

Welcome to the August Consumer Digest, a monthly newsletter where we provide relevant, informative, and actionable insights around consumer trends. This month, we'll examine loyalty, including what drives shoppers to specific retailers and brands, and their perceptions of their preferred retailer and brands. We'll also look at engagement with loyalty programs and incentives.

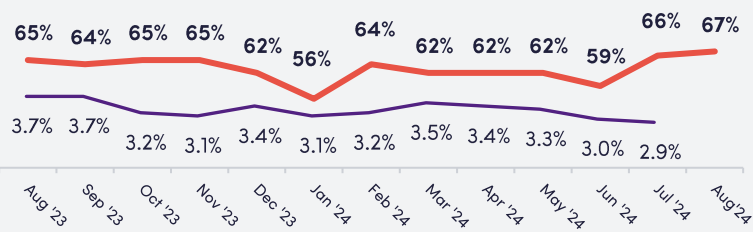
Shopper concern over inflation

Concern over inflation rose to its highest level we've seen since Feb '23.

Shoppers are taking the following actions:

- **71%** have been looking for sales / deals / coupons more often (+7% MoM)
- **59%** have claimed to be cutting back on non-essentials like snacks and candy (+8% MoM)
- **52%** have switched to lower cost brands more often (-2% MoM)
- **47%** have been purchasing fewer items on their grocery trips (+3% MoM)
- **36%** are cooking from scratch or with limited pre-prepared foods more often (+3% MoM)

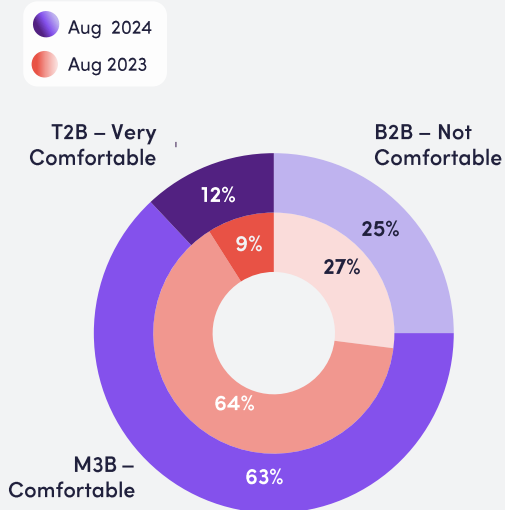
Shopper concern over inflation - % of Households Extremely Concerned (T2B on 7-point scale)



Q: How concerned are you with inflation/consumer prices right now?

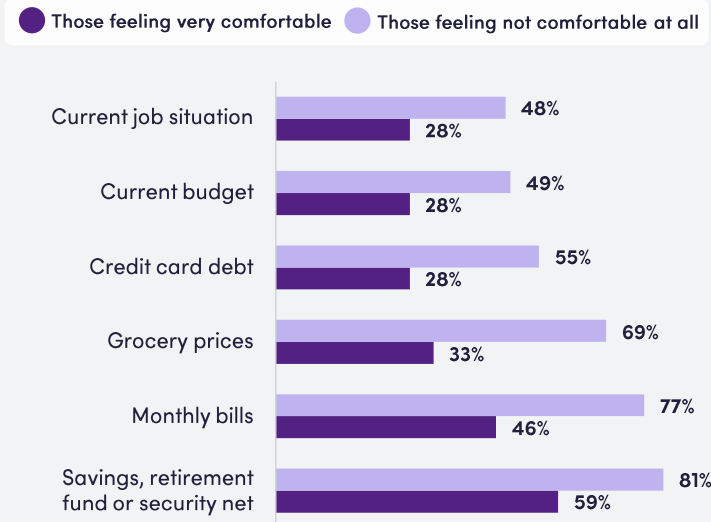
Comfort over finances and what is driving those comfort levels

Shopper comfort over finances – % of Household Comfort (T2B, M3B, B2B on 7-point scale)



Q: Overall, how would you describe your current feelings about your finances?

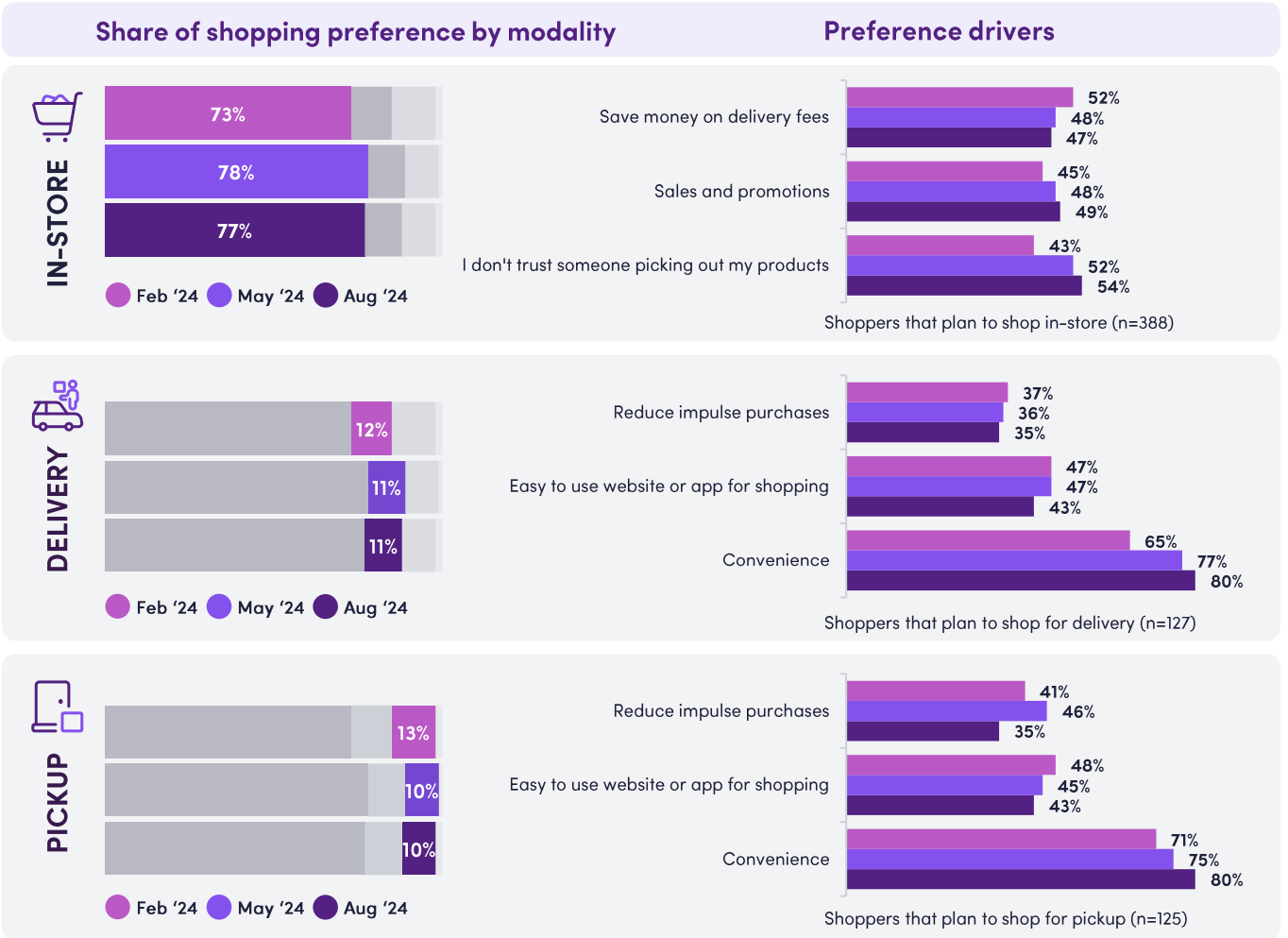
Financial comfort level drivers – % selected



Q: What is driving your current level of comfort with your finances?

What is driving shopping modalities?

Over the past three quarters, we asked shoppers to share how they plan to split up their shopping between the three modalities and why. Those that have a preference for delivery or pick up are much more driven by convenience, compared to the beginning of the year.



Retailer websites/apps and social media are the best bet for providing grocery list inspiration

Where shoppers draw inspiration for their grocery lists



Q: Thinking of the past year, which of the following platforms or tools have you used to find inspiration for your grocery shopping lists?





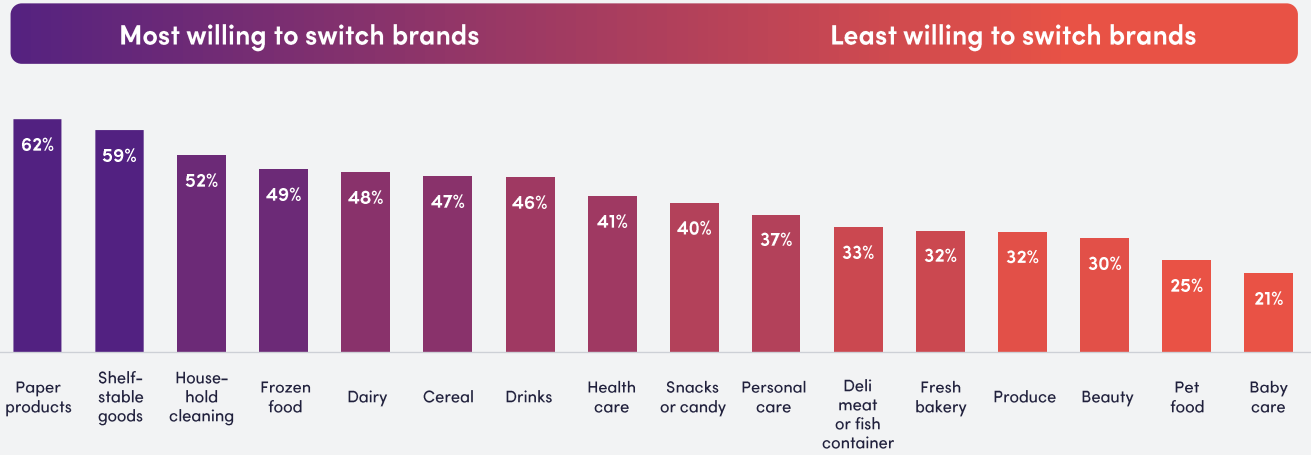
SAY vs... DO

While Shelf-Stable shoppers claim to be **less brand loyal** and **more willing to switch**, they only purchase an average of **1.5% of brands** available to them.

Source: 84.51° Stratum

Shoppers are least willing to compromise when it comes to shopping for children and pets

% indicate willingness to switch to a lower cost brand



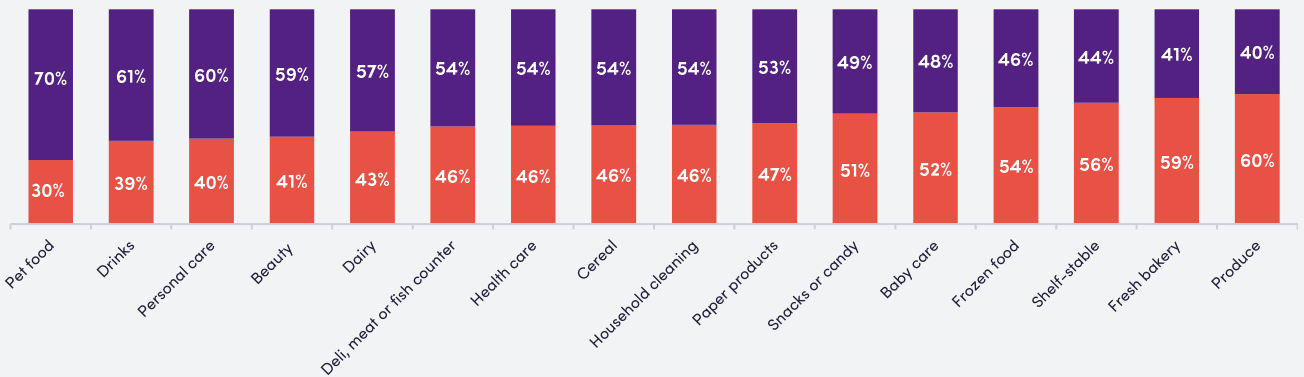
Base: Kroger Shoppers who purchase each category (n=167-398)
Q: In what categories are you willing to switch to a lower cost brand?



Brand loyalty looks different in each aisle



When asked about brand preferences, **Pet Food** shoppers claim to stick with a specific brand, whereas **Fresh Bakery** and **Produce** shoppers are more open to trying other brands



- Brand Loyal ("I only buy a specific brand" or "I have a strong brand preference")
- Not Brand Loyal ("No preference & like to try different brands" or "I do not give it much thought")

Base: Kroger Shoppers who purchase each category (n=144-397)
Q: What best describes your behavior when shopping for the following categories?



How do consumers define brand loyalty?

Shoppers tend to think of **purchase consistency** when they think of brand loyalty



Q: Which of the following best describes what it means to be loyal to a particular grocery and household use item brand?



VALUE **TRUST** Value and Trust are the top drivers of brand loyalty, followed by having sufficient varieties and sizes



Q: Which of the following are important to you when deciding which specific brand of grocery or household items you choose to buy?



Brand loyalty is driven by **trusted recommendations** and a **consistent, positive user experience**.

"The pet food is because my **vet has recommended** a certain food for my dog so we don't vary."

"...these products all have the same thing in common: they deliver **reliable results** at a **reasonable price**."

"These brands provide a **quality that I value** for the money that I spend, and I can **depend on these brands** having products that are long-lasting."

"Because the **quality is always there**, and they **don't usually change** recipes."

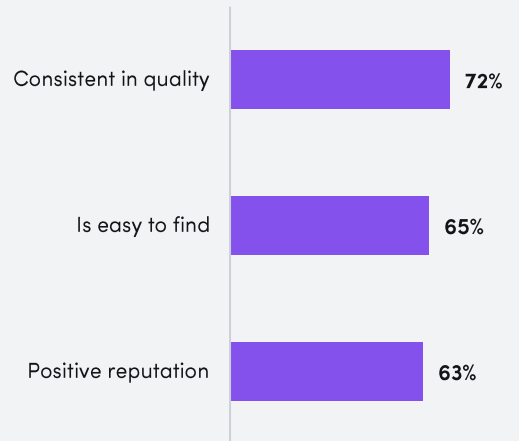
"A lot of these are just things my **family used to buy** or brands that **worked very well** in the past."

Base: Kroger Shoppers who buy only a specific brand or have a strong brand preference (n=203)
Q: You mentioned only buying a specific brand in the categories below. What would those brands be and why?



When asked to think about brands they were loyal to, shoppers mentioned these attributes: **consistent quality, findability, and a positive reputation**.

(% T2B on 7-point agreement scale)



Base: Kroger Shoppers who buy only a specific brand or have a strong brand preference (n=203)
Q: Thinking about the brands you mentioned in the previous question, how much do you agree with the following statements?



How do consumers define retailer loyalty?

Shoppers tend to think of **consistency** when they think of retailer loyalty

63%

Retailer I shop most often

16%

Preferred Retailer, but open to shop others

15%

Only Retailer I shop for all my needs

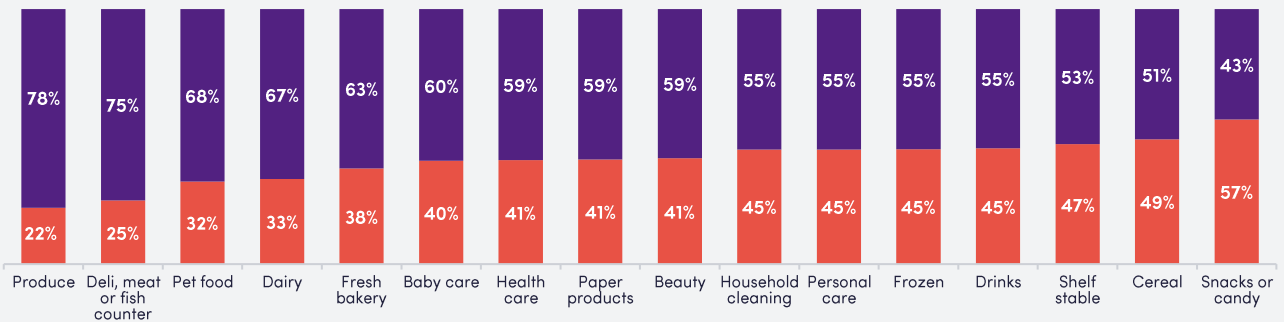
8%

Retailer I want to shop the most

Q: Which of the following best describes what it means to be loyal to a particular grocery and household use item retailer?



Fresh categories more likely to drive retailer preference



Base: Kroger Shoppers who purchase each category (n=144-398)

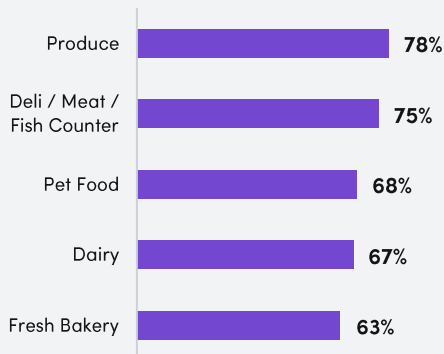
Q: What best describes your behavior when choosing where to shop for the following categories?

- Retailer Loyal ("I only shop this category at a specific retailer or have a strong retailer preference for this category")
- Not Retailer Loyal ("I do not have a specific retailer preference for this category")



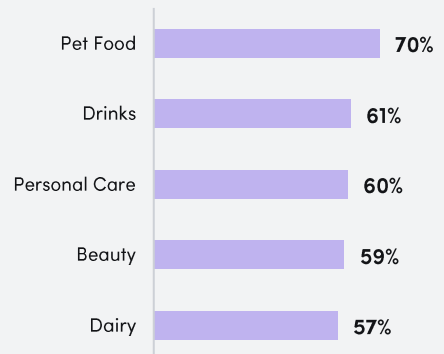
Category 'retailer preference' vs. 'brand preference' within categories

Top 5 categories with a strong specific 'retailer preference'



Q: What best describes your behavior when choosing where to shop for the following categories?

Top 5 categories with a strong specific 'brand preference'

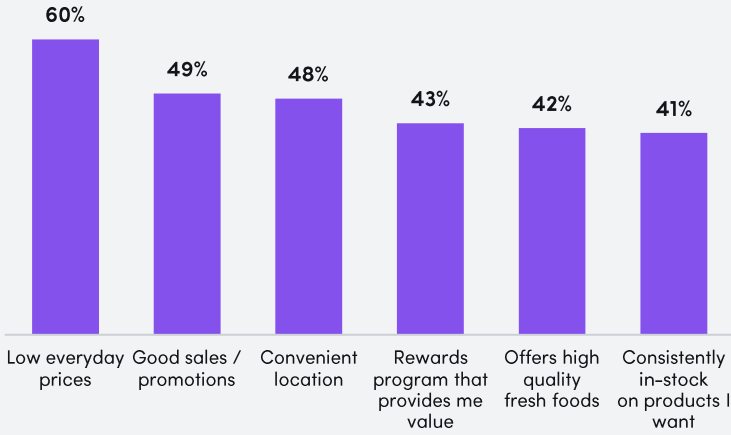


Q: What best describes your behavior when shopping for the following categories?

Base: Kroger Shoppers who purchase each category



Price and promotion, convenient location and rewards programs are the most important factors for choosing a grocery retailer



Q: Which of the following are important when choosing where to shop for groceries and household items?



Customer verbatims: What motivates you to consistently shop at the same grocery retailer?

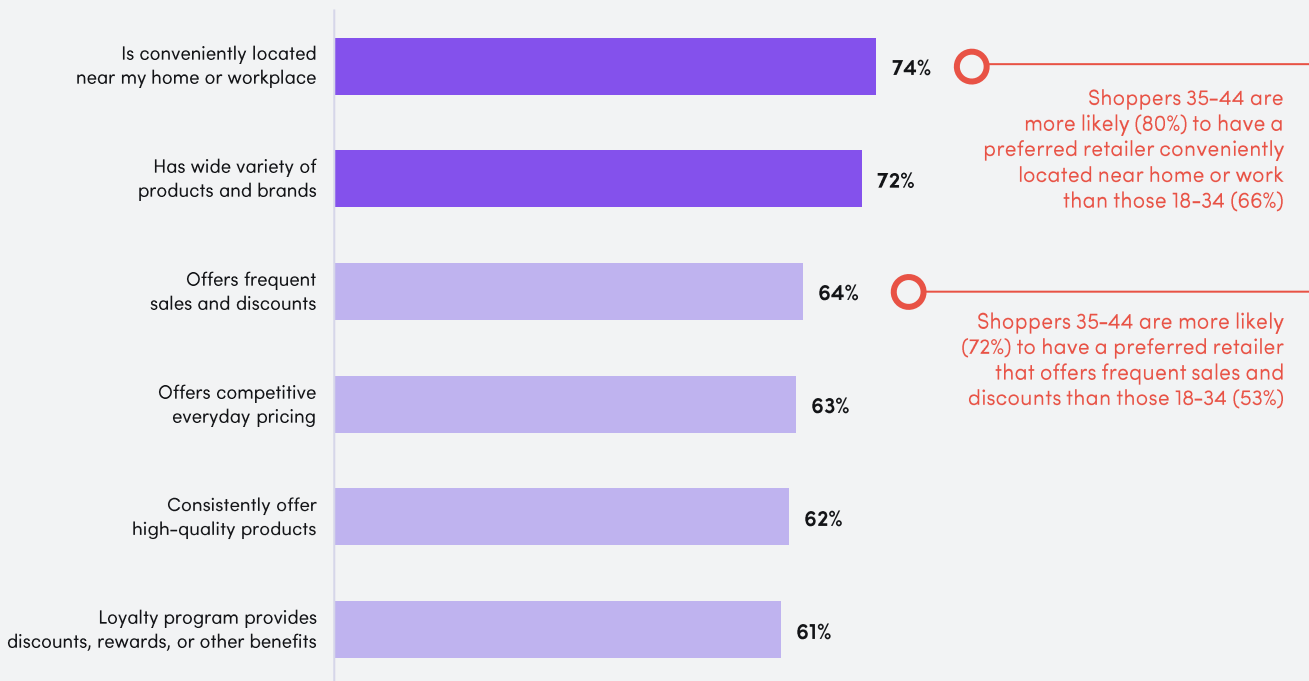
“Often have the most **competitive prices** and **frequent sales**”

“...both **close by** and **offer what I need the most**”

“...is the **closest location** with **low everyday prices**”

“**Price** and **quality** along with **convenience** are key”

Retailer location and product assortment are the most important attributes of a shopper’s preferred retailer (% T2B on 7-point agreement scale)



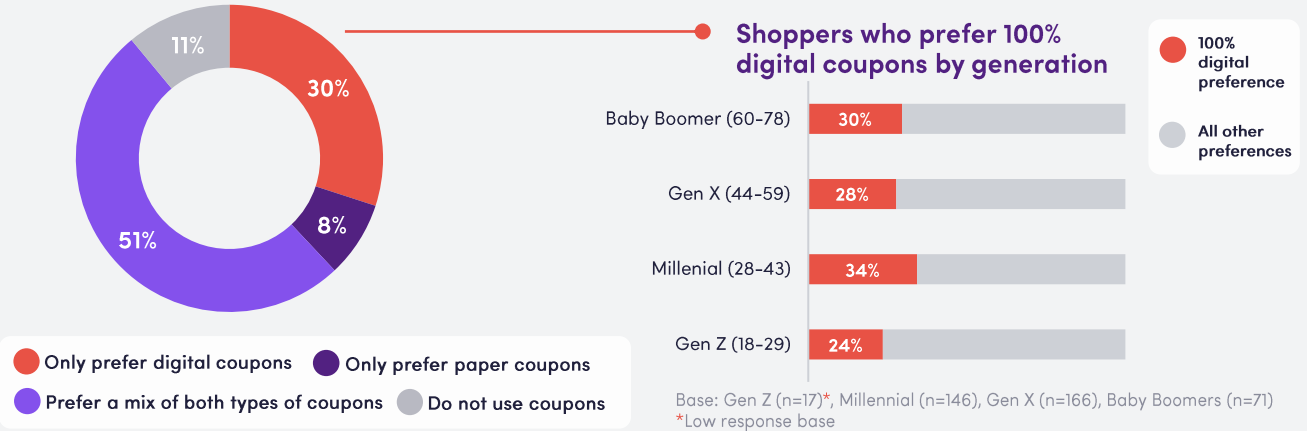
Q: Thinking about your preferred grocery retailer, how much do you agree with the following statements?



How are shoppers engaging with coupons and discounts?

Shoppers are becoming more comfortable with technology with 30% of shoppers preferring to engage exclusively with digital coupons

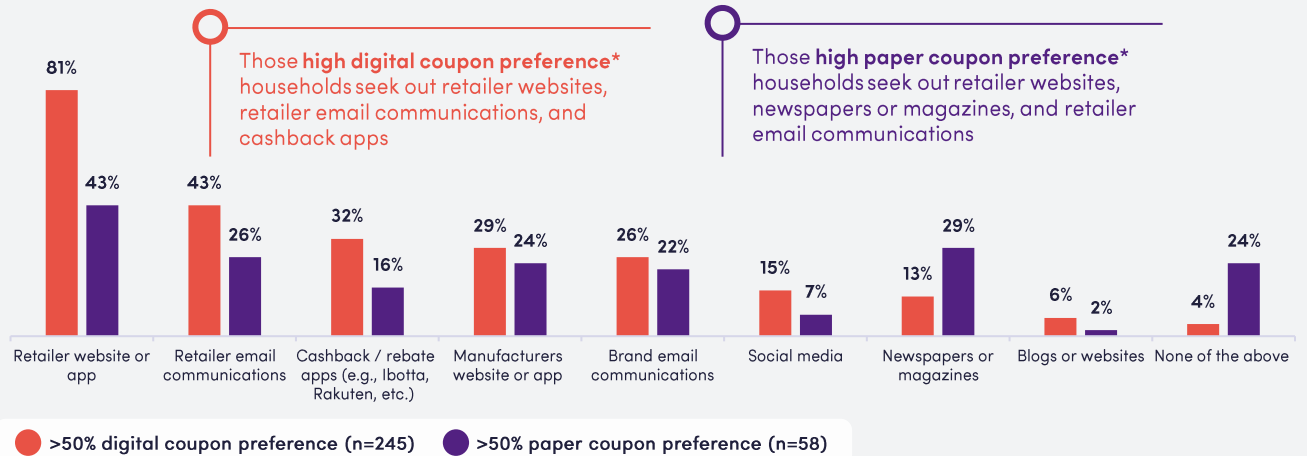
Those preferring digital coupons exclusively don't necessarily skew younger; the age ranges are broadly distributed



Q: Thinking about grocery store coupons, what percentage would you prefer to engage with when it comes to coupon offerings?



Overall, shoppers seek out coupons and discounts most often through retailer websites or apps, followed by retailer email and cashback apps



Q: Thinking of the past year, which of the following platforms or tools have you used to find discounts and coupons for groceries and household use items?



Shoppers value tangible dollars off their groceries more than they value delayed discounts and donations

Most Valuable Rewards

Least Valuable Rewards



Q: How valuable are each of the following grocery retailer rewards or discounts to you?



84.51° Insights

The **Customer Journey** solution analyzes the end-to-end path a shopper takes from discovery and purchase of an item or category, to exploration within a category, and finally how they exit or stop engaging with an item or category. The **Customer Journey Suite** includes the following and more:

- **New Household Journey:** Deep dive into who is most likely to repeat and continue to purchase across key product groups.
- **Increases Module:** Determine which products are seeing unique increase in spend to identify opportunity areas for continued growth.
- **Decreasers Module:** Determine which products are experiencing a true decrease to focus on areas experiencing leakage not caused by tightening budgets.
- **Leavers Module:** Understand how households are changing behavior in other product groups after leaving a specific product group.

Connect with us at Insights@8451.com



Pair Customer Journey Insights with Consumer Research surveys to further dig into households' motivations

84.51° Loyalty Marketing

Leverage our **Direct Mail** capabilities to re-engage your precise audiences. Offered in multiple formats, these solutions can be customized to meet brand objectives.

- **Deliver performant impact:** Direct mail offers strong incremental sales impact, often exceeding that of like-for-like digital offers.
- **Promote equitable access to discounts:** Less than 50% of Kroger HHs are digitally engaged. (Our full Direct Mail universe equals 32 MM+ HHs)
- **Maximize brand reach:** 45% of our contactable universe is uniquely reachable via Direct Mail.

Connect with us at loyalty@incentives@8451.com



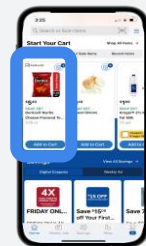
Retain & acquire audience members through Direct Mail



Product Listing Ads are a pay-per-click solution where brands can set a bid price to boost individual products across highly trafficked placements in search results and other personalized carousels across Kroger.com and mobile app.

- **Basket Builder:** Get your products in the basket via personalized, science-driven carousels across the site & app.
- **Search & Browse:** Boost products when users are actively shopping and adding products to their cart.
- **Savings:** Re-engage past buyers or attract savings-oriented households with sales or digital coupons.

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Reach relevant shoppers through Product Listing Ads

Submit potential topics for future Consumer Digest editions by emailing consumerdigest@8451.com