

The Rise of Private-Label

1010DATA

Retailers and manufacturers have been in a power struggle for decades. Manufacturers required shelf-space and retailers needed a stock of quality products to keep foot traffic flowing. This co-dependent relationship fueled American consumerism and drove product and promotional innovation. Now the dynamic is shifting in favor of the retailers as consumer value for quality and price is lending credibility to retailer's brands.

Enter private-labels. What were once "no-name" generic products sold for a fraction of the price have become brand staples in American households. Ecommerce is making it even easier for retailers to promote these private-label brands through search rankings, advertisements and "suggested" product results. But this becomes a weak point for manufacturers. They need to have a presence on key retail sites but now are competing with those partners for share, especially since direct-to-consumer sites aren't growing at the same rate as private-label sales.

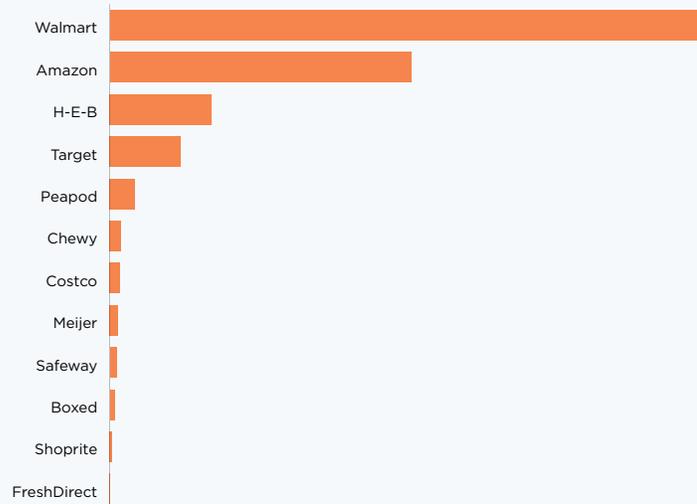
It's not just Amazon that brands have to worry about. Target and Walmart have made huge investments into private-labels. Target recently launched a new line, Smartly, that even undercuts their own brand, Up & Up, in several categories. Plus, industry-specific retailers and grocers are getting in on the action. As online grocery grows, grocers are promoting their own labels at an increasing rate.

As a brand manufacturer, it's important to know how private-label sales are progressing online to stay ahead of this trend. As a retailer, you need to know how the success of a competitor's labels can impact customer loyalty. In either scenario, having a grasp of the private-label wave is essential to defending your online position. To help you navigate through the chaos, 1010reveal analyzed online private-label sales at the category and retailer level so you can strategize accordingly.

Top-Shelf Labels

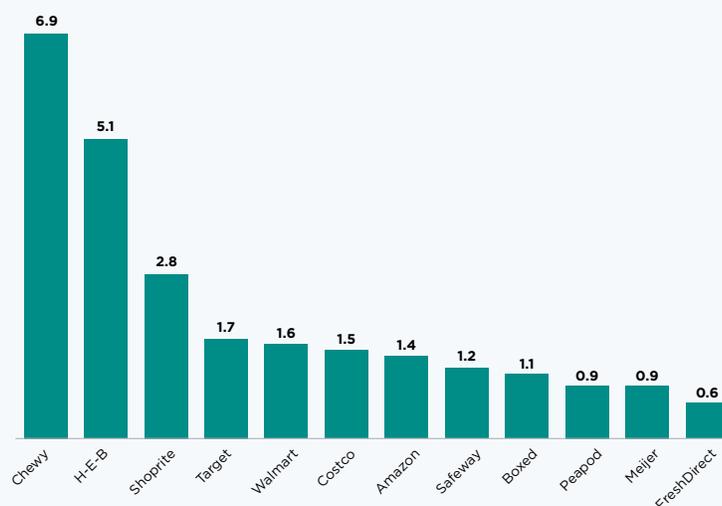
Although Amazon has received much of the online private-label hype of late, Walmart's brands sold nearly double the amount of products that Amazon's brands did over the past year. Much of Walmart's success has been driven by the Great Value brand, which sells products across several CPG and produce categories and contributed to more than half of Walmart's online product label sales. Meanwhile, Amazon's strength comes from their popular electronics, including the Amazon Echo and Fire TV devices, as well as several charging cables and batteries from their AmazonBasics line. H-E-B, one of the largest grocers in Texas, also had strong sales of online private-label products this year, followed by Target.

Online Private-Label Units Sold



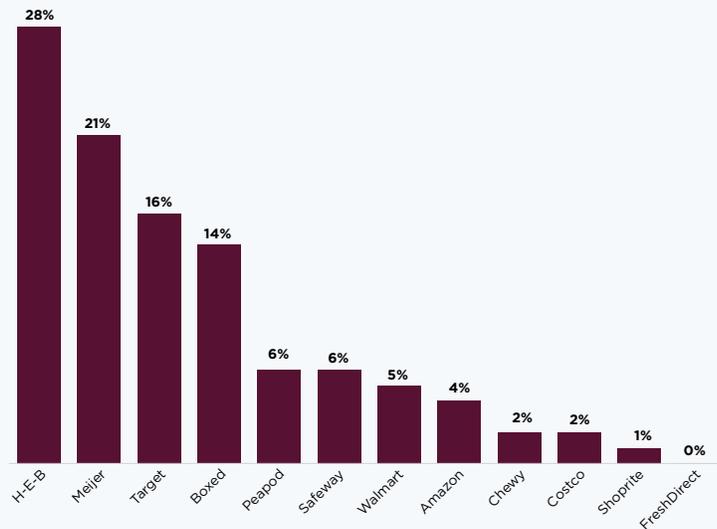
Walmart tops the competition with overall sales, but its growth rate is average among other private-label retailers. Chewy, the online pet retailer that PetSmart acquired for \$3.35 billion, has sold nearly 7x as many products from their line, American Journey, as they did in the prior year. A few regional grocers, like H-E-B and Shoprite, experienced strong private-label growth. Much of their growth comes from produce like eggs, milk and vegetables, which most consumers have no brand loyalty for.

YOY Online Private-Label Units Sold Growth



Walmart has the strength in numbers and Chewy is growing quickly, but H-E-B is crushing private label online. 28% of H-E-B's total online sales came from private-label products this year. This type of share is what worries manufacturers the most. Having to compete with your retail partner for category sales is difficult when they have the upper hand in how to advertise throughout their site and where to rank their products in searches. Meijer, another large US grocer, has over one-fifth of its online sales coming from private-label, but perhaps more impressive are Target and Boxed. Target, one of the largest retailers of consumer goods in the country, is earning 16% of online sales from their own brands. And Boxed is emerging as a real online threat to Costco, as they generated 14% of sales this year from their brand, Prince & Spring. While Walmart and Amazon's private-label shares hover around 5%, manufacturers need to act now in order to respond to the growing threat of retail partners for category share.

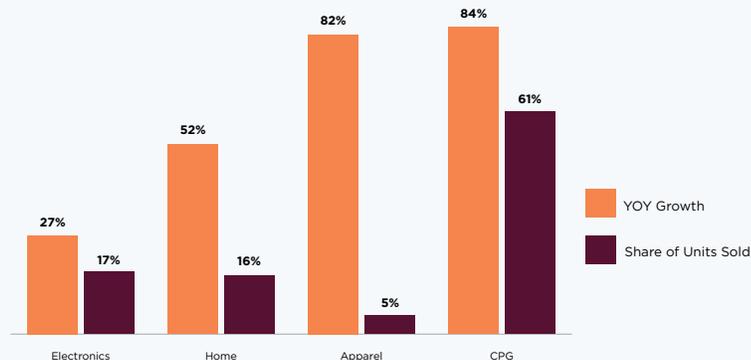
Percent of Total Online Sales from Private-Label



To CPG and Beyond

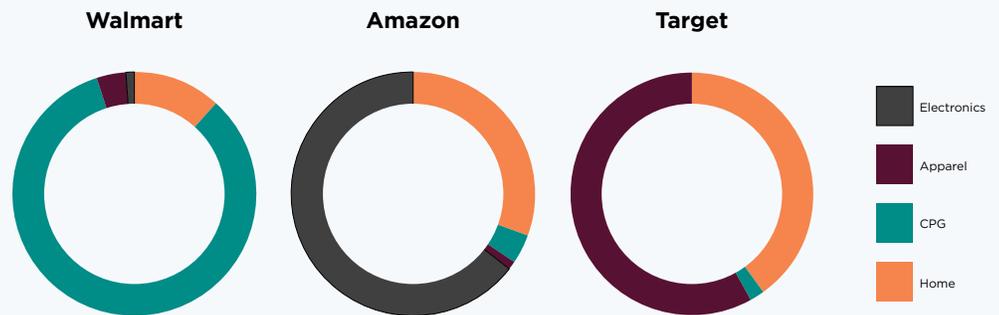
Retailers' private label brands are typically associated with consumer packaged goods, but lately retailers have expanded into new territories. While CPG sales still represent 61% of online private-label sales, Home/Lifestyle products comprise 16%. AmazonBasics, Walmart's Mainstays and Target's Threshold brands are all contributing to the Home category and have experienced healthy growth at 52% year over year. The majority of electronic sales come from Amazon's devices, but growth isn't nearly as strong as it now is for private-label apparel. Amazon has launched dozens of clothing brands within the past year and Walmart and Target have expanded their clothing lines as well. As a result, private-label apparel is growing as quickly as CPG products online.

Online Private-Label by Category



Not every retailer has an even distribution of private-label sales across categories. Walmart's strength comes from CPG brands like Great Value and Equate, while Amazon's lies with Electronics. AmazonBasics has strong sales due to the popularity of their batteries, charging cables and HDMI adapters. Plus, Amazon's electronic devices are among the most popular private-label products sold online. Meanwhile, more than half of Target's online private-label sales are from Apparel. Cat & Jack is a popular children's clothing brand that is driving apparel sales. Target also generates over a third of their online sales from Home/Lifestyle brands like Threshold and Room Essentials.

Online Private-Label by Category



The products that consumers purchase at the end of their journey share a wealth of information about their preferences and can help retailer and brand teams optimize their merchandising mix. Walmart's Ozark Trail brand sells nearly as many 20-ounce tumblers as they sell of the 30-ounce size. Having both available online allows Walmart to meet the needs of more consumers. When it comes to pet care, dog owners are choosing AmazonBasics for basic needs like puppy pads, dog crates and waste bags. Categories that cater to generic products like dog trash bags or filing systems for work are areas that retailers can most easily capture more share with private-labels. The same goes for grocery and CPG products. Many consumers are buying their milk and eggs online from Walmart's Great Value brand. This category shows that consumers prefer 2% milk and 18 eggs in a pack.

However, Amazon, Walmart and Target have proven that sometimes private-label brands can compete in highly brand-loyal categories. Amazon's Fire TV Stick and Echo devices have allowed Amazon to emerge as a leading consumer technology provider, competing with the likes of Google, Apple and Microsoft. At the same time, their apparel brands are gaining traction with online shoppers. The top private-label apparel items show that for basic pieces, like polo shirts, leggings and tank tops, consumers aren't as label-conscious as they are price-conscious.

Top 10 Apparel Products
Amazon Essentials Men's Regular-Fit Quick-Dry Golf Polo Shirt
Amazon Essentials Men's Regular-Fit Cotton Pique Polo Shirt
No Boundaries Juniors' Classic Skinny Jeans
Cat & Jack Girls' Favorite Leggings
A New Day Women's Any Day Tank
George Girls' School Uniform Long Sleeve Polo Shirt
Time and Tru Women's Full Length Soft Knit Color Jegging
A New Day Women's Fitted Long Sleeve Crew T-Shirt
George Girls' School Uniform Short Sleeve Polo Shirt
Amazon Essentials Men's Drawstring Walk Short



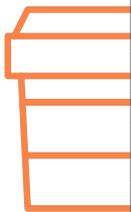
Top 10 CPG Products
Great Value 2% Reduced Fat Milk 1 Gallon
Great Value Large Grade A Eggs 18 ct
Great Value Whole Milk 1 Gallon
Great Value Vitamin D Milk 1 Gallon
Great Value Purified Water 16.9 fl oz 35 count
Great Value Golden Sweet Whole Kernel Corn 15.25 oz
Great Value Large Grade A Eggs 12 ct
Great Value Finely Shredded Fiesta Blend Cheese 8 oz
Great Value Distilled Water 1 Gallon
Great Value Pure Cane Sugar 4 lb



Top 10 Electronics Products
Fire TV Stick with Alexa Voice Remote
AmazonBasics AA Performance Alkaline Batteries (48 Count)
Echo (2nd Generation) Charcoal Fabric
Fire TV with 4K Ultra HD and Alexa Voice Remote (Pendant Design)
AmazonBasics AAA Performance Alkaline Batteries (36 Count)
AmazonBasics High-Speed HDMI Cable 6 Feet 1-Pack
Fire HD 8 Tablet with Alexa 8 HD Display 16 GB Black
AmazonBasics Lightning to USB A Cable - Apple MFi Certified - White - 6 Feet /1.8 Meters
Fire 7 Tablet with Alexa 7 Display 8 GB Black
Kindle Paperwhite E-reader - Black 6 High-Resolution Display (300 ppi) with Built-in Light Wi-Fi



Top 10 Home/Lifestyle Products
Ozark Trail 30 oz Double Wall Vacuum Sealed Tumbler
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AmazonBasics Pet Training and Puppy Pads
AmazonBasics High-Density Round Foam Roller Black and Speckled Colors
AmazonBasics Hanging File Folders - Letter Size Green 25-Pack
AmazonBasics Single Door & Double Door Folding Metal Dog Crate
AmazonBasics Dog Waste Bags with Dispenser and Leash Clip Standard and Enhanced
AmazonBasics 6-Sheet Cross-Cut Paper and Credit Card Shredder
AmazonBasics External Hard Drive Case
AmazonBasics 92 Bright Multipurpose Copy Paper - 8.5 x 11 Inches 3 Ream Case (1500 Sheets)



The Shopper Journey

Are consumers browsing for the same products they end up purchasing? Within Home/Lifestyle, consumers are purchasing tumblers, pet accessories and office supplies, but there is a high proportion of people searching for floor lamps, pillows and other pieces of furniture. Surely consumers who are searching for floor lamps are purchasing them, but this also indicates that several consumers begin searching for a floor lamp and end up purchasing other items on their path to purchase. The top searches also shows that most consumers looking for home products online are using generic search terms. However, Walmart's Ozark Trail has tumblers that consumers are specifically seeking out. Within electronics, it is much more brand specific. All of the top searches that lead to purchases are for Amazon specific products, which matches strongly with the top purchased items in this category. Apparel's top search terms is "A New Day" which is a women's clothing brand at Target. Two of Target's other apparel brands, Universal Thread and Cat & Jack are among the top apparel searches that led to purchases. Searches within CPG are fairly generic, except for Chewy's American Journey brand. Even though most consumers are searching for toilet paper and baby wipes, the top products are milk and eggs. Access to insights that connect what consumers shop for to what they end up purchasing can help retailers and brands improve conversions through more effective promotions and advertising online.

Top 10 Search Terms by Category

Home/Lifestyle	Electronics	Apparel	CPG
floor lamp	fire stick	a new day	toilet paper
pillows	kindle	womens swimsuits	baby wipes
curtains	kindle fire	womens shoes	paper towels
picture frames	firestick	mens socks	american journey
desk	echo	universal thread	wipes
bookshelf	amazon fire stick	shoes	coffee
bookcase	fire tv	socks	diapers
sheets	kindle paperwhite	cat and jack girls	ibuprofen
ozark trail tumbler	alexa	mens shorts	cash card
futon	firestick tv stick	girls leggings	water

Private-label brands are creating a bigger divide between retailers and their suppliers. While just 5% of online sales come from private-labels, they are growing at 65% year over year. Staying on top of this trend over the next few years will be crucial as retailers expand into more categories over time. For now, they appear to be most popular in categories with generic-type products where brand-loyalty never existed. However, apparel sales are on the rise and Amazon's electronic devices have proven that these retailers can usurp an industry by introducing the next must-have product. Tracking the way consumers are shopping for products online and where their retail loyalties lie can help you stay competitive in this evolving retailer-brand dynamic.

Methodology

This report monitors purchases of products from over 100 private-label brands from 12 online retailers. It is based on the online spending activity of millions of U.S. consumers from September 2017 - August 2018. The data was analyzed using 1010reveal Market Benchmark to assess the performance and growth of private-label brands and 1010reveal Shopper Journey to determine how consumers shop for private-label products online

To learn more about 1010data's suite of consumer behavior products to anticipate and respond to the evolving dynamic between retailers and manufacturers online, contact insights@1010data.com.

1010data transforms Big Data into smart insights to create the high-definition enterprise that can anticipate and respond to change. Our modern cloud-based analytical intelligence and consumer insights solutions enable over 850 clients to achieve improved business outcomes quicker, with less risk.

The world's foremost companies, including Rite Aid, Dollar General, Coca Cola, GSK, 3M, Bank of America and JP Morgan, consider 1010data the partner of choice for mastering customer touchpoints, optimizing product portfolio health and digitally renovating operations. We've been recognized as a Challenger in the Gartner Magic Quadrant for Data Analytics Solutions, named a Leader in the Forrester Wave for Cloud Business Intelligence Platforms and honored as a Big Data Analytics Player by Information Week. 1010data delivers on the promise of Big Data, and we're just getting started.