RETAIL REINVENTION

MAKING THE SHOPPER THE HERO

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EnsembleIQ
SMARTER TO MARKET

PROGRESSIVE GROCER

EnsembleIQ

MEDIA FAMILY

WWW.ENSEMBLEIQ.COM

Technology

Marketing

Retail Strategies

Grocery store LISTS

External

Outside Disruptors

- ✓ Market factors
- ✓ Health, well-being
- ✓ Immediacy/Social Media
- ✓ Transparency

Internal

Store Level Impact

- ✓ E-commerce and Click & Collect
- ✓ Retail experience, services
- ✓ Deep discounters, private label

Market factors

- **Economic expansion**
- **Retail deflation**
- **High consumer confidence**
- **Overall retail – projected growth of 3.5%**

Physical stores in 2016

Traditional grocery – growth 1%

Limited assortment – growth 39%

Today’s shopper

Today’s population is younger & more multicultural

More men are responsible for household shopping

Channel agnostic

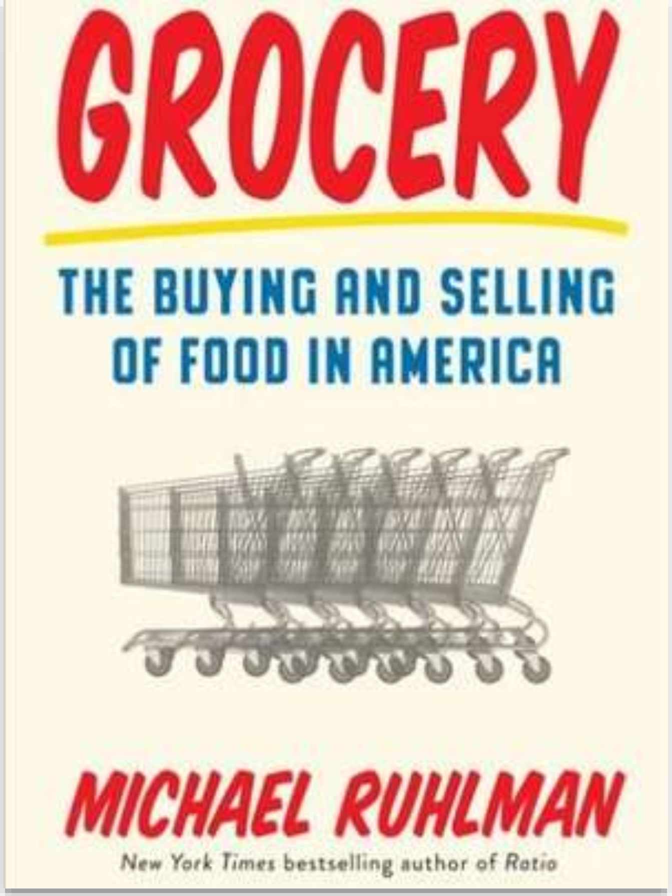
Fewer physical shopping trips (and fewer visits to center store)

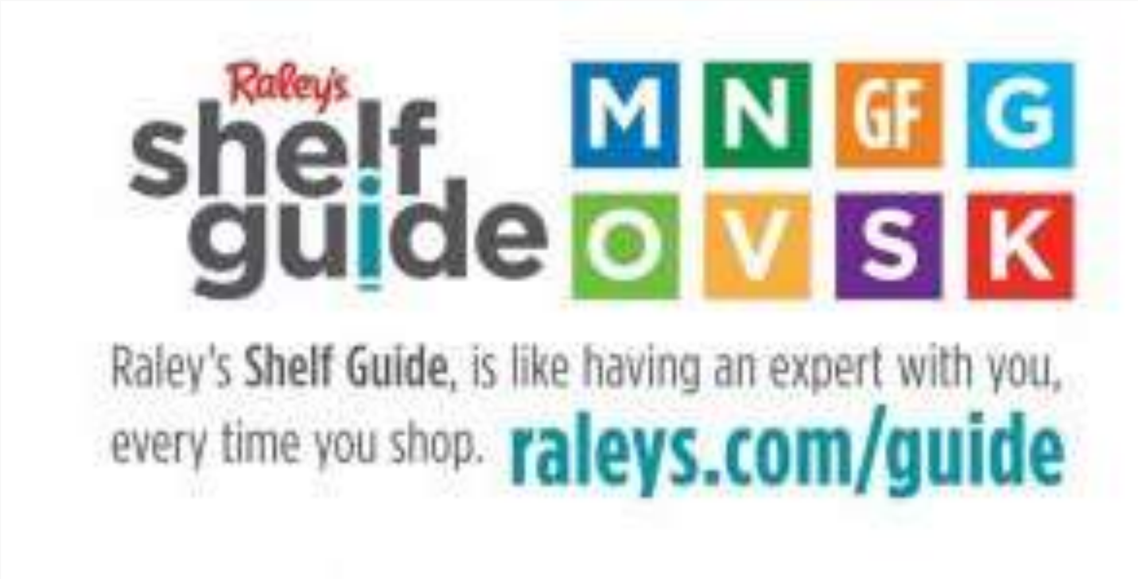
Tomorrow’s shopper

- **Physical well-being**
  - Health
  - Personal safety
- **Info secure**
- **Knowledge empowered**
- **Assumed levels of convenience**

"We want to think the people who care about our food care about us."

-Michael Ruhlman





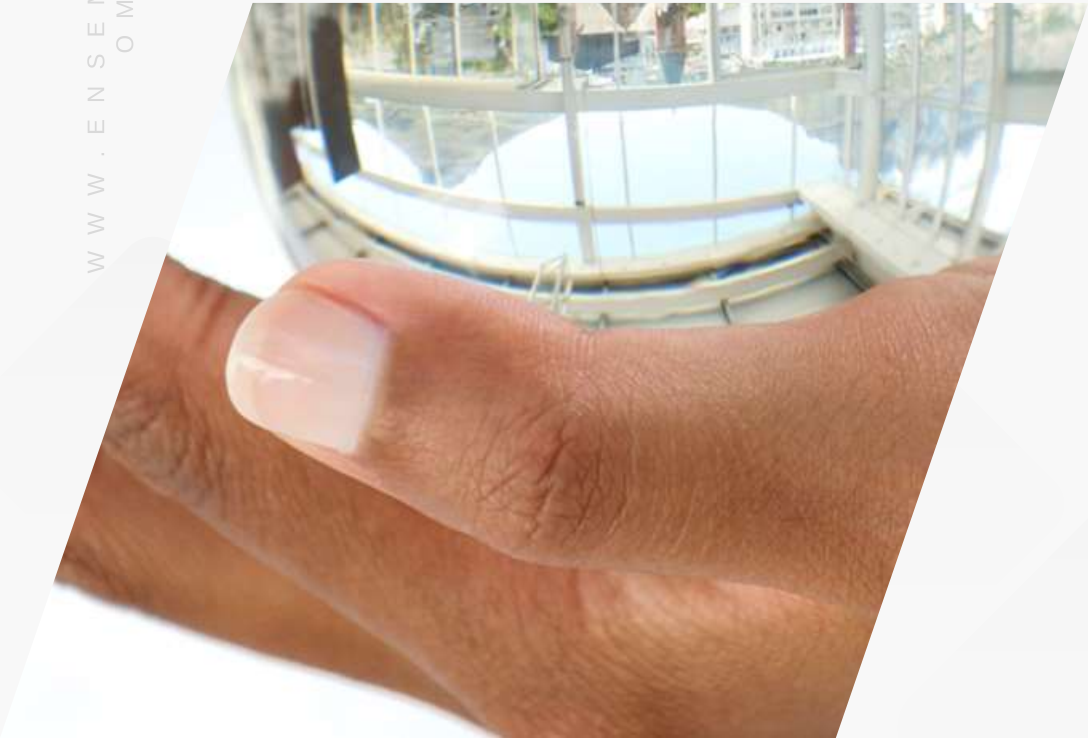
New retail reality

Transparency

Immediacy

Transparency

Engage with food,
engage with the world.



Transparency is changing the way companies market to consumers.

Next generation transparency: drawing consumers into a deeper conversation.

smartlabel™

New retail reality

- Your competition is everywhere people spend money on food
- Shoppers don’t think of channels, they think of solutions

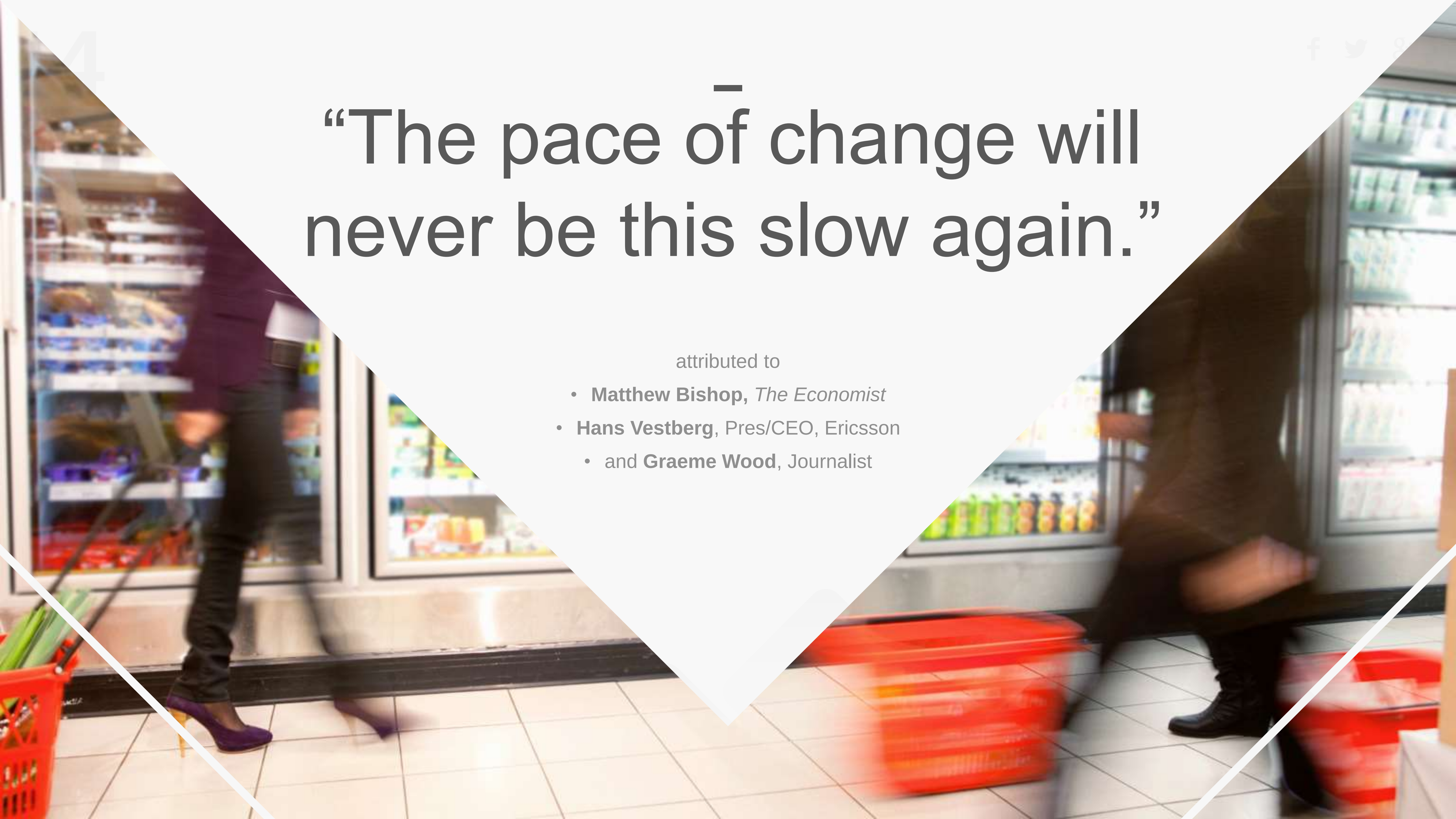
Grocery retail isn’t top of mind because grocery retail isn’t talking with consumers.

Tap into the opportunity: **67%**

of households with kids outsource cooking meals to the grocery store… some of the time.

Grōcery is getting it

So do restaurants



“The pace of change will never be this slow again.”

attributed to

- **Matthew Bishop,** *The Economist*
- **Hans Vestberg**, Pres/CEO, Ericsson
- and **Graeme Wood**, Journalist

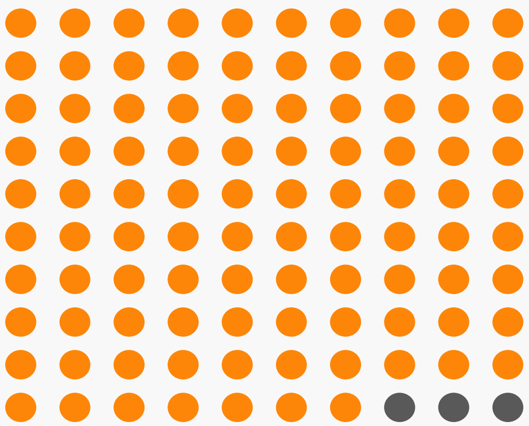
“E-commerce will transform the food industry in similar ways to how it transformed entertainment and apparel.”

- Denise Morrison, CEO, Campbell Soup

Grocer retail
digital commerce

$100 billion

THE e-commerce disruptor:



97%

of primary grocery shoppers surveyed shop at Amazon at least occasionally.

Like Pinterest, with a direct link to Amazon… where you can make a purchase.

And Walmart is right there, too

- Walmart: **#1** (for traffic)
- Adds an estimated **1 MILLION** new products each month

  … and was at **15 MILLION** last fall.
- Acquisitions: Shoebuy.com, ModCloth, MooseJaw, Bonobos Inc.

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eComm 2023:
20% of CPG > Total Volume of Club, Dollar, Hard Discounter and C-Stores combined

Peapod®

Rosie

instacart

amazon fresh

"If I go shopping and it's something I don't need to touch and feel, then I'm going to order it online…"

- Anthony Bourdain

Brick & Mortar: Point of Differentiation

- Community space
- Personal interaction
- Social events
- Higher levels of personal service
- Store brand exclusivity

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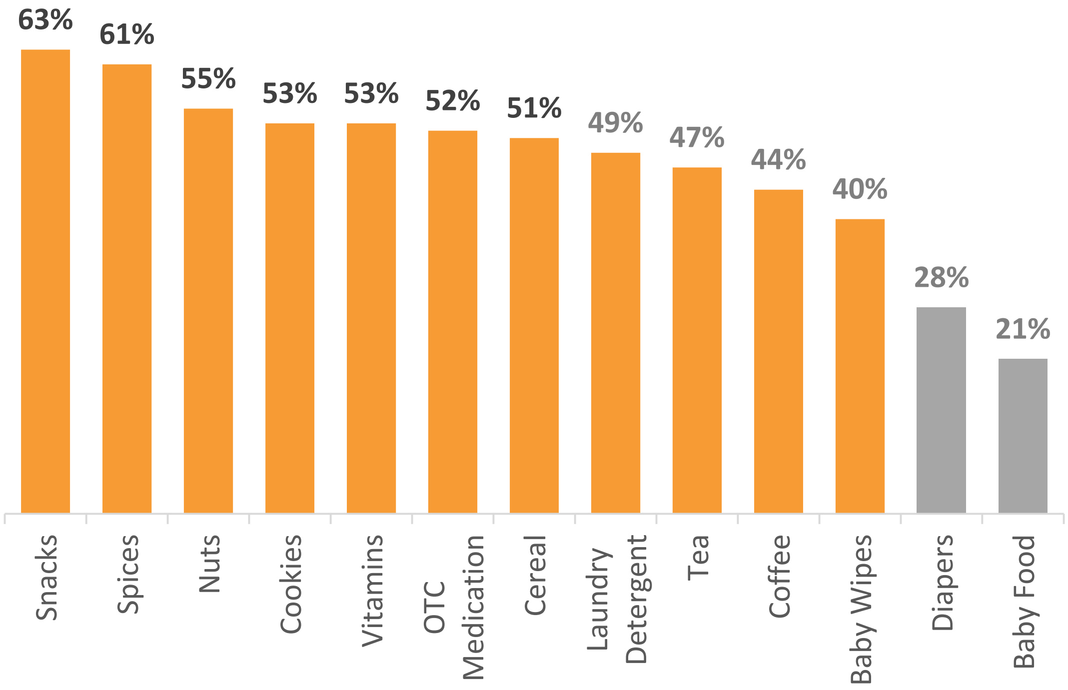
Levels of service

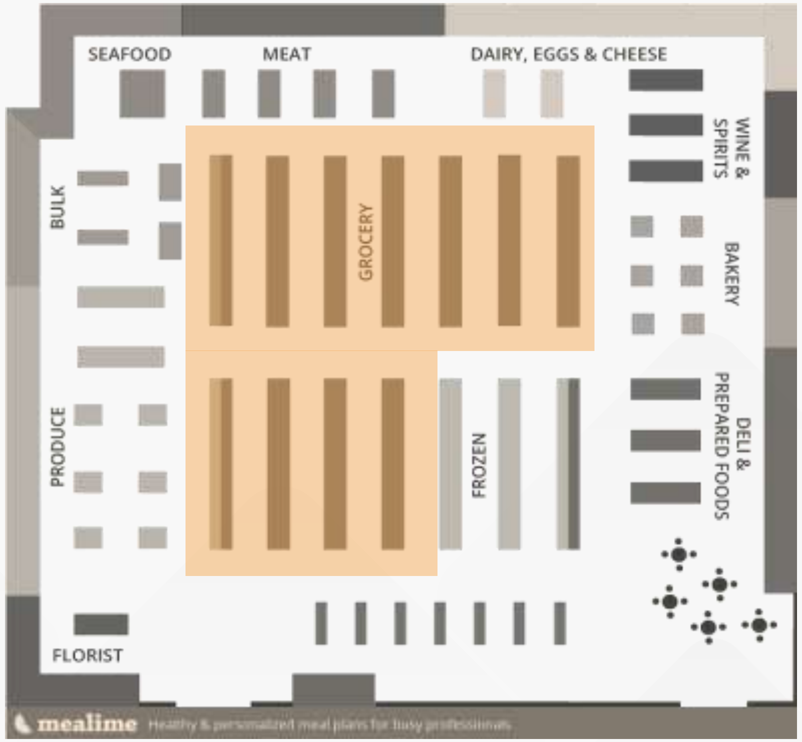
The ripple effect of one great employee

Promote the good – both internally and externally

Rethinking the store



% Who Will "Definitely" or "Probably" Purchase*



Source: EnsembleIQ Research Services. TOTAL BASE =1015 PRIMARY GROCERY SHOPPERS

*'PROBABLY WILL PURCHASE' OR 'DEFINITELY WILL PURCHASE'

Deliver against different consumer “solutions” to...

Make the Shopper the Hero!

New and assumed levels of convenience

Build experience

Consumers are demanding more convenience. Grocery retail should be part of that meal-decision mindset.

Deli

Deli (including fresh prepared foods) is the fastest growing area in the fresh perimeter… by the numbers

$64
Average basket ring with prepared food purchase, vs. $41 average basket (1)

2.4 BILLION
foodservice trips in 2015. (1)

$14 BILLION
Fresh prepared sales in 2015. (Total sales: $24 billion) (2)

40%
of U.S. population purchases prepared foods from grocery retail. (1)

30%
growth in in-store dining and takeout from grocers since 2008. (1)

58%
of deli sales generated by fresh prepared foods. (2)

1. NPD, JUNE 14, 2016 (WWW.NPD.COM) 2. NIELSEN, FRESH COVERAGE AREA, TOTAL US, 2015 AND NIELSEN HOMESCAN TOTAL SHOPPER VIEW SPECIALTY PANEL 52 WEEKS ENDING 7/2/16

Grocerant myths

"Retailers will need … to find ways to draw shoppers to the deli department when in the stores as well as prompting fresh prepared purchases among deli consumers there for deli meats, cheese, and other items." – 2017 industry research

"…means becoming a prepared foods destination much like a restaurant."

"My closest competitor isn't in this space, so the pressure is off me."

Grocerant truths

Shoppers want ease and convenience… “if I trust you to know me, you can think for me.”

Remember the consumer of the future?

Solutions can include using the entire store to provide quick options for the shopper.

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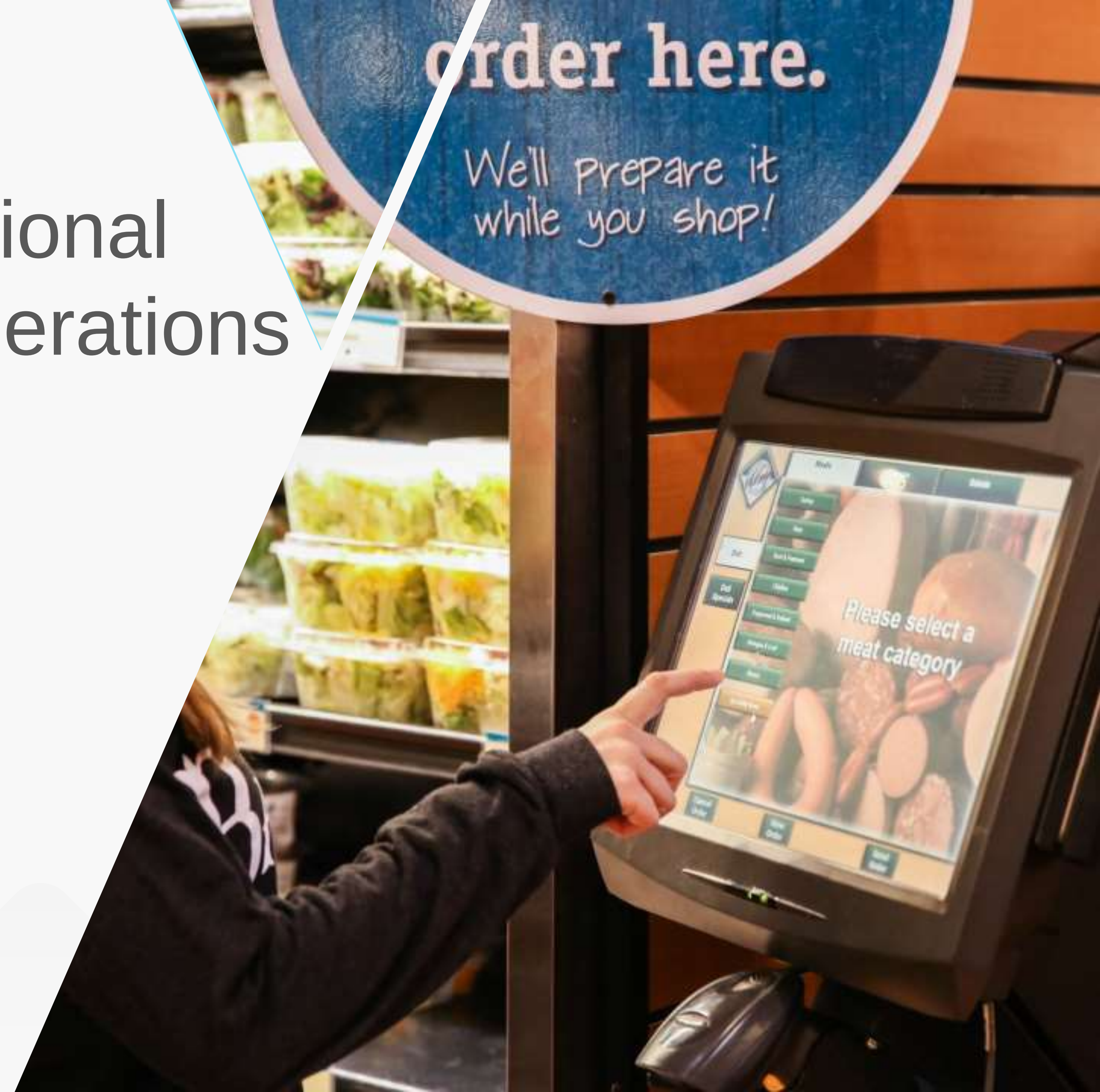
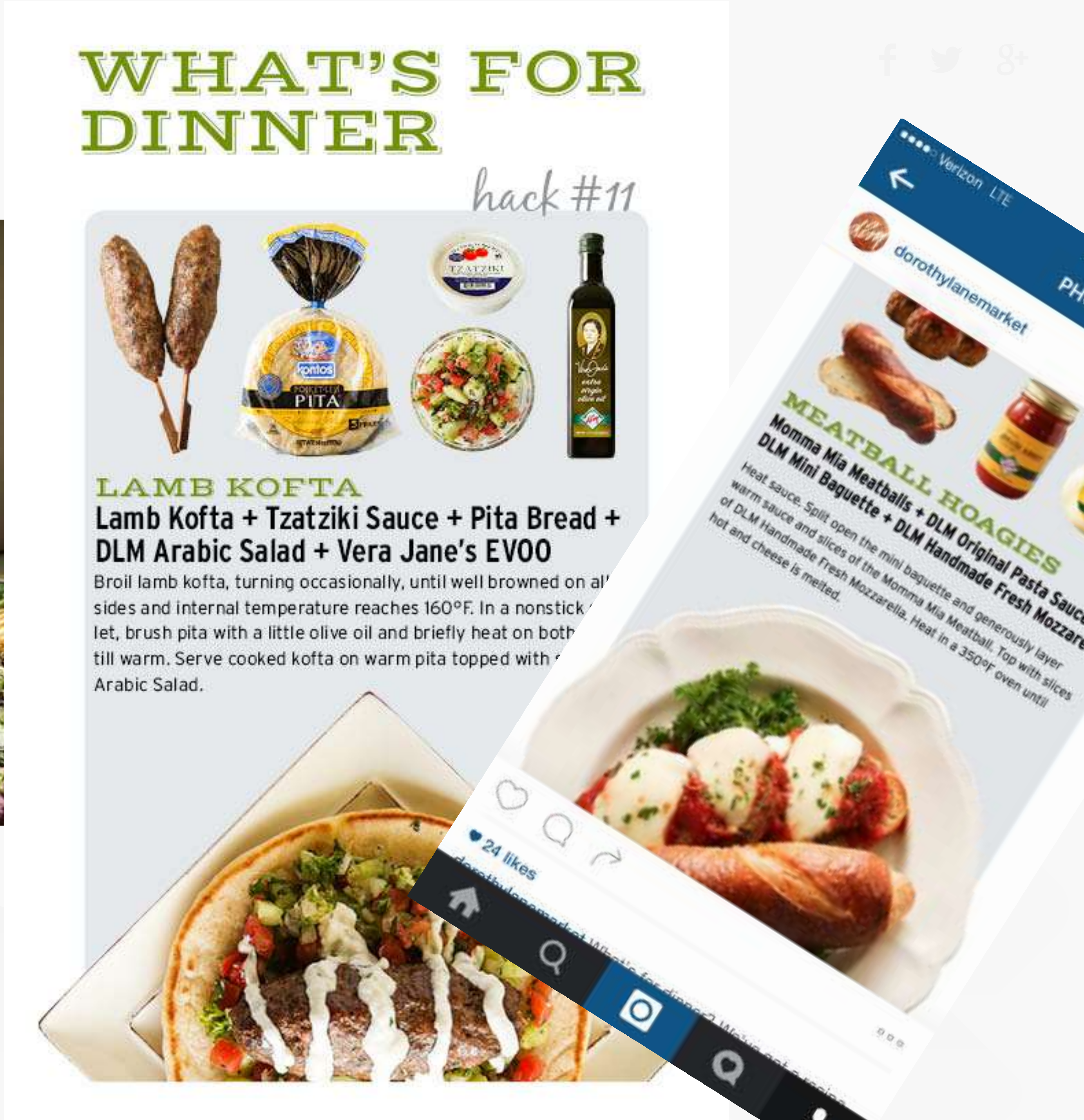
Operational Considerations



New conveniences



- **Coborn’s To the Table Fresh Meal Kits**
- **Giant Eagle Fresh in :30**
- **Kroger Prep & Pared**
- **Metro’s** missfresh

Meal Kit Explosion

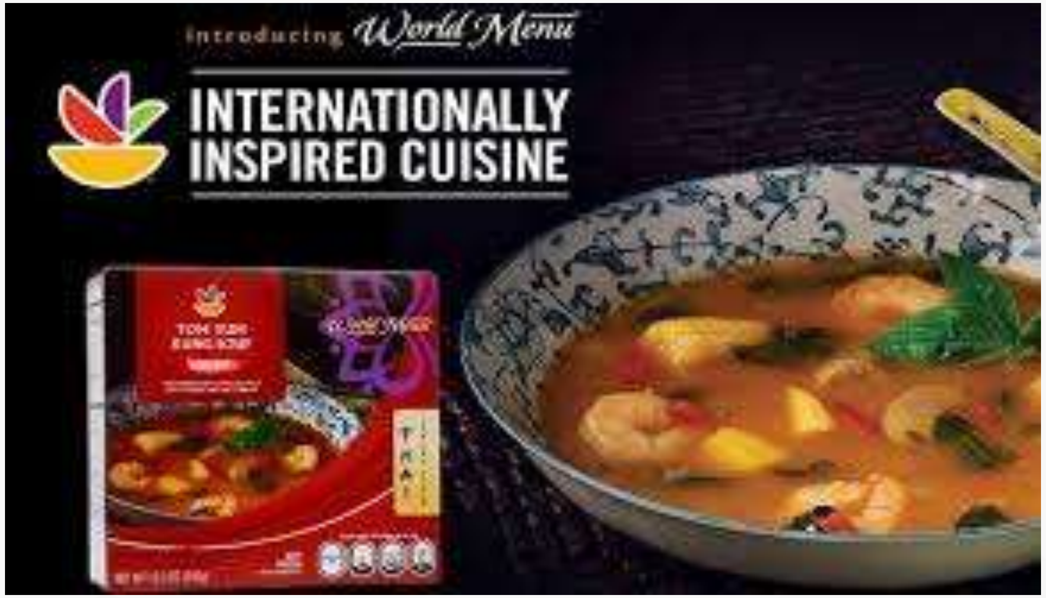
Food + Tech = Solution

But wait, there's more… from Amazon

Meals kit delivery – branded and as a service

Next generation (or old generation) meal kits

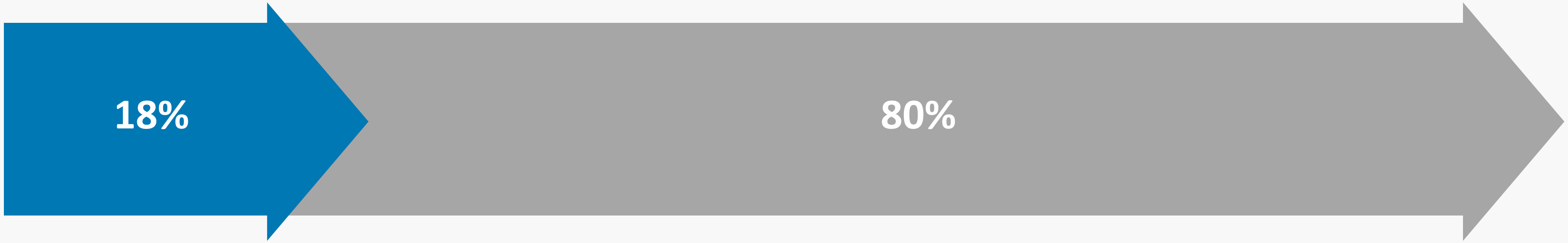
Store brands leverage “solutions”



- Lifestyle: Health, Sustainability
- Seasonal, Limited Availability

Store brands: We're buying them

(Especially Millennials)



Whenever Available

Occasionally

26%	18%	9%

Millennial	**GenX**	**Boomer**

Source: EnsembleIQ Research Services

TOTAL BASE =1015 PRIMARY GROCERY SHOPPERS

Store Brands

THE NO. 1
COMPETITIVE
TOOL?

98% of retailers use private brands to differentiate – the #1 competition strategy

(source: Food Retailing Industry Speaks 2016, FMI)

But private label **lags** in success behind customer service, produce, community support/ties, meat/poultry, and deli/fresh-prepared initiatives

(source: Food Retailing Industry Speaks 2016, FMI)

96% of households purchase some form of private label at grocery retail.

(source: FMI Power of Private Brands Report, 2017)

You can only get it here.

ALDI

Store brand leaders

ALDI

- “Customer Obsession”
- Aldi: 2,000 stores by the end of 2018
- $1.6 billion investment in remodels and store expansions
- New focus on fresh

Lidl

- Stores will be 2x larger than (traditional)

Aldi stores

- 100 by end of 2018
- Fresh departments
- Some national brands

Make the Shopper the Hero

Deliver against shopper needs:

New levels of convenience

Expectations for health

Recognize the shopper of the future and work to ensure their:

Personal wellbeing and health

Keep their information secure

Support their empowerment

THANK YOU

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