Private Label 2019

BEYOND PRICE, CONSUMERS FIND VALUE IN PRIVATE BRANDS

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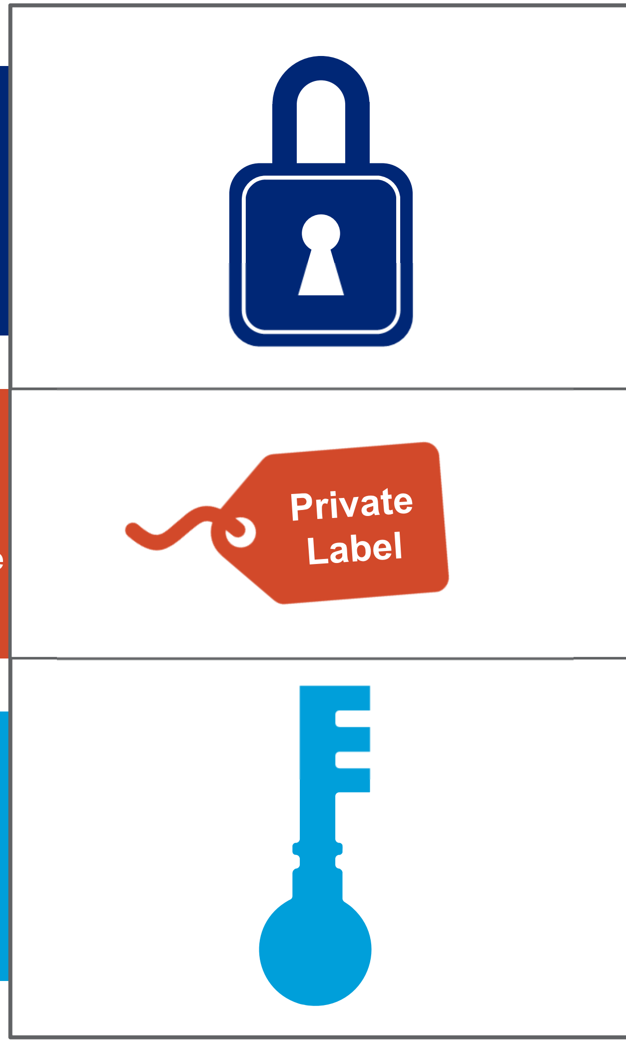
IRi
Growth delivered.

Private Label Key Trends

Strong tailwind:
Virtually everyone is buying them and growth is outpacing manufacturer brands across generations and income groups.

Room for improvement:
Packaging image is a purchase barrier for millennial and Light Buyers. Beverages overall continue to be a challenge for growth.

It feels good:
Private brands save money; my family likes them; I can serve to guests; they taste good and they work (efficacy).



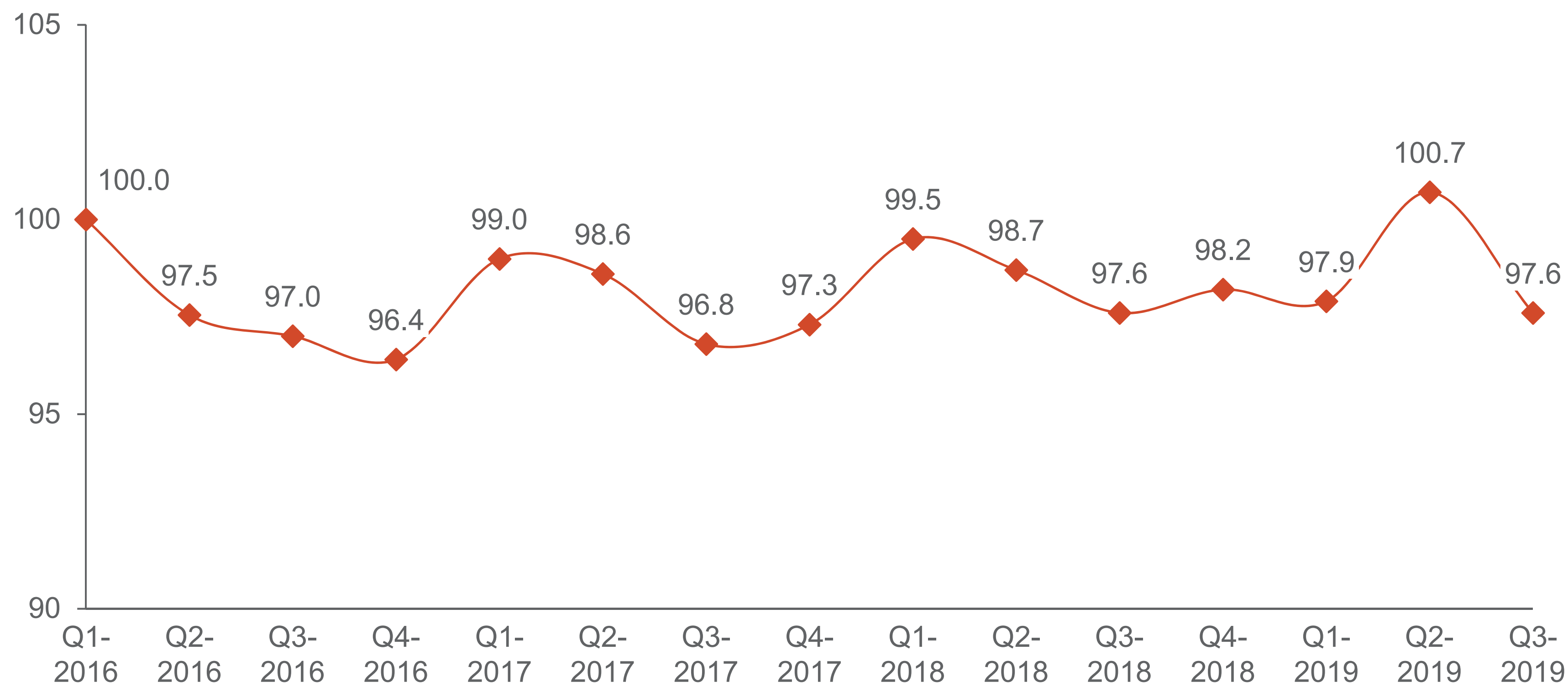
It's why I shop there:
Private brands have a growing influence on store choice.

It's about best value:
Shoppers across generations and income groups in 2019 are much more price conscious across categories.

It's about quality:
Shoppers have very positive perceptions of private brands relative to manufacturer brands and a high level of trust in their stores' private brands.

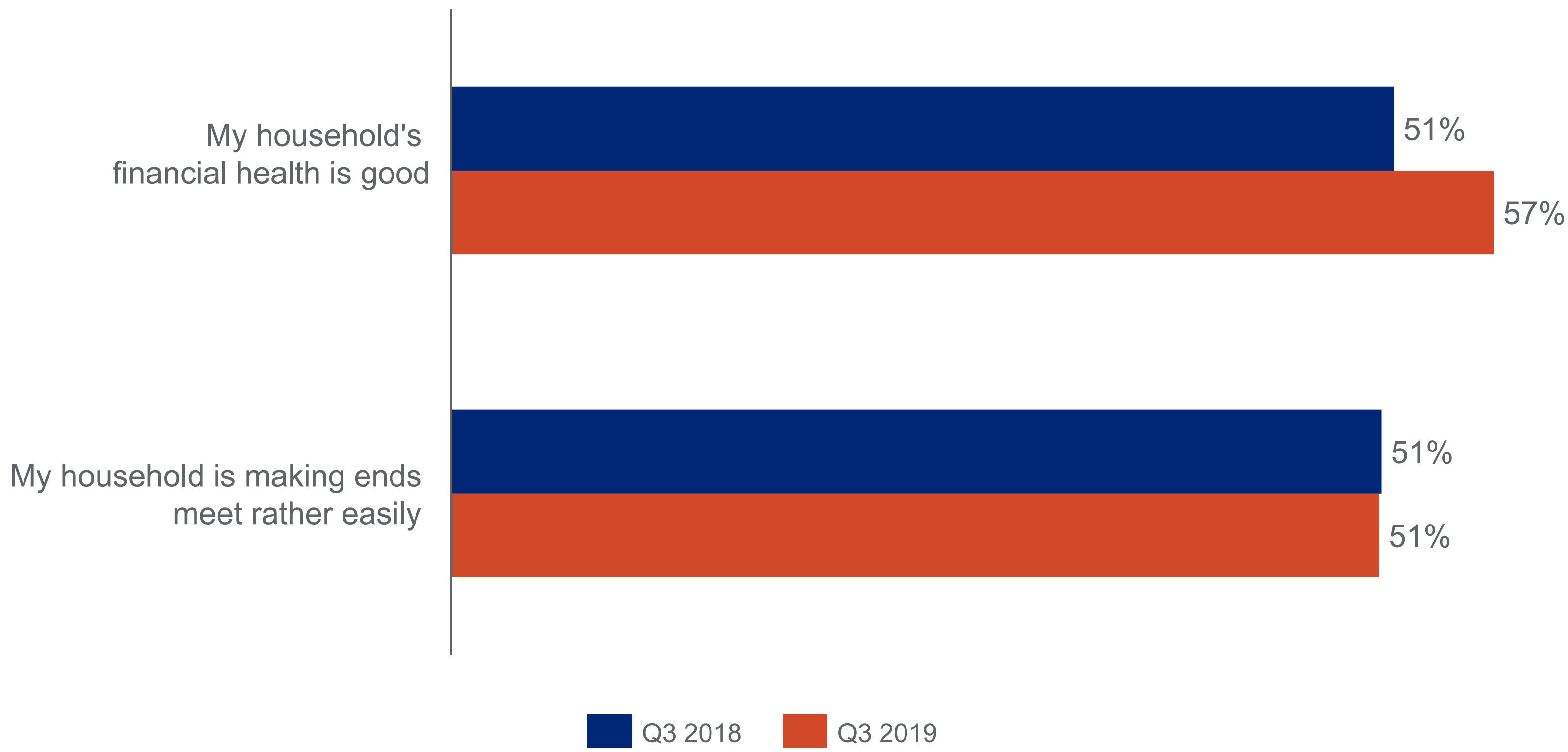
With Recessionary Fears, the CCI Decreased by Almost 3 Points in Q3 2019 From Q2 2019 and Is on Par With Year Ago Sentiment

Consumer Connect Index
(Total)



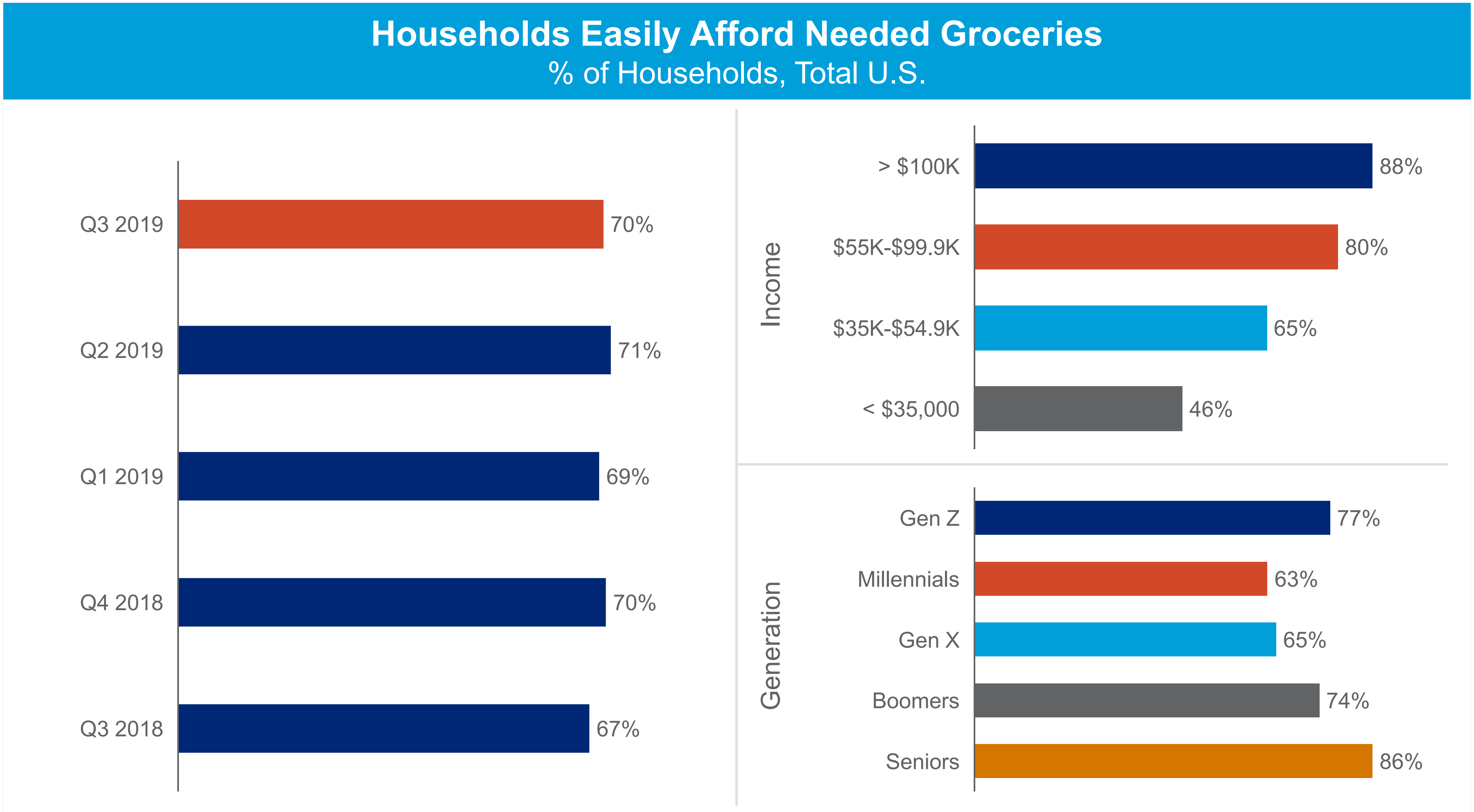
Despite Trade Tensions, Consumers Feel Their Households' Financial Health Is Better in Q3 2019

Consumer Financial Health
Total Population



Agree With Statement
Source: IRI Consumer Connect™, Q3 2018 & Q3 2019

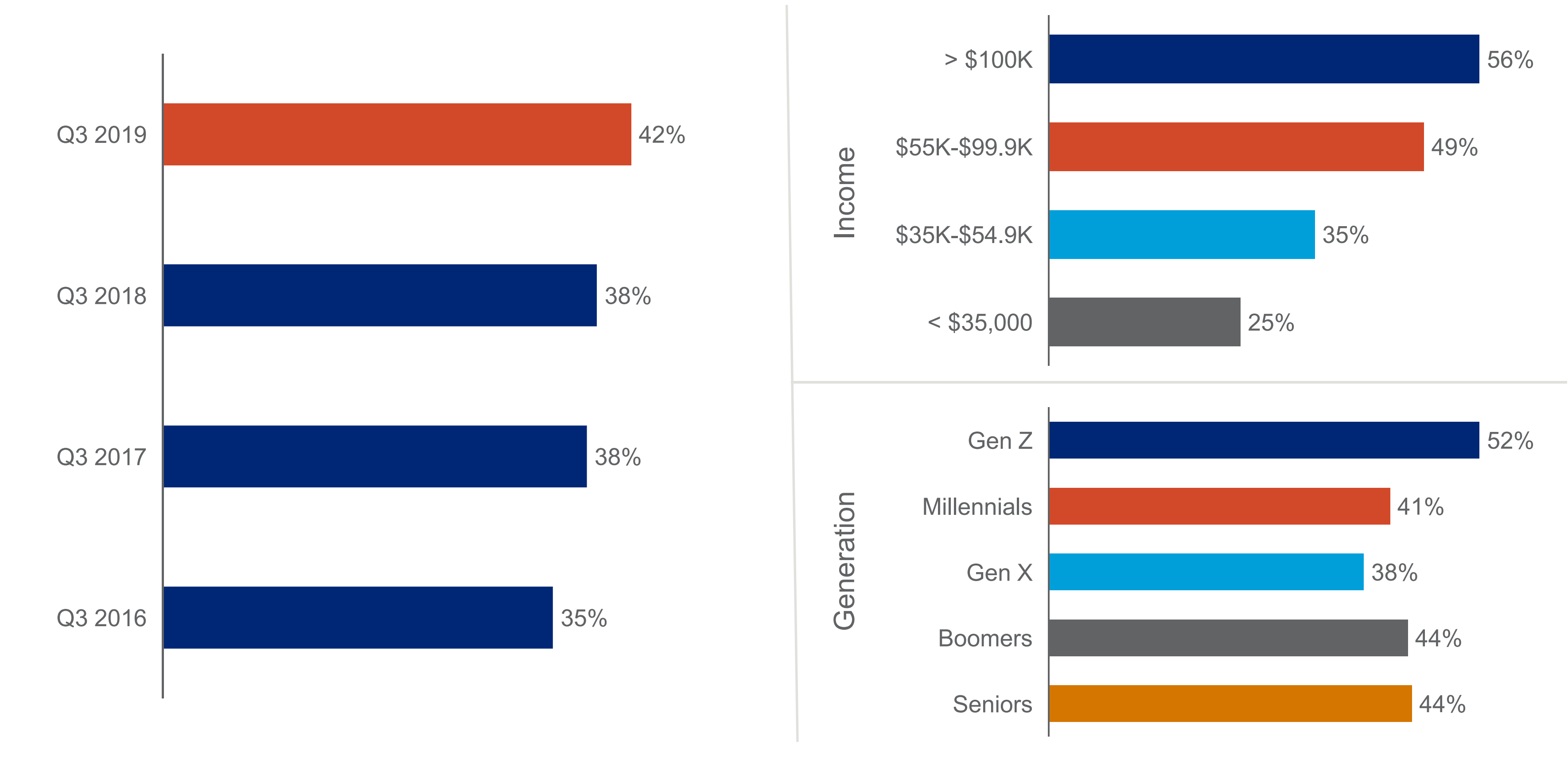
The Struggle to Afford Groceries Eased in Q3 2019 vs. Q3 2018, and Middle and High Income HHs and Seniors are Easily Able to Afford Groceries



Source: IRI Consumer Connect™, Q3 2019

However, Consumers Are Increasing Their Savings to Maintain Financial Stability as a Precaution in the Event of an Economic Downturn

Savings Has Grown in Past Six Months
% of Households, Total U.S.



Source: IRI Consumer Connect™, Q3 2019

Consumers’ Shifting Attitudes Toward Private Label

Better value, not just cheaper price

In a 2019 PLMA survey, two-thirds of consumers agreed with the statement, “In general, store brand products I have bought are just as good, if not better than the national version of the same products.”

Simplifying the paradox of choice

The vast selection of consumables in a typical store creates a time-consuming problem for shoppers. Private labels are the go-to solution. Shoppers trust the store, and loyalty to private brands grows as they try additional items. They try, they like, they repeat the purchase.

Looking at the consumer’s need

It used to be the national brand was the premium offering and the store brand was the generic. But not anymore. Now Whole Foods, Trader Joe’s, and even Walmart offer more premium selections and are leaving national brands behind.

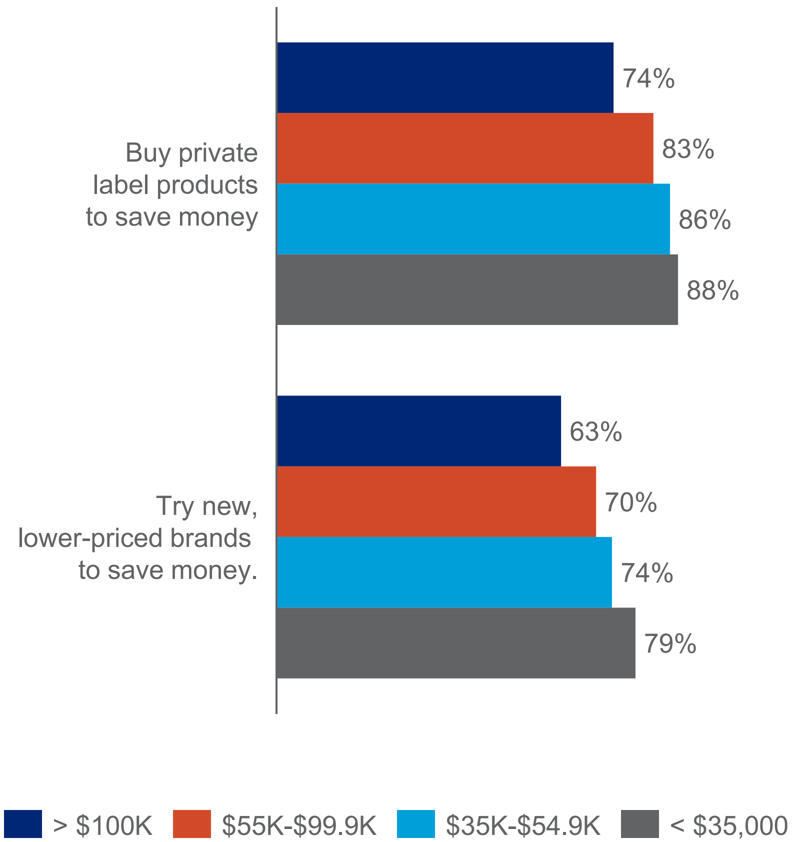
Loyalty shift from brands to stores

Retailers by and large are working overtime to pull shoppers in by offering more services and experiences that shoppers value. This goodwill can translate into more sales of the retailers’ private label products. For example, Albertsons Companies launched the certified plant-based O Organics line of private brand products.

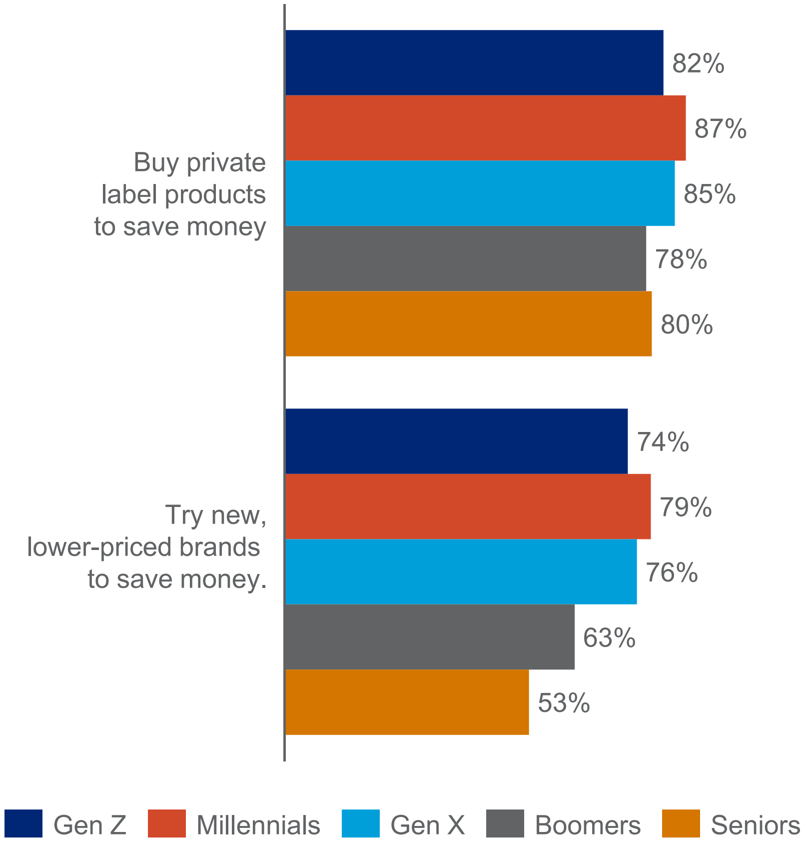
Source: https://www.forbes.com/sites/pamdanziger/2019/04/25/four-reasons-why-cpg-brands-are-losing-out-to-retailers-private-labels/#42166b021a2b
Source: https://www.fiercehealthcare.com/finance/a-focus-primary-care-clinics-walmart-offering-its-employees-healthcare-workforce-education

Middle and Lower-Income Households and All Generations of Consumers Are Turning to Private Label to Save Money

Shopping Behavior
by Income



Shopping Behavior
by Generation



Frequently/Occasionally Summary
Source: IRI Consumer Connect™, Q3 2019

99.9% of shoppers buy private brands today,

124M+ HH in YTD 2019

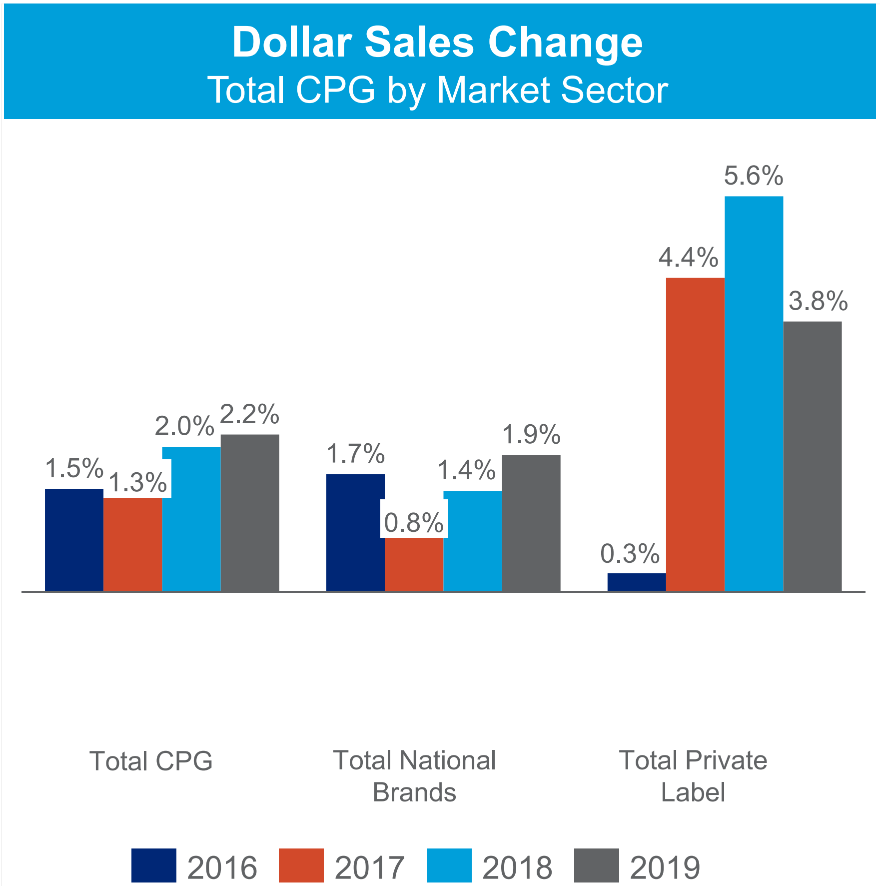
Source: IRI Consumer and Shopper Insights Advantage™, All Outlets, YTD Sept. 8, 2019 vs. YA, NBD aligned

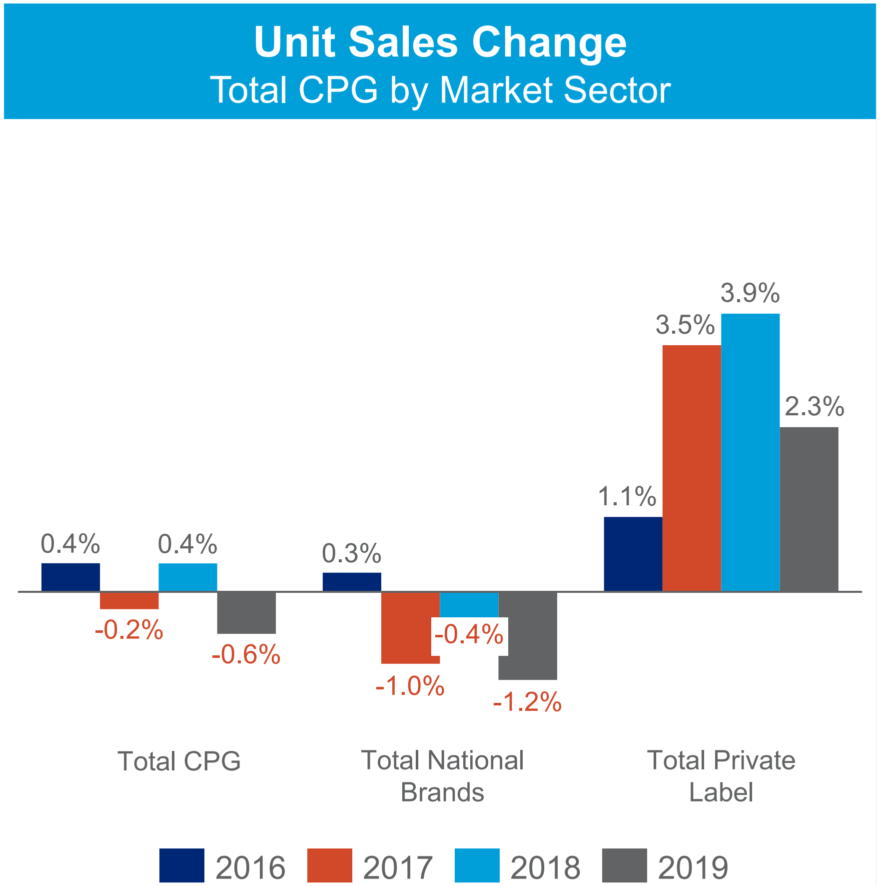
Shoppers Feel Good About Store Brands, Yet Packaging May Be Deterrent to Trial

Source: IRI Consumer Survey

Private Label Dollar Sales Decelerated in 2019

However, They Are Growing at Double the Rate of National Brands

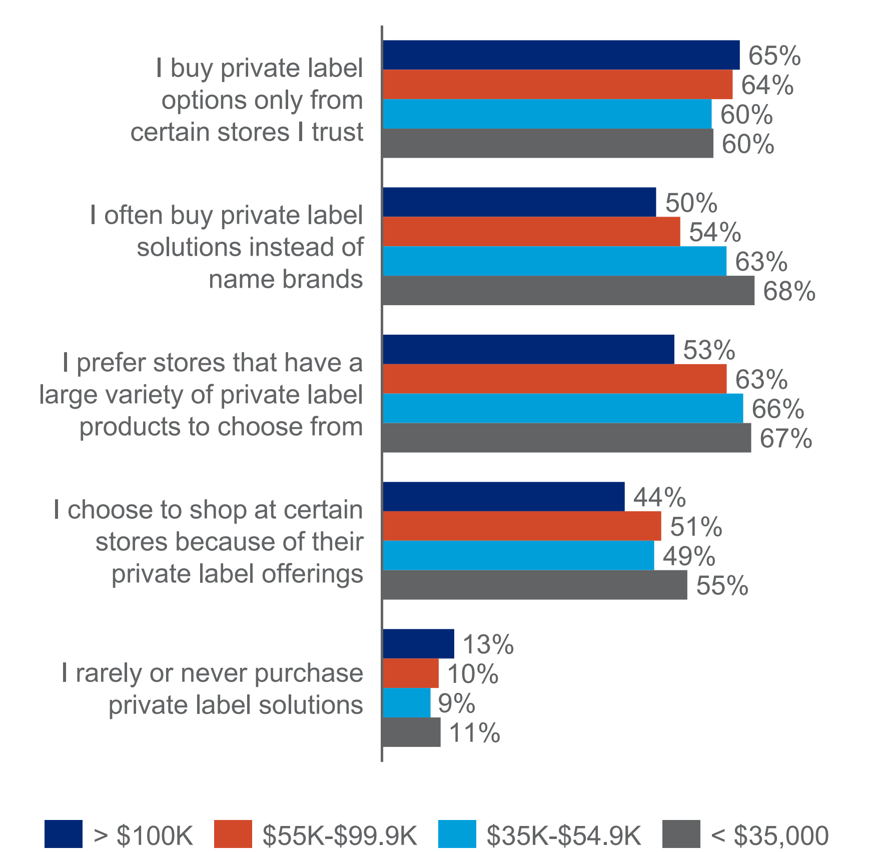




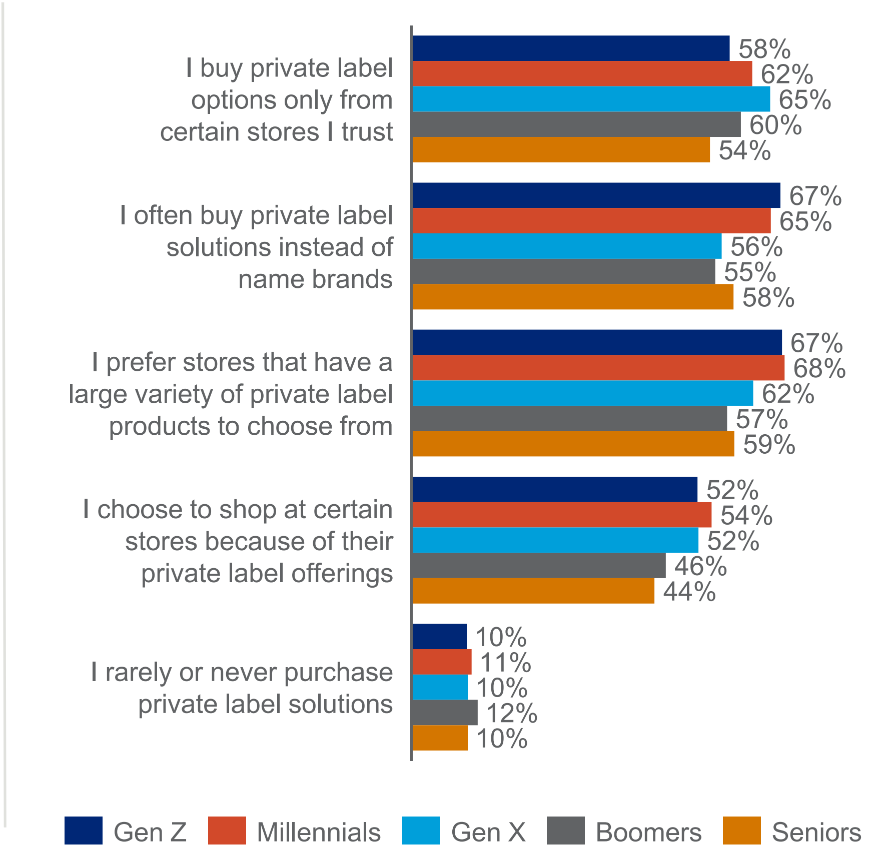
Source: IRI Market Advantage™, Year-to-date ending Sept. 08, 2019 and same period prior years; MULOC

Private Label Is One of the Key Drivers of Store Selection, Particularly Among Mid- and Lower-Income and Younger Shoppers

Private Label Behaviors
by Income



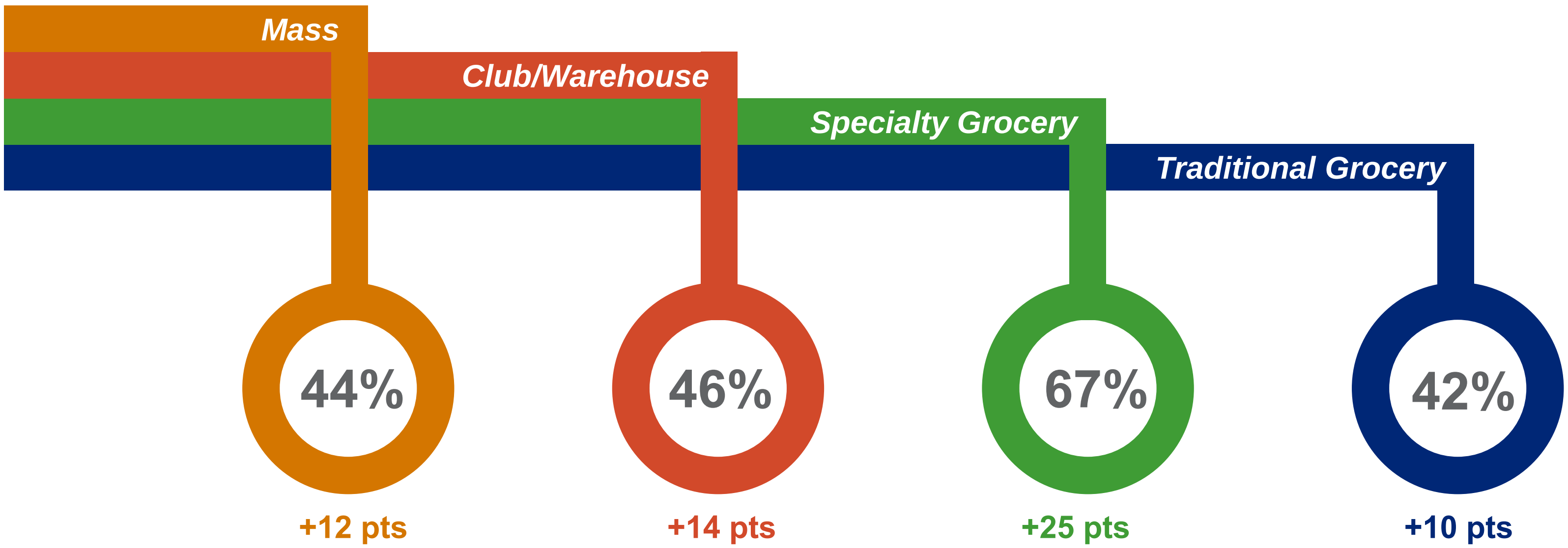
Private Label Behaviors
by Generation



Top 2 Box Summary
Source: IRI Consumer Connect™, Q3 2019

Private Brands Greatly Influence Which Retailer(s) Consumers Choose to Shop

Store Brands Are Extremely or Very Influential on Store Choice



Pts Reflect Absolute Change vs. 2016 Survey Results

Source: IRI Consumer Survey 2019

Private Brands: A Retailer's Guide to Greater Opportunity

According to IRI research for "The Power of Private Brands: From the Consumer" report, published in October 2019, adoption of private brands is far outpacing growth of national brands. Retailers have many opportunities to keep the adoption momentum going. For the full report, visit FMI.org.

Private Brands Influence Store Visits — 46% of respondents and 54% of millennial respondents report that store brands are extremely or very influential in store choice.

Specialty Grocery Holds the Secret Sauce — More than two-thirds of respondents say private brands are extremely or very influential on store choice in the specialty grocery channel. Trader Joe's does a remarkable job of promoting a sense of discovery and creating a welcoming, entertaining shopping experience.

Packaging's Potential — Nearly 20% of respondents report that packaging makes private brands appear to be of lower quality than national brands. While this is a small percentage, retailers should take note, as packaging is a key consumer communication element, and is increasingly being scrutinized for ecological reasons. Packaging presents an opportunity for retailers to shine through with quality graphics, messaging and reuse/recycle/reduce attributes.

Tier It Up — Consumers have demonstrated they are willing to pay more for premium-quality products. Costco, in particular, has formed partnerships that promote both the store brand, Kirkland, and a national brand, such as Nature's Path Organic and Newman's Own.

Millennials Do Rule — And Gen Z Is Right Behind Them — Millennials demonstrate the highest adoption of private label products, increasing 10% in 2019 from 2018, outpacing their adoption of national brands. Millennials are moving into higher spending years, so demonstrating value, quality, and innovation will be key to continued adoption.

Tap the Potential of Older and High-Income Shoppers — As these groups demonstrate increased engagement with private brands, retailers should consider how to further appeal to these shoppers with innovation that speaks to life stage and household makeup, including premium and organic.

Innovation Matters — Retailers shouldn't wait to follow national brands as they adopt more plant-centric or diet-specific offerings. Albertsons is already winning with the first certified plant-centric line under its O Organics brand. Other trends consumers will be looking for include functionality for wellness, and new ways of connecting with brands, either through technology or greater levels of service.

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