Capitalizing on the Vermont Brand

Past Lessons and Future Directions

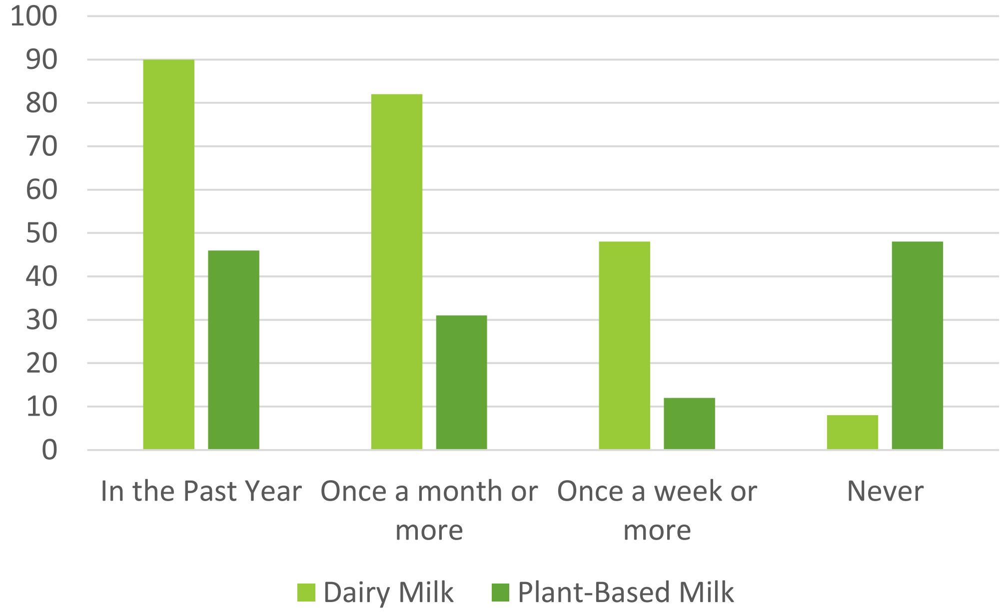
DAIRY SUMMIT, APRIL 2019

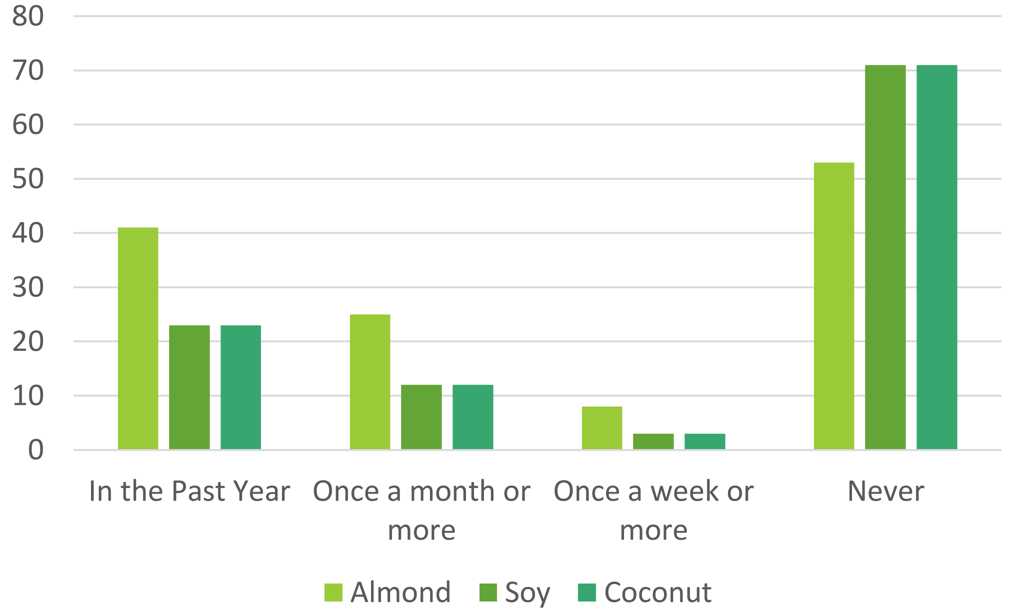
Consumer Perceptions

National Dairy Council, Dairy and Plant-Based Milk Alternatives

Purchase Frequency

Q. Please indicate how frequently you purchase each of the following?



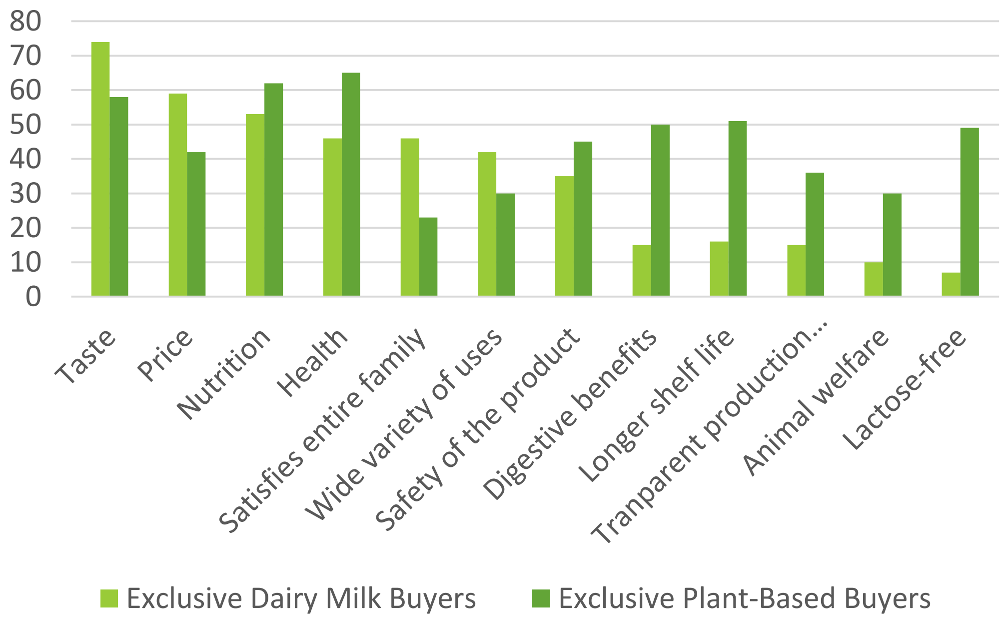


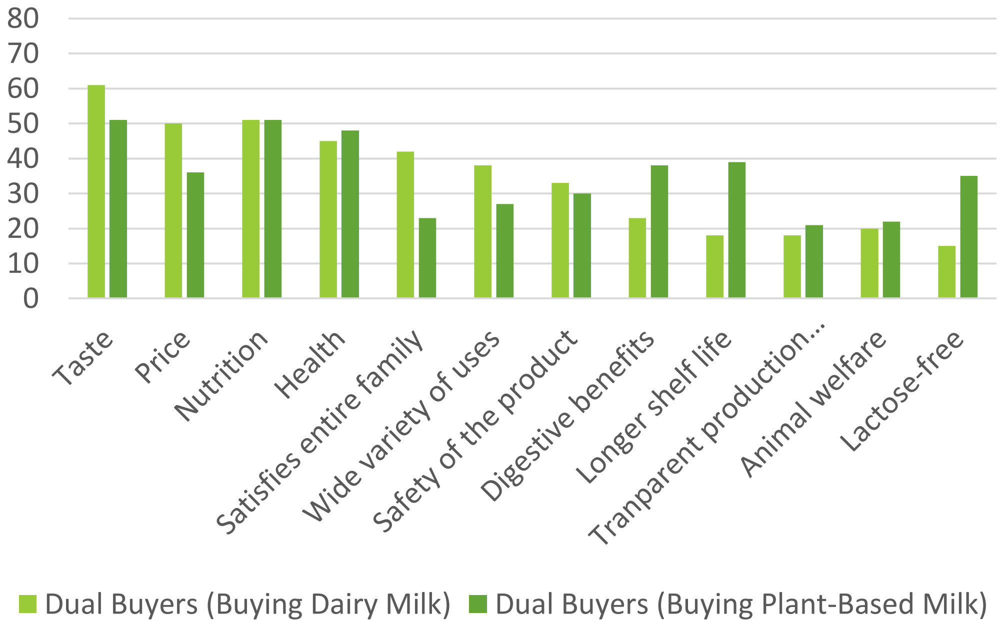
Consumer Perceptions

National Dairy Council, Dairy and Plant-Based Milk Alternatives

Purchase Decision Factors

Q. Which of the following are important in your decision to purchase dairy milk and/or plant-based milk?





Consumer Perceptions

National Dairy Council, Dairy and Plant-Based Milk Alternatives

Nutrition Perceptions

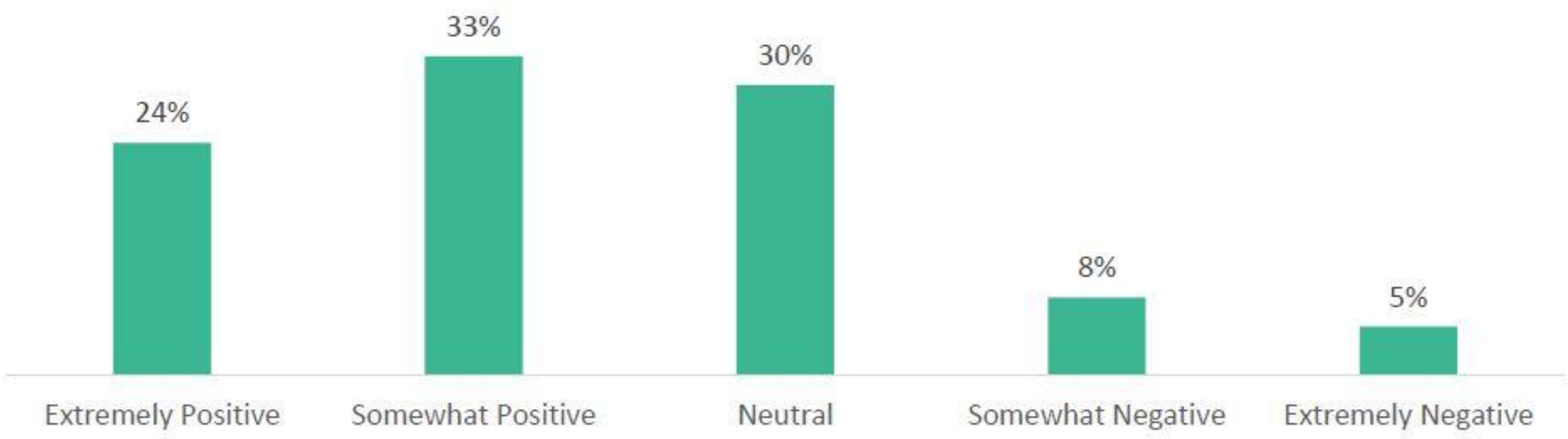
Q. Thinking about Plant-Based Milk, would you say they contain the same or more than Dairy Milk, of …?

Consumer Perceptions

New England Consumers, Dairy and Plant-Based Milk Alternatives

Q. How would you describe your overall perception of non-dairy milk (e.g., soy milk, almond milk, coconut milk, etc.)?

Overall Perception of Non-Dairy Milk



"I think non-dairy milk is a great alternative to dairy milk, as it's just as versatile, has a longer shelf life, plus especially in the case of nut-based milks, has added health benefits. I think they're healthier in general, and I prefer the fact that no cows were mistreated to provide any of these alternative milk choices." – Does not consume or purchase

"They seem like a healthier option for some reason. Maybe commercials and packaging of these milks have led me to these beliefs. These types of milks are always packaged much prettier and appealing to the eye than regular dairy milk." – Purchases & Consumes

"I love the taste and health benefits. The only thing preventing me from being extremely positive about them is the price." – Purchases for Others

Consumer Perceptions

New England Consumers, Dairy and Plant-Based Milk Alternatives

Q. To what extent do you agree or disagree with each of the following statements?

Consumer Perceptions

New England Consumers, Dairy and Plant-Based Milk Alternatives

	FINDINGS	IMPLICATIONS
1	Much of the negative stigma surrounding dairy comes from a place of confusion – many consumers are confused as to what to think about dairy	Make the facts about dairy, both positive and negative, more transparent to consumers. Respondents often hear conflicting facts and opinions from different sources (e.g., media, friends, family, doctors) so provide a consistent message
2	Many consumers don't know where their dairy milk comes from – they don't know how fresh their milk is or from where it was sourced	Most consumers would be pleasantly surprised to learn where and how their dairy milk was sourced. Make information about the origin of the milk more easily accessible – including date of production and information about the dairy farm (e.g., location, background, history)
3	Many consumers are conflicted and confused about the ethics behind dairy farming (e.g., treatment of animals, environmental concerns). However, most consumers who have actually visited a dairy farm had a positive experience	Help facilitate educational experiences at dairy farms in order to ease concerns surrounding dairy farming ethics. Inform consumers about the origin of their dairy milk and cultivate relationships between consumers and the farms
4	Many consumers think non-dairy milk alternatives have comparable nutritional benefits without the worry of hormones and antibiotics. Many predict their consumption of non-dairy milk will increase over the course of the next year	Educate consumers about where nutritional benefits of dairy and non-dairy milk *differ* and focus on how dairy milk can be more favorable (e.g., more protein, naturally occurring calcium, no added sugar); particularly, highlight lower prices and nutritional benefits

Consumer Perceptions

McKinsey & Company, A Winning Growth Formula for Dairy

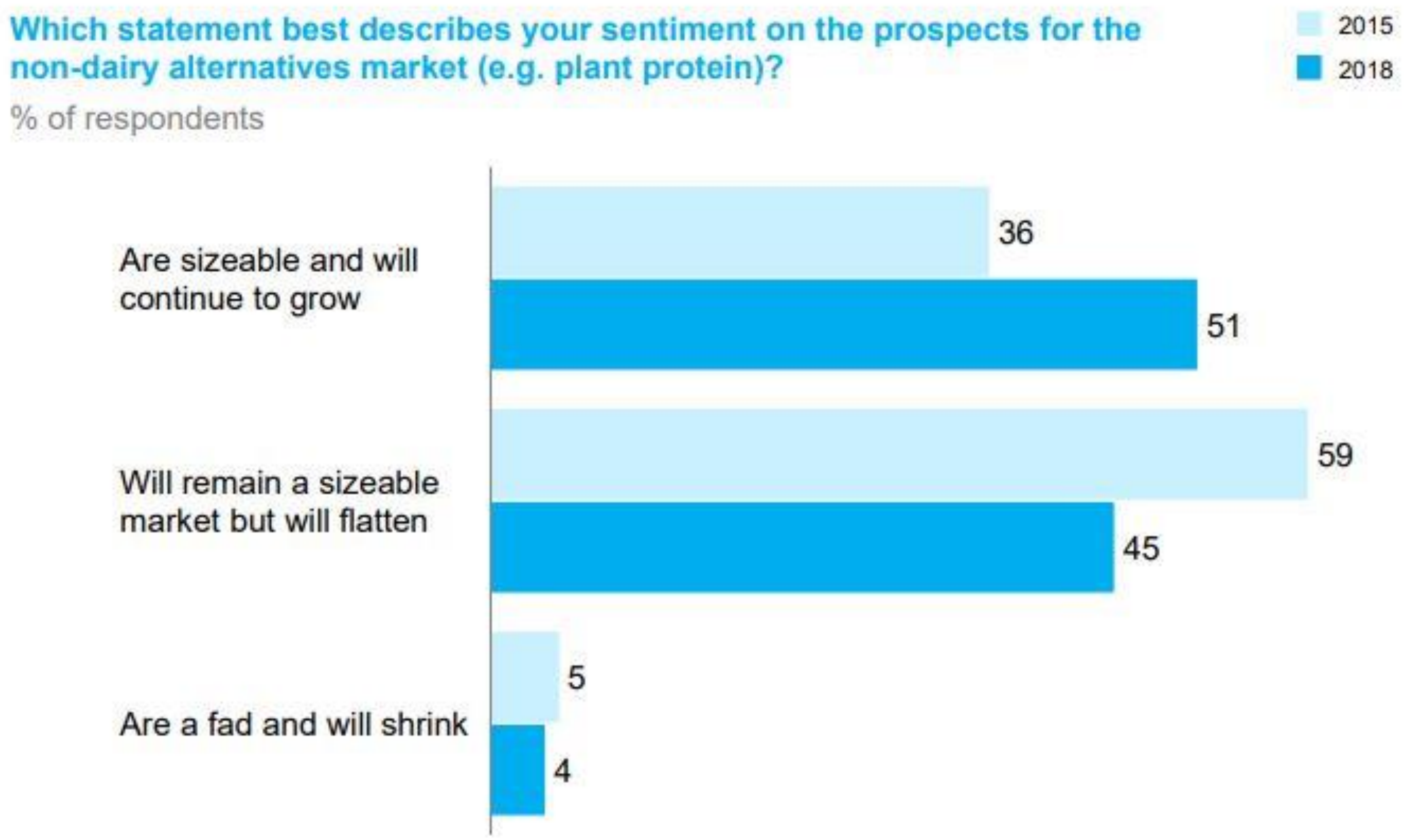


Exhibit 1: Plant Based Competition on the rise. Source: McKinsey IDFA Member Survey 2018.

Consumer Perceptions

McKinsey & Company, A Winning Growth Formula for Dairy

Compared to Baby Boomers, Millennials are …

2.8x More likely to believe newer brands are better or more innovative

3.7x More likely to avoid buying from “big food”

A significant part of consumers “must know” or “would like to know” about a range of practices prior to purchasing products

Information requirements before dairy purchase %

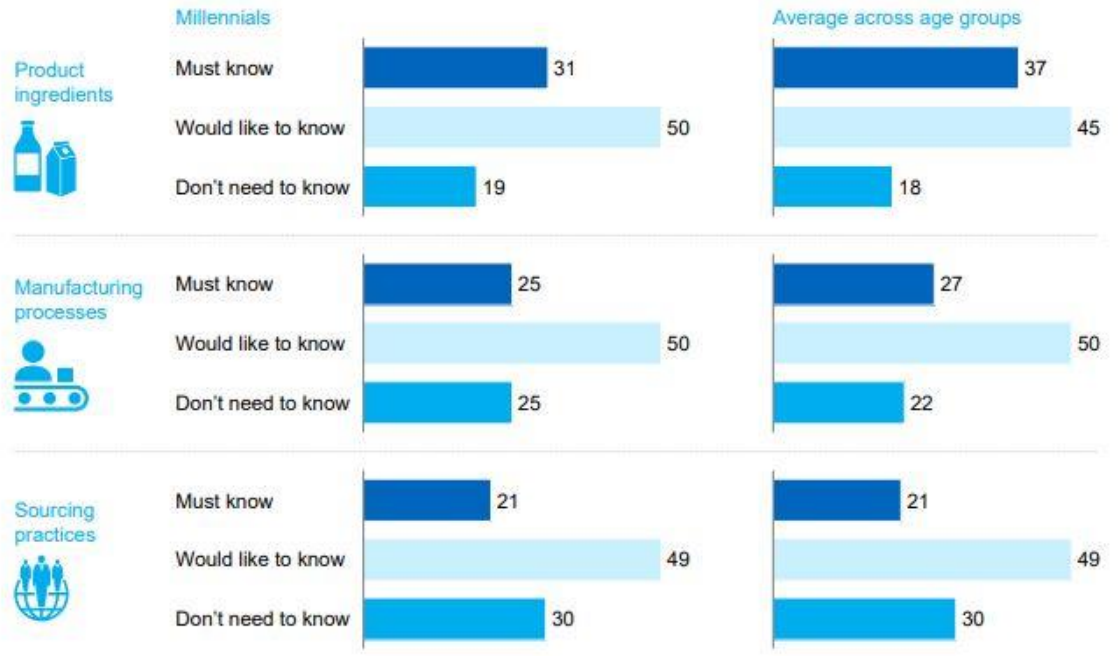


Exhibit 3: Information required prior to purchase, millennials (18-34 years old) and average across age groups

Source: McKinsey Dairy Consumer Survey, 2018 (n=1,139)

Consumer Perceptions

McKinsey & Company, A Winning Growth Formula for Dairy

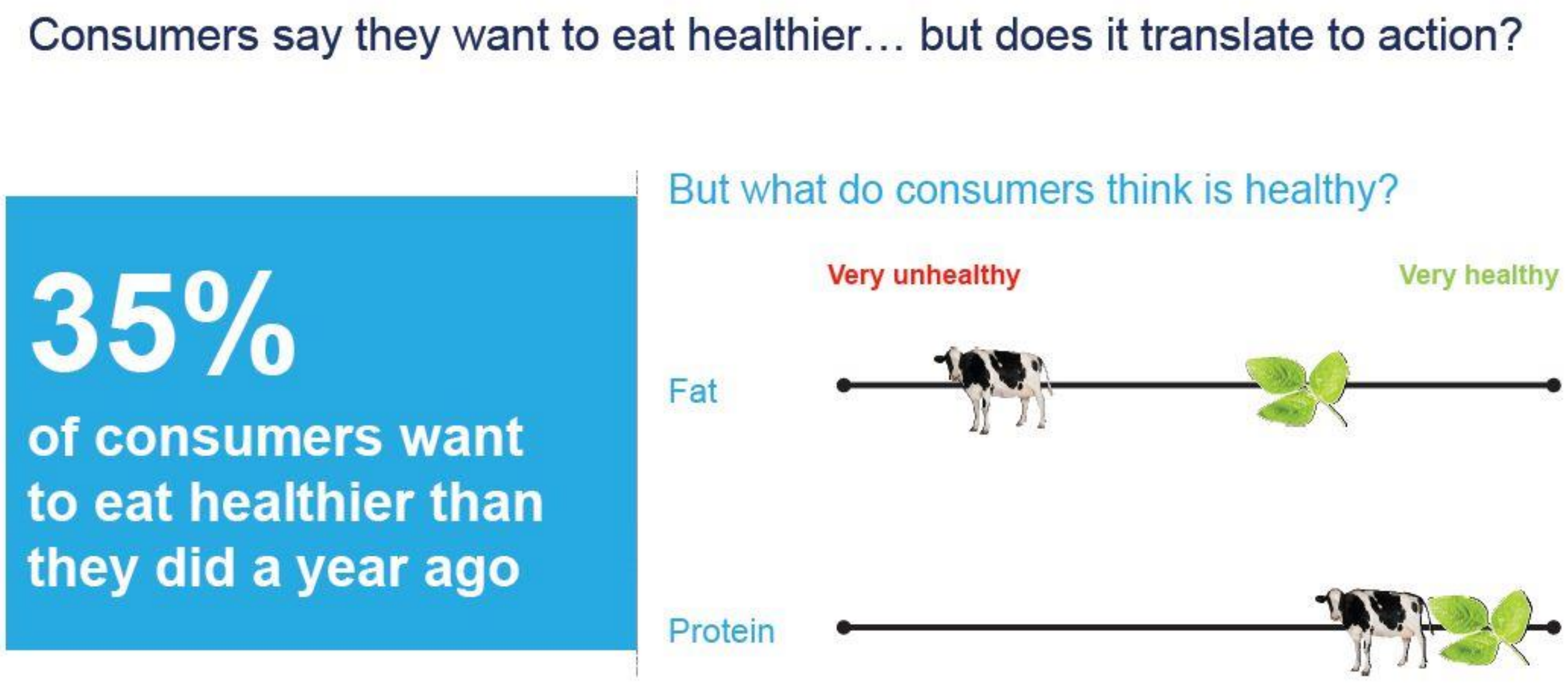


Exhibit 4: Consumer perception: how healthy are the following types of food?
Source: McKinsey Dairy Consumer Survey, 2018 (n=1,139)

Consumer Perceptions

McKinsey & Company, A Winning Growth Formula for Dairy

Influence of technology on purchasing behavior by survey respondents

20% Are making purchases of dairy products online

22% Looked up nutritional and ingredient information on dairy products

25% Compare dairy prices online before shopping and have used a digital coupon to buy dairy products

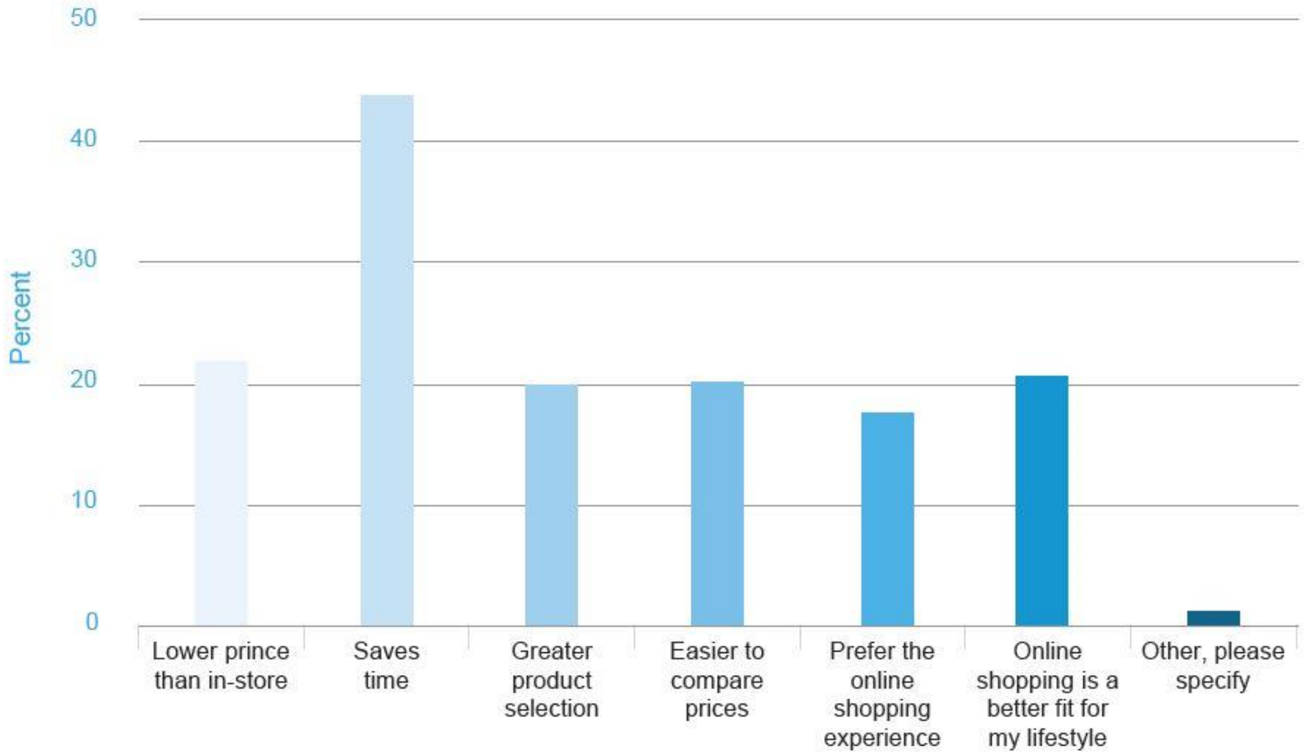


Exhibit 6: Reasons for shopping for dairy online
Source: McKinsey Dairy Consumer Survey, 2018 (total n=1,139, subset: n=160)

Consumer Perceptions

McKinsey & Company, A Winning Growth Formula for Dairy

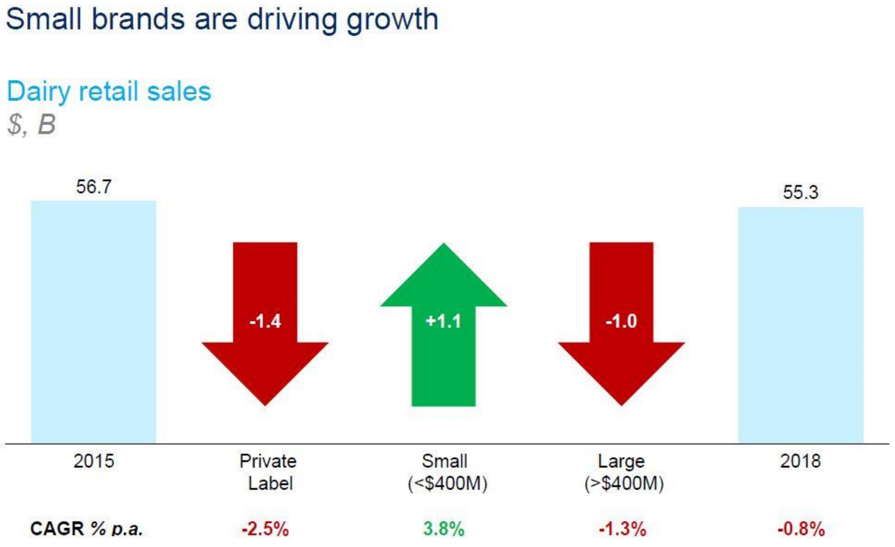


Exhibit 7: $ and % growth of different size dairy brands (small: <$5M; medium: $5M-$380M; large: >$380M)
Source: Nielsen data extract (Nov 2018), dairy categories

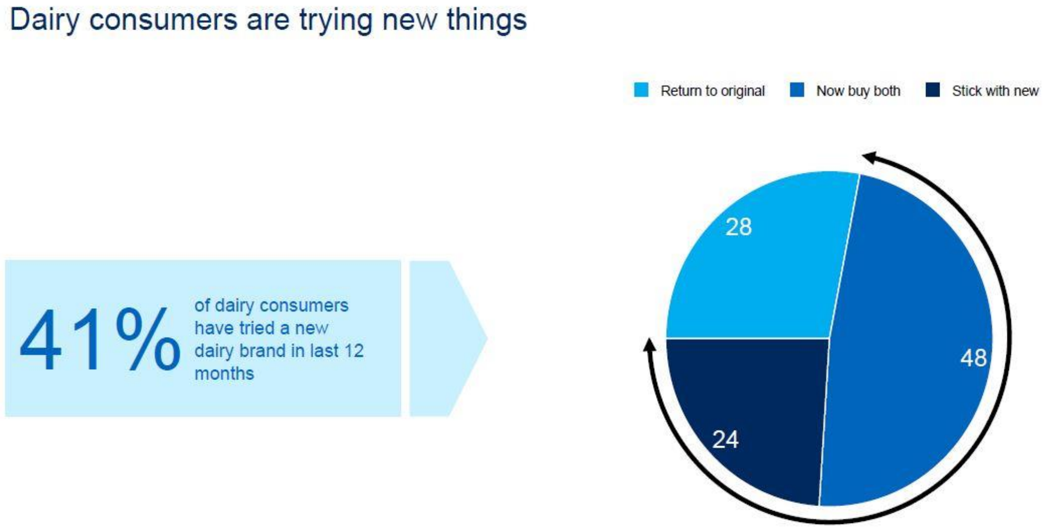


Exhibit 8: Brand loyalty / brand switching behavior
Source: McKinsey Dairy Consumer Survey, 2018 (n=1,139)

Buyer, Distributor, Producer Insights

Fifth Element Associates, Qualitative Research

It took us a solid 10 years to learn how to talk about and value our products. When people say "Your products are expensive." or "We are not going to pay that."… We say… we pay living wages, we pay health insurance, we pay farmers a fair price for their milk. We just lay it right out there. (Producer)

Knowing the people behind the product is very important. A connection to the family or person, if it is a second generation or not. The stories are important and having a special attribution. (Buyer)

The challenge we face is the lack of understanding of vendors of how many decisions we need to make and how competitive it is….They need to be more flexible. Every time we take on an item, we have to remove another item. The store is not infinite. Many don't get that. (Buyer)

Producers underestimate how busy buyers are. They have to make a fantastic first impression. They won't get a second chance. They need to have details worked out in advance about shipping costs, case size, etc. all presented in a tidy package to be taken seriously. Buyers don't want to have to go back and forth. (Buyer)

Buyer, Distributor, Producer Insights

Fifth Element Associates, Qualitative Research

Very simple, whole food sources, without stabilizers or additives. It has been a huge trend for two plus years and is continuing to rise… clean ingredients and understanding what is put into our products. Even Campbell's and General Mills are doing it…. Grown versus manufactured in a big factory. (Buyer)

When a producer says they are totally flexible, they come across as unprofessional. Producers think they are being accommodating, but they need to have all the information in place. (Buyer)

In the next five to 10 years, we are going to see an enormous uptick in customer service in marketing online global platforms integrated with consumer spending… Then you are going to see small niche producers migrate into this field with online CSAs. There is going to be a big software build out when it comes to food distribution. (Distributor)

You [the producer] can't come up to me at a scale up event and ask me to tell you what I want you to do. You need to take a hard look at your business and tell yourself where you want to be. …or you will be out of business in five years. (Buyer)