

An aerial photograph of a surfer riding a wave, with the image split into several overlapping, tilted rectangular panels. The overall color palette is dominated by various shades of blue and teal.

KANTAR

CLIMATE SHIFT

US 2019

POWERRANKING®

Established in 1997

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Introduction

The PoweRanking survey originated from our industry benchmarking studies on category management and trade promotion management, which for the past 23 years have provided insight into industry best practices in these areas. The objective of the PoweRanking study is to research and benchmark how retailers and manufacturers view each other in the most important areas of the manufacturer-retailer relationship.

The PoweRanking study identifies those retailers and manufacturers who set the standard of performance as ranked by their trading partners. This provides benchmarks for retailers and manufacturers across trade channels.

The specific goals of the research are to:

- Identify the best manufacturers and retailers, as evaluated by their trading partners
- Provide insight into what makes them “the best”
- Define the importance of key metrics between trading partners
- Highlight areas for improvement



Approach

Customized questionnaires were developed for retailer and wholesaler respondents in food, drug, mass merchandise, dollar, convenience, specialty, and club channels, as well as for manufacturers in food, household products, general merchandise, and health & beauty care categories. These questionnaires have been distributed every spring from 1997 to 2019 to personnel at all levels of management, with the assurance of total confidentiality of respondents.

Over 450 manufacturer and retailer respondents participated in this year's study. The results of the 2019 survey were compared with the results of 2017 and 2018 to determine the causes behind shifts in the rankings.

Retailers were asked to rank manufacturers on criteria that fall into two broad areas:

STRATEGIC METRICS

- Clearest Company Strategy
- Most Important Consumer Brands to Retailers
- Best Combination of Growth & Profitability

BUSINESS FUNDAMENTALS

- Best Sales Force/Customer Teams
- Most Innovative Marketing Approach
- Best Consumer & Shopper Insights/Category Leadership
- Best Supply Chain Management
- Best Shopper Marketing Programs
- Best Use of Digital Platforms

AD HOC METRIC

- Best Revenue Growth Management

Manufacturers were asked to rank retailers on similar criteria:

STRATEGIC METRICS

- Clearest Company Strategy
- Best Store Branding to Shoppers
- Projected Power Retailers in 15 Years

BUSINESS FUNDAMENTALS

- Best Retailers to Do Business With
- Best Category Management/Buying Teams
- Most Innovative Merchandising Approach
- Best Supply Chain Management
- Best Practice Category Leadership
- Best Use of Digital Platforms

AD HOC METRIC

- Best Revenue Growth Management

Results & Ranking

Results were tabulated on a two-year rolling basis, reflecting the percentage of respondents ranking each company among the top three. Additionally, follow-up qualitative interviews were conducted among a diverse group of manufacturers and retailers to provide further insight into the data.

The PoweRanking methodology reflects mergers and acquisitions that have occurred in the past. We have consciously rolled up operations into the parent company where appropriate for this year and versus a year ago. At the same time, where retailers and manufacturers are operating largely as independent companies, they are treated as such in the data. As a dynamic monitor, PoweRanking will continue to consolidate or separate companies as retailers perceive them.

PoweRanking COMPOSITES

The 2019 PoweRanking results include the **Overall PoweRanking Composite**, created by weighting the three strategic rankings equally with the six business fundamental rankings (see previous page) — thus placing greater importance on the strategic rankings. This reflects the importance of sound strategy as an overall driving force in business performance.

STRATEGIC COMPOSITE

The **Strategic Composite** combines the three strategic measures into an overall composite to provide better insight into which manufacturers and retailers are most strategically important to their trading partners.

BUSINESS FUNDAMENTALS COMPOSITE

The **Business Fundamentals Composite** combines the six fundamental areas of business into a composite, which reflects the retailers' and manufacturers' opinions of those trading

partners that have the strongest organizations and personnel and provide the best tools for solid business development.

DIGITAL PLATFORMS

Beginning in 2011, Kantar Retail added a measure for **Digital Platforms**. Given its increasing influence on retailers, manufacturers, and consumers, as of 2016, digital is a measure to be monitored and is included in the **Business Fundamentals Composite**.

REVENUE GROWTH MANAGEMENT

Beginning in 2018, Kantar began tracking **Revenue Growth Management** as an ad hoc measurement. It is becoming prevalent in the retail industry, so we will continue to monitor its progress. As of 2019, it is not included in the **Business Fundamentals Composite** or overall rankings.

2019 Participating Manufacturers

Bayer
Beam Suntory
Beiersdorf
BIC Consumer Products
Campbell Soup Company
Clorox
Coca-Cola
Colgate-Palmolive
Conagra Brands
Danone North America
Del Monte Foods
Diageo
Edgewell Personal Care
General Mills
Georgia-Pacific
Hormel Foods
J.M. Smucker Company
Johnson & Johnson
Kellogg Company
Kimberly-Clark

Kraft Heinz
Land O'Lakes
Lindt & Sprungli
Link Snacks
Mars
Materne North America
Mondelēz International
Nestlé
Newell Brands
Ocean Spray
PepsiCo
Pfizer
Pinnacle Foods
Post Consumer Brands
Procter & Gamble
Red Bull
Reynolds Consumer Products
Sanofi
Schwan's
Seneca Foods

Treehouse Foods
Tyson Foods
Unilever

2019 Participating Retailers

7-Eleven	Food City	Peapod	Shopko
84.51°	Food Lion	Pet Supplies Plus	ShopRite
Ace Hardware	Fred's	Petco	SpartanNash
Acme Markets	Giant Eagle	PetSmart	Speedway
Albertsons Companies	Giant Food Stores	Publix	Sprouts Farmers Market
Aldi	Giant Martins	QFC	Stop & Shop
Amazon	Harris Teeter	Quill.com	Sunoco APlus
Bed Bath & Beyond	H-E-B	R & M Pacific Rim	Supervalu
BJ's Wholesale Club	Home Depot	RaceTrac Petroleum	Target
Boyer's Food Markets	Hy-Vee	Randalls	The Fresh Market
C&S Wholesale Grocers	Ingles Markets	Rite Aid	Ulta Beauty
Circle K	Jewel-Osco	Roche Bros.	Wakefern Food Corporation
Costco	Kmart	Safeway	Walgreens
CVS	Kohl's	Sam's Club	Walmart
Dick's Sporting Goods	Kroger	Save-A-Lot	Wegmans
Dollar General	Kum & Go	Sears	Weis
Dollar Tree	Kwik Chek Stores	Sephora	Whole Foods Market
Fairway	Landis Supermarket	Shaw's Supermarkets	Winn-Dixie
Family Dollar	Macy's	Sheetz	Woodman's Market
Food 4 Less	Meijer	Shell	World Market



CLIMATE SHIFT 2019

Executive Summary

Climate change — it's an undeniable dynamic that has dominated headlines and ultimately influences every aspect of our lives and our world around us. Our climate is now changing more rapidly than at any point in measured history, with human activity both contributing to the change and being impacted by its consequent effects. At its current pace of change, we can expect increasing disruption not only to our weather, but also to human health, the places we live, our water supply, and ecosystems worldwide.

As Kantar's PowerRanking enters its 23rd year, we see a similar dynamism mirrored in today's US retail landscape, a concept Kantar's Chief Knowledge Officer Bryan Gildenberg has described as "Retail Climate Change." Bryan has detailed the development in [Breakthrough Insights 2019](#) and has expanded upon it in [Kantar's Retail Sound Bites](#) podcast. The human impact on and from the changing retail world was also well chronicled in the [Institute For Real Growth's](#) thought piece released earlier this year as part of Kantar's look at what separates companies (and the leaders who drive them forward) who disproportionately grow versus their competition.



In **PowerRanking 2019**, we see the lasting effects of leaders (both retailer and manufacturer) who moved beyond the daily weather reports in retail and rapidly recognized and responded to the changing climate in US retail and with the US shopper. They witnessed the origins of this change five to 10 years ago and began to prepare for the coming age of omnicommerce (or digital+commerce) we are living today. They foresaw and capitalized upon the balance of power that tilted toward the shopper as mobile technology and on-demand convenience reshaped shoppers' expectations. Best-in-class leaders have leveraged the new reality of shoppers managing money, time, and energy to continually build better, deeper relationships with their customers and keep them in the "ecosystem" that they create to ensure shopper loyalty.

The PowerRanking leaders for 2019 — **Walmart** and **PepsiCo** — are two companies who have anticipated and managed the long-term retail climate change with skill and foresight. Walmart has achieved the #1 position for 23 years in a row, with a #1 ranking in seven of the nine metrics. PepsiCo not only achieved the overall #1 position for four consecutive years, but also achieved the #1 position on all nine metrics for a second year in a row in 2019.

These and other leaders have embraced short-cycle weather forecasting to achieve in-year results, while also placing bets on future growth initiatives with a time horizon of three to five years to manage retail climate change that will have a material impact on shoppers and overall growth. Significant year-on-year improvements were seen by Target (+1 spot), H-E-B (+1), and Dollar General (+3) within our retailer rankings, while General Mills (+6) and Nestlé (+2) saw the biggest gains among manufacturer rankings.



Shifting Elements

To continue the analogy, we will consider four foundational elements associated with climate and look at climate change through these lenses:

1. **Location** — Climate-induced impact across varying latitudes and proximities to water
2. **Elevation** — Rising sea levels and the impact to populations across various elevations
3. **Atmosphere** — Effects caused by wind and prevailing currents
4. **Human Impact** — Changing conditions due to industrialization and human factors

For our Retail Impacts — the Retail Climate Change factors affecting PoweRanking leaders are:

1. **Location** — The Move to Channel-less Environments to Manage Growth
2. **Elevation** — The Elevated Expectations of Connecting With Shoppers and Shopper Experiences
3. **Atmosphere** — The Winds of Major Change: Thriving in a Post-Omnicommerce Retail World
4. **Human Impact** — The Human Capital Need for Customer Leadership in 2025

Let's examine them one by one.



1. LOCATION

Move to Channel-less Environments

Leaders in our PowerRanking study have moved past the binary thinking of brick-and-mortar and online retail. The best of the best utilize a holistic retail ecosystem approach to plan and grow business as trading partners. This year's PowerRanking participants consistently cited the need to create demand and drive conversion across the full breadth of the evolving ecosystem.

"Pepsi uses data about the category versus just their brand. They also bring alternative assets that help us think about the marketplace differently, e.g., unique points of view, activation strategies coupled with insights, clickstream information."

"P&G has incredible capabilities and forward-looking knowledge, very good at articulating what's best now and in the future."

Channel-less Environments & Channel Growth

"Target has a pretty deep understanding of their guest from a 360-degree approach which gives them an advantage in knowing the connection points and where value can be created beyond price and assortment."

"Walmart continues to lead in omnichannel thinking and advancing their assortment/merchandising to enhance shopper experience while driving costs down."

CLIMATIC SHIFT Takeaway #1

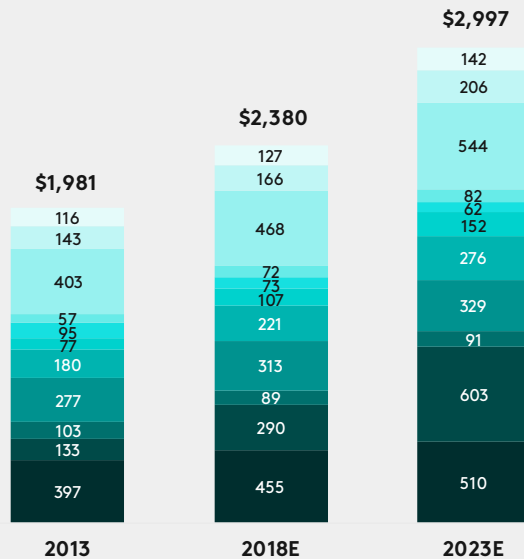
Next wave of grocery shopping? Ecosystem reality of online/mobile → Click-and-Collect → In store. Once your shopping list is automated and digitally linked, then what?

Tomorrow's US growth formats reflect evolving shopper priorities

Online, discounters, drug, and club drive the majority of growth

Retail Sales in USD Billions

KRIQ Chains



Channel	CAGR '13-'18E	CAGR '18E-'23E
Apparel	1.7%	2.3%
Club	3.1%	4.4%
Category specialist	3.0%	3.1%
Convenience	4.6%	2.7%
Department	-5.2%	-3.1%
Discounter	6.7%	7.4%
Drug	4.2%	4.5%
Supercenter	2.5%	1.0%
Mass	-2.8%	0.3%
Online	16.9%	15.8%
Supermarket	2.8%	2.3%
KC Channel Totals	3.7%	4.7%

2. ELEVATION

The Elevated Expectations of Connecting With Shoppers and Shopper Experiences

As Mark Twain famously said, *"What gets us into trouble is not what we don't know, it's what we know that just ain't so."* There are several myths or misunderstandings about Retail Climate Change that we hear every day.

- "You can't drive impulse online like you can in store."
- "Click-and-collect — is that just a fad or are stores going to become distribution centers?"
- "Is shopper marketing or category management dead?"
- "Substitutability in categories is still store-based."



Leaders Rising to Elevated Expectations

PoweRanking leaders move beyond the daily weather reports and bust myths. They are focused on ever-better shopper marketing programs that matter. They are building meaningful joint programs that drive business growth. A critical piece of evidence that shopper understanding and category growth are still important is the many tech and fashion companies who are even more committed to the shopper, category, and immersive store experiences. Lastly, click-and-collect and distribution models that drive people to stores (with technology in tow) are an important area for trading partners to continue to collaborate on and leverage as the battle for last-mile logistics continues across retail ecosystems.

"Kellogg's is thought to be the thought leader for center store and they have addressed a few key areas that we were blind to, strategies focused around families. Their focus on reducing sugar (especially for kids) is huge, the value of proteins (in bars and the like), understanding the impact of sodium, etc. The pivot Kellogg's has made from a nutrition standpoint is outstanding. They have nutritionists on their team that are pushing this initiative."

"Google, Apple, Nike, Ulta and many others. They are leading consumer, shopper in-store and service. We can learn from them. They are setting the standard and establishing new levels of service in retail."

CLIMATIC SHIFT Takeaway #2

Big Tech is now really interested in and driving **shopper** understanding, not just consumer. How will that continue to evolve the retail ecosystem in the US?



3. ATMOSPHERE

The Winds of Major Change

THRIVING IN A POST-OMNICOMMERCE WORLD

2019 will be marked as the year when retail and manufacturing trading partners began living in a post-omnicommerce world. Leaders have moved from assessing the landscape, developing teams and strategic plans, to living in a **commerce** world where digital, technology, people skills, strategy, and execution all come together. They embrace omnicommerce as commerce and as a way to grow their joint business.

A key driver of **change** and **growth** is **innovation** for PowerRanking leaders. Those who stand out readily build, partner and deliver innovation together. The joint planning, delivery and reading of the results come from those who collaborate best and have shared values.





Leaders Riding the Winds of Change

Lastly, health, wellness, and pain management are major winds of change impacting the US retail landscape. Best-in-class partnership to understand the shifts on categories impacted by the growth and substitutability going on in these categories (e.g., CBD as a viable pain management alternative) will be a key partnership dynamic as we go forward in the 2020s.

"PepsiCo has been very purposeful with helping us with trip opportunities and supporting the core. They produced an amazing Superbowl program with grocery pickup list that helped us a lot."

"Walmart has been on a twenty-year process at defining and refining the process of category leadership. Walmart leadership embraces shopper insight and applies it everyday."

"General Mills is collaborative. The relationship is about mitigation of risk."

CLIMATIC SHIFT Takeaway #3

Moments of conversion become risk management/basket management versus category management. What does auto-replenishment do to promotion strategies and shopper decisions?



4. HUMAN IMPACT

The Human Capital Need for Customer Leadership 2025

As for human impact on Retail Climate Change — trading partners value talent, smarts, and insights applied to their business. The best of the best PowerRanking leaders not only complete joint business planning at a top-to-top level, but also at **all levels** of the business. Insights, VR, AI, and relationship-building leadership are all applied to jointly grow the business in most cases, and to mitigate risk in other situations. Standout partners ensure that the best teams, applied to the biggest opportunities, generate the best returns (see our RGM metric included for the second straight year) and have a growth mindset as well.

Human Impact Leaders

*"PepsiCo demonstrates a willingness to lean in, learn, test... just wanting to understand how we look at the business and how joint collaboration looks like, to see what they can do better, what we can do better, there is no better partner than PepsiCo. They had high-level people willing to come to us to talk and partner. All CPGs have high-level top-to-tops. What's different is the next level down and the deliver there as well. We have relationships with the brand side that they haven't had before. Also, they utilize executive-level connections and then **act** on them to drive execution at every level – those are real partners (not coming just for the show)."*

"P&G has incredible capabilities and forward-looking knowledge, very good at articulating what's best now and in the future."

"Target gets the core story. They are the best at understanding macro trends and younger consumers demographics that drive sales."

CLIMATIC SHIFT Takeaway #4

What is the most impactful skill that separates partners that collaborate and lead ... insights, data? No. **Storytelling**. Retailers estimate only 1-in-4 manufacturer partners do it well when collaborating on category growth planning.





Closing Statement


In summary, 2019 was another great year for PowerRanking leaders to shine. Retail remains an exciting, growing, ever-changing part of our landscape, not only in the US, but globally as well. As we take this moment to mark a point-in-time weather assessment for "Who is leading in 2019," we will close by quickly shifting our focus to 2020 and Retail 2025. Leaders are already making plans to win now (in 2020) with an eye to the ever-changing climatic shifts that will be Retail 2025.

Thanks as always for taking time to check in again with us this year for PowerRanking 2019.

Best wishes for 2020 and beyond from the team at Kantar.

Patrick Fellin

Head of Consulting, Analytics & Shopper Solutions
Kantar — Retail Sales & Shopper Practice



Reach out to Kantar to obtain a full report of the 2019 manufacturer and retailer Rankings.

Learn how you can get deeper insights to harness retail climate change and return to growth in 2020 and beyond...

For a copy of the full PoweRanking report, contact Patrick.Fellin@kantar.com

Study Price: USD2,500