

**Table 8.12 - Own brand shares (food only) for leading retailers, 1996**

<b>Names</b>	<b>Own brands market share</b>	<b>Number of items</b>
Franprix	28.0	n.a.
Casino	24.8	1800
Intermarché	24.7	2500
Géant	20.0	1800
Carrefour	18.9	1642
Monoprix	18.7	1800
Système U	18.5	985
Continent	17.8	1440
Stoc	16.2	650
Auchan	15.7	1500
Match	15.4	1100
Champion	15.1	1240
Leclerc	14.8	500
Cora	12.2	1224
Prisunic	11.7	550

*Source: Secodip-linéaires, 1997*

Table 8.13 illustrates the development of own brand market shares in supermarkets and hypermarkets:

**Table 8.13 - National brands, Own brand and low price items shares for supermarkets and hypermarkets**

	<b>1991</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
National Brands	80.6	75.0	75.3	76.0
Own Brands	14.7	17.1	17.4	17.1
Low price items	4.7	7.9	7.3	6.9

*Source: LSA, 1998*

Own brands growth is a major trend in the recent evolution of distribution. In 1995, own brands provided on average 20% of sales (25% of shelf space) compared to only 10% ten years before and the development goes on. Leclerc, for instance, which was initially opposed to own brand development (less than 7% of sales before 1997 were own brand), changed its strategy in 1997 and its goal is now to double its own brands turnover. Retailers try to reinforce the association between their name and their own products.

Table 8.14 gives own brands market shares for the main retailers in 1993.

**Table 8.14 - Own brand shares for leading retailers, 1993**

<b>Retailer</b>	<b>Own Brands Market Shares</b>
Monoprix	28%
Casino	25%
Intermarché	23%
Carrefour	22%
Auchan	19%
Leclerc	10%

*Source: GIRA, 1993-1994*

As noted above, retailers set higher margins on own brands than on other brands even if retail prices are lower. According to ICC 95, the mark up rate fixed by retailers is estimated on average at 23% of the turnover for own brands, 15% for low price products and 14.5% for national brands. Moreover, shelf space profitability is higher: if the gross mark-up per square meter of shelf space index is 100 then own brands profitability is 123, low price items profitability is 63 and national brands profitability is 103.

## **8.5 Internationalisation**

Internationalisation has been an important feature of French hypermarket and supermarket chains. There are two main reasons why such internationalisation exists. First, the French food retail market is fairly saturated, and, in particular with the Raffarin law recently introduced, future hypermarket or supermarket growth within France is more difficult. Second, international subsidiaries tend to be more profitable than domestic ones, particularly in countries in southern (or eastern) Europe where large store development lags behind. In fact, French companies began moving into other countries in the early 1970's and this process has continued ever since.

Table 8.15 shows foreign turnover by leading retail groups in 1997. Much of the expansion has been undertaken by Carrefour (which also acquired Comptoirs Modernes in 1997 and has a 41% stake in Cora), Promodès and Auchan. Carrefour, for example, opened its first hypermarket 'Pryca' in Spain in 1973 (in Barcelona) and now has 56 'Pryca' stores. Promodès moved into Spain in 1976 and now has 52 hypermarkets 'Continente', 1,830 discount stores 'Dia' and 33 cash and carries 'Puntocash'. Non-integrated groups such as Leclerc have been slower to start International development although Leclerc now has 11 stores abroad. Intermarché recently bought 75% of Spar, the fifth largest German distribution group.

**Table 8.15 - Foreign turnover of leading French retail groups, 1997**

<b>Groups</b>	<b>Foreign turnover (FFr bn.)</b>	<b>% of Total Turnover</b>
Carrefour	62.7	40.5%
Promodès	37.0	35.7%
Auchan	23.5	19.5%
Cora	11.0	24.0%
Casino	8.5	11.5%
Comptoirs Modernes	2.0	7.0%

*Source: Linéaires, trade estimates*

Greece and Italy offer real growth prospects to the extent that a strict legislative system has delayed retail trade evolution for a long time. East European countries, which represent 70 million consumers, offer new outlets for the largest French groups. In particular, Poland is an emerging market with an underdeveloped market structure and growing consumers' buying power. Casino, Auchan and also some non-integrated groups have already begun to settle in Poland. As this trend continues, companies such as Carrefour and Promodès will look increasingly to buying supplies on an European (or even global) level, and this will heighten the buying power of such groups.

## **8.6 Products**

### *8.6.1 Washing Powders and Detergents*

The market for washing products in France represents 60% of the detergents' market. It is quite strongly segmented, as each brand exists in several formats (standard powder, liquid, concentrated, and recently tablets) and in various container sizes. This segmentation is a central issue in the negotiations between producers and retailers: producers develop innovations to bring about market growth, and they create a number of new reference points, whereas retailers face increasing difficulties in handling this product proliferation and the ensuing complexity of the range of products. More particularly, the launching of compact powders initially suited both producers and retailers because of the potential growth it offered and because of the decrease of logistic costs it was supposed to bring. Yet it did not seem to suit consumers, since nearly 50% of them now still buy standard powder, as shown in Table 8.16. The number of reference points listed by retailers has thus increased: there are about 130 reference points in the average hypermarket, and about 85 in the average supermarket.