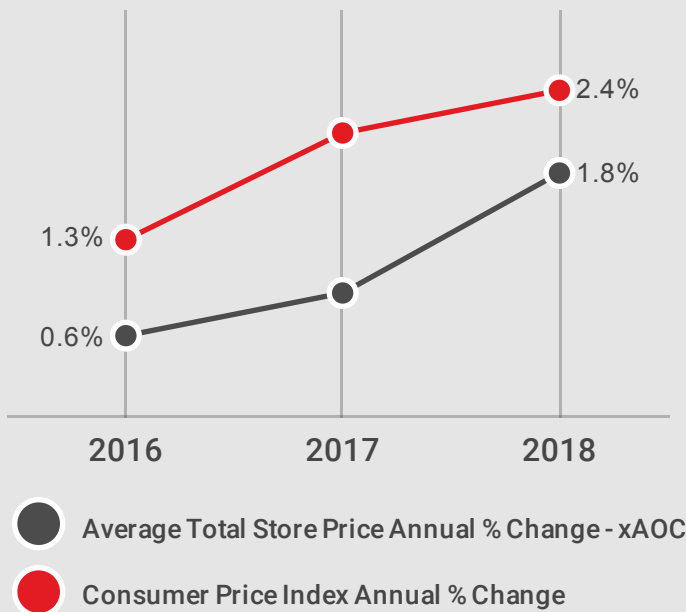


A look at rising costs in the grocery industry, how they've impacted pricing decisions and best practices for price increase acceptance

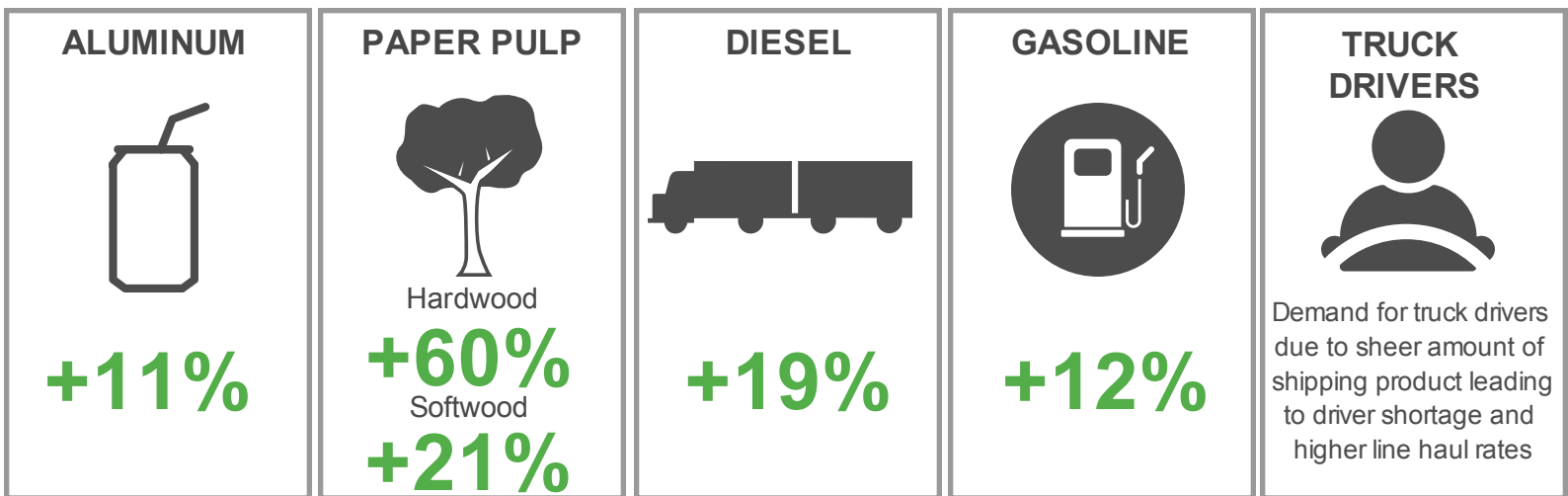
While grocery prices have been on a steady incline, they have not reached the levels of the consumer price index



No grocery department has been immune to rising prices but the degree of the increase varies



Costs continue to rise for manufacturers

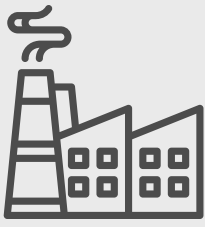


Many Shoppers and Retailers Prefer a Price Increase vs. Reduction in Package Size



80% of shoppers accept food prices may go up when external cost factors rise

For retailers, changes in package size can cause disruption in logistics, shelving and comparable private brand sizing

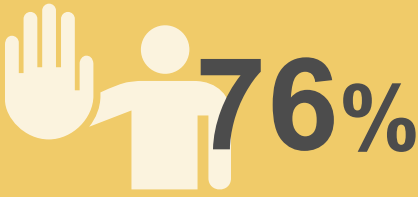


Almost half of manufacturers surveyed processed a price increase in 2018

This trend is expected to continue over the next 1-2 years

Average Price Increase

+7.8%



76%

of retailers surveyed have pushed back on or have been hesitant to accept price increases

New Practices Implemented by Retailers:



Economists on staff



Protection/compensation until largest competitors move retail price



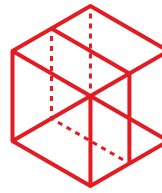
Alignment with private brand costs

Best Practices: How Collaboration Can Lead to A Successful Price Increase



KNOW YOUR FACTS.

- Understand price elasticity and be able to simulate price increase
- Balance of offsetting rising costs and maintaining or increasing profit margins
- Identify the right level of price increase to avoid loss of market share or significant sales velocity



BE TRANSPARENT.

Provide retailers:

- Historical tactics used to absorb, delay or minimize cost increases
- Specifics on what elements of cost structure is driving the increase
- Evidence that price increase is applied across the market/competitors
- Recap of competitive market pricing
- A plan to offset a price increase in the short term



PROVIDE TIME.

- 90-100 days of lead time
- Consider timing so it does not conflict with marketing programs that are in place (i.e. key promotions, seasonal periods, etc.)



CONFIRM COMMITMENT.

- Reaffirm with the retailer that you are investing in the right ways to drive traffic to your brand (and in turn, to the retailer) and grow category sales
- Provide post-price increase analysis to show impact (if any)

Sourcing: Nielsen Answers on Demand Core ending 12/29/18; CPI - U.S. Bureau of Labor Statistics; Aluminum: London Metal Exchange; Paper Pulp: Pulp and Paper Products Council comp to late 2016; Diesel/Gasoline: Energy Information Administration 52 weeks ending 1/21/19 vs prev.; Internal Acosta Surveys: Manufacturers (Sept 2018); Retailers (Nov 2018); Shoppers (Dec 2018)

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