



Private Label:

Brand Positioning in the New World Order

Times & Trends
September 2011


Symphony **IRI** Group

Insight.
Innovation.
Impact.

Executive Summary

INSIGHT

- ❑ Currently at 22.9%, private label share of CPG unit sales dipped during the past year, the first decline since the beginning of the economic downturn; traction is lessening across most CPG departments
- ❑ Private label price hikes have been sharper versus national average, placing downward pressure on the average price discount offered by private label purchases and impacting dollar and unit share trends
- ❑ Private label share of sales is highest within the grocery channel, while mass/super and club channels are experiencing the largest share growth

ACTION

- ❑ Brand manufacturers must continue to invest to understand shifting consumer attitudes and behaviors across key categories/brands and drivers of those behaviors; use that knowledge as the foundation for all marketing strategies
- ❑ Understand the price relationship between your brands and private label, and use this to inform retailers of category pricing insights and to drive your own price strategy
- ❑ Embrace innovation as a key private label mitigation strategy, wrapping in new attributes that offer unique benefits targeted against the needs of key shoppers/targets

Executive Summary

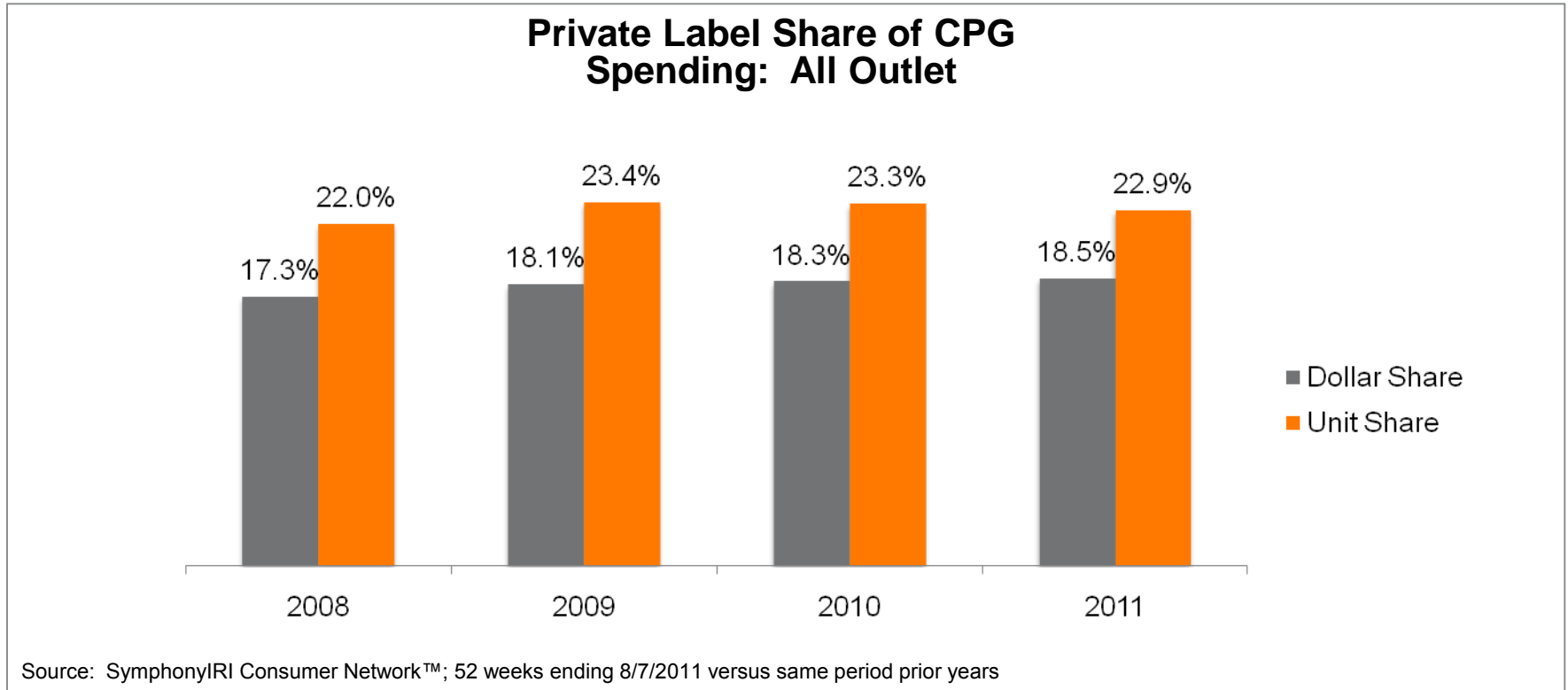
INSIGHT

- ❑ While nearly everyone buys private label products, penetration is in the single digit range across more than 40% of CPG categories
- ❑ Despite an “industry average” dip in private label share, the fact that private label share is increasing in nearly three-quarters of the top 100 CPG categories underscores the complexity of private label trends at the department and category level

ACTION

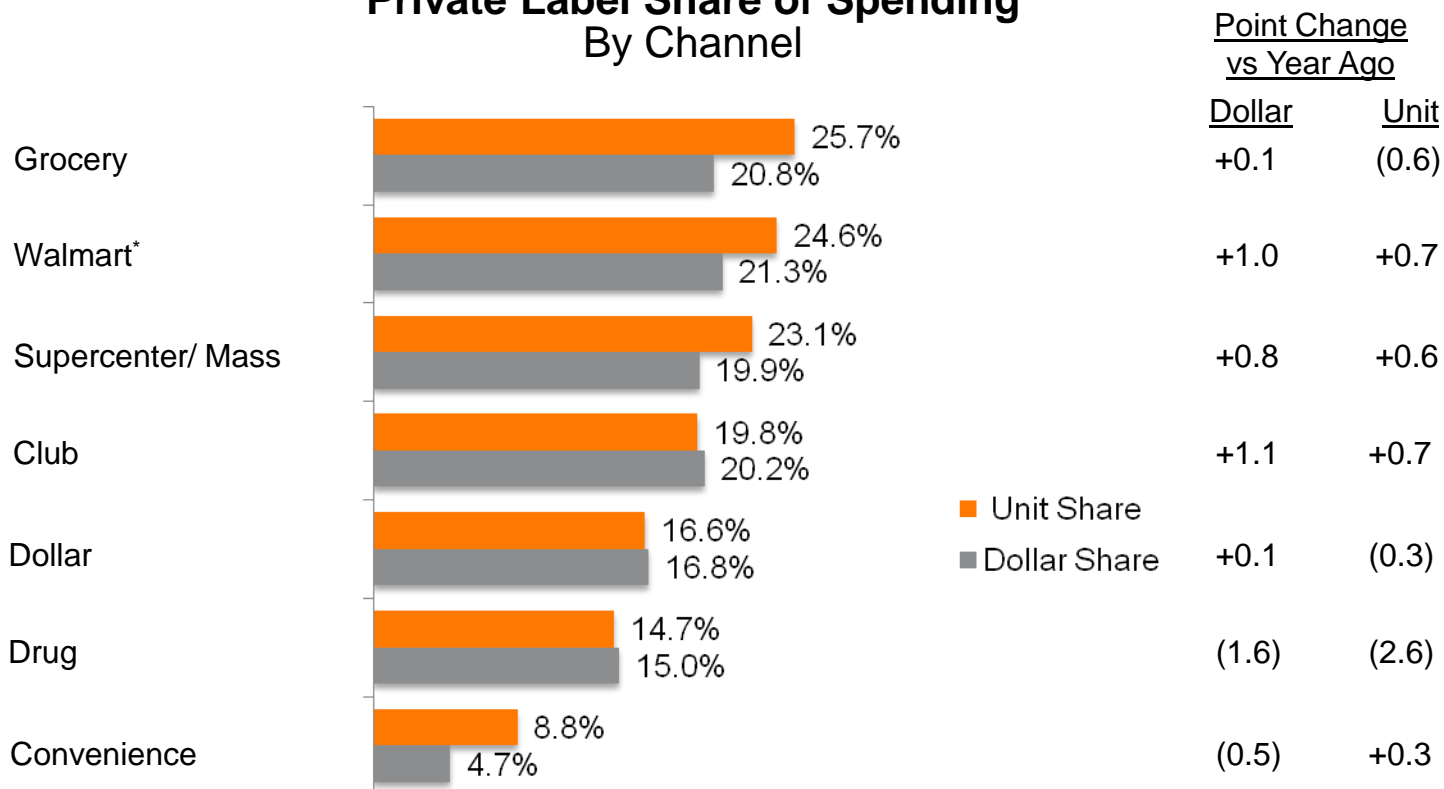
- ❑ Understand the private label threat within your specific categories, and develop and clearly communicate a value proposition for your brands that mitigate that threat
- ❑ Invest to understand private label trends across key departments/categories, and explore opportunities to partner, where appropriate, with retailers to bring consumers multi-tiered CPG solutions

Private label share of dollar sales continues a slow march upward, while unit share dipped slightly during the past year.



Private label performance is mixed across CPG channels, with club and mass/super channels seeing the strongest share growth.

Private Label Share of Spending By Channel

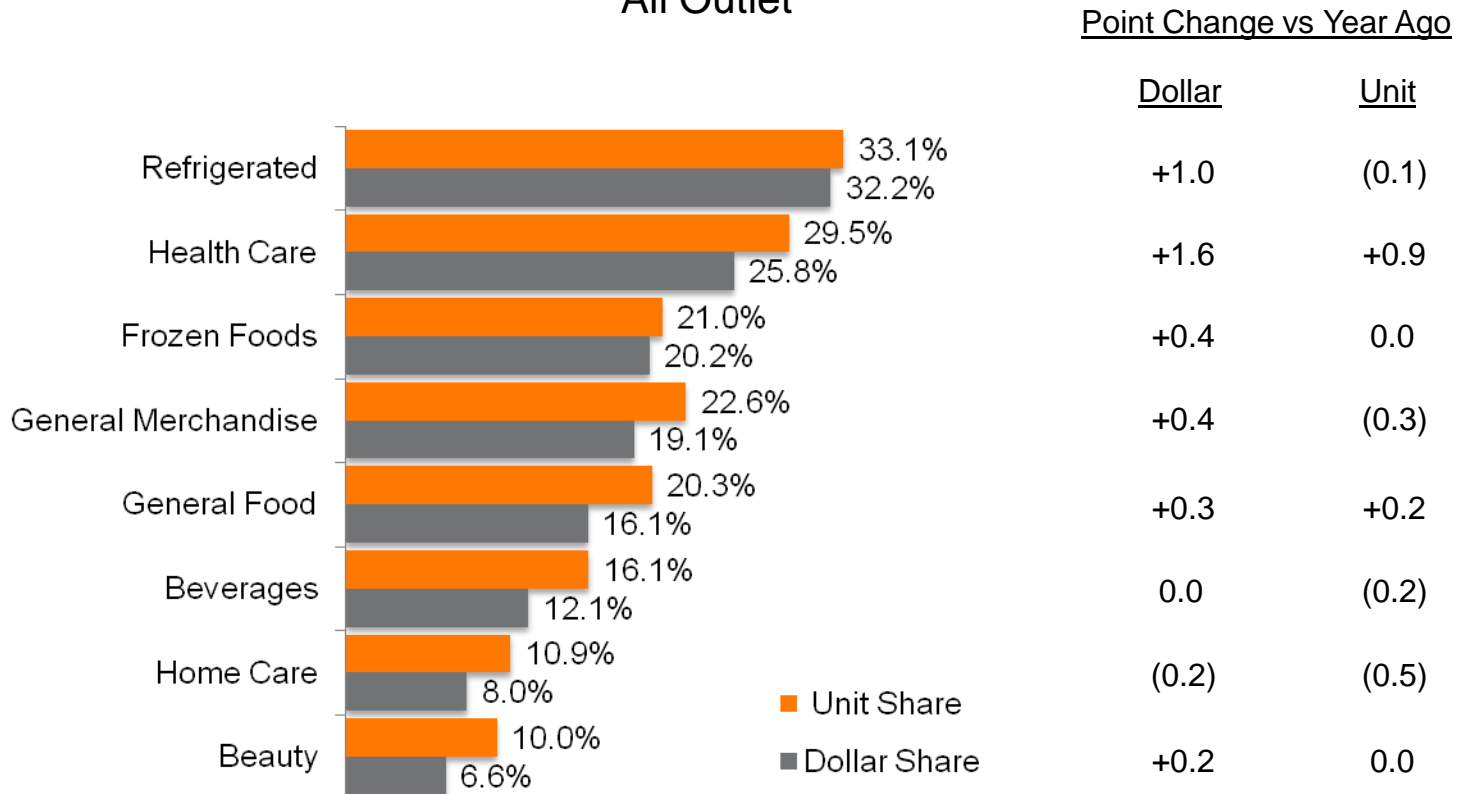


*Total Walmart, Including Neighborhood Markets

Source: SymphonyIRI Consumer Network™; 52 weeks ending 8/7/2011 and same period prior year

Private label traction has lessened across the store, with the greatest share declines seen in the home care department.

Private Label Share of Department Spending All Outlet



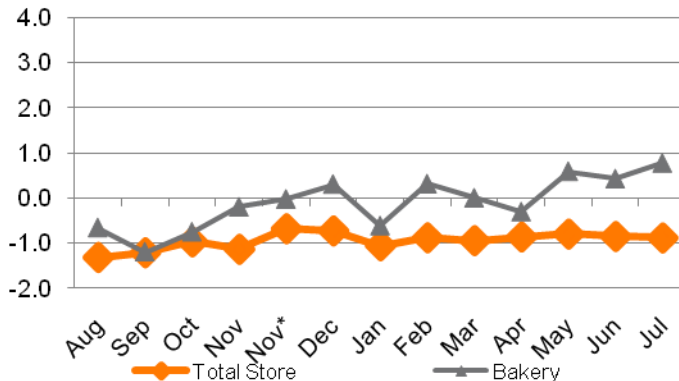
Source: SymphonyIRI Consumer Network™; 52 weeks ending 8/7/2011 and same period prior year

Private label share trends across edibles departments have been largely in negative territory during the past year, with the exception of deli, where private label demonstrated positive momentum throughout much of the year.

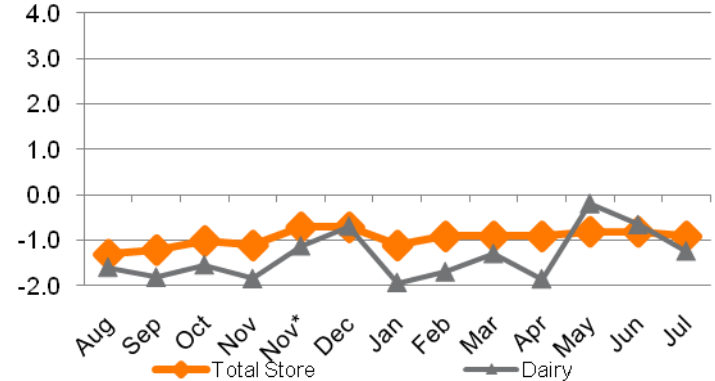
Private Label Volume Share: By Department

Point Change Versus Year Ago

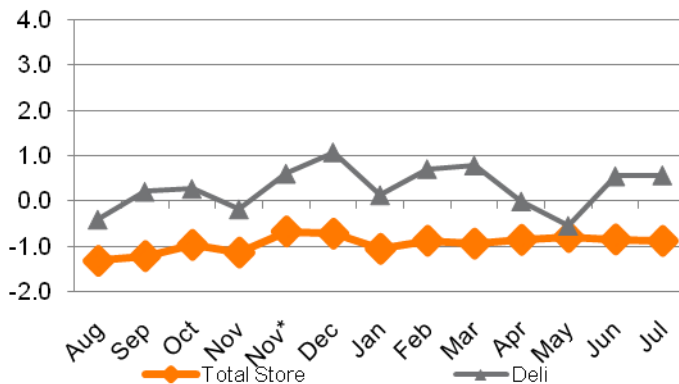
All Outlet



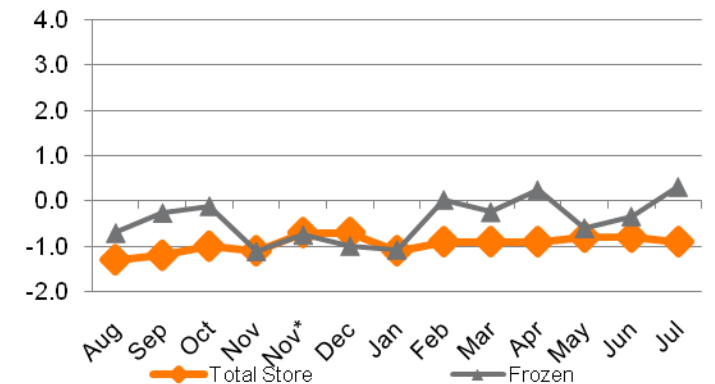
Bakery



Dairy



Deli

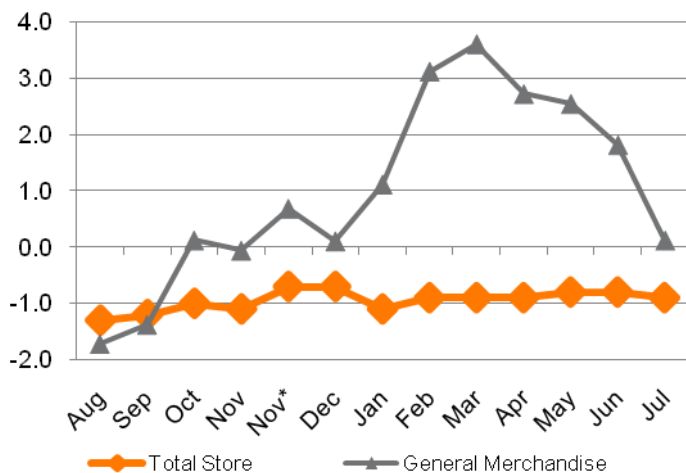


Frozen

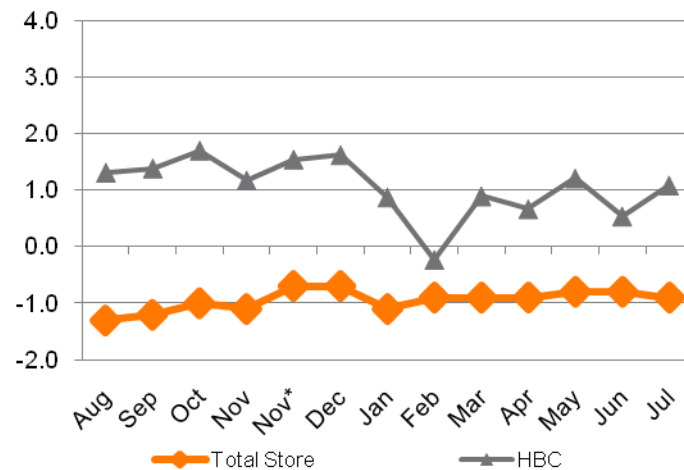
Source: SymphonyIRI Reviews™; 4 weeks ending 7/10/2011 and preceding 11 4 week periods versus same period prior year; Nov has 2 4 weeks periods, ended Nov 1, ended Nov 29

Across non-edibles, private label share growth is strong, with traction evidenced at the department level. Private label share growth has been particularly strong within the general merchandise department.

Private Label Volume Share: By Department Point Change Versus Year Ago All Outlet



General Merchandise



Health & Beauty Care

Source: SymphonyIRI Reviews™; 4 weeks ending 7/10/2011 and preceding 11 4 week periods versus same period prior year; Nov has 2 4 weeks periods, ended Nov 1, ended Nov 29

While private label continues to offer considerable savings versus nationally branded products, the gap is shrinking across most CPG departments.

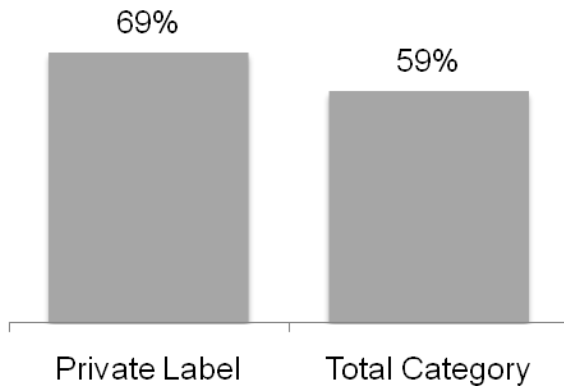
Private Label Average Price Discount by Department All Outlet

		<u>Point Change vs Year Ago</u>	<u>PL Average Price per Volume % Change vs Year Ago</u>
Beauty/Personal Care	63.5%	0.0	+5.4%
Healthcare	44.4%	+1.1	(1.6%)
Fresh/Perishable	35.9%	(2.8)	+11.6%
Center Store	33.1%	(2.2)	+3.7%
Frozen	31.5%	(1.1)	+3.6%
General Merchandise	22.2%	(3.9)	(3.1%)
Total CPG	29.3%	(2.3)	+5.3%

Source: SymphonyIRI Consumer Network™; 52 weeks ending 8/7/2011 and same period prior year

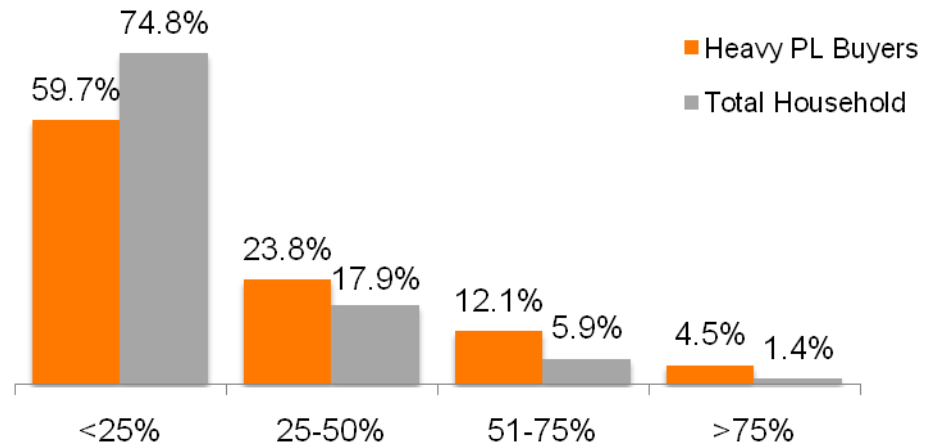
Penetration is significantly higher across heavy buyers of private label versus the general population, yet plenty of upward potential remains.

**Top 50 Categories* Dollar Sales
as % Total CPG
Private Label vs Total Category**



Source: SymphonyIRI Consumer Network™; 52 weeks ending 8/7/2011. *Top 50 Categories based on dollar sales.

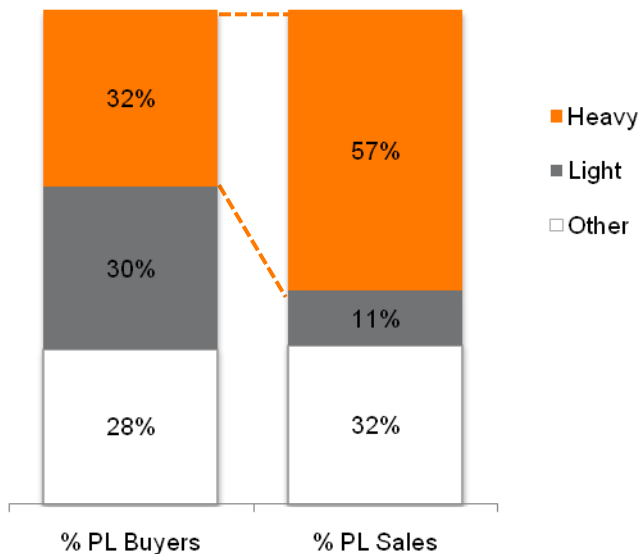
**% of CPG Categories by Private Label
Penetration
Among Category Buyers**



Source: SymphonyIRI Consumer Network™; 52 weeks ending 8/7/2011 and same period prior year

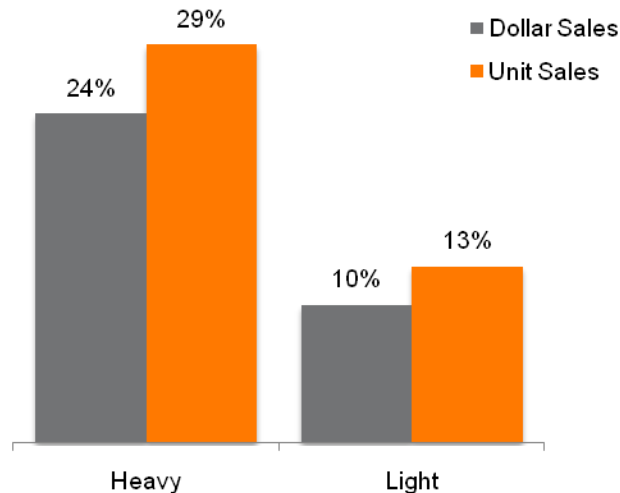
Among heavy private label buyers, more than a quarter of the CPG budget is spent on private label items.

Total CPG All Outlet Private Label Sales Contribution of Heavy vs Light Buyers



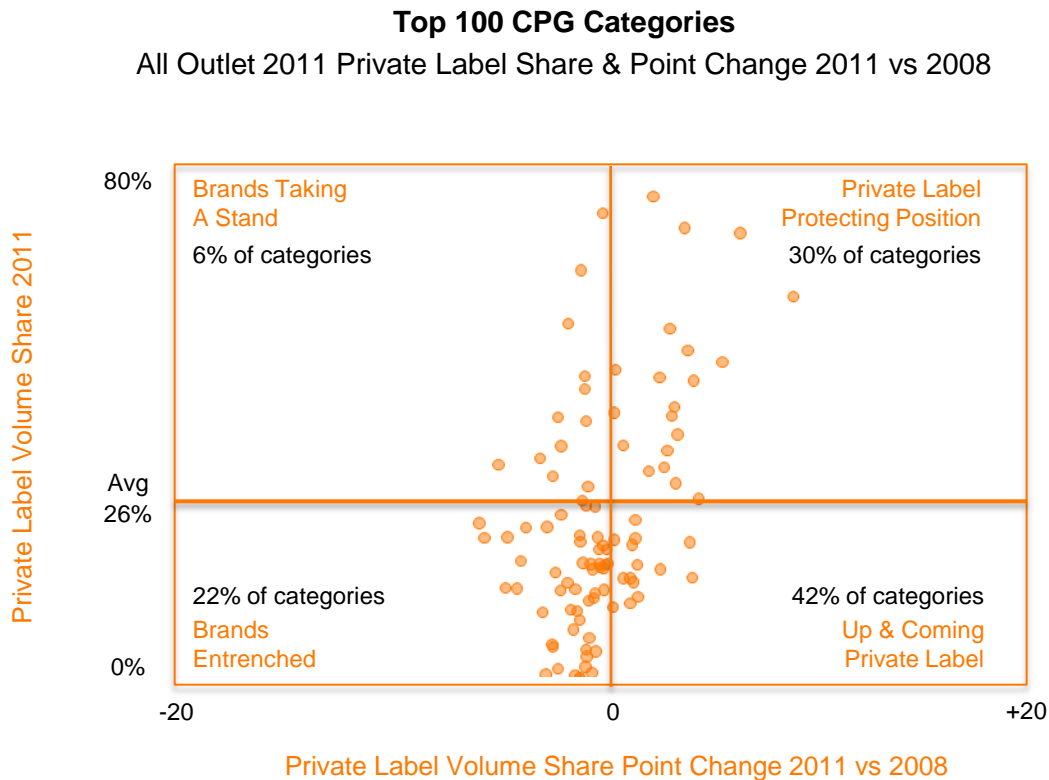
Source: SymphonyIRI Consumer Network™; 52 weeks ending 8/7/2011

Private Label Share of Total CPG Spending by Purchase Segment



Source: SymphonyIRI Consumer Network™; 52 weeks ending 8/7/2011

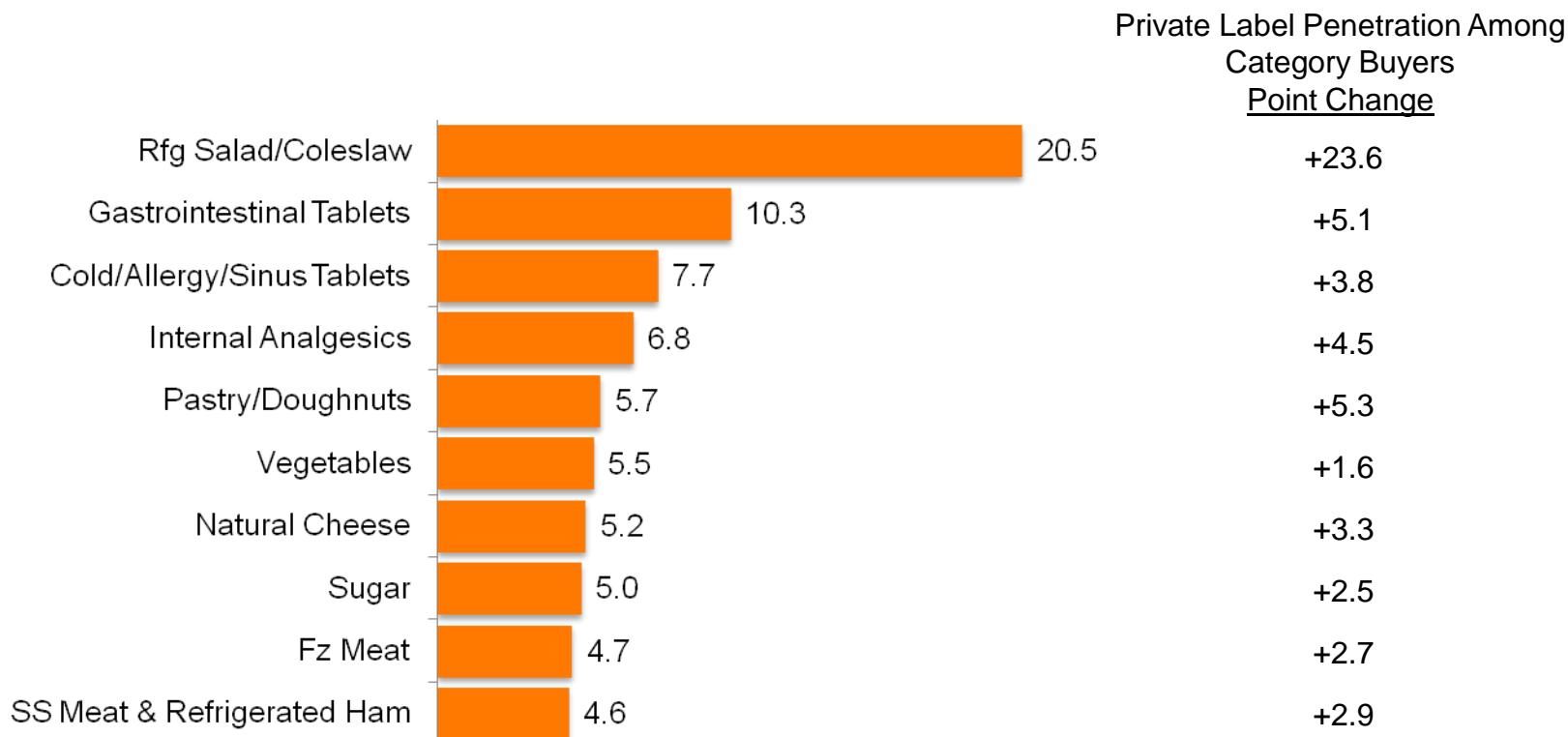
While national brands appear to be regaining some traction, private label is still winning share in 72 of the top 100 CPG categories.



Source: SymphonyIRI Consumer Network™; 52 weeks ending 8/7/2011 and same period 2008; Top 100 Categories based on dollar sales

Across categories where private label share is already above average, penetration is climbing rather notably.

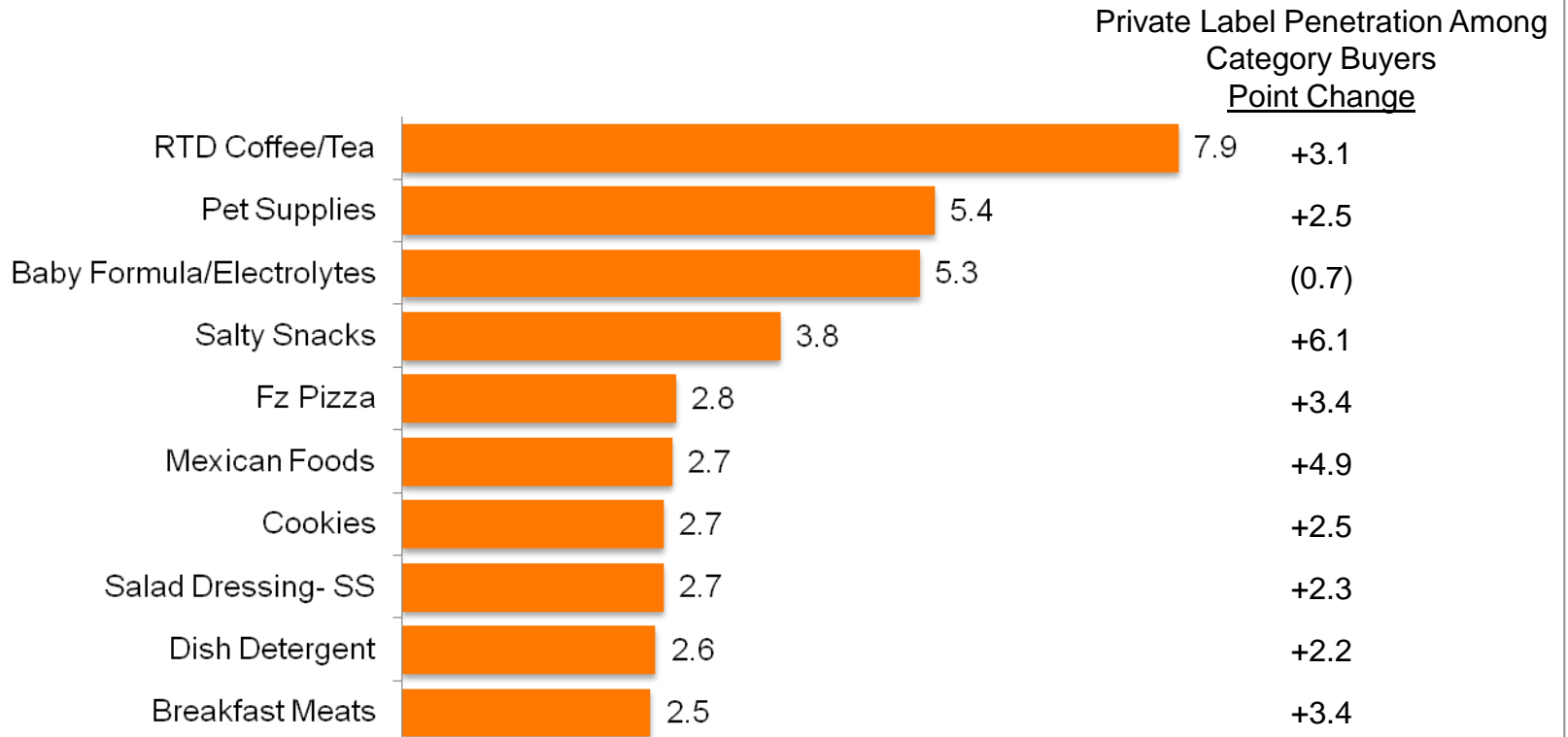
Top Categories with Above Average and Increasing Private Label Share 2011 vs 2008: All Outlet Private Label Volume Share Point Change



Source: SymphonyIRI Consumer Network™; 52 weeks ending 8/7/2011 and same period prior year

Penetration gains are contributing heavily to increased traction among categories where private label share has been historically lower versus industry average.

Top Categories with Below Average and Increasing Private Label Share
 2011 vs 2008: All Outlet Private Label Volume Share Point Change

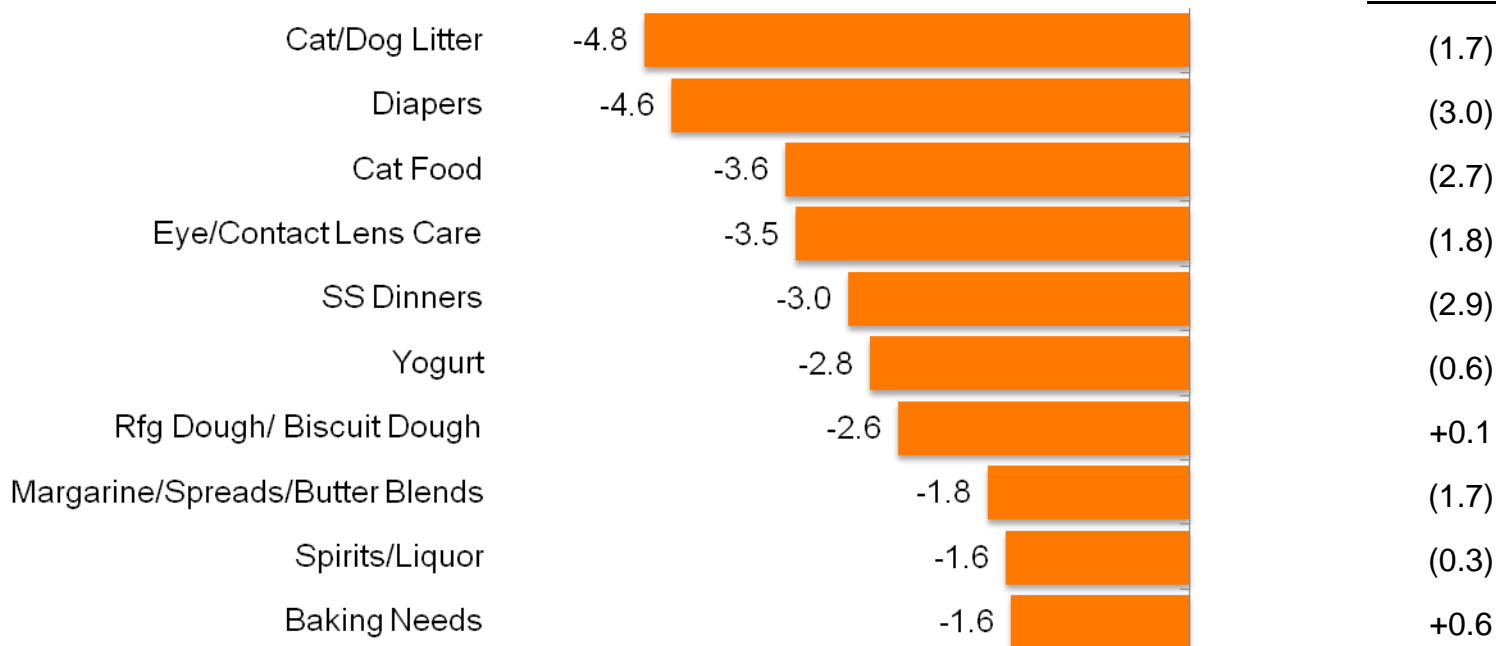


Source: SymphonyIRI Consumer Network™; 52 weeks ending 8/7/2011 and same period prior year

Across a handful of categories where national brands are well-entrenched, private label penetration has declined despite the prolonged economic downturn.

Top Categories with Below Average and Declining Private Label Share
 2011 vs 2008: All Outlet Private Label Volume Share Point Change

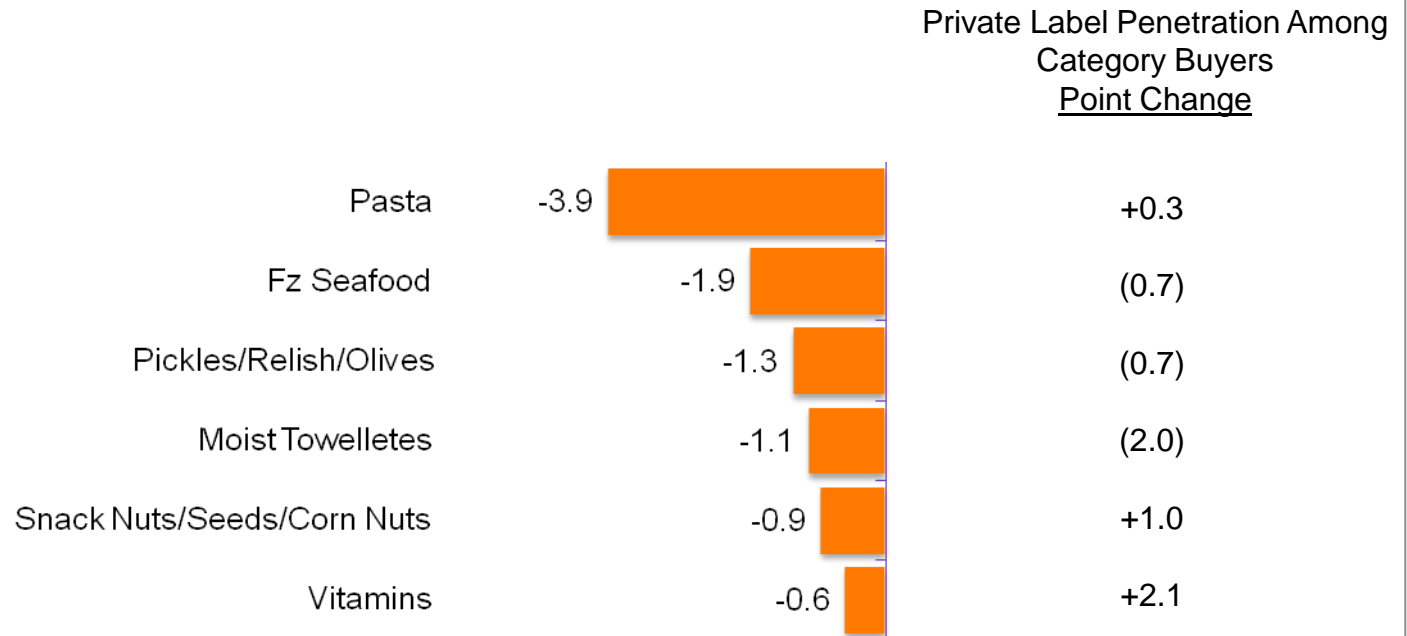
Private Label Penetration Among
 Category Buyers
Point Change



Source: SymphonyIRI Consumer Network™; 52 weeks ending 8/7/2011 and same period prior year

Penetration has declined across several categories where private label share is above average, but on the decline. Private label share of vitamins has slipped despite a noteworthy increase in penetration.

Top Categories with Above Average and Declining Private Label Share
 2011 vs 2008: All Outlet Private Label Volume Share Point Change



Source: SymphonyIRI Consumer Network™; 52 weeks ending 8/7/2011 and same period prior year

Conclusions: Manufacturers

Continually identify and assess brand-specific opportunities and risks with respect to private label

- ❑ Carefully monitor price gaps between your own brands and private label alternatives to ensure that optimal price gap is maintained
- ❑ Understand private label performance across your categories; leverage value-oriented pricing and promotion programs to protect and grow share
- ❑ Explore partnerships with key retailers to create co-branded products and multi-tiered solutions that appeal to a broad consumer base

Continually refine competitive strategies vis-à-vis private label

- ❑ Maintain a solid understanding of price/value perceptions across key consumer segments, and ensure everyday pricing is in lock-step with consumer needs
- ❑ Invest in innovation that will bring differentiation to the marketplace, and entice consumers to “buy more to get more” despite a difficult economic environment
- ❑ Leverage highly-targeted and affordability-oriented marketing campaigns, including feature ads and in-store efforts, across categories with the highest store brands threat

Measure and monitor actual versus planned impact of brand related initiatives

- ❑ Carefully test new product concepts before embarking on development plans; frequently solicit consumer feedback throughout the development process
- ❑ Use market-level models to determine expected results of pricing and promotional efforts; frequently measure actual versus expected results upon and following rollout
- ❑ Track and benchmark store-level shifts relative to private label among key retail partners

Conclusions: Retailers

Continually identify and assess private label opportunities and threats

- ❑ Carefully monitor price gaps between your private label offerings and national brand alternatives to ensure that optimal price gap is maintained
- ❑ Tailor private label offerings at the market level
- ❑ Support private label lines with consumer-centric and highly integrated marketing campaigns, including in-store display and feature ad support

Continually refine private label development strategies

- ❑ Maintain a solid understanding of price/value perceptions across key consumer segments, and use this knowledge to inform everyday and promotional pricing strategies
- ❑ Invest in innovation that will bring differentiation to the marketplace
- ❑ Evaluate feasibility of multi-tier offerings across key categories/product lines, either alone, or in partnership with brand manufacturer partners

Measure and monitor actual versus planned impact of private label-related initiatives

- ❑ Test market product, pricing and promotion changes prior to and immediately following roll out
- ❑ Track and benchmark store-level private brand share shifts relative to national brands