



nielsen

# STORE BRAND TRENDS & OPPORTUNITIES

ECRM STORE BRAND FOOD & BEVERAGE-  
APRIL 04, 2017



## Bricks & Mortar

- The Fresh Market to rollout new logo, lower prices
- First line-free grocery store in the world opens in California
- Google opens stores inside Best Buy locations
- Albertsons ends self-checkout at most stores
- Publix accelerates expansion into VA with purchase of 10 Martin's stores
- Barnes & Noble plans new-concept store w/full-service restaurant & bar
- Barilla plans for three more restaurants in the US in 2017
- FedEx, Walgreens partner to offer pickup services in 8,000 stores
- Starbucks discontinues alcohol sales in over 400 stores nationwide
- Fourth '365 by Whole Foods Market' opens in April; 23 leases in works
- Kroger family of stores hiring 10,000 employees (12,000+ hired in 2016)
- Walmart tests a third c-store format
- Target has 32 flexible-format stores open now; 33 planned for 2017-2019
- Aldi rolling out \$1.6B store remodel program
- Lidl to open first 20 US stores this summer
- Kroger CIO offers a glimpse at interactive grocery-store shelves and more
- Hy-Vee unveils 'urban look' downtown grocery

## NEWS

## Mergers, Acquisitions, Store Closings

- Sears to continue closing stores & cutting certain products
- Save-A-Lot pulling out of West Coast
- Walgreens boosted number of Rite Aid stores it was planning to sell to Fred's to as many as 1,200 from 865
- Whole Foods to shrink store count for first time since 2008
- Walmart acquires Moosejaw, a leading online outdoor retailer
- Macy's will close roughly 100 total stores over the next few years
- JCPenney to close 130-140 stores; offers early retirement to 6,000 workers

## Store Brands

- Wegmans cuts prices on own-brand products
- Southeastern Grocers launches thousands of new PL items
- Walmart will be selling private label products on jet.com

## Digital Retailing

- For the first time, Oreo will sell directly to online customers
- Ahold Delhaize will double e-commerce by 2020
- Online grocery sales set to surge, grabbing 20 percent of market by 2025
- McDonald's teams up with UberEATS
- Over-retailed US Vulnerable to e-commerce gains
- Walmart's Next Digital Initiative: Scan and Go for Android
- SpartanNash readies new click-and-collect pilot

## Amazon:

- reportedly planning premium Echo
- beta testing cashier-less store
- robot army grows by 50 percent to 45,000 at its fulfillment centers
- more low-income people are starting to use Amazon Prime
- introducing a new card for Prime customers offering 5% back on all Amazon.com purchases
- to hire 100,000 full-timers by July 2018
- has three bookstores up & running
- hits the road with push into car biz (Walmart too)
- adds 50 brands to Dash program, making 250+ products now available
- to build air cargo hub outside Cincinnati
- granted a patent for using a subterranean network to deliver packages
- offers free consultative service to help customers build out a connected home

## Health & Wellness

- Nestlé reformulates sugar & says it will use less in its candy
- Whole Foods' new Bryant Park store has a 'produce butcher'
- CVS proactively removing artificial trans fats from its store brands products

# DRIVING GROWTH IN DYNAMIC TIMES



**Staying connected  
with winning  
retailers &  
categories**



**Engaging in  
digital retailing &  
digital shopping**



**Winning the trip  
through precision  
marketing & sales  
focused against  
shoppers that  
matter**



**Driving the  
health & wellness  
growth wave**



**Winning the  
occasion**

# SUMMARY OF U.S. SHOPPING INSIGHTS

## U.S. Economic Update

Real gross domestic product (GDP) increased at an annual rate of just 1.9 percent in the fourth quarter (advanced estimate) of 2016. The unemployment rate stood at 4.8% with 124,000 new jobs added in October, 4.6% with 164,000 new jobs added in November, and now stands at 4.7% with 156,000 new jobs added in December.

## Economic Divide

The most affluent households (incomes \$100k +) show their spending power in terms of greater levels of household penetration across a wider number of retail channels. They shop about as frequently as low income households, but their spending power is propelled by greater per trip spending. Households with spending power are more likely to buy on deal. They also exhibit a different mix of store department spending.

## Gas Price Update

Good news: The average price of regular gasoline during December 2016 was \$2.25, down from \$2.54 in December 2014 but up from \$2.04 in December 2015, and prices since the beginning of November 2014 were below \$3.00.

# SUMMARY OF U.S. SHOPPING INSIGHTS (CON'T)

## Consumer Confidence

The Conference Board's Consumer Confidence Index rose to 113.3 in December after back-to-back monthly gains in October (100.8) and November (109.4).

During the fourth quarter of 2016, Nielsen's U.S. Consumer Confidence Index increased 17 index points from the third quarter of 2016 to a score of 123 – the highest score of 63 countries – the highest score for the U.S. since Nielsen began tracking consumer confidence. Fewer consumers reporting “no spare cash” while savings continues to be the main focus of consumers once their essential living expenses are met, followed by vacations, apparel, and paying down debt.

## Monthly Government Sales

Government-reported retail sales (excluding auto) slowed but still positive in October (+0.6% change versus prior month), November (+0.3%), and December (+0.4%). January rallies (+0.8%).

## Same-Store-Sales

Retail format is no guarantee for success and this is now also true for retailers serving the extremes of income.

# SUMMARY OF U.S. SHOPPING INSIGHTS (CON'T)

## Retail Landscape & Performance

Growth Challenges: Across Nielsen-measured retail channels and categories, total store gains have been less than spectacular. Over the past four 52-week periods, dollar sales grew, on average, by 1.8%. Low unit sales growth has been more problematic with slow or no growth in the latest four 52-week periods. In an economic recovery, shouldn't we expect more growth or is flat or slow growth the best we can expect?

Food deflation is having the greatest impact on supermarket growth, but most channels impacted.

Across all Nielsen-measured retail channels and categories, U.S. sales for the 52-week period ending 12/31/2016 reached \$831.5 billion and were up 0.8% from the prior 52-week period. The convenience (+1.8%) and drug channels (+1.4%) delivered stronger growth. Value retailers (i.e., club, dollar and mass-merchandisers) held a 36.4% share of sales and grew by 1.3%, while 40.2% of sales are resident in the supermarket retail channel, which declined marginally by -0.1%.

# SUMMARY OF U.S. SHOPPING INSIGHTS (CON'T)

## Retail Landscape & Performance (con't)

New store openings and closings are key drivers of retail channel and retailer sales levels and trends. Most leading retailers within the major retail channels of mass-merchandisers, drugstores, warehouse clubs, and dollar stores have been expanding their store count over the past several years. The supermarket channel is the exception as store expansion has come mostly from niche players (natural/gourmet retailers such as Whole Foods, Sprouts and Trader Joe's and deep discount grocers like Aldi) as well as from regional mainstream supermarkets like HEB, Hy-Vee, Meijer, Publix, Wegmans, and WinCo. Walmart store expansion slowing as they spend more on e-commerce and Target maintains focus on small format expansion.

The economy and competitive pressures from online and big box retail formats, have had a big impact on store closings within some specialty retail formats over the past several years. Electronic stores, bookstores, office supply, and toy stores have experienced the biggest declines, while hardware/home improvement, liquor stores, and pet specialty have expanded their store count over time.

# SUMMARY OF U.S. SHOPPING INSIGHTS (CON'T)

## What's Selling – Long-Term Department-Level Trends

The grocery department delivered \$14.5 billion in absolute dollar sales growth over the past four years. The combined sales growth for all other edible departments (excluding alcoholic beverages) stood at \$15.7 billion.

The fresh departments (deli, meat and produce) experienced share gains from 2012 to 2016, but the combined share gain was only 1.5 share points. Frozen foods, Dairy and Grocery experienced share losses.

Produce, deli, & meat departments over delivered in terms of growth between 2012 and 2016, but almost half the dollar share gains within the edible departments came from the grocery department. The deli and produce departments delivered dollar share growth at rates of over three times “expected” levels based on their share positions in 2012. Growth in the grocery was about 11% below expected growth based on 2012 share position. Growth performance was particularly low for the frozen (81% below expected) and dairy (50% below expected) departments.



# SUMMARY OF U.S. SHOPPING INSIGHTS (CON'T)

## What's Selling – Long-Term Department-Level Trends

The non-edible (including alcoholic beverages) departments driving growth delivered \$25.5 billion in absolute dollar sales growth over the past four years – while general merchandise department sales fell by \$2.6 billion.

In terms of non-edibles (including alcoholic beverages and tobacco products), the alcoholic beverages and health care departments over delivered in terms of growth between 2012 and 2016. These two departments accounted for over half (54.1%) of the dollar share gains within the non-edible departments. The alcoholic beverage and health care departments delivered dollar share growth at a rate of nearly twice the “expected” level based on the department’s share positions in 2012. Increased health care costs seems to have led to more spending for over-the-counter medications. All other non-edible departments performed below expected levels.

# SUMMARY OF U.S. SHOPPING INSIGHTS (CON'T)

## What's Selling – Long-Term Category-Level Trends

Over the past four years, salty snacks, beer & malt based beverages, and traditional tobacco had the biggest gains in absolute dollar sales -- and innovation and demand shifts are behind these shifts in spending.

Salty snacks growth from innovation as well due to U.S. consumers increasing snacking occasions at the expense of main meals. Growth in fresh produce as we look to lead healthier lifestyles, but inflationary pressures at work here as well.

Candy has experienced price pressure from high commodity input costs, but manufacturers have also responded with innovation – particularly in premium segments.

In terms of categories with the biggest losses: Milk category dollar sales dropped by \$2.1 billion as prices have declined sharply and despite growth from milk substitutes and specialty milk products. Rather than purchase recorded moves on CDs, consumer demand has shifted to downloading via the internet. Soft drink declines from diet segment. Many consumers are using their smartphones as a replacement for a computer and software downloads come via the internet, so a decline in computer software sales. The ready-to-eat cereal category is still huge, but consumers are changing their breakfast eating habits and cereal is losing sales. We are reading more on-line, so a decline in magazine sales. Those smartphones are also being used to take pictures, so a sales decline in photographic supplies.

# SUMMARY OF U.S. SHOPPING INSIGHTS (CON'T)

## What's Selling – Short-Term Department-Level Trends

Over the most recent 52-weeks, price volatility (positive and negative) and consumer demand are the driving forces behind department trends. Deflationary pricing has been most problematic for the dairy, deli, general merchandise, and meat departments driving declines in dollar growth for all but the deli department where demand remains strong. Solid consumer demand for the produce (despite falling prices in recent quarters), alcoholic beverages, and health care departments too.

Most center-store departments have struggled for growth and this speaks to the stronger consumer perception around fresher offerings in the perimeter departments, the areas of the store receiving a great deal of retailer focus.

In terms of unit trends, trends are generally softer versus dollar trend metrics as consumers continue to make trade-offs or buy less – particularly in center-store categories.

# SUMMARY OF U.S. SHOPPING INSIGHTS (CON'T)

## Retail Channel Shopping Behaviors

Consumers looking for value and trends in store expansion have been the big drivers impacting how households shop retail channels. Since 2001, the percentage of households shopping in supercenters, dollar stores, and warehouse clubs have grown, while the percentage of households shopping in grocery, drug, mass-merchandise, and convenience/gas has shrunk. Value retailers are also grabbing shopping trips. The Grocery Channel has a significant advantage over other channels in terms of shopping frequency. However, as seen in prior years, shopping frequency within this channel is on the decline. In 2016, the average household made 52 trips to the Grocery channel—twenty fewer trips versus 2001.

Specialty channels (hardware/home improvement, department, office supply, pet, electronics, liquor, auto, bookstores, toy stores) have all experienced declines in household penetration since 2001.

# SUMMARY OF U.S. SHOPPING INSIGHTS (CON'T)

## Retail Trip Types

Between 2013 and 2016, routine, and stock-up trips types gained importance, while immediate trips declined. Nevertheless, immediate and fill-in trips dominate trip types in terms of overall trip share.

It's no surprise that households with income of \$100,000 or more account for the largest percentage of stock-up or large trips and less fortunate income groups favor immediate or small trips.

In terms of a ranking of category shopping occasions within trip type, basic foods (i.e., bread, milk, fresh produce and cheese) and treats (snacks, candy and carbonated beverages) top the list of categories included in small trips (immediate need and fill-in). Those same categories carry over into larger routine and stock-up trips, but rank orders differ.

# SUMMARY OF U.S. SHOPPING INSIGHTS (CON'T)

## Retail Channel Demographics

While channel blurring has consumers shopping in multiple retail channels throughout the year, there are clear differences in the demographic draw or spend across demographic groups. In terms of household income, warehouse club stores drive 43% of their annual sales from those with incomes of \$100k + or 62% from households with incomes of \$70k+. Convenience/gas and dollar stores pull a greater share of their sales from lower-income households. Smaller retail formats (dollar, c-store and drug) attract smaller households.

Opportunities to reach young, old and males at the retail channel level. Mass Merchandisers and supercenters skew younger, while Dollar and Drug formats attract older household dollars. C-stores are a big attraction for male-only households.

Mass Merchandisers draw a disproportionate amount of sales from households with kids. C-store and Drug grab dollars from those without kids.

In terms of race, supercenter and grocery sales are over-developed among Whites; club sales to Asian households; drug, c-stores and dollar stores are over-developed among Blacks. Mass and club are over-developed among Hispanics.

While much has been written about increases in the shopping behaviors of men, Nielsen findings illustrate how women dominate shopping trips and spending in all channels but convenience gas.

# SUMMARY OF U.S. SHOPPING INSIGHTS (CON'T)

## Grocery Shopping Strategies

Shopping planning is still a big part of most U.S. shopping trips, but frugal shopping subsided in 2016 versus what shoppers told us in 2014.

- In March of 2016, 56% of households claimed they use a shopping list on most grocery trips – down 2 percentage points from 2014.
- 47% of households claimed they compare unit prices on most grocery trips – down 4 percentage points from 2014.
- 35% of households claimed they use a store circular on most grocery trips – down 6 percentage points from 2014.
- 30% of households claimed they use coupons on most grocery trips – down 2 percentage points from 2014.

Are these shifts a function of an improving economy, a matter of shopper fatigue, and/or the influence of younger shoppers who are less likely to use traditional store circulars?

# RETAIL LANDSCAPE & PERFORMANCE

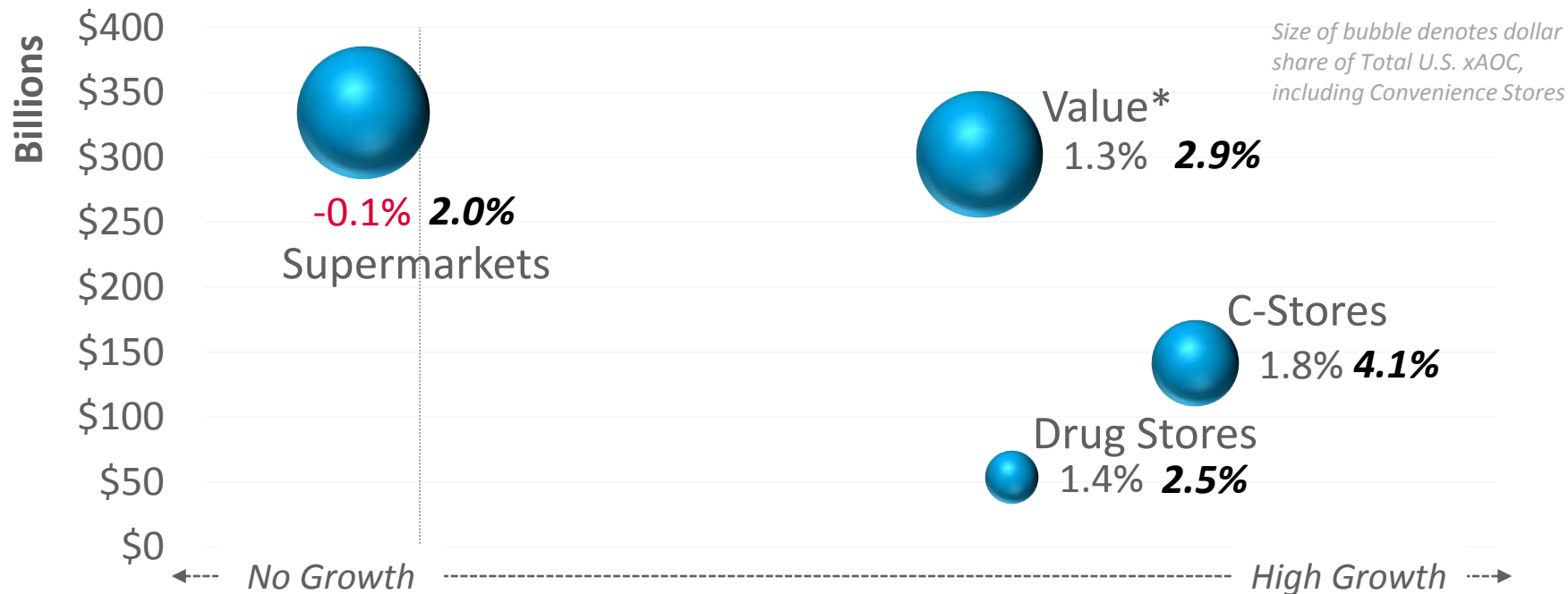
Competition heats up!



# FOOD DEFLATION W/GREATEST IMPACT ON SUPERMARKET GROWTH, BUT MOST IMPACTED

All Departments – Dollar Sales & Trend

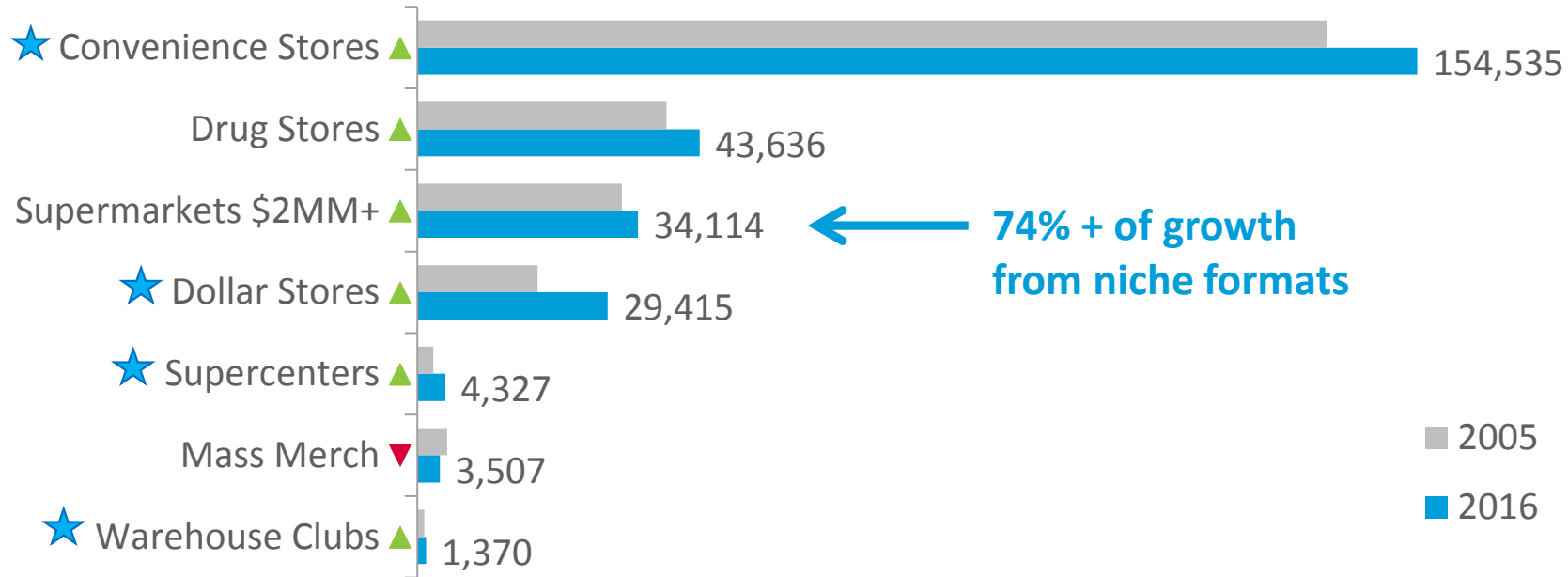
**Bold = same period year ago**



Total measured channels: \$831 Billion & up 0.8%

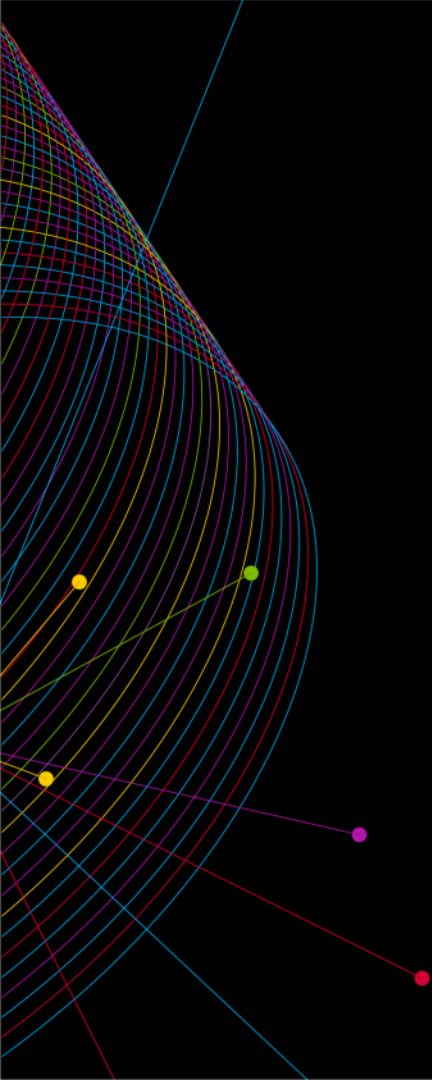
# CONVENIENCE & VALUE DRIVE STORE EXPANSION

## U.S. Store Counts



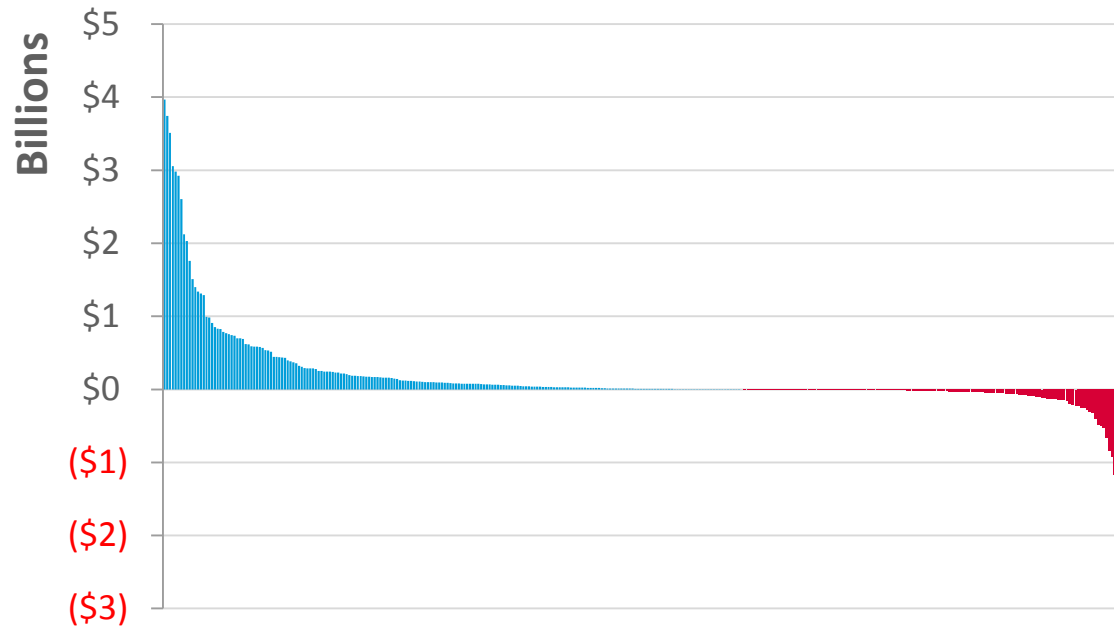
Expansion from all formats but Mass Merchandisers in 2016 vs. previous year

# WHAT'S SELLING?



# DEMAND SHIFTS & PRICE VOLATILITY BEHIND WINNING & LOSING CATEGORIES

Absolute Dollar Loss/Gain versus **four** years ago



## Top 10 with increases vs. 4-years ago

1. Salty Snacks
2. Beer & Malt Based Beverages
3. Traditional Tobacco
4. Vegetables & Herbs
5. Fruit
6. New Age Beverage
7. Water
8. Candy
9. Wine
10. Vitamins & Supplements

## Top 10 with decreases vs. 4-years ago

1. Milk
2. Video Products Prerecorded
3. Soft Drinks
4. Ready-to-Eat Cereal
5. Computer Software
6. Magazines
7. Sugar
8. Home, School & Office Supply
9. Photographic Supplies
10. Margarine & Spread

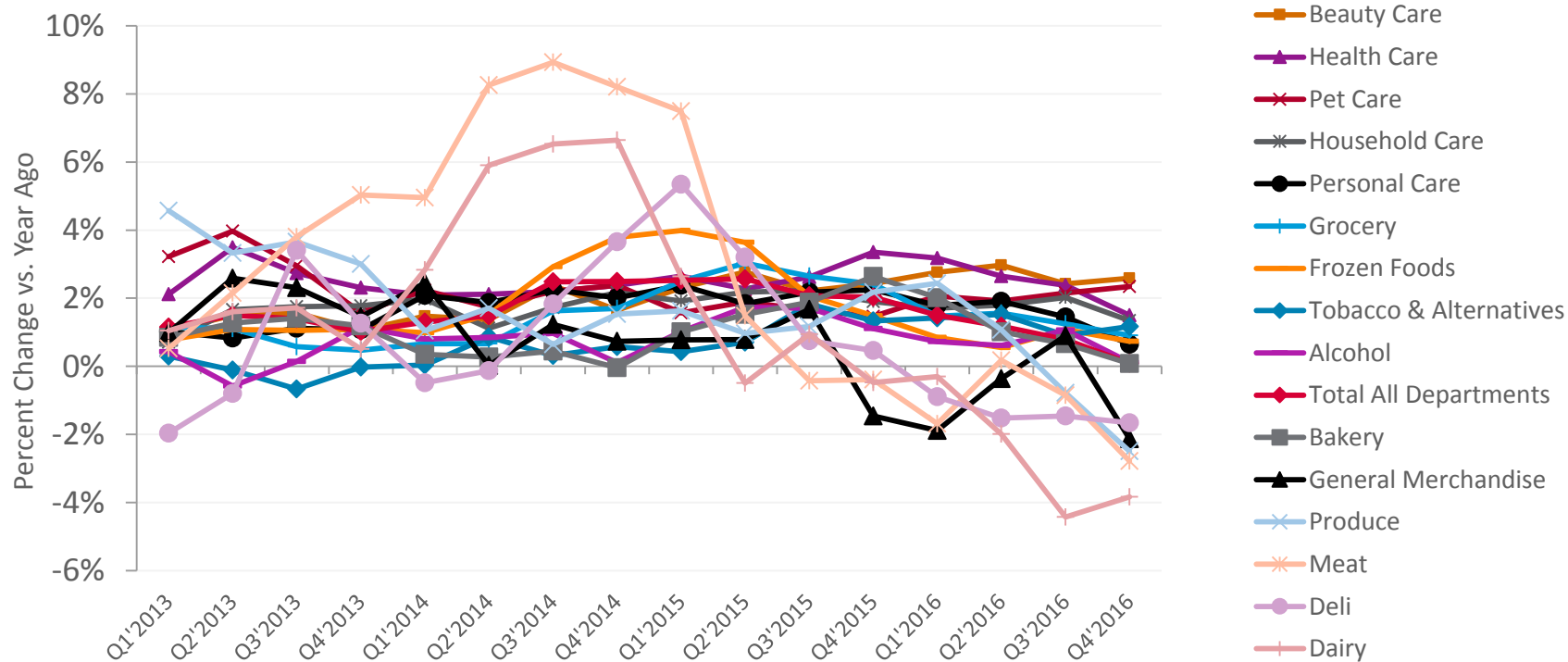
Overall gains were \$57.3 billion versus four years ago;  
206 categories with increases; 136 categories with decreases

Source: Nielsen Answers, Total U.S. – All Outlets Combined (plus Convenience), 52 weeks ending 12/31/2016 (vs. 4-years ago), 342 major category groupings

UPC-coded items

# GROWTH CHALLENGES: INFLATIONARY PRESSURES FALL & DEFLATIONARY PRESSURES RISE

## Average Unit Price Trend

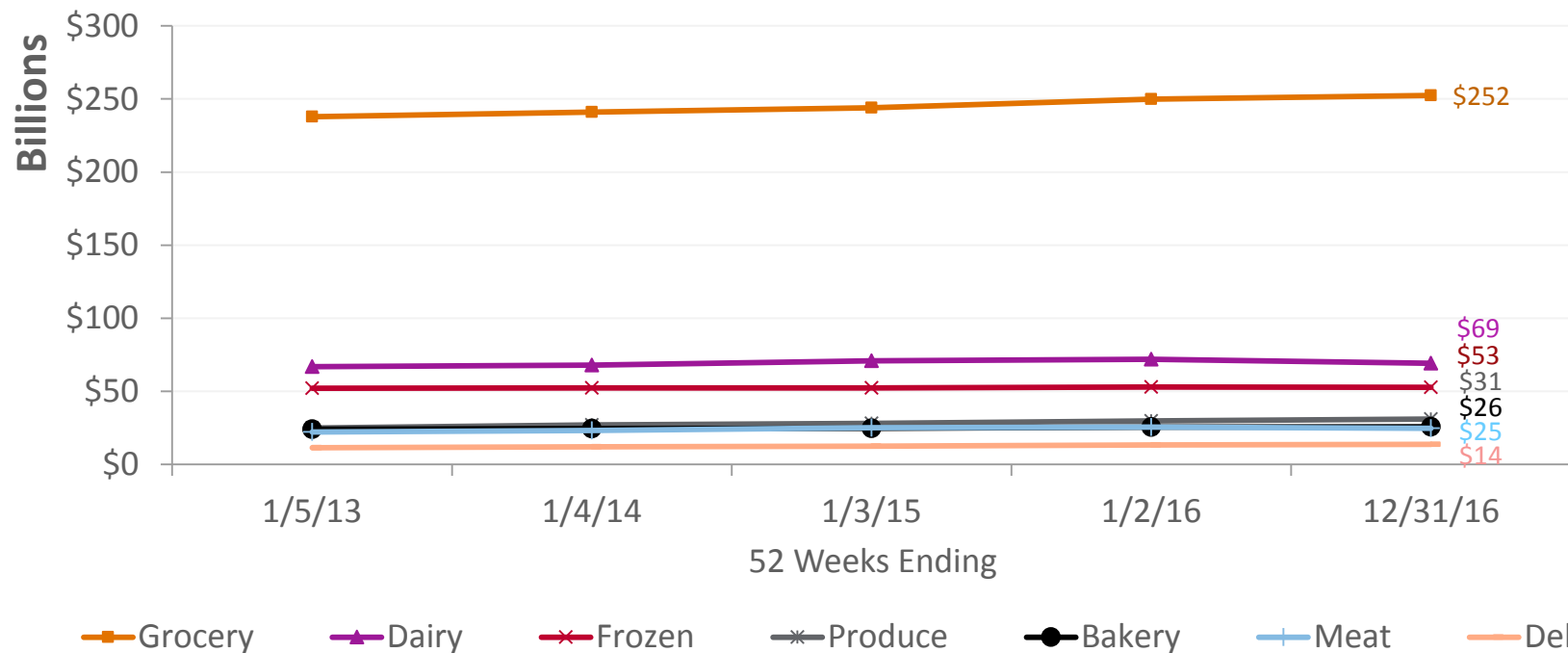


Source: Nielsen Answers, Total U.S. – All Outlets Combined (plus Convenience), 13 weeks increments (average unit price percent change vs. year ago)

UPC-coded items

# GROCERY DWARFS OTHER EDIBLE DEPARTMENTS

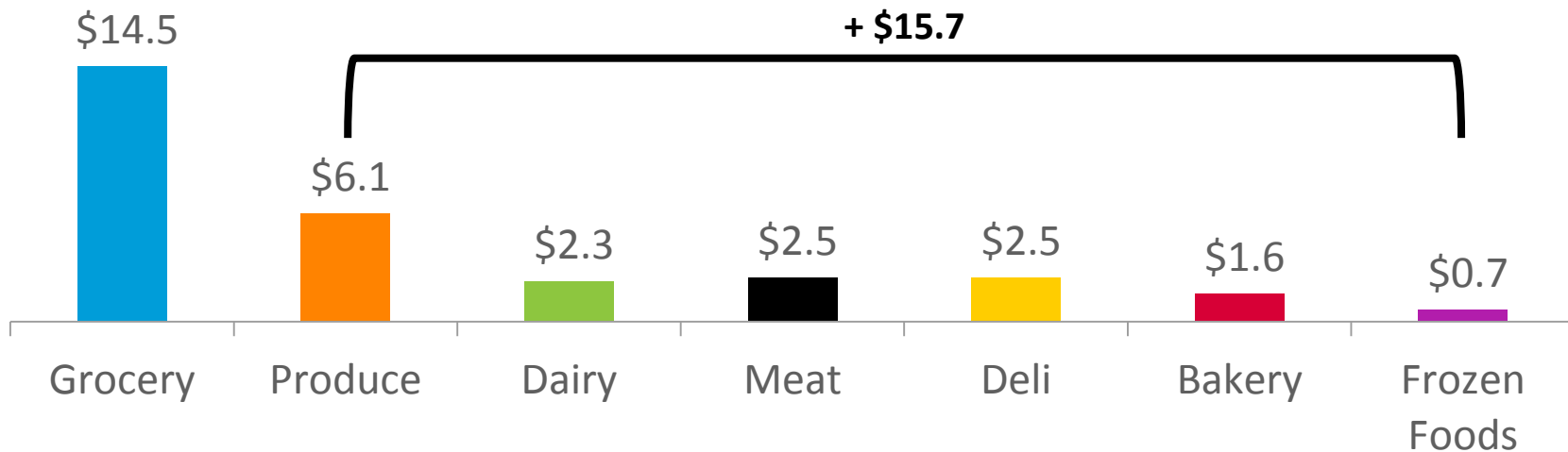
Dollar Sales: Edible Departments (excluding Alcoholic Beverages)



# GROCERY DELIVERED \$14.5 BILLION IN ABSOLUTE DOLLAR SALES GROWTH OVER PAST 4 YEARS

Almost as much as the combined sales growth for all other edible departments

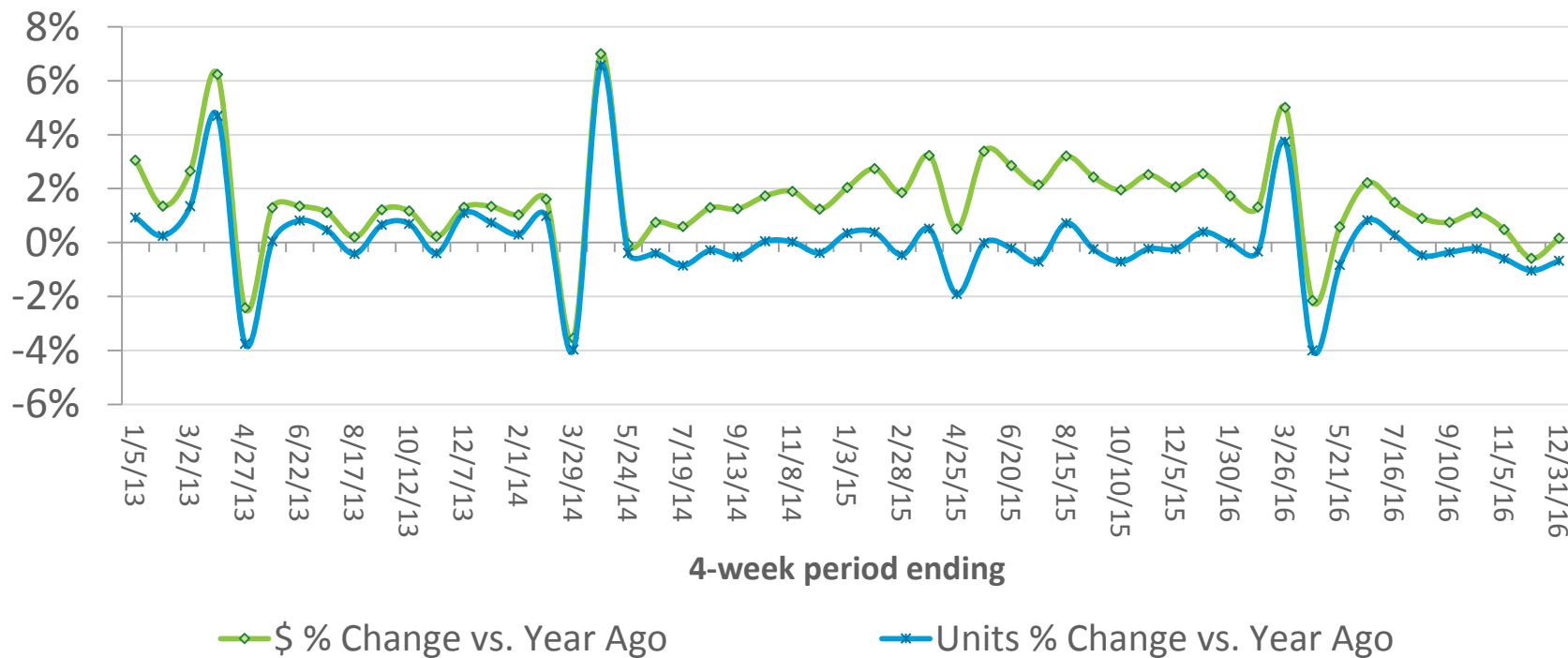
Change in \$ Sales (billions) from 2012



Edible Departments (excluding Alcoholic Beverages)

# MODEST DOLLAR GROWTH STALLS, WHILE UNIT GROWTH STILL A CHALLENGE

Grocery – All Outlets Combined (plus Convenience)



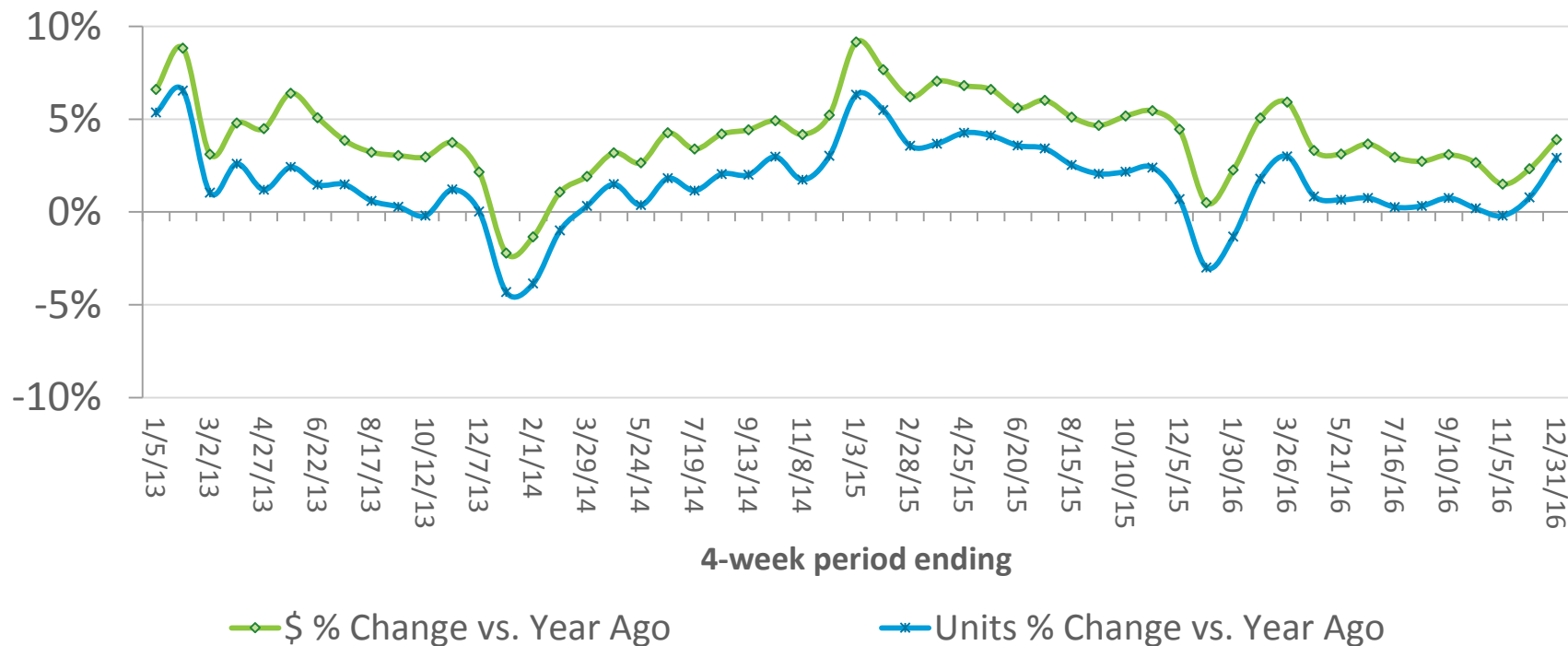
Source: Nielsen Answers, Total U.S. – All Outlets Combined (plus Convenience), 4 week increments (vs. year ago)

UPC-coded items



# DOLLAR SALES REMAIN POSITIVE & UNIT GROWTH SHOWS UPTICK IN RECENT PERIODS

Health Care – All Outlets Combined (plus Convenience)

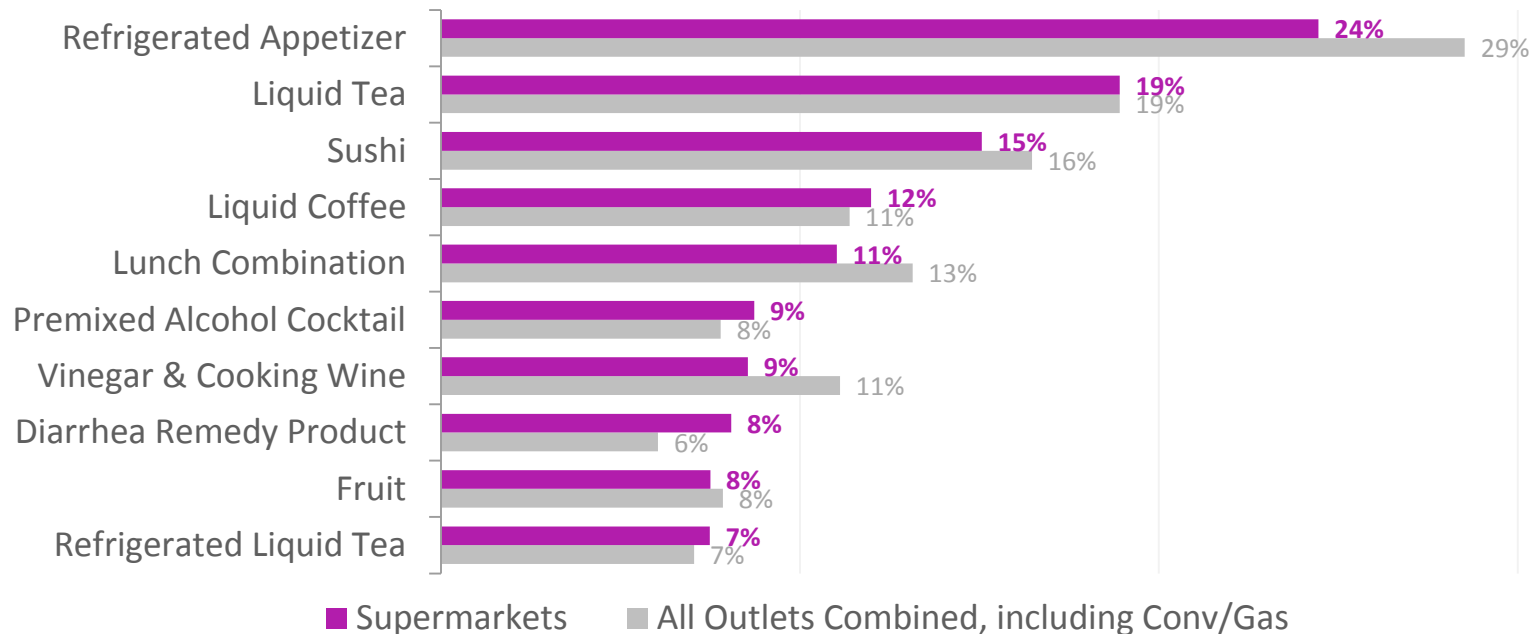


Source: Nielsen Answers, Total U.S. – All Outlets Combined (plus Convenience), 4 week increments (vs. year ago)

UPC-coded items

# FASTEST GROWING CATEGORIES MOSTLY EDIBLES

## Fastest Growing Supermarket Categories\* (Dollar Trend)

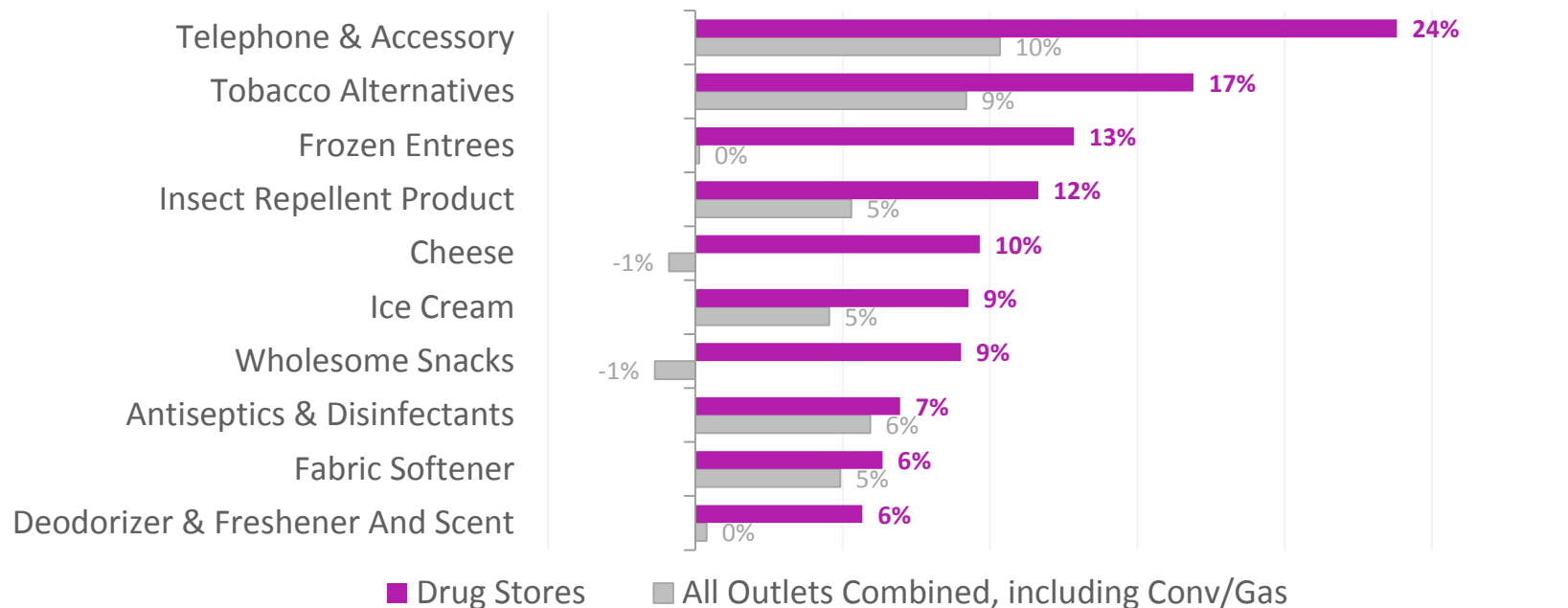


Supermarkets driving faster growth in four of these categories

Source: Nielsen Answers, Total U.S. All Outlets Combined (plus Convenience), 52 weeks ending 12/31/2016 (vs. year ago), categories w/ sales of \$50 million+ in Food \$2MM+ Channel

# MIX OF EDIBLE & NON-EDIBLE CATEGORIES ON FASTEST GROWTH LIST

Fastest Growing Drug Store Categories\* (Dollar Trend)

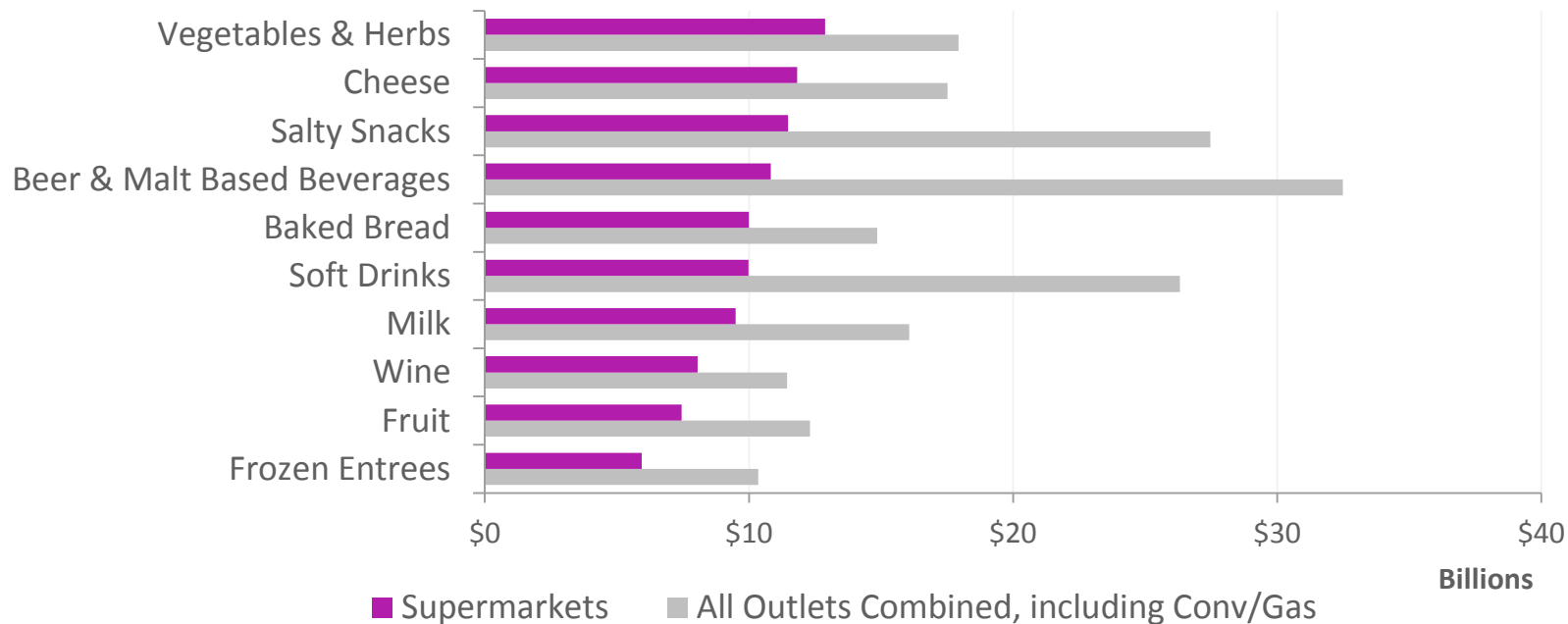


Is your category a trip driver or a basket builder?

Source: Nielsen Answers, Total U.S. All Outlets Combined (plus Convenience), 52 weeks ending 12/31/2016 (vs. year ago), categories w/ sales of \$50 million+ in Drug \$1MM+ Channel

# TOP SELLING CATEGORIES ALL EDIBLES

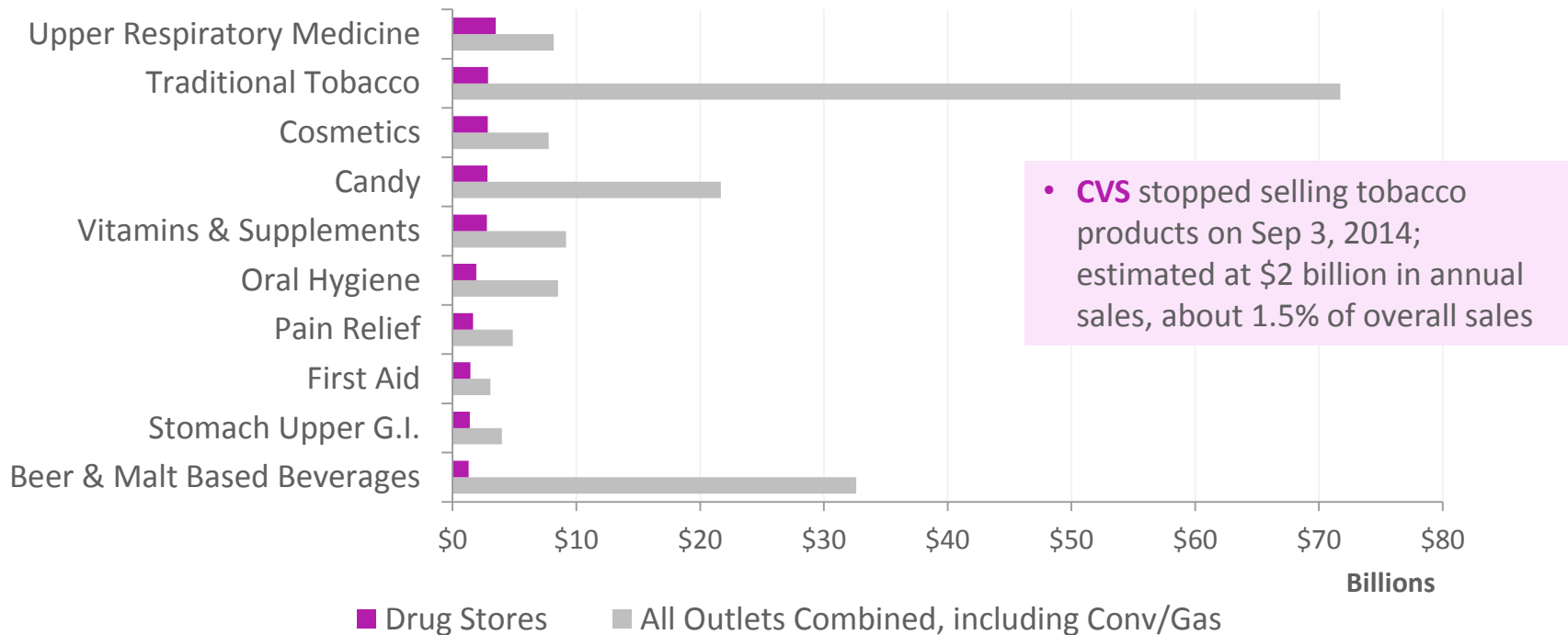
Top Selling Supermarket Categories (\$ in billions)



But supermarkets don't always hold dominate share in big categories

# NON-EDIBLES DOMINATE TOP SELLING CATEGORIES

Top Selling Drug Store Categories (\$ in billions)



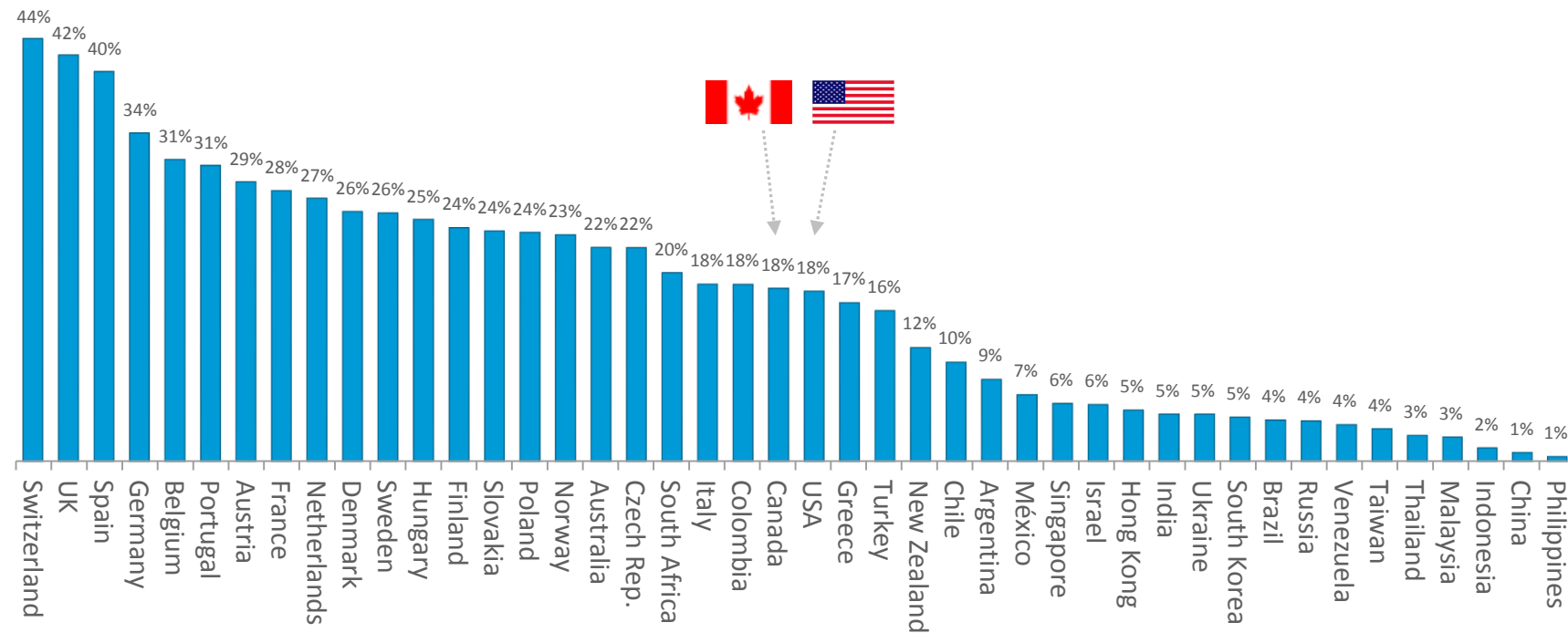
# PRIVATE BRANDS\*



\*AKA:  
PRIVATE LABEL,  
STORE BRANDS,  
OWN BRANDS

# U.S. PRIVATE BRAND SHARE IN THE MIDDLE OF THE PACK

Weighted Global Average: 16.1% (with China); 18.1% (without China)

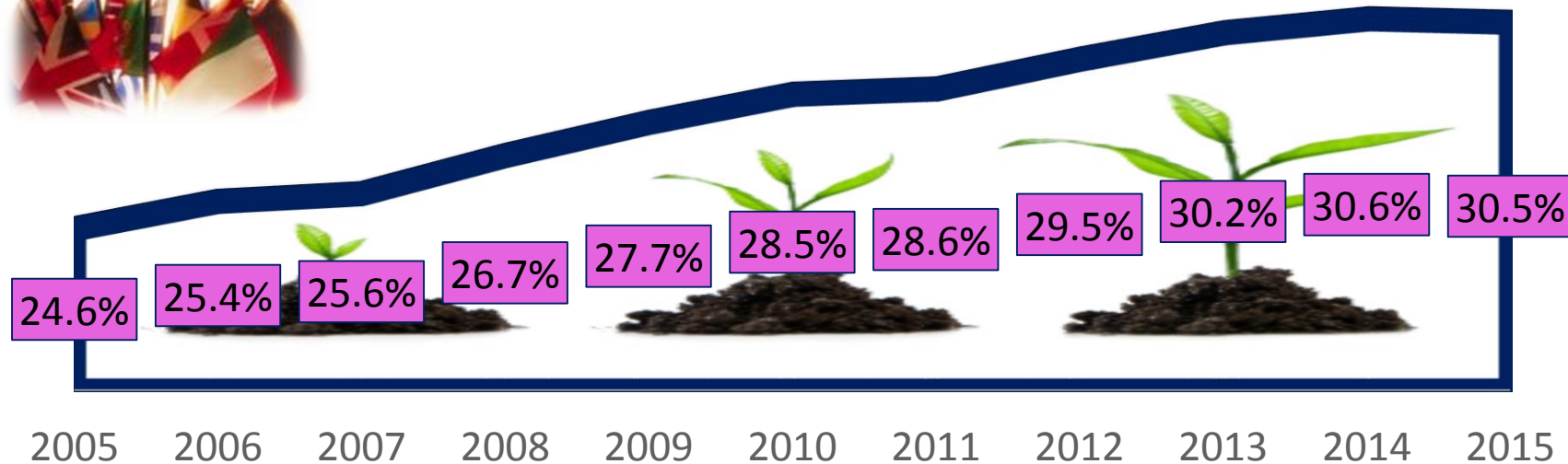


Source: Nielsen

Reference Period: 2015

# EUROPEAN RETAIL BRANDS VALUE SHARE TREND STALLS

11 years & 17 countries\*



“Private Label is no longer a generic trend. Now it’s about details and micro trends – category-by-category and retailer-by-retailer. When we look at category numbers, we observe all kinds of direction.”

–Jean-Jacques Vandenheede, Nielsen Europe

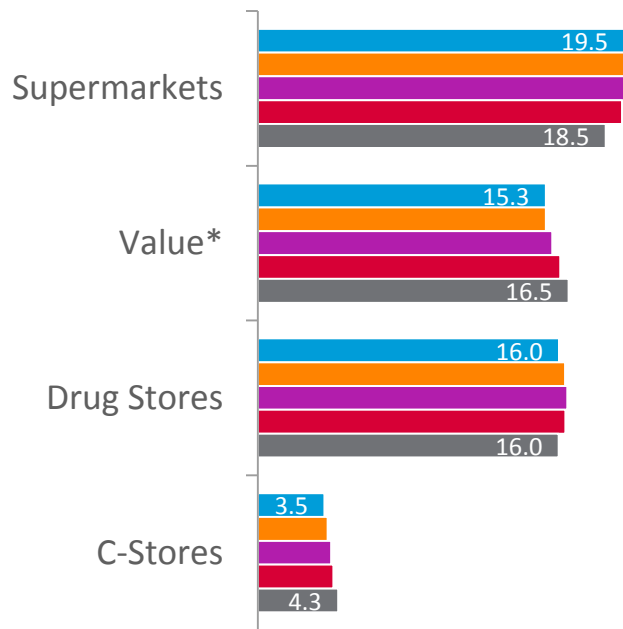
\* Austria, Belgium, Czech Rep, Denmark, Finland, France, Germany, Hungary, Italy, Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, UK

Source: Nielsen

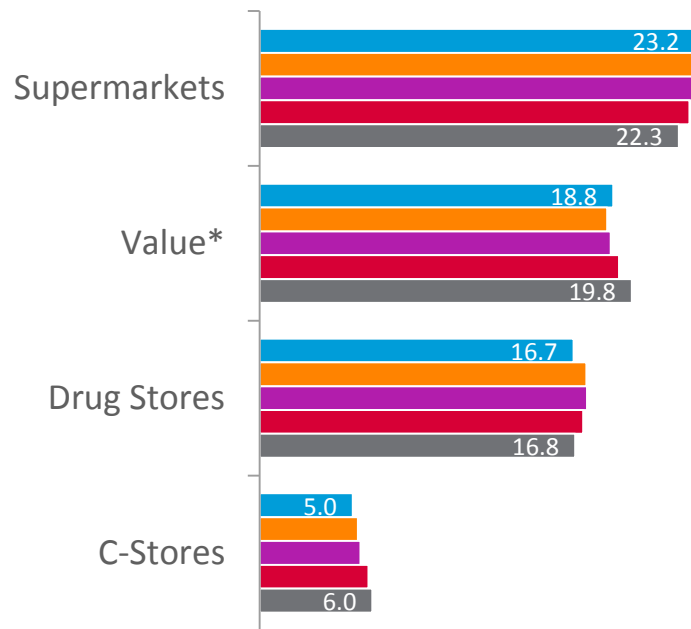


# LARGEST U.S. PRIVATE BRANDS SHARES IN SUPERMARKETS, BUT SHARES HAVE SLIPPED

## Private Brands Dollar Share



## Private Brands Unit Share

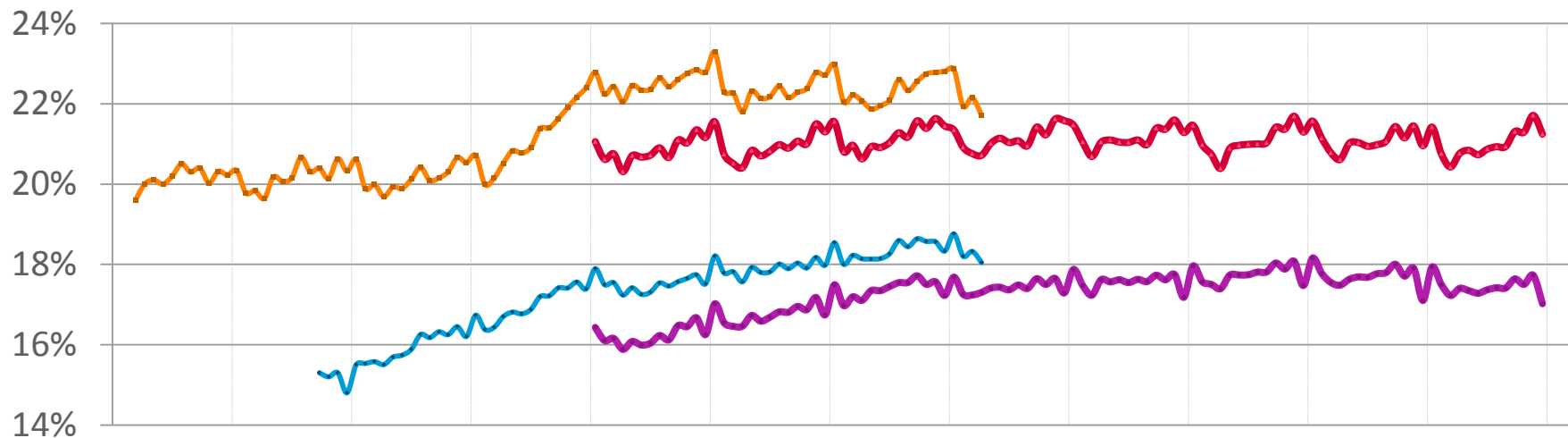


52 Weeks Ending: ■ 1/5/2013 ■ 1/4/2014 ■ 1/3/2015 ■ 1/2/2016 ■ 12/31/2016

Source: Nielsen Answers, Total U.S.;\*Club Stores, Dollar Stores, Mass-Merchandisers, Supercenters, & Military

UPC-coded items

# BRANDS NOW WINNING SHARE



|                | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016* |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| PB Unit Share: | 20.3% | 20.3% | 20.3% | 21.1% | 20.8% | 21.0% | 21.2% | 21.1% | 21.2% | 21.1% | 21.1% | 21.0% |
| PB \$ Share:   | 15.3% | 15.9% | 15.9% | 17.0% | 16.2% | 16.8% | 17.4% | 17.4% | 17.6% | 17.7% | 17.7% | 17.4% |

— Private Brand \$ Share FDMWM

— Private Brand Unit Share FDMWM

— Private Brand \$ Share xAOC

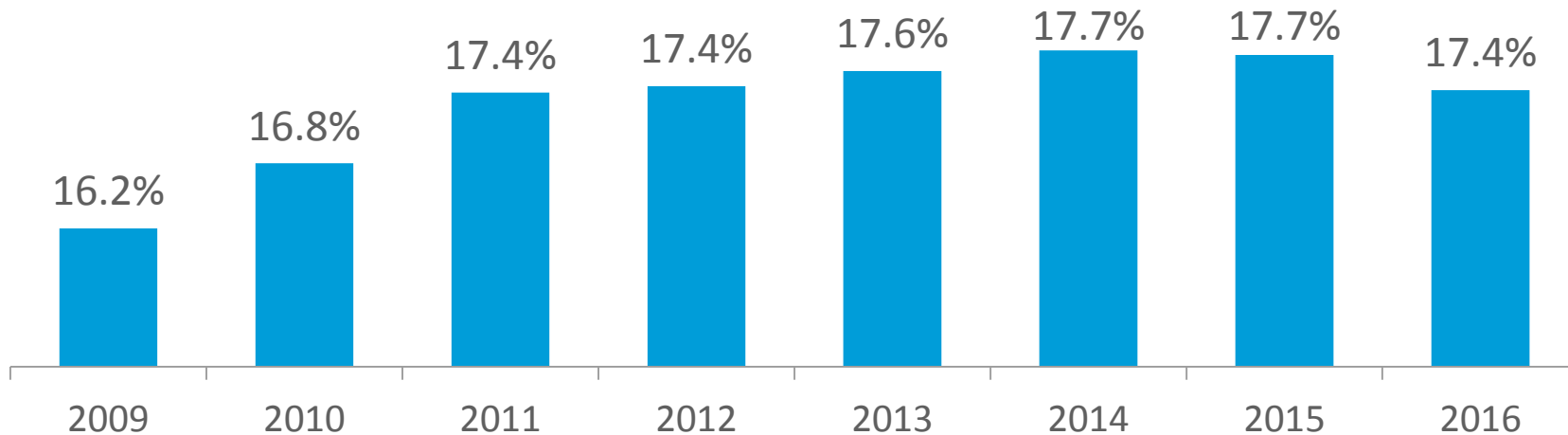
— Private Brand Unit Share xAOC

Sources: Nielsen Strategic Planner, Total U.S. – FDMxWM thru 4/14/2012;

Nielsen Answers, Total U.S. – xAOC 4 week increments thru 12/31/2016; \*CY 2016 period ending 12/31/2016

# U.S. PRIVATE BRANDS GROWTH LAGGING BRANDED

Private Brands \$ Share – All Departments

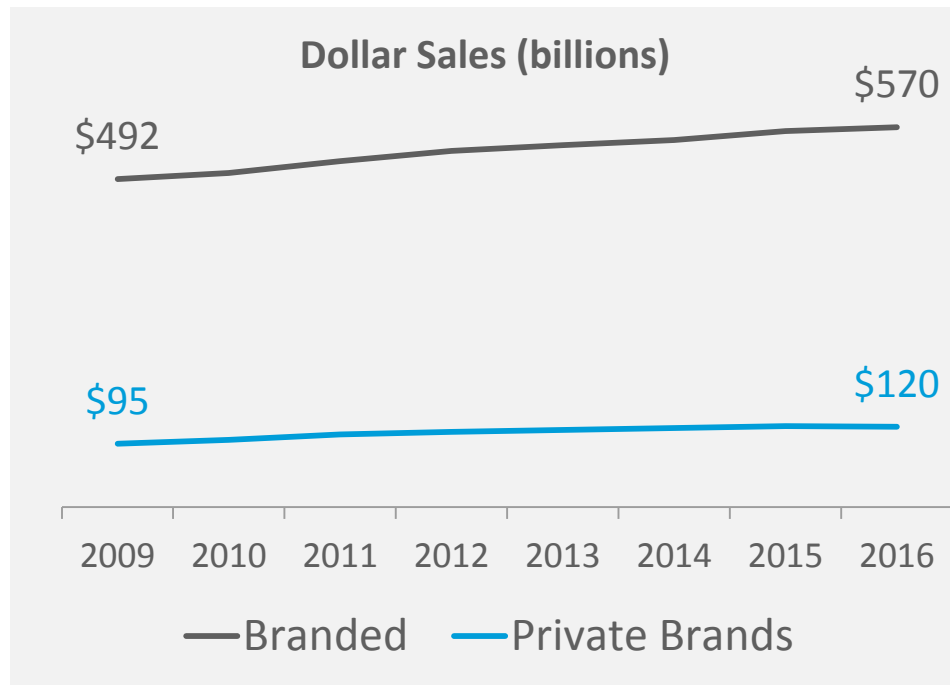


## Dollar Sales Percent Change vs. Year Ago

|               |       |       |       |       |       |       |       |
|---------------|-------|-------|-------|-------|-------|-------|-------|
| Private Brand | +4.9% | +8.1% | +3.0% | +2.5% | +2.7% | +2.2% | -0.9% |
| Branded       | +1.2% | +3.3% | +2.7% | +1.6% | +1.4% | +2.5% | +0.9% |

# BRANDS DELIVERED \$78 BILLION IN GROWTH VERSUS \$25 BILLION FROM PRIVATE BRANDS

Branded versus Private Brands Sales

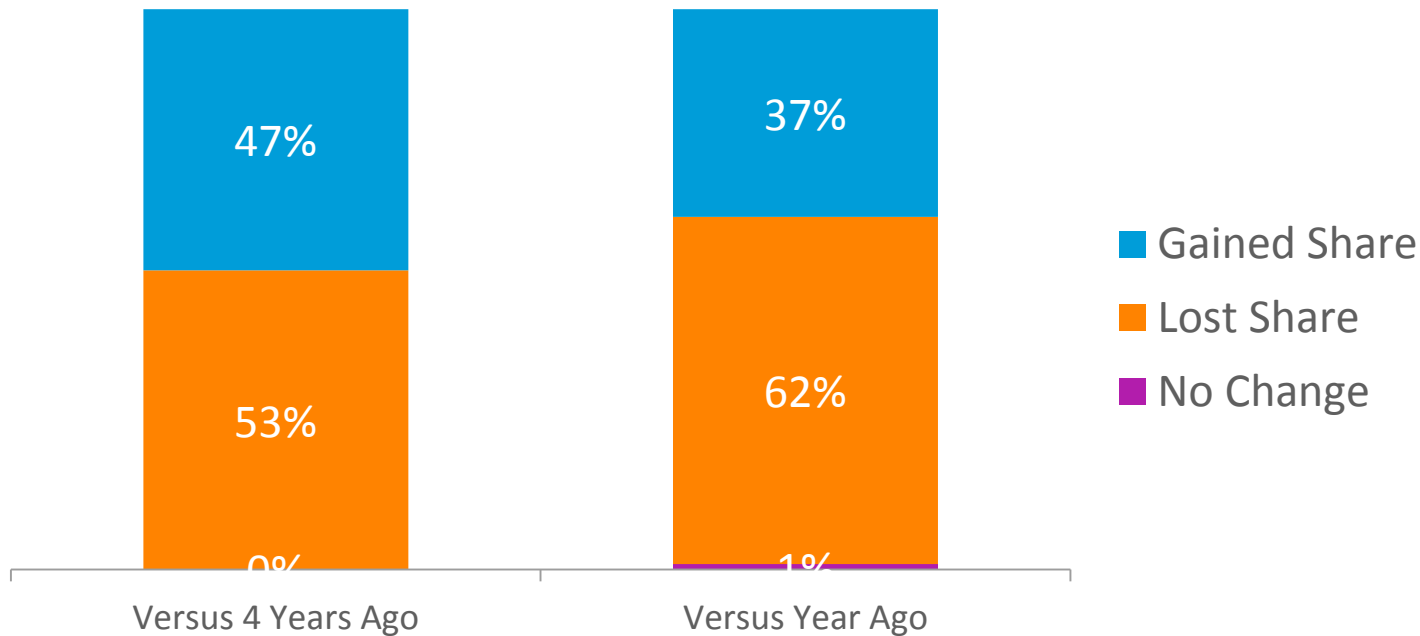


Source: Nielsen Answers, Total U.S. – All Outlets Combined (xAOC), 52 weeks ending 12/31/2016

UPC-coded items

# IN LATEST 52-WEEKS, PRIVATE BRANDS LOST SHARE IN OVER HALF (62%) OF CATEGORIES

% of Private Brands Categories which:

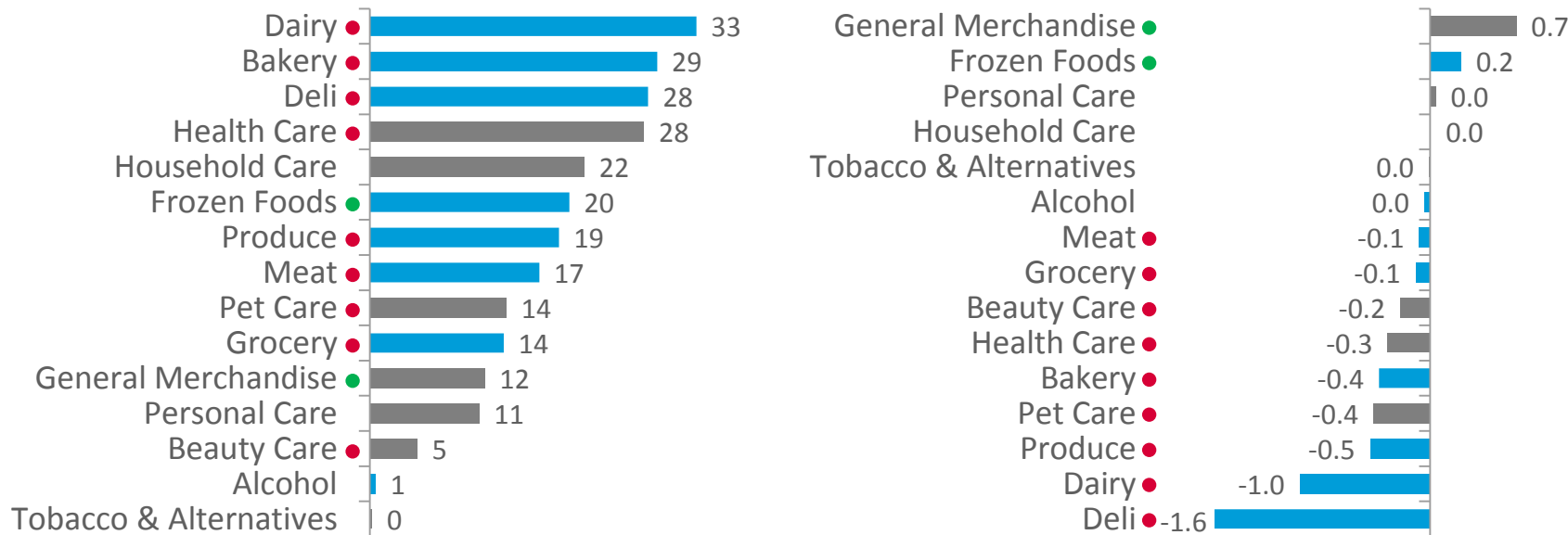


Only 37% of categories experienced private brands share growth in latest 52-weeks

# BIGGER SHARE IN EDIBLE DEPARTMENTS; SHARE EROSION ACROSS MOST DEPARTMENTS

Private Brands: Dollar Share & Point Change versus Year Ago

■ Edibles ■ Non-Edibles ● Share Loss ● Share Gain

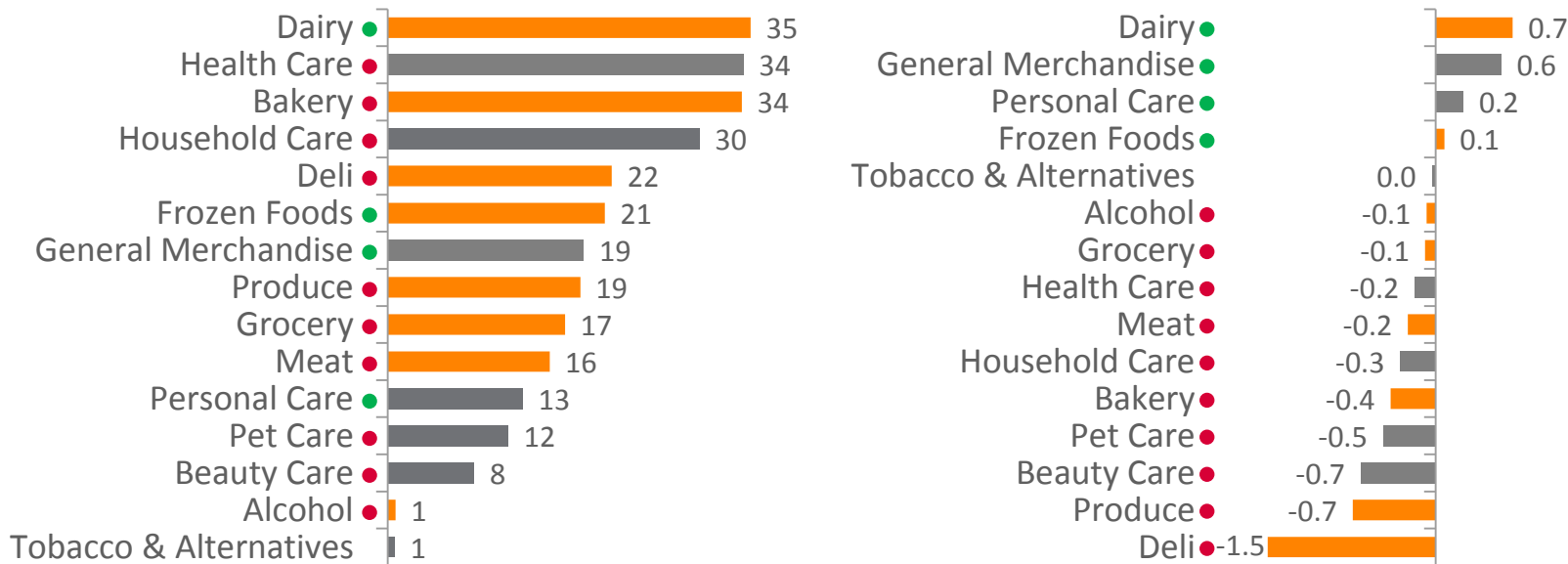


All Departments Private Brands \$ Share: 17.4%; -0.3 pts vs. year ago

# NON-EDIBLES W/STRONGER UNIT SHARE; SHARE EROSION ACROSS MOST DEPARTMENTS

Private Brands: Unit Share & Point Change versus Year Ago

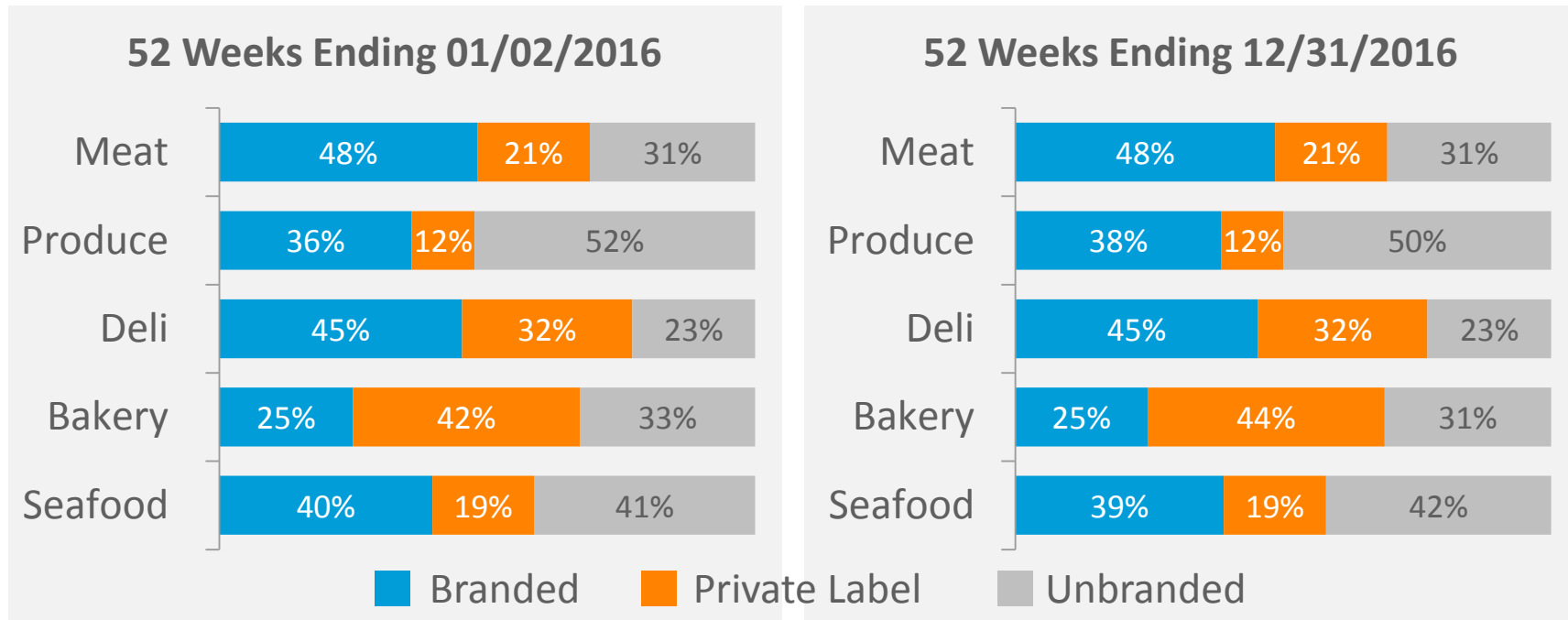
Edibles Non-Edibles Share Loss Share Gain



All Departments Private Brands Unit Share: 21.0%; -0.1 pts vs. year ago

# SIGNIFICANT PRIVATE BRAND SHARE POSITIONS IN THE PERIMETER OF THE STORE

Dollar Share of Private Brands (PLU, UPC & System 2 codes)



Unbranded more significant in three of five major fresh departments

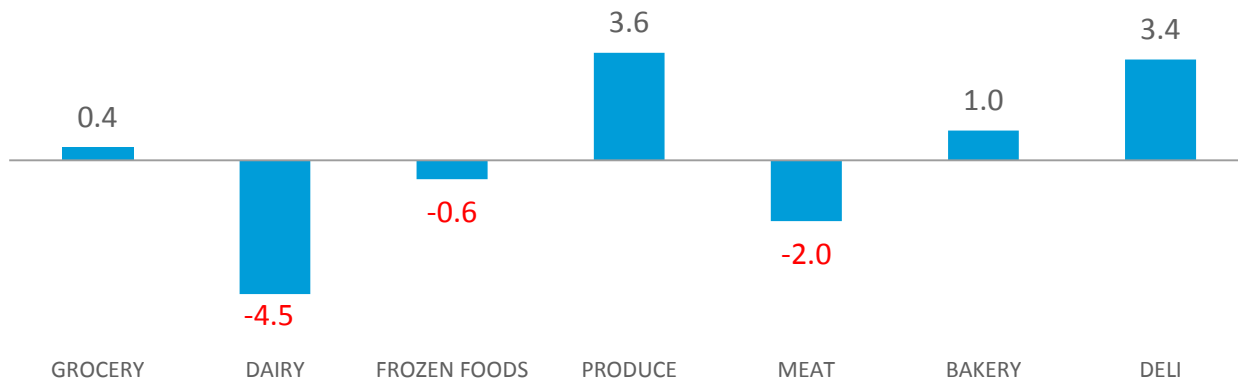


# PERIMETER OF THE STORE LEADS GROWTH

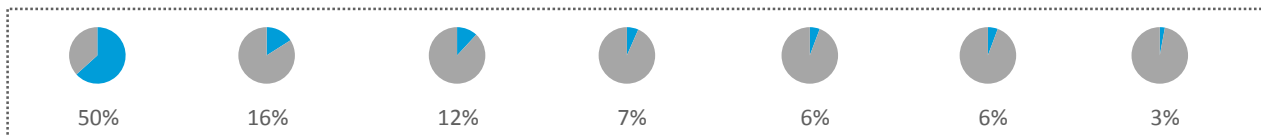
While Grocery is the largest, the segment is flat vs YA



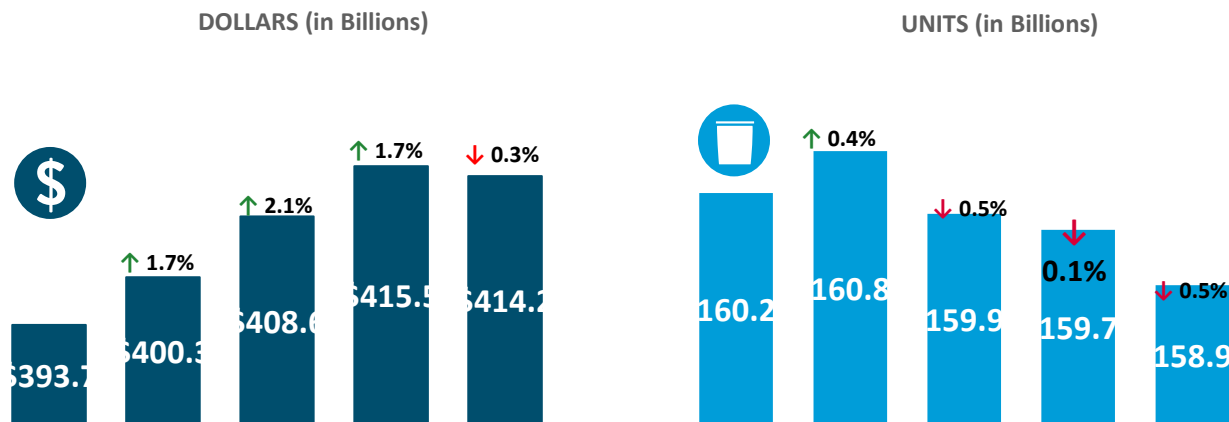
TOTAL FOOD DEPARTMENT GROWTH & SHARE (\$414B, -0.3%)



DOLLAR SHARE OF PAIN RELIEF:



# UNIT AND DOLLAR TRENDS SOFTEN IN THE LATEST YEAR

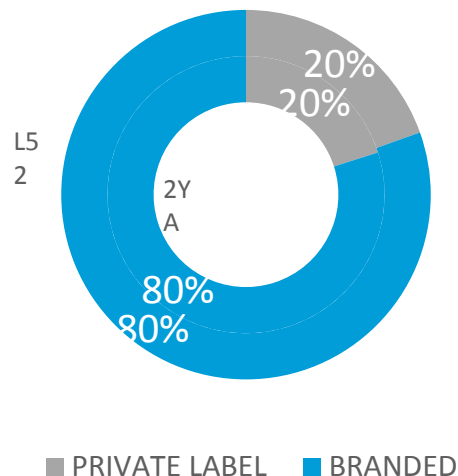


Note: "L52W" is Latest 52 Weeks of scanning sales

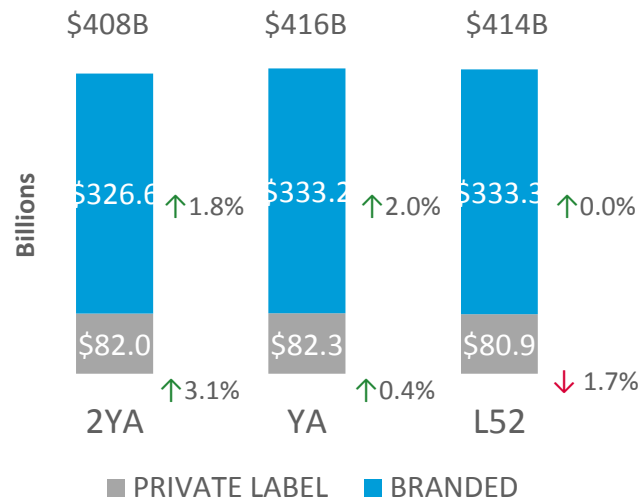
# PRIVATE LABEL SALES DECLINE IN THE LATEST YEAR



## TOTAL FOOD DOLLAR SHARE

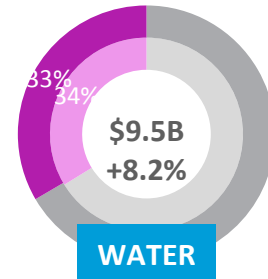
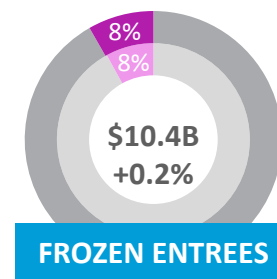
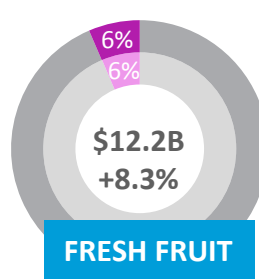
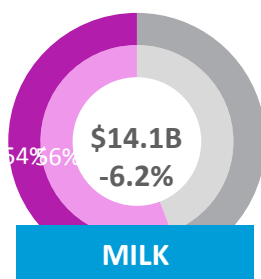
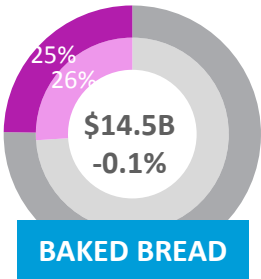
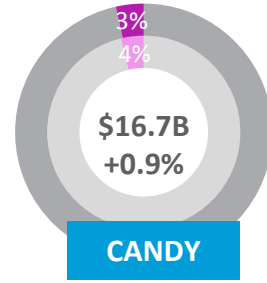
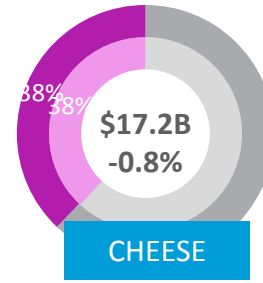
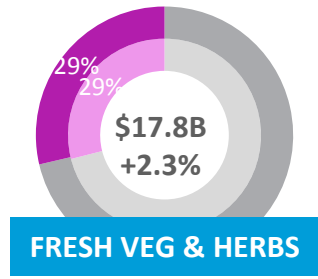
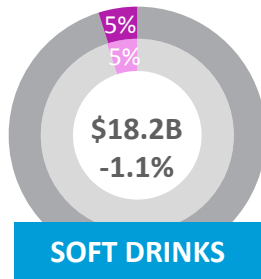
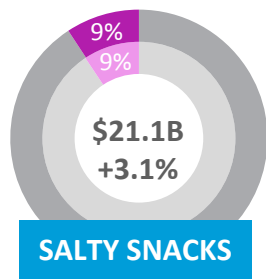


## TOTAL FOOD DOLLAR SALES TRENDS



# PL SHARES REMAIN RELATIVELY CONSISTENT FOR TOP FOOD CATEGORIES

Top 10 Food Categories - Branded vs. Private Label - \$ Share



# HEALTH & WELLNESS



# OBESEITY & OVERWEIGHT INCREASING WORLDWIDE

37

Percentage of the world's adult population that is overweight or obese

0

Number of countries succeeding in decreasing obesity in last 33 years

14

Percentage of overweight or obese children and adolescents worldwide

62

Percentage of the world's obese living in developing countries

The U.S. accounts for **13%** of the number of obese people globally but just **5%** of the world's population

Source: Institute for Health Metrics and Evaluation at the University of Washington; Frank Pompa, USA TODAY

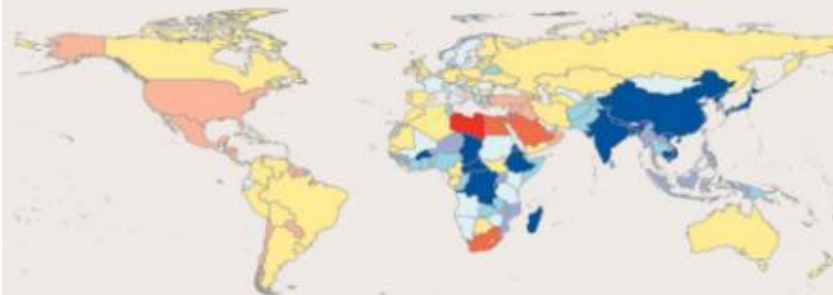
3.4  
million

DEATHS CAUSED  
by overweight  
AND OBESEITY



Obesity and overweight  
**INCREASED**  
27.5% IN ADULTS  
47.1% IN CHILDREN  
SINCE 1980

## OBESEITY IN WOMEN WORLDWIDE, 2013



Prevalence (%)



IHME

W UNIVERSITY of WASHINGTON

# 4

## SUCCESS STRATEGIES

MANUFACTURERS

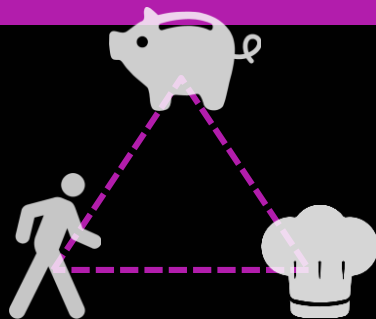


### KEEP IT SIMPLE

Remove or replace undesirable ingredients, especially those seen as objectionable.

### MAKE IT CONVENIENT, COST EFFECTIVE & TASTY.

Combine these attributes to help time-crunched consumers.



### INNOVATE. INVEST. ACQUIRE.

New product development is critical. Don't go at it alone.



### DON'T IGNORE INDULGENCE CATEGORIES

Look beyond traditionally healthy to make indulgences less sinful.



# FACTORS HEIGHTENING FOCUS ON CLEAN EATING



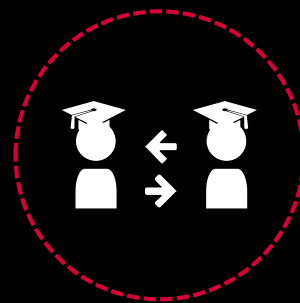
**GLOBAL  
GRAYING**



**CHRONICALLY  
AILING**



**FOOD AS  
MEDICINE**



**EDUCATED &  
CONNECTED  
CONSUMERS**



TWO-THIRDS OF  
GLOBAL  
RESPONDENTS (68%)  
SAY THEY'RE WILLING  
TO PAY MORE FOR  
FOODS AND DRINKS  
THAT **DON'T** CONTAIN  
UNDESIRABLE  
INGREDIENTS.



55%

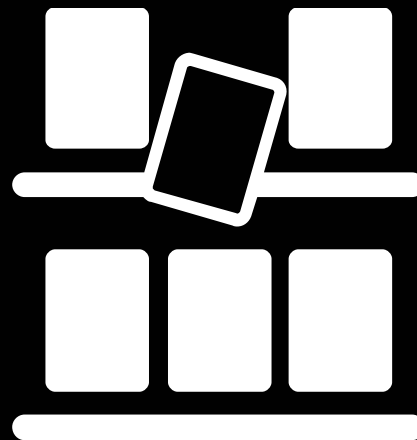
**FEWER THAN HALF (45%)**

OF GLOBAL RESPONDENTS WHO SAY  
THEY HAVE A FOOD SENSITIVITY OR  
LIMITATION SAY THEIR

**NEEDS ARE BEING**

**FULLY MET**

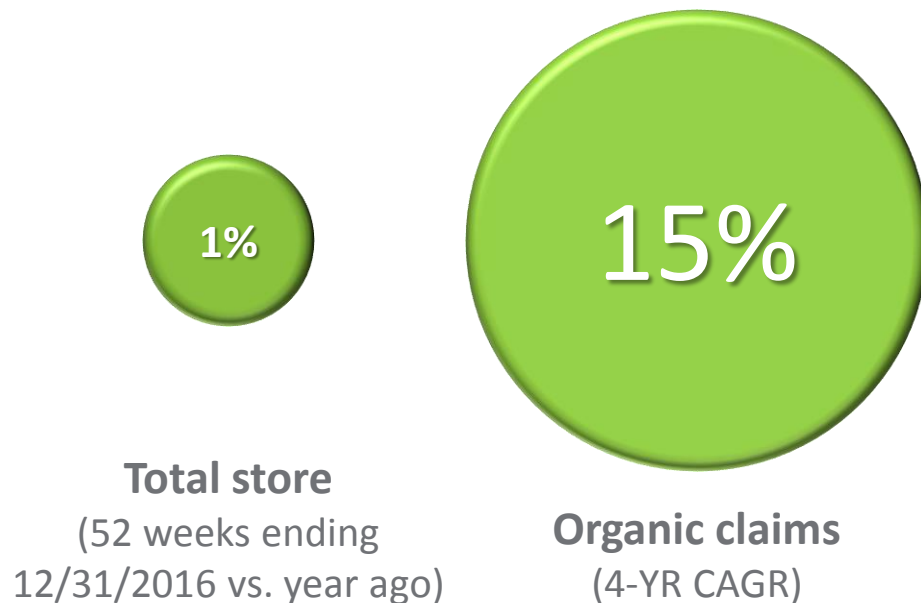
BY CURRENT PRODUCT OFFERINGS.



58%

# HEALTH & WELLNESS OUTPACING RETAIL GROWTH

Dollar growth



Top 5 CAGR (\$) over four years:


- |               |      |
|---------------|------|
| 1. Amaranth   | 108% |
| 2. Chia       | 86%  |
| 3. Grass Fed  | 69%  |
| 4. Grain Free | 65%  |
| 5. Quinoa     | 57%  |

Top 5 Dollar Growth vs. year ago:

- |                 |     |
|-----------------|-----|
| 1. Grain Free   | 49% |
| 2. Cruelty Free | 42% |
| 3. Grass Fed    | 42% |
| 4. Corn Free    | 26% |
| 5. Amaranth     | 22% |

Wellness claims not just for humans; majority of grain sales in pet categories

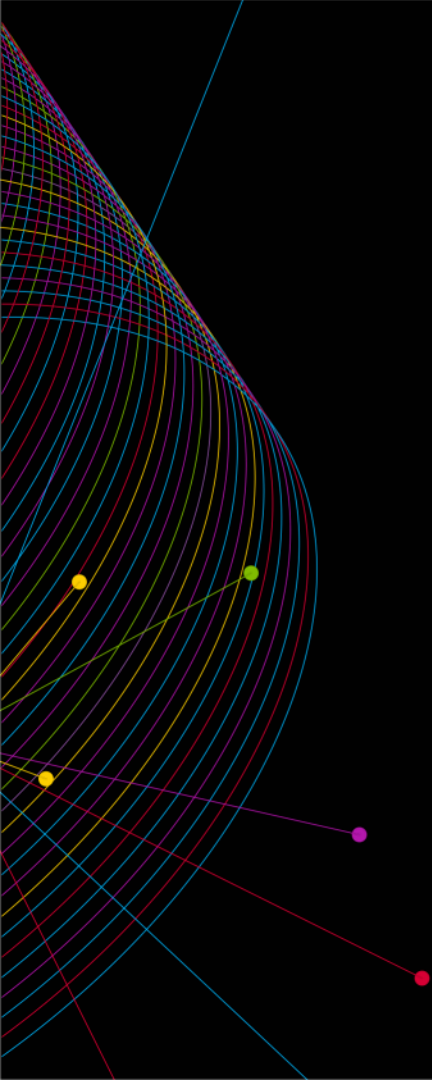
Source: Nielsen Answers, Wellness Track, Total U.S. – All Outlets Combined, plus Convenience, 52-weeks ending 12/31/2016, CAGR = compound annual growth rate; Note: Wellness claims are not additive

An abstract graphic on the left side of the slide. It features a cone-like shape formed by a grid of thin, curved lines in various colors (blue, green, yellow, red, purple). Several small dots of the same colors are placed along these lines, with thin lines extending from them towards the right.

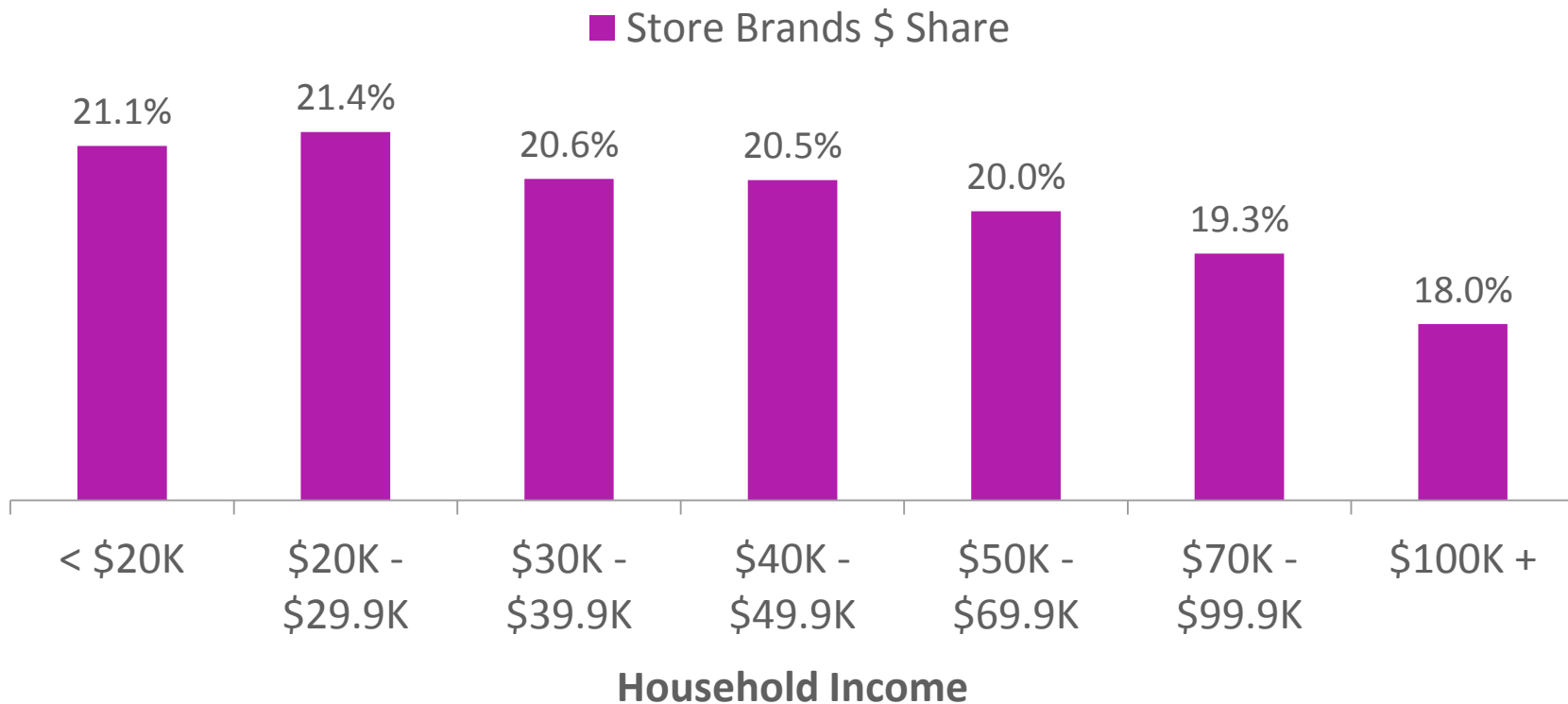
ARE BRANDS OUT-INNOVATING AND/OR  
OUT-PROMOTING PRIVATE BRANDS, OR  
WITH AN IMPROVED ECONOMY, ARE FEWER  
HOUSEHOLDS TURNING TO PRIVATE BRANDS  
TO SAVE MONEY?

ARE THERE OTHER FACTORS AT PLAY?

# ECONOMIC DIVIDE

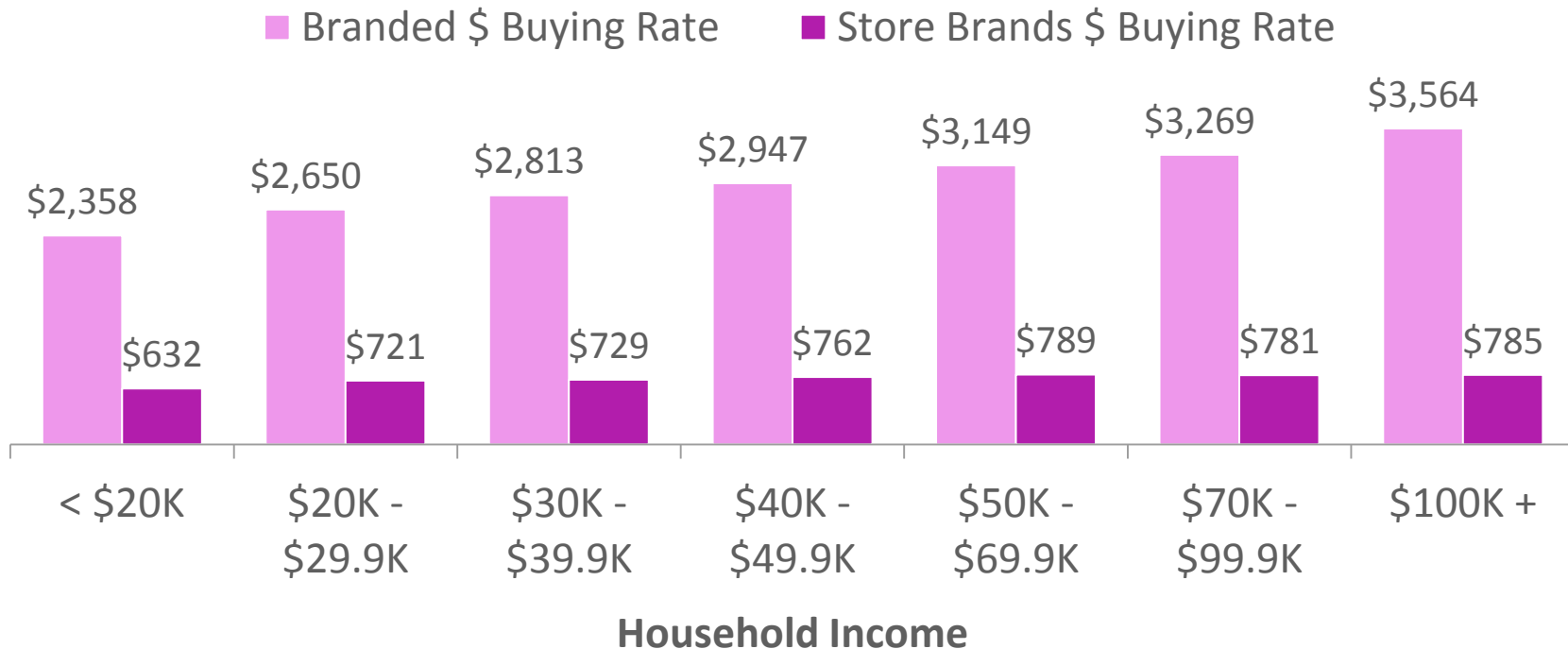


# STORE BRANDS CONNECT W/LOWER INCOME



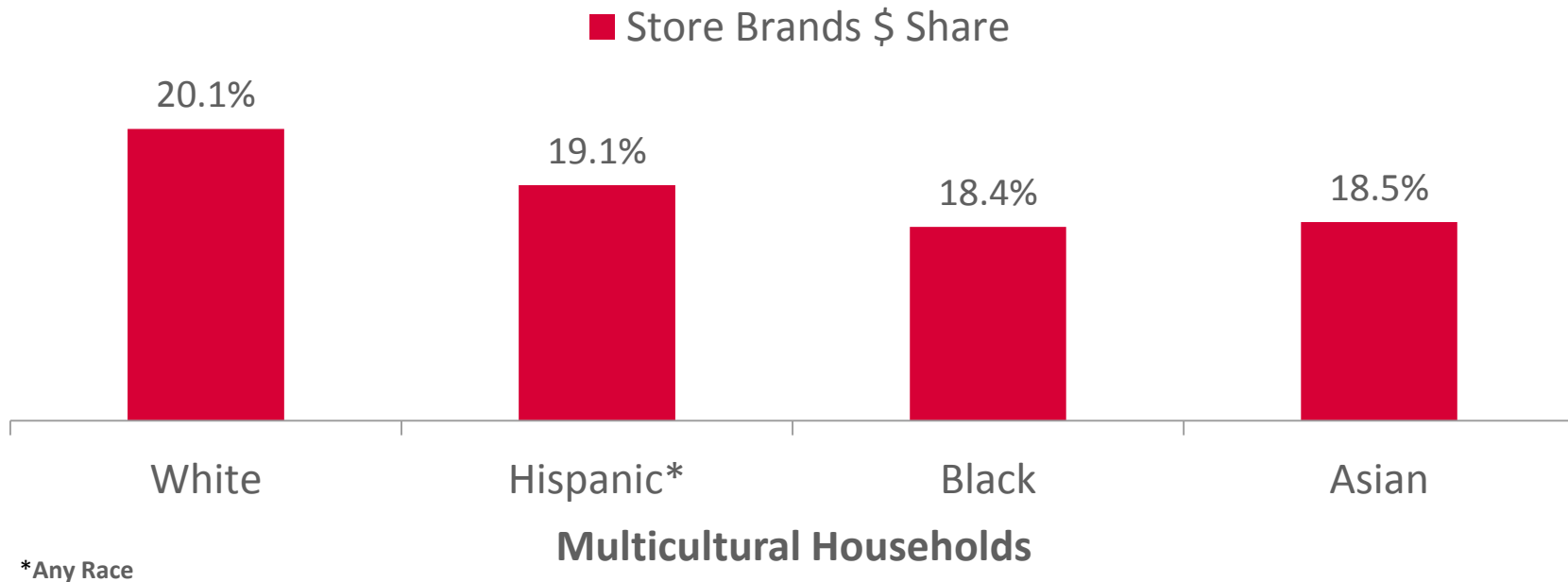
# LOWER AFFLUENT SHARE DUE TO BRAND SPEND

But affluent have strong store brands spend relative to other incomes



# LOWER STORE BRANDS SHARE AMONG SEGMENTS DRIVING POPULATION GROWTH

Especially among Blacks & Asians

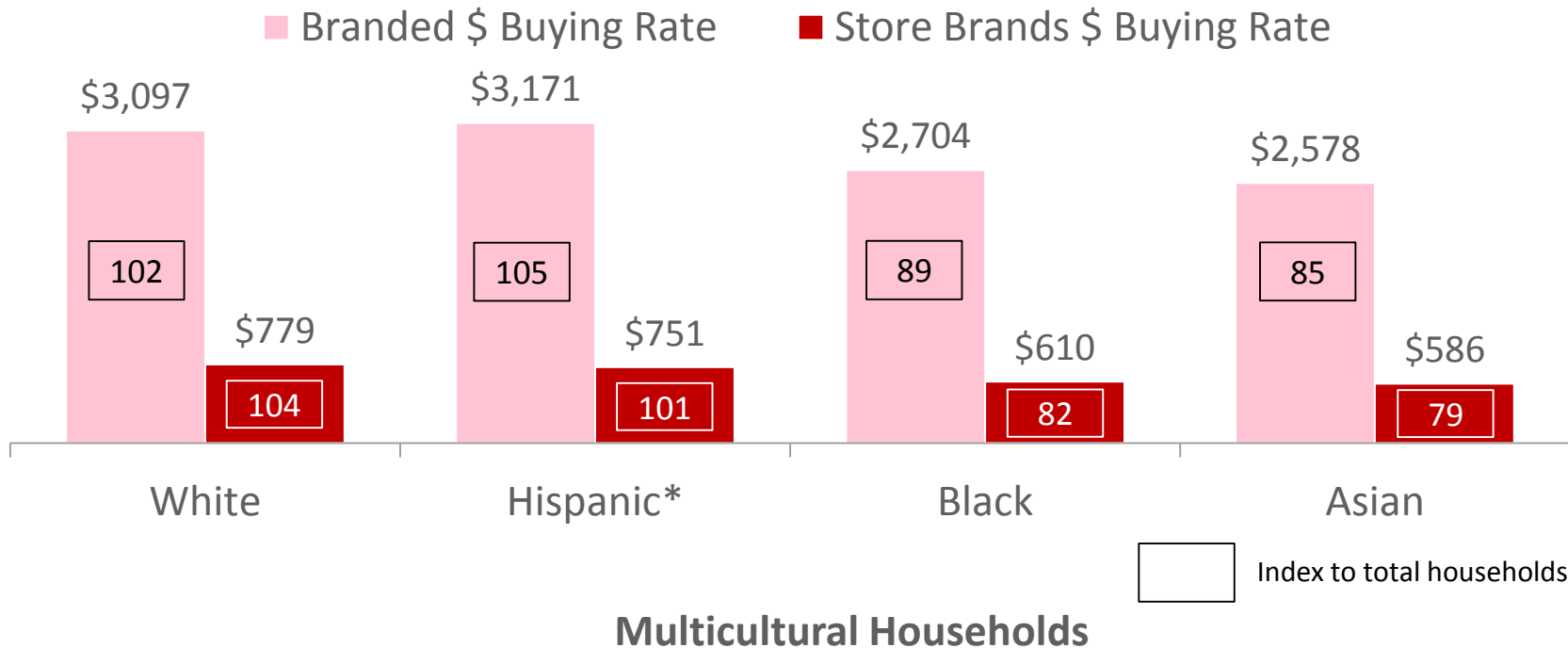


Is this behind softness in store brand share trends & what does this say about future store brands share growth opportunities & challenges?



# LOWER MULTICULTURAL SHARE DUE TO LOWER STORE BRANDS SPEND

Particularly among Black & Asian households



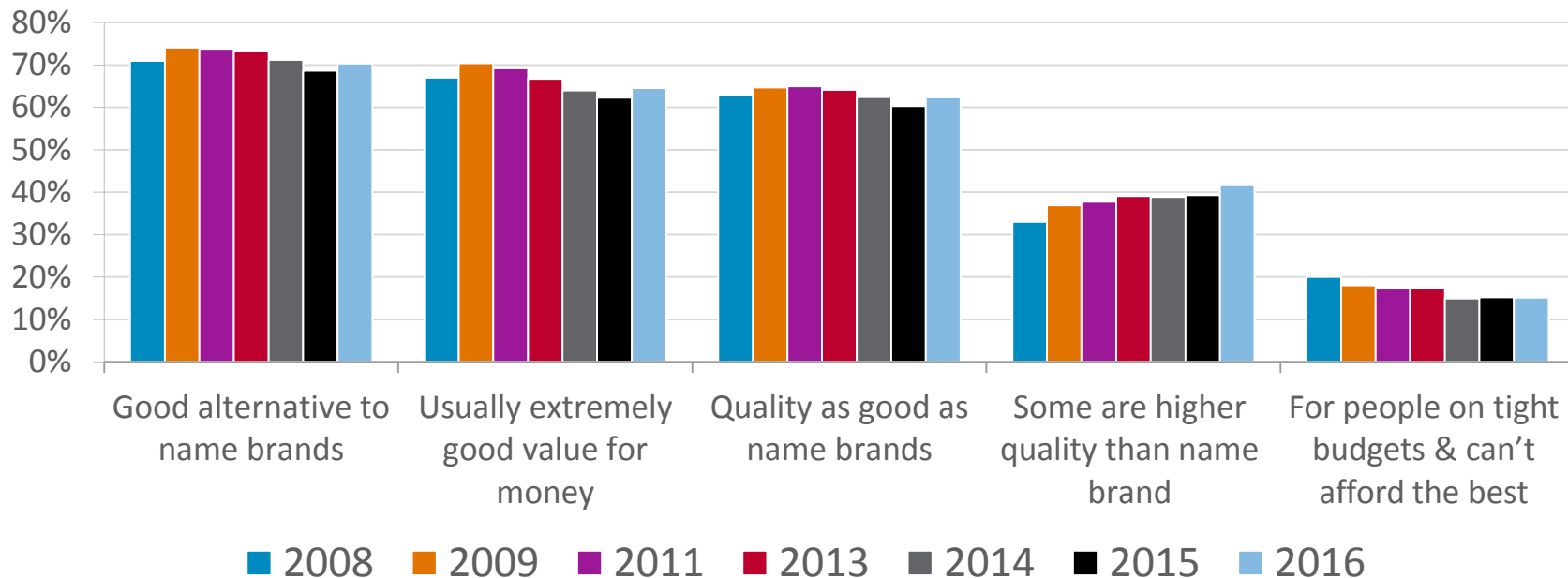
\*Any Race

Source: Nielsen Homescan, Total U.S., 52 weeks ending 12/31/2016

UPC-coded items

# HIGH CONSUMER INTEREST, BUT...

% saying they Agree / Strongly Agree that Store Brands...



But top 2 box scores for quality & value have slipped since interest peaked in 2009

# STORE BRANDS CONNECT ON QUALITY & VALUE

% Agree/Strongly Agree



Positives outweigh the negatives

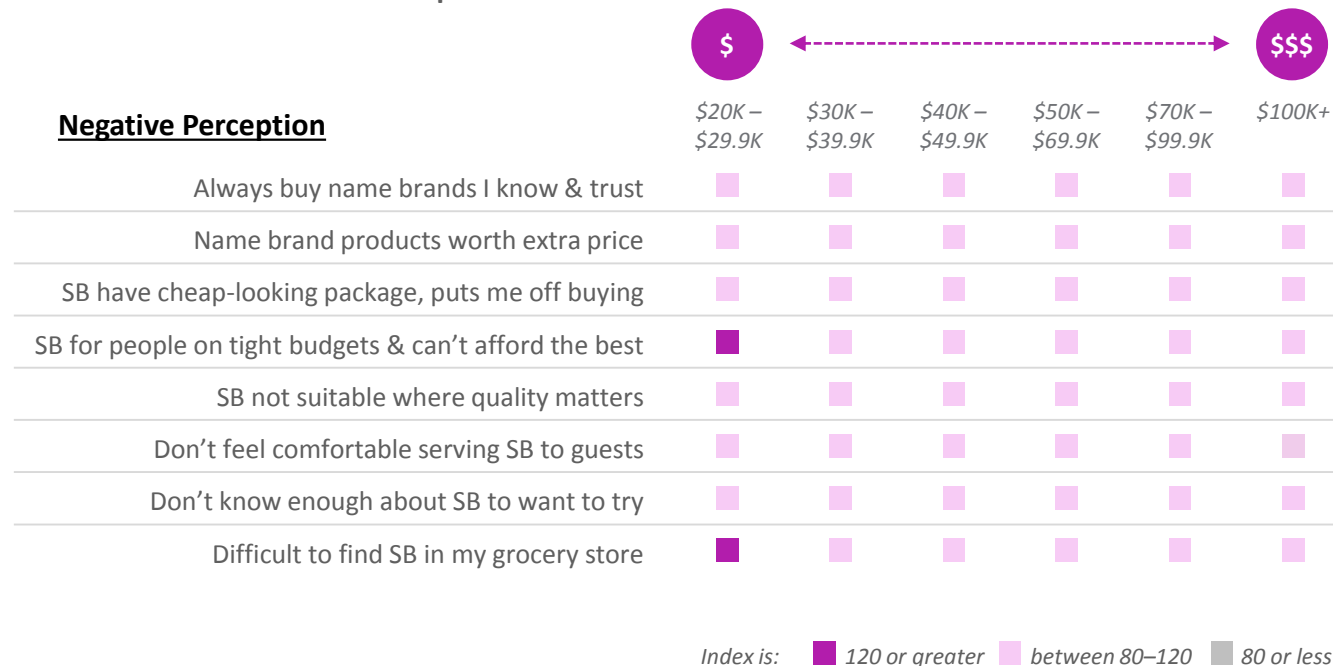
# POSITIVES SPAN ALL INCOME GROUPS

## Index versus Total Respondents



# NEGATIVES SPAN ALL INCOME GROUPS TOO

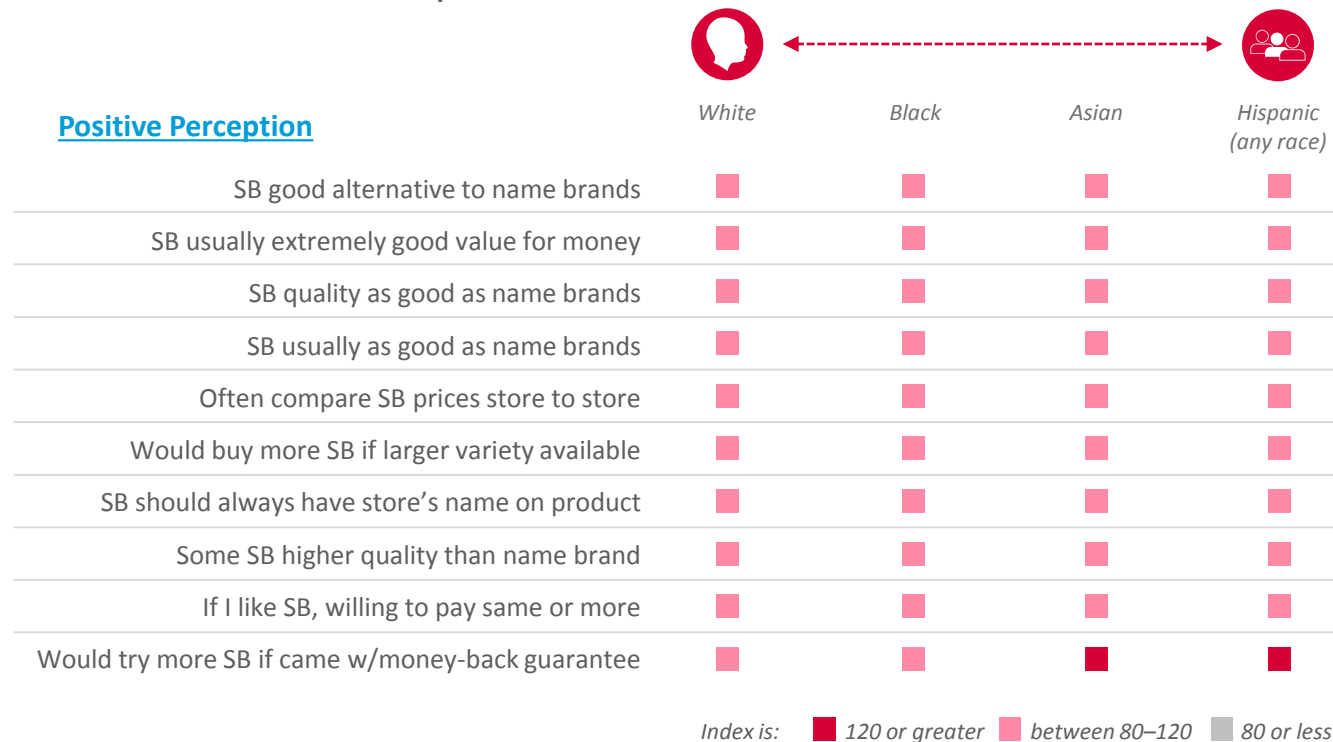
Index versus Total Respondents



More  
lower income  
households believe  
store brands are for  
people on tight  
budgets & they  
have trouble  
finding them in  
their grocery stores

# POSITIVE STORE BRANDS PERCEPTIONS

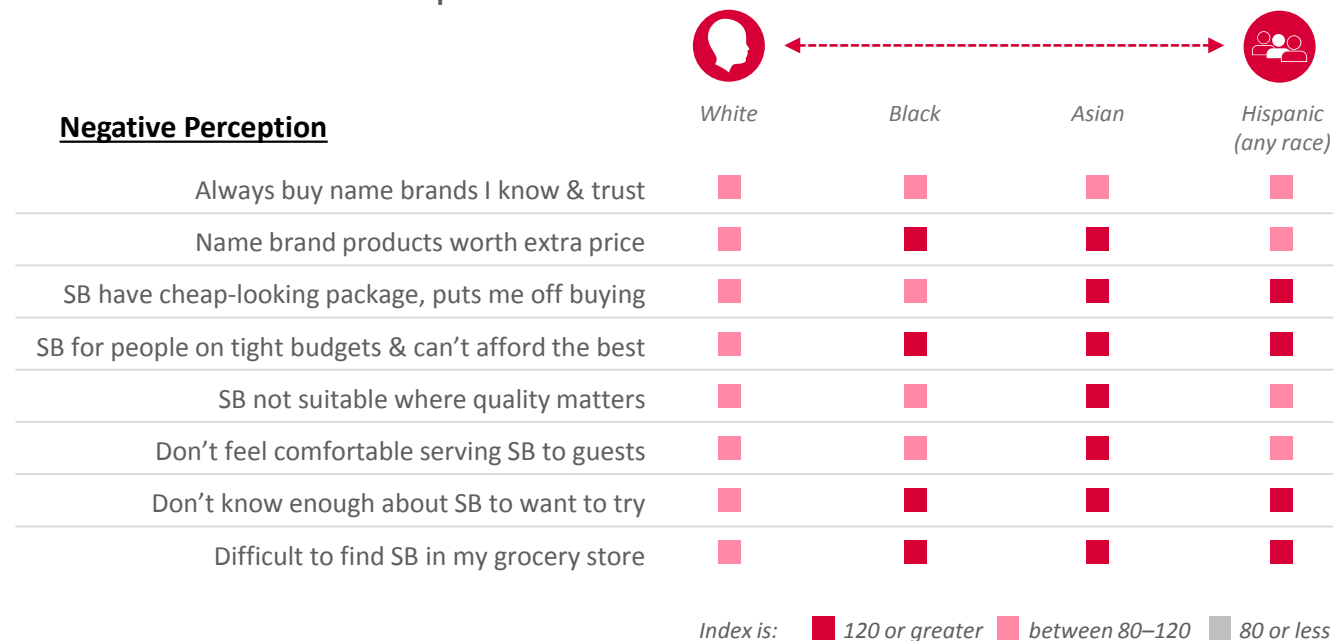
Index versus Total Respondents



Asians & Hispanics would try more if store brands come with money back guarantee

# MULTICULTURAL HAVE MORE NEGATIVE STORE BRANDS PERCEPTIONS – PARTICULARLY ASIANS

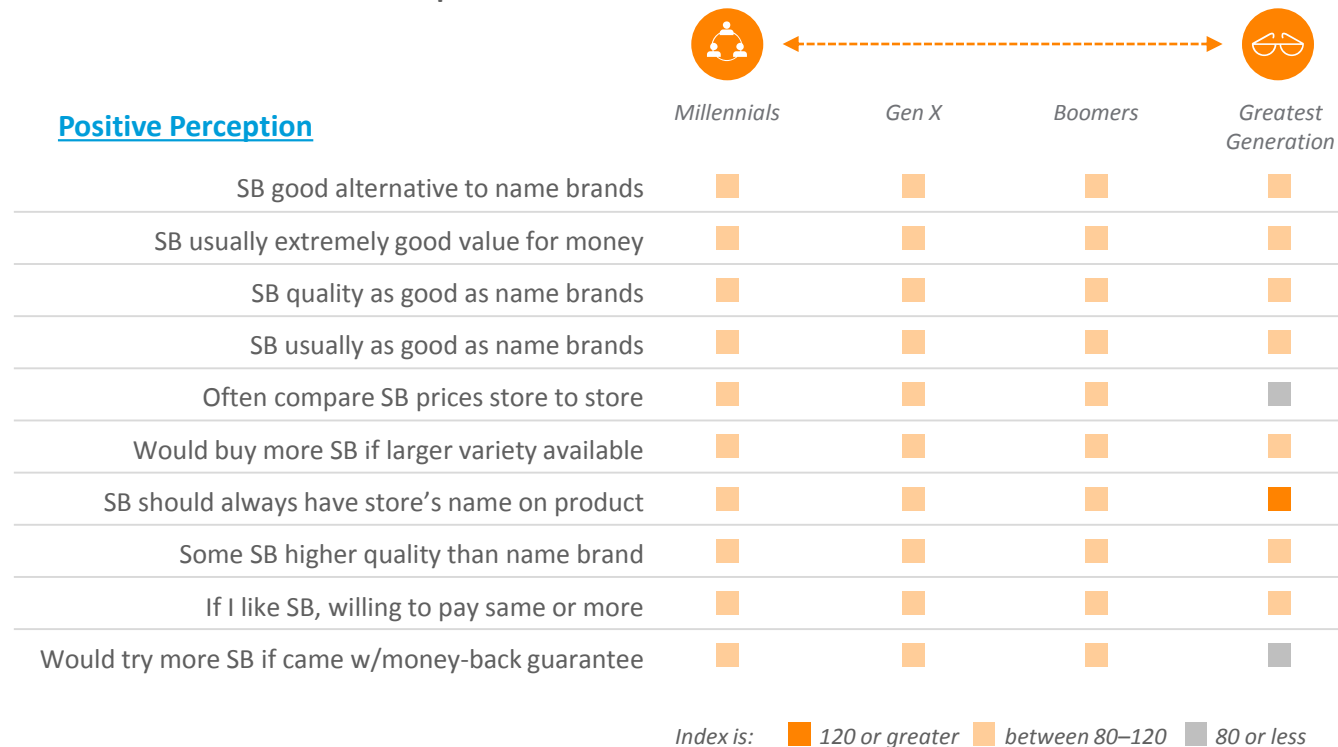
Index versus Total Respondents



Connect  
with  
multicultural  
w/education  
&  
assortment  
in stores  
where they  
shop

# POSITIVES SPAN GENERATIONS

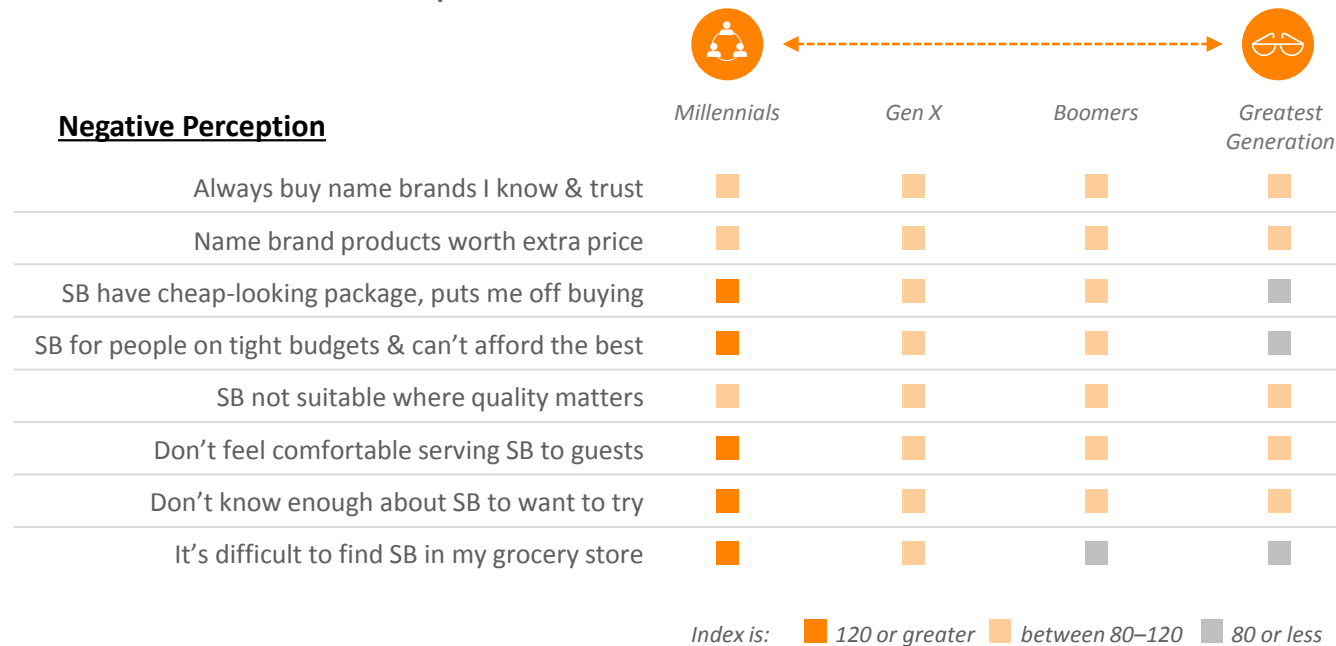
## Index versus Total Respondents





# MILLENNIALS HAVE > NEGATIVE PERCEPTIONS

Index versus Total Respondents



Attract  
Millennials  
w/education  
&  
assortment

# KEY TAKEAWAYS

# WHEN BRANDS WIN



## WHEN BRANDS WIN

- High innovation rate
- High product differentiation
- Strong brand equity



## WHEN PRIVATE LABEL WINS

- Minimal differentiation & low brand equity
- High price sensitivity & high purchase frequency
- Low innovation rate

# NO BLUEPRINT FOR SUCCESS

Top ten private brand retailers are different in terms of:



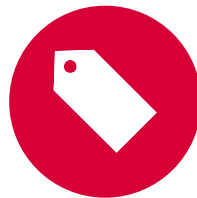
**What departments  
they choose to engage**



**The types of shoppers  
they connect with**



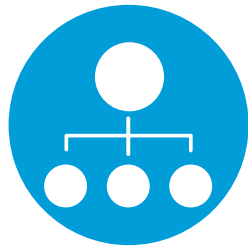
**The behaviors in which  
they drive sales**



**And in how they nurture  
their own brands via:**

- *Use of Single vs. Multiple Store Brands*
- *Supply Sourcing*
- *Merchandising & Marketing*
- *Analytic Expertise*

# TOP TEN WIN WITH ONE OR MORE OF THESE CHARACTERISTICS



**Organizational Focus**



**Operational Excellence**



**Shopper Understanding**



## RETAILER DO'S & DON'TS

- Don't let price gaps get too large & drive declining category sales
- Don't de-list high penetration, high frequency or strong niche brands & drive shoppers to the competition
- Do promote private brands with brands where there is limited shopper overlap to drive category sales
- Do promote private brands along with non-competitive or complimentary branded offerings to build larger baskets
- Do select credible suppliers & hold them to high standards
- Do leverage analytics to get the most out of your private brand investments



## MANUFACTURER DO'S & DON'TS

- Be current in branded versus private brand pricing analytics
- Be proactive in assortment analytics to show why your brand assortment aligns well w/private brand assortment
- Provide retail partners with analytics to show which of your branded offerings make good promotional partners
- Take a collaborative approach to how you assess branded versus private brand risks & opportunities
  - Identify new white space for your retail partners
  - Focus on those excelling with private brands
- Explore options for using excess capacity for private brand production

# DRIVING GROWTH IN DYNAMIC TIMES



**Stay connected  
with winning  
retailers &  
categories**



**Determine  
your role in  
digital retailing &  
digital shopping  
engagements & act**



**Win the trip  
through precision  
marketing & sales  
focused against  
shoppers that  
matter**



**Drive the  
health & wellness  
growth wave**



**Win the  
occasion**

An abstract graphic in the bottom-left corner of the slide. It features a dense, curved mesh of thin, multi-colored lines (red, blue, green, yellow, purple) that form a bowl-like shape. From the rim of this mesh, several thin lines radiate upwards and outwards, each ending in a small, solid-colored dot of the same color as the lines. The dots are scattered across the upper half of the slide, with one dot being particularly high and to the right.

nielsen

AN UNCOMMON SENSE  
OF THE CONSUMER™