OMNICOM COMMERCE

Industry Briefing

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Is *Private Label* the Enforcer of the *Retail Mafia?*

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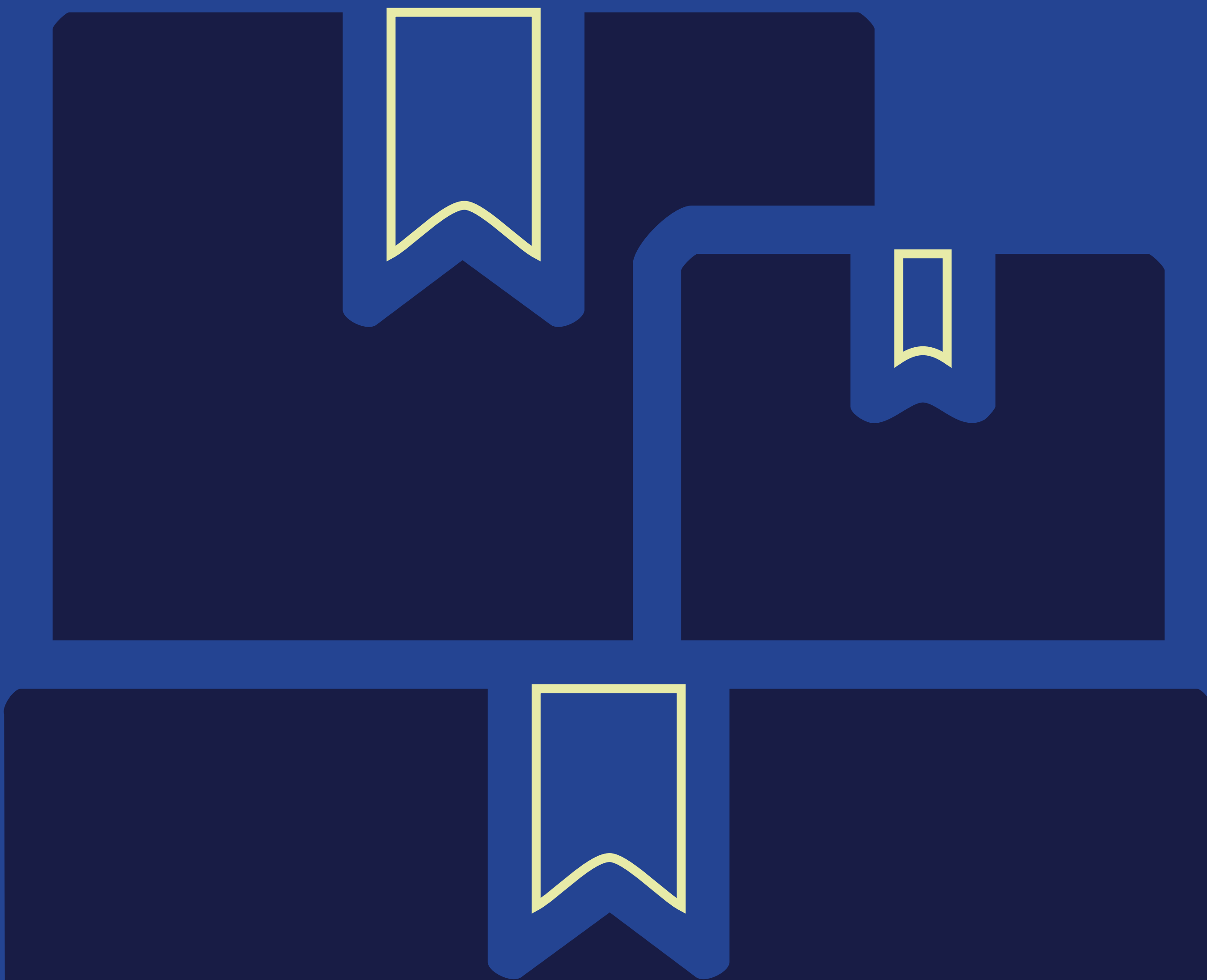
Is Private Label the Enforcer of the Retail Mafia?

For the past couple of years, the topic du jour of the marketing industry has been retail media. It's on the lips of every marketer, the hot-take discussion on most industry panels, and the subject of countless articles and thought pieces. The rise of retail media as a viable channel to reach consumers, drive awareness through to conversion, and offer closed—loop measurement to understand incrementality is without a doubt a highly anticipated—if not widely debated—innovation in the marketer's toolbox.

But up to this point, the debates and discussions have centered around the levels of retail-media sophistication, the questions surrounding measurement standards and reliability, and, of course, cost. I propose we have reached a new echelon, where in the world of retail media, we should be discussing a major existential threat to brands: Private label.

Retail media has ushered in a new era of marketing—one where retailers are customers, competitors, and publishers to brands. As retail media expands and the retailers themselves have increased control over the platforms, placements, and channels for which brands show up for consumers, we are entering into a dangerous game that positions retailers to seek increased spend from brands in their ecosystems to combat competitive threats, but many of those threats come from private-label competition. Thus, we have entered the era of the **RETAIL MAFIA,** with brands forced to pay hefty sums for "protection" from the very institutions threatening them.



All of which has me wondering is private label the *Tony Soprano of packaged goods?*

20%

CPG Revenues in the U.S.

Over the past three years, retailer-private-label consumer packaged goods (CPG) have seen significant growth accelerated by changing consumer behavior and economic pressures. The private-label market, which encompasses store brands across grocery and nonfood categories, has benefited from a sustained shift in consumer demand, with recent estimates showing sales reached around **$230 billion in 2024**—representing a 6% increase from the previous year[1], according to Circana. Private labels now account for nearly **20% of CPG revenues in the U.S.**, largely due to the appeal of affordability during inflationary periods as well as improvements in product quality and variety that rival national brands[2], says eMarketer.

Circana claims companies like Walmart, Target, Kroger, and Costco are leaders in this trend, investing heavily in their private-label offerings. Walmart, for instance, saw private-label food sales double in a single quarter last year, while 30% of Target's sales have come from its private-label brands so far in 2024[1]. Additionally, the profitability of private labels, which is roughly 50% higher than that of national brands[1], has further incentivized retailers to expand their offerings. Beyond food, private-label success extends into home goods and personal-care items, where retailers are focusing on unique assortments, innovative packaging, and personalized pricing strategies to increase customer loyalty and differentiate from national brands.

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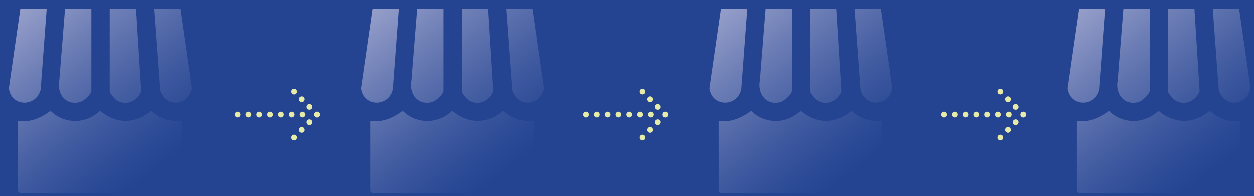
Redefining the *rules of engagement*

Retailers have been in the private-label business for many years. The game is not new. We have seen through the decades where the business has changed from retailers offering a small subset of private-label products that were arguably inferior to national brands. The tides began shifting when the mandate for private-label brands to be national brand equivalent (NBE) came into focus. This led to many national-brand suppliers actually producing the private-label brands in their factories on behalf of their retail customers. In this era, suppliers were left to grapple with the choice of losing out on all margin to a private-label competitor or produce the private-label brand themselves to retain some of the margin. In other words, the "If you can't beat 'em, join 'em" mentality prevailed.

It's time for the next new paradigm. As retail media networks continue to push to unlock more brand spend, the industry must evolve to bring the retail merchants and the media sellers closer together.

I spend a lot of time counseling brands on their retailer joint business planning (JBP) negotiations. Make no mistake, retailers have the ability to not push their private-label offerings to the forefront on digital platforms. They have the ability to not feature them as sponsored or recommended products. They have the ability to not showcase the products with national-brand-level creativity and experience on product detail pages. But exercising that ability on behalf of the retail community will take some coaxing from brands. That coaxing will come in the form of advertising-spend leverage.



Private-label products will remain and sell. The business model has proven to be quite durable beyond economic downturns, as consumers have grown more accustomed to the quality of private-label products, which are often positioned as comparable or superior to well-known brands. According to McKinsey & Company research, nearly 90% of consumers now consider private labels when choosing where to shop, and over half consider them a crucial factor in their purchase decisions[3]. But currently, the balance between growing media spend with brands to drive national-brand product sales and growing margin through a push for private-label sales sits with the retailers themselves.

It's time to call a sit-down with the heads of the families and make these private-label threats an offer they can't refuse.

Sources

(1)Circana report: Private Label CPG Trends
(2)eMarketer report: Private Label's Rise as CPG Innovation Falters
(3)McKinsey report: A Turning Point for Private Brands: How Retailers Can Seize the Opportunity