THE DEVIL'S IN THE E-TAIL

US CPG sales are projected to grow at a tepid 2.6 percent CAGR through 2020,[1] but 78 percent of that growth will come from e-commerce,[2] fueled primarily by the expanding influence of e-tailers across the digital ecosystem. Amazon's market capitalization grew 45 percent last year and was a hot-button topic in 2017 earnings calls,[3] which labored to address two seemingly incompatible demands—pressure from retailers to lower prices and pressure from investors to increase profits. Meanwhile, Walmart's e-commerce sales grew by 67 percent,[4] twice as fast as Amazon's, and all three major retailers have looked to bolster their position through high-profile acquisitions. In the last 18 months, Walmart acquired Jet to boost its e-commerce, Target acquired Shipt to offer more competitive fulfillment, and Amazon bought Whole Foods to gain a brick-and-mortar foothold in the grocery industry. In 2018, CPG firms will likely explore similarly non-traditional partnerships and acquisitions to gain an edge in fulfillment and replenishment capabilities.

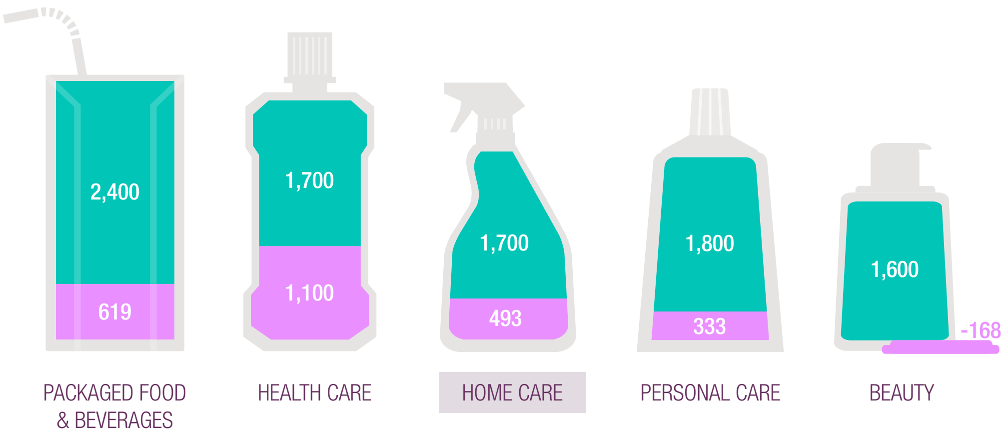
E-tailers have become much more than simply a point of purchase, and have now pervaded most dimensions of a brand's digital strategy, drastically impacting key marketing pillars such as search equity and display advertising. More product searches begin directly on e-tailer sites than anywhere else,[5] and with three-fourths of searches for home care terms on Google returning first-page results for e-tailers, consumers are likely to end up on retail platforms no matter where they begin their search. Winning brands like Tide capitalize on the Google search visibility of their distribution partners and manage to be featured in a large number of e-tailer Google results that link to their products. Combining this second-order search visibility[6] with strategic SEO and SEM on terms where brand content is more relevant—top-of-funnel queries like "how to clean shower doors"—can help brands achieve visibility on a greater breadth of terms. Because e-tailers bid less actively on these educational terms, this strategy allows brands to avoid overlapping bids with retailers and achieve a greater impact on brand awareness.

1. "Consumer packaged goods' (CPG) industry sales in the United States in 2015 and 2020 (in billion USD)," IRI; Mintel; MNI; Targeted Media; Statista, January 2018.
2. "E-Commerce Drives FMCG Industry Growth in the US," Felix Richter, Nielsen; Statista, August 2017.
3. Google Finance, January 2018.
4. "Walmart's online sales continue upward trend, Daniel Keyes," Business Insider, August 2017.
5. "Amazon, not Google, is the most popular starting point for Americans looking to buy products online," Jeff Dunn, Business Insider, July 2017.
6. Second-order search visibility on Google occurs when an results (organic, text ad, or Shopping ad) feature a brand and redirect to that brand's products on its site.

Home Care US: Absolute Dollar Growth by Category

Year Over Year Dollar Growth of Select Product Categories

52 Weeks Ending April 29, 2017 ■ E-Commerce ■ Brick & Mortar



Source: "Finding the Path to Growth With a View of the Total Consumer," Nielsen, June 2017.

Nicolas Bureau | Senior Research Associate, CPG
Shaggy Herur | Research Associate, CPG
Aaron Rabinowe | Research Associate, CPG
Mark Fishman | Research Associate, CPG
Evan Mack | Research Associate, CPG
Elena Akulova | Senior Designer

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

The New End Cap

As marketers become more wary of viewability concerns on display ads, Home Care Index brands slashed their number of publisher sites by almost 60 percent. Instead of buying large volumes of lower-quality impressions through programmatic ad exchanges, Index brands increasingly place ads directly on e-tailer sites—especially Amazon and Walmart. The two e-tailers offer good viewability, safe content, and a purchase-minded audience. Most of the ads placed on these sites link directly to product pages on the e-tailer, resulting in a closed commerce loop that effectively promotes performance within the platform.

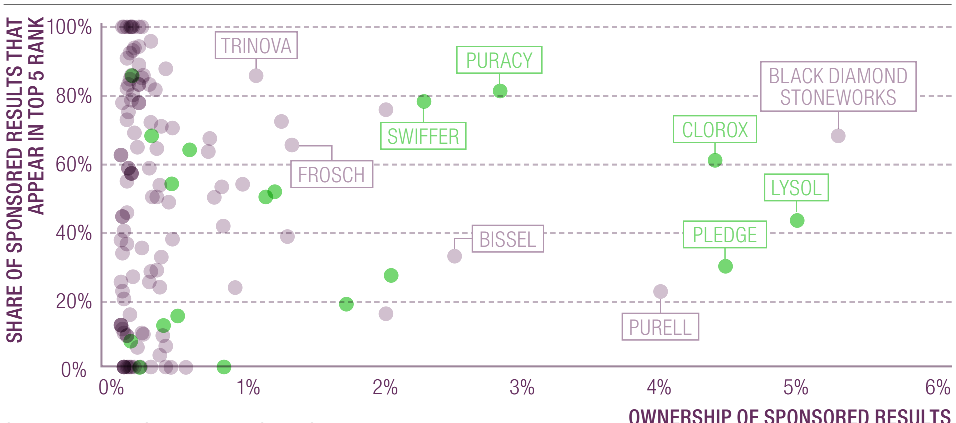
In 2017, Amazon Marketing Services also became table stakes, with the number of headline ads served by Index brands increasing eightfold since 2016. This is driven by not only Index brands, but also smaller, independent brands that have gained an outsize share of the digital shelf by allocating the majority of their budgets to Amazon media and merchandising. Non–Index brands account for nearly three quarters of sponsored surface care search results on the platform. For instance, independent brand Black Diamond Stoneworks sponsors more product listings than any Index brand for surface care queries, and as a result, frequently appears above category leaders Lysol and Clorox.

The Voice of Innovation

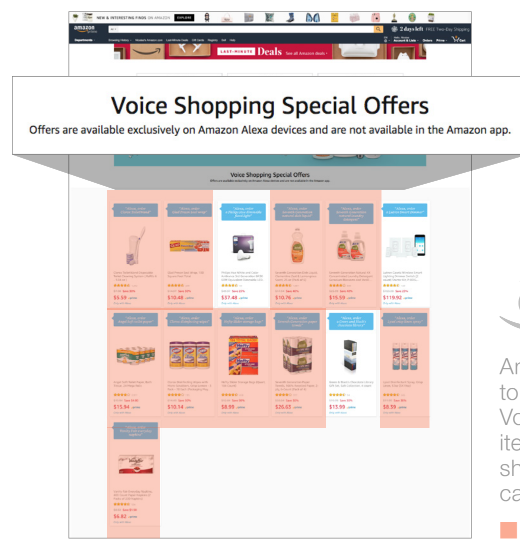
In 2018, innovators will turn their attention to some of the more advanced opportunities in CPG, such as optimizing for visibility in voice search where visual merchandising efforts are null. Amazon has recognized the natural intersection between voice ordering and home care: of the 13 deals that it offered exclusively to Alexa Voice Shoppers in early January, 10 were for home care products. Home care brands can better position themselves by becoming the default choice among consumers for reordering—a vital position for low-involvement products that require frequent replenishment. However, Index brands continue to face competition from both independent brands and private labels, such as Amazon's Presto! which appears in 15 percent of home care searches. Both sources of competition threaten incumbents via disproportionate ownership of Amazon's Choice and Best Seller badges, which strongly correlate with voice search visibility. While sector growth is unlikely to change dramatically, digital initiatives should become the focus for brands to defend and expand their share of a mature market.

Home Care US: Rank vs. Share of Sponsored Results on Amazon, Surface Care

October–November 2017, n=109 Unbranded Keywords   Index Brand   Non–Index Brands



Source: L2 Digital IQ Index: Home Care US, January 2018.



Amazon offers discounts that are exclusive to voice shoppers, as seen on its Alexa Voice Shopping Deals page. Of the 13 items listed, 10 are home care products, showing Amazon's strong focus on the category for voice shoppers.

Home Care Products

EXCERPT

METHODOLOGY

SITE & E-COMMERCE

35%

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

Search & Navigation:
Navigation Features, Keyword Search, Sorting & Filtering Options

Product Pages:
Product Merchandising, User Ratings & Reviews, Ingredients, Cross-Selling, Bundles, Price Availability

E-Commerce & Account:
DTC Checkout/Handoff to E-Tailers, Account Customization, Loyalty Program

Customer Service & Store Locator:
FAQs, Contact Us, Live Chat, Store Locator, Geolocation

E-Tailers*:
Search Visibility & Share of Shelf on Amazon, Walmart, Target, Jet; Product Merchandising and Average Rank of Top Product on Amazon, Walmart, Target

DIGITAL MARKETING

30%

Desktop Search:
Traffic, Web Authority, Organic & Paid Visibility Against Google Searches for 2,500 Branded & Unbranded Keywords Across 7 Categories Weighted by Keyword Search Volume, Second-Order Search Visibility

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

Email Marketing:
Total Opened Emails, Open Rate, List Size, Creative Content

Earned Media:
Branded Presence Across Coupon Destinations: Hip2Save, Krazy Coupon Lady, Living Rich With Coupons, Money Saving Mom

SOCIAL MEDIA

15%

Facebook:
Total Post Engagement, Average Interactions per Post, Community Growth

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

YouTube:
Search Visibility and Ownership Against Branded & Unbranded Keywords, Channel Views, Subscribership & Growth

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

MOBILE

20%

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

Mobile Search:
Organic & Paid Visibility Against Google Searches for 2,500 Branded & Unbranded Keywords Across 7 Categories Weighted by Keyword Search Volume, Second-Order Search Visibility

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

Mobile Innovation:**
Support for iOS & Android, App Store & Google Play Ratings, Installations, Coupon App Ownership of Branded Terms, Date of Most Recent Update, Presence on Coupon Apps: Coupons.com, Flipp, Ibotta, Krazy Coupon Lady, RetailMeNot

*Selective Scoring for DTC brands.
**Selective Scoring, apps scored only when applicable.

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.

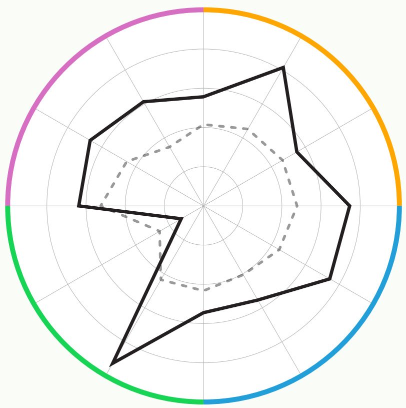
CHALLENGED 70–89
Limited or inconsistent adoption of mobile and social media platforms. Sites lack inspiration and utility.

FEEBLE <70
Investment does not match opportunity.

L2 Gartner
DIGITAL IQ INDEX

1 RANK | 145 DIQ

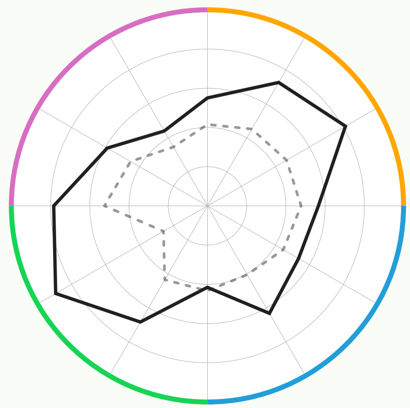
Procter & Gamble



GENIUS

2 RANK | 144 DIQ

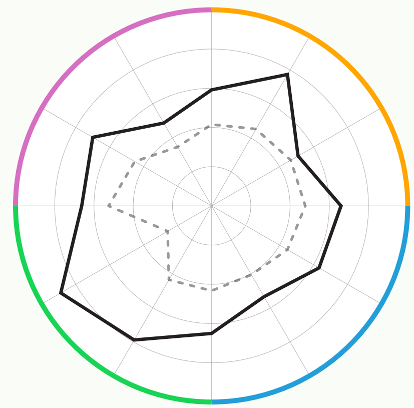
The Clorox Company



GENIUS

3 RANK | 142 DIQ

Unilever Group



GENIUS

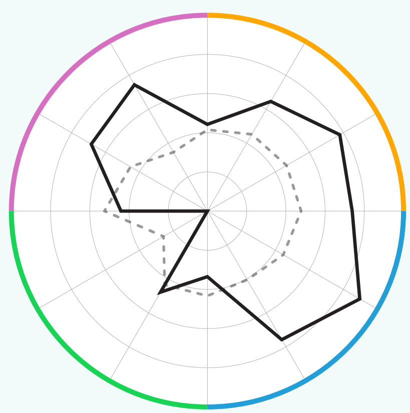
4 RANK | 138 DIQ

Procter & Gamble

GIFTED

5 RANK | 137 DIQ

Procter & Gamble



GIFTED

INDEX AVERAGE

SITE & E-COMMERCE
1 Site Score
2 Amazon
3 Walmart

DIGITAL MARKETING
1 SEO
2 SEM
3 Web Advertising

SOCIAL MEDIA
1 Facebook
2 YouTube
3 Instagram

MOBILE
1 Mobile Site Score
2 Mobile Search
3 Mobile Advertising

GIFTED

RANK	BRAND	DIGITAL IQ
6	Cascade Procter & Gamble	134
6	glade S.C. Johnson & Son	134
8	Kleenex Kimberly-Clark Corporation	131
8	Lysol Reckitt Benckiser	131
8	Mrs. Meyer's Clean Day S.C. Johnson & Son	131
11	Downy Procter & Gamble	130
12	febreze Procter & Gamble	129

RANK	BRAND	DIGITAL IQ
13	Air Wick Reckitt Benckiser	128
13	Cottonelle Kimberly-Clark Corporation	128
15	Arm & Hammer Church & Dwight	127
15	Bounty Procter & Gamble	127
17	GLAD The Clorox Company	124
18	dreft Procter & Gamble	123
19	method S.C. Johnson & Son	121

RANK	BRAND	DIGITAL IQ
19	Scott Kimberly-Clark Corporation	121
19	Yankee Candle Newell Brands	121
22	Rubbermaid Newell Brands	119
23	Ziploc S.C. Johnson & Son	117
24	DAWN Procter & Gamble	116
24	Reynolds Consumer Products Reynolds Consumer Products	116
26	Quilted Northern Georgia-Pacific	115

RANK	BRAND	DIGITAL IQ
27	Hefty Reynolds Consumer Products	113
27	Scrubbing Bubbles S.C. Johnson & Son	113
29	Gain Procter & Gamble	112
30	OxiClean Church & Dwight	110
31	all Henkel AG & Co KGaA	109
32	Puffs Procter & Gamble	108
33	finish Reckitt Benckiser	106

AVERAGE

RANK	BRAND	DIGITAL IQ
34	The Honest Co. Honest Company	103
35	Purex Henkel AG & Co KGaA	102
35	Viva Kimberly-Clark Corporation	102
37	Angel Soft Georgia-Pacific	98
37	Persil ProClean Henkel AG & Co KGaA	98
39	Ortho The Scotts Company Llc	94
39	Raid S.C. Johnson & Son	94

RANK	BRAND	DIGITAL IQ
41	Hot Shot Spectrum Brands	92
41	Windex S.C. Johnson & Son	92
43	Sparkle Georgia-Pacific	91
44	Brawny Georgia-Pacific	90
45	bounce Procter & Gamble	89
45	Mr. Clean Procter & Gamble	89
47	Palmolive Colgate-Palmolive Co	85

CHALLENGED

CHALLENGED

RANK	BRAND		DIGITAL IQ
47	Snuggle	Henkel AG & Co KGaA	85
47	Tupperware	Tupperware Brands Corporation	85
50	pledge, pronto	S.C. Johnson & Son	79
51	Pine-Sol	The Clorox Company	78
52	CALDREA AROMATHERAPEUTIC LIVING	S.C. Johnson & Son	77
53	LIQUID-PLUMR	The Clorox Company	74
54	ECOS	Earth Friendly Products	71
54	KABOOM	Church & Dwight	71
56	COMBAT	Henkel AG & Co KGaA	70

FEEBLE

RANK	BRAND		DIGITAL IQ
57	Comet	Prestige Brand Holdings	69
58	Woolite	Reckitt Benckiser	67
59	green works	The Clorox Company	65
59	renuzit	Henkel AG & Co KGaA	65
61	ecover	S.C. Johnson & Son	61
62	BRANDLESS™	Brandless, Inc	60
62	puracy	Puracy	60
64	Drano	S.C. Johnson & Son	58
65	SHOUT	S.C. Johnson & Son	57
66	Soft Scrub	Henkel AG & Co KGaA	55
67	Suavitel	Colgate-Palmolive Co	54
68	MURPHY OIL SOAP	Colgate-Palmolive Co	50

RANK	BRAND	DIGITAL IQ
69	AJAX Colgate-Palmolive Co	41
70	Scotties Kimberly-Clark Corporation	40
71	Fabuloso Colgate-Palmolive Co	36
72	SUN Henkel AG & Co KGaA	33
73	XTRA Church & Dwight	26
74	SARAN S.C. Johnson & Son	25

Sites Must Further E-Commerce Objectives

In the past year, Index brands have increased video content and incorporated more information on manufacturing and ingredients, but adoption of e-commerce features is stagnant. Many Home Care Index brands are stocked ubiquitously at national and regional brick-and-mortar retailers, which limits the utility of on-site store locators. Despite this, there was a 10 percentage point increase in the adoption of this feature, while investments in brand-building content remain conspicuously absent across sites. Moreover, the percentage of Index brands linking to e-tailer product pages has decreased from 57 percent to 55 percent year over year, with Charmin and Ziploc removing the feature entirely. This represents a missed opportunity to capitalize on brand site traffic and push consumers further down the purchase funnel.

Among the top 10 home care brand sites, the pages with the highest traffic are product pages, which account for over a third of page visits. Editorial content like articles and DIY suggestions are the second most visited page type, accounting for 20 percent of traffic, and coupon pages come in third at 18 percent. Brands should prioritize investment in site features according to these indicators of consumer interest. They should also ensure that product pages seamlessly provide a path to third-party e-tailers, preferably to the point of purchase. By embedding coupon links and e-commerce handoffs in editorial content, brands allow consumers to share and act upon incentives to purchase.

Drano's website is simple but effective, showcasing best-in-class practices for engaging customers with e-commerce enabled editorial content. The site features how-tos on bathroom cleaning and embeds product links within the articles. Related products are advertised in the sidebar. Closing the loop between discovery and purchase, product pages on the brand site link seamlessly to product pages on e-tailers, making it easy for customers to buy items of interest.

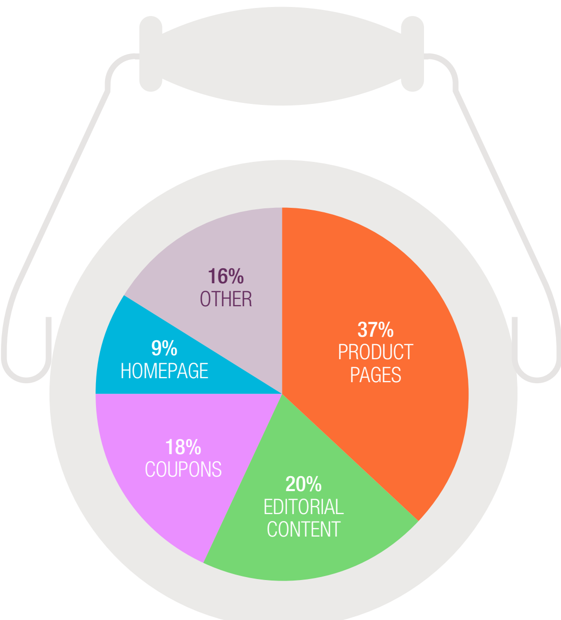
Home Care US: Share of Traffic on Top Ten* Home Care Sites by Page Type

Share of Traffic on Top Ten Home Care Index Brand Site by Traffic, by URL Type

December 2017

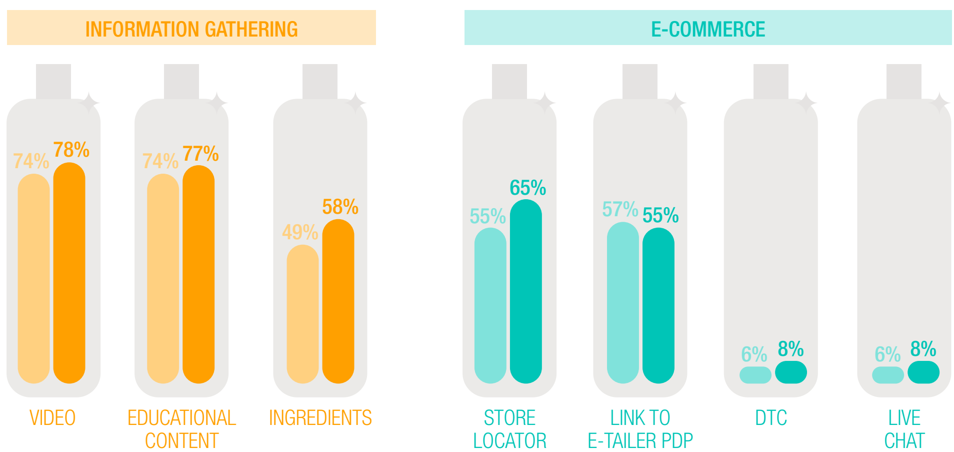
n=5.5 Million Page Visits

*Top Ten Brand Sites by Average Monthly Traffic, excluding DTC sites.
Source: L2 analysis of SimilarWeb data.



Home Care US: Percentage of Sites with Given Site Feature

n=65 Brands Present Across Indices ■ 2017 ■ 2018



Source: L2 Digital IQ Index: Home Care US, January 2018.

SEO: "How to" Win Organic Visibility

As e-tailers continue to dominate Google search results with massive traffic volume and web authority, brand sites are struggling for visibility. Crowded out of results for product-specific searches, brands have adjusted their focus to broader issues including consumer education, product tutorials, and problem-solution content to increase their relevance.

Since the end of 2016, unbranded search volume has increased 10 percent, while branded searches are down 20 percent. Most notably, how-to queries are gaining popularity on Google search. The trend is particularly noticeable in cleaning categories such as laundry, surface, and dish care, where these questions are among the fastest growing unbranded search terms. Searches of "how to get oil out of clothes," "how to clean shower doors," and "how to clean stainless steel refrigerator" top their respective categories in monthly search volume increases.

Home Care US: Increase in Monthly Search Volume

Top 5 Unbranded Keywords by Percentage Increase in Monthly Search Volume

December 2016–November 2017 ☐ "How to" Searches

LAUNDRY CARE		SURFACE CARE		DISH CARE	
SEARCH TERM	INCREASE	SEARCH TERM	INCREASE	SEARCH TERM	INCREASE
"HOW TO GET OIL OUT OF CLOTHES"	317%	"HOW TO CLEAN SHOWER DOORS"	53%	"HOW TO CLEAN STAINLESS STEEL REFRIGERATOR"	125%
"HOW TO REMOVE GREASE STAINS FROM CLOTHES"	175%	"HOW TO CLEAN VINYL FLOORS"	53%	"DISHWASHER PODS"	81%
"HOW TO GET MILDEW SMELL OUT OF CLOTHES"	125%	"WHAT KILLS MOLD"	53%	"HOW TO CLEAN OVEN GLASS"	53%
"HIGH EFFICIENCY WASHER"	81%	"BEST TILE FLOOR CLEANER"	52%	"BEST DISHWASHER DETERGENT"	50%
"BABY SOAP"	52%	"DISINFECTANT WIPES"	52%	"FOAM SOAP"	46%

Source: L2 analysis of Google Keyword Planner data, January 2018.

Targeted Investment Across Social Platforms

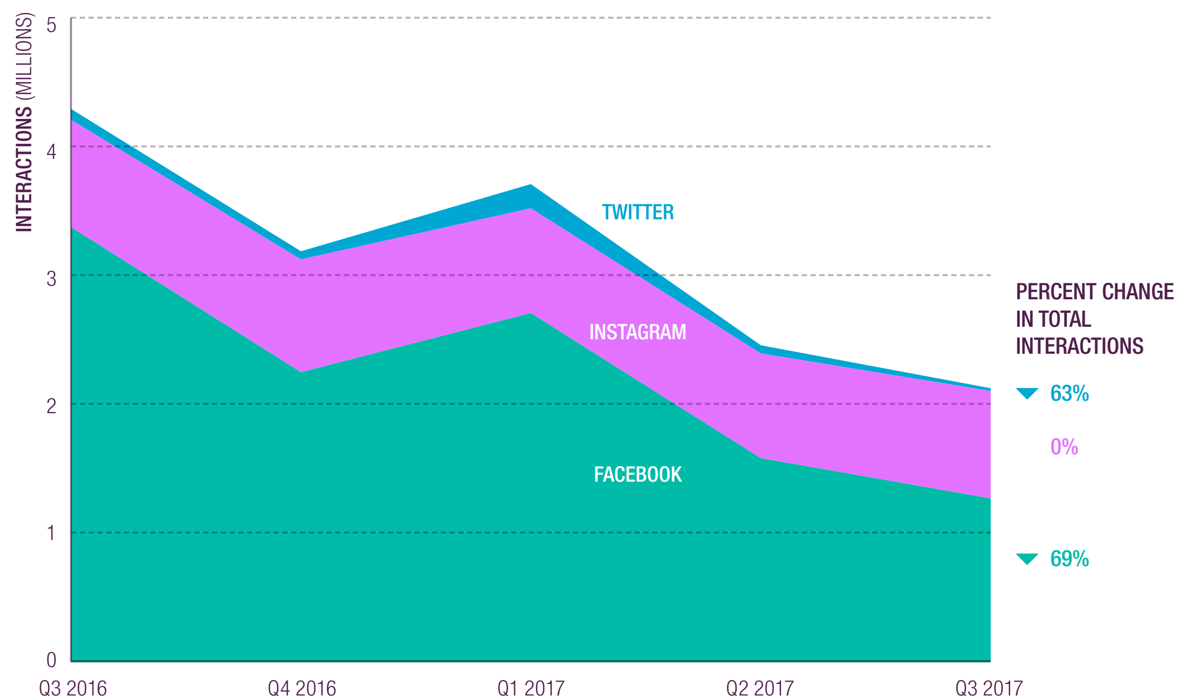
Total quarterly interactions on Facebook and Twitter have declined precipitously over the past year. Between Q3 2016 and Q3 2017, the platforms experienced more than a 60 percent decrease in Index brand interactions. Instagram, however, was the exception—share of total interactions held steady. While most brands are active on social media, engagement has become more costly as platforms push out new algorithms that diminish organic reach. Responding to the changing landscape, brands have decreased investment in non-targeted, public posts by 18 percent on Facebook and 12 percent on Instagram. Instead, brands should invest in sponsored content (i.e. dark posts) on Facebook and Instagram to serve engaging content to their intended target audiences.

Accounting for over 70 percent of all social interactions in the past five quarters, Facebook is still the most critical social platform for home care brands, but Instagram continues to entice marketers with its rapid user growth and higher engagement rates.[7] Some categories understandably abstain from social media marketing (e.g. home insecticides), but most home care brands are testing the waters across all social platforms. Facebook presence has plateaued at 84 percent adoption, while Instagram presence grew 22 percent year over year. Despite the growth, home care brands still lag behind other categories in social presence. Only 52 percent of brands have an Instagram account, while adoption is at 100 percent among big box retailers.[8]

7. "Instagram, Snapchat Adoption Still Surging in US and UK," eMarketer, August 23, 2017.
8. L2 Digital IQ: Big Box US 2017, December 2017.

Home Care US: Quarterly Share of Interactions* by Platform

July 2016–September 2017, n=131 Social Media Accounts



*Interactions are an aggregate measure of Likes, Comments, and Shares of Public Posts on Facebook and Instagram, and Favorites and Retweets on Twitter.
Source: L2 analysis of Unmetric data, January 2018.

Building for Mobile-First

Two years ago, less than half of Index brands had sites optimized for mobile. This year, that figure exceeded 80 percent, with almost all of those optimized sites featuring responsive design. Sites that are not mobile-friendly are essentially invisible in Google searches,[9] making mobile optimization crucial not only to site usability, but also visibility. While Index brands have reached a consensus on the importance of having a mobile-friendly site, many fail to tailor their content strategically for mobile experience.

To capitalize on the growth of top-of-funnel searches, brands are adding instructional content to their sites. Even though a large share of these "how to" searches occur on mobile devices, much of this content is not optimized for mobile viewing. For example, two-thirds of searches for "how to clean toilet" occur on mobile, a question that Mr. Clean's mobile site dedicates a page to answering. However, the how-to page contains large chunks of small text, and features only one photo that does not help to reinforce the how-to content. More visual pages with minimal text assets would help mobile users find satisfying solutions that may inspire future visits.

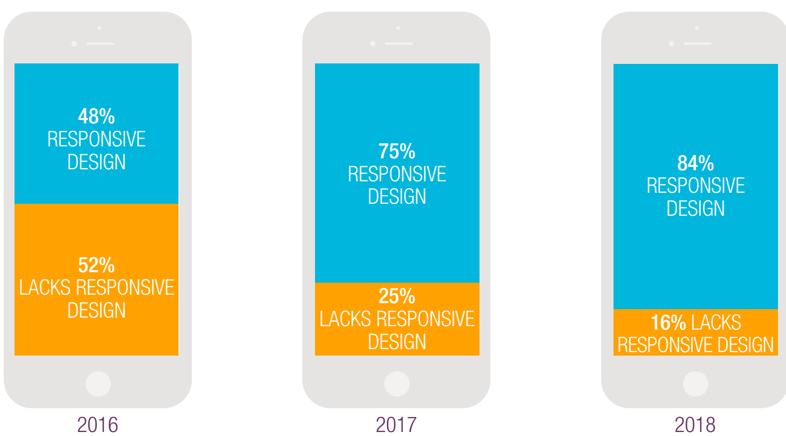
More successful brands have made an effort to incorporate dynamic content on these instructional pages, including videos and guided navigation. Gain bids on the keyword "how to use fabric softener"—for which almost 80 percent of searches are on mobile—and directs users to a page with a flow chart. This page incorporates numerous visual assets and guides users through targeted questions that may arise as they apply the product.

While brands are taking steps to optimize their site architecture for mobile and scale their instructional content, they must make sure to sync these efforts to optimize content for mobile viewing.

9. "Google's Mobile-First Indexing: Is This The Next Mobilegeddon?," Jayson DeMers, Forbes, July 2017.

Home Care US: Brand Site Configuration on Mobile Devices

2016–2018, n=61 Brands Present in Three Studies



Source: L2 Digital IQ Index: Home Care US, January 2018.

Both Mr. Clean and Gain have pages dedicated to answering how-to questions, but Gain's page is more visual and better suited for mobile users.

L2 Gartner
DIGITAL IQ INDEX

L2 Membership Benefits

Inquire About Membership

BENCHMARKING

L2 Digital IQ, Amazon IQ, and Category IQ Indexes provide analysis and rankings for brand performance, profiling best practices and key innovators.

MEMBER SUPPORT

L2 advisors provide members with the support they need to make key decisions and prescriptively assess digital initiatives, offering dynamic guidance as improvements are implemented.

RESEARCH REPORTS

L2 publishes 100+ reports annually, including L2 Digital IQ Indexes, cross-sector Intelligence Reports, and topical Insight Reports. Members have access to L2's entire archive of research.

EXECUTIVE EDUCATION

L2 hosts 65+ events around the world each year, bringing together top scholars, thought leaders, and L2 analysts to share insights and speak on important developments in the digital sphere.

L2 Products

L2 DIGITAL BENCHMARKING INDEXES

Rigorous analysis and benchmarking of brand performance within a specific industry, merchandise category or on Amazon.

- L2 Digital IQ Index
- L2 Amazon IQ Index
- L2 Category IQ Index

STRATEGY MODULES

Customized benchmarking and insights on digital topics that are strategic priorities for brands, including:

- Omnichannel Retail
- Data & Targeting and Loyalty
- Video
- Localization
- Content & Commerce
- Social Content & Strategy

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