FMI Midwinter™

EXECUTIVE CONFERENCE

January 26 - 29, 2018 • National Doral Miami • Miami, FL

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THE VOICE OF FOOD RETAIL

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The Evolution of Eating
A generational study

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Generational values can transcend life stage or circumstance

The Evolution of Eating

Four generationally fueled trends reshaping the food landscape

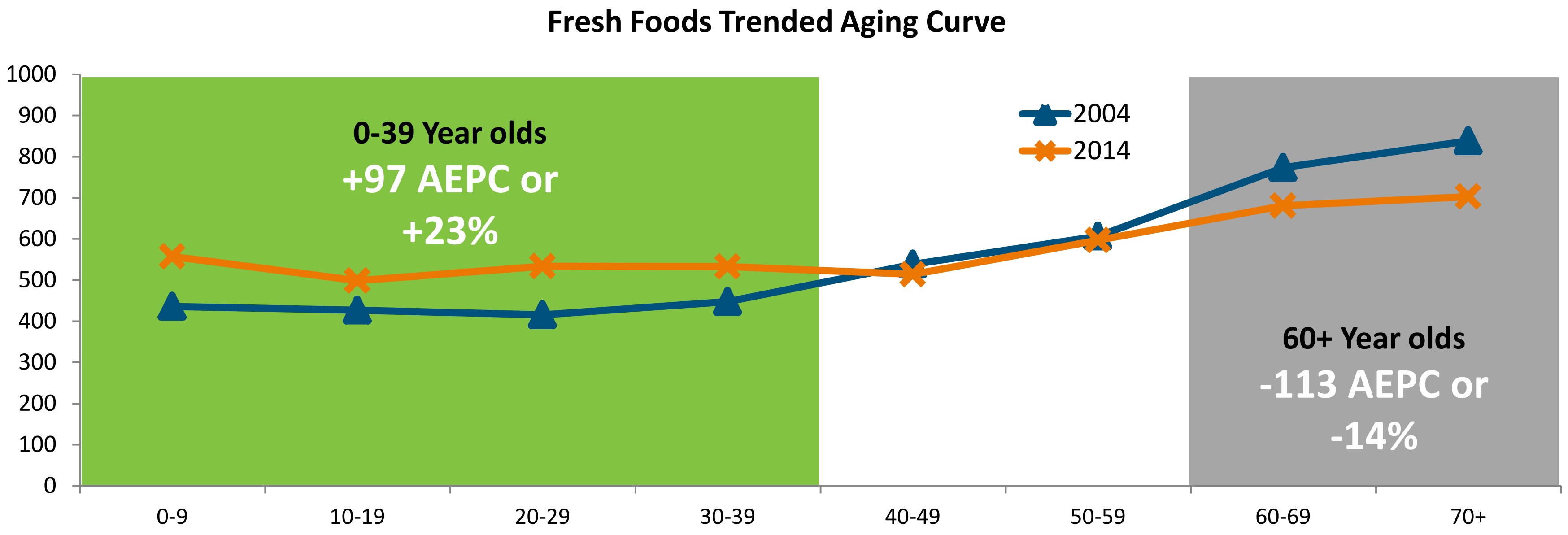
1. Getting Clean
2. The New Convenience
3. Food Goes Digital
4. Redefining Meal Composition

GETTING CLEAN

The last decade signaled a shift in 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**

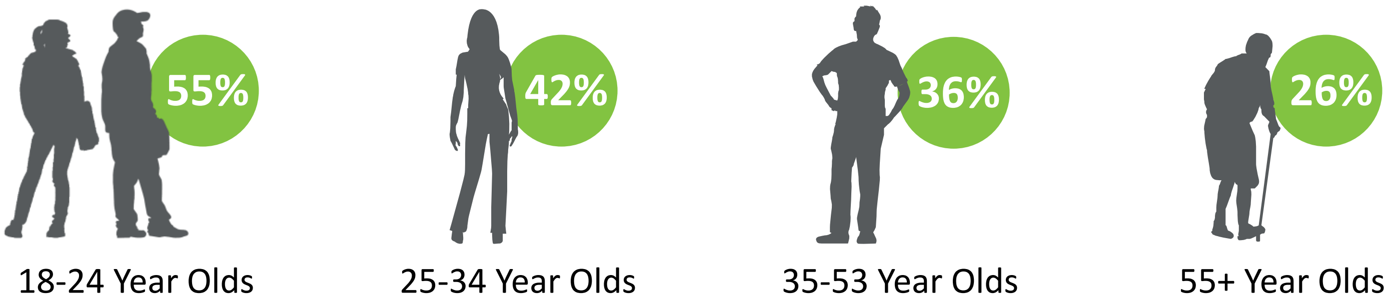
Q.22 Which of the following best describes the relationship between healthy eating and clean eating? (4-point scale)
Base = Primary grocery shoppers (n=3,844)
Source: The NPD Group/Clean Eating Custom Survey, June 2015

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.

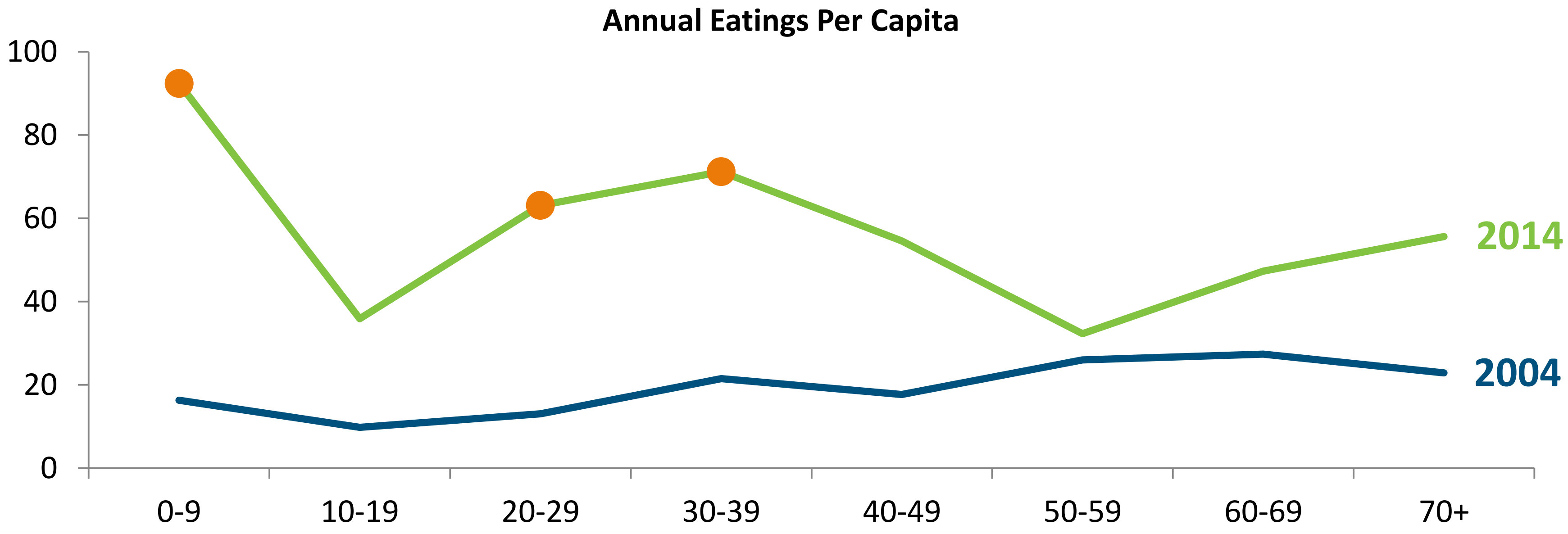
% Indicating Very Much



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



Source: The NPD Group/A Generational Study: The Evolution of Eating.

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

Annual Eatings Per Capita In-Home/Carried Occasions

#1	#2	#3
94	54	20
Organic	Non-GMO	Gluten Free

(% chg vs 2 YE May 2015)

Organic	Non-GMO	Gluten Free
+4%	**+ 18%**	**+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

1.5	2.2	2.6	4.7
Cage Free	Grass Fed	Antibiotic Free	Hormone Free

Almost all the growth has occurred since 2015… (AEPC pt chg vs 2 YE May 2015)

+ 1.5	+2.0	+2.4	+4.4

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%

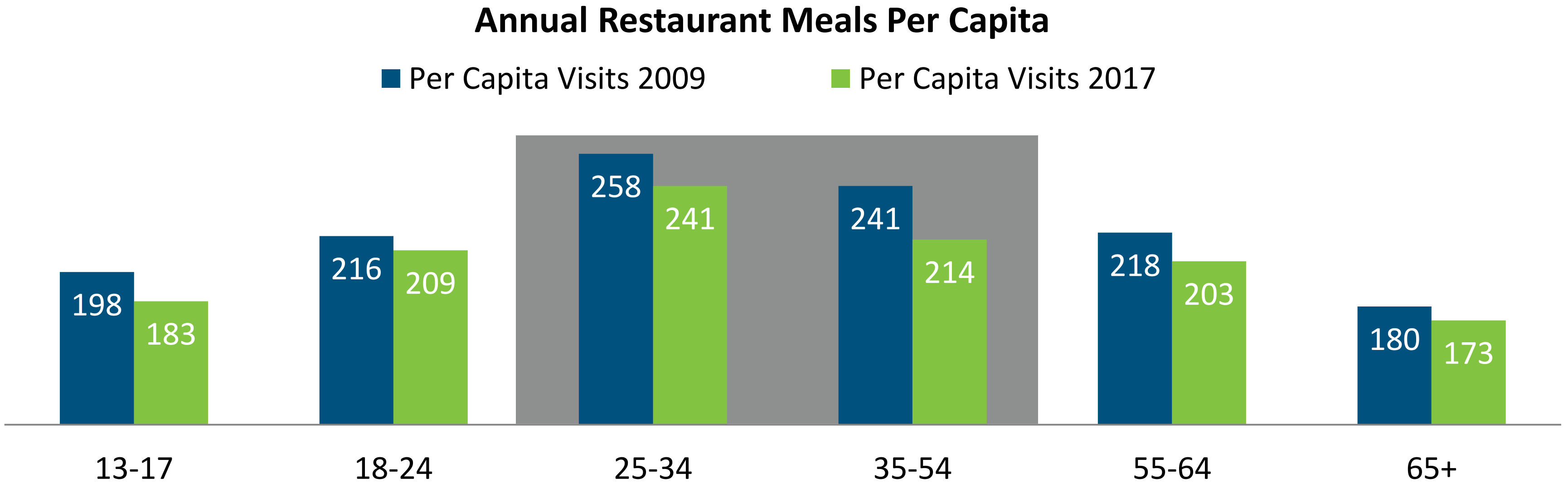
7% buy groceries online and 5% subscribe to meal kits

Frozen dinners and entrées +57% (still convenient, and better quality than ever)

2001-Present

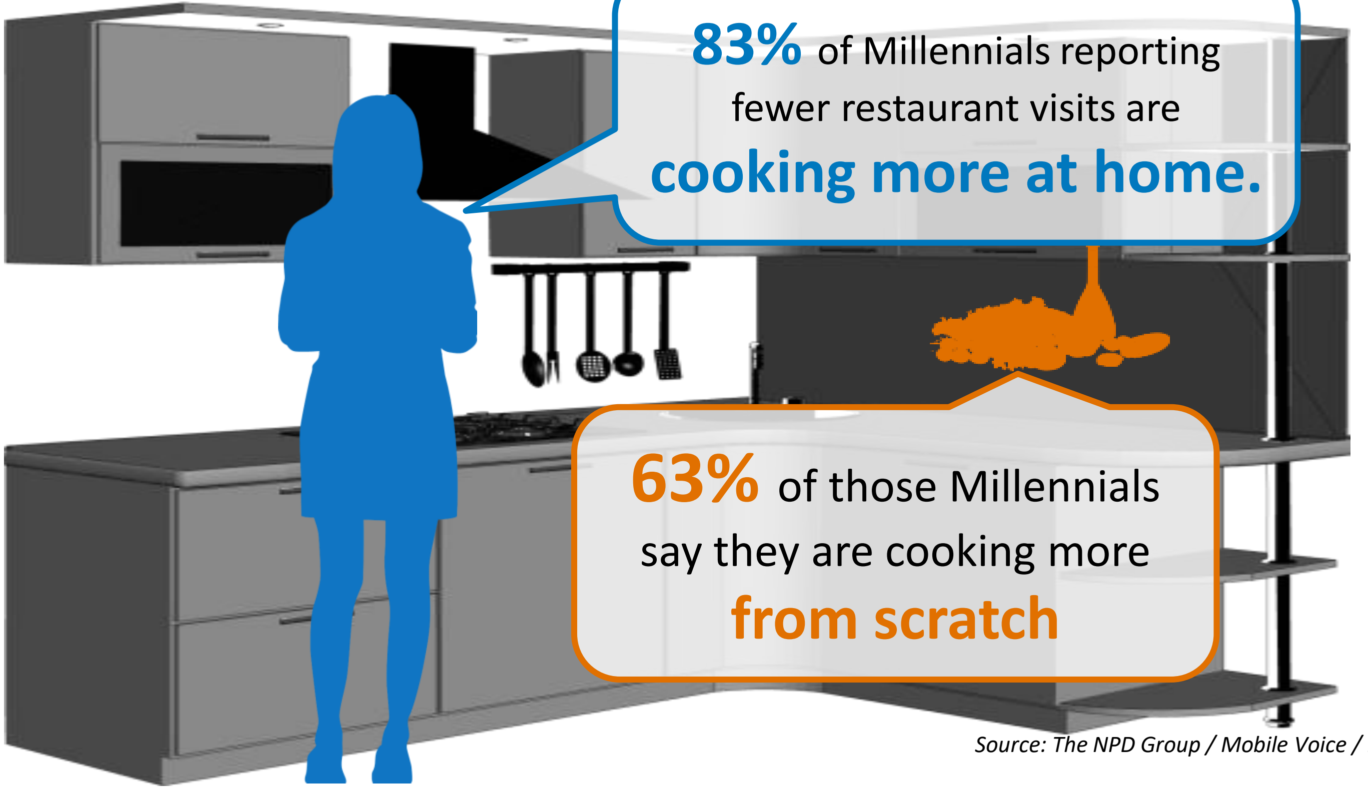
All consumer groups report fewer restaurant visits per capita versus 2009

Ages 25-54 are the peak restaurant usage life stages



The NPD Group/CREST

Millennials today are more involved in the kitchen.

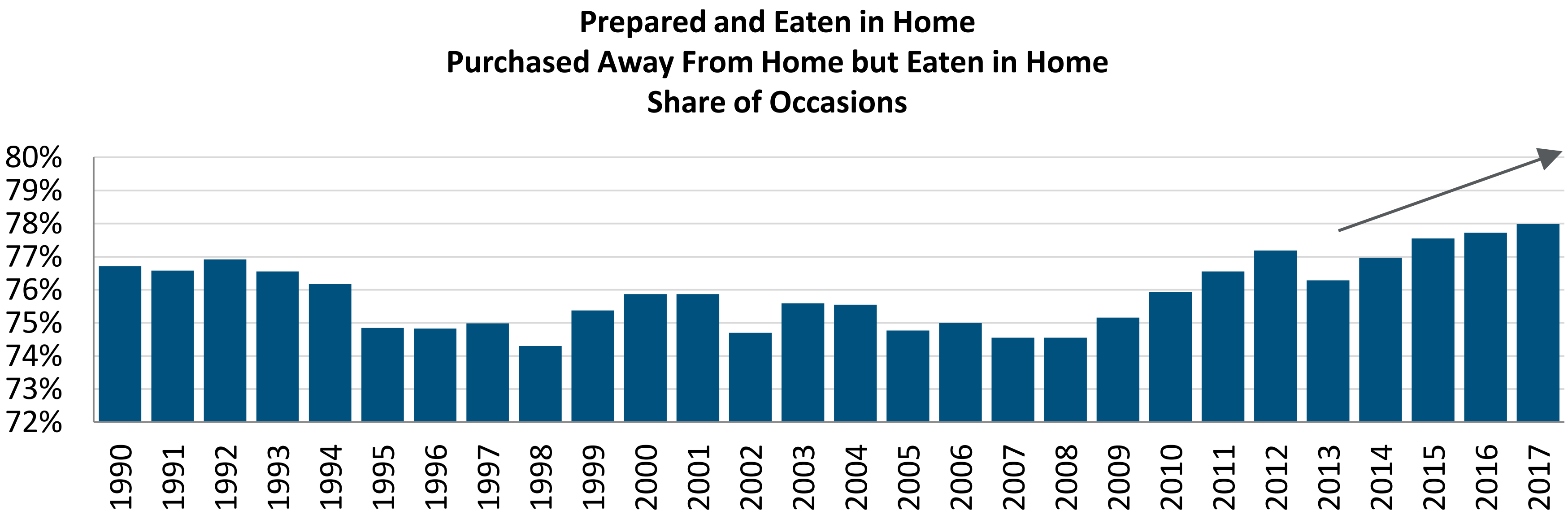


83% of Millennials reporting fewer restaurant visits are **cooking more at home.**

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

Source: The NPD Group / Mobile Voice / Kitchen Audit 2005, 2014

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



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

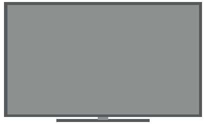
Home Automation	Making home comfortable and convenient	**+49%**
Games and Puzzles	Spending quality time at home	**+26%**
Portable Beverageware	Relaxing with a hot or cold beverage at home or bringing one with you	**+24%**
Cookers	Convenient Meal Prep	**+27%**
Cookware	Preparing meals at home	**+9%**
Vacuums	Maintaining the home	**+21%**

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

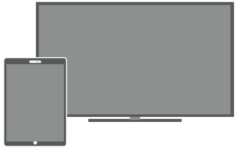


7 million

This is an increase of 7 million homes versus year ago

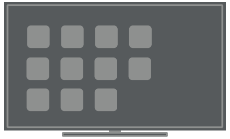
11 million

connected TV and attached-content devices (like streaming media players) sold last year



19 million

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

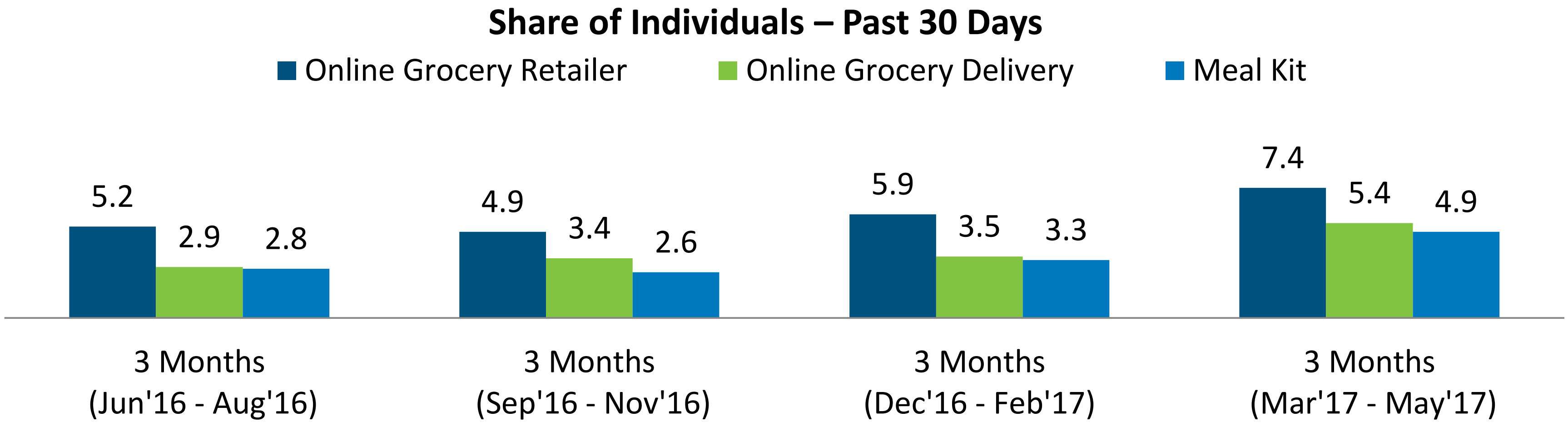


Source: The NPD Group/Q2 Home Entertainment Report

FOOD GOES DIGITAL

Alternative sources for the in-home meal are gaining momentum

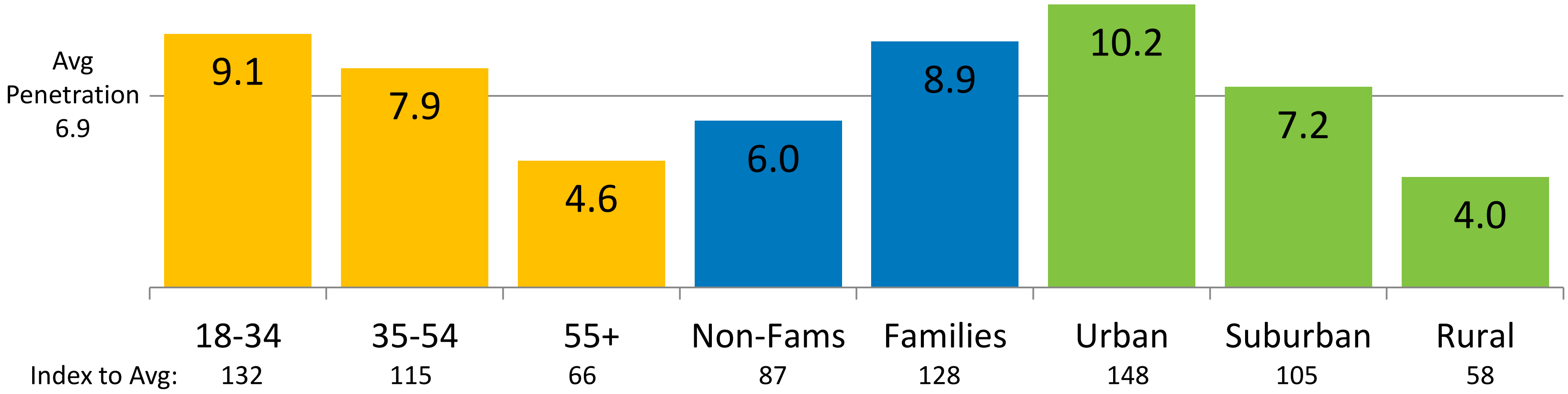
7% are buying groceries online and **5%** are using subscription meal kits



Source: The NPD Group/NET®

Online grocery shoppers can be found across all demographic groups.

Online Grocery Shopping Past 30 Day Penetration



Purchased groceries online past 30 days
Source: The NPD Group / National Eating Trends® (NET ®), Year Ending August 2016

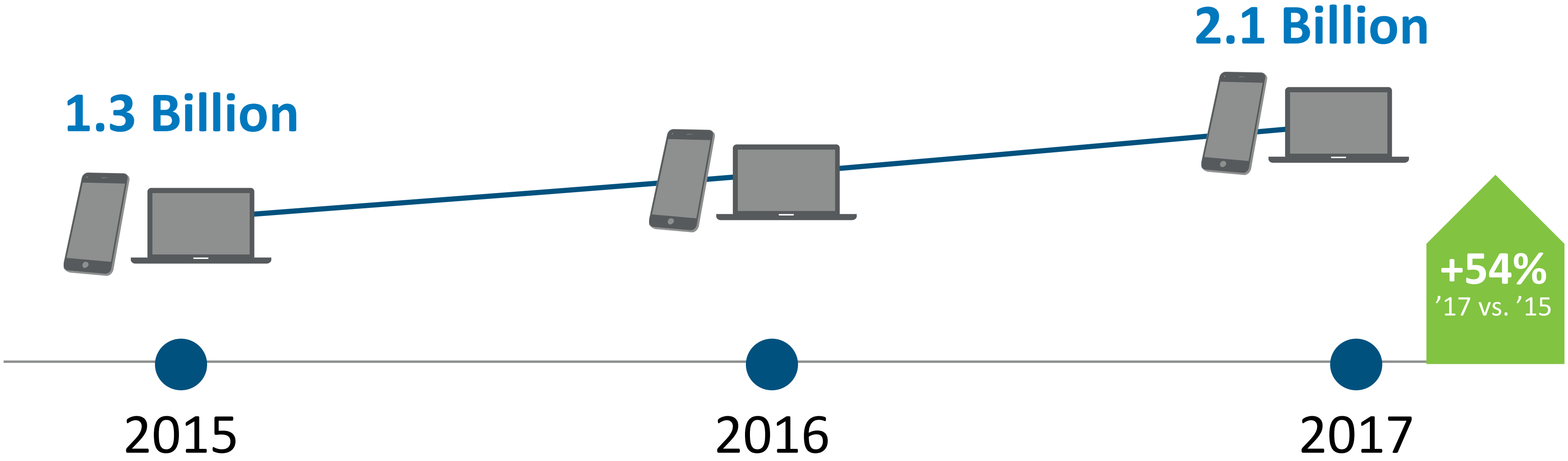
Three out of ten online food/beverage grocery orders were purchased using a mobile app. The rest were ordered from a Website.

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

UBER EATS

ASAP to Enter your address

Si's Chicken Kitchen

$ • American • Southern • Pizza

Opens at 11:00 AM

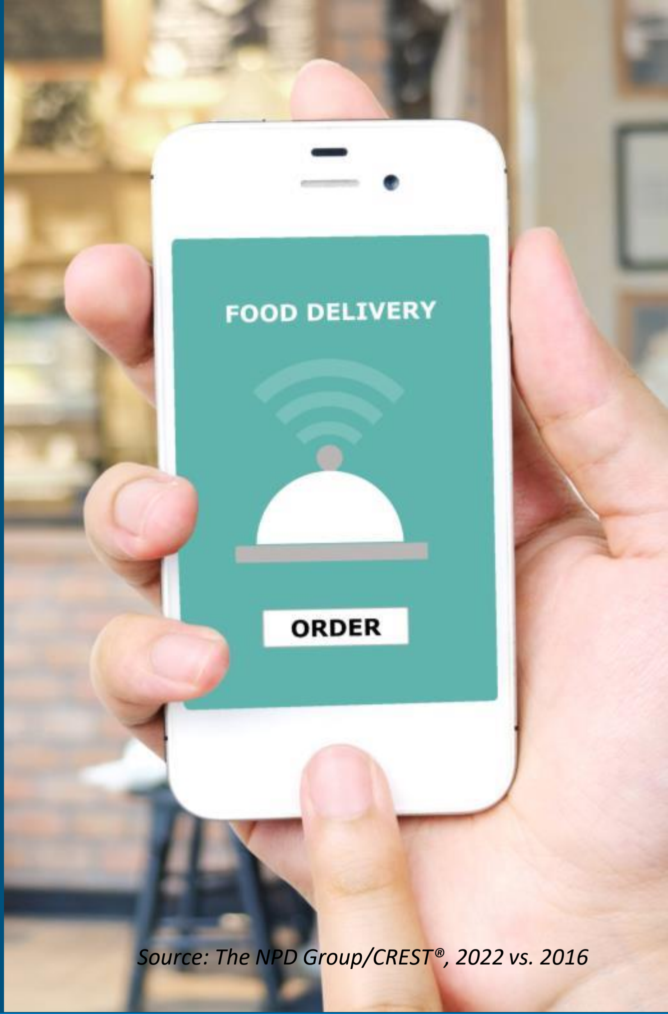
Wings Chicken Tenders Fried Chicken Pizza Sides Beverages Desserts

Delivery Traffic Forecast – Excludes QSR Pizza

Restaurant Delivered Meals
Excluding Pizza

Traffic Forecast
2022 vs. 2016

+20%



Source: The NPD Group/CREST®, 2022 vs. 2016

Delivery Usage Skews to Younger Consumers

Gen Z and Millennials over index and account for half of all meals delivered.

Index*	156	153	103	59

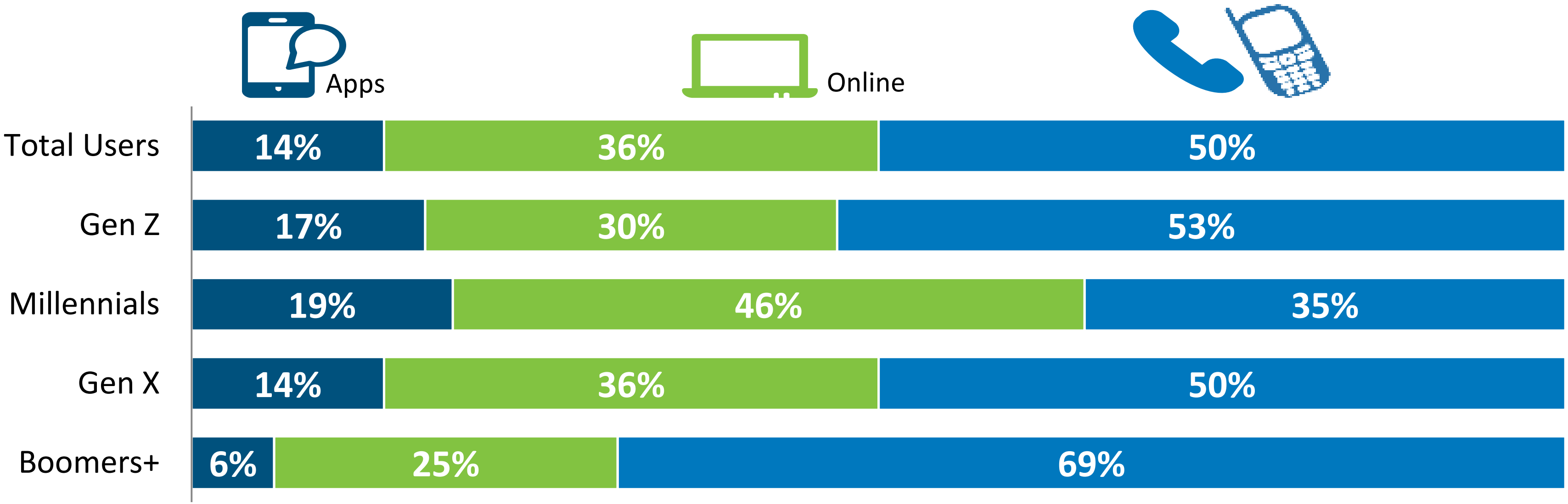
Gen Z (18-19) | Millenials (20-35) | Gen X (36-51) | Boomers+

**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.

Percent Users



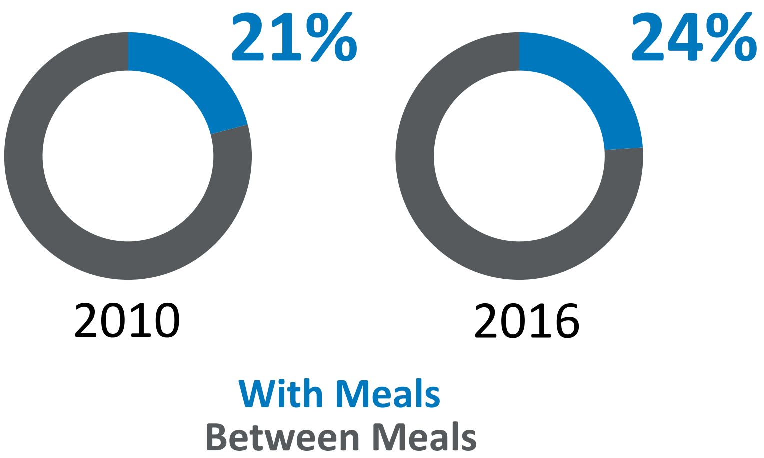
Q: How do you usually order delivery?
Source: The NPD Group/ Delivery Custom Survey, June 2016

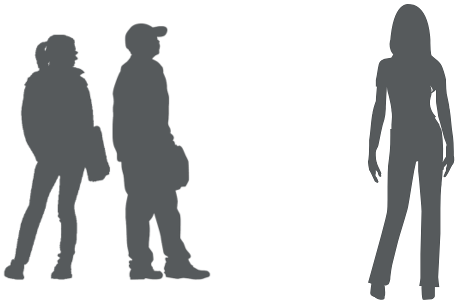
REDEFINING MEAL COMPOSITION

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.

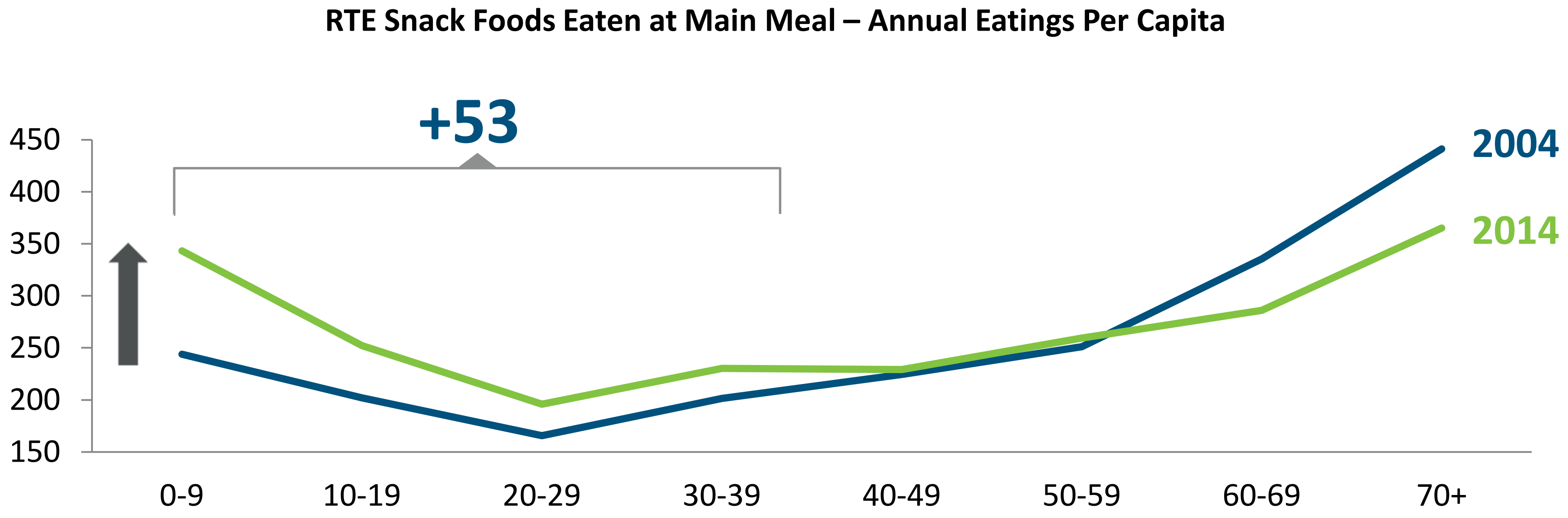




Driven by **Gen Z** and **Millennials**

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.



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

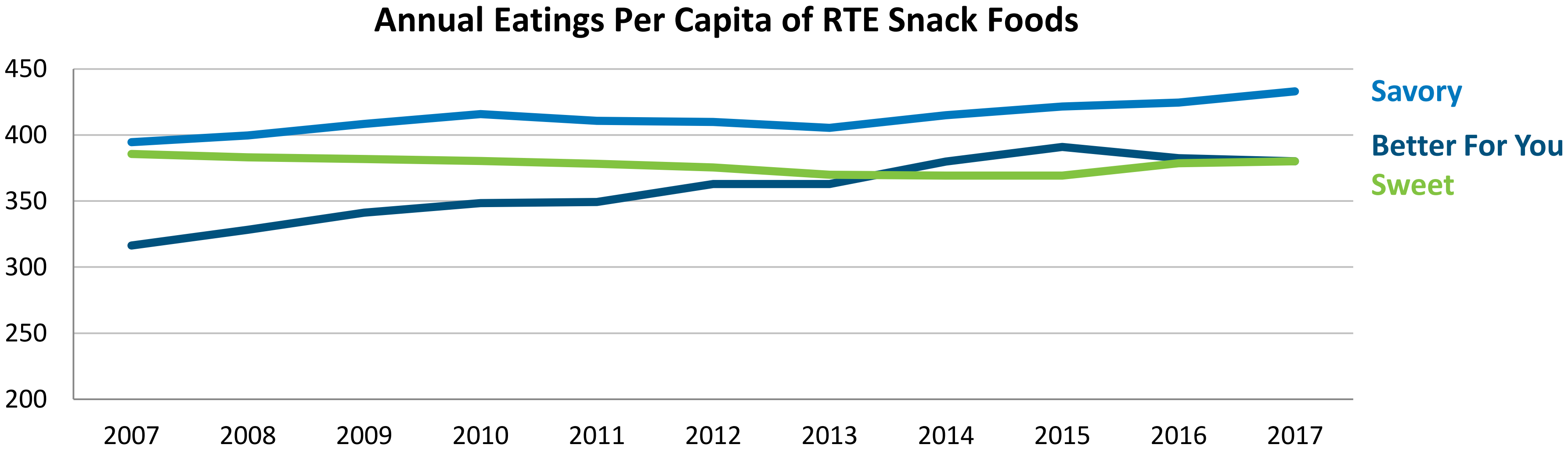
Source: The NPD Group/National Eating Trends®; 2 YE May 2017

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



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 todays 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

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Thank You

Q&A