Dairy Meal Solutions: Merchandising Works

April 2012
Executive Summary

With the changing consumer landscape and the growth opportunities identified in previous research related to the reinvention of the dairy department, the Innovation Center for U.S. Dairy®, which was founded by America’s dairy producers, decided to embark on a focused exploration of dairy merchandising. Through comprehensive pilot testing, we show that creating innovative displays that provide true meal solutions for consumers can garner double-digit incremental unit and dollar sales increases and that dairy categories are a key component in consumer-centric merchandising. The following provides pilot test results as well as an overview of key trends, dairy’s contribution to a store’s performance and other applicable research findings that serve as a foundation for this work.

Consumer Perspective

Consumer needs are driving evolution in the retail landscape:

• Home-prepared meals are resurging, but meal planning is not the norm.
• Almost half of all grocery trips are quick trips, and consumers are predicted to become even more mission-focused in the future.
• Convenience is king as consumers look to make thoughtful purchases amid time constraints.
• Now, more than ever, foods and beverages are being looked at as critical factors impacting health and wellness.

Plus, competitive pressure from superstores and the decline of the traditional grocery is polarizing the retail landscape into high-end and value-driven outlets. All the while, the connection between grocery and health and wellness providers is becoming stronger.

So what does this mean for grocery retailers? It has never been more important to build a relationship with your customers.

The retailers who have the strongest connections with their shoppers are those that have the best understanding of what their customers need and how to fill those needs.

Meal Solution Merchandising

Meal solution merchandising can serve as an important tool that satisfies the shopper’s need for solutions and hits on key consumer drivers including health and wellness benefits and a desire for homemade meals and convenience, while also providing retailers the opportunity to differentiate from the competition. Additionally, meal solution displays provide shoppers with added value outside of cutting prices, while working to encourage cooking at home, which is an important strategy for maintaining sales as the economy strengthens.
Key meal occasions include:

- **Breakfast**: Currently just 8 percent of store sales, breakfast foods may be an overlooked opportunity among retailers. Largely a ritual meal, this eating occasion has strong potential to drive repeat sales.
- **Snacking**: 87 percent of consumers snack, and 78 percent are snacking at home. When all snacking behavior is added up, it’s $90 billion in annual sales – and that is growing. This meal occasion is a key opportunity for grocers, as their shoppers increasingly look to eat multiple mini meals throughout the day.
- **Dinner**: Dinner generates the most sales for grocers and is the strongest traffic driver of any of the meal occasions. In fact, dinner sales can generate increases of more than $5,100 per week for the average store.

**How Dairy Fits**

Including dairy products in the solution set is a critical factor in successful meal solutions merchandising:

- Dairy outperforms every other department with its profit-to-space ratio (which is almost double that of produce).
- Dairy products are included in more grocery trips than items from nearly every other aisle.
- Milk, cheese and yogurt are key components in meal-building baskets.
- Consumers inextricably link dairy to health and wellness: Fluid milk is second only to produce as a top category that consumers include in their daily health and wellness regimen. Yogurt and cheese are also strong performers.

**Recipe for Success**

The Innovation Center for U.S. Dairy developed and executed consumer insight-driven merchandising concepts that leveraged the meal solution approach and focused on breakfast, snacking and dinner. Each of the concepts tested drove incremental sales gains, without the use of promotional pricing or additional marketing support. Outside of the testing environment, meal solutions merchandising would typically be supported by other tactics and marketing vehicles; as such, we feel that the upside potential for any of the pilot concepts is huge. Again, without any other support, our pilots drove:

- **19.2 percent** average incremental increase in units sold across the displays (milk-based dairy products saw 28.8 percent gains on average)
- **20.5 percent** average incremental increase in dollar sales across the displays (dairy products outperformed in general and saw an average increase of 29.8 percent)
Key Takeaways

The pilot executions heavily leveraged consumer research. Shopper intercept surveys uncovered additional key learnings:

1. **Convenience**: Include convenience as a core consideration for all meal solution merchandising executions, as consumers demonstrated a strong interest in convenience.

2. **Location**: Situate displays earlier in the shopping process to position them as a solution provider versus a nice afterthought. Location is a key success factor, as displays need to be in places that make intuitive sense to the shopper.

3. **Visibility**: Ensure that consumers can clearly see all signage, which will help grow their understanding of the concept. Display visibility has a key role in performance.

4. **Specificity**: Identify and include only products that truly address the merchandising concept’s specific needstate. Extraneous SKUs are a distraction.

5. **Simplicity**: Keep the product mix and the number of SKUs simple to help enhance consumer acceptance.

6. **Long-term solution**: Initiate a long-term meal solutions merchandising program that is refreshed often versus a shorter campaign. It takes time, exposure and planning for consumers to adjust their behavior.
Industry Report

Overview

With the changing consumer landscape and the growth opportunities that previous research identified, the Innovation Center for U.S. Dairy®, founded by America’s dairy producers, decided to embark on a focused exploration of dairy merchandising, including the execution of six in-store pilot tests centered on providing meal solutions for consumers. The following provides an overview of key consumer trends and applicable research findings that serve as a foundation for this work, as well as an executional summary of the meal solutions pilot tests and the resulting actionable best practices.

Consumer Perspective

Staying in More Often

Doing more with less is a reality for the majority of today’s consumers – and their grocery needs are changing as a result. In fact, 55 percent are dining out less often, and 40 percent are opting to entertain at home rather than go out.5

This recent resurgence in homemade meals has created an important opportunity for retailers to win share from other meal providers – and grow incremental sales as a result. Nielsen reports edible categories are driving stronger sales across grocery departments. Plus, a recent NPD Group report finds that if grocers successfully leveraged this opportunity across the top three meal occasions, they experienced as much as 3.2 percent growth in food sales.1

Consumers’ renewed interest in cooking is further evidenced by the surge in popularity of meal-focused media. Cookbook sales were up 10 percent as of October 2011, despite a 6 percent drop in book sales overall.6 In 2011, major food and cooking websites garnered between 66 and 86 million unique online visitors and households tuning into the Food Network® during prime time surged to 1.15 million during the last three months of the year.6

Cost savings is the primary reason nearly 70 percent of meal preparers opt for homemade. This may indicate that once their economic burdens are lightened, restaurant spending could increase, likely at the expense of grocery sales.

As the economy strengthens, a grocery store will have to proactively encourage consumers to continue cooking at home to maintain its share of food sales.

Dairy Delivers:

• About 30 percent of top shopper trips include fluid milk, making it the top category purchased by this group and a building block for meal solutions.3

• 41 percent say “was easy to prepare or get” is the No. 1 reason for what they eat (after taste).7 Dairy products like milk, cheese and yogurt provide shoppers with easy solutions to help add nutrients to almost any meal.
Stock-up Trips a Thing of the Past
The economy also is changing how consumers shop. More frequent need-it-now trips are the norm as consumers look to avoid large expenditures. Today’s most common basket size is under $40, and retailers will need to adjust to better serve shoppers’ needs. As these need-it-now individuals tend to do less preshopping planning, the percentage of shoppers making purchase decisions in-store is on the rise. Conversely, meal planning is on the decline, with more than half of meal decisions today made within an hour of the meal.

The newer, need-it-now mindset is helping drive a premium on convenience.

Consumers are trying to balance time pressures with the desire to purchase thoughtfully. Savvy retailers will identify shopper-centric solutions that address these needs. This approach also allows a retailer to differentiate from the competition without needing to slash prices.

Healthy Eating a Key Wellness Strategy
Consumer focus on health and wellness is increasing in light of public concern over obesity rates and sedentary lifestyles, and the growing number of Americans suffering chronic diseases that can be managed through lifestyle changes. Today the fact that Americans are putting in well over a billion more total hours of exercise than in 2003 is evidence of this shift. There are now 2.7 million more people exercising each day than nine years ago.

Healthy eating has never before been such an important element in consumers’ strategies to manage health and wellness. Today, most shoppers understand the value of healthy eating and are somewhat likely to do so. In fact, food and beverage choices outweigh regular doctors’ visits as a key factor that consumers believe most likely will impact health. Shoppers see maintaining wellness as a strategy to reduce medical costs, and there is a strong link between good health and future happiness for most. Nearly 100 percent of people surveyed make this connection.

Health and wellness is another driver of consumers’ increased focus on eating in: More than 60 percent believe that homemade meals are healthier than restaurant options.

Dairy Delivers:
Milk, cheese and yogurt rank second, fifth and sixth, respectively, when consumers report their daily food choices for health and wellness.
The healthy eating megatrend presents a critical opportunity for retailers to strengthen shopper loyalty and engagement by providing easy-to-find information and solutions both in-store and pre-planned.

Options Abound
Consumers have more channels to choose from than ever when purchasing groceries – and are more likely than in previous years to choose more than one option when making weekly purchases. Almost half of consumers report that they shop at multiple stores to take advantage of the best deals, and 75 percent report visiting more than five stores to fulfill their CPG needs.

Alternative channels such as supercenters and dollar stores are taking advantage of the uptick in bargain-hunting shoppers by providing competitive prices on groceries and quality shopping experiences. Supercenters have lost share in other departments and see health and wellness areas (including groceries) as an important opportunity to protect sales. This translates to even more competition for grocery sales.
Number of CPG Channels Shopped (% of Consumers 2011)\textsuperscript{8}

Three-quarters of consumers shop in five or more channels in 2011.

Grocery retailers will have to continue to provide valuable experiences to stay competitive, so it has never been more important to build a relationship with core consumers.

**Meal Solution Merchandising**

Aligning distribution and merchandising strategies with consumer behavior is mandatory for staying competitive, and meal solution merchandising helps build consumer loyalty while catering to today’s small basket consumers. Meal-driven interest areas offer the opportunity to expand a retailer’s role from product provider to solutions resource.

It also positions grocers to better compete with restaurants, where the key draw for consumers is the convenience factor.

Meal solution merchandising capitalizes on many of today’s driving trends by:

- Proactively addressing cooking at home needs
- Offering a high level of convenience by providing meal planning support and a one-stop place to stock up on all ingredients
- Sharing healthy meal solutions to help consumers continue their wellness goals
- Offering a gourmet meal experience at a fraction of the cost of a dinner out
- Allowing consumers to control consumption

**DAIRY DELIVERS:**

50 percent consider a ready-to-eat main dish part of a home-cooked meal. Adding low-fat cheese is a simple way shoppers can add a personal touch while adding flavor and key nutrients, such as calcium.

Meal solution display strategies provide a differentiating resource that will help draw consumers back for purchase after purchase by providing additional value and helping to strengthen shopper loyalty.
Building Baskets With Breakfast

Breakfast products account for a mere 8 percent of grocery store sales but may represent an underserved growth opportunity for retailers.¹ As a highly ritualized eating occasion, getting in on the breakfast mix will drive repeat, long-lasting sales.

Today, more than three in four breakfast occasions are eaten at home with products from the grocery stores, and portable breakfasts present a significant opportunity.¹ Consumers are looking to “grab-and-go” in the morning, and products from grocery stores offer real cost savings. Out-of-home options are nearly three times as expensive.¹ Consumers who currently skip breakfast because of a time crunch are a core target to grow sales.

Most Americans Understand the Importance of Breakfast, but Less Than Half Participate in This Eating Occasion¹³

93% of Americans agree that breakfast is the most important meal.

Though only 44% say they eat breakfast every day.

Plus, consumers are looking for nutritious options to start their day, making this a strong area for retailers to grow their health and wellness connection.

Snacking Sweet Spot

With almost 90 percent of consumers snacking (and 78 percent snacking at home), this eating occasion represents a $90 billion per year opportunity that continues to grow.²

Nutritious snacking accounts for more than half of this eating occasion and is a daily consumer desire for many. One survey found that more than 24 percent consumed three to four healthy snacks in the last seven days.² Another found that 58 percent make healthy snack choices, and 23 percent of shoppers use healthy snacks and food on the go as part of their strategy for healthy eating.⁹
Providing easy snacking solutions represents another opportunity for retailers to address shoppers’ health and wellness needs while catering to their evolving lifestyles.

**Driving Dinner**

Dinner is the true profit powerhouse for retailers and the most likely eating occasion to drive consumers’ decisions on where to grocery shop.¹

Family is a major focus with this meal occasion and a major motivator for eating at home. Nearly half of all shopping trips include the goal of satisfying the household, and most shoppers eat dinner with their families most nights.¹⁴ More than one-third are eating more family meals now than before.⁵ As a result, 34 percent of shoppers report trying new recipes in the last year, and 35 percent did more from-scratch cooking.¹²

Finding one meal that pleases the entire family is a core concern when making dinner choices. Today’s shoppers are almost always more likely to buy products that kids like.¹ Plus, shoppers in the “care for family” needstate tend to purchase higher-quality fresh and refrigerated products more frequently.¹⁴

Alternatively, 44 percent of all eating occasions are solo, and households are smaller, so including meal solutions that appeal to grown-up tastes is also key, as shoppers who eat alone may be more adventurous or experiential diners.

Cost, taste, ease and speed of prepping, cooking and cleaning up are additional key considerations, and last-minute, quick and easy meals tend to dominate the dinner occasion.

**DAIRY DELIVERS:**

57 percent make up their minds on what to eat within an hour of eating, and dairy products help create meal solutions that shoppers can feel good about feeding their families.⁷
How Dairy Fits

Dairy products are a silver bullet for addressing today’s consumers’ needs while serving as a key profit powerhouse for retailers. Wherever in the store meal solution displays are located, dairy products should be included:

• Dairy is the top performer in terms of its profit-to-space ratio: with just 3.3 percent of store space, dairy generates more than 13 percent of true profits.
• Dairy drives stronger profit margins than every other department but packaged deli.
• Each square foot dedicated to dairy delivers $67 per week, which is almost double the return from produce.
• Key dairy categories are shopped most often by top shoppers (the top 20 percent of consumers who shop select stores most frequently according to loyalty card data).

The apparent dichotomy between the need for convenience and the desire to make thoughtful choices opens the door for retailers to help consumers better navigate the dinner eating occasion.
Dairy and Produce Are the Top Departments on a Profit-to-Space Ratio, Generating 13% to 14% of Store True Profit in Just 4% of Space

### Profit-to-Space Ratio (By Department)

<table>
<thead>
<tr>
<th>Department</th>
<th>Share of:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dollars</td>
<td>Linear Feet</td>
</tr>
<tr>
<td>Grocery</td>
<td>30%</td>
<td>37%</td>
</tr>
<tr>
<td>Produce</td>
<td>11%</td>
<td>4%</td>
</tr>
<tr>
<td>Dairy</td>
<td>9%</td>
<td>4%</td>
</tr>
<tr>
<td>Meat</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>Bakery</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Note: True Profit = Sales - Cost of Goods + Trade and Terms - Activity-based Costs

Given dairy’s high impact, retailers should look to leverage dairy products when executing efforts to grow consumer relationships.

Consumers also inextricably link many dairy products with health and wellness, making the healthy halo a strong asset in developing wellness-focused programs. In fact, more than half of households report milk is a top food and beverage category for their daily health and wellness regimen, which is second only to produce. Cheese and yogurt follow closely behind at 47 percent and 46 percent of households, respectively.

**Meal Builder**

When developing meal-based merchandising, dairy provides a solid foundation with a strong showing in meal-building baskets.

<table>
<thead>
<tr>
<th>Baskets That Include These Meal Builders:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bananas</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Also Purchase (% of time)³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fluid Milk (58) Cheese (34) Yogurt (30)</td>
</tr>
</tbody>
</table>
**Strong Secondary Location Performer**

A key driver in meal solutions merchandising is locating the merchandiser where it makes sense in the shopping pattern. This positions the concept as a solution rather than an afterthought, providing additional value for the shopper. For dairy products, this likely necessitates placement beyond the traditional department, which is generally one of the later categories shopped.

Previous Dairy Management Inc.™ research shows that dairy can fare extremely well with this type of merchandising support. One retail test examined single-serve chocolate milk performance from a secondary location against total single-serve flavored milk and found that the secondary location outperformed total sales by 13.3 percent. Additionally, the dairy products merchandised in the meal solutions pilots that were located in other departments throughout the store fared very well. For example, one pilot paired cheese and yogurt with fruit in the produce section, and realized double-digit incremental growth in both dollars and units.

### Dairy Products Help Build Volume for the Store

**Weekly Units Sold Per Store (By Category)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Units Sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yogurt</td>
<td>7,350</td>
</tr>
<tr>
<td>Fluid Milk</td>
<td>7,242</td>
</tr>
<tr>
<td>Carbonated Beverage</td>
<td>6,725</td>
</tr>
<tr>
<td>Cheese</td>
<td>4,854</td>
</tr>
<tr>
<td>Crackers</td>
<td>2,115</td>
</tr>
<tr>
<td>Cookies</td>
<td>1,840</td>
</tr>
</tbody>
</table>

Dairy products generate higher sales rates as compared to other categories that receive more secondary displays.

### Average Number of Displays Per Store Per Week

**(By Category)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Displays</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crackers</td>
<td>9.8</td>
</tr>
<tr>
<td>Cookies</td>
<td>8.8</td>
</tr>
<tr>
<td>Carbonated Beverage</td>
<td>6.9</td>
</tr>
<tr>
<td>Cheese</td>
<td>3.4</td>
</tr>
<tr>
<td>Yogurt</td>
<td>0.4</td>
</tr>
<tr>
<td>Fluid Milk</td>
<td>0.3</td>
</tr>
</tbody>
</table>
Recipe for Success

In light of these consumer drivers and the strong application opportunities for dairy categories, the Innovation Center partnered with a score of noncompeting regional retailers to optimize meal solution merchandising concepts. Through this work, the panel:

• Identified and documented sales-driving merchandising actions that leverage dairy’s role as a meal builder.
• Ensured concepts were tailored to consumer needs through qualitative research, which was leveraged at multiple points throughout concept development and pilot testing.
• Charted best practices to serve as an industrywide foundation for dairy meal solution merchandising.

On average, the merchandising concepts drove significant incremental growth in terms of dollar and unit sales.

360-degree Approach

The panel leveraged major trend reports to develop 16 different merchandising concepts that centered on the breakfast, snacking and dinner eating occasions. Targeted consumer focus groups narrowed the 16 concepts to six, five of which were included in the in-store pilot tests. The concepts were then executed at select retailers across the country and assessed for lifts in dollar sales and unit movements.

During the pilot testing, a consumer intercept survey allowed the panel to gauge shopper sentiment toward the concepts and the effectiveness of each. Employees at test stores also provided additional perspective.

Results

Meticulously tracked sales data collected throughout the pilot tests were weighed against each store’s “business as usual” sales numbers to determine incremental growth.

![Evaluation Design Diagram]

**Evaluation Design**

**Test Panel**

- Pilot Concept
  - Test Period
  - Pre-test Period
  - Percent Change

**Control Panel**

- Business-as-Usual
  - Test Period
  - Pre-test Period
  - Percent Change

**Incremental Impact**
Retailers saw 19.2 percent average growth in units sold and 20.5 percent growth in dollar sales. Dairy sales outperformed the display with 28.8 percent increases in units sold and 29.8 percent growth in dollars. Each concept was proven to drive incremental sales *without the use of promotional pricing* or additional marketing support. Using these other common practices, we feel our pilot results would have been even stronger. Plus, on average, the merchandising concepts drove higher sales from a secondary location than realized from secondary displays of carbonated beverages, refrigerated juices and drinks, and cold cereal, according to SymphonyIRI sales data.

**Detailed Findings**

The panel tested a variety of concepts, some with recipes and some without. Some displays had all of the meal solution ingredients displayed together, and others had only a few of the main ingredients. Some displays rotated weekly or biweekly, and others did not rotate at all. The charts on the next pages outline each pilot in full, including individual results. These charts could be used as an activation guide, or starting point, for anyone considering a solution for the breakfast, snacking or dinner meal occasion.
Execution: **Breakfast Zone**

**Consumer Insight**

Consumers desire easy, fun and healthy breakfast options.

**Concept**

- Dedicated endcap in dairy department
- Products rotate every month
- Recipe cards rotated with product set

**Example Product Mix**

- Yogurt
- Pineapples
- Milk
- Juice for smoothies

**Consumer Feedback**

- Display received high convenience and location marks
- Products offered fit shoppers’ lifestyles
- Majority said they would purchase from this display every one to two weeks
- Top-selling items on display were fluid milk and produce

**Average Incremental Impact**

<table>
<thead>
<tr>
<th>Units Sold:**</th>
<th>Dollar Sales:**</th>
<th>Dairy Units:**</th>
<th>Dairy Dollar Sales:**</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.6%</td>
<td>8.4%</td>
<td>3.7%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

**Key Takeaways**

Shoppers are drawn to a display that features items from their shopping list or sale items. Recipe cards alone are not enough to attract consumer attention.

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*Based on comparing changes in test and pre-test performance between test and control store groups. Figures represent the average (mean) across the rotation periods.

** Protein/produce excluded in certain circumstances because the minority of sales likely occur from display, and its inclusion can dramatically impact the overall test results.

*** Reflects only milk-based products featured on the display.
Execution: **Fuel Your Day (Snacking)**

**Consumer Insight**
Shoppers seek healthy accompaniments to weekday meals.
There is an increasing interest in food that “provides energy.”

**Concept**
- Dedicated snacking cooler in deli, on-the-go or produce departments

**Example Product Mix**
- Single-serve milk
- Yogurt
- Parfaits
- Granola bars

**Consumer Feedback**
- Consumers found display to be simple and straightforward
- All said they would purchase from the display in the future
- Half the purchases were impulse buys
- Top-selling items were single-serve milk, yogurt and snack bars

**Average Incremental Impact**

<table>
<thead>
<tr>
<th>Units Sold: **</th>
<th>Dollar Sales: **</th>
<th>Dairy Units: ***</th>
<th>Dairy Dollar Sales: ***</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.8%</td>
<td>2.1%</td>
<td>5.8%</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

**Key Takeaway**
Merchandiser location in store was key to the “grab-and-go” behavior.

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*** Reflects only milk-based products featured on the display.
Execution: **Perfect Pairings (Snacking)**

**Consumer Insight**

Shoppers want new ideas, new tastes and fresh twists on old favorites for snacks.

**Concept**

- On-shelf co-merchandiser in produce
- Product combinations rotate monthly, providing options to leverage seasonal products or to support products with lagging sales

**Example Product Mix**

- Fruit
- Snack cheese
- Yogurt

**Consumer Feedback**

- Consumers like the idea of pairing dairy with produce, but the execution must be flawless
- Products on display did not motivate consumers to "pair"
- Product assortment did not communicate “snack”
- Simplicity of pairing should be clearly communicated
- Top-selling items were snack cheese and chunk cheese

**Average Incremental Impact**

<table>
<thead>
<tr>
<th>Dairy Units Sold: <strong>32.3%</strong></th>
<th>Dairy Dollar Sales: <strong>$35.8%</strong></th>
</tr>
</thead>
</table>
| All items in the display were milk-based dairy products.

**Key Takeaway**

Displays focused on snacking should contain single-serve items.

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* Based on comparing changes in test and pre-test performance between test and control store groups. Figures represent the average (mean) across the rotation periods.

** Reflects only milk-based products featured on the display.
Execution: Chef’s Creations (Dinner)

Consumer Insight

Baby boomers and DINKs (dual income no kids) have more time and more interest in more creative meals.

Brand names and celebrity advocates have influences over this group.

- Mobile cross-merchandiser
- In-store placement aligns with recipe theme
- Display communicates value of higher-quality meals at lower prices than restaurants and leverage local or well-known chefs

Example Product Mix

- Chicken stock
- Frozen vegetables
- Rice
- Shredded cheeses
- Spices

Concept

- Higher-end recipe ideas appeal to shoppers
- Shoppers enjoy the convenience of having everything needed for a meal in one display
- Most say they will purchase from the display again
- Top recipes were summer vegetable risotto and blackened fish tostadas

Consumer Feedback

- Higher-end recipe ideas appeal to shoppers
- Shoppers enjoy the convenience of having everything needed for a meal in one display
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Average Incremental Impact

<table>
<thead>
<tr>
<th></th>
<th>Units Sold:</th>
<th>Dollar Sales:</th>
<th>Dairy Units:</th>
<th>Dairy Dollar Sales:</th>
</tr>
</thead>
<tbody>
<tr>
<td>**</td>
<td><strong>8.5%</strong></td>
<td><strong>12.3%</strong></td>
<td><strong>15.7%</strong></td>
<td><strong>17%</strong></td>
</tr>
</tbody>
</table>

Key Takeaway

Complex and time-consuming recipes could hinder shopper interest. Shoppers need time and repeated exposure to adjust behavior.

* Based on comparing changes in test and pre-test performance between test and control store groups. Figures represent the average (mean) across the rotation periods.

** Protein/produce excluded in certain circumstances because the minority of sales likely occur from display, and its inclusion can dramatically impact the overall test results.

*** Reflects only milk-based products featured on the display.
Execution: **What’s for Dinner? (Dinner)**

**Consumer Insight:**
Moms are time-starved and looking for convenient, nutritious, family-pleasing dinner solutions that offer variety and excitement.

**Concept:**
- Dedicated endcap near dairy department or alternative high-traffic locations
- New recipes available weekly along with a preview of the next week’s recipe
- Family-friendly recipes and products featured

**Example Product Mix:**
- Black beans
- Corn
- Green onions
- Ground beef
- Shredded cheeses
- Sour cream
- Tortillas

**Consumer Feedback:**
- Ongoing recipe rotation is well-received and key in attracting consumers to come back
- Shoppers like having everything needed for a meal available at the display, which makes shopping quicker and meal planning easier
- Top recipes were beef burrito and three cheese veggie beef calzone

**Average Incremental Impact:**

<table>
<thead>
<tr>
<th>Units Sold:**</th>
<th>Dollar Sales:**</th>
<th>Dairy Units:**</th>
<th>Dairy Dollar Sales:**</th>
</tr>
</thead>
<tbody>
<tr>
<td>28.1%</td>
<td>32.1%</td>
<td>57.5%</td>
<td>57.6%</td>
</tr>
</tbody>
</table>

**Key Takeaway:**
Placing the display early in the shopping pattern yields greater consumer involvement.

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**Notes:**
* Based on comparing changes in test and pre-test performance between test and control store groups. Figures represent the average (mean) across the rotation periods.
** Protein/produce excluded in certain circumstances because the minority of sales likely occur from display, and its inclusion can dramatically impact the overall test results.
*** Reflects only milk-based products featured on the display.
Key Takeaways

Best Practices
Analysis of the pilot test data and consumer feedback drove six best practices for retailers to leverage in their dairy meal solution merchandising executions.

1. **Convenience**: Include convenience as a core consideration for all meal solution merchandising executions, as consumers demonstrated a strong interest in convenience.

2. **Location**: Situate displays earlier in the shopping process to position them as a solution provider versus a nice afterthought. Location is a key success factor, as displays need to be in places that make intuitive sense to the shopper.

3. **Visibility**: Ensure that consumers can clearly see all signage, which will help grow their understanding of the concept. Display visibility has a role in performance.

4. **Specificity**: Identify and include only products that truly address the merchandising concept’s specific needstate. Extraneous SKUs are a distraction.

5. **Simplicity**: Keep the product mix and the number of SKUs simple to help enhance consumer acceptance.

6. **Long-term solution**: Initiate a long-term meal solution merchandising program that is refreshed often versus a shorter campaign. It takes time, exposure and planning for consumers to adjust their behavior.

How to Activate

1. Visit USDairy.com/Retailers for a more in-depth report on the pilot test findings and a video that brings this research to life.

2. Gain additional merchandising and marketing insight from the Dairy Department of the Future research, also available on the website.

3. Contact the Innovation Center at innovationcenter@usdairy.com for more information.

Conclusion

With increased competition from alternative channels, grocers need to identify new strategies to stay competitive. Understanding and serving consumer needs is at the heart of protecting sales, and meal solution merchandising provides retailers the ability to leverage key consumer trends while providing shoppers with a more convenient option. Dairy, in particular, is a strong player for these efforts because of its status as a key component of meal-building baskets, as well as its sales-driving capabilities and its healthy halo.

By adhering to the best practices identified through the Innovation Center’s merchandising pilot test and providing a thoughtful product mix, retailers have a strong opportunity to boost current grocery sales and protect future sales, including and beyond dairy.
End Notes

13 MilkPEP, Breakfast at Home: $8.9 Billion Retail Opportunity, 2012.