Insight to Action

Accelerating Profitable Kosher Aisle Growth

Presented by Paul Crnkovich
Agenda

- Cannondale Overview
- Research Overview
- Key Learnings and Implications
Cannondale...

Who are these guys?
Primary Consumer/ Customer Insights

- ShopperGenetics®
- Quantitative Research
- Benchmarking
- ConsumerCepts™
- Proprietary Surveys
- Controlled Store Tests

Business Solutions Consulting

- Trade Promotion Strategy
- Consumer Marketing at Retail
- Organization Capacity
- Channel Development

Executional Applications

- PriceRite®
- RichMix®
- Ginsu ABC
We conduct 5 Broad Industry Issue studies each year

Research addresses Retailer – Consumer – Manufacturer issues
What did we do?
We conducted primary research against two objectives

1. To better understand who the Kosher consumer is and how they shop so we can better market to them

2. To understand the role of Kosher within the broader “specialty foods” arena so we can better meet retailer needs
Three Part Research Approach

- ShopperGenetics® Analysis
- Online Consumer Research
- Industry Interviews

Learning Integration

Hypotheses
ShopperGenetics® Analysis

Data Source
- Shopper Card Transaction Data from 14+ Food and Drug Retailers

Scope
- 10 MM Household
- 5+ years of data

Depth/Granularity
- All transactions
- All products (UPC level)
- Includes perimeter
  - Meat, deli, produce, ISB, pharmacy
- By store, by lane

+2 million traditional Kosher transactions
Online Consumer Research

Fielded

September 2006

Parameters

500 respondents
- Jewish and non-Jewish Kosher purchasers
- National representation

Content

Shopping Insights
- Why shoppers are shopping and what drives them

Kosher Perception
- Consumer perception of what Kosher is and where it is shelved

Kosher Shopping Behavior
- What factors influence consumer decision, trip-drivers, frequency
Research focused on traditional Kosher products

Kosher Products

- Items primarily found in “Kosher” sections throughout the store

Kosher Buyers

- “Kosher buyers” are defined as consumers that have purchased one or more of these items in the past year

Source: Cannondale Associates ShopperGenetics®, 52 weeks ending 8/06
What were the perceptions?

- The Kosher consumer is old fashioned, old and getting older
- Multiple brands of limited products is “variety”
- Need to aggressively discount key items during the holidays to drive traffic
- Overall belief that the Kosher section is **important** and **valuable**, but there is uncertainty around how to accelerate profitable growth
What Did We Learn?
Key learnings

- There are many faces of the Kosher consumer – not one

- They want broader selection of categories – not multiple brands

- They purchase an entire “solution” of products during holidays – not just core items

...we confirmed just how valuable these consumers are
Traditional Kosher buyers are highly valuable shoppers throughout the year.

Kosher buyers tend to be the retailer’s most valuable customers.

Source: Cannondale Associates ShopperGenetics®, 52 weeks ending 8/06
We can tap into existing consumer behavior to accelerate growth

Source: ACNielsen All Outlet Data 2006
Growth is driven by increasing the number of categories purchased

Source: Cannondale Associates ShopperGenetics® Frequent Shopper Analysis 2006
How do we **accelerate** breadth of Kosher category involvement?

Source: ACNielsen All Outlet Data 2006
Begin by thinking *differently* about how to grow the business
An “Insight To Action” approach

➾ Utilize consumer/shopper insight

➾ Analyze POS, syndicated and frequent shopper data

➾ Synthesize learning to develop specific plans to capitalize on insight
Let’s begin with the consumer

Source: ACNielsen All Outlet Data 2006
Kosher consumer has many faces
Consumer research identified five “Kosher” segments

1. Traditional

Purchase Drivers

- Jewish
- Keeps Kosher either in their home or all the time
- Religion is very important in their food purchases
- Traditional users are the youngest segment – 70% are ages 18-35
Consumer research identified five “Kosher” segments

2

Modern

Purchase Drivers

- Jewish
- Uses Kosher and non-Kosher products
- Purchases Kosher products year round; more than just holidays
- Changing taste preferences
Consumer research identified five “Kosher” segments

- Jewish
- Holidays are primary driver of Kosher purchases
Consumer research identified five “Kosher” segments

4 Cleaner/Purer/Better

Purchase Drivers

- Non-Jewish
- Feels Kosher products are ‘better for you’
- Link to Natural/Organic products
- Emerging and growing segment

“Kosher products are better for you. They’re purer and have superior ingredients”
Consumer research identified five “Kosher” segments

5 Need Based

Purchase Drivers

- Non-Jewish primarily
- Kosher purchases driven by:
  - Lactose free
  - Gluten free
  - Vegetarian

“I trust Kosher for my dietary needs”
The Traditional Consumer is the most frequent purchaser, but all segments purchase at least once every three months.

How Often did You Purchase Kosher Products Last Year?

- **Twice a month or more often:** 92.2%
- **Once a month to once in 3 months:** 55.7%
- **Twice a Year or less:** 57.9%

Source: Cannondale Associates Online Study 09/06

Q7a) How often would you say you purchased Kosher products in the past year?
While differences exist across segments...

...there are some important similarities
Majority of consumers decide what to buy in-store

Describe Your Behavior When Shopping for Kosher:

- I plan on buying before coming to the store
- I look around to see if there are new brands or products
- I decide the specific brand once I am in the store
- I always buy the same brand
- I look outside the Kosher section

In-Store Decisions

60.0% 45.8%

Source: Cannondale Associates Online Study 09/06
Q27) When shopping for Kosher, which statement best describes your shopping behavior?
The Kosher section is where most consumers discover new products.

Where do You Find out About New Kosher Products?

- On the shelf/display: 84.2%
- Friends: 57.8%
- Family: 54.7%
- Magazine: 57.8%
- Religious group: 57.8%
- TV commercial: 22.1%

Source: Cannondale Associates Online Study 09/06
Q17) Where do you find out about new Kosher products?

You must capture their attention in-store!
They all want greater variety of items

Please rate whether each change would make you more likely to buy Kosher products (% Top 2 Box)

- Lowered Price: 95.3%
- Offered a wider selection: 83.3%
- Organized the section better: 80.4%
- Better signage
- More exciting packaging

Said another way...

Source: Cannondale Associates Online Study 09/06
Q26) Please rate whether each change would make you more likely to shop for Kosher products. (Top 2 Box)
The key is to maximize variety while minimizing duplication.

Item variety creates greater demand and minimizes duplication, creating space for new items.
Gefilte Fish provides a good example of how to minimize duplication
Less Gefilte Fish brand assortment generates greater Kosher sales velocity

Kosher Shelf Stable Annual Sales Velocity Index*

Fewer brands equals more sales

Provide greater variety of Kosher categories for the consumer

Gefilte Fish
- Item Share ≥ 7% < 7%
- Avg # Brands ≥ 3 ≤ 2

* Stores with at least a 4ft. shelf set
Source: Cannondale Associates ShopperGenetics® Frequent Shopper Database 08/08
We analyzed the impact of deep discounting core Kosher items on holiday store purchase trips
Stores that “deep” discount do not increase holiday traffic more than stores that “shallow” discount.

Weekly Shopper Penetration by Store Type

- **“Deep” Discounters**
  - Penetration Index: 191
  - Important holidays: Rosh Hashanah & Yom Kippur, Hanukkah, Passover

- **“Shallow” Discounters**
  - Penetration Index: 211
  - Important holidays: Rosh Hashanah & Yom Kippur, Hanukkah, Passover

Holiday Basket Penetration Index*

*Top promoted holiday week penetration divided by store’s average weekly Kosher shelf stable penetration
Source: Cannondale Associates ShopperGenetics®, 52 weeks ending 8/06
“Shallow” wider discounting encourages more item purchases

Avg. Kosher Shelf Stable Spending per Basket
(During Holidays)

- "Deep" Discount Stores: $4.63
- "Shallow" Discount Stores: $7.24

Avg # Items

- "Deep" Discount Stores: 2.2
- "Shallow" Discount Stores: 3.4

Deep discounting core items subsidizes your consumer base, limiting the holiday basket ring

*Discount is based on non-holiday price vs. holiday price in-store if year round, otherwise based on average non-holiday price in other stores
Source: Cannondale Associates ShopperGenetics®, 52 weeks ending 8/06
“Shallow” discounters maximize annual Kosher performance by promoting “wide”

Kosher Shelf Stable Sales Velocity Index
Average SKU Sales per $1 Million Store Sales

Core¹ 4 Item Discount

> -25%  76
-25% to -21%  84
< -20%  140

¹Core items are Gefilte fish, matzo, juice, soup
Source: Cannondale Associates ShopperGenetics®, 52 weeks ending 8/06
More Kosher categories in the holiday basket triggers a greater holiday purchase occasion

Basket Ring on Stock-Up Trips
Among Kosher Buyers

<table>
<thead>
<tr>
<th># of Unique Kosher Items</th>
<th>Non-Holiday Stock-Up Trip</th>
<th>Kosher Holiday Stock-Up Trips</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 3</td>
<td>$100</td>
<td>$120</td>
</tr>
<tr>
<td>4-6</td>
<td>$120</td>
<td>$138</td>
</tr>
<tr>
<td>7-10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; 10</td>
<td></td>
<td>$178</td>
</tr>
</tbody>
</table>

1Stock-up trips are where at least 15 unique items are purchased
Source: Cannondale Associates ShopperGenetics®, 52 weeks ending 8/06
Use holiday merchandising to maximize basket ring rather than store trips

A “successful” holiday display will impact total store sales

Source: Cannondale Associates ShopperGenetics®, 52 weeks ending 8/06
So, what is the opportunity?

Source: ACNielsen All Outlet Data 2006
Kosher profitable growth equation

Kosher Categories per Basket + Kosher Holiday Ring = Accelerate Kosher Foods Growth

Purchase more Kosher categories per basket + Sell the holiday occasion = Accelerate Kosher Foods Growth
How?

**Everyday Assortment**
- Maximize category variety, minimize duplication
- Make room for innovative new products

**Holiday Merchandising**
- Meet the broader consumer need
- Shallow discounting across a wide-variety of Kosher categories
- Display with/near holiday solution items:
  - Kosher meat case
  - Beer/wine
  - Silver polish, candles, etc.
Those who partner successfully will have the best opportunity to succeed

Source: ACNielsen All Outlet Data 2006
Your challenge...

Manufacturers and Distributors
- Must provide the consumer insight and fact-based analysis from a total Kosher perspective to improve in-store management and execution

Retailers
- Help vendors make this commitment with cooperation and information sharing
Collaborative touch points

- Consumer insight and targeting
- In-store research
- Shelf management
- Efficient product assortment
- Holiday merchandising
- Optimal everyday pricing
- Logistics technology
In summary...

Key Insights

- There are many faces of the Kosher consumer – not one

- They want broader selection of categories – not multiple brands

- They purchase an entire “solution” of products during holidays – not just core items
...to Action

- Maximize **category variety**, minimize duplication
- Make room for **innovative new products**
- Meet the **broader consumer need** during the holidays
  - Shallow discounting across a wide variety of Kosher categories
  - Display with/near holiday solution items

Key is retailer/distributor/manufacturer collaboration