

Consumers Industry Report

The Consumer Goods and Services sector is a category of stocks and companies that relate to items and services purchased by individuals rather than by manufacturers and industries. This sector includes companies involved with goods and services related to food, packaged goods, clothing, beverages, automobiles, travel and electronics to name a few.

The twenty largest companies in the Consumer Goods and Services sector are:

1. Amazon.com, Inc.: an American electronic commerce and cloud computing company headquartered in Seattle, Washington with a \$270,800,100,000 Market Cap.
2. The Procter & Gamble Company: an American multinational consumer goods company headquartered in downtown Cincinnati, Ohio with a \$225,804,200,000 Market Cap.
3. Wal-Mart Stores Inc.: an American multinational retail corporation that operates a chain of hypermarkets, discount department stores and grocery stores. The company is headquartered in Bentonville, Arkansas with a \$213,822,400,000 Market Cap.
4. The Coca-Cola Company: an American historical multinational beverage corporation and manufacturer, retailer, and marketer of nonalcoholic beverage concentrates and syrups, which is headquartered in Atlanta, Georgia with a \$190,974,100,000 Market Cap.
5. The Walt Disney Company: an American diversified multinational mass and entertainment conglomerate headquartered at the Walt Disney Studios in Burbank, California with a \$160,677,000,000 Market Cap.
6. The Home Depot, Inc.: an American retailer of home-improvement and construction products and services with a \$159,195,100,000 Market Cap.
7. Philip Morris International, Inc.: an American global cigarette and tobacco company, with products sold in over 200 countries and a \$146,397,800,000 Market Cap.
8. Comcast Corporation: an American multinational mass media company and the largest broadcasting and largest cable company in the world by revenue with a \$145,908,900,000 Market Cap.
9. Pepsico, Inc.: an American multinational food, snack and beverage corporation headquartered in Purchase, New York with a \$144,541,300,000 Market Cap.
10. Altria Group Inc.: one of the world's largest tobacco and cigarette corporations based in Henrico County, Virginia with a \$123,444,500,000 Market Cap.
11. CVS Health Corporation: an American retailer and health care company with a \$109,307,300,000 Market Cap.

12. McDonald's Corp.: the world's largest chain of hamburger fast food restaurants, serving around 68 million customers daily in 119 countries across more than 36,000 outlets with a \$105,650,400,000 Market Cap.

13. NIKE, Inc.: an American multinational corporation that is engaged in the design, development, manufacturing and worldwide marketing and sales of footwear, apparel, equipment, accessories and services with a \$104,335.1 Market Cap.

14. The Kraft Heinz Company: The Kraft Heinz Company is an American worldwide food company formed by the merger of Kraft Foods and Heinz with a \$93,776.5 Market Cap.

15. Starbucks Corporation: an American coffee company and coffeehouse chain founded in Seattle, Washington in 1971 with an \$86,764.5 Market Cap.

16. Walgreens Boots Alliance, Inc.: the largest drug retailing chain in the United States with an \$85,706.4 Market Cap.

17. Reynolds American Inc.: an American tobacco company and is the second-largest tobacco company in the United States with a \$73,807.8 Market Cap.

18. Costco Wholesale Corporation: an American membership-only warehouse club that provides a wide selection of merchandise with a \$66,283.7 Market Cap.

19. Mondelez International, Inc.: a multinational confectionery, food, and beverage conglomerate based in the United States which employs about 107,000 people around the world and a \$66,096.0 Market Cap.

20. The Priceline Group Inc.: is a provider of online travel & related services to consumers and local partners in over 200 countries through six primary brands and a \$64,388.0 Market Cap.

The Companies within the Consumer Goods and Services sector can be categorized into

several subsectors, such as:

1. Advertising: Companies within this sub-sector are involved in the use of marketing communication to promote or sell products or service for various businesses and serve as the means of communication between the company and the consumer audience.

2. Apparel, Accessories & Luxury Goods: Companies within this sub-sector are involved in the sale of fiber and textile material worn on the body, various accessories worn on the body and other luxury goods.

3. Automobile Parts & Manufacturing: Companies within this sub-sector are involved in the design, repair, development, manufacturing, marketing, and selling of motor vehicles.

4. **Broadcasting & Cable TV:** Companies within this sub-sector are involved in the distribution of audio and/or video content to a dispersed audience via any electronic mass communications medium, but typically one using the electromagnetic spectrum (radio waves), in a one-to-many model. Additionally, they provide systems of delivering television programming to paying subscribers via radio frequency (RF) signals transmitted through coaxial cables or light pulses through fiber-optic cables.

5. **Casinos & Gaming:** a casino is a facility which houses and accommodates certain types of gambling activities. The industry that deals in casinos is called the gaming industry.

6. **Computer & Electronics Retail:** Companies within this sub-sector are involved in the sales of general purpose electronic devices such as: cell phones and computers along with any other device that is capable of transmitting, receiving, or recording messages, images, sounds, data, or other information by electronic means.

7. **Department Stores:** Companies within this sub-sector are retail establishments offering a wide range of consumer goods in different product categories known as "departments".

8. **General Merchandise Stores:** Companies within this sub-sector are rural or small town stores that carry general lines of merchandise, sometimes in a small space, where people from the town and surrounding rural areas purchase their general goods.

9. **Home Furnishings, Improvement & Building:** Companies within this sub-sector are involved in the constructing, renovating, making additions to one's home and adding furniture to homes.

10. **Hotels, Resorts & Cruise Lines:** Companies within this sub-sector are establishments that provide lodging paid on a short-term basis. Facilities provided may range from a basic bed and storage for clothing, to luxury features like en-suite bathrooms. Additionally, companies provide a self-contained commercial establishment which attempts to provide for most of a vacationer's wants while remaining on the premises, such as food. Lastly, companies are in the leisure entertainment business, some of which occurs at the destination but a great deal of which takes place aboard cruise ships.

11. **Household Products & Appliances:** Companies within this sub-sector are involved in the sale of tangible and movable personal property placed in the living rooms, dining rooms, kitchens, family rooms, great rooms, bedrooms, bathrooms, recreation rooms, hallways, attics, and basements and other rooms of a house.

12. **Internet Retail:** Companies within this sub-sector are involved in allowing consumers directly buy goods or services from a seller over the Internet using a web browser.

13. **Leisure Products:** Companies within this sub-sector are involved in the sale of recreation, entertainment, sports, and tourism (REST)-related products and services.

14. **Publishing:** Companies within this sub-sector are involved in the production and dissemination of literature, music, or information — the activity of making information available to the general public.

15. Restaurants: Companies within this sub-sector are involved in the preparation and serving of food and drinks to customers in exchange for money.

16. Specialty Stores & Retail: Companies within this sub-sector are stores that cater to one specific retail market (camera stores, pharmacies, stationers and bookstores. In other words, a shop that specializes in one breed of products).

17. Agricultural Products: Companies within this sub-sector are involved in the cultivation of animals, plants, fungi, and other life forms for food, fiber, biofuel, medicinal and other products used to sustain and enhance human life.

18. Brewers, Distillers & Vintners: Companies within this sub-sector are involved in the production of beer by steeping a starch source in water and fermenting the resulting sweet liquid with yeast. Additionally, companies separate the component substances from a liquid mixtures by selective evaporation and condensation. Lastly, these companies engage in winemaking.

19. Drug Retail & Distributors: Companies within this sub-sector are involved in the sale of chemical substance used to treat, cure, prevent, diagnose a disease or promote well- being.

20. Hypermarkets & Super Centers: Companies within this sub-sector are superstores combining a supermarket and a department store. Additionally, these stores are larger than standard supermarkets and sell a wider selection of merchandise while including pharmacies and department store merchandise.

21. Packaged Foods & Meats: Companies within this sub-sector are involved in the sale of commercially prepared (often through processing) food.

22. Soft Drinks: Companies within this sub-sector are involved in the production and sale of drinks that typically contains carbonated water, a sweetener, and a natural or artificial flavoring.

23. Tobacco: Companies within this sub-sector are involved in the preparation of Tobacco from the leaves of the tobacco plants by curing them to be used for smoking in cigarettes, cigars, as well as chewed as chewing Tobacco.

CONSUMER-RETAIL PORTER'S FIVE FORCES ANALYSIS

1. Buyer Power: Customers in the consumer retail industry are fragmented; therefore, companies in this industry are faced with individual customers who have very little bargaining power and little influence on price or product. However, if customers collectively demand high quality products at bargain price, it can keep companies honest. Also, on a larger scale, when considering buyers of consumer products to be retailers rather than individuals then the buyer power that companies in this industry face become more robust. For example, huge retailers like Target are able to negotiate for pricing with companies like Hanes because they purchase and sell a huge share of Hanes' products.

2. Supplier Power: Consumer retail companies face a decent amount of supplier power

stemming from the costs they incur when switching suppliers. However, individual private suppliers have a relatively low bargaining power in front of large retail chains, with greater supplier power expressed over small retailers who have less buying power. For example, Sears set very high standards for quality and suppliers that didn't meet these standards were dropped from the Sears line. Wal-Mart places strict control on its suppliers. A contract with a large retailer such as Target can make or break a small supplier; therefore, in the retail industry, suppliers tend to have very little power.

3. Threat of New Entrants: Considering the amount of capital investment required to enter certain segments in consumer retail, such as manufacturing deodorants, the threat of new entrants is fairly low in the industry. However, in some segments within the household consumer retail industry, this may not be the case since a small manufacturer could develop a superior and differentiated product, such as a detergent, and compete with Procter & Gamble and as stated this requires a large amount of capital investment. Also, the challenge is whether the small manufacturer can actually have its products sold by the same retailers as its much larger rivals. A trend that started over a decade ago has been a decreasing number of independent retailers. The majorities of stores in shopping malls are chain stores and while the barriers to start up a store are not impossible to overcome, the ability to establish favorable supply contracts, leases and be competitive is becoming increasingly challenging. Vertical structure and centralized buying gives chain stores a competitive advantage over independent retailers.

4. Threat of Substitutes: The tendency in consumer retail is not to specialize in one good or service, but to deal in a wide range of products and services; meaning that what one store offers will likely found at another store. Retailers offering products that are unique have a distinct or absolute advantage over their competitors. Within the consumer retail industry, brands succeed by building a competitive advantage, but even the pricing power of brands can be eroded with substitutes such as store-branded private-label offerings. Growing market shares and increasing variety of store-branded private-label offerings is now a global phenomenon. In fact, some of these same store-brand private-label products are manufactured by the large consumer-products firms. As a result, the threat for substitutes is high the consumer retail industry.

5. Degree of Rivalry: Consumers in this category are faced with a multitude of choices for everything for just about every consumer product imaginable. While many consumers prefer certain brands, switching costs in this industry are quite low; therefore, preferences are not a sure bet. It does not cost anything for a consumer to buy one brand of underwear instead of another. As a result, consumer retail companies consistently face robust competition and are consistently vying for increased market share due to the stagnated market growth associated with the industry. A relatively new trend that has aimed to gain competitive advantage in ways outside of pricing has been the increasingly popular offerings of frequent flier points, memberships and other customer loyalty specialties that are usually accompanied by only customer relationship management.