

Flavor-Enhancement
Reinvention for
Efficiency and
Effectiveness



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Goal: Develop a Collaborative Platform for Growth by Reinventing the Category

- Accelerate Category Growth and Profitability
- Combat Channel Erosion and Declining Basket Size
- Promote Shopper Engagement and Loyalty
- Create a Strategy that Evolves with the Shopper



Methodology/Sources



WILLARD BISHOP

Shopper Research
Customer Purchase Database
Category Profitability Research (SuperStudy™)
Retailer and Industry Leader Interviews



The Partnering Group

Category Market Mix Analysis



Flavor Segmentation



IRI
Growth delivered.

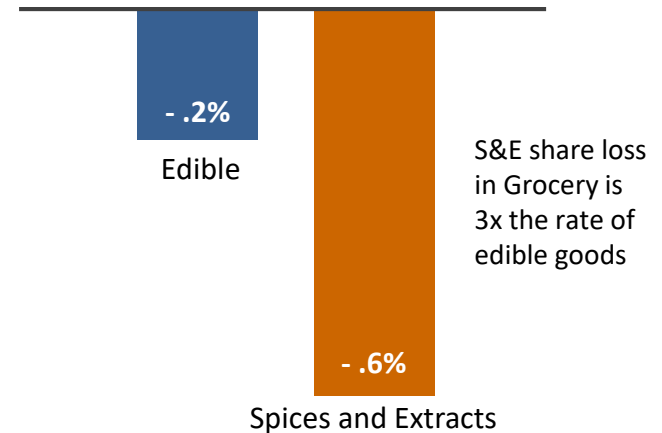
nielsen
.....

Consumer Insights
Category Insights
Market Segmentation (IRI)

Consumers have Changed. The Category has Not.

- Dry grocery is flat and losing share to alternative channels
- Channel shifting is contributing to a “fragmented basket” and diluting category and total store performance
- Spices and Extracts is one of the store’s most important categories in terms of shopper engagement and profits
- The category is failing in terms of shop-ability, assortment and profit maximization
- Despite desire to engage in the category, the needs of the primary shopper are not being met

The Grocery channel continues to lose shares of edible goods to the Mass channel



Key Learnings



Category



Shopper



Retailer

Key Learnings



Category



Shopper



Retailer



Category

Consumers Seek to Enhance the Flavors of Their Meals in Many Ways, So We Expanded Our View to Include All Flavor Enhancements



Understanding the interactions between categories helps us to better meet the needs of the core consumer.

CATEGORIES

ADD-TO-MEAT COOKING SAUCE • ASIAN SAUCES • BBQ SAUCES • BREADING PRODUCTS • DSSG • ETHNIC/SPECIALITY SAUCES AND SEASONINGS • EXTRACTS • GRILLING BLENDS • HISPANIC SEASONINGS/SPICES/SAUCES • INDIAN SAUCES AND SEASONINGS • MEAT MARINADES • PEPPER • SALT • SEAFOOD BREADING AND SSGs SEASONED SALT • SOUP CANNED COOKING • SPICES • WORCESTERSHIRE SAUCE



Category

Flavor Enhancements is a Large Category and is Extremely Important to Grocery

Rank	Category	Movement
1	Carbonated Beverages	7.79%
2	Snacks	6.15%
3	Bread	5.94%
4	Cereal	5.47%
5	Candy	4.42%
6	Soup	4.26%
7	Functional Beverages	3.38%
8	Bottled Water	3.23%
9	Paper	3.23%
10	Flavor Enhancements	3.02%

Rank	Category	AGP
1	Bread	7.26%
2	Snacks	6.44%
3	Cereal	6.09%
4	Paper	4.38%
5	Flavor Enhancements	4.03%
6	Candy	3.87%
7	Coffee	3.75%
8	Bottled Water	3.51%
9	Soup	2.86%
10	Crackers	2.75%

Flavor Enhancements **Rank 10th in Movement**
and **Rank 5th in Adjusted Gross Profit**

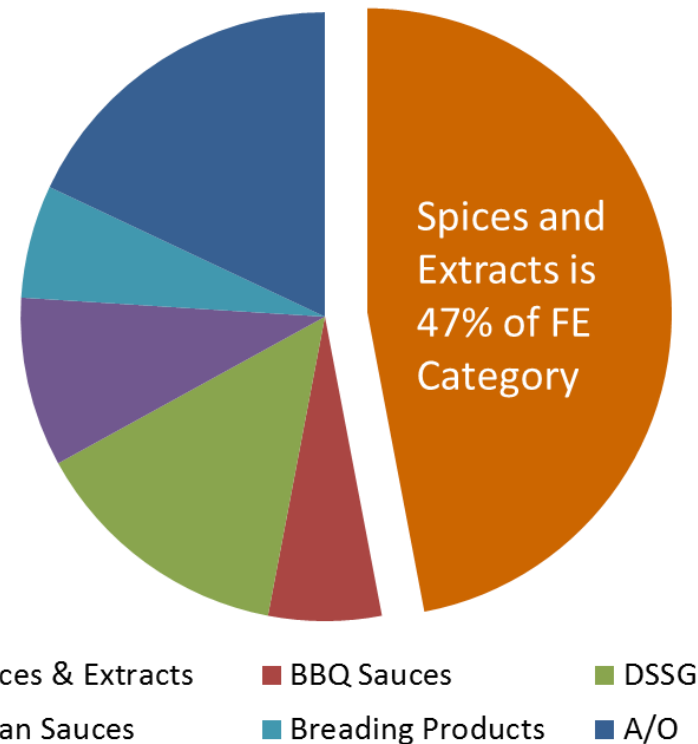


Category

Spices and Extracts Delivers Nearly 50% of the Category's Profits

Spices and Extracts is the largest segment in the Flavor Enhancements category and is **delivering nearly 50% of the total profits** of this expanded category view

Key Category Segments
Share of Adjusted Gross Profit





Category

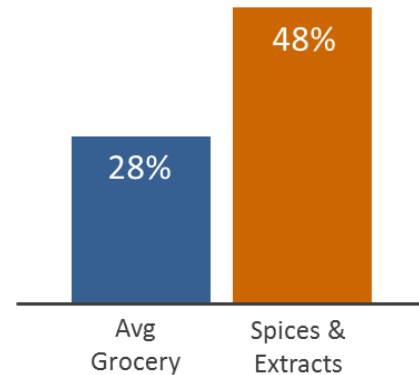
Spices and Extracts is One of Grocery's Top Performers in Terms of Average Gross Profit Per Linear Foot and Margin Contribution

- S&E, the largest segment, ranks 4th in driver of AGP per Linear Foot
- S&E's Margin Contribution is 71% higher compared to Average Grocery

Grocery: AGP per Linear Foot

Rank	Category	AGP per Linear Foot
1	Peanut Butter	\$15
2	Bread	\$13
3	Mayonnaise	\$11
4	Spices & Extracts	\$11
5	Oil	\$11
6	Sugar and Sweeteners	\$11
7	Shelf-Stable Seafood	\$10
8	Bottled Water	\$9
9	Coffee	\$9
10	Paper	\$9
11	Tortilla	\$9
12	Jelly	\$9
13	Vinegar	\$9

Margin Contribution



Yet Spices and Extracts is often overlooked when considering total store profits, cross-merchandising and its role in consumers' lives

Sources: Willard Bishop 2013 Grocery SuperStudy™

2013 Willard Bishop, LLC shopper database representing 1,400 stores, 60 million households, over 2 billion transactions, across 25 states.

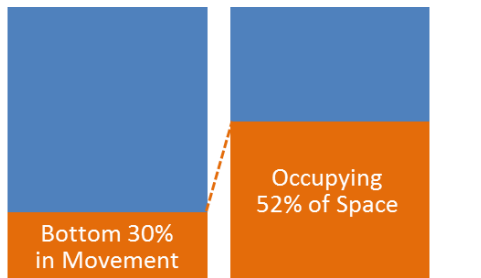
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Category

Ineffective Assortment and Merchandising, Combined with Significant Price Gaps, is Hindering Category Performance

Assortment



Some segments and/or SKUs are draining profits

Abundant duplication

Merchandising

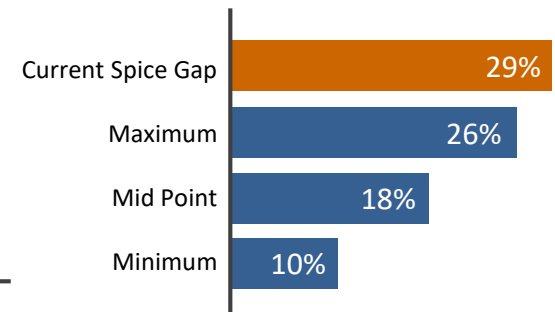


- Over 400 Items per set
- Erratic shelf presentation
- Segment merchandising is fragmented
- Price confusion (lacks consistency)

Complexity hinders shop-ability and solution selling

Price

Willard Bishop Recommended Price Gap
(Average Retail Price: Private Label to Brand)



The price gap between private label and NBE is further dilution of category profits

Sources: Willard Bishop 2013 Grocery SuperStudy™

2013 Willard Bishop, LLC shopper database representing 1,400 stores, 60 million households, over 2 billion transactions, across 25 states.

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Key Learnings



Category



Shopper



Retailer



Shopper

Targeting the Right Shopper is Key to Category Growth

50% of Spice Users

Living Well

Confident Cooks that eat healthy and cook from scratch

The Flavor Adventurer

Loves flavors and spices but lacks confidence



Steering Clear

No interest in cooking and enjoys fast food



Vintage Cooks

Accomplished cooks, but cook what they always have



Ready-Made Flavor

Loves spices and ethnic foods, but prefers someone else do the cooking



Addressing the needs of the **Flavor Experientialist** is the path to category growth.

Source: Consumer Segmentation Study 2013

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Shopper

The Flavor Experientialist Includes Baby Boomers and Millennials

Living Well

- Today's heaviest spices and seasoning users
- Expert cooks
- Cook from scratch
- Health focused
- Baby Boomers



Flavor Adventurer

- Aspiring cook – tomorrows heavy user
- Use short cuts and easy meal solutions, especially on weekdays
- Watch cooking shows, go online for recipes and cooking
- Millennials
- 1st to try new flavors

Flavor Experientialist

Enjoy cooking and grilling
 Cook 5+ meals a week
 Love to experiment with food
 Enjoy different types of foods, global cuisines, ,spicy flavors and heat
 Use many spices and seasonings to flavor their food
 Willing to pay more for quality
 Natural, locally grown, organic, less process
 Shop multiple channels
 Spice and Seasoning purchase both a planned and impulse purchase

Source: Consumer Segmentation Study 2013

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Shoppers want to prepare flavorful meals, but they're time-starved and often **don't possess the skills required**

They **lack loyalty** and shop multiple outlets and channels

Category complexity is deterring "basket-level" shopping

Shoppers are looking for help



Key Learnings



Shopper



Category



Retailer

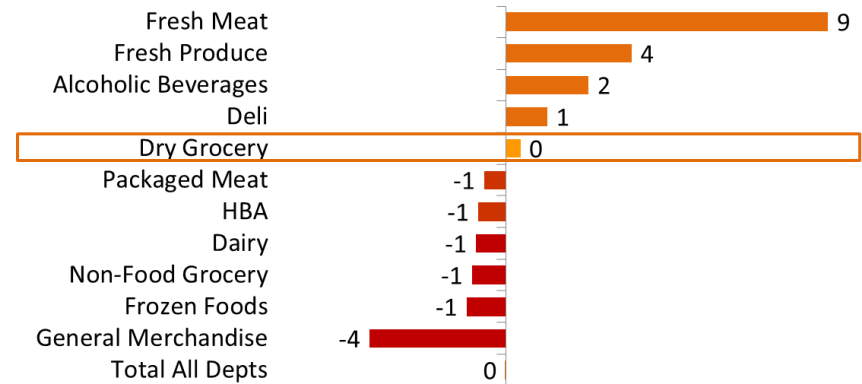
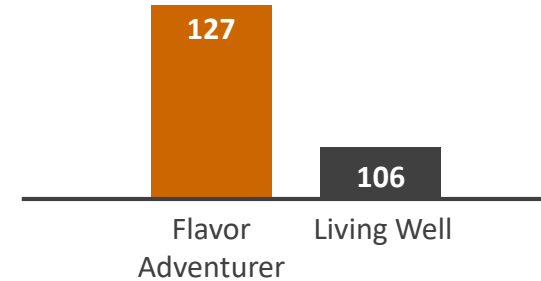


Retailer

Retailers Need New Ways to Recapture Center-Store Sales and Prevent Basket Fragmentation

- Basket is fragmented
Growth target is shopping more stores (Index of 127) to meet her needs
- The path to purchase starts with the perimeter, which has very high connectivity to S&E and FEs
- Center Store softness (Dry Grocery is Flat)

Target Shoppers are Shopping more Stores than Average (Index of 100)



Retailers who can create strong connections to this growing consumer base can create greater store loyalty & retain a greater share of the basket

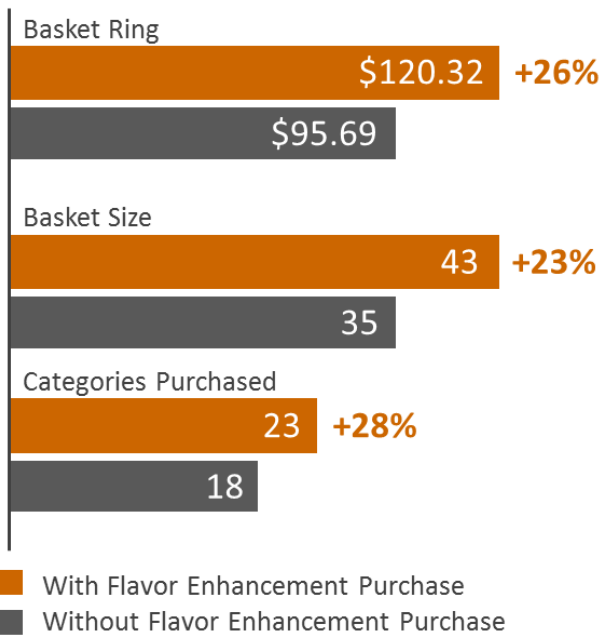
Sources: 2013 Willard Bishop, LLC shopper database representing 1,400 stores, 60 million households, over 2 billion transactions, across 25 states. Nielsen Strategic Planner, Total U.S. – All Outlets Combined (plus Convenience), 52 weeks ending 08/30/2014 (vs. year ago), UPC-coded



Retailer

Impact of Missed Opportunities Extend Beyond the Category

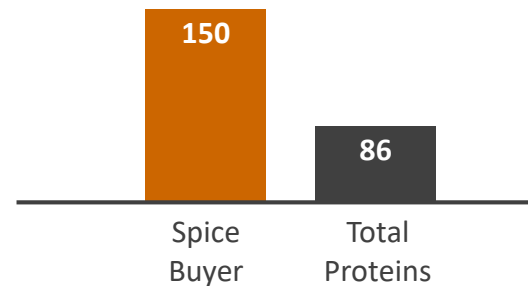
The Flavor Enhancement shopper is vital to the store



The Highest Indexing Buyers of Spices is Under-Indexing on Protein Purchases

- Missed opportunity to build basket size
- Losing protein sales to other channels
- Not capitalizing on the category's connectivity to the perimeter

Spice Buyers Index at 150,
While Total Protein Buyers Index at 86



Source: 2013 Willard Bishop, LLC shopper database representing 1,400 stores, 60 million households, over 2 billion transactions, across 25 states.

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Developing A Collaborative Growth Plan

Based on our findings a plan for reinventing the category has been developed that focuses on Shopper Engagement & Improving Category Profits

Category Priorities For Growth



Promoting
Shopper
Engagement



Improving
Category
Profits

Working together we will:

- Create a better, simpler shopping experience
- Shift from selling ingredients to selling solutions
- Engage the Total Store to maximize the basket
- Effective assortment as path to profit growth
- Assort the shelf to meet retailer and shopper needs

Each Strategic Growth Plan Has Specific Actions That We Would Like To Collaborate With You On Along The Journey To Category Reinvention



Promoting Shopper Engagement

- **Partnering With the Perimeter:** Specific plans, insights, and actions for working with Fresh Departments to drive mutual growth
- **Winning With Winnings Brands:** Shopper marketing insights that enable the move to selling solutions vs ingredients
- **Satisfying the Demand for Natural & Organic:** Insights and key learnings for how to navigate this growing trend



Improving Category Profits

- **Re-Energizing the Set:** Facts, insights, and recommendations for remerchandising the set to meet the needs of the growth shopper
- **Price & Trade Effectiveness:** Rethinking the role and possibilities for A-Z Private Label + a new and simpler approach to category pricing
- **Utilizing the Value Continuum to Drive Category Profits:** Facts, insights & recommendations for a new view on assortment and innovation that increases category profits

Set up a broader discussion
to share additional learnings
on how we can partner to
grow category profits and
integrate the perimeter



Setting the Flavor Experientialist FREE

