



THE FOOD INDUSTRY ASSOCIATION

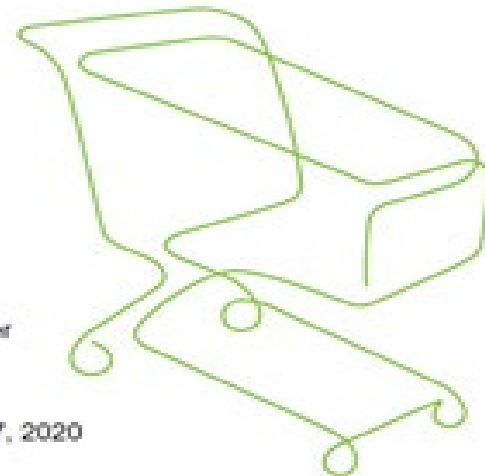
THE YEAR THAT WAS: WHY INTEGRATING FRESH IS KEY TO FUTURE GROWTH

Hosted with thought leadership from FMI associate member



IRI

November 17, 2020



powered by **Intredo**SM

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



Top Trends in Fresh Webinar

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

November 17, 2020



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INTEGRATED RESEARCH



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



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)



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



Source: Grocery Store (2), Oct 2020. (P) Government survey data including both fixed and random weight data ending 10-6-21

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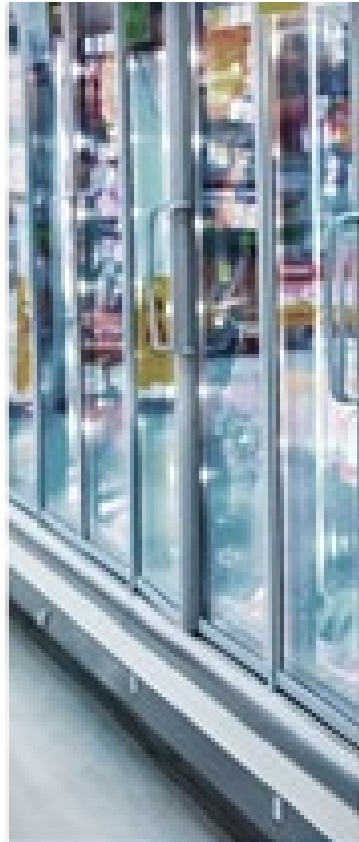
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Explosive Growth in Frozen Foods

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



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%



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

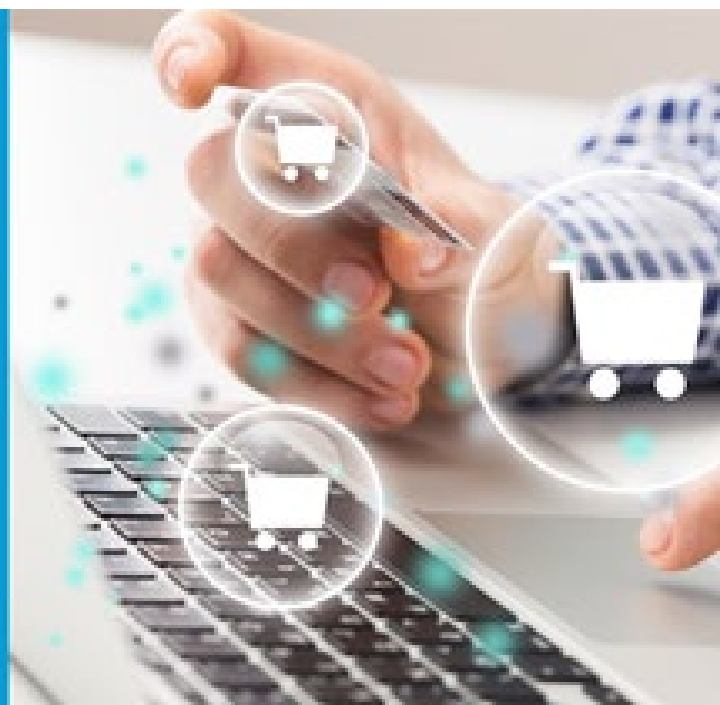
Shopper Demand for Online Groceries Has Fast-Forwarded into 2025, Especially for Perishables

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 Market Insights and IRI Shopper Survey, March 21 October 2020
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12

Enter question here...

NEW QUESTION



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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



Source: IRI Shopper Survey, Sept 2020. IRI Custom Report: Gateway for Total US Food, 52 weeks ending 09/07/20, each retailer's "Fresh Foods" definition.
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enter question here...

NEW QUESTION



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...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 Reporter Gateway for Total U.S. Food; 52 weeks ending 9/27/20; each retailer's "Fresh Foods" definition
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14

Enter question here...

NEW QUESTION



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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 Unity 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 GPOSA. IRI integrated Fresh syndicated solution
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16

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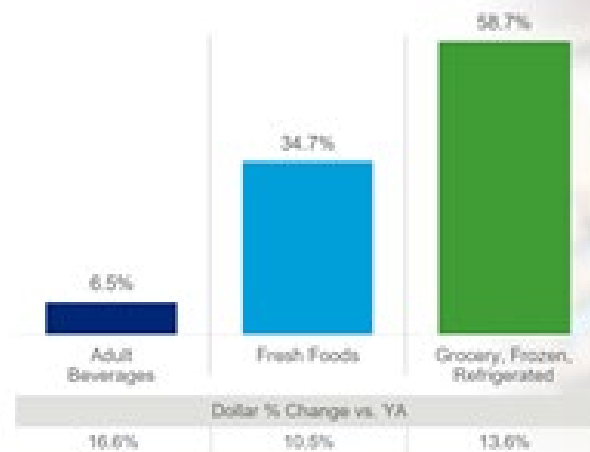
NEW QUESTION



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Introducing Integrated Fresh Definition of Food & Beverage Across the Store

Dollar Share



Fresh Is Up

11%

During the
Pandemic,
But Other
Departments
Grew Faster
and Gained
Share



Source: IRI Integrated Fresh Market Advantage, including both food and non-food weight, Fresh includes Deli, Bakery, Produce, Meat and Seafood (8 weeks ending 10-4-21)
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17

ask question here...

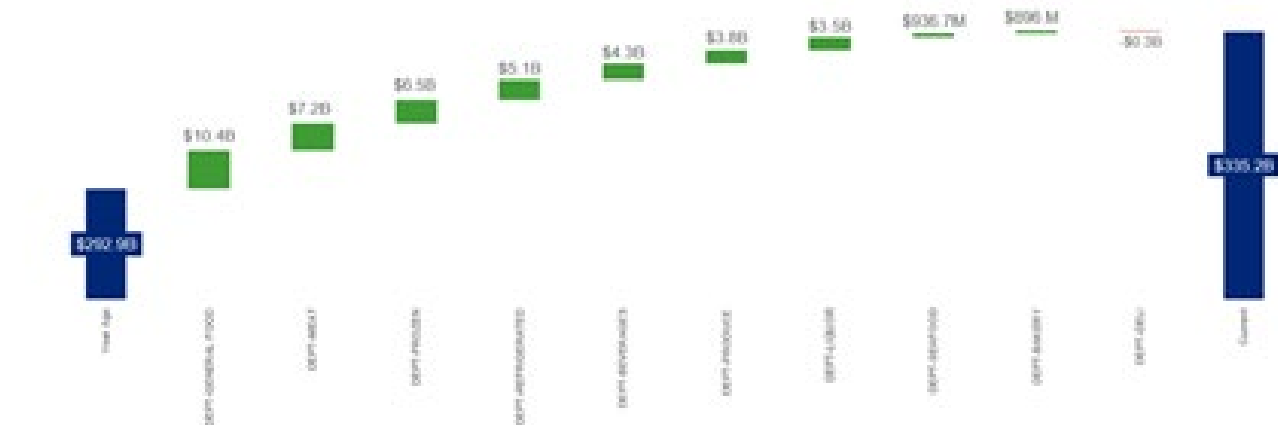
NEW QUESTION



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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 Perish Market Advantage, including both food and non-food weight, 26 weeks ending 10-4-20
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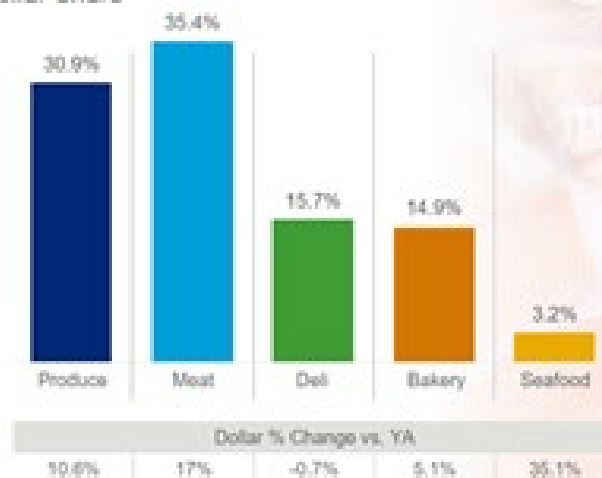
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The Pandemic Period Strengthened Meal-Making

Dollar Share



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



Source: IRI Integrated Food Market Advantage, including both food and non-food aisles, 52 weeks ending 10-4-20
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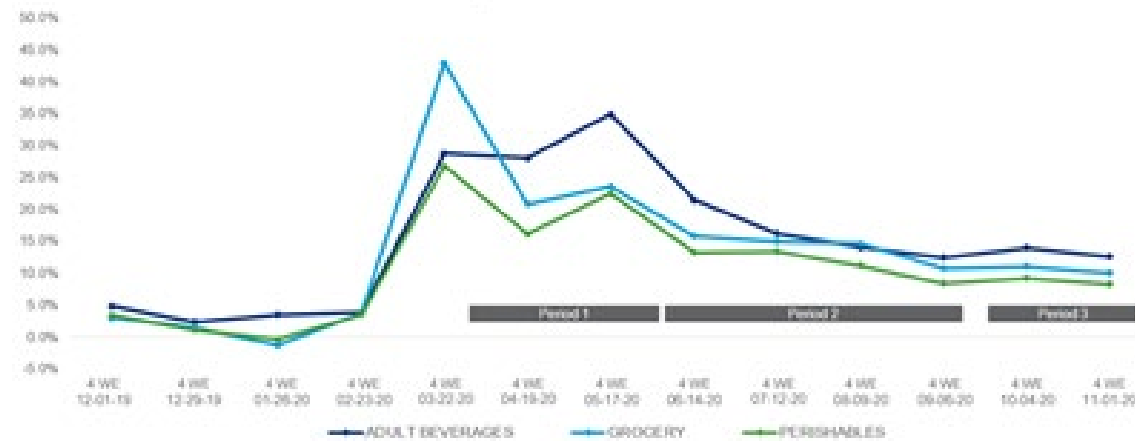
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Perishables Slightly Lower Growth Was Not Unique to the March Stock-Up. Grocery and Adult Beverages have Trended Higher Throughout the Pandemic

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



Source: IRI Integrated Point of Sale Data. Includes both food and non-food weight. 28 weeks ending 10-4-20.
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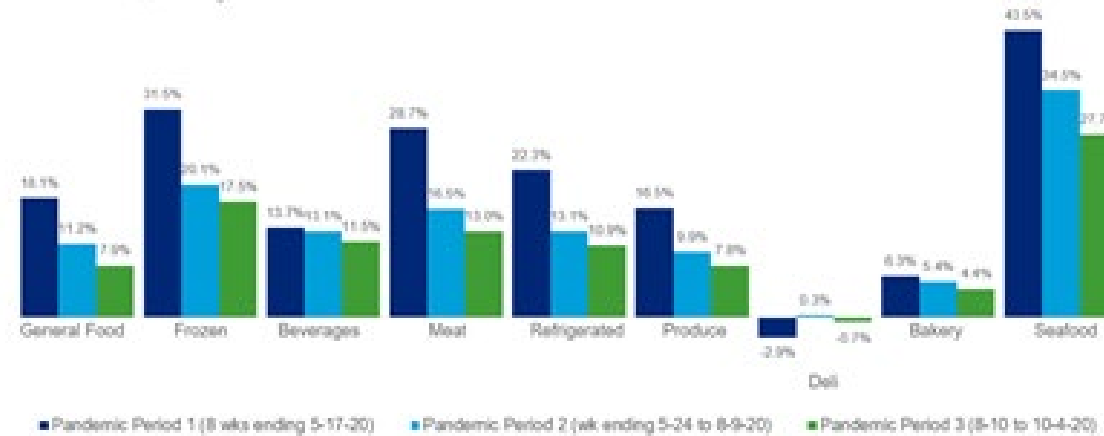
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Throughout the Pandemic Periods, Meat and Frozen Outpaced While Beverages and Seafood Sales Heated Up in the New Normal

Dollar Sales %Change vs. YA



Source: IRI Integrated Food Market Advantage, including both food and non-food weight, 28 weeks ending 10-4-20
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Perishables in the Time of COVID-19

Key Learnings to Guide the Future of Fresh



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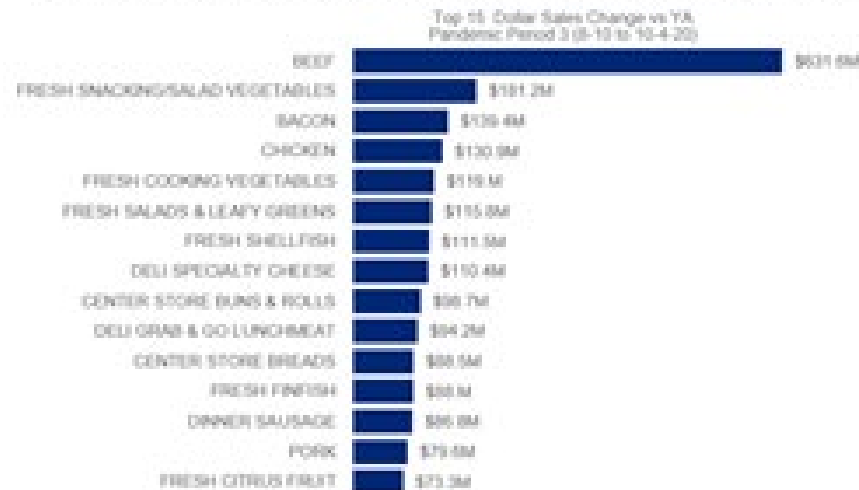
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Fresh Pandemic Power Houses Came From Across the Fresh Departments

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, Periods: including Refrigerated, including both fixed and random weight, Dollar Change vs. Year Ago 8-14-20 to 10-4-20

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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
38% 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**



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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



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



Shoppers Picked Seafood

8.9%

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

27%

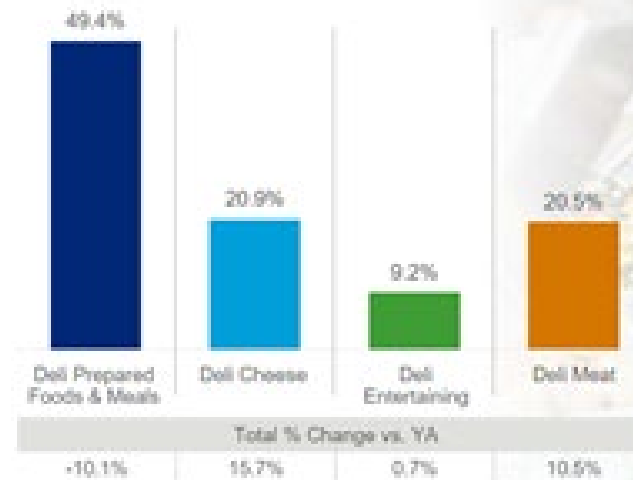
more was spent per
seafood buying
household

14%

more trips included
seafood during the
pandemic v

Deli is Complex With Varied Performance

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



Even With

-10%

**Sales Decline,
Deli Prepared
Foods Still
Anchor the
Department**



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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.



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.



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29



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



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

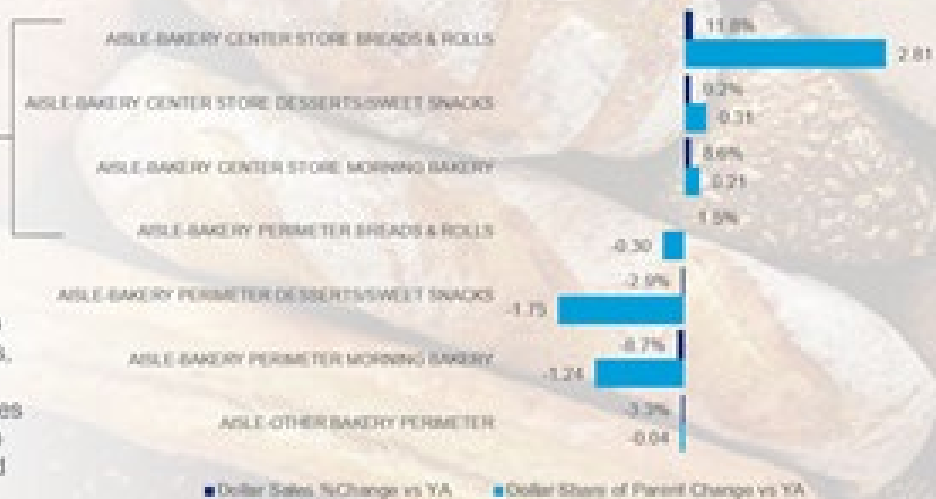
Pandemic Period 3 (8/16 to 10/4/20)

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



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

