

The Duel for Market Share: National Brands vs. Private Labels

How can National Brands in the Food & Drink category stay attractive in the current inflationary climate?



Current Inflation Rate for Food & Non-Alcoholic Drinks



Office for National Statistics, Cost of living insights: Food

CEIC data, United States CPI: Food and Non-Alcoholic Beverage Change

In 2021,
58.7%
of all purchases were made in
supermarkets/hypermarkets

The Food & Drink market
size is estimated to grow to
\$8.9 trillion
by 2026 at a CAGR of 8.7%

(marketresearch.com, 4 Key Insights into the Global Food and Beverage Market)

In this report, we've looked at the rivalry between National Brands and Private Labels intensified by the cost-of-living crisis.

Shoppers are navigating this difficult time by assessing household expenses and re-evaluating their loyalty to brand-name products. These shifts in shopping habits are reflected in the rising market share of Private Labels in supermarket sales.

With 83% of retailers planning to increase investment in private labels in the next 12 months, and market share expected to increase to an average of 22%. Our research shows it is time for brands to increase the effectiveness of their marketing efforts if they want to remain attractive to more price-conscious consumers.

From this report, you'll learn:

- How Private Labels rose to power
- How shoppers are adjusting to the cost-of-living crisis
- How national brands can adapt to this new reality



How the **cost-of-living crisis** is impacting food & drink categories

Soft and Alcoholic Drinks

13%

of respondents say they are worried about the cost-of-living crisis

28%

of soft drink buyers are spending less or seeking offers and 1 in 10 are actively buying cheaper brands or supermarket own label

62%

of respondents said they are buying cheaper beer, while 50% do so when purchasing spirits

25%

buy cheaper brands when it comes to drinking at-home coffee

Food – Cereals

37%

of respondents said that they now buy own brand (20%), or cheaper brands (17%).



Food – Savoury Snacks

25%

of consumers stated they are looking for cheaper brands when they shop

34%

of respondents said they spend less or cut back due to cost

Food – Ready Meals

32%

of consumers said they have opted for cheaper supermarket brands or cook from scratch at home more

Data from responses on the **ProQuo AI platform**

What are Private Labels?

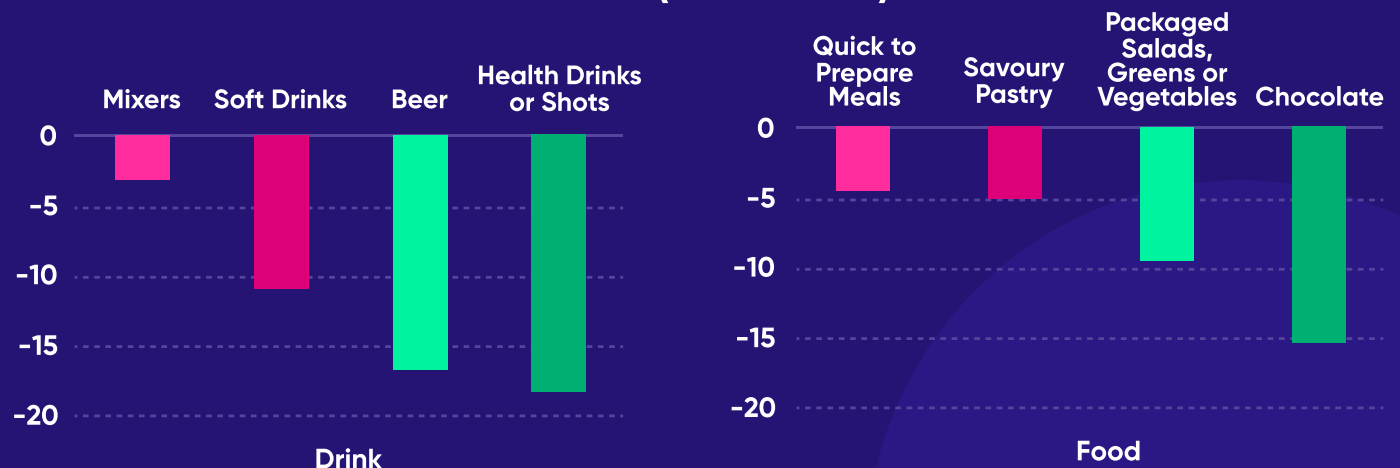
Private Labels offer quality products at affordable prices. Initially, they were limited to essential foods, like flour or sugar. In two centuries, Private Labels evolved from basic, cheaper products into branded low-cost alternatives, as genuine competition to the National Brands: the Coca-Cola's and KitKat's of the world. Take Costco's Kirkland Signature for example, its annual revenue is just shy of \$60bn, and it [now makes up nearly one-quarter of Costco's annual sales.](#)

In a recent interview on CNN, Karen Short, retail analyst at Barclays described Kirkland Signature as a brand in its own right. "It is one of the reasons people go to Costco. That's not necessarily something you can say about many private labels."

So, how do Private Labels offer cheaper products?

- 1 When you buy a can of Coca-Cola, you're paying for its production and shipping, but also marketing and advertising. The same goes for branding and eye-catching packaging.
- 2 Private Labels are also eliminating the middleman in the form of distributors or wholesalers.
- 3 The economies of scale factor in the lower price tag as they're mass-produced, significantly reducing the cost-per-unit.

How Private Labels impacted the Value for Money Driver Scores of National Brands (2022-2023)



For National Brands to stay top-of-mind for consumers in the current socio-economic conditions, let's look at 3 key areas:

1

Let the Product do the talking



Sustainability

National Brands can win over shoppers by emphasizing that their products are sustainable, made organically, or with 100% recycled packaging. Of course, there is a point at which being environmentally conscious is outweighed by price concerns. It's called the price elasticity of demand.

For example, in a survey conducted by McKinsey, people said that they are willing to pay more to be green, but no more than a 25% premium. Private labels are also catching up here, rolling out organic ranges, or more sustainably sourced materials. Analyzing the price elasticity of demand in your category can prove beneficial, enabling you to understand your customers better.

Prestige/Emotional appeal

Brand-name products offer prestige or hype unattainable with Private Label products. That prestige can only be achieved with long-term branding and storytelling efforts. Premium positioning can attract consumers who value the status associated with well-established national brands.

Also, Gen Z is willing to pay more for products that make them feel good.¹ They justify spending more on brands that have a purpose, are inclusive and empathetic to their needs, and enable self-celebration.

¹ <https://adage.com/>, Inflation, Indulgence, Influence: The Changing Nature of Premium Shopping

Product Quality

Brand-name products dominate 80% of the market due to their perceived superior product quality. In the Food & Drink industry, taste plays a crucial role in differentiating products, which is why Coca-Cola holds over 40% of the market share in their category.

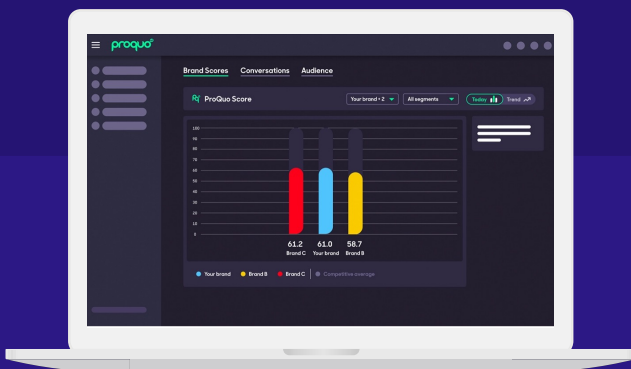
Consumers are willing to pay more for quality and trust that the brand will consistently deliver. Brands can also highlight their unique features, advanced technology, or specialized expertise that differentiates them from Private Label options.

2 Measuring Brand Equity

Table Stakes

Effective marketing can give a brand a competitive advantage by increasing brand awareness and fostering brand loyalty. It comes down to the effectiveness of your marketing efforts. The cornerstone of that effectiveness is your Brand Equity. It reflects how much premium people are willing to pay for a product.

First, you need to know how your brand stacks up against other category brands, including Private Labels, when it comes to what the customers expect most. These Table Stakes represent what a brand must compete on to be considered.



[Learn How to Effectively Measure Brand Equity](#)

Value for Money

Another factor that is crucial to consumers in this economic climate is value for money. Seeing whether your brand's perceived value for money has been affected by the cost-of-living crisis will give you an edge over the competition.

Has value for money decreased for your brand while Private Labels have risen, and is there a considerable gap between your perceived value and that of your Private Label competitors?

Your price should be adjusted based on how indispensable consumers believe you are.

Innovation

Innovation is a significant factor when competing against Private Labels. For example, in the case of soft drinks, offering new flavours, sugar-free versions, or limited editions can attract new and existing customers.

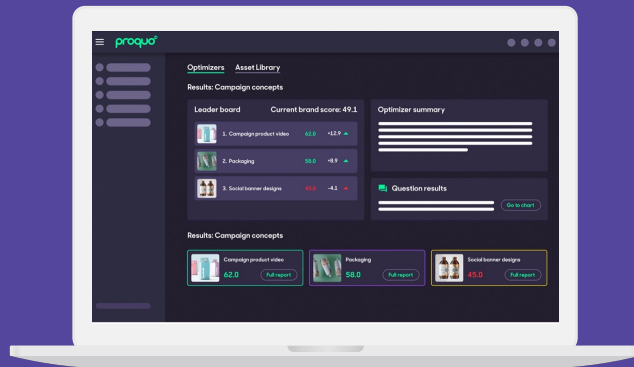
You can measure the results of your marketing efforts in real-time and over time to get a complete picture. Innovation can also be about pricing. People will feel your brand is Innovative when you are available in multiple formats, sizes, and price points.

3 Measuring Marketing Effectiveness

Creative Testing

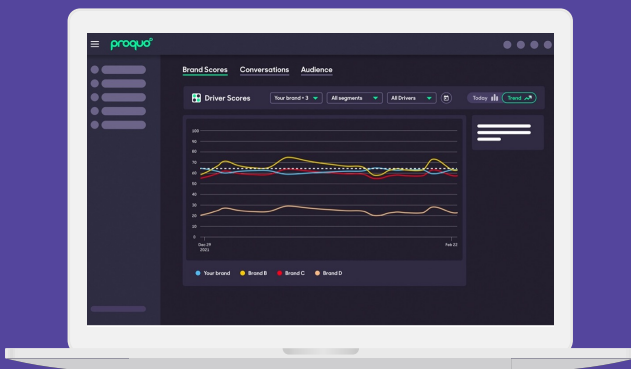
Another point of differentiation for national brands is how products are presented: in advertising, in-store or on-shelf, or even the product packaging itself are all areas that national brands can use to their advantage.

Think of a distinctive asset, like the shape of a Coca-Cola bottle, or a box of McDonalds fries. These assets are so strong, they could be identified only from their silhouettes!



Prior to investing in new creative assets, it's vital for brands to know how they will resonate with consumers, and how they stack up to competitors' offerings.

Live creative testing should be considered, because it allows national brands to understand how their new assets will perform, compared to their existing assets and vs private label equivalents, while still getting to market with speed. This way, national brands can ensure they remain attractive, distinctive and more innovative than their slower-moving private label counterparts.



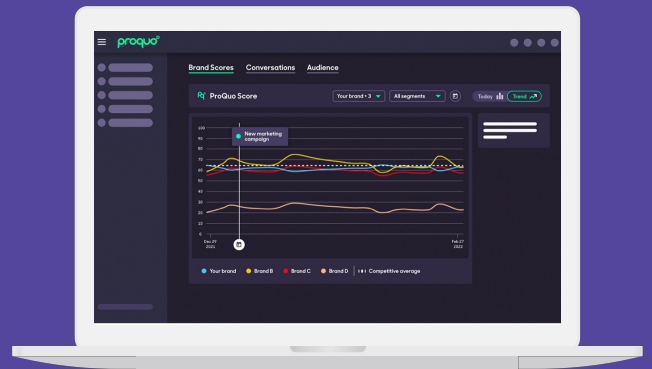
3 Measuring Marketing Effectiveness

Marketing Effectiveness

One advantage that Brands have over private labels is often greater resources, particularly when it comes to marketing budgets. This enables you to leverage much higher levels of brand awareness and achieve higher levels of brand recall vs private labels.

But working in a silo is not enough. Brands need to measure the success of their campaigns to ensure they are getting the most bang for their buck, especially in tough economic conditions. That's why having the proof points to secure future budget is vital.

You need real-time consumer data to pinpoint how your campaigns translate into movements in brand equity, awareness, and other KPIs, benchmarked against your category and your brand's competitors. This way, you'll know what's working, and what isn't, and can take action when needed.



Competition Tracking

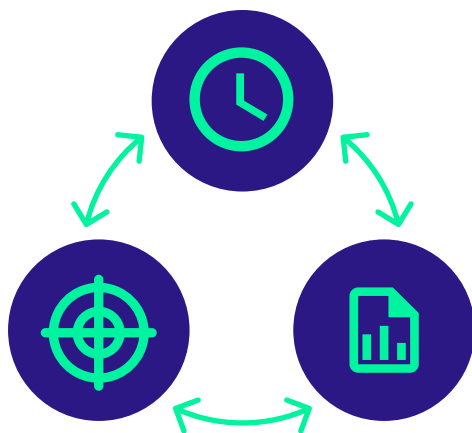
The final piece of measuring your marketing effectiveness is tracking your competition, both brand-name products and Private Label ones. When done systematically, you will always know what your consumers expect, even in this constantly changing environment, and how to act quickly when you have identified white space opportunities.

On ProQuo, you can access brand, competitor, and category data daily. Having a daily read on your competitors will enable you to spot changes as they happen to identify when momentum is building or slowing.

[Learn How Creative Testing Works](#)

If your brand has these 3 things, you'll be better equipped during these times

- **Real-time data** - that shows you how your consumers, category and competitors are reacting to the context surrounding your brand
- **A focus on brand-building** - to drive loyalty and achieve cut through during quieter times in the market.
- **Compelling reports** - to help you build a convincing trade story to maintain your shelf space in-store and online, as well as recruit new users.



Real-Time Data



Reports



Brand-Building

ProQuo can offer all of this and more.

If you're interested in finding out how our live Consumer Intelligence platform can help your brand to stay afloat during these times, get in touch.

[Chat to Us](#)