DATAWEAVE

INDUSTRY SNAPSHOT

US CPG RETAIL COMPETITIVE LANDSCAPE

SEP 2019

W W W . D A T A W E A V E . C O M

COMPETITIVE INTELLIGENCE
AS A SERVICE

DATAWEAVE

Introduction

DataWeave is an AI-powered SaaS platform that provides Competitive Intelligence as a Service to consumer brands and eCommerce businesses, enabling them to compete profitably and accelerate revenue.

For this report, we used our technology platform to track 10 leading retailers in the US across several unique ZIP codes each. We then captured data on product categories, prices, and brands.

The ZIP codes were selected to cover distinct, highly populous regions across the country's geographical territory. The data was captured between the 23rd and 29th of August 2019. We also normalized the names of all the product categories across the retailers, which enabled us to make accurate and easily consumable comparisons.

We performed and published a similar analysis in February 2019, which will form the basis for a few of the comparisons in this report.

Key Highlights

- Our analysis indicates a 140% growth in hyperlocal focus across retailers in just six months. Among the retailers analyzed, Walmart, Amazon Fresh, and Sprouts Farmers Market show a relatively high hyperlocal focus.

- Beauty & Personal Care and Alcohol & Beverages are the most popular product categories across all retailers in terms of assortment strength, driven by the inherent variations in SKUs in these categories. These categories also have the highest brand concentrations.

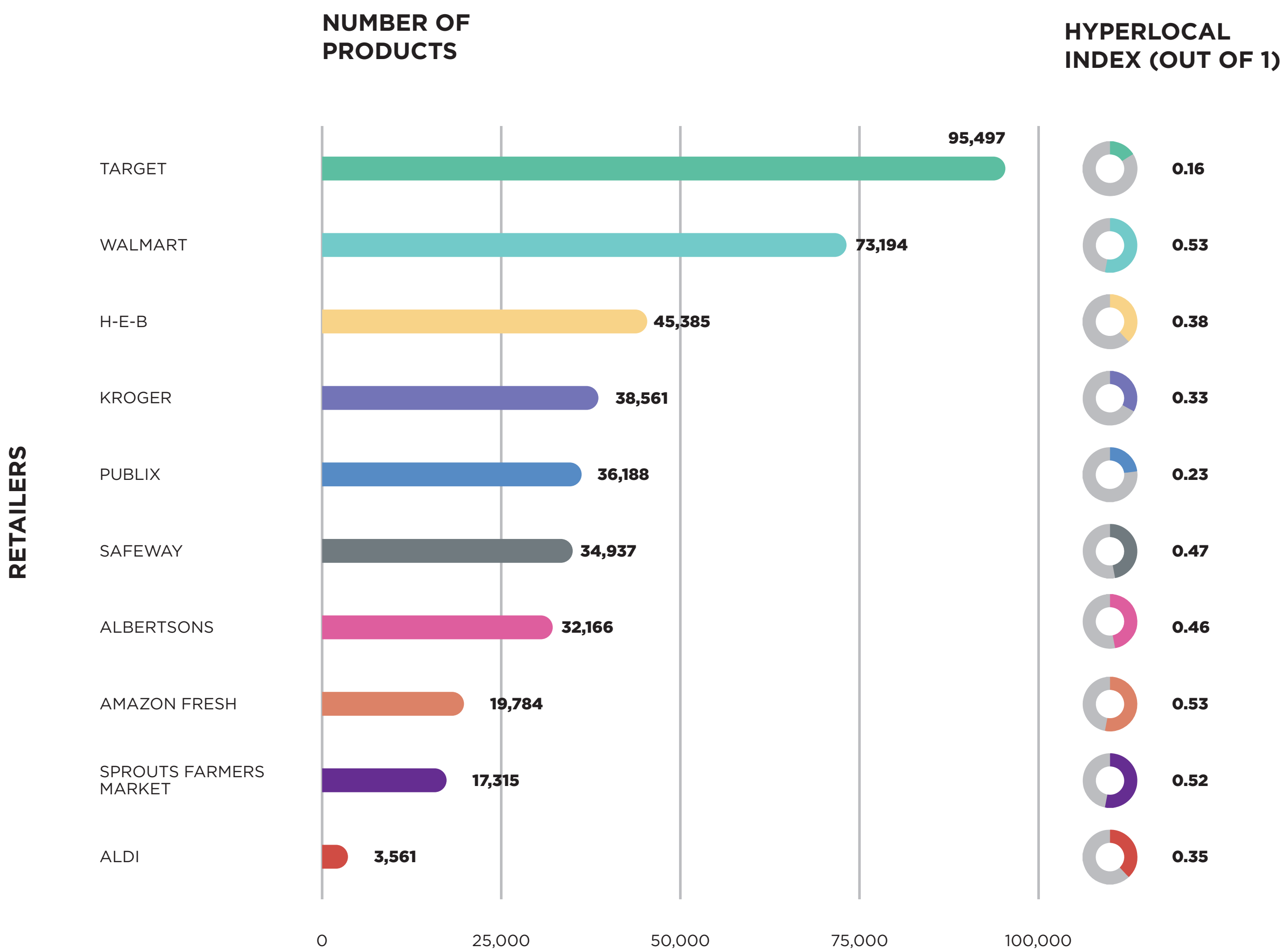
- Despite most CPG brands focusing on product portfolio diversification across categories, close to 75% of all brands are present in only one category. Of the brands present in almost all product categories, most are private label brands.

- ALDI, Walmart, H-E-B, and Sprouts Farmers Market lead the market in terms of private label penetration. Popular private label categories include commoditized grocery items such as Dairy & Eggs, Canned Goods, Organic food, and Meat.

- All 10 retailers follow a value-based private label pricing strategy, with their private label products being priced 5–40% cheaper than the average category price.

RETAIL | ASSORTMENT STRENGTH

AVERAGE NUMBER OF UNIQUE PRODUCTS FOR EACH RETAILER



Target indicates the highest assortment strength among the retailers analyzed, with close to 100,000 unique products – followed by Walmart with close to 75,000 and HEB with just over 45,000 products.

The hyperlocal index, which measures how unique a retailer's assortment is in each ZIP code, is the highest for Walmart and Amazon Fresh. Each evidenced an index of 0.53, which means that all their products were present, on average, in 47% of the ZIP codes that were tracked. Interestingly, 5 out of the 10 retailers analyzed exhibit a hyperlocal index of around 0.5, while six months ago, only Albertsons had breached that level. This points to a trend of most retailers choosing to go more hyperlocal (140% growth in the index from six months ago) in their product selection over time.

Target, however, shows no change from six months ago. It stayed the least hyperlocal, opting to host most of its products across most stores – and is closely followed by Publix. ALDI, which maintains its conservative assortment strength from last time, managed to double its hyperlocal index in the same time.

DISTRIBUTION OF PRODUCTS ACROSS PRODUCT CATEGORIES

RATIO OF NUMBER OF PRODUCTS IN A CATEGORY TO THE TOTAL PRODUCTS OF EACH RETAILER

Low — High

	Albertsons	ALDI	Amazon Fresh	H-E-B	Kroger	Publix	Safeway	Sprouts Famers Market	Target	Walmart	Total
Alcohol & Beverages	15%	12%	14%	9%	9%	12%	15%	10%	9%	7%	10%
Baby	2%	1%	1%	3%	3%	2%	2%	2%	1%	6%	3%
Bakery & Desserts	3%	6%	3%	2%	2%	2%	3%	2%	1%	2%	2%
Beauty & Personal Care	16%	2%	12%	25%	20%	19%	15%	35%	17%	27%	20%
Canned Goods	5%	6%	0%	4%	4%	5%	4%	0%	0%	0%	2%
Dairy & Eggs	5%	10%	11%	4%	4%	5%	5%	5%	2%	3%	4%
Deli	3%	5%	3%	3%	3%	3%	4%	5%	1%	2%	2%
Home	8%	3%	5%	11%	11%	11%	8%	1%	50%	21%	21%
Meat	3%	8%	4%	3%	3%	3%	3%	3%	1%	1%	2%
Other Foods	13%	15%	17%	11%	14%	14%	14%	9%	4%	6%	10%
Pantry	12%	11%	7%	11%	10%	11%	10%	0%	5%	12%	9%
Pets	3%	1%	5%	3%	4%	3%	3%	1%	0%	4%	3%
Produce	3%	6%	3%	2%	2%	2%	3%	19%	2%	2%	3%
Snacks	10%	14%	13%	9%	10%	9%	11%	9%	6%	7%	9%

Beauty & Personal Care and Alcohol & Beverages are the most popular product categories across all retailers in terms of assortment strength, not too different from six months ago. While the Home category too rates high on popularity (in fact, even higher than the Beauty and Personal Care category), it seems to be largely skewed by the high popularity it enjoys at Target alone (at 50%).

The Pantry and Snacks categories too have a steady distribution and presence across retailers.

The Deli, Bakery & Desserts, Baby, and Pets categories are at the lower end of the popularity scale in terms of their range of SKUs.

PRICE PERCEPTION

DEGREE OF PRICE VARIATION IN TOP 50 RANKS RELATIVE TO LOWER RANKED PRODUCTS

Retailers often aim to nurture a price perception of being the lowest priced in the market by displaying their lower priced products in the higher ranked spots of their category listing pages – thus highlighting these products. The above chart shows how closely retailers follow this strategy.

Kroger's top 50 products on each listing page are on average 14% cheaper than the rest of its assortment, while Publix indicates a price variation of 11%, coming in at second position in the “low price perception” game. Target assumes third position with a marginally lower variation of 10%.

In stark contrast with the previous study six months ago, Walmart and Sprouts Farmers Market, which were among the top five followers of the strategy, went the opposite way this time. Joining the sentiment is Amazon Fresh, which was neutral to the strategy to begin with previously. All three retailers prefer to display their more expensive products higher up on their listing pages. This could represent an evolution of their listing algorithms, in which the listed price is less of a factor than it used to be before. It’s possible that relative price has made way for other factors such as product reviews, sales volumes, and competitive pricing.

BRANDS

It's a well-known fact that retailers today must survive and manage intense competition. The reality for leading CPG brands is no different. In this section, we report insights on how top brands and private labels perform and are distributed across retailers and categories.

The chart below lists out the top national brands across retailers (private label brands have been excluded, which have been analyzed separately in a different section later in the report).

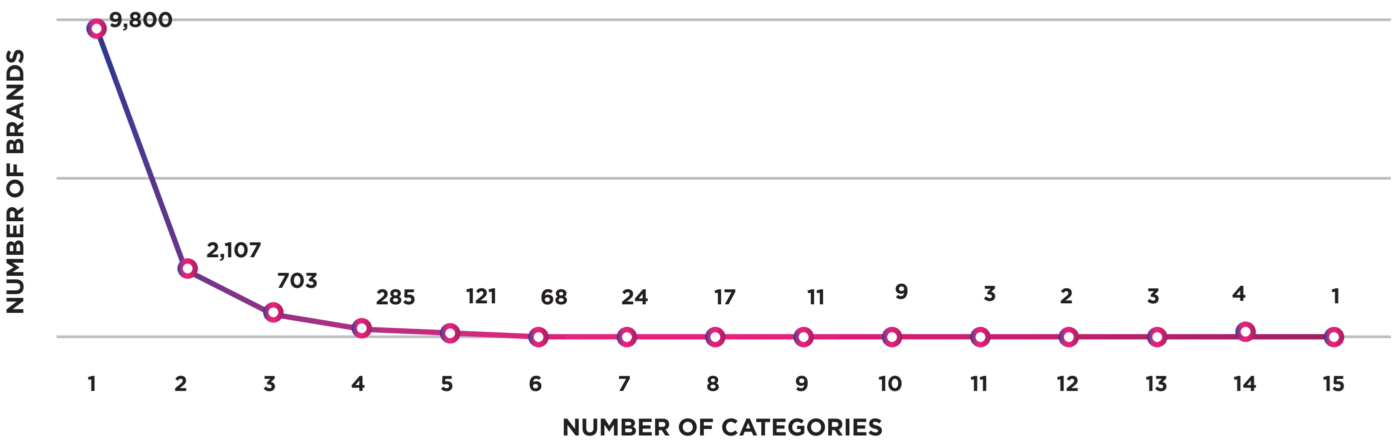
Unsurprisingly, several of the leading brands are from the Beauty & Health category, which typically houses several unique SKUs to cater to a wide range of needs and preferences. L'Oréal , Covergirl, and Wilton lead the brand bandwagon, with not only the highest products assortments, but also the highest coverage across retailers. Interestingly, Walmart depicts the highest share of brand for eight of the top 10 brands, indicating a focus on deep brand partnerships.

A few of the leading brands focused on other categories include Wilton, Boar's Head, Goya, and Kraft.

TOP BRANDS

Top Brands	Number of Products	Number of Retailers Present In	Retailer with Highest Share of Brand	% Share
L'Oréal Paris	1,224	6	Walmart	80%
Covergirl	680	7	Walmart	61%
Wilton	494	7	Walmart	66%
Revlon	483	8	Walmart	41%
Maybelline	456	8	Walmart	67%
Neutrogena	347	6	Walmart	43%
Boar's Head	222	5	Publix	35%
Goya	203	9	Publix	27%
Dove	191	9	Walmart	25%
Kraft	186	9	Walmart	25%

DISTRIBUTION OF BRANDS ACROSS CATEGORIES



To compete more effectively in an excessively aggressive marketplace and cater to evolving shopper preferences and demands, CPG brands are increasingly opting to diversify their product portfolios across numerous categories. However, close to 75% of all brands (13,157 in total) are present in merely one category. This isn't surprising though, as brands also tend to focus on categories with the largest share of consumer wallet.

When we plotted the number of brands against the number of categories that they are present in, we observed a decaying function nearly identical to the one in the previous study.

At the tail end of the decaying curve, almost all the brands that are present in 13 or more categories are private label brands, which indicates the aggressive permeation of private labels across CPG categories – Kroger, Publix, Signature, Simple Truth, and Whole Foods Market being a few examples.

TOP BRANDS BY CATEGORY

Category	Number of Brands	Top Brand	Number of Products Across Retailers
Beauty & Personal Care	**3,039**	Equate	**1,221**
Home	**2,697**	Safavieh	**3,051**
Alcohol & Beverages	**2,478**	Starbucks	**769**
Pantry	**1,863**	Great Value	**1,257**
Snacks	**1,689**	Hershey's	**481**
Other Foods	**1,670**	Great Value	**534**
Produce	**918**	365 Everyday Value	**115**
Baby	**849**	Huggies	**434**
Dairy & Eggs	**783**	Chobani	**660**
Deli	**665**	Oscar Mayer	**543**
Meat	**579**	Johnsonville	**174**
Bakery & Desserts	**527**	Mission	**277**
Pets	**499**	Fancy Feast	**447**
Canned Goods	**251**	Del Monte	**435**
Organic	**121**	Great Value	**224**

This chart lists the categories with the largest brand concentrations and also identifies the most well-represented brands in individual product categories.

The Beauty & Personal Care, Home, and Alcohol & Beverages categories have the highest brand concentrations, evincing a pattern that hasn't changed drastically from six months ago. At the other end of the spectrum are the Organic, Canned Goods, and Pets categories, which among them add up to less than 1,000 brands.

The top brand in each category has been measured in terms of its number of products across retailers. Safavieh, the top brand in the Home category, exhibits the largest product assortment across brands. Private label brands Equate, Great Value, 365 Everyday Value, and others dominate several categories. Again, several of these happen to be private label brands – yet another example of the crucial role of private label in the CPG space.

PRIVATE LABEL

With private label brands proving to be an increasingly effective tool in CPG, several retailers are focusing on launching and expanding proprietary assortments of private label brands and products. This primes them to capture the crucial additional margin they need to position themselves competitively in the industry.

Thus, private label products are increasingly competing with national brands across numerous product categories, slowly but surely tipping the balance of influence on consumers toward retailers. Therefore, both retailers and brands need to keep an eye out for private label penetration.

Retailer	Number of Products	Degree of Private Label Penetration
Walmart	10,592	13%
Target	9,547	9%
H-E-B	7,257	16%
ALDI	1,933	56%
Kroger	1,888	5%
Safeway	1,795	5%
Publix	1,772	5%
Sprouts Farmers Market	1,618	10%
Albertsons	1,523	5%
Amazon Fresh	1,093	6%

Walmart, Target, and H-E-B lead private label product volumes by far relative to the rest of the retailers – including seasoned private label retailers Amazon, Kroger, and ALDI.

Penetration, too, is relatively high for Walmart and H-E-B's private labels. Interestingly, however, ALDI leads the pack in terms of penetration – by a large margin, too, despite a significantly smaller private label assortment compared to the top three. ALDI's high reach seems to be reflective of its recent announcement to adopt an aggressive private label strategy to become the third-largest retail grocer in the US.

PRIVATE LABEL BY CATEGORY

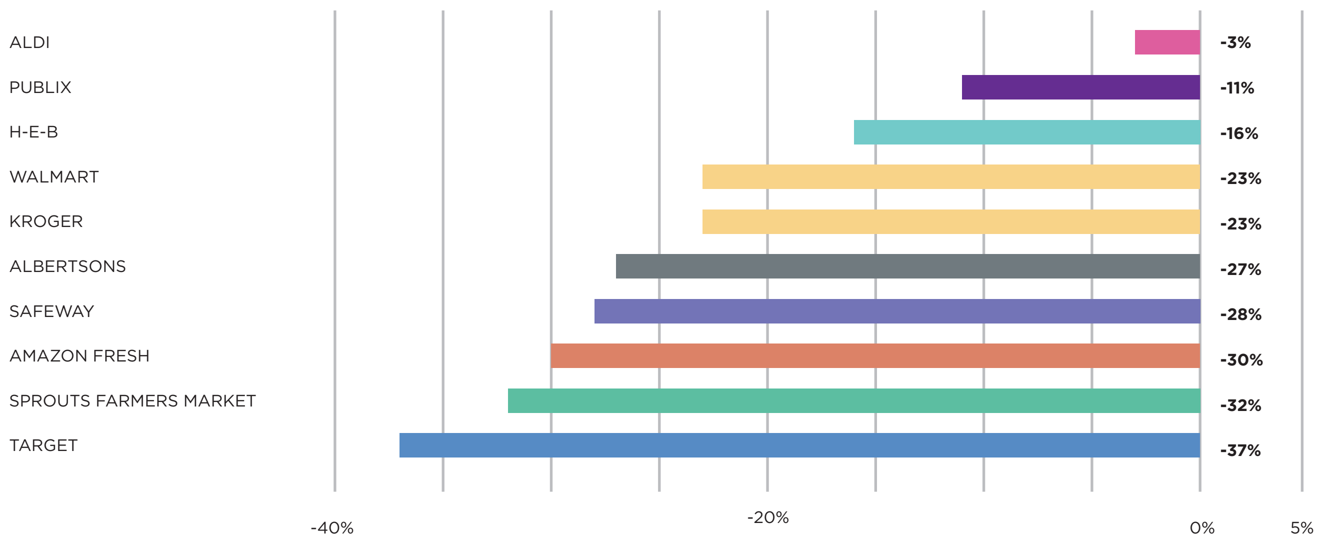
Retailer	Number of Products	Degree of Private Label Penetration
Organic	210	40%
Dairy & Eggs	1,736	19%
Canned Goods	936	17%
Meat	1,196	17%
Bakery & Desserts	1,067	16%
Deli	1,358	16%
Other Foods	3,285	14%
Pantry	2,691	13%
Snacks	2,483	12%
Produce	1,057	11%
Pets	400	11%
Baby	404	10%
Home	6,126	9%
Alcohol & Beverages	1,877	7%
Beauty & Personal Care	3,688	7%

The Organic food category, though the smallest in terms of private label assortment (with just 210 SKUs), seems to be a popular category for private labels – appealing to a niche audience and commanding a penetration of 40% (higher than in any other category).

Other popular categories based on penetration include staple categories Dairy & Eggs, Canned Goods, and Meat, which are commoditized categories that traditionally command lower brand loyalty.

In terms of just volume, the Home and Beauty & Personal Care categories lead the rest (the same as last time) – primarily because of the large assortments in these categories in general.

AVERAGE VARIATION OF PRICE FROM AVERAGE SELLING PRICE OF CATEGORY



Private label products are commonly understood to be priced lower than national brands in the retail space. This assumption is validated by the above data, which shows that all the retailers analyzed follow an expected private label pricing strategy. All the retailers price their private label products about 5–40% cheaper than the average category price, indicating a clear strategy to offer additional value over market price.

However, ALDI, which has a private label penetration of close to 60%, prices its products almost as it does its national brand products.

Target and Sprouts Farmers Market are the most aggressive in their private label pricing strategies.

MOST POPULAR PRIVATE LABEL BRANDS ON AMAZON FRESH

Brand	Average Review Rating	Median Number of Reviews
Allegro Coffee	4.67	2
Basic Care	4.44	722
AmazonBasics	4.30	2042
Amazon Elements	4.12	167
365 Everyday Value	4.00	8
Amazon	3.89	7

The above chart captures reviews and rating data for Amazon Fresh's private label products. It lists some of the retailer's most popular private label brands, with popularity having been measured as a function of average review rating, coupled with the average number of reviews received.

Exactly like last time, Allegro Coffee exhibits the highest average rating, but the lowest median number of reviews (just two). AmazonBasics, on the other hand, also boasts a good rating – but based on an average of over 2,000 reviews.

Other popular private label brands reported are Amazon Elements, 365 Everyday Value, and Amazon.

RETAIL INTELLIGENCE

PRICING INTELLIGENCE

Increase your revenue and margin by tracking and acting on price improvement opportunities

ASSORTMENT INTELLIGENCE

Improve customer conversion and retention by identifying and plugging high-demand gaps in your assortment

BRAND ANALYTICS

BRAND PROTECTION

Protect your brand equity online – minimize MAP violations, unauthorized merchants, and counterfeit products. Perform catalog content audits.

DIGITAL SHELF ANALYSIS

Optimize your eCommerce presence through insights on search discoverability, competitors, consumer opinion, and more.

KEY FEATURES

AI/ML PLATFORM

- Proprietary NLP and Computer Vision technologies purpose-built for retail
- Human-aided Machine Intelligence ensures faster and better data accuracy with time

DATA AGGREGATION AT SCALE

- Massive scale data aggregation across complex web environments & mobile apps, as well as for specific ZIP codes
- Language-agnostic platform supports and processes a slew of international languages

CUSTOMER SUCCESS

- Customer success team of domain experts as well as round the clock customer service and support
- Diverse delivery modes (including APIs) for easy and speedy consumption

There's a universe of data out there.

A C Q U I R E. A N A L Y Z E. A C T.

GET IN TOUCH

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