The Power of Meat 2019
An in-depth look at the meat department through the shoppers’ eyes

Presented by:
Anne-Marie Roerink
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

Rick Stein
Vice President, Fresh Foods
Food Marketing Institute
rstein@fmi.org
202.220.0700
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 Fresh Foods 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  
Fresh Solutions

Alex Corbishley  
Target Corporation

Buddy Jones  
MDI Distributors

Dan Koch  
Associated Wholesale Grocers, Inc.

Nate Stewart  
Hy-Vee

John Haggerty  
Burris Logistics

Mark Hilton  
Harris Teeter LLC

Geoff Wexler  
Wakefern Food Corporation

Kirk Laboyteaux  
Brookshire Grocery Company

Dan Murphy  
SuperValu

Pat Pessotto  
Longo Brothers Fruit Markets Inc.

Nick Carlino  
MDI Distributors

Don Sanderson  
Meijer, Inc.

Geoff Waldau  
Food Lion

John Grimes  
Weis Markets

Mark Doiron  
Fresh Thyme

Rick Findlay  
Fresh Thyme

Jim Lemke  
CH Robinson Fresh

Steve Howard  
Bristol Farms/Lazy Acres

Emily Coborn  
Coborn's

Jerry Goldsmith  
Spartan Nash

Mike Papaleo  
C&S Wholesalers

Anthony Sattler  
C&S Wholesalers

Pat Brown  
Albertsons LLC

Terry Murphy  
Wakefern

Scott Evans  
Price Chopper/Mkt 32

Randy Riley  
Kroger

Frank Romero  
Kroger

Amanda Dentici  
Fairway Markets

Teri Rose  
Kroger

Paul White  
Luckys Markets

Nicole Wegman  
Wegmans Food Markets, Inc.

* Silent members
# FMI Fresh Foods Leadership Council (FFLC)

<table>
<thead>
<tr>
<th>Name</th>
<th>Company/Association</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Ruane (Co-Chair)</td>
<td>Ahold USA</td>
</tr>
<tr>
<td>Rick Steigerwald (Co-Chair)</td>
<td>Lund Food Holdings, Inc.</td>
</tr>
<tr>
<td>All-FEC Members</td>
<td>FMI Fresh Executive Council</td>
</tr>
<tr>
<td>Chris Dubois</td>
<td>IRI</td>
</tr>
<tr>
<td>Michael Eardley</td>
<td>International Dairy-Deli-Bakery Assoc.</td>
</tr>
<tr>
<td>Jason Jerome</td>
<td>National Cattleman’s Beef Association</td>
</tr>
<tr>
<td>Sarah Schmansky</td>
<td>Nielsen Perishables Group</td>
</tr>
<tr>
<td>Paul Mastronardi</td>
<td>Mastronardi Produce</td>
</tr>
<tr>
<td>David Sherrod</td>
<td>SE Produce Council</td>
</tr>
<tr>
<td>Jeff Oberman</td>
<td>United Fresh Produce Assoc.</td>
</tr>
<tr>
<td>Janet Riley</td>
<td>North American Meat Institute</td>
</tr>
<tr>
<td>Galit Feinreich</td>
<td>Ready Pac Foods, Inc.</td>
</tr>
<tr>
<td>Tom Super</td>
<td>National Chicken Council</td>
</tr>
<tr>
<td>Jarrod Sutton</td>
<td>National Pork Board</td>
</tr>
<tr>
<td>Joe Watson</td>
<td>Produce Marketing Assoc.</td>
</tr>
<tr>
<td>Joe Weber</td>
<td>Smithfield Foods Inc.</td>
</tr>
<tr>
<td>Art Yerecic</td>
<td>Yerecic Label</td>
</tr>
<tr>
<td>Brad Roche</td>
<td>Hill Phoenix</td>
</tr>
<tr>
<td>Greg Livelli</td>
<td>Hussmann</td>
</tr>
<tr>
<td>Robb MacKie</td>
<td>American Bakers Assoc.</td>
</tr>
<tr>
<td>Jim Huston</td>
<td>Johnsonville</td>
</tr>
<tr>
<td>Chad Gregory</td>
<td>United Egg Producers</td>
</tr>
<tr>
<td>Jessica Harris</td>
<td>Earthbound/White Wave</td>
</tr>
<tr>
<td>Eric Gassaway</td>
<td>Monsanto</td>
</tr>
<tr>
<td>John Knorr</td>
<td>Phillips Seafood</td>
</tr>
<tr>
<td>Mike Celani</td>
<td>Wonderful</td>
</tr>
<tr>
<td>Chandra Macleod</td>
<td>Aqua Star Seafood</td>
</tr>
<tr>
<td>Jeff Thompson</td>
<td>Trident Seafood</td>
</tr>
<tr>
<td>John Dunne</td>
<td>Acosta</td>
</tr>
<tr>
<td>Lynn Egner</td>
<td>Hormel Foods</td>
</tr>
<tr>
<td>Sally Lyons Wyatt</td>
<td>IRI</td>
</tr>
<tr>
<td>Wendy Reinhardt Kapsak</td>
<td>Produce for Better Health (PBH)</td>
</tr>
<tr>
<td>Michael Lang</td>
<td>Invatron</td>
</tr>
<tr>
<td>Tom Daniel</td>
<td>Sterilox/Chemstar</td>
</tr>
<tr>
<td>Randy Evins</td>
<td>SAP</td>
</tr>
<tr>
<td>Michael Lang</td>
<td>Invatron</td>
</tr>
<tr>
<td>Tom Windish</td>
<td>Cargill</td>
</tr>
</tbody>
</table>
The Power of Meat 2019
An in-depth look at the meat department through the shoppers’ eyes

Presented by:
Anne-Marie Roerink
$67B
2018 meat sales

$87
Basket with meat vs. average trip size of $45

Source: Nielsen xAOC 52 weeks ending 1/12/2019 UPC and non-UPC coded items | Homescan Panel
<table>
<thead>
<tr>
<th></th>
<th>$ Sales Growth 2018</th>
<th>Lbs Sales Growth 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>+1.1%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Chicken</td>
<td>+2.0%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Pork</td>
<td>-2.0%</td>
<td>-2.3%</td>
</tr>
<tr>
<td>Turkey</td>
<td>-1.4%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Goat</td>
<td>+1.1%</td>
<td>-4.5%</td>
</tr>
</tbody>
</table>

Source: IRI, MULO, 52 weeks ending 12/30/2018
Driving volume

Revenue is the reward for doing the right things right
The Power of Meat 2019

- Consumer survey
  - December 2018 among 1,500 shoppers
  - 14 years and running
  - Updates on long-standing trend lines
  - New topics to address emerging trends
  - Market examples and consumer videos

- Real-life overlay by IRI & Nielsen
- For the industry by the industry
Study taskforce
A new twist to an old favorite

From tactical execution at the meat case
to understanding how meat/poultry fit into the changing food culture
Changing food culture

how we EAT • how we SHOP • how we LIVE
How we EAT

- To meat or not to meat
- Meal inspiration
- New ways of cooking
Eating meat is still the norm

Flexiterian and vegan/vegetarian eating skews toward younger shoppers

- Meat eater: 86%
- Flexitarian: 10%
- Vegetarian/vegan: 5%
So, how about plant-based eating?

First, some perspective: meat vs. plant-based alternatives $ across the store

Source: Nielsen, total U.S., xAOC, 52 weeks ending 1/19/2019, including UPC and non-UPC items

$89.4B

$1B
But credit where credit is due

Though growth rates are off a small base, it signals consumer enthusiasm

73%
Serve plant-based protein alternatives on occasion

+19%
2018 $ growth

+18%
2018 unit growth

+6
Items/store

Sources: Serving %: The Power of Produce 2019 | Growth %: Nielsen, xAOC 52 w.e. 1/19/19 | Items: IRI, MULO, 52 w/e 12/30/18
High trial interest among consumers
Explaining already high growth rates, with greater access likely to encourage trial

<table>
<thead>
<tr>
<th></th>
<th>Plant-based meat alternatives</th>
<th>Blended items (meat/plant-based)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Already buy</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Definitely/maybe would buy</td>
<td>50%</td>
<td>63%</td>
</tr>
<tr>
<td>Absolutely not</td>
<td>36%</td>
<td>24%</td>
</tr>
</tbody>
</table>
Consumption skews toward younger shoppers

Who we so sorely need in the meat department | Meat eaters are right in the mix!

<table>
<thead>
<tr>
<th>Buy + definitely would buy</th>
<th>All</th>
<th>34%</th>
<th>36%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gen Z</td>
<td>46%</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>Millennials</td>
<td>42%</td>
<td>51%</td>
<td></td>
</tr>
<tr>
<td>Meat eaters</td>
<td>31%</td>
<td>36%</td>
<td></td>
</tr>
</tbody>
</table>
Where does it live? The need state drives the answer

Majority vote among “current + definitely would buy” buyers goes to meat

Meat dpt. 41%
Frozen aisle 35%
Produce dpt. 24%
How can we leverage plant-based integration to draw shoppers into the meat department and capitalize on its positive momentum (while avoiding consumer confusion)?
Plant-based is a big deal in Western Europe

16-36 linear feet within the meat case

Pictures: 210 Analytics
Mind set: embrace plant-based integration ...and win with meat

Choose for a day without meat. Choose for legumes

Do you have everything for the BBQ?
✓ Meat/fish/vegetarian

Display in the middle of the meat department
Plant-based is trickling into the U.S. market too

Urban, specialty/organic focused stores may be good testing grounds
And lots of innovation in blends in the past year
Meat/meat & meat/plant-based
DINNER INSPIRATION
Sources of meal inspiration provides important clues
Helping shoppers break routine helps sales | Sources for non-routine vary widely

74%

Routine meals
I know how/tend to cook

29% Facebook
26% Pinterest
24% YouTube
14% Instagram

47% Friends and family
39% Recipe websites
32% Cookbooks
31% TV cooking shows
Social media-inspired shoppers eat/shop differently
Match platforms to relevant messaging, prices, products, flavors, etc.

Elevated focus on:

- Online shopping
- Social/environmental/animal welfare engagement
- Value-added, fully-cooked, plant-based & blended items
- Brands
- Promotions
- Buying meat for one meal at a time
200M+
People globally use Pinterest every month
+40% YOY growth

1 in 2
U.S. Millennials

83%
Reach U.S. Women 25-54

70%
U.S. moms

97%
of searches are unbranded
- They browse when undecided
- Start making decisions as they get inspired
How can we be there when it matters? How can we turn inspiration into dollars for the brand or the retailer? How can we BE the inspiration?
Blend online/social with in-store platforms

Linking inspiration to sales and creating Instagrammable moments

Pictures: 210 Analytics
Link inspiration to the store and/or brand
Videos, Facebook cooking communities, on-pack ideas or your own celebrity chef

Nugget Markets @Nugget_Market
7 mins ago
Take your #sandwich to new heights with @SunFedRanch all-natural deli meats. This #local company raises the bar when it comes to #grassfed beef! ow.ly/r10f30hAf4Y
DINNER PREPARATION
Stove and oven dominate meat preparation
Instant pot and air fryer are making inroads

<table>
<thead>
<tr>
<th>9 in 10</th>
<th>7 in 10</th>
<th>4 in 10</th>
<th>2 in 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stove</td>
<td>Grill</td>
<td>Microwave</td>
<td>Air fryer</td>
</tr>
<tr>
<td>Oven</td>
<td>Crock pot</td>
<td>Instant pot</td>
<td></td>
</tr>
</tbody>
</table>

% Frequently + Sometimes
The instant pot kick

If owned:

74%

sometimes + frequently prepare meat/poultry in their instant pots
The air fryer obsession

+1809% in Pinterest searches

If owned:

59%

sometimes + frequently prepare meat/poultry in their air fryers
Can preparation methods inspire meal and meat merchandising and recipe innovation so we become part of shoppers’ new routines?
From the instant pot to crock pots

Pictures: 210 Analytics and Thomas Foods
MEAT
CHOICES
More than meets the eye

Beyond the meat department, another $23B of meat items are sold

Source: Nielsen, xAOC, 52 weeks ending 1/12/2019, including all UPC and non-UPC items
And shoppers buy meat across the store

In a given month, shoppers purchase meat from 3 places in the store:

- Meat case (fresh): 79%
- Frozen: 49%
- Meat counter (fresh): 43%
- Fully cooked: 39%
- Deli: 37%
Should we think more from the occasion in (across all meat offerings), instead of from the department out to solve shoppers’ varying need states?
Tap into the National Pork Board research through the lenses of 9 meal occasions for “Dinner at Home in America”

Visit: www.pork.org/marketing/insight
Thinking from the occasion backwards

What are you trying to solve for the shopper?
What are you trying to solve for the consumer?
Growth for all convenience-focused meats

Consumers’ no. 1 reason for buying frozen is convenience

Value-added +5.1%
Fully-cooked (total store) +2.5%
Deli +4.2%
Frozen +2.2%
Meal kits +51%

Source: IRI, MULO, 52 weeks ending 12/30/2018 and Nielsen, xAOC, 52 weeks ending 12/29/2018, UPC and non-UPC
Value-added delivers on convenience & adventure
More likely to buy 1 meal at a time, cross merchandise for the full dinner solution

62% of shoppers buy frequently (21%) + sometimes (41%)

Core consumers
- Urban shoppers
- Millennials
- Families with kids
- Higher trip frequency + spending
- Higher-income shoppers
- Buy meat one meal at a time
9% of 2018 sales

+5.1% $ growth | +3.4% lbs in 2018

Source: IRI, MULO, 52 weeks ending 12/30/2018
Multi-faceted growth means sustainable growth

Growth

1. More people buying
2. People buying more
3. More availability
4. Price increases

Buying value-added meat/poultry

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequently</td>
<td>9%</td>
<td>21%</td>
</tr>
<tr>
<td>Sometimes</td>
<td>28%</td>
<td>41%</td>
</tr>
<tr>
<td>Hardly ever</td>
<td>45%</td>
<td>26%</td>
</tr>
<tr>
<td>Never</td>
<td>17%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Annual Meat Conference | The Power of Meat© 2019
86% could be prompted to purchase more
76% of no/low-frequency buyers vs. 94% of core users would buy more

- Better prices
- Greater assortment
- More flavors
- When/where prepared

Growing the core:

Growing uninvolved:
- Better prices
- Transparency of quality

Value-added shopper segments

- 38% Uninvolved
- 41% Periphery
- 21% Core
Meal kits blend changes in eating *and* shopping

Demographically, meal kit buyers are very similar to online grocery shoppers

34%

Have bought a meal kit from a grocery store

13%

Have ordered a meal kit from a home delivery company
Meat matters in meal kits

Trial through meal kits needs to be turned into later wins for the meat department

<table>
<thead>
<tr>
<th></th>
<th>Retail kits</th>
<th>Delivery kits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>90%</td>
<td>89%</td>
</tr>
<tr>
<td>Prompt</td>
<td>69%</td>
<td>82%</td>
</tr>
<tr>
<td>Keep</td>
<td>66%</td>
<td>77%</td>
</tr>
</tbody>
</table>

Quality decides re-purchase
Prompt trial of new cuts/kinds
Keep recipes & make again

% agree among shoppers who have bought a meal kit
Shoppers’ desire for convenience, variety and adventure is driving growth across the store. How do we optimize our delivery of *true* convenience across all meat/poultry *and* other categories?
how we SHOP

- Purchase planning
- Channel choices
- Purchase size
- Brands
- E-commerce
Meat/poultry specials play big role in purchase decision
Focus on added purchases rather than substitution

90%
Of shoppers check for meat/poultry sales specials

Specials can drive many behaviors

- 79% Unplanned purchases
- 78% Stock up
- 74% Brand switching
- 70% Type switching (chicken vs. beef)
- 61% Item trial
- 53% Store switching
Merchandised sales represent 1/3 of dollars

Among perimeter departments, produce and meat lead in merchandised sales %

32%

Of meat dollars are sold on merchandising

Merchandised choices differ widely

26% No antibiotics ever
14% Organic
20% Value-added

Source: IRI, MULO, 52 weeks ending 12/30/2018
In-store signage new no. 1 research platform

Important to raise awareness beyond the store as well

- **53%** In-store promotions
- **38%** Digital circular
- **12%** Social media
- **51%** Circular at home
- **24%** Store app
- **4%** Text specials
- **39%** Circular in-store
- **20%** Email/website

4-year CAGR:
- Decline
- Growth
- No change
The Millennial way is very different, except for in-store

Ad versioning and tweaking specials by platform will help drive success

<table>
<thead>
<tr>
<th></th>
<th>Millennials 23-28</th>
<th>Millennials 29-38</th>
<th>Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-store promotional signage</td>
<td>50% 51%</td>
<td></td>
<td>49%</td>
</tr>
<tr>
<td>Paper circular pre-trip</td>
<td>42% 49%</td>
<td></td>
<td>62%</td>
</tr>
<tr>
<td>Digital circular</td>
<td>42% 45%</td>
<td></td>
<td>31%</td>
</tr>
<tr>
<td>Store app</td>
<td>23% 31%</td>
<td></td>
<td>15%</td>
</tr>
<tr>
<td>Social media deals</td>
<td>20% 14%</td>
<td></td>
<td>3%</td>
</tr>
<tr>
<td>Text specials</td>
<td>6% 6%</td>
<td></td>
<td>1%</td>
</tr>
</tbody>
</table>
How do we keep in-store signage clean and effective, while finding ways to replace the circular’s reach to ensure our message is heard beyond the four walls?
PURCHASE STRATEGY
4 in 10 shoppers buy a few days at a time

31% of Gen Z and 28% of Millennials buy **one meal** at a time

- **42%** Several meals
  (refrigerate)

- **35%** Larger quantities
  (freeze & use over time)

- **23%** **One** meal at a time
The sad state of the American fridge....
Even if people have the best intention to cook...

...Which is why event/fill the fridge/freezer sales work!
How do we lock in tonight’s dinner for our brand and/or our store, while inspiring shoppers to buy tomorrow’s meat as well? How do we maximize today’s dinner spend?
Trying innovative meat promotions
From “Pick 4 for €10 and event sales to meat bundles
Frozen may work well in tandem with fresh

No shrink for the consumer, no shrink for the retailer

35%

Freeze to use over time

56% Also buy frozen meat/poultry
87% Repackage some/all at home
86% Re-portion purchases
63% Interested in frozen in meat case
62% More freezer-ready packaging
Experimentation in blending fresh with frozen
And creating much closer proximity
CHANNEL CHOICES
Supermarkets continue to be a meat stronghold
But growth is in value and specialty, with declines for supermarkets and clubs

<table>
<thead>
<tr>
<th></th>
<th>Supermarket</th>
<th>Supercenter</th>
<th>Limited assortment</th>
<th>Club</th>
<th>Organic/specialty</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary store groceries</td>
<td>51%</td>
<td>34%</td>
<td>7%</td>
<td>5%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Primary store meat/poultry</td>
<td>55%</td>
<td>27%</td>
<td>5%</td>
<td>6%</td>
<td>4%</td>
<td>3%</td>
</tr>
</tbody>
</table>

-2 pts
+1 pts
-1 pt
+1 pts
The middle is getting squeezed

Ensure hi/low strategy is seen outside the store and have relevant assortment

<table>
<thead>
<tr>
<th>Share of $ sales</th>
<th>2015</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional</td>
<td>60.5%</td>
<td>58.5%</td>
</tr>
<tr>
<td>Premier fresh</td>
<td>2.5%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Value</td>
<td>6.1%</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Share of $ sales</th>
<th>2015</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional</td>
<td>56.8%</td>
<td>54.6%</td>
</tr>
<tr>
<td>Premier fresh</td>
<td>1.2%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Value</td>
<td>7.3%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

Source: Nielsen, Homescan Panel, 52 weeks ending 10/3/2015 and 9/29/2018
What is our point of differentiation? Do we emphasize what we do best, execute relentlessly and remind shoppers why we’re best?
Disruption is happening in 3 areas

Extreme value
- Simplicity of operations
- Cost reduction
- Create key items with WOW pricing

Extreme convenience
- Frictionless retail
- Technology integration
- Pain point elimination
- Consumer time-savings

Extreme experience
- Slowing people down
- Great displays and experiences
- Develop a mentality of trial and change
Online not yet a primary way to buy meat/poultry

14% have tried it once/twice; 13% do so 1x/month; 12% weekly/every few weeks

39%
Have purchased groceries online 1+ in the past year
Up from 29% in 2015
Meat trails, particularly fresh

With a lot of trial (35%) and low ordering frequencies (47% 1x/month or less)

- Have bought groceries online: 39%
- Have bought meat/poultry online (fresh, frozen, fully-cooked): 21%
- Have bought fresh (uncooked) meat/poultry online: 14%
A dual strategy is the likely stepping stone
With meat/poultry still more likely to be bought in-store only

Anticipate increased online meat spending

45%

<table>
<thead>
<tr>
<th></th>
<th>In-store only</th>
<th>Online and in-store</th>
<th>Online only</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncooked/raw</td>
<td>64%</td>
<td>31%</td>
<td>4%</td>
</tr>
<tr>
<td>Heat-and-eat</td>
<td>57%</td>
<td>34%</td>
<td>4%</td>
</tr>
<tr>
<td>Frozen</td>
<td>55%</td>
<td>34%</td>
<td>6%</td>
</tr>
</tbody>
</table>
Online grocery shopping impacts products too
Adapt online meat/poultry merchandising/promotions for utmost relevancy

Demographics
- Urban shoppers
- Higher income
- Higher spending
- Larger households with younger kids 0-12

Purchase drivers
- Turn to social media and websites for inspiration
- Brand-oriented
- Doing right by...-driven

Product types
- Value-added items
- Fully-cooked
- Frozen
- Blended items and plant-based alt.
- Meal kits
But winning from the first click is crucial

What is your “heart” strategy if you didn’t win the first click?

- 81% Of online meat shoppers start with items on their favorite/frequently ordered list
- 86% Of online meat shoppers pay attention to online specials
- 70% Of online meat shoppers search for particular meat brands
Do we offer a seamless online/offline buying experience? How do we win the first click *and* subsequent orders? How do we leverage offline trust into online purchases?
BRAND-BASED DECISION MAKING
Consumers continue to seek out branded product
Private label gains in fresh; manufacturer labels gain in processed

<table>
<thead>
<tr>
<th>Consumer preference</th>
<th>Fresh</th>
<th>Processed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturer brand</td>
<td>26%</td>
<td>50%</td>
</tr>
<tr>
<td>Private label</td>
<td>24%</td>
<td>14%</td>
</tr>
<tr>
<td>No brand preference</td>
<td>50% ↓ from 74% in 2007</td>
<td>36% ↓ from 63% in 2007</td>
</tr>
</tbody>
</table>
Outright brand preference drops as age rises
Aim to maintain the preferred status even as meat knowledge grows over time

64% Gen Z
60% Younger Millennials
57% Older Millennials
46% Gen X
42% Boomers
How do we create and maintain a preferred brand status? How do we create a unique mix of large/small and private brands curated to match the store audience?
How we live

- Better-for-me
- Better-for-the-animal
- Better-for-the-planet
- Better-for-the-farmer/worker
Growing influence of “want” versus “need”

Storewide, items with specialty/wellness positioning +14%; holistically natural +32%

80%

Look for at least one of the “better-for-....” options when buying meat/poultry

Better-for-....

66%  Me/my family

29%  The animal

28%  The planet

26%  The farmer/worker

Annual Meat Conference | The Power of Meat© 2019 | Source specialty %: IRI/SPINS, MULO, 3-yr CAGR 2016-2018
Better-for-the-animal
“Items featuring claims focused on livestock and production”

- High income, high weekly spending & trips
- Gen Z/Millennials (families w/kids)
- High interest in production attributes
- Flexitarians
- Active online/social media users
- Integrate plant-based (blended + alternatives)
- Elevated health/social/environmental consciousness
A wide definition in the eyes of the consumer
Among shoppers looking for better-for-the-animal, all issues rated highly

- Handling during slaughter
- # animals/space
- Outdoor access
- Type of food
- No growth hormones/steroids
- Size of living space
- Access to natural light
- Access to antibiotics when sick
- Absence of antibiotics altogether
A shared opportunity to inform and educate

Signaling animal welfare can be a differentiating angle, it is in other areas

Animal welfare for U.S.-raised livestock is good
- No: 23%
- No clue: 26%

The meat/poultry you buy comes from animals raised with good animal welfare standards
- No: 14%
- No clue: 44%
Transparency is the currency of trust. Can shoppers find the information they may be looking for? Can aspects of welfare be used as points of differentiation for the brand/store?
European response: a continuum of choice & information

Kaufland supports the animal welfare “Tierwohl” initiative
And on-pack and in-store education/information

A good life for all our chickens “That’s our mission every day”

<table>
<thead>
<tr>
<th></th>
<th>Store brand</th>
<th>Free range</th>
<th>Excellent</th>
<th>Organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chickens/square meter</td>
<td>16</td>
<td>12</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Age</td>
<td>47 days</td>
<td>56 days</td>
<td>56 days</td>
<td>70 days</td>
</tr>
<tr>
<td>Ability to go outside</td>
<td>None</td>
<td>Covered</td>
<td>Outside</td>
<td>Outside</td>
</tr>
</tbody>
</table>
Welfare part of bigger “doing right by” trend
<table>
<thead>
<tr>
<th>Attribute</th>
<th>Humanely-raised</th>
<th>Free-range</th>
<th>No antibiotics ever</th>
<th>Hormone-free</th>
<th>Grass-fed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>42%</td>
<td>32%</td>
<td>12%</td>
<td>9%</td>
<td>20%</td>
</tr>
<tr>
<td>Respondents</td>
<td>5%</td>
<td>13%</td>
<td>33%</td>
<td>25%</td>
<td>18%</td>
</tr>
<tr>
<td>Targeted respondents</td>
<td>50%</td>
<td>51%</td>
<td>49%</td>
<td>63%</td>
<td>58%</td>
</tr>
<tr>
<td>Survey respondents</td>
<td>3%</td>
<td>4%</td>
<td>6%</td>
<td>3%</td>
<td>4%</td>
</tr>
</tbody>
</table>
Production claims continue to deliver BIG

Meat with claims

+4.8% | +0.4%

No claim

+2.6% | -2.1%

All natural $7.3B +6.4% +3.1%
Antibiotic free $4.9B +3.1% -4.2%
Hormone free $3.4B +5.2% +4.1%
Organic $950M +13.1% +4.2%
Vegetarian fed $746M +3.8% +0.6%
Humanely raised $515M +0.6% -1.3%
Grass fed $489M +12.2% +13.2%

17% of $
Shoppers are still looking for more
Can animal welfare + own health be the angle to increase household penetration?

Attributes shoppers want their meat department to carry more of

- Grass-fed
- All natural
- Antibiotic-free
- Hormone-free/no added
- Raised in the USA
- Free-range

- Humanely-raised
- Premium quality
- Organic
- Raised locally

- Vegetarian fed
Great time to inspire a more premium purchase

For instance, ribeye roast (+14%), T-bone (+14%) and strip steak (+10%)
But how much better could we do?
Are we helping or hurting with our ...-fed, ...-raised, ...-finished and single-cow?
Can we explain the various raising practices in a way that is easy to understand for the consumer? What are the angles for the livestock and consumers themselves?
Some examples

When you purchase Certified Humane and Organic smoked meats from North Country Smokehouse, you're supporting the animals right to fair and adequate treatment, access to the outdoors and their ability to roam and engage in natural behaviors.

**What Does Certified Humane & Organic Mean to Us? We're Glad You Asked.**

- 100% All-Natural Ingredients
- Livestock Raised with Shelter
- Livestock has Access to Resting Areas
- Livestock has Room to Roam & Engage in Natural Behaviors
- No Sodium Nitrates or Nitrites
- No Added Growth Hormones
- No Antibiotics - EVER
  - *No GMO's*
  - *Vegetarian Fed*
Better-for-me is an interesting angle for meat

“Items you deem healthier or more nutritious than other options”

- High income, high weekly spending & trips
- Older Millennials (families w/kids)
- High interest in production attributes
- Brand focused
- Active online/social media users
- Integrate plant-based (blended + alternatives)
- Willing to switch stores to meet their wants
Approach focuses on leaner and moderation
Less focus on moderation; more on lean | +5.0% growth in $ sales of lean meat

<table>
<thead>
<tr>
<th></th>
<th>Regularly</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaner cuts</td>
<td>53%</td>
<td>7%</td>
</tr>
<tr>
<td>Limit second helpings</td>
<td>33%</td>
<td>20%</td>
</tr>
<tr>
<td>Smaller portion sizes</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Other protein sources</td>
<td>21%</td>
<td>22%</td>
</tr>
</tbody>
</table>
The protein argument, one last time
State the obvious, everyone else is!

Sales items w/protein claims

$14.4B  $2.6B  $135M
Total store  Frozen $  Meat $
2.7% of sales  5.1% of sales  0.2% of sales

+16.6% 2018 growth
No, consumers don’t know

78% underestimated peanut butter’s protein delivery

58% underestimated chicken’s protein delivery

58% overestimated peanut butter’s protein delivery

64% underestimated chicken’s protein delivery

45% underestimated beef’s protein delivery

% failed to identify as a high protein source:

45% Beef

58% Chicken

64% Pork

Source: Nielsen Shopper Research Power of Protein, July 2018
Are we highlighting relevant nutritional features and benefits in a way that the consumer understands? Are we leveraging “wants” as growth drivers?
Better-for-me often focuses on small wins
Addressing both physical health and emotional well-being
The world is changing in record-setting pace. Doing the right things right, means changing with it.
how we EAT — favorably influencing consumption

- Here we grow again: value-added, fully-cooked, production claims, meal kits, frozen, premium, lean, brands, etc.
  - Curate assortment
  - Wide distribution vs. perfect distribution
  - Aligning R&D, marketing, merchandising, etc. to core audiences

- Look at trend lines & headlines in diets, appliances and foods/flavors
  - What/who solidifies the business today, what will drive growth tomorrow?

- Turning inspiration to dollars
  - Be an integral part to inspiration
how we SHOP — leveraging disruption

- Extreme value, extreme convenience, extreme experience
  - Integrate relevant elements in your offering
  - Sell today’s and inspire tomorrow’s meal
  - Blur departmental lines
  - Offer a seamless online/offline experience
  - Convert with in-store promotional signage, and reach beyond

- Weigh efficient processes with being a more effective agent for your shoppers
  - Relevant products and services, resonant to their hearts, minds and wallets
  - Sometimes even before consumers have articulated these themselves
how we LIVE — the wants of healthy & ethical living

- Things with a purpose, better-for-... or doing right by.. are driving growth across the store
  - Driven by those consumers who will be your prime shoppers for the next 40 years
  - Engage in dialogue, educate and inform
  - From the traditional 4Ps to the 8Ps of meat marketing
    - Price, Product, Place and Promotion
    &  People, Protein, Planet and Production
    &  okay, 9Ps.... Preparation
The Power of Meat 2019

- Report: www.fmi.org/store
- For questions or additional information
  - aroerink@210analytics.com
  - 210.485.4552

thank you!