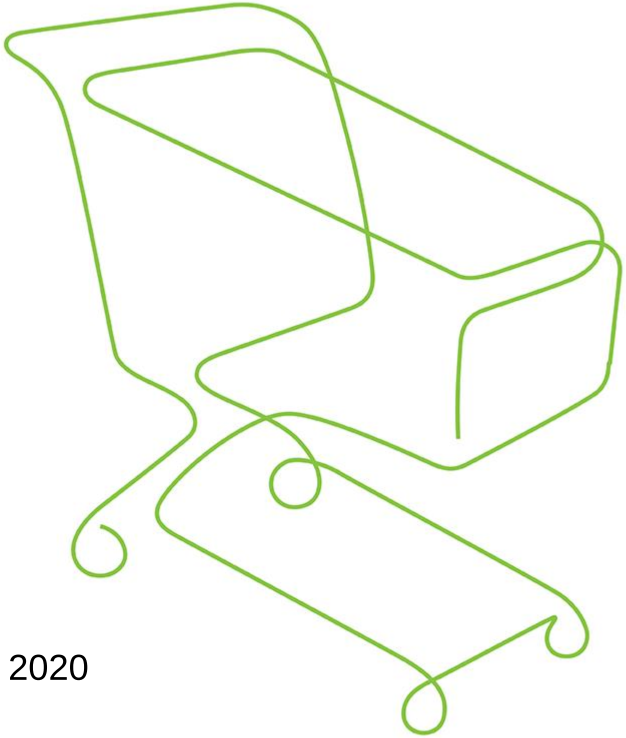
FMI THE FOOD INDUSTRY ASSOCIATION

THE YEAR THAT WAS: WHY INTEGRATING FRESH IS KEY TO FUTURE GROWTH



Hosted with thought leadership from FMI associate member

IRi

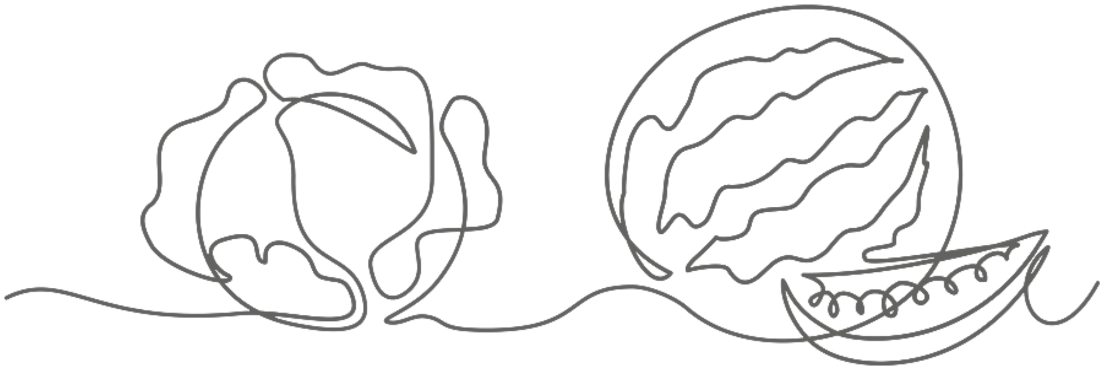
November 17, 2020

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



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Top Trends in Fresh Webinar

THE YEAR THAT WAS: WHY INTEGRATING FRESH IS KEY TO FUTURE GROWTH

November 17, 2020

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Growth delivered.

The Top Fresh Trends That We Have Examined For Years Are Still Relevant, But Have Evolved Dramatically in 2020

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Today we’re going to go deeper than ever before to reinforce learnings and drive new ideas for the brave new world of 2021 and beyond

2020 – the Year That Continues to Change Everything

55% of school-aged children (61% of teens) are still online only / remote learning

53% of working adults are continuing to work from home or alternate location

only **1/3** of college students are living away from home

28% of shoppers plan to cook more meals at home than they had in late summer

81% of meals are being prepared at home

40% of food-away-from-home dollars were spent in August (down from 52% in February, but up from 32% in April)

Sources: Winsight Grocery Media Headline 10/20/20; IRI Shopper Survey Wave 21, Oct 2020; FMI Power of Foodservice at Retail

Regular Shopping Patterns Had Slowly Started to Turn Back to Normal…

During their latest grocery trip to a store, **58% of shoppers felt relaxed** in mid-September, an improvement of 15 points since July.

- Trip frequency is **still down** from year ago, but basket size remains elevated
- Even with most states seeing increased COVID case rates, only 24% of consumers were planning to “pantry-stock” as they had in anticipation of a rise in cases
- 31 minutes is the mean average reported for a shopping trip – 7% longer than in May

… but CRITICAL TO WATCH Impact of Tighter Restrictions in Specific Markets as Cases Climb

Sources: IRI Shopper Survey Wave 21, Oct 2020; IRI household panel data including both fixed and random weight data ending 10-4-20

Explosive Growth in Frozen Foods

Even in the Latest Pandemic Period At-Home Meals Brought New Attention to an Area Ready to Deliver

Frozen Had the Highest Store Growth

Frozen Sales **+17%** for 8 weeks (August - September), **$1.4B** more dollars than YA, while the Meat Dept only added $1.3B

Most Dollars Added

- Frozen Seafood
- Frozen Ice Cream and Novelties
- Frozen Entrees

Highest Growth Rates

- Frozen Fruit
- Frozen Appetizers / Snacks
- Frozen Processed Poultry

Drivers for Frozen Foods

Convenience

Quality

Relevance

Variety

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Even The Holidays are Shaping Up to Be Unlike Any Other in Modern History

*Smaller celebrations continue to dominate, but this means more "hosts" of smaller gatherings. Shoppers still want to **make it special** and be **inspired** to do so at the store and online.*

Only 26% of shoppers expect to host or attend a meal with extended family for Thanksgiving – down from 48% in 2019

Nearly 2/3 expect to have 5 or less people at their Thanksgiving meal – 3 less than the 2019 average gathering

State of Mind About the November / December Holiday Season This Year	**Mid-Sept**	**Mid-Oct**
Worried that celebrations will cause a spike in COVID-19 cases	32%	36%
Not looking forward to the holidays the way I usually would since I won't be able to celebrate with others as much as usual due to COVID-19	31%	35%
Looking forward to having something to celebrate after a stressful year	22%	21%
Feeling optimistic that things will be back to normal by then	11%	6%

E-Commerce Has Also Made Massive Impact – Opening Fresh Opportunities

Shopper Demand for Online Groceries Has Fast-Forwarded into 2025, Especially for Perishables

17% of households use online as their primary way to buy groceries

19% expect to make their Thanksgiving grocery trip online

$4B Latest 26 weeks – Fresh Foods eCommerce Sales (+99% vs. YA)

58% Fresh eCommerce sales in brick and mortar retailer sites (15 points higher than center-store / frozen)

Source: IRI eMarket Insights and IRI Shopper Survey, Wave 21 October 2020

Throughout the Pandemic, Fresh Remains in Demand…

14%

of shoppers said they plan to buy *more* fresh foods each trip throughout the fall

only

6%

of shoppers said they would buy *less* fresh foods because of the pandemic

Sources: IRI Shopper Survey Sept 2020; IRI Custom Retailer Gateway for Total US Food, 52 weeks ending 09/27/20; each retailer's "Fresh Foods" definition

…But What is "Fresh"?

the definition of "fresh foods" differed across 5 different major U.S. grocers, for the 52 weeks ending 9/27/20 in IRI Unify for Total U.S. Food

13%

difference in perishables' share of total store sales

$69B

difference in size of fresh foods departments

Sources: IRI Shopper Survey Sept 2020; IRI Custom Retailer Gateway for Total US Food, 52 weeks ending 09/27/20; each retailer's "Fresh Foods" definition

The Way Consumers View Fresh – "Perishable" Foods

Consumers Don't Buy Based on Code Type and Often Don't Even Know What Code is What

Meat

Deli

Baked Goods

Produce

Seafood

Refrigerated

Fresh Perishables Needs an Industry Standard, Fact-Based Definition

*IRI Utilized Our Industry Partnerships With Retailers and Suppliers to **Research Majority-Rules, Agnostic, Fact-Based View of Perishables Definitions***

Research Retailer, Supplier Placements

Use retailers and suppliers own systems to analyze which items they consider meat, dairy, deli and bakery

Let Numbers Guide

Let numbers guide the definition– majority rules and can be defended – a representative "industry" view

Engage Industry as "Tie Breakers"

Where the data is not definitive, leverage a governance board of unbiased suppliers, retailers, industry leaders

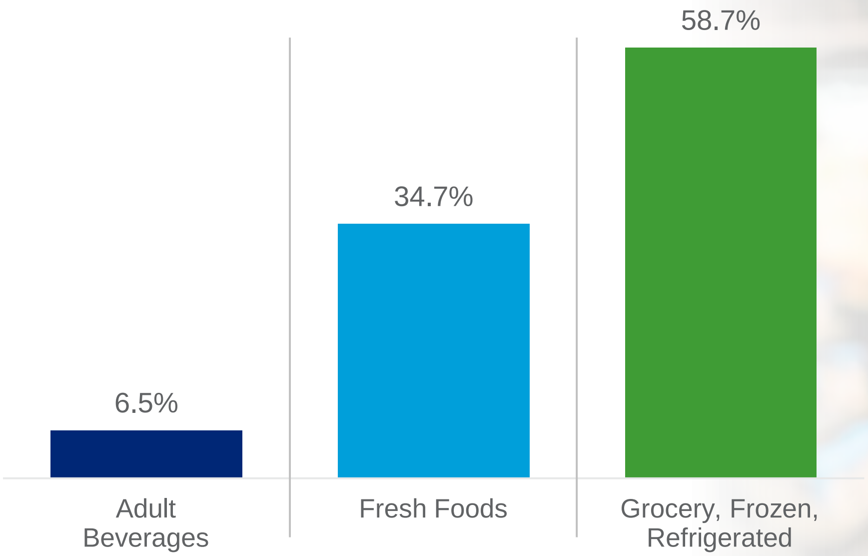
Integrate fixed and random weight in a syndicated IRI Unify database

Build this industry standard in an easily accessible, ongoing data set for sales and shopper

Source: IRI proprietary process in partnership with industry associations such as IDDBA, IRI Integrated Fresh syndicated solution

Introducing Integrated Fresh Definition of Food & Beverage Across the Store

Dollar Share



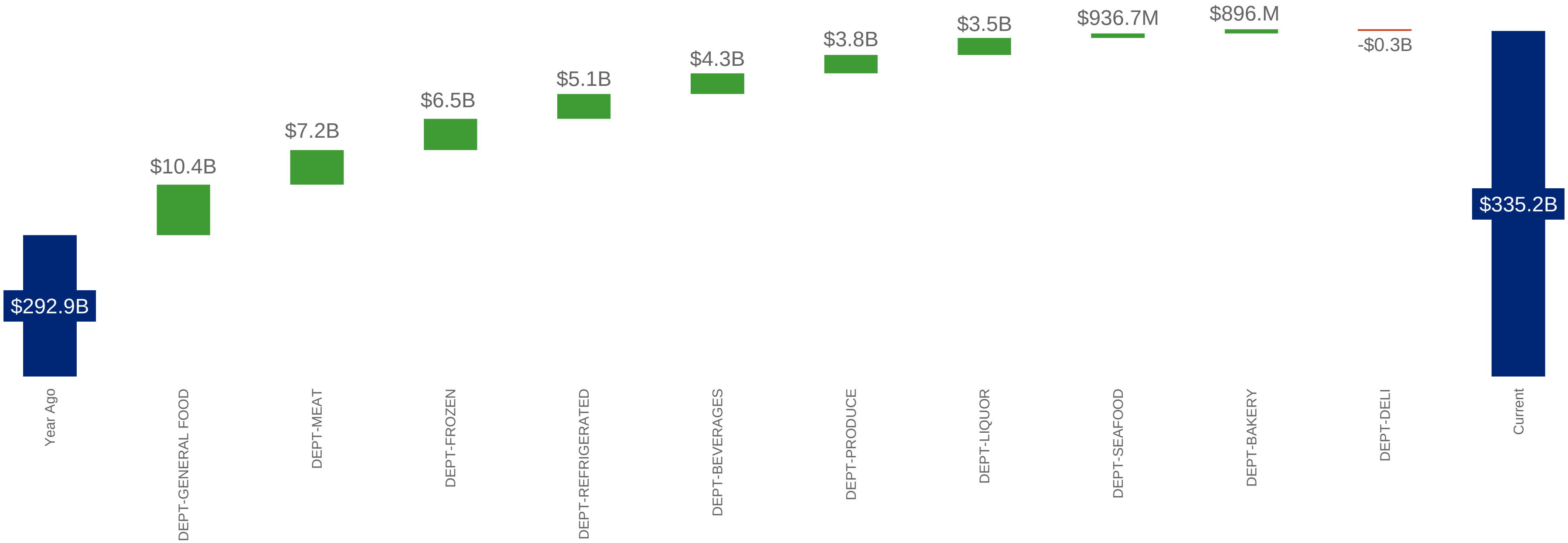
Dollar % Change vs. YA		
16.6%	10.5%	13.6%

Fresh Is Up 11% During the Pandemic, But Other Departments Grew Faster and Gained Share

Source: IRI Integrated Fresh Market Advantage, including both fixed and random weight, Fresh includes Deli, Bakery, Produce, Meat and Seafood 26 weeks ending 10-4-20

During the Pandemic, General Food and Frozen Combined Added Nearly $17B While Perishables Categories Were a Mixed Bag

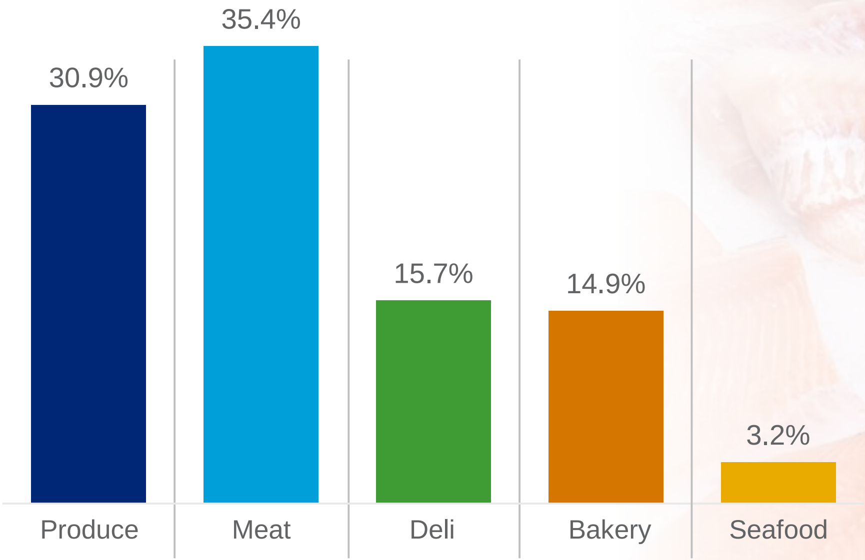
Perishables Department Contribution to Dollar Sales Change / 26 WE 10-4-20



Source: IRI Integrated Fresh Market Advantage, including both fixed and random weight, 26 weeks ending 10-4-20

The Pandemic Period Strengthened Meal-Making

Dollar Share



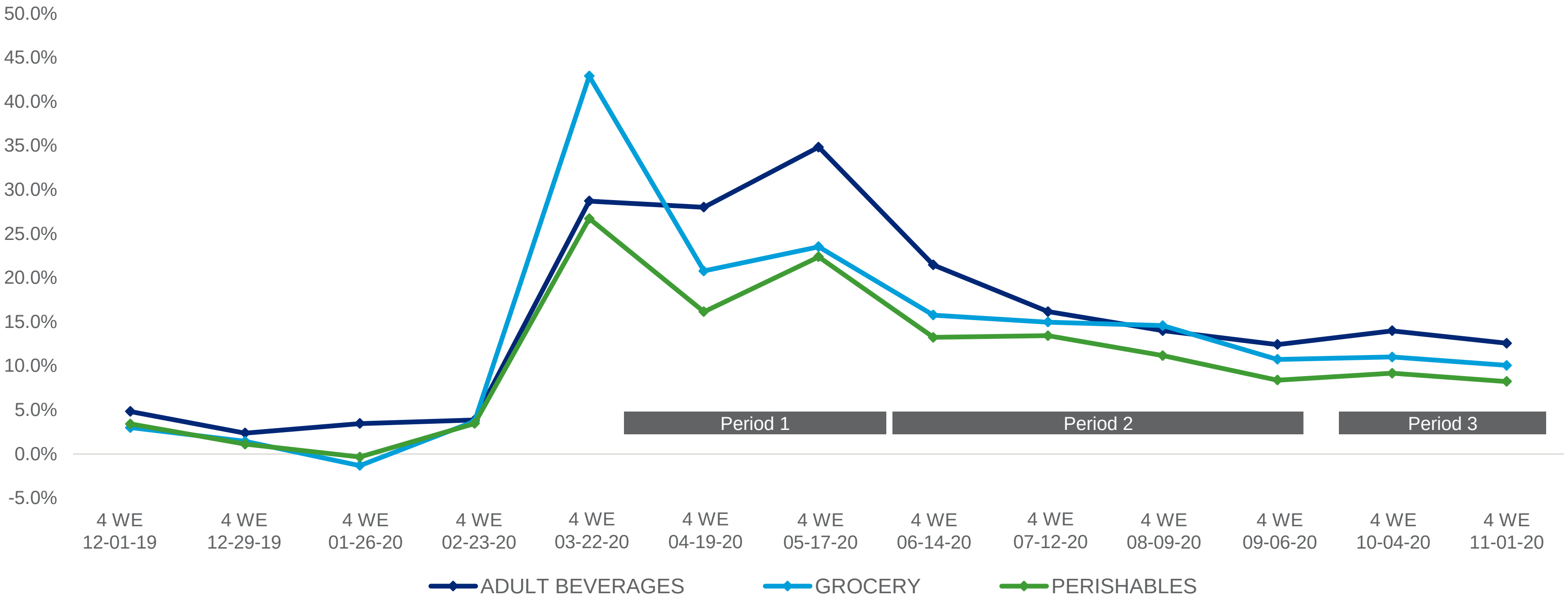
Dollar % Change vs. YA				
10.6%	17%	-0.7%	5.1%	35.1%

Departments Like Meat, Refrigerated and Seafood Share Increased; Produce Grew, But Couldn't Keep Up

Source: IRI Integrated Fresh Market Advantage, including both fixed and random weight, 26 weeks ending 10-4-20

Perishables Slightly Lower Growth Was Not Unique to the March Stock-Up, Grocery and Adult Beverages have Trended Higher Throughout the Pandemic

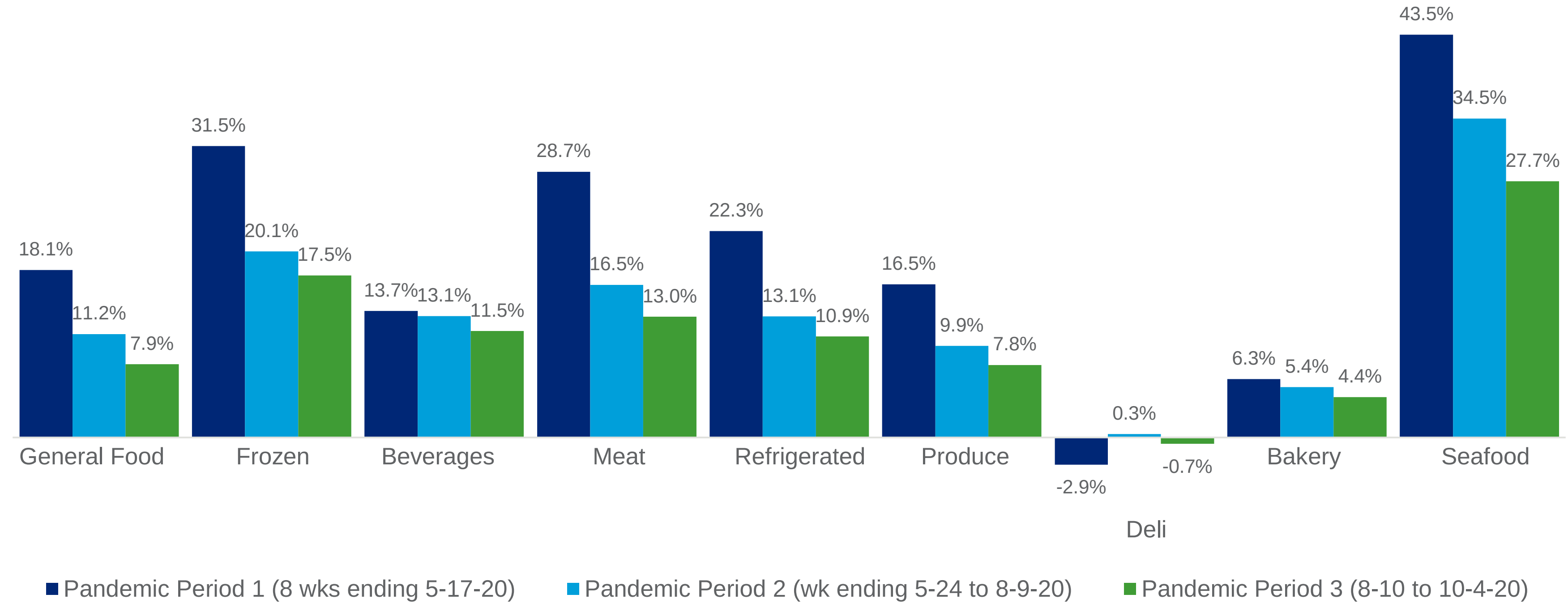
Quad Week Trend – Dollar Sales, % Change vs. YA / Total U.S. – Multi-Outlet



Source: IRI Integrated Fresh Market Advantage, including both fixed and random weight, 26 weeks ending 10-4-20

Throughout the Pandemic Periods, Meat and Frozen Outpaced While Beverages and Seafood Sales Heated Up in the New Normal

Dollar Sales %Change vs. YA



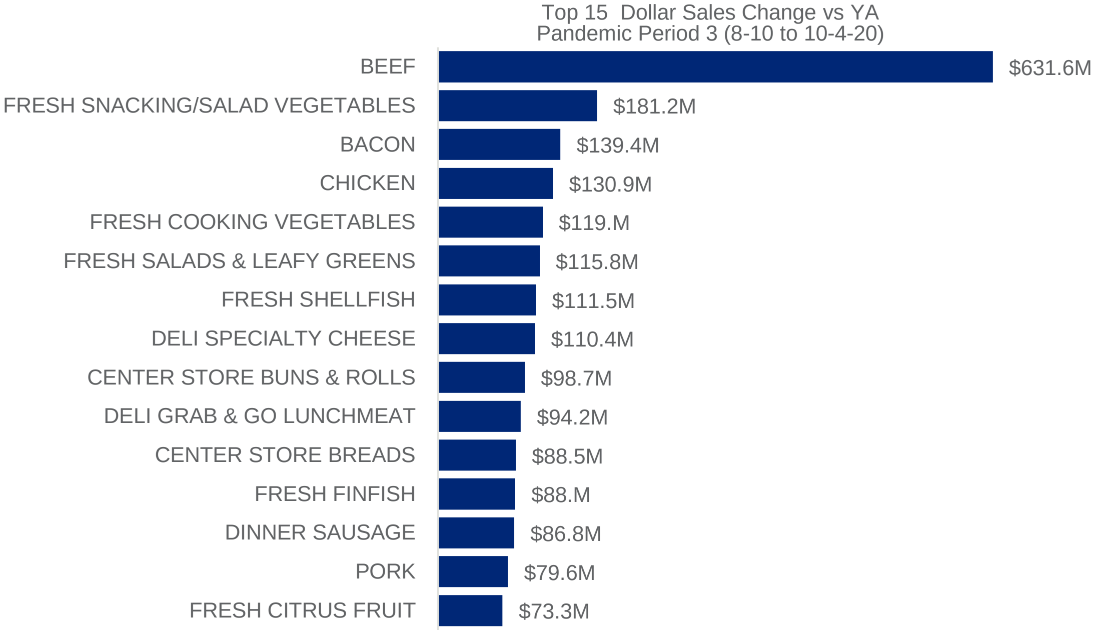
Source: IRI Integrated Fresh Market Advantage, including both fixed and random weight, 26 weeks ending 10-4-20

Perishables in the Time of COVID-19

Key Learnings to Guide the Future of Fresh

Fresh Pandemic Power Houses Came From Across the Fresh Departments

Beef Added 3x More $ Sales to the Store Than Any Category and Remained Top-Dollar-Generator Throughout the Pandemic



As the U.S. turned to a "new normal" in August and September, convenient, premium deli grab-and-go lunchmeat and deli specialty cheese made it into the top 15 dollar change categories, while others were ongoing anchors of the list.

Source: IRI Integrated Fresh Market Advantage, Perishables excluding Refrigerated, including both fixed and random weight, Dollar Change vs. Year Ago 8-16-20 to 10-4-20

The Meat Department Dominated, With Increased Meal Demand in the Home and the Role of Price Promotion Shifted

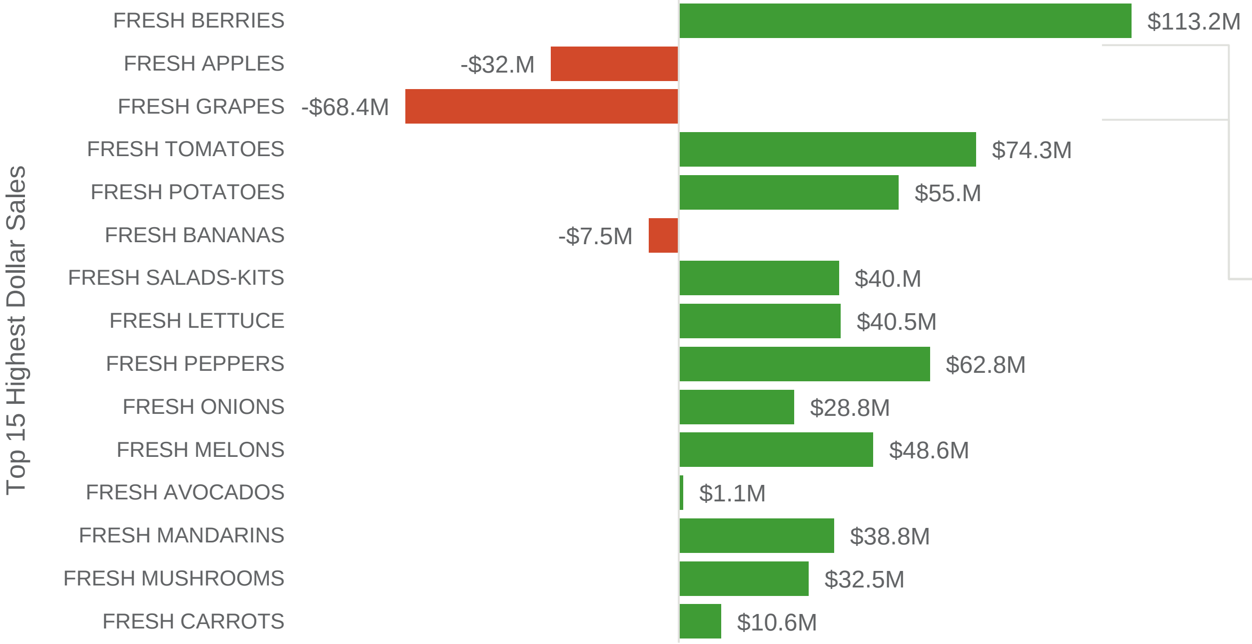
The Pandemic Brought New Meat Buyers - Price Alone May Not Keep Them Engaged

Feb 2020- Meat Dept 35% volume on promotion $3.10 promo price per pound	Meat Buyers & Trips Flat vs. YA
May 2020- Meat Dept 20% volume on promotion $3.80 promo price per pound	Meat Buyers +6% & Trips +17% vs. YA
Sept 2020- Meat Dept 39% volume on promotion $3.50 promo price per pound	Meat Buyers +2% & Trips +5% vs. YA

Groups Who Increased Meat Buying During Period Pandemic - Critical to Keep Engaged: Millennials, Urban, Young Families

Produce is Diversifying With the Pandemic Period Showing Consumers are Still Consuming for Holistic Health Reasons, as well as Fresh Snacking, Salads & Sides

Total U.S. – Multi-Outlet / Pandemic Period 3 (8-10 to 10-4-20) Dollar Sales, Change vs. YA



Price Deflation, but Sales Down
Apples and Grapes also declined in volume sales – despite a lower average base price per pound

Seafood's Explosive Growth Reveals Meal Fatigue Was Real & Consumers Seek to Upgrade Their Options Despite a Higher Price

*Plentiful Supply Leads to Seafood Pricing **Flat** Year Over Year –*
But Still Higher Average Price / Pound to Meat / % Change vs. YA

Fresh Tilapia
11.9%

Fresh Shrimp
15.3%

Fresh Salmon
20.6%

Fresh Lobster
71.7%

Fresh Crab
53.8%

Shoppers Picked Seafood

8.9%
more households bought seafood during the 26 weeks ending 10-4-20

27%
more was spent per seafood buying household

14%
more trips included seafood during the pandemic v

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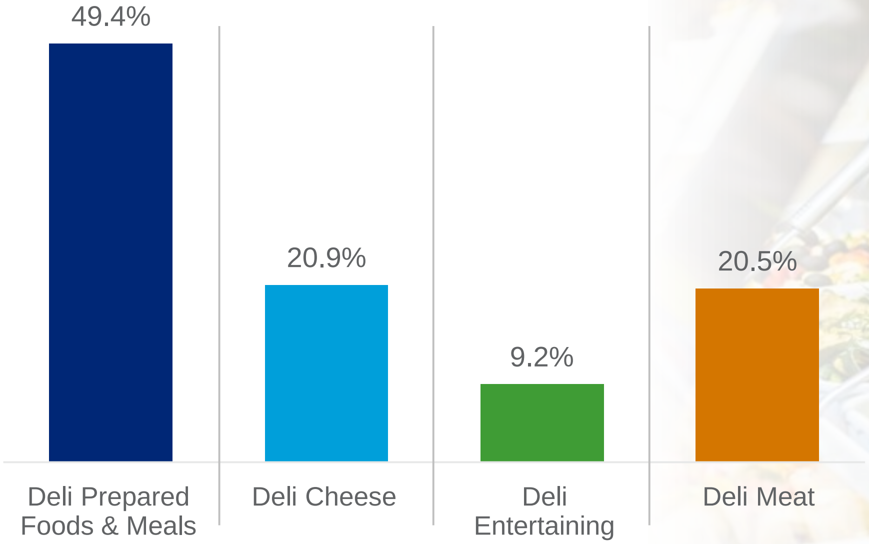
Deli is Complex With Varied Performance

Deli Dollar Sales / Pandemic Period 3 (8-16 to 10-4-20)

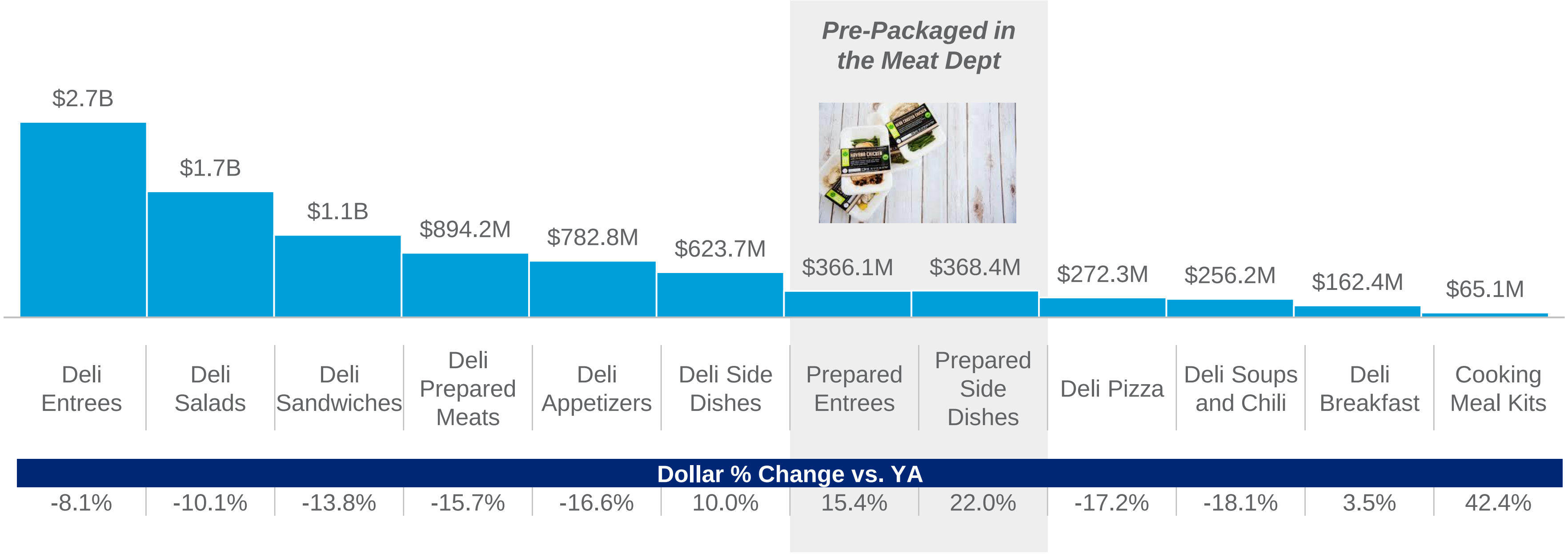


Total % Change vs. YA			
Deli Prepared Foods & Meals	Deli Cheese	Deli Entertaining	Deli Meat
-10.1%	15.7%	0.7%	10.5%

Even With -10% Sales Decline, Deli Prepared Foods Still Anchor the Department

Convenient Meals in the Meat and Deli are **$9.1 Billion** in the Last 26 Weeks
Side Dishes in Both Spaces Grew as Fatigued Consumers Seek Solutions

Dollar Sales / Total / Current



Making Meals Easy Across the Store Can Bring New Promotion Ideas

ShopRite is rolling out an innovative "Fresh to Table" concept at three stores, which it says "reinvents the produce and fresh departments to provide inspired, high-quality options for shoppers looking for a one-stop shopping experience."

Kroger launches Chefbot, a first-of-its-kind AI Twitter tool

Kroger launched the first generation of Chefbot, its AI-powered Twitter recipe tool that helps users' pair the groceries in their fridge and reduce food waste by providing mealtime inspiration and personalized recommendations

Winsight Grocery Business

RETAILERS

Are Fresh Meal Solutions the Future of Grocery?

Giant Eagle to offer ready-to-cook meals under its Cookery Complete brand. The single-serve meals include six different options with each taking approximately 20 minutes to cook.

With Consumers Cooking and Making More Sandwiches at Home, Deli Cheese Posted the Highest Pounds Sales Growth in Period 3

Volume Sales %Change vs YA

Deli Grab & Go Cheese **21.2%**	Dairy Natural Chunks **5.3%**	Dairy Processed Loaf **16.7%**
Deli Pre-Sliced Cheese **10.5%**	Dairy Natural Shreds **13.4%**	Dairy Processed Slices **8.1%**
Deli Service Cheese **-7.7%**	Dairy Natural Slices **13.9%**	Dairy Processed Spread **2.7%**
Deli Specialty Cheese **13.7%**	Dairy Natural Snack **-0.4%**	

Cheese Slices
Price per Pound Comparison

Deli Grab & Go	**$8.26**
Deli Pre-Sliced	**$7.77**
Dairy Natural Slices	**$5.26**
Dairy Processed Slices	**$3.92**

Consumers Have Preferred Deli Grab & Go and Pre-Sliced Lunchmeats for Their Sandwiches and Meals

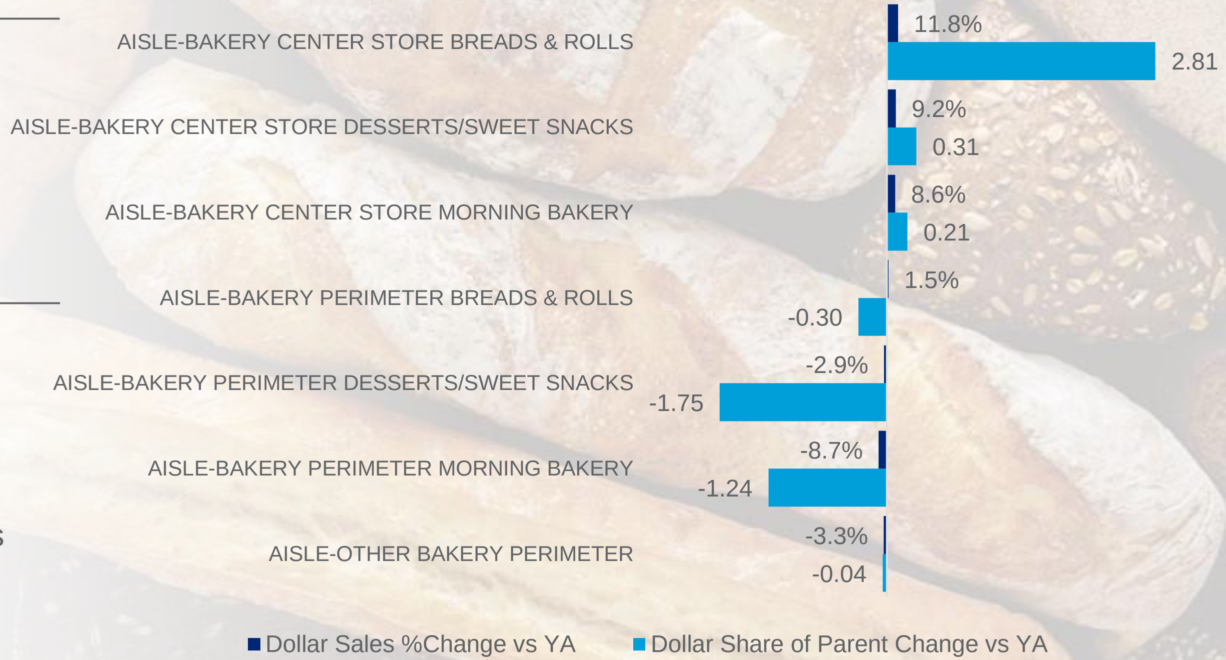
Product	Volume Sales % Change vs YA	Price per Volume
Packaged Lunchmeat	0.9%	$4.80
Deli Service Lunchmeat	5.6%	$8.35
Deli Grab & Go Lunchmeat	41.0%	$8.31
Deli Pre-Sliced Lunchmeat	17.8%	$14.23

Bakery is About Balance Across the Solutions – More than Store Section Convenience, Upgrading Meals and Having Breakfast / Snacks on Hand

Pandemic Period 3 (8/16 to 10/4/20)

Bread is Big Business
Cumulatively, Aisle & Perimeter Breads and Rolls account for **53%** of all baked goods dollar sales and grew during COVID-19

Perimeter Growth Pockets
Perimeter Breads, Croissants, Pastry / Danish and Wraps/Flatbreads all grew sales during Period 3 – pointing to premium experiences valued



As We Move Into 2021, We will See Continued Focus on These Trends But with an Emphasis on Holistic Health and Food Transparency

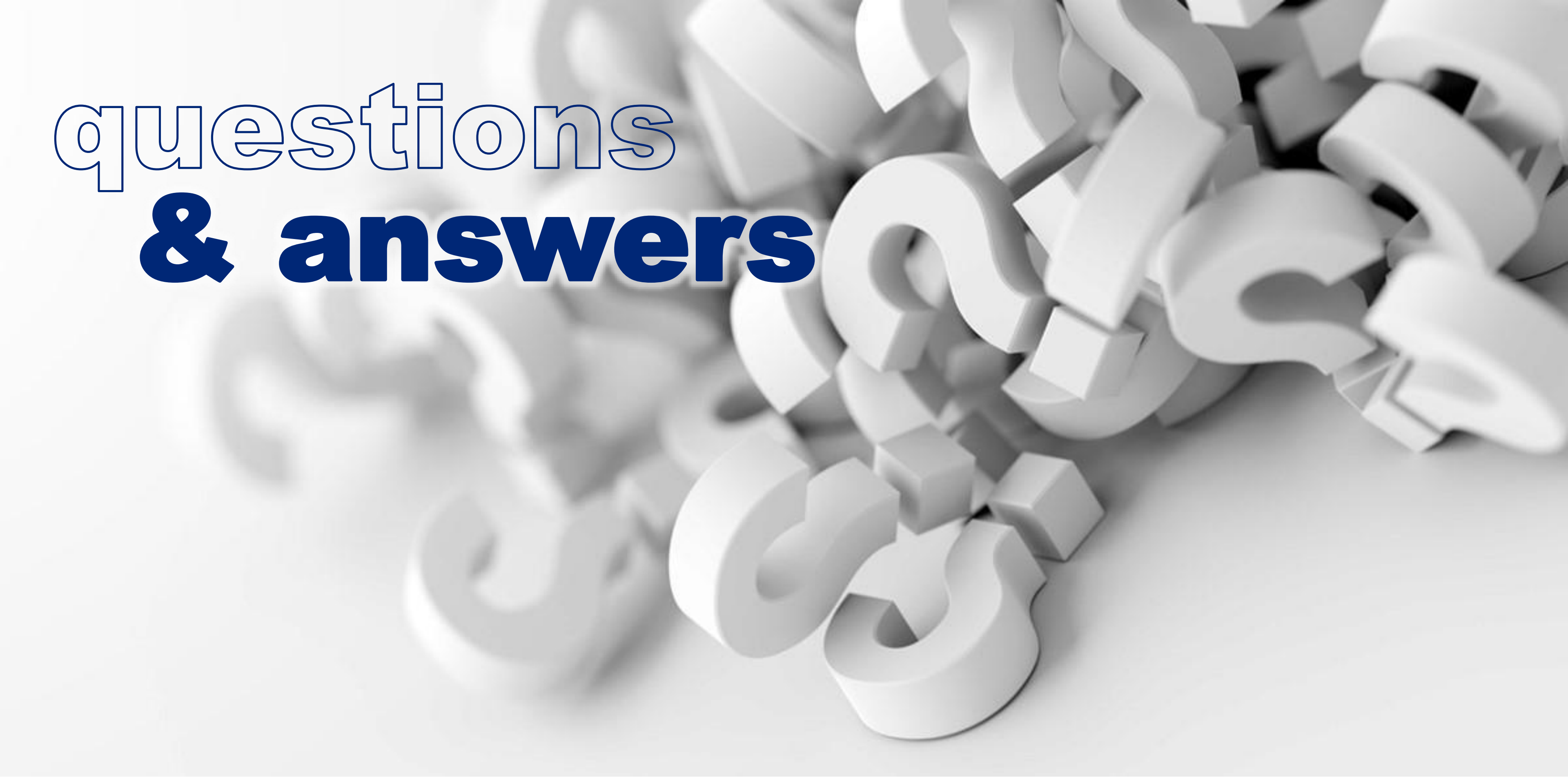
Discussion Questions

1 | How will the year-end look different from the fall?

2 | How have health and transparency evolved?

3 | What are ways to see retail food service revive?

questions & answers



how did **we do?**

Your feedback is important.

Please complete a brief survey

so we can continue to improve.

Fresh Foods Remains In-Demand And Ripe With Opportunity

Companies who can rapidly adapt will win in the world reshaped and reimagined by COVID-19

Surgically and strategically evaluate pricing and trade spend in the context of this year's buying behaviors

Automation and e-commerce should change the in-store experience – think as the consumer to solve

Utilize what benefits and motivations your products or departments have to provide value – not just price

Leverage targeted, personalized marketing vehicles for most valuable ROI and impact with your audience

Alleviate meal fatigue- celebrations and inspiration

Now is the time for fresh to look beyond individual categories and commodity-based selling to bring total store solutions and creative connections with consumers

Solutions News Insights Company

BEST PRACTICES
DURING COVID-19

These in-depth discussions with C-level leaders at top companies share how they are effectively managing through the COVID-19 pandemic. Learn More

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President and CEO, Campbell Soup Company
November 10, 2020

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Stuart Aitken
Chief Merchant & Marketing Officer, The Kroger Co.
September 3, 2020

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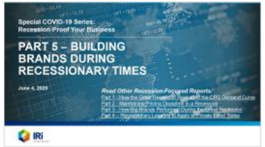
Vivek Sankaran
President & CEO, Albertsons Companies
August 25, 2020

IRI COVID-19 IMPACT ASSESSMENT REPORTS

(click to see full report)

COVID-19: THE CHANGING SHAPE OF THE CPG DEMAND CURVE

SPECIAL COVID-19 SERIES: RECESSION PROOF YOUR BUSINESS



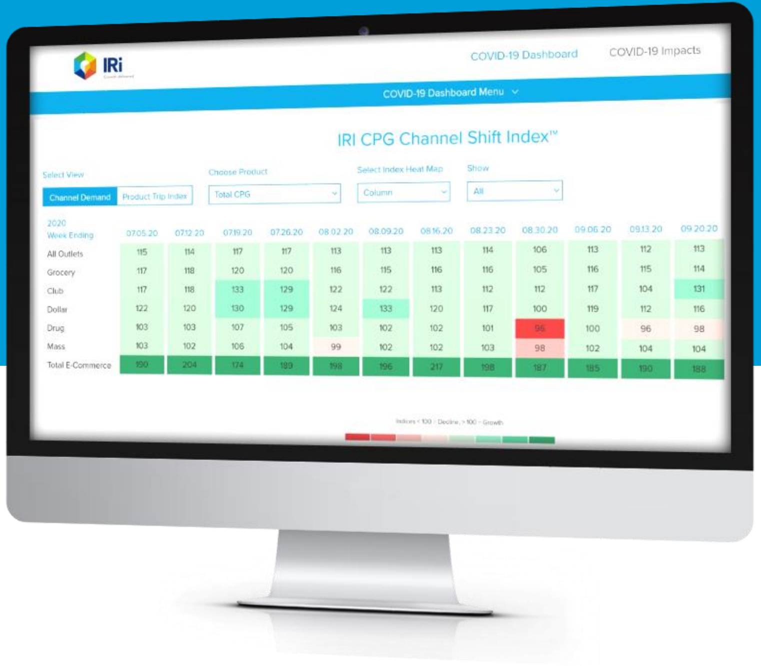
COVID-19 EMERGING POINT OF VIEW

DISCOVERING POCKETS OF DEMAND

CPG Economic Indicators

Access IRI’s industry-standard metrics for consumer product demand and supply during the pandemic, our CPG inflation tracker and the latest data on category trends, out-of-stock levels, consumer sentiment and more.

Demand Index™	**U.S. Demand Index™ Forecasts**	**Channel Shift Index™**	**E-Commerce Demand Index™**
Inflation Tracker™	**Supply Index™**	**Out-of-Stock Levels for Subcategories**	**U.S. Topics from IRI Social Pulse™**



The IRI CPG Demand Index™ provides a standard metric for tracking changes in spending on consumer packaged goods.

U.S. Demand Index™ Forecasts are delivered through a proprietary, fully automated forecasting solution that anticipates consumer demand.

Channel Shift Index™ provides a standard metric for tracking changes (migration) in spending on consumer packaged goods across select channels.

The IRI E-Commerce Demand Index™ provides a standard metric for tracking changes in spending on consumer packaged goods purchased online.

Inflation Tracker™ provides the well-known price per unit metric for tracking changes in pricing of consumer packaged goods.

Supply Index™ provides a standard metric for tracking changes in product availability (i.e., in-stock rates) in stores for consumer packaged goods.

Out-of-Stock Levels for Top-Selling Subcategories by Market Area in the U.S.

Top U.S. Topics from IRI Social Pulse™

Want to Be the First to Know?

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thank you!

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