Ideas Ripe for the Picking!

Presented by:
Anne-Marie Roerink | 210 Analytics LLC
Mike Kamphaus | Peirone Produce
Fresh growth exceeds center store gains

4-YEAR DOLLAR GROWTH

<table>
<thead>
<tr>
<th>Category</th>
<th>4-Year Dollar Growth</th>
<th>$ Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Food</td>
<td>1.3%</td>
<td>$59.8B</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>1.6%</td>
<td>$48.6B</td>
</tr>
<tr>
<td>Perimeter</td>
<td>2.9%</td>
<td>$12.3B</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$6.3B</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+$4.4B</td>
</tr>
</tbody>
</table>

Source: IRI FreshLook POS data, Multi-Outlet, 52 weeks ending 12/31/2017, 2016, 2015, 2014 4 year CAGR
Produce outgrows all other fresh departments

Source: IRI FreshLook POS data, Multi-Outlet, 52 weeks ending 12/31/2017
Continued growth is very possible

While participation is at 99%, room to improve purchase frequency & spend per trip

55%

Trips including produce

<table>
<thead>
<tr>
<th>Produce Type</th>
<th>Households purchasing</th>
<th>Sales per store</th>
</tr>
</thead>
<tbody>
<tr>
<td>All produce</td>
<td>99.6%</td>
<td>$49,644</td>
</tr>
<tr>
<td>Vegetables</td>
<td>98.2%</td>
<td>$22,671</td>
</tr>
<tr>
<td>Fruit</td>
<td>98.8%</td>
<td>$21,290</td>
</tr>
<tr>
<td>Other produce</td>
<td>73.5%</td>
<td>$5,683</td>
</tr>
</tbody>
</table>

Source: Nielsen, 52 weeks ending 12/31/2017
## Finding pockets of future growth

<table>
<thead>
<tr>
<th>Healthy living</th>
<th>Ethical living</th>
</tr>
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<tbody>
<tr>
<td>One-size-fits-me</td>
<td>Shopping experience</td>
</tr>
<tr>
<td>Convenience</td>
<td></td>
</tr>
</tbody>
</table>

- **Healthy living**: Shopping experience
- **Ethical living**: Convenience
- **One-size-fits-me**: Finding pockets of future growth
Produce consumption is seen as being essential to overall health and recognized for managing/preventing specific health conditions. Nutrition-focused produce shoppers de-emphasize price and are driving dollars across the store.

HEALTHY LIVING
Americans are more focused on health & wellness

63% are trying to eat healthier
49% are consciously trying to eat more fruit and vegetables
35% followed a diet in 2017
- Vegan
- Low carb
- Vegetarian
- High protein
- Paleo (caveman diet)
- Mediterranean

Source: Nielsen, Healthy Living Survey 2017
Whole health equals a big, big opportunity

Using food as medicine:
- 47.8 million households
- $286 billion in spending

With more growth to come:
- Millennials love fresh
- Aging Boomers
- Increase in chronic diseases
- Rising health care costs
- Desire for information
- Access to information

Source: Nielsen, Healthy Living Survey 2017
From health insurance companies to Time magazine

EATING BLUEBERRIES MAY IMPROVE YOUR MEMORY.

REMEMBER TO REGISTER AT MYCIGNA.COM/GETSTARTED TODAY FOR MORE HEALTH TOOLS AND TIPS!
For example, the aging population opportunity

**Ingredients:**
- Fiber
- Heart healthy
- Vitamins and minerals
- Antioxidants

**Innovation:**
- Functional foods
- Easier-to-open packaging
- Easier-to-read labels
- Age-specific formulations
- Benefit-specific formulations
Half makes you whole

Reinforce common knowledge

- Support the 360 degree whole health approach with produce playing a central role
  - Only 48% of shoppers eat fresh produce daily

Reinforce

- Eating produce variety: ■ ■ system
- Eating fresh produce often
- Eating the recommended daily amount

Source 48%: Nielsen, Healthy Living Survey 2017
Consider all meal occasions

- 56% of shoppers try to consume more produce as a snack

- Vegetable snacking is big
  - 2017 $ growth: +7.4%
  - 2017 lbs growth: +4.9%

Source: Nielsen, 52 weeks ending 12/31/2017
What’s all the hullabaloo about berries?

Go beyond the overall health halo

- Highlight specific benefits or attributes
  - 4-6 in 10 people associate produce with:
    - Digestive health
    - Heart health
    - Healthy weight
    - Essential nutrients
    - Avoiding empty calories
    - Providing energy
    - Building immunity
    - Mind health/happiness and more!

Source: FMI, Power of Produce 2017
Some other examples

Lowes Foods, SC

H-E-B, TX
Featured item: antioxidant mix

Play into popular diet trends

- 2018 poll with 2000 retail dietitians shows 2 biggest diets play into produce’s strong suit:
  - Clean eating
  - Plant-based diets

- No. 1 superfood in 2018 are fermented foods
  - Many top 10 superfoods are produce: avocados, seeds, nuts, kale, exotic fruits and coconut products

Source: RDBA Annual Trend Survey 2018
Some more examples

Cubs, MN

Kootenay Coop, Canada
Fresh cut fruit | 1 spoon | 30 calories

Provide simple, useful tools

- 46% of shoppers don’t feel there is enough nutrition information on produce readily available

- Nutrition information is powerful... when it makes sense
  - Few consumers think in ounces, cups or grams
  - Pass the common sense test on signage, recipes and information

United Supermarkets, TX

Source: FMI, Power of Produce 2017
Hey Kids, grab a healthy snack on us!

Connect with parents and kids

- Young children are one of few major factors altering food shopping and consumption behavior
  - Kids are an important point of entry for organic
  - Engage with kids directly
  - New mom, baby and kid clubs
Transparency is big. Today’s consumers want to make better choices, and to do this, they want to be better informed about the what, where, when, why and how of produce items.

ETHICAL LIVING
Regardless of the angle asked, transparency is big

69%
Want to know more about a company’s personal, social and environmental practices

73%
Feel positive about companies that are transparent about how and where their products are grown, made or raised

68%
Are willing to pay more for “free-from” food and drinks

Source: Hartman 2017
And transparency-driven claims are driving sales

+11.1% sales growth
+411 items

+12.5% sales growth
+352 items

+11.2% sales growth
+694 items

+8.3% sales growth
+402 items

+14.8% sales growth
+208 items

+4.8% sales growth
+254 items

Source: Nielsen, 52 weeks ending 12/31/2017
We have over 196 varieties of organic produce

Capture growth with organic produce

- 9% of total produce sales
- +8.0% dollar growth
- +9.2% pound growth

- Fruit: +12.9%
- Vegetables: +4.3%

Source: IRI, MULO, 52 weeks ending 12/31/2017
Not only are we local, but we buy local

Add to local image with local sourcing

- 54% want their store to add more locally-grown produce
  - Highest of all special attributes
  - Great overlap with organic shopper
  - High interest among Boomers
  - Ensure vendor compliance with food safety

- Drivers are support of the local economy, freshness and the environment

Source: Retail Feedback Group
Some other examples

Wegmans, PA

H-E-B, TX

Publix, FL
Packaging waste is rising on the shopper radar

- Want their store to carry more produce in the following packaging types:
  - Environmentally-friendly (52%)
  - Resealable (49%)
  - Reduces food waste (47%)
  - Reusable (30%)

Source: The Power of Produce 2017
Better for farmers, better for you

Sustainable farming is driving dollars at retail

- +11.4% dollar growth
  Collective organic, GMO-free, sustainably grown, etc claims

- +10.8% dollar growth
  Business practices, such as fair trade, ethical, etc claims

Source: Nielsen, 52 weeks ending 12/31/2017
Some more examples

Whole Foods, TX

City Acres, NY
Many channels want a bite out of the produce dollar. Finding a way to draw shoppers to your store by offering unique experiences is a key way to leverage the power of produce to drive traffic, basket size and profits.

SHOPPING EXPERIENCE
Leverage emotional connections

Emotional connections drive loyalty

Emotionally engaged customers are:
- 3x more likely to recommend
- 3x more likely to re-purchase
- Less likely to shop around
- Less price sensitive

Source: Mori Research, 2015
Dwelling is selling

+30%

Dwell time can increase sales

+5.4%

Improving the in-store sensory engagement drives lift

Creating buzz and points of interruption along the path of purchase inspires trips & purchases

Sources: Ogden-Barnes, Barclay, Deakin University | Retail Next
Sampling

Sampling is one of the few things online can’t do

- Let shoppers experience the food
  - Dwelling is selling
  - Sensory experiences drive emotional connections
- While sampling can be an operational challenge, don’t forget the power of yum!
  - And go for the upsell, caramel-dipped apple slices!
Clip your own herbs | 99c per bag

Grown in-store and clip-your-own drive engagement

- 57% of consumers believe growing some produce in-store is a great idea
- Clip your own herbs 50% margin!!

Source: 2018 Indoor Growing Survey
Eye-catching displays have universal appeal

Center-store wisdom

- **End caps**
  - 23% more dollars
  - 34% more unit movement

- **Doubling of facings**
  - More noting: +28%
  - Re-examination: +35%
  - Choice: +10%

- **Eye/top shelf positioning**
  - Noting: +17%
  - Re-examination: +36%
  - Choice: +20%

Sources: IRI | Euromonitor | Ogden-Barnes, Barclay, Deakin University Research
Events drive sales: base and incremental, for the category and total store

- Holidays are proven way to drive trial that can pay off in repeat purchases at full revenue throughout the year

- Self-invented holidays when no one else is chasing the same occasion... even better!
We know a thing or two about events too!
Some more examples

Sales Increase During Sale

$ Sales Increase During Sale

Pineapples sold Oct. 20-22, 2017:
10,542 = $10,779

Pineapples sold Oct. 21-23, 2016:
368 = $1,100.64

# Increase During Sale

2765%
Shoppers strive to optimize their free time, as time pressures are mounting. Shoppers are eating out more and spending less time on preparing meals — willing to pay more to “buy time”
Solutions to maximize free time/doing things that matter

- **70%**
  Don’t have the time to do all the things they need to do

- **50%**
  Believe lack of time is a bigger problem than lack of money

- **44%**
  It’s difficult to manage daily obligations while finding time to relax

Sources: Datamonitor and Yankelovich
What’s driving the convenience megatrend?

- Household changes
- Added time pressures
- Lack of knowledge
- Available solutions

“Buying time”
Rising preference for quick, efficiency-driven products; even if at a price premium
Causing different eating habits: food-on-the-go and eating out

- 58% Eat their evening meal away from home 1-2 times/week
- 13% Eat their evening meal away from home 3-4 times/week
- 20% of Millennials eat out 3-4 times/week

Sources: IRI, Panel, Top Trends in Fresh 2017
And simplified meal preparation

58%
Max 30 minutes on dinner, incl. preparation, cooking and cleanup

4.9
Weekly home-cooked dinners

37% Mostly from scratch

55% Mix of scratch & semi/fully-prepared items

8% Mostly semi/fully-prepared items

Sources: IRI and FMI Power of Foodservice at Retail 2018
At 13.5% of total produce sales, value-added continues to drive dollars

- +4.4% dollar growth
  - Fruit: +0.4%
  - Vegetables: +7.4%

- +2.6% pound growth
  - Fruit: -2.6%
  - Vegetables: +5.3%

Sources: IRI, MULO, 52 weeks ending 12/31/2017
BLT time! Bacon Lettuce Tomato

Meal stations drive extra dollars

- 60% of Americans don’t know what’s for dinner at 4 p.m.
- 38% of Americans like the idea of meal stations
  - 61% of value-added buyers do
- Produce, meat, bakery, center store... inspire and everyone wins, including the consumer

Giant Eagle, PA

Sources: IRI and FMI Power of Foodservice at Retail 2018
Meal kits are carving out a unique niche moving from subscription delivery to in-store

- 23% of shoppers have used a meal kit
- 9% have purchased one

Meal kits at retail
- $154.6 million in sales
- +26%
- Popular among “gourmet foodies”

Sources: Nielsen “What’s Cooking” meal kit study
Make-it-yourself soup kits

Pinterest calls “souping” the new “juicing”

- ½ of shoppers find restaurant soup more exciting than retail packaged soup
- Traditional soup sales are flat, but growth in:
  - Bisques
  - Ethnic varieties
  - Soup similar dishes, such as Pho and Ramen

Albert Heijn, the Netherlands

Source: Pinterest usage analytics
Zucchini as alternative for spaghetti

Spiralized and riced vegetables are two fast growing innovations

- Tracking on social media sites, such as Pinterest and Instagram
- Sales
  - $47 million total
  - Veggie noodles: $30 million with growth of +409%
  - Cauliflower rice: $17 million with growth of +113%
  - Moving into other vegetables, such as beets, carrots and sweet potatoes

Source: Nielsen, 52 weeks ending October 2017
Cross-merchandising

Bringing other fresh items into produce or Bringing produce into the store
Pre-order your carved pumpkins today

And sometimes, convenience is just purely taking advantage of a market opportunity!

We sell pre-made Easter baskets, we can pay someone to hang Christmas lights, why not carve their pumpkins!

Harmons, UT
ONE-SIZE-FITS-ALL "ME"
What do all these have in common?

PERSONALIZATION
Personalization is everywhere

Enabled by technology and driven by demographic changes, one-size-fits-me is the new way Americans plan, shop and consume.

- Continued rise of specialty items
- Emphasis on claims
- Customized services with made-for-me drinks and foods
- Build-a-flavor innovation
- Targeted emails and outreach
- Specialty stores
And... changing households

- 55% Married Couples w/Kids (1950)
- 23% Married Couples w/o Kids (1950)
- 9% Singles Living Alone (1950)
- 20% Married Couples w/Kids (2017)
- 29% Married Couples w/o Kids (2017)
- 28% Singles Living Alone (2017)

Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement,
69% interested in their store offering a “produce butcher”

18% Very interested
51% Somewhat interested
31% Wouldn’t use it

Source: Power of Produce 2017
Fresh juice, which one will be your main squeeze?

Smoothies and juicing are a niche but growth segment

- 23% of shoppers try to consume more produce through smoothies and juicing
  - Popular among Millennials
  - And parents, particularly with young children

Source: Power of Produce 2017
We gladly break packages, just ask us

**Customer service already is and will be an even greater differentiator in food retail**

- Providing service with growing fixed-weight packaging in produce

- How many shoppers would actually take you up on your offer? All the same, get the credit from every single one of your shoppers
Something for everyone pineapple display

Variety wins the game

- Value-added is loved by some, avoided by others
- Whole, halved, rings or chunks
  - Convenience comes at different levels of preparation

Hy-Vee, IA
Green/red cabbage quarters

Adapt portion size to household size

- Smaller households are growing
  - Singles: 27%
  - Two-person HHs: 34%
  - Three-person HHs: 15%

- Meal makeup is changing
  - More frequent snacking and small meals versus 3 main meals
    - Side dish culture

Source: U.S. Population survey 2017

Woolworth’s Australia
Start picking your ideas today!

- Download the 52 ideas for inspiration!
  - www.peirone.com
  - And stay tuned for more

- For questions or additional information
  - Mike: mkamphaus@peirone.com
  - Anne-Marie: aroerink@210analytics.com