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Smart Intelligence for Grocery Retail in Europe

Amazon Accelerates Private Label Development

by **Lisa Byfield-Green (Senior Retail Analyst)**, on 07-Dec-2017 13:40:03

Amazon is accelerating development of FMCG private label lines across a number of categories, with new product launches in recent weeks. Lebensmittel Zeitung has learned that there are up to 70 private label SKUs currently in the pipeline for Europe, all of which will be available for purchase exclusively by Amazon Prime members.

The focus for the retailer is private label lines in categories including ambient grocery, household, baby and pet, that can be launched across multiple markets to sit alongside manufacturer brands. In Europe, the Mama Bear brand is already present across all Amazon markets for baby wipes and the Presto! brand has been launched for household paper products in the UK and France. Most items are currently sold in multipacks.

Meanwhile, in the US the retailer is slightly further along with its private label development. Here the Mama Bear brand is used to sell nappies, nappy bin refills and baby laundry detergent. Baby wipes are sold under the Amazon Elements brand. The Presto! brand is being used for toilet tissue, kitchen towels, laundry detergent, dishwasher tablets, washing up liquid and hand soap. Meanwhile the company is continuing to develop its US Wickedly Prime line for ambient grocery and now has 16 items listed. Finally in recent weeks the AmazonFresh freshly ground coffee brand launched in the US, with eight varieties currently being sold. The latter two brands are yet to appear outside of the US market.

amazon.com
Amazon recently launched 8 varieties of freshly ground coffee under the AmazonFresh brand in the US.

Getting Serious About FMCG

If Amazon is serious about FMCG then it needs to address its major weakness within the category – relying on partner retailers to supply many of the everyday essentials that shoppers want to buy. Excluding discounters, the leading grocery retailers in Europe typically achieve 20-25% of sales from private label lines, so with just 70 SKUs currently in the pipeline Amazon has a long way yet to go. Its past efforts have also not been entirely successful (although no doubt the company learned valuable lessons from the launch and subsequent withdrawal of Amazon Elements products in the US). Yet Amazon's acquisition of Whole Foods in August was a huge step in bridging the expertise gap, giving the retailer the opportunity to sell Whole Foods private label lines on its site, which it already does in the US and UK, and valuable expertise to drive progress. At the same time work had evidently been underway on its own private label development, which it now appears to be accelerating.

For manufacturers this latest strategy presents valuable opportunities to partner with Amazon to bring new products to market. Amazon's presence was noted by LZ Retailytics earlier this year at a European event for the Private Label Manufacturers Association. The private labels Amazon has launched to date appear to be focused on quality, sustainability and aiming to offer an alternative to other well-known brands. This gives shoppers more choice. It also creates a USP for Amazon and makes price comparisons more difficult. The move to make its brands available only to Prime members certainly adds an element of exclusivity, although this could also limit the retailer's sales, particularly in smaller markets where Prime membership is not so well-established.

For retail competitors and Amazon's existing partners such as Morrisons, Tegut and Feneberg, this latest direction of course poses a threat. Although a long-term rather than short-term one, as Amazon will need to roll out significantly more brands in order to really make an impact. For the time being, it will continue to rely on these retail parters, who must also already realise that was only a matter of time until Amazon built the expertise to develop private label lines for itself.

With input from Senior Retail Analyst Denise Klug