What's In-Store 2023

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What's In-Store 2023

A multi-dimensional look at the Dairy, Deli and Bakery **State of the Industry**

- Shopper survey
  - May 2023
  - 1,550 consumers
- Consumer videos
- Industry expert videos
- Market overlay
  - Best-in-class pictures, videos and examples from around the world
- Sales overlay by Circana (formerly IRI)

IDDBA 2023

Five Generations of Shoppers

Five different patterns of behavior

Silent Generation	Boomers	Gen X	Millennials	Gen Z
1928-1945	1946-1964	1965-1980	1981-1996	1997-2012

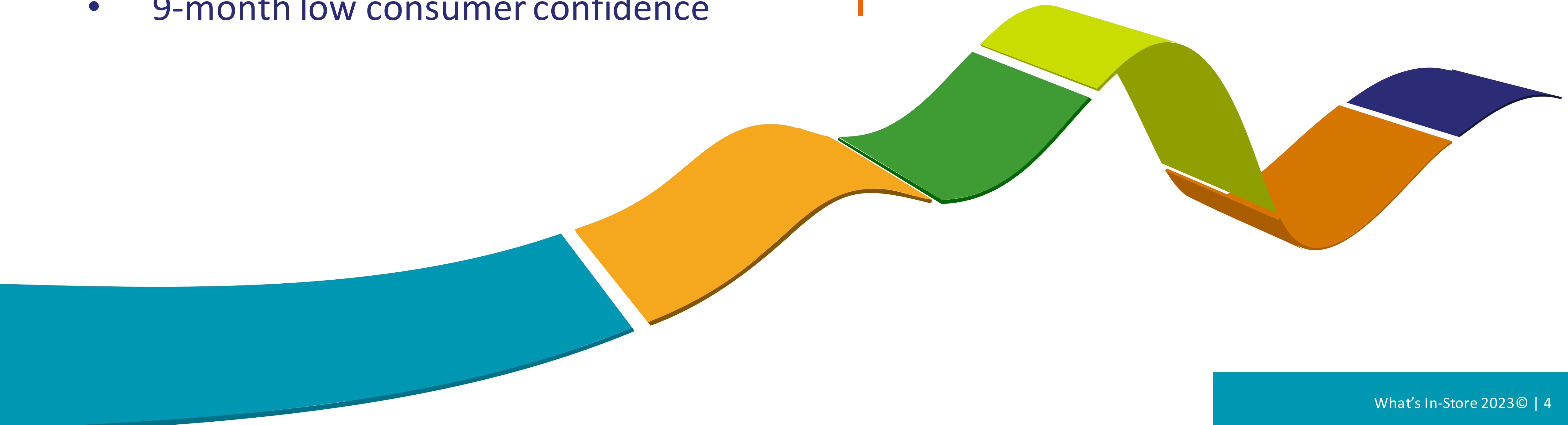
The rollercoaster ride continues

A new set of factors are adding to the list of pandemic disruptors

YTD 2023:

- Inflation, inflation, inflation!
- Record high consumer debt levels
- Record low consumer savings rates
- Wage increases below the rate of inflation
- 9-month low consumer confidence

→ **A continued home-centered world with room for premium purchases**



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Guiding Trends 2023

Whole Health, Heart and Self

Consumer-Defined Convenience

ESG: Environment, Social & Governance

Worth the Value

Technology & Innovation

Whole Health
Whole Heart
Whole Self

The evolution of health, now emphasizing both physical and emotional wellbeing.

Health focus is not a constant

Its definition is evolving balancing physical health and happiness

Level of focus on making healthy food and beverage choices (% of consumers):

8%	None, I eat what I eat
24%	On and off focus
42%	Some focus
26%	A lot of focus

Physical health and emotional wellbeing (happiness) are interwoven (% of consumers):

% Disagree	% Agree
3%	78%

Healthy plays out in many ways

Sugar, portion size, avoidance & inclusion of deemed positives/negatives

Examples of healthy choices in bakery:

The larger the size of the font, the more frequently it was mentioned in shoppers' descriptions. Shown if mentioned 10+ times

Response themes:

- Sugar content
- All natural/avoidance of artificial
- Portion size
- Minimal processing
- Fiber, multi-grain and whole grain
- Dietary trends: vegan, Keto
- Organic
- Free from dairy or gluten

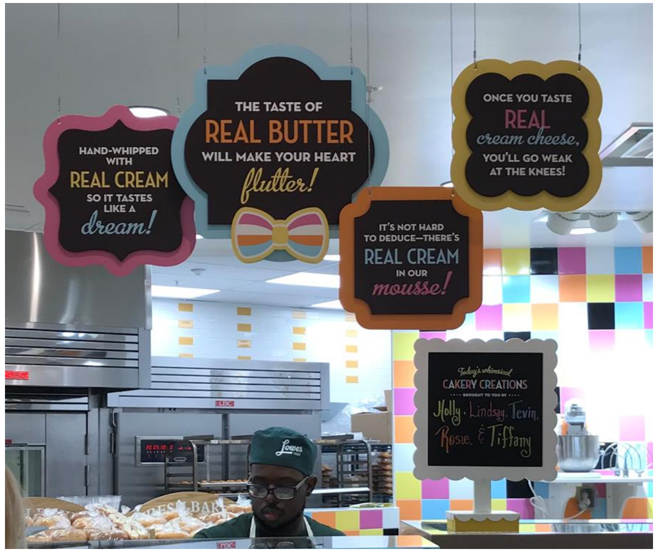
But also: everything is ok in moderation

Sugar-free

Single-serve

Shoppers have become label readers

Which, in turn, has prompted better-for and ESG



Pictures: 210 Analytics

Reflect the health continuum in-store

Sometimes a better-for choice, sometimes saying yes to cake

Pictures: 210 Analytics

Can the store help?

Transparency and education is appreciated

Somewhat or very interested (% of shoppers):

62% Basic nutrition facts on the **front of the package**, such as calories, fat, sugar and sodium

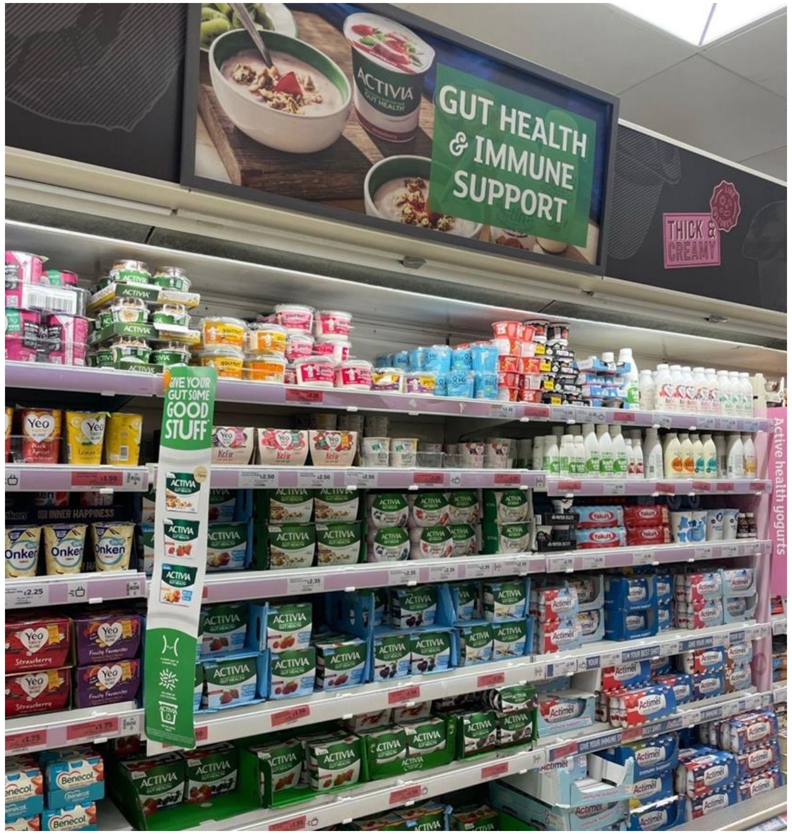
49% A nutrition **star-rating system** showing healthfulness of foods and beverages

34% Grocery stores offering **personalized nutrition** programs, tailored to your weight, pulse, blood pressure, etc.

31% Grocery stores offering **dietitian** healthy eating tips and picks

Curate and ideate

And be part of the healthy eating dialogues



Pictures: 210 Analytics

Balance is the word du jour

With treating playing an important role in traditions and happiness

Somewhat or completely agree (% of shoppers):

77%	79%	73%
It is completely **fine to occasionally enjoy** some **treats** like cupcakes, cookies or ice cream	Baked treats, like cakes or pies, are **great traditions** during holidays and celebrations	All foods and beverages are okay **in moderation**

Portion sizes can create permissibility

And variety — the key to the Millennial heart

Pictures: 210 Analytics

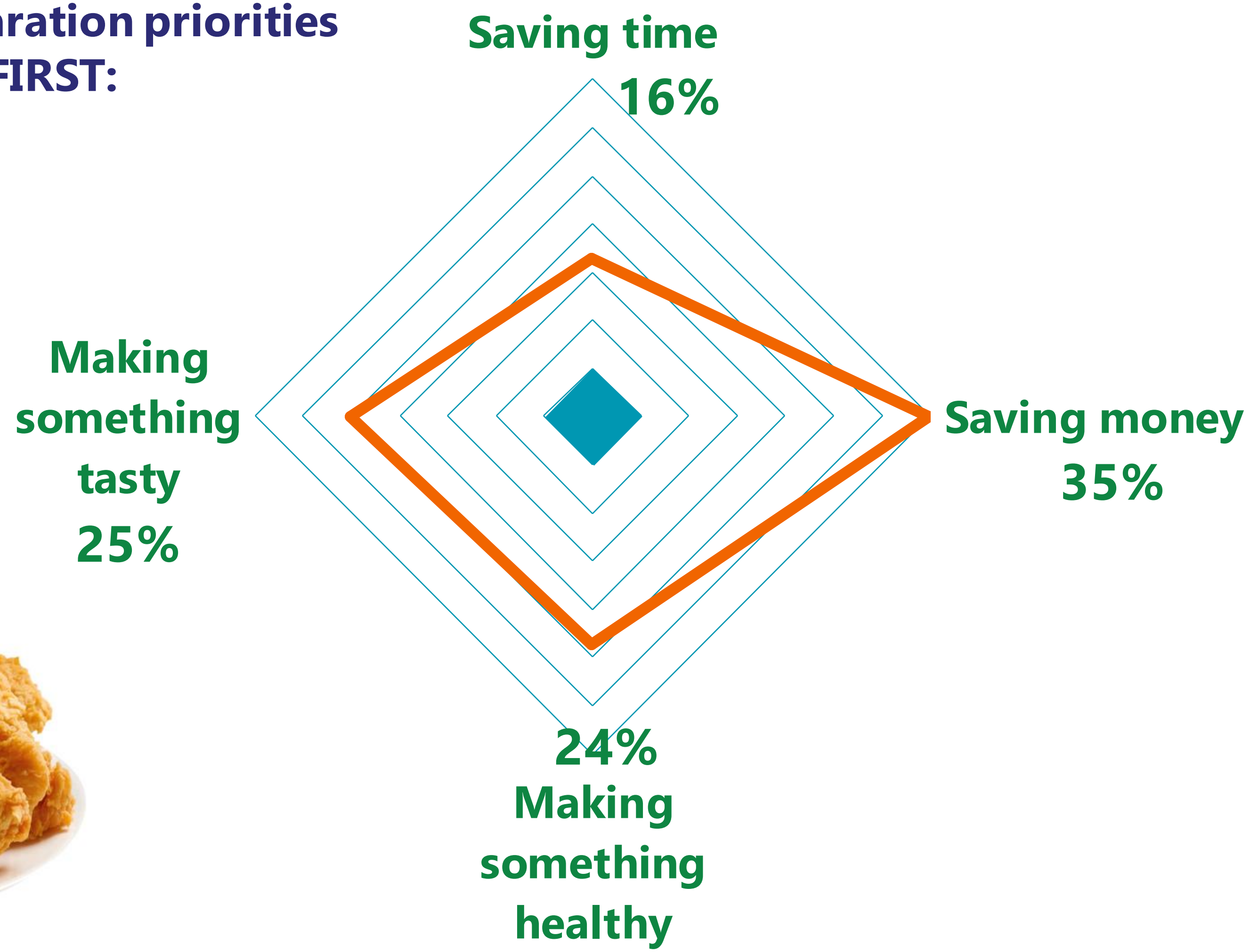
Consumer-Defined Convenience

The ever-growing importance of ease of meal planning, shopping, preparation and cleanup is driving sales growth.

The balancing act

Money, health, taste, time… it all matters

Meal preparation priorities
% Ranked FIRST:

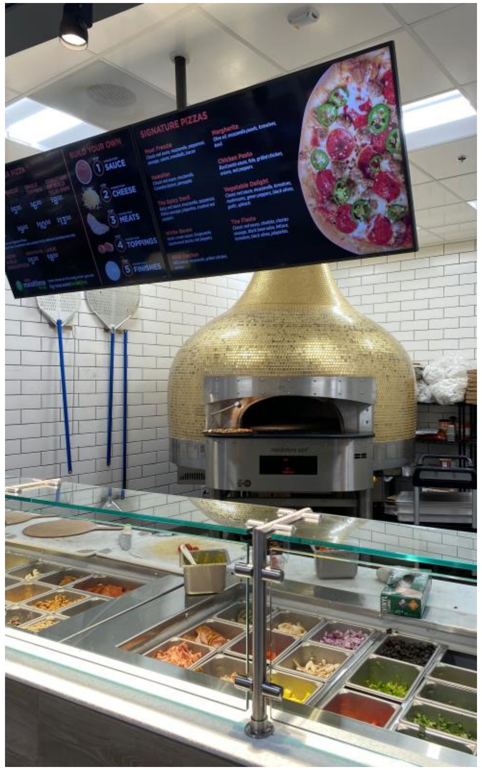


Life has become all about continuums

Ultra healthy to ultra indulgent | Time-well-saved to time-well-spent

Scratch to heat-and-eat to ready-to-eat | Cheapest to premium | New to nostalgia

The pizza continuum, for instance, from bake-yourself, to build yourself, to RTE



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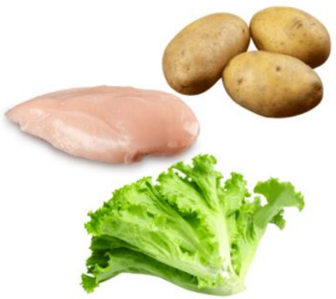
The hybrid meal has taken over America's kitchens

Best description of typical dinner preparation (% of consumers):

41%



Cooking mostly from scratch

50%

Mix of scratch-cooked and semi-and fully-prepared items

9%

Mostly semi-and fully-prepared items (may just require reheating)

Shoppers want convenience

Big demand for grab-and-go and the convenience continuum

Somewhat and very interested (% of consumers):

55%	Easier shopping with grab-and-go for bakery and deli
50%	Easier preparation with semi- and fully-prepared items
46%	Home delivery for grocery deli-prepared foods
46%	Easier shopping with easy online ordering and one-click shoppable recipes
45%	Easier shopping with stations featuring all items for one meal
35%	Meal planning suggestions

Self-service is fast growing

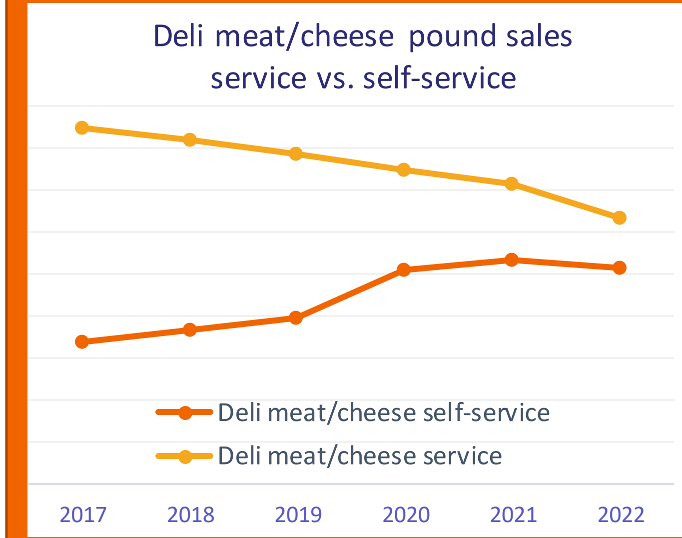
Big wins for grab & go deli meat/cheese

Pictures: 210 Analytics

Grab & go & pre-sliced deli meat/cheese $ share

28.6% 2017 share of $

44.7% 2022 share of $



Source: Circana, Integrated Fresh, Total US, MULO, 2019-2022

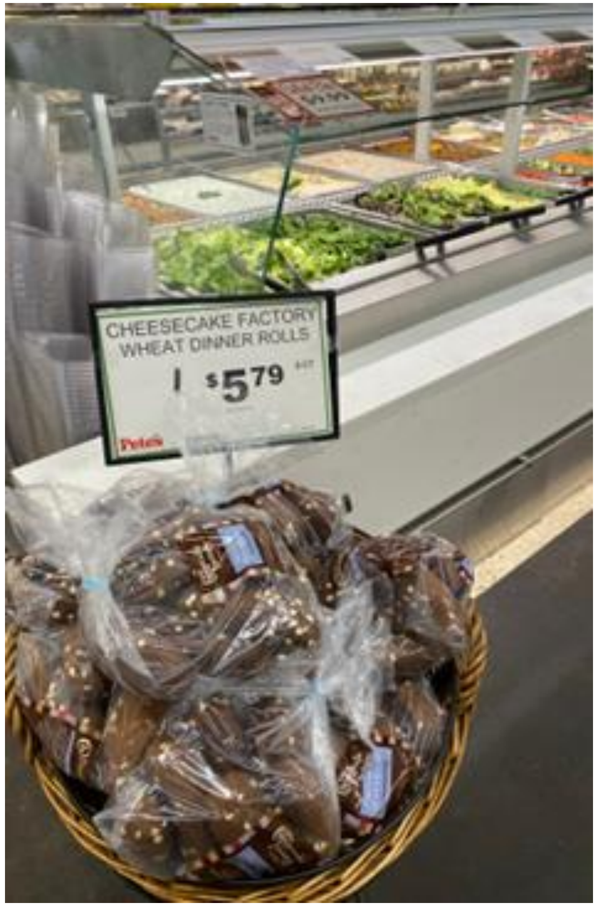
Cross-merchandising for convenience

Physically co-merchandise or use coupons as a reminder

Pictures: 210 Analytics

Leveraging co- and cross-purchase insights

To ideate where the consumers' mind is already going



Pictures: 210 Analytics

Delivery and takeout are huge

Fueling restaurant business but not as much for deli-prepared

Do so occasionally (% of consumers):

62%	78%	33%	41%
Restaurant delivery	Restaurant takeout	Grocery deli-prepared delivery	Grocery deli-prepared takeout

51%
use third-party delivery services such as Grubhub or Uber Eats

Pictures: 210 Analytics

The Time Crunch

Delis should focus on awareness

When running out of time (% of consumers):

15% Grocery deli	35% Something quick (PB&J/frozen meal)	50% Restaurant

When not in the mood to cook:

16% Grocery deli	24% Something quick (PB&J/frozen meal)	60% Restaurant

Why restaurants and not grocery deli-prepared foods?

68%

Grocery deli is a good option, but I just **don't think about it**

32%

Grocery deli is just **not a viable** restaurant alternative

Deli-prepared is an occasional choice

Mostly addressing the lunch and dinner occasions

Purchase deli-prepared foods by meal occasion (% of consumers):

Breakfast

35% Never
21% Light
33% Medium
12% Heavy

Lunch

19% Never
27% Light
42% Medium
11% Heavy

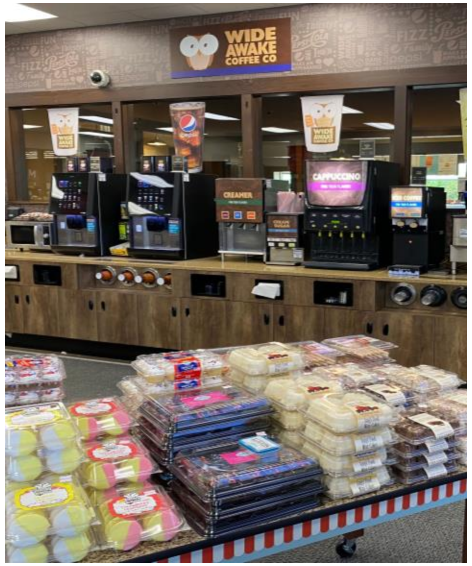
Dinner

12% Never
30% Light
45% Medium
13% Heavy

Light = Less than once a month | Medium = Every few weeks | Heavy = Weekly or more

Curbing restaurant spending affects all occasions

Particular opportunity in breakfast and lunch as a foot in the door



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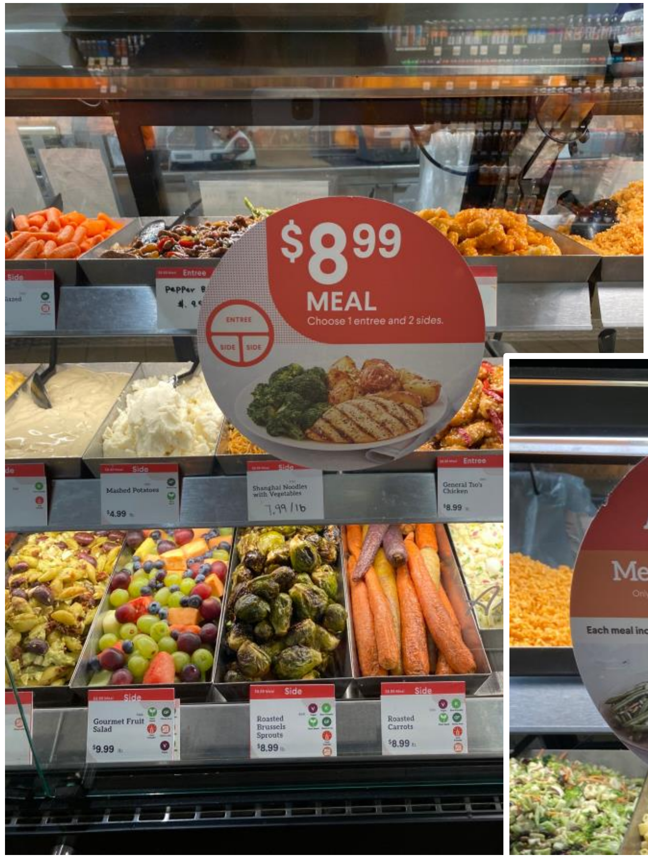
Selling a meal for now, and one for later

Or change 1 meal into a meal for 2 or 4 people



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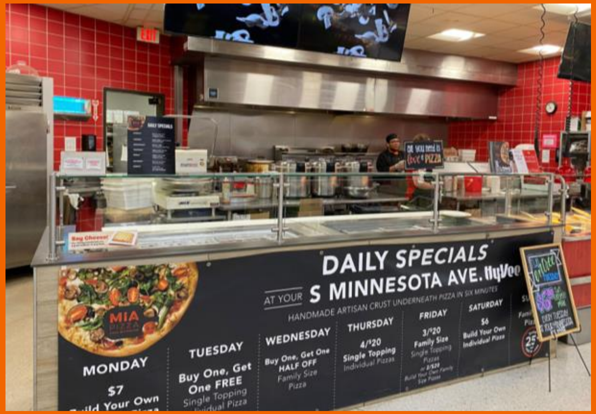
Driving higher engagement

Variety, price and deli specials are keys

Would prompt buying grocery deli-prepared more often (% of shoppers):

81%	Better variety of items/cuisines
80%	More frequent promotions
76%	Daily specials, such as Taco Tuesday
75%	More healthy options
69%	Ability to order in advance
62%	Home delivery
55%	More specialty options (organic, vegan, etc.)
53%	Deli drive-through
51%	Reserved parking spaces/curbside delivery



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The ABCs of ESG

Environment

Social

Governance

ESG is rapidly moving into the spotlight

Pictures: 210 Analytics

Importance of various ESG components

Food waste is a universal issue, others vary widely by age

Somewhat or very important for food brands and retailers to do (% of shoppers):

		M	B
60%	Commitments to limit food waste	61%	63%
59%	Humane treatment of the animal (dairy, deli meat, etc.)	60%	46%
58%	Commitments to fair pay throughout the supply chain	64%	54%
56%	Commitments to limit package waste	61%	58%
53%	Giving back to the community	60%	48%
49%	Sustainable ingredient sourcing	56%	45%
49%	Commitments to reduce water/energy usage in production	52%	49%
44%	Supporting special causes	50%	38%

The planet and animals: more people care

Making inroads in all our areas from grass-fed and organic to regenerative agriculture and pasture-raised in eggs, bakery and more

Pictures: 210 Analytics

Understanding plant-based

Perceptions center on health and planet

57%

Of consumers purchase plant-based dairy alternatives

44% Occasionally

13% All the time

Why dairy alternatives?

49% Better for one's health

39% Prefer the taste

27% Better for the planet

23% It is the right thing to do

22% Animal welfare concerns

19% Allergy

14% Concern of hormones/ antibiotics in dairy

13% Doctor/medical advice

3% Vegan lifestyle

Milk alternatives | $2.5B
+9.9% Dollar sales
-4.2% Unit sales

Dairy cheese alts | $107M
-5.1% Dollar sales
-7.3% Unit sales

Lunchmeat alts | $30M
+0.9% Dollar sales
-7.3% Unit sales

Source: Circana, Integrated Fresh, MULO, 52 w.e. 4/2/2023 vs. YA

Creative food waste prevention

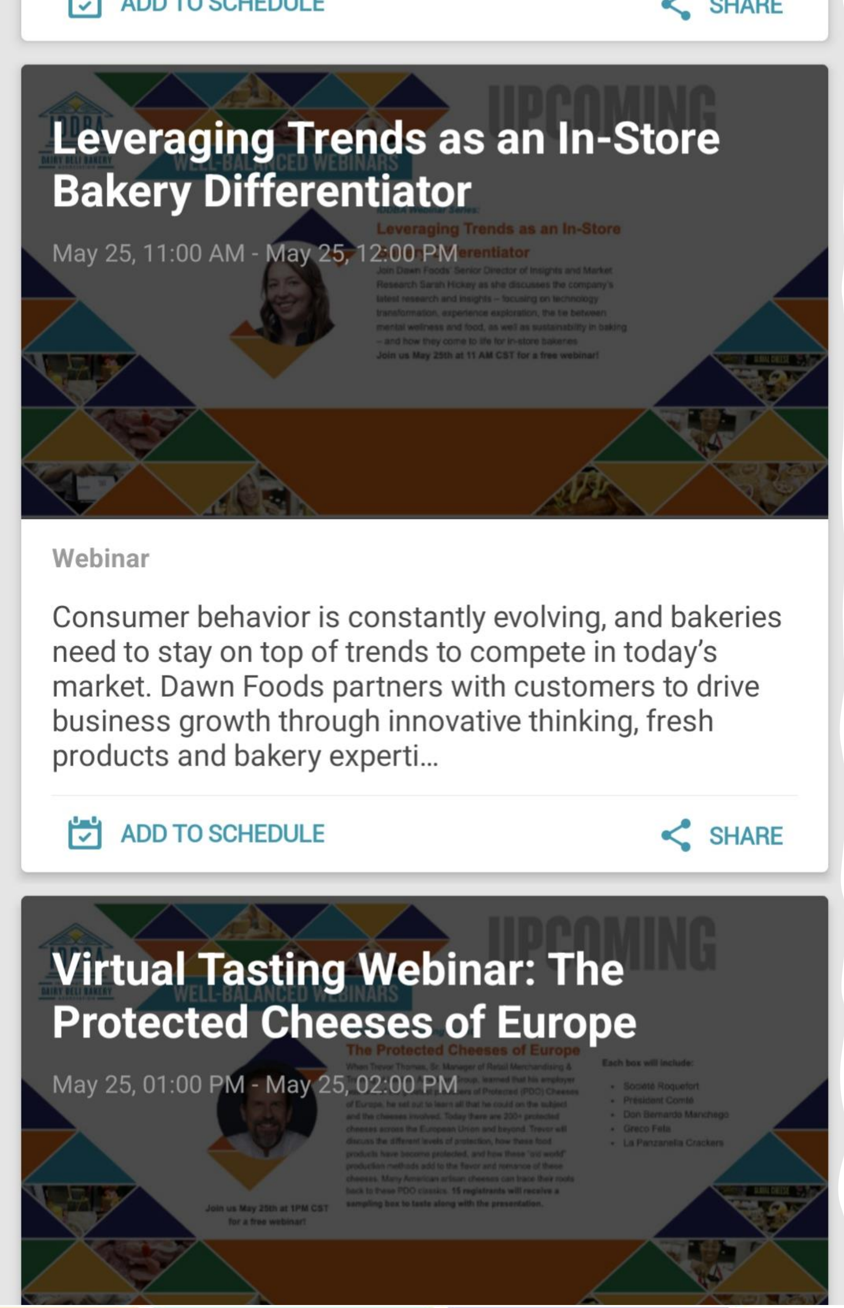
Providing solutions and communicating the effort

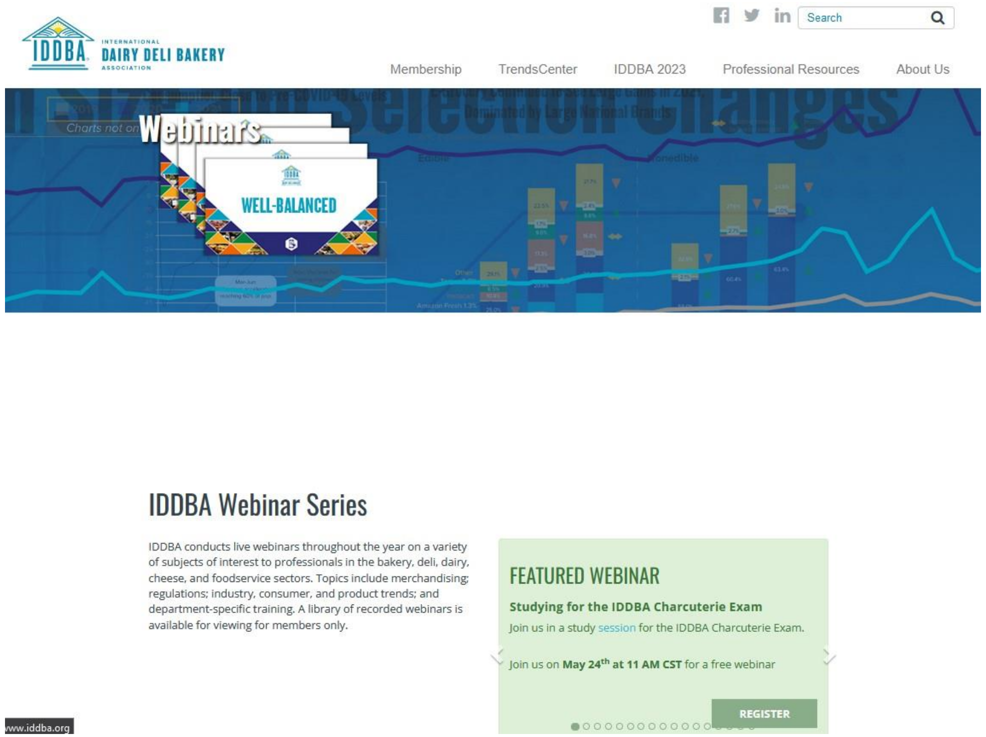
A new twist to markdowns: “Together we waste less”

Bake at home: less packaging, less food waste, great for the planet, great for you”

Pictures: 210 Analytics

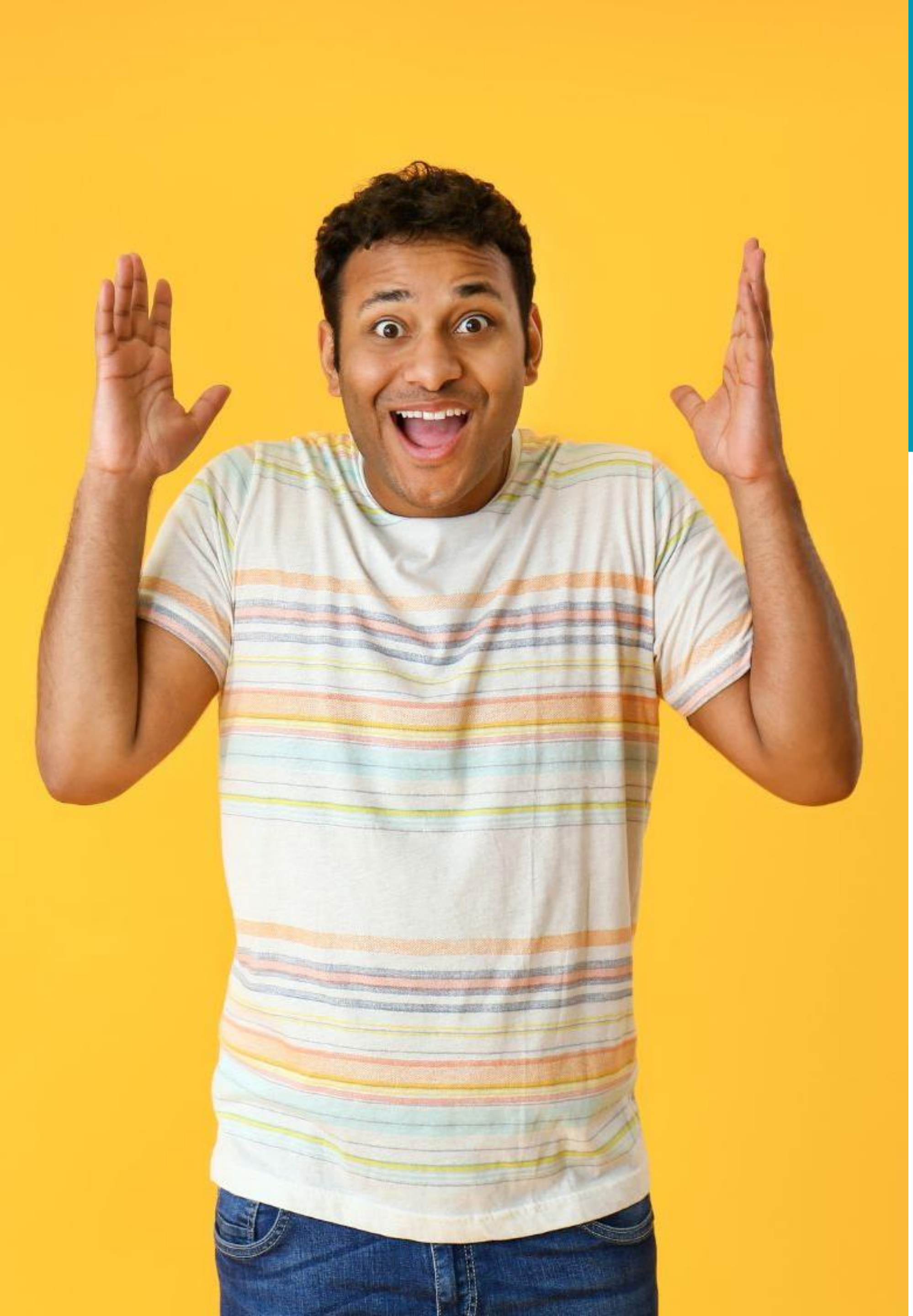
Webinars -
On the Web and App!





Worth the Value

Inflationary pressure is tremendous — emphasizing affordability. But it is not only about price nor does the market reflect a race to the bottom.



Life is…

More expensive **83%** % of consumers

Average price per unit:

			
$3.87	$5.98	$3.74	$3.65
+12.8%	+9.5%	+20.2%	+14.7%
+27.1%	+22.6%	+34.5%	+37.1%

Vs. YA Vs. 3YA (pre-pandemic)

Source: Circana, Integrated Fresh, Total U.S., MULO, 52 w.e. 4/2/2023

Many ways to save

Some boosting retail, others hurting sales

Ways of looking to save money in reaction to the higher cost of life (% of consumers):

93%

Making 1+ change when buying **groceries**

39%

Eating out at or ordering in from **restaurants less often**

Restaurant savings open the door for retail

Across meal occasions and types, especially lunch and dinner

Meal occasions now sourced from restaurants less often (% of consumers):







Breakfast	Morning snack	Lunch	Afternoon snack	Dinner	Evening snack	Coffee/ beverages
40%	20%	47%	22%	72%	18%	26%

Point out the cost-effectiveness of cooking

But also speed, versatility and healthfulness

"Skip the takeout, go with GreenWise."

"This is better than drive thru."

"Flavorful, affordable meals, simple sandwiches $2."

"Flavorful, affordable meals: BBQ chicken thighs, corn, salad as low as $2.50 per serving."

Pictures: 210 Analytics

Lots of planning pre-trip and in-store

Research intensifies while in-store with item and brand comparisons

Promotional research (% occasionally & frequently):

Compare dairy, bakery and deli promotions **across different stores** pre-trip

70%

Check **promotions** at your **main store** pre-trip

79%

Compare prices/ promos in-store across **items** before you select

80%

Compare prices/ promos in-store across **brands** before you select

83%

Private brand popularity

Illustrated by above-average growth

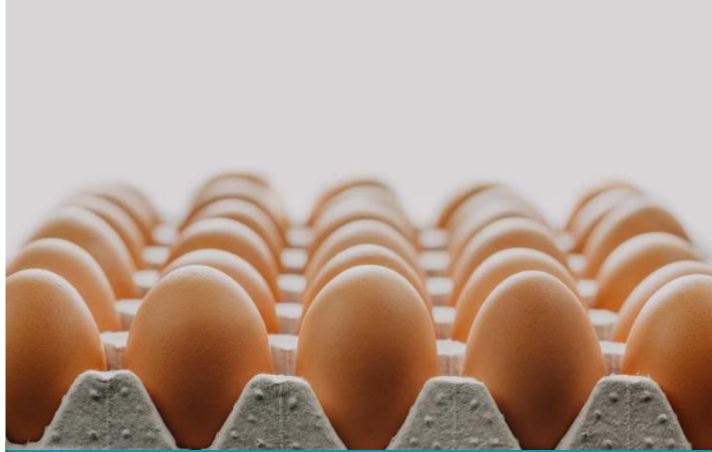
Purchasing private brands in the past year (% of shoppers):

46%

More likely to purchase store brands

10%

Less likely to purchase store brands



Deli units vs. year ago
-1.5% Private brands
-3.6% Manufacturer brands

Bakery units vs. year ago
-0.6% Private brands
-4.2% Manufacturer brands

Dairy units vs. year ago
-1.0% Private brands
-4.4% Manufacturer brands

Source: Circana, Integrated Fresh, Total US, MULO, 52 w.e. 4/23/23

Help train the digital behavior in-store

Personalized discounts are an opportunity as the grocery purchase is becoming more diverse

53%

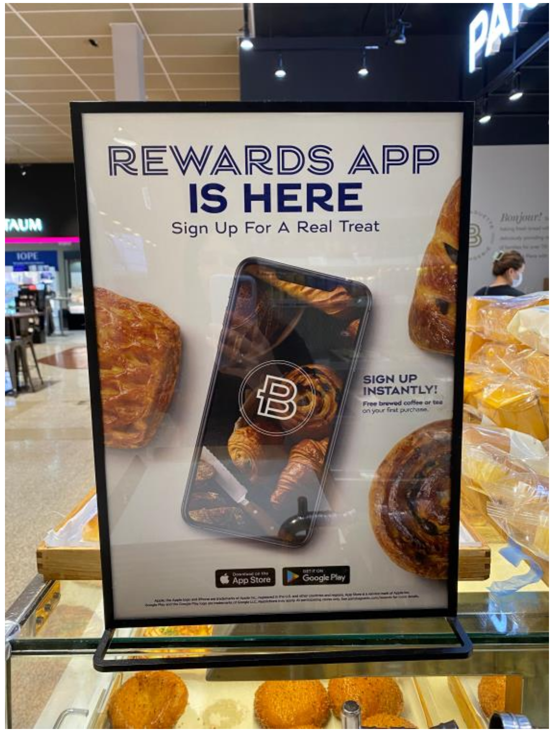
Of shoppers who believe personalized sales promotions are a good or great idea

Pictures: 210 Analytics

Lots of promotional creativity

A different take on loyalty programs, copied from restaurants

Loyalty at the department level



10 donuts, get one free

Salad club, buy 10 get one free

Mix and match promotions

Pictures: 210 Analytics

Discount variations are entering the market

Top preferences are 1) $ off, 2) BOGOs and 3) bulk/family

BOGO variations

Food freebies, buy-2-get-1, buy-2-get $x off, etc.

Time variations

Weekend, one-day, three-day and happy hour sales

Price variations

Dynamic pricing based on inventory/macro factors

Pictures: 210 Analytics

Inflation-related communications and solutions

More consumer understanding because of the communications

Price locks, rewinds, comparisons and rewards

Leaning in on family/bulk

Pictures: 210 Analytics

Pack size strategies vary widely

Income, age and freezing habits have the greatest impact

Changes to pack size strategies due to inflation (% of shoppers):

34%

Buy **smaller packages** to save

38%

Buy **larger/bulk/ family packs** to save

28%

Buy **both smaller and larger** packs to save

Driving the love for BOGOs

Money-saving measures hurt unit sales

Pounds and units are down across the board

Deli department

7.7B | -2.9% vs. YA

Deli prepared	3.9B	-1.0%
Deli meat	1.3B	-7.1%
Deli cheese	1.5B	-3.1%
Deli entertaining	1.0B	-3.7%

Bakery department

11.9B | -2.3% vs. YA

Bakery aisle
7.6B | -3.0%

Bakery perimeter
4.2B | -1.4%

Dairy aisle

20B | -2.4% vs. YA

Milk	4.7B	-2.5%
Natural cheese	12.8B	-0.4%
Eggs	2.2B	-1.7%

Source: Circana, Integrated Fresh, Total U.S., MULO, 52 w.e. 4/2/2023

While inflation boosted dollar sales

In most cases, inflation is still offsetting the reduction in volume/units

Deli department

$45B | +8.2% vs. YA

Deli prepared	$24B	+10.1%
Deli meat	$8B	+6.6%
Deli cheese	$8B	+5.4%
Deli entertaining	$5B	+6.1%

Bakery department

$42B | +12.3% vs. YA

Bakery aisle
$24B |+12.3%

Bakery perimeter
$17B | +12.2%

Dairy aisle

$73B | +18.3% vs. YA

Milk	$17B	+10.3%
Natural cheese	$13B	+8.6%
Eggs	$11B	+59.8%

Source: Circana, Integrated Fresh, 52 w.e. 4/1/2023

But… good news in high engagement

Increase in trips for many areas as shoppers chase deals

Deli department

Shopper engagement

Households	Trips/buyer/yr	$/trip
98%	52	$11
-0.2% vs. YA	+0.4% vs. YA	+8% vs. YA

Bakery department

Shopper engagement

Households	Trips/buyer/yr	$/trip
99%	62	$6
-0.1% vs. YA	+0.2% vs. YA	+11% vs. YA

Dairy aisle

Shopper engagement

Households	Trips/buyer/yr	$/trip
99%	64	$10
-0.1% vs. YA	+2.6% vs. YA	+15% vs. YA

Source: Circana, Integrated Fresh, 52 w.e. 4/23/2023

Even better news:
Plenty of reasons to splurge a little

7%

Strictly stick to the list/do not spend extra regardless

For 93%, there is ample opportunity for incrementality!

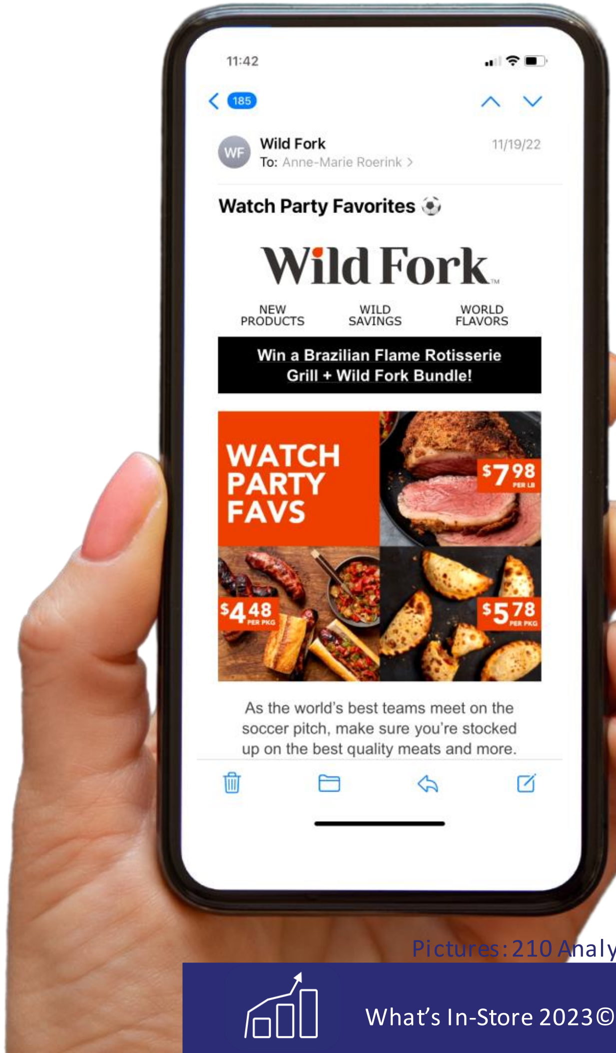
Reasons to splurge a little (% of all shoppers):

51%	If it's a special occasion/holiday
45%	If it's a brand I like
43%	To do something nice for myself/my family/friends
42%	For convenience to save time
34%	If it is healthier than the alternative
27%	If I'm out of time to prepare something from scratch
26%	Replacing a restaurant meal that would have cost more
17%	If it's more sustainably, humanely or ethically produced

Celebrate holidays and special occasions

There are national holidays and birthdays every day!

Congratulations! Get 20% off cake on your birthday



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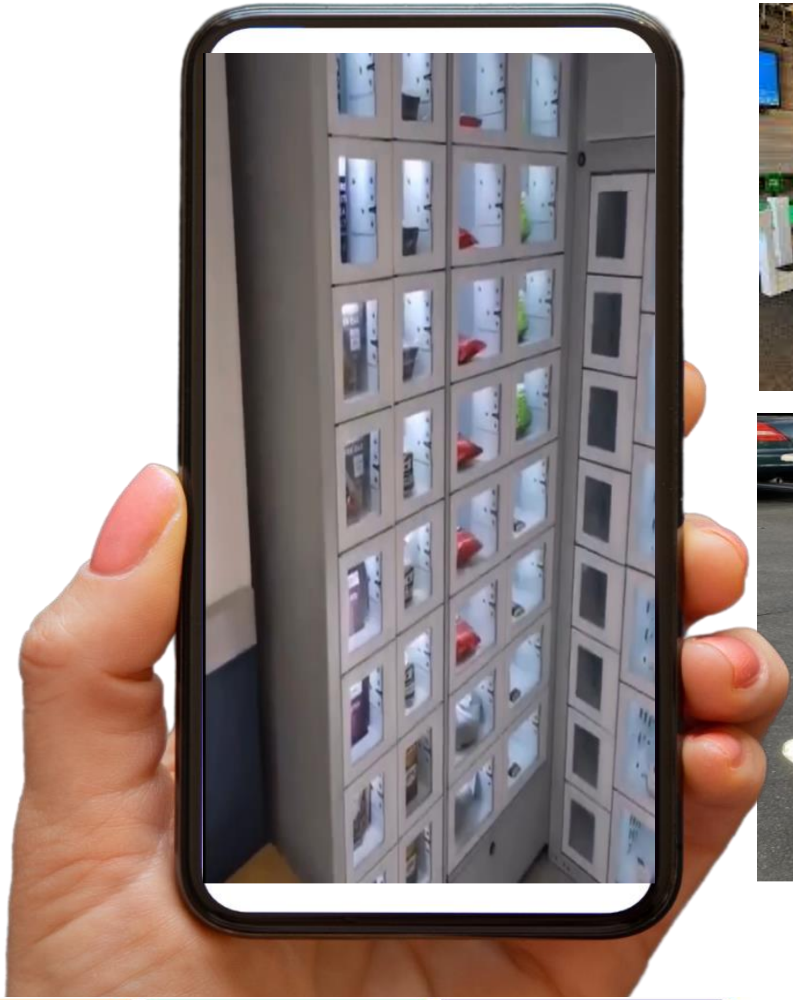
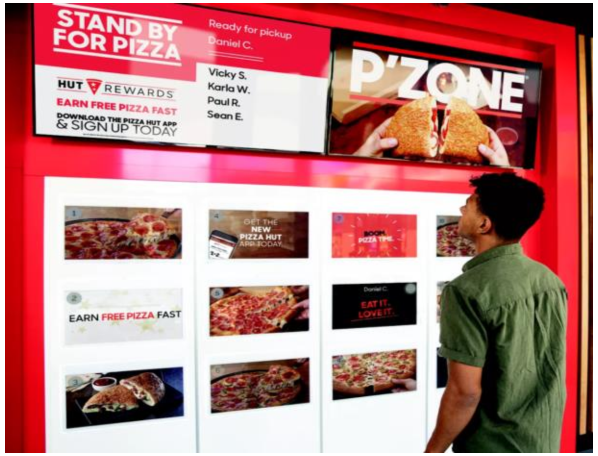
Innovation & Technology

Performance optimization through consumer-facing, in-store and supply chain technology.

Technology is a reality

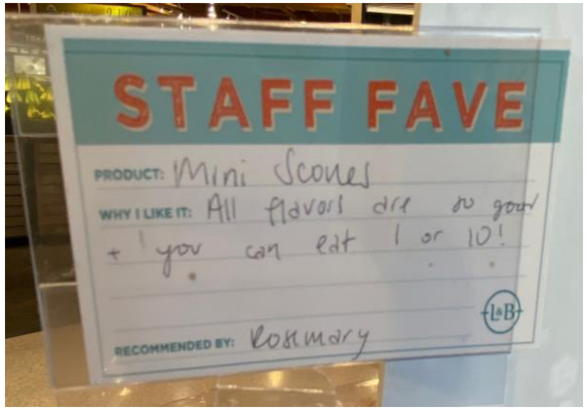


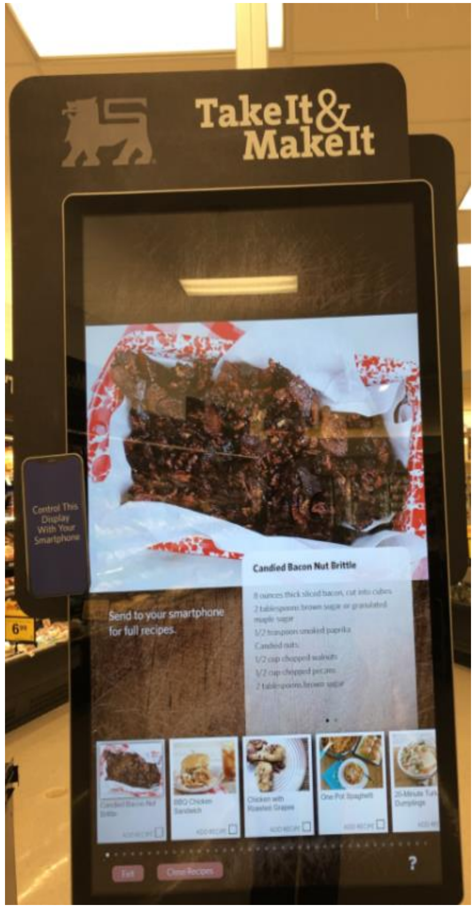


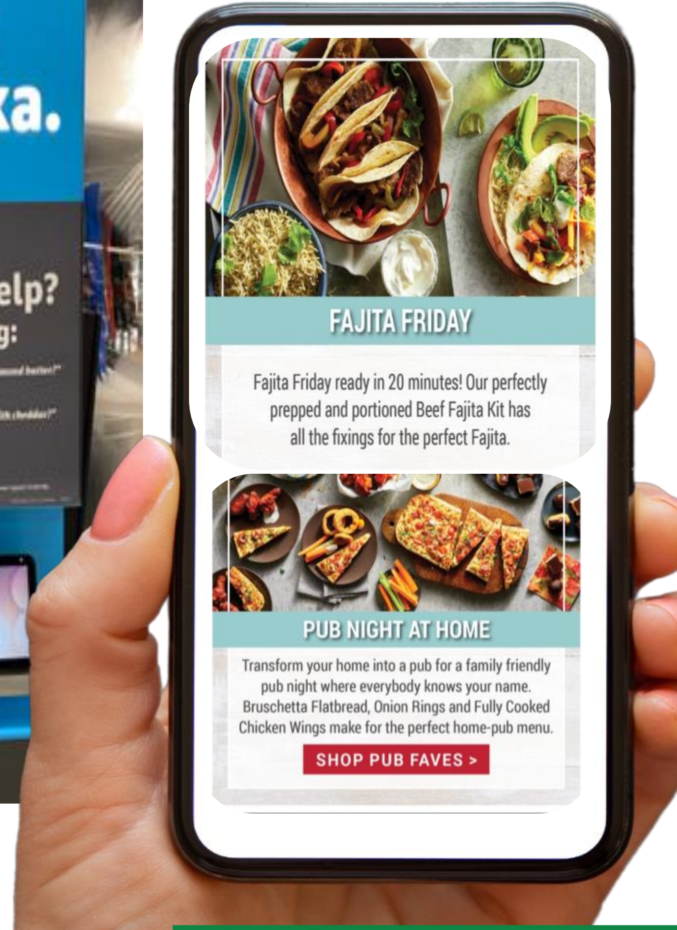
Pictures: 210 Analytics

Apps, screens, deals

Draw interest and reach new audiences





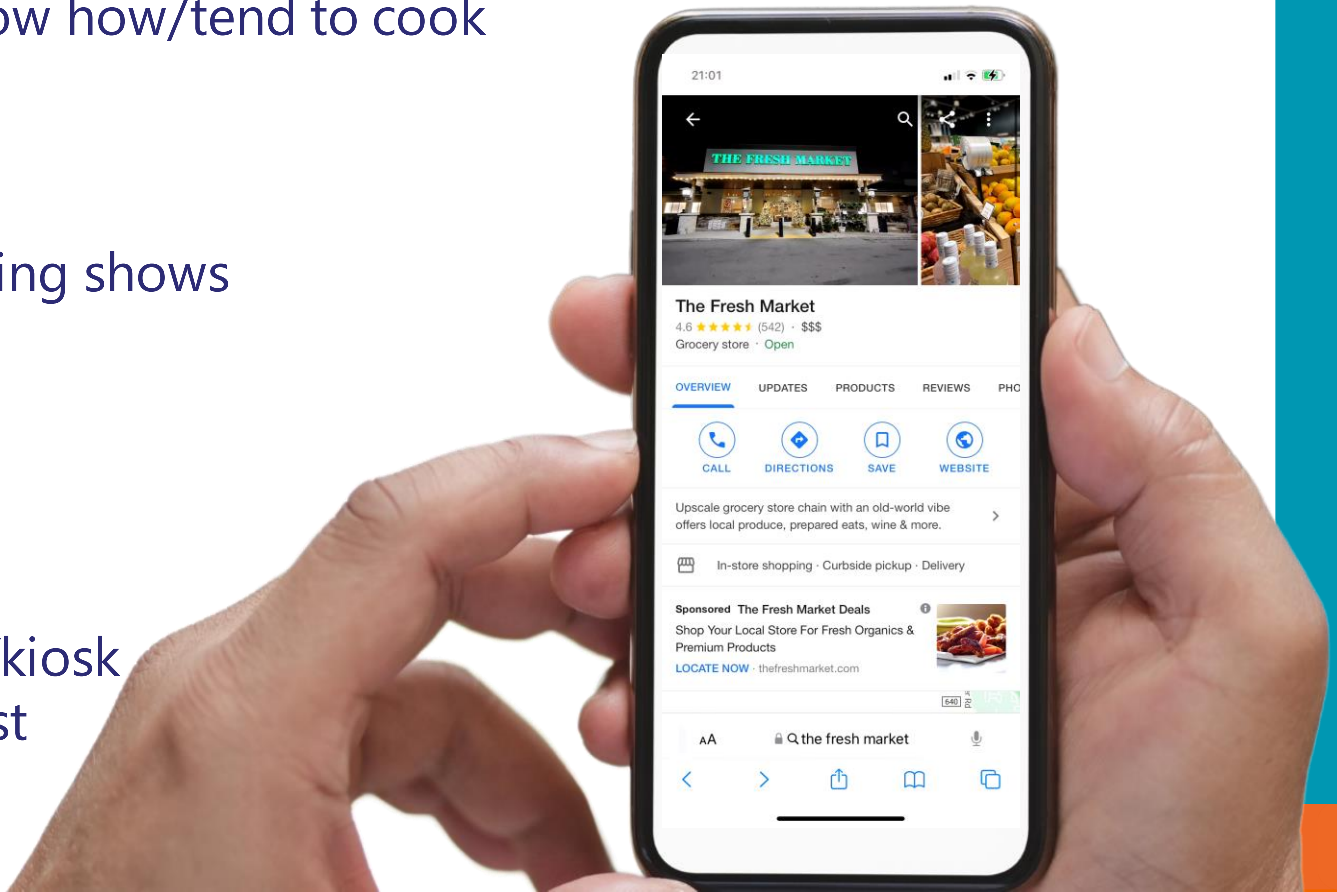


Meal inspiration has gone digital

Close the gap between inspiration and purchase

Sources for meal inspiration (% of shoppers):

44% Family/friends
38% Routine meals I know how/tend to cook
36% Recipe websites
32% YouTube
31% Cookbooks
28% TV/streaming cooking shows
28% Facebook
21% Pinterest
21% Instagram
18% TikTok
17% Magazines
16% Store website/app/kiosk
9% Dietitian/nutritionist



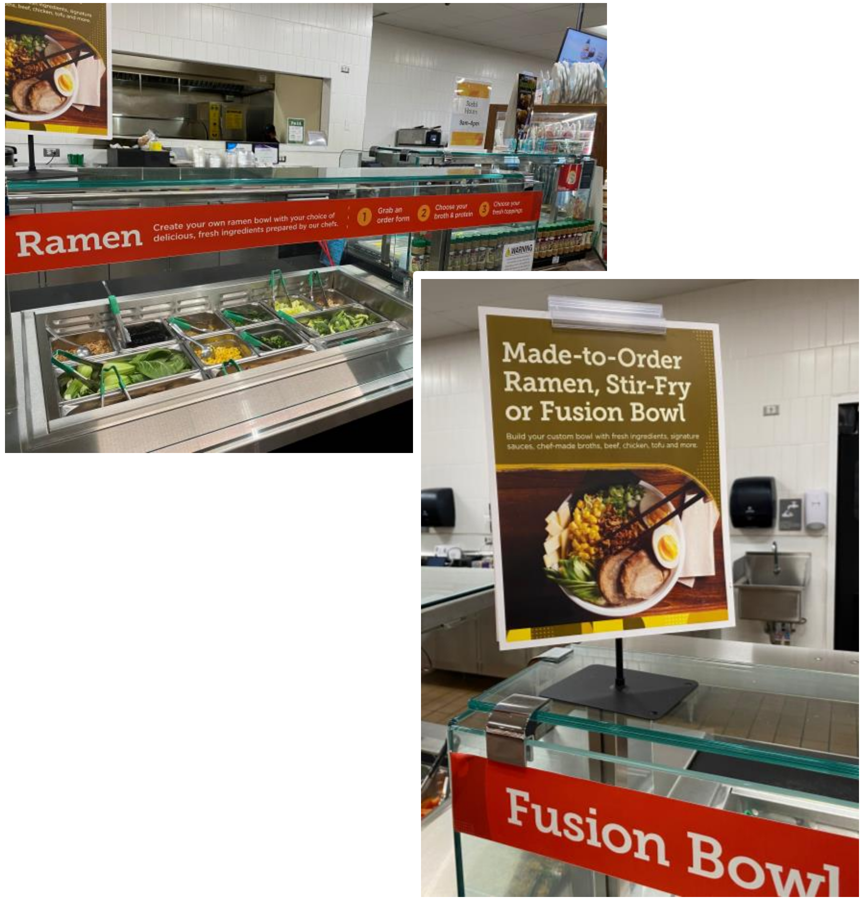
Gen Z
1. TikTok
2. YouTube
3. Facebook

Millennials
1. YouTube
2. Instagram
3. Facebook

Gen X
1. Family/friends
2. Routine
3. Recipe websites

Boomers
1. Routine
2. Family/friends
3. Cookbooks

Food has become as much fuel as **social and entertainment**



Pictures: 210 Analytics

The *Fifth* P

Product

Price

Placement

Promotion

Payment Options

Online ordering

Focus on order frequency and size

64%

Of shoppers have ordered grocery items online

How often? (% of grocery shoppers)

12% Just tried it once or twice

13% Less than once a month

23% Every few weeks

8% Bi-weekly

10% Weekly or more often

Leveraging the online real estate

Provide information for transparency, education and inspiration

Replacing the visual inspection when buying online:

- **57%** Product description
- **53%** Nutritional information
- **32%** Source (farm, country, etc.)

Inspiration for what to do with the item:

- **36%** Recipe(s)
- **14%** Also buy-recommendations
- **13%** Preparation videos

Preferred online imagery:

- **42%** Image of the packaged item
- **37%** Image of the individual item
- **26%** Image of item in a meal