Numerator

NEW FRONTIERS

Generic No More: Retailers Rebrand

Retailers are under increasing pressure

Direct-to-Consumer

care/of
FRESHLY
BRANDLESS™
Plated.
DSC
THE HONEST CO.
(MALIN+GOETZ)
quip
Glossier.
Casper

Online Growth

5.5B

ecommerce trips L12mos
+24% vs YAG

12%

of **all** shopper spend is captured **online** L12mos
+1.4% vs YAG

...and as Gen Z/Millennial shoppers gain buying power, consumer behavior will continue to change

Psychographics: Gen Z/Millennial Shoppers

INFLUENTIAL TOUCHPOINTS

34%

of **Gen Z/Millennials** are most influenced most via **social media** and/or their **mobile device**

(173 index vs AO shoppers)

ONLINE BEHAVIOR

23%

of **Gen Z/Millennials** are **weekly online shoppers**

(136 index vs AO shoppers)

PRIVATE LABEL PERCEPTION

26%

of **Gen Z/Millennials** rate **Private Label** product **quality** as **excellent**

(126 index vs AO shoppers)

Source: Numerator Omnipanel, Psychographics, Gen Z/Millennials n=27,287 vs AO shoppers n=70,084, 1/1/19-12/31/19

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In defense, many retailers have invested significantly to revamp their existing private label brands

Walmart reveals new packaging for Great Value and more

Sam's Club Reinvents its $10B Private Brand

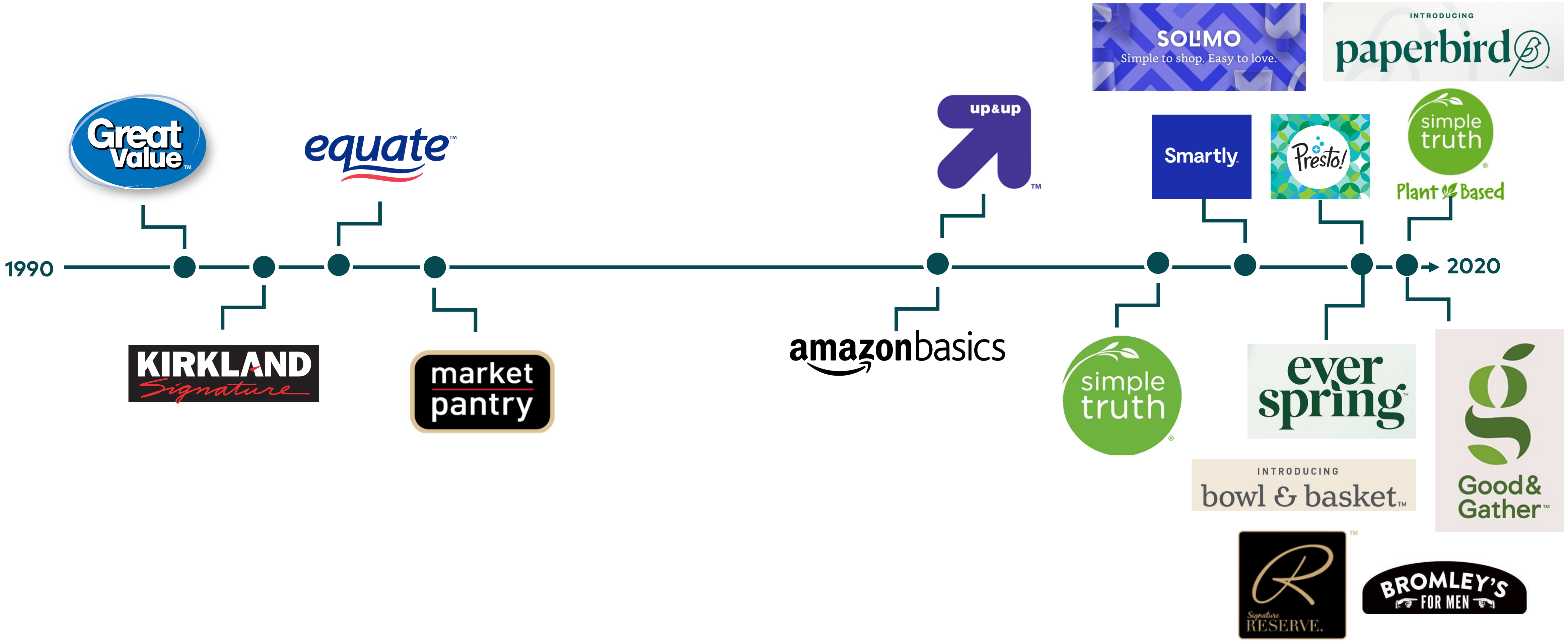
Target revamps its Target brand as "up & up"

Albertsons ramps up Signature Select

Private brand gets new look and hundreds more products

Hitting refresh: Grocers update their store brands to stay top-of-mind with shoppers

... and several retailers are going a step further, launching additional "owned brands"



“Though the classic copycat branding strategy does help as a tool against manufacturer brands, it does not help differentiate the store against other retailers”

- Nirmalya Kumar: Professor of Marketing, London Business School

These new brands do not follow the "copycat" model

Nearly **1** in **10** "Premium" retailer brand shoppers were **unaware** that the brand was **retailer-owned**

225 Index to Traditional Private Label brand shoppers

…and are no longer being positioned as alternatives

2/23/2014

≠

10/20/2019

Premium Retailer Brand Price Matched to National Brand

- More value
- Unbeatable price
- Compare

- Quality Ingredients
- Great Taste

Source: Numerator Promotions Intelligence

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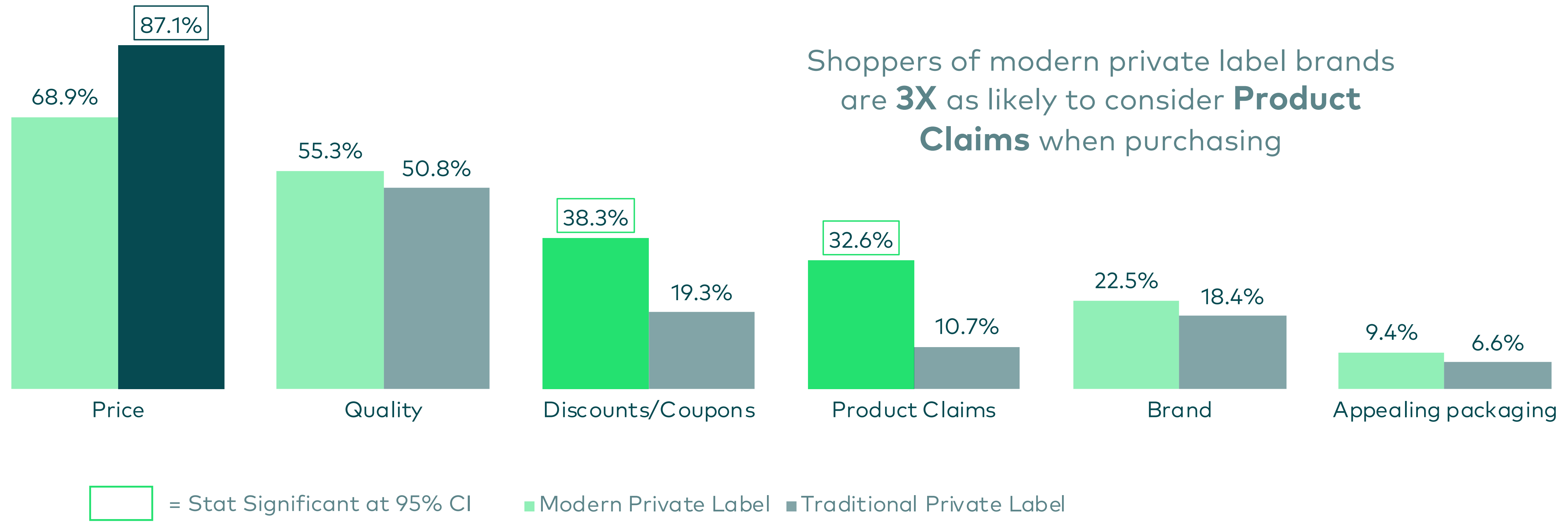
Product claims are important to buyers of these non-generic retailer brands

Important Factors When Deciding to Buy Private Label

% of HH, Premium vs Traditional Private Label



Shoppers of modern private label brands are **3X** as likely to consider **Product Claims** when purchasing

Numerator Survey: Which factors were important to you when deciding to buy the brand?
Premium Private Label n=512, Traditional Private Label n=512

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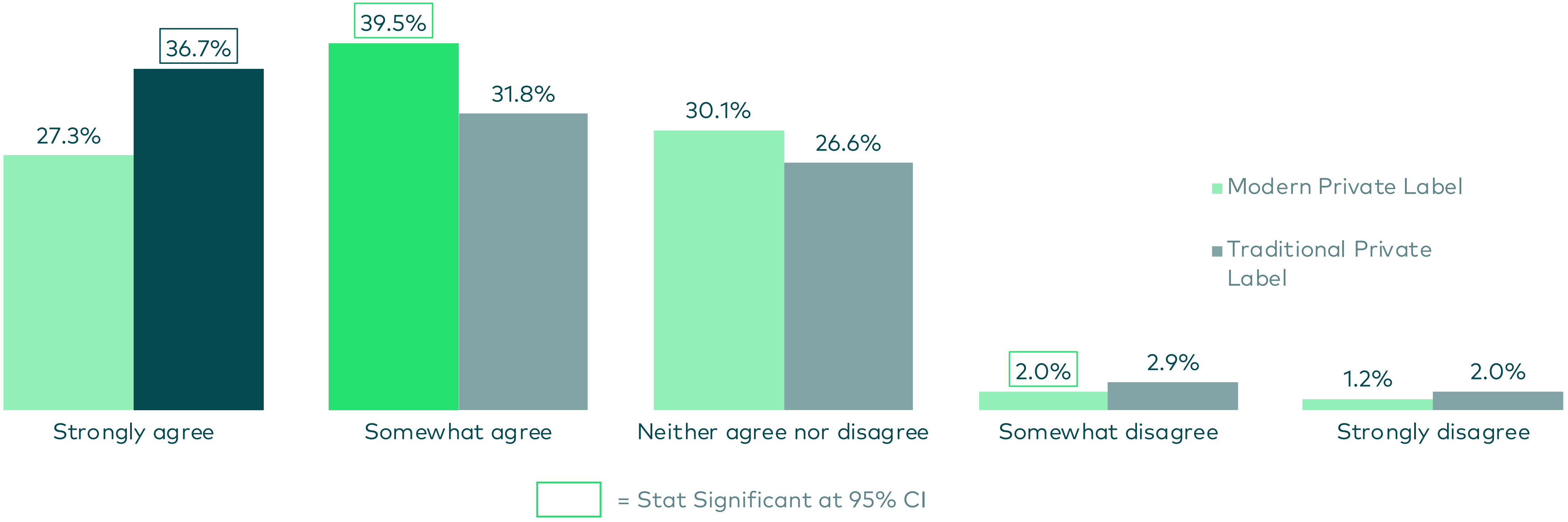
…and while price is still a strong factor, buyers of these new brands are driven less by finances

I feel financially responsible when I buy store brand

% of HH, Premium vs Traditional Private Label



Numerator Survey: Which factors were important to you when deciding to buy the brand?
Premium Private Label n=512, Traditional Private Label n=512

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Retailers are advertising accordingly

Retailers are leveraging **social** and **online** digital advertising to reach the right consumers, focusing **messaging** on **quality**

- “ No Artificial Ingredients
- “ No Synthetic Colors
- “ No GMOs
- “ Proud Of What's Not In Our Food

Source: Numerator Ad Intel

Ultimately, Private Label has benefited

Grocery, Household, Health & Beauty Private Label
% Chg, L12mos ending 11/30/19 vs 12mos ending 11/30/16

+13%
110 Private Label
Trips per Year

+2.5%
$11.36 Private Label
Spend per Trip

+17%
$1,248 Private Label
Annual Spend

+1.6%
19% Private Label
Share of Wallet*

Source: Numerator Omnipanel, Data & Share Explorer, L12mos, Grocery/Household/Health & Beauty Sector, 12/1/18-11/30/19 vs 12mos ending 11/30/16, Total PL Shoppers n=82,794 *Percentage Difference

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As private label packaging design and advertising strategies begin to resemble manufacturer brands, how does shopper perception differ between the two?

To test, we put the same creative of a sustainable fictional brand in front of two separate audiences

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With the same creative, we introduced the brand differently across both audiences

Audience A:

"A national **grocery retailer** is currently developing a new **store brand** product that will be carried only in the retailer's stores and will be marketed under the retailer's name."

Audience B:

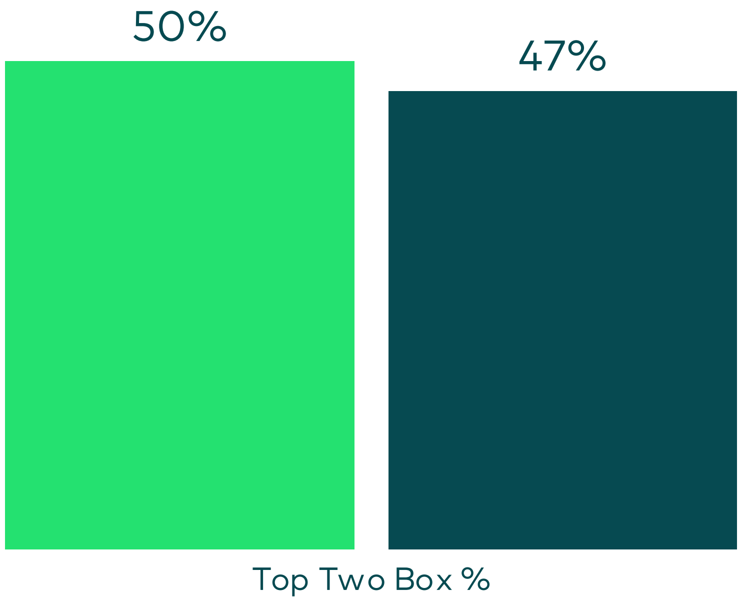
"A national **food product** brand is currently developing a new **name brand** product that will be carried in retailers across the country and will be marketed under the brand's name."

Numerator Survey: Test Panel, Audience A: n=250, Audience B: n=250

Shoppers did not perceive the store brand any worse than the national brand, but rather slightly preferred it

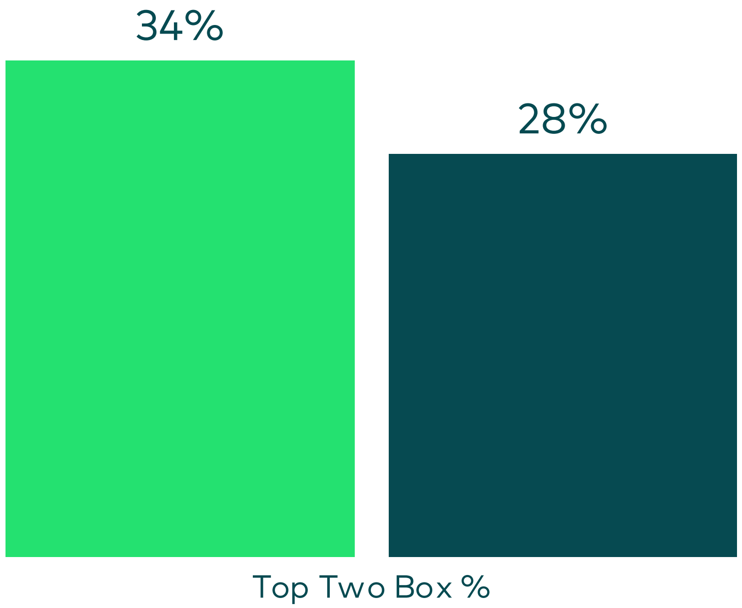
High Quality Perception (Agree/Strongly Agree)

% of HH Top 2 Box:, Store brand vs Name brand audiences



Likelihood to buy (Probably/Definitely)

% of HH Top 2 Box:, Store brand vs Name brand audiences



Store Brand Name Brand

Numerator Survey: Test Panel, Audience A: n=250, Audience B: n=250, Q1_ What is the likelihood you would buy this product if you saw it on the shelf? Q2_The product seems high-quality

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Let's look at a real example

At Target, a Household Essentials multi-pronged approach casts a wider shopper net

Compare to Gain®*

whitens, brightens and fights tough stains

- Ultra low-cost (most items <$2)
- Capture leaked trips to discount/dollar stores

- Traditional "Generic" Private Label
- Target budget-conscious of national manufacturer brands

- Natural/Sustainably-focused products
- Target shoppers of smaller niche brands

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Everspring shoppers are young, affluent, and have high affinity with more premium HH essential brands

Lifestage
Young Singles & Couples (**140** index to Up&Up)

Lifestyle
Urban Affluent (**120**)

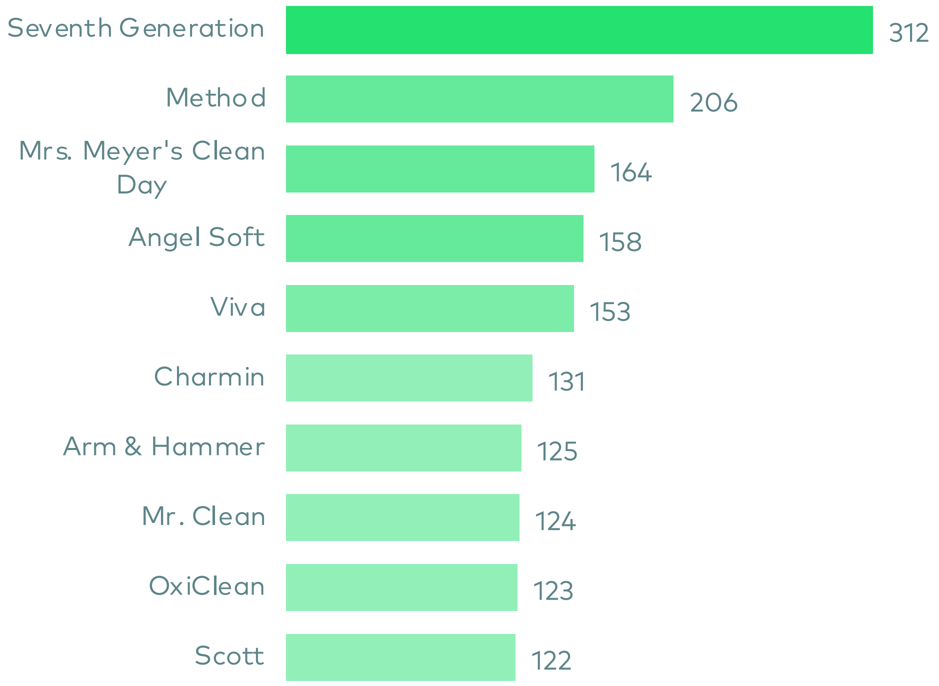
Education
4yr Degree – Graduate Degree (**118**)

Advertising
Influenced by Social Media (**124** index to Up&Up)

Health / Sustainability
Extremely concerned for Environment (**135**), Committed Organically (**165**)

Shopping Attitudes/Behaviors
Status Driven (**139**), Quality Driven (**123**), Values Driven (**143**)

Household Affinity Index: Everspring vs Up&Up
Household Cleaners, Paper & Plastic, Laundry L6mos 6/1/19-11/30/19



Source: Numerator Omnipanel, Shopper Profile & Psychographics, L12mos 12/1/18-11/30'/19, Everspring n=1,846, HH Affinity, L6mos 6/1/19-11/30/19 n=1,104

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…which can be seen in their prior purchase behavior

95%

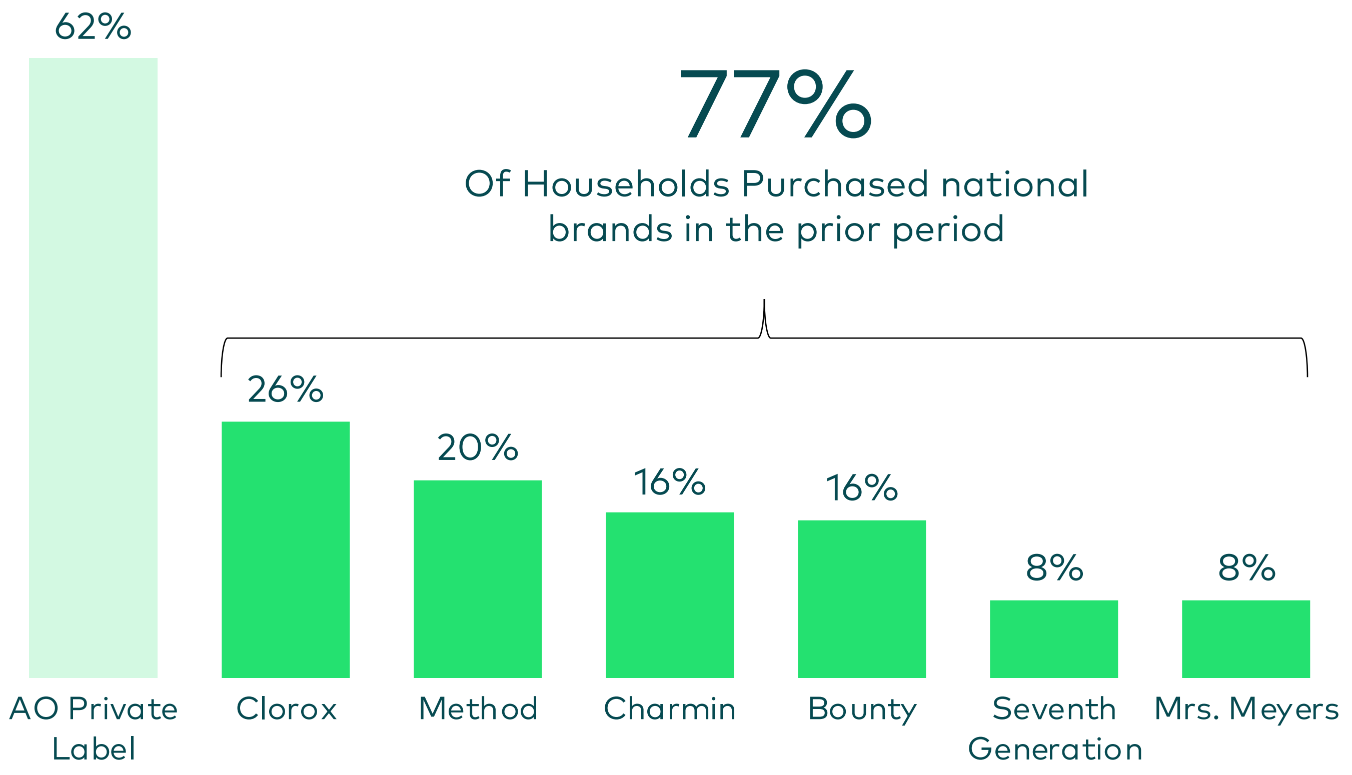
of new **Everspring®** shoppers made a **Target trip** in the prior 6mos

79%

of new **Everspring®** shoppers purchased HH Essentials at **Target** in the Prior 6mos

Prior Period Target Purchase Behavior

% of New Everspring Households, HH Cleaners/Laundry/Paper&Plastic Prior 6mos



Source: Numerator Omnipanel, Lapsed, Repeat, New Report & Shopper Metrics L6mos 6/1/19-11/30/19 vs prior period, New Shoppers n=1,224

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Smartly shoppers align more closely to Up&Up, but are more likely to leak to dollar retailers

Smartly

Lifestage
Large younger Family
(**115** index to Up&Up)

Financial Attitudes
'Spender' not a 'Saver' (**110**)
Overwhelmed with Burdens (**106**)

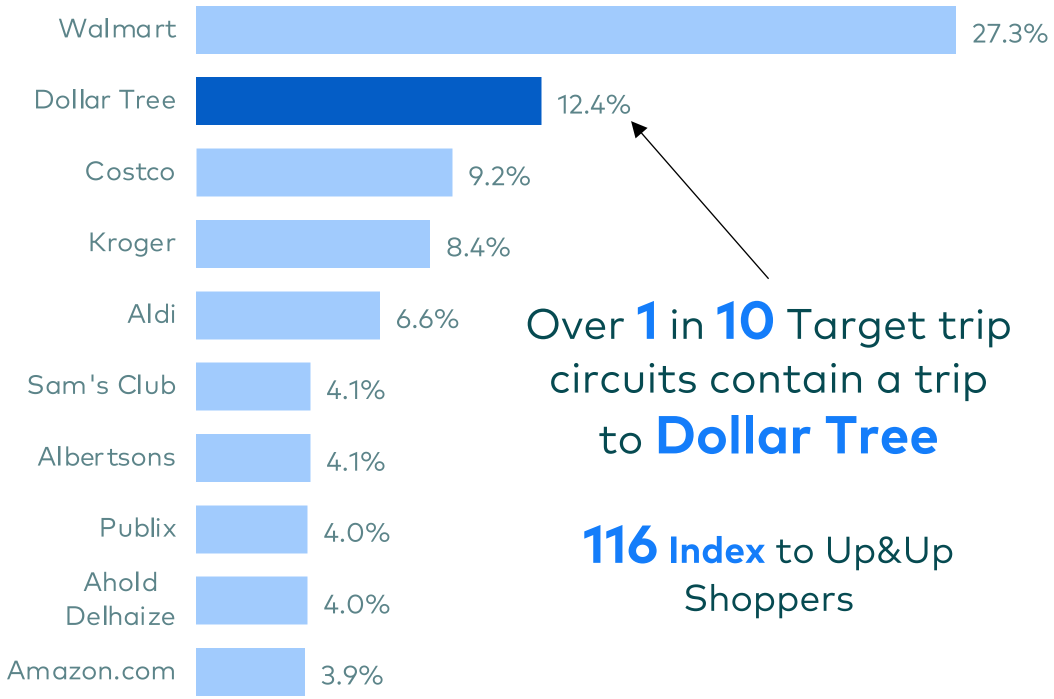
Lifestyle
Urban Middle Class (**114**)

Advertising
Influenced via Mobile Device (**108**)

HH Size
4-6 People (**113**)

Holiday Shopping (Past Year)
Back to School (**109**)

Trip Circuits: Household Essential Trips by Retailers during same week as Target trip
% of Trip Circuits, Smartly HH Essential Shoppers, L6mos



Over **1** in **10** Target trip circuits contain a trip to **Dollar Tree**

116 Index to Up&Up Shoppers

Source: Numerator Omnipanel, Shopper Profile & Psychographics &, L12mos 12/1/18-11/30'/19, Smartly n=10,795, Up&Up n=10,795, Trip Circuits, L6mos 6/1/19-11/30/19 n=4,378

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…which explains why over ¼ of new Smartly shoppers were new to the category at Target

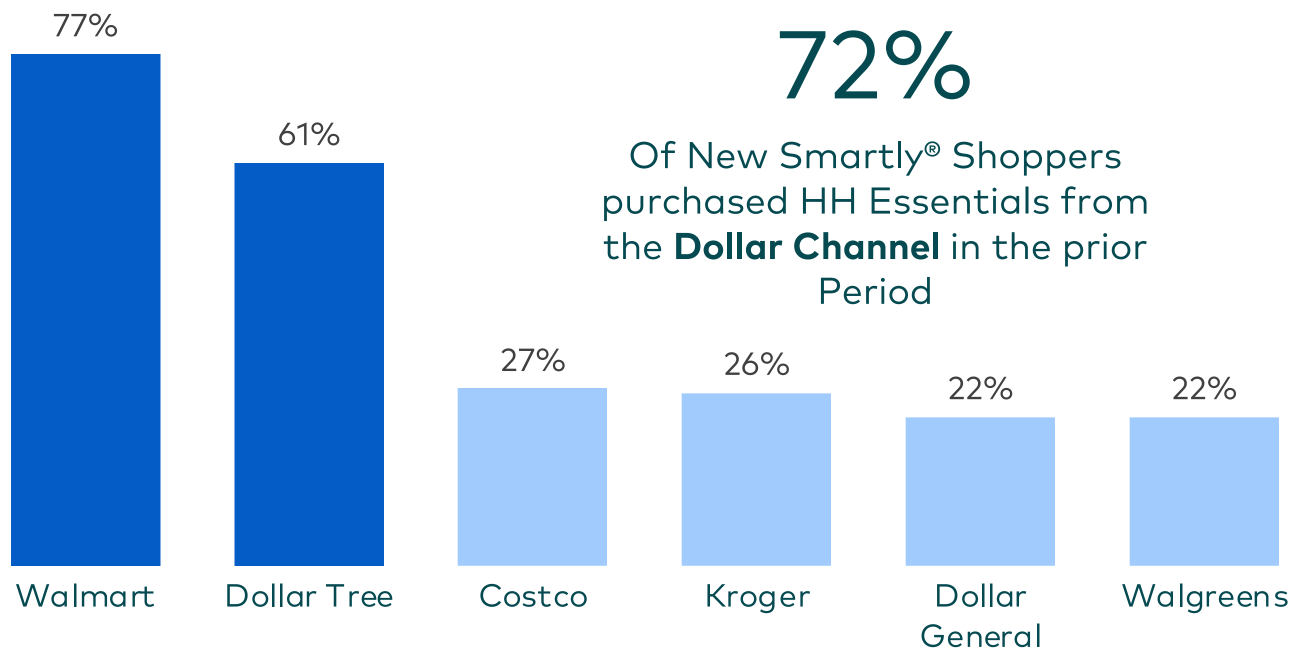
96%

of new **Smartly®** shoppers made a **Target trip** in the prior 6mos

28%

of new **Smartly®** shoppers **did not** purchase HH Essentials at **Target** in the Prior 6mos

Where did smartly shoppers buy HH Essentials in the prior period if not at Target?
% of households purchasing HH Essentials by retailer, prior 6mos 12/1/18-5/31/19



72%

Of New Smartly® Shoppers purchased HH Essentials from the **Dollar Channel** in the prior Period

Source: Numerator Omnipanel, Lapsed, Repeat, New Report & Shopper Metrics L6mos 6/1/19-11/30/19 vs prior period, New Shoppers n=3,363

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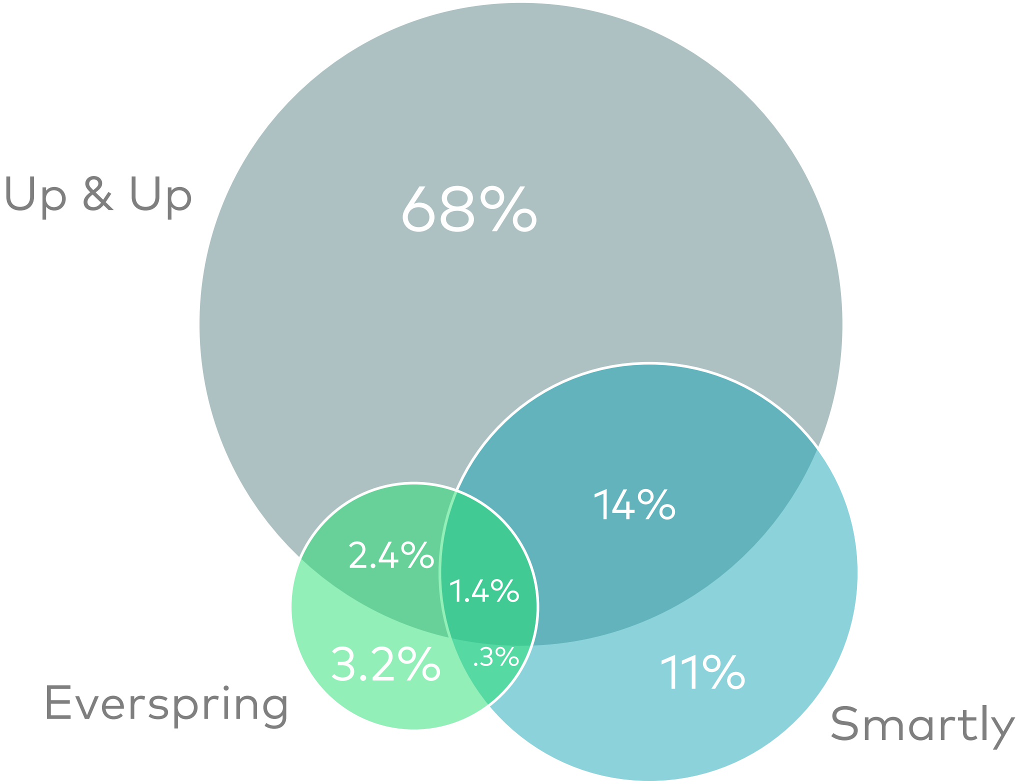
While overlap exists, both Everspring and Smartly successfully bring non-Up&Up buyers to Private Label

Target Private Label Cross-Purchase

Household Cleaners, Laundry, Paper & Plastic, L6mos



14%

Of households purchased **Everspring/Smartly** exclusive of **Up&Up**

Source: Numerator Omnipanel, Cross Purchase, Total Everspring/Smartly/Up&Up n=18,058

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These households are now making more Target trips

Target (**Total Store**) Purchase Behavior: L6mos New Brand Shoppers %chg vs YAG	**Spend/Trip**	**Purchase Frequency**
ever spring	**+4.3%**	**+12.8%**
Smartly	**+2.0%**	**+20.5%**

Source: Numerator Omnipanel, Lapsed, Repeat, New Report L6mos 6/1/19-11/30/19 vs YAG, New Everspring shoppers n=1,289, New Smartly shoppers n=4,328

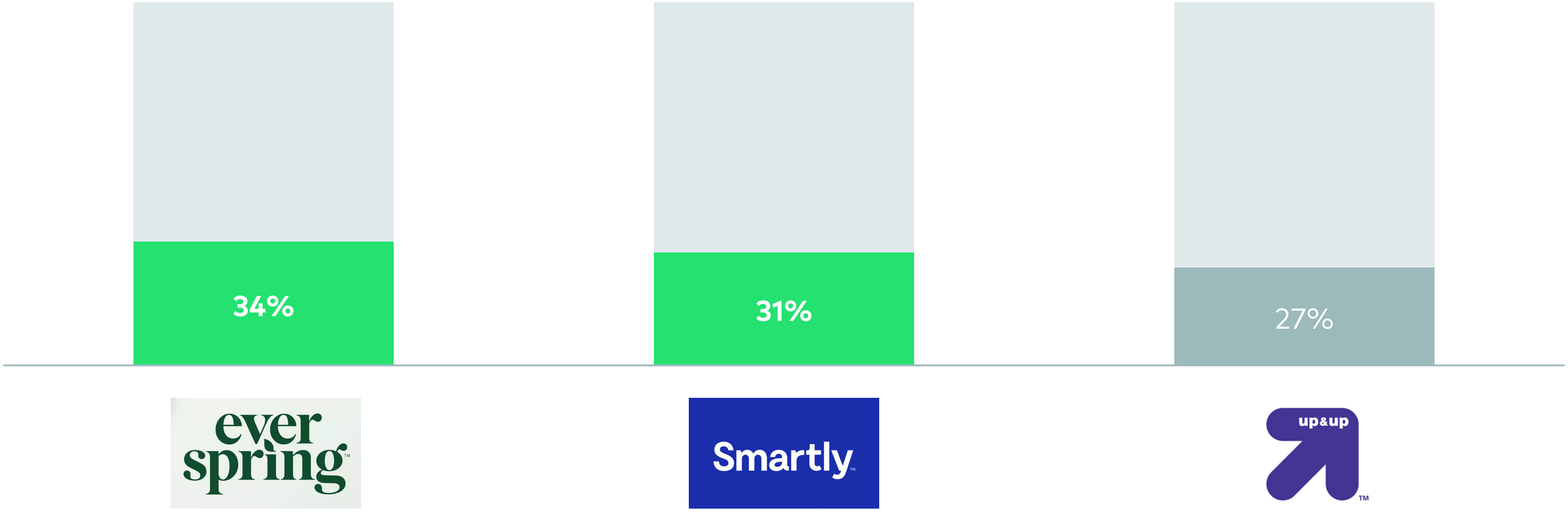
…and higher purchase frequencies drive higher spend

Target HH Essential Purchase Behavior	Purchase Frequency	Spend per Trip	Buying Rate
everspring	**6.8**	$11.97	**$82**
Smartly	**7.1**	$12.03	**$85**
up&up	5.4	$12.93	$70

Numerator Omnipanel: People Scorecard, L6mos 6/1/19-11/30/19, Everspring Shoppers n=1,143, Smartly Shoppers n=4,237, Up&Up shoppers n=14,121

As a result, these shoppers spend more category dollars at Target

Target Household Essentials Share of Wallet
Category % spend at Target by Shopper Group



Numerator Omnipanel: Leakage Tree, L6mos 6/1/19-11/30/19, Everspring Shoppers n=1,143, Smartly Shoppers n=4,237, Up&Up shoppers n=14,121

In the 12 months including both Smartly & Everspring launches, household and trip growth drove sales

Target HH Essential (HH Cleaners/Paper&Plastic/Laundry) Private Label

12mos ending 9/30/19 vs YAG

33M

Projected Households

+5%

103M

Projected Trips

+9.7%

$641M

Projected Sales

+7.6%

Numerator Omnipanel: Trended Metrics, 12Mos ending 9/30/19 vs YAG, Total Grocery, Household, Health & Beauty PL Target Shoppers n=25,754

Private Label is generic no more.
A tiered approach to branding wins shoppers.

What we're seeing

Retailers are using their deep shopper knowledge to launch additional unique brands.

Retailers who are successful are reaching shoppers of smaller/niche brands and capturing leaked trips to other retailers.

Shoppers of these new brands are focused more on product claims and quality, and less on value.

Why it matters to you

As retailers continue to invest in new brands, shoppers who were less engaged with Private Label are more likely to consider shifting.

Private Label continues to grow alongside a strong economy, with a larger share now going to younger and higher income shoppers

Retailers are advertising their brands more in-line with national manufacturers, reaching shoppers in new ways

How you can take action

Contact your Numerator consultant to find out things like:

How can I understand shifting behavior between manufacturer and private label brands?

How does purchase behavior differ between traditional and modern private label brands?

How do demographics / psychographics differ between a retailer's different private label brands?

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NEW FRONTIERS

Learn how your shopper's behavior is shifting

hello@numerator.com