

The Future of Retail

Expo West 2024

March 2024



Today's Speakers



Kenny Juskowiak

Managing Director, Emerging Brands



Brandon Galindo

Senior VP of Sales – Product Insights



Krystal Dawson

North America SMB Team Leader

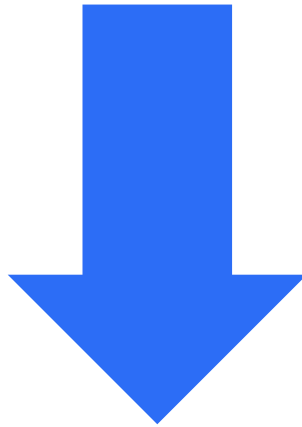
VP, Account Development

It's a new world of retail

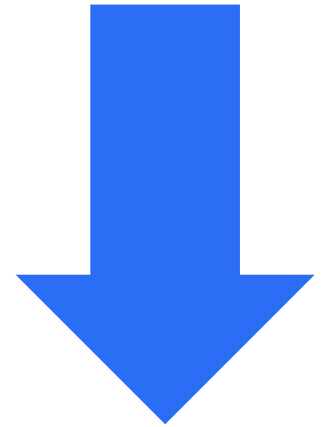
Traditional modes of thinking about how commerce occurs are diminishing in relevance

“Channels”

“Brands”



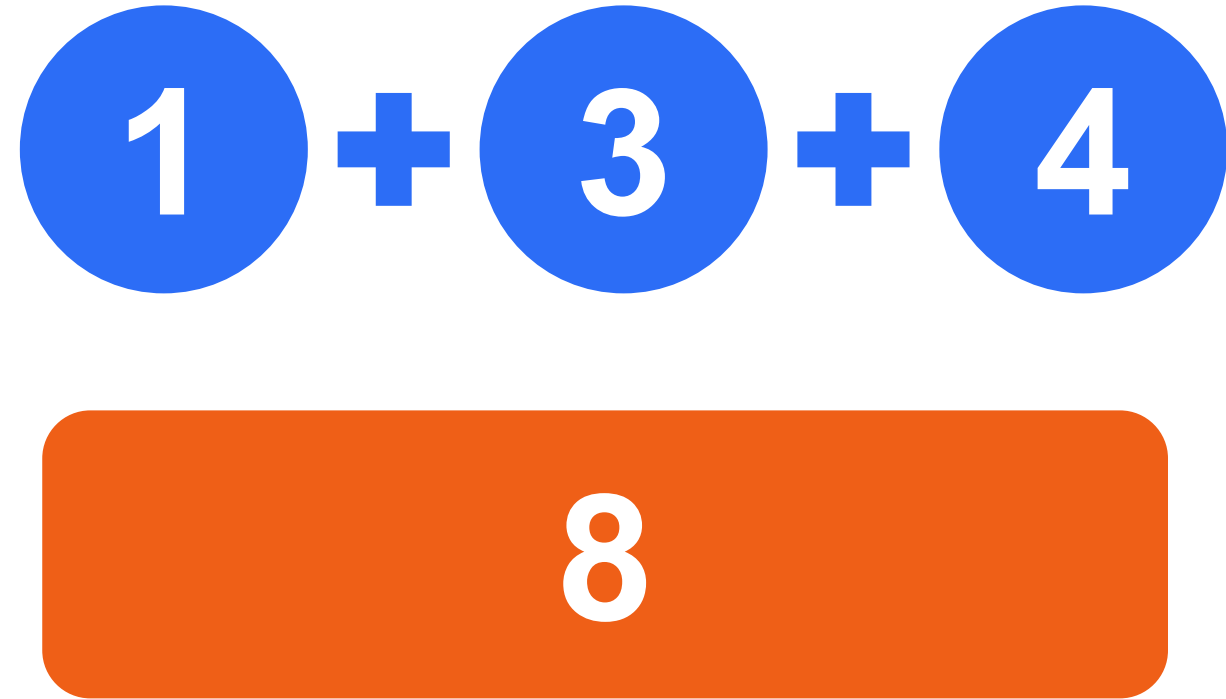
Consumers



Attributes

If consumers don't think in terms of "channels" ...*why do we?*

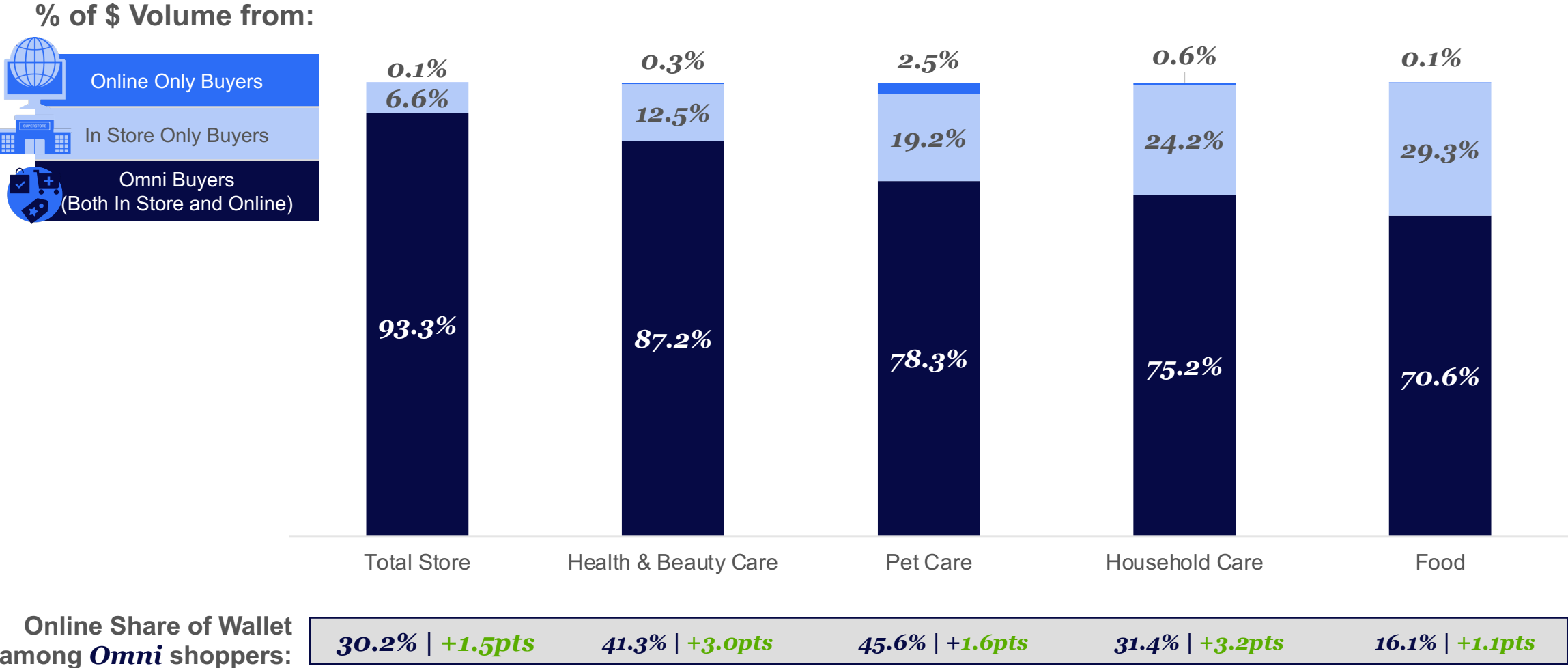
How many ***channels*** does the average consumer shop in?



To grow in a
challenged market,
we need to
*reach consumers
where they are.*

Source: NielsenIQ Omnishopper Panel, 52WE 1/27/24, Total US

The shopper is becoming truly “Omni”, with lots of headroom across departments

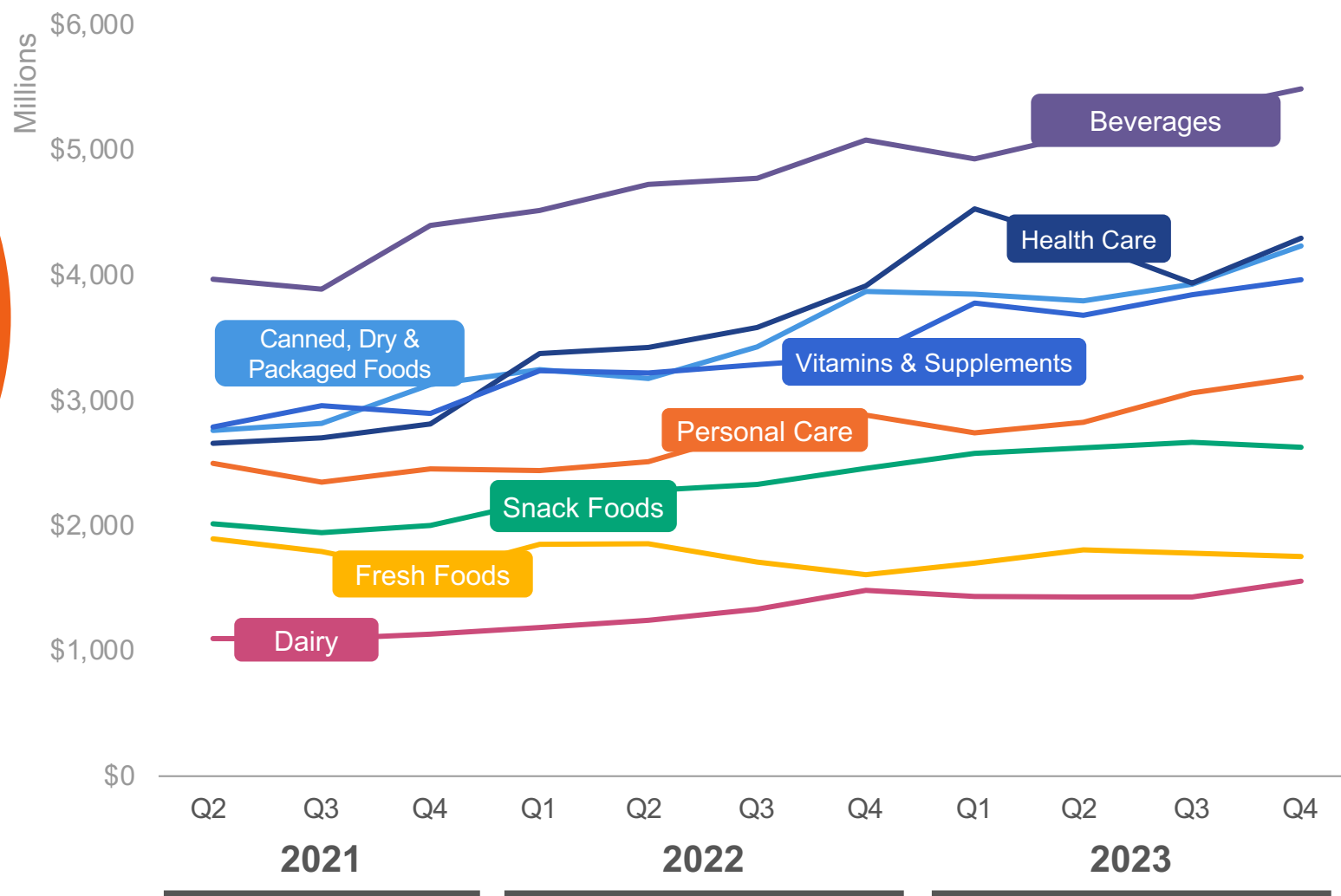


Source: NielsenIQ Omnishopper, Total Outlets, L52WE 1.27.24 vs PY. *FOOD includes total edibles (food and beverage), Total Store = Alcohol, Baby Care, Health & Beauty Care, General Merchandise, Household Care, Food, Pet Care, Departments

3.3%

DTC share of total food down from 4.9% last year

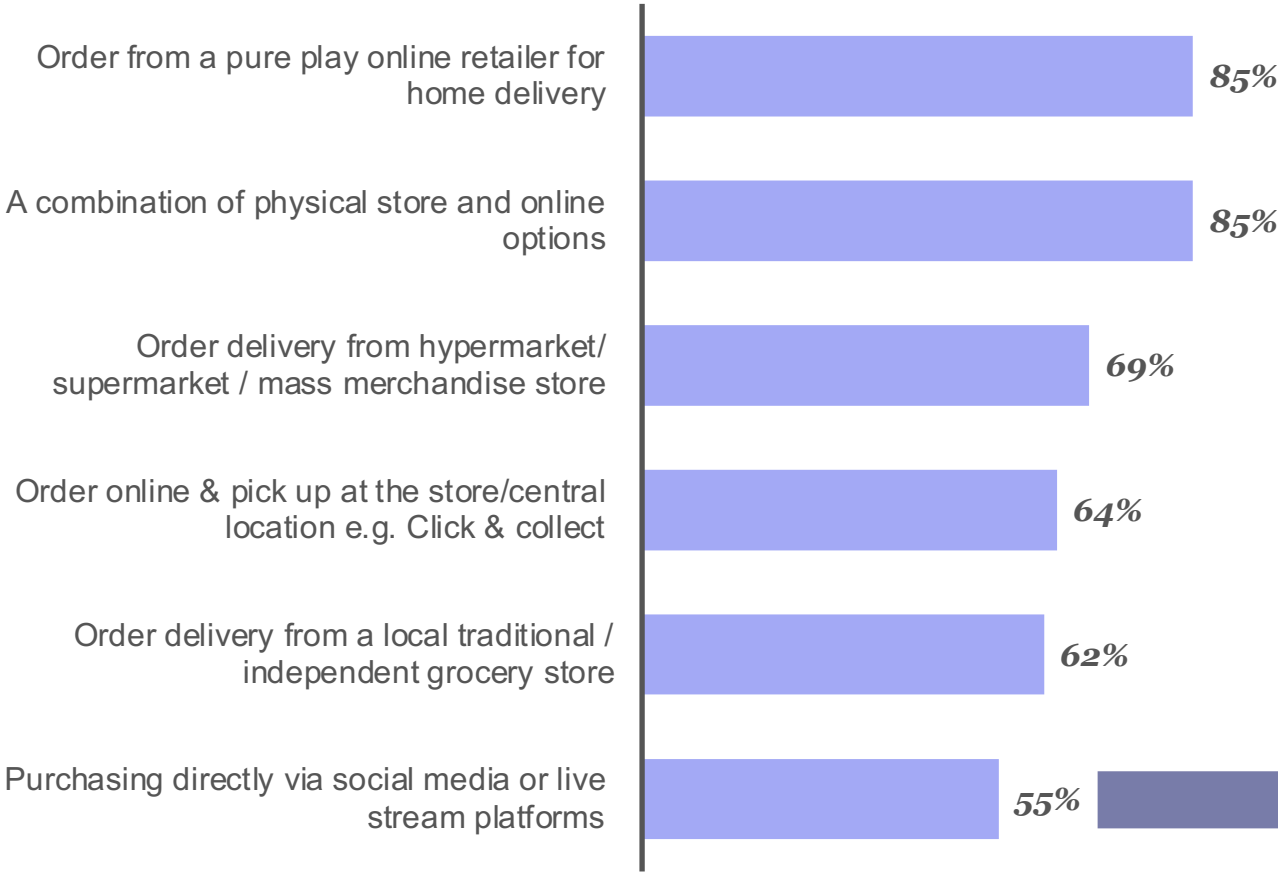
Direct-to-consumer shifting



Source: NIQ eCommerce Panel Data, Total Personal Care, Latest 3 years ending December 2023

Social shopping is emerging to challenge traditional retailers

Where do you normally shop for grocery & household items?
% respondents who shop at this channel – U.S.



81% of TikTok dollar sales are from health and beauty

#14 TikTok Shop is already the Health and Beauty ecommerce retailer since it's launch in September 2023

#30 Food retailer

Source: NIQ 2024 Consumer Outlook, U.S.
TikTok Shop sales

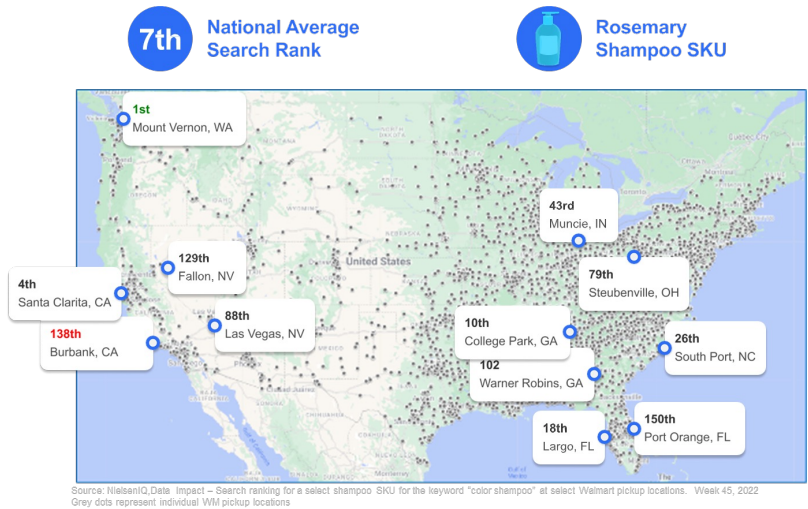
A great brand, by itself, isn't enough anymore

Brands aren't top of mind



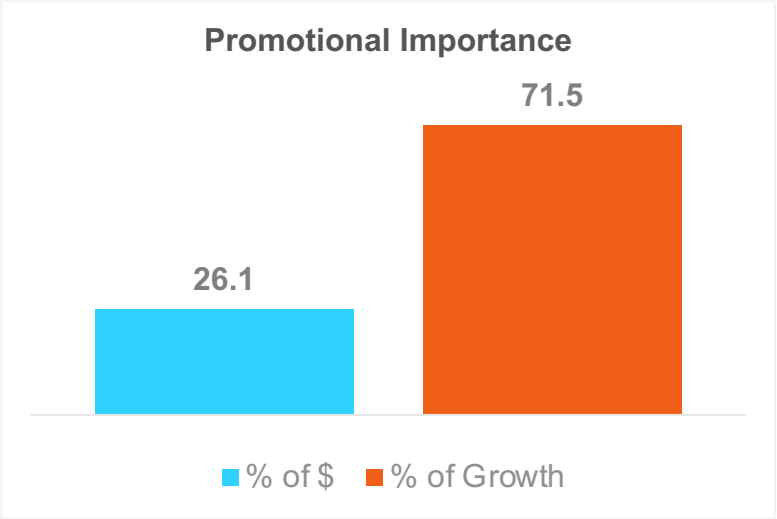
You need to offer relevant benefits beyond the identity

Availability is paramount



You need to be present where AND when the purchase is considered

Promotions drive decisions



You need to hit the right value proposition to make the consideration

Media personalities are converting audiences into consumers

These products are more than just a “brand”, instead connected to an overarching lifestyle and fandom

Estimated Growth Rates vs 2022 (Ranked by 2023 Dollar Sales)



+700%



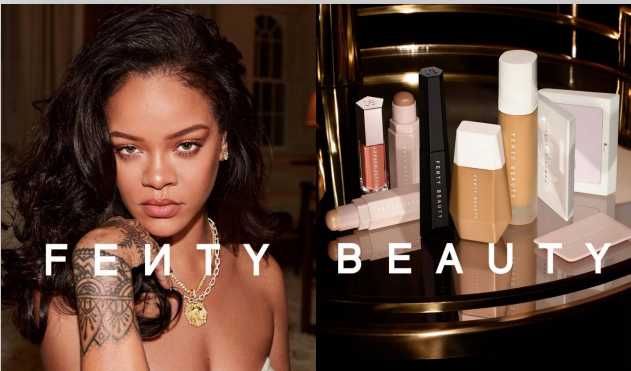
+15%



+10%



+100%



+10%



+750%



+50%

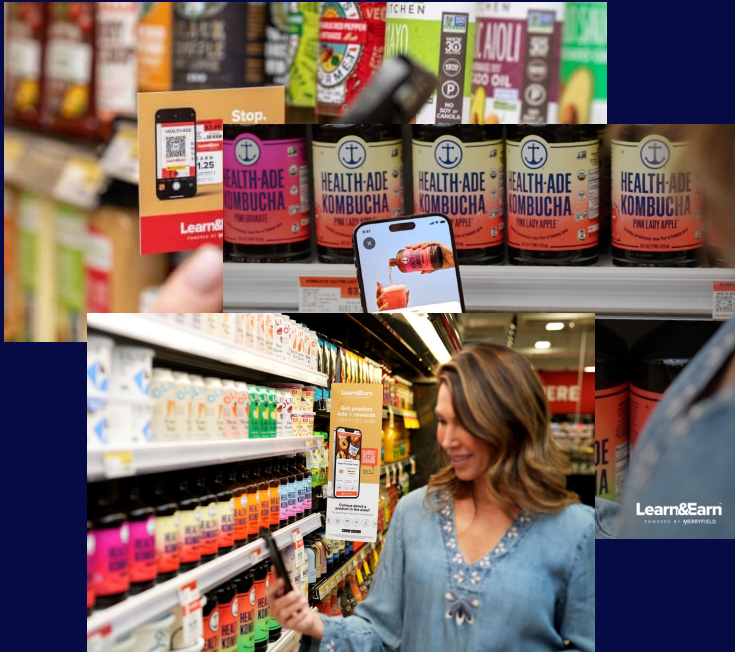


+40%

Source: NIQ Omnisaless | Syndicated Omnisaless+ | Total Client Dataset – Manufacturers, xAOC Calendar year 2023 vs 2022

Technology is empowering new modes of commerce focused beyond brands

Nutrition Centric Retail Media



Merryfield and Earth Fare partnering to “gamify” nutrition labels across the store

Hyper-Personalization



Earth Fare and GenoPalate create genetically personalized nutrition grocery shopping



17 Jan 2024 --- Personalized nutrition pioneer GenoPalate has joined forces with Earth Fare, the clean grocery store, to spearhead a wellness movement in supermarkets that incorporates biomarkers, proprietary algorithms and databases to optimize nutrition for consumers.

“This collaboration enables us to provide customers with dietary choices tailored to their genetic makeup, integrating GenoPalate’s insights with our quality ingredients for a unique wellness journey, enhancing wellness through informed food choices,” says Henry Kugler, COO of Earth Fare.



Earth Fare and GenoPalate partnering to link nutrition to your genetic makeup

Artificial Intelligence



“Most customers trust the company to select the majority of their weekly groceries for them, and **72% of all items purchased are chosen by the algorithm.**”

The emergence of algorithmic purchasing is immanent and requires a new strategic approach

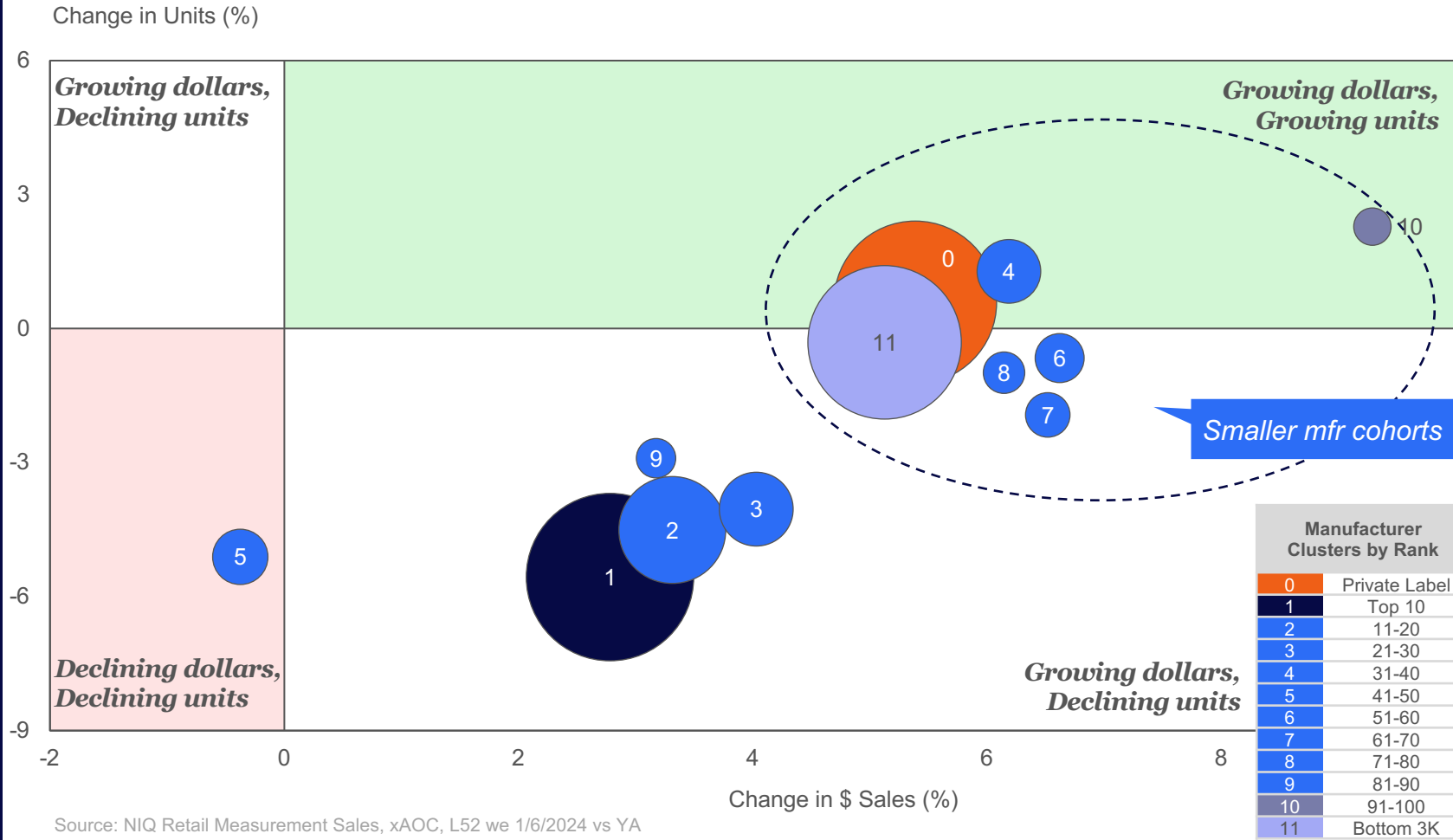
[Ulta Beauty at Target Launches in August — Get *All* the Gorgeous Details](#)
[Hungryroot's AI-Powered Personalized Grocery Service Reaches \\$750M Valuation \(forbes.com\)](#)

[Earth Fare and GenoPalate create genetically personalized nutrition grocery shopping \(nutritioninsight.com\)](#)

Can a small brand even win in such a complex environment?

Of course! Small brands are already outgrowing large ones

2023 US Food Manufacturers: Dollar and Unit Trends vs Last Year



Growth will come
from *relentless*
consumer
centricity

NIQ



How Generations' Economic Participation and Values Shape the Future

Boomers

(1946 – 1964)

- Most are retired
- Healthcare expenses increasing
- Caring for aging parents

Formative Events



Character Traits

Financial stability ♦ brand loyalty
 ♦ American Dream ♦ less
 influenced by peer pressure

Gen X

(1965 – 1980)

- Peak earning years
- Span teenagers to empty nesters
- Education expenses

Formative Events



Character Traits

Self reliant ♦ big picture ♦
 independent ♦ values flexibility ♦
 skeptical

Millennial

(1981 – 1996)

- Parents of school aged kids
- Career growth
- Causes

Formative Events



Character Traits

Experiences ♦ innovative ♦ likes
 change ♦ social causes ♦ multi-
 taskers

Gen Z

(1997 – 2012)

- ½ not working age (N= approx. 34 mil)
- High disposable spending power
- Digital natives
- Is the planet going to survive?

Formative Events



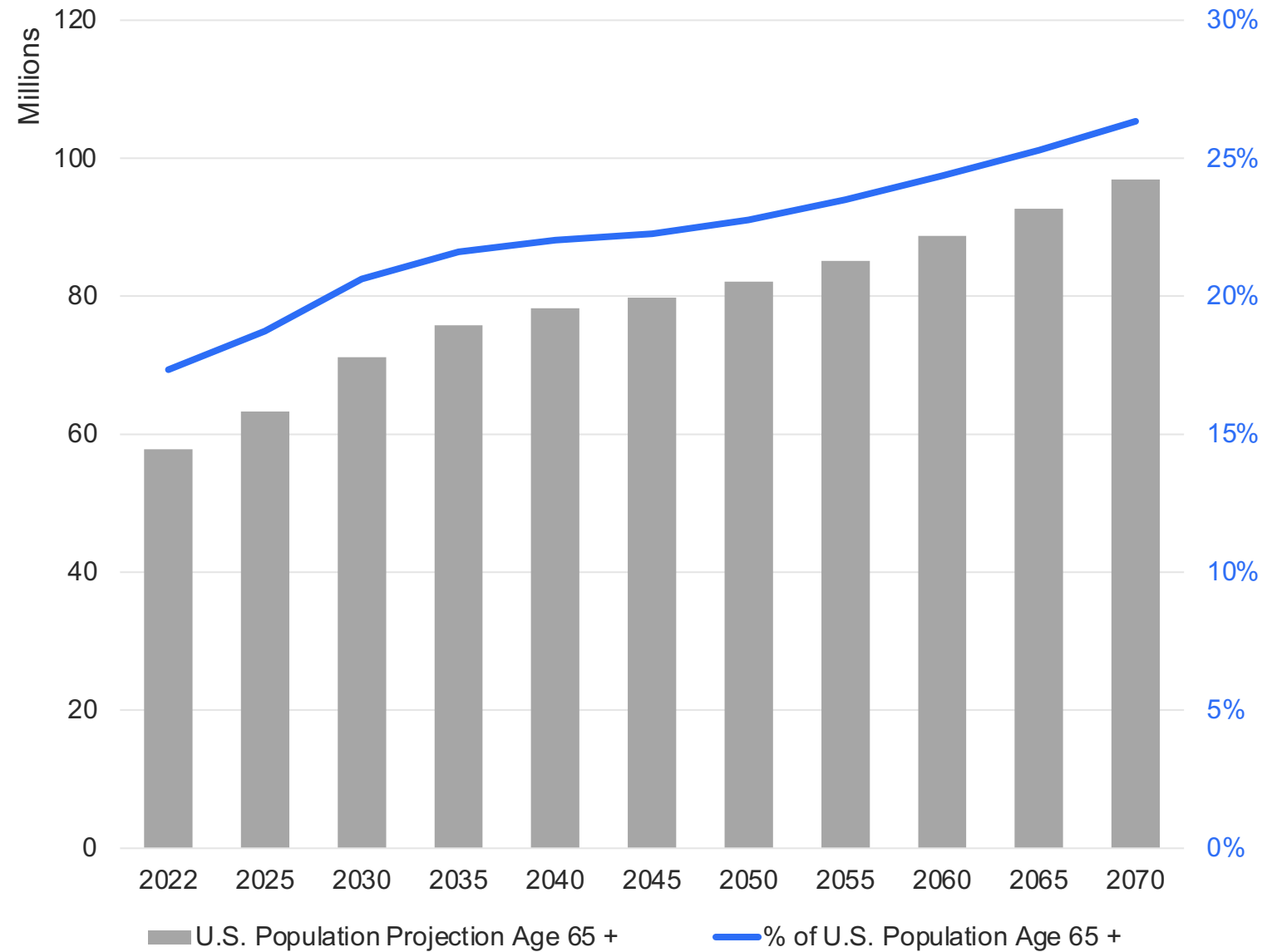
Character Traits

Social activism ♦ side-hustle ♦
 immediate satisfaction ♦ ethnic
 diversity ♦ less trusting

As a nation we're getting *older*

Households >55 will **grow 6%** by 2028 where households <55 will **shrink by 1%**

Source: NIQ population forecast based on US Census data

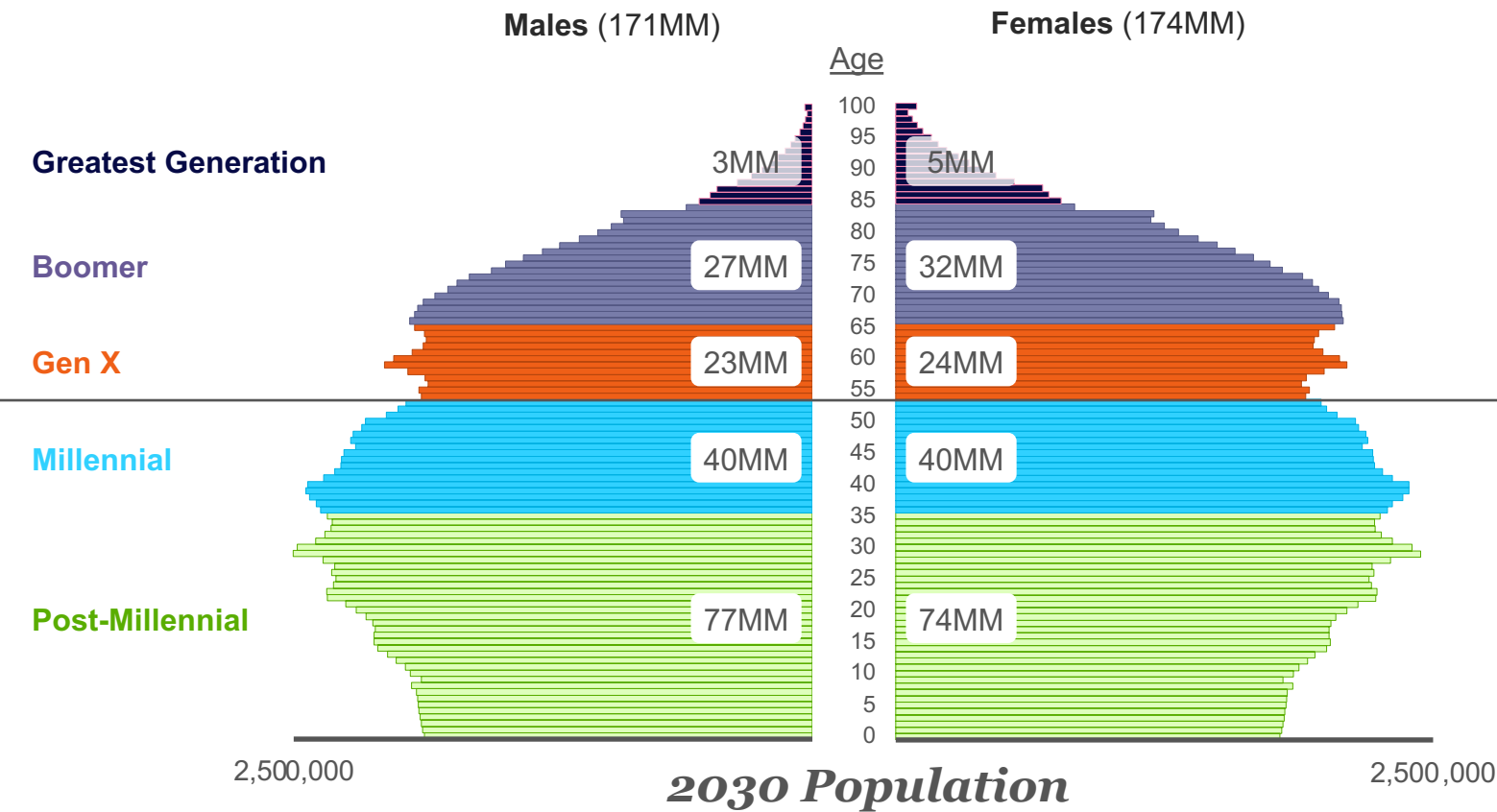


Source: U.S. Census Bureau, 2023 National Population Projections. This projections series uses the official estimates of the resident population on July 1, 2022, as the base for projecting the U.S. population from 2023 to 2100. The series uses the cohort-component method and historical trends in births, deaths, and international migration to project the future size and composition of the national population.

But the generations comprising “older” age brackets will look different

By 2030, the vast majority of Gen X will be over 55

U.S. Population Projections – 2030: All Races/Ethnicities



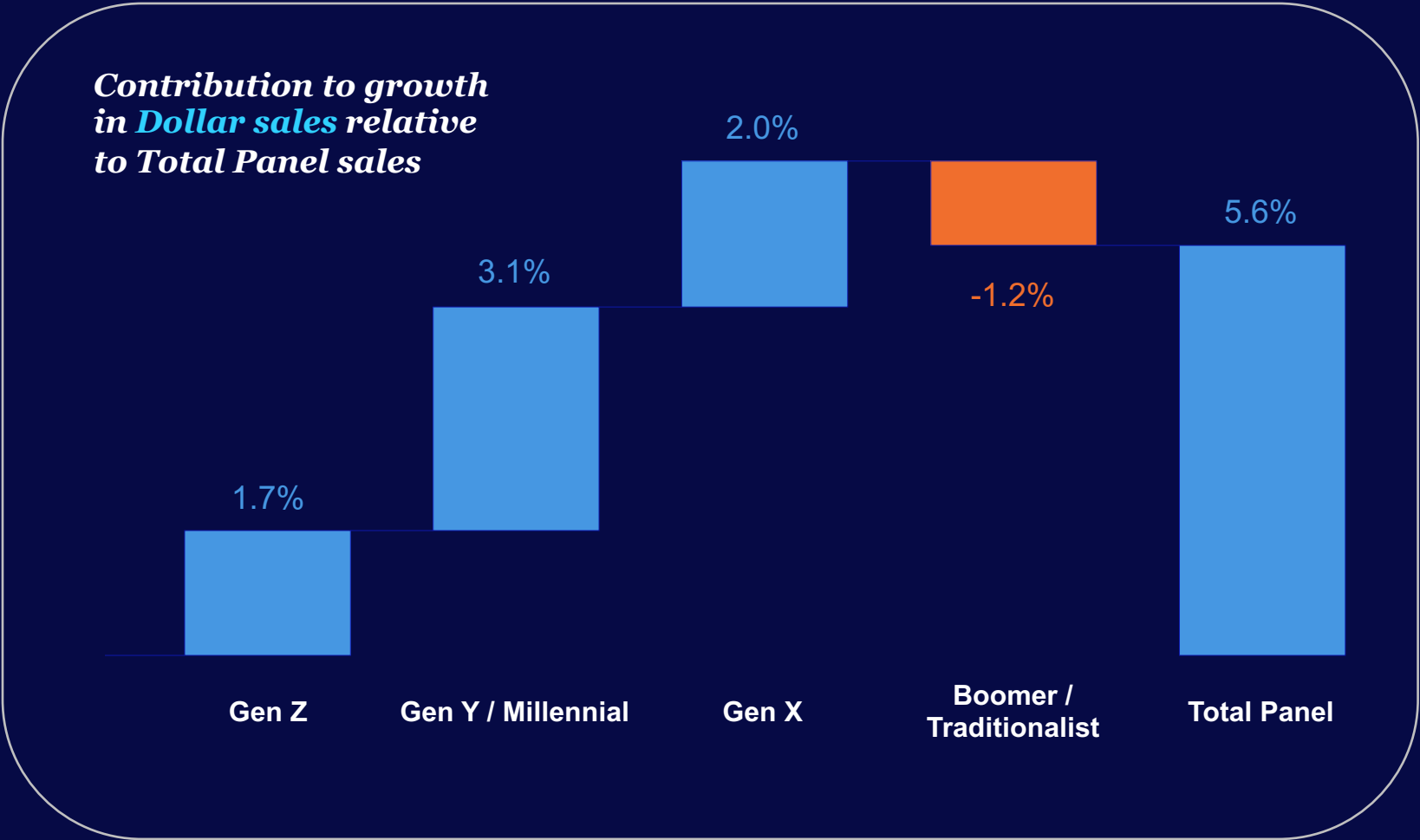
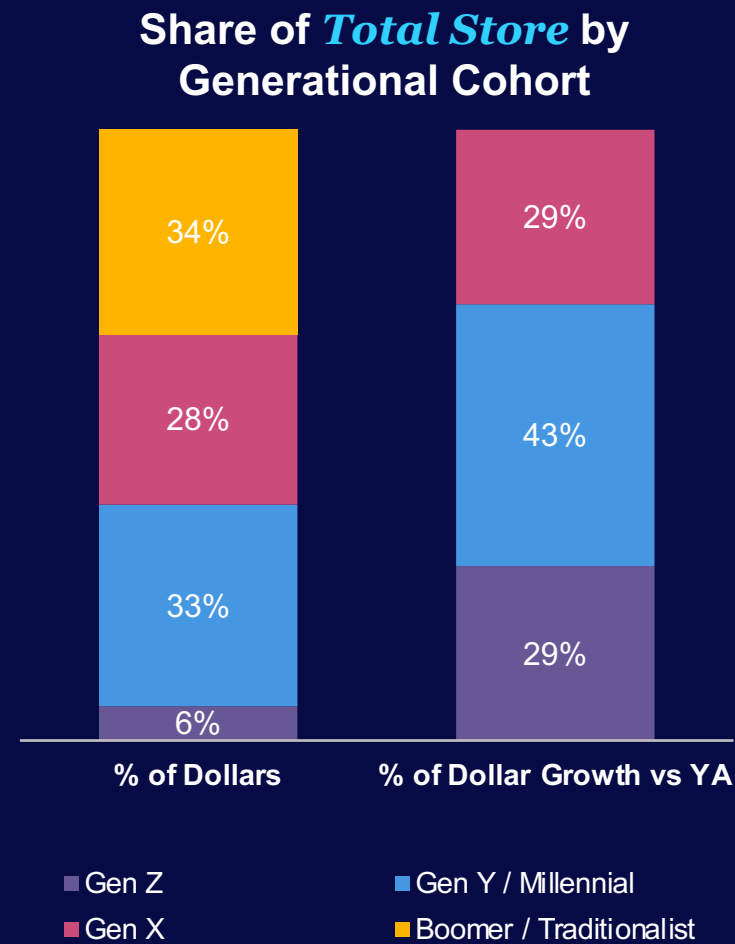
In 2030, **114 million** older consumers with spending power!

In 2030, **67%** of the U.S. population will be Millennials or younger, up from 59% in 2022

Source: U.S. Census Bureau (2023 National Population Projections); MM = million

Boomers declining and Gen Z ascending in the makeup of market growth

Off-setting declines of baby boomers



Source: NIQ Omnishopper Panel; Total US; Total Store; Buyer and \$ share of growth distribution; 52 weeks ending December 30, 2023

Younger generations are more diverse and experience food in a different way than previous generations.

White Alone Non-Hispanic % of Population



Diffusion Score*

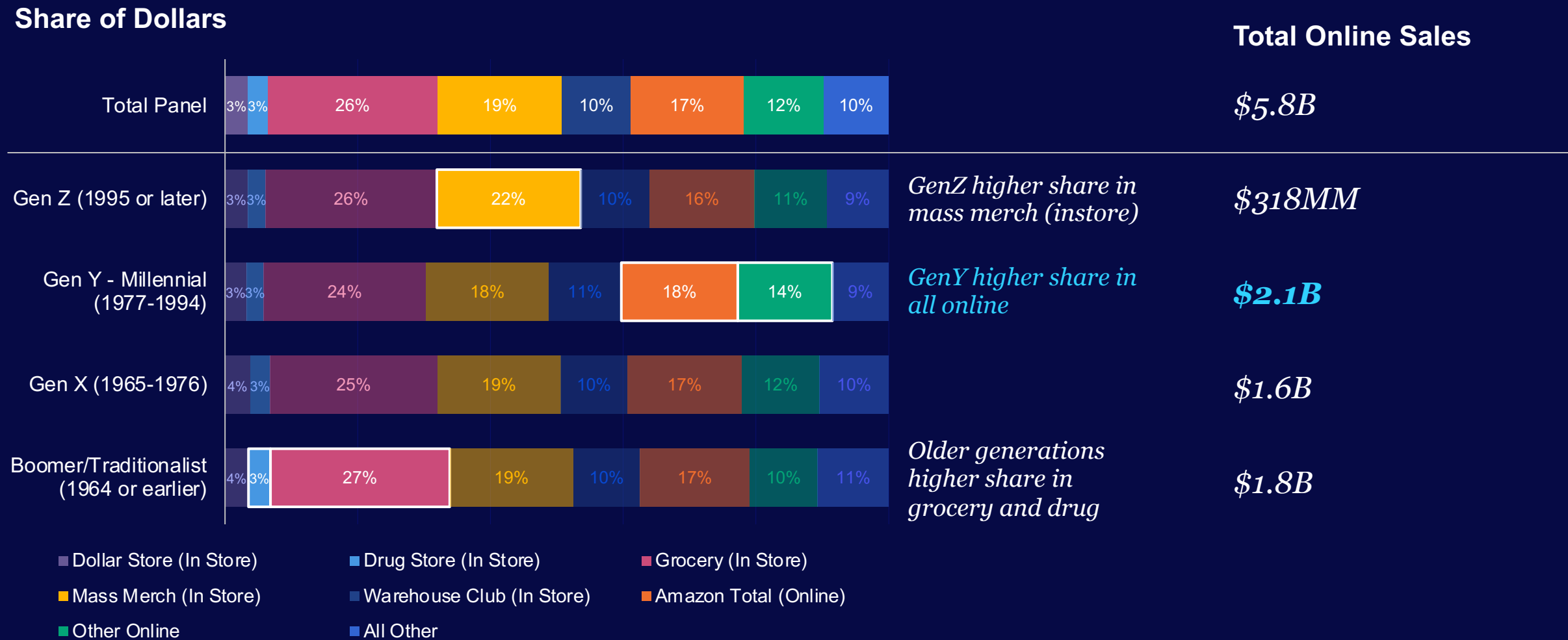


Social media like Tik Tok and Instagram has become a major vehicle for food exploration, particularly among younger generations.

Many content creators like Puerto Rican – Moroccan food personality lahb co (Nasim Lahbichi) draw on their heritage & culture for inspiration and introduce their followers to different global cuisines and dishes.

Source: US Census 2020, *Diffusion Score = calculated by combining percentages of remaining racial & ethnic groups, the higher the diffusion score the less concentrated the population in the three largest racial & ethnic groups

But *Millennials* index highest for online



Source: NIQ Omnishopper, Total FMCG Depts= Food, Baby Care, Health & Beauty Care, Household Care, Pet Care, Gen Merch; 52 weeks ending January 27, 2024

Each generation demonstrates their own behavioral preferences when shopping

Over indexing →

- G** = Grocery (online)
- M** = Mass (online)
- D** = Drug (online)
- C** = Club (online)



- Prefers access to products and services**
 - (i.e. streaming services, subscriptions, etc.)
- Consumption is a means of self-expression**
 - Need for more personalized products
- Invested in company ethics and sustainability**
- Online & offline boundaries do not exist**
 - Need for omnichannel offerings



- 60% state loyalty to brands if given customer-centric experience**
- More likely to pay a premium for personalized products**
 - Similar to Gen Z
- Social media is major influencer**
 - Beauty & fashion products often purchased via Instagram
- Spends the most on a daily average**



- Known for “consuming status”**
 - Also juggling more debt
- Extreme brand loyalty**
 - Love coupons
- Equally comfortable with forms of digital & traditional marketing**
 - Facebook is preferred social media website
- Appreciate practicality and value in a brand’s marketing**



- Now fastest growing e-commerce shoppers**
- Enjoy rewards through loyalty programs**
 - Place high value in program simplicity
- Simple return policies are key**
- Facebook is social media website of choice**
 - But often feel their demographic is not represented

Source: NIQ Homescan Panel; Total US; Generational cohort demographics; NIQ Product Insight powered by Label Insight; \$ share index; 52 weeks ending January 27, 2024

Leveraging *health, wellness and sustainability* priorities to find growth

Brandon Galindo

NIQ



NIQ *Better For*™ = Better For *You*, Better For the *Environment*, Better For *Society*

NIQ *Better For*™



such as

- Healthier - Organic and Natural
- Trending Diets
- Plant Based
- *Plus many more...*



such as

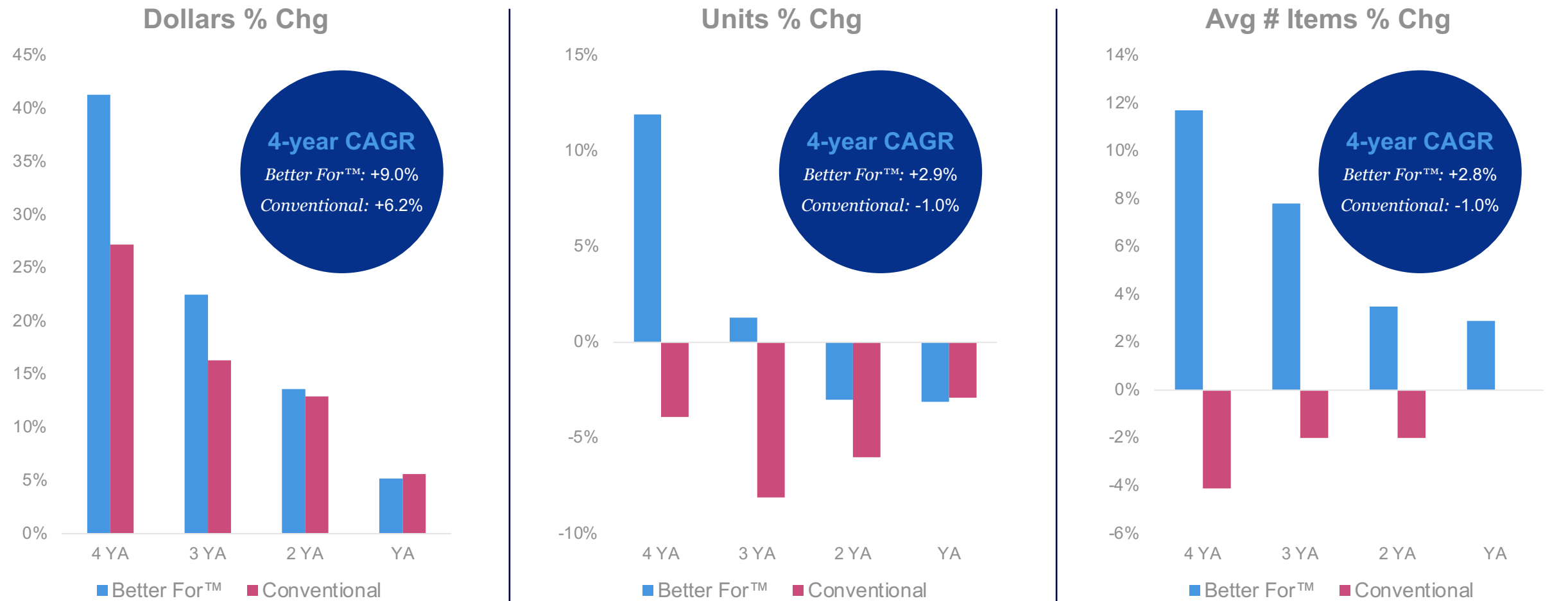
- Eco friendly
- Bio-based
- Regenerative Agriculture
- *Plus many more...*



such as

- Fair Trade
- Fair Wages
- Animal Welfare
- *Plus many more...*

Better For™ products are historically growing faster than conventional products



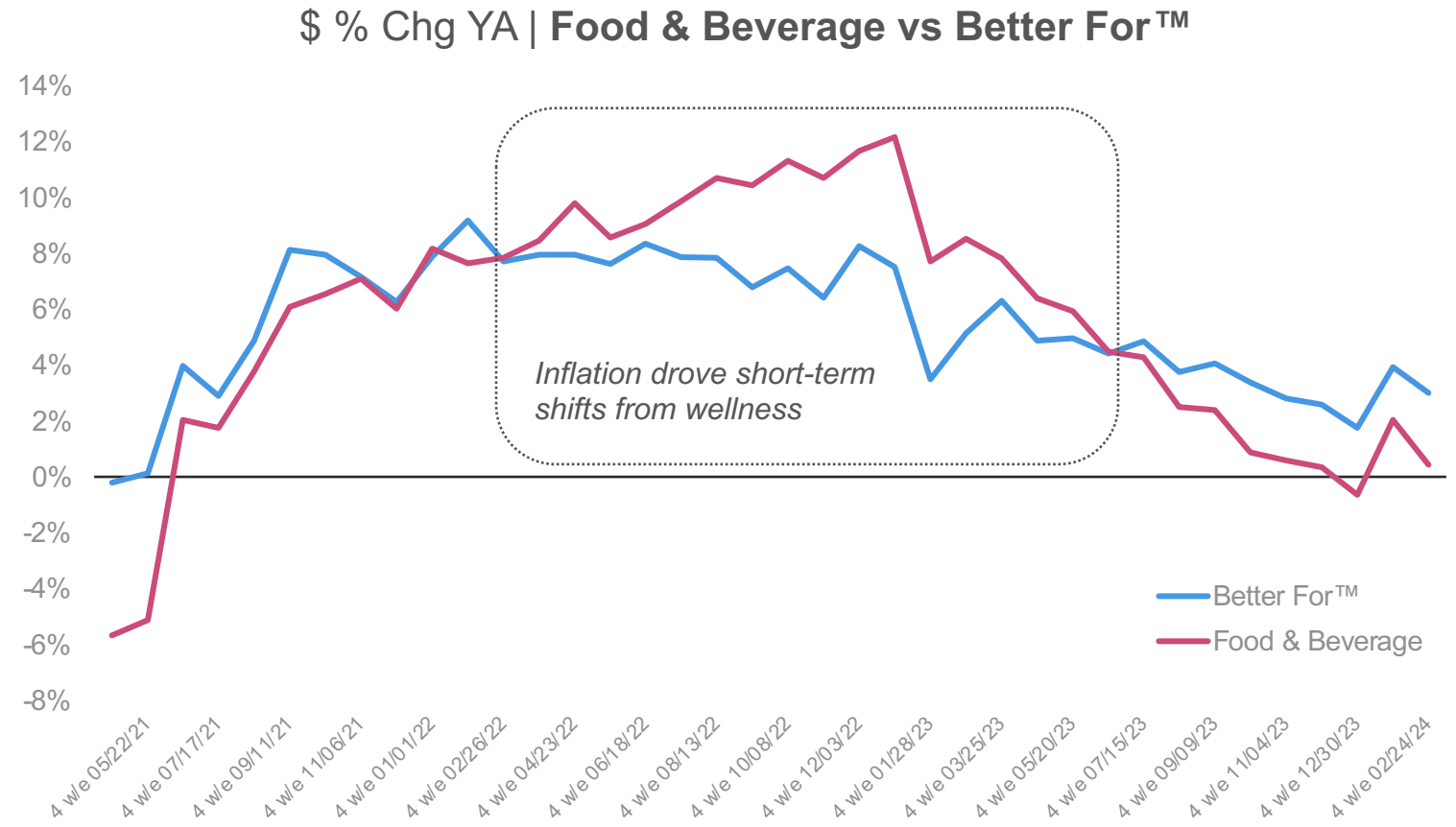
Source: NIQ, Retail Measurement Services – NIQ Product Insight, powered by Label Insight; Total US xAOC; Total Food & Beverage (including Fresh) vs Better For Segment™; % change vs previous year; Last 4 years ending September 9, 2023

NIQ *Better For*™...



NIQ

'22/2023 suggested Better For™ growth may be behind us...



Source: NIQ, Retail Measurement Services – NIQ Product Insight, powered by Label Insight; Total US xAOC; Total Food & Beverage vs Better For Segment™; \$ % Change vs year ago; 4-week trended through week ending February 24, 2024

Accelerate *Better For*TM growth within the Omni Channel

NIQ *Better For*TM

62%

of growth driven
by **small brands**

16%

Share of omni
beverages versus
8% traditional
trade

14%

Share of omni
salty snacks
versus 8%
traditional trade

Fastest Growing *Better For*™ Categories

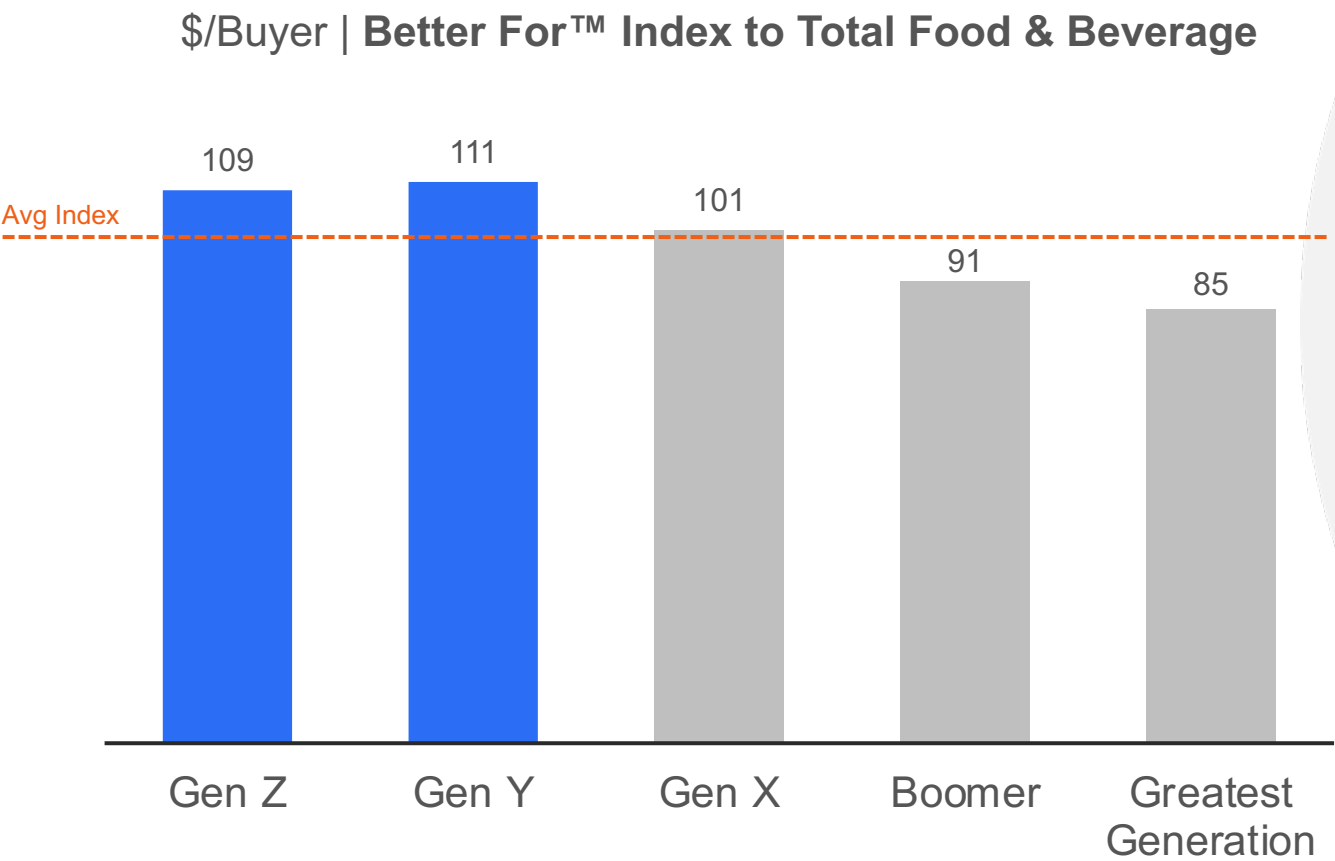
Better For™ Index to Total Food & Beverage

\$ % change vs year ago; >\$50M Categories

			Distribution	Velocity
Formula & Childrens Nutritional Beverages	56%		▲	▲
Bagels	40%		▲	▲
Beverages	28%		▲	▲
Salad Dressing	28%		▲	▼
Performance Nutrition	26%		▲	▲
Condiments	25%		▲	▼
Rolls and Buns	25%		▼	▲
Dough and Batter Products	23%		▲	▲
Cereal and Granola	14%		▲	▼
Diet and Nutrition	13%		▲	▲
Yogurt	13%		▲	▲

Source: NIQ, Retail Measurement Services – NIQ Product Insight, powered by Label Insight; Total US xAOC; Total Food & Beverage vs Better For Segment™; \$ % Change vs year ago; 52 weeks ending March 2, 2024; Better For you Categories with +\$5)m in Annual Sales

Younger consumers driving growth; suggesting long term growth potential for Better For™ brands

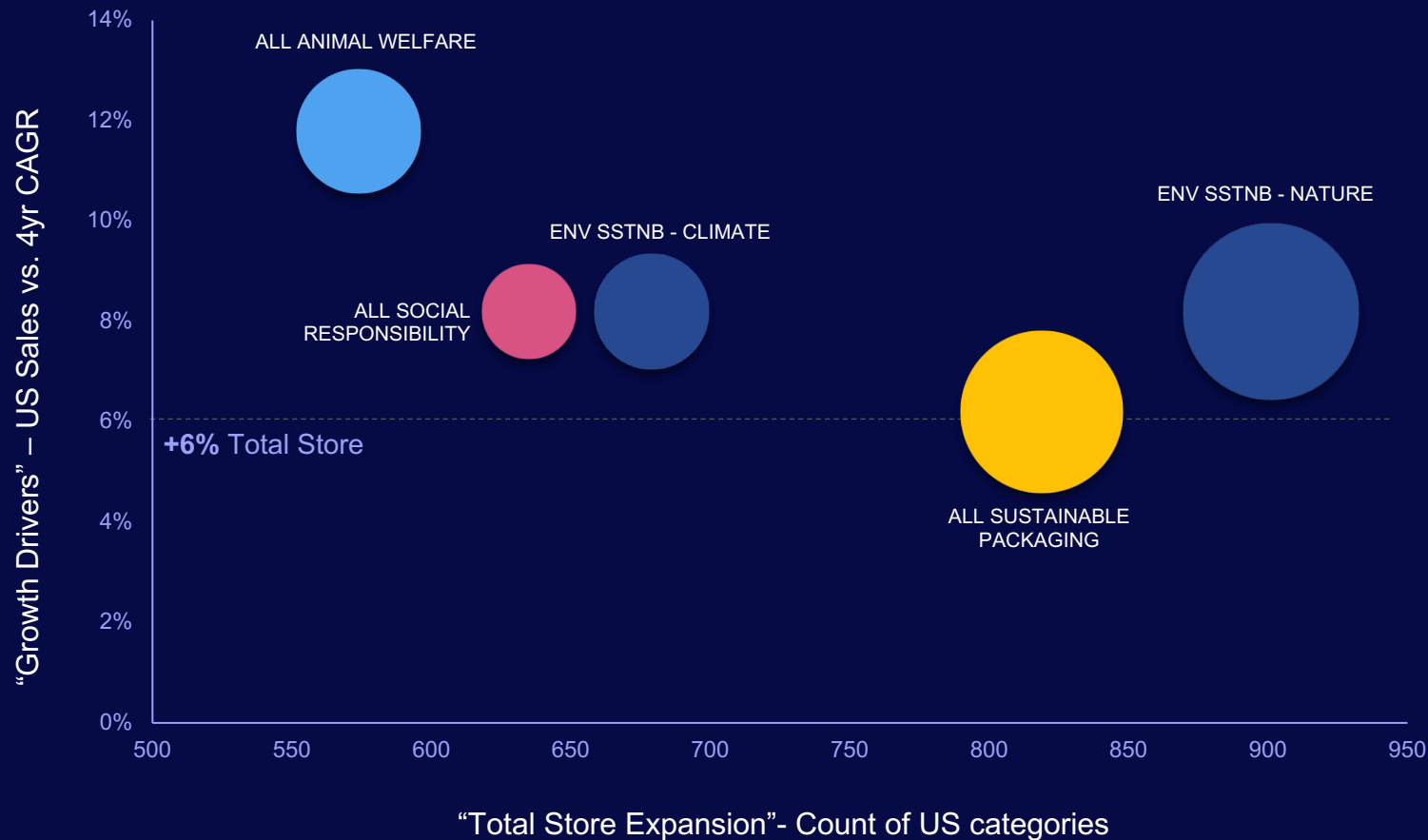


+7%

Gen Z households are increasing their spend on Better For™ products faster than Total Panel (+1%)

Source> NIQ Homescan Panel; Total US Panel; All Outlets; Total Food & Beverage; NIQ Better For Segment™; \$/Buyer % change vs year ago, \$/Buyer Index to Total Panel; 52 weeks ending January 27, 2024

Sustainability outpacing store growth



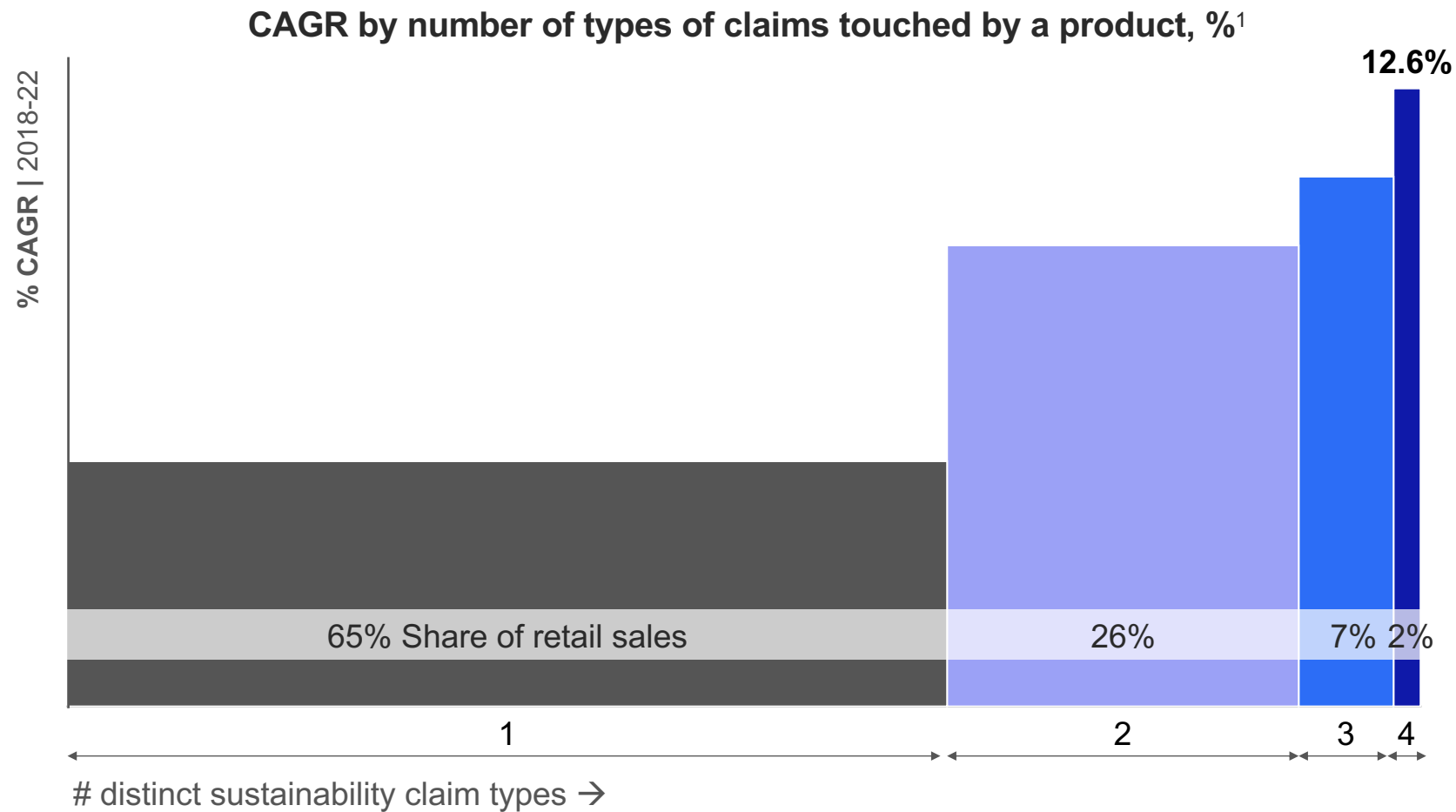
+248
basis points

More growth in products with claims on **environmental, sustainable packaging, animal welfare, social responsibility** than on products without over the last four years

Bubble size denotes total sales in L52 week All attributes represent claims STATED on package unless indicated by an * symbol
Source: NIQ, Retail Measurement Services, NIQ Product Insight, powered by Label Insight, Total US xAOC; Total Store; # of Categories selling, 4-yr CAGR (\$); 52 weeks ending December 30, 2023

Products with more types of claims grow ~2x faster than those with only one type of claim

Few products move beyond one claim



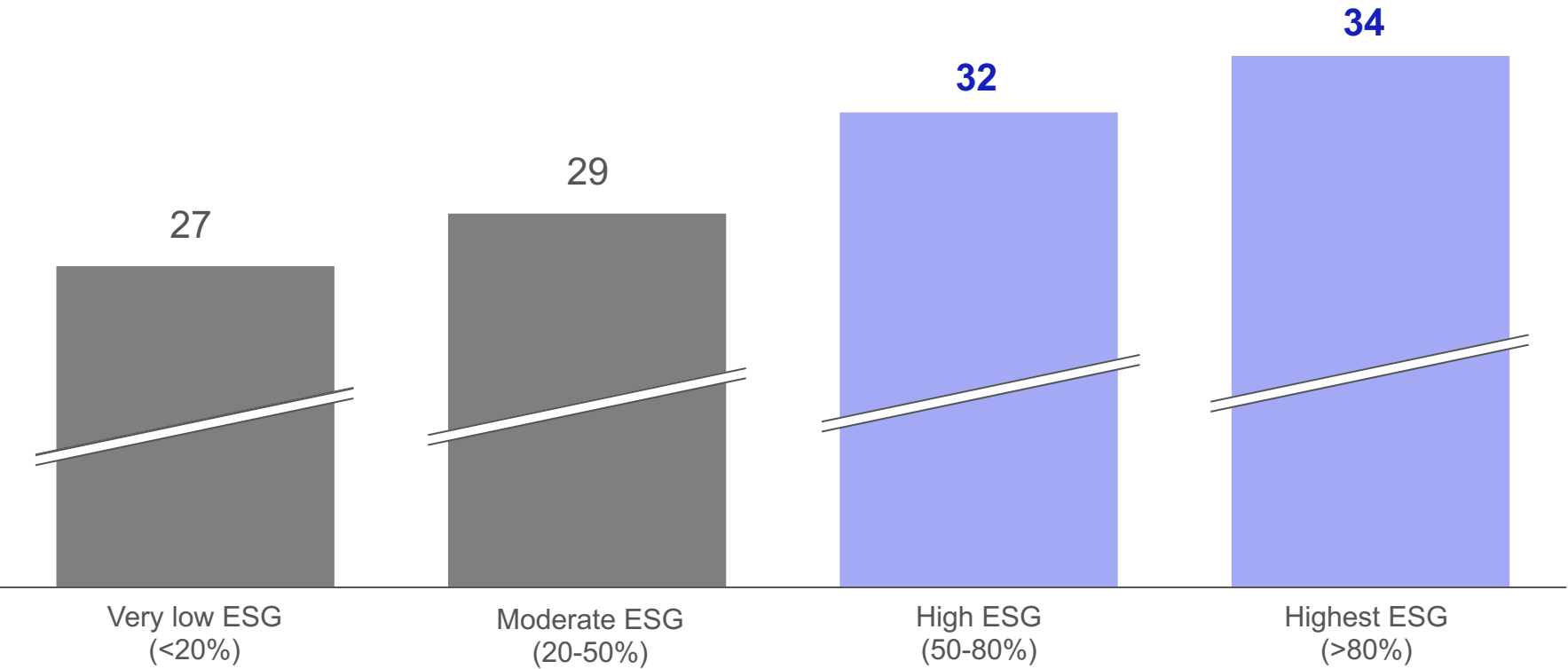
Stacking claims across pillars is associated with faster growth

- Animal welfare
- Environmental sustainability
- Social responsibility
- Sustainable packaging

1. 6 types of claims exist - 4, 5, and 6 type scenarios not included due to low sample size
2. Source: NIQ-McKinsey Sustainability Report, Jan 2023

Products (branded and private label) with a higher degree of sustainability-related claims enjoy higher loyalty

Brand repeat rate¹ by sustainability-brand groups, % of households buying 3+ times

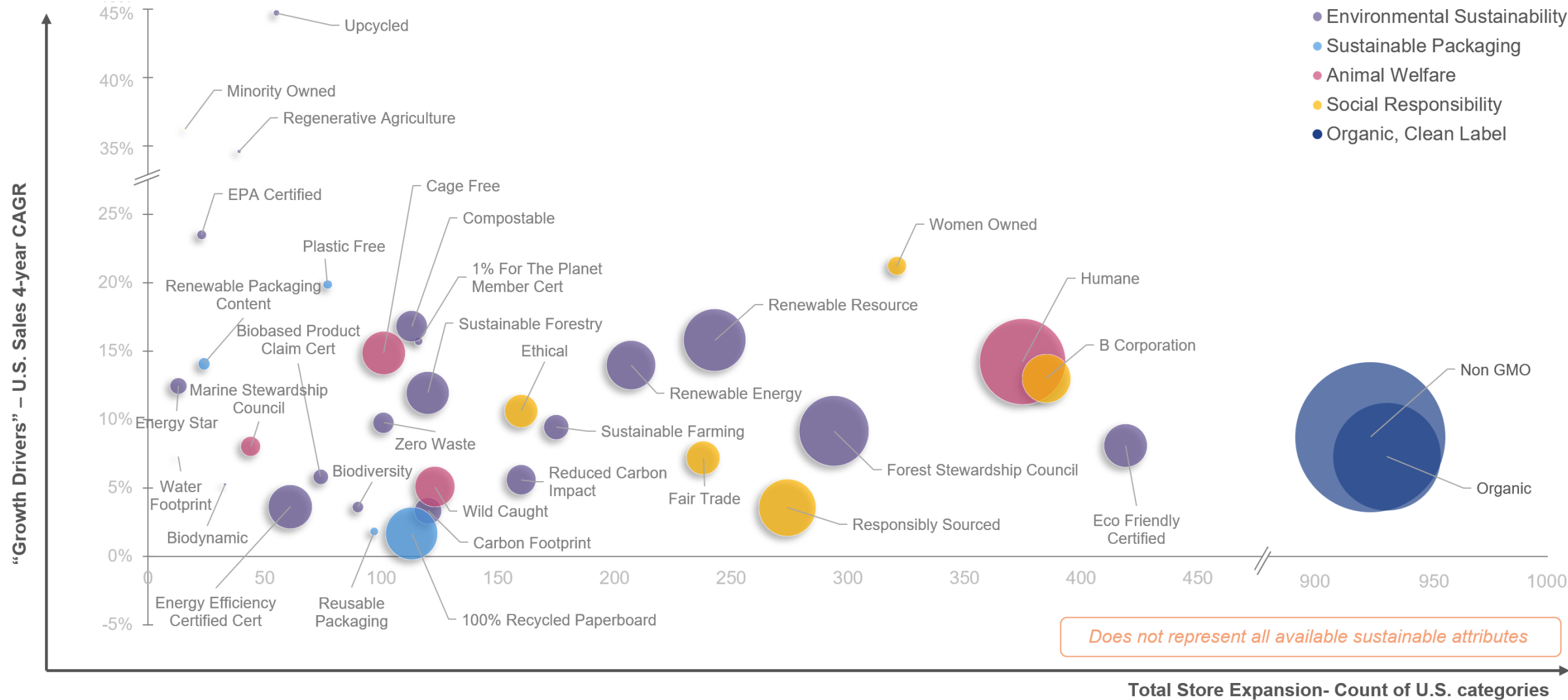


Brands with >50% of sales from products with sustainability-related claims achieve repeat rates of up to 34%

% of a brand sales coming from products with sustainability-related claims

¹“Sustainability” includes environmental, social, packaging, animal welfare claims, organic and plant-based
²+2% differential CAGR for products with 40%+ prevalence over those without claims, +5% for products with 10-40% prevalence); Brands with a higher % of sales from products with claims enjoy greater loyalty (higher repeat rates)

Attribute growth can be found at a lower level including Organic/Clean label



Bubble size denotes total sales in L52 week All attributes represent claims STATED on package unless indicated by an * symbol
Source: NIQ Retail Measurement Services, NIQ Product Insight—powered by Label Insight, Total US xAOC; Total Store; Count of categories, 4-year \$ CAGR; 52 weeks ending January 27, 2024

Unique and sometimes overlapping health and wellness priorities across generations



Gen Z

Animal welfare-related

- Cruelty Free, Humane

Social responsibility

- Ethical, B-Corp, fair trade

Clean label

- Free from aluminum, parabens, artificial fragrance
- Natural ingredients

Health needs

- Brain & eye health, hair/skin/nails, mood & stress
- Immune system health, microbiome



Gen Y / Millennials

All of Gen Z but to lesser degree

Highest indexing group for

- “Provides energy”
- Pregnancy and lactation support
- Reusable packaging

Highest indexing group for

- Consuming **Better For™** foods and organic overall



Gen X



Boomers

Sustainable packaging

- Less packaging
- Sustainable packaging

Health & need states

- Cellular function
- Cardiovascular health
- Joint health
- Heart health



Greatest

Environmental sustainability

- Low emissions
- Reduced carbon impact

Health & need states

(Even greater degree than Boomers)

- Cellular function
- Cardiovascular health
- Joint health
- Heart health

Innovate with
Purpose through
the lens of a
Generation's
interest in
categories and
attributes



Categories

Attributes

Innovate with Purpose

The role of *innovation* in the future of retail

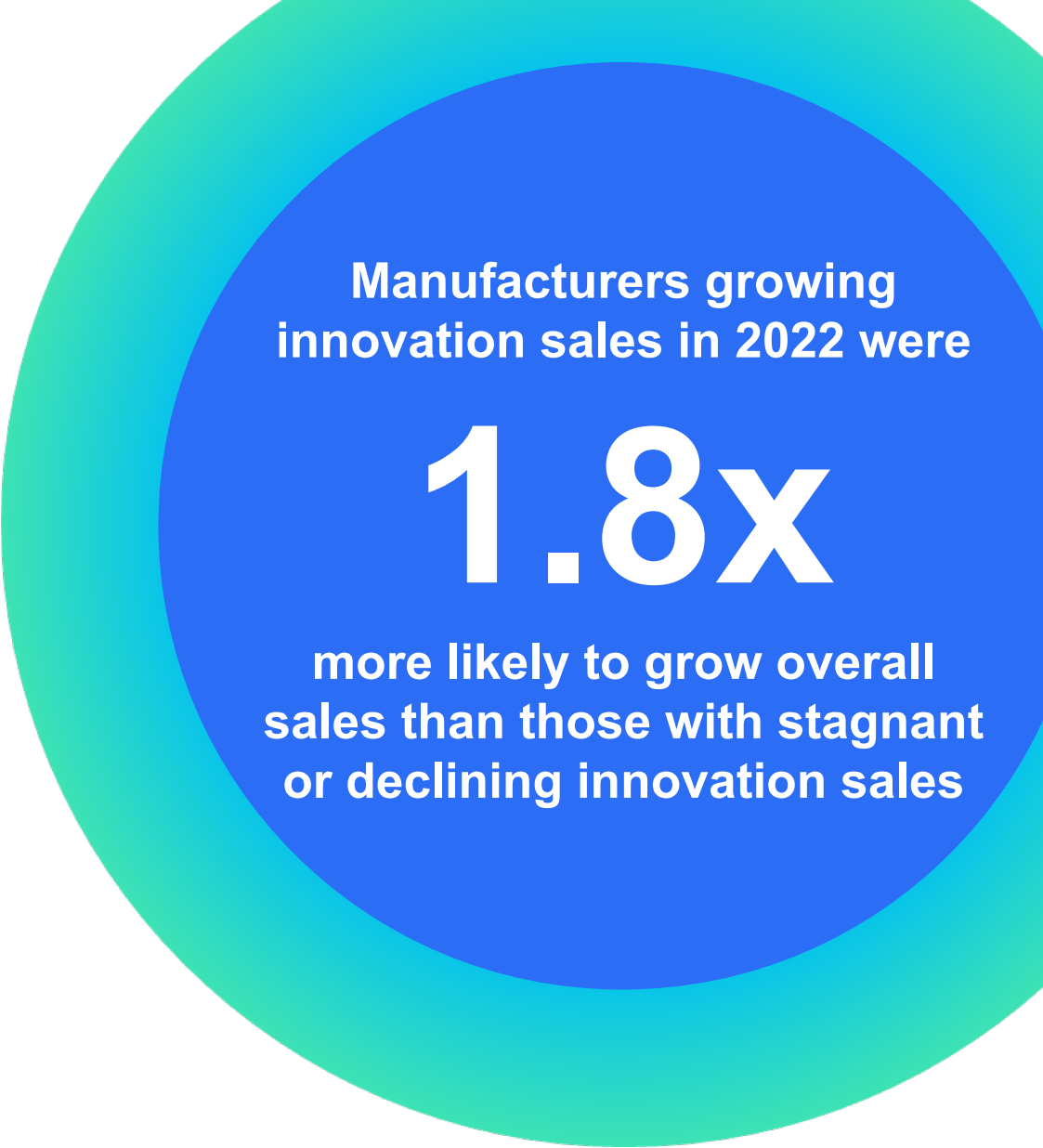
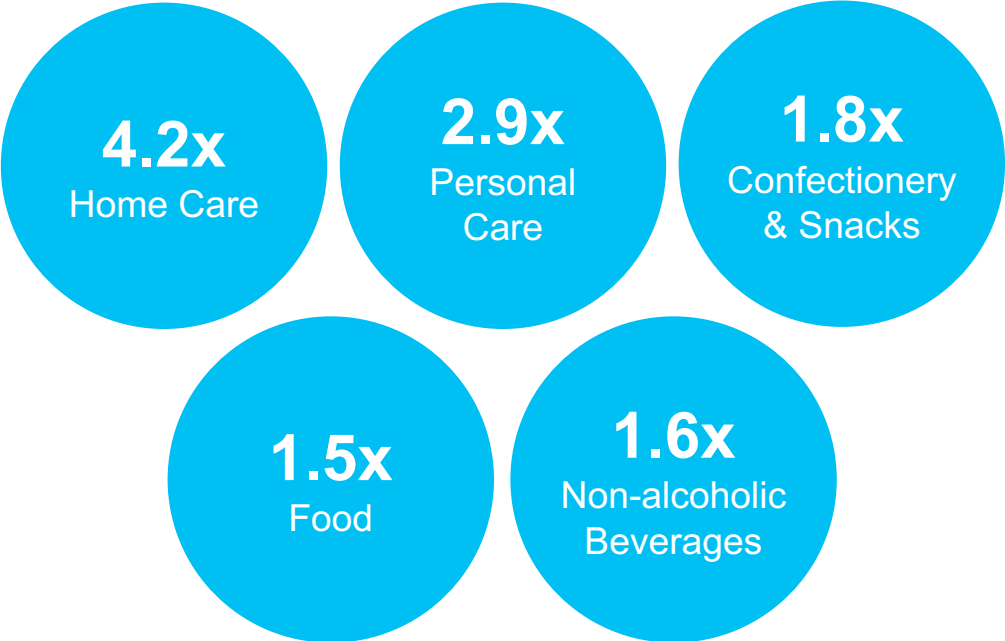
Krystal Dawson

NIQ



Why does innovation matter?

Impact of innovation on overall growth



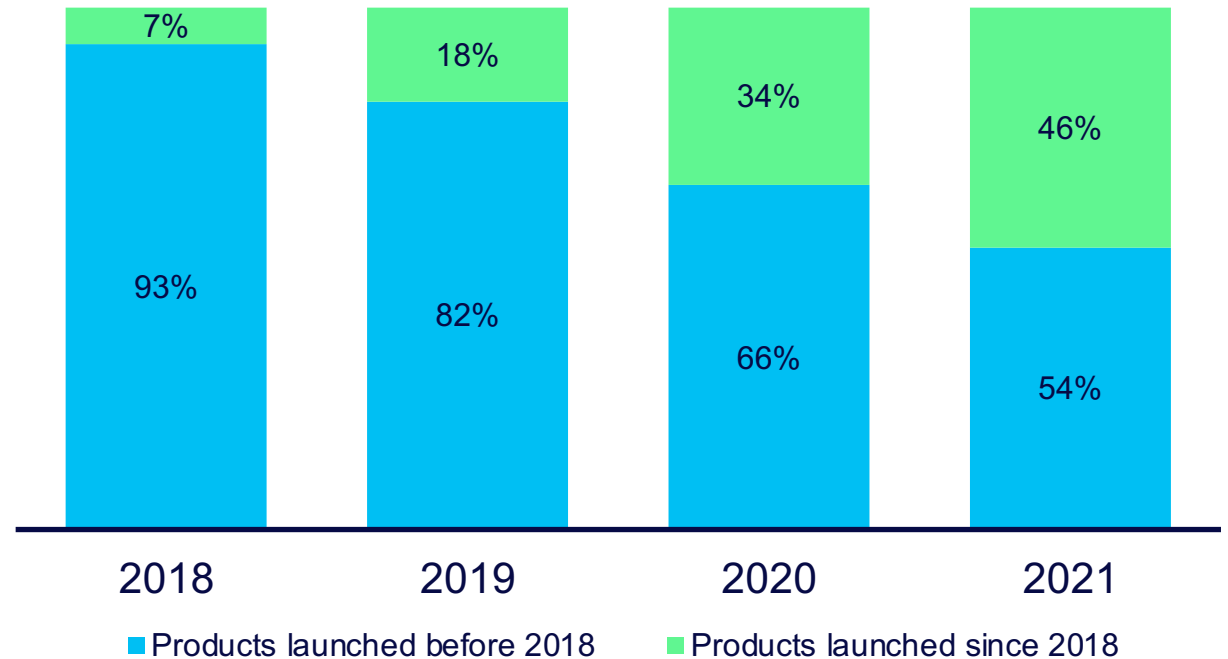
Source: NIQ BASES Innovation Measurement. Impact is calculated as a ratio of percentages of manufacturers growing total sales among those growing innovation sales vs. those with no growth in innovation sales.

Year over year, strong innovations become your core

As core products can start losing buyers, new and improved products can:

- Attract new buyers
- Create new usage occasions
- Justify a price premium
- Keep your brand top of mind

Share of dollar sales



Source: NIQ BASES Innovation Measurement
Based on a sample of Food, Home Care & Personal Care categories for Total US xAOC+Convenience

Great innovations start with a job to be done

Innovators should center not on consumer demographics, product attributes, or trends...but rather on the ***circumstance-specific job to be done***

Look to common ***marketplace gaps*** to identify unmet jobs to be done that align with key ***brand strengths***

Breakthrough winners find success by getting the innovation equation right

While consumer wants and needs have evolved over time by generation, the equation for innovation success hasn't changed.



Better-for-you beverage winners meet consumers' desire for healthier options, without sacrificing cost-of-entry benefits



0 sugar
No artificial colors



Low calorie
Less sugar
No artificial flavors or sweeteners



<15 calories
0 sugar



25 calories
0 added sugar

The cost-of-entry benefits for the beverage category include:



Refreshing / Thirst-quenching



Easy to drink / Portability



Right level of sweetness

Based on BASES Architect learnings across beverage categories

Health & sustainability benefits also fuel the growing interest in natural personal & home care products



Clean ingredients
Free of sulfates, parabens, silicone, dye
Vegan & cruelty-free
Reducing environmental impact



Free of dyes, artificial sweeteners/flavors, parabens, triclosan, microbeads, & gluten
Vegan & cruelty-free
Responsibly sourced ingredients & materials



Natural ingredients
No harsh chemicals
Safe around family & pets

61%
of consumers say
'Natural' is more
important to them
now than it was
five years ago

Source: Internal BASES R&D Survey conducted in July 2020.

Breakthrough ideas are brought to life with good product;
high levels of risk and reward tied to performance

Risk

1/2

of new launches
*fail because of
weak product*

Reward

+30%

Year 1 *volume upside*,
on average,
for strong products
relative to their poor
performing counterparts

With cross-generational consumers relying on online reviews, strong product performance is more important than ever



4.6 ★★★★★ 13,569 ratings
Amazon's Choice Overall Pick
10K+ bought in past month



4.5 ★★★★★ 51,457 ratings
Amazon's Choice
900+ bought in past month



4.3 ★★★★★ 3,660 ratings
Amazon's Choice Overall Pick
30K+ bought in past month

Amazon.com, October 2023

Breakthrough ideas are brought to life with well-executed activation; the cost of failure is high

Risk

1/3

of new launches
fail because they
***lack sufficient support
during year one***¹

Reward

+20%

***lift in
ad-driven sales***
with optimized
creative²

¹BASES R&D Analysis, 2017

²BASES optimized creative drives up to 20% lift in ad-driven sales

Remember: You are innovating for the consumer — *and* the retailer

Retailers prioritize products that drive growth

Leverage research and analytics to provide a solid retailer value proposition



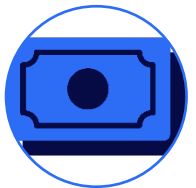
Bring new buyers to the category



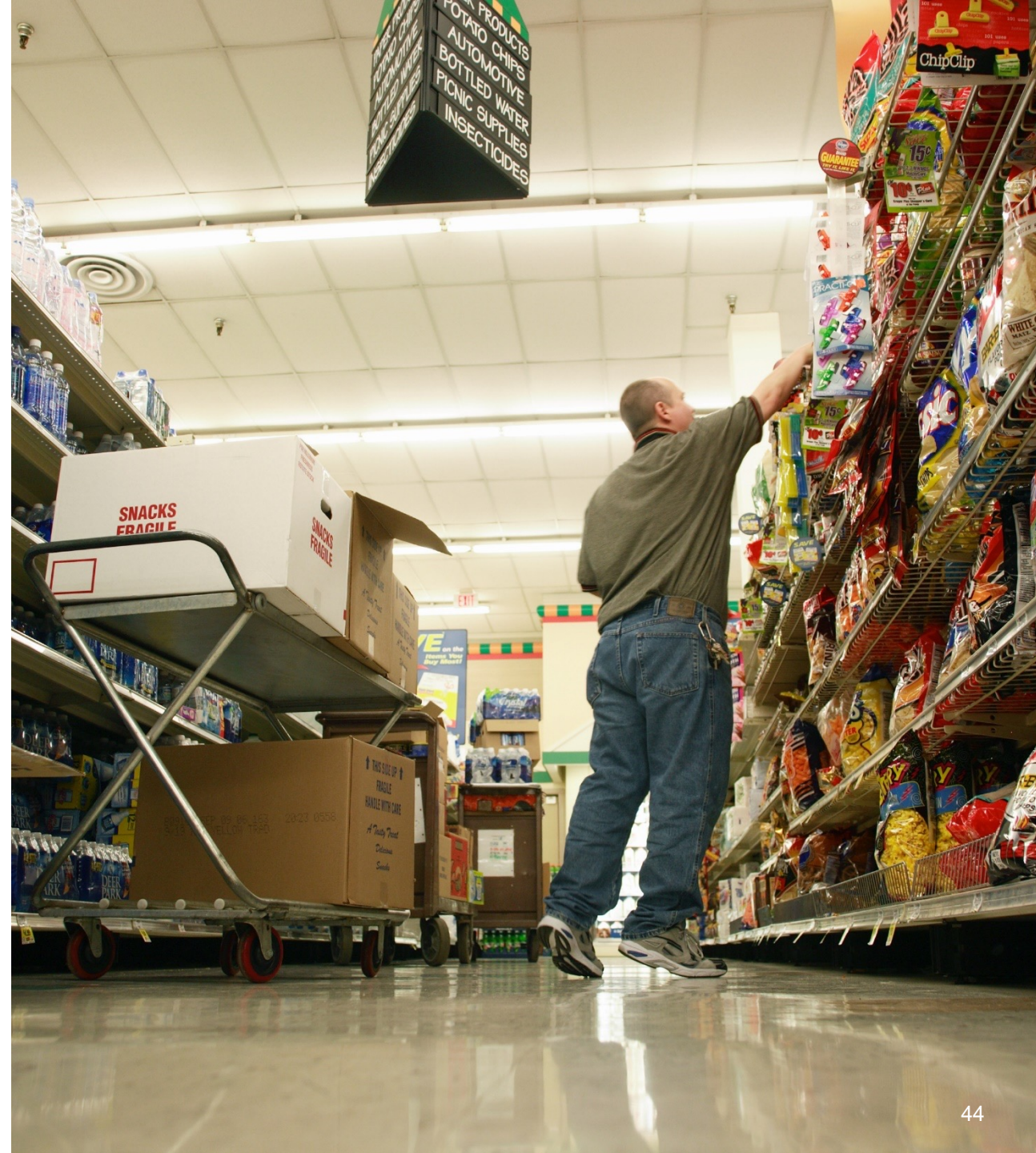
Trade up consumers



Provide a new usage occasion



Command a premium price



Expansion from direct-to-consumer to retail continues to drive breakthrough activation success



Important to innovate with eCommerce in mind, but think ahead to ensure omnichannel applicability



In line with other channel expansions (ie: Rx/OTC switches) DTC innovations offer opportunity to expand and grow penetration

Moving from DTC to retail stores requires thoughtful activation

- ✓ Leveraged consumer feedback to optimize the packaging & marketing messaging before moving into retail
- ✓ Waited for the right time and partnership to minimize cannibalization of the DTC business
- ✓ Invested in dress-up kits for end caps to catch consumer attention at shelf
- ✓ Ensured the product & package would stand out so consumers could easily understand PrettyLitter's unique advantages



NIQ Founders Pitch Slam finalists capitalized on consumer jobs to be done

Lemongrass Farms



Lil' Gourmets



Root & Splendor



True Made Foods - Winner



Long-term growth and vitality is achieved by getting the innovation equation right



Good Idea

Unlike any other litter, this one keeps tabs on your cat's health by changing color



Good Product

Licensing opportunities enabled perfection of flavor delivery



Good Activation

Holistic support plan spanning multiple channels that extended beyond year 1



Success

Great innovations don't tell consumers what they need. They solve problems consumers agree that they have.

— Ramon Melgarejo
Managing Director, NIQ BASES



The future we've been striving for is arriving and competition is heating up

Share of <i>Better For</i> ™ sales in Total US (share chg.)				Index to Total Mkt Shr	Share of <i>Organic</i> sales in Total US (share chg.)				Index to Total Mkt Shr
47%	Conventional Grocery	-0.4 pts		104	37%	Conventional Grocery	+0.1 pts		109
18%	Mass Merch w/ Supers	+0.9 pts		80	17%	Mass Merch w/ Supers	+0.9 pts		60
11%	Warehouse Clubs	-0.4 pts		104	19%	Warehouse Clubs	-0.9 pts		186
10%	Premier Fresh Grocery*	-0.1 pts		388	13%	Premier Fresh Grocery*	+0.2 pts		773
6%	Online Shopping	-0.5 pts		128	7%	Online Shopping	-0.6 pts		104
3%	Value Grocery	+0.0 pts		63	3%	Value Grocery	+0.2 pts		89
1%	Dollar stores	+0.2 pts		44	1%	Dollar stores	+0.2 pts		14
1%	Convenience/Gas	+0.1 pts		65	1%	Convenience/Gas	+0.1 pts		38
1%	Drug stores	+0.0 pts		78	1%	Drug stores	-0.1 pts		29
3%	All Other	+0.0 pts		90	1%	All Other	-0.1 pts		37

Source: NIQ Homescan Panel; Total US Panel; Total Food & Beverage, NIQ Better For Segment™; share change vs year ago; Latest 52 weeks ending January 27, 2024

Winning requires a relentless focus on the consumer

1 Understand the Job to Be Done

The population is aging and evolving in the challenges they face. Identify and internalize the underlying emerging needs that you need a solution. These offer a solid footing in a shifting landscape.

2 Give them what they need

Explore new frontiers in health and wellness to match consumer needs with emerging product attributes and benefits. Brand alone is not enough.

3 Find them where they are

Traditional “channels” are dissolving, and we are operating in an omni-world. Explore new platforms of commerce to reach consumers where they are.



We are now accepting applications for the 2024 NIQ Founders Pitch Slam

Applications open January 8th – March 24th, 2024

The 2nd annual NIQ Founders Pitch Slam will bring together some of the **most innovative and transformative** emerging CPG brands, challenging an elite set of founders to pitch their companies to industry insiders and business leaders as they vie for a first-place award of more than **\$500k** including a **\$50,000 cash prize** and in-kind prizes.

Entry criteria

- Have an **annual revenue up to \$20 million** in US\$ in qualifying departments
- Products must currently be **available for U.S. sale**
- You must be available to participate in the **Virtual Pitch semi-finals on April 23, 2024**
- You must be available to attend the NIQ C360 conference in Phoenix, AZ, for the **Live Pitch session on May 13-16th (all expenses paid)**

Visit us at
booth #8721



*to take advantage of
complimentary
product scanning*

Visit us at
booth #809

*Byzzer™ demos, 1:1
BASES meetings, and
free data*



NIQ

The Opportunity:



Ensure your products are **100% discoverable** across key shopper need states, preferences, and passions.



Leverage **optimized high-quality product images** to drive shopper click-through and engagement.



Empower shoppers with **complete content** on PDPs including marketing copy, features and benefits, nutrients, ingredients, allergens, and more.



Go beyond and **personalize** the shopper experience by adding wellness badges and rich-media modules.



Product Description		Nutrition		Storage & Usage	
Brand		Per 100g		Cooking Guidelines	
Nielsen Brandbank		Energy (kJ)		140 - From Ambient	
Features		Energy (kcal)		Empty contents into a saucepan and heat gently while stirring. Do not boil.	
In a rich and tasty tomato sauce		Protein (g)		Microwave - From Ambient	
Suitable for vegetarians		Carbohydrate (g)		Empty contents into a suitable non-metallic container, cover and microwave on full power for 3 minutes, stirring half way through. After heating, allow to stand for 1 minute and stir before serving. (In instructions should be carefully read and followed.)	
Standardised Brand		Fat (g)		Brandbank Captured Pack Data	
Brand - Nielsen Brandbank		Of which sat		Pack Size	
Regulated Product Name		Of which sat		500g x 1	
Baked Beans in tomato sauce		Of which sat		Numeric Size	
		Of which sat		Numeric Size - 500	
		Of which sat		Recycling Info	
		Of which sat		Can - Metal - Widely Recycled	
		Of which sat		Dimension	
		Of which sat		Shelf Height (mm) Shelf Width (mm) Shelf Depth (mm)	
		Of which sat		119 102 102	



*Shoppers who interact with
wellness badges are 2x as
likely to purchase a product*

*25% of shoppers are more
likely to purchase a product
with rich media present.*

NIQ is Better For™:

Digital Product Content – Finding Growth – Innovation – Emerging and Natural Brands

*Scan here for a **complimentary**
Byzzer™ account*



*& receive three **free** reports!*

NIQ.com



We deliver the *Full View*,
the world's most **complete** and **clear** understanding
of consumer buying behavior that reveals new
pathways to growth.

Retailer Focus

Fulfillment



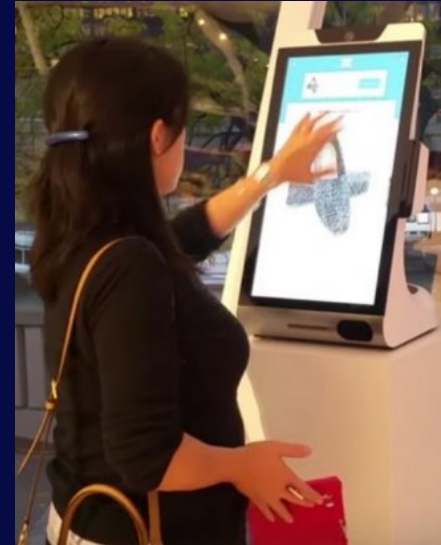
- Automated centers are shared 3rd party assets; no retailer capex
- 3-hour delivery to shopper is standard

Online



- UX driven by trip mission (convenience / stock up / discover)
- Personalized assortments
- 50% of grocery purchases

Shrink



- Edible products sold loose through refillables
- Reduction of footprint and shelves with customers selecting products on screens

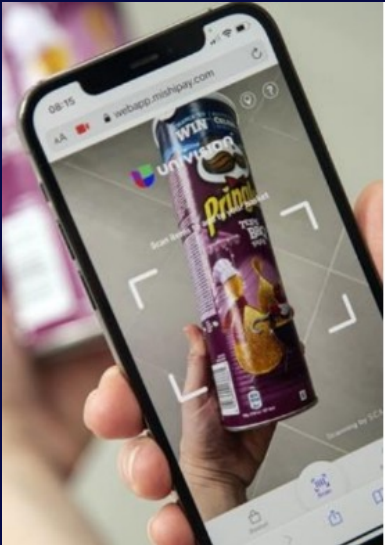
Data



- Realtime processing with AI leading dynamic pricing and promo
- Algorithmic category management
- ROI management

In-store

Technology



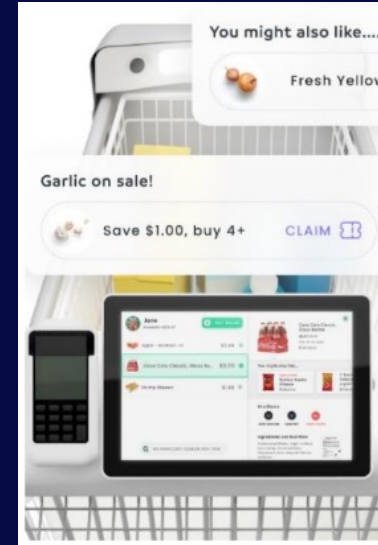
- Scan and go
- Shoppers identified by app/smartphone entering store
- Frictionless Checkout

Intelligence



- Customer tracking and heat mapping
- High traffic aisles monetized with CPG

Personalization



- Personalized promotions while you shop

Experiences



- Experiential brand activations
- Taste / touch / try