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Private label's rise continues as CPG innovation falters

Article

The insight: Private labels will account for 24% of grocery spending by 2030, up from roughly 20% today, according to a report by the Alvarez & Marsal Consumer and Retail Group.

The context: While value remains the primary reason that consumers seek out private labels, quality and product selection are also becoming important factors—particularly as consumer packaged goods (CPG) manufacturers cut back on innovation.

- **The vast majority—85%—of shoppers believe private label products are of similar or higher quality than name brands**, per a December 2023 survey by Kearney.
- At the same time, CPG companies reducing their product selections in favor of big profit generators has created an opening for retailers to tap into emerging food trends.
- **Just 35% of global food and drink product launches in the first five months of 2024 could be considered genuinely new products**, per a report by Mintel—the lowest level since the company began tracking the metric in 1996.

Retailers have been quick to fill the gap: **Walmart** is using its premium **bettergoods** label—which features products like pineapple fried rice-flavored crackers—to hone its appeal among wealthier shoppers, while **Kroger** has launched nearly 600 private label products so far this year.

Our take: Private labels are an effective way for retailers to boost profits and drive loyalty, particularly if they offer unique products that satisfy consumers' desires for novelty and a good deal.

While the steady shift to store brands is good news for Walmart, Kroger, and the many, many other retailers (like **Macy's** and **Walgreens**) counting on them to boost sales, it's bad news for CPGs, many of whom are more focused on slimming their portfolios than finding new ways to woo shoppers.