Mastering Price Tiers for Unbeatable Competition

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Envision *what's possible*

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Agenda

1. How Consumers are Changing Buying Behavior
2. Price Tiering – Executing the Right Strategy
3. The Way Forward
4. Q&A

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What’s Driving Consumer Behavior Changes?

Consumers are under pressure

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Consumer Pain in Three Key Metrics

Flat confidence, higher expenses, more debt create ongoing pressure on consumer resources

Consumer Confidence

+0.7% but…

-0.1 pts versus previous month

Consumer Price Index

+2.2% Food

+1.2% Food at home vs. **+4.2%** for Food away from home

Revolving Credit Card Debt

+9%

$1.3 trillion dollars of debt and **+0.85%** from February

Mar ‘24 vs Mar ‘23

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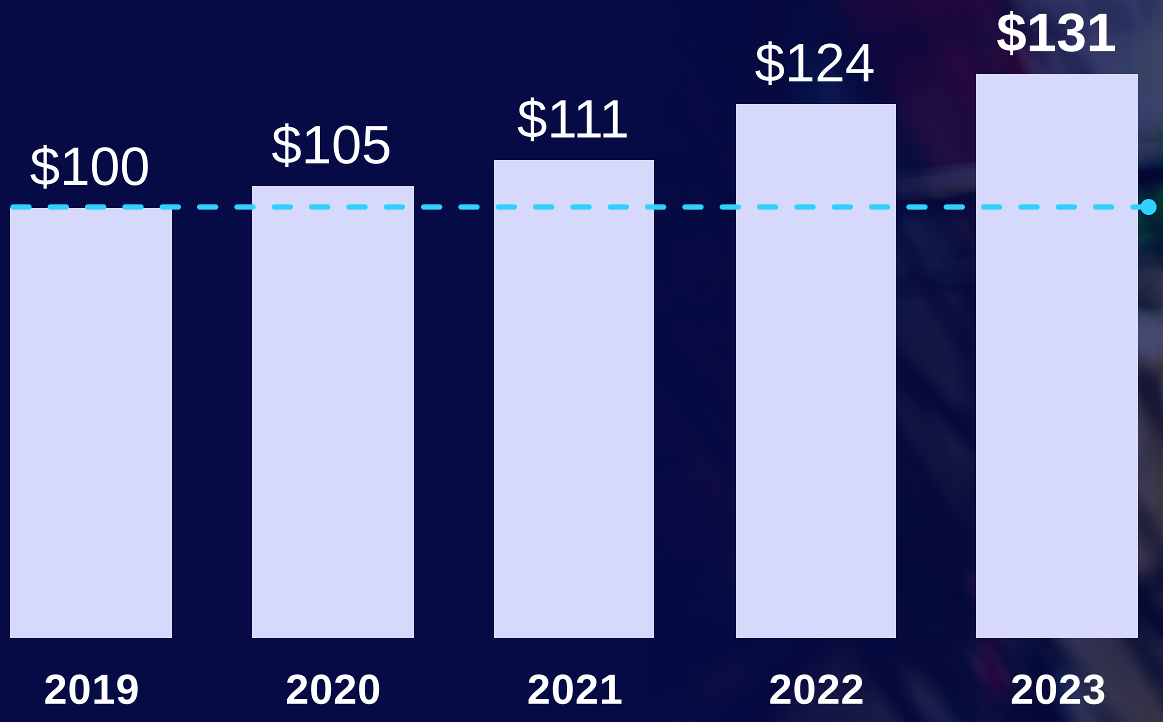
Compounding inflation continues to impact consumers

$100 in 2019….



Total Store	2021	2022	2023
Dollar Trend	+2.9%	+7.1%	+3.1%
Unit Trend	-2.8%	-3.0%	-2.5%
Average Unit Price Trend	+5.9%	+10.4%	+5.8%
% Units sold on Promo	28%	27%	29%

Source: NIQ, Retail Measurement Services; Total US xAOC; Total Store; Average unit price % change vs year ago; Monthly periods ending December 30, 2023

NIQ, Retail Measurement Services, Total U.S. xAOC (UPC-coded + random-weight/Non-UPC) plus Convenience (UPC-coded), 52 weeks ended 1/1/2022, 12/31/2022, and 12/30/2023 vs. year ago

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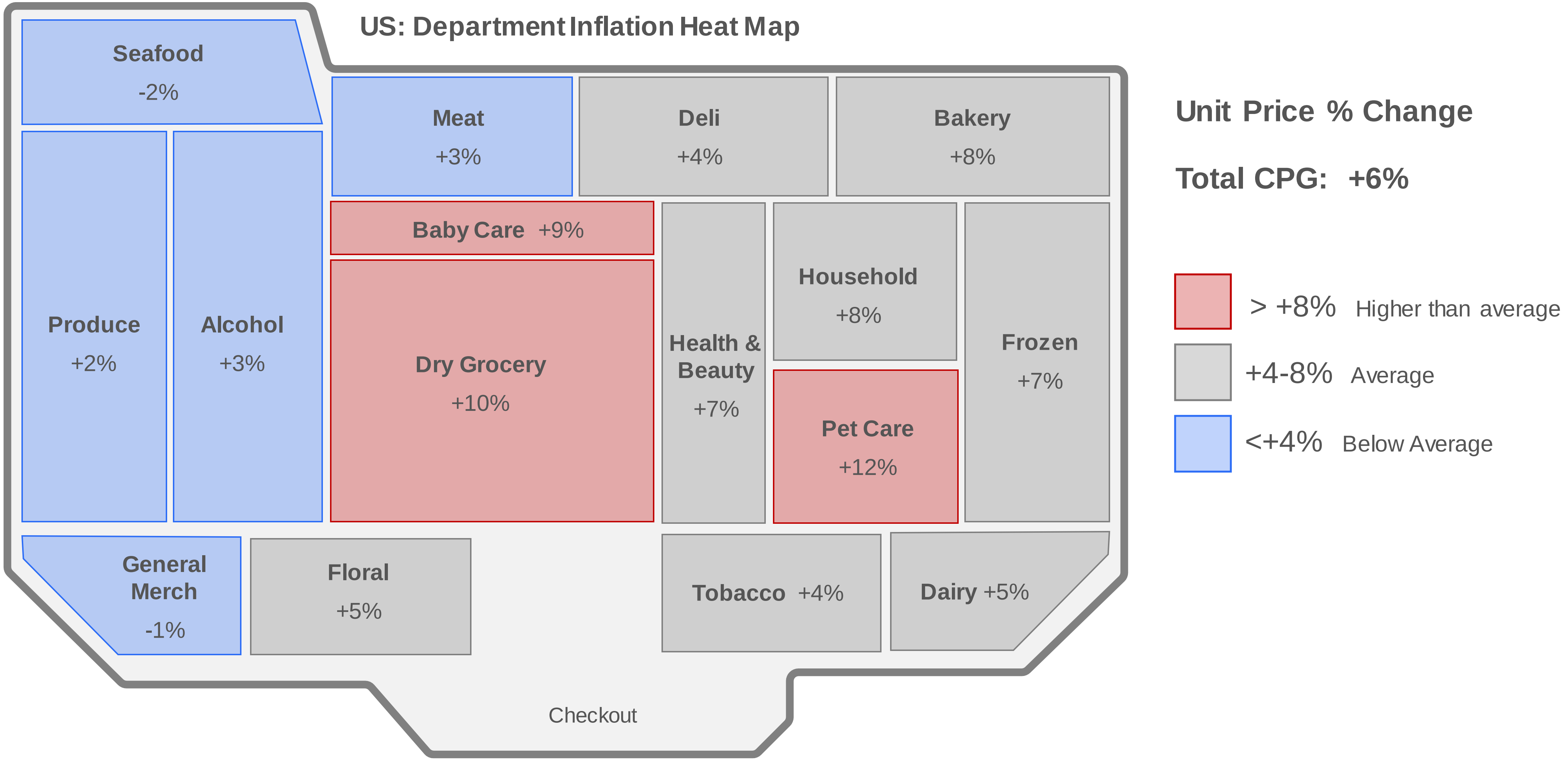
Rising prices plagued several key departments in 2023



Source: NielsenIQ, Total US xAOC, 52 weeks ending December 30, 2023

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US Consumers have adopted a range of strategies to manage their FMCG spending

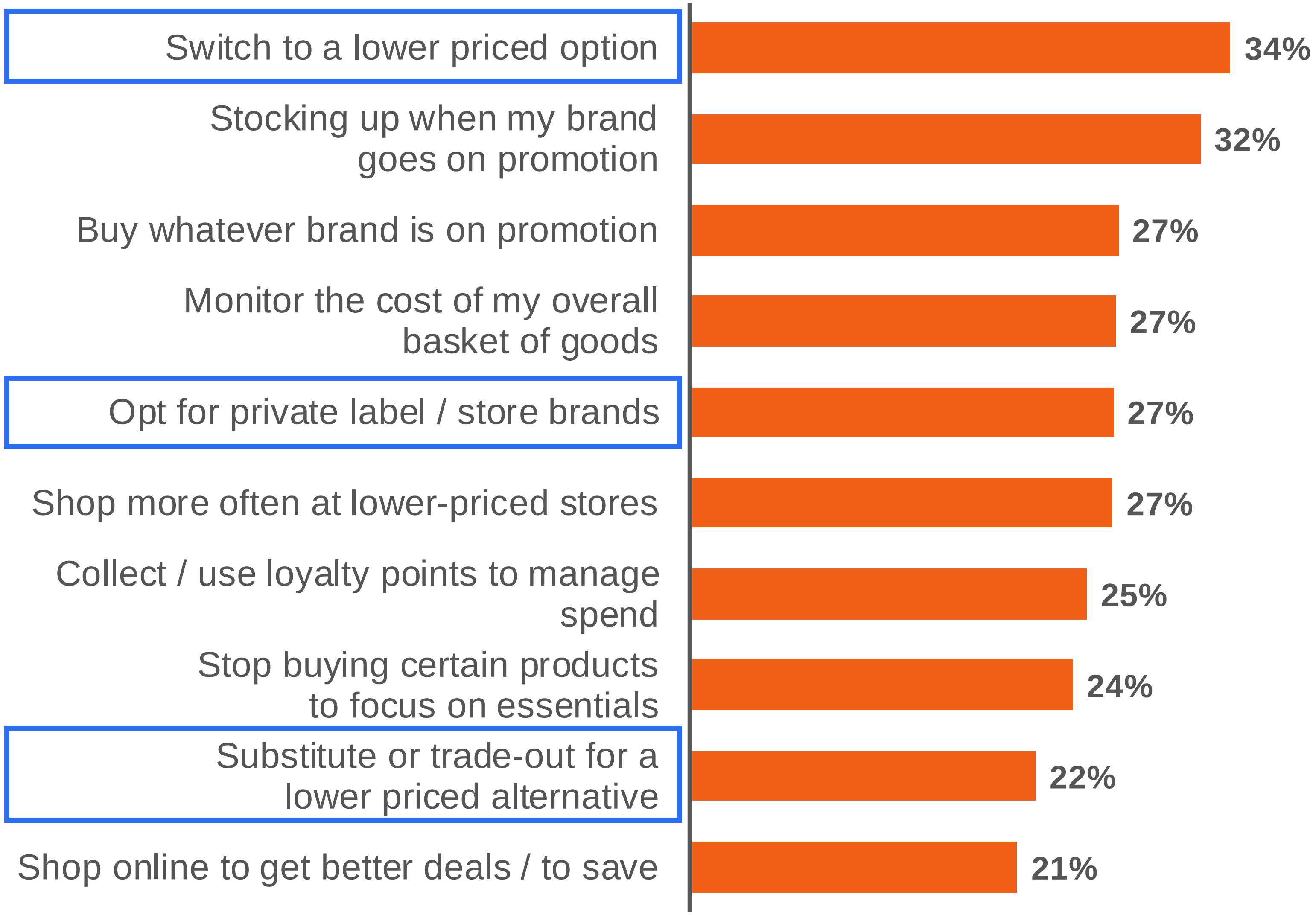
87%

of American consumers have changed how they have shopped for FMCG

3.9

Average # of saving strategies per U.S. shopper

Top 10 consumer saving strategies for FMCG



Source: NIQ 2024 Consumer Outlook – United States

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Consumers are Hunting for Value and Changing Behaviors

Perhaps permanently…

	Buying Private Label	Shopping Value Retailers*	Buying on Promotion
$ % of CPG	**19.5%**	**39%**	**28.8%**
$ Growth	+3.4% YoY	+4.1% YoY	+1.1% YoY

Total CPG Growth Benchmark +2.1%

Source: NielsenIQ Total US xAOC 2024 YTD Sales through 04/20/2024

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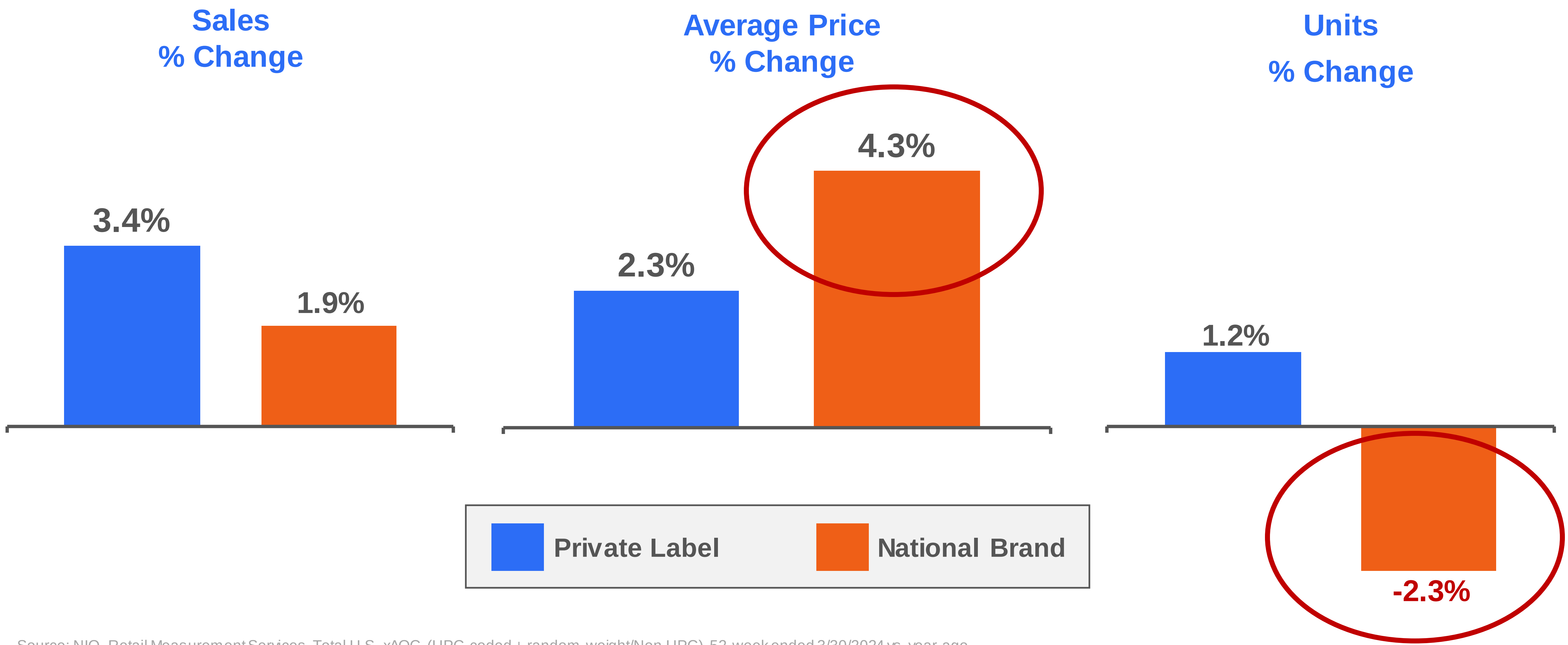
Private Label performance is much healthier than National Brands over the last 52 weeks



Source: NIQ, Retail Measurement Services, Total U.S. xAOC (UPC-coded + random-weight/Non-UPC), 52-week ended 3/30/2024 vs. year ago

Private Label Keeps Growing Across the Store

Consumable Departments	Private Label Share	YoY
Bakery	43.4%	↑
Dairy	33.8%	
Deli	27.5%	↑
Meat	24.2%	↑
Frozen	24.0%	↑
Produce	16.3%	↑
Grocery	14.5%	↑
Seafood	12.3%	↑
Alcohol	0.8%	↑

Non-Food Departments	Private Label Share	YoY
Household Care	27.5%	↑
General Merch	19.4%	↑
Floral	18.2%	↑
Petcare	16.1%	↑
HABA	16.0%	
Baby	13.0%	
Tobacco	7.3%	↑

Poll Question #1

“Given market conditions are CPGs still focused on innovation, or shifting focus to COGs?”

a) True product innovation still #1 priority

b) COGs is major focus

c) Balanced approach across portfolio

d) Innovation on packaging / format to shift price points

Price Tiering:

Executing the Right Strategy

Price tiers represent distinct price ranges within a category that vary based on size, quality, and attribute of offerings

Shrinking basket size

Opening price point competitiveness

Premiumization

Channel shifting

Reveal natural price groupings across entire market by analyzing a spectrum of variables across 4M+ UPCs within 200+ categories

Assortment depth

Consumer value proposition

Volume and growth trends

Price tier organization

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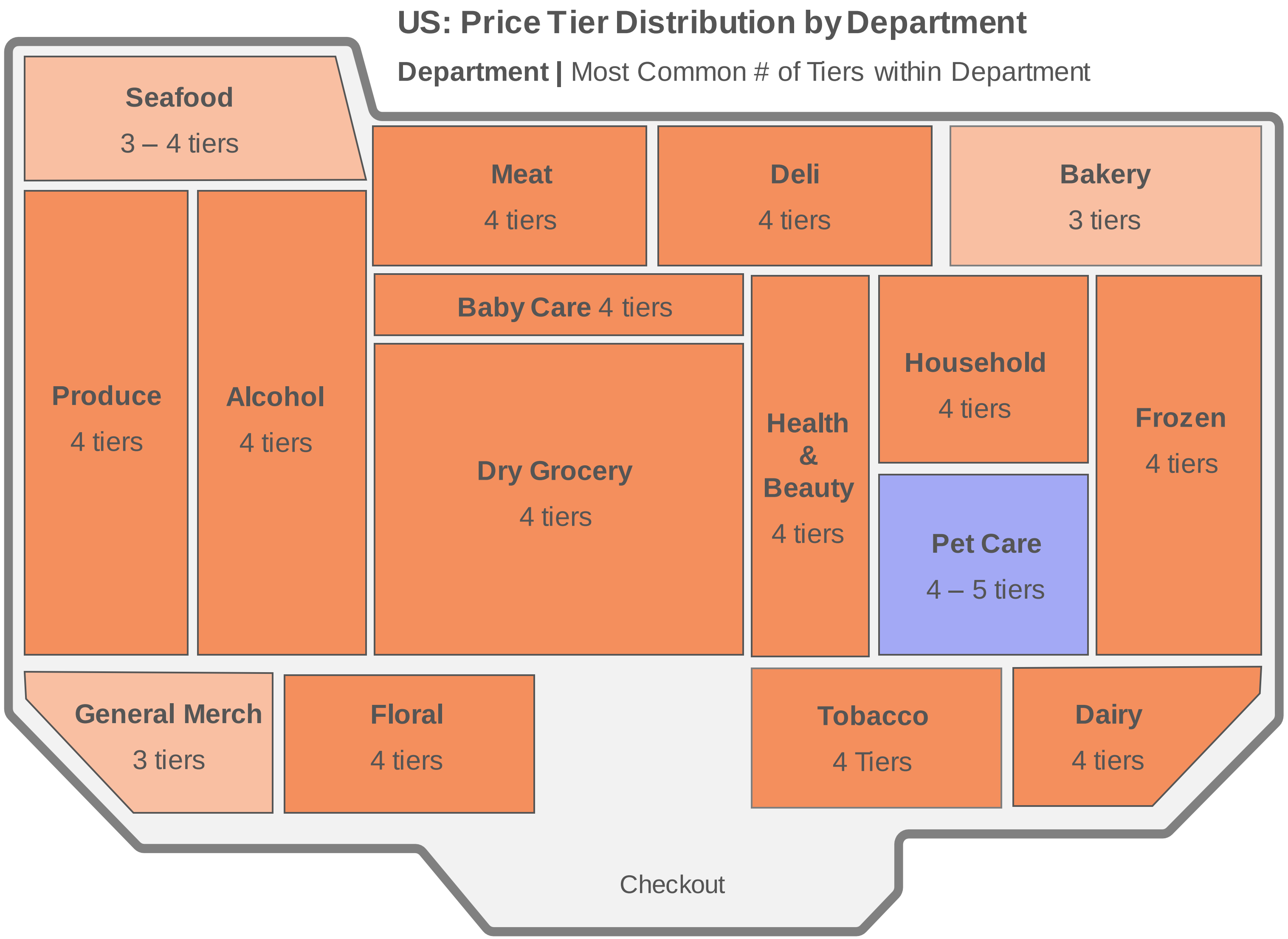
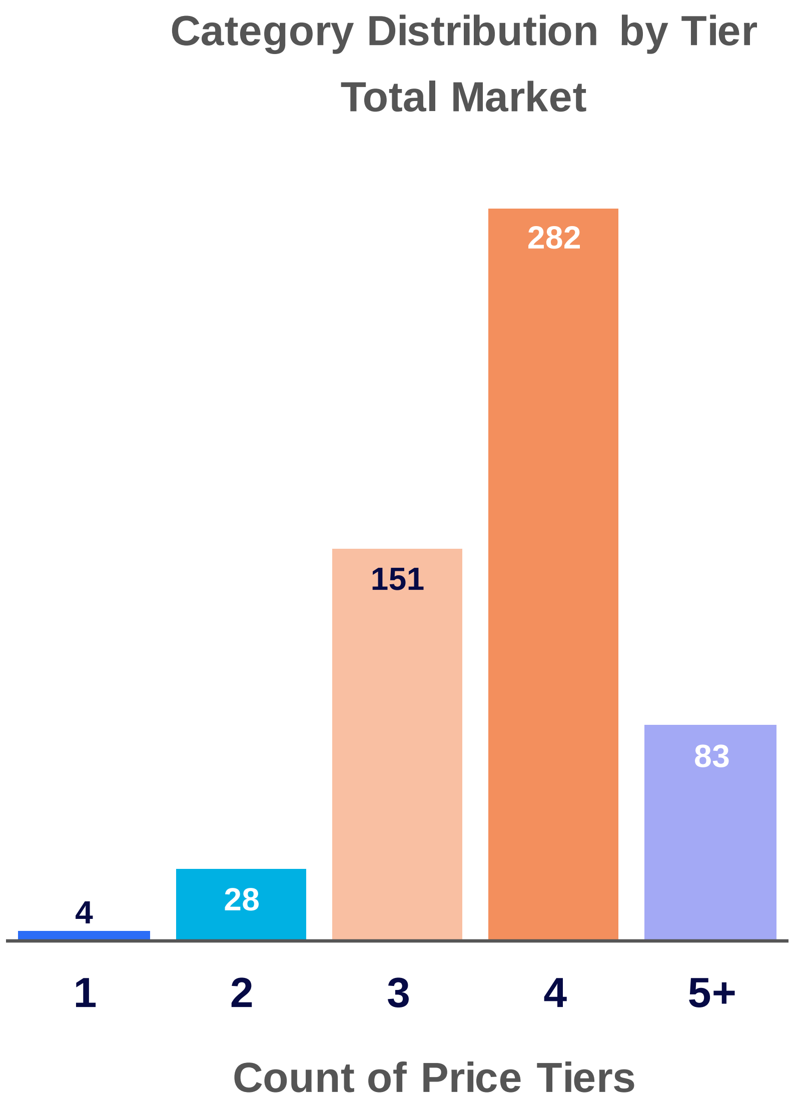
The multi-tier structures are consistent across the total store footprint

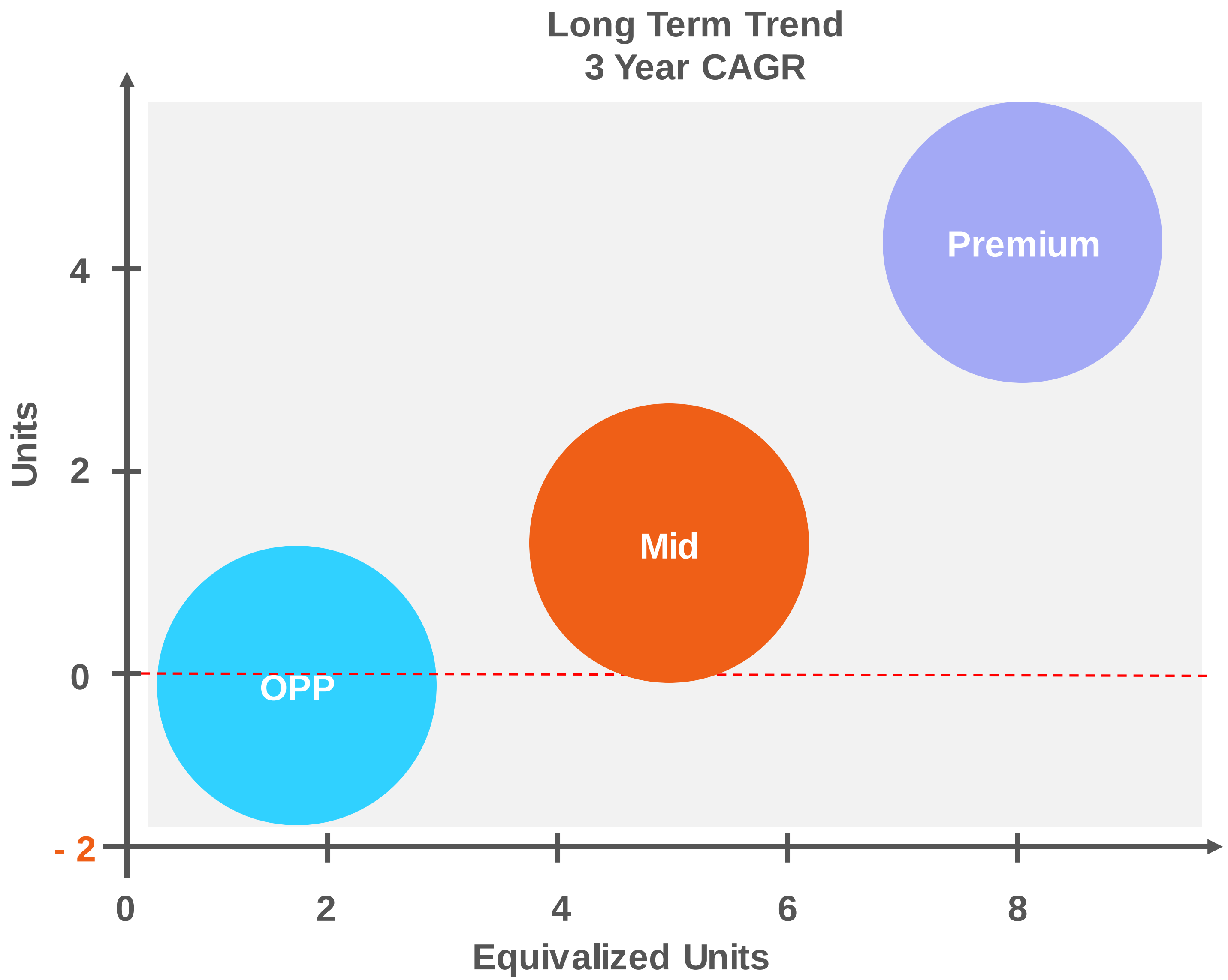




Source: NielsenIQ, Total US xAOC, 52 weeks ending December 30, 2023

Volume shifting across tiers from Pandemic era and beyond

Value Based OPP Tier holds 60% of sales dollar penetration with steady long-term (3Y CAGR) sales dollar growth of 8%



Source: NielsenIQ, Total US xAOC, WE 12/30/23

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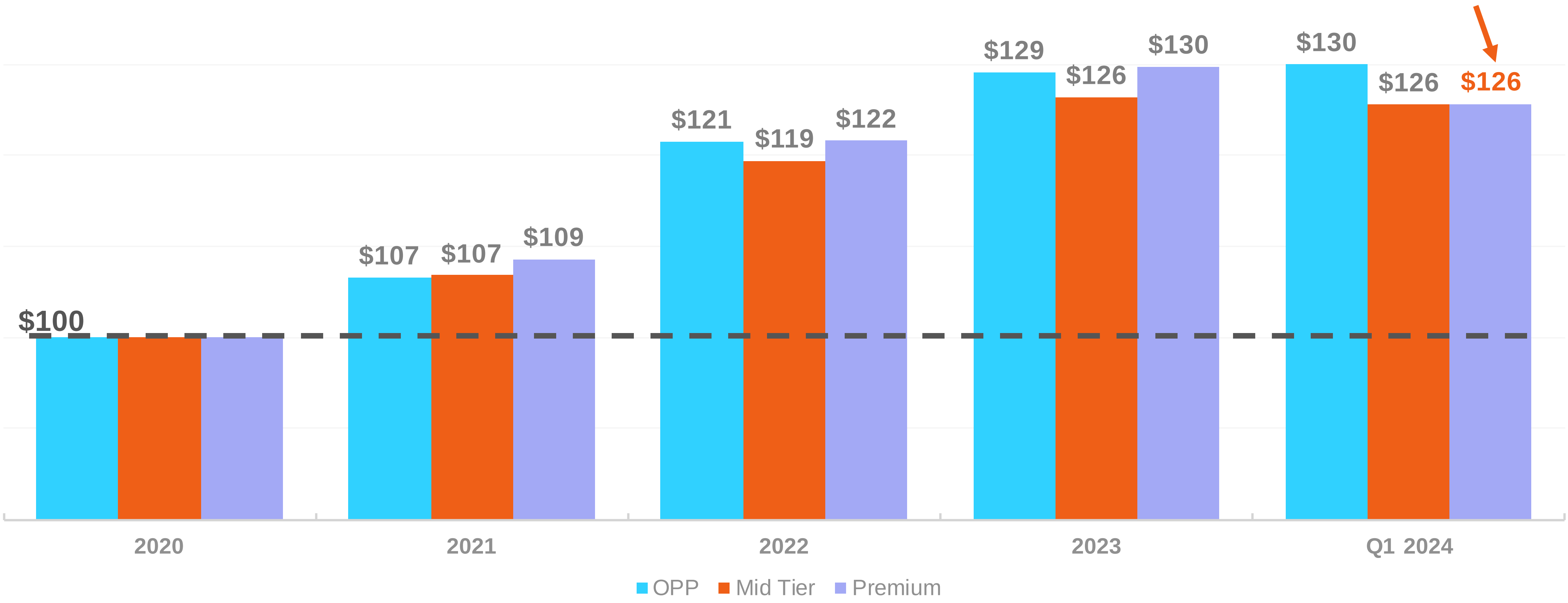
Compounding inflation impacting consumers

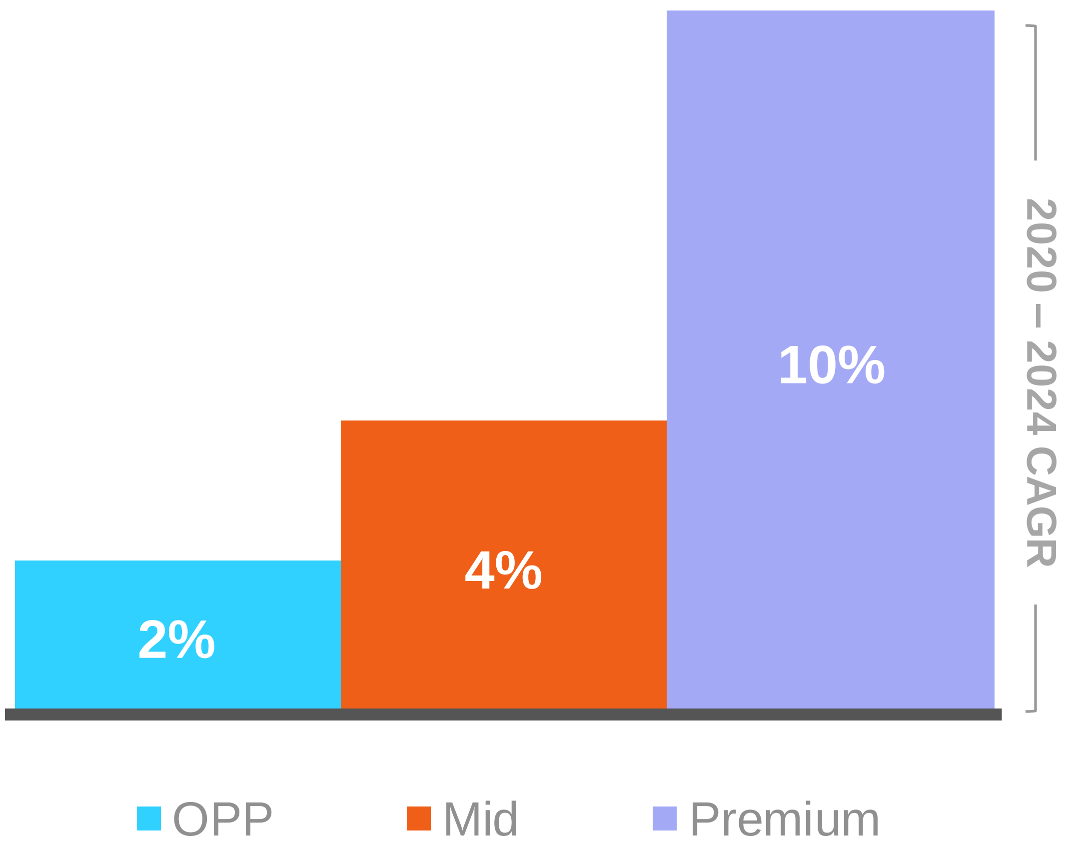
OPP and premium tiers average price inflation outpaces Mid-Tier segment, making Mid-Tier appear more affordable than ever as consumers downgrade from premium



Source: NielsenIQ, Total US xAOC, Q1 WE 04/04/20 – Q1 WE 03/30/24

Increased promo importance across Premium

Promoted unit volume growth since 2020 (Compound Annual Growth Rate)

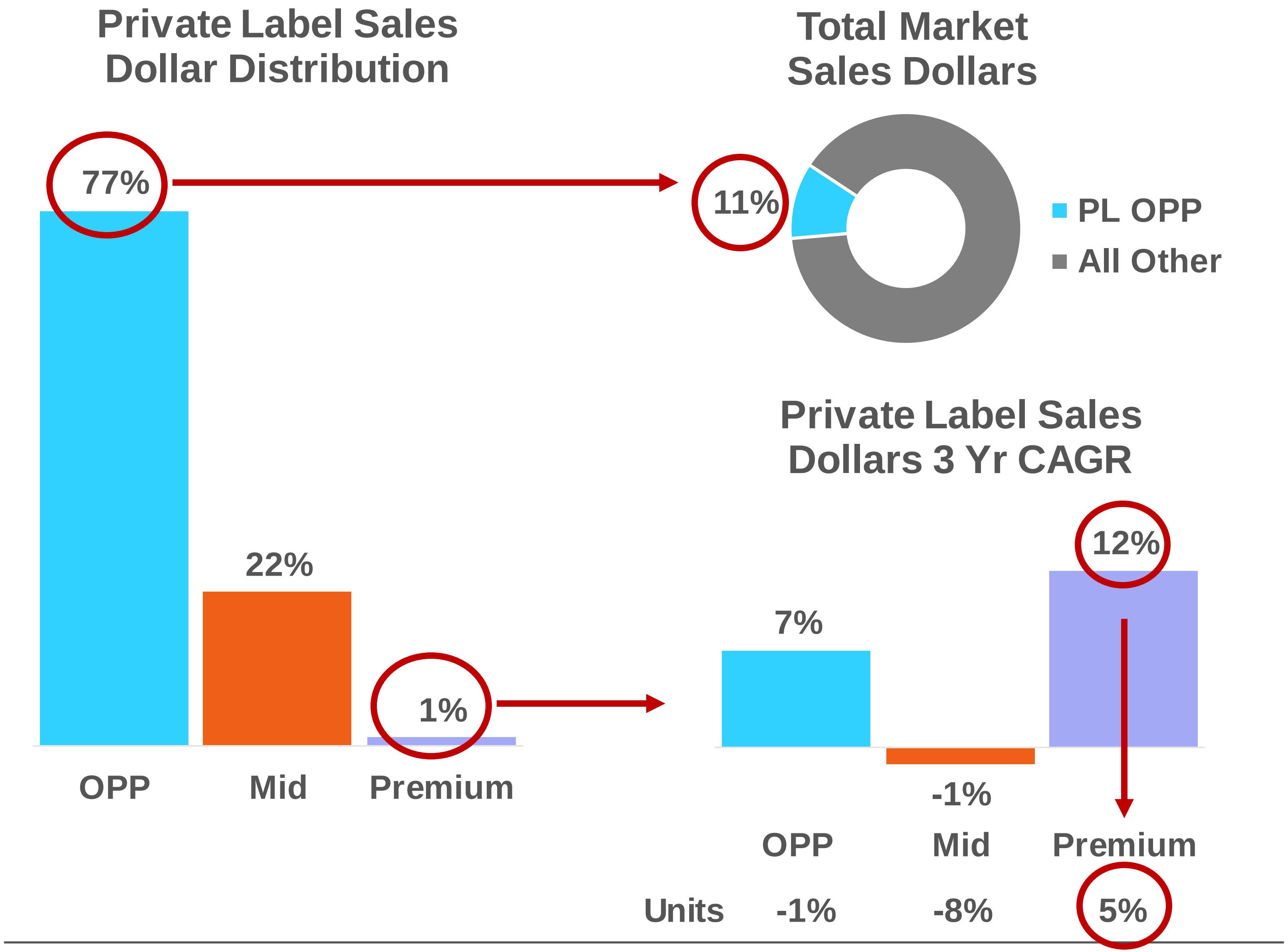


Source: NielsenIQ, Total US xAOC, Q1 WE 04/04/20 – Q1 WE 03/30/24

Promotional importance across premium tiers has grown significantly since 2020

OPP is not just Private Label

National Brand composes 85% of sales dollars in OPP



Poll Question #2

“How does your business think about price tiers?”

a) Fundamental to our assortment strategy and pricing strategy

b) We focus more on COGs and let prices be determined by margin goals

c) Primarily a Private Label vs. National Brand strategy

d) We use it to identify innovation gaps

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The Way Forward

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Practical starting points for price tier application in upstream merchandising decisions

Price Tier analytics have a broad range of applications from deepening reporting insights to providing strategic frameworks

Assortment Gaps & Innovation Potential

Identify assortment gaps in National Brands and Private Label Innovations to provide a more effective planogram at existing Price Tiers as well as penetrate new tiers to broaden consumer reach

Assortment Line Extensions

Pinpoint opportunity areas in the category assortment to introduce new choices to consumers that help expand into other Price Tiers such as other product sizes

Assortment & Price Tier Strategy

Strategize the appropriate tiering strategy per category allowing the market and consumers to determine the natural tiering structure and build a pricing schema for pricing relationship rules between tiers

Channel Based Price Tiering Strategy

Diversify your product offering and align to market prices in a per channel orientation that positions Brands to foster a more efficient approach to assortment offerings and price strategy

Competitive Price Position Per Tier

Offer price arbitrage at every tier integrating the competitive price strategy with other strategic disciplines such as item segmentation, category roles, and price cluster/zones to enrich the enterprise strategy

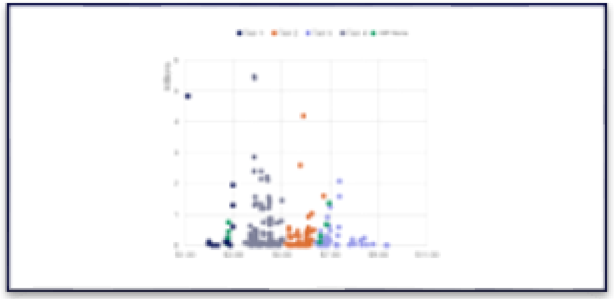
Assessing Whole Foods Market’s Opening Price Point competitiveness

WFM applied the price tiering methodology to a narrower approach to study the relative position of its private label brand in the market.

The Situation

Understanding Opening Price Point Competitiveness

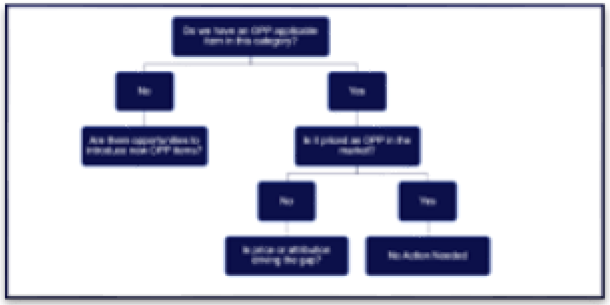
- Analyze competitive landscape of WFM’s OPP within subcategories featuring **private label**
- Understand **consumer value offered** in a landscape where OPP and PL significance are **intensifying** due to **inflation**
- Account for **competitor’s releasing new PL** offerings at entry price points to **bolster their OPP**



The Challenge

Considering Whole Foods Values and Needs

- Recognize any gaps identified in WFM’s OPP assessment can only be filled with offerings that meet **WFM Quality Standards**
- Consider WFM’s existing **customer price perception**
- Must scale **competitive insights** across **similar products**



The Result

Closing Opening Price Point Gaps

- **Scalable** view of WFMs private label prices verse competition, across products of varying attribution
- Identified **price, attribution, and assortment gaps** for the exclusive brands team to work on
- Exposed **attribution themes** within price tiers

Manufacturer’s price tier strategies to capitalize on consumer needs

Achieve Price Tier Excellence by identifying opportunities in the Beverages industry at global scale

The Situation

Guide price & portfolio strategic decision-making

- Uncover your true tier competitors
- Understand consumer’s behaviors within tiers
- Understand the role of Private Label
- Design an optimal portfolio tier assortment

The Challenge

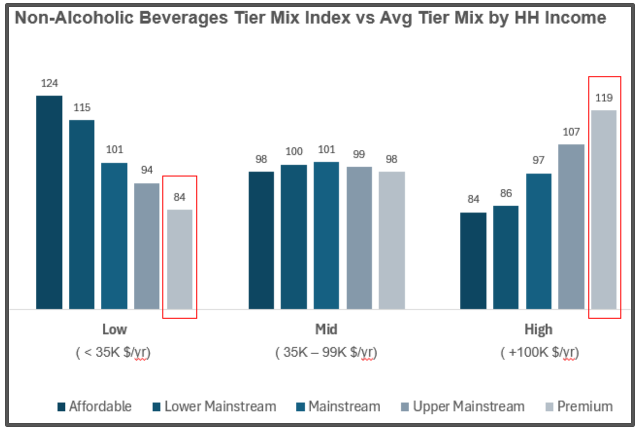
Quest for sophisticated and standardized insights

- Establish a consistent price tier measurement with analytical rigor
- Design a price strategy based on reality vs perception
- Increase granularity making actionable recommendations easier to develop

The Result

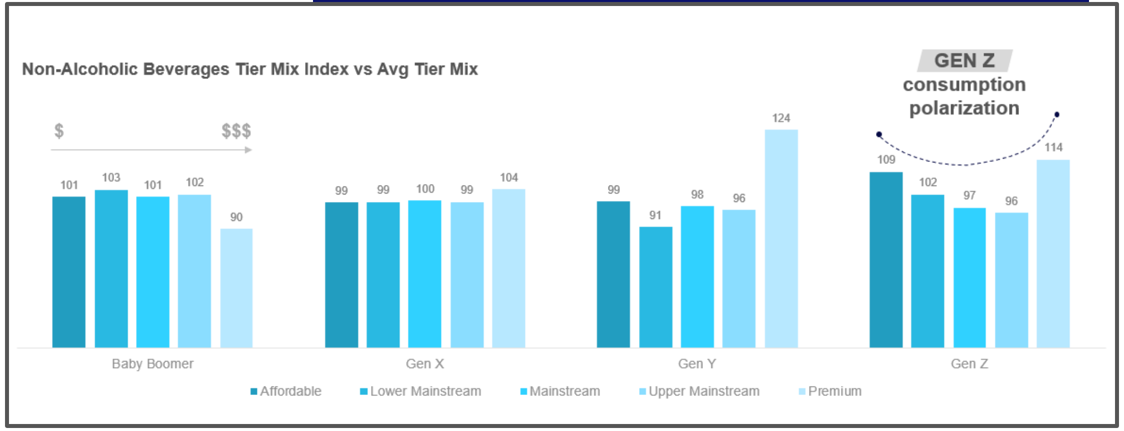
Improve targeting strategies by understanding willingness to pay

- **Premium has a different meaning** to different consumer segments
- Identification of **product attributes** that fit the **Generational** profile
- Gen Z show a **consumption polarization** toward Prem & Affordable



What does premium mean to different consumer groups?

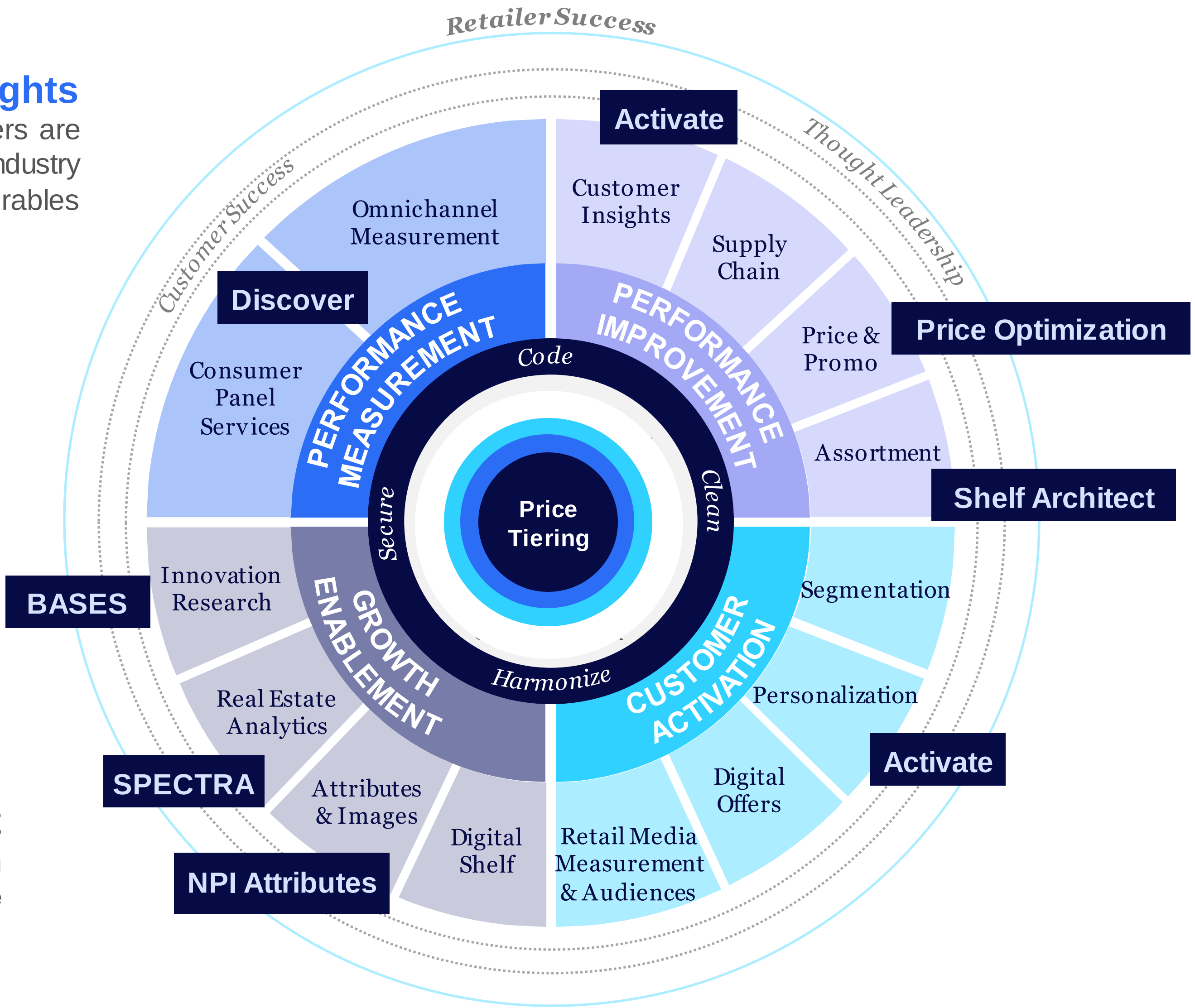
Lower Income Premium	Higher Income Premium
• Heritage • Flavors • Packaging`	• Brand value • Better for you • Innovation



Price Tiering can be leveraged as an upstream framework into inform downstream solutions

Omnichannel Insights

How brands and retailers are performing against key industry business deliverables



Merchandising Solutions & Customer Activation

Predictive and prescriptive insights that drive fundamental Retail decision-making

Strategic Growth Enablement

How brands and retailers can leverage NIQ's differentiated suite of solutions

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Mastering Price Tiers for Unbeatable Competition

Have questions or need additional information?

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