



Online Grocery Shopping

Understanding Growth Opportunities for Dairy

September 13th, 2023

Agenda

- Consumer Mindset
- Online Grocery Shopping Forecast
- Importance of Dairy in the Cart
- Online Dairy Shopper Journey
- Barriers and Triggers to Shopping for Dairy Online
- Recommendations



Affordability

Enjoyment

Health & Wellness

Sustainability

Convenience



“Time saving” is the primary driver of grocery shopping online

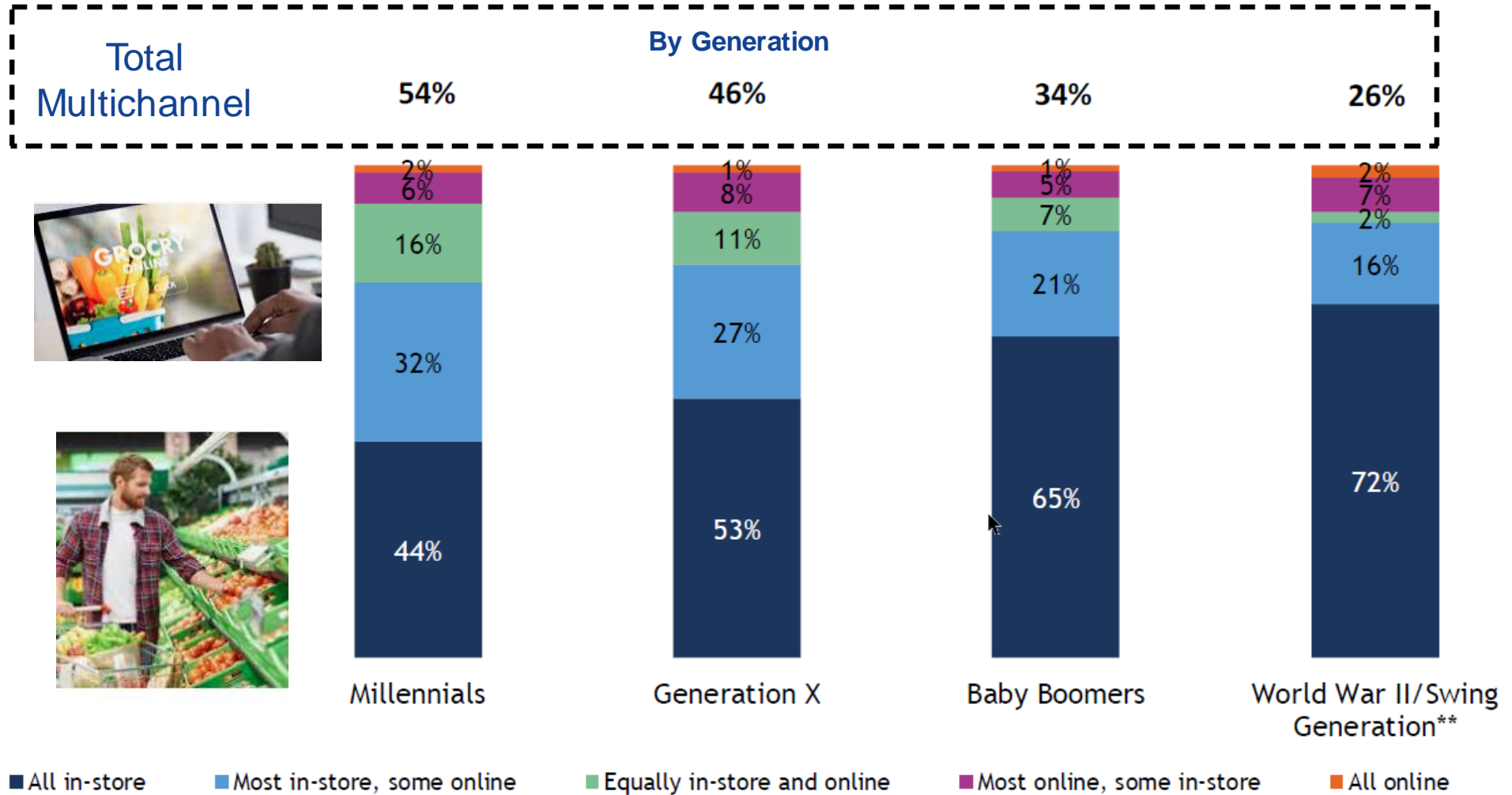
REASONS FOR ONLINE GROCERY SHOPPING, 2022

% of respondents saying, “Why do you shop for groceries online?” Select all that apply.



Today, Millennials are driving multichannel shopping as older consumers stick to in-store. It seems likely that Gen Z will likely exceed Millennials' online usage in the future

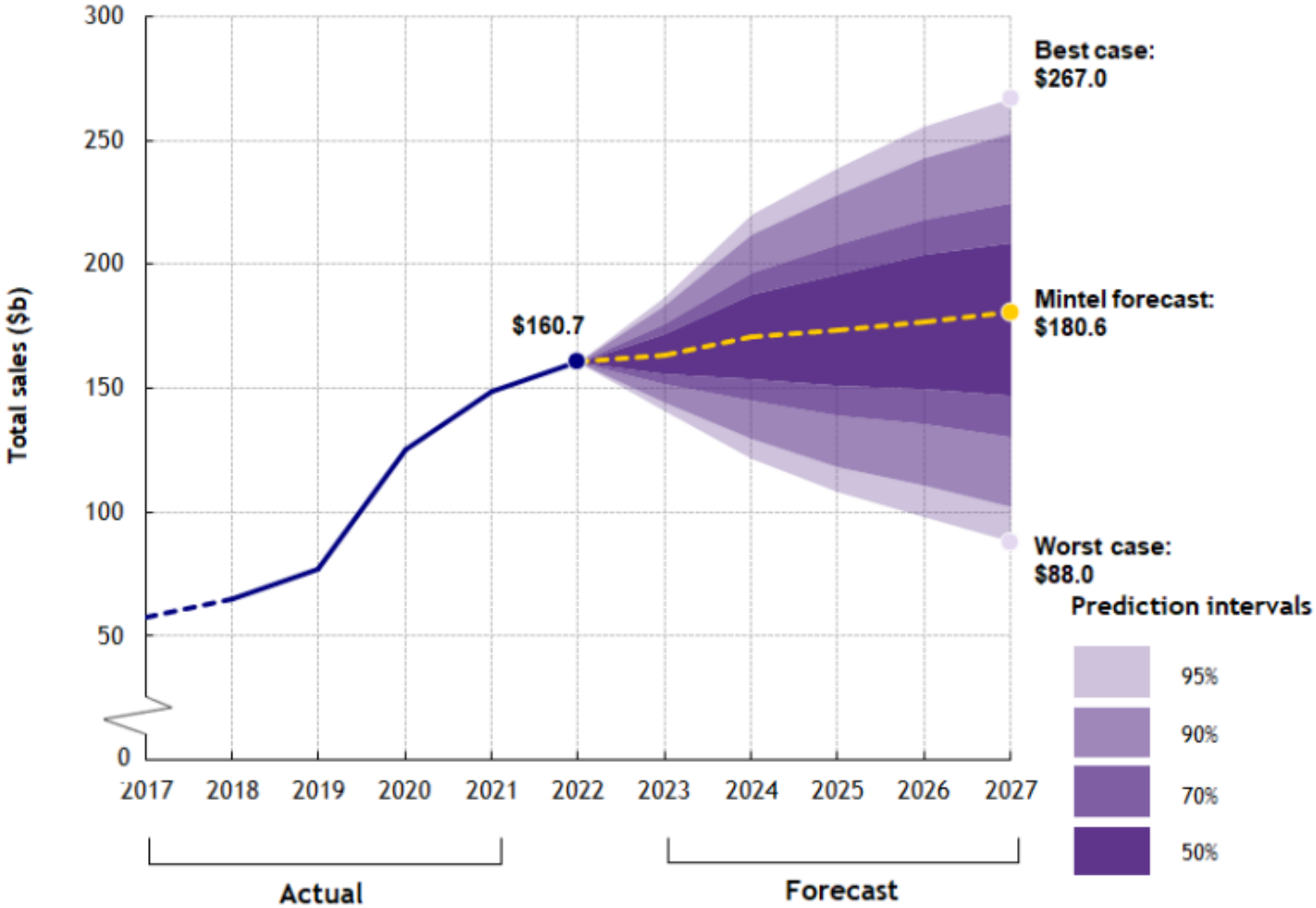
% of respondents saying, "How do you shop for groceries?" (Select one)



Upward trajectory of ecommerce expected to reach 20% of total market within five years

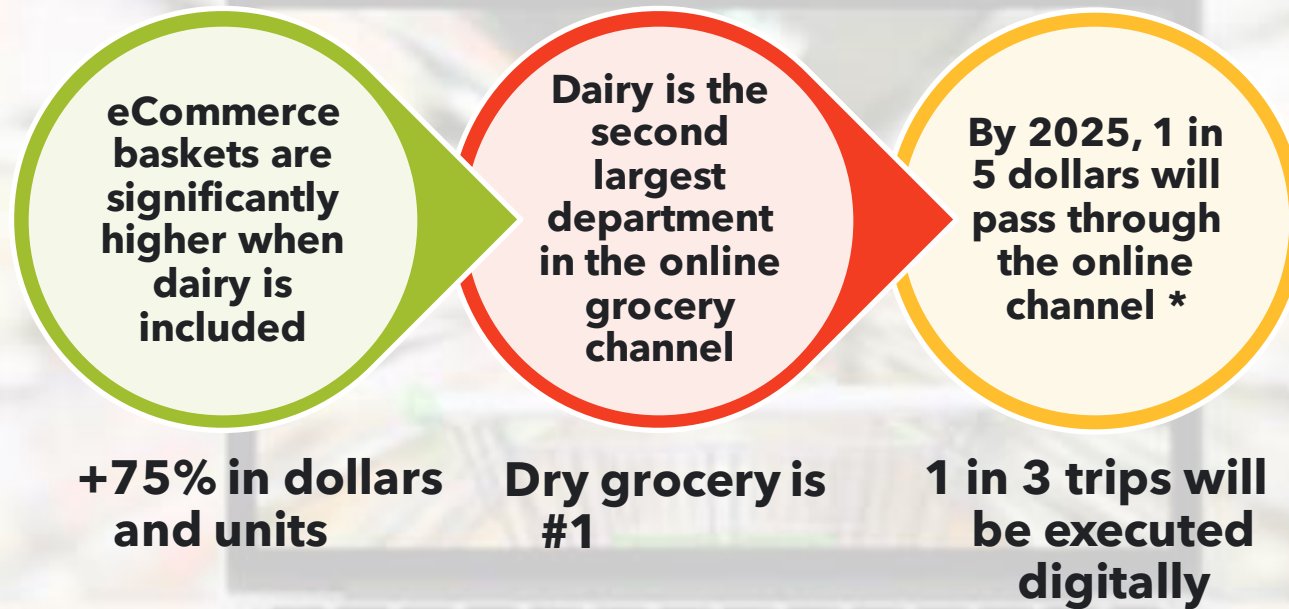
In 2023, Mintel predicts grocery ecommerce will grow a more modest 1.8% to \$163.2 billion. The long-term trajectory for grocery ecommerce is positive, with growth expected to pick up again in 2024 as omnichannel shopping improvements create new efficiencies.

TOTAL US ONLINE SALES AND FAN CHART FORECAST OF GROCERIES*, AT CURRENT PRICES, 2017-27



Dairy is a significant driver of online grocery shopping.

Digital shoppers tend to spend +75% more when dairy is in the cart.



Fresh departments continue to be more of an in-store destination. Why do consumers shy away from ordering dairy online? Is this an issue in the Midwest Dairy Region?

% of respondents saying: How do you typically buy each of the following grocery items?

	Fresh meat, poultry, or seafood	Produce	Dairy products	Frozen foods	Deli items	Bakery items	Non-alcoholic beverages	Non-perishable food products	Alcoholic beverages^	Coffee	Fresh prepared meals
Exclusively in-store	71%	69%	69%	67%	65%	63%	58%	55%	51%	48%	44%
Mostly in-store, but some online	11%	12%	12%	12%	11%	13%	14%	19%	9%	14%	9%
Equally in-store and online	7%	9%	9%	9%	7%	10%	10%	12%	6%	12%	9%
Mostly online, but some in-store	6%	5%	5%	6%	5%	5%	7%	9%	5%	7%	5%
Exclusively online	3%	3%	3%	3%	3%	3%	3%	3%	2%	4%	2%
I don't purchase this item	3%	2%	3%	2%	9%	8%	8%	2%	28%	16%	31%

Note: green shading = greater than average

Source: Mintel's IN-STORE and ONLINE GROCERY RETAILING Report, US - 2023

In 2023, Midwest Dairy conducted custom research to better understand the online dairy shopper and what retailers in our region can do to their grow online dairy sales.

Survey Methodology

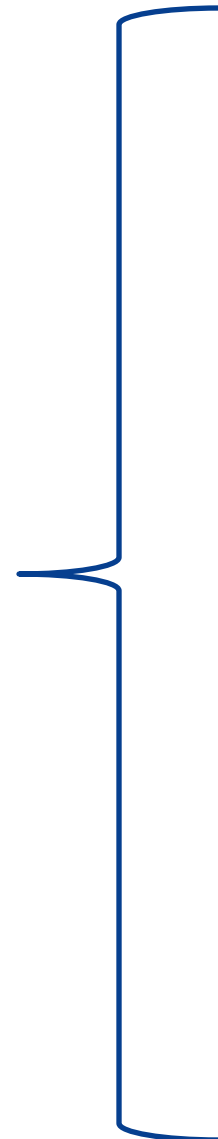
- 10-minute online survey
- 530 online grocery shoppers 18+ years of age
- Parents are represented
- All respondents live Midwest Dairy Region
- Must be open to shopping for dairy online
- Must have shopped online for groceries in the past 3 months



Survey Methodology

Respondents must...

- have shopped for groceries in the past 30 at one of these retailers
- be a primary grocery shopper for their household



- Cub
- Hy-Vee
- Schnucks
- Coborn's
- Casey's
- Fareway
- Jewel-Osco
- Dierbergs
- Price Chopper
- Amazon
- Whole Foods
- Walmart
- Target

The online shopping journey for dairy reveals the planning involved; most consumers are checking what they are low on and making a list.

Half say that they compare dairy products based on price and brand, and less than half search for coupons.



Q: When shopping for dairy (foods derived from cow's milk such as yogurt, cheese, or butter) online, which of the following actions do you typically take? (Total n=530)
Q: When shopping for dairy (foods derived from cow's milk such as yogurt, cheese, or butter) online, what is the typical order in which you do these? (Total n=213-360)

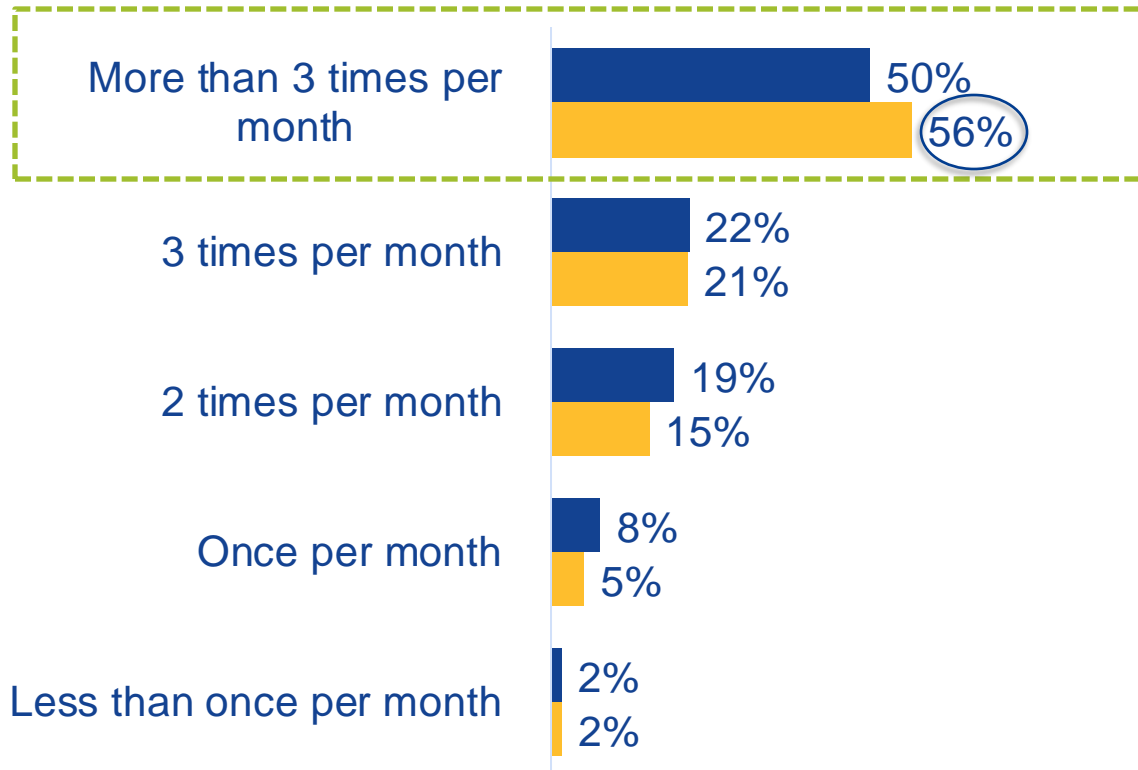
A/B Statistically different at 95% confidence level

Dairy purchases online occur less frequently than dairy purchases in general.

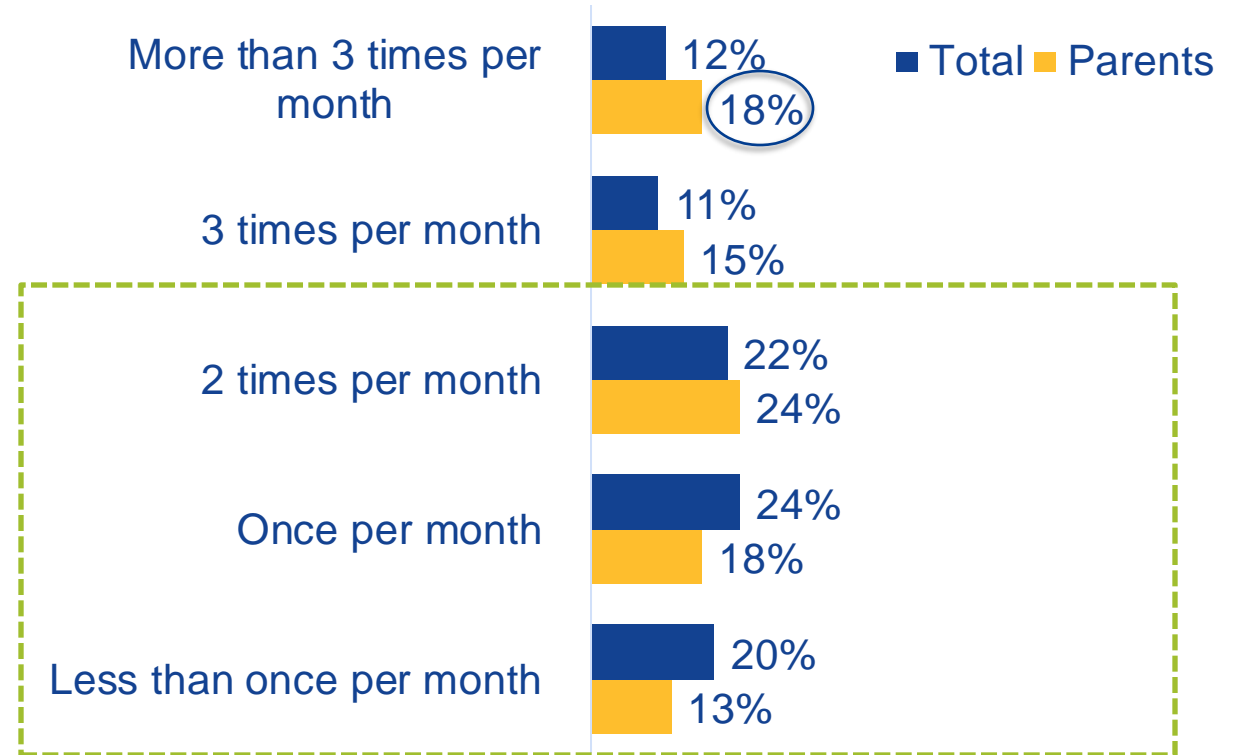
Consumers are buying dairy weekly, but most purchase it online twice a month or less.

% of respondents saying "How often do you purchase dairy"

Dairy Purchase Frequency, **in general**



Dairy Purchase Frequency, **online**



Q: How often do you purchase dairy (foods derived from cow's milk such as yogurt, cheese, or butter), in general? (Total n=530-; Parent n=229)
 Q: How often do you purchase dairy (foods derived from cow's milk such as yogurt, cheese, or butter) online? (Total n=530-; Parent n=229)

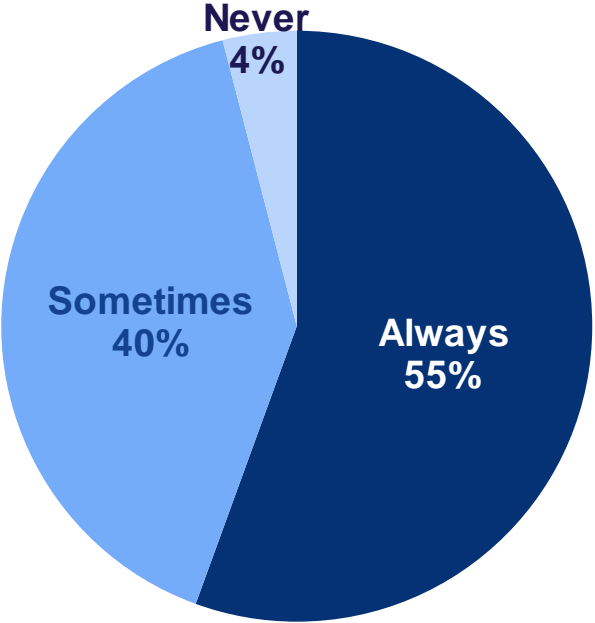
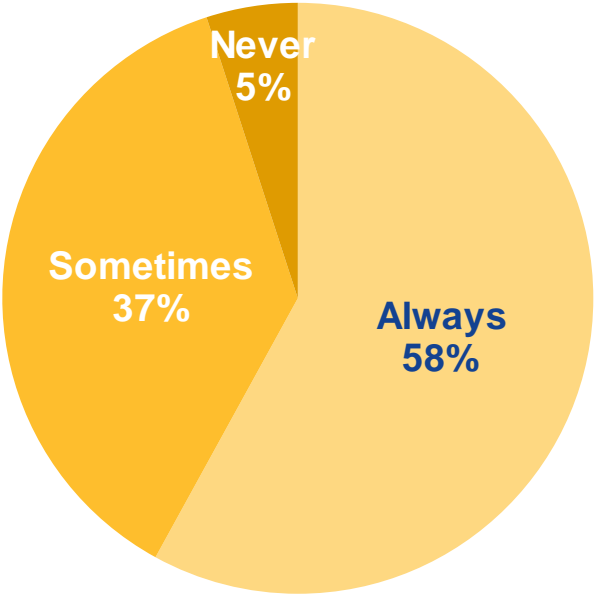
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When consumers do purchase dairy online, it's most often planned.

% of respondents saying: How often are dairy purchases online planned?

Total (A)

Parents (B)



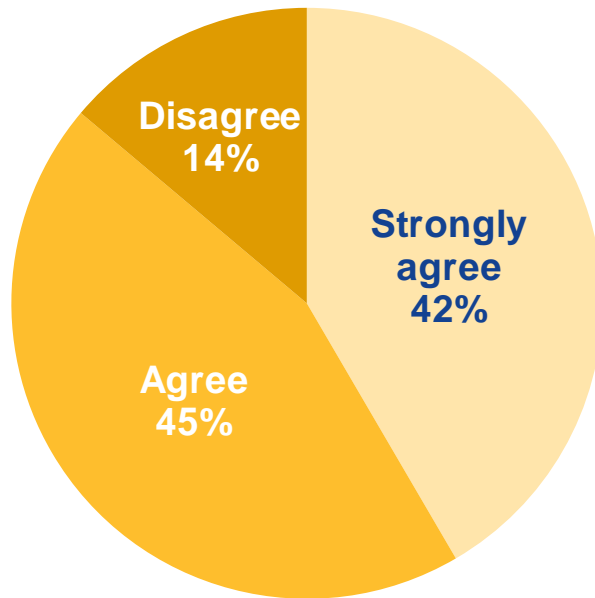
Q: When buying dairy (foods derived from cow's milk such as yogurt, cheese, or butter) products online, how often is the purchase planned in advance?
(Total n=530; Parent n=229)

A/B Statistically different at 95% confidence level

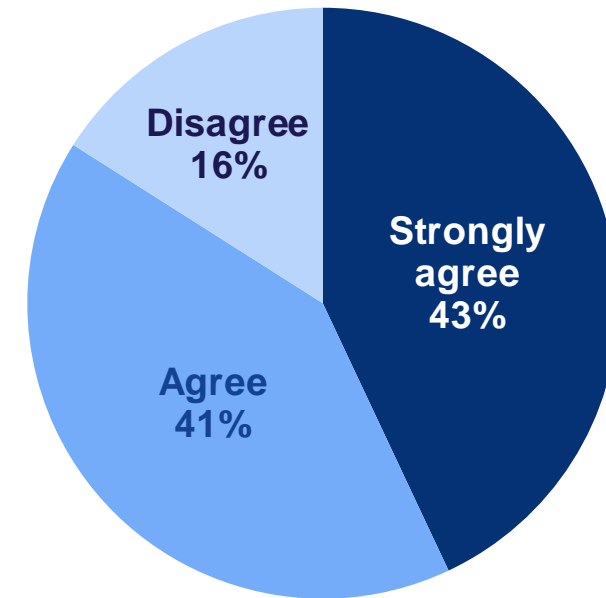
Most online grocery shoppers agree or strongly agree that the quality of dairy products online is the same as the quality of dairy products in-store.

% of respondents in agreement with: "I believe the quality of dairy products online is the same as the quality of dairy products in-store."

Total (A)



Parents (B)



Q: Please select your agreement or disagreement with the following statement:
I believe the quality of dairy (foods derived from cow's milk such as yogurt, cheese, or butter) products online is the same as the quality of dairy products in-store.
(Total n=530; Parent n=229)

A/B Statistically different at 95% confidence level

Most consumers are buying a variety of dairy products online. Satisfaction with specific dairy items purchased online is extremely high across all items.

Consumers are buying staple dairy items such as cheese and milk most often online; parents buy milk online the most.

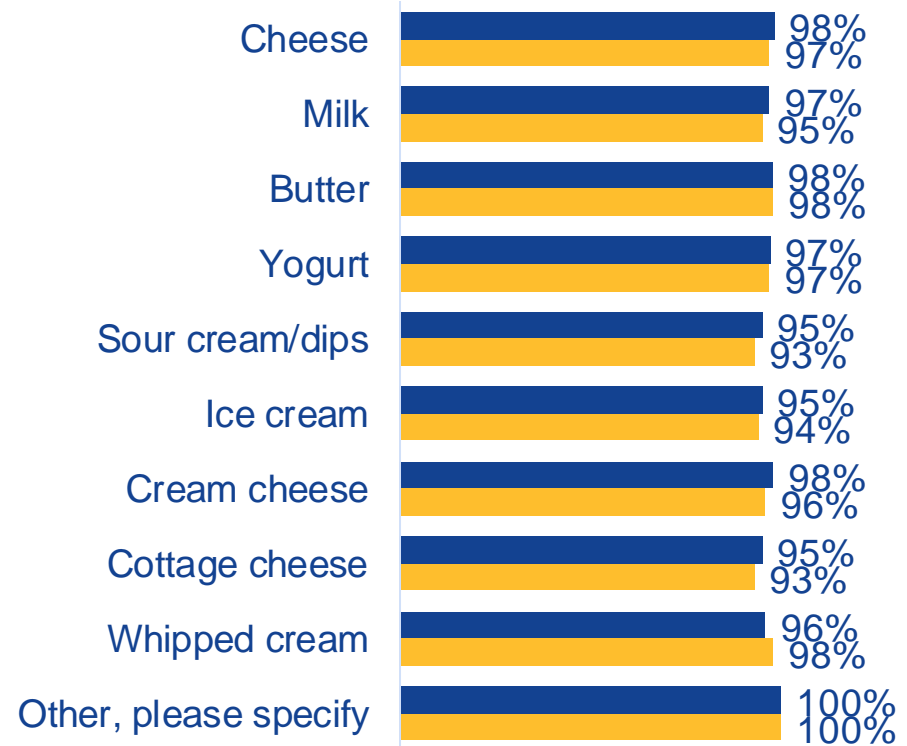
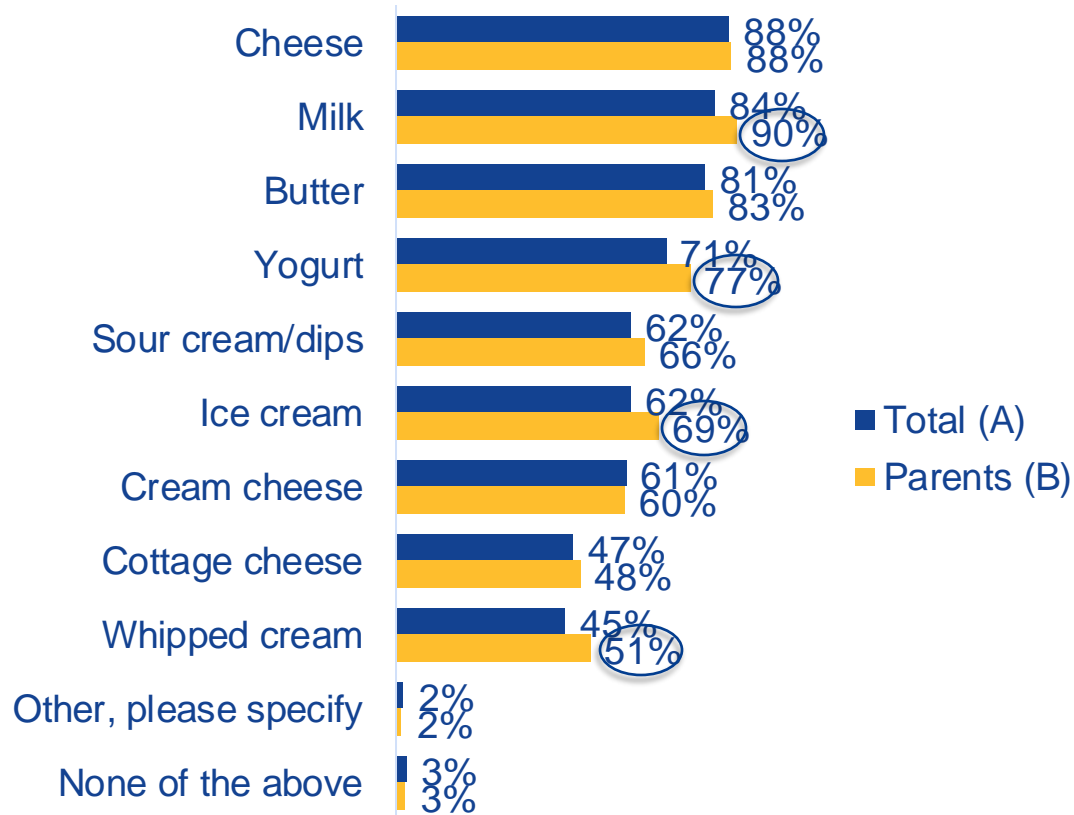
% respondents saying: What dairy products has your household ever purchased in the past while online grocery shopping?

% respondents saying: How satisfied are you with each of the following dairy items that you have purchased online?

Dairy Products Consumers Buy Online

Satisfaction with Dairy Products Purchased Online

Highly Satisfied + Somewhat Satisfied



■ Total (A) ■ Parents (B)



Q: What dairy (foods derived from cow's milk such as yogurt, cheese, or butter) products has your household ever purchased in the past while online grocery shopping?

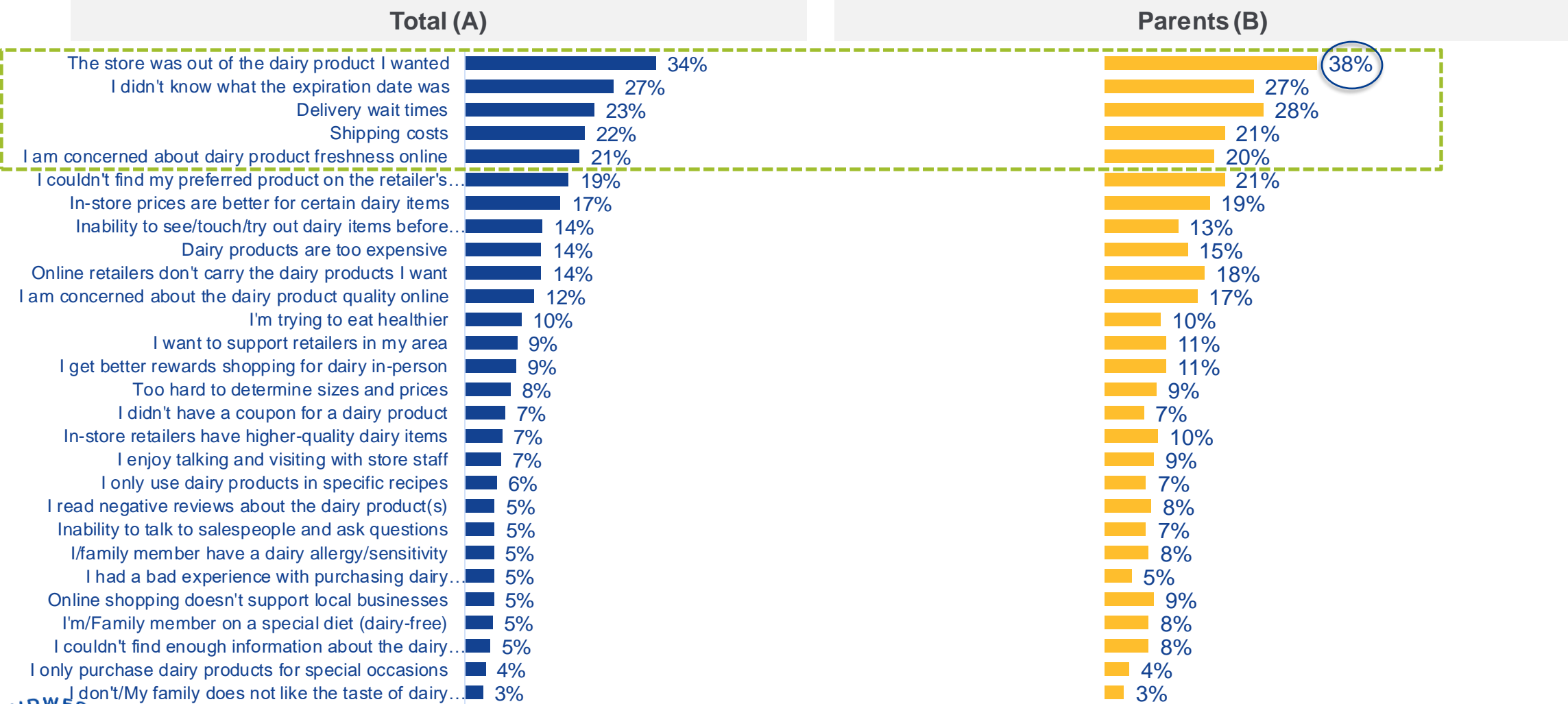
(Total n=530; Parent n=229)

Q: How satisfied are you with each of the following dairy (foods derived from cow's milk such as yogurt, cheese, or butter) items that you have purchased online?

(Total n=237-464-; Parent n=111-205)

Barriers to dairy purchase online include stocking issues, freshness concerns, and delivery-specific issues such as wait times and shipping costs.

% of respondents saying: Which of the following, if any, prevented you from purchasing dairy products online in the last 30 days or purchasing dairy products online more often?

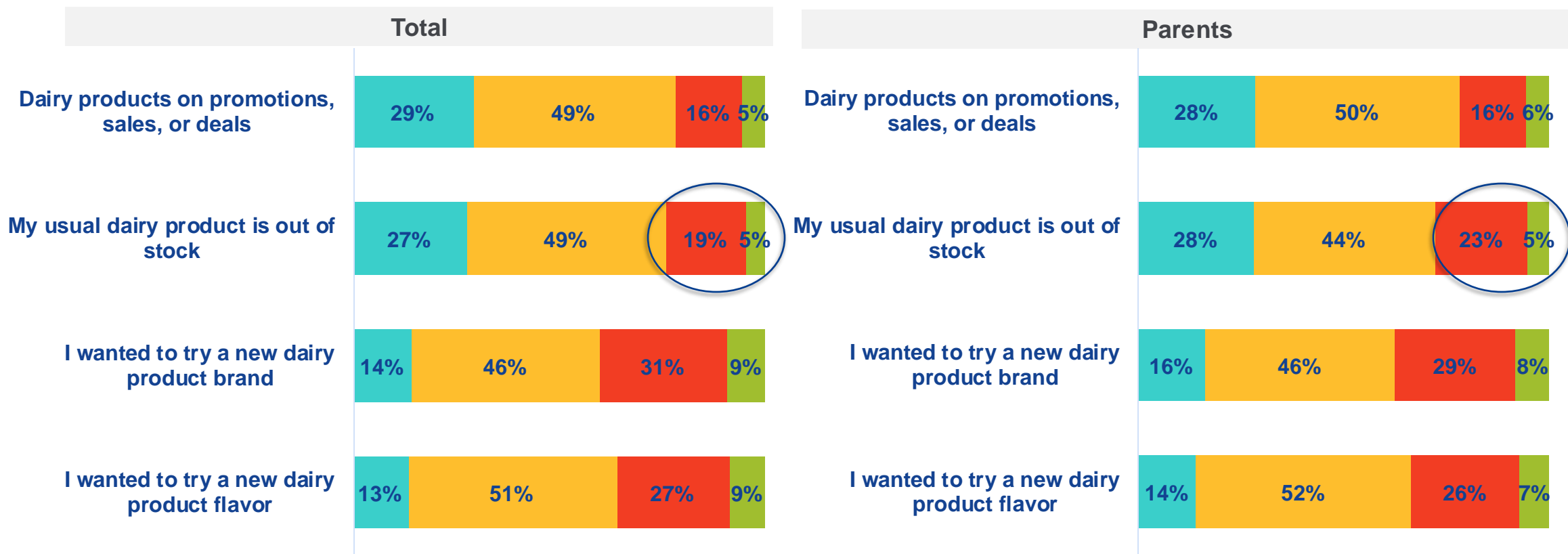


Q: Which of the following, if any, prevented you from purchasing dairy (foods derived from cow's milk such as yogurt, cheese, or butter) products online in the last 30 days or purchasing dairy products online more often?
 Q: Continuing to think about things that have prevented you from purchasing dairy (foods derived from cow's milk such as yogurt, cheese, or butter) products online or purchasing dairy products online more often, which of the following, if any, have prevented you from buying dairy products online?
 (Total n=530; Parent n=229)
 A/B Statistically different at 95% confidence level

Consumers are sometimes willing to purchase outside of their usual dairy products to capture a good price, if their usual product is out of stock, or to try a new flavor or brand.

Keeping consumers' preferred dairy products in stock is essential; if a preferred product is out of stock, **nearly a quarter of consumers will rarely or never switch** to another brand or product. A large segment are also unlikely to try new dairy brands or flavors, indicating strong preferences in the category.

% of respondents saying: How often do you switch up your dairy purchase?



Often Sometimes Rarely Never

Often Sometimes Rarely Never

Q: How often do you switch up your preferred dairy (foods derived from cow's milk such as yogurt, cheese, or butter) brands or dairy products when shopping online, and why?
 (Total n=530; Parent n=229)

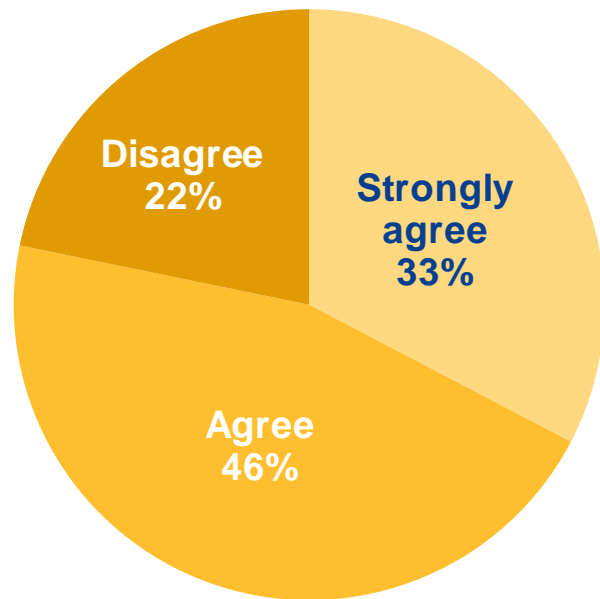
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Most consumers are confident that the freshness of dairy products online is the same as the freshness of dairy products in-store.

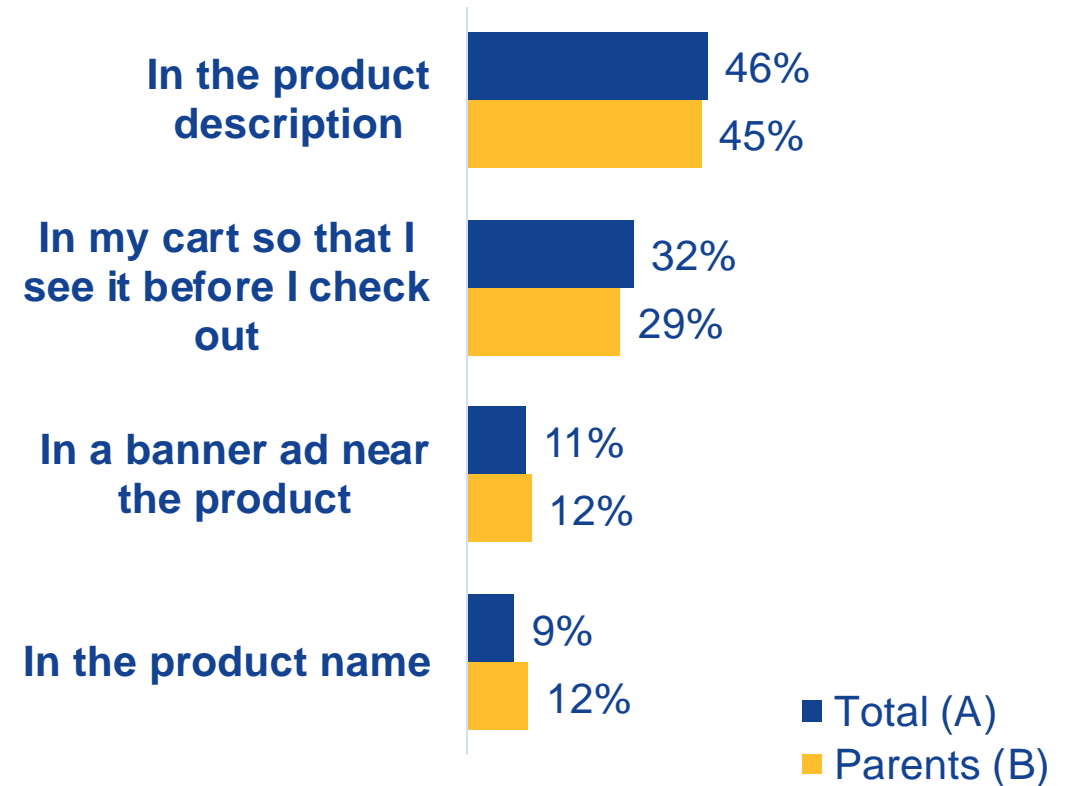
The best places to showcase freshness information for dairy products online is in the product description or in consumers' cart so that they see it before they check out.

% of respondents saying: "I believe the freshness of dairy products online is the same as the freshness of dairy products in-store."

Confidence in freshness online - Total



Where consumers want to see freshness info



Q: Please select your agreement or disagreement with the following statement: I believe the freshness of dairy (foods derived from cow's milk such as yogurt, cheese, or butter) products online is the same as the freshness of dairy products in-store.

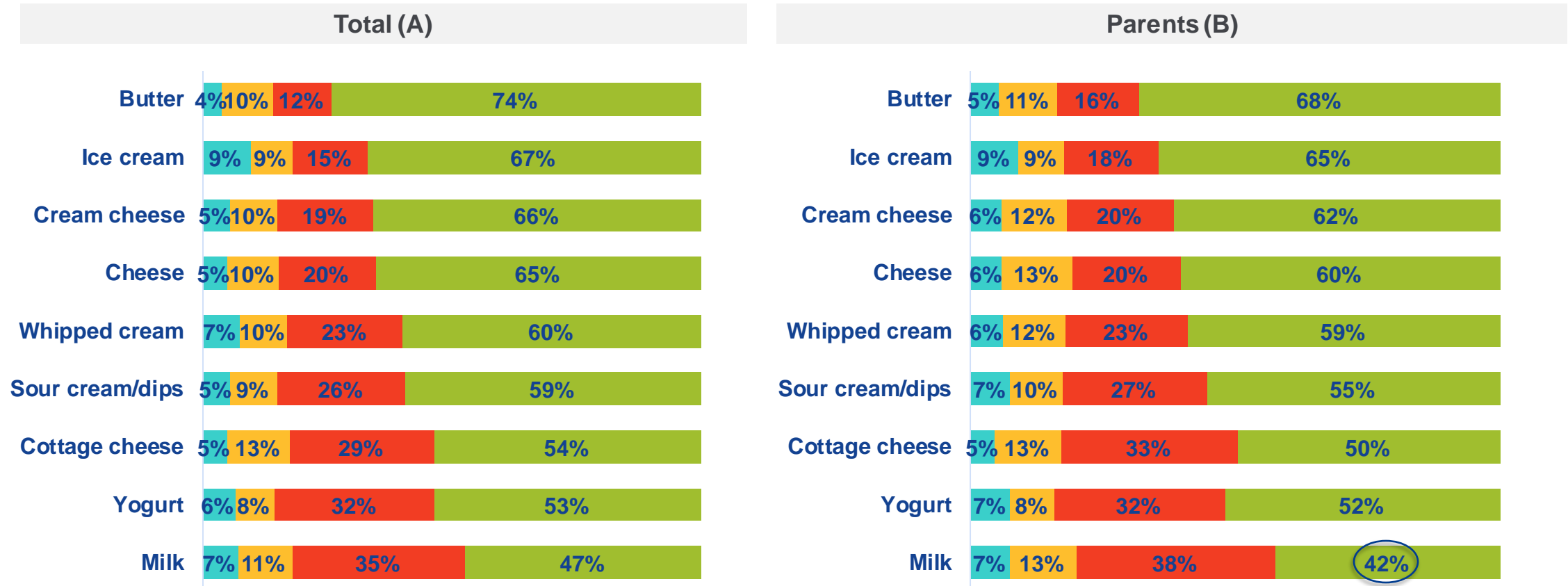
Q: Where, if anywhere, is the best place for an online retailer to communicate freshness information?
(Total n=530; Parent n=229)

A/B Statistically different at 95% confidence level

Expiration expectations are high, and consumers want dairy items that they buy online to arrive at least 10 days before the expiration date.

Items they use more frequently such as milk are more likely to be accepted with only 7-9 days before expiration.

% of respondents saying: "...what is the ideal amount of time from expiration you need to believe your dairy products are fresh?"



■ 1-3 days ■ 4-6 days ■ 7-9 days ■ 10+ days



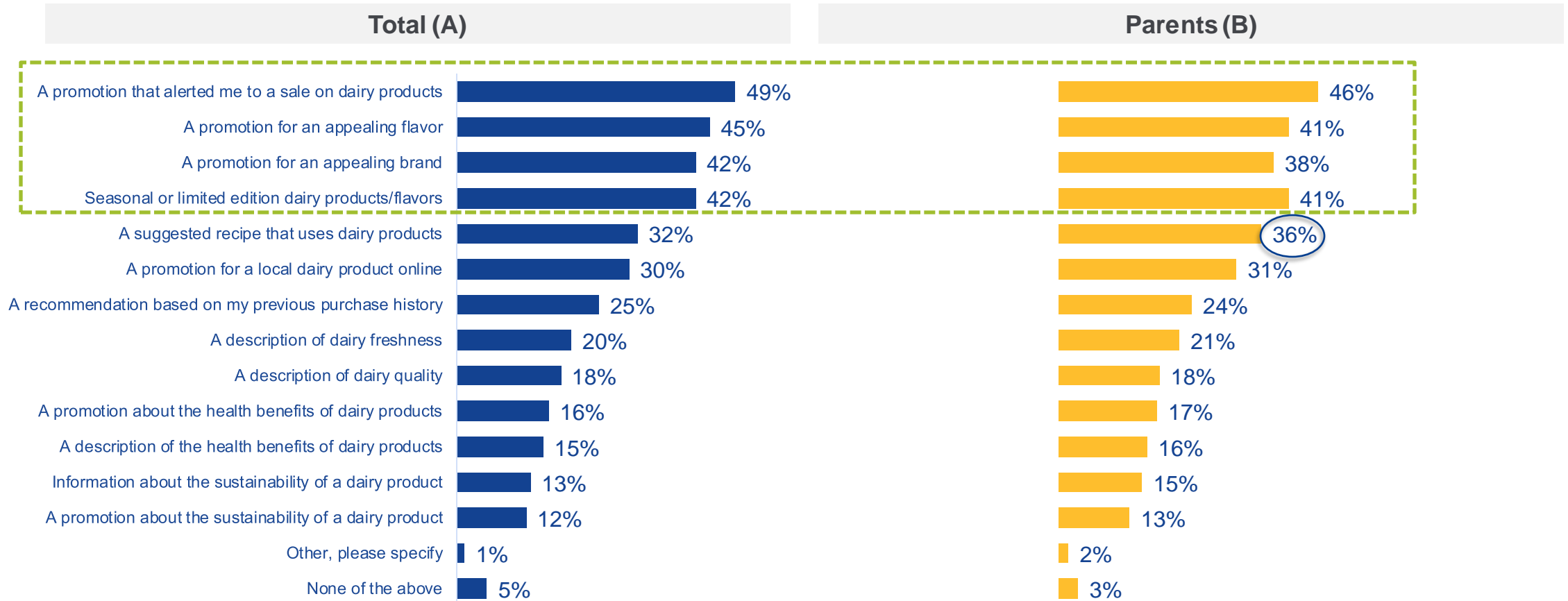
Q: Thinking about the dairy (foods derived from cow's milk such as yogurt, cheese, or butter) products that you told us your household has purchased online in the past, what is the ideal amount of time from expiration that you would need to receive in order to consider that the product is sufficiently fresh?
 (Total n=237-464; Parent n=111-205)

A/B Statistically different at 95% confidence level

Promotions alerting consumers to a sale on dairy items would most inspire impulse purchases online.

Flavor is also a driver of impulse purchases and promotions that highlight appealing flavors, or seeing offers of limited edition/seasonal flavors, would cause many to impulse buy a dairy product online.

% of respondents saying: What, if anything, would motivate you to make an unplanned purchase of a dairy when shopping online?



Q: What, if anything, could cause you to make an impulse purchase of a dairy (foods derived from cow's milk such as yogurt, cheese, or butter) product when shopping for groceries online?
 (Total n=530; Parent n=229)

A/B Statistically different at 95% confidence level

Key Findings & Recommendations

- **When consumers include dairy in their online purchase, they tend to spend 75% more.**
- **In the Midwest Dairy Region, shoppers are less likely to purchase dairy online than some other categories.**
- **Stocking issues are the biggest barriers** to dairy purchase online, as well as delivery-specific issues such as wait times and high shipping costs.
- While the majority are confident that the **freshness of dairy products** online is the same as the freshness of dairy products in store, some have concerns.
 - ✓ Over a quarter saying that not knowing the expiration date is a key barrier, and a fifth saying that they have had concerns with the freshness of dairy online.
 - ✓ Allowing consumers to select their preferred expiration for dairy products online is the number one avenue for increasing confidence in the freshness of dairy.
 - ✓ Optimizing cooling transport for dairy and communicating the ways dairy is kept cool in transit would also help increase confidence.
 - ✓ Messaging a promise or guarantee of freshness would go a long way in boosting confidence for those who are skeptics.
- **Promotions alerting consumers to a sale** on dairy items is the biggest driver for impulse purchases.
 - ✓ While most did not say they were actively searching for sales and coupons for dairy online, seeing a **good price is an impetus for unplanned purchases.**
 - ✓ **Flavor** is also a key driver of impulse purchases and promotions that highlight appealing flavors, or seeing **offers of limited edition / seasonal flavors**, would cause many to impulse buy a dairy product online. Recipes linking directly to specific dairy products would also assist shoppers, especially parents.

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Thank you!

