PATHWAY TO PURCHASE

MAKING EVERY DROP COUNT | your DAIRY CHECKOFF
Dairy Management Inc.

THE HISTORY & EVOLUTION OF
ECOMMERCE

1960 — 1982 — 1990 — 2005 — NOW

1937 Sears Christmas Book - 104 pages.

Traditional Path to Purchase

1 Stimulus/Need

- In-store exposure
- Coupon
- In-store promotion
- Advertising

2 Research

- Paper Insert/Weekly Circulars
- Friends/WOM
- Online Research
- Coupon Sites

3 In-Store Behavior

- Browse the Perimeter
- Shelf Talker Influence
- Door Clings

4 In-Store Purchase

- Past Experience
- In-store Promotions
- Bundle Deals
- Product Price
- Coupon

5 Post Purchase

- Purchase Again
- Recommend to Families/Friends
- Always Purchase this Product Again

- Never Purchase Again
- Talked Negatively with Friends/Families
- Gave Product Another Chance

Why Should Dairy Care?

More than 70% of US households received one or more orders in 2021

Click & Collect and Delivery, now capturing 13% of total grocery sales

eCommerce baskets are significantly higher when dairy is included

Dairy is the second largest department in the online grocery channel

By 2025, 1 in 5 dollars will pass through the online channel*

US Online grocery sales just over $100B in 2021
(+$240B in 2023)

Up from 3.4% in 2019

+75% in dollars and units

Dry grocery is #1

1 in 3 trips will be executed digitally

* projected

What the Industry Must Do to Win

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1

Adapt to **how** consumers are shopping:

Phygital-first to tap into emerging omnichannel shopper

2

Be present **where** consumers are engaging: investment across new channels

3

Deliver more of **what** shoppers want:

Personalized value delivery

What to Know about Today's Shopper

They are shopping multiple channels

82.7%

of shoppers have moved to hybrid ways of shopping, merging digital and physical shopping experiences that is largely motivated by

What to Know about Today's Shopper

Their loyalty is harder than ever to retain

62%

of grocery shoppers are switching retailers

Source: Inmar Intelligence Shopper Insights Study, 2022

What to Know about Today's Shopper

They are more value conscious than ever

83%

of 2022 shoppers said they
are concerned about inflation

Adapt to How Consumers are Shopping

In 2023, retailers will need to be 'phygital'-first to satisfy the new omnichannel shopper

The omnichannel shopper is here to stay…

63% of all shopping occasions begin online, regardless of whether the final purchase is made online or in-store

And they spend more! Multichannel shoppers spend an average of **4%** more every time they are in brick-and-mortar store and **10%** more when shopping online

Consumers want better **cross-channel shopping**

Modern shoppers are always looking for ways to blend digital and physical shopping, and expect retailers to make changes that provide that phygital convenience.

63% of consumers would pay more for a product if they had a more personalized in-store experience

Three top features attracting online consumers to physical stores include:
- Online consistency (36%)
- Simpler store layouts (35%)
- Staff orders on a mobile device (29%)
- Seamless access to offers in-store (75%)

Three top tech advancements that consumers want to utilize when shopping in-store are:
- Self-checkout kiosks (38%)
- VR try-on (23%)
- Mobile payments (15%)

Source: Inmar Intelligence Shopper Insights Study, 2022

How are Retailers Becoming Phygital?

Bringing the benefits of online shopping to stores

Bringing the benefits of online shopping to stores:

- Scannable codes for product information, reviews, redeemable offers and more

- App experiences to activate in-store

- VR try-on in store

Online:

- Seamless incentives and rewards opportunities

- **The Metaverse:** experiments by retailers to allow shoppers to virtually shop in their stores and try products.

Be Present Where Consumers are Engaging

In 2023, retailers will need to be investing in new channels to keep up with evolving shopping behaviors.

The shopping ecosystem has become much more complex...consumers are shopping in many ways at unpredictable times.

The Instacart Factor:

- 900+ retailer partners

- 8% more purchases on weekdays YoY

Decrease in retailer loyalty and shopper predictability

The TikTok Factor:

- impulse purchases ('TikTok made me buy it')

- social commerce emerging as the #1 most important shopping channel

Categories that retailers once had sharehold over can move to DTC or other shopping method at any time

Off-Platform Channels are Growing

Channels that were once considered upper funnel plays are growing share in the retail media landscape.

Happening now...

Social Commerce

CTV

DOOH

Happening in the not-so-distant future

Metaverse

- Bringing storefronts to Metaverse

- Emerging out of home and off-platform advertising placements

- Virtual discovery/interactions with new brands exposes challenges and opportunities

Deliver More of What Consumers Want

Consumers are demanding personalized value and shopping experiences

Inflations will continue to be a factor in 2023:

83% of shoppers said they are concerned about inflation

84% of shoppers said they recently purchased an alternate brand, and **72%** of shoppers have switched brands often in the last three months

36% of shoppers indicated that they refrained from purchasing a product they normally buy on a recent trip

In response to **inflation and price increases**, shoppers will...

- **66%** Look for coupons and discounts
- **58%** Shop with retailers who are perceived to manage prices better
- **53%** Buy cheaper brands
- **44%** Buy earlier or stock up before further price increases
- **42%** Purchase fewer items

Source: Inmar Intelligence Shopper Insights Study, 2022

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IN REAL LIFE (IRL), ONLINE CONTENT & SOCIAL

MAKING EVERY DROP COUNT | **your DAIRY CHECKOFF** *Dairy Management Inc.*

Informed, but not through print.

GEN Z	GEN POP
14.3 newspapers	16.2 newspapers

Paper is not their strong suit.

GEN Z	GEN POP
3.8 magazines per month	4.5 magazines per month

Online Gaming is one of the places to be

GEN Z	GEN POP
42% play games	17% play games

They get around less. So we'll have to go to them.

GEN Z	GEN POP
78 miles driven	91.8 miles driven

They're on the Internet. A lot.

GEN Z	GEN POP
40 hours/week	28.8 hours/week

Streaming audio is more their thing.

GEN Z	GEN POP
14 hours/week (Trad. Audio)	26 hours/week (Trad. Audio)

Social media is a second nature.

GEN Z	GEN POP
23.3 hours per week	14.7 hours per week

TV isn't their go to channel. On Demand is.

GEN Z	GEN POP
26 Hours a week	33 Hours a week

FINDING THEM WHERE THEY ARE MOST

Channel	Youtube	Instagram	Snapchat	OTT	Influencers	Twitter	TikTok	Twitch	Pinterest	Tumblr
How they use it	Holy grail of information	Communicating with closest peers		Enjoy content on demand when they want it	Gen Z prefers micro-influencers and super fans	Participation and self expression	Captivating, attention grabbing audio content	Gaming first mentality	DIY inspiration	Meme Culture
% of Gen Z 18+	75%	71%	66%	47%	43%	40%	20%	13%	26%	7%
Index	153	194	313	195	177	226	291	376	124	357

Source: GFK MRI SIMMONS 2019

GEN Z IS BUSY.

Commute

Get Ready

Class

Eat/Hang

Hang out

Dinner

Class + Hanging out

Volunteer or errands

Homework

Screen Time

Sleep

Wake up on phone

Phone before sleep

| 6AM | 9AM | 12PM | 3PM | 6PM | 9PM | 12AM |

MISCHIEF
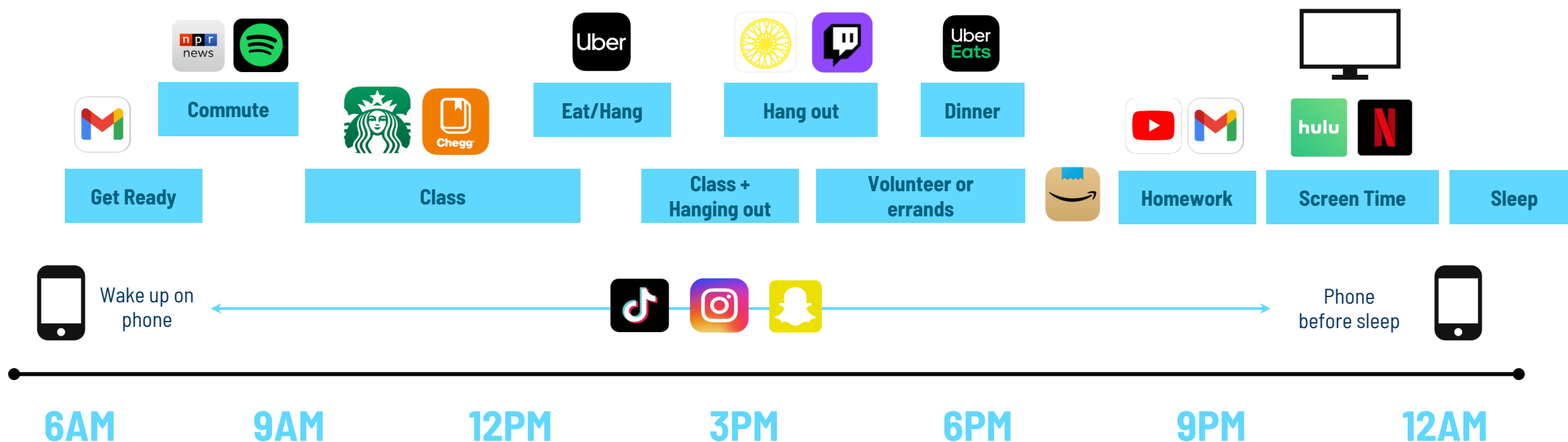
A SNAPSHOT OF WHAT'S MOST IMPORTANT TO THEM
(as shown by their phones)

INFLUENCED
GEN Z prefers TikTok, Instagram over Millennial's Facebook/Pinterest

CONVENIENCE FIRST
Used to getting things instantaneously
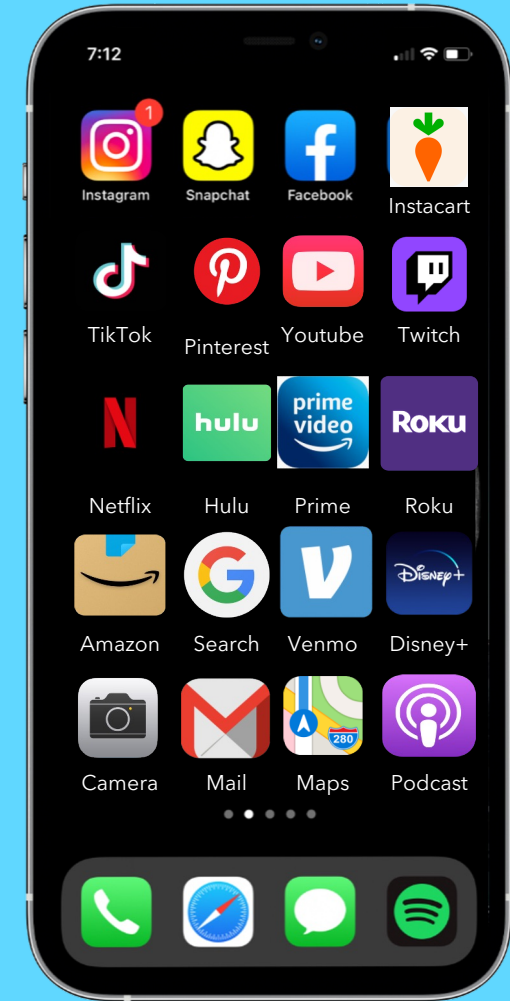
GAMING
Gen Z loves Youtube Gaming & Twitch more so than any other generation

VIDEO ON DEMAND
Their TV viewing behavior is lower as they watch when it's best for them

MUSIC/AUDIO
Gen Z prefers to stream music online via Spotify, SoundCloud, or Tidal

7:12

Instagram   Snapchat   Facebook   Instacart

TikTok   Pinterest   Youtube   Twitch

Netflix   Hulu   Prime   Roku

Amazon   Search   Venmo   Disney+

Camera   Mail   Maps   Podcast

Areas of Accountability and Expertise

- Consumer Research and Insights
- Pop-Culture Trendspotting
- Measurement and Analytics
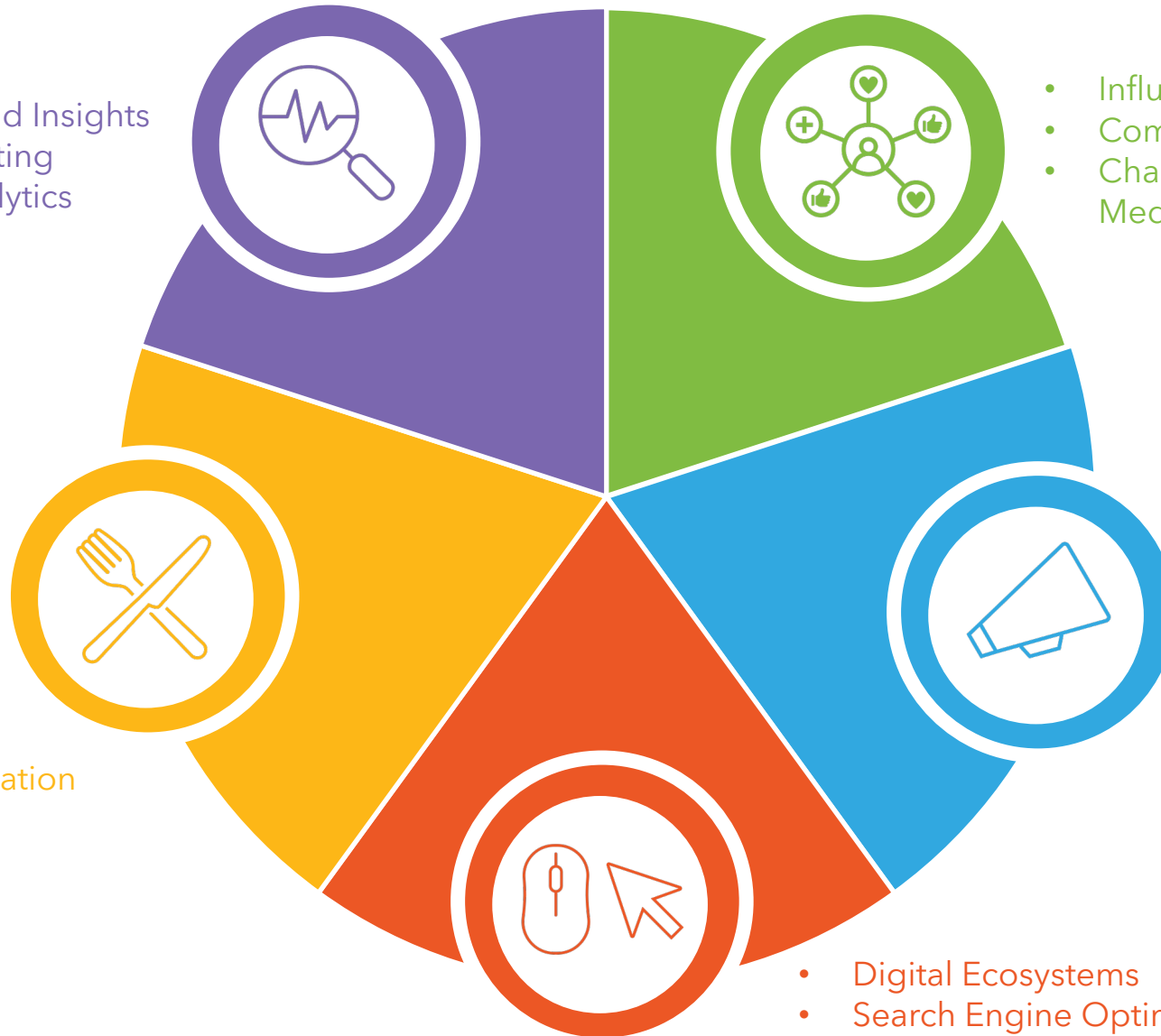
- Influencer Activations
- Community Management
- Channel Planning and Paid Media

- Creative Campaign Platforms
- Consumer Messaging
- Media Partnerships

- Strategic Content Creation
- Culinary Forecasting
- Recipe Development

- Digital Ecosystems
- Search Engine Optimization and Marketing

Undeniably Dairy Priority Areas

Mood + Energy

*Infant Nutrition

Immunity

*Environment (Animal Care, GHGs)

UNDENIABLY DAIRY

Lifestyle (Enjoyment)

*Digestive Health (LI, Inflammation, POC)
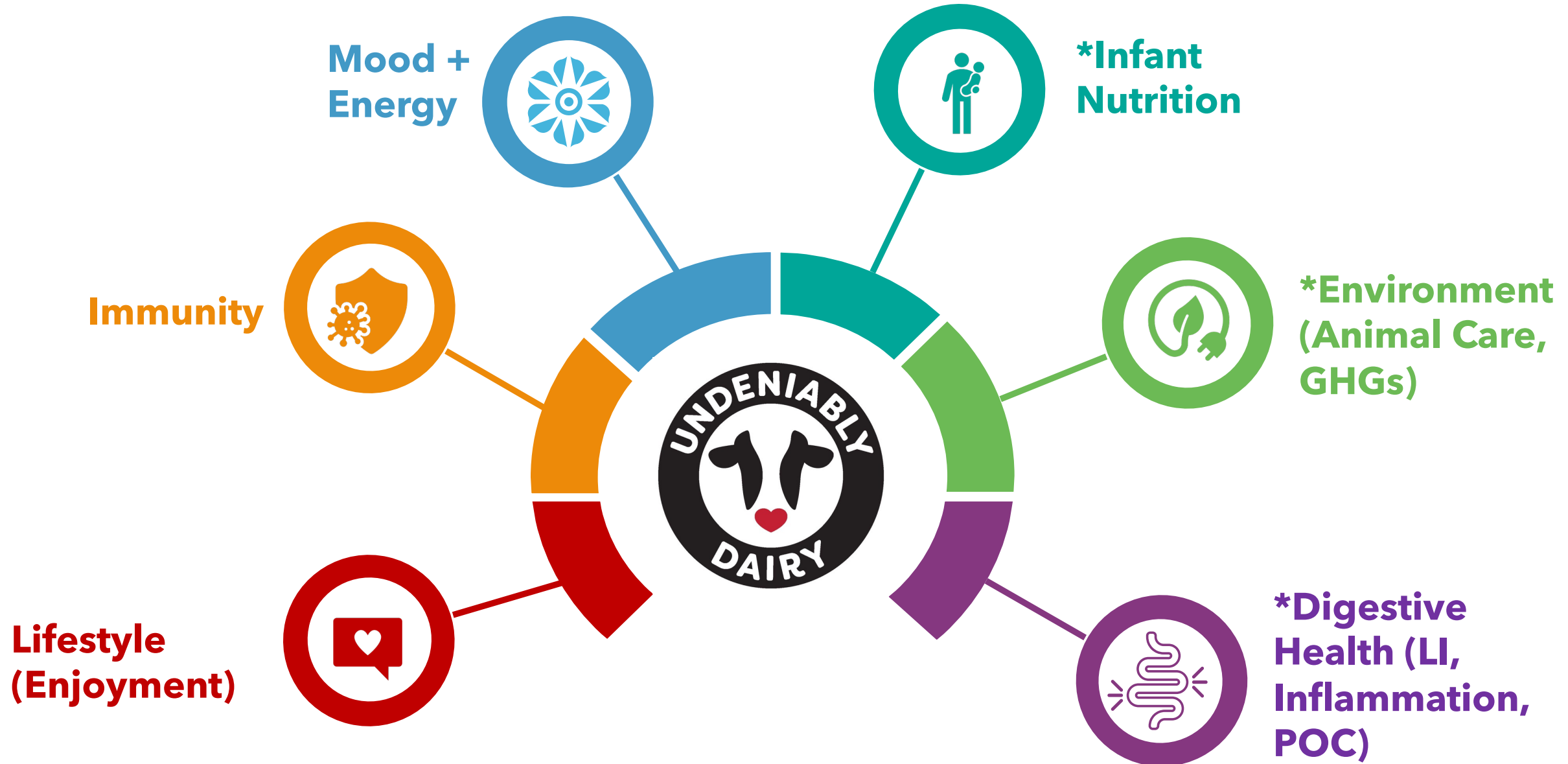
*Collaboration Opportunities w/ Corp Comms and SNA Audiences

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Focused Initiatives in 2023

Maintaining and Growing Our Digital Reach (SEO/SEM, Social)

Leveraging Authentic Voices

Investing In Always Relevant Storylines

Launching a Responsible Production Campaign
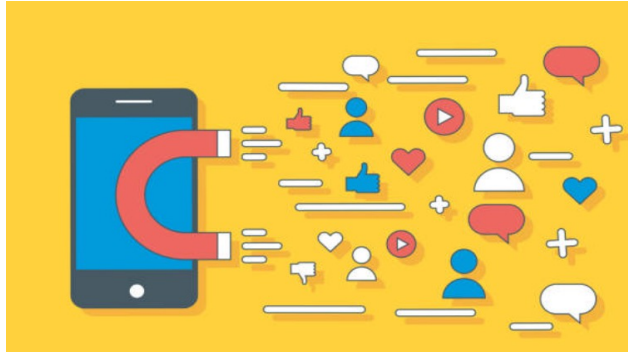
Fuel The Search Engines

Hone in on perception-changing search terms and content to continue to quickly offer up solutions to dairy barriers

What We'll do

- Continue to invest in SEO and SEM strategies around key reputation drivers to "win" in consumer search by expanding keyword opportunities that ladder up to priority & impact areas

- Continue leveraging credible third-party sites via media partnerships to positively position dairy outside of USDairy.com
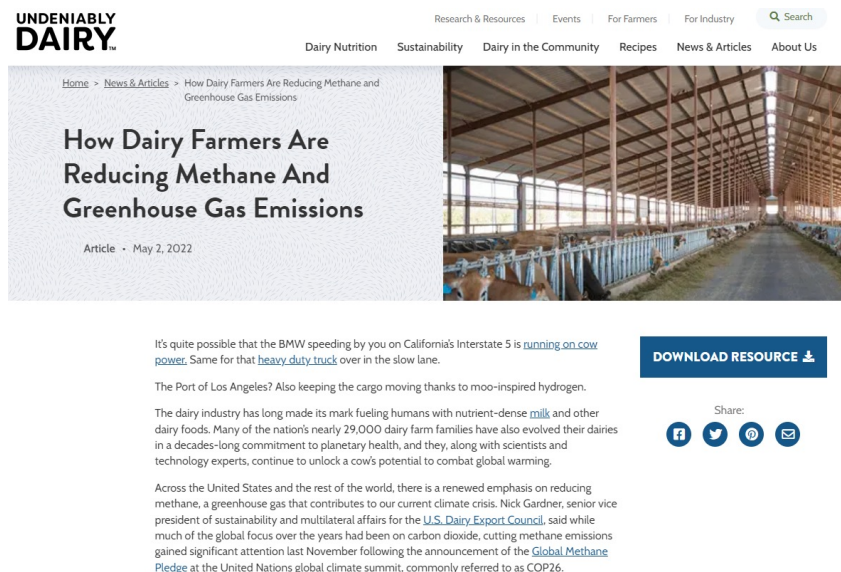
USDairy.com
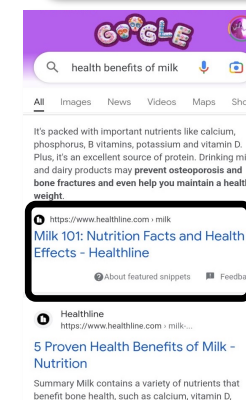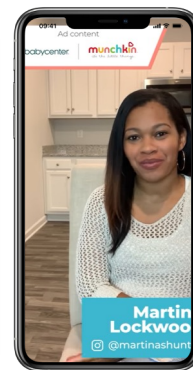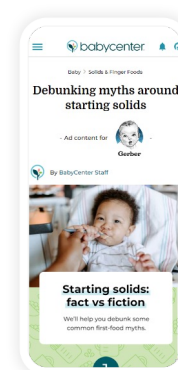
Third Party Partnerships

Invest In Always Relevant Storylines

Keep dairy relevant year-round through storylines addressing questions, barriers and perception of dairy when it comes to health and wellness, environment and enjoyment

What We'll do

- Stay top of mind with consumers through always relevant content that connects with them on channels where they live, work and play

- Experiment with new dairy video content on TikTok and YouTube to increase reach and engagement

- Embrace modern content styles, trends and even the weird to continue to capture the short attention span of consumers while combatting common dairy myths

Dairy Detectives on TikTok

Leverage Authentic Voices

Continue the momentum of the Dairy Dream Team by expanding verticals to encompass added diversity and expertise to address key impact areas

What We'll do

- Create cultural connection through the recruitment of more diverse personalities in conventional and unconventional verticals (e.g., chefs and comedians)

- Monitor cultural trends for opportunities to create 1-2 spike activations that tap into core target interests; recruit influencers, media partners and dairy community partners (as appropriate) to broaden reach and awareness
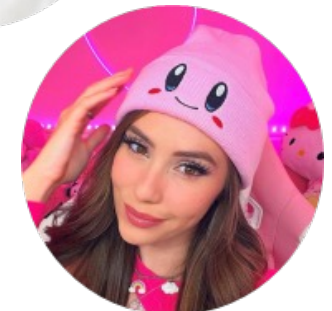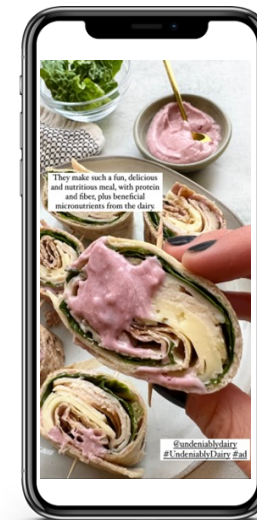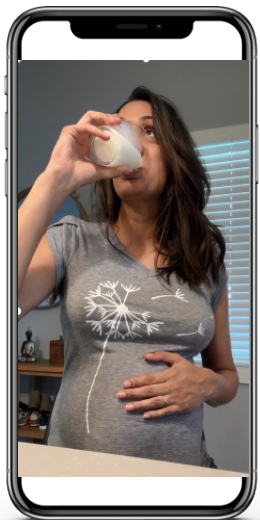
Launch Responsible Production Campaign

Create a compelling creative campaign to address key dairy production concerns to reassure consumers that dairy is good for them and the planet

What We'll do

- Understand triggers and topics of interest surrounding dairy's environmental and animal welfare practices through consumer qualitative and quantitative research

- Target older Gen Z and Millennial Parents with new creative campaign highlighting farmers' role in producing nutritious dairy and the path toward a greener planet

Progress, Not Perfection
- Highlights industry work underway to improve sustainability
- Acknowledges there is more work to do

Dairy Cows are Superheroes
- Uses cows as a way in to sustainability
- Emphasizes their contributions beyond milk production

Dairy Farmers Love the Earth, Too
- Uses farmers as a way in to sustainability
- Puts a human face to sustainability efforts
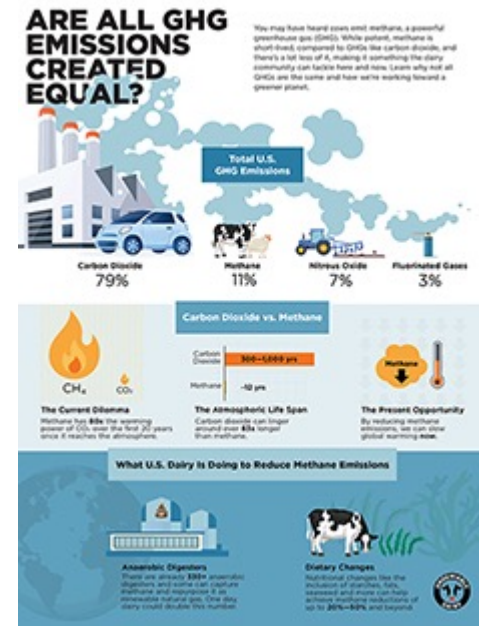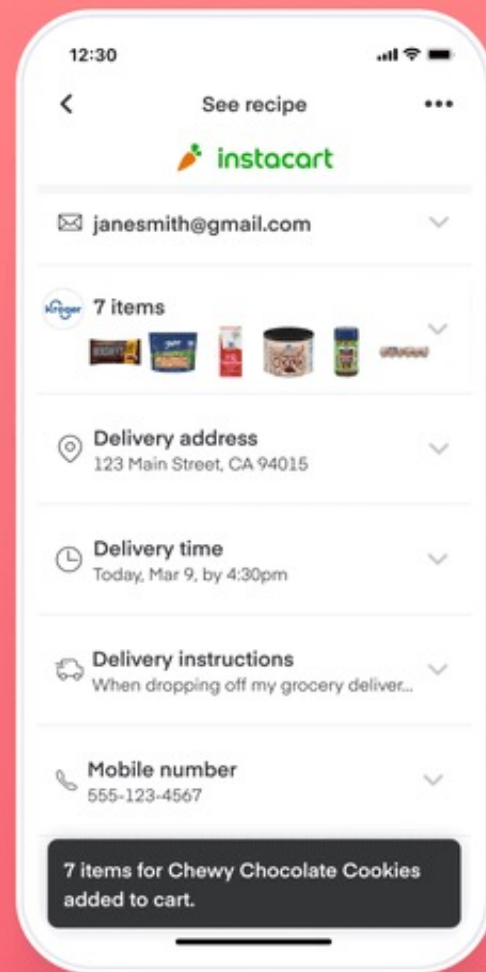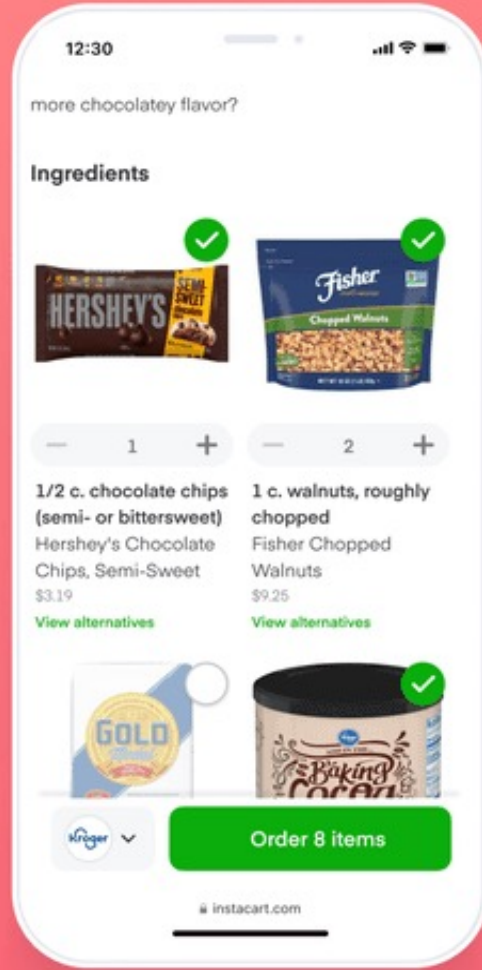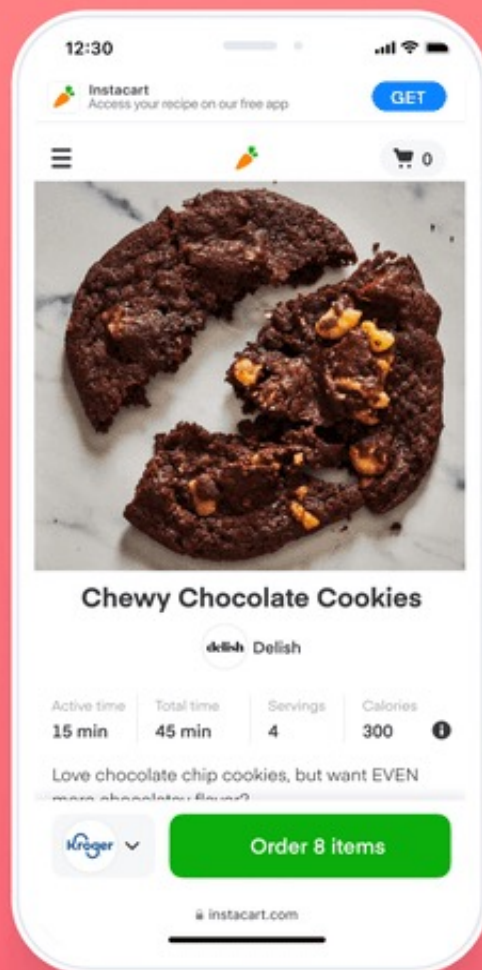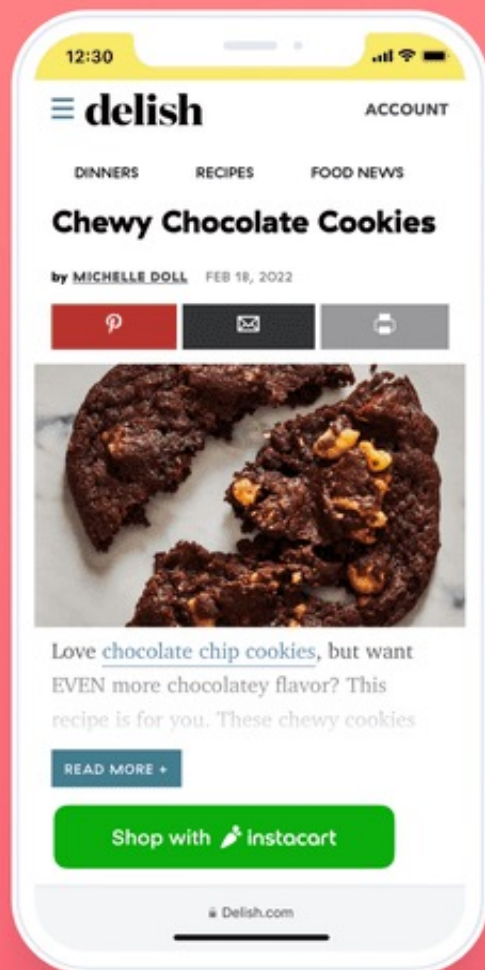
The Emerging 4Ps of Marketing

New Retailer: the Digitization of all Commerce

Product *to* Personalization

Place *to* Proximity

Promotion *to* Play

Price *to* Payment

What's Next with Retail Media

- Retail media extended to many digital assets including emails and texts, social media feeds

- Card linked offers or other custom offers to loyalty members

- Bounce back offers similar to post-transaction programs now

- New in-store formats including store exteriors, walls, checkout screens and holograms
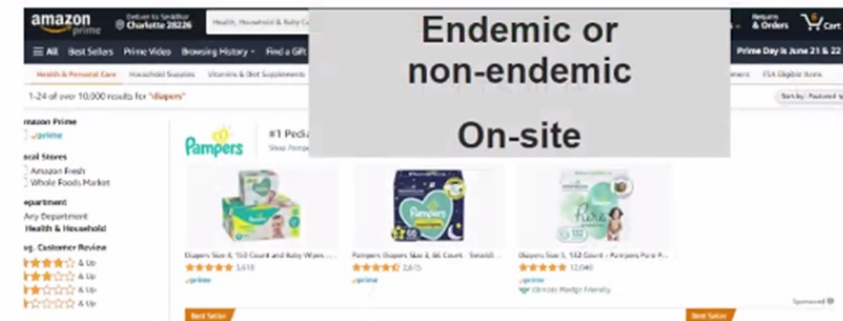
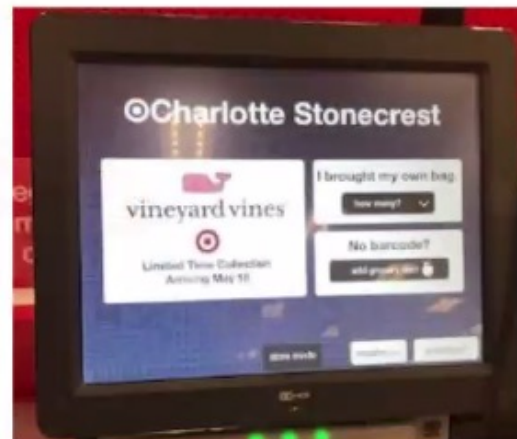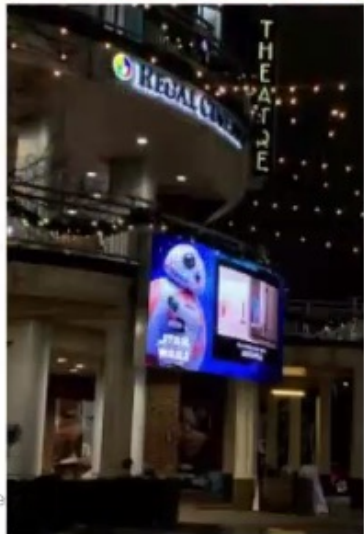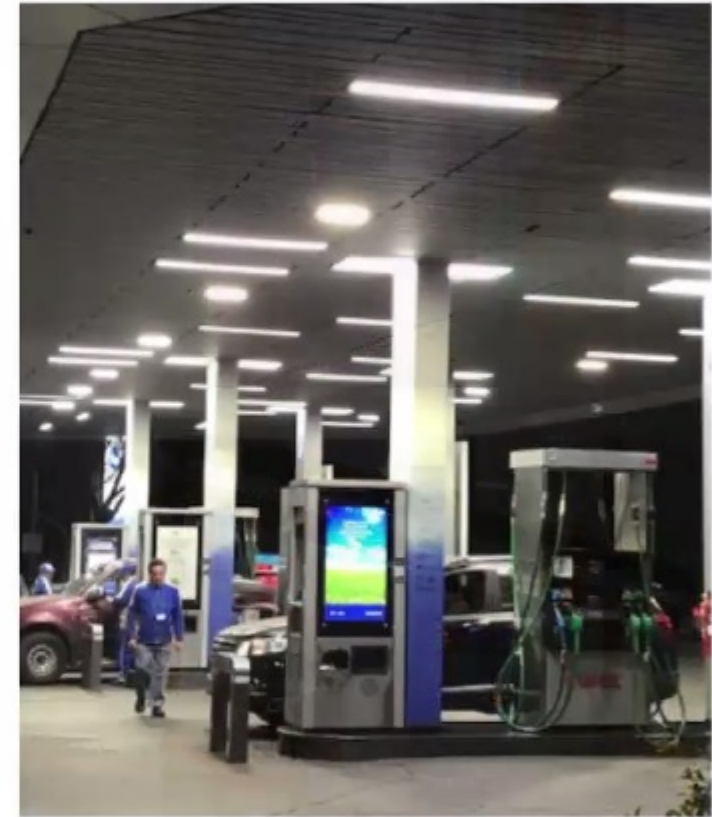# Stores are Growing as a Media Channel

Cooler Screens at Walgreens

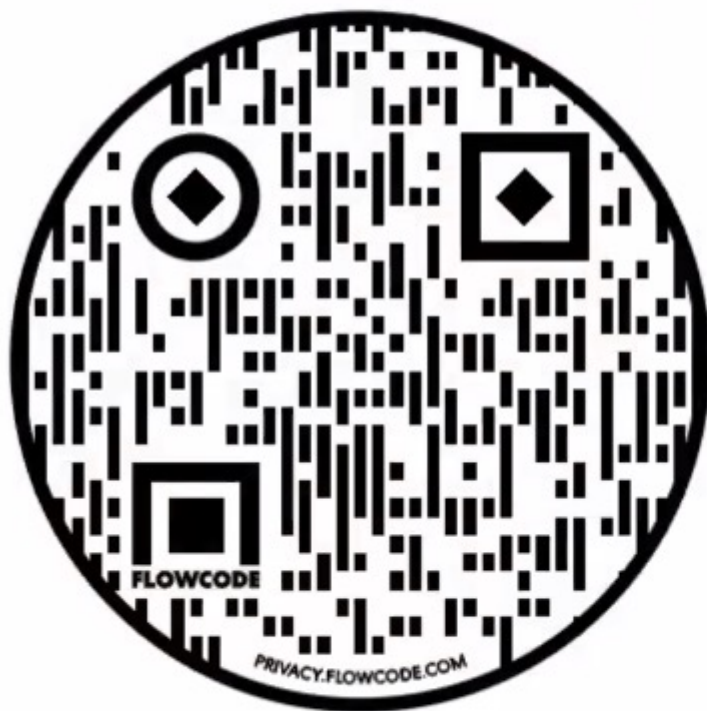Glass Media
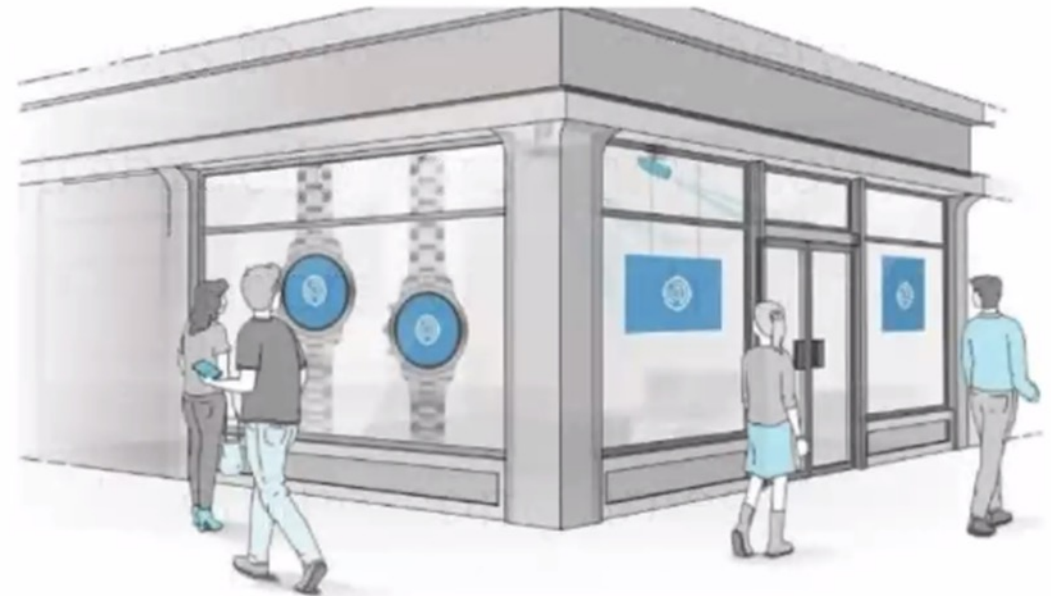
Advertisement Surfaces are Becoming Ubiquitous
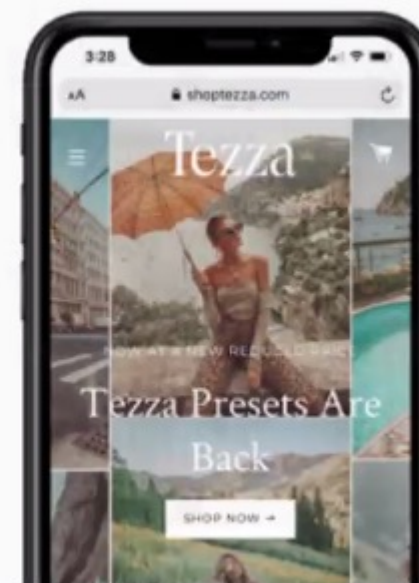
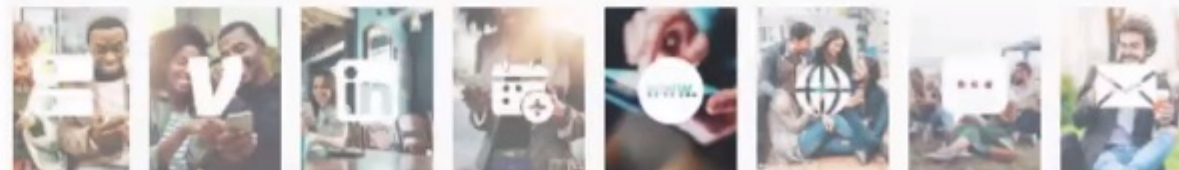# Advertisement Surfaces are becoming ubiquitous

Package or Shelf Ads are Opportunities

Create a Flowcode to share your website

PRIVACY.FLOWCODE.COM
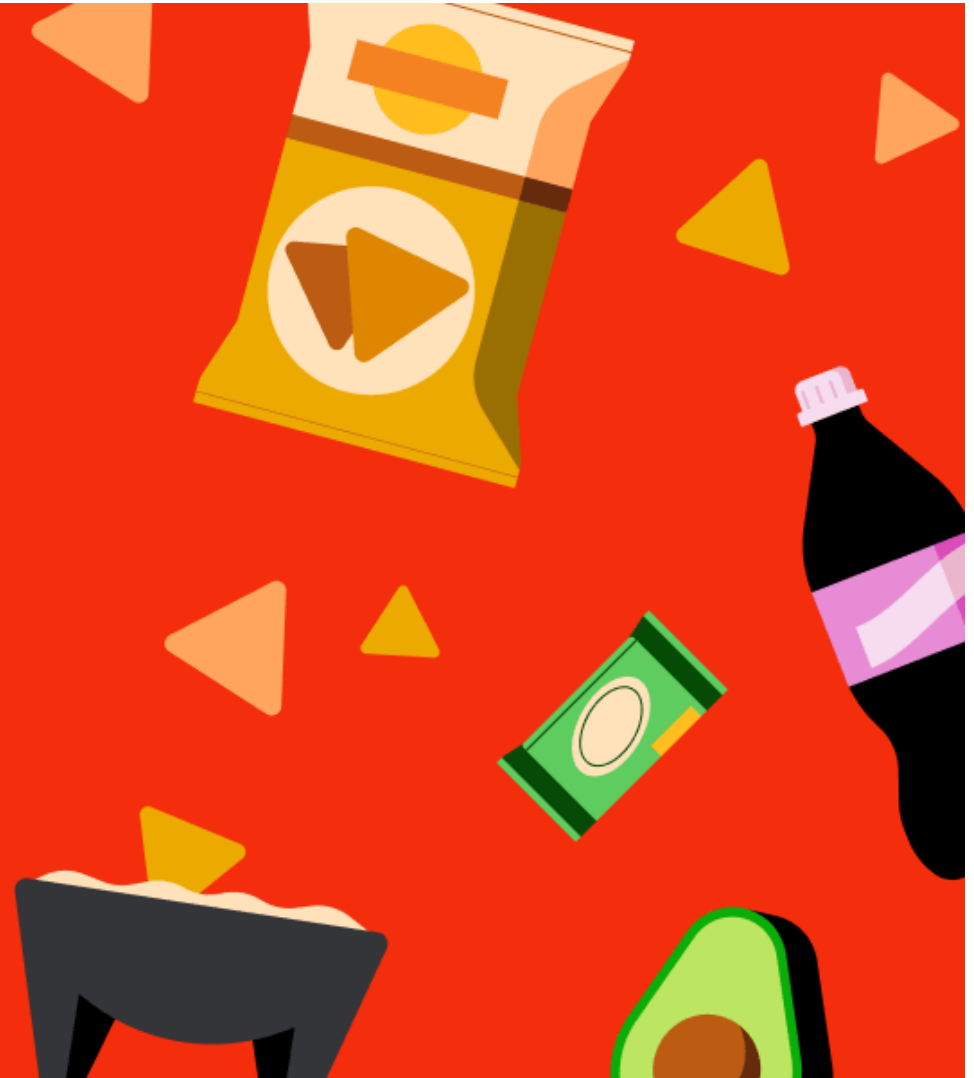
Enter link

Flowcode to explore

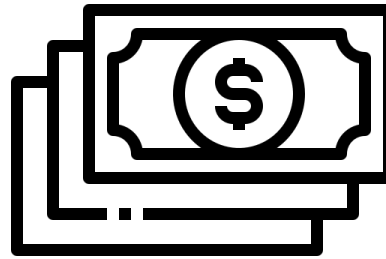# Impulse Advertisements

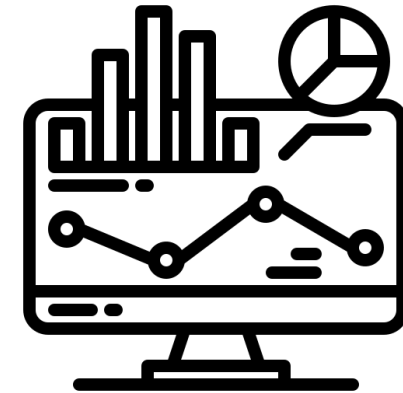# Retail media could be even bigger; brands need issues resolved first though
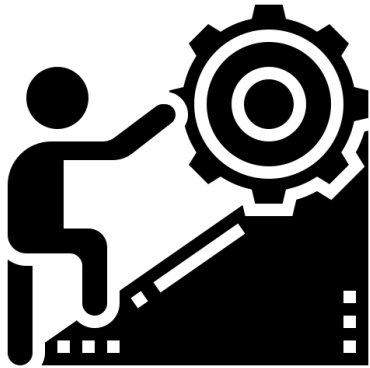
TECHNICAL CHALLENGES

Insertion orders vs automation

MEDIA AVAILABILITY CHALLENGES

RMNs don't yet scale or offer enough value for brands

REPORTING CHALLENGES

Transparency around metrics; connection to store transactions

What is Social Commerce?

Social commerce is an eCommerce term that describes shopping experiences that take place on a social media platform.

U.S. social commerce sales will surpass **$53 billion this year**, and they're expected to grow at a double-digit clip in the next three years. There are a few factors that are feeding this rapid growth:

- **New social commerce activity is surging**: New shoppers continue to seize social commerce options. In fact, it has been reported that almost **108 million people will buy via social platforms** in the U.S. in 2023.

- **Average spend is increasing**: As activity grows, spending is also increasing. According to eMarketer, retail social commerce spending increased by **26.9 %**, on average, in 2022.

- **Millennials and Gen Zers are in the driver's seat**: As Millenials and Gen Zers who are comfortable with technology build their bank accounts, they could push social commerce even higher in the future.

> "Our consumer, because they happen to be a Gen Z consumer, lives a good portion of their lives on social media so that's where a lot of the magic happens with our commerce driving abilities."
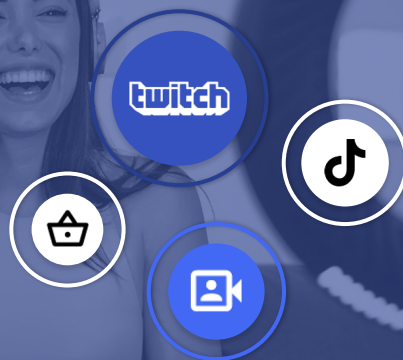>
> **- Soyoung Kang, CMO, eos**
> **Season 1, episode 49**
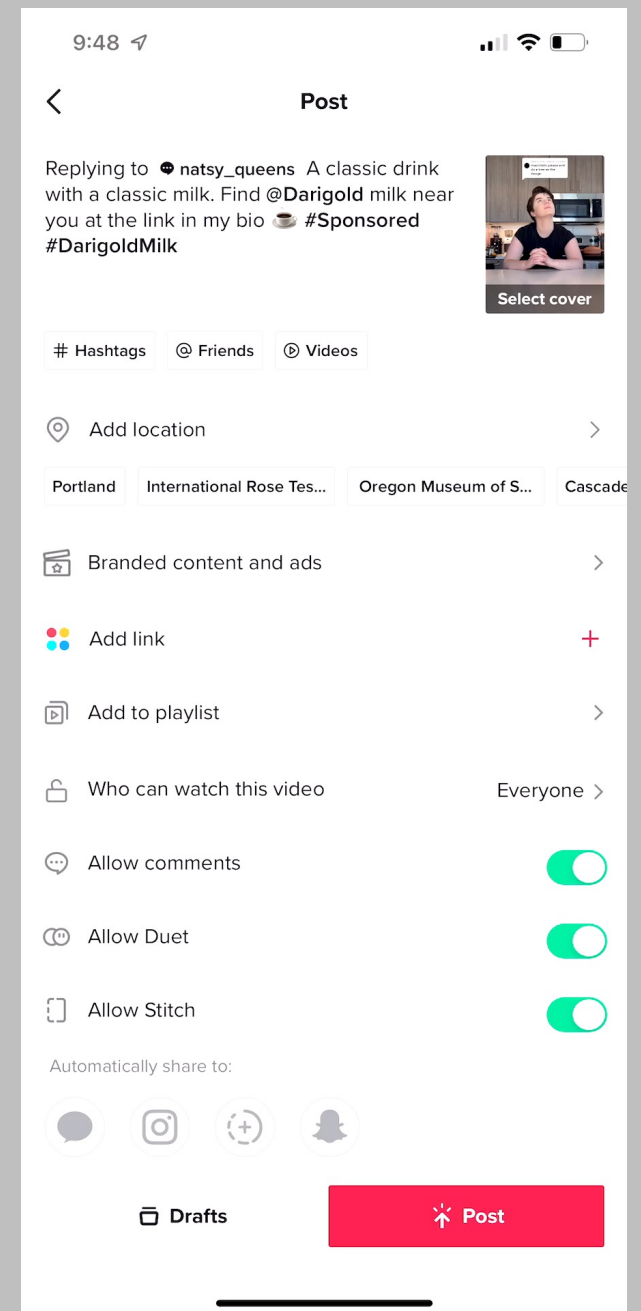
Livestream Shopping Could Catch Fire!

Livestream shopping is expected to bring in **$623B** in China this year (US will hit just $25B)
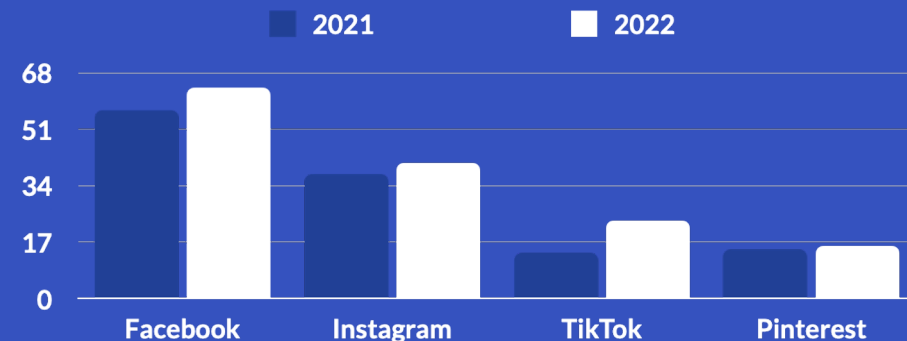
> The content we create for live streaming is essentially very different from what you get in store. Content first then the shopping behavior follows if it is something very relevant and unique. - Jie Cheng, Mondelez

BRAVE COMMERCE
WITH RACHEL TIPOGRAPH & SARAH HOFSTETTER

U.S. Commerce Buyers By Platform (in millions)

- 2021
- 2022

	Facebook	Instagram	TikTok	Pinterest

(values shown on y-axis: 0, 17, 34, 51, 68)

Source: eMarketer

Meta leads social Commerce, but TikTok is rising quickly

Wondering which social platforms are being used most for social commerce? Meta's platforms, Facebook and Instagram, continued to be the most popular sites for social commerce buyers in 2022. However, TikTok is quickly catching up. Last year, TikTok's number of U.S. social buyers passed Pinterest for the first time, hitting 23.7 million, according to eMarketer.

The grocery category attracts more clicks

When it comes to Purchase Intent Clicks (PICs) or shopping traffic across all social platforms, the same categories led the way in 2022 as in 2021. Grocery, beauty, and personal care ranked in the top three spots. However, grocery PICs shot up significantly in 2022, jumping by 61 percent over 2021. Beauty fell by 23 percent, and personal care increased by 34 percent. This could indicate shoppers are scaling back and opting for more essentials as financial stress increases.

Categories with most Social Commerce Traffic*

1. GROCERY
2. BEAUTY
3. HAIR AND PERSONAL CARE
4. ALCOHOL
5. TOYS

*Traffic = Purchase Intent Clicks, or the number of times shoppers have clicked through to at least one retailer from a social platform.

TikTok drives shoppers to Target, Walmart, and Amazon

Although Facebook and Instagram take the top spot, TikTok appears as the third-most popular social platform for driving shoppers to Target and fourth for Walmart and Amazon. Pinterest only appears on the top 5 list for Drizly and Instacart, likely because of the platform's ties to recipes and cocktail-making ideas.

*Purchase Intent Clicks

The number of times a shopper has clicked through to at least one retailer during a single session.

Purchase Intent Clicks* Leaders by Platform

Retailer	Purchase Intent Rate* Leaders (in order)
Walmart	1. Facebook 2. Instagram 3. YouTube 4. TikTok 5. Snapchat
Amazon	1. Facebook 2. Instagram 3. YouTube 4. TikTok 5. Snapchat
Target	1. Facebook 2. Instagram 3. TikTok 4. YouTube 5. Snapchat

Social Apps are becoming powerful search engines.
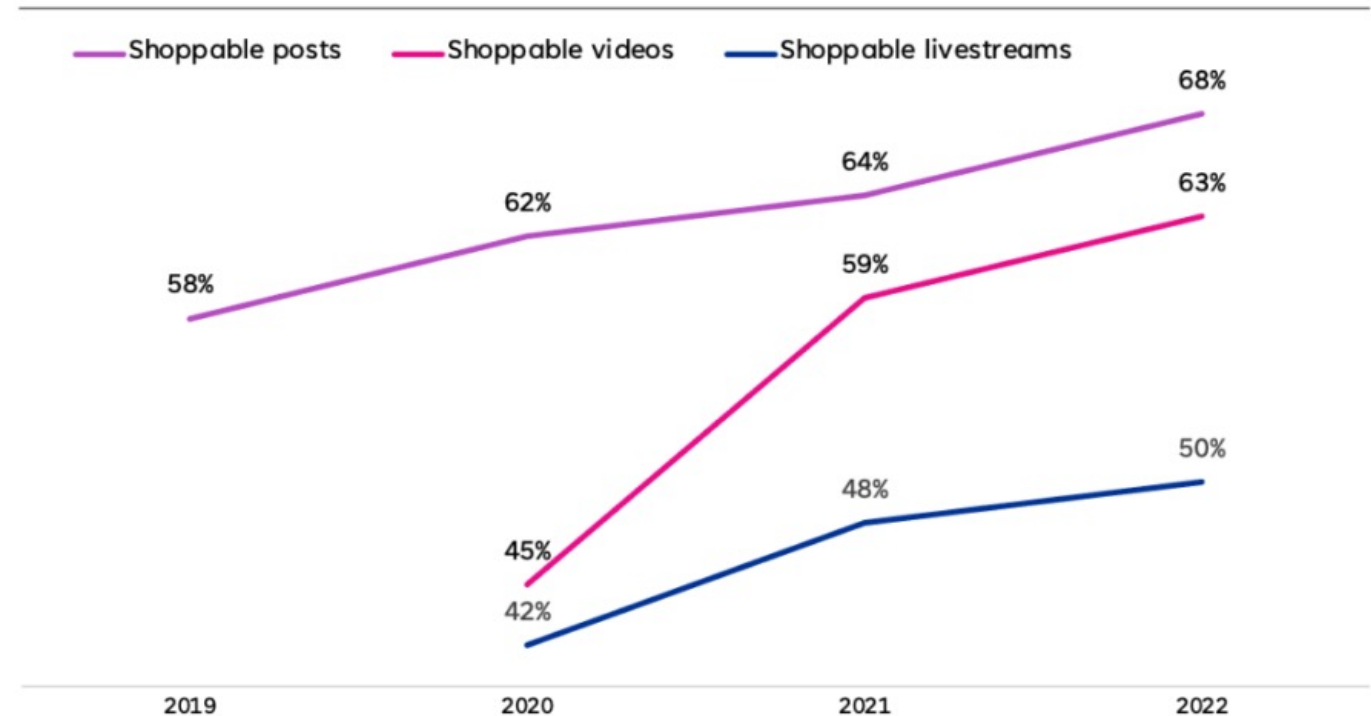

 # Hashtag

QR Code
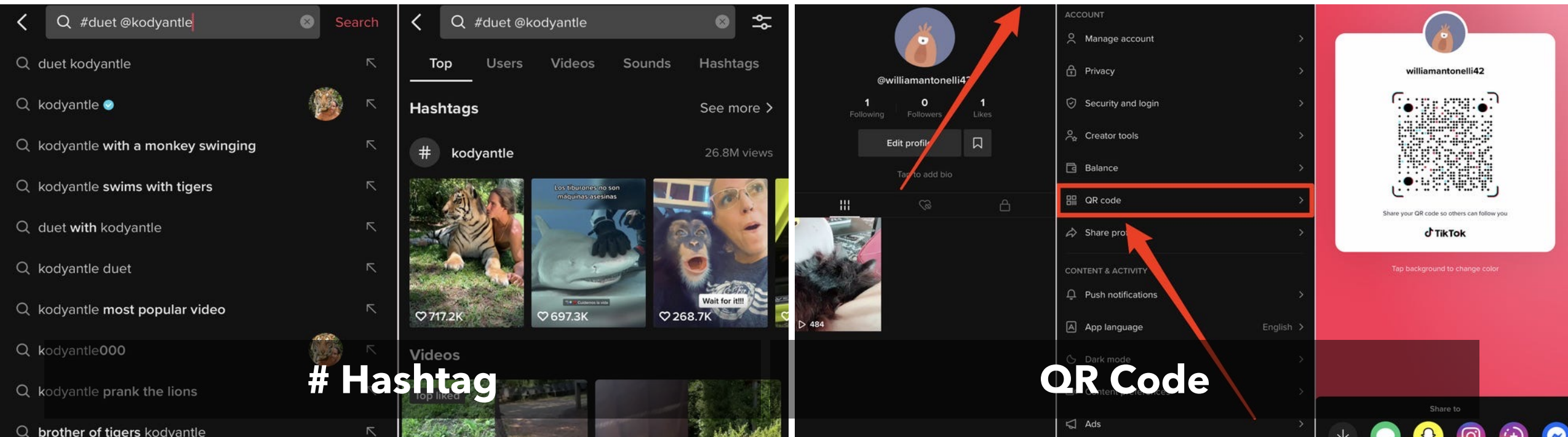
40% of younger consumers look to Social Media to discover things to buy.
of Gen Z prefer to search on social media apps than search engines.

Gen Z and Millennials are social shopping

83% of Gen Z and Millennials want a link to purchase directly from a post.

75% agree social media often features products and services they are interested in purchasing.

How many are interested in purchasing from these kinds of social shopping?

— Shoppable posts — Shoppable videos — Shoppable livestreams

Shoppable posts: 58% (2019), 62% (2020), 64% (2021), 68% (2022)

Shoppable videos: 45% (2020), 59% (2021), 63% (2022)

Shoppable livestreams: 42% (2020), 48% (2021), 50% (2022)

Source: YPulse Social and Mobile Marketing Report Data | 13-39-year-olds | July 2019, Aug 2020, Aug 2021, Aug 2022

AI: The future of engagement and personalization?

https://snapplefaicts.com/

AI: The future of engagement and personalization?
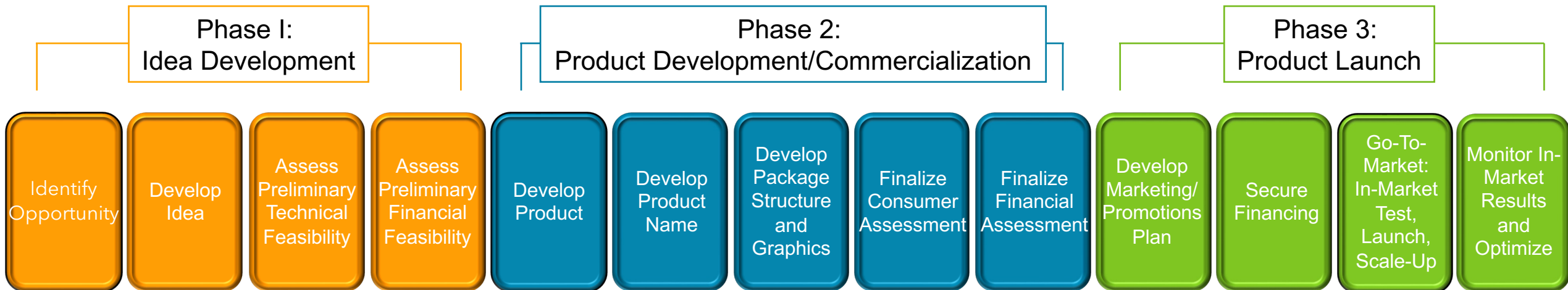

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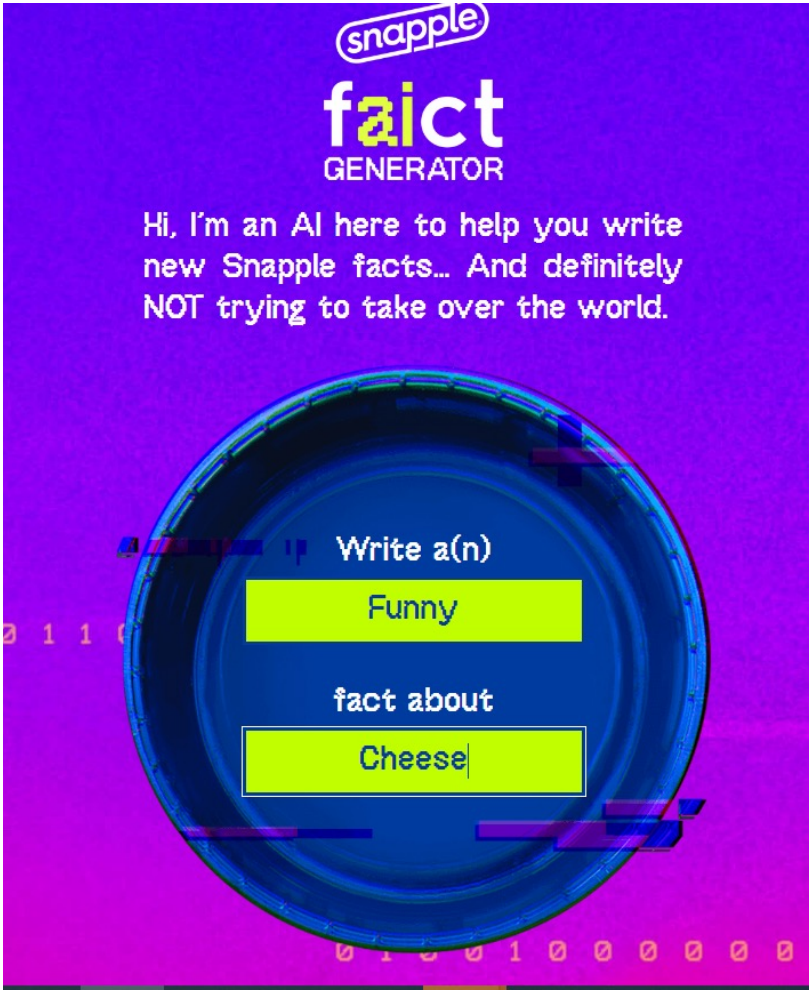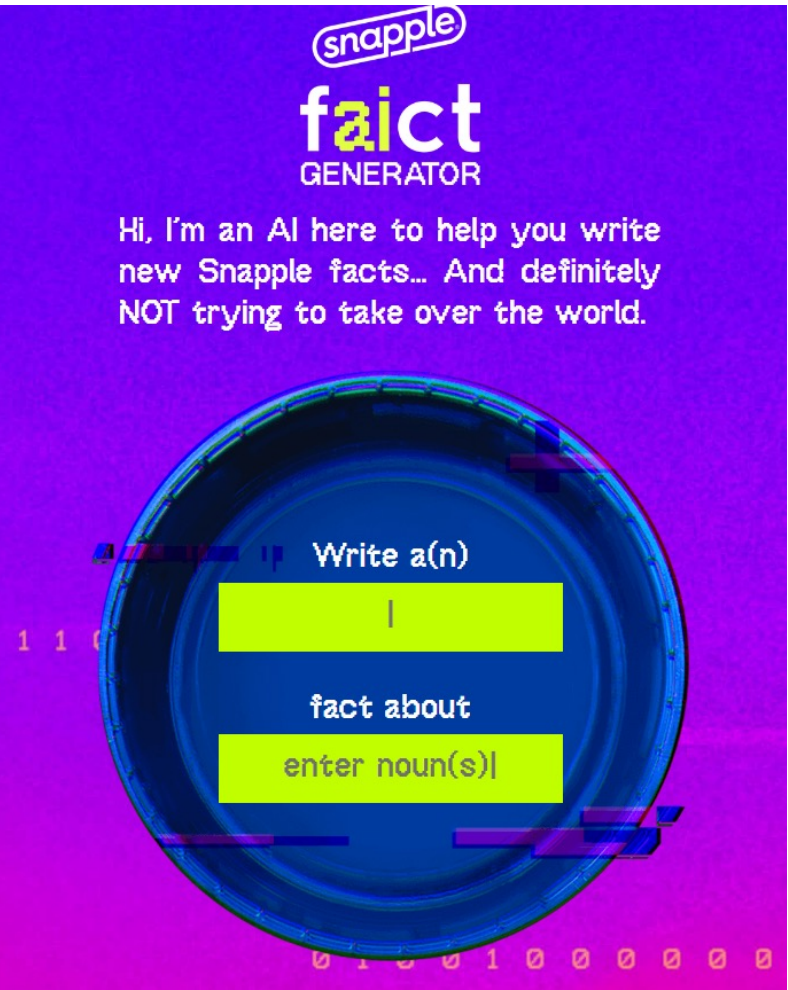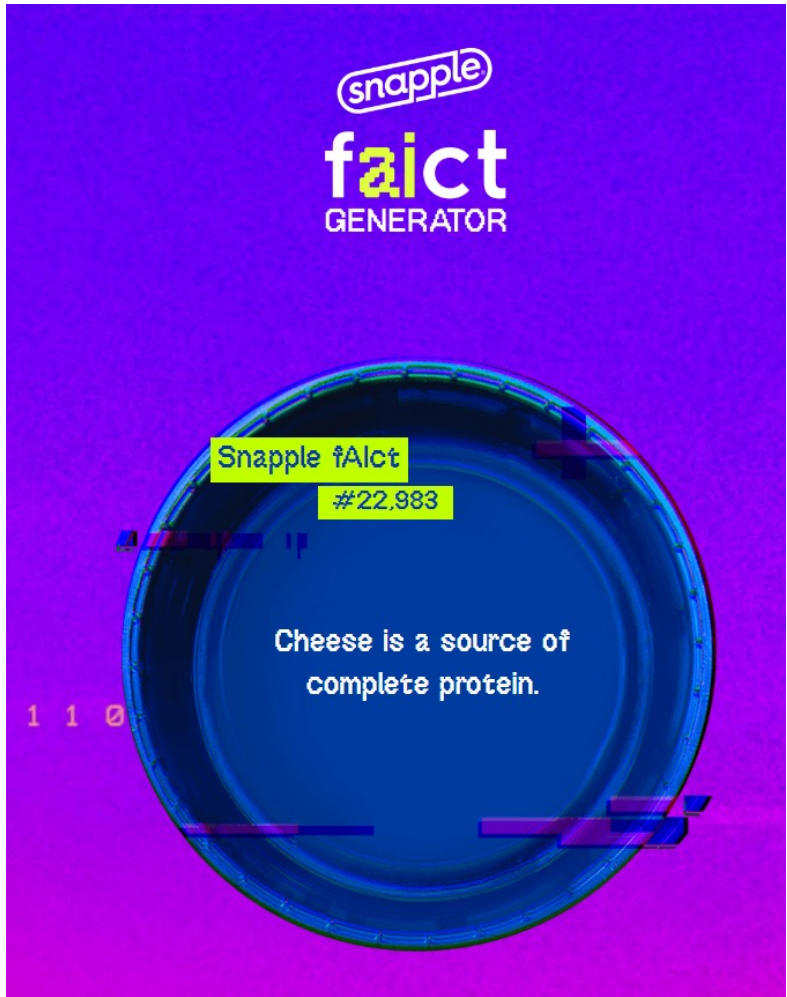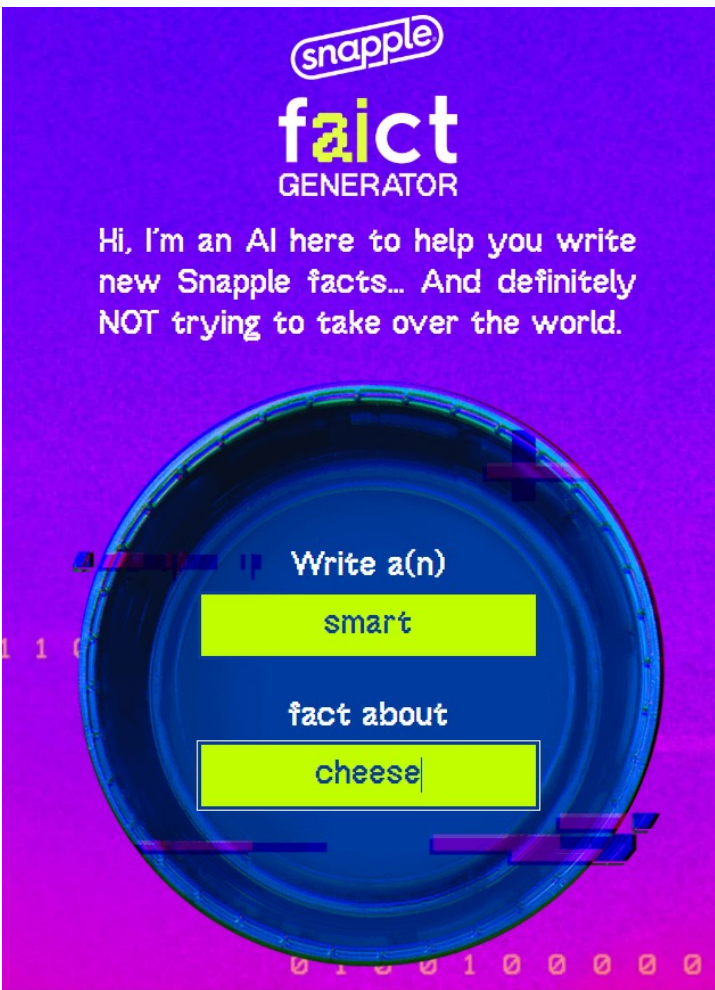
Digital Innovation Resource Tool

A Digital Resource Database for Dairy Innovation:

- Details the **critical steps** needed to successfully bring Dairy ideas to market
- Provides **vetted resources** available to accelerate Dairy innovation

Expected to launch by end of Q2

Phase I:
Idea Development

- Identify Opportunity
- Develop Idea
- Assess Preliminary Technical Feasibility
- Assess Preliminary Financial Feasibility

Phase 2:
Product Development/Commercialization

- Develop Product
- Develop Product Name
- Develop Package Structure and Graphics
- Finalize Consumer Assessment
- Finalize Financial Assessment

Phase 3:
Product Launch

- Develop Marketing/Promotions Plan
- Secure Financing
- Go-To-Market: In-Market Test, Launch, Scale-Up
- Monitor In-Market Results and Optimize