FMI
THE VOICE OF FOOD RETAIL

The Power of Foodservice 2019

An in-depth look at foodservice at retail through the shoppers' eyes

Presented by:

Rick Stein | FMI

Anne-Marie Roerink | 210 Analytics

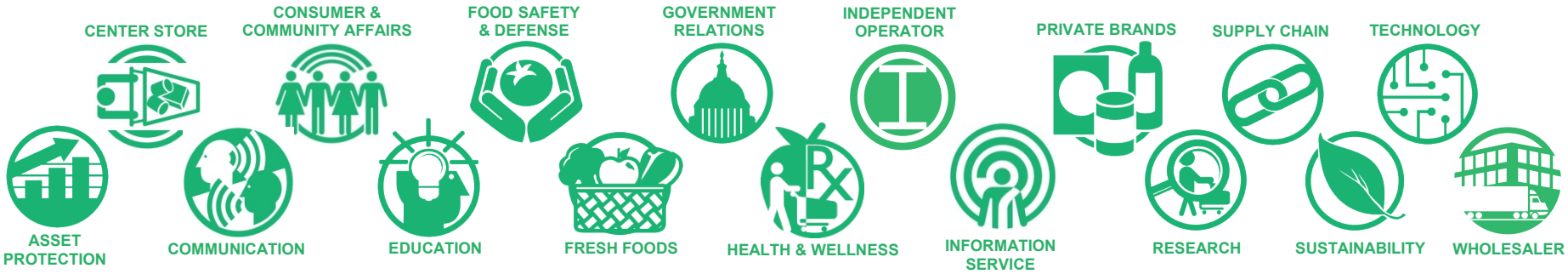
Made possible by: HUSSMANN

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 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

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Nicole Wegman*
Wegmans Food Markets, Inc.

*** Silent members**

Fresh Foods

The FEC is..

Comprised of FMI Member companies, Retailers and Wholesalers

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A quick bit on Methodology

- Fourth annual study
  - Commissioned by the FMI
  - Conducted by 210 Analytics
  - Made possible by Hussmann
- 360° view of foodservice at retail
  - Understanding opportunities, habits, preferences and trends
    - Shopper survey to determine attitudes, interests and behaviors
    - Sales overlay by Nielsen and IRI
    - Visuals to illustrate report findings
- Developed for the industry by the industry

Study definition for consumer understanding

Throughout the remainder of the survey, “deli or prepared foods” refer to items that are fully- or partially-prepared and are usually found in the deli

- Grab-and-go or heat-and-eat items
- Convenient alternatives to cooking or restaurant/fast food
- Use with items cooked from scratch or as a complete meal solution for breakfast, lunch or dinner
- Examples: rotisserie chickens, sushi, salad bars, pizza, sandwiches, hot food bars, made-to-order and more

Today’s agenda

MARKET REVIEW

DINNER EXECUTION

LUNCHTIME HABITS

CHANNEL CHOICES

VARIETY & ROTATION

TECHNOLOGY INFLUENCE

NUTRITION, BALANCE & HEALTH

PACKAGING

KEY TAKEAWAYS

Home-prepared meals

Meal planning

Deli prepared as solution

What a meal looks like

MARKET REVIEW

Picture: 210 Analytics

Deli: A key area of differentiation and growth

Deli and deli-prepared are smaller, but drive robust growth

Total deli

- $36.9B
- +7.0% growth ($)

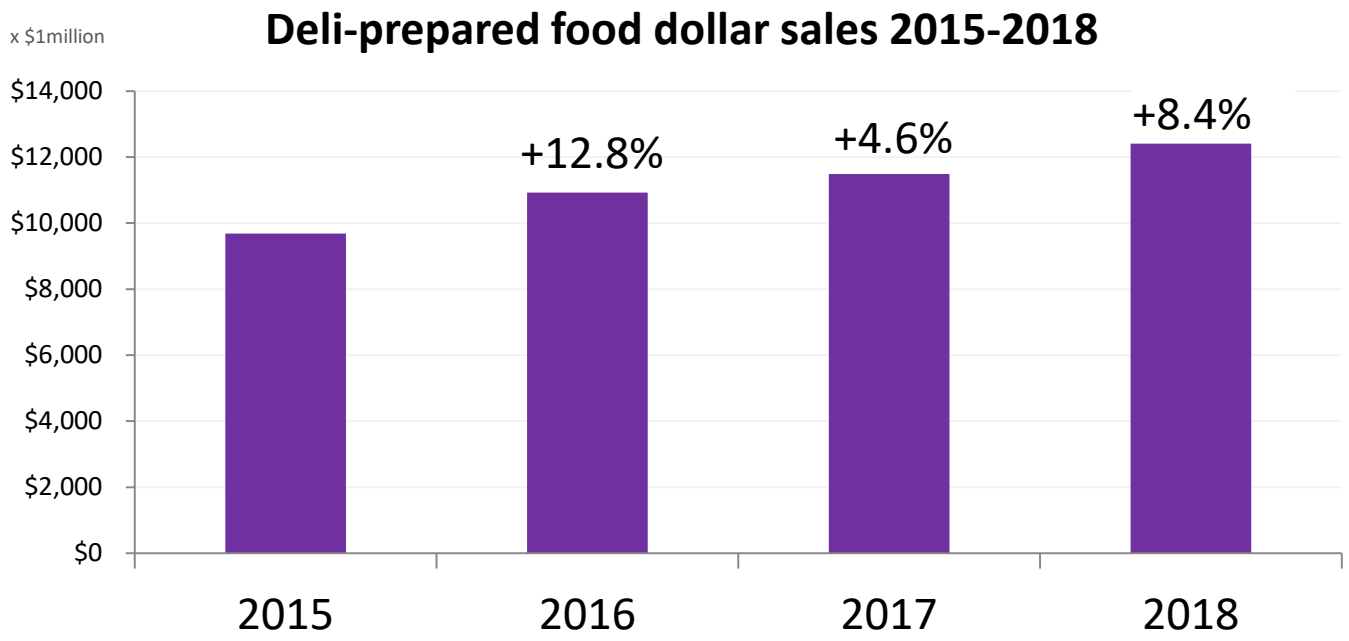
Deli-prepared

- $12.7B
- +7.9% growth ($)

	% growth	$ size in B
	+1.6%	$61.1
	+2.2%	$67.3
	+3.7%	$13.3
	+4.8%	$5.3

Source: Nielsen Total Food View, Total U.S. xAOC 52 Weeks Ending 6/8/19, inclusive of UPC-coded and random-weight/non-UPC data

Deli-prepared: a multi-year growth engine



Source: Nielsen Total Food View, Total U.S. xAOC 52 Weeks Ending 6/8/19, inclusive of UPC-coded and random-weight/non-UPC data

Continued growth is very possible

Opportunity to drive conversion, trips and basket ring

20.0x

Annual deli-prepared trips

28.3x

Total deli

94.1%

HH engagement deli-prepared

98.8%

Total deli

$7.92

Average ring deli-prepared

Source: Nielsen Homescan Panel, Total Shopper View, 52 weeks ending3/31/2019

Home-prepared meals

Meal planning

Deli prepared as solution

What a meal looks like

DINNER EXECUTION

Picture: 210 Analytics

Most plan just a few days at a time

Those going day by day, cook less often, rely on convenience solutions but don’t have deli-prepared on the radar

Meal planning

42% Try to meal plan for the next few days

29% Try to meal plan for the entire week

29% Typically don’t plan and go one day at a time

Home-prepared meals average drops further

4.9

August 2017

4.5

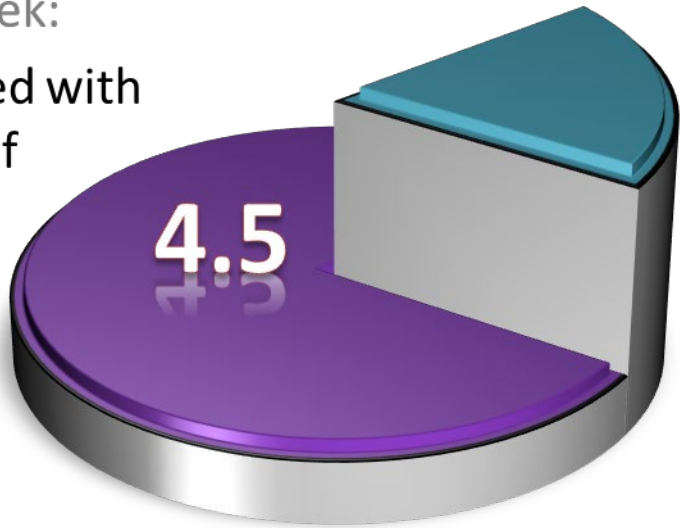
June 2019

However, kids are an important turning point

Younger Millennials are one of the few groups cooking more often

4-5 days/week:

Home-cooked with some level of preparation



Trends:

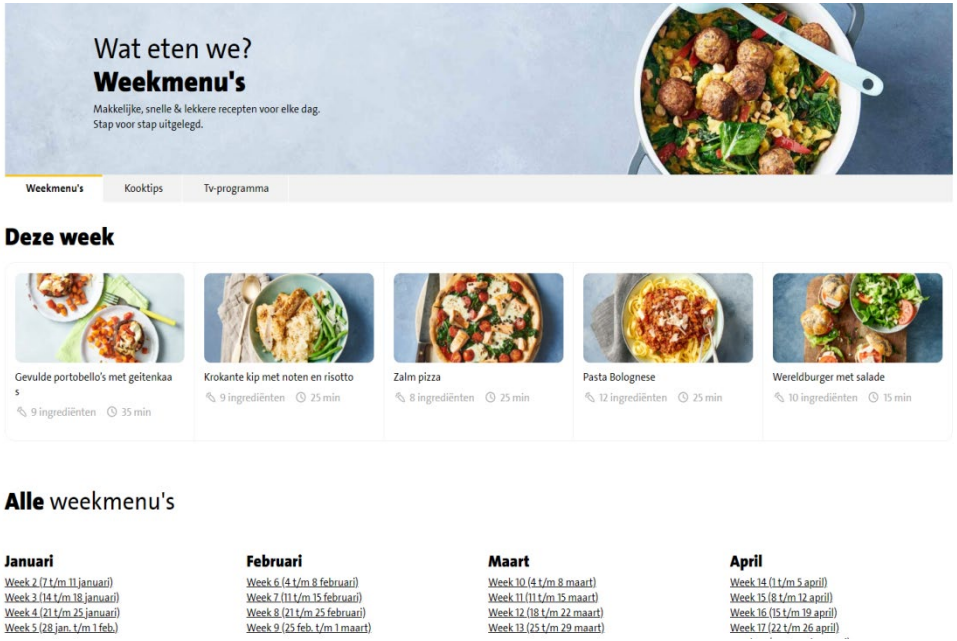
Declines across demographics

Kids are a turning point among Millennials

The more meal planning, the more meals at home, including retail foodservice

Thinking through all the ways to drive meal planning

Being a helping hand in the weekly menu, what’s new and encouraging routines



Pictures: 210 Analytics

Consumers do seek convenience when cooking

Convenience is driving $ across the store; undermining deli-prep?

4.5

At home dinners

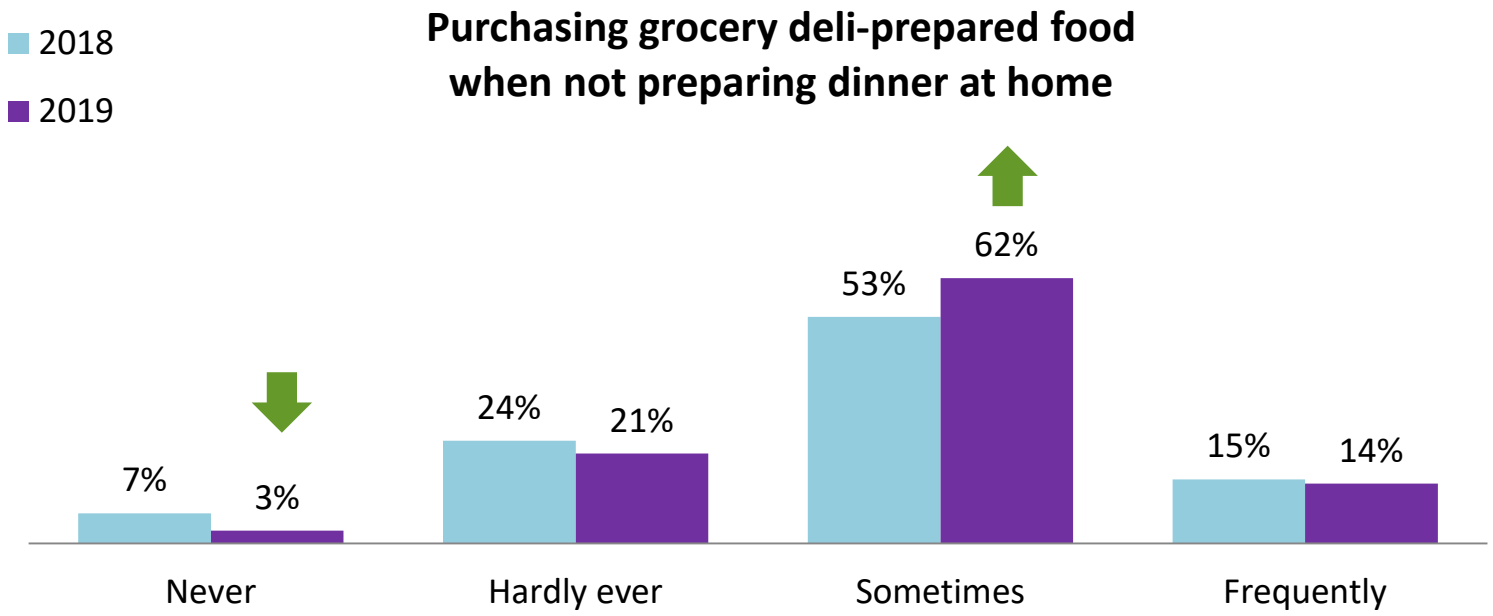
56%
Scratch + semi/fully prepared items

37%
Mostly from scratch

7%
Mostly semi/fully-prepared items

This scenario should help retail foodservice, and is

However, still not on the radar among those who eat out the most



Who is the retail foodservice regular?

Core customers

- Engagement at lunchtime as well as dinner
- High reliance on technology for meal decisions
- High reliance on convenience solutions when cooking
- Shop 3+ times per week
- Living in the Pacific and Middle Atlantic , particularly metro/urban areas
- Average age of 40, with older kids (7-18)

Frequency of purchase

Important attributes

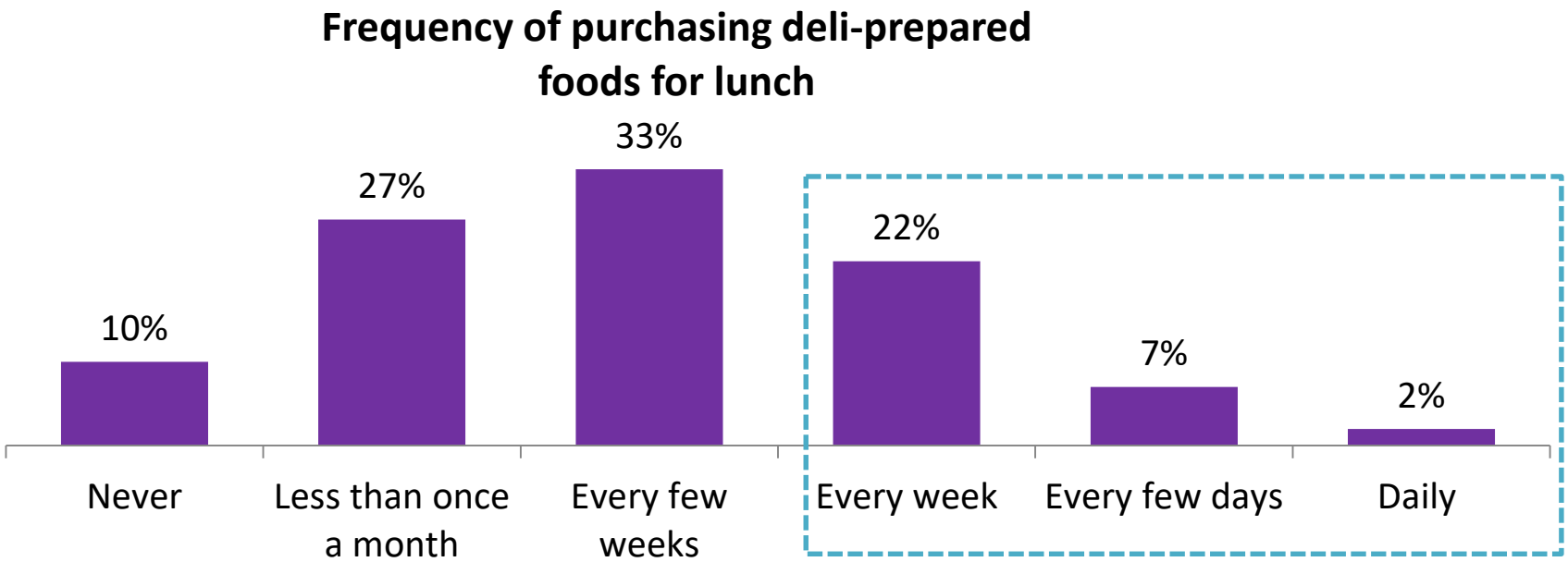
How fast is fast

LUNCHTIME

FMI | The Power of Foodservice at Retail 2019© | Picture: 210 Analytics

Lunch sees lower engagement than dinner

Driven by access, awareness and demographics



Winning at lunchtime: speed

Advance ordering > delivery

Top 3 consumer deli-prepared wants at lunchtime

71% Ability to get in/out the store fast

59% Extensive grab-and-go

56% Easy parking

FMI | The Power of Foodservice at Retail 2019© | Picture: 210 Analytics

How fast is fast?

Max time shoppers want to spend on getting lunch

15 Minutes

Supermarket dominance

Conversion

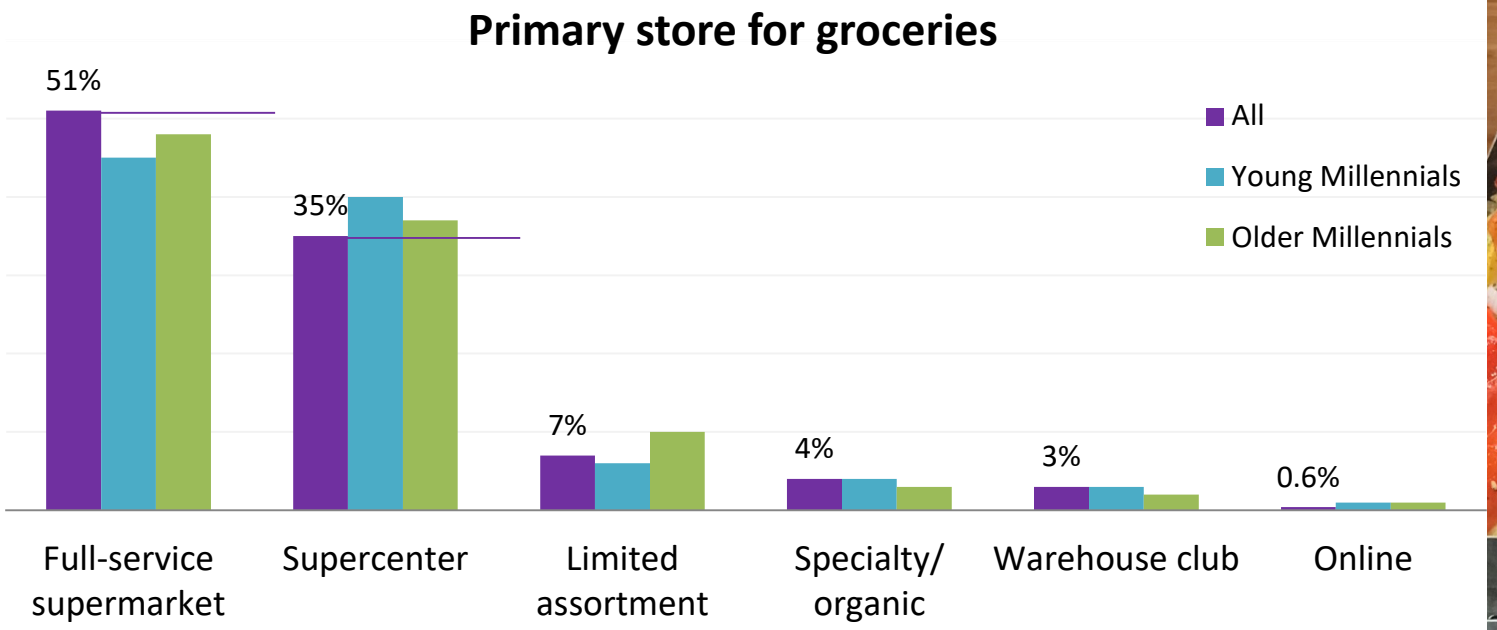
Program reputation

CHANNEL CHOICE

FMI | The Power of Foodservice at Retail 2019© | Picture: 210 Analytics

Supermarkets claim the top spot overall

Millennials underindex. Can foodservice be a way to connect?



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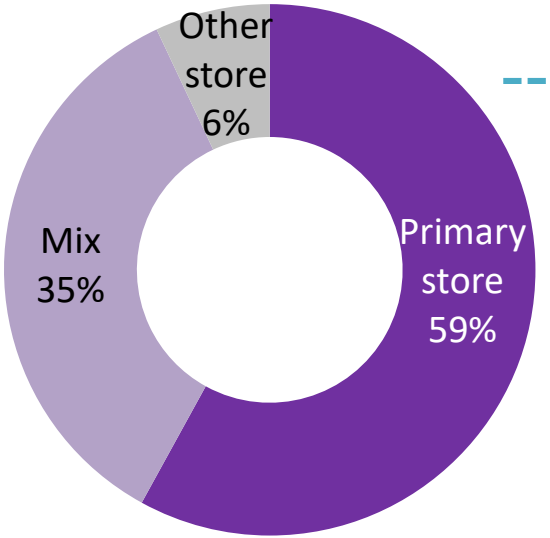
Supermarkets have highest conversion

Store and deli trips often do not translate into foodservice purchases

Buying retail foodservice vs. majority of groceries



59% Across channels

67% Supermarkets (up from 63%)

57% Supercenters

FMI | The Power of Foodservice at Retail 2019 | Picture: 210 Analytics

Program reputation can drive favorable behavior

Building a strong image beyond the store's four walls is crucial

A great grocery deli-prepared reputation can prompt…

64%

To **drive further** than the closest grocery store to home

64%

To go to a store at which they do **not normally buy** groceries

60%

To **drive out of their way** on the trip home from work/when out and about

Role of promotional research

Merchandised sales

Favorability of discount types

Communicating value messaging

VARIETY & ROTATION

Picture: 210 Analytics

High interest for more new items and flavors

Both frequent and infrequent foodservice shoppers want to see more “new”

88%

Of foodservice consumers want to see their deli carry more new items and flavors

Frequency of wanting to see “new”

29% seasonally

31% monthly

22% weekly

6% daily

Open ended comments confirm

References to lack of variety and rotation resulting in:

- Few trips
- Menu fatigue
- Taking business elsewhere

FMI | The Power of Foodservice at Retail 2019© |
top 100 words from suggestions for improving deli-prepared at primary store

Boots, UK: “Discover millions of combinations”

“Discover millions of tasty meal deal combinations”

Pictures: 210 Analytics

Stress “new,” LTOs, flavor/item rotation

“3 day sales” | digital deal sales
Chef specials, etc

Pictures: 210 Analytics

But be mindful of the “must-have’s”

Being known for a certain dish or flavor can help create competitive advantages

Differentiate and become a **top-of-mind destination** with unique favorites

Consider:

- Unique flavors
- Brands
- Meal deals
- Sides
- Preparation methods

Rock the fundamentals.
Be legendary.

Take advantage of beverage innovation

Beyond soda, better-for-you in beverages have a high-ring potential

74%

Of consumers are actively trying to make BFY choices

Top strategies:

- Drink more water
- Drink fewer sugary beverages

Desired beverages as part of meal deal

44% soda
40% bottled/flavored/sparkling water
38% tea/iced tea
32% fruit/vegetable juice
24% smoothie
21% coffee

Source: SmartFood Choices 2018 | beverage preferences: FMI | The Power of Foodservice at Retail 2019©

Beverage innovation is driving dollars

Pictures: 210 Analytics

Younger generations attracted to meal adventures

Some have universal appeal; others see much higher uptick among Millennials

Cross-population appeal

American
Salads
Italian
Mexican
Chinese

Opportunity in elevating experience surrounding "classics"

Strong demographic differences

Japanese/sushi
Thai
Vietnamese
Indian
Middle Eastern
Caribbean
Cuban
Korean

Match to the core consumer

Consider country-specific vs. areas

Pictures: 210 Analytics

Speed and advance ordering are “great” to have

Meeting expectations in shopping speed and ease are crucial to win as a store

Top 3 “would be great to have”

47% Separate checkout line in the deli

44% Ability to order in advance (app/online)

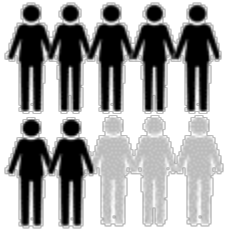
35% Drive through window

Much lower interest in curbside and delivery, **except among core consumers**

Grab-and-go, ready-to-eat is the top food type

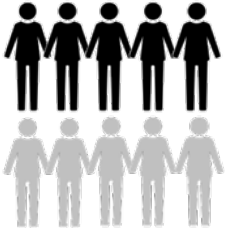
Reflecting desire for speed

Level of interest



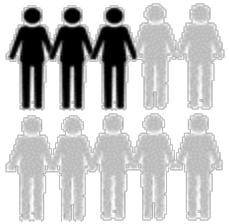
Grab-and-go, Ready to eat

Grab-and-go, Heat and eat



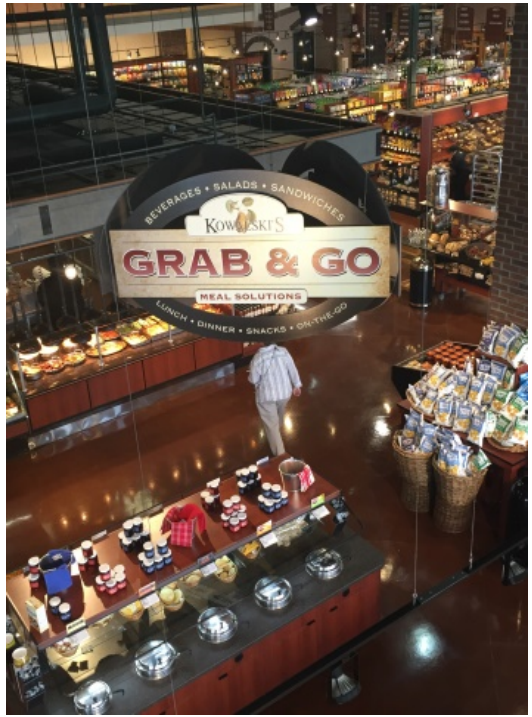
Made-to-order hot/cold stations

Self-serve hot/ cold item bar/buffet



Restaurant-style seating with wait staff

Grab and go: delivering on speed



Pictures: 210 Analytics

In-store technology
Grocery store apps
Ordering meals online
Researching dinner
Desirable information

TECHNOLOGY

Picture: 210 Analytics

Restaurants are aggressively rolling out kiosks

From fast food to family-style restaurants and even fine dining

Pictures: 210 Analytics

In-store technology still sees a mixed popularity

People, good people, still make the difference

Thoughts on ordering kiosks/screens when buying food…

30%

Prefer to wait in line to **talk to a person**

56%

They can be **ok for standard orders**

14%

Use them **whenever possible**

Apps, having vs. using…

Four in 10 shoppers actively use 1+ grocery store apps

Have ordered meals online or through an app…

67%

Have 1+ grocery apps downloaded

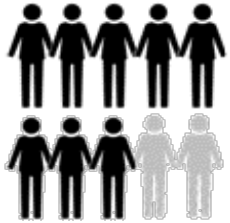
42%

Actively use 1+ grocery apps

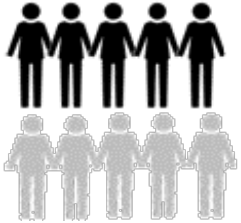
Research sales/recipes or ordering groceries

But ordering deli-prepared lags ordering groceries by 15 percentage points

Use grocery store app to… (% yes)



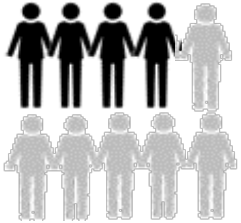
Checking grocery store circular



Order groceries (pickup/delivery)

Get recipes/meal ideas

Research foodservice menu

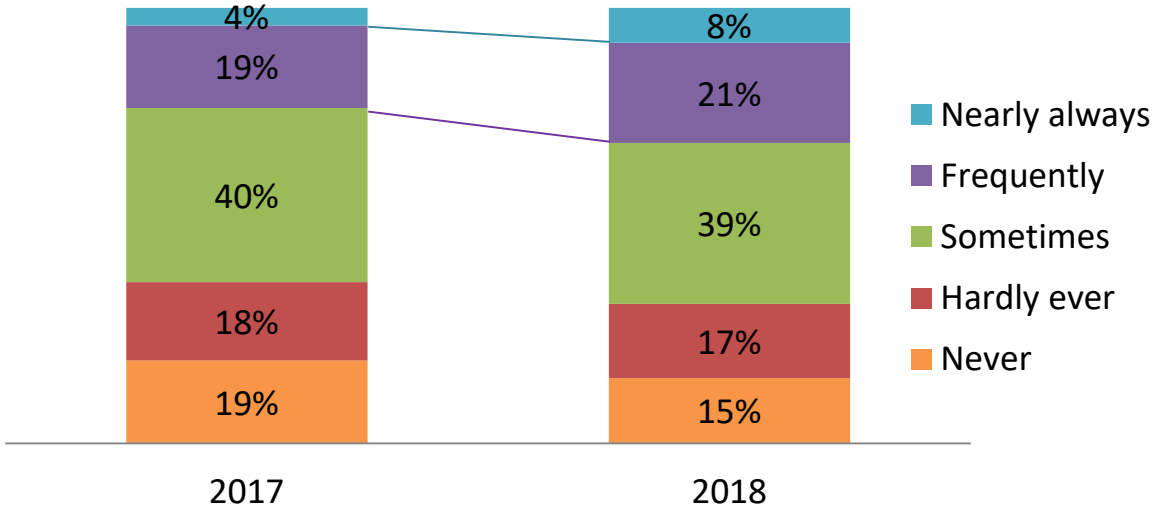


Place foodservice orders

Technology use is ramping up

Core consumers are technology focused

Technology use to determine where and what to eat (when not cooking dinner)



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Technology key platform to connect/educate

Online grocery shopping, grocery store app usage and checking dinner options are all highly related

29%

Frequently/always use technology for dinner out
Planning + 39% sometimes

46% Foodservice regulars

45% Nutrition-focused shoppers

42% Millennials

Restaurants have greatly benefitted from delivery/technology integration

Large demographic differences with high usage among young shoppers

Have ordered meals online or through an app…

54%

Directly with the restaurant

38%

A delivery service, like Grubhub or Ubereats

Delivery is driving trips/sales, mostly in breakfast/lunch

No longer a “nice to have,” says NPD

Restaurants…

+20%

Delivery sales 2013-2018

+10%

Delivery trips 2013-2018

51%

Through digital ordering with growth fueled by 3rd party delivery services

Source: NPD Group

Retailers are starting to build delivery services

Important to include foodservice instead of a pure grocery focus

Pictures: 210 Analytics

The need to be everywhere…

Facebook's local pages, 3rd party delivery, etc are all starting points for research

Top 5 research platforms

72% Google, Bing, Chrome or other search engines

36% Yelp

23% Map feature on phone

14% LocalEats

10% OpenTable

Desire to know prices and specials ahead of time

Making sure menu options and prices are clearly listed is an area of improvement

Top 5 desired information when researching dinner options

62% Clear prices

59% Sales specials/deals

57% Full menu

37% Nutrition information

33% Ingredient information

Focus on healthy eating

Delivering on health

Top nutrition features

NUTRITION, BALANCE & HEALTH

Picture: 210 Analytics

Nutrition/health play important role

And health-focused shoppers are a very interesting segment

65%

A lot (17%) or some (48%) of focus on eating healthy/nutritious meals at the deli/restaurants

Nutrition-focused shoppers…

Foodservice regulars

Technology-inclined

Planners

De-emphasize price/promos

Higher income

Retail foodservice delivers on healthy options

67%

More than enough (14%) or just enough (53%) healthy lunch/dinner options in retail foodservice

Winning tactics:

- Call out availability
- Provide choice
- Make it easy to understand
- Areas of improvement
  - Calling out specific diet
  - Big growth in gluten-free, ABF, all natural and GMO free

Communicate clearly

Very clear calorie references

Fat, saturated fat, sugars and salt (value + DV + color coding)

1 of your 5 a day

Diet references (vegetarian, non-GMO)

Picture: 210 Analytics

Interest in health options centers on ingredients and preparation

Interested (top 5)

61% Have healthier ingredients

57% Prepared in a healthier way

52% Avoid artificial colors, flavors or sweeteners

49% Use antibiotic-free meats/poultry

46% Use locally-sourced ingredients

Offer a choice of healthier preparation or ingredients

Pictures: 210 Analytics

Free-from enters the deli space

Hormones, antibiotics, artificial, etc

Pictures: 210 Analytics

Capitalize on food trends, diet trends and claims

Pictures: 210 Analytics

Environmental sustainability

Package functionality

The plastic debate

Willingness to pay more

PACKAGING

Picture: 210 Analytics

Daily announcements by restaurants and retailers on sustainable packaging/waste

M&S: customers bring their own reusable containers at its food-to-go counters and receive a 25p discount

Also introduced a “widely recyclable” terracotta CPET tray to replace black plastic

Pictures: 210 Analytics

Package functionality cannot be overlooked

Thoughts on package functionality vs. environmental impact

47%

Package **functionality** is all important

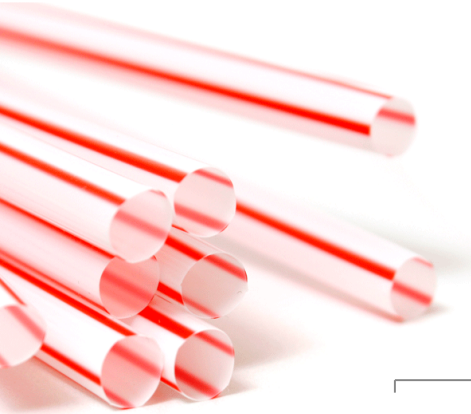
26%

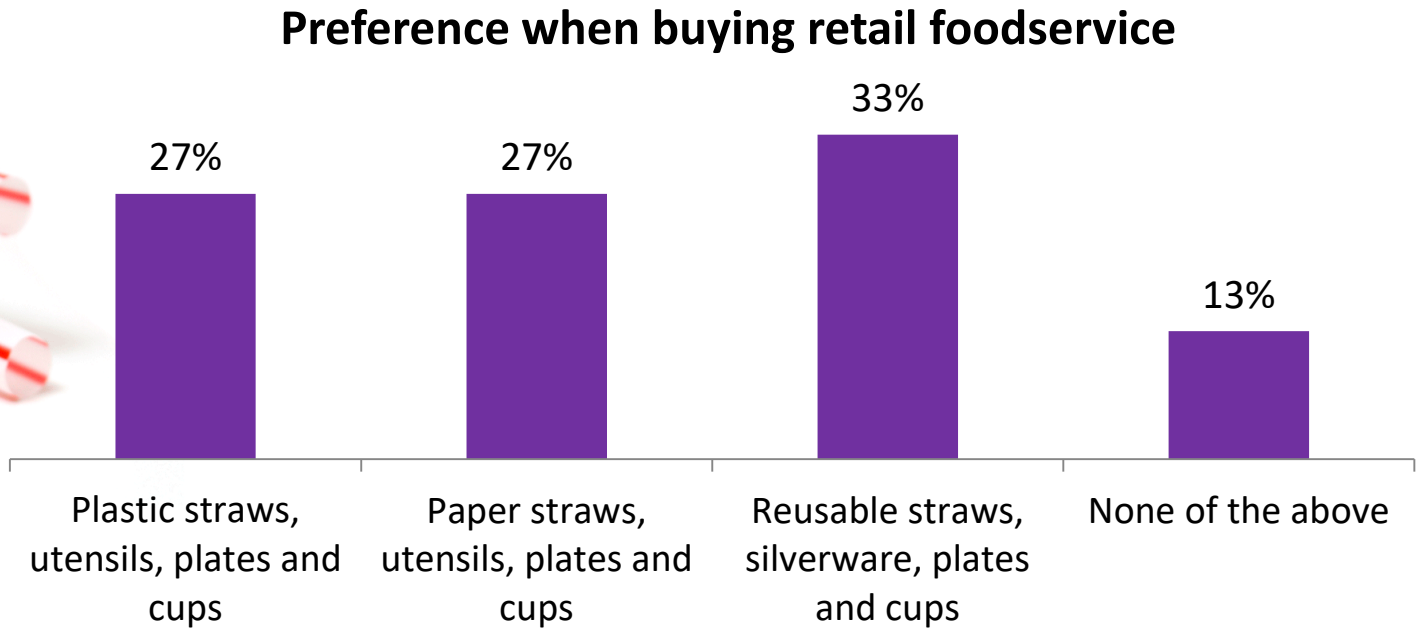
Functionality should be **balanced** with environmental impact

27%

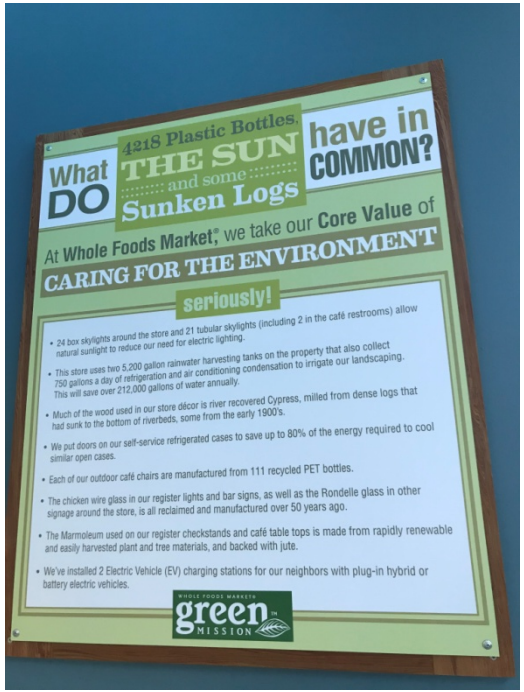
Environmental **sustainability** is all important

No one winner in the tableware/utensils debate





But becoming an area of differentiation



Pictures: 210 Analytics

Half say they are willing to pay more

53%

Willing to pay more for their store to carry environmentally-friendly and/or reusable tableware and utensils

Big demographic differences

61% Younger Millennials

58% Older Millennials

51% Gen X

42% Boomers

CONCLUSIONS

Perfecting the deli “eco-system” to drive sales, loyalty and total store success

Growing foodservice at retail

1. **Deli-prepared foods are a key area of differentiation for grocery retailers**
   An important area of growth with opportunity in penetration, trips and transaction size
2. **88% of shoppers want their stores to offer more frequent item and flavor rotation**
   Avoid menu fatigue and increase conversion and trips with variety and rotation
3. **At-home dinner preparation drops further**
   Shoppers home-prepare an average of 4.5 meals in a typical week, with declines across most demographics. Cross-market time-saving meal part of full meal solution
4. **A strong foodservice reputation can build traffic beyond primary shoppers**
   Lack of program knowledge and top-of-mind awareness remain an issue. Work on being on shoppers' radar
5. **Technology plays an integral role in dinner decisions**
   Focus on search optimization. The 1st step in winning the dinner dollar is being considered.

6. **Speed is the name of the game, particularly at lunchtime**
   Ensure you can deliver on speed, or slow people down with an engaging in-store experience
7. **65% of shoppers emphasize healthy choices when ordering from retail foodservice**
   Provide information, education and assortment to not miss out
8. **Grab-and-go and cuisine variety is preferred**
   Create unique dish, flavor, brand, cuisine or chef differentiators that help create a strong foodservice reputation and elevate top-of-mind awareness
9. **Environment is important, but package functionality trumps sustainability for majority**
   A choice and store-based approach can help grocers engage on a growing consumer concern
10. **Shopper suggestions for improvement highlight consumer hot buttons in retail foodservice**
    Faster in/out of the store and service, greater cuisine variety/rotation, healthier choices, better prices, more information and staff knowledge, better freshness and frequent replenishment/replacement, and various operational improvements

The Power of Foodservice at Retail 2019

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thank you!