THE FOOD INDUSTRY ASSOCIATION

PRIVATE BRANDS AT THE DIGITAL CROSSROADS

A CALL TO LEAD IN OMNICHANNEL GROCERY RETAIL

PRIVATE BRANDS AT THE DIGITAL CROSSROADS:

A Call to Lead in Omnichannel Grocery Retail

Prepared by FMI in collaboration with NIQ,
Cornell University and Think Blue.

FMI THE FOOD INDUSTRY ASSOCIATION

NIQ

Dyson
Cornell
SC Johnson College of Business

Think Blue

For questions or comments, please contact:

» Douglas E. Baker | Vice President, Industry Relations, FMI at dbaker@fmi.org

About NIQ

NielsenIQ (NYSE: NIQ) is a leading consumer intelligence company, delivering the most complete understanding of consumer buying behavior and revealing new pathways to growth. Our global reach spans over 90 countries, covering approximately 85% of the world's population and more than $7.2 trillion in global consumer spend. With a holistic retail read and the most comprehensive consumer insights—delivered with advanced analytics through state-of-the-art platforms—NIQ delivers the Full View™. For more information, please visit: **www.niq.com.**

About Think Blue

Think Blue is a practitioner-led advisory firm helping grocery retailers, CPG brands, and technology partners simplify complexity and unlock sustainable growth. We bring a commercial lens to strategy, execution, and innovation—bridging physical and digital retail with clarity and credibility. Our work turns insight into action, aligning partners around measurable value creation.

About FMI

As the food Industry association, FMI works with and on behalf of the entire industry to advance a safer, healthier and more efficient consumer food supply chain. FMI brings together a wide range of members across the value chain — from retailers that sell to consumers, to producers that supply food and other products, as well as the wide variety of companies providing critical services — to amplify the collective work of the industry. **www.fmi.org.**

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Introduction:
Inspection of the two growth drivers—Private Brands & Digital.

The grocery retail industry in the United States is undergoing a radical reinvention. On one axis lies the seismic shift toward ecommerce, driven by evolving consumer lifestyles, generational change, digital fluency, and an emphasis on convenience, speed, and customization. On the other axis is the rise and redefinition of private brands—once viewed as budget alternatives—now rapidly becoming symbols of quality, innovation, and retailer differentiation. The convergence of these two trajectories—private brand acceleration and digital channel expansion—represents a strategic inflection point for the entire grocery ecosystem. This intersection is not just a shift in consumer preference; it is a structural and strategic turning point in how the grocery industry must operate to remain competitive, relevant, and profitable.

Historically, private brands found their growth within the boundaries of physical retail—especially in high-frequency, value-sensitive categories like dairy, snacks, and household goods. Margin enhancement, supply chain control, and price competitiveness drove much of their success. Meanwhile, ecommerce emerged on a separate track, often dominated by national brands with established marketing budgets, robust digital infrastructure, and convenience positioning. The two paths developed in parallel, but seldom intersected with strategic intent. Today, that separation is collapsing. Consumers no longer think in terms of online versus in-store. They navigate channels fluidly. They expect the same availability, quality, and experience regardless of the medium. And increasingly, they seek out private brands across every touchpoint.

This whitepaper, informed by consumer surveys, digital shop-along studies, industry stakeholder interviews, and advanced analytics from NielsenIQ, Cornell University students, FMI-The Food Industry Association and Think Blue, examines the profound implications of this shift. It argues that private brands are not just compatible with digital growth—they are essential to it. But unlocking that potential requires rethinking merchandising practices, rewriting collaboration frameworks, and reengineering how retailers and suppliers activate across platforms. The time for incremental change is over. Retailers must seize this moment to reimagine private brand strategy for a boundaryless commerce environment—or risk falling behind.

Section 1:
Growth Driven by Two Engines—Digital & Private Brands

The U.S. retail sector has been steadily growing in nominal terms, but the true growth engine is hiding in plain sight. According to NielsenIQ's latest Omnisales data, total omnichannel sales across U.S. CPG reached an annual $1.4 trillion by Q1 2025, driven by a 3.8% compound annual growth rate (CAGR) since 2023. But this top-line number belies a deeper reality: the bulk of the acceleration is happening online. Online food sales alone recorded a 16.7% CAGR in dollars and 14.8% in units—staggeringly outpacing the 1.4% growth rate of in-store food sales. This growth is no longer confined to general merchandise or health and beauty; food, once deemed "store-bound," is now a digital battleground.

Private brands are increasingly part of that battleground. Over the past four quarters, private brand growth has consistently outpaced national brands in dollars across online and offline channels. In food specifically, private brands now account for 20% of total omnichannel sales. Their dollar sales grew by 6.0% over the last 12 months—almost double the 3.2% growth of national brands. Unit growth tells a similar story: private brands advanced by 1.4% while national brands gained only 0.5%, suggesting a deeper loyalty and repeat behavior among value-conscious, quality-sensitive shoppers.

Yet the digital presence of private brands is far from optimal. Despite this robust momentum, most private brands remain underrepresented or poorly executed on ecommerce platforms. Stakeholder interviews reveal that digital teams and private brand teams often operate in silos, with little coordination on content, performance KPIs, or investment prioritization. Many retailers continue to treat ecommerce as a support function for national brands, deferring to supplier-generated content that seldom includes private brand. Consequently, private brands suffer from incomplete product detail pages, unoptimized search listings, and minimal visibility in digital promotions. This digital negligence is not benign—it creates revenue leakage, erodes brand equity, and sends shoppers to better-presented competitors.

Section 2:
Meet the New Shopper—Young, Digital, and Brand-Agnostic

A comprehensive consumer survey conducted by Cornell University in May 2025 provides vital insight into the demographics and behaviors of omnichannel grocery shoppers (who chose multiple shopping channels like in store, pickup or delivery). These so-called "omni shoppers" represent 28% of all grocery consumers, and they exhibit traits that make them highly valuable to retailers: they are younger (predominantly Millennials and Gen Z), more educated (44% hold a college degree), and more likely to have children under 18 (49%). They are digitally native, mission-driven, and adept at blending online and in-store behavior based on value, convenience, and availability.

Crucially, omni shoppers report significantly higher engagement with private brands across nearly every food category. In pantry staples, they purchase private brands at a 48% rate, compared to 46% among in-store-only shoppers. In frozen and fresh foods, their share is even greater—online-only shoppers report a 59% share for private brand purchases in fresh and 48% in frozen categories. These data points suggest that digital exposure may enhance trust in private brands, contradicting the long-held belief that only physical interaction builds loyalty.

Moreover, consumer sentiment toward private brands has evolved from reluctant acceptance to enthusiastic endorsement. According to NielsenIQ's Private Label & Branded Products survey, 72% of U.S. consumers now view private labels as good alternatives to name brands. Even more striking: 75% say that private brands offer better value for money, and 59% would buy more if retailers offered greater variety. This shift is not a temporary inflation-driven behavior. Rather, it reflects a long-term recalibration of brand loyalty and consumer expectations.

This finding is echoed in NielsenIQ's new **Consumer Outlook: Guide to 2026** report. Store brands are no longer the "cheap option." They're often where shoppers see the best value without compromise, giving retailers margin while pressuring national brands to prove they still belong in consumers' baskets.

Emotional engagement still lags slightly behind national brands—consumers report a stronger emotional connection with name brands in categories like beauty and wellness. But when it comes to grocery essentials, the purchasing logic is increasingly functional. Shoppers prioritize utility, value, and accessibility. This gives private brands a powerful edge, particularly when paired with digital tools that personalize, recommend, and reinforce shopper decisions.

Section 3:
What Consumers Do—Digital Shop-Alongs Reveal the Private Brands Decision Journey

Cornell University's digital shop-along study conducted in May 2025 provided a revealing look into how shoppers behave in ecommerce environments. The study followed over a dozen consumers as they documented their grocery decision-making through video and written reflections. These weren't hypothetical surveys; they were real behaviors recorded in real time. And what they showed on the shop-along was unequivocal: price, familiarity, and trust drive private brand decisions—but these drivers are significantly shaped by digital experience.

A remarkable 92% of participants cited price as a primary motivator for retailer and brand selection. When comparing products side-by-side, consumers routinely defaulted to private brands when the perceived quality was similar. One consumer noted, "If the same product is available under both a private brand and a national brand, I compare the prices and choose the cheaper one."

The study also highlighted how important it is for private brands to present clear, optimized product listings. Shoppers complained about missing images, limited descriptions, and confusing naming conventions. "Sometimes I don't even realize the item is store brand," one shopper admitted. Others expressed frustration that private brands were often excluded from filtered search results or not eligible for free delivery thresholds.

At the same time, digital-native shoppers are discovering private brands not just out of necessity, but out of curiosity. This discovery mindset aligns with broader behavioral research suggesting that consumers—particularly Millennials—are less brand-loyal and more experience-driven.

This means the digital shelf is not just a transactional space—it's a brand-building opportunity. Yet, without investment in content quality, placement, and taxonomy, private brands risk being invisible in the very environments where shoppers are most active.

Section 4:
Industry Voices—
The Call for Alignment Is Growing Louder

Feedback collected from over 20 senior leaders across retail, CPG, ecommerce, and merchandising underscores the urgency for embracing digital channels. The consensus is resounding - retailers must better integrate their private brand, ecommerce, and merchandising teams to capitalize on growth opportunities. A prevailing theme is the gap between consumer demand and organizational readiness. Executives from top banners cite lack of alignment, underinvestment in digital private brand content, and outdated internal KPIs that prioritize in-store performance while digital continues to scale.

One stakeholder from a national grocery chain noted, "Private brands are designed for margin. Ecommerce is still treated as a cost. Until we realign the incentives, we're going to miss this moment." Another merchandising leader stressed that private brands suffer in digital execution because ownership is unclear: "No one owns digital success for our private brand lines. It's not in anyone's bonus structure. That must change."

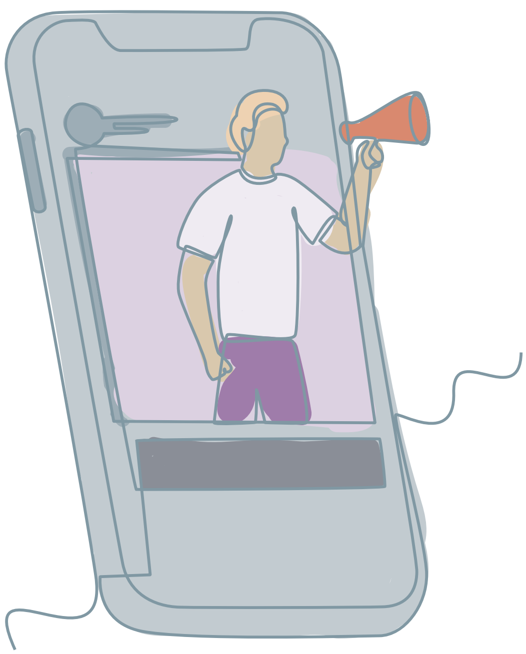
Across the board, leaders point to digital leaders like Target, Wal-Mart, and Kroger as benchmarks in organizational clarity and brand focus. But for most retailers, omnichannel private brand success is still elusive. Internal roles, budget allocations, content workflows, and vendor partnerships must be reengineered to reflect a channel-less world. Today, each function often runs on legacy rules that reward past behaviors. To truly unlock the private brand opportunity, new collaboration models between suppliers, retailer teams- merchandising, digital and supply chain must be built around the shopper.

Section 5:
The Retail Media Multiplier—A Missed Opportunity for Private Brands

In a world where data drives decisions and advertising dollars flow flow through digital platforms, retail media networks (RMNs) have emerged as a transformational growth engine. In 2025, U.S. RMN spending is projected to surpass $60 billion, with grocery retailers aggressively building out monetization capabilities. But within this promising future lies a glaring omission: private brands are rarely part of retail media planning.

Retailers too often default to national brand co-op funding, neglecting the fact that their own private brands enjoy high household penetration, rich purchase data, and growing consumer trust. By not integrating private brands into RMN strategies—either through sponsored placements, personalized email campaigns, or offsite retargeting—retailers are forfeiting reach, relevancy, and revenue. Consumers are already shopping across banners; what they need is a cohesive, data-powered message that connects their preferences to the retailer's owned assets.

NielsenIQ's recent "Finding Harmony on the Shelf" report suggests that private brands can outperform national brands in search-driven and personalized media placements, especially in categories where price-value is paramount. Yet few banners prioritize these investments. The missed opportunity isn't just media exposure—it's the compounded impact on loyalty, conversion, and trip expansion. Private brand messaging embedded in digital experiences—from PDP banners to personalized apps to connected TV—can elevate the brand halo and reinforce why shoppers choose one retailer over another.



To make this real, retail media teams must shift from reactive ad sales to strategic brand building. This includes creating content templates for private brand campaigns, investing in creative assets, and aligning marketing calendars with product innovation cycles. RMNs are not just ad platforms; they are shopper engagement engines. Private brands, with their untapped storytelling potential, must be front and center.

Section 6:
Substitution Dynamics and Price Sensitivity in Digital Grocery Baskets

The phenomenon of substitution—where consumers switch from an unavailable product to an alternative brand or item—is a defining behavior in the digital grocery experience. According to the NIQ study from 2025, up to 27% of online grocery transactions involve some form of substitution. This practice, while often overlooked, has direct implications for private brand performance. Retailers who leverage this moment of disruption have a prime opportunity to introduce shoppers to their private brands—especially when the substitute is positioned as high-quality and competitively priced.

A key insight from the May 2025 digital shop-along interviews is that consumers are far more open to substitutions when trust has already been established with the retailer's own brands. In fact, in 38% of cases where a substitution was offered, shoppers chose a private brand replacement—suggesting that smart substitution algorithms paired with strong private brand presence can drive incremental trial.

Moreover, the consumer survey data shows that 66% of shoppers say they would accept private brands as substitutes if those products had strong reviews and better visual presentation. This underscores the importance of digital shelf excellence—not just for discovery, but also for trust during moments of decision.

Retailers are increasingly investing in AI-powered substitution tools. We feel private brands is an opportunity area to integrate into this strategy by ensuring their content is complete, compelling, and consistently available—retailers show not leave conversion opportunities on the table. The window of substitution is not just a backup plan; it's a branding opportunity. Private brands must be part of that moment.

Section 7:
The Loyalty Equation—Private Brands as Retention Drivers in an Omnichannel World

In an era of volatile prices, high customer acquisition costs, and channel fragmentation, loyalty is the single most valuable asset a grocer can build. **And here, private brands are emerging as the new loyalty currency.** According to the joint study, private brands shoppers are more likely to shop with that retailer 28% more frequently. This correlation is even higher among digital-first shoppers, who frequently use product availability, consistency, and price stability as proxies for retailer reliability.

Data from a NIQ survey (Cvent survey) reinforces this trend: nearly 60% of respondents said they returned to a retailer specifically because of its private brand assortment. What's more, 73% say they would recommend a retailer's private brand to friends or family—a level of advocacy previously reserved for premium name brands.

Digital formats elevate this opportunity. By embedding private brand discovery into loyalty programs, mobile apps, and subscription models, retailers can strengthen the emotional and financial relationship with their shoppers. That same logic can be applied across digital environments, especially if retailers treat private brands as equity builders, not just margin enhancers.

In a cost-conscious, convenience-driven economy, the most effective loyalty tool isn't a coupon. It's confidence—in quality, value, and consistency. Private brands can deliver that confidence, but only if they are fully woven into the omnichannel experience.

Section 8:
Breaking the Execution Bottlenecks—Organizational Readiness and Capability Building

To fully benefit from private brands performance in an omnichannel environment, retailers must confront the organizational barriers that stifle progress. Based on over two dozen stakeholder interviews conducted in Q2 2025, three recurring themes emerged as execution bottlenecks: fragmented ownership, outdated content systems, and lack of digital P&L accountability.

Fragmented ownership continues to plague execution. Ecommerce teams typically control the platform, but private brand decisions are still made in merchandising, often with little to no digital KPI alignment. Some retailers noted that, promotions are missed, content is delayed, and no team truly owns the outcome. One VP of ecommerce noted, “We had three private label launches in Q1—and none of them had images ready for the website. That’s not a product problem. That’s a process problem.”

Outdated content systems are another constraint. Many retailers rely on legacy product information management (PIM) platforms that were built for print circulars, not dynamic ecommerce environments. These systems struggle to syndicate high-resolution imagery, manage metadata, or support versioning across platforms—leading to poor PDP quality and search invisibility. Without investment in modern content operations, private brands will continue to underperform.

Finally, few retailers treat digital as a fully accountable P&L. This limits investment in testing, optimization, and cross-functional experimentation. To change this, companies must create dedicated private brand digital leads—individuals who understand brand equity, content strategy, and performance analytics, and who can serve as the connective tissue across ecommerce, media, and merchandising teams.

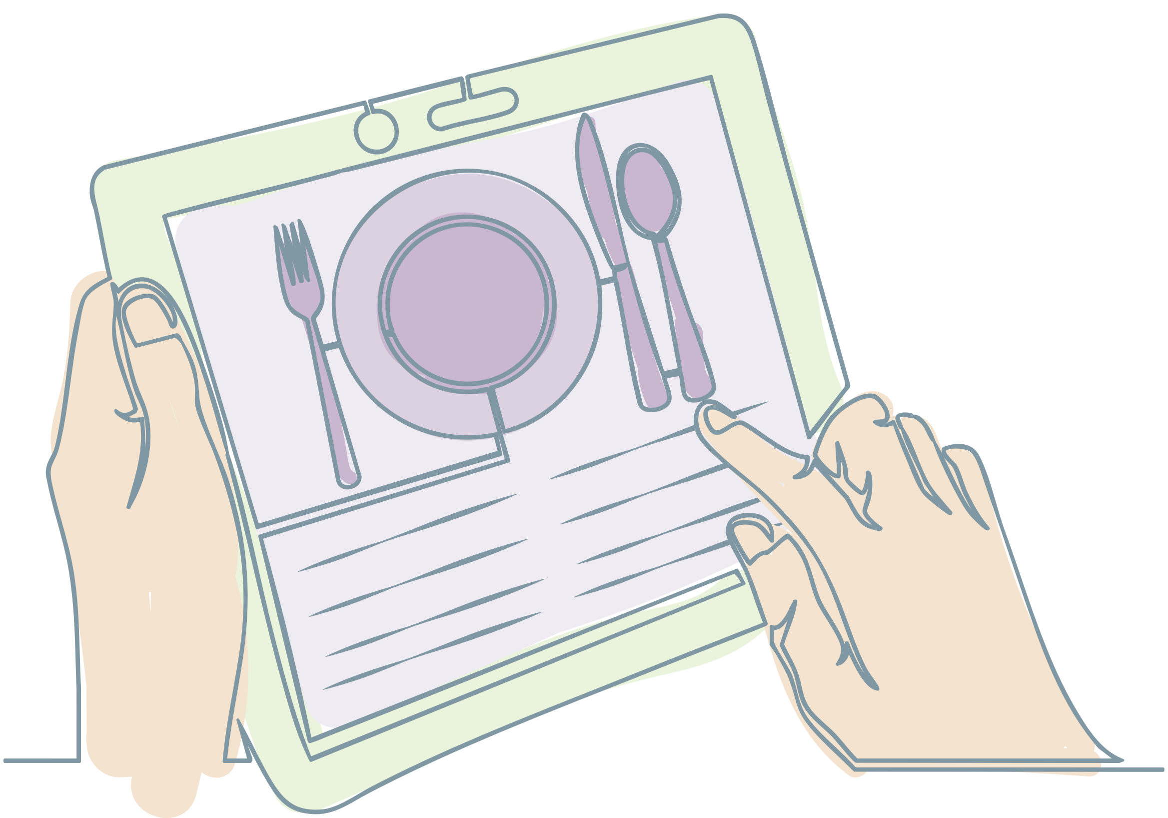
This is not a minor transformation—it’s a redefinition of how grocery businesses are structured for the future. But those who move first will not just improve execution; they will own the next era of growth.

Section 9:
Digital Shelf Innovation—Beyond PDPs and Search

To compete in the ecommerce-first future, private brands must innovate beyond the basics. While strong product detail pages (PDPs) and robust search optimization are foundational, the new frontier lies in creative, data-driven brand storytelling at every stage of the path to purchase.

Emerging formats—such as shoppable recipes, AI-powered discovery modules, and livestream commerce—offer powerful vehicles for private brand differentiation. For example, a leading retailer's online platform offers "Shop by Dietary Preference" feature has helped drive triple-digit growth in its plant-based private brand line. Meanwhile, some banners are using influencer-led content to bring seasonal private brand items to life on mobile-first experiences.

These tactics work because they mimic how consumers actually think—not in terms of categories or brands, but in moments, needs, and intent. The digital shelf is no longer a row of SKUs. It is a canvas for inspiration, education, and habit formation. Retailers who design private brand activation through this lens—building context, not just catalog—will unlock greater engagement and

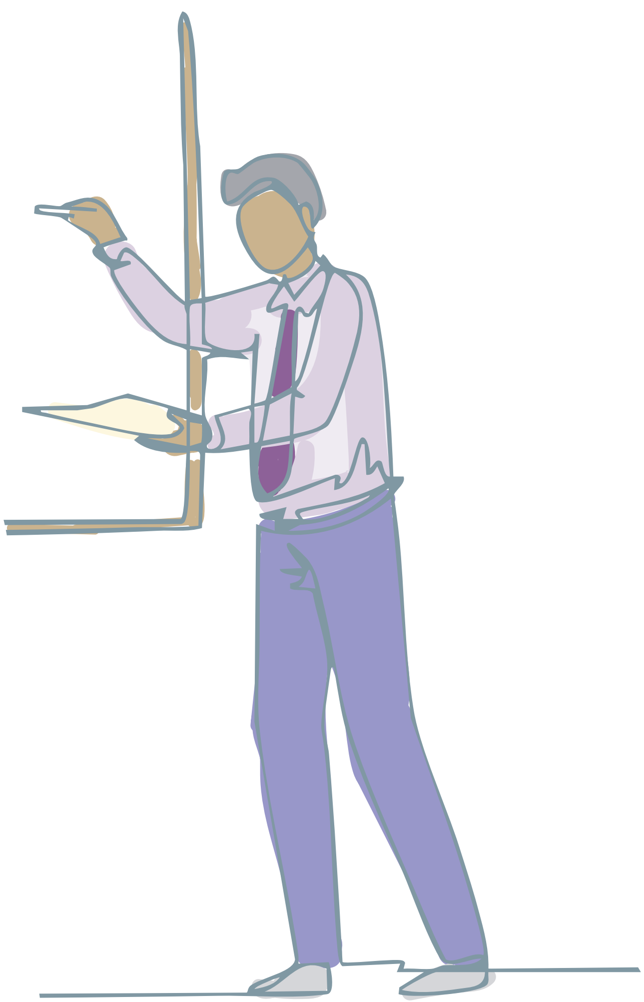


Section 10:
Rewriting the Retail Playbook—What Leadership Must Do Next

The case for change is no longer academic. The data is overwhelming. The shopper is already there.. CEOs, Chief Merchants, Chief Digital Officers, and Private Brand heads must collectively embrace the mandate to transform.

This begins with new goals. Instead of treating ecommerce growth as a parallel objective, retailers must enshrine it as central to private brand health. This means building omnichannel growth into annual brand planning, linking bonus structures to digital KPIs, and holding teams accountable for online share growth, not just offline margin.

Second, leadership must invest in talent. The future of private brands will be won by marketers, data scientists, creative leads, and CX strategists who understand the digital-first customer. These are not traditional merchant roles—but they are mission-critical. Retailers must evolve their hiring profiles and empower cross-functional teams to experiment and adapt in real time.



Third, collaboration with private brand suppliers must change. Private brands are no longer tactical. They are strategic. Retailers should demand the same innovation, packaging support, and digital content quality from private brand manufacturers that they get from national brands. If supplier relationships do not evolve, neither will execution.

Ultimately, this is a leadership moment. Not just to optimize what exists, but to imagine what could be—and build it. The winners in the next five years will be those who see private brands not as a cost advantage, but as a growth flywheel.

Conclusion:
A Challenge to the Industry

The data tells us this is a moment of opportunity. Consumers are ready. The channels are growing. Private brands are no longer the second-tier players—they are essential tools for customer retention, margin management, and differentiation. But capturing this opportunity requires bold structural shifts, not cosmetic tweaks.

We must unify our teams. The era of channel silos and legacy category management must end. Merchandising, ecommerce, media, and private label leaders must sit at the same table with a shared goal: winning the customer wherever they shop.

We must rethink our metrics. If digital growth is our future, then our KPIs—whether for brands, content teams, or merchant scorecards—must reflect that reality.

We must elevate private brands. Not just in-store, but across every digital touchpoint. Every PDP, every email, every search result must reflect the same intentionality that we give to national brands.

And finally, we must act with urgency. This is not just about staying competitive. It's about remaining relevant. If we fail to lead, others will. If we fail to invest, we invite commoditization. And if we fail to align, we will never unlock the full promise of omnichannel commerce.

The digital shelf is here. The shopper is waiting. The next move belongs to us.