BRINGING TO LIFE: TOP TRENDS in FRESH FOODS

with

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TODAY’S DISCUSSION

Progression of our study

Trend Overviews

2018 Education Series Rollout
Our study focused on the shopper and consumer trends 2016 & 2017. The relevance & evolution with consumers were confirmed through primary & secondary research.
Perimeter Findings...More than Half of Edibles Growth

From 2013’s 29.0% ($116Billion) To 2017’s 30.5% ($140Billion)

$426.8B
Perimeter outpacing other F&B departments over last 4 years, but slowing growth

1.3x

4-YEAR CAGR DOLLAR GROWTH
But…Momentum Slows in 2017

Source: IRI FreshLook POS data, Multi-Outlet, 52 weeks ending 12/31/2017
With volume declines impacting key segments

- Meat: $0.6, VOL. -0.3%, VOL. -4.9%
- Seafood: $0.9, VOL. -2.9%
- Deli Prep: $1.7, VOL. 1.7%
- Produce: $1.6, VOL. 0.6%
- Bakery: $0.0, VOL. 0.0%
- Deli Cheese: $0.5, VOL. 0.1%
- Deli Meat: $0.1, VOL. 0.5%

Source: IRI FreshLook POS data, Multi-Outlet, 52 weeks ending 12/31/2017
FOR THE EXECUTIVE AGENDA

Fresh foods are top-of-mind for consumers

Understanding generational differences is important for reaching key shoppers

Short & long-term growth can be realized through a variety of activation opportunities
TRENDS are still RELEVANT but there is a lot of work to do.
Let’s dive into two trends updates
Consumers continue to rely on eating fresh foods for certain health benefits
Consumers are eating fresh foods for certain health benefits.

**Health & Wellness is Important to the Majority of Fresh Food Shoppers.**

- **82%**
  - The most important factor when heading out to shop.

- **50%**
  - It's the most important reason for choosing fresh foods.

CONSUMERS CONFIRMING
Consumers are eating fresh foods for certain health benefits.

HEALTH & WELLNESS as a SHOPPING MOTIVATOR HAS BECOME MORE IMPORTANT in 2018 vs. 2017.

65% of consumers confirming: Consumers are eating fresh foods for certain health benefits.
Consumers are eating fresh foods for certain health benefits

- 50% Foods that provide medicinal properties
- 45% Foods recognized as home remedies
- 53% Like to buy foods rich in micronutrients
Nutrients & vitamins are greater with less processed foods

- **43%** Vitamin-rich foods
- **23%** Mineral-Rich foods
- **41%** Highly nutritious foods
- **35%** Natural Foods
- **35%** Hormone Free Options
Allergen free foods are in demand

17% Millennials
20% Gen X

Are more likely to look for foods that comply with dietary restrictions and certain allergies.
Absence of certain negatives is growing in importance

% of consumers who are...

- 32% Antibiotics-Free
- 32% Hormone-Free
- 31% Non-GMO
- 30% Pesticide-Free

...much more important now then in the past
BAKERY DEPARTMENT
driving Holistic Health
with KETO OPTIONS
For those who practice holistic health

EXPAND ASSORTMENT
with availability of
DISEASE FIGHTING
HOME REMEDIES

CONNECTION TO
personalized
NUTRITION

And interestingly, key US retailers are now very focused
on gut health to better serve their shoppers needs
Holistic Health trends more positive now vs. past

70% MILLENNIAL
60% GEN X
64% BABY BOOMERS
MILLENNIALS

17% SUPER FOODS 10%

30% NATURAL FOODS 19%

20% RICH IN MICRONUTRIENTS 13%

18% HOME REMEDIES 9%

30% PROTEIN RICH FOODS 23%

27% FRESH HERBS 20%

15% ETHNIC & UNIQUE FOODS 8%

17% DIETARY RESTRICTED 10%

BABY BOOMERS

10% 19% 13% 9% 23% 20% 8% 10% 17% 30% 20% 18% 30% 27% 15% 17%
Millennials are shopping these markets more than any other generation.
For both believers and non-believers

Need more education

Cooking Classes
Seminars
Signage
Website support
“What I need and when I need it!”
Buying ready-made meal kits and pre-cut ingredients, more prevalent among Millennials
Who enjoy the exploration and excitement of cooking with the guesswork eliminated by well-designed meal kits
Convenience is driving value-added meats

CONSUMERS LOVE ready to heat/ready to eat AS A HEALTHY ALTERNATIVE TO GOING TO A RESTAURANT
TEACH SHOPPERS how to cook food THAT THEY CAN CONVENIENTLY BUY
Convenience is a key play

$12 BILLION

FOOD SERVICE AT RETAIL BUSINESS GROWING OVER THE past two years with NEW COMPETITION
Millennials place higher importance on fresh prepared meals/meal kits and prepared ready-to-cook ingredients

32% MILLENNIALS

24% GEN X

15% BABY BOOMERS
While being important to **ALL SHOPPERS**...

**63%**
Vegetables and Fruit

**41%**
Seasonal Offerings

**MILLENNIALS**
are more likely than the older generation to place greater importance on...

**15%**
Meal Kits

**13%**
Dietary Meal Kits

**10%**
Trendy Meals
And, Millennials out-pace their generational counterparts on…

**BUYING FROZEN FOODS**

- **MILLENIALS**: 52%
- **BABY BOOMERS**: 40%

**GETTING TAKE-OUT**

- **MILLENIALS**: 49%
- **GEN X**: 35%
- **BABY BOOMERS**: 33%

**EATING OUT**

- **MILLENIALS**: 54%
- **GEN X**: 39%
- **BABY BOOMERS**: 38%

**GETTING IN-HOME DELIVERY**

- **MILLENIALS**: 42%
- **GEN X**: 28%
- **BABY BOOMERS**: 26%

CONVENIENCE EVOLUTION
Millennials are likely to shop later in the afternoon and a well-stocked perimeter can be a ticket to success.

Opportunity to drive secondary sales, like wines, to act as a pairing with meals purchased.
2018 AREAS OF ADDITIONAL IMPORTANCE
“Should lower the prices when it comes to vegetables, because I feel like junk food can be cheaper than vegetables.”

Want to buy fresh but it costs too much—cheaper to go to McDonald’s.”

In fact lower priced fresh foods are important for certain segment of the population

<table>
<thead>
<tr>
<th>Segment</th>
<th>Percentage</th>
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<tbody>
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Fresh pricing is too high for many stores /areas

Possible opportunity to expand “Imperfect” fruits and vegetables
FRESH NOW opportunity

SOME: Buy fruits and vegetables on a daily basis

SOME: Call stores for their fresh food delivery for optimum freshness

Get the ability to alert shoppers when produce or veggies have been delivered

Send alerts about new/seasonal items availability
FRESH TRIFECTA

EASIER TO SHOP

MORE VARIETY

BETTER PRICES
Better organized fresh foods
Better organized stores in general

Fresh Food must look good /fresh
RETAILERS may consider

**PROMOTING THE GOODNESS**
Key benefits of Fresh with experts to enhance experience and daypart opportunities (e.g., wine: late afternoon)

**EXPLORING THE VARIETY**
Fresh food assortment (e.g., diseases fighting, personalized nutrition, meal kits, etc...)

**TRIFECTA CONNECTIONS WITH THE GENERATIONS**
Targeted benefits to aid generations from Super Seniors to the up & coming Gen Z shoppers (e.g., Fresh Now, Affordability, etc.)

**PROMOTING THE INTEGRITY OF FRESH**
Focus on Social and Cultural needs that are relevant to key targets

**COMPETE BY EMPOWERING CONSUMERS**
With restaurant options and benefits by teaching how to prepare healthy meals (e.g., cooking classes, seminars, signage, website support)
MANUFACTURERS may consider

- **DIVERSIFYING**: Including foods made from seasonal and locally sourced ingredients.
- **EMPHASIZING**: Freshness and --flash frozen or picked at the peak of freshness; Promoting social and fair-trade practices.
- **HIGHLIGHTING**: Comparative or competitive benefits of fresh (e.g., value, high protein, good source of vitamins/minerals).
- **INNOVATE**: Delivery formats with an emphasis on freshly prepared.
- **MEASURE**: Impact of shopper journey personalization and touchpoints.
Retailers and Manufacturers are better together by…

- Promoting the merits and delivering on expectations of fresh whether it’s around absence of negatives, presence of positives or key social issues via key media streams
- Educating and nurturing consumers on how to best select and prepare
- Create programs to make fresh products, perfect or impact, readily available to all populations
2018 Trend Launches & Educational Plan

Feb 22
Holistic Health
Convenience

APR 25
Food Transparency
Social & Cultural Alignment

JUN 20
Customization to the New Consumerism
Prepared Foods & Specialty

SEP 13
Atomization of Personalization
Connected Consumer

OCT 2
Hyper Localization
New Supply Chains
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Thank you!