August 2023

84.51°

Consumer Digest

Welcome to the August Consumer Digest. This month, we are exploring the dichotomy in purchase behavior – saving vs. splurging. We'll look at shopper's preferences around national brands and store brands, the top commodities shoppers say they are willing (and not willing) to switch to a store brand and the reasons why. Finally, we'll wrap up with consumers' plans for the upcoming football season. As always, reach out to your 84.51° contact with questions or feedback.

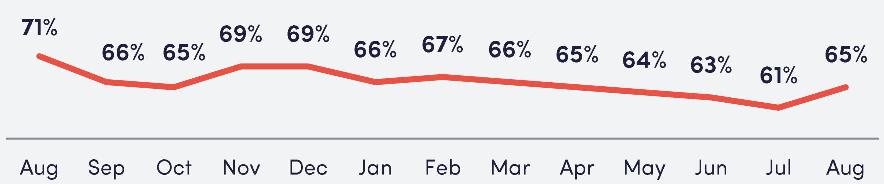
Included this month:

- How are shoppers feeling about **inflation & personal finance?**
- **Saving vs. splurging** – revealing a dichotomy in purchase behavior
- General preferences around **national & store brands**
- Top commodities shoppers say they **are willing & not willing to switch to store brands**
- Consumers' plans **heading into football season**

Inflation concerns are bouncing back

- Shopper's concern over inflation is back to Apr'23 levels after a three month-long decline.

Shopper concern over inflation –
% of Households Extremely Concerned (Monthly)

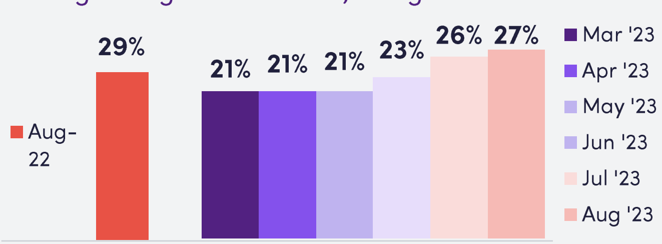


Top 2 boxes on 7-point scale

How shoppers are feeling about their finances

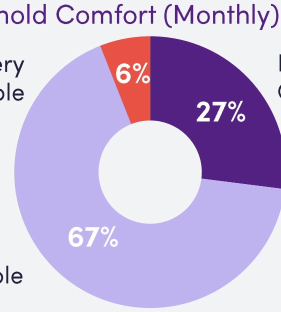
- Shoppers 45+ are feeling significantly more comfortable (T2B) with finances than the other age groups.

Shoppers level of discomfort has continuously been growing over the P6M, rising close to 29%



Bottom 2 boxes on 7-point scale

Shopper comfort about finances in August –
% of Household Comfort (Monthly)



T2B – Top boxes, M3B – Middle 3 boxes,
B2B – Bottom 2 boxes on 7-point scale

Source: Real Time Insights Survey, August 2023. Sample sourced from consumers who shopped at Kroger in latest 3 months. N=400

Simultaneous splurging + saving in a challenging economy

Exploring complexities around personal preferences with rising costs of goods
Recent industry studies reveal a dichotomy in purchase behavior where consumers are looking for savings and pinching pennies due to inflation but still ponying up to spend on items they're loyal to, passionate about or just generally prefer for a variety of reasons. These items seem to be immune to the trade down trend that's been taking place as CPI has skyrocketed over the past two years.

Using the 84.51° Stratum and Real Time Insights platforms, we set out to learn more about this phenomenon--what is and is not immune to the trade down trend.

National vs. Store Brand Preferences

Prefer National Brand	Prefer National Brands but open to Store Brands	No specific Brand preferences	Prefer Store Brands but open to National Brands	Prefer Store Brand
8%	29%	17%	16%	31%

Top commodities shoppers are willing or are not willing to switch to Store Brands

Willing to switch	Frozen	Shelf Stable	Household Cleaning	Healthcare (OTC)
% Share Change National Brand to Store Brand 84.51° Stratum*	+3.8%	+1.7%	-2.6%	+2.7%

Top Reasons Why: Willing to Switch to Store Brand

- **#1** Quality is just as good
- **#2** Store Brands offer variety/selection that meets my needs
- **#3** Store Brands offer product size(s) that meets my needs

Not Willing to switch	Pet	Personal Care	Beauty	Drinks
% Share Change National Brand to Store Brand 84.51° Stratum*	+2.7%	+0.04%	+7.4%	+2.1%

Top Reasons Why: Not willing to Switch to Store Brand

- **#1** Quality is not as good
- **#2** I always buy some national brands I like
- **#3** Store Brands do not offer the variety or selection that meets my needs

*Source: Real Time Insights & 84.51° Stratum Product by Measure L52W, ending 8/14/2023

Retail therapy & permissible pleasures

The top 10 items shoppers purchase with the intent to treat themselves...

1. Candy
2. Baked Goods and Treats
3. Snacks
4. Ice Cream
5. Self-Care Products
6. Beverages
7. Hair Care Products
8. Name Brand Products
9. Cheese
10. Makeup

.... And What Exactly Motivates the "Treating"?

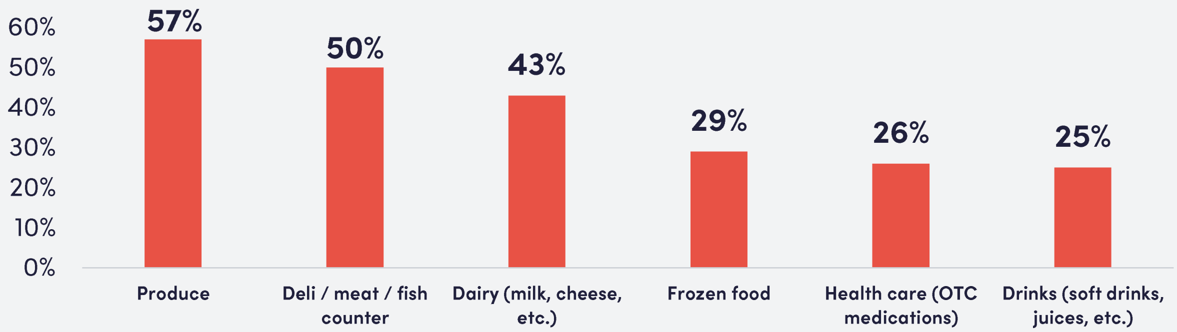
1. Taste
2. Price/Sale
3. Cravings
4. Reward/Treat
5. Quality/Experience
6. Moods/Emotions
7. Good Deals
8. Packaging/Product
9. Nostalgia/Preference
10. Money/Budget

Spending on "better for you" products

Thinking of budgeting when shopping for groceries or household items, we asked:

Which of the following categories would you allocate more money to purchase healthier/better for you/your household products (e.g., organic, no additives, etc.)?

Top ranking selections include:

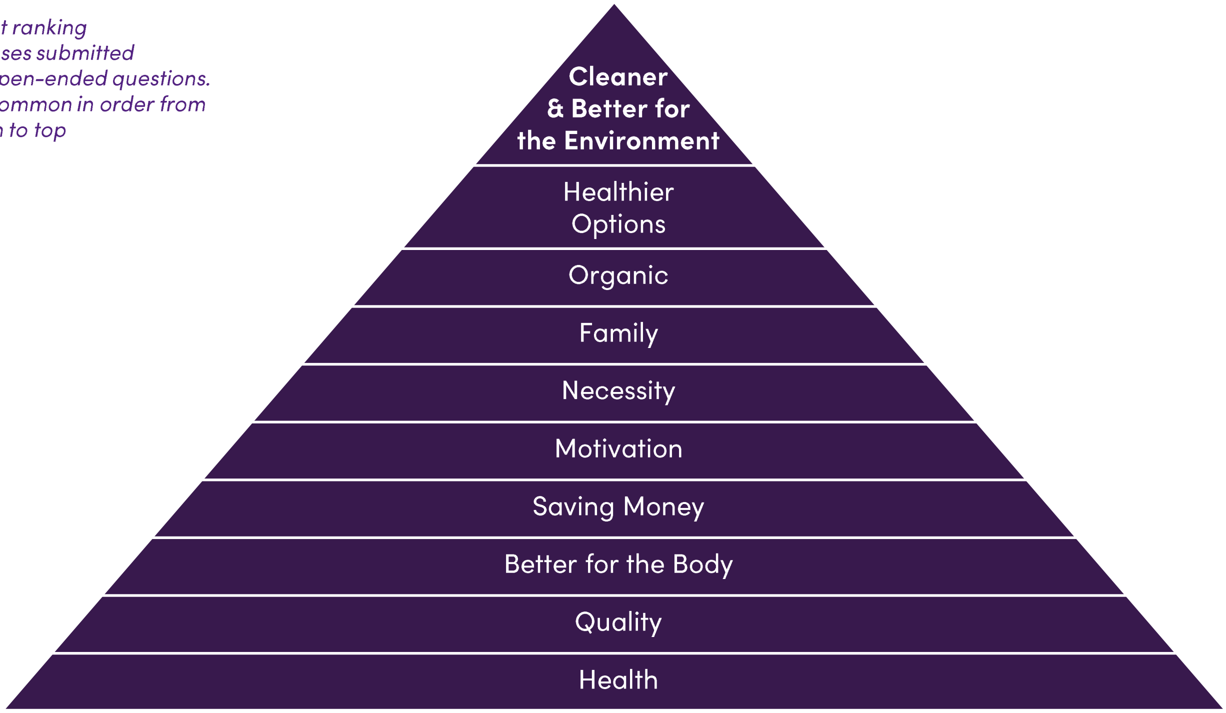


Source: Real Time Insights Survey, August 2023. Sample sourced from consumers who shopped at Kroger in latest 3 months. N=400

Motivations pyramid

To dig a little deeper and get an understanding on the "why" related to budgeting for healthier/better for you/your household products (e.g., organic, no additives, etc.), we asked: **What motivates you to allocate more money for purchasing those products?**

Highest ranking responses submitted from open-ended questions. Most common in order from bottom to top



Source: Real Time Insights Survey, August 2023. Sample sourced from consumers who shopped at Kroger in latest 3 months. N=400

Are you ready for some football?!?

With football season upon us, we asked consumers if they are planning to watch or attend any football games (e.g., pro, college, high school).
Numbers exceed 100% due to multi-select responses.

85%
Plan to watch games **at home**, host a party at home or watch at someone else's home.

25%
Plan to attend **games in person**, (in or out of town).

21%
Plan to **go out** to watch the games.

What kinds of **pre-game activities** consumers plan on attending during the football season, if any.
Numbers exceed 100% due to multi-select responses.

43%
Gatherings at my house

38%
Gatherings at someone else's house

28%
Plan to gather at an establishment
(e.g., sports bar, local pub, restaurant)

19%
Plan to gather near/at the stadium
(e.g., tailgating in the lot)

Top items shoppers are planning to purchase in a traditional grocery store for upcoming **pre-game activities:**

1. Chips/Pretzels
2. Soft Drinks
3. Dips/Salsas
4. Alcoholic Beverages
5. Hot Dogs/Brats /Sausages
6. Paper Products/Plates /Napkins
7. Cheese Snacks
8. Condiments
9. Fresh Meat
10. Prepared Meat
(rotisserie chicken)

Highlighted solutions

84.51° Insights

Trip Segmentation is a customer-centric approach to defining trips. Trip segments are multi-level, with a simplistic higher level that breaks out Large Trips/Small Trips/Fuel Center and a more granular lower level, detailing further breakouts in Large Trips and Small Trips:

- **Large Trips:** are segmented into Standard (planned, larger trips with common items), Concentrated (freezer/pantry stocking on affordable items), and Enlarged (standard trip with a stock up on good deals).
- **Small Trips:** are segmented into Quick Grab (fast run, 1-2 items), Small Staples (small trips with common items), and Sporadic Needs (small trips covering multiple needs).
- **Fuel Center:** Inclusive of any transactions at Kroger Fuel pump and/or fuel center kiosk.

Segments are aimed to be data-driven, effortlessly maintainable, and future-proof

Connect with us at Insights@8451.com

84.51° Loyalty Marketing

As you're planning your 2024 Loyalty Marketing investments, it's more important than ever to create a balanced portfolio to retain and grow share with your most valuable customers. Highly personalized BCC vehicles are ideal activations for you to ease pricing pressures for your most loyal buyers and protect against trade down in today's inflationary environment.

- Loyal Customer Mailer allows you to reward and retain customers through monthly delivery cadence, 1-month redemption window and boost exclusive opportunities.
- MyMagazine helps to retain and acquire customers through a full-format magazine, a 3-month redemption window and equity ad opportunities.

On average, every $1 invested in BCC = $5 in incremental sales!

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Kroger Precision Marketing powered by 84.51°

The collaboration with Pinterest and The Kroger Co allows your brand to reach Kroger shoppers to fuel awareness through inspirational content across one of the largest visual search engines.

- Build custom audiences leveraging Kroger's 1P Data to identify key audiences based on their purchase history at Kroger.
- Consider unique creative activation options by activating Pinterest as a static Image Ad, Carousel Pin, Collection Pin and/or Video Pin.
- Measure Pinterest's impact on your retail sales with key performance metrics such as New Buyers, Incremental Sales, Household Penetration, and Return on Ad-Spend.

#1 platform for in-store use during grocery shopping among weekly Pinterest users

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