

4 Private label strategies for success

How to position yourself for private label success — now and in the future



bazaarvoice™

What's inside

- 3** Introduction
- 5** Private label brand growth
- 7** How economic uncertainty fuels private label growth
- 8** Strategies to achieve private label success
- 19** Strategize like a national brand — with case studies



It’s clear to consumers, brands, and retailers alike that private label products are entering their heyday.

Also known as store brands, private labels are owned by retailers and sold as alternatives or complements to national brands. They were once considered commodities purchased solely on price. But things have changed. Consider these stats:

50%

growth of private label brands in 2022 attributed to high-income earners¹

87%

of shoppers said the variety of private label brands is just as good as, if not better than, national brands¹

80%

of shoppers say they buy private label grocery items every month¹

90%

of Influenster shoppers said they purchase store brand products²

Private labels are no longer associated with plain packaging and the word “generic.” Over the past several years, they’ve strategically evolved in ways that feel more aligned with national brands.

Today, multiple factors are contributing to what many are calling the “fourth wave” of private label brands and products.



What’s happening now is all about innovation, differentiation, and creating products that truly meet the needs of consumers.

Christine Lee
Vice President, Global Retail, Bazaarvoice

This e-book explores how retailers can increase market share and ROI by embracing the fourth wave of private label growth, including:

- How today’s economic uncertainties present a significant opportunity for retailers who redouble their efforts on private label brands
- How to lead the market in innovation with strategies to stand out digitally
- How some of the world’s leading private label brands are leveraging user-generated content (UGC)
- How a content supply chain of UGC fuels private label brand growth — in-store and online

We also look at some private label strategies from top national brands and give you tips on how to replicate them.

The continuing rise of private label brands

Private label brands first became popular during the 1980s recession. Since their debut 40-plus years ago, “generics,” as they were called back then, have seen four waves of evolution.

THE FIRST WAVE: LOW PRICE, SAME QUALITY

When private label brands first emerged, they competed solely on price. Reduced marketing, manufacturing, and packaging costs allowed retailers to offer consumers the same quality as national brand products at a reduced cost — while keeping margins relatively high.

THE SECOND WAVE: PORTFOLIO EXPANSION

Savvy product portfolio managers saw an opportunity. They pushed for the expansion of private label brands to meet more customers’ needs. That meant offering new items as well as a more diverse range of products. Why offer just private label whole milk when you could also offer skim, 1%, and 2% milk?



THE THIRD WAVE: SUPPLY CHAIN CRISIS

The 2021 supply chain crisis brought on by COVID-19 forced many customers to look for alternatives — including private label products — when their usual brands were suddenly unavailable. The low cost of private brands also appealed to shoppers whose work was affected by lockdowns or illness.

According to a McKinsey survey, 40% of consumers tried new products or brands during the COVID-19 pandemic, and of those, 40% plan to continue purchasing their new discoveries.³

THE FOURTH WAVE: LIFESTYLE PORTFOLIO EXPANSION

Private labels have captured shoppers' attention, prompting retailers to address evolving consumer needs. Today's consumers are actively seeking environmentally friendly, sustainable, and ethically sourced products.

In a global survey, nearly 60% of consumers expressed a willingness to change their shopping habits to reduce environmental impact.⁴ Sustainability matters greatly to millennials, Gen Z, and even older generations like baby boomers and Gen X, particularly in relation to plastic use.⁴

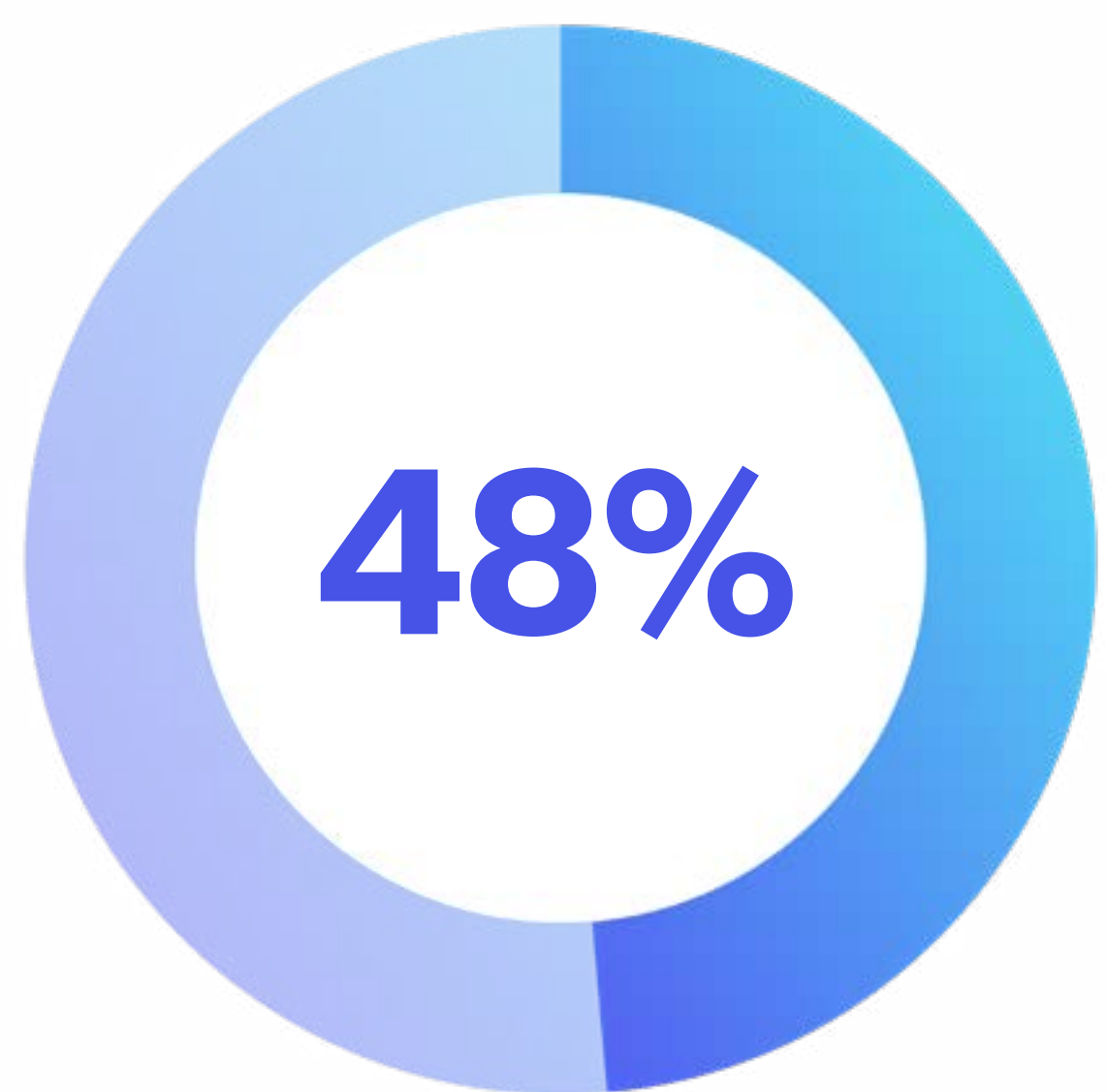
The fourth wave of private label brands is all about giving customers what they want. Today's consumers don't just want to shop. They want to support brands whose values and beliefs mirror their own.

Private label brands: A win-win for customers, retailers, and the economy

Private label brands have traditionally been a safe harbor during economic storms. Even when interest rates and mortgage rates are high, consumers often turn to private label brands to save money. This is because private label brands offer comparable quality to national brands at a lower price.

In an economic downturn, private labels are a win-win for the customer, retailer, and economy as a whole. The greater profit margins benefit the retailer, which helps them stay open and employ more people. Meanwhile, lower prices keep the customer happy. When you factor the economic tailwinds with the rise of the fourth wave of private label growth, retailers who invest in their store brand products are uniquely positioned to achieve long-term brand loyalty.

The proof is in the numbers. Private label sales saw a robust growth of 11.3% in 2022, outpacing the growth of national brands at 6.1%.⁷ What's more, a recent survey found that 75% of shoppers plan to stick with their favorite private label products, even as the economy improves. Conversely, less than 10% of consumers are hesitant about considering private label options if interest rates normalize.⁸



**of shoppers say they are
concerned about their finances¹**

This shift in consumer preference underscores the lasting impact of economic shifts on purchasing habits and brand loyalty. Private label brands are well-positioned to continue to gain market share in the coming years as consumers continue to look for ways to save money without sacrificing quality.

Overall, the new content makes your copy more informative and persuasive. It shows that private label brands are not just about saving consumers money but also about supporting retailers and the economy.

4 private label strategies to achieve success

Consumers' expectations and behaviors are always evolving. But the following tips and strategies can help retailers ensure their private label products are always positioned for market success — now and in the future.

1 BUILD LONG-TERM CUSTOMER LOYALTY

Part of store brand products' appeal to customers is their exclusivity.

These are items that can only be purchased in your store. Some private labels have captured so much market share they've become mini name brands in themselves. In the U.S., 73% of shoppers have purchased Walmart's private label, Great Value. And more than half have purchased Walmart's Equate brand.¹

To become the next Great Value, you need to take advantage of the perfect storm of economic insecurity and the fourth wave of private label brands. Because the shoppers you convert today are likely to become customers for a very long time.

Studies have shown that there's a 60% to 70% chance that you'll sell an item to a previous customer. With new customers, the odds drop down to 5% to 20%.⁹

Added bonus: Existing customers spend nearly a third more than new customers.

Our internal research suggests that many of today's shoppers, especially those purchasing products online, are reshopping items they've bought in the past.

Factors holding private labels back

Despite the current opportunity, store brands receive minimal marketing support compared to their national brand counterparts.

Many grocers are negatively affecting their private label category growth by not taking full advantage of digital marketing opportunities, the research firm Grocery Doppio said in its "State of Digital Grocery Marketing: Unlocking Private Brand Growth" report.

A few key stats from the report:

32%

of private brands send marketing emails (compared to 97% of national brands)

16%

of store brands use banner ads to advertise products (compared to 97% of national brands)

2%

of store brands use in-store promotion screens (compared to 57% of national brands)¹⁰

- 83% of supermarket executives said improving private brand performance is a C-level priority, and 91% have a clearly defined private brand strategy.
- Despite these efforts, only 38% are satisfied with their private brand performance, and a little more than half said their private label performance is better than the competition's.¹¹

Retailers agree that more needs to be done to promote their private label brands. More than 80% of grocers surveyed said that they wanted to dedicate more marketing efforts but that they didn't have the resources or budget.¹⁰

They also said they didn't have enough content about their private labels to work with.

While we can't increase your team's budget or bandwidth, in a future section, we'll show you how to build a supply chain of content to connect with new customers and increase their overall lifetime value.

Now is the time to act — before the competition

It's important to act now to stay ahead in the rapidly evolving private label market, just like the shift towards delivery and curbside pickup during the pandemic.

Case in point: More than 80% of food retailers and manufacturers plan to increase their investments within two years, with Albertsons rolling out hundreds of new private label SKUs annually. Meanwhile, other retailers are focusing on private label products that align with consumers' health and sustainability preferences.

MONOPRIX

Monoprix rebranded its store brand to Bio Origines, expanding its product range. These items are organic, sourced from France or fair-trade, produced with animal welfare in mind, and come in sustainable packaging.

CARREFOUR SPAIN

Carrefour Spain revamped 380 store-brand products with less sugar, saturated fat, and salt. Despite the changes, blind taste tests reveal consumers find the new recipes equally or more delicious than the originals.¹²

ALCAMPO

Alcampo, one of Spain's top chains, has expanded its product line to include lower sugar ingredients, including biscuits that use up to 85% less sugar than similar products.

BOOTS

Boots has expanded its Boots Everyday brand to 60 more products, including vitamins, skincare, and cotton pads. Sales are already up 35%.

2 RIDE THE FOURTH WAVE BY INNOVATING — NOT IMITATING

To start reaching more consumers today — and in the future — private labels must go beyond just delivering a solid product at a great price. They must heighten their focus on quality, value, and driving engagement to build brand trust and loyalty with shoppers.

It all starts with a private label brand story that appeals to consumers' strong sentiments toward sustainability and their desire for value.

Create a clear value proposition and brand story

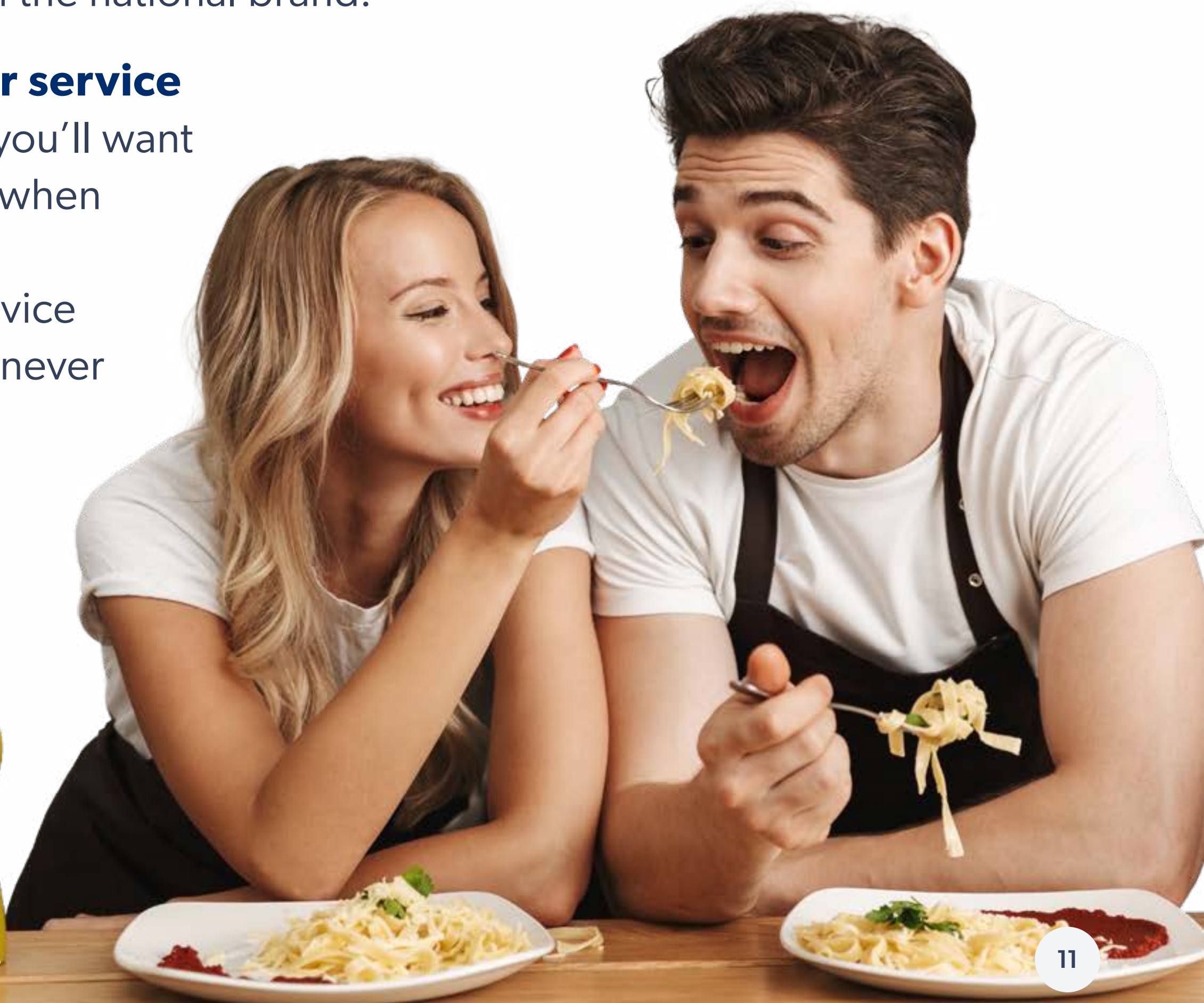
Retailers need to make their private label brand not just a product on the shelf, but a valuable brand in its own right. Make sure that the value story is presented and created. So in moments where you're providing a more valuable product, price is a secondary consideration.

Appeal to your target audience's values and interests

Focus on how you can surprise and delight a customer and make sure that they have an exceptional experience that aligns with their needs. That's how you move away from private labels only being perceived as "lower cost" and potentially a "lesser than" solution than the national brand.

Provide great customer service

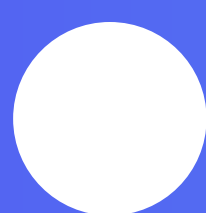
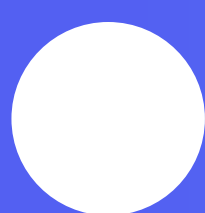
Just like a national brand, you'll want to be there for customers when they need you. Invest in a private label customer service experience to ensure you never leave a shopper hanging.



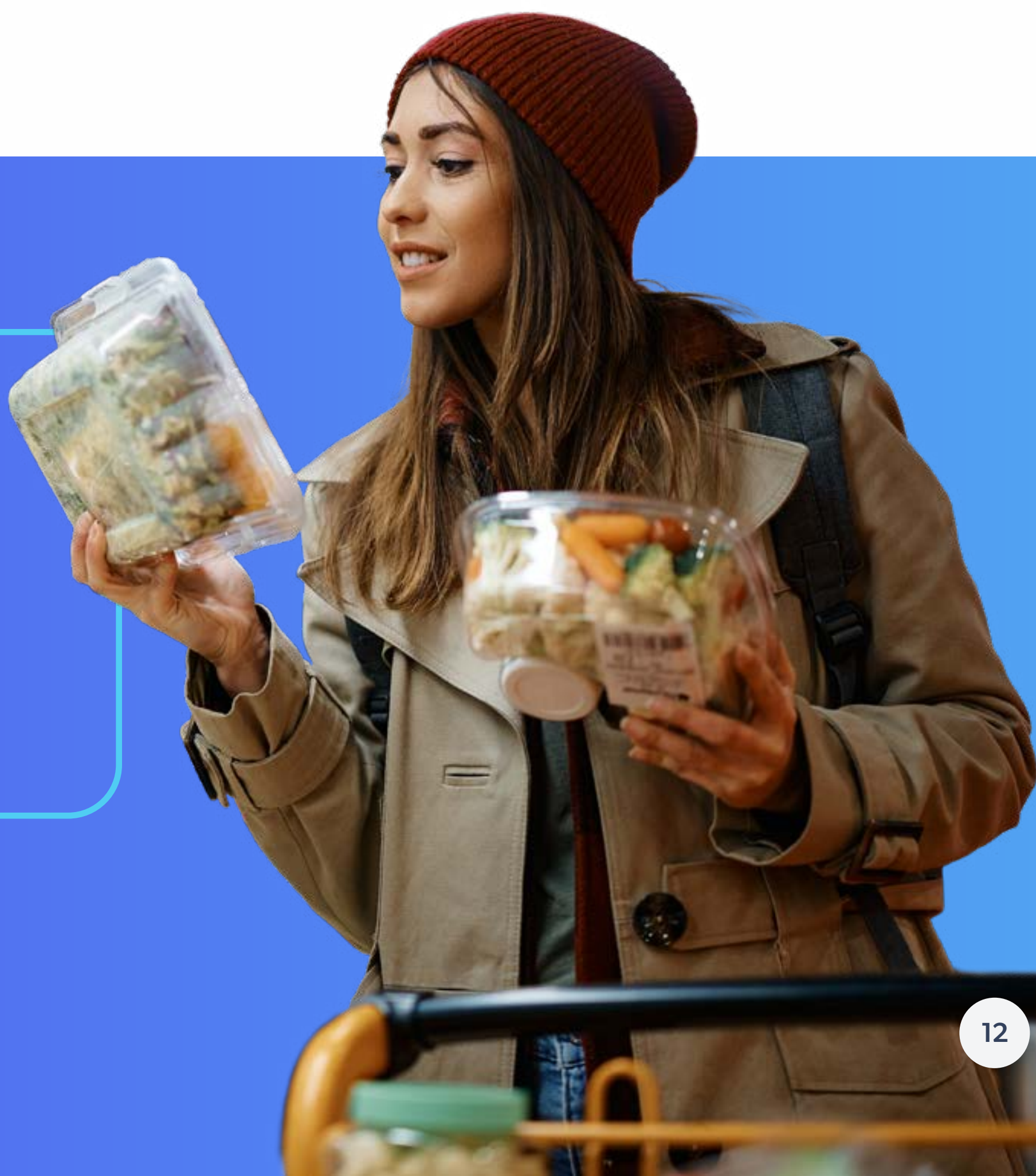
While it may be tempting to just copy your competition's private label branding and portfolio strategy, you'll have more success if you focus on your customers' wants and needs to develop products they can't wait to buy.

Here are the questions you need to ask:

- 1 Who do you serve?** Which shoppers are most likely to switch to your private label? If they buy private label products at other stores, where do they shop and what do they buy? Are there unmet needs that you could meet?
- 2 What's the gap?** What products don't exist in specific categories or for specific audiences? Are there categories positioned for significant growth that you can focus on? What name-brand products can you produce at a lower cost?
- 3 What can you offer beyond price?** How else can your products bring value to consumers so they become the shopper's preferred choice? Can you offer a healthier, more sustainable, or environmentally conscious product?
- 4 How can you capture shoppers' attention?** How will your products create an elevated experience that amplifies your brand values? How will your products improve customers' lives? What data do you already have that you can leverage?



66% of U.S. consumers said that if they like a retailer, they assume the retailer has good private label products.¹³



3 DEVELOP PRODUCTS THAT SATISFY SHOPPERS' NEEDS

- 1 Establish your brand identity: With a strong brand and strategy, start brainstorming products that align with your brand identity.
- 2 Create unique products: To become a product category leader, develop items that fulfill customers' unmet needs (think Trader Joe's Everything but the Bagel Sesame Seasoning Blend).
- 3 Think beyond food products: Modern consumers are open to private label options beyond food. They're switching to private label household cleaning supplies, over-the-counter medicines, and personal care items.
- 4 Explore new categories: Appeal to "private label curious" shoppers open to private label accessories, electronics, and footwear. In home furnishings, there's a substantial interest in private label bedding, rugs, and furniture.
- 5 Stay valuable: Expanding your private label portfolio can meet evolving consumer preferences and capitalize on the fourth wave of private brands. Success depends on delivering useful products that cater to your customers' needs.

DAYMON REPORT

Best-in class retailers devote 43% of their private label programs to value-added lifestyle items

- Going this route enables private label brands to stay on trend and progress beyond industry norms.
- Industry average is just 16%.¹⁵

How do I know what my customers want?

To get the customer data you need to develop items that will move your private label needle, look to your customer reviews. Almost 80% of businesses say their customer feedback is the most important source of data to drive innovation.¹⁶

Our customers use the themes in negative reviews to provide very specific feedback to their product teams, allowing for rapid iterative improvement:

4 TREAT YOUR CONTENT CREATION PROCESS LIKE IT'S A SUPPLY CHAIN

Once you have your product lineup ready, the key to private label success is meeting customers where they are in their buyer's journey. By providing the exact content they need to support their decision-making process, you can drive discoverability, consideration, trial, and brand loyalty.

When working with national brands, vendors typically provide this content. But with private labels, it's all on you.

In more flush financial times, it might be easy to hire a content-production team. But the same economic woes that are affecting your customers are also hurting marketing budgets, making it feel impossible to keep up with the exploding demand for content that converts.

The solution is to shift your private label marketing strategy from content creation to content collection. Tapping into the power of UGC can help you win the digital content race by empowering you to create, curate, and distribute a content supply chain that aligns with the purchase journey.

Just like you have a process for manufacturing products, you'll improve efficiency and scale production by developing a centralized content supply chain.

By integrating essential processes and tools into one platform, you'll reduce handoffs, complexity, and hidden costs while giving consumers the content they crave at each stage of the buying cycle.

Let's delve into the four stages of your private label brand's journey toward success and look at practical strategies for engaging customers throughout this process.

Discovery

Private label success starts with knowing where your customers go to discover products. For many consumers, especially millennials and Gen Zers, social media is a top way to learn about — and potentially purchase — products.

70%

of consumers discover products
on social³

83%

of shoppers use Instagram to discover
new products²

82%

of consumers said social media is the
most common channel they visit to get
information about a brand, followed by
the brand's website²

1 in 3

shoppers bought an item on social
media in 2020 and 2021³

Encouraging your customers to share their experiences using your private label products on social media is one of the most authentic and trusted ways to drive awareness. Not only do these posts reach customers' friends and family, they can also provide you with great content to leverage on your product pages and marketing channels.

How to get more social media-ready UGC

Whether you're launching a new private label brand or rekindling a current one, product sampling can help it take flight.

Sampling campaigns don't just help with creating social media posts. A recent poll revealed that 63% of sampled members made a purchase, with many buying more from the brand and recommending it to others.¹⁷ (Bazaarvoice can help you create a tailored sampling package for your target audience.)

Another huge benefit of product sampling is the SEO boost. UGC helps you rank higher on Google because the reviews are loaded with rich keywords. Google is also still a top driver for discovering new products. More than 40% of global e-commerce traffic comes from organic search.³ All it takes is eight reviews to start getting SEO benefits.¹⁸

Fun fact about the Influencer community:

They are the second largest owner of product reviews after Amazon. When someone searches for a CPG product and the word “reviews,” they tend to be among the first search results.²

Consideration

One constant across every industry and every product line, from food to furniture to fizzy beverages, is that shoppers research items before making a purchase. They want to know the product will fit their needs and their budget.

Nearly three-quarters of consumers said they conduct research before buying something online, and almost 60% do so before making an in-store purchase. And the importance of high-quality UGC only increases for more expensive items. When consumers interact with reviews on pricier products, there’s a 140% increase in conversion and 164% increase in time spent on site.¹⁴

Shoppers aren’t just reading reviews, they’re also looking at customer photos. When consumers engage with product pages that contain visual UGC, there is a 180% increase in revenue per visit.²

Having a rich product detail page with all of this UGC gives consumers the confidence that your private label products have been purchased — and loved — by users just like them. So the more reviews, the merrier.

94%

of shoppers report needing at least 10 reviews to “consider the product credible”⁶

75%

of shoppers look for reviews with three or more sentences¹⁹

85%

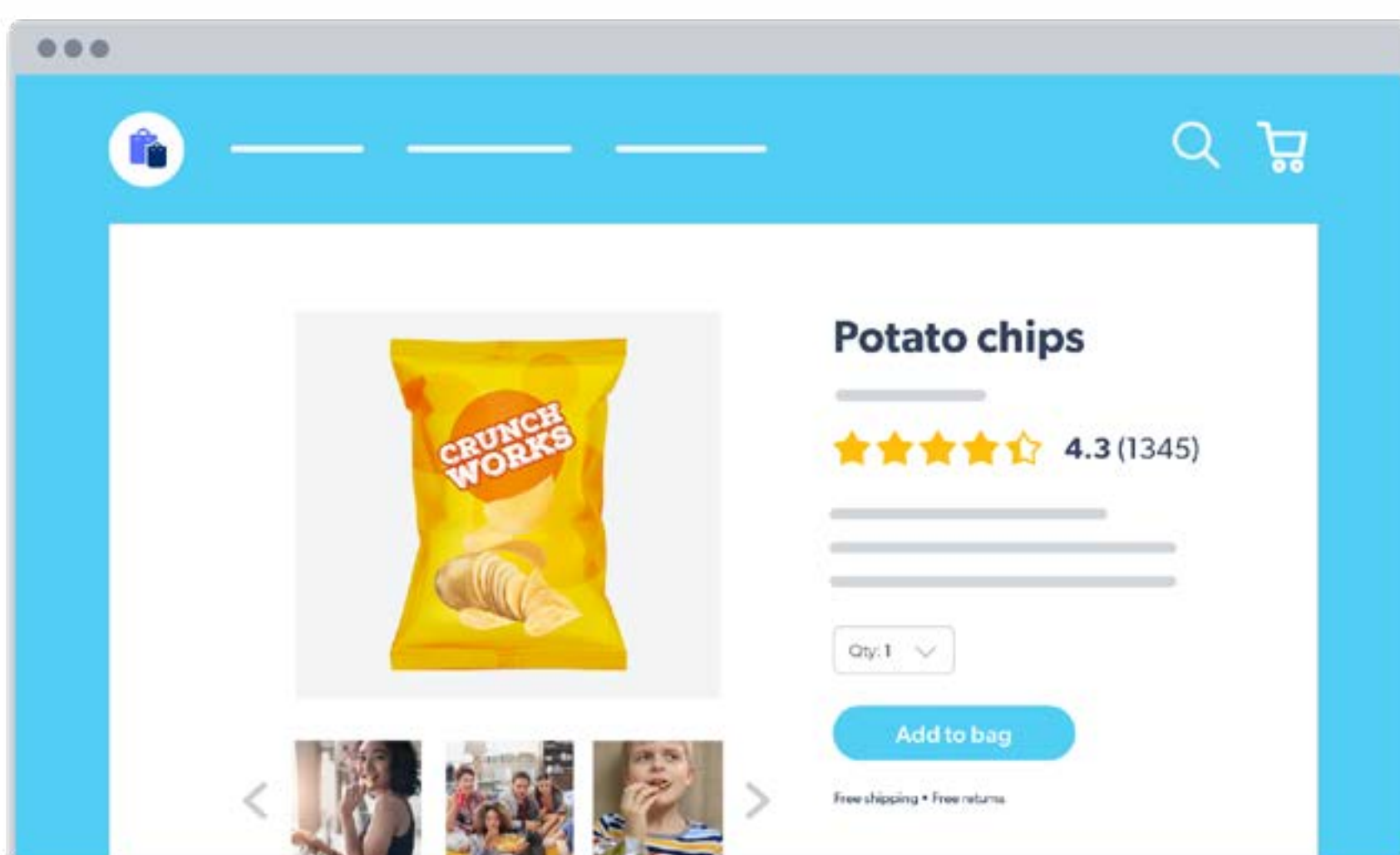
of shoppers say the recency of reviews is a top decision-making factor for them²⁰

Purchase

At this point of the buyer's journey, shoppers are looking for reassurance that they can trust you enough to click "buy now." Nearly 40% won't if they don't see any UGC on your product page.²¹

The beauty of working with a service like Bazaarvoice is that we make it easy to post reviews directly on the product pages they correspond to. To optimize your private label product pages to their full extent, we recommend you feature the following UGC elements:

- Star ratings
- Review categories based on product features, positive reviews, and negative reviews
- Detailed product descriptions that highlight your product's best attributes
- Professional product photos. 58% of shoppers won't buy a product without them.¹⁹
- Customer-submitted product photos and video. (Almost 75% of consumers say shopper photos increase their likelihood of purchasing an item.¹⁹)



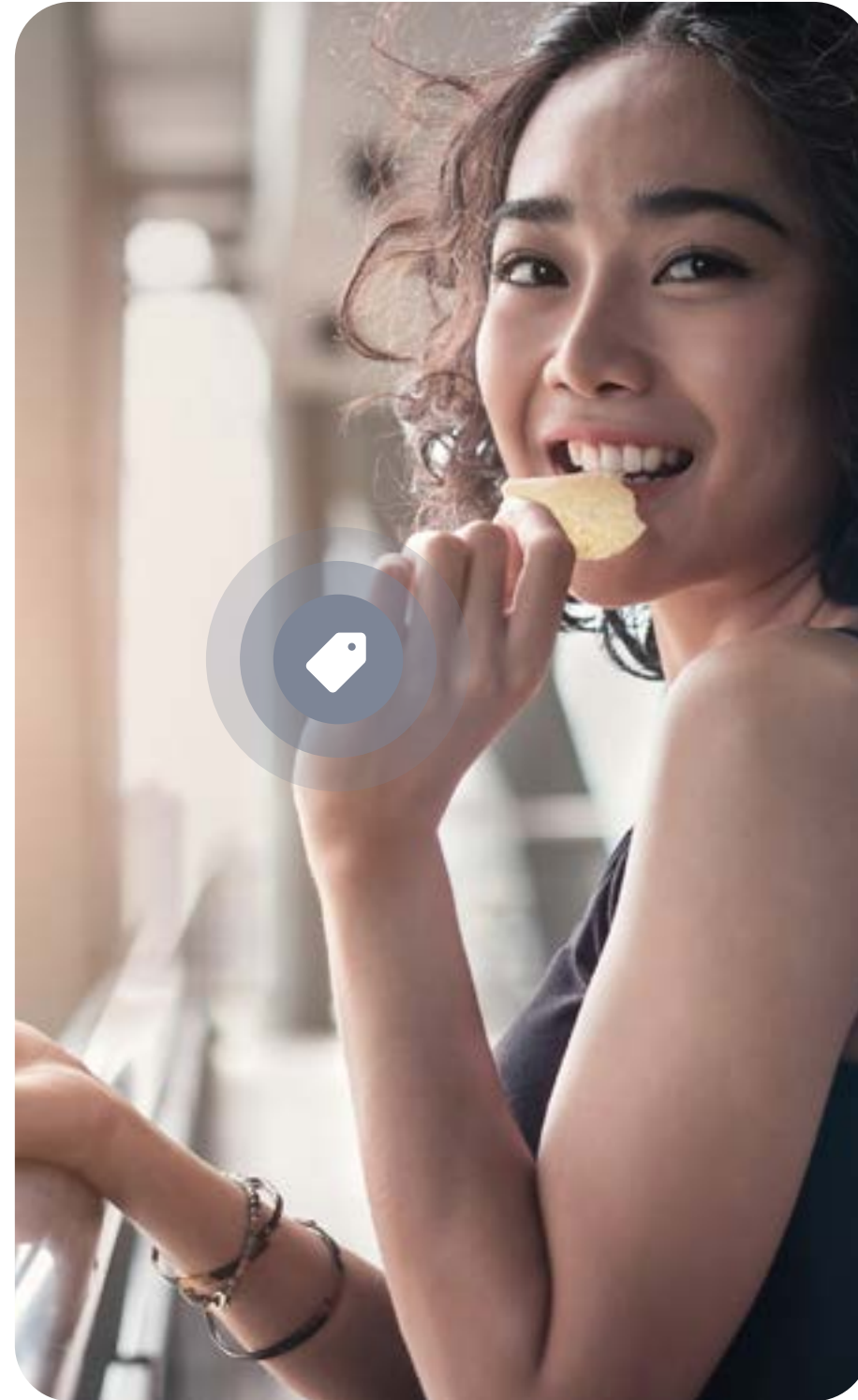
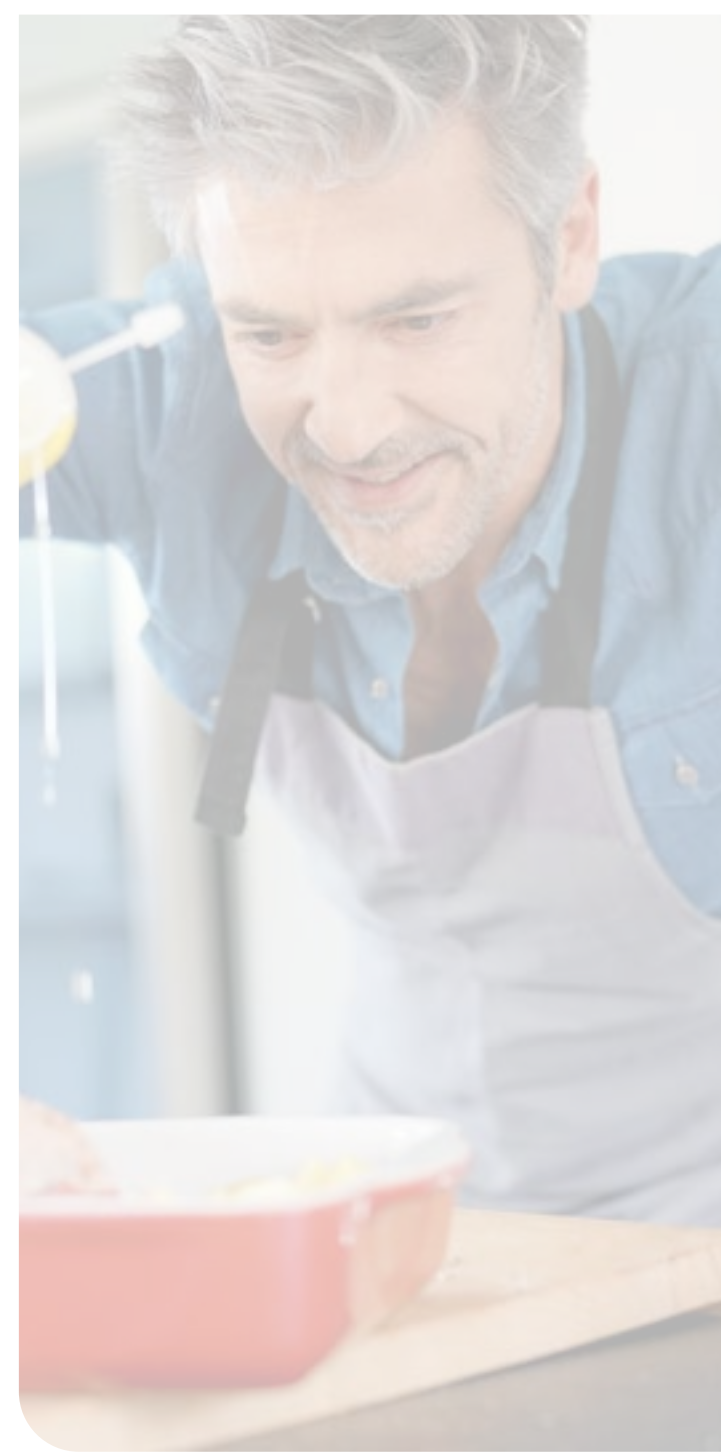
Championing

Turning customers into advocates drives huge value for your private label brand. To create brand champions, make it easy for customers to post reviews, photos, and other highly valuable UGC. Their feedback helps other shoppers make better decisions about their purchases. It also helps you improve your private label product shopping experience.

Of course, you don't want to keep these improvements to yourself.

We've seen multiple brands use the insights in their reviews to make products and enhancements and then share these updates on social media and other customer touchpoints to boost their brand loyalty. Consumers also expect brands to address negative reviews and answer other customers' questions.

You want to show customers that their feedback is important. With all of the economic stressors on today's consumers, showing that you're there for them helps safeguard and grow brand equity and create a high-converting shopping experience.



How to strategize like a national brand

Retailers who want to improve their private label offering must position their brands as true consumer products — not generic alternatives.

Here are two brands that are taking advantage of the fourth wave of private labels by creating a digital content supply chain that drives trial, awareness, and brand loyalty.

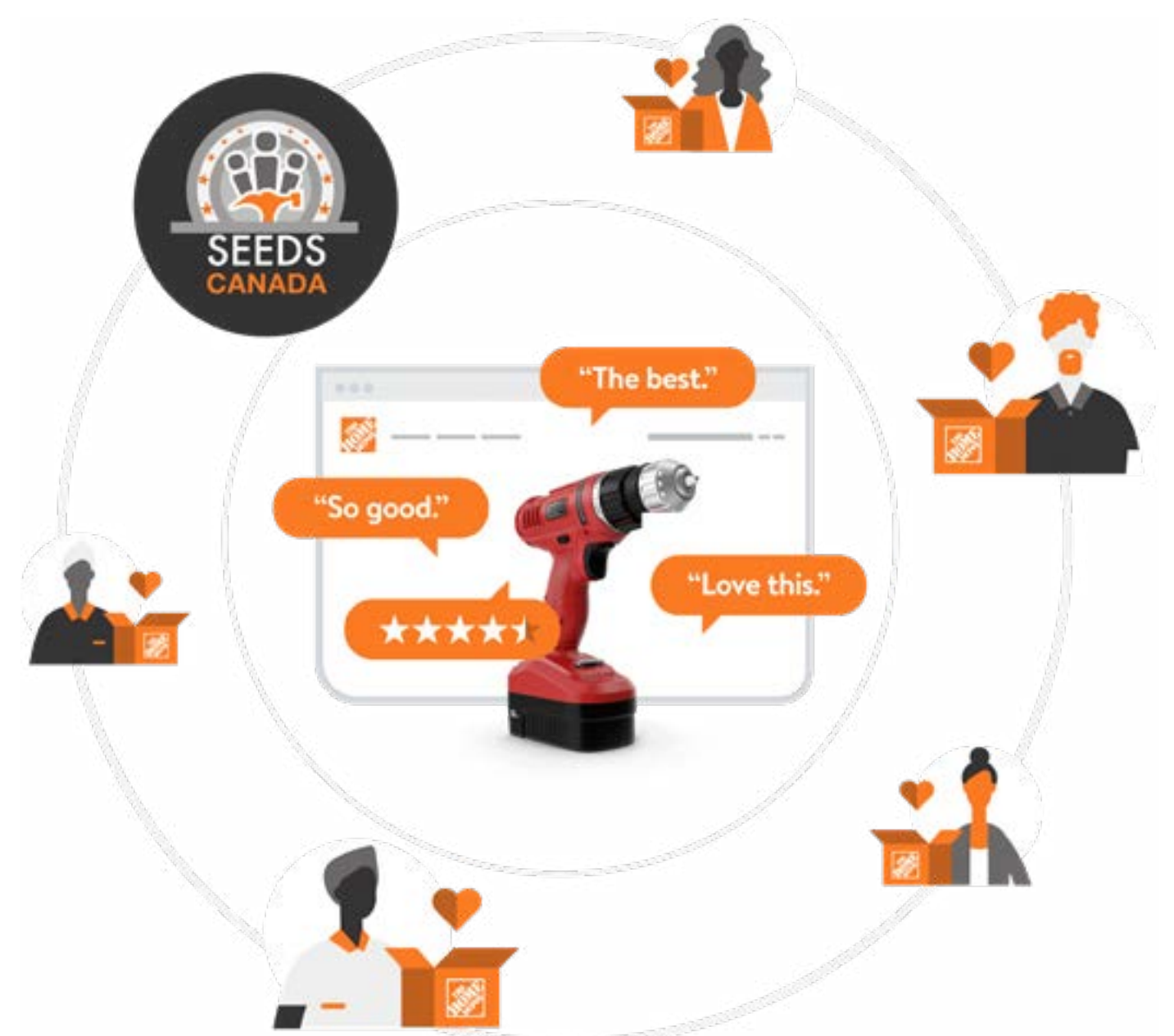
SUCCESS STORY

Home Depot Canada



UGC is becoming increasingly important... It's no longer a 'nice to have.' It's a necessity. We see our site as a research tool, so even if people come into the store, they still use their phones to see ratings and reviews and make a final decision. UGC is important for the health of the whole business, not just e-commerce.

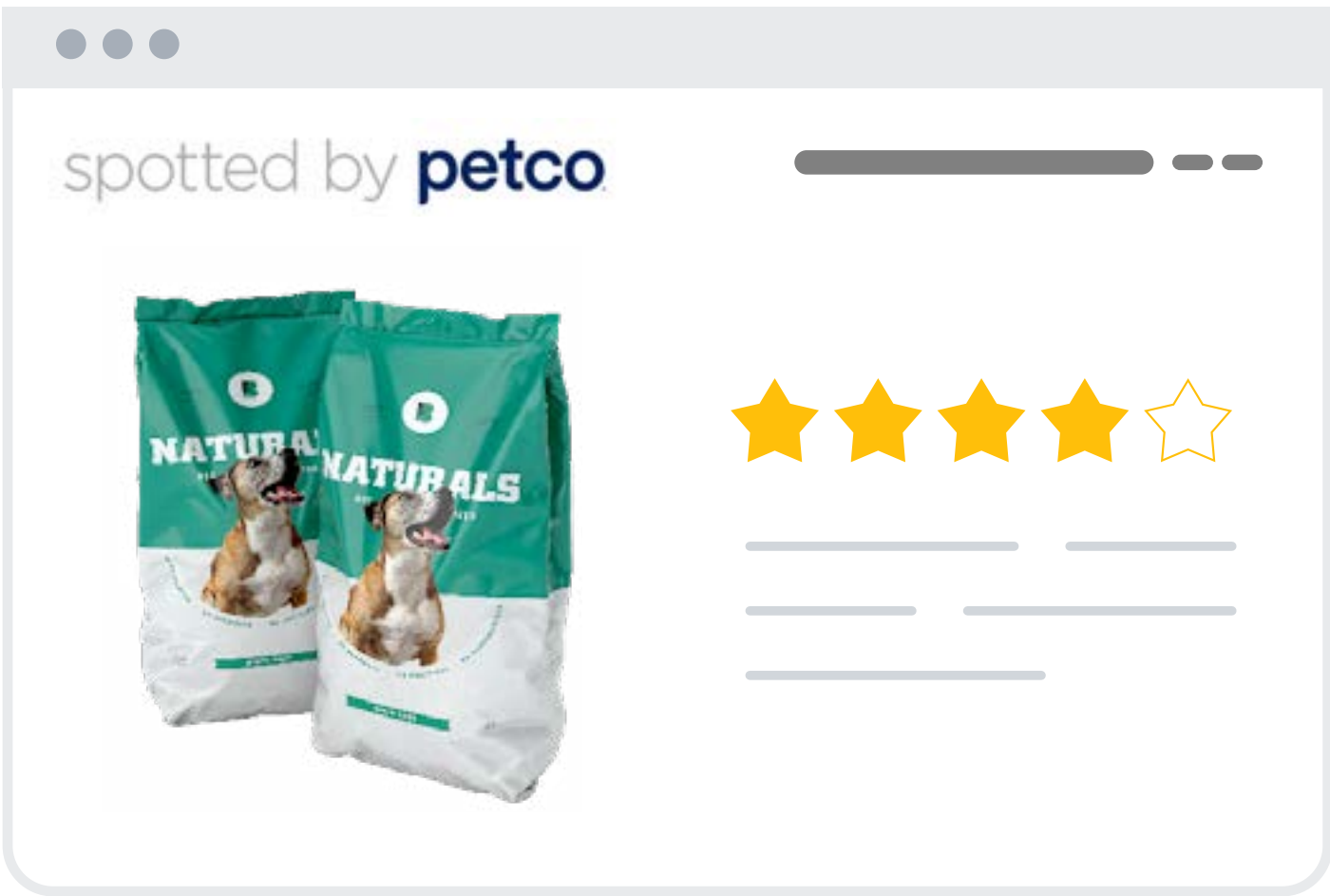
Gabriela da Silva
Senior Brand Advocate Analyst,
Home Depot Canada



SUCCESS STORY

Petco

The pet care brand Petco wanted to leverage UGC to increase awareness of, and SEO traffic and conversions for, its owned Wholehearted and Reddy brands. Bazaarvoice helped them develop the new Spotted Sampling Program to generate UGC that inspires confidence, drives discovery, engages shoppers, and increases conversions.



We’ve really seen a positive impact on visits, conversions, and improving the discoverability of new products. From a results standpoint, it’s been a positive experience to see that we can get 10–15 reviews for new products quickly.

Hannah Kredich,
Category Specialist at Petco

67%

Growth in
organic page
rankings²⁶

80%

increase in
clicks from
search²⁶

140%

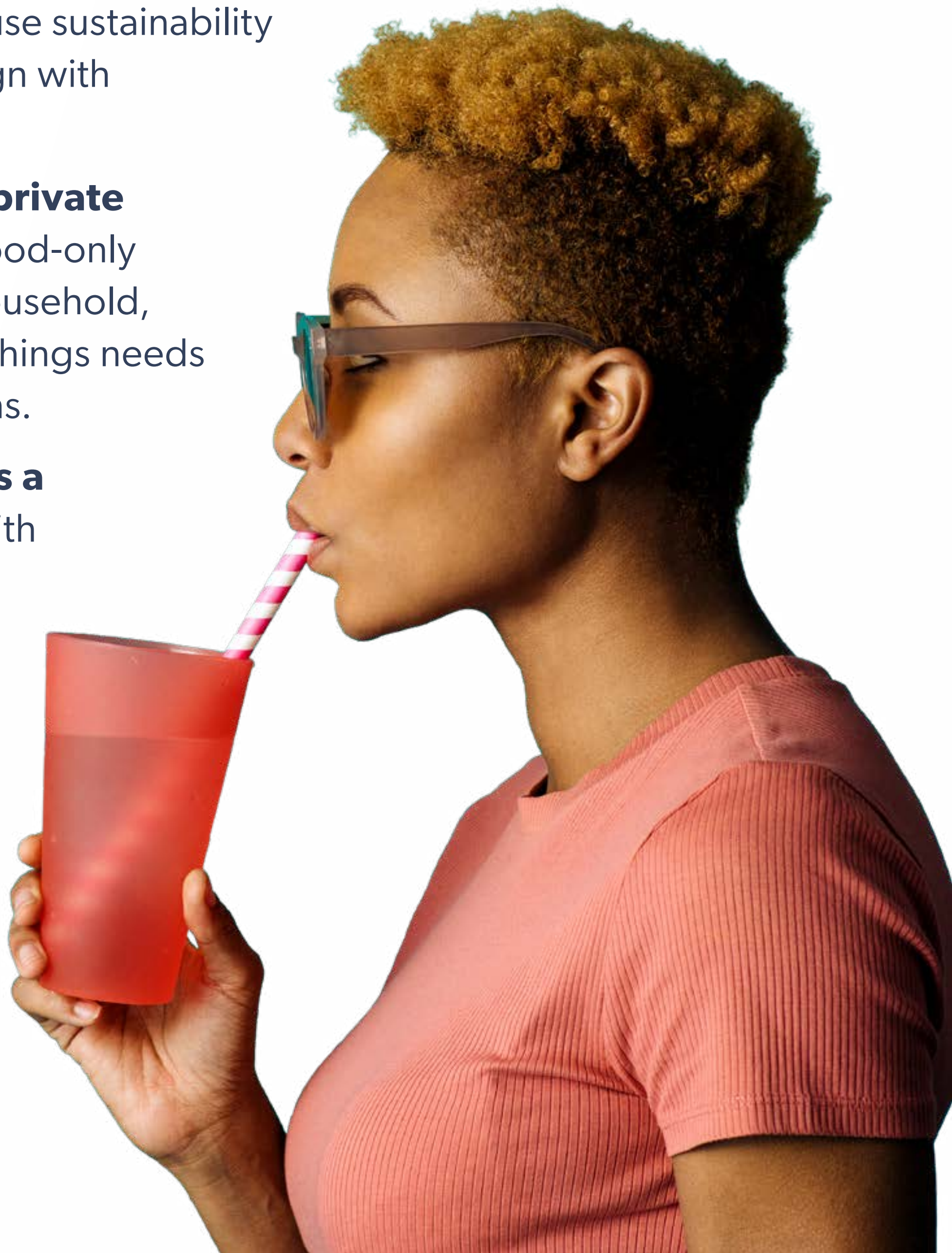
increase in
impressions from
organic search²⁶

48%

increase in
revenue per visit
for sampled
products²⁶

Key takeaways

- **Build customer loyalty through exclusivity:** Leverage the unique nature of private labels and current market trends to convert shoppers into loyal customers.
- **Prioritize innovation over imitation:** Focus on quality and engagement, and use sustainability narratives to build trust and align with consumers' values.
- **Expand beyond traditional private label categories:** Look past food-only offerings; cater to emerging household, personal care, and home furnishings needs to shift private label perceptions.
- **Redefine content strategy as a supply chain:** Treat content with supply chain diligence, and embrace user-generated content to bolster brand trust and reach.



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