

The Future of Retail

Sweets & Snacks Expo

May 14, 2024



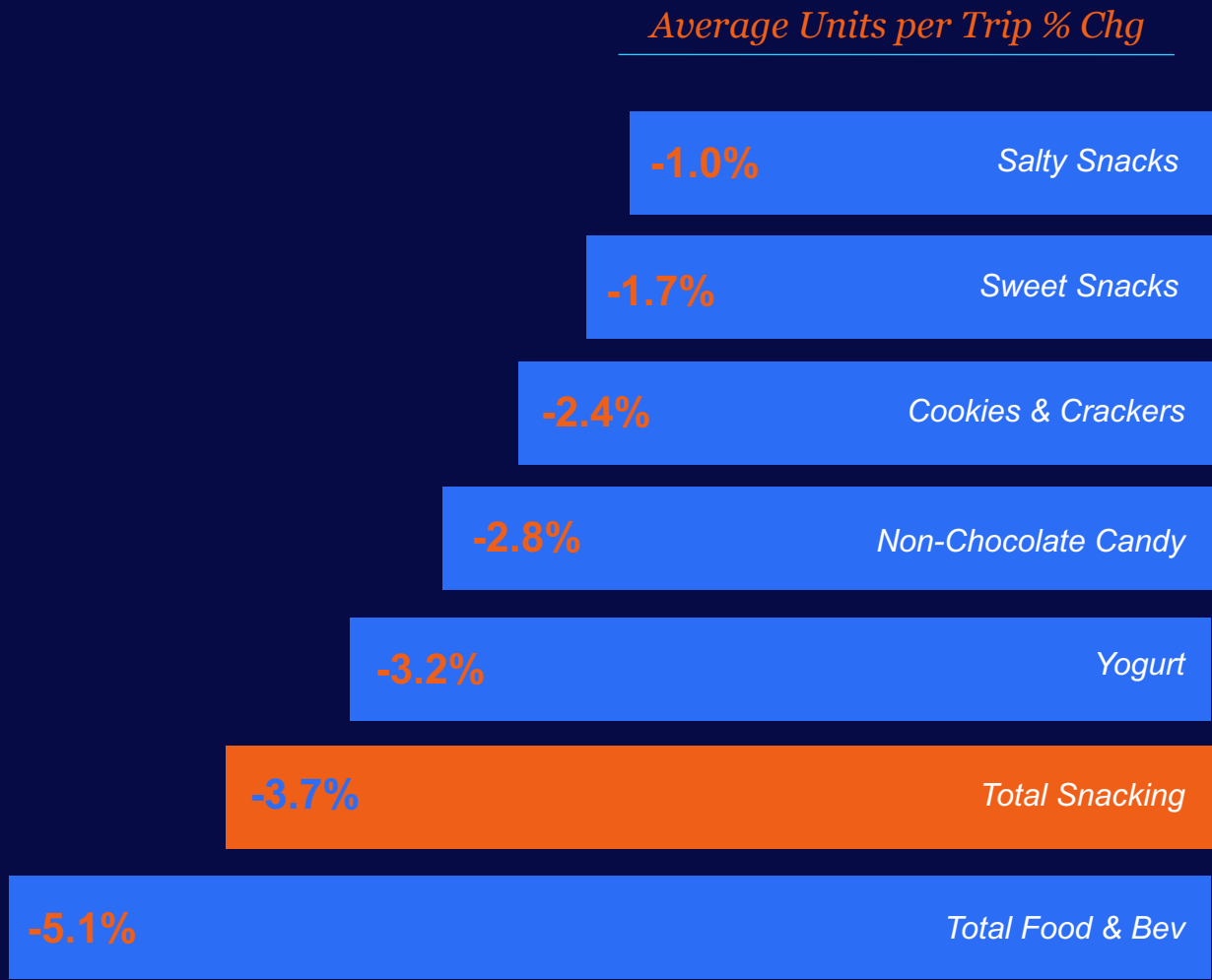
Today's Discussion

**Changing
retail
landscape**

**Shifting
consumer
demographics
and needs**

**Dynamic
Future of Retail**

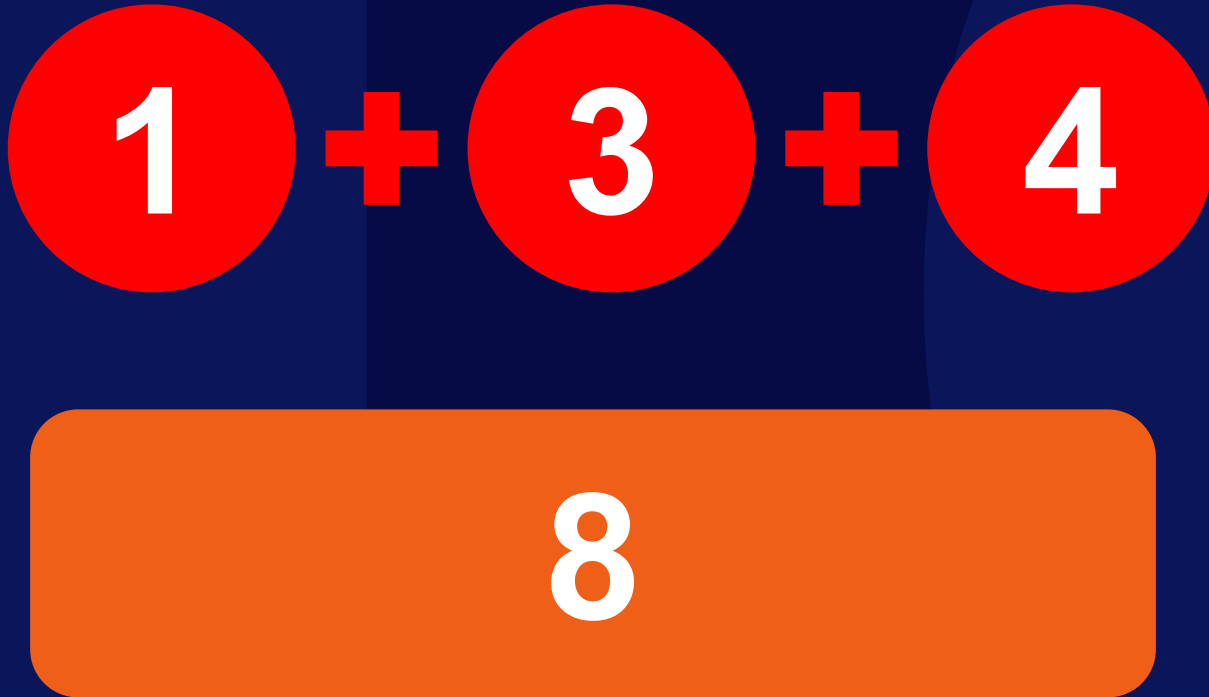
Despite inflationary pressures, consumers are not cutting back on snack consumption as much as other food & beverage purchases, potentially due to 'snacks as meals' lifestyles and the perception of affordable indulgence. These habits and perceptions are also fueling snack sales online.



Source: NielsenIQ Homescan Panel, Total Outlets, 52 W/E 04/29/23
NielsenIQ Omnisaless, 52 W/E 04/29/23

The consumer path to acquisition is no longer linear...

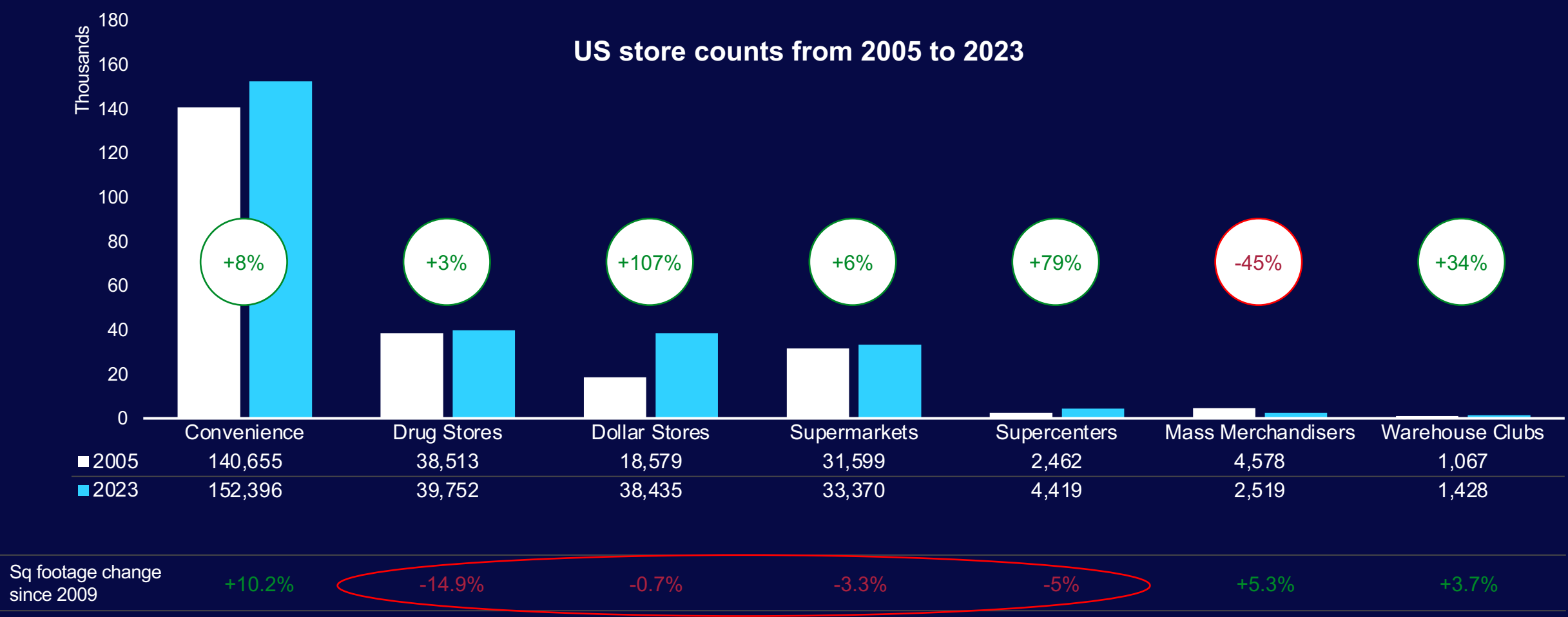
How many ways does the average consumer use to shop?



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

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

Since 2005 store expansion has come mostly from dollar stores, supercenters and warehouse clubs



Source: NIQ, TDLinx, U.S. counts are for open stores during month of December

Pressure on the shelf is greater today than before the pandemic, with average items across the store declining.



Almost 40% of retailers plan to reduce SKUs in the next 12 months. *Of them, nearly half say they'll do so to simplify shelves.*

Retailers: "Will you be reducing branded SKUs over the next 12 months? Please select top 2 choices that apply."

47%

Yes, to simplify
the shelves

19%

Yes, to make room
for expanded
private brand

13%

Yes, to reduce
inventory

9%

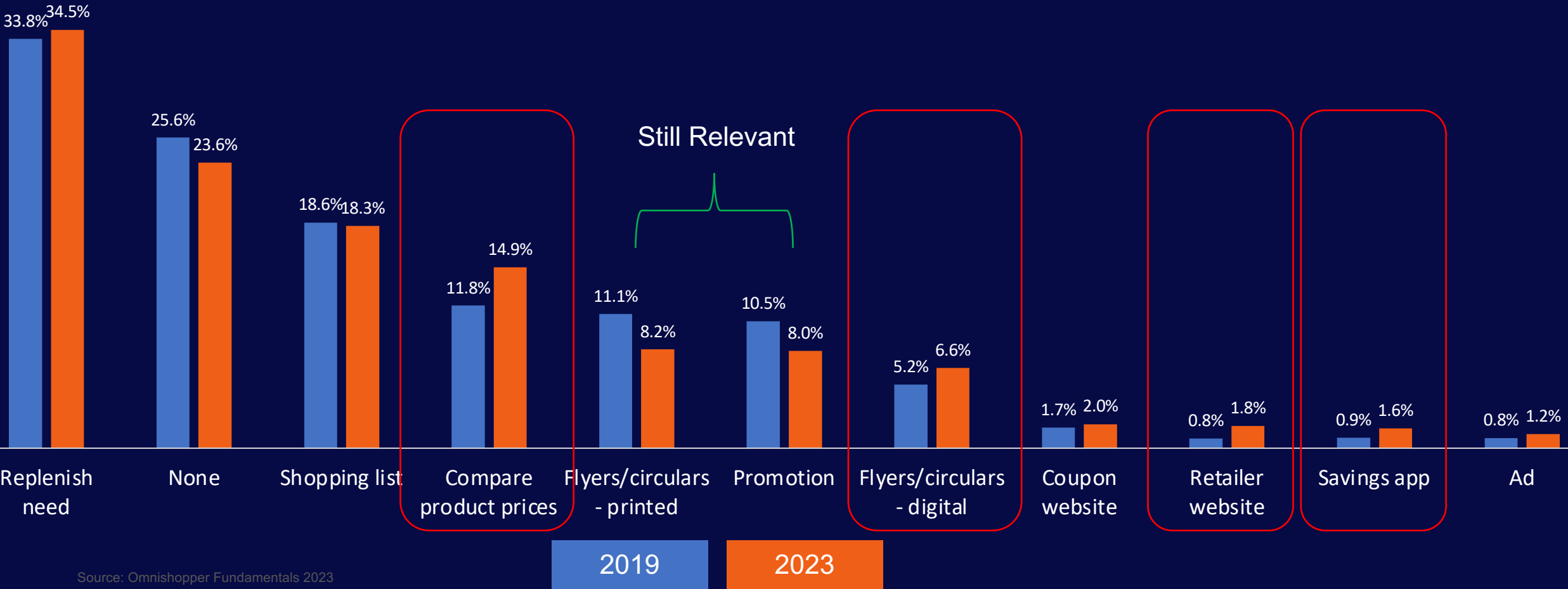
Yes,
for other reasons

59%

No plans to
reduce SKUs

While printed circulars and promotion are still relevant, digital is growing and facilitates shopper's ability to compare prices across the market

Pre-Trip Motivators



Source: Omnishopper Fundamentals 2023

Shoppers are using mobile devices as an integral part of the in-store shopping trip, with significant shifts occurring in weekly ad viewing and barcode scanning indicating focus on deals, low friction checkout and food label details.

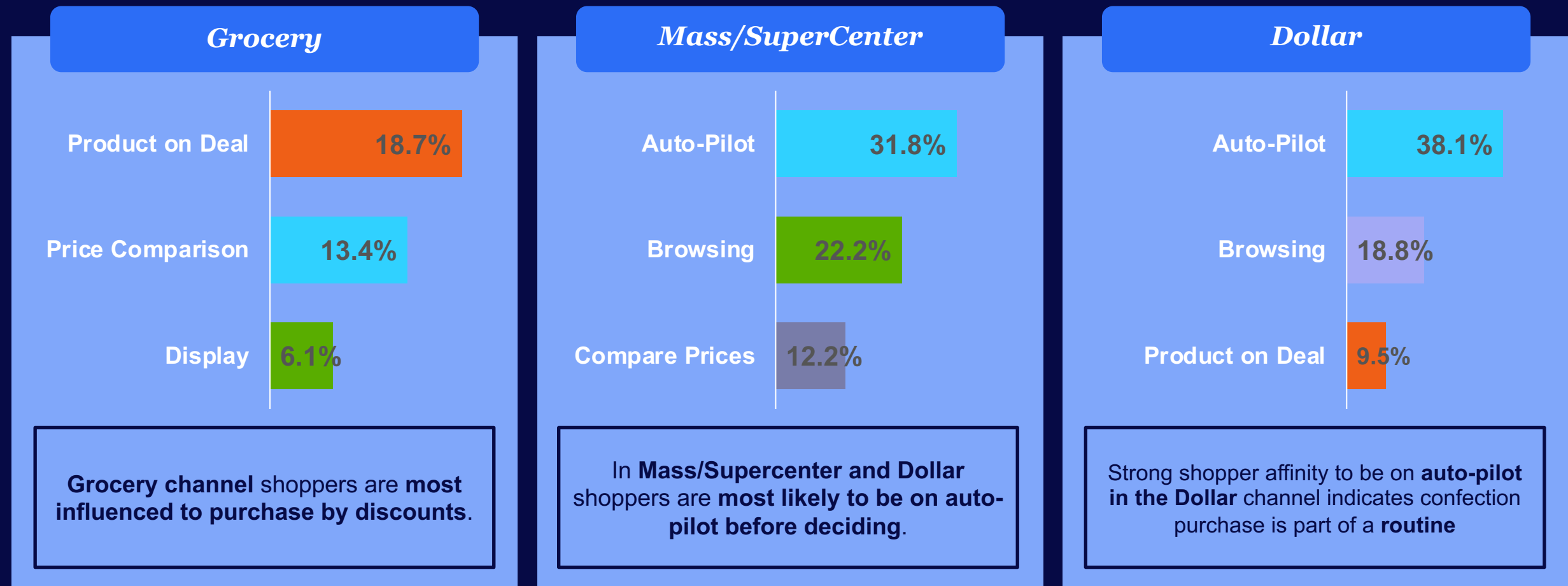
	Retailer App	Shopping List	Weekly Ad	Coupon Code	Price-Comparison	Loyalty Card Benefits	Barcode Scanning	Personalized Offers	Receipt Scanning	Don't Recall
Fall 2022	54.5%	18.0%	10.6%	24.3%	12.0%	9.5%	5.4%	8.4%	20.4%	4.0%
Fall 2023	44.3%	19.8%	15.8%	15.5%	12.8%	9.4%	9.2%	8.9%	7.5%	6.2%

Implication: While there's been some pullback on retailer app usage, shoppers are embracing technology as an aid to their in-store experiences. The challenge for retailers will be understanding price thresholds for brands that would cause a shopper to leave their stores for better pricing elsewhere.

Source: Omnishopper Fundamentals 2023

Channel mix has distinct path to purchase implications

Top 3 Point of Purchase Influencers for Chocolate, Candy and Gum by channel



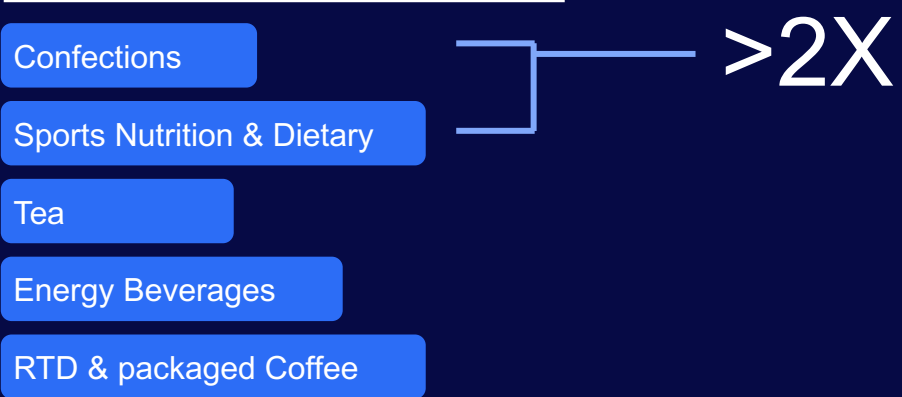
Source: NIQ Omnishopper Fundamentals Consumer Survey Dataset 2023

Online shopping comes in many forms with pure play retailers leading consumer choice

% respondents who shop at this channel – U.S.



TikTok Shop is already the
#18
Confections ecommerce retailer since it's launch in September 2023



Source: NIQ 2024 Consumer Outlook, U.S. TikTok Shop sales Sept 2023 – March 2024 (7 months)

Target is making shopping even easier for guests with the option to make product returns right from their cars – but this keeps shoppers out of the store too



Returns with Drive Up began rolling out to Target stores in April 2023 and is now available at all stores, nationwide.”



Source: Target, a Bullseye View (6/26/2023)



**Shifting
consumer
demographics
and needs**

2030 is a Pivotal Year in the US

Only 5 marketing cycles away

- The golden years are ahead - All the baby boomers will be 65+
- Immigration will overtake natural increase as the primary driver of US population growth
- In 2034, older adults will outnumber children for the first time in US history
- All of Gen Z will be 18+!



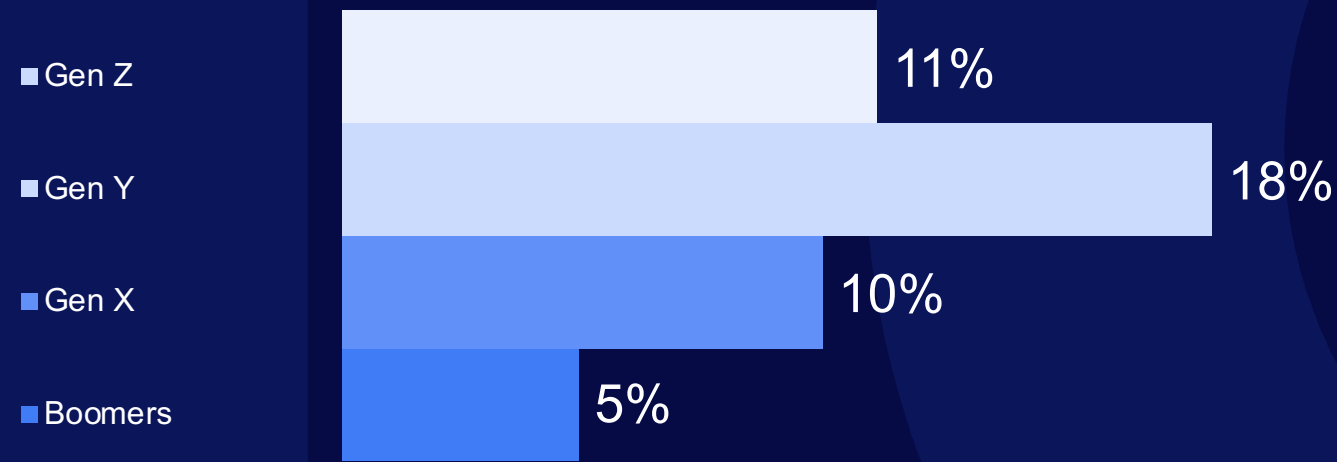
Shopping behavior may vary by generation, but Gen X and Boomers spend the most and make up 63% of trips

	Gen Z	Gen Y	Gen X	Boomers	Greatest
Annual Shopping Trips Per Household	172.0	165.0	188.2	205.6	182.0
X					
Average Basket Size	\$34	\$41	\$40	\$37	\$34
=					
Annual Spend Per Household	\$5,849	\$6,805	\$7,616	\$7,513	\$6,209
Spend Index	81	95	106	105	86
% of US Trips	3.4%	29.0%	24.6%	38.3%	4.7%

People feel they have changed their habits in the last year

Compared to last year which are the behaviors you do more or less of? 

I buy more small personal luxuries instead of spending on costly alternatives (e.g. coffee, confections & deserts)

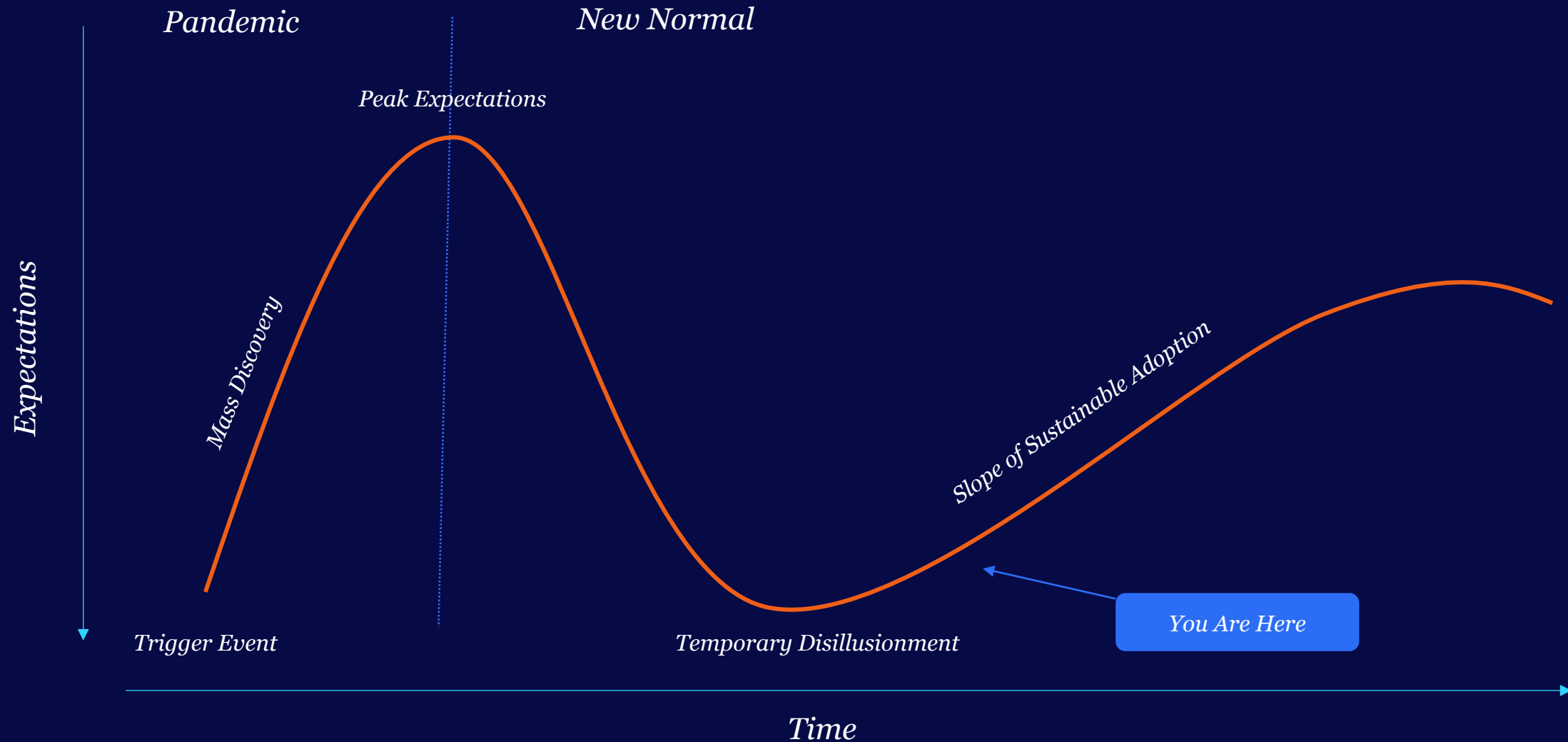


Source: NIQ Consumer Outlook 2024, U.S.



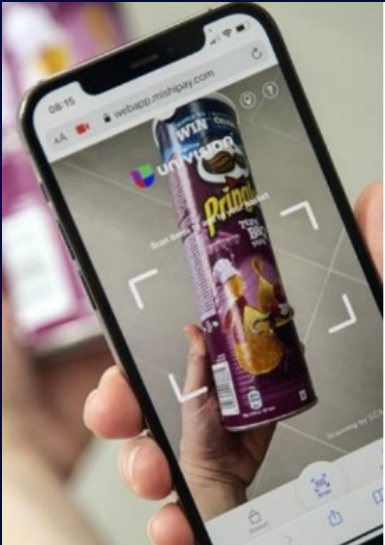
Dynamic Future of Retail

Hype Cycle and Omni Adoption



In-store

Technology



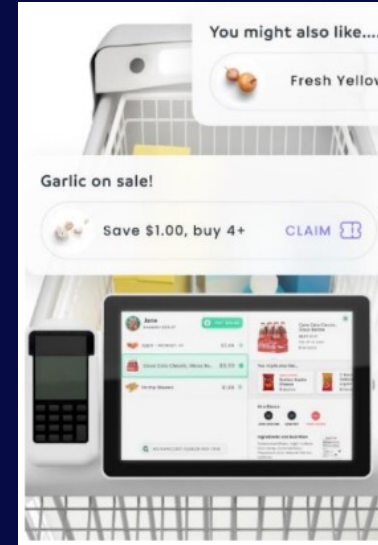
- Scan and go
- Shoppers identified by app/smartphone entering store
- Frictionless Checkout

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

Retailer Focus

Fulfillment



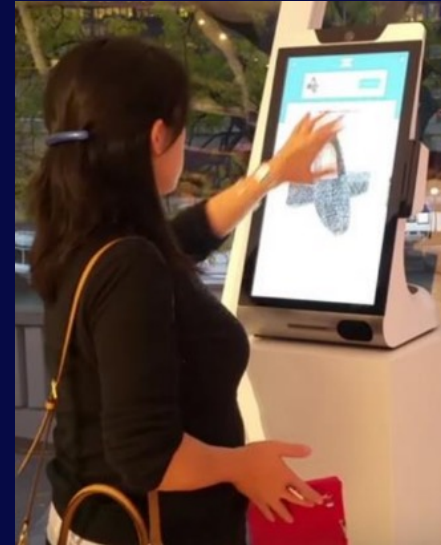
- Automated centers are shared 3rd party assets; no retailer capex
- **3-hour delivery to shopper is standard**

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

Things to think about:

Multiple ways to purchase the same goods

Social shops, e-commerce, retailer apps and B&M
Retailers using their footprint as micro-fulfillment centers
Are you in-stock and do you have inventory holding power?

Retailers are reducing SKU's and simplifying shelves

Big brands = greater share of shelf
Small brands = variety, category interest & consumer discovery
Do you have the right assortment in store and online?

Multi-Generational shoppers are everywhere

Baby Boomers have massive spending power and make lots of shopping trips
Millennials need small indulgences, especially HHs with kids!
Is your pricing architecture optimized?

Are you ready for 2030?

Retailers driving engagement through experiential elements
Marketing spend will be predominantly digital
Do you have the capability to measure ROI and understand where to invest in-store and online?

Download a copy
of this
presentation with
this QR code

