Dairy Superconsumers
Phase 1: Setting the Stage
Agenda

1. Overview
2. Bakery Superconsumers – Released July 7, 2017
3. Cheese Superconsumers – Released July 14, 2017
5. Deli Superconsumers – Released July 28, 2017
Overview
Document Objectives

• Strategic context – WHY WE DID THIS

• Research background – WHAT DID WE DO

• Insights & opportunities – WHY THIS IS EXCITING

• Key questions & actions – WHAT YOU CAN DO
Strategic Context

Collaborate to Grow the Pie, Not Just Split It

by Vicki Gardner, Dennis Moore and Eddie Yoon
JUNE 17, 2011

https://hbr.org/2011/06/collaborate-to-grow-the-pie-no

Why It Pays to Be a Category Creator

Companies that combine new products with new business models see much faster growth. by Eddie Yoon and Linda Deeken

https://hbr.org/2013/03/why-it-pays-to-be-a-category-creator
WHAT IS A SUPERCONSUMER?

~10% of consumers drive 30-70% of sales & 99% of insights.
Manufacturers and retailers can “grow the pie” by using supers to...

1. Sharpen 
   marketing, merchandising and innovation.

2. Grow 
   category trips, penetration, buy rate & baskets.

3. Steal 
   from food service.

Superconsumers Phase 1
3 LENSES FOR ACTIVATION & INSIGHT

MICROSCOPE
They have amazingly detailed and specific stories of why they spend more, pay more and want more.

TELESCOPE
A super of 1 category is a super of 9 others. They give you the wide angle lens so you can see how your category fits into their entire life.

MIRROR
Their stories are real, have practical truth, and life hacks (quick tricks to make life easier) that deeply resonate – both personally and with others. Supers engender empathy, creativity and energy in all organizations.

Source: Superconsumers: A Simple, Speedy, Sustainable Path to Superior Growth, Harvard Business Publishing
Research Background

SUPERCONSUMERS BEST TYPICAL SEGMENTATIONS IN 4 WAYS

- **Profit Centric**: Supers drive the *most profit* in the category... ...most segmentations lack rich economics.

- **Predictive**: Supers drive *future trends* & see the future... ...most segmentations are rear view mirror.

- **Practical**: Supers’ stories *drive actions* across functions... ...most segmentations stay in insights/marketing.

- **Powerful**: Supers are built on *streaming, big data*... ...most segmentations are snap shots in time.

Source: Superconsumers: A Simple, Speedy, Sustainable Path to Superior Growth, Harvard Business Publishing
WE CONDUCTED 36 1-ON-1 INTERVIEWS WITH SUPERS

Who They Are
Attitudes, Motivations, Life Stage

Example Questions
• What are three words you would use to describe your life today?
• Tell me about why you like cheese.
• Why do you buy so much cheese?
• How did you become a super?

Example Questions
• What kind of ‘jobs do you hire’ cheese for?
• Thinking about the last time you hired cheese for a job….
  • What did you consume?
  • Why did you choose that product?
  • What was the occasion?
  • How did serving/eating this food make you feel?
  • What did you fire to hire this product?
  • How satisfied were you with this product?”

How Do They Use Our Products
Jobs-to-be-Done/ Life Hacks, Shopping Behavior

Example Questions
• What are three words you would use to describe your life today?
• Tell me about why you like cheese.
• Why do you buy so much cheese?
• How did you become a super?

Example Questions
• What kind of ‘jobs do you hire’ cheese for?
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  • Why did you choose that product?
  • What was the occasion?
  • How did serving/eating this food make you feel?
  • What did you fire to hire this product?
  • How satisfied were you with this product?”
WE UNDERSTOOD THEIR ORIGIN STORIES

Spend per Category

Higher

Average Consumers

I like it & want it.

I don’t need it.

Non/Light Consumers

Now I need it.

Consumer Engagement in Category

Superconsumers

Wow, it can do that?

It changed my life.

Source: Superconsumers: A Simple, Speedy, Sustainable Path to Superior Growth, Harvard Business Publishing
Insights & Opportunities

US Retail Spending

Source: U.S Census Bureau

We have a clear and common "enemy."

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Sub-Category Jobs

Description
Routine or performed on autopilot.

Incumbents Being Fired
- Brands, products within the category.

Grocery Jobs

Description
Powerful everyday shortcuts & life hacks for better innovation.

Incumbents Being Fired
- Some grocery store items (e.g., center of store).
- Some food service.

Food Service Jobs

Description
Cross grocery/food service ideas for business model innovation to create new categories.

Incumbents Being Fired
- A lot of legacy fast food, drive thru, delivery.
- Next generation food service (e.g., Blue Apron).

Greater Likelihood of Growing the Pie
## Grocery Jobs

Superconsumer stories and the “jobs” they hire our categories for

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Athletic Boost &amp; Bonus</td>
<td>Everyday, natural foods for extra energy for active athletes.</td>
</tr>
<tr>
<td>Sneaky Smart Snacks</td>
<td>An excuse to indulge, but feel better with less guilt for all.</td>
</tr>
<tr>
<td>“Tricked Out” Meals</td>
<td>Clever ways to get away with &lt;15 min non-dinner meals elevated to dinner worthy.</td>
</tr>
<tr>
<td>Less Mess Condiments</td>
<td>Easy way to spice &amp; sweeten up super sandwiches ...with no mess.</td>
</tr>
<tr>
<td>“A Spoonful of Sugar...”</td>
<td>Trojan horse complements &amp; dips to make eating better (veggies) easier.</td>
</tr>
</tbody>
</table>
**Food Service Jobs**

Superconsumer stories and the “jobs” they hire our categories for

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lunchpool &amp; Carpool Craziness</td>
<td>Solving for sad school lunches. God-send for parents driving busy tweens/teens activity to activity.</td>
</tr>
<tr>
<td>Grocerant/ Food Court Fun</td>
<td>An easy, cheaper and low risk way to ‘eat the world’.</td>
</tr>
<tr>
<td>Culture &amp; Conversation</td>
<td>Easy way to try new cuisines &amp; recipes with low risk, low cost.</td>
</tr>
<tr>
<td>Missionary Meals</td>
<td>A chance to try and test new food philosophies before committing.</td>
</tr>
</tbody>
</table>
OUR RESEARCH SHOWS

28M Superconsumer households with
...9 job types via deli, dairy, bakery, cheese
...to activate 51M Potential Supers
...to unlock $11B+ in category growth!

Source: Nielsen Homescan (52 Weeks Ending 12/31/16); Nielsen Scantrack – Fresh (2016); TCG Analysis

Our superconsumers are powerful.
Key Questions & Actions

1. Create a list of questions to ask superconsumers.
   • Find “that’s funny” moments in the data/stories.
   • Ideate on the next generation food service ideas.

2. Execute the F.U.E.L. Growth Action Plan:
   **FIND, UNDERSTAND, ENGAGE, LEAN INTO**
   superconsumers and potentials.

3. Test & learn with superconsumers & potentials.
   • Rapidly refine your current ideas, innovations & actions.
   • Cut your losses, double down and repeat.

Source: Superconsumers: A Simple, Speedy, Sustainable Path to Superior Growth, Harvard Business Publishing
F.U.E.L. GROWTH ACTION PLAN

FIND
superconsumers & potentials.

UNDERSTAND
their origin stories and barriers.

ENGAGE
them to grow the pie... with potential superconsumers.

LEAN in to
them by sizing the prize & test & learn.

Source: Superconsumers: A Simple, Speedy, Sustainable Path to Superior Growth, Harvard Business Publishing
F.U.E.L. GROWTH ACTION PLAN

FIND superconsumers & potentials...
• Among your friends, family & coworkers.
• In your data & online – look for digital breadcrumbs, anomalies are your friends!

UNDERSTAND their origin stories and barriers.
• A super of one category is a super of 9 others.
• What would have to be true to get them to spend twice as much?

ENGAGE them to grow the pie... with potential superconsumers.
• Talk to potential superconsumers to figure out what you can do.

LEAN in to them by sizing the prize & test & learn.
• Test & learn with marketing, sales and innovation to figure out what works.
• Prioritize initiatives that are the most feasible and that have the greatest resonance.

Source: Superconsumers: A Simple, Speedy, Sustainable Path to Superior Growth, Harvard Business Publishing
If potentials’ spending got to half of that of super, the category would grow 13%.

Source: Nielsen Homescan (52 Weeks Ending 12/31/16); TCG Analysis

**SUPER CONSUMERS**
(23% Spend, $19B)

**POTENTIALS**
(21% Spend, $18B)

**OTHERS**
(56% Spend, $47B)

**Convert Potentials**
Growth Target – Consumers who share the same desires as supers, but are stuck...and only spend the category average

**Others Will Follow**
Will follow the crowd once potentials get on board

**Learn from Superconsumers**
Inspiration target – Smart, savvy folks who spend 2-3x more
The next few slides are intended to help you brainstorm opportunities to activate superconsumers in your category.

PRINT & FILL THEM OUT AS YOU GO
Reacting to Customer Variance with:

THAT’S FUNNY VS. THAT’S WEIRD

Healthy Curiosity → Creates Distance
Respect → Judgmental
Empathy → Repels People
Humility → Negative
Opportunity to Learn → Inhibits Learning

READ THE DECK & CREATE A “THAT’S FUNNY” LIST

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Ideation—What If We...?

1. ____________________________
2. ____________________________
3. ____________________________
4. ____________________________
5. ____________________________

"Tricked Out" Meals... Iron Chef Worthy Inspirations

**NEXT GEN FOODSERVICE IDEA**

**Standalone Grocerant**

A c-store sized place with classic center store meals (frozen pizza, mac & cheese) & perimeter goodies to trick out & take them home.

**Ideation—What If We...?**

1. ____________________________
2. ____________________________
3. ____________________________
4. ____________________________
5. ____________________________
KEY QUESTIONS TO ASK A SUPERCONSUMER

1. _________________________
2. _________________________
3. _________________________
4. _________________________
5. _________________________
6. _________________________
7. _________________________
8. _________________________
9. _________________________
10. _________________________
## TEST & LEARN ACTION PLAN

<table>
<thead>
<tr>
<th>Marketing Test &amp; Learn</th>
<th>Sales Test &amp; Learn</th>
<th>Innovation Test &amp; Learn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
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<td>5.</td>
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Dairy
Superconsumers
There are 2 types of dairy superconsumers: **cooking & snacking.**

- Cooking dairy supers drive ~2-3x of cooking dairy spend (e.g., milk, butter, eggs).
- Snacking dairy supers drive ~2-4x of snacking dairy spend (e.g., yogurt, dips).

They are highly engaged, often "hiring" dairy for multiple jobs.

- Sub-category jobs = routine meals, routine snacks.
- Grocery jobs = athletic boost & bonus, sneaky smart snacks.
- Food service jobs = culture & conversation.

Finding, understanding, engaging & leaning into supers can unlock $4.7B of growth.

- Enabling supers to teach potentials and other consumers about grocery/food service jobs...
- Can increase potential spend by +12%.
- The category can grow by $4.7 billion dollars.
Dairy is a $38.3B* category with recent volatility driven by milk prices.

Note:  Dairy excludes cheese
Source:  Nielsen Scantrack xAOC (2013-2016); TCG Analysis
Dairy Supers Drive 2.2x Spend

Dairy superconsumers...

- Spend $634 on dairy products per year (+$346).
- Buy 7 subcategories of dairy products per year (+1 subcategories).
- Shop at 5 stores for dairy products in a year (+1 stores).

Note: Dairy excludes cheese
Source: Nielsen Homescan (52 Weeks Ending 12/31/16); TCG Analysis
% of consumers who say...

I love dairy products.

Superconsumers: 83%
Potentials: 79%
Others: 49%

Note: Top 2 box agreement out of 6 shown
Source: Nielsen Homescan Surveys; TCG Analysis

Supers are emotionally engaged.
Two Types of Dairy Supers

Cooking Supers
(6% of HHs)

I really enjoy cooking and experimenting with recipes.

I prefer to prepare meals from scratch, using basic ingredients and fresh produce.

Shared Attitudes

I love dairy products.

Cooking makes me feel like I am taking care of my family.

Snacking Supers
(4% of HHs)

I decide what to cook for dinner based on how much time I have to cook.

I always make a list and stick to it when shopping.

Source: Nielsen Homescan Surveys; TCG Analysis

ATTITUDES OF SUPERCONSUMERS
ANNUAL HOUSEHOLD SPEND

Cooking Supers
- Dairy Milk / Cream: $324
- Eggs: $48
- Butter/ Margarine: $36

Snacking Supers
- Dairy Milk / Cream: $135
- Eggs: $48
- Butter/ Margarine: $35

Potentials
- Dairy Milk / Cream: $121
- Eggs: $31
- Butter/ Margarine: $27

Others
- Dairy Milk / Cream: $92
- Eggs: $24
- Butter/ Margarine: $17

Note: Dairy excludes cheese
Source: Nielsen Homescan (52 Weeks Ending 12/31/16); TCG Analysis

Cooking supers have outsized spend on cooking staples.
### ANNUAL HOUSEHOLD SPEND

<table>
<thead>
<tr>
<th>Cooking Supers</th>
<th>Snacking Supers</th>
<th>Potentials</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yogurt</td>
<td>$98</td>
<td>$216</td>
<td>$58</td>
</tr>
<tr>
<td>Refrigerated Juice (in Dairy)</td>
<td>$90</td>
<td>$142</td>
<td>$48</td>
</tr>
<tr>
<td>Cottage Cheese, Sour Cream &amp; Toppings</td>
<td>$26</td>
<td>$38</td>
<td>$19</td>
</tr>
<tr>
<td>Refrigerated Pudding</td>
<td>$10</td>
<td>$13</td>
<td>$5</td>
</tr>
<tr>
<td>Dairy Refrigerated Snacks, Spreads, Dips</td>
<td>$4</td>
<td>$6</td>
<td>$3</td>
</tr>
</tbody>
</table>

**Note:** Dairy excludes cheese

**Source:** Nielsen Homescan (52 Weeks Ending 12/31/16); TCG Analysis

Snacking supers have outsized spend on snacking dairy.
## Annual Household Spend

<table>
<thead>
<tr>
<th></th>
<th>Cooking Supers</th>
<th>Snacking Supers</th>
<th>Potentials</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Dairy</td>
<td>$636</td>
<td>$633</td>
<td>$311</td>
<td>$232</td>
</tr>
<tr>
<td>Cooking Dairy</td>
<td>$408</td>
<td>$219</td>
<td>$179</td>
<td>$133</td>
</tr>
<tr>
<td>Snacking Dairy</td>
<td>$227</td>
<td>$414</td>
<td>$133</td>
<td>$99</td>
</tr>
</tbody>
</table>

Note: Dairy excludes cheese  
Source: Nielsen Homescan (52 Weeks Ending 12/31/16); TCG Analysis

The two types of supers spend their dollars differently.
Could dairy snacks be the perfect boost for outdoor adventures?
Supers and potentials are found in different areas.

Note:  Dairy excludes cheese
Source:  Nielsen Homescan (52 Weeks Ending 12/31/16); TCG Analysis
Cooking supers shop more in premiere fresh grocery stores.

**SHARE OF DAIRY CHANNEL SALES**

<table>
<thead>
<tr>
<th>Channel Example</th>
<th>Mass &amp; Supercenters</th>
<th>Value Grocery</th>
<th>Conventional Grocery</th>
<th>Premiere Fresh Grocery</th>
<th>Warehouse Club</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walmart</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WinCo Foods</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Kroger</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whole Foods</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costco Wholesale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Dairy excludes cheese
Source: Nielsen Homescan (52 Weeks Ending 12/31/16); TCG Analysis
Supers Employ Dairy for a Variety of Jobs

Sub-Category Jobs
- Routine meals.
- Routine snacks.

Grocery Jobs
- Athletic boost & bonus... fire all fake food.
- Sneaky smart snacks... to help make better choices.

Food Service Jobs
- Culture & conversation... outstanding appetizer combinations.
SHARE OF DAIRY SALES AMONG SUPERS

<table>
<thead>
<tr>
<th>Sub-Category Jobs</th>
<th>Grocery/Food Service Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy Milk / Cream</td>
<td>Butter/Margarine</td>
</tr>
<tr>
<td>78%</td>
<td>22%</td>
</tr>
<tr>
<td>Snacking Supers</td>
<td>Cooking Supers</td>
</tr>
<tr>
<td>22%</td>
<td>78%</td>
</tr>
<tr>
<td>Dairy Refrigerated Pudding</td>
<td>Eggs</td>
</tr>
<tr>
<td>46%</td>
<td>41%</td>
</tr>
<tr>
<td>Snacking Supers</td>
<td>Cooking Supers</td>
</tr>
<tr>
<td>46%</td>
<td>54%</td>
</tr>
<tr>
<td>Dairy Refrigerated Snacks, Spreads, Dips</td>
<td>Cottage Cheese, Sour Cream &amp; Toppings</td>
</tr>
<tr>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Snacking Supers</td>
<td>Cooking Supers</td>
</tr>
<tr>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Refrigerated Juice (in Dairy)</td>
<td>Yogurt</td>
</tr>
<tr>
<td>52%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Sub-Category Jobs Note: Dairy excludes cheese
Source: Nielsen Homescan (52 Weeks Ending 12/31/16); TCG Analysis

Snacking dairy serves grocery/food service jobs.
SHARE OF GROWTH VS. SHARE OF MARKET

<table>
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<td><strong>Source:</strong> Nielsen Perishables Group FreshFacts® (2013-2016); TCG Analysis</td>
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**Grocery/FS jobs have more growth given the decline in dairy milk/cream.**
Athletic Boost & Bonus

Tell us a story where a superhero saves the day

**Super Milk**

Chad is a young exercise-aholic looking to bulk up. Before and after every workout, Chad downs a homemade protein shake. Milk is the most important ingredient since it provides the big boost in protein that his diet demands. Any protein powder will do – after all, it’s just a supporting actor – but Chad makes sure that the milk he buys is the highest in protein and the lowest in sugar. Plus it feels better because the protein sources feel very artificial and unnatural.

Source: Dairy Superconsumer Interviews (2017); TCG Analysis
Many people might not think of dairy as a complement to exercise, but active supers make protein a critical component of their carefully managed diets. Dairy staples like milk are elevated to grocery jobs by being excellent conduits for protein, and people feel better because they are natural. If only they were slightly enhanced!

Peak Hiring Moment

Pre- and Post-Workout
Enhance your diet to get the most out of your workout.

Incumbents to Fire

Protein Powders
Pre- and post-workout protein sources are easy, but they don’t taste great and feel unnatural.

Next Gen FS Idea

Protein Shake Bar
More dairy = more protein! Beat food service with in-store protein shake bars targeting consumers looking to bulk up.

Source: Dairy Superconsumer Interviews (2017); TCG Analysis
TO HELP MAKE BETTER CHOICES

Tina

Snacking Dairy Superconsumer

Tina is preparing a quick, healthy pick me up for her and her daughter to enjoy after school. Years ago she might have reached for the ice cream in her freezer, but a recent health scare has kept her vigilant. Nowadays, she opts for an all-natural pudding cup for her daughter and a yogurt with fresh fruit for herself. It’s a smart, no-mess choice that leaves her feeling proud.

Source: Dairy Superconsumer Interviews (2017); TCG Analysis

Sneaky Smart Snacks

Draw me someone who loves dairy.
How do dairy products make life better?

Mother gives farm fresh pudding to daughter, feels that she is doing the right thing by serving fresh foods.

Source: Dairy Superconsumer Interviews (2017); TCG Analysis
Supported by the “freshness” halo of the dairy case, snackable dairy items (e.g., yogurt, refrigerated pudding, cottage cheese) are seen as “better for you” alternatives to snacks found in center store. Chilled dairy snacks are just as accessible as junk food, but leave you feeling guilt free, even if there are healthier, less processed snacks out there.

Peak Hiring Moment

Afternoon Slump
A convenient and satisfying treat to keep me and my family going until dinner time.

Incumbents to Fire

Sweet Junk Food, Ice Cream & Coffee Shops
Replace at-home sweets and less healthy trips to the ice cream shop or Starbucks.

Next Gen FS Idea

Better Snack Shop
A snack shop that matches the nutrition label of popular salty & sweet snacks & offers natural alternatives with better nutrition & still great taste.

Source: Dairy Superconsumer Interviews (2017); TCG Analysis
When I plan a dinner party, there’s not a lot of choices, but I will serve several choices of appetizers. I’m very conscious about the textures and colors [of chip dip], putting it in nice serving platters. I’m known for my appetizers. I love to watch people’s reactions. It’s a nice way to start out the evening and my favorite time.

Source: Dairy Superconsumer Interviews (2017); TCG Analysis
Supers take **enormous pride in being in the know** – dairy superconsumers are no different when it comes to their beloved chip dips. It’s a way to share something they love with the people they love. They look forward to that **special moment of connection** that is unattainable when eating away from home.

**Peak Hiring Moment**

**Special Occasions**
Unique, crowd-pleasing appetizers for a social entertaining situation.

**Incumbents to Fire**

**Dining Out & Catering In**
Beat out restaurants with customizable options that showcase your personal taste.

**Next Gen FS Idea**

**Appetizers Only**
A restaurant that only serves popular appetizers in a ‘tapas’ fashion with cool combinations with classic snacks & dairy dips.

Source: Dairy Superconsumer Interviews (2017); TCG Analysis
Potentials Can Grow the Pie from $38.3B* to $43B

Dairy is worth $38.3B. Teaching quick tricks to potentials can increase their spend index to 170, just halfway to a superconsumer’s spend index. This would result in a 12% additional spend for ~$4.7B in category growth.

Note: Dairy excludes cheese
Source: Nielsen Scantrack xAOC (2013-2016); TCG Analysis