The Power of Produce 2017

An in-depth look at the produce department through the shoppers’ eyes

Presented by:

Rick Stein | FMI

&

Anne-Marie Roerink | 210 Analytics

Made possible by:
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

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Food Marketing Institute
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## FMI Fresh Executive Committee

<table>
<thead>
<tr>
<th>Chair</th>
<th>Ahold USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-Chair</td>
<td>Lund Food Holdings, Inc.</td>
</tr>
<tr>
<td>Member</td>
<td>Giant Eagle, Inc.</td>
</tr>
<tr>
<td>Member</td>
<td>Albertsons, LLC</td>
</tr>
<tr>
<td>Member</td>
<td>Publix Super Markets, Inc.</td>
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<tr>
<td>Member</td>
<td>Target Corporation</td>
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<td>Member</td>
<td>Lancaster Foods, LLC</td>
</tr>
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<td>Member</td>
<td>Target Corporation</td>
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<tr>
<td>Member</td>
<td>MDI Distributors</td>
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<tr>
<td>Member</td>
<td>Associated Wholesale Grocers, Inc.</td>
</tr>
<tr>
<td>Member</td>
<td>Hy-Vee</td>
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<tr>
<td>Member</td>
<td>Burrell Logistics</td>
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<tr>
<td>Member</td>
<td>Harris Teeter LLC</td>
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<td>Member</td>
<td>Wakefern Food Corporation</td>
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<td>Member</td>
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<td>Member</td>
<td>Brookshire Grocery Company</td>
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<td>Member</td>
<td>SuperValu</td>
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<td>Member</td>
<td>Longo Brothers Fruit Markets Inc.</td>
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<tr>
<td>Member</td>
<td>MD Distributors</td>
</tr>
<tr>
<td>Member</td>
<td>Meijer, Inc.</td>
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<td>Member</td>
<td>Food Lion</td>
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<td>Member</td>
<td>Weis Markets</td>
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<td>Member</td>
<td>Healthy Home Market</td>
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<tr>
<td>Member</td>
<td>Walmart</td>
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<tr>
<td>Member</td>
<td>Price Chopper Supermarkets</td>
</tr>
<tr>
<td>Member</td>
<td>Wegmans Food Markets, Inc.</td>
</tr>
<tr>
<td>Silent Members</td>
<td>* Silent members</td>
</tr>
</tbody>
</table>

The FEC seeks to:
- identify areas of collaboration across all fresh foods departments
- promote understanding and cooperation throughout the industry and with sister fresh associations
- maximize common learning’s between fresh categories and to create a vision of leadership for the entire fresh category

* *Silent members*
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
Big, profitable and growing

- **Big:** $63B
  2\textsuperscript{nd} largest fresh dpt at 33% of total fresh sales

- **Lucrative:** a basket builder
  Produce basket +44% over average ring

- **Growing:** outpacing total store
  Dollars +3.4%
  Volume +2.2%
  Units +0.1%

Source: IRI, 52 weeks ending 3/19/2017
The Power of Produce 2017

- Shopper insights combined with market reality
  - Consumer survey among 1,700 shoppers
  - Third year
  - Blending trends and new study input by all partners in the produce supply chain
Insights through the lens of growth

- Participation (penetration)
- Operational excellence
- Driving trips
- Basket size
DRIVING CONSUMPTION—LEVERAGING NEW OCCASIONS AND NUTRITION
Room for growth in consumption occasions

Household penetration 99.7%

But... room to increase consumption occasions containing fresh produce

Current fresh produce consumption

- <1 day/wk: 8%
- 1-3 days/wk: 25%
- 4-5 days/wk: 18%
- Just about every day: 48%
Breaking through the habitual purchase

Shoppers are creatures of habit but welcome suggestions

17% Buy the same set and don’t like to try anything new/different

33% Buy the same set but would welcome tips to try new/different items

50% Have my favorites, but always on the lookout for new/different items

50% Creatures of habit

83% Welcome ideas
Shoppers agree: bring on the produce!

<table>
<thead>
<tr>
<th>Don’t try to consume more</th>
<th>With breakfast</th>
<th>With lunch</th>
<th>With dinner</th>
<th>As a snack</th>
<th>In smoothies/freshly-squeezed juice</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>6%</td>
<td>36%</td>
<td>42%</td>
<td>44%</td>
<td>56%</td>
</tr>
<tr>
<td>Millennials</td>
<td>35%</td>
<td>39%</td>
<td>44%</td>
<td>57%</td>
<td>30%</td>
</tr>
<tr>
<td>Boomers</td>
<td>40%</td>
<td>44%</td>
<td>47%</td>
<td>59%</td>
<td>20%</td>
</tr>
</tbody>
</table>

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Create reminders and points of interruption
Drive fresh produce convenience beyond the department silo in other fresh areas
Consider bringing produce into the rest of the store

*Spaghetti dinner end cap*  *Bananas in cereal aisle*  *Avocados in snack aisle*  *Veggies in meat case*  *Lemons near seafood case*
Solutions for healthy snacking/smoothies/juices/waters
Connect with parents and kids
But...fruit & veggies are going nuts in center store too
Snack packs/bars combining fruits, veggies and nuts answer the health & convenience call of the consumer

$ sales
+4% to +71%

Source: IRI MULO+C - 52 Weeks ending 12/26/16
And QSRs, LSRs, convenience and drug joining in
Lifestyle, including diet, plays a critical role in self-care.

**Self-care strategies most critical to taking care of your overall health**

- Lifestyle (diet, exercise, etc) 34
- Doctor/lab visits 20
- Prescription medicines 19
- Vitamins/supplements 12
- Over-the-counter products 8
- Alternative therapies/home remedies 4
- Rx consultations 2
- Total self-care 100

FMI | The Power of Produce© 2017 | Source: IRI
Going beyond the produce health halo

Benefits associated with the consumption of fresh fruit/vegetables...

- Balanced diet
- Digestive health
- Heart health
- Healthy weight
- Essential nutrients
- Avoiding empty cal.
- Providing energy
- Building immunity
- Mind health/happiness
- Fighting ailment/
  health condition
- Building physical
  strength
- Building bone density
Communicating benefits is winning with consumers

- BUDA CLEANSE BENEFITS -

- REBOOT YOUR DIGESTIVE SYSTEM
- SLEEP PEACEFULLY
- INCREASE YOUR LIBIDO
- FEEL REFRESHED
- LOSE WEIGHT
- ENJOY MENTAL CLARITY
- IMPROVE YOUR IMMUNE SYSTEM
- CRAVE HEALTHIER FOODS
- BRIGHTEN YOUR SKIN
- BOOST YOUR ENERGY

Rich in potassium, bananas help the body’s circulatory system deliver oxygen to the brain.
Retail dietitians can play a key role
Preparation methods also help expand knowledge

<table>
<thead>
<tr>
<th>Do you feel enough information is available about...</th>
<th>The recommended daily amount of produce</th>
<th>The nutritional profile of individual produce items</th>
<th>Different preparation methods that may be healthier than others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>62%</td>
<td>54%</td>
<td>42%</td>
</tr>
<tr>
<td>No</td>
<td>21%</td>
<td>30%</td>
<td>36%</td>
</tr>
<tr>
<td>Don’t pay attention to this</td>
<td>18%</td>
<td>16%</td>
<td>22%</td>
</tr>
</tbody>
</table>
Messaging about a balanced diet and portions
Alternative cooking methods/ideas

Grill It! POTATOES

Cut into wedges. Toss wedges in oil and seasonings. Grill over indirect heat until tender. Move to direct heat and grill over medium heat until browned on all sides.

Time: 40 + 2 minutes per side.
DRIVING TRIPS AND DESTINATION—
OPTIMIZING PROMOTIONAL OUTREACH,
IMPULSE, CONVERSION AND LIMITING THE
IMPACT OF ALTERNATIVE CHANNELS
Produce as a trip and basket driver

<table>
<thead>
<tr>
<th>89 annual trips (MULO)</th>
<th>+0.8% 52 wks 3-19-17</th>
<th>72 Millennial annual trips</th>
</tr>
</thead>
<tbody>
<tr>
<td>40 annual trips</td>
<td>+2.1% 52 wks 3-19-17</td>
<td>33 Millennial annual trips</td>
</tr>
</tbody>
</table>

Higher chance of buying
Faster trip growth: +5%
Bigger basket +28%
Makes for a valuable growth customer
A well-researched purchase indeed

74%
of shoppers plan produce purchases pre-trip

- 51% list specific produce items
- 24% generically list fruit/vegetables
- 26% don’t make lists/list produce

50%
of shoppers decide on produce in-store
The promotional funnel is changing
Increased attention should be paid to in-store and apps

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Platform</th>
</tr>
</thead>
<tbody>
<tr>
<td>56%</td>
<td>Circular at home</td>
</tr>
<tr>
<td>46%</td>
<td>In-store promotions</td>
</tr>
<tr>
<td>32%</td>
<td>Circular in-store</td>
</tr>
<tr>
<td>22%</td>
<td>Digital circular</td>
</tr>
<tr>
<td>18%</td>
<td>Email specials</td>
</tr>
<tr>
<td>15%</td>
<td>Store app</td>
</tr>
<tr>
<td>6%</td>
<td>Smartphone research</td>
</tr>
<tr>
<td>3%</td>
<td>Social media</td>
</tr>
<tr>
<td>3%</td>
<td>Text specials</td>
</tr>
</tbody>
</table>

Year-over-year: Decline  Growth  No change

Refer to 1+ promo platforms to check produce promotions pre or during the visit.
Embracing the Millennial way

<table>
<thead>
<tr>
<th>Older Millennials 25-36</th>
<th>Boomerers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>67%</strong></td>
<td><strong>79%</strong></td>
</tr>
<tr>
<td>43%</td>
<td>69%</td>
</tr>
<tr>
<td>Paper circular pre-trip</td>
<td></td>
</tr>
<tr>
<td>49%</td>
<td>47%</td>
</tr>
<tr>
<td>In-store promotional signage</td>
<td></td>
</tr>
<tr>
<td>33%</td>
<td>35%</td>
</tr>
<tr>
<td>Paper circular in store</td>
<td></td>
</tr>
<tr>
<td>26%</td>
<td>27%</td>
</tr>
<tr>
<td>Electronic circular</td>
<td></td>
</tr>
<tr>
<td>23%</td>
<td>11%</td>
</tr>
<tr>
<td>Store app</td>
<td></td>
</tr>
<tr>
<td>16%</td>
<td>12%</td>
</tr>
<tr>
<td>Produce promotion email</td>
<td></td>
</tr>
<tr>
<td>11%</td>
<td>2%</td>
</tr>
<tr>
<td>Smartphone research</td>
<td></td>
</tr>
<tr>
<td>8%</td>
<td>2%</td>
</tr>
<tr>
<td>Social media deals</td>
<td></td>
</tr>
<tr>
<td>7%</td>
<td>1%</td>
</tr>
<tr>
<td>Text specials</td>
<td></td>
</tr>
</tbody>
</table>

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However... The eyes decide

48% rank appearance 1st when selecting fresh produce

<table>
<thead>
<tr>
<th></th>
<th>Appearance</th>
<th>Price</th>
<th>Nutrition</th>
<th>Knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg rank score</td>
<td>3.1</td>
<td>2.7</td>
<td>1.4</td>
<td>0.9</td>
</tr>
</tbody>
</table>

In other words...

1. Best prices without execution may not seal the deal
2. While excellence in execution may prompt impulse purchases
Produce can drive impulse in many ways

86% Purchase unplanned produce items on occasion
25% Almost every time
33% Frequently
35% Occasionally

Drivers of impulse

58% Eye-catching displays
37% A great promotion
31% Sampling
28% Recipe/serving ideas
27% Nutrition callouts
16% Product information (origin, history...)
6% Grower/brand
Eye-captching displays have universal appeal

<table>
<thead>
<tr>
<th>Eye catching displays</th>
<th>All</th>
<th>Millennials</th>
<th>Gen. X</th>
<th>Boomers</th>
<th>Matures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>58%</td>
<td>55%</td>
<td>58%</td>
<td>59%</td>
<td>62%</td>
</tr>
</tbody>
</table>
Hot promotions catch the eyes of Millennials

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Millennials</th>
<th>Gen. X</th>
<th>Boomers</th>
<th>Matures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great promotion</td>
<td>37%</td>
<td>42%</td>
<td>38%</td>
<td>33%</td>
<td>19%</td>
</tr>
</tbody>
</table>
Sampling... the one thing online can’t do

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Millennials</th>
<th>Gen. X</th>
<th>Boomers</th>
<th>Matures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sampling</td>
<td>31%</td>
<td>34%</td>
<td>30%</td>
<td>29%</td>
<td>33%</td>
</tr>
</tbody>
</table>
Information helps drive Millennial purchase

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Millennials</th>
<th>Gen. X</th>
<th>Boomers</th>
<th>Matures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recipe/serving ideas</td>
<td>31%</td>
<td>34%</td>
<td>30%</td>
<td>29%</td>
<td>33%</td>
</tr>
<tr>
<td>Nutrition callouts</td>
<td>27%</td>
<td>32%</td>
<td>23%</td>
<td>28%</td>
<td>16%</td>
</tr>
</tbody>
</table>
Primary grocery vs. produce channel
Channel switching
Alternative channels
Safety and quality

CHANNEL CHOICE
Produce is a supermarket stronghold
But Millennials overindex for supercenters, organic stores & alternative channels

<table>
<thead>
<tr>
<th></th>
<th>Supermarkets</th>
<th>Supercenters</th>
<th>Club stores</th>
<th>Organic stores</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary store groceries</td>
<td>63%</td>
<td>21%</td>
<td>7%</td>
<td>8%</td>
<td>2%</td>
</tr>
<tr>
<td>Primary store produce</td>
<td>64%</td>
<td>16%</td>
<td>5%</td>
<td>9%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Change vs. 2016
## Reasons for switching highlight points of differentiation

<table>
<thead>
<tr>
<th>Top 8 reasons for channel switching:</th>
<th>Overall</th>
<th>To a supermarket</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better quality/freshness of produce</td>
<td>50%</td>
<td>67%</td>
</tr>
<tr>
<td>Better variety of produce in general</td>
<td>29%</td>
<td>36%</td>
</tr>
<tr>
<td>Lower produce prices in general</td>
<td>27%</td>
<td>33%</td>
</tr>
<tr>
<td>Better location/more convenient</td>
<td>19%</td>
<td>28%</td>
</tr>
<tr>
<td>Better selection of organic produce</td>
<td>19%</td>
<td>23%</td>
</tr>
<tr>
<td>Better selection of local produce</td>
<td>19%</td>
<td>26%</td>
</tr>
<tr>
<td>Better promotional produce prices</td>
<td>17%</td>
<td>28%</td>
</tr>
<tr>
<td>A cleaner produce department</td>
<td>10%</td>
<td>13%</td>
</tr>
</tbody>
</table>

### Switch Numbers

- **21%** Switch
- **31%** Supercenters
- **12%** Supermarkets

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FMI | The Power of Produce© 2017 | More reasons in report
Alternative channels pick at produce dollar

Shopped for produce in the last 30 days

<table>
<thead>
<tr>
<th>Channel</th>
<th>All</th>
<th>Millennials</th>
<th>Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers’ markets</td>
<td>37%</td>
<td>35%</td>
<td>39%</td>
</tr>
<tr>
<td>Roadside produce stand</td>
<td>16%</td>
<td>15%</td>
<td>19%</td>
</tr>
<tr>
<td>Online order</td>
<td>3%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>Organic specialty store</td>
<td>17%</td>
<td>20%</td>
<td>16%</td>
</tr>
<tr>
<td>Ethnic specialty store</td>
<td>9%</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Meal kit delivery</td>
<td>3%</td>
<td>5%</td>
<td>2%</td>
</tr>
</tbody>
</table>

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DRIVING A PREMIUM BASKET—
LEVERAGING GROWTH AREAS: ORGANIC,
LOCAL, VALUE-ADDED, BRANDS AND OTHERS
Growth
Reasons for buying
Shopper segments
Future predictions

ORGANIC
Organic is one of the key growth drivers
8% of all fresh produce dollars but reflecting 30% of all produce growth

Market size: $1.8B, growth: +19.6%
Vol. growth: +16.5%
Change retail price: +3.1%

Market size: $3.1B, growth: +5.9%
Vol. growth: +7.9%
Change retail price: -2.0%
Organic produce category engagement continues to grow

62%

Purchased in past 3 months
60% in 2016
52% in 2015

Penetration for most individual categories ~20%
Organic purchase drivers

- Free-from... (pesticides, etc) 60%
- Positive long-term health effects 37%
- Less of an environmental impact 36%
- Better taste 35%
- Better nutritional value 32%
- Better freshness 29%
- For my family/kids 21%
- Better price/value equation 11%

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Shoppers predict further growth

But not all organic buyers are equal

<table>
<thead>
<tr>
<th>Purchase projections 2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>More</strong></td>
<td>31%</td>
<td>47%</td>
</tr>
<tr>
<td><strong>Same</strong></td>
<td>63%</td>
<td>48%</td>
</tr>
<tr>
<td><strong>Less</strong></td>
<td>6%</td>
<td>5%</td>
</tr>
</tbody>
</table>
But as penetration grows, the organic shopper is changing

Moving from mostly dedicated “want organic produce any time, any place” core organic buyers to many more “pick & choose” periphery organic produce buyers

Among shoppers who have purchased organic produce in the past 30 days:

- 10% Unconverted
- 66% Periphery
- 24% Core

Source: The Power of Produce 2017
This means needs are diversifying as are priorities on purchase criteria.

<table>
<thead>
<tr>
<th>Periphery</th>
<th>Core</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td></td>
</tr>
<tr>
<td>Convenience</td>
<td></td>
</tr>
<tr>
<td>Knowledge</td>
<td></td>
</tr>
<tr>
<td>Transparency</td>
<td></td>
</tr>
<tr>
<td>Safety</td>
<td></td>
</tr>
</tbody>
</table>

Source: The Power of Produce 2017
Much can be gained by moving shoppers “up”

For instance, % expect to purchase more organic produce:

- 8%
- 22%
- 45%

New item trial
New consumption occasions
Greater consumption frequency

Source: The Power of Produce 2017
Overcome price and perception barriers

28% Have not bought organic produce in past 3 months

Why not?

73% Too expensive
50% Don’t believe there are added benefits
28% Don’t think it will taste any differently
11% Goes bad faster
10% Not readily available
8% Doesn’t look as good
7% Don’t think it will taste as good
Organic vs. local
Definition
Reasons for buying
Implications

LOCALLY-GROWN
In comparative test, local dominates organic

But organic gained 6 percentage points

<table>
<thead>
<tr>
<th>Choice if equal quality and no price differential</th>
<th>2017</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local</td>
<td>60%</td>
<td>66%</td>
</tr>
<tr>
<td>Organic</td>
<td>32%</td>
<td>26%</td>
</tr>
<tr>
<td>Organic segments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core</td>
<td>0.5%</td>
<td>30%</td>
</tr>
<tr>
<td>Periphery</td>
<td>3%</td>
<td>58%</td>
</tr>
<tr>
<td>Unconverted</td>
<td>10%</td>
<td>78%</td>
</tr>
</tbody>
</table>
Local maintains edge with price differential in place

<table>
<thead>
<tr>
<th>Choice if equal quality, but price differential</th>
<th>2017</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.99</td>
<td>29%</td>
<td>31%</td>
</tr>
<tr>
<td>$2.39</td>
<td>49%</td>
<td>51%</td>
</tr>
<tr>
<td>$2.99</td>
<td>22%</td>
<td>18%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organic segments</th>
<th>2017</th>
<th>2015</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core</td>
<td>5%</td>
<td>34%</td>
<td>62%</td>
</tr>
<tr>
<td>Periphery</td>
<td>23%</td>
<td>54%</td>
<td>23%</td>
</tr>
<tr>
<td>Unconverted</td>
<td>36%</td>
<td>61%</td>
<td>3%</td>
</tr>
</tbody>
</table>
Local remains hot; definition of local produce solidifies

54% Want expanded local assortment

Radius 36%  
State 27%  
City/town 17%  
USA 8%  
Bought at farmers’ market 5%  
Grown on family farm 5%
And hyper-localization/“grow it yourself” popping up
Local: Keeping the $ in the community + freshness

<table>
<thead>
<tr>
<th></th>
<th>Support local economy/farmer</th>
<th>Better freshness</th>
<th>Know where grown</th>
<th>Lesser environmental impact</th>
<th>Unique local/regional item</th>
<th>Know farm/story behind item</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ALL</strong></td>
<td>80%</td>
<td>73%</td>
<td>44%</td>
<td>41%</td>
<td>27%</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Change</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Millennials</strong></td>
<td>76%</td>
<td>70%</td>
<td>46%</td>
<td>48%</td>
<td>30%</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Boomers</strong></td>
<td>84%</td>
<td>76%</td>
<td>42%</td>
<td>35%</td>
<td>24%</td>
<td>24%</td>
</tr>
</tbody>
</table>

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Market trends
Drivers of increased purchases
Shopper segmentation

VALUE-ADDED
Value-added delivers solution for time-starved shoppers

Colliding themes of health & wellness and convenience

Market share 4.8%
HH penetration 82%
$ growth +8.3%
Vol. growth +3.0%
Change retail price +5.2%

Market share 3.7%
HH penetration 48%
$ growth +8.7%
Vol. growth +6.5%
Change retail price +2.1%
Value-added is poised for growth

Expected purchases in the next year

<table>
<thead>
<tr>
<th></th>
<th>ALL 23%</th>
<th>71%</th>
<th>6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unconverted</td>
<td>16%</td>
<td>74%</td>
<td>9%</td>
</tr>
<tr>
<td>Periphery</td>
<td>24%</td>
<td>71%</td>
<td>5%</td>
</tr>
<tr>
<td>Core</td>
<td>33%</td>
<td>66%</td>
<td>1%</td>
</tr>
</tbody>
</table>

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Price and lack of info barriers to wider adoption

85% Of shoppers could be prompted to **buy/buy more** value-added produce

<table>
<thead>
<tr>
<th>How?</th>
</tr>
</thead>
<tbody>
<tr>
<td>54% Better prices</td>
</tr>
<tr>
<td>34% If it were to last longer</td>
</tr>
<tr>
<td>25% If I knew it was prepared safely</td>
</tr>
<tr>
<td>24% Had insight into the freshness of item used</td>
</tr>
<tr>
<td>24% Greater assortment</td>
</tr>
<tr>
<td>20% Insight into <em>when</em> it was prepared</td>
</tr>
<tr>
<td>18% Insight into the quality of the item used</td>
</tr>
</tbody>
</table>
Addressing perception issues

Providing optimal view of the product

Highlight FRESH and cut for YOU
Highlight benefits; consider organic in core markets
BRANDING

Market growth
Shopper preferences
Reasons for preference
Produce is embracing brands

Dollar share fresh produce branded versus unbranded

- Unbranded: 62% in 2011, 51% in 2016
- Branded: 28% in 2011, 37% in 2016
- Private brands: 10% in 2011, 12% in 2016

Source: Nielsen, 2011 vs. 2016, 52 weeks
Differentiate through a unique mix of brands

Brand preference among consumers

- **Brand doesn’t play a role**
  - Processed: 54%
  - Unprocessed: 52%

- **Brand plays a role**
  - Prefer national manufacturer brand: 19% / 9%
  - Prefer small/regional brand: 15% / 30%
  - Prefer private label/store brand: 12% / 8%
General preference for brands carries through in produce

48% Of shoppers have a brand preference (national, regional or private label)

Why purchase branded produce?

49% I generally look for brands that I’m familiar with

24% Confident they are safe to eat

22% Looks fresher and is of better quality

19% More consistent purchase to purchase

15% They last longer after purchase
Opportunity to leverage established brands from center store and unprocessed produce
Explain brands; leverage store brand tiers/equity
Seasonal items
Sustainably grown
Non-GMO
Fair or living wage
Ethnic items
Packaging
Seasonal items

Want more seasonal items (40%) at my primary produce department

- Organic shoppers
- West and Midwest
- Emphasize variety
Sustainably-grown, fair wage & non-GMO

Want more sustainably-grown (33%); fair wage (28%); non-GMO (27%) items at my primary produce department

High interest among:

- Organic shoppers
- West & Northeast
- Millennials
- Emphasize environment in local and organic
Opportunity for cross-over appeal
Ethnic item selection

Want more ethnic items (20%) at my primary produce department

High interest among:
- Organic shoppers
- Asian shoppers
- West & Northeast
- Hispanic shoppers
Packaging offers opportunity as well

Shoppers interested in their primary store offering produce package innovations

Environmentally friendly (52%)
Resealable (49%)
Reduces food waste (47%)

Reusable (30%)
Packages featuring recipe & meal solutions ideas (29%)

Microwaveable (15%)
Kit with all items for a meal (i.e. pasta and tomatoes meal kit) (12%)

Core organic shoppers overindex
Core value-added shoppers overindex
IMPROVING THE PRODUCE DPT.
A CORE STRENGTH WITH AREAS FOR IMPROVEMENT

Department score card
Shopper suggestions on improvements
Areas of improvement in the eyes of the shopper

- Better variety of produce items: 42%
- Better everyday prices: 38%
- Better quality/freshness: 28%
- Sampling: 28%
- Better variety of specialty items, such as organic, ...: 25%
- Product availability (in-stock): 23%
- Better promotions: 22%
- Accessibility to someone to ask questions: 19%
- Cleanliness: 18%
- Recipes: 17%
- More clearly mark prices: 15%
- Customer service/knowledgeable produce staff: 13%
- Product information: 13%
- Prepared fruit and vegetables, ready for ...: 10%
- Cooking demonstrations: 10%
Variety is top area of improvement

- Greater item relevancy vs. more items
- Seasonal/in-and-out items
- Expanded shopper knowledge to shop more of the current assortment
- Influence of out-of-stock/low stock
Better prices and promotions

- No winning on price alone
- Low prices do not drive loyalty
  - Talk value rather than low prices
  - Beat price sensitivity with quality, freshness, service and relevant variety

<table>
<thead>
<tr>
<th>38%</th>
<th>Better everyday prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>22%</td>
<td>Better promotions</td>
</tr>
</tbody>
</table>
Improved department operations

- 28% Better quality and freshness
- 23% Better in-stock
- 18% Better cleanliness
- 15% Clearly marked prices

- In produce, the eyes decide, making operational execution a base necessity
- But operational excellence can also drive impulse
- In stock is of great importance to avoid lost sales and optimize trip satisfaction
Customer service and outreach

- Increased interest for all versus 2016 study
- Opportunities for differentiated offering
- Way to connect with Millennials

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Feature</th>
</tr>
</thead>
<tbody>
<tr>
<td>28%</td>
<td>Sampling</td>
</tr>
<tr>
<td>19%</td>
<td>Someone to answer questions</td>
</tr>
<tr>
<td>17%</td>
<td>Recipes</td>
</tr>
<tr>
<td>13%</td>
<td>Knowledgeable staff</td>
</tr>
<tr>
<td>13%</td>
<td>Product info</td>
</tr>
<tr>
<td>10%</td>
<td>Cooking demos</td>
</tr>
</tbody>
</table>
In summary... driving growth:

- Connect pre/post trip to be on the list, educate and drive trips
- The eyes decide: optimize execution for maximized spending
- Grow sales through higher buying/consumption frequency
  - Inspire trial/expand knowledge to break through habit
  - Improve frequency through new consumption occasions
  - Drive specific health and wellness messaging
  - Educate with friendly, knowledgeable and available staff
In summary... driving growth:

- Drive a higher value basket through local, brands, value-added and organic
- Be transparent on information and sourcing
- Drive confidence in food safety through transparency
- Be a produce destination and optimize conversion/cross-merchandising
- Steal some of the thunder of alternative channels
Full report available!

- [www.fmi.org/store/](http://www.fmi.org/store/)
- For questions or additional information
  - rstein@fmi.org
  - aroerink@210analytics.com

thank you!