Presented by:
Alison Bodor, AFFI | Steve Markenson, FMI | Anne-Marie Roerink, 210 Analytics
Antitrust Compliance

• It is AFFI and FMI’s policy to comply in all respects with the antitrust laws.
• All participants are expected to comply with applicable antitrust and competition laws.
• Avoid discussions of sensitive topics that can create antitrust concerns.
  o Agreements to fix prices, allocate markets, engage in product boycotts and to refuse to deal with third parties are illegal.
  o Discussions of prices (including elements of prices such as allowances and credit terms), quality ratings of suppliers, and discussions that may cause a competitor to cease purchasing from a particular supplier, or selling to a particular customer, should be avoided.
  o No discussion that might be interpreted as a dividing up of territories.
• It is important to avoid even the appearance of unlawful activity.
Meet your Presenters

Alison Bodor
President and CEO
American Frozen Food Institute

Anne-Marie Roerink
Principal and Founder
210 Analytics, LLC

Steve Markenson
Director, Research
Food Marketing Institute
Power of Frozen: A Formula for Growth
A sizeable department: $56.7 billion
Bigger than most perimeter and center-store departments

Source: IRI, MULO+C, 52 weeks ending 11/8/2018
Covering every meal occasion

Top 10 in dollar sales out of 26 categories

- Entrees: $9.2B
- Ice cream: $6.8B
- Novelties: $5.2B
- Pizza: $4.9B
- Seafood: $4.8B
- Poultry: $4.2B
- Breakfast: $3.5B
- Processed poultry: $3.1B
- Meat: $2.7B
- Vegetables: $2.5B

Source: IRI, MULO+C, 52 weeks ending 11/8/2018
Frozen: The Original Meal Kit

National Family Meals Month
Goal: One more Family Meal each week
The Frozen Food Comeback

$ Sales growth 2014-2018

- Total store
- Fresh perimeter
- Total frozen

Source: IRI, MULO+C, 52 weeks ending 11/8/2018
A comeback several years in the making
A turnaround in dollars AND units

Frozen 5-year dollar and unit sales growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Dollar Sales</th>
<th>Unit Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>0.9%</td>
<td>-1.7%</td>
</tr>
<tr>
<td>2015</td>
<td>1.3%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>2016</td>
<td>-0.2%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>2017</td>
<td>1.7%</td>
<td>0.1%</td>
</tr>
<tr>
<td>2018</td>
<td>2.6%</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

Source: IRI, MULO+C, 52 weeks ending 11/8/2018
### Across the board growth

*Dollars up for 9 of the top 10 categories; Units increased for 10 out of 10*

<table>
<thead>
<tr>
<th>Category</th>
<th>Dollars</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrees</td>
<td>+2.3%</td>
<td>+0.4%</td>
</tr>
<tr>
<td>Ice cream</td>
<td>+0.2%</td>
<td>+1.1%</td>
</tr>
<tr>
<td>Novelties</td>
<td>+4.2%</td>
<td>+2.3%</td>
</tr>
<tr>
<td>Pizza</td>
<td>+4.9%</td>
<td>+3.1%</td>
</tr>
<tr>
<td>Seafood</td>
<td>+4.2%</td>
<td>+1.6%</td>
</tr>
<tr>
<td>Poultry</td>
<td>-0.5%</td>
<td>+0.1%</td>
</tr>
<tr>
<td>Breakfast</td>
<td>+5.7%</td>
<td>+4.7%</td>
</tr>
<tr>
<td>Processed poultry</td>
<td>+0.6%</td>
<td>+0.5%</td>
</tr>
<tr>
<td>Meat</td>
<td>+5.2%</td>
<td>+5.2%</td>
</tr>
<tr>
<td>Vegetables</td>
<td>+2.7%</td>
<td>+2.6%</td>
</tr>
</tbody>
</table>

Source: IRI, MULO+C, 52 weeks ending 11/8/2018 | Dollars in black, units in blue
National brands generate the lion’s share of sales
Dollars up for 9 of the top 10 categories; units increased for 10 out of 10

79% Manufacturer brand share of 2018 sales

+1.8% Manufacturer brands

+6.1% Private brands

Dollar growth

Source: IRI, MULO+C, 52 weeks ending 11/8/2018
High household engagement

Opportunity to drive cross-category penetration

99.4%

Frozen food household penetration

Source: IRI, all outlets, 52 weeks ending 11/8/2018 | Top 5 categories for household penetration

- Ice cream 87.5%
- Entrees 85.5%
- Novelties 79.6%
- Vegetables 79.0%
- Pizza 70.6%
Opportunity to improve consumption frequency

Household frequency of eating frozen food

- Never: 3%
- <1x/month: 10%
- Every few weeks: 19%
- Weekly: 32%
- Every few days: 23%
- Daily: 12%

Source: The Power of Frozen 2019
Purchasing behavior of low and high-frequency consumers

19% LOW-frequency
32% MID-frequency
52% HIGH-frequency

Increased frozen food consumption over the past year

Source: The Power of Frozen 2019
Sales data confirms levers for growth

2018:
- Buyers flat: -0.1%
- $ Per buyer: +1.8%
- Trips: +0.8%

Source: IRI, all outlets, 52 weeks ending 11/8/2018
How can we jointly work on continued success?

1. Understand more about low-frequency consumers

2. Optimize sales among high-frequency (core) consumers

3. Understand the what and why behind frozen food sales success
#1 Understanding the low-frequency consumers

Source: The Power of Frozen 2019 | Frozen food word association, mentioned 2+ times
#2 Optimizing sales among core consumers

- All income levels
- Older Millennials
- Consumers in suburban and urban areas
- Men
- Kids at home, especially ages 7-12
- Households of 3-4 people

Source: The Power of Frozen 2019
#2 Optimizing sales among core consumers

Purchase more food types for more food occasions at home and at work

Adventurous and impulsive consumers

Supercenter and club shoppers, and, online shoppers

Increasingly rely on frozen food as a backup and planned occasion

Above-average spending and trips

High interest in health and production claims, driven by the higher-income core consumers

Source: The Power of Frozen 2019
#3 Understanding what is driving growth and why

CONSUMPTION DRIVERS
PURCHASE DRIVERS
CLAIMS AND ATTRIBUTES
CHANNEL CHOICES
FOOD FOR THOUGHT

Source: The Power of Frozen 2019
#3 Understanding **what** is driving growth and **why**

- **CONSUMPTION DRIVERS**
- **PURCHASE DRIVERS**
- **CLAIMS AND ATTRIBUTES**
- **CHANNEL CHOICES**
- **FOOD FOR THOUGHT**

Source: The Power of Frozen 2019
Convenience is front and center

<table>
<thead>
<tr>
<th>Reason</th>
<th>Top reason</th>
<th>Second reason</th>
<th>Third reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ease of preparation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taste</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time savings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of the food/ingredients</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: The Power of Frozen 2019
Core consumers focus on convenience and the food

<table>
<thead>
<tr>
<th>Low-frequency consumers</th>
<th>Top 3 rank</th>
<th>High-frequency consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>Taste</td>
<td>36%</td>
</tr>
<tr>
<td>19%</td>
<td>Quality</td>
<td>28%</td>
</tr>
<tr>
<td>14%</td>
<td>Variety</td>
<td>22%</td>
</tr>
<tr>
<td>8%</td>
<td>Consistency</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: The Power of Frozen 2019
Core consumers buy across more food types, covering more meal occasions

**Meal solutions**
- Breakfast +22
- Multi-serve entrees +9
- Single-serve Entrees +10
- Pizza +11

**Ingredients**
- Meat/poultry +18
- Seafood +7
- Veggies +20
- Fruit +22
- Sides +16
- Meat alternatives +7

**Snacks/Desserts**
- Dessert +18
- Ice cream +16
- Snacks/ appetizers +16

Source: The Power of Frozen 2019 | Difference in % consuming each food type “frequently” between all and high-frequency consumers
Frozen to the rescue, but we can be more
Core consumers leverage frozen as a rescue *and planned* item

<table>
<thead>
<tr>
<th>CONSUMPTION DRIVERS</th>
<th>Frozen to the rescue</th>
<th>Frozen to expand food horizon</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>83%</td>
<td>72%</td>
</tr>
<tr>
<td></td>
<td>Backup solution</td>
<td>Solution for food I don’t know how or want to make</td>
</tr>
<tr>
<td></td>
<td>78%</td>
<td>61%</td>
</tr>
<tr>
<td></td>
<td>Scramble/out-of-time solution</td>
<td>Try a new food/cuisine</td>
</tr>
<tr>
<td></td>
<td>73%</td>
<td>65%</td>
</tr>
<tr>
<td></td>
<td>Hold me over between trips</td>
<td>Buy with a specific day in mind (vs. 79% of core consumers)</td>
</tr>
<tr>
<td></td>
<td>68%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cater to varying preferences</td>
<td></td>
</tr>
<tr>
<td></td>
<td>65%</td>
<td></td>
</tr>
</tbody>
</table>

Source: The Power of Frozen 2019 | % yes
Thinking outside the home is another opportunity
Core consumers are >2x more likely to bring frozen food to work

27% LOW-frequency

45%
Bring frozen food to work for breakfast, lunch or snacks occasionally (31%) or often (14%)

63% HIGH-frequency

Source: The Power of Frozen 2019 | % yes
#3 Understanding **what** is driving growth and **why**
Frozen is a bit more of a planned purchase
Once people are in the aisle, frozen can drive impulse purchase too

59%
Plan which frozen foods they want to buy pre trip

73%
Of those planning pre trip, 73% purchase unplanned items while in the frozen food aisle

Source: The Power of Frozen 2019 | % yes
Sales specials can drive impulse and stock up
Strive to grow the purchase, not substitute brands or items

Can sales specials prompt you to…?

- Stock up
- Impulse buy
- Switch brands
- Try a new item
- Buy a different type of item (lasagna vs. pizza)
- Visit a different store

Source: The Power of Frozen 2019 | % yes
New ways to drive unplanned purchases

45%  New item/flavor from a familiar brand

44%  Recommendation from friends, family, social network

36%  Sampling

26%  Attractive packaging

26%  Recipe/serving ideas

Source: The Power of Frozen 2019 | % yes | Picture: 210 Analytics
Use door and shelf tags to draw attention
Don’t forget the power of cross-merchandising
#3 Understanding what is driving growth and why

- CONSUMPTION DRIVERS
- PURCHASE DRIVERS
- CLAIMS AND ATTRIBUTES
- CHANNEL CHOICES
- FOOD FOR THOUGHT
Better-for-…Isn’t just “you”

81% Of consumers look for better-for-…choices when buying food in general

69% Me

30% The planet

25% The animal (fish/meat/poultry)

23% The people (worker/farmer)

Source: The Power of Frozen 2019 | % yes
Planet: food and packaging waste matters

77%

Of shoppers say environmentally-friendly frozen food packaging is somewhat or very important

40% vs. 28%

Of core consumers believe it is “very important” vs. 28% overall

Source: The Power of Frozen 2019
Better-for-... is popular in frozen food too

Better-for-... frozen item that was

- **39%** Alternative to prior choice
- **30%** An item not bought before
- **31%** Mix of new & alternatives

Of consumers who have looked for better-for-...item did so in frozen also

Source: The Power of Frozen 2019
### Innovation can drive engagement

Core consumers more likely to substitute

<table>
<thead>
<tr>
<th>Low-frequency consumers</th>
<th>Better-for-... frozen item that is</th>
<th>High-frequency consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>29%</td>
<td>Alternative to prior choice</td>
<td>47%</td>
</tr>
<tr>
<td>35%</td>
<td>Item never bought before</td>
<td>22%</td>
</tr>
</tbody>
</table>

Source: The Power of Frozen 2019
Health and nutrition matter in frozen

Top six health and nutrition traits people look for

48%  Healthier ingredients
47%  Better nutritional value (high/low in...)
41%  No artificial ingredients
39%  Healthier preparation (grilled/baked versus fried)
33%  Minimal processing
28%  Short ingredient list

Source: The Power of Frozen 2019
Production claims matter as well

Top eight production traits people look for

48% “Real” ingredients (i.e. real cheese)
39% Fresh frozen
38% No artificial ingredients
35% All natural
28% Made/grown/raised in the USA
27% Type/quality of meat used
24% Organic
22% Non-GMO

Source: The Power of Frozen 2019
Industry collaboration to educate

On-pack

On-shelf

Pictures: 210 Analytics
Calling out special attributes can lead to new or higher ring/margin substitute sale
#3 Understanding what is driving growth and why

CONSUMPTION DRIVERS

PURCHASE DRIVERS

CLAIMS AND ATTRIBUTES

CHANNEL CHOICES

FOOD FOR THOUGHT
Most shoppers buy frozen at their primary store

92% Of shoppers buy frozen food where they purchase the majority of groceries

High-frequency consumers

- Overindex for supercenters and clubs
- Are high-value consumers as larger households with spending and trips to match

Source: The Power of Frozen 2019
Online grocery shopping is ramping up
Frozen is right in the bullseye

41% Have ordered frozen food online in past 30 days

56% Ordered frozen food also

41% Did not order frozen food

31% Delivery

25% Pickup

23% Of shoppers have bought frozen food online

Source: The Power of Frozen 2019
Core consumers especially seek online convenience
Ensure they still buy your brand or at your store

43%
Of core consumers purchase frozen food online vs. 23% of all shoppers

High-frequency consumers
- Are more likely to shop online
- Are more likely to buy frozen online
  - Brand strength key
  - Find ways to drive trial & impulse

Source: The Power of Frozen 2019
#3 Understanding **what** is driving growth and **why**
Joint success

- Play into the needs/wants of core consumers
- Strengthen perception among low-frequency consumers through sampling, recipes, etc.
- Encourage purchasing across the full breadth of frozen food offerings:
  - Covering the full range of meal occasions
  - As planned and backup solutions
  - For consumption at home and beyond
  - As a perfect match for hot, new appliances

Source: The Power of Frozen 2019
Joint success

- Connect with shoppers pre-trip to encourage being part of planned meal occasions
- Leverage sales promotions to purchase more and more often, across a wider range of products and occasions
- Encourage impulse
  - Organization and signage is crucially important

Source: The Power of Frozen 2019
Joint success

- More shoppers care about the food they eat, where it was made and what is in it
  - Frozen plays well in the two most popular strategies of better-for-me and better-for-the-planet
  - Opportunity to work together on helping consumers with making a better choice
- Leverage frozen’s innovation as a way to encourage engagement
  - Work with influencers, chefs, dietitians, etc.

Source: The Power of Frozen 2019
Joint success

- Core frozen food consumers are interesting to retailers
  - Bigger households with above average spending
  - Hyper focused on convenience
- Overindex for supercenters and club stores as well as online shopping
  - Stress the overarching benefit of convenience, while educating about: 1) variety 2) quality and 3) health

Source: The Power of Frozen 2019
2019
THE POWER OF FROZEN
AN IN-DEPTH LOOK AT THE FROZEN AISLE THROUGH THE SHOPPERS’ EYES

Available at
www.affi.org/pof
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