

STORE BRANDS

Before you read

Do you buy store brands (ones owned by the chain store selling them) when food shopping? Why? / Why not?

Reading

Read this article from the *Financial Times* and answer the questions.

FT

LEVEL OF DIFFICULTY ● ● ○

Real chief says own brand is the way ahead

by Gerrit Wiesmann in Neuss, Germany

Joël Saveuse walks across the Real hypermarket in northern Germany in search of 'those little biscuits'. Moving from toys to the freezer section, the 55-year-old, who runs the country's biggest food retailer, finds what he is looking for in aisle 45. 'This is my favourite product,' Mr Saveuse says, holding a packet of chocolate-filled Mini Double Biscuits. 'Look, here's a simple picture of the contents,' he says as his finger moves across the packaging, 'and top left is the "Real Quality" logo.'

Together with a handful of rivals, the Frenchman is starting a small revolution in Germany by replacing its different in-house brands with a single own brand that links the retailer with a product range. The aim is to raise in-house brand sales from 15 per cent up to 25 per cent of food sales in two to three years' time. Mr Saveuse says that customers get top quality for at least 15 per cent less than they would pay for a name brand – and

Real gets a better profit margin.

Such logic has seen Real's foreign rivals push true own-brand lines for decades. Real reckons up to 60 per cent of Tesco's UK sales come from its three Tesco brands, and Carrefour is aiming for a 30-per-cent quota, up from 25 per cent now.

After working on the concept for the last year, Real introduced 850 Real Quality items this September – coincidental but 'absolutely perfect timing' for the economic downturn that followed the banking crisis, the Real head says. Although Mr Saveuse says that shopping habits at Real have not yet been affected by economic woes, he stresses that next year could see shoppers buying more own brands as they look for more value for money. 'Crisis doesn't just bring disadvantages,' he says.

Given the power of own brands in good times and bad, it is surprising that German retailers only launched distinctive lines

last year. The cause lies with Germany's powerful discounters. Aldi and Lidl have in the past generation helped corner 40 per cent of the food retail market – as against 6 per cent in the UK – by selling little else than a small range of own brands, a move copied by Real, with, say, its low-cost 'Tip' range.

'But we're internationalising now,' Mr Saveuse says. 'In Poland and Turkey, we're competing against Carrefour and Tesco, in Russia and Romania against Carrefour – that has forced us to focus on true own-brand as a way of building our presence.' Strengthening the Real brand is key to reviving the chain. A format held back by discounters, Mr Saveuse reckons the German hypermarket has a future. He should know. Until 2005, he was second-in-command at hypermarket pioneer Carrefour.

1 Look through the whole article to find the following information about Joël Saveuse.

- a) His nationality
- b) His age
- c) His job
- d) The organisation that he worked for before

2 What two phrases are used in paragraph 2 for a brand owned by the store selling it?

3 Use information from the first three paragraphs to complete the table. If the information is not given, write *not given*.

	Real	Tesco (UK)	Carrefour
Percentage of own-brand food products now			
Company's objective for percentage of its own-brand food products in its shops in 2–3 years from now			
Typical price of a store-brand product as a percentage of the price of a name brand for the same type of product			

4 Match the words to make expressions from paragraphs 4 and 5.

- | | |
|------------|----------------|
| 1 banking | a) downturn |
| 2 economic | b) habits |
| 3 perfect | c) timing |
| 4 shopping | d) discounters |
| 5 economic | e) crisis |
| 6 powerful | f) woes |

5 Match the expressions in Exercise 4 to their meanings.

- i) retail organisations that sell cheap products and have a lot of influence on the market
- ii) where, when, how, etc. people usually buy things
- iii) when financial institutions were in extreme difficulty
- iv) when the time to do something is just right
- v) when sales, profits, etc. go down
- vi) when the economy is in difficulties

6 Why have own brands not been as important in Germany as elsewhere? (paragraph 5)

Over to you 1

In your experience, are own brands less good than name brands for these products?

- food
- cleaning products
- over the counter medicines (e.g. aspirin)

Over to you 2

Do name brands have a future in the face of store brands in your country? Why? / Why not?

BRAND LOYALTY IN CHINA

Before you read

Are you loyal to particular brands? Or are brands not important to you?

Reading

Read this article from the *Financial Times* and answer the questions.

FT

LEVEL OF DIFFICULTY ● ● ○

Chinese shoppers focus more on prices

by Patti Waldmeir in Shanghai

Chinese consumers are becoming more price-conscious, less brand-loyal and generally harder to please, according to a McKinsey survey that suggests competitive pressures are increasing in the Chinese consumer goods market. The report comes at a time when many multinational companies are counting on strong Chinese domestic demand to make up for global economic weakness.

Last month, retail sales in China grew by 23 per cent year-on-year, and consumer activity remains 'buoyant', despite signs of a slowdown in sales of some items such as cars, says Jing Ulrich of JP Morgan Securities. But consumer-goods companies will have to work harder to satisfy 'increasingly sophisticated' Chinese consumers, the report says. 'This is not an easy market,' says Max Magni of McKinsey in Shanghai, one of the authors.

'China is still a gold mine, but now there are thousands and thousands of miners that have discovered it.'

The conventional wisdom that Chinese consumers are more brand-driven than shoppers in more developed markets remains true. 'But the importance of brands, and brand loyalty specifically, is falling as the choices facing consumers multiply,' the report said. Chinese shoppers are markedly more value conscious than last year, and loyalty to particular brands is declining: the proportion of consumers who said they would continue to buy their existing food and beverage brand has halved.

But the weakening of brand loyalty could be good news for foreign companies, the report says, because shoppers are less nationalistic in choosing a brand: a small majority of those surveyed

showed no clear preference for brand origin. And premium brands could also benefit from a willingness to pay more for high-end products. The top 15 per cent of consumers will pay 60 per cent more for high-end consumer electronics and 300 per cent more for some personal care products.

If the trend continues, 'it will lead to the kind of polarised consumption patterns familiar in the West', between 'no-frills' goods and high-end products, the report says. Companies should compete at one or both ends of the market but avoid being stuck in the middle, it advises. Companies needed to differentiate more between regions too, the report says, noting that the traditional marketing strategy of classifying consumers by the size of the city they live in may no longer work.

1 Read paragraphs 1 and 2 and decide if these statements are true or false.

- a) Competition in the Chinese consumer-goods market is weakening.
- b) Multinationals are relying on sales in China to make up for lower sales elsewhere.
- c) Sales of consumer goods in China are increasing for all types of product.
- d) Max Magni compares China to a gold mine.
- e) He says that sellers of consumer goods in China will find it easier to make money in the future.

2 Find expressions from paragraphs 3 and 4 that mean the following.

- a) generally accepted ideas
- b) influenced by brands
- c) when someone buys the same brand each time
- d) aware of value for money
- e) putting one's country first
- f) the most expensive and prestigious
- g) top-of-the-range

3 Complete the definitions of the expressions in italics from paragraphs 4 and 5 by choosing the correct alternative.

- a) The *origin* (line 54) of a brand is ...
 - i) who buys it.
 - ii) where it comes from.
 - iii) who sells it.
- b) An example of *consumer electronics* (lines 59–60) is ...
 - i) TV sets.
 - ii) furniture.
 - iii) household goods.
- c) An example of a *personal care product* (line 61) is ...
 - i) washing powder.
 - ii) clothing.
 - iii) cosmetics.
- d) If a situation is *polarised* (line 63), it has ...
 - i) no extremes.
 - ii) two extremes.
 - iii) three extremes.
- e) *No-frills* (line 65) products ...
 - i) have lots of special features.
 - ii) are basic and cost less.
 - iii) cost more than other products.
- f) If a company is *stuck in the middle* (lines 69–70), it ...
 - i) makes lots of money from the mid-market.
 - ii) can't move to more profitable areas.
 - iii) doesn't serve any part of the market very well.
- g) If a company *differentiates* (line 71) between different regions, it ...
 - i) treats them differently.
 - ii) treats them the same.
 - iii) treats them indifferently.

4 Items a)–e) are short summaries of the paragraphs in the article. Put the summaries in the correct order.

- a) High demand, but consumers more sophisticated and competition very strong
- b) Trends for the future in two areas
- c) Main findings of a McKinsey report on brand loyalty in China
- d) Brand loyalty falling, but good outlook for expensive brands
- e) Brand loyalty falling and consumers more price-conscious

Over to you 1

What are the current consumer trends in your country? Are consumers becoming more price-conscious, or is brand loyalty more important?

Over to you 2

Describe some of the regional differences in consumer tastes and behaviour in your country.