



PRICING FOR PROFIT AT RETAIL

LEADING TODAY'S DISCUSSION



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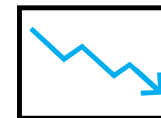


BOB OWENS

Vice President, Retail Analytics
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2017 HEADWINDS CREATE RETAILER BATTLE FOR SHOPPER TRIPS

Current Environment	Retailer Impact
Labor Cost Increasing	Layoffs
Value Retailer & Online Growth	Store Closures
Deflation	Declining Promo Effectiveness
	Price Wars



- **First annual decline in grocery prices since 1967***

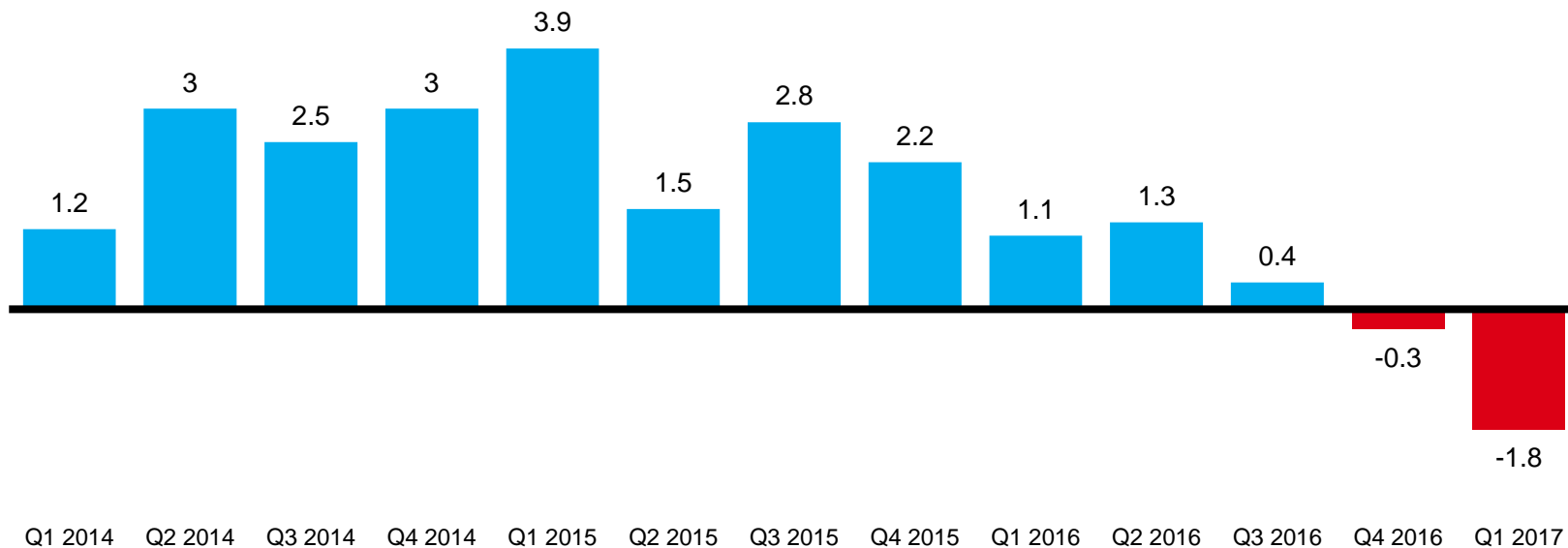


- **Deflation headwinds likely to continue in 2017**

SALES GROWTH IS SLOWING

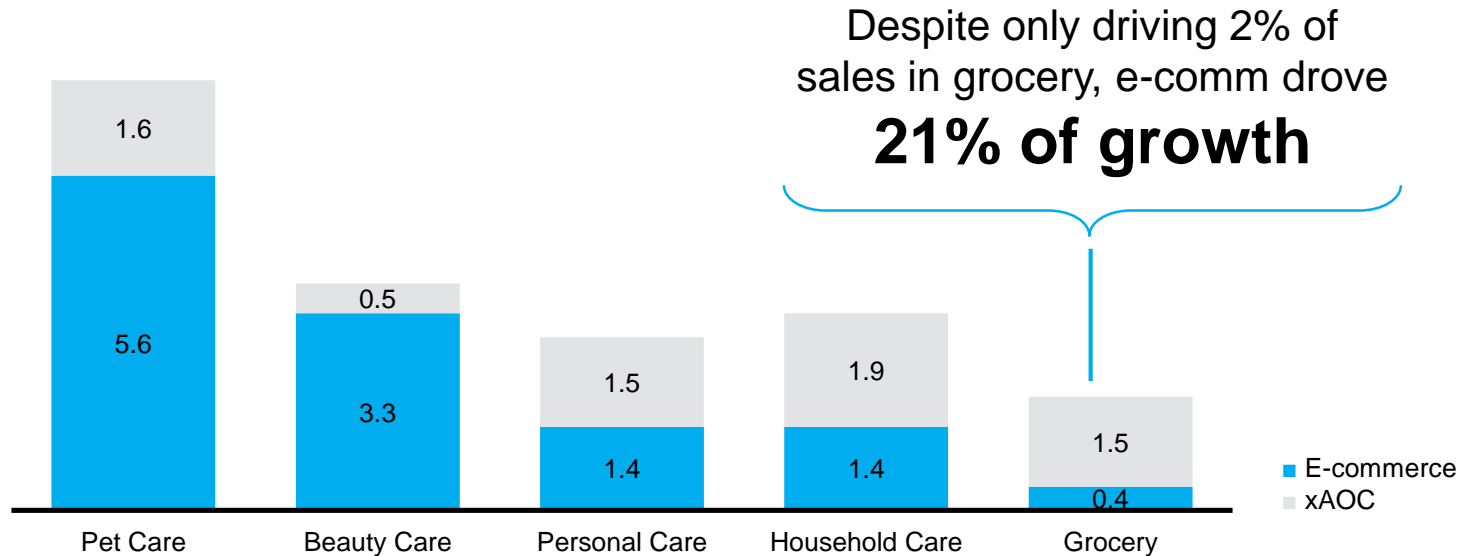
The first quarter of 2017 delivered close to \$3 billion less in fast-moving consumer goods.

FMCG Sales Growth



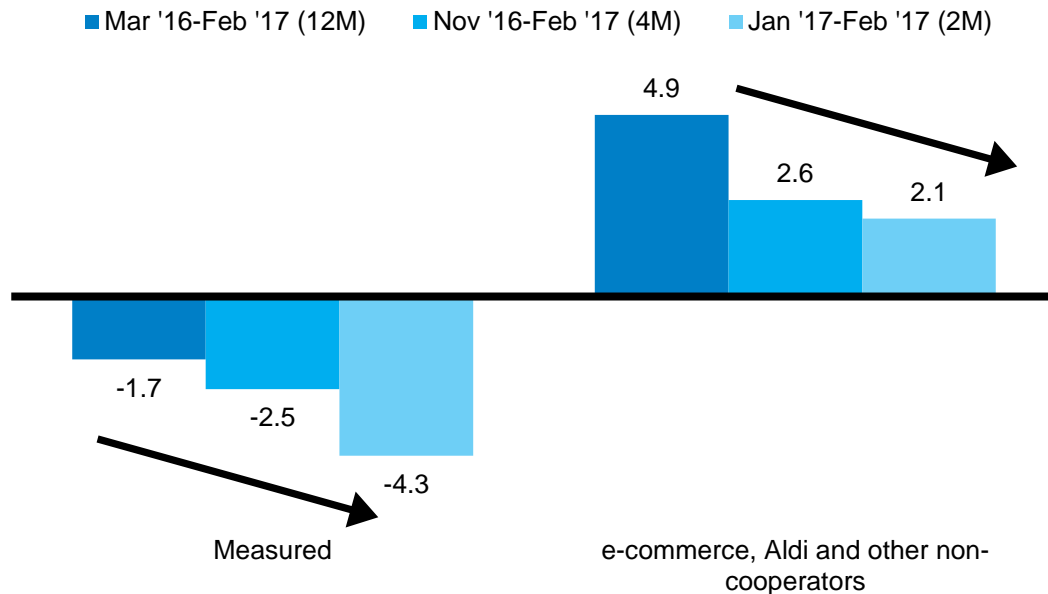
E-COMMERCE IS A GROWTH DRIVER

2016 Annual Department Dollar Sales Growth



BUT ALL RETAILERS ARE SEEING A SLOWDOWN IN GROWTH

Dollar Sales Growth vs. YAGO



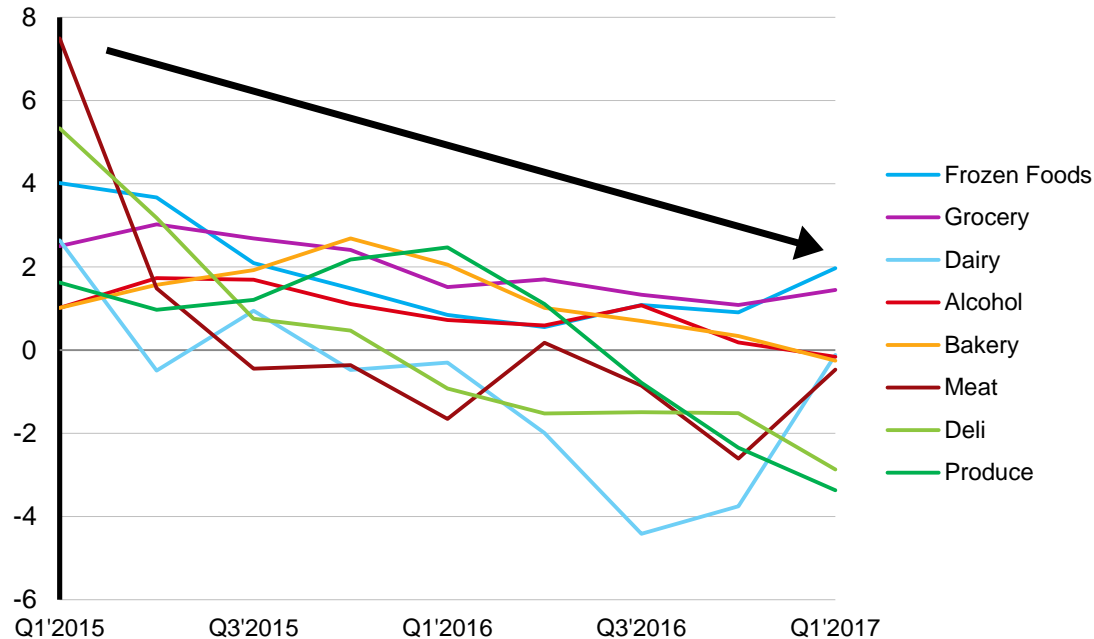
Compared to growth across a 12 month period, all retailers have felt a growth decline of 2.6-2.8 points of growth in the near-term.

In fact, growth has declined slightly more within non-measured retail.

RETAILER RESPONSE

Are price declines the right answer?

Average Unit Price Growth vs. YAGO

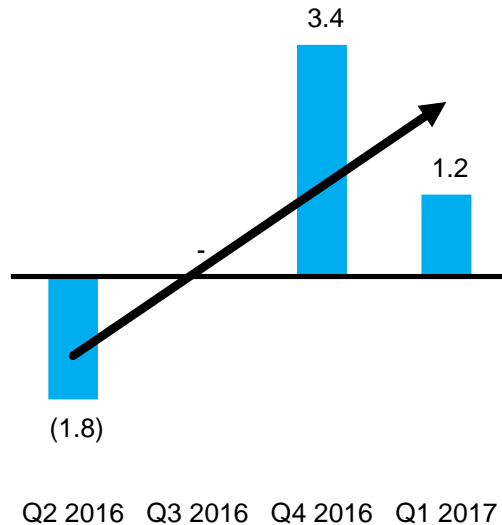


Despite price rebounds, in the 52 weeks ending April 1, 2017, **dairy alone shed \$3.4B vs. YAGO**, with milk and eggs accounting for 92% of that decline.

THE ANSWER IS NOT MORE PROMOTIONS

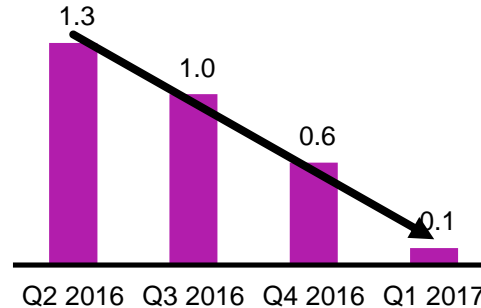
Increasing Promotion Frequency

ANY PROMO UNIT % CHG



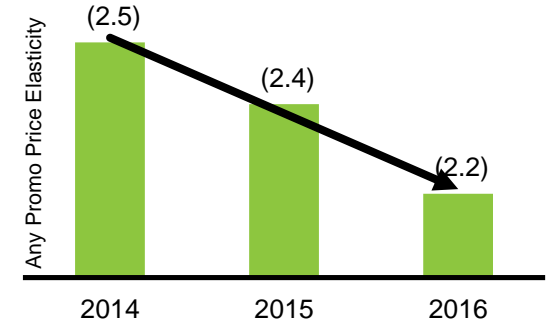
More Aggressive Promoted Prices

AVG PRICE % CHG



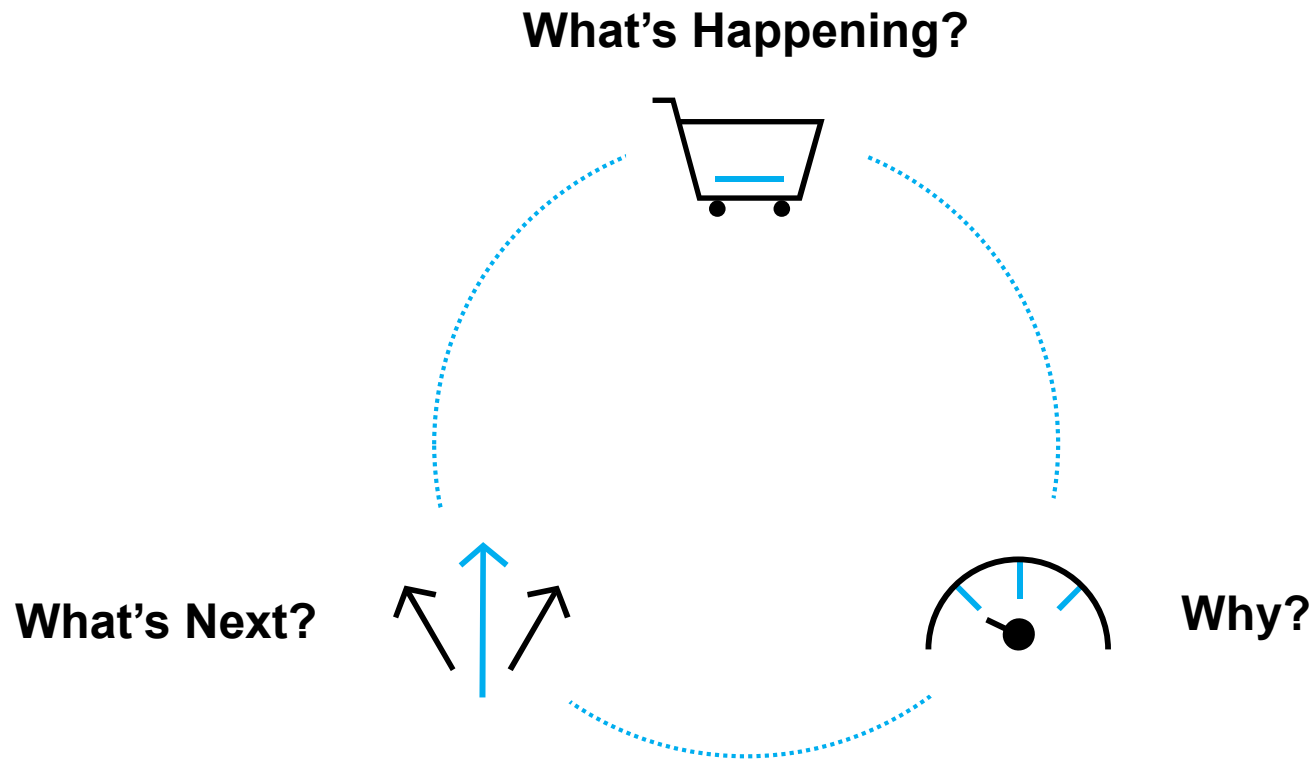
Despite Declining Returns

PROMO PRICE RESPONSIVENESS



Despite promo price responsiveness declines of 5.3% over the last 3 years, **promo efforts increased in 2H 2016.**

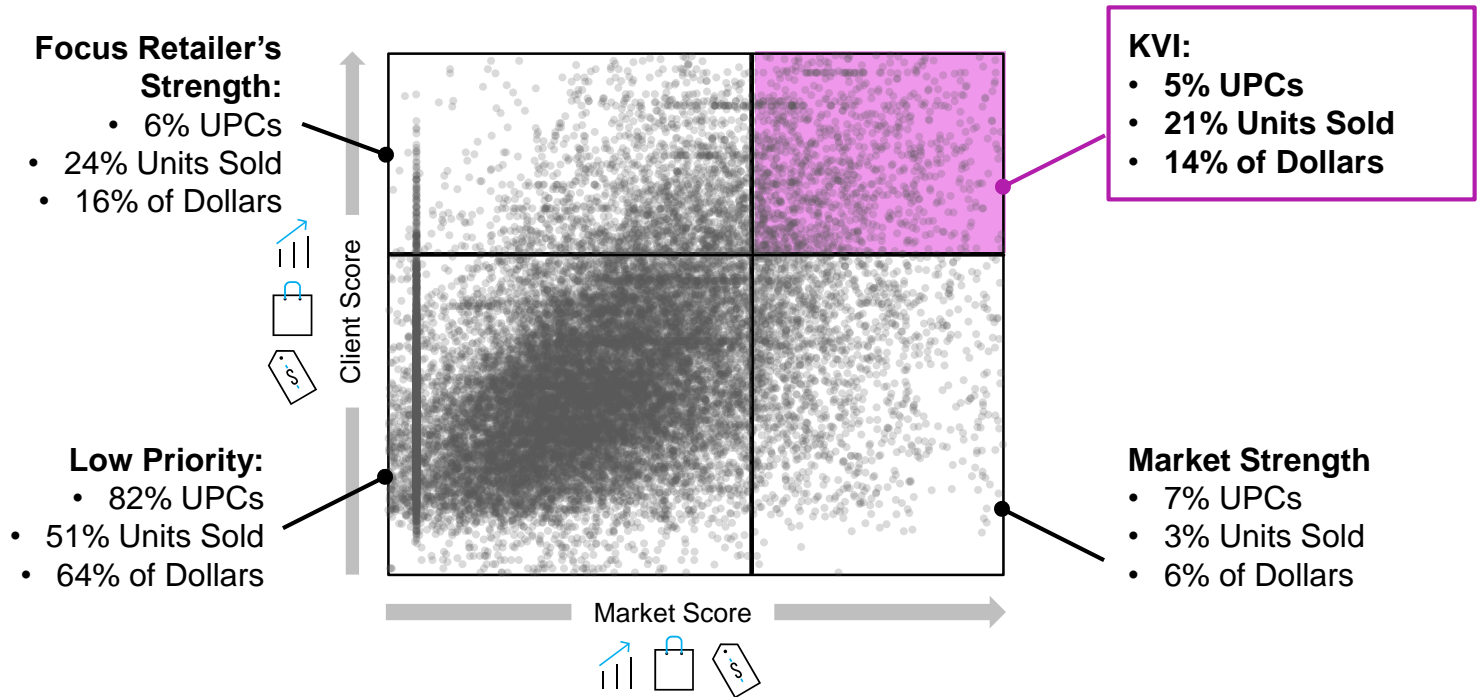
THE CURRENT APPROACH IS NOT WORKING...WHAT'S NEXT



PAY ATTENTION TO KVIS

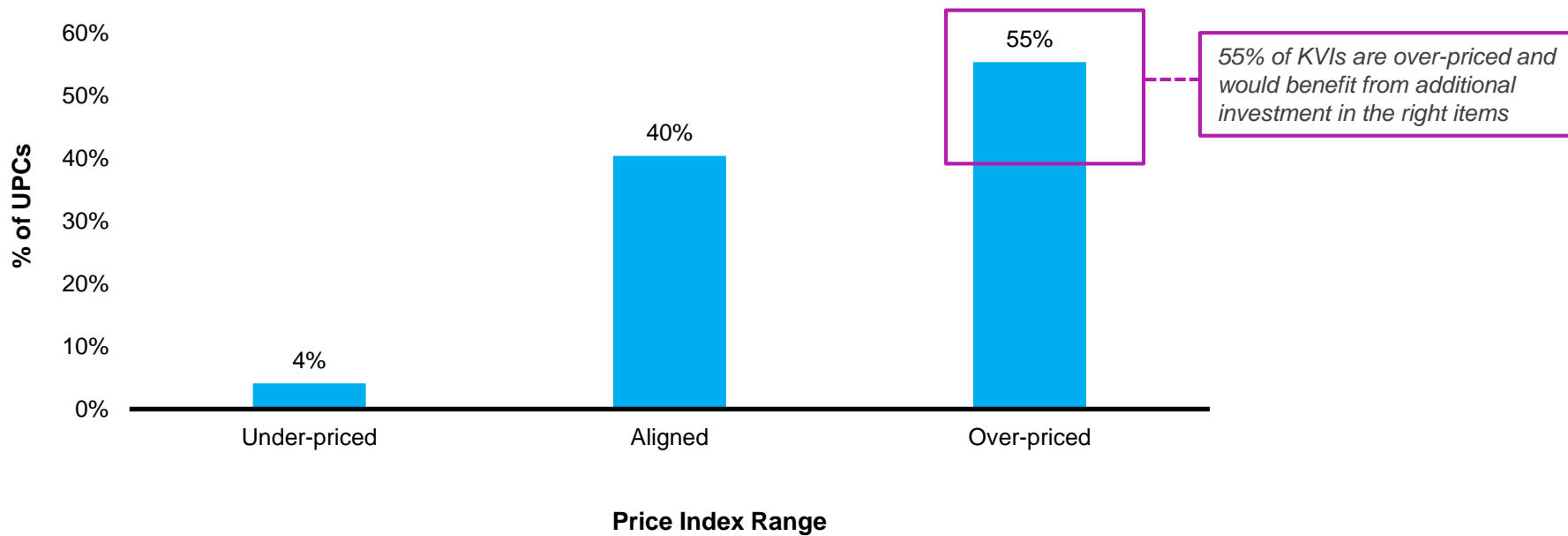
These 5% are a must-win on price

KVI Prioritization Matrix



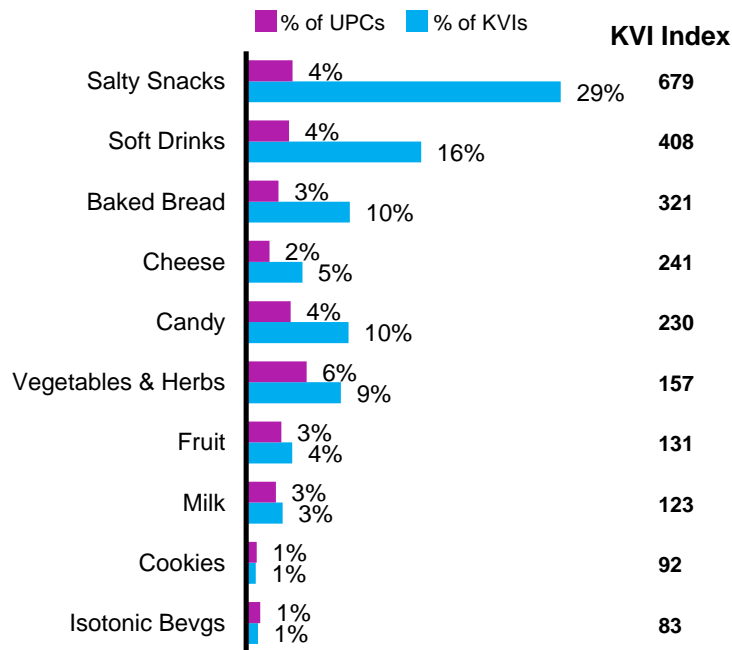
DESPITE THE IMPORTANCE OF KVIs MOST ITEMS ARE OVER-PRICED

Price Index Distribution: KVIs vs. Non-KVIs



SNACKS & SOFT DRINKS ARE LEADING KVIs ACROSS ALL CHANNELS

Top KVI Categories Overall



Top KVI Categories by Channel

Food

- Salty Snacks - 593
- Baked Breads - 478
- Cheese - 349
- Soft Drinks - 265
- Vegetables & Herbs - 256
- **Fruit - 178**

Mass

- Salty Snacks - 701
- Baked Breads - 398
- Soft Drinks - 398
- Cheese - 295
- Candy - 201
- Vegetables & Herbs - 138

Drug

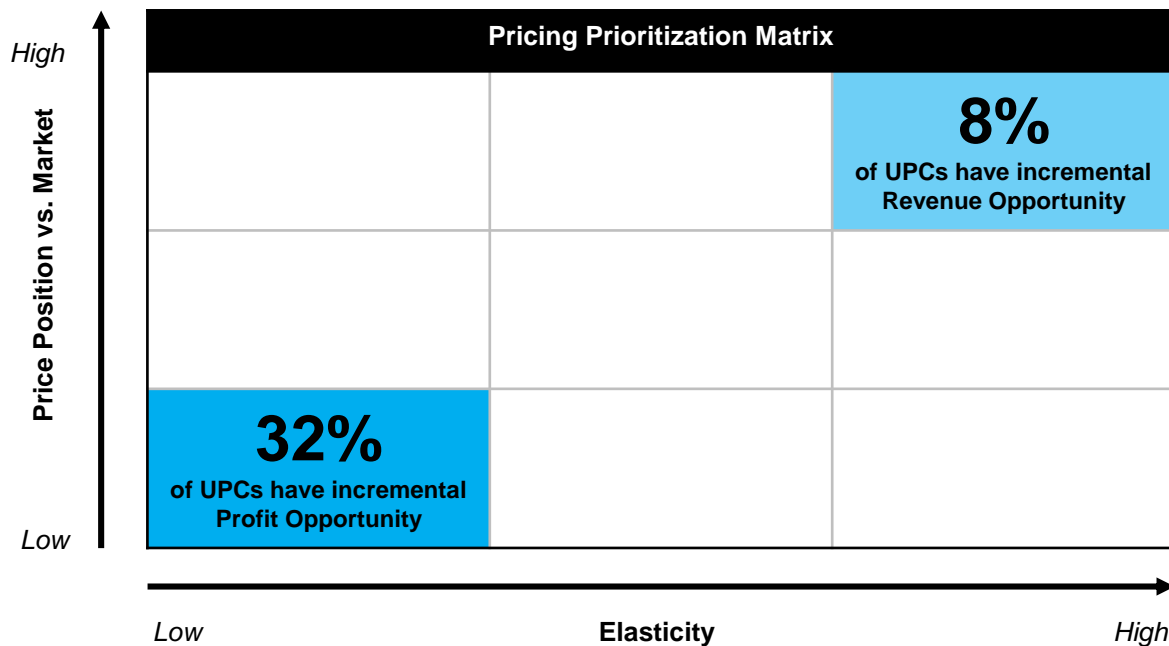
- Soft Drinks - 757
- Candy - 667
- Salty Snacks - 575
- Water - 160
- **Bath Tissue - 156**
- Milk - 127

Dollar

- Salty Snacks - 904
- Soft Drinks - 604
- Candy - 396
- **Isotonic Bevgs - 193**
- **Snack Cake - 170**
- **Cookies - 153**

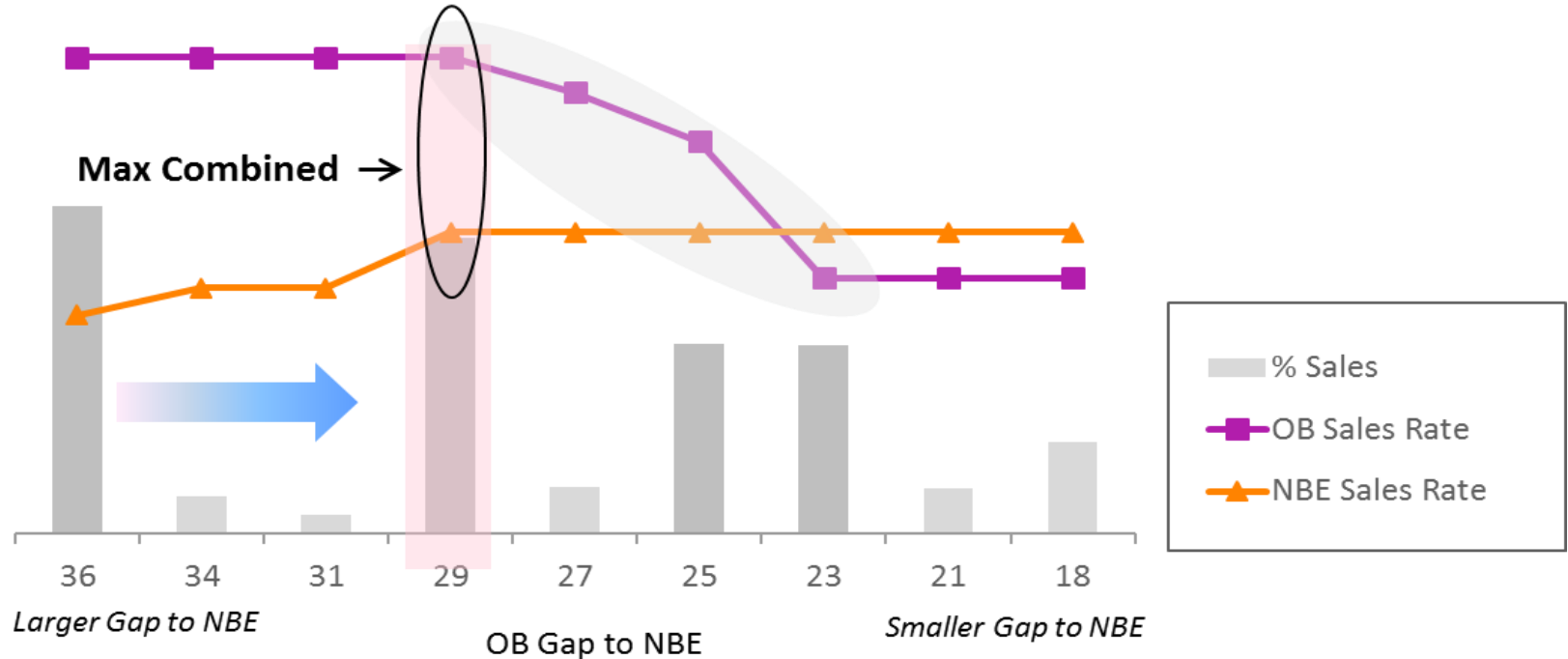
GROWTH IS BEING LEFT ON THE TABLE FROM INEFFICIENT PRICING

40% of items among average retailer would benefit from a new everyday price



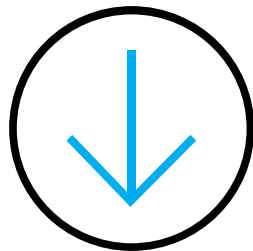
MAXIMIZE SALES & PROFITS BY FINDING THE RIGHT PRIVATE LABEL & NATIONAL BRAND PRICE GAP

Example: Private Label vs. Branded Product



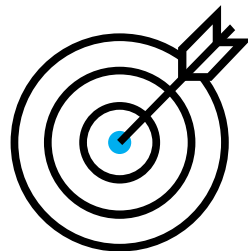
IS YOUR PRIVATE LABEL PRICED TOO AGGRESSIVELY?

Branded vs PL Category Pricing Comparison



59%

Of Private Label items are priced too aggressively



33%

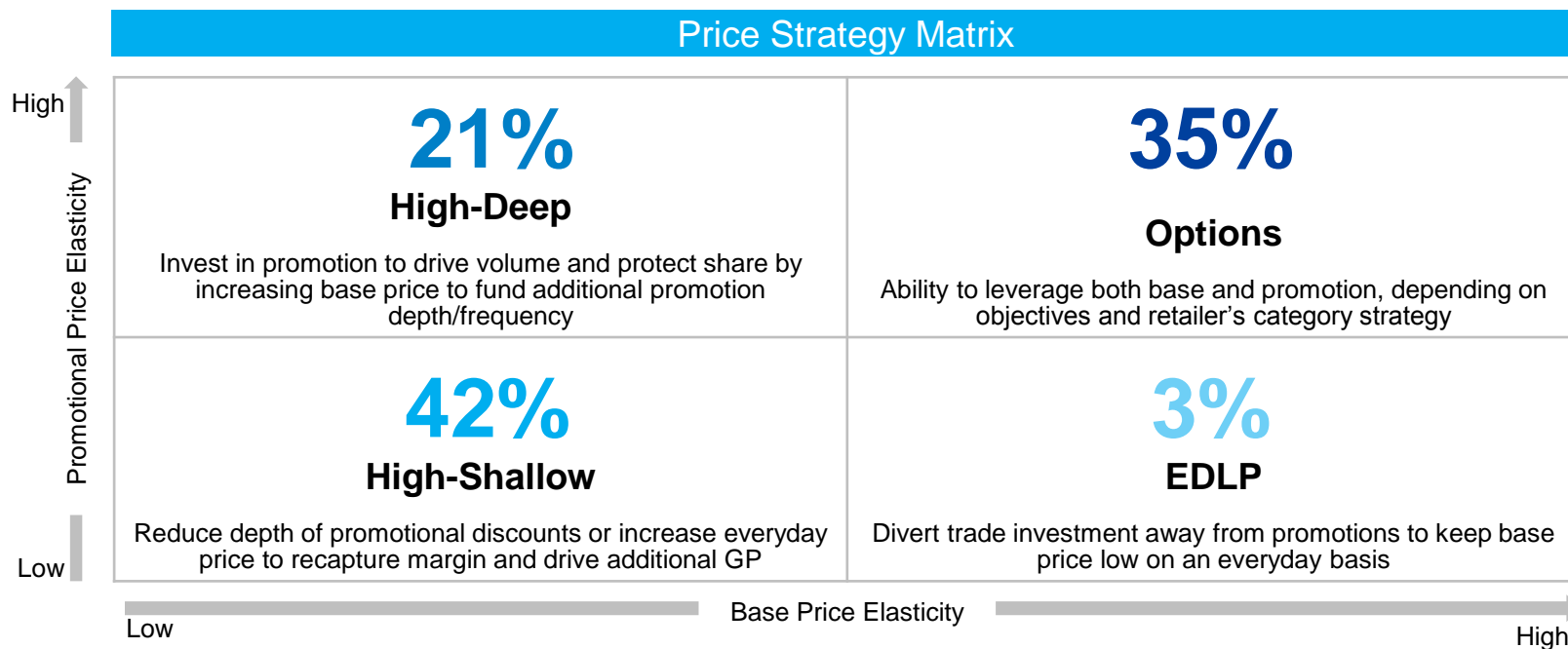
Of Private Label items are priced on-par



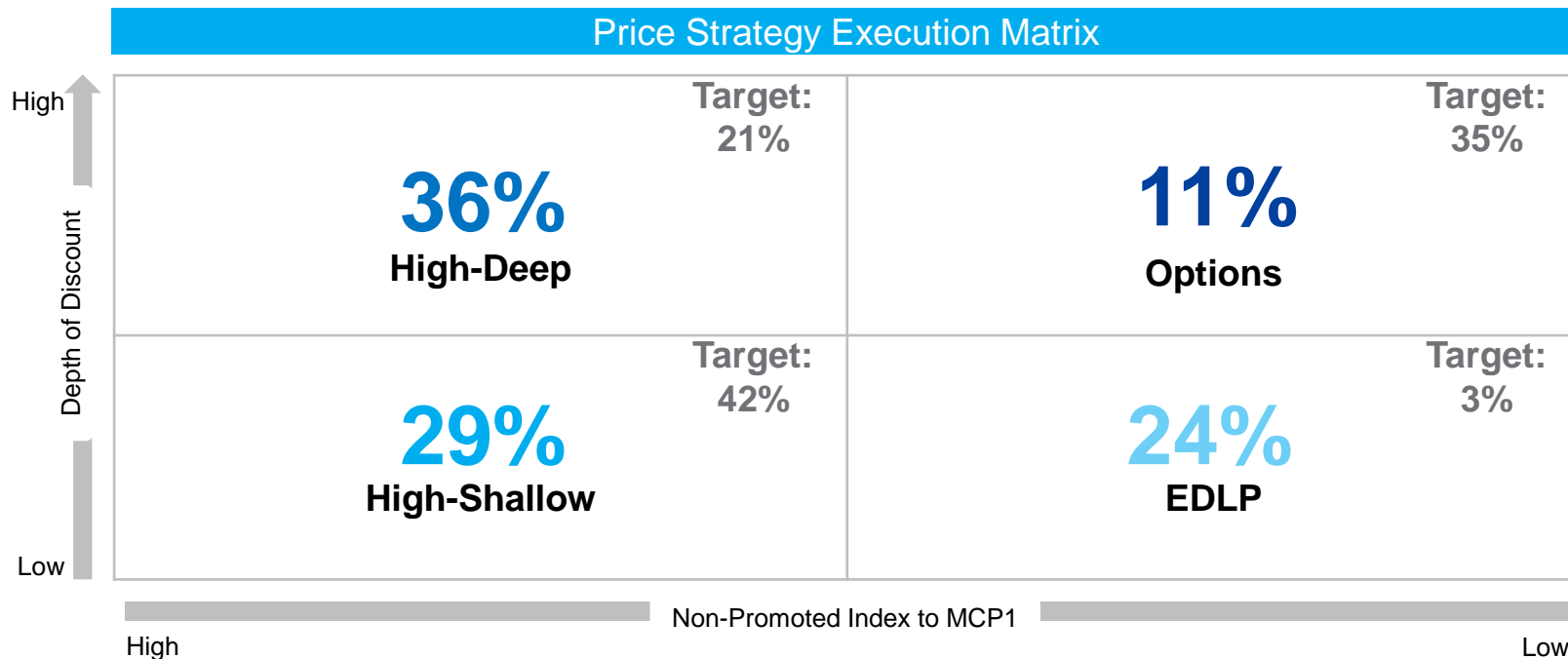
9%

Of Private Label items are not price aggressively enough

42% OF ITEMS SHOULD BE HIGH-SHALLOW...

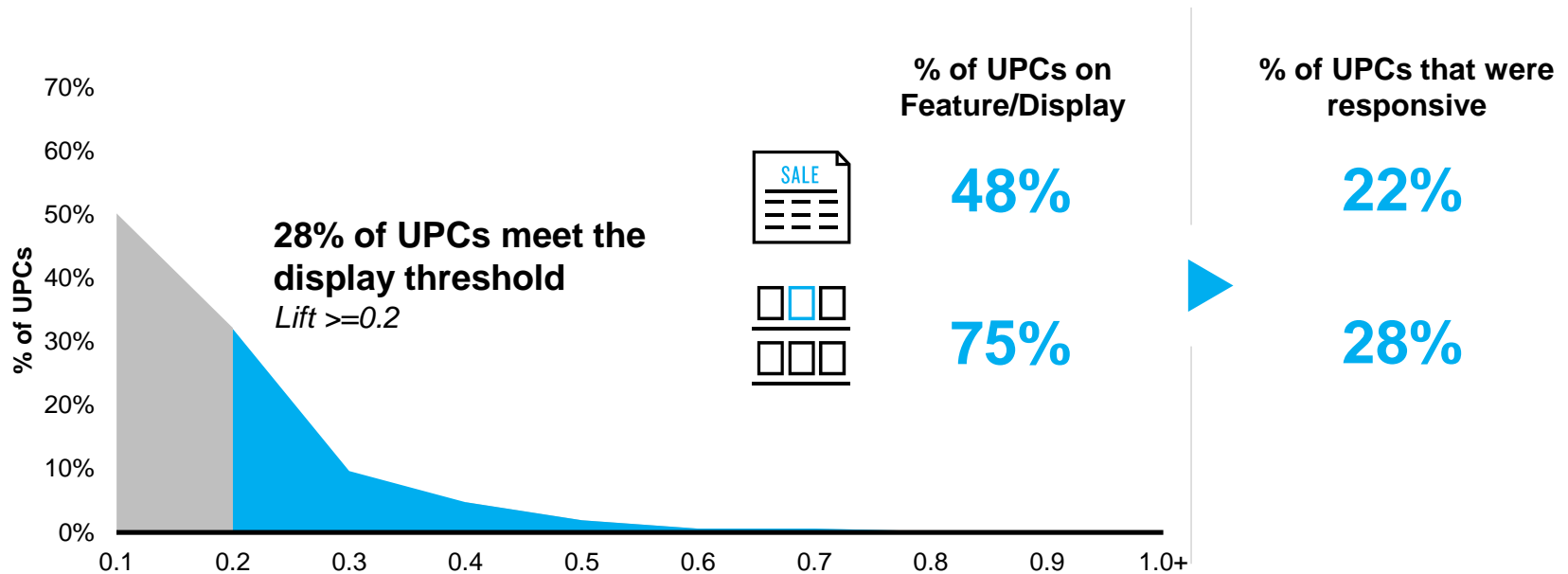


HOWEVER ONLY 29% ITEMS ARE EXECUTED AS HIGH-SHALLOW

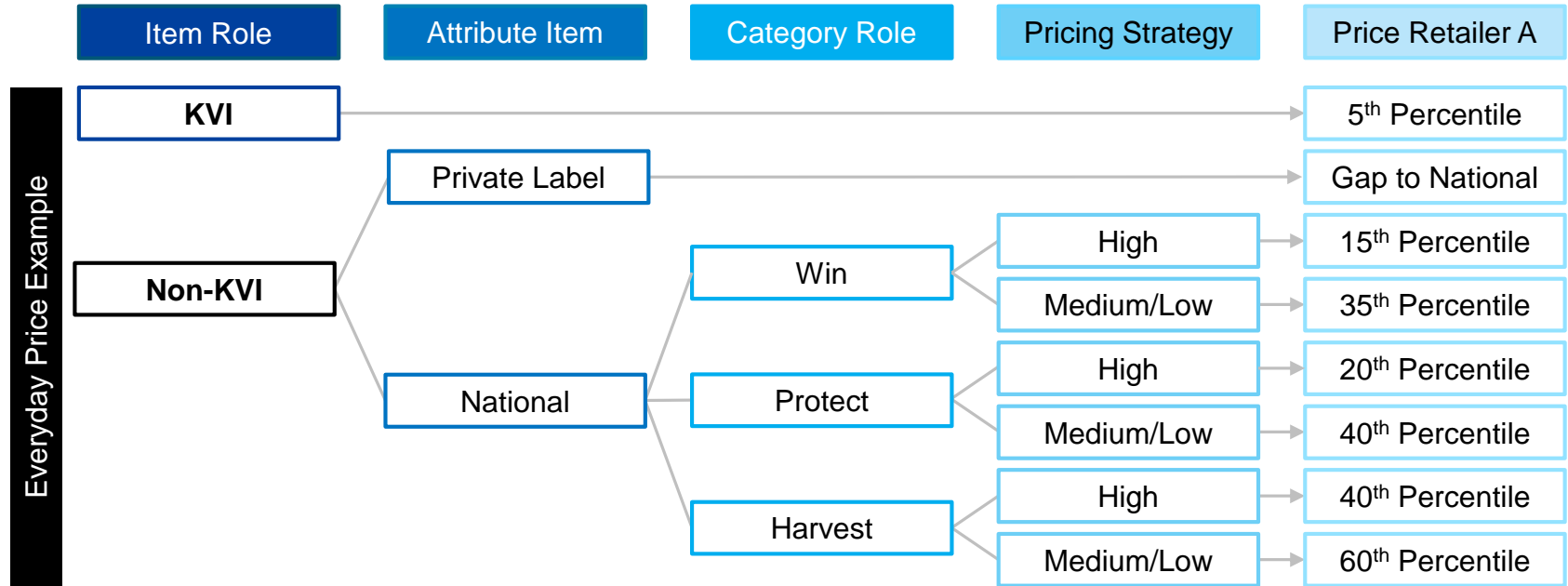


LESS THAN 50% OF THE ITEMS ON FEATURE AND DISPLAY DON'T JUSTIFY THE INVESTMENT

UPC Distribution by Incremental Display Lift

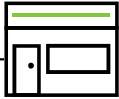


COMBINE INSIGHTS TO STRATEGICALLY PRICE TO MAXIMIZE PROFIT AND REVENUE



PRICE STRATEGICALLY FOR BIG WINS

HOST OF INTERNATIONAL FOODS



- Focus on high quality international foods at low prices
- 24 years in So Cal market – growing, evolving, and building market share
- Recognized for value & excellence service

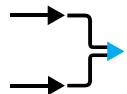


- Superb perimeter
- Grocery assortment serves the diverse community with wide range of national and international products



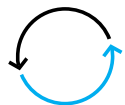
- Unified Grocers 2016 Ben Schwartz Retail Grocery Visionary Award
- Sales over \$1,000/ft.
- In 2016 doubled down on analytics and seeing growth in 2017

NIELSEN BUILT & DELIVERED A STEADY-STATE, EASY TO ADOPT PRICING PLATFORM



- Comprehensive Product List
- Retailer's Market View
- Effective Cadence

Super King saves time by assessing their business through their lens, on a schedule meeting their ops needs.



Identified price **IN**sensitive items to drive profit

Increased the ROI on their overall price investment dollars by self-funding a portion of their need



Prioritized overpriced, **VERY** sensitive products for price investment

Spent their dollars more effectively by prioritizing action based upon predicted impact of lower prices

SUPER KING SAVING TIME & MONEY USING NIELSEN'S PRICING SOLUTION

“ Granular market pricing is crucial. E-commerce forcing us to **quickly modify** what & how we **promote**. The shrinking of center of store requires us to make **accurate perishables pricing** decisions.

“ The deliverable gives us a **consistent** set of pricing metrics to rally around. Pricing is part of **everyone's job**, from category managers to finance. “

“ We aggressively price a KVI list each week. Granular pricing tells us **which products** & how low-to-go using market **percentiles as guidelines**. “

BALANCE PROFIT AND REVENUE GOALS WITH STRATEGIC PRICING

Annual Realized Impact from Price Changes Across Top 6000 Items

	Revenue % Chg	Profit % Chg
Lower price on KVI's high to market		
Non Promo	+11%	-139%
Promo	+18%	-122%
Raise price on Remaining Items low to market and less elastic		
Non Promo	+2%	84%
Promo	-1%	82%
Net Impact	+3%	66%

Retailer Price Indexed to MCP1

% UPCs
% \$s

Retailer Price Indexed to MCP1

8%	24%	8%
5%	12%	6%
12%	27%	10%
12%	27%	16%
4%	6%	3%
9%	10%	3%

Elasticity

18%	20%	4%
21%	9%	3%
18%	20%	4%
23%	12%	3%
7%	8%	2%
21%	6%	1%

Elasticity

MAKE PRICING AN EVERYDAY OPPORTUNITY

Action	Retailer	Manufacturer
Win on price with the most important items	Identify the top 100 items that drive your shoppers value perception of you and track your price versus rest of market weekly	Collaborate with your retailers to understand the role of your items to their shopper and distort trade funds against their most important items
Reallocate Feature and Display support to the most responsive items	Leverage exception reporting to identify the items that receive quality support that drive limited value	Use robust pricing models to identify the true incremental lift from quality support excluding price on your products
Simplify your pricing strategy	Use a simple rules based framework to identify your targeted price gap versus rest of market and use POS based pricing distributions to ensure you are hitting your targeted price points each week	Work with retailers to help define the targeted price percentiles across their items and then bring forward proactive price changes based on in-market pricing

