

FINDING THE PROFITABLE PATH TO YOUR DIGITALLY ENGAGED GROCERY SHOPPERS

EXECUTIVE WORKBOOK 2018



For more resources, visit fmi.org/digitalshopper



Dear FMI Member:

When speaking about digital transformation and omnichannel, we keep asking, “Are You Ready ?”

Now, we add to our question, “Are You Ready for this Digital Adoption Pace?” Online shopping is pervasive – 49% of U.S. consumers are shopping for consumer packaged goods products online. Age and affluence are no longer inhibitors to online shopping – 61% of Millennials, 55% of Generation X, 41% of Boomers and 39% of Greatest Generation have recently purchased a CPG product online.

To help FMI retail members reach full omnichannel performance, FMI has partnered with Nielsen and focused on assessments, research and executive interviews on critical imperatives to support brick-and-mortar retailers in readying for the emerging digital food-and-beverage shopper.

Our first research report defined the digitally engaged food shopper. We next analyzed the things that manufacturers and retailers need to do to keep pace with this transition.

We hope you find this Executive Workbook valuable in thinking through your organizational structure, partnering opportunities and strategy to adopt at the pace upon us.

Please visit fmi.org/digitalshopper for more resources to utilize along the path of your digital journey.

Sincerely,

Chris Morley
President, FMCG & Retail, US

Nielsen

Mark Baum
Senior Vice President, Industry
Relations and Chief
Collaboration Officer

Food Marketing Institute

PEOPLE, PROCESS AND TECHNOLOGY

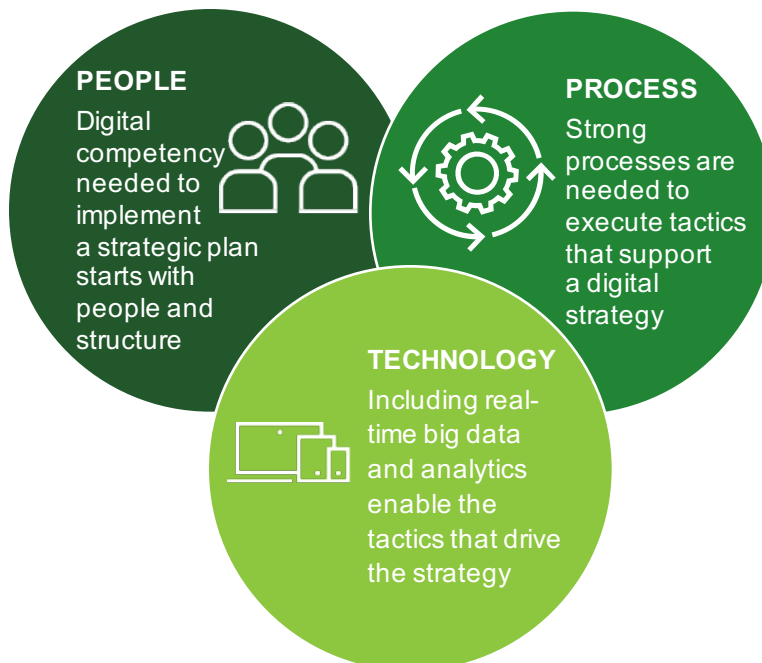
In interviews with consumer goods retailers and manufacturers, it became clear that many leaders are constantly building and rebuilding their strategy to capture opportunities in digital. Yet far fewer have taken the critical first step of evaluating their people, processes and technology.

Do you have the skill sets to succeed in digital? Have you put technology before process in your quest for success?

The questions posed in this workbook are thought-starters to help assess if you're making investments in people, process and technology that will lead to success in the digital food shopping age.

PEOPLE, PROCESS AND TECHNOLOGY

The roadmap to a successful digital strategy is built on collaboration and integration



For more resources, visit fmi.org/digitalshopper

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STRATEGIC QUESTIONS

PEOPLE, PROCESSES AND TECHNOLOGY

1. How would you describe your organization's corporate culture and skill sets needed to win as an omnichannel business?

2. Have you considered Integrating teams into a singular omnichannel structure to reduce redundancy and ensure a cohesive strategy?

- Do you have the right talent to lead integration efforts?

- Do you have competent people implementing technology with coordinated operational processes?

- Are your category captains responsible for both the digital and physical shelf? If not, would a hybrid model work?

3. Do you have the skill sets and expertise to leverage real-time big data analytics in digital processes?

4. How far into the future has your organization planned its e-commerce or digital strategy?

SIX KEY DIGITAL IMPERITIVES

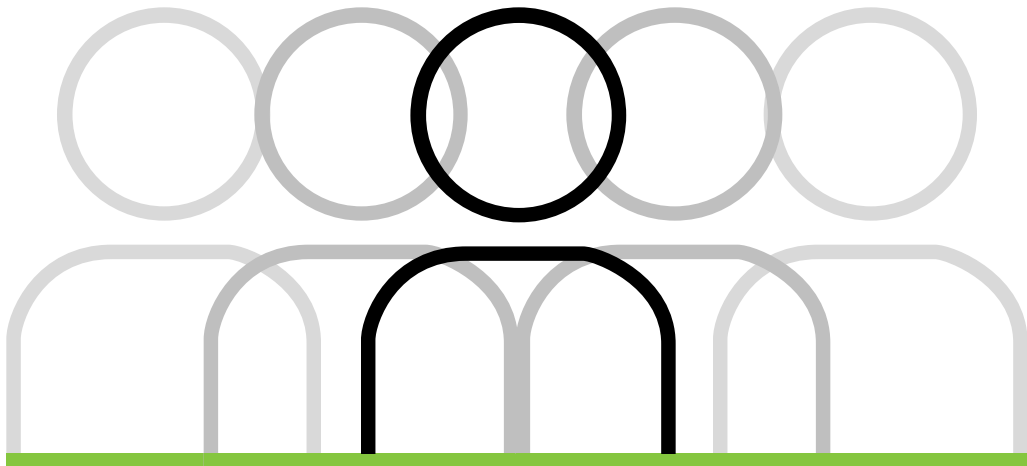
Through a collaborative research effort between Nielsen and Food Marketing Institute, more than 200 retailers and manufacturers completed an online digital-readiness assessment and more than 60 manufacturers and retailers had private interviews to discuss their digital readiness.

Through this process, we found six key areas where you can reduce costs and improve processes.



STRATEGIC ORGANIZATIONAL STRUCTURE

The rush to maximize online channels drove many manufacturers and retailers to build completely separate digital teams that often lack cohesion with the traditional brick and mortar teams. Integrating teams into a singular omnichannel structure can reduce redundancy and ensure a cohesive strategy. Securing the right talent to lead integration efforts is also critical.



STRATEGIC QUESTIONS

STRATEGIC ORGANIZATIONAL STRUCTURE

1. Are there opportunities to organize and share your digital and omnichannel strategy, tactics and enablers such as performance metrics big data analytics, technology platforms and people/culture?

2. Have you eliminated duplicative, teams in siloes specializing in digital channels?

3. Have you evaluated the collaboration needed and any duplication in your supply chain, marketing and merchandising areas?



INTEGRATED FORECASTING

Delivering the right product to the right consumer at the right time and at the right price requires a balance between demand planning, response and execution. Much of the industry is dealing with multiple and misaligned forecasts that add significantly to cost and operational inefficiencies.

We all strive for adopting a collaborative forecasting model that integrates movement in-store and online that promote fulfillment optimization, inventory availability and localization – all at a lower cost.



“We do not have enough analytics people, don’t have enough of that skillset, to develop more precise forecasting.”

**GROCERY
RETAILER**



“Forecasting costs a lot and is currently low ROI. Matching demand with supply in a seamless way is hard to do and every retailer has their own process.”

**FRESH FOODS
MANUFACTURER**



“Between 1% and 5% of product today is excess due to bad forecasting. This is a significant, expensive problem.”

**GROCERY
RETAILER**

STRATEGIC QUESTIONS

FORECASTING

1. Does your organization forecasting capabilities enable you to collaboratively forecast demand and replenishment with your retailer/supplier partners?

2. Do you have a path to enhance, collaborative omnichannel forecasting to enhance inventory management that will increase sales?



COHESIVE SHOPPER INSIGHTS

The consumer is king and digital introduces an entirely new dimension of real time shopper intelligence. Many retailers and manufacturers are creating their own views of the shopper and in most cases these views aren't integrated. The fragmentation limits the potential for real growth.

In surveying retailers and manufacturers, each believed collaborative, integrated shopper data can radically improve return on investment. So why isn't this the norm?



“When we’ve been able to partner with manufacturers, share insight resources, and create joint goals we’ve succeeded in growing the category together.”

**GROCERY
RETAILER**



“With shopper marketing data, you have to pay to play.”

**FRESH FOODS
MANUFACTURER**



“We’ve run into sharing emerging digital analytics with manufacturers (e.g. site traffic, conversion rates). It’s not our core competency. Loyalty card data is what we do.”

**GROCERY
RETAILER**

STRATEGIC QUESTIONS

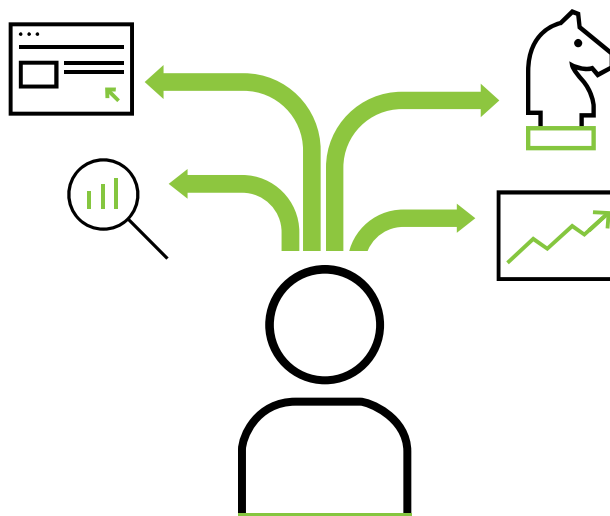
SHOPPER INSIGHTS

1. Do you collaborate with trade partners on shopper insights?

- Are you fully aligned with your retail/supplier partners' view of the shopper to drive growth?

2. Do you use the traceable tender data in your strategy? If so, how?

3. Do you use predictive analytics to create personalized offers?



DIGITAL SHELF

Disconnected shelf capabilities add significant cost to the system for both retailers and manufacturers. Product information, images, seamless views of the shelf and transparent pricing are all issues retailers and manufacturers surfaced in interviews.

Completeness and consistency across in-store and digital shelves are table stakes for cutting costs and creating a clear omnichannel assortment strategy that keeps the digital shopper coming back.

 <p>“Some manufacturers don’t know what a product image is and some are digitally sophisticated. There is a very wide spectrum.”</p> <div style="background-color: white; color: black; padding: 5px; text-align: center; margin-top: 10px;"> GROCERY RETAILER </div>	 <p>“Manufacturers spend a lot on <u>separate</u> personnel to optimize digital shelves when the existing category captains should handle that, but they don’t have the skillset.”</p> <div style="background-color: white; color: black; padding: 5px; text-align: center; margin-top: 10px;"> CPG MANUFACTURER </div>	 <p>“We are ahead of the curve, actively working to integrate both the digital and physical shelf while understanding differences. Product launches are planned for both in-store and online.”</p> <div style="background-color: white; color: black; padding: 5px; text-align: center; margin-top: 10px;"> GROCERY RETAILER </div>
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STRATEGIC QUESTIONS

DIGITAL SHELF

1. Which of these best describes your organization's current level of omnichannel assortment strategy?
 - a. Online and in-store assortment strategies are integrated and used collaboratively with trading partners.
 - b. They are not integrated and in-store assortment strategies are used collaboratively with trading partners, but not online.
 - c. In-store assortment strategies are used collaboratively with trading partners, but online strategies don't really exist.
 - d. No assortment strategies of any kind are really used collaboratively with trading partners.

2. Do you find that your trading partners parties agree that product information, images, seamless views of the shelf, transparent pricing are all critical issues to solve? If so, can you find a common path to achieve virtual shelves?

3. Is your company able to monitor, standardize, and/or optimize price and promotion across both online and brick-and-mortar channels?

4. Does your organization ship your products directly to your consumers? Does this work for you?

MARKETING & PROMOTIONS

Most retailers and manufacturers we spoke with agreed that there is significant waste in the current marketing spend process. Digital environments exacerbate this waste by opening an almost infinite amount of consumer touch points.

Trade promotion strategies built for our omnichannel future must follow the shopper flow and path to purchase. To do this effectively, manufacturers and suppliers will need strong, collaborative shopper engagement strategies.

Among those we spoke with, there is a real belief that personalization driven by both parties could deliver real growth through targeting.



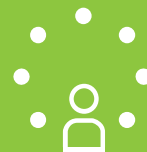
“We’ve gotten good at social media and now spend 40¢ of every marketing \$1 on social. But we have done a bad job of translating our campaigns to the retailer, partnering with the retailer.”

**CPG
MANUFACTURER**



“We want to execute more promotions and collaborate with manufacturer partners in new ways to bring in new consumers.”

**GROCERY
RETAILER**



“We’ve have had too many marketing agencies, which we’ve cleaned up. We have consolidated everything to two: one retailer focused and one consumer focused.”

**FRESH FOODS
MANUFACTURER**

STRATEGIC QUESTIONS

MARKETING & PROMOTIONS

1. Do you feel that your brand and consumer marketing and its ROI can be improved?

2. Do you try to conduct more promotions and collaborate with manufacturer partners in new ways to attract in new consumers?

3. Does your organization's marketing and promotion capabilities allow you to:

- Personalize promotions based on an individual shoppers' purchase habits?

- Measure ROI on both digital and traditional promotions?

- Personalize promotions to a targeted group of consumers?

4. How does your organization measure ROI for digital promotions (e.g., downloadable coupons that can be redeemed online/in-store or deals for online purchases) vs. traditional promotions (e.g., FSI/print circulars, print coupons, and in-store deals)?

5. Are you optimistic for the possibilities digital brings to marketing, and believe that the current marketing spend process is suboptimal?

MASTER DATA ACCURACY

Master data inaccuracy is not a new cost contributor and growth inhibitor, but its effect will reverberate with even more intensity in the omnichannel world.

It's up to us all – manufacturers, retailers, data providers and trade organizations – to come up with and adhere to a solution.



“We talk about inaccurate product information every day. We’ve developed a scorecard to measure accuracy of our manufacturers’ data and share back their performance.”

**GROCERY
RETAILER**



“The #1 capability that needs to be improved in the digital collaboration model is consumer-facing digital product information. We need to get the correct information online and keep it correct. Data integrity is critical.”

**CPG
MANUFACTURER**



“A lot of time and effort is spent, on both sides, on data input, collection, and accuracy.”

**GROCERY
RETAILER**

STRATEGIC QUESTIONS

MASTER DATA

1. How ready and committed is your organization to helping solve the issues of master data inaccuracy?

- Have you placed the right attention to the issue?

- Do you have manufacturer partners that will accelerate the efforts?

2. Do you have a plan to keep master data accurate, standardized and timely?





ABOUT FOOD MARKETING INSTITUTE

Food Marketing Institute proudly advocates on behalf of the food retail industry. FMI's U.S. members operate nearly 40,000 retail food stores and 25,000 pharmacies, representing a combined annual sales volume of almost \$770 billion. Through programs in public affairs, food safety, research, education and industry relations, FMI offers resources and provides valuable benefits to more than 1,225 food retail and wholesale member companies in the United States and around the world. FMI membership covers the spectrum of diverse venues where food is sold, including single owner grocery stores, large multi-store supermarket chains and mixed retail stores. For more information, visit www.fmi.org and for information regarding the FMI foundation, visit www.fmifoundation.org.

ABOUT NIELSEN

Nielsen Holdings plc (NYSE: NLSN) is a global measurement and data analytics company that provides the most complete and trusted view available of consumers and markets worldwide. Our approach marries proprietary Nielsen data with other data sources to help clients around the world understand what's happening now, what's happening next, and how to best act on this knowledge. For more than 90 years Nielsen has provided data and analytics based on scientific rigor and innovation, continually developing new ways to answer the most important questions facing the media, advertising, retail and fast-moving consumer goods industries. An S&P 500 company, Nielsen has operations in over 100 countries, covering more than 90% of the world's population. For more information, visit www.nielsen.com.

THE SCIENCE BEHIND WHAT'S NEXT™



smartlabel™

Go Beyond the Label...

A MODERN DAY TOOL ASSISTING CONSUMERS TO "GO BEYOND THE LABEL" FOR PRODUCT INFORMATION

SmartLabel™, a digital tool that allows consumers to access detailed information about the products they use and consume. SmartLabel™ leverages digital technology via the Internet or smart-enabled devices to allow the consumer flexibility to access information at their convenience at the point of purchase or in their homes.

WHAT INFORMATION WOULD I SHARE THAT ISN'T ON THE LABEL NOW?

SmartLabel™ goes beyond the label allowing brand owners to communicate detailed information such as ingredient definition and sourcing practices, third-party certifications, social compliance and sustainability information, usage instructions, advisories and safe handling instructions.

HOW CAN I GET MORE INFORMATION ABOUT SMARTLABEL™?

Please visit www.smartlabel.org or send an email to brands@smartlabel.org

Trading Partner Alliance
FMI and GMA



11:32 AM

smartlabel™

Reese's Peanut Butter Cups
net wt. 1.5oz

0 34000 00440 9

Nutrition | Ingredients | Allergens | Other Information | Company/Brand

140 Calories | **0** Sat Fat (g) | **45** Sodium (mg) | **21** Sugar (g)

Servings
Serving Size | 1 Package
Servings Per Pack | 1

Fats
20% Total Fat | 13g

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Feeding Families • Enriching Lives.

