



What's Behind the Door

3 STEPS TO UNLOCKING THE POWER OF MILK MERCHANDISING

46%

Shoppers who purchase the milk category routinely and without thought.

Source: Seurat Group P2P Dairy Study 2016;
Seurat Group Shop-alongs 2016

It's one of the most timeless staples at the grocery store—yet milk is fresher than ever.

U.S. shoppers bring home 3.9 billion gallons of milk and alternatives per year from a category growing more diverse and dynamic by the day.¹ And opportunities for growth remain: By implementing the right mix of distribution, shelving and merchandising strategies, retailers could bump annual milk consumption to 13.9 million gallons.²

But hitting that mark is possible only if retailers take a new approach to the category and its shoppers. The milk category is evolving both in terms of how consumers shop the dairy aisle and what they look for once they get there. In the past, shoppers considered milk akin to paper towels or toilet paper: a one-size-fits-all household staple. But today's milk shoppers seek a wide repertoire of items from the dairy aisle, aiming to address multiple occasions and a range of family members' cravings and needs.

Choice options

Reflecting these more diverse demands, dairy aisles now boast a vast array of cartons, jugs and boxes. The milk shopper can choose from a range of fat levels and flavors, select items that meet specific nutrient profiles or health needs, or align with emotional values like clean labeling and animal welfare.

But with more choice comes more confusion. As dairy shelves grow ever more crowded, shoppers are beginning to feel flustered: Research shows they are more likely to deem fluid milk as "hard to shop" than any other key

dairy category.³ And when shoppers feel overwhelmed, they tend to just grab whatever they came in for (once they actually find it) and then walk away without giving other products a second glance.

As the milk category becomes more complicated, retailers must navigate a delicate balance between keeping products in stock without overloading the aisle. The key is maintaining a diverse selection while also making it easy for shoppers to find go-to brands, understand which products offer certain features and benefits, and maybe even experiment with something new and different. Retailers that can accomplish this feat will see not only growth in the category, but sales lift across the entire store.

To unlock the power of milk, read on for three key steps to maximizing milk merchandising.

Step 1: Eliminate the walkaway

Shoppers rarely select a store based solely on its milk selection, suggests research by Dean Foods.⁴ Most consumers just plan to grab a gallon wherever they're buying the rest of their groceries, which means they expect the store's dairy aisle to have exactly what they want so they don't have to make two trips. Dean research shows that 1 in 5 (21 percent) shoppers say they look for a retailer that always has fluid products in-stock.⁵ So while consumers may not actively select a store based on milk, they may very well avoid retailers that don't meet their dairy demands. What's more, if a retailer can't fulfill the shopper's milk need, then the rest of the basket may walk out the door too.



That’s why it’s vital to make sure all key segments—and the marquee brands within them—are represented in your milk assortment, including:

- › traditional dairy
- › organic
- › plant
- › flavored
- › special needs products like lactose-free

There’s also opportunity to fuel growth in trending segments, such as:

- › single-serve sizes
- › unique/indulgent flavor options⁶
- › whole-fat milk (fat seems to be where it’s at these days: 2 in 3 shoppers now say they opt for 2 percent milk fat or higher on the majority of their milk runs).

Retailers should also invest in segments that align with emerging consumer values, particularly the rising demand for clean and free-from foods that eschew artificial hormones.⁷

However, there’s a fine line between accessible and excessive. As Step 2 will show, optimizing in segments like conventional white milk (CWM), organic and plant-based often requires a “less is more” mentality.

» Step 2: Reduce redundancy

While it’s crucial to represent all segments and offer good, better and (sometimes) best tiers within them, more is not always more. When no milk brand has enough space to shine, all brands suffer because a cluttered or confusing dairy aisle causes shoppers to go into auto-mode.

The key is making it easy to find both go-to items and impulse buys, because the quicker your customer finds

what she came in for, the more likely she is to fill her cart with additional items.⁸ Research shows that if a shopper locates her desired item in less than 10 seconds, she is more likely to purchase additional items. In other words, stores that strike the right balance between simplicity and variety are likely to see bigger basket sizes.

So what’s the sweet spot? When it comes to CWM, Dean Foods’ research indicates that retailers carrying only a private label option plus one or two strong brands⁹ outperform those stores offering three or more brands (although a strong regional brand may be justification for adding a third CWM option).¹⁰ The same holds true for organic white milk: Stores fare best when they limit selection to just one or two brands.¹¹ As for plant-based options, the research shows offering three to five brands is enough to meet shopper needs without generating confusion.¹²

» Step 3: Think multi-stop shopping

Today’s shopper may well purchase a gallon of white milk for cereal, soy creamer for coffee and a ‘why not?’ pint of chocolate milk—all in the same shopping run. The multiple milk shopper looks for a dairy aisle where it’s easy to find the items she’s looking for and also discover something new. Merchandising strategies that entice shoppers to try more and therefore buy more represent the final step in maximizing the milk aisle.

To achieve this, it’s vital to communicate each segment’s features and benefits at all touchpoints. Promotions

Large format accounts carrying 2 or fewer main CWM brands drive higher velocity, and nearly all reach 80% sales with fewer than 3 brands

CWM brands to 80% CWM sales
% OF LARGE FORMAT ACCOUNTS

88%
2 or fewer brands

12%
3 or more brands



Source: Seurat Group Shop-alongs 2016; IRI retailer accounts, 52 weeks ending March 27, 2016. Note: where IRI private label data were unavailable, leveraged Seurat Group Audits for private label brands

that highlight flavors, functionality or occasion not only boost basket size, they help shift shoppers away from buying based on price alone. This is especially important because many retailers still rely on discounting to drive sales, even though this strategy doesn't generate enough category performance to offset the discounts.

A growth-minded merchandising strategy also requires allocating fair share of space to star players. In many dairy aisles, the biggest performers get relatively short shrift. For example, although CWM delivers a 58 percent share of weekly gross dairy products, the average store devotes just 46 percent of linear feet to the CWM segment.

Build out high frequency, staple purchase section with CWM & OWM within 1st half of shelf



Source: Average shelf set doors calculated from Seurat Group Milk Audits

Maximizing productivity means not only aligning share of space to profitability, but ensuring shelves reflect consumption and usage patterns while spurring potential impulse buys. This can include placing impulse items such as flavored milk near the go-to gallon of white milk,

or getting creative with shelving sought-after specialty products such as lactose-free. Since shoppers are willing to work a little harder to find them, these items can be located in less prime locations and help drive traffic to other areas of the store.

Leverage single-serve and flavored to drive incremental purchases as shoppers are buying multiple milk items

Location of single-serve:

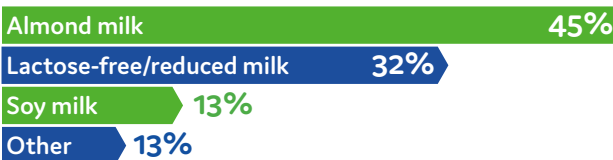
INDEXED VELOCITY-LARGE FORMAT TTL MILK-\$/TDP



Source: Seurat Group Audits 2016; EYC 2016; Seurat Group Shop-alongs 2016

Top specialty segments

% OF SEGMENT VOLUME



Source: IRI, total U.S. multi-outlet + convenience milk alternatives & lactose free, 52 weeks ending April 24, 2016; EYC 2016; NPDP Group; Seurat Shop-alongs 2016

Finally, maximize milk's productivity by highlighting differentiation within the set. This means providing a clear hierarchy of good (private label) versus better (branded CWM such as DairyPure®) versus best (organic). After all, today's milk shopper already sees the category through a multidimensional lens. The more a store's merchandising strategy mirrors this mindset, the stronger its opportunities for growth.



Top ways to unlock the power of milk merchandising

Distribution

- › Ensure key segments and brands are always in stock.
- › Optimize stock-up products such as CWM, organic and plant-based brands.
- › Get ahead of emerging trends and values by expanding size, fat and flavor options as well as sustainable offering.

Shelving

- › Simplify dairy offerings to avoid overwhelming shoppers.
- › Limit conventional and organic white milk selection to one or two brands.
- › Stick with three to five plant-based options.

Merchandising

- › Clearly communicate features, benefits and good/better/best hierarchies to promote differentiation within the set.
- › Ensure profitable products such as CWM get their fair share of space.
- › Leverage core segments to spur impulse purchases.



¹ IRI, total U.S. multi-outlet + convenience, calendar year ending Dec. 24, 2017

² 3-D Insights, Seurat Group Shop-alongs

³ Seurat Group P2P Dairy Study 2016; Seurat Group Shop-alongs 2016

⁴ Seurat Group Shop-alongs 2016; Seurat Group P2P Dairy Study 2016

⁵ Seurat Group Shop-alongs 2016; Seurat Group P2P Dairy Study 2016

⁶ The NPD Group/US/Dieting Monitor, data for years ending December 2014; The NPD Group/National Eating Trends®-Jan. 27, 2016; Seurat Group P2P Dairy Study 2016

⁷ The NPD Group/US/Dieting Monitor, data for years ending December 2014; The NPD Group/National Eating Trends®-Jan. 27, 2016; Seurat Group P2P Dairy Study 2016

⁸ TNS, Stop Interrupting Shoppers—Opinion Leader

⁹ Seurat Group Shop-alongs 2016: IRI retailer accounts, 52 weeks ending March 27, 2016; where IRI private label data were unavailable, leveraged Seurat Group Audits for private label brands

¹⁰ IRI retailer accounts, 52 weeks ending March 27, 2016; where IRI private label data were unavailable, leveraged Seurat Group Audits for private label brands

¹¹ IRI, total U.S. multi-outlet, 52 weeks ending March 27, 2016; Seurat Group Shop-alongs 2016; where IRI private label data were unavailable, leveraged Seurat Group Audits for private label brands

¹² IRI retailer accounts, 52 weeks ending March 27, 2016; Seurat Group Shop-alongs 2016; where IRI private label data were unavailable, leveraged Seurat Group Audits for private label brands



Content of this article provided by Dean Foods Company. Dean Foods is a leading food and beverage company and the largest processor and direct-to-store distributor of fresh fluid milk and other dairy and dairy case products in the United States. Headquartered in Dallas, Texas, the Dean Foods portfolio includes Dairy-Pure®, TruMoo®, and well-known regional dairy brands. Dean Foods also makes and distributes ice cream, cultured products, juices, teas and bottled water.

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