

## Private Labels No Longer Just About Price

October 30, 2017

### Demand from higher-income consumers picks up

Growth of the private-label market in recent years has been driven by demand from lower-income shoppers as well as budget-conscious millennials. But these products are attracting wealthier consumers, creating yet another challenge for national brands.

According to an IRI survey released last week, over half (52%) of consumers with household income of more than \$100,000 said they expect to buy more private-label products over the next six months. For those earning \$55,000 to \$99,000, 62% planned to do the same.

Those percentages are still smaller than the responses among consumers making less than \$35,000 and millennials in general (76% and 74%, respectively). However, the private-label buying plans among the more affluent were higher compared with previous findings, according to IRI.

#### US Internet Users Who Plan to Purchase Private-Label Products, by Income, Sep 2017

% of respondents in each group



Note: ages 18+; in the next 6 months  
Source: IRI, "Private Label 2017," Oct 25, 2017

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Store brands' share—both in terms of dollar sales and units purchased—among those earning at least \$100,000 grew either at the same rate or faster than all the other lower-income cohorts. In the year ended September 10, 18% of the CPG units bought by shoppers in that income segment were private label. Comparatively, that figure was 20% for those in the \$70,000 to \$99,900 income bracket, just slightly lower than the 21% for the lower-income group.

"Back in the day, private label was a generic knock-off, often thought to be of inferior quality," Susan Viamari, vice president of thought leadership at IRI, told eMarketer Retail. "We have seen a major change in perceptions around private label."

As retailers across the board seek to drive demand and differentiate from rivals, private label is getting a makeover and is increasingly being used as a competitive weapon. It's also an area that typically generates more profit for retailers.

Seeking to ease concerns about growing online competition, Costco CFO Richard Galanti said recently that the company's Kirkland Signature private label remains a key traffic driver for its stores. Costco will continue to add more items under that label, which now makes up about one-quarter of Costco sales, he added.

Walmart's Jet.com recently launched its own private label as well—its "Uniquely J" line of "everyday essential items" including coffee, pantry and cleaning products. But the company didn't just focus on economics when announcing the line. It touted its "bold and beautiful packaging specifically designed by artists" across the world. It said its line of "premium products" was developed with what its key metropolitan customers want, including plant-based ingredients for the cleaning products or organic and Fair Trade certified coffee beans.

—*eMarketer Editors*