Top Trends in Fresh

BALANCING THE STORE SIZE PENDULUM

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July 25, 2019

IRi Growth delivered.

FMI THE VOICE OF FOOD RETAIL

FMI

THE VOICE OF FOOD RETAIL

Feeding Families Enriching Lives

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, wholesales and suppliers of all types and sizes

FMI provides comprehensive programs, resources and advocacy for the food, pharmacy and grocery retail industry

- CENTER STORE
- CONSUMER & COMMUNITY AFFAIRS
- FOOD SAFETY & DEFENSE
- GOVERNMENT RELATIONS
- INDEPENDENT OPERATOR
- PRIVATE BRANDS
- SUPPLY CHAIN
- TECHNOLOGY
- ASSET PROTECTION
- COMMUNICATION
- EDUCATION
- FRESH FOODS
- HEALTH & WELLNESS
- INFORMATION SERVICE
- RESEARCH
- SUSTAINABILITY
- WHOLESALER

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

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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.

Nate Stewart
Hy-Vee

John Haggerty
Burris Logistics

Mark Hilton
Harris Teeter LLC

Terry Murphy
Wakefern Food Corporation

Kirk LaBoyteaux
Brookshire Grocery Company

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SuperValu/UNFI

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Meijer, Inc.

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Weis Markets

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Fresh Thyme

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Coborns

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Anthony Sattler
C&S Wholesalers

Teri Rose
Kroger

Jack Bell
Save-A-Lot

Paul Kneeland
Gelsons Markets

Scott Evans
Price Chopper/Mkt 32

Buddy Jones
MDI Distributors

Amanda Becker
Fairway Markets

Troy Vosburg
Festival Foods

John Beretta
Albertsons Co’s

Paul White
Luckys Markets

Manuel Gonzales
Northgate Gonzales

Reade Sievert
AWG

Nicole Wegman*
Wegmans Food Markets, Inc.

*** Silent members**

FMI Fresh Foods Leadership Council

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Ahold USA

Rick Steigerwald (Co-Chair)
Lund Food Holdings, Inc.

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FMI Fresh Executive Council

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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

Tom Stenzel/Miriam Wolk
United Fresh Produce Assoc.

Julie Ann Potts/Eric Zito
North American Meat Institute

Tom Super
National Chicken Council

Jarrod Sutton
National Pork Board

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Eric Gassaway
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John Knorr
Phillips Seafood

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Aqua Star Seafood

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Trident Seafood

Jeff Baker
Hormel Foods

Sally Lyons-Wyatt
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Wendy Reinhardt Kapsak
Produce for Better Health (PBH)

Michael Lang
Invatron

Tom Daniel
Sterilox/Chemstar

Randy Evins
SAP

Tom Windish
Cargill

Michael Forrest/Ellisa Garling
Thomas Foods

Mark Molter
ADC.

Lance Jungmeyer
FPAA

Ray Fager
Kings Hawaiian

We’ve Been Discussing Top Trends in Fresh for Several Years…

Focus Has Been on Individual Trends

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

Source: Top Trends in Fresh 2016 - 2018

2019 Fresh Trends Educational Plan

MAY 23

JUL 25

OCT 24

The Consumer Pendulum

2019 **Fresh Trends** – Balancing the Consumer Pendulum

The Geographic Pendulum

How have **different regions and markets** succeeded in fresh?

May 23

The Store Size Pendulum

How do large, medium and small **size footprints** fare in fresh?

July 25

The Total Store Pendulum

How can **both fresh and center-store** win consumers?

October 24

In Case You Missed it – Key Learnings from Balancing the Consumer Pendulum

2018 was the tipping point

- Fresh sales grew only 1% this past year, 3 % points less than 2014
- Center-store sales growth outperformed Fresh Foods for the first time in the decade

FUTURE is HERE and is DISRUPTIVE

- Millennials & Gen Z are most culturally diverse ever
- Growth lies in impact of the changing U.S. demographic landscape
- Generational, multi-cultural and socio-economic lenses reveal a critical path

CONSUMERS are key

- 3 key targets illustrate growth opportunities of nearly $5B
- Its not about wide distribution – its being distributed perfectly
- Fresh is increasing in importance – but interest in buying fresh at alternative channels is also up from past years

we see what's working

- Fresh has added $7B in sales since 2014
- Health and Convenience continue to be vital, impacting traditional categories

https://www.iriworldwide.com/en-US/Insights/Webinars/Balancing-the-Consumer-Pendulum

Geographic Pendulum Summary: No Single Path

1 | Things Are Changing Rapidly

Fresh is not keeping pace at retail as consumers seek new solutions and are more diverse than ever

2 | Consumers Still Want Fresh

Beneficial fresh foods, even if pre-packaged, are growing rapidly across the U.S. by meeting convenience, health needs

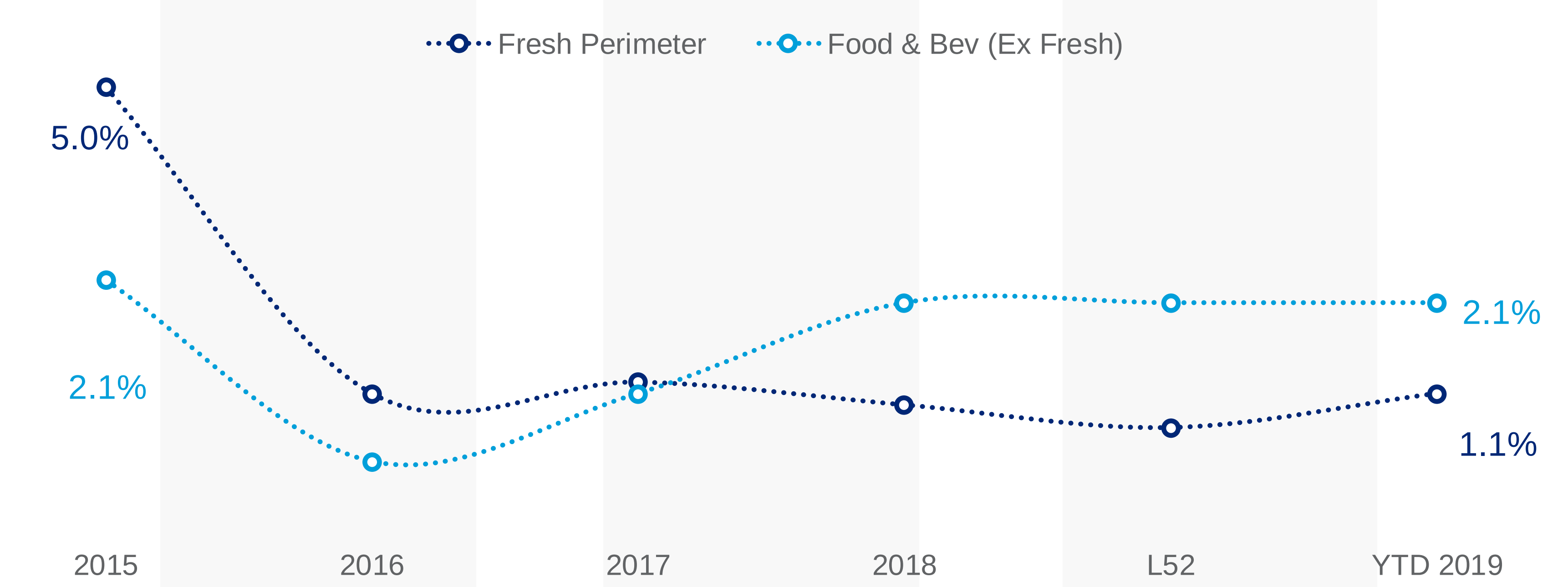
3 | Embrace Diversity and Change

Growing regions and markets carry wider, differentiating assortment and lean into trends quickly to keep competition at bay

4 | Connect With Opportunity Consumers

$5 billion of growth is available in three consumer segments who reside in key markets. Use fresh strategies these diverse groups want to win

Fresh Perimeter Has Grown Over $7B Since 2014, but Growth is Slowing



Gap Fresh **+2.9** pts
F&B Minus Fresh

Gap Fresh **-1** pts
to F&B Minus Fresh

Source: Total Store View + Perimeter Market Advantage, MULO ending 6-16-19, Perimeter includes both FW/RW definition, Sales change vs. prior year by period

Within Multi-Outlet, Total Store Sales Continue to Grow; Fresh Not Keeping Pace

TOTAL STORE SALES

$803B

$13B
vs. Last Year

TOTAL FRESH PERIMETER

$180B

$1.6B
vs. Last Year

23%

Of total store **sales** since 2015 but

2015	2017	L-52 2019
31%	24%	13%

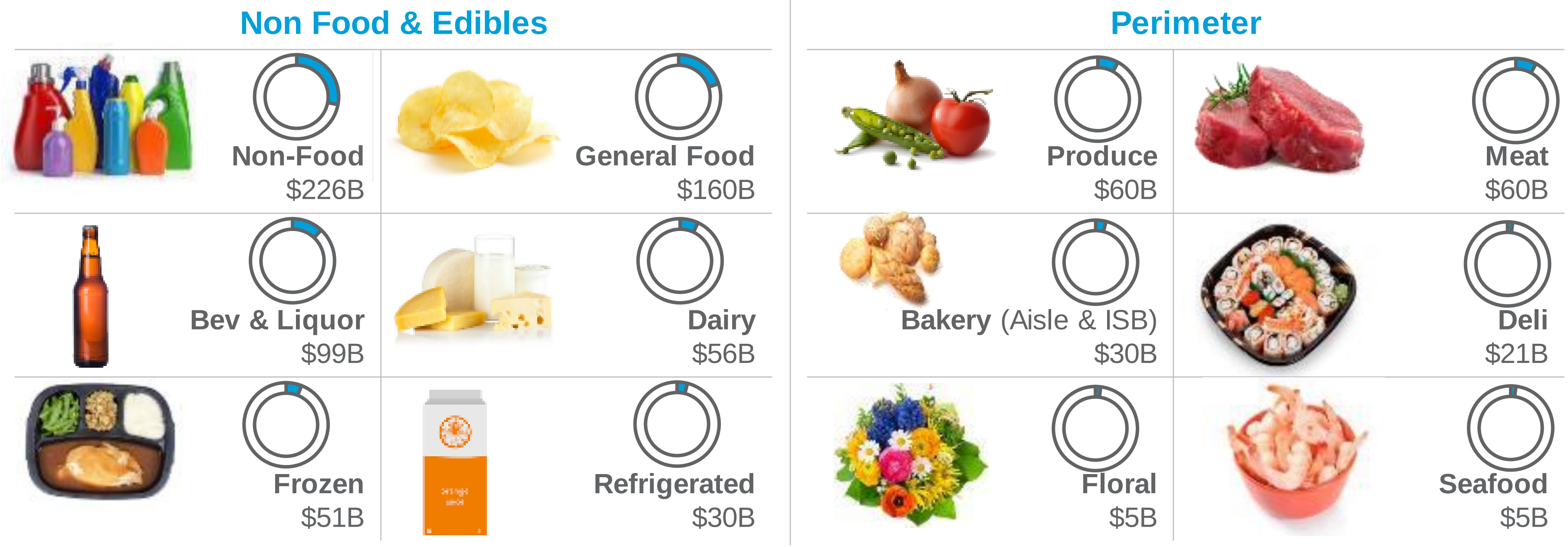
Of total store **growth**

Source: Total Store View + Perimeter Market Advantage, MULO 52-weeks ending 6-16-19

The Fresh Perimeter Departments Make Up a Quarter of Food & Beverage MULO Sales Driven by Produce and Meat

$803B – Total Store

$576B – Total Food & Beverage



Source: Dollar Sales, Custom IRI Total Store View + Perimeter Market Advantage with FW/RW Combined for Perimeter Depts, MULO 52 weeks ending 6-16-19

Many Center Store Food Departments Experiencing Both Dollar and Unit Growth, Unlike Most Perimeter Departments

F&B

2.0% | **0.0%**

Department	$ % CHG VS. YAGO	UNIT % CHG VS. YAGO
BEVERAGES	3.4%	0.3%
FROZEN	2.0%	0.7%
GENERAL FOOD	1.5%	-0.4%
LIQUOR	3.2%	1.5%
REFRIGERATED	3.1%	2.2%
DAIRY	0.3%	-0.7%

PERIMETER

0.9% | **-0.2%**

Department	$ % CHG VS. YAGO	UNIT % CHG VS. YAGO
PKG & FRESH BAKERY	1.7%	-1.0%
DELI CHEESE (RW)	-0.3%	-2.6%
DELI MEAT (RW)	0.4%	-0.1%
DELI PREPARED	2.2%	0.9%
PRODUCE	1.0%	0.2%
SEAFOOD	2.6%	0.3%
MEAT	0.2%	0.0%
FLORAL	2.4%	-3.9%

$ % CHG VS. YAGO

UNIT % CHG VS. YAGO

Source: Total Store View + Perimeter including FW & RW Custom Departments, Market Advantage, MULO 52-weeks ending 6-16-19

The Fastest Growing Fresh Categories Offer Convenience, Health and Indulgence

+ Dollars | + Volume

Pre-Packaged Refrigerated Entrees**
+$260M | +35M

Fresh Berries
+$230M | +41M

Fresh Bakery Cakes
+$226M | +26M

Pre-Packaged Refrigerated Side Dishes**
+$206M | +22M

Deli Prepared Appetizers
+$205M | +42M

Pre-Packaged Refrigerated Meat**
+$193M | +64M

New!

Fresh Lettuce
+$146M | -7M

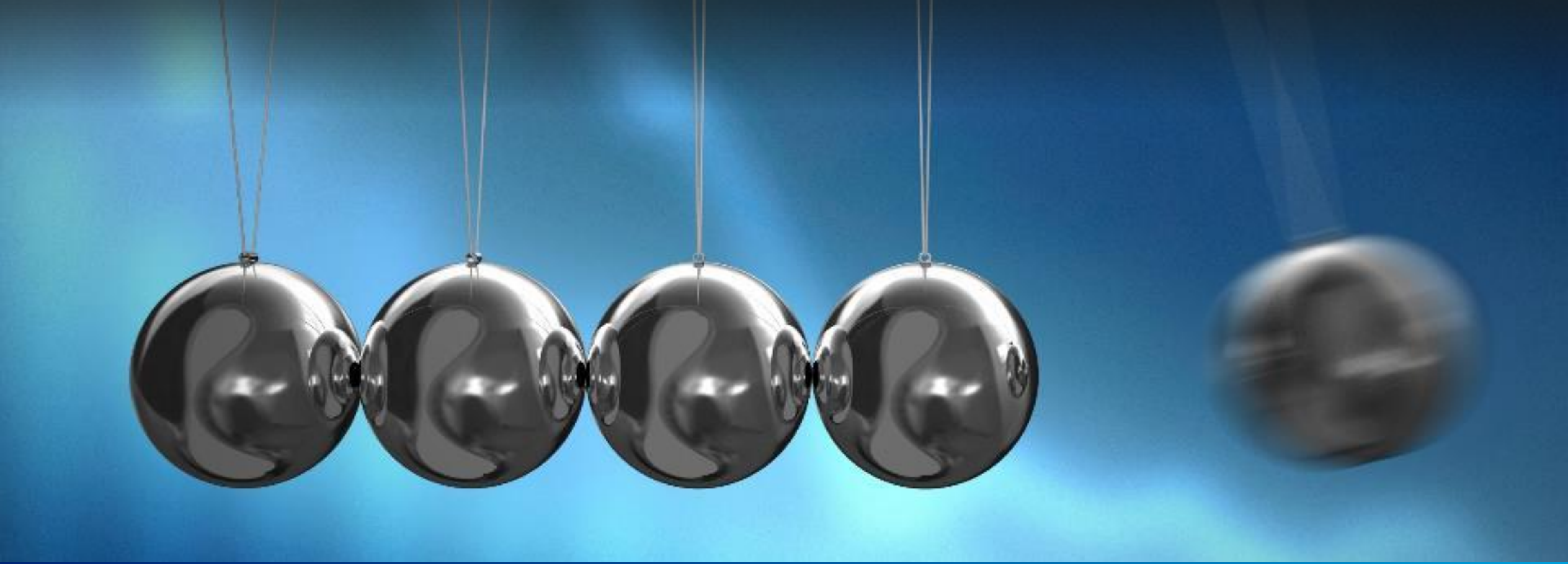
New!

Fresh Beef Rib
+$144M | +17M

*Source: Total Store View + Perimeter Market Advantage, MULO 52-weeks ending 6-16-19, ** Indicates Fixed Weight Only*

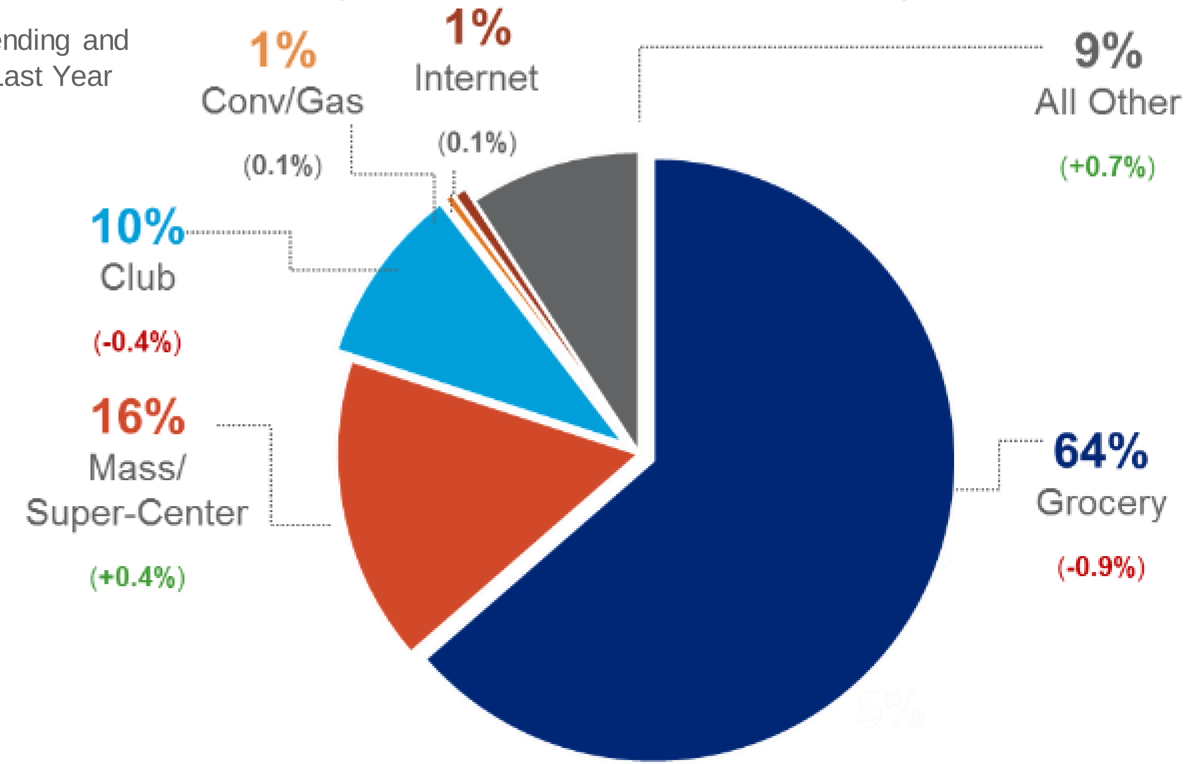
The Pendulum is Shifting

- Finding Balance and Identifying Growth Today, Tomorrow and in the Future
- The STORE SIZE Pendulum: How does format contribute to success?



Across All Outlets, Grocery Remains the Lion's Share of Perishable & Perimeter Food Sales, but Starting to See Purchases Shifting to Other Channels

Share of Spending and Change vs. Last Year



Source: IRI HH Panel, 52 weeks ending 3-31-19, Custom Perishable Categories (RW + UPC). All Other includes independent grocers, farmers markets and specialty shops

Shoppers are Expanding Their Consideration Set When Shopping For Fresh Foods To Smaller and More Niche Outlets

% of Households Purchasing Fresh (Change VS 2YA)

ALDI
27%
+3.6 pts

DOLLAR TREE
FAMILY DOLLAR
DOLLAR GENERAL
23%
+1.6 pts

CONV & GAS
19%
+1.6 pts

WHOLE FOODS
NATURAL GROCERS
SPROUTS
21%
+2.7 pts

TRADER JOE'S
10%
+0.9 pts

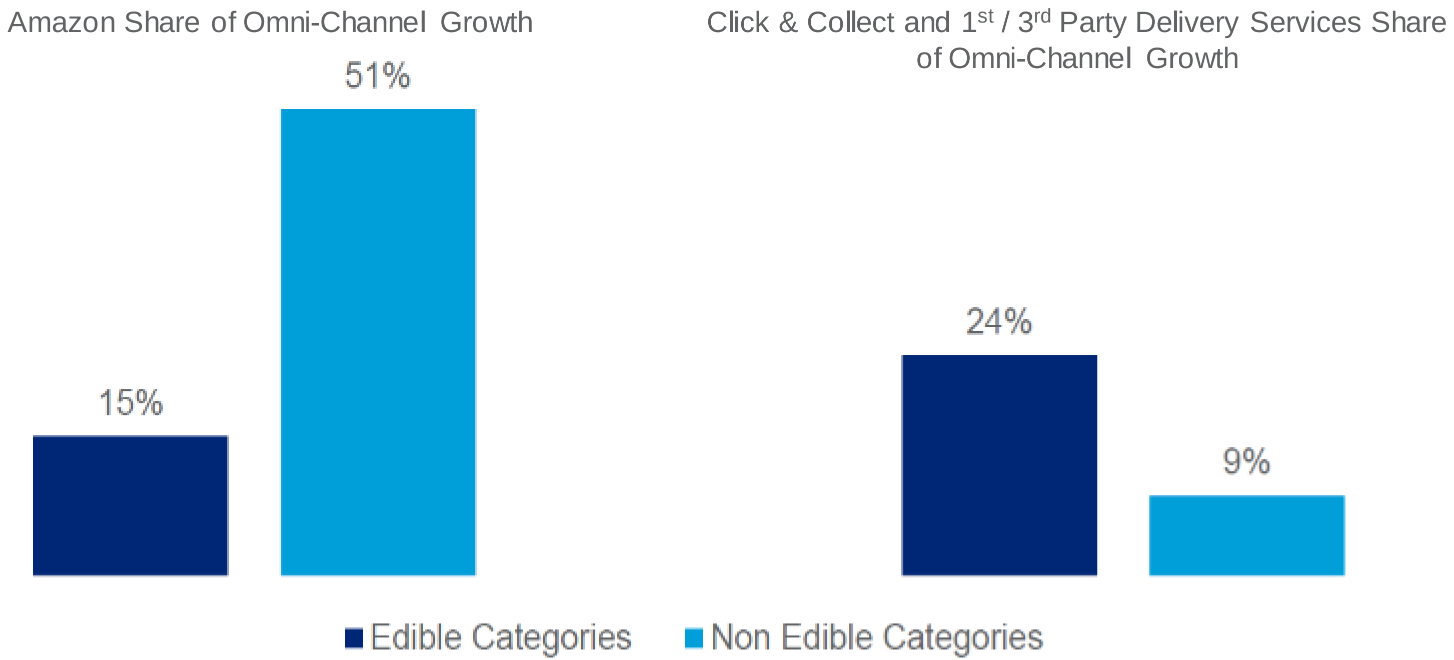
10%
+2.5 pts

LIDL
1.5%
NEW

Source: IRI HH Panel, 52 weeks ending 3-31-19, Custom Perishable Categories (RW+UPC)

Delivery & Pick-Up Have Made Major Impact in Online Food Buying

Nearly every major food retailer is investing in digital ordering



The Advent of Online Grocery Ordering Has Impacted Perishables with Amazon Not Making a Huge Factor; Growth Categories Like Meals Not Yet Developed

		Share of e-Commerce Dollar Sales		
		Brick & Mortar Online (Collect & Delivery)	3rd Party Delivery	Amazon
	**$1.3B** e-Commerce Total Dollar Sales	**52%**	**21%**	**4%**
	**$1.9B** e-Commerce Total Dollar Sales	**34%**	**13%**	**35%**
	**$1.1B** e-Commerce Total Dollar Sales	**50%**	**24%**	**11%**
	**$567M** e-Commerce Total Dollar Sales	**42%**	**17%**	**13%**

Source: IRI eMarket Insights 52 weeks ending 6-16-19

Non-Traditional Outlets are Emerging as the Big Winners for Perishable Food Trips Delivering on Experience, Price and Uniqueness

Total Fresh Trips Up…

+6%

Vs 2YA Driven By
Deli Prepared (+24%)
And Fruit (+5%)

Fresh Trip Growth By Outlet Vs 2ya

ALDI: +19% trips

Dollar Tree / Family Dollar / Dollar General: +11% trips

Walmart: +8% trips

Trader Joe's: +14% trips

+45% trips

Whole Foods Market: +35% trips

Within Fruit, ALDI and Natural Grocers are Making an Impact By Attracting and Retaining More Shoppers, But Grocery Holds Strong Share

Fruit HH Penetration (Change Vs 2YA)

	GROCERY	WALMART	CLUB	ALDI	NATURAL GROCERS	E-COMM
FRUIT	91%	53%	32%	22%	16%	4%
Penetration	-0.3 pts	+1.2 pts	-0.7 pts	+3.5 pts	+2.2 pts	+1.2 pts
Trip Frequency	↑	↑	↓	↑	↑	↑

Source: IRI HH Panel, 52 weeks ending 3-31-19, Custom Perishable Categories (RW+UPC)

While Penetration Is Up Across Outlets for Deli Prepared; Larger Mainstream Outlets Are Gaining At A Higher Rate

Deli Meat, Cheese, Deli Prepared HH Penetration (Change Vs 2YA)

	GROCERY	ALL OTHER	WALMART	CLUB	CONV/GAS	NATURAL GROCERS
DELI PREPARED	63%	32%	25%	20%	9%	6%
Penetration	+3.3 pts	+4.1 pts	+3.8 pts	+1.6 pts	+1.6 pts	+1.3 pts
Trip Frequency						

E-Commerce has not yet made an impact in Deli Prepared - despite strong consumer demand in store

Source: IRI HH Panel, 52 weeks ending 3-31-19, Custom Perishable Categories (RW + UPC)

The Fight for Fresh Dollars is More Fierce than Ever

Fresh expansion and evolution in new and emerging retail formats is impacting shopper patterns

Grocery sales share is eroding, but grocery includes a wide variety of store sizes and formats

… so what do shoppers really want when it comes shopping for fresh foods?

Real-Life Example: Convenience Store and Even an Airport Kiosk Offering Premium and Convenient Fresh Foods

Consumers Value The Variety of Store Sizes as They Meet Different Needs - Pricing is Consistently Critical Across All Formats

Q: What Is The Main Reason You Prefer Shopping At Your Preferred Outlet?

38%

27% Greater Selection

Large Format Grocery

41%

27% Greater Selection

Supercenter

40%

24%

Small Format Grocery

32%

28%

Specialty

E-Commerce preference is all about convenience

Source: IRi Omnibus Survey, April 2019

Consumers State They Are Buying More Fresh at Smaller Format & Online During Prime Spending Years, While Large Format and Online Are Appealing to Ages 39 & below

Where have you shopped for Fresh Foods?

	Age 39 & Under	40-54
TRADITIONAL GROCERY	↑	↑
MASS MERCHANDISE	↑	↓
CLUB		↓
SPECIALTY GROCERY	↓	↑
FARMERS MARKET		↑
ORDER ONLINE, PICK UP IN STORE	↑	↑

BUYING FRESH FOOD MORE OFTEN
BUYING FRESH FOOD LESS OFTEN

Source: IRI Fresh Foods Survey, Jan 2019

There Are Varying Motivators When Shopping For Fresh – Top 3 Are Table Stakes, While 5-9 Are Where You Can Offer Differentiated Approaches

Top 10 Motivators In Shopping For Fresh Food

1. Good Value For Price
2. Fresh
3. Tasty/Delicious/Flavorful
4. Great Assortment
5. Non-GMO
6. Competitively Priced
7. Highly Nutritious
8. Locally Sourced And Grown
9. Convenient
10. Organic

Source: IRI Fresh Foods Survey, Jan 2019

Differentiation Can Come from What Needs Aren't Being Met
Variety in Produce and Meat Specifically

Thinking about where you purchase your groceries most often, what is the one change you would ask them to make to fill your fresh food needs even better in the future?

~33%

PRODUCTS

More fresh produce

More locally sourced meat and produce

15%

PRICE

Lower everyday prices

6%

CONVENIENCE

Better stock availability

5%

STORE ATTRIBUTE

Needs are being met!

25% Said **No Change**

Source: IRI Fresh Foods Survey, Jan 2019

The “Right” Format Size Often Feels like a Tug of War Between Fresh Selection and Store Size, So Understanding & Customizing To Neighborhoods Is Important

“Lidl Opens 1K sq ft Express Mini Store”
March 28, 2019

“Giant’s New Small, Walkable Philly Store”
April 7, 2019

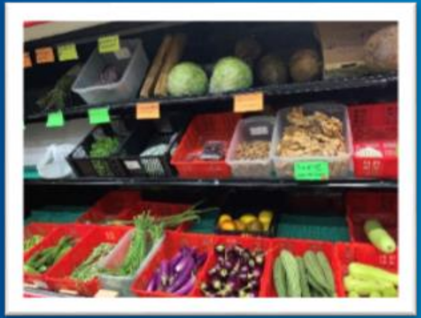
“Shoprite ‘Wellness Center’ Changing the Game”
June 19, 2019

“Target Tailors to the Audience in its Small Stores”
July 24, 2019

Source: Winsight Grocery Business; Inc.com

Shoppers See Choice as a Benefit
Retailers Must Know and Cater to their Strengths

Real-Life Example: Specialty Ethnic Grocers With Unique Assortments That Align With Preferences and Merchandise With Authenticity



Shopper preferences evolve as lifestyles and lifestages change, yet what consumers want can be accomplished by any size format in different ways. You have to tailor your store(s) to deliver on what's important to your shoppers in your neighborhood

… so how have different store sizes fared in the pendulum swing of total store and fresh sales success?

To Dig Deeper, We Clustered Grocery Stores by Size to Determine What's Working

The Data Set:

35 Grocery retailers spanning more than 11,000 stores

Same stores only – no closed or newly open stores. Must have sales throughout the last four years

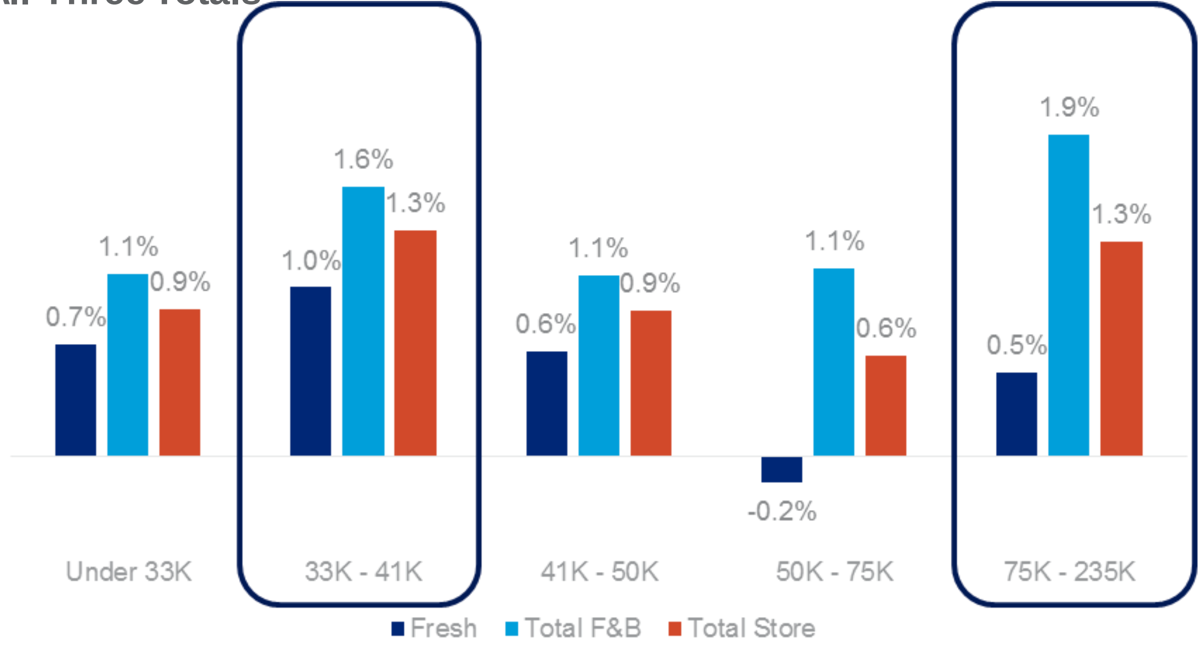
The Grocery Format Clusters (in square feet)

Under 33K	33K – 41K	41K – 50K	50K – 75K	75K – 235K
25th Percentile	50th Percentile	75th Percentile	95th Percentile	100th Percentile

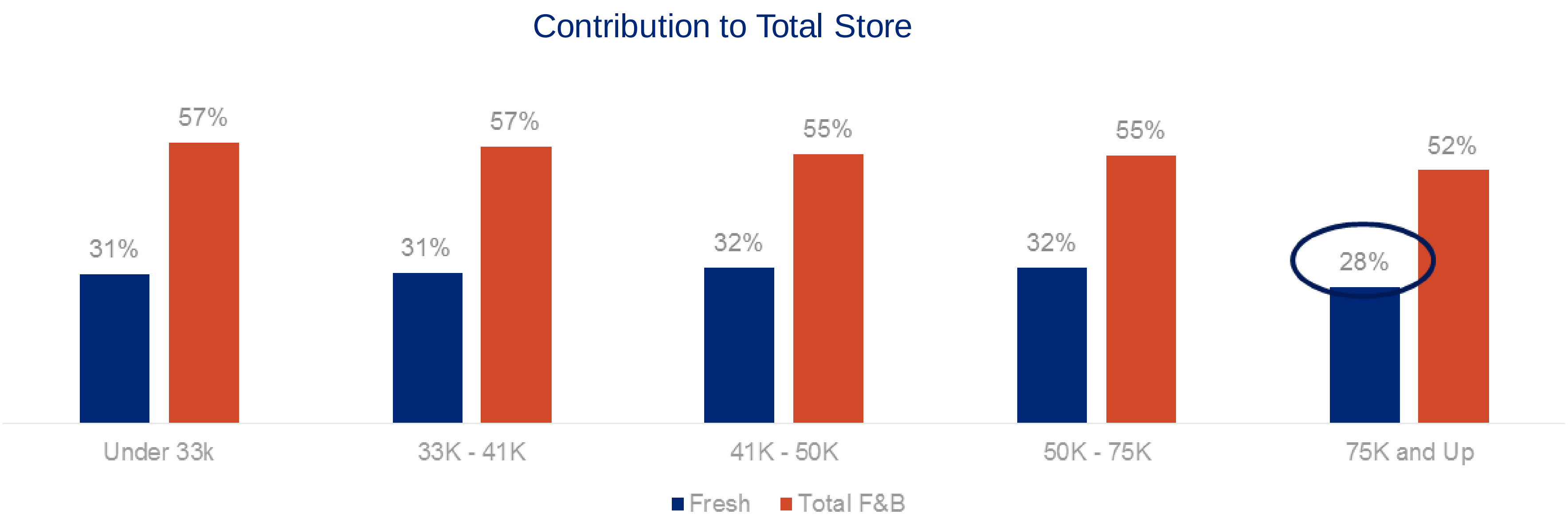
Similar population, median HH income and demographics

Food & Beverage is Growing Faster Than Fresh In All Sizes of Grocery Stores

In Addition, Store Sizes Ranging from 33,000 to 41,000 Sq. Ft. Had The Strongest Growth Rates Across All Three Totals



Largest Sq Ft Sales Contribution Are Not Correlating to Other Size Store Clusters - Consider Rethinking How to Present Fresh - Experiential Fresh Should be the Norm, Not the Exception



IRI Market Advantage: Store Level Database – Food, Non-Projected Dollar Sales, L52W Ending 6.16.19

In Several Large Footprint Stores, Experiential Fresh Stands Out - This Presents An Opportunity to Position Fresh Differently or Experiment with New Concepts

Large Footprint Stores Leveraging Space to Creatively Focus on Fresh

Spacious, colorful produce front and center
Fry's, Cave Creek, AZ

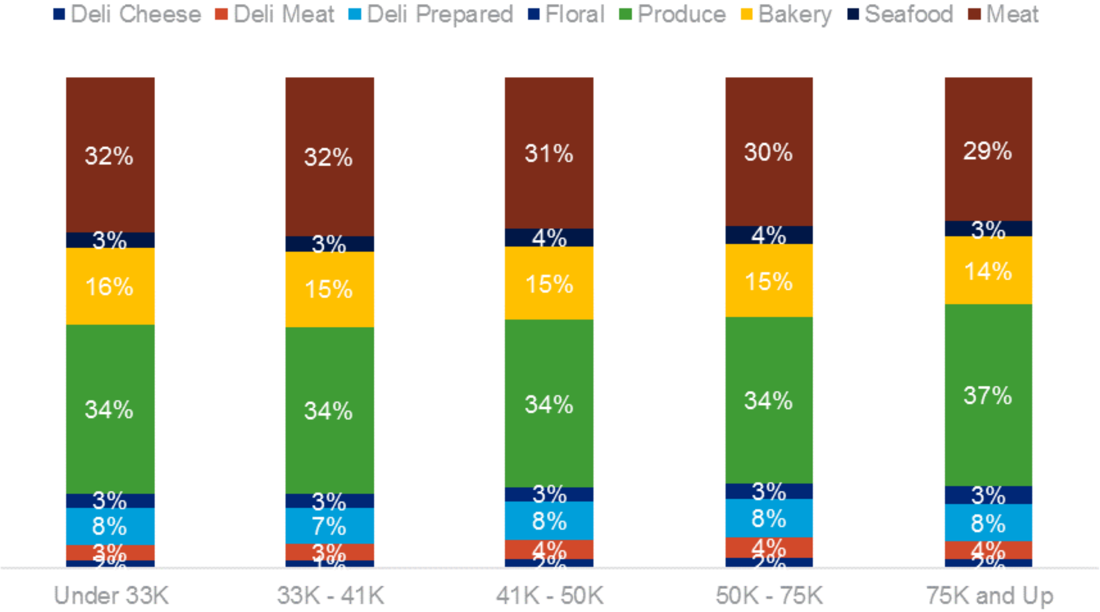
Food court in between produce, deli and bakery
Kroger, Newport, KY

IRI Staff Photos, 2019

At First Glance, All Store Sizes See Similar Contribution from Each Department

This is a potential missed opportunity as shopper feedback shows consumers shopping smaller stores are looking for different experiences than that of larger stores

Share of Fresh, by Department, by Store Cluster



IRI Market Advantage: Store Level Database – FOOD, Non-Projected Dollar Sales, L52W Ending 6.16.19

In Fact, Growth is Coming from Different Departments Across Store Sizes

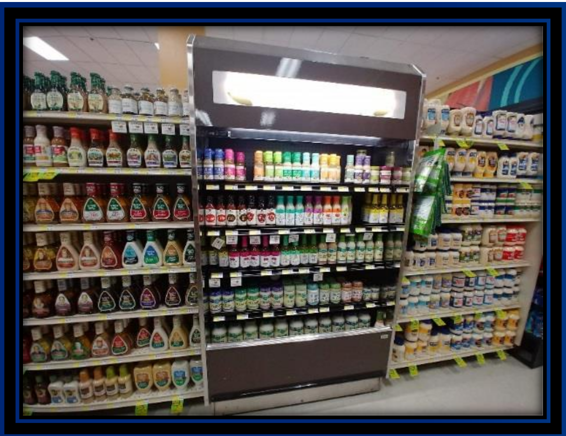
Larger stores are seeing growth with different departments than small stores

Under 33K	33K - 41K	41K - 50K	50K - 75K	75K & Up
Produce	Produce	Produce	Bakery	Meat
Bakery	Bakery	Deli Prep	Floral	Bakery
Floral	Deli Prep	Bakery	Seafood	Deli Meat
Deli Meat		Meat	Produce	Floral
Meat			Meat	

Store Size Matters When It Comes to The Motivators, But Is Not An Indicator in Fresh or F&B Sales Growth

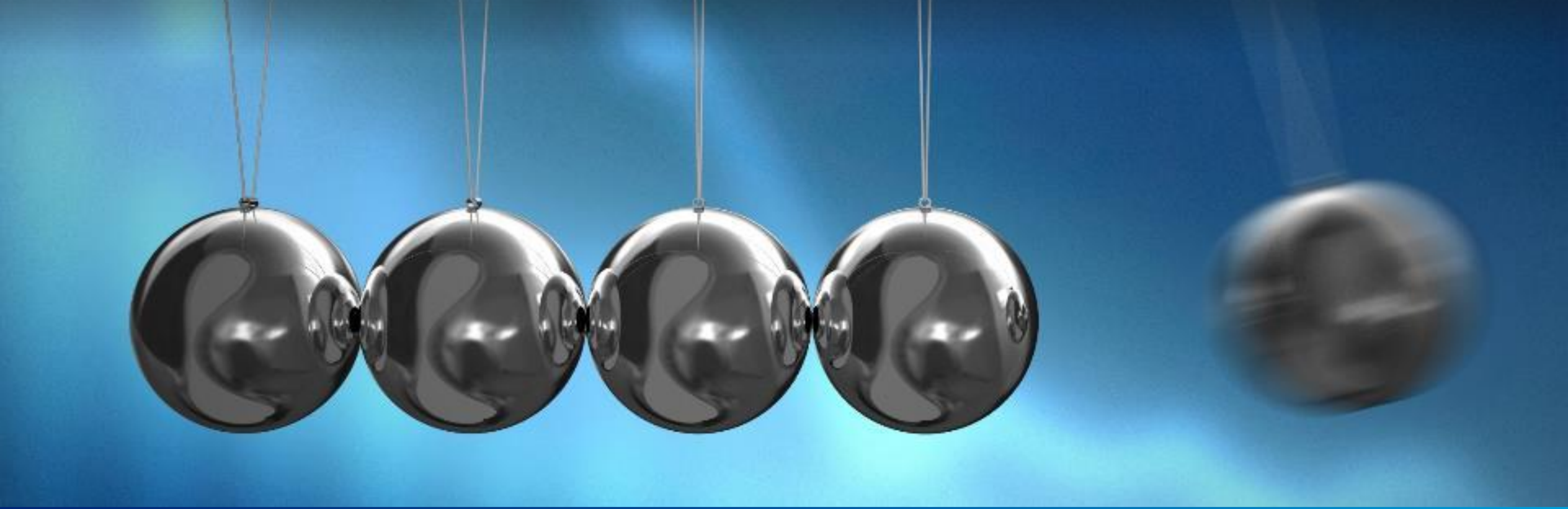
- Store sizes serve different needs – Experiential Fresh can be achieved at any size store
- Fresh has an opportunity for growth across all store sizes but with different tactics
  - Larger stores should emphasis on fresh engagement and distinctive programs
  - Smaller stores should provided differentiated variety - carrying unique products beyond the basics especially in meat and seafood

… so, how do the consumer groups who are expected to deliver future fresh sales growth affected by store size and format changes?

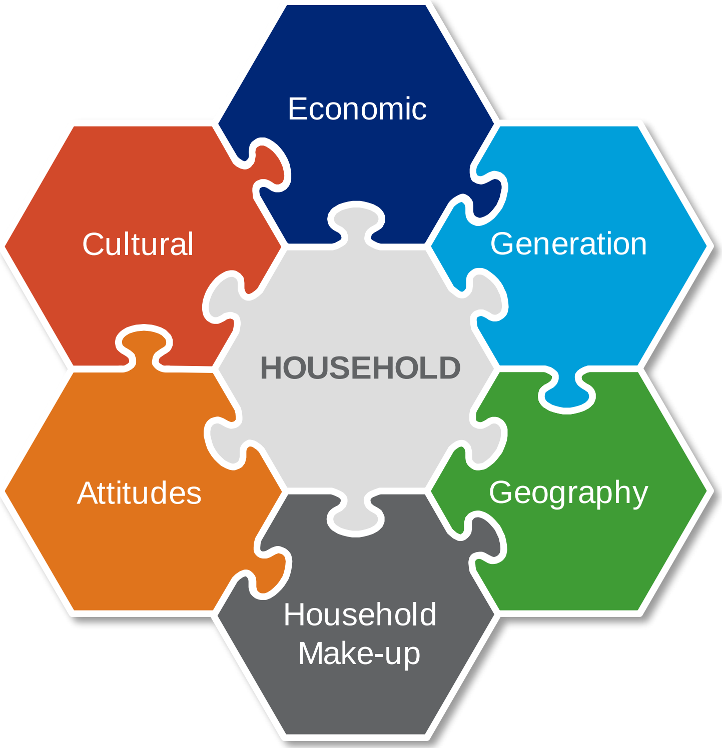


Real-Life Example: Regional Grocer Mixing Fresh Across the Aisles

You Can Further Manage Store Size Preferences by Evaluating WHO MATTERS for Future Fresh Growth



At FMI Mid-Winter, We Discussed How Data and Insights Help Us **Find, Understand and Influence** These New Households



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01 | Buying Across **CHANNELS**

02 | Spending on **FRESH FOODS**

03 | Spending on **FOOD & BEV**

04 | Spending **TRENDS**

05 | Projected **POPULATION GROWTH**

=

Fresh Opportunity HOUSEHOLD

Three Fresh Segments Represent $5B in Opportunity Over the Next 3 Years

The Opportunity Consumers Have Impact in Specific Regions and Markets

1

High Income Multi-Generation

5% of U.S. Households
11% of Fresh and F&B Dollars

Declining spend in both
fresh and center-store F&B

2

Diverse Middle Class Families

7% of U.S. Households
6% of Fresh and F&B Dollars

Flat spend in center-store F&B,
Slight Increase in fresh spending

3

Small Urban Households

4% of U.S. Households
2% of Fresh and F&B Dollars

Increasing spend in both
fresh and center-store F&B

Source: IRI Shopper Loyalty, CY 2018

1 Multi-Generational Upper Income

Over-Index on Fresh and Center-Store, But Spending for Both Declining Year Over Year Within Supermarkets

Multi-Generational Upper Income Households are Across the Entire U.S., But Pay Close Attention to Higher Indexing Markets

Multi-Generational Upper Income

More Likely to Shop These Formats:

Premium / Experiential Supermarkets

Fresh & Natural Markets

Regional Small Footprint Grocery

Local Specialty Stores

These households shop everywhere- they only ***slightly over-index*** *for these formats*

Top 10 Markets

Salt Lake City, UT	Boston, MA
Minneapolis-St. Paul, MN	Denver, CO
Hartford & New Haven, CT	Baltimore, MD
Omaha, NE	Detroit, MI
Colorado Springs, CO	Cincinnati, OH

4%
Annual Projected Population Growth

+

maintain
Current Fresh Spending per Household Annually

=

$1.1B
Incremental Fresh Dollars in 3 Years, if We Can Retain Fresh Spending Levels

Source: IRI Shopper Loyalty and IRI Shopper Sights, Latest 52 weeks ending 3-24-19

Focus on What Matters to These Multi-Generational Upper Income Households

What They Seek:

- Seeking **good value** for the price
- Health and wellness **benefits**
- **Online** delivery / curbside pickup
- Natural / specialty and Premium experiences

"A store's environment will impact where I shop"

"I plan my shopping trips online"

"I use mobile coupon applications"

Unique Opportunities for this Segment

Categories increasing spend include **fresh meat alternatives**

Items Also in the Basket Include:

Fresh Pork and Ribs

Deli American Cheese

Fresh Seafood

Source: IRI Shopper Loyalty and IRI Shopper Sights, Latest 52 weeks ending 3-24-19

2

Middle Class Diverse Families

- Spend on Both Fresh & Center-Store On Par with National Average
- Spending in Supermarkets Flat Year Over Year

Where Will These Programs Drive Growth Regionally

Middle Class Diverse Families

More Likely to Shop These Formats:

Local Bodegas

Hispanic Grocery

Regional Supermarket

Convenience Stores

These households have strong preferences- they are ***up to 9x more likely*** *to shop these formats than the average household*

Top 12 Markets

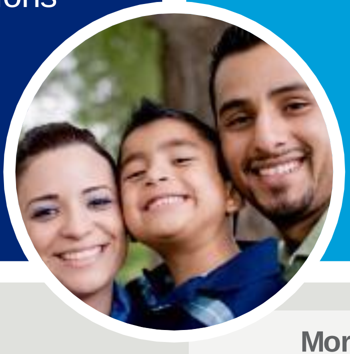
Laredo, TX	Corpus Christi, TX
Brownsville, TX	Odessa, TX
El Paso, TX	San Antonio, TX
Yuma, AZ	Salinas, CA
Fresno, CA	Lima, OH
Bakersfield, CA	Los Angeles, CA

3% Annual Projected Population Growth + **2%** Growth in Fresh Spending Annually = **$1.8B** Incremental Fresh Dollars in 3 Years, if We Can Boost Fresh Spending Levels

Source: IRI Shopper Loyalty and IRI Shopper Sights, Latest 52 weeks ending 3-24-19

Focus on What Matters to These Middle Class Diverse Families

What They Seek:
- Convenience, prepared meals and solutions
- Organics
- Early adopters of online grocery delivery
- Not as influenced by price and competitive pricing



"I prefer shopping stores that carry more brands"

"I often go out of my way to find new stores"

"I use in or on-pack coupons"

Unique Opportunities for this Segment

Week of May 13 is the **Highest Spending** of any week – **14% more** than their 52 week average

More Middle Class Families Buy These Items Week of May 13 than Other Households:


Fresh Bakery Bread


Berries


Breakfast Meats


Fresh Bakery Donuts

Source: IRI Shopper Loyalty and IRI Shopper Sights, Latest 52 weeks ending 3-24-19

3 Small Low Income Households

Under-index on F&B spending at supermarkets

However, increasing spend in both fresh and center-store F&B

Tailoring Programs to These Households are Vital in the Southeast and Great Lakes

Small Low Income Household

More Likely to Shop These Formats:

Limited Assortment Discount

Dollar Stores

Regional Supermarket

Small Footprint Grocery

These households have many favorites and can be swayed – they have ***dozens of retailers*** *they over-index on being more likely to shop at*

Top Markets

Greenville, MS
Albany, GA
Memphis, TN
Montgomery, AL
Norfolk, VA
Augusta, GA
Jackson, MS
Baton Rouge, LA
Macon, GA
Alexandria, LA
Baltimore, MD
Detroit, MI
Columbus, GA

flat
Annual Projected Population Growth

+

9%
Fresh Dollar Sales Growth Seen in 2018

=

$1.7B
Incremental Fresh Dollars in 3 Years, if We Can Retain Fresh Spending Levels

Focus on What Matters to These Small Low Income Households

What They Seek:

- Fresh at mass, dollar and c-stores
- Supermarkets with locality and discounts
- Format and delivery innovations
- Ways to solve the meal

"Go out of my way to find new stores and will travel to my favorites"

"Plan where I shop using paper circulars and retailer websites"

"Use coupons from a variety of sources: online, mobile, in-store"

Unique Opportunities for this Segment

Incent to win their loyalty and bigger baskets; small urban households purchased these items more often:

- Shelf Stable Juices – 52% more trips
- Carbonated Soft Drinks – 25% more trips
- Fresh Pork – 23% more trips

When in their baskets, 1.6x – 2.6x larger total transaction size

Items Also in the Basket Include:

Packaged Lunch Meats

Canned Fruits and Vegetables

Fresh Chicken Breasts

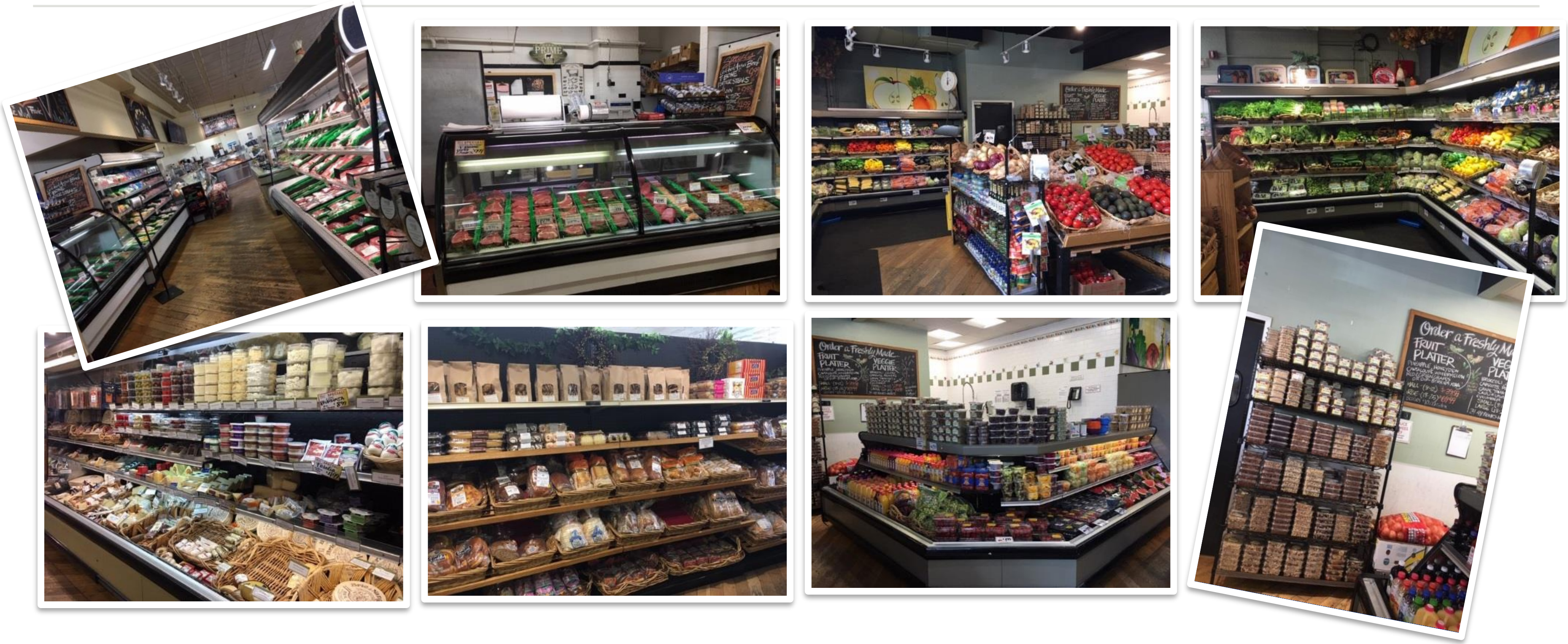
Source: IRI Shopper Loyalty and IRI Shopper Sights, Latest 52 weeks ending 3-24-19

Keep Key Shoppers in Your Stores by Considering Their Unique Needs

- **Fresh Opportunity Households are worth $5B in growth in the next five years**
- **These segments are present, but certain markets and stores over-index for them**
- **These segments each have specific needs and tactics to win them**
  - High Income Multi-Generational: Online and in-store differentiated experiences
  - Middle Class Diverse Families: Convenient and tailored offerings solution-based price incentives
  - Low Income Small Households: Drive traffic on key basket anchors with in and out of store ads

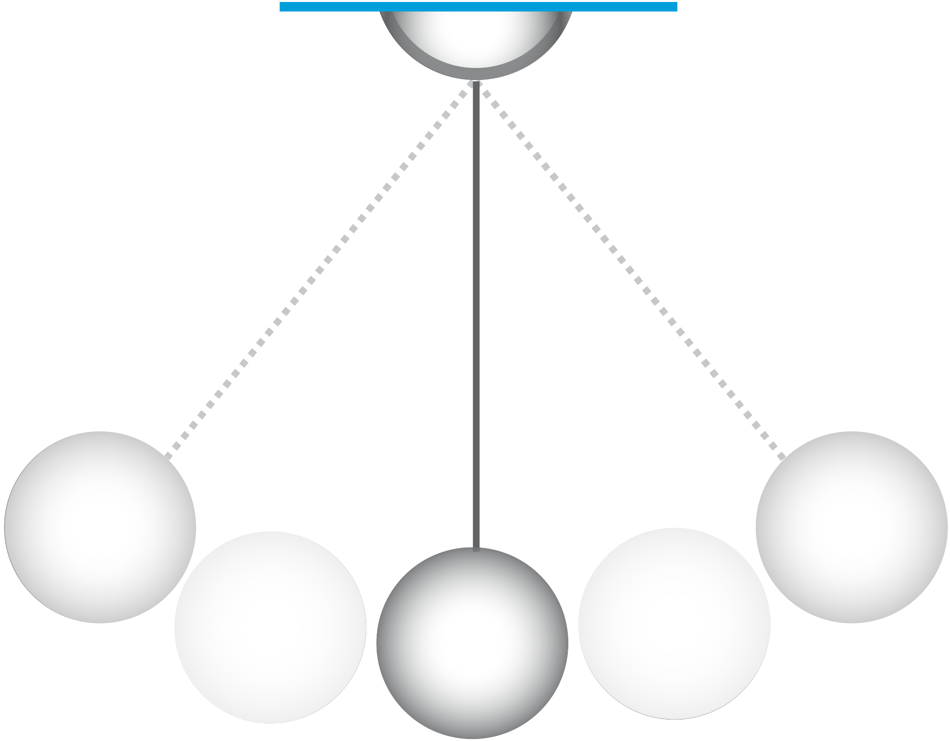
Source: IRI Balancing the Consumer Pendulum, 2019

Real Life Example of Uniquely Embracing Format: Small Grocer Going Big With Fresh



Summary & Action Steps

Finding **Balance** and Identifying Growth
Today, Tomorrow and in the Future



Geographic Pendulum Summary: Summary

- Fresh sales are fragmenting faster than ever
- Niche or more innovative outlets stealing share
- Online ordering is already disrupting shopping patterns and driving growth/share
- Consumers ultimately want “easy”- convenience and price are top reasons but motivators can be differentiators
- Retailers and suppliers need to focus on standing out from the crowd and becoming unique amid the noise in order to capture a portion of the incremental $5B in sales over the next three years

Store Format & Size Pendulum Summary: No Single Path

1 | The role and design of fresh should be different in smaller versus larger footprints

2 | Experiential Fresh needs to become the norm, not the exception - use space wisely to stand out from the pack and make your store unique

3 | Tailoring selection and engagement strategies both in and outside the store will be the key to capturing and keeping the consumers who matter