

Merchandising Adapts To Millennial Preferences

As Baby Boomers and members of Generation X have aged, younger Defense Commissary Agency (DeCA) shoppers are beginning to put their stamp on what is important to them in commissary assortments. Millennials — described by Census Bureau as youths born between 1982 and 2000, although other government offices extend that definition to their cohorts born between 1980 and the mid-2000s — share many of the characteristics of their older counterparts, but their habits and preferences, including what they expect to find in the beverage aisle, can differ substantially. Keeping up with these changes and fine-tuning store assortments to suit all DeCA's patron demographics is a constant balancing act.

MILLENNIAL OVERVIEW

"Millennials aren't just drinking colas, they are drinking carbonated soft drink (CSD) flavors much more," said Michelle Frost, DeCA beverages category manager. "They are branching out into other categories that are perceived as 'Better for You,' such as ready-to-drink (RTD) teas; sparkling teas; flavored water; flavored sparkling waters; water and water flavor enhancers; and energy drinks.

"Innovation is key. Being in the right packages is key, such as the 24-oz. can, 1-liter bottle, and so on. You have to keep up with emerging products and categories that are relevant."

According to the "Millennial Shoppers' Impact On Retail" infographics report produced by The Coca-Cola Company, this age group annually spends \$200 million on grocery shopping, so they are making their collective voice heard through their pocketbooks. And they are also spending money on beverages, with 25-percent more beverages in their shopping baskets, and 35 percent of their shopping trips including the purchase of a non-alcoholic, RTD beverage.

And millennials don't spend as much time shopping in-store as their older counterparts do. According to the report, one out of every three shopping trips last five minutes or less, and 74 percent of these trips are made impulsively, with no preparation involved.

WHAT THEY WANT

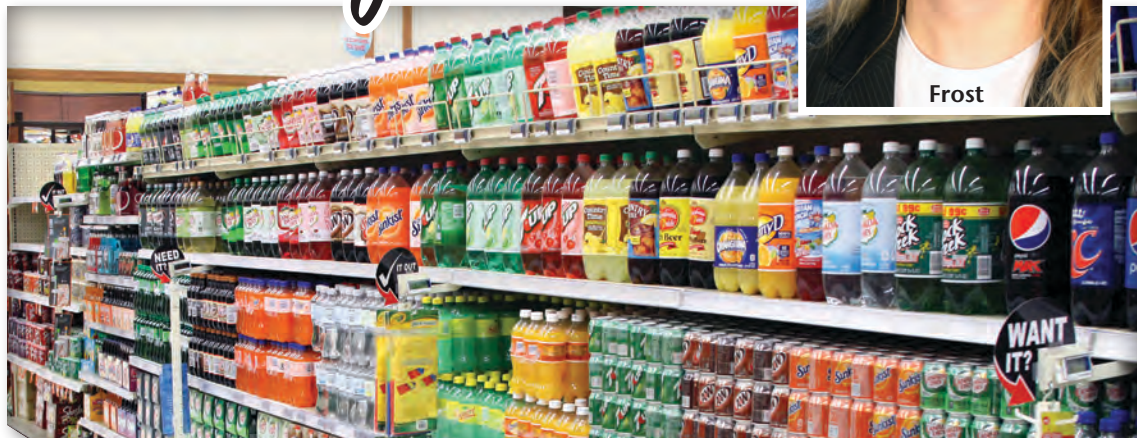
"Like many shoppers, millennials want choice and variety, in both beverage and beverage packaging options," Frost noted. "We are working with our DSD partners to focus on providing more beverages and packaging options across their portfolios. This coming year you will see increased offerings of low- and no-calorie items, which appeal to millennials who are focused on balancing calories as part of their active lifestyles."

Smaller portions, and more natural foods, are also attractive to millennials. According to the Nielsen Company Health and Wellness Report (third quarter, 2014), North Americans are more likely to turn to smaller portions and less-processed foods. The survey also found that younger generations are more willing to pay premium prices for healthy alternatives.

"At the same time," Frost explained, "consumers want non-GMO, less chemicals, less high fructose corn syrup, fewer preservatives and artificial sweeteners in their food and beverages."

GROWTH AREAS

"Two categories in which we are experiencing growth are herbal teas and



Frost

PHOTO: TAMMY REED, DeCA



New soft drink formulations for breakfast occasions have given millennials another beverage option for the day's first meal. A display at Camp Humphreys, Korea.

Although DeCA must stock its beverage assortment — such as this one at Fort Belvoir, Va. — to cater to all of its clientele, millennial shoppers are making their mark on the category, demanding different packaging, sizes and ingredients to reflect their preferences.

DeCA PHOTOS

new age beverages, which are up in sales 15 percent and 2.8 percent, respectively, for the last 52 weeks ending May 30," Frost reported, with new age subcategory items recording a bump in sales during the last four weeks of that survey, trending up by nearly 6 percent over the last four weeks ending May 30.

Frost said herbal tea and new age beverages offer products that are attractive to millennials. "Herbal teas have a caffeine presence, are natural, are organic, and have no artificial sweeteners, while the new age products," the category manager said, highlight attributes such as "calorie-free, low-calorie, caffeine-free, fortified; high-fructose corn syrup-free, natural, organic, no sugar added, and no artificial sweeteners." All these, she added, "are health and wellness label trends that are resonating with millennial shoppers."

The overall RTD tea segment, said Frost, "provides a growth opportunity," citing information from the Tea Association of the USA. According to this organization, away-from-home iced tea consumption has grown by at least 10 percent annually over the past decade, "making tea one of the favorite beverages of guests who dine out, and creating a key opportunity in retail."

She added that to reflect this increase in interest, during DeCA's most recent new age beverage review that took place in May, "We increased the presence of RTD teas such as Lipton, Gold Peak, Sparkling Ice Teas, and Arizona. Since the review, the segment has significantly improved in trajectory, from a 2 percent sales decrease year-to-date ending in April, to being flat year-to-date ending in May."

MILLENNIAL OPTIONS

CSDs remain a mainstay refreshment. However, Frost noted that while younger shoppers are not necessarily shunning these products, they are demanding an increased amount of options from major soft drink manufacturers, and these manufacturers are paying attention.

"Innovation is key, and package changes are important," Frost said. "Smaller

PHOTO: WILLIAM VICK, STORE DIRECTOR, NB SAN DIEGO, CALIF.



Eye-catching displays such as this one at NB San Diego, Calif., provide a very effective merchandising tool as well as providing great prices.

packages — 7.5-oz. cans, 12-oz. PET bottles — are growing in popularity as these manufacturers try to appeal to consumer concerns about the amount of carbonated soft drinks being consumed in one serving.

“They are also selling 12-oz. long-neck bottles made out of glass as single-serve items, and in four-packs for customers that prefer their drinks in this type of packaging. They are also introducing more brands and flavors made with real sugar instead of high-fructose corn syrup, because there are obesity concerns over high-fructose corn syrup.”

MANUFACTURER REACTION

Ingredients have also been scrutinized by both manufacturers and consumers and revised in some cases.

Manufacturers, according to Frost, “are introducing products with real sugar, products with sugars and other sweeteners to get the sugar taste with fewer calories,” Frost said. “The diet category has been suffering double-digit sales declines. In an effort to stop the declines, Diet Pepsi will be removing aspartame from Diet Pepsi, Caffeine-Free Diet Pepsi and Wild Cherry Pepsi.” The company rolled out the new sweetener — described as a blend of sucralose by Seth Kaufman, senior vice president (SVP), Pepsi and Flavors Portfolio, PepsiCo North America Beverages — in August.

Last winter, Frost said that Coca-Cola introduced Coca-Cola Life, the company’s first reduced-calorie cola to use a blend of cane sugar and stevia leaf extract, and it has 35-percent fewer calories than leading colas.

Always looking for the “next big thing” in the category, Frost said that “to capture some of the increasing sales we are seeing for Hispanic beverages,” Coca-Cola’s Fanta line from Mexico — which employs glass bottles and includes real sugar — has been expanded to stores throughout the U.S. Frost added that that manufacturers are also expanding and introducing flavor extensions of some existing brands, like MTN Dew, through the use of limited time offers (LTO) introductions. “Instead of constantly adding new permanent items, the companies are using LTOs during key selling periods.”



Mass displays continue to anchor beverage sections during DeCA’s Big Game promotions, including here at the Charleston AFB Commissary, JB Charleston, S.C.

CATEGORY MANAGEMENT

Frost said category reviews are now reshaping the assortment more proactively. “In the past, DSD vendors were not part of the category review process or annual planning, for that matter,” she explained. “We would allocate regional/local space for their products and that would be that. Since Coke, Pepsi, Dr Pepper and 7 Up have expanded past the CSD category and are playing heavily in the new age, enhanced waters and energy areas, their inclusion in category reviews is paramount.

“We are seeing increasing offerings of new brands and flavor extensions in these categories hitting the market, which make it so important to get all players involved in the reviews.”

With new systems in place, “The category reviews bring control and stability in these ever-changing categories, and for the first time, allow planning to be done on a lower-level basis, such as by subcategory and the segment, where needed,” she said. “Industry can expect a more proactive approach in the future, and both parties will be benefitting from this new process.” —E and C NEWS

DeCA Big Game Beverages

For the upcoming National Football League Big Game championship contest — scheduled to be played Feb. 7, 2016, at Levi’s Stadium, Santa Clara, Calif. — DeCA Beverages Category Manager Michelle Frost said that sodas, water, mixers and sparkling/flavored waters are slated to be main beverage promotions the agency expects to run during the period leading up to the Super Bowl.

“Beverages were responsible for eight of the top 10 items sold leading up to the Super Bowl in both 2014 and 2015, so it is extremely important to make sure that these items are displayed either en masse or by the pallets in the week leading up to Super Bowl weekend,” Frost said. “The primary focus needs to be on the soda and water categories.”

DeCA Best-Selling Beverages, Week Leading Up to the 2015 Super Bowl

BEVERAGES	SALES
1) Coca-Cola Fridge Pack (144 oz.)	\$247,988
2) Pure Life Water (24-pack, 405.6 oz.)	\$166,996
3) Diet Coke Fridge Pack (144 oz.)	\$121,565
4) Sprite Fridge Pack (144 oz.)	\$95,357
5) Aquafina Water (24-pack, 405.6 oz.)	\$91,732
6) Dasani Water (24-pack, 405.6 oz.)	\$84,225
7) Dr Pepper (144 oz.)	\$66,425
8) Coca-Cola Zero Fridge Pack (144 oz.)	\$64,090
9) Folgers Classic Ground Coffee (33.9 oz.)	\$49,494

Note: The 2015 Super Bowl was held Feb. 1, 2015 at University of Phoenix Stadium, Glendale, Ariz.
Source: DeCA

PROMOTIONS

This fall, leading up to the holiday season and into the 2016 calendar year, Frost said that purchasing trends indicate “that customers are buying larger packs of water.”

The plan “is to capitalize on these trends” and offer the 28-pack of Nestlé Pure Life on all Nestlé truckload purchases throughout 2016, including during the weeks leading up to the Super Bowl.

“To help stimulate sales and get our new sales year off to a great start,” Frost said that from Oct. 1-31, “We had a hot Nestlé Pure Life water bonus pack. The 28 pack was priced at the same price as our 24-pack — \$2.79! — starting Oct. 1 through the end of the month. This equated to a \$2.56 24-pack. The product had to be ordered through the water truckload program.”

This month, Frost said that DeCA is selling the regional spring water 28-packs at \$3.29, which she equates to a \$2.82 24-pack equivalent. Regional spring water brands involved in this program include Deer Park; Arrowhead; Ozarka; Poland Spring; and Zephyrhills. Again, product must be ordered through the water truckload program.