KANTAR RETAIL

Health & Wellness Today

Bridging Perishables and Center Store to Save Shoppers

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ECRM Summer Snack & Dry Grocery EPPS

July 24th, 2017

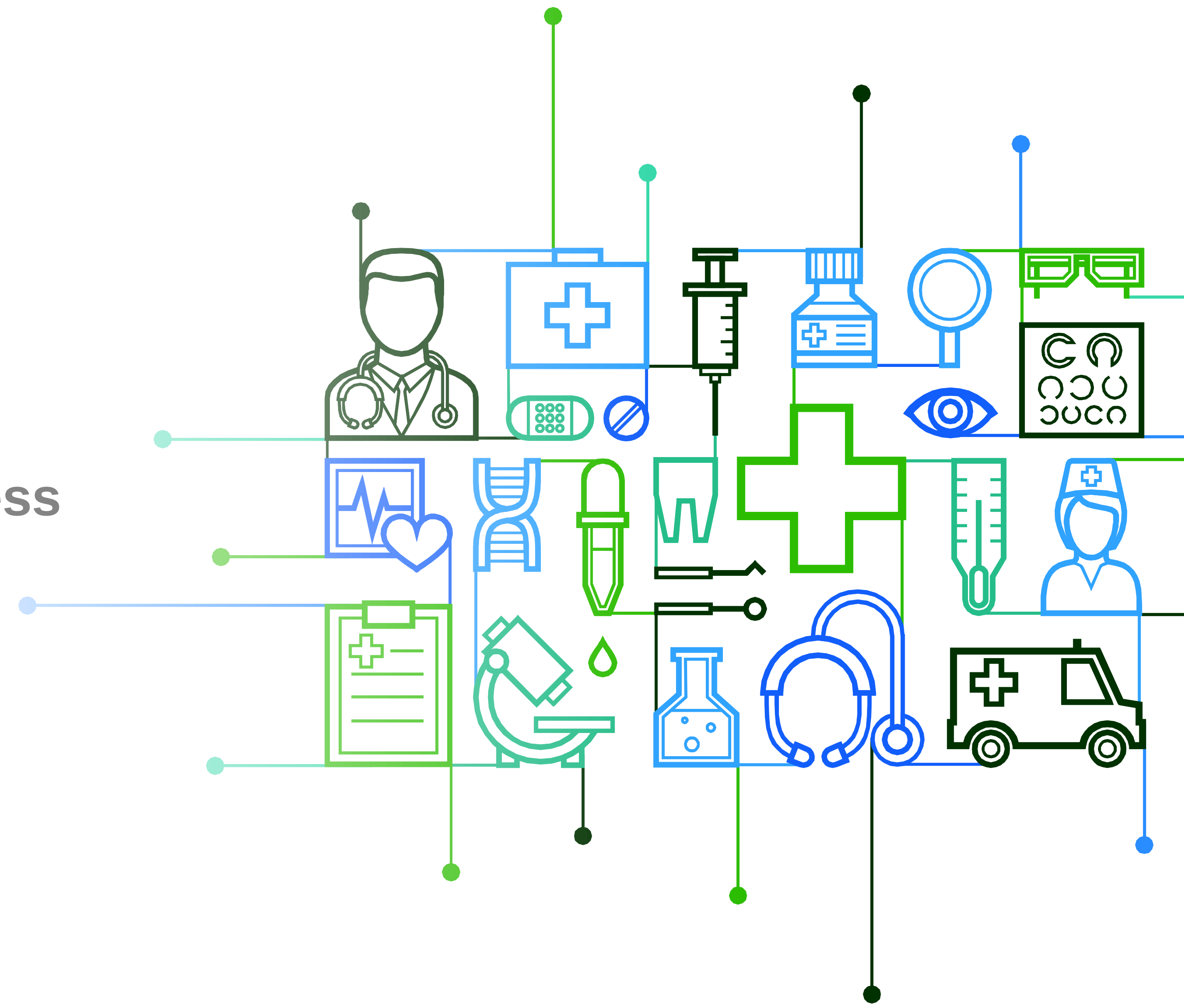
Agenda

Macro Trends in Health and Wellness

Exploring the “Good for…” Movement

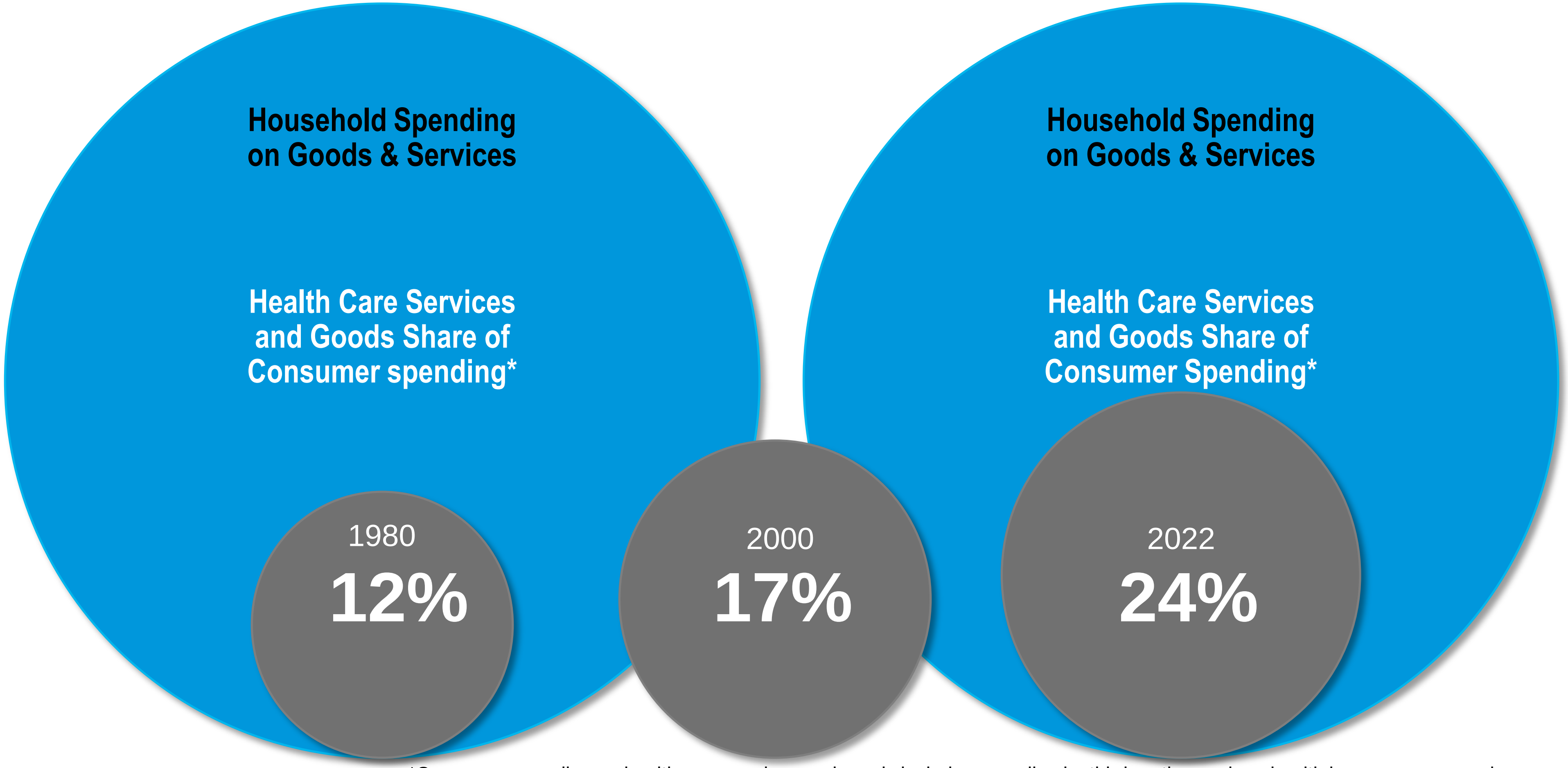
Moving Forward

Macro Trends in Health and Wellness



Health Care Spending: Approaching the Size of All Goods

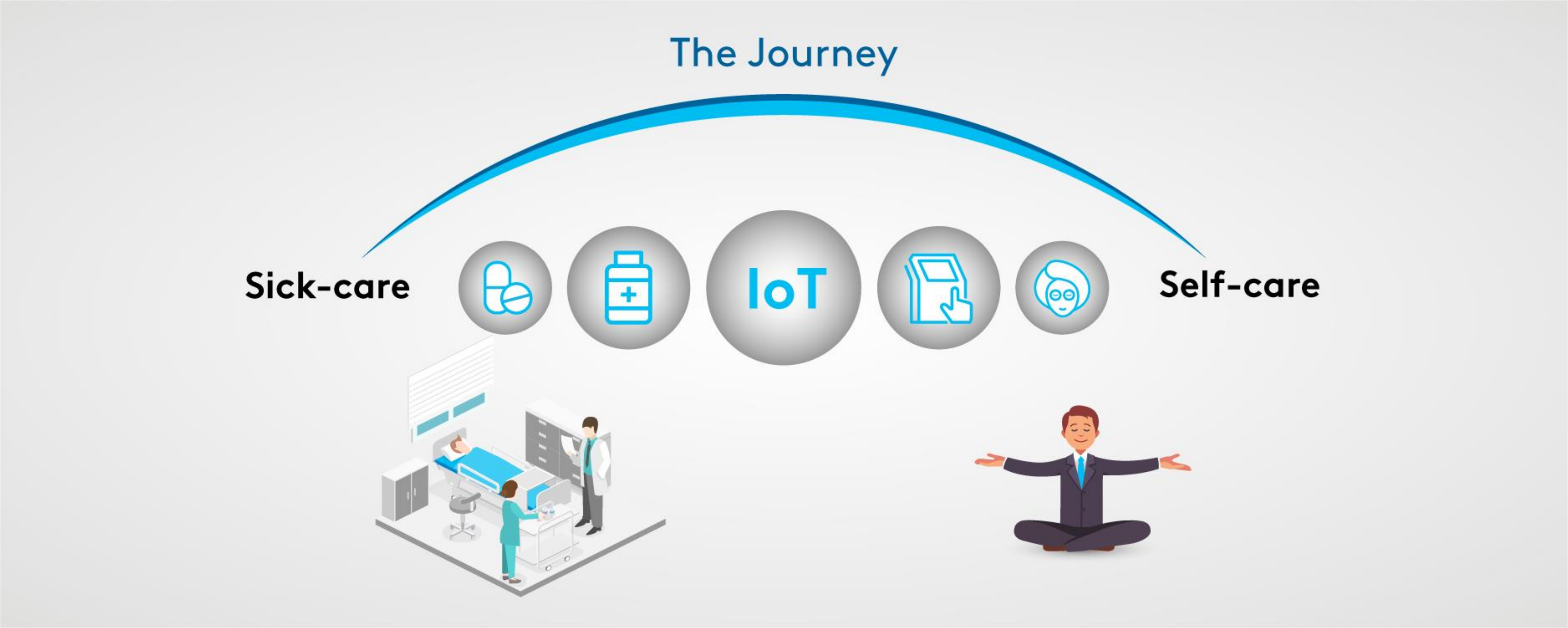
Health care will continue to indirectly “squeeze” spending outside of health & wellness.



*Consumer spending on health care services and goods includes spending by third parties such as health insurance companies on behalf of consumers. Measure is combined spending for health insurance, health care services, drugs, and therapeutic equipment.

Kantar Retail © 2017
Source: U.S. Department of Commerce, Kantar Retail analysis

We Must Better Understand the Patient's Health and Wellness Journey



Kantar Retail © 2017

Source: Kantar Retail analysis

‘Health’ and ‘Wellness’ Are Two Unique Concepts in Shoppers’ Minds

Terms That Shoppers Associate With Being “Healthy” or Being “Well”

More likely to associate terms with being healthy

Healthy

- Eating healthy
- Avoiding overly processed foods
- Exercising regularly
- Having a certain weight
- Being active
- Completing routine medical visits
- Managing chronic conditions
- Getting enough sleep
- Not being sick
- Confidence my body is taking care of me and vice versa

Physical/ Functional

Avoiding Stress

Minimizing Stress

Well

- Having hobbies/interests
- Being spiritually centered
- Feeling happy with how I look
- Laughing
- Having healthy relationships with others
- Looking a certain way
- Keeping my mind sharp

More likely to associate terms with being well

Mental/ Aspirational

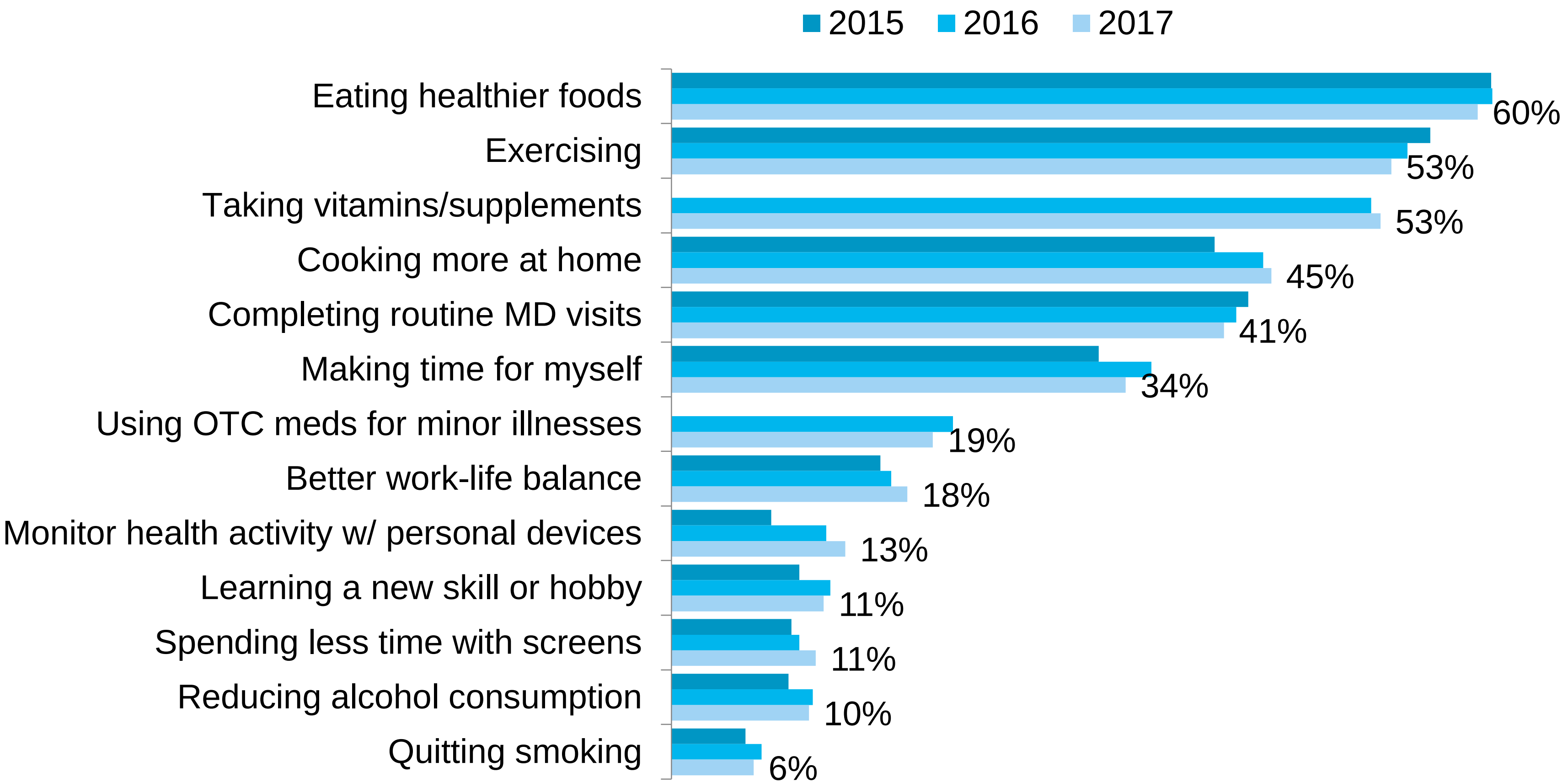
Note: Terms within the intersection are almost equally likely to be attributed to being healthy or being well.

Kantar Retail © 2017
Source: Kantar Retail ShopperScape®, February 2017

Eating Healthier Foods Is the Most Elementary Path to Health and Wellness

Within grocery channel, other elements matter too

Ways in Which Shoppers Approach Health and Wellness



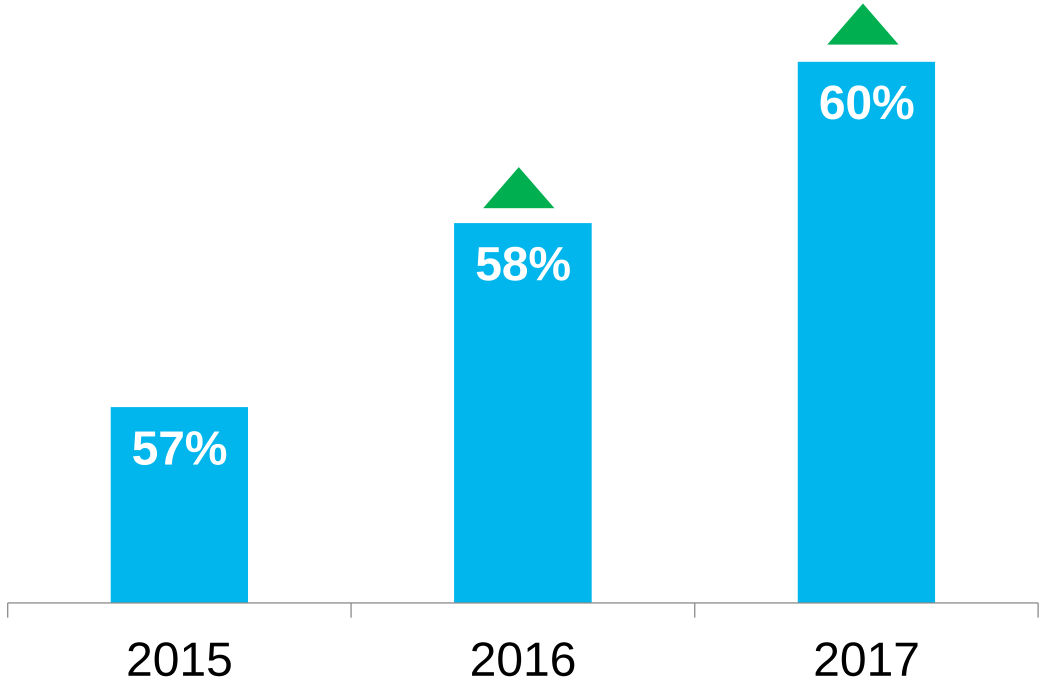
91%

of shoppers are engaged in health and wellness activity

Orientation Toward Stress Reduction, Self-Nourishment Grows Stronger

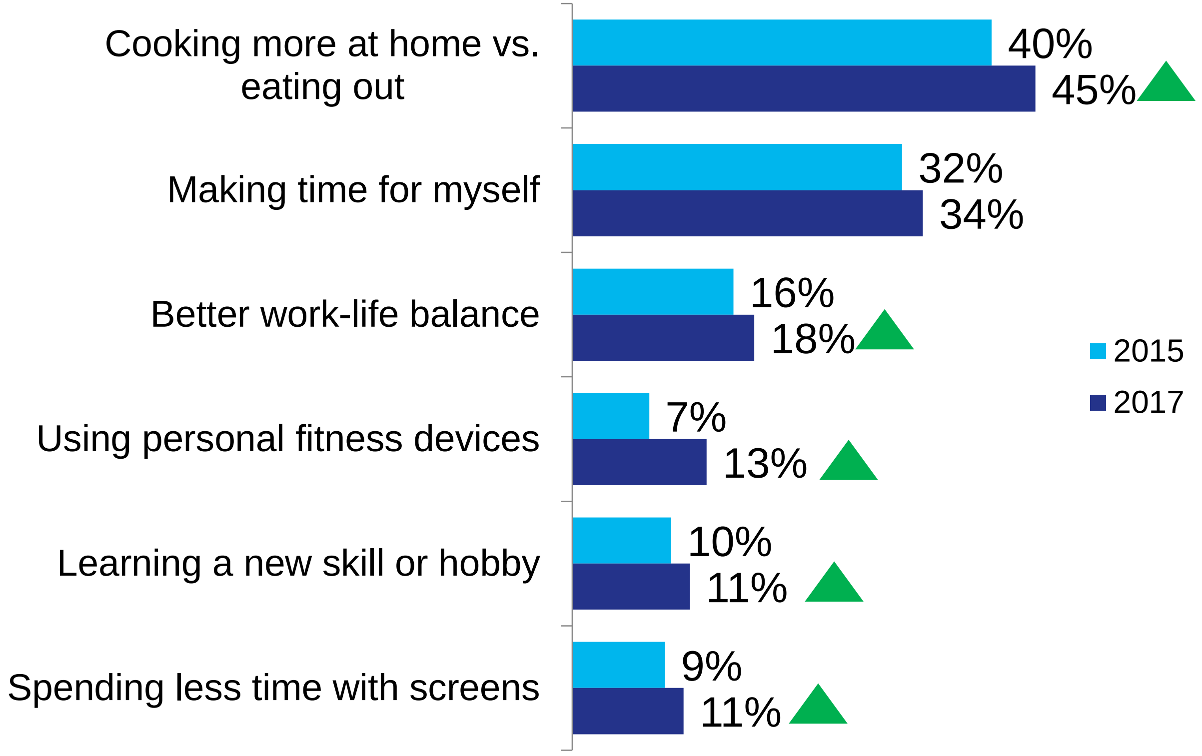
Health and wellness activity remains high, but has leveled off; no significant shifts 2016-17

Percentage of Shoppers Who Rank "Having a Stress-Free Shopping Experience" Among Their Top Four Important Factors When Shopping



Note: Arrows indicate significant increase vs. previous year (95% confidence level).

Ways in Which Shoppers Approach Health and Wellness



Note: Arrows indicate significant increase vs. 2015 (95% confidence level).

Kantar Retail © 2017
Source: Kantar Retail ShopperScape®, April-March 2015, 2016, 2017; January 2015 and 2017

Increasingly, Health and Wellness Is a Retail Priority

"Walmart is looking at creating more profit pools, including in financial services and **health/wellness."**

– Doug McMillon, President and CEO of Wal-Mart Stores Inc.

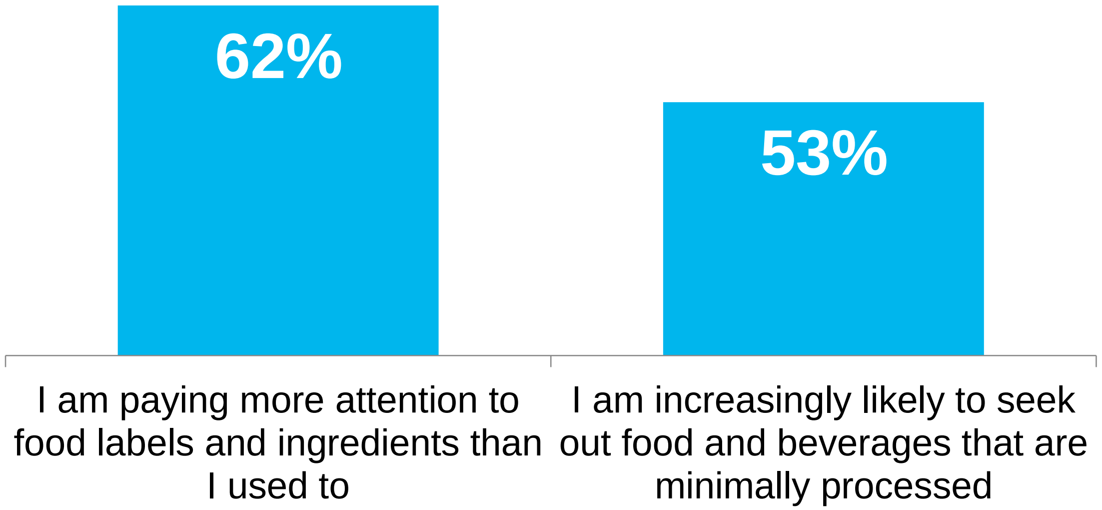
CVS Health

Goodbye, candy counter: CVS embraces store redesign

SPROUTS FARMERS MARKET

Industry Must Communicate That It Can Support Shoppers’ Needs

Percentage of Shoppers Who Strongly Agree/Agree With Statements



Transparency and trust perpetuate engagement:

63%

of shoppers prefer to shop at retailers that are transparent about product quality

61%

of shoppers are willing to spend more money on a brand they trust

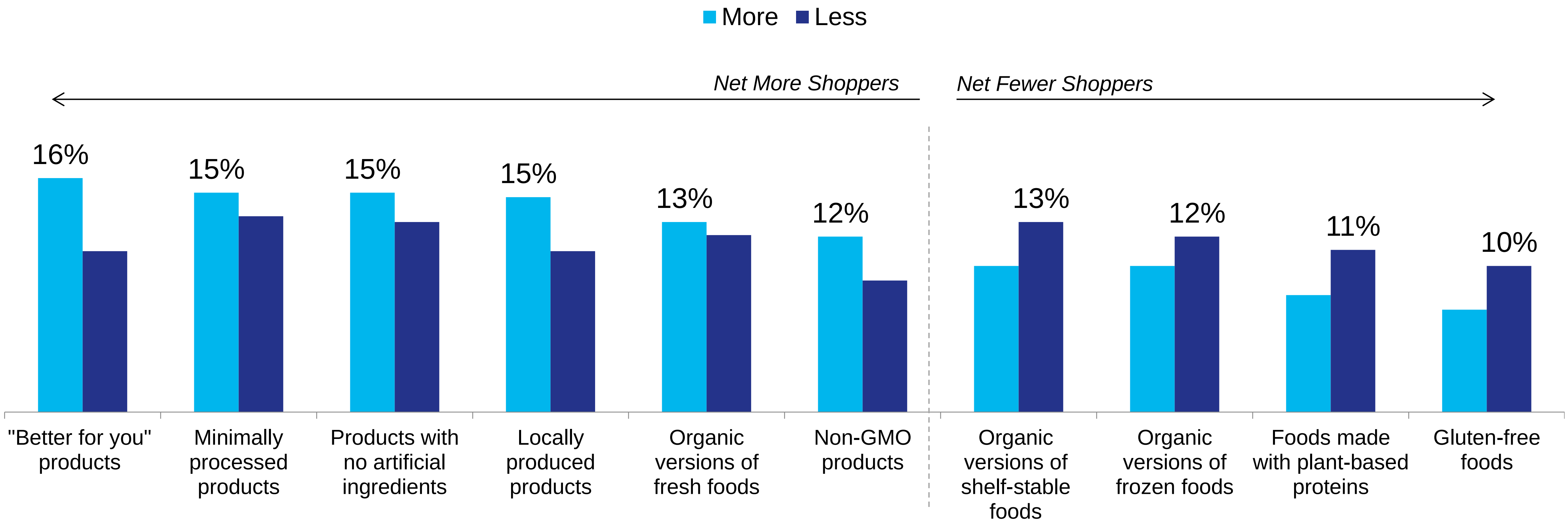
Kantar Retail © 2017

Source: Kantar Retail ShopperScape®, February and January 2017; August 2016

Health and Sustainability Trends Continue to Gain Traction With Shoppers

Shoppers especially interested in “better for you” products

Products Shopped More/Less vs. Year Ago

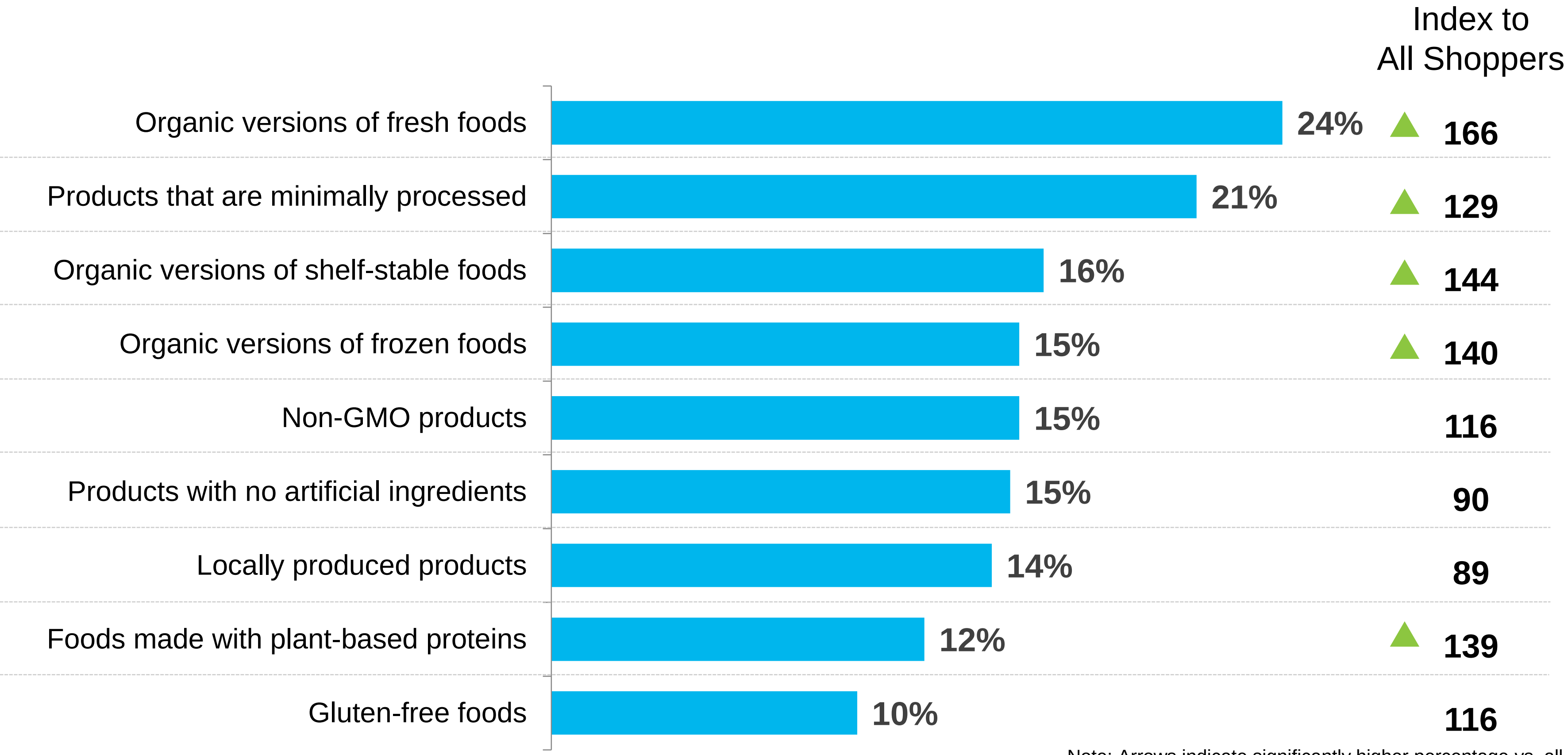


Kantar Retail © 2017
Source: Kantar Retail ShopperScape®, November 2016

Wellness Opportunities Expanding in Unconventional Places

54% of Millennial discount shoppers want a wider assortment of natural/organic products

Share of Millennial Discount Shoppers Report Spending More on Products vs. Year Ago



DOLLAR GENERAL

Note: Arrows indicate significantly higher percentage vs. all shoppers (95% confidence level).

Kantar Retail © 2017

Source: Kantar Retail ShopperScape®, February and November 2016

Exploring the “Good for…” Movement

The Three ‘G’ Game Plan in Health and Wellness for Total Store Growth

Game Plan for Growth

- **Good for Me**
- **Good for You**
- **Good for Everyone**

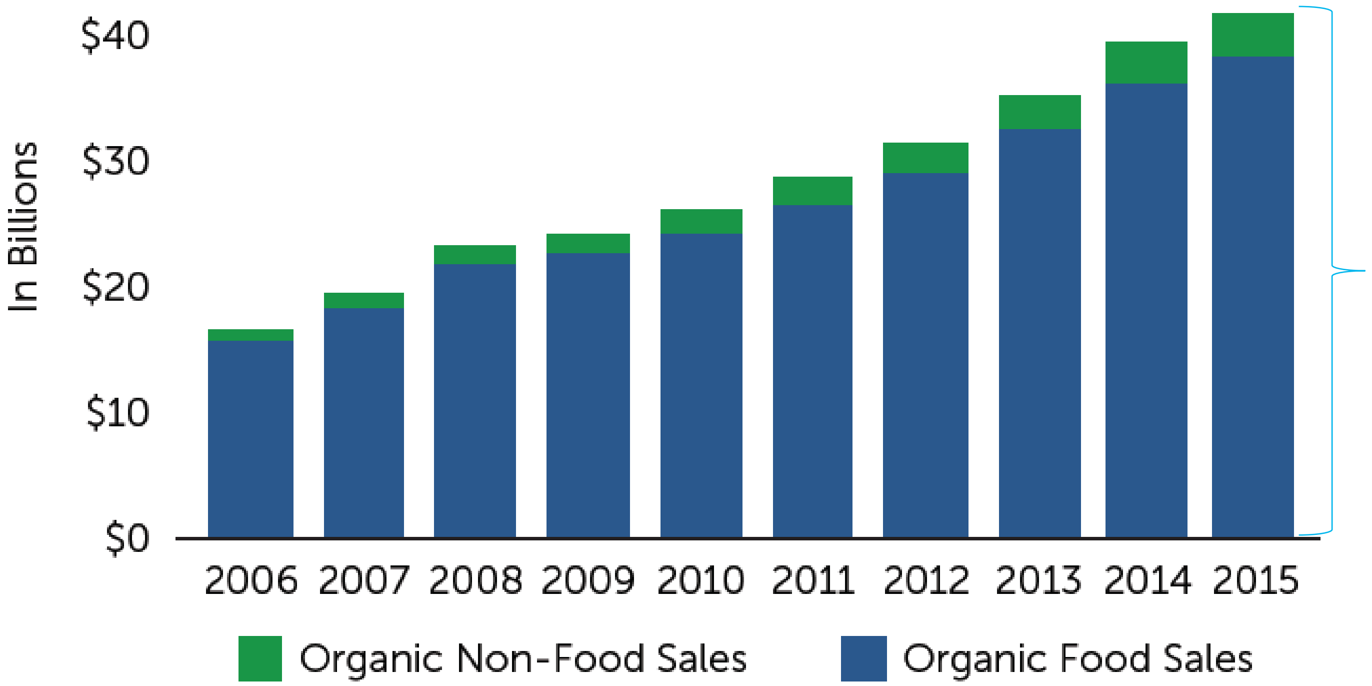
Kantar Retail © 2017

Source: Kantar Retail analysis

Start at the Beginning: A Decade of Organic Foods

Growth expanded quickly into nonfood products in the last five years

Total U.S. Organic Sales and Growth, 2006–2015



2015 Sales: $43.3 Billion

2015 Sales Added: $4.2 Billion

YOY Growth: 10.7%

- In 1997, organic sales were $3.7 billion.
- For comparison, the overall food market grew 3.3%.

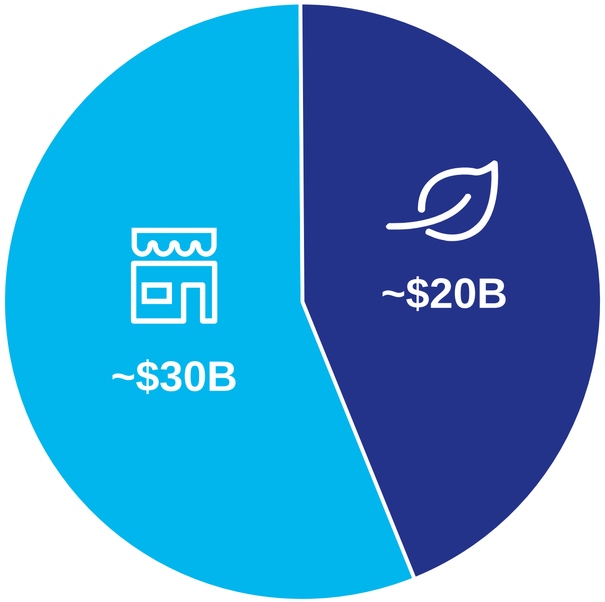
Mainstream Retailers Account for More Than Half of Total Organic Retail Sales

These retailers have scale and national penetration, further driving ubiquity of the segment

Mainstream Retailers

Kroger, Walmart, H-E-B, Target, ALDI, Trader Joe's

Approximately $50 Billion in Organic Retail Sales



Natural/Organic Retailers

The Fresh Market, Whole Foods Market, Lucky's Market, Sprouts Farmers Market, Fresh Thyme Farmers Market

Clean Labels Actively Engage Shoppers

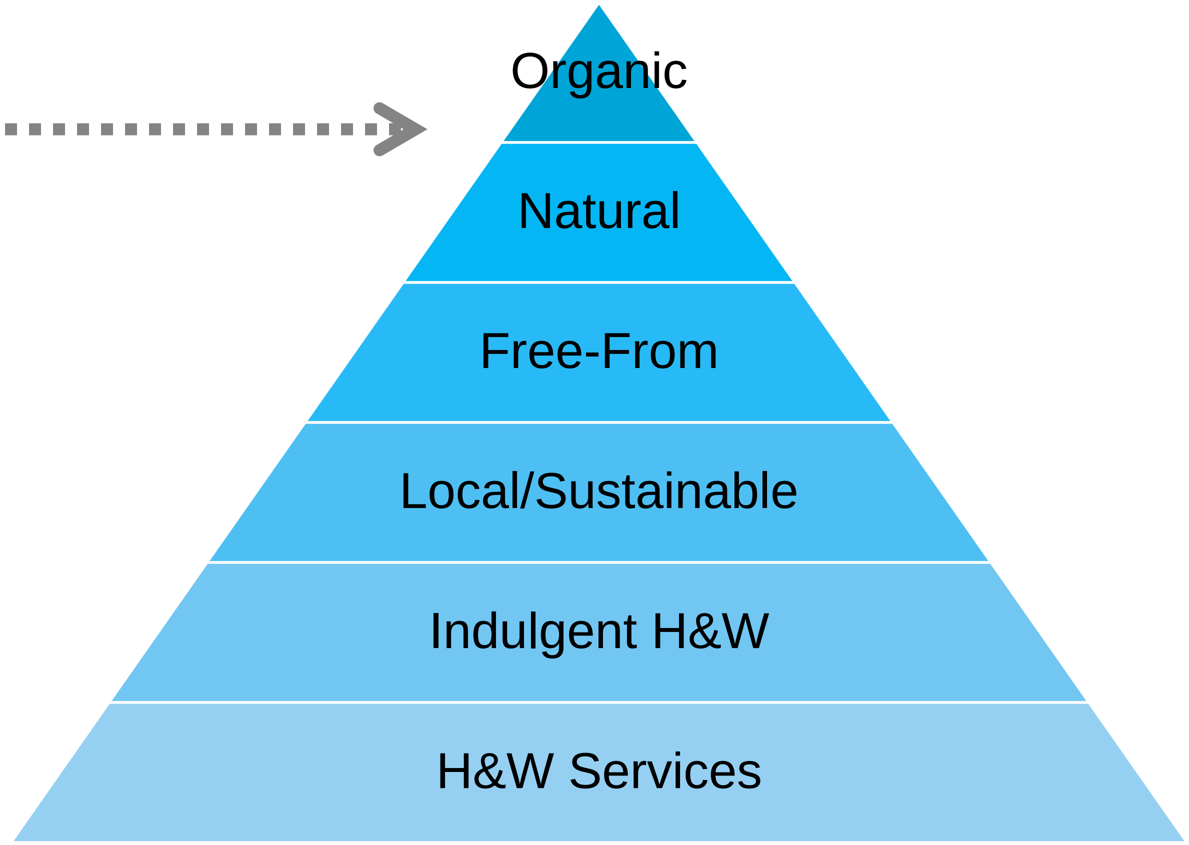
28% increase in advertising creatives mentioning “clean label” attributes in 2016 vs. 2015

Rank	Attribute	% Change
1	Organic	+ 42% ▲
2	No Artificial Flavors	+ 79% ▲
3	Gluten-Free	- 1% ▼
4	No Artificial Colors	+ 118% ▲
5	Allergies	- 5% ▼
6	Non-GMO	+ 129% ▲
7	Antioxidants	+ 46% ▲
8	Grass-Fed	+ 56% ▲
9	Less Sugar	No Change

Rank	Attribute	% Change
10	Low Fat	- 48% ▼
11	No HFCS	+ 28% ▲
12	Vegan	+ 69% ▲
13	Sugar-Free	- 15% ▼
14	Scent-Free	No Change
15	No Preservatives	+ 300% ▲
16	Plant Protein	+ 11% ▲
17	Chemical-Free	- 54% ▼
18	Animal Cruelty-Free	New ▲

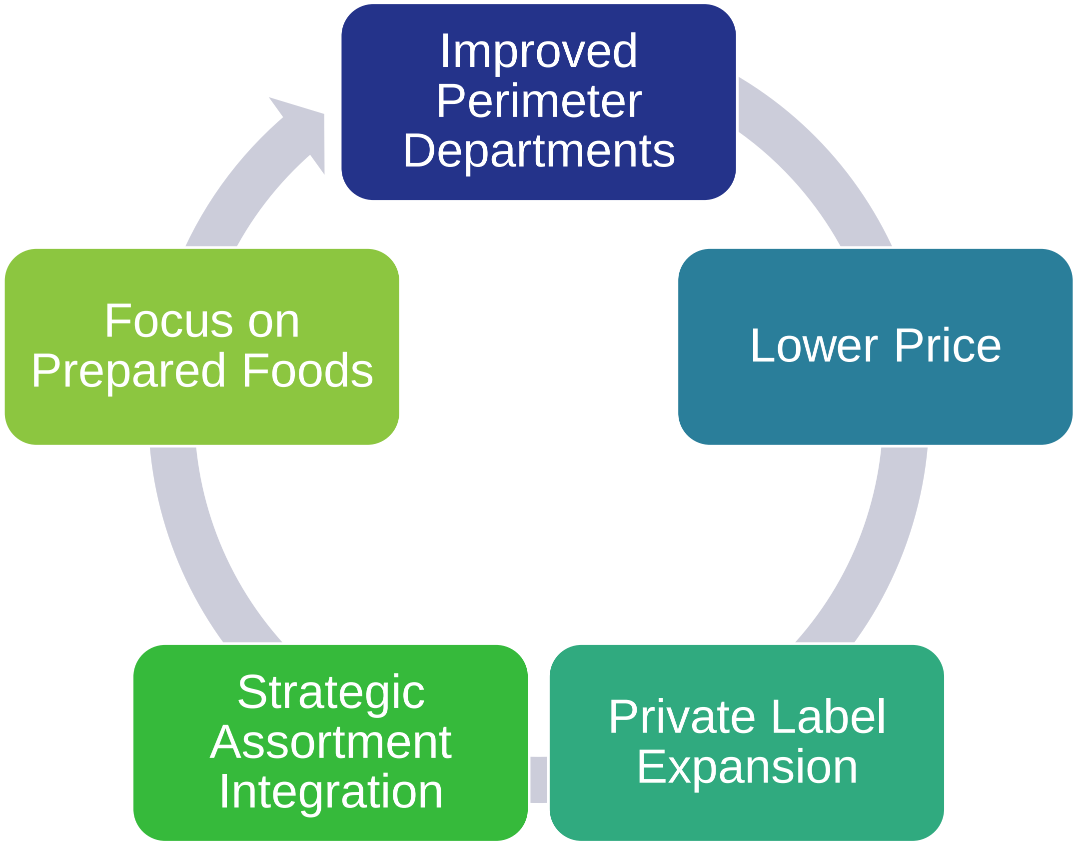
Note: Rank based on total number of creatives mentioning specified attribute in 2016.

Organic Is the Cherry on Top of a Sundae of Opportunity



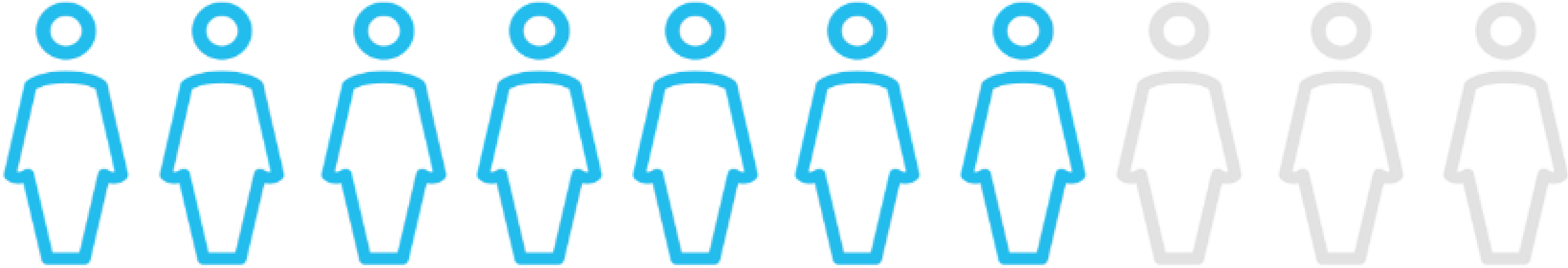
Mainstream Retailers Replicate Key Elements From Specialty Retailers

Building on what works in natural and organic retail, yet also offering significant convenience and further benefits



H-E-B Perfects Produce

Strong spending in produce connected to stronger loyalty in other categories



7 in 10 H-E-B shoppers report spending the most on produce there

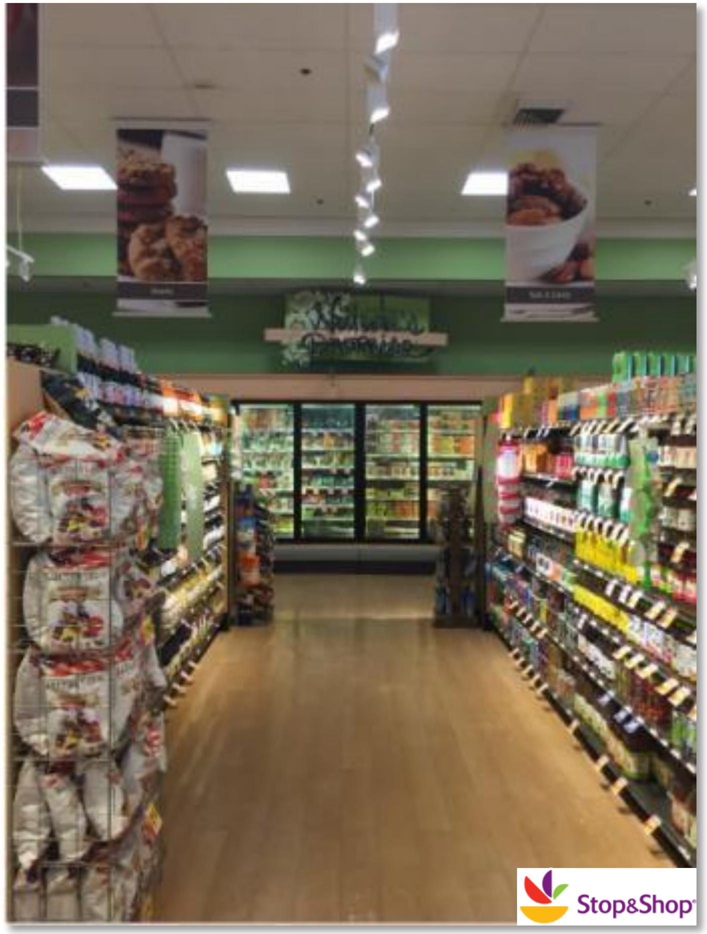
How H-E-B Fresh Drives Total Grocery

36% of those who spent the most on groceries at H-E-B cite high-quality fresh foods among the top three most important reasons they spent the most there, more than **twice the average.**

Kantar Retail © 2017
Source: Kantar Retail ShopperScape®, February, May, August, and November 2016; Kantar Retail store visits

Private Label Brands Used to Create Natural/Organic Store-Within-A-Store

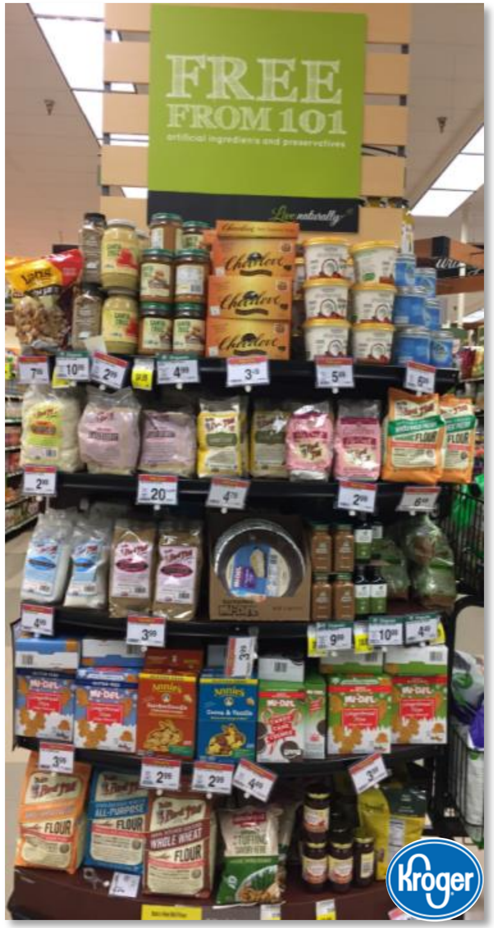
Expanding offering beyond perimeter and driving retailers' authority



Kantar Retail © 2017
Source: Kantar Retail store visits

Natural/Organic Center Store Offering is Retailers' Next Advance

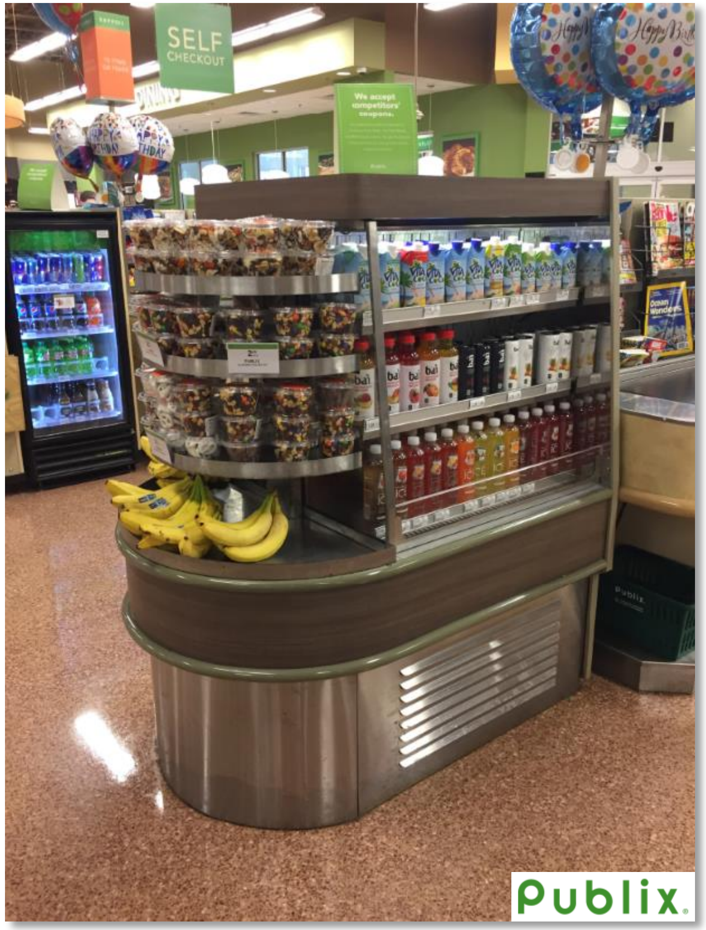
Understanding where you play is pivotal to maintain relevance with retailers and shoppers



Kantar Retail © 2017
Source: Kantar Retail store visits

Check-Out Becoming a Core Health & Wellness Statement

Best-in-class grocery retailers adopt Publix's signature magic bullet to drive "smart snacking" impulses



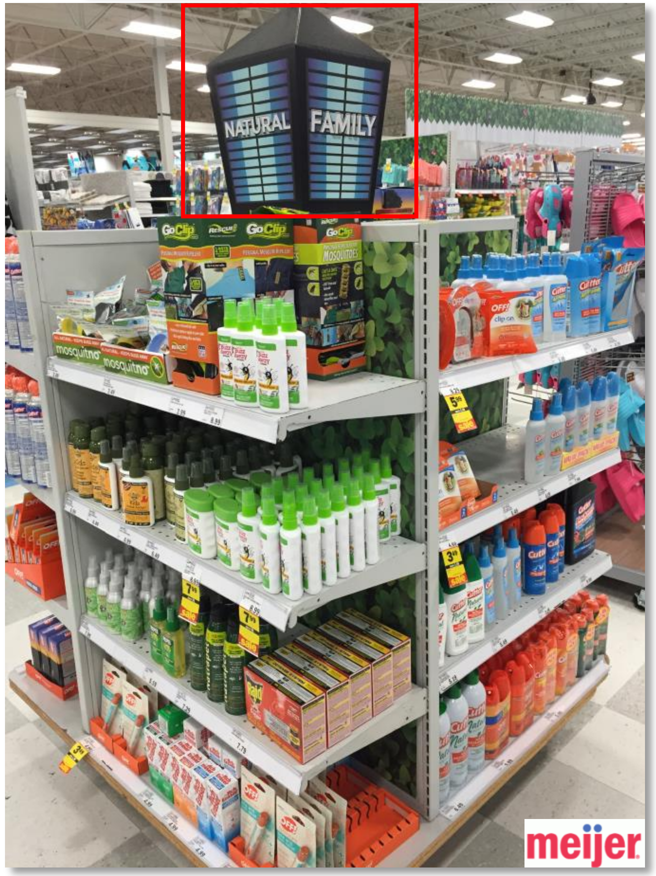
Net Net: Health & Wellness Has Become a Total Store Opportunity

Where can you play?

Unconventional categories

Regimens to build baskets

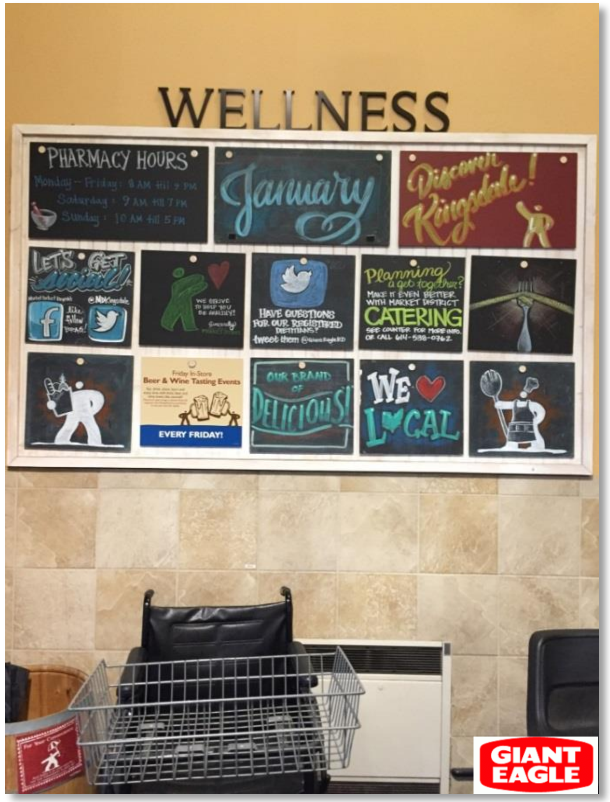
Seasonal Integration



Kantar Retail © 2017
Source: Kantar Retail store visits

Strong Health and Wellness Services Push the Initiative to the Next Level

Full-service approach with intent to build shopper relationships



Kantar Retail © 2017

Source: Kantar Retail store visits

Local Initiatives Go Beyond Sourcing, Focusing on Community Involvement

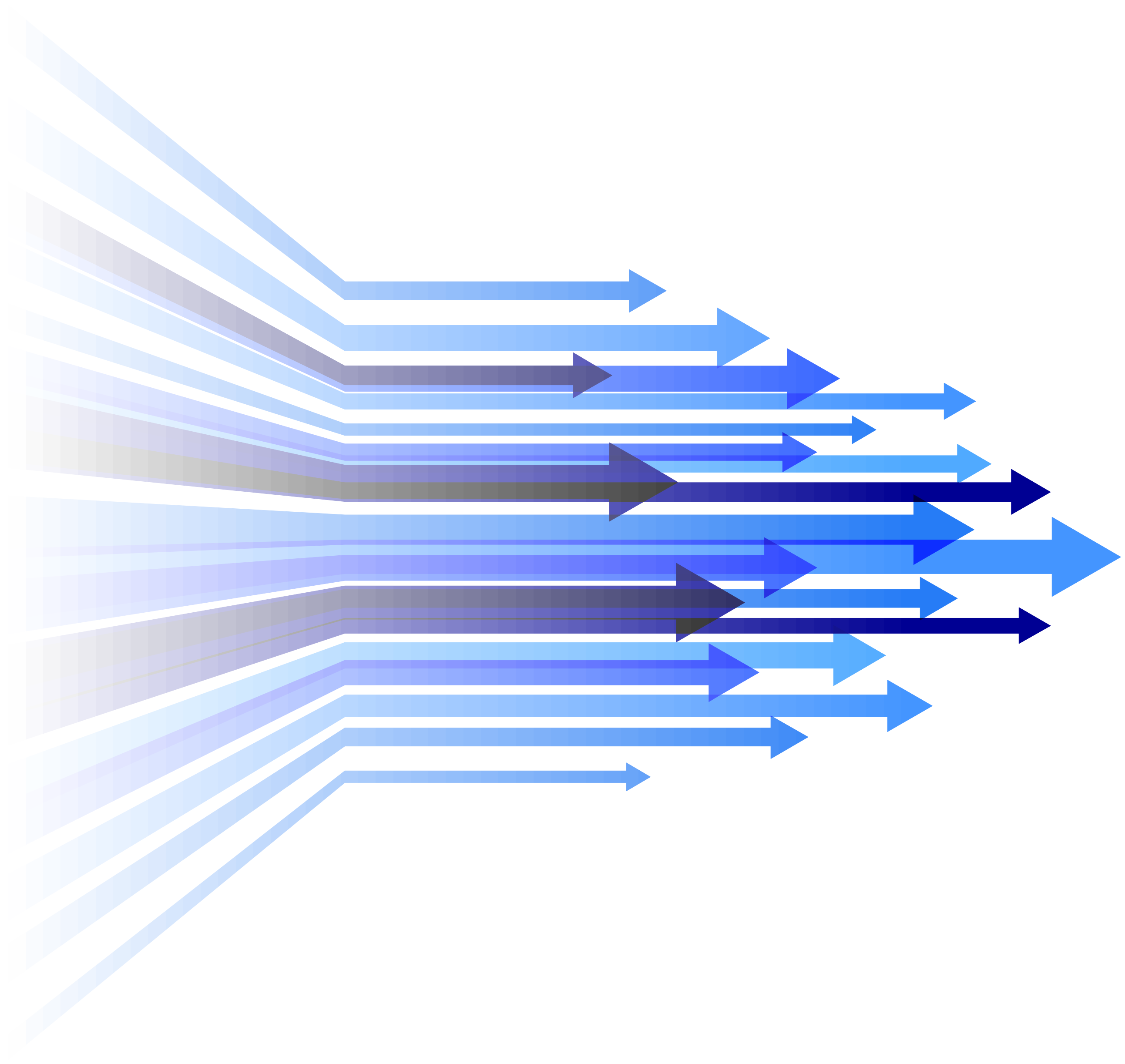
National brands leverage retailer's communities to develop local connection with shoppers

Retailer Led | **Supplier Led**

Best in Class: A Trip to Middle America

Hy-Vee and health and wellness go hand in hand

Moving Forward



Identify Where You Fit in the ‘Good for …’ Game Plan

Game Plan for Growth

Good for Me | **Good for You** | **Good for Everyone**

Actionable Insights

– Integrate shoppers **nuanced definitions of health and wellness** into how you develop your go-to-market strategy. Understand whether your brand fits more into the health component or wellness aspirations.

– Health and wellness is a **ubiquitous focus** for retailers and brands. Identify **where your brands fit** by utilizing the **"good for …"** game plan. This can serve as the foundation of your shopper targeting strategy.

– For **"good for me"** products and value propositions, focus very clearly on how your offer can help a **specific shopper benefit.** Prioritize **product sourcing and transparency** to meet shoppers heightened product vetting routines.

– Natural and organic, along with kid-focused products, fit very well in the **"good for you"** pillar. Communication here should clearly articulate whole health for family and friends.

– Local and sustainable products and retail promotions and products that give back to the community are the essence of **"good for everyone."** For younger shoppers, this will be a growing platform in the future.

For further information please refer to
www.kantarretailiq.com

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www.kantarretail.com

Appendix

Kantar Retail is here to help

We are The Retail and Shopper Specialists

Our purpose

We help you sell more effectively and profitably

How we do it

We connect a world class set of retail and shopper capabilities and assets with pragmatic, solution-orientated people to grow client businesses

Kantar Retail: an end to end solution for suppliers and retailers

INSIGHTS

Shopper Insights

Retail, Market and Channel Insights

CONSULTING AND ANALYTICS

Go to Market

Category Growth Strategy

Shopper Marketing

Organisational Capabilities

Retail Analytics — Assortment

Price, Promotion, Shopper Marketing

TECHNOLOGY SOLUTIONS

Sales Force Automation

Trade Promotions Management

Trade Promotions Optimisation

Retail Virtual Reality

Image Recognition for Retail Execution

Our industry expertise

We are advisors to leading retailers and their supplier partners worldwide

CPG / FMCG

RETAIL

B2B

PHARMACEUTICAL

CONSUMER ELECTRONICS