

# Private label now commands R54bn in annual sales in SA

Private label has carved out a strong and distinct space in the South African retail landscape, proof of which is the category's R54 billion in sales in 2019, which represents 9.6% year on year growth, ahead of the 4.4% growth of branded goods, seen within modern trade.



The growing importance of private label – brands sold exclusively through a particular retailer and sometimes referred to as “no name” or “house brands” – is also seen in its 22% overall share of FMCG sales in South Africa, a steady increase from 21% in 2018 and 20% in 2017.

These are just some of the results from the *2019 Nielsen State of Private Label Report for South Africa*, which covers the modern trade sector in South Africa, and looks at where private label is growing, where it is not and what the future holds.

Elaborating on the latest findings, Nielsen South Africa retailer vertical lead Gareth Paterson comments; “Private label goods have shown strong growth across the globe in recent years and it is no different in the South African market. A key driver of this growth is the current economic constraints placed on South African consumers – given the increases in prices for petrol, utilities, and various forms of tax.”

## More than just price

As a result of their highly constrained situation, the Nielsen report found that 80% of local consumers compare private label (PL) products with leading named brands, with the majority claiming that they buy these types of products because they’re cheaper. However, the relationship now runs much deeper than that, with product quality and innovation increasingly coming into the mix.

Paterson comments; “It is no longer just the fact that consumers are under pressure and consider PL as a cheaper alternative. Consumers now also expect innovation within the PL space. We see retailers have responded to the challenge with many of these items no longer merely replicating leading brands, but actually driving innovation within particular categories”.

“In fact, PL is innovating across the entire gambit of the affordability spectrum, not only within the ‘cheaper’ price bracket, but also within the ‘premium’ range, which now accounts for more than a quarter of PL sales within South Africa.”

With this focus on innovation, the Nielsen report reveals that the majority of consumers have shifted perceptions and claim that PL quality is just as good as named brands.



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## Top performers

Overall, almost 70% of PL sales continue to come from Perishables and Dry Groceries, with Chicken and Long Life Milk being the biggest contributors to incremental growth in 2019, and a recovery in categories like Chilled Processed Meats. Although growth has slowed for Prepared Meals – a star performer during the last two years – there is still a big focus from retailers on their fresh offerings in order to attract more shoppers into store.

Looking at specific pockets of performance, Confectionary, Baby Care and Personal Care have all seen good growth. Paterson says the “Confectionary growth is supported by the busy lifestyle of South Africans today, which leaves them with less time and has made snacking an important part of their diet. Retailers have capitalised on this trend and are showing great innovation within salty snacks, driving the Private Label confectionary growth.”

In terms of Baby Care, Paterson says the quality of PL within this category has improved, owing to great innovation within this space, resulting in Diapers and Wipes showing double-digit growth as well as consumers claiming that they’re purchasing more PL Baby Food products.



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“As consumers have moved into PL products within Baby Care, we have seen the trust grow as these brands deliver a quality product at a good price. It is clear that consumers have come to trust store brands with important purchases such as diapers for their children indicating that this growth is not just a short term trend”.

Looking at Personal Care, growth is being driven by Hand and Body, with a big focus from the retailers in this category due to the competition within this supergroup.

Following the global trend, local consumers are also more focused on health, with PL showing good double-digit growth within the healthcare supergroup i.e. Vitamins and Supplements, stemming from a big drive from major retailers to win within this space.

## Finding space in the basket

Commenting on the overall effect of PL growth on the South African retail sector, Paterson says; “PL continues to find its place within the South African basket and its rise in popularity is the sign of a maturing retail market. Given that local consumers say that they are willing to try new brands, PL is in a great position to realise even more growth over the coming years.

“However, it must be stressed that well established, named brands continue to play a vital role in terms of providing a rich legacy of quality and innovation, so it’s certainly not a case of ‘either or’ when it comes to choosing between the two but rather a maturing retail sector that’s offering South African consumers greater value for money and ultimately, more choice.”

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