# Consumer & Retail

CPG · Apparel · Grocery · DTC · Food & Beverage · Luxury

## MARKET OVERVIEW

**The U.S. retail market is approximately $7.4T (2025) and the global CPG market tops $1.5T. But the headline number masks the most important structural story: the middle is being squeezed out.** Premium and value are both gaining share; mid-market brands are losing it. Dollar General and LVMH are both thriving. Everyone in between is fighting for relevance. E-commerce has reached ~16% penetration (~$1.2T) with Amazon commanding roughly 40% of that.

## KEY PLAYERS — KNOW THESE NUMBERS

**Walmart**
$681B revenue (FY2025) · ~$700B global GMV · Walmart+ 35M+ members. World's largest retailer.

**Amazon**
$590B total revenue · 40% of U.S. e-commerce · $56B advertising revenue · 6.1B packages delivered (2024).

**Costco**
$183B revenue · 2% net margin · $4.8B membership fee income · 92.9% renewal rate. The membership fee is the profit.

**P&G**
$84B revenue · ~23% operating margin · 12 billion-dollar brands. The canonical CPG company.

**LVMH**
€84.7B revenue · 23.1% operating margin · Fashion & Leather Goods at 40%+ margin. Luxury economics: raise prices 5-10% annually, demand holds.

## WHAT TO WATCH

**Kroger-Albertsons merger blocked (December 2024)**
The FTC block signals large-format grocery consolidation faces a high regulatory bar, keeping the landscape fragmented and limiting national chains' scale

**De minimis suspension ends Shein/Temu cost advantage (2025)**
Without the duty-free exemption, Shein and Temu lose their landed cost advantage, restoring pricing parity for U.S.

**Retail media replacing trade spend**
Retailers converting first-party purchase data into $62B+ of ad revenue are shifting CPG budgets from trade spend toward performance media with measurable ROI.

**GLP-1 drugs reshaping food demand**
GLP-1-driven caloric reduction creates structural volume declines in salty snacks, beverages, and processed foods, directly compressing margin in core CPG

## KEY METRICS — DEFINITION + HOW TO USE IN A CASE

**Same-Store Sales (Comps)** *Benchmark: Healthy: +2–4%/yr*
Revenue growth from stores open 12 or more months, isolating organic demand from new-store expansion. Negative comps signal a structural brand or concept problem, not just a capacity issue.

**Trade Spend** *Benchmark: 15–25% of CPG gross revenue*
Money CPG companies pay retailers in slotting fees, price promotions, displays, and cooperative advertising, typically 15-25% of gross revenue.

**Gross Margin by Segment** *Benchmark: Grocery 25–30%; Apparel 55–65%; Luxury 65–75%*
Revenue minus COGS divided by revenue, reported by product or business line to isolate pricing power and cost structure differences.

**Revenue per Square Foot** *Benchmark: Avg retail ~$325; Grocery ~$550; Apple ~$5,500*
Annual revenue divided by total retail square footage, measuring the efficiency of physical retail real estate investment.

**Private Label Penetration** *Benchmark: U.S. avg ~20%; Costco/Aldi 70–90%*
Percentage of category sales from retailer-owned brands versus national brands. Private label gross margins are 8-10 points higher than equivalent branded products; the retailer captures the brand

**4-Wall EBITDA** *Benchmark: Must be positive to justify keeping a store*
Store-level profitability: revenue minus direct store COGS, store labor, and occupancy (rent and utilities), excluding allocated corporate overhead.

## CORE FRAMEWORK: THE CPG PRICING WATERFALL

→ List Price (Gross Revenue): the published shelf price or invoice price. Nobody actually pays this full price: it is the starting point for the waterfall analysis, and can be 15-25% above what the retailer pays after all deductions.

→ Less Trade Promotions (15-25% of gross revenue): slotting fees, price promotions, display fees, and cooperative advertising. Trade spend is the largest deduction most candidates miss: it comes off the top before any profitability work.

→ Invoice Price: the price the retailer actually pays after trade deductions. Still not the number that drives the P&L: there are additional below-the-line deductions before you reach net revenue and true profitability.

→ Less Cash Discounts, Freight Allowances, and Returns: another 1-3% deduction that adds up fast at scale. A brand doing $1B in gross revenue loses $10-30M here before arriving at net revenue or pocket price.

→ Net Revenue / Pocket Price: the revenue the P&L actually captures. This is the only number that matters for profitability analysis. Everything above it matters for commercial negotiation, not for margin or cost structure work.

→ Less COGS, then Gross Profit, then Brand Investment (A&P) and SG&A, then Operating Profit. Brand investment runs 8-12% of net revenue at most CPG companies. Operating profit is the output that drives portfolio and pricing decisions.

*Most analysts think about CPG profitability as Revenue minus COGS equals Gross Profit. That framing is wrong and will cost you in a case. The waterfall from list price to pocket price is where the real story lives.*

## HOW TO APPROACH CASES IN THIS INDUSTRY

**CPG Profitability / Pricing**
Start with the pricing waterfall: list price minus trade spend, returns, and allowances equals net revenue.

**Retail Store Portfolio / Closure Decision**
Evaluate each store on 4-wall EBITDA: revenue minus direct COGS, store labor, and occupancy, excluding allocated corporate overhead that does not disappear with a closure.

**DTC vs. Wholesale / Channel Strategy**
Compare fully-loaded unit economics across channels: DTC captures higher gross margin but carries CAC, fulfillment, and return costs that wholesale avoids.

**Grocery / Supermarket Turnaround**
Grocery turnarounds concentrate on three levers: shrink (theft and spoilage), labor scheduling efficiency, and private label mix improvement.