Broad Street Naturals

An In-Depth View of Whole Foods, Aldi, and Giant

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Objectives

To help Broad Street Naturals gain exposure and brand recognition for its puck-based, natural, GAP-certified beef and chicken products

To examine what steps Broad Street Naturals can take to gain relevance and shelf presence in Giant and Aldi

To provide informational and marketing insights on the competitor offerings that exist in Whole Foods, Giant, and Aldi

Agenda

1. Broad Street Naturals Overview
2. Product and Market Analysis
3. Primary Research (Focus Group Results)
4. Store, Direct Competitor, and Customer Analysis
    - Giant
    - Aldi
    - Whole Foods
5. Small Brand and Food Label Research
6. COVID-19 - Competitor Product Response
7. Conclusions and Recommendations
8. Q&A

Broad Street Naturals - Brand Overview

Broad Street Naturals - Brand Overview

“We believe **family** and **quality** come first. With a delicious dinner that is **ready in minutes**, you can get back to what matters most - **spending time with the ones you love**.”

Broad Street Naturals’ website

Broad Street Naturals - Brand Overview

Key preparation points

- "Convenient"
  - "Frozen to your table in a matter of minutes"
  - "No chopping"
  - "Pre-seasoned"
- "Versatility"

Key health points

- "High-quality, natural meats"
- GAP-certified
- No antibiotics/added growth hormones
- Raised on vegetarian diets

"Family tradition since 1971"

Broad Street Naturals' website

Product and Market Analysis

Porter's Five Forces

(+) = advantage for BSN
(-) = disadvantage for BSN

Threat of new entrants - Moderate/High

- Larger, wealthier, more recognizable companies could easily develop a similar puck-based product (-)
- Government regulations applying to GAP may add a protective layer (+)

Power of buyers (supermarket customers) - High

- Low switching costs (-)
- Many substitutes (-)

Power of suppliers (BSN) - Moderate

- Low switching costs and some substitutes to choose from (+)
- Puck-based form and GAP certification differentiate the product (-)

Porter’s Five Forces

(+) = advantage for BSN
(-) = disadvantage for BSN

Threat of substitutes - High

- Available substitutes make the performance/price tradeoff (-)
  - Many options, with similar quality, certifications, and price (-)
- Low switching costs (-)

Rivalry among existing competitors - Moderate/High

- Many direct and indirect competitors (-)
- Puck-based form may help to fend off some competition (+)

SWOT Analysis

Strengths

- Puck shape
- Convenient / easy
- Healthy / natural / GAP
- Local farming (North Carolina chicken)

Weaknesses

- Low brand awareness
- Whole Foods-only market
- Not available in every Whole Foods store

Opportunities

- Expand into other natural markets / supermarkets
- Advertisements / brand awareness opportunities among consumers

Threats

- Bigger brands with alternatives and substitutes
- Consumer taste preferences for fresh food
- Process / operations for frozen foods in U.S. becoming more expensive

IBISWorld - Frozen Food Production in the US

Chicken and Beef Market Analyses

<u>Chicken</u>

- Most popular meat in the U.S.
- Expected to grow through 2024
  - Per capita consumption (.3% per year)
  - Revenue (.2% per year)
  - Wholesaling (.2%)
- **Outlook** - stable/slight gains

<u>Beef</u>

- Declining popularity due to growing health concerns
- Expected to fall through 2024
  - Revenue (-1% per year)
  - Wholesaling (-1%)
  - Profit margins (-.4%)
- **Outlook** - slight declines

<u>IBISWorld</u>

- Egg & Poultry Wholesaling in the US
- Beef & Pork Wholesaling in the US

BSN Weekly Sales Analysis (By Units Sold)

- Total sold = 1,696
- Beef outsold chicken - 1,076 vs. 620
- Region rankings
  - NA (513), MA (489), MW (215), FL (170), SO (156), NE (153)
- Conclusions***
  - Despite recent health trends, the beef product is more popular
  - Perhaps best to start by penetrating the NA and MA regions (lines up with Whole Foods, Aldi, and Giant store locations)

***If this data corresponds with the all-time data

Sales between 1/8/20 and 1/14/20 across 380 Whole Foods stores

Primary Research - Focus Group Findings

Focus Group Findings

Sample size

- 5 adults
- 2 males and 3 females
- White
- Ages 39-60
- All hold at least a bachelor's degree
- Household sizes of 2-4, with an average focus on buying healthy products

Packaging

- The story
  - Enjoyed reading about the history
  - Could possibly draw more attention if it was higher up on the package
- Appreciated the quality standards being listed on the front
- Found the main picture on the chicken package to be too close, making it harder to distinguish
- Colors
  - Interpreted green as meaning "natural," but often associate beef with red
  - Felt the beef (green) package was easy to overlook, and less of a standout than the chicken (yellow) package
  - Found the story harder to spot on the chicken package because of the white text on the yellow background

Focus Group Findings

Directions/cooking

- Not only found the directions helpful, but believed they were necessary to prepare the product correctly
- Most noticed that the pucks/paper dividers would freeze together, delaying the cooking process
- Had no issues cooking the product

Taste

- Some found the product to be flavorful, juicy, and “natural tasting,” while others commented that the chicken was salty and the beef was lacking in seasoning
- Preferred the product to be oven-baked, rather than pan-cooked

Website

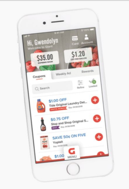
- Respondents were hoping to see recipes on the website

Overall

- A majority were pleased with the experience and would purchase again

Store, Direct Competitor, and Customer Analysis

~180 Stores	Maryland, Pennsylvania, Virginia, Washington D.C. and West Virginia
Focus	Health-conscious, offering natural and organic health-centric products and alternatives. Community and neighborhood committed
Mission Statement	Offer safe, wholesome, quality guaranteed product in clean, modern and attractive stores. Reinforce established policies and procedures while taking into consideration product safety, quality, the environment, animal welfare and working conditions.
Offerings	Nutritionists / Events / Health & Wellness Article



Giant's website

FUN FACT! HISTORY AND HERITAGE

Giant's website

Direct Competitor Offerings at Giant

Opaa! Flame Broiled Chicken & Beef Gyro Slices

- “Ready Carved”
- “Off the cone” with graphic of meat on the pole
- Pictures of possible meals on back
- Cooking instructions
- Website offers recipes
  - Gyro Pizza, Salad, Sandwich, Pasta, Stir Fry
  - Greek Heritage and Story
  - Social Media accounts to follow

Tyson Grilled & Ready Chicken Breast Strips

- “Real, Simple 100% All Natural* Chicken
- Made with White Meat Chicken
- 21g protein
- No Antibiotics Ever!
- Now Even Juicier
- Instructions and Recipes
- Website is all about the product and recipes. The theme seems to be mostly about home cooking and the “How to”

The Philly Steak (PNS&S Steak Company)

- “JUST BEEF!”
- # of steaks inside box
- Recipe suggestions on the back
- Cooking instructions
- Website - very basic, two products offered where to find, recipes and other basic information. No theme; PNS&S logo as background

Steak-umm

Quick & Easy Meals in Minutes!

All natural 100% beef, “100% delicious”, 14 steaks.

Backside of the package had more pictures of meal suggestions for Breakfast, snacks and meals.

Website:

- Theme = Heaven “BLESS”
- Enthusiastic consumers
- Products offered & recipes
- Charities
- Merchandise
- More about the brand than product

Heritage Ribeye steak: Not much to packaging other than picture and brand name. Website is all about the quality of the meats that comes from their animal welfare mission.

Old Neighborhood: “Beef shaved steak”,100% beef, nutrition on front, picture of cheese steak. Website is more of a product offering search.

Key Giant Takeaways

- More direct competition among beef products
- Small/limited reach, with only 180 stores across 4-5 states
- Actively keeping up with shopping trends (health-centric, offering recipes, online ordering/shipping)
- Similar heritage background that may help with connecting with store management
- No secondary data available on demographics; up for interpretation for now

Whole Foods

Heavy focus on natural, organic, and specialty products

Key statistics

- 8th most-used store for groceries
- 2.6% market share
- 500 stores spread evenly across the U.S.
- $17.2 billion in sales (2019)

Statista - Grocery Stores: Whole Foods Markets Brand Report
IBISWorld - Supermarkets & Grocery Stores in the US

Direct Competitor Offerings at Whole Foods

BSN offers the only cheesesteak-specific product

No other frozen steak products, but many frozen chicken products

- All small or private label (365) brands that are comparatively priced
- Like BSN, the availability of these products varies from store to store

Direct Competitor Offerings at Whole Foods

Competitor marketing tactics

- No antibiotics/added hormones, natural/organic, products raised on vegetarian diets
- Packaging shows the products cooked and isolated
- No particular target age
- Websites
  - Heavy focus on farm imagery, lighter focus on pictures of the product
  - Recipes
  - Company story/history

Direct Competitor Offerings at Whole Foods

Aldi

Discount grocery store with highly competitive pricing

- 90% of merchandise is Aldi's private label

No overarching focus on organic or natural products

Key Statistics

- 3rd most-used store for groceries
- 2.9% market share
- 1,900 stores across 36 states (eastern U.S. and California)
- $19 billion in sales (2019) - projected to grow 6.7% through 2024

Statista

- Grocery Stores: Aldi Brand Report
- Whole Foods Market

IBISWorld - Supermarkets & Grocery Stores in the US

Direct Competitor Offerings at Aldi

Offer one cheesesteak-specific product (beef), (not private label)

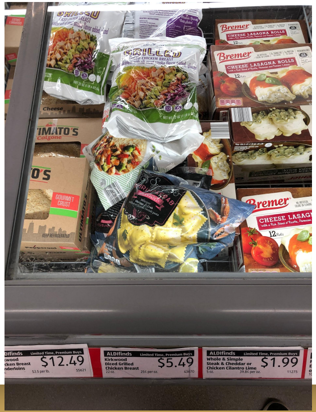
All other direct offerings are chicken, private label, and competitively priced

Direct Competitor Offerings at Aldi

Competitor marketing tactics

- Philly Gourmet
    - 100% pure beef, cook from frozen in minutes
    - Packing shows the product in cheesesteak-form
    - No particular target age
    - Website - recipes
- Aldi private label products
    - No antibiotics/added hormones, natural, raised on vegetarian diets
    - Packaging either shows the products cooked and isolated, or in meal-form
    - No particular target age
    - Websites - through Aldi, just pictures and health facts

Direct Competitor Offerings at Aldi



Brief Aldi Conclusions

Potentially challenging to break into Aldi because of its private label emphasis

However…

- Philly Gourmet is beef only, not antibiotic/hormone-free, not natural, and not vegetarian fed
- Is BSN open to creating a private label product for Aldi?

Aldi's reach, growth, and popularity, as well as its overlap with Whole Foods' products and customers' shopping habits still make it an attractive opportunity

Whole Foods vs. Aldi - Customer Shopping Habits

(+) = above industry average; (-) = below industry average

Whole Foods

- 82% of customers buy meat (+)
- 75% of customers prefer high quality products (+)
- 63% of customers prefer natural ingredients (+)
- 44% of customers follow a no/low carb diet (-)
- 44% of customers avoid artificial flavors/preservatives (+)

Aldi

- 81% of customers buy meat (+)
- 62% of customers prefer high quality products (+)
- 48% of customers prefer natural ingredients (+)
- 51% of customers follow a no/low carb diet (+)
- 35% of customers avoid artificial flavors/preservatives (+)

The customers of both stores show a strong preference for key BSN product stats

Statista - Grocery Stores: Whole Foods Markets Brand Report
Based on an online survey of 694 customers

Statista - Grocery Stores: Aldi Brand Report
Based on an online survey of 1,127 customers

Whole Foods vs. Aldi - Customer Demographics

Whole Foods

- 76% of customers are between 18-44 (skew younger)
- Higher incomes
- More likely to live in cities and urban communities

Aldi

- 66% of customers are between 18-44 (skew older)
- Lower incomes (should not matter because of BSN's price-point)
- More likely to live in towns and rural communities

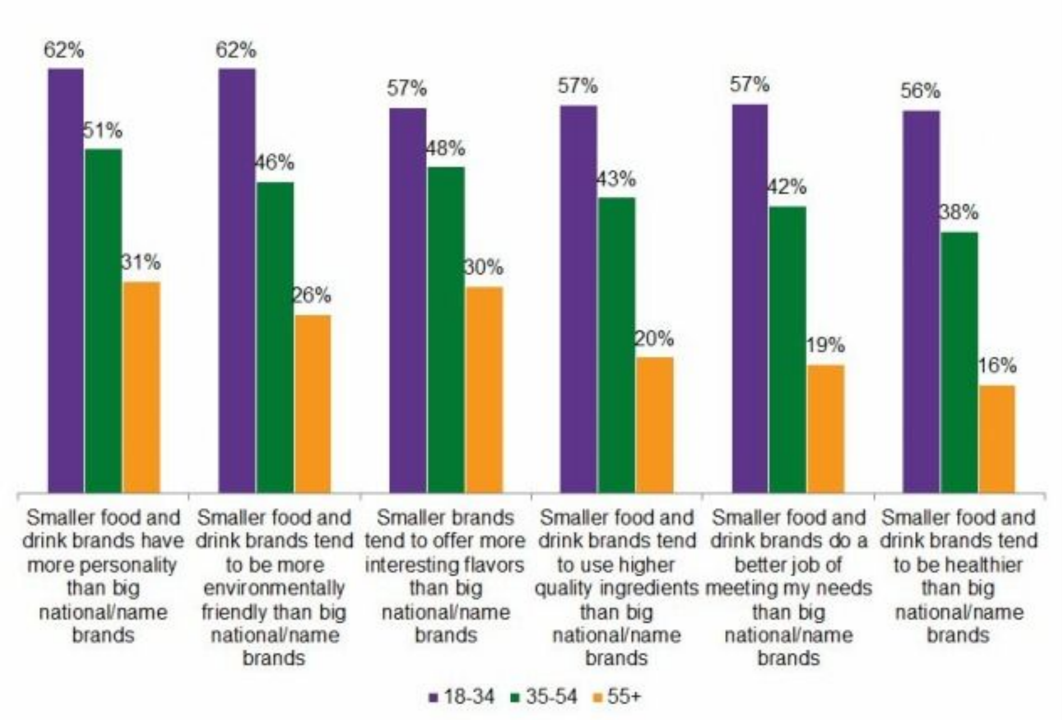
Expanding into Aldi would help to capture key customer segments that are less present at Whole Foods

Statista - Grocery Stores: Whole Foods Markets Brand Report
Based on an online survey of 694 customers

Statista - Grocery Stores: Aldi Brand Report
Based on an online survey of 1,127 customers

Small Brand and Food Label Research

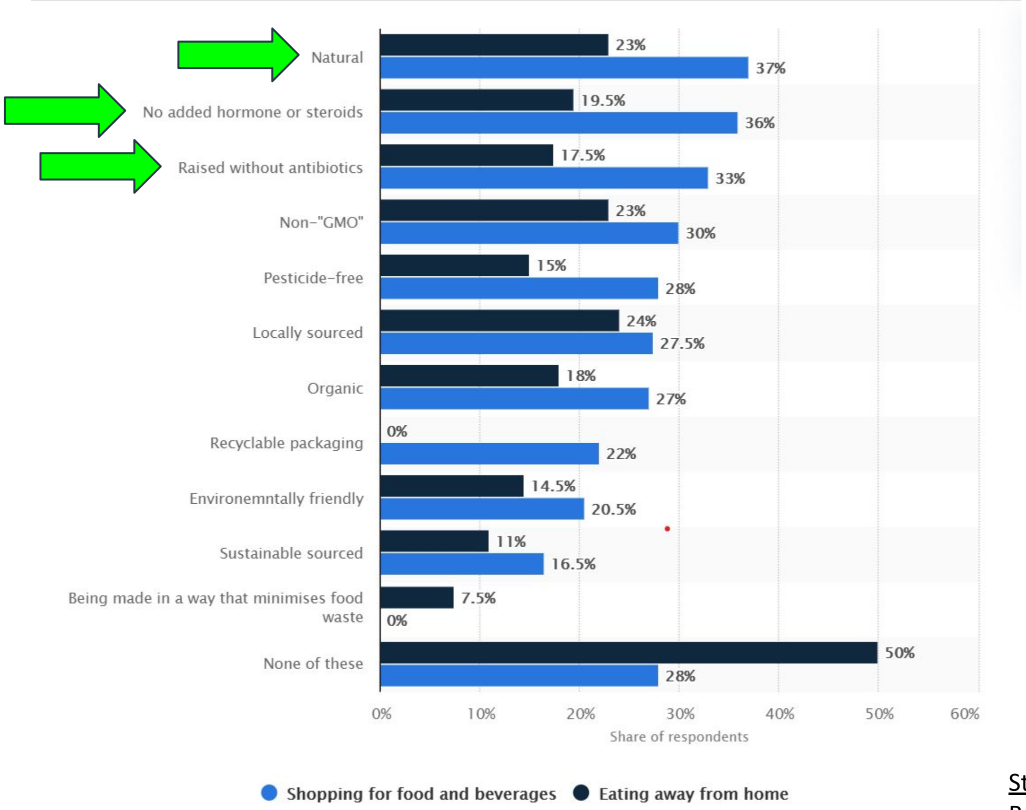
Small Brand Research



"How much do you agree or disagree with the following statements?"
1,908 internet users aged 18+ who are responsible for grocery shopping in household

Mintel - Challenger Brands - US - January 2020

Share of Consumers Influenced by Food Labels in the U.S. between 2018 and 2019



Statista

Based on a survey of 1,012 shoppers

Please See Appendix For More Charts

COVID-19 - Competitor Product Response

COVID-19

CDC, USDA, and the FDA state that COVID-19 is not transferred via food or food packaging

Tyson (Giant)

- Shifting plant production and rerouting deliveries to ensure that store shelves are stocked
- Commitment of $13 MM toward Hunger Relief and Community Support amid COVID-19

Bell & Evans (Whole Foods)

- Will continue to operate and supply its customers
- Good Manufacturing Practices (GMPs) exceed the CDC's recommendations for food safety

Aldi's private label products

- Working with suppliers, DCs, and truck drivers to ensure that store shelves are stocked
- $1 MM donation to support community organizations

FDA website
Tyson's website
Bell & Evans' website
Aldi's website

Conclusions and Recommendations

Giant Conclusions

Match up to BSN

- **Health-centric, natural and organic offerings**
- **Interested in the animal welfare** (as promised in their mission statement)

- **High-levels of direct competition**
  - Both chicken & beef
  - More developed package messaging
  - Similarly priced
  - None have the Puck!

- **Same heritage**

Customer/Segment

- No statistical data available
- **Can assume younger half of consumer base (ages 18-35)**
  - Re-branding initiatives
  - Website/podcasts
  - Online nutrition & cooking classes
- **Community health**
  - Partners with local nutritionists
  - Health-focussed customers
- **Low number of stores, limited to eastern region**
  - ~180 stores across 4 states and D.C.

Opportunities

- **Direct brand exposure**
  - Recipe page on website
  - Work with partnered nutritionists (classes or wellness walks)
- **RangeMe account**
  - Entire Giant stores
  - Connect with all other Ahold Delhaize stores through retail business services
- **Marketing opportunities**
  - Leverage heritage background
  - Connection with retail business services

Whole Foods Conclusions

- Health focus aligns with the BSN product
- No competitor cheesesteak products (beef or chicken)
- Comparatively priced competition

Customer persona/segmentation

- Skew younger
- Higher incomes
- Clustered in cities
- Key customer shopping habits reflect a strong preference for healthy foods (more so than Aldi customers)

New vendor requirements

- Create a RangeMe account and provide product information
- Must be meet a rigorous set of “quality standards” (100+ animal welfare standards)

Aldi Conclusions

- Many of its meat products have a strong health focus
- One competitor cheesesteak product (beef), (not private label) - health shortcomings when compared to BSN
- Comparatively priced competition

Customer persona/segmentation

- Skew older
- Lower incomes
- Clustered in towns
- Key customer shopping habits reflect a strong preference for healthy foods (less than Whole Foods customers)

New vendor requirements

- Provide product information
- Less stringent quality standards than Whole Foods
- Production facilities must be GFSI certified and warehouse facilities must be GMP certified

Final Recommendations

<u>Focus group findings</u>

- Redesign the chicken package (imagery and color scheme)
- Eliminate the pucks and paper dividers freezing together
- Add recipes to the website

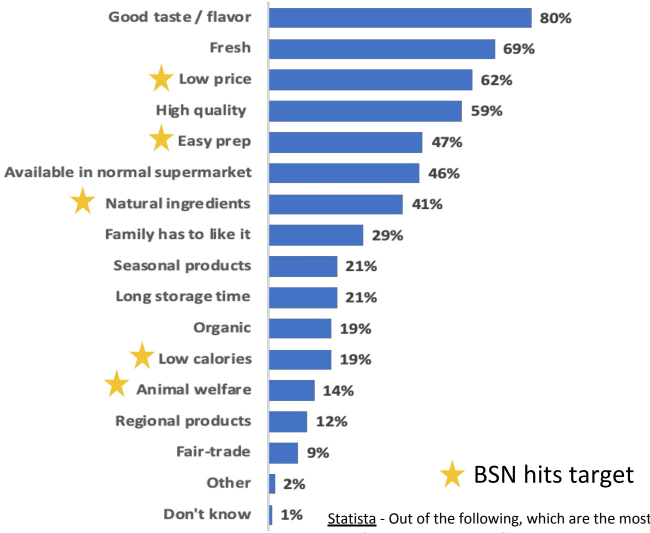
<u>Aldi opportunity</u>

- The lack of a private label healthy cheesesteak option at Aldi serves as an opening for BSN, if Aldi's private label emphasis is not a barrier for BSN
- Whole Foods still serves as the strongest of the two options to develop the BSN brand

Questions?

Appendix

Consumer Interests

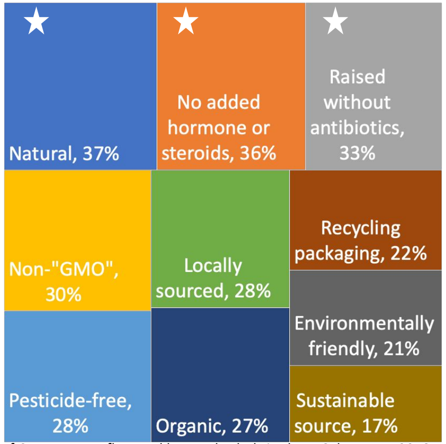


Statista - Out of the following, which are the most important aspects when choosing your food?
Based on 2,086 US respondents, ages 18-64

Shopping Habits

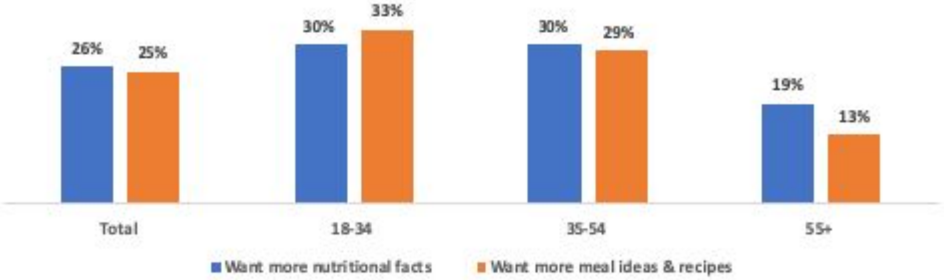
Base: 1,934 US consumers

Label Influence



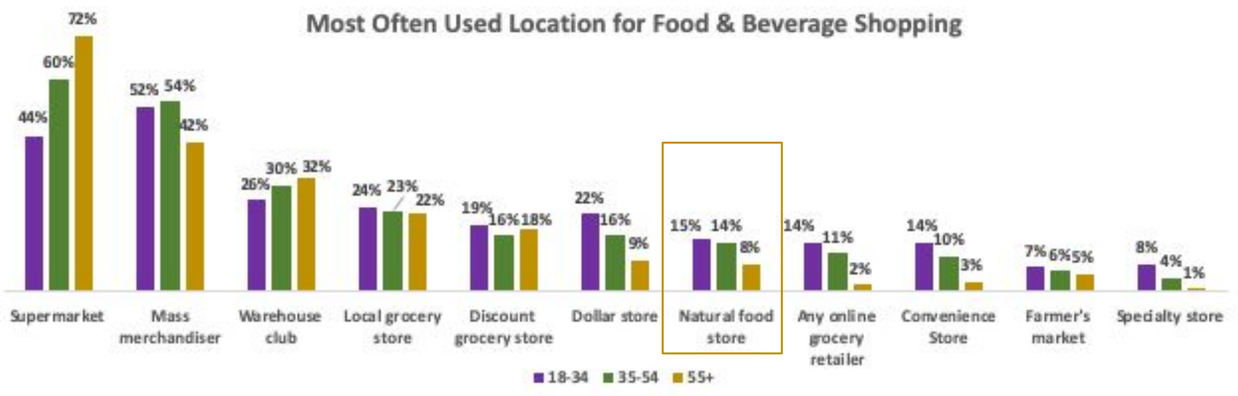
Statista - Share of Consumers Influenced by Food Labels in the U.S. between 2018 and 2019
Based on a survey of 1,012 shoppers

Wanting More!



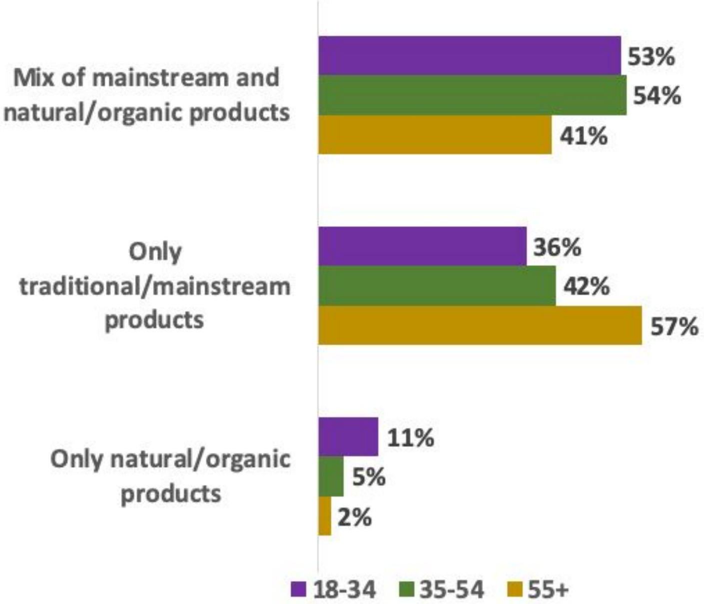
Mintel - Food & Drink Shopper, Nov 2019
Base - 1,934 US consumers

- Supermarket
- Mass merchandiser
- Warehouse club
- Natural food store



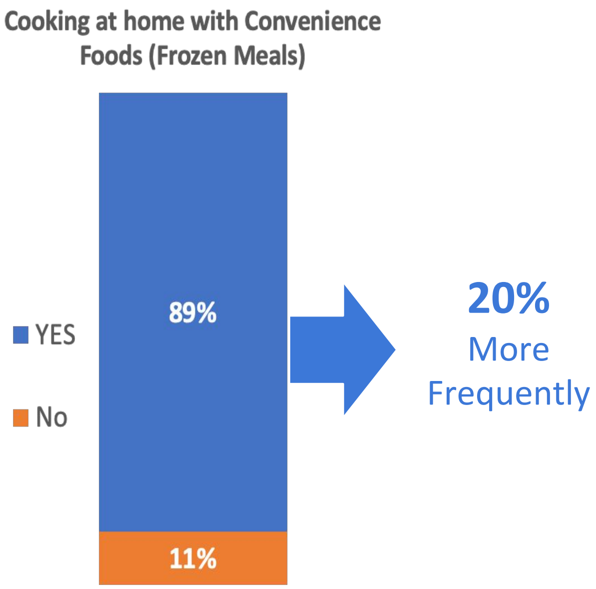
Mintel - Mintel Report on Food & Drink Shopper, Nov 2019
Base - 1,098 US consumers

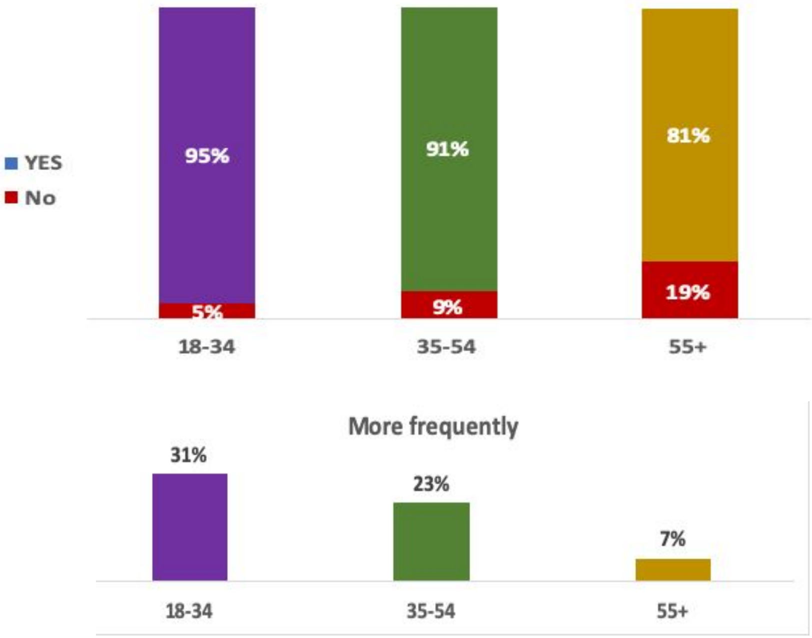
Mintel - The Natural/Organic Food Shopper - US - July 2019; Karen Formansk
Base - 1,934 US consumers



Mintel - The Natural/Organic Food Shopper - US - July 2019; Karen Formansk
Base - 2,000 US consumers

Convenience Foods Are Growing More Frequent Among Younger Shoppers





Mintel - Food & Drink Shopper, Nov 2019
Base - 1,934 US consumes