

Don't call them private labels

*They're "brands" now,
and retailers are building them
better than ever to
win the hearts of
shoppers everywhere*

A consumer insights report by

Highlight.

Private labels are having (more than) a moment

The numbers from 2024 are in, and there's no doubt about it, private labels are the big winners. Last year, spending on private labels rose 3.9% to reach an astounding \$271 billion in total. By comparison, national brands gained just 1% in dollar sales. ([Source](#))

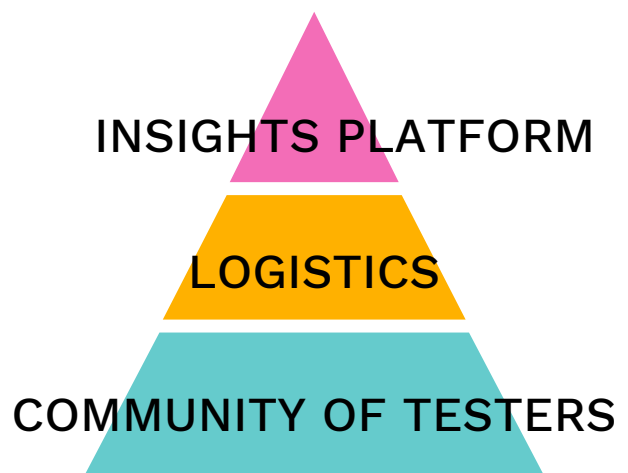
Why the hype? 2024 marked the third consecutive year of economic uncertainty, and the second year consumers saw a tighter labor market, climbing interest rates, and soaring housing prices. As consumers sought affordability, retailers seized the opportunity to provide real value through private label innovation.

About the study

Highlight is a three-part physical product testing solution: an owned community of nationwide testers, a logistics and shipping solution, and an [insights platform](#) that delivers consumer and sensory data in real time.

For this report, Highlight polled our proprietary audience in the final quarter of 2024 with a 17-question survey to gather both quantitative and qualitative data. In total, 1,613 respondents from across the country weighed in with their opinions on private label brands and evolving spending habits.

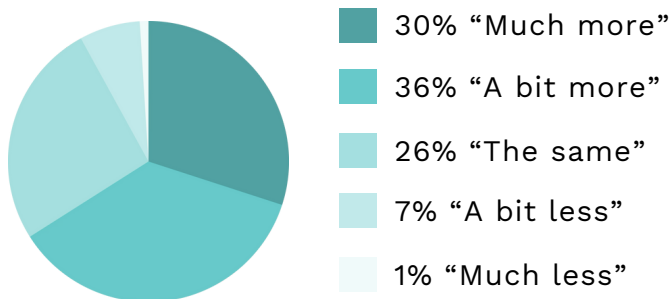
Highlight's product testing solution integrates:



Consumers are feeling financial stress...

66% *of respondents are more stressed about money this year than last*

How have your stress levels related to money changed?

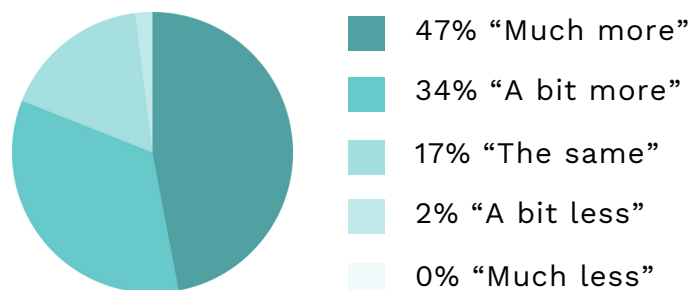


When asked to compare their financial stress levels to this time last year (Sept. through Dec.), the majority said they are more stressed now, including about one-third who stated they are “much more” stressed than last year.

81% *of respondents are more concerned about the cost of groceries*

When asked about financial stress related to the cost of living, consumers expressed the most concern over groceries. As compared to Q4 2023, in Q4 2024, almost half of those polled said they were “much more” concerned, and another 34% said they were a bit more concerned.

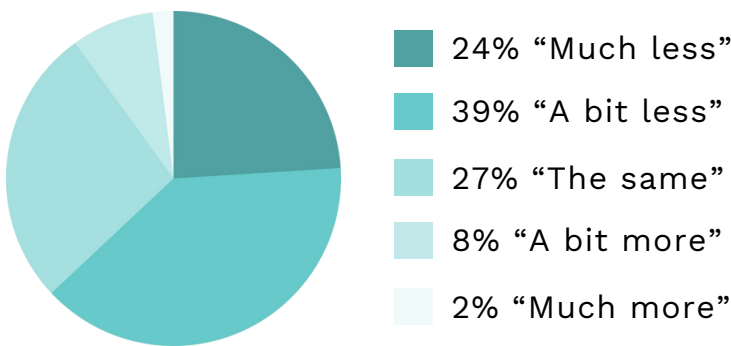
Are you more or less concerned about the cost of groceries?



...and they're changing buying behaviors to relieve that stress

When Highlight asked respondents how their “just for fun” purchase habits have changed, the majority said they are making those purchases less often than they were in the same quarter last year, including 24% who stated they are making those purchases “much less often.”

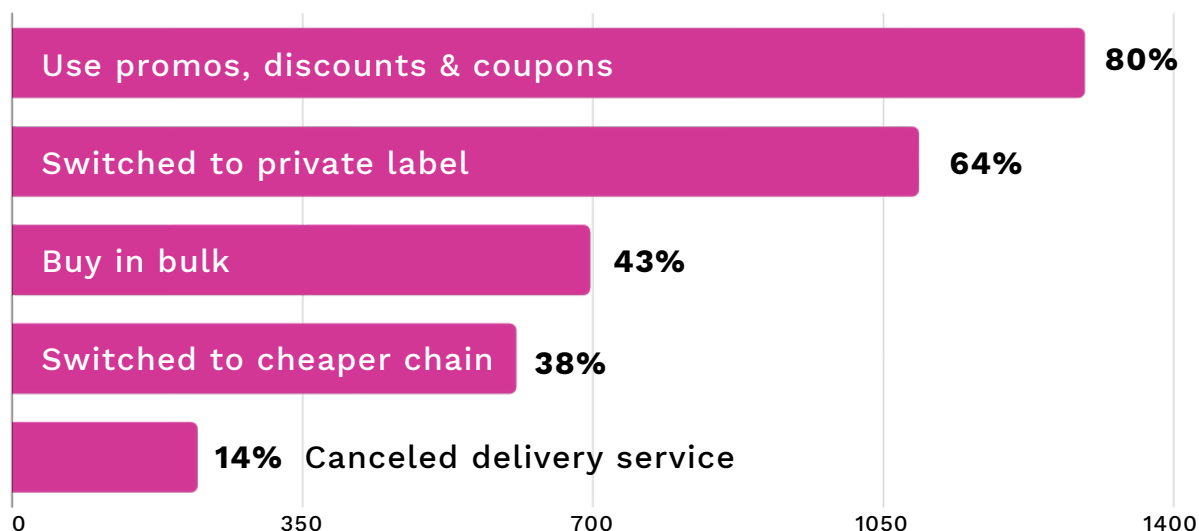
How have your spending habits on “just for fun” purchases changed since last year?



Highlight asked consumers what else they're doing to relieve this financial stress (results below). A [Q4 consumer sentiment poll](#) from McKinsey & Co found similar results: nearly 75% of US consumers say they are “trading down” when

shopping—and switching to private labels for a quarter of this trade-down consumption.

In the past 12 months, what have you done to relieve stress related to money? (Select all that apply.)



3 steps for private label success

While consumers may be “trading down,” McKinsey’s research also found that they still expect store brands to provide similar or superior products in terms of both value and quality. So how can private label brands deliver on—and ideally exceed—shopper expectations?

Invest in merchandising & brand building

Yesterday’s private label brands signaled lower tier quality. The most successful retailers today are thinking of their private labels as brands with intentional product lines, strategically developed to put consumer needs first.

Supply chain and sourcing improvements

The pandemic precipitated radical changes to supply chains that have led to dramatic increases in the cost of commodities. Leveraging price monitoring technology to track price fluctuations of inputs like sugar and cocoa can reveal real costs and enable negotiations with vendors.

[Alienation testing](#) is a key component of supply chain updates to ensure that any formulation updates are undetectable or inspire even greater consumer liking.

Insights-led product development

The best private brands put consumers at the center of everything they do. Target and other nationwide retailers like Walmart, CVS, Costco and more invest in consumer insights to track cultural trends and innovate products that genuinely delight their shoppers.

[In-home usage testing](#) to evaluate a prototype, test against competitive products, measure the sensory success of a product and more is key to de-risking before launching a new product or renovating current products.

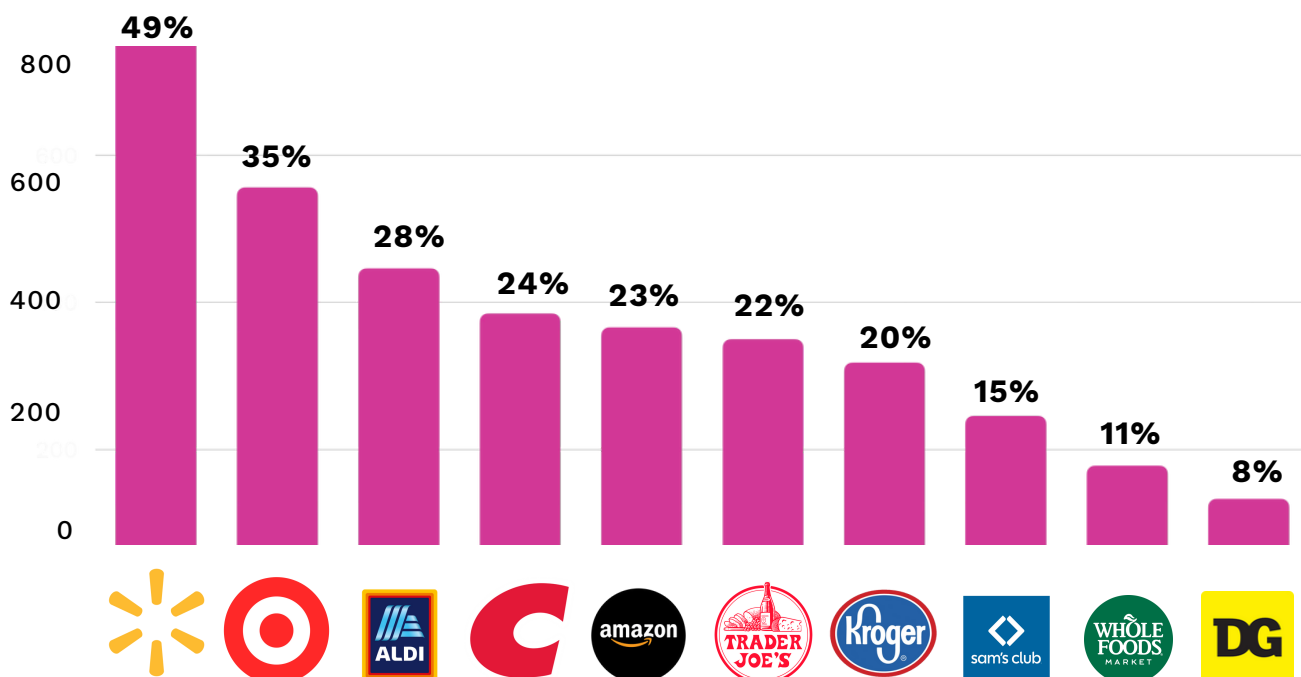
Which private label brands are winning the hearts of consumers?

90% *say they buy private label products because they're cheaper, but in a separate question...*

25% *said they also genuinely prefer the private label alternative to the name brand*

Highlight's original research confirms what retail measurement data is saying: Private label sales are soaring—but not just because of financial stress. Now is the ideal time to create products that cost-conscious consumers will genuinely love. This means rethinking your private label(s) not as a less expensive substitute, but as a direct competitor that can go head-to-head with name brands given the right product excellence and branding efforts.

What stores sell your favorite store brands? (Select up to 3)



How Target's >45 owned brands win big

Target's more than 45 private labels, including Good & Gather and Favorite Day food brands, generate more than \$30 billion in sales each year ([source](#)). Led by consumer insights, they innovate at the speed of culture to create products shoppers love.

FASTER PRODUCT ITERATION

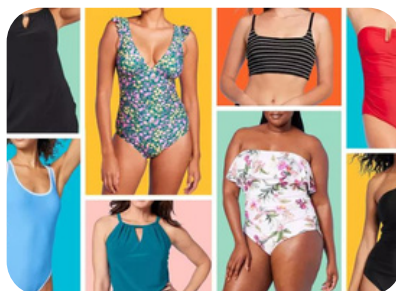
The Economist:
[*"Pickleball is the fastest growing sport in America"*](#)



Target releases Pickleball collection with Prince

ENHANCED SATISFACTION

Glossy:
[*"In the DTC era, Target is gunning to be the swimwear leader"*](#)



Target holds the #1 market share for Women's Swim

INCREASED BRAND LOYALTY

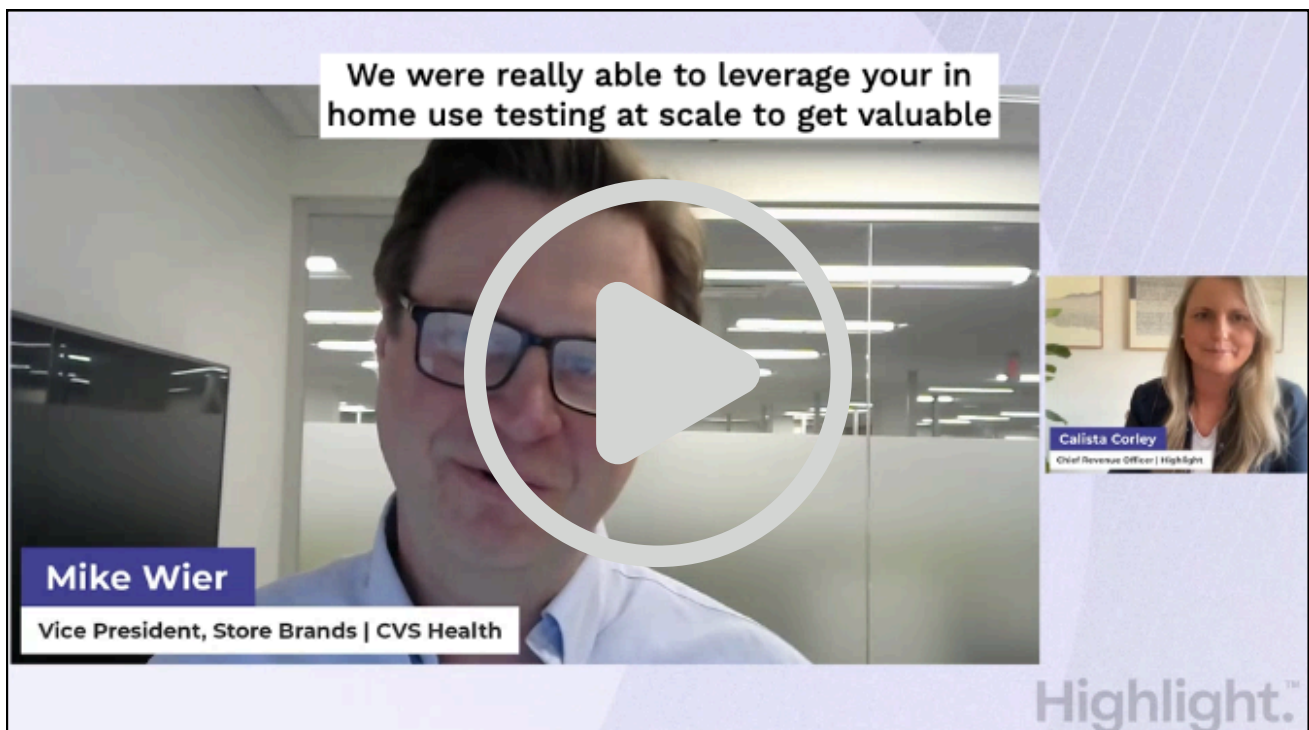
Fast Company:
[*"Target's 45 private labels generate >\\$30B"*](#)



Cat & Jack is the most popular kids' apparel brand in the U.S

How CVS Health builds quality brands consumers can trust

In a recent session for Retail Dive, CVS Health VP of Store Brands, Mike Wier, sat down with Highlight Chief Revenue Officer Calista Corley to share his expertise in building brands shoppers love.



“Our brands are designed to maximize quality and safety,” said Mike. “That’s table stakes... but once we turn that corner, we get to bolster that process around the experiential part and understand how customers like the flavor, the form, [and] the ease of use.”

As Mike explains, “That’s where the partnership with Highlight really came in... to leverage in-home use testing at scale to get valuable feedback from real users that we can then incorporate into future product development roadmaps or potentially new product lines.”

As CVS Health knows, true private label excellence comes from quality, safety, and meeting and exceeding consumer expectations through insights-led innovation and renovation. ([Watch the full session.](#))

3 key takeaways for private label brand builders

“Good value” is the new affordable

Gone are the days when consumers chose private label because they had no other choice, especially in a world of supply chain disruption where more national brands can compete on price. Consumers today aren't just looking for quality and value, they expect it from private label brands because of the retailers who have already raised the bar.

Consumers are looking for brands to love

25% of Highlight poll respondents say they buy private label because they genuinely prefer the brand. In a world where shoppers are seeking out Good & Gather and proudly donning a Kirkland hoodie, retailers need to take note: there's opportunity to forge a relationship with shoppers built on trust in quality and delight in product experience.

Innovation & renovation unlock product excellence

The only way to know what consumers prioritize is through testing in organic environments with real consumers. With data insights as your North Star, the path to product excellence is clear.

About Highlight

Highlight's in-home product testing platform helps CPG brands innovate, test, and successfully launch (and relaunch) better products for people and the planet. Ship your product to Highlight, and our logistics team repackages for our owned community of testers. Quickly field IHUTs (in-home usage tests), concept tests, sensory evaluation and more, then watch results as results roll in. Highlight's customers have tested products in early development, blind-tested products against the competition, and benchmarked in-market products for category insight.

Learn more at letshighlight.com.