

ADVANTAGE
OUTLOOK

**MANUFACTURER
& RETAILER
OUTLOOK**

October 2023



▶▶ CONTENT

- 01 Driving Growth
- 02 Promotions
- 03 Effects of Inflation
- 04 What's New



Driving Growth

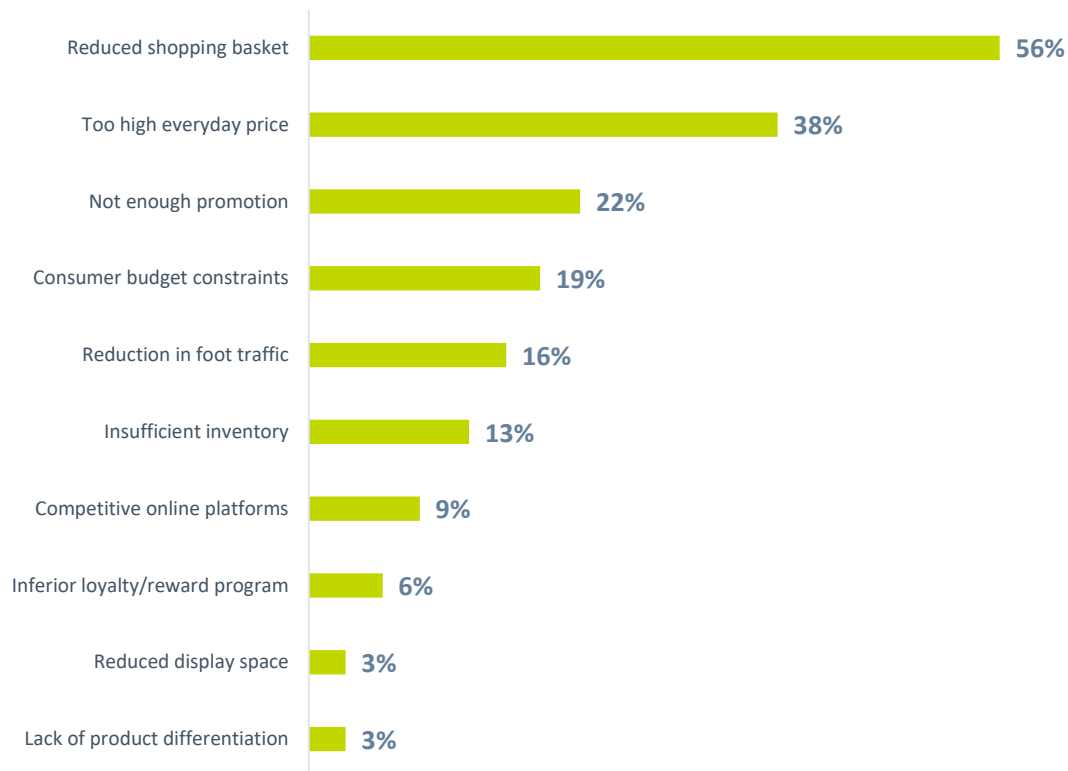


UNIT VOLUME

Retailers say their top challenge to drive unit growth is reduced basket size. Manufacturers cite overall category trends and a narrowing price gap to private brands.

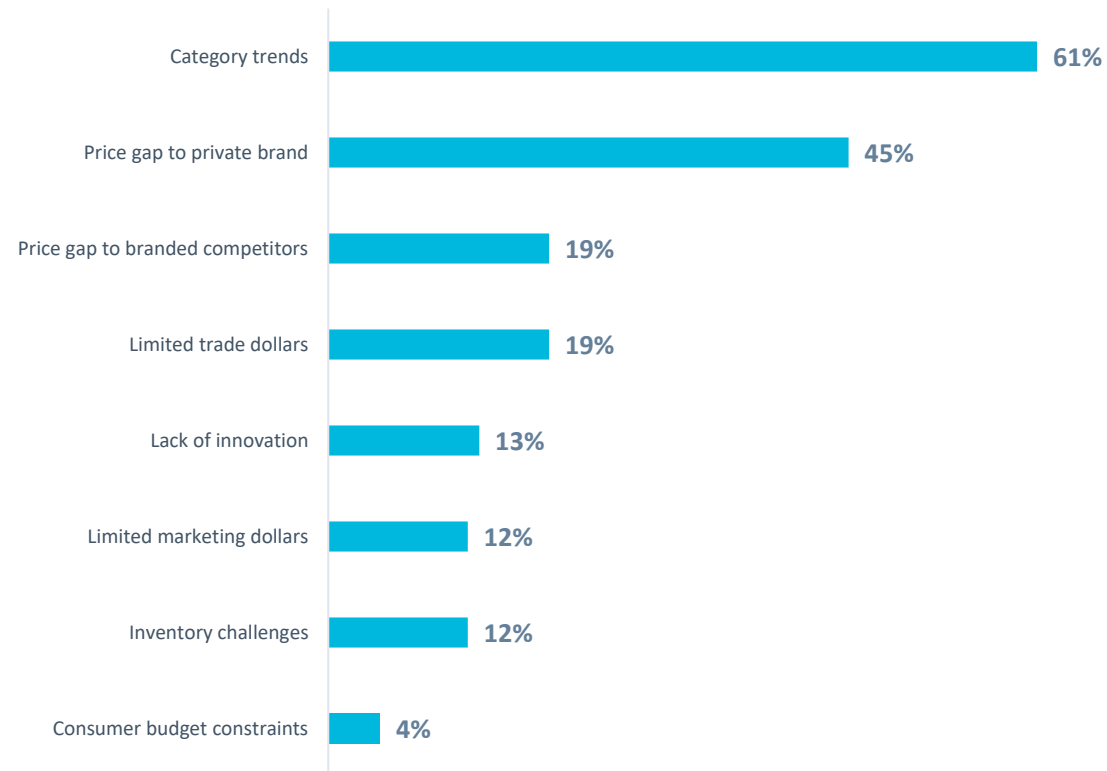
RETAILERS

“What are your top 2 challenges to driving unit growth over the next six months?”



MANUFACTURERS

“What are your top 2 challenges to driving unit growth over the next six months?”



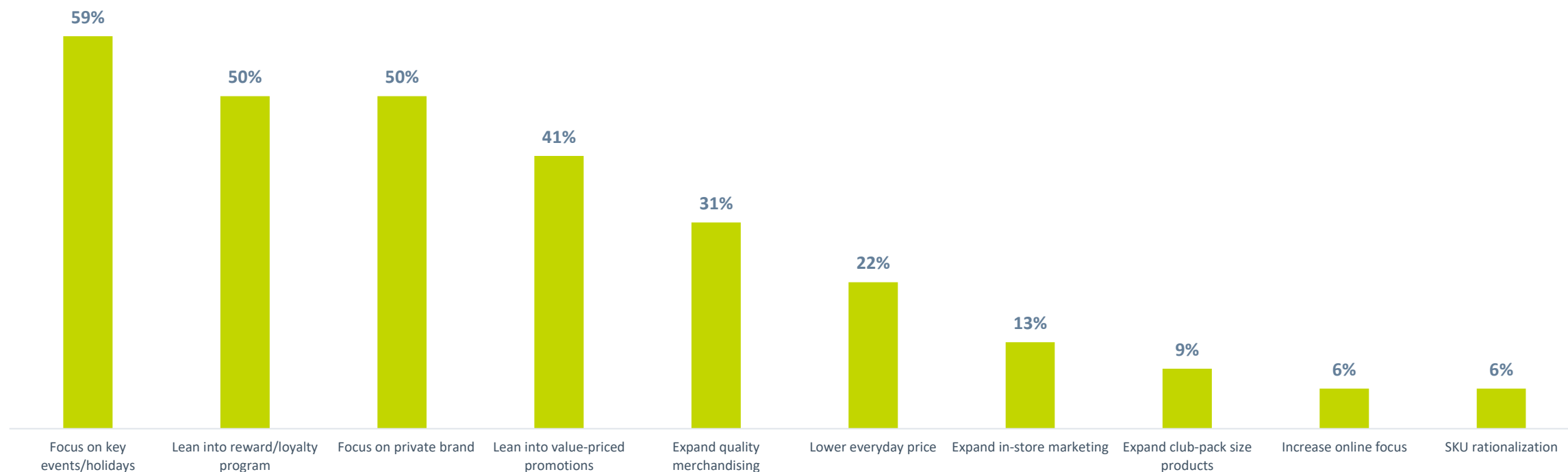
Source: Advantage Sales Manufacturer Outlook Study October 2023 (Base 67) and Retailer Outlook Study October 2023 (Base 32)

UNIT VOLUME

Excluding promoted price, retailers are focused on driving unit growth by capitalizing on events/holidays, leaning into loyalty programs and boosting their focus on private brands.

RETAILERS

“Outside of promoted price, what are your top 3 strategies to drive unit volume growth over the next 12 months?”



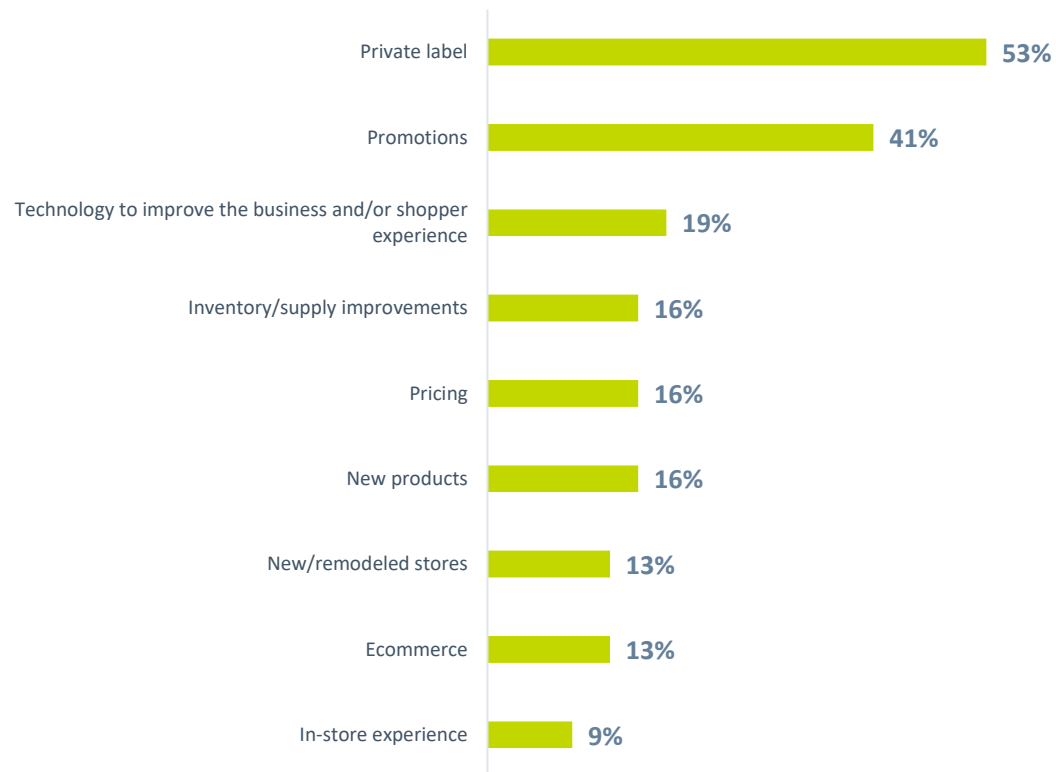
Source: Advantage Sales Manufacturer Outlook Study October 2023 (Base 67) and Retailer Outlook Study October 2023 (Base 32)

GROWTH DRIVERS

While retailers and manufacturers expect promotions to drive growth over the next year, retailers are counting more on private brands and manufacturers are focused on innovation.

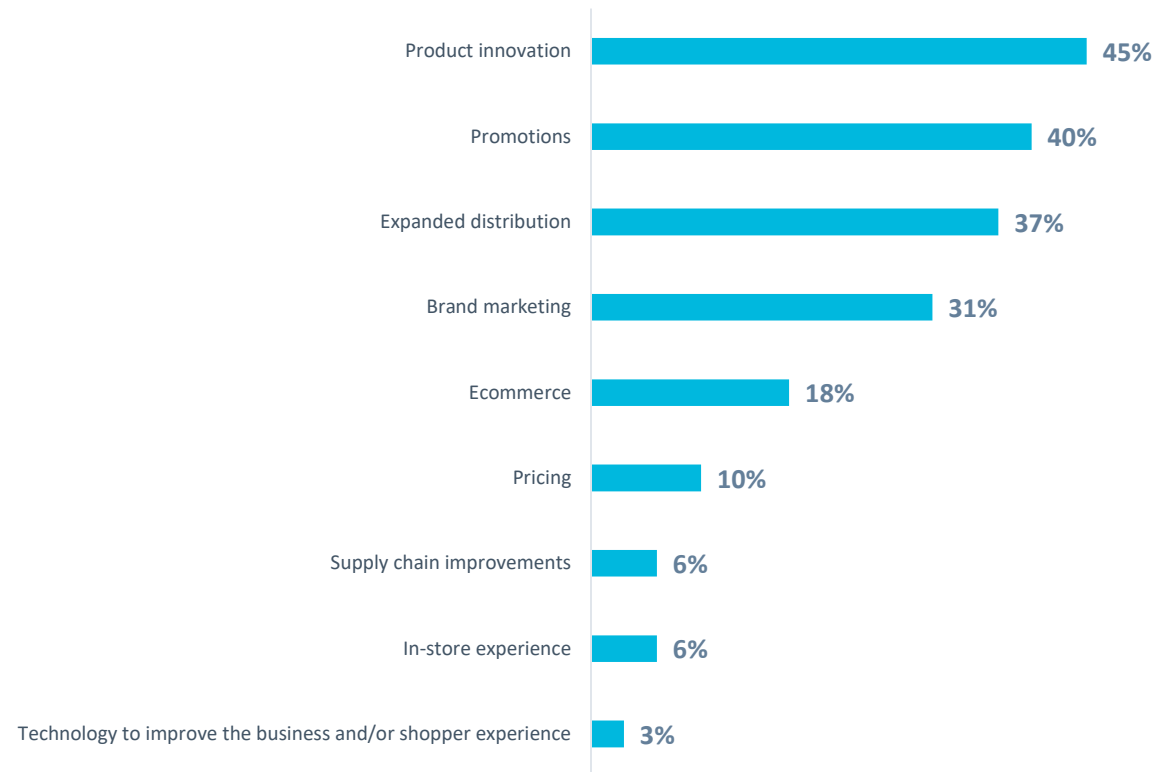
RETAILERS

“What are the top 2 areas that you expect to help drive growth over the next 12 months?”



MANUFACTURERS

“What are the top 2 areas that you expect to help drive growth over the next 12 months?”

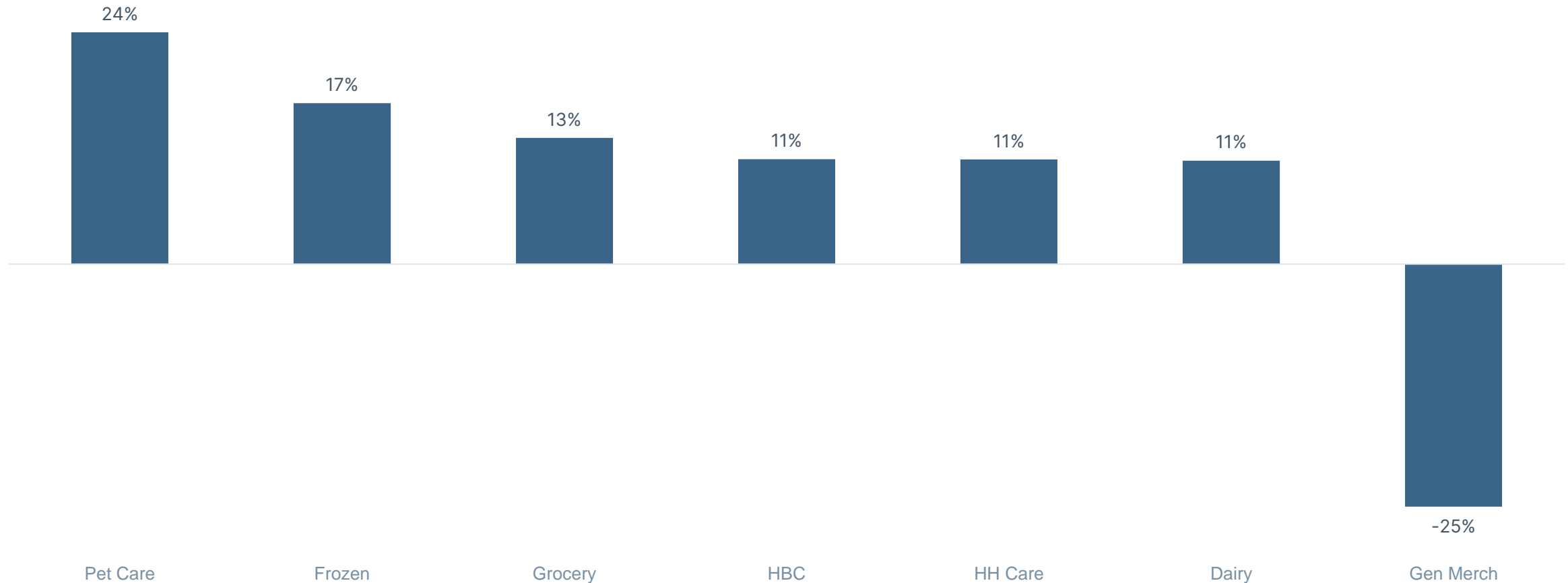


Source: Advantage Sales Manufacturer Outlook Study October 2023 (Base 67) and Retailer Outlook Study October 2023 (Base 32)

PRICE GAP TO PRIVATE LABEL

The price gap between national brands and private label is widening in almost every major category.

EQ Price Gap to PL PPT Change vs YA



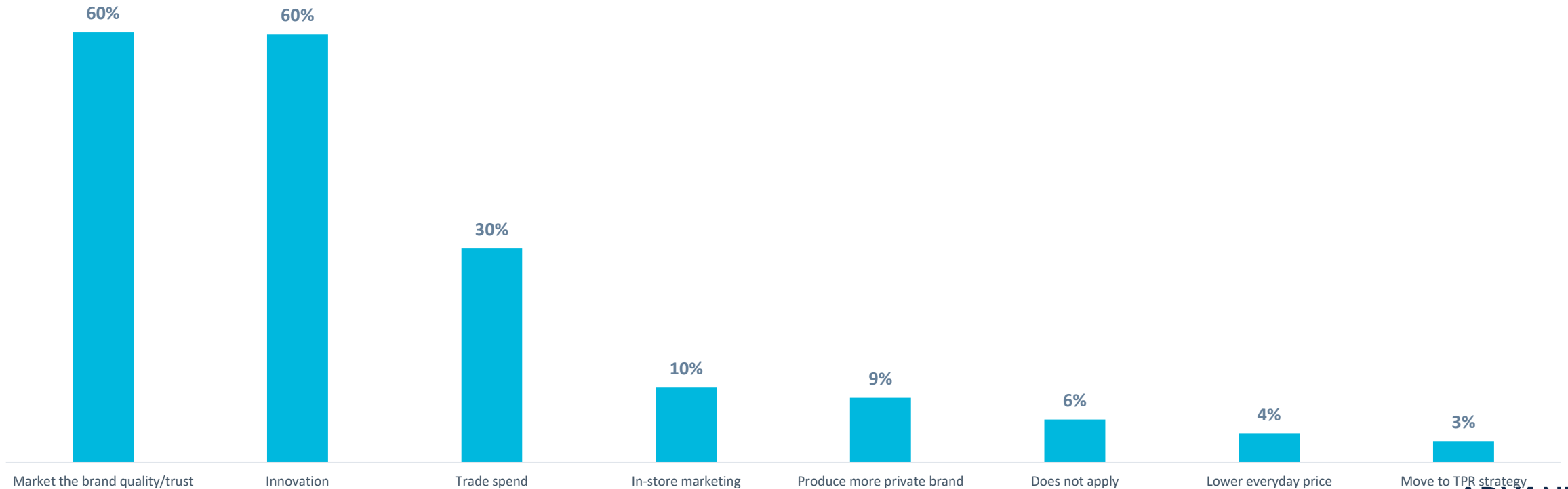
Source: NIQ RMS, Total U.S. xAOC 52 WE 10/07/23 VS YA. Comparison of Avg. EQ Price for PL vs. Branded items

PRIVATE BRAND

To better compete with private brands, manufacturers say they'll rely on marketing the quality of their brand and introducing new innovations.

MANUFACTURERS

“What are your top 2 strategies to compete alongside private brand over the next year?”



Source: Advantage Sales Manufacturer Outlook Study October 2023 (Base 67) and Retailer Outlook Study October 2023 (Base 32)

INNOVATION

Retailers want more innovation in the value segment, but manufacturers have no plans to deliver.

Q2 2023 Manufacturer Study

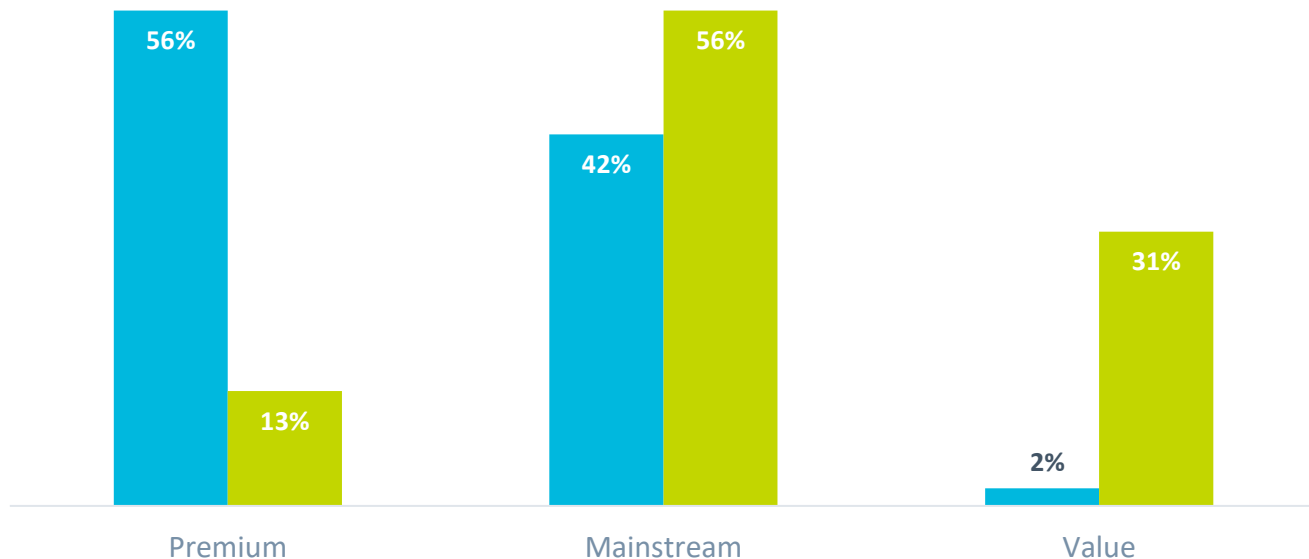
MANUFACTURERS

“What price point are you targeting for your current innovation?”

RETAILERS

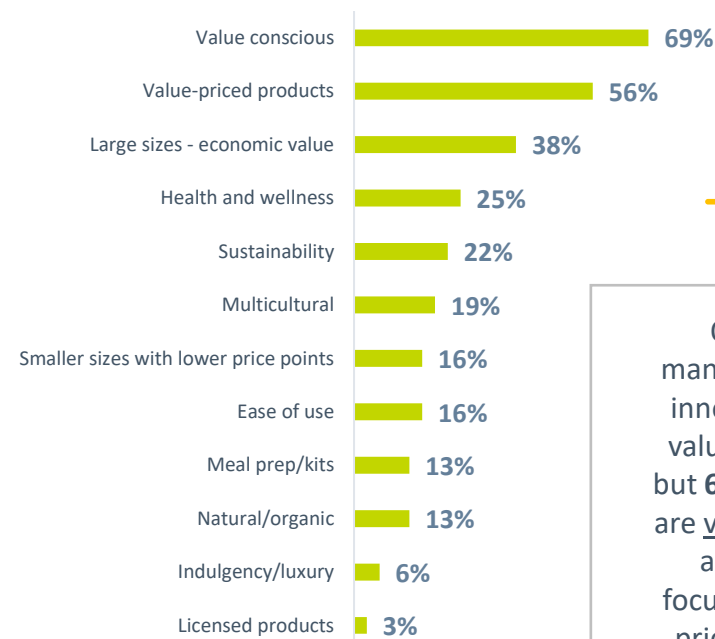
“Where would you like to see manufacturers bring innovation over the next 12 months?”

■ Manufacturers ■ Retailers



RETAILERS

“What are the top 3 needs states you would like to see manufacturers focus their innovation over the next 12 months?”

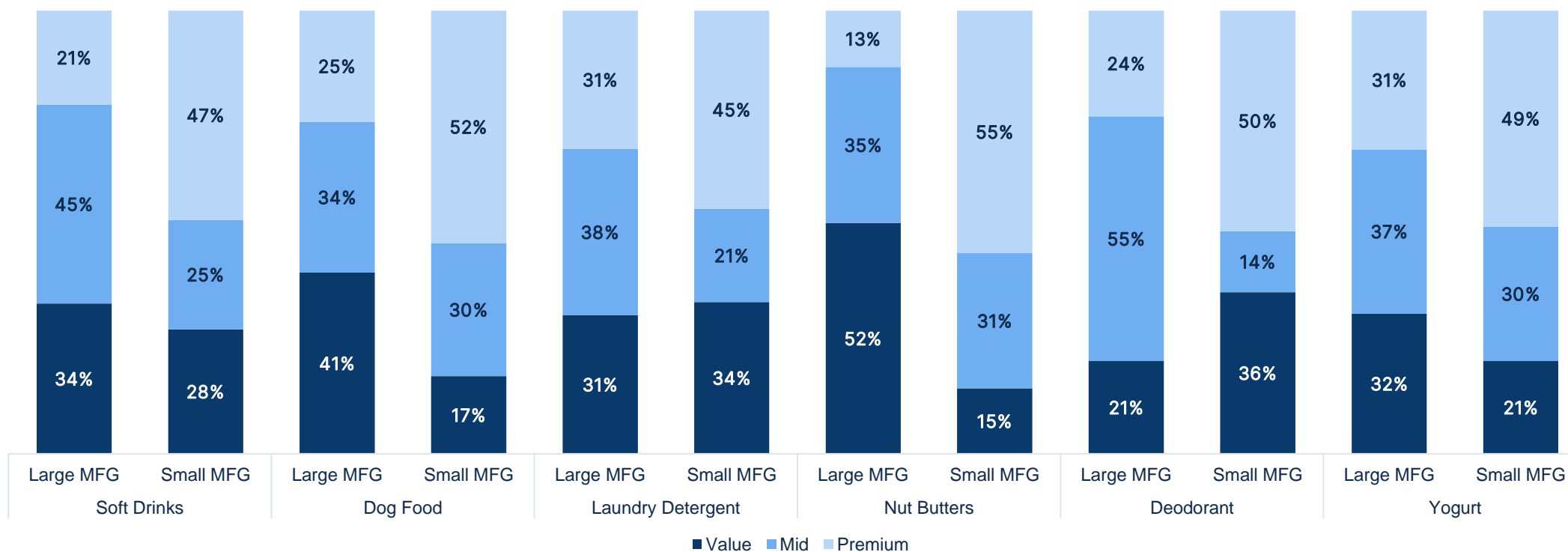


Only 2% of manufacturers are innovating at the value price point, but 69% of retailers are value conscious and 56% are focusing on value-priced products.

INNOVATION

Large manufacturers have been innovating in the value segment; their intention to innovate almost solely in mainstream and premium will be a big departure.

Innovation Items by Tier and Manufacturer Size



Methodology: Category UPCs are segmented into Value, Mid, and Premium based on EQ Price. Large manufacturers account for 80% of category dollar sales. Innovation items are UPCs with sales in the latest 52 weeks, but not in the prior 52 weeks.

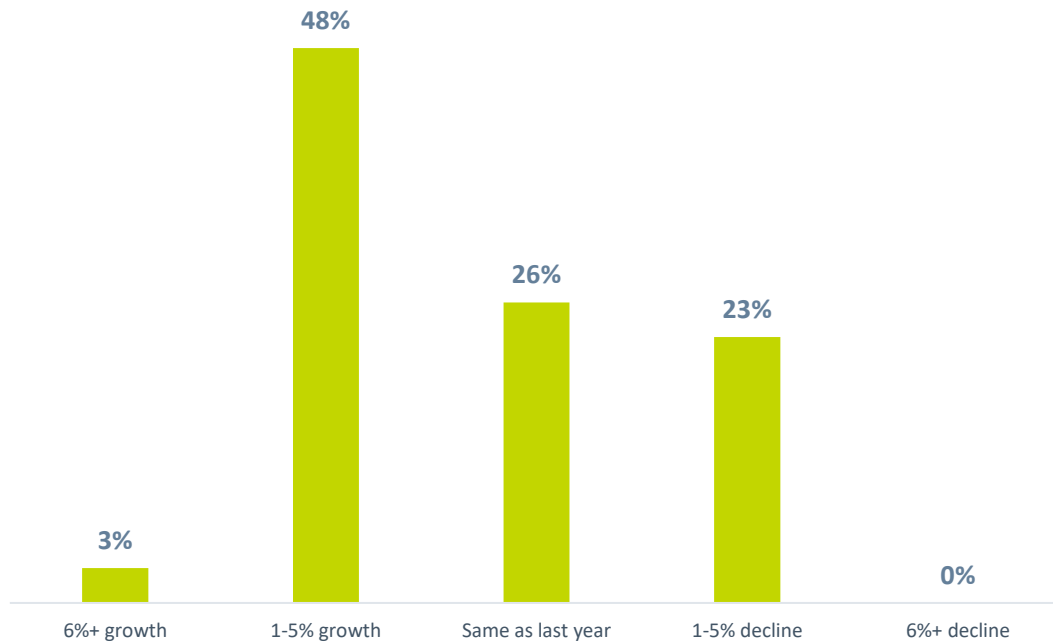
Source: NIQ RMS, Total U.S. xAOC 52 WE 10/7/23 vs YA

2023 HOLIDAY

Ho, ho, ho! More than half of manufacturers and retailers are anticipating growth in the 2023 holiday season.

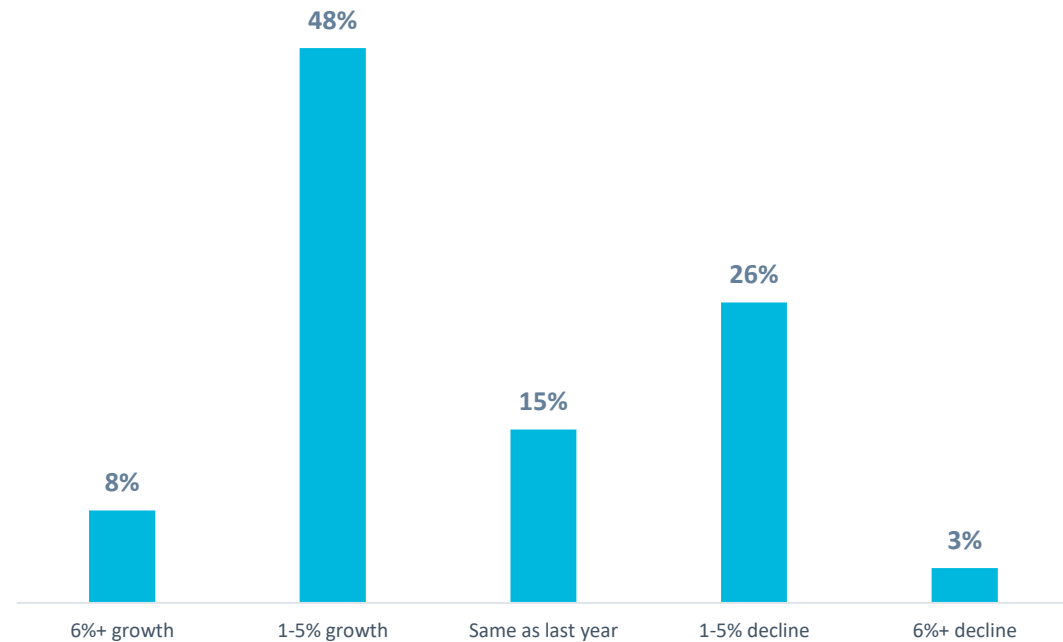
RETAILERS

“What are your unit volume expectations for the 2023 holiday season compared to last year?”



MANUFACTURERS

“What are your unit volume expectations for the 2023 holiday season compared to last year?”



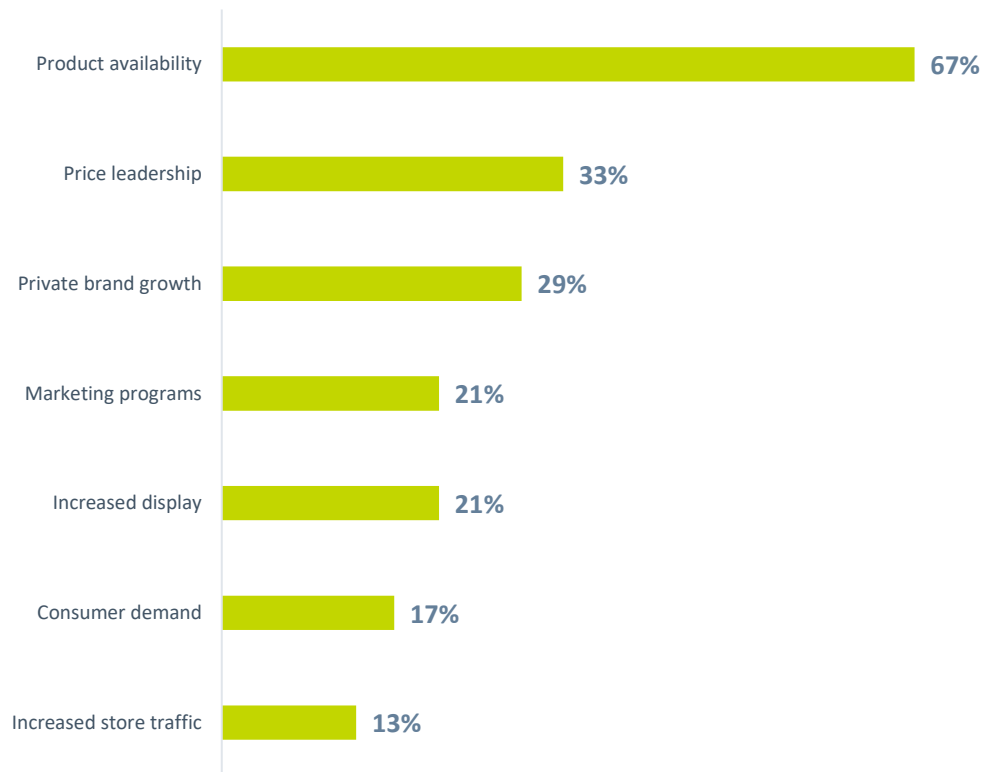
Source: Advantage Sales Manufacturer Outlook Study October 2023 (Base 67) and Retailer Outlook Study October 2023 (Base 32)

2023 HOLIDAY

Retailers and manufacturers expect product availability will be a key driver of holiday sales, but far more manufacturers are bullish on consumer demand.

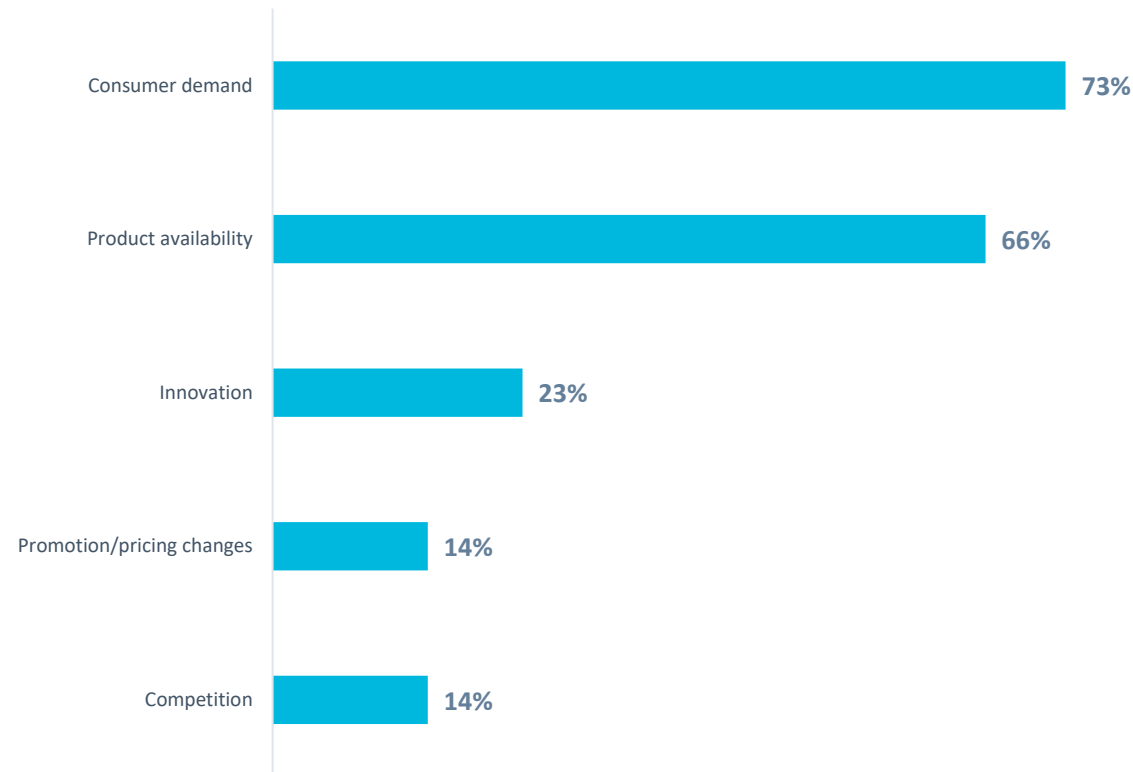
RETAILERS

“What are the top 2 expected drivers for the unit volume increase/decrease this holiday season?”



MANUFACTURERS

“What are the expected drivers for the unit volume increase/decrease this holiday season?”



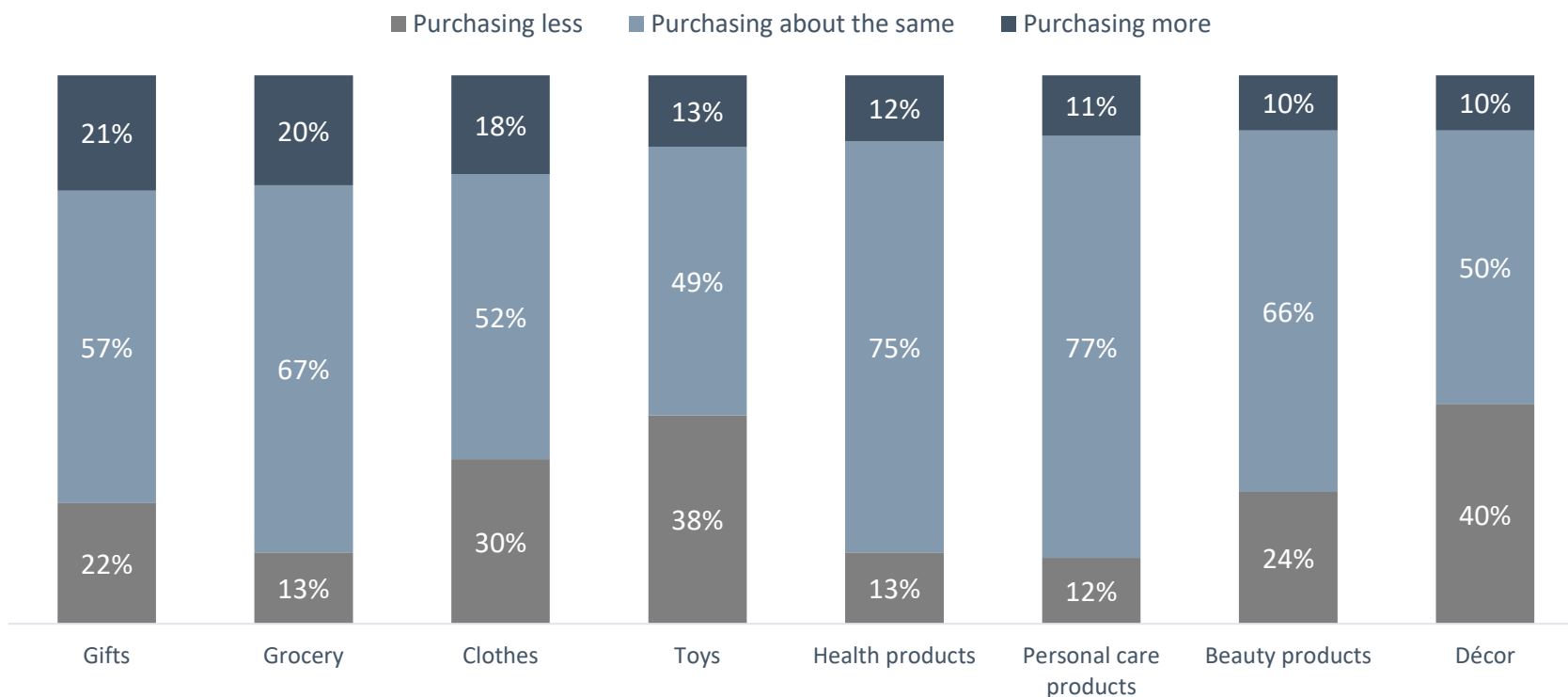
Source: Advantage Sales Manufacturer Outlook Study October 2023 (Base 67) and Retailer Outlook Study October 2023 (Base 32)

2023 HOLIDAY

20% of shoppers plan to purchase more groceries and/or gifts this holiday season, but far more report that they'll buy less décor and/or toys.

US ADULTS

"Considering your 2022 holiday purchasing habits for the following categories, how do you expect them to change this holiday season?"



While most plan to purchase about the same during 2023's holiday season:

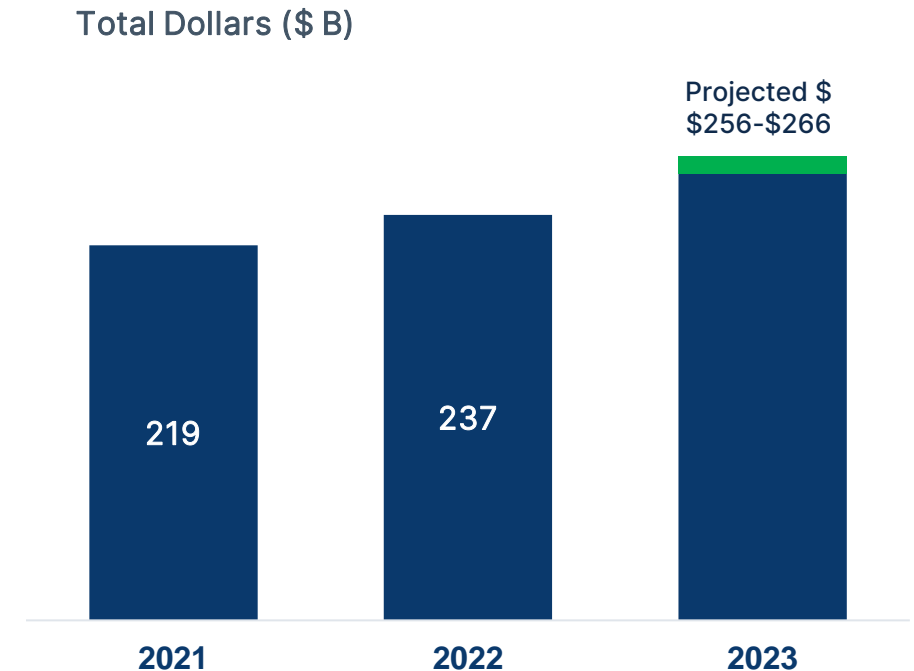
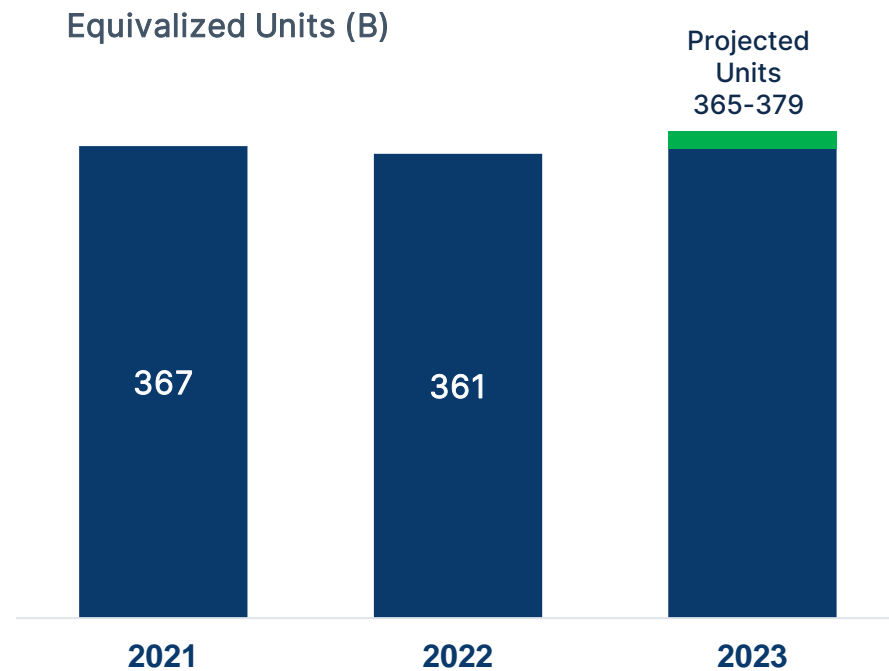
- 21% plan to purchase **more** gifts
- 20% plan to purchase **more** groceries
- 40% plan to purchase **less** décor
- 38% plan to purchase **less** toys

2023 HOLIDAY

A 1% increase in unit volume would translate to an incremental \$2.5B of sales, not taking into consideration any effects of price changes.

Holiday 2023
Forecasted Unit Growth

+1-5%*



Source: NIQ RMS, Total U.S. xAOC YTD 9/30/2023 vs YA, 2YA. Holiday 2021, 2022 is 11 weeks November through mid-January.
*Projected Numbers provided by Advantage based on manufacturer and retailer recommendations

Promotions

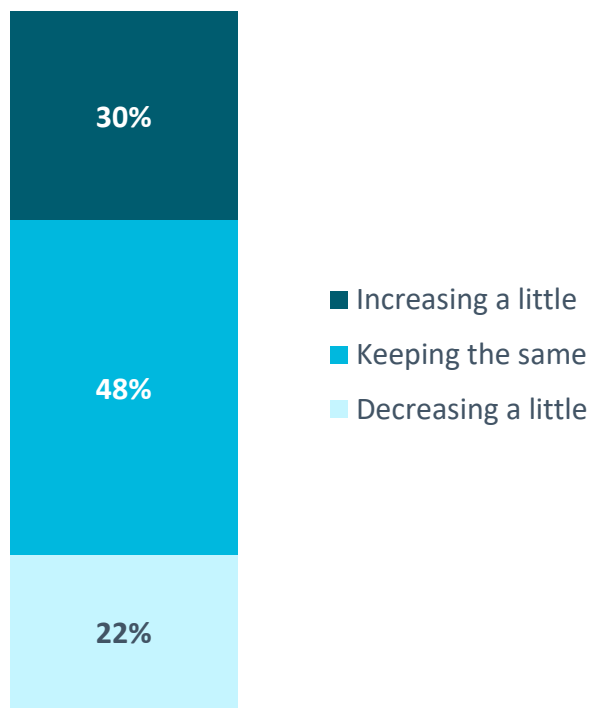


PROMOTIONAL SPEND

Despite retailers' focus and reliance on promotions to drive sales, manufacturers aren't planning on big changes to current trade rates or non-trade spend.

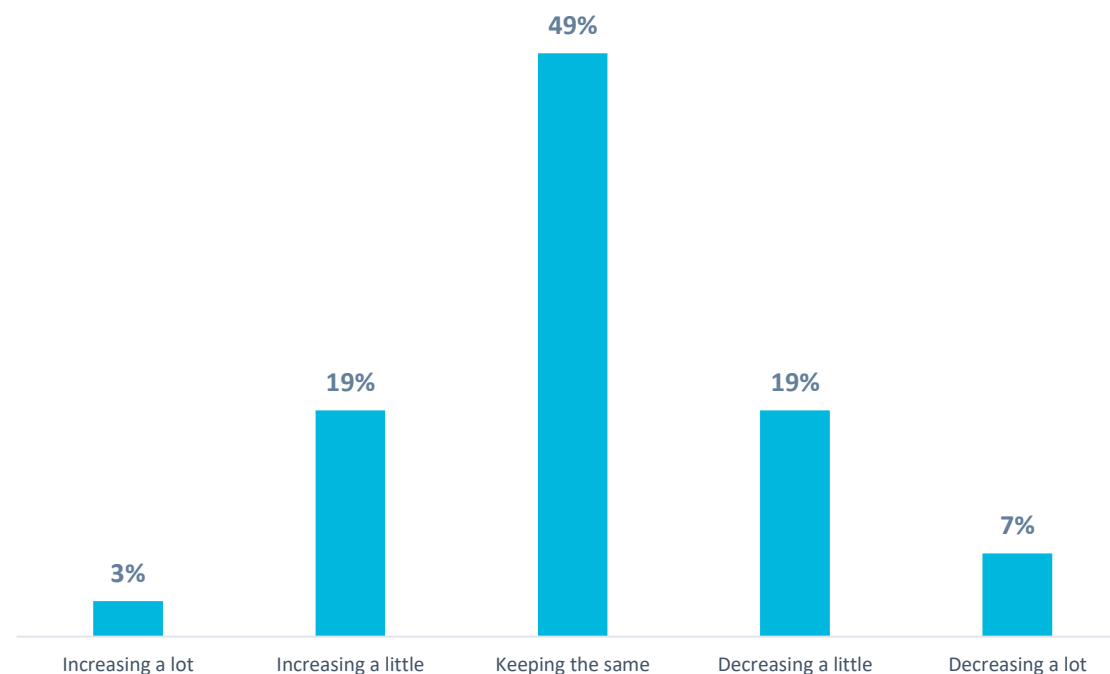
MANUFACTURERS

"Over the next six months, will you be changing your trade rate as a percent of list price?"



MANUFACTURERS

"Over the next six months, will you be changing your non-trade spend?"



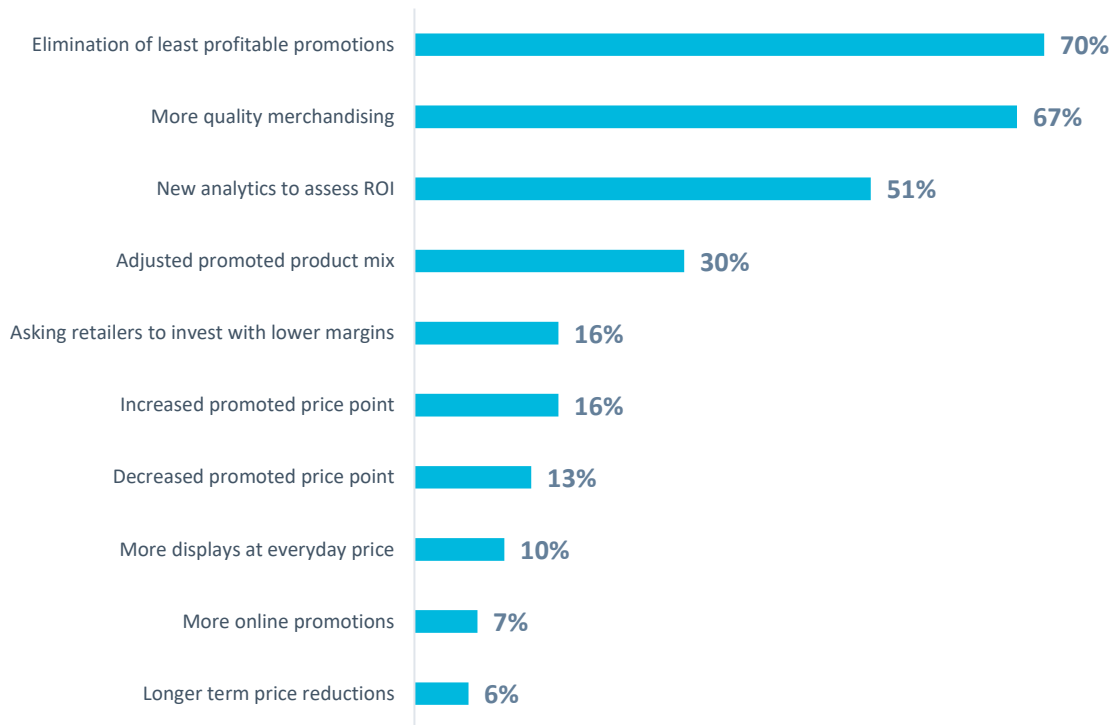


QUAL MERCH

Heads up: Manufacturers' top strategies to improve the ROI of promotions is to eliminate the least profitable promotions and increase quality merchandising, but almost one-third of retailers will reduce quality merchandising due to inventory cost, clean store policies and lack of in-store labor.

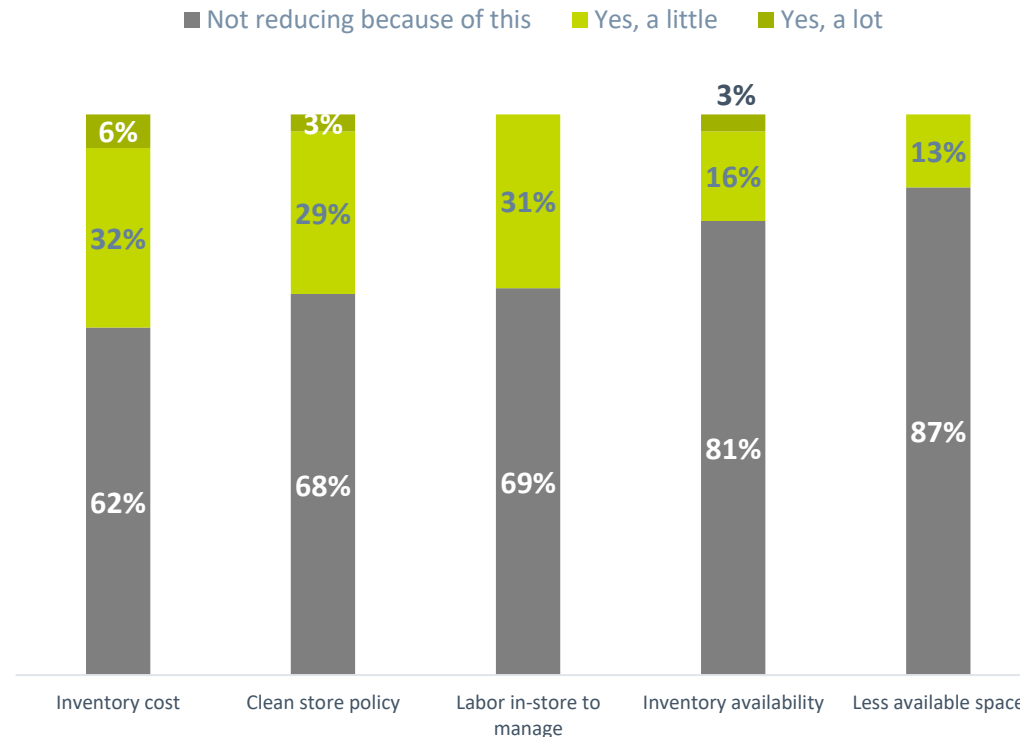
MANUFACTURERS

“Over the next six months, what are your top 3 strategies to improve the ROI of your promotions?”



RETAILERS

“Over the last 6 months and/or going forward, are you reducing quality merchandising for any of the following reasons?”

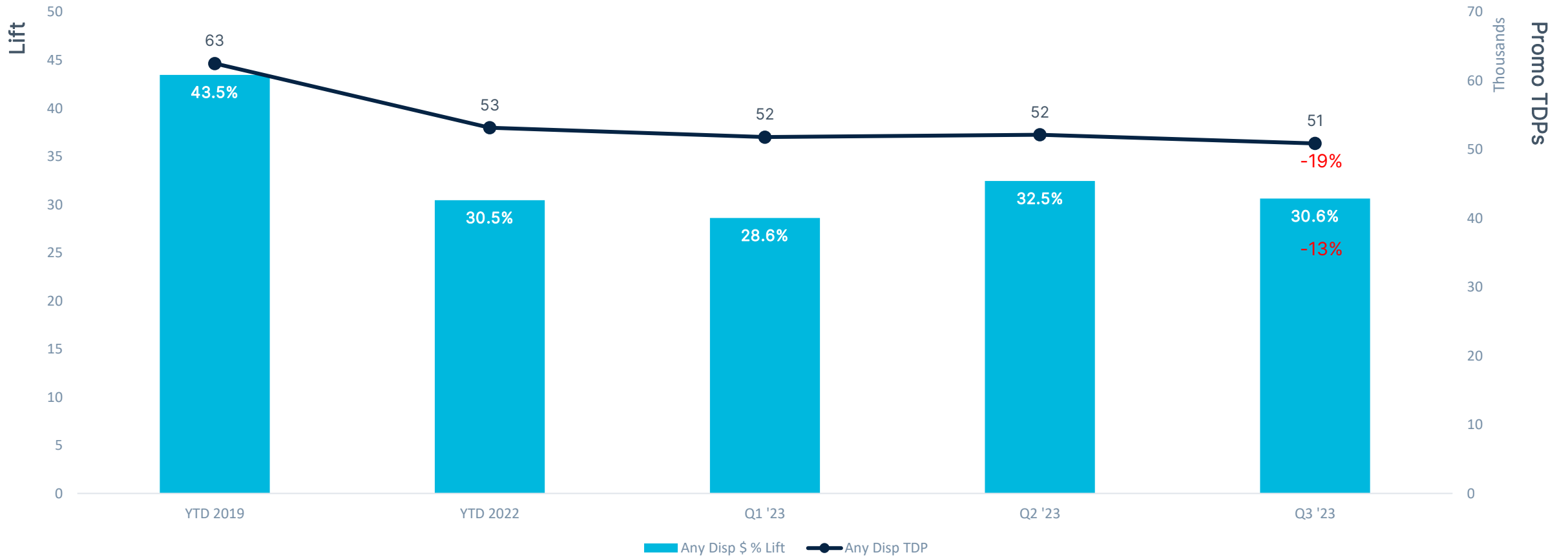


Source: Advantage Sales Manufacturer Outlook Study October 2023 (Base 67) and Retailer Outlook Study October 2023 (Base 32)

QUALITY MERCH LIFT & QUANTITY

A 1% drop in promotional TDPs drives a \$394 million revenue impact.

Display Performance Trend



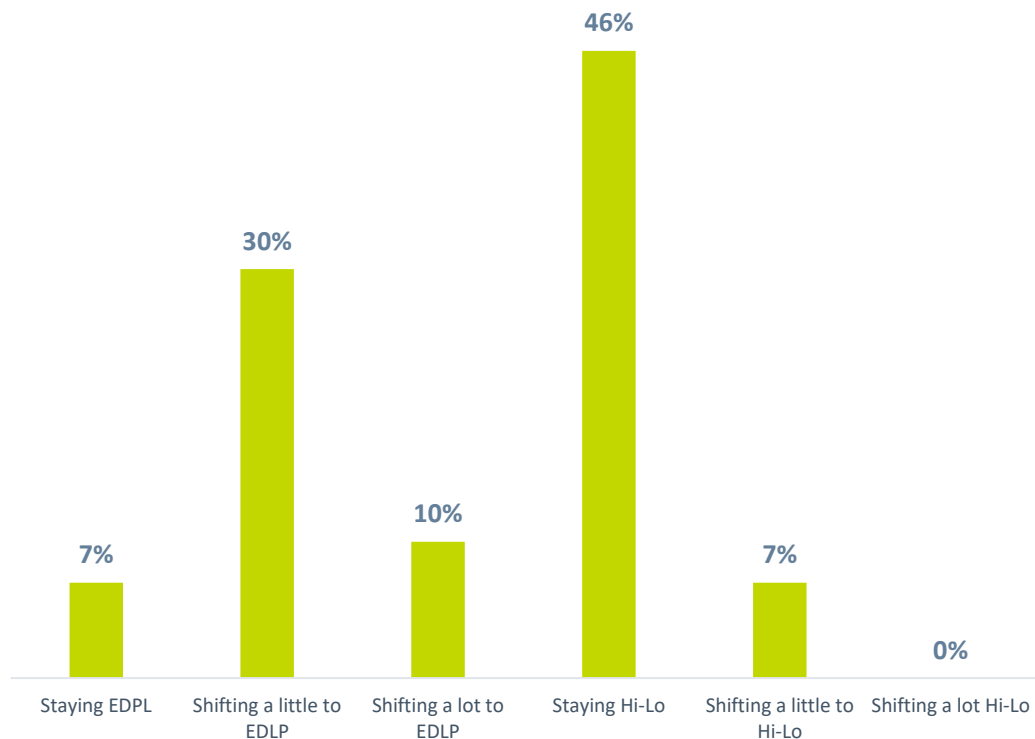
Source: NIQ RMS, Total U.S. xAOC; Non-Perimeter Department Aggregate

EDLP VS HI-LO

While almost half of the retailers surveyed are maintaining their Hi-Lo strategy, 40% will be shifting somewhat to an EDLP strategy; many manufacturers are open to shifting investments a little in line with retailer's EDLP or Hi-Lo strategies.

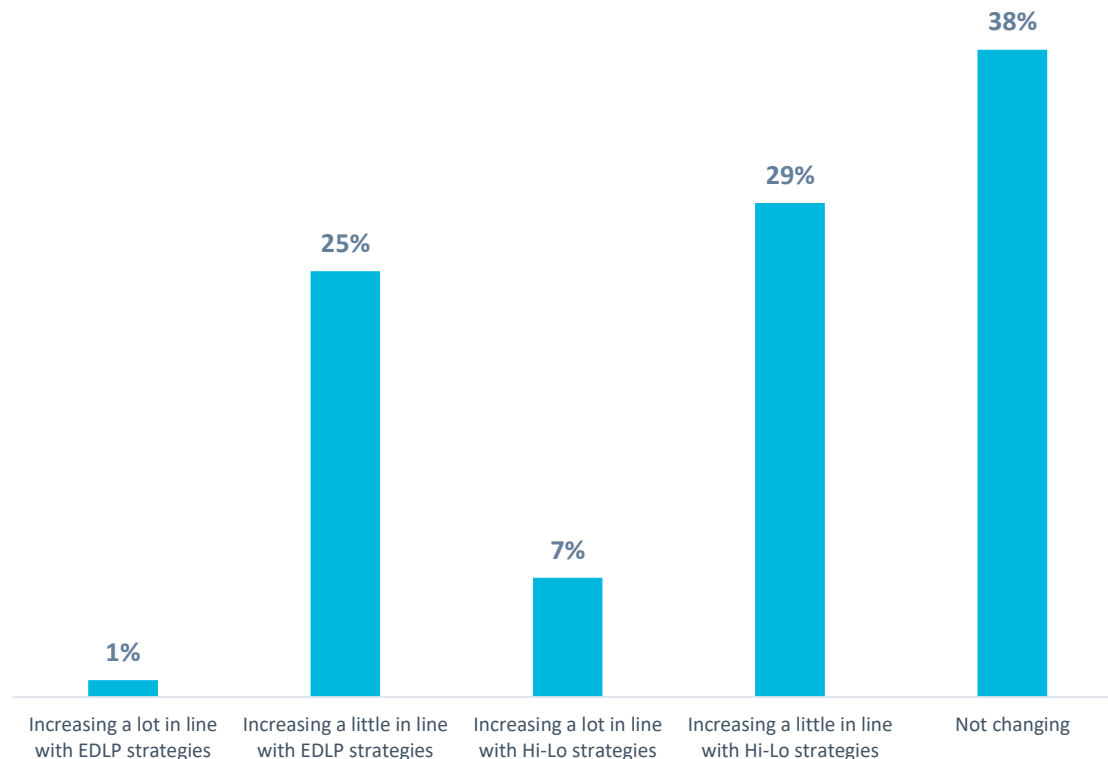
RETAILERS

“Going forward for the next 6 months, how are you thinking about pricing/promotion strategy?”



MANUFACTURERS

“Over the next 6 months, how will you be changing your go to market investment in line with retailer pricing/promotion strategies?”

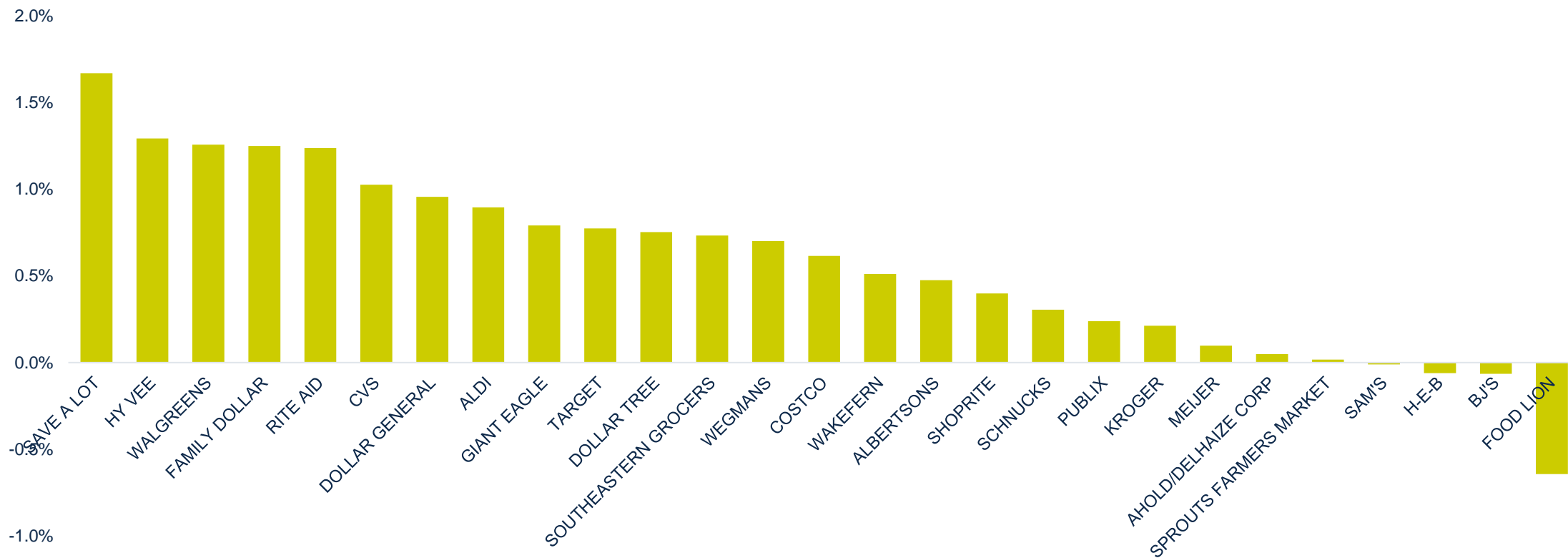


Source: Advantage Sales Manufacturer Outlook Study October 2023 (Base 67) and Retailer Outlook Study October 2023 (Base 32)



Walmart is gaining share consistently, but especially from alternative formats; EDLP investments should take this into consideration.

Net Shifting to Walmart as % of Retailer Business



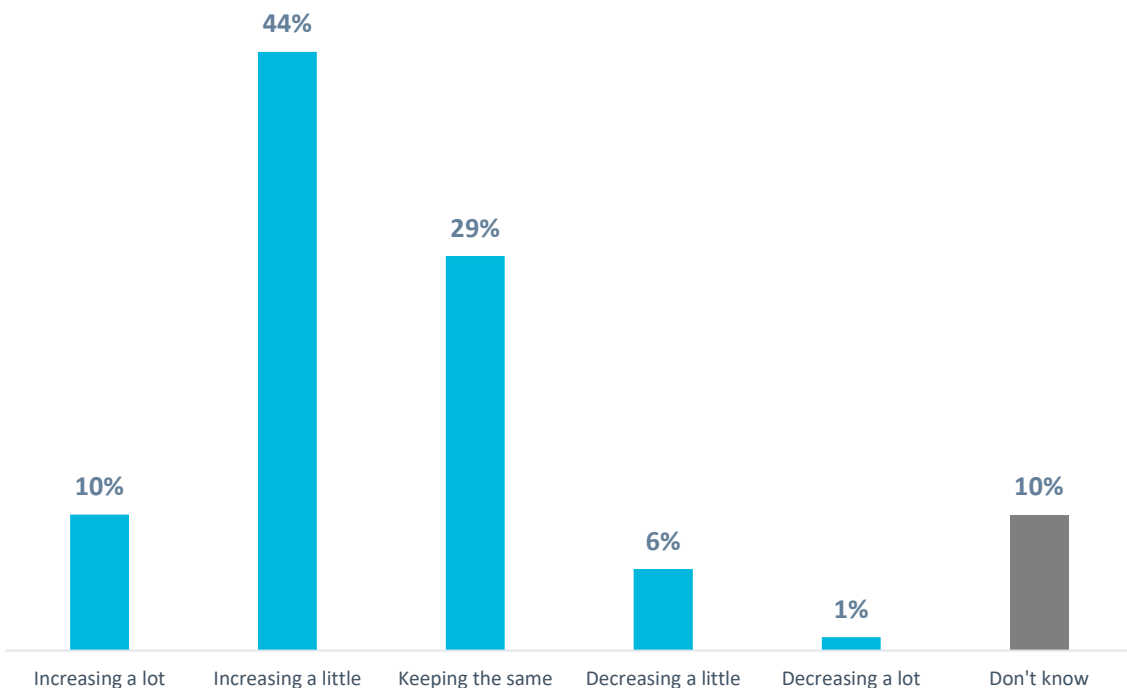
We divided the Net Shifting going to Walmart by the total volume at each retailer across all Departments to get the percentage of business moving to Walmart in the latest year.

Source: NIQ Homescan 52 WE 10/07/2023 vs YA

Make room: More than half of manufacturers plan to increase their retail media network spend, primarily funding it from brand and shopper marketing.

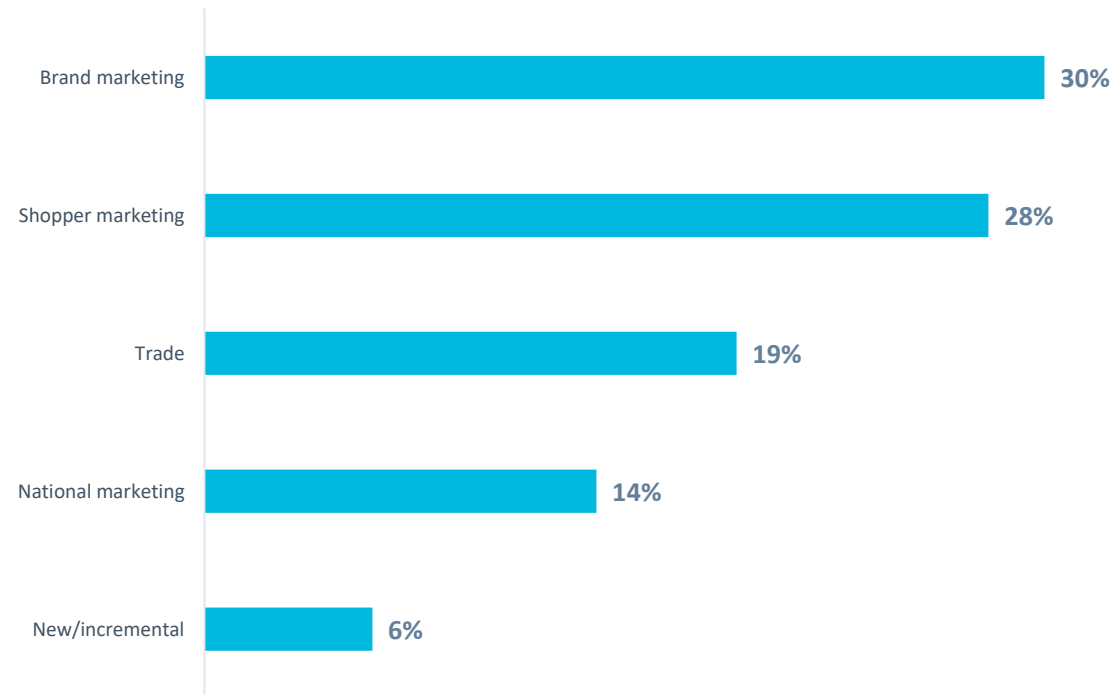
MANUFACTURERS

“Over the next 12 months, how will you be changing your Retail Media Network investment?”



MANUFACTURERS

“What is your predominant source to fund your incremental Retail Media Network investment?”



Effects of Inflation



INFLATION STRATEGIES

Buckle up: All retailers say they plan to increase private brands to address continued inflation. Four in five also plan to share cost increases with vendors and say they'll look to monetize digital platforms.

RETAILERS

“Over the next 6 months, how likely are you to use the following strategies to address cost increases and/or profit decreases?”

	At Least Somewhat Effective	Very Effective	Somewhat Effective
Increase private label brand availability	100%	62%	38%
Monetize digital platforms	84%	44%	40%
Share cost increase with vendor partners	80%	33%	47%
Require higher margins on promotion	78%	29%	49%
Monetize data	75%	43%	32%
Increase brands' everyday price	46%	10%	36%
Delay other investments	44%	7%	37%
Require more store labor from vendor partners	40%	3%	37%
Delay store openings/remodels	14%	0%	14%
Reduce store hours	6%	3%	3%
Close stores	3%	0%	3%

INFLATION STRATEGIES

Manufacturers will continue to focus on disputing retailer fines and fees and enforcing payment terms as their top strategies to address continued inflation.

MANUFACTURERS

“Over the next 6 months, how likely are you to use the following strategies to address cost increases and/or profit decreases?”

	At Least Somewhat Likely	Very Likely	Somewhat Likely
Disputing fees/unauthorized deduction/surcharges	99%	78%	21%
Enforcing existing payment terms	89%	42%	47%
Investing in supply chain efficiencies	81%	42%	39%
Reduce trade spend	52%	14%	38%
Reducing non-trade marketing spend	48%	9%	39%
Increasing focus on channels with lower prices	48%	5%	43%
Reducing SKUs	45%	18%	27%
Launching new items to hit preferred everyday price points	44%	12%	32%
Rolling out new, modified, or enforced bracket pricing	42%	23%	19%
Changing product formula	26%	3%	23%
Reducing product weight/count at same price points	20%	5%	15%

INFLATION STRATEGIES

Manufacturers are turning to data and engaging senior executives to successfully dispute retailer fines and fees.

MANUFACTURERS

“What strategies are proving to be most effective in disputing retailer fines and fees?”

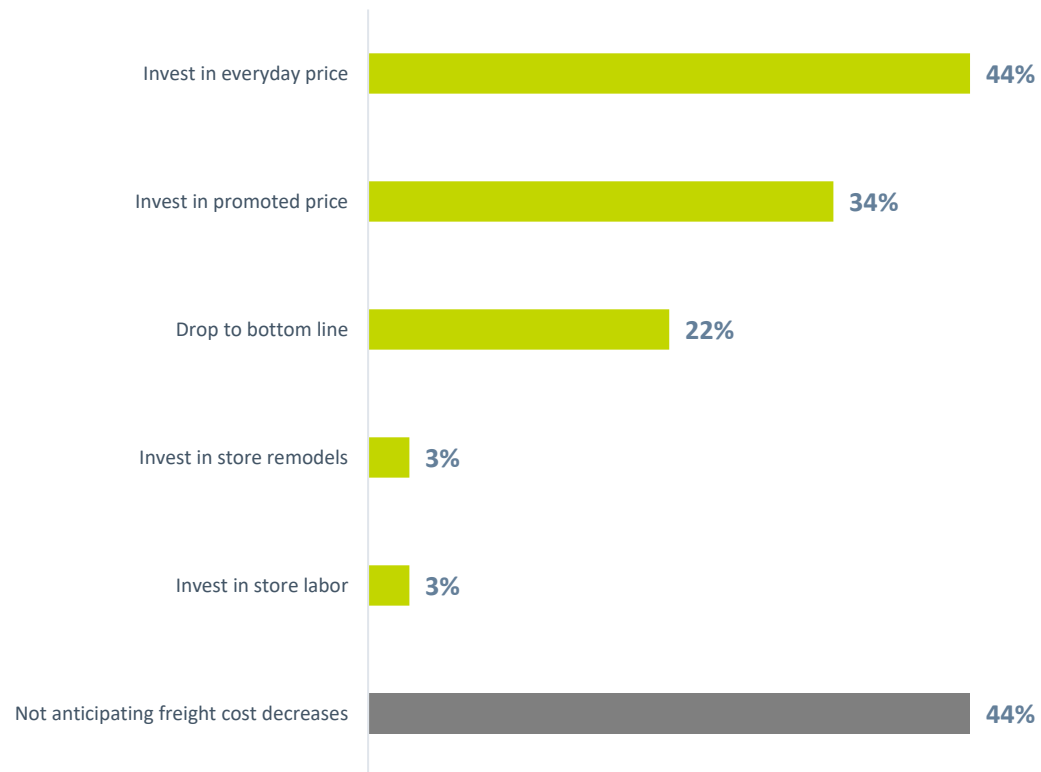
	At Least Somewhat Effective	Very Effective	Somewhat Effective
Using data to dispute	89%	32%	57%
Engaging at a more senior level	78%	27%	51%
Negotiating alongside other areas of investment	65%	12%	53%
Negotiating alongside trade funds	62%	17%	45%
Leveraging the entire retailer portfolio of investment	60%	15%	45%
Using more personnel to dispute as much as possible	53%	6%	47%
Holding purchase orders	42%	17%	25%
Outsourcing to a third party	35%	10%	25%

FREIGHT COST

Over half of retailers expect freight costs to decline and will invest in everyday and promoted price; 7 in 10 manufacturers expect freight cost decreases, and most plan to drop savings to the bottom line.

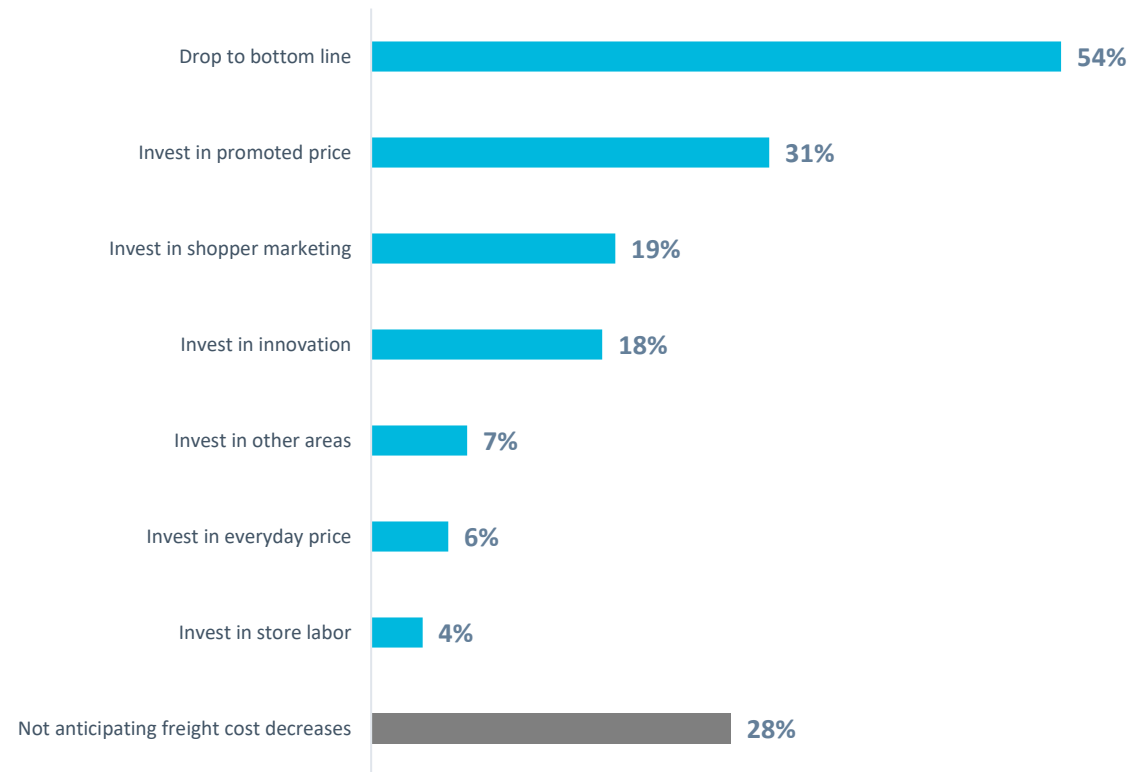
RETAILERS

“How will you handle decreases in freight costs in your business?
Please select top 2.”



MANUFACTURERS

“How will you handle decreases in freight costs in your business?
Please select top 2.”



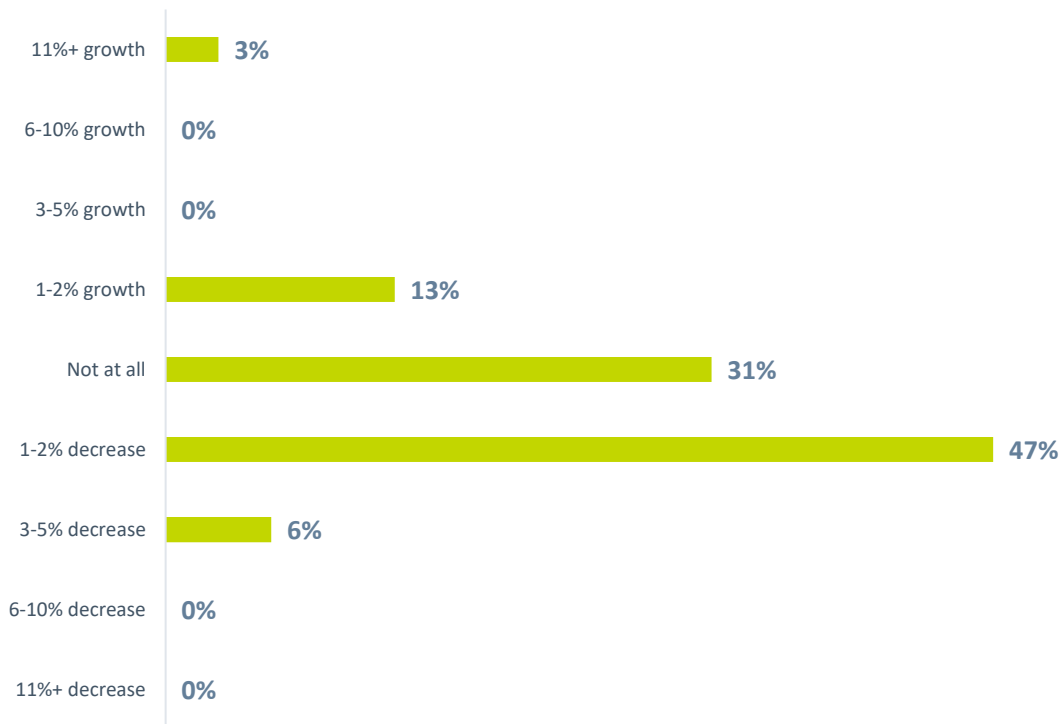
Source: Advantage Sales Manufacturer Outlook Study October 2023 (Base 67) and Retailer Outlook Study October 2023 (Base 32)

STUDENT LOAN REPAYMENTS

More than half of retailers expect resuming student loan repayments to negatively affect their business. Most manufacturers don't anticipate any effect.

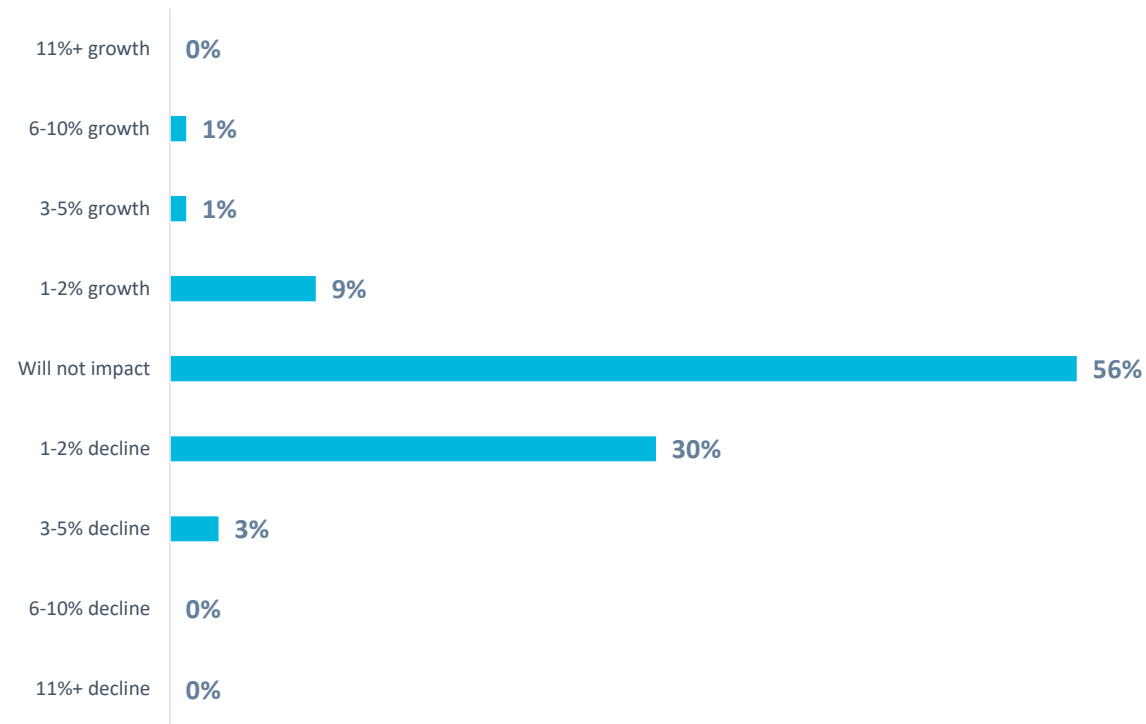
RETAILERS

“To what extent do you anticipate student loan repayments to affect your business over the next 12 months?”



MANUFACTURERS

“To what extent do you anticipate student loan repayments to affect your business over the next 12 months?”



Source: Advantage Sales Manufacturer Outlook Study October 2023 (Base 67) and Retailer Outlook Study October 2023 (Base 32)

STUDENT LOAN REPAYMENTS

Retailers are bracing for the effect of student loan repayments more so than manufactures.

RETAILERS

“To what extent will you consider the following strategies over the next 6 months in anticipation of student loan repayment impact?”

	Significant Extent	Small Extent
Expanded private brand	39%	45%
Increase promotions	33%	37%
Expand quality merchandising of value brands	23%	54%
Lean into the at/in-home indulgence trends	13%	60%
Change promotional strategy to TPR's	7%	40%
Move to mostly EDLP strategy	7%	10%

MANUFACTURERS

“What strategies will you consider over the next 6 months in anticipation of a student loan repayment impact?”

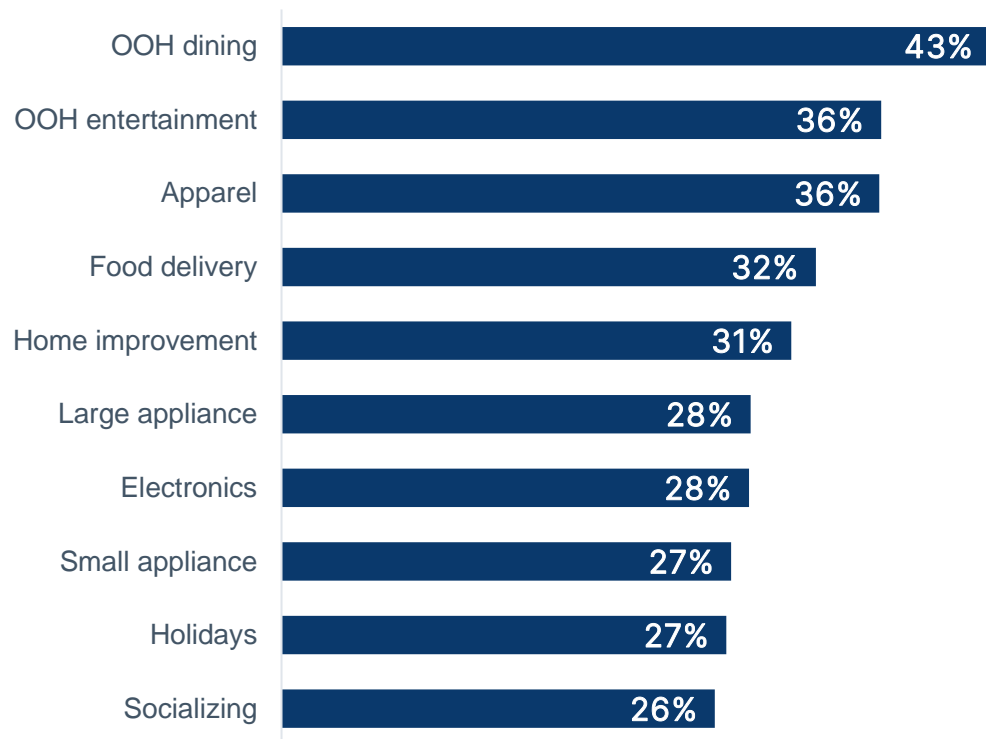
	A Significant Extent	Somewhat
Leaning into the at/in-home indulgence trend	15%	24%
Produce more private brands	5%	15%
Increasing promotions	3%	47%
Focusing on value brands	3%	21%
Moving to mostly EDLP strategy	2%	11%
Changing promotional strategy to TPR's	0%	32%
Shifting resources to lower-priced retailers	0%	29%
Creating products at lower price points	0%	13%
Arbitrarily adjusting our forecast	0%	11%

STUDENT LOAN REPAYMENT

The estimated 43M families affected by student loan repayments say they will reduce spending outside of the home and forgo large purchases rather than cut back on groceries.

Plans to Manage Spending

% of respondents indicating "will spend less"



Grocery-Specific Spending

% of respondents indicating "will spend less"



STUDENT LOAN REPAYMENT

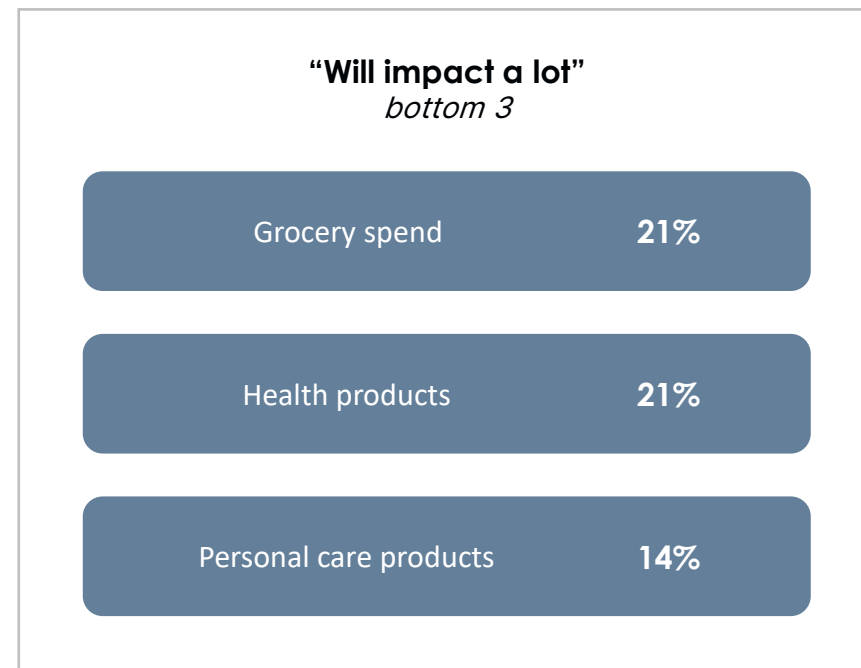
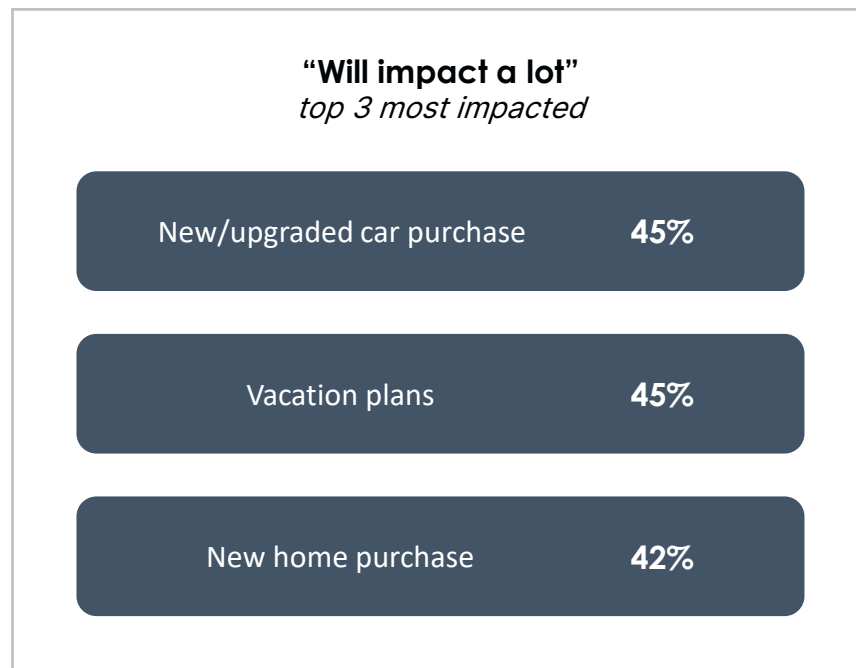
End of forbearance will most impact big-ticket indulgences. Groceries, health and personal care products scored the lowest in terms of impact.

US ADULTS: THOSE WHO DID NOT PAY/PAID LESS DURING FORBEARANCE, BUT WILL BE PAYING NOW

“You indicated you plan to make student loan payments following the end of the student loan forbearance. With repayments restarting, how will this impact your spending over the next 12 months?”

shown in random order:

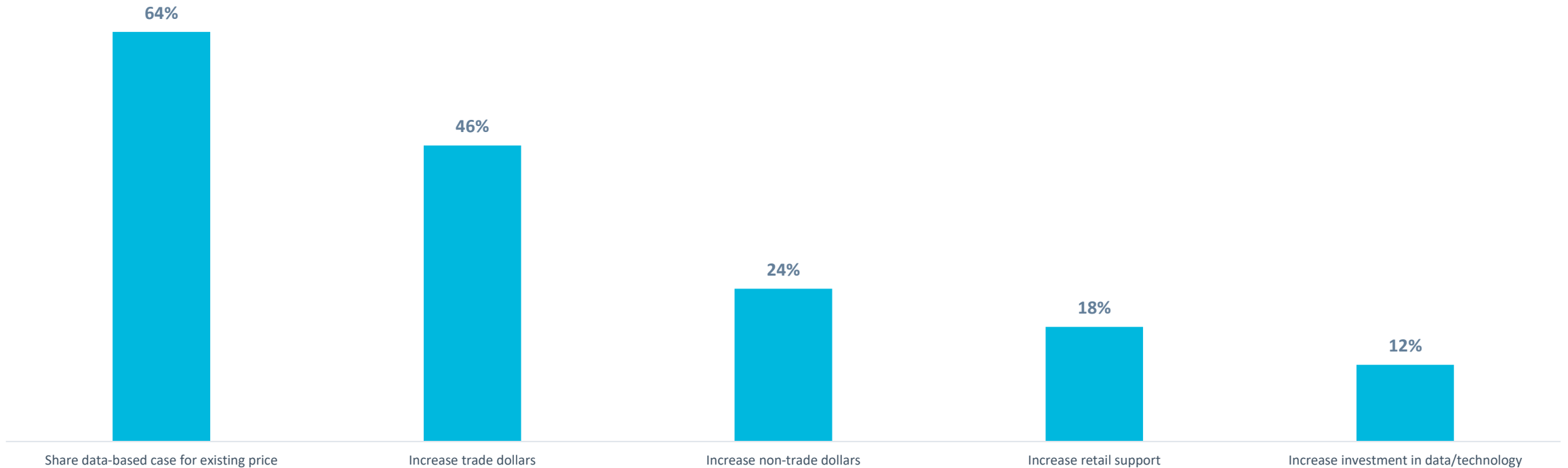
- Beauty products
- Clothes
- Decor
- Grocery spend
- Health products
- Home repairs
- In-home decor spend
- New home purchase
- New/upgraded car purchase
- Personal care products
- Pet adoption
- Spend on holidays/gifts
- Spend on out-of-home dining
- Spend on out-of-home entertainment
- Toys
- Vacation plans



Manufacturers plan to share data cases and increase trade dollars to defend/hold list price.

MANUFACTURERS

“Over the next six months, what are your top 2 strategies to defend/hold your current list price.”



Source: Advantage Sales Manufacturer Outlook Study October 2023 (Base 67) and Retailer Outlook Study October 2023 (Base 32)

What's New



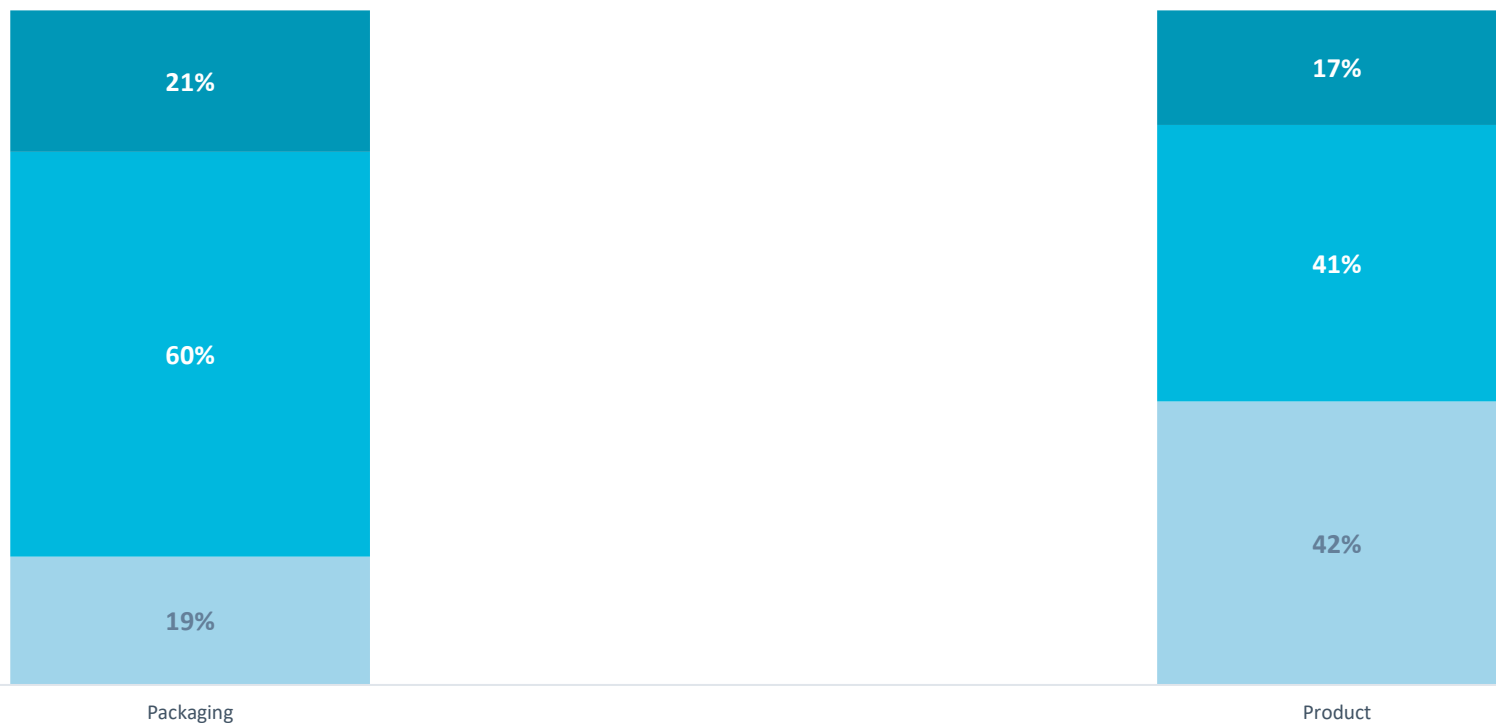
SUSTAINABILITY

Most manufacturers are making packaging changes to address sustainability concerns while-58% say they plan to make changes to products.

MANUFACTURERS

“Are you making any changes in your product and/or packaging to address sustainability over the next 12 months?”

■ No ■ Yes, a little ■ Yes, a lot



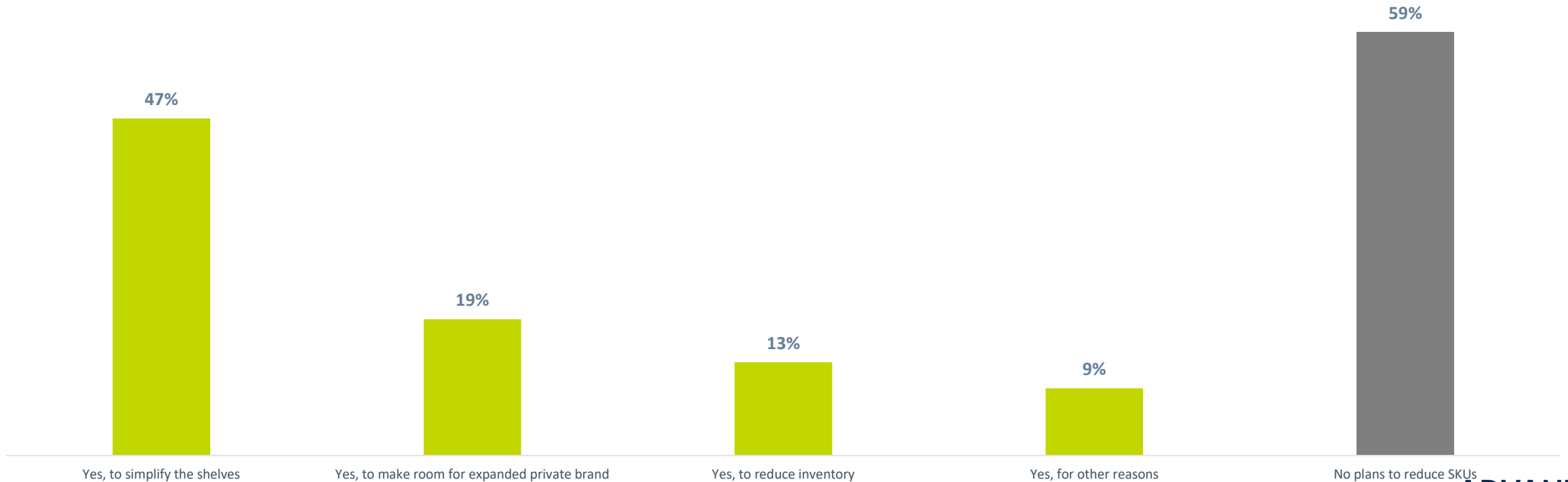
Source: Advantage Sales Manufacturer Outlook Study October 2023 (Base 67) and Retailer Outlook Study October 2023 (Base 32)

SKU REDUCTION

Almost 40% of retailers plan to reduce SKUs in the next 12 months. Of them, nearly half say they'll do so to simplify shelves.

RETAILERS

“Will you be reducing branded SKUs over the next 12 months?
Please select top 2 choices that apply.”

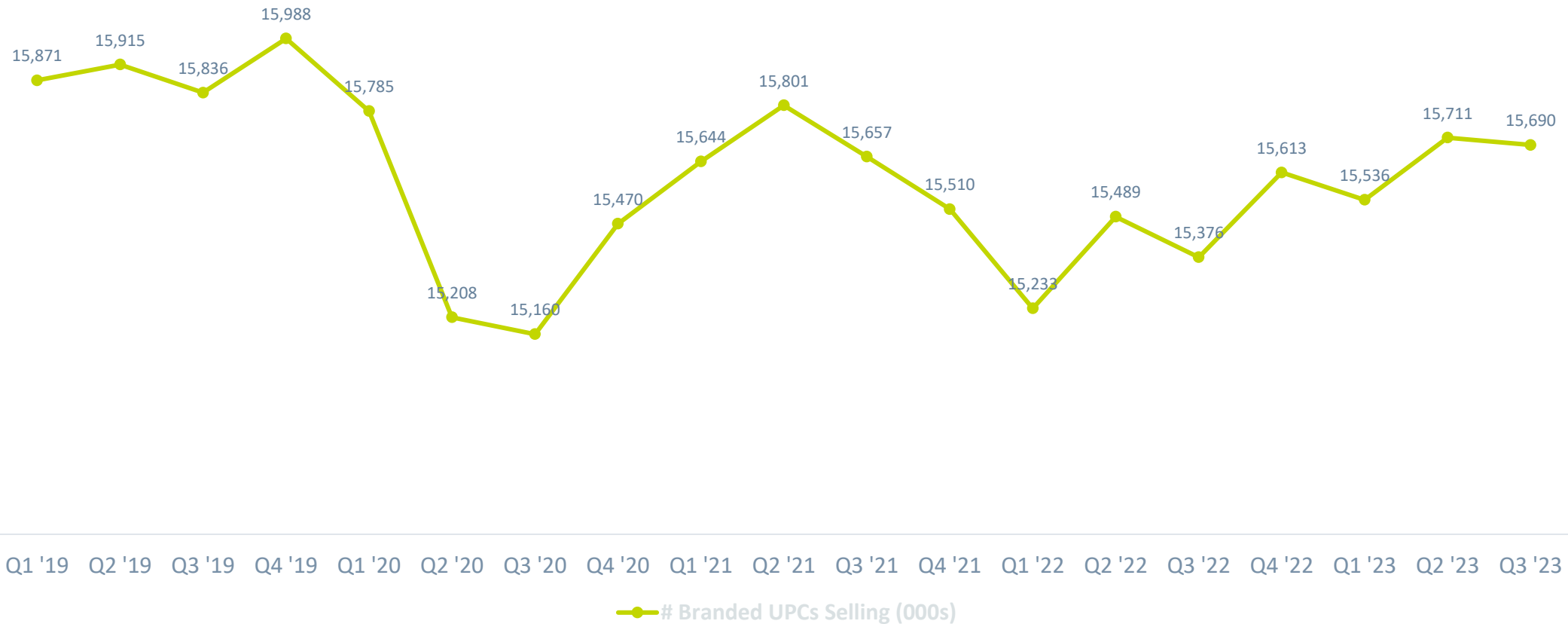


Source: Advantage Sales Manufacturer Outlook Study October 2023 (Base 67) and Retailer Outlook Study October 2023 (Base 32)

SKU EXPANSION

While SKUs are down overall from 2019, they've been marching upward since 2022, likely in line with innovation. So far, there are no signs of a sharp reduction in branded SKUs.

Branded Item Counts Over Time



Source: NIQ RMS, Total U.S. xAOC Total Store/All Depts. Quarterly Data through WE 9/30/2023. Number of UPCs Selling is a count of unique UPCs with any sales volume in the period.

INVENTORY

Two thirds of manufacturers say they will switch to customer pick-up and/or use bracket pricing to address lower retailer inventory volumes.

MANUFACTURERS

“What changes will you be making in your business over the next 6 months resulting from retailers carrying lower inventory volumes?”

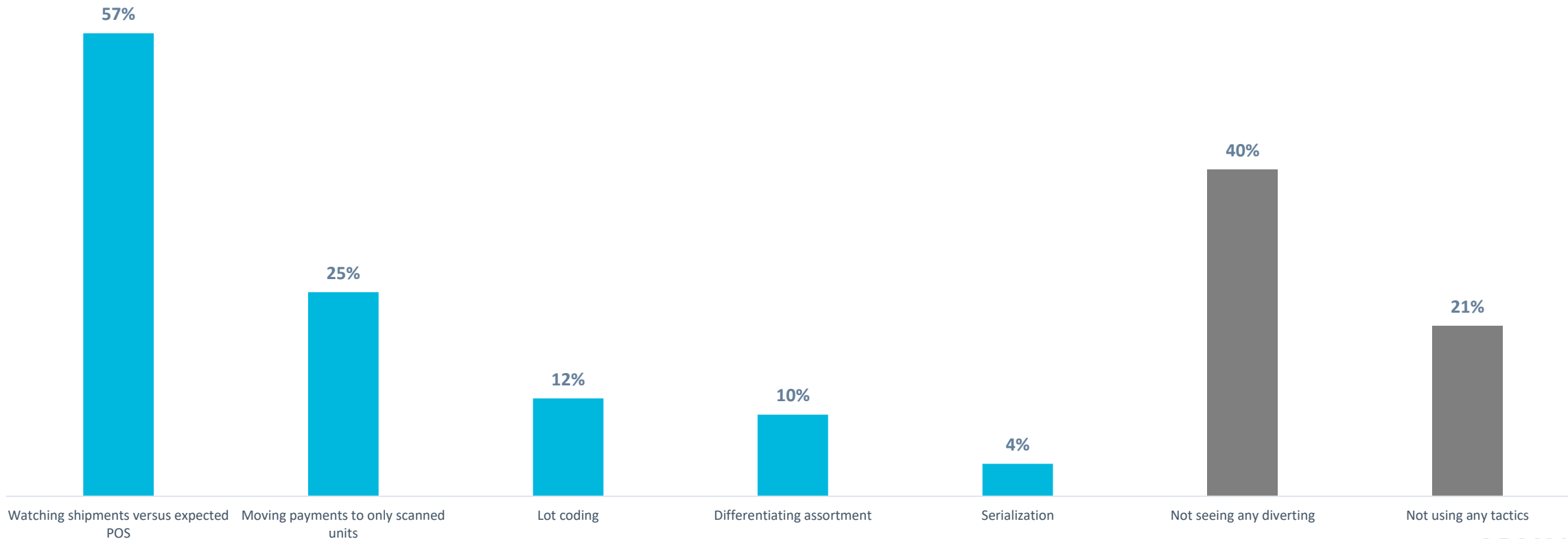
	Will Do At Least Somewhat	Will Do Extremely	Will Do a Little
Switching to customer pick up	68%	5%	63%
Implementing or more strictly enforcing bracket pricing	66%	37%	29%
Reducing trade funds	47%	2%	45%
Increasing own inventory capacity	45%	2%	43%
Changing shipping lead times	41%	3%	38%
Reducing secondary locations in-store	14%	2%	12%

DIVERSION

Where's it going? Three out of five manufacturers are seeing diversion. They're watching shipments vs POS as a top tactic.

MANUFACTURERS

"What tactics are you using today to curb diverting? Please select all that apply."



Source: Advantage Sales Manufacturer Outlook Study October 2023 (Base 67) and Retailer Outlook Study October 2023 (Base 32)

CONSUMER INSIGHTS

Tell me something I don't know: Two of the top consumer insight priorities for manufacturers and retailers are category trends and benchmarking to peers.

RETAILERS

"What new types of consumer insights would you like to see your suppliers bringing to you?"

MANUFACTURERS

"What new types of consumer insights do you plan to bring to your customers over the next 6 months?"

	Retailers			Manufacturers		
	Top Priority	Would be Nice	Not Relevant	Will Use Extensively	Will Use Sporadically	Will Not Use
Shifting consumer values and category trend identification	68%	32%	0%	50%	47%	3%
Shopper retail/store migration and share of wallet evolution	65%	32%	3%	26%	65%	9%
Benchmarked performance relative to peers	59%	35%	6%	45%	48%	7%
Economic outlook and expected macro effects	49%	45%	6%	28%	65%	7%
Retail execution case studies - examples of interesting concepts, successes, and failures	35%	62%	3%	15%	58%	27%
Integrated ROI - cross platform investment optimization	32%	55%	13%	31%	48%	21%
Impact from governmental policy evolution	30%	60%	10%	4%	57%	39%
Digital shelf strategy optimization	29%	45%	26%	31%	55%	14%
Retailer or retailer zone level price optimization	29%	55%	16%	14%	47%	39%
Path to purchase - increased emphasis on omni path to purchase	20%	77%	3%	36%	54%	10%
Retail shelf as online fulfillment - advising on how to optimize the shelf to balance online fulfillment and in-store requirements	14%	58%	28%	16%	47%	37%
Retail shelf as a media channel - advising on how to grow the experiential value of a retail trip	13%	67%	20%	17%	54%	29%
Granular execution optimization of DSMP levers at a store or store cluster level	10%	66%	24%	2%	46%	52%

CONSIDERATIONS FOR EFFECTIVE BENCHMARKING

Use benchmarks to help optimize your strategy, not to regress to the industry mean

1

Differentiate between strategic & performance benchmarking

Strategic benchmarks identify players with similar strategies to learn from

CBD Beverages
*Does not include Cannabis/Hemp infused beverages



Brand Examples
CBD is not for everyone. The FDA highlights that there are no approved CBD products. CBD is an experimental drug and is not approved for any medical use. It is not approved for any medical use. It is not approved for any medical use. It is not approved for any medical use.

NIQ

Performance benchmarks are how you determine if your strategy is effective

Top 5 Non Alc brands by category ranked by dollars

Core brands are driving each of the mega categories for now, but there's room for aggressive innovation



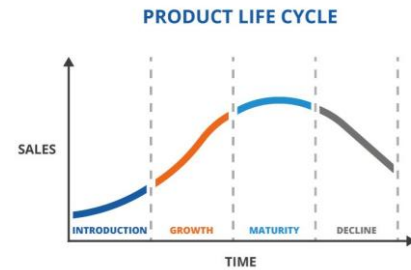
Top 5 brands account for 65% of Non-Alc Beer dollar sales
Top 5 brands account for 81% of Non-Alc Wine dollar sales
Top 5 brands account for 66% of Non-Alc Spirits dollar sales

NIQ

2

Choose strategic benchmarks wisely

Ensure that the benchmark set is aligned to competitive strategy



Take a wider view by looking beyond categories to products that compete for need states or occasions

What's next for Non Alcohol...

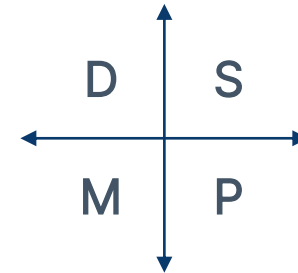


NIQ

3

Focus strategic benchmarks on leading indicators

How are they investing in trade, innovation, etc. to drive value



What consumer segments are they targeting and how

Generational Impact

Recruitment is not easy, but Non-Alcohol Beer, Wine, and Spirits are an entry point for Gen Z

Total Non-Alc by generational group - Total US



NIQ

4

Conduct performance benchmarking against direct competitors

Assess performance against direct competitors across key performance indicators, including share, distribution and velocity

Brand	Revenue (\$M)	Profit (\$M)	Share (%)	Velocity
Brand A	\$12.5M	\$2.1M	15%	High
Brand B	\$8.7M	\$1.5M	10%	Medium
Brand C	\$5.3M	\$0.9M	7%	Low
Brand D	\$3.1M	\$0.5M	4%	Low

Deverage benchmarks to identify localized opportunities

Consumer attraction covers all regions, but five states account for 30% of Non-Alc dollars
Most Win states like California need special attention in terms of resources; a focus on population centers can pay off



NIQ



HOW TO IDENTIFY HIGH-QUALITY TRENDS

While not all trend identifiers are of equal importance, emerging categories commonly demonstrate alignment with consumer trends and impact across the store.

Aligned with a consumer trend

Fueled by changing consumer landscape and their preferences



Balancing health & wellness with indulgence



Hispanic and GenZ growth

Sustained share growth and repeat

Continue to gain share following initial launch efforts as consumers repeat purchase



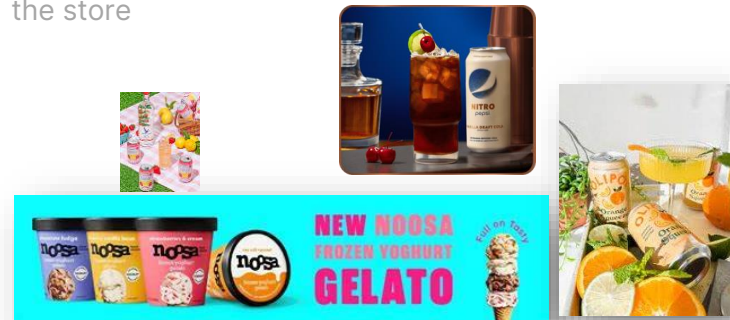
Continued innovation

New items continue to enter the category as competitors fast follow



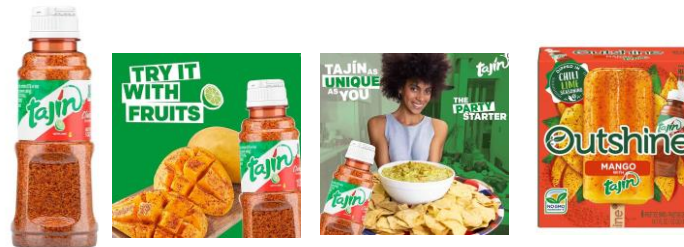
Influences adjacent categories

Expansion and influence in multiple categories across the store



Utility across the store

Product is visible and able to complement multiple categories across the store



Share of mind

Category is prevalent in consumer conversations and in social circles as indicated by changes in social media presence, search engine results, expert SME changes in usage or consumer attitude



LOCKED INVENTORY

If a product they plan to buy is locked up, over one-third of shoppers are extremely likely to ask a store associate for help; less than 20% of shoppers will decide not to buy the product.

US ADULTS

“Consider the following categories. If a product you plan to buy is locked up, how likely are to do the following?”

% = extremely likely

Personal Care

- | | |
|--|-----|
| 1. Ask store associate to unlock the product | 34% |
| 2. Buy online, instead of in-store | 30% |
| 3. Buy the product at a different store | 28% |
| 4. Buy a different product that is not locked up | 21% |
| 5. Decide to not purchase the product | 16% |

Health Products

- | | |
|--|-----|
| 1. Ask store associate to unlock the product | 36% |
| 2. Buy online, instead of in-store | 29% |
| 3. Buy the product at a different store | 27% |
| 4. Buy a different product that is not locked up | 18% |
| 5. Decide to not purchase the product | 15% |

Beauty Products

- | | |
|--|-----|
| 1. Ask store associate to unlock the product | 31% |
| 2. Buy online, instead of in-store | 30% |
| 3. Buy the product at a different store | 25% |
| 4. Buy a different product that is not locked up | 20% |
| 5. Decide to not purchase the product | 17% |

Electronics

- | | |
|--|-----|
| 1. Ask store associate to unlock the product | 43% |
| 2. Buy online, instead of in-store | 31% |
| 3. Buy the product at a different store | 22% |
| 4. Buy a different product that is not locked up | 15% |
| 5. Decide to not purchase the product | 13% |



THANK YOU



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