ONLINE GROCERY COULD SATURATE WITHIN 5-7 YEARS
Maturing more quickly than previous forecasts predicted

As many as 70-80% of food shoppers expect to buy online in 10 yrs.

## DIGITAL READINESS … A WAYS TO GO

<table>
<thead>
<tr>
<th>Manufacturers</th>
<th>Retailers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PEOPLE</strong></td>
<td><strong>Retailers</strong></td>
</tr>
<tr>
<td>20% Believe they have the skill sets to succeed in digital</td>
<td>7%</td>
</tr>
<tr>
<td><strong>PROCESS</strong></td>
<td><strong>Retailers</strong></td>
</tr>
<tr>
<td>32% Have integrated their digital marketing and merchandising assets</td>
<td>22%</td>
</tr>
<tr>
<td><strong>TECHNOLOGY</strong></td>
<td><strong>Retailers</strong></td>
</tr>
<tr>
<td>35% Have established a digital investment planning and budgeting roadmap</td>
<td>23%</td>
</tr>
</tbody>
</table>
DIGITAL TRANSFORMATION OPPORTUNITIES

Collaboration across these imperatives will drive sales or remove excess cost

- Duplicative Organizational Structure
- Disjointed Shopper Insights
- Master Data Accuracy
- Suboptimal Marketing & Promotions
- Poor Forecasting
- Digital Shelf Challenges

Source: Initial Manufacturer and Retailer Exec Interviews (2017)
DIGITAL COLLABORATION IMPROVES MARGINS

Both agree highest potential from master data, promotion and shopper insights

Retailers and CPG manufacturers clearly recognize the opportunity for margin improvement through transformative digital collaboration

2.50 3.50
DIGITAL TRANSFORMATION BEST PRACTICE

+ Executive leadership for a cross functional and integrated plan
+ Build digital skillsets either by acquisition or internal talent development
  + Focus on long term, not week to week

+ Create marketing and merchandising processes that integrate in-store and digital
  + Test and learn

+ Define digital transformation technology roadmap
  + Integrate technology across all key elements of retailer/manufacturer collaboration
Next Generation Loyalty: Get it Right in Food Retail
How loyal are shoppers?

How loyal are you to your main food retailer?

5 = very loyal
4 = loyal
3 = moderately loyal
2 = minimally loyal
1 = not loyal

Average Shopper Loyalty was 4 out of 5!

Source: IDC Retail Insights & Precima Next Generation Loyalty Study 2018
How loyal are shoppers...truly?

1. I prefer shopping at one grocery store where I can satisfy all my grocery needs 58%

2. I typically only shop one retailer each week for food and groceries 19%

3. I typically spend more than 90% of my weekly budget with my primary store 7%

Source: IDC Retail Insights & Precima Next Generation Loyalty Study 2018
Loyalty is NOT a card or a program or an initiative

Loyalty has to be earned by **Best Satisfying the Needs of Customers**

To achieve this, retailers need to realize **two objectives**:

- **Understand Customer Needs** on a granular, timely & frequent basis
- **Consistently Execute Actions** that best satisfy customer needs
Consumer needs differ by generation

- Shop at fewer stores
- Sticking with stores
- More loyal to brands
- Fresh categories/cooking
- Less digitally engaged
- Like Weekly Ad

- Shop at more stores
- Embracing ecommerce
- Less loyal to brands
- Prepared meals & kits
- More digitally engaged
- Like Personal offers

Source: IDC Retail Insights & Precima Next Generation Loyalty Study 2018
Consumer needs are evolving

What is your preferred place for purchasing the following products?

- Fresh meats, poultry, fish: 87% (Store is preferred place of purchase), 13% (Store is NOT preferred place of purchase)
- Fruit and vegetables: 85% (Store is preferred place of purchase), 15% (Store is NOT preferred place of purchase)
- Ready-to-go Meals: 79% (Store is preferred place of purchase), 21% (Store is NOT preferred place of purchase)
- Canned Goods: 77% (Store is preferred place of purchase), 23% (Store is NOT preferred place of purchase)
- Snacks: 75% (Store is preferred place of purchase), 25% (Store is NOT preferred place of purchase)
- Home products: 71% (Store is preferred place of purchase), 29% (Store is NOT preferred place of purchase)
- Health & Beauty Care: 62% (Store is preferred place of purchase), 38% (Store is NOT preferred place of purchase)

Source: IDC Retail Insights & Precima
Loyalty needs to evolve and is Best Viewed in 3D

1D Loyalty as a Strategy

2D Loyalty as an Outcome

3D Loyalty as a Program
Loyalty in 3D Delivers Differentiated & Sustainable Results

Loyalty Strategy

- Enhanced Loyalty Programs (1-1.5X ROI)
- Personalized Marketing (2-3X ROI)
- Customer-Centric Merchandising (4-6X ROI)
- Shopper-Driven Supplier Collaboration (5-8X ROI)

Deliver Next Generation Loyalty in 3D - Get it Right in Food Retail

Source: Precima
Thank You!
How to Drive Superior Results Through Trading Partner Collaboration

Marc Hubbard
Vice President, US Client Services

Jan 27, 2018
5% sales growth is at stake
Retailers receive more support when they collaborate

Retailers receive more $’s when they collaborate
How to be a Top Tier Retailer

1. Collaborate don’t dictate
2. Great Communication
3. Follow Through / Follow Up
How to be a Top Tier Supplier

1. Great Supply Chain
2. Consistent Performance
3. Proactive Communication
Thank You

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