Welcome to your January Consumer Digest. As we start the new year, our thoughts turn to food and its connection to health. We explore consumer motivations and expectations around functional food benefits –AKA– food as medicine. Speaking of food . . . what will we plan to munch on during the big game and for Valentine's Day? As always, reach out to your 84.51° contact with questions or feedback.

Included this month:

- New year, new concerns – how consumers feel about **the rise in various contagious illnesses**
- **Pickup, delivery or in-store –** what is driving shoppers to shop a certain modality?
- **Functional food benefits** – consumer motivations & expectations
- Are chips, dips and sips still the reigning champs at **parties for The Big Game**?
- **Valentine's Day** shopping – the who, the what & the where

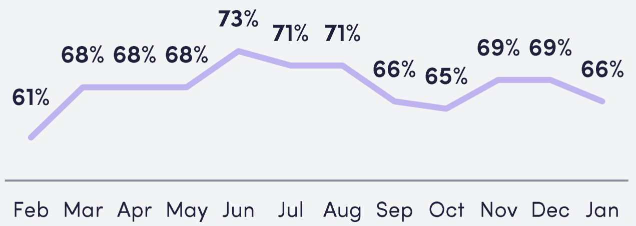
A new year with new concern

As we begin a new year and reflect on 2022, we have seen a steady decline in overall concern with COVID with February 2022 seeing the highest concern at 34% and November and December seeing the lowest concern (Nov 14% and Dec 15%). With a recent rise in RSV incidences and cold and flu season at its peak, we decided to ask shoppers for the first time this month about their concern with overall contagious diseases and viruses.

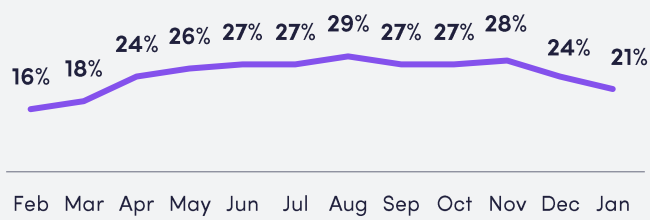
- 24% of shoppers reported to be extremely concerned (T2B) with contagious diseases and viruses (e.g., COVID, Flu, RSV, etc.).
- Those ages 55-74 are significantly more concerned (32%) than younger generations (e.g., 25 – 44-year-olds) who show 16% of extreme concern.
- The majority of households with children feel neutral (53% middle three box) when it comes to their concern with contagious diseases and viruses.

How shoppers are feeling regarding inflation and finances

Shopper concern over inflation?
% of Households Extremely Concerned (T2B)



Shoppers comfort with finances?
% of Households feeling uncomfortable with finances (T2B)



SOURCE: 84.51° Real Time Insights Survey, January 2023 targeting n=400 who shopped Kroger in latest 3 months

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How are shoppers planning to shop?

While most shoppers are planning to head to brick-and-mortar stores for their grocery and household items in the upcoming month, some will choose to order their items online to have them either shipped to their home or pick up at the store.

- 78% of shoppers plan to shop in-store most often for their upcoming month's groceries and household items – those ages 45+ are planning to shop in-store significantly more so than those ages 18-34.
- 11% will order their groceries and household items online to have them delivered to their home, while 10% will use online ordering for pickup at the store (or other designated location) most often.
- Roughly 70% of shoppers say they do not plan to shift their online purchase habits this upcoming year from what they did last year.

How much **online grocery shopping** do you anticipate doing this upcoming year vs. last year?

37% Shopped online last year and plan to do **same amount** online this year

33% Did not do any online shopping last year and **don't plan to shop online** this year

14% Will **do less online** grocery shopping this year than they did last year

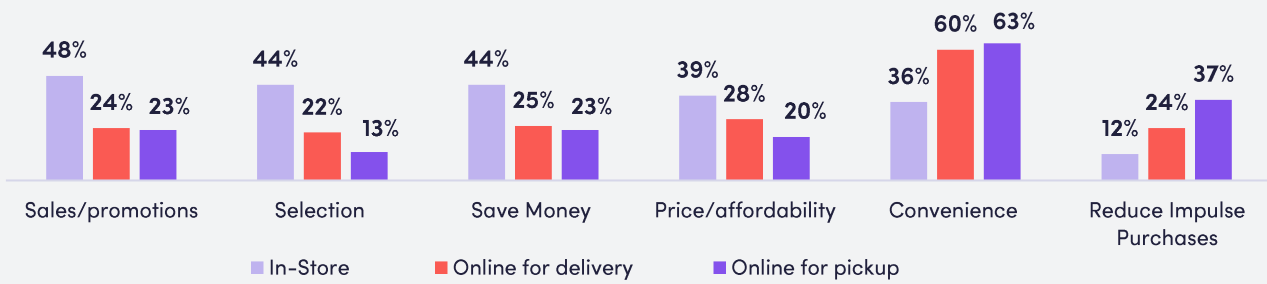
12% Will do **more online** grocery shopping this year than they did last year

5% Did not do any online grocery shopping last year but **will this year**

What is driving shoppers to shop a certain modality?

- 46% of shoppers claim to shop in-store because they do not trust someone else picking out their grocery products for them.
- 43% of shoppers claim to shop online using delivery because it's easy to use the store's website / app for shopping, while 33% claim to shop online for pickup for the same reason.

Why do you shop the following ways for your groceries and household items?



Households with a yearly income of $100k - $200k find convenience to be significantly more important when it comes to shopping online for pick-up vs. households with a yearly income of $50k or less.
Conversely, sales/promotions and location are significantly more important to households with a yearly income of $50k or less vs. households with a yearly income of $100k-$200k.

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Consumers seek functional benefits through food choices

Top focus areas differ by age group, but common themes center on energy and heart health with 18-34 group placing emphasis on gut health

How important do you believe the food you eat is when it comes to the following?

	Energy	Heart Health	Gut Health	Improve Sleep	Brain Health	Manage Weight	Manage Blood Sugar	Reduce Stress	Bone Health	Dental Health	Boost Metabolism	Manage Cholesterol	Manage Blood Pressure	Protect Against Disease	Skin Health
18-34	68%	61%	60%	59%	56%	55%	53%	51%	50%	50%	48%	47%	47%	45%	43%
35-44	41%	48%	45%	37%	41%	48%	46%	34%	36%	30%	38%	47%	38%	39%	28%
45-54	58%	59%	51%	43%	46%	58%	53%	43%	41%	35%	40%	48%	52%	44%	41%
55+	57%	58%	45%	36%	41%	66%	62%	37%	45%	39%	38%	57%	51%	50%	41%

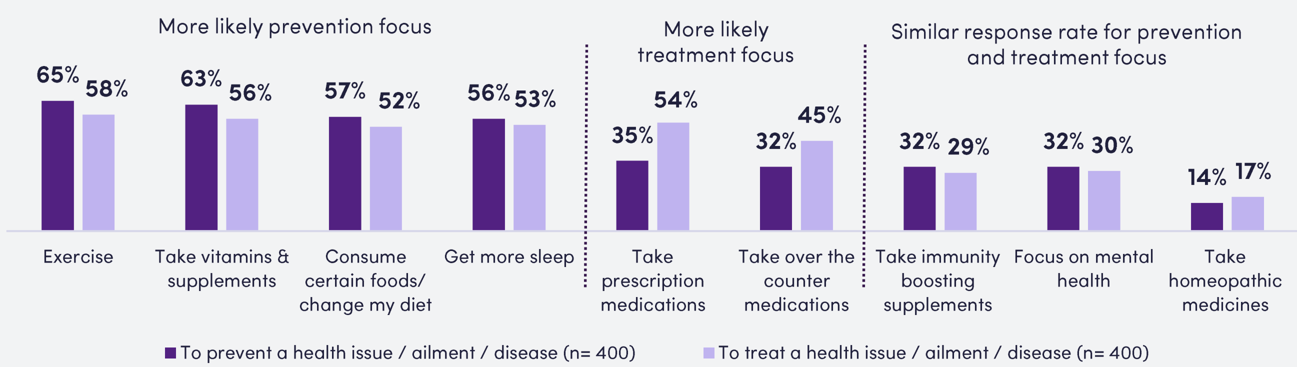
Top 3 for Age Group   ≥50% Top 2 Boxes

The 18-34 group is the most likely to seek functional benefits from food choices while 35-44 is the least likely (no responses exceeding 50% for top two boxes (T2B)). The 35 – 44 segment is the most likely to have kids <18 living at home (65%) which could cause them to deprioritize functional benefits for their own food in favor of their kids' diet.

For some, diet and exercise are viewed as medicine

For prevention or treatment of an issue, the most common actions taken link to exercise and vitamins/supplements

Which steps will shoppers take regarding prevention or treatment of a health issue?



Role of product labels can differ based on shopper focus as well as by category

What % of shoppers view these claims as extremely important?

- **34%** 100% Natural
- **29%** Non-GMO
- **22%** Organic

In what categories do shoppers report the highest rate of reading labels for benefits, claims, ingredients, etc.?

- **73%** Health Care (OTC/Vitamin/First Aid/etc.)
- **66%** Shelf-Stable (Canned Goods/Pasta/etc.)
- **65%** Frozen Food

SOURCE: 84.51° Real Time Insights Survey, January 2023 targeting n=400 who shopped Kroger in latest 3 months

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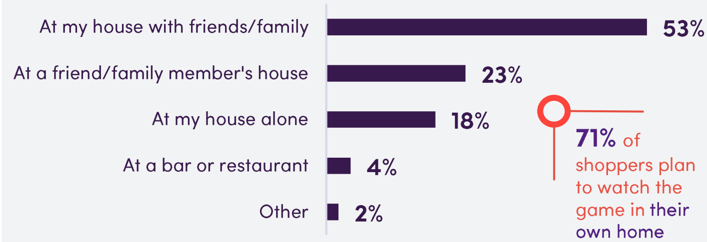
The Big Game sentiments

71% of shoppers plan to watch The Big Game – with the majority doing so at home and with a similar sized group as last year.

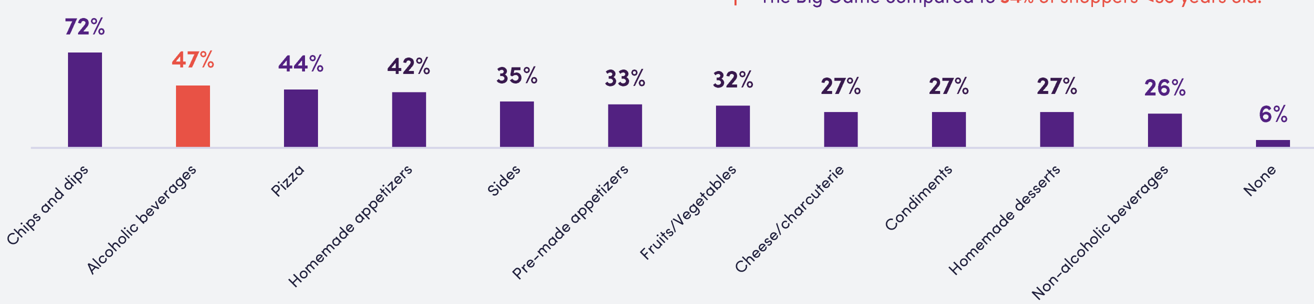
Do you anticipate gathering with **more** people, **less** people, or about the **same** for The Big Game this year?

Where do you plan to watch The Big Game?



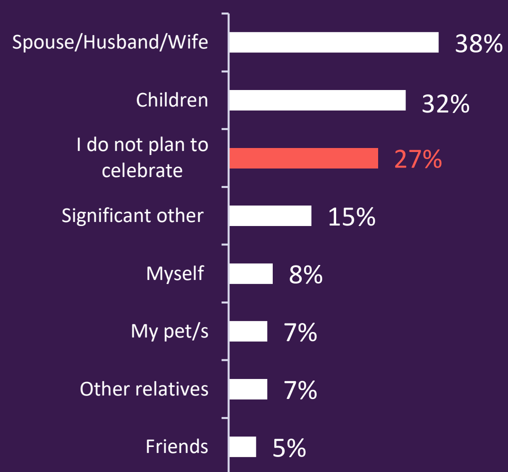
What type of food/beverages do you plan on purchasing for your celebration?

72% of shoppers aged 55-64 plan to buy alcoholic beverages for The Big Game compared to 34% of shoppers <35 years old.



Valentine's Day vibes

Who do you plan to buy for this Valentine's Day?



What do you plan on purchasing for Valentine's Day and where do you plan to purchase these items?

Item		Where shoppers plan to purchase this most often
Candy	78%	Physical grocery store
Card/s	75%	Physical grocery store
Dinner at a Restaurant	45%	Other (likely at the restaurant)
Flowers	43%	Physical grocery store
Personalized Gifts	33%	Mass retail store online
Gift card/s	32%	Physical grocery store
Self-care items	31%	Physical grocery store

SOURCE: 84.51° Real Time Insights Survey, January 2023 targeting n=400 who shopped Kroger in latest 3 months

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Highlighted solutions

84.51° Insights

Concept Test can help suppliers understand which benefits, claims, and options will resonate best with their target shopper

- Behavioral targeting to reach shoppers based on their actual behaviors, not claimed
- Flexibility with options that balance the need for speed and value vs. customization
- Speed to insights with PowerPoint deliverable in as little as 5 days

Understand how your shoppers will respond to new product options or updated benefits and claims with an 84.51° Concept Test

Connect with us at Insights@8451.com

84.51° Loyalty Marketing

In response to the continued inflationary environment and squeeze to their finances, consumers are utilizing several tactics to help them save money, including:

- Making smaller, yet more frequent trips
- Seeking out coupons more often and/or trading down to offset prices

84.51°'s highly personalized Best Customer Communication (BCC) vehicles are the ideal strategy for CPGs to help ease these price pressures for consumers and ensure they remain in your brand consideration set. Ensure an always-on BCC event strategy to align with consumers more frequent shopping trips.

Loyal Customer Mailer
Reward & Retain, Monthly Event Cadence

Connect with us at Loyalty@8451.com

Kroger Precision Marketing | Powered by 84.51°

- Win NEW hearts on Valentine's Day: 42% of people who click on Kroger product listing ads are new or lapsed users of the advertised brand.
- Promote savings in multiple tactics: Shoppers exposed to 2 or more Kroger.com ad touchpoints are 15x more likely to convert than using targeted display alone.
- Use relevant ad messages: Leverage KPM's precision audiences by using language that resonates most for each segment. Layer purchase behavior with demographics.

42% of people who click on Kroger product listing ads are new or lapsed users of the advertised brand.

Connect with us at KPMinfo@8451.com

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