



Private Labels in the Latin American and Caribbean Grocery Market

An Analysis of Local Supply Chains and the Inclusion of Micro, Small, and Medium Enterprises, with a Gender Perspective

November 2024



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<https://www.idbinvest.org>

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Acronyms

APAC - Asia-Pacific

BRC - British Retail Consortium

BRCGS - Brand Reputation through Compliance

CA - Central America

CIPD - The Chartered Institute of Personnel and Development

CPI - Consumer Price Index

CPG - Consumer-Packaged Goods

DANE - National Administrative Department of Statistics (Departamento Administrativo Nacional de Estadística, in Spanish)

DEI - Diversity, Equity and Inclusion

ECLAC - Economic Commission for Latin America and the Caribbean

ESG - Environment, Social and Governance

FAUB - Faculty of Agronomy of the University of Buenos Aires

FIs - Financial Institutions

FMCG - Fast-Moving Consumer Goods

GAP - Good Agricultural Practices

GDD - Gender-Disaggregated Data

GMP - Good Manufacturing Practices

GPI - Gender Parity Initiative

GPFI - Global Partnership for Financial Inclusion

IFC - International Finance Corporation

IFS - International Featured Standards

IMF - International Monetary Fund

LAC - Latin America and the Caribbean

MITA - Master's Degree in Food Technology

MFI - Monetary Finance Institution

MSMEs - Micro, Small and Medium Enterprises

NGOs - Non-governmental organization

OECD - Organization for Economic Co-operation and Development

PL - Private Label

PLMA - Private Label Manufacturers' Association

PLs - Private Labels

SGBs - Small and Growing Businesses

SDGs - Sustainable Development Goals

SMEs - Small and Medium Enterprises

SQF - Safe Quality Food

TI - Triple Impact

UN - United Nations

WEF - World Economic Forum

WMSMEs - Woman owned/led Micro, Small and Medium Enterprises

Definitions

Private Label (PL) product

The Private Label Manufacturers' Association (PLMA) defines private label (PL) products as any product sold under a retailer's name. These products may carry the retailer's name or a different brand created by said retailer. In some cases, large holding groups own different retail companies, enabling them to use different names or brands owned by said holdings².

Micro Small and Medium Enterprises (MSMEs)

An enterprise qualifies as a micro, small or medium A business qualifies as a micro, small or medium enterprise (MSME) if it meets two of the three following criteria, as proposed by the International Finance Corporation (IFC): a certain number of employees, annual sales and total assets (see table below). Because IFC's financial-market clients usually do not report consistently on these criteria for MSME borrowers, IFC uses loan size proxies to track lending from financial institutions to MSMEs. Proxies are based on loan amounts the businesses receive at origination³.

IFC MSME Definition			MSME Loan Size Proxy
Indicator	Employees	Total assets US\$	Loan size at origination
Micro Enterprise	<10	<\$100.000	<\$10.000
Small Enterprise	10-49	\$ 100.000 – 3 million	<\$100.000
Medium Enterprise	50-300	\$ 3 million – 15 million	<\$1 or 2 million*

*US\$2 million for more advanced countries including: Argentina, Brazil, Chile, China, Colombia, India, Korea, Mexico, Morocco, Peru, Russia, South Africa, Thailand, Tunisia, Turkey, and all EU accession countries—Poland, Hungary, Czech Republic, the Baltics, and Slovenia.

Woman-owned/led MSMEs (WMSMEs)

A business qualifies as a women-owned/led MSME (WMSME), if it meets the following criteria under the IFC WMSME⁴ definition:

- (A) >/ 51% owned by woman/women, OR
- (B) >/ 20% owned by woman/women; AND (i) has >/ 1 woman as CEO/COO/President/ Vice President; AND (ii) has >/ 30% of the board of directors composed of women, where a board exists.

Diverse Suppliers

Diverse suppliers, defined as at least 51% owned, operated and controlled by a minority, woman, LGBTQ+, veteran, service-disabled veteran, person with a disability, indigenous person, or as defined by the local country, contribute to building resilient supply chains. For the purpose of this report, the term is used to identify women owned or led businesses.

² (Private Label Manufacturers Association, 2022). The Private Label Manufacturers Association (PLMA) is a non-profit organization founded in 1979 to promote private label. It is the only organization of its kind, representing more than 4,000 member companies around the globe. Membership ranges from multinational corporations to small family-owned companies. Their products include food, beverages, snacks, health and beauty, household and kitchen, DIY and personal and leisure products. Some manufacturers only do private label. Others manufacture well-known brands, but also have private label operations. Visit: <https://www.plmainternational.com/>

³ (IFC, s.f.). Although some MSMEs apply other valid descriptions, we reference IFC's definition for the purpose of this report. <https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/definitions-of-targeted-sectors>

⁴ (IFC, 2023)

Executive Summary

This report aims to provide in-depth analysis of Latin American and Caribbean supermarkets' private label (PL) products and their impact on supermarkets' value chains and consumers, especially regarding product development and inclusion.

PL products have evolved from simple generic products to affordable, high-quality alternatives to leading national and international brands. Nowadays, PL products are an essential part of many retailers' strategies, offering customer attraction, retention, and competitive differentiation.

As more firms in the LAC region begin to market PL products, they present opportunities to improve access to goods and promote the active participation of local suppliers. This could be of particular benefit to micro, small and medium enterprises (MSMEs), which may become suppliers of PL products. Over the last decade, the adoption and consumption of PL products have seen a steady rise in the food retail sector, globally and across LAC⁵.

PL products have made substantial inroads in most European consumer markets and continue to take root in emerging economies like LAC.

Retailers often outsource the manufacturing of their PL products and rely on local MSMEs as suppliers. Data shows that benefits of sourcing from MSMEs include greater flexibility, cost savings, innovation, quality control, differentiation, sustainability, local impact and relationship building. Still, retailers must also adapt to the complex supply chain, and support MSMEs in overcoming financial challenges.

This report contains information gathered through primary research including interviews with leading retailers and their suppliers, as well as consumer and MSME surveys. Secondary research including a review of the available evidence and data complements these findings.

Seventeen percent of PL products in LAC fall within the food category⁶. By collaborating with retailers, MSMEs may improve productivity, sales volumes, business diversification, access to new transaction channels, efficiency, quality standards and processes.

However, suppliers also face challenges. About 30% of those surveyed reported a lack of awareness of opportunities or an absence of actual prospects to produce for PLs. Twenty-five percent of barriers perceived by MSMEs relate to price, either because of unprofitability or to retailers' price expectations. Sixteen percent of surveyed suppliers also highlighted access to financing as their main concern and 10% of respondents raised the obstacle of retailers' payment terms.

Other barriers stressed through the dialogue were technological challenges, production capacity, quality standards, and inadequate government policy and regulations to support MSMEs.

Responses from the consumer survey show a high adoption of PL products in LAC countries, with 32% of respondents regularly buying PL brands, 57% stating they sometimes buy PL products and only 4% reporting never having purchased these items.

This report highlights the benefits and challenges faced by LAC retailers, MSMEs, WMSMEs and consumers, while developing comprehensive, responsible PL value chains.



While we have detailed results throughout this survey, it's important to recognize key motivations behind consumers choosing a PL brand. Since 46% of consumers opt for lower prices and 42% of buyers are women, the statistics shed light on their specific needs.

Presently, women-owned businesses earn less than one percent of large companies' spending on suppliers⁷.

This report features a gender lens. It underscores the potential benefits that women owned/led MSMEs (WMSMEs) could reap as suppliers of PL products. Advantages for both WMSMEs and retailers include enhanced innovation, better brand value and greater investor attraction.

Yet, in LAC only 49% of women have bank accounts, no more than 11% have savings and just 10% have access to loans⁸. This creates constraints for their business activities and, in turn, limits their ability to grow their businesses.

Despite often having a better credit repayment record when compared to that of men, women often experience gender discrimination when applying for loans. Likewise, women usually lack collateral or property registered under their names. Finally, women frequently experience prejudice on the part of bank executives⁹.

While limited access to finance and gender bias are some of the known barriers to WMSMEs, the report delves into business informality and lack of regulatory support as well.

On the other hand, retailers also face roadblocks, such as difficulty in identifying and including WMSMEs in the supply chain and lack awareness of potential benefits in doing so.

Since only 13% of LAC MSMEs are women owned/led, compared to the global average of 23%, the region remains in the early stages of progress¹⁰.

Cases of six supermarkets are also detailed in the report, along with important takeaways and responses. Highlights include individual challenges faced by each company and how they build sustainable, responsible supply chains, winning strategies and future plans.

The report highlights the benefits and challenges faced by LAC retailers, MSMEs, WMSMEs and consumers, while developing comprehensive, responsible PL value chains. The in-depth analysis and practical insights provided in the report serve as a valuable guide for stakeholders seeking to harness PL products' growth potential across the region.

⁷ (Chin, 2017)

⁸ (UN Women, 2021)

⁹ (UN Women, 2021)

¹⁰ (SME Finance Forum, 2018)

01

INTRODUCTION

IDB Invest, the private arm of the Inter-American Development Bank Group, supports retailers offering their own generic goods. These products tend to represent lower-priced alternatives than traditional international or national brands, while still maintaining high-quality standards. As more companies in LAC embrace Private Label (PL) products, there is greater access for consumers and better participation of local firms as suppliers, especially among Micro, Small and Medium Enterprises (MSMEs).

Private labels, also referred to as “store brands” or “own labels”, is a term coined to reference brands that are fully owned, controlled and sold exclusively by retailers¹¹. Although some retailers outsource the manufacturing of their PL products, they exercise ownership and the

right to market the products. Retailers remain responsible for their management throughout their lifecycle¹². Retailers value their suppliers’ experience and capabilities for the end-to-end manufacturing of their PL brands¹³.

Private labels can be traced back to the 19th century, born as a competitive response to high-priced national brands. The objective was to produce affordable and cost-saving products¹⁴. As a response to the growth and expansion of discount brands, food retailers started to develop PLs of their own¹⁵. Over the years, PLs have progressed from initially providing a lower-cost option to shoppers, to evolving and developing exclusive products aimed at boosting brand loyalty¹⁶. They can be categorized into four groups¹⁷:



FIRST GENERATION – “GENERIC”

The initial approach was to produce basic, low-cost, and generic products, less refined in terms of the quality, branding and technology involved in production.



SECOND GENERATION – “QUASI-BRAND”

This iteration focused on offering the lowest price with better quality, yet still lagged in quality, production technology and consumer perceptions.



THIRD GENERATION – “OWN BRAND”

Retailers expanded their selection of goods, very similar to leading brands, and closed the gap in quality, image and adoption, yet still at a discount.



FOURTH GENERATION – “EXTENDED OWN BRAND”

PLs have improved their status among consumers, as retailers distinguish their brands with added value, enhanced quality, image and product innovation.

¹¹ (Kumar & Steenkamp, 2007)

¹² (Asawa, 2021)

¹³ (Woronda, 2021)

¹⁴ (Fitzell, 1982)

¹⁵ (Cuneo, Milberg, Benavente, & Palacios French, 2015)

¹⁶ (CGS, 2018)

¹⁷ (Laaksonen & Reynolds, 1994)

1.1 OBJECTIVES

The main objective of this report is to provide an in-depth analysis of food retailers, also known as supermarkets, with regard to their PLs, and the impact they generate in their value chains and consumers, especially with respect to PL product development and inclusion. The report focuses on supermarkets in the LAC region, their MSME suppliers and a broad cross-section of consumers. It aims at creating stakeholder awareness by acknowledging the benefits PLs bring to customers, retailers and suppliers. This report offers a deep understanding of the current state of PL products' consumption, as well as strategies for retailers to incorporate MSMEs into their supply chain, while generating new business opportunities.

The report seeks to offer a perspective that supports regional dialogue and future assistance to retailers who currently produce or plan to begin PL production. This report also provides a comprehensive view of consumer perceptions, a deep understanding of

buyers' behaviors and highlights the challenges and opportunities faced by local MSMEs in the PLs' supply chain. A diversity, equity and inclusion (DEI) perspective provides a better understanding of the current state and opportunities the PL supply chain presents for WMSMEs, as well as the barriers they may encounter in the process.

Finally, the report provides insights and recommendations for retail companies looking to develop PL brands with an inclusion lens. In sum, the report serves as a guide for retailers in the LAC region who may be considering the benefits of having a more inclusive and diverse PL value chain, especially one that includes MSMEs and WMSMES in their ecosystem.



02

METHODOLOGY

2.1 OVERVIEW

To achieve its objectives, the study combined primary and secondary research sources. Initial surveys generated data regarding PL strategy and execution from prominent LAC food retailers. Twenty-five interviews were conducted with suppliers of participating retailers, 1,020 consumers were surveyed and 237 MSMEs from ConnectAmerica's network also participated. Case studies focused on

some of the most relevant LAC retailers, who also provided access to their MSMEs/WMSMEs' PL products suppliers.

Additional research provided context on perceptions and behavior of LAC buying customers regarding PLs. These findings were strengthened by secondary research, such as an evidence review into the state of LAC PLs, and their effect on consumers, stakeholders and the retail value chain.



2.2 PRIMARY RESEARCH

One main objective of the primary research was to understand the supply and demand of PLs in the region. To accomplish this, interviews and primary data collection were conducted with a sample of five major LAC retailers, as well as through consumer and PL supplier surveys. All of the retailer data collected and analyzed in this report was as of December 31, 2022. Further details regarding these companies and their PL experiences are addressed in **Section 4 – Case Studies**. From multinational groups to successful, local operations, retailers within the range of this research are:

Graph 2.2 Retailers Participating in the Study



Ta-Ta Supermarkets (Uruguay)

Ta-Ta is a major player in Uruguayan retail including hypermarkets, supermarkets, specialized apparel, home appliances stores and their respective e-commerce platforms. With 121 stores across the country, Ta-Ta employs more than 5,000 employees.

<https://www.tata.com.uy/>

Grupo La Anónima (Argentina)

Operating for more than a century, La Anónima is Argentina's fourth largest supermarket and the nation's second biggest retailer. La Anónima has 167 stores in 87 cities and employs some 11,000 workers.

<https://www.laanonima.com.ar/>

Grupo Éxito (Colombia)

Grupo Éxito is the leading retail platform in South America, with a presence in Colombia, Argentina and Uruguay. In Colombia alone, the company has 515 stores across 23 provinces and approximately 35,000 employees¹⁸.

<https://www.grupoexito.com.co/es>

Walmart (Mexico and Central America)

Walmart is one of the most important LAC retail chains, with operations in Mexico, Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica. Close to 231,000 associates work in its numerous outlets, including discount stores, supermarkets, bodegas, hypermarkets and members' only price clubs.

<https://www.walmex.mx/>

Carrefour (Argentina and Brazil)

One of the world's largest retailers, Carrefour operates in the LAC region in Argentina and Brazil. It's been in operation for almost 40 years in Argentina, where it manages 84 hypermarkets, 97 supermarkets, 414 convenience stores and 10 cash and carry stores. In Brazil, its network includes 100 hypermarkets, 54 supermarkets, 144 convenience stores and 249 cash and carry stores.

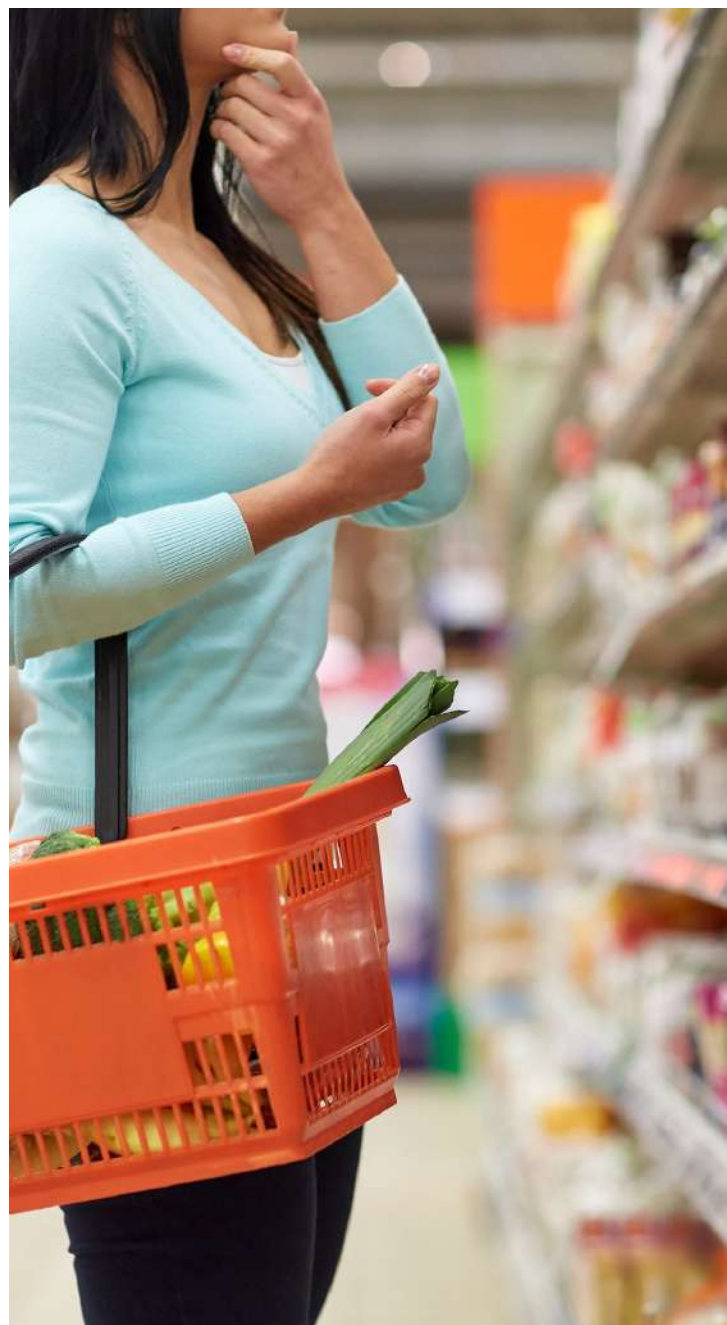
<https://www.carrefour.com.ar/>

<https://www.carrefour.com.br/>

Interview process

Virtual interviews were conducted as part of the primary research. Quantitative and qualitative evidence around PLs was collected to gain a greater understanding of current strategy and value chains. A questionnaire guideline was designed to conduct the interviews. Later, specific questions were adapted for interviewees by different retailers and their PL suppliers. Additional questions were formulated based on PL strategies and publicly disclosed information from retailers.

Retailers' interviewees included supply chain, PL and sustainability managers. Executives responsible for supplier development programs and gender initiatives were also interviewed. PL supplier interviews were typically conducted with general or commercial managers, several of whom were founders of their respective firms. Participating suppliers were referred by each retailer. Retailers' executives and staff provided company overviews and PL strategies, as well as benefits and challenges of PL manufacturing from a MSME/WMSME perspective.



Each participating retailer conducted at least three interviews with their internal teams and four with their PL suppliers (**see more in the Appendix- Interviews details**). This resulted in data from companies in different regions, at varying stages of development and size, and covering a variety of PL products. Once completed, each retailer's insights were analyzed, thus building the unique case studies presented in **Section 4 – Case Studies**.

Surveys

Several surveys were designed and deployed specifically for this study.

First, a consumer poll was conducted to understand LAC consumer attitudes towards PLs. This survey used online panelists chosen by a global software leader in digital insights and research technology¹⁹. The software aggregated and selected research samples from a mixed panel to ensure an unbiased representation of respondents. Participating countries included Argentina, Brazil, Chile, Colombia, Ecuador, Guatemala, Honduras, Mexico, Peru and Uruguay.

A balanced sample of screened participants from each country, based on age, gender and income level was used. A total of 1,020 surveys were carried out, including 100-103 respondents from different income levels per country (**See details in the Appendix- Survey details and definitions**). There were no demographic quotas, as the market profile of the target audience was unknown. Controls²⁰ were put in place to prevent multiple survey submissions and to validate response quality.

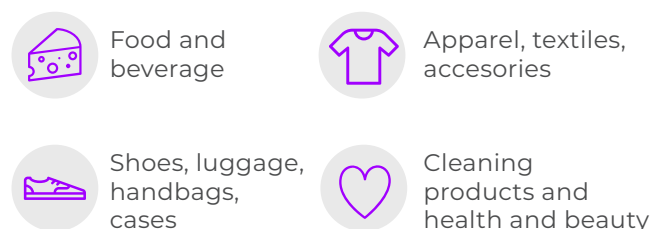
A total of
1,020 **surveys were collected**
with an average of
100 respondents per country.

To understand the MSME/WMSMEs perspective on producing PLs for major retailers, a survey was launched from two different databases with a total of 237 participants (**see details in Appendix- MSMEs/WMSMEs Survey**).

An additional survey database was initiated in collaboration with **ConnectAmericas**, a social network created by the IDB to promote foreign trade, international investment and strengthen

MSMEs businesses. For this survey, MSMEs within the following categories were invited to participate:

For this survey, MSMEs within the following categories were invited to participate voluntarily:



The survey was anonymous and assessed points of view, barriers, and opportunities of either being, becoming or having been PLs suppliers. Participating MSME suppliers were segmented pursuant to International Finance Corporation (IFC) criteria as specified above in **Definitions**.

Limitations of Primary Research

Biases may exist because the primary research was limited to willing, uncompensated participants and a relatively small sample size. The voluntary participation of retailers may also reflect partiality, although the sample is diverse in terms of retailer origin, which includes large corporations from the United States (Walmart) and Europe (Carrefour) as well as relevant local companies.

A possible selection bias may also be present, as retailers recommended which suppliers were to be interviewed. Also, available data was subject to access granted by stakeholders and their willingness to be interviewed. As a result, other potentially relevant insights, strategies, barriers and challenges might not have been identified.

¹⁹ (Cint, 2024). To learn more about Cint visit <https://www.cint.com/>

²⁰ There are two primary controls to prevent multiple surveys: 1. All panelists have a unique ID and may not take the survey again (controlled at the panel company – no multiple invitations/completed interviews); and 2. The same IP address may not be used to take multiple surveys, so only one survey per device (controlled by Field Agent system).

2.3 SECONDARY RESEARCH

An evidence review was conducted to complement the primary research. Publicly available data was analyzed to understand the state of PLs in the LAC market. A detailed review of academic papers regarding consumer perceptions and adoption of PLs was carried out. Evidence and empirical information on the impacts, benefits and challenges generated by PLs, both from retailer and supplier perspectives were compiled, with an additional analysis through a gender lens.

It is important to acknowledge the possible shortcomings of the data gathering and analysis performed in this study. Efforts were made to mitigate deficiencies in data gathering, surveys and interviews.

A set of references to classic publications from renowned experts in the origin and early development of PLs were used, along with analysis revealing recent trends over the last few years.

03

PRIVATE LABELS IN THE LAC REGION

3.1 LAC REGION OVERVIEW

The LAC region stretches from Mexico and Central American countries in the north to Argentina and Chile in the south, including islands located in the Caribbean Sea and the Atlantic Ocean.

More than 50% of all MSMEs in the region are concentrated in the retail and wholesale trade sectors, such as food, clothing, and other goods. Approximately 25% are involved in a wide range of manufacturing activities, including food and beverages, clothing and furniture production. Services account for another 20%, including transportation, accommodation, and food services²¹.

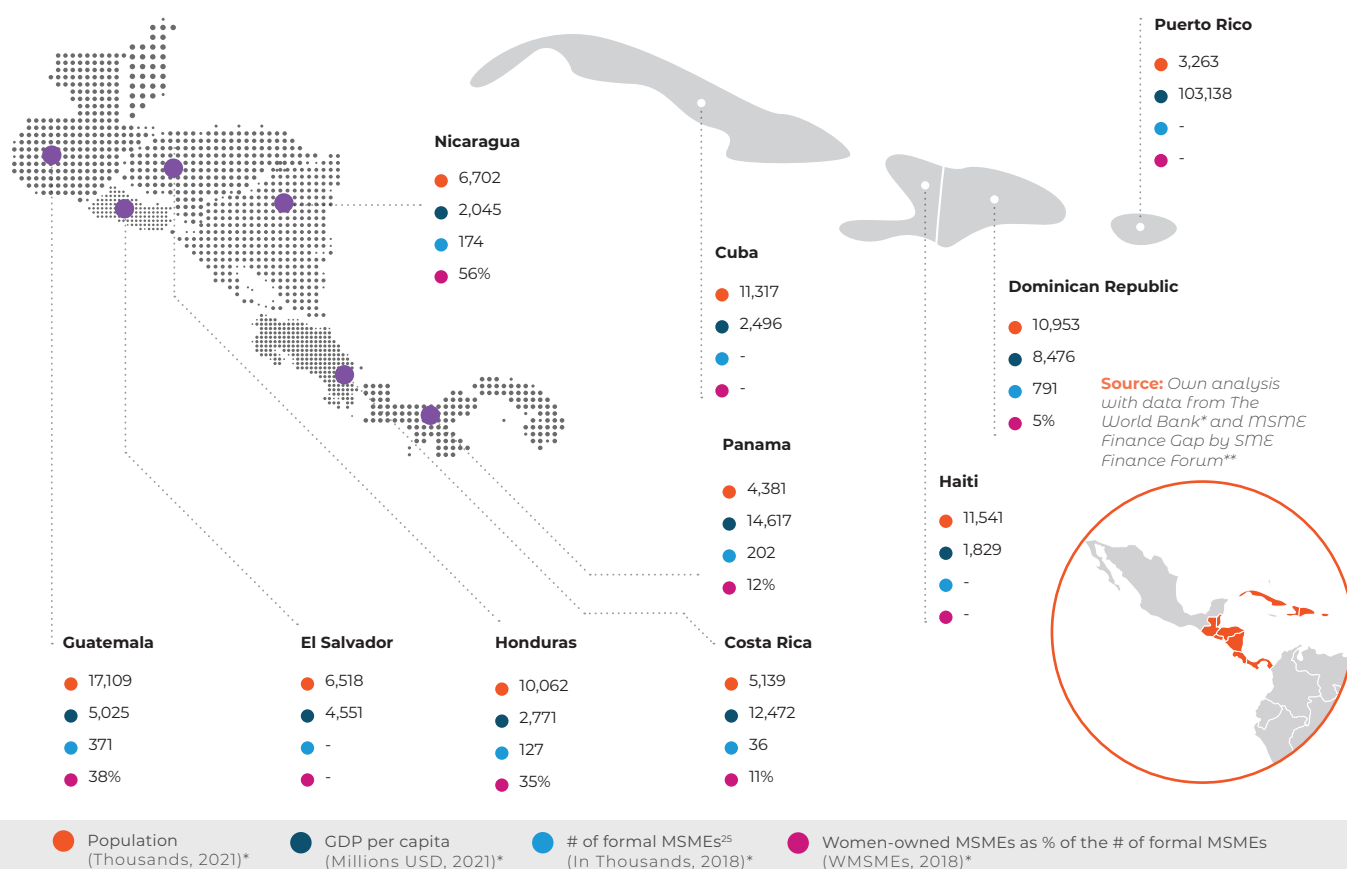
These segments are attractive to MSMEs because they offer low entry barriers (limited capital), enjoy a growing demand and reward firms that are flexible and adaptable to change.

WMSMEs are more likely to operate in the retail and wholesale, agriculture, and manufacturing sectors than male owned MSMEs. They are also usually smaller in size (microenterprises) than male owned MSMEs²².

About 60% of MSMEs in the region are informal, meaning that they do not comply with all the legal requirements for business²³. Informal economy accounts for about 40% of the LAC GDP²⁴, as result of high level of taxes and regulations, lack of access to finance and years of developing a culture of informality.

Graph 3.1.1 Regional MSME Snapshot

Central America and the Caribbean



²¹ (CEPAL, 2018)

²² (World Bank, 2021)

²³ (ILO, 2019)

²⁴ (ECLAC, 2020)

²⁵ The MSME Finance Gap defines MSMEs as those enterprises with less than 10 and up to 250 employees.

Brazil



- 213,993
- 7,507
- 15,738
- 5%

Mexico



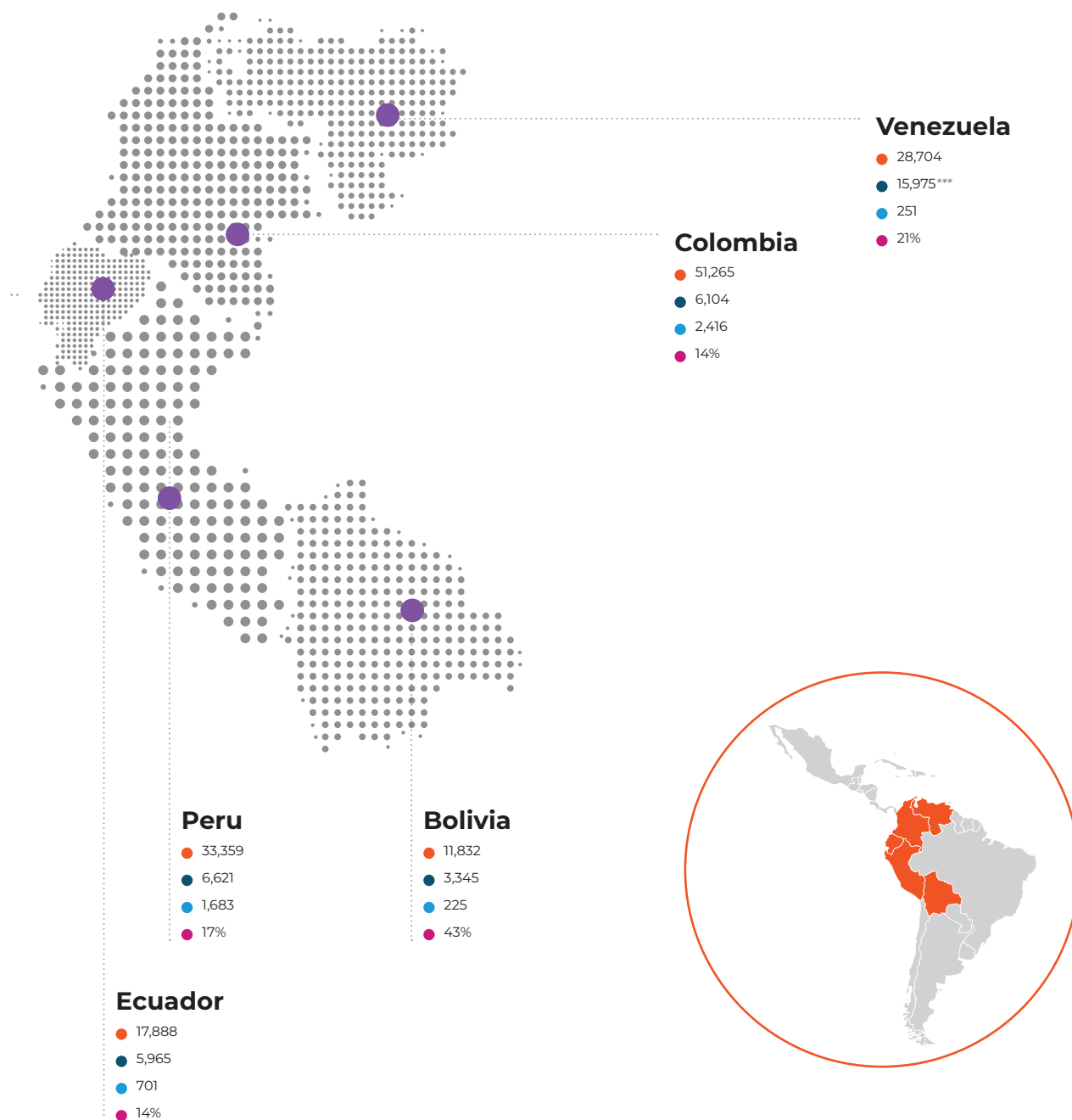
- 130,262
- 10,045
- 4,132
- 30%



Source: Own analysis with data from The World Bank* and MSME Finance Gap by SME Finance Forum**

● Population (Thousands, 2021)*
 ● GDP per capita (Millions USD, 2021)*
 ● # of formal MSMEs (In Thousands, 2018)*
 ● Women-owned MSMEs as % of the # of formal MSMEs (WMSMEs, 2018)*

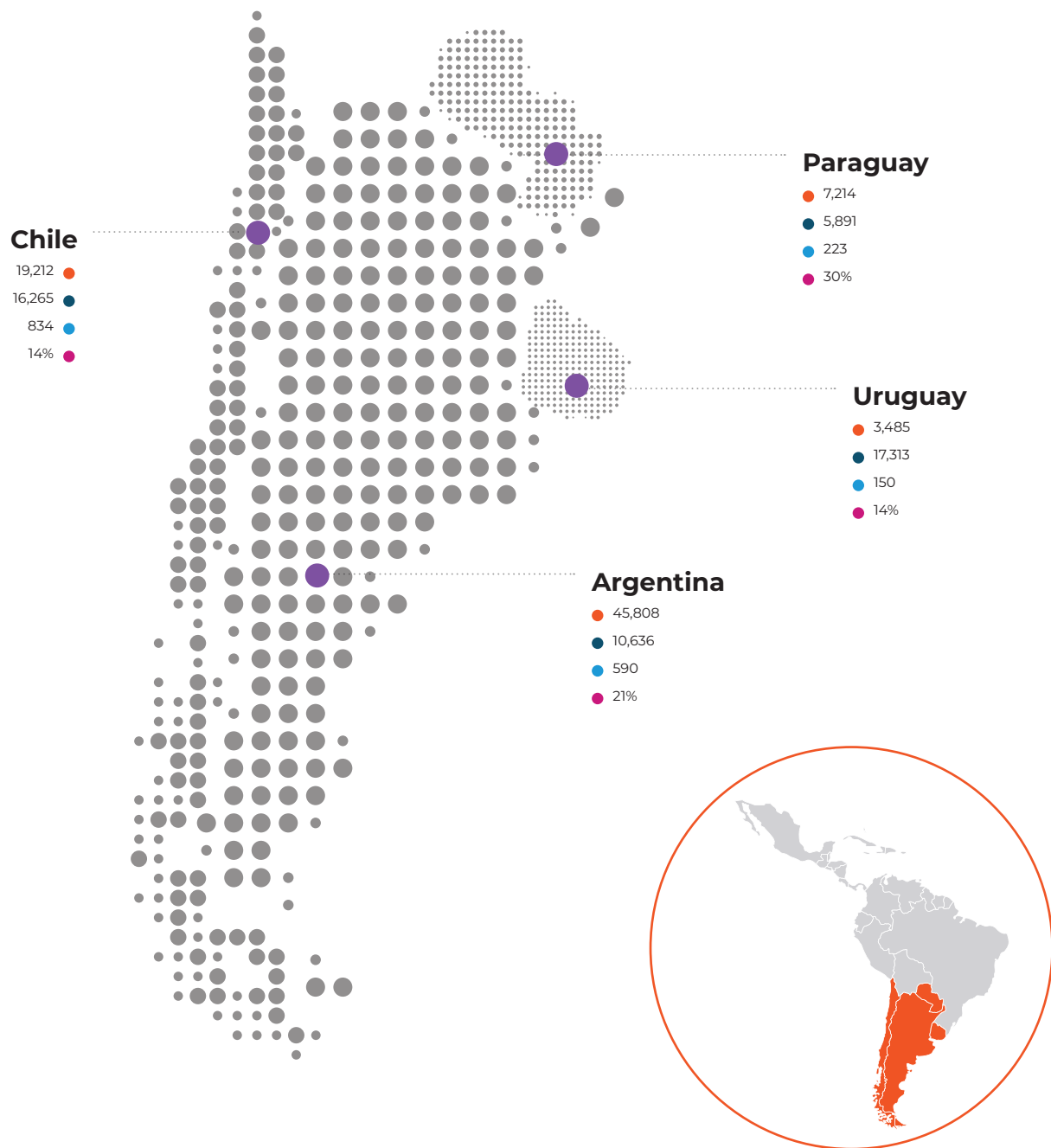
Andean Region



Source: Own analysis with data from The World Bank*, MSME Finance Gap by SME Finance Forum**, and Data available for 2014***

● Population (Thousands, 2021)* ● GDP per capita (Millions USD, 2021)* ● # of formal MSMEs (In Thousands, 2018)* ● Women-owned MSMEs as % of the # of formal MSMEs (WMSMEs, 2018)*

Southern Region



Source: Own analysis with data from The World Bank* and MSME Finance Gap by SME Finance Forum**

● Population (Thousands, 2021)*
 ● GDP per capita (Millions USD, 2021)*
 ● # of formal MSMEs (In Thousands, 2018)*
 ● Women-owned MSMEs as % of the # of formal MSMEs (WMSMEs, 2018)*

MSMEs are a fundamental part of the LAC economy, comprising 99.5% of businesses in the region and generating 60% of formal productive employment²⁷. With approximately 315 million formal MSMEs worldwide, the LAC region represents roughly 9% of this figure, with a stronger presence in Brazil, Mexico, Peru and Colombia²⁸. **(See Macroeconomic Information of Latin America and Caribbean Countries on the maps above).**

During interviews conducted as part of this study, MSMEs managers mentioned new business opportunities often emerged once retailers started incorporating their PLs. Increasingly, retailers and MSMEs work together to develop private labels that meet consumer needs.

This collaboration is essential for private label brand success, as it allows retailers to tap into the expertise of MSMEs in product development and manufacturing²⁹. For the LAC region, there is no formal data on the presence of these businesses in the PL value chain. However, our primary research with large retailers shows that MSMEs have a strategic relevance and high presence within their PL value chains. **(Read more in Section 3 – Private Label Value Chain).**

The share of women entrepreneurs (WMSMs) worldwide is on the rise, increasing from 25% in 2016 to 28% in 2021³⁰ according to the Global Entrepreneurship Monitor (GEM), a research network which tracks these trends in more than 100 countries.

The Mastercard Index of Women Entrepreneurs (MIWE), a global index measuring the economic participation of businesswomen, stated in its latest report that the number of women entrepreneurs worldwide increased by 10% between 2020 and 2022.

Within the LAC region, Argentina and Brazil have the highest percentage of WMSMEs. In contrast, Guatemala and Nicaragua have the lowest numbers. Additional studies show WMSMEs account for 37% of Global GDP³¹. Globally, women's ownership of new businesses has been growing in newly registered firms, but women still face challenges and barriers when starting their own business. According to the World Bank, the rate of women-owned businesses varies from 18% in South Asia to 50% in Latin America and the Caribbean³². **(See more in Section 3.4 -Private Labels and WMSMEs).**

Table 3.1.2 Percentage WMSMEs in LAC³³

Country	% of firms with women's participation in ownership per country
Argentina	57.8%
Barbados	37.4%
Brazil	50.2%
Colombia	36.9%
Costa Rica	43.5%
Dominican Republic	38.2%
Ecuador	38.6%
El Salvador	36.1%
Guatemala	29.6%
Haiti	33.3%
Honduras	34.1%
Jamaica	38.2%
Mexico	39.3%
Nicaragua	32.9%
Panama	37.4%
Paraguay	36.3%
Peru	35.9%
Uruguay	37%
Venezuela	36.7%

Source: own construction with data from the [Country Gender Landscapes](#) on the Gender Data Portal of the World Bank

²⁶SSME Finance Forum, The SME Finance Forum was established by the G20 Global Partnership for Financial Inclusion (GPFI) in 2012 as a knowledge center for data, research, and best practice in promoting SME finance.

²⁷(OECD & CAF, 2019)

²⁸World Bank Group 2022, SME Finance Forum 2018, & IFC, 2017)

²⁹(Food Market Institute, 2019)

³⁰(The Global Entrepreneurship Monitor, 2021)

³¹(Mastercard, 2022)

³²(Halim, 2020)

³³(World Bank, 2017)

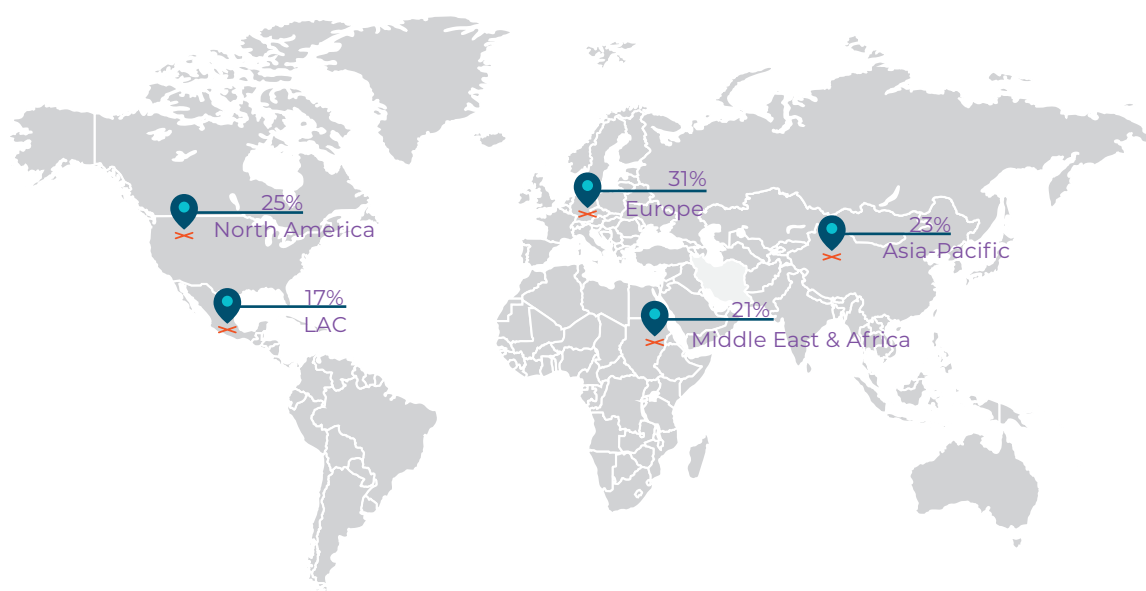
3.2 PRIVATE LABELS AND CONSUMERS

The adoption and consumption of PLs steadily increased over the last decade, both globally and in the LAC region, particularly in the food retailing sector³⁴. PLs have made substantial inroads in most European consumer markets, and they are now beginning to take hold in emerging economies like LAC³⁵.

When it comes to the consumption of PLs in the food category, data from the Global Consumer Survey shows that LAC adoption is smaller than in other regions.

The graph below illustrates how European consumers tend to opt more towards PLs when purchasing food products compared to those in the LAC region.

Graph 3.2.1 Percentage of Private Label Brands in the Food Category

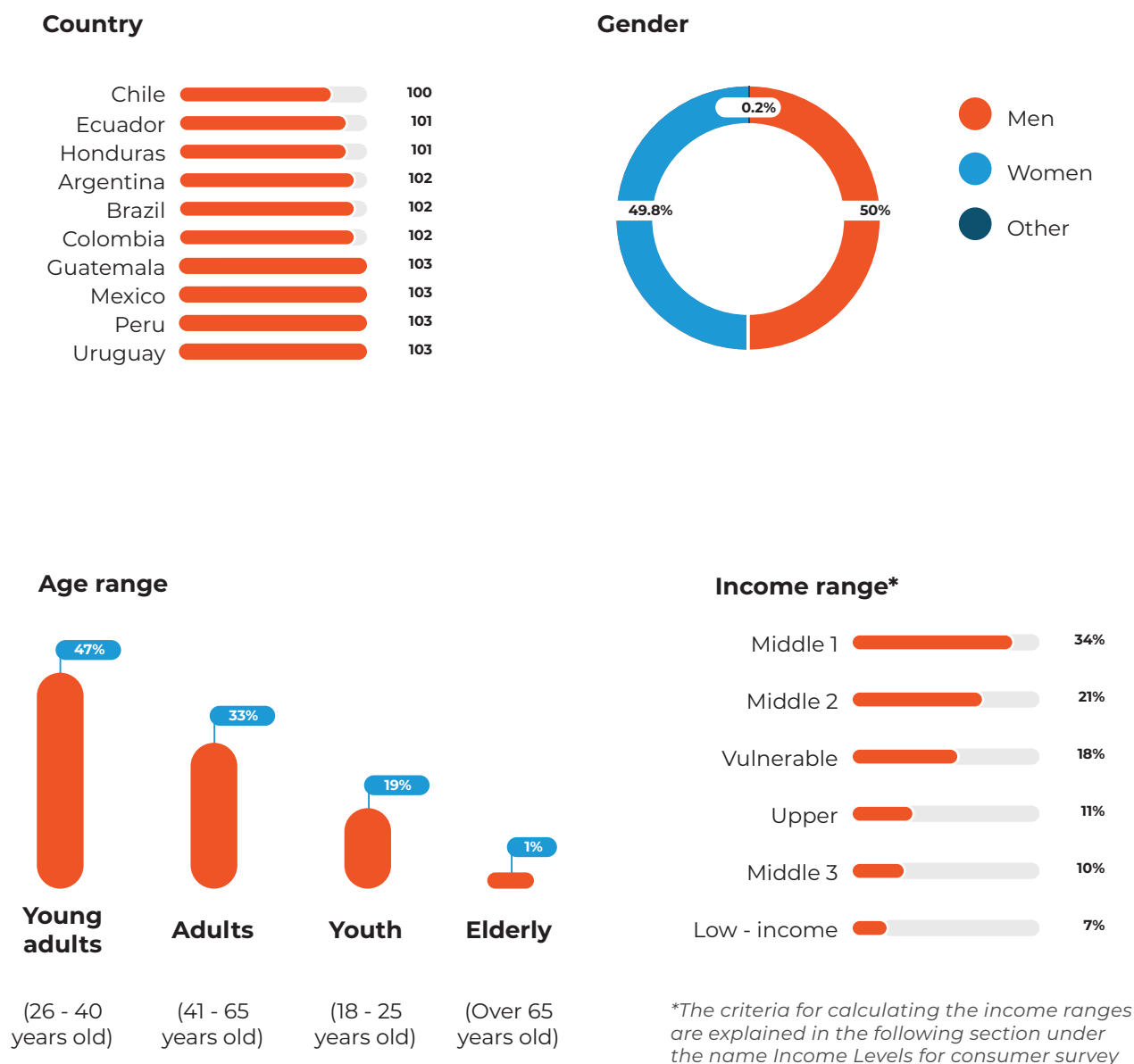


Source: Own analysis with data from Global Data Q3 2021 Global Consumer Survey

Graph 3.2.2 Sociodemographic characteristics of the survey respondents

The study included a consumer survey. The survey boasted a balanced sample of screened participants from each country based on age, gender, and income level.

The sociodemographic characteristics of the 1,022 sampled participants are shown below:



Source: Own analysis with data from primary research (n=1020)

(See details in the Appendix- Survey details and definitions).

Responses³⁶ from the consumer survey show a moderate adoption of PLs in all categories within LAC, with 32% regularly buying PLs, 57% of respondents sometimes selecting private labels, and only 4% never having purchased these products.



of respondents **regularly**
buy PL products



of respondents **sometimes** **buy** PL
products



of respondents **have**
bought in the past PL
products



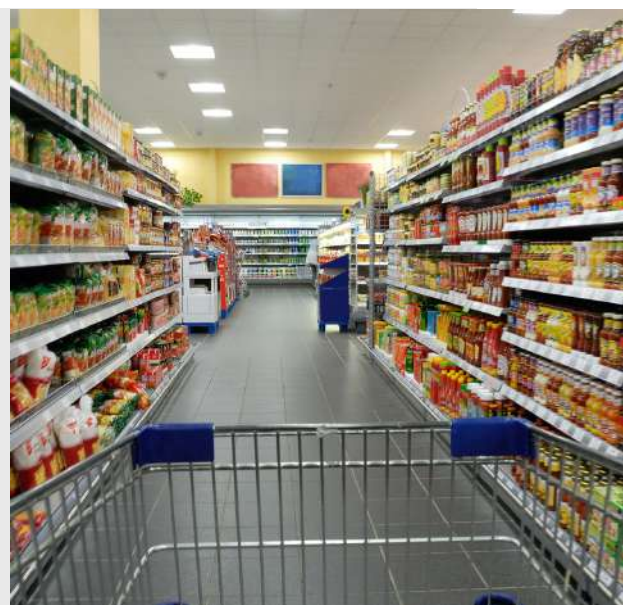
of respondents **never**
have purchased PL
products

Graph 3.2.3 Respondent statements that best describe PL products

How often do you buy store's own brand products³⁷?

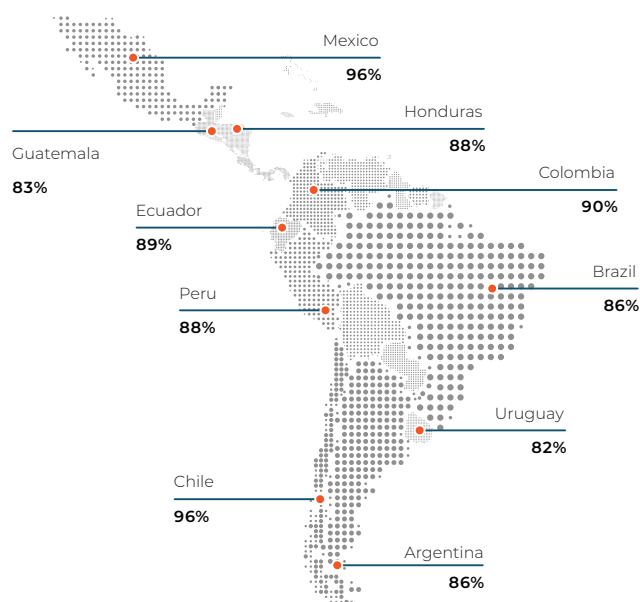


Source: Own analysis with data from primary research (n=1020)



The adoption of PL products varies across assessed countries, as shown in Graph X - % of PL consumer adopters.

Graph 3.2.4 % of PL consumer adopters



Source: Own analysis with data from primary research (n=1020)

Some insights from the consumer survey.

- The highest PL consumer adoption rates were found in Chile and Mexico with 96% of respondents stating that they regularly/sometimes buy PL products.
- When analyzing consumer behavior in countries with lower PL consumption, Uruguayan respondents show the lowest purchase rate. Indeed, 14% of Uruguayan survey participants stated that they have purchased PL products in the past, but currently do not.
- Guatemalan respondents showed the lowest PL acceptance rate, with 10% respondents having never purchased PL products.
(See more details on PL consumer behavior in the Appendix- Consumer survey).

As for frequency, more than 60% of LAC consumers responders said they buy PL products most or all the time when grocery shopping. Only 1% stated that they almost never buy PL brands.

Graph 3.2.5 Frequency of PL Product Purchases



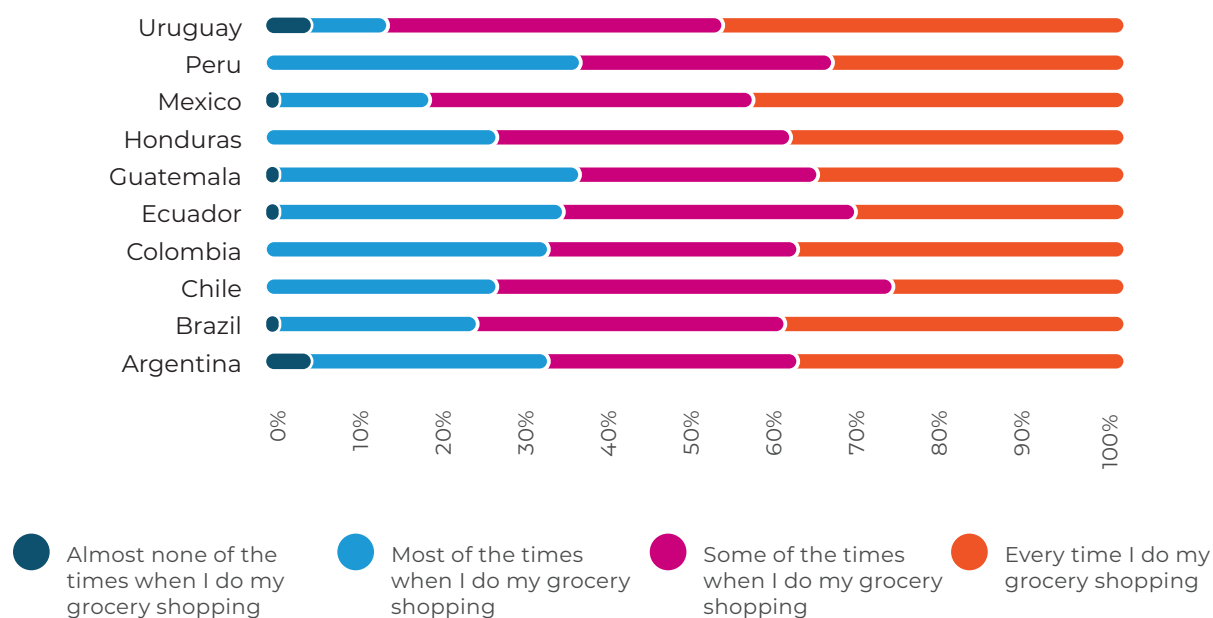
Source: Own analysis with data from primary research (n=1020).

When analyzing the frequency of PL purchases by country, the data showed that more than 40% of consumers in Uruguay and Mexico 'always' buy these products when grocery shopping. About one third of consumers in all countries choose them 'sometimes'.

More than 5% of Argentinian and Uruguayan respondents reported they 'almost never' include PLs in their grocery purchases.

Graph 3.2.6 Frequency of PL Product Purchases by Country

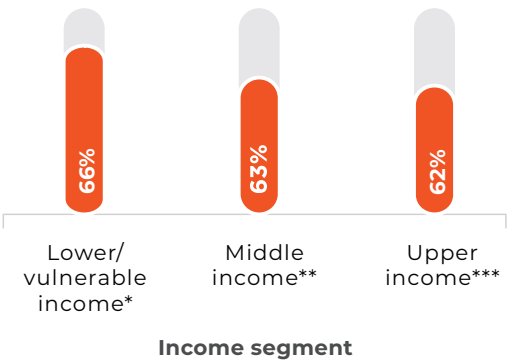
How often do you buy PL products?



Source: Own analysis with data from primary research. Sample size is 1022 respondents.

Graph 3.2.7 Frequency of PL Product Purchases by Income Level

How often do you buy store's own brand products? Everytime/most of the times I do my grocery shopping



Source: The World Bank's categorization for daily income 2022 - 2023³⁸

When evaluating the purchasing frequency of PLs with regard to income level, data indicates that there are no significant behavioral differences related to consumer earnings.

For more information see Appendix - Income levels for consumer survey.

*Lower/vulnerable income: daily income US\$ up to USD

**Middle income: daily income US\$ between 13 and 70 USD

***Upper income: daily income US\$ over 70 USD

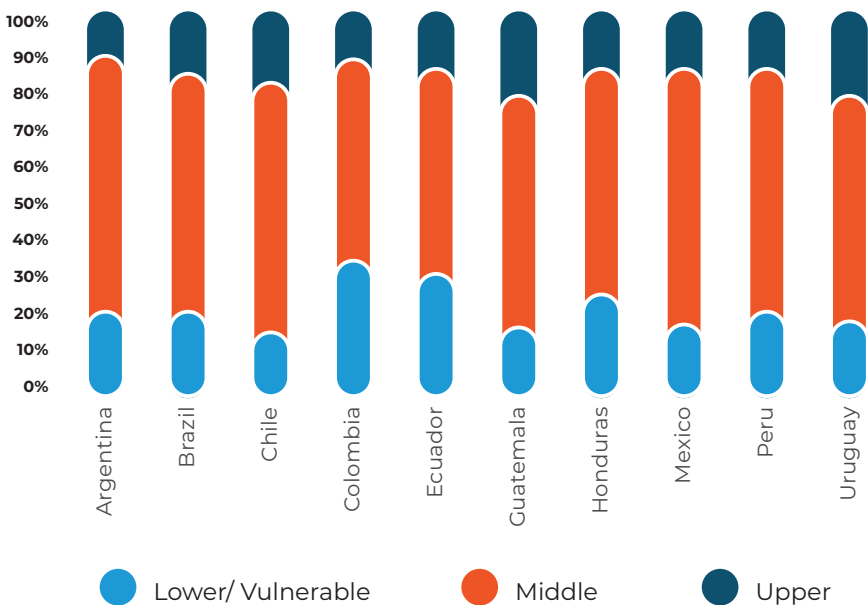
Source: Own analysis with data from primary research (n=909)

However, when analyzing the frequency of PL purchases by country and income level, middle-income consumers across LAC tend to buy these products more frequently – every time or most of the time they go grocery shopping.

In Colombia, Ecuador and Honduras, more than 20% of lower-income consumers responded that they frequently buy these products. In turn, more than 20% of upper-income customers in Chile and Uruguay agreed that they are regular purchasers of PLs.

Graph 3.2.8 Frequency of PL Product Purchases by Country and Income Level

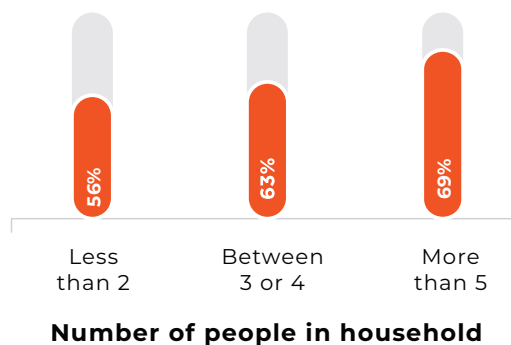
How often do you buy PL products? Everytime/most of the times I do my grocery shopping



Source: Own analysis with data from primary research (n=1020)

Graph 3.2.9 Frequency of PL Product Purchases by Number of People in Household

How often do you buy PL products?
Everytime/most of the times I do my grocery shopping



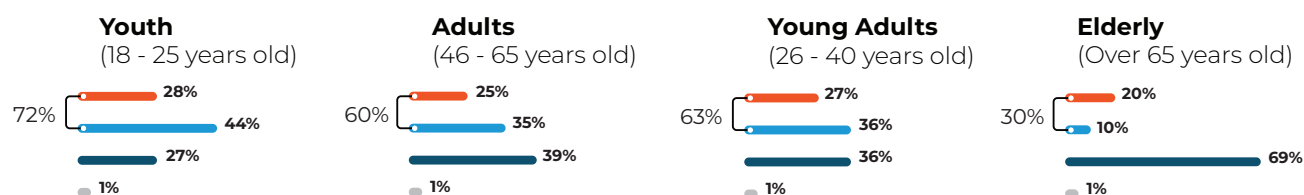
Source: Own analysis with data from primary research (n=909)

It's interesting to examine the relationship between PL purchases and family size. There's evidence showing that consumer attitudes towards PL are driven by demographic variables such as age, income and family size³⁸. Therefore, larger families tend to choose more of these products when shopping³⁹. Data from our consumer survey confirmed this finding, with larger families having a higher purchase frequency of PLs.

See more in the Appendix- Consumer survey.

Regardless of family size, PL brands are gaining prominence in LAC consumers' minds and shopping carts. A different study showed that customers between 35 and 54 years of age appreciate the benefits of buying PL products⁴⁰. Our primary research revealed young adults, between 26 and 40 years old, are more likely to buy PLs 'every time' or 'most of the time' they buy groceries (see Graph 3.2.10 below), when compared with senior citizens.

Graph 3.2.10 Frequency of PL Product Purchases by Age



Source: Own analysis with data from primary research (n=909)

● Everytime I do my grocery shopping ● Most of the times ● Some of the times ● Almost none of the times

In terms of gender, research indicated women are more cost conscious⁴¹ and tend to be more cautious when making decisions⁴². A recent study confirmed women consumers are generally more price-focused than men, especially when buying food⁴³.

³⁸ (Musso, et al., 2022)

³⁹ (Herstein & Tileret, 2007)

⁴⁰ (Musso, et al., 2022)

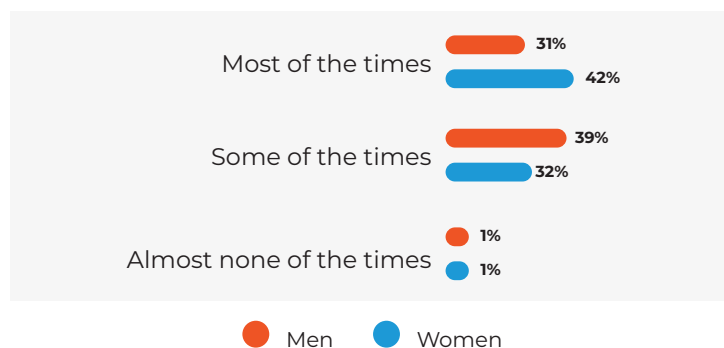
⁴¹ (Cole, 2019)

⁴² (Psychological Consultancy, 2016)

⁴³ (Shah, YouGov, 2023)

Graph 3.2.11 Frequency of PL Product Purchases by Gender

How often do you buy PL products?



Source: Own analysis with data from primary research N=909

This, along with other qualities, make women shoppers more likely to choose better-priced, alternative brands over commercial brands. Another survey found that women respondents developed higher purchase intentions than men when exposed to unfamiliar labels⁴⁴.

From our primary and secondary research, we identified two driving forces in PL adoption: price and quality.

➔ Price

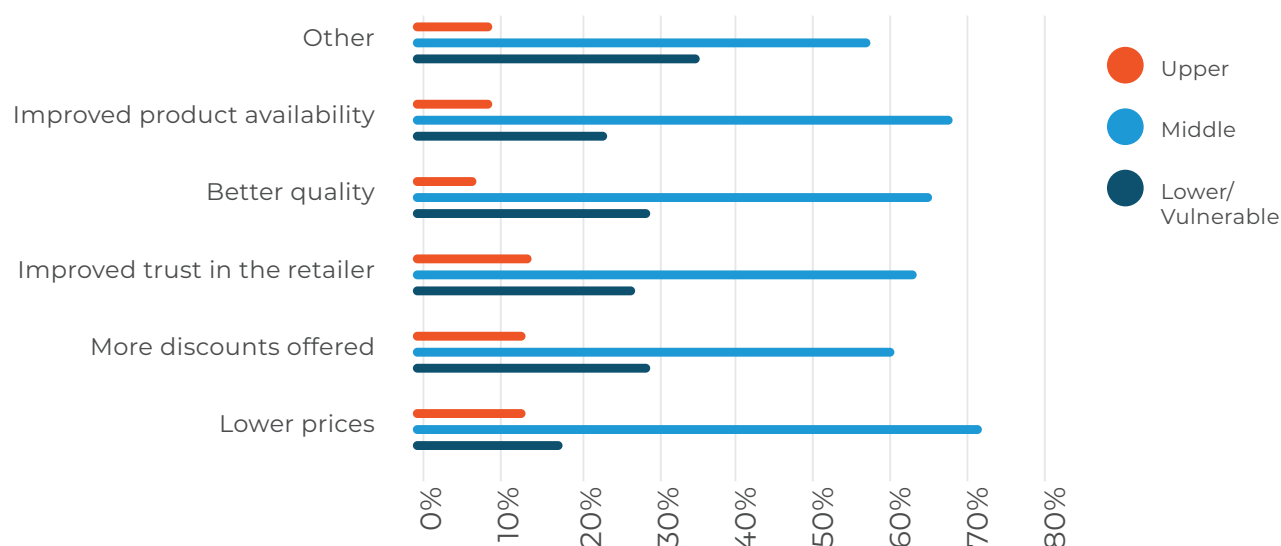
Price is a driving force behind PL purchases. Relevant factors include product value and cost. One study showed that PL purchasing behavior is also influenced by sensitivity to consumer promotions. Buyers who focus on low prices are more likely to switch away from national brands⁴⁵. Primary research indicated that up to 62% of respondents chose PLs for reasons directly related to price, either for lower prices or greater discounts.

Our consumer survey showed the main reason among upper-income respondents for choosing PLs is greater trust in the retailer. Additionally, about 15% of the upper-income segment base their decisions on lower prices and PL discounts. As for middle-income consumers, the key driver is pricing. Also, around 65% of these customers choose quality and availability of PLs on the shelves. Finally, 30% of lower-income respondents selected PLs because of perceived quality and significant discounts, as displayed below in Graph 3.2.12.



Graph 3.2.12 Main Reasons for Choosing PL Brands by Income Level

What is your main reason for choosing PL products?



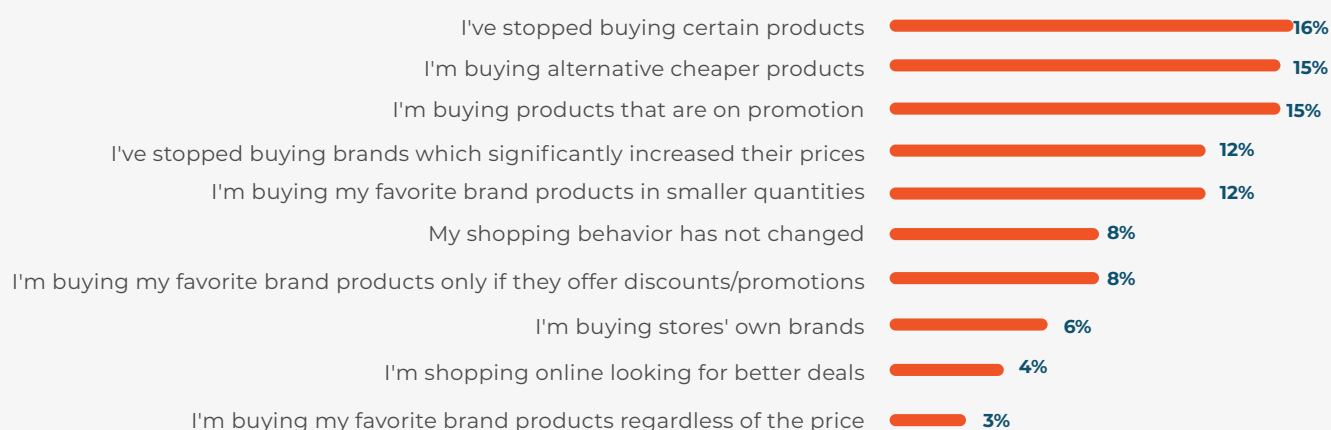
Source: Own analysis with data from primary research (n=1020)

Amid the COVID-19 pandemic, increasing inflationary pressure left households with no choice but to adjust their day-to-day spending to manage rising food prices⁴⁶. According to the World Bank, the median worldwide consumer price inflation averaged 4% in 2015⁴⁷, but soared to 9.8%⁴⁸ by 2022. (For more details, refer to the **Appendix - Impacts from COVID-19**).

Food and energy prices in the LAC consumption basket amount to a staggering 40%. Primary research reflected the real weight consumers feel. Indeed, 57% of respondents pointed out increases in grocery prices, leading to significant changes in consumer behavior.

Graph 3.2.13 The Effect of Price Increases on Shopping Behavior

How has your shopping behavior been affected by inflation?



Source: Own analysis with data from primary research (n=1020).

⁴⁶ (NielsenIQ, 2022)

⁴⁷ (Daramillo & Taliervo, World Bank, 2022)

⁴⁸ (Núñez, 2022)

In this price-sensitive scenario, PLs become increasingly relevant, as shoppers become more interested in buying these products⁴⁹. Low-income populations are hit the hardest by economic turmoil, and PLs can provide relief to household budgets⁵⁰. On average, 80% of low-income respondents in the survey expressed their intention to continue buying PL brands next year, while 70% of upper-income respondents agreed with this statement.

Globally, PLs target lower-and middle-income segments, but recently have begun to expand

their focus to upper income sectors, offering premium options across all categories⁵¹. Indeed, 68% of the middle-income respondents in the survey chose price as the main driver for buying PLs, while for lower income participants the percentage was 24%. Research indicates that people with higher incomes and education levels are most likely to be price-conscious when buying food⁵². Knowing this, retailers have launched their own premium brands, such as Grupo Éxito with its PL brand Taeq, and La Anónima, with La Anónima. **(See more in Section 4 – Case Studies)**



⁴⁹ (Valaskova, Kliestikova, & Krizanova, 2018)

⁵⁰ (McKinsey & Company, 2022)

⁵¹ (ter Braak, Geyskens, & Dekimpe, 2014; Schnittka, 2015; Jonas & Roosen, 2005)

⁵² (Deloitte, 2021)

➔ Quality

Private label consumption is not a purely price-driven behavior, but a thought process where quality demands and expectations play crucial roles. The objective quality level of PLs is on the rise as retailers continue to establish higher standards for their suppliers to meet. A recent study signals these brands may be of higher quality than established ones⁵³.

Recent reports reflect quality is one of the most important factors leading to PL purchases⁵⁴, meaning that product attributes and features are primarily responsible for satisfying consumers' needs.⁵⁵

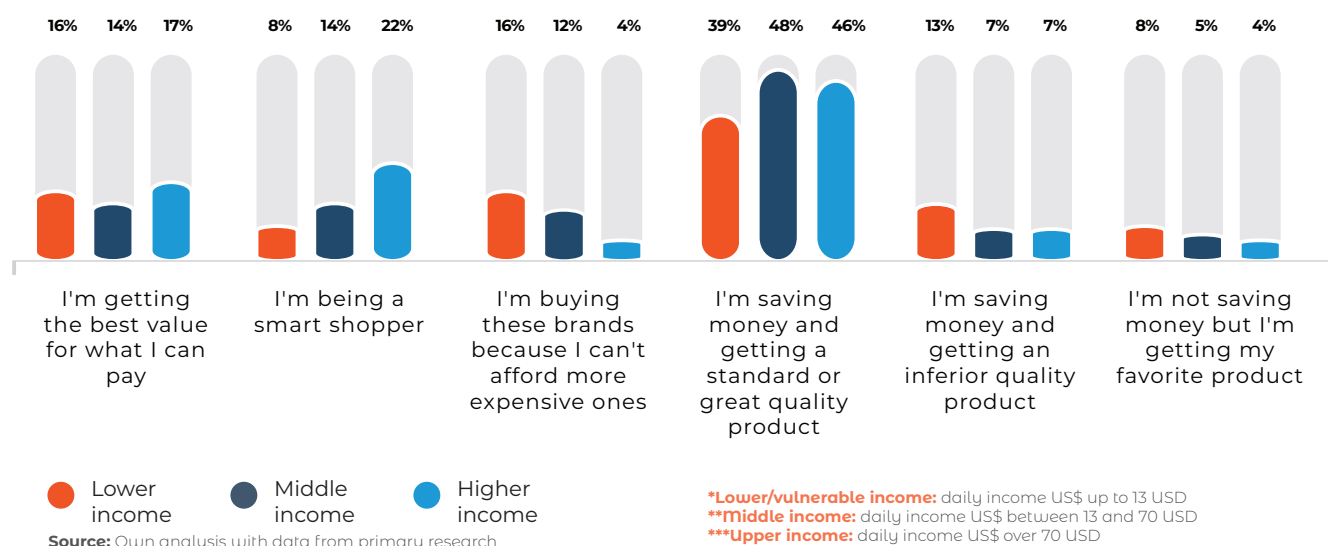
The consumer survey carried out as part of this study also shows that more than 45% of

respondents feel like they are getting 'standard' or 'great quality' products when buying PLs. Product quality determines, among other things, customers' loyalty to the retailer⁵⁶, influence market share and profitability⁵⁷.

In a different consumer study⁵⁸, the perception around PLs in the LAC region is positive and, in some respects – like cost-benefit and innovation, for example – is even better than the perception found in more developed markets, such as Europe and North America where PLs' share is high (31.4% in the EU and 17.7% in North America) compared with 8.3% in the LAC region⁵⁹.

Graph 3.2.14 Consumer Feelings when Buying PLs Disaggregated by Income Level

How do you feel when buying store's own brand products? feel like...



The majority of consumers link PLs to the idea of 'quality products at better prices', embracing the notion that their quality is not necessarily lower than that of leading brands⁶⁰.

⁵³ (Chakraborty, Chauhan, & Huang, 2022)

⁵⁴ (Musso, et al., 2022)

⁵⁵ (Kakkos, Trivellas, & Sdrolas, 2015)

⁵⁶ (McKinsey, 2020)

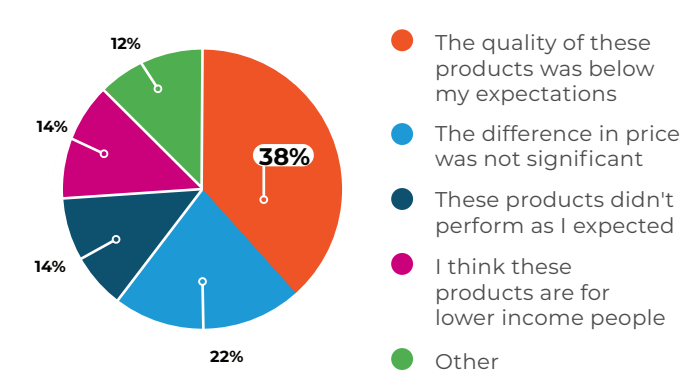
⁵⁷ (Richardson, Dick, & Jain, 1994)

⁵⁸ (Nielsen, 2018)

⁵⁹ (Nielsen 2018)

⁶⁰ (Hideyuki Yokoyama, Luiz Plato, & Lago Da Silva, 2014)

Graph 3.2.15 Reasons Respondents Stopped Buying PL Brands



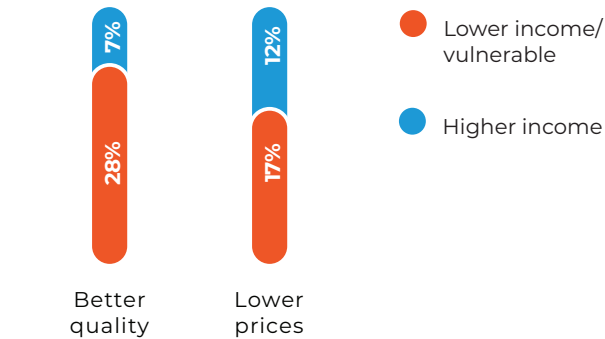
Source: Own analysis with data from primary research (n=67)

The graph above shows that 47% of respondents believe PL products ‘meet’ or even ‘exceed’ quality expectations, and at the same time, save them money. Indeed, 14% of respondents stated they feel like a ‘smart shopper’ when purchasing PLs.

Quality is important for consumer attraction and retention as long as it meets expectations.

Our primary research showed that close to 40% of respondents stopped consuming PL products due to substandard product quality. About 22% of respondents said the price was not significantly low enough. This suggests that quality is potentially a strong factor for a consumer to continue buying PL products.

Graph 3.2.16 Main Reasons for Choosing PL Brands



Source: Own analysis with data from primary research
*Lower/vulnerable income: daily income up to 13 USD
**Middle: daily income between 13 and 70 USD
***Upper income: daily income over 70 USD

Interestingly, quality is a stronger driver for lower-income consumers compared to their higher-income counterparts. Research indicates that shoppers with higher incomes are more skeptical about quality of these products⁶¹ and are more driven towards choosing PL products based on a lower price.

No significant difference was found when analyzing these variables by gender.

3.3 PRIVATE LABEL VALUE CHAIN

➔ Retailers and Private Labels

Many global retailers perceive the development and distribution of PLs to be a top priority⁶², as they are mutually advantageous for both consumers and merchants. Since the pandemic, PL products are considerably more appealing to buyers and sellers because of high availability, quality, low prices and substantial profitability for retailers⁶³. PLs are now an important source of revenue for retailers⁶⁴.

Anchor stores - dominant in shopping centers and malls - are also expanding their PLs lines. It's an opportunity to enhance their brands, provide differentiation, attract more customers⁶⁵, fill market niches, increase shopper loyalty, and gain better margins and profits, at a lower cost structure⁶⁶. Successful PL strategies allow these companies to expand product offerings and gain a competitive advantage. Earnings can increase to 25-to-30% in higher gross margins compared with well-known brands, while creating loyalty-based relationships with consumers⁶⁷.

However, success is not easily gained or guaranteed. By placing their own stamp on the product, but not fully controlling its manufacturing process, retailers must establish systems to ensure quality⁶⁸ that fulfill consumers' expectations at competitive prices. Retailer must also implement solid strategies to protect their reputations, especially when the PLs and the retailer share the same name or are strongly linked. A PL that does not fulfill its promise could negatively affect the retailer's reputation⁶⁹.

Primary research and case studies conducted for this report revealed that including MSMEs in their PL value chains provide the following benefits to retailers:

⁶²(Baltas & Paraskevas, 2007)

⁶³(McKinsey, 2020)

⁶⁴(Ellickson, Lovett, Sunada, & Kong, 2022)

⁶⁵(Olbrich & Grewe, 2013)

⁶⁶(Maersk, 2022)

⁶⁷(CBInsights, 2018)

⁶⁸(CGS, 2018)

⁶⁹(Olbrich, Christian Jansen, & Teller, 2016)

Primary research and case studies conducted for this report reveal the inclusion of MSMEs in PL value chains provide these benefits to participating retailers:



01

GREATER FLEXIBILITY

To become a PL supplier, MSME vendors must prove they can adapt, provide access to resources and the knowledge to generate a quality product. When compared to larger corporations, MSMEs – with simpler structures and processes – can be more flexible with demand, product specifications, innovations and the right resources (finance, infrastructure and knowhow).

02

COST SAVINGS

The smaller scale of operations and lower overhead costs sometimes enable MSMEs to offer better prices when compared to larger suppliers. This can increase profitability, allowing MSME businesses to remain viable

03

INNOVATION

Retailers searching for differentiation and innovation view MSMEs as ideal PL development partners⁷⁰. MSMEs generally are open to developing of new products and eager to enter into cooperative relationships that ensure sustainability.

04

MORE INFLUENCE ON QUALITY CONTROL

Partnering with local and smaller suppliers implies an important effort on the part of retailers to meet quality standards, and also facilitates closer contact. This proximity to suppliers enables more regular audits and support to address quality gaps. Research shows that these inspections motivate all parties involved to enrich production standards.



05

DIFFERENTIATION

Since the COVID-19 pandemic, consumer support for community businesses that offer uniquely homegrown products has become a stimulating factor for local economies⁷¹. Many retailers view products from local value chains as a great hallmark and source of consumer attraction and retention. Approximately 68% of customers surveyed said they would be more likely to buy PLs made by local MSMEs, with 69% willing to pay more for such products.

06

LOCAL IMPACT

The inclusion of MSMEs in retailers' PL value chains advances corporate strategy and reputation building. MSMEs are considered one of the main drivers for the global economy, employment and development⁷², directly boosting local job creation and global economic development⁷³. By adopting responsible practices, both retailers and MSMEs are better positioned to innovate, deepen markets, improve competitiveness, and strengthen supply chain resilience⁷⁴. Of the surveyed consumers, 84% stated that they would be more likely to buy PL products that are manufactured sustainably and sourced ethically, with 80% willing to pay more for such products.

07

RELATIONSHIP BUILDING

Partnering with MSMEs allows retailers to build strong, long-term relationships with local manufacturers, mainly because of competitive advantages and the reduction of transaction costs⁷⁵, fundamental to long-term PL success strategies. Establishing these alliances allows retailers to help MSMEs develop and supply quality products, precipitating mutual growth.

⁷¹ (Banker, 2013)

⁷² (SME Finance Forum, 2018)

⁷³ (The World Bank, 2019)

⁷⁴ (IDB Invest, 2024)

⁷⁵ (Hazebe, Larbi Dismou, & Agzit, 2018)

Unlocking benefits and incorporating MSMEs into the PL value chain of food retailers present certain challenges and require a discerning approach to face realities and possibilities:

a) **ADAPTABILITY**

Without compromising quality standards, product specifications, pricing and timing, retailers should be flexible with respect to their processes and demands, keeping in mind MSME capabilities. For example:

- Making changes in packaging size according to suppliers' production capabilities.
- Adjusting product delivery batches to be more cost efficient.
- Offer capital investments, enabling vendors to meet production, quality, price or volume needs.



The main barrier retailers encounter when including MSMEs in their PL value chain is finding those with the capacity to fulfill both quality and volume demands.



b) **STANDARDIZATION**

Many MSMEs struggle in their journey to professionalism. They require advice and support to meet retailers' terms and conditions, which range from quality and environmental standards to process standardization and improvement.

Many retailers realize MSMEs' lack of knowledge creates an opportunity to help them develop and comply with best practices.

c) **FINANCING**

Broader financial support is needed. For example, shorter payment cycles and access to credit lines and loans, are extremely valuable to MSMEs. These relevant pain points often surfaced during the interviews and surveys conducted. Macroeconomics and the overall pressure on value chains are other obstacles facing MSMEs, as detailed in **Appendix- COVID19 and Ukraine-Russia Conflict Impacts**.



➔ MSMEs and Private Labels

Developing PLs provides an opportunity for MSMEs to improve their products and grow their businesses while fostering strategic relationships with major companies. By achieving retailers' demands, most MSMEs envision themselves evolving and expanding into new markets and regions. These prospects make PLs attractive to MSMEs seeking to generate robust businesses.

From the surveys and interviews performed, multiple benefits perceived by MSMEs were identified as follows:



1 New distribution channels

By becoming part of a PL supply chain, MSMEs can benefit from the retailers' distribution channels, positioning their own products throughout their stores, and expanding their presence both nationally and internationally. Close to 60% of surveyed suppliers stated that being part of the PL supply chain gave them an opportunity to thrive in new markets and regions, by bringing in brands previously absent in these locations.



2 Business diversification

By generating new sources of income and accessing different business models, MSMEs broaden and diversify their strategies, through accessing competitive markets where they likely are able to introduce their own brands. Of all suppliers surveyed, 41% agreed that diversification of their products opens up new opportunities for expansion and revenue generation.



3 Increased production and sales volume

Becoming a PL supplier can lead to an increase in production and sales volumes for MSMEs, generating new sources of income and fueling topline growth. Around 41% of respondents said the main benefit of producing PLs is to create new demand and extra earnings.



4 Improved efficiency

By absorbing volume increases, MSMEs can reach higher productivity and efficiency as they scale up production and spur innovation⁷⁶. Research shows effective management can improve operations, increase productivity, and drive growth⁷⁷. Of the PL suppliers surveyed, 33% said eliminating idle capacity is a key reason that convinced them to produce PLs.



5 Improved quality and processes

Entering the PL business compels and inspires MSMEs to organize, improve operations and comply with retailer standards. Of the MSMEs surveyed, 42% said these demanding requirements led them to obtain global certifications and align their operation to international credentials endorsing their product and process quality (such as FCCS 22000). MSMEs gain credibility and reach higher standards when they produce PLs. Of the suppliers interviewed, 26% amended their processes to offer better products.



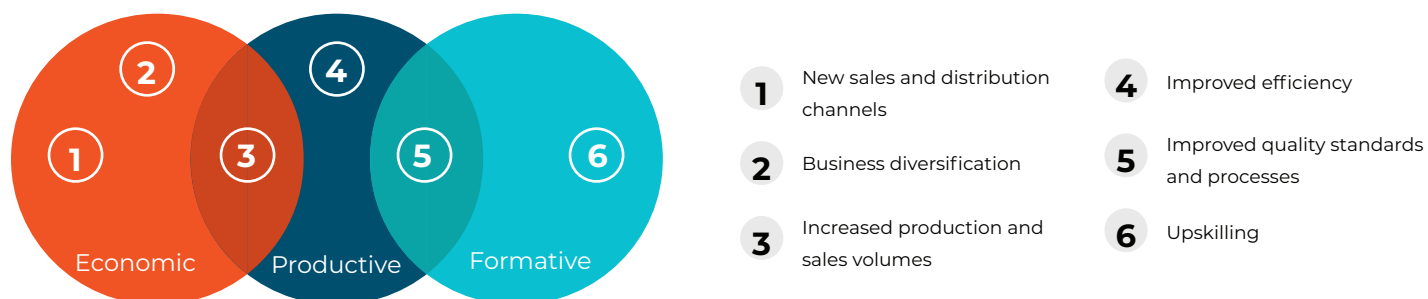
6 Upskilling

Merchants recognize the importance and impact of upskilling MSMEs within their PL value chain. Retailers' offerings range from technical skills to financial and legal education, relevant to their businesses.

Once identified, these benefits were grouped into three categories: economic, productive and formative.

- Economic benefits relate to improving the business size, reducing risk and boosting the bottom line.
- Productive benefits enhance production and efficiency.
- Formative benefits include support, upskilling, knowledge sharing, and experience in product development.

Graph 3.3.1 Benefits perceived by MSMEs when they are part of a PL supply chain



Source: Own analysis with data from primary research

MSMEs can overcome challenges as retailers continue to promote collaboration and teamwork with their suppliers to foster a win-win strategy. Though they enjoy advantages when producing PLs, there also are challenges. The following summarize observations collected from the surveys and interviews:



1 Lack of awareness of and access to PL opportunities

MSMEs may not always be cognizant of the business opportunities deriving from becoming a PL supplier, or the potential benefits this brings. About 30% of suppliers surveyed reported a lack of awareness of PL opportunities prospects. Many said that without the retailers' proactive engagement, they wouldn't have pursued this option without prior knowledge or relationships. This challenge may be even greater for WMSMEs, who may have very limited access to networks and opportunities⁷⁸.



2 Profitability

Competitive prices are a fundamental characteristic of PLs, demanding that retailers focus on cost control. MSMEs cannot always provide products at a specified price and quality, because of the specific product characteristics demanded by the retailer, and the capacity and context of their operations. Indeed, 25% of barriers perceived by MSMEs surveyed were price driven, related to lack of profitability or derived from retailers' price expectations.



3 Production capacity

Retailers' PL demands can be a challenge for MSMEs because of insufficient capacity to meet the demanded volumes with the expected quality. Issues of scale, coupled with the ability to produce more volume without losing quality, are some of the biggest challenges retailers face when sourcing their PL brands from MSMEs.



4 Technological capabilities

Technology available among MSMEs for production process is not always enough to fulfill retailers' demands in terms of volume, quality and timing. Necessary technology investments and production capacity may exceed MSMEs' budgets, pushing them to seek external financing. MSEM interviewed agree on the importance of high-tech equipment and machinery to become efficient PL suppliers. They also highlighted their limited access to and high cost of financing such upgrades as being one of the biggest obstacles.



5 Proposed payment terms

Retailers' payment terms can be an obstacle for MSMEs. Retailers' usual payment practice average between 45 to 60 days. Indeed, 48% of interviewed PL suppliers stated that retailers' payment policies affect their cash flow and hinder their capacity to purchase raw materials. Up to 10% (3 out of 29) of suppliers see this as their greatest concern. Retailers can have a relevant role in supporting their suppliers by providing reverse factoring as a way to provide cash flow to MSMEs.



6 Financing

With regards to access to financing, LAC has the second largest regional gap after the Middle East and North Africa⁷⁹. Access to financing, either from banking institutions or retailers, can be difficult for MSMEs – and when funds are available, they often come with high interest rates.⁸⁰ Of the suppliers interviewed, 16% mentioned access to financing as their main concern.



7 Required quality standards

Retailers' focus on high-quality PL products translates into demanding production and quality standards. Although it ends up being a plus, it is challenging for MSMEs to show compliance through audits and certifications. Interviews with retailers who participated in case studies reveal that limitations in MSMEs' safety and quality processes are an ongoing challenge.



8 Logistics

Retailers developing PLs deal with robust and complex distribution and logistics networks. MSMEs often handle their own distribution, bear transportation costs and travel long distances to warehouses to meet tight delivery schedules. This can be difficult, but working together with retailers, manufacturers can create efficiencies in areas like lot size and timing of deliveries.



9 Informality

According to the World Bank, informality represents 70% of the total employment and one third of the GDP in emerging economies⁸¹. Interviews carried out reveal that retailers' compliance and business formality demands can be difficult for MSMEs to meet, and may constitute a barrier to establish a business relationship. Participating merchants agree that the lack of formality prevents many MSMEs from becoming PL suppliers.



10 Inadequate government policies and regulations to enable MSME development

MSMEs surveyed say they struggle with bureaucracy when it comes to obtaining permits and certifications. Furthermore, MSMEs suffer from high failure rates and low development levels, which often remain stagnant because of high taxes⁸². Research indicates that one of the most common closure factors of MSMEs in LAC has to do with financial issues, and that neither government nor financial institutions have strategies to facilitate access to loans and programs to help small businesses survive⁸³.



11 Uncertain macroeconomic outlook

The macroeconomic situation in LAC countries leads MSMEs to face lower margins and greater uncertainty in their pricing structures. With limited ability to pass along additional costs to their products' prices, their profitability erodes. Note that inflation in LAC (annual change in consumer prices) rose from 1% in 2020 to 3.9% in 2021 and up to 8.3% in 2022. With limited possibilities to transfer these costs to product prices, profitability is impaired.



⁸¹ (World Bank, 2021)

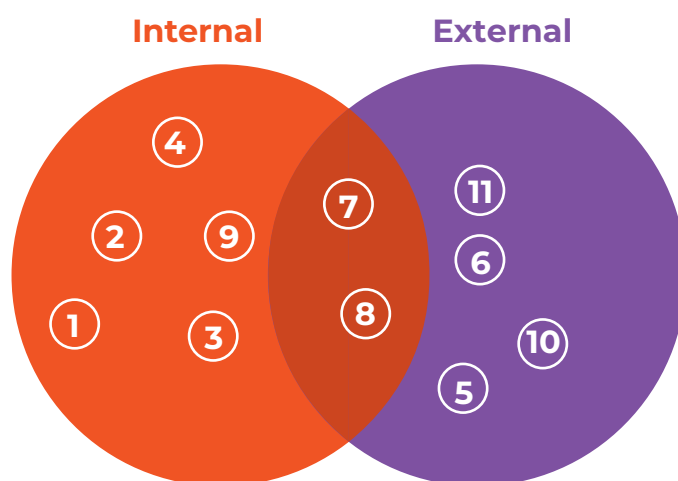
⁸² (Barreix & González, 2020)

⁸³ (Romero, 2018)

These challenges were classified into two main categories: internal and external barriers:

- Internal barriers are those within MSME operations and control.
- External barriers result from working within the PL value chain and with retailers demands.

Graph 3.3.2 MSME Challenges in the PL Supply Chain



Source: Own analysis with data from primary research

- | | |
|---|---|
| 1 Awareness and access to the opportunity | 7 Required quality standards |
| 2 Profitability | 8 Logistics |
| 3 Production capacity | 9 Informality as an internal barrier |
| 4 Technological capabilities | 10 Lack of adequate government policies and regulations to enable MSMEs development. |
| 5 Proposed payment terms as external barrier | 11 Uncertain macroeconomic conditions |
| 6 Financing as an external barrier | |

Conclusion

The retailer's role in supporting MSMEs to navigate the barriers they face when entering the PL value chain, and in reap their benefits can be crucial.

3.4 PRIVATE LABELS AND WOMEN MSMEs (WMSMEs)

MSMEs account for the majority of businesses worldwide and are important contributors to job creation and global economic development. Globally, they represent about 90% of businesses and more than 50% of employment worldwide. In Latin America and the Caribbean, MSMEs represent over 98% of the local economy and generate at least 60% of the formal employment⁸⁴. Additionally, the number of WMSMEs continue to grow globally. Between 8 and 10 million of the SMEs across the developing world have at least one woman owner⁸⁵. One-third of all businesses worldwide are women-owned, and this rate varies across and within regions, from a low of 18% in South Asia to a high of 50% in Latin America & Caribbean⁸⁶.

Yet currently, less than 1% of large businesses' spending on suppliers is earned by WMSMEs⁸⁷. There is a lack of systematic data to measure the number of WMSMEs that produce PLs, which is an even greater challenge in LAC. Some of the limitations identified in the study include: the lack of a centralized database for tracking gender and diversity data, and the implementation of targeted initiatives and the influence they may have. With increasing stakeholder interest in diverse supply chains, WMSMEs can leverage PL value chains as a growth opportunity and gain greater economic inclusion in the business world.

➔ Benefits of Adopting WMSMEs as PL Suppliers:

The world's biggest firms are increasingly allocating more of their procurement budgets to diverse suppliers. This includes women-owned businesses. This trend is reflected in the Billion Dollar Roundtable, a corporate advocacy organization comprised of 28 Fortune 500 companies that annually spend at least \$1 billion dollars on supplier diversity programs with active tracking and reporting⁸⁸. When it comes to PLs, sourcing from diverse suppliers offers many advantages.

1. BOOSTS INNOVATION

Diverse suppliers reflect the needs and points of view of a range of consumers through new products, services, and solutions. Companies seek to diversify their supply chains, because they realize their manufacturers should represent their customers⁹⁰. Research indicates that supplier inclusion and diversity can significantly increase companies' abilities to innovate and grow their bottom line⁹¹.

Businesses such as Walmart promote diversity among suppliers through its Women's Economic Empowerment Initiative by encouraging them to get advice from recognized agencies or federal or local government agencies. Some of the national certifying organizations for the United States include the National Minority Supplier Development Council (NMSDC), the Women's Business Enterprise National Council (WBENC), the U.S. Pan Asian American Chamber of Commerce (USPAACC) and WEConnect, among others⁹².

⁸⁴ (OECD and CAF Development Bank of Latin America, 2019)

⁸⁵ (Masterson, 2022)

⁸⁶ (Halim, 2020)

⁸⁷ (Chin, 2017)

⁸⁸ (J.P. Morgan, 2021)

⁸⁹ (MSDUK, 2021)

⁹⁰ (UN Women, 2017)

⁹¹ (Maurelli & Mussomeli, 2020)

⁹² (Walmart, 2023)



Innovation is often driven from diverse suppliers, who tend to be more agile, such as businesses within the supply chain that help deliver new and improved solutions. Companies consistently ranked by analysts as top global supply chains add diverse businesses to their supply base. For example, since 2008, P&G has spent more than \$2 billion on diverse-owned businesses globally every year – and is well on its way to spending \$3 billion by 2030. Likewise, Cisco Systems plans to commit \$50 million over five years to increase the diversity of its partner ecosystem⁹³.

During interviews, several WMSMEs highlighted the importance of innovation within their own operations, and some noted that they have even proposed new product lines and inventions to retailers they work with.

“ According to the 2020 Women4Business annual survey in Europe by the Women's Forum for the Economy and Society reveals that 1-in-3 companies report access to innovative goods and services as a primary driver to adopt gender-responsive procurement programs⁹⁴.

2 CUSTOMER SATISFACTION AND BRAND VALUE

According to research, 83% of consumers think companies should be actively shaping environmental, social, and governance (ESG) best practices. That said, only 40% believe businesses ought to invest more time and resources on improving racial & gender diversity and inclusion.⁹⁵ Consumers are increasingly requesting information from companies about their corporate commitment towards gender equality and stakeholders want more answers about this issue⁹⁶. Supplier diversity positively influences customer perception and brand loyalty⁹⁷.

A survey conducted for Coca-Cola in 2019 found that individuals who were aware of its supplier diversity initiatives were 45% more likely to perceive the brand as valuing diversity, 25% were more likely to think favorably about the brand and 49% were more likely to buy Coca-Cola products. Additionally, it was estimated that these favorable perceptions would lead to an additional 670,000 consumers purchasing the company's products more frequently⁹⁸.

A separate study also showed that awareness of supplier diversity initiatives increased brand loyalty among consumers worldwide up to three times⁹⁹. Almost 59% of survey respondents said they would be more likely to buy PL products made by local WMSMEs, with 68% willing to pay more for such products.

Globally, women accounted for US\$31.8 trillion in consumer spending in 2019 and are more likely than men to be responsible for household spending. In addition, a survey showed that 89% of women interviewed reported having control or shared responsibility for daily shopping needs versus 41% of men¹⁰⁰. Customer buying patterns and choices are shifting towards an increased preference for companies that support women owned/led businesses.



⁹⁵ (PwC, 2021)

⁹⁶ (PwC, 2021)

⁹⁷ (Bateman, Barrington, & Date, 2020)

⁹⁸ (Bateman, Barrington, & Date, 2020)

⁹⁹ (Bateman, Barrington, & Date, 2020)

¹⁰⁰ (Nielsen, 2019)

3 INVESTOR INTERESTS

Establishing diverse supply chains is key for those who want to maximize financial and social outcomes through their investments¹⁰¹.

An inclusive procurement strategy widens the pool of potential suppliers and promotes competition in the supply base. This can improve product quality and drive down costs. In a survey, Coca-Cola's vice president of global supply inclusion and diversity said, "Diverse suppliers can turn on a dime and are now considered for contracts that they would not have been otherwise, due to the imperative for flexibility. They have proven themselves to be agile in terms of responsiveness"¹⁰².

Investors and regulators look for detailed and reliable ESG data and disclosures¹⁰³ showcasing company commitment to corporate sustainability. Attracted by the transparency in gender equality practices¹⁰⁴, investors now are applying metrics and basing investment decisions on representation of women suppliers, and diversity in the workforce and supply chain¹⁰⁵.

4 DEVELOPMENT IMPACT

Working with WMSMEs can help retailers demonstrate their commitment to Diversity, Equity, and Inclusion (DEI) and the Sustainable Development Goals (SDGs). By investing in the communities and development of local and diverse suppliers, retailers can create jobs and economic growth, simultaneously recruiting and supporting traditionally marginalized communities. Oliver Wyman stated that if companies, while being diligent in minimizing their ESG footprints, take into consideration their suppliers, the impact could be two-to-

eleven times larger than that of their internal operations¹⁰⁶. With respect to companies, research shows a correlation between measuring and doing well on ESG metrics and generating higher shareholder value¹⁰⁷.

➔ Challenges of adopting WMSMEs as PL Suppliers

The research identified two kinds of barriers for retailers looking to include WMSME suppliers within their PL value chain: structural barriers encountered by WMSMEs and internal barriers facing retailers.

STRUCTURAL BARRIERS FACING WSMEs

All entrepreneurs normally face significant challenges but gender disparity often exists with respect to structural barriers, leaving women entrepreneurs at a greater disadvantage. Despite their efforts and expertise, businesswomen regularly struggle much more than their male counterparts to succeed and gain recognition within business circles. This limits their growth rate, operations, and revenues. Some of these obstacles include discriminatory gender norms; lower access to productive assets; limited opportunities to develop relevant skills; constraints on access to finance; absence of entrepreneurial networks and mentors; as well as gender-blind policies, laws and regulations.

¹⁰¹ (Fish, 2020)

¹⁰² (Bateman, Barrington, & Date, 2020)

¹⁰³ (Ernst & Young, 2022)

¹⁰⁴ (Falth, et al., 2020)

¹⁰⁵ (Kipnis & Raksit, 2020)

¹⁰⁶ (Wyman, 2021)

¹⁰⁷ (Whelan, T., Atz, U., Clark, C., 2021)

1 Limited access to finance

Women-owned/led businesses have less access to finance compared to male-owned businesses, which puts them at a disadvantage with respect to bidding and compliance costs, including the ability to absorb the impact of delayed payments¹⁰⁸. The informal nature of many WMSMEs poses negative implications for their financial inclusion, as it may be seen as a higher risk by banks; however, administrative processes required for formalization are costly¹⁰⁹.

Latin American women use credit less than men (loans to male entrepreneurs are approximately 2.2 to 2.5 times higher). Women entrepreneurs tend to apply for smaller amounts, rely on informal financing sources, personal savings or family loans¹¹⁰. UN Women data shows that only 49% of women in LAC have bank accounts (out of which only 11% use it for savings) and only 10% of women have access to loans. This creates a constraint in entrepreneurial activity and in their ability to grow their businesses¹¹¹.

Even women entrepreneurs with higher education, information, and resources face limited access to capital. Many financial institutions (FIs) globally still believe it is not easy to deliver credit services to certain banked women given the level of risk involved, mainly because of the lack of collateral or assets in their name¹¹².

Furthermore, service providers are not always responsive to gender differences in the demand for, and use of, financial services. In general, the inadequacy can be explained by a lack of customization of these services and products for women, resulting from poor client segmentation in the product design process¹¹³.

There are also biases at different stages of access to credit, from the information and

support women receive before and during the application process, to the risk assessment of loan applications¹¹⁴. A study conducted by IDB shows there was a 18.3% lower application approval rate for women borrowers compared to men, and for example, banking officers favored male loan applicants in Chile. Limited access to finance acts as a roadblock for WMSME suppliers in their efforts to grow and invest in new technologies, including the overall scale-up and specialization of their businesses.

Finally, gender gaps in access to and use of digital technologies (e.g., mobile phones and the internet) make women less likely to benefit from digital services¹¹⁶.

2 Gender biases

Sexism is strong in traditionally male-dominated markets. A study on WMSMEs in Mexico showed male clients and suppliers do not take businesswomen as seriously due to “machismo”¹¹⁷. Women surveyed said they felt male clients and suppliers questioned their positions and leadership roles due to their gender¹¹⁸.

Sexism is stronger in traditionally male sectors, such as IT, trade, agriculture and transport. According to a survey conducted by Value for Women in Mexico, women working in male-dominated sectors such as agriculture feel it is difficult for men to take orders from a woman¹¹⁹.

While the role of women entrepreneurs in LAC is increasingly important, issues around balance of power, patriarchal authority and assumed roles of women in domestic responsibilities still exist. A 2018 survey by Value for Women shows that two thirds of women participants leading small and growing businesses (SGBs) are burdened by household and childcare duties in Mexico¹²⁰. In an IDB study in Colombia gender biases were

¹⁰⁸ (Arancha, 2019)

¹⁰⁹ (Farazi, 2014)

¹¹⁰ (Alecchi, B., 2022)

¹¹¹ (UN Women, 2021)

¹¹² (UN Women, 2021)

¹¹³ (AFI, 2021)

¹¹⁴ (UN Women, 2021)

¹¹⁵ (UN Women, 2021)

¹¹⁶ (IMF, 2022)

¹¹⁷ (Value for Women, 2018)

¹¹⁸ (Tremmel & Wahl, 2023)

¹¹⁹ (Value for Women, 2018)

¹²⁰ (Value for Women, 2018)

observed from male spouses, who expected women entrepreneurs to spend more time at home or with the family, rather than tending to the business¹²¹. This may restrict women from working without the permission of a male family member.

The IDB survey highlighted that lack of support from husbands at home lead women to feel burdened and reflected. A skewed balance of power where husbands exercise more authority in jointly owned businesses. Women also experience a different treatment than men while applying for loans due to lack of collateral or property registered in their names or mere gender discrimination by banking officers. This occurs, despite women's credit repayment history being better than men's (as detailed above in the limited access to finance section of this report)¹²².



3 Lack of regulatory and policy support

A report by Oxfam stated that WMSMEs lack strong regulatory policy support¹²³ as well as government procurement initiatives focused on generating opportunities for them¹²⁴. The same report highlighted bureaucracy, high taxes and corruption in the delivery of programs designed to assist women entrepreneurs as challenges facing WMSMEs. A World Bank survey of 190 economies worldwide revealed that 90% of participating countries have at least one law impeding women's economic opportunities¹²⁵.

Restrictive legal and regulatory frameworks often result in additional burdens for women to register a business or open a bank account. Women also face considerable legal and regulatory barriers with respect to ownership, access and control over key productive assets such as land, housing, finance, insurance and technology. Asset ownership is critical to generate income, facilitate access to credit and strengthen the ability to respond to uncertainties by diversifying income potential.

Constraints to ownership and asset control facing women include family laws - such as requiring a spouse's permission to work outside the home - limited public knowledge about women's rights, and uneven implementation and enforcement of gender-neutral laws¹²⁶.

In Colombia, for example, women are banned from working as industrial painters. Likewise, in Bangladesh women are not allowed to clean, lubricate or adjust machinery, while in Sierra Leone women working in underground mines is prohibited¹²⁷.

¹²¹ (Powers & Mangioni, 2013)

¹²² (UN Women, 2021)

¹²³ (Bianco, Chambers, García, Lombe, & Sarria, 2014)

¹²⁴ (Chin, 2017)

¹²⁵ (World Bank, 2023)

¹²⁶ (World Bank, 2023)

¹²⁷ (World Bank, 2019)

4 Informality

In Latin America, approximately 17 million women are employed in domestic work. It's the largest source of employment for women in the region¹²⁸. According to the ILO, by 2018 close to 50%¹²⁹ of LAC entrepreneurs were informal, and of those, approximately one-third were women¹³⁰. Since many WMSMEs are in the informal sector, it's difficult for retailers to find and onboard them.

Formality is “strongly correlated to success, yet women’s businesses are less likely to be formal”¹³¹. Women are more often in vulnerable categories, for instance serving as domestic or self-employed, home-based workers. Research shows empowering women in the informal economy is key to expanding their choices, improving their livelihoods and advancing gender equality¹³².

5 Professionalization and upskilling

According to the ILO, women encounter challenges in accessing and completing quality education and training, and more so in transitioning to decent employment¹³³. Since women comprise 51% of the talent base, there's a growing need to apply a gender-equity lens to reskill the workforce¹³⁴. Studies show that women entrepreneurs in LAC feel less prepared to perform complex activities required to meet the standards and procedures of a company. They usually benefit from fewer chances to access training and business development services¹³⁵. An Accenture report suggests that failure to upskill people equitably could come at cost of more than USD \$11 trillion for G20 countries over the next decade¹³⁶. Ensuring equitable entry to skilling resources for women, increases their transition to the formal employment economy, and creates more job opportunities which in turn boosts their GDP.



6 Limited networking

Business networks are an important source of knowledge, growth and development for women-owned/led firms¹³⁷, yet the available networks place great emphasis on traditional gender-driven roles, excluding many from productive, higher growth sectors. According to a Bloomberg study, women's participation in Latin America's venture capital space remains low: they make up just 22% of the total partner count¹³⁸.

Various studies show that having a weak social position and inadequate connections to support networks are issues that negatively affect women's entrepreneurship¹³⁹. Women business owners may not know where to start or whom to contact, a particular challenge for those whose formal business networks is less developed¹⁴⁰. It's clear that women-owned/led businesses often face more problems in starting, consolidating and expanding, when compared to their male counterparts¹⁴¹.

¹²⁸ (International Labour Organization, 2014)

¹²⁹ (International Labour Organization, 2018)

¹³⁰ (International Labour Organization, 2018)

¹³¹ (Powers & Mangioni, 2013)

¹³² (International Labour Organization, 2018)

¹³³ (ILO, 2019)

¹³⁴ (Roy, K., Smith C., 2021)

¹³⁵ (IBRD & World Bank, 2010)

¹³⁶ (Accenture, 2018)

¹³⁷ (International Labour Organization, 2014)

¹³⁸ (Fleischmann, I., 2022)

¹³⁹ Malende, M., Väisänen, K., 2017)

¹⁴⁰ (UN Women, 2017)

¹⁴¹ (UN Women, 2020)

INTERNAL BARRIERS FACED BY RETAILERS

There are multiple internal barriers for retailers to include WMSMEs as a part of the PL supply chain, such as difficulty in identifying women-owned/led businesses, lack of information around how to incorporate women into the supply chain and ensuring cost effectiveness while diversifying suppliers. It's important to understand and overcome these challenges to bolster inclusion of WMSMEs in supply chains.



1 Lack of awareness of potential benefits

Not all retailers are aware of the potential opportunities and benefits that having a diverse supplier base can offer to their companies. This kind of diversity can bring more flexible and resilient supply chains, boost innovation, and improve ESG performance and client attraction and retention¹⁴². Some retailers surveyed explained they have a quality-only approach when hiring. By broadening their scope, awareness and motivation towards working with diverse suppliers, they can realize these often-unrecognized advantages.



2 Lack of visibility

The lack of gender-disaggregated data (GDD) makes it difficult for retailers to know if they are being inclusive in their sourcing practices, so that they may consciously engage with women and other diverse suppliers. Likewise, the absence of analysis and monitoring of the actual data hinders efforts to identify and understand their suppliers.

Although advocacy associations such as MSDUK (the UK's leading supplier diversity organization) and WeConnect International promote visibility, there's still much more to do, particularly regarding efforts to record gender and diversity data categories¹⁴³.



3 Lack of targeted engagement

WMSMEs have a pain point when it comes to networking. Some lack the access to clients, opportunities, and upskilling. Successfully developing diverse suppliers demands a different approach, with targeted initiatives and active engagement. Not all retailers embrace this, making it more difficult to attract WMSMEs and engage in sustainable partnerships.

We dive deeper into insights and recommendations in **Section 5 – Actionable Insights Roadmap**.

CONCLUSION OF WMSMEs AS PL SUPPLIERS

Given the increasing need for women's empowerment and the supporting evidence in favor of embracing gender diversity, businesses and governments should take steps to reduce barriers and challenges facing women owned/led enterprises. Companies should track their performance on gender-equality indicators so as to remain competitive.

The LAC region has experienced both economic growth and a rise in women's labor force participation in recent years. Women are making small inroads, filling managerial ranks, and, in time, the region is positioned to be a leader in this regard¹⁴⁴. According to the World Bank, the percentage of women in the labor force in LAC has grown almost one percentage point, from 40.8% in 2015 to 41.9% in 2023, knowing that it had a significant decrease in the year of the pandemic¹⁴⁵.

One study shows LAC will lead the world regarding women in management by 2025, in part because they are taking on management roles in more strategic and operational areas¹⁴⁶.

PL supply chains in the region could play a key role in supporting WMSMEs, if retailers implemented gender diversity related practices and advocated for more women owned/led businesses to be included. Governments, too, are taking measures to include gender-neutral policies and reforms supporting WMSMEs in their national economic growth strategies.

Multiple studies highlighted in this report showcase the business sense in giving men and women the same opportunities. Ultimately, there is a great deal more companies can do to eliminate gender stereotypes and appreciate the benefits of gender-balanced suppliers, workforces and leadership.

¹⁴⁴ (International Labour Organization, 2018)

¹⁴⁵ (The World Bank, 2023)

¹⁴⁶ (International Labour Organization, 2018)



04

CASE STUDIES



Case study



URUGUAY

TA-TA SUPERMARKETS



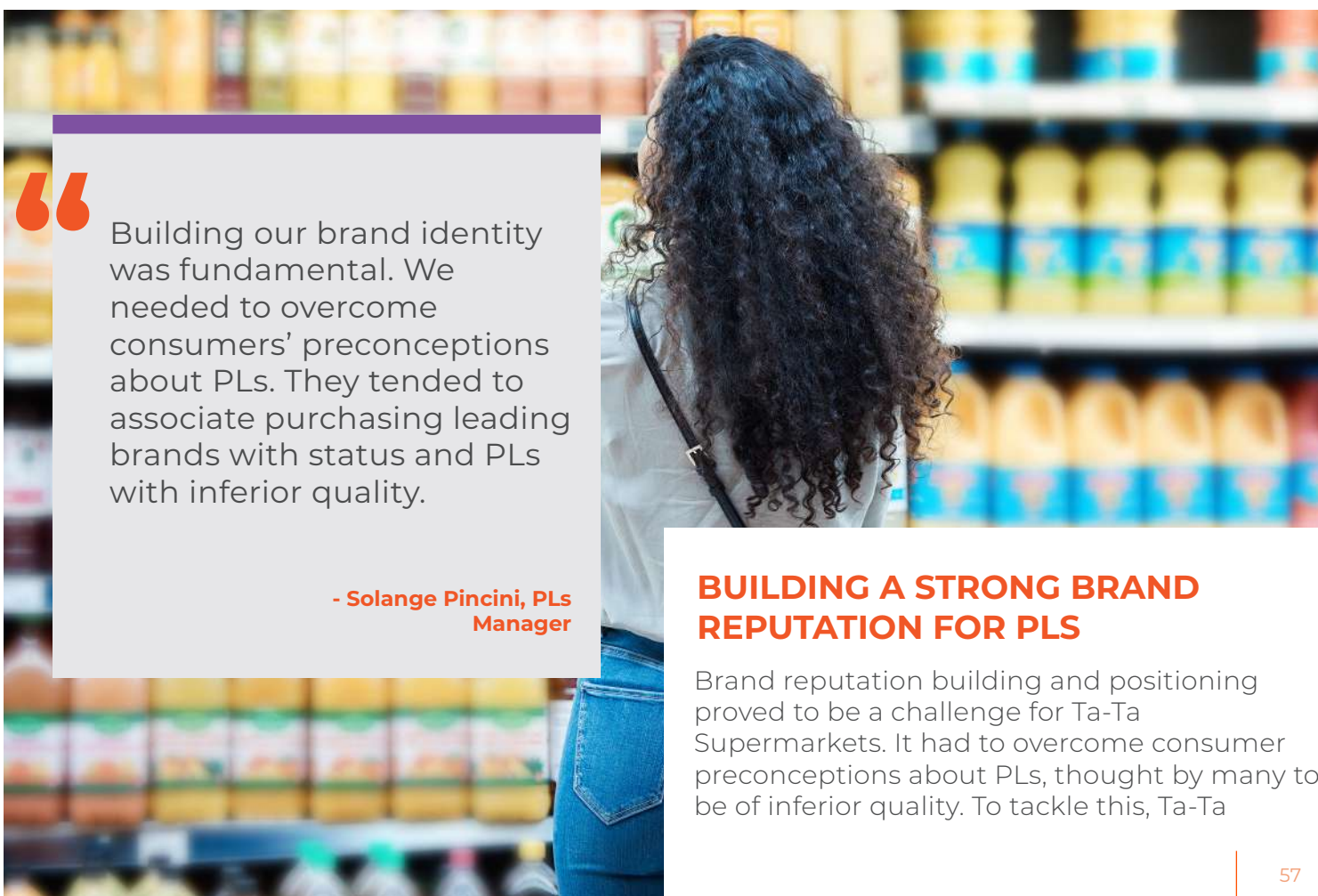
AN OVERVIEW OF TA-TA SUPERMARKETS AND THEIR PRIVATE LABEL BRANDS

Founded in 1956, Ta-Ta is a major player in Uruguayan retail. The Ta-Ta group includes hypermarkets, supermarkets, specialized apparel, home appliances stores and their respective e-commerce platforms. With 121 stores across the country, Ta-Ta employs more than 5,000 employees.

Ta-Ta Supermarkets has been developing their PL product line. It has expanded its portfolio to include more than 600 products across 103 categories, such as home cleaning products, frozen products, food products, dairy products, cosmetics and beverages. Ta-Ta Supermarkets brands include Ta-Ta, Del Campo a la Mesa, H&G, En casa, Trial, Hometech, Playschool, Elements, Hacienda Premium and Go.

In 2017, Ta-Ta identified an important opportunity in developing its PLs, creating a specialized area because of its strategic relevance. The results were spot on. Ta-Ta's total revenue share for PL products grew from 3% to 21% in the following five years. Their PL products currently account for 25% of profitability, and growth is solid across all categories, with slightly stronger outcomes in food and home cleaning products.

“From the start, we worked towards building and growing our brand's identity and reputation. This was embodied in our Private Label policy which aimed at benefiting our clients with top quality products at affordable prices and positioning our brands within strategic categories” – *Solange Pincini, PLs Manager*



“

Building our brand identity was fundamental. We needed to overcome consumers' preconceptions about PLs. They tended to associate purchasing leading brands with status and PLs with inferior quality.

- Solange Pincini, PLs Manager

BUILDING A STRONG BRAND REPUTATION FOR PLs

Brand reputation building and positioning proved to be a challenge for Ta-Ta Supermarkets. It had to overcome consumer preconceptions about PLs, thought by many to be of inferior quality. To tackle this, Ta-Ta

needed to attract customers based on affordability, – and to convince consumers that the quality of its products was second to none. Ta-Ta placed its PL brands at a lower price point, compared to leading brands. Depending on time and category, Ta-Ta's PL prices are typically 10% to 15% lower than regular brands. But to ensure the kind of quality that would reverse negative consumer viewpoints, Ta-Ta Supermarkets adopted industry-leading quality, environmental, and health and safety standards within its PL supply chain (including FSSC 22000, ISO 22000 and Brand Reputation through Compliance (BRCGS) among others).

➔ AUDIT AND QUALITY

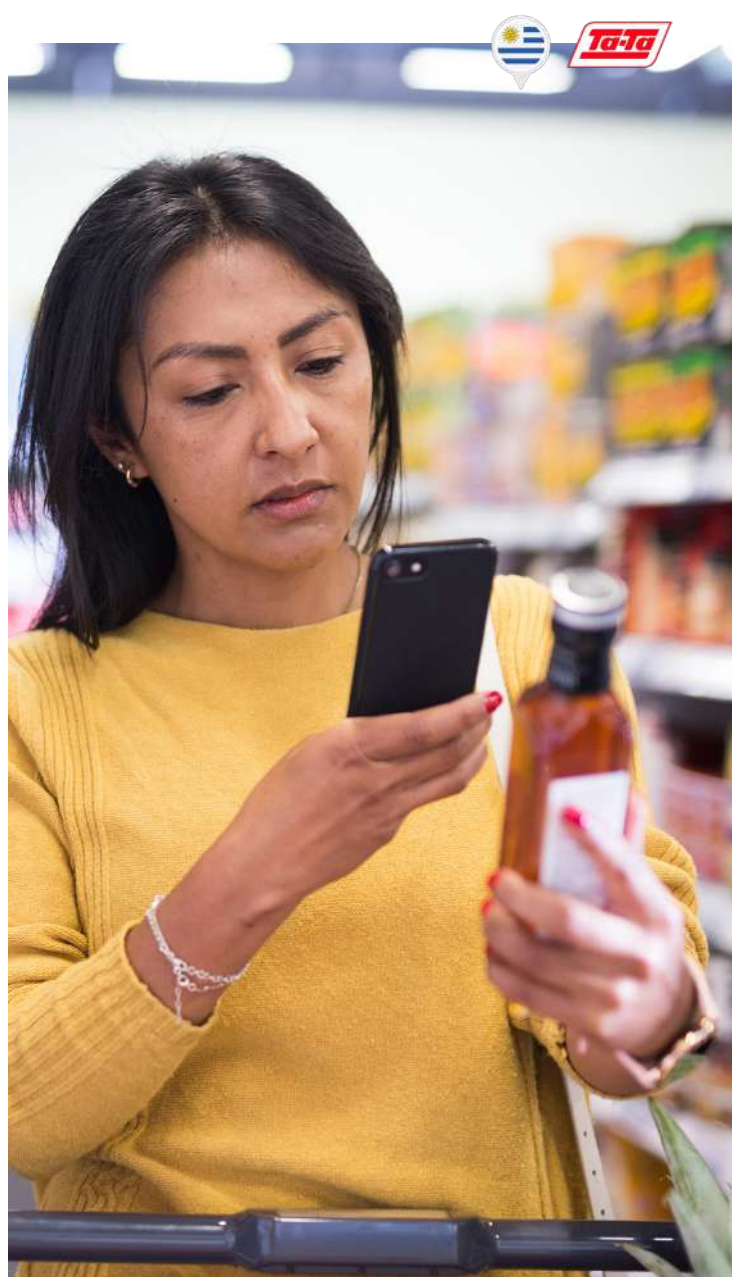
Introducing PL products required the creation of a department tasked with performing an initial onsite verification of the facilities of potential suppliers, their production process, and the documentation of specific product lines, such as food, household chemicals and personal care products. The newly created department would then score and suggest changes necessary to enhance processes. The foregoing was followed by regular audits of supporting suppliers to ensure fulfillment of required standards. While all this was necessary to obtain solid quality across all product lines, adjusting consumer perceptions around PLs required further efforts.

➔ ENCOURAGEMENT

Ta-Ta needed an aggressive strategy to convince customers to sample and adopt its PL brands. Targeted marketing initiatives included: refunds of up to 200% on PL products in cases of buyer dissatisfaction, cross-promotions between PL and branded products (e.g., buy a leading brand product and get a discount on a PL product), and a loyalty program awarding discounts to consumers who purchased PL products.

➔ BRAND REPUTATION

In building Ta-Ta's PL brand reputation and attracting and retaining customers, the focus on affordable prices and superior quality – paired with a strong commercial strategy – has proven successful. The average number of monthly clients who bought PL products during 2021 was 2.5 times higher than in 2016.



DEVELOPING VALUE CHAINS THAT FOSTER LOCAL MSMEs GROWTH

Ta-Ta Supermarkets created PLs to grow its business, lower the cost of living in Uruguay and benefit the communities where it operates. By nurturing local supply chains with a high penetration of MSMEs, it diversified its own supply chain and helped local MSMEs grow their businesses and access new sales channels and increase capacities.

The benefits of partnerships with MSMEs for PLs include diversification, flexibility, more jobs and prosperous communities. For MSMEs, larger volume sales generate top-line growth and, in some cases, represent enhanced efficiency for their bottom-line.

RELEVANT EXAMPLES



SALES GROWTH

Ta-Ta's PL water supplier stated that its demand increased by 20% as a direct consequence of the alliance, enabling it to recover from a significant drop in sales caused by the pandemic.



TRADE POLICIES

Due to Uruguayan trade policies, one PL vinegar supplier lost sales because of a huge influx of cross-border competitors. By partnering with Ta-Ta, this MSME supplier was able to reduce costs, gain efficiency, and ultimately provide more competitive products and recover entirely the volume previously lost.



EFFICIENT USE OF CAPACITY

A PL supplier of raw materials for the food industry noticed that harnessing idle capacity increased volume and production line prowess. Consequently, the manufacturer planned technology advancements to meet Ta-Ta Supermarkets' sustained demand.

Of the approximately 600 suppliers of Ta-Ta Supermarkets, most are local, and more than 100 produce its PL brands. The strategic relevance of developing local value chains is clear. Yet, including a high number of MSMEs within Ta-Ta's supply chain has not been easy. Not all MSMEs were aware of this opportunity, and many needed to improve their business and management processes to achieve required PL standards. To boost local MSMEs and enable more access, Ta-Ta Supermarkets launched the "Primero Uruguay" program.



"PRIMERO URUGUAY" PROGRAM AIMED TO FOSTERING LOCAL PRODUCTION AND JOB CREATION.

<https://primerouruguay.uy/>

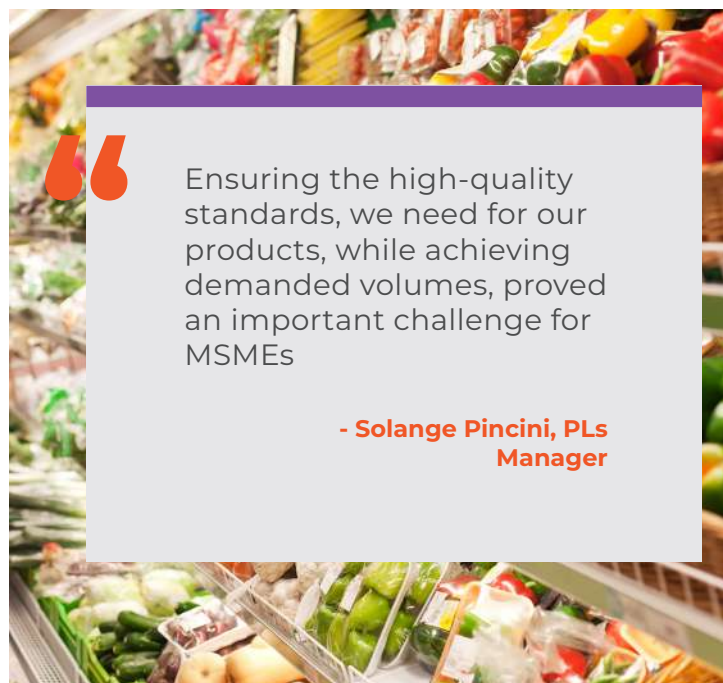
In 2020, as another step in its mission to promote expansion of national production, developing suppliers, improving offerings to its customers, and lowering Uruguay's cost of living, Ta-Ta Supermarkets launched "Primero Uruguay," a program that fosters local production and job generation among national suppliers, including its own brands. Having local suppliers in their value chain is a key component of Ta-Ta's PL strategy, which is also closely linked with their commitment to sustainability.

As stated in Ta-Ta's Sustainability Policy, the company views suppliers as strategic allies in guaranteeing the quality of products and services, and also as key players in the communities they serve. It is important, then, to look for long-term agreements that benefit both parties, including close and transparent ties that help develop of one another¹⁴⁷.



An initial open call attracted more than 600 local MSMEs, who were evaluated for product, quality, capabilities, formalization status and other relevant aspects. Overall, applicants were supported with upskilling, training and mentoring. As a result, Ta-Ta selected 50 MSMEs to become suppliers.

With its “Primero Uruguay” program, Ta-Ta helped local MSMEs achieve advanced specialization and access new sales channels, as well as to expand and improve consumer products, and promote a sense of pride for their national brands. With the program’s success, many MSMEs became aware of Ta-Ta’s commitment to source from and support local companies. In turn, Ta-Ta continues its interest in MSMEs as future PL suppliers.



OVERCOMING MSMEs CHALLENGES

To develop and sustain these new value chains, Ta-Ta Supermarkets built solid relationships with local MSMEs, based on the principles of mutual benefit, flexibility and collaboration. The aim was to help MSMEs overcome the obstacles they faced on the path to professionalism and growth. The greatest barriers were **meeting product requirements, adapting to logistical conditions and preserving profitability.**



PRODUCT REQUIREMENTS:

Meeting desired quality and product specifications can be difficult for MSMEs. In response to these challenges, Ta-Ta’s approach is proactive in counseling and providing suggestions to suppliers on how to adjust their operations. By offering them training and advice, Ta-Ta Supermarkets patiently allows for suppliers to improve their processes and meet quality expectations.



LOGISTICS:

Ta-Ta Supermarkets has a central logistics warehouse where it consolidates and distributes products nationally. PL suppliers must ship their products to this central location, which can be a challenge. Some are not accustomed to shipping so frequently and in larger quantities. Because of the logistics and cost, not all MSMEs can maintain Ta-Ta’s high-level requirements. With this in mind, Ta-Ta has been flexible in adapting delivery requirements.



Ta-Ta is flexible on certain requirements, such as packaging and logistics. For example, Ta-Ta accepted different bottle sizes than the ones initially requested from their vinegar supplier as they already had a production line in place. Adjustments to the delivery requirements were also considered, in terms of frequency and size, so that the supplier could be more efficient and reduce costs. As stated by this vendor, “Ta-Ta was very helpful in upholding yet adapting their process and requirements to our reality, resources and productive capacity as an MSME.”



PRESERVING PROFITABILITY:

MSME leaders agree that when it comes to PLs, preserving profitability is crucial. Controlling costs is fundamental. Both retailers and suppliers need to monitor fee structure to establish a price that is sustainable for both parties, without compromising product quality. Negotiating prices that enable sustainable partnerships, considering MSMEs challenges and necessary joint efforts to overcome them, is key for a successful, long-term relationship.



I advise retailers not to lose the human touch when negotiating with their suppliers. This could be the difference between success and failure since the process alone does not consider all the alternatives and potential problems that a committed person needs to solve.”

- CEO of Ta-Ta's PL supplier

THE PATH FORWARD

Ta-Ta Supermarkets plans continued expansion of both products and categories across their PL portfolio. Although their brands are still growing in consumer adoption, it's not as significant as in previous years, given the maturity of its PLs. This requires ongoing product strategy and innovation that caters to consumers' changing behaviors. Ta-Ta's product development addresses new consumer trends, such as the demand for healthier products and an increased interest in wellness. There is still space for growth and diversification. And Ta-Ta intends to include more MSMEs as strategic allies in PL production.

Ta-Ta focuses on diversity, equity and inclusion by promoting inclusive hiring policies. This approach has achieved an impressive percentage of female participation in their workforce, which is comprised of 67% women.

With gender perspective being of growing interest, a plan and a designated team are being organized to establish the main goals for next year. Finally, Ta-Ta realizes that the potential benefits of a diverse workforce and PL supply chains extend beyond partnering with local MSMEs. Ta-Ta's next step is to source from women-owned/led MSMEs as part of their agenda (Refer to Section 3.4 – Private Labels and Women MSMEs).

Moreover, Ta-Ta Supermarkets measures their effect with respect to social, environmental and economic issues, through the B Impact Assessment process. This allows the company to identify primary environmental and social aspects to incorporate into the company's agenda.



WINNING STRATEGIES



Implementation of industry-leading quality, environmental, health and safety standards within their PL supply group to ensure the quality of their products (**e.g., FSSC 22000, ISO 22000 and BRCCS.**)



Target marketing initiatives including the offering refunds of up to **200%** on PL products in cases of customer dissatisfaction, cross-promotions between PL and branded products and a loyalty program awarding discounts for consumers who purchase PL products.



“Primero Uruguay” – development program that supports local suppliers with upskilling, training and mentoring so that they can meet the standards needed to become part of their value chain. It also promotes a national sentiment among consumers that drives them to buy PLs, not only for price reasons.



Case study



ARGENTINA

GRUPO LA ANÓNIMA



PRIVATE LABELS AS A VEHICLE FOR DELIVERING A BETTER FUTURE FOR ITS CUSTOMERS

With more than a century of uninterrupted business activity, La Anónima has positioned itself as the fourth largest supermarket company in Argentina and the second largest Argentinian-owned retailer¹⁴⁸. **With more than 11,000 employees, the company operates 167 stores in 87 cities, with 11 distribution centers, 2 refrigeration facilities, 2 e-commerce channels, 1 fintech, 1 slicing center, 1 bread-making center, 3 fruit and vegetable concentrators, and one cross-docking distribution center.** For the last 25 years, La Anónima has developed the following

PL brands: La Anónima, Best and Visiv. Offering 750 products across the food, personal care and cleaning segments, La Anónima provides consumers with a combination of top quality and attractive prices.

For La Anónima, the development of their PL brands is strategically aligned with delivering an improved quality of life for customers and communities. Today, La Anónima's PL business share is more than 12%, with margins 10% bigger.



Our brands let our customers access top-shelf products at very competitive prices, generating loyalty and trust

- Lina Micucci, PL Purchasing Manager

La Anónima sees PL development as an opportunity to provide a better future for its communities as consumers and businesses. In fact, 79% of its 106 PL suppliers are local MSMEs. The growth of its PLs is a source of progress for local small and medium suppliers, generating mutual, long-term relationships.

QUALITY AND PRICE STRATEGY

La Anónima offers a complete and diverse line of PLs, guaranteeing an assortment of products that meet their customers' needs and budgets without compromising product quality. There are two PL brands in the food category: La Anónima and Best. La Anónima's prices are positioned approximately 10%



below leading brands, while Best is positioned at 20% below established labels, constituting an even more affordable alternative. In the personal care category, the company owns the brand VISIV, which is similarly positioned to La Anónima brand. With various options at multiple price points, La Anónima boasts a broad portfolio of products for consumers across a wide range of income levels.

¹⁴⁸ The three largest supermarkets in Argentina are: Carrefour, Cencosud and COTO. COTO is also the largest Argentinian-owned retailer.

La Anónima PLs provide brand-name quality which is ensured by strict controls focused on food and product safety. As part of its strategy, La Anónima supports the development of its suppliers through the 'LA Impulsa' Program, where it has an exclusive 'Fortalece' module for food quality and safety. In partnership with the International Master's in Food Technology (MITA), it offers an online course for SMEs and local suppliers within La Anónima's value chain to improve their food safety and quality management systems. The program is specially developed for La Anónima's suppliers and consists of a 36-hour online course. By offering scholarships and subsidizing 30% of its cost, the company makes the training more accessible.

SUSTAINABILITY AND ITS INFLUENCE ON PRIVATE LABELS

La Anónima carefully manages its PL brand, pricing and quality. Its business strategy is further influenced by its Environment, Social and Governance (ESG) TripleBottom Line Commitment. As part of which, La Anónima is actively involved and committed to strengthening the communities in which it operates, simultaneously offering them local PL products and generating indirect jobs in its value chain.

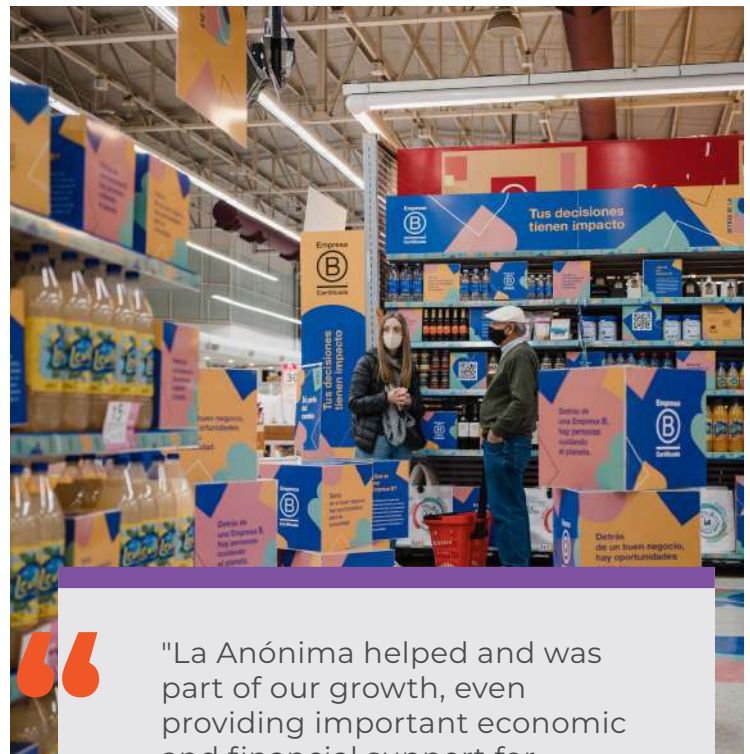
For example, the PL jam supplier is a husband-and-wife team that grew to more than 70 employees over 15 years by working with La Anónima.

The company creates lasting relationships with its MSME suppliers based on trust, by understanding their realities, challenges and needs. Keeping this in mind, the company introduced different ways to generate feedback and collaboration.



"Becoming La Anónima's private label supplier made us more proactive in certifying norms, leading us to certify FCCS 22000, something that gave us reliability and helped us grow"

- La Anónima's PL baked goods supplier



"La Anónima helped and was part of our growth, even providing important economic and financial support for improving our facilities."

- La Anónima's PL jam supplier

Both PL suppliers and large national suppliers were encouraged to participate in the Advantage's Group¹⁴⁹ survey, which measured their overall satisfaction with La Anónima, by assessing the organization from the quality of staff to business relationships.

The annual meetings are one of many efforts to build camaraderie among suppliers. La Anónima seeks to communicate news and commercial developments, and report on progress made in sustaining La Anónima's Triple Bottom Line Commitment. These efforts recognize the key role its network of stores plays in helping local MSMEs develop PLs and enhance visibility for

manufacturers of other products. This commitment provides MSMEs with higher sale volumes from the PLs, but also from their own products, while at the same time providing access to new channels and a national distribution network.

“Triple Impacto” — La Anónima has a Triple Bottom Line measurement program in its value chain that aims to identify strengths and opportunities in triple impact issues for the company's top suppliers. To assess the ESG status and understand supplier sustainability management, they conduct a survey based on the B Impact Assessment criteria developed by B Lab¹⁵⁰. From the results, La Anónima evaluates opportunities to jointly enrich performance.

BOOSTING THE GROWTH AND DEVELOPMENT OF MSME SUPPLIERS

Of all PL suppliers, 65% sell their own brands to La Anónima, too. La Anónima-MSME partnerships enable suppliers to secure space for their own products in stores across Argentina and break into new markets.

Unlocking the benefits of PL manufacture presents significant difficulties to Argentinian PL MSMEs, including lack of production capacity, access to financing, required quality standards and business formalities, particularly the burden of tax and financial structures.



La Anónima is an exhibition for Patagonian products, allowing for many consumers to discover and purchase our products

- La Anónima PL honey supplier

¹⁴⁹ Advantage Group, Global Experts in B2B Relationship Building

¹⁵⁰ This survey was designed considering the highest international management standards, such as Fair Trade, Great Place to Work, ISO, FSC, among others.

Argentina's current macroeconomic conditions result in limited access to financing, making it extremely difficult for MSMEs to invest in new technologies and processes to increase production volumes. According to the World Bank's latest Enterprise Survey, the percentage of companies that identify access to finance as a major constraint is higher for Argentinian enterprises than for others in the LAC region and worldwide¹⁵¹ (23% for Argentinean firms compared to the LAC average of 17.5%). To assist MSMEs, the company often accelerates payouts and provides other economic support, as seen in the examples below:



ACCESS TO FINANCING

Provided credit to the PL jams supplier with both better interest rates and payment terms. This enabled the vendor to invest in machinery, which allowed it also to improve production lines and increase productivity. Part of the credit was also used to buy raw materials and, during the pandemic, pay salaries when there was not enough income to do so.

IMPROVED PAYMENT TERMS

With their PL supplier of bread, they reduced payment terms to 30 days which allowed them to have the necessary cash flow to pay their vendors.

CASH DISCOUNT

The above-mentioned honey PL supplier received advance payment of their invoices, better known as cash discount, to invest in technology.

“

In line with its Triple Bottom Line Commitment:

With this program, we seek to contribute to the development of an efficient and sustainable value chain, generating links between suppliers, companies and government and strengthening the development of our country's regional economies.

To address challenges facing MSMEs and in order to help them overcome them, La Anónima is adjusting its open-call program, “La Anónima Impulsa.” Currently, around 50 MSMEs have participated in different training modules.

LA ANÓNIMA IMPULSA:

is a program that seeks to promote and support the development and growth of local MSMEs. It is aimed at local and MSMEs that are not currently suppliers of La Anónima, in activities related to retail, where general content such as business model and plan, marketing, financial management, sustainability and triple impact, among others, are addressed.

is for retail suppliers in general and those that are MSMEs suppliers too. The content of the program is specific to retail where relevant topics such as logistics and traceability, food safety and innovation, packaging, and front labeling, among others, are covered.

is focused on quality and food safety for suppliers already working with La Anónima and companies aspiring to become part of the supplier network. With these courses, La Anónima seeks to support MSMEs with their upskilling to deepen best practices in Food Safety. The content of the program is developed in articulation with the MITA, International Master's in Food Technology.





La Anónima works (internally and externally) to promote inclusive value chains. Inhouse, it drives a corporate diversity and inclusion policy to give visibility to problems faced by vulnerable groups. In cooperation with consulting firms that specialize in DEI, alongside NGOs helping recruit those who are under-represented or at risk. This initiative is soon-to-be-launched, will start with internal operations.

In November 2022, La Anónima Fintech obtained certification as a B Corporation. To date, the group is on the so-called +B path. As part of its journey to becoming a B Corp, La Anónima will apply best practices in managing diverse value chains from other successful organizations. The company is **open to ideas for including Women MSMEs in its supply chain.**

A GLIMPSE INTO THE FUTURE

PL Brands La Anónima hopes to increase the share of its sales from PL products to 18%, approaching an impressive 40% growth rate. It expects to continue using its PLs as an ally to bring a better future for its customers and communities.



WINNING STRATEGIES



Offer a complete and diverse line of PLs, guaranteeing an assortment of products that meet customers' needs and budgets without compromising product quality.



"La Anónima Impulsa" program – a supplier development program seeking to support MSMEs and local businesses with their upskilling and path to professionalization, providing targeted learning goals in partnership with recognized universities and masters.



Create lasting relationships with MSME suppliers based on trust - by understanding their realities, challenges and needs. This includes initiatives such as: feedback and collaboration opportunities, recognition, create spaces to communicate news, commercial development, and annual meetings.



Impact Measurement Program, in which suppliers voluntarily participate by completing three triple impact surveys, the results of which allow La Anónima to work with suppliers on opportunities for improvement and development of strengths associated with their commercial link and sustainable value chain.



Case study



COLOMBIA

GRUPO ÉXITO



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GRUPO ÉXITO AND ITS BID FOR PRIVATE LABELS

Grupo Éxito is the largest retail platform in South America, with a presence in Colombia, Argentina and Uruguay. In Colombia alone, the company has 515 stores across 23 provinces and employs approximately 35,000 workers. The company portfolio includes Éxito, Carulla, Super Inter, Surtimax, Surtimayorista and Viva.

Originally focused on apparel, Grupo Éxito gradually expanded to become a major leading retailer. It's been in the PL business for close to 75 years, starting with clothing, then expanding its PL portfolio to essential and specialized Fast-Moving Consumer Goods (FMCG)¹⁵², also known as Consumer-Packaged Goods (CPG). In the latter category, Grupo Éxito's PLs include more than 2,000 products distributed across 159 categories and 10 brands. They encompass Frescampo, Éxito,

Carulla, Ekono, Pomona and Taeq (all food products) – and Bronzini, Arkitect and People in the apparel category.

The strategic decision to expand its brands and product offerings sets this company apart and generates tremendous growth. Even during the pandemic, Grupo Éxito increased its overall PL market share from 13% in 2019 to more than 18% in 2022 (38% growth)¹⁵³. Grupo Éxito's PL pricing strategies are significantly different across its various stores. In Surtimax, a price-focused chain, 28% of total CPG sales correspond to PLs. In others, such as Super Inter and Éxito, this percentage falls to 16% and 14%, respectively. Finally, in Carulla, the most premium market, PL Fast-Moving Consumer Goods (FMCGs) account for only 5% of total sales.



Our PL brands and our commercial allies who produce them, allow us to bring Colombian households high-quality, sustainable and competitive options that meet the needs of our consumers.”

- Pablo Montoya, Sustainability Director

A DIVERSIFIED PORTFOLIO AT UNBEATABLE PRICES

Grupo Éxito bases its PL approach on clear goals and concepts so as to differentiate their brands. The company develops an identity for each PL product, and targets specific markets across its PL portfolio. Ekono plays an important role, serving as the bottom of the pyramid (BOP) population. A company consumer survey revealed that 46% of customers said that Ekono delivered price and

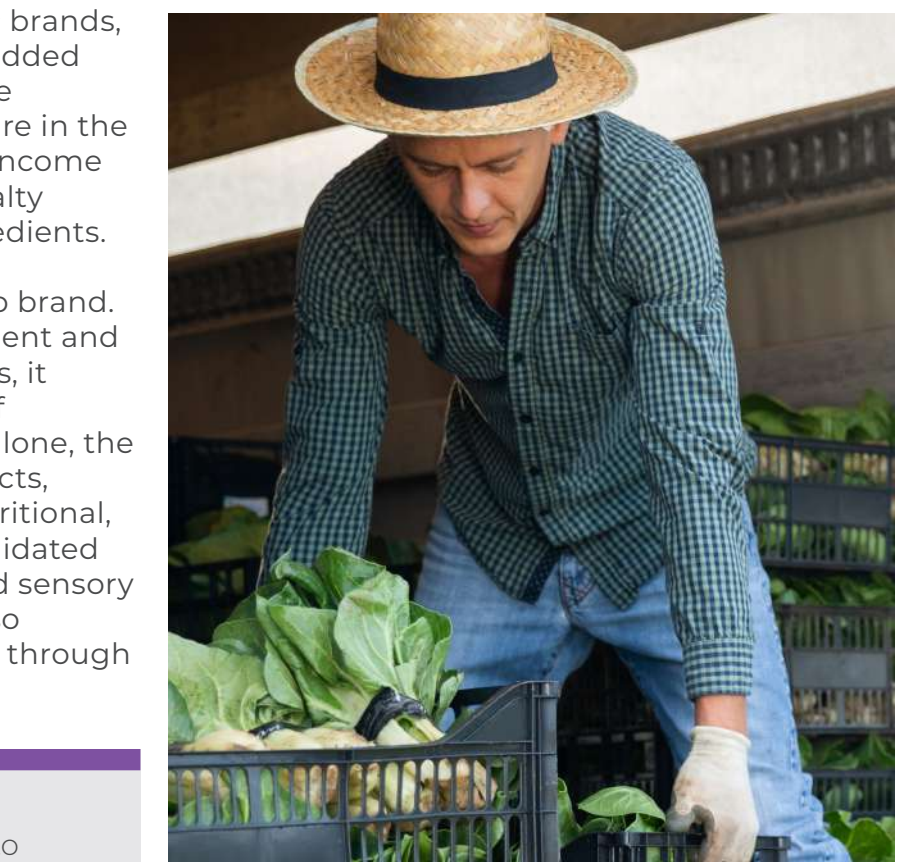


¹⁵² Fast-Moving Consumer Goods (FMCG) are products that are sold quickly and at a relatively low cost. These goods are purchased frequently, are consumed rapidly, are price low, and are sold in large quantities.

¹⁵³ Total FMCG category by mid-2022

quality. Grupo Éxito's most emblematic brands, Frescampo, Éxito and Carulla, provide added value to surveyed customers stated. The remaining brands, Pomona and Taeq, are in the premium segment, and target higher-income shoppers, willing to pay more for specialty goods, such as those with healthy ingredients.

Taeq has become Grupo Exito's flagship brand. Through innovation, product development and the promotion of healthy lifestyle habits, it showcases the company's awareness of opportunities in this segment. In 2021 alone, the company launched 66 new Taeq products, bringing the total to 286. A team of nutritional, technical, legal, and sensory experts validated and approved the legal compliance and sensory quality of Taeq's new products, and also introduced more nutritional awareness through a voluntary labeling system.



Grupo Éxito's nutritionists conduct a range of activities during product development, prior to production with its PL suppliers. They:

- evaluate the nutritional profile of foods, according to the brand's commitment to safe ingredients,
- approve nutritional claims, considering the nature and added value in the product formulation,
- assess legal requirements that need to be addressed at the time of production, and
- promote healthy habits by creating valuable content to educate internal and external customers.

Once guidelines from Grupo Éxito are clear, it's up to MSME Taeq suppliers to apply their experience and creativity in developing products that satisfy the requirements, while remaining attractive and appealing to consumers. Teamwork is invaluable to the success of these PLs.



We believe in the opportunity to nourish every Colombian one meal at a time. To achieve this goal, we seek the best version of each food through establishing a series of technical requirements, and a process that guarantees the conscious development of products with a differential nutritional profile."

- Carlos Ariel Gómez Gutiérrez, Commercial and Procurement Vice President



A survey conducted by **GRUPO ÉXITO** in **2022** revealed that **69%** of respondents see **TAEQ** as a brand that contributes to their **WELLNESS** and **52%** said its products help them develop **healthier habits**.

To encourage consumer adoption of its PLs, Grupo Éxito launched campaigns, such as “Precios insuperables” (“Unbeatable prices”). This program guaranteed the lowest prices on the market, even offering a refund of double the difference whenever shoppers discovered a cheaper competing product. By positioning these goods in special displays and giving them strategic visibility with shelf placement, the campaign was a well-known success, accounting for 60% of total CPG PL sales during 2022. Based on figures from 2021-to-2022, sales of “Precios insuperables” soared by 35%.

The company’s PL brands vary in target audience and categories. But one fundamental characteristic they share is the high number of local MSMEs within the value chains. As stated in Grupo Éxito’s Sustainability Strategy, “together with our suppliers, we are committed to sustainable supply chains that contribute to the generation of knowledge and development, and to local and direct procurement.”

NURTURING LOCAL OPPORTUNITIES THROUGH SUSTAINABLE PRACTICES

Grupo Éxito’s PL supply chain is driven by local MSMEs. In its CPG categories, close to 270 out of 286 suppliers (95%) are MSMEs. And a full 100% of its 80 textile suppliers are Colombian MSMEs, where women represent an estimated 80% of the workforce. This local and MSME driven supply chain is the result, in large part, of its Supplier Development Program. A benchmark of the company’s PL strategy promotes sustainable trade practices by developing local MSMEs and including them within their supply chain.

The Supplier Development Program is directed at all Grupo Éxito associate partners and seeks to understand the barriers faced by suppliers.



By co-creating together with our PL suppliers in their various categories and accompanying them in their development process as our strategic business partners, we generate thousands of jobs for men and women in Colombia, helping them live our higher purpose: Nourish Colombia with Opportunities.

- Mariana Herrera, Supplier Quality and Sustainable Development Coordinator

By performing initial assessments to identify gaps and compulsory audits, the company verifies that suppliers are aligned with its corporate guidelines. Then, each MSME receives a customized plan to help them bridge individual gaps. There are strategic alliances with institutions, such as Eafit University and its department “Eafit Social,” the Promoter of Social Commerce, the Ministry of Trade, Externado de Colombia University, and its corporate volunteer program. Together, they

offer training programs on topics ranging from food safety, gender equality, human rights, environmental policies, and other topics covered by their sustainability policy.

In the words of one Grupo Éxito PL textile supplier, “They have been our main ally. The training and mentorship provided through its partners and volunteers has enabled us to grow our team from 9 to 150 employees, with a focus on developing PL products.”



"Developing a sustainable supply chain and sourcing locally is not an empty statement. We truly believe in it as it gives us our competitive advantage: we are as competitive and profitable as our suppliers are.

- Eric Vivoni Aristizabal, General Manager of Didetexco, Grupo Éxito's textile industry

Becoming a Grupo Éxito PL supplier guarantees MSMEs a significant and stable production volume and also opens new channels for their other commercial brands. Producing the company's PL gives MSMEs new processes and quality integrity, signaling their ability to uphold strict product requirements.

CREDIBILITY AND POSITIONING



Grupo Éxito's PL supplier of aromatics and infusions gained credibility with consumers, other retailers and large corporations, allowing it to increase its client base and the share of PL sales from 5% to 25% in 6 years (a massive 400% growth rate).



PL toilet paper and pet food suppliers found that producing Grupo Éxito PL brands enabled them to reposition their own commercial products, reaching new audiences and markets.

To seize opportunities offered by PLs, MSMEs must achieve certain standards to collaborate successfully and sustainably with Grupo Éxito. The company and its MSME suppliers cite the following main challenges: difficult contractual terms – harshened by Colombia's difficult macroeconomic conditions–, financial limitations and a lack of formality in MSMEs' day-to-day operations.

HELPING MSMEs OVERCOME STRUCTURAL AND INTERNAL BARRIERS

Contractual conditions are increasingly problematic because of high price volatility and the devaluation of the Colombian peso. According to the Departamento Administrativo Nacional de Estadística (Statistics National Administrative Department, DANE), the annual variation of the Consumer Price Index (CPI) was 13.2% in 2022, 7.5 points higher than the same period of the previous year, when it was 5.62%. This change was mainly the annual price variation of food and non-alcoholic beverages (27.81%), and water, electricity, gas and other fuels (6.94%)¹⁵⁴. The situation has forced MSMEs to modify their PL strategies and finances to meet volatility and rising costs. This involves delicate renegotiations with retailers and adjusting prices to maintain their operations.

Grupo Éxito is well aware of these challenges. Accordingly, the company has been open to cooperation and strives for stability with its suppliers. Grupo Éxito also made an effort to achieve a cost adjustment of 7.7% below inflation for food, thus generating savings for customers.

This approach has proven successful. For example, herbal tea and infusions PL supplier noted that price margins negotiations allowed their operation to preserve its production volume.

Colombian MSMEs face high taxes and registration costs to formalize their businesses, in addition to having to pay for start-up materials. According to PwC's "Paying Taxes 2020"¹⁵⁵ index, companies in Colombia pay the fourth highest taxes in the region, 71.5% compared with the LAC average of 53.5%.

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Changing a supplier due to price difference can be easy, yet it's very difficult to achieve the loyalty and relationships that allow us to plan and work hand in hand.

**- Luz Maria Ferrer, Consumer Goods
Corporate Manager**



¹⁵⁴ (DANE, 2022)

¹⁵⁵ (PwC and the World Bank Group, 2020)

FOOD SUPPLIER DIFFICULTIES

Post-pandemic, Grupo Éxito's PL pet food supplier endured difficulties financing working capital and sanitary registrations, both extremely costly. In the above-mentioned PwC's "Paying Taxes 2020"¹⁵⁶ report, in Colombia, labor taxes are 23.6% compared to the world average of 16.1%.

These expensive bureaucratic requirements push many MSMEs into informality, with "six out of every 10 microenterprises operating informally"¹⁵⁷ in 2018. It also creates financial limitations and compromises MSMEs' abilities to secure loans. Limited access to loans adds financial stress, creating vulnerability to delayed payment terms. The MSME Finance GAP Report by IFC shows that 16% of Colombian MSMEs are credit constrained¹⁵⁸. One of the strategies to face this challenge was the creation of the Colombia's MSMEs Law 2024 of 2020, better known as the Fair Payment Law, designed to protect and promote MSMEs. It established that payment of invoices must be made in a term equal to-or-less than 45 days.

Through its partner program, The Supplier Development Program, Grupo Éxito supports its MSME PL partners in obtaining credit and financing by becoming guarantors and providing support. It also offers the option of paying invoices in advance, better known as cash discounts.

When applied, invoice factoring also creates an available cash flow for the purchase of raw materials. It's an option used successfully by some PL textile producers, and managed through a partnership with Bancolombia, Colombia's largest private bank, in terms of equity and assets¹⁵⁹. For small agricultural suppliers of fruits and vegetables, Grupo Éxito established weekly cash payments to provide suppliers with liquidity.



REVERSE FACTORING

Factoring is a financial tool that allows companies to collect their invoices in advance, avoiding the risk of insolvency on the part of their suppliers in exchange for a percentage of the value of the invoice. In other words, factoring gives companies the possibility of obtaining liquid resources in exchange for the assignment of their collection rights. The main benefit that the company obtains by contracting factoring is to transform its credit sales into cash transactions, i.e., to get cash in hand. This, by extension, improves the financing capacity of the business¹⁶⁰.



¹⁵⁶ (PwC and the World Bank Group, 2020)

¹⁵⁷ (International Labour Organization, 2014) (Fernández, 2018)

¹⁵⁸ (World Bank Group, SME Finance Forum, & IFC, 2017)

¹⁵⁹ (Restrepo, 2022)

¹⁶⁰ (Association for Management Progress, 2021)

CLOSING THE GENDER GAP THROUGH PRIVATE LABEL SOURCING

Grupo Éxito believes that diversity and inclusion are sources of talent attraction, process innovation, and cultural and social transformation. The company's internal Diversity and Inclusion Policy covers three main components: gender equality, inclusive environments and more diverse and inclusive workplaces. This contributes to a kinder, more equitable culture.

Through their leadership efforts, Grupo Éxito's PL MSMEs are on a path to enhance their own diversity and inclusion strategies. The company developed a knowledge-sharing platform for its allies and suppliers, granting access to information and insights on topics, such as quality standards and gender inclusion. As a direct result of its Supplier Development Program, 52% of PL suppliers now have activities that promote gender equality.

For example, the toilet paper PL supplier is prioritizing inclusion, hiring women heads of households at its production plant. As of 2021, 60% of Grupo Éxito's workforce were women.

Since 2019, along with the National Ministry of Labor, the IDB, the IDB Invest and the World Economic Forum (WEF), Grupo Éxito coheads the Gender Parity Initiative (GPI)¹⁶¹, a program designed to "identify and reduce the barriers that prevent women from accessing job opportunities on equal terms"¹⁶². It's carried out through a public-private and third sector platform that share knowledge and best practices to motivate actions, both, internally in organizations and, in the context of public policy. The overarching goal is to accelerate gender parity in Colombia's labor market.

Organizations participating in Colombia's GPI are positioned as national and international leaders in the field, and belong to a best practices network of entities in Latin America. Leading by example, Grupo Éxito employees are 50.1% women and as a strong supporter of this initiative, it seeks to expand the concept to other companies in the region.

Among businesses that are part of the Gender Parity initiative, it's no surprise that 75% of the current 95 enrolled are suppliers of Grupo Éxito.



Through the textile business, together with our PL suppliers, we produce more than 28 million garments, which in turn generate more than 10 thousand jobs, where about 80% are women and many of them are heads of households.

- Carlos Mario Giraldo, CEO



¹⁶¹ (Colombian Gender Parity Initiative, 2024)

¹⁶² (Colombian Gender Parity Initiative, 2024)



One of the aspects where we have to make greater efforts is to achieve gender equality at all levels, and that is where companies have to act as the main transformers. In Grupo Éxito we consider that, by taking the decision to join the GPI in Colombia, we are taking a first and very important step to walk the path towards closing gender gaps in organizations and in the country.

**- Juan Felipe Montoya Calle,
Human Resources Vice President**

In 2020, this group received the Silver Seal “Implementation of Actions for Equality” from Equipares¹⁶³ and in 2022 the Gold one.

As for Women MSMEs, Grupo Éxito recognizes a great challenge in identifying these suppliers in its value chain. Often it lacks relevant information from suppliers (such as the number of employees, sales figures or the information regarding the owner or director). The foregoing makes classifications difficult, even with efforts to collect such details.

WHAT'S NEXT

Grupo Éxito’s approach is focused on the creation of new products and the development and strengthening of its supply chain. The company understands that it owes its competitive advantage to long-time suppliers who’ve helped make Grupo Éxito what it is today.

With this, the company strives to boost PL products’ sales and the role they play in the business’ profitable success.



WINNING STRATEGIES



Taeq brand – innovation and product development to offer healthy PL products, bringing a focus to nutritional awareness through a voluntary labeling system seeking to meet consumer needs.



"Precios insuperables" ("Unbeatable prices") – price campaign that aims to guarantee the cheapest products on the market, even offering a refund of double the difference whenever a cheaper competing product was found by consumers.



Provide financial solutions to their suppliers giving them the option of paying invoices in advance, better known as cash discount, offering factoring, and by becoming guarantors and providing credit support to obtain credits.



The Supplier Development Program – a program that aims to understand the barriers and help to bridge the identified gaps through mentoring, training, and other initiatives.



Gender parity initiative platform - A knowledge-sharing platform was developed for their suppliers, giving access to information and insights on quality standards and gender inclusion.



Case study



MEXICO & CENTRAL
AMERICA

WALMART



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A REGIONAL PERSPECTIVE ON PLs

Walmart de México has been in operation since 1991, while Walmart de Centroamérica has been active in the region since 2006. In 2010 the two companies merged becoming one of the most important LAC retail chains with operations in Mexico, Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica. Close to 231,000 associates work in its numerous outlets, including the following:

- Discount stores: Bodegas Aurrera Express, Despensas Familiares and Palí
- Supermarkets: Superama, Supertiendas Paiz, La Despensa de Don Juan, La Unión and Más x Menos.
- Bodegas: Bodegas Aurrera, Mi Bodega Aurrera and Maxi Bodega
- Hypermarkets: Walmart, Hiper Paiz and Hipermás
- Members' only price clubs: Sam's Club and ClubCo.

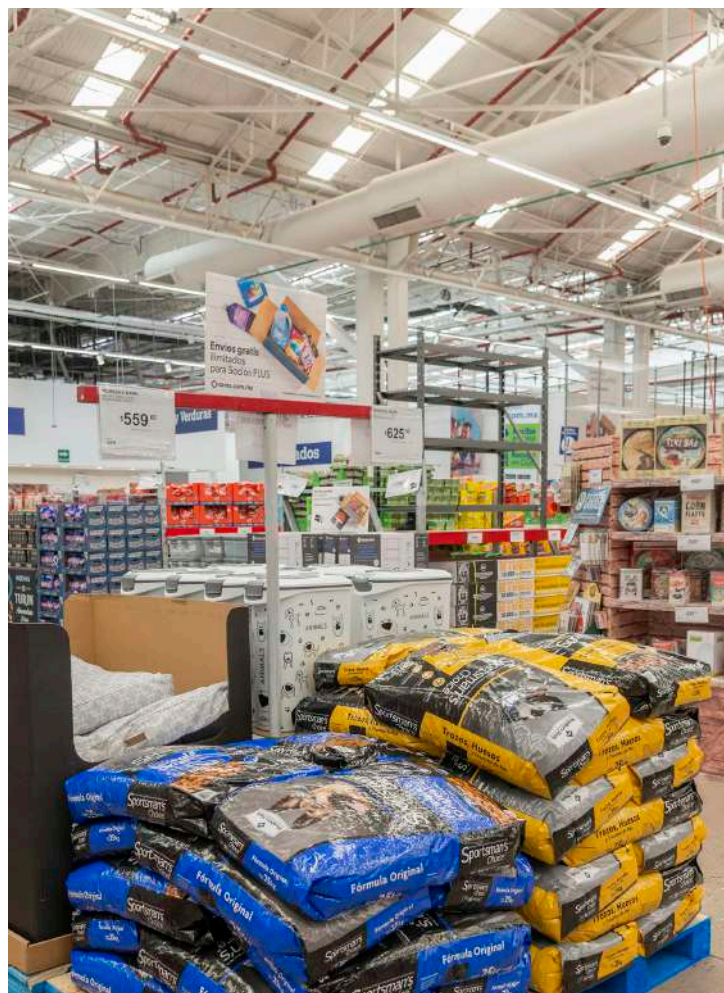
Walmart launched its PL brand strategy upon arrival to the region, introducing the 'Every Day Low Prices' policy. It then introduced the 'Great Value' and 'Equate' brands initially in Mexico and later in Central America (CA). To meet consumer demands, Walmart expanded its PL portfolio to some 40,000 items across more than 12 brands. Walmart's most recognized brands are Marketside, World Table, Aurrera, Parents Choice, Extra Special, Ol Roy, George and Secret Treasure.

Walmart's PLs fulfill the purpose of helping consumers save money and live better lives. Its Sustainability Report states, "Walmart's global initiatives such as regeneration, shared value, sustainability and food safety are bolstered by our PL brands."



Our PL brands play a very important role in our strategy. They help us increase customer loyalty by positioning us as an ally to their individual economies, while increasing sales.

- PLs Team Walmart de México



PLs AS STRATEGIC DRIVERS

Walmart aspires to offer clients the best value. The “Winning at Discounts” program is designed to guarantee a vast affordable product portfolio for both commercial and PL brands worldwide. “Winning at discounts” is based on:

EVERYDAY LOW PRICES



The company positions its PL brands at a lower price point compared to established brands. During 2021, Walmart initiated a minimum 10% price differential, focusing on basic bodega and discount items, promoted via commercial campaigns.

EFFICIENT ASSORTMENT



Walmart works with all PL suppliers to enhance catalogs and availability, including a wide range of quality products at competitive prices. In 2021, supermarket PL sales increased by 0.9% in Mexico and 2% in Central America.

IMPROVED ACCESSIBILITY THROUGH BRAND AND FORMAT DIFFERENTIATION



As part of its PL strategy, Walmart has developed four product segments, each offering a strong alternative for consumers:

1. Opening price point (OPP) products are functional and offer acceptable quality at the lowest price.
2. Value items offer the same or better quality than market leaders for a lower price.
3. Imported value offers quality products from abroad at affordable prices.
4. Premium or top-quality products fall under the slogan “best and fresh.”

With multiple store formats within its portfolio, Walmart adopted this approach to address individual value propositions and customer characteristics. A clear example is Walmart’s Bodega, a PL brand that targets price-sensitive consumers, which now represent 45% of Walmart sales in Mexico and CA.



With these four segments, we offer our customers exclusive product alternatives at a lower price so that they can enjoy a better quality of life

- PLs Team of Walmart de Centroamérica



During 2021, Walmart managed to increase their PL market share in 2.6% in their Sam's Club stores, as stated in their sustainability report.

➔ Mexico

FOCUSING ON FOOD SAFETY, QUALITY, AND NUTRITIONAL CONTENT

Walmart de México PL strategy is focused on affordable, safe and healthy products. Efforts include policies, practices, and standards, such as Safe Quality Food (SQF), British Retail Consortium (BRC), FSSC 22000, IFS, Primus GFS, and Global GAP¹⁶⁴. These standards maintain the quality of PL products, appeal to consumers and support other industry-wide efforts in consumer education, food and product safety. Throughout its PL portfolio, Walmart strives for transparency regarding nutritional content, as well as product innovation, and an emphasis on health and wellness with ingredient reductions in sodium, fat and sugar.



¹⁶⁴ Safe Quality Food (SQF) certification is a food safety and quality program recognized by the Global Food Safety Initiative (GFSI).

British Retail Consortium (BRC) Global Standards provides a food safety and quality framework for food manufacturers and suppliers.

FSSC 22000 contains a complete certification scheme for Food Safety Management Systems that is aligned with the ISO Management System approach and the ISO Harmonized Structure.

International Featured Standards (IFS) comprise eight different food and non-food standards, covering the processes along the supply chain providing a risk-based assessment of them.

PrimusGFS is a GFSI recognized audit standard designed to be used for primary production and manufacturing sectors at a global level.

Global GAP is an internationally recognized standard for farm production that covers food safety and traceability, environment, animal welfare and worker's right among other subjects.

DEVELOPING BENEFICIAL RELATIONSHIPS

Walmart firmly believes that the presence of Mexican MSMEs in its supply chain ensures better quality and wider variety for its communities. The company employs more than 900 PL suppliers, 83% of whom are national and 93% assist its self-service units¹⁶⁵, providing a source of local employment in Mexico's economy. With Walmart's support, these manufacturers are becoming more efficient, securing additional production volume, increasing efficiency, accessing new markets and venturing into product innovation. For local Mexican MSMEs, partnering with Walmart is mutually beneficial, as detailed in the following examples from interviews with some PL suppliers:

BUSINESS RELATIONSHIPS AND PRODUCTION CAPACITY EXPANSION

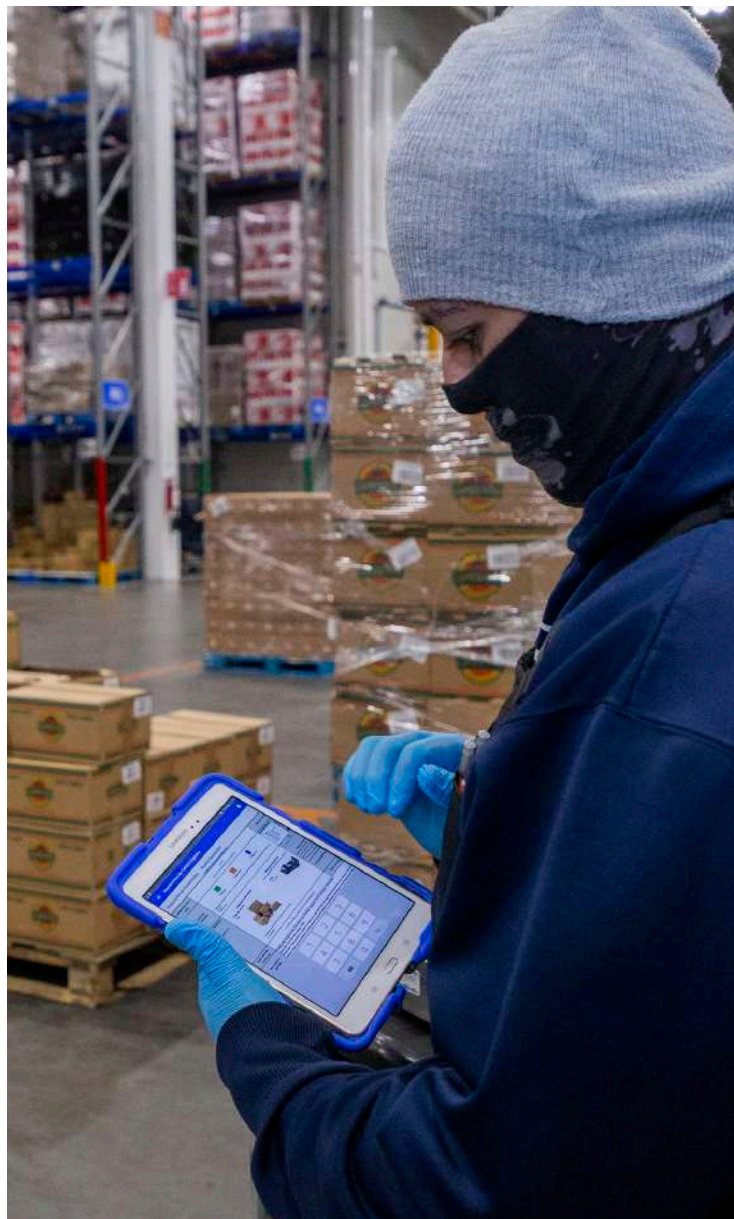


By joining Walmart's PL supply chain, a motorcycle and car oil supplier raised its PL business from 2% to 15% in the last 9 years. This supplier expressed that thanks to their commercial relationship with Walmart, their operation became more efficient at first, and it later expanded, in order to allocate an entirely new production line dedicated to fulfilling Walmart's volume demands.

PRODUCT PROCESS INNOVATION



Thanks to Walmart's support, a PL coconut by-product supplier started an innovative product development process that led to the creation of fructose-free food for Walmart PL products.



EXPANSION TO NEW MARKETS



A PL dairy supplier with an opportunity to access other LAC countries entered the Chilean and Central American markets through Walmart operations.

THE CHALLENGES OF SUPPLYING WALMART'S PLS

Catering to complex and multiformat retailer mandates can prove to be difficult for PL suppliers. From complying with process and quality audits to maintaining price structures that guarantee low costs, meeting Walmart's demand levels and covering logistical costs are the biggest challenges PL suppliers face. These are a few examples from survey interviews:



Walmart's motorcycle and car oil PL supplier concedes that ensuring the lower price points is demanding, given recent increases in raw materials prices.



Similarly, Walmart's dairy PL supplier emphasized that transparency is imperative when negotiating with retailers. It requires seeking profitability for both parties, and is often a complicated task, particularly with regard to production capacity, pricing structure and raw material costs.

HELPING PL SUPPLIERS OVERCOME THEIR CHALLENGES:

Walmart acknowledges the importance of its Mexican suppliers and helps them overcome these obstacles. Here are some examples:

DISTRIBUTION:



Walmart looks for efficiencies in deliveries and logistics. The company is willing to receive products at distribution centers and ship orders to its stores by truck.



To overcome barriers and develop a competent value chain, we need to strengthen our suppliers. Through training, advice, and mentoring programs, we seek to develop small producers, women, and small and medium-sized suppliers (MSMEs) and improve their access to the market.

- Supply Chain Team





ACCESS TO FINANCE:

Once a PL supplier becomes part of their value chain, Walmart offers them financing facilities such as factoring programs that provide advance payments at an agreed upon discount. Depending on sales volumes, the company also offers loan pre-approvals for machinery investments.

SUPPLIER DEVELOPMENT PROGRAMS:



The development program, “Adopta una PYME” (Spanish for “Adopt a small or midsize enterprise (SME),” has a strong presence in Mexico.



“ADOPTA UNA PYME” - BUSINESS ACCELERATION FOR MSMEs

The “Adopt an SME” (Adopta una PyME) initiative has supported more than 350 suppliers since 2014, who have enjoyed a cumulative sales increase of 33%. It helps MSMEs¹⁶⁶ increase their sales, and develop operational, financial and logistical capabilities. The objective is to give suppliers a broader vision of the business, equipping them with technical tools to improve performance, and strengthen their business strategies through an 18-month training course.

They also receive customized advice to build sales-growth plans and are exempt from paying for certain promotions, including receiving, filling and arranging merchandise on shelves. This helps MSMEs invest resources in their strategies and operations. As for gender participation, currently, **23% of participants are WMSMEs.**



➔ Central America (CA)

AN OVERVIEW OF WALMART DE CENTROAMÉRICA AND THEIR PLS

Walmart CA has extensive experience in the PL business, offering some 4,000 products across five categories of which 70% are considered groceries, consumables and cleaning products. Like Walmart de México, Walmart CA understands the relevance of PLs in its strategy and sales. During 2021, it rose 2% in PL market share.

Walmart CA's PL value chain consists of 366 manufactures of which 57% are businesses located in countries where the retailer is present. The CA group appreciates the flexibility and exclusivity of smaller and local companies, along with the prospect of producing quality products with community characteristics.

BUILDING A STRONG SUPPLY CHAIN

Becoming a PL supplier for Walmart CA presents the chance to be mentored, trained and supported. It also offers the opportunity to access flexible payment terms and improve production conditions, such as plant capacity and more staff. Suppliers conveyed these stories during the survey interviews:



Through the “Una Mano para Crecer” (Spanish for “A Hand to Grow”) program, Walmart CA's Costa Rican PL cleaning products supplier received training and mentorship that improved business capabilities, leading to a win at Walmart CA's annual MSME Excellence Award which recognizes top-performing enterprises in the value chain.



A Costa Rican PL candle supplier adjusted its structure and operations, expanded staff by five people (representing 100% growth) and reversed inefficiencies to meet Walmart CA's volume demands.



By having Walmart paying me in 30 days, I can plan payments, meet suppliers' needs and regain the trust of the banks.

**- Costa Rican PL
supplier for Walmart de
Centroamérica**



A Honduran PL bean supplier expressed the importance of participating in this program. It allowed access to quicker payment terms and offered personal advice from Walmart's supply team to overcome obstacles.

Walmart CA's most common challenges with bringing MSMEs into their PL supply chain were compliance audits and production volumes. Most MSMEs lack the capacity to undergo required audits or obtain relevant food safety and quality certifications. To address this, Walmart CA makes it a priority to generate a culture of compliance, requiring suppliers to meet Walmart's product and quality standards, as well as encouraging suppliers to obtain leading, external certifications. Regarding production volume, the focus is on promoting process efficiency to improve competitiveness and achieve economies of scale. This is accomplished by providing financial support to modernize infrastructure and machinery.



“

In Central America, current macroeconomic conditions had a direct impact on the purchasing power of the general population. For consumers, Walmart continued to adjust their catalogs and further provide accessible products, mainly in their bodega and discount stores.

- PL Team Walmart de Centroamérica

OVERCOMING MSMEs BARRIERS

Among the challenges faced by MSMEs, the most relevant ones noticed and frequently reported throughout the supplier interviews were profitability, difficult access to financing and gender bias.

COST OF WORKING CAPITAL:

keeping up with demanding product standards and volumes whilst ensuring an accessible cost can challenge MSMEs producing PLs. One of Costa Rica's PL suppliers had to double its staff to keep up with volume demand and growth, leading to significant expense in labor costs, eventually affecting their price structure and compromising their profitability.

ACCESS TO FINANCE:

smaller enterprises have difficulties accessing financing, struggling with harsher requirements from banks. As noted by Walmart candle's PL supplier, second-tier banks have exceedingly high rates due to the risk of non-payment and the conditions for accessing non-reimbursable fund tenders are generally impossible for MSMEs to fulfill.

GENDER BIAS:

when speaking with women owners within Walmart CA's supply chain, they exemplified cases in which they faced gender bias and discrimination. The previously mentioned PL candle supplier expressed that dealing with a male-dominant industry, sexism can be common when negotiating with suppliers from culturally different countries and that she was forced to delegate negotiations to her husband. She also stated that access to finance was affected by her gender, facing harsher conditions and requirements from banks.



Banks ask us for guarantees that are not necessarily required. They are biased in their financing and have greater trust in men.

- Costa Rican WMSME PL supplier

To overcome these challenges, Walmart has established initiatives that support and promote MSMEs as PL suppliers.

FINANCIAL INITIATIVES:

Walmart CA proposes shorter payment terms for MSMEs, with 30 days for dry goods and other products and 15 days for perishables. This eases the financial burden regular payment terms would cause, also helping improve cash flow.

LOGISTICS COSTS:

Walmart CA provides MSMEs with logistical benefits during the first three years of operation, such as a 50% discount on centralization in the first year, a 25% discount in the second year and 10% in the third year. And MSMEs can use pallets free of charge.

SUPPLIER DEVELOPMENT PROGRAMS:

Walmart CA has two programs that support both manufacturing and agricultural MSMEs: "Una mano para crecer" (Spanish for "A Hand to Grow") and "Tierra fértil" (Spanish for "Fertile Land"). Part of the shared value strategy, both programs consist of support, training and providing market opportunities for MSMEs by eliminating intermediaries and maximizing the producers' profits.

It is important to notice that these initiatives may also indirectly favor WMSMEs, given the limited conditions such as the access to finance, and the lack of networking opportunities.



As stated in their annual report:

Through our programs, we promote the growth and development of our suppliers in Central America, ensuring high-quality products for our customers and the constant growth of these MSMEs.



“TIERRA FÉRTIL” – THE DIRECT AGRICULTURAL PROGRAM IN CENTRAL AMERICA

“Tierra Fértil” is a support program for small and medium-sized agricultural producers to ensure secure market access, direct purchases, technical advice and specific investments, such as equipment and startup materials. Through this program Walmart does business with more than 650 Central American agricultural producers, including 73 women-owned/led operations.

In addition to direct purchases from farmers, Walmart CA provides ongoing technical advice on issues such as seed quality, crop rotation, post-harvest management, responsible use of agrochemicals and water resources, Good Agricultural Practices (GAP), and Good Manufacturing Practices (GMP), and issues related to basic administration and finance. Producers also receive information on prices and variations in demand. A secure market, competitive prices, timely payment and higher income are made available to farmers.

DEI AND PLs

Walmart embraces diversity in every aspect of its organization, from employees to suppliers. The company is also committed to a safe work culture and environment. Recognizing the importance of DEI, Walmart has an advisory council for Mexico and Central America which focuses on developing, implementing, and spearheading its diversity, equity and inclusion initiatives.

Walmart is convinced that diverse groups generate better ideas and, at the end of the day, better results. They are committed to promoting the presence of women employees and suppliers, providing women and men with the same opportunities, conditions and treatment. This, while acknowledging their respective needs.



“UNA MANO PARA CRECER” – A DRIVER FOR THE DEVELOPMENT OF MANUFACTURING MSMEs

With its “Una Mano para Crecer” program, Walmart promotes the development of MSMEs with a special focus on women’s economic empowerment. The goal is to integrate MSMEs into the value chain and help them grow through training and business opportunities and ensure high-quality products for customers.

Of the current 462 participating SMEs, 33% are women owned/led. Through business rounds held in each country, MSMEs are presented with the requirements to become Walmart suppliers. They receive an introduction on Walmart’s processes and procedures, then are followed up with a designate category manager to whom MSMEs may show and pitch their products. If accepted, the commodity enters one or more stores for a 90-day trial period. If customers approve products, the product is then incorporated into the store’s collection and the manufacturer becomes a Walmart CA supplier.

Over the following three years, the entrepreneur receives preferential treatment for promotional activities from a centralized service, in addition to free training, periodic monitoring of business performance, and in some cases, technical assistance.



WHAT'S NEXT

Walmart de México and Walmart CA aim to make all PL product packaging 100% recyclable, reusable or combustible by 2025, avoiding the use of unnecessary or difficult-to-recycle plastic, and requiring at least 20% post-consumer recycled material.

Walmart de México will continue expanding its product and service offerings, while maintaining affordable prices, quality and availability. Based on a 2022 study of its PL packaging specifications, the operation is building a comprehensive strategy to achieve these sustainability and packaging management goals.



The program “Una mano para crecer” provided us with the advice we needed to get our products on the shelf and thus increase the visibility and sales of the company.

- PL Supplier in Costa Rica



WINNING STRATEGIES



Catalog optimization: Optimize the catalog and its availability by including a wider range of competitive products in terms of price and quality and according to the format of their stores and their target customers.



Financial support: Create initiatives to help suppliers access credit, pay orders in advance (better known as factoring), provide loans for investment in machinery, agree on payment terms, etc.



Logistics assistance: Provide suppliers with logistical benefits, such as the free loan of pallets, open negotiation for delivery conditions and order placement.



Supplier development programs: Create supplier development programs like “Una mano para crecer,” “Tierra fértil” and “Apoya una PYME” that aim to develop small PL producers, MSMEs and WMSMEs suppliers through training, consulting, and mentoring, improving their access to markets, eliminating intermediaries, and maximizing the producers' profit.



Case study



ARGENTINA

CARREFOUR

ARGENTINA



[Click here to visit website](#)

AN EXPERIENCED VOICE IN THE PLS SECTOR

One of the world's largest retailers, Carrefour is a French group that operates in Argentina and Brazil. It's been in operation for almost 40 years in Argentina, where it runs 84 hypermarkets, 97 supermarkets, 414 convenience stores and 10 cash and carry stores. In Brazil, its network includes 100 hypermarkets, 54 supermarkets, 144 convenience stores and 249 cash and carry stores.

With 25 years of PL development history, PLs occupy a central role in Carrefour's strategy. Carrefour's PL growth rate in the past decade doubled its CPG market share. Imagine a PL program that began with just 50 products now offers some 1,200 PLs from brands, such as Carrefour (the most-consumed brand across its stores), Carrefour Selection, Carrefour Bio and "De Nuestra Tierra" (Spanish for "From our Land") and more.

“

Globally, our private labels provide consumer loyalty, brand differentiation and accessibility - crucial given current economic conditions.

- Sergio Rocca, CPG
Merchandise Manager

Carrefour's worldwide¹⁶⁷ standards and experience have secured a solid position in the LAC PL market with a strong focus on quality, a wide range of accessible products, local supply chains and loyal consumers. PLs are crucial to Carrefour's global strategy.

Carrefour commits to the achievement of the Sustainable Development Goals (SDGs) through these priority issues: Packaging,

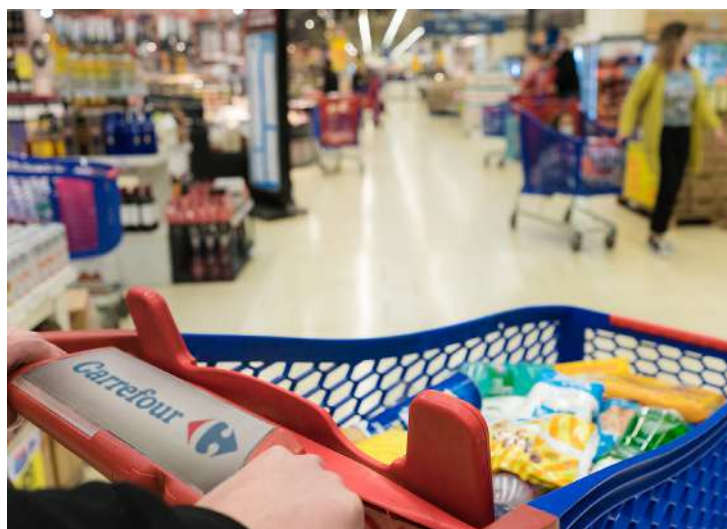


biodiversity, healthier options, healthier products, and climate. All assist the retailer in offering accessible, healthy food choices for consumers, producers and the planet. The company can achieve this with its PLs, but also through its supply chain. Carrefour actively promotes climate-friendly farming and manufacturing practices and provides a platform for suppliers to share best practices and explore new opportunities.

THE FOOD TRANSITION PACT AND PLs

Carrefour supports the Food Transition Pact,¹⁶⁸ a reciprocal pledge between employees, agricultural partners and stakeholders. The Pact's goal is to transform food systems and offer customers healthy, planet-friendly products at affordable prices. This pact resonates well with customers. Carrefour's deep-rooted expectations, shared by shoppers include sourcing geared towards local agriculture, offerings built around fresh organic, local and seasonal produce, and PLs that deliver balanced, dietary needs.

In 2018, Carrefour launched "Act for Food", a program that strives to guarantee safe, quality food. The emphasis is on developing local, PL supply chains that distribute organic produce, train employees and protect biodiversity. These are some of its dedicated initiatives:



As stated in their Sustainability Report: "Carrefour's intention is to make healthier, high-quality products available at fair prices to as many people as possible in all its local communities and under all circumstances.

This is possible thanks to the mobilization of its team and the expansion of its products offerings.

ENCOURAGING RESPONSIBLE ENVIRONMENTAL PRACTICES

Promoting agroecological practices, such as removing or reducing the use of chemical pesticides in crops.

SHORT CHANNEL DISTRIBUTION

Seeking local suppliers to meet the needs of the community-based stores.

HEALTH IMPROVEMENT

Removing 100 questionable substances from all Carrefour food products to ensure healthy ingredients and support organic farming.

REDUCING PACKAGING

Limiting environmental risk by eliminating unnecessary consumer packaging and reducing packaging volume.

AWARENESS CAMPAIGNS

Providing quality and nutritional information on Carrefour product packaging and in reputable, consumer recycling handbooks and online.

¹⁶⁸ Belgium, Romania, Poland, Brazil, Argentina and Taiwan) with 319,565 employees. (Carrefour Group, 2024)

Carrefour's values its PLs so as to foster growth in local communities. The company also focuses on developing healthy and quality products. In 2018, the retailer revamped all its food brands — nearly 4,100 products worldwide (including the 1,200 offered by the retailer in Argentina). This big shift now limits salt, sugar and fat, and removes additives and other unhealthy ingredients. In collaboration with consumers and research organizations, Carrefour also developed a range of products to address allergens and dangerous, food-related pathogens.

PRIVATE LABELS AS A VEHICLE FOR IMPACT

Carrefour Argentina's PL strategy is a success story in terms of MSMEs inclusion and development. As a result of the retailer's proactive approach, its PL supply chain has 107 suppliers, with an impressive 98% consisting of fully local MSMEs. The company called on consulting channels and launched open calls for MSMEs to onboard PL suppliers. Carrefour Argentina then interviewed and assessed candidates, sharing how, together, they could achieve high-quality standards. The company also provided advice to PL suppliers on how to help establish and enhance their MSME operations.

Integrating MSMEs into the PL value chain is a key driver in Carrefour's sustainability ambitions. It's also a huge competitive advantage as, "These companies are where innovation comes from. They bring flexibility, dynamism and freshness to the retailer. Working with MSMEs is part of Carrefour DNA." — Yamila Scollo, Carrefour Argentina Sustainability and CSR Manager.

These small producers understand the need for flexibility and adaptation, and view Carrefour as an ally in the product development. These are some examples:



We're always looking at how we can help MSMEs take that extra step, quality and process-wise, so that they can be successfully incorporated into the Carrefour value chain.

**- Yamila Scollo,
Sustainability and CSR Manager**





Carrefour's PL personal hygiene supplier started to produce vegan soap after seeing the trend in Europe and noticing no established competitor in its own market. The entrepreneur proactively proposed developing a PL vegan soap for Carrefour. The product was recently launched, targeting environmentally conscious and high-income consumers.



Carrefour Argentina PL snacks suppliers broadened its reach into Uruguayan and Brazilian markets, facilitating regional expansion and growth.



A water and soft drinks supplier was able to access 10% of the shelf space and achieve a PL share of 7% of its total production. The manufacturer tapped into a substantial revenue stream, without incurring customary expenses, such as logistics, marketing and communications.

Once required quality and commercial standards are achieved, MSMEs offer Carrefour's stores PLs, as well as their own product lines. This inclusion allows suppliers to receive the retailer's recommendations to access new markets where the company has a presence. Other perceived advantages include closer rapport with Carrefour, and expansion of their businesses.

The common challenges that Carrefour's PL suppliers alluded to were around:



QUALITY AUDITS:

There can be struggles to comply with strict quality requirements and auditing processes. The PL snack supplier stated that certification and audits always prove to be challenging, with increasingly stringent requirements that demand year-round efforts and considerable financial resources.

STOCK LEVELS AND THE NEED FOR CONTINUOUS PRODUCT DEVELOPMENT

The necessary stock levels required for producing PL products are challenging and involve a large investments. The PL supplier of water and soft drinks stated that having such high inventories tied up means that they are forced to incur additional costs such as warehousing costs.

UNCERTAIN MACROECONOMIC SITUATIONS

The price volatility represents a major challenge to MSMEs as these enterprises are more sensible to the price variations that might affect their prices structures. For one PL bakery supplier, it is difficult to maintain the agreed upon prices since inflation has increased the prices of inputs for their supplier and in most of the cases the added cost cannot be absorbed into the retail price of the PL product.



Producing PL brands requires large stocks, something that can be financially challenging for Argentinian MSMEs.

- Carrefour Argentina
PL supplier

To address these barriers and help producers join the PL supply chain, Carrefour develops an initial audit of each supplier to help strengthen their processes, become part of its value chain and develop excellent quality products. It also creates open spaces to negotiate economic or logistical matters.

In 2021, Carrefour launched the previously mentioned National Call for MSMEs. This initiative accelerated the search for new suppliers and worked towards strengthening MSME manufacturers of food, textiles, household goods, groceries, electrical appliances and Carrefour PLs. More than 600 organizations registered, and through collaborative discussions, are improving quality standards and passing audit procedures. These measures help MSMEs increase their production capacity, improve financing, and streamline purchasing processes to make their business more profitable.

CHANGES IN CONSUMER EXPECTATIONS

Since the pandemic, consumers have changed their ways of consuming and what they expected from products. Today they are looking for healthier and lighter products. Several PL suppliers stated that these changes imply them incurring in high costs to react recipes that can meet their needs, for example products with less sugar and calories.

The goal is to bring local products to Carrefour's customers by expanding the company's suppliers list with MSMEs from across the region. This initiative remains open and aims to boost employment and promote the growth of local economies. Under the slogan "Carrefour always together with MSMEs"¹⁶⁹, the retailer introduced some 100 MSME vendors into its overall and PL supply chains, at the company's sole criteria and discretion.

The program predicts MSMEs will move into Carrefour branches across the operation, with benefits including access to financing and advantageous 30-day payment terms.

In line with its gender and inclusion policies, Carrefour is committed to working with suppliers that include underrepresented groups.

THE ROLE OF PL IN ITS STRATEGY FOR THE FUTURE

Over the last decade Carrefour has doubled its PLs in packaged-goods sales in the Argentinian market. It plans to maintain this trend by focusing on healthy, high-quality, and affordable PL products.

The company's goal with respect to its PL brands is to reach 40% of sales in European countries and strong expansion for the rest of the group by 2026.



WINNING STRATEGIES



Carrefour offers quality products with balanced dietary requirements. They carry ranges that limit or remove certain ingredients, such as calories, salt, sugar and fat, additives and preservatives. They also carry a line that addresses allergens and food-related pathologies.



The Food Transition Pact helps Carrefour, and its suppliers cater to consumers' tastes and health needs while creating a point of differentiation with unique offerings through its PL.



The National Call for MSMEs brings more local products to Carrefour's clients and customers by expanding its list of MSME suppliers and small producers from all over the country. This initiative empowers PL suppliers, increases employment and boosts national industry.



Case study



BRAZIL

CARREFOUR

BRAZIL



Grupo Carrefour¹⁷⁰ has been operating in Latin America since 1975 and has become one of the leading retailers in the world. Carrefour Group Brazil has been the country leader in food retail for the last 47 years. From an omnichannel and multi-format platform, it brings together retail operations and Cash & Carry, the shopping club with Sam's Club, as well as Banco Carrefour and its real estate division, Carrefour Property.

Currently, it has the formats Carrefour (hypermarket), Carrefour Bairro, Carrefour Market (supermarket), Carrefour Express (proximity), Carrefour.com (e-commerce), Atacadão (wholesale and wholesale self-service), Sam's Club (Shopping Club), TodoDia (discount supermarket), Bom-Preço and Nacional (supermarkets), as well as gas stations and drugstores. Present in all states and the Federal District, its operation already covers more than a thousand points of sale. The largest private employer in the country, Carrefour Brazil is the second largest Carrefour operation in the world, only behind France. It is also one of the 20 largest companies listed on the Brazilian stock exchange (B3).

Since 1989, Carrefour Brazil reinvented its business by developing its own PL product line, thus offering affordable, healthier, and high-quality products at fair prices to as many people as possible. Today, Carrefour Brazil has more than 4,000 products and 26 PLs, including Carrefour, Carrefour Selection, Carrefour Special, Carrefour Bio, Carrefour Veggie, Carrefour Original, Carrefour Essential, Beckers, Carrefour Classic and Nauta.

PL products are an important engine for Carrefour's growth. In the last three years, Carrefour Brazil has doubled its team size and has grown its market share around 21%. Carrefour Brazil created PL festivals, where its products were presented to and tested by consumers. They also introduced a 100-day PL price freeze to help counter inflation and used a mobile app (Meu Carrefour) to engage consumers with special discounts and alerts.

Initially, Carrefour Brazil's PL products were dif-

ferentiated by price alone, but PL customers also value quality. Carrefour Brazil has since recalibrated to prioritize quality as a non-negotiable feature. This was achieved by being flexible on the desired price difference (20-30% cheaper than the leading brand), and by implementing a blind test as the first and most important criteria to become a Carrefour PL product. The blind test compares PL products against leading competitors. Product developers use testing feedback to improve performance and quality.



¹⁷⁰ (Carrefour Group, 2024)

PL BRANDS AS A MAJOR ENABLER OF 'THE FOOD TRANSITION PACT' AND THE 'ACT FOR FOOD' INITIATIVE

The Food Transition Pact¹⁷¹ is a reciprocal commitment between the company's employees, agricultural partners and stakeholders to help profoundly transform food systems, and offer customers healthy, planet-friendly products at affordable prices. Carrefour Brazil is committed to playing its part.

This pact helps address customers' concerns and expectations by:



Implementing sourcing practices that emphasize local and organic agriculture



strengthening requirements for suppliers



ensuring an offering built around fresh, organic, local and seasonal produce



carrying quality lines that offer balanced dietary requirements.



In addition to the Food Transition Pact issues, the Act for Food¹⁷² helps Carrefour move towards achieving its goal of making better eating accessible to everyone.

The Act for Food was launched in September 2018 by Carrefour as a global program of concrete initiatives to help its customers and employees eat better – wherever they are – at affordable prices. The program is in line with the group's aim of becoming the world leader in the food transition for all, and it is designed to engage with its agricultural and food sector stakeholders. The Act defines specific guidelines for improving the quality of fresh food products labeled “Carrefour Quality Lines” and “Carrefour PL Products.”

Under the Act, Carrefour supports 500 producers in their conversion to organic production and sustainable agriculture. Together with the NGO IDH Sustainable Trade Initiative¹⁷³, the Carrefour Foundation provides financial and technical assistance to 456 cattle producers in Mato Grosso.

ENCOURAGING SMALL REGIONAL PRODUCERS TO IMPACT THEIR BUSINESS AND SOCIETY

Carrefour Brazil has more than 350 local suppliers for their PL products, of which over 70% are MSMEs. As suppliers to Carrefour's PL products line, local MSMEs have the opportunity to increase their own efficiency and improve their production processes to serve a larger market. PL MSMEs suppliers are recognized for their superior quality and competitiveness.

The following are among the benefits that Carrefour Brazil sees in having MSMEs within its PL supply chain:

GREATER MARKET SHARE ON GROCERY STORE SHELVES:

By introducing more products to the gondola shelves, Carrefour can spread out the share of brands, prevent monopolies, and provide its customers with a larger selection of products sourced from various suppliers.

CLOSER PROXIMITY AND FLEXIBILITY TO SERVE THEIR CUSTOMERS:

In a large country like Brazil, local suppliers can supply regional customers more effectively. Retailers can assist suppliers in their development, training, and growth by incorporating them into the PL value chain.

MORE EFFECTIVE COMMUNICATION AND TAILORED PRODUCTS:

proximity with its suppliers helps Carrefour develop closer relationships, allowing for more effective communication. Closeness to local suppliers allows Carrefour to cocreate differentiated products that meet the local customers' needs. For example, product appearance and size may vary across regions. In Sao Paulo, for example, the bestselling bag of rice is 5kg, while in the north it is 1kg.



As a Group we are looking for suppliers to be able to produce PL products in the most efficient way that allows them to grow. For example, we want our vendors to establish a larger portfolio of products so that they can increase their overall production volume and handle the high logistics costs.

- Ricardo Lindenberg PL manager



Carrefour Brazil's collaboration with MSMEs can be mutually beneficial. As PL suppliers, MSMEs can improve their processes and open doors to new business and markets. PL suppliers had this to say about working with Carrefour Brazil's PL line:



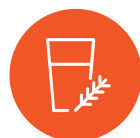
Jelly PL Producer: "By becoming a PL producer, we were inspired to improve our production processes to obtain certification of our business and comply with the quality audits performed by the retailer".



Tea PL producer: "Carrefour is known for its strict audit processes to become a PL supplier, so being one is an enabler to new markets and retailers".



Plant-based meat PL producer: "As a PL supplier, we do not have to incur costs such as marketing, market analysis and logistics within the store and the gondola shelves. We then can invest in product development and formulation to enhance our products".



By becoming a PL supplier, the jelly and plant-based meat PL suppliers were able to innovate and develop new products meeting customers' needs co-creating with Carrefour as they are launched for the Carrefour Bio label (a 100% organic jelly and many plant-based products such as burgers, kibbes, falafels, and others). Nowadays, Carrefour brand accounts for 30% to 40% of their production.



There are challenges faced by Carrefour in incorporating MSMEs as suppliers of their PL products:

ENTERPRISE MINDSET

some potential MSMEs suppliers struggle to see the benefits of manufacturing their products for Carrefour's PL. Many are focused on their own brand and perceive a conflict between their own production and the one produced for Carrefour.

PRICE VOLATILITY

Due to their size, MSMEs may be more sensitive to price increases compared to big producers and may struggle with their liquidity.

SPECIALTY PRODUCT CATEGORIES

Finding MSMEs that produce specific products in certain regions or in differentiating categories, like beer, can be complicated. To break down barriers and support and promote their PL suppliers, Carrefour has taken the following steps:

Source special products

To help solve this problem, Carrefour established a partnership with Amicci¹⁷⁴, a company platform that helps develop products and brands. Amicci seeks new suppliers that meet Carrefour's needs in increasing sourcing speed.

Finance and logistic

Carrefour and external banks have teamed up to offer preferential rates to PL suppliers. The retailer also uses an internal carrier to ship products to multiple distribution points. Additionally, it aims at forecasting demand three months in advance, so PL producers can plan ahead their production and logistics accordingly.

Flexibility and support

Carrefour is flexible and willing to negotiate with suppliers to include them in their supply chain, as long as their product passes the quality test. The retailer also provides help to MSMEs to meet their requirements and overcome financial, quality, contractual and logistical challenges they may face.

WHAT'S NEXT FOR CARREFOUR BRAZIL?

Carrefour's entire strategy and ambition for the future is framed by the "Act for Food". In terms of PL, it is expected to grow its share of PL brands. To achieve this, one of the major fronts on which they must work on is to encourage the local production of PL products that meet the needs of each region of Brazil. In addition, they are looking to grow in PL cleaning products. They are also looking to grow in regional, innovative, sustainable and healthy products.



¹⁷⁴(Amicci, 2024)



WINNING STRATEGIES



Blind test: implementing blind tests to all their products at early stages to prove the quality, performance and receive feedback to enhance the product and develop it in the best possible way.



The process of incorporating suppliers: Carrefour's focus is on finding products with excellent quality and performance first, to then move on to administrative processes along with supplier development to meet requirements and later their incorporation into the value chain, price negotiation and all the necessary formalities.



Local suppliers: search for local suppliers at a local level and not at a national level. This helps reduce logistics costs and adapt to the flavor, characteristics, size, and performance of several products in each region.

05

APPENDIX

5.1 PRIMARY RESEARCH DETAILS

INTERVIEW DETAILS

The graphic below illustrates the number and details of the interviews conducted with the internal teams of each retailer and their referred PL suppliers:

Retailer	Retailer's Internal Interviews	PL Suppliers Interviewed
Ta-Ta Supermarkets	3	5
Grupo La Anónima	3	4
Grupo Éxito	5	5
Walmart	2	4
Walmart CAM	3	4
Carrefour Argentina	3	4
Carrefour Brazil	2	3

SURVEY DETAILS AND DEFINITIONS

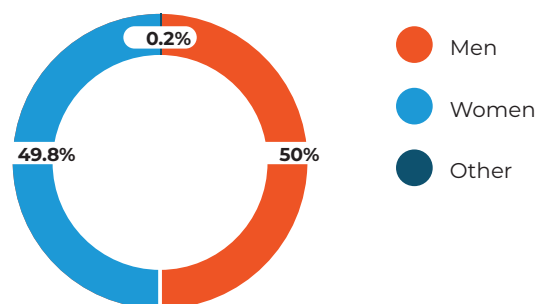
Consumer Survey

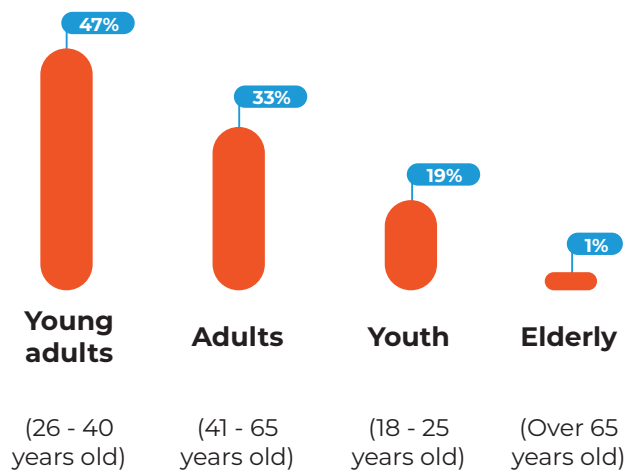
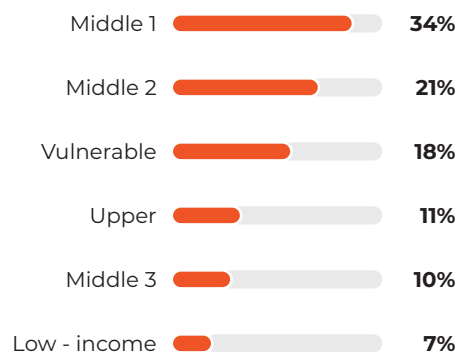
There was a balanced sample of screened participants from each country based on age and gender. Below are the demographics of the 1020 consumers from which data was collected:

Country

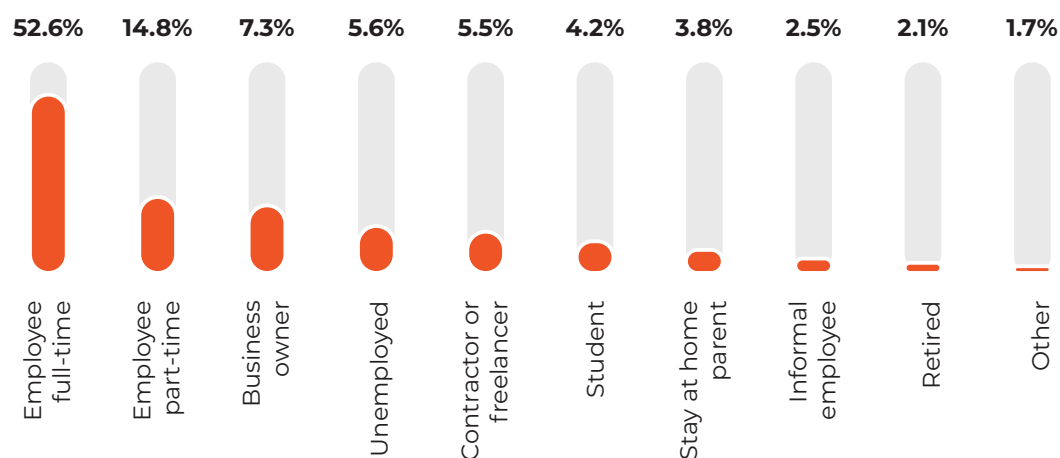
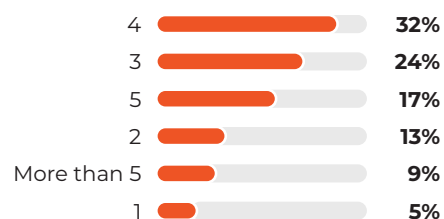
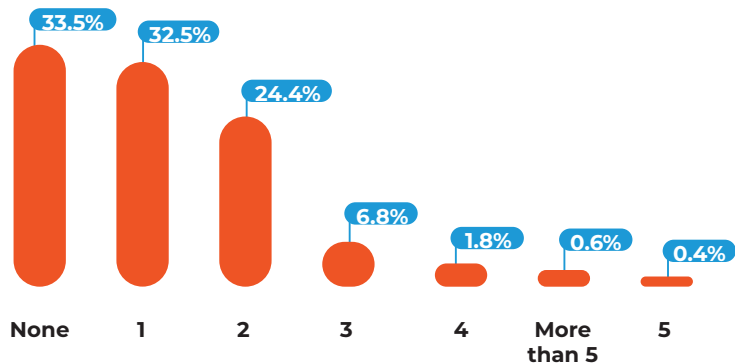
Chile	100
Ecuador	101
Honduras	101
Argentina	102
Brazil	102
Colombia	102
Guatemala	103
Mexico	103
Peru	103
Uruguay	103

Gender



Age range**Income range***

*The criteria for calculating the income ranges are explained in the following section under the name Income Levels for consumer survey

Working status**# Persons living in the household****# Minors living in the household**

INCOME LEVELS FOR CONSUMER SURVEY

A consumer survey was designed for this study to segment and assess respondents from an income perspective. The World Bank’s categorization for daily income, referenced in “The Gradual Rise and Rapid Decline of the Middle Class in Latin America and the Caribbean,” was applied, based on the 2011 PPP (Purchasing Power Parity). Using this report’s methodology and data, respondents’ income levels were evaluated and converted to each surveyed country’s currency, taking into account the applicable FX rate at the time of the survey:

Table 5.1 Income Levels for Consumer Survey

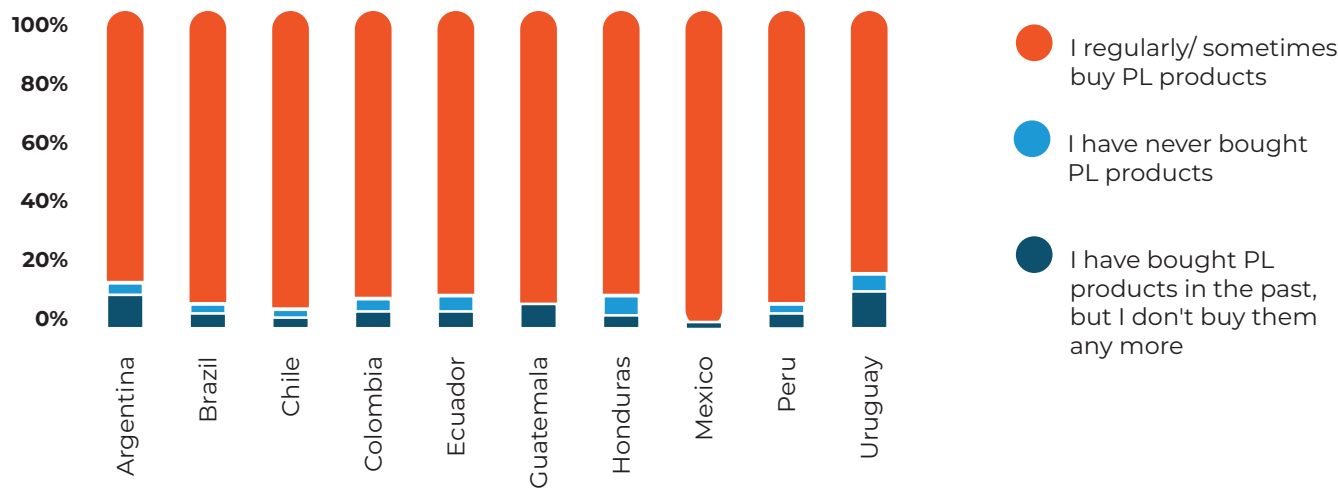
Class	Minimum Daily Income US\$	Maximum Daily Income US\$
Low Income	-	<5.5
Vulnerable	5.5	13
Middle Class	13	70
High Income*	<70	-

**While not in the World Bank report, the high-income category was included to show the thresholds and range from lowest to highest daily incomes.*

RESULTS

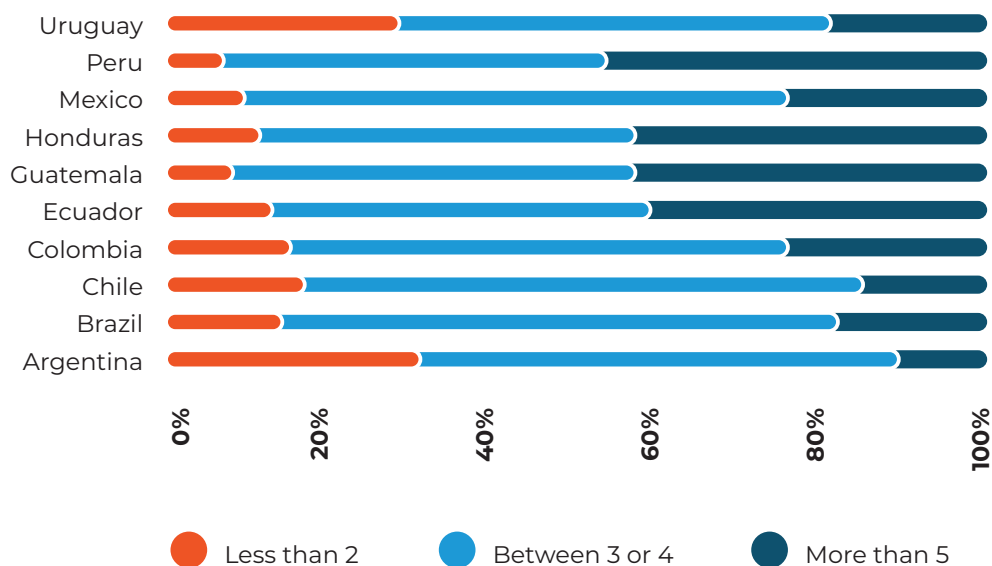
Graph 5.2 Purchase of PL Products by country

Which of the following statements best describes you?



Graph 5.3 Frequency of PL Products Purchase by country and number of people in household

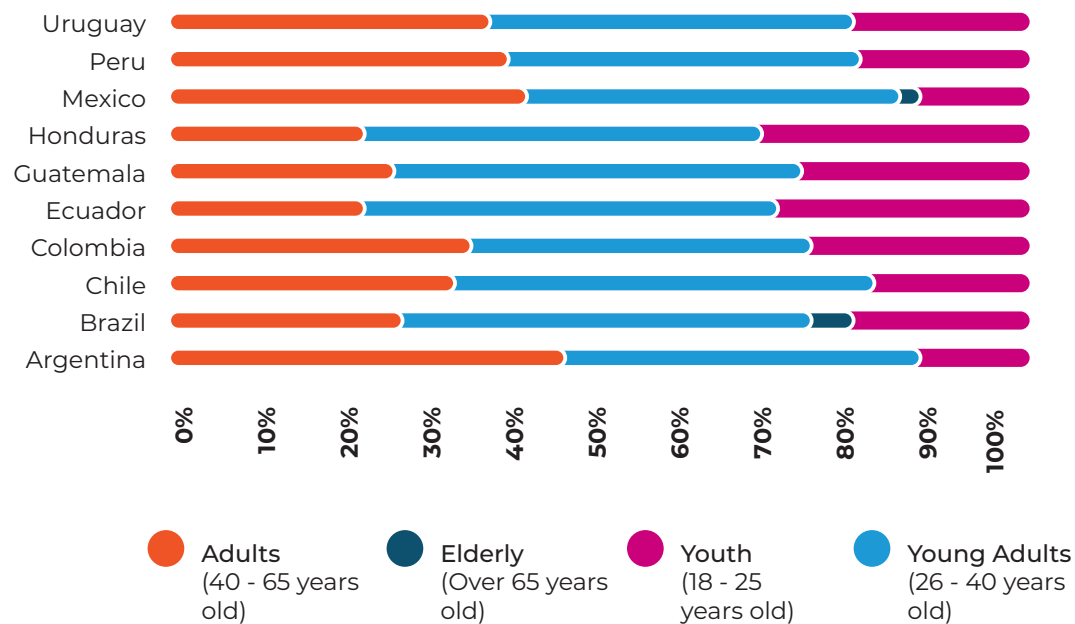
How often do you buy PL products? Everytime/most of the times I do my grocery shopping



Source: Own analysis with data from primary research. Sample size is 1022 respondents.

Graph 5.4 Frequency of PL Products Purchase by country and age

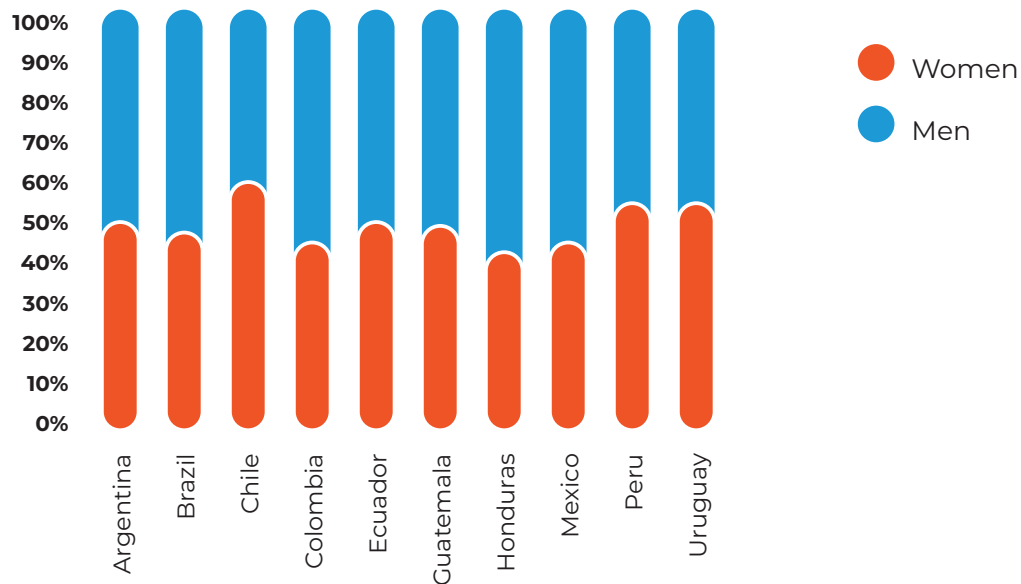
How often do you buy PL products? Everytime/most of the times I do my grocery shopping



Source: Own analysis with data from primary research. Sample size is 1022 respondents.

Graph 5.5 Frequency of PL Products Purchase by country and gender

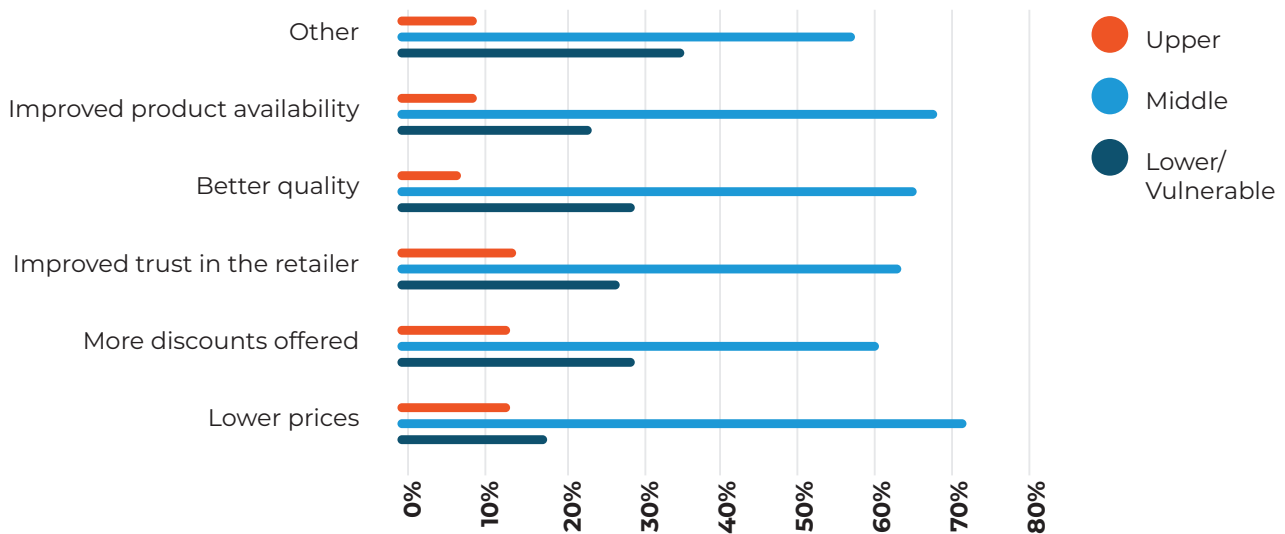
How often do you buy PL products?



Source: Own analysis with data from primary research. Sample size is 1022 respondents.

Graph 5.6 Main Reasons for Choosing PL Brands by income level

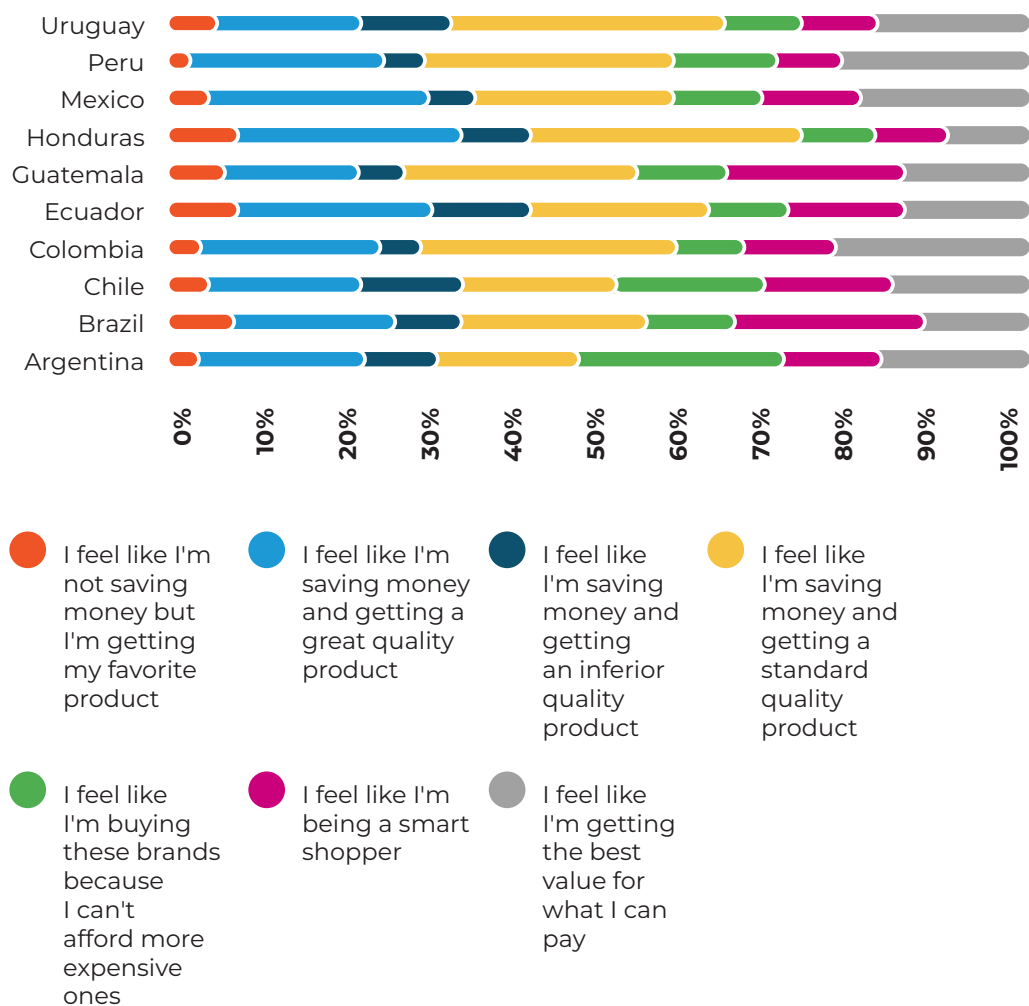
What is your main reason for choosing PL products?



Source: Own analysis with data from primary research (n=1020)

Graph 5.7 Consumer Feelings when buying PLs segregated by country

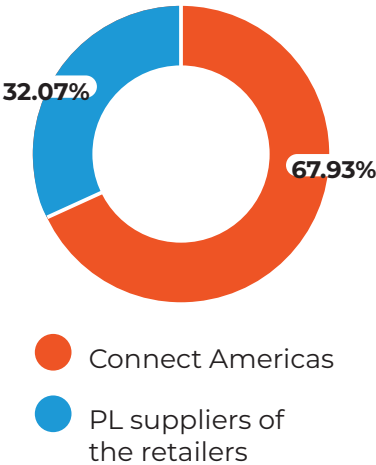
How do you feel when buying store's own brand products?



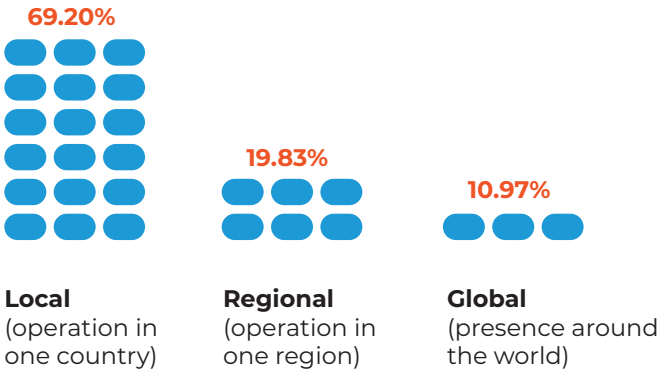
MSME/WMSMEs SURVEY

There was a balanced sample of screened participants from each country based on region, turnover and number of employees. The demographic characteristics of the 237 samples collected are shown below:

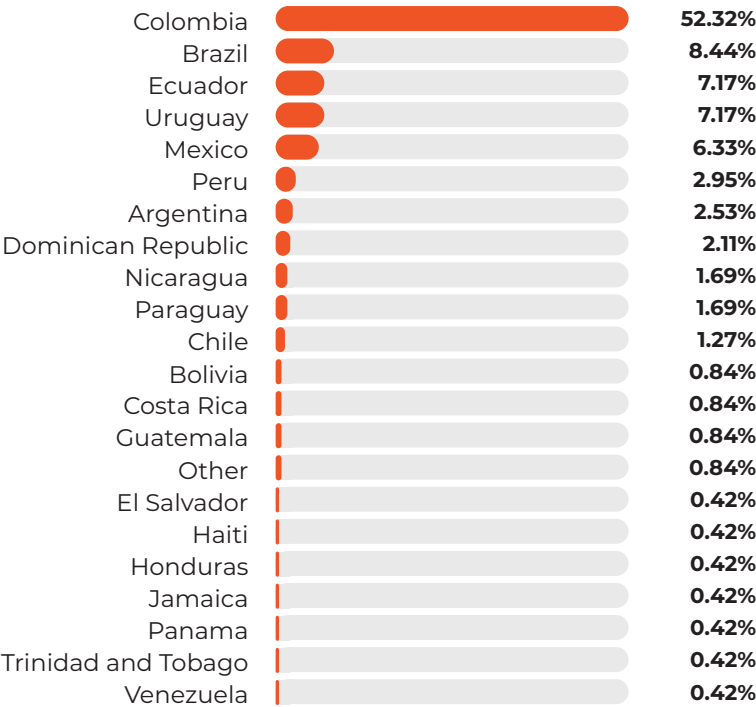
Database



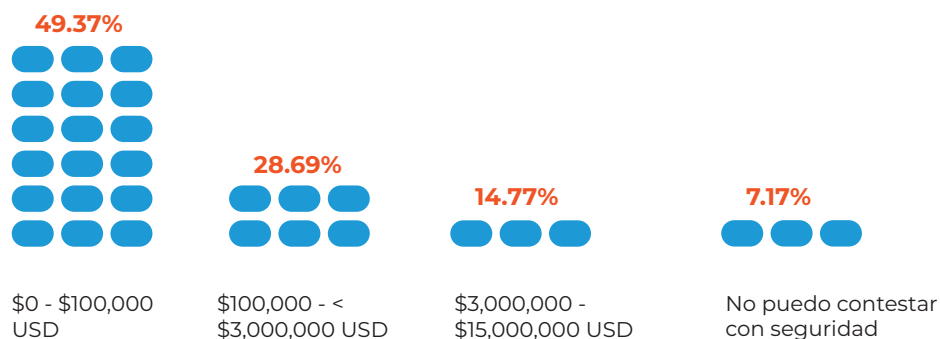
Which of the following best describes your company?



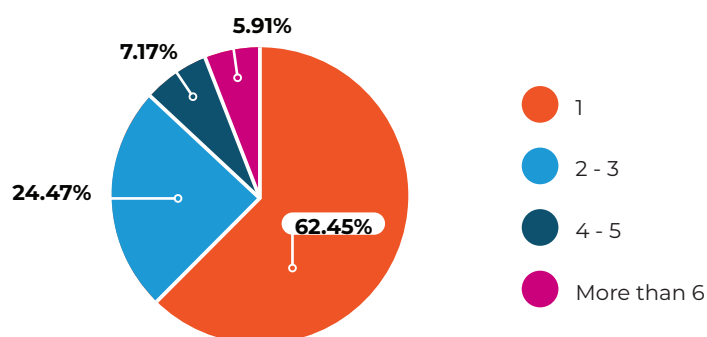
Country



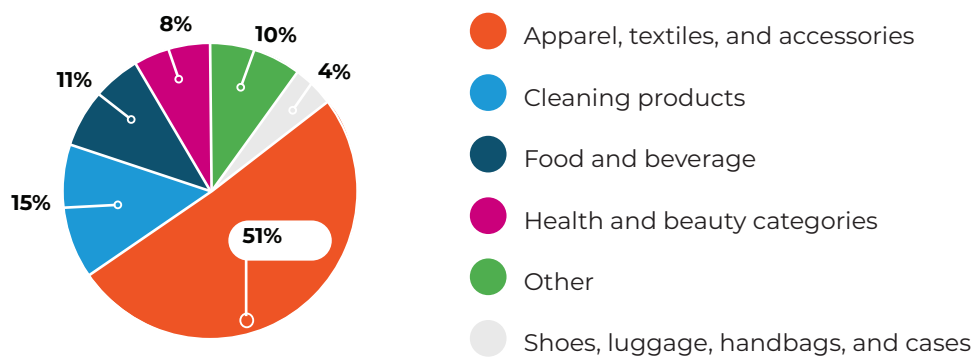
What level of annual dollar turnover does your company have?



How many countries do you currently have sales?



Categories



5.2 IMPACTS FROM COVID-19 AND THE UKRAINE-RUSSIA CONFLICT

The economic shockwaves of the COVID-19 pandemic and the current Ukraine-Russia conflict have accelerated inflation in many global regions, affecting personal finances, shopping budgets and consumer-goods supply chains. Markets that are less diversified and rely more on imports, like Latin America and the Caribbean, are more susceptible to inflationary pressures¹⁷⁵. With increasing inflation, higher agricultural prices and the spike in energy costs, food prices are steadily increasing and becoming a concern for several countries in the LAC region¹⁷⁶. These households will find their disposable incomes under pressure, with less purchasing power and income. In fact, the budget for food and energy in the consumption basket is about 40% of the total income in the LAC region¹⁷⁷. This situation is even worse for the poorest and most vulnerable families.

With regard to consumer-goods supply chains, the war between Russia and Ukraine is accelerating food and oil prices. While Russia is not a major LAC trading partner, the war is upending international commerce and exacerbating supply chains worldwide, driving up prices for consumers in the region¹⁷⁸.

Many LAC countries rely on the grain imports from Russia and Ukraine. According to the US Department of Agriculture, 26% of wheat, 16% of corn and 30% of barley global exports are supplied by Ukraine and Russia¹⁷⁹. The war has also affected the price of fertilizers and the materials needed to produce them.

The LAC region imports 15% of its fertilizers from Russia¹⁸⁰. The implications of this conflict translate into increased operating and production costs for businesses and pressure on supply chains. Consumers are struggling with the rising cost of food, increased oil prices, and inflation¹⁸¹.

In this adverse macroeconomic context, consumers – especially those at the base of the pyramid population — are negatively affected, leading them to look for value-for-money propositions. That, in turn, creates opportunities for the PL value chain.



¹⁷⁵ (Emine, Ilan, Jaime, & Metodij, 2022)

¹⁷⁶ (Rondione, De Salvo, Salazar, & Muñoz, 2022)

¹⁷⁷ (Jaramillo & Taliercio, World Bank, 2022)

¹⁷⁸ (Ceurvels, 2022)

¹⁷⁹ (Foreign Agricultural Services, 2022)

¹⁸⁰ (Rondione, Paolo De Salvo, Salazar, & Muñoz, 2022)

¹⁸¹ (World Economic Forum, 2022)

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