



**CONSUMER AND
RETAIL GROUP**



**Accelerate your Private
Brand journey to win
with customers and
shareholders**

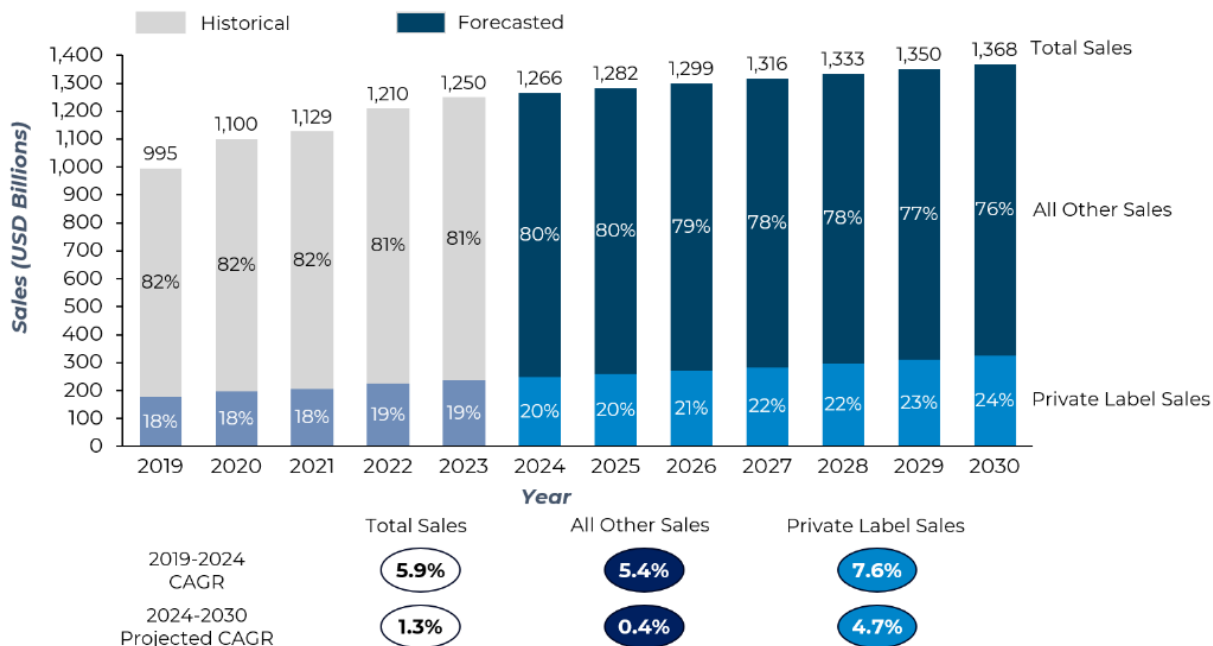


Private brands are accelerating amidst slow grocery market growth

For many grocery shoppers today, the distinction between national brands and private brands is becoming increasingly blurred. Private brands, products manufactured by one company but sold under a retailer's brand, are continuing to fill more shopping carts than ever before. Private brand penetration rates sit around 20% and are expected to reach 24% by 2030 – still short of comparable European markets, indicating room for continued growth.

After a few years of growth propelled by COVID and inflation, the total grocery market is expected to flatten within the next few years. The projected CAGR over the next 5 years is ~1.3%¹. However, private brands are projected to grow 4.7% per year in the same timeframe. Grocers that aim to grow at a faster pace than total market will need to gain share on Private Brands. This may allow them to gain share among customers, and at the same time achieve shareholders' expectations of driving incremental growth and profit.

US Private Label & Total Grocery: Historical & Projected Sales





There has been a significant shift from national brands to private brands, and traditional grocers are falling behind

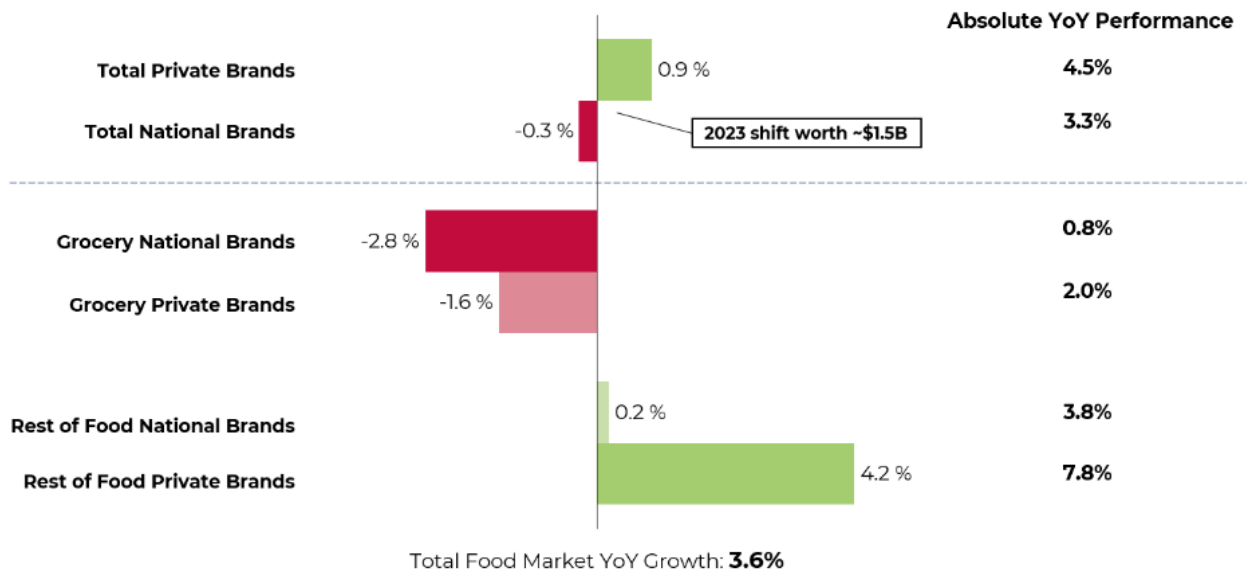
Over the last decade there has been a significant shift in grocery market sales from national brands to private brands. In 2023 alone, the retail value of this shift was ~\$1.5B of sales and it is projected to continue and even accelerate in the future.

The majority of the shift from national to private brands has happened across channels: from traditional grocery to "Rest of Food" (RoF) players such as discount, mass, and club. Private brands grew 7.8% YoY in the RoF channel, and only 2.0% in Grocery.

For traditional grocers, growing a private brand presence does not mean sacrificing existing national brand sales: successful private brand grocers have been able to continue to drive their national branded business while at the same time achieving the performance of other channels in private brands.

By innovating and differentiating their private brands, grocers can regain share of wallet from customers who are making frequent trips to their stores but are purchasing competitor's private brands in certain categories.

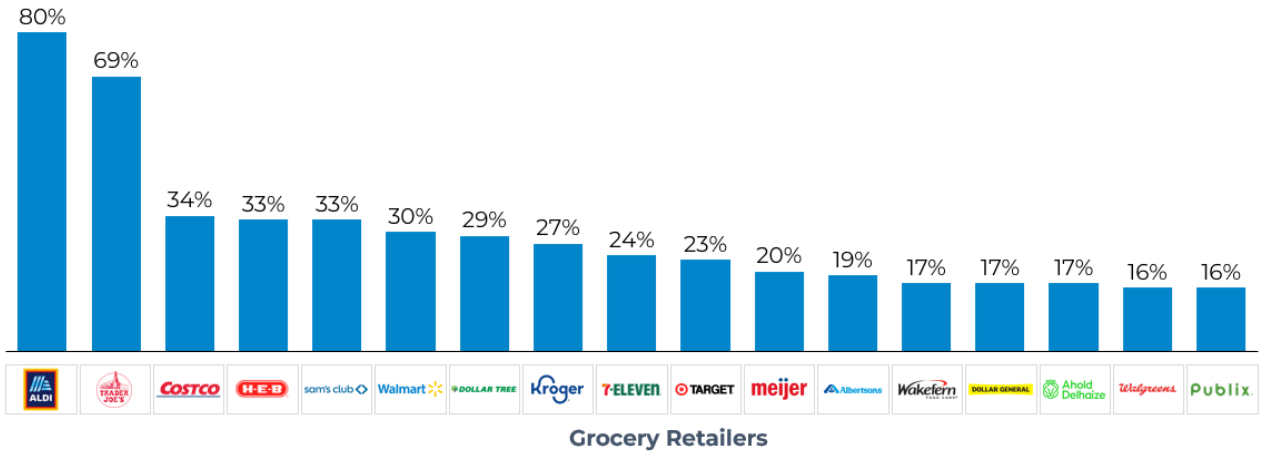
Total Sales Growth by Type & Channel: Benchmarked Relative to Total Food YOY Marker Growth (3.6%)



Strong private brand retailers continue to outperform the market

Top Private Brands Grocery Retailers

Private Brands Share of Store, %



Data Source: Numerator

Retailers with the **most developed** private brand programs continue to **win in the marketplace**. These companies made private brands a core component of their strategy and have seen their **sales, market share, and stock price rise** as a result. By adopting private brand products, they have been able to drive differentiation, value, and margins, satisfying both **customers** and **shareholders**.

7/10

Of the top retailers by grocery dollar share are top private brand players³

144%

Stock price growth past 5 years for top 4 publicly traded private brand retailers⁴

> 250

New stores opened in the past year by top private brand retailers⁵

³Source: Numerator Data

⁴Source: A&M Analysis

⁵Source: 2024 JLL Annual Grocery Report



Prominent private brand retailers have built stronger loyalty and advocacy with their shoppers

A defining characteristic of the most successful private brand retailers is that they develop **winning brands** that **customers love**. Think **Kirkland** from Costco, or the **Trader Joe's** assortment. These brands are **recognizable** even amongst a sea of national brands.

These brands **resonate with consumers**: they provide **value**, being often priced at 30-40% below their National Brands comparable products; they provide **differentiation and innovation**, featuring unique packaging, flavors, or varieties.

Strong Brand = Strong Performance



26%

YOY Increase in foot traffic in March 2024⁶



90+

New Stores since 2019 (~20% Increase)⁷



30%

Growth in new memberships since 2019⁸



#1

Most Beloved Grocer in America in 2023⁹

⁶Source: [Rising Food Prices Send More Shoppers to Aldi](#) – WSJ

⁷Source: Trader Joe's Website

⁸Source: [Card holders Costco worldwide 2023](#) | Statista

⁹Source: Dunnhumby Retail Preference Index (RPI)

The approach market leaders take to Private Brands is fundamentally different



Chief Merchants who treat Private Brands with the **same attention and detail** as National Brands



Year-round commitment to stand behind Private Brands with merch execution (e.g., promotions, space, flyer etc...)



Marketing and branding efforts which **elevate Private Brands**, increasing visibility and customer awareness



Continuous investments to **build Private Brand capabilities**, such as innovation centers, data-analytics and trend spotting



Unique or **innovative approach to sourcing**, including vertical integration, joint ventures and exclusive partnerships



Five key enablers to win with Private Brands

Private Brand Benefits

67%

of consumers cite value as main driver

VALUE PERCEPTION

Private brand products, generally **30 - 40% less expensive than National Brands**, offer grocers an opportunity to **enhance value perception**. While achieving these price points, best in class players have been able to source the same quality and specs vs National Brand equivalents, without compromising margin.

PRODUCT INNOVATION & DIFFERENTIATION

Product development can be tailored to align with **customer preferences** and **demographics**. Best in class players successfully develop ranges with exclusive packaging, flavors, or quality not available elsewhere.

65%

of consumers prioritize quality and taste

82%

of shoppers make decisions on brand trust

BRAND DEVELOPMENT

Developing a brand that **strongly resonates with consumers** is a crucial step in ensuring that the value is properly received. The most effective store brands have **strong advocacy**, and in some cases **beat the popularity** of national brands.⁸

MARGIN MANAGEMENT

Private brand **margins typically surpass those of national brands**, providing stronger bottom-line performance at the same sales levels ("penny profit").⁹ In addition, a strong Private Brand offer provides **more leverage** in negotiating terms with National Brands within the same categories.

600bps

Higher GM than NB equivalents

27%

of Gen Z and Millennials driven by ESG

SUSTAINABLE SOURCING

Direct control over product development, packaging decisions, sourcing, and supply chain enables best-in-class private brand players to **set and achieve ambitious ESG goals**, crucial as Gen Z and Millennials become dominant spenders.¹⁰

⁷Source: [Private label spending not just about price, value: report \(supermarketnews.com\)](#)

⁸Source: [15 Incredible Brand Awareness Statistics \(dataaxleusa.com\)](#)

⁹Source: [7 Reasons Why Private Label Brands Enjoy Sustained Success — TraceGains](#)

¹⁰Source: [Research: Consumers' Sustainability Demands Are Rising \(hbr.org\)](#)



Core imperatives must be answered when developing a Private Brand strategy

Private Brand Considerations

Brand Architecture



The first key question is whether to pursue storewide or category specific brands. In either case, brands must be curated to foster customer recognition and trust, keeping the potential for future growth and expansion in mind.

Organizational Capabilities



Any strategic program requires the correct organization and capabilities to make it stick. Do you need a standalone center of excellence, dedicated category management teams or a hybrid approach? Tailor this approach to reap long-term benefits.

Scalability and Innovation



Innovation and agility are essential to lasting success. Implement a category review process which is easily replicable across the business, capable of annually reviewing multiple categories at once, reducing the time from decision to shelf as much as possible.

Vendor Portfolio



With the Private Brand market less developed in the US, it follows that the dedicated vendor base is also smaller. Mutually beneficial partnerships underpin all great Private Brand programs. Outside the box thinking, like joint ventures or exclusive partnerships, will accelerate and foster innovation.

Go-to-Market Strategy



Finally, you must have a go-to-market strategy which aligns all parts of the business around a unified goal: Private Brand excellence. This includes effective packaging to on time deliveries to fully executed planograms and effective marketing.



A successful private brand program follows a structured approach

1 Private Brand Strategy

2 New Product Development

3 Vendor Partnerships

Purpose

Develop a customer-centric strategy based on price, innovation, or quality - ensuring a tailored approach that meets customers' needs

Increasing the speed and frequency of category reviews is key to remain relevant and innovative in a dynamic market - standardization is a must

Developing long term partnerships with vendors who possess unique capabilities. Create a vendor eco-system and co-invest in process and innovation

Action

- Define Brand Architecture
- Build clear Brand and Product guardrails
- Define financial roadmap
- Align org capabilities

- Standardize process to review categories and assortments every year
- Consistent approach to NPD to ensure brand strategy is executed
- Align decision makers and remove roadblocks

- Rigorous and standard spec and DTC process
- Align sourcing process to category strategy
- Engage vendors in NPD
- Partner with unique and innovative vendors

Impact

Clearly defined private brand strategy with detailed financial targets and metrics for success, broadly shared across the organization

Scalable approach across categories with increased review frequency and accelerated time to market

Shift from vendor RFPs to strategic partnerships that foster innovation and continuous improvement



CRG has unique expertise to partner with retailers who want to accelerate their Private Brand journey

Amid slow growth and intense competition in the grocery market, retailers need innovative strategies to maintain and expand their market share. The impressive growth of private brands provides a chance to stand out, capture market share, and increase profits. In a markets where every advantage counts, a robust private brand program is not just an option but a strategic imperative for thriving in today's grocery market.

The A&M CRG team has a unique mix of consultants and experienced operators who are hands-on to quickly assess and build private brand strategies. Our teams have led comprehensive private brand programs for national retailers, driving significant positive change. With CRG's battle-tested methodology, we're equipped to help retailers accelerate their private brand journey effectively and efficiently.

A&M's CRG team is the right partner to help you accelerate your private brand business and win in the market.

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