

# Private Label 2017: Key Trends

The Evolution of Private Label in a Transforming Marketplace



# Executive Summary

- Economic indicators have been shaken by wild fall weather, but favorable trends prevail.
- Though the economy is fairly solid, many consumers are still struggling to make ends meet and uncertainty is pervasive.
- Private label is viewed as a viable CPG option and is outpacing industry-average growth, as well as national brands.
- The private label marketplace is evolving rapidly, as new market entrants turn “the old way” on its head.
- E-commerce private label is growing quickly, supported by the proliferation of click-and-collect models.
- Traction is solid across various consumer segments.
- Prospects for private label growth are good, but CPG marketers need to dial into consumer needs and wants—including premium-tiered solutions.

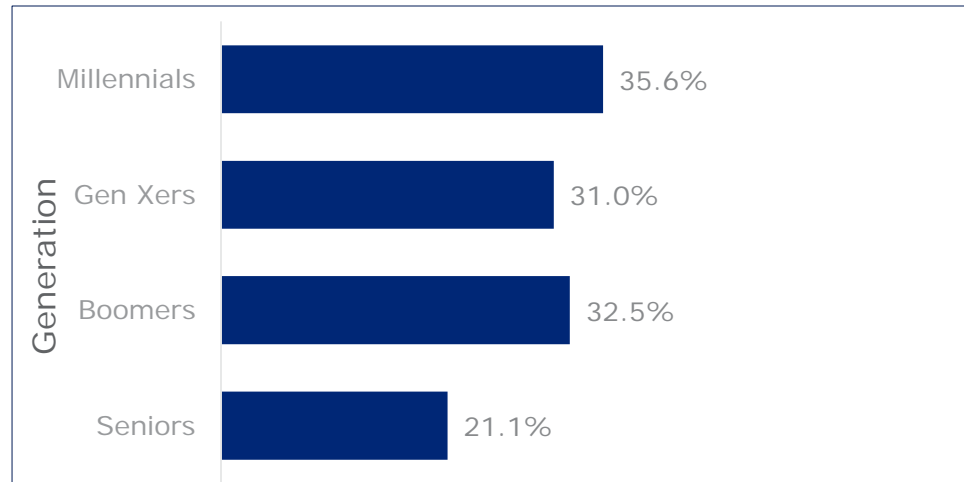
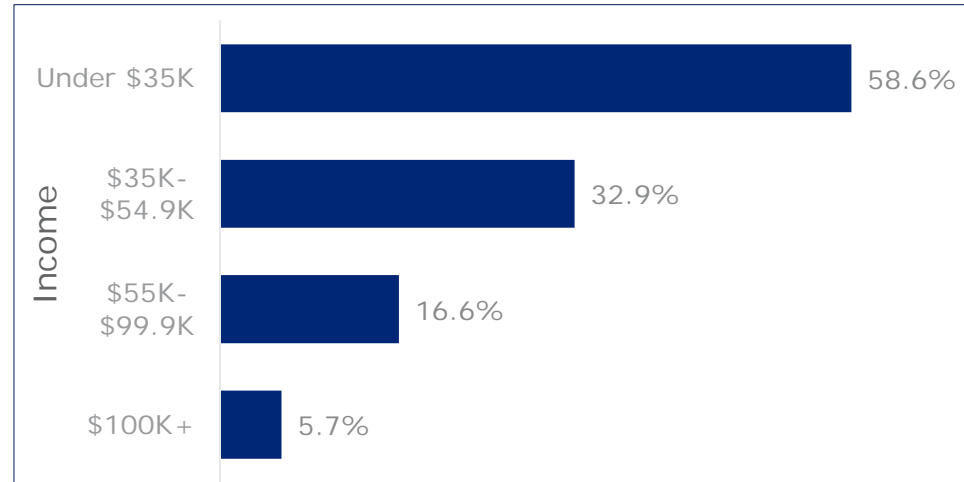
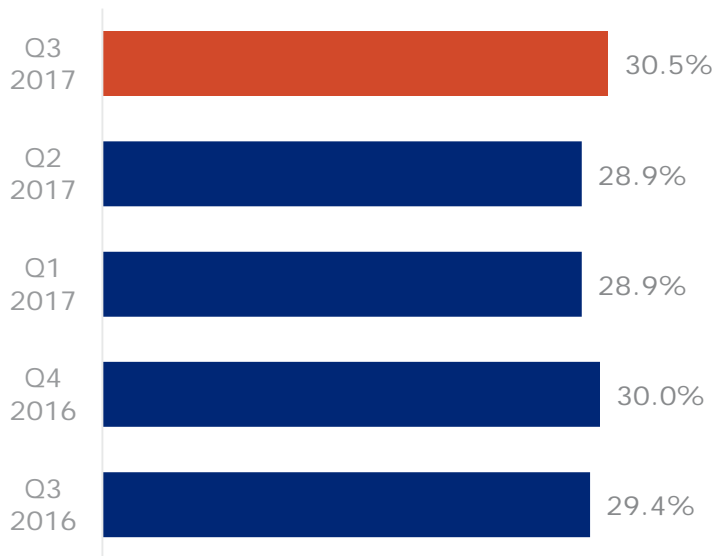
## Changing private label assortment dynamics and new market entrants are also impacting sales trends.

- Costco is focused on driving private label penetration from the current rate of about 25% of sales to 37% of sales; focus is on Kirkland Signature natural and organic products and increased scope of co-branded products.
- By 2022, major private label players, Aldi and Lidl, could have a combined 10% grocery share.
  - Hard-discount grocer Lidl entered the U.S. market in June 2017, with plans to open more than 100 U.S. stores by the end of 2018, and over 600 stores in five years.
  - Aldi is increasing its U.S. investment and is expected to become the third-largest U.S. grocer by 2022, with over 2,300 stores.
- Amazon.com's private label sales (all-inclusive) are expected to top \$4 billion this year, including \$700 million in private label sales from newly acquired Whole Foods.
- Online grocery retailer Brandless launched July 2017, offering a wide range of generic CPG items—including snacks, beverages, cleaning supplies, beauty products and more—for \$3 each.

Source: Company press releases; [www.fortune.com](http://www.fortune.com) (July 13, 2017); [www.cnbc.com](http://www.cnbc.com) (October 2, 2017); IGD Retail

# One-third of the population struggles to afford groceries; the struggle is more pervasive among lower-earning households.

Households Having Difficulty Affording Groceries  
% of Households  
Total U.S.

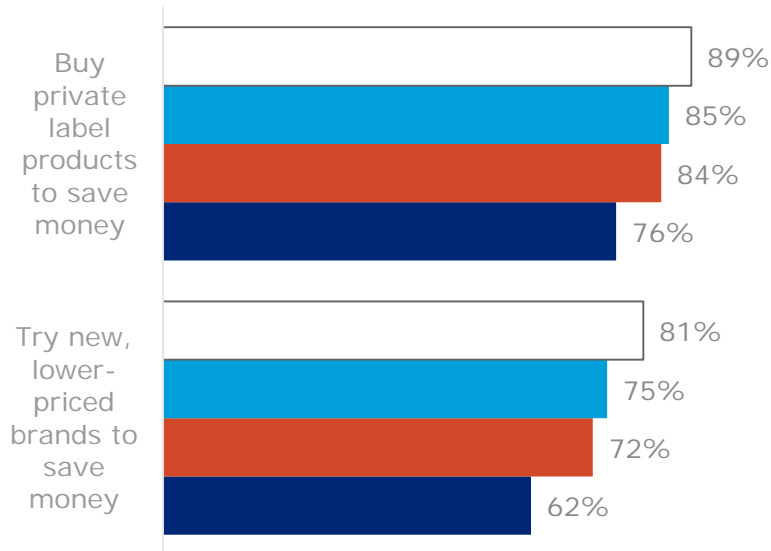


Source: Consumer Connect™, Q3 2017

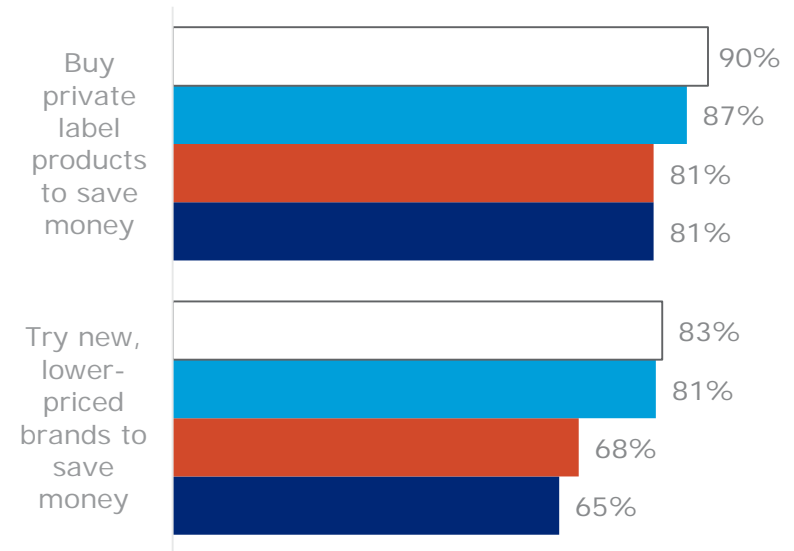
# Brand-switching for the purpose of saving money is more common among younger and less-wealthy consumers.

## Shopping Behaviors Top-2 Box Responses

Income



Generation



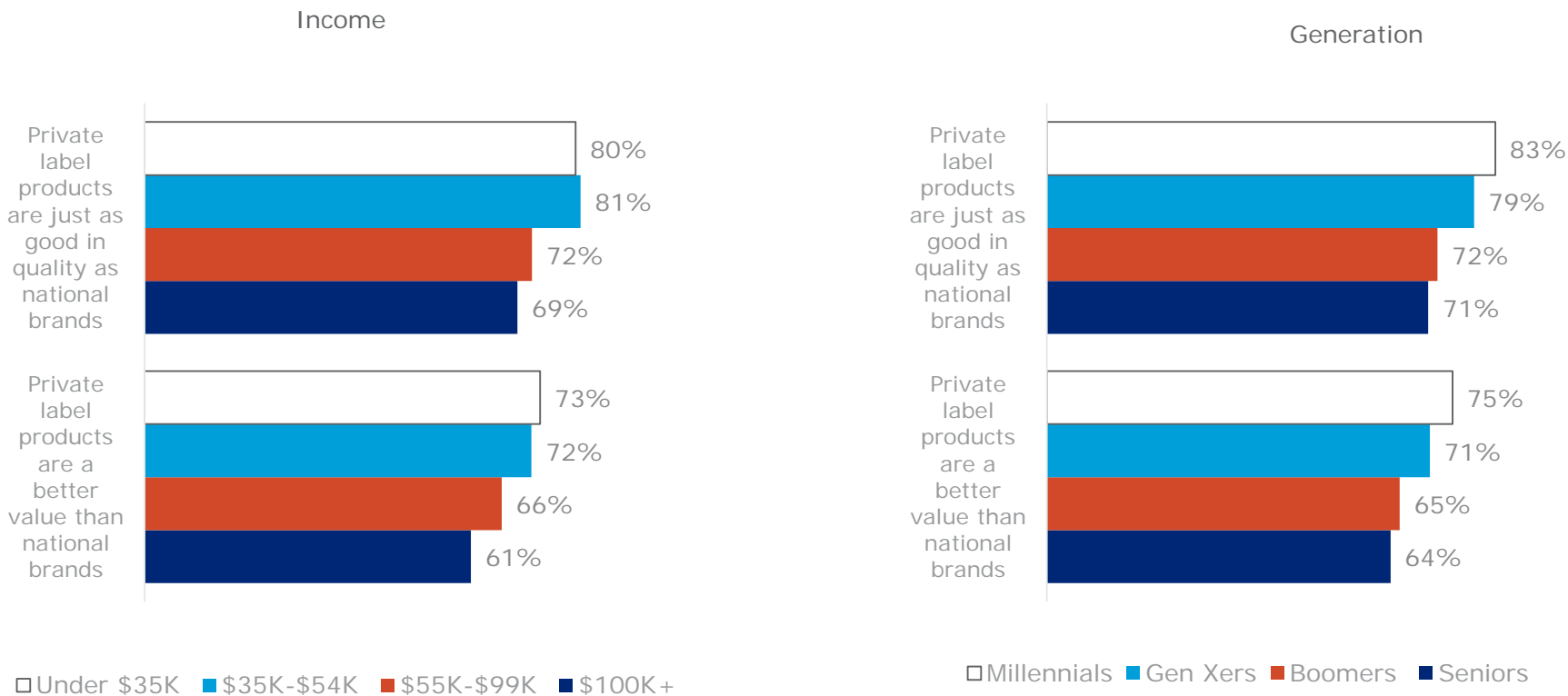
□ Under \$35K ■ \$35K-\$54K ■ \$55K-\$99K ■ \$100K+

□ Millennials ■ Gen Xers ■ Boomers ■ Seniors

Source: Consumer Connect™, Q3 2017

Consumers view private label brands as a good money-saving opportunity; millennials show a particularly strong affinity toward private label solutions.

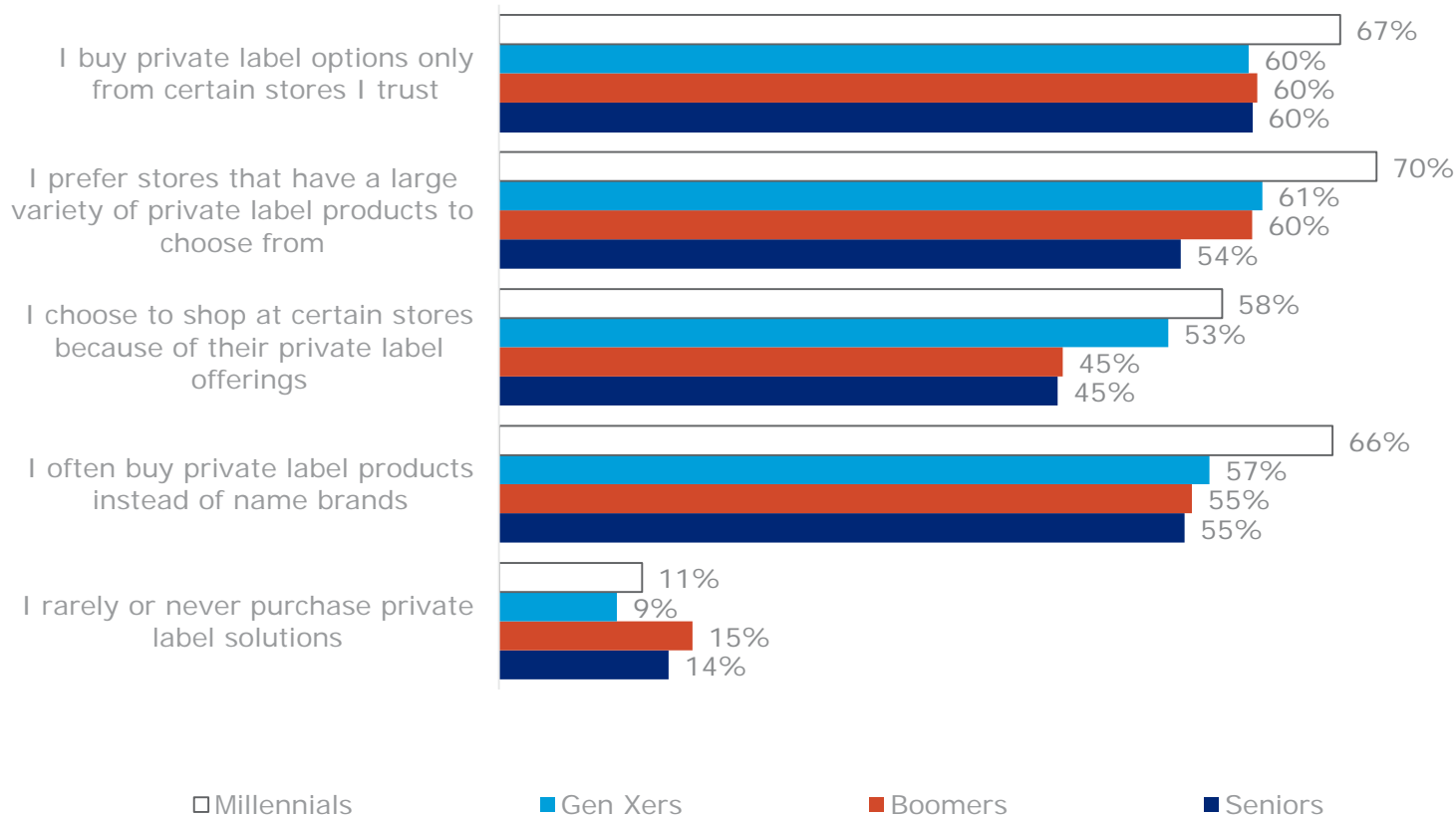
### Private Label Perceptions by Generation



Source: Consumer Connect™, Q3 2017

Seven out of 10 millennials prefer stores that have a wide selection of private label products, and nearly as many frequently choose private label options over name brands.

Private Label Behaviors, by Generation  
Top-2 Box Responses

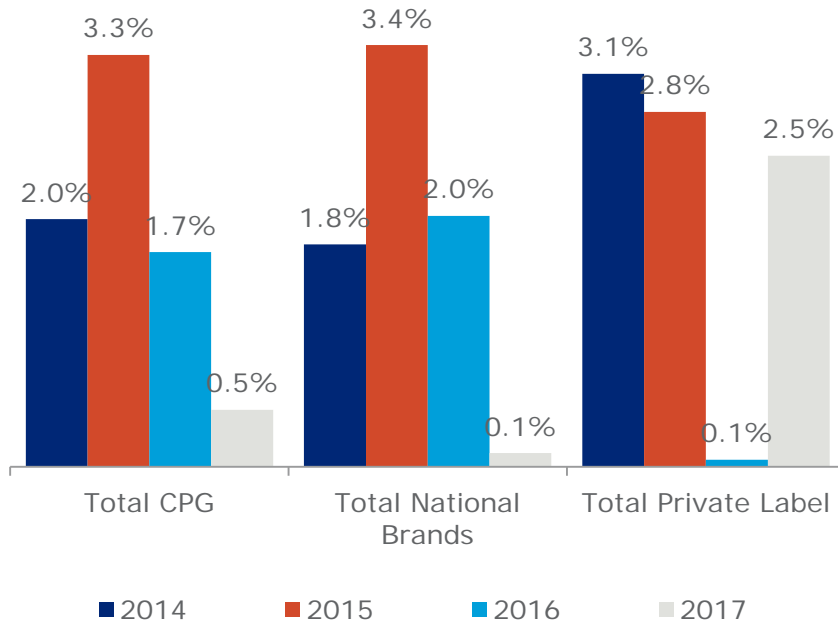


Source: Consumer Connect™, Q3 2017

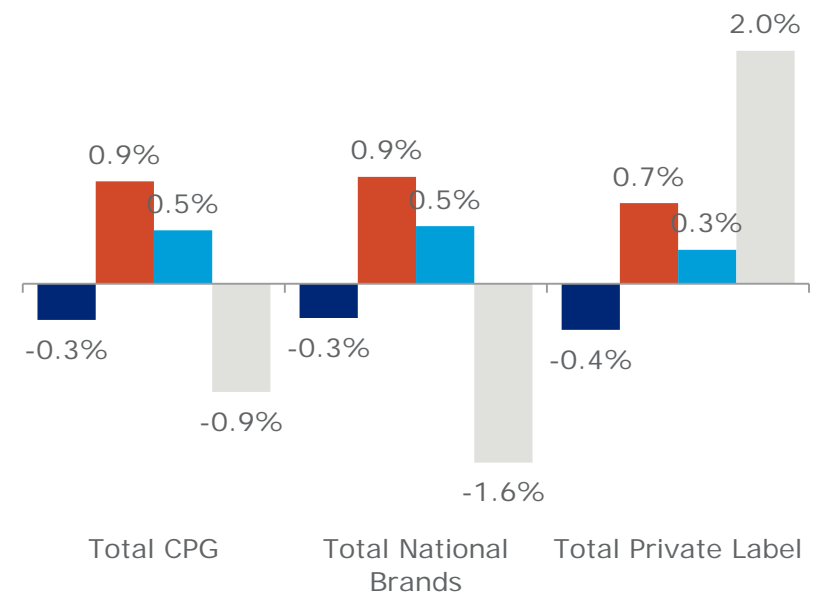
After underperforming the market and national brands in 2015 and 2016, private label has been an overperformer this year.

## PRIVATE LABEL PERFORMANCE

Dollar Sales Change by Market Sector



Unit Sales Change by Market Sector

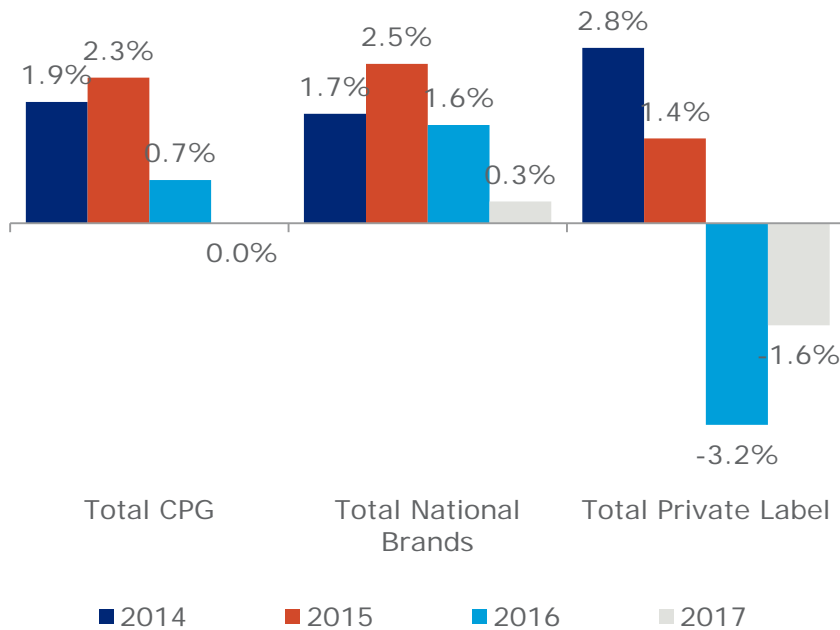


Source: IRI Market Advantage™, year-to-date ending 9/3/2017 and same period prior years; MULOC.

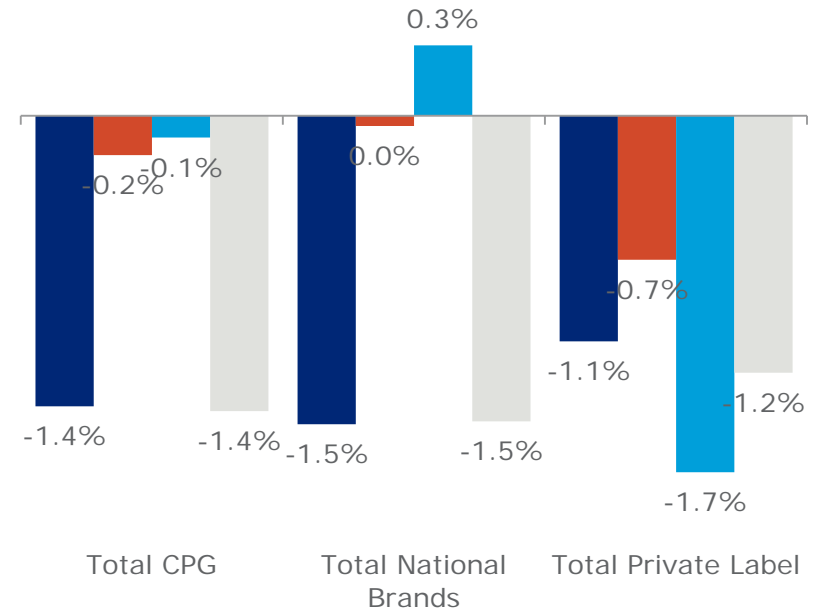


# Within grocery, private label sales fell, but declines are slimmer than industry average and the national brand sector.

## Dollar Sales Change by Market Sector: Grocery



## Unit Sales Change by Market Sector: Grocery

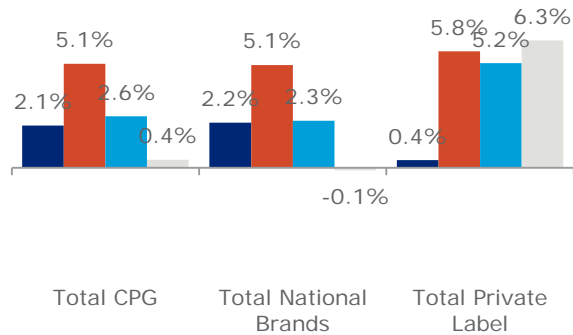


Source: IRI Market Advantage™, year-to-date ending 9/3/2017 and same period prior years; Grocery.

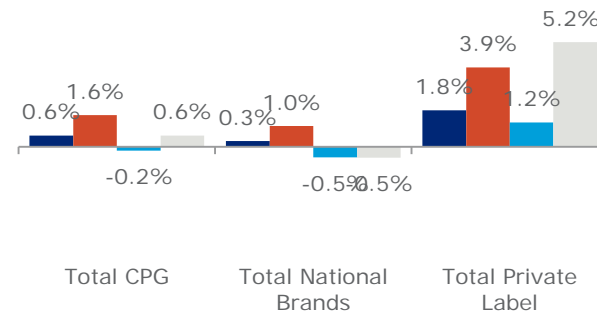
# Private label dollars are growing at an above-average pace across edibles departments.

## EDIBLES

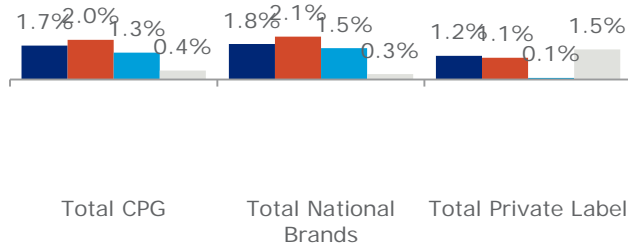
### Dollar Sales Change by Sector and Department



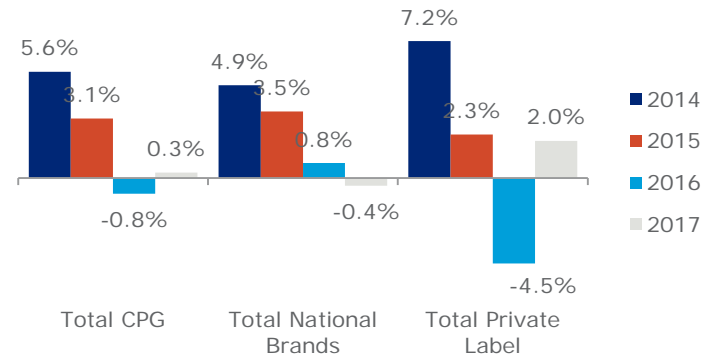
#### Beverage



#### Frozen



#### General Food



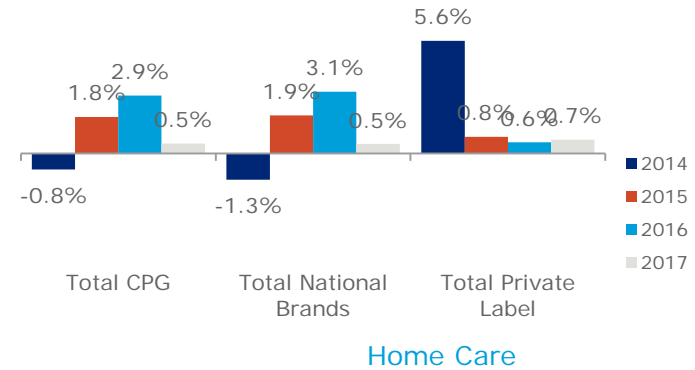
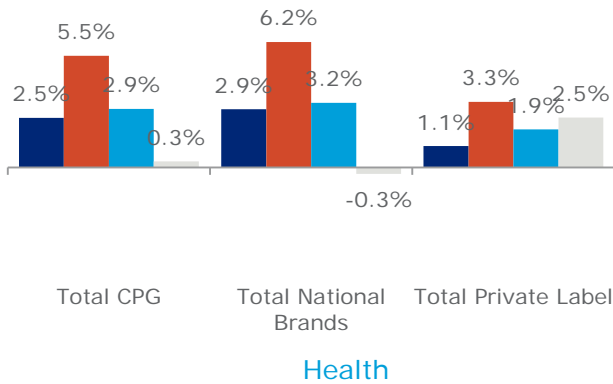
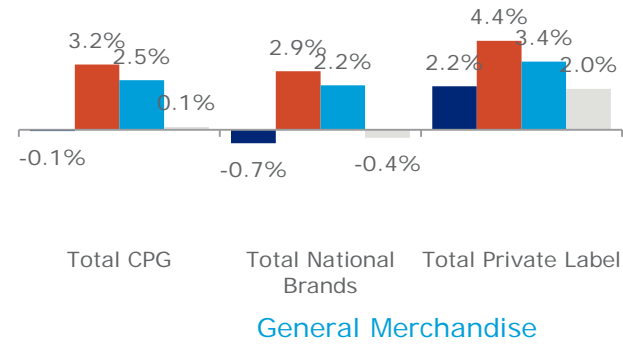
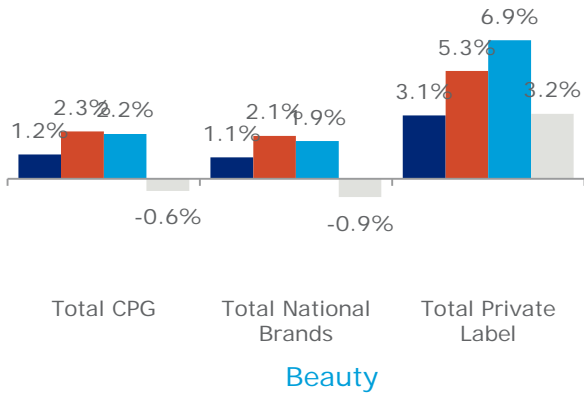
#### Refrigerated

Source: IRI Market Advantage™, year-to-date ending 9/3/2017 and same period prior years; MULOC.

The non-food sector shows similar, though less pronounced, dollar sales trends.

**NON-EDIBLES**

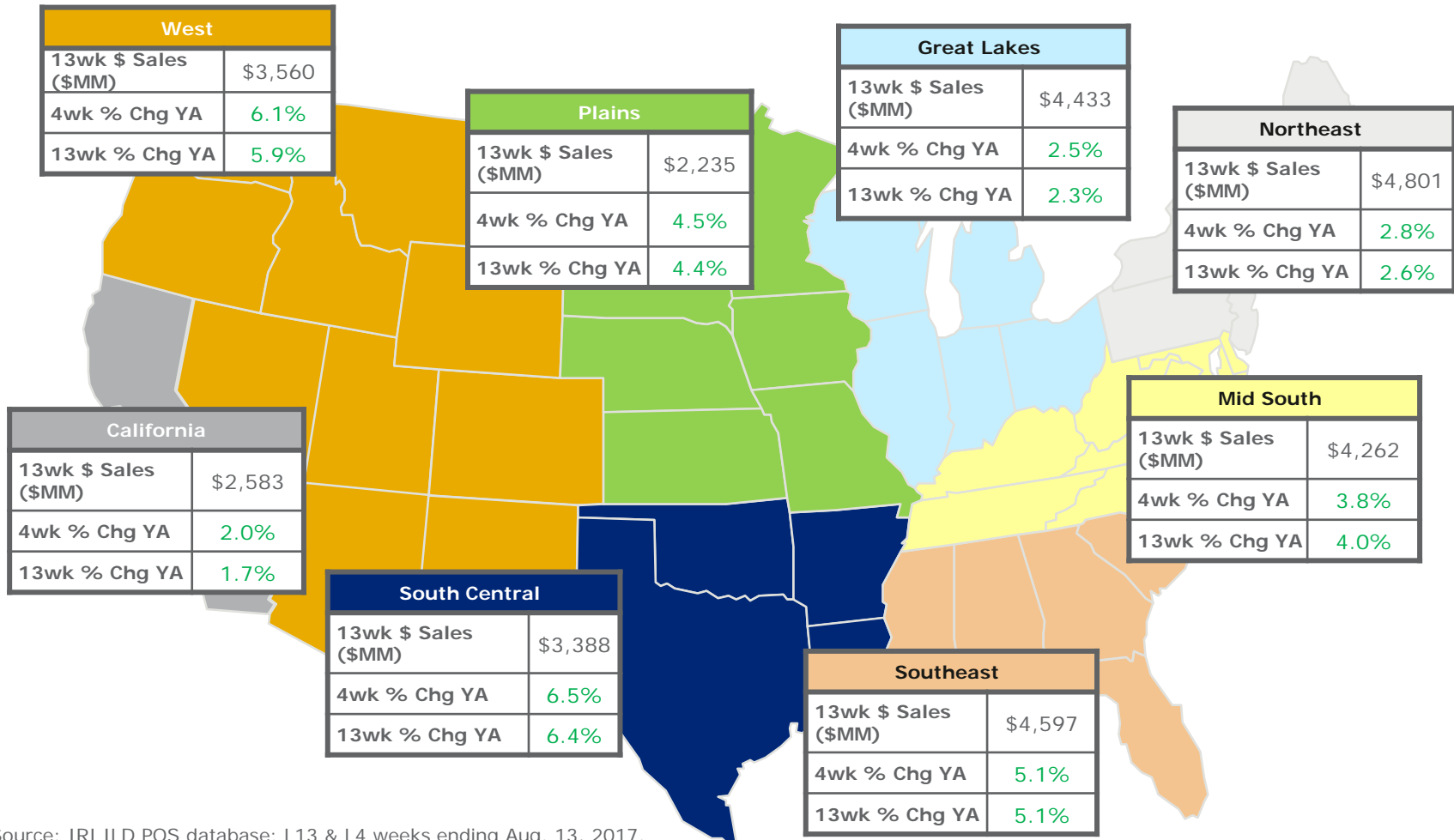
Dollar Sales Change by Sector and Department



Source: IRI Market Advantage™, year-to-date ending 9/3/2017 and same period prior years; MULOC.

Private label has grown across regions; South Central and West regions are growing more quickly than others.

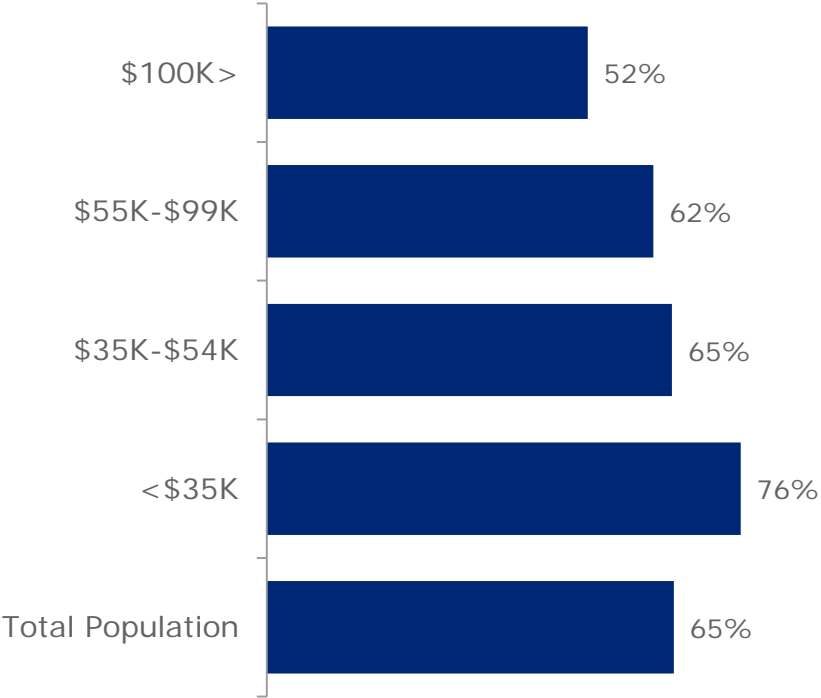
### Regional Trends for Private Label



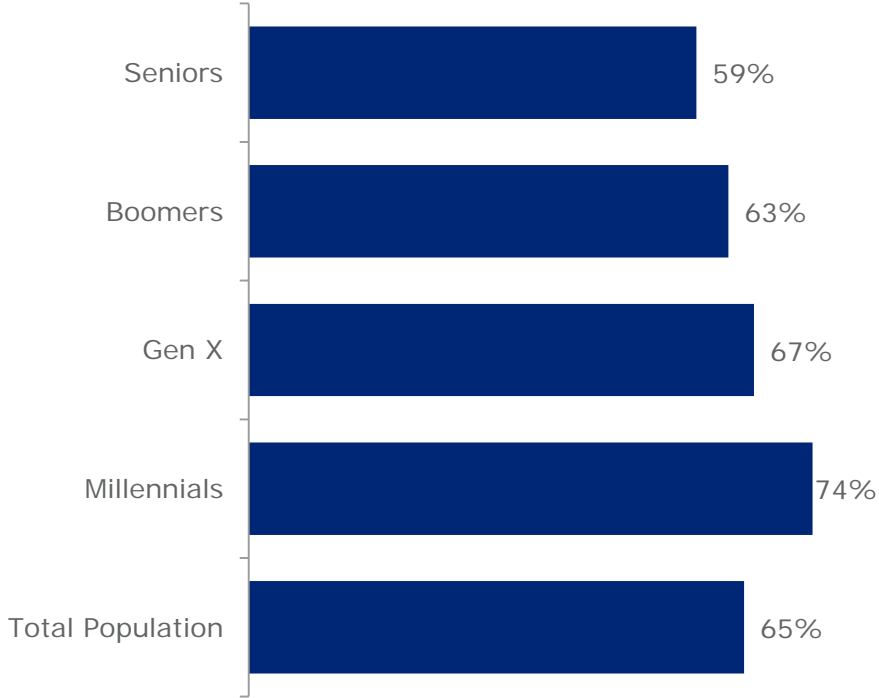
Source: IRI ILD POS database; L13 & L4 weeks ending Aug. 13, 2017.

A majority of consumers anticipate purchasing private label options more frequently in the coming months, particularly millennials and lower-income consumers.

Expect to Purchase More Private Label During the Next Six Months, by Income



Expect to Purchase More Private Label During the Next Six Months, by Generation



Source: Consumer Connect™, Q3 2017