2022

Grocery

Sub-category Assessment

NBCUniversal

Agenda

Topline Trends

What you need to know about the grocery landscape

Grocery Landscape

Established & Experienced

Has relatively extensive B&M presence

Walmart, Whole Foods Market, Costco Wholesale, Ahold Delhaize, Sam's Club, Kroger, ALDI, Fry's Food Stores, Meijer, Amazon Fresh, Target, Albertsons, Wakefern Food Corp., BJ's, Sprouts Farmers Market, H-E-B, Publix, Wegmans, Trader Joe's

Growing / E-comm Focused

Usually born as e-comm service

instacart, mercato, freshdirect, Imperfect Foods, Misfits Market, Thrive Market, Peapod

Emerging

Entering from non-grocery-specific space

DoorDash, gopuff, Shipt, getir

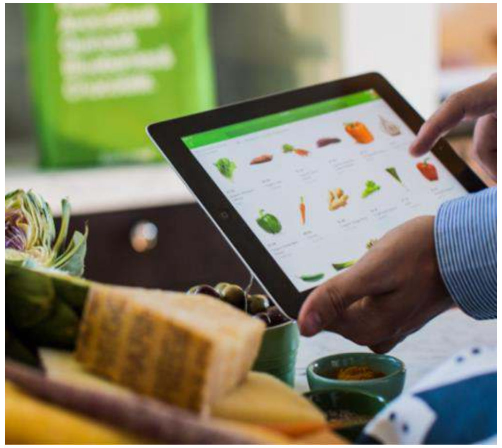
Topline Grocery Trends Today

Inflation & Supply Chain Impacts Baskets

Consumers are placing more importance on convenience and wellness, while also trying to adjust their product choices (ie. buying less meat, opting for private label) and basket sizes to account for inflation and product availability.

Consumers want sustainable products and packaging

Consumers are trying to be more sustainable in their consumption habits and are willing to pay more for green food products. But many believe the efforts of grocers still don't match up with these desires.



Ecommerce Experiences Exponential Growth

Even with the return of in-store grocery the appetite for online and delivery remains strong. New entrants are increasing the competition while CPG partners are starting to circumvent grocers by building DTC relationships.

Premium Data & Expertise Gets Put to Work

To diversify and strengthen their revenue streams, experienced grocers are launching media networks while emerging grocers are offering new tech capabilities and services.

Due to Inflationary Pressure, Grocery Share of Food has been falling in recent months

Overall CPI*

8.3%

Food CPI

9.4%

Restaurant CPI

7.2%

Grocery CPI

10.8%

NEWS > QUICK SERVICE

Restaurants' share of food dollar grows to record 54.9% in April

Restaurants' share of food dollar grows to record 54.9% in April, according to U.S. Census data.

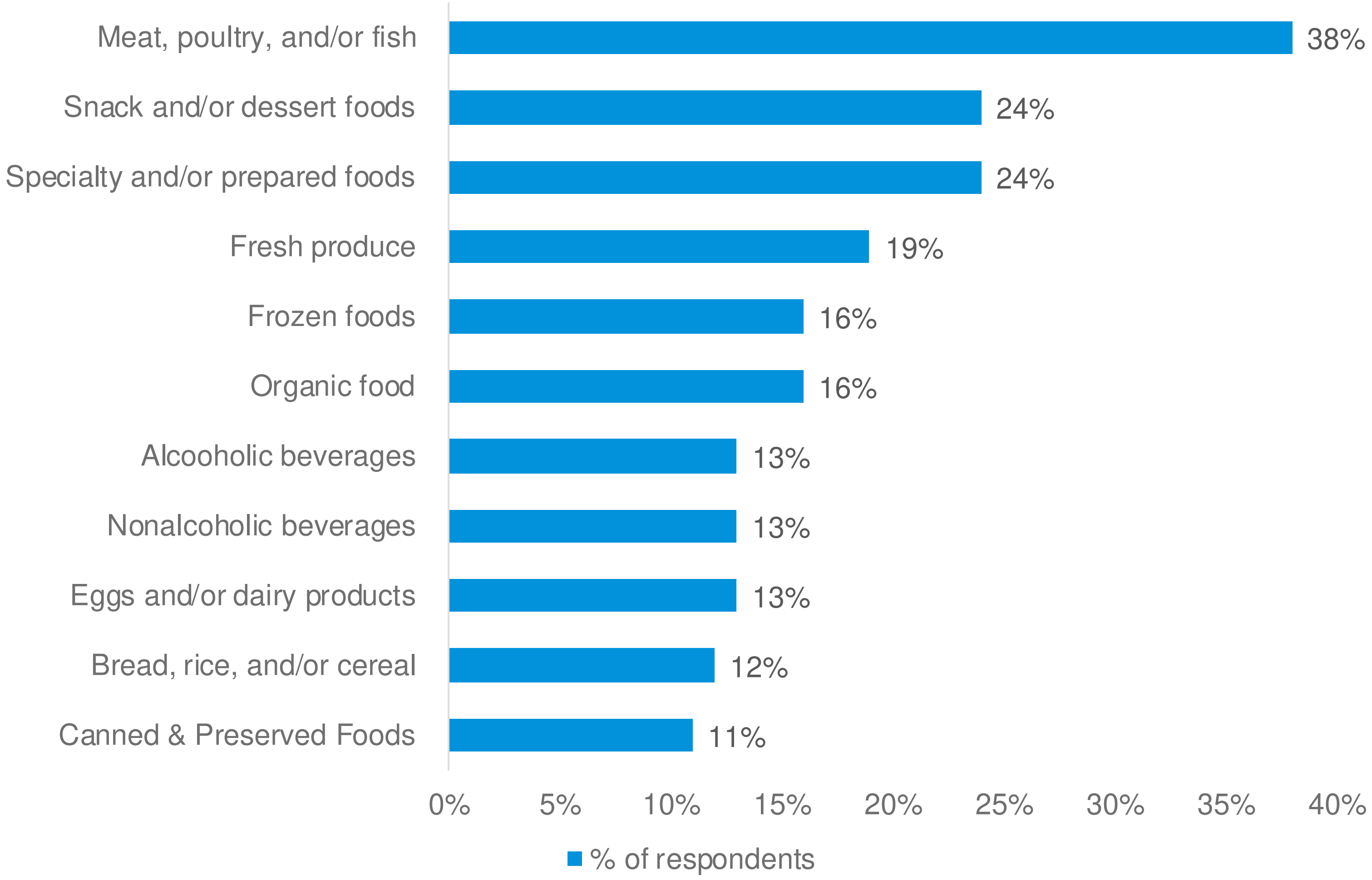
Latest U.S. Census data show an increase from 52.3% in April a year ago, says analyst Mark Kalinowski

Ron Ruggless | May 17, 2022

*Source: Restaurant Business Online (as of April 2022)

Today, consumer purchases are shifting due to macro-economic factors

Grocery Items US Adults are Purchasing Less Often due to Rising Prices and/or Supply Shortages
Jan 2022



Source: emarketer, CivicScience as cited in company article, Jan 2022

Consumers want sustainability and grocers are taking action

Earlier this year, **Kroger** launched a **reusable container program** to respond to sustainability desires and keep shoppers coming back.[1]

John Conlin
SVP, Properties at Target

"Our new stores and remodel programs are designed to **help achieve our sustainability goals** as we test, learn and scale our innovations over time across our operations."[2]

"We know many customers are prioritizing sustainability in what products they buy and where they choose to shop. With our **newest Amazon Fresh store**, we are **taking the next step on our path to becoming a net-zero carbon business by 2040**."[2]

Stephanie Landry
VP, Amazon Grocery

Whole Foods leads different initiatives such as **Sourced for Good**, **Nourishing our Neighborhoods**, and the **Local Producer Loan Program**; which all focus on different aspects of their sustainability promise.[3]

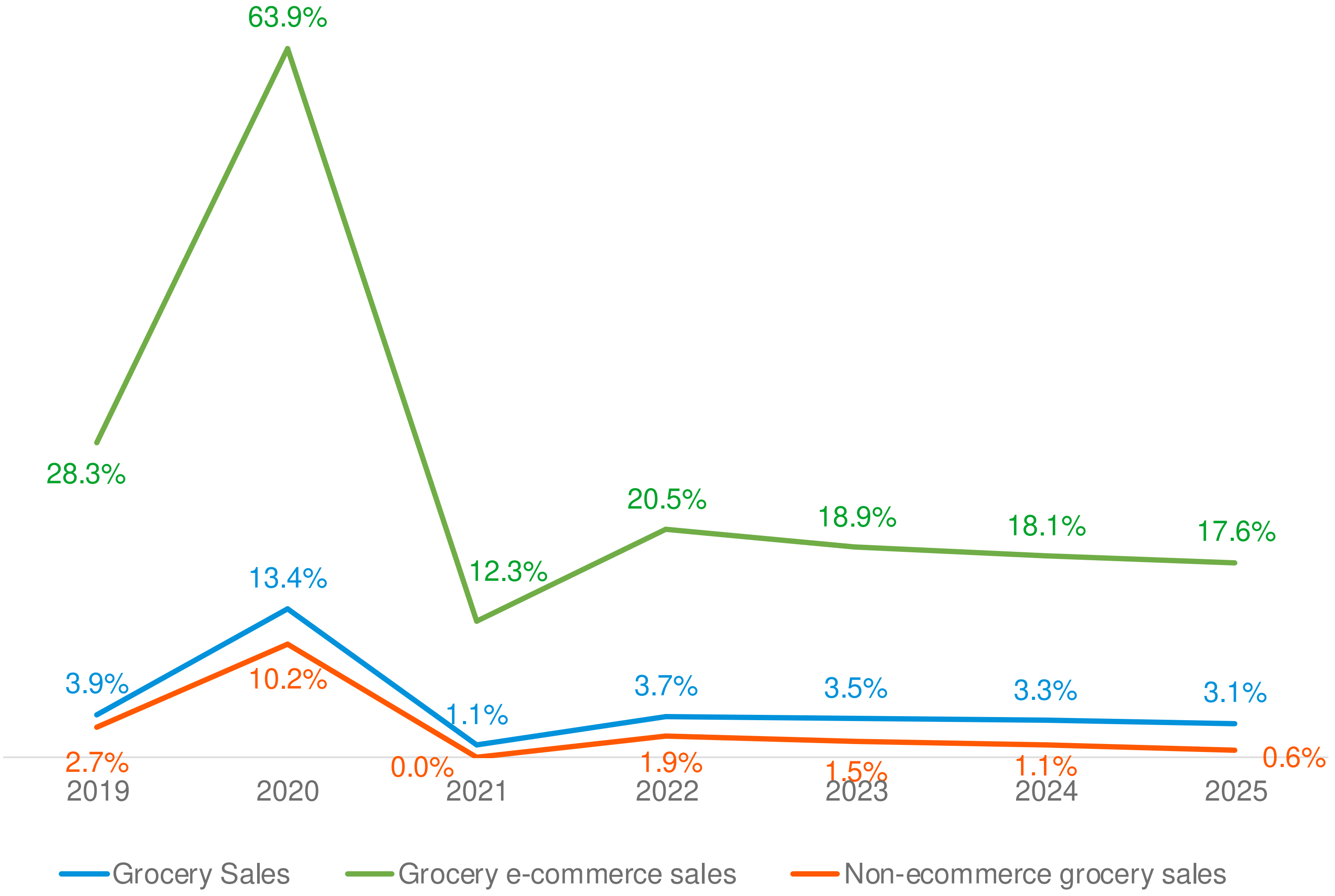
*Source: 1. Pymnts, 2. Pymnts 3. Whole Foods

Steady growth across all channels, but driven by e-commerce

This year, digital will make up 11.2% of the $1.32 trillion in grocery sales; grocery e-commerce sales will reach $147.5 billion thanks to a 20.5% growth YoY.

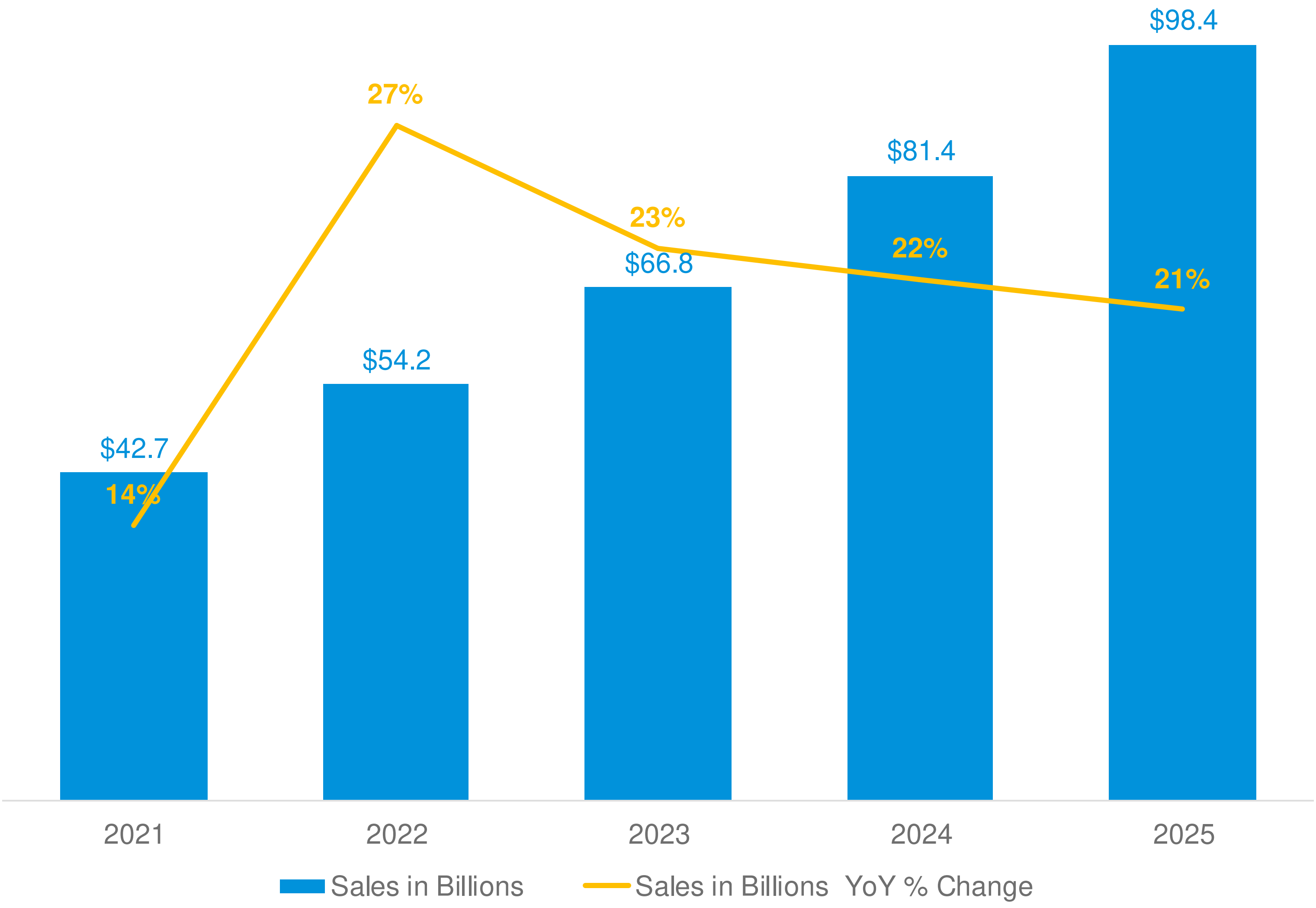
Source: US Census Bureau; eMarketer, August 2021

U.S. Grocery Sales Growth
% change by segment, 2019 – 2025



Within e-commerce, click-and-collect is a main driver

Grocery Click-and-Collect E-commerce Sales
US, 2021-2025



Source: eMarketer, August 2021

Grocers are leveraging their existing assets in new ways

BEHIND KROGER'S THRIVING RETAIL MEDIA NETWORK

Instacart adds 'tech provider' to its already lengthy resume

Peapod Digital Labs Announces Expanded Media Partnerships and Capabilities

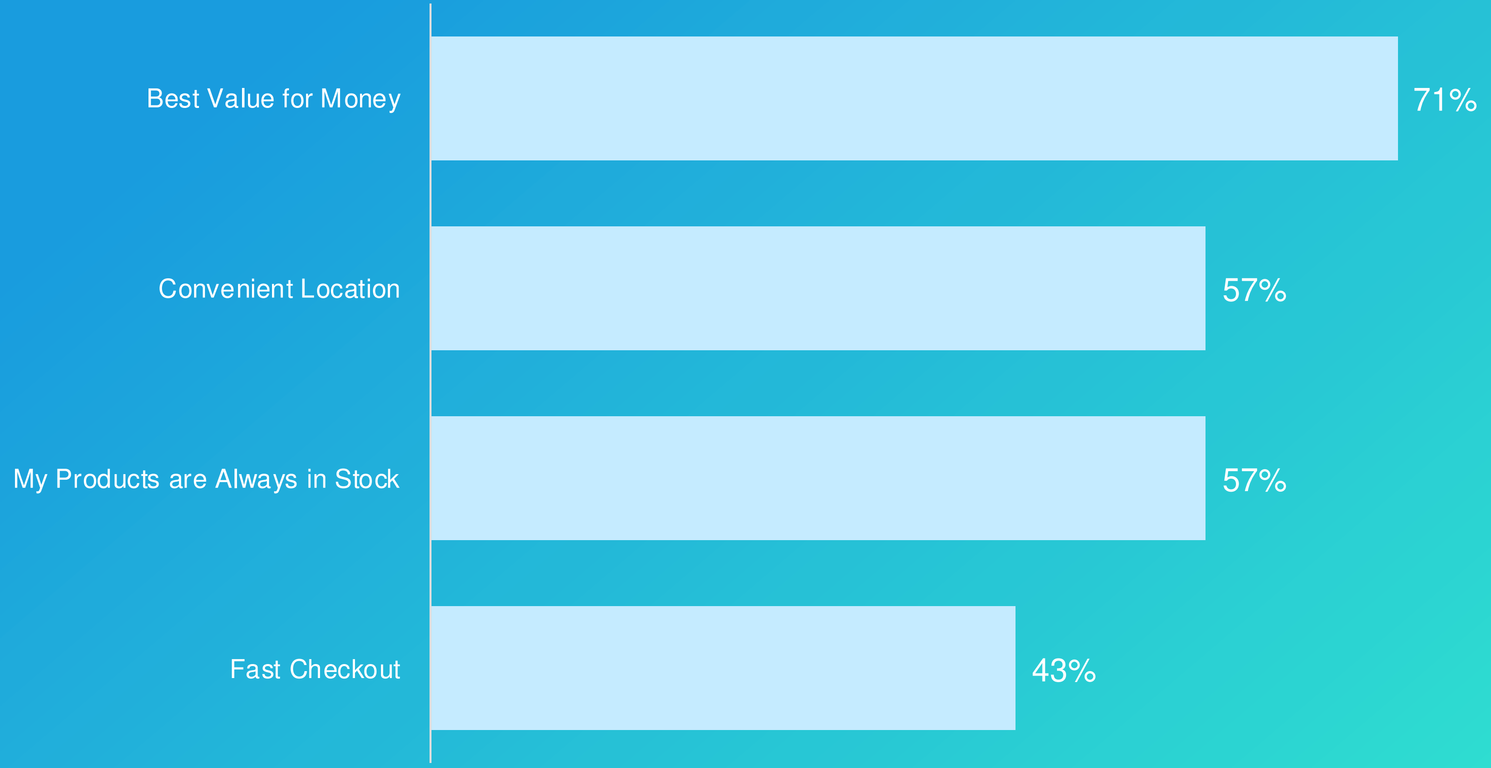
Albertsons launches its own retail media network

How the consumer-grocer relationship is evolving

Consumers care most about saving money and time when they buy their groceries

Value, convenience, and availability

are the top three traditional drivers of choice for grocery



Source: Statista, Survey Lab, PLMA, “Rise of Loyal Shoppers” April 2015

However, the way that money and time is saved has evolved

	What it used to refer to	What has changed
"Best Value for Money"	Consistently affordable selection of goods available at a single store	In an e-comm world, **shoppers can research best prices in real time**
"Convenient Location"	Closest geographical location to home or along the home-to-office commute	**Services have exploded, making the definition of convenience expand.**
"My Products are Always in Stock"	Store maintains inventory so it always has full shelves	**Digital shelves are endless** and its easier to check/switch stores online if products are unavailable
"Fast Checkout"	Lines move fast and employees are efficient	**Both in-stores and online**, grocers are testing and adopting new technologies to create **frictionless payment experiences**

What qualifies a grocer as the "go-to" store for a consumer has evolved.

In today's world, consumers have more choices in terms of where they will shop and how they will shop for their groceries.

Grocers and new entrants are evolving their offerings to remain relevant and convenient to consumers

Meal Kits & Prepared Foods

To cater to increased desire for ready-made meals, Kroger bought Home Chef and Albertsons purchased Plated.

In-Home Delivery

Walmart's In-Home service allows members to receive grocery delivery direct to their fridges.

Rapid Delivery

Grocers (ie. Publix & Instacart, Albertsons & Uber) are partnering with rapid delivery platforms to offer quick fulfillment to consumers.

Diversifying Revenue

DoorDash is moving beyond food delivery into convenience store delivery. Meanwhile, Instacart is moving into prepared food delivery and Gopuff has launched its first restaurant brand.

Media & Marketing Implications

So, what does all this mean in terms of media and marketing?

Marketing and media considerations

1

Drive Brand Consideration

Competing on new innovative services alone is not enough when the pace of technology moves this fast. Branding is more important than ever for traditional now that consumers have endless options through e-commerce, and non-traditional grocers are all major advertisers trying to steal share using premium content, partnerships, influencers, and more.

2

Let Innovations Live Across Media

Why keep innovations to the shopping experience only? Audiences can watch a cooking show and buy all the ingredients they need to recreate the meal they're seeing with content commerce or tap-to capabilities that drive to site/app.

3

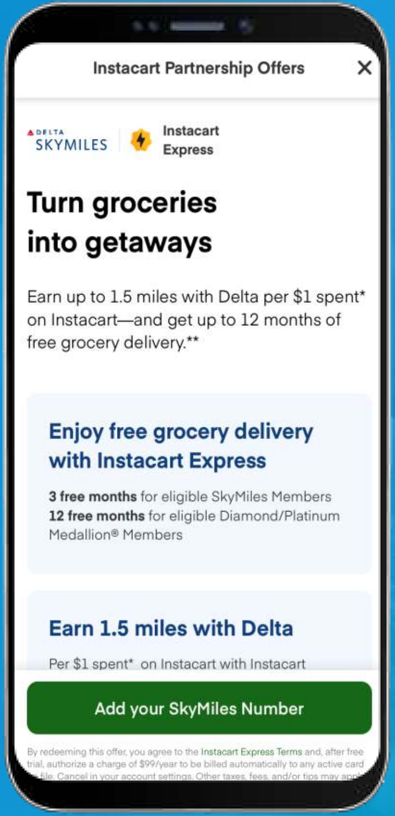
Focus on First Party Data

Put the best of both worlds together by combining premium 1P data from grocers, premium 1P data from NBCU, and premium content. By leveraging quality content and data, grocers can grow their customer base as their brand grows, drive incremental traffic to existing stores, and maintain efficient ROI.

Drive Brand Consideration: Instacart Example

Leading grocery advertisers are partnering with different brands in innovative ways to attract consumers and to stay top of mind among the competition.

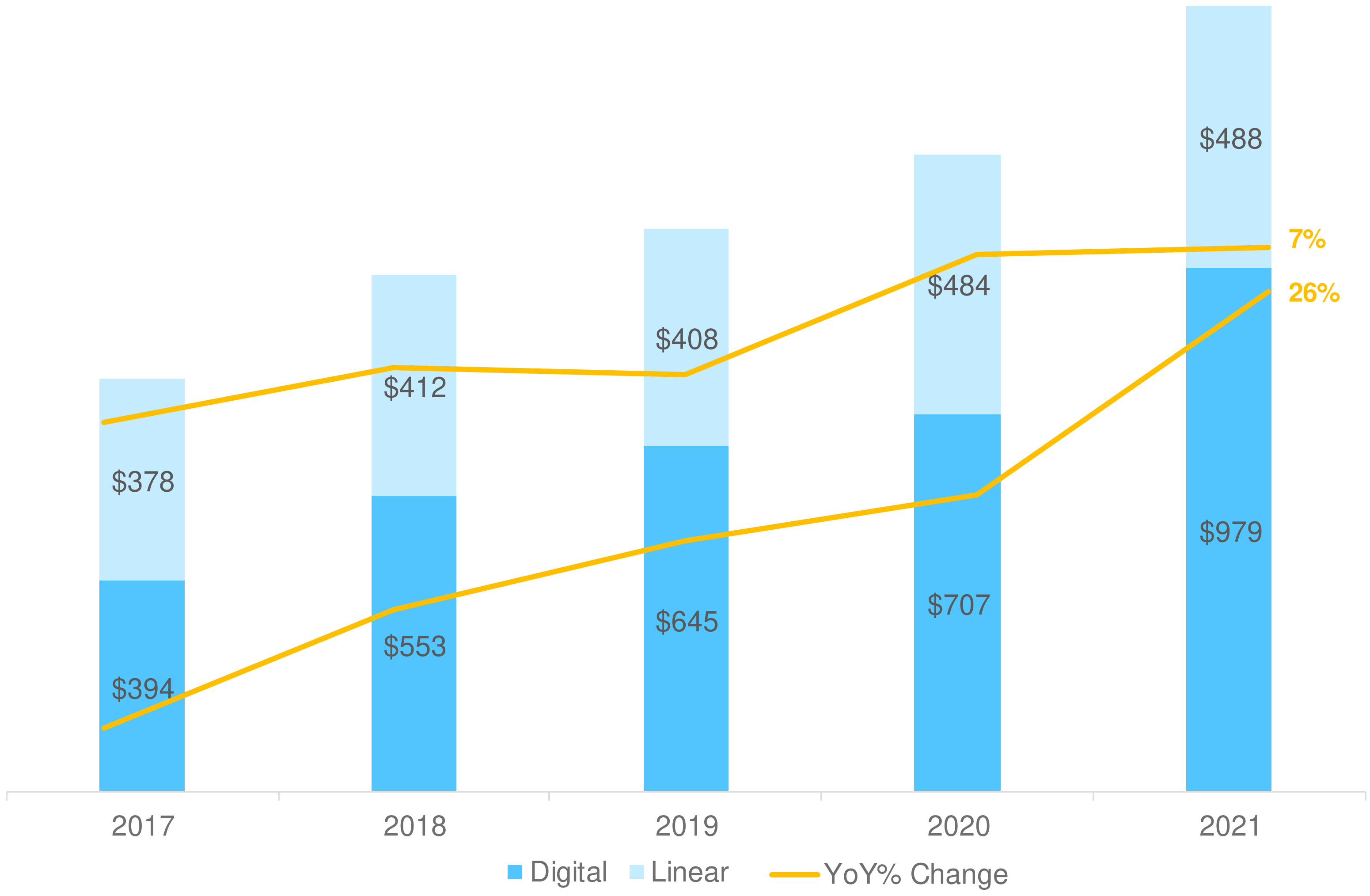
For Instacart, these partnerships include Delta SkyMiles, PayPal, Grubhub, Chase Credit Card, Mastercard, and Costco.



Grocery Spend Analysis

Industry Digital vs. Linear Spend

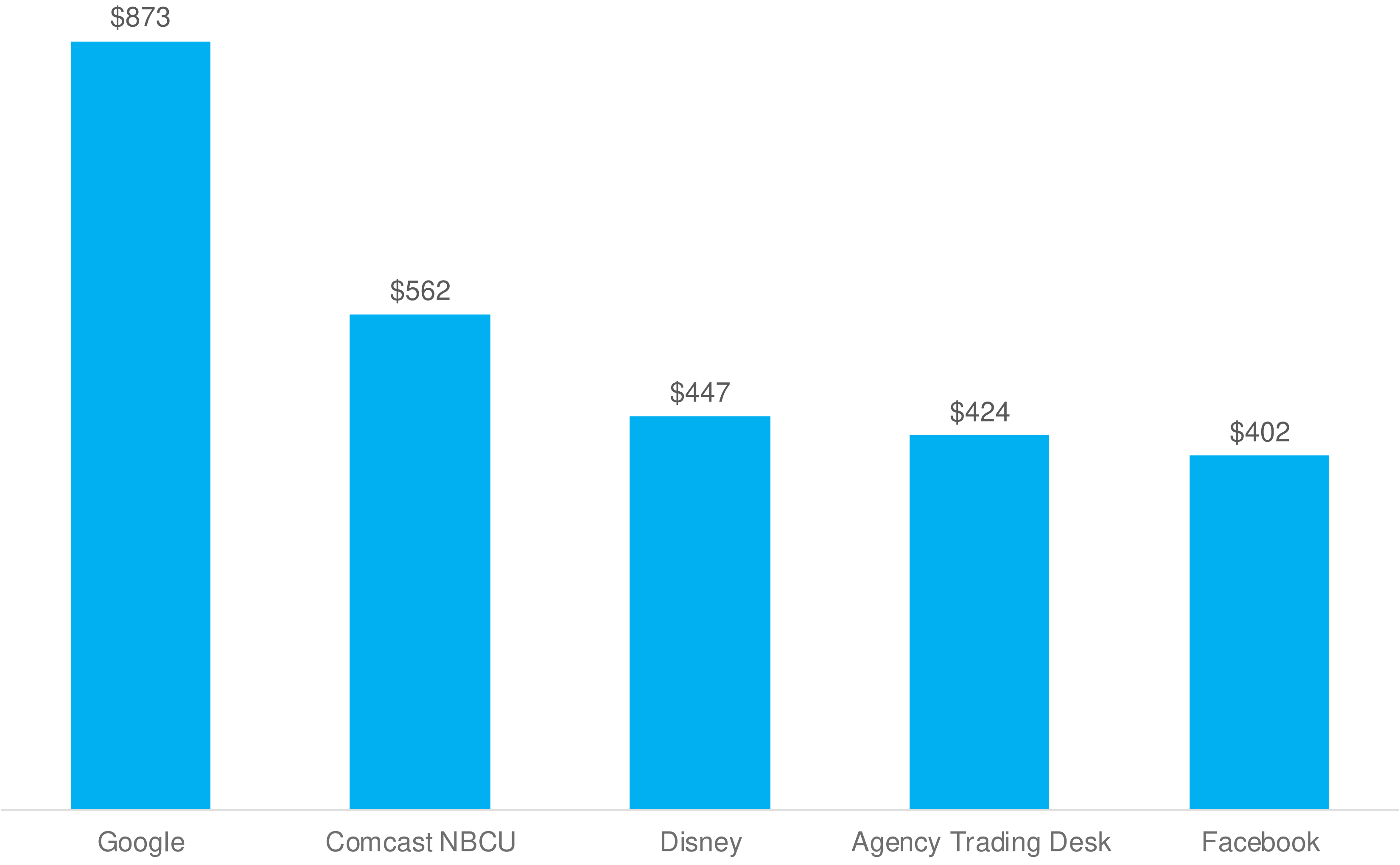
Category Spend by Year
In Millions



Sources: 1.SMI: Supermarkets, Convenience & General Stores

Where Grocery Brands are Spending

Total Spend 2017-2021
In Millions



Sources: 1.SMI: Supermarkets, Convenience & General Stores, Spend on Holding Company

Top Industry Spenders

Digital, Linear, and Print Spend by Advertiser 2021
In Millions

Sources: MediaRadar

Increases are occurring across all platforms, but especially across digital

Total ad spend increased

+19%

across all industries;

+24%

for Grocery

In 2021, Advertisers continued shifting investments toward

Streaming, Search, and Digital

	Overall	Grocery
Digital	+31%	+38%
Search	+14%	+112%
CTV/Streaming	+37%	+46%
Radio	+13%	+19%
Television	+6%	+1%
OOH	+29%	+71%

Sources: 1.SMI: Supermarkets, Convenience & General Stores

Grocery Consumer Profile

Understanding Grocery Shoppers

AUDIENCE PROFILE

Top Generation

Generation X
46.1%

Male / Female / Other Skew

54.9% / 42.2% / 2.9%

Age Distribution

18-20	0.1%
21-24	0.8%
25-34	11.3%
35-44	21.1%
45-55	26.4%
55-64	25.0%
65+	15.3%

SHOPPING BEHAVIOR

Shop in-store	80%
Order online (shipped)	45.5%
Curbside pickup	29.2%
Order online (delivery)	23.7%
In-store pickup	23.5%
Subscription service	11.6%

DEVICES USED TO SHOP ONLINE

Smartphone	75.6%
Computer	61.8%
Tablet	29.2%
Other	8.2%
In-store kiosks	4.5%

PRIVATE LABEL PERCEPTION

49.5%
Believe private label quality has improved

37.6%
Have purchased private label to save money

23.3%
Believe they are savy when they buy private label

GROCERY SHOPPING ATTITUDES

38%
Like their shopping trip to be quick in-and-out

33%
Are quality driven

28%
Are price-driven

Grocery shoppers are creatures of habit when it comes to their overall routine, but highly susceptible to influence within their routines

Television-first

58%

of grocery shoppers are exposed to Television and it is the most influential touch point

Increasingly Mobile

45%

are exposed to online mobile devices, but only 13% consider at to be an influential touchpoint at the moment

Advertising

38%

of grocery shoppers seek relevance from advertising and 32% believe advertisements keep them up to date

Disloyal

<9%

are deal-focused brand loyalists while 28% are deal-focused brand switchers

Source: Numerator, Grocery Shoppers

Thank you!

NBCUniversal