



THE 2014 MID-YEAR PERFORMANCE REVIEW

How the Top 100 CPG Brands Performed

About This Study

The 2014 Mid-Year Performance Review is a new study by Catalina that looks at several KPIs for the Top 100 CPG brands in the Catalina network. Its findings illustrate the complexity of sales volume changes for these top brands and its competitors, including Private Label.

For a brand to develop effective sales strategies and objectives, it is important to understand the factors that affect sales volume and share. This report identifies many of the variables that can ultimately impact sales – consumption changes, new/lost category buyers, brand shifting, first-time category buyers and loyalty reduction or defection.

We hope **The 2014 Mid-Year Performance Review** provides the impetus for both retailers and brands to continue their growing efforts to understand their consumers and shoppers, and engage them in more personalized and relevant ways across multiple channels, both inside and out of the store.

Discoveries

Sales volume is down

- Sixty-five of the Top 100 CPG brands had declines for the 52-weeks ending June 30, 2014
- Competitive national brands and Private Label are outpacing the Top 100

Consumption and category buyers drive volume changes

- Seventy-two percent of the change in category volume declines can be attributed to decreased consumption
- Twenty percent of category volume increase is due to new category buyers

Brand shifting is the main driver of lost share

- For the sixty-five declining Top 100 Brands, the average share loss was one point, fully gained by national brand competitors

Nearly half of high-loyal shoppers do not remain loyal

- Fifty-six percent of Year One high loyals remained loyal while the remaining 44 percent either defected or reduced loyalty

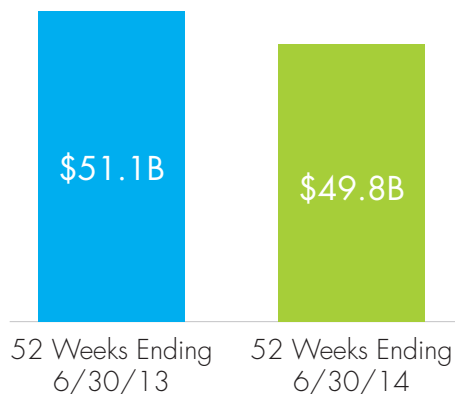
The average lost opportunity due to reduced or lost loyalty is over \$15MM, equal to over 7 percent of high-loyal shopper sales volume.

Introduction

How did the leading CPG brands perform through mid-year 2014? The answer is mixed. Our data shows that, as a group, the Top 100 Brands within the Catalina network declined nearly 3 percent during the 52 weeks ending June 30, 2014 (Figure 1). Within the Catalina network, dollar sales for all brands and categories were flat with a 0.5 percent increase for the same time period.

Figure 1

Revenues Declined Slightly for the Top 100



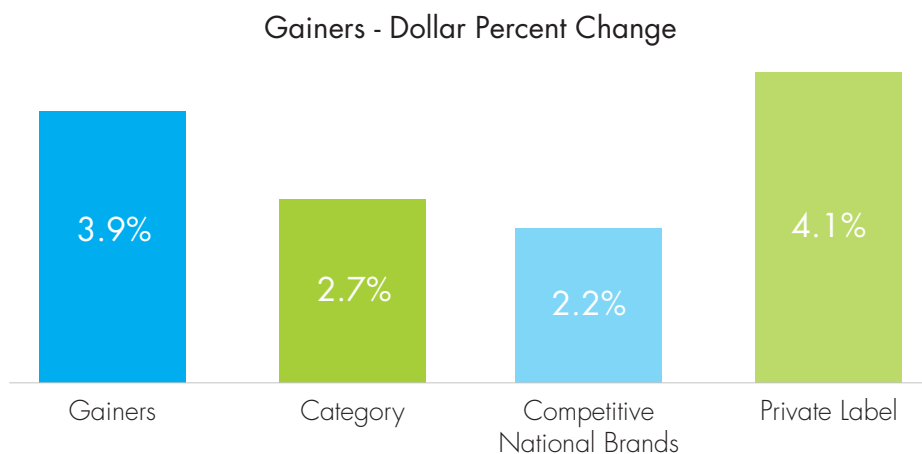
Sixty-five of the Top 100 CPG brands had sales declines

Sixty-five of the brands showed declines of 5.7 percent, for an average decrease in sales of \$30.5M, while the remaining 35 brands experienced growth of 3.9 percent, for an average increase of \$16.8M.

Good news for the gainers in the Top 100! Their growth outpaced the dollar sales change in their respective categories and the competitive national brands in those categories. However, Private Label outperformed the Top 100 as a whole (Figure 2).

Figure 2

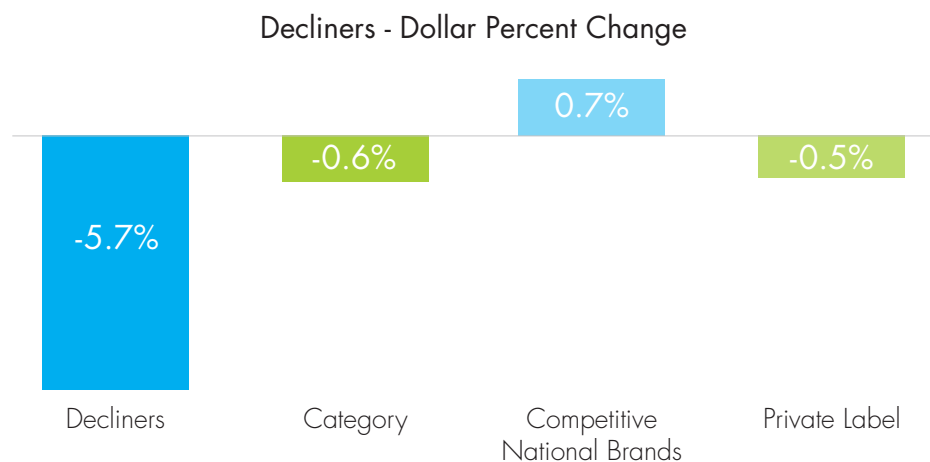
Private Label Outpaced Top 100 Gainers



For the 65 declining brands, the categories, national brand competitors, and Private Label all outperformed the Top 100, with competitive national brands showing an increase in dollar sales (Figure 3). Later in the study we will look at the impact of competitive brands on the performance of the Top 100, specifically brand share and attracting new buyers to the category.

Figure 3

Top 100 Competitors Only Group Showing Growth



The charts and graphs on the following pages summarize the key measures of the Top 100 Brands, including:

Dollar volume change by category segment

- How did the fourteen mega categories perform?

Brand share changes

- How many of the Top 100 lost brand share, even if they showed dollar sales growth?

Buyer dynamics of volume change

- What were the key drivers for volume changes in the past year: consumption, new/lost buyers, and/or brand shifting?

New category buyer attraction

- Are the Top 100 attracting their fair share of new buyers in the category?

Impact of reduced loyalty and defection

- What percent of total sales volume is lost due to changes in brand loyalty?

Consumer insights identify the drivers of sales volume change

The Top 100 Brands are Showing Declines Across Majority of Category Segments

Only two of the mega-category segments, Packaged Produce and Candy/Snacks, have shown dollar sales growth versus the same period year ago. How did your brand compare to the category?

Nearly all category segments suffered declines in dollar sales



Packaged Produce
2 brands
3% of Top 100 \$
+6.3% increase



Shelf Stable
14 brands
15% of Top 100 \$
-2.5% decline



Candy/Snacks
10 brands
10% of Top 100 \$
+1.3% increase



General Merchandise
6 brands
4% of Top 100 \$
-2.6% decline



OTC
4 brands
2% of Top 100 \$
-0.2% decline



Carbonated Beverage
5 brands
10% of Top 100 \$
-4.2% decline



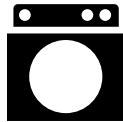
Beauty
16 brands
13% of Top 100 \$
-0.7% decline



Beverage
9 brands
7% of Top 100 \$
-4.8% decline



Dairy
8 brands
9% of Top 100 \$
-1.4% decline



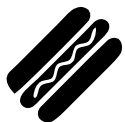
Paper/Laundry
9 brands
10% of Top 100 \$
-5.7% decline



Bakery
3 brands
3% of Top 100 \$
-1.6% decline



Baby
5 brands
6% of Top 100 \$
-6.6% decline



Processed Meat
2 brands
3% of Top 100 \$
-2.3% decline



Frozen
7 brands
6% of Top 100 \$
-7.1% decline

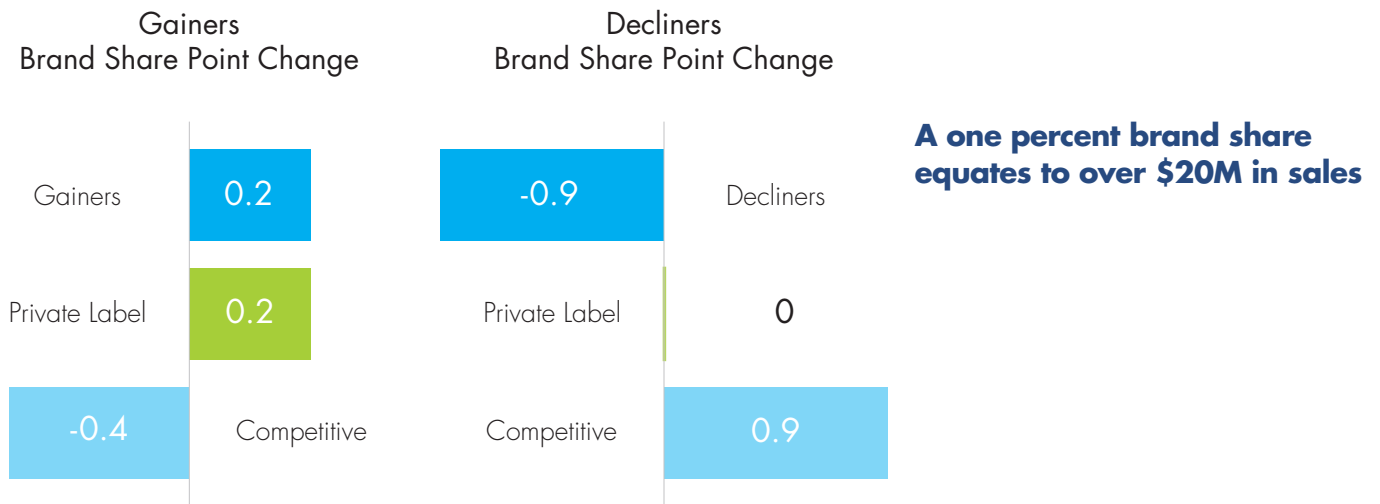
Competitive Brands Have Taken Share From Decliners In The Top 100 Brands

Increasing brand share, or at least maintaining share, is essential to driving sales. For the Top 100, a one percent brand share equates to nearly \$22M. Keep in mind that growth in sales volume does not necessarily result in an increased brand share. If the competitive brands are the drivers of category growth and the Top 100 brand is not keeping pace with that growth, the result is a smaller share of a bigger pie. As an example, of the 35 gainers in the study, 12 of them lost share; only 6 of the 65 decliners gained share.

Gainers in the study experienced a 0.2 share point increase, as did Private Label, with the 0.4 share point change coming from competitive national brands. For decliners, Private Label share remained the same and the 0.9 share decline for the Top 100 is directly attributable to share gained by branded competitors (Figure 4).

Figure 4

Top 100 Brands Have Lost Dollar Share



Understanding Shopper Behavior

Volume and share results are based on all scanned sales within the sample used in this study. For a deeper understanding of the buyer dynamics and its impact on sales volume change and brand loyalty, a subset of nearly 24MM unique shopper IDs was used to evaluate results year over year. This sample of IDs was identified as having shopped at least two times in each of the last consecutive 8-week periods over 104 weeks. Catalina believes it is imperative to have this consistent shopper view when analyzing shopper behavior.

Buyer Dynamics Impacting Change

The Category Buyer Dynamic addresses valuable insights about category shopping behavior: changes in consumption and gains/losses of category buyers. For instance, if category sales volume decreased, we can determine the driving force of that volume change. In this example (Figure 5), the net change of new/lost category buyers was -1.7 percent and the net change of increased/decreased consumption was +0.7 percent, combined for a volume decrease of 1.0 percent. Based on these changes, the driver of the category decrease was lost category buyers.

Changes in consumption are the driving force of dollar sales change for the Top 100 Brands' categories (See Figure 6, Page 8).

Figure 5

Category Buyer Dynamics Address Volume Changes

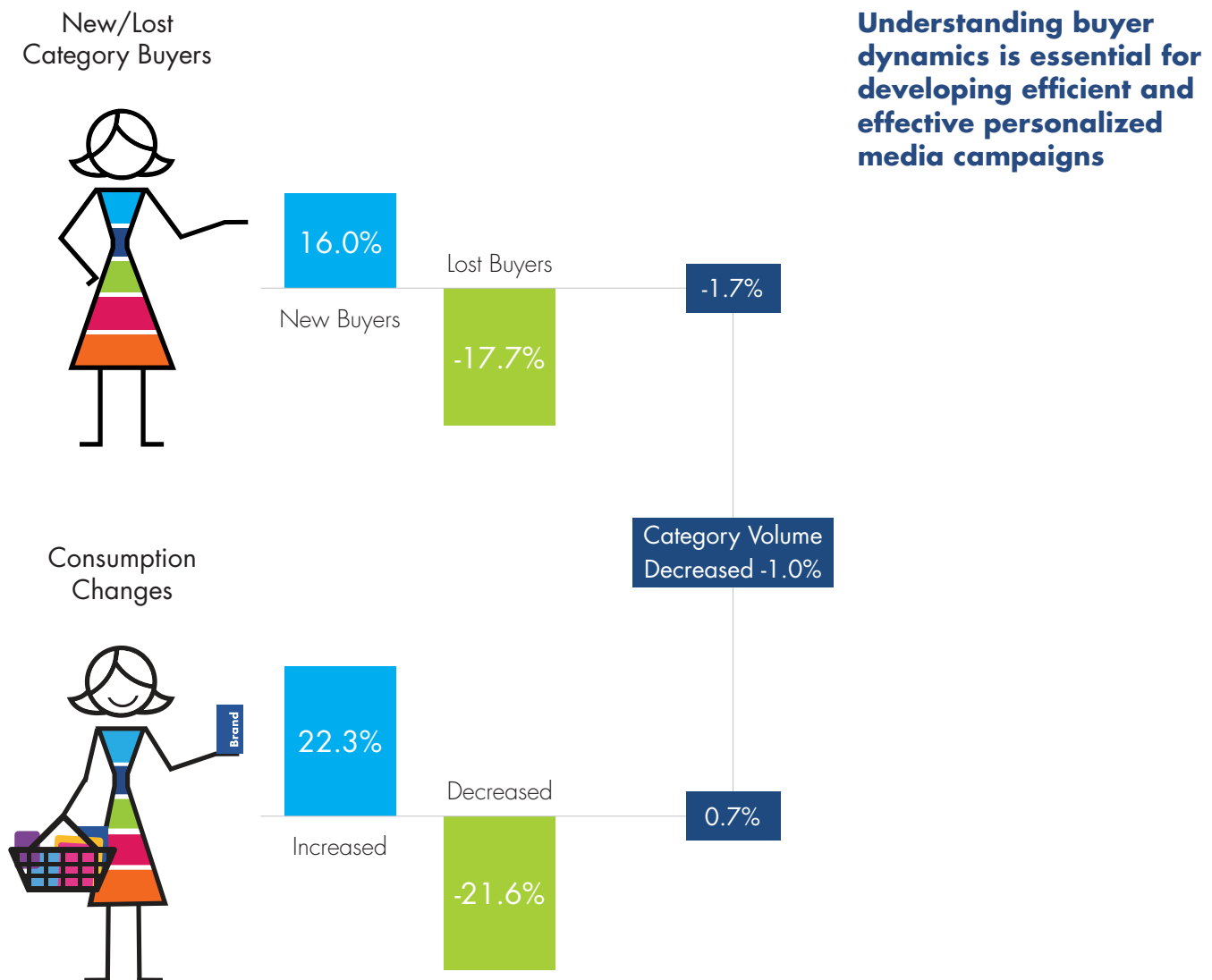
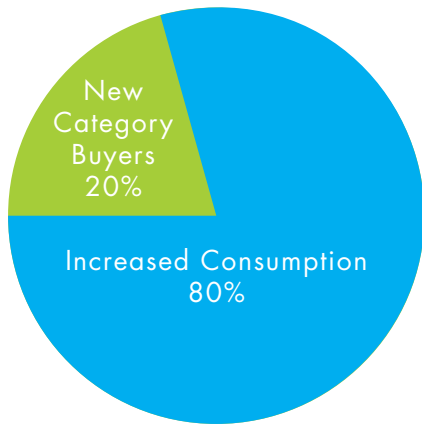


Figure 6

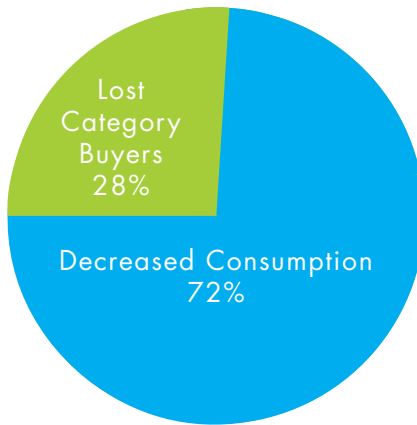
Changes in Consumption Impacting Category Volume

Percent of Category Volume Change by Variable

Gainers



Decliners



Brand Shifting Also Impacts Volume Changes

At the brand level, sales volume change can also be affected by a third variable – brand shifting.

Brand Shifting

"I switched to a competitive brand."



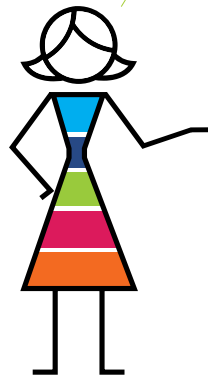
Consumption Changes

"I love this stuff. I'm buying more!"



New/Lost Category

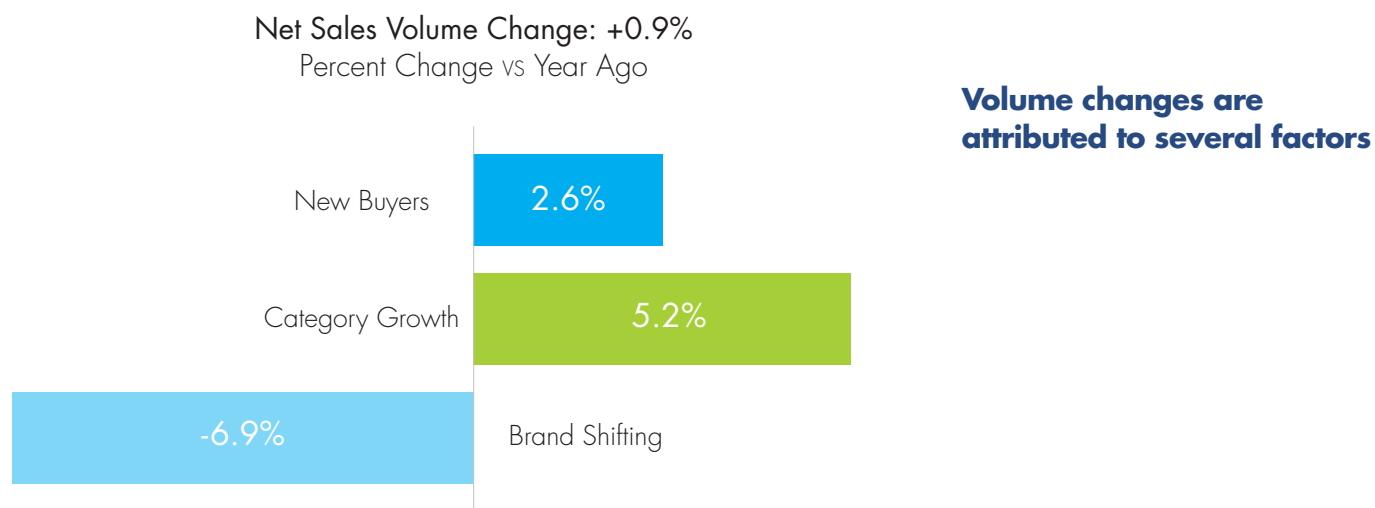
"I left the category entirely."



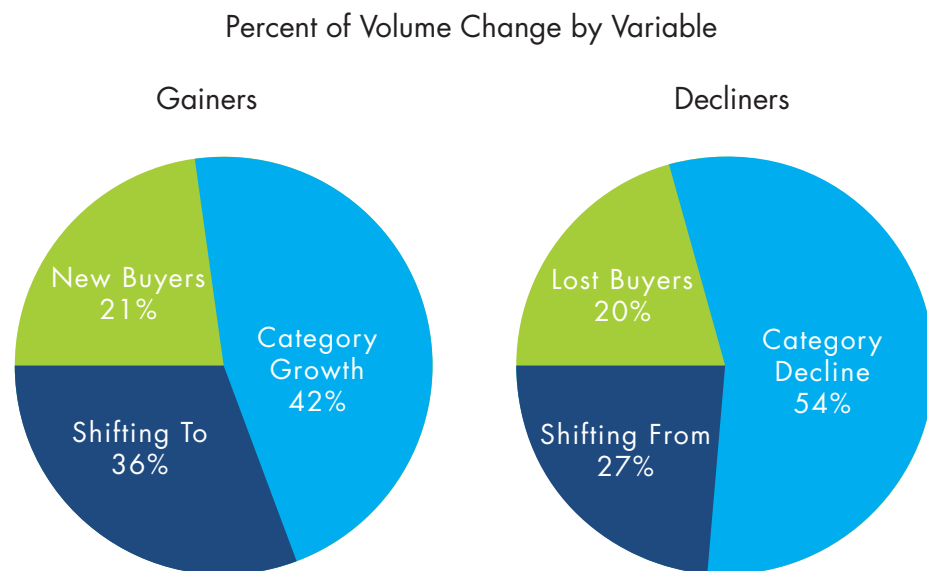
As an example, a brand's volume may be flat versus a year ago, but with a deeper understanding of buyer dynamics, we uncover that the brand lost considerable volume due to competitive brand shifting (Figure 7). For this brand example, shifting equates to a \$40M lost opportunity.

Figure 7

Understanding the Factors that Drive Net Volume Change



The key drivers for a brand's buyer dynamics are in large part due to the growth or decline in category volume. However, new/lost category buyers and brand shifting can also have a significant impact.



Who's Getting Their Fair Share Of New Category Buyers

Over the course of a year, categories will gain or lose approximately 30 percent of their shoppers. With that much fluctuation in buying behavior, it's important to understand whether your brand is getting its fair share of new category buyers.

Catalina developed a 'New Buyer Attraction Index' to determine if a brand is securing a share of new category buyers equivalent to its share of category volume.

Private Label is attracting more first-time category buyers

Positive Impact		
Share of New Category Buyers	20	= New Buyer Attraction Index of 118
Brand Share	17	

In this example, the brand is getting 18 percent more than its fair share of new category buyers, which is a good thing!

Negative Impact		
Share of New Category Buyers	14	= New Buyer Attraction Index of 82
Brand Share	17	

In this example, the brand is not getting its fair share of new category buyers, meaning a competitive brand is!

For the categories of the Top 100 Brands, Private Label is the clear winner in attracting new buyers, acquiring 12 percent more than their fair share. Both the Top 100 and their national brand competitors are indexing at their fair share level, with the Top 100 at 99 and competitors indexing at 100.

Only four of the 13 mega category segments had brands in the Top 100 that scored a higher share of new category buyers.

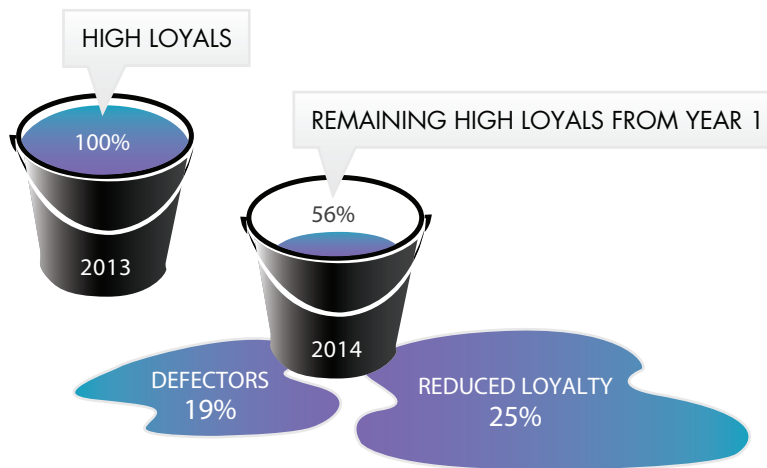
Leaders in Highest 'New Buyer Attraction Index'		
Top 100	Private Label	National Brand Competitors
General Merchandise	Beauty	Baby
Produce	Beverage	Bakery
OTC	Frozen	Carbonated Beverage
Shelf Stable	Paper/Laundry	Dairy
	Snacks/Candy	Packaged Meat

The Loyalty Effect

To fully understand the effects of defection and reduced loyalty, and quantify that loss, it is imperative to analyze the category and brand purchase behavior of shoppers. When we calculate brand defection as a percentage or as a lost sales opportunity, it is based on those shoppers who were highly loyal to the brand in Year One. In Year Two, they remained in the category but either reduced their loyalty by buying other brands or completely defected from the brand. The average lost opportunity for the Top 100 is over \$15MM, a loss equal to over 7 percent of high-loyal shopper sales volume.

Figure 8

Nearly Half of High-Loyal Shoppers Do Not Remain Loyal



Protecting Your Turf

As shown in this study, sales volume growth and declines can be attributed to many factors. Catalina's experience with leading brands has demonstrated that campaigns concentrating on the highest-value brand consumers and addressing specific brand objectives can deliver significant financial efficiencies and brand-building gains.

Only Catalina can find, understand, and reach these important brand buyers to dramatically reduce churn rates, maximize brand share and sales volume, and protect brand loyalty. Catalina reaches those shoppers with relevant, personalized messages and offers that keep them returning to your brand.

The cost of defection is high — protect your high loyal shoppers

If you would like to understand how your brand compared to the Top 100, email us at top100brands@catalinamarketing.com and we'll prepare a comparison for you.

Here is an example of a comparison:

Top 100 Brands Mid-Year Performance Review			
	<div><div>TOP 100 BRANDS</div><div>Average brand \$ volume change</div></div> <div>-2.7%</div>	<div><div>Brand logo here</div><div>Your brand \$ volume change</div></div> <div>+3.3%</div>	<div>CATALINA</div> <div>Can Help...</div> <div>MAXIMIZE SALES VOLUME</div>
<div><div></div><div>BUYER DYNAMICS</div></div>			
Index due to new/lost category buyers	99.5	99.5	REDUCE CHURN RATE
Index due to brand shifting	99.5	99.5	BUILD BRAND SHARE
Index due to category volume change	88.2	88.2	DRIVE EFFICIENT VOLUME
<div><div></div><div>THE LOYALTY EFFECT</div></div>			
Remained loyal	56%	65%	PROTECT BRAND LOYALTY
Reduced loyalty	25%	24%	
Defected	19%	11%	
<div><div></div><div>FIRST-TIME CATEGORY BUYER</div></div>			
<div><div>New Buyer Attraction Index</div><div>Share of New Category Buyers</div><div>Brand Share</div><div><div>20</div><div>19</div><div>=118</div></div></div>	<div><div>Top 100</div><div>Competitive Brand</div><div>Private Label</div></div> <div><div>99</div><div>100</div><div>112</div></div>	<div>91</div>	
Source: Catalina network sample, 26,000 stores, 52 weeks ending 6/30/14			

Methodology

The 2014 Mid-Year Top 100 Brands Performance Review looks at the sales and loyalty performance of the Top 100 Brands from a sample of the Catalina network that spans across 26,000 food, drug, and mass retailers. Although this does not include all retailers within the Catalina network, the conclusions in this report are generally in line with national network results.

The study examines sales volume and loyalty changes between the 52-week periods ending June 30th. Highly loyal consumers were defined as those who made 70 percent or more of all category purchases with a single brand during the first 52-week period. Loyalty reductions and total brand defections were tracked among those same consumers during the second 52-week period. Shoppers must have purchased the category in both periods to be included in loyalty calculations. Sales volume is calculated on all transactions within the sample.

If you're interested in learning more about how Catalina can help you acquire, maximize, and retain loyal, high-value consumers, call 1-877-210-1917.

About Catalina

Catalina's personalized digital media drives lift and loyalty for the world's leading CPG retailers and brands. Catalina personalizes the consumer's path to purchase through mobile, online, and in-store networks powered by the world's largest shopper history database. Catalina is based in St. Petersburg, FL, with operations in the United States, Europe and Japan. To learn more, please visit www.catalinamarketing.com or follow us on Twitter @catalina.

