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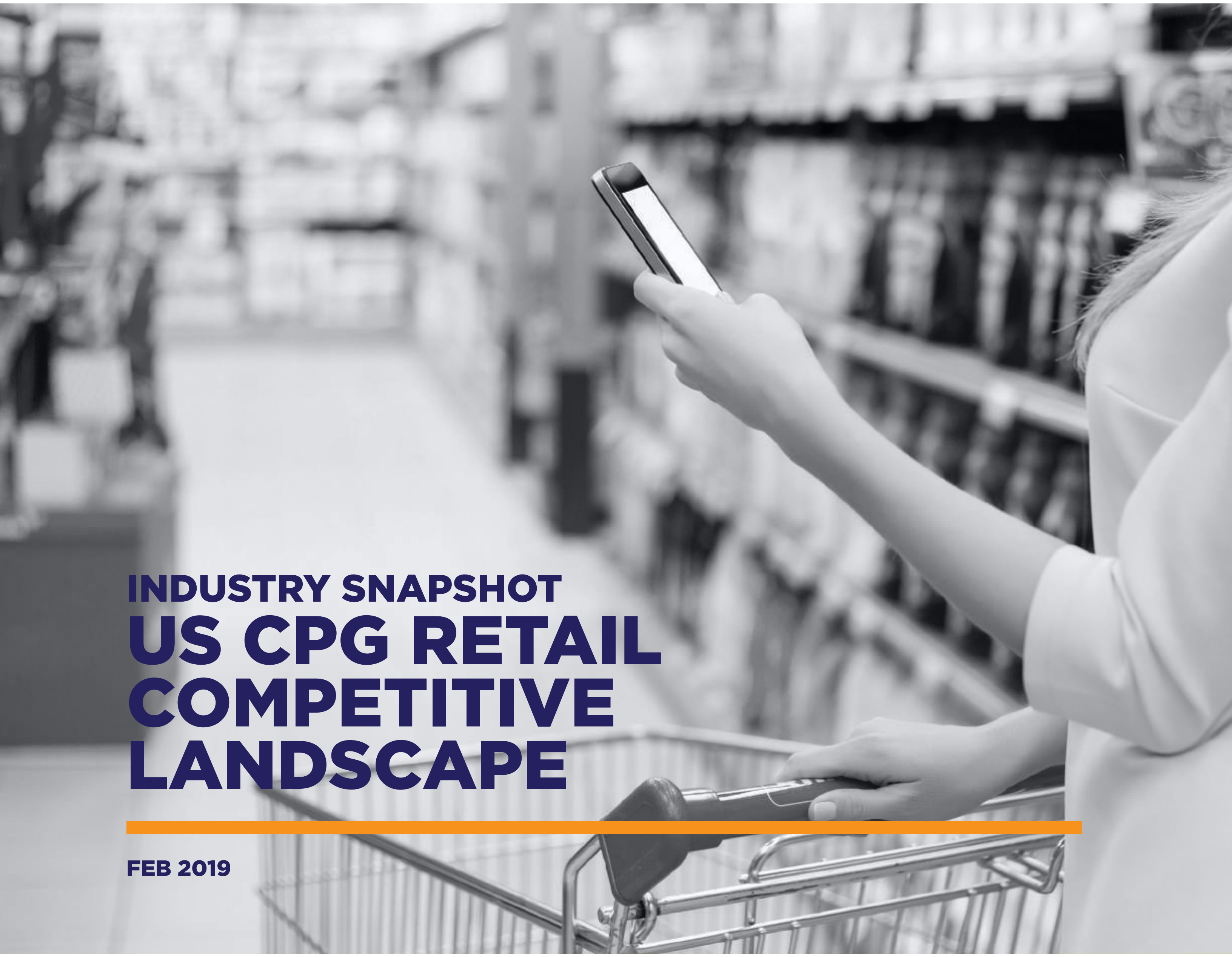

INDUSTRY SNAPSHOT

US CPG RETAIL COMPETITIVE LANDSCAPE

FEB 2019

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COMPETITIVE INTELLIGENCE
AS A SERVICE

INTRODUCTION

In an era assailed by industry disruption, the retail sector is undergoing several transformations. Shoppers are constantly searching for newer and varied products, while demanding higher standards and devoting more attention than ever to what goes into the products they purchase. Those same shoppers are also changing the way they shop - buying goods online, having items delivered home or at offices using personalized shopping services, using mobile platforms, click and collect, etc.

In this evolving environment, retailers are looking to maintain a robust presence across all their distribution channels. Still, physical stores remain relevant and vital. Traditional retail may be under stress and struggling, but the vast majority of retail purchases are still being made offline.

Increased competition has caused retailers to increase their investment in their private label product range in a strategic attempt to capture greater margins and to squeeze out marginal and national brands. More and more retailers now view private label brands as a mechanism to fuel future profitable growth.

E-commerce platforms like Amazon.com too are migrating into the private label space. These marketplaces are mining the enormous volumes of data they have access to, to design their own private label products, as they are well positioned to identify gaps in the market and agile enough to exploit them as they emerge.

CPG brands are now being forced to depend less on retailers, which are acting more like competitors than allies. As customers volunteer personal information on their buying habits, preferences, dislikes, and more, retailers can adopt that flow of information to design better products and to drive more customized marketing executions.

In this latest industry snapshot, in collaboration with SunTrust Robinson Humphrey, we have captured a broad view of the US CPG retail landscape to provide key market insights into product range characteristics, distribution patterns across categories, and private label dynamics.

KEY HIGHLIGHTS

- Target, H-E-B, and Kroger carry the largest product assortment among the retailers analyzed, housing 110,792, 65,566, and 56,257 unique products respectively. On the other hand, Albertsons, Walmart, and Amazon Fresh carry a more localized assortment, on average, than other retailers.

- Target, H-E-B, ALDI and Walmart have priced their most visible products more competitively than the rest of their assortment, by a degree larger than that of other retailers, presumably with the goal of developing a price perception of being low priced among consumers.

- The list of top brands across retailers and categories is rich with private label brands, which are increasingly playing a vital role in achieving differentiation and driving margin. These include Kroger, Great Value, 365 Everyday Value, Publix, etc.

- Kroger leads the pack both in terms of the absolute volume of private label products offered, and in terms of penetration of private label as a percentage of total number of products.

- 9 out of 10 retailers analyzed have priced their private label products lower than the average selling price of the respective categories. Among these, Sprouts Farmers Market, Target, and Walmart have done so by a degree larger than that of other retailers.

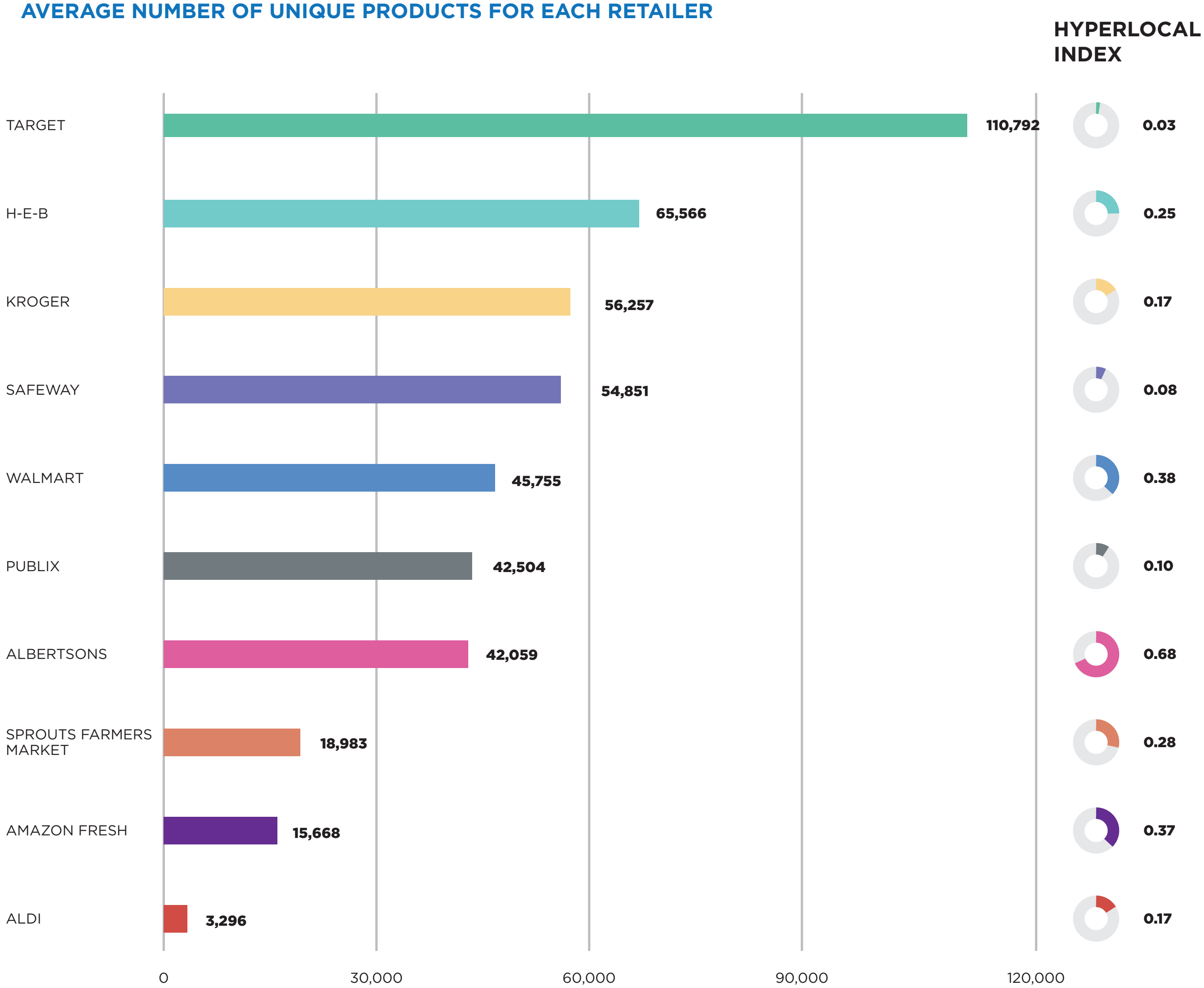
A NOTE ON THE METHODOLOGY

At DataWeave, we aggregate and analyze data at massive scale from online sources to deliver actionable competitive insights to retailers and consumer brands. For this report, we used our technology platform to track 10 leading CPG retailers in the US across 10 unique ZIP codes each and captured data on product categories, prices, and brands.

The ZIP codes were selected to cover distinct, highly populous regions across US geographic territory. The data was captured between the 10th and 15th of February 2019. We also normalized the names of all the product categories across the retailers, which enabled accurate and easily consumable comparisons.

RETAIL | ASSORTMENT STRENGTH

AVERAGE NUMBER OF UNIQUE PRODUCTS FOR EACH RETAILER



Target leads the retailing pack with over 100,000 unique products, followed by H-E-B and Kroger at 65,566 and 56,257 unique products respectively. Amazon Fresh falls towards the low end of this list, above only ALDI.

The hyperlocal index measures how unique a retailer's assortment is in each ZIP code. The higher the score, the higher the retailer's hyperlocal focus. For example, H-E-B has a score of 0.25, which indicates that all its products were present, on average, in 75% of the ZIP codes we tracked.

Interestingly, while Target has the largest assortment, all of the products are available in almost every ZIP code tracked, which indicates that little thought is put into customizing the assortment for each individual region. Albertsons sits on the other end of the spectrum with a score 0.68, reflecting a strong hyperlocal focus.

Data on ALDI in particular shows a rather conservative assortment strategy, which is low in volume as well as hyperlocal focus.

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	H-E-B	Kroger	Publix	Safeway	Sprouts Famers Market	Target	Walmart
Alcohol & Beverages	13%	9%	15%	7%	8%	13%	15%	11%	0%	11%
Baby	2%	1%	7%	3%	3%	2%	2%	1%	17%	5%
Bakery & Desserts	4%	5%	2%	2%	3%	2%	4%	3%	0%	2%
Beauty & Personal Care	16%	2%	0%	30%	22%	19%	13%	35%	14%	17%
Canned Goods	4%	7%	5%	3%	4%	5%	4%	0%	0%	0%
Dairy & Eggs	5%	9%	31%	3%	4%	5%	5%	5%	0%	4%
Deli	4%	5%	4%	3%	3%	3%	5%	5%	0%	2%
Home	12%	3%	0%	14%	13%	11%	10%	1%	47%	14%
Meat	3%	7%	8%	3%	3%	3%	4%	3%	0%	2%
Organic	0%	4%	0%	0%	0%	0%	0%	0%	0%	0%
Other Foods	12%	16%	0%	9%	12%	13%	13%	8%	0%	8%
Pantry	10%	11%	5%	9%	9%	11%	9%	0%	0%	19%
Pets	3%	1%	0%	3%	4%	2%	3%	1%	2%	3%
Produce	2%	5%	7%	2%	2%	2%	3%	19%	20%	2%
Snacks	11%	14%	16%	9%	10%	10%	12%	8%	0%	9%

Beauty & Personal Care, Alcohol & Beverages, Snacks, and Pantry categories proved popular across all retailers in terms of assortment strength. Beauty & Personal Care displayed surprising distribution gaps in Amazon Fresh and ALDI.

The Home category has a large share on Target, revealing its unique focus on the category. Amazon Fresh too had a surprisingly robust Dairy & Eggs category, making it its biggest category.

Organic, Deli, Canned Goods, and Bakery categories were on the lower end, while Target was also strong in the Produce category.

PRICE PERCEPTION

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

Retailer	Lowest Price Perception Index	Percent
Target		30%
H-E-B		27%
ALDI		23%
Walmart		23%
Kroger		21%
Sprouts Farmers Market		18%
Safeway		11%
Publix		10%
Albertsons		8%
Amazon Fresh		0%

Retailers often look to develop the price perception among customers of being lowest priced by displaying their cheaper products more prominently in the higher ranked spots of its category listing pages. The above chart reports which retailers are closely adhering to this strategy.

Target's top 50 ranked products are on average 30% cheaper than the rest of its products, with H-E-B in second place at 27%. ALDI and Walmart both followed H-E-B at 23% with Kroger coming in at 21%. Surprisingly, there is no disparity in the pricing of Amazon Fresh's top 50 ranked products relative to the remainder of its assortment. This indicates it may be focusing on other means to drive its desired price perception.

BRANDS

Just as retailers look to navigate the highly competitive grocery retail ecosystem, so do leading CPG brands. Tippy Toes, Kroger, American Spice, Great Value, and Topcare have secured a strong presence across retailers with a comparatively healthy volume of SKUs on offer.

What's interesting is the presence of so many private label brands including Kroger, Great Value, Threshold, 365 Everyday Value, and Publix.

For brands, insights like these can help ensure uniformity in product availability across retailers and channels, which is key to delivering a consistent brand experience to customers.

TOP BRANDS

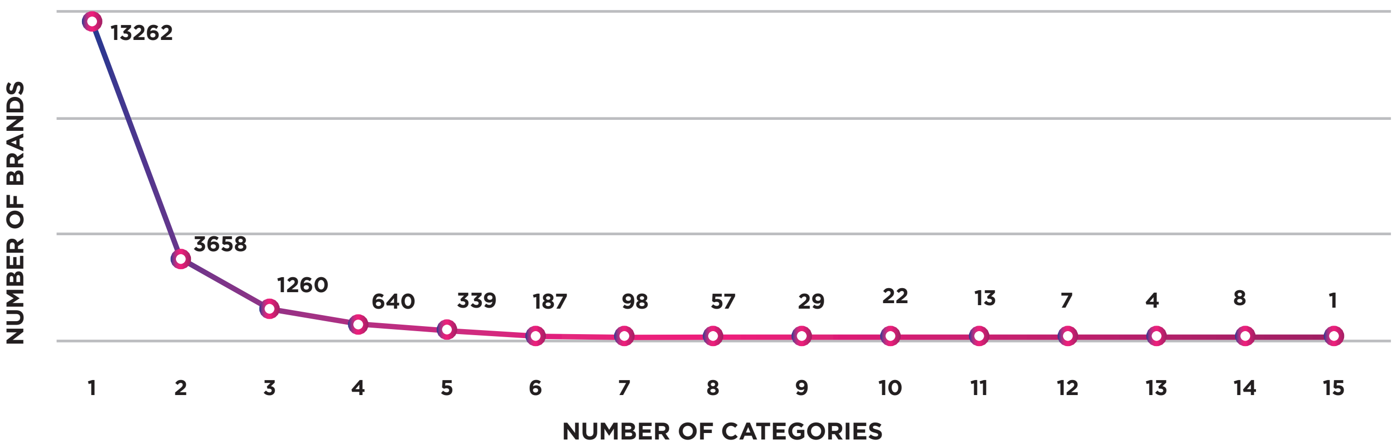
Top Brands	Number of Products	Number of Retailers Present In	Retailer with Highest Share of Brand	% Share
Tippy Toes By Topcare	12353	7	Safeway	55%
Kroger	4380	1	Kroger	100%
American Spice	3943	6	Safeway	63%
Great Value	3478	1	Walmart	100%
Creative Converting	3214	6	Target	97%
Topcare	2444	6	Safeway	39%
Threshold	1814	1	Target	100%
365 Everyday Value	1787	1	Amazon	100%
Publix	1768	1	Publix	100%
Covergirl	1574	6	H-E-B	38%

DISTRIBUTION OF BRANDS ACROSS CATEGORIES

As a way to compete more effectively, CPG brands are increasingly looking to diversify their portfolio of products across multiple categories to cater to evolving shopper tastes and demands. However, close to 70% of brands identified across all retailers (13,262) are present in only 1 category. This insight isn't surprising, as retailers would naturally look to focus on categories that command the largest share of consumer wallet, thereby offering the most opportunity.

When we plotted the number of brands as a function of the number of categories the brands are present in, we observed a decaying function. At the tail end of this curve are brands that are present in almost all categories, such as Kroger, American Spice, Publix, Simple Truth, and Tippy Toe.

DISTRIBUTION OF BRANDS ACROSS CATEGORIES



TOP BRANDS BY CATEGORY

Category	Number of Brands	Top Brand	Number of Products Across Retailers	Retailer with Highest Share of Brand	% Share	Number of Retailers Present In
Alcohol & Beverages	**3048**	Tippy Toes By Topcare	**784**	Safeway	**65%**	**6**
Baby	**2140**	Gerber	**228**	Walmart	**38%**	**7**
Bakery & Desserts	**853**	Tippy Toes By Topcare	**615**	Safeway	**59%**	**6**
Beauty & Personal Care	**3938**	Kroger	**958**	Kroger	**100%**	**1**
Canned Goods	**751**	Kroger	**341**	Kroger	**100%**	**1**
Dairy & Eggs	**1856**	365 Everyday Value	**695**	Amazon	**100%**	**1**
Deli	**1300**	Tippy Toes By Topcare	**950**	Safeway	**65%**	**7**
Home	**4473**	Creative Converting	**3121**	Target	**97%**	**6**
Meat	**1011**	Tippy Toes By Topcare	**735**	Safeway	**64%**	**7**
Organic	**73**	Simplynature	**97**	ALDI	**100%**	**1**
Other Foods	**2334**	Kroger	**632**	Kroger	**100%**	**1**
Pantry	**2842**	Great Value	**1201**	Walmart	**100%**	**1**
Pets	**695**	Boots & Barkley	**187**	Target	**100%**	**1**
Produce	**3940**	Market Pantry	**995**	Target	**100%**	**1**
Snacks	**2540**	Tippy Toes By Topcare	**962**	Safeway	**62%**	**7**

This chart illustrates the categories that attract the most brands as well as the most well-represented brand for individual product categories, together with the number of retailer's carrying the brand.

Home, Produce, and Beauty & Personal Care have the highest brand concentration, with around 4000 brands each. This insight is supported by independent studies of US e-retail in 2017 conducted by Internet Retailer, which observed that Housewares/Home Furnishings and Health/Beauty categories showed the highest growth among all merchandise categories (32.8% and 23.9% respectively), as well as Statista, which observed that Furniture & Homeware and Personal Care categories were among the leading revenue generating categories ($38.3 billion and $26.8 billion respectively) in CPG.

In the lower end are categories like Organic, Pets, and Canned Goods with less than 1000 brands each.

Our analysis also revealed the top brand in each category, measured in terms of the number of products of the brand across all retailers. Here, we see that private label brands dominated several categories, such as Kroger in Beauty & Personal Care, 365 Everyday Value in Dairy & Eggs, Great Value in Pantry, and more.

Today's consumer brands can leverage similar market intelligence to better understand and optimize their competitive position, as well as enhance the uniformity of their presence across distribution channels.

PREMIUM BRANDS BY CATEGORY

Category	Average Selling Price of Category	Most Premium Brand	Average Selling Price of Brand
Home	**$26.02**	Progressive Furniture	**$722.00**
Baby	**$24.66**	Nursery Works	**$582.23**
Beauty & Personal Care	**$11.68**	Master Massage Equipment	**$353.17**
Pets	**$11.58**	Enchanted Home Pet	**$193.30**
Alcohol & Beverages	**$9.35**	Dom Perignon	**$192.86**
Meat	**$7.65**	Today Gourmet	**$184.00**
Deli	**$6.00**	My Mo	**$41.00**
Bakery & Desserts	**$5.36**	PAW Patrol	**$57.94**
Other Foods	**$5.20**	Empire	**$33.19**
Dairy & Eggs	**$4.91**	French	**$68.25**
Pantry	**$4.68**	Manuka Doctor	**$35.98**
Snacks	**$4.28**	Despicable Me 3	**$37.03**
Organic	**$4.05**	Alden's	**$7.63**
Canned Goods	**$3.42**	Dole Fruit Bowls In Box	**$10.51**
Produce	**$3.22**	Augason Farms	**$62.94**

The chart above illustrates the brands in each category that enjoy the highest average selling price. To enable accurate comparisons, the average selling price of the entire category is included in the reporting, which is several orders of magnitude lower than that of the most premium brand for all categories.

As a point of note, some premium brands reported here are likely to have consciously decided not to focus on lower priced products and only sell a few items at high price points, where they can command heftier profits.

Progressive Furniture leads the way on its average selling price point in the Home category followed by Nursery Works in Baby category. French with a premium price point of $68.25 shows a surprisingly high premium in the Dairy and Eggs category.

Organic has the lowest average selling price to premium brand relationship of any category followed by Canned Goods.

Again, by leveraging these insights, brands can better understand how they compare against their competitors, especially if they analyze their price position around the norms for their category.

PRIVATE LABEL

As private label brands continue their gradual incursion into the CPG space, several retailers have developed a large proprietary assortment of private label brands and products. This should enable them to capture valuable additional margin. Increasingly, we are seeing private label products competing with original brand manufacturers in several product categories, gradually tilting the balance of influence on consumers towards retailers. As a result, both retailers and brands need to keep pace with the steady drip of private label brands and products into the CPG marketplace.

Retailer	Number of Products	Degree of Private Label Penetration
Kroger	7084	13%
Target	6465	6%
H-E-B	5174	8%
Walmart	4589	10%
Publix	2195	5%
Sprouts Farmers Market	1399	7%
Amazon Fresh	1336	9%
Albertsons	906	2%
Safeway	716	1%

Kroger, Target, and H-E-B have the highest presence of private label products in CPG in terms of absolute volume. When we looked at the degree of penetration of private label, which we calculated as the ratio of private label products against the total number of products, Kroger, Walmart, and Amazon Fresh led the pack. Safeway is a distant last with only 716 private label products in its range for a 1% penetration rate.

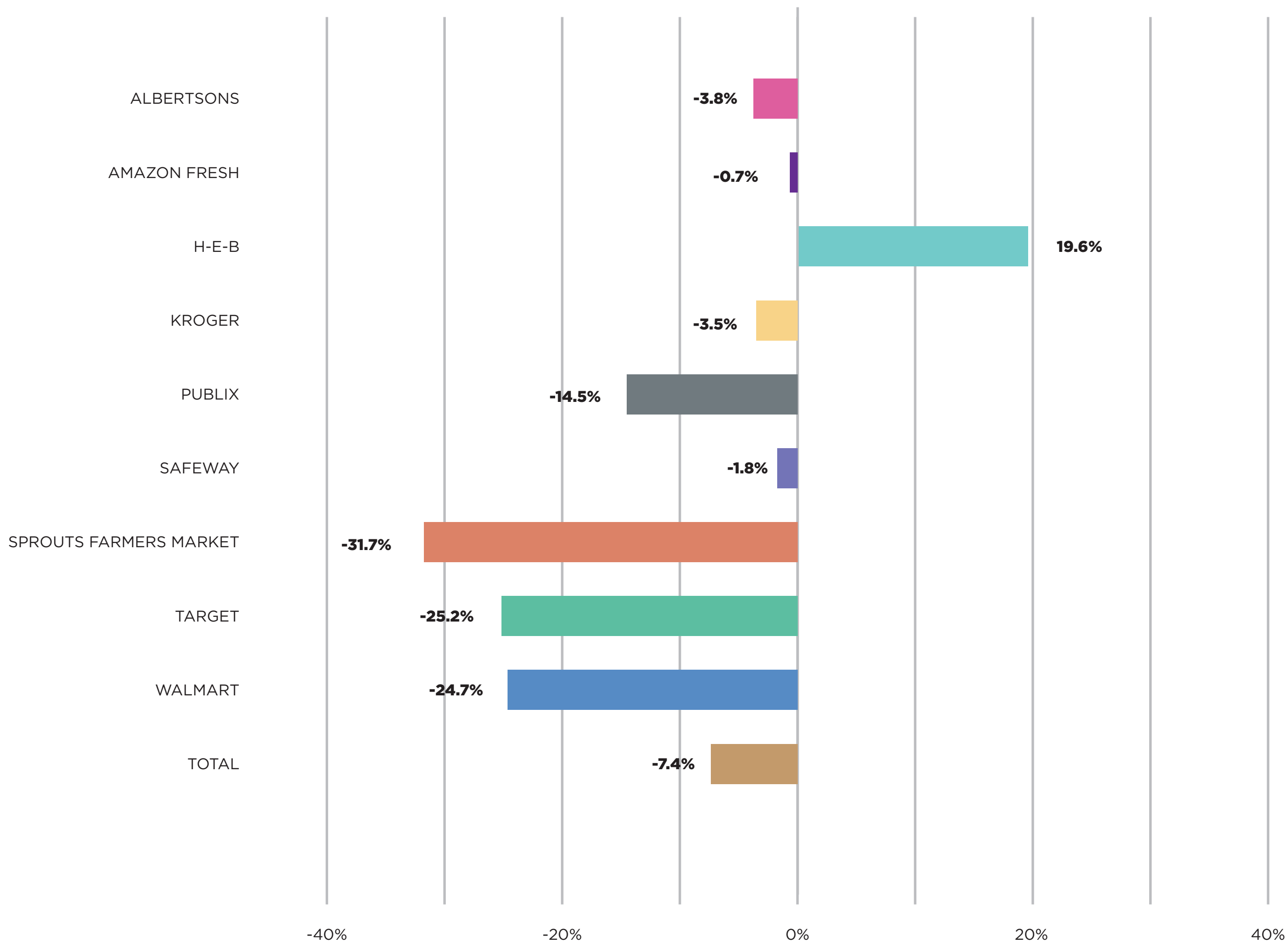
Kroger's strong private label strategy clearly stands out from other retailers in both the absolute number of products and the degree of penetration. It will be fascinating to see how this private label strategy will impact Kroger's bottom line performance.

PRIVATE LABEL BY CATEGORY

Retailer	Number of Products	Degree of Private Label Penetration
Home	5499	18%
Beauty & Personal Care	3565	11%
Other Foods	3356	11%
Pantry	3163	10%
Produce	2718	9%
Dairy & Eggs	2300	7%
Snacks	2018	6%
Alcohol & Beverages	1732	6%
Baby	1472	5%
Meat	1214	4%
Deli	1126	4%
Canned Goods	1084	3%
Bakery & Desserts	1059	3%
Pets	735	2%
Organic	318	1%

Across all retailers, Home and Beauty & Personal Care are the most popular categories for private label, although Other Foods and Pantry are not far behind. Bringing up the rear in our popularity measure are Bakery & Desserts, Pets and Organic categories. The focus on Home and Beauty & Personal Care categories in private label echoes a similar focus by national brands as well.

AVERAGE VARIATION OF PRICE FROM AVERAGE SELLING PRICE OF CATEGORY



The common assumption in retailing is that private label products are priced lower than national brands. This assumption has been validated in our findings. Our data indicate that of the 9 out of 10 retailers analyzed, the average selling price of private label products was lower than that of other national brands across all retailers.

The only exception to this pricing trend appears to be H-E-B. Its private label products were priced 20% higher than national brands. This is a unique strategy and its impact on customer adoption will be interesting to watch unfold.

Sprouts Farmers Market, Target, and Walmart were the most aggressive in its private label pricing, while interestingly, Amazon Fresh has its private label products priced at around the category average. Amazon Fresh's pricing strategy is similar to its approach in other non-CPG categories where it adopts a more strategic approach to its pricing strategy and margin yield management

Safeway is displaying a relatively similar strategy to Amazon Fresh with just a -1.8% discount on its private label products.

MOST POPULAR PRIVATE LABEL BRANDS ON AMAZON FRESH

Brand	Average Review Rating	Average Number of Reviews
Mama Bear	3.97	198.4
Amazon Elements	4.50	145.0
Wickedly Prime	4.00	82.0
Amazon	4.28	25.2
Happy Belly	4.00	10.8
Whole Foods Market	3.92	6.9
365 Everyday Value	4.04	6.4
Allegro Coffee	4.53	1.4
Solimo	3.00	2.0

We captured reviews and rating data from Amazon Fresh in the chart above. This chart lists some of the most popular private label brands. Popularity is measured as a combination of average review rating and the average number of reviews for its products

Amazon Elements has the largest average rating combined with the second highest average number of reviews. The Solimo brand has the lowest average review rating combined with a very low average number of reviews while the Allegro Coffee brand had marginally lower reviews but yielded a better average review rating.

Amazon Fresh's private label brands are yet to generate a significant number of reviews, whilst their average review rating varies wildly. This may imply Amazon Fresh's private label strategy is in its embryonic stages or that product quality issues lurk beneath the surface with nearly half of its brands.

ABOUT

SunTrust Robinson Humphrey

SunTrust Robinson Humphrey (STRH) is a leading, full-service corporate and investment bank dedicated to helping you successfully manage and grow your company through a comprehensive range of strategic advisory, capital raising, risk management, financing and investment solutions. We also offer a complete array of sales, trading and research services in both fixed income and equity.

Our firm's history dates back to 1894, and through the years we have built a reputation for delivering superior client service and in-depth market and industry expertise. At STRH, we are committed to your success. Our team of experienced professionals works closely with you to understand your unique needs and goals to provide sound, unbiased guidance that draws from the significant resources from across our entire universal banking platform. This collaborative One Team approach is focused solely on partnering with you to secure meaningful value throughout the life cycle of your company.

We work with a diverse mix of corporations, governments, financial sponsors and institutional investors from across the nation, who have come to rely on our focused, individualized attention and trusted advice to deliver actionable ideas and seamless execution.

Based in Atlanta and with offices throughout the U.S., STRH is part of SunTrust Banks Inc., one of the nation's largest financial services holding companies.

WE OFFER YOU

A Financial Partner Who Understands Your Business

An Extraordinary Commitment to Your Long-Term Success

Delivery You Can Count On

Extensive Capabilities

Proven Expertise

ABOUT DATAWEAVE

DataWeave provides Competitive Intelligence as a Service to retailers and consumer brands by aggregating and analyzing data from online sources. Powered by AI and machine-learning, we deliver near-real-time, actionable competitive intelligence, at massive scale.

While retailers use DataWeave's Retail Intelligence to make smarter pricing, promotions, and product assortment decisions and drive profitable growth, consumer brands use DataWeave's Brand Analytics to protect their brand equity online, track the share of voice of their online promotions, analyze their brand perception, and optimize their shelf velocity.

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

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

PROMOTIONAL INSIGHTS

Optimize the ROI of your online promotions by analyzing your competitors' promotional campaigns

BRAND ANALYTICS

BRAND GOVERNANCE

Track and cut down on MAP violations, unauthorized merchants, and counterfeit products, while also optimizing your product availability and online catalog quality

SHARE OF VOICE ANALYSIS

Gain insights on and optimize your brand's share on eCommerce advertising, keyword search results, and customer reviews and feedback, compared to competitors

SHELF VELOCITY OPTIMIZATION

Influence and drive greater sales through your eCommerce channel by tracking and improving your online shelf velocity for top search keywords and product categories

There’s a universe of data out there.

ACQUIRE. ANALYZE. ACT.

GET IN TOUCH

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