Top Trends in Fresh – Webinar 5 of 5

PREPARED FOOD, HYPERLOCALIZATION & NEW SUPPLY CHAINS

Chris DuBois, SVP, IRI Strategic Accounts
Jonna Parker, Principal, IRI Fresh Center of Excellence

January 2019
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, wholesalers 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, Assortments
- Bakery
- Floral

Rick Stein
Vice President, Fresh Foods
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FMI Fresh Foods

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 Executive Committee (FEC)

The FEC is Comprised of FMI Member companies, Retailers and Wholesalers

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
Lancaster Foods, LLC

Alex Corbishley
Target Corporation

Buddy Jones
MDI Distributors

Dan Koch
Associated Wholesale Grocers, Inc.

Brett Bremser
Hy-Vee

John Haggerty
Burris Logistics

Mark Hilton
Harris Teeter LLC

Geoff Wexler
Wakefern Food Corporation

Dan Murphy
SuperValu

Pat Pessotto
Longo Brothers Fruit Markets Inc.

Nick Carlino
MDI Distributors

Jerry Suter
Meijer, Inc.

Geoff Waldau
Food Lion

John Grimes
Weis Markets

Richard Cashion
Healthy Home Market

Shana DeSmit
Walmart

Mark Doiron
Fresh Thyme

Jim Lemke
CH Robinson Fresh

Steve Howard
Bristol Farms/Lazy Acres

Emily Coborn
Coborns

Jerry Goldsmith
Spartan Nash

Mike Papaleo
C&S Wholesalers

Pat Brown
Albertsons LLC

Terry Murphy
Wakefern

Scott Evans
Price Chopper/Mkt 32

Nicole Wegman*
Wegmans Food Markets, Inc.

* Silent members
## FMI Fresh Foods Leadership Council

<table>
<thead>
<tr>
<th>Name</th>
<th>Position/Company</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>Bridget Wasser</td>
<td>National Cattleman's Beef Association</td>
</tr>
<tr>
<td>Sarah Schmansky</td>
<td>Nielsen Perishables Group</td>
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<tr>
<td>Paul Mastronardi</td>
<td>Mastronardi Produce</td>
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<tr>
<td>David Sherrod</td>
<td>SE Produce Council</td>
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<tr>
<td>Jeff Oberman</td>
<td>United Fresh Produce Assoc.</td>
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<tr>
<td>Janet Riley</td>
<td>North American Meat Institute</td>
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<td>Galit Feinreich</td>
<td>Ready Pac Foods, Inc.</td>
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<tr>
<td>Tom Super</td>
<td>National Chicken Council</td>
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<tr>
<td>Patrick Fleming</td>
<td>National Pork Board</td>
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<tr>
<td>Joe Watson</td>
<td>Produce Marketing Assoc.</td>
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<td>Joe Weber</td>
<td>Smithfield Foods Inc.</td>
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<td>Art Yerecic</td>
<td>Yerecic Label</td>
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<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>
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<tr>
<td>Jim Huston</td>
<td>Johnsonville</td>
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<tr>
<td>Chad Gregory</td>
<td>United Egg Producers</td>
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<tr>
<td>Joe DePetrillo</td>
<td>Earthbound/White Wave</td>
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<tr>
<td>Shawna Lemke</td>
<td>Monsanto</td>
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<tr>
<td>John Knorr</td>
<td>Phillips Seafood</td>
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<tr>
<td>Mike Celani</td>
<td>Wonderful</td>
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<tr>
<td>Chandra Macleod</td>
<td>Aqua Star Seafood</td>
</tr>
<tr>
<td>Jeff Thompson</td>
<td>Trident Seafood</td>
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<tr>
<td>Emily Blair</td>
<td>Miliken</td>
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<tr>
<td>John Dunne</td>
<td>Acosta</td>
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<tr>
<td>Scott Aakre</td>
<td>Hormel Foods</td>
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<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>Tom Windish</td>
<td>Cargill</td>
</tr>
</tbody>
</table>
TODAY’S DISCUSSION:

Total Store Performance

2018 Year In Review
Total Store Sales Continue to Grow

**TOTAL STORE SALES**

$793B

$33B vs. 3 years ago

**TOTAL FRESH PERIMETER**

$178B

$6.8B vs. 3 years ago

60% of perimeter 3-year dollar growth came from the **Produce** department

**Bakery** (19%) and **Deli Prepared** (15%) came in distant 2nd and 3rd while **Meat** saw a -1% 3-year sales loss

Source: Total Store View + Perimeter Market Advantage, MULO 52-weeks ending 10-7-18

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Fresh Perimeter Growth Slow Down in Recent Years While Edibles Heats Up

Sales Change vs. Prior Year By Period

Source: Total Store View + Perimeter Market Advantage, MULO 52-weeks ending 10-7-18, Perimeter includes both FW/RW definition Sales change vs. Prior year by period

© 2019 Information Resources Inc. (IRI). Confidential and Proprietary.
The Fresh Perimeter Departments Make Up a Quarter of Food & Beverage MULO Sales Driven by Produce and Meat

Legend:
Dollar Sales
+ indicates more than 2% growth vs. year ago

Source: Dollar Sales, IRI Total Store View + Perimeter Market Advantage, 52 weeks ending Oct 7, 2018 vs. Year Ago; © 2019 Information Resources Inc. (IRI). Confidential and Proprietary.
Center Store Food Departments Experiencing Both Dollar and Unit Growth, Unlike Most Perimeter Departments

<table>
<thead>
<tr>
<th>Department</th>
<th>$ % CHG VS. YAGO</th>
<th>UNIT % CHG VS. YAGO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EDIBLES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beverages</td>
<td>2.8%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Frozen</td>
<td>3.0%</td>
<td>1.8%</td>
</tr>
<tr>
<td>General Food</td>
<td>1.4%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Liquor</td>
<td>2.5%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Refrigerated</td>
<td>3.4%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Dairy</td>
<td>1.3%</td>
<td>-0.9%</td>
</tr>
<tr>
<td><strong>PERIMETER</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bakery</td>
<td>1.1%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Deli Cheese</td>
<td>-0.2%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Deli Meat</td>
<td>-0.1%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Deli Prepared</td>
<td>2.1%</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Produce</td>
<td>1.0%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Seafood</td>
<td>2.5%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Meat</td>
<td>1.6%</td>
<td>-0.1%</td>
</tr>
</tbody>
</table>

Source: Total Store View + Perimeter Market Advantage, MULO 52-weeks ending 10-7-18
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Perimeter Sales Particularly Struggling to Grow in Great Lakes; New England Center-Store Edibles Are Also Slow in These Regions, But Outpacing Sluggish Fresh

Source: Dollar Sales, IRI Total Store View + Perimeter Market Advantage, 52 weeks ending October 7, 2018 vs. Year Ago

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The Canary in the Coal Mine? 
In 2018 Produce Slow Down is Even Greater than Total Fresh Perimeter

<table>
<thead>
<tr>
<th>Year</th>
<th>PERIMETER</th>
<th>PRODUCE DEPT</th>
<th>CENTER-STORE EDIBLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>5.0%</td>
<td>4.2%</td>
<td>2.4%</td>
</tr>
<tr>
<td>2015</td>
<td>4.5%</td>
<td>3.9%</td>
<td>2.2%</td>
</tr>
<tr>
<td>2016</td>
<td>3.7%</td>
<td>3.7%</td>
<td>1.1%</td>
</tr>
<tr>
<td>2017</td>
<td>1.9%</td>
<td>1.7%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Latest 52 Weeks</td>
<td>2.0%</td>
<td>1.5%</td>
<td>1.1%</td>
</tr>
<tr>
<td>YTD 2018</td>
<td>2.1%</td>
<td>1.3%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

Source: Total Store View + Perimeter Market Advantage, MULO 52-weeks ending 10-7-18, Perimeter includes both FW/RW definition Sales change vs. Prior year by period

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Fresh Cross-Store Competition for Sales is Real as Consumers Seek Solutions

How likely are similar fresh and frozen items to be bought in the SAME trip?

3.0x

More Likely that Fresh Vegetable Trips Will Also Include Frozen Vegetables

Frozen Vegetables +2.8%
Dollar Sales Change vs. Year Ago

Fresh Vegetables +1.8%
Dollar Sales Change vs. Year Ago

Source: IRI Shopper Loyalty data for Total Store View + Perimeter 52 weeks ending 10-8-18
Frozen Vegetables are Growing by Drawing New Buyers and Getting Existing Buyers to Spend More – Especially Millennials

Dollar Impact Waterfall – Frozen Vegetables
Latest 52 Weeks Ending 10-07-18 – All Households

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Period 1 Dollars</th>
<th>Dollars, Lost Buyers</th>
<th>Dollars, New Buyers</th>
<th>New Dollars, Retained Buyers</th>
<th>Total Period 2 Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>new Frozen Vegetable buyers spent</td>
<td>1.6x more than Lost Buyers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Among Millennial shoppers (born 1981-1996) – New Frozen Veg Buyers spent more than 2x lost buyers
Retained buyers spent 15% more than prior year

Source: IRI Shopper Loyalty data for Total Store View + Perimeter 52 weeks ending 10-8-18
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Fresh Challenges are More Complex Than Ever

Increased Competition
Lack of Change
Operational Challenges
Price Pressures
Shifting Consumer Needs
Fresh Prepared
Across Perimeter, Consumers are Voting With Their Dollars for More Convenience

Consumers Seek Step-Saving Solutions While Retailers and Suppliers Seek to Meet Their Needs – But Are We Really Satisfying Every Step of the Journey to Eat Fresh?

- **Fresh Whole**
  - $105B
  - Traditional commodity: Requires consumer to prepare, assemble and/or cook to their own taste and needs

- **Added Value**
  - $17B
  - Have at least one step removed from preparation but still isolated from other foods

- **Meal Kits**
  - $56M
  - Packages components together with a recipe or assembly instructions

- **Fresh Prepared**
  - $12B
  - Completed prepared – little to no work necessary

23% of prepared trips also include fresh whole commodities

Source: IRI Fresh COE Custom Analysis from Total Store View + Perimeter Market Advantage, MULO 52-weeks ending 6-17-18; excludes Perimeter Bakery and Peripherals

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Sold in the fresh departments – most often deli
Already cooked- heat or ready to eat
Called either prepared foods or retail foodservice
Includes entrees, sides, sandwiches, appetizers, combo meals and more
Sold hot or cold – UPC and non-UPC
Excludes packaged refrigerated meals and sides sold branded in meat, produce or dairy. Also excludes “groceraunts” or franchise with separate register systems

$12.4B
Retail Foodservice Has Added an Additional $2.4 Billion in Sales Since 2013

Retail Foodservice Annual Sales Trends (in Millions)
Dollar Sales Growth vs. Prior Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Dollar Sales</th>
<th>Unit Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$9,995</td>
<td>1,990</td>
</tr>
<tr>
<td>2014</td>
<td>$10,550</td>
<td>2,094</td>
</tr>
<tr>
<td>2015</td>
<td>$11,459</td>
<td>2,217</td>
</tr>
<tr>
<td>2016</td>
<td>$11,952</td>
<td>2,288</td>
</tr>
<tr>
<td>2017</td>
<td>$12,149</td>
<td>2,259</td>
</tr>
<tr>
<td>52 Wks ending 8-12-18</td>
<td>$12,379</td>
<td>2,236</td>
</tr>
</tbody>
</table>

Source: IRI Total Store View + Perimeter, 52 weeks ending 8/12/18
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Softening of Behind the Glass

Deli Expansion

Competition from Delivery & QSR

Premium = Mainstream

Slower Trajectory Driven by Deli Market Maturity and Competition Increases
Growth Slowdown in the Plains and Great Lakes, but the South and Northeast Remain Retail Foodservice Powerhouses

Measures Show % Dollar Sales Change
Dollar Velocity ($/MM ACV in thousands)

Source: IRI Total Store View + Perimeter, 52 weeks ending 11/4/18
But they notice the lack of change and innovation in prepared foods menus even at top-performing retailers.

“I loved (destination supermarket) when it first opened by me. But it’s been five years and they offer the same meals”
- Great Lakes Consumer

68% of consumers surveyed said prepared foods are more important to them than last year.
Smaller Meals and Snacks are Driving High Growth for Prepared Foods / Foodservice

Total Retail Food Service

$12.4B

% Dollar Change

2.2%

$5.3B +2.1%
Entrees & Prepared Meats

$1.8B -1.4%
Salads

$1.7B +11.0%
Appetizers

$1.7B +1.6%
Sandwiches

$412M +0.3%
Sides

$338M +0.8%
Trays

$298M +10.9%
Dips & Sauces

$228M +4.9%
Soups

Source: IRI Total Store View + Perimeter, Retail Foodservice by Category, Dips & Trays RW Only, 52 weeks ending 11/4/18
Within Each Category, There are Pockets of Strong Growth

- Appetizer Trays: +25%
- Breakfast Sandwiches: +23%
- Vegetable Entrees: +20%
- Holiday Meals: +17%
- Guacamole Dips: +17%
- Chicken Appetizers: +13%
- Vegetable Appetizers: +12%
- Hot Sandwiches: +6%

Source: IRI Total Store View + Perimeter, Retail Foodservice by Subcategory with at least 25% ACV Distribution, 52 weeks ending 11/4/18
What drove the retail food service explosion? Households have changed…

- **1950**
  - 55% Couples w/Kids
  - 23% Couples w/o Kids
  - 9% Singles Living Alone

- **NOW**
  - 29% Couples w/Kids
  - 32% Couples w/o Kids
  - 26% Singles Living Alone

Source: U.S. Census Bureau, Popstats, 2018
Fueling High Engagement With Retail Food Service

Fresh Prepared Foods / Retail Food Service

HOUSEHOLD PENETRATION

79.4%

1 %
vs. prior year

TRIPS ANNUALLY

11.7

AVG $ PER HH ANNUALLY

$130.74

83%

are REPEAT buyers of fresh prepared foods

SPENDING PER TRIP

$11.21

SPENT REST OF STORE

$37.31

If 10% of shoppers made just 1 more fresh prepared buying trip, it would be worth:

$109MM to the department

$366MM to the store

Source: Household Panel data UPC + RW Reference Guide. All Outlets 52 weeks ending 7/27/18
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Fresh Prepared Foods / Retail Food Service is Offered Across Retail Formats – Increasingly Enticing Shoppers

% of US Households Who Have Purchased Fresh Prepared Foods at Different Retail Channels

- Grocery Supermarkets: 61.5%
- Specialty Stores: 32.7%
- Mass/Supercenter: 20.9%
- Warehouse Club: 20.3%
- Convenience/Gas: 8.9%
- Other (Drug, Dollar, Limited Assst): 5.1%
- Internet: 1.5%

Source: Household Panel data UPC + RW Reference Guide. All Outlets 52 weeks ending 7/27/18
Who is More Likely to Spend More on Prepared Foods / Retail Foodservice?

Households with Above Average Dollars Per Buyer

All U.S. Households Buy Retail Food Service Items, But Spending Varies

<table>
<thead>
<tr>
<th>HH $ / Buyer vs. U.S.</th>
<th>+&gt;$30</th>
<th>+$15-29</th>
<th>+$10-14</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Group</th>
<th>HH $ / Buyer vs. U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males 65+</td>
<td>+&gt;$30</td>
</tr>
<tr>
<td>Mixed/Other Race</td>
<td>+$15-29</td>
</tr>
<tr>
<td>Asian</td>
<td>+$10-14</td>
</tr>
<tr>
<td>65+ Couples</td>
<td></td>
</tr>
<tr>
<td>Head of Household 55-64</td>
<td>++$30</td>
</tr>
<tr>
<td>Unemployed</td>
<td>+$15-29</td>
</tr>
<tr>
<td>Females 65+</td>
<td>+$10-14</td>
</tr>
<tr>
<td>Single Males</td>
<td></td>
</tr>
<tr>
<td>Female 65+</td>
<td>++$30</td>
</tr>
<tr>
<td>African American</td>
<td>+$15-29</td>
</tr>
<tr>
<td>Urban (A) Counties</td>
<td>+$10-14</td>
</tr>
<tr>
<td>Older Boomers</td>
<td></td>
</tr>
<tr>
<td>Ed = Post Graduate School</td>
<td>++$30</td>
</tr>
<tr>
<td>Retirees</td>
<td>+$15-29</td>
</tr>
<tr>
<td>Upper Income Per Capita</td>
<td>+$10-14</td>
</tr>
<tr>
<td>Acculturated Hispanics</td>
<td></td>
</tr>
<tr>
<td>Clerical Employees</td>
<td></td>
</tr>
<tr>
<td>2 Person HHs</td>
<td>++$30</td>
</tr>
<tr>
<td>HHs without Children</td>
<td>+$15-29</td>
</tr>
<tr>
<td>Source: HH Panel data UPC + RW Reference Guide. All Outlets 52 weeks ending 7/29/18, dollars spent on fresh prepared foods (RW+FW) per HH average</td>
<td></td>
</tr>
</tbody>
</table>
Who Spends Less Than the National Average per Household?

Households with Above Average Dollars Per Buyer

All U.S. Households Buy Retail Food Service Items, But Spending Varies

HH $ / Buyer vs. U.S.  
> -$25  +$15-29  +$10-14

- Male 18-34
- HH w Young Children
- HHs with Children
- Youngest Child >5
- Younger Millennial
- 5+ Person HHs
- Rural (D) Counties
- Female Employed FT
- Females 35-44
- Lower Income per Capita
- Older Millennial
- Small (C) Counties
- Single Females
- HHs with Older Children (12-17)
- Younger Child 6-11
- Female 18-34
- HOH Age 35-44
- Young Singles
- Single Females

Source: HH Panel data UPC + RW Reference Guide. All Outlets 52 weeks ending 7/29/18, dollars spent on fresh prepared foods (RW+FW) per HH average

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Growth Lies in Engaging Younger Households

Are younger consumers finding fresh prepared / retail food service options for them?

- Transparency
- Healthy Functional Ingredients
- Taste Exploration
- Something for Each Family Member
Other Industries Focusing on the **WHY**, More Than the **HOW**

Frozen Meals Industry Sales are up **4%** this year – Triple the Growth of the Past Two Years

Changes Made to Better Connect with Consumer Wants, Needs, Lifestyles

$49.3MM Year 1 Sales ★ 2017 New Product Pacesetter

Quality

Nutritious

Convenient

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Cross-Store Competition for Sales is Real – Especially Among Younger Consumers Seeking Meals That Meet Their Lifestyle

Similar Deli Prepared / Retail Food Service Entrées trips are

1.9x more likely to also include Frozen Entrées

**MILLENNIAL** dollar sales of Frozen Entrees are up 9% more than prior year-double the general population. Are they not finding solutions from the deli?
Consumers Seek New Service Options in Fresh Foods Specifically

22% of Online Grocery Shoppers Said it Helped Them Stick to Their List & Avoid Impulse Purchases

36% of U.S. consumers
45% of Millennials

Want Fresh Foods as Part of Grocery In-Store Pick-Up

33% of U.S. consumers
44% of Millennials

“Delivery Innovations” have become much more important to fresh consumers vs. prior year survey

Source: IRI Fresh Foods Survey, 2018
Prepared / Food Service Items Could be a Basket Builder Online – But Isn’t Today

Search “SANDWICH” at Five Retailers With Grocery Delivery Programs & Well-Developed In-Store Sandwich Programs

**Mixed Results**

- 3 mentioned deli sandwiches
- 2 returned prepared sandwiches on the first results page
Growth in Fresh Prepared / Retail Food Service Lies Within:

- Strengthening “why buy” against competition both outside the store and within the store
- Bring excitement and uniqueness back – shake up stale assortment
- Better engagement with younger households – singles, couples and families
- Reconnect with the convenience of being adjacent to the rest of the store – both at bricks and clicks

Update On New Supply Chain and Localization
The Perimeter is Undergoing a Transformative Shift
Top Trends Update

Evolving From:

- New Supply Chains
- Hyper-Localization

To:

- Importance of Local
- Growing Anywhere
- Farmer Direct to Consumer
From Food as a Commodity…
…to Food for a Better Life
Shopping with a Different Mindset

Seeking connections with...

Land

Producers

Food as Medicine
Managing Uncertainty – Shopping with a Different Mindset

“ORGANIC – IS IT WORTH IT?”
Shopping with a Different Mindset

Social Consumption

➡️ Being Seen
➡️ Social Outlet
➡️ Experience
➡️ Treasure Hunt
Shopping with a Different Mindset

Expertise

→ Reflection of Choices
→ Social Distinction
→ Local Knowledge
The Rules Are Changing

FROM
Cost Control / Central Production

TO: Technology Innovation
The Rules Are Changing

FROM
Faceless Farmers

TO: Direct to Consumer
IMPORTANCE OF LOCAL
What Exactly is “Local”?

2 hour / 100 mile radius

State

Region

Source: IRI research, 2015 Power of Produce, IRI research; 210Analytics
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Local Can Be Regional

- Pacific Northwest: WA/OR dominated
- New England: Regional
- Texas: State Intra-State
Local is About Telling the Story of the Foods’ Origin

Signage can be local to the area….

…or help you feel the locale

Photo Source: HEB Central Market, Plano, TX- Sept 2018; Source: IRI Fresh Foods Survey, 2018
Consumers Remain Highly Interested in Local Fresh Foods

39%
“locally-sourced fresh fruits and vegetables are more important to me than last year”

30%
“locally-sourced fresh fruits and vegetables are the primary reason I choose where to shop”

21%
“locally-farmed meat and poultry are the primary reasons I choose where to shop”

Source: IRI Fresh Foods Survey, 2018
Deli Positioned as Local
Bakery Revolution

➔ New Formats
➔ Grind on Site
➔ Redefines Local
➔ Element of
➔ Theater

Source: Wegman’s company website
Why Consumers Shop Local

- 74% product freshness
- 68% support farmers
- 42% traveled fewer miles
- 48% Millennials – better nutritional value

Source: 210 Analytics proprietary survey among 1,500 shoppers, Feb 2018
Local is Table Stakes Now at Retail No Matter Where You Are in the U.S.

Wide Variety of Consumers and Reasons “Why Local”

- Transparency
- Freshness
- Help Community
- Small Personal Business
- Feel-Good Factor

Walmart Maryland
Hy-Vee Central Minnesota
Lidl Charlotte
GROWING ANYWHERE
Vertical Greenhouse Farming

- Urban; dense population centers
- High-ceiling buildings
- Infrastructure investment will increase significantly by 2025
- Growth at ~10% per year
**Vertical Farming**

- **50 - 120K square feet of space**
- **15-20 crop cycles per year**

→ **Focus on sustainability**

→ **High volume / high value products**
Japanese Innovation for Products Typically Imported

- 2.5-3k heads of lettuce produced / day
- 260,000 square meter profitable facility
- Expanding trials to 20 other vegetables
- Ability to modify tastes (bitterness) to consumer preferences

Source: FastCompany.com; “Vertical Farms Will Be Big, but for Whom?: 12/3/2014
Greenhouses

**BRIGHT FARMS**

- Local greenhouse operation
- Competes with Plenty and AeroFarms
- Private equity funding active in this space

Source: Company Web Site
In-Store

Metro stores in Germany and France growing herbs and other vegetables

- Uses 5 square meters
- Creates more intense flavors
- Transparency halo with consumers

Source: Metro Company Web Site
Behind the Store

- Four-level, vertical farm
- Retrofitted 53’ long shipping container
- Cost similar to other greens

Source: Company Web Site
FARMER DIRECT TO CONSUMER
Farmers Markets are Growing

Source: USDA-AMA Marketing Services Division
Community Supported Agriculture

A System in Which a Farm Operation is Supported by Shareholders Within the Community Who Share Both the Benefits and Risks of Food Production

4 CSA Models

- Joint risk sharing
- Varied flow of products
- Direct sales

Farmer managed
Shareholder/subscriber
Farmer cooperative
Farmer-shareholder cooperative
Consumer Interest in CSAs:
Focus is More on Community and Lifestyle, Rather Than Just Food

Conversations are Influenced by Local Advocacy Organizations

Marylanders are encouraged to join a Community Supported Agriculture farm to support local farmers ow.ly/ZgiRt @MDsBest

So, what is Community Supported Agriculture anyway? Learn the basics at our Local Farmer Open House this Saturday! on.fb.me/1LdmXL0

85% Positive 4% Mixed 11% Negative

Consumer Sentiment

Source: IRI Social Advantage Monitoring and Analysis, March 2012 to March 2016
Local:
Growers Gain Power

- 10,000 customers in Pacific NW
- Link producers to consumers
- Scalable to other regions
Local: Connecting with Consumers

- Community-supported fishery
- Partnership model
- Consumers buy shares in catch from multiple species
- Delivered to home monthly
Scalability
New Paths to Market

Farm to Plate is Vermont’s food system plan being implemented statewide by the 350+ member organizations of the Farm to Plate Network to increase economic development and jobs in the farm and food sector and improve access to healthy local food for all Vermonters.

Collectively, we strive for a viable, sustainable, and resilient food system to produce and distribute our food.
How We See Supply Chain and Localization Evolving

Growing consumer demand for transparency will transform retail and farm connections

- Directly filling consumer need for food transparency and lifestyle needs
- Increasing ability to create local brands and distribution
- Will impact growth rate of traditional retail outlets
2019 Fresh Trends Educational Plan

January 26
FMI Mid Winter Conference
2019 Fresh Trends-Balancing the Consumer Pendulum

April 18
The Geographic Pendulum
How have different regions and markets succeeded in fresh?

July 25
The Store Size Pendulum
How do large, medium and small size footprints fare in fresh?

October 24
The Aisle Balance Pendulum
How can both fresh and center-store succeed to win consumers?

New in 2019 – Additional Ways to Stay “Fresh” on Trends
Short Videos Exploring Different Consumer Segments: May & November
Infographics Exploring Top Growth Trends: March & September
THANK YOU!

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