The Evolution of Eating
A generational study
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The NPD Group
Generational values can transcend life stage or circumstance
The Evolution of Eating

Four generationally fueled trends reshaping the food landscape

1. Getting Clean
2. The New Convenience
3. Food Goes Digital
4. Redefining Meal Composition
GETTING CLEAN
The last decade signaled a shift in \textit{fresh food consumption} after decades of decline.
Fresh Foods Annual Eatings Per Capita

Generational change is partly responsible for the move to fresh as young consumers are adopting fresh much earlier in the aging curve than in the past.

Source: The NPD Group/A Generational Study: The Evolution of Eating. Fresh food defined as fresh fruit, vegetables, refrigerated meats, poultry, fish, and eggs.
Fresh, clean eating is healthy eating

64% of primary grocery shoppers consider clean eating synonymous with healthy eating. Fresh items top the list of items perceived as highly clean and highly healthy.

Items Considered Highly Clean and Healthy

- Fresh vegetables
- Fresh fruit
- Olive oil
- Fresh organic fruit
- Fresh organic vegetables
- Frozen organic vegetables
- Frozen organic fruit
- Bagged organic salad
- Wild-caught salmon
- Coconut oil
- Organic eggs
- Organic potatoes
- Free-range chicken
- Cage-free eggs

Q.22 Which of the following best describes the relationship between healthy eating and clean eating? (4-point scale)
Base = Primary grocery shoppers (n=3,844)
Source: The NPD Group/Clean Eating Custom Survey, June 2015

Q.38 Which of the following would you consider “healthy” and which would you consider “clean”?
Please think of the typical things found in grocery stores when answering this question
(Multiple response out of 209 items presented in category groups)
Base = Primary grocery shoppers (n=3,844)
Items shown in order of magnitude
Source: The NPD Group/Clean Eating Custom Survey, June 2015
How Much Does Clean Eating Improve the Overall Quality of Life?

The younger generations are more likely to associate clean eating with an improvement in their quality of life.

% Indicating Very Much

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24 Year Olds</td>
<td>55%</td>
</tr>
<tr>
<td>25-34 Year Olds</td>
<td>42%</td>
</tr>
<tr>
<td>35-53 Year Olds</td>
<td>36%</td>
</tr>
<tr>
<td>55+ Year Olds</td>
<td>26%</td>
</tr>
</tbody>
</table>

Q.17 How much do you feel clean eating improves the overall quality of life? (4-point scale)
Base = Primary grocery shoppers (n=3,844)
Source: The NPD Group/Clean Eating Custom Survey, June 2015
Organic Foods and Beverages

Although everyone has increased consumption of organic foods, Millennial parents and their children are leading the way, making this lifestage-driven

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Annual Eatings Per Capita

Gen Z is consuming more of the top 3 food and beverage special labels.

**Annual Eatings Per Capita In-Home/Carried Occasions**

1. **#1**
   - 94 Organic
   - +4% (% chg vs 2 YE May 2015)

2. **#2**
   - 54 Non-GMO
   - + 18%

3. **#3**
   - 20 Gluten Free
   - +11%

Source: The NPD Group/National Eating Trends®, 2YE May 2017

Total Food & Beverages
Several small, emerging special labels that relate to food origin are gaining momentum among Gen Z members.

Annual Eatings Per Capita In-Home/Carried Occasions
Total Gen Z – Ages 0-20

<table>
<thead>
<tr>
<th>Label</th>
<th>AEPC pt chg vs 2 YE May 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cage Free</td>
<td>+1.5</td>
</tr>
<tr>
<td>Grass Fed</td>
<td>+2.0</td>
</tr>
<tr>
<td>Antibiotic Free</td>
<td>+2.4</td>
</tr>
<tr>
<td>Hormone Free</td>
<td>+4.4</td>
</tr>
</tbody>
</table>

Almost all the growth has occurred since 2015...

Source: The NPD Group/National Eating Trends®, 2YE May 2017
THE NEW CONVENIENCE
The history of Convenience

1985

- Consumer Confidence Index = 100
- 55% women in workforce
- 16.5% of meals sourced from Restaurant
- 1.7 Trillion Vehicle Miles of Travel
The convenience revolution

The Old Convenience

- Restaurant annual meals per capita + 23%
- Microwave usage +142%
- Fresh foods AEPC -18% as we found convenience in processed packaged foods
- No e-commerce
- Frozen dinner and entrées +123%

1984-2000
The history of convenience - 2000

- Consumer Confidence Index = 139
- 60% women in workforce
- 20% of meals sourced from Restaurant
- 2.7 Trillion Vehicle Miles of Travel
Convenience Today

- Consumer Confidence Index = 100
- 57% women in workforce
- 17% of meals sourced from Restaurant
- 3.0 Trillion Vehicle Miles of Travel
The convenience reinvention
The New Convenience

Restaurant annual meals per capita -10%
Microwave usage +9% and declining
Fresh foods AEPC +5% ’01-’14 and another 2% ’14-’17.
We purchase items to make the kitchen convenient (’02-’17)
  — Food processors +134%
  — Juicers +71%
7% buy groceries online and 5% subscribe to meal kits
Frozen dinners and entrées +57% (still convenient, and better quality than ever)

2001-Present
All consumer groups report fewer restaurant visits per capita versus 2009

Ages 25-54 are the peak restaurant usage life stages

**Annual Restaurant Meals Per Capita**

- Per Capita Visits 2009
- Per Capita Visits 2017

<table>
<thead>
<tr>
<th>Age</th>
<th>2009</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>13-17</td>
<td>198</td>
<td>183</td>
</tr>
<tr>
<td>18-24</td>
<td>216</td>
<td>209</td>
</tr>
<tr>
<td>25-34</td>
<td>258</td>
<td>241</td>
</tr>
<tr>
<td>35-54</td>
<td>241</td>
<td>214</td>
</tr>
<tr>
<td>55-64</td>
<td>218</td>
<td>203</td>
</tr>
<tr>
<td>65+</td>
<td>180</td>
<td>173</td>
</tr>
</tbody>
</table>
Millennials today are more involved in the kitchen.

83% of Millennials reporting fewer restaurant visits are cooking more at home.

63% of those Millennials say they are cooking more from scratch.

Regardless of where we source the meal, we increasingly consume it at home

Prepared and Eaten in Home
Purchased Away From Home but Eaten in Home
Share of Occasions

Source: The NPD Group/National Eating Trends®, Years ending February ‘13-’17
A look at the fastest growing categories in NPD’s measured universe shows an emphasis on the home

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Automation</td>
<td>Making home comfortable and convenient</td>
<td>+49%</td>
</tr>
<tr>
<td>Games and Puzzles</td>
<td>Spending quality time at home</td>
<td>+26%</td>
</tr>
<tr>
<td>Portable Beverageware</td>
<td>Relaxing with a hot or cold beverage at home or bringing one with you</td>
<td>+24%</td>
</tr>
<tr>
<td>Cookers</td>
<td>Convenient Meal Prep</td>
<td>+27%</td>
</tr>
<tr>
<td>Cookware</td>
<td>Preparing meals at home</td>
<td>+9%</td>
</tr>
<tr>
<td>Vacuums</td>
<td>Maintaining the home</td>
<td>+21%</td>
</tr>
</tbody>
</table>

*Source: The NPD Group/Retail Tracking Service*
Thanks to our increasingly connected homes, we are deriving more entertainment at home.

59% of U.S. broadband customers have at least one TV connected to the Internet.

7 million homes have connected TV and attached-content devices (like streaming media players) sold last year.

11 million households have a 4K TV (growth driven by 55-inch class).

Source: The NPD Group/Q2 Home Entertainment Report
FOOD GOES DIGITAL
Alternative sources for the in-home meal are gaining momentum

7% are buying groceries online and 5% are using subscription meal kits

**Share of Individuals – Past 30 Days**

- **Online Grocery Retailer**
- **Online Grocery Delivery**
- **Meal Kit**

<table>
<thead>
<tr>
<th>Period</th>
<th>Online Grocery Retailer</th>
<th>Online Grocery Delivery</th>
<th>Meal Kit</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Months (Jun'16 - Aug'16)</td>
<td>5.2</td>
<td>2.9</td>
<td>2.8</td>
</tr>
<tr>
<td>3 Months (Sep'16 - Nov'16)</td>
<td>4.9</td>
<td>3.4</td>
<td>2.6</td>
</tr>
<tr>
<td>3 Months (Dec'16 - Feb'17)</td>
<td>5.9</td>
<td>3.5</td>
<td>3.3</td>
</tr>
<tr>
<td>3 Months (Mar'17 - May'17)</td>
<td>7.4</td>
<td>5.4</td>
<td>4.9</td>
</tr>
</tbody>
</table>

Source: The NPD Group/NET®
Online grocery shoppers can be found across all demographic groups.

**Online Grocery Shopping Past 30 Day Penetration**

<table>
<thead>
<tr>
<th>Group</th>
<th>Avg Penetration</th>
<th>Index to Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-34</td>
<td>9.1</td>
<td>132</td>
</tr>
<tr>
<td>35-54</td>
<td>7.9</td>
<td>115</td>
</tr>
<tr>
<td>55+</td>
<td>4.6</td>
<td>66</td>
</tr>
<tr>
<td>Non-Fams</td>
<td>6.0</td>
<td>87</td>
</tr>
<tr>
<td>Families</td>
<td>8.9</td>
<td>128</td>
</tr>
<tr>
<td>Urban</td>
<td>10.2</td>
<td>148</td>
</tr>
<tr>
<td>Suburban</td>
<td>7.2</td>
<td>105</td>
</tr>
<tr>
<td>Rural</td>
<td>4.0</td>
<td>58</td>
</tr>
</tbody>
</table>

Source: The NPD Group / National Eating Trends® (NET®), Year Ending August 2016
Three out of ten online food/beverage grocery orders were purchased using a mobile app. The rest were ordered from a Website.

Adults under 35 are nearly 50% more likely to order online groceries using a mobile device (44% of their orders).

Q How many of those purchase occasions were done using a Website and how many were done using a mobile app?
Source: The NPD Group / E-Commerce Custom Survey, November 2016
n = 613
Trend in digital traffic

Digital orders = Internet and mobile app orders have grown by leaps and bounds just over the past two years, now accounting for almost 2 billion visits.

Source: The NPD Group/CREST®, YE June 2017 - Total Restaurant Industry
Si's Chicken Kitchen

$ • American • Southern • Opens at 11:00 AM

Pizza

Wings  Chicken Tenders  Fried Chicken  Pizza  Sides  Beverages  Desserts
Delivery Traffic Forecast – Excludes QSR Pizza

Restaurant Delivered Meals Excluding Pizza

Traffic Forecast
2022 vs. 2016

+20%

Delivery Usage Skews to Younger Consumers
Gen Z and Millennials over index and account for half of all meals delivered.

Index*  156

8%

Gen Z (18-19)

40%

Millenials (20-35)

26%

Gen X (36-51)

26%

Boomers+

*Index Users to Distribution of Total Qualified Respondents
Q: Which of the following have you done in the past 3 months?
Source: The NPD Group /Delivery Custom Survey, June 2016,
How Delivery Order is Placed by Generational Group

Telephone orders are still the most common method for ordering delivery. Millennials are more likely to use online and apps for ordering.

<table>
<thead>
<tr>
<th>Percent Users</th>
<th>Gen Z</th>
<th>Millennials</th>
<th>Gen X</th>
<th>Boomers+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Users</td>
<td>14%</td>
<td>36%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Gen Z</td>
<td>17%</td>
<td>30%</td>
<td>53%</td>
<td></td>
</tr>
<tr>
<td>Millennials</td>
<td>19%</td>
<td>46%</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>Gen X</td>
<td>14%</td>
<td>36%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Boomers+</td>
<td>6%</td>
<td>25%</td>
<td></td>
<td>69%</td>
</tr>
</tbody>
</table>

Q: How do you usually order delivery?

Source: The NPD Group/ Delivery Custom Survey, June 2016
REDEFINING MEAL COMPOSITION
Snack Food Eatings Share
More snack foods are being eaten at main meal occasions

This fact, in combination with an increase of between meal occasions overall drives growth for a variety of snack foods.

2010 21% 2016 24%

With Meals Between Meals

Driven by **Gen Z** and **Millennials**

*Source: The NPD Group/SnackTrack®, Year ending March*
*Source: The NPD Group/A Generational Study: The Evolution of Eating*
More so than other generations, Gen Z meals include RTE snack foods likely for convenience.

RTE Snack Foods Eaten at Main Meal – Annual Eatings Per Capita

Source: The NPD Group/National Eating Trends®; YE February
Minimal preparation is another way Gen Z keeps meals simple.

58% of Gen Z’s eating occasions are prepared **without an appliance**

Compared to just 47% of Millennials’ and Gen X’ers’ occasions

*Source: The NPD Group/National Eating Trends®, 2 YE May 2017*
Snacking success is about the three P’s:

1. Price
2. Portability
3. Portion Control
Savory snacking continues to exhibit growth

Sweet snacking has sustained last year’s gain and remains on par with BFY snacks

Annual Eatings Per Capita of RTE Snack Foods

Source: The NPD Group/SnackTrack®, data trended 10 years ending March
Definitions of savory, sweet, and better-for-you snacks were updated for this year’s report
Take Home Opportunities

1. **Embrace** the experiential nature of today's consumer

2. Find a **connection** between your food story and consumer desire for freshness and authenticity

3. Create **flexibility** in the product assortment to meet emerging consumer definitions of “meal time”

4. **Leverage** the opportunity to engage directly with consumer via digital platforms
Thank You

Q&A