

Kraft Heinz's sales fall as private labels gain share

Article

The news: Kraft Heinz's recovery is taking longer than expected, the company said, as it grapples with subdued demand from cost-sensitive customers.

By the numbers: Kraft Heinz's revenues fell short of expectations in Q3—its sixth-straight quarter of sales misses—as price hikes and cost pressures exacerbated US consumers' trade-down behaviors. The company's **Lunchables** brand was also a liability, as concerns over its [nutritional value](#) and competition from [MrBeast and Logan Paul](#) caused sell-out to plunge by 15%.

- Q3 net sales fell 2.8% year over year (YoY) to \$6.38 billion, missing the FactSet consensus estimate for \$6.42 billion.
- North America organic net sales fell 3.2% YoY, as price hikes of 1.2 percentage points failed to offset a 4.4% percentage point decline in volume/mix.

The company now expects organic net sales growth at the low end of its previous guidance for flat to down 2%.

The recovery plan: With trade-down behaviors expected to linger or even intensify in 2025, Kraft Heinz is taking action to protect its market share. As with other CPGs, **the company is increasing marketing spend, investing in new products and innovation, and deploying strategic promotions** to keep shoppers from seeking out cheaper brands.

- In Q3, that included high-profile partnerships with the **Transformers** franchise and **Marvel's Deadpool & Wolverine** film to boost Lunchables and Heinz products.
- The company also launched iterations of its Mac & Cheese cups—including ranch and jalapeño flavors—and is working on new shapes and pop culture partnerships to increase the product's attractiveness to millennials.
- And it is increasing its distribution in value-oriented channels like dollar and club stores to stay top-of-mind with cost-sensitive shoppers.

Our take: Consumers' persistent focus on value is proving to be a difficult challenge for Kraft Heinz and other CPGs to overcome, especially as more grocers take advantage of the uncertain environment to push their **private labels**.

- **Nearly 3 in 5 (58%) of US adults are buying more private label products now compared with a year ago**, per an August Ipsos survey, due in part to their affordability as well as quality.
- With US demand set to remain sluggish, Kraft Heinz will have to rely more heavily on its “away from home” and “emerging market” segments to drive growth.

The Majority of US Adults Are Buying More Private Label Foods as They Look for Value and Quality

% of US adults who agreed with each statement about store-brand or private label foods, Aug 2024



Note: n=1,120

Source: Ipsos, "What the Future: Food," Oct 17, 2024

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