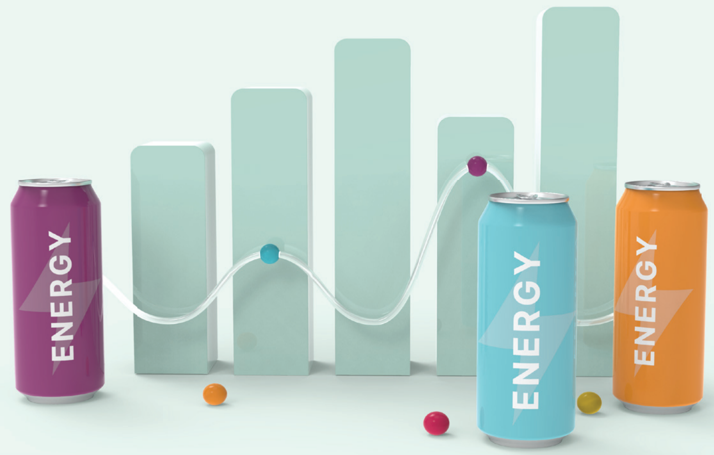
Skupos



Skupos Data Report

Energize Your Convenience Retail Strategy:

Insights from the Independent Market

The independent convenience retail channel is massive for energy drink brands, yet one of the most challenging markets to master due to its fragmented nature. In addition to lacking data, a brand's ability to facilitate promotional programs is limited and often watered down by intermediaries in the supply chain before reaching the consumer. A robust solution is necessary to overcome this problem.

Almost 80% of the convenience retail market consists of chains of 100 stores or fewer, plus independently-owned, single stores.

Source: TDLinx 2020

Skupos aggregates the convenience retail market, serving as a single platform to measure and improve product performance across thousands of small chains and independent retailers.

Powered by data from Skupos' network of over 14,000 retailers, this study provides brand, sales, and category managers with insight into the information they need on energy drinks to make more informed decisions across the hard-to-access independent market.

Key Takeaways

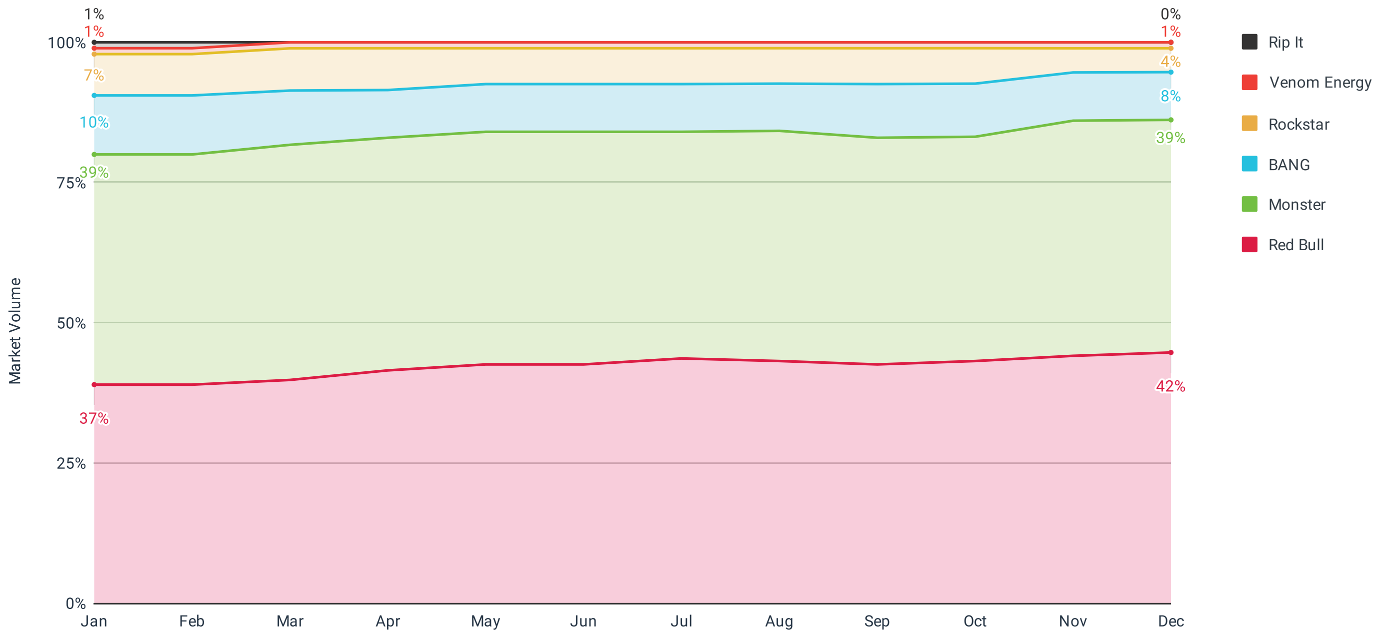
- **Most brands experienced limited market share fluctuations of 1-3 point changes nationally throughout 2020,** with consumers sticking with their go-to energy drink brands. With more stability expected in 2021 as vaccines roll out, brands may be able to make gains by examining regional performance metrics and establishing targeted promotional strategies.

- **Established brands see larger seasonal swings in velocity.** With energy drink demand rising in the summer, smaller and emerging brands have an opportunity to capitalize on increased interest from consumers during this time period.

- **Brands see large differences between promotion take rates in different regions,** for example, Rockstar's promotion take rate is ~70% in the West and ~50% in the South Central. Brands should evaluate geo-targeted promotional programs to account for the heavy influences of regional preferences. Lean into areas that present the greatest opportunity for growth - and watch what other brands are doing.

Consumers Turn to Tried-and-True Favorites Amidst COVID-19

2020 National Energy Drink Dollar Share



The US energy drink market held fairly steady throughout 2020, with small gains from BANG and some other smaller players. As COVID-19 unfolded, consumers sought stability from their go-to brands, with Red Bull surging almost 2 points among consumers from March to April. On the other hand, Monster did not experience fluctuations in market share throughout the year.

In comparison, BANG's share dropped from 9.5% in January to 8.1% by the end of 2020. As 2021 unfolds, smaller and emerging brands may have an opportunity to make up some ground as consumers become more open to trying different products.

Most Popular Brands Surge in Summer Quarters

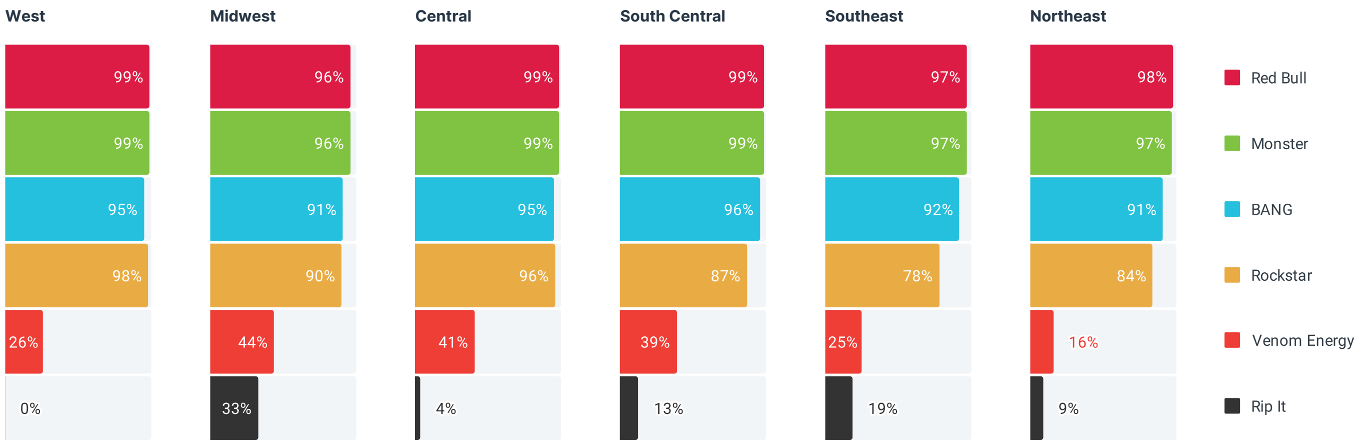
Average Units Sold Per Store Per Day

Brand	Winter 2020 Dec. 2019 - Feb. 2020	Spring 2020 Mar. 2020 - May 2020	Summer 2020 June 2020 - Aug. 2020	Fall 2020 Sept. 2020 - Nov. 2020
Monster	19.8	21.3	24.7	22.7
Red Bull	15.6	17.3	21.7	20.0
Rockstar	7.0	7.3	7.7	6.6
BANG	7.0	6.7	7.0	6.4
Venom Energy	5.4	5.3	5.3	5.2
Rip It	5.3	5.2	5.4	5.2

On average, all energy drink brands experience seasonal velocity fluctuations, with higher-velocity brands seeing larger swings. Above, Monster saw an average velocity of 24.7 units sold per store per day in Summer 2020, dropping to a yearly low of 19.8 units in Winter 2020, representing a 24% decline. In comparison, Rockstar showed a Summer 2020 velocity of 7.7, versus a Winter 2020 velocity of 7.0, representing only a 9.4% drop.

Energy Drink Brands Should Consider a Regional Strategy

Regional Store Coverage by Brand (Year-End)

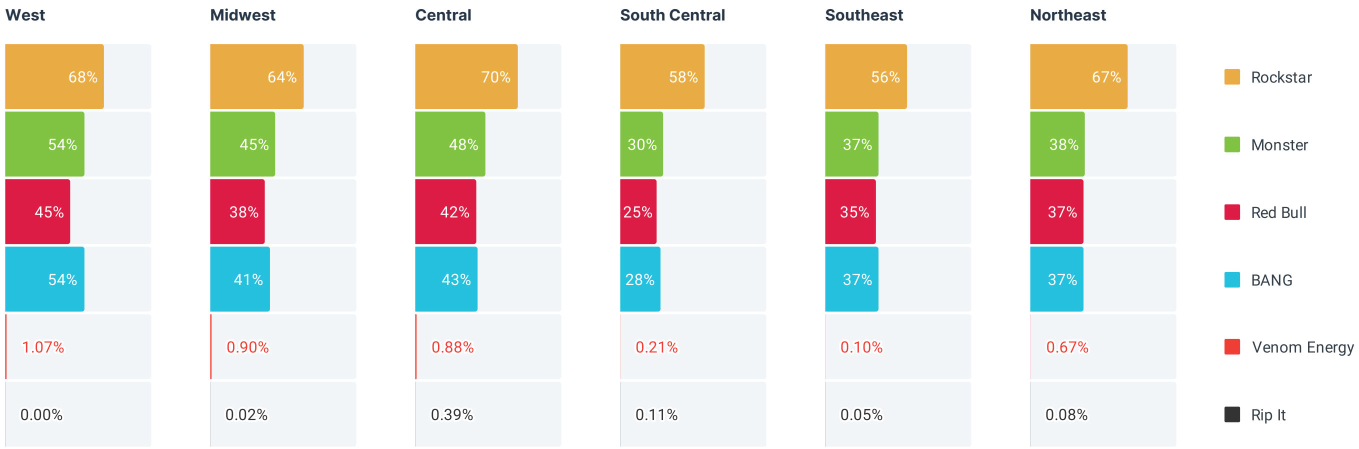


Regional distribution varies across different brands, indicating geography-driven go-to-market strategies. For instance, distribution of Rockstar in the West region leads by 13-16 percentage points as compared to the Northeast and Southeast regions. Venom Energy shows similar differences, with a 28 percentage point difference between the South Central and the Northeast. BANG's distribution is lowest in the Northeast, however they made strides this year in the region, increasing from 65% distribution at the start of the year to 91% at the end of the year.

While larger brands like Red Bull and Monster see consistent distribution across all regions, this chart highlights how smaller brands such as Venom Energy and Rip It can use macro-level regional market data to inform their strategies. What are they doing in regions where distribution is high? Are there opportunities to replicate what they are doing in regions with lower distribution? By digging deeper into the data, brands of all sizes are able to make strategic changes to distribution partnerships, pricing, or promotions to improve performance.

Promotional Strategy Varies by Brand, by Region

Regional Promotional Take Rate by Brand (Year-End)



With greater distribution, comes greater promotional opportunities. That’s why for the top four distributed energy drink brands, one out of every three of their products are sold on discount. However, the opposite is true for less available energy drinks in independent convenience retail. Where available, consumers purchase Venom Energy and Rip It on discount less than 1.2% of the time, indicating that these brands do not offer standardized nationwide promotions on their products in independent convenience.

Promotion take rates can play an important role in scaling product distribution in underserved regions. BANG is a perfect example of this. Last May, BANG was sold in 68% of Skupos’ stores in the Northeast, and had a promotion take rate of 22%. As BANG looked to increase distribution in the region, they changed their promotional strategy. Starting in June, BANG’s distribution in the Northeast began to expand, and along with that so did their take rates. By the end of 2020, BANG was in 91% of Skupos’ Northeast stores, with 37% of their products sold on discount.

Conclusion

Independent convenience retail represents a $174B market for in-store CPG sales, but CPG brands have not been able to serve the market effectively due to challenges in measuring promotional performance and easily reaching retailers at scale.

The Skupos Engage platform aggregates independent retailers and small chains so that brands can work with thousands of stores through a single provider—creating the "large chain" experience that's been lacking in the independent market.

With the ability to run promotions through the Skupos network, brands can now test, execute, measure, and optimize promotional programs with an audience they've never been able to reach. And in the competitive convenience retail market, promotions can have a material impact on market share and sales. Do you have what it takes to maximize your brand's revenue in independent convenience retail?