



Microsoft

2024 Partner of the Year

Winner

AI Innovation Award



The Wealth Effect in Retail

Winning with shoppers willing to pay more!

January 2025

Retail CPG

Speakers in the panel



Mike Troy

Sr. Director Content
and Thought Leadership



Laetitia Berthier

Customer Centric Retailing
Solutions Presales – France



Josh McCann

Head of HQ Client Delivery
and Analytics – US

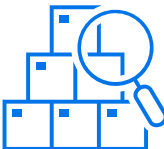
Study Parameters



107mn
households



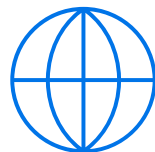
3B
transactions



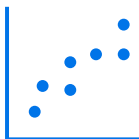
35B
units



Time window
52 weeks
as of Q3 2024
vs YAGO



Traditional
grocery retailers
Europe
USA
Asia



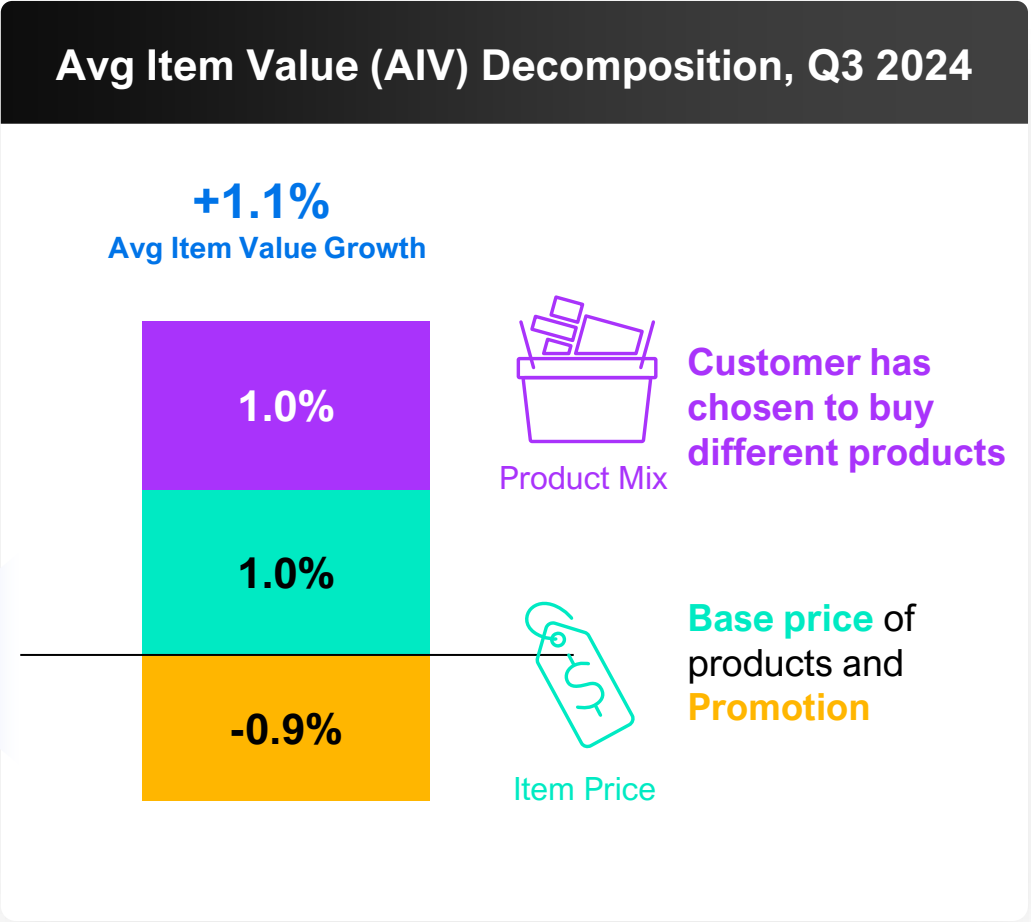
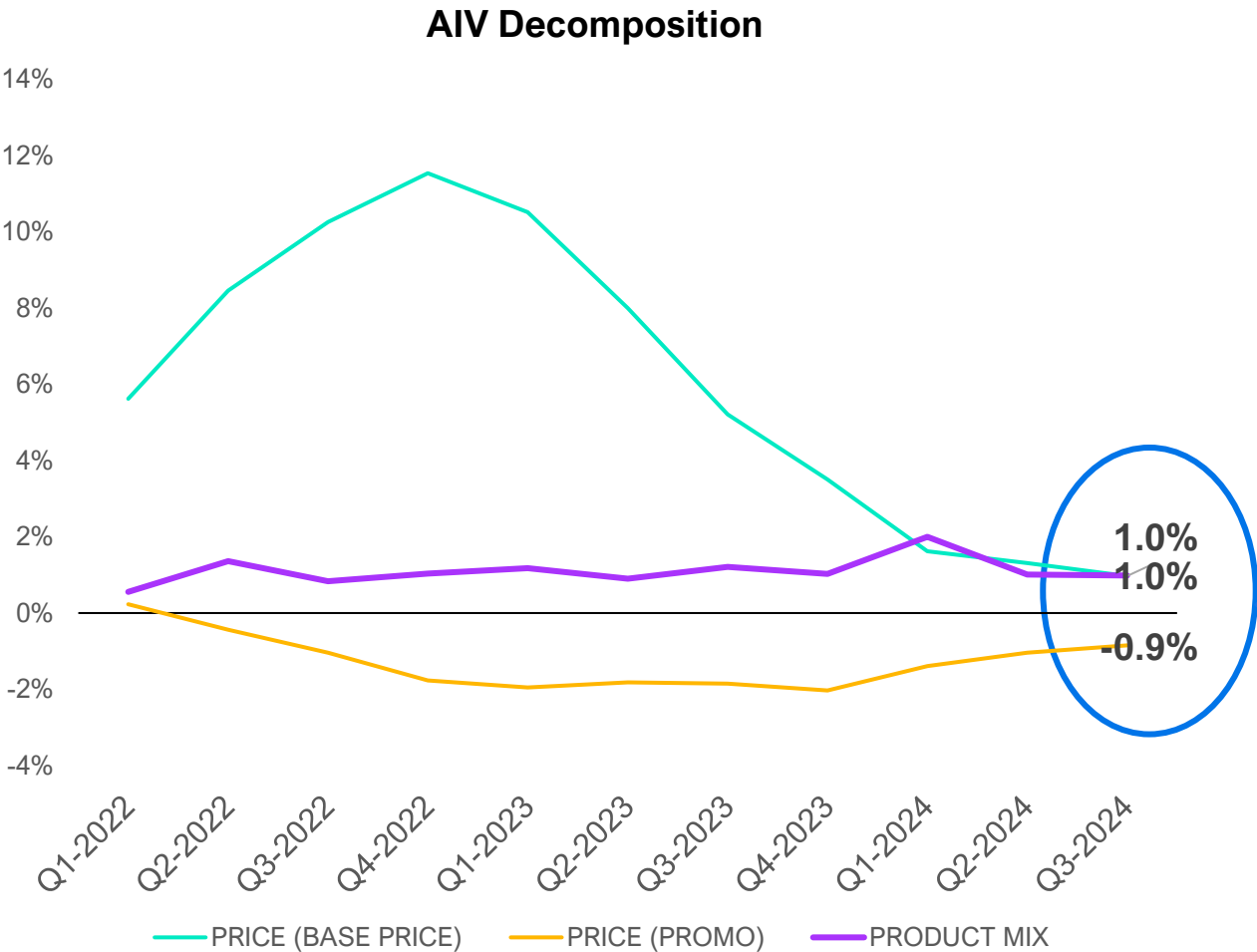
All retailers given
equal
weight

Premiumization

What it is and how grocers can benefit

Premiumization is defined by customers purchasing at higher price points. This can be achieved through higher-tier products, larger packages, opting for organic over conventional products, etc.

Since inflation began, customers have used promotions to cope with the high cost of living, yet they continue to buy the same products



While we haven't observed evidence of premiumization at the total store level, we have noticed it in some key categories

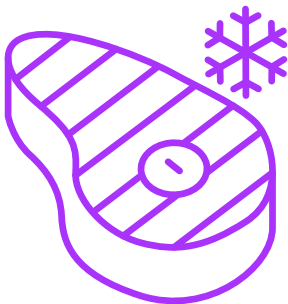


Product Mix

The average item price at total store has changed from customer has chosen to buy different products only **1.0%**

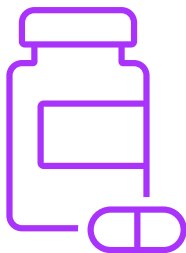
Top categories with the highest product mix

7.0%



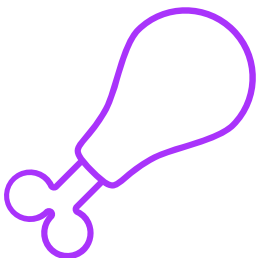
Frozen Meat

4.2%



Vitamins

3.6%



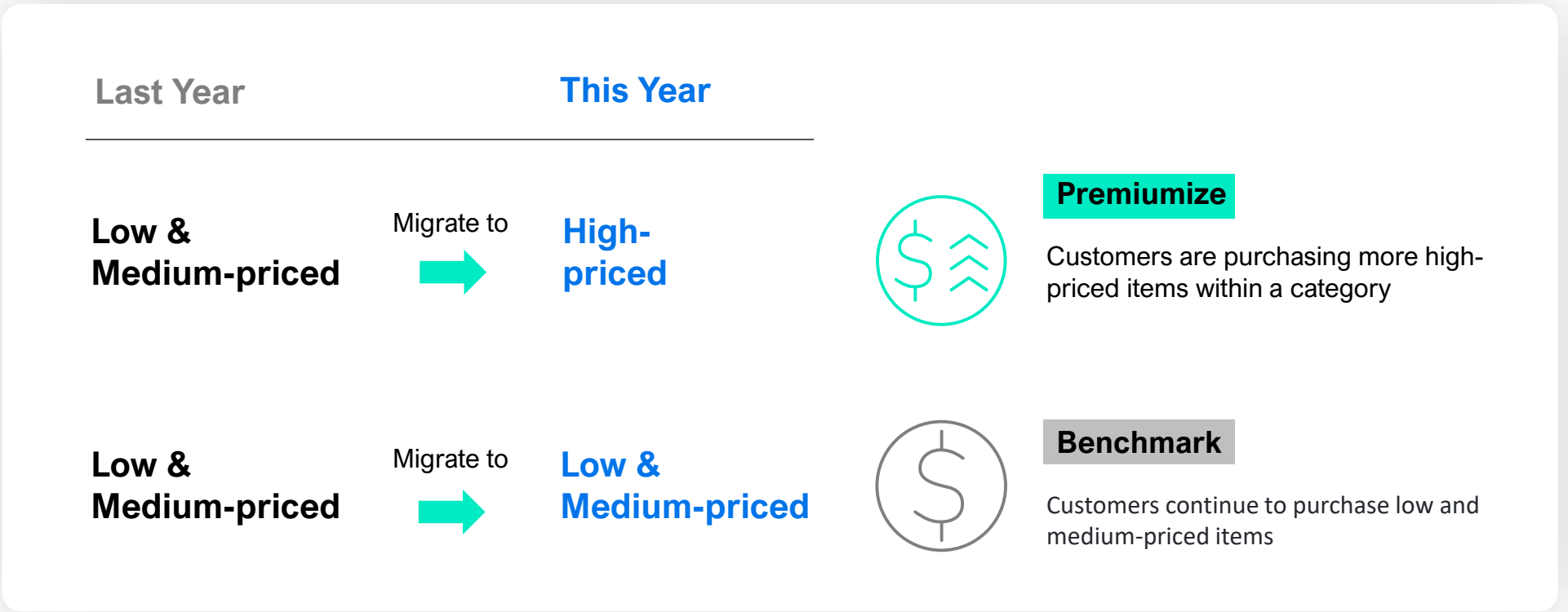
Poultry

Which categories show signs of premiumization?

Customers are classified into 2 groups to understand the behaviour driving the premiumization of each category

14% of customers within a category are premiumizing

Each customer can be assigned to different segments across various categories

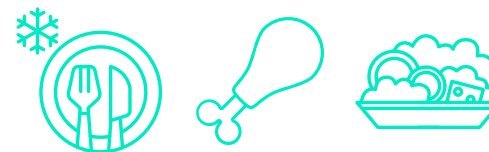


13% of categories show the premiumization trend, accounting for 18% of total store sales

Premiumized categories

consist of those with an upward trend in product mix and are important to premiumized customers

Frozen Foods,
Poultry,
Vegetables



Cereals, Baking Mix,
Cookies & Crackers
and Ice-Cream



Vitamins, Baby Food
and Cleaning
Products



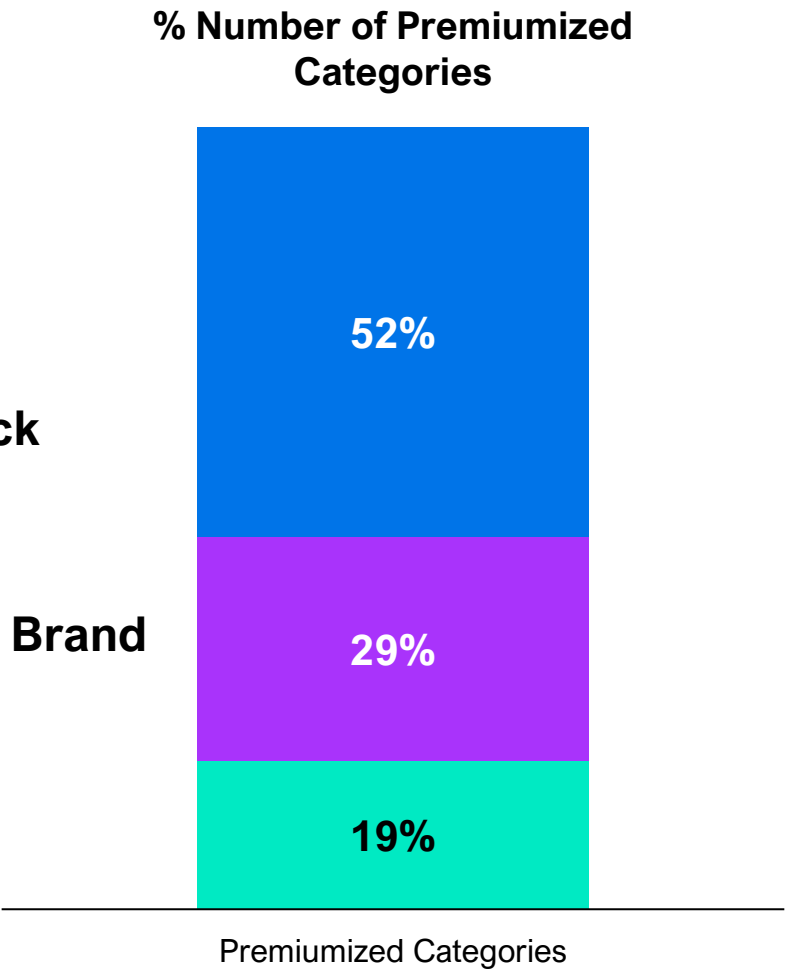
How is premiumization occurring?

52% of premiumized categories are impacted by increased purchasing of larger pack sizes

Using our AI model, we identify the factors that **most significantly influence the premiumization** of each category by comparing the % growth in units for each attribute from last year between premiumized customers and the benchmark



- 01 Large Pack
- 02 High-Tier Brand
- 03 Organic

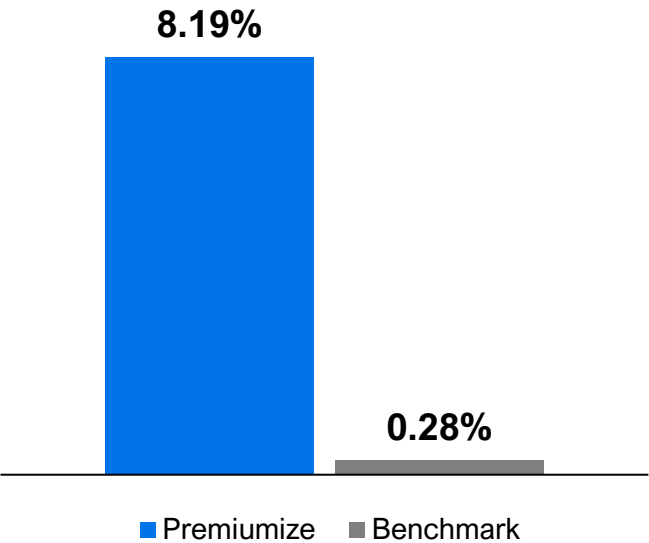


Customers are trading up by choosing larger packs, higher-tier brands and organic products, respectively

01

Large Pack

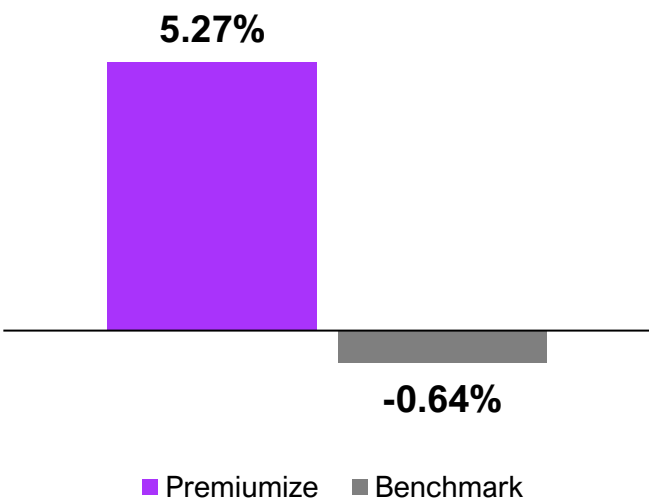
% Large Pack Units per Customer Growth



02

High-Tier Brand

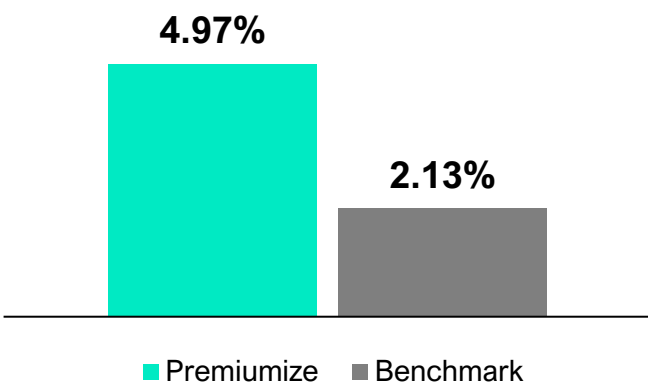
% High-Tier Brand Units per Customer Growth



03

Organic

% Organic Units per Customer Growth



Customers premiumize differently across categories

01

Large Pack

These categories comprise **staple and convenience foods**, making bulk purchases practical due to frequent consumption



- PRESERVED VEGETABLES
- SEAFOOD
- APPLE & PEAR
- BACON
- FROZEN MEAL



- COLD CEREAL
- COOKIE & CRACKER



- FLAVOR ENHANCER
- INSTANT SOUP



- VITAMINS
- BABY FOOD & DRINK

02

High-Tier Brand

These categories are often distinguished by their **premium quality, superior sourcing, and unique** value propositions



- POULTRY
- SALAD VEGETABLES
- ICECREAM



- KITCHENWARES
- CLEANING SUPPLIES
- GENERAL CLEANING

03

Organic

These categories are often selected for their **natural and organic** ingredients



- FROZEN CHIPS & POTATO
- FROZEN MEAT
- BAKING MIX
- SPREADABLE

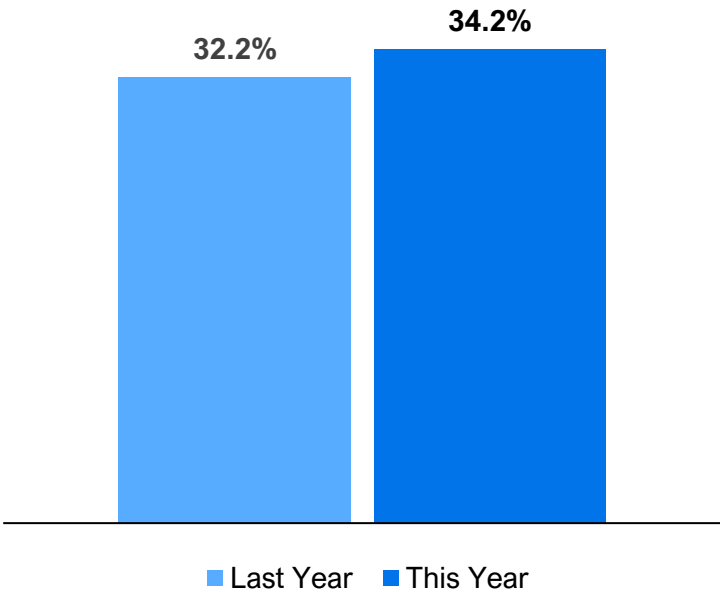
Do promotions influence premiumization?

Promotions drive premiumized customers to buy larger packs and organic products but minimally affect high-tier brand purchases

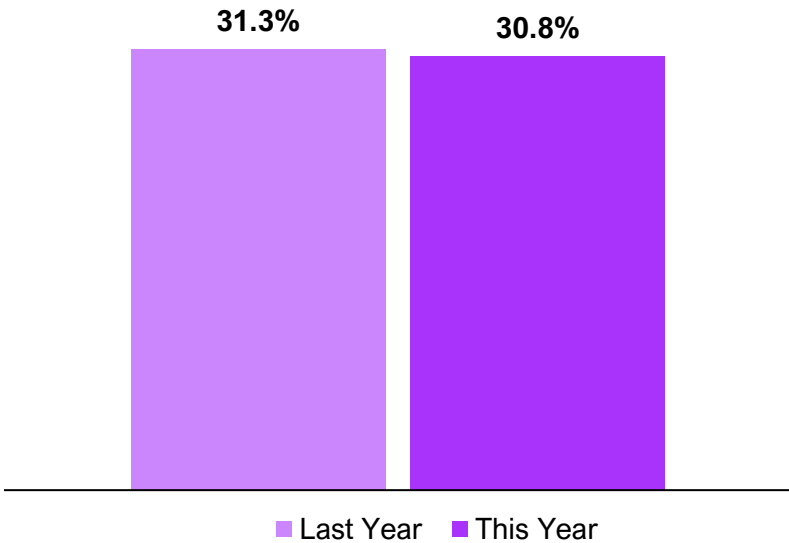
Do premiumized customers buy more units on Promotion?



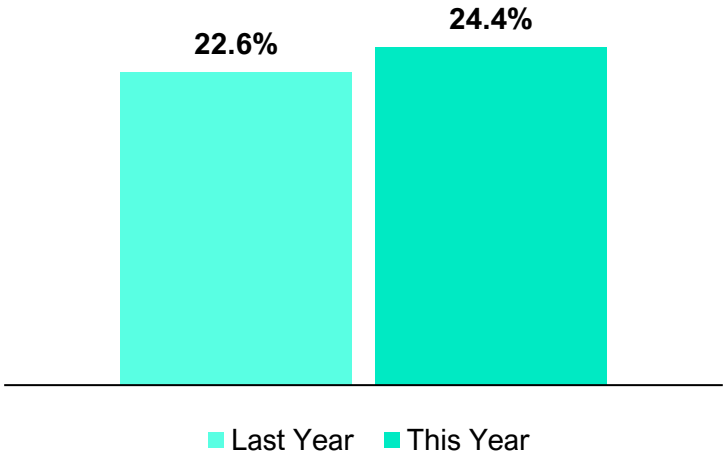
% **Large pack** units on Promotion
+2ppt



% **High-Tier Brand** units on Promotion
-0.5ppt



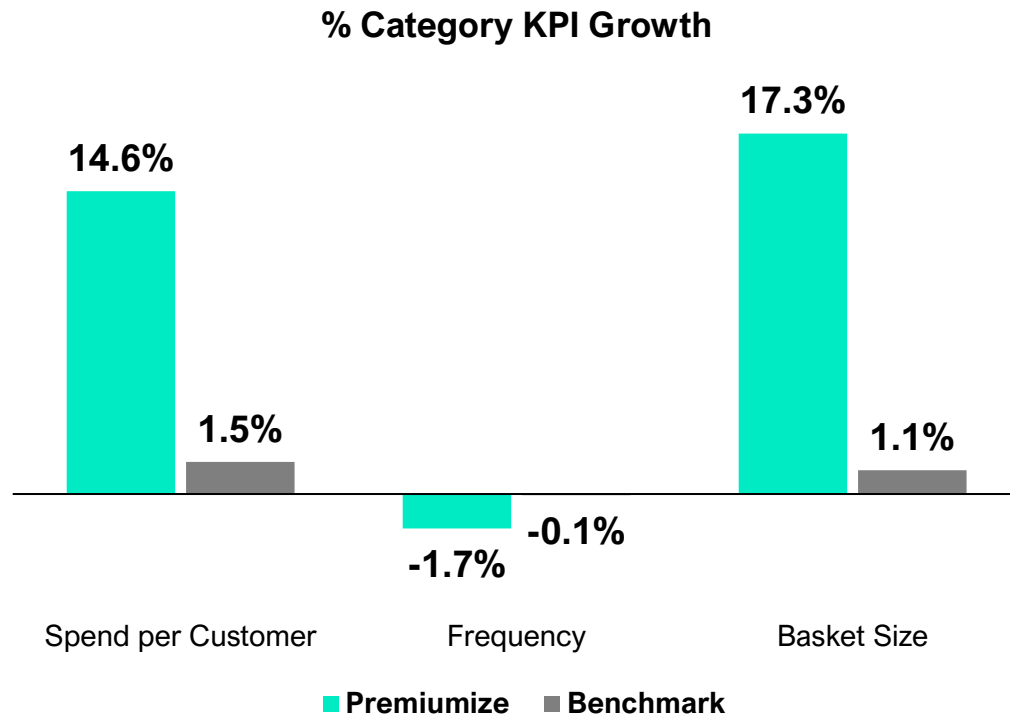
% **Organic units** on Promotion
+1.8ppt



Opportunities for premiumization

1/3 of category sales growth is from premiumization

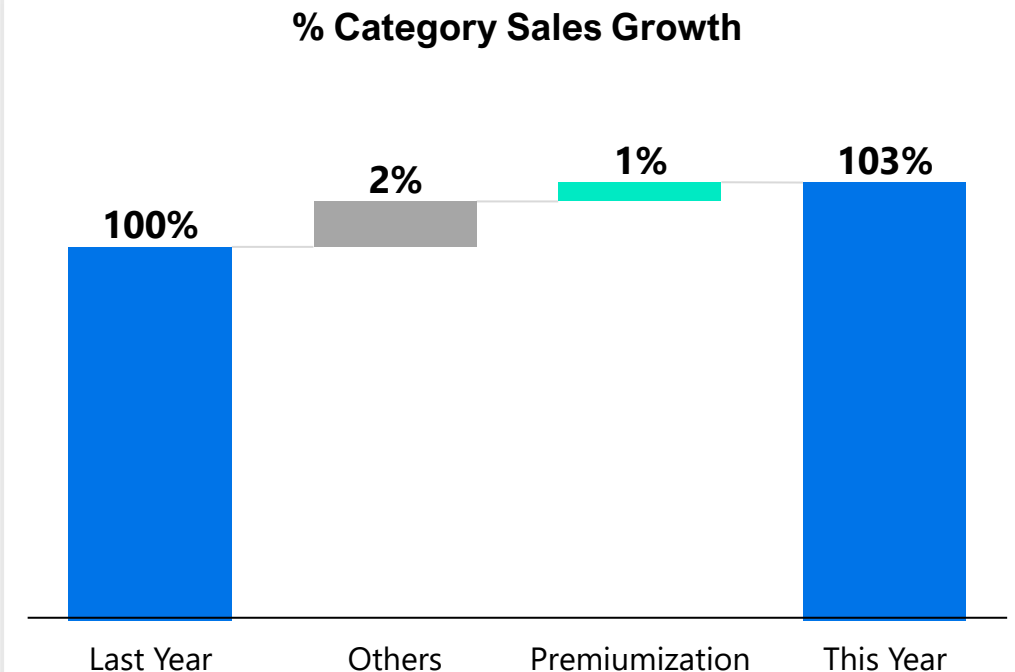
Premiumized customers increase category spending through a **higher basket size** in the category vs total continuous customers



Average of % KPIs growth by categories among premiumized customers vs benchmark



The increase in spending leads to a **1%** of category sales growth which contribute to **1/3** of the **category growth**

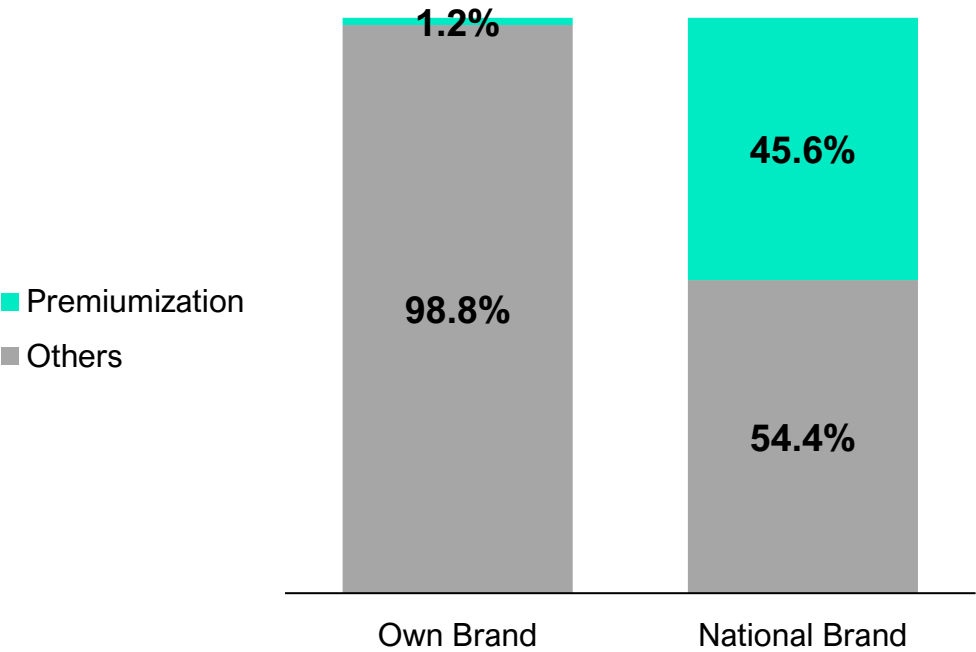


Average of the contribution to category sales growth by customer segment

There is an opportunity for CPGs to capitalize on premiumization, as evidenced by the high contribution to national brand growth

Premiumization accounts for 45% of the national brands' sales growth in a category, while it has no impact on own brands

% Category Sales Growth by Brand Type



Average of the contribution to category sales growth by customer segment and brand type

Top categories with the greatest impact from premiumization on national brands' sales growth

Impact on Category Sale Growth

-  CLEANING SUPPLIES
-  COOKIE & CRACKER
-  ICECREAM
-  FROZEN MEAL
-  GENERAL CLEANING

Categories are ranked by the contribution the sales growth of premiumized customers

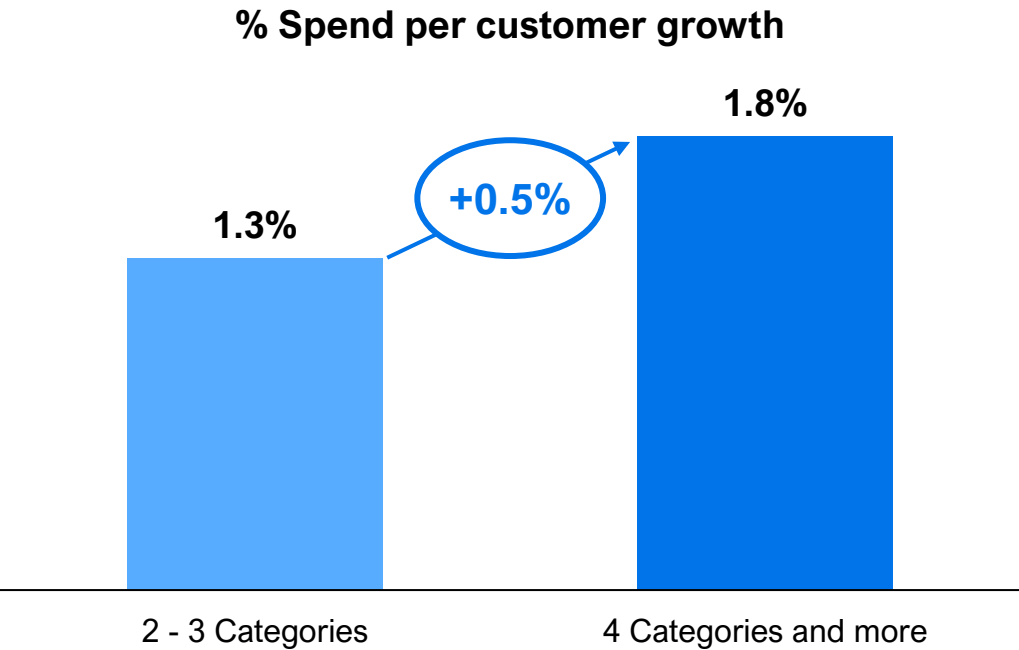
Cross-selling premium products can drive incremental spending in retail

69%

of premiumized customers
premiumize in more than 1 category

Customers typically premiumize in
4 categories, which represent 18%
of their overall category purchases

Customers with a higher number of premiumized categories show greater spending growth



Consider only customers who premiumize more than 1 category
as they have the higher opportunity to expand the breadth

Improve the customer experience by targeting premium customers with high-end products **within the same department**

Use basket affinity to group categories where customers frequently buy high-priced products

Key categories with opportunities for premiumization expansion



SAVORY FOOD

- BACON
- FLAVOR ENHANCER
- FROZEN CHIPS & POTATO
- FROZEN MEAT



Top categories with opportunities for bundle promotions in the high-priced tier



- CARBONATED DRINK
- WATER & FLAVOR WATER
- RTD TEA
- CRISPS & SALTY SNACKS
- BUTTER & MARGARINE



BREAKFAST PANTRY

- BAKING MIX
- COLD CEREAL
- SPREADABLE





- CHEESE
- YOGURT
- MILK
- BREAD
- HEALTHY FOOD & SNACK BARS



HOME ESSENCIALS

- CLEANING SUPPLIES
- GENERAL CLEANING
- KITCHEN HOUSEWARES





- TOILET PAPER
- LAUNDRY DETERGENT
- COFFEE
- PAPER TOWELS
- DISH DETERGENT

Recommended actions for Retailers and CPGs to capitalize on premiumization trends



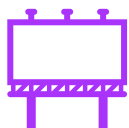
Selective targeted promotions and personalization

- **Personalized campaigns** that align with premium customers' preferences and habits
- **Targeted promotions** for premium categories, encouraging customers to trade up in high-opportunity categories
- **Early access to new premium products** to build trust in premium offerings



Diverse product range

- **Adapt the range** of product and price tiers based on the store profile within premium categories
- Introduce **new premium product lines** in opportunity categories or enhance existing offerings to attract premium-seeking customers, while maintaining popular mid-tier and entry-level options



Strategic mass promotions

- Regularly evaluate and **adjust promotional strategies** to align with evolving consumer preferences
- Implement **mass promotions** on premium national brand products, **using relevant category drivers** (e.g., larger packs for cereals and cookies) to stimulate premiumization and drive category sales growth



Cross-selling opportunities

- Develop **cross-selling strategies** leveraging basket affinity insights to encourage purchases across complementary premium categories
- Create **bundled offers or curated collections of premium products** to increase basket size, offering loyalty points or incentives for multi-category purchases



Get in touch!

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Thank you



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