

Empowering the
ONE MORE DOOR
Ask II




milk pep
September 22, 2022
Hands-On Webinar

WELCOME

- Remain on mute
- Ask questions via Q+A box
- Webinar presentation and recording will be available on milkpep.org tomorrow



Annette Taylor

Senior Director, Commercial Marketing



TODAY'S PRESENTER



Doug Adams

President, Prime Consulting

PRIME
CONSULTING

Retail Challenges



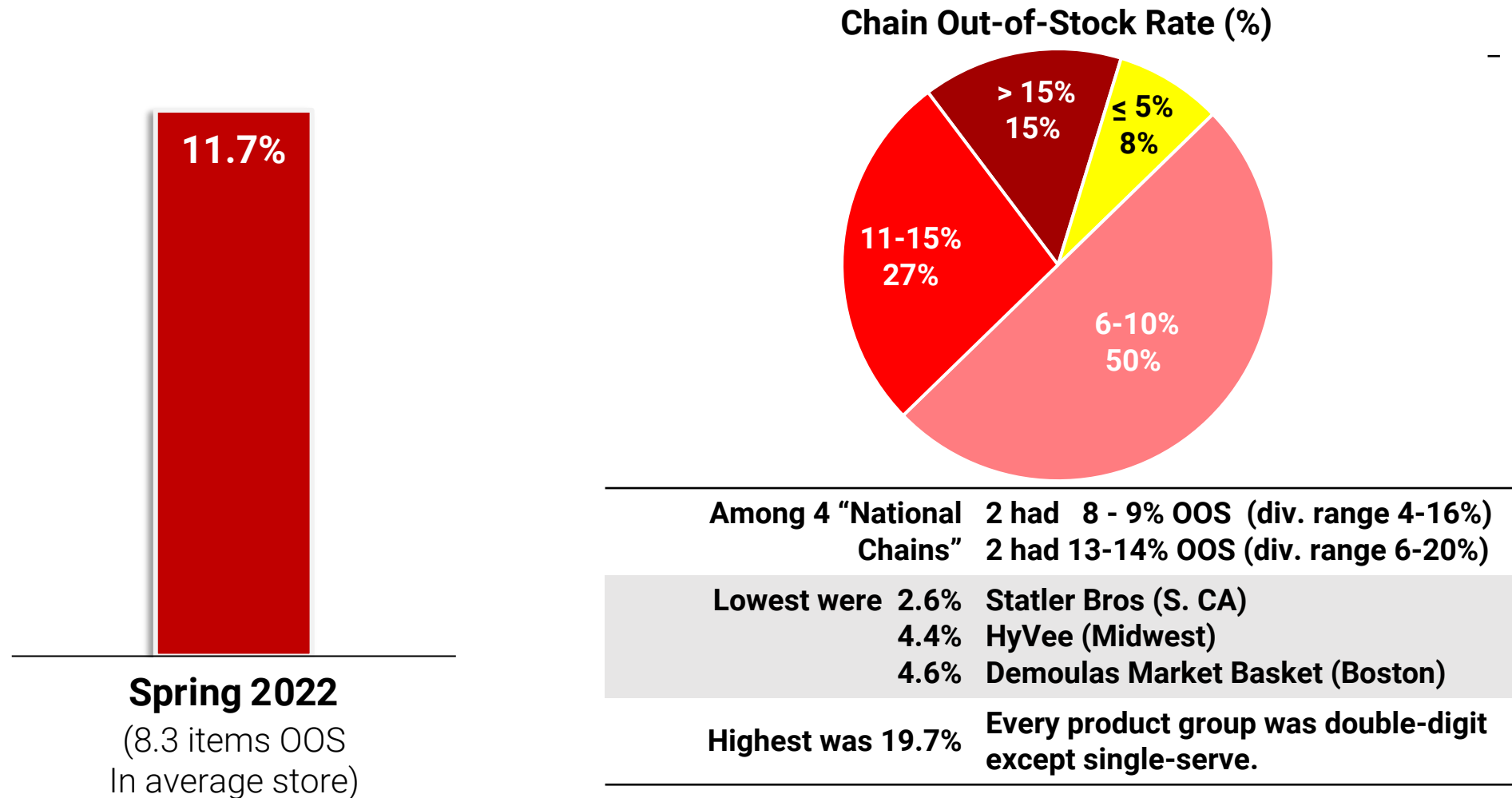
Milk Shelf Results Exceed Virtually Every Dairy Category

No big dairy category matches milk in space performance.

MILK	Avg. Weekly Sales	\$9,589	2,996 Units
	Avg. Section Size	÷16.4 ft.	
	Sales per Foot	\$585	182
Competing Categories	Eggs	\$507	163
	Alternative Bevs	\$316	95
	Creams/Creamers	\$524	142
	Yogurt	\$268	129
	Natural Cheese	\$324	89
	Juice/Drinks (Rfg)	\$248	76
	Dough/Biscuits (Rfg)	\$218	83
	Processed Cheese	\$291	66
Whipped Toppings (Rfg)	\$613	175	

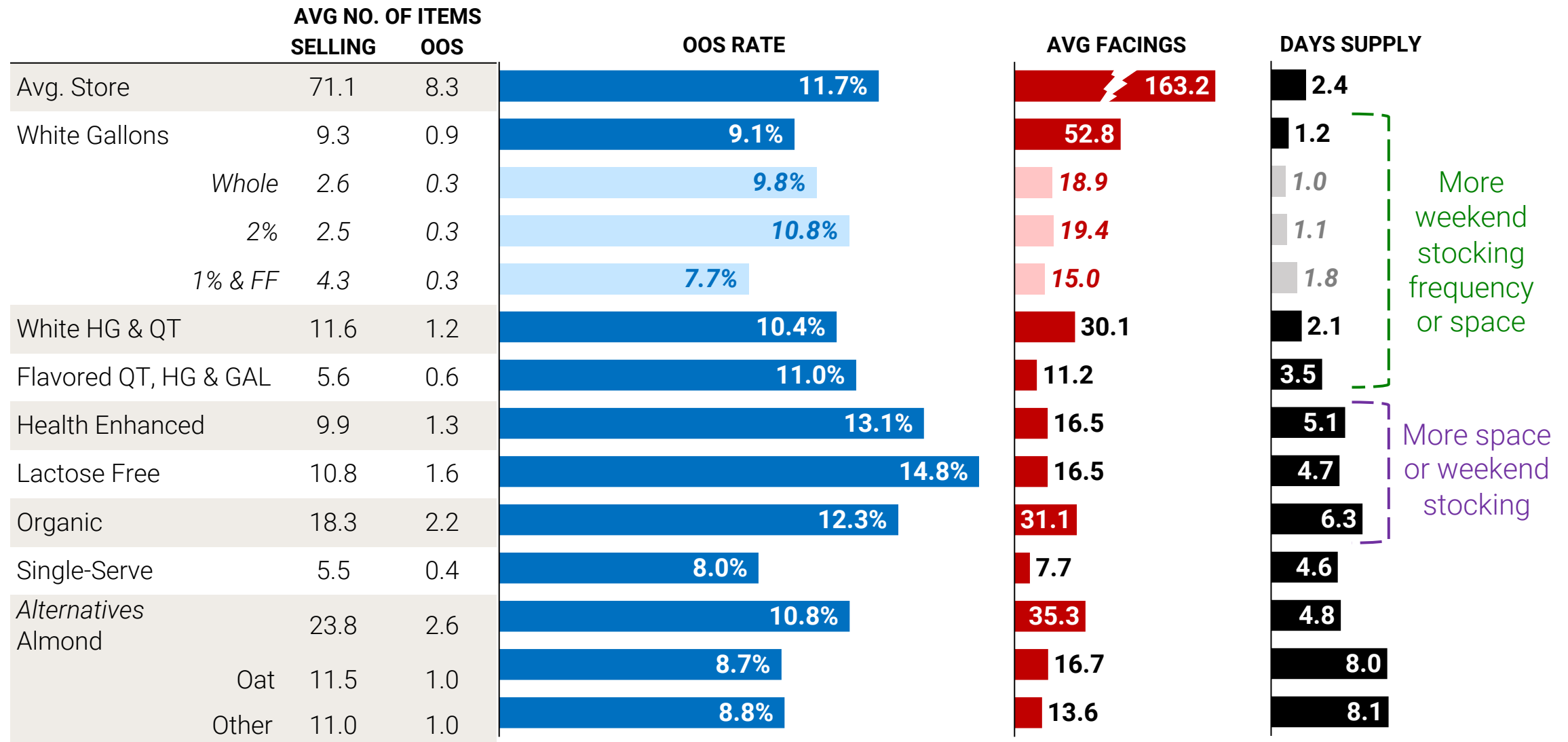
but ...

Nearly Half of All Retailers had Double-Digit OOS's







1,042 sample audited at end of March

Out-of-Stocks by Product Group: *Skewed to Value-Added Products*



Reporting Available for Each of the 80+ Retailers/GEO's Listed

	NAT'L	CA	W	MW	SW	SE	NE
	✓	Ralphs	King Sooper Smiths QFC Fry's	Mariano's Pick N Save Central Columbus Dillion	Houston	Atlanta Delta Louisville Mid-Atlantic Nashville	
	✓	S. CA/Vons N. CA	Denver Inter Mtn/SLC Seattle Portland SW Div.	Jewel	Southern Div. United		Shaw's Acme Mid-Atlantic
	✓	CA		Illinois Indiana Missouri Ohio Wisconsin	Arkansas Louisiana Texas	Florida Georgia Kentucky Tennessee N. Carolina Virginia	Pennsylvania
	✓	CA			Texas		
REGIONAL CHAINS		Save Mart Lucky Food Maxx Stater Bros		Hy-Vee Meijer Food 4 Less Cash Saver	Brookshire Grocer Super 1 Foods	Winn Dixie (TOT, FL, AL) Lowe's Food City AD-Food Lion	AD-Stop & Shop AD-Giant AD-Hannaford Shop Rite Tops Wegmans Big Y Demoulas Giant Eagle Price Chopper Shoppers Whse

Plus total sample in each of ~46 states

For Retailers, Space Productivity in Units & Dollars is Often Lower Priority Than Margin Dollars

What if we could express the margin needed by
other categories to match milk?

Introducing “One More Door” Margin Match Tool

This tool lets a sales leader enter the milk category margin in a given account, and then calculate the margin needed for other categories to match milk’s space performance.

Example:

Milk Sales	\$585/ft.	Assume Margin: <u>25%</u>
Juice/Drinks Sales	\$248/ft.	(so Profit per ft. \$146)

Tool calculates that for Juice to generate \$146, the category must deliver a 59% margin ... +34 points over the milk 25%

Does Juice have a 59% margin? **NO** – so underperforming milk

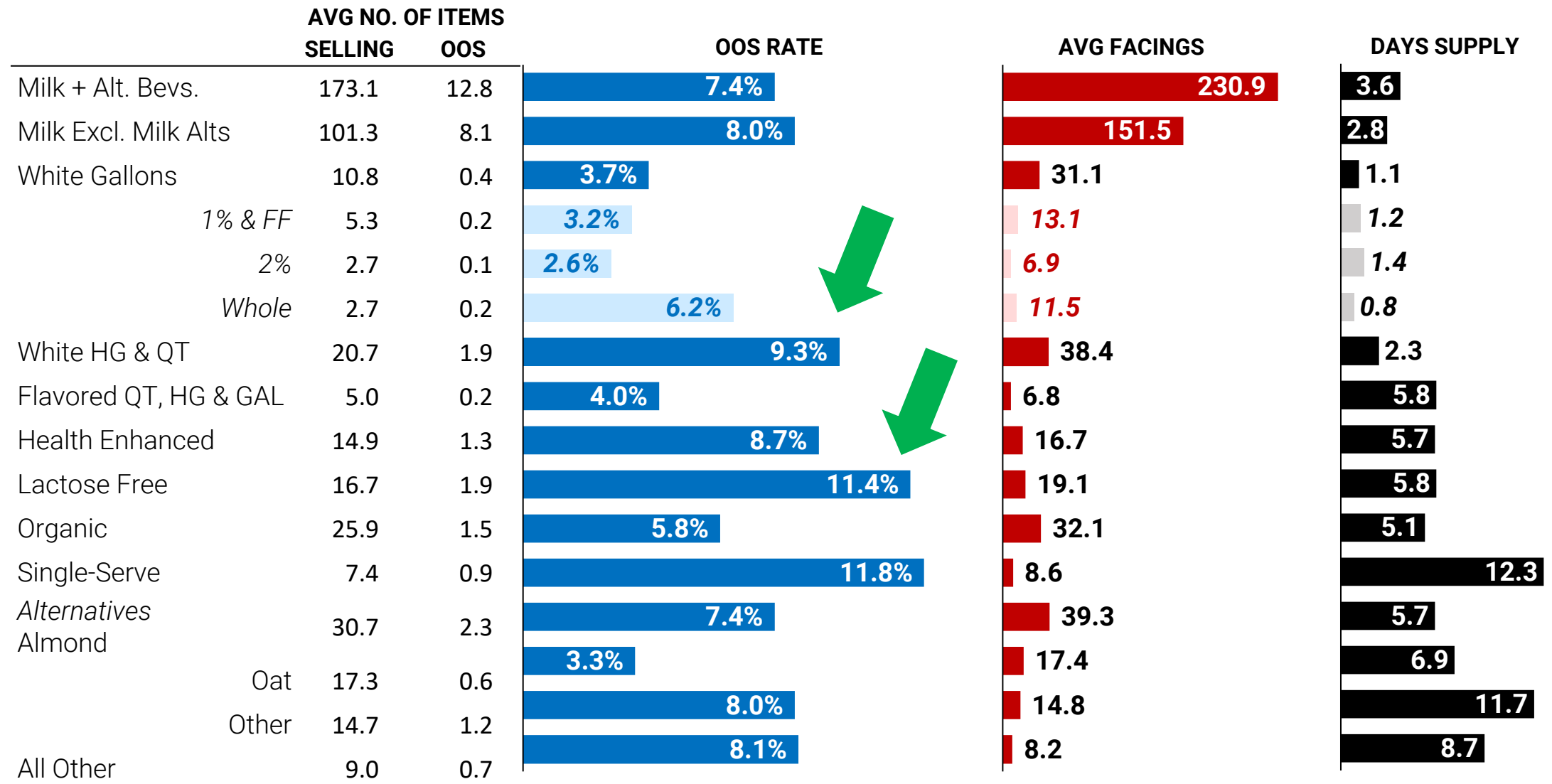
Margin Match Tool: *National* - Plug in Milk Margin & Calculate What's Needed to Match Milk's Space Productivity

PRODUCT	Avg Section Size/ Store	Wkly \$ Sales/ Aisle Ft	Wkly Unit Sales/ Aisle Ft	Gross Margin Custom Milk	Gross Margin Needed to Match Milk
CUSTOM MILK	16.4	\$585	182	25%	
FRESH EGGS	9.5	\$507	163		28.8%
CREAMS/CREAMERS	7.2	\$524	142		27.9%
→ ALTERNATIVE BEVERAGES	5.3	\$316	95		46.3%
→ DIPS – RFG	5.0	\$193	52		75.8%
NATURAL CHEESE	34.3	\$324	89		45.1%
YOGURT	23.2	\$268	129		54.5%
→ PROCESSED CHEESE	7.3	\$291	66		50.2%
BUTTER/BUTTER BLENDS	4.9	\$493	130		29.7%
MARGARINE/SPREADS	3.9	\$257	87		56.9%
→ JUICES/DRINKS – RFG	20.1	\$248	76		59.0%
→ TEA/COFFEE – RFG	7.6	\$232	68		63.0%
→ DOUGH/BISCUIT DOUGH – RFG	6.8	\$218	83		67.1%
→ DESSERTS – RFG	4.3	\$181	79		80.9%

Recommended Process

1. Select Retailer(s) of interest
2. Review Space Performance
 - Within Category
 - Cross-Category
3. Develop storyline based upon data & category/product trends during 2022
4. Deliver Story & Make the Ask
 - Be prepared for F/U analysis needs
 - Including ways to address shortage of reset labor

Out-of-Stocks by Product Group: *Retailer "A"*



Margin Match Tool: *Retailer "A"*

PRODUCT	Avg Section Size/ Store	Wkly \$ Sales/ Aisle Ft	Wkly Unit Sales/ Aisle Ft	Gross Margin Custom Milk	Gross Margin Needed to Match Milk
CUSTOM MILK	17.0	\$599	159	25%	
FRESH EGGS	9.0	\$604	160		24.8%
CREAMS/CREAMERS	10.6	\$491	117		30.5%
→ ALTERNATIVE BEVERAGES	6.7	\$321	84		46.7%
→ DIPS – RFG	5.2	\$162	41		92.3%
SOUR CREAM	3.0	\$338	149		44.3%
COTTAGE CHEESE	3.1	\$303	113		49.5%
NATURAL CHEESE	44.9	\$262	69		57.1%
YOGURT	27.3	\$320	156		46.8%
→ PROCESSED CHEESE	8.7	\$190	36		78.7%
BUTTER/BUTTER BLENDS	4.5	\$694	160		21.6%
MARGARINE/SPREADS	3.5	\$272	76		55.0%
CREAM CHEESE/CR CHS SPREAD	4.2	\$394	95		38.0%
WHIPPED TOPPINGS – RFG	2.2	\$588	132		25.5%
→ JUICES/DRINKS – RFG	24.8	\$213	59		70.4%
→ TEA/COFFEE – RFG	6.4	\$224	54		66.9%
→ DOUGH/BISCUIT DOUGH – RFG	4.4	\$323	91		46.4%
DESSERTS – RFG	3.0	\$279	88		53.7%

Progression of the Ask: *Retailer "A"*

Illustrative Example to demonstrate calculations

Assume you present to customer ... and they want to know more of what the net effect would be from giving milk **"One More Door"**. What do you do?

- A. Ask – What categories are you thinking would lose the door [assume juice]?
What margin should you assume for that category [assume juice margin is 30%]?
- B. Agree on date for final recommendations and when reset timing could be.
- C. Calculate margin difference:
milk **gaining** at **25%** [assumption] of \$599/Ft in sales = \$150/ft. in profit
juice **losing** (Sales \$213/ft. x **30%** retailer margin [assume 30%] = \$64/ft.
(argument can be made that juice will not lose because it is over spaced)
plus space payment if made [assume **\$1,000**/store for a **door** = \$8/**wk**/ft.] for total of \$___/ft.
- D. Discount incremental milk space by some factor to be conservative [**assume 50%**]

PRODUCT	Avg Section Size/ Store	Wkly \$ Sales/ Aisle Ft	Wkly Unit Sales/ Aisle Ft	Gross Margin Custom Milk	Gross Margin Needed to Match Milk
CUSTOM MILK	17.0	\$599	159	25%	
FRESH EGGS	9.0	\$604	160		24.8%
CREAMS/CREAMERS	10.6	\$491	117		30.5%
ALTERNATIVE BEVERAGES	6.7	\$321	84		46.7%
DIPS – RFG	5.2	\$162	41		92.3%
SOUR CREAM	3.0	\$338	149		44.3%
COTTAGE CHEESE	3.1	\$303	113		49.5%
NATURAL CHEESE	44.9	\$262	69		57.1%
YOGURT	27.3	\$320	156		46.8%
PROCESSED CHEESE	8.7	\$190	36		78.7%
BUTTER/BUTTER BLENDS	4.5	\$694	160		21.6%
MARGARINE/SPREADS	3.5	\$272	76		55.0%
CREAM CHEESE/CR CHS SPREAD	4.2	\$394	95		38.0%
WHIPPED TOPPINGS – RFG	2.2	\$588	132		25.5%
JUICES/DRINKS – RFG	24.8	\$213	59		70.4%
TEA/COFFEE – RFG	6.4	\$224	54		66.9%
DOUGH/BISCUIT DOUGH – RFG	4.4	\$323	91		46.4%
DESSERTS – RFG	3.0	\$279	88		53.7%

“Retailer ‘A’ math”

Milk: \$599 x **25%** = \$150 retailer profit /aisle ft per wk.

Juice: \$213 x **30%** = \$64/ft/wk.

(space) **\$1,000** div. by (52 wks. x 2.5 ft./door) = \$8/ft/wk.
\$72/ft/week

Average milk section: 17.0 ft. (roughly 7 doors)

(\$150-\$72) = \$78/ft. x 2.5 ft/Door = \$195/wk. in Net Margin Gain/Door

x 50% - Conservative assumption for diminishing returns

x 52 weeks

x 100 # of Stores [example]

\$508,000 Annual Incr. Profit Increase to Retailer A from Giving Milk “One More Door”

This is the net increase over juice with a space payment.

2 Excel Files You Can Download from MilkPEP.org

Milk Case

- Retailer and/or Geography
- 16 Product Looks
- 20 Measures

Rfg. Dairy Dept.

- Same Retailers and/or Geography
- Milk Plus 18 Competing Dairy Dept. Categories
- 8 Measures

Hands-on Portion

Scope of Data Set: *Milk Case*

1,042 STORE AUDIT: *Grocery Chains, Walmart & Target Across the Country*

- In-stock/Out-of-Stock level Captured
- Shelf details captured at UPC level (March/April)
 - Facings, linear feet
 - Sales over 12 weeks around shelf audit
- Calculated metrics include:
 - Share of facings, linear ft, shelf capacity and sales
 - Sales per facing and linear ft (dollars and units)
 - Space-to-dollar sales ratio
 - Inventory turns
 - Days of supply

Scope of Data Set: *Milk Case*

1,042 STORE AUDIT: *Grocery Chains, Walmart & Target Across the Country*

- Data Aggregated to 16 Product Looks
 - Total Milk
 - White Gallons
 - Whole
 - 2%
 - 1% and Fat Free
 - White Half Gallons & Quarts
 - Flavored Half Gallons & Quarts
 - Health Enhanced
 - Lactose Free
 - Organic
 - Single Serve
- Various Alt. Beverages (Almond, Oat, etc.)

The goal was to provide regularly used product groupings to tell Category Story

Scope of Data Set: *Rfg. Dairy Dept.*

SAME 1,042 STORES

- Metrics
 - % Stores Selling
 - Section Size
 - Calculated Metrics
 - Margin Needed to Match Milk Space/Profit Productivity
 - Avg Weekly Sales
 - Dollars
 - Units
 - Avg Weekly Sales per Aisle Foot
 - Dollars
 - Units
- Dairy and Other Rfg. Categories
 - Milk
 - Eggs
 - Cream/Creamers
 - Alt. Beverages
 - Dips
 - Sour Cream
 - Cottage Cheese
 - Natural Cheese
 - Yogurt
 - Processed Cheese
 - Butter
 - Margarine/Spreads
 - Cream Cheese
 - Whipped Toppings
 - Juices/Drinks
 - Breakfast Meats
 - Tea/Coffee – Rfg
 - Dough/Biscuits – Rfg
 - Desserts

Tips for the “*One More Door*” Ask

- Focus on low days supply and high OOS --- and how the labor shortage is not going away anytime soon
- **“One More Door”** can be the solution
 - Show why milk is in need of the space
 - Is it White Gallons/HG? Value Added? Flavors? Combo?
 - Then show where to get it from
- Recommend looking for space in these categories first:
 - Juice
 - Rfg. Desserts/Baking (only need 4-6 ft./store)
 - Yogurt
 - Rfg Tea/Coffee
 - ... then smaller Rfg. categories

**Thank you
Q&A**



Questions?

Contact onemoredoor@milkep.org



● October 6th / 2:00p.m. ET

Marketing Update - October

[Register here](#)

● October 20th / 2:00p.m. ET

Modern Approaches to Eating 2022

[Register here](#)

Questions? Contact info@milkpep.org