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Opportunities in German Private Label Grocery Retail

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SP1 - Expand International Marketing Opportunities
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Report Highlights:
Germany's private label grocery market topped $123 billion in 2018 - 45 percent of total grocery sales in Germany. A handful of key retailers dominate the German grocery market, and each retailer has a robust and growing private label product line. Popular private label product segments include frozen and refrigerated foods, soft drinks, alcohol, confectionery, snacks, dairy, sausages and deli meats. While low prices alone have historically defined the German private label market, changing consumer expectations have shifted private label retailers' focus to providing unique, premium products at a reasonable price. With private label product lines continuing to grow in Germany, U.S. businesses have potential opportunities to supply ingredients or foods under private label arrangements with German retailers.

General Information:

I. Overview of the German Private Label Grocery Retail Market

Germany's grocery retail market is mature, saturated, and highly price-competitive, and is dominated by a handful of key players—namely supermarket chains Edeka and REWE and discounters Aldi and Lidl. On average, German consumers spend $348 per month on groceries, amounting to about $4,100 per year.[1] In 2018, grocery retail sales reached an estimated $273.5 billion, making Germany the largest European market for food and grocery products.[2]

Consolidation, market saturation, robust competition, and a price-sensitive customer base are all defining characteristics of the German grocery sector. These market conditions have spurred retailers that are seeking to differentiate their value proposition to adopt wide-ranging private label sales strategies. Private label products account for 45 percent of grocery sales in Germany, compared to just 18.5 percent in the United States.[3] In some German market segments—frozen foods, pet food, and refrigerated foods, for instance—the market share for private label products exceeds 50 percent.[4] Other popular private label products include soft drinks, alcohol, snacks, cheese, sausage and deli meat, and confectionery products. Between now and 2021, the private label grocery market in Europe is expected to expand by a compound annual growth rate (CAGR) of 7 percent, compared to a 2.1 percent overall growth rate for European food sales.[5]

[1] Consumption expenditure of private households in Germany, Destatis, 2017.

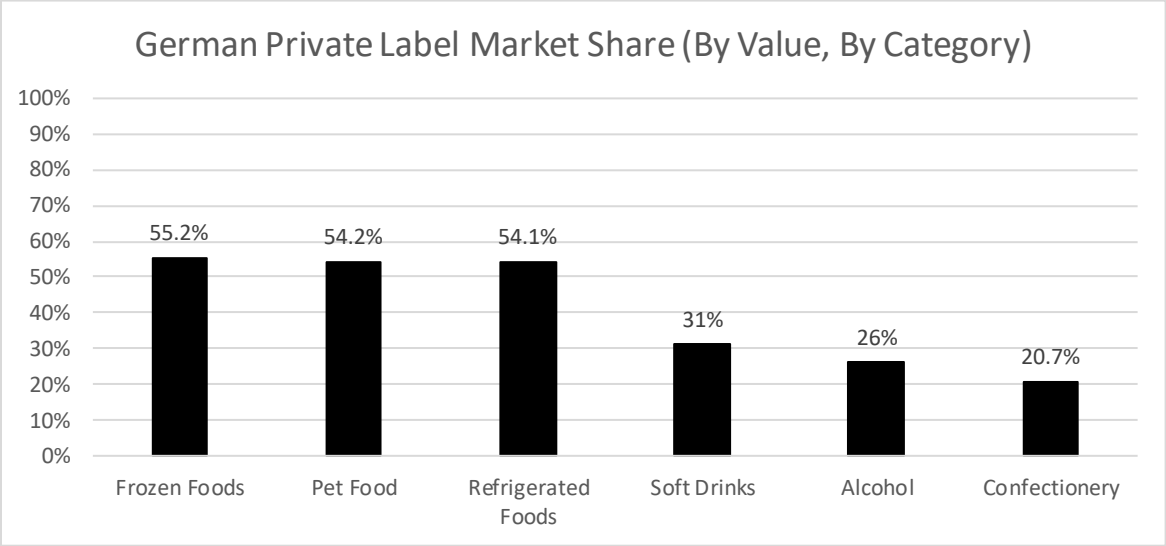
[2] USDA GAIN Reports: Germany Retail Foods 2019.

[3] Private Label Manufacturers Association, Private Label Yearbook 2019.

[4] Share of private label value in Germany in 2018 by category, Statista, 2019.

[5] Private Label Food and Beverage Market in Europe 2017-2021, Technavio, 2017.

Figure 1: German Private Label Market Share (By Value, By Category)



Source: Statista, 2019.

German discount grocers like Aldi and Lidl rely heavily on private label products in their business models. These discounters offer a more limited range of options in each product category than traditional supermarkets. The vast majority of their products—typically over 90 percent—are store branded.[6] This strategy, involving a lean portfolio of mainly private label products, allows stores like Aldi and Lidl to offer the same types of foods at a deep discount compared to their competitors selling name-brand products.

German supermarkets like REWE and Edeka also continue to expand their private label product lines. Although these chains initially adopted private label products to compete with the popular discount chains, supermarkets have since recognized that private label offers the ability to quickly launch new products, adapt existing products to changing consumer tastes, and deliver a more shopper-centric experience tailored to consumer price and product preferences.

This move away from purely price-based private label strategies has somewhat narrowed the price gap between private label and name-brand products. On average, the price difference between private label and name-brand grocery products is about 29 percent. For price-conscious German consumers, this cost savings can drive purchasing decisions. However, consumers are increasingly seeking products that are not only low-cost, but that are also high-quality, new and different, or marketed with premium claims like "organic" or "gluten-free".

II. Private Label Product Offerings by Retailer

[6] Germany: Food Retail Country Report, Kantar Consulting, 2018.

Each of the major German grocery retailers—Aldi, Lidl, Edeka, and REWE—have dedicated private label product lines. Each retailer's strategy differs somewhat, with discount grocers (e.g., Aldi, Lidl) dealing almost exclusively in private label products and with traditional supermarkets (e.g., Edeka, REWE) adopting premium private label lines to complement their existing assortments of private label and brand-name products.

Edeka: Germany's largest retailer, Edeka, has 6,610 stores nationwide and generated food sales of $69.3 billion in 2018. Edeka has a wide range of private label products marketed under a variety of brands. Some of Edeka's private label brands include:

- **Gut & Gunstig:** Edeka's Gut & Gunstig bargain brand features more than 1,400 staple products—from bread, deli meats, and frozen foods to dairy products and juices. These products are marketed as good quality for a good value, selling at lower-than-average prices.
- **Edeka Bio**: Edeka Bio products include regionally produced meat, milk, and eggs that meet organic standards, as well as organic fruits and vegetables. A subset of Edeka Bio, Edeka Bio+Vegan caters to customers seeking organic foods free from animal products.
- **Edeka Selection:** This premium private label line features higher-quality gourmet ingredients like pastas, specialty meats, chocolate, and yogurt.
- **Edeka Wines:** Edeka offers more than 200 varieties of wine, some bottled under private store labels.

REWE: Germany's second-largest retailer, REWE, operates 4,601 stores nationwide and generated $47.19 billion in food sales in 2018. REWE offers multiple private label product lines, including:

- **REWE Beste Wahl:** REWE's Beste Wahl brand offers more than 1,000 low-priced products across a wide range of grocery segments, from basic staples like meat and dairy to snack items and frozen/convenience foods.
- **REWE Bio & REWE Frei Von:** REWE offers its own private label brand of fresh, frozen, and packaged organic foods, as well as products that are free from ("frei von") lactose and gluten.
- **Ja!:** REWE markets its Ja! products as high-quality and low-cost grocery options. The offerings in the Ja! line are diverse and cover most product segments, from basics like cooking oils, pastas, and meats to frozen and convenience products.
- **REWE Feine Welt:** This brand offers a whole range of international high-quality gourmet products.

Lidl: Germany's third-largest food retailer, Lidl, operates 3,200 stores nationwide and generated food sales of $47.14 billion in 2018. Like fellow discounter Aldi, the vast majority of Lidl's product portfolio consists of private label products. Lidl has dozens of its own brands covering the full range of product categories—from staple items like bread, milk, and eggs to more premium products, like Fairtrade and organic foods, fresh meats and fish, and alcoholic beverages. A full listing of Lidl's current private label brands in Germany can be found here:

- **Lidl private label brands:** https://www.lidl.de/de/eigenmarken-food/c4663

Aldi: Germany's fourth-largest food retailer, Aldi, operates more than 4,000 stores in Germany and generated food sales of $35.7 billion in 2018. More than 90 percent of Aldi's assortment is packaged under its own private label brands. Aldi's brands cover virtually every retail segment, including several brands in premium label segments, like organic and Fairtrade certified. Full listings of Aldi's current private label brands can be found here:

- **Aldi Nord:** https://www.aldi-nord.de/produkte/unsere-marken.html
- **Aldi Süd:** https://www.aldi-sued.de/de/sortiment/eigenmarken/

III. Consumer Perceptions of Private Label Products

German and European consumers generally have a favorable view of private label products. In a 2018 report by Nielsen, European consumers' views of private label grocery products were more positive than the global average.[7] The Nielsen survey revealed that:

- 63 percent of Europeans believe they are a smart shopper when they buy private label products, compared to a 58 percent global average;
- 76 percent of Europeans believe that private labels are usually an extremely good value for their money, compared to a 67 percent global average;
- 81 percent of Europeans say they purchase private label products to save money, compared to a 70 percent global average;
- 75 percent of Europeans believe private label products are good alternatives to name brand ones, compared to a 65 percent global average;
- 70 percent of Europeans believe it is important to get the best price on a product, compared to a 69 percent global average;
- and 74 percent of Europeans say their perceptions about the quality of private label products have improved over time, compared to a 71 percent global average.

Price remains a key selling point for private label products for German grocery shoppers. However, in an increasingly competitive grocery marketplace, additional considerations—like food quality,

[7] The Rise and Rise Again of Private Label, Nielsen, 2018.

health and wellness, and premium claims like "organic" and "Fairtrade certified"—must also be taken into account by retailers hoping to elevate their private label market share.

IV. Trends in Private Label Grocery Retail

Private label products were initially viewed as generic, lower-priced alternatives to established brands. Today, European retailers have evolved their private label portfolios, adding more premium options and launching innovative new products while retaining the reasonable prices customers have come to expect.

In an attempt to distinguish their private label products from their competitors' or from similar name-brand products, retailers continue to introduce more premium private label options. Premium claims, including organic, locally produced, Fairtrade certified, GMO-free, lactose- or gluten-free, and vegan, are increasingly used by retailers to set their private label products apart.

Europe is the leader in premium private label product launches; European retailers introduced 57 percent of all premium private label products released in 2017. (By comparison, only 22 percent and 16 percent of premium private label products originated in North America and the Asia-Pacific region, respectively.)

In addition to premium products and ingredients, retailers are also incorporating wine into their private label strategies. Private label wines yield average margins of 50 to 55 percent, while branded wines yield average margins of only 30 to 35 percent.[8]

V. Opportunities for U.S. Food Businesses & Exporters

U.S. companies interested in supplying the German private label grocery market should first develop relationships with key retail contacts at the major German grocery chains. To identify contacts and develop these relationships, U.S. businesses may consider attending or visiting one of Europe's USDA endorsed trade shows, like the ANUGA show. These shows serve as a springboard into the market, helping companies to establish new trade contacts and gauge product interest. Germany hosts many of the largest trade shows in the world. Therefore, it is an excellent location for U.S. exporters to promote their products, get in contact with potential business partners and buyers, and conduct product introductions.

Table 1: Major Food Related Trade Shows in Germany

[8] Premium Private Label Wines Driving Growth, Wine Industry Network, 2018.

Trade Show	Description	Location
ANUGA (every two years) October 5-9, 2019, www.anuga.com	Leading food fair for retail trade, food service, and catering market	Cologne
Bar Convent October 7-9, 2019, www.barconvent.com/en/	International trade show for bars and beverages	Berlin
ISM (International Sweets and Snacks Show) February 2-5, 2020, www.ism-cologne.com	World's largest show for snacks and confectionery products	Cologne
FRUIT LOGISTICA February 5-7, 2020, www.fruitlogistica.com	World's leading trade fair for the fresh fruit and vegetable business	Berlin
BIOFACH February 12-15, 2020, www.biofach.de/en	World's leading trade show for organic food and non-food products	Nuremberg
ProWein March 15-17, 2020, www.prowein.com	International trade show for wines and spirits	Dusseldorf

VI. Key Contacts and Further Information

If you have questions or comments regarding this report, or need assistance exporting to Germany, please contact the Foreign Agricultural Service in Berlin. Importer listings are available from the Foreign Agricultural Service for use by U.S. exporters of U.S. food and beverage products.

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A list of key German contacts for the Food Retail Trade can be found in Attachment I of the German Retail Foods Report 2019.

FAS Germany publishes numerous market and commodity reports available through the Global Agricultural Information Network (GAIN) at: https://www.fas.usda.gov/data/search