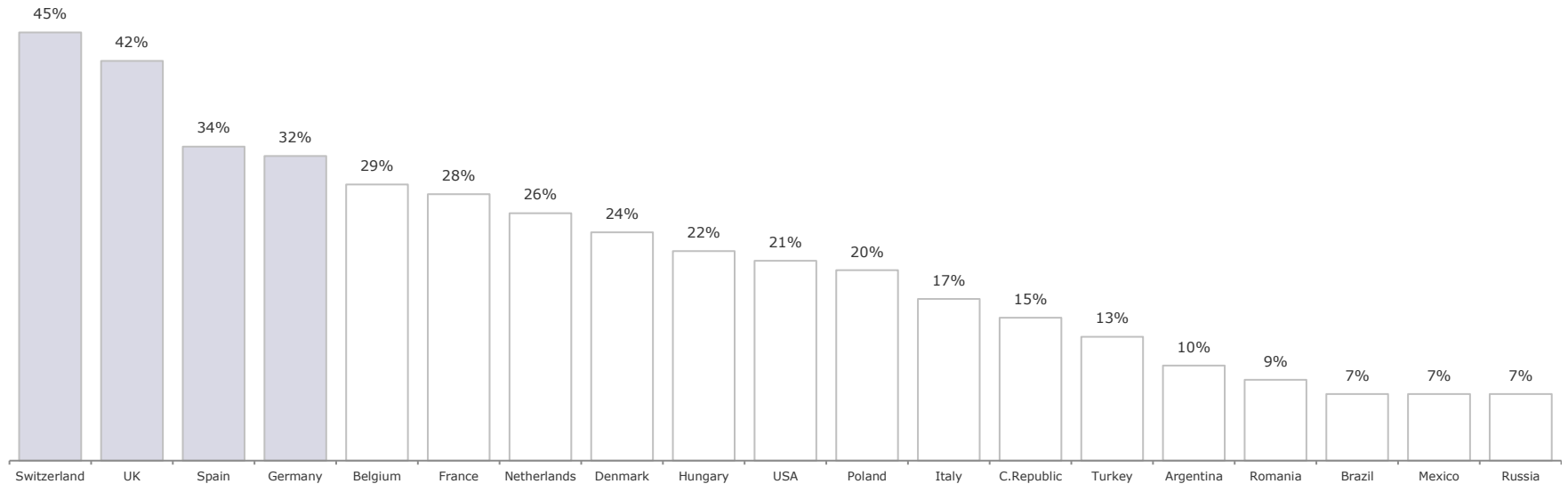
PL price gag vs. national brands - %



PL penetration by countries

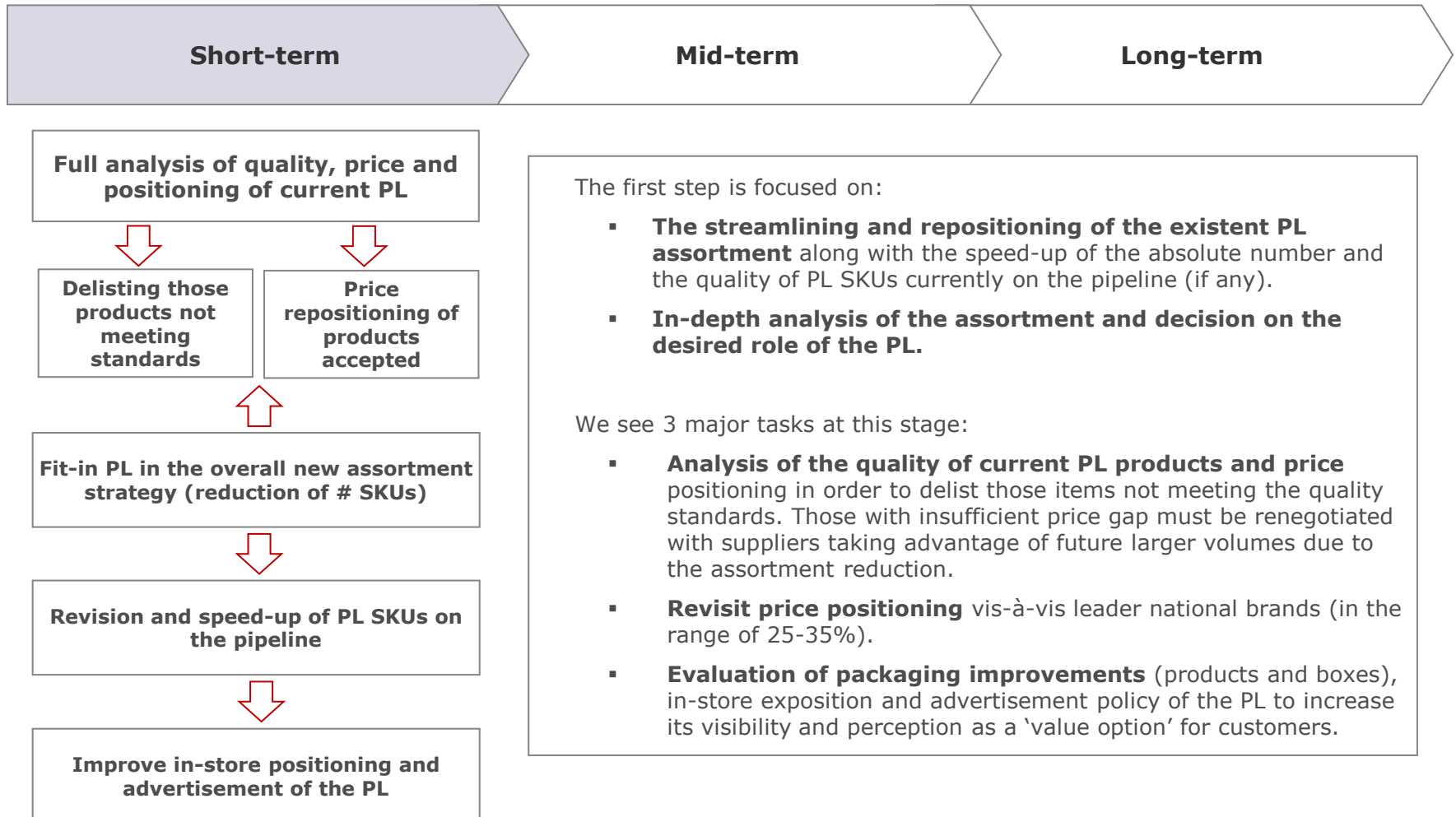
PL is growing in virtually all geographies. The countries with the highest penetration, sales of PL represent more than 30% of total FMCG market

Share of PL on total FMCG - % - international benchmark - 2013

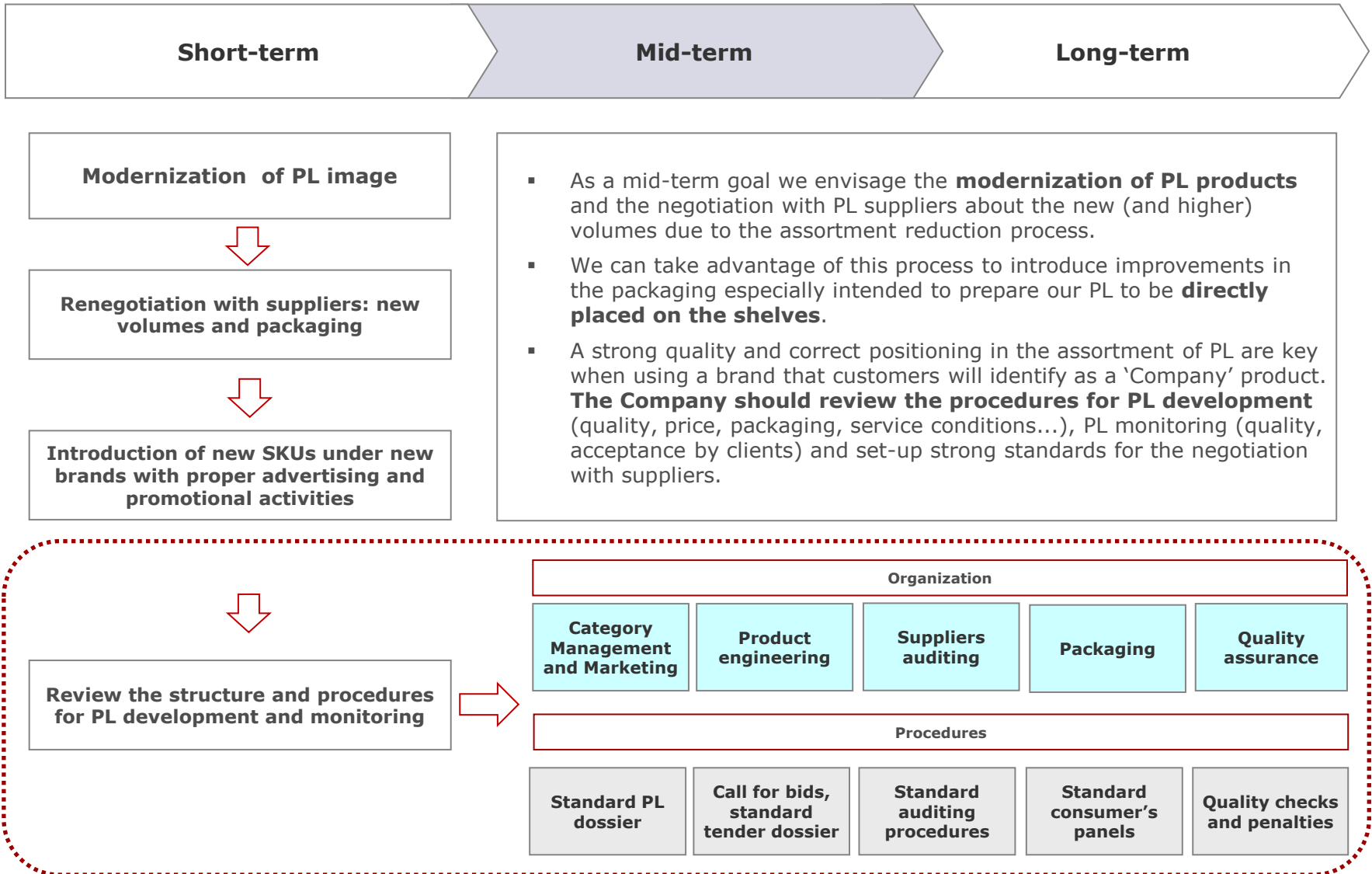


PL repositioning - Need for a short, mid and long-term strategy (i)

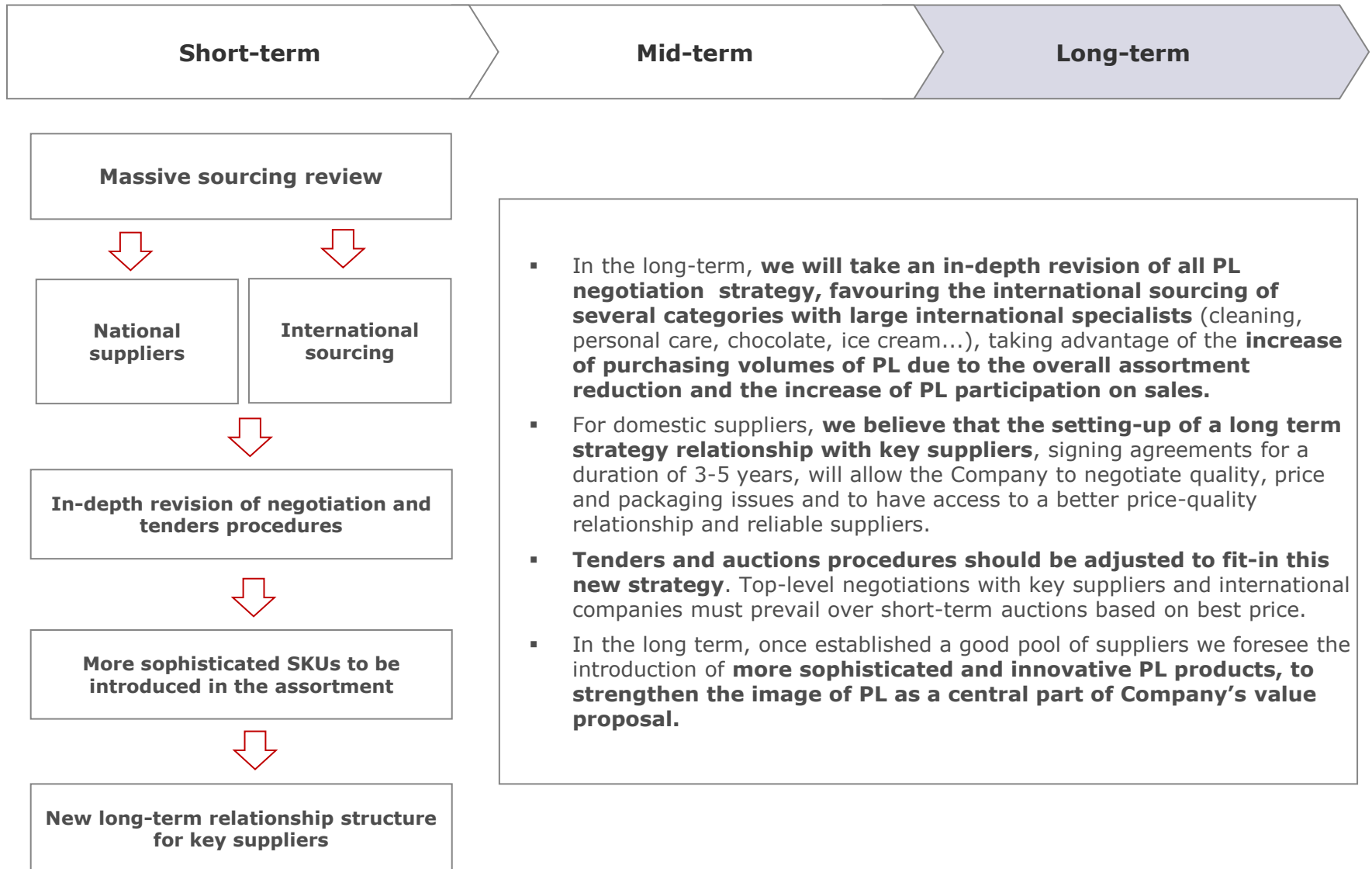
In order to reposition the PL and transform it in a key competitive driver, a 3-phase approach must be followed



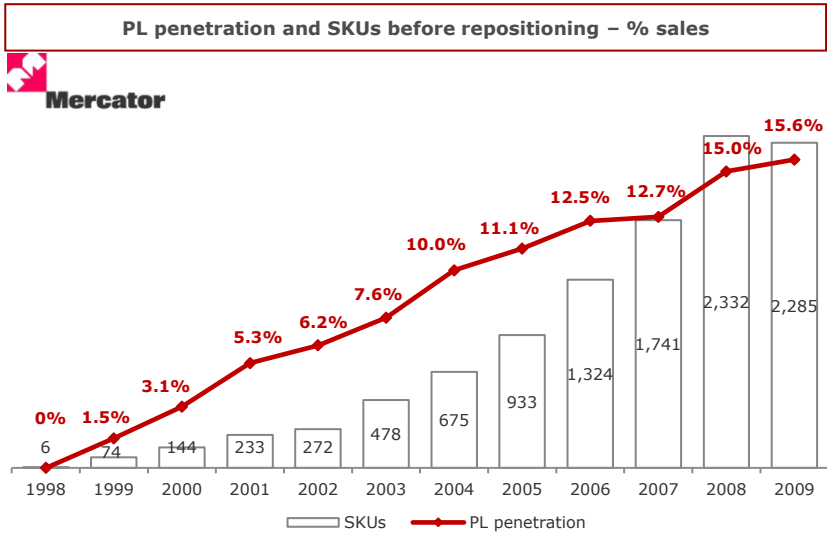
PL repositioning - Need for a short, mid and long-term strategy (ii)



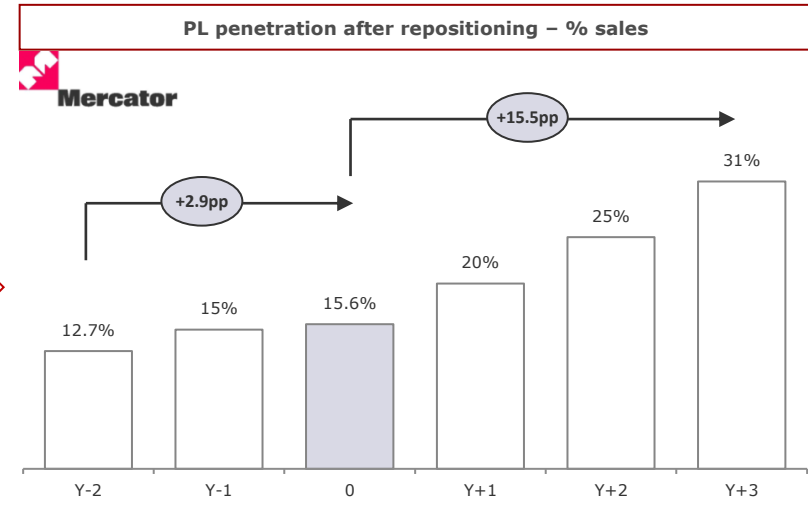
PL repositioning - Need for a short, mid and long-term strategy (iii)



PL and assortment repositioning - Case studies



The rapid increase in the number of PL SKUs in the period 2005-2010 (2.4x) and the introduction on new PL lines (5 new lines in 2005-2010) had a limited impact on the PL penetration that progressed only 1.4x.

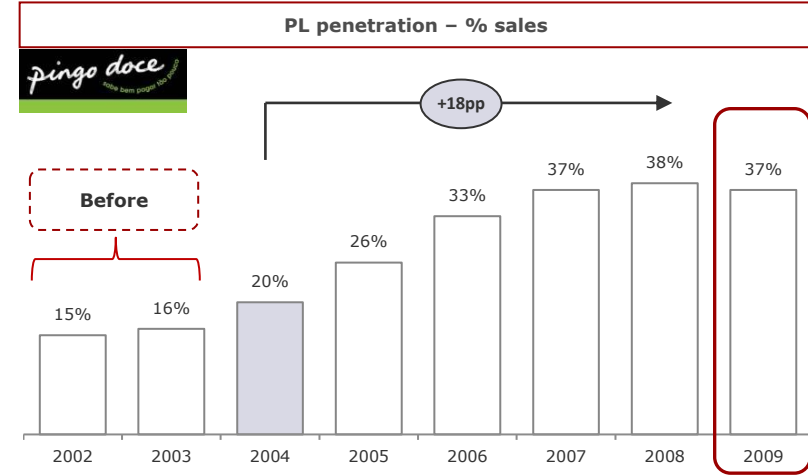


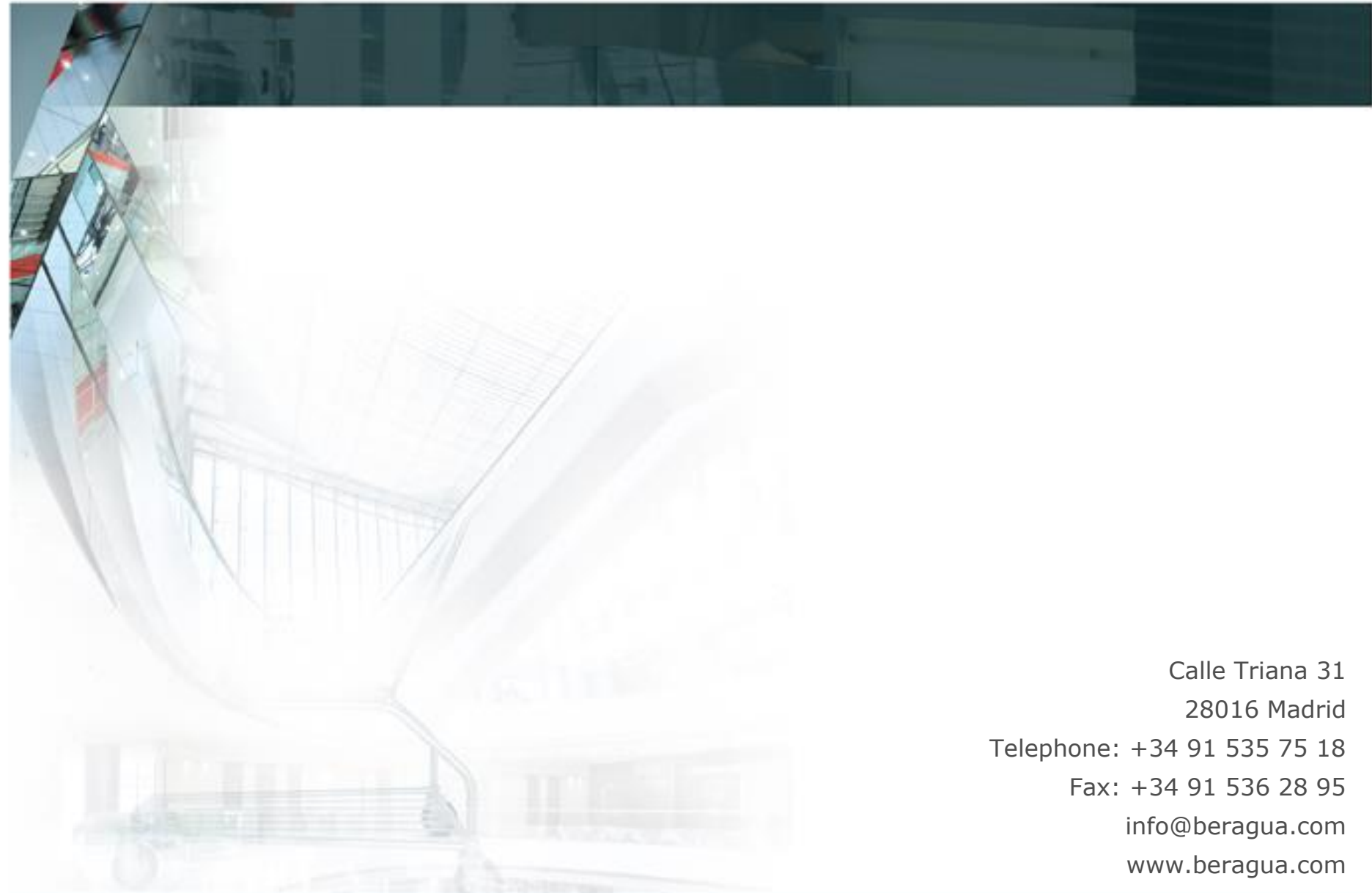
The repositioning of PL along with the assortment revision and reduction of depth allowed Mercator (leading retailer in the Balkans area) to increase PL penetration by 16pp in 3 years

pingo doce

In-depth repositioning from standard supermarket to limited assortment supermarket:

- Strong assortment reduction
- Massive investment in price reductions
- Redesign and massive deployment of a highly sophisticated and best-quality price ratio PL
- Move to EDLP
- In-depth operational improvements (LCO- low cost operator)





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