TOP TRENDS IN FRESH 2020 AND BEYOND

Hosted with thought leadership from FMI Associate member
Today’s Speakers

Rick Stein, Vice President, Fresh, FMI

Sally Lyons Wyatt, EVP, IRI Center-of-Store & Produce Vertical

Jonna Parker, Principal, IRI Fresh Center of Excellence

February 25, 2020
As the **food industry association**, FMI works with and on behalf of the entire industry to advance a **safer, healthier** and **more efficient** consumer food supply.

FMI brings together a wide range of members across the value chain — from **retailers** who sell to **consumers**, to **producers** who supply the food, as well as the wide-variety of companies providing critical services — to **amplify** the collective work of the industry.
FMI Value Proposition

**Focused offer around value proposition**
Distinct from the plan, an updated communication of the value proposition will benefit members and other stakeholders.
FMI Fresh Community

**FMI Fresh Executive Committee** - (FEC) Primary Members

**FMI Fresh Foods Leadership Council** - (FFLC) Primary Members and Assoc. Members combined

**Seafood Strategy Committee** - (SSC) Primary Members

**Seafood Strategy Leadership Council** - (SSLC) Primary Members and Assoc. Members combined

- Both Groups Meet 2 x year
- Seafood additional Quarterly Calls 2 x year
- Group Email Communications
- Individual Calls -on-going
FMI Fresh Executive Committee (FEC)

John Ruane (Chair)
Ahold USA

Alex Corbishley (Co-Chair)
Target

Tom DeVries
Giant Eagle, Inc.

John Beretta
Albertsons, LLC

Dave Bornmann
Publix Super Markets, Inc.

Scott Bradley
Target Corporation

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

Terry Murphy
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

Bob Gleeson
Weis Markets

Marc Lieberman
Walmart

Rick Findlay
Fresh Thyme

Gary York
CH Robinson Fresh

Steve Howard
Bristol Farms/Lazy Acres

Mike Richter
Coborns

Jerry Goldsmith
Spartan Nash

Anthony Sattler
C&S Wholesalers

Pat Brown
Albertsons LLC

Scott Evans
Price Chopper/Mkt 32

Randy Riley
Kroger

Curtis Funk
Lunds Byerly

John Burns
Whole Foods

Greg Hilborn
Loblaws

Adam Almond
Amazon

Nicole Wegman*
Wegmans Food Markets, Inc.

* Silent members
FMI Fresh Foods Leadership Council (FFLC)

John Ruane (Chair)
Ahold USA
Alex Corbishley- (Co-Chair)
Target
All- FEC Members
FMI Fresh Executive Council
Chris Dubois
IRI
Michael Eardley
International Dairy-Deli-Bakery Assoc.
Jason Jerome
National Cattleman's Beef Association
Sarah Schmansky
Nielsen Perishables Group
Paul Mastronardi
Mastronardi Produce
David Sherrod
SE Produce Council
Miriam Wolk
United Fresh Produce Assoc.
Julie Anna Potts
North American Meat Institute
Tom Super
National Chicken Council
Jarrod Sutton
National Pork Board
Joe Watson
Produce Marketing Assoc.
Joe Weber
Smithfield Foods Inc.
Art Yerecic
Yerecic Label
Brad Roche
Hill Phoenix
Rich Rutecky
Hussmann
Robb MacKie
American Bakers Assoc.
Jim Huston
Johnsonville
Chad Gregory
United Egg Producers
Jenny Maloney
Bayer Crop
John Knorr
Phillips Seafood
Kurt Vetter
Wonderful
Jim Randazzo
Aqua Star Seafood
Danny Sweeting
Trident Seafood
Jeff Baker
Hormel Foods
Sally Lyons-Wyatt
IRI
Wendy Reinhardt Kapsak
Produce for Better Health (PBH)
Michael Lang
Invatron
Tom Daniel
Sterilox/Chemstar
Randy Evins
SAP
Tom Windish
Cargill
Shane Faucet
Bimbo Bakeries
Jason Adlam
Chep
Adam Johnson
Ecolab
Maureen Davis
Taylor Farms
Danny Sweeting
Trident
Our industry research looks at all aspects of the food retail industry from shopper trends to business operations to provide insightful, relevant and current research.
This is Our 5th Year of Top Trends in Fresh

New Supply Chains
Food Transparency
Convenience
Holistic Health
Customization to Consumerism
Connected Consumer
Fresh Prepared
Social & Cultural Alignment
Localization
Atomization of Personalization

Source: IRI Top Trends in Fresh Series
we’ve learned...

Fresh is More Complex Than Ever Before as Consumers Drive Choice and Change
The Focus on Fresh from a Variety of Outlets has Been on Trend for the Past Five Years - Consumers are Noticing and Buying from Other Outlets Beyond Grocery

Grocery/Supermarkets Still Commands 57% of Fresh Sales with 122 Trips per Buyer

Fresh Foods Purchase Behavior In and Out of Grocery Stores

- Product Trips % Change vs YA: 2.3
- Dollar Sales % Change vs YA: 1.0 for All Outlets Outside Grocery; 7.5 for Grocery/Supermarkets

In Fact, Grocery is Losing to Outlets Who Have Put an Emphasis on Fresh and are Stealing Share of Stomach

**GROCERY**

64% total share of fresh food dollars ↓ 1.4 points

- **WALMART**: 14%
- **SPECIALTY**: 9%
- **CLUB**: 9%
- **ONLINE**: 1%
- **ALL OTHER**: 1%
- **TARGET**: 2%

Source: IRI Household Panel Data, 52 weeks ending 1/26/20. Includes RW and FW fresh perimeter items.

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Middle Class Families and Metro Singles Have Reduced Their Spending at Grocery Supermarkets – They are Able to Spend Less For Fresh Which Helps Their Budgets

- Families Matter Most
  -10.4% Spend  -10.3% Trips

- Destination Recreation
  -9.6% Spend  -5.4% Trips

- Tough Times
  -9.5% Spend  -8.6% Trips

- Striving City Singles
  -7.7% Spend  -3.0% Trips

Source: IRI Household Panel Data, 52 weeks ending 1/26/20. Includes RW and FW fresh perimeter items.
The Channel Driving Significant Growth for Fresh Foods is eCommerce with $3.5B in Sales and 58% Dollar Growth

Dollar Sales Share of e-Commerce for Fresh Foods*

- Amazon.com is 79% of sales
- Online Multi-Category 20%
- Brick and Mortar Third Party Delivery 18%
- Instacart owns 9 out of 10 $ with $ growth at +72% vs. YA
- Order Online / Pickup in Store is 60% - +10 share points vs. YA
- All Other (Combined) 7%

Source: IRI eMarket Insights CY 2019, *Excludes fresh produce

Amazon.com is 79% of sales

Online Multi-Category 20%

Instacart owns 9 out of 10 $ with $ growth at +72% vs. YA

Order Online / Pickup in Store is 60% - +10 share points vs. YA

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this means...

Fresh Sales Growth in Grocery, the Largest Channel in Sales, is Slowing but Opportunities Exist...
Fresh Perimeter Has Added More Than $7B Since 2014, but Growth is Being Outpaced by Center Store in Recent Years

Source: Total Store View + Perimeter Market Advantage, MULO ending 1-26-20, Perimeter includes both FW/RW definition, Sales change vs. prior year by period
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After Fluctuations Below Food & Beverage, Fresh Perimeter Bounced Back in 2019 With Unit Growth 0.7 Points

Gap Fresh +3.1 pts F&B Minus Fresh

UNIT Sales % Chg vs YA

Gap Fresh +0.7 pts to F&B

Source: Total Store View + Perimeter Market Advantage, MULO ending 1-26-20, Perimeter includes both FW/RW definition, Unit change vs. prior year by period

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All Center Store and Perimeter Food Departments are Experiencing Dollar Growth, However Units and Pound Volumes Vary

**L52 Weeks**

**2.0%**

**FOOD & BEV (EX FRESH)**

- **BEVERAGES**: 3.0% $\%$ CHG VS. YAGO, 0.4% UNIT % CHG VS. YAGO, -0.2% LBs % CHG VS. YAGO
- **FROZEN (Excluding Poultry)**: 2.0% $\%$ CHG VS. YAGO, -0.2% UNIT % CHG VS. YAGO, -1.1% LBs % CHG VS. YAGO
- **GENERAL FOOD (Excluding Packaged Bakery)**: 1.6% $\%$ CHG VS. YAGO, -0.8% UNIT % CHG VS. YAGO, -1.1% LBs % CHG VS. YAGO
- **LIQUOR**: 4.6% $\%$ CHG VS. YAGO, 2.3% UNIT % CHG VS. YAGO, -0.3% LBs % CHG VS. YAGO
- **REFRIGERATED**: 1.4% $\%$ CHG VS. YAGO, -0.3% UNIT % CHG VS. YAGO, -1.1% LBs % CHG VS. YAGO
- **DAIRY**: 0.2% $\%$ CHG VS. YAGO, -1.1% UNIT % CHG VS. YAGO, -1.1% LBs % CHG VS. YAGO

**L52 Weeks**

**1.1%**

**PERIMETER**

- **PRODUCE**: 1.1% $\%$ CHG VS. YAGO, 1.3% UNIT % CHG VS. YAGO, 0.0% LBs % CHG VS. YAGO
- **SEAFOOD**: 2.9% $\%$ CHG VS. YAGO, 0.0% UNIT % CHG VS. YAGO, 0.0% LBs % CHG VS. YAGO
- **MEAT**: 1.0% $\%$ CHG VS. YAGO, -0.3% UNIT % CHG VS. YAGO, -0.3% LBs % CHG VS. YAGO
- **PKG & FRESH BAKERY**: 1.5% $\%$ CHG VS. YAGO, -0.2% UNIT % CHG VS. YAGO, -1.2% LBs % CHG VS. YAGO
- **DELI CHEESE (RW+ FW)**: 0.6% $\%$ CHG VS. YAGO, -1.0% UNIT % CHG VS. YAGO, -1.1% LBs % CHG VS. YAGO
- **DELI MEAT (RW)**: 0.9% $\%$ CHG VS. YAGO, -1.0% UNIT % CHG VS. YAGO, -1.1% LBs % CHG VS. YAGO
- **DELI PREPARED + RFG PRE-PACK MEALS**: 2.2% $\%$ CHG VS. YAGO, 1.6% UNIT % CHG VS. YAGO, 0.4% LBs % CHG VS. YAGO

Source: Total Store View + Perimeter including FW & RW Custom Departments, Market Advantage, MULO 52-weeks ending 1-26-20

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$18.4 Billion in Convenient Meals but a Pendulum Swings in Trend as Pre-Packaged, UPC-Coded Meals Increase Sales More Rapidly Than Traditional Deli

**DELI PREPARED FOODS**  
random weight codes and limited PL UPCs  
$12.6B  
Sales Change  
2019 v. 2016  
-1.2% volume sales  
+4.5% dollar sales

**REFRIGERATED PRE-PACKAGED MEALS**  
pre-packaged, branded UPC items  
$5.8B  
Sales Change  
2019 v. 2016  
+17.0% volume sales  
+27.6% dollar sales

What’s In Convenient Meals?  
Entrees, Prepared Meats, Side Dishes, Salads, Sandwiches, etc.

Source: Total Store View + Perimeter including FW & RW Custom Departments, Market Advantage, MULO 52-weeks ending 1-26-20. Note: RFG Meals excludes Refrigerated Lunch Kits

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The Fastest Growing Fresh Categories Consistently Reflect Changing Consumer Preferences – Convenience, Health, Indulgence – and Produce Figures Prominently

+ Dollars | + Volume

- **Lettuce**
  - **+$363M** | **+26M**

- **Pre-PACKAGED Refrigerated Meat**
  - **+$271M** | **+47M**

- **Fresh Berries**
  - **+$253M** | **+48M**

- **Packaged Entrees**
  - **+$235M** | **+33M**

- **Pre-PACKAGED Refrigerated Side Dishes**
  - **+$194M** | **+32M**

- **Celery**
  - **+$161M** | **+18M**

- **Deli Prepared Meats**
  - **+$143M** | **+33M**

- **Refrigerated Breakfast Meats**
  - **+$135M** | **+4M**

Source: Total Store View + Perimeter Market Advantage, MULO 52-weeks ending 1-26-20 ** Indicates Fixed Weight Only

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Traditional Commodity Categories Have Struggled; Produce Seasonality, Supply and Increasing Competition for Share of Stomach Stunted Fruit & Meat Category Growth

Bottom 8 Fresh Perimeter Categories Ranked by Change 52 Weeks / - Dollars | - Volume

- Entrees Deli Prepared: -$201M | -58M
- Grapes: -$150M | -3M
- Pork Loin: -$132M | -63M
- Oranges: -$98M | -26M
- Beef Round: -$84M | -25M
- Cherries: -$73M | -19M
- Ground Beef: -$63M | -20M
- Lemons: -$61M | -0.02M

Source: Total Store View + Perimeter Market Advantage, MULO 52-weeks ending 1-26-20
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What Have We Learned

Consumer’s increased knowledge of fresh foods benefits has driven the purchasing across traditional and non-traditional outlets

Resulting in fresh being more complex than ever before...more choices to meet consumer needs which is making it harder for retailers and suppliers to stand out

Fresh can still build bigger baskets, uniqueness for retail

The top trends in fresh remain as relevant as ever from the consumer of 2016 to the consumer of today and into 2025 and beyond
This is Our 5th Year of Top Trends in Fresh

- New Supply Chains
- Food Transparency
- Convenience
- Holistic Health
- Customization to Consumerism
- Connected Consumer
- Fresh Prepared
- Social & Cultural Alignment
- Localization
- Atomization of Personalization

Source: IRI Top Trends in Fresh Series
The Customer Journey Has Become Much More Complex
What We Said in 2016…

Social/Digital

Vending

1:1 Personalization

QSR/LSR

Specialty Stations

e-Comm

Click Pick Up

Delivery

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The Reality of 2020…

- **Social/Digital**: 4 hours per day on mobile devices
- **Vending**: Fresh-focused machines in airports and schools
- **QSR/LSR**: Order online food delivery used by 86 million Americans
- **Specialty Stations**: $1 Billion industry in Meat in just 3 years
- **e-Comm**: 41% of Online Fresh Food Sales are Click & Collect
- **Click Pick Up**: Q4 2019 Amazon Fresh delivery doubled vs prior year

Source: Inc.com, Amazon Press Release, Total Store View + Perimeter Market Advantage, MULO, eMarket Insights, 52-weeks ending 1-26-20

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Truly, the Trends Have Merged Into an Interconnected Mosaic

Triggering the Greatest **REVOLUTION** in Fresh and Grocery Retailing the Industry Has Ever Seen

- Holistic Health
- Connected Consumer
- Fresh Prepared
- Social & Cultural Alignment
- Convenience
- Localization
- Customization to Consumerism
- Atomization of Personalization
- New Supply Chains
- Food Transparency

Source: IRI Top Trends in Fresh Series
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Let’s Take a Deeper Look at These Connected Trends…

Source: IRI Top Trends in Fresh Series
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Let’s Take a Deeper Look at These Connected Trends…

Holistic Health — Connected Consumer — Localization
The Connected Consumer has a variety of ways they practice Holistic Health (Self-Care)

- Healthcare: 90%
- Personal Care: 86%
- F&B: 82%
- Exercise: 55%
- Sleep: 47%
- Natural/Home Remedies: 44%
- Mental Wellness: 30%
- Wearables: 23%
- Medical Devices: 21%

Source: IRI 2018 Self-Care Study
This Has Resulted in a Variety of Initiatives Across the Industry…

**Food Prescriptions**

Kroger is testing a new ‘Food as Medicine’ concept, where doctors can write food prescriptions their patients then fulfill at one of the grocery chain’s stores with the help of a Kroger Health profession.

**Juicing Celery**

Juicing Celery Goes Viral – Resulted in Shortages in CA

92% Positive Social Media Sentiment

+25% Celery Sales

**High Protein Diet**

Households on a High Protein Diet Have Increased Their Spend On:

- Ham
- Veal
- Turkey
- Beef/Pork
- Refrigerated Baked Goods & In-Store Bakery
- Deli Prepared Foods & Pre-Pack Entrees
- Finfish
- Shellfish

Source: Kroger Press Release Feb 2020; IRI MULO 52 ending 1-26-20; IRI PNL w FW/RW 52 wks ending 1-26-20
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Plant Based Meat Alternatives Spread Rapidly by Interest & Distribution
A Deeper Understanding of the Consumer Need Necessary

Plant Based Meat Alternatives
- Spread rapidly by interest and distribution
- Source: IRI Plant Based Study Jan, 2020

FRESH MEAT
$50.4B
1.0%
vs. year ago

PLANT-BASED MEAT SUBSTITUTE
$789.5M
14.5%
vs. year ago

Avg Items Carried Increase
+11%
More Likely to Also Buy Meat in the Same Trip
2.3x

Source: IRI Plant Based Study Jan, 2020
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These Have Also Evolved in the Past Five Years…

- Fresh Prepared
- Convenience
- Atomization of Personalization
- Customization to Consumerism

Source: IRI Top Trends in Fresh Series
Retailers Have Aligned to the Mosaic of These Trends with Fresh Solutions vs. Silos

**Fresh Whole**
- +0.7% Growth
- 2019 – $105B
- Traditional commodity—Requires consumer to prepare, assemble and/or cook to their own taste and needs

**Added Value**
- +4.8% Growth
- 2019 – $24B
- Have at least one step removed from preparation but still isolated from other foods

**Meal Kits**
- 0.0% Growth
- 2019 – $82MM
- Packages components together with a recipe or assembly instructions

**Ready to Heat/Eat**
- +2.2% Growth
- 2019 – $18B
- Completed prepared—little to no work necessary

Example of “Added Value” Driving Sales: Grab and Go Fresh Deli Meat
- 2019 vs. 2018: 22%
- 5-Year CAGR: 37%
Retailers are Also Evolving How They Solve Meals for Consumers – Started Out as Meal Kits, However Sales are Slowing

**$82MM**
- in 2019 retail MULO sales
- +94% sales since 2016
- but…

**FLAT sales**
- **-21%** less average items per week than in back-half 2019

Subscription Services struggling
- **-312%** est. sales decline in one year,
- and more specific options emerging
Leveraging Key Learnings, Retailers Have Found Meal Solutions That Allow Customization & Personalization Plus Technology Are Emerging as Winning Propositions

<table>
<thead>
<tr>
<th>Easier Opportunity for “Meal Deals” with Less In-Store Labor and Shrink</th>
<th>Merging Digital Ordering with Convenient Meal Solutions with Choice</th>
<th>Tying Grocery Ordering with Meal Inspiration and Tutorials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Pack Entrees Dollars +11.6%</td>
<td>Sandwich Conversion 39%</td>
<td>Grocery Pick-Up +121%</td>
</tr>
<tr>
<td>Deli Prep Entrée Dollars -4.7%</td>
<td>FW/RW Sandwich Sales -3.9%</td>
<td>Food Pantry Stocking Trips -1%</td>
</tr>
</tbody>
</table>

Source: IRI MULO 52 ending 1-26-20; IRI PNL w FW/RW for MULO and Publix; eMarket Insights - 52 wks ending 1-26-20

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Knowledge of Food Origins Have Become Table Stakes to Differentiate from the Pack

Source: IRI Top Trends in Fresh Series
Knowledge of Food Origins Have Become Table Stakes to Differentiate from the Pack

TOP FRESH TRENDS

- Holistic Health
- Fresh Prepared
- Convenience
- Customization to Consumerism
- New Supply Chains
- Connected Consumer
- Social & Cultural Alignment
- Localization
- Atomization of Personalization
- Food Transparency

Source: IRI Top Trends in Fresh Series
Increasingly, Traceability and Availability Can Represent Opportunity

Wegman’s to Carry Specially Bred Produce

In 2019, Wegman’s had 32% produce share of wallet in their competitive market +3% vs. prior year

Source: The Packer Feb 2020; IRI PNL w FW/RW for Wegmans & MULO; IRI Total Store View + Perimeter; CY 2019
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Increasingly, Traceability and Availability Can Represent Opportunity

Despite recent recalls on Romaine Lettuce, growth for the latest 52 weeks was +5.3% slightly outperforming Total Lettuce & Salad (+5.0%).

<table>
<thead>
<tr>
<th>Lettuce Type</th>
<th>Dollar Sales %Change vs YA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Lettuce</td>
<td>10.8%</td>
</tr>
<tr>
<td>Romaine Lettuce</td>
<td>6.3%</td>
</tr>
<tr>
<td>All Other Lettuce</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

Source: The Packer Feb 2020; IRI PNL w FW/RW for Wegmans & MULO; IRI Total Store View + Perimeter; CY 2019
The Fresh Foods Business of 2025 will NOT be the Same as it was in 2015

We Must Be Forward-Looking, Data-Driven and Break from Tradition to Keep Pace with the Rate of Change
Top Trends in Fresh 2020 – We’ll Help You Get There

Series Goal:
Use the MOSAIC OF TRENDS to Explore Each Critical Lens of the Fresh Foods Business

- Attracting and Retaining This Decade’s Critical Consumers – **April 29**
- Marketing in an Omnipresent, Connected World – **July 29**
- Optimization Across Physical and Virtual Retailing Formats – **September 23**
- Supply Chain Evolution for In-Store Advantages and Opportunities – **November 12**

Source: IRI Top Trends in Fresh Series
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Stay Fresh With IRI’s Top Trends

Top Trends in Fresh Past Webinars 2016-2019

Fresh Perspectives with Jonna and Sally Podcasts
questions
& answers
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