




FINANCIAL HEADWINDS




Payroll Tax Increase




Rising Food Prices



Increased Health Care Costs





Rising Utility/Energy Bills



Rising Gas Prices

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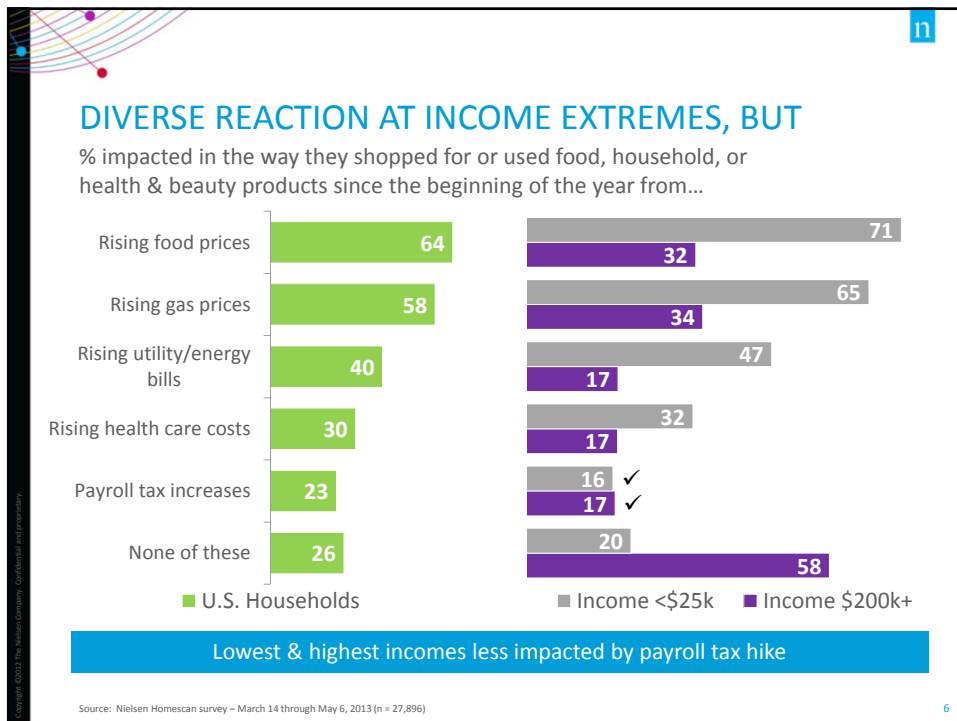
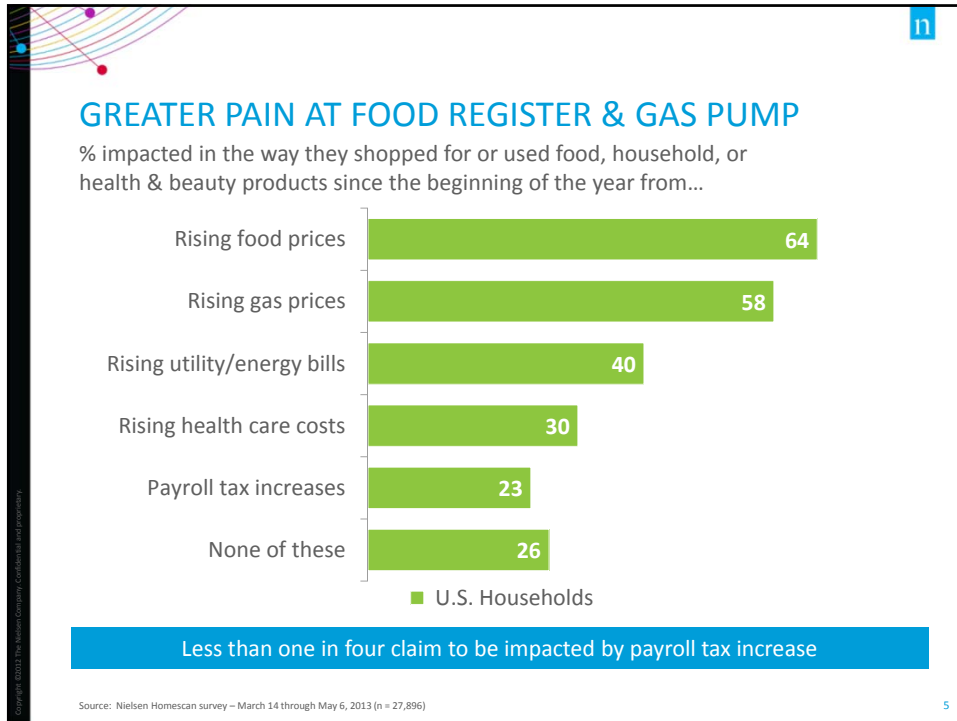


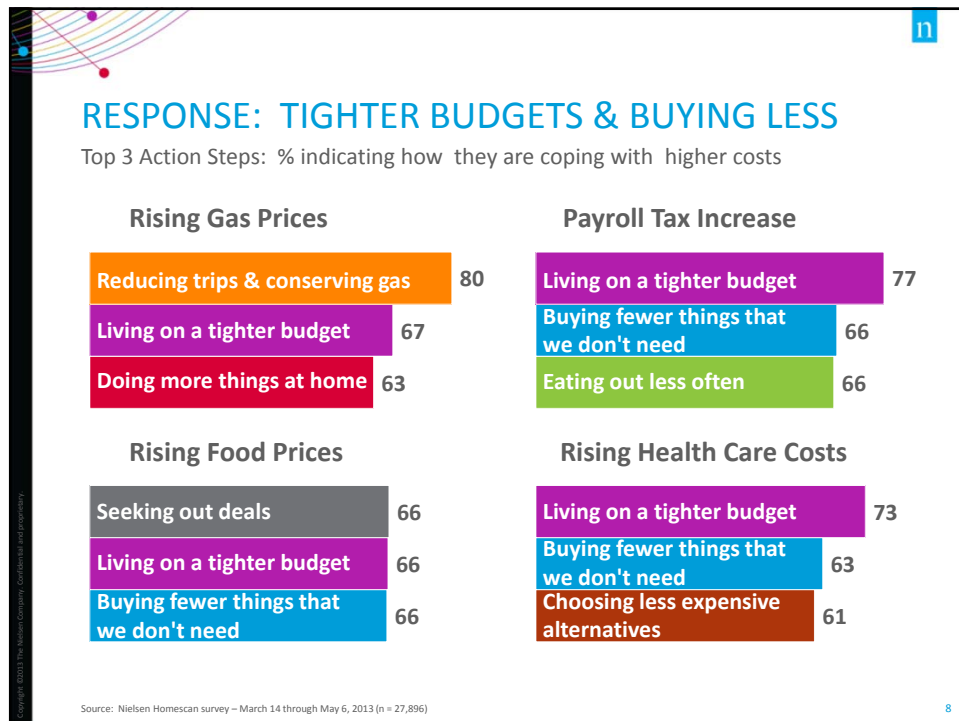
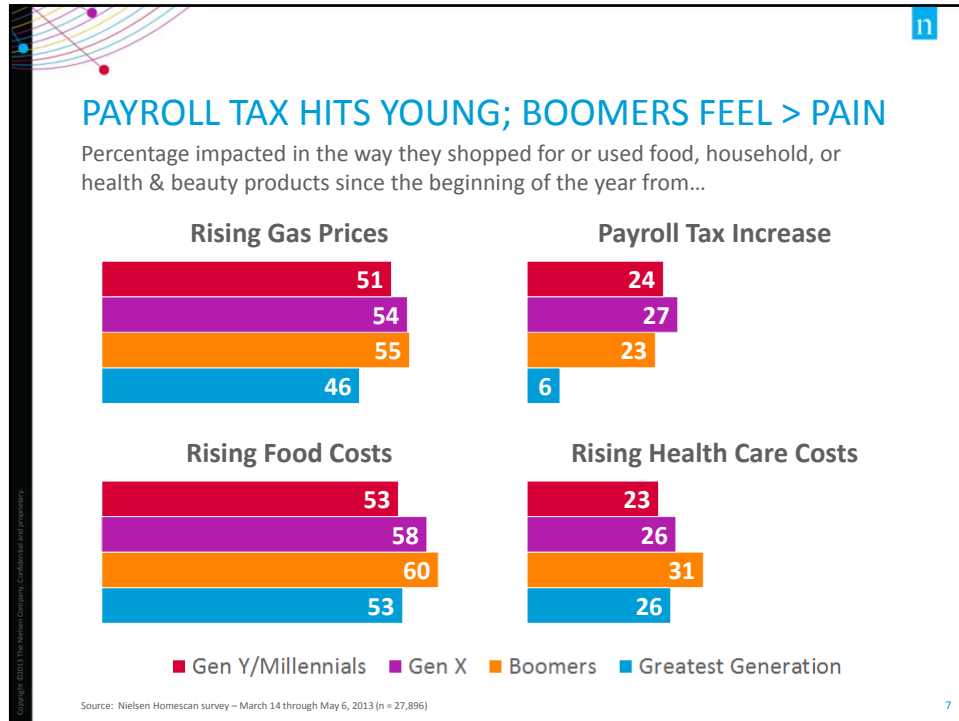
SINCE THE BEGINNING OF 2013, WHICH FINANCIAL HEADWIND DID CONSUMERS CLAIM GAVE THEM THE GREATEST PAIN?

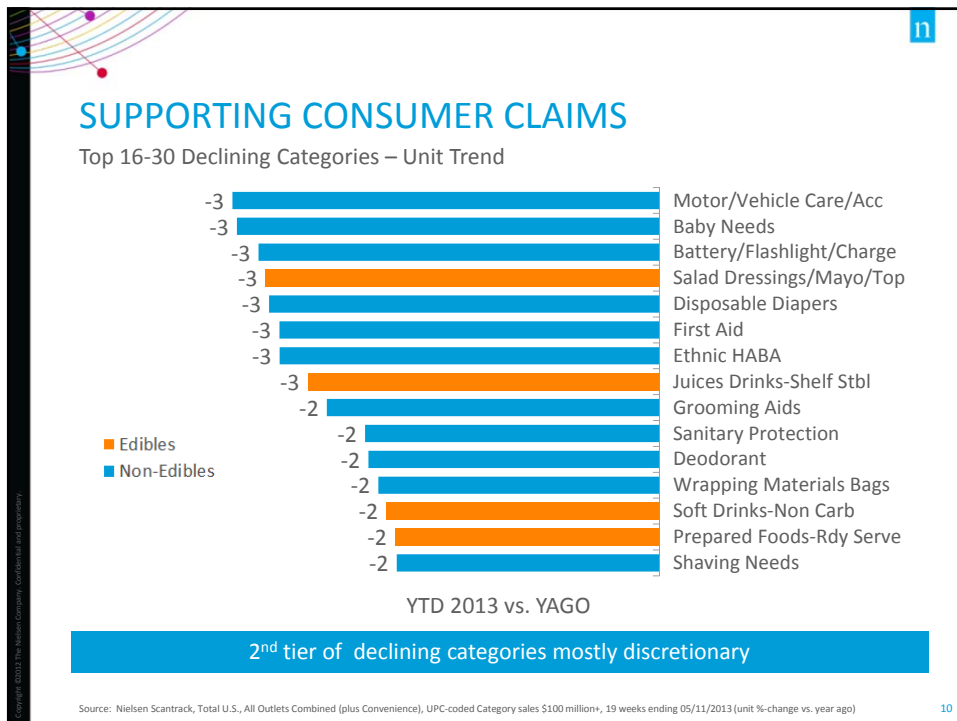
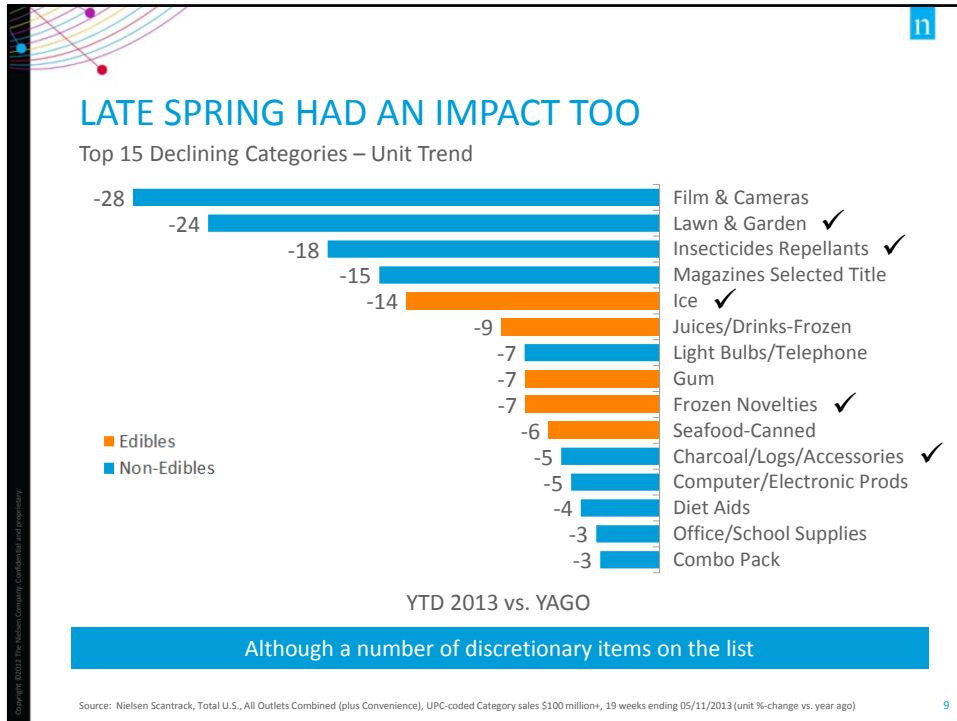
- A. Gas Prices
- B. Payroll Tax Hike
- C. Health Care Costs
- D. Utility/Energy Bills
- E. Food Prices

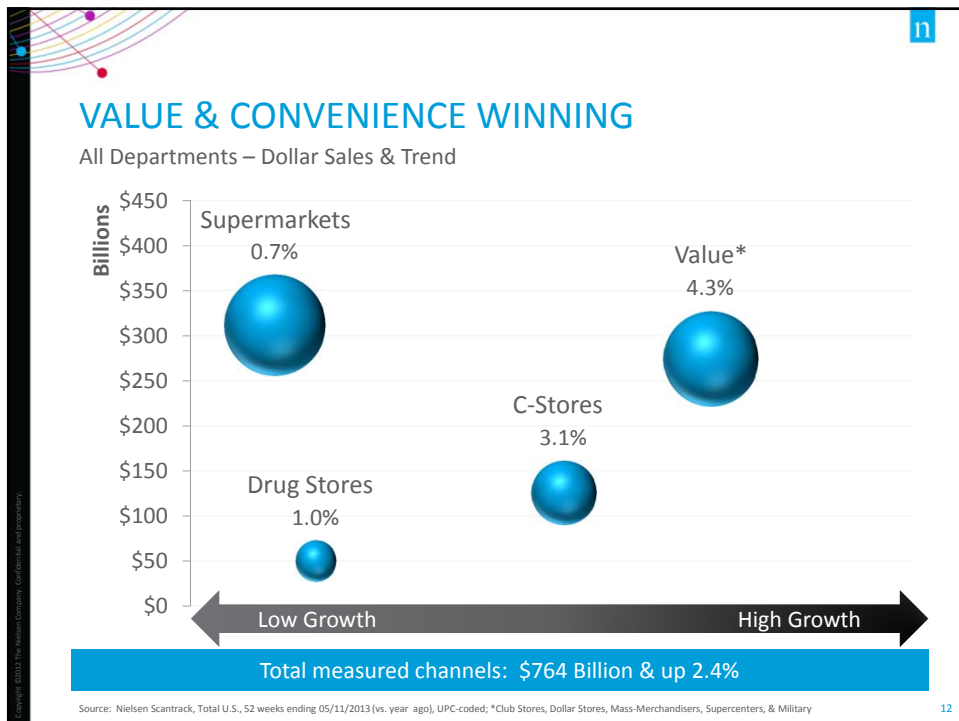
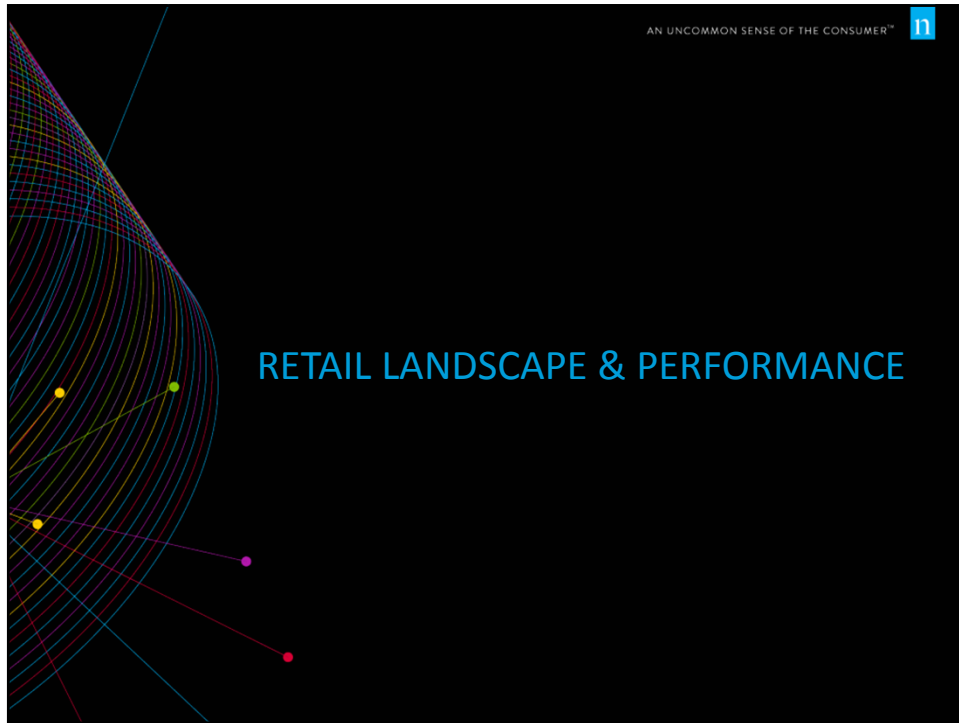
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BETWEEN 2005 & 2012, WHICH RETAIL CHANNEL ADDED THE MOST STORES?

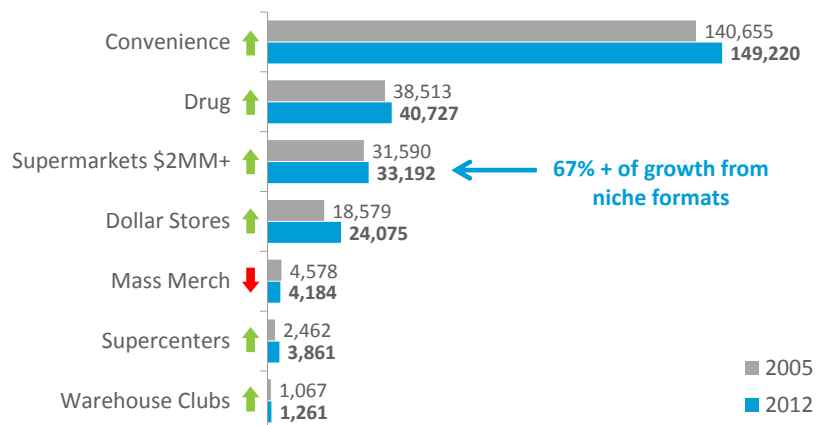
- A. Supermarkets
- B. Dollar Stores
- C. Convenience Stores
- D. Drug Stores

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VALUE & CONVENIENCE GAIN W/EXPANSION

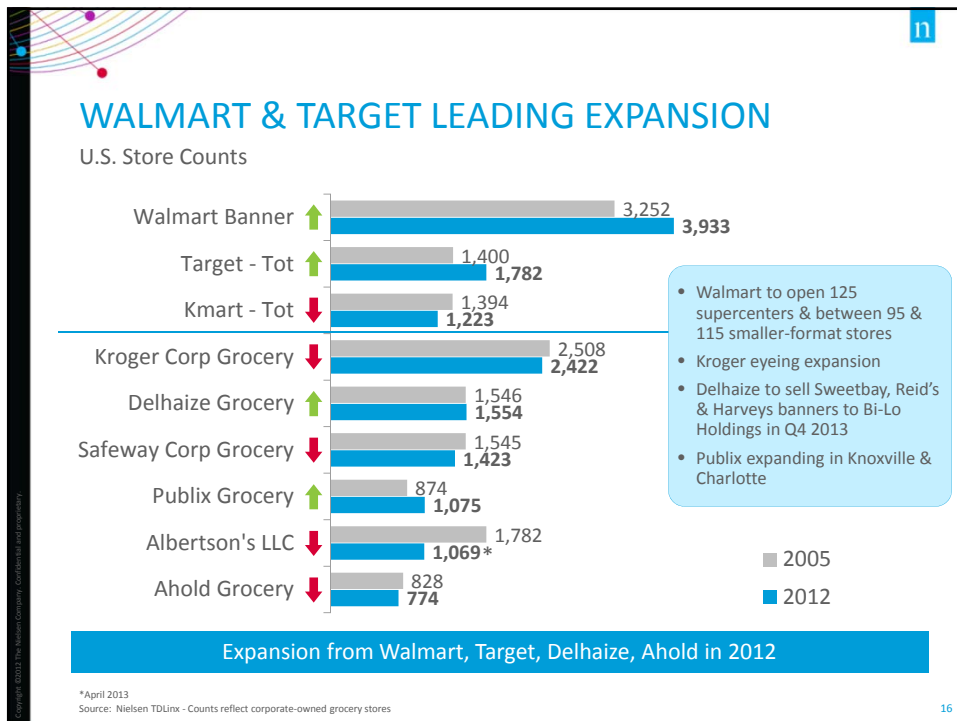
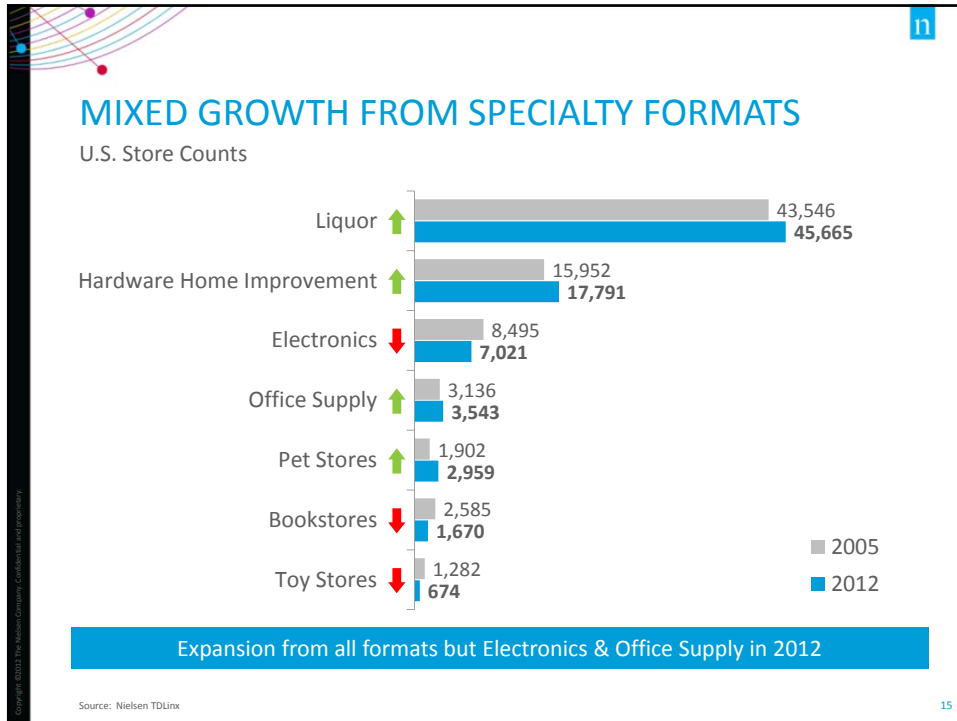
U.S. Store Counts

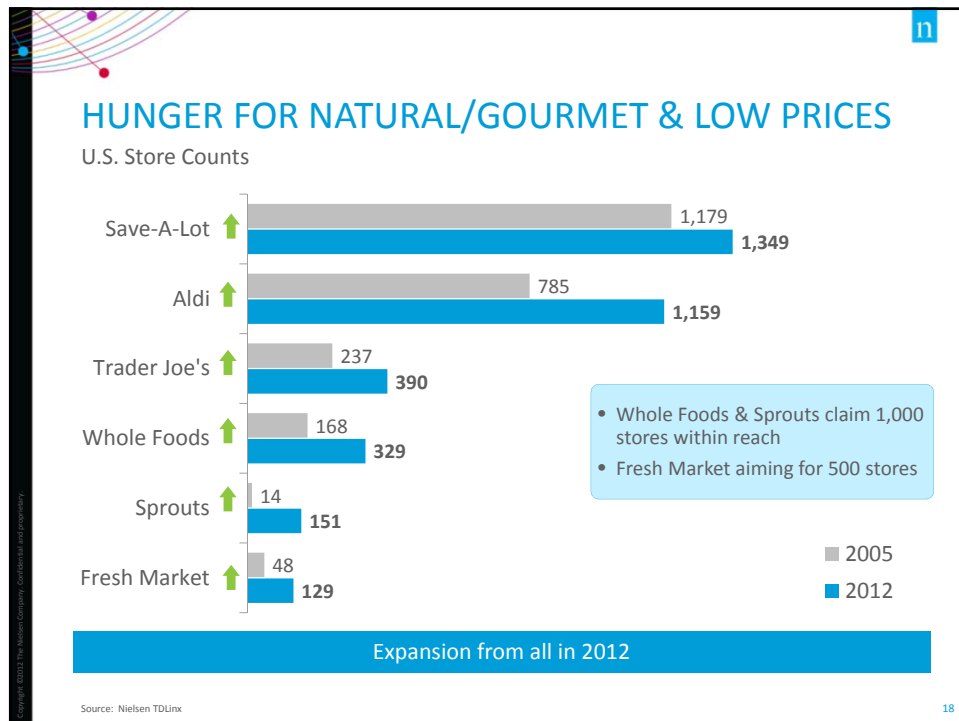
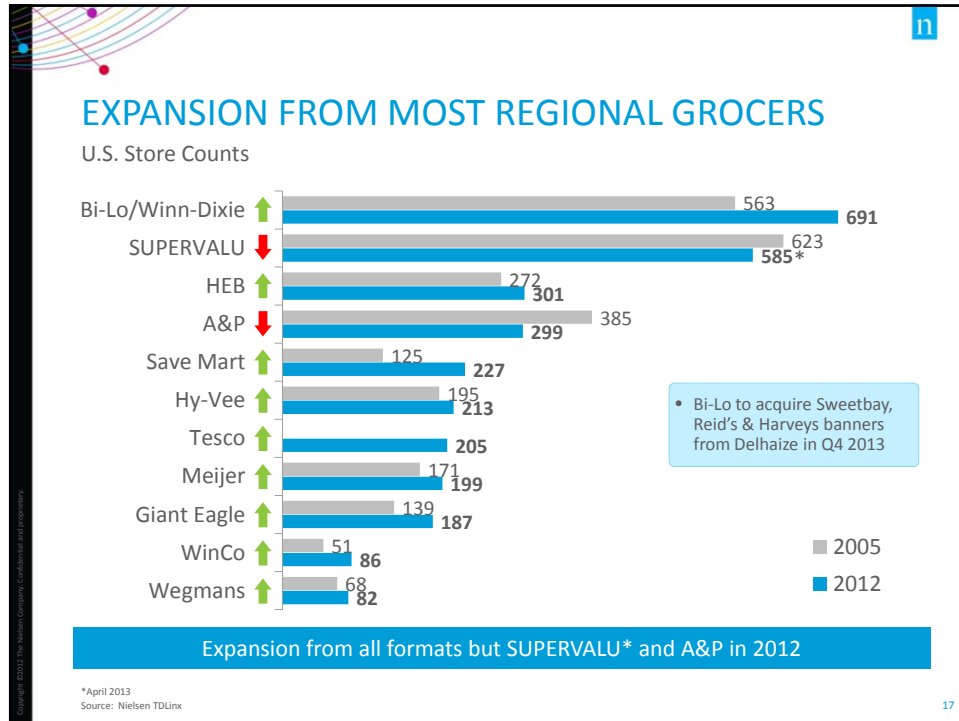


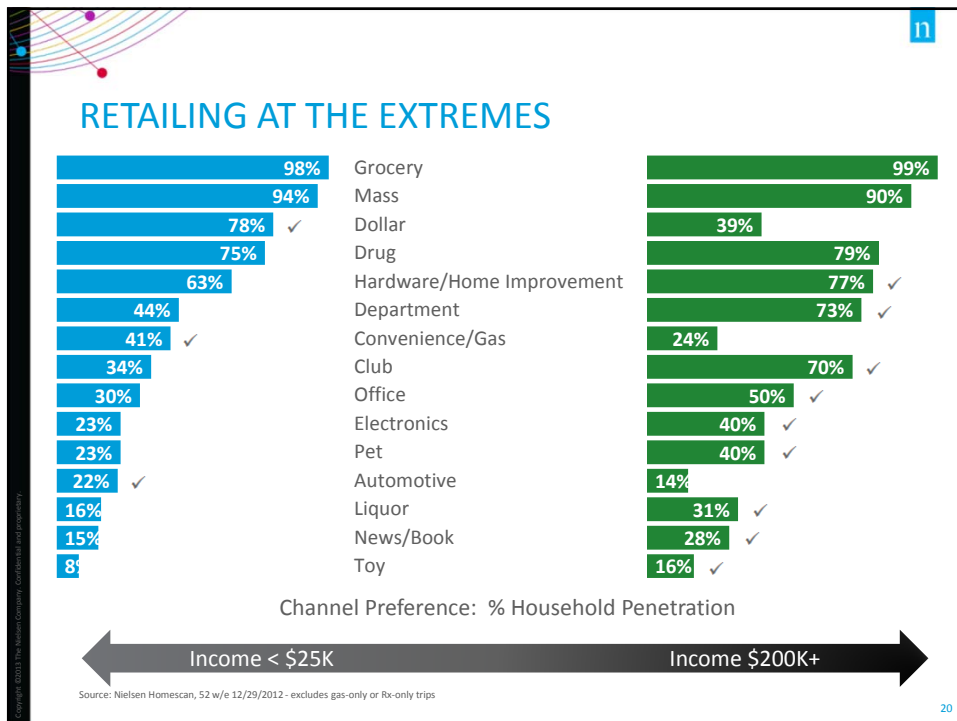
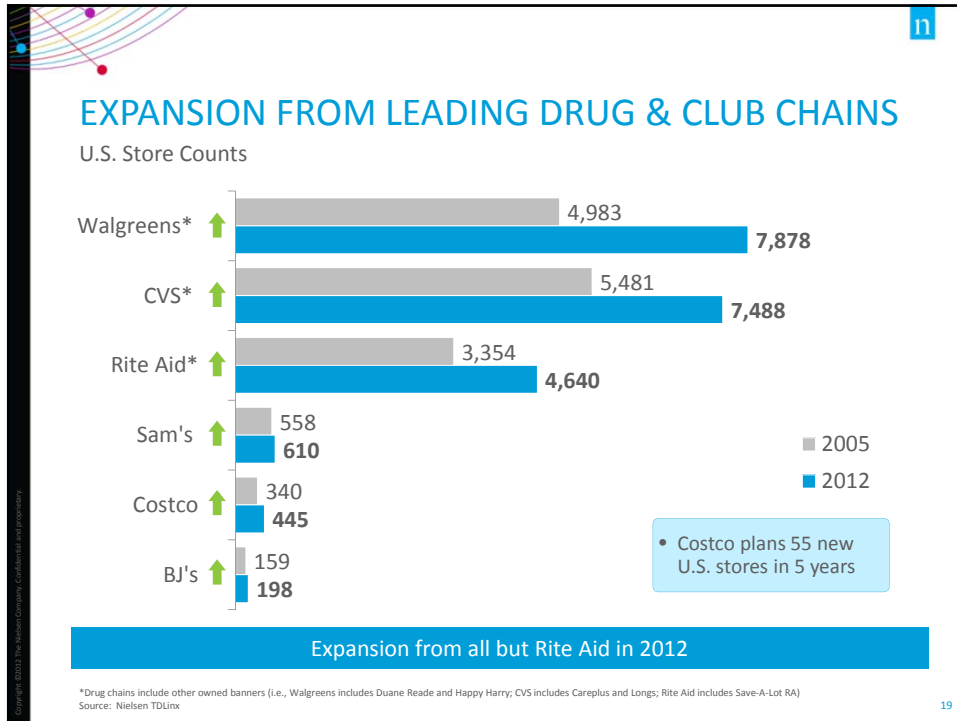
Expansion from all formats but Mass in 2012

Source: Nielsen TDLink

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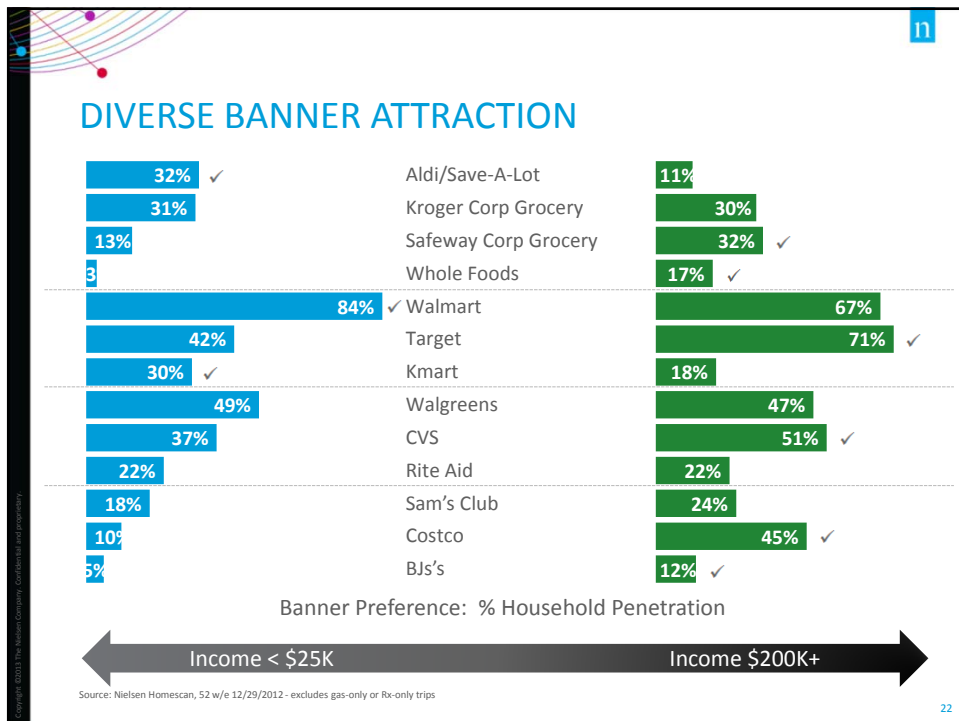


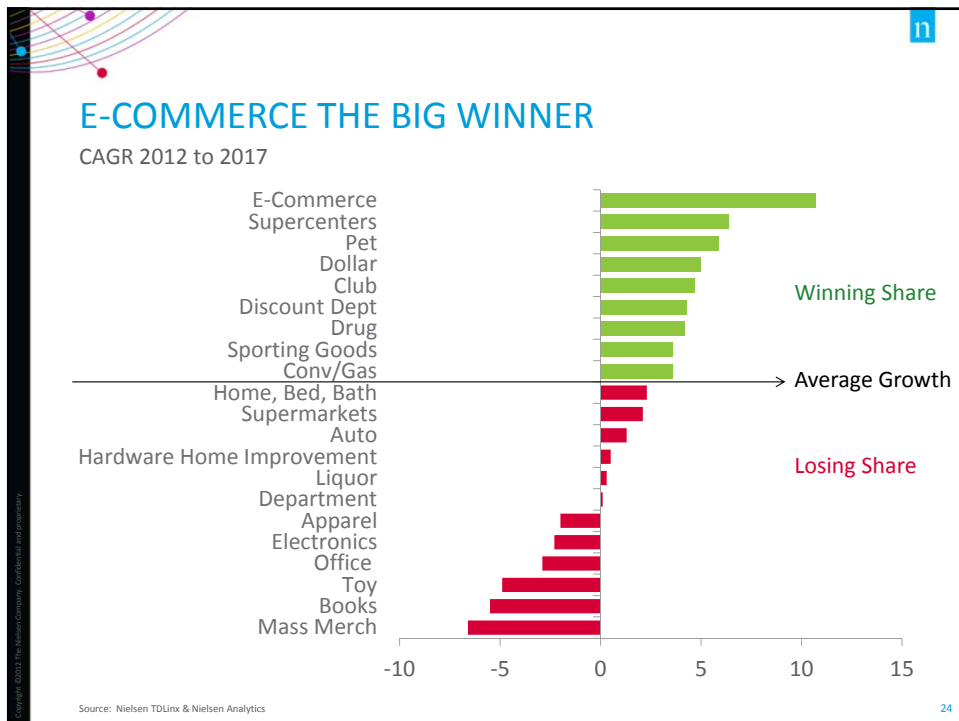
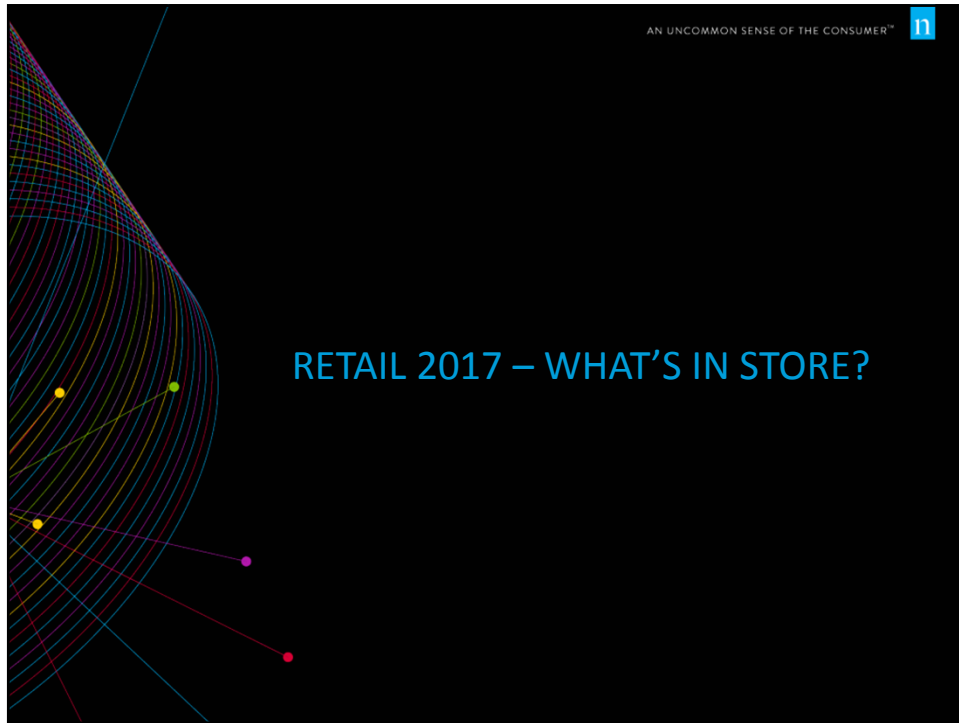
WHICH BANNER HAS THE GREATEST % PENETRATION AMONG HOUSEHOLDS WITH AN INCOME OF \$200,000+?

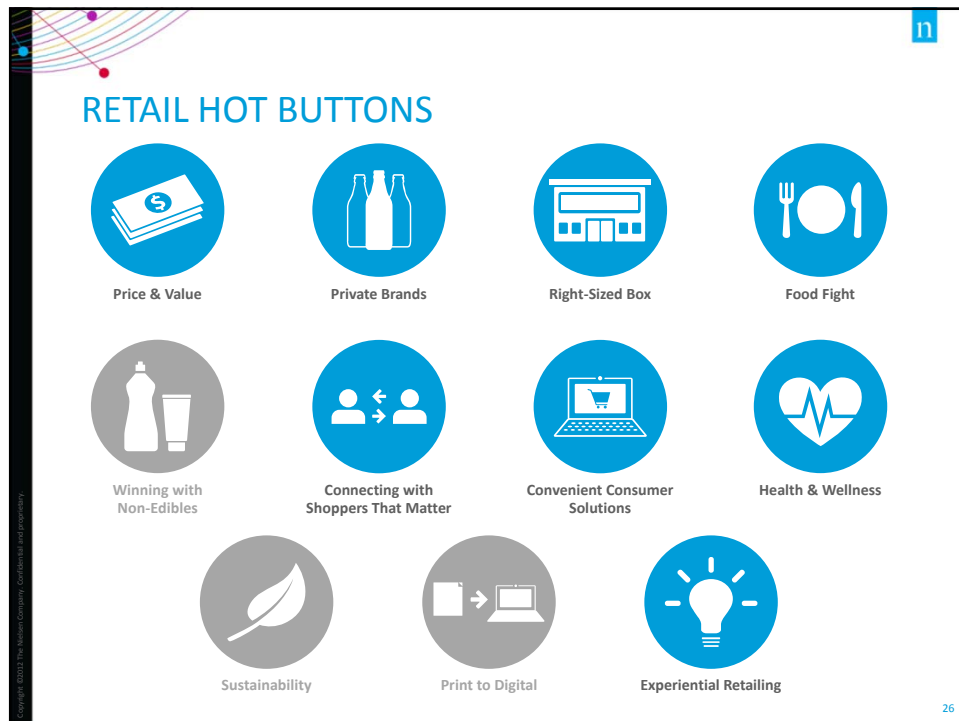
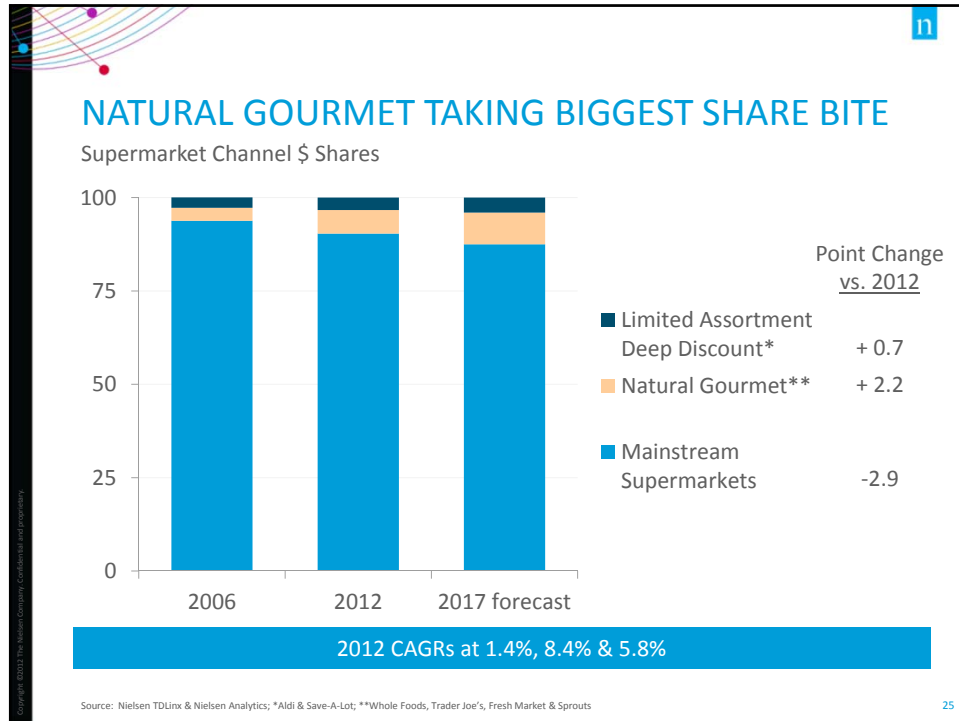
- A. Costco
- B. Walmart
- C. Target
- D. Safeway

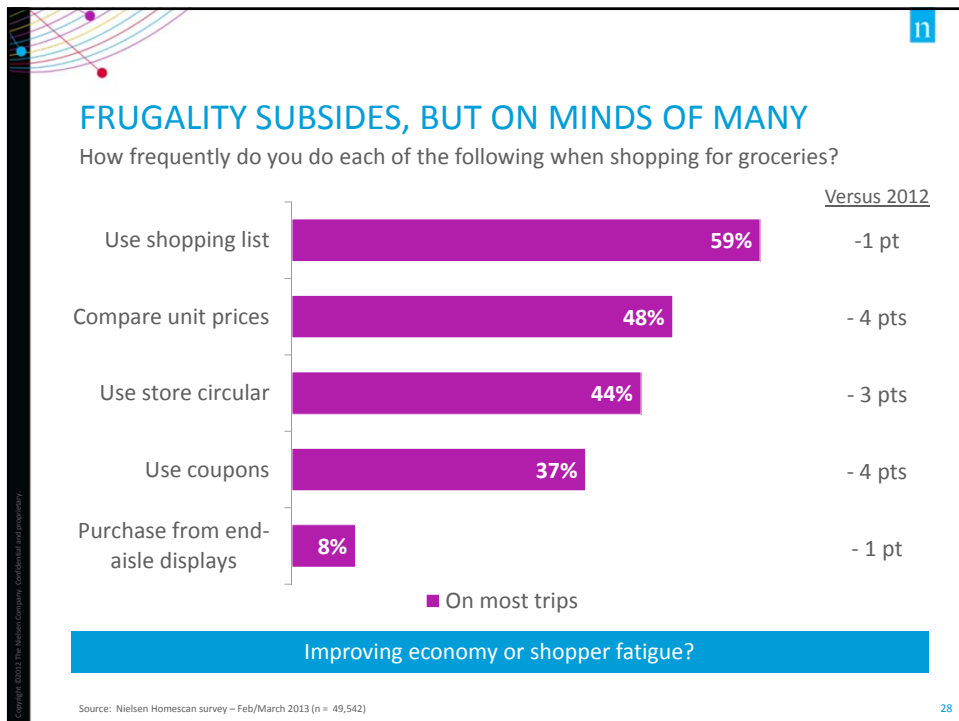
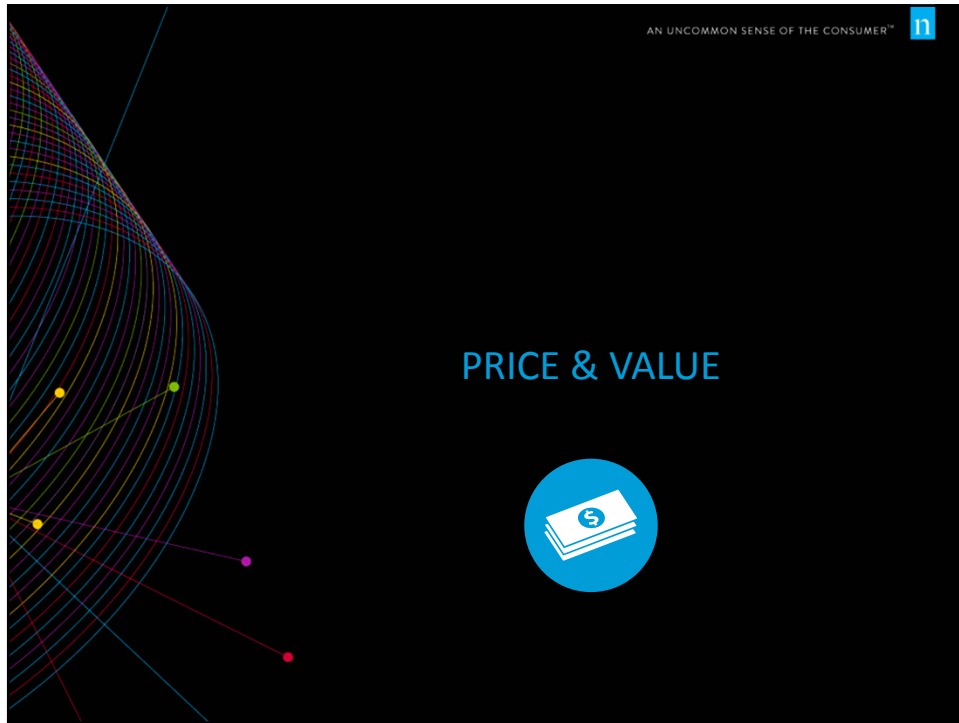
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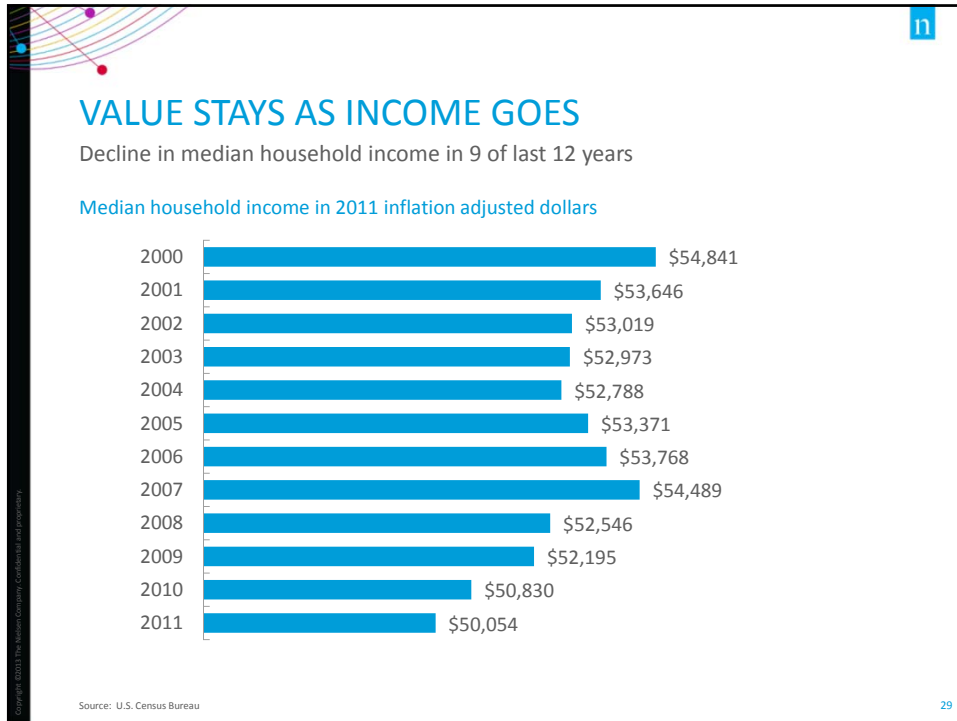
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“1 IN 5 KIDS IN U.S. LIVING IN POVERTY”

- About 2.7 million more children lived with an unemployed parent during a typical month [during 2012] compared with 2007, a 71 percent increase.
- Some 2.8 million children lived with a parent who was out of work for six months or longer.
- About 9 percent of all children live with unemployed parents, compared with 5 percent before the recession.
- More than 21.6 million children receive subsidies, an increase of 8.8 million from 2007.

National Journal
Dec. 5, 2012

Source: National Journal & AP Photo (Mel Evans)

PRICE FREEZES & PRICE CUTS


Wegmans

Our *NEW* list is here!

Low prices on what families buy most.

[View the List](#)

Wegmans
Consistent Low Prices
Good thru August 24



Kroger
New! Lower prices
on thousands of the items you buy most often!
Look for the new, blue shelf tags... they point the way to more savings!

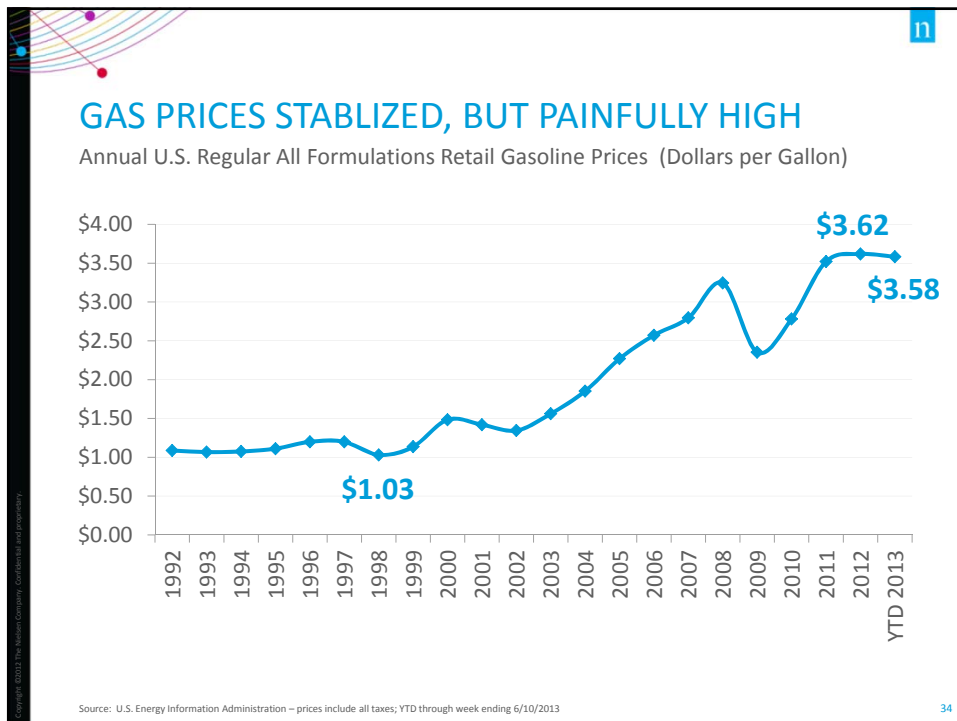
GIANT EAGLE

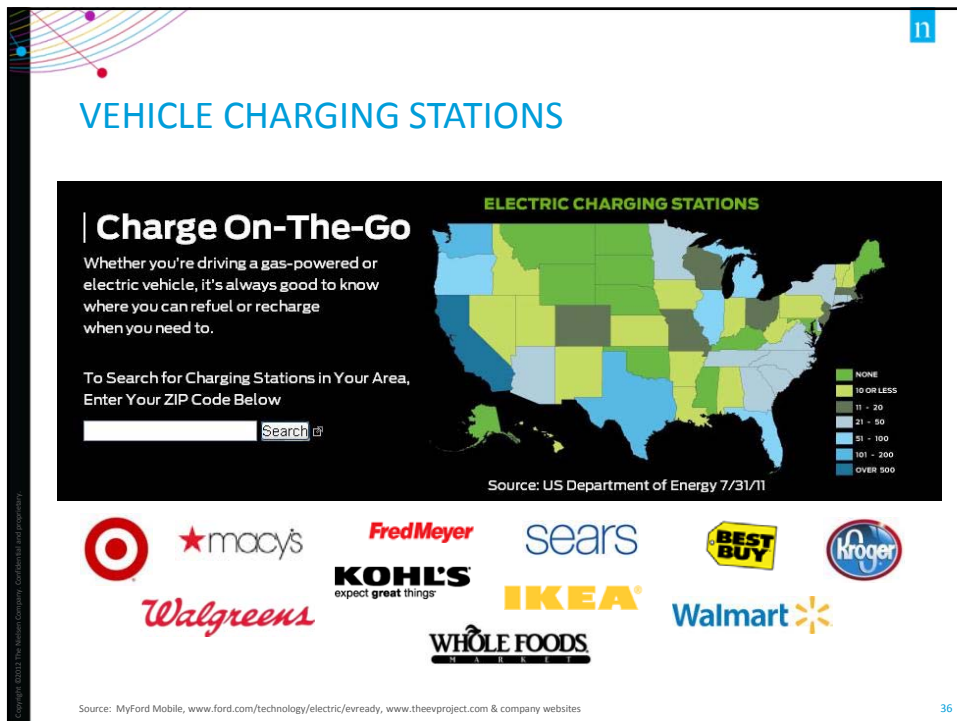
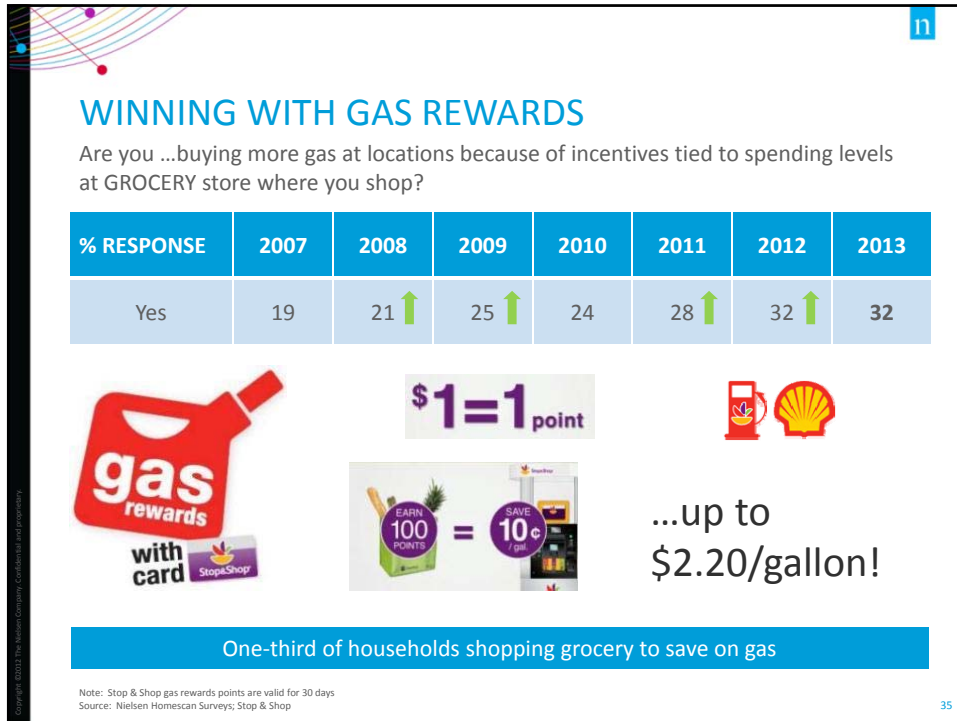
NEW LOWER PRICES
ON THOUSANDS OF ITEMS EVERY DAY!

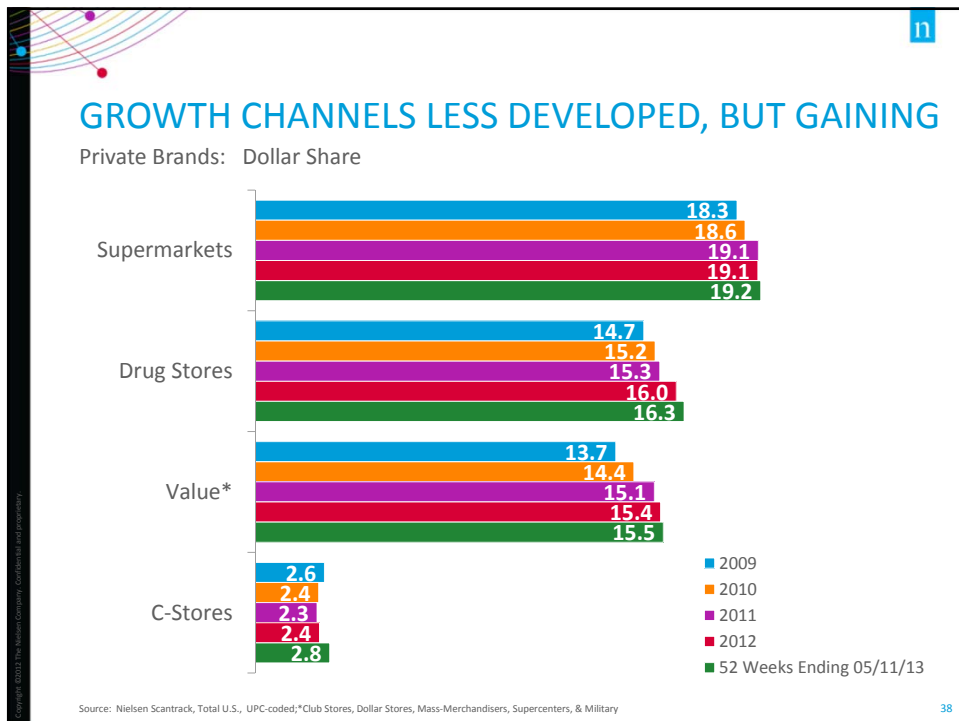
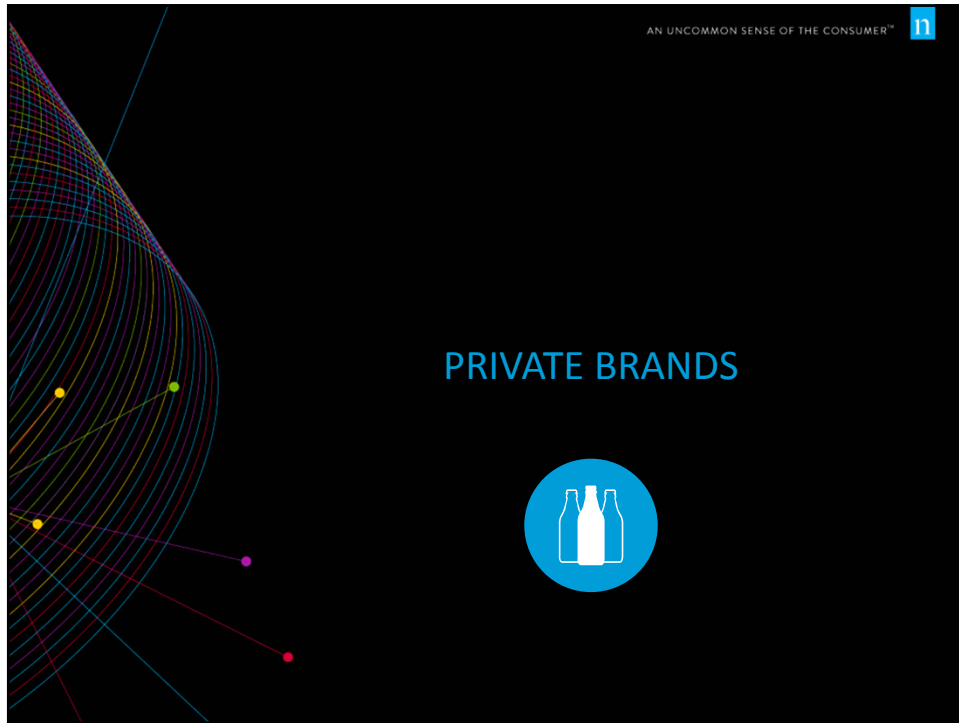
LOOK FOR THE TAGS!

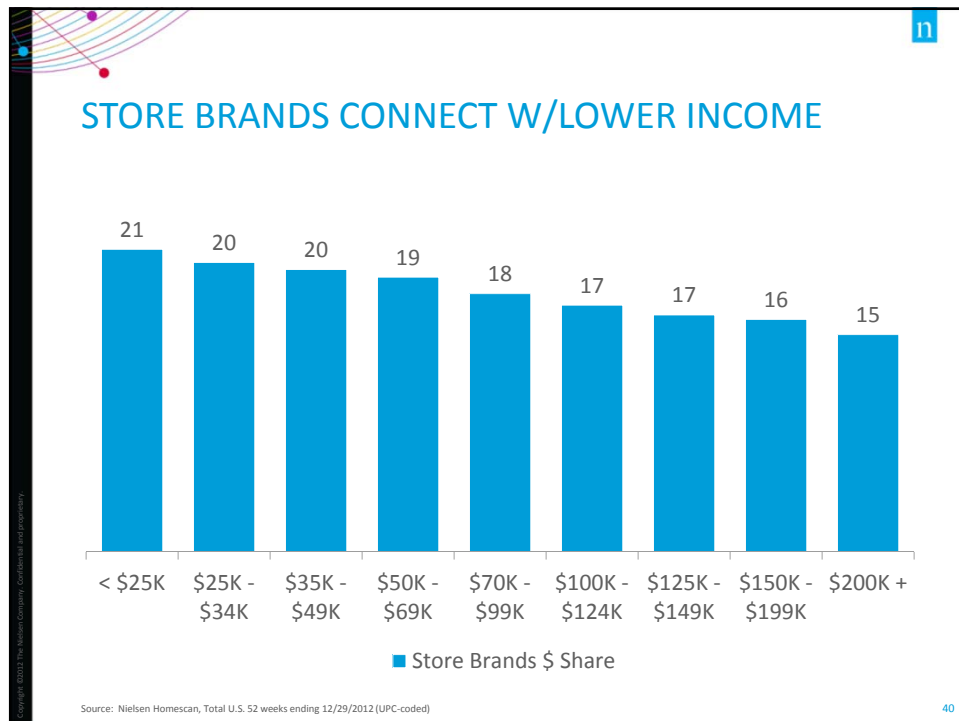
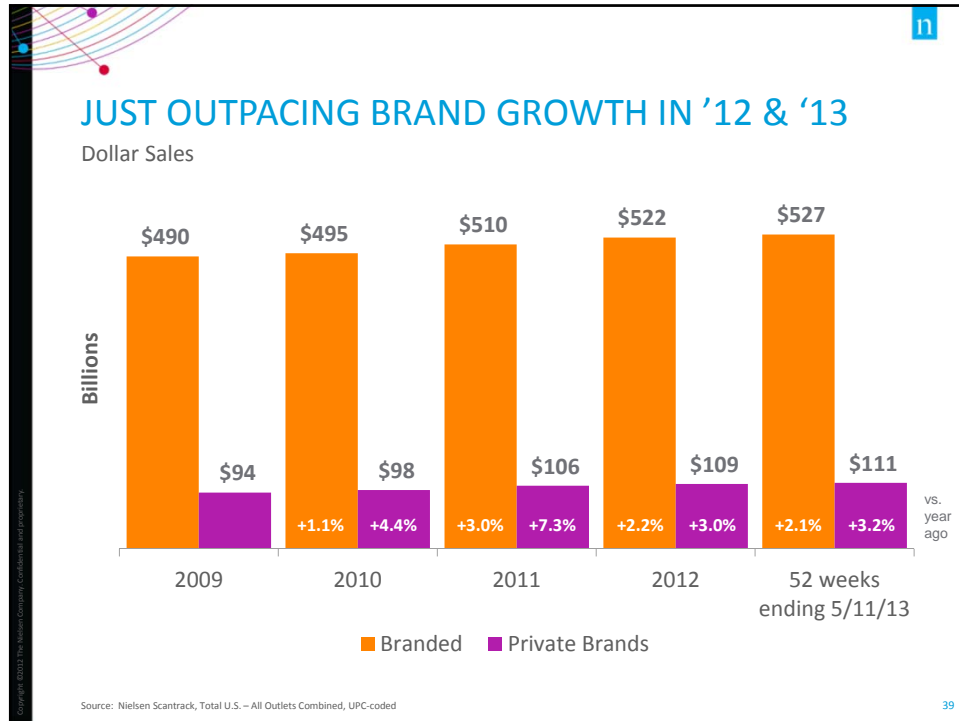
Source: Wegmans, Weis Markets, Kroger, Giant Eagle, Progressive Grocer

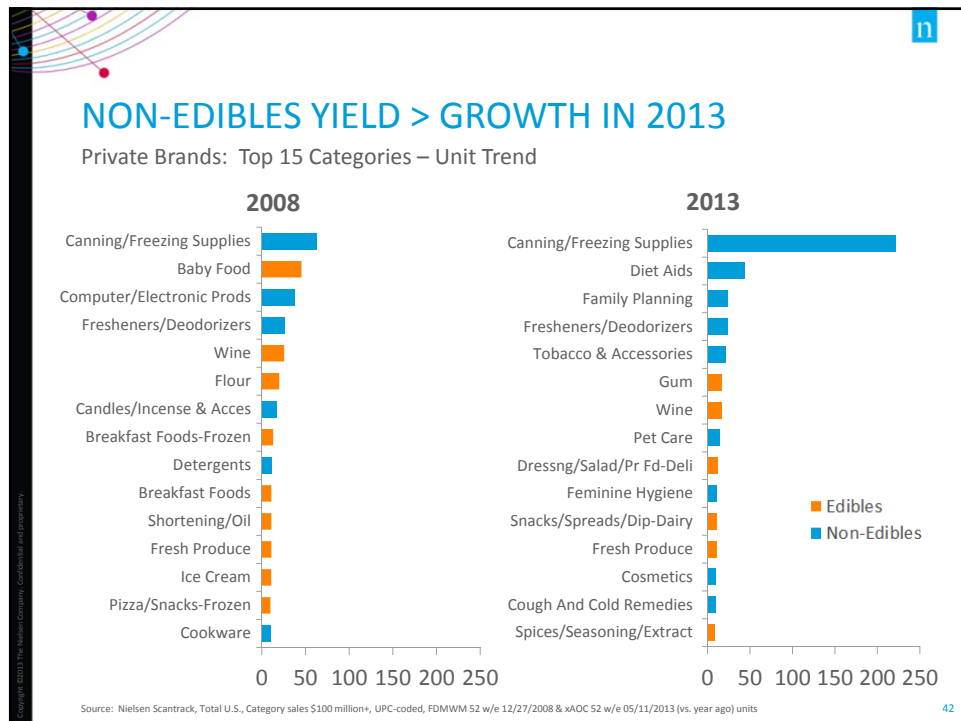
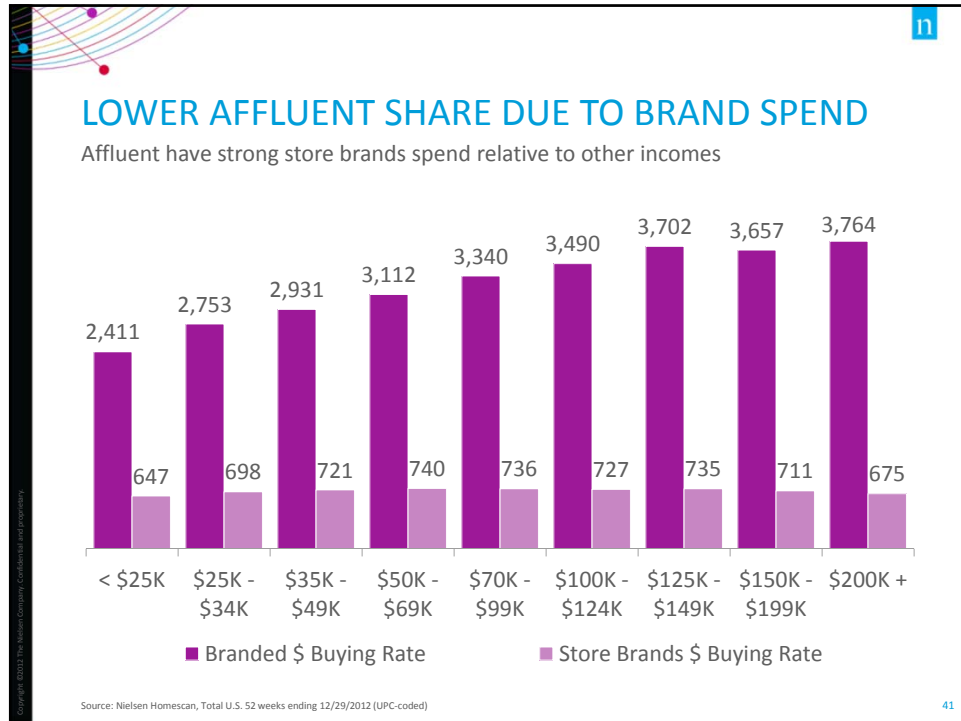
33

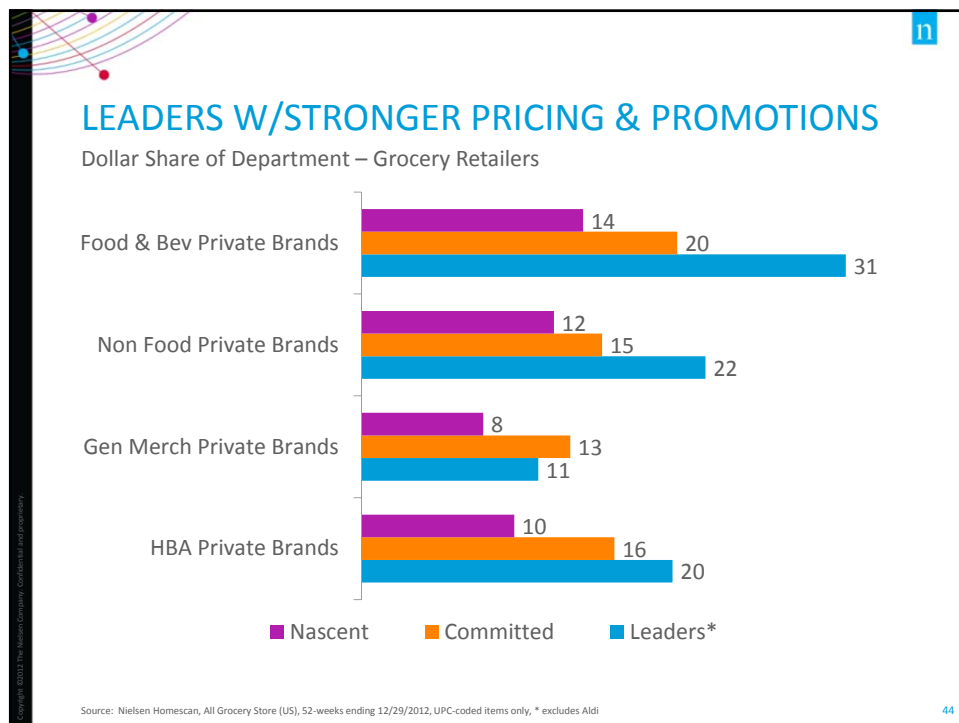
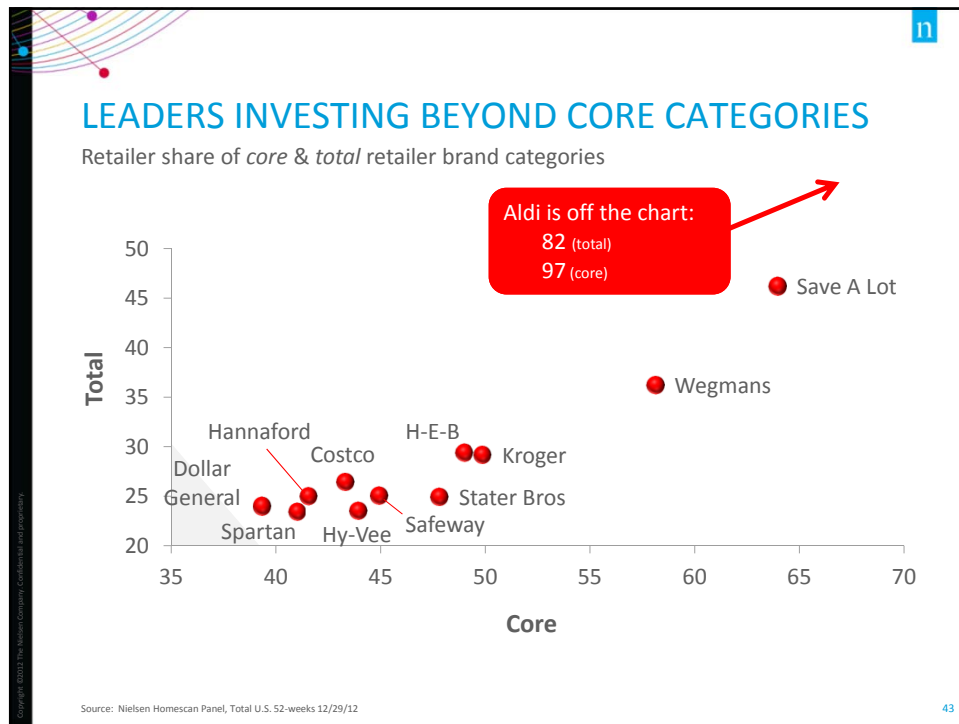


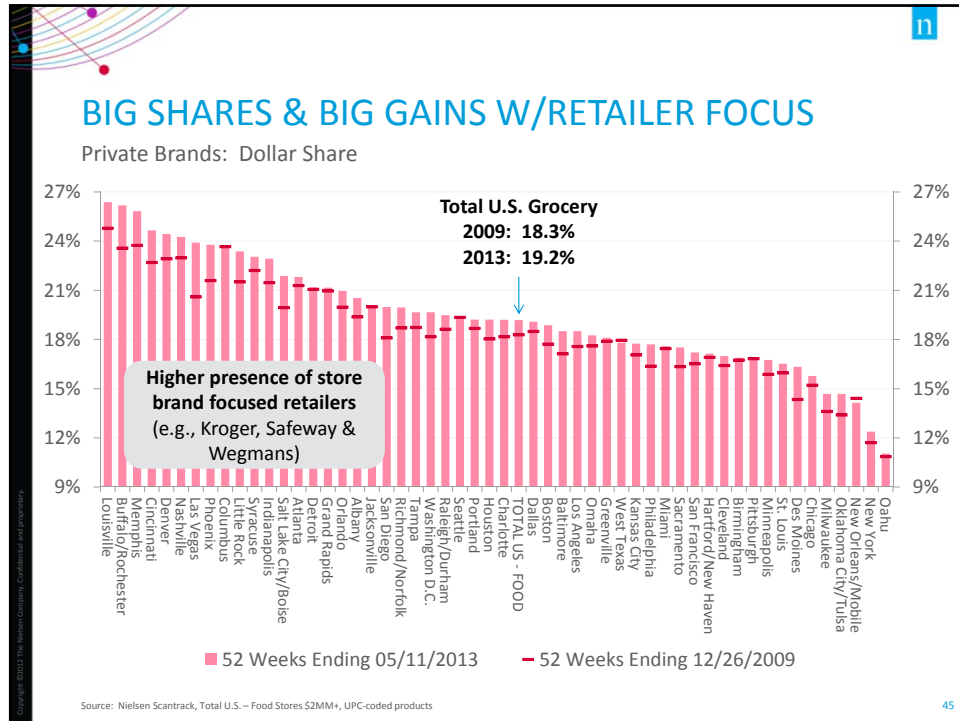












MORE THAN A NATIONAL BRAND EQUIVALENT

Store Brands are at top of *Consumer Reports* laundry detergent & sunscreen rankings

#1 in category

#1 in category

#2 in category

#4 in category

Source: Costco, Target, Walmart, Walgreens

MARKETING PRIVATE BRANDS LIKE BRANDS

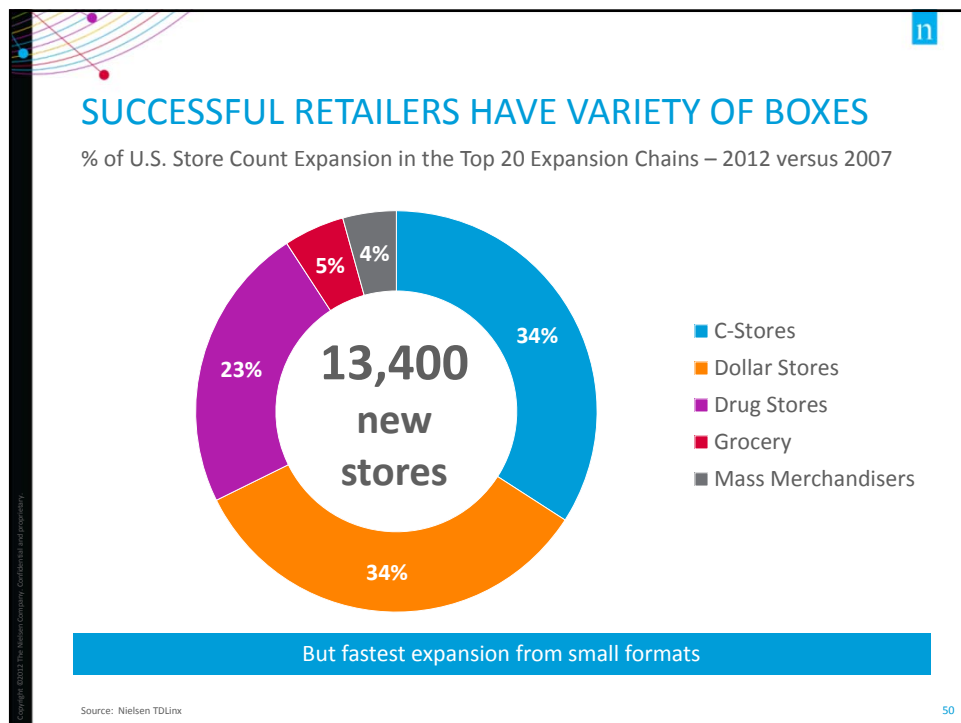
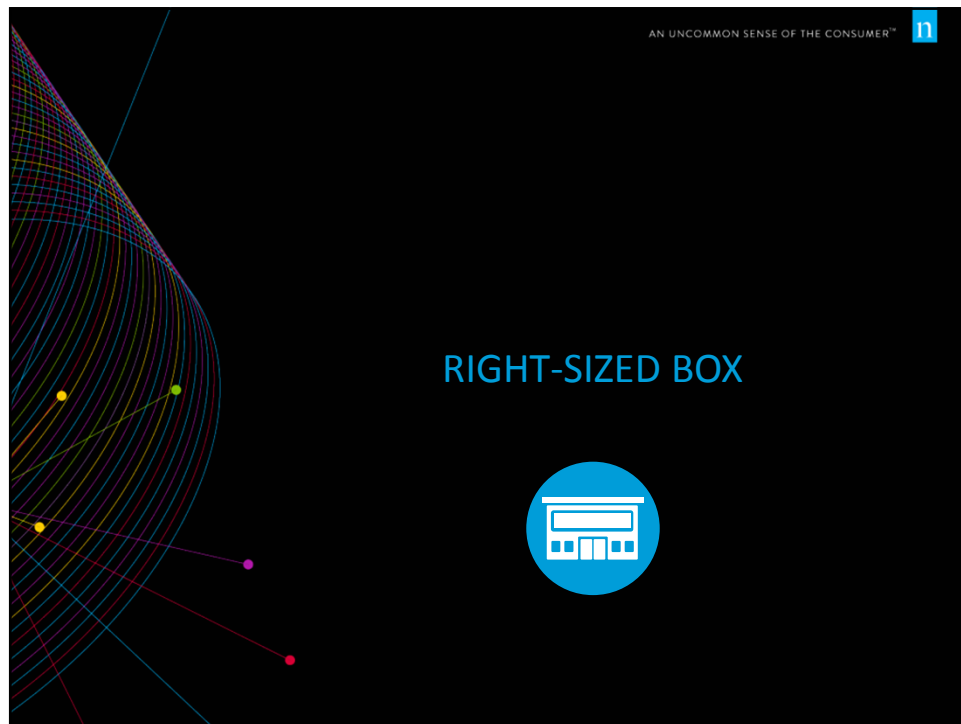
Source: Company websites

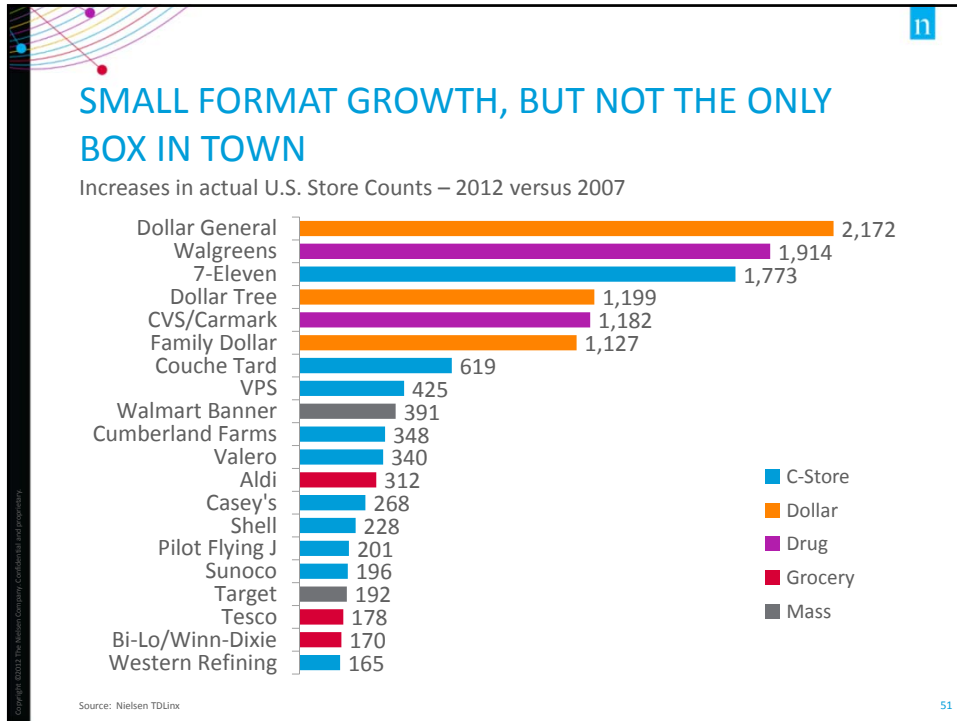
NEW LAUNCHES & ENABLING TRIAL

Kroger introduces new brand

H-E-B intensifying HBA focus & launches 50-cent candy bars

Source: H-E-B, Store Brands Decisions, Examiner.com





WALMART'S SMALL FORMATS



Wal-Mart...expects to have 500 Neighborhood Markets operating within three years — more than double the 240 it currently has... Wal-Mart Express stores 'comped better than we had imagined as they hit their first year, and they reached profitability faster than we thought they would. However, the return is not where the other formats are...'

Supermarket News
Oct. 22, 2012

Walmart Canada opened its prototype small urban Supercentre...90,000 square feet—allows Walmart to build Supercentres on half the land normally required.

Supermarket News
Jan. 27, 2012



Source: Supermarket News, Canadian Grocer, Walmart, Arkansas Online, WBEZ

TARGET SMALL URBAN FORMAT FOCUS



a new era for downtown residents

Seattlepi.com
Jul. 23, 2012

CityTarget:

1. Chicago (July 2012)
2. L.A. (July 2012)
3. Seattle (July 2012)
4. L.A. (Oct. 2012)
5. San Francisco (Oct. 2012)
6. L.A. (March 2013)
7. Portland, OR (July 2013)
8. San Francisco (Oct. 2013)

Source: Target; Photos: Sofia Jaramillo / SEATTLEPI.COM, Los Angeles Times, Antonio Perez / Chicago Tribune

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SMALLER FORMATS & BETTER PRICES



The grocery chain, which mostly entices young, trendy city dwellers, is now moving into smaller, suburban areas where its new, smaller stores are seeing stronger returns. But to make it work, Whole Foods has to rid itself of its top-dollar reputation... Whole Foods has just about 317 locations, and plans to grow to 1,000 stores—though probably not in this decade, executives said. The new smaller stores will be crucial to reaching that goal.

The Wall Street Journal
Feb. 15, 2012

Source: Whole Foods & The Wall Street Journal

54

“TOYS”R”US HOLIDAY POP-UPS IN MACY’S

macy's inc

Toys R Us
EXPRESS



Macy's and Toys “R” US partner... Companies offer Toys“R”Us Express-branded shops in 24 Macy's locations in major markets nationwide beginning in mid-October and continuing through mid-January

Macy's Inc.
Oct. 10, 2012

Source: Macy's, Toys“R”Us

55

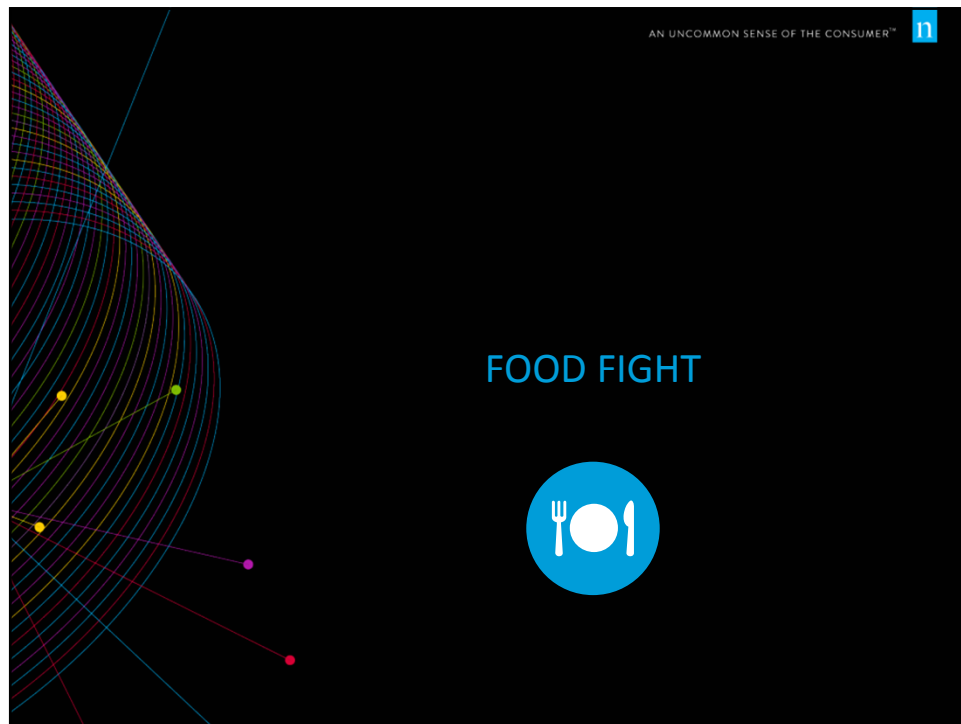
WINCO TAKES GAMBLE IN LAS VEGAS

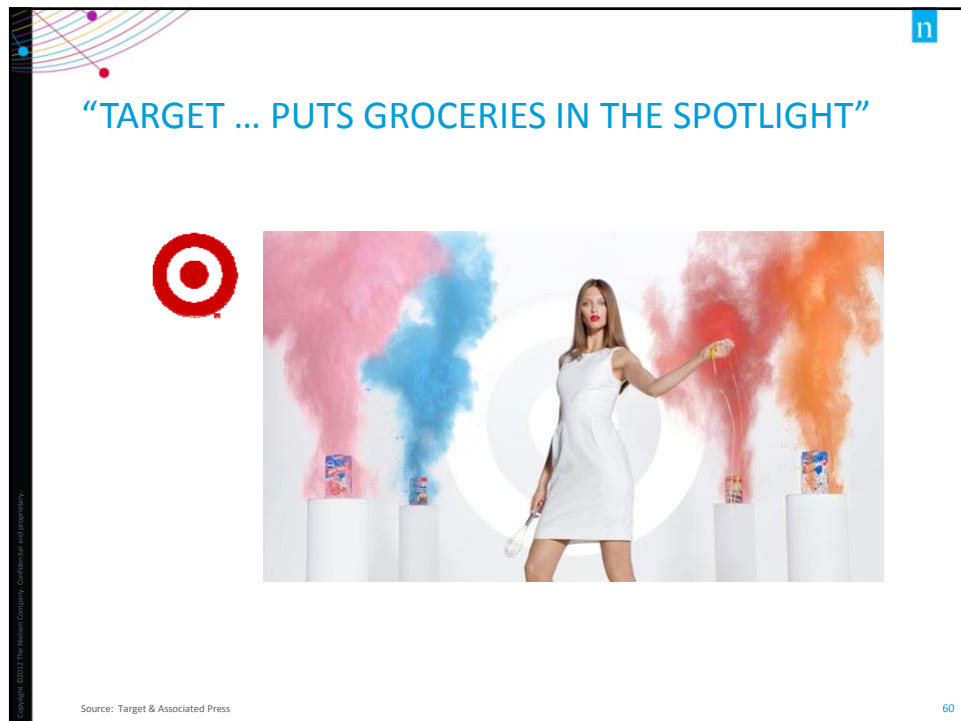
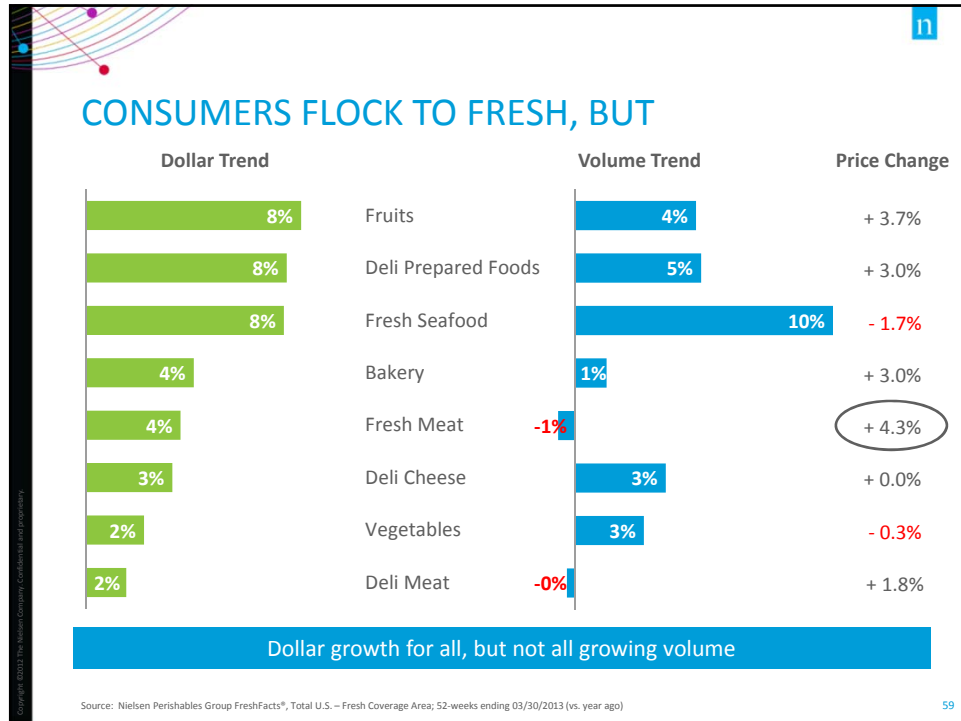
WinCo
FOODS



Source: MorningNewsBeat.com; Las Vegas Sun/Steve Marcus (photos – March 4, 2012)

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TARGET STEPS UP TO THE PLATE
Expands Cooking & Kitchenware Categories

“Target believes these transactions present a strategic growth opportunity”

Source: Company websites & Supermarket News

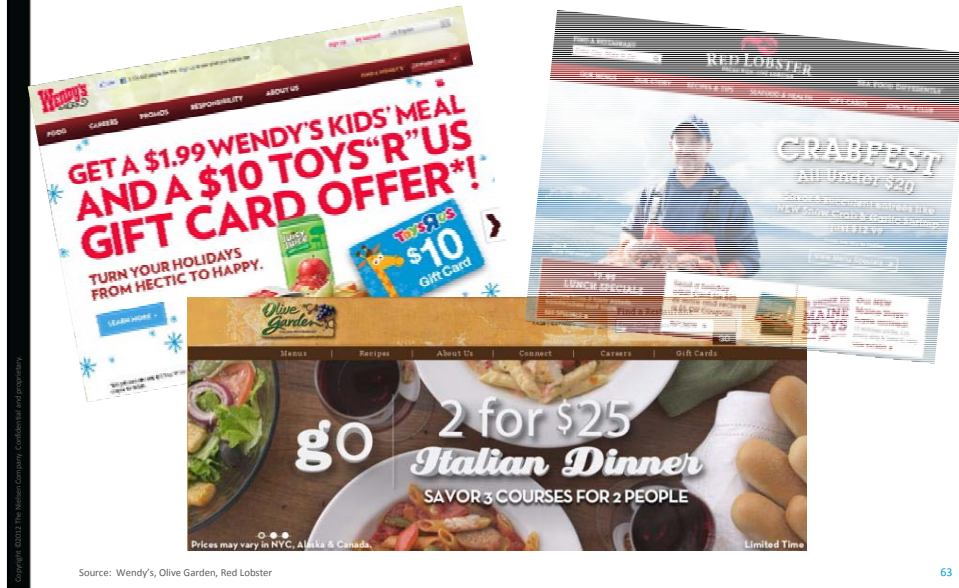
WINNING WITH SOLUTIONS – NOT DEALS

retailers achieved a 19.2% average incremental increase in units sold across the displays and 20.5% in dollar sales. Dairy products scored even higher...The gains were recorded without promotional pricing or extra marketing

Supermarket News, Jun. 2, 2012

Source: Supermarket News; Innovation Center for U.S. Dairy's Dairy Meal Solutions: Merchandising Works study (April 2012)

RESTAURANTS FIGHT BACK WITH DISCOUNTS +



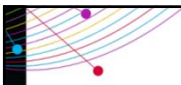
BK DEBUTS UPSCALE SPRING MENU




AN UNCOMMON SENSE OF THE CONSUMER™ 



CONNECTING WITH SHOPPERS THAT MATTER



Census: Whites no longer a majority in US by 2043

By Hope Yen
Associated Press

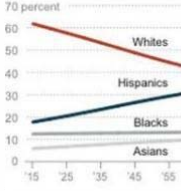
WASHINGTON — White people will no longer make up a majority of Americans by 2043, according to new census projections, part of a historic shift that is already reshaping U.S. schools, the workforce and the electorate.

The official projection, released Wednesday by the Census Bureau, now places the tipping point for the white majority a year later than previous estimates, which were made before the effect of the recent economic downturn was fully known.

The non-Hispanic white population, now at 197.8 million, is projected to peak at 200 million in 2024, before entering a steady decline in absolute

Projections

White people will no longer make up a majority of Americans by 2043. Projected population by race and hispanic origin:



SOURCE: Census Bureau AP

U.S. population is projected to cross the 400 million mark in 2051, reaching 420.3 million a half-century from now in 2060.

By 2060, whites should drop to 43 percent of the

ages 1 and younger for the first time in U.S. history.

At the same time, the U.S. population as a whole is aging, driven by white baby boomers born between 1946 and 1964. Over the next half-century, the "oldest old" — those ages 85 and older — is projected to more than triple to 18.2 million, reaching 4 percent of the U.S. population.

The actual shift in demographics will be influenced by a host of factors that can't always be accurately pinpointed — the pace of the economic recovery, cultural changes and an overhaul of immigration law, which is expected to be debated in Congress early next year.

Economic edge

"The next half-century marks key points in continuing trends — the U.S.

Source: Associated Press

66

BILINGUAL PACKAGING – WHAT ABOUT ADS?



Source: MultiAd Kwikiee

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AD MESSAGING REQUIRES DIVERSE APPROACHES



Asian Americans like product features

46%

Of Top Ads discuss product features

85%

Of bottom ads don't discuss features



African-Americans respond to humor

42%

Of top ads are humorous and relatable

96%

Of bottom ads are not humorous or relatable



Hispanics prefer family reference

41%

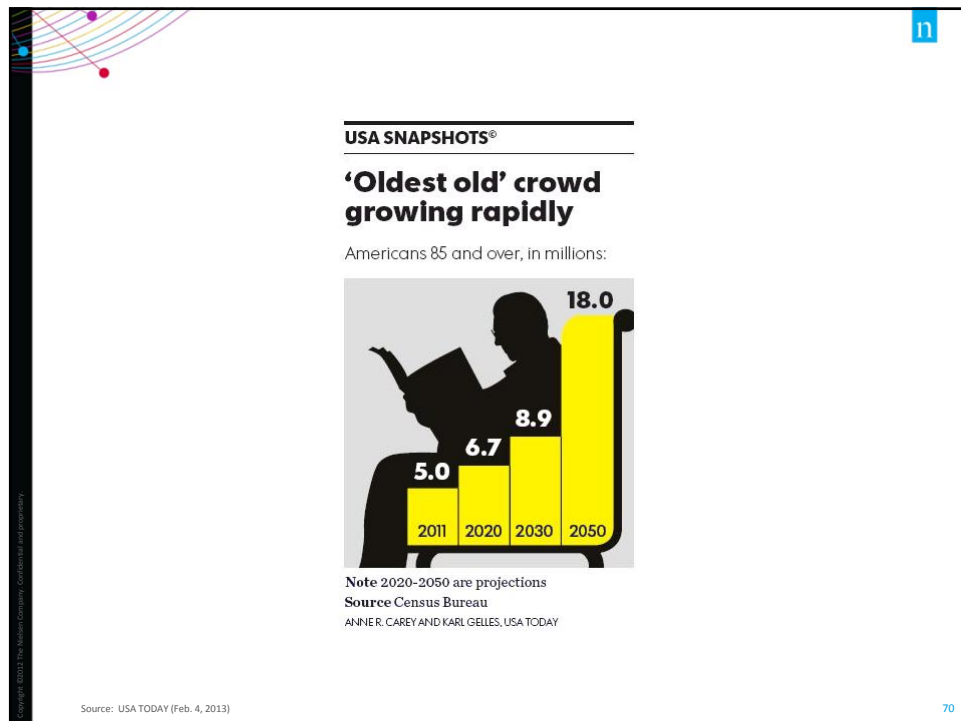
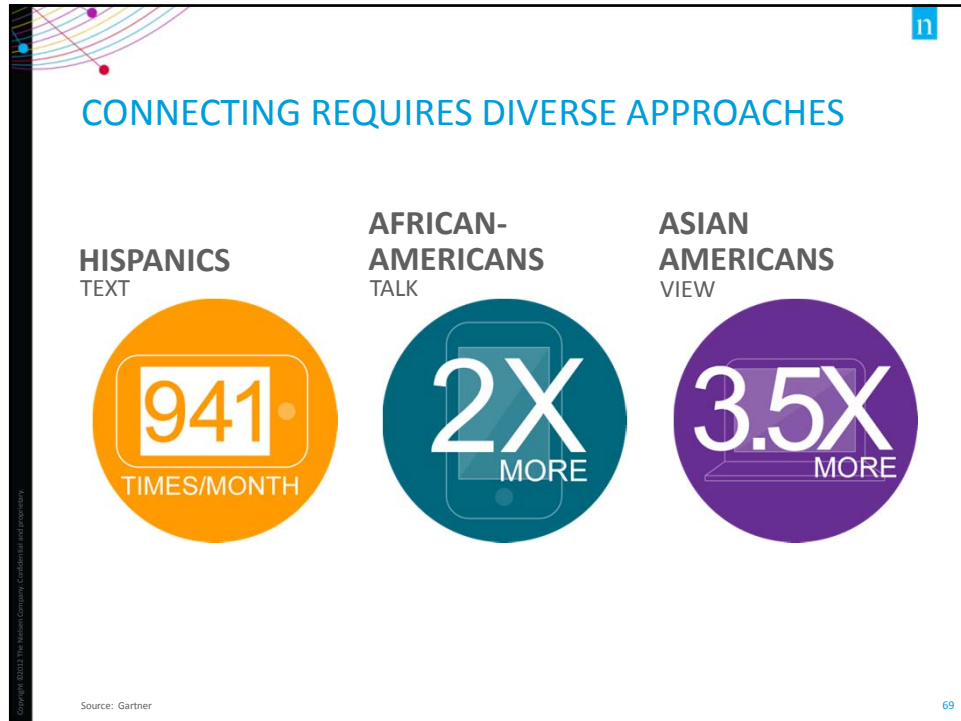
Of top ads focus on the family

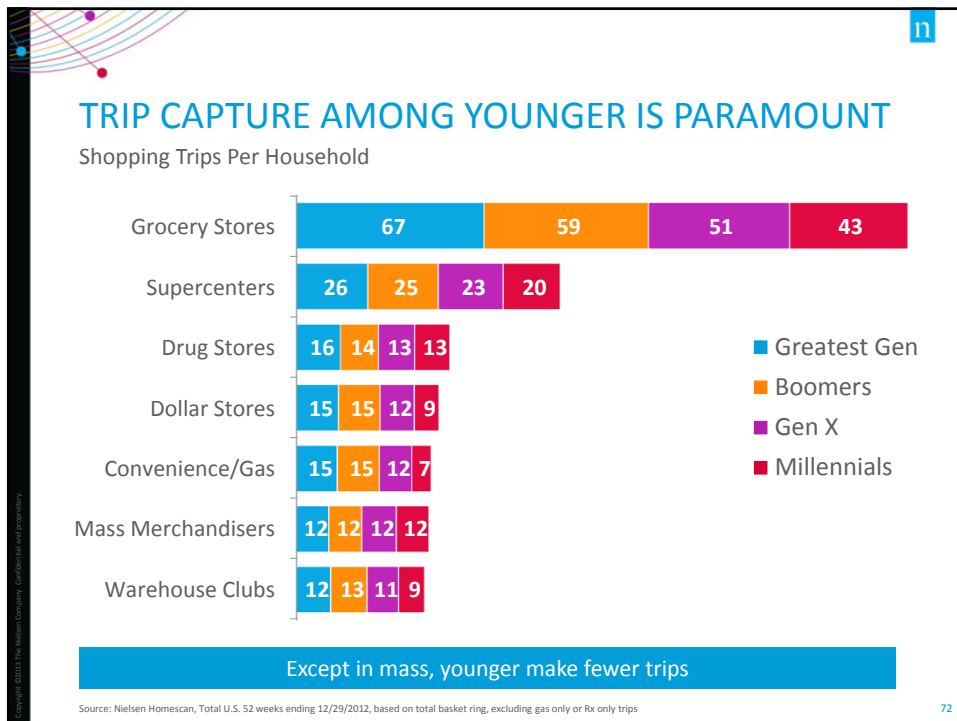
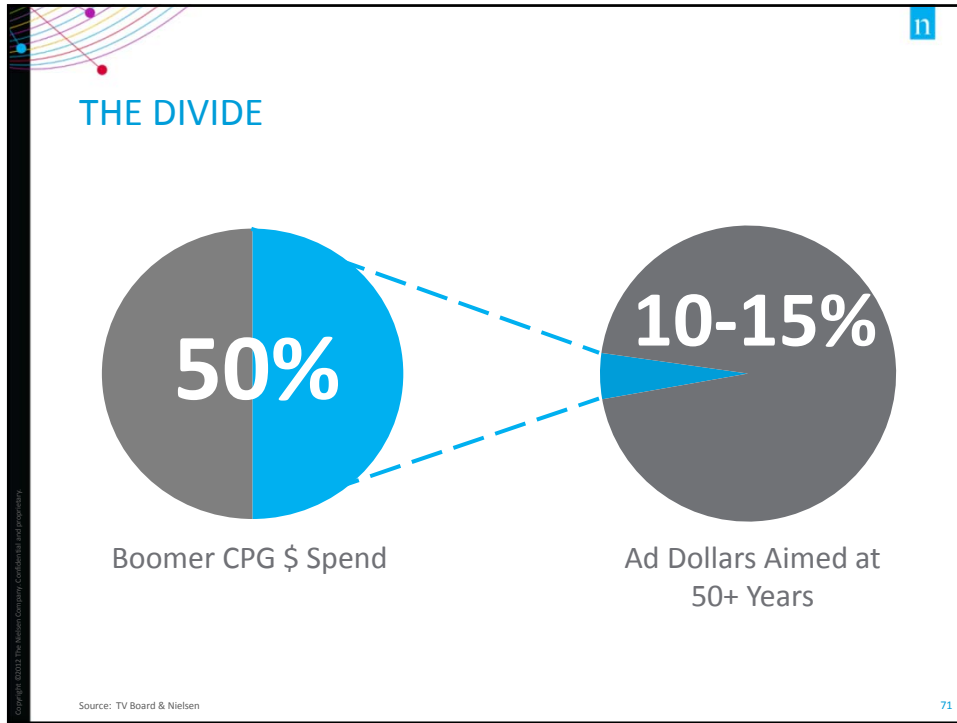
95%

of bottom ads don't focus on the family

Source: Nelsen Ad Solutions

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HEALTH & BEAUTY CARE SENIOR FOCUS



Sources: MultiAd Kwikiee & company websites

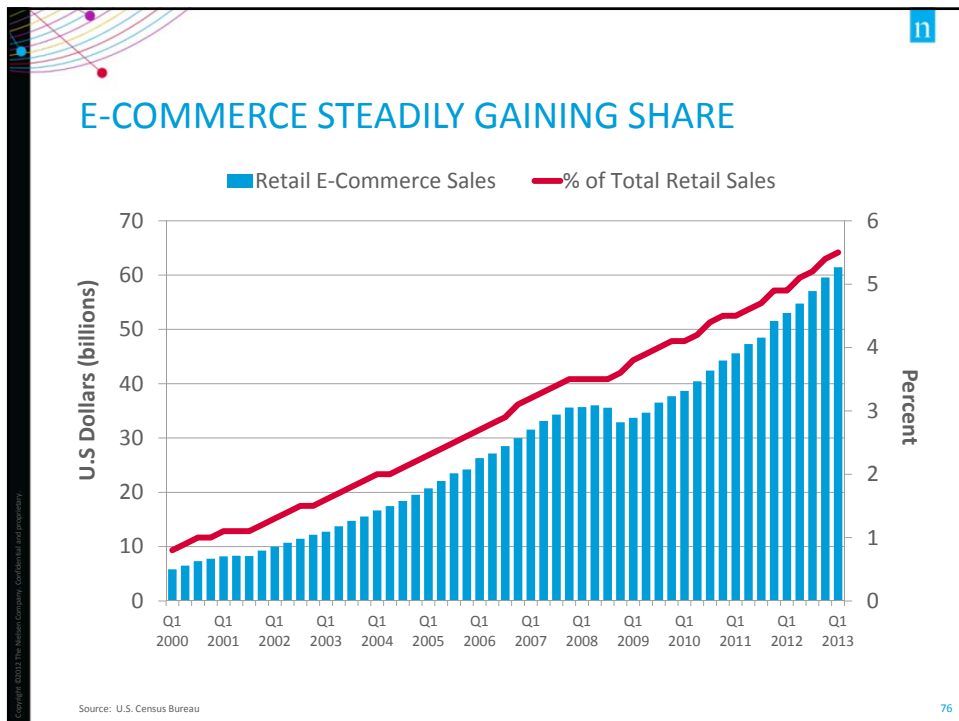
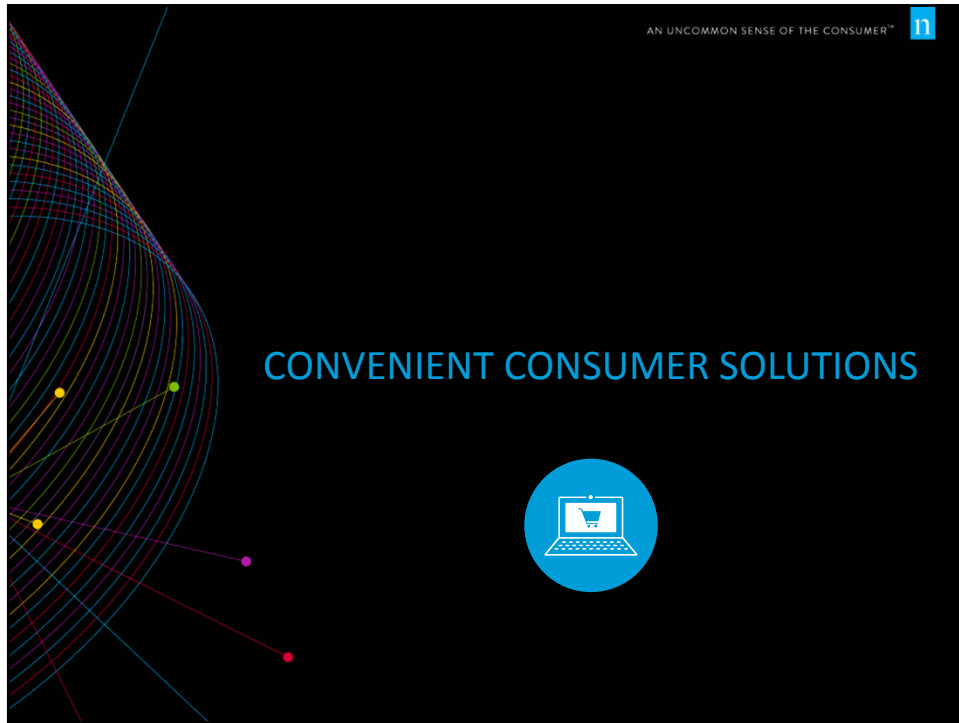
73

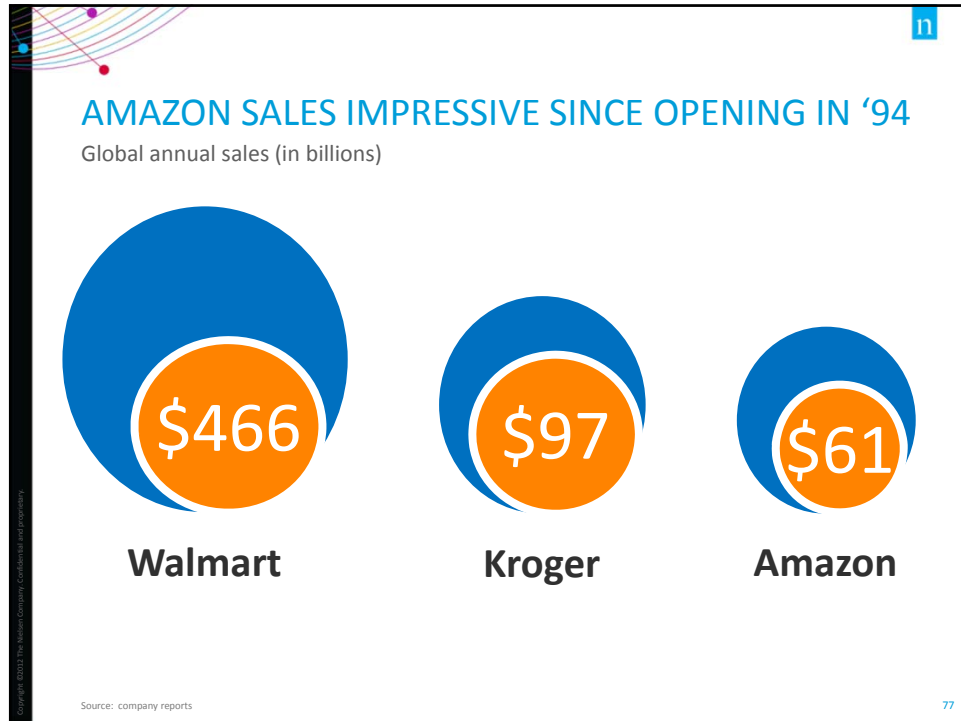
SMALLER PORTION SIZES, BUT WHAT ELSE?

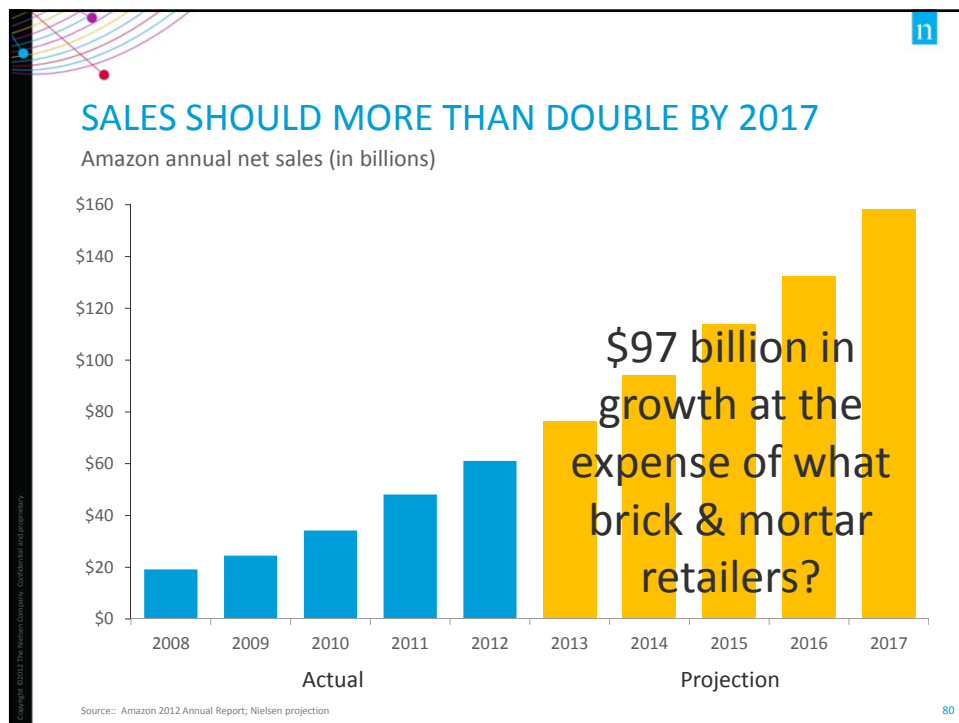
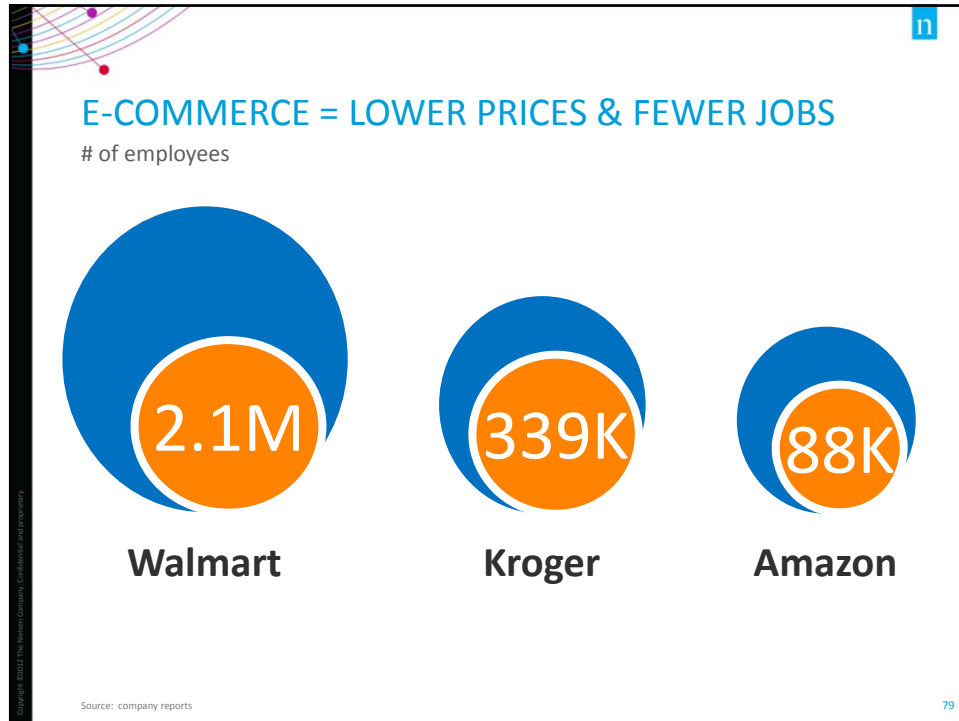


Source: MultiAd Kwikiee

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GOING AFTER REGULARLY SCHEDULED BUYS

Amazon.com
Subscribe & Save

Why Keep Running Out?
Save, set, and forget

[Learn more](#)



Step 1: Select an eligible item

Choose from laundry supplies, coffee pods, baby care products, and much more.



Step 3: Enter shipping and payment details

Tell us where you want the items shipped and which credit card to charge.



Step 2: Choose a quantity and delivery schedule

Pick the number of units you want to receive and the frequency of your deliveries.



Step 4: Click "Sign me up"

That's it. Your first order will be processed immediately and your subscription activated.



Source: Amazon.com

SAVINGS THRU SUBSCRIPTION SERVICES



BIRCHBOX®



DOLLAR SHAVE CLUB
SHAVE MONEY. SHAVE TIME.



the **goodies** company
www.goodies.co/



toys 4 tails
CLICK . SHIP. WAG.



MeUndies.com



Mystery
BOX SHOP .com



SOUPERGIRL
FRESH. LOCAL. GOOD.

Source: USA TODAY & company websites

AMAZON OFFERS FOUNTAIN OF YOUTH



50+ ACTIVE & HEALTHY LIVING
Shop for yourself and those you care for most

Take Good Care of Your Whole Body
Whole-food supplements from New Chapter

Resource Center
provided by
Grandparents.com

Save up to 15%
on Health Care Products
with Subscribe & Save

MEDICAL SUPPLIES
VITAMINS & SUPPLEMENTS
BONE & JOINT SUPPORT
CARDIOVASCULAR HEALTH
NUTRITION DRINKS & BARS

INCONTINENCE
ACTIVITY MONITORS
YOGA
PILATES
VIDEOS

PERSONAL CARE
DIABETES MANAGEMENT
DIGESTION & HAIR/SKIN
FIRST AID
PAIN RELIEF

Source: <http://www.amazon.com/gp/browse.html?node=5856180011>

Amazon Launches
**50+ Active and Healthy
Living Store** Featuring
Hundreds of Thousands of
Items In One Single
Destination... Our goal is to
offer great prices on a vast
selection of items and a
robust Resource Center
filled with tips on
everything from boosting
brain power to care-giving.

Amazon
Apr. 15, 2013

WALMART TRIES TO CATCH UP WITH AMAZON



Amazon and Walmart's e-commerce division are
expanding and starting programs to allow customers
to order items online and then pick them up from
lockers stationed at brick-and-mortar retailers.

Drug Store News
Apr. 3, 2013

Source: Amazon, Reuters, Drug Store News

WALGREENS ADDS CONVENIENT OPTIONS

web pickup



think *Walgreens* for BACK to SCHOOL

web pickup

more time for recess.
grab supplies faster this year.

save \$5 on your first order

Enter code thru Sept 17* **LBRDAYS**

Savings at your Store

Two of your favorite things...
summer & savings.

Find your sale >



Curbside Pickup

Just park & we'll bring your
items to your car.

Learn more >



Refer-a-Friend

Get \$5 for each friend
that uses Web Pickup.

Get details >

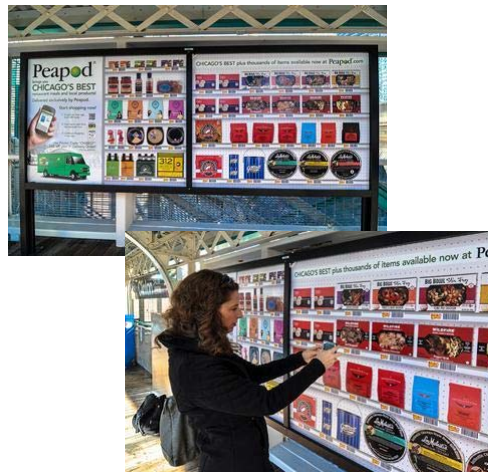


Source: Walgreens

85

VIRTUAL SHOPPING & PICK-UP SPOTS

Peapod offering virtual supermarkets at 100+ commute train stations;
also testing grocery pickup



Peapod Pick-up
by Stop & Shop



Source: Peapod, Stop & Shop, Supermarket News

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FRESHDIRECT EXPANDS TO PHILLY SUBURBS



- Philadelphia
- Delaware
- Chester
- Montgomery
- Bucks
- Mercer
- Burlington
- Camden



Courtesy of Select Greater Philadelphia. Credit: Delaware Valley Regional Planning Commission

Source: FreshDirect, Select Greater Philadelphia & Delaware Valley Regional Planning Commission

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100 MILLION+ TRANSACTIONS SINCE 01/2011



quick, seamless payment experience at approximately 7,000 Starbucks stores. Square Wallet is in addition to Starbucks own mobile payment applications...which are used by Starbucks customers more than 2 million times each week

Starbucks News Release, Nov. 7, 2012

Source: Starbucks

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“REMEMBERS PAST PURCHASES”

The screenshot shows the Wegmans website homepage. At the top is the Wegmans logo and a search bar. Below the logo is a navigation bar with links: RECIPES, SHOPPING, ENTERTAINING, EAT WELL LIVE WELL, CONSISTENT LOW PRICES, STORES, and a Sign in button. A secondary navigation bar lists: Events, Wine, Flyer, Menu Magazine, Blog, Prescriptions, Careers, Our Farm, and a link to create shopping lists, save recipes and more. The main content area features a section titled "The new Wegmans app!" with the subtext "Shopping made easier". It lists three features: "Remembers past purchases for easy shopping list creation", "Organizes shopping list by aisle", and "Adds recipe ingredients straight to your list". To the right is a video player with the text "See how easy it is to use". Below the app section is a "Download now!" banner with icons for the App Store, Google Play, Amazon Appstore for Kindle Fire (marked "Coming soon"), and Nook App (marked "Coming soon").

Source: Wegmans

“APPS EMERGE AS KEY WALMART STRATEGY”

Walmart plans to launch **Print Plus**, a mobile app that brings its print ads to life... The app, to be launched this year, allows shoppers to view content — such as recipes and product information — when they scan a Walmart ad with their smart phones.

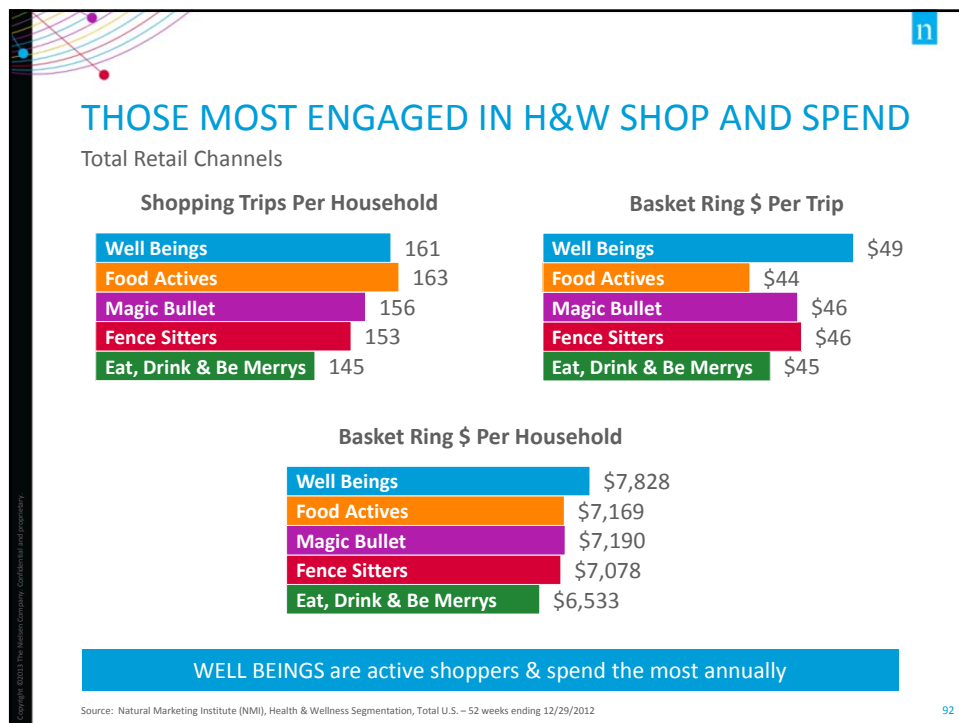
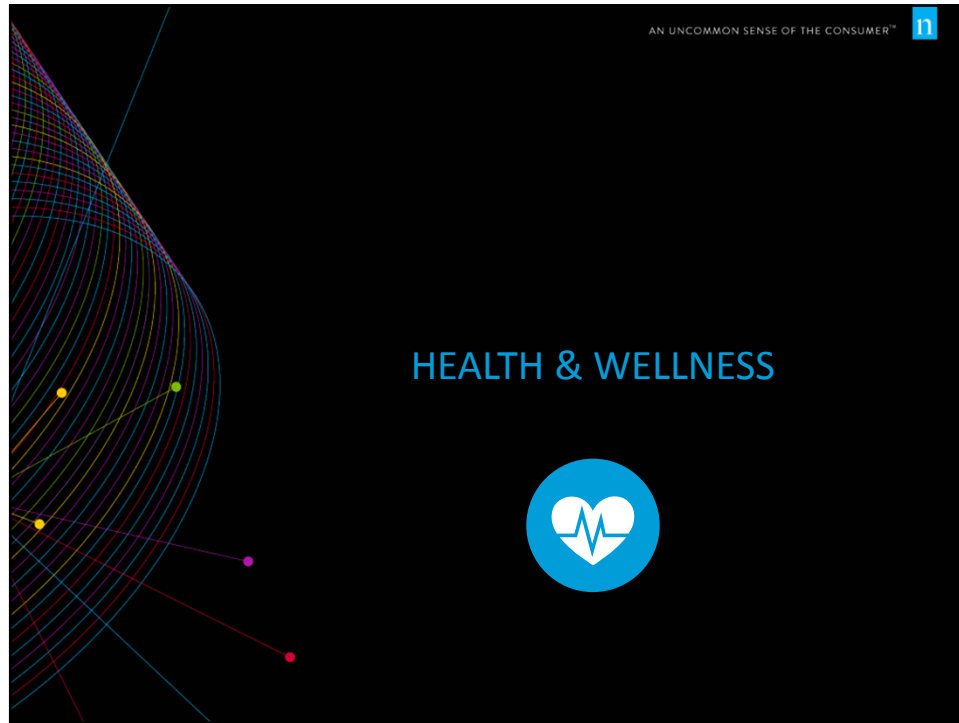
Additionally, the company is testing **Scan & Go**, an iPhone app that lets shoppers use their phones to scan the bar codes on items in-store, and complete the purchase at a self checkout.

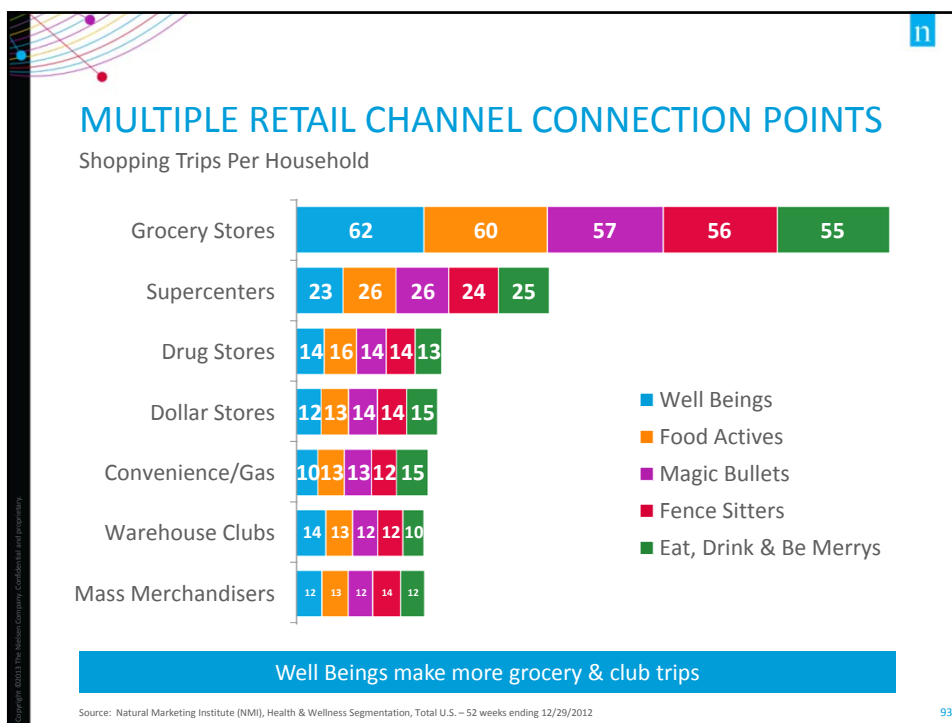
The retailer is also exploring **mobile payment**.

Supermarket News
Apr. 9, 2013

The screenshot shows the Walmart Scan & Go app interface. At the top is the "Scan & Go" logo with the tagline "Skip the checkout line." Below this is a "Learn how Scan & Go works" section with a video player. The main content area shows three steps: 1. Download (with instructions to scan a QR code or visit the app page), 2. Scan (with instructions to scan a barcode and add items to the cart), and 3. Pay & go (with instructions to scan the QR code at the self-checkout). The bottom of the screen shows a QR code and a link to the app page.

Source: Supermarket News & Walmart (<http://wm5.walmart.com/scanandgo/>)





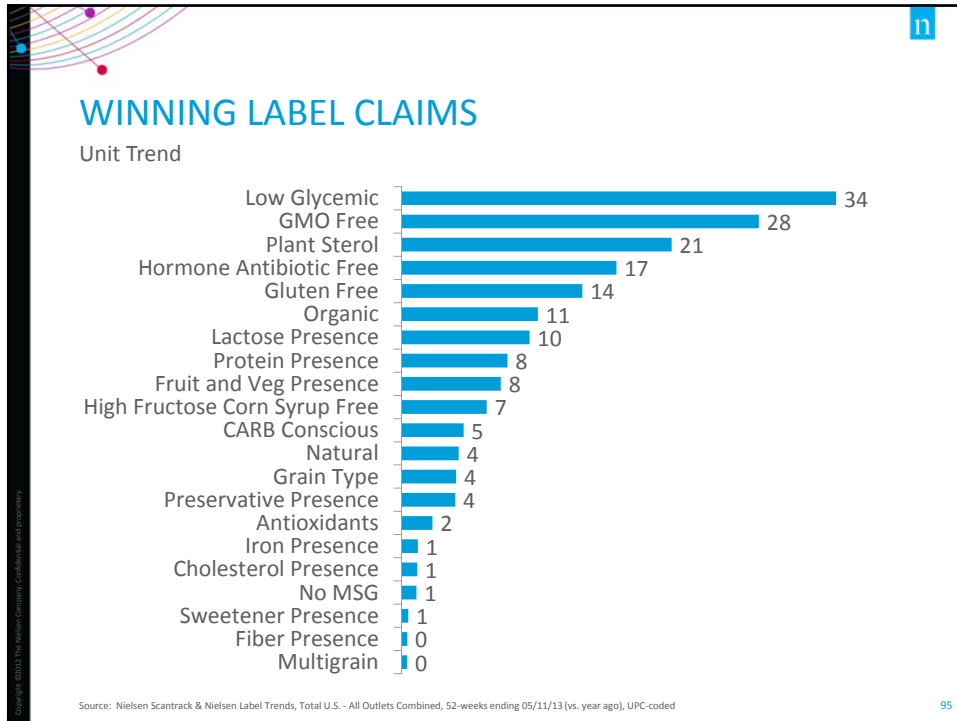
DIVERSE CATEGORY DEMAND ACROSS SEGMENTS

\$ Buying Rate Index

	Well Beings	Food Actives	Magic Bullets	Fence Sitters	Eat, Drink & Be Merrys
Beer	86	89	102	105	<u>118</u>
Wine	<u>136</u>	103	84	93	84
Candy	91	102	106	97	98
Carbonated Beverages	75	97	105	103	<u>112</u>
Bottled Water	<u>117</u>	95	97	105	92
Fresh Produce	<u>143</u>	103	90	95	80
Vitamins	<u>119</u>	<u>114</u>	108	94	48
Tobacco & Accessories	66	82	<u>113</u>	90	<u>119</u>

Where is your category or brand connecting?

Source: Natural Marketing Institute (NMI), Health & Wellness Segmentation, Total U.S. – 52 weeks ending 12/29/2012, UPC-coded



RETAILER HEALTH & WELLNESS SOLUTIONS

Source: Company websites

MARTIN'S ADDS HEALTHIER CHECK-OUT LANE



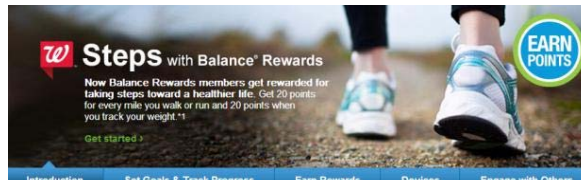
The Healthy Ideas check-out lanes contain both national and Martin's brand perishable and nonperishable healthy food items

MARTIN'S
Quality. Selection. Savings. Every Day.

Source: Ahold

97

GETTING ASSOCIATES & SHOPPERS MOVING



Source: Walgreens, Hy-Vee, H-E-B, The Mexia (TX) News Online

98

HELP DIABETES PATIENTS SAVE

Walmart introduced... the low-cost ReliOn Prime meter and blood sugar test strips... Walmart will provide increased savings on a variety of items to help patients ease the cost of diabetes management.

Source: Walmart (U.S.)

99

AN UNCOMMON SENSE OF THE CONSUMER™

EXPERIENTIAL RETAILING

FOODIE ENTERTAINMENT



HyVee
EMPLOYEE OWNED



“Hy-Vee’s first in-store, sit-down restaurant, called Market Fresh Grille, as well as a number of other firsts, many of which involve foodservice, prepared foods and value-added products that tie into cooking.”

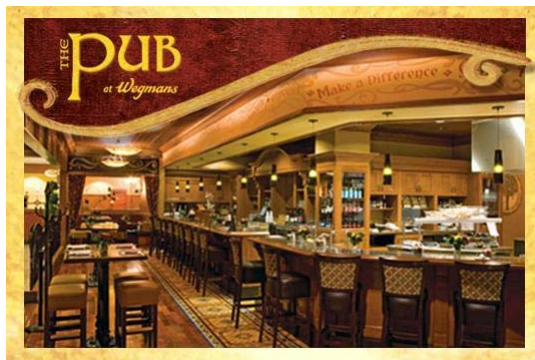
Supermarket News
Sep. 3, 2012

Source: Hy-Vee; Des Moines Register/David Purdy; Supermarket

101

TAKING FOOD TO ANOTHER LEVEL

Food prepared with “the incomparably fresh ingredients sold on-site in the store”



Wegmans

WHERE FRIENDS & FOOD MEET



Source: Wegmans

102

CELEBRATION CENTRAL



“201central is a new approach for Harris Teeter, and we believe that 201central will become your central place to find everything you need to make all your celebrations the best.”

201Central.com

Source: Harris Teeter

103

SHAKING UP THE BOX

Walgreens expanding “flagship” store concept in the U.S. & Puerto Rico

Walgreens
AT THE CORNER OF **HAPPY & HEALTHY™**



- sushi chef
- barista, juice bar, soda fountain
- 700 fine wines
- manicures
- *and, more!*

Source: Walgreens, Business Wire, Los Angeles Times

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BYERLY'S OPENS PET STORE



Bone Marché has a separate entrance and welcomes pets on leashes. The store features a 'bone bar,' a variety of specialty pet-food brands and refrigerated and frozen pet foods.

Supermarket News
Sep. 20, 2012

Source: Byerly's

105

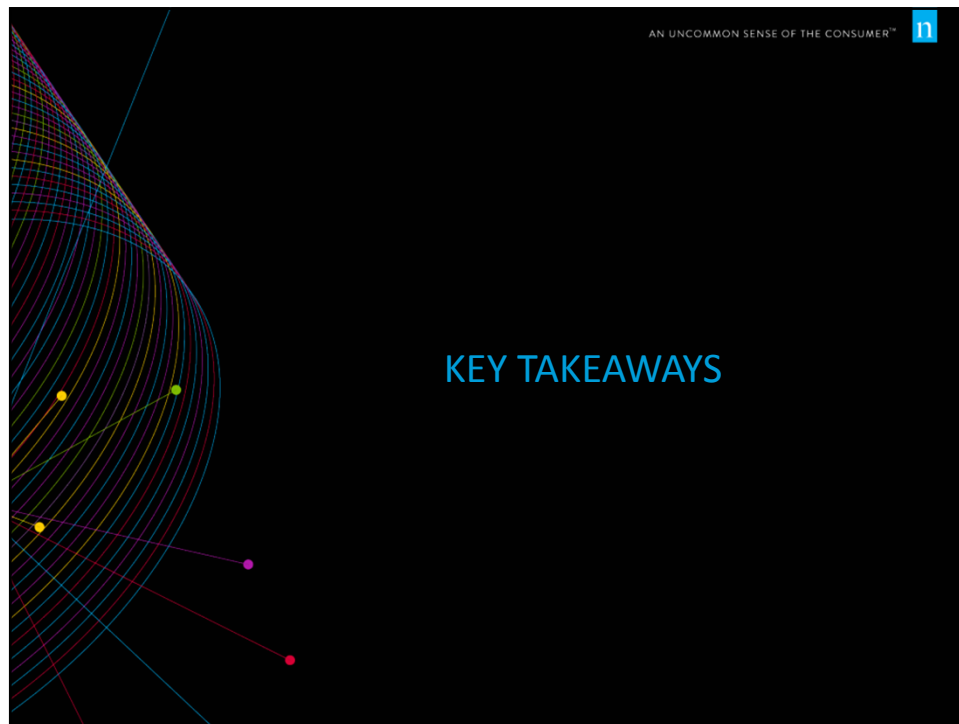
TARGET DEBUTS INTERACTIVE POP-UP STORE IN NYC

1,600 sq. ft. "house" features 3,500 store brand housewares items;
QR code/ship later option for two dozen products



Source: abullseyeview.com

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KEY TAKEAWAYS

- **Economic Divide:** Economy remains sluggish; opportunities across the economic spectrum
- **Competition Heats Up!** Battle for the right sized box; food fight; brands versus store brands; convenient consumer solutions
- **Retail 2017:** Online versus brick & mortar; innovate to stay consumer relevant; winning with “cool”

