# ADVANTAGE OUTLOOK

## MANUFACTURER & RETAILER SURVEY

August 2023

ADVANTAGE SOLUTIONS

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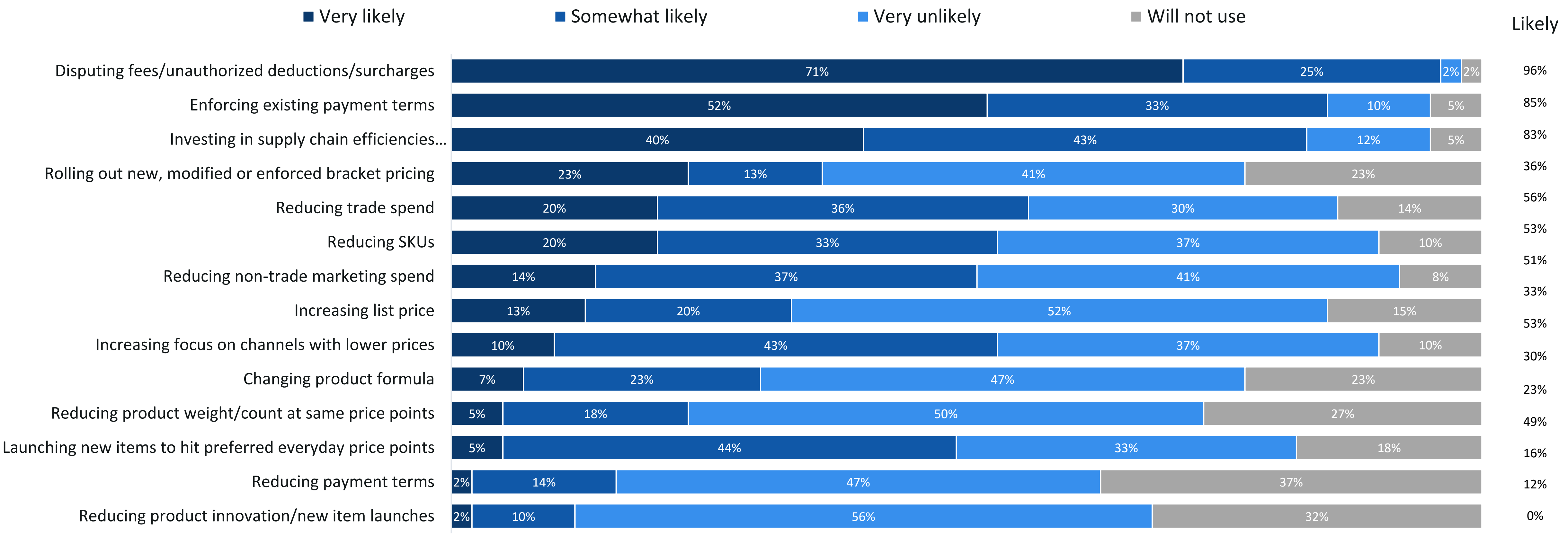
# Inflation

# Inflation Strategies

## Disputing fines and fees remains a top strategy to address increased costs, with 96% of manufacturers leaning into this. Two out of three say it's unlikely they'll raise list prices as a strategy.

### MANUFACTURERS

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

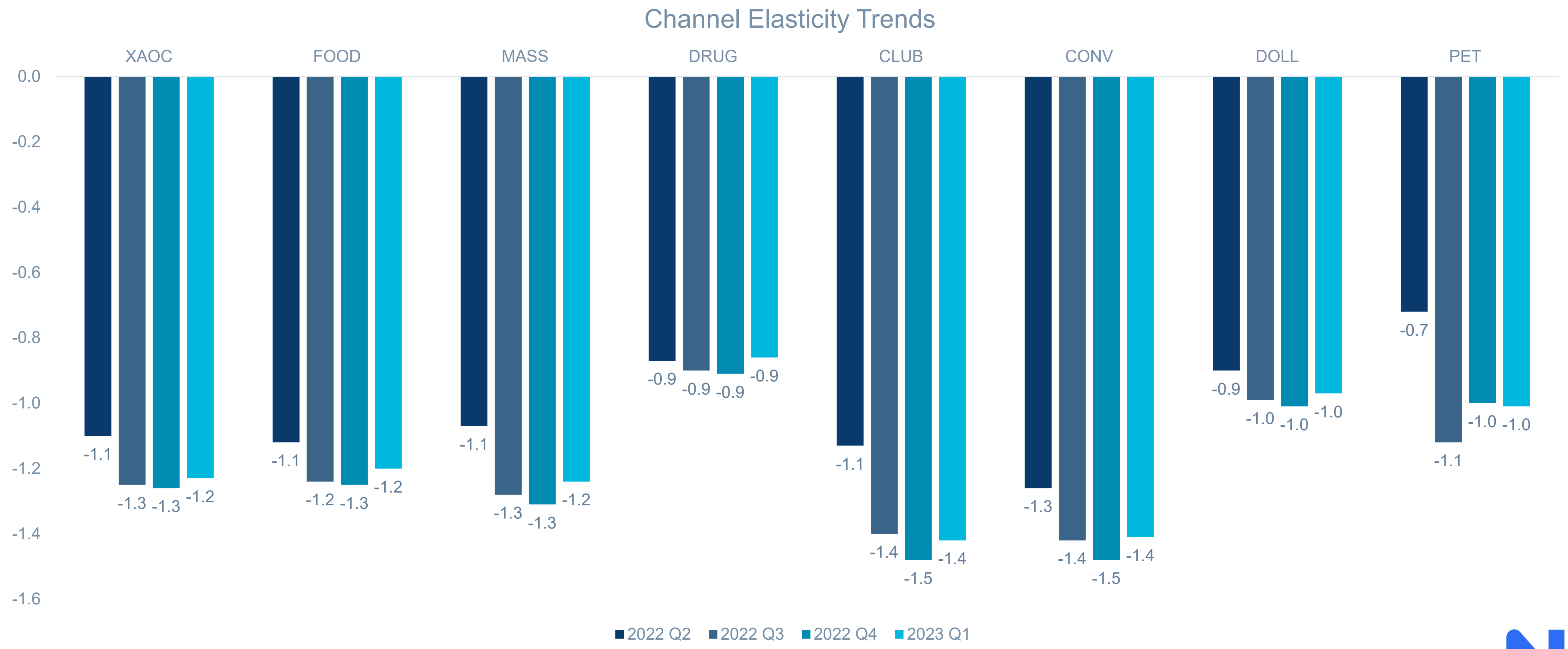



Source: Advantage Sales Manufacturer Outlook Study June 2023 (Base 60)

# Price Elasticity

## Price sensitivities across channels hit new highs in Q4 of 2022 and are now moderating through the first quarter of 2023.

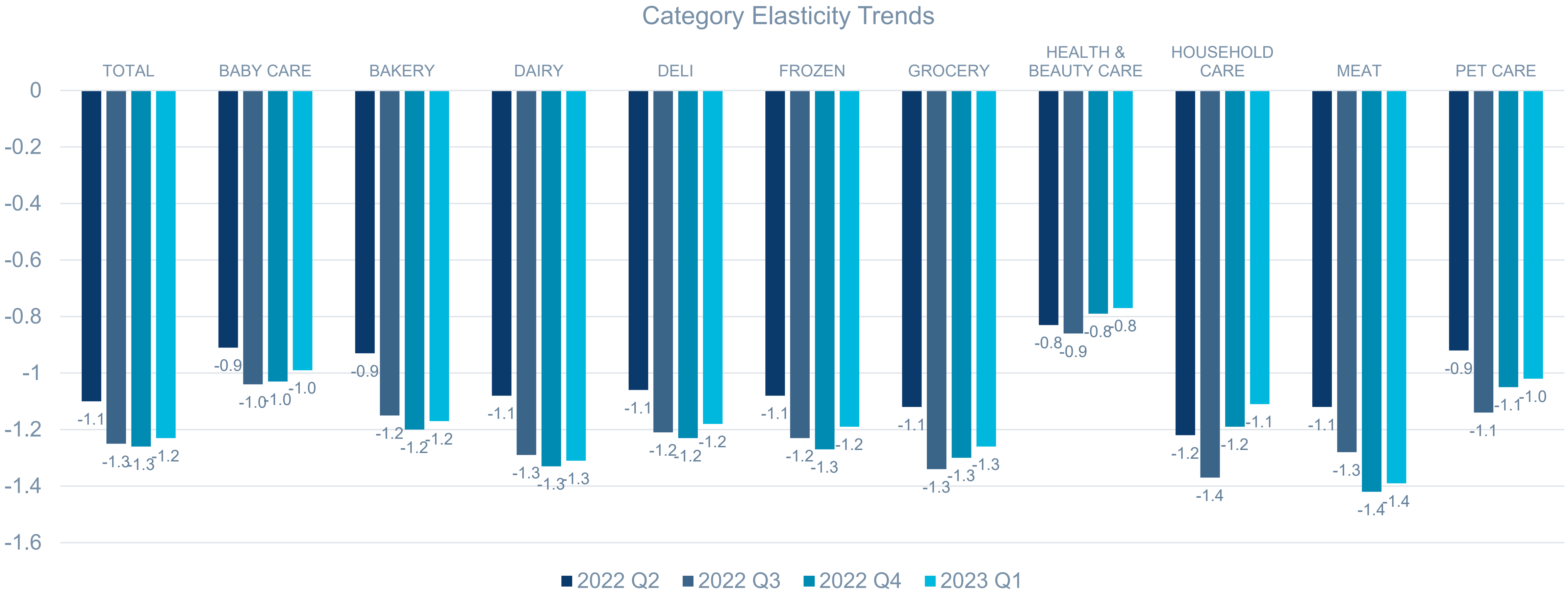
*Elasticity growth driven primarily by increased competitive pressure and external effect*




Source: NielsenIQ Advanced Analytics Core Models, July 2023. All Departments combined.

# Price Elasticity

## Across departments, price elasticities peaked in either Q3 or Q4 2022.




Source: NielsenIQ Advanced Analytics Core Models, July 2023. xAOC. Quarterly read uses 104 weeks of data rolling. Data is weighted to sales volume.

# Retailer Fines/Fees

## Most manufacturers have been somewhat successful at negotiating fines and fees with retailers.

### MANUFACTURERS

"Over the past year, how successful have you been in negotiating fines and fees with retailers?"

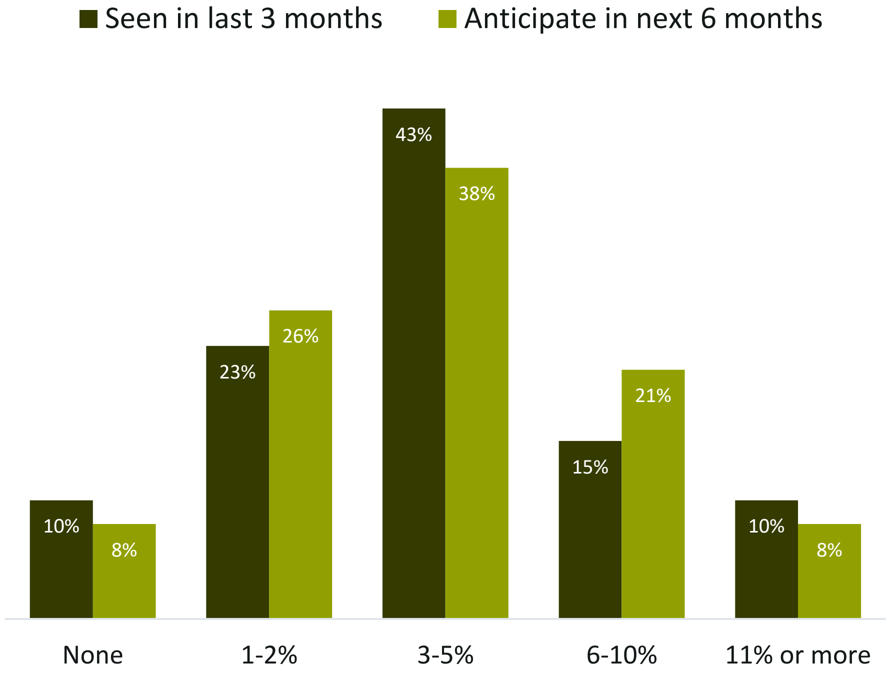
| | | | |
|---|---|---|---|
| **8%** | **63%** | **27%** | **2%** |
| Very successful (absorbing few or none) | Somewhat successful (absorbing some) | A little bit successful (absorbing most) | Unsuccessful (absorbing all) |

Source: Advantage Sales Manufacturer Outlook Study June 2023 (Base 59)

# While the majority of retailers expect a net sales impact of at least 3% over the next six months due to adjustments in SNAP benefits, most manufacturers aren't making any changes in response.

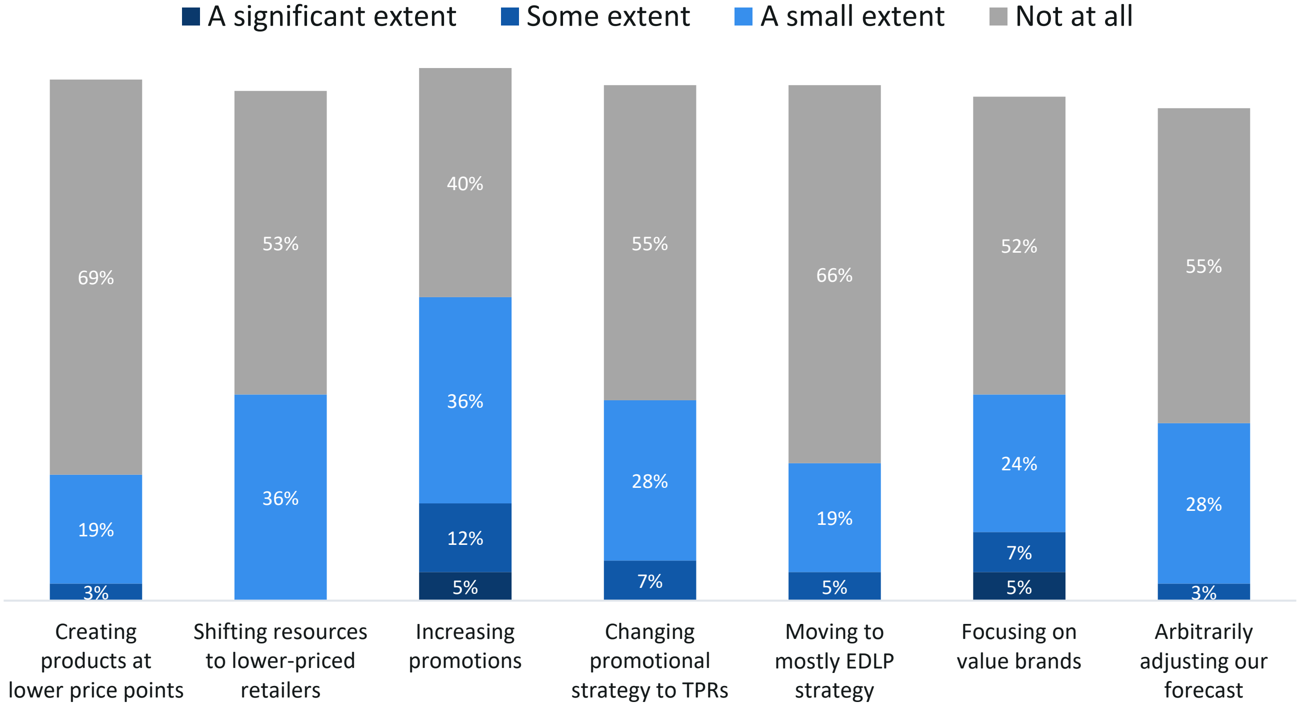
## RETAILERS

"What impact from SNAP have you seen on your dollars over the last 3 months? What impact from SNAP do you anticipate in the next 6 months?"




## MANUFACTURERS

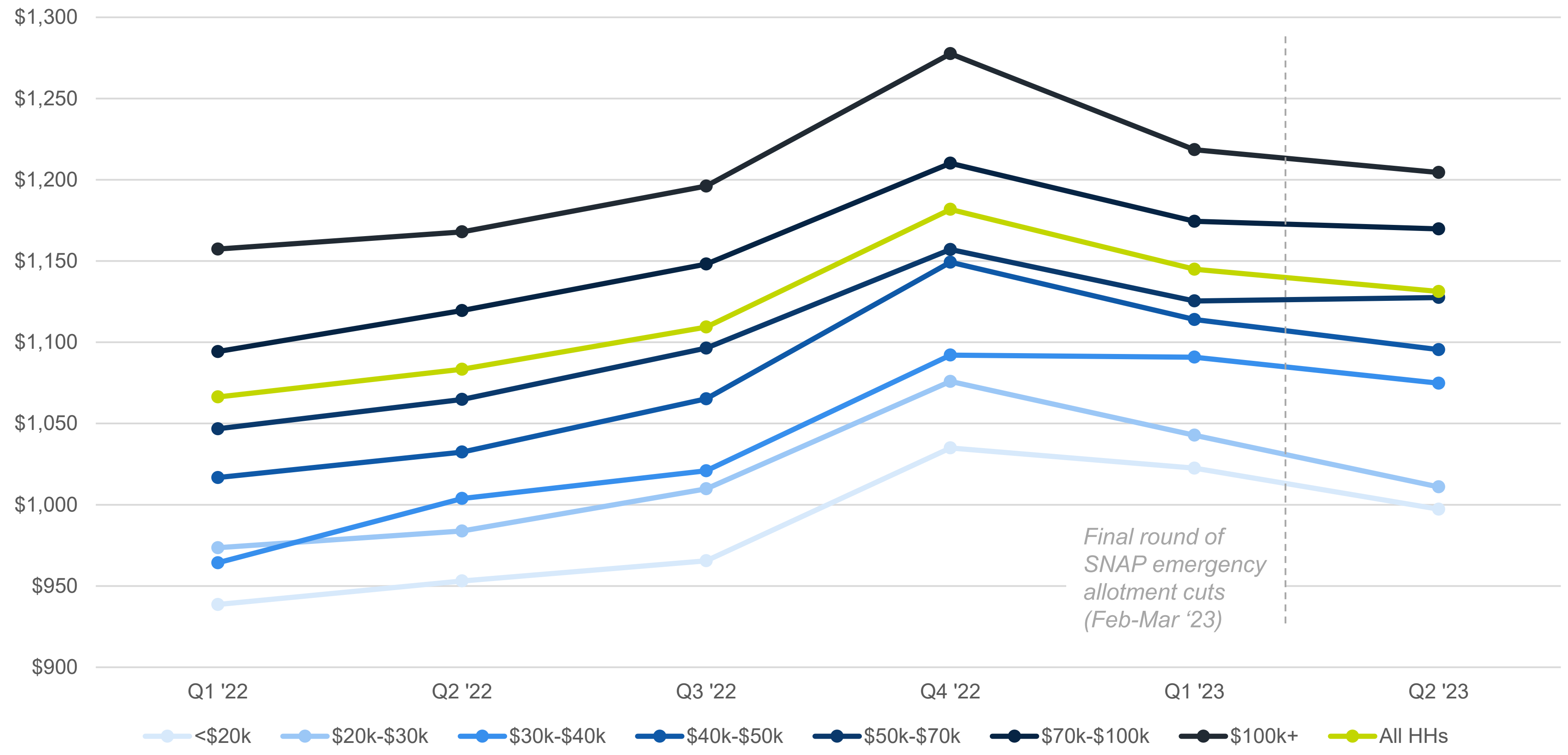
"To what extent are you making adjustments over the next 6 months in response to the reduction and change in SNAP benefits?"




Source: Advantage Sales Manufacturer Outlook Study June 2023 (Base 58) and Retailer Outlook Study June 2023 (Base 40)

# SNAP benefit reductions are correlated with a 2-3% spending reduction for low-income households.

## F&B Dollars per Household by Income

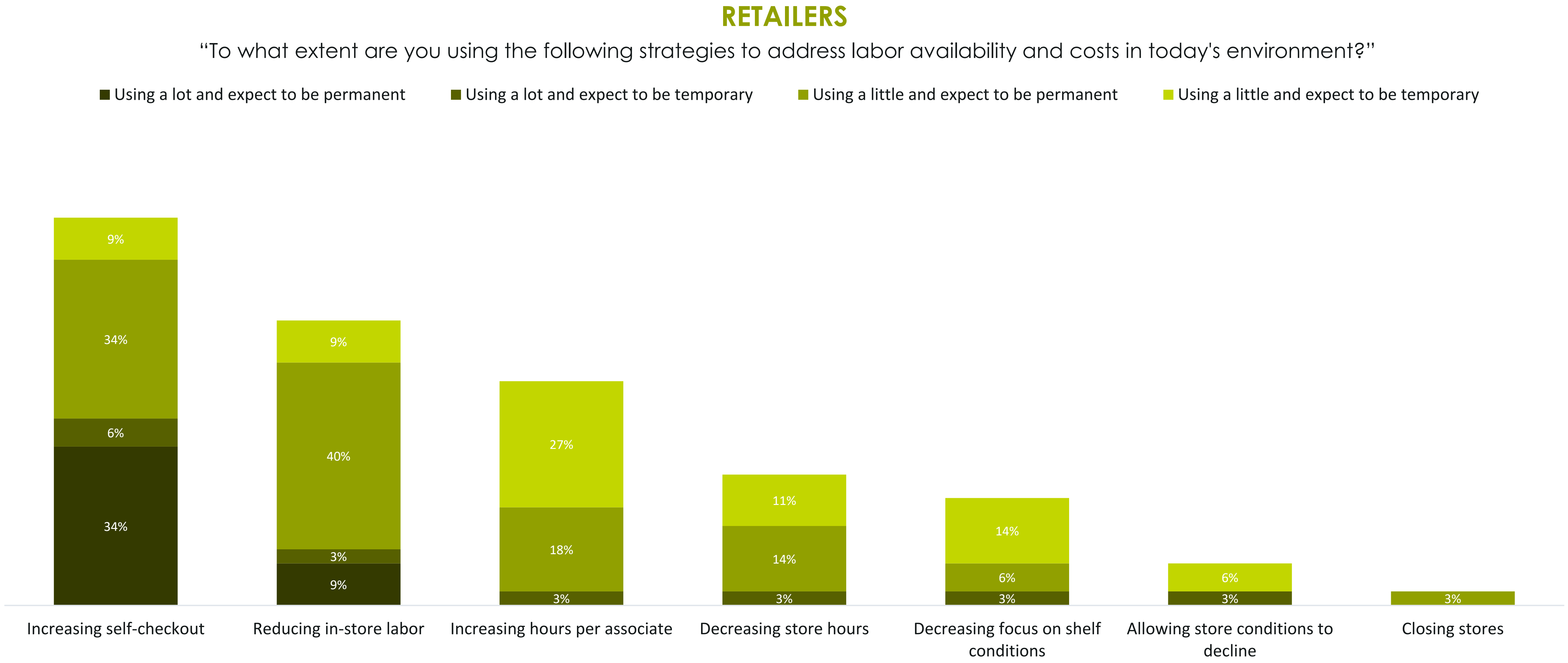



| Q1 to Q2 $ Spend Reductions by Income | |
|---|---|
| $100K+ | -1% |
| $70 – 100K | 0% |
| $50 – 70K | 0% |
| $40 – 50K | -2% |
| $30 – 40K | -1% |
| $20 – 30K | -3% |
| <$20K | -3% |

Source: NIQ Homescan Panel Total U.S. All Outlets

# In-Store Execution

# Self-checkouts will be on the rise, while in-store labor will decline.



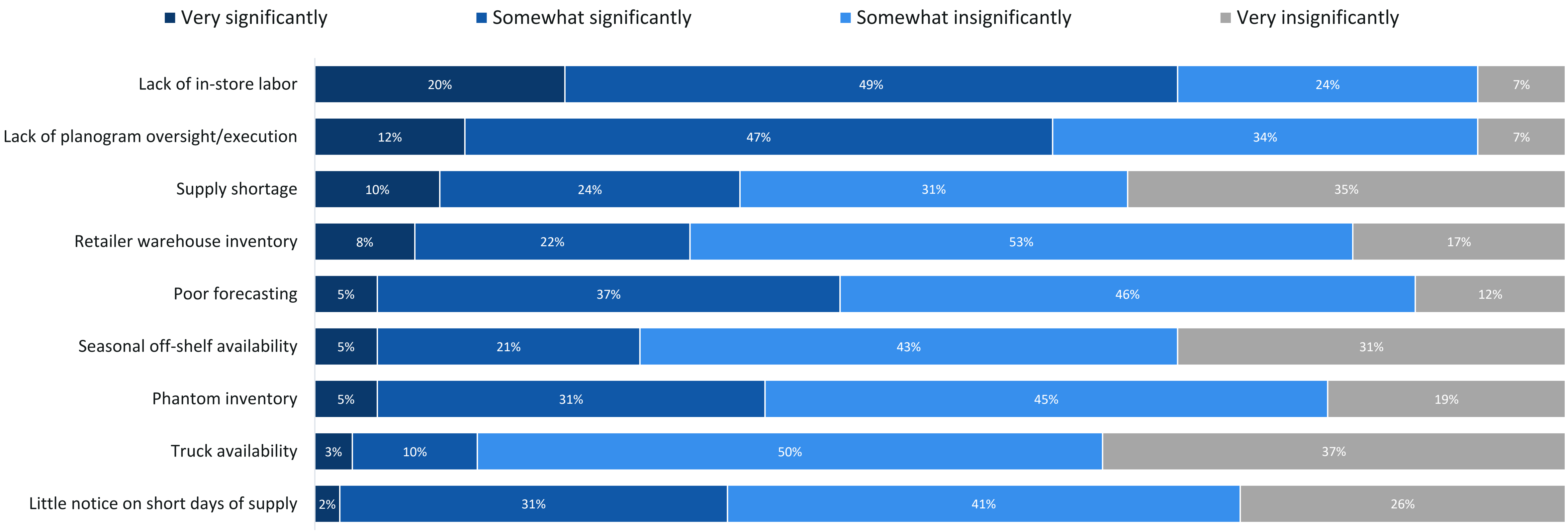

Source: Advantage Sales Retailer Outlook Study June 2023 (Base 36) | "Not Using" not displayed

# On-shelf availability

## Manufacturers say issues with on-shelf availability are due to lack of in-store labor and subpar planogram oversight and execution.

### MANUFACTURERS

"How much are the following factors negatively impacting your on-shelf availability?"



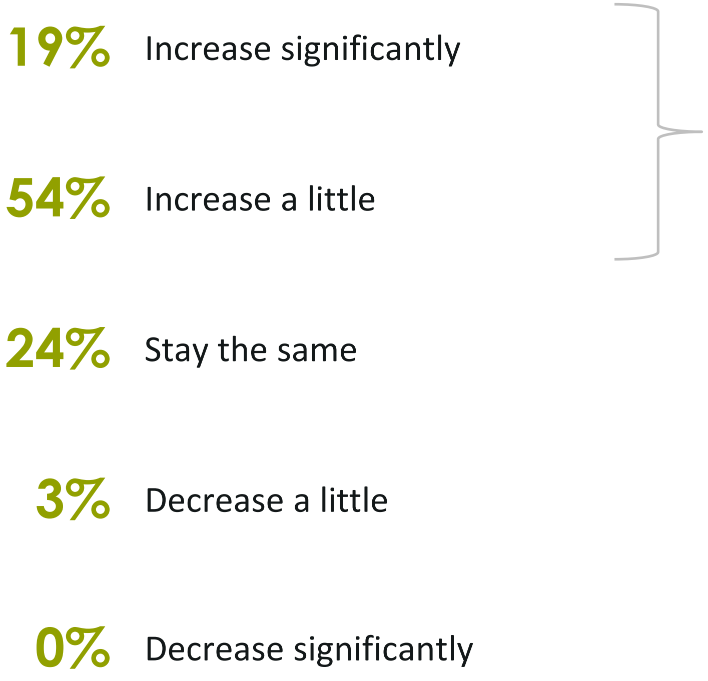

Source: Advantage Sales Manufacturer Outlook Study June 2023 (Base 59)

# Self-checkout

## 73% of retailers plan to increase self-checkout lanes to accommodate shoppers, address labor challenges and reduce checkout time.

### RETAILERS

"Over the next 6-12 months, how do you expect your use of self-checkout lanes to change?"




### RETAILERS

"What factors are driving the expected increase? Please select all that apply."

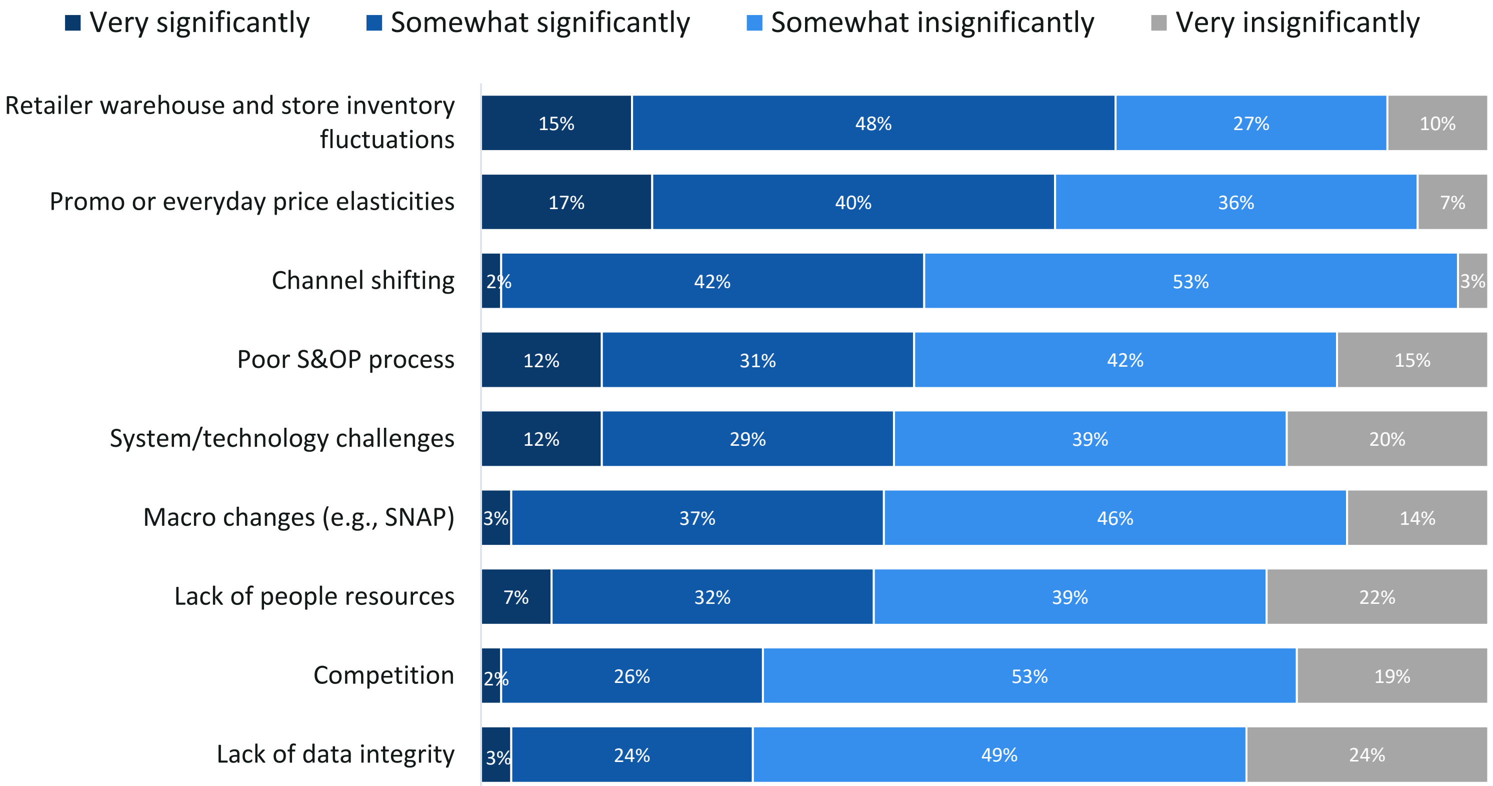

Source: Advantage Sales Retailer Outlook Study June 2023 (Base 37 | 26)

# Forecasting

## Inventory fluctuations at retail are hurting forecasting accuracy for manufacturers, likely driven in part by retailers decreasing their days of supply.

### MANUFACTURERS

"How much are the following factors contributing to forecasting inaccuracy?"




### RETAILERS

"How are you changing your days of supply versus year ago?"

**3%** Increase significantly

**13%** Increase a little

**23%** No change

**43%** Decrease a little

**20%** Decrease significantly

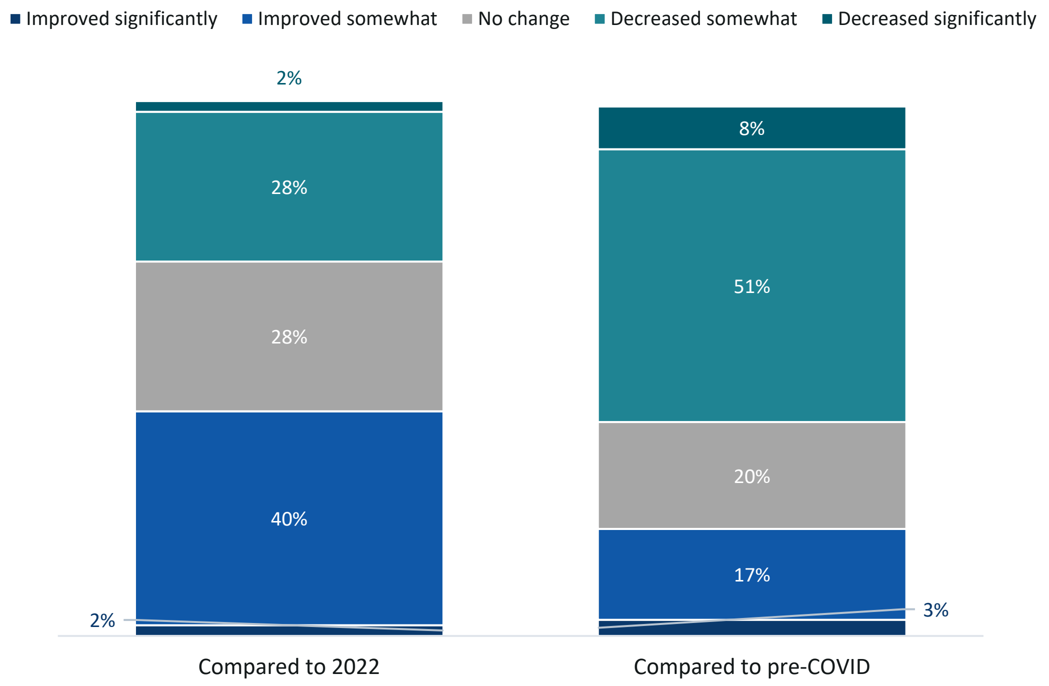
Source: Advantage Sales Manufacturer Outlook Study June 2023 (Base 59) and Retailer Outlook Study June 2023 (Base 40)

# Quality Merchandising

## Merchandising quality and value isn't at the level of pre-COVID.

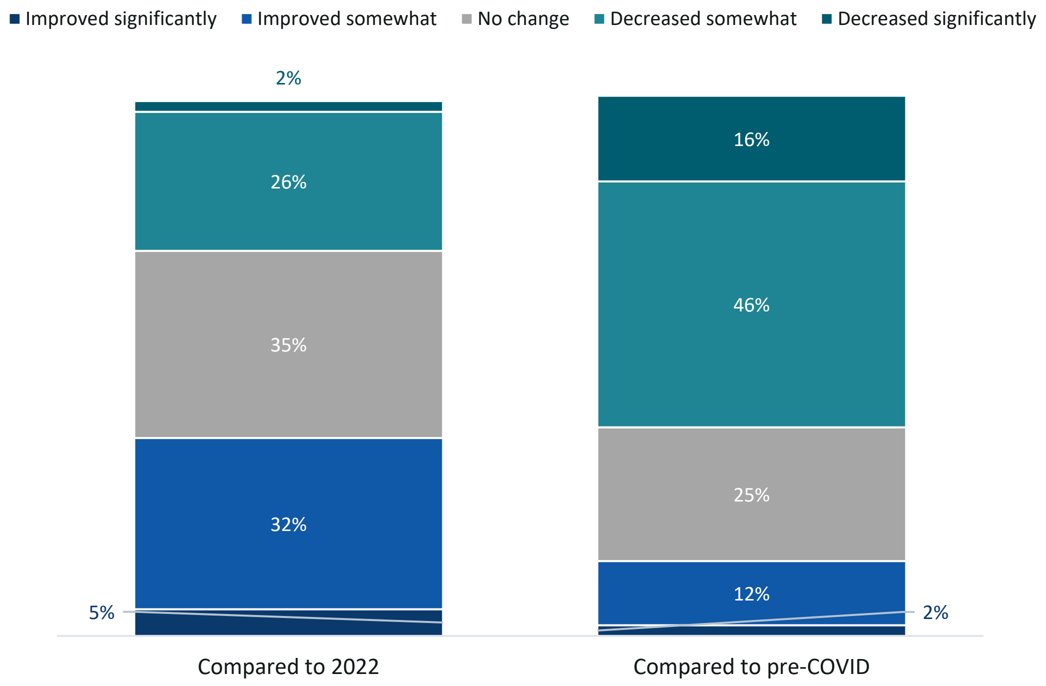
### MANUFACTURERS

"How has the current ***value*** of quality merchandising changed?"




### MANUFACTURERS

"How has the current ***execution*** of quality merchandising changed?"

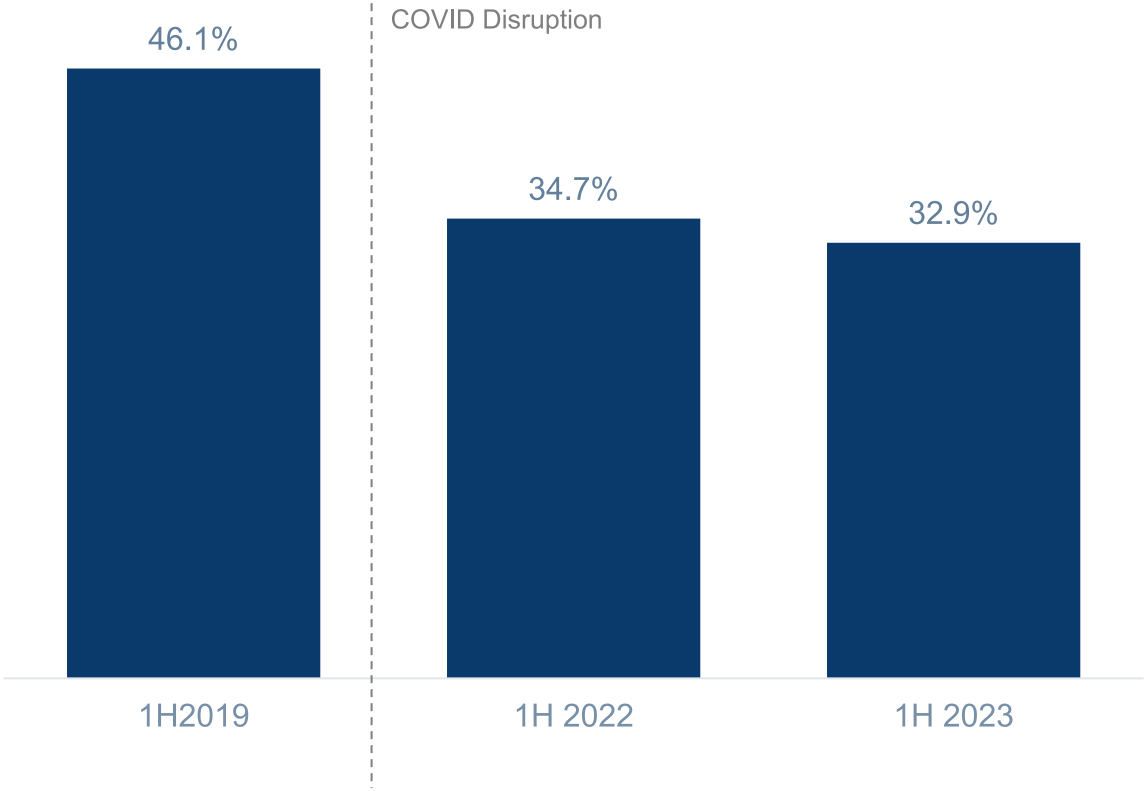



Source: Advantage Sales Manufacturer Outlook Study June 2023 (Base 59)

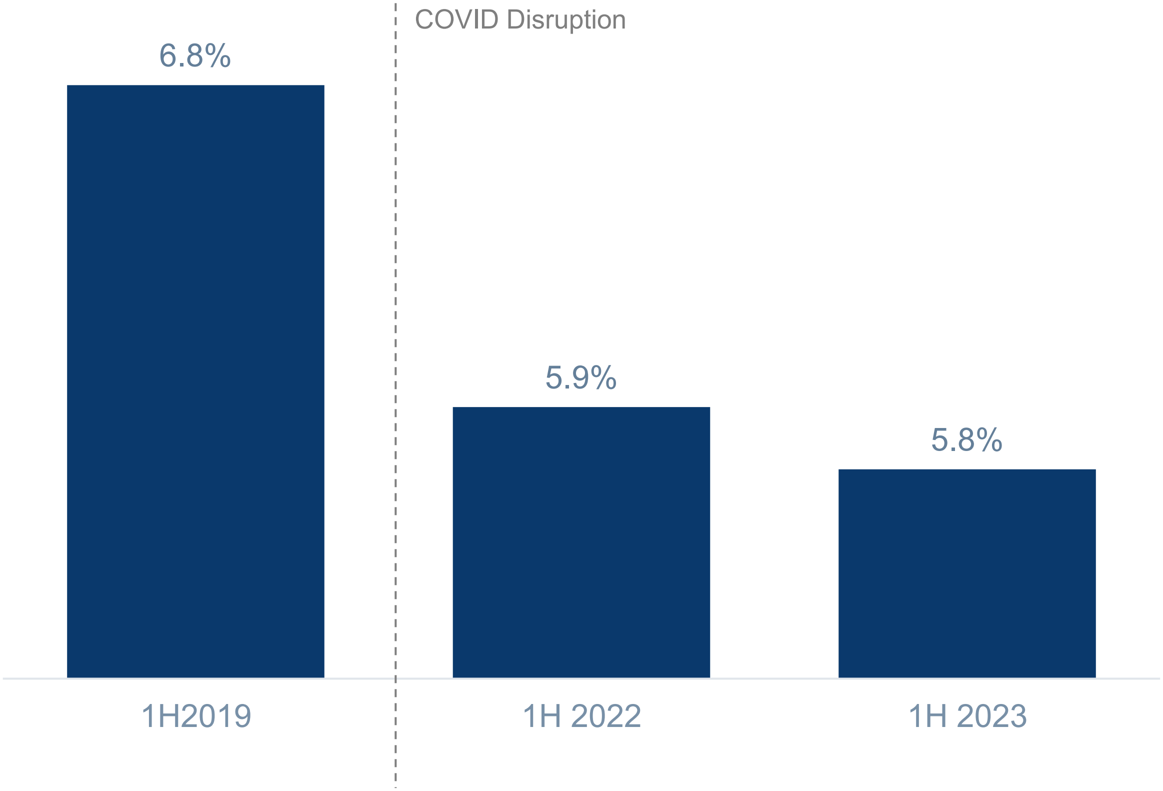
# Quality Merch Effectiveness

## Display performance dwindling post COVID driven by 15% reduction in reach and 14ppts reduction in lifts.

**Total U.S. xAOC: ‘Any Display’ Lift**




**Total U.S. xAOC: ‘Any Display’ Reach (% Base Support)**




Source: NIQ Retail Measurement, Total U.S. xAOC for the first 6 4-week months of each year for 2019, 2022 and 2023

# Shrink Strategies

## Retailers are stepping up anti-shrink/anti-theft tactics, notably by expanding the use of video surveillance for feminine, facial, eye care and first-aid categories.

### RETAILERS

"Over the next 6 months, which of the following tactics might you increase your use of to address shrink issues in the following categories?"

***Only Categories 20%+ Listed for Each Strategy***

| Video surveillance | |
|---|---|
| Feminine care | 43% |
| Facial skin care | 43% |
| Eye care | 41% |
| Ear care | 40% |
| First aid | 40% |
| Pain relief | 36% |
| Sleeping and alertness aids | 36% |
| Upper respiratory | 36% |
| Foot care | 35% |
| GI care | 35% |
| Cosmetics and nail grooming | 33% |
| Sexual health | 30% |
| Batteries | 29% |
| Electronics | 23% |

| Placing merchandise behind the counter | |
|---|---|
| Facial skin care | 33% |
| Sexual health | 30% |
| Cosmetics and nail grooming | 29% |
| Eye care | 27% |
| Feminine care | 24% |
| Pain relief | 23% |
| Ear care | 20% |
| Foot care | 20% |
| GI care | 20% |

| Shelf racks to prevent sweeping | |
|---|---|
| Batteries | 33% |
| Cosmetics and nail grooming | 29% |
| Ear care | 25% |
| First aid | 25% |
| Foot care | 25% |
| GI care | 25% |
| Feminine care | 24% |
| Facial skin care | 24% |
| Eye care | 23% |

| Locking up merchandise | |
|---|---|
| Cosmetics and nail grooming | 29% |
| Sexual health | 26% |
| Batteries | 25% |
| Facial skin care | 24% |

| Low-cost solutions such as mirrors and signage | |
|---|---|
| Eye care | 23% |
| Ear care | 20% |
| Foot care | 20% |
| GI care | 20% |

Source: Advantage Sales Retailer Outlook Study June 2023 (Base 27)

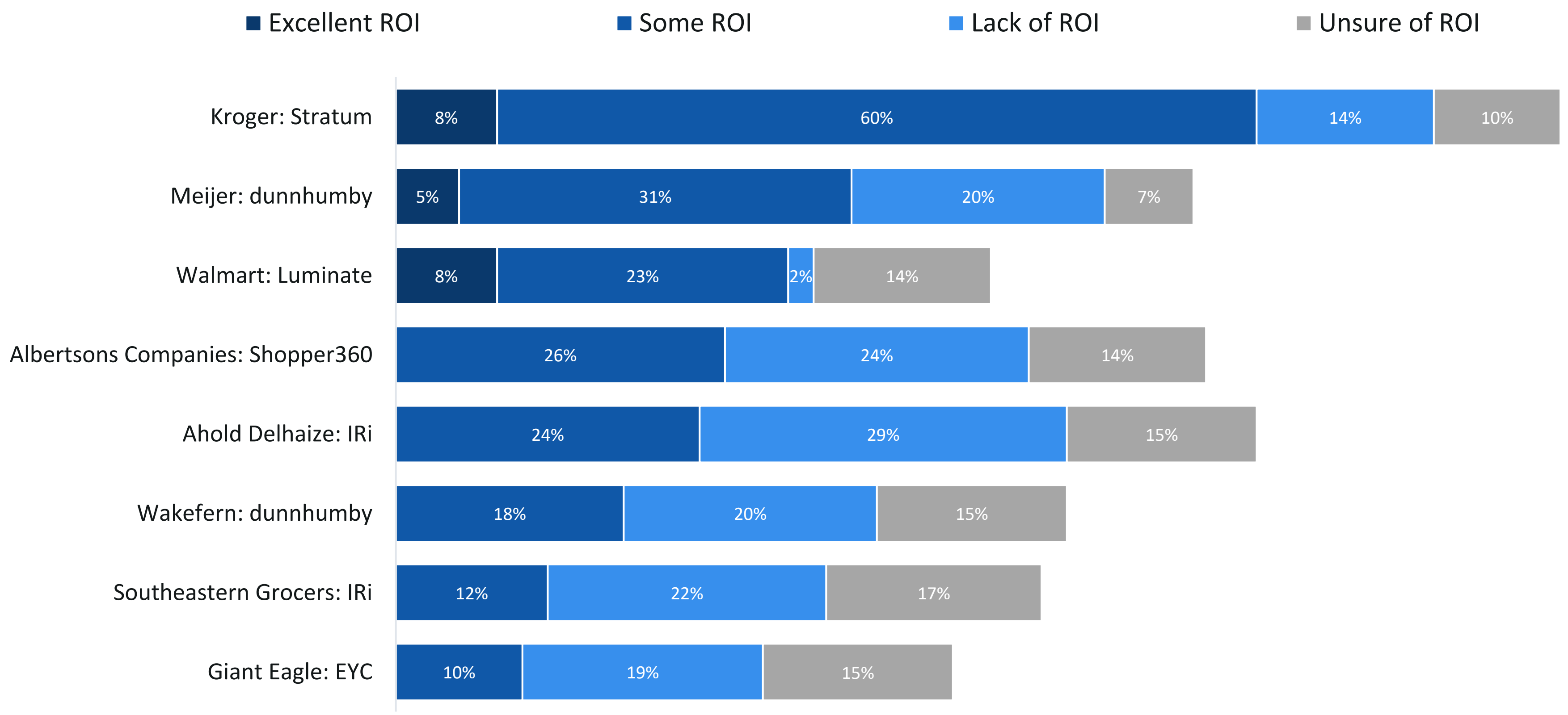
# Data Investments

# Retailer Platform ROI

## Kroger's Stratum platform ranks as the best retailer data platform in terms of ROI and has the highest number of manufacturers investing in its platform.

### MANUFACTURERS

"How would you rate the current ROI of the following retailer data platforms?"

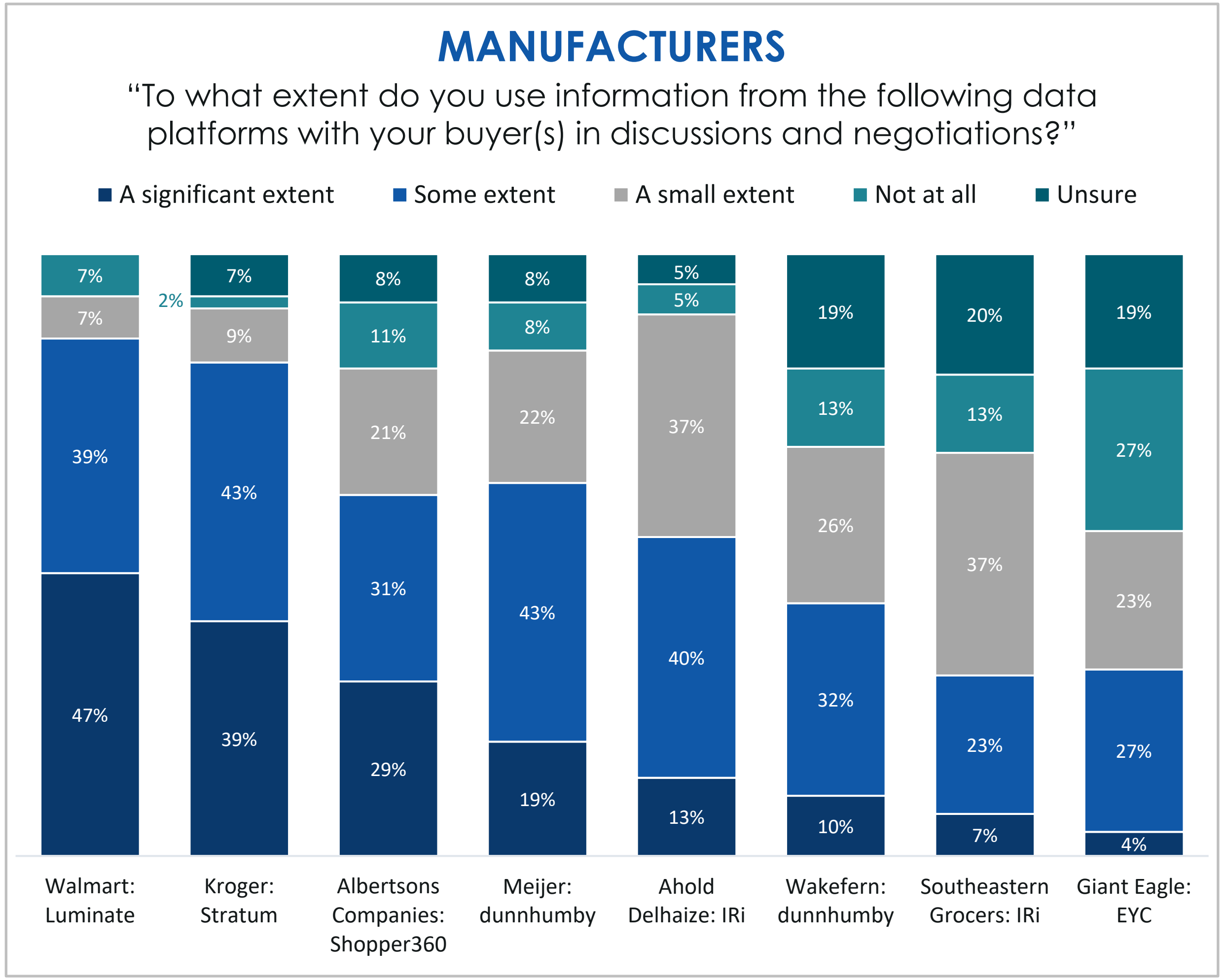


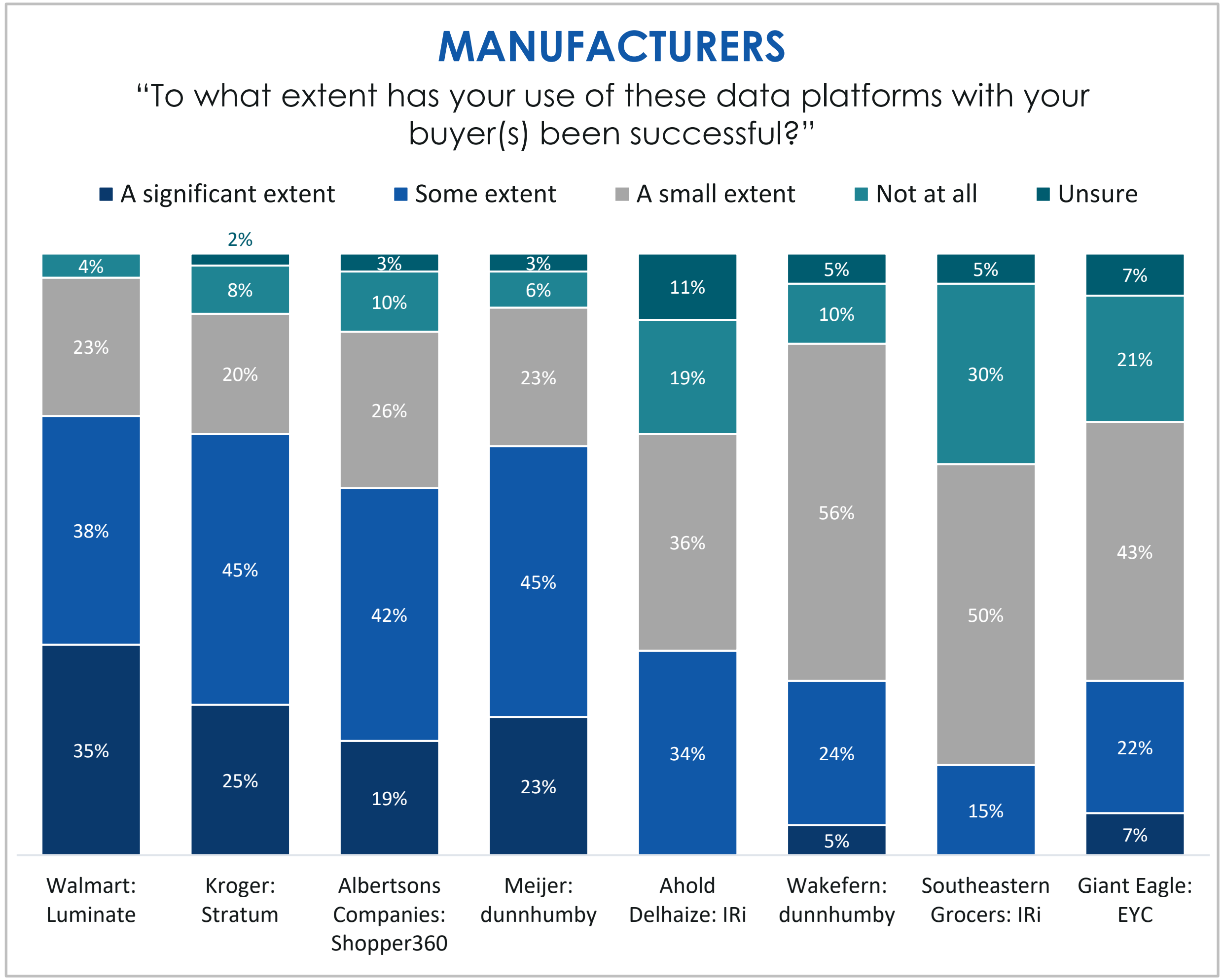

| | Excellent + Some ROI | # Respondents Investing Among 59: Investing Today | Not Investing |
|---|---|---|---|
| Kroger: Stratum | 68% | 54 | 5 (8%) |
| Meijer: dunnhumby | 36% | 37 | 22 (37%) |
| Walmart: Luminate | 31% | 28 | 31 (53%) |
| Albertsons Companies: Shopper360 | 26% | 38 | 21 (36%) |
| Ahold Delhaize: IRi | 24% | 40 | 19 (32%) |
| Wakefern: dunnhumby | 18% | 31 | 28 (47%) |
| Southeastern Grocers: IRi | 12% | 30 | 29 (49%) |
| Giant Eagle: EYC | 10% | 26 | 33 (56%) |

Source: Advantage Sales Manufacturer Outlook Study June 2023 (Base 59)

# Retailer Data Platform Use

## 93% of manufacturers that license Walmart's Luminate are using the information in their discussions and negotiations with buyers. Most report a high rate of success. Kroger's Stratum ranks as a close second.



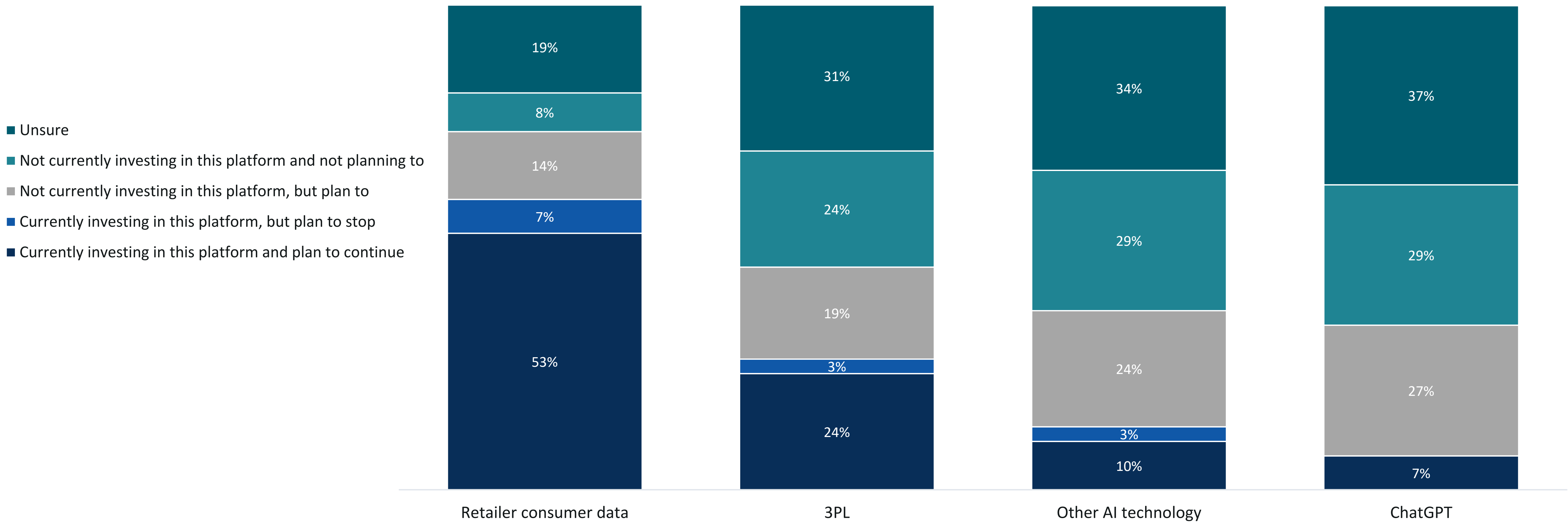

Source: Advantage Sales Manufacturer Outlook Study June 2023 (Base 54)

# Digital Platform Investments

## Retailer consumer data retains its stronghold as the digital platform receiving the most manufacturer investment, but a growing percentage are considering AI technology.

### MANUFACTURERS

"Are you currently or planning on investing in the following digital platforms?"




Source: Advantage Sales Manufacturer Outlook Study June 2023 (Base 59)

# Innovation

# Innovation

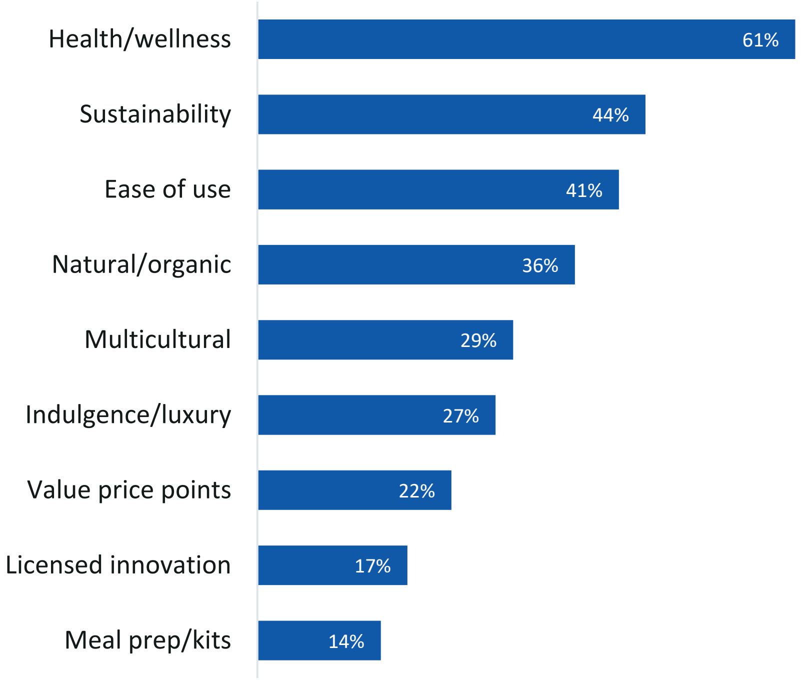
## Innovation is getting a high-end makeover, with 98% of manufacturers targeting innovation at mainstream or premium price points. Health and wellness and products that cater to in- or at-home indulgences or experience are a focus.

### MANUFACTURERS

"What price point are you targeting for your current innovation?"

| | |
|---|---|
| Mostly premium | 56% |
| Mostly mainstream | 42% |
| Mostly value | 2% |
| No current innovation | 0% |

"Are your current innovation plans meant to address any of the following? Please select all that apply."




"Are you placing focus on products that cater to in/at -home indulgences or experiences over the next 6 months? Please select all that apply."

- **51%** Yes, in the current category(ies)
- **21%** Yes, focusing on premium-priced products
- **12%** Yes, expanding to new categories
- **11%** Yes, testing short term or regionally
- **7%** Yes, rolling out retail specific offerings
- **35%** No, not doing anything in this regard

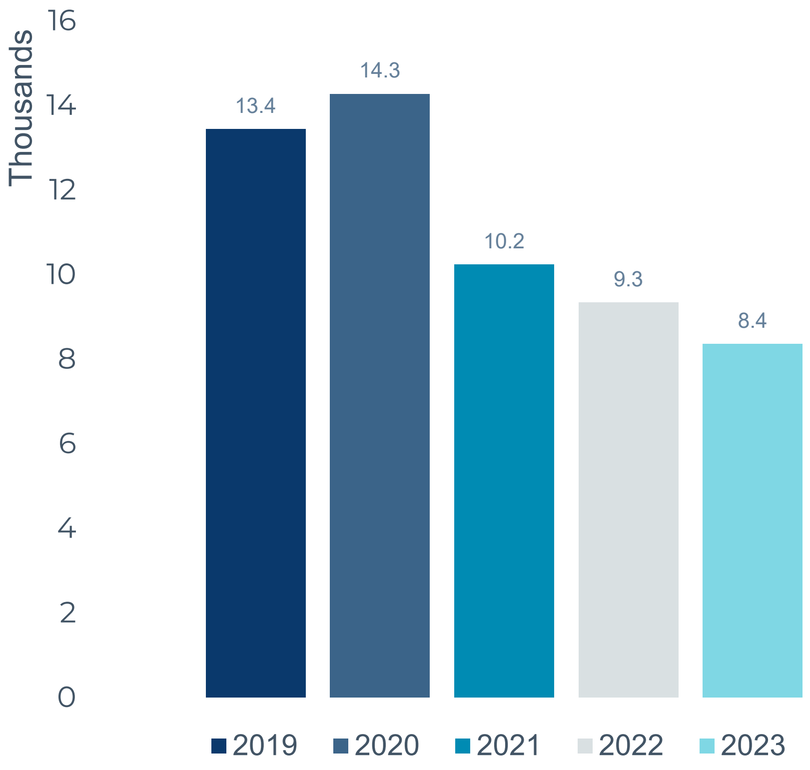
Source: Advantage Sales Manufacturer Outlook Study June 2023 (Base 59)

# Innovation

## Innovation pace is still slowing as re-investments are yet to come to market. High growth potential in bringing "responsible" products to market.

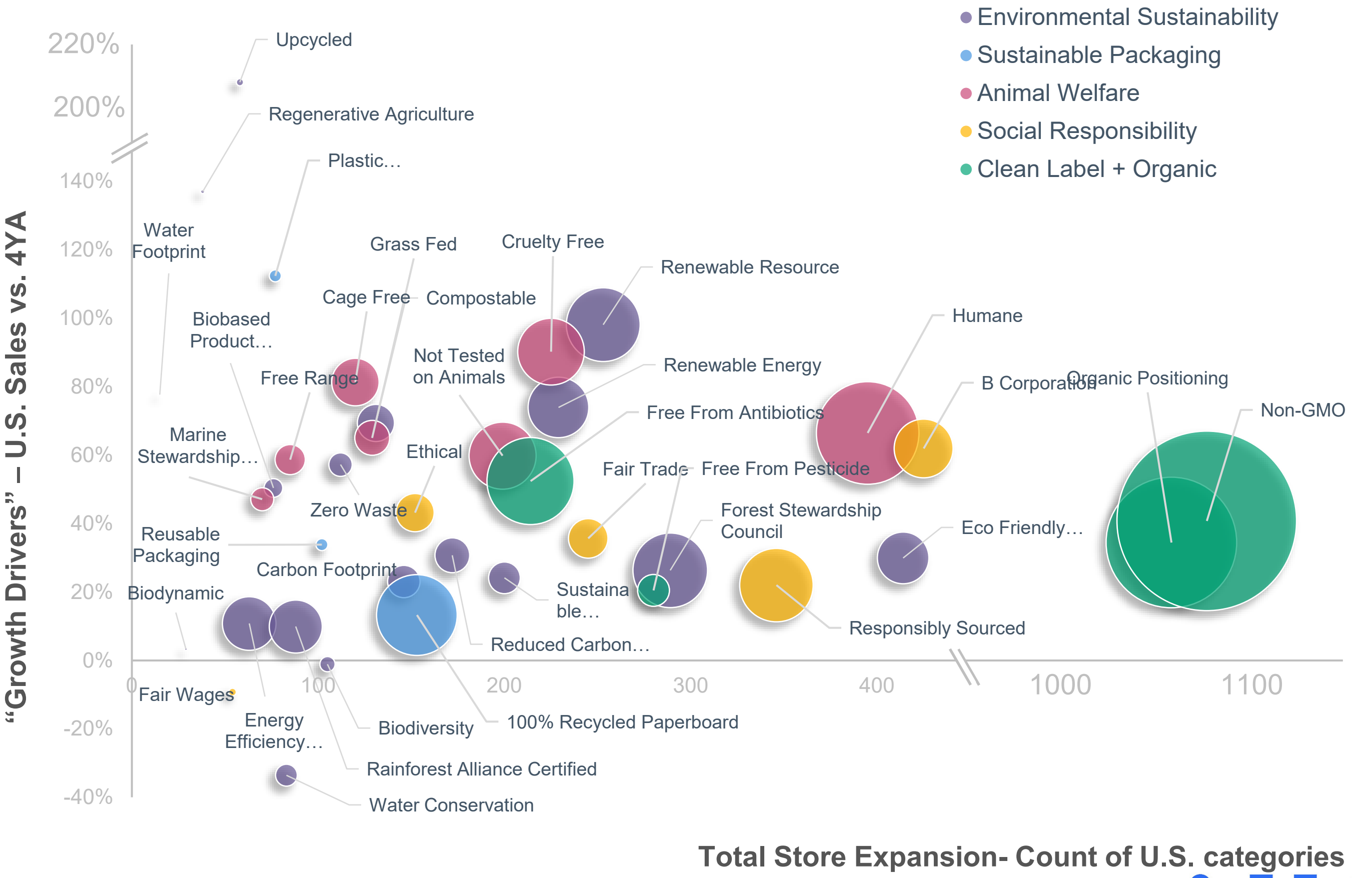
### Count of Jan-Mar innovations

143 categories in US




### Attribute & Trend Growth Map

Total Store




Source: NIQ BASES, 2023. Considering innovations which crossed 1% ACV threshold only. The date of crossing 1% ACV is used as launch date. Includes private label

Source: NielsenIQ Retail Measurement Services, NielsenIQ Product Insight, powered by Label Insight, Total Store; Total US xAOC; 52 weeks W/E 05/20/23 vs 4YA

Bubble size denotes total sales in L52 week All attributes represent claims STATED on package unless indicated by an * symbol

NIQ

# Innovation

## Retailers are looking for innovation: 72% expect to accept more innovation over the next six months, and 95% say they will accept new item cut-ins outside of a reset window.

### RETAILERS

"How do you expect your innovation acceptance to change over the next 6 months vs last year?"

| | |
|---|---|
| 28% | Increase significantly |
| 44% | Increase a little |
| 26% | Stay the same |
| 2% | Decrease a little |
| 0% | Decrease significantly |

### RETAILERS

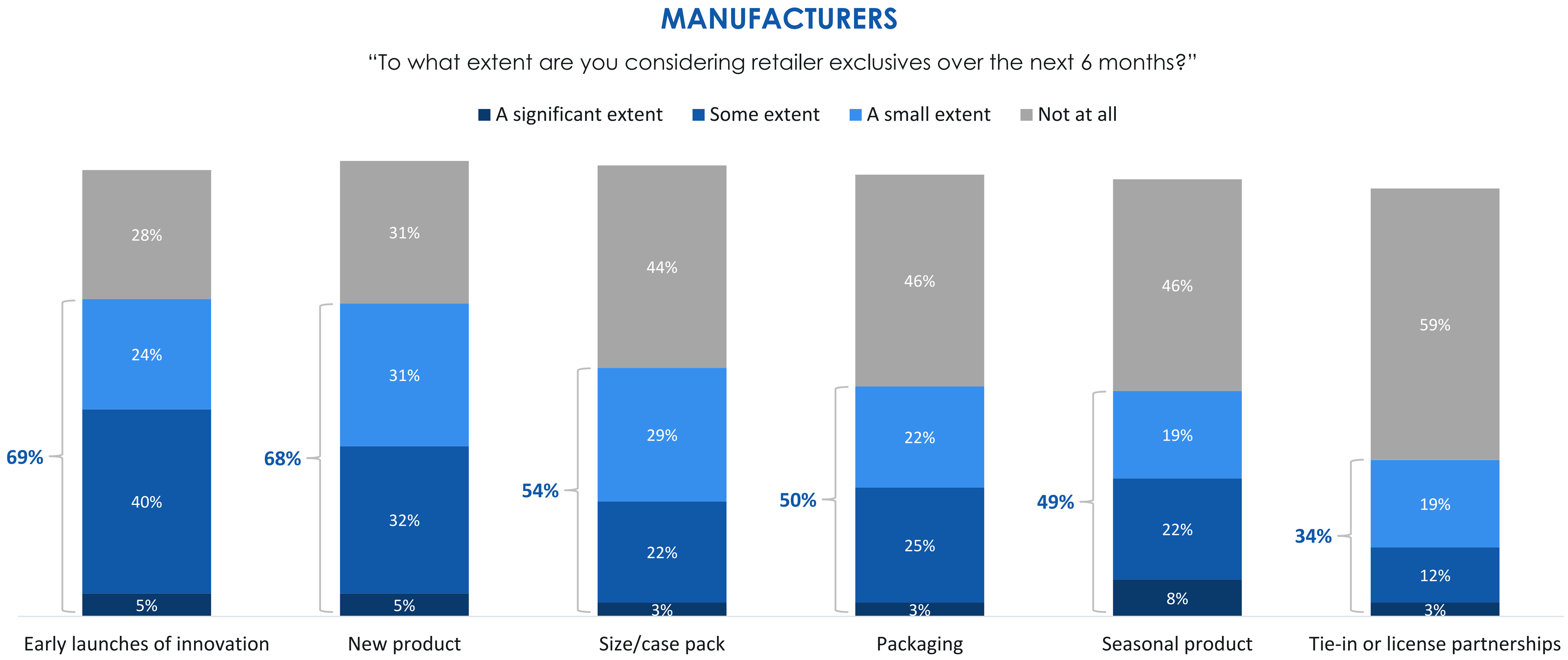
"Over the next year, will you accept new item cut-ins outside of a reset window?"

| | |
|---|---|
| Yes | 52% |
| Yes, but only something groundbreaking | 28% |
| Yes, but only 1-for-1 fully funded swaps | 10% |
| Yes, but only with significant marketing dollars | 5% |
| No | 5% |

Source: Advantage Sales Retailer Outlook Study June 2023 (Base 43 | 39)

# Retailer Exclusives

## Seven in 10 manufacturers say they will consider retailer exclusives with early launches and new products.




Source: Advantage Sales Manufacturer Outlook Study June 2023 (Base 59)

# Customer Management

# Growth potential and profitability are the key drivers for manufacturers changing customer segmentation strategies.

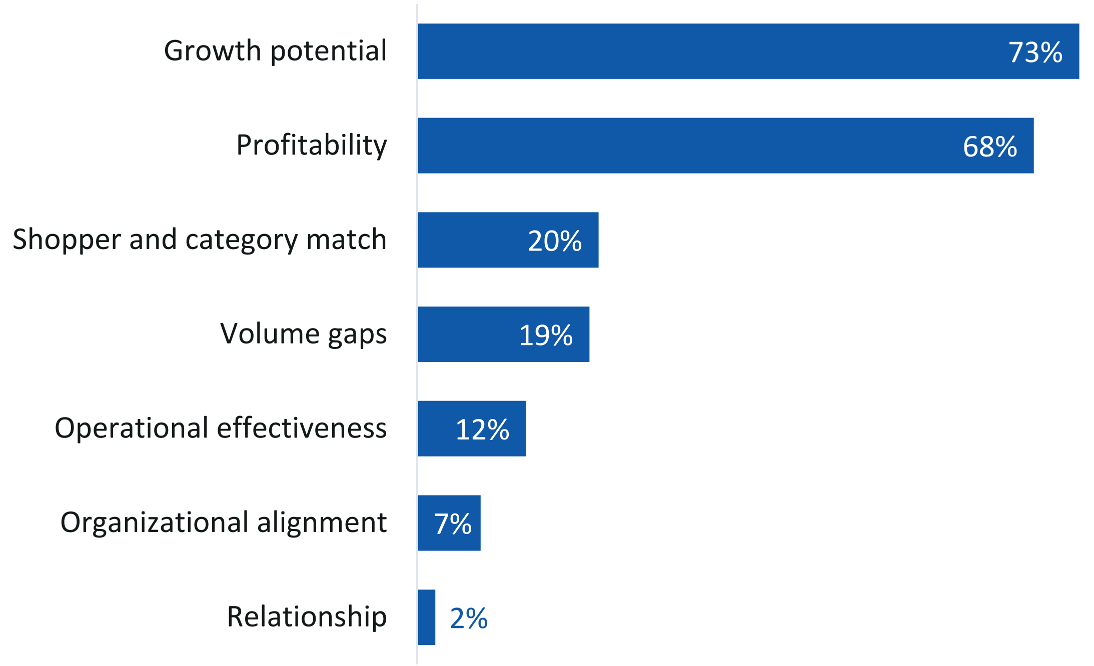
## MANUFACTURERS

"How significantly has your customer segmentation strategy changed since pre-COVID?"

| | |
|---|---|
| Very significantly | 10% |
| Somewhat significantly | 32% |
| Somewhat insignificantly | 49% |
| Very insignificantly | 8% |

## MANUFACTURERS

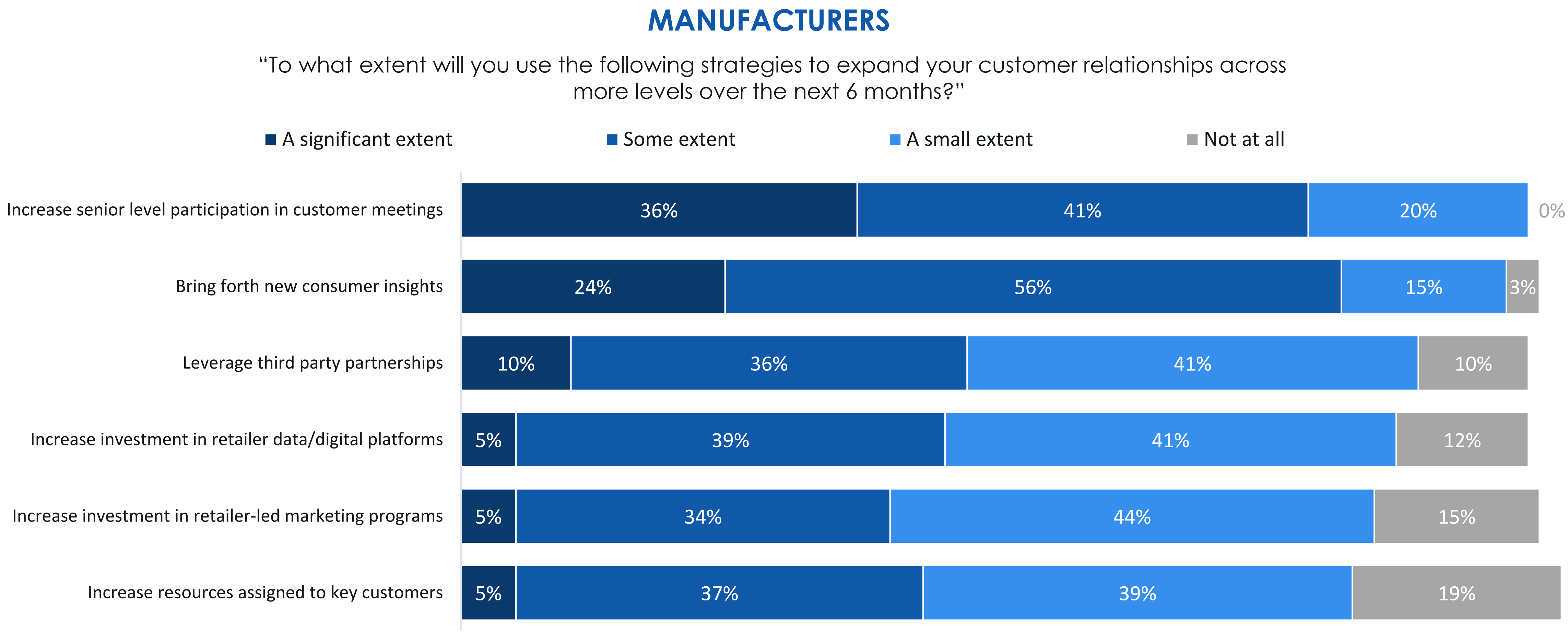
"In addition to volume, what are the top 2 strategies underpinning your current or planned customer segmentation model? Please select up to 2."




Source: Advantage Sales Manufacturer Outlook Study June 2023 (Base 59)

# Customer Relationships

## Expect senior leaders at the table and consumer insights to play a larger role for manufacturers as they seek to expand customer relationships.




Source: Advantage Sales Manufacturer Outlook Study June 2023 (Base 59)

# Trends in Consumer Insights

## Reinvesting Wisely

- **Integrated ROI:** how trade, shopper, retail media and other retail investments link to create conversion
- **Emphasis on Incremental:** Linking investments to growing incremental shoppers, trips, basket mix or price capture
- **Industry Benchmarking:** Highlighting who is doing well and how with best trade and investment practices

## Managing Economic and Social Evolutions

- **Focus on Income:** Winning trips and conversions with low and constrained income shoppers
- **Omni Evolution:** Pulse on evolving omni-shopping behavior and levers for retailers and brands to influence
- **Legislative Effects:** Observed and expected impact from governmental program evolutions

## Growing Through Granularity and Precision

- **Tailored Pricing:** Designing retailer-level pricing strategies to address uneven inflation and PL strength variability
- **Localized Planning:** Revealing untapped opportunities for growth and optimization at store or cluster levels

## Strategic Reframing of In-store

- **Retail is the new Media:** Blending of traditionally "media" centric frameworks, strategies or metrics (e.g., traffic, impressions, availability) to optimize in-store retail executions
- **Retail is the new DC:** Leaning into more supply chain and distribution insights to help retailers optimize stores for online fulfillment

NIQ

# CPU Costs

## Eight in 10 manufacturers that are asked to share delivery cost information with retailers share at least some.

### MANUFACTURERS

"How would you describe the way you're sharing information on your delivery cost with retailers exploring customer pick-up options?"

*Among those being asked:*

| | | | |
|---|---|---|---|
| **13%** | **54%** | **21%** | **13%** |
| Sharing a lot | Sharing a little | Will not share this data | Varies by retailer |

Not being asked/not applicable to business **31%**

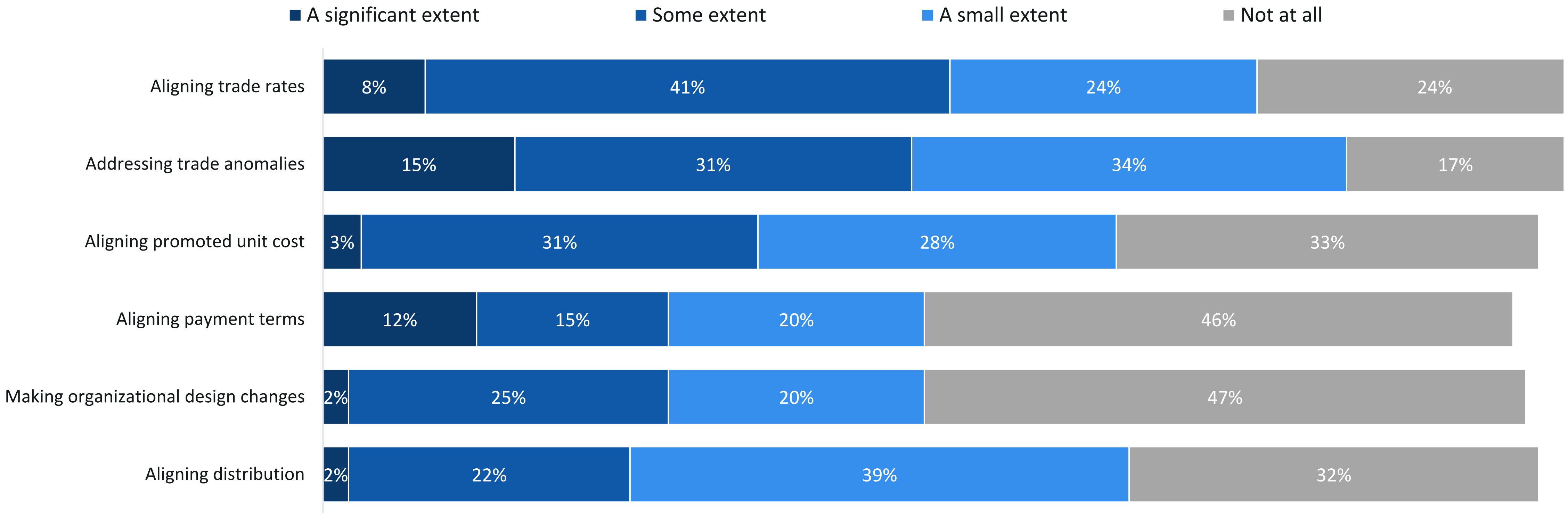
Source: Advantage Sales Manufacturer Outlook Study June 2023 (Base 57)

# Retailer Consolidations

## Most manufacturers are aligning trade rates and addressing trade anomalies in the face of major retailer consolidations.

### MANUFACTURERS

"To what extent are you making the following changes over the next 3 months in anticipation of major retailer consolidations?"




Source: Advantage Sales Manufacturer Outlook Study June 2023 (Base 59)

# Promotions

# Unit Sales

## Promotions are poised to play a key role to drive sales.

### MANUFACTURERS

"What are your top 2 strategies to drive units for your customers over the next 6 months? Please select up to 2."

**50%** Increasing promotions

**41%** Increasing brand marketing

**38%** Rolling out new products

**28%** Investing in in-store retail merchandising

**21%** Increasing in store marketing

**10%** Investing in shopper insights

**5%** Lowering everyday price

### RETAILERS

"What are your top 2 strategies to drive units over the next 6 months? Please select up to 2."


Source: Advantage Sales Manufacturer Outlook Study June 2023 (Base 58) and Retailer Outlook Study June 2023 (Base 39)

# Shopper Experience

## Retailers want more promotions, and manufacturers plan to deliver with more displays.

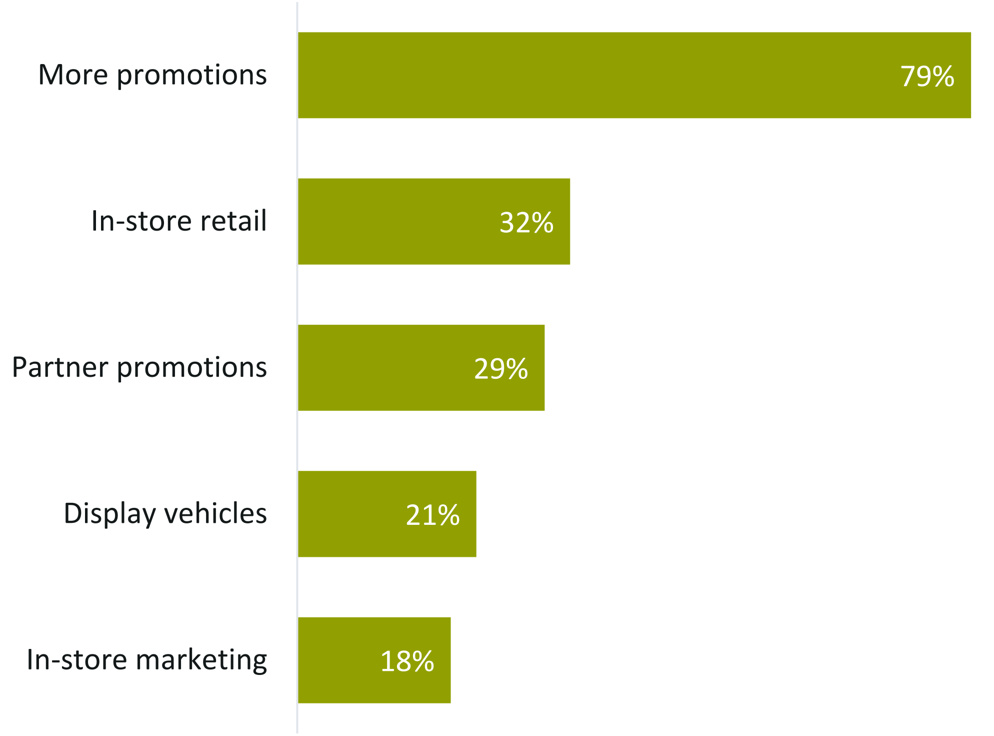
### MANUFACTURERS

"Over the next 6 months, what are the top 2 areas you're focusing on to improve the shopper experience in-store? Please select up to 2."

| | |
|---|---|
| Display vehicles | 56% |
| In-store marketing | 42% |
| In-store retail | 37% |
| Trade spend | 32% |
| Partner promotions | 19% |

### RETAILERS

"Over the next 6 months, what are the top 2 areas you would like to see manufacturers focus on to improve the in-store shopper experience? Please select up to 2."




Source: Advantage Sales Manufacturer Outlook Study June 2023 (Base 57) and Retailer Outlook Study June 2023 (Base 38)

# APPENDIX

# Outlook Study Methodology

## WHO RESPONDED

**60 respondents** representing manufacturers took the Client Outlook survey; 57 completed the survey.

**43 respondents** representing retailers took the Retailer Outlook survey; 38 completed the survey.

## METHODOLOGY

Between June 14 and July 6, 2023, SMARTeam™ CPG Consulting, an Advantage Solutions business, conducted two online surveys. One survey posed questions to Advantage Solutions' manufacturer clients, while the other focused on Advantage Solutions' retail partners. Additional data and insights were provided by NIQ.

# Thank You

## To learn more about the Advantage Solutions Manufacturer and Retailer Outlook report contact

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