

Home & Personal Care and Beverages

2012 China PoweRanking Survey Results

- **Kantar Retail Annual Survey of China** — Since 1997, Kantar Retail has been conducting an annual survey of over 600 retailers and manufacturers in the U.S., evaluating how retailers rank the Home & Personal Care, Beverages and Food companies on several metrics, including strategy and business fundamentals. The results, dubbed the PoweRankings, reflect the number of manufacturers that made these retailers' top three list in a given category. ***Starting in 2011, Kantar Retail began conducting the same survey in China***, surveying over 200 retailers and manufacturers. Herein, we review the findings in China for 2012, which results are in some ways similar to those of our most recent review of the U.S. market. Indeed, in our note titled "[2012 PoweRanking Survey Results](#)," published December 5, 2012, we highlighted some of the same players.
- **PG Is the One to Beat** — PG is the leader in China, and while its score deteriorated in a handful of the metrics, the company nonetheless came out on top again in 2012. CL was notably weaker this year, falling out of the top 10 in many metrics. In contrast, we saw improvement nearly across-the-board by KO. Further, we note that the PEP data from this year's survey did not include Tingyi entries, which likely had a negative impact on PEP's score/rankings.
 - **PoweRanking:** For the second year, PG was named tops among the top 10 manufacturers by retailers in the ultimate metric, aka the PoweRanking, and moreover led the group of manufacturers by a greater margin than in 2011 (of 20.5 pts vs. 16.3 pts), despite losing 2.2 pts. KO's No. 3 PoweRanking score in 2012 represented a 2.7-pt improvement relative to 2011.
 - **Strategic Composite:** Despite PG's 4.9-pt drop, to a 56.1% score, the company maintained the top spot in the Strategic Composite. In 2012, KO and PEP's scores went in opposite directions as KO's rose 3.3 pts, to 20.3%, while PEP's deteriorated, down 2.2 pts, to 10.2%.
 - **Business Fundamentals Composite:** In 2012, PG once again ranked No. 1 by retailers, as the company's score improved 0.5 pts, to 61.1%, in the Business Fundamentals Composite. In 2012, KO's score climbed 2.0 pts, to 23.0%, while PEP's score fell 4.0 pts, to 9.9%, as KO maintained its No. 3 rank and PEP fell to No. 7.

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Opinion

Herein, we provide an analysis of Kantar Retail's annual PoweRanking Survey for China, which polls over 200 retailer and wholesaler respondents in the food, drug and mass channels on their impressions of Home & Personal Care, Beverages and Food manufacturers on a variety of metrics, ranging from growth and profitability to consumer insight. We note that this survey reflects only the sentiments of retailers in China who look across a broad range of categories, which explains why some of our HPC and Beverages companies are noticeably absent (e.g., The Clorox Company and Dr Pepper Snapple do not currently sell any meaningful amount of products in China).

Key HPC Takeaways: Procter & Gamble consistently showed up as the leader of the pack in 2012, not only with the highest number of mentions, but the highest overall score as well. Colgate-Palmolive appeared to have suffered the most in the ranking in 2012, losing share in many metrics, as for some metrics the company's score deteriorated to such an extent that it fell out of the top 10.

Key Beverage Takeaways: Between The Coca-Cola Company and PepsiCo, Coca-Cola clearly had much stronger results across-the-board in 2012 (though we note that the beverage data does not include any data from Tingyi, PEP's joint venture partner in China).

Methodology

The PoweRanking Survey, conducted by Kantar Retail, polls over 200 retailers and manufacturers in China, and reflects the percentage of, in our case, manufacturers that are mentioned in any retailers' top three list for each category surveyed. The PoweRanking Strategic Composite includes the results from three strategic rankings (including company strategy, importance of brands to retailers, and the best combination of growth and profitability). Further, the Business Fundamentals Composite asks retailers to assess manufacturers on metrics such as their sales force, innovative marketing, consumer insights, supply management, and shopper marketing programs. The rankings in the Strategic Composite and the Business Fundamentals Composite contribute to the PoweRanking Composite. Additional to it, Kantar also has a measure for Digital Marketing and another for In-Store Execution / Support (the latter of which exists only for China and is not offered with the U.S. dataset).

Below we have provided detailed results for the Home & Personal Care and Beverages companies. Please note that we have also included the results for our companies that were mentioned in each of the below categories, as well as their results in the year prior (based on the reported YoY change).

PoweRanking Composite

Definition: A combination of the scores received by manufacturers in each of the three strategic and five business fundamentals sub-categories (with an extra weighting to the strategic questions). The PoweRanking Composite shows the overall performance of manufacturers, as determined by the retailers surveyed.

Figure 1. 2012 PoweRanking Composite

Company	Percentage	YoY Pt Change
PG	58.6%	-2.2
Unilever	38.1%	-6.4
KO	21.7%	+2.7
Kraft	13.2%	+1.5
L'Oréal	11.2%	-1.1
Mars	10.7%	-4.8
PEP	10.1%	-3.1
Wrigley	10.0%	+2.3
Nestlé	7.8%	-2.4
JNJ	7.4%	-2.3

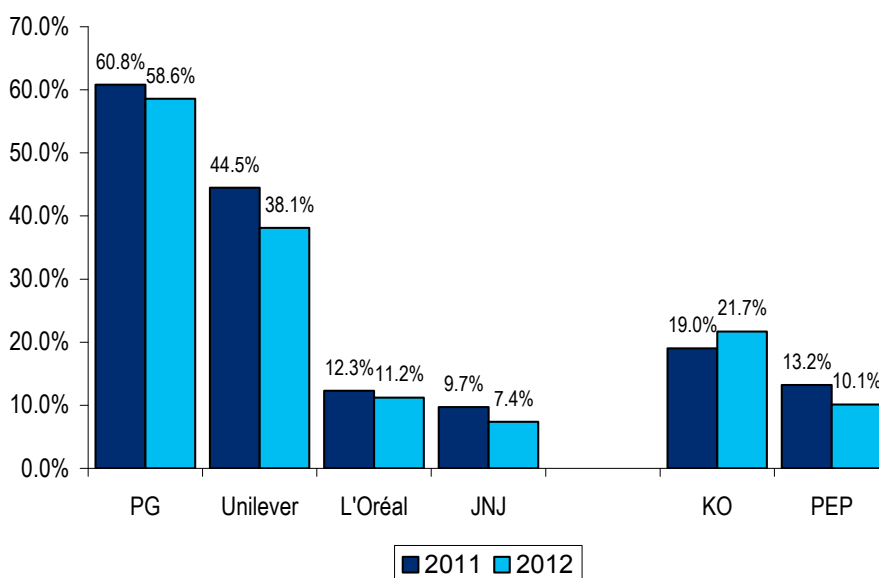
Source: Kantar Retail and Citi Research

The HPC Companies: For the second year, PG was named tops among the top 10 manufacturers by retailers, and moreover led the group of manufacturers by a greater margin than in 2011 (of 20.5 pts vs. 16.3 pts), despite losing 2.2 pts. In recognizing PG, one retailer commented: "P&G offers timely industry news for its customers. It consistently works on its customers' needs and offers effective solutions when problems arise. P&G is set on growing with its retail partners by sharing category advantages and leveraging global expertise." L'Oréal ceded a bit of its strength, but nonetheless moved up in the ranks, to No. 5 (down 1.1 pts, to 11.2%). JNJ held onto a spot in the top 10, despite losing 2.3 pts, to 7.4%, as CL dropped out of the top 10.

The Beverage Companies: KO's No. 3 PoweRanking score in 2012 represented a 2.7-pt improvement relative to 2011. PEP saw its overall score fall in 2012, to 10.1%, -3.1 pts.

Among other companies we cover and follow in Home & Personal Care and Beverages, we note KMB was cited as among the seven companies that improved their score vs. 2011.

Figure 2. PoweRanking Composite – Annual Trends



Source: Kantar Retail and Citi Research

Strategic Composite

Definition: Including retailers' views on manufacturers' company strategies, brands, and growth and profitability, the strategic composite reflects the thought leadership that retailers believe certain manufacturers are bringing to the table.

Figure 3. 2012 Strategic Composite

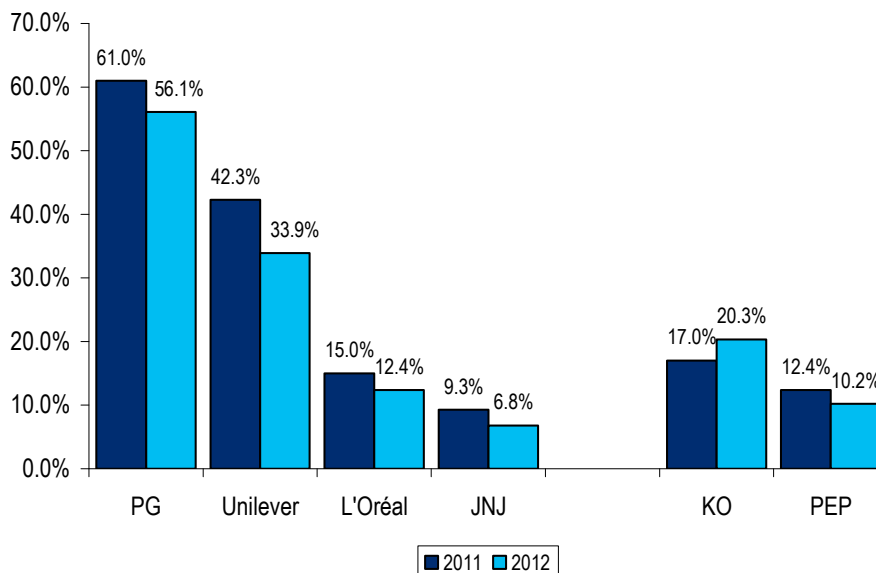
Company	Percentage	YoY Pt Change
PG	56.1%	-4.9
Unilever	33.9%	-8.4
KO	20.3%	+3.3
Kraft	15.4%	+1.7
L'Oréal	12.4%	-2.6
PEP	10.2%	-2.2
Wrigley	10.2%	+2.2
Mars	9.9%	-2.7
JNJ	6.8%	-2.5
Nestlé	6.5%	-2.9

Source: Kantar Retail and Citi Research

The HPC Companies: Despite PG's 4.9-pt drop, to a 56.1% score, the company maintained the top spot in the Strategic Composite. L'Oréal and JNJ also suffered in the year, down 2.6 pts and 2.5 pts, respectively, though both remained in the top 10, as CL dropped out of the top 10, in 2012.

The Beverage Companies: In 2012, KO and PEP's scores went in opposite directions as KO's rose 3.3 pts, to 20.3%, while PEP's deteriorated, down 2.2 pts, to 10.2%. One retailer made the following comment regarding KO: "Coca-Cola has a clear focus and develops its priorities with awareness of market dynamics."

Figure 4. Strategic Composite – Multi-year Trends



Source: Kantar Retail and Citi Research

Clearest Company Strategy

Definition: A key element in becoming a manufacturer that retailers value is the delivery of a clear strategy “for the next 5 years,” which includes the depth and breadth of communication, and which strategy is clearly communicated internally and externally. While simple in theory, the manufacturers that score well in this metric are those that are able to deliver a message of partnership and cooperation, while also addressing everyday situations that occur at the local level. Further, retailers generally favor those companies that, despite changes in senior management, are able to smoothly transition the organization while remaining visible with their retail partners.

Figure 5. 2012 Clearest Company Strategy

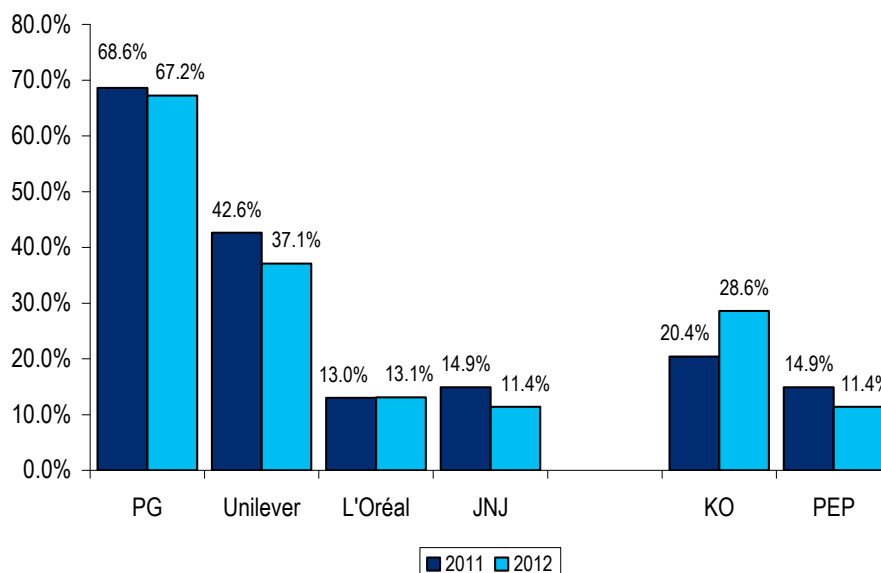
Company	Percentage	YoY Pt Change
PG	67.2%	-1.4
Unilever	37.1%	-5.5
KO	28.6%	+8.2
Kraft	13.1%	+0.1
L'Oréal	13.1%	+0.1
Wrigley	12.1%	+1.0
JNJ	11.4%	-3.5
PEP	11.4%	-3.5
Mars	7.7%	+0.2
Ferrero	6.7%	+1.2

Source: Kantar Retail and Citi Research

The HPC Companies: Consistent with the strength seen in other elements of the ranking, PG maintained its No. 1 position, but similar to other rankings saw its score drop, this one down a relatively small 1.4 pts. L'Oréal gained 0.1 pts, to 13.1%. We also note that CL dropped out of the top 10 in 2012.

The Beverage Companies: In 2012, KO's score climbed a big 8.2 pts, to 28.6%, while PEP's score fell 3.5 pts, to 11.4%.

Figure 6. Clearest Company Strategy – Multi-year Trends



Source: Kantar Retail and Citi Research

Most Important Consumer Brands to Retailers

Definition: Retailers are still well aware of the high levels of brand loyalty that exist for manufacturer brands. And, for those brands that continually improve their brand equity, retailers are willing to continue supporting these products.

Figure 7. 2012 Most Important Consumer Brands to Retailers

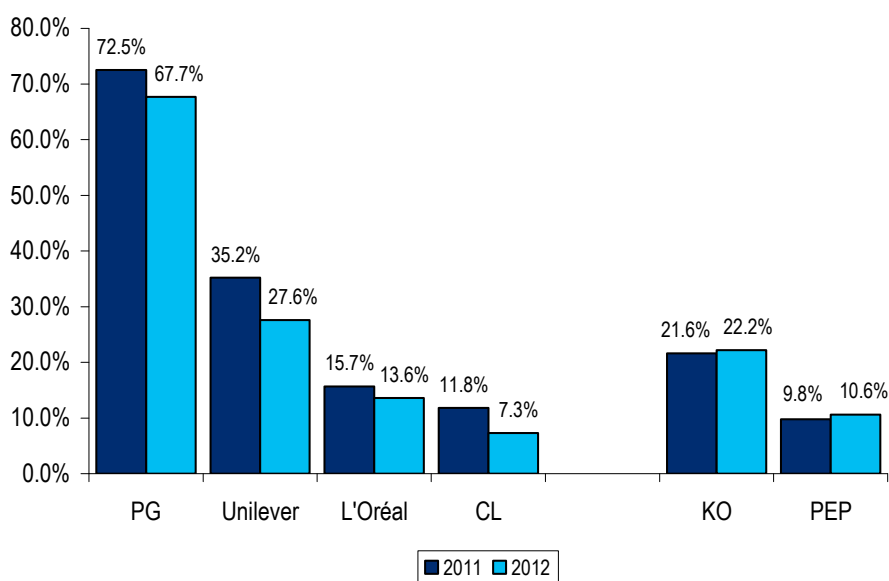
Company	Percentage	YoY Pt Change
PG	67.7%	-4.8
Unilever	27.6%	-7.6
KO	22.2%	+0.6
Kraft	15.9%	+4.1
L'Oréal	13.6%	-2.1
Wilmar	12.0%	+8.0
PEP	10.6%	+0.8
Nestlé	9.2%	-0.6
Mars	8.8%	-8.8
CL	7.3%	-4.5

Source: Kantar Retail and Citi Research

The HPC Companies: PG saw its ranking slip in this category, though a very significant 67.7% of retailers still rank the company among their top three. L'Oréal and CL each saw their scores drop, with CL's down a steeper 4.5 pts (to 7.3%) as L'Oréal's fell a smaller 2.1 pts (to 13.6%).

The Beverage Companies: KO and PEP's scores both improved in 2012, up 0.6 pts and 0.8 pts, respectively, as KO maintained its No. 3 rank and PEP rose one spot to No. 7.

Figure 8. Most Important Consumer Brands to Retailers – Multi-year Trends



Source: Kantar Retail and Citi Research

Best Combination of Growth & Profitability

Definition: With retailers keenly focused on improving their own growth and profitability, it has become increasingly important for manufacturers to find ways to work with retailers to help improve category dynamics in order to create strong sales performance balancing in-store investments.

Figure 9. 2012 Best Combination of Growth & Profitability

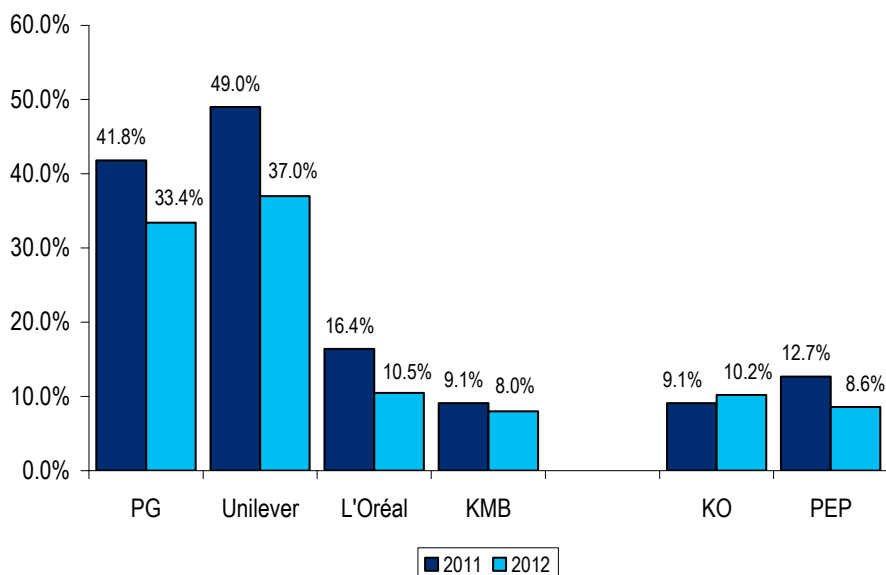
Company	Percentage	YoY Pt Change
Unilever	37.0%	-12.0
PG	33.4%	-8.4
Kraft	17.3%	+0.9
Wrigley	13.6%	+4.5
Mars	13.2%	+0.5
L'Oréal	10.5%	-5.9
KO	10.2%	+1.1
PEP	8.6%	-4.1
Danone	8.0%	-1.1
KMB	8.0%	-1.1

Source: Kantar Retail and Citi Research

The HPC Companies: PG's score declined in 2012, down a disappointing 8.4 pts, as the company was again ranked No. 2 in the metric. Despite the point drop, PG is nonetheless a stronger No. 2 in 2012 than it was in 2011 and it is closer to No. 1. than it was in the prior year. L'Oréal and KMB also saw their scores drop, down 5.9 pts and 1.1 pts, respectively, to 10.5% and 8.0%.

The Beverage Companies: KO and PEP were closely ranked in this metric in 2011, and in 2012 KO saw its score strengthen (up 1.1 pts, to 10.2%) as PEP saw its score weaken (down 4.1 pts, to 8.6%), such that KO overtook PEP in 2012.

Figure 10. Best Combination of Growth & Profitability – Multi-year Trends



Source: Kantar Retail and Citi Research

Business Fundamentals Composite

Definition: The Business Fundamentals Composite includes the evaluation of manufacturers' sales force/customer team, consumer shopper insights, category management, supply chain management, and shopper marketing programs.

Figure 11. 2012 Business Fundamentals

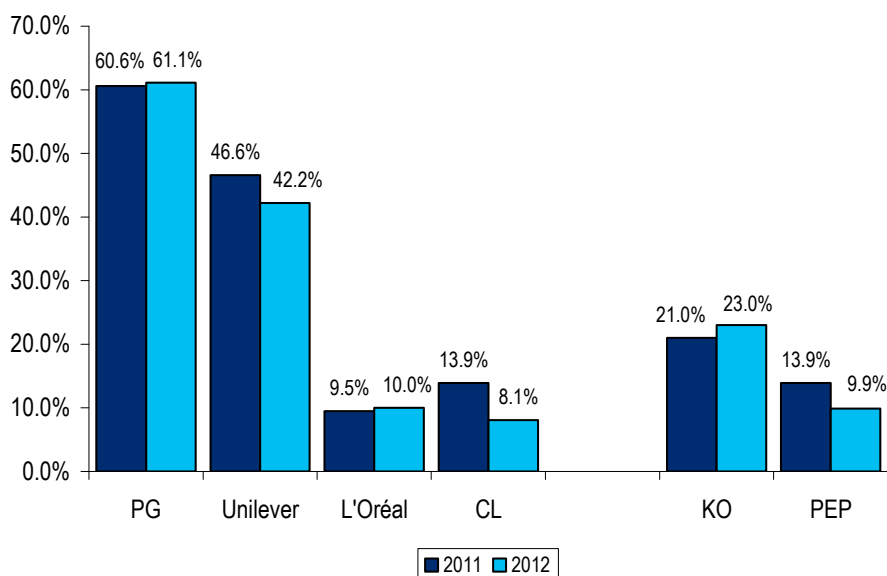
Company	Percentage	YoY Pt Change
PG	61.1%	+0.5
Unilever	42.2%	-4.4
KO	23.0%	+2.0
Mars	11.5%	-6.9
Kraft	11.0%	+1.3
L'Oréal	10.0%	+0.5
PEP	9.9%	-4.0
Wrigley	9.8%	+2.5
Nestlé	9.0%	-1.9
CL	8.1%	-5.8

Source: Kantar Retail and Citi Research

The HPC Companies: In 2012, PG once again ranked No. 1 by retailers, as the company's score improved 0.5 pts, to 61.1%. L'Oréal's score improved by an amount similar to PG's, as the company ranked No. 6 (with 10.0% of retailers naming the company as a top three). In contrast, CL lost a sizeable 5.8 pts, to 8.1%, though maintained its role in the top 10.

The Beverage Companies: In 2012, KO's score climbed 2.0 pts, to 23.0%, while PEP's score fell 4.0 pts, to 9.9%, as KO maintained its No. 3 rank and PEP fell to No. 7. Kantar attributed KO's improvement to "its ability to provide different promotion plans for specific types of shoppers."

Figure 12. Business Fundamentals – Multi-year Trends



Source: Kantar Retail and Citi Research

Best Sales Force / Customer Teams

Definition: With many retailers wanting more customer-specific support, many manufacturers have responded by creating dedicated teams for certain retailers, which allow for improved customer service and enhanced manufacturer communication with the retailers. What is more, these teams also allow the retailers to provide feedback to their manufacturing partners.

Figure 13. 2012 Best Sales Force / Customer Teams

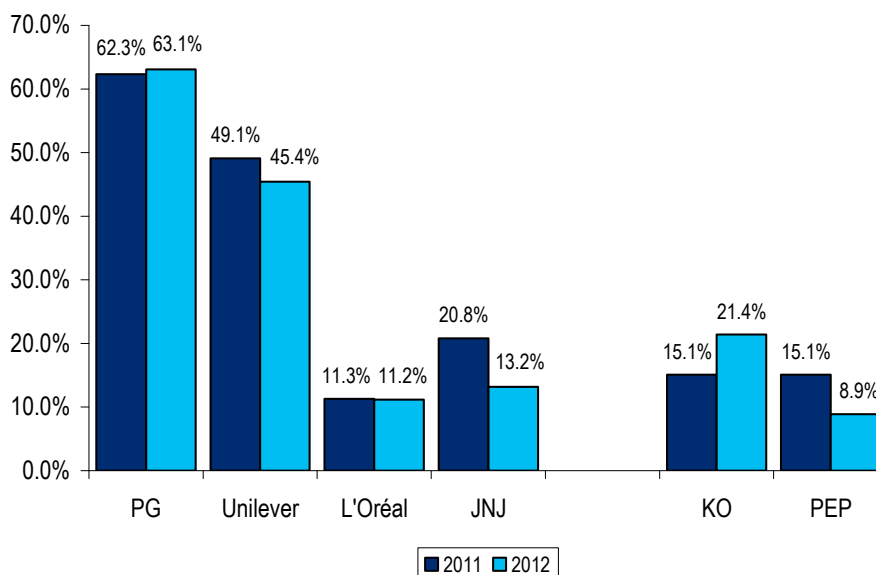
Company	Percentage	YoY Pt Change
PG	63.1%	+0.8
Unilever	45.4%	-3.7
KO	21.4%	+6.3
Mars	17.9%	-12.3
JNJ	13.2%	-7.6
Nestlé	11.3%	-5.7
L'Oréal	11.2%	-0.1
Kraft	10.7%	+3.2
PEP	8.9%	-6.2
MJN	6.5%	+4.6

Source: Kantar Retail and Citi Research

The HPC Companies: In 2012, PG posted a 0.8-pt increase, to 63.1%, as the company extended its lead in the No. 1 rank, in part owing to “their abundance of data and shopper understanding.” L'Oréal's score was almost unchanged YoY, at -0.1 pts, as that company nonetheless moved ahead into the No. 7 rank. We note that in 2012 CL fell out of the top 10.

The Beverage Companies: KO and PEP's scores changed in nearly the same amount, of 6.3 pts and 6.2 pts, respectively, though moved in opposite directions as KO's improved and PEP's deteriorated. KO saw its rank improved as well, to No. 3, from a tie in No. 6 (with PEP), as PEP's rank dropped to No. 9.

Figure 14. Best Sales Force / Customer Teams – Multi-year Trends



Source: Kantar Retail and Citi Research

Most Innovative Marketing Programs and Approach

Definition: Innovative marketing programs come in a variety of shapes and sizes, but generally they are those programs that leverage important brands or properties in a creative way.

Figure 15. 2012 Most Innovative Marketing Programs and Approach

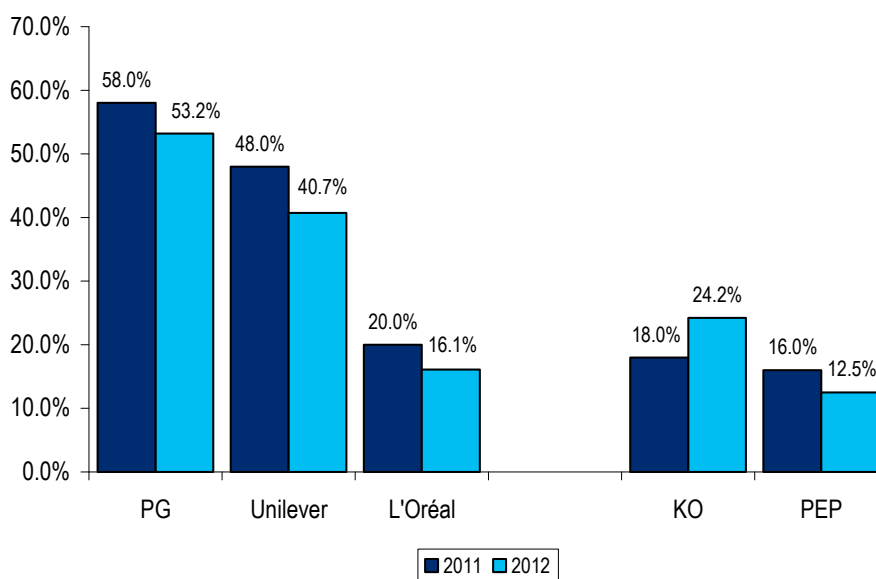
Company	Percentage	YoY Pt Change
PG	53.2%	-4.8
Unilever	40.7%	-7.3
KO	24.2%	+6.2
Kraft	19.1%	+5.1
L'Oréal	16.1%	-3.9
Nestlé	13.6%	+1.6
PEP	12.5%	-3.5
Wrigley	11.5%	-2.5
Mars	8.5%	-5.5
Ferrero	8.1%	+4.1

Source: Kantar Retail and Citi Research

The HPC Companies: In 2012, this category which PG leads represented another in which the company ceded share, down 4.8 pts (to 53.2%). Similarly, L'Oréal also ceded share, down 3.9 pts (to 16.1%), as the company fell to No. 5.

The Beverage Companies: In 2012, KO was named among the top three by 24.2% of retailers, as its score rose a big 6.2 pts YoY, such that KO maintained its No. 3 rank as a result of KO's "flexibility and creativity in reaching consumers." PEP's 2012 score deteriorated to 12.5% (-3.5 pts YoY), as the company ranked No. 7.

Figure 16. Most Innovative Marketing Programs and Approach – Multi-year Trends



Source: Kantar Retail and Citi Research

Most Helpful Consumer Insights; Category Management

Definition: With retailers constantly striving for better ways to target consumer needs, helpful consumer shopper insights encompass those takeaways that provide retailers with data regarding customer segmentation and provide solutions for better targeting mutual consumer groups. The best manufacturers were those cited by retailers as having an ability to “generate retailer-specific insights and clear category strategies.”

Figure 17. 2012 Most Helpful Consumer Insights; Category Management

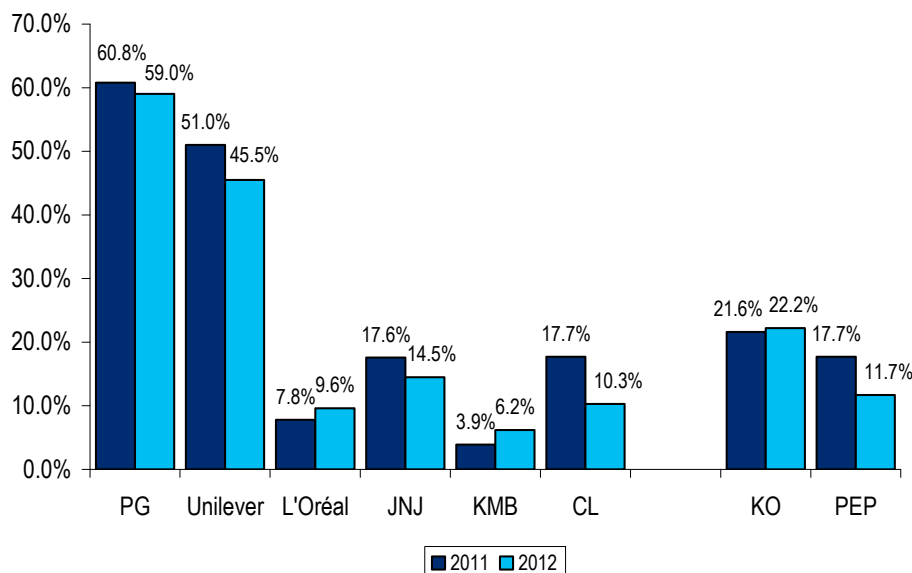
Company	Percentage	YoY Pt Change
PG	59.0%	-1.8
Unilever	45.5%	-5.5
KO	22.2%	+0.6
Mars	17.0%	-8.5
JNJ	14.5%	-3.1
Wrigley	12.9%	+7.1
PEP	11.7%	-6.0
CL	10.3%	-7.4
L'Oréal	9.6%	+1.8
Danone	6.2%	+2.3
KMB	6.2%	+2.3

Source: Kantar Retail and Citi Research

The HPC Companies: In 2012, PG's score fell 1.8 pts, though to a still category-leading 59.0%. In contrast, L'Oréal and KMB posted nice gains, up 1.8 pts and up 2.3 pts, respectively, to 9.6% and 6.2% (such that KMB moved into the top 10 in 2012). CL saw its score drop a notable 7.4 pts, to 10.3%, such that the company held the No. 8 rank in 2012. JNJ's score dropped less than CL's, down 3.1 pts, to 14.5%, as JNJ moved ahead into the No. 5 rank.

The Beverage Companies: KO's score improved 0.6 pts to 22.2%, securing the company a No. 3 rank in 2012 vs. its No. 4 rank in 2011. PEP's score fell a big 6.0 pts to 11.7%, dropping the company into the No. 7 ranking (from No. 5 in 2011).

Figure 18. Most Helpful Consumer Insights; Category Management – Multi-year Trends



Source: Kantar Retail and Citi Research

Best Supply Chain Management

Definition: Supply chain management includes a number of initiatives, including RFID and source reduction, as well as the reduction of waste in the system.

Figure 19. 2012 Best Supply Chain Management

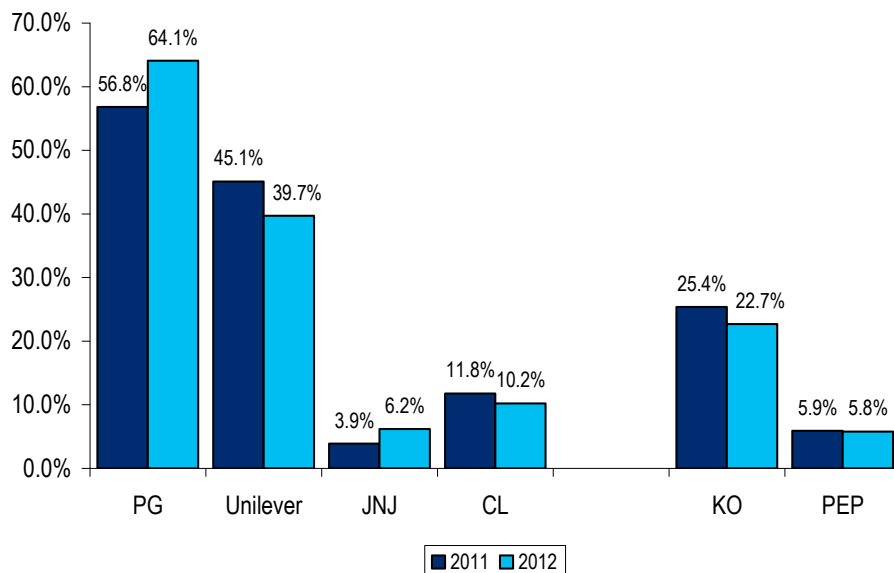
Company	Percentage	YoY Pt Change
PG	64.1%	+7.3
Unilever	39.7%	-5.4
KO	22.7%	-2.7
Kraft	11.1%	-2.6
CLX	10.2%	-1.6
Bright Food Group	7.3%	-4.5
Mars	6.3%	-3.5
Nestlé	6.3%	-3.5
JNJ	6.2%	+2.3
PEP	5.8%	-0.1

Source: Kantar Retail and Citi Research

The HPC Companies: PG leads the group, with a stunningly high 64.1% of retailers naming the company in the top three in 2012, as the company's score improved a big 7.3 pts. Kantar observed "Procter & Gamble was recognized for its dedicated supply chain resources, consistent in-stock performance, and willingness to partner with retailers on supply chain issues." We note that CLX is in the top 10, the only metric in which the company is named, at No. 5 (down 1.6 pts, to 10.2%). JNJ improved its score 2.3 pts in 2012, to 6.2%, while L'Oréal dropped out of the top 10.

The Beverage Companies: In 2012, KO lost 2.7 pts as 22.7% of retailers ranked KO among their top three manufacturers (though the company continued to rank No. 3). PEP's score dropped a small 0.1 pts, to 5.8%, for the year.

Figure 20. Best Supply Chain Management – Multi-year Trends



Source: Kantar Retail and Citi Research

Best Shopper Marketing Programs

Definition: This metric highlights marketing programs which are developed through research that is specific to a retailer, and leverage insight into that retailer's most valuable customers.

Figure 21. 2012 Best Shopper Marketing Programs

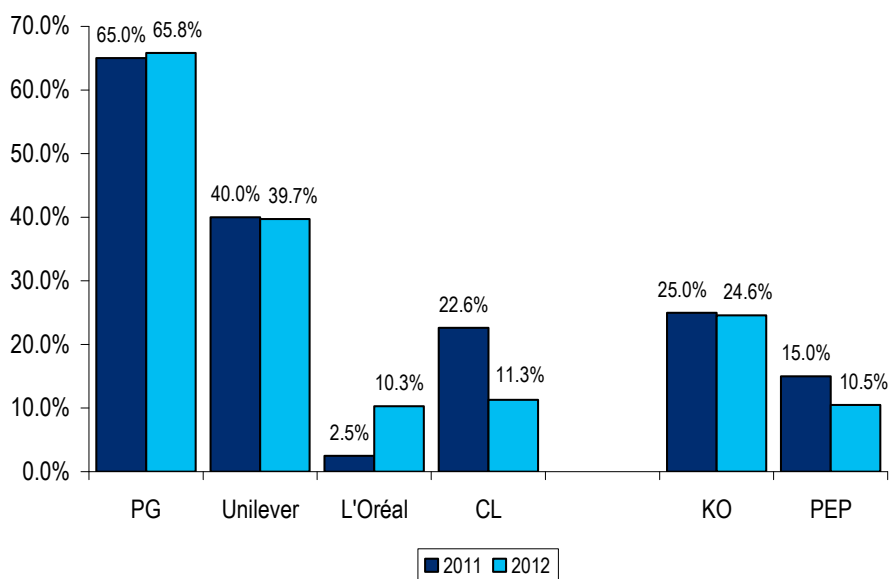
Company	Percentage	YoY Pt Change
PG	65.8%	+0.8
Unilever	39.7%	-0.3
KO	24.6%	-0.4
Wrigley	15.3%	+2.8
CL	11.3%	-11.3
PEP	10.5%	-4.5
L'Oréal	10.3%	+7.8
Nestlé	9.5%	-0.5
Kraft	8.3%	+0.8
Mars	7.8%	-4.7

Source: Kantar Retail and Citi Research

The HPC Companies: In 2012, PG's shopper marketing score improved, up 0.8 pts to a category-leading 65.8%. Similar to other metrics, CL faltered in the year, down a sizeable 11.3 pts, to 11.3%, such that CL ranked No. 5 in 2012, vs. No. 4 in 2011.

The Beverage Companies: Both KO and PEP's scores fell in 2012, down 0.4 pts and down 4.5 pts, respectively, to 24.6% and 10.5%.

Figure 22. Best Shopper Marketing Programs – Multi-year Trends



Source: Kantar Retail and Citi Research

Digital Marketing

Definition: Kantar Retail also questioned retailers about the success or lack thereof by manufacturers in digital marketing, “given the huge presence of mobile and online media and rapid growth in online retail.” This is not a criterion in the PowerRanking Composite.

Figure 23. 2012 Digital Marketing

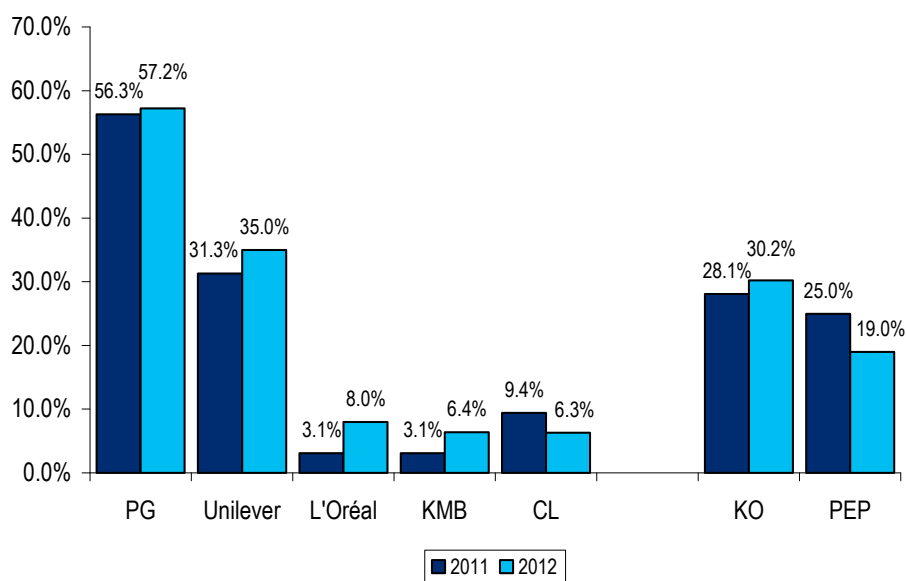
Company	Percentage	YoY Pt Change
PG	57.2%	+0.9
Unilever	35.0%	+3.7
KO	30.2%	+2.1
PEP	19.0%	-6.0
Mars	15.7%	-12.4
Kraft	11.1%	-1.4
Abbott	9.6%	+3.3
L'Oréal	8.0%	+4.9
KMB	6.4%	+3.3
CL	6.3%	-3.1

Source: Kantar Retail and Citi Research

The HPC Companies: PG maintained its No. 1 position, at 57.2% (up 0.9 pts), as L'Oreal (up 4.9 pts) and KMB (up 3.3 pts) also showed stronger scores in 2012, such that both newly joined the top 10. In contrast, CL's score fell 3.1 pts, to 6.3%, but CL managed to nonetheless remain in the top 10.

The Beverage Companies: In 2012, KO held its No. 3 position, at 30.2% (+2.1 pts), while PEP improved its rank to No. 4 from No. 5, despite a 6.0-pt drop, to 19.0%.

Figure 24. Best Shopper Marketing Programs – Multi-year Trends



Source: Kantar Retail and Citi Research

In-Store Support

Definition: Different from the U.S. survey, Kantar Retail's China survey also questioned retailers about the in-store support that they receive from manufacturers. This is not a criterion in the PowerRanking Composite.

Figure 25. 2012 In-Store Support

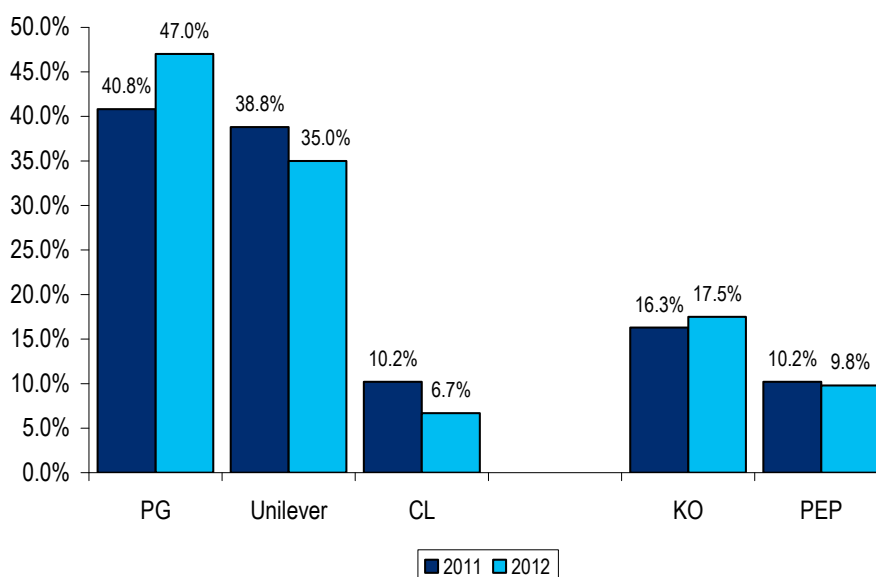
Company	Percentage	YoY Pt Change
PG	47.0%	+6.2
Unilever	35.0%	-3.8
KO	17.5%	+1.2
Kraft	15.4%	-2.9
PEP	9.8%	-0.4
Mars	9.2%	-9.2
Master Kong	6.7%	+2.6
CL	6.7%	-3.5
Ferrero	6.7%	-3.5
Wilmar	5.7%	+3.7
Wyeth	5.7%	+3.7
Xu Ji Food	5.7%	+3.7

Source: Kantar Retail and Citi Research

The HPC Companies: PG strengthened its No. 1 position, up a hearty 6.2 pts, to 47.0%. One retailer commented "P&G has rich resources and will customize promotions, displays and personnel according to outlets." CL's score dropped 3.5 pts, to 6.7%.

The Beverage Companies: In 2012, KO improved two spots to the No. 3 position, at 17.5% (+1.2 pts), while PEP stepped ahead into the No. 5 spot, despite a 0.4-pt drop, to 9.8%.

Figure 26. Best In-Store Support – Multi-year Trends



Source: Kantar Retail and Citi Research

Appendix A-1

Analyst Certification

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