

Amazon's CPG Business: Will Private Labels or Exclusive Brands Dominate?

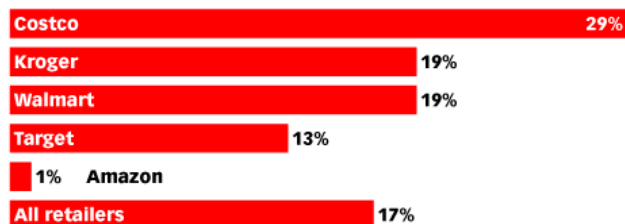
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AmazonFresh, Amazon Pantry and Amazon's Whole Foods operation cater specifically to the consumer packaged goods (CPG) market. But almost none of the retail giant's CPG sales come from Amazon-branded goods.

An April 2019 [Numerator](#) report shows that only 1% of Amazon's CPG sales come from private-label products. Other major retailers see 13% to 29% of their CPG sales come from their private-label brands.

Private Label Share of US CPG Sales, by Retailer, 2018
% of total



Note: 12 months ending Dec 31, 2018; limited to sales within the following categories: baby, grocery, health & beauty, household and pet
Source: Numerator, "Amazon's Private Label Proliferation," April 9, 2019

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While Amazon-branded CPG products are growing at 81%, the business still has miles to go before reaching the private-label share that its competitors maintain.

“As a more recent entrant into the grocery space, Amazon is still well behind the competition when it comes to private-label CPG,” said Andrew Lipsman, principal analyst at eMarketer. “With all the talk of Amazon competing with sellers on its platform, this is a good reminder that the situation isn’t especially unique. At the same time, it highlights Amazon’s massive opportunity as it wades deeper into online grocery—and why CPG brands already contending with tight margins won’t welcome the added competition.”

Amazon has recently expanded its exclusive brands portfolio, which is now rapidly outpacing its number of private-label brands. March 2019 data from [Gartner L2](#) found that Amazon had 52 exclusive grocery brands and just five private-label grocery brands. This discrepancy was similar for other CPG-heavy categories such as pet and beauty.

Amazon private labels can be a source of frustration for third-party brands selling on the platform, whereas exclusive brands could be an opportunity—albeit one that comes with unique pressure. “Amazon’s rollout of private-label exclusives put some brands under pressure with a sort of prisoner’s dilemma,” said Keith Anderson, senior vice president of strategy and insights at [Profitero](#).

A January 2019 report by [Feedvisor](#) showed that 66% of US brands are concerned with the competition from Amazon’s private-label business. Additional data from a June 2018 [Jumpshot](#) survey found that a quarter of US marketers are concerned about biased private-label competition on marketplaces.

Concerns that US Marketers Have About Selling Through Ecommerce Marketplaces, April 2018

% of respondents

Marketplace takes a cut of the revenue that we do all the heavy lifting to sell

50%

Inconsistent view of customer behavior across all ecommerce marketplaces

36%

Customer relationship is owned by the ecommerce marketplace

34%

We lack insight into detailed buying behaviors

31%

Customers are distracted from our products

26%

Private label solutions (e.g., AmazonBasics) create additional and biased competition

24%

I have no concerns about ecommerce marketplaces

17%

Note: includes marketers for retail, CPG and travel

Source: Jumpshot, "Uncovering the Importance of Data Insights Across eCommerce Marketplaces," June 20, 2018

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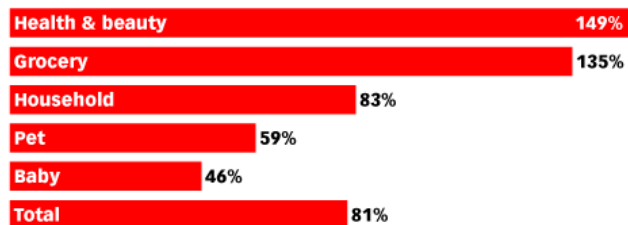
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Amazon's ability to favor its own private labels creates huge potential for these CPG brands. Amazon-branded electronics have already reaped the benefits of homepage visibility and a concerted promotional effort within the Amazon ecosystem.

Despite having a smaller presence on Amazon, private-label CPGs have been performing well. Data from the same **Numerator** study identifies grocery and health/beauty as the fastest-growing categories across Amazon's private-label CPG business. Amazon's grocery brands were up 135% in 2018 and health/beauty brands were up 149%, both outpacing overall CPG private-label growth on Amazon by wide margins.

US Amazon Private Label CPG Sales Growth, by Category, 2018

% change vs. prior year



Note: 12 months ending Dec 31, 2018

Source: Numerator, "Amazon's Private Label Proliferation," April 9, 2019

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As Amazon continues to compete in the up-for-grabs and "invest now, make profits later" battle for online grocery dominance, its private-label and exclusive CPG businesses will increasingly play a role.

Amazon will have plenty of opportunities to promote and accelerate growth through Whole Foods, AmazonFresh, Prime Pantry and Subscribe & Save. Third-party CPG brands selling on Amazon will need to continually emphasize and defend their brand equity—as well as determine an Amazon-specific branding strategy to keep their share and stay relevant in product searches.