



Retail in Transition:

Adapting to Volatile Dynamics in the Modern Grocery Marketplace

Thanks for joining the conversation!

Patrick Fisher
Vice President of Retail Strategy



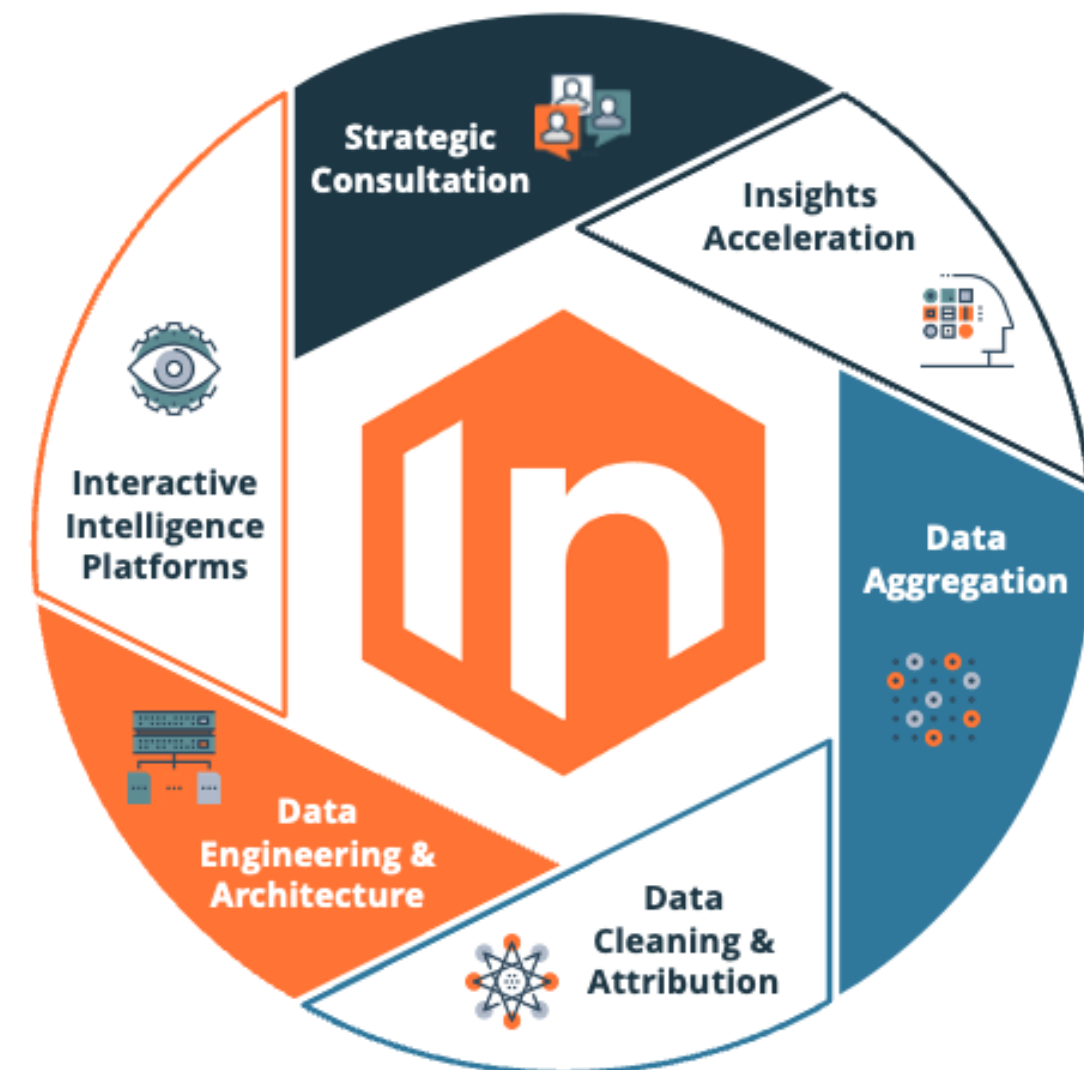
Previous Experience



WAKE FOREST
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Marketing Lecturer

Intrics combines over 30 years of retail and statistical engineering expertise to unlock the value of data. We focus on providing competitive insights, analytics, consulting, and SaaS solutions to help you quickly visualize retail trends so that you can focus on what's important: running your business.



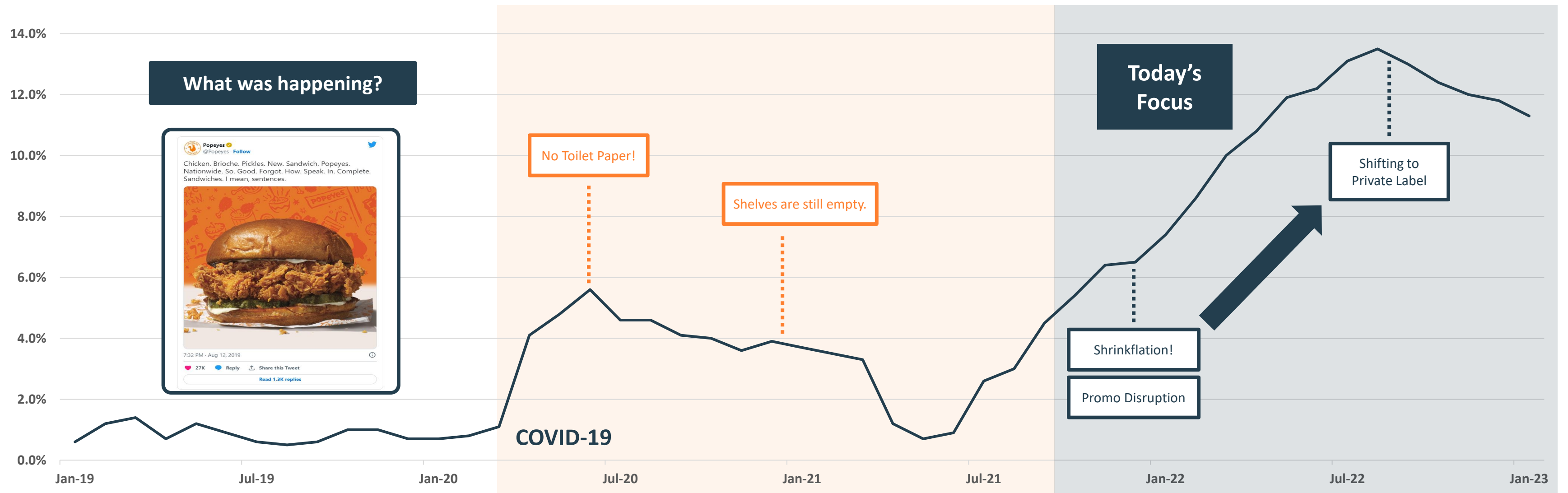
Hitting Rewind

Context to Understanding Recent Transition with Grocery

Where did we come from?

How can we adapt in our current market?

Year over Year Inflation (%), Food at Home



Source: Bureau of Labor Statistics, Year over Year Inflation, Food at Home

A Closer Look at Market Dynamics

Shrinkflation

CPG companies look to secure their bottom line against external margin pressure.

Promotional Disruption

Divergence from historical norms require new levels of visibility.

Private Label Development

*Economic pressures present a tailwind for private label growth as consumers trade **across or down**.*

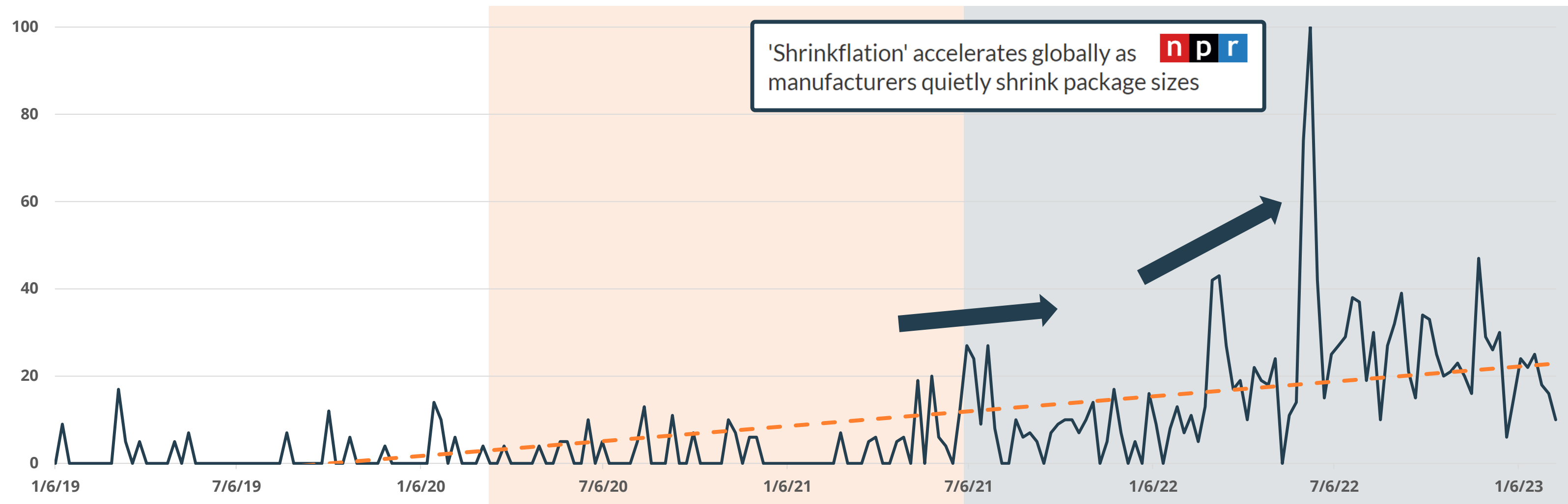
It costs the “same”, but there is less of it.

Developing an Understanding for Shrinkflation

Searching for 'Shrinkflation'

Evolving the Shoppers' Lexicon

Google Trends: "Shrinkflation"



Source: Google Trends

PepsiCo Executive Remarks

Walking on the customer demand “tight-rope”

“Looking ahead, we expect [to utilize] mix and assortment solutions to mitigate the continued impact of higher-than-expected commodity, transportation, and supply chain costs.”¹

Or, more simply...

*“There are times when **we’ll take chips out of the bag, instead of taking pricing up.***

There’s no denying that.”²

Sources:

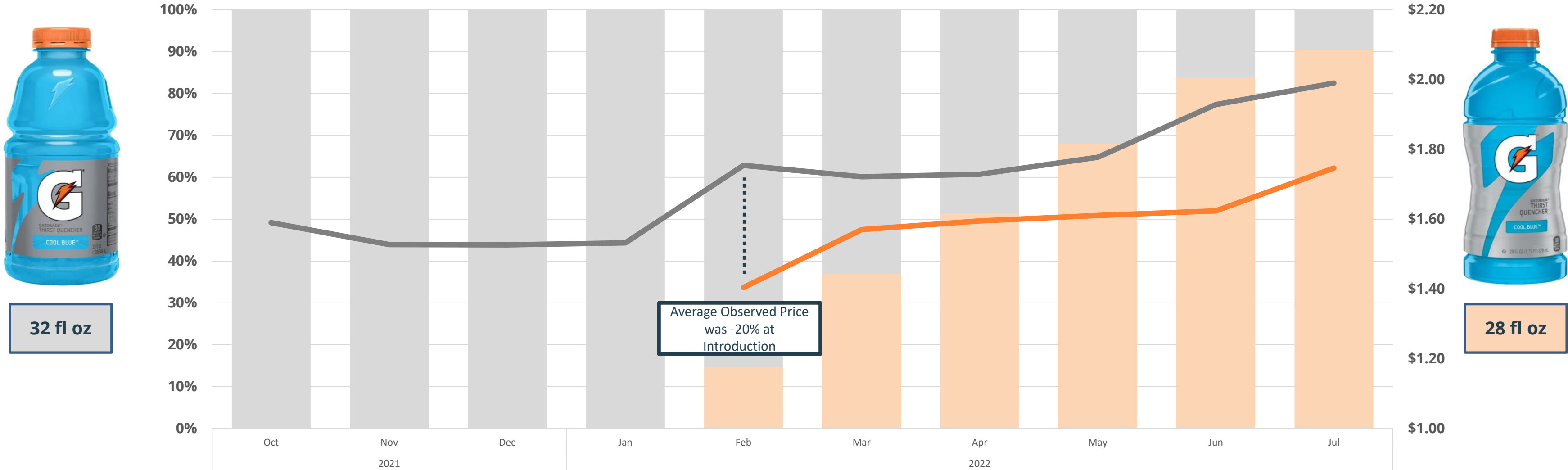
1 - Ramon Laguarta, Chairman and CEO, PepsiCo, in Second Quarter 2022 Earnings Prepared Management Remarks;

2 - Hugh Johnson, PepsiCo Vice Chairman and CFO, on CNBC “Squawk Box”, July 12, 2022

Gatorade: Is *(less of)* it in you?

A closer look at Gatorade's Transition from 32 to 28 fluid ounces.

Distribution (bar) and Pricing Comparison (line) through the 28 fluid ounce introduction



Source: Intrics Research, October 2021 – July 2022, Total US



Consumer Response

29% of shoppers **have not noticed** any items shrinking in size.

45% of shoppers who are noticing **will buy a different brand that hasn't reduced size.**

Source: 84.51 October 2022 Consumer Survey, (image) NFL.com

Football coaches would probably be in the “did not notice” category.

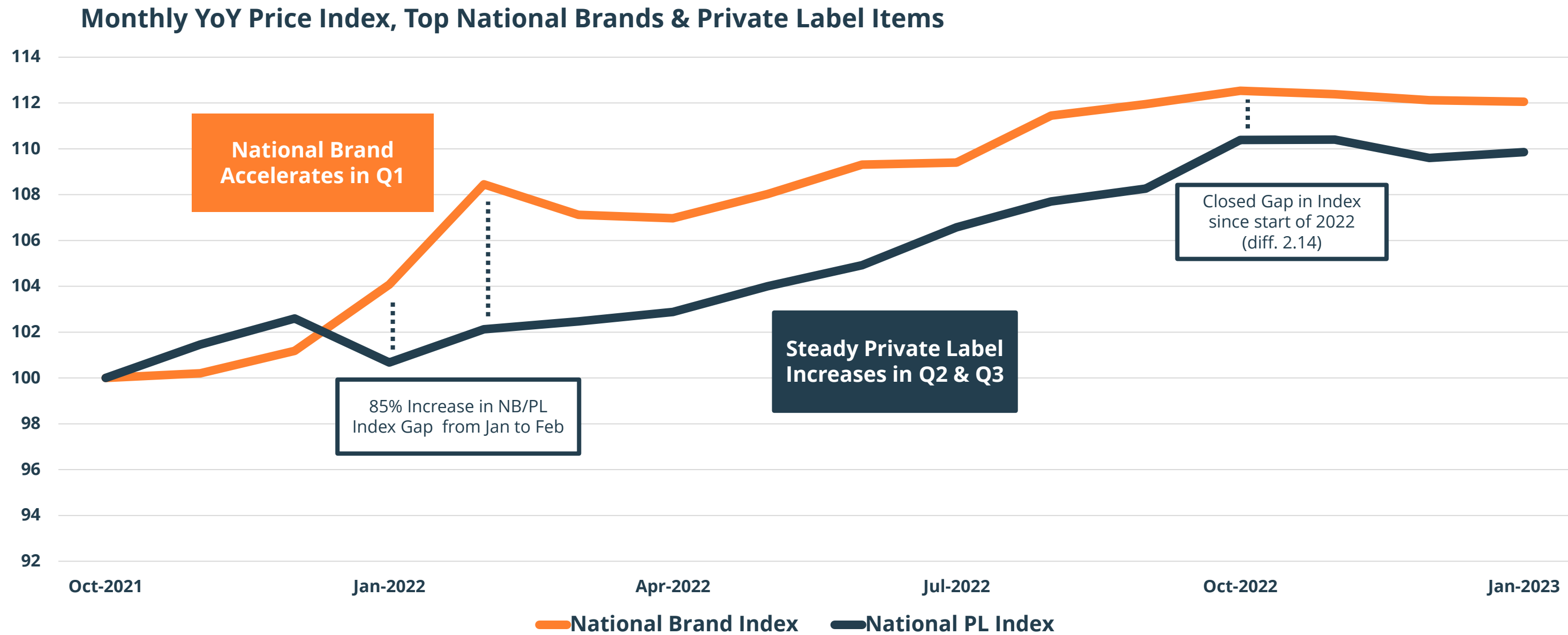


In Search of Private Label Opportunities

Utilizing Private Label for Margin Enhancement

Price Index

National Brands capitalized quickly on price increases starting in Q1 2022



“It’s your choice.”

Communicate to the **45%** of shoppers who are noticing **will buy a different brand that hasn’t reduced size.**

As National Brands increase prices, Retailers can use this opportunity to highlight price gaps & value for their shoppers.



Dauerhaft im Sortiment

DU HAST DIE WAHL

Günstige Marken Günstige & exklusive Eigenmarken

<div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p>Langnese Magnum Je 6x 110 ml 1 l = 5.59</p> <p style="background-color: black; color: white; padding: 2px 5px; font-weight: bold;">6x 110 ml</p> <p style="background-color: black; color: white; padding: 5px 10px; font-weight: bold; border-radius: 5px;">3.69*</p> <p style="font-size: 8px;">Tiefkühlung</p> </div> </div>	<div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p>Bon Gelati Stieleis Mandel Je 6x 120 ml 1 l = 2.76</p> <p style="background-color: black; color: white; padding: 2px 5px; font-weight: bold;">6x 120 ml</p> <p style="background-color: black; color: white; padding: 5px 10px; font-weight: bold; border-radius: 5px;">1.99*</p> <p style="font-size: 8px;">Tiefkühlung</p> </div> </div>
<div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p>Danone FruchtZwerge Classic Je 6x 50 g; 1 kg = 5.97</p> <p style="background-color: black; color: white; padding: 2px 5px; font-weight: bold;">6x 50 g</p> <p style="background-color: black; color: white; padding: 5px 10px; font-weight: bold; border-radius: 5px;">1.79*</p> <p style="font-size: 8px;">Kühlung</p> </div> </div>	<div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p>Milbona Fruit King Safari Je 12x 60 g; 1 kg = 2.15</p> <p style="background-color: black; color: white; padding: 2px 5px; font-weight: bold;">12x 60 g</p> <p style="background-color: black; color: white; padding: 5px 10px; font-weight: bold; border-radius: 5px;">1.55*</p> <p style="font-size: 8px;">Kühlung</p> </div> </div>
<div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p>Kerrygold Original Irische Butter Je 250 g 1 kg = 13.16</p> <p style="background-color: black; color: white; padding: 5px 10px; font-weight: bold; border-radius: 5px;">3.29*</p> <p style="font-size: 8px;">Kühlung</p> </div> </div>	<div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p>Milbona golden hills Irische Butter Je 250 g 1 kg = 11.00</p> <p style="background-color: black; color: white; padding: 5px 10px; font-weight: bold; border-radius: 5px;">2.75*</p> <p style="font-size: 8px;">Kühlung</p> </div> </div>
<div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p>Milka Tafelschokolade Je 100 g</p> <p style="background-color: black; color: white; padding: 5px 10px; font-weight: bold; border-radius: 5px;">1.15*</p> </div> </div>	<div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p>Fin Carré Tafel- schokolade Alpenmilch Je 100 g</p> <p style="background-color: black; color: white; padding: 5px 10px; font-weight: bold; border-radius: 5px;">-.49*</p> </div> </div>

* Dieser Artikel kann aufgrund begrenzter Vorratsmenge bereits im Laufe des ersten Angebotstages ausverkauft sein.
Alle Preise ohne Deko. Für Druckfehler keine Haftung.

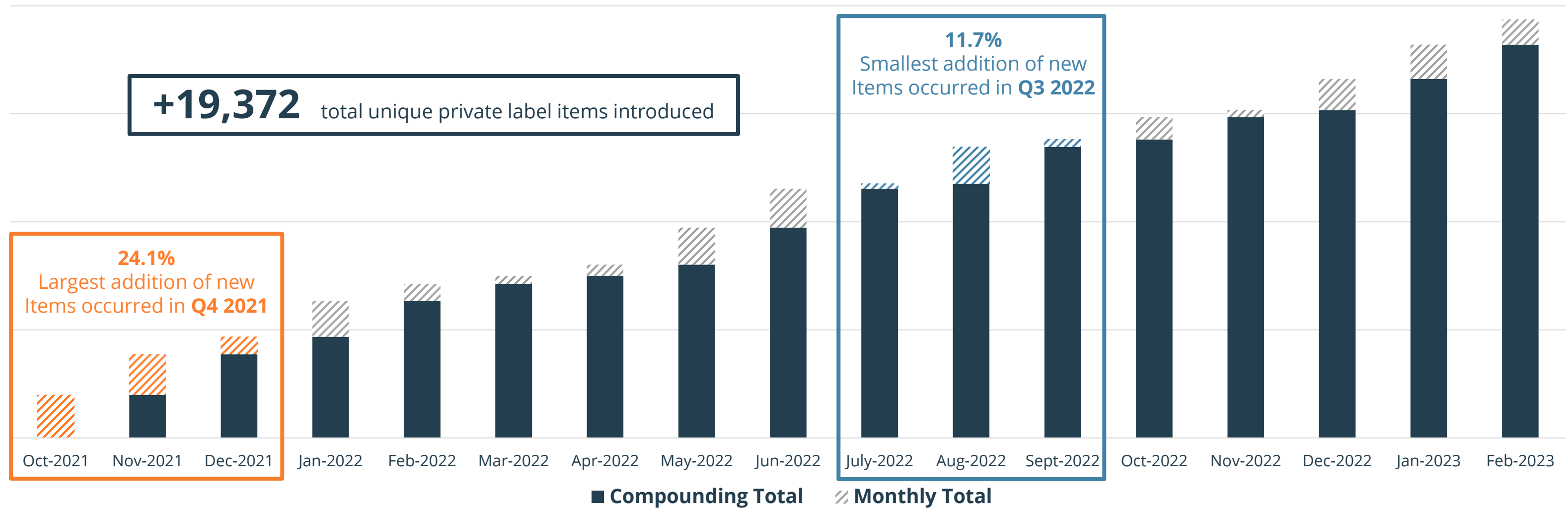
39
UHZ-25/2022-ECB

Simulate the shoppers “at-the-shelf” decision making.

Abundance of Choice

Private label has only expanded on its foothold gained during economic downturns.

Compounding Total New Unique Private Label Items



Shelf Space as a Commodity

More private label in an assortment may save price perception.

And unfortunately, some of those suppliers are still pointing us towards more inflation next year on top of the mid double digits this year, and we don't like that for any reason.

We don't like it for families.

*In the meanwhile, **we will allocate space to private brands and tertiary brands to the degree that we need to, to help make this work for families.***

-Walmart CEO, Doug McMillon, Dec. 2022

Coming Full Circle

Same opportunity exists for retailers however, the stakes are higher.



DEEP DIVE

6 grocery trends to watch in 2020

Simplifying apps, evolving in-store dining and expanding micro-fulfillment will be on the menu for retailers in the year ahead, experts say.

Published Jan. 6, 2020

Premium and specialty private-label rollouts will accelerate

From Target's Good & Gather to ShopRite's new food and household brands, 2019 saw retailers push private label into new premium categories.



*"Retailers are **becoming more confident** to push these more higher-priced items within their own private labels."*

-Neil Saunders, GlobalData - Retail

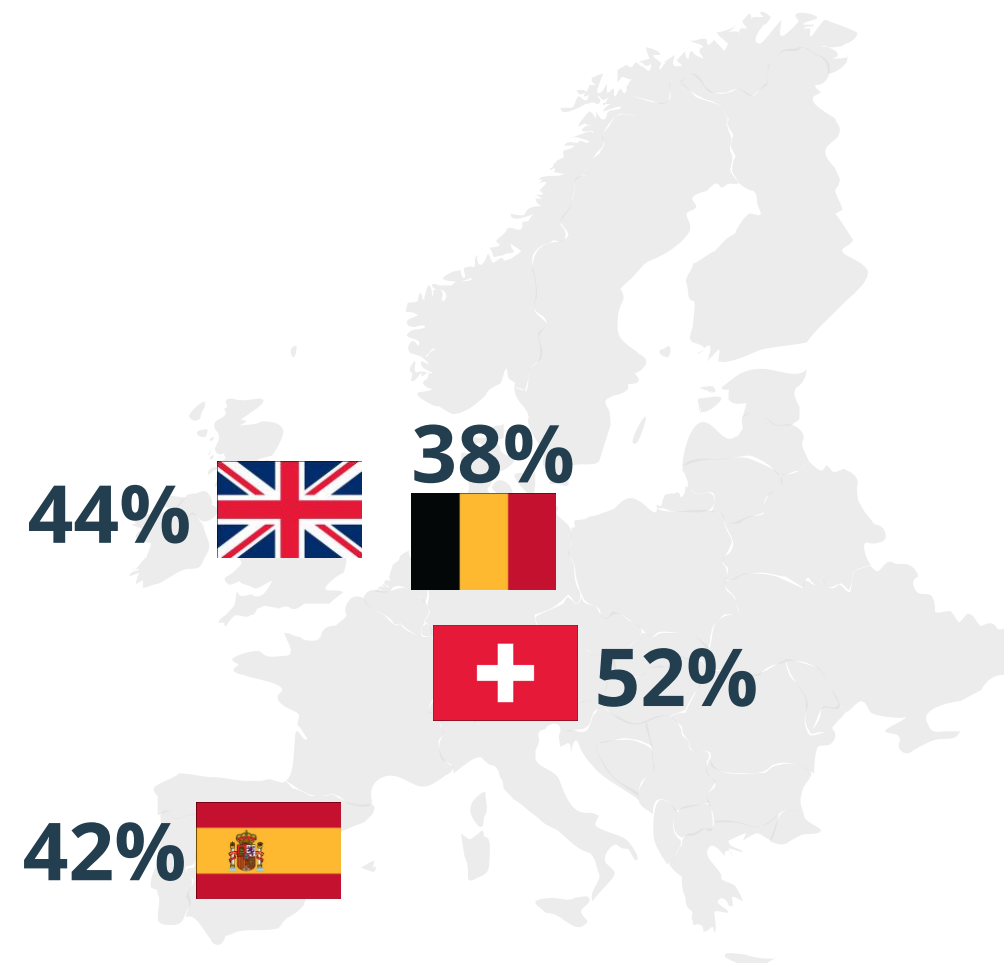
Looking Abroad

US Private Label Dollars increased 40% in the last 5 years, still more upside remains.

Total Western Europe PL Share:
36%

US PL Share:
18.9%

Top 4 Countries:
Private Label Value Share



PL (Merchandising) Innovation

From the Discounters Playbook: Scarcity & Exclusivity

Limited Availability utilization for Branded & Private Label Products not just for Seasonal/Holidays anymore.



*Cues around the store led to the product **selling out in less than 24 hours across the UK.***

Promotional Disruption

Unpacking Shifting Strategies, Mix and Execution

Promotional Disruption

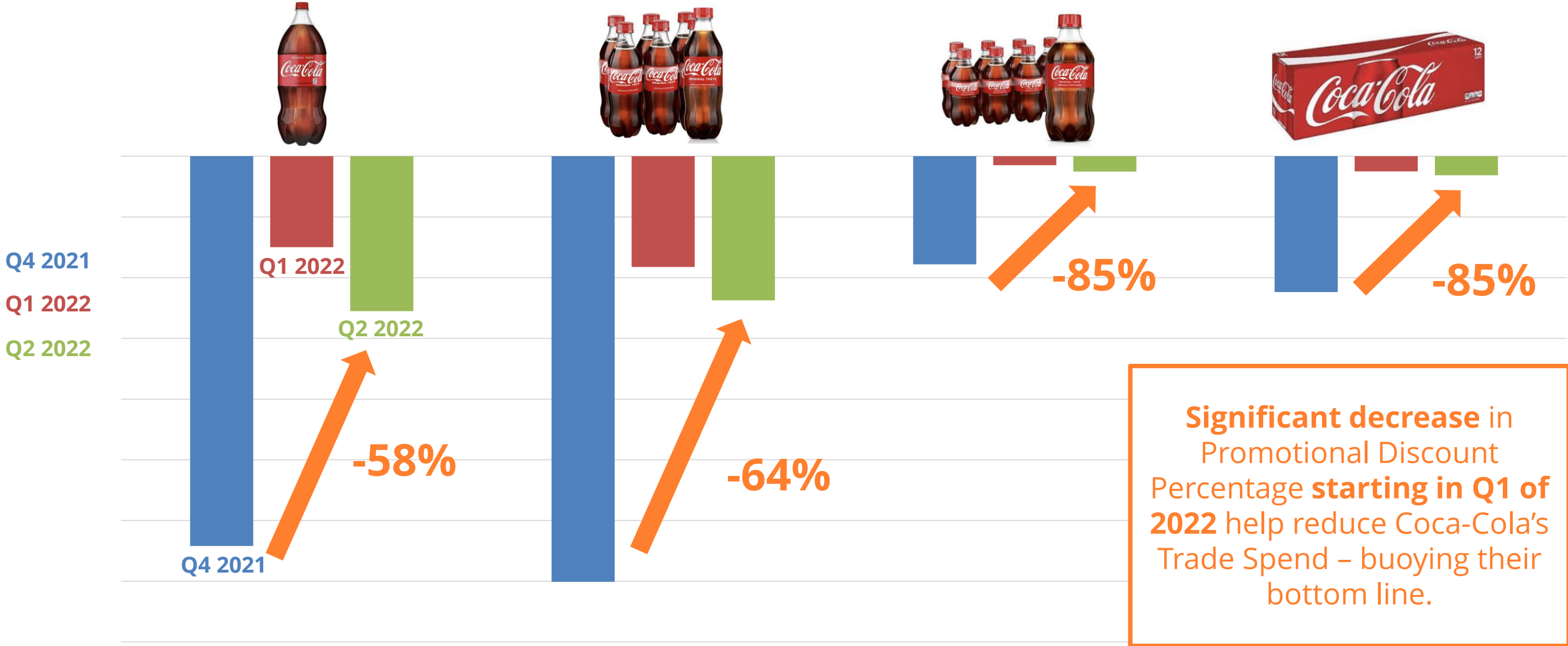
Shift in CPG Revenue Strategies are upending Promotional Marketplace Norms



Stalwarts Changing Course

Coca-Cola enhance bottom line with top selling products, *traditionally traffic drivers*

Change in Average Percent Discount of Promo Price from Regular Price

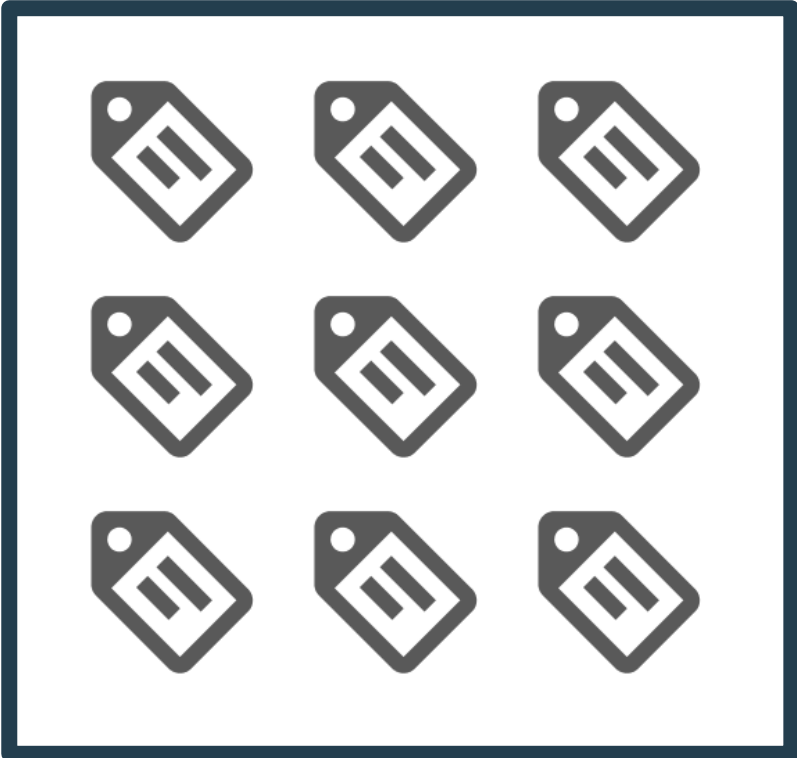


Source: Intrics Research, Feb. 2023 Data from Q4 2021 – Q2 2022

Crowds on the Circular Front Page

Retailers are already adding more Private Label to their Circular's Front Page.

Increasing number of items being presented on front page of the circular...

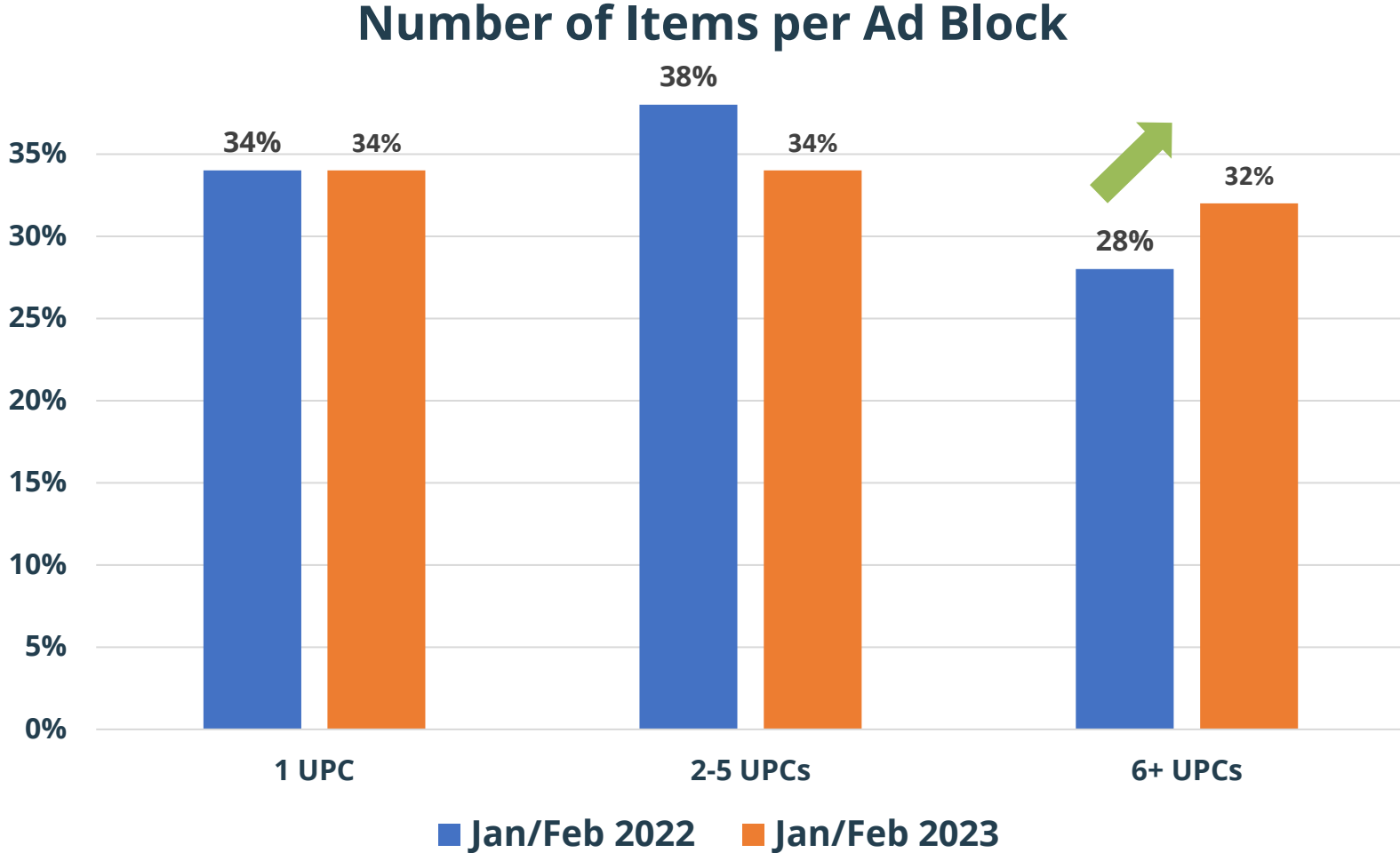


+11%



Increase in items represented on the front page over first 6 weeks of 2023 vs 2022.

...Driven by more items being promoted per Ad Block.



Source: Intrics Research, Feb 2023, Total US Sampling Grocery Circular, 2022-23

Charting the Path Forward

Pricing

Promotions

Assortment

Takeaway

Shrinkflation from National Brands presents new and evolving opportunities to highlight new pockets of value in your store.

Complexity in promotional mechanics and dynamic strategies from National Brands will persist into the near-term future.

Diversity of Private Label Development and Strategy within the market creates a breadth of opportunities.

To-Do

Build understanding of your Competitor's Price-Mix will guide better decisions within your pricing strategy.

Visibility into your market's promotional activity – specifically how retailers are highlighting private label offers and new products.

Develop a strategy to track and understand what is being introduced in your market and beyond.

Thank You!



EMAIL US

patrick.fisher@intrics.io



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Observational
Intelligence

>25B

Data Points
Each Week

2,000

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