

WINNING WITH FRESH

MACRO THEMES, COMPETITORS & SOURCES OF INSPIRATION



**rodmeell &
company**
THE RETAIL AGENCY.

A THOUGHT LEADERSHIP WHITE PAPER

January 2024

OVERVIEW

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A FRESH-LED PERSPECTIVE: THE FUTURE OF GROCERY

1. Macro Themes & Competitive Trends:

The Grocery Landscape Is Changing

1. *Omnichannel Is The Dominant Battleground For Market Share*
2. *HMR & Fresh Are Attracting Upstart Players*
3. *Current Inflation Pressures Will Have Long-term Effects*
4. *Sustainability Is No Longer An "Opt-In"*
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2. Sources of Grocery & Fresh Inspiration

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Overview

At no time has the grocery industry faced such intense pressure from market forces, evolving technology, new competitors and consumer attitudes.

And the 'fresh'* aspect of grocery is at the epicenter of these market dynamics. Areas like HMR and plant-based are growing forces.

The US market is also incredibly top heavy. Walmart (and Sam's Club), Costco and Kroger account for almost 43% of total market share. With the soon-to-be-completed Albertsons merger, this number will increase further. You add in Publix, HEB and Target and we are now easily over 50%.

How can smaller, regional players compete against these juggernauts?

'Fresh' is the key.

This document explores the macro themes and emerging competitive trends driving the need for change in fresh. It provides sources for inspiration: grocery banners and brands that are pushing the envelope and succeeding into these headwinds.

Lastly, we summarize the strategic initiatives grocery retailers should be considering in efforts to capitalize on the market forces affecting fresh.

*Fresh for the purpose of the work specifically explored in this document essentially covers produce, HMR and bakery.



SECTION 1

Macro Themes & Competitive Trends

The Grocery Landscape Is Changing

Macro Themes & Competitive Trends
The Grocery Landscape Is Changing:

THEME 1

**Omnichannel Is The Dominant
Battleground For Market Share**



The Omnichannel Grocery Shopper Is Where Your Future Growth Will Come From.

Omnichannel is more than e-commerce. It is where your physical store integrates with your digital flyer and promotions, social media, loyalty & CRM.

It is also the future of vendor revenue and retail marketing.

71% of online households in Q1 2023 were considered omnichannel grocery households and delivered:

- **15-18% in incremental sales** over the last three years for retailers.
- A **basket size that is 9% higher** than that of strictly in-store shoppers.
- Omnichannel customers seeking **private label products** online – delivering revenue growth of more than 10%.

**SymphonyAI Retail CPG, Global Shopper Survey. The Q1 2023 study examined 58 million households and 607 million transactions across Europe and the U.S.*



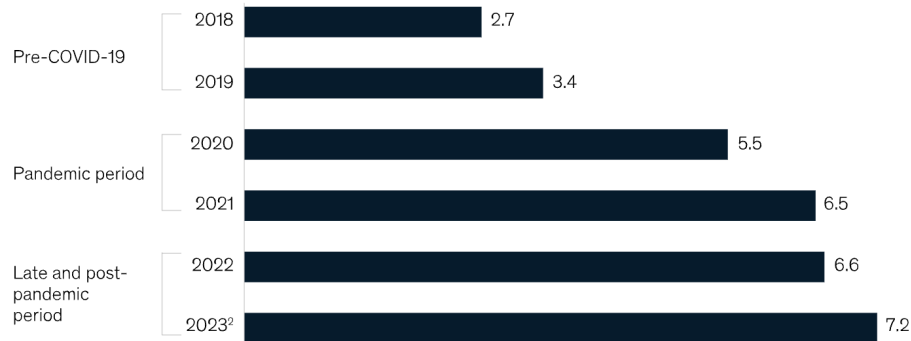


Resilient E-Commerce Leads To Increased Digital Engagement.

As of May 2023, e-commerce stood at 7.2 percent of all grocery spending, more than 35 percent above pre-pandemic levels. Consumers were initially drawn to online grocery out of necessity, but as they have become more familiar with these channels, their preferences have shifted toward e-commerce.

The proportion of online spending for grocery has increased since the onset of the pandemic.

Proportion of grocery spending done:



¹Grocery is defined as food and nonalcoholic beverage sales, including canned goods, produce, etc. Does not include restaurant sales.

²Forecast.

Source: Forrester, US Online Retail Forecast, 2023 to 2028, July 2023





Has Omnichannel Supplanted Printed Circulars?

For many grocers, printed newspaper has been the key distribution partner for their printed circulars, and it has had an impact.

The printed newspaper in America is declining far faster than predicted. Analysts now believe the U.S. will have lost one-third of the newspapers it had as of 2005 by the end of next year — rather than in 2025, as originally predicted.*

This spring, **Kroger** – the largest grocery chain in the US – announced the end of its long-running weekly newspaper ad circulars. All ads for Kroger's, Fred Meyer, Ralph's and King Scoopers will shift online. Print copies, however, will still be available in-store or by special request.

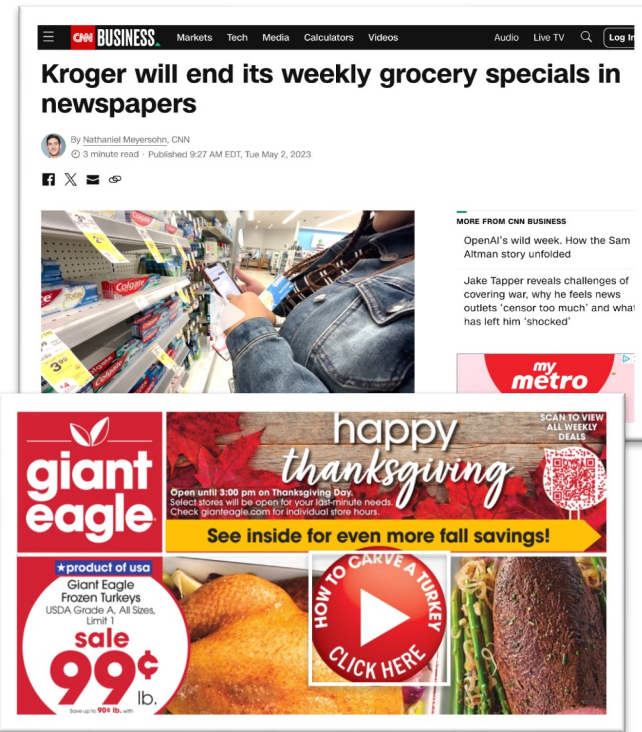
Perhaps bucking this trend, **Giant Eagle** reinstated their printed circular in two markets: Cleveland and Pittsburgh.

Consumer backlash drove the decision. It is interesting though that their print flyer comes with a QR code on the cover and often includes video content only available from a digital version.

Hence, they are still hedging their bets with omnichannel.

Part of the trepidation for many retailers is the fear that seniors and low-income families are less digitally inclined. Smart phone ownership is 96% for 18- 29-year-olds but for Americans 65 and older, the number is less developed at 61%. This also holds true by income with only 76% of Americans earning \$30K or less owning a smart phone.**

Some retailers are also offering in-store coupon scanning via traditional rewards cards as a means of bridging the two worlds.



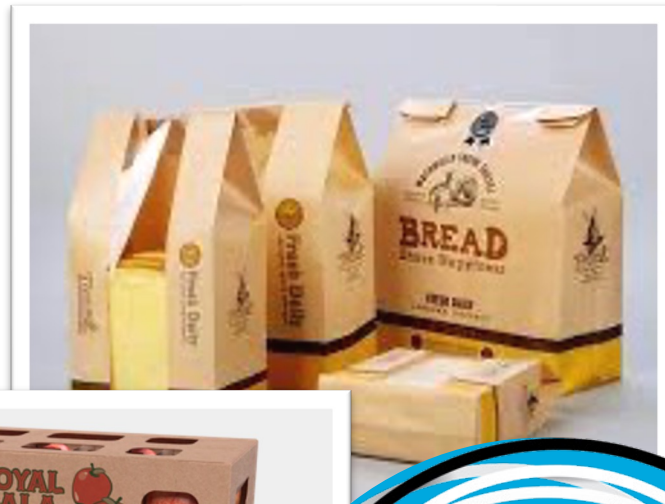


Omnichannel Will Require Stronger, Contextually Relevant Private Label Packaging Design. Be Prepared.

As omnichannel grows, packaging will need to respond:

- Physical product 'touch' and store displays will increasingly compete with digital touchpoints.
- How a package renders on a phone app or ad will matter within the digital sales funnel.
- Strong branding will play a key role here. Products historically less brand-centric (HMR, produce, baked goods) will benefit from strong branding.
- Packaging will need to be more durable for transit.

- Packaging should avoid the need for excessive secondary protective packaging which can cause unnecessary waste (and inconvenience/upset buyers).
- Sustainability must be a consideration.



The Opportunity

Proactively formulate an omnichannel POV around packaging requirements for running changes and new SKUs versus dramatic overhauls.



Retail Media Is The New Front Of Omnichannel.

Growing Reach & Loyalty While Making Money At The Same Time

Retail Media allows retailers to sell and **monetize ad space on their own omnichannel (digital and retail) touchpoints:**

- Web & apps.
- In-store digital signage & screens.
- In-store radio, in-store sampling.

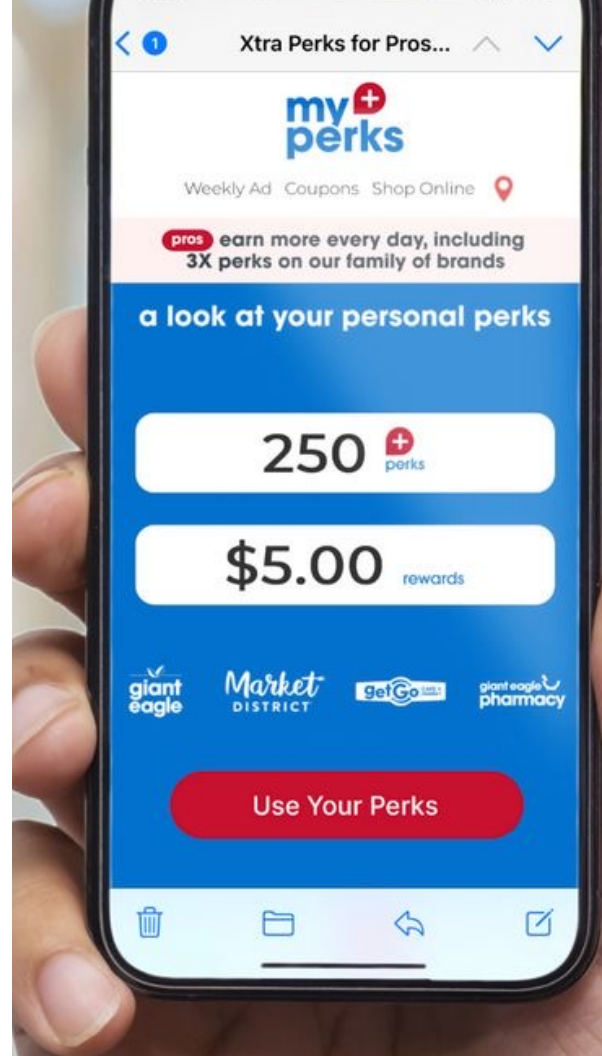
Loyalty programs are central to Retail Media to drive acquisition and engagement (and measurement).

Retail Media provides brand safety as ads show up on trusted retail sites mid-shopping versus on ad-hoc web sites which are often completely out of context or even off-brand.

Retail Media can also be highly effective in promoting your own private brands.

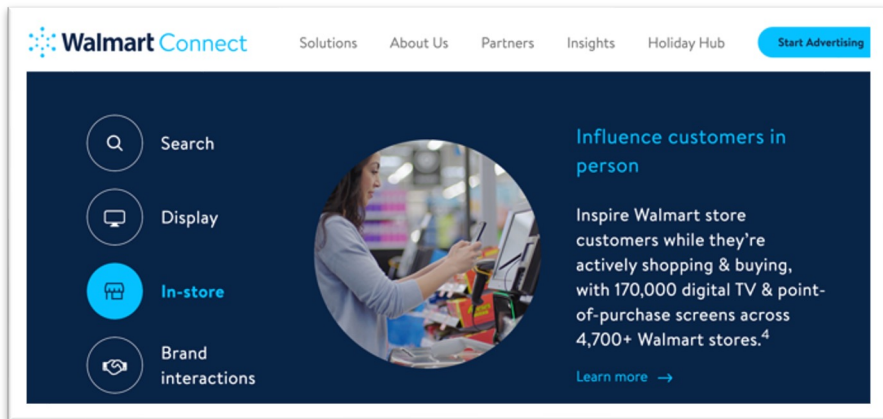
Retail Media aims to catch shoppers when they're already mid-purchase to:

- Switch brands.
- Try something new
- Complementary cross sell.





Walmart Connect Retail Media Did \$2.7B In Ad Business In 2022 (35% Growth). Regional And Specialty Grocers Are Committing And Getting Inventive.



Walmart Connect focuses on four primary touchpoints:

1. Search Ads
2. Display Ads
3. In-store Ads (170,000 screens in US!)
4. Brand Interactions/Events

Most US grocers are embracing some form of Retail Media and some examples include:

GIANT EAGLE	The platform leverages the chain's loyalty program, bringing personalized ads to shoppers in-store, in-app, on social media and elsewhere
KROGER	The grocer is adding units to 500 locations from Cooler Screens on the heels of a three-year pilot, with the goal of strengthening its retail media offerings
SPROUTS	The specialty grocery chain is using the Instacart Ads platform as the foundation for the new service, which will allow CPGs to directly reach the retailer's health-focused shoppers.
DOLLAR GENERAL	Their partnership with Meta allows advertisers to discern how messages they deliver to shoppers via the social networking company's platforms relate to in-store sales.
IGA	Has co-created a retail platform for independent retailers. The free-to-use, CPG-funded network combines thousands of retailers on one platform.

<https://www.grocerydive.com/news/how-grocers-have-integrated-retail-media-so-far-in-2023/689455/>

The Opportunity

This area needs to be taken seriously. It is not a fad and smaller players are committing. Your vendors may also be invested with other banners and have expertise. Lean on them or agency partners to ease you into this space.



Grocery Shoppers Want Loyalty Programs That Deliver Value, Are Tailored To Them And Even Introduce Gamification.*

These days, 55% of North American consumers use loyalty points to save money. And, the majority of consumers demand instant price discounts from their loyalty program memberships.

73% of shoppers rank value as the most important factor in brand choice, which opens a valuable *opportunity* for loyalty programs.

The report also found that 84% of consumers believe personalized recommendations will help them save at the shelf, and 71% would either consider buying a product or find the information helpful if they received a promotion or offer while shopping in a store.

Gamification is also an underdeveloped opportunity. 64% of shoppers are willing (or already do) participate in gamification (games, contests, challenges) but only 43% of programs offer this. And yet only 24% of loyalty managers plan to invest in gamification as of 2023.

*<https://resources.eagleeye.com/grocerys-great-loyalty-opportunity-regional-snapshot-north-america>
June 2023

Grocers Take Loyalty Programs to Next Level

BRYAN WASSEL | MAY 31, 2023



The Opportunity

Loyalty must be a centerpiece consideration of any large grocer banner. The customer data being harvested is providing tremendous advantages to those who can harvest it.

Macro Themes & Competitive Trends
The Grocery Landscape Is Changing:

THEME 2

HMR & Fresh Are Attracting Upstart Players



HMR Is Expected To Keep Growing.

This growth is spurring competition across the board.

According to Market.U.S, the ready meals market is encouraged to reach USD \$244.6B by 2032, revenue to index 5.2% CAGR over the next 10 years (between 2023 and 2032).

Factors include:

- Convenience and affordability of HMR products have made them increasingly popular among consumers.
- Enhanced product quality and assortment are also driving growth.
- Product innovation and expanding distribution channels (e.g. DoorDash, Uber) are key for retailers to exploit this growth window.
- High nutritional values: Many emerging players are adding meals that are nutrition-rich and provide essential minerals, proteins, and other ingredients, resulting in high demand in the market.





HMR Is Fast Becoming A Key Battleground For Fresh.

Many grocers are leaning into HMR to differentiate themselves and drive their business. Firstly, it is a great brand builder if your food quality and presentation resonates with your customers. Secondly, HMR can be a strong traffic vehicle to drive meal-occasion visits beyond regular shopping trips.

Meijer, for example, has described its new prepared food line as 'restaurant-style' with more exotic dishes like chicken asada and pesto chicken.

The Giant Company has introduced a HMR program called 'All Set in a Box' which replicates the meal in a box program at QSRs.

Partnerships are also making huge strides with delivery partners like DoorDash and Uber Eats.

Advantages like better and healthier food options at better value to QSR play into grocers' hands.

Grocers also like how online HMR ordering can keep their brand top-of-mind with shoppers given the frequency and ease of HMR ordering vs placing conventional online grocery orders.

Grocery stores are using grab-and-go food to inch into restaurant territory

By Maria Monteros





Convenience & Gas Retail Is Leaning Heavily Into HMR.

Gas stations without gas are coming. They all want A bigger slice of the HMR “pie”.

Faced with declining gas sales and weakened real estate assets, Gas/C-Store players need to reinvent themselves.

With established small footprint real estate, reach and loyalty programs, convenience stores are ramping up HMR by creating their own private label programs, hiring food service executives and securing delivery partnerships (DoorDash).

In response to eroding gas sales, US gas retailer QuickTrip has now opened a second gas-free site. Iowa-based gas retailer Casey's is now the 5th largest seller of pizza in the US.



Gas stations without gas are coming — and they're all about the food

Fuel-less, food-focused c-stores have been opening up for the past several years. Here's a look at what's behind the trend and how retailers can get in on it.





Committed to Driving Fresh And Stealing HMR Share

And they are just getting started.

Circle K already has a robust presence in Fresh with their 'Fresh food, fast.' program.

They are bullishly committed to **doubling their fresh and prepared food business to 20-25%** of North American sales (up from 11% in 2021).

To free up in-store staff for food-related tasks, Couche-Tard is rolling out 10,000 smart checkouts in 7,000 locations. They have partnered with Kitchen United (a food production hub) to further support this business.

Couche-Tard is also flush with cash and has delivered a shareholder gain of 116% over the last five years.

Their ability to invest in or acquire distribution assets is a very real threat given their liquidity.

CIRCLE K

Fresh
food,
fast.

Couche-Tard goes on food marketing push to break fuel dependency

Goal is to increase fresh and prepared food to 20 to 25% of North American sales from current 11%





Is The Dollar Store The Next Frontier Of Fresh?

Dollar General – the US's largest dollar store is all-in on fresh.

US retailer Dollar General now offers fresh produce in 3,900 stores with plans to have produce in 5,000 locations by January 2024. This gives them more individual points of produce distribution than any other U.S. mass retailer or grocer.

Whereas larger, traditional grocery stores are going smaller format, dollar stores like Dollar General are **enlarging their footprint to compete in the fresh sector.**

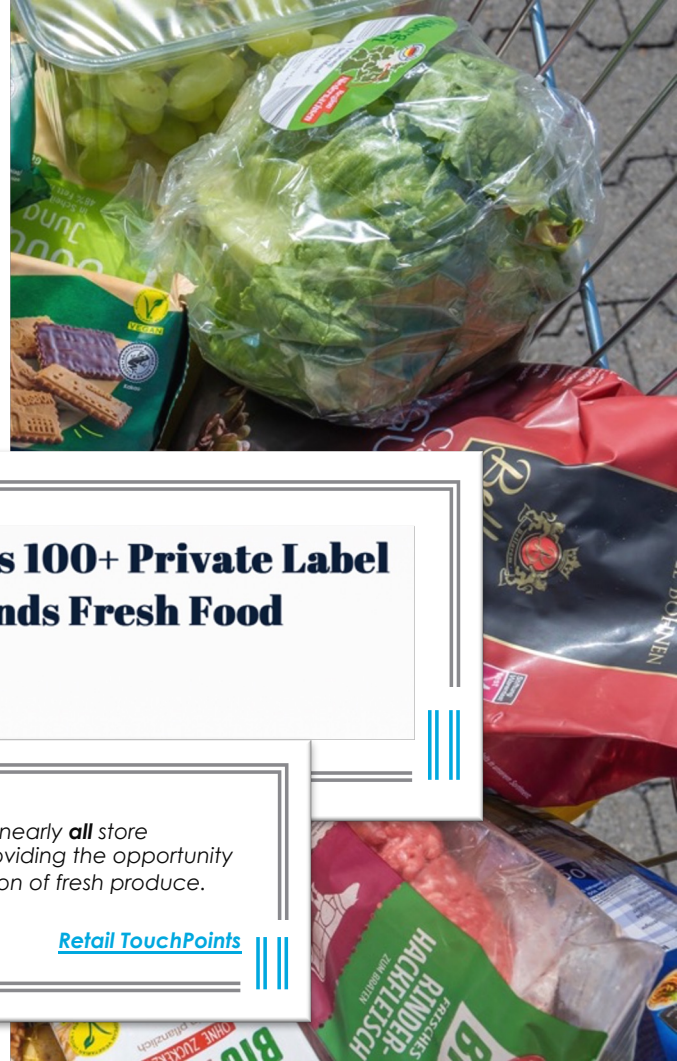
DOLLAR GENERAL

Dollar General Adds 100+ Private Label Products as it Expands Fresh Food Offerings

July 27, 2023 at 12:10 PM EDT By Nicole Silberstein

Dollar General announced that **80%** of [new stores](#) and nearly **all** store relocations for fiscal year 2023 will be larger formats, providing the opportunity for a significant increase in cooler count and the addition of fresh produce.

[Retail TouchPoints](#)



Macro Themes & Competitive Trends
The Grocery Landscape Is Changing:

THEME 3

**Current Inflation Pressures
Will Have Long-Term Effects**



Inflation Has Been Influencing Grocery Shopping Habits.

Factors like Covid and the war in the Ukraine drove incredibly high food inflation in the previous few years. In fact, 90% of Americans were concerned about food prices and food overtook gas as the country's leading inflationary concern.

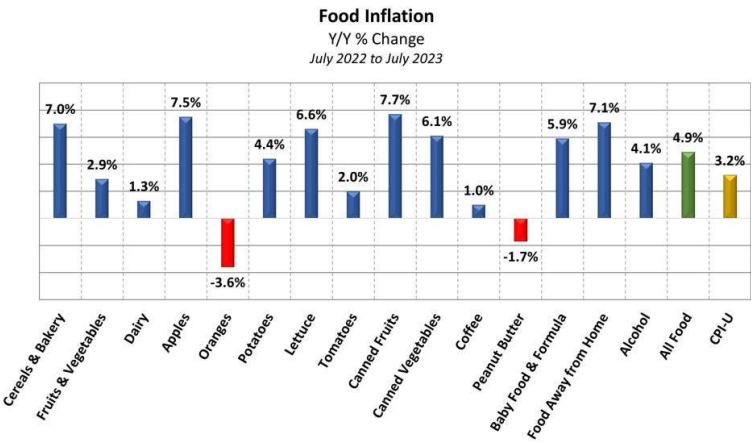
Fresh is at the forefront of inflation as well.

Shopper habits did pivot because of this factor and consumers took creative steps like shopping private label, buying in bulk and shopping discount stores to save money.

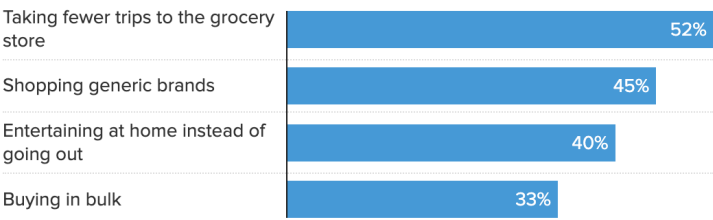
Due to rising meat prices, many shoppers also claimed that inflation made them more curious about trying plant-based food and dairy options. Loyalty programs were also seen as a vehicle to extra more value from retailers

The good news is that the rate of inflation has slowed dramatically, and food-at-home prices increased only 2.1% from October 2022 to 2023, the lowest increase since 2021. It will be interesting to see, however, how some of these new habits carry forward out of this inflationary period.

[Food Prices Outpace General Inflation: Here's What You Need To Know](#)
[Prices declined for three food, and seafood, and dairy products.](#)
[Consumers changing eating, shopping habits as inflation pushes up prices](#)



What Americans are doing to combat food inflation



Note: Online survey of 2,000+ adults from March 18-23 and again May 6-8.
Chart: Gabriel Cortes / CNBC
Source: Harris Poll for Alpha Foods





Due To Building And Real Estate Inflation, Many Grocery Banners Are Looking To Smaller Footprints.

The days of 'who has the biggest store' may be over.

As real estate and **building costs** skyrocket and labor becomes harder to find, the blueprints for **future grocery stores** has started to downsize.

Many grocery store chains are already [in the works of downsizing some of their future stores](#), including:

- Target, Meijer, Publix, Wegmans Food Markets, Sprouts Farmers Market, Schnucks, Fareway, Lowes Foods.
- Of the 30 stores Target opened in 2021, only one was not a small format store.





Some Grocers Are Going Smaller And Putting Fresh Front And Center To Better Specialize Where They Know They Can Win.

US Retailer **Sprouts Farmers Market** is going smaller and emphasizing more plant-based, organic and fresh items.

Midwestern grocery chain **Schnucks** is rebranding its new 18,000 sq-ft concept store "**Schnucks Fresh Foods**" because fresh will be the center of attention.

Longo's Imperial Plaza store is only 8500 sq feet but boasts 24' ceilings. Aside from a few aisles of center-store product, the store is all about fresh and HMR.

These players know their ability to win lies with a fresh-centric approach, not in center store vs the giants and the discounters.



As a new format for us, 'Schnucks Fresh' will be a store that customers will be able to quickly and easily navigate where they will find an extensive selection of the same fresh products for which Schnucks is known throughout the Midwest.

- CEO Todd Schnuck said in a [press release](#).

Macro Themes & Competitive Trends
The Grocery Landscape Is Changing:

THEME 4

Sustainability Is No Longer An “Opt-In”



Shoppers Think Grocers Could Work Harder At Being Sustainable.

- 77% of respondents have tried to be more sustainable in their consumption habits (88% among 25- to 34-year-olds.)
- 49% would pay premium for goods that were “green”.
- 52% would be happy for the price of their weekly shop to be higher if it meant helping the environment.
- 67% said retailers could do more to support sustainability and only 6% said grocers were doing all they could to be sustainable.

The survey also claimed consumers mistrust grocers' motives:

- 54% believing that too often grocers merely paid lip-service to sustainable initiatives.
- Only 6% believed that grocers' sustainability efforts were driven out of a genuine desire to help the planet.





Pressure To Adopt Sustainable Practices Coming From Government & Investors.

The US regulatory environment for grocers is about to see some major sustainability-driven changes and by 2030, more than 15 sustainability-related regulations are expected to go into effect.

These statutes will pertain to elements like food waste, packaging (single-use plastics) and labelling. These regulations will add cost and complexity to grocer operations.

Investors are also driving change – largely driven by shareholder activism to promote sustainable practices and address climate change.





Food Waste Is A Profound Issue In The USA.

The United States discards more food than any other country in the world: **nearly 60 million tons — 120 billion pounds — every year.**

- **Almost 40 percent of the entire US food supply.**
- 35% of all food goes unsold or uneaten in the United States.
- **325 pounds of waste per person.** That's like **every person in America throwing 975 average sized apples right into the garbage.**
- Food waste in our homes makes up about 39% of all food waste – about 42 billion pounds of food waste.
- Households with higher levels of education, higher levels of income, and lower age tend to waste more food. Households with children tend to waste more food per week (8.5 cups) than those without children (5.1), and rate food cost as their highest food-related concern.

[How much food goes to waste in America?](https://www.wastetodaymagazine.com/article/the-great-american-food-waste-problem/)

<https://www.wastetodaymagazine.com/article/the-great-american-food-waste-problem/>





US Grocery Giant Kroger Has Made Food Waste Core To Their ESG Mission.

Goal:

Rescue more surplus fresh food from stores for donation

Progress:

582M pounds rescued to date; 100% of stores are actively donating food

Goal:

Expand food waste recycling

Progress:

92% of retail stores are actively recycling food waste through animal feed, composting or anaerobic digestion



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Goal:

Achieve zero operational waste (90%+) and 95%+ food waste diversion by 2025

Progress:

82% total waste diversion; 45.9% food waste diversion from landfills

Goal:

Donate healthier surplus food to local hunger relief agencies

Progress:

45% of retail donations are from Produce, Dairy and Deli to support better nutrition



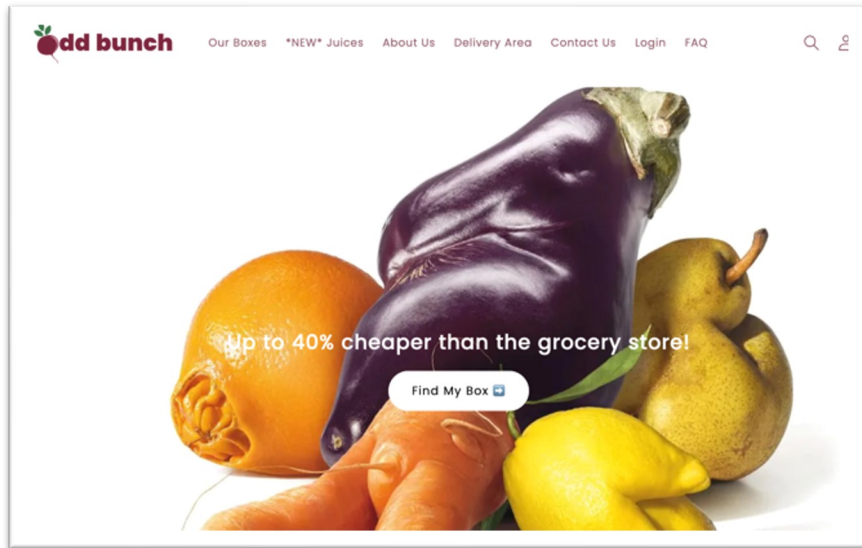
Did you know that 38% of food produced in the U.S. is thrown away?

The Kroger program has allowed them to carve out a cause-related issue that still represents a 'white space' in grocery and one that is topical, measurable, locally activated (store and community) and directly connected to their ESG mission in a highly relevant way.



Ugly Produce Tastes Fine.

How one grocer is reducing food waste by discounting cosmetic imperfection.



High cosmetic standards for fruit and vegetables are well practiced, leading them to the rejection of even marginally imperfect-looking food (e.g., too short, long, big, small or uneven in shape, too red or not red enough, and so on). A major contributor to food waste.



Odd Bunch – a newly founded Canadian produce company, is seeking to tackle both food waste and affordability by marketing perfectly imperfect produce at substantial savings.



Produce Brands Are Addressing Both Sustainability And Shelf Life Via Innovative Packaging Technology.

French grocer Group LSH is using **recycled barrier paper** (95% paper) for packaged salad with a 10-day fresh period, the same as plastic.

UK grower **Riverford Organic Farmers** has created a **home compostable package** that is transparent, lightweight, GMO-free and printable. The sealed packaging extends shelf life, but it also breaks down as compost in 26 weeks.

Note

Some critics claim that the science behind this space is still very nascent and can be imperfect. Consumers, however, will increasingly gravitate to these alternatives and reward ESG-driven 'best efforts', provided sustainability claims can be supported.



The Opportunity

If extending private label to produce, consider exploring innovative packaging solutions already being adopted by first-movers in the fresh arena. Seek out technology partners for co-branding opportunities as a means of driving your ESG brand.

Macro Themes & Competitive Trends
The Grocery Landscape Is Changing:

THEME 5

**Plant-Based Fresh Products Are Poised
To Enter A New Phase Of Growth**

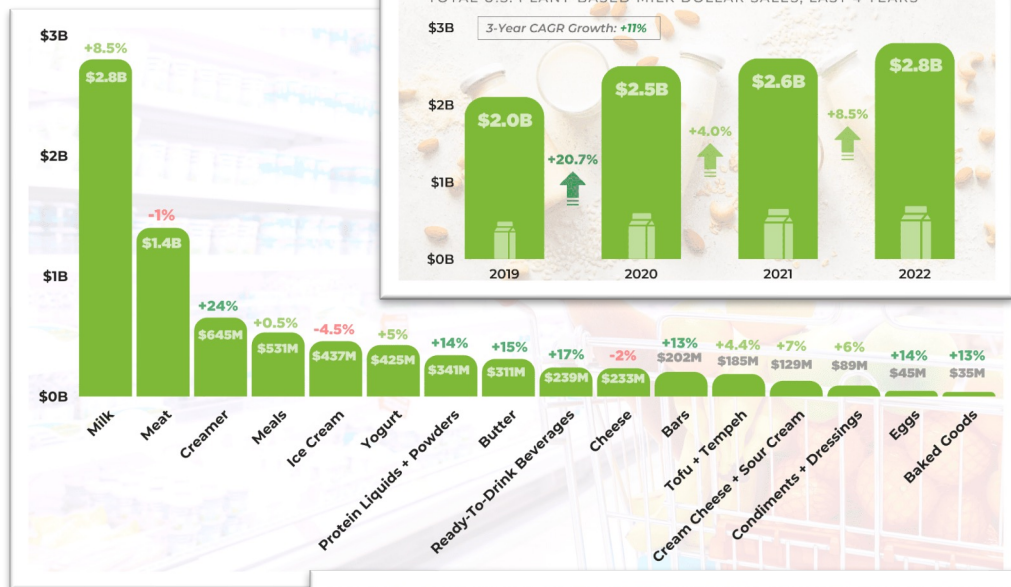
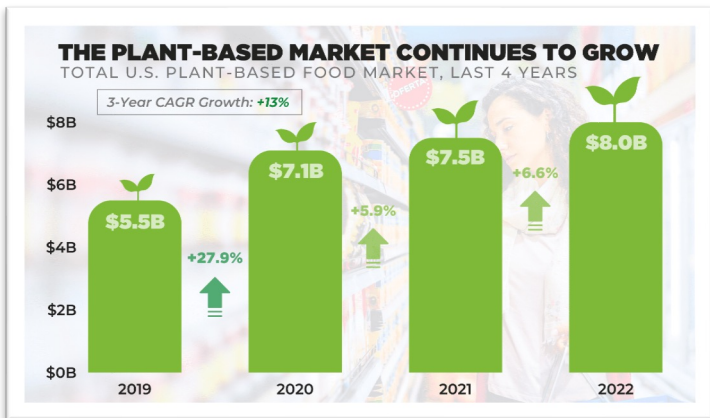


THEME 5 PLANT-BASED PRODUCTS ARE POISED TO ENTER A NEW PHASE OF GROWTH

Plant-Based Foods Dollar Sales Grew 6.6% To \$8 Billion While Animal-Based Food Declined 3%.

Consumer demand for plant-based food has outpaced expectations.

The plant-based shopper spans all generations and socioeconomic backgrounds, driven by motivations ranging from health to the environment to animal welfare.



PLANT-BASED FOODS GREW ACROSS CATEGORIES
TOTAL U.S. PLANT-BASED FOOD SALES AND GROWTH BY CATEGORY IN 2022



Selling Plant-Based Products Requires A Different And More Committed Approach.

The plant-based protein space is a volatile myriad of niche brands and categories. Don't treat it like 'just a new product line'.

Consider:

- A **dedicated plant-based category manager** to optimize growth.
- **Integrate plant-based product merchandising with traditional products.** Research has shown this integration drives far better sales and promotes comparative trial.
- Demystify the complex wellness and plant-based product space with a **universal system of icons and symbols for store, online and even private label packaging (e.g., Target).**





THEME 5 PLANT-BASED PRODUCTS ARE POISED TO ENTER A NEW PHASE OF GROWTH

The Wellness and Plant-Focused Customer Tends To Shop Fresh Differently. This Is A New Segment To Be Nurtured.



Sprouts Farmers Market shoppers are described by executives as “health enthusiasts” and “innovation seekers.” The specialty grocery chain's assortment is curated to appeal to these consumer segments.

GO HEALTHY YOUR WAY™

Click on an icon below to explore products fit for your dietary needs and preferences.



Organic



Gluten-free



Plant-based



Keto



Paleo



Non-GMO

Because Sprouts Farmers Market really knows their customers, online (and store) navigation starts first with dietary engagement vs. category engagement.

The Opportunity

Start to compile data on your wellness driven shopper. Think of this as a new customer data set or key segment versus at a product or category level.



A Plant-Based Private Label Program Can Help Demystify A Crowded And Confusing Space.

The sheer overabundance of plant-based brands and products poses an opportunity for grocers **to stand out with private label.**

Private label – in addition to the superior margins – can **promote cross-shopping** by easing private brand loyalists into exploring new products and categories.



Some retailers sub-brand or use packaging call-outs. Others, **like Target, have created a completely distinct program.**

The Opportunity
Create your own plant-based private label program or, at a minimum, create a sub-brand to further legitimize the offering.

Macro Themes & Competitive Trends
The Grocery Landscape Is Changing:

THEME 6

The Bakery Sector Is Transforming; Post COVID



The US Grocery Bakery Business Is Rebounding From COVID.

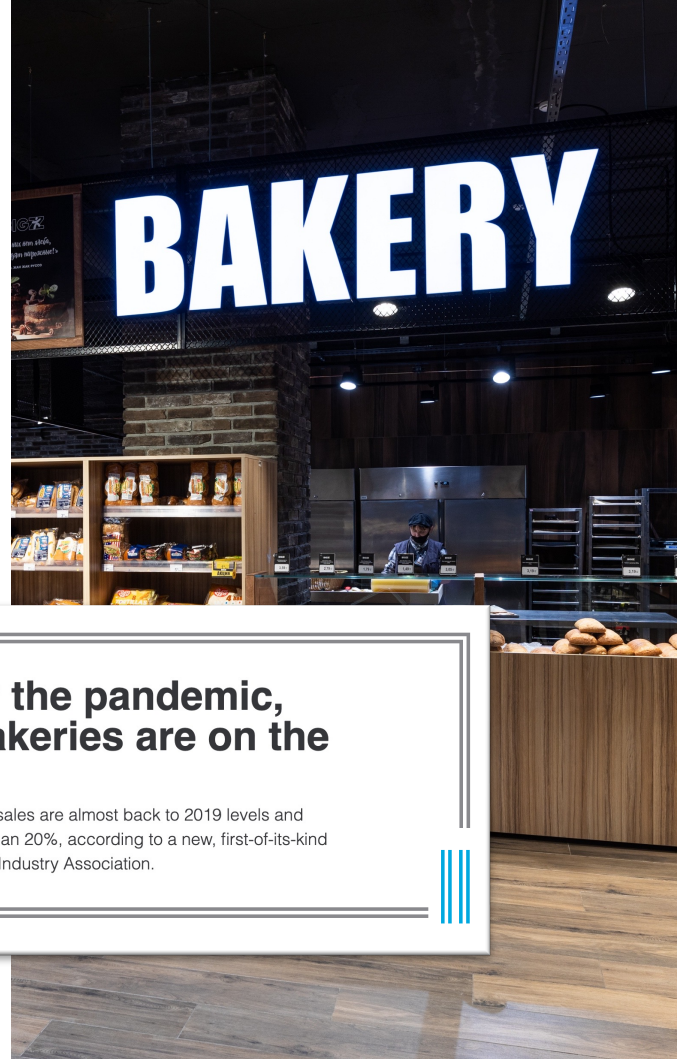
But the market is evolving with both consumers & competitors.

In-store bakeries have seen an almost-full recovery of unit sales compared to 2019 and **dollar sales are up 21.3% compared to pre-pandemic**, according to FMI's "The Power of In-Store Bakery" report.

A key influencer has been consumers' taste for **natural, organic, premium, and gluten-free products, as well as artisanal products.**

The **biggest driver of bakery sales is freshness**, the report found, with shoppers seeking out words such as "baked today," "made in-store" and "made by our professional bakers."

Competition will increase as mainstream grocery stores expand their bread and pastry product selection while facing headwinds from **specialty shops, online retailers and cafes/markets**, all of whom promote more unique offerings (e.g., wellness-based, custom, new flavours, ethnic, etc.)



Burned by the pandemic, in-store bakeries are on the rise

Grocery store bakery unit sales are almost back to 2019 levels and dollar sales are up more than 20%, according to a new, first-of-its-kind report from FMI-The Food Industry Association.



Many Bakeries Are Streamlining For Consistency, Breadth & Efficiency To 'Win' At Fresh.

Scratch baking continues to decline as banners demand greater consistency and efficiency while also wrestling with labor shortages.

Bake-offs, by some estimates, will grow to 72% of the market in 2023 (from 70% the previous 2 years).

Delivery models are also expanding as larger retailers seek to serve a broader, more complex assortment while holding prices.

UK-based grocer Tesco has been very vocal about delivering an artisan-inspired bakery assortment priced far lower than at artisan bakers. After trialing its new concept 'The Bakery', Tesco is now completely updating its bakeries, offering a range of new product lines and re-vamped in-store layouts.





Other Grocers Are Going 'Old School' To Differentiate Via Heritage-Driven Baking, Branding and Product Differentiation.

While some banners are streamlining and scaling for value, consistency and breadth, others are taking a harder but more traditional path to promote quality via traditional methods and quality ingredients.

- Connecticut grocer Stew Leonard's is legendary for their sourdough bread which has been made using the same starter for over three decades. It has a cult following.
- Edmonton-based Freson Bros. has created their own 'Mother Dough Bread Co.' with bread made fresh daily in every location from a sourdough starter called Charlie. They compete for international laurels for their product.

Stew Leonard's
FARM FRESH FOODS



The Opportunity

Create a center of excellence for this very complex field with a unique but important customer set.



Bakery Merchandising Has Pivoted From COVID But Also Due To Steeper Competition.

Some bakery merchandising and functional shifts somewhat driven out of COVID include:

- Unpackaged bakery items are behind service glass.
- Refrigerated service cakes are displayed in smaller sizes than pre-COVID.
- Individual and single-serving pastries have grown in popularity.

Additionally, competition and demand for new products and a more authentic bakery presence has driven more inspirational elements like:

- Moving the bakery to the storefront to drive 'fresh perception'. Create some production 'theater' for shoppers as they enter the store.
- A new look and design of in-store bakeries – mimicking visual elements from the independent café scene to draw in shoppers and provide a more romantic bakery experience.



SECTION 2

Sources of Grocery & Fresh Inspiration

CENTRAL MARKET

Texas-based (HEB owned)
Grocer Crushes It With
Inventive & Inspiring Produce
Shopper Marketing





Taking Plant-Based To A New Level With Central Market's Meatless Butcher' Program.

Launched in 2022, Central Market's 'Meatless Butcher' program was created by months of research and tasked with succeeding in a state (Texas) where BBQ is a noun, not a verb.

Products like bacon strips, chorizo and buffalo wings are made from plant-based ingredients like seitan and tofu.



Most of these things are not specifically for vegans or vegetarians. It's for the other 94 percent who just want to eat something else. Maybe consume a little less meat. Maybe they care about the planet and they're a reducetarian. Or they just want to have a meatless Monday.



- Phil Myers, Director of Food Service





Shopper Marketing That Educates & Inspires.



Deep assortment of peppers with a dynamic 3D Scoville Scale attached to promote interest and trial.



Note

The Scoville scale is a measurement of pungency (spiciness or "heat") of chili peppers and other substances, recorded in Scoville heat units.



Shopper Marketing That Educates & Inspires.





Dynamic, Rich Displays That Scream Fresh.





Culturally Themed Fresh Events From Produce To Meat.



COSTCO

An HMR Juggernaut, Costco's
Sound Product And Pricing
Strategy Gets Amplified
By A Dedicated Community





Costco Has Created A Vast – Almost Cult – Following For Their Fresh HMR Business Via Social Influencers And Their Community. Their Customers Are Central To Their Strategy.



Cheapism

<https://blog.cheapism.com> › ... › Kitchen & Groceries

Costco Prepared Meals That'll Feed Your Whole Family

Jul 12, 2023 — These warehouse faves can feed a hungry crowd with ready-made items like mac and cheese, pit-smoked brisket sliders, and stuffed salmon.



EatingWell

<https://www.eatingwell.com> › ... › Best Healthy Foods

11 Costco Food Items That Make Meal Prep Easier, ...

Jul 15, 2023 — 11 Costco Food Items That Make Meal Prep Easier, According to a Food Writer · 1. Ground Turkey · 2. Plain Greek Yogurt · 3. Rotisserie Chicken · 4. I'm a Food Editor & These Are... · I'm a Dietitian & This Is the #1...



The Krazy Coupon Lady

<https://thekrazycouponlady.com> › Tips › Store Hacks

Best Costco Prepared Meals For 2023

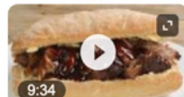
Jun 13, 2023 — Picky Kid-Approved Costco Meals · 1. Chicken Noodle Soup (\$3.49 per pound) · 2. Mac and Cheese (\$3.49 per pound) · 3. Chili (\$3.49 per pound) · 4.



YouTube

<https://www.youtube.com/watch>

Costco Prepared Meals Ranked Worst To Best - YouTube



Costco offers a wealth of frozen meals to make life easier. But convenient and tasty don't always go together. These are the foods that ...

YouTube · Mashed · 1 month ago



Hip2Save

<https://hip2save.com> › ... › Sales › Grocery

My Top 7 Costco Prepared Meals are Weeknight Lifesavers

Jul 18, 2023 — These 7 Costco Prepared Meals are the Ultimate Weeknight Lifesaver (Including the New Gyro Kit!) · 1. Beef and Lamb Gyro Kit · 2. Grilled Chicken ...



YouTube

<https://www.youtube.com/watch>

The Best Pre-Made Meals You Can Buy At Costco - YouTube



If you're just too exhausted to ever cook anything from scratch ever again, then it's time to head to Costco to try out all their cheesy, ...

YouTube · Mashed · 3 weeks ago



Costco's Community Is Also Good At Promoting Their Produce Business (Despite Some Doubters) Because Costco Does Some Things Differently.

It is not just price (although many products have competitive price advantages). Bloggers and journalists cite examples like:

- Employs superior packaging (boxes vs. bags for Bartlett pears).
- Longer lasting avocados because of an invisible but safe coating.
- Different size packages and size of fruit to fit specific family needs (e.g., small vs. large pineapples, different case sizes).

Many bloggers are also convinced Costco's large volume and superior supply chain gives them a big 'fresh' advantage over other competitors. **They get it first, faster.**

12 Fruits You Should Be Buying At Costco



By Cheryl Kochenderfer | June 9, 2023

I'm a Nutritionist and These Are the 12 Costco Groceries I Buy to Eat More Veggies



By Heather McClees
Published Jul 11, 2022



Costco Has HMR Strategy Built Around A Hero Staple Product: The Rotisserie Chicken.

They Sell 109MM Birds/Year or 506/Store/Each Day

Costco's rotisserie chicken is still priced at US\$4.99 (since 2009) – despite massive food inflation. The beloved product has spawned spin-off recipes and its own social media channels.

They have their own fully integrated production facility dedicated to this one product. This one single product also does wonders for anchoring overall brand low price perception.



TM BOYLE/CETTY IMAGES

Do you love Costco rotisserie chicken? Then you'll really ove that it will always be the same price—here's why.

RD.COM → Food → Food Tips

Why Costco's Rotisserie Chicken Will Always Be \$4.99



Susan Bronson

Updated: Nov. 04, 2022

45+ Best Soups and Chilis to Make With Costco Rotisserie Chicken

All the flavor with just a fraction of the prep time.



By Brittany Natale / Published on October 18, 2021 | 11:15 AM





Costco Promotes Their HMR 'By The Pound' To Create Quantifiable And Comparative Value With The Customer In Mind.

HMR Items Can Also Be Easily Combined Or Divided To Stretch A Family Food Budget.

2 / 31



Lacey Muszynski / Cheapism

Kirkland Signature Ravioli Lasagna with Beef & Pork Bolognese Sauce

Price: \$18.41 (\$4.99 per pound)



The Krazy
Coupon Lady

STORES COUPONS

Use these Costco prepared meals to prep for the whole week (or two).



One thing I like to do with the Costco prepared meals is to plan out my week with them. Any of the prepared meals you see that are in a foil or aluminum tray can be frozen before you cook them. Any meal that isn't in a tray like that should be cooked first, then you can freeze any leftovers. This works out well if you don't live close to a Costco. You can stock up on prepared meals for two weeks at a time.

We're a family of five, and the majority of the Costco meals we eat for dinner have one or two servings left over. (The exception's the street tacos. Those don't last an hour in my house.)



Costco Is Constantly Providing Innovative Meal Solutions That Drive Interest, Theming & Commentary.

The Healthiest Pre-Made Dishes to Get at Costco, According to a Nutritionist



By Heather McClees
Published Sep 9, 2019



[Home](#) > [Product Reviews](#) > [Sales](#) > [Grocery](#)

These 7 Costco Prepared Meals are the Ultimate Weeknight Lifesaver (Including the New Gyro Kit!)

By [Lina](#) | Recipe/DIY Content Creator

Hip2Save may earn a small commission at no extra cost to you via trusted partners and affiliate links in this post. Prices and availability are accurate as of time posted. [Read our full disclosure policy here.](#)

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[VI](#)

Food • Posted on Sep 25, 2020

People Are Sharing Their Favorite Lazy Meal Staples From Costco (And I'm Taking Notes)

Stock up on these.



by Hannah Loewentheil
BuzzFeed Staff

[View 51 comments](#)



Do you ever just dread the idea of cooking dinner? We've been there too. Luckily, our favorite megastore, Costco, has tons of foods that come in handy on lazy nights.

Kirkland Signature Chicken Street Tacos

Price: \$15.37 (\$5.49 per pound)

[Shop Now](#)

Forget about filling your grocery cart with the array of ingredients necessary for a [tasty taco spread](#) — this taco kit comes complete with 12 soft shells, chicken, salsa, and even lime slices. And since they're just 190 calories each, you'll be happy to have more than one for a quick and easy dinner.



Jul 18, 2023 @ 10:0



[+ HiList](#)

LONGO'S

One Of Canada's Most
Inventive And Customer-
Centric HMR Grocers





HMR Is The Center Piece Of Longo's Business Plan & In-Store Communications.





They Have Sub-Segmented Their HMR Offering To Further Differentiate Varied Customer Needs.

KITCHEN FAVOURITES



ONE PAN MEAL KITS



MEAL STARTERS

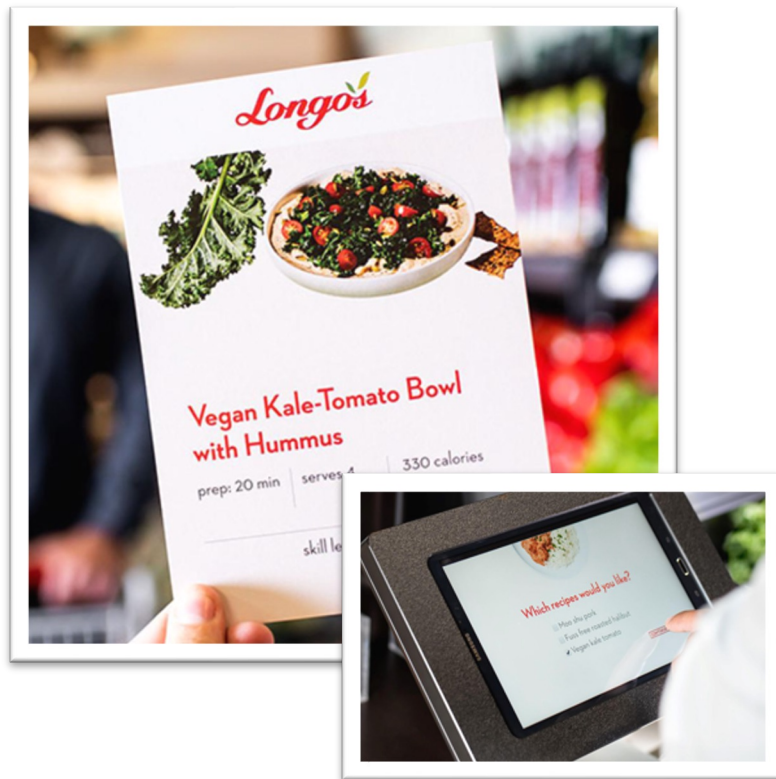
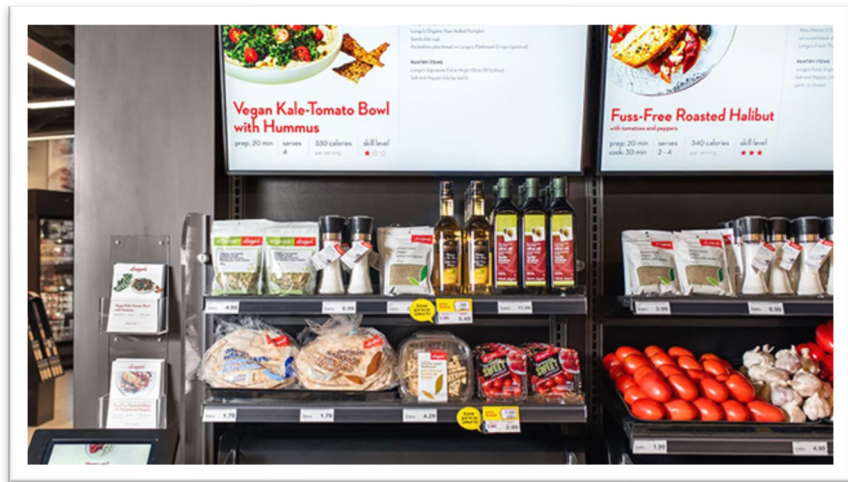


HEAT AND EAT SOLUTIONS



'Meals Made Easy' Features A Centrally Located Kiosk That Merchandises All The Fresh Ingredients Needed For A Meal.

- Digital kiosks are used to merchandise meal ingredients, further supported by recipe cards. Information includes prep time, difficulty level and calorie count.
- Meals can also be easily flexed up or down according to customer demand.
- Menu items rotate frequently and include vegan, fish and meat options.



SUMMERHILL MARKET

A Toronto-Based Premium
Grocer With 5 Locations,
Summerhill Has Taken
HMR To A Higher,
Inspirational Standard

rod mell & company





Summerhill Truly Makes A Best Effort To Own The Key Food Holidays With Premium, Hassle-Free Offerings.

Dinners are available in all sizes and in per-person increments. They also extend the holiday HMR meal program to single-serving meal size entrees.

[SHOP](#) [Floral & Baskets](#) [Thanksgiving](#) [Events](#)

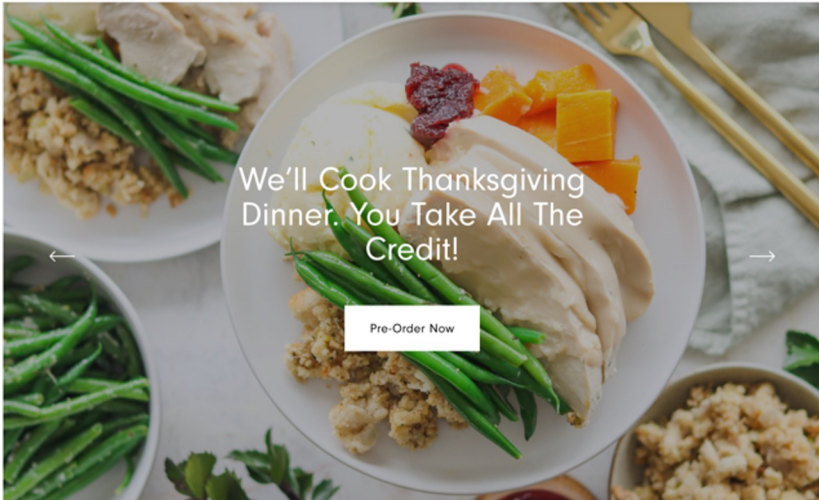
EST. 1954

SUMMERHILL
MARKET

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We'll Cook Thanksgiving Dinner. You Take All The Credit!

[Pre-Order Now](#)




Our Delicious Chef-Prepared Thanksgiving Dinners Are Ready For Pre-Order.

Place your order per serving and we'll package it family style, so you can easily reheat, serve on your best china, and take all the credit! *No substitutions, pick up only!*



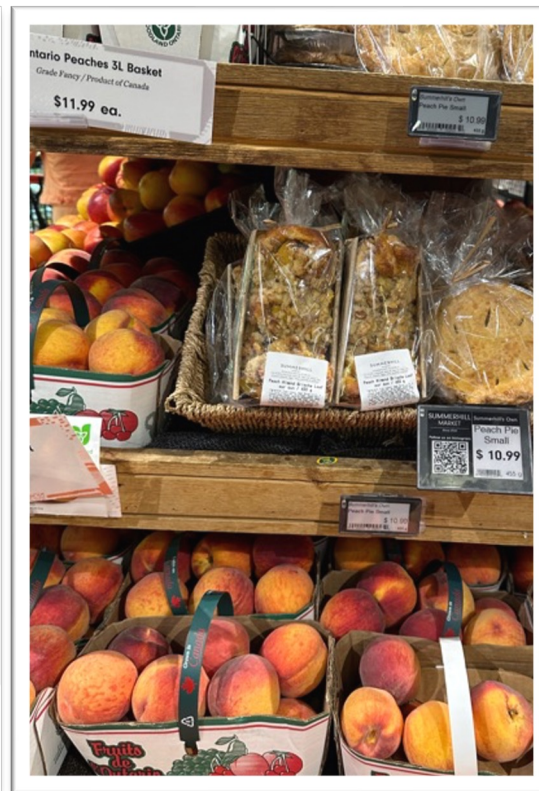
Summerhill Beef Tenderloin Dinner
\$50.00 per serving. [Order Now](#)



Summerhill Roast Turkey Dinner
\$38.00 per serving. [Order Now](#)



Summerhill Selectively Integrates Produce With HMR To Drive Cross-Sell And Create A Greater Feeling Of 'Fresh'.





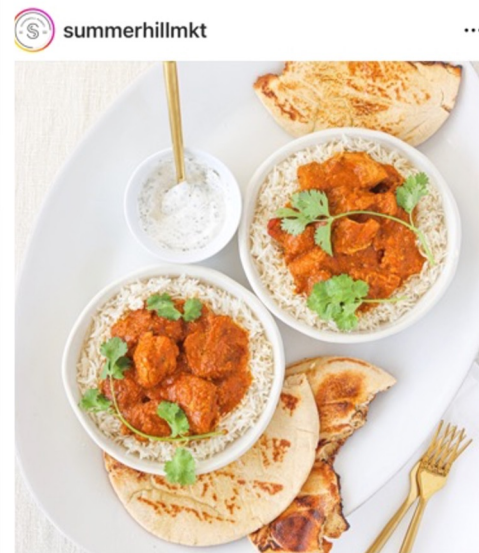
Social Media Is A Key Tool To Inspire and Romance Their HMR Business.

QR Codes At Shelf Promote Social Followers (And Drive Hyper-Relevant Omnichannel Adoption).



150 likes

summerhillmkt The Feature Dinner for Two this week is our Beef and Chicken Quesadilla!



49 likes

summerhillmkt Swing by or order pick up today! Our elevated Butter Chicken for 2 is on special this week! The chicken is marinated in... more

August 10



Summerhill Has Developed An Extensive Array Of Signature, Private Label Prepared Food Products & Categories.



Hand-cooked truffle chips, an entire pre-washed leafy green program, exotic soups (with healthy options) and a wall of innovative nuts, jams, sauces and salad dressings are just a few examples.



Summerhill Has Created A Vibrant Secondary Markdown Market For HMR That Doesn't Feel Dreary & Cheap.

In-store grocery markdown programs are **usually dreary affairs** with obnoxious neon labelling featuring products that look old, damaged and forlorn. Merchandising is often a jumble of items relegated to generic steel racks and tucked in a corner.

Summerhill Market has turned this business opportunity on its head and **turned mark-downs into a popular customer following.**

Products are **promptly marked down 50% at 6 pm** on their expiry date.

They have created a **secondary market and traffic driver** for value-minded shoppers who come in specifically to capture these savings at 6 pm for a premium and more exotic HMR meal solution.

Shoppers seem proud rather than embarrassed by these purchases.

This program is also a great way to **address food waste!**



THE LITTLE POTATO COMPANY

'Boring' Commodity Meets
CPG-Driven Reinvention

rodmeil & company

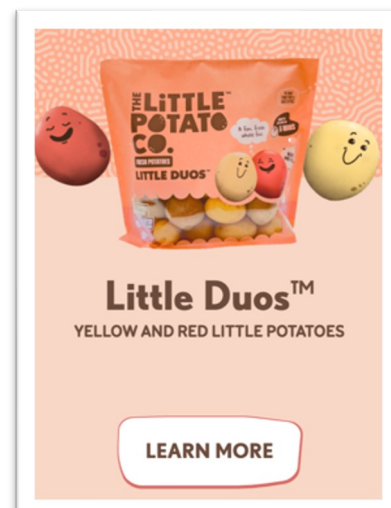
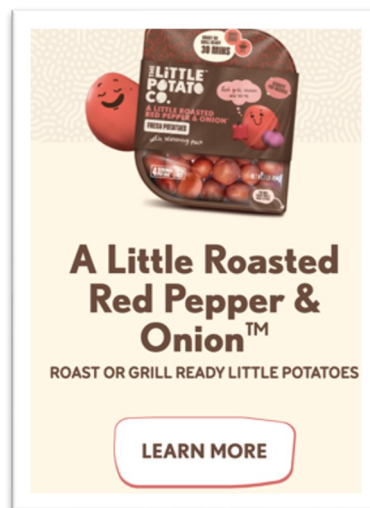
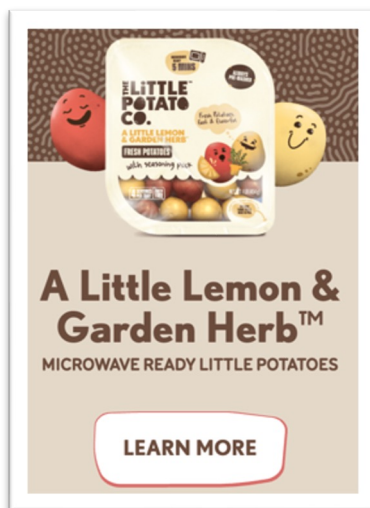




The Little Potato Co.

Potatoes have long been a standard staple dinner item, but merchandising was limited to bulk displays and branding and differentiation was non-existent. Moreover, meal solutions were not encouraged beyond traditional fare.

Bringing in some CPG discipline, a distinctive brand was created which differentiated the types of potatoes with trademarked names (e.g., Little Duos) and offered complete meal solutions in clever packaging (e.g., microwave, roast or grilling SKUs, with spices supplied). This creates perception of less work and more appealing, inspired options for shoppers.



ROYAL NUTS

A Stale, Bulk-Driven
Commodity Repositioned
To Drive Renewed
Interest & Appeal With
New Thinking



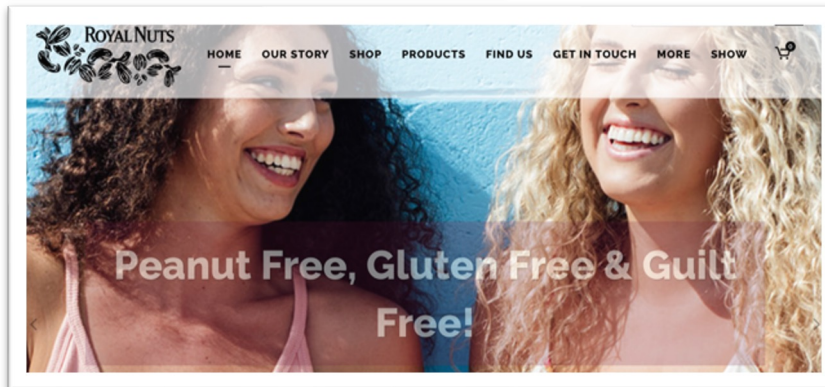
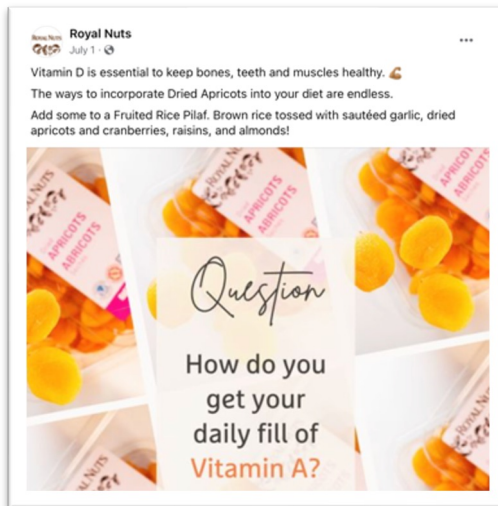


Royal Nuts

- A category that has been historically bland and driven by a few hero products, snack brands or niche specialty and bulk food stores.
- They have been **driving product differentiation** in terms of new flavors, organics, combinations, raw, health.
- Highlighting benefits like **gluten-free and peanut-free** to broaden appeal and further differentiate Royal Nuts for shoppers looking for **healthy protein options**; especially for **vegan and vegetarian shoppers**.
- Challenge misconceptions about the nut category, like 'nuts promote weight gain' and peanut contamination, while also promoting lesser-known benefits like Vitamin A and immunity deficiency.
- This is also a category poised for explosive growth as non-meat-based protein grows in importance.

Note

Royal Nuts packaging, branding and shopper marketing program could use some upgrading.



BELLE GROVE MUSHROOMS

Creating Category
Clarity & Inspiration
In The World Of Mushrooms



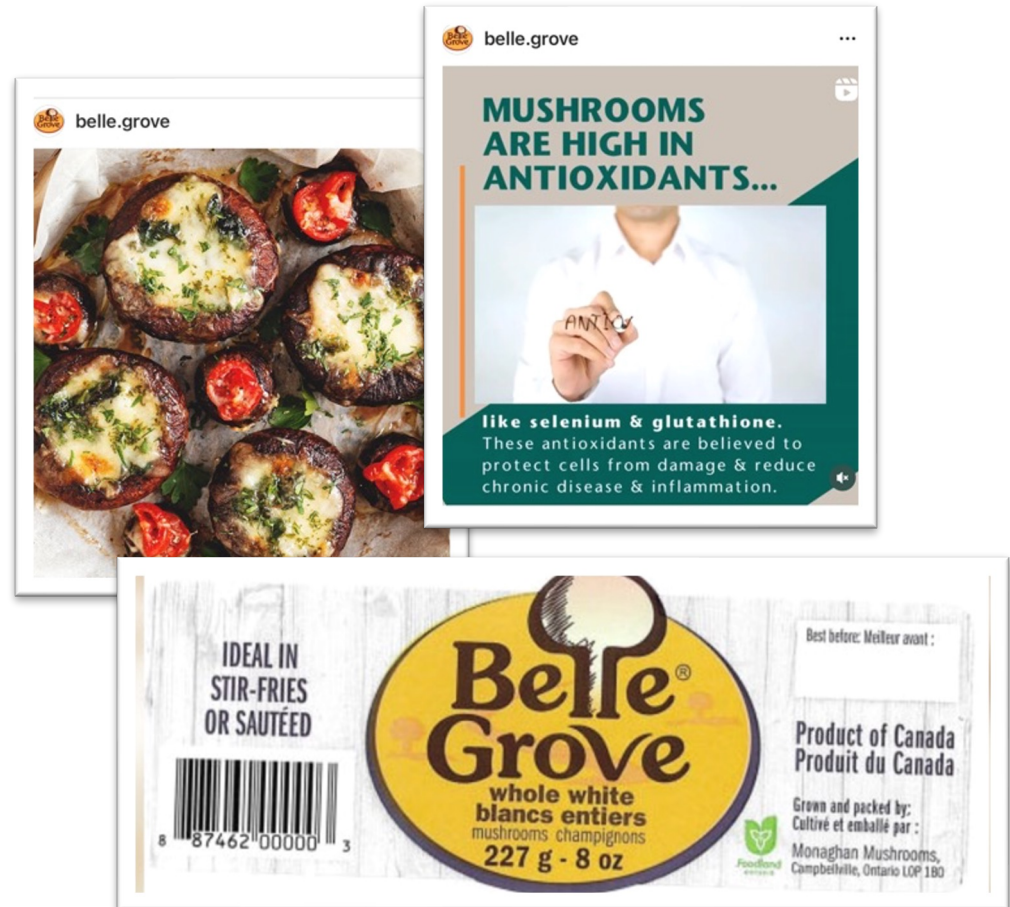


Belle Grove Mushrooms

- A popular category whereby mushroom varieties and usages are largely misunderstood by the masses.
- Historically, packaging and at-shelf information has been limited to non-existent.
- Belle Grove creates category interest on their packaging by **promoting your mushroom varieties against usages** (e.g., cremini mushrooms and pasta sauce).
- They use social media to promote and inspire events and recipes with mushrooms.
- They are taking a more traditional category – mostly just known to the experts (chefs, growers) – and expanded its horizons.

Note

Belle Grove's packaging, branding and shopper marketing program could use some upgrading.



HARVEST FRESH

Convenience &
Accessibility Taking
Produce and Vegetables
To A New Level





Harvest Fresh: Greens & Vegetables

- In a category historically limited in innovation, Harvest Fresh has taken some boring vegetables and put a new spin on them.
- For healthy-minded, vegetarian/vegan or even gluten-free shoppers, **products provide the foundation for easy vegetable alternatives** (zucchini spirals, butternut squash sheets for pasta/lasagna meals).
- **Ultra-fresh meal kits** (butternut squash soup).
- Pre-cubed and sliced veggies convenience promotes access for busy shoppers who want easy, healthy options.
- Can **aid perception of reduced food waste** due to packaging and portions.
- Social channels do an excellent job to promote recipe solutions integrating all their products.

Note

Harvest Fresh is incredibly reliant on plastic packaging. It will be interesting to see how they pivot with pending plastic packaging rules.



SECTION 3

Summary & Suggested Approach



Summary Of Observations.

1. Grocery banners who **embrace accelerating omnichannel technology & loyalty** will reap compounding value.
2. **Retail Media is** going to continue to grow as both an omnichannel catalyst and a revenue source.
3. **HMR is a food business growth engine** with consumers. Better quality, more food options and improved distribution is turning this business into a multi-front battleground.
4. The competition is coming fast from less conventional places and **stepping into fresh. C-stores and dollar stores**, given their broad distribution networks and a well-funded appetite for growth – are a real threat. Don't dismiss them as a 'different kind of business'. They want a piece of *your* pie.
5. **Consumers** have new and higher expectations about convenience, health, quality ingredients, and sustainability practices. Think differently.
6. **Inflation** is a present-day reality and may continue to be an ongoing factor given that some shopper habits may carry forward. Value is as important as ever and strong private label and loyalty programs are keys to winning on this front. Embrace the change.
7. **Plant-based products will be increasingly important.** The area is also begging for clarity and simplification, which presents an opportunity to lead.
8. The **Bakery sector** is already in transition. The status quo in terms of assortment and retail presentation may not work for much longer. Be bold.
9. There are **countless examples of Fresh inspiration** in the market to learn from in terms of packaging, category reinvention, shopper marketing and others. Imitate and innovate at the same time.
10. The key is to plotting a comprehensive, prioritized business strategy which allows grocers to **transform their business in 'bite-sized' pieces while also keeping an eye on the long-term vision and prize.**



Winning With Fresh: Opportunities And Thought Starters.

1. A Fresh-inspired Retail Reset

- Consider a 'fresh department of the future' exercise with merchandising, shopper marketing and inspirational design opportunities (Produce, Meat/Seafood, HMR, Bakery).
- Competitive vs. Best In Class audit/ POV.
- Vendor partners cultivated to support category strategy, shopper marketing (and potential funding).

2. Fresh Private Label & Packaging Optimization and Expansion

- Looming sustainable packaging changes as a chance to 'tweak'.
- Omnichannel & sustainable inspired design.
- Extending or augmenting private label to other fresh categories (produce, HMR, plant-based bakery).
- Food led ESG initiatives that dovetail with corporate initiatives. Find the 'white space'.

3. An Accelerated Plant-Based Strategy

- Consider an innovative approach to customer segmentation, merchandising and marketing opportunities.

4. Additional Opportunities:

- Retail Media Strategy.

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For enquiries, please contact:
patrick.rodmed@rodmedandco.com

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Rodmell & Company is a retail consulting, branding and creative agency, driven to optimize value for our clients.

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