HEALTHY COMPETITION

The food category is no exception to the challenges plaguing the consumer packaged goods (CPG) industry. Amid a challenging retail environment, food companies continue to struggle with shifts in consumer tastes and preferences.[1] Unbranded searches grew 10 percent year over year, twice as fast as branded searches across all categories. Vegan, low-sugar, and low-carb searches grew by 64, 36, and 18 percent, respectively, reinforcing the trend toward healthier, more wholesome ingredients. While food companies scramble to innovate their product offerings, they are also faced with mitigating the threat from longtail brands that cater to this increasingly ingredient-conscious, brand-agnostic consumer across digital marketing and e-commerce channels. For example, while Yoplait continues to lose share in the yogurt aisle to new upstarts, brands like Siggi's punch above their weight class across emerging online grocery channels. The low-sugar, high-protein Icelandic yogurt brand rivals Yoplait in first-page visibility for unbranded yogurt search terms on Amazon Fresh.

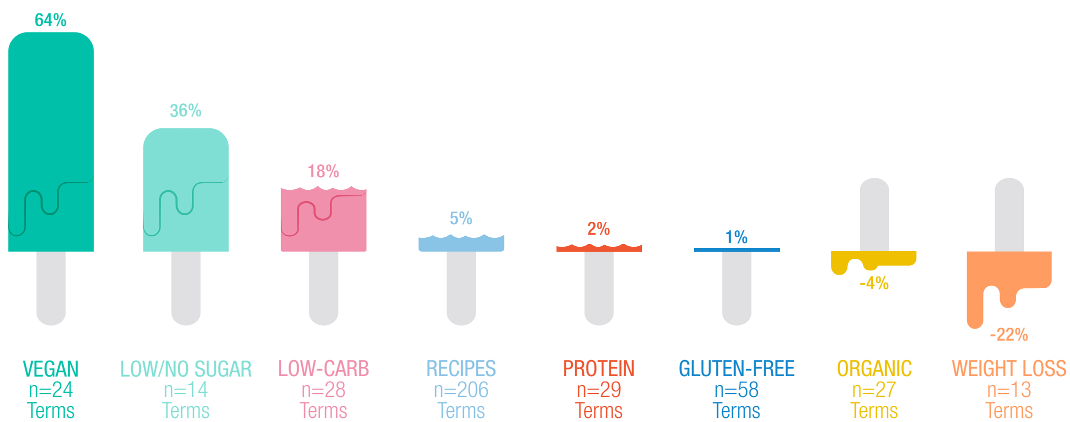
Some food enterprises, however, are revamping older brands historically perceived as processed and unhealthy. Birds Eye, a brand in the Pinnacle Foods portfolio that recently became an acquisition target for Conagra Brands, launched a new brand site that emphasizes the health and nutrition attributes of its frozen vegetables. Similarly, Unilever's Breyers includes search-optimized content on its new brand site to consistently win the first organic result for trending, low-sugar ice cream searches.

How Much is Too Much?

Recipes continue to drive the majority of the search volume in the food category. However, only one Index brand—Betty Crocker—has broken through the noise of recipe hubs to obtain significant visibility in organic search. While food brands have made incremental investments in recipe content year over year, leading brands focus content investments around reinforcing a core value proposition. This presents a key opportunity for Index brands, as grocery retail sites remain effectively absent from search results for food category terms. For example, McCormick is visible on the first page of organic search results for 30 percent of unbranded seasoning-related terms, and it consistently wins the top-ranked text ad for terms like "seasoning in chili," while Amazon, the only retailer appearing for these terms, maintains 11 percent organic visibility.

Food US: Year-Over-Year Change in Unbranded Search Volume by Search Term Type

May 2016–April 2017 vs. May 2017–April 2018



Source: Gartner L2 analysis of Google Keyword Planner data.

Jake Matthews | Director of CPG Research
Aaron Rabinowe | Associate, CPG Research
Shaggy Herur | Senior Associate, CPG Research
Elena Akulova | Senior Designer

Gartner L2 research is based on data-driven analysis. Our findings, rankings, and recommendations are objective, unbiased, and independent of membership.

1. "Food Companies Can't Figure Out What Americans Want to Eat," Aaron Back, Wall Street Journal, June 5, 2018.

A New Pace of Innovation

Amazon's acquisition of Whole Foods in June 2017 set a new pace for digital innovation in the grocery sector. Throughout the past year, grocery retailers ranging from Walmart and Target to Kroger and Albertsons have announced new investments in fulfillment capabilities, strategic partnerships, and advertising technology. However, despite the recent uptick in newsworthy headlines, online grocery platforms have a long way to go to reach digital maturity. Only 77 percent of grocers' sites have product pages and only 58 percent feature branded products on their homepage.[2] Moreover, despite the increase in searches for health-conscious terms, only 55 percent of grocery retailers offer nutrition facts on product pages.

While the majority of online grocery platforms have yet to mature, Instacart emerges as a leader in digital sophistication. Grocers at war with Amazon have forged partnerships with the grocery delivery platform—Instacart now works with over half of grocers with brick-and-mortar locations tracked in Gartner L2's Digital IQ Index: Grocery US 2018. Data-driven product feeds, recommendations, and basket-building features on Instacart can help brands win customers' first online grocery baskets and drive repeat purchase, a key component of customer lifetime value. Recognizing the platform's growth potential, brands have shifted investment toward the last mile in a race to win customers' first baskets. Enterprises like General Mills, PepsiCo, and Nestlé are testing the waters by driving visibility in search through the platform's featured products.

2. Gartner L2 Digital IQ Index: Grocery US 2018, March 2018.

Digital IQ = Shareholder Value

This study benchmarks the digital performance of 139 food brands operating in the US. Our aim is to provide a robust tool to diagnose digital strengths and weaknesses, helping managers achieve greater results on incremental investment. Like the medium we assess, our approach is dynamic. Please reach out with comments that help us improve our methodology and key findings.

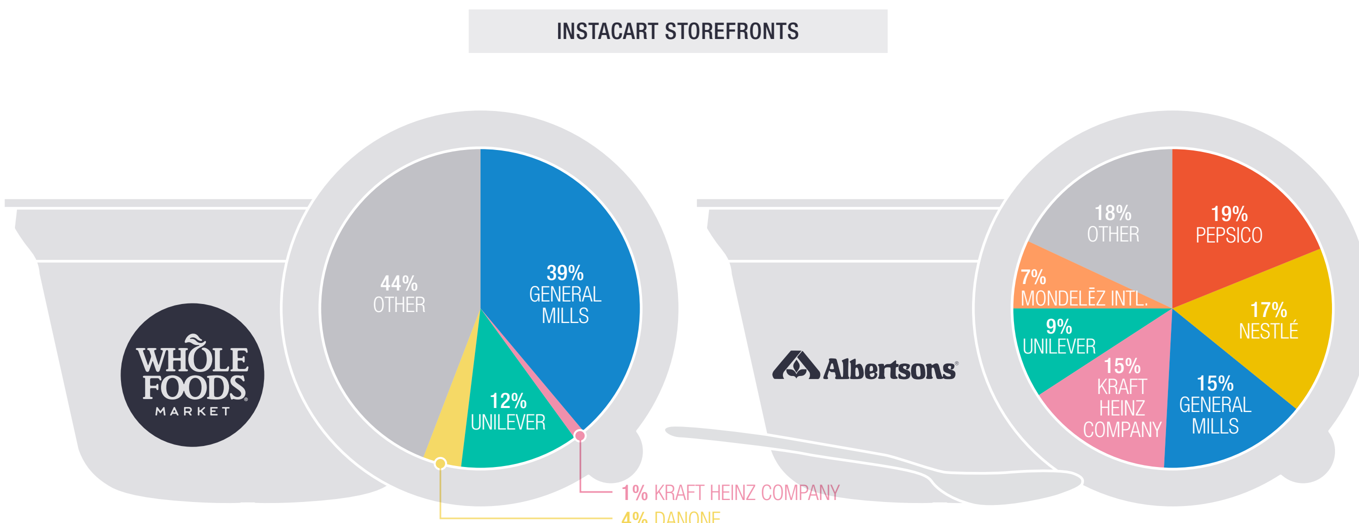
Regards, **Gartner L2**

Food US: Share of Featured Products in Unbranded Search Results

June 2018, n=1,085 Unbranded Food Product Terms

PepsiCo · Nestlé · General Mills · Kraft Heinz Co. · Unilever · Danone · Mondelēz International

Source: Gartner L2 Digital IQ Index: Food US, July 2018.



Gartner L2

SITE & E-COMMERCE

35%

Site Performance:
Uptime, Above-the-Fold Load Speed

Content, Search & Navigation:
Guided Selling Tools, Content Integration, Dietary and Nutritional Information, Keyword Search Sophistication, Sorting & Filtering Options

Product Pages:
Product Merchandising, Product Images & Videos, User Ratings & Reviews Interface, Cross Selling

E-Commerce Recipes:
Single-Page Checkout, Cross Selling During Checkout or E-Tailer Handoff

Customer Service:
FAQs, Store Locator, Geolocation

Account (scored selectively):
Account Customization & Data Capture

E-Tailer Visibility (scored selectively):
Brand Visibility, Average Rank of Top Product, Product Merchandising on:

- Amazon
- Amazon Prime Now
- Walmart
- Walmart Grocery
- Instacart (Albertsons, Whole Foods)
- Amazon Fresh
- Amazon Pantry
- Kroger
- Peapod

DIGITAL MARKETING

30%

Desktop Search:
Traffic, Web Authority, Organic & Paid Visibility Against Google Searches for 3,800 Branded & Unbranded Keywords Across 50 Categories Weighted by Keyword Search Volume

Display Advertising:
Desktop Static & Video Display Ad Impressions, Cost per Thousand Impressions, Quality of Publishers

Email Marketing:
Open Rate, Mobile Optimization, Photo & Video Content

Recipe Sites and Earned Media:
Brand Presence on Top Recipe and Coupon Sites (where applicable)

SOCIAL MEDIA

15%

Facebook:
Total Post Engagement, Average Interactions per Post

Instagram:
Total Post Engagement, Average Interactions per Post, Community Size & Growth

YouTube:
Search Visibility, Channel Views, Subscribership & Growth

Twitter:
Total Tweet Engagement, Interactions per Tweet, Community Size & Growth

Pinterest:
Total Interactions, New Content Posted in Period, Post Frequency, Followers

MOBILE

20%

Mobile Site:
Uptime, Above-the-Fold Load Speed, Search & Navigation, Store Locator, Geolocation, Mobile-Native Features

Mobile Search:
Organic & Paid Visibility Against Google Searches for 3,800 Branded & Unbranded Keywords Across 50 Categories Weighted by Keyword Search Volume

Display Advertising:
Mobile Web Static & Video Display Ad Impressions, Cost per Thousand Impressions, Quality of Publishers

CLASSIFICATION

GENIUS 140+

Digital competence is a point of competitive differentiation for these brands. Creatively engineered messaging reaches consumers on a variety of devices and in many online environments.

GIFTED 110–139

Brands are experimenting and innovating across site, mobile, and social platforms. Digital presence is consistent with brand image and larger marketing efforts.

AVERAGE 90–109

Digital presence is functional yet predictable. Efforts are often siloed across platforms.

CHALLENGED 70–89

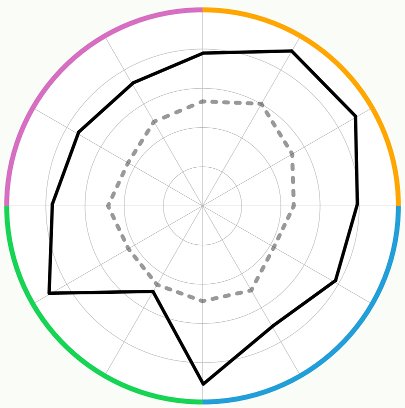
Limited or inconsistent adoption of mobile and social media platforms. Sites lack inspiration and utility.

FEEBLE <70

Investment does not match opportunity.

1 RANK — 145 DIQ

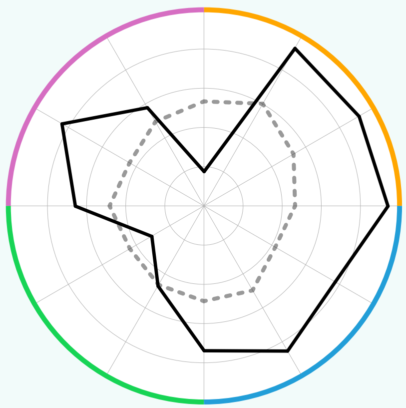
PepsiCo



GENIUS

2 RANK — 136 DIQ

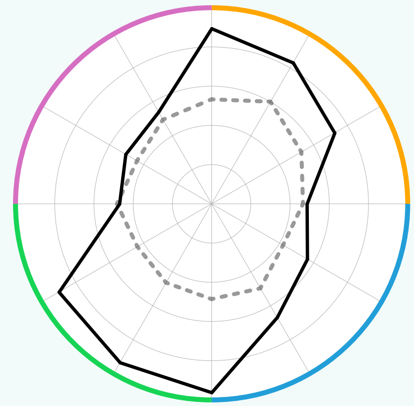
Nestlé



GIFTED

3 RANK — 135 DIQ

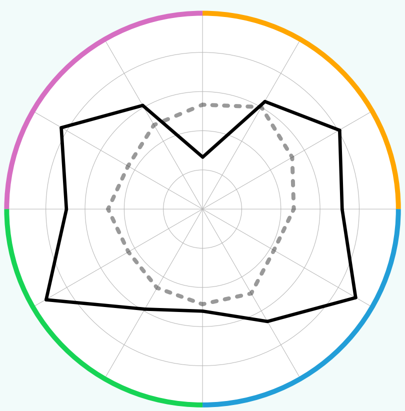
Nestlé



GIFTED

4 RANK — 133 DIQ

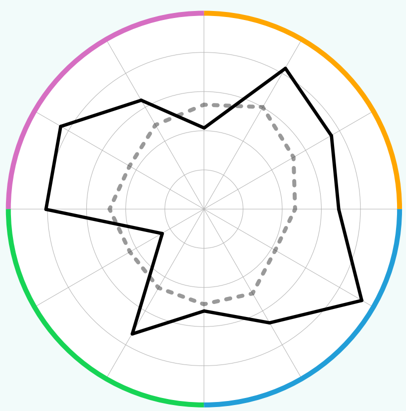
Barilla



GIFTED

4 RANK — 133 DIQ

McCormick



GIFTED

INDEX AVERAGE

SITE & E-COMMERCE
1 Desktop Site Technology
2 Product Pages
3 Amazon

DIGITAL MARKETING
1 SEO
2 SEM
3 Display Advertising

SOCIAL MEDIA
1 Facebook
2 Instagram
3 YouTube

MOBILE
1 Mobile Site
2 Mobile Search
3 Mobile Advertising

GIFTED

RANK	BRAND	DIGITAL IQ
6	HERSHEY'S The Hershey Company	132
7	BEN&JERRY'S Unilever	125
7	Campbell's Campbell Soup Company	125
7	NATURE VALLEY General Mills	125
10	Knorr Unilever	124
11	Heinz Kraft Heinz	123
12	CHEEZ-IT Kellogg Company	122
12	Hidden Valley The Clorox Company	122
14	KIND Kind	121
15	Annie's General Mills	120
15	HILLSHIRE FARM Tyson Foods	120
17	International Delight Danone	119
17	Silk Danone	119
19	SMUCKER'S The J.M. Smucker Company	117
20	CHOBANI GREEK YOGURT Agro Farma	115
20	Johnsonville Johnsonville Sausage	115
22	Doritos PepsiCo	114
22	Reese's The Hershey Company	114
24	HELLMANN'S Unilever	112
25	Special K Kellogg Company	111
25	Tostitos PepsiCo	111

RANK	BRAND	DIGITAL IQ
27	General Mills	110
28	Nestlé	109
28	Hormel Foods	109
28	The J.M. Smucker Company	109
28	General Mills	109
32	Sargento Foods	108
33	Pinnacle Foods Group	107

AVERAGE

RANK	BRAND	DIGITAL IQ
33	Clif Bar & Company	107
33	Land O'Lakes	107
33	PepsiCo	107
33	Kraft Heinz Company	107
38	Campbell Soup Company	105
39	Del Monte Foods	104
40	General Mills	103

RANK	BRAND	DIGITAL IQ
41	Nestlé	102
42	Unilever	101
42	General Mills	101
44	Roark Capital Group	100
44	Danone	100
44	General Mills	100
47	Gruma	99

AVERAGE

RANK	BRAND	DIGITAL IQ
47	Prego – Campbell Soup Company	99
47	Pringles – Kellogg Company	99
47	Thomas' – Grupo Bimbo	99
51	Halo Top – Eden Creamery	98
51	Sabra – PepsiCo	98
53	Uncle Ben's – Mars	97
54	Progresso – General Mills	96

RANK	BRAND	DIGITAL IQ
54	Ruffles – PepsiCo	96
56	Folgers – The J.M. Smucker Company	95
56	Hot Pockets – Nestlé	95
56	M&M's – Mars	95
56	Ritz – Mondelēz International	95
56	Talenti – Unilever	95
56	Tyson – Tyson Foods	95

RANK	BRAND	DIGITAL IQ
62	Buitoni – Nestlé	94
62	Magnum – Unilever	94
62	Ragú – Mizkan	94
62	Stouffer's – Nestlé	94
62	Velveeta – Kraft Heinz Company	94
67	Activia – Danone	93
67	Ghirardelli – Chocoladefabriken Lindt & Sprüngli AG	93

RANK	BRAND	DIGITAL IQ
67	PHILADELPHIA Kraft Heinz Company	93
67	Pop-Tarts Kellogg Company	93
67	Yoplait General Mills	93
72	Entenmann's Grupo Bimbo	92
72	nutella Ferrero	92
72	OREO Mondelēz International	92
72	SNICKERS Mars	92

CHALLENGED

RANK	BRAND	DIGITAL IQ
76	Lindt Chocoladefabriken Lindt & Sprüngli AG	90
77	FAGE Fage International	89
77	Lean Cuisine Nestlé	89
77	QUEST NUTRITION Quest Nutrition	89
77	Rice Krispies Kellogg Company	89
77	weightwatchers Weight Watchers International	89
82	Frosted Flakes Kellogg Company	88

RANK	BRAND	DIGITAL IQ
82	RED BARON The Schwan Food Co.	88
84	Häagen-Dazs Nestlé	87
84	Kashi Kellogg Company	87
84	ZATARAIN'S Mccormick	87
87	Fiber One General Mills	86
88	Eggo Kellogg Company	84
88	Healthy Choice Conagra Brands	84

CHALLENGED

RANK	BRAND	DIGITAL IQ
88	Dannon Oikos Danone	84
88	SkinnyPop Popcorn Amplify Snack Brands	84
92	Dove Chocolate Mars	83
92	Nestlé KitKat The Hershey Company	83
92	Little Debbie Mckee Foods	83
95	Goldfish Campbell Soup Company	82
95	Marie Callender's Conagra Foods	82
95	siggi's The Icelandic Milk And Skyr Corporation	82
95	Twizzlers The Hershey Company	82
99	Cascadian Farm Organic General Mills	81
99	Totino's General Mills	81
101	Cheetos PepsiCo	80
101	Post Honey Bunches of Oats Post Holdings	80
101	Jolly Rancher The Hershey Company	80
101	Dannon Light & Fit Danone	80
101	Nescafé Nestlé	80
101	Nutrisystem Nutrisystem	80
101	Simply Organic Frontier Co-op	80
108	Sara Lee Grupo Bimbo	79
109	Skittles Mars	77
110	Twix Mars	76

RANK	BRAND	DIGITAL IQ
111	Amy's Kitchen	74
111	Unilever	74
111	WH Group	74
114	Kellogg Company	73
115	Kellogg Company	71
116	Campbell Soup Company	70
116	Kraft Heinz Company	70

FEEBLE

RANK	BRAND	DIGITAL IQ
118	Ferrero	68
119	Mondelēz International	67
120	Nestlé	66
120	Kraft Heinz Company	66
120	Nestlé	66
123	PepsiCo	65
123	Unilever	65

RANK	BRAND	DIGITAL IQ
123	PepsiCo	65
126	Danone	64
127	Blue Road Capital	63
128	Kellogg Company	62
128	Kraft Heinz Company	62
130	Dean Foods Company	59
131	Mondelēz International	58

FEEBLE

RANK	BRAND	DIGITAL IQ
131	Palermo Villa	58
133	Kraft Heinz Company	57
134	Danone	56
135	PepsiCo	55
136	Unilever	53
136	Mars	53
138	Nestlé	44
139	Olé Mexican Foods	35

Enterprise Performance

The majority of enterprises in this year's study display highly variable digital performances. Seven out of 10 enterprises with more than five brands tracked in the Index have a disparity greater than 50 Digital IQ points, and half have brands ranging from Feeble to Gifted.

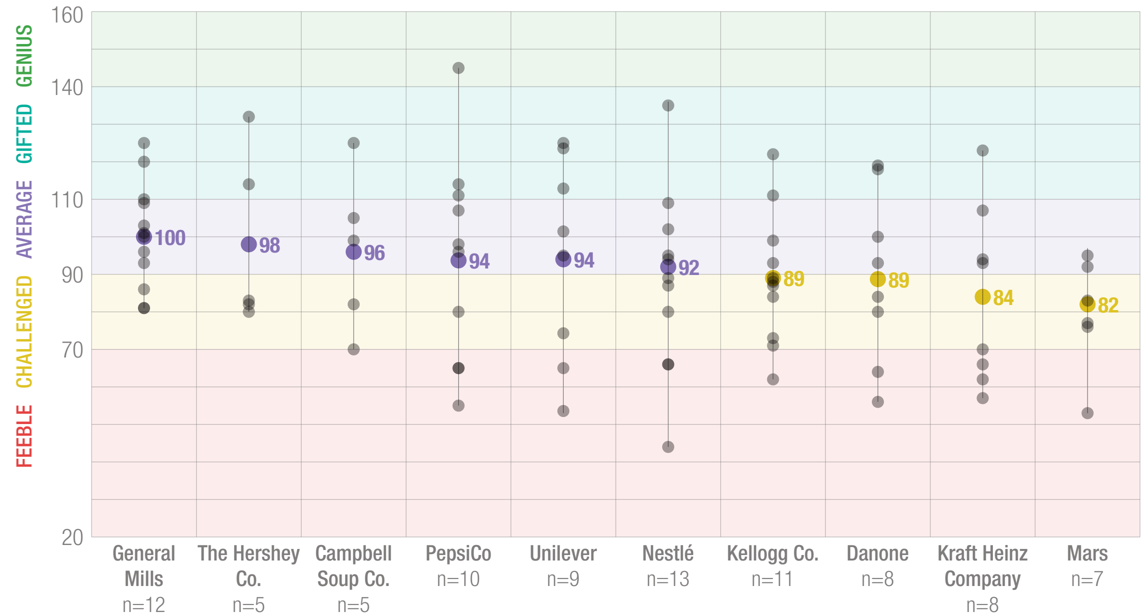
General Mills continues to demonstrate best-in-class digital performance across its entire brand portfolio, with the smallest range in Digital IQ among its Index brands. While Yoplait's drop in Digital IQ performance year over year mirrors its broader struggles in the yogurt category, the parent company as a whole has established a first-mover advantage as the grocery sector shifts investments into digital. For example, Nature Valley achieves an outstanding 95 percent visibility against unbranded snack bar product terms on Amazon Prime Now, positioning the brand to share in the platform's growth. Similarly, the company invests heavily in featured products and coupons across the Whole Foods and Albertsons Instacart storefronts. General Mills' lead in e-commerce is also complemented by brands that continue to maintain a lead in the digital marketing dimension. Betty Crocker, a longtime winner in online recipes, continues to reinforce its positioning in the recipe space—it is the only brand in the Food Index that achieves significant organic visibility in Google search against generic recipe terms.

Conversely, brands in the PepsiCo and Nestlé portfolios have the greatest range in Digital IQ among food enterprises. Both enterprises contain legacy brands in categories with inherent disadvantages in e-commerce—most are perishable, infrequent purchases, such as Fritos and Drumstick, that have yet to embrace the majority of digital marketing, social media, and e-commerce channels. Despite these digital laggards, PepsiCo and Nestlé continue to accelerate the performance of their priority digital brands. PepsiCo's Quaker secures the top rank in the Index for a second year in a row, driven by robust e-commerce content optimization coupled with scaled reach across nearly all digital marketing and social media channels. Nestlé's Coffee-mate—which rose in the Gifted category in this year's ranking—continues to outperform competitors in the coffee creamer category across digital dimensions. The brand over-indexes in unbranded organic search visibility for coffee creamer-related terms on Google, and consistently outpaces opponents in its share of the digital shelf across online grocery platforms.

Enterprises consisting primarily of candy and chocolate brands, meanwhile, face challenges when investing in a comprehensive digital strategy. For example, Mars' worst performers, Skittles, Twix, and Starburst, which fall in the Challenged and Feeble categories, have limited-utility sites that serve as extensions of each brand's social presence rather than a differentiated source of product information. Additionally, a grocery sector far from digital maturity creates challenges for impulse-purchase products to make impactful investments in e-commerce.

Food US: Average Gartner L2 Digital IQ Index Score by Parent Company

July 2018, n=87 Brands Across 10 Enterprises With Five or More Brands



Source: Gartner L2 Digital IQ Index: Food US, July 2018.

Role of the Retailer

In the majority of CPG categories, retailers like Amazon, Walmart, and Target maintain a significant presence in Google search. For example, Amazon maintains the highest organic search visibility for unbranded product terms in categories such as baby bath, body skin care, and bath and shower.[3] Rather than compete with retailers that sell their products, brands playing in these categories have an opportunity to take advantage of the visibility of these e-commerce platforms and coordinate their investments for customer acquisition. However, in the food category, grocery retailers are effectively absent from Google search results for unbranded product terms, for which razor-thin margins for one-off purchases provide little incentive to invest. Only Amazon and Walmart maintain a significant presence in search, mainly in snacking categories like nuts, popcorn, and snack bars. Instead, grocery retailers have focused on regional delivery and pickup terms, for which Instacart is the clear leader in organic search visibility.

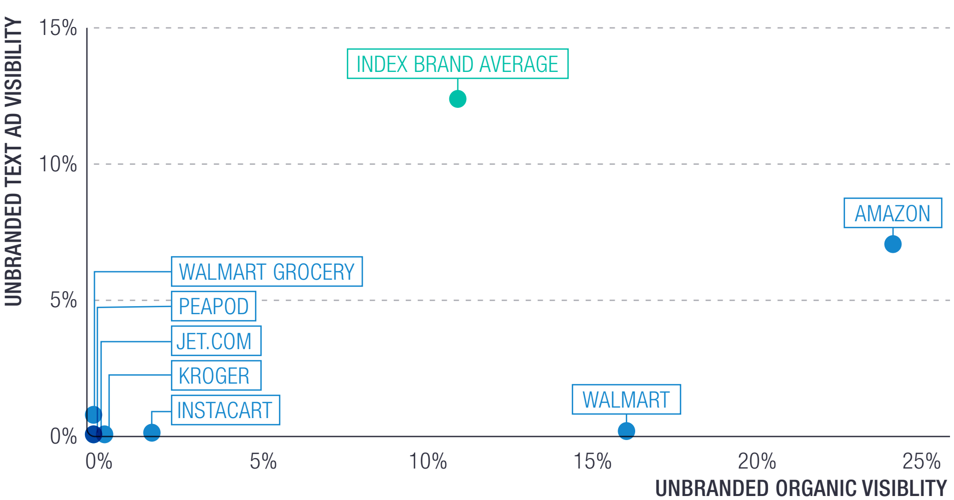
3. Source: Gartner L2 Digital IQ Index: Personal Care US, May 2018.

Food brand sites, therefore, have an opportunity to play a role in the customer journey and impact consumers' purchase decisions. Leading brands in the Index have capitalized on the opportunity. In the cereals category, Special K maintains significant paid visibility for ingredient-based terms like "almond cereal" and "granola cereal," while Amazon only maintains 4 percent visibility in the category. Similarly, in the meat category, a Hellmann's text ad consistently wins the top rank for recipe-related terms like "parmesan crusted chicken recipe" while Walmart drives just 1 percent visibility for this category. As the primary focus for food sites continues to revolve around product ingredients and recipe content, and as grocery retailers largely remain absent from search, brands have an opportunity to communicate their value propositions by supporting paid and organic search investments with robust content optimization.

Food US: Unbranded Organic Visibility vs. Text Ad Visibility on Google

Share of Terms Against Which Brand or Retailer Appears on First-Page Search Results

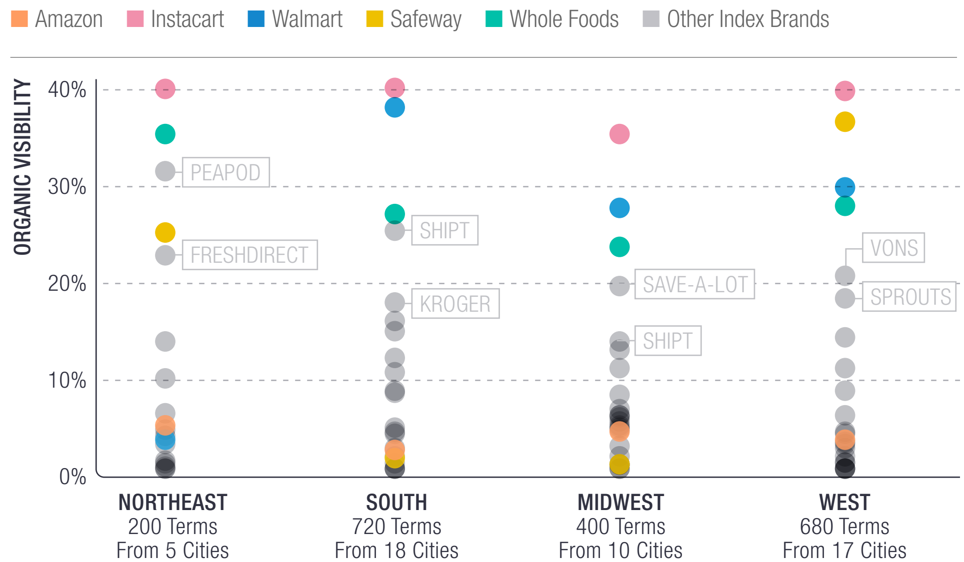
May–June 2018, n=1,630 Terms Across 50 Product Categories



Source: Gartner L2 Digital IQ Index: Food US, July 2018.

Food US: Organic Search Visibility on Google For Geographic Terms

January–February 2018, n=2,000 Geographic Terms Across 50 Cities



Source: Gartner L2 Digital IQ Index: Grocery US, March 2018.

State of Social: Facebook and Instagram

Instagram is reaching engagement parity with Facebook as the share of total interactions between the two converge. Select brands in the food category also continue to dominate the two social media platforms. Ten brands account for over 60 percent of all interactions on Facebook and just over two-thirds of interactions on Instagram, despite representing less than a quarter of overall Index posts on each social platform.

Content strategies among the small cohort of winning brands differ significantly. Oreo and Pop-Tarts, for example, garner 5 and 2 percent of all Facebook interactions among Index brands, respectively. They achieve this largely by leveraging the platform's reach potential to drive awareness of new product innovation with video content. Conversely, Sweet Earth, which accounts for 10 percent of all Facebook interactions among Index brands, focuses on motivational text-based content designed to reinforce brand equity among its target audience. As a result, the brand's average post achieves 7 times the engagement of the Index average.

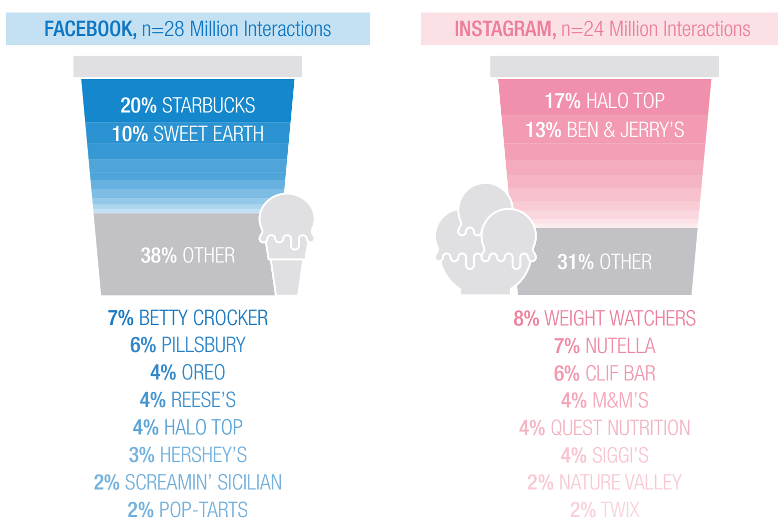
While images compose just over half of food brands' posts on Facebook, images represent the predominant content format on Instagram at 80 percent. Halo Top maintains outsize engagement on the platform with a 17 percent share of interactions among Index brands. The ice cream brand achieves this by focusing almost exclusively on images of its product packaging—96 percent of the brand's Instagram posts prominently feature its distinctive pints. Conversely, while Breyers has followed suit with new packaging in a style similar to Halo Top's, only 12 percent of the brand's Instagram posts feature the new packaging.

Like Halo Top, Clif Bar's Instagram content strategy is distinctively visual, reinforcing the brand's unique adventure-centric messaging in a cost-effective manner. Sixty-five percent of the brand's Instagram photos are user-generated content (UGC), which generates 118 percent more interactions than non-UGC posts. The brand encourages users to create content with the hashtag #FeedYourAdventure, a slogan also featured prominently across the brand site. Overall, food posts with hashtags generate 2.5 times more interactions than those without them.

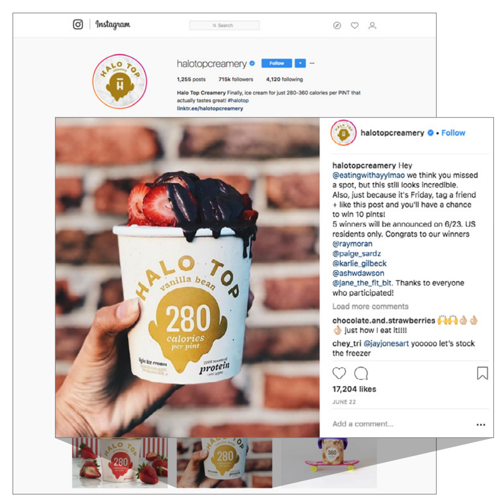
While social media platforms offer brands the opportunity to drive awareness and brand equity at scale through paid media, brands must also optimize social content for each platform's unique viewing dynamics, with Index brands posting videos and images in equal numbers on Facebook, while Instagram is dominated by mobile-first images.

Food US: Share of Posts and Interactions on Facebook and Instagram*

July 2017–June 2018, n=139 Brands



*Instagram excludes Starbucks.
Note: Does not include dark posts.
Source: Gartner L2 Digital IQ Index: Food US, July 2018.



Halo Top, which leads the Index in overall engagement on Instagram, features its packaging in 96 percent of its posts.

Gartner L2

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Execute

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