THE FOOD INDUSTRY ASSOCIATION

TOP TRENDS IN FRESH 2020 AND BEYOND

Hosted with thought leadership from FMI Associate member

IRi

THE FOOD INDUSTRY ASSOCIATION

Today's Speakers

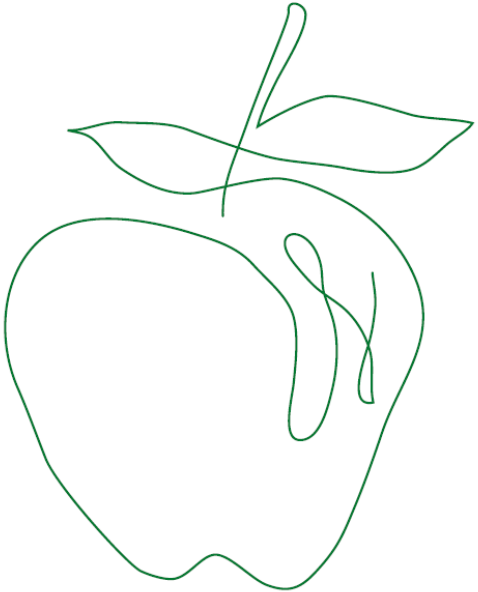
Rick Stein, Vice President, Fresh, FMI

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.

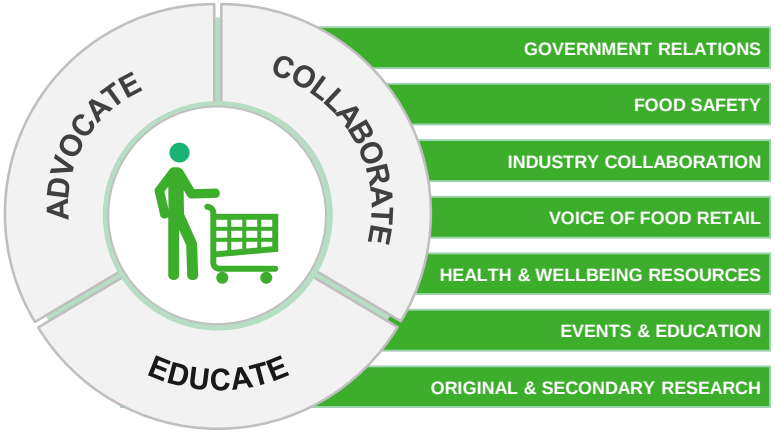


FMI brings together a wide range of members across the value chain — from **retailers** who sell to **consumers**, to **producers** who supply the food, as well as the wide-variety of companies providing critical services — to **amplify** the collective work of the industry.

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

FMI Key Research

Research

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

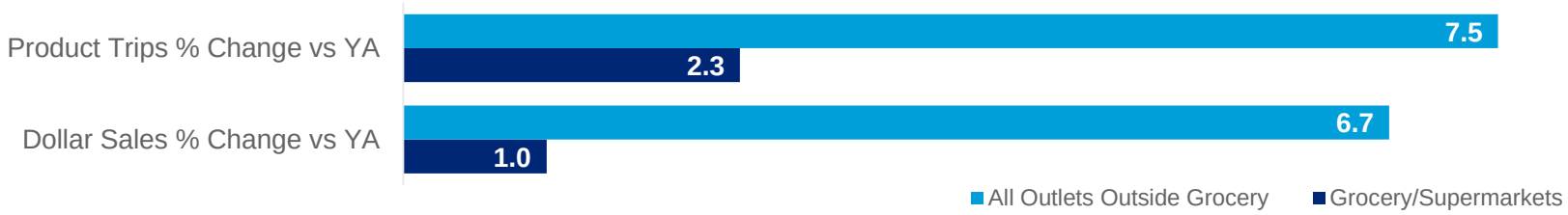
we've learned…

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

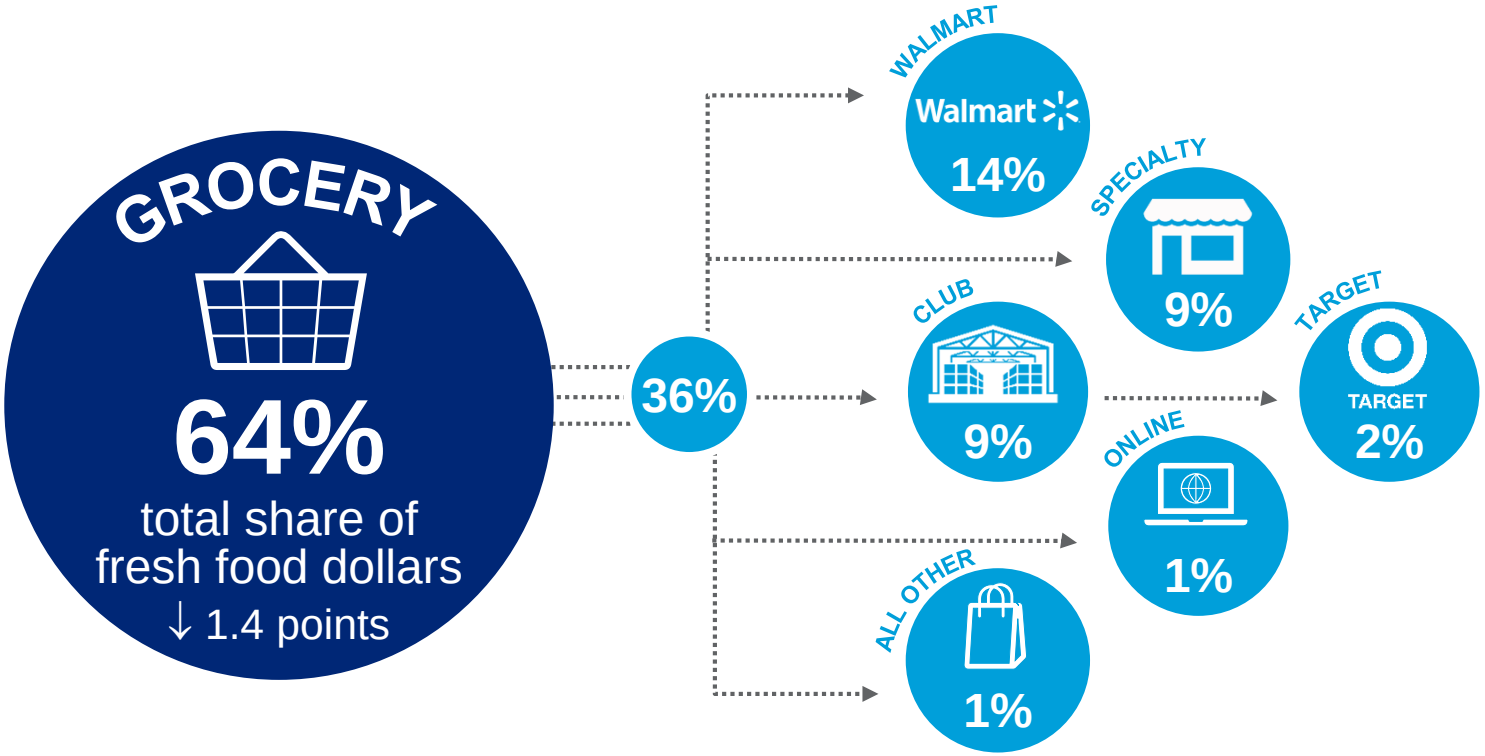
Grocery/Supermarkets Still Commands 57% of Fresh Sales with 122 Trips per Buyer

Fresh Foods Purchase Behavior In and Out of Grocery Stores



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

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



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

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

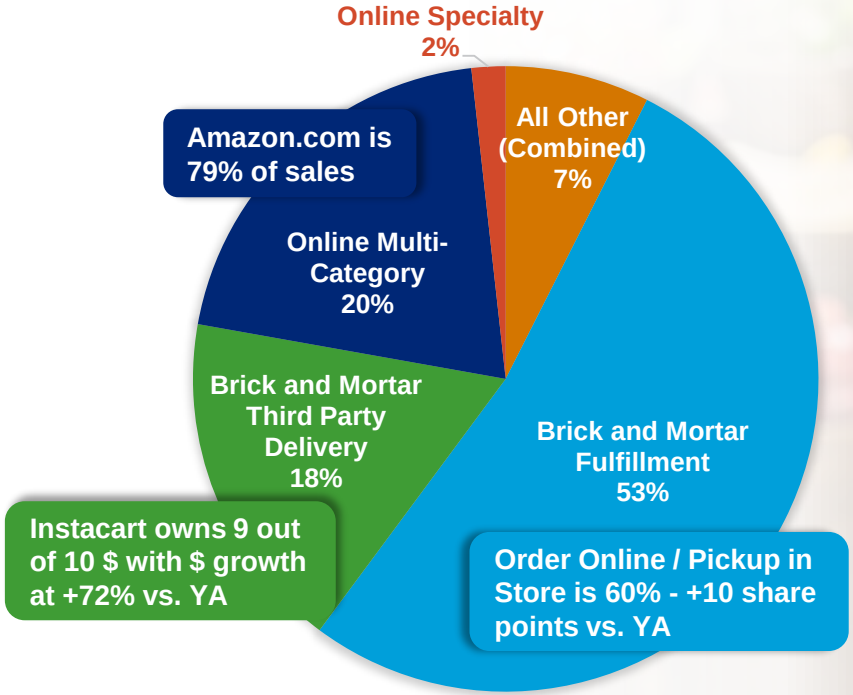
Striving City Singles

-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*



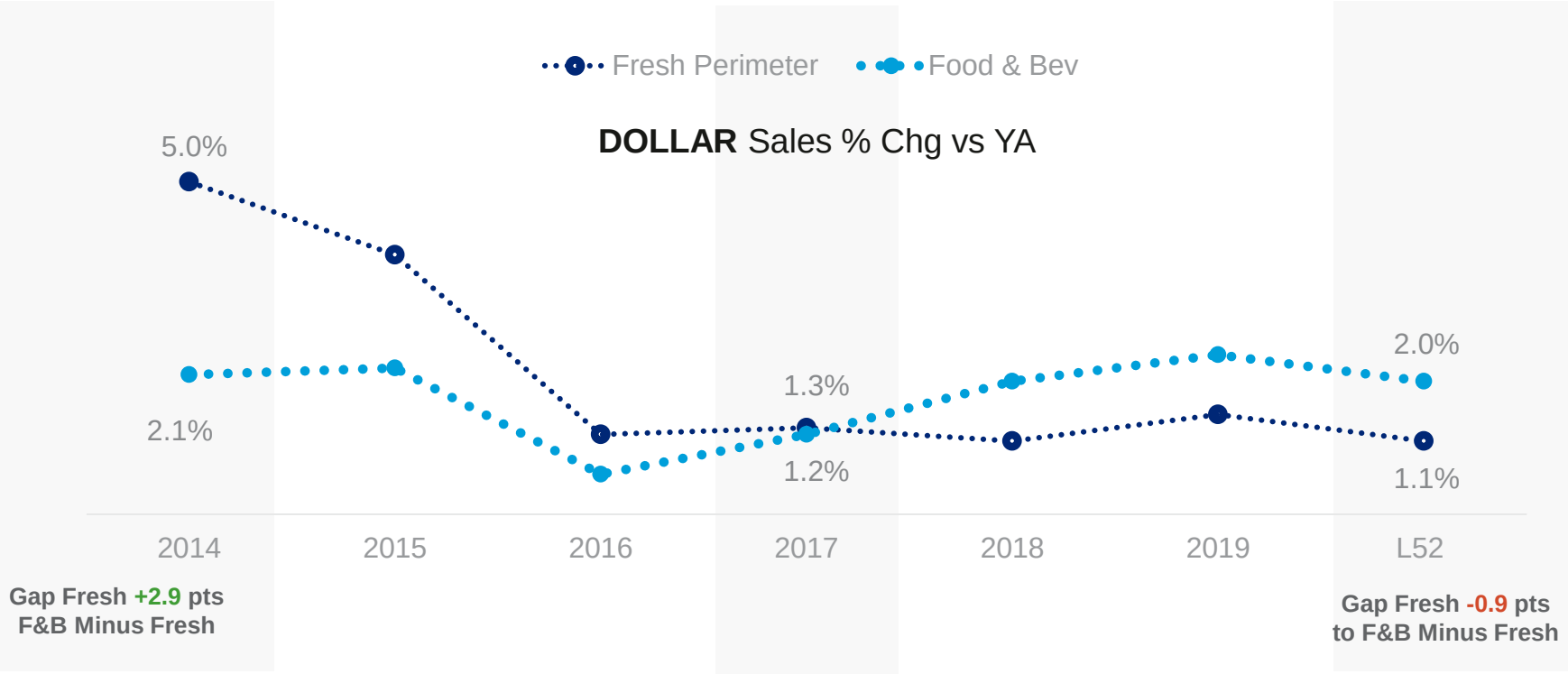
*Source: IRI eMarket Insights CY 2019, *Excludes fresh produce*

this means…

Fresh Sales Growth in Grocery, the Largest Channel in Sales, is Slowing but

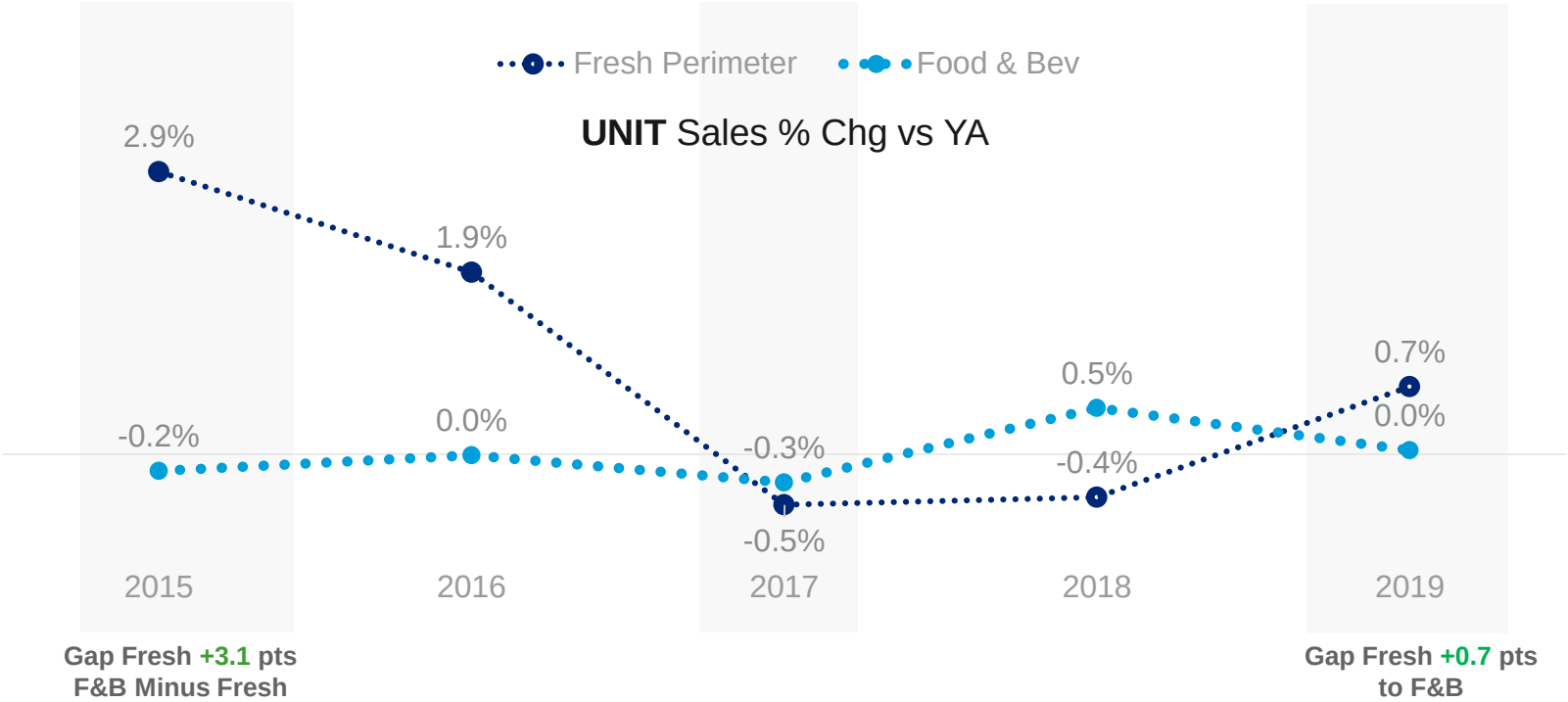
Opportunities Exist…

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

After Fluctuations Below Food & Beverage, Fresh Perimeter Bounced Back in 2019 With Unit Growth 0.7 Points



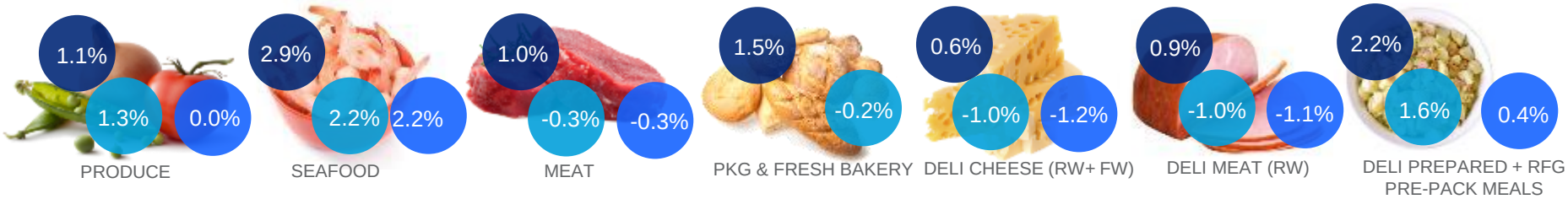
Source: Total Store View + Perimeter Market Advantage, MULO ending 1-26-20, Perimeter includes both FW/RW definition, Unit change vs. prior year by period

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

$ % CHG VS. YAGO | UNIT % CHG VS. YAGO | LBs % CHG VS. YAGO

L52 Weeks 2.0% — **FOOD & BEV (EX FRESH) -0.4%**

L52 Weeks 1.1% — **PERIMETER 0.4%**



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

$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

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

NEW!

Celery
+$161M | +18M

Deli Prepared Meats
+$143M | +33M

NEW!

Refrigerated Breakfast Meats
+$135M | +4M

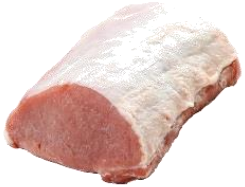
*Source: Total Store View + Perimeter Market Advantage, MULO 52-weeks ending 1-26-20 ** Indicates Fixed Weight Only*

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

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

e-Comm

Click Pick Up

Specialty Stations

Delivery

The Reality of 2020…

Social/ Digital

4 hours per day on mobile devices

Vending

Fresh-focused machines in airports and schools

1:1 Personalization

QSR/LSR

Order online food delivery used by 96 million Americans

e-Comm

$1 Billion industry in Meat in just 3 years

Click Pick Up

41% of Online Fresh Food Sales are Click & Collect

Specialty Stations

Delivery

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

Truly, the Trends Have Merged Into an Interconnected Mosaic

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

Source: IRI Top Trends in Fresh Series

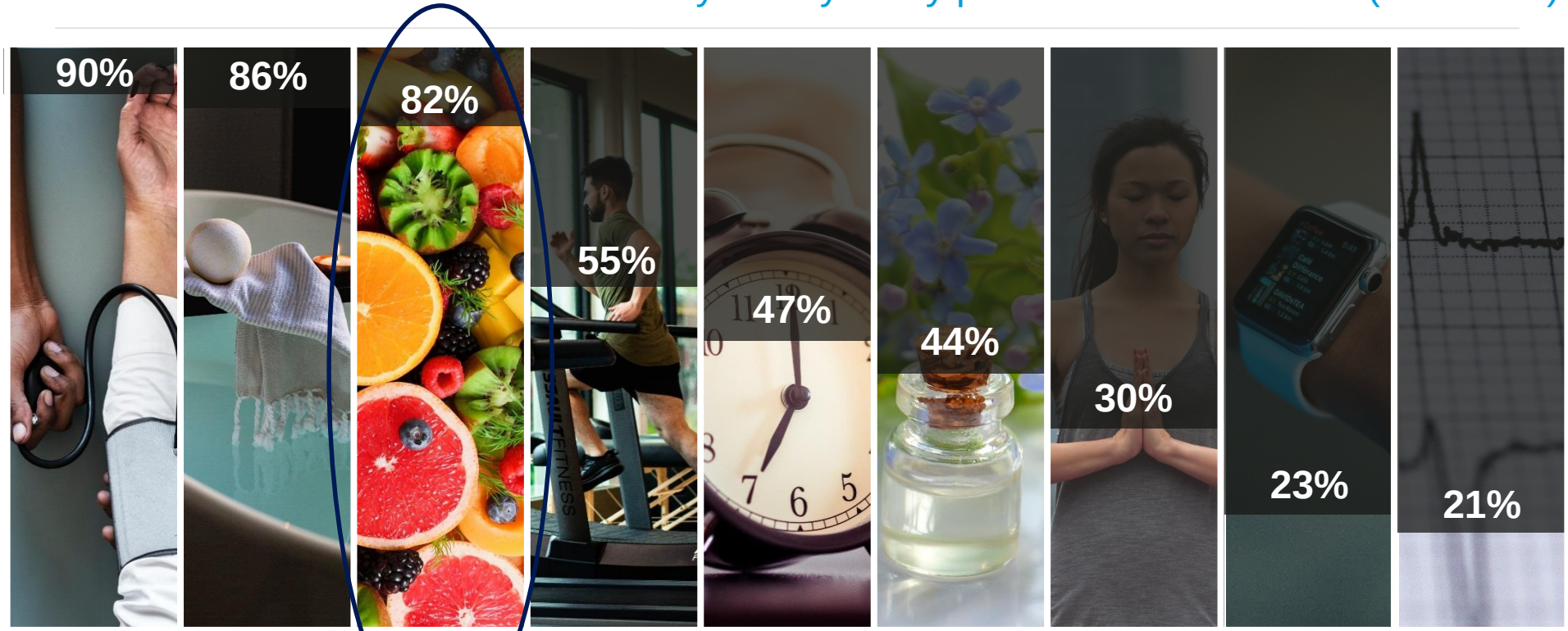
Let’s Take a Deeper Look at These Connected Trends…

Source: IRI Top Trends in Fresh Series

Let’s Take a Deeper Look at These Connected Trends…

Source: IRI Top Trends in Fresh Series

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



Healthcare | Personal Care | F&B | Exercise | Sleep | Natural/Home Remedies | Mental Wellness | Wearables | Medical Devices

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

Plant Based Meat Alternatives Spread Rapidly by Interest & Distribution
A Deeper Understanding of the Consumer Need Necessary

FRESH MEAT

$50.4B

1.0%
vs. year ago

PLANT-BASED MEAT SUBSTITUTE

$789.5M

14.5%
vs. year ago

Plant Based Meat Alternatives

+11% Avg Items Carried Increase

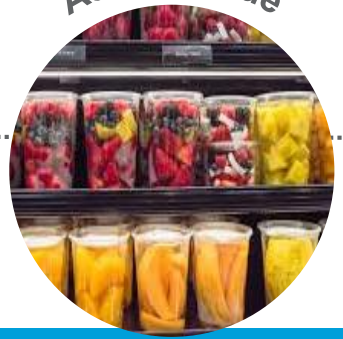
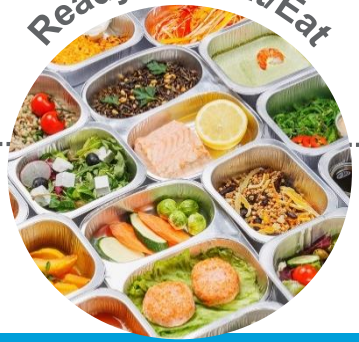
2.3x More Likely to Also Buy Meat in the Same Trip

Source: IRI Plant Based Study Jan, 2020

These Have Also Evolved in the Past Five Years…

Source: IRI Top Trends in Fresh Series

Retailers Have Aligned to the Mosaic of These Trends with Fresh Solutions vs. Silos

Fresh Whole	Added Value	Meal Kits	Ready to Heat/Eat
			
+0.7% Growth	+4.8% Growth	0.0% Growth	+2.2% Growth
2019 – $105B	2019 – $24B	2019 – $82MM	2019 – $18B
Traditional commodity- Requires consumer to prepare, assemble and/or cook to their own taste and needs	Have at least one step removed from preparation but still isolated from other foods	Packages components together with a recipe or assembly instructions	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

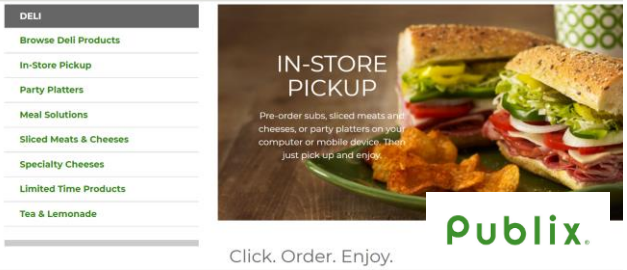
Leveraging Key Learnings, Retailers Have Found Meal Solutions That Allow Customization & Personalization Plus Technology Are Emerging as Winning Propositions

Easier Opportunity for "Meal Deals" with Less In-Store Labor and Shrink

Pre-Pack Entrees Dollars +11.6%

Deli Prep Entrée Dollars -4.7%

Merging Digital Ordering with Convenient Meal Solutions with Choice



Sandwich Conversion 39%

FW/RW Sandwich Sales -3.9%

Tying Grocery Ordering with Meal Inspiration and Tutorials

Grocery Pick-Up +121%

Food Pantry Stocking Trips -1%

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

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

New Supply Chains

Food Transparency

Source: IRI Top Trends in Fresh Series

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

Source: IRI Top Trends in Fresh Series

Increasingly, Traceability and Availability Can Represent Opportunity

Wegman's to Carry Specially Bred Produce

Wegmans

ROW 7 SEED CO.

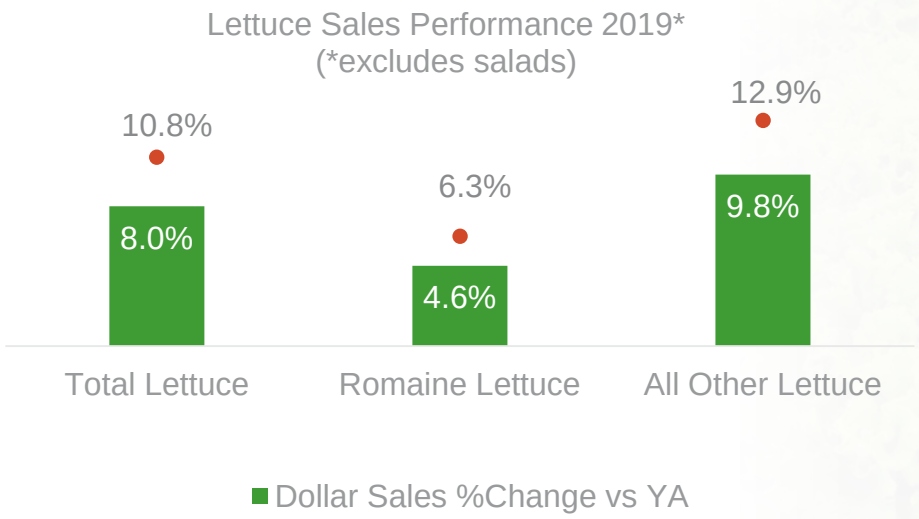
In 2019, Wegman's had **32%** produce share of wallet in their competitive market

+3% vs. prior year

Source: The Packer Feb 2020; IRI PNL w FW/RW for Wegmans & MULO; IRI Total Store View + Perimeter; CY 2019

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%).



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

Stay Fresh With IRI's Top Trends

Top Trends in Fresh
Past Webinars 2016-2019

https://www.iriworldwide.com/en-us/Insights/Publications/Top-Trends-in-Fresh-Foods

Fresh Perspectives
with Jonna and Sally Podcasts

https://www.iriworldwide.com/en-US/Insights/Podcasts

questions & answers

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