

# Ahold Delhaize Private Label Strategy

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## Overview

1. Health and wellness trend
2. Consumer behavior shapes market
3. Importance of private label
4. Foster customer growth and loyalty through brand values

FOOD LION

 Giant

 The  
GIANT  
Company



 STOP & SHOP

*inspiring everyone to eat and live better, for a healthier future for people and planet*

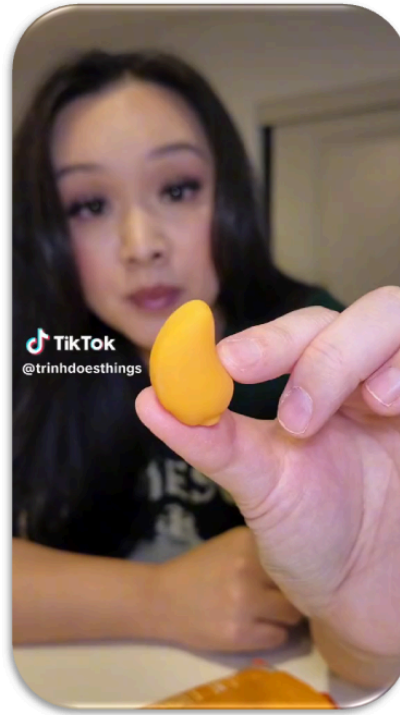


## Overview

- Discussing how ADUSA can strengthen its private label strategy
- As consumer behaviors and market trends shift
  - private labels have become more important for retailers
  - offering cost-effective options without losing quality
- With health and wellness influencing buying decisions
- ADUSA to stay competitive by meeting the growing demand for healthier choices.
- In this presentation, we'll look at
  - how private labels are evolving
  - what shoppers expect today
  - how ADUSA can use these trends to
    - grow, build customer loyalty, and develop a product range that reflects our brand's values.
- Let's explore how we can adapt to this changing marketplace.

# The Rise of Private Label in a Health-Conscious World

- Successful Launches: Walgreens' "Nice!" line is a standout, targeting "healthy eaters" with innovative products.
- Focus on Health: no artificial flavors, sweeteners, or synthetic additives
- Cultural Shift: Lean into wellness trends.



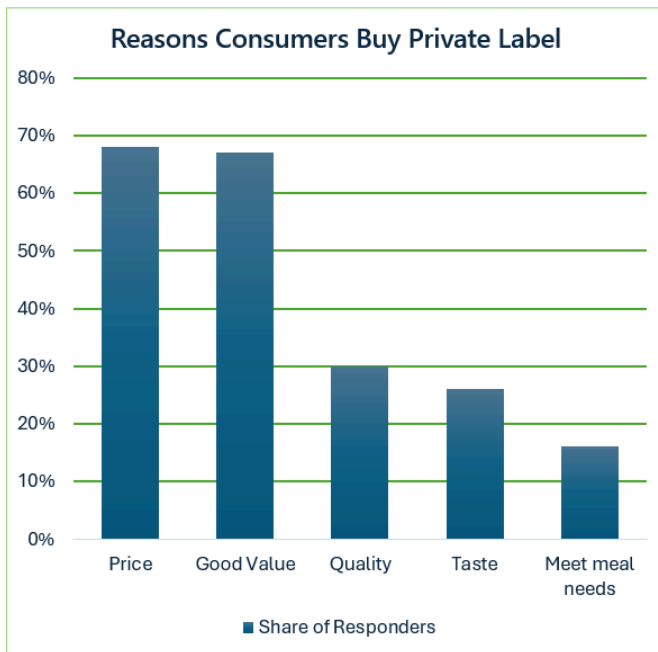
## The Rise of Private Label in a Health-Conscious World

- Walgreens private label releases have generated significant buzz (Walgreens adds health-focused private label tier, 2023)
  - With Healthcare reputation and benefits of greater supply chain autonomy
  - Nice! For you
  - builds on Nice! Value-priced essentials
  - strengthen front-of-store retail due to shrinking pharmacy profits
- President of Retail, former CEO of American Diabetes Association
  - Industry insight and retailer relationship
  - "healthy eaters"
  - snacks and baking goods
  - free from artificial flavors, sweeteners, synthetics, and high-fructose corn syrup (Walgreens adds health-focused private label tier, 2023)
- Retail businesses are inherently social and cultural entities
  - Strategy success tied to personal/social identities and values
  - This dynamic was evident when the peelable mango gummies, went viral on TikTok
    - innovative design and flavor
    - spurring sales and increasing brand visibility

**play tiktok** <https://www.tiktok.com/@trinhdoesthings/video/7330017698358807851?lang=en>

- 50% US pop self identifies as "healthy eaters"
  - Retailers adopt updated PL strategies
  - The word "dupe" - cost effective alternative of similar quality,
    - often used when comparing PL to NB
  - Walmart Great Value
    - Fast food dupes
  - Bettergoods - trendy, unique, quality products (Walmart, 2024)

# Consumer Behavior and Market Shifts Driving Private Label



Statista, 2023b

- Economic influences
  - 1981-1982 private label sales up 3%
- Rising costs in 2023
  - Food and Beverage 2.7%
  - Dining out 5.2%
- Generational Trends
- Market Shifts
  - Aldi, Target



## Consumer Behavior and Market Shifts Driving Private Label

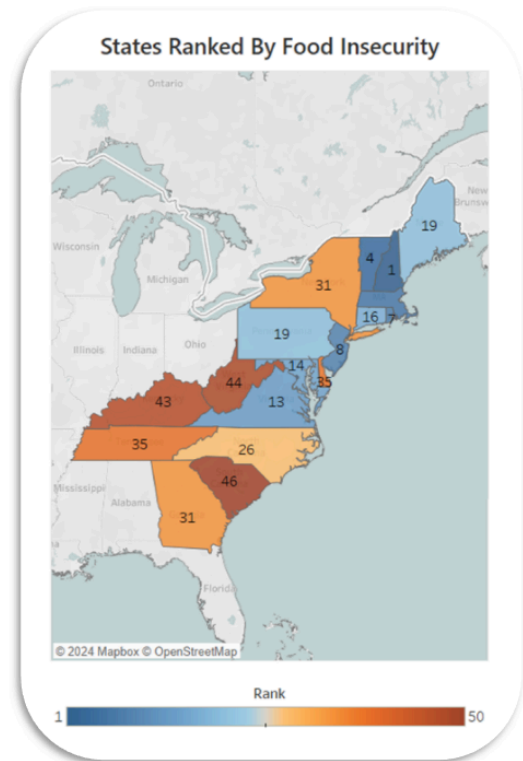
- Utilizing private label products is not a new strategy
  - 1981-1982 PL sales up 3% nationwide (Harvard Business Review, 1996)
  - COVID brought pressure
    - consumers locating replacements for out-of-stock items
    - Lower cost items
- 2023, cost of food and beverages rose by 2.7% (Bureau of Labor Statistics, 2023)
  - cereal, baked goods
  - produce, snacks, non-alcoholic beverages
- cost of dining out also increased by 5.2%
- Generational differences shape the grocery shopping experience.
  - Younger generations
    - tech-savvy
    - more open to innovations that drive market trends
  - Older consumers
    - stick to familiar routines
    - view grocery shopping as a chore
- In 2022, Millennials accounted for the largest share of store-brand product purchases at 45%. (Statista, 2024a)
- Discount, Aldi, gained popularity during economic challenges (Nielseniq, 2024)
  - They launched over 2,800 new products 2019-2023
  - Target capitalized on PL opportunities 2,400 product launches
- Consumers see PL comparable
  - Quality
  - Sustainability
  - Trust
  - Innovation

# Private Labels: A Win-Win for Customers and Retailers

- Customer:
  - Cost Savings
  - Comparable Quality
  - Wider Selection
- Retailer:
  - Pricing and Marketing
  - Brand Data Ownership
  - Exclusive Products
  - Product Customization
  - Supply Chain Control
    - Sustainability



**11.2%** of U.S. households face food insecurity due to **lack of resources**



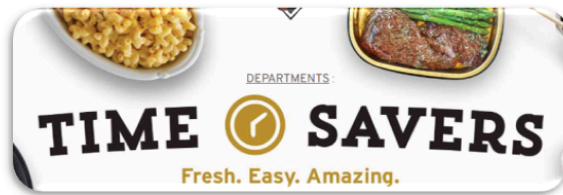
## Private Labels: A Win-Win for Customers and Retailers

- **Customer Benefits**
  - Cost savings: products are more affordable
    - retailers control production and distribution
  - Comparable quality: private label goods have improved
    - retailers use the same or similar suppliers as national brands
  - Wider selection:
    - expand assortment
    - customer has more options
  - For all of these reasons, retailers are in a position to intervene on food insecurity.
- **Retailer Benefits**
  - Control over pricing and marketing:
    - quickly respond to market demands
    - adjust prices
    - update brand strategy
  - Brand data ownership: By analyzing sales data
    - inform strategy, innovation
  - drive higher cart values
  - Higher profit margins:
    - retailers control production costs
    - eliminating the middleman
    - benefiting from competitive prices
  - Exclusive products:
    - exclusive items attract foot traffic
    - cannot be found somewhere else
  - Product customization:
    - tailor products to meet customer preferences
    - such as organic or vegan.
  - Supply Chain Control:
    - optimize shipping, inventory, and cost efficiency
    - operational efficiency, initiatives
    - route optimization
    - energy-efficient practices
    - recyclable packaging
  - further support sustainability goals

# Key Strategies for Success



**Promotional Strategy:**  
Promote price comparisons and offer savings-focused messaging.



**Retain Customers:**  
Focus on tailored online and in-store experiences, particularly for Millennials and families.



**Optimize Product Assortment:**  
Balance private label growth with premium product offerings for sustained profitability.



- **Effective promotional strategy:**
  - Communicating price differences NB vs PL
    - increases brand awareness
    - highlights the value private labels offer
  - Retailer coupons and promotions significantly influence consumer brand choices
    - CDC did study of 1000 coupons (Centers for Disease Control and Prevention [CDC], 2014)
      - 25% for processed snacks and sweets
      - Less than 5% for veg, fruit, unprocessed meat
  - align with ADUSA's mission, promoting healthy eating
  - Focus on grocery staples and canned goods
    - In edible goods, refrigerated meats and eggs dominate (Statista, 2024c)
    - In non-edibles, household, health, and personal care products (Statista, 2024d)
    - Analyzing these categories to uncover opportunities to attract more customers
- **Retain Customers**
  - Millennials represent the largest share of online grocery shoppers (Nielseniq, 2024)
    - preferring online or pickup services
    - time savings and reduced impulse buys
  - older generations favor in-store shopping
    - greater control over food quality
  - retailers must maintain a strong omnichannel strategy
  - ADUSA's online platforms show strengths, including:
    - Meal deals (e.g., buy ground beef, get other ingredients free)
    - Easy meal solutions
    - Custom builders for pizza, tacos, and spaghetti
    - Product filters for brands, promotions, and nutrition
    - Time-saving tips and shoppable recipes
    - Private label brand profiles
    - Engaging videos like pumpkin whipped coffee tutorials
    - Nutritional education resources

- Brand Identity & Product Assortment
  - Private label growth is largely driven by financial pressures, a dynamic factor.
    - this trend is temporary (Harvard Business Review, 1996)
    - approach private label investments strategically
      - Don't compete directly, should complement product assortment
      - Oversaturating reduces effectiveness and drives customers away
      - Weak brand identity doesn't effectively communicate value (Harvard Business Review, 1996)
  - ADUSA can best succeed by offering private labels that are low-cost alternatives for staples
    - By leveraging supply chain efficiencies
      - Ex. minimum orders and route discounts
  - ADUSA is well-positioned to use its holistic approach to grocery to meet customer needs
    - increased demand for cost-savings and better-for-you products
    - Focusing on healthy and sustainable options
    - ADUSA can differentiate its private label offerings with healthier versions and convenience
    - Tap into the growing consumer interest in wellness-driven choices

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