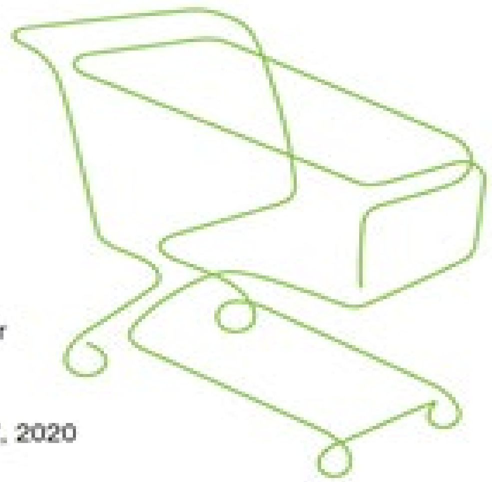
THE FOOD INDUSTRY ASSOCIATION

THE YEAR THAT WAS: WHY INTEGRATING FRESH IS KEY TO FUTURE GROWTH



Hosted with thought leadership from FMI associate member

IRi

November 17, 2020

Today's Speakers

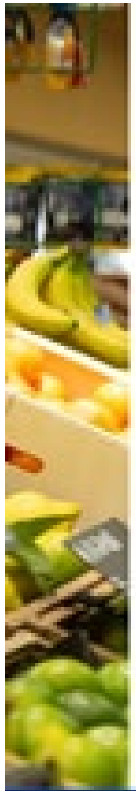
Rick Stein, Vice President, Fresh, FMI

Sally Lyons Wyatt, EVP, IRI Center-of-Store & Produce Vertical

Jonna Parker, Principal, IRI Fresh Center of Excellence


Top Trends in Fresh Webinar
THE YEAR THAT WAS:
WHY INTEGRATING FRESH
IS KEY TO FUTURE GROWTH
November 17, 2020
IRi

The Top Fresh Trends That We Have Examined For Years Are Still Relevant, But Have Evolved Dramatically in 2020



Today we're going to go deeper than ever before to reinforce learnings and drive new ideas for the **brave new world of 2021 and beyond**

2020 – the Year That Continues to Change Everything

55% of school-aged children (61% of teens) are still online only / remote learning

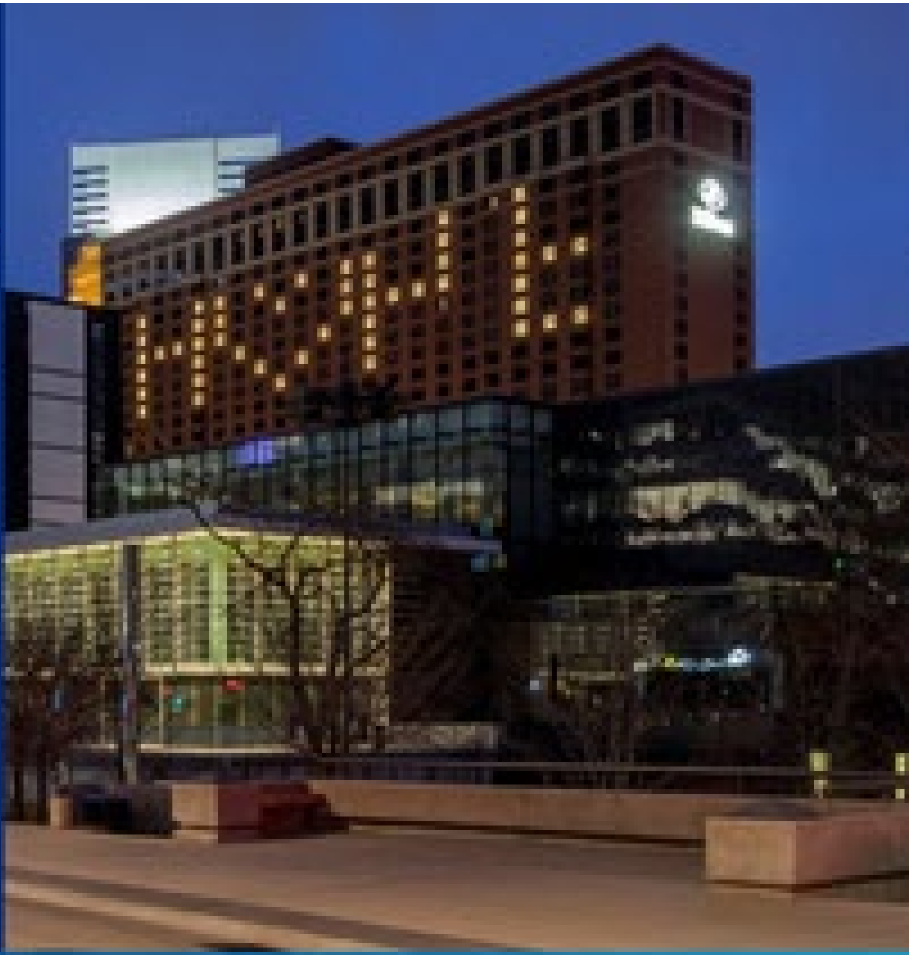
53% of working adults are continuing to work from home or alternate location

only **1/3** of college students are living away from home

28% of shoppers plan to cook more meals at home than they had in late summer

81% of meals are being prepared at home

40% of food-away-from-home dollars were spent in August (down from 52% in February, but up from 32% in April)



IRI

Regular Shopping Patterns Had Slowly Started to Turn Back to Normal…

During their latest grocery trip to a store, **58% of shoppers felt relaxed** in mid-September, an improvement of 15 points since July.

- Trip frequency is **still down** from year ago, but basket size remains elevated
- Even with most states seeing increased COVID case rates, only 24% of consumers were planning to "pantry-stock" as they had in anticipation of a rise in cases
- 31 minutes is the mean average reported for a shopping trip – 7% longer than in May

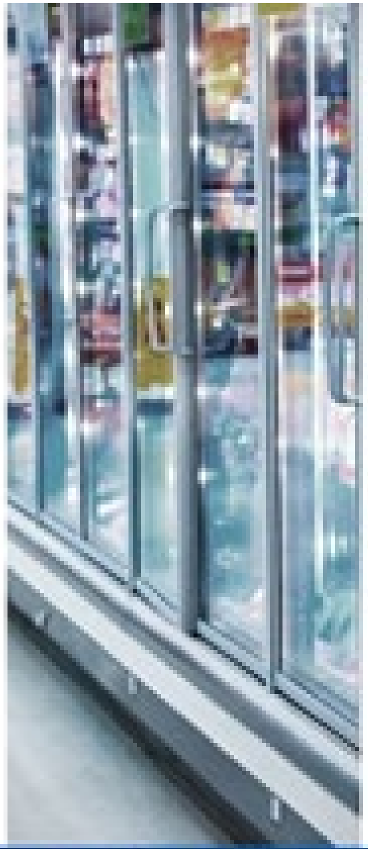
IRi

Explosive Growth in Frozen Foods

Even in the Latest Pandemic Period At-Home Meals Brought New Attention to an Area Ready to Deliver

Frozen Had the Highest Store Growth

Frozen Sales **+17%** for 8 weeks (August - September), **$1.4B** more dollars than YA, while the Meat Dept only added $1.3B



Most Dollars Added

- Frozen Seafood
- Frozen Ice Cream and Novelties
- Frozen Entrees

Highest Growth Rates

- Frozen Fruit
- Frozen Appetizers / Snacks
- Frozen Processed Poultry

Drivers for Frozen Foods

Convenience

Quality

Relevance

Variety

Even The Holidays are Shaping Up to Be Unlike Any Other in Modern History

*Smaller celebrations continue to dominate, but this means more "hosts" of smaller gatherings. Shoppers still want to **make it special** and be **inspired** to do so at the store and online.*

Only 26% of shoppers expect to host or attend a meal with extended family for Thanksgiving – down from 48% in 2019

Nearly 2/3 expect to have 5 or less people at their Thanksgiving meal – 3 less than the 2019 average gathering

State of Mind About the November / December Holiday Season This Year	Mid-Sept	Mid-Oct
Worried that celebrations will cause a spike in COVID-19 cases	32%	36%
Not looking forward to the holidays the way I usually would since I won't be able to celebrate with others as much as usual due to COVID-19	31%	35%
Looking forward to having something to celebrate after a stressful year	22%	21%
Feeling optimistic that things will be back to normal by then	11%	6%

E-Commerce Has Also Made Massive Impact – Opening Fresh Opportunities
Shopper Demand for Online Groceries Has Fast-Forwarded into 2025, Especially for Perishables
17% of households use online as their primary way to buy groceries
19% expect to make their Thanksgiving grocery trip online
$4B Latest 26 weeks – Fresh Foods eCommerce Sales (+99% vs. YA)
58% Fresh eCommerce sales in brick and mortar retailer sites (15 points higher than center-store / frozen)
IRi
12
NEW QUESTION

Throughout the Pandemic, Fresh Remains in Demand…

14%

of shoppers said they plan to buy *more* fresh foods each trip throughout the fall

only

6%

of shoppers said they would buy *less* fresh foods because of the pandemic

IRi

Enter question here...

NEW QUESTION

powered by Intrado

...But What is "Fresh"?

the definition of "fresh foods" differed across 5 different major U.S. grocers, for the 52 weeks ending 9/27/20 in IRI Unify for Total U.S. Food

13%

difference in perishables' share of total store sales

$69B

difference in size of fresh foods departments

IRi

The Way Consumers View Fresh – "Perishable" Foods

Consumers Don't Buy Based on Code Type and Often Don't Even Know What Code is What

Meat

Deli

Baked Goods

Produce

Seafood

Refrigerated

IRi

Fresh Perishables Needs an Industry Standard, Fact-Based Definition

IRI Utilized Our Industry Partnerships With Retailers and Suppliers to ***Research Majority-Rules, Agnostic, Fact-Based View of Perishables Definitions***

Research Retailer, Supplier Placements

Use retailers and suppliers own systems to analyze which items they consider meat, dairy, deli and bakery

Let Numbers Guide

Let numbers guide the definition– majority rules and can be defended – a representative "industry" view

Engage Industry as "Tie Breakers"

Where the data is not definitive, leverage a governance board of unbiased suppliers, retailers, industry leaders

Integrate fixed and random weight in a syndicated IRI Unify database

Build this industry standard in an easily accessible, ongoing data set for sales and shopper

IRI

NEW QUESTION

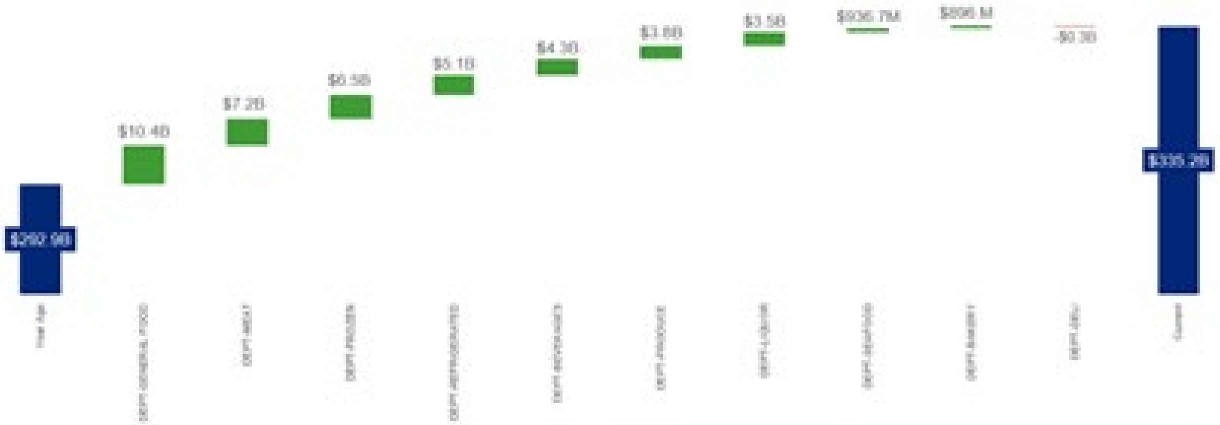
Enter question here...

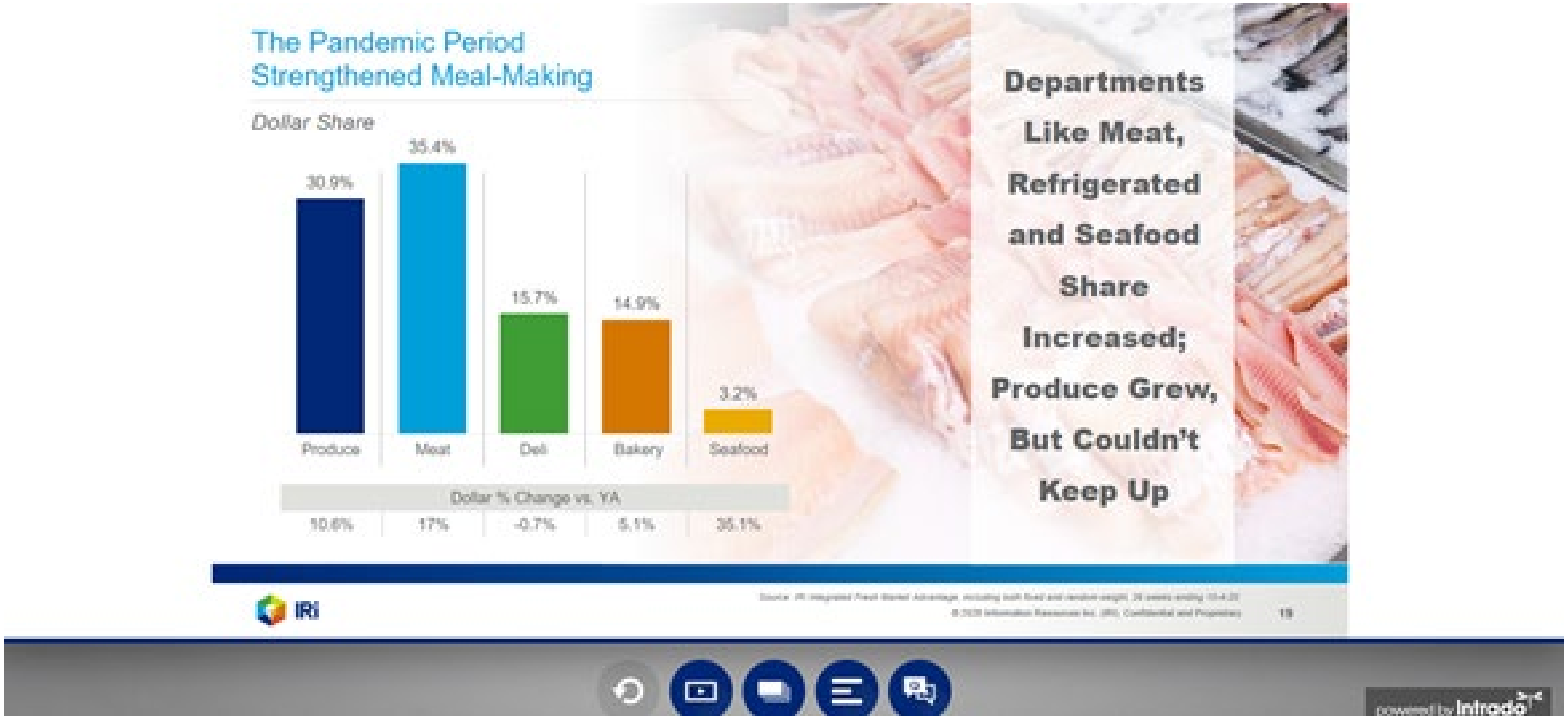
powered by Infrado


Introducing Integrated Fresh Definition of Food & Beverage Across the Store
Dollar Share
58.7%
34.7%
6.5%
Adult Beverages
Fresh Foods
Grocery, Frozen, Refrigerated
Dollar % Change vs. YA
16.6%
10.5%
13.6%
Fresh Is Up
11%
During the Pandemic, But Other Departments Grew Faster and Gained Share
IRi
17
NEW QUESTION
powered by Intrado

During the Pandemic, General Food and Frozen Combined Added Nearly $17B While Perishables Categories Were a Mixed Bag

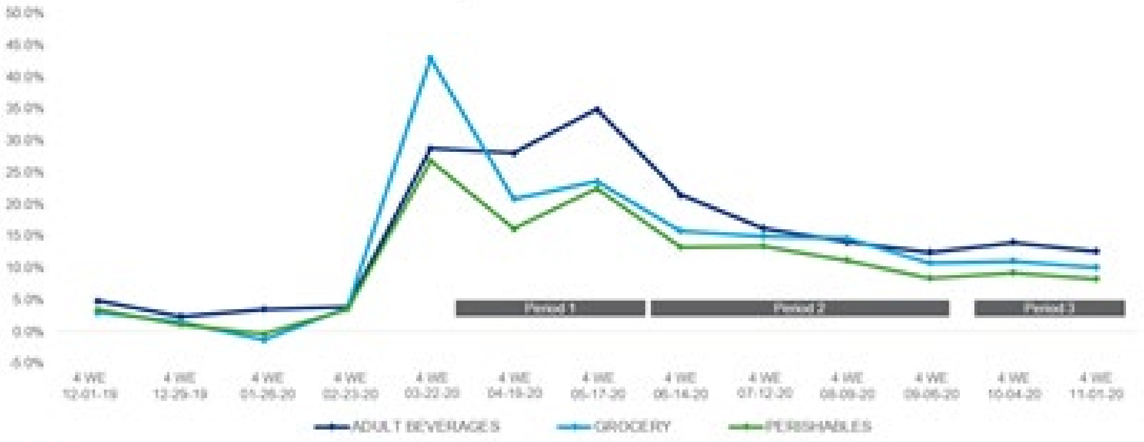
Perishables Department Contribution to Dollar Sales Change / 26 WE 10-4-20




The Pandemic Period
Strengthened Meal-Making
Dollar Share
30.9%
35.4%
15.7%
14.9%
3.2%
Produce
Meat
Deli
Bakery
Seafood
Dollar % Change vs. YA
10.6%
17%
-0.7%
5.1%
35.1%
Departments Like Meat, Refrigerated and Seafood Share Increased; Produce Grew, But Couldn't Keep Up
IRi
powered by Intrado

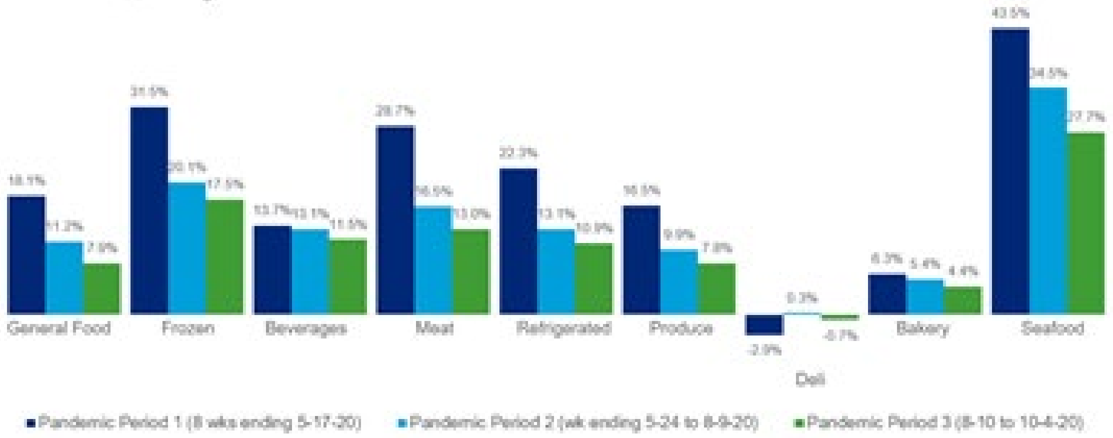
Perishables Slightly Lower Growth Was Not Unique to the March Stock-Up, Grocery and Adult Beverages have Trended Higher Throughout the Pandemic

Quad Week Trend – Dollar Sales, % Change vs. YA / Total U.S. – Multi-Outlet



Throughout the Pandemic Periods, Meat and Frozen Outpaced While Beverages and Seafood Sales Heated Up in the New Normal

Dollar Sales %Change vs. YA

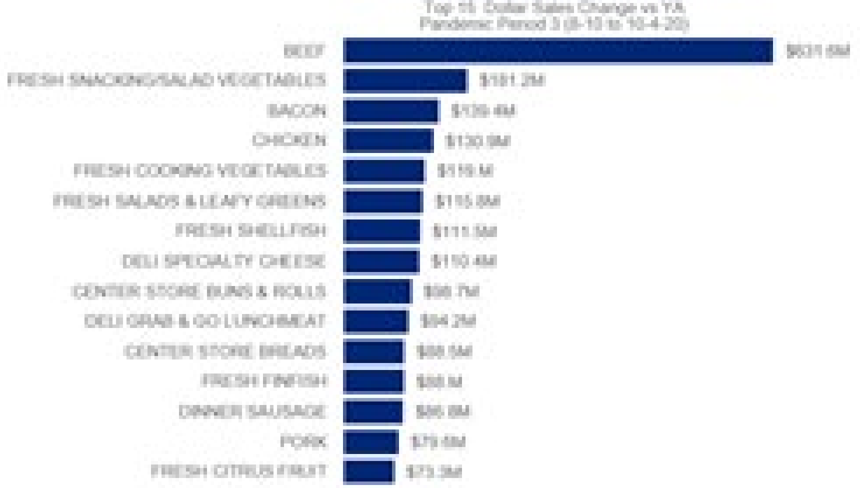


IRi


Perishables in the Time of COVID-19
Key Learnings to Guide the Future of Fresh
IRi
powered by Intrado

Fresh Pandemic Power Houses Came From Across the Fresh Departments

Beef Added 3x More $ Sales to the Store Than Any Category and Remained Top-Dollar-Generator Throughout the Pandemic



As the U.S. turned to a "new normal" in August and September, convenient, premium deli grab-and-go lunchmeat and deli specialty cheese made it into the top 15 dollar change categories, while others were ongoing anchors of the list.

IRi

The Meat Department Dominated, With Increased Meal Demand in the Home and the Role of Price Promotion Shifted

The Pandemic Brought New Meat Buyers - Price Alone May Not Keep Them Engaged

Feb 2020- Meat Dept 35% volume on promotion $3.10 promo price per pound	Meat Buyers & Trips Flat vs. YA
May 2020- Meat Dept 20% volume on promotion $3.80 promo price per pound	Meat Buyers +6% & Trips +17% vs. YA
Sept 2020- Meat Dept 39% volume on promotion $3.50 promo price per pound	Meat Buyers +2% & Trips +5% vs. YA

Groups Who Increased Meat Buying During Period Pandemic - Critical to Keep Engaged:
Millennials, Urban, Young Families

IRI

Produce is Diversifying With the Pandemic Period Showing Consumers are Still Consuming for Holistic Health Reasons, as well as Fresh Snacking, Salads & Sides

Total U.S. – Multi-Outlet / Pandemic Period 3 (8-10 to 10-4-20) Dollar Sales, Change vs. YA

Seafood's Explosive Growth Reveals Meal Fatigue Was Real & Consumers Seek to Upgrade Their Options Despite a Higher Price

*Plentiful Supply Leads to Seafood Pricing **Flat** Year Over Year – But Still Higher Average Price / Pound to Meat / % Change vs. YA*

Shoppers Picked Seafood

8.9%
more households bought seafood during the 26 weeks ending 10-4-20

27%
more was spent per seafood buying household

14%
more trips included seafood during the pandemic v

IRi


Deli is Complex With Varied Performance
Deli Dollar Sales / Pandemic Period 3 (8-16 to 10-4-20)
49.4%
20.9%
9.2%
20.5%
Deli Prepared Foods & Meals
Deli Cheese
Deli Entertaining
Deli Meat
Total % Change vs. YA
-10.1%
15.7%
0.7%
10.5%
Even With
-10%
Sales Decline,
Deli Prepared
Foods Still
Anchor the
Department
IRi


Making Meals Easy Across the Store
Can Bring New Promotion Ideas
ShopRite is rolling out an innovative "Fresh to Table" concept at three stores, which it says "reinvents the produce and fresh departments to provide inspired, high-quality options for shoppers looking for a one-stop shopping experience."
ShopRite
Kroger
Kroger launches Chefbot, a first-of-its-kind AI Twitter tool
Kroger launched the first generation of Chefbot, its AI-powered Twitter recipe tool that helps users' pair the groceries in their fridge and reduce food waste by providing mealtime inspiration and personalized recommendations
RETAILERS
Are Fresh Meal Solutions the Future of Grocery?
giant eagle
Giant Eagle to offer ready-to-cook meals under its Cookery Complete brand. The single-serve meals include six different options with each taking approximately 20 minutes to cook.
IRi
29

With Consumers Cooking and Making More Sandwiches at Home, Deli Cheese Posted the Highest Pounds Sales Growth in Period 3

Volume Sales %Change vs YA

Deli Grab & Go Cheese 21.2%	Dairy Natural Chunks 5.3%	Dairy Processed Loaf 16.7%
Deli Pre-Sliced Cheese 10.5%	Dairy Natural Shreds 13.4%	Dairy Processed Slices 8.1%
Deli Service Cheese -7.7%	Dairy Natural Slices 13.9%	Dairy Processed Spread 2.7%
Deli Specialty Cheese 13.7%	Dairy Natural Snack -0.4%	

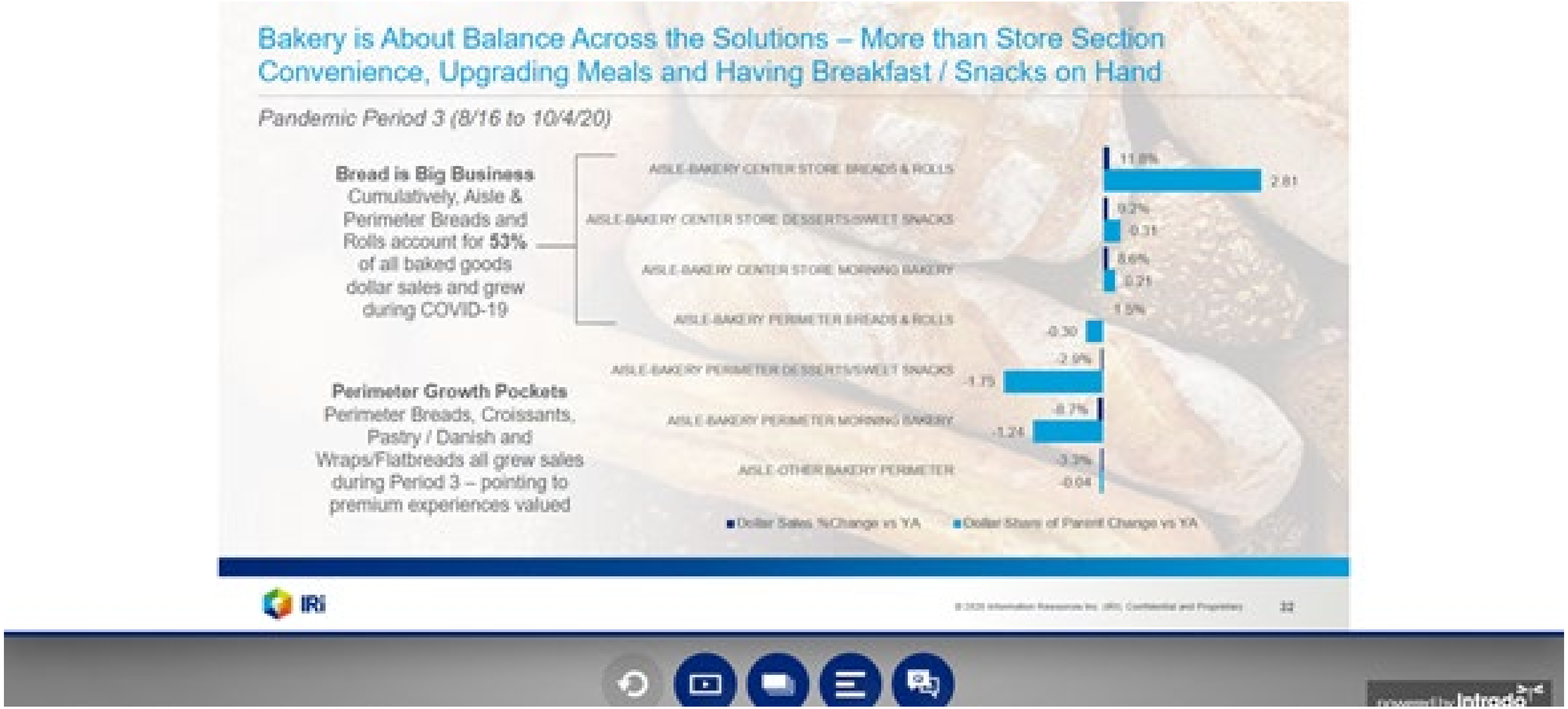
Cheese Slices Price per Pound Comparison	
Deli Grab & Go	$8.26
Deli Pre-Sliced	$7.77
Dairy Natural Slices	$5.26
Dairy Processed Slices	$3.92

IRi

Consumers Have Preferred Deli Grab & Go and Pre-Sliced Lunchmeats for Their Sandwiches and Meals

Product	Volume Sales % Change vs YA	Price per Volume
Packaged Lunchmeat	0.9%	$4.80
Deli Service Lunchmeat	5.6%	$8.35
Deli Grab & Go Lunchmeat	41.0%	$8.31
Deli Pre-Sliced Lunchmeat	17.8%	$14.23

IRI


Bakery is About Balance Across the Solutions – More than Store Section
Convenience, Upgrading Meals and Having Breakfast / Snacks on Hand
Pandemic Period 3 (8/16 to 10/4/20)
Bread is Big Business
Cumulatively, Aisle & Perimeter Breads and Rolls account for 53% of all baked goods dollar sales and grew during COVID-19
Perimeter Growth Pockets
Perimeter Breads, Croissants, Pastry / Danish and Wraps/Flatbreads all grew sales during Period 3 – pointing to premium experiences valued
AISLE-BAKERY CENTER STORE BREADS & ROLLS
11.8%
2.81
AISLE-BAKERY CENTER STORE DESSERTS/SWEET SNACKS
9.2%
0.31
AISLE-BAKERY CENTER STORE MORNING BAKERY
8.6%
0.21
AISLE-BAKERY PERIMETER BREADS & ROLLS
1.5%
-0.30
AISLE-BAKERY PERIMETER DESSERTS/SWEET SNACKS
-2.9%
-1.75
AISLE-BAKERY PERIMETER MORNING BAKERY
-6.7%
-1.24
AISLE-OTHER BAKERY PERIMETER
-3.3%
-0.04
Dollar Sales %Change vs YA
Dollar Share of Parent Change vs YA
IRi
32

As We Move Into 2021, We will See Continued Focus on These Trends But with an Emphasis on Holistic Health and Food Transparency