Grocery

Sub-category Assessment

NBCUniversal
Agenda

Topline Trends

How the consumer-grocer relationship is evolving

Media & Marketing Implications

Grocery Spend Analysis

Grocery Consumer Profile
Topline Trends

What you need to know about the grocery landscape
Grocery Landscape

Established & Experienced
Has relatively extensive B&M presence

Growing / E-comm Focused
Usually born as e-comm service

Emerging
Entering from non-grocery-specific space
Topline Grocery Trends Today

**Inflation & Supply Chain Impacts**

Consumers are placing more importance on convenience and wellness, while also trying to adjust their product choices (i.e. 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

<table>
<thead>
<tr>
<th>Category</th>
<th>CPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall CPI*</td>
<td>8.3%</td>
</tr>
<tr>
<td>Food CPI</td>
<td>9.4%</td>
</tr>
<tr>
<td>Restaurant CPI</td>
<td>7.2%</td>
</tr>
<tr>
<td>Grocery CPI</td>
<td>10.8%</td>
</tr>
</tbody>
</table>

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

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

- Meat, poultry, and/or fish: 38%
- Snack and/or dessert foods: 24%
- Specialty and/or prepared foods: 24%
- Fresh produce: 19%
- Frozen foods: 16%
- Organic food: 16%
- Alcoholic beverages: 13%
- Nonalcoholic beverages: 13%
- Eggs and/or dairy products: 13%
- Bread, rice, and/or cereal: 12%
- Canned & Preserved Foods: 11%

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

“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

John Conlin
SVP, Properties at Target

“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
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 shopping.

- Best Value for Money: 71%
- Convenient Location: 57%
- My Products are Always in Stock: 57%
- Fast Checkout: 43%

Source: Statista, Survey Lab, PLMA, “Rise of Loyal Shoppers” April 2015
However, the way that money and time is saved has evolved

<table>
<thead>
<tr>
<th>What it used to refer to</th>
<th>What has changed</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Best Value for Money”</td>
<td>Consistently affordable selection of goods available at a single store</td>
</tr>
<tr>
<td>“Convenient Location”</td>
<td>Closest geographical location to home or along the home-to-office commute</td>
</tr>
<tr>
<td>“My Products are Always in Stock”</td>
<td>Store maintains inventory so it always has full shelves</td>
</tr>
<tr>
<td>“Fast Checkout”</td>
<td>Lines move fast and employees are efficient</td>
</tr>
</tbody>
</table>

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.
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

- Google: $873
- Comcast NBCU: $562
- Disney: $447
- Agency Trading Desk: $424
- Facebook: $402

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

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

<table>
<thead>
<tr>
<th>Advertiser</th>
<th>Digital Spend</th>
<th>Linear Spend</th>
<th>Print Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instacart</td>
<td>$17</td>
<td>$81</td>
<td>$17</td>
</tr>
<tr>
<td>ALDI, Inc.</td>
<td>$10</td>
<td>$1</td>
<td>$17</td>
</tr>
<tr>
<td>Mariano's</td>
<td></td>
<td>$23</td>
<td></td>
</tr>
<tr>
<td>Stop &amp; Shop LLC</td>
<td></td>
<td>$11</td>
<td>$7</td>
</tr>
<tr>
<td>Walmart Grocery</td>
<td></td>
<td>$2</td>
<td></td>
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</table>

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

<table>
<thead>
<tr>
<th>Platform</th>
<th>Overall</th>
<th>Grocery</th>
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<tbody>
<tr>
<td>Digital</td>
<td>+31%</td>
<td>+38%</td>
</tr>
<tr>
<td>Search</td>
<td>+14%</td>
<td>+112%</td>
</tr>
<tr>
<td>CTV/Streaming</td>
<td>+37%</td>
<td>+46%</td>
</tr>
<tr>
<td>Radio</td>
<td>+13%</td>
<td>+19%</td>
</tr>
<tr>
<td>Television</td>
<td>+6%</td>
<td>+1%</td>
</tr>
<tr>
<td>OOH</td>
<td>+29%</td>
<td>+71%</td>
</tr>
</tbody>
</table>

Sources: 1. SMI: Supermarkets, Convenience & General Stores
Grocery Consumer Profile
Understanding Grocery Shoppers

AUDIENCE PROFILE

<table>
<thead>
<tr>
<th>Top Generation</th>
<th>Age Distribution</th>
</tr>
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<tbody>
<tr>
<td>Generation X</td>
<td>18-20: 0.1%</td>
</tr>
<tr>
<td></td>
<td>21-24: 0.8%</td>
</tr>
<tr>
<td></td>
<td>25-34: 11.3%</td>
</tr>
<tr>
<td></td>
<td>35-44: 21.1%</td>
</tr>
<tr>
<td></td>
<td>45-55: 26.4%</td>
</tr>
<tr>
<td></td>
<td>55-64: 25.0%</td>
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<tr>
<td></td>
<td>65+: 15.3%</td>
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</table>

<table>
<thead>
<tr>
<th>Male / Female / Other Skew</th>
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</thead>
<tbody>
<tr>
<td>54.9% / 42.2% / 2.9%</td>
</tr>
</tbody>
</table>

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 savvy when they buy private label.

SHOPPING BEHAVIOR

<table>
<thead>
<tr>
<th>Shopping Behavior</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shop in-store</td>
<td>80%</td>
</tr>
<tr>
<td>Order online (shipped)</td>
<td>45.5%</td>
</tr>
<tr>
<td>Curbside pickup</td>
<td>29.2%</td>
</tr>
<tr>
<td>Order online (delivery)</td>
<td>23.7%</td>
</tr>
<tr>
<td>In-store pickup</td>
<td>23.5%</td>
</tr>
<tr>
<td>Subscription service</td>
<td>11.6%</td>
</tr>
</tbody>
</table>

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 it 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