SPINS® Innovation Stack

How to nail your **Innovation Strategy**

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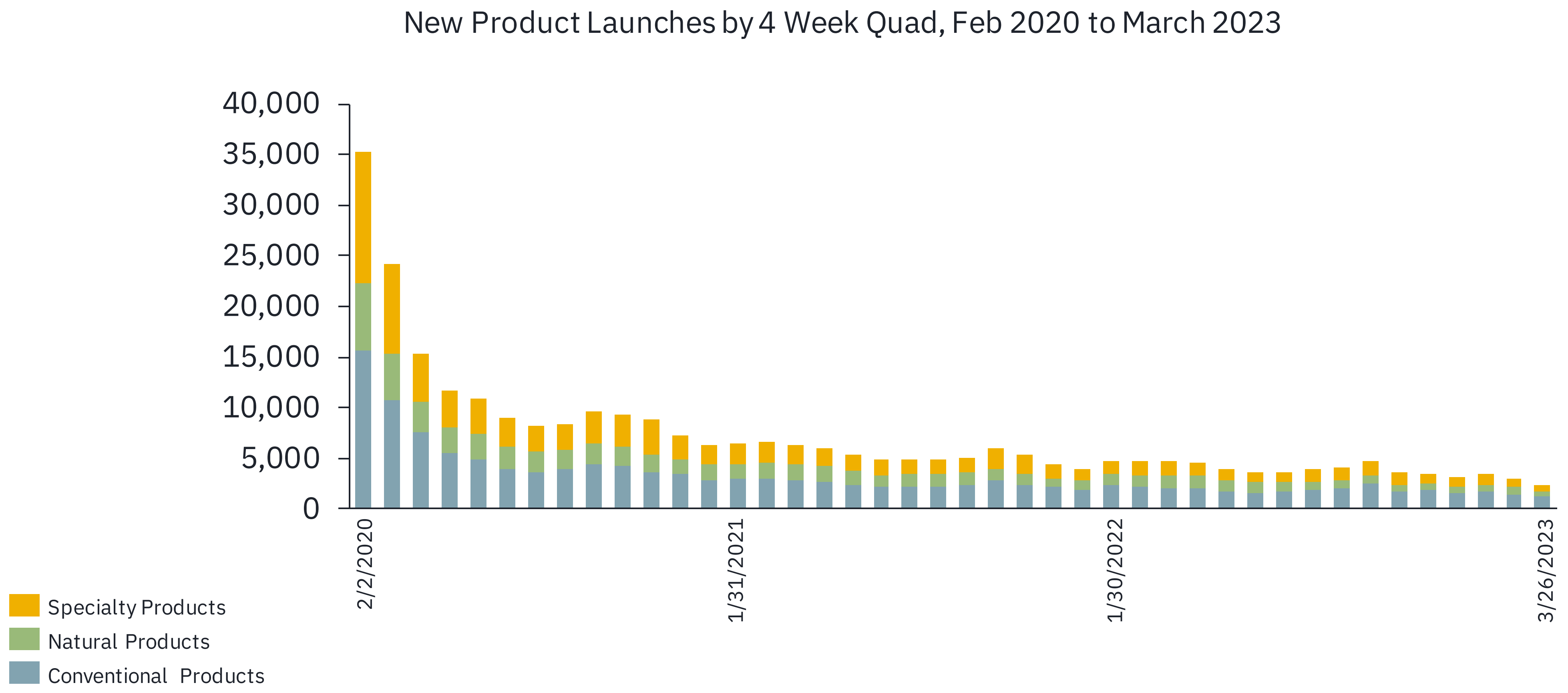
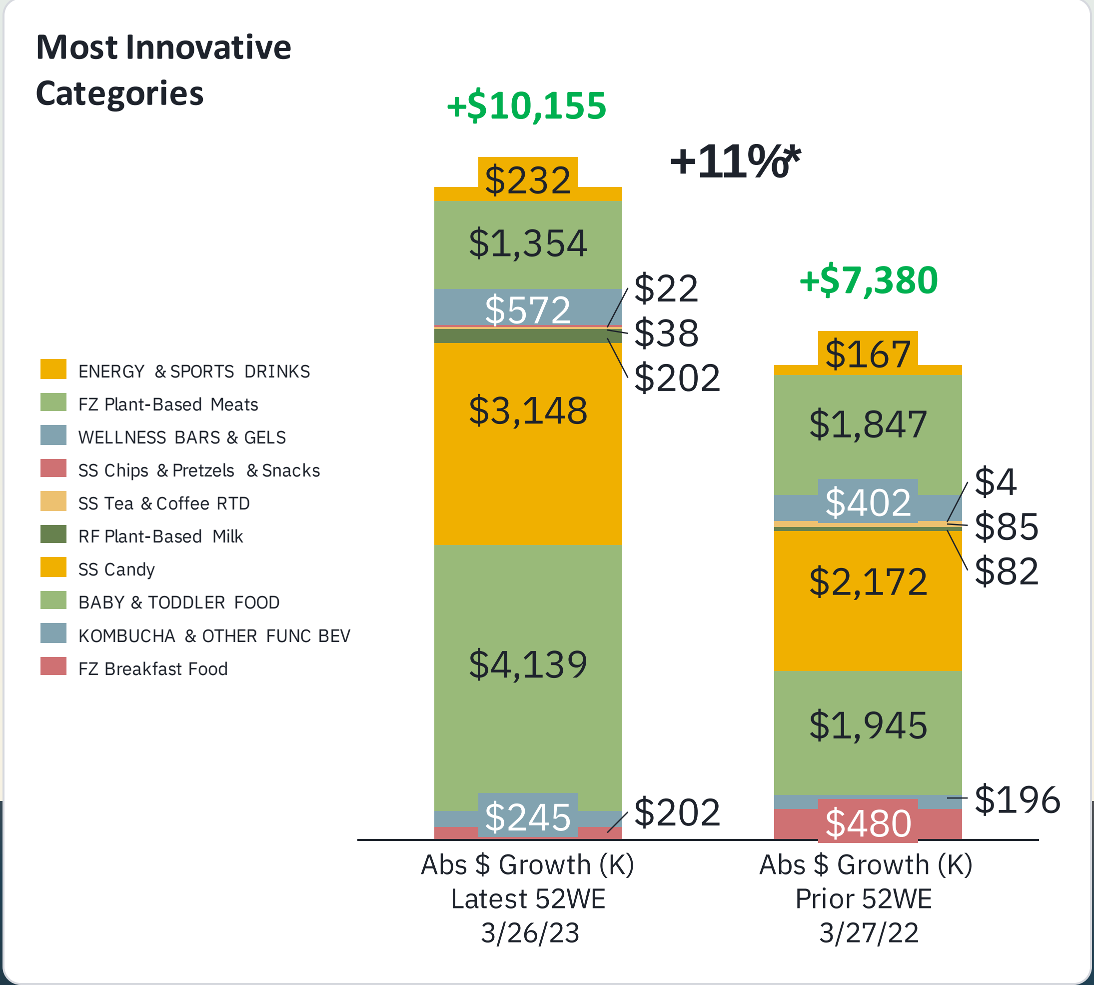
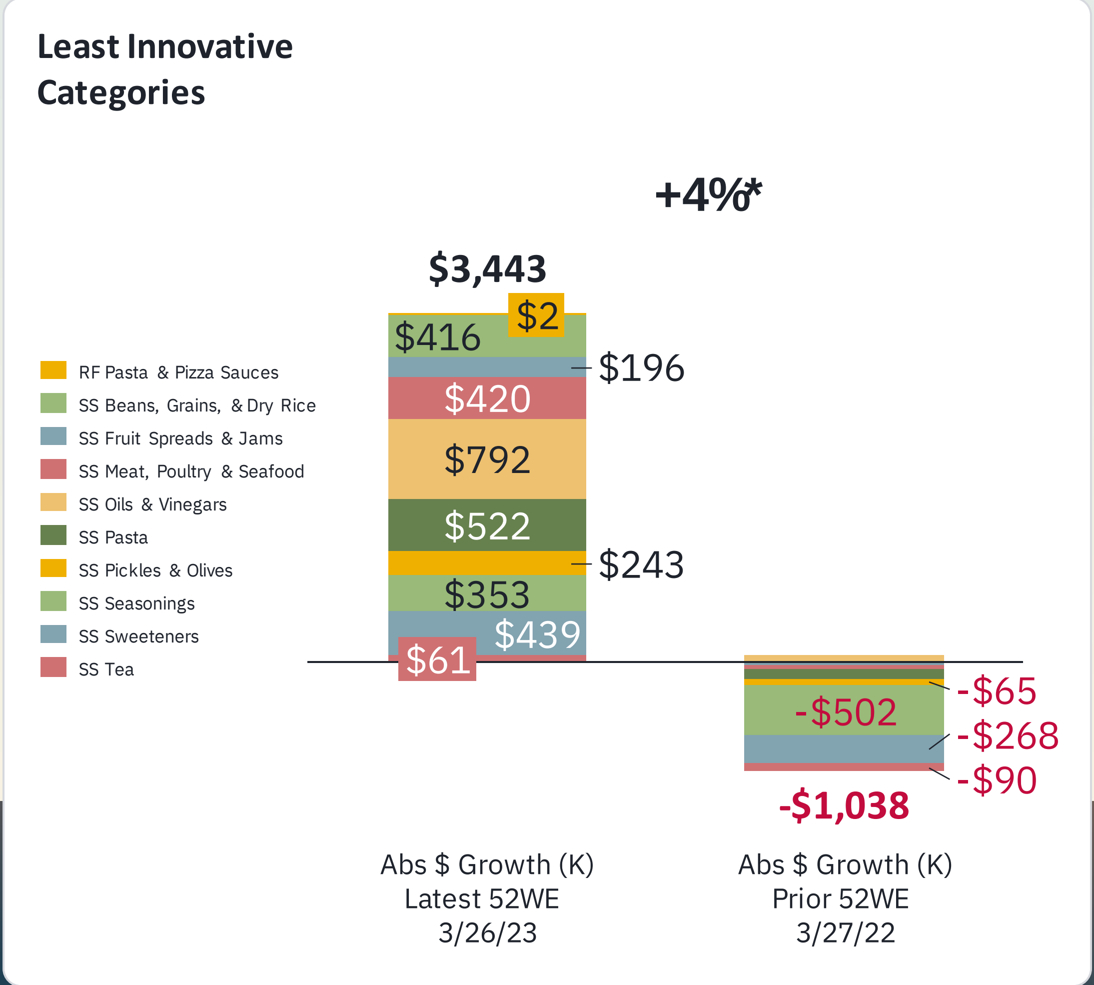
Large and unique shocks drove decreased innovation



Source: TPL Universe, Total US – MULO and Total US – Natural Channels, Frozen, Grocery and Refrigerated Departments; UPC Level; First Week Selling Used to Calculate New Items Launched Per Quad

Categories that are innovating are winning





Source: TPL Universe, Total US – MULO and Total US – Natural Channels, Frozen, Grocery and Refrigerated Departments, Category Level; Absolute $ Growth vs. YA
Innovativeness of Category defined as – Innovation Rate (# of new items / total of items) over the last 52 weeks *2-Year CAGR

What categories **innovate the most?**

10 Categories Are Responsible For 65% Of The Innovation Within The Grocery Department

What Do Highly Innovative Categories Have In Common?

Most of these categories are engrained in consumers' dietary routines, **consumed either for fuel, flavor or everyday enjoyment**

Some of these categories also have seasonal selling opportunities, such as shelf stable candy and baking mixes.

Source: TPL Universe, Total US – Natural Channel, L52 Weeks Ending 01/29/2023

9 of the 10 **most innovative categories** also **experience the highest churn**

What Traits Do Categories With High Churn Share?

Many of the categories with the highest churn also have the most innovation. This speaks to the nature of these high velocity categories & their heavily trafficked grocery aisles; **retailers must make space for new-comers and kick out slow-turning SKUs to remain competitive**.

Coffee And Wellness Bars Are Still Highly Competitive But Do Not Overlap In The Top 10

Source: TPL Universe, Total US – Natural Channel, L52 Weeks Ending 01/29/2023

Not all innovation works

Before

After

Why **extend?**

Brand extension is a standard approach that has become more critical in today's environment

Standard CPG Growth Model…

GAIN DISTRIBUTION

GROW VELOCITY

CATEGORY EXTENSIONS

…even more critical in today's environment.

COST PRESSURES

CONSUMER EVOLUTION

RECESSION CONCERNS

OMNI-CHANNEL VIEW

NEW BRAND ENTRANTS

NEW NORMAL

Brand extension through equity in adjacent categories
is a proven innovation strategy

"Natural Skin Moisturizers"

Personal Care Category Extensions

+$1.2B*

Source: HBR "Dove: Evolution of a Brand", 2008 - "much of the growth [from 2004-2006] was attributable to its extension into new personal care categories"

How to Nail Your **Innovation Strategy**

Establish Brand Equity Guardrails

Identify guardrails for your entry strategy based on brand equity and strategic priorities.

Understand the Values-Oriented Shopper

Leverage the most important attributes for the leading-edge consumer.

Identify Your Big Bets

Cast a wide net with a data first approach before going deep on any one innovation entry point.

Identify the most important brand attributes
to establish innovation criteria

What Attribute is aligned with your brand equity/unique point of difference?

Paleo, Low Sugar Positioning

+

Where are these attributes relevant?

Categories with high growth or whitespace opportunity

Establish the larger category context that fits with your brand equity

“Where does my brand have a right to win/permission to play?

+

Cleaning up Condiments

Consider any unique operational competitive advantages

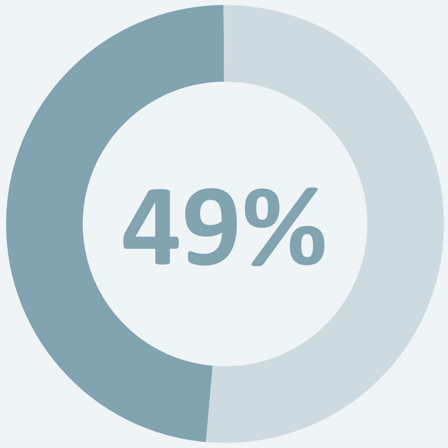
Supply Sourcing	Manufacturing
Packaging	Strategic Relationships/ Distribution Channels

Consumer preferences have evolved

Today's shopper is values-oriented in their purchasing decisions

49% of consumers today are values-oriented shoppers

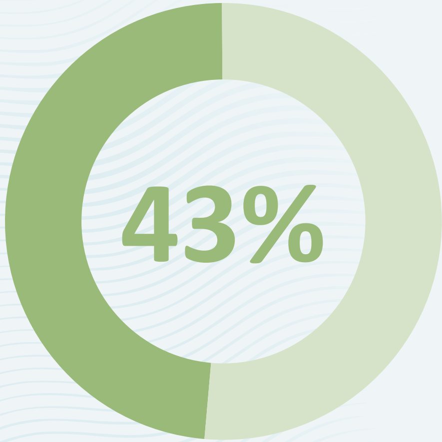
8 in 10 values-oriented shoppers stated that animal welfare, environmental welfare, labor/worker welfare, and/or ingredient sourcing was personally important to them



of Consumers are Values-Oriented Shoppers*

*N = 401 "For each of the product and packaging characteristics, please rate the level of importance to you when shopping for groceries. Product Certification, Label Claims, Specific Diet Types, Presence of Functional Ingredients, and Ingredients" *N = 199 "Which of the following are personally important to you?"; Which of the following would you be willing to pay a premium for? Source: SPINS

Values-oriented shoppers **prioritize Health & Wellness Attributes across top 10 purchase drivers**



of Values Oriented Shoppers stated **a combination of Health & Wellness Attributes** as their **primary reason** for purchasing a new brand

VALUES-ORIENTED SHOPPERS

- Product Certifications
- Nutritional Fact Panel
- Ingredients

AVERAGE SHOPPERS

- Promotion
- Word of Mouth
- Items on Display

N = 199 “Thinking about the last time you purchased a new brand (one you haven’t purchased from in the past) at the grocery store or a retailer where you purchase food and beverages, what was the primary reason for purchasing this new brand?” Source: SPINS

Values-Oriented Shoppers are **an important and valuable segment**

Values-oriented shoppers are frequent shoppers who are always looking to explore new products

88% of values-oriented shoppers purchase groceries at least once a week

1.2X MORE FREQUENT

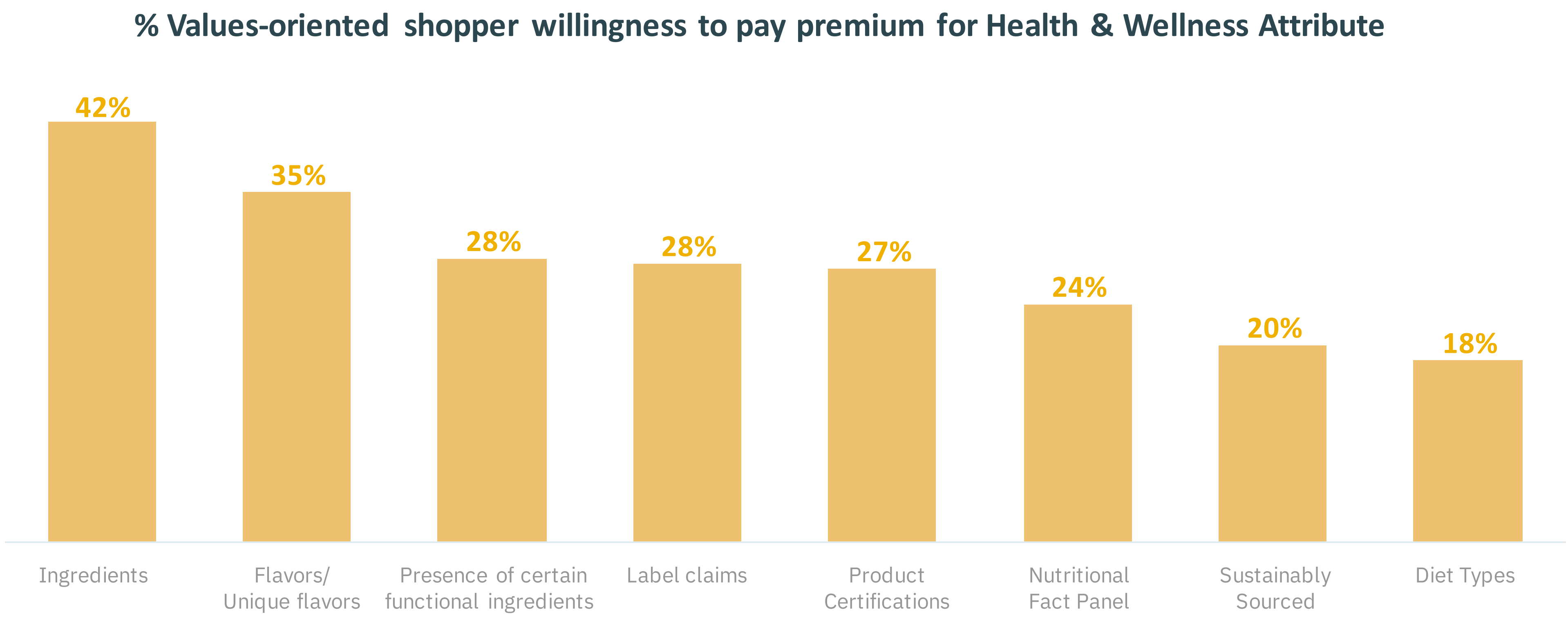
65% of values-oriented shoppers are extremely or very adventurous to try new brands/products

2.5X MORE FREQUENT

N = 199 "How often do you purchase groceries for your household?", "When grocery shopping how adventurous are you in trying a new brand or product?" Source: SPINS

Values-oriented shoppers are **willing to pay a premium**

85% of values-oriented shoppers will pay more for Health & Wellness Attributes



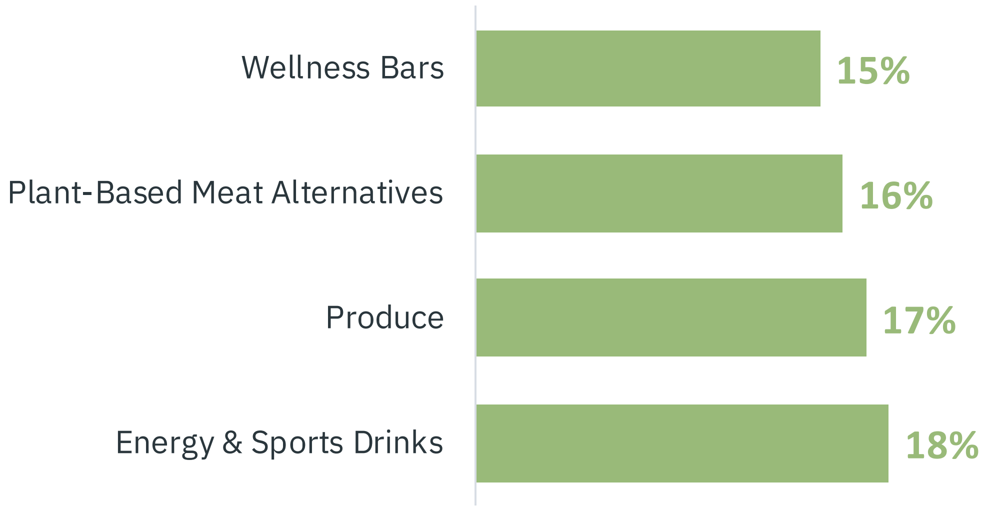
Nearly 9 in 10 values-oriented shoppers are willing to pay a premium for Health & Wellness attributes

N = 199 “Which of the following would you be willing to pay a premium for?”
Source: SPINS

SPINS Attributes provide a **lens into the important attributes in each category**

Trends Driving Innovation across Food & Beverage

Most Innovative Categories across Food & Beverage:



Organic, Focus on Farming:

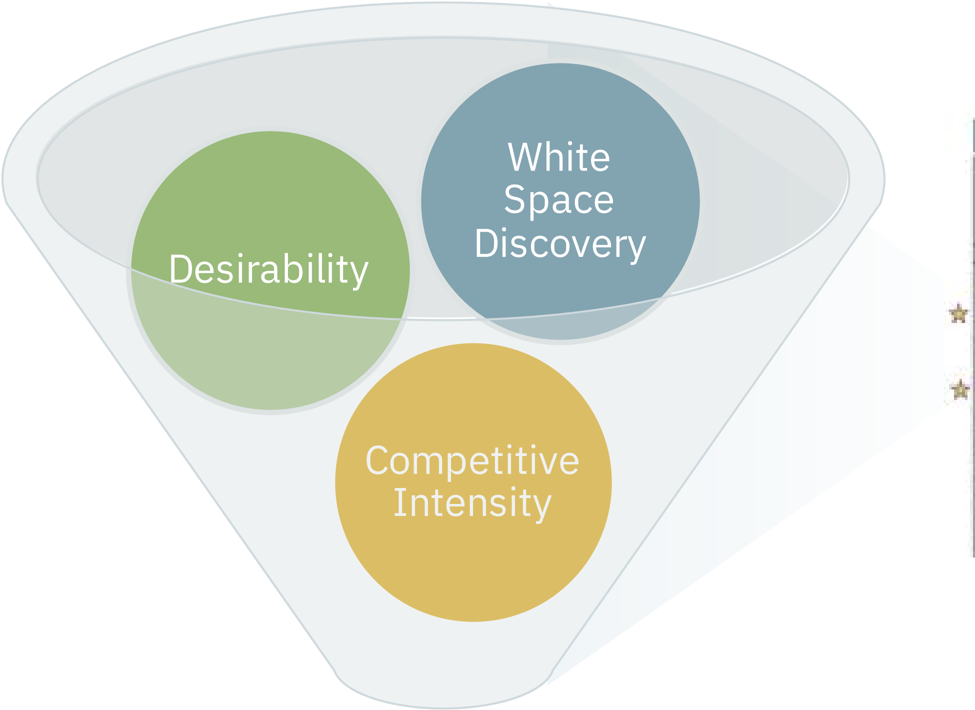
GOOD FOR THE PLANET

Simple, Low Sugar Alternatives:

Convenience Focus:

Cast a wide net with a data-first approach to prioritize big bets

Using a data-based approach to filter out and identify the biggest size of prize for your brand



Subcategory Scan Results

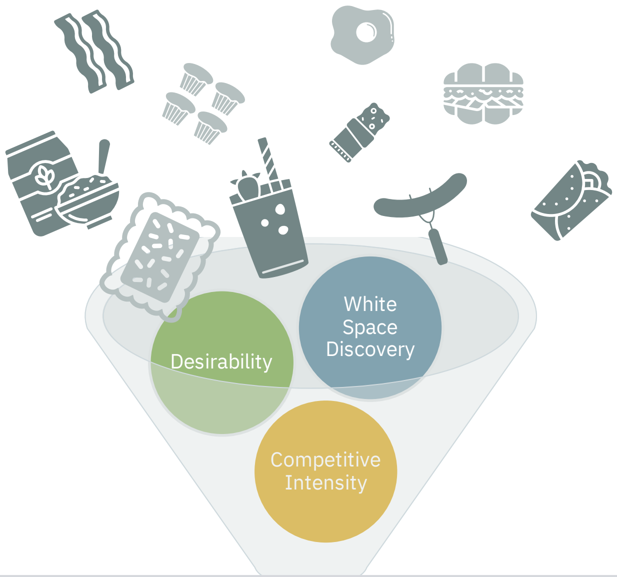
Top 15 Subcategories	Desirability		Competitive Intensity	White Space Discovery		Weighted Score
Weight	25%	25%	25%	12.5%	12.5%	100%
FZ Waffles	87	93	43	66	33	68
FZ Breakfast Entrees	94	99	27	51	21	66
☆ **SS Toaster Pastries**	83	83	54	52	33	66
FZ & RF Bacon	99	100	7	70	39	65
FZ & RF Breakfast Meat	91	96	13	89	43	64
SS Cookies	92	79	52	19	43	61
☆ **Baked Goods**	93	91	18	49	38	61
Bagels & English Muffins	90	97	25	27	37	61
FZ PB Breakfast Meat Alternatives	69	81	45	67	24	61
RF Tempeh	52	57	87	78	55	60
SS Cereal Hot Instant	88	88	29	21	31	60
RF Eggs	96	94	13	30	34	59
FZ Burritos & Pockets	78	90	27	33	54	59
RF Entrees	73	87	36	58	19	59
FZ & RF Beef & Pork Cuts	51	58	55	95	53	57

Using a **data first approach to identify ideal category adjacencies** ensures resources are deployed most efficiently

Project Background

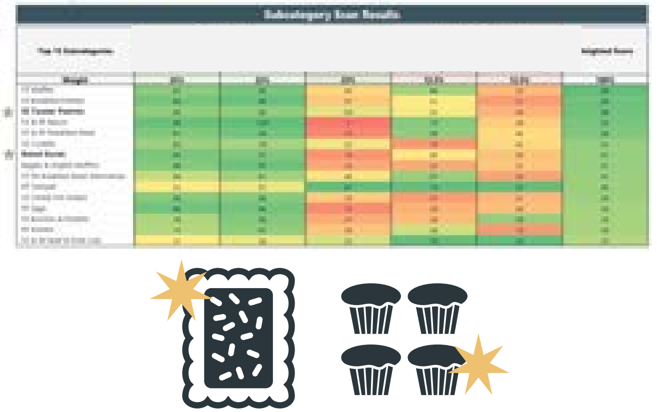
Project Design

We executed an Innovation Scan to **identify and prioritize adjacent categories for a brand extension**.



Project Outcome

Prioritization and focus for R&D team to design products for further development within 2 subcategories - Toaster Pastries & SS Baked Goods.



How SPINS helps brands nail their innovation strategy

SPINS Innovation Stack: **Discover more at growth@spins.com**

INNOVATE INSIDE CATEGORY

INNOVATE OUTSIDE CATEGORY

Stack 1

Identify emerging trends within your category to fill pipeline funnel

Stack 2

Identify and prioritize adjacent categories for brand extension

Stack 3

Understand category dynamics of a priority innovation category