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.
    - Agreements to fix prices, allocate markets, engage in product boycotts and to refuse to deal with third parties are illegal.
    - 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.
    - 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

AMERICAN FROZEN FOOD INSTITUTE

THE VOICE OF FOOD RETAIL

Power of Frozen: A Formula for Growth

AMERICAN FROZEN FOOD INSTITUTE

THE VOICE OF FOOD RETAIL

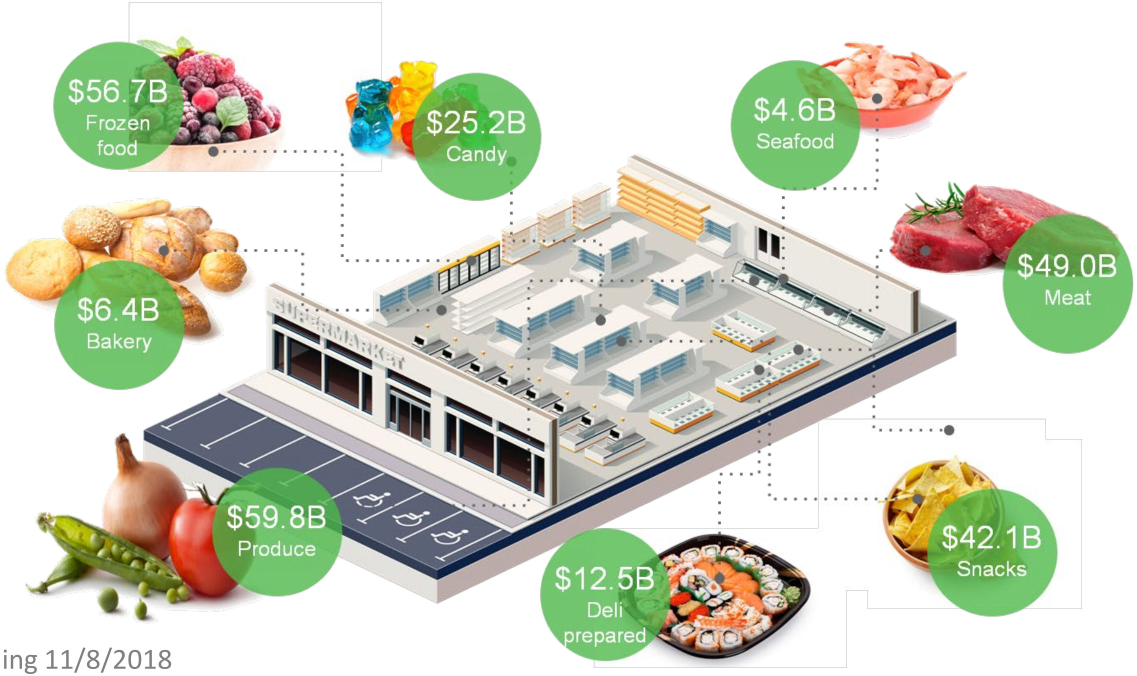
210analytics

IRi

npd

A sizeable department: $56.7 billion

Bigger than most perimeter and center-store departments



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

AFFI AMERICAN FROZEN FOOD INSTITUTE

FMI THE VOICE OF FOOD RETAIL

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

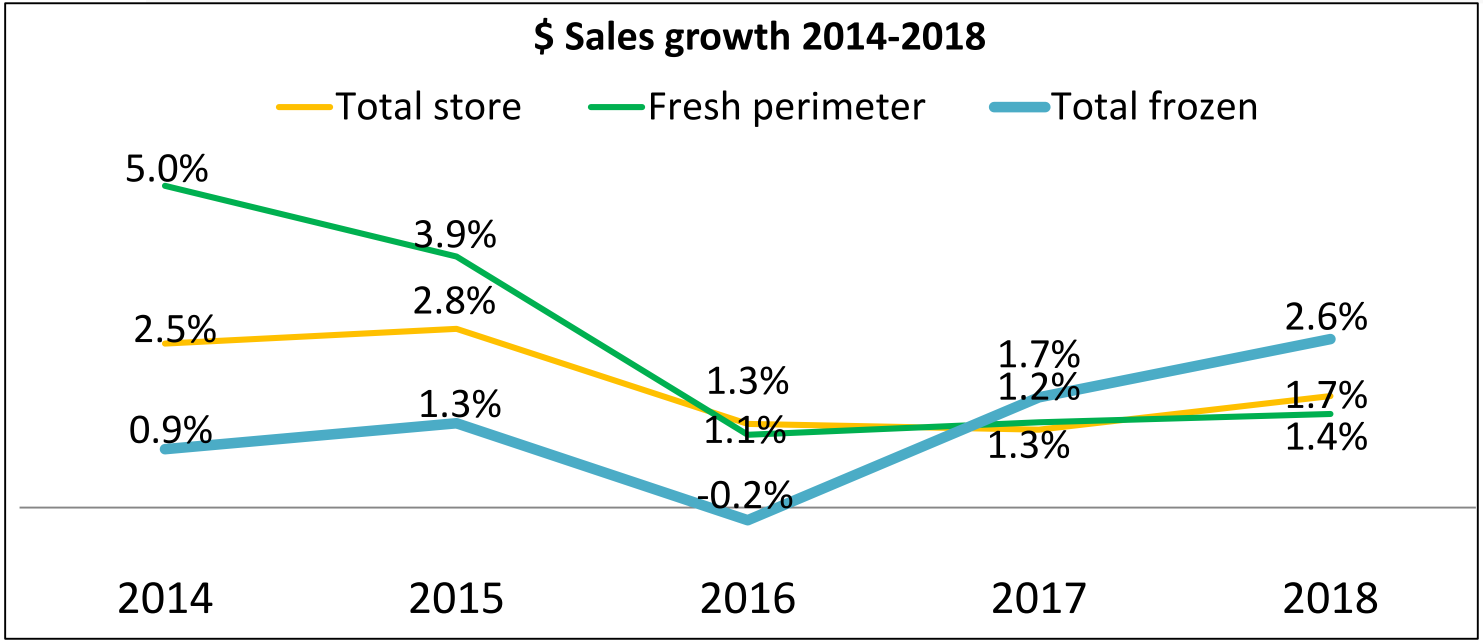
Frozen: The Original Meal Kit

National Family Meals Month
Goal: One more Family Meal each week

AMERICAN FROZEN FOOD INSTITUTE

THE VOICE OF FOOD RETAIL

The Frozen Food Comeback



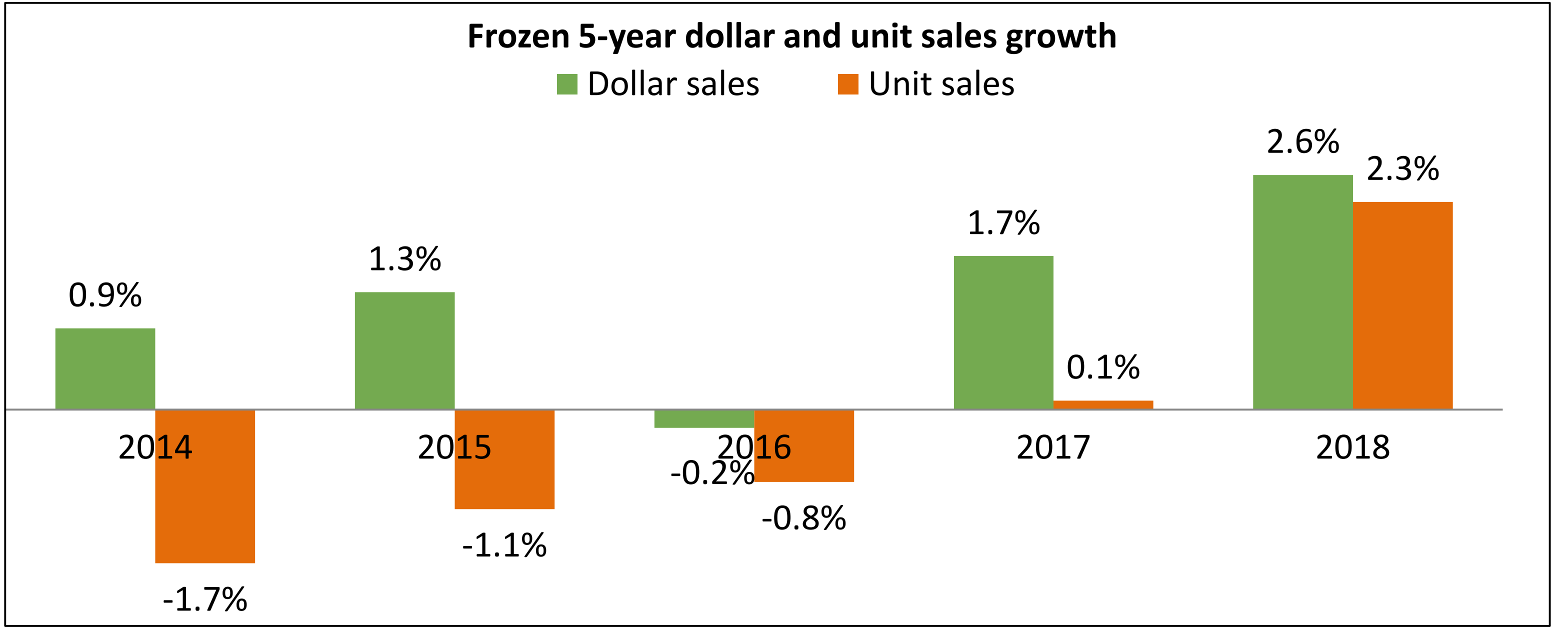
Source: IRI, MULO+C, 52 weeks ending 11/8/2018

AMERICAN FROZEN FOOD INSTITUTE

THE VOICE OF FOOD RETAIL

A comeback several years in the making

A turnaround in dollars AND units



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*

Entrees

+2.3% | +0.4%

Ice cream

+0.2% | +1.1%

Novelties

+4.2% | +2.3%

Pizza

+4.9% | +3.1%

Seafood

+4.2% | +1.6%

Poultry

-0.5% | +0.1%

Breakfast

+5.7% | +4.7%

Processed poultry

+0.6% | +0.5%

Meat

+5.2% | +5.2%

Vegetables

+2.7% | +2.6%

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

Ice cream
87.5%

Entrees
85.5%

Novelties
79.6%

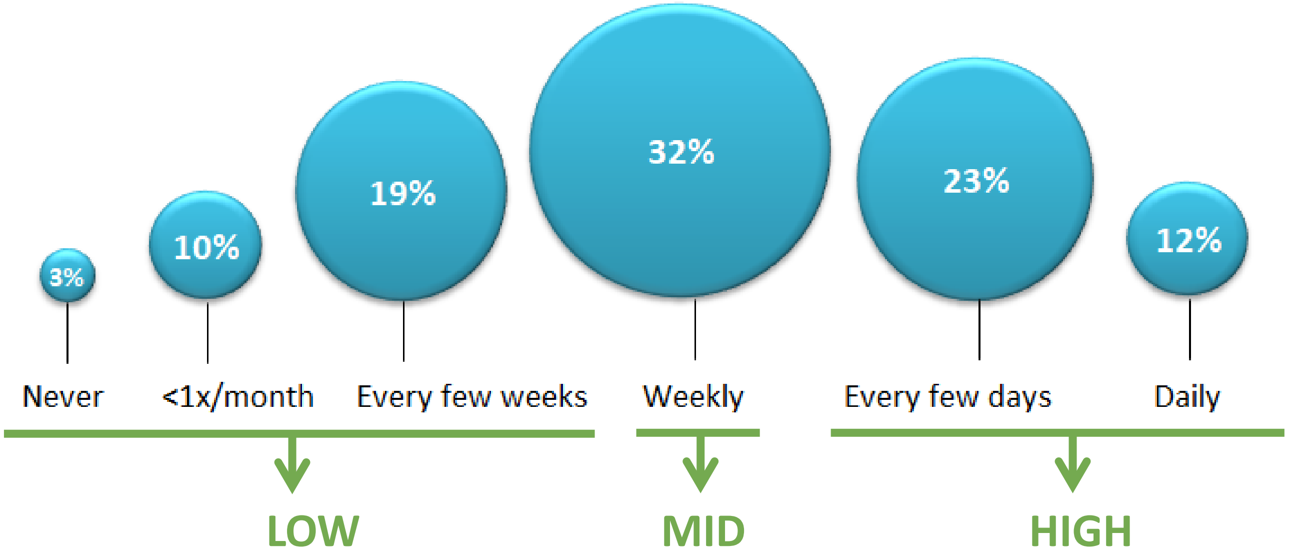
Vegetables
79.0%

Pizza
70.6%

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

Opportunity to improve consumption frequency

Household frequency of eating frozen food



Source: The Power of Frozen 2019

AMERICAN FROZEN FOOD INSTITUTE

FMI THE VOICE OF FOOD RETAIL

Purchasing behavior of low and high-frequency consumers

35%

Increased frozen food consumption over the past year

19% LOW-frequency

32% MID-frequency

52% HIGH-frequency

Source: The Power of Frozen 2019

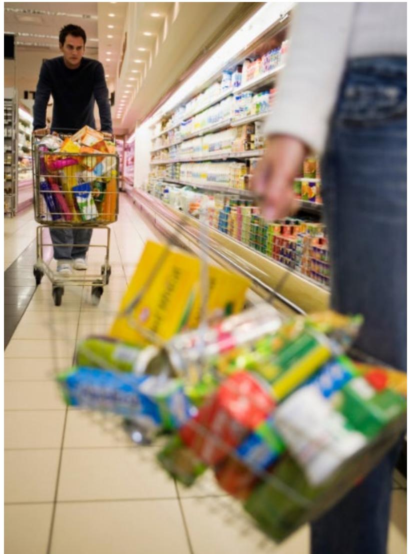
Sales data confirms levers for growth

	More people buy	People buy more	Buy more often
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

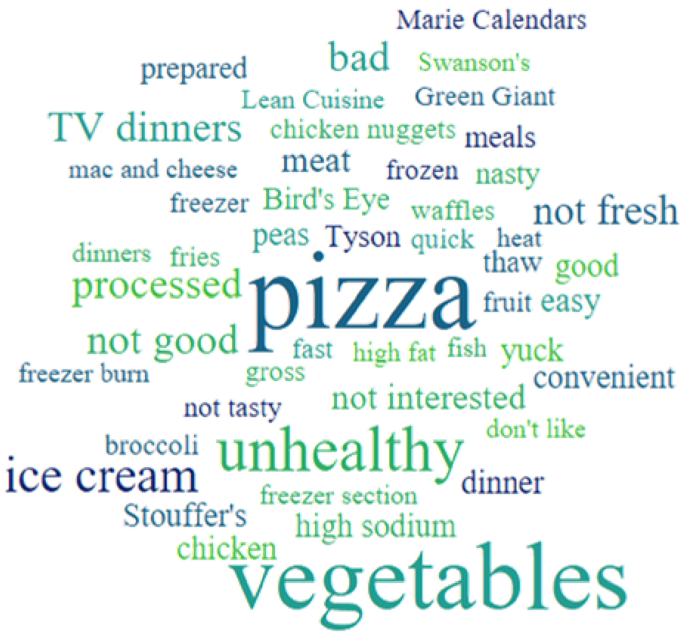
3. Understand the what and why behind frozen food sales success

AMERICAN FROZEN FOOD INSTITUTE

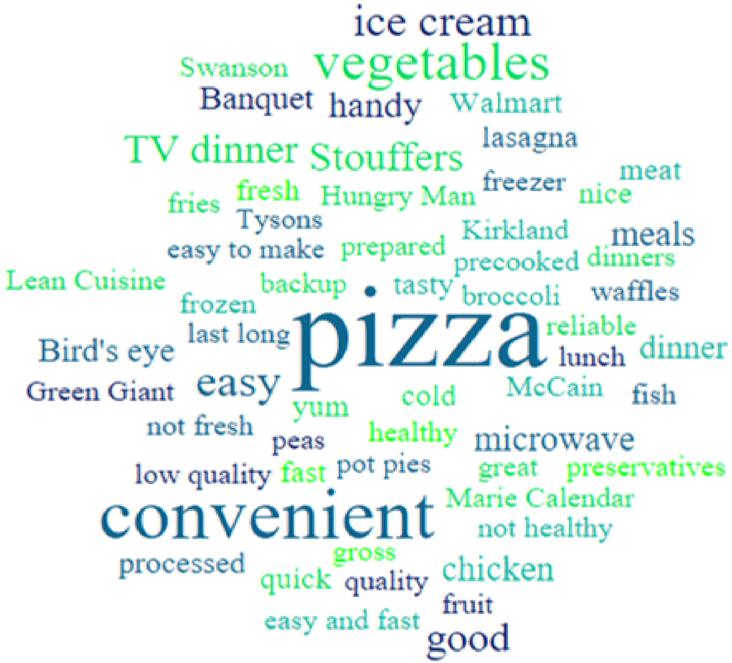
FMI THE VOICE OF FOOD RETAIL

#1 Understanding the low-frequency consumers

LOW FREQUENCY



HIGH FREQUENCY

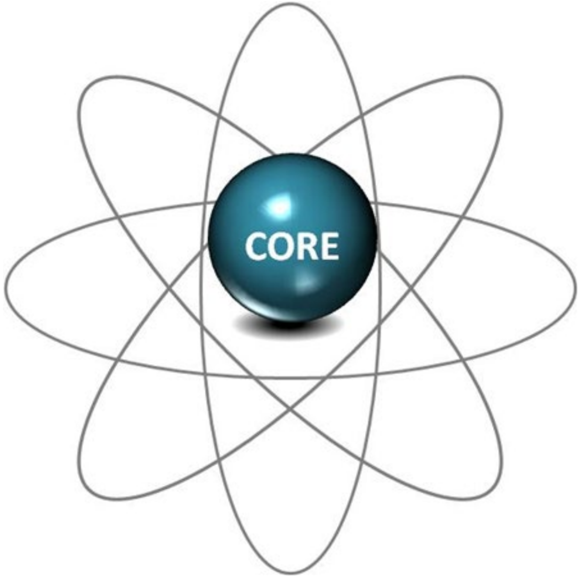


Source: The Power of Frozen 2019 | Frozen food word association, mentioned 2+ times

#2 Optimizing sales among core consumers

All income levels

Men



Older Millennials

Kids at home, especially ages 7-12

Consumers in suburban and urban areas

Households of 3-4 people

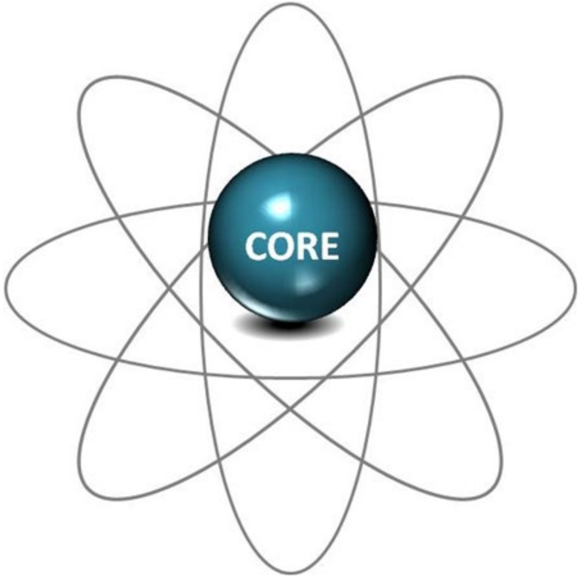
Source: The Power of Frozen 2019

#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

AFFI AMERICAN FROZEN FOOD INSTITUTE

FMI THE VOICE OF FOOD RETAIL

#3 Understanding what is driving growth and why

CONSUMPTION DRIVERS

PURCHASE DRIVERS

CLAIMS AND ATTRIBUTES

CHANNEL CHOICES

FOOD FOR THOUGHT

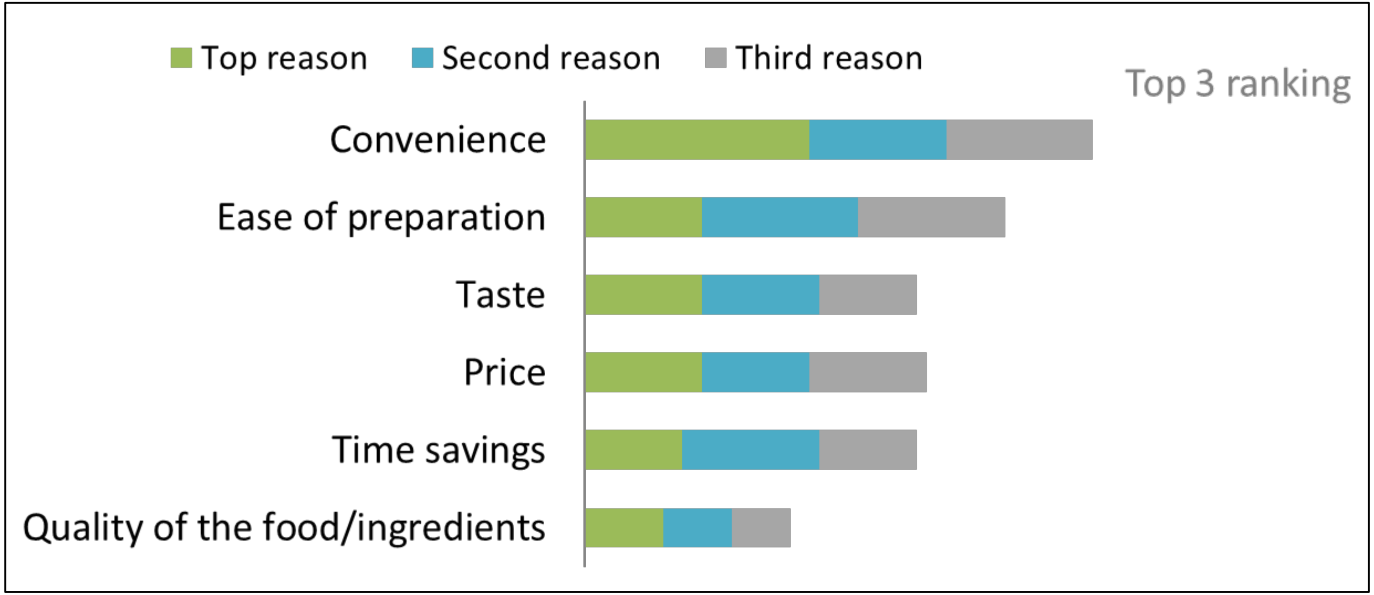
Source: The Power of Frozen 2019

#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



CONSUMPTION DRIVERS

Source: The Power of Frozen 2019

Core consumers focus on convenience and the food

Low-frequency consumers	Top 3 rank	High-frequency consumers
30%	Taste	36%
19%	Quality	28%
14%	Variety	22%
8%	Consistency	13%

Source: The Power of Frozen 2019

Core consumers buy across more food types, covering more meal occasions

Meal solutions


Breakfast +22


Pizza +11


Multi-serve entrees +9


Single-serve Entrees +10

Ingredients


Meat/poultry +18


Seafood +7


Sides +16


Veggies +20


Fruit +22


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

CONSUMPTION DRIVERS

Frozen to the rescue

83%	Backup solution
78%	Scramble/out-of-time solution
73%	Hold me over between trips
68%	Cater to varying preferences

Frozen to expand food horizon

72%	Solution for food I don't know how or want to make
61%	Try a new food/cuisine
65%	Buy with a specific day in mind

(vs. 79% of core consumers)

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

63% HIGH-frequency

Source: The Power of Frozen 2019 | % yes

AFFI AMERICAN FROZEN FOOD INSTITUTE

FMI THE VOICE OF FOOD RETAIL

#3 Understanding what is driving growth and why

CONSUMPTION DRIVERS

PURCHASE DRIVERS

CLAIMS AND ATTRIBUTES

CHANNEL CHOICES

FOOD FOR THOUGHT

AFI AMERICAN FROZEN FOOD INSTITUTE

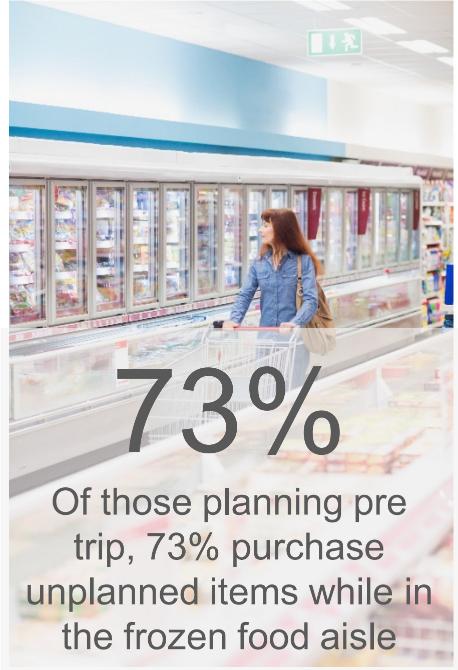
FMI THE VOICE OF FOOD RETAIL

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

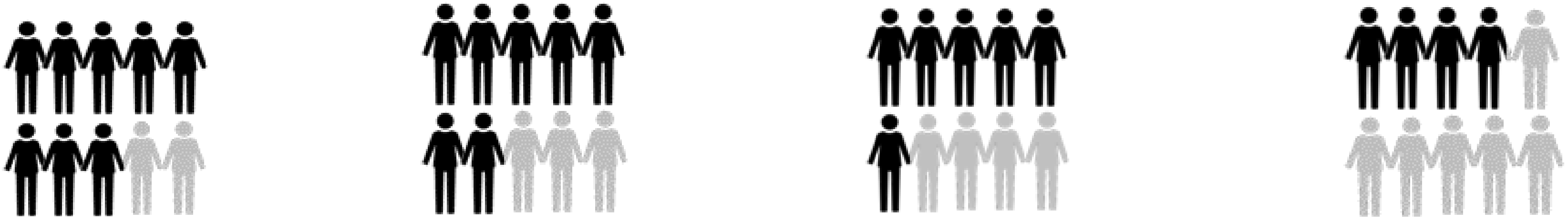
AMERICAN FROZEN FOOD INSTITUTE

THE VOICE OF FOOD RETAIL

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

AFFI AMERICAN FROZEN FOOD INSTITUTE

FMI THE VOICE OF FOOD RETAIL

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

Pictures: 210 Analytics

Don’t forget the power of cross-merchandising

Pictures: 210 Analytics

AMERICAN FROZEN FOOD INSTITUTE

FMI THE VOICE OF FOOD RETAIL

#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

Better-for-...

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

69%

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

Better-for-… frozen item that was

39% Alternative to prior choice

30% An item not bought before

31% Mix of new & alternatives

Source: The Power of Frozen 2019

Innovation can drive engagement

Core consumers more likely to substitute

Low-frequency consumers	Better-for-… frozen item that is	High-frequency consumers
29%	Alternative to prior choice	47%
35%	Item never bought before	22%

Source: The Power of Frozen 2019

AMERICAN FROZEN FOOD INSTITUTE

FMI THE VOICE OF FOOD RETAIL

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

AFI AMERICAN FROZEN FOOD INSTITUTE

FMI THE VOICE OF FOOD RETAIL

Production claims matter as well

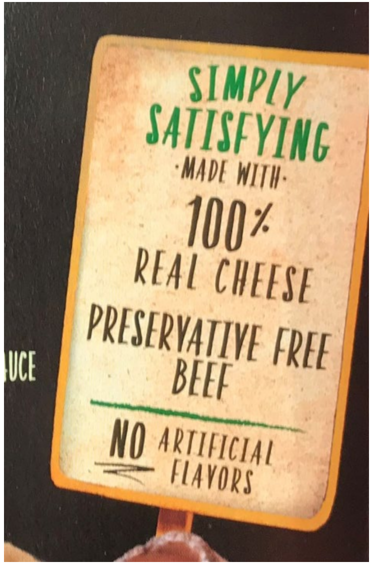
Top eight production traits people look for

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

AFFI AMERICAN FROZEN FOOD INSTITUTE

FMI THE VOICE OF FOOD RETAIL

Calling out special attributes can lead to new or higher ring/margin substitute sale

Pictures: 210 Analytics

AFFI AMERICAN FROZEN FOOD INSTITUTE

FMI THE VOICE OF FOOD RETAIL

#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 food online in past 30 days

- **56%** Ordered frozen food also
  - **31%** Delivery
  - **25%** Pickup
- **41%** Did not order frozen food

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

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

CONSUMPTION DRIVERS

PURCHASE DRIVERS

CLAIMS AND ATTRIBUTES

CHANNEL CHOICES

FOOD FOR THOUGHT

Joint success

CONSUMPTION DRIVERS

- 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

PURCHASE DRIVERS

- 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

CLAIMS AND ATTRIBUTES

- 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

CHANNEL CHOICES

- 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

AFFI AMERICAN FROZEN FOOD INSTITUTE

FMI THE VOICE OF FOOD RETAIL

Available at www.affi.org/pof

tommy's | PICTSWEET FARMS | WAWONA FROZEN FOODS | SOUTHEASTERN MEATS PICK 5 SIGNATURE | Firestone Quality Since 1896

Presented by:

Alison Bodor, AFFI | Steve Markenson, FMI | Anne-Marie Roerink, 210 Analytics