

Fresh Webinar

# THE BALANCE BETWEEN PREMIUMIZATION AND AFFORDABILITY

*Rick Stein – VP, FMI Fresh Foods*

*Sally Lyons Wyatt – EVP, IRI Center Store & Produce*

*Jonna Parker – Principal, IRI Fresh Center of Excellence*

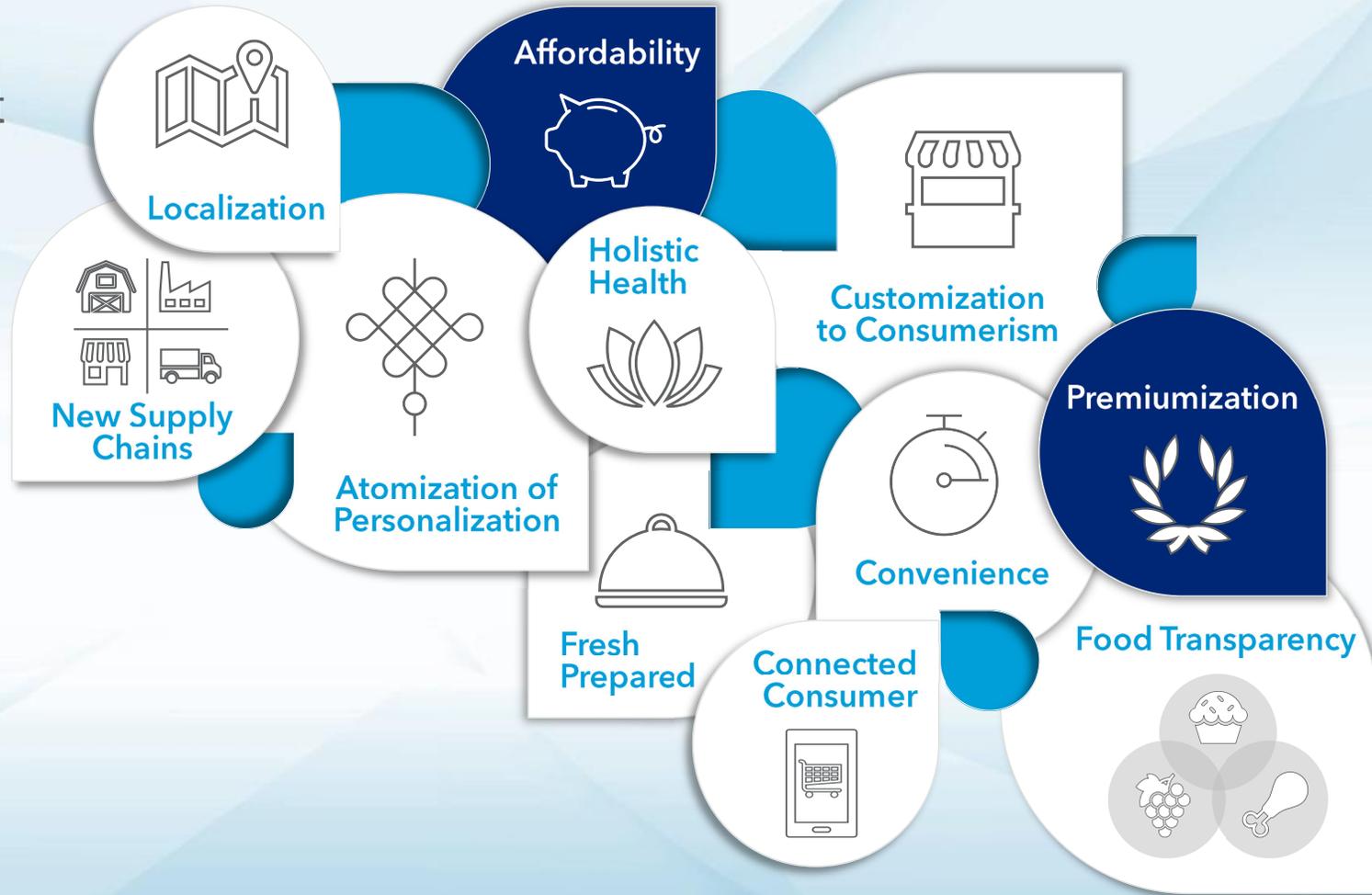


**IRI**

Growth delivered.

**The Top Trends in Fresh** are as relevant today as when we launched this series six years ago.

In the case of Premiumization and Affordability they are more top of mind than ever.





**More Meals at Home**



**Less Trips, But More Missions**

**Four Themes, Accelerated During 2020, Expect to Have Long-Lasting Impact**



**New Ways of Shopping**

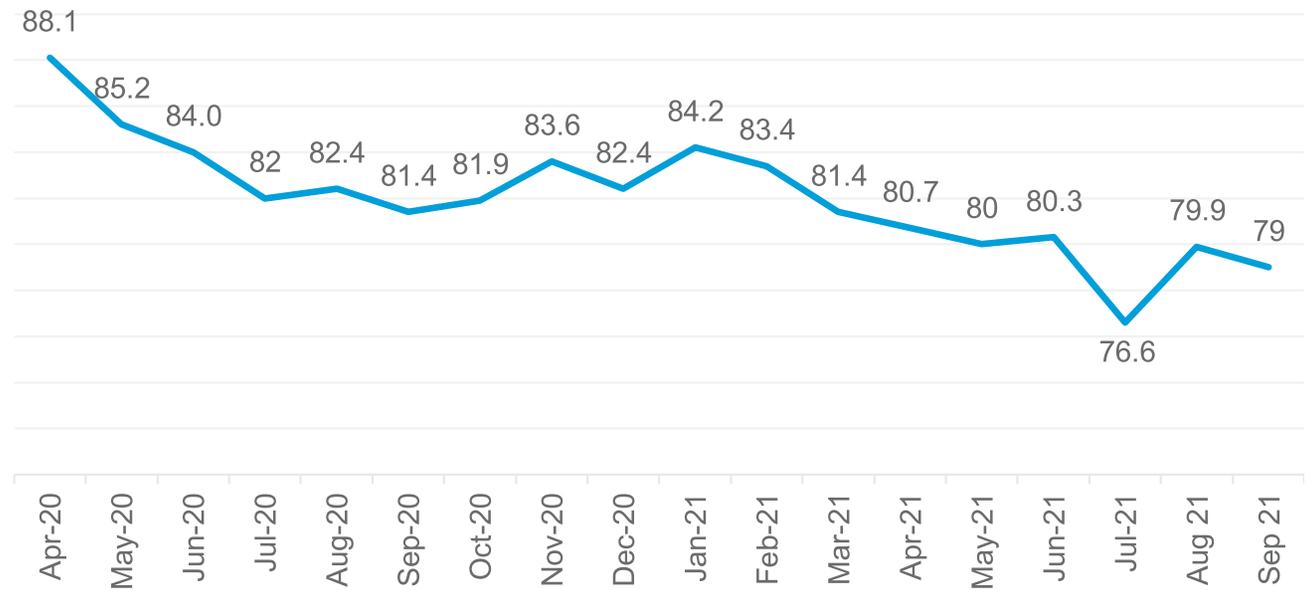


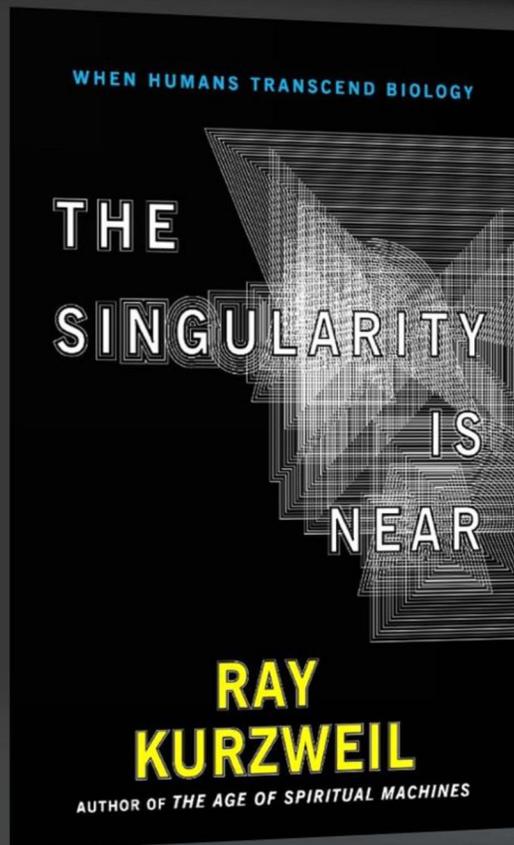
**Fierce Competition for Fresh**



## In Fact, More Meals at Home Have Continued Throughout 2021 and Are 26 Share Points Ahead of 2019

Share of Total Meals Prepared at Home by Month (%)





“ The future will be far more surprising than most people realize, because few observers have truly INTERNALIZED THE IMPLICATIONS of the fact that the rate of change itself is accelerating.... ”

*Ray Kurzweil  
The Singularity Is Near*

# As Mobility Increased in 2021, Consumers Have Been Eating Out of Home More; However, Grocery Sales Are Still Elevated vs. 2019

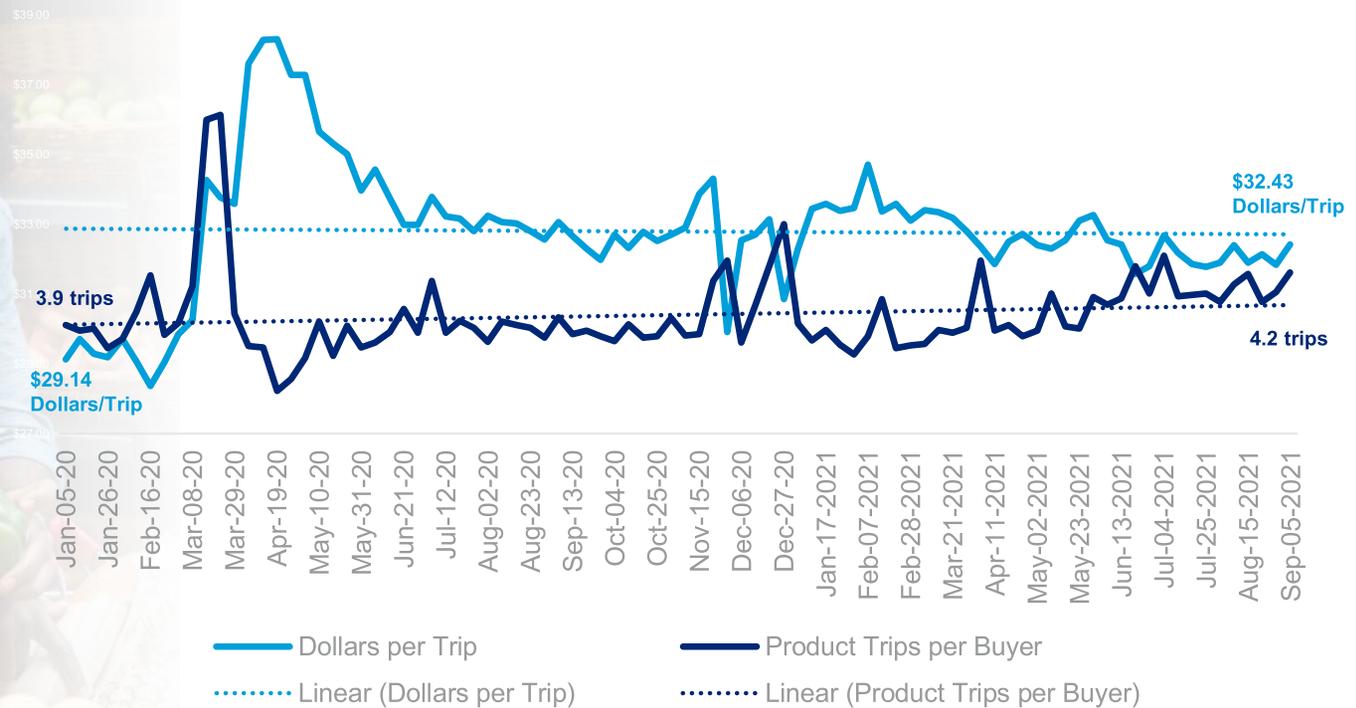
Dollars Per Venue and Store





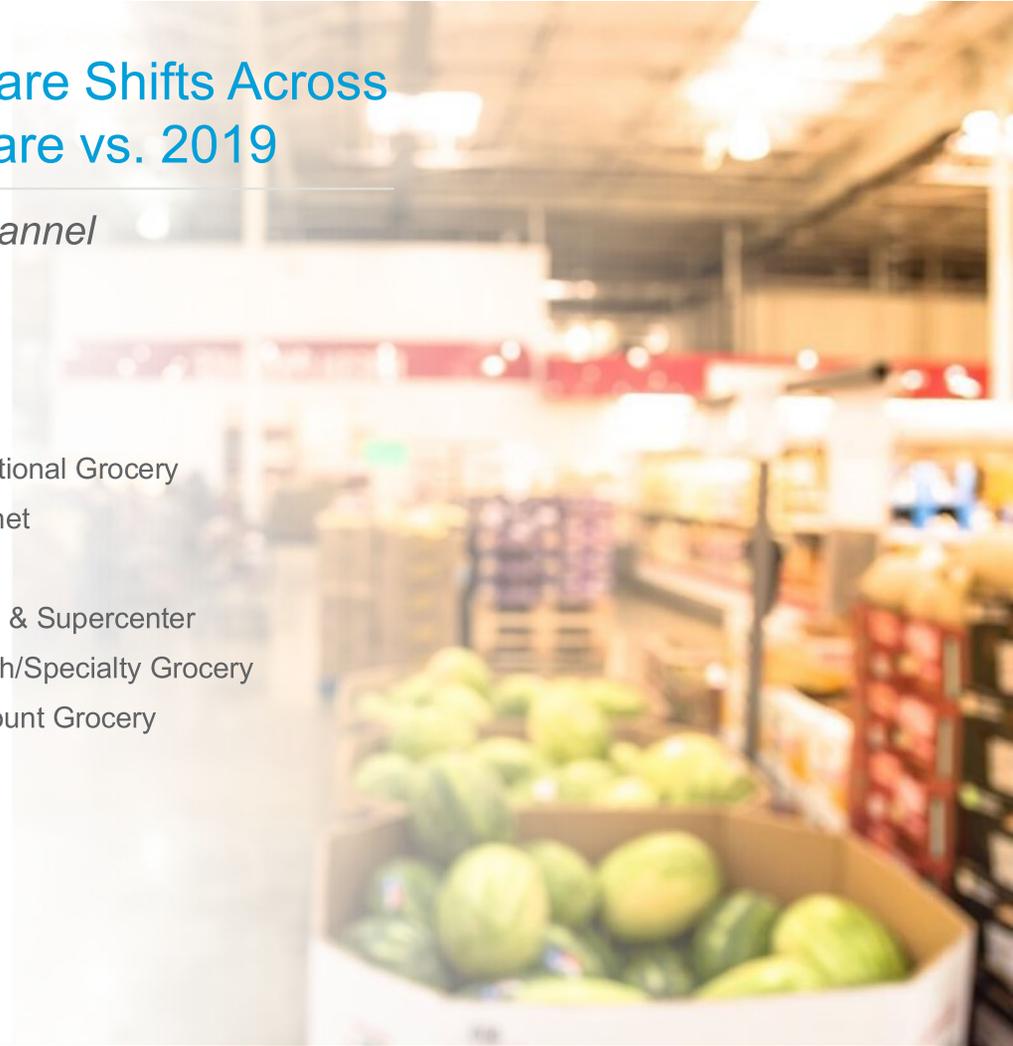
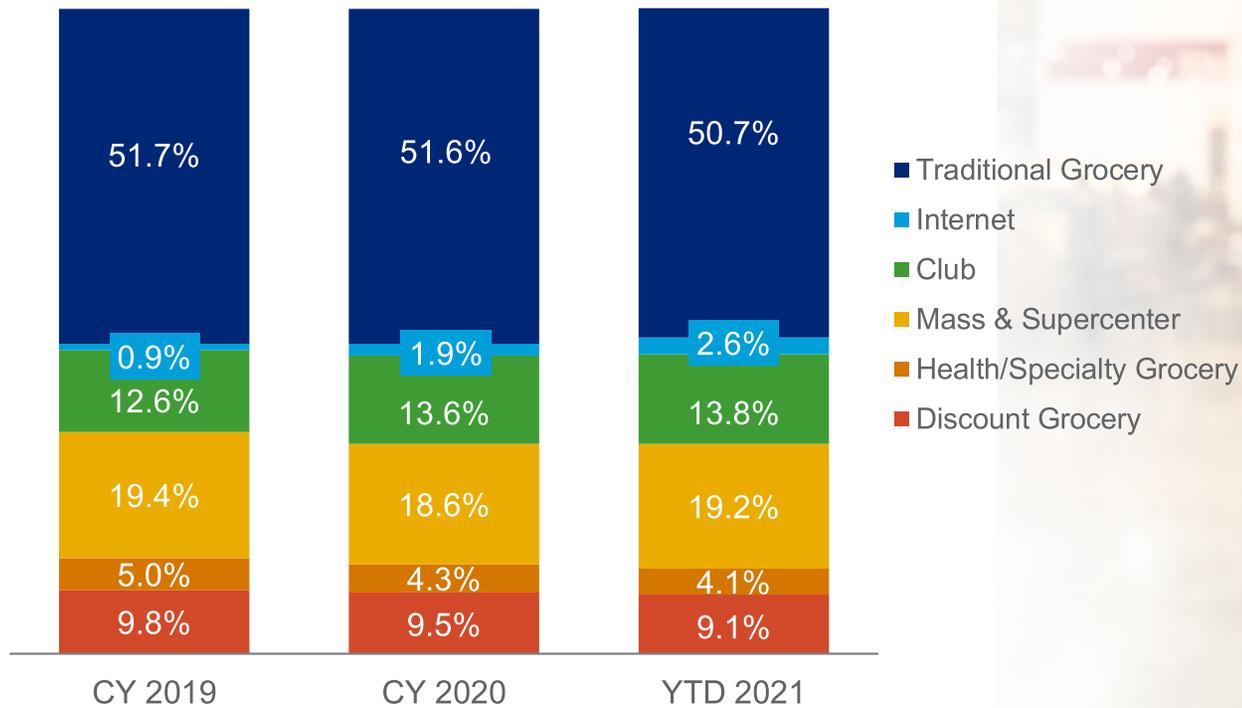
## Within Retail, Food & Beverage Shoppers Are Still Trending Up in Trip Frequency

Food and Beverage All Outlet Trips and Dollars/Trip



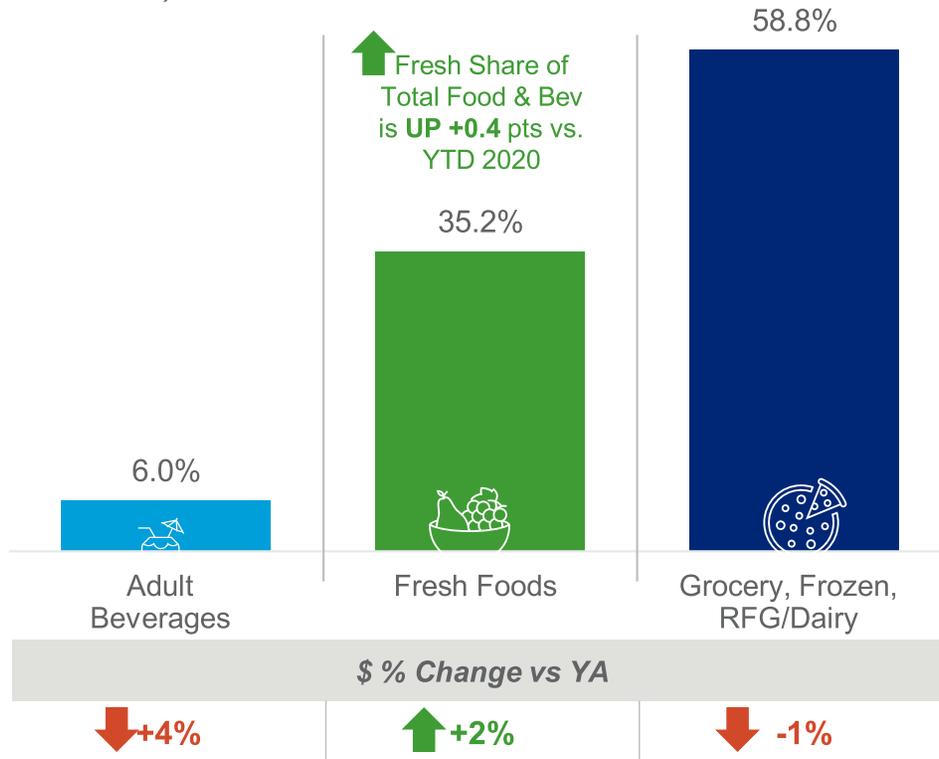
## Focusing in on Fresh, There Have Been Share Shifts Across Channels with Club and Online Winning Share vs. 2019

Total Fresh Foods (RW + FW) Dollar Sales Share by Channel



# Although Several Departments Realized Declines from 2020 Highs, Food and Beverage Remains Highly Elevated from 2019, While Fresh is Gaining Share

Dollar Share, YTD 9/5/2021

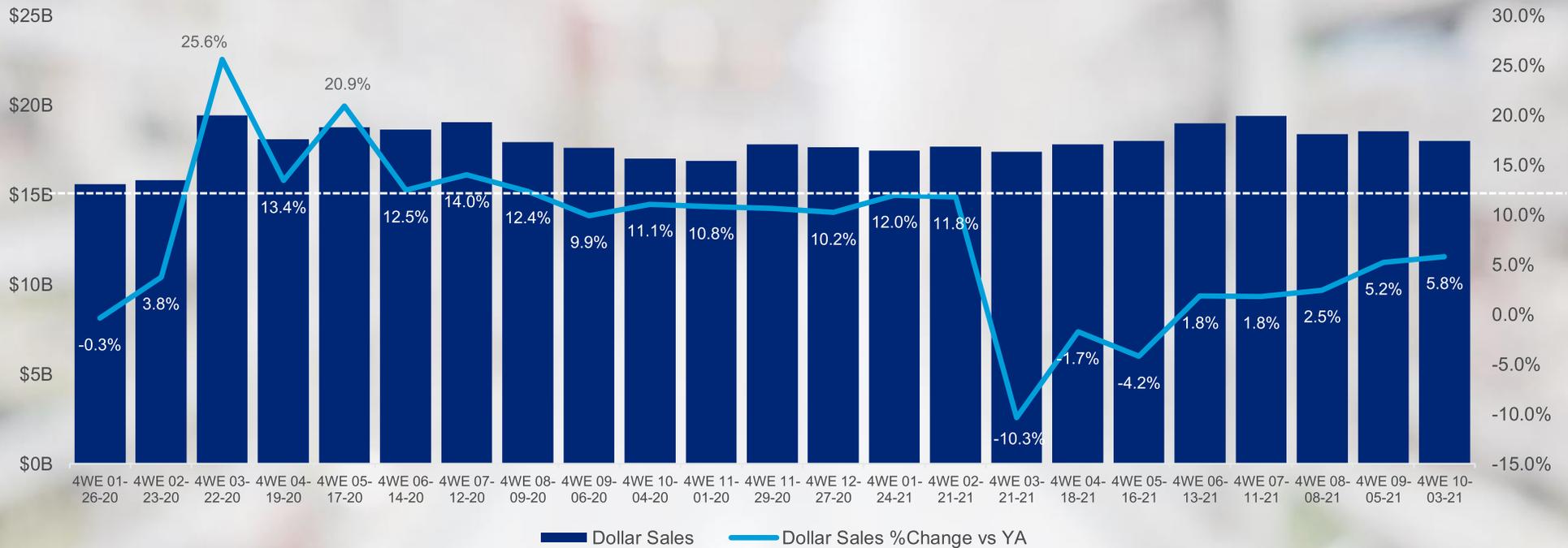


Dollar Sales % Change  
(Sorted Top to Bottom by Total \$ Sales)

	YTD vs YA	YTD vs 2 YA
General Food	-3.0%	+12.1%
Beverages	+6.3%	+19.4%
Meat	-2.6%	+17.7%
Produce	+1.5%	+13.2%
Refrigerated	-2.5%	+12.7%
Frozen	-0.5%	+22.5%
Adult Beverage	-3.7%	+14.5%
Deli & Prep Foods	+10.2%	+11.9%
Bakery	+3.6%	+10.6%
Seafood	+5.7%	+32.2%

# Fresh Share of Food and Beverage is Driven by Continued Strong Sales Above Pre-Pandemic and Even Stronger than 2020 Throughout Much of 2021 YTD

Integrated Fresh: Fresh Foods Departments / Dollar Sales and % Change vs. YA



Source: IRI Unify, Integrated Fresh, Fresh foods includes Produce, Meat, Deli, Baked Goods and Seafood, Total US Multi Outlet, Latest Data Ending 10/03/2021. White dashed line represents pre-pandemic 4-week sales avg

© 2021 Information Resources Inc. (IRI). Confidential and Proprietary.

The Pandemic  
Saw Shoppers  
Turning to Fresh  
for Staples

However,  
in 2021, they  
Turned More  
Frequently for  
Conveniences  
& Celebrations

**2019**  
**Top 5 Growing  
Perishables Categories**

Fresh Snacking / Salad Vegetables
Perimeter Pastry / Danish / Coffee Cakes
Fresh Cooking Vegetables
Beef
Chicken

**2020**  
**Top 5 Growing  
Fresh Categories**

Fresh Common Fruit
Fresh Snacking / Salad Vegetables
Fresh Root Vegetables
Beef
Fresh Cooking Vegetables

**YTD 2021**  
**Top 5 Growing  
Fresh Categories**

Deli Salads
Perimeter Cakes
Prepared Meals & Sides
Deli Soups & Chili
Perimeter Donuts



## We Have Seen Economic Conditions Impacting Price Across Fresh Foods, Although Many Staples Have Held Stable Pricing

*Perishables Average Retail Price per Unit*      **+3.6%**      **+\$0.12**

### YOY Price Increases Higher Than Average

- Produce Juices
- Herbs
- Bacon
- Salads/Leafy Greens
- Pork
- Shellfish
- Beef
- Chicken

### Perishables With Price Held Firm YOY

- Frankfurters
- Cottage Cheese
- Refrigerated Salad Dressing
- Butter / Margarine / Spreads
- Dairy Processed Cheese
- Perimeter Brownies / Squares / Bars



## With Supply Chain Constraints and High Demand, We Have Seen Decreased Promotions

### Fresh Foods with Decreased Share of Volume Sold on Price Discount

- Beef
- Bacon
- Prepared Meals and Sides (Meat Dept)
- Produce Mixed Fruits
- Refrigerated Cheese Snack Kits
- Fin Fish
- Shellfish

## Premiumization and Affordability Are More Than Price

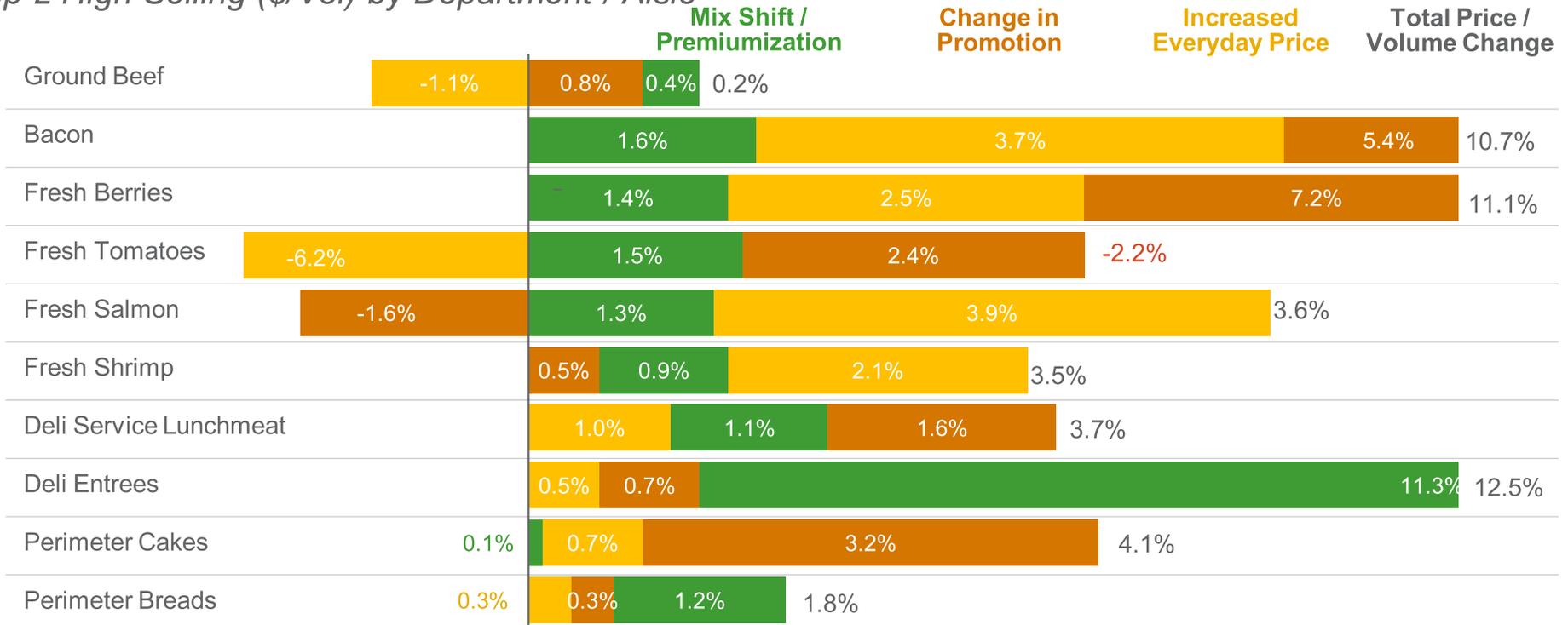


Consumers will spend on more expensive items if they provide value to their families (larger **size** to feed many)... and/or to **reward** themselves or **impress** others, and/or they **trust** the product attributes or brand, and if they **perceive** it is cheaper than alternatives in store or out-of-the-home

*The Dance  
Between  
Affordability and  
Premiumization  
is Important  
to Monitor  
and Continually  
Evaluate in  
Order to Stay  
in Step with  
Shopper's Needs*

# Fresh is Realizing a Combo of Growth Drivers; Basics like Ground Beef & Tomatoes Are Suffering from Increased Pricing; Demand & Premiumization Are Still Strong

Top 2 High Selling (\$/Vol) by Department / Aisle

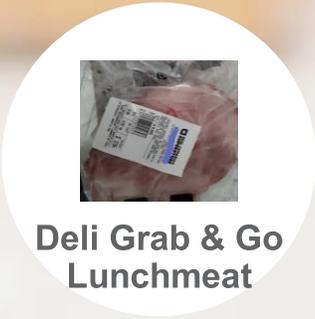


Note: Everyday price at item level. Promos include promo freq & depth (driven by freq.). Mix shift refers to difference in product mix vs. YA, driven by shifts to more premium brands (positive effect) countering shift to larger pack sizes (negative effect).



# Especially When it Comes to Convenience and Premium in Fresh, Shoppers Are Willing to Pay Extra in Fresh Foods

Fresh Foods Where Volume Growth is **Outpacing** Price Increases



# Many Premium Fresh Foods Outperformed Total Meat or Protein Averages and Are Maintaining

\$ % Change

## Crab



**2020: +66% vs YA**  
**YTD 2021: +1% vs YA**

## Lobster



**2020: +56% vs YA**  
**YTD 2021: +2% vs YA**

## Prime Beef



**2020: +52% vs YA**  
**YTD 2021: +28% vs YA**

## Specialty Cheese



**2020: +19% vs YA**  
**YTD 2021: +4% vs YA**

## Bakery Cheesecakes



**2020: +14% vs YA**  
**YTD 2021: +21% vs YA**

## Specialty Fruit



**2020: +12% vs YA**  
**YTD 2021: +22% vs YA**



# Sustainability Claims and Other Product Benefits Continue to Increase Across Fresh – Faster Than Their Parent Category

\$ % Change

**Organic** (Produce)



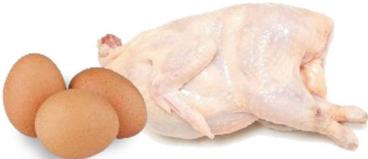
**100% Grass Fed** (Meat, Milk)



**Farm Raised** (Eggs, Meat)



**Humane** (Seafood, Fresh Eggs & Poultry)



**Filler Free** (Frankfurters & Processed Poultry)



**62%**

say sustainability is important when it comes to choosing which products to buy



**Premiumization and affordability in fresh foods are currently in a dance...**

**...increasingly, among even the most economically challenged shoppers.**

# Changes In Spending Power Have Been Happening Outside of the Past Year – Lower Income Households Now Make Up 23% and Growing

2021 Share of Dollars in Fresh and Change vs. 2019

## Low Income



23.1%

+0.6pts

## Middle Income



38.5%

0.0pts

## High Income



38.4%

-0.6pts





Changes in  
Government  
Assistance  
Programs  
Bring Dollars  
to Shoppers

20%

of shoppers said their financial situation was at least *a little worse off than prior year*

26%

of shoppers said they planned to *use government assistance money for groceries*, second only to “pay mortgage / rent” as plans for funds

Eviction Ban Lifted

Nutrition Benefits Expansion (SNAP)

Student Loan Payment Pause

Enhanced Child Tax Credit

**All economic factors will impact consumer choices.**

**To keep fresh in their basket, it will be important to address the needs of your shoppers.**



# Lower Income Households Are Driving Growth Across Each Fresh Department, Spending More on Each Trip Especially in Deli and Seafood

*Low Income Household Fresh Department Behavior Driver*



**Meat**



**Produce**



**Deli**



**Bakery**



**Seafood**

	Meat	Produce	Deli	Bakery	Seafood
<b>\$ % Change</b>	Green	Green	Green	Green	Green
<b>% HH Buying</b>	Red	Red	White	White	Green
<b>\$ Per Trip</b>	Green	Green	Green	Green	Green
<b>Trips Per Buyer</b>	Red	White	Green	White	Green
<b>Units Per Trip</b>	White	White	Green	White	White
<b>Dollars Per Unit</b>	Green	Green	Green	Green	Green

# Younger Lower Income HHs Are Looking For Convenience and Specialty, While Boomers Look For Prepared Solutions and Seniors Cooking Components

*What Different Generations of Low-Income Shoppers Buy in Fresh Differently*



Meat / Cheese / Cracker Kits  
 Prepared Meals & Sides  
 Chicken Breast  
 Rw Specialty Cakes  
 Tropical / Specialty Fruit  
 Deli Entertaining  
 Specialty Cheese



Beef Ingredient Cuts  
 Deli Pizza / Entrees  
 Steak  
 Packaged Lunchmeat  
 Ground Beef  
 Chicken Breast  
 Perimeter Cakes



Deli Salads  
 Deli Prepared Meats  
 Stone Fruit  
 Deli Service Lunchmeat  
 Melons  
 Shellfish  
 Morning Bakery



Bananas  
 Tomatoes  
 Finfish  
 Root Vegetables  
 Perimeter Breads / Rolls  
 Citrus Fruits  
 Pork Chops

## Don't Assume Low Income Only Buys Low

*At Retail, Its About the Experiences, and Sometimes Premiumization is a Value Driver*

- Special occasions
- Alleviate boredom
- Quality and value of at-home versus out-of-home
- More food savvy shoppers





**Value is  
Beyond Price:  
Winning  
Strategies  
Across Fresh**



## Value is About Price Competitiveness, But Also Convenience, Occasion and Needs

*IRI analyzed millions of HH grocery shopping behaviors in 2021 and uncovered three examples that help set a new strategy for winning in Fresh when its more competitive than ever.*



### **Most Valuable Players (MVPs)**

*What Fresh products have the highest percentage of baskets. They most often appeal to a wide range of people.*



### **Winning Differentiators**

*Which areas of fresh are gaining sales the fastest in 2021, but not widely distributed. These are examples of where to set yourself apart with a specific set of shoppers.*



### **Winning the Mission**

*There are common “must-haves” at specific times or situations for shoppers. But what else do you need to “get right” in the store based on what is commonly bought with it?*

# The 2021 MVP “Most Valuable Player” Areas Within Fresh Departments



## These Fresh Foods Appear Most Frequently and Are Also Being Bought More Often Than Pre-Pandemic

**The Usual Suspects** – price right to show value *more than 10% of all grocery baskets include:*

- Fresh Bananas
- Center-Store Sandwich Bread
- Fresh Berries
- Fresh Tomatoes
- Ground Beef
- Fresh Onions
- Fresh Lettuce

**Increasing Importance** – tout price advantages – highest growth rate in % of baskets YOY ~ 1 % Pt:

- Bagels / Bialys
- Deli Service American Cheese
- Fresh Cucumbers
- Perimeter Specialty Breads
- Deli Sushi
- Fresh Peppers

**Produce’s Role in Price** – *Appears on both basket penetration and growth:*

- **Fresh Bananas**
- **Fresh Berries**
- **Fresh Tomatoes**
- **Fresh Lettuce**

## OPPORTUNITY

Have the most frequent basket items as price indicators; ensure the fresh items that appear in most baskets are priced right, either with promotions or everyday

## Winning Fresh Differentiators: High Growth Areas in Fresh with Limited Distribution



**Capitalize Upon Drive, Beyond Price  
These Products Are Selling More Often, Yet Are Not in Every Store**

**Highest Volume Increases in 2021  
With Distribution in Only 66% of Stores or Less:**

Perimeter Bakery Snack Cakes

Seafood Deli Entrees

Cooking Meal Kits

Grab & Go Deli Meat in Beef, Chicken or Salami

Filled Croissants (Perimeter & Aisle)

### **OPPORTUNITY**

Understand what really sets you apart – what you carry that others do not in fresh – and utilize this in driving value beyond price to your shoppers. Watching trends and evolving are the keys to differentiation.

# Leveraging Fresh to Win the Mission That Shoppers Embrace



Categories / Areas to Win the Occasion / Mission Are Possible  
With Digital Deals, QR Code Recipes and Online Basket Benefit Specials

## Subcategories More Likely to be in the Basket with these Fresh Missions

### Win the Summer Celebration

Perimeter Sheet Cakes in June



### Win Premium Meals for Specific Shoppers

Seafood Making Millennials



### Win the Winter Holiday

Whole Turkey/Breasts Nov./Dec.



## OPPORTUNITY

Shoppers want a reason to buy multiple things from your store vs. multiple stops – creating solutions, not silos with both price and idea incentives to help capture bigger baskets.



## Anchor Spring Promotions in the Bakery

*Celebration Sheet Cakes Are a Trigger for Bigger Baskets – Deals Across Departments*

*What subcategories were 1.5x or more likely to be in the basket with Perimeter Sheet Cakes last June?*

- **Deli:** Deli Trays & Deli Sandwiches
- **Produce:** Party Trays, Cut Fruit Mixes, Cut Veg Mixes
- **Bakery:** Perimeter Cookies & Brownies
- **Grocery:** Shelf-Stable Juices, Baking Needs, Ice Cream Cones
- **Frozen:** Frozen Meat, Ice Cream / Sherbet
- **Meat / Seafood:** Fresh Shellfish, Frankfurters

Perimeter Sheet Cakes are 31% of the June baskets they're in.  
Keep sales by incenting party shoppers to spend across  
the store via promotion or signage.



## Connect New Main Meal Hosts with Savings Across the Store

*Why offer promotions in Meat alone on holiday turkeys and hams when a bigger basket is to be had?*



*What subcategories were 3x or more likely to be in the basket with Turkey and Smoked Ham last November and December?*

- **Grocery:** Stuffing Mixes, Canned / Bottled Fruit, Salad Toppings / Croutons, Marshmallows, Gravy / Sauce Mixes, Shelf-Stable Vegetables, Gelatin / Pudding Mixes, Instant Potatoes
- **Frozen:** Frozen Pies, Frozen Dessert Toppings, Frozen Sauce / Gravy / Marinades, Prepared Frozen Vegetables
- The only fresh items with **high likelihood to be bought with Holiday Fresh Meats** are: Produce Root Veg (Potatoes / Yams) and Breakfast Sausage

2020 saw a record number of first-time holiday hosts, yet few purchase from fresh departments beyond meat in that trip. There is an opportunity to premium-ize baskets with fresh incentives.





## Understand How Premium, Younger Shopper Baskets Differ

*Millennials Drove Premium Experiences, Especially Around Gatherings and Special Meals in 2020*

*What do Millennials buy when they purchase Specialty Cheese and Seafood that is different from older generations?*

### **Specialty Cheese (FW/RW) Charcuterie-Style Solutions**

- Deli Pre-Sliced (UPC) Lunchmeat
- Fresh Perimeter Tortillas / Wraps
- Fresh RFG Salad Dressings
- Baking Nuts
- Pasta
- Dried Fruit

### **Fresh Seafood (FW/RW) Elevated Dinner with Many Meats**

- Fresh Lamb
- Stuffed Vegetables
- Fowl / Exotic Meats
- Fresh Brussels Sprouts, Broccoli & Cauliflower
- Deli Spreads (like Hummus)
- Fresh Perimeter English Muffins

Millennials are less impacted by price-discount than Gen X or Boomers. As trip frequency and mobility expand, opportunity to understand today's shoppers aren't like their predecessors to keep them engaged.



# The Top Trends in Fresh



## Understand Economic Impact on Consumers

*With constantly shifting market dynamics it's more important than ever to understand the dance between premiumization and affordability and provide consumers Fresh options*

### Adapt to Shifting Consumer Needs

*Shoppers are looking for Fresh solutions to meet a variety of occasions. Buying behavior is in a constant flux of change and through understanding needs we can have the right products available at the right time*

### Solutions Not Silos

*Cooking fatigue is real. Meet consumers where they are at with solutions to the meal and occasions to create excitement and engagement for years to come*

### Fresh Creates Excitement

*Engage with shoppers looking for experiences and create reasons, through merchandising to bring people together for a celebration, especially for products like specialty cheese and bakery desserts that can make the everyday special*

# questions & answers



# The Top Trends in Fresh Series 2021

Opportunities for Sustainability-Minded Consumers

Top Trends in Fresh Health & Wellness

The Role of Perishables in a Pandemic



# how did **we do?**

Your feedback is important.

Please complete a brief survey  
so we can continue to improve.

# thank you!

**Sally Lyons Wyatt**  
Sally.LyonsWyatt@IRIworldwide.com

**Jonna Parker**  
Jonna.Parker@IRIworldwide.com





# CONTACT US FOR MORE INFORMATION

## **IRI Global Headquarters**

203 N. LaSalle St., Suite 1500

Chicago, IL 60601

[IRI@IRIworldwide.com](mailto:IRI@IRIworldwide.com)

+1 312.726.1221

*Follow IRI on Twitter: [@IRIworldwide](https://twitter.com/IRIworldwide)*

