

# 2019 Private Label Industry Study

## BUILDING (Private Label)



**CADENT**  
— Consulting Group —

Food Release

44 Old Ridgefield Road, Ste. 235  
Wilton, CT 06897

203-529-3701  
[www.cadentcg.com](http://www.cadentcg.com)

1603 Orrington Avenue, Ste. 600  
Evanston, IL 60201

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# OVERVIEW

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# Cadent Consulting Group Overview

## WHO WE ARE

Cadent Consulting Group, established by the founders and senior leadership team from Cannondale Associates and Kantar Retail, is a marketing and sales management consulting firm serving the Consumer Packaged Goods (CPG) and Retail industries. We offer a broad array of information, insights, capabilities and expertise across the manufacturer, retailer and shopper spectrums.

## OUR MISSION

Our Mission at Cadent is to help our clients drive growth and profitability while optimizing go-to-market investment and organizational productivity. We aim to translate insights into competitive advantage for our clients.

## OUR FOCUS

Growth Accelerators

Category Leadership

Path to Purchase

Industry  
Benchmarking



Trade/Marketing Productivity

“Value Based” Pricing

Customer Segmentation

Organization Design  
& Training

## OUR HISTORY IN INDUSTRY RESEARCH

Cadent’s Management Team, while at Cannondale Associates, published the first Category Management/Leadership Industry Study in 1994, followed by the Trade Promotion Industry Study in 1995 and the annual PoweRanking® Study in 1997. Over twenty years of experience in category management, trade promotion and industry best practices has deepened our knowledge and expertise across manufacturers, retailers and consumers/shoppers.

We constantly seek to better understand our client needs. Cadent published studies of Manufacturer Spending in 2014 and 2017, the Path to Purchase Study in 2015 and the Strategic Pricing Study in 2016. Given the strategic role of Private Label and its importance to sales and profit growth, we are now releasing the “Building Private Label Brand Equity” study, following 2017’s “Sea Changer” report on Private Label and 2018’s report on “The Branding of Private Label.”

# The Strength of Private Label Brands

In 2017, we reported on the “7 Sea Changers” for Private Label including: Amazon + Whole Foods, Millennials, Perimeter Power, 21st Century Deep Discounter Dynamics, Traditional Retailer Reaction, New Entrants and Private Label is a true brand. In 2018, we sought to dig even deeper into the last Sea Changer, to better understand the trends that are making Private Label a “True BRAND.”

In the 2018 study it was important to answer the question, “What is a brand?” Here is what we found to be the core definition of a brand:

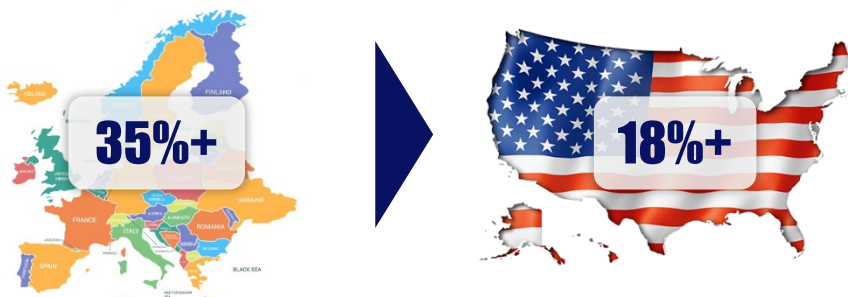
*brand [brand]:*

*1. The elements both tangible and intangible that identify and differentiate a product from the competition.*

In essence, a brand is a promise of good value, consistency and quality. It has emotional and functional features and benefits that, together, build consumer loyalty.

Our study clearly determined that Private Label has become a true brand. But how strong is Private Label as a brand? For context it is important to note Private Label purchasing rates in Europe vastly exceed those in the United States. Several countries have a Private Label share greater than 35%. Regardless of how domestic brands fare now, there is upside when considering the EU market.

## Private Label Brand Market Share



Source: PLMA European Private Label Share by Country

In this latest 2019 study, we assessed the strength of Private Label brands across leading U.S. retailers and key departments – Food, Household Goods and Personal Care. This release focuses on Food.

The results of this study show which retailers are best at developing the equity of their brands and how they are employing different strategies to win shopper loyalty. Further, retailers that have strong Private Label brands, particularly in Food, create competition with National brands as they seek to drive store loyalty.

Brand equity was measured across consistent components – awareness, quality, uniqueness, trustworthiness and a clear positioning. Separately, we also compared Private Label brands to National brands.

How strong are Private Label brands? And which brands at which retailers are leading the way. Let's take a look.

# Cadent Consulting Group Overview

## Series of Reports on Private Label

### SEA CHANGE FOR PRIVATE LABEL

Private Label has traditionally responded much like the ebb and flow of the tides. Its strength has varied with economic conditions; it benefits when the economy is in a recession and suffers during periods of economic growth.

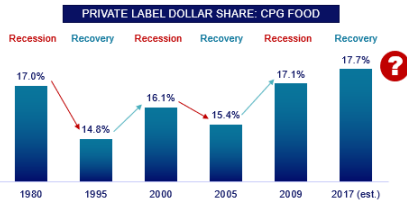
Private Label share today in CPG food, however, is nearly identical to what it was in 1980.

Will this time be different, or will Private Label break out of the tidal flows and experience a sea change?

Like meteorologists, Private Label prognosticators are almost always certain, but often wrong. Despite improved quality, large price gaps, retailer marketing, European pressures (7 countries with > 40% Private Label share) and retailer consolidation, Private Label share has barely budged in the U.S.

Now a break-out from the long-term, cyclical pattern is occurring, which should mean a sea change to lift all Private Label.

Not a single manufacturer can escape the impact!



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Source: Aggregated Industry Sources

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Seven major factors impacting Private Label growth

Detailed report on a key sea changer – Private Label as ‘brand’

2018

**THE BRANDING OF PRIVATE LABEL**

One of the “7 Sea Changers”

**CADENT**  
— Consulting Group —

# Approach/Overview

## RESEARCH OBJECTIVES:

This year we assessed the factors impacting Private Label brand equity including such questions as: Are Private Label brands considered to be unique brands with staying power? Are they trendy? How do they compare to National brands? Equity is an important metric to consider as any company builds a brand. Our detailed assessment provides insight into the progress retailers have made in building their own brands.

## RESEARCH METHODOLOGY:

For the first release, we surveyed ten retailers across channels. Over 4,000 shopper participants were surveyed online with customized questionnaires. The respondents provided feedback used to determine the strength of the Private Label brands below. To evaluate a brand, a respondent had to both be aware of the brand and match it to the correct retailer.

### Retailers - Examples

### Brands Evaluated - Examples

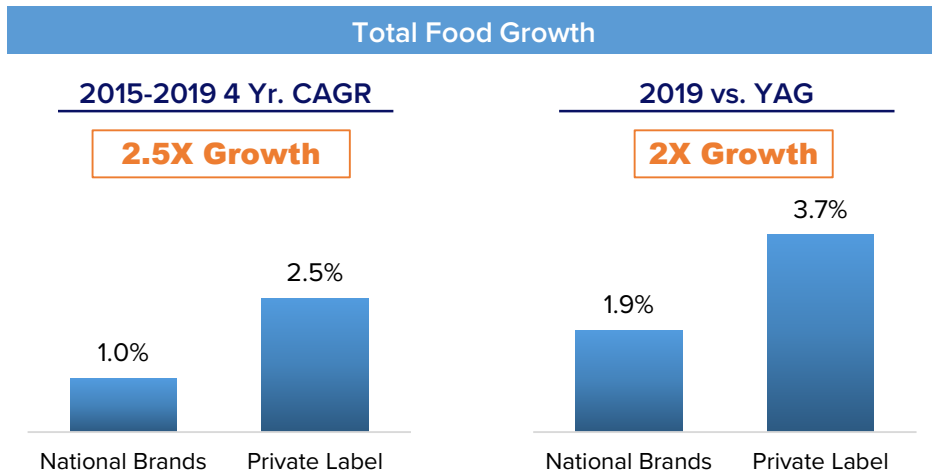
						
						
						
						
						
						
						
						
						
						
						

Note: All product names, logos and brands are property of their respective owners.

# Private Label: Industry Growth – 2019

## 2X the Growth of National Brands

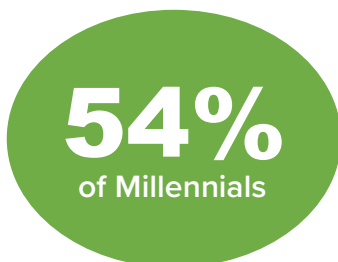
Over the past ten years, we have noted that consumer interest and purchasing of Private Label has increased, even in an expansionary post-recession period. In recent years, Private Label growth has outpaced National brand growth in Food – accelerating in 2019.



Our past studies provided key points:



Believe Private Label offers good value and quality for the price\*



Say their choice of retailer is influenced by the store brand\*

Based on sustained share expansion in a non-recessionary environment, we believe Private Label growth will continue. But it is not one size fits all. Determining the equity strength of key brands is a strong indicator of which retailers are poised – different retailers have different strategies for approaching Private Label – for outsized Private Label expansion.



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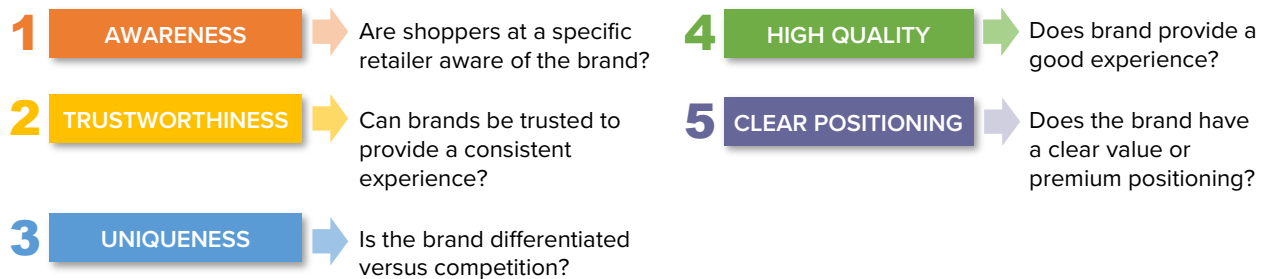
# EXECUTIVE SUMMARY

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# Strength of Private Label Brands: Executive Summary

Simply put, this study further validates that Private Label is a true brand or more specifically that retailers offer a set of brands exclusive to their stores. To conduct this deep dive, we assessed whether Private Label is delivering on aspects we outlined in our 2018 study. A brand has to have tangible and intangible aspects that deliver on a promise to its consumers. Private Label delivers on these aspects.

## Equity Criteria



Five equity criteria were weighted equally in assessment and only consumers both aware of a brand and able to match to the correct retailer evaluated equity related questions.

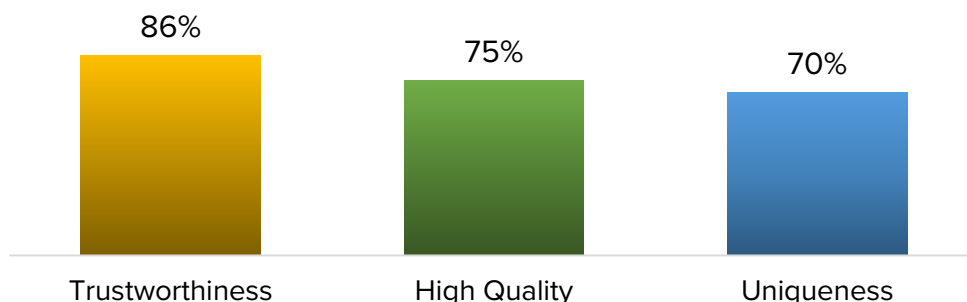
## GENUINE BRANDS

Drawing on our experience as both brand marketers and sales leaders, we determined that Private Label brand equity should be evaluated using five simple metrics – high awareness, high quality, trustworthiness, uniqueness and clear positioning.

To understand equity strength, we compared key equity attributes against National brand competitors. We found that consumers largely rate Private Label brands equal to or better than their National brand counterparts. This means that Private Label is competing against National brands on a brand vs. brand basis rather than the historical understanding as a value National brand equivalent.

The biggest surprise to us was the high level of ratings on uniqueness and quality. Private Label brands have improved to the point where they are not only trusted, but are also valued for providing consumers unique high-quality offerings.

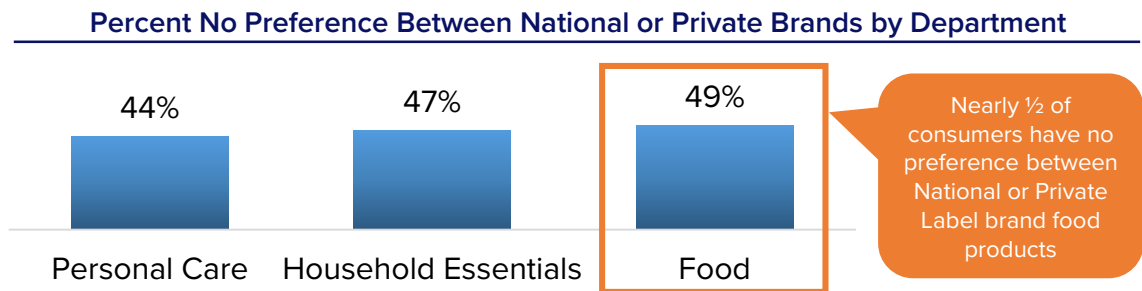
## Percent Rating Equal or Better vs. National Brands (All Departments)



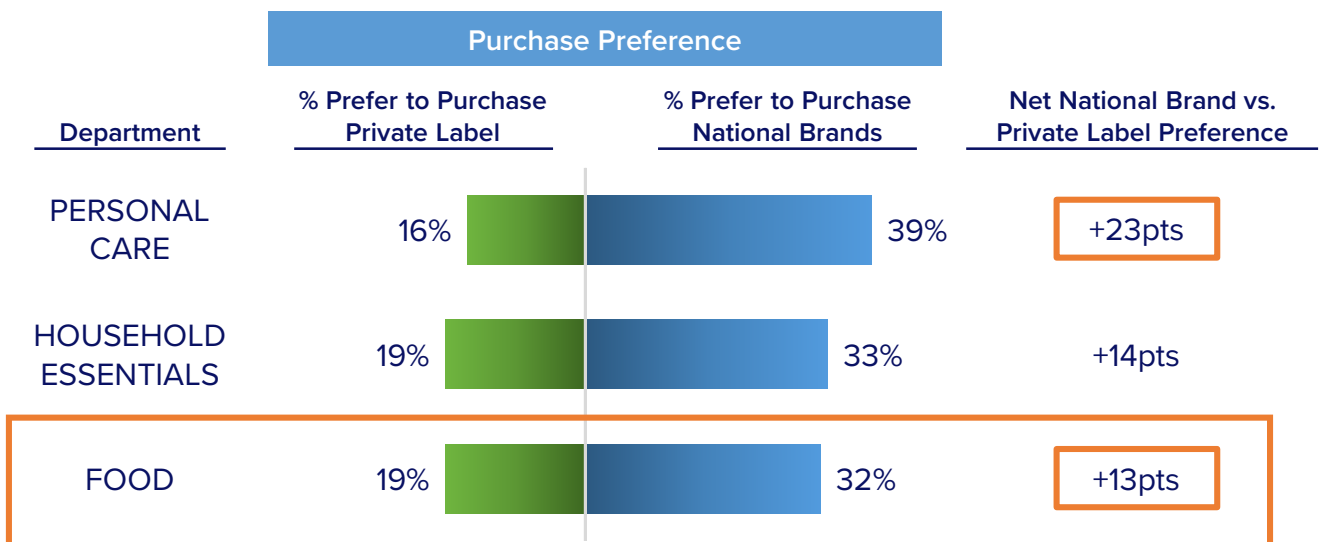
# Preference vs. National Brands

## FOOD IS STRONGEST DEPARTMENT

We assessed brands across the Food, Personal Care and Household Essentials departments. While we are focused on a deep dive of Food brands for this review, at a macro level, results show that close to 50% of shoppers have no preference between Private Label brands and National brands. This indicates many shoppers are choosing an offering based on their needs, regardless of Private Label designation.



It is also critical to know whether shoppers intend to purchase. We asked respondents, at a high level, their preference of a National brand or a Private Label brand based on the department they were rating. The results indicate that while Private Label brands are strong, they continue to face formidable competition from National brands.

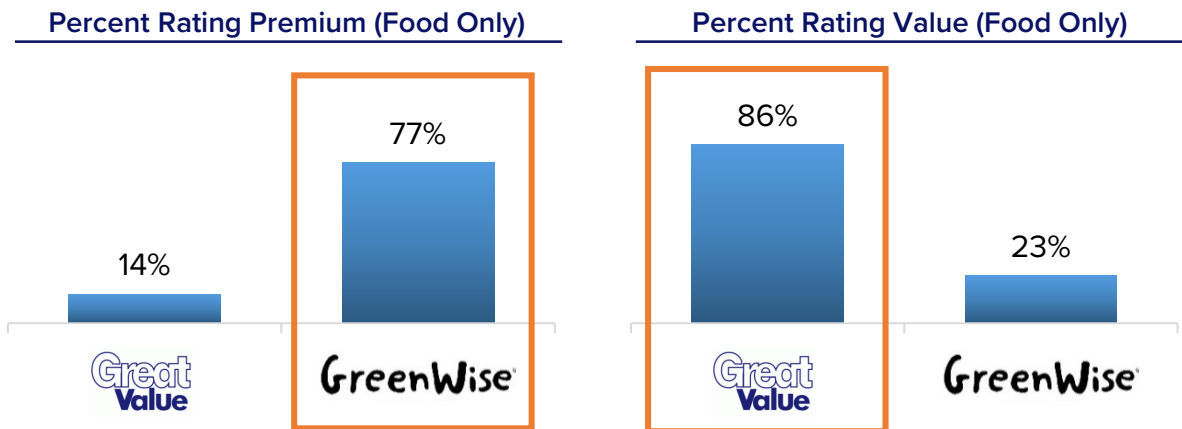


Nearly half of food shoppers surveyed have no preference between Private Label brands and National brands. However, 32% of Food shoppers prefer to purchase National brands vs. 19% who prefer Private Label brands, a 13pt gap vs. National brands. This is the lowest gap across departments evaluated, further corroborating that Private Label is strongest in Food. Private Label brands are strong, but still have ground to make up in order to catch up with National brands. National Personal Care brands are most preferred with a 23pt preference gap over store brands.

# Private Label Positioning

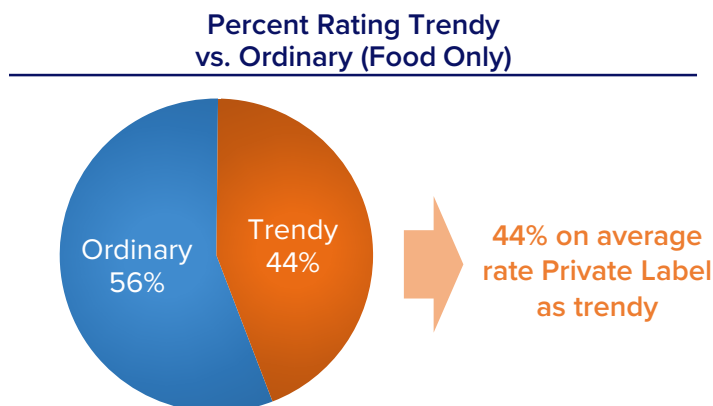
## MORE THAN VALUE

Private Label has evolved from simply providing a value-priced alternative to National brand offerings. There is a significant range of ratings on the level of value a brand provides. The study indicates that retailers are oftentimes positioning their brands for success based on their shoppers' needs. For instance, GreenWise (Publix) is rated as a highly premium brand while Great Value (Walmart) is considered a value brand. Based on what we know of the respective retailers' strategies, this output makes sense.



## TRENDY PERCEPTIONS

Private Label brands have also demonstrated that they can be considered 'trendy.' While we don't believe trendy is an accurate predictor of brand equity strength, it is a clear sign that Private Label brands have matured. Shoppers are looking for Private Label brands to reflect the latest trends and innovate. Based on the results we are seeing, many are doing so.



# Best in Class Retailers and Brands

## RETAILER RATINGS

Publix, Kroger and Costco have the strongest Private Label brands when assessing the retailers' portfolios within the Food category.

### Top Retailers (Food Only)

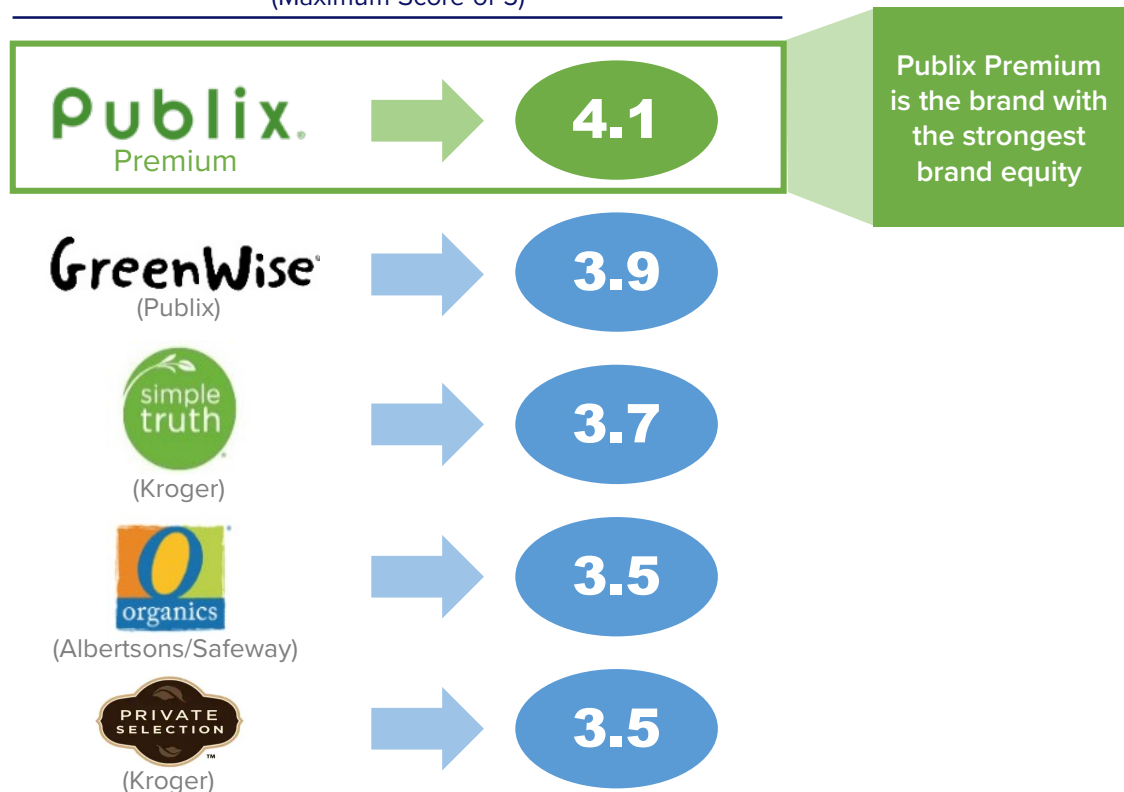


(Aggregate of All Retailer's Brands)

## BRAND RATINGS

At an individual brand level, there are brands that rise to the top. These brands have positioned themselves well against their competition and have staying power at their respective retailers. They are all also premium positioned brands.

### Top 5 Rated Individual Brands (Maximum Score of 5)

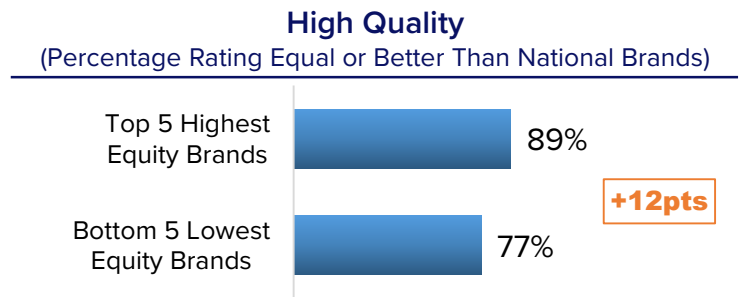


# Strength of Private Label Brands: Executive Summary

Key equity drivers by which we evaluated brands included high quality, uniqueness and trustworthiness as well as awareness and strength of positioning. In addition to asking consumers to rate Private Label brands directly on these metrics, we also asked consumers how these brands performed against National brands. Are Private Label brands equal to or better than National brands on high quality, uniqueness and trustworthiness?

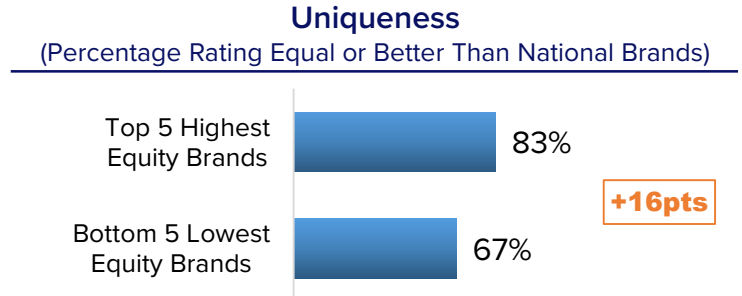
## HIGH QUALITY

Quality is a major determinant of equity. A brand must deliver high quality ingredients and a high quality experience to its consumer. Top equity brands outperform considerably on quality relative to the bottom five equity brands.



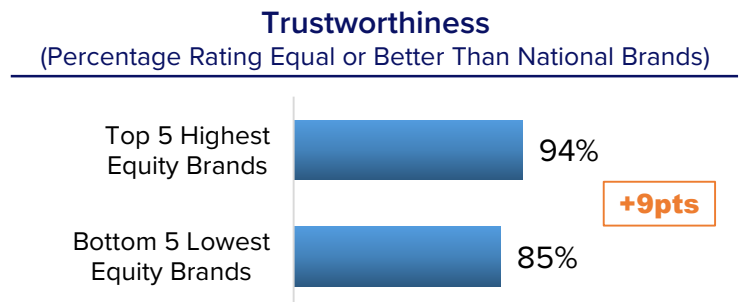
## UNIQUENESS

Historically, Private Label brands have been viewed as copycats to National brands. As we show in our results, Private Label brands now have a level of uniqueness on par with National brands, and that the top equity brands are even more differentiated.



## TRUSTWORTHINESS

Trustworthiness is a must have for any brand. Consumers have to be able to trust that the brand will consistently deliver on its promise. Private Brands are there now and delivering at high levels to consumers as shown with less differentiation between the top and bottom equity brands overall.

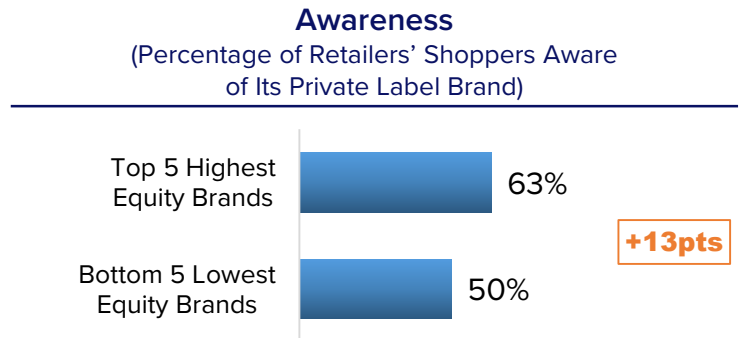


# Strength of Private Label Brands: Executive Summary (cont'd)

Awareness and having a clear positioning as either a premium or value brand are also key drivers of equity and differentiators among Private Label brands evaluated.

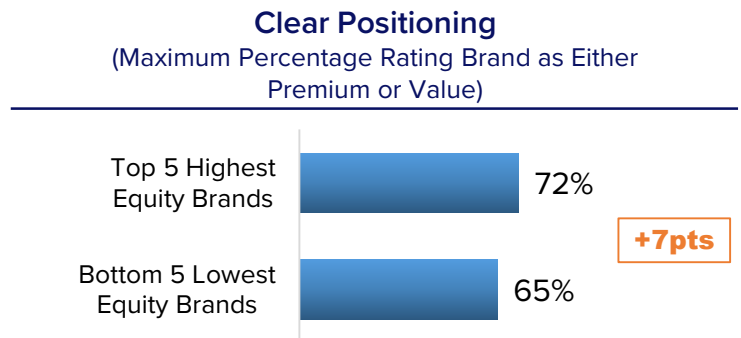
## AWARENESS

Awareness signifies how many shoppers are knowledgeable of the brand and identify the brand as a distinct entity. Brands must have a wide breadth of acceptance to have a high level of equity. The results indicate the Private Label brands overall are well recognized by a retailers' shoppers with shoppers more aware of the highest ranking brands by a wide margin.



## CLEAR POSITIONING

Brands take a stance. They are unable to be everything to everyone, and the best brands clearly articulate a positioning. In our study, we measured a clear positioning by assessing whether a brand takes a value or premium positioning. The top 5 rated brands are more likely to have a positioning that is well understood by consumers.



This finding is in line with our 2018 study, which indicated that many retailers are offering multiple tiers of Private Label brands to meet the varying needs and wants of different shopper segments. For instance, upper income shoppers and Millennials are much more likely than their lower income and Baby Boomer counterparts, respectively, to buy 'Natural' and 'Organic' (indicators of Premium) Private Label products, but clearly both Premium and Value brands have a role.

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# KEY FINDINGS

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# Equity Definition

As we began the effort to assess Private Label brand equity, it was important to obtain select input from shoppers most familiar with the brands and determine the appropriate criteria.

First, we assessed the awareness level of Private Label brand amongst a retailers' shoppers. This signals widespread recognition of a brand.

## Equity Criteria

- 1 **AWARENESS** → Percentage of retailers' shoppers aware of brand

Next, we determined the consumers most familiar with the brands to further evaluate equity. These consumers had to meet two criteria:

- **Stated awareness of the brand**
- **Matched brand with correct retailer**

→ **AWARENESS + RETAILER RECOGNITION**

Only consumers who met this criteria completed the equity evaluation. There are four additional equity evaluation criteria:

- 1 **High Quality:** Percentage of shoppers rating brand High Quality (vs. Low Quality)
- 2 **Trustworthiness:** Percentage of shoppers rating brand Trustworthy (vs. Unreliable)
- 3 **Uniqueness:** Percentage of shoppers rating brand Unique (vs. Ordinary)
- 4 **Clear Positioning:** Shoppers stating whether a brand has a clear premium or value positioning

Why did we choose these five metrics? A brand has to be well known, differentiate itself from competition and have reliability with its shoppers. Quality, often represented by taste in food, is often an underlying factor in driving repeat purchases and building equity. And a brand must be Trustworthy to result in consistent repeat purchases. Statistical analysis conducted as part of this study also proved that High Quality and Trustworthiness were most associated with intent for a repeat purchase.

Equity scores were calculated by aggregating brand scores across awareness, high quality, uniqueness, trustworthiness and clear positioning. All five were weighted equally.

## Private Label Brand Equity Metrics

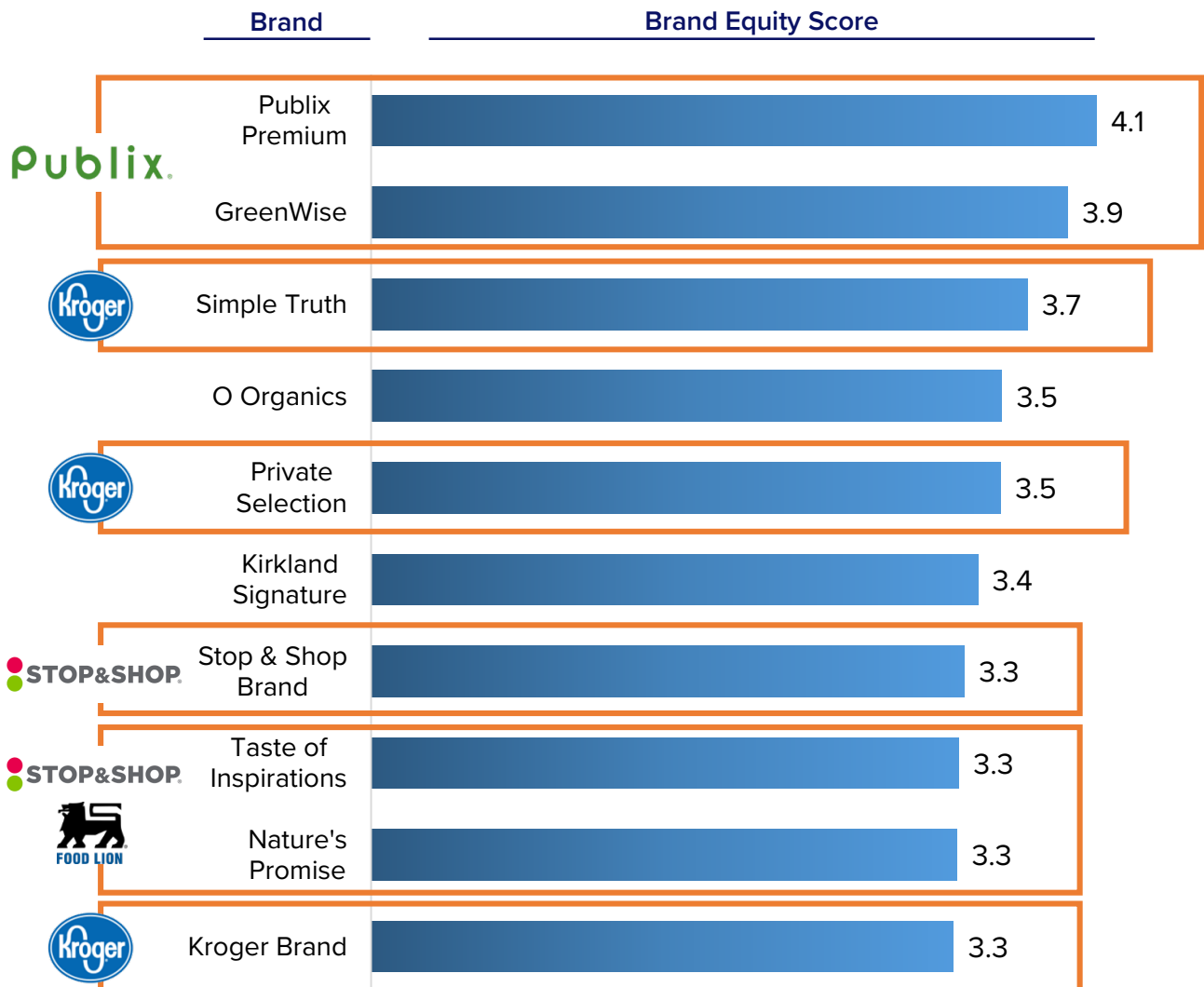


# Equity Leaders

Within food brands, there are clear leaders – brands that have established strong brand equity. Publix is a leader, with its brands ranking #1 and #2. Kroger has three brands in the Top 10 as does Ahold/Delhaize through its Stop & Shop and Food Lion banners.

## Top 10 Private Label Brand Equity Scores































Food Private Label Brand Equity (Maximum of 5 Points)



The results show that tiers of Private Label and higher price offerings such as Publix Premium, Private Selections and Taste of Inspirations are resonating well with consumers.

# Equity Rating Detail – Top 10 Brands

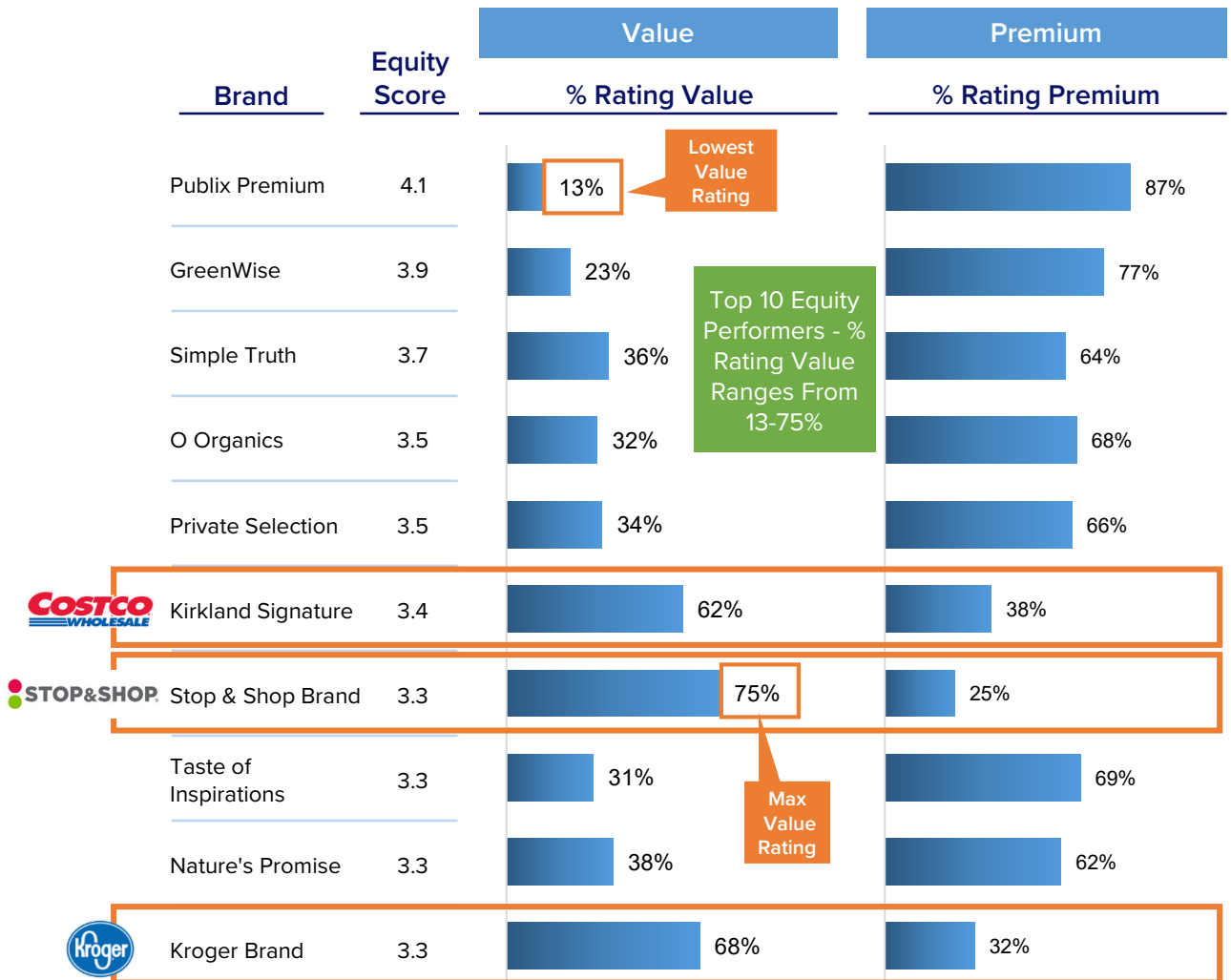
Brands with the highest equity ratings commonly performed well across multiple equity criteria. The detail of the ratings points to specific strengths as well as opportunities. The largest variance is in the uniqueness scoring, with leading brands considered highly unique.

Brand	Equity Score	% Aware	High Quality vs. Low Quality	Trustworthy vs. Unreliable	Unique vs. Ordinary
			% Rating High Quality	% Rating High Trustworthy	% Rating Unique
Publix Premium	4.1	57%	 96%	 99%	 73%
GreenWise	3.9	60%	 94%	 93%	 80%
Simple Truth	3.7	70%	 92%	 95%	 77%
O Organics	3.5	61%	 86%	 92%	 73%
Private Selection	3.5	66%	 86%	 93%	 69%
Kirkland Signature	3.4	85%	 85%	 94%	 55%
Stop & Shop Brand	3.3	87%	 75%	 89%	 36%
Taste of Inspirations	3.3	23%	 92%	 92%	 77%
Nature's Promise	3.3	57%	 84%	 94%	 62%
Kroger Brand	3.3	95%	 68%	 90%	 41%

Equity is a multi-faceted metric and brands such as Kroger and Stop & Shop have opportunity to improve in quality and uniqueness.

# Equity Rating Detail: Clear Positioning – Top 10 Brands

Brands were evaluated on whether they have a clear positioning – either a Value brand or a Premium offering. The key is to take a stance with a clear positioning. Although the highest rated brands tended to have a Premium positioning, there are both Value and Premium brands with strong brand equity scores.

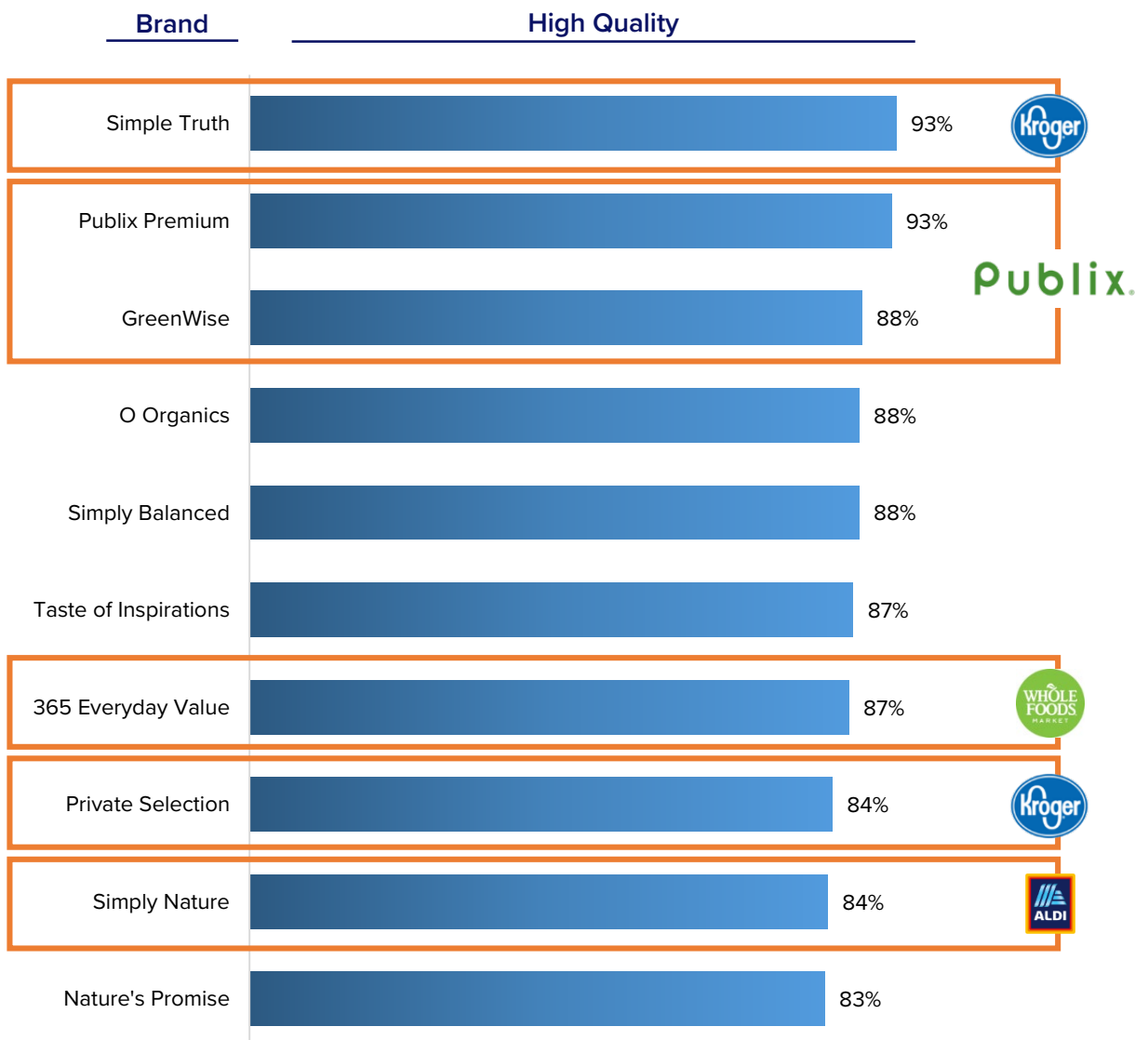


Kirkland Signature, Kroger brand and Stop & Shop brand have strong equity scores with a value positioning. The findings underscore the need to tailor offerings to specific shoppers. Multiple price tiers of Private Label can be an effective means to do so.

# Comparison to National Brands – Top 10 High Quality Brands

Brand equity is an important metric to know. To complete the picture, we also asked respondents how Private Label brands fared against a representative sample of well-known National brands such as Dannon, Cheerios, Oreo, Goldfish and Prego. Respondents were asked if they rated Private Brands as equal to or better than National brands across high quality, uniqueness and trustworthiness. The top 10 highest quality Private Label brands vs. National brands include offerings from Publix, Whole Foods, Aldi, and Kroger.

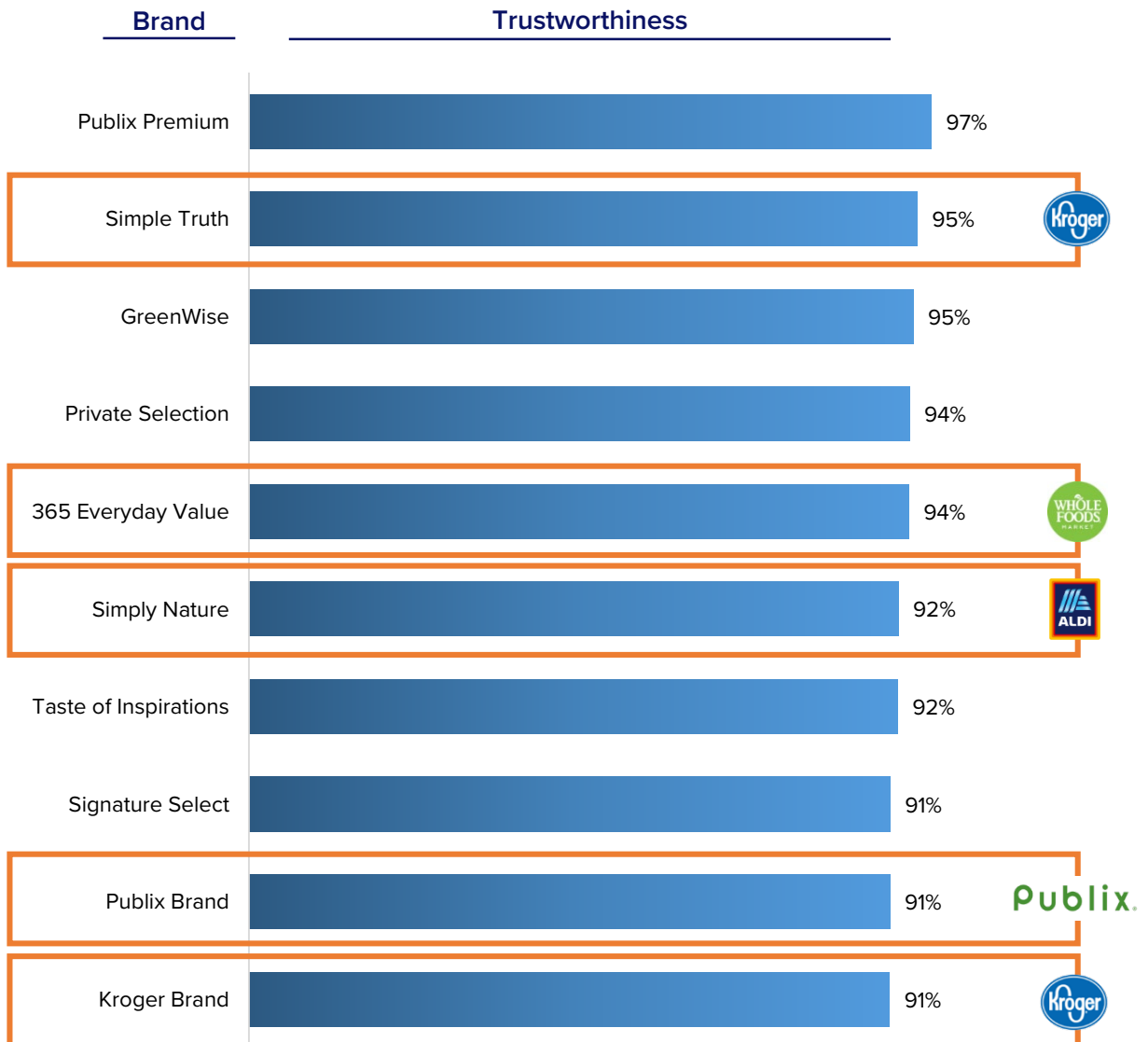
## Equal to or Better Than National Brands...



# Comparison to National Brands – Top 10 Most Trustworthy Brands

A brand must be trustworthy to its consumers. Consumers must trust that a brand will deliver on its expected promise. 365 Everyday Value from Whole Foods is a highly trusted brand as are the Kroger and Publix brands. Simply Nature is highly trusted as well, signifying Aldi's success in penetrating the U.S. grocery market.

Equal to or Better Than National Brands...

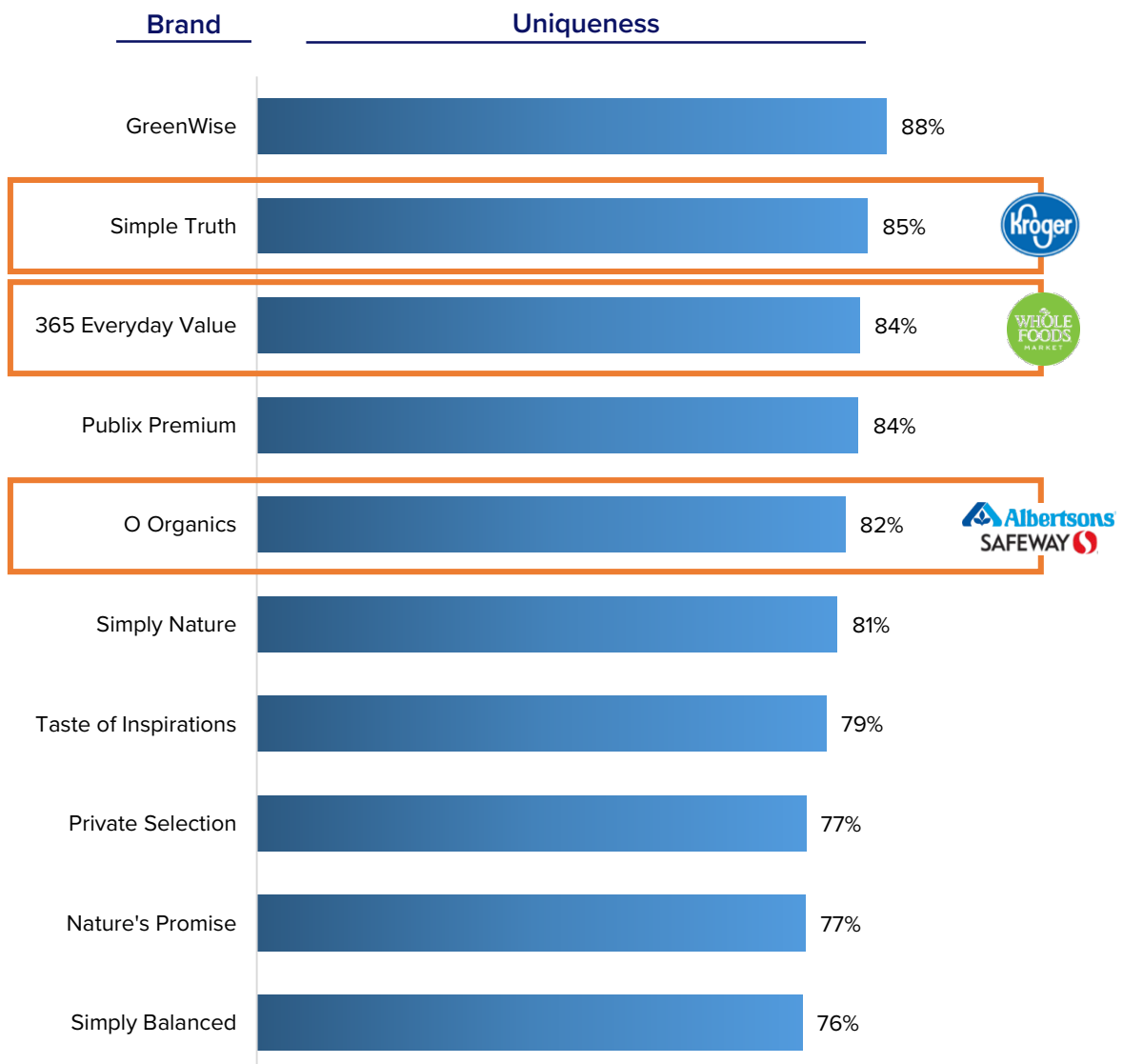


With all scores above 90%, the results show Private Label offerings are well trusted by consumers.

# Comparison to National Brands – Top 10 Most Unique Brands

Uniqueness is challenging for Private Label brands and retailers such as a Kroger, with its Simple Truth brand, excelled. Whole Foods has also excelled with its 365 Everyday Value brand. Shoppers view the brand as unique vs. National brands indicating the Whole Foods offering can provide shoppers a distinct experience. The O-Organics line from Albertsons/ Safeway is a bright spot for the retailer, providing its shoppers unique, organic products.

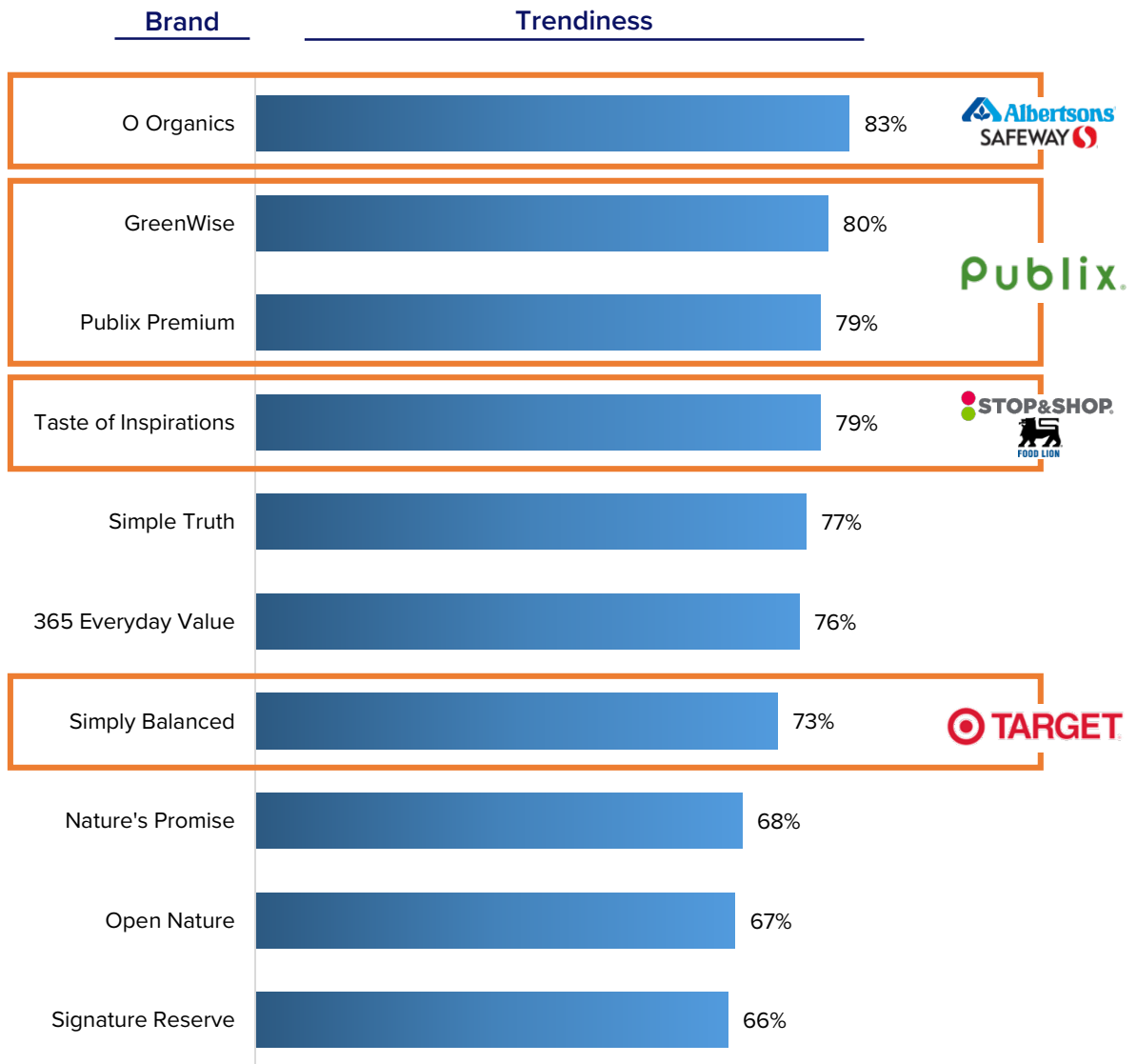
## Equal to or Better Than National Brands...



# Trendiness of Private Label Brands

We asked shoppers whether they rated Private Label brands as Trendy vs. National brands. The high levels of perceived trendiness of select brands further shows that Private Label is taking on qualities of a brand. Publix, Albertsons/Safeway and Stop & Shop/Food Lion lead with brands in their portfolios rating high as trendy.

Equal to or Better Than National Brands...



Simply Balanced at Target, which recently announced an overhaul and launch of the Good & Gather brand, performs well.

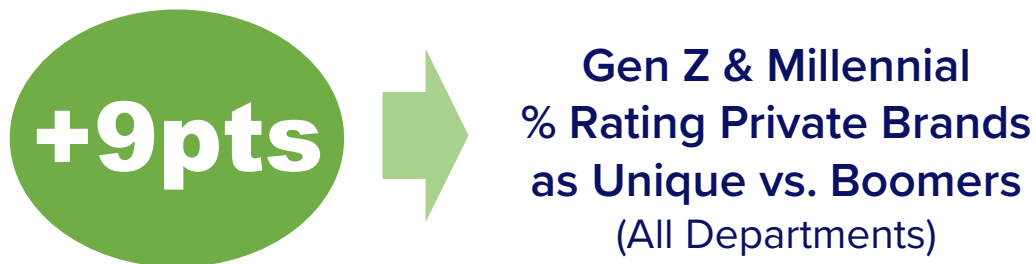


# Private Label Consumer Strongholds

**Generational Differences:** A true brand has staying power in the future. It is the younger the generations that will dictate whether Private Label brands will continue to build their equities like National brands. We evaluated Private Label brand equity strength by generation and found that Millennials/Gen Z rate equity higher than Boomers.



Why do younger generations rate Private Label brands higher than older cohorts? We dug into the scores and found that Gen Z and Millennial shoppers believe Private Label brands are more unique. A comparison vs. Boomers illustrates the difference:

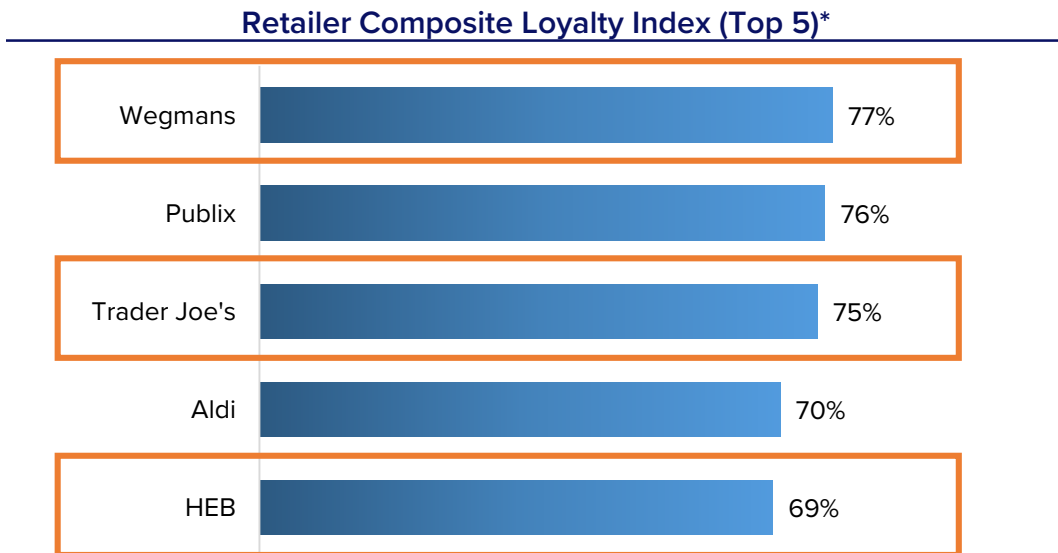


Younger generations perceive Private Label offerings as unique, compared to Boomers. This could be because Private Label brands don't have the 'White Label' baggage among younger shoppers as most retailers had matured from that stage by the time Millennials and Gen Z shoppers were coming into their prime shopping years.

Private Label brands have room to continue to build their brand with younger generations as this cohort continues to have children and increase their spending power in the years to come.

# Additional Private Label Strongholds

Outside of the retailers surveyed, there are additional Private Label strongholds. It is important to acknowledge additional select success stories in Wegmans, Trader Joe's, HEB, Hy-Vee, Lidl, Meijer and Amazon with its AmazonBasics brand. Of these retailers, three of them rank highly in a study conducted to assess composite retailer loyalty. A strong Private brand offering is critical to a loyal customer base.



**Wegmans:** Wegmans has been a consistent leader in developing its store brands to its shoppers' tastes. The Wegmans Organics brand has over 3,000 items, while the Food You Feel Good About line removes many artificial additives for a clean ingredient line. More recently, Wegmans has been testing its line of prepared foods, Meals2Go, via DoorDash delivery. The meals are currently available in five stores, with plans to expand to forty. The expansion is emblematic of the equity the Wegmans name has with shoppers as they seek convenient, tasty, prepared meals.

**Trader Joe's:** For years, Trader Joe's has built up trust through the use of its name on its products. Shoppers value the high quality and uniqueness of its offerings. And the retailer has a strong focus on innovation, sending team members world-wide to search for new ideas. Combined with its high quality and focus on innovation, shoppers trust the retailer and its products. The ability to try and return products engenders a trust that brings loyal shoppers back to its stores.

**HEB:** HEB private brands, often under the HEB name, but also under other names such as Hill Country, have made HEB a best-in-class Private Label brand operator. HEB Private Label brands contribute considerably to the overall retailer equity providing value, both benefits and price, to its shoppers.

# Additional Private Label Strongholds (cont'd)

**Hy-Vee:** Hy-Vee is a leading retailer with seventeen Private Label brands spanning all departments of the store. The brands are unique in that they cater to ethnic preferences (World Classics Trading Company), premium shoppers (Hy-Vee Select) and value shoppers (That's Smart) – to name a few. The One Step brand donates proceeds from sales to worthy causes. This portfolio of brands helps define Hy-Vee as a retailer.

**Lidl:** After initial challenges following entry into the U.S. market, Lidl is now ramping up its expansion. It is expected in the next year that Lidl will have around 125 stores, following the acquisition of 27 Best Market stores. The retailer is maintaining its focus on Private Label, with minimal national brand offerings, but the products are more likely to now be sourced domestically in the U.S. In addition, the new stores are expected to be focused on high traffic urban areas and have smaller footprints. This persistence and learning indicates that Lidl is committed to the U.S. market, and with its presence, Private Label will continue to grow.

**Meijer:** Meijer is doing many things right in its maintenance of its own brands. From the banner brand, Meijer, to the highly curated Purple Cow ice cream, Meijer's brands signify quality and loyalty. Meijer has recently expanded its True Goodness Organic brand while also appealing to value shoppers with its Penny Smart brands. This full suite of offerings provides multiple offerings for shoppers across departments and price tiers.

**AmazonBasics:** Amazon began to sell Private Label products under its AmazonBasics brand in 2009, largely focusing on small kitchen gadgets and IT accessories. In the last decade, the brand has expanded significantly to most household goods categories, including bath and hardware. The line of highly regarded offerings features prominently in Amazon's offerings online and boosts the overall equity of the Amazon brand.

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# ACTION PLAN

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# Action Plan

This study points to the fact that retailers are building their Private Label brands to be true brands. This results in the following indicated actions for retailers and manufacturers.

## For Retailers:

- 1) **Consistent Quality:** Consumers have come to expect Private Label brands will deliver a consistent level of quality. And consistent quality is closely linked with Trustworthiness, a key determinant in equity that is closely associated with regular purchases. Quality perceptions must be maintained.
- 2) **Continuous Improvement:** Retailers must undertake initiatives to regularly improve and validate their brands' quality, test those initiatives with consumers and market the quality improvement to their shoppers. The quality improvements must be delivered in a consistent fashion to ensure a high level of trust remains.
- 3) **Take a Clear Positioning:** This study has shown consumers commonly rate Private Label brands as premium, especially those brands that have intentionally taken such a position. Retailers should ensure their brand delivers the value (benefits and price) that their shoppers expect and advertise that position clearly. It could be a value positioning, but retailers should make that value positioning clear to shoppers. With continued income bifurcation, a clear positioning on Private Label offerings enables retailers to reach and satisfy multiple shopper cohorts in their stores.

## For Branded Manufacturers:

- 1) **Target the Right Retailers:** Challenger brands without national distribution should take care to understand the relative strengths of Private Label competition when seeking shelf placement. These emerging brands should target retailers in which they can clearly differentiate from Private Label, profitably grow and be complementary to Private Label offerings to enable the retailer to grow category sales.
- 2) **Know Your Strengths and Weaknesses vs. Private Label Brands:** National brands are commonly evaluating their equity. It is no longer feasible to test a National brand vs. 'Private Label' generically at a national level. Brands must test at a granular level retailer by retailer, fully understand their strengths and weaknesses, and tailor investment such as trade and shopper marketing to both compete and mutually grow with a retailer's Private Label offering.
- 3) **Reinforce Preference:** National brands must understand their unique benefits vs. Private Label offerings. It is not enough for a National brand to tout high quality. As this study has shown, Private Label brands are considered high quality in many cases. National brands must devote resources to develop more sophisticated positioning versus Private Label.