IRi

BRINGING TO LIFE:

TOP TRENDS *in* FRESH FOODS

Transparency & Social Strategy and Cultural Alignment

Webinar 2 of 5

Sally Lyons Wyatt
Executive Vice President
and Practice Leader, IRI

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SVP, Strategic Accounts

THE VOICE OF FOOD RETAIL

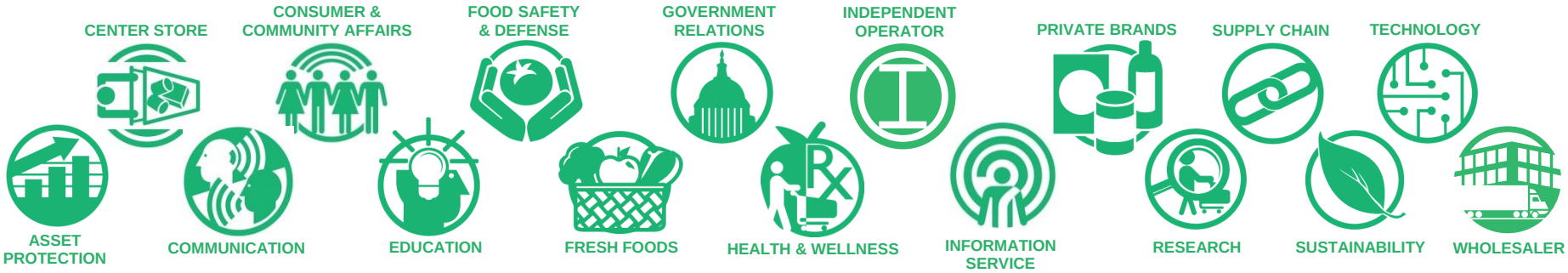
Feeding Families Enriching Lives

FMI is the trade association that serves as the voice of food retail. We assist food retailers in their role of feeding families and enriching lives.

The Association:

Our members are food retailers, wholesales and suppliers of all types and sizes

FMI provides comprehensive programs, resources and advocacy for the food, pharmacy and grocery retail industry



Fresh @ FMI

FMI is committed to the growth and success of fresh companies and their partners. FMI provides resources and networks that support the interests of member companies throughout the global, fresh produce supply chain, including family-owned, private and publicly traded businesses as well as regional, national and international companies.

Emphasis on fresh

- Produce
- Meat
- Seafood
- Deli/In-store, fresh prepared foods and assortments
- Bakery
- Floral

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FMI
THE VOICE OF FOOD RETAIL
Feeding Families Enriching Lives

FMI Fresh Foods

Research and Education

In-depth information, trends and insights to foster innovation, take advantage of new opportunities and help develop winning strategies

Networking

Share ideas, explore best practices and develop business relations

Advocacy

Understand what is going on in Washington and make your voice heard

FMI
THE VOICE OF FOOD RETAIL
Feeding Families Enriching Lives

FMI Fresh Executive Committee (FEC)

John Ruane (Chair)
Ahold USA

Rick Steigerwald (Co-Chair)
Lund Food Holdings, Inc.

Tom DeVries
Giant Eagle, Inc.

John Beretta
Albertsons, LLC

Dave Bornmann
Publix Super Markets, Inc.

Scott Bradley
Target Corporation

Jerry Chadwick
Lancaster Foods, LLC

Alex Corbishley
Target Corporation

Buddy Jones
MDI Distributors
Dan Koch
Associated Wholesale Grocers, Inc.

Brett Bremser
Hy-Vee

John Haggerty
Burris Logistics

Mark Hilton
Harris Teeter LLC

Geoff Wexler
Wakefern Food Corporation

Brookshire Grocery Company

Dan Murphy
SuperValu

Pat Pessotto
Longo Brothers Fruit Markets Inc.

Nick Carlino
MDI Distributors
Jerry Suter
Meijer, Inc.

Geoff Waldau
Food Lion

John Grimes
Weis Markets

Richard Cashion
Healthy Home Market

Shana DeSmit
Walmart

Mark Doiron
Fresh Thyme

Jim Lemke
CH Robinson Fresh

Steve Howard
Bristol Farms/Lazy Acres

Emily Coborn
Coborns

Jerry Goldsmith
Spartan Nash

Mike Papaleo
C&S Wholesalers

Pat Brown
Albertsons LLC

Terry Murphy
Wakefern

Scott Evans
Price Chopper/Mkt 32

Nicole Wegman*
Wegmans Food Markets, Inc.

*** Silent members**

Fresh Foods

The FEC is..

Comprised of FMI Member companies, Retailers and Wholesalers

FMI
THE VOICE OF FOOD RETAIL
Feeding Families Enriching Lives

FMI Fresh Foods Leadership Council

John Ruane (Co-Chair)
Ahold USA

Rick Steigerwald (Co-Chair)
Lund Food Holdings, Inc.

All- FEC Members
FMI Fresh Executive Council

Chris Dubois
IRI

Michael Eardley
International Dairy-Deli-Bakery Assoc.

Bridget Wasser
National Cattleman's Beef Association

Sarah Schmansky
Nielsen Perishables Group

Paul Mastronardi
Mastronardi Produce

David Sherrod
SE Produce Council

Jeff Oberman
United Fresh Produce Assoc.

Janet Riley
North American Meat Institute

Galit Feinreich
Ready Pac Foods, Inc.

Tom Super
National Chicken Council

Patrick Fleming
National Pork Board

Joe Watson
Produce Marketing Assoc.

Joe Weber
Smithfield Foods Inc.

Art Yerecic
Yerecic Label

Brad Roche
Hill Phoenix

Greg Livelli
Hussmann
Robb MacKie
American Bakers Assoc.

Jim Huston
Johnsonville

Chad Gregory
United Egg Producers

Joe DePetrillo
Earthbound/White Wave

Shawna Lemke
Monsanto

John Knorr
Phillips Seafood

Mike Celani
Wonderful

Chandra Macleod
Aqua Star Seafood

Jeff Thompson
Trident Seafood

Emily Blair
Miliken

John Dunne
Acosta

Scott Aakre
Hormel Foods

Sally Lyons Wyatt
IRI

Wendy Reinhardt Kapsak
Produce for Better Health (PBH)

Michael Lang
Invatron

Tom Daniel
Sterilox/Chemstar

Randy Evins
SAP

Tom Windish
Cargill

FMI
THE VOICE OF FOOD RETAIL
Feeding Families Enriching Lives

TODAY'S DISCUSSION

Progression of our study

Trend Overviews

2018 Education Series Rollout

Our study focused on the shopper and consumer

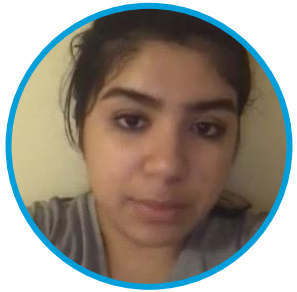
LEVERAGED

10

trends

2016 & 2017

CONFIRMED



relevance & evolution with consumers

VALIDATED

primary & secondary research

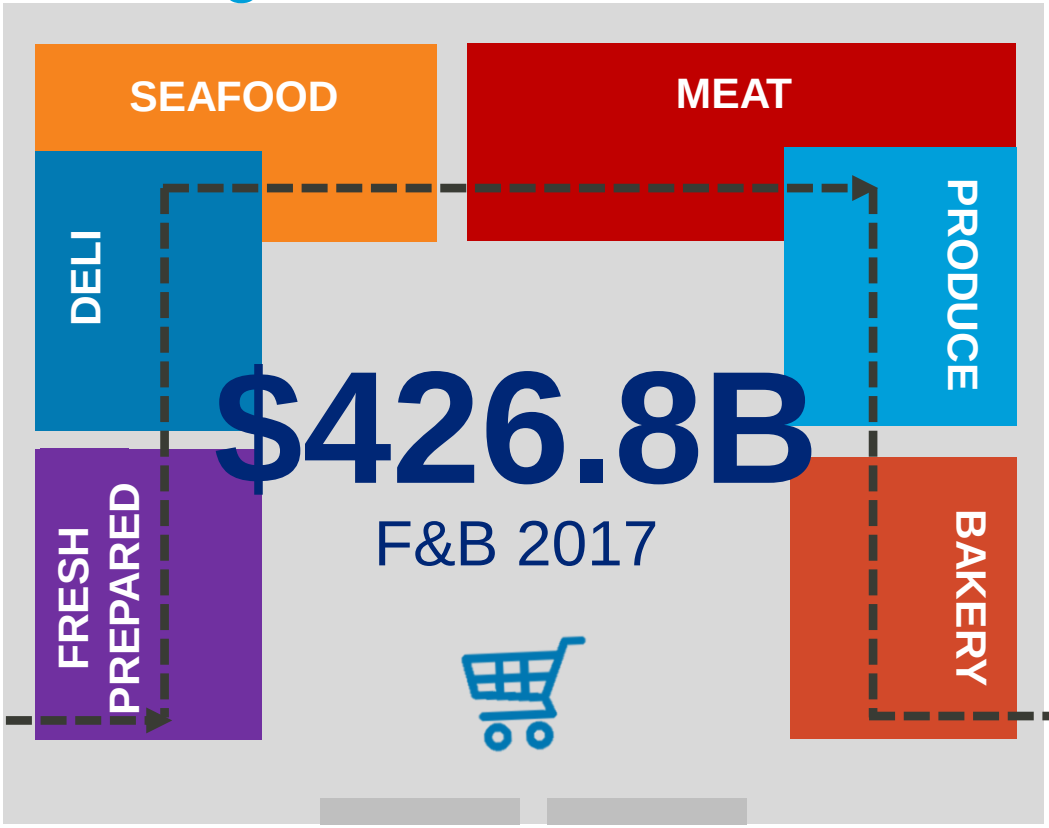
"Fresh"en Up @...
IRI Worldwide.com/insights or
fmi.org/TopTrendsInFresh

Perimeter Findings…More than Half of F&B Growth

From 2013's

29.0%

($116Billion)



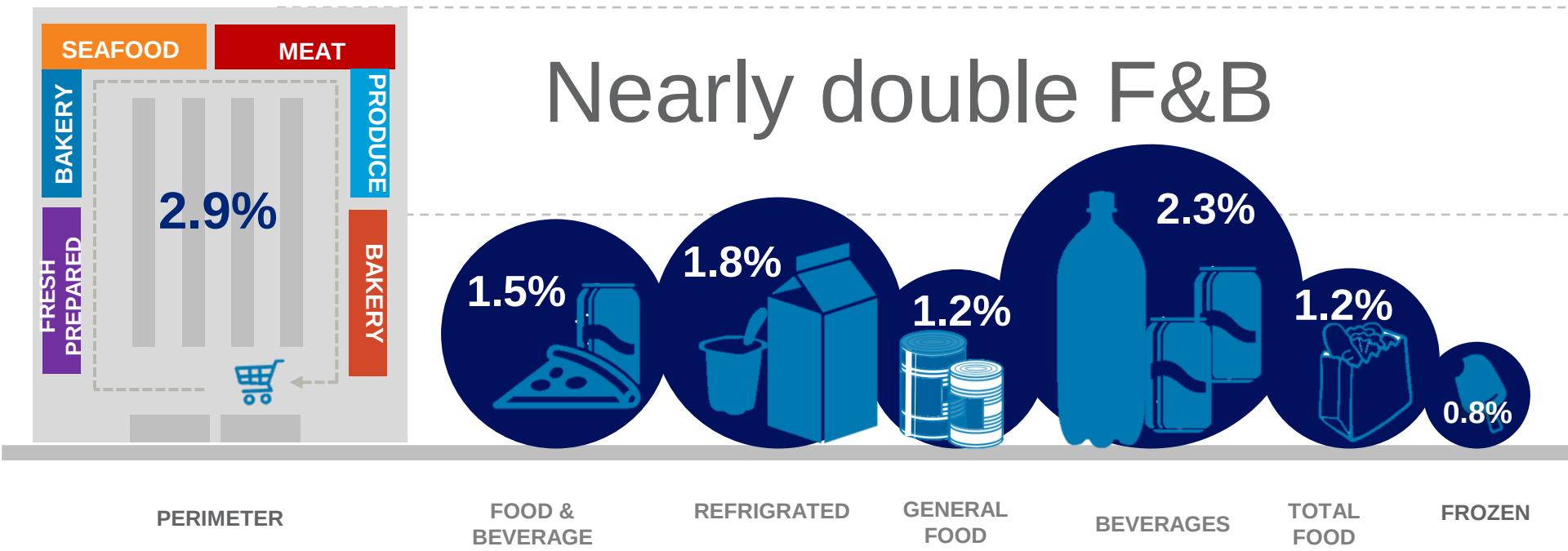
To 2017's

30.5%

($140Billion)

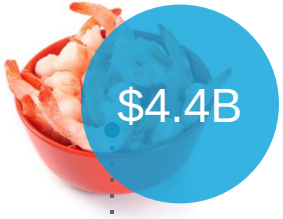
Source: IRI FreshLook POS data, Multi-Outlet, 52 weeks ending 12/31/2017

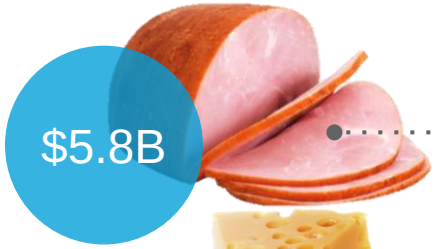
Perimeter outpacing other F&B departments over last 4 years, but slowing growth



4-YEAR CAGR DOLLAR GROWTH

But…Momentum Slows in 2017





SEAFOOD

MEAT

DELI

FRESH PREPARED

$ 1.5 billion
+1.1%

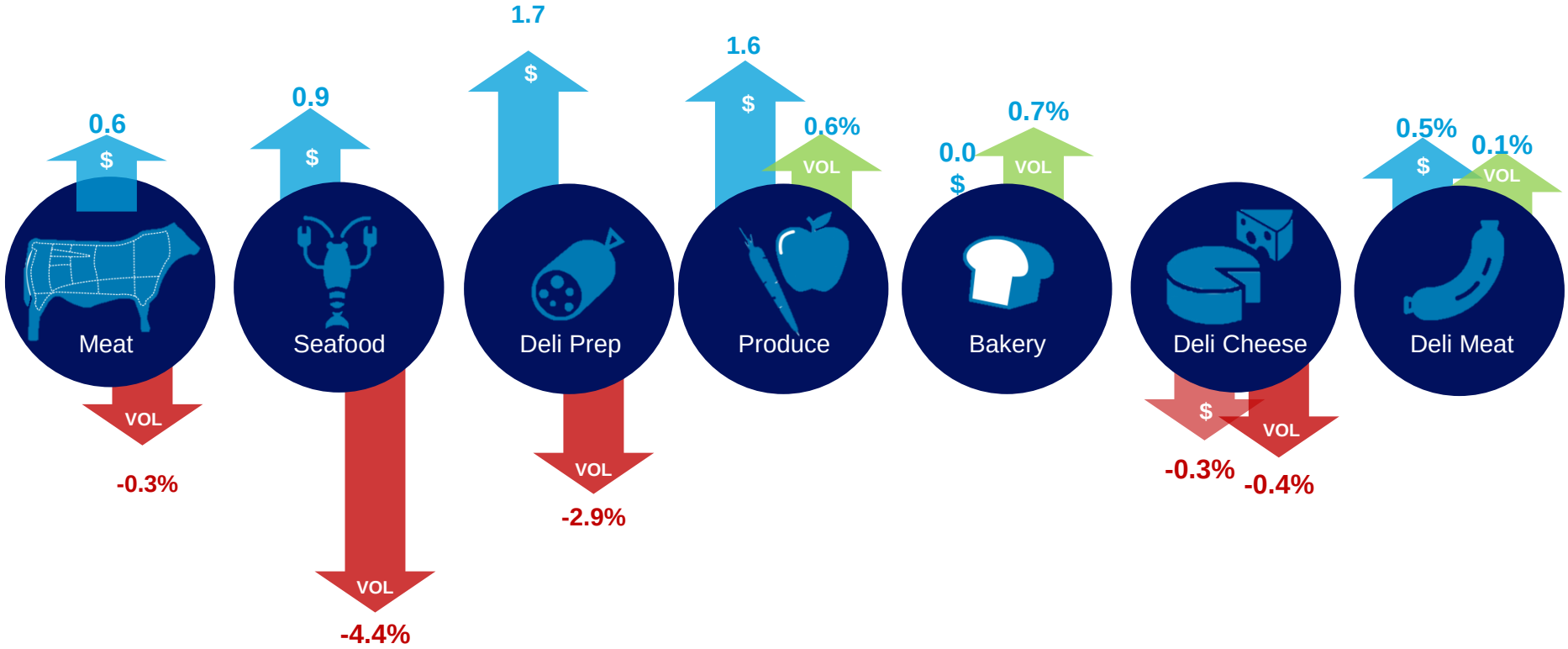
Vol 0.0%

PRODUCE

BAKERY

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

With volume declines impacting key segments



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*

2 trends

These macro trends have several similarities

What's in my food?

Where did my food come from?

How was it farmed?

Did they avoid harsh chemicals?

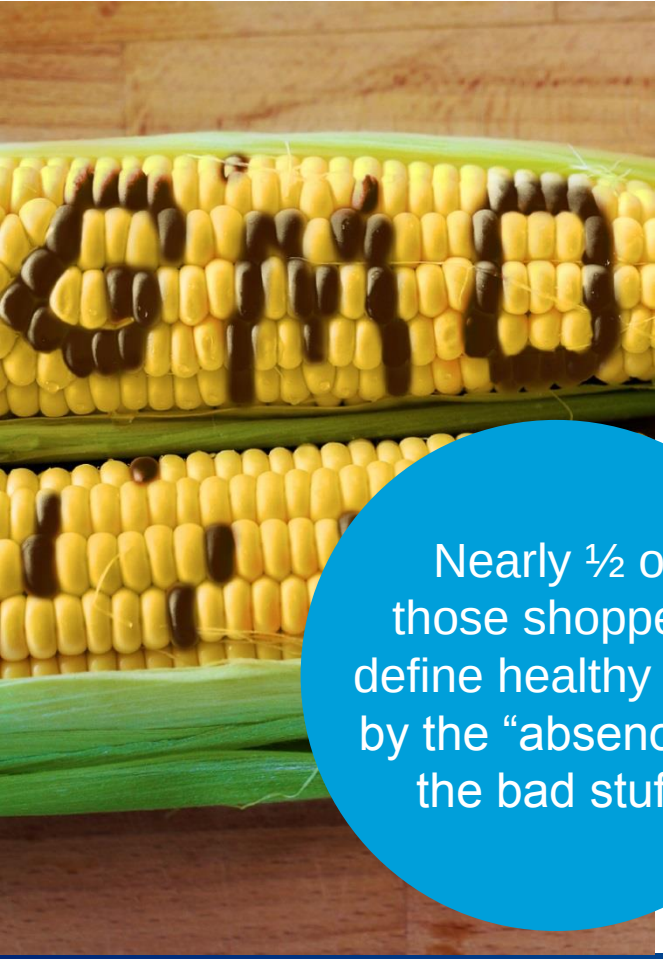
Were the animals and people treated fairly?

Was the planet taken care of?

FOOD TRANSPARENCY

The consumer desire to know how and where food was grown or made.

The consumer expectation for clarity, accuracy and usefulness of food related information from the companies that produce and sell it.



Transparency is important to the vast majority of fresh food shoppers

Nearly ½ of those shoppers define healthy food by the “absence of the bad stuff”

82%	Health & Wellness (net)
1	Free of growth hormones
2	Free of antibiotics
3	No GMO or bio-engineered
4	Grown without pesticides or fertilizers
5	Non-irradiated foods

Source: 2017 Fresh Food Shopping Trends Survey

Primary claims are still very relevant to consumers with strong growth

2015

$4.5B
+13% sales

$5.7B
+8% $%Chg

17%
5 yr CAGR

+40%
5 yr CAGR

$2.9B
+23% sales

$5.1B
+45% sales

$582M
+32% sales

$819M
+9% sales

2017

Source: IRI FreshLook POS data, MULO, 52 weeks ending 12/31/2017

Antibiotic-free chicken has more than doubled in the past couple years

Chicken

	Antibiotic free	Organic	Combined Annual Growth
2015	12% of sales	3% of sales	+31%
2017	28% of sales	4% of sales	+61%

Source: IRI FreshLook POS data, MULO, 52 weeks ending 12/31/2017

Although Organic Produce can now be found in more categories, the price compression has limited the dollar share but still driving growth

Produce

	Organic	Sales growth	# of categories > 10% sales share
2015	**8%** of sales	**+13%**	**9**
2017	**9%** of sales	**+8%**	**17**

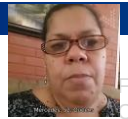
Source: IRI FreshLook POS data, MULO, 52 weeks ending 12/31/2017

These primary claims have contributed to meat and produce growth where available

Organic chicken contribution to total chicken $ sales growth

Organic produce contribution to total produce $ sales growth

NAE and Organic deli meat contribution to total deli $ sales growth

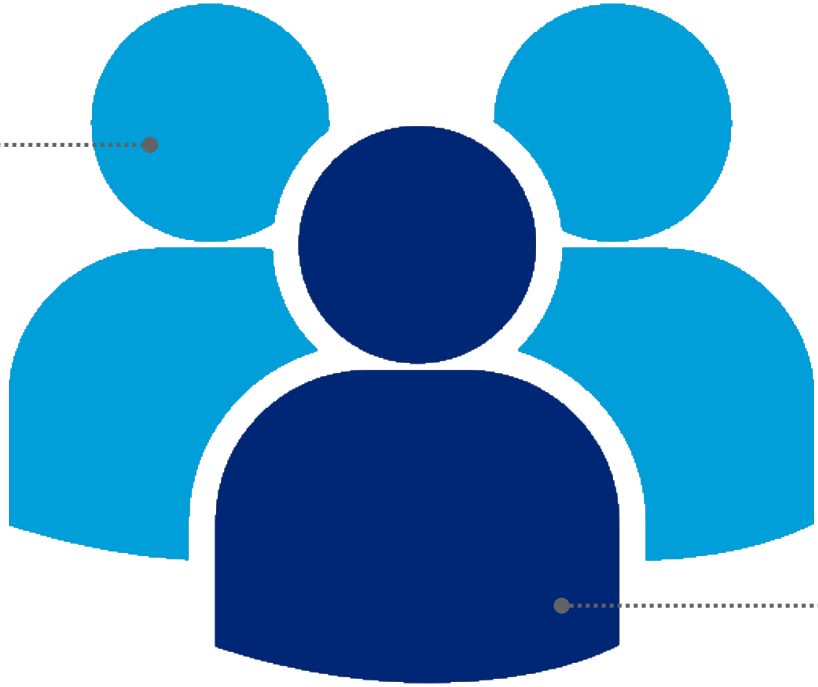


FOOD TRANSPARENCY
CONSUMERS CONFIRMING

Source: IRI FreshLook POS data, MULO, 52 weeks ending 12/31/2017

2 in 3

fresh food shoppers report that H&W/transparency has become a more motivating factor for them than it was in the past



1 in 3

mentioned the “absence of the bad stuff” being much more important now than a few years ago.

Source: 2017 Fresh Food Shopping Trends Survey

Consumers are putting more emphasis on certain transparency factors

FACTORS THAT HAVE INCREASED IN IMPORTANCE: (ARE MUCH MORE PREVALENT NOW VS. A FEW YEARS AGO)

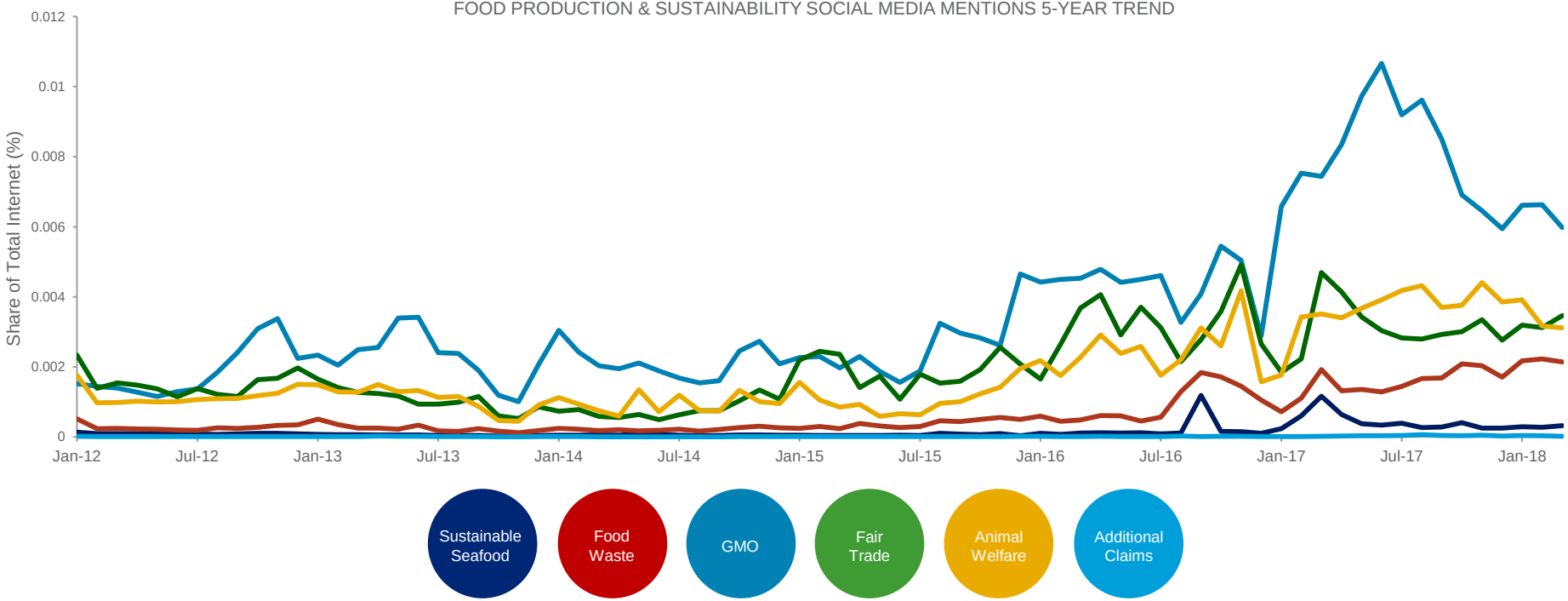
65%	32%	33%	31%	30%	15%
Health & Wellness (Net)	Antibiotic free	Free of growth hormones	Free of pesticides or fertilizers	No-GMOs ingredients	Non-irradiated foods

Source: 2017 Fresh Food Shopping Trends Survey

Consumers online conversations are increasingly discussing food production

Social media mentions rising steadily since 2012 with spikes tied to news media

FOOD PRODUCTION & SUSTAINABILITY SOCIAL MEDIA MENTIONS 5-YEAR TREND

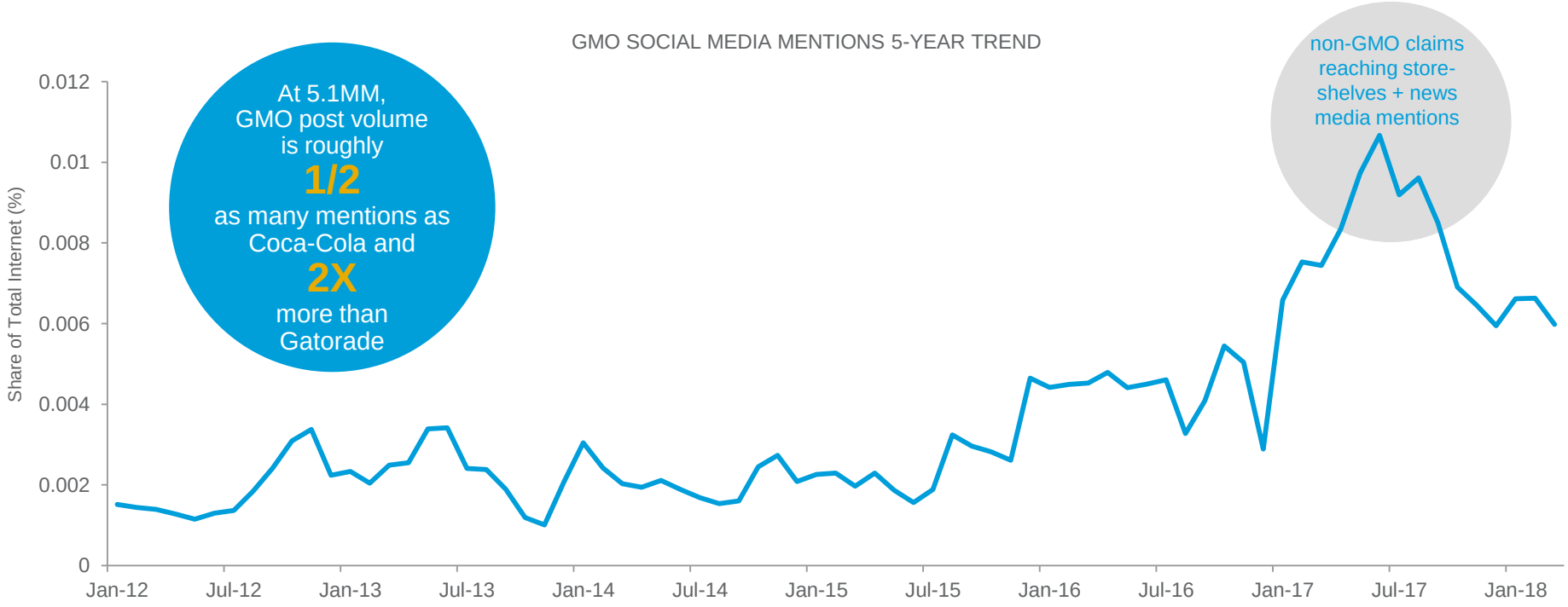


Source: IRI Social Advantage Monitoring and Analysis (>40MM sites) Jan 2012-Mar 2018, normalized

**Animal Welfare claims includes No Antibiotics Ever, All Veg Diet, No Animal Bi-Products, Free-Range/Cage Free and Grass Fed*

Consumer interest in GMOs is also increasing

GMO chatter has been on the rise since 2012, peaking exponentially in 2017



Source: IRI Social Advantage Monitoring and Analysis, Jan 2012-Mar 2018, normalized

What consumers are saying about GMOs can provide personalization messaging

Specific key-words mentioned together (size indicates number of mentions)

Source: IRI Social Advantage Monitoring and Analysis, Jan 2012-Mar 2018, normalized, demos indexed to social media engagement

…and look who's talking

% of GMO Social Media Mentions by Age

65+

55-64

45-54

35-44

13-18

19-24

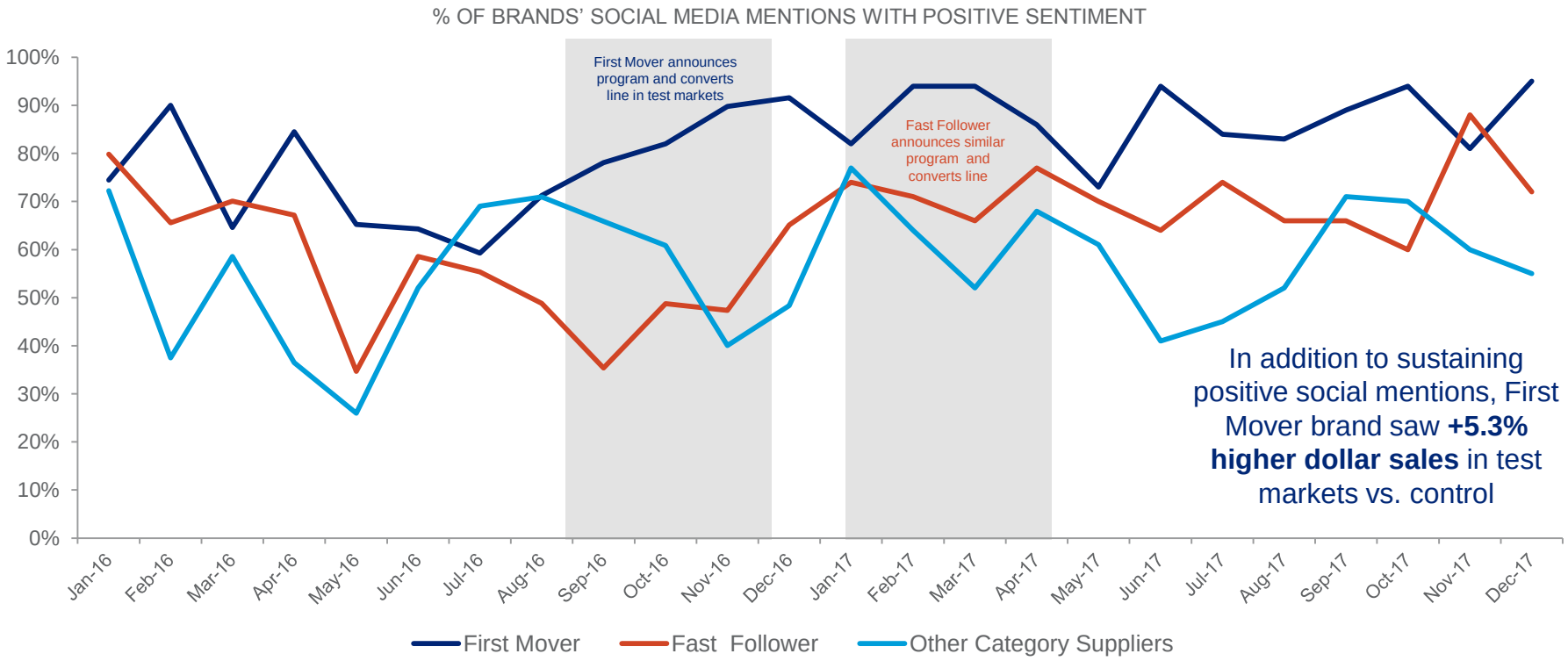
25-34

54%
of GMO chatter from **25-44 year olds**, most likely raising the next generation

Source: IRI Social Advantage Monitoring and Analysis, Jan 2012-Mar 2018, normalized, demos indexed to social media engagement

Food can claims impact perception & sales

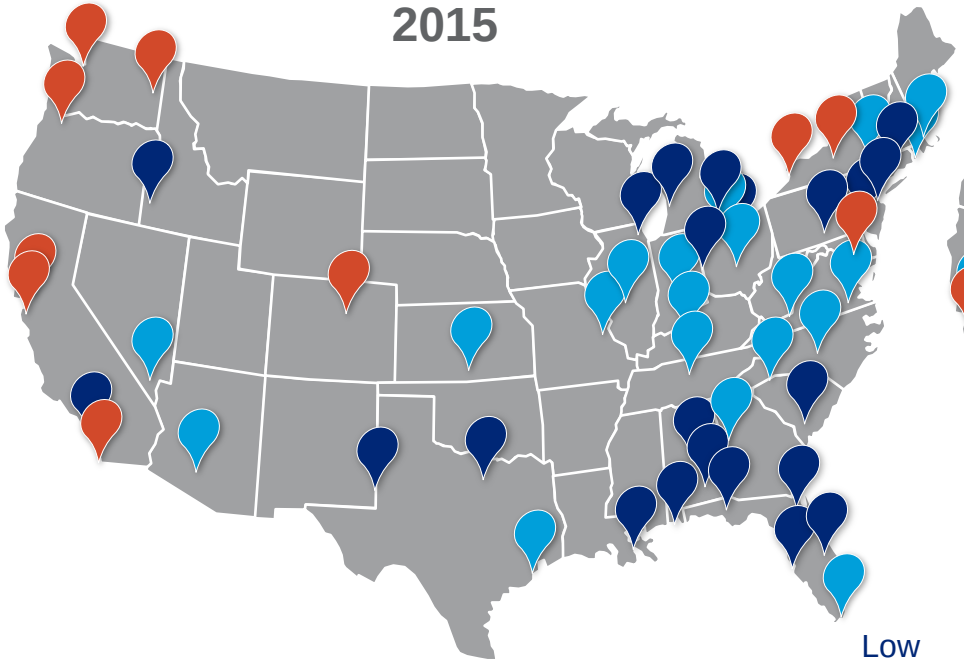
When, how and where programs are implemented matters to generating success

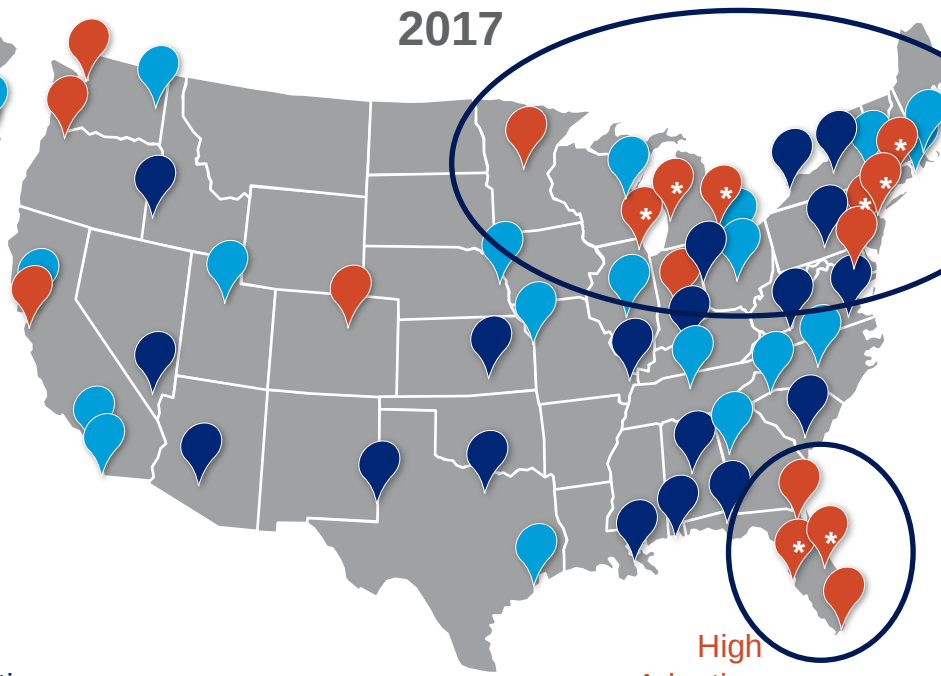


In addition to sustaining positive social mentions, First Mover brand saw **+5.3% higher dollar sales** in test markets vs. control

Source: IRI Social Advantage, 52 weeks ending 12/30/2017 & IRI Test/Control POS Sales Analysis

Adoption over the past 2 years has been significant in the northeast and in Florida – NAE reaching 10% U.S. $ share and Organic Produce up 1.2 points to 8.7% $ share





Low Adoption

NAE Meat and Organic Produce

High Adoption

- **Indicates market increased from low to high adoption since 2015**
- **due to increased programs, especially in NAE meats**

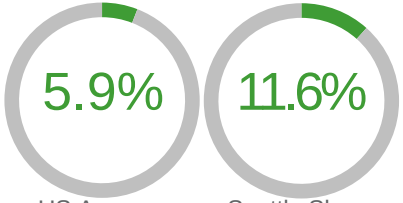
Source: IRI/Spins NaturalLink segmentation; IRI Consumer panel
IRI FreshLook POS data; MULO, 52 weeks ending 11/29/2015, IRI analysis

Source: IRI FreshLook POS data; MULO, 52 weeks ending 12/31/17 ranked based on combined score of both attributes

Seattle still outpaces the U.S.

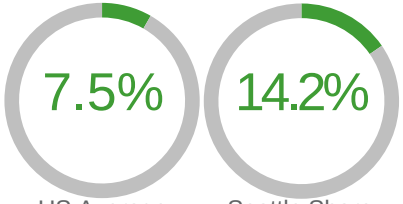
FROM 2015

NAE Meat



US Average Share | Seattle Share

Organic Produce

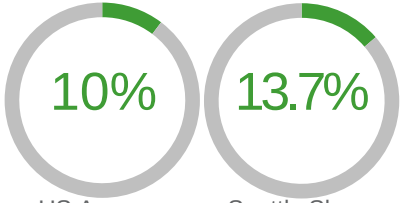


US Average Share | Seattle Share

Seattle

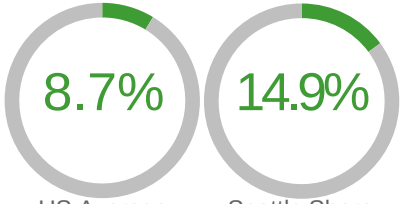
TO 2017

NAE Meat



US Average Share | Seattle Share

Organic Produce



US Average Share | Seattle Share

Source: IRI/Spins NaturalLink segmentation; IRI Consumer panel
IRI FreshLook POS data; MULO, 52 weeks ending 11/29/2015, IRI analysis

Source: IRI FreshLook POS data; MULO, 52 weeks ending 12/31/17 ranked based on combined score of both attributes

Norfolk is keeping up with the U.S. averages

FROM 2015

NAE Meat

5.9% — US Average Share

4.9% — Norfolk Share

Organic Produce

7.5% — US Average Share

7.0% — Norfolk Share

Norfolk

TO 2017

NAE Meat

10% — US Average Share

10% — Norfolk Share

Organic Produce

8.7% — US Average Share

8.6% — Norfolk Share

Source: IRI/Spins NaturalLink segmentation; IRI Consumer panel
IRI FreshLook POS data; MULO, 52 weeks ending 11/29/2015, IRI analysis

Source: IRI FreshLook POS data; MULO, 52 weeks ending 12/31/17 ranked based on combined score of both attributes

Seattle has a strong base that continues to grow and Norfolk is not showing signs of slowing down – similar to other cities across the U.S.

Seattle	Organic Produce TOTAL US MULO	Norfolk
+3.6% units/store	+7.3% units/store	+15% units/store
+6.8% sales	+8.0% sales	+14.5% sales

Source: IRI FreshLook POS data; MULO, 52 weeks ending 12/31/2017, IRI analysis

Higher than average concentration of Farmers Markets influence retail organic produce purchasing – for example – Seattle:

91 within 50 miles of downtown Seattle vs 29 in the same radius as Norfolk

L.A., San Francisco, New York and Seattle boast a disproportionally higher market share of top Farmers Markets AND a higher than national average share of Organic Produce

Source: IRI FreshLook POS data; MULO, 52 weeks ending 12/31/2017, USDA; Daily Meal

Food transparency can drive department growth

Halo Effect

Organic Produce

- Grow Total Produce 22% faster than total US

NAE Meat

- Grow Total Meat 166% faster than total US and 1 % point more

Source: IRI FreshLook POS data, MULO, 52 weeks ending 12/31/2017 based on Retailer Market Area-level analysis

Information & expertise is influencing the shopping outlet preferences when buying fresh

MILLENNIALS **63%**

BABY BOOMERS **43%**

TOTAL **50%**

MILLENNIALS **35%**

BABY BOOMERS **19%**

TOTAL **24%**

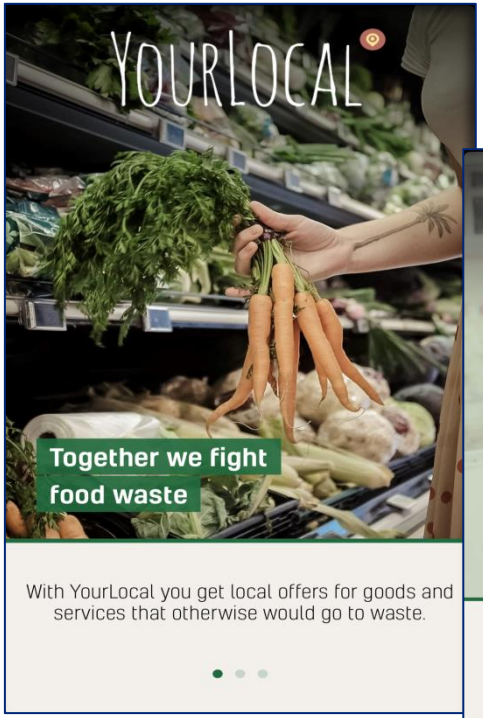
MILLENNIALS **34%**

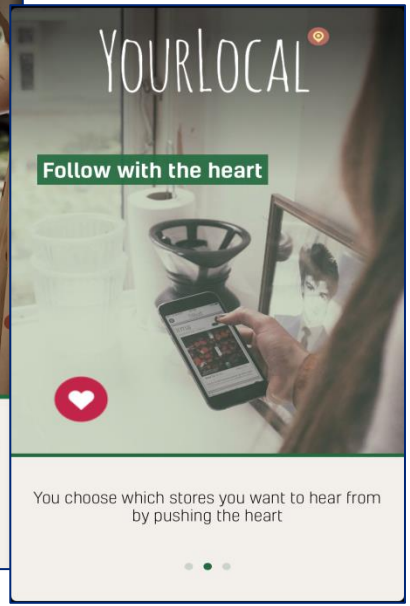
BABY BOOMERS **23%**

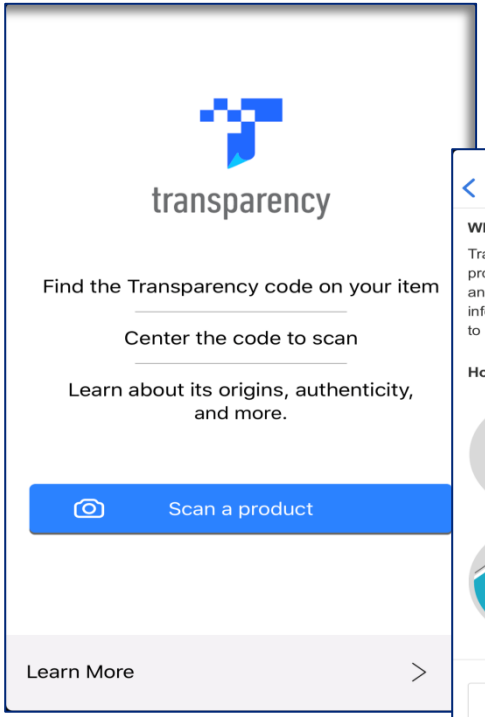
TOTAL **27%**

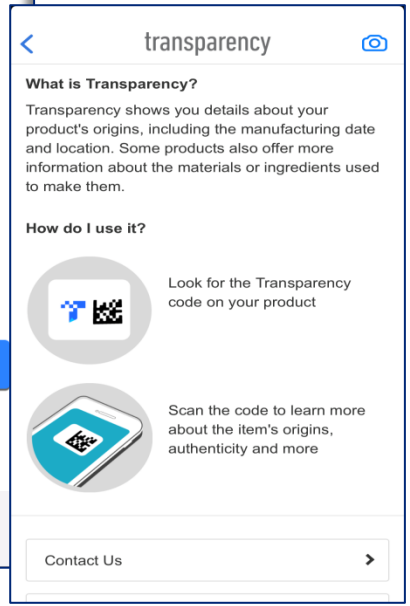
Source: 2017 Fresh Food Shopping Trends Survey

Mobile applications are allowing consumers to gain more information about their foods and presents an opportunity to connect with “the connected”









Source: Company Website and App

SOCIAL STRATEGY & CULTURAL ALIGNMENT

A company's ability to grow sales by integrating the underlying consumer motivations and values that ultimately impact sales

During our 2017 webinar, we identified these five top social sentiment drivers of consumer purchase and consumption

SEAFOOD SUSTAINABILITY

ANIMAL WELFARE

MEAT CERTIFICATIONS

FOOD WASTE

FAIR FOOD & WAGE

Source: IRI Social Advantage, 52 weeks ending 12/30/2016

Strong sustainability programs are continuing to sell more seafood

FIN FISH

Strong/Average Program

+4.4%

YOY DOLLAR SALES

Weak Program

+2.2%

YOY DOLLAR SALES

SHELLFISH

Strong/Average Program

+0.6%

YOY DOLLAR SALES

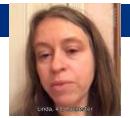
Weak Program

-2.6%

YOY DOLLAR SALES

Ratings Source: Greenpeace USA, Grocery Store Scorecard

Data Source: IRI FreshLook POS, MULO, latest 52 weeks ending 12-31-2017



SOCIAL & CULTURAL
CONSUMERS CONFIRMING

Cage Free eggs are proving to be a viable segment for growth and premiumization – We have seen an increase in cage-free eggs flocks and more coming

15.9%
of US flocks in Oct. 2017

119
pledges from companies

10%
of TTL fresh eggs

18
point spread vs. rest of fresh eggs

Industry wide **pledges to go cage-free** by 2025 or sooner including top QSR, food service, retailers and producers

Massive **cost increases** and industry **consolidation**

Demand may not be met

Sources: American Egg Board, cagefreefuture.com

Antibiotic-free meat availability continues to rise and welcomed by consumers

10%
OF TOTAL MEAT RETAIL SALES

28% of 2017 chicken sales

3.7% of 2017 pork & beef sales

50%
OF CHICKEN BY 2022, FASTER THAN EXPECTED

Exploding food service commitment

Future ABF change less than chicken

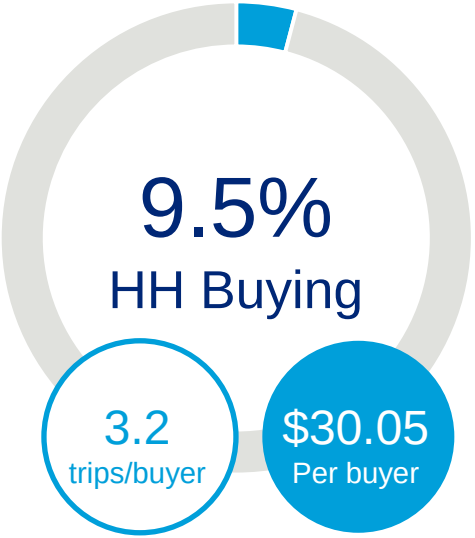
New USDA rules in 2017

Retailers who merchandise antibiotic-free meat grew faster than average

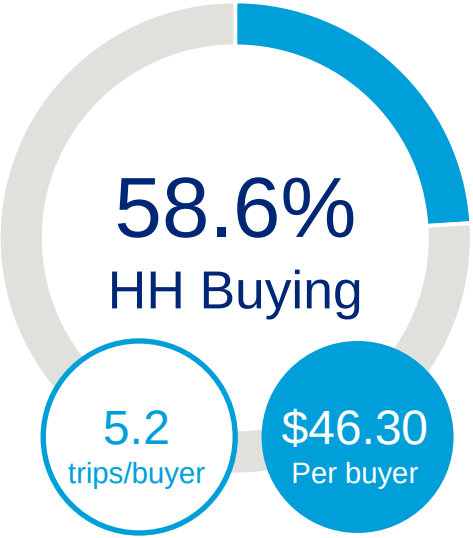
Top 25% of ABF/Organic Retailer RMAs grew pounds 166% faster across Total Fresh Meat

1.6% sales growth vs. 0.6% Total 2017 US growth

No-Antibiotic Meat/Poultry creates strong basket growth



FZ/REFRIGERATED MEAT/POULTRY/SEAFOOD ORGANIC CLAIMS



FZ/REFRIGERATED MEAT/POULTRY/SEAFOOD NO ANTIBIOTICS CLAIMS

Source: IRI Consumer & Shopper Advantage, 52 weeks ending 2-25-18

57% of consumers are motivated by social & cultural factors – specifically:

27%	26%	22%	18%	14%
Less packaging	Sustainability produced/grown	Organic	Animal welfare certified	Ecological/ biodegradable packaging

Source: 2017 Fresh Food Shopping Trends Survey

44% of consumers have stated that social and cultural factors have gained in importance over the past few years

22%	13%	20%	17%	22%	18%
Sustainably produced/grown	Fair trade certified	Organic	Animal welfare certified	Less packaging	Ecological/ biodegradable packaging

Source: 2017 Fresh Food Shopping Trends Survey

Responsibly sourced/ humane attribute growing in importance

1 in 4 find it much more important now vs. past

Source: 2017 Fresh Food Shopping Trends Survey

Millennials are more likely to…

67% seek out locally sourced foods

68% care about the social and cultural aspect of their fresh food

32% care about less packaging

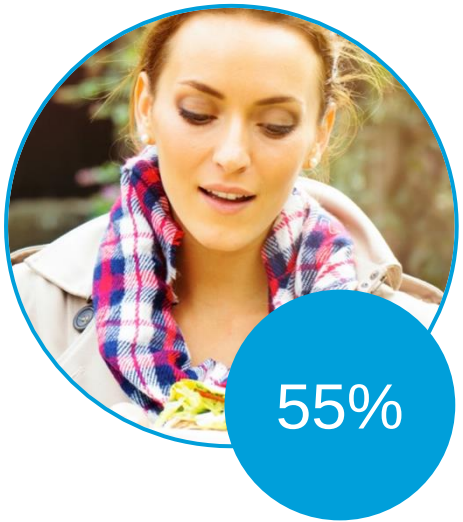
27% purchase animal welfare certified

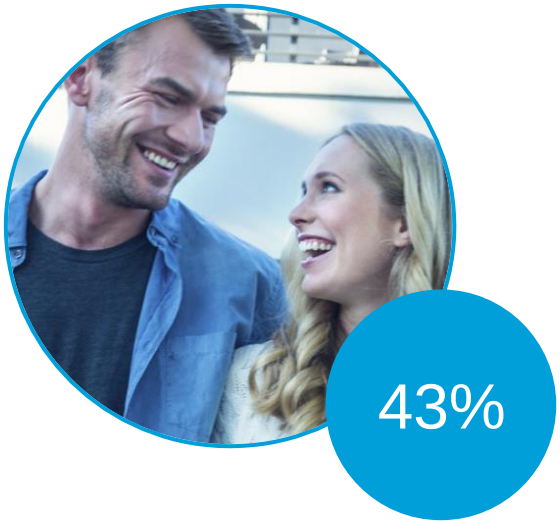
33% purchase organic

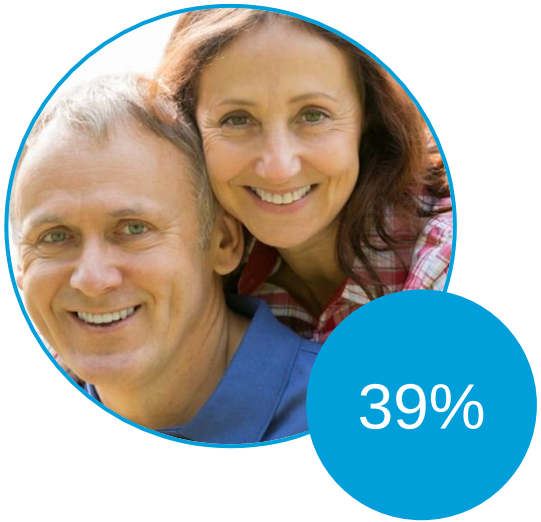
18% seek ecological options

Source: 2017 Fresh Food Shopping Trends Survey

Generational differences in values exist regarding sustainably produced, organic, ecological (less packaging) factors







Source: 2017 Fresh Food Shopping Trends Survey

Local is a contributing factor for where consumers shop to purchase produce and meat

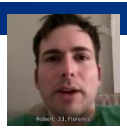
Importance of ‘Local’ when shopping for Fresh Food: (Very important/primary reason I shop outlet)

Locally sourced fruits/vegetables

30%

Locally farmed meat/poultry

21%



Source: 2017 Fresh Food Shopping Trends Survey

Having access to the locally sourced produce and meat makes shoppers feel like the outlet cares about the local community and the overall welfare of the community

	Locally sourced fruits/vegetables	Locally farmed meat/poultry
Makes me feel like store cares about overall welfare of others (me/my family)	47%	40%
Makes me feel the store cares about local community	54%	53%
Makes me feel like the store lives up to my values/expectations	40%	35%
Makes me feel like the store understands my values/preferences	38%	33%

Source: 2017 Fresh Food Shopping Trends Survey

Consumers engage online and their conversations influence their purchasing

Social media chatter about food transparency claims are continuing to increase

NON-GMO

5.9M mentions in 2017

+123% vs. last year

+306% vs. 2012

ANIMAL WELFARE & FEED

4.4M mentions in 2017

+231% vs. last year

+338% vs. 2012

FAIR FOOD & WAGE

4.0M mentions in 2017

+83% vs. last year

+201% vs. 2012

Source: IRI Social Advantage, total social mention volume, 2012-2017

Animal Welfare includes grass fed, free range, cage free, sustainable seafood, no antibiotics ever, certified humane, all veg diet, no animal bi-products

Not only has social chatter increased, it's become more detailed

How we treat and feed our food supply has seen the most notable increase in the past 24 months

GRASS FED

2M mentions in 2017

+222% vs. YAGO

FREE RANGE/CAGE FREE

1.9M mentions in 2017

+227% vs. YAGO

SEAFOOD SUSTAINABILITY

401K mentions in 2017

+353% vs. YAGO

NO ANTIBIOTICS EVER

57K mentions in 2017

+226% vs. YAGO

Source: IRI Social Advantage, total social mention volume, 2012-2017

Animal Welfare includes grass fed, free range, cage free, sustainable seafood, no antibiotics ever, certified humane, all veg diet, no animal bi-products

Top words with 'fair trade' on social media

- People
- Community
- Support
- Love

We see fair wage/trade driving partnerships and online chatter

Retailer/grower partnerships:

Worker conditions
Pay/Wage agreements
Formal governance
Structure
Education commitments

Source: IRI Social Advantage, 2017

Unfortunately, America leads the world in food waste

133 billion
lbs of waste globally

40%
of food is wasted

totaling
$161B
In U.S.

21%
of municipal landfill use

Food waste is

16%
of methane emissions

A 15% reduction in US food waste could feed 25 million people

Source: USDA

More and more consumers are talking about food waste online, which will lead to solution adoption

1.8M
mentions in 2017

+123% vs. last year

+306% vs. 2012

Source: IRI Social Advantage, total social mention volume, 2012-2017

Animal Welfare includes grass fed, free range, cage free, sustainable seafood, no antibiotics ever, certified humane, all veg diet, no animal bi-products

Embrace consumers by...

Leveraging omni-channel communications

Ensuring pre-packaged meats and meals clearly communicate ingredients

Making it easier for consumers to find the social and cultural symbols

Retailer priorities to consider

Amplify the Integrity of Fresh

Increase focus on social and cultural needs
that are relevant to key targets

Own the Consumer Connection

Retailers are highly trusted by consumers for accurate information

Be Consistent Across Departments

Consumers see the total store –
Transparency and Social/Cultural transcend categories

Get Full Credit from Consumers

Tout relationships with food banks;
Preventable waste programs;
Food integrity programs

Manufacturers may consider

First Mover vs. Fast Follower Strategies

In the full spectrum of possibilities, not all elements require first-mover investments but you need to engage

The Pace Will Accelerate

Current pace is accelerating as fresh supply chains improve and adopt new capabilities - ensure you are too!

Issues May Not Matter Until They Matter…

But then it will matter…Consumer focus will shift and fragment, but some topics will amplify quickly.

Variety Counts

Consumers have an increased focus on right size portions and packaging, so leverage your assortment

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

IRi

BRINGING TO LIFE:

TOP TRENDS *in* FRESH FOODS

Thank you!

Transparency & Social Strategy and Cultural Alignment

Webinar 2 of 5

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