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looking to unlock retail F&B growth? data is key.

what was isn't coming back.
retailers must now prepare for what's next.

A food-and-beverage retailing formula that once reliably delivered 2%–3% annual growth in an ultracompetitive sector has been virtually upended.[1]

Over the last three years, more than half of the top 20 food-and-beverage retailers lost trip share.[2] In a world where choice is abundant and consumers are digitally savvy, many shoppers now buy across different channels to satisfy different needs. Shoppers distribute their edible spend widely: They buy meat and fish from Retailer A, fruits and vegetables from Retailer B, and fast-moving consumer goods from Retailer C—all supplemented with omnichannel fulfillment, takeout food orders, and so on. These trends predate Covid and were accelerated upon its arrival. (Yes, Covid drove shoppers to retail and away from restaurants, resulting in higher retail F&B spend, but shoppers spent less time in-store, condensing many trips into just a few while also doing much more shopping online versus in-store).

The pandemic, theoretically, will recede, but that doesn't mean shoppers will revert to pre-Covid habits. Their mobility will likely remain flat or slightly decline. They now expect faster shopping experiences and more convenient solutions. They demand more safety and more security. They are fulfilling trips in new ways. What were once nascent shopping trends are quickly morphing into new habits here to stay.

While it is unlikely retailers can recapture what was, ample opportunity exists for retailers to better leverage data to identify new drivers of growth. Retailers can capture a larger share of what is and even what's next. Furthermore, we contend the potential actually exists to unlock new growth that exceeds the customary 2%–3% rate.

accessing and leveraging richer, integrated data is crucial to driving growth.

The average grocery or mass retailer captures only about 20 cents of a typical shopper's total retail food-and-beverage dollar spend.[3] While retailers have for decades—centuries, actually—devised ingenious ways to incrementally increase shoppers' spend, today's retail powerhouses recognize that what was once an art is now a science. Additionally, even those retailers with the most robust in-house data-collection tools and analytics capabilities are discovering that data generated outside the store can be sourced and leveraged to identify emerging consumer habits and predict future in-store shopping behavior.

More and better data is essential to increasing trip frequency, basket size, and loyalty. Data-driven insights are essential in creating end-to-end retailer solutions that bridge products, marketing, and merchandising. Machine learning, AI, and other digital insights-gathering tools now make it possible to capture and, more importantly, connect data across entire value chains—from supplier to retailer, to household-level data, to third-party data providers—offering retailers an exponentially expanded view into the minds, hearts, and spending patterns of their shoppers. Accordingly, the era of the lookalike shopper is giving way to a new era, one when historic shopper cohorts can, increasingly, be broken down into sub-cohorts and even more granular sub-cohorts, allowing retailers to customize and target offerings to drive growth. And the data doesn't take months to capture, process, and interpret: It's likely to become almost instantaneously accessible within the decade.

With richer, more interconnected data, retailers can capture incremental growth in three areas: "Win with the Winners" by optimizing existing, high-momentum categories; "Score with the Core" by fortifying shopper loyalty; and "Gain Ground with New Growth" by leveraging next-generation consumer insights to predict and prepare for emerging trends.
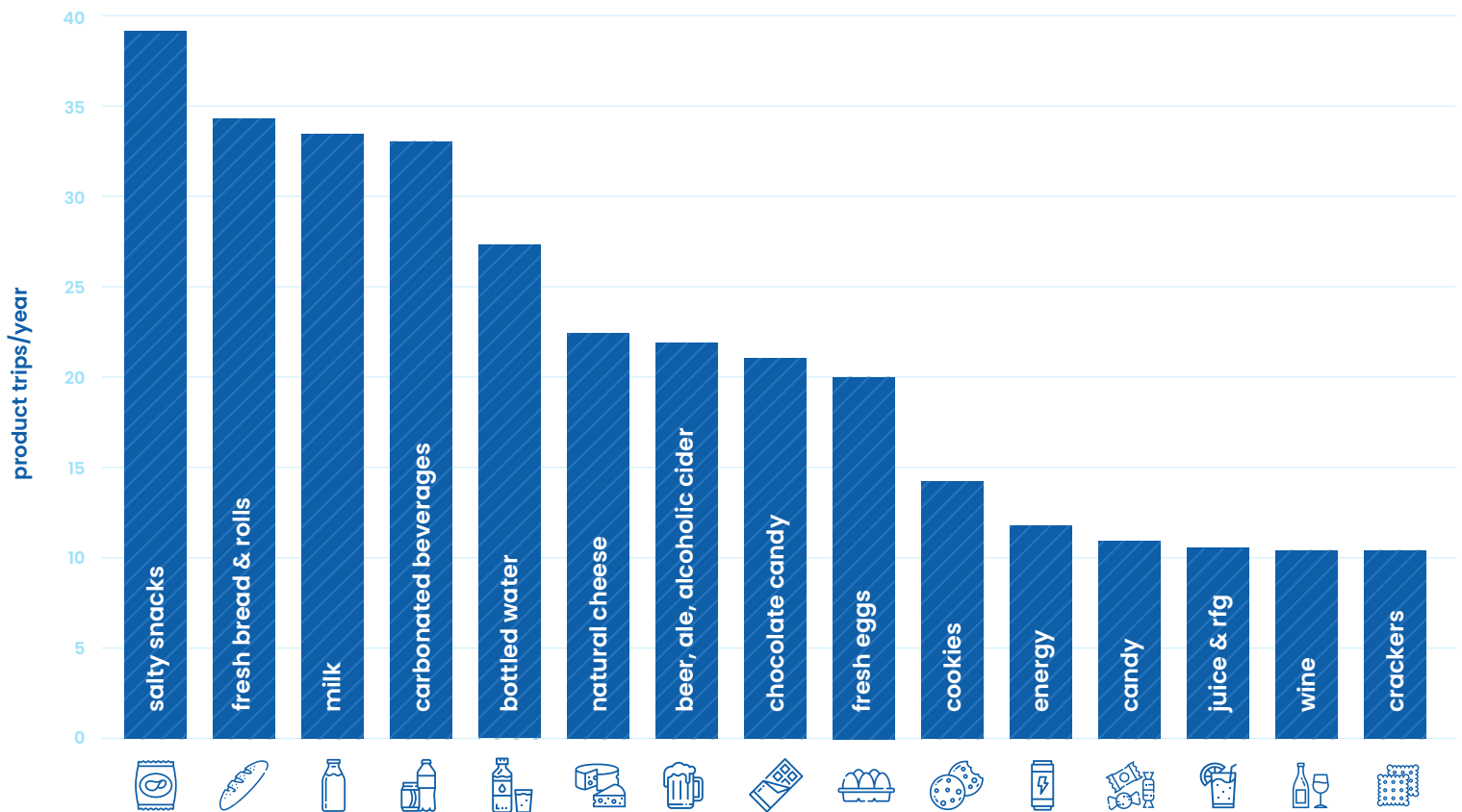
Let's unpack each of these concepts.

win with the winners

The top 15 most frequently purchased categories— representing 39% of edible sales—drive and build baskets.[4]

These are the winners in retail. Consumers, on average, make a trip every two weeks to replenish these staples. (Alternatively, categories outside the top 15 generate a trip to the store, on average, every eight weeks.)

The challenge: How to keep these high-engagement categories fresh and incentivize shoppers to visit the store more frequently to procure them.

The opportunity: By gaining a deeper understanding of choice drivers, retailers can better meet shoppers' needs across all occasions. Our research shows that shoppers look for stores that deliver popular brands they know and trust, complemented by wide assortment in important categories.[5] Increased retailer understanding of shoppers' needs can lead to more trips captured and more shoppers thinking of your store in certain categories.

product trips/year

Category	trips/year
salty snacks	~39
fresh bread & rolls	~34
milk	~33.5
carbonated beverages	~33
bottled water	~27
natural cheese	~22.5
beer, ale, alcoholic cider	~22
chocolate candy	~21
fresh eggs	~20
cookies	~14
energy	~12
candy	~11
juice & rfg	~10.5
wine	~10.5
crackers	~10.5

winning categories drive trip frequency

data in action: winning the millennial milk run

A national store chain, which sells everything from apparel to automotive parts to home furnishings, as well as a selection of groceries, sought to grow trip frequency among millennial shoppers. Data indicated that the category-leading milk brand lured millennial shoppers.

The retailer then began pulsing promotions with milk-adjacent categories attractive to millennial audiences. The goal: Win the milk run with an audience that previously didn't think of this particular retailer for fresh groceries. The strategy was a success: Millennials—who already over-indexed on basket size—returned to the store more frequently and significantly improved the retailer's milk sales and baskets.

Refreshed assortments, for example, are the number-one driver of incremental growth: In 2019, innovation accounted for 84% of total Liquid Refreshment Beverage (LRB) growth and 89% of Salty Snack growth.[6]

Moreover, thanks to machine learning, there is increased visibility about exactly who is shopping where and why, making it possible to better curate inventory.

It is crucial that retailers understand the drivers across all touchpoints—not only in-store and e-comm (which often differ), but also by category, size, and intra-category variety.

By identifying what's uniquely compelling for customers within a specific store, retailers can create a destination category—and increase trip frequency.

score with the core

Every retailer covets new shoppers. And every retailer dreams of 100% of a shopper's food-and-beverage basket.

Even so, retailers should not underestimate the value of untapped potential within their current shopper base—especially since individual retailers capture such a nominal share of the average shopper's edible spend.

Capturing a bigger share of existing customers' F&B spend is achievable. And it is about to get easier.

Until recently, retailers determined to grow the core relied heavily on data generated in-store. The scanner at the checkout counter operated as the store's top data analyst. Retailers became very smart about what happened inside their four walls. But they had limited visibility into consumers' other F&B spending behaviors once they exited the store. Today, access to household-level data can reveal more about shoppers than ever before: specifically, which categories

are most meaningful to them and which retailers they prioritize as "go-to" for specific products. Furthermore, as insights-gathering methodologies have become faster, more sophisticated, and more widespread, the quality of the insights is improving dramatically.

For decades, retailers almost exclusively relied on after-the-purchase demographic data (a female of a certain income and age fills her basket with x; a man of a certain income and age fills his basket with y). This emphasis on the "what" still matters. But it is now possible to harvest insights into behavioral drivers—the how and the why— via proprietary databases. Reams of data exist and are now available on household data—at the most granular level. These data, increasingly, can be analyzed and deployed to predict shopper behavior and analyze shopper-based store clustering.

By better understanding how consumers shop across all channels and retailers, it is possible to gain greater visibility into the "whole customer," to understand 100% of shoppers' priorities and habits—instead of what the 20% of his or her spend inside a single retail outlet currently reveals.

Accordingly, the days of profiling shoppers' habits and purchase histories using a one-size-fits-all approach are numbered. As shopper behavior has evolved, big-box

discount stores, in particular, have updated their data game—sourcing more robust data and insights from more places—and have thrived. Alternatively, those stuck in a "more of the same" or one-size-fits-all approach to understanding their customers floundered. Access to these additional insights can help retailers prioritize the right categories by store and better tailor merchandising, marketing, and store experience to drive growth. What's happening outside of the store is more important than ever.

data science reveals shopper missions across retailers and how to capture more F&B share
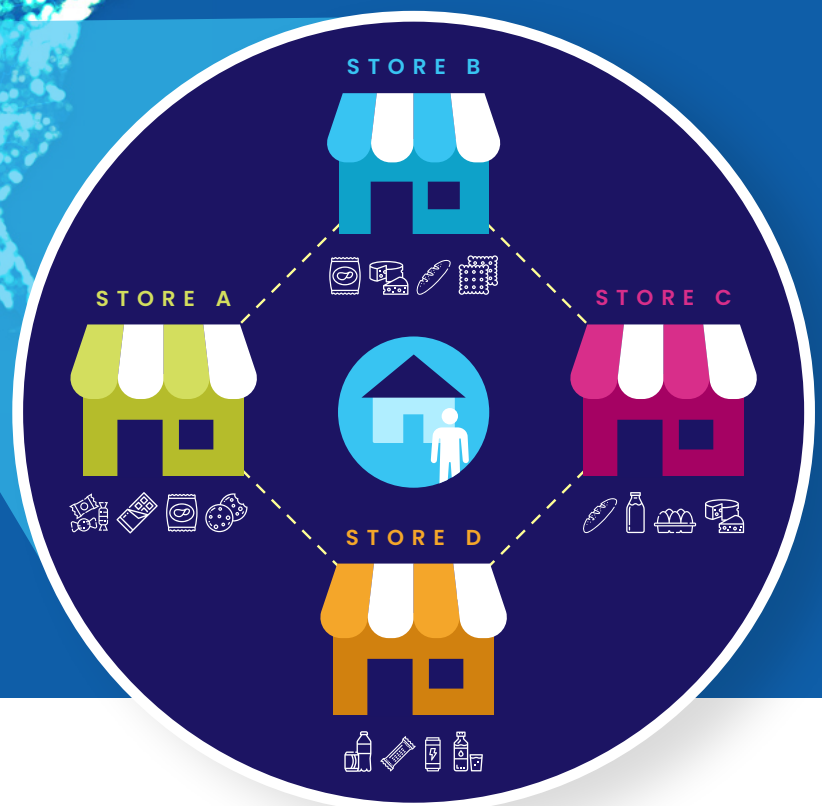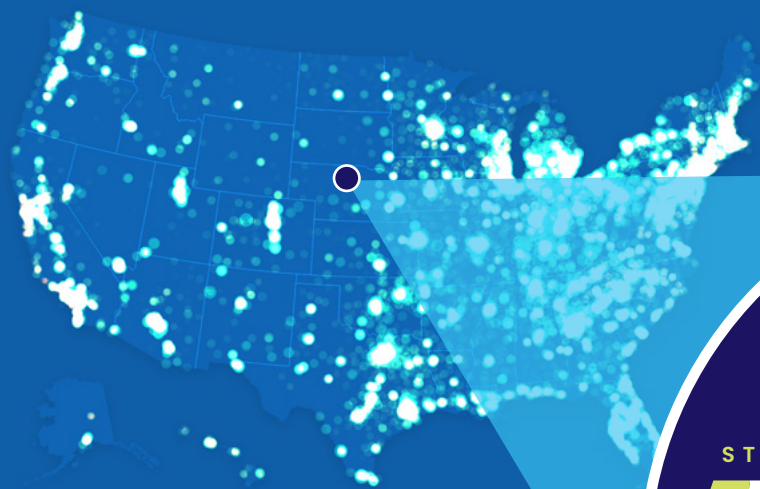
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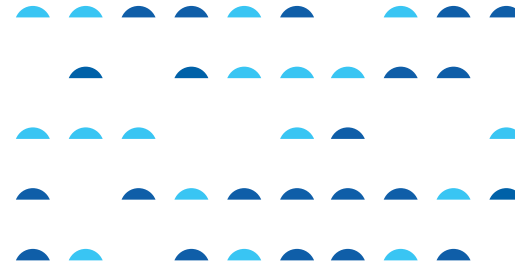
Today's retail channels are more competitive than ever, and the boundaries between them have blurred as people embrace shopping via social feeds, curbside pickup, and curated subscription services.

A reshaped perception of value means it's important to drive relevance beyond affordability. In response, a broad range of retailers have adopted cross-channel experiences. The largest grocers now use ghost kitchens to sell and deliver hot meals. Convenience stores have developed delivery systems to win new occasions. Dollar stores are even delving into the fresh produce arena to compete with full-line grocers.

These trends can be unsettling or exhilarating, depending on a retailer's capacity to adapt and innovate. At PepsiCo, we choose to view them as exhilarating.

Across some markets, for example, Covid shifted consumer occasions from away-from-home channels like restaurants into retail channels. Based on our projections, we believe this could represent a $100–$200 billion boost to retail. As we look to the future, we expect in-home dining to continue. 50% of those currently working from home intend to continue to do so post-pandemic, and

75% of people plan to make more meals at home vs. dining out.[7]

Trip frequency declined, rebounded, and may decline again, but e-commerce is up and presents opportunity. Despite representing only a fraction of most F&B retailers' sales, online shopping trial is showing that 70% of consumers—many who had not routinely ordered food products online prior to the pandemic—say they will continue supplementing in-store visits with trips to online.[8]

Adapting to changes like these can certainly be capital intensive, challenging to scale, and risky.

Nonetheless, the skillful application of data and real-time insights can help retailers more sharply focus and prioritize, mitigate risk, and optimize investments to meet evolving shopper needs. Growth opportunities abound, provided one knows where to look … and listen.

	low risk	**high risk**
how to sell	**fast-follower innovation** Initiatives to bolster current offering, often by leveraging partnerships **EXAMPLE:** National Grocer & Online Food Delivery Platform	**omni-shopping breakthroughs** First-to-market store formats, shopping solutions, and services **EXAMPLE:** Grab & Go, Touchless Grocery Shopping Experience
what to sell	**category innovation** Optimizing assortment, experience, and marketing **EXAMPLE:** Snacks at Local Ethnic Grocery Store	**new product lines** New products adjacent to what you currently offer, often using existing infrastructure **EXAMPLE:** National Grocer Ghost Kitchens

Advanced data models now exist that can sift through countless data points to identify the right product mix—and match it to the right store—to deliver the highest sales potential. Predictive analytics tools can be leveraged to better anticipate future shopper behavior and get ahead of it. AI, machine learning, and other tools now make it possible to comb through and harvest insights from thousands—even millions—of social media outlets, online forums, blogs, product reviews, and dozens of other channels. Digitized tools can be deployed to identify and record emerging shopper behaviors across urban, suburban, exurban, and rural geographies. These tools capture shopper behavior, store conditions, and even attributes outside the retail environment, including nearby stores and shopper mobility. And these tools will identify emerging behavioral patterns in shoppers before they even happen. **More and better data is available. And we can help you access and leverage it.**

1. Source: U.S. Census Bureau, Annual Sales Growth Rates of Retail Food-and-Beverage Stores in the U.S. 1993–2019.
2. Source: IRI Large Format (Mass + Food + Walmart), Total Food-and-Beverage Categories, Dec 31, 2017–Dec 31, 2020.
3. Ibid.
4. Source: IRI Total U.S. All Outlets, Total Edible excluding Tobacco, Latest 52 Weeks Ending Jun 13, 2021.
5. Source: PepsiCo DX Shopper Insights Store Choice Drivers, 2020.
6. Source: IRI MULO for 52 Weeks Ending Dec 29, 2019.
7. Source: Technomic Apr 2021 and Kantar USM Next Normal Mar 2021.
8. Source: PepsiCo DX Shopper Insights Omnichannel Research, 2020.

your data partner

As one of the leading food-and-beverage companies in the world—and the largest in North America—PepsiCo has proven itself unrivaled in its ability to anticipate and respond to emerging consumer trends. Our data practice, pepviz, helps retailers unlock new ways to grow in F&B. pepviz recognizes the potential to help retail partners uncover growth with data-informed insights and strategies. This cutting-edge formula will help retailers win new shoppers, increase trip frequency and loyalty, inspire unplanned purchases, improve category performance, and boost omnichannel shopping.

Your know-how and instincts have placed your F&B business on solid footing. Why not take it to the next level by partnering with PepsiCo to solve for the three growth opportunities explored in this report? We can help you:

- **win with the winners**

- **score with the core**

- **gain ground with new growth**

To learn more about how we've helped other reatilers increase their sales, see the case studies we've prepared on **pepviz.com**.

Let's collaborate to use data to build your business and ours, together.

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change the way you data