



# Sparkling Water Accelerating Healthy Beverage Growth

Embracing the Seismic Shift in Beverage



NORTH AMERICA

Capitalize on  
Key Trends



Unsweetened sparkling water is seeing **significant household growth year after year**, driven by macro trends and consumer need for healthy indulgence

Attract loyal  
shoppers with more  
greater spending power



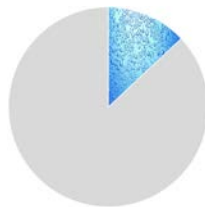
The sparkling water shopper is **affluent, high-spending consumer** that is loyal to the stores they shop

Enhance Center-  
Store productivity



Sparkling Water provides an opportunity to **enhance center store productivity**

Contributing to Meijer's  
long-term growth



**Sparkling water will represent 13% of Meijer's beverage growth** over the next five years at current beverage trends

Increase sales  
by \$4-\$6M



Meijer can drive an additional **\$4-\$6M annually in beverage sales** by adding shelf space to sparkling water





**Today's Discussion**  
Shift in Beverage  
(A Boon for Sparkling Water)

Retail Implications

Sparkling Water Space Allocations

Next Steps

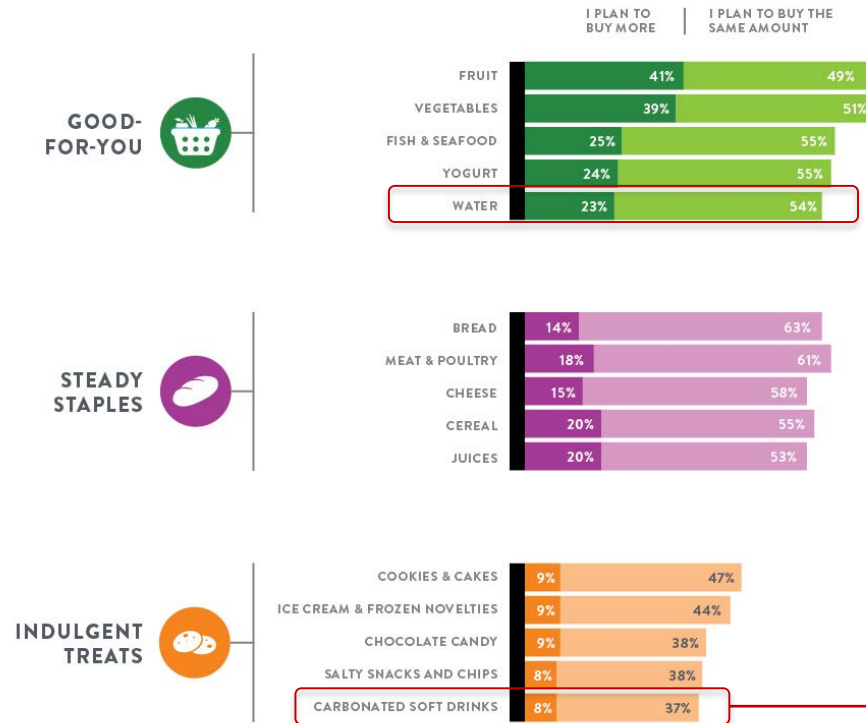


# Healthier Lifestyles are becoming Mainstream



## Consumers are Eating Healthier

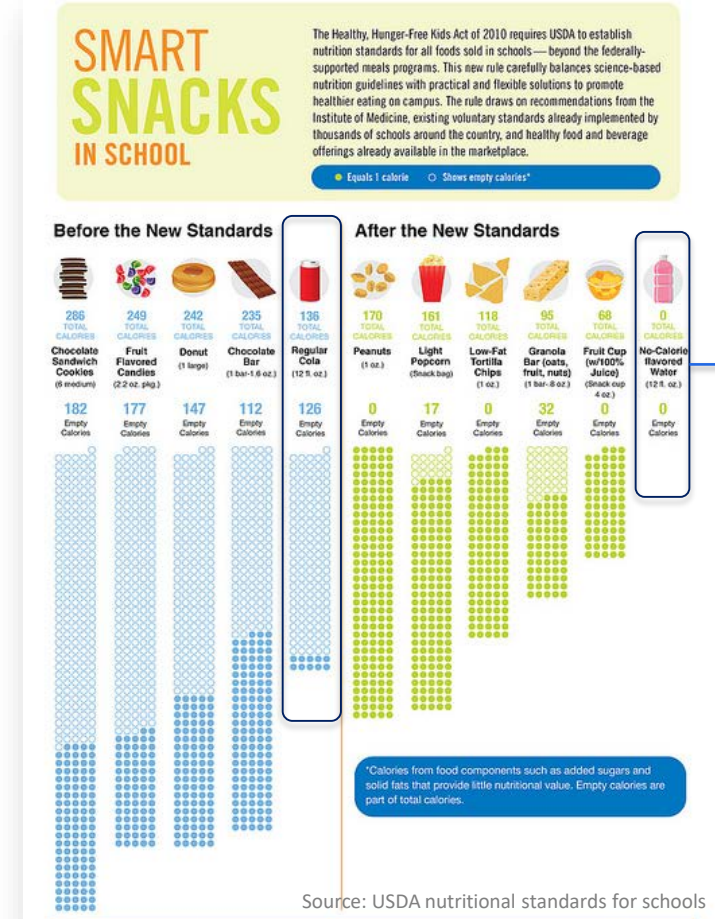
GLOBAL AVERAGE PERCENTAGE THAT PLAN TO BUY MORE OR THE SAME AMOUNT OF THE FOLLOWING FOOD CATEGORIES IN THE NEXT 6 MONTHS



Source: Nielsen Global Health & Wellness Survey, Q3 2014

23% of consumers plan to buy more water, while only 8% plan to buy more CSD's

## Schools offering healthier beverages; kids are growing up drinking water, not sugar



Source: USDA nutritional standards for schools

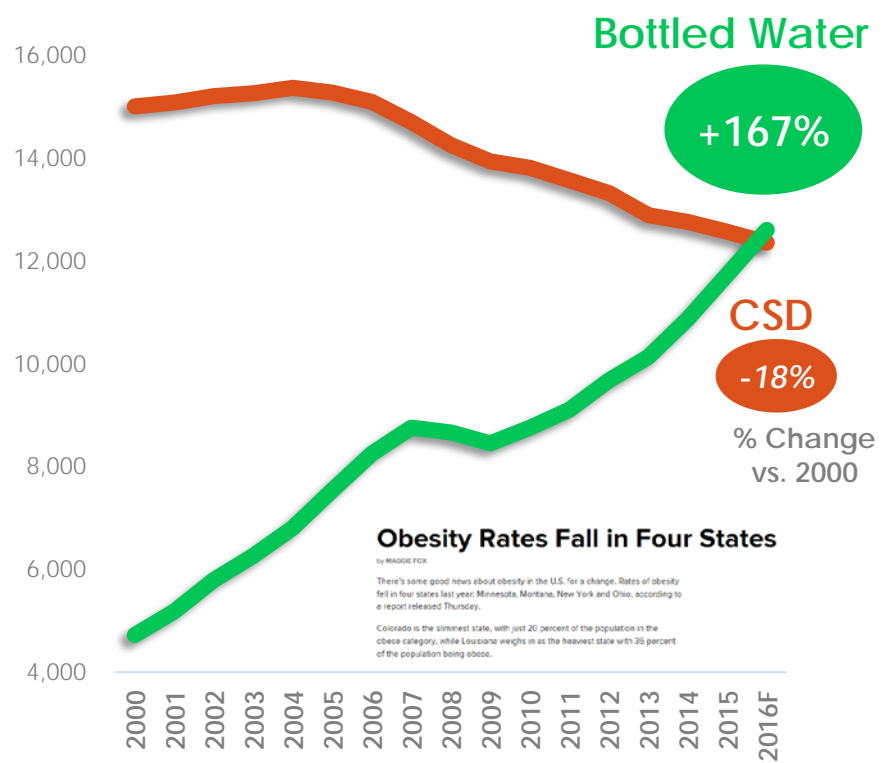
USDA nutritional Standards for schools include bottled Water



# Health Trends Driving Bottled Water to #1 Beverage and Younger Generations Affinity to Water Indicate the Trends will Continue

Bottled water is now #1 most consumed beverage

Gallons Sold (MM)



**Obesity Rates Fall in Four States**

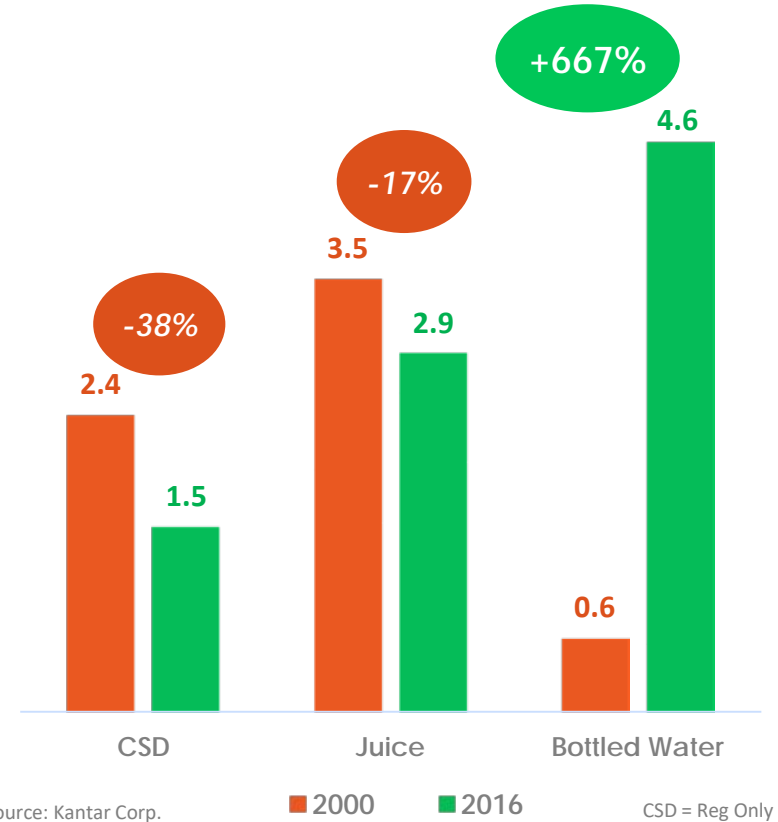
by MADGE FOX  
There's some good news about obesity in the U.S. for a change. Rates of obesity fell in four states last year: Minnesota, Montana, New York and Ohio, according to a report released Thursday.  
Colorado is the slimmest state, with just 20 percent of the population in the obese category, while Louisiana weighs in as the heaviest state with 35 percent of the population being obese.

Source: 2016 Beverage Marketing Corp. All channels

US Consumers over the last 15 years have cut between **61 & 68 Trillion Calories** by choosing bottled water. This represents ~9 lbs of weight loss per consumer.

Source: 2016 Beverage Marketing Corp. *New Study: Bottled Water's Impact On U.S. Caloric Intake.* 6/6/16

Kids Drinking More Water than Ever Before  
Avg Weekly Occasions – Kids (1-12)



Source: Kantar Corp. CSD = Reg Only

Bottled water is now the **#2 Packaged Beverage** consumed by kids behind milk and the **#1 choice for Millennials**

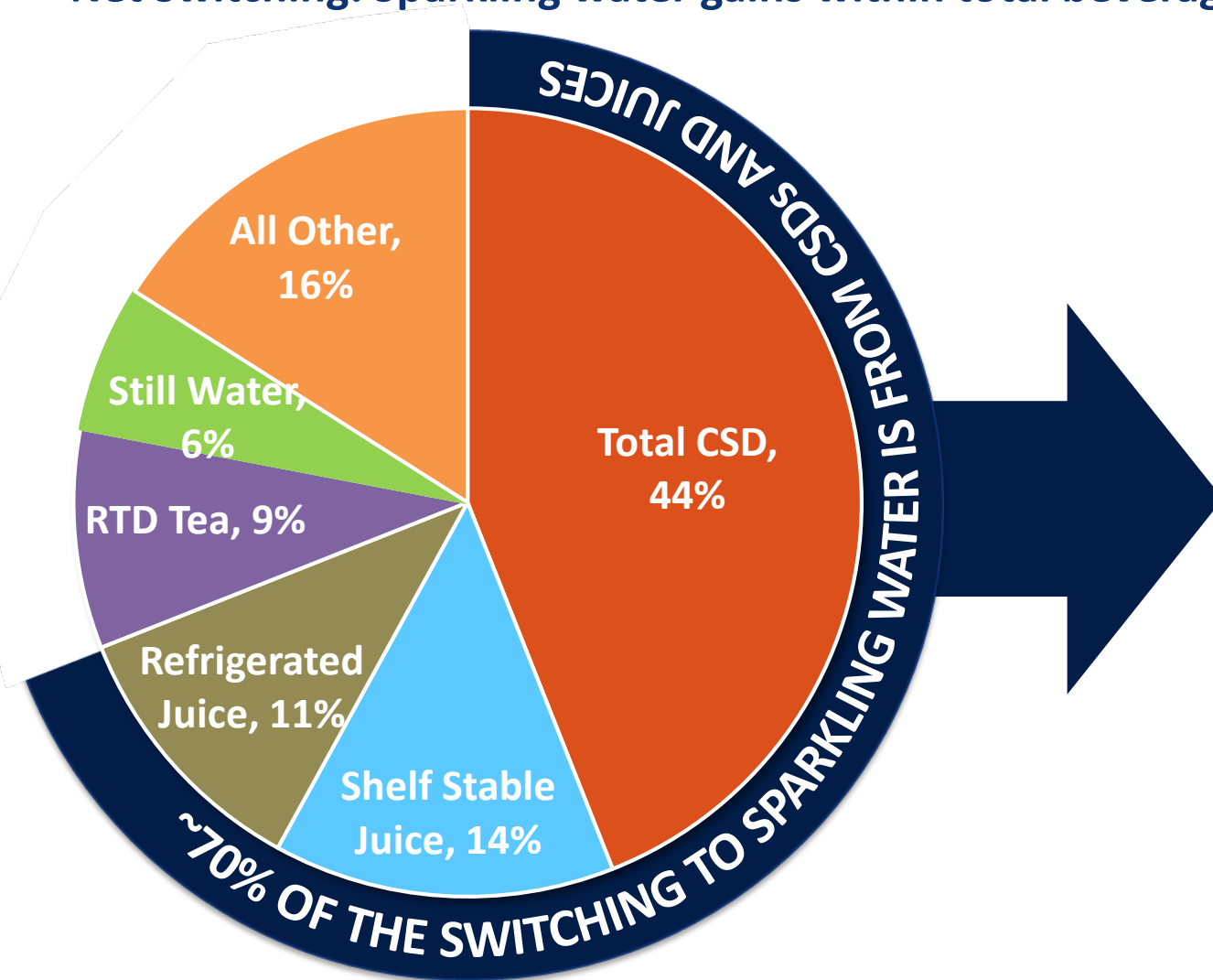
Source: Kantar Corp.



# Consumers are Switching from Indulgent Beverages to Sparkling Water



Net Switching: Sparkling water gains within total beverage



# The Sparkling Water Shopper is Affluent, High Spending and Very Loyal to the Stores they Shop



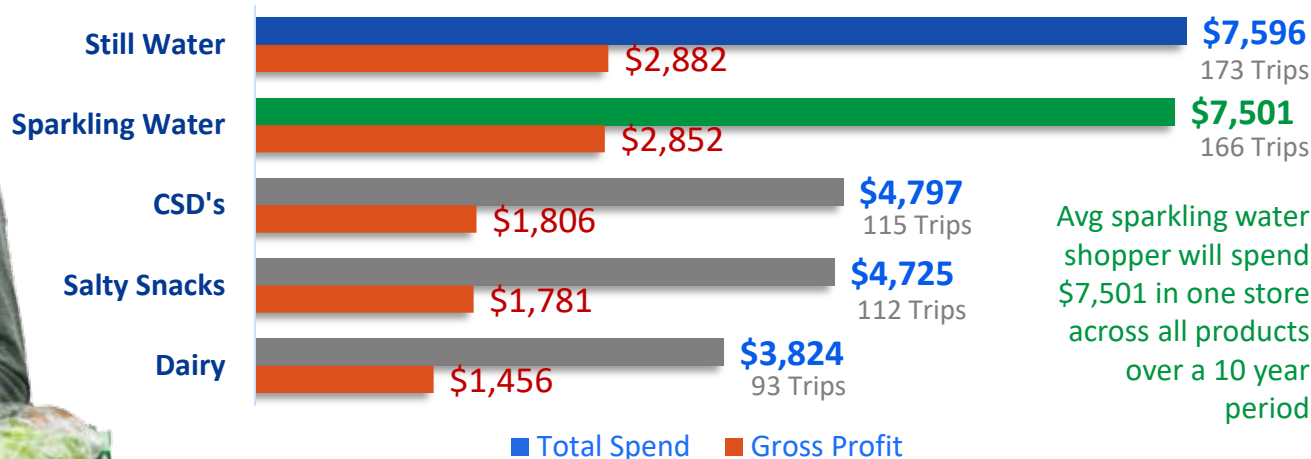
## Wealthy & Educated

\$100k+ Income: 186 Index | Affluent Suburbs: 152 Index | Professionals: 150 Index  
College Graduate: 138 Index | Millennials: 127 Index

Source: Nielsen Homescan Panel Database. Total US 2015

## Loyal to Your Stores & High Spending

10 Year Customer Lifetime Value For Average Store



Source: 2016 Willard Bishop, LLC shopper database representing 20 million households, over 495 million transactions, across 22 states.



# Space Allocations are No Longer Aligned with Consumer Behavior **meijer**



Share Space = 56%  
 Share AGP \$ = 38%  
 Growth = Flat

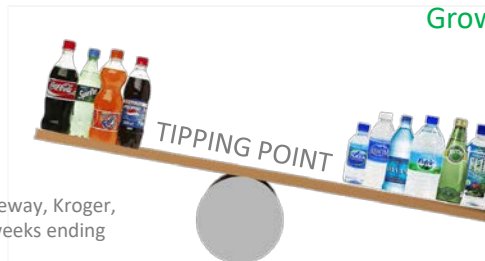
Share Sales = 52%  
 Share TP \$ = 1%

**Over Spaced. No Growth.**

Share Space = 44%  
 Share AGP \$ = 62%  
 Growth = 8%

Share Sales = 48%  
 Share TP \$ = 99%

**Under Spaced. Significant Growth.**

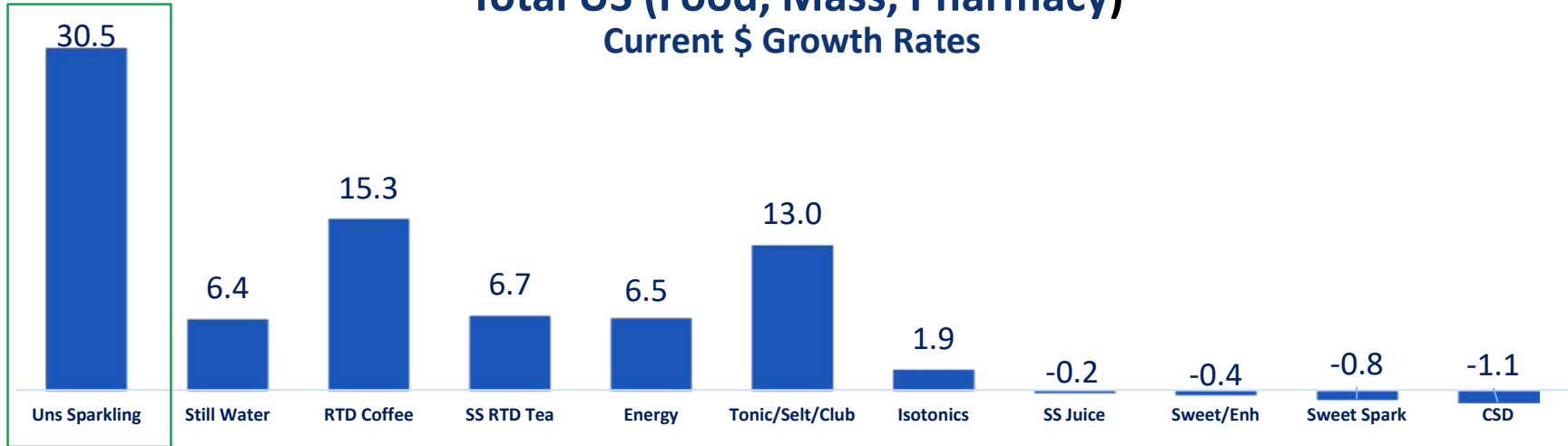


Source: 2016 Willard Bishop Total Store Grocery SuperStudy (Safeway, Kroger, Ahold). Share of sales based on Nielsen Scantrack database. 52 weeks ending 8/13/16. Milk was not included in space analytics.

# At Current Growth Levels, Unsweet Sparkling Water will Account for 30% of Beverage Growth Over Next Five Years

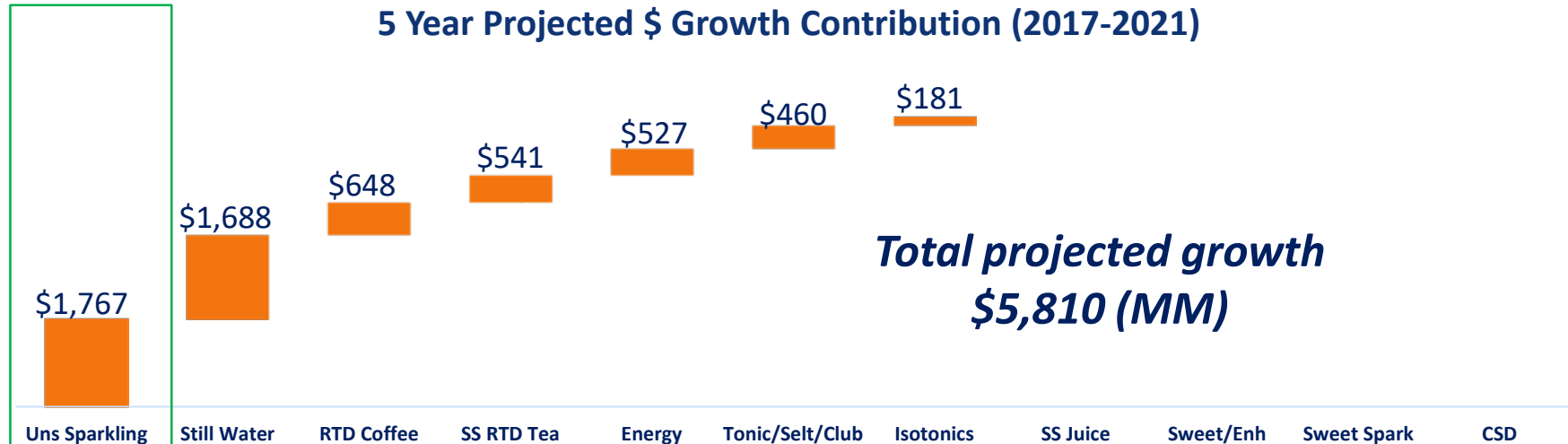


## Total US (Food, Mass, Pharmacy) Current \$ Growth Rates



Source: Nielsen scantrack databases. 52 weeks ending 8/13/16.

## 5 Year Projected \$ Growth Contribution (2017-2021)

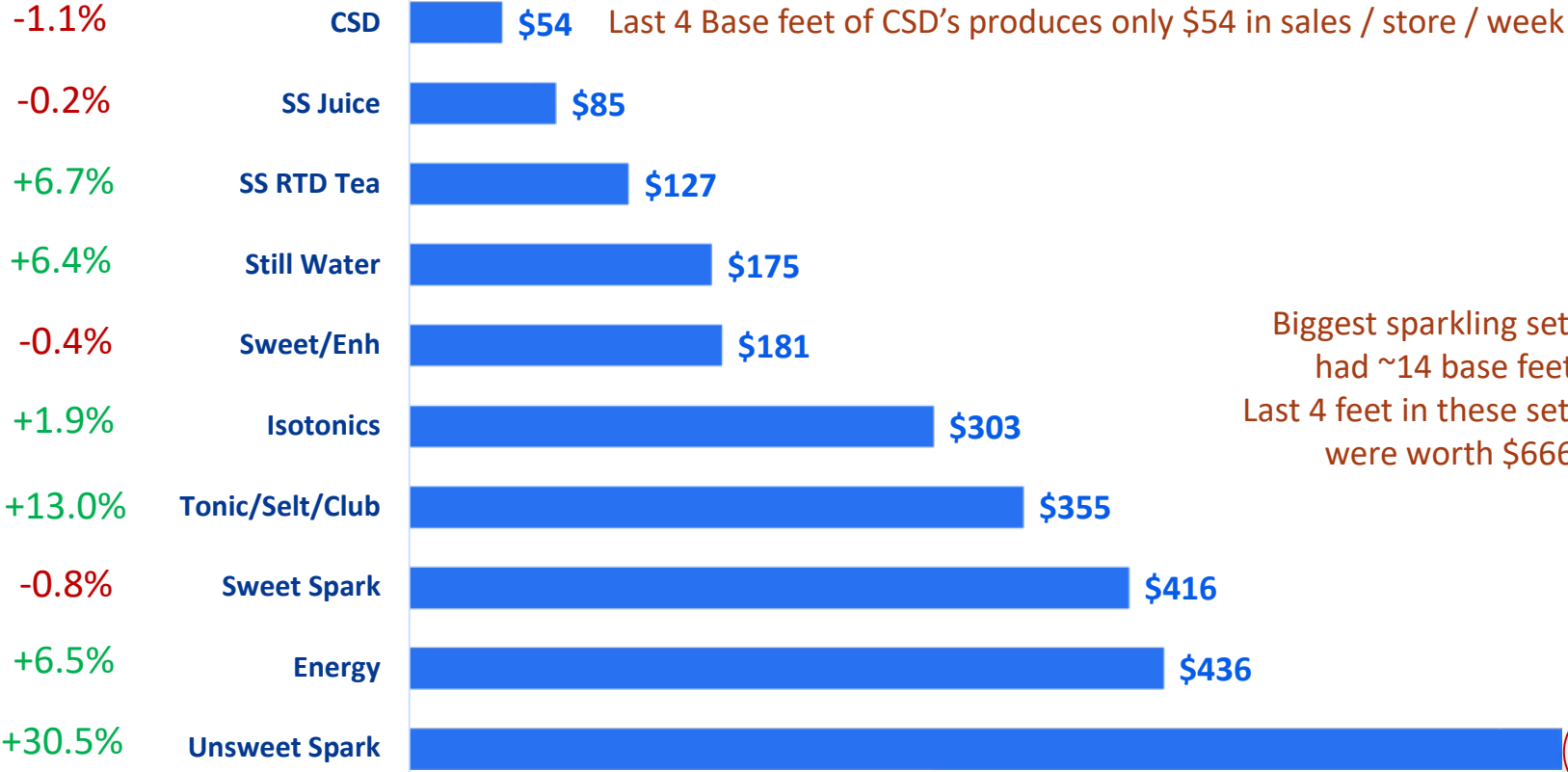


Source: Projections based on using current growth rates for next 5 years (2017-2021)



## Sales \$ Productivity of Last Four Base Feet

\$ Growth



Source: 2016 Willard Bishop Total Store Grocery SuperStudy (Safeway, Kroger, Ahold)



# Multiple Space Shifting Options are Available for Sparkling Water

## Value of Growing Unsweetened Sparkling Water

First 4ft of sparkling worth \$1,737

				Incremental Sales		
Space Source	Weekly Sales \$ Gain Per store from Spark Water	Weekly sales \$ Loss per Store	Weekly net Impact	Weekly 100 Stores	Annual 100 Stores	
<b>Increasing Spark Water Space 4' to 8'</b>	<i>CSD</i>	\$1,337	(\$54)	\$1,283	\$128,300	\$6,671,600
	<i>Juice</i>		(\$85)	\$1,252	\$125,200	\$6,510,400
	<i>Sweetened Sparkling</i>		(\$416)	\$921	\$92,100	\$4,789,200
<b>8' to 12'</b>	<i>CSD</i>	\$802	(\$88)	\$714	\$71,400	\$3,712,800
	<i>Juice</i>		(\$103)	\$699	\$69,900	\$3,634,800
	<i>Enhanced/Sweetened Sparkling</i>		(\$310)	\$492	\$49,200	\$2,558,400
<b>12' to 16'</b>	<i>CSD</i>	\$353	(\$121)	\$231	\$23,100	\$1,201,200
	<i>Juice</i>		(\$119)	\$234	\$23,400	\$1,216,800

Note: A national retailer saw CSD sales grow even after eliminating 40 Base Feet of CSD Space!

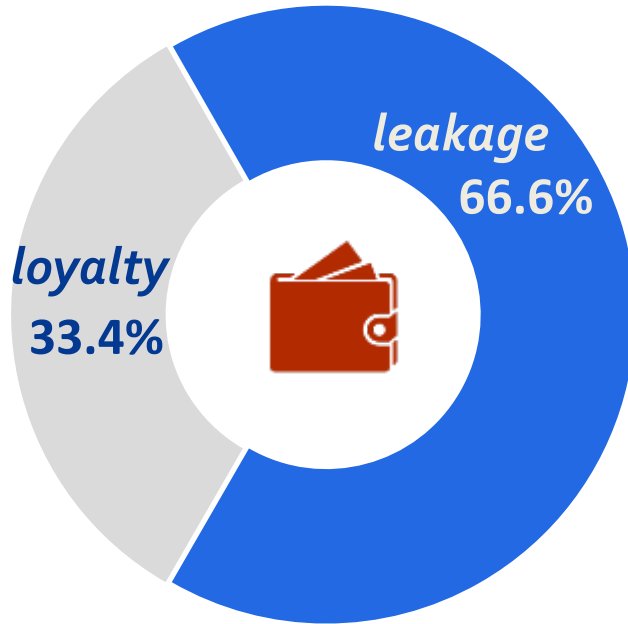
Source: 2016 Willard Bishop Total Store Grocery SuperStudy (Safeway, Kroger, Ahold)



# Meijer Only Capturing ~33% of Sparkling Water Dollars Opportunity to Improve Loyalty with its Sparkling Water Shoppers



Meijer Shopper's Share of Wallet  
% of Sparkling Water \$



Sparkling Water  
Share of Wallet  
Leaked to Competitors

	SHARE OF WALLET	\$ VALUE (MM)
Kroger	17.6%	\$6.4
Costco	7.5%	\$2.7
Target	5.5%	\$2.0
Jewel	5.2%	\$1.9
Walmart	3.4%	\$1.2
All Other Grocery	17.1%	\$6.2
All Other Club	1.5%	\$0.5
Drug Stores	1.0%	\$0.3
Dollar stores	0.6%	\$0.2
All other	7.2%	\$2.6

**Total Lost to Competition** \$24.3MM  
**Share of Wallet** \$12.2MM  
**Expenditure** \$36.5 MM

**Each 1% increase in loyalty = \$365K in incremental sales annually**

Source: Nielsen Homescan Panel, Meijer, 52WE 08/27/16



# Meijer Can Drive Up to \$96M in Incremental Sparkling Water Sales by Adding 4-8 Base Feet of Space



Projected Sparkling Water Dollar Sales at Different Space Levels

\$120,000

\$100,000

\$80,000

\$60,000

\$40,000

\$20,000

\$0

2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

— Current Space   
 — +4 Base Feet   
 — +8 Base Feet

+8 Feet  
 CAGR = +54.6%  
 +\$96M vs. 2016

+4 Feet  
 CAGR = +48.7%  
 +\$76M vs. 2016

Current Space  
 CAGR = +35.9%  
 +\$44M vs. 2016

2017 Projected \$ / Store / Week

Current Space = \$1,397

With +4 Feet = \$2,189

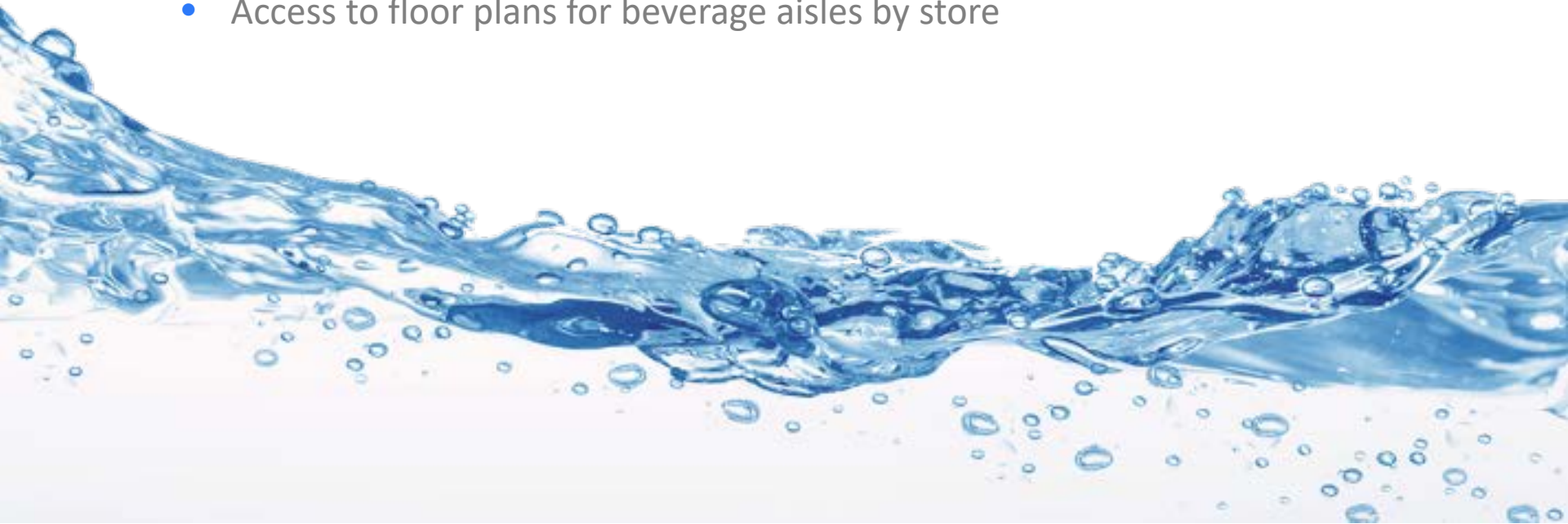
With +8 Feet = \$2,664

Source: Current Space Growth assumes current growth rate for next 5 years. Projections with increased space based on Willard Bishop incrementality analysis from SuperStudy (Safeway, Kroger, Ahold)



## Acknowledgement that we are aligned and pursuing common goals.

- Identification of project sponsor and key internal stakeholders
- Dates and time for upcoming project planning and alignment meetings
- Commitment to define project scope and subsequent work plan
- Access to floor plans for beverage aisles by store



A close-up photograph of a glass filled with water and a slice of lemon. The water is clear and bubbly, with many small bubbles visible. The lemon slice is bright yellow and partially submerged. The glass is tilted, and a splash of water is visible in the background.

**meijer**

**Thank You!**



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