ANNUAL MEAT CONFERENCE 2019

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March 3-5, 2019 | Hilton Anatole | Dallas, TX

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THE VOICE OF FOOD RETAIL

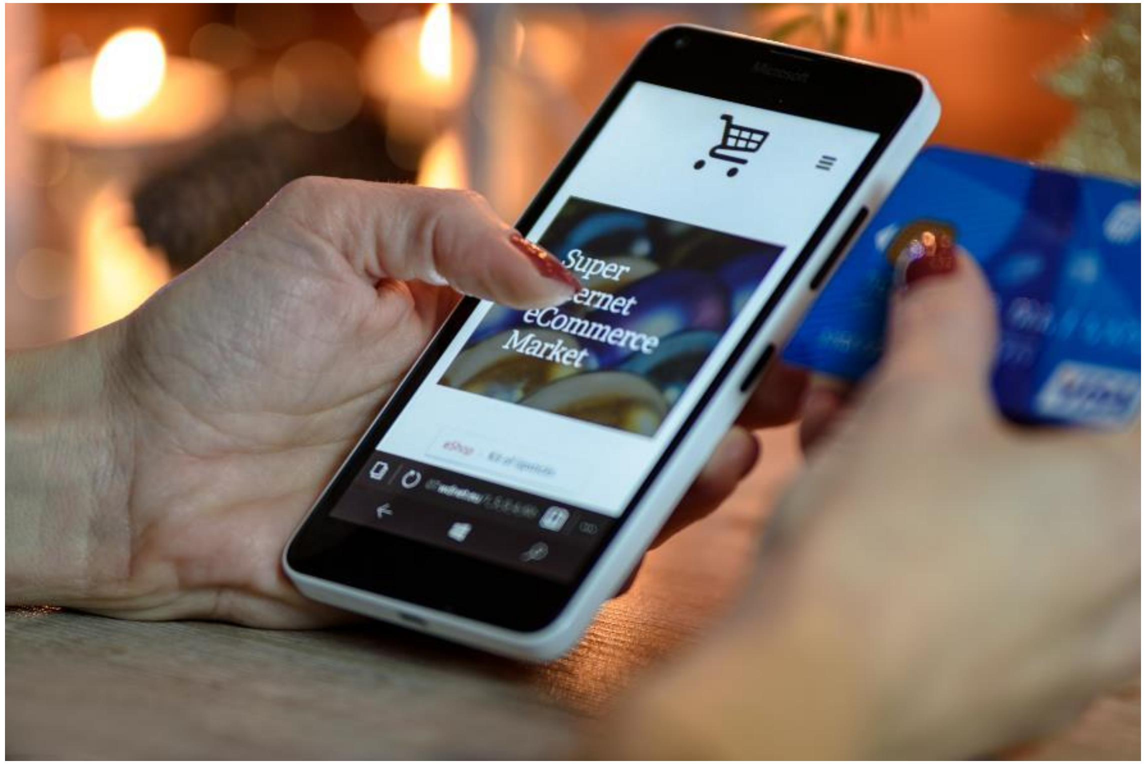
FOUNDATION FOR MEAT & POULTRY RESEARCH & EDUCATION

www.meatconference.com

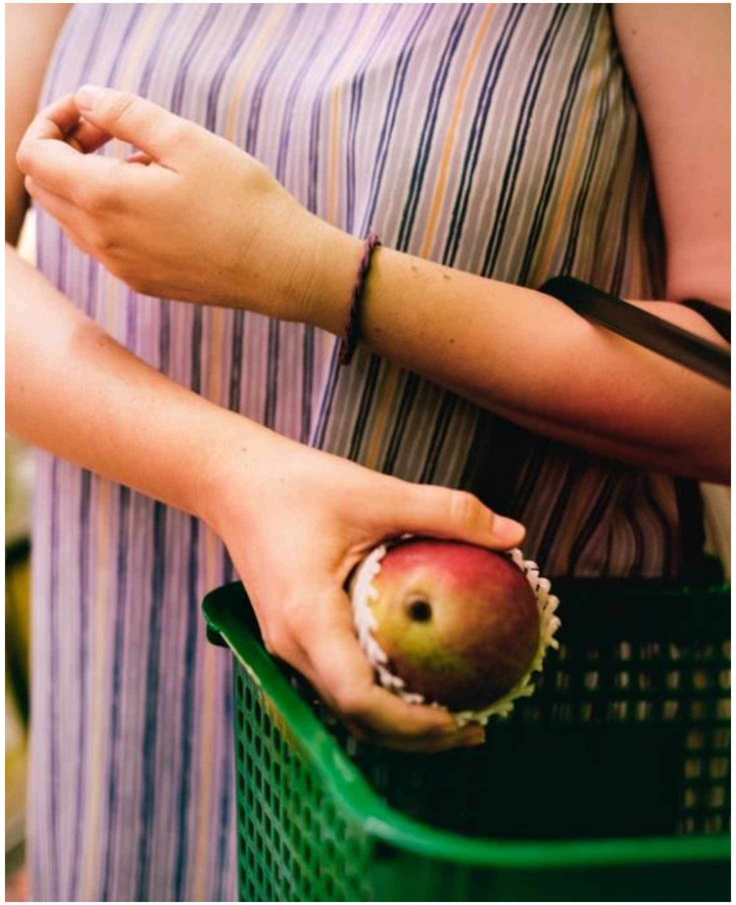
Today's discussion

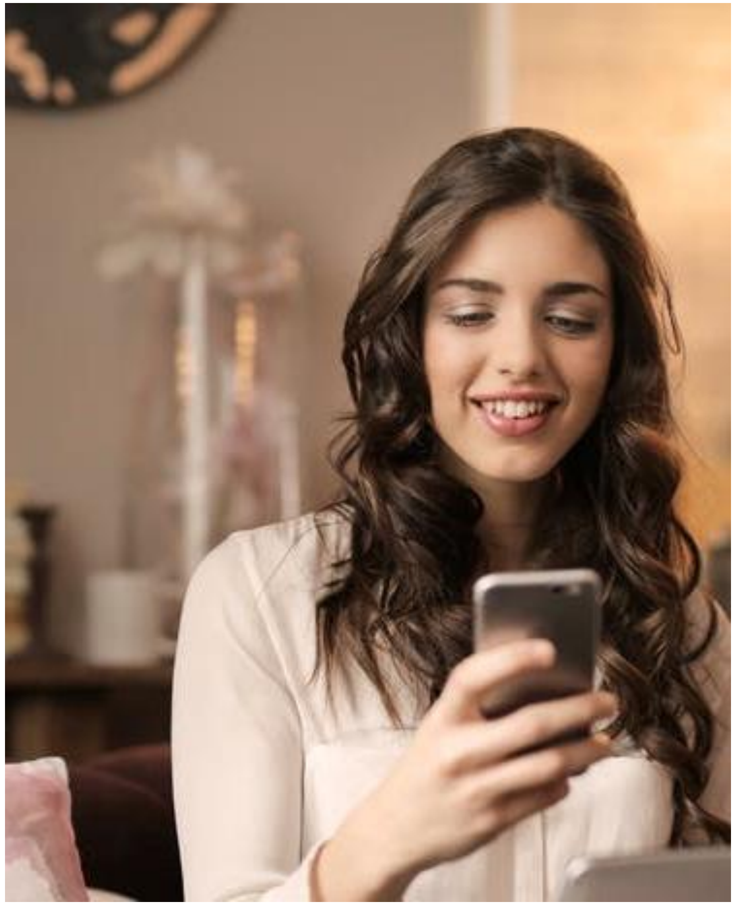
- What does "omni-channel" really mean?
- What does it mean for retail?
- What does it mean for the Meat industry?

Once upon a time, there were ‘online’ and ‘offline’ retailers



… but now the same customers want different shopping experiences





Shopping for and receiving products and services across these different experiences = 'Omnichannel'

Purchase

At home
(*or anywhere*)

Click and collect

E-Commerce

In store

Brick and mortar

Showroom

In store

At home

Receive

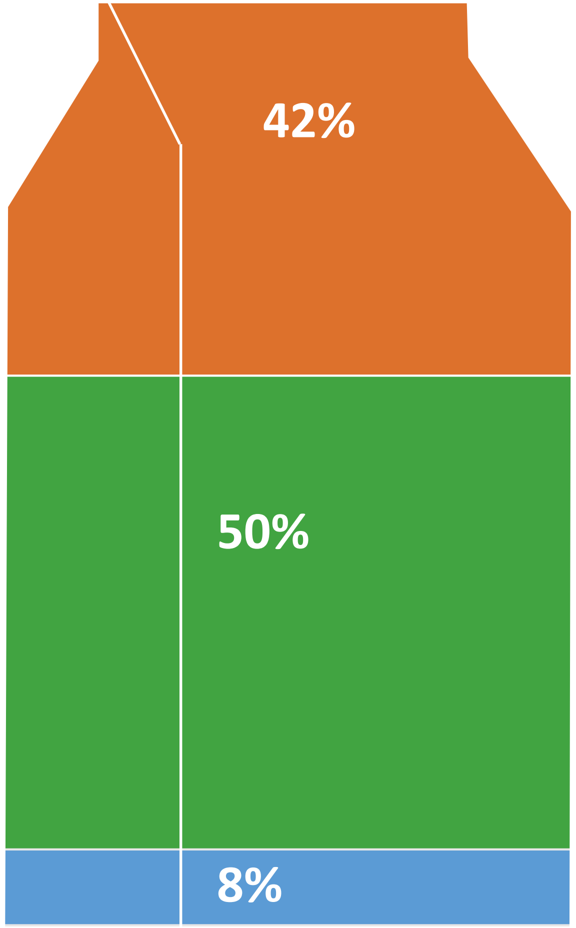
The rise of online and omni-channel…

Not so fast! Online retail is not new… but online grocery share is still quite low today

<8%

of consumers buy groceries frequently online today

There is a high amount of 'latent demand' blocked by hassles

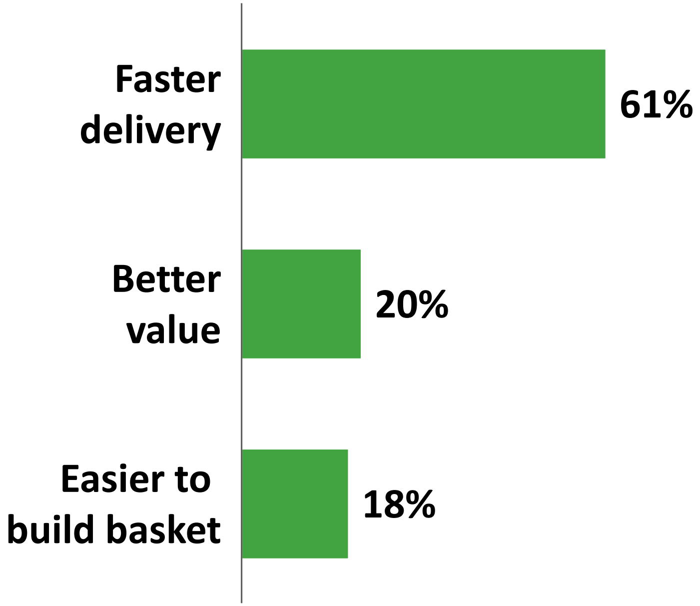


I **would not shop** online

I **would shop online** with fewer hassles

I **already shop online** some of the time

These US residents would shop online for grocery products if…



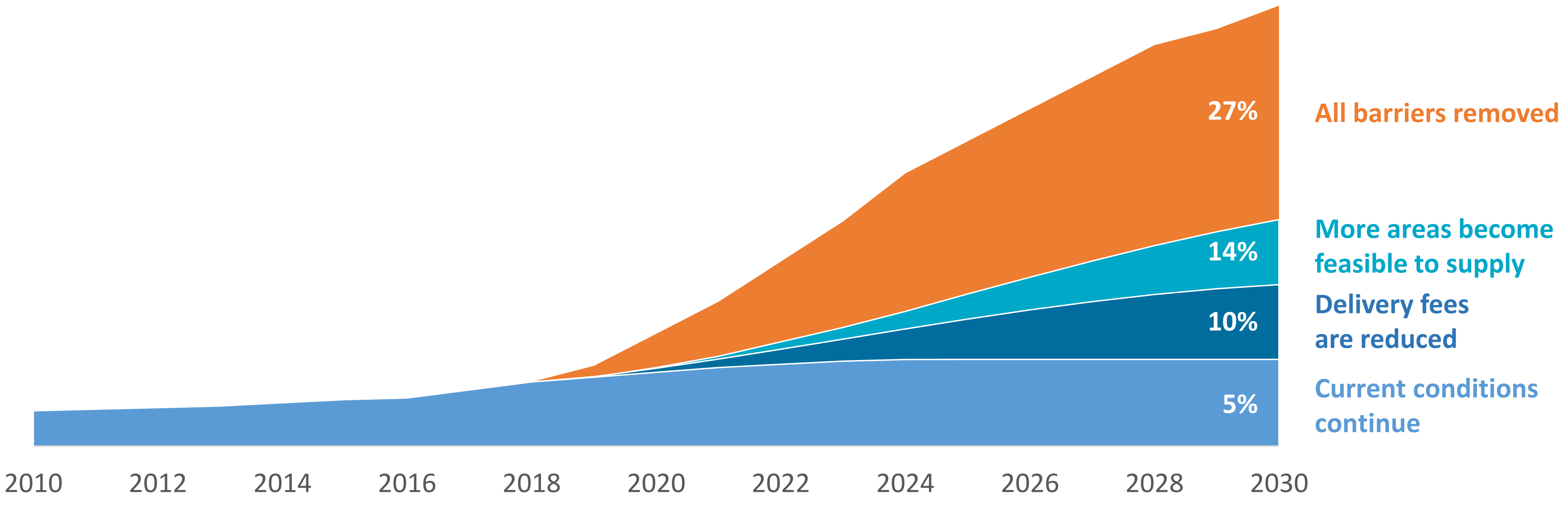
Technology will eliminate many of these hassles while reducing cost

	Challenges	Solutions	Example
Easier to build basket	Shopping experience build around item selection	Plugins for featured products	TASTY
		Recipe boxes on subscription	Hello FRESH
Better value	Expensive fulfilment of individual orders	Automated picking technologies	ocado
		In-store order fulfilment	instacart
	High delivery costs for fresh and refrigerated products	Passive cooling	TEMAX
		Food freshness tracking	timestrip
Delivery was faster	Infrequent drops	Retailer-logistics partnerships	stuart
		Dynamic routing	COGEPART
	Delivering fresh products when customers are away from home	Refrigerated lockers	Penguin Lockers
		In-home delivery service	august

Audience Vote: Food online penetration by 2030?

10%	20%	30%	40%	50%+

We expect for online share of grocery to grow significantly by 2030



Source: 2018 Oliver Wyman Digital Shopping Model

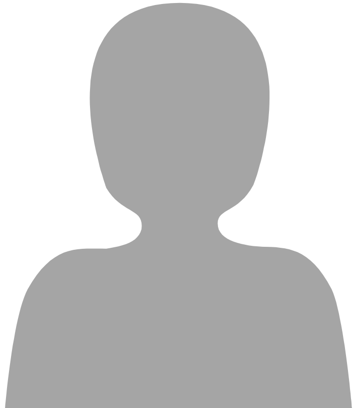
However, customer definitions of ‘online’ are becoming more ‘phygital’

“I order through an app and pick up goods in a store”

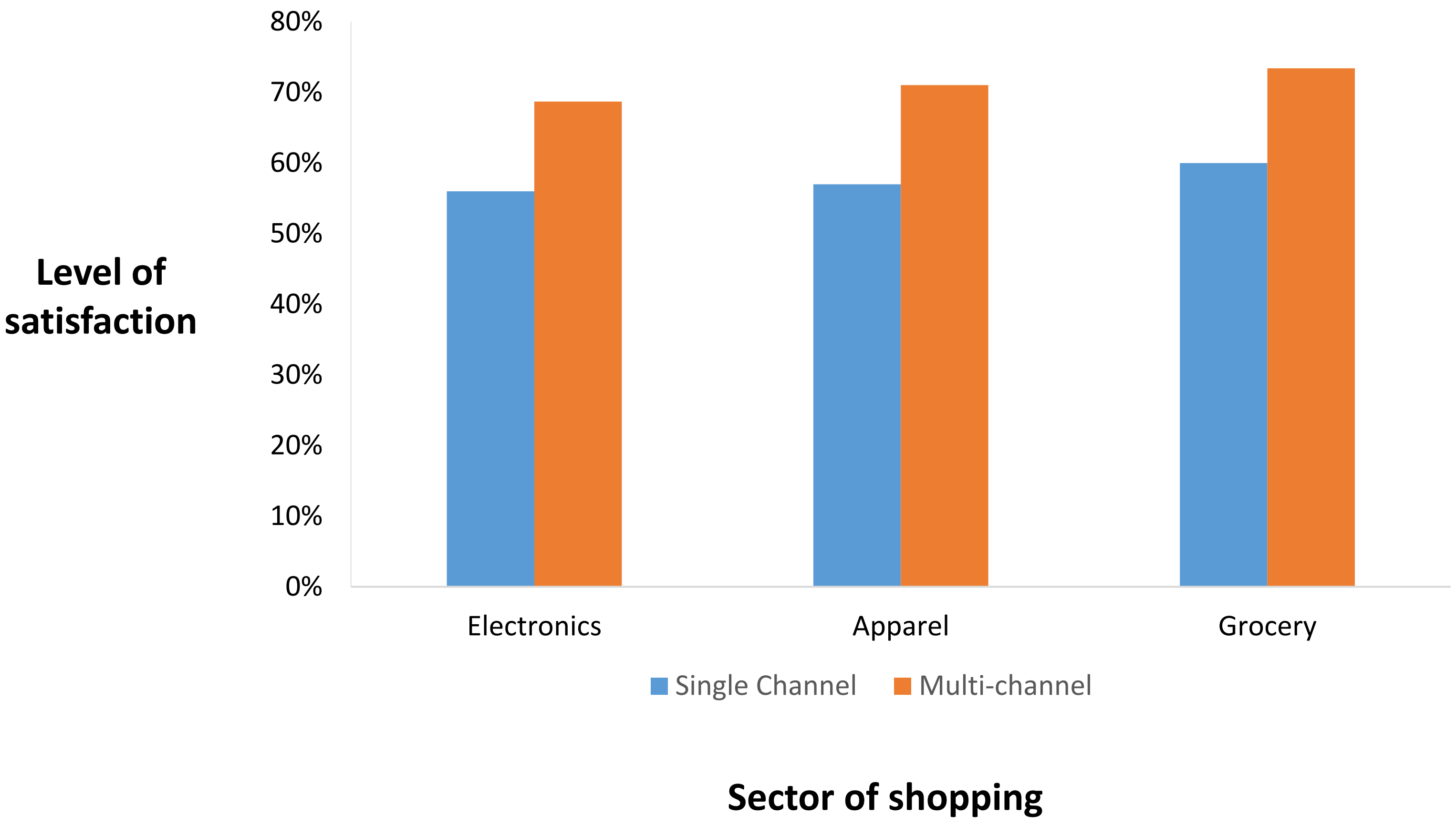
“I use my grocer’s app to chat with their nutritionist on what I should buy”

“I build a shopping list in my local grocer’s app and pick it out myself”

“I get an email update when my grocer has new mealkits in store”



Omni-channel will become more prevalent – even today, customers are happiest when they shop online <u>and</u> offline for food



Stores will continue to be a focal point for grocery shopping

…with store formats evolving to meet different shopper needs and occasions

- "I want to pay as little as I can no matter what" — DISCOUNT MODELS
- "I need it now" — CONVENIENCE STORE
- "I need it today, but not now" — CLICK AND COLLECT PICKUP POINT
- "I want to go shopping because it is fun" — BOUTIQUE OR SHOWROOM
- "To me, shopping also means meeting people" — SOCIAL INTERACTION
- "I want support if the product breaks" — SERVICE CENTER

…as well as playing an increasing role in omni-channel fulfilment

In store picking

Dark stores and Central Production

Drive up formats

‘Stores’ will not look the same as they have in the past

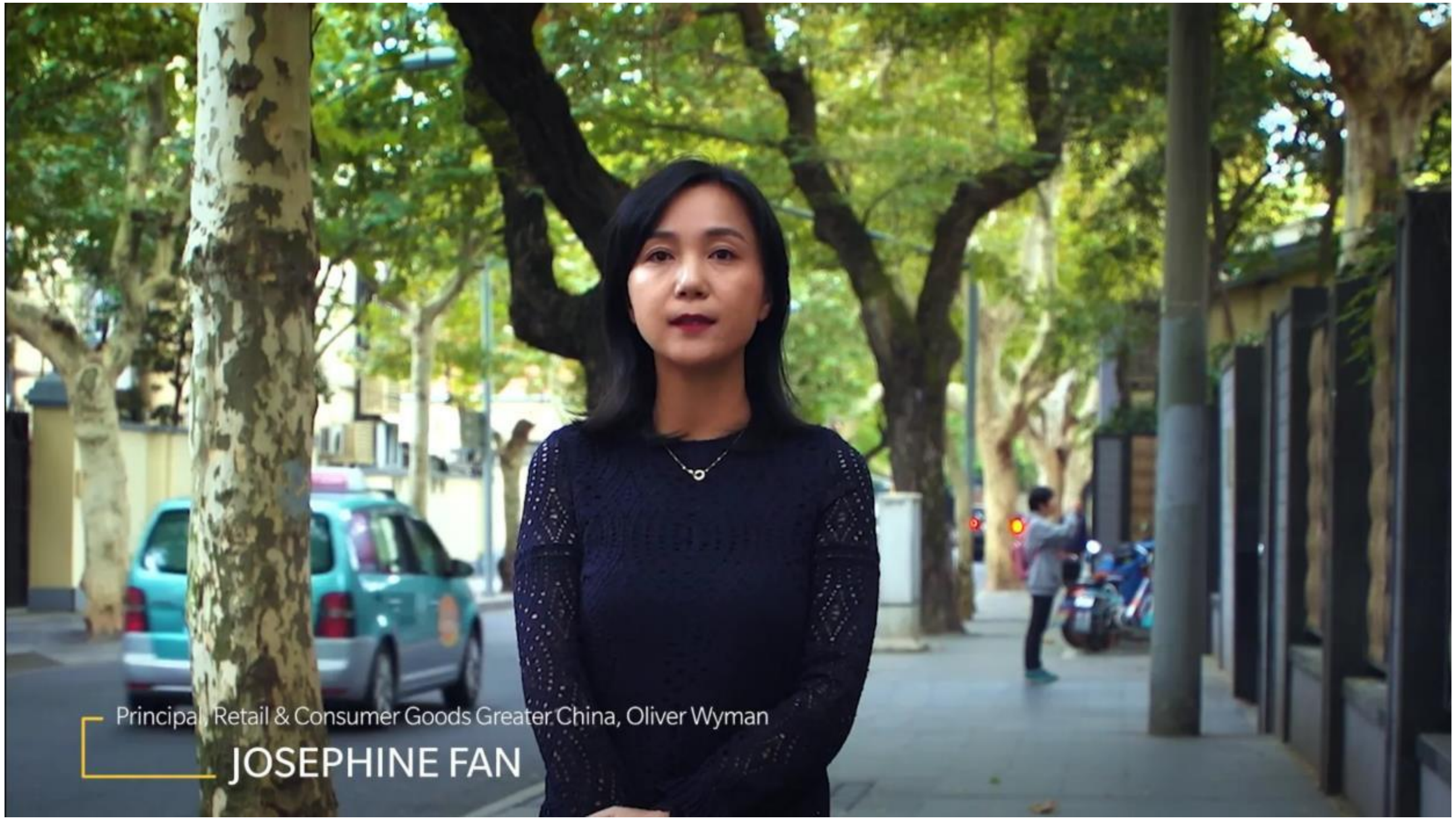
Easier to shop

Less expensive to operate

Monetized in new ways

Photo sources: https://www.forbes.com/sites/andriacheng/2019/01/13/why-amazon-go-may-soon-change-the-way-we-want-to-shop/#461706a86709; https://thespoon.tech/ahold-delhaize-orders-up-nearly-500-floor-roaming-robots/

Much of this has already come to life – e.g. the “O2O” model in China



So we know the future is omnichannel!

What does that mean for the retail industry broadly?

This is all easier said than done – there are new challenges for everyone

Offline retailers must be able to…

- Pick individual orders
- Deliver to the last mile
- Design ways to choose via search engine
- …

Online retailers are learning…

- Manage a customer-service oriented workforce
- Design a shelf planogram
- Determine store level production and ordering
- …

… and will redefine what success looks like in retail

Partnerships (and M&A) are a key enabler

amazon & KOHL'S

Ahold Delhaize & robomart

Tencent 腾讯 JD.COM 京东 & Walmart 7FRESH FOOD MARKET

Kroger & ocado

Alibaba Group & SUN ART Retail Group Limited

Auchan & colisweb

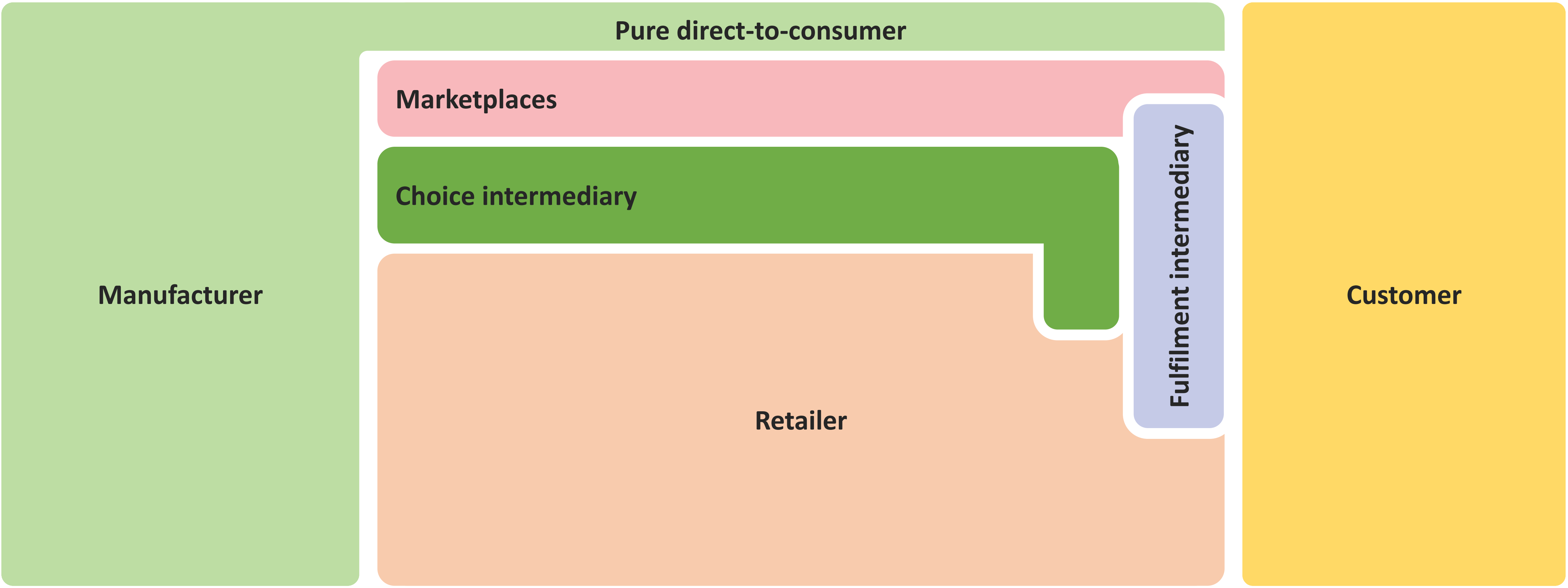
The retail value chain has been relatively simple historically…

Manufacturer

Retailer

Customer

… and these partnerships mean the value chain is getting more complicated

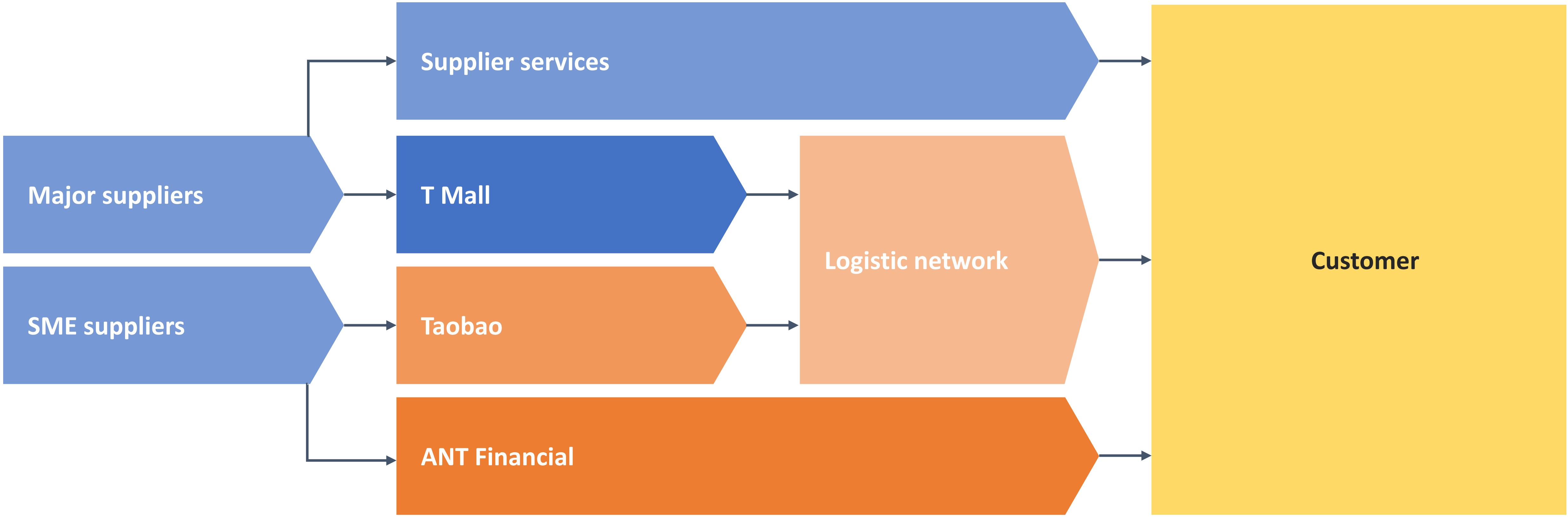


Disintermediation by suppliers with new direct to consumer models

Subscription Model	BIRCHBOX, DOLLAR SHAVE CLUB, MeUndies
Flexible Trial-and-Return Policy	THIRDLOVE, Casper, MACK WELDON
Change in Price Point vs. Incumbents	BRANDLESS™, WARBY PARKER

Disintermediation by suppliers with new direct to consumer models

Alibaba Group 阿里巴巴集团

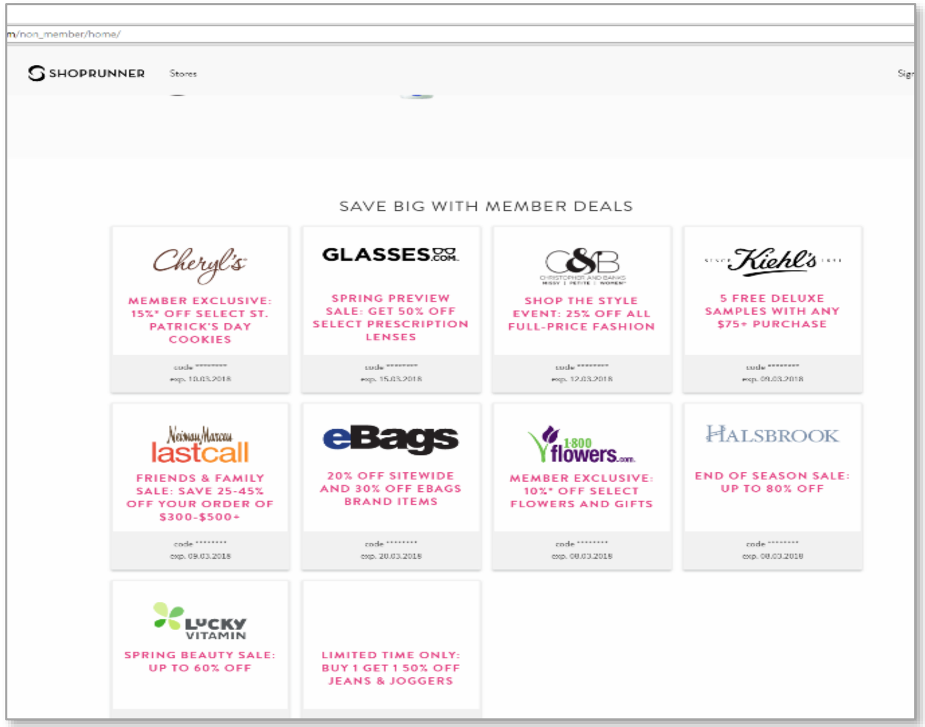


Reintermediation by fulfilment intermediaries

SHOPRUNNER

- Free two-day shipping, with no minimum order
- Track orders across multiple retailers and shippers in a single interface
- Access to exclusive deals
- Memberships are $79 per year

Sample ShopRunner deals direct customers to certain partner retailers



Reintermediation by new choice intermediaries

TODAY

- “Add eggs to my shopping list”
- “Buy dog food to arrive by Friday”
- “What is expiring today?”*
- “What fruit do I have?”*
- “How old is the fish?”*

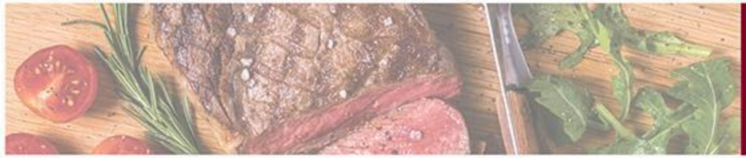
Chefling
Your Personal Kitchen Assistant

** Functionality provided by integration with the Chefling app*

IN THE FUTURE…

- “Where’s the cheapest place to buy this weekend’s recipes?”
- “I get home late tonight – should I order a restaurant delivery, or is there anything in the fridge?”
- “Dinner party this Saturday for eight – and one vegan!”

These changes to the value chain will be the longer-term industry shake up that result from omnichannel retail in grocery

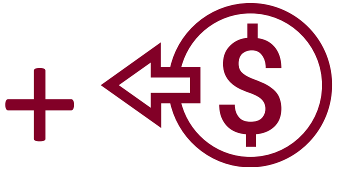


In the face of these changes, there are four key strategies

Focus on **innovation** and new **product development**

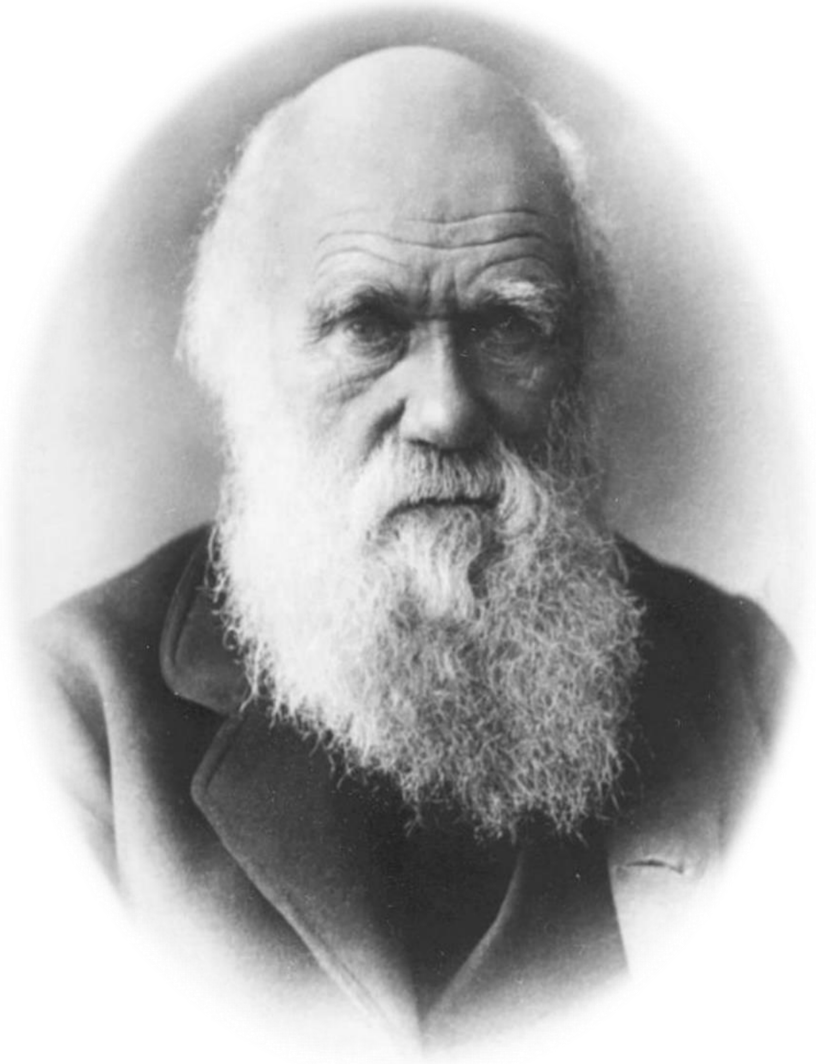
Partner with or build your own **value chain disruptor offer**

Create (and/or support) **differentiated shopping experiences**



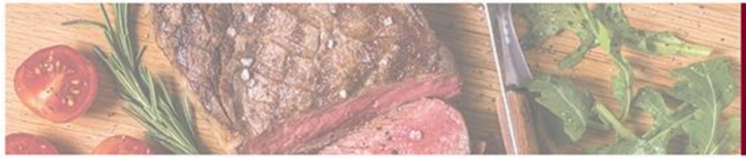
Improve capabilities and **radically reduce cost** to fund investments

What does it all mean for Meat?



"*It is not the **strongest species** that survive, nor **the most intelligent,** but **the most responsive to change***"

Charles Darwin

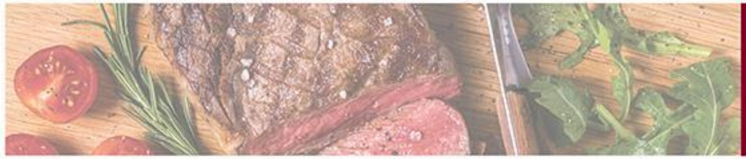


Fresh food is more important than ever in grocery retail

73%

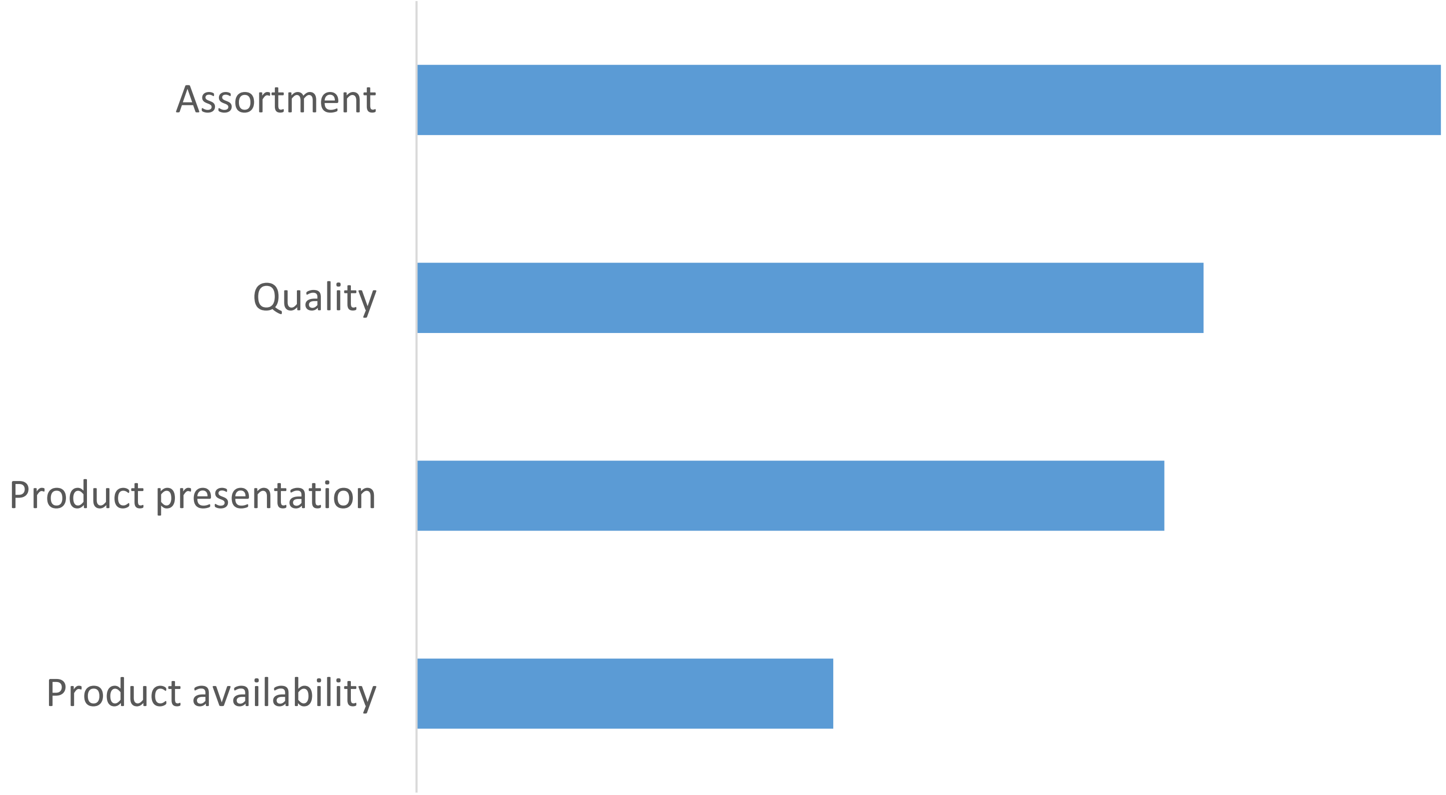
of customers regularly buy groceries at the retail store they consider to be “the best place to buy fresh products”[1]

Source: Oliver Wyman Global Fresh Study



The same general plays for thriving are also want customers want today

Top drivers of satisfaction in meat



Product development

Improve capabilities

Differentiated shopping experiences

Improve capabilities

Source: Oliver Wyman Global Fresh Study

Innovative and on trend products

Product development

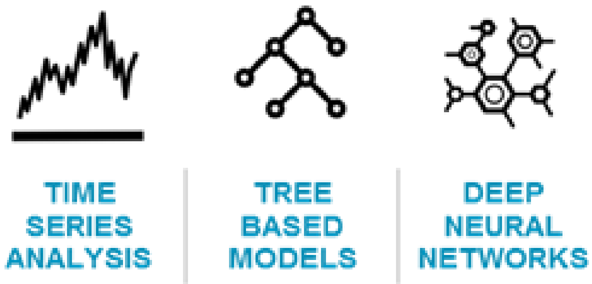
Disruptor offers – Meal kits and meat based solutions

Product development

Improving capabilities to improve efficiency and radically reduce cost

Improve capabilities

Unleashing AI/ML

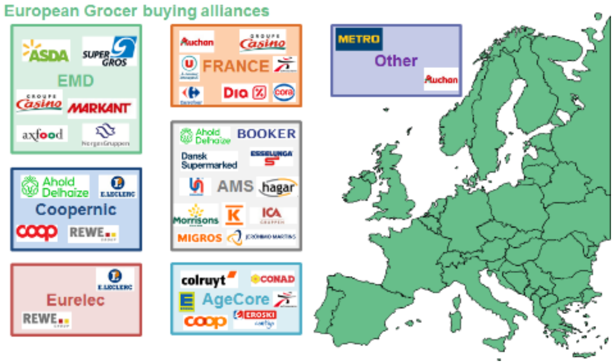


e.g. Machine Learning Demand Forecasting

Radical simplification

e.g. ZBX

Collaboration and scale



e.g. Buying alliances

"Omni-channel friendly" packaging

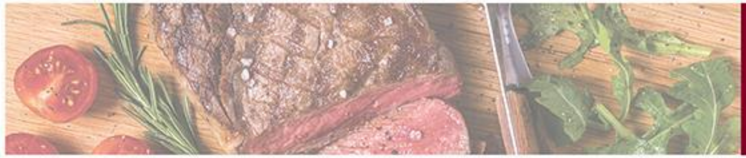
Improve capabilities

Shopping experiences

Differentiated shopping experiences

Fresh and in-store gastronomy at the heart of the new Albert Heijn XL flagship stores

Service counters with ample possibilities to test fresh products at new flagship store Edeka Zurheide in Düsseldorf



A few questions to take back to your day jobs

- **Look hard at costs and capabilities** – How are you generating the significant funding needed to invest in growth? Where do you need to build or find new capabilities to enable that growth?

- **Double down on the product** – What does your innovation process and pipeline look like? How customer-led is your approach?

- **Be obsessed about the customer and experience** – Do you understand who you are targeting and their purchase journey? How does that get brought to life in store and online?

- **Find your partners –** Who are you partnering with today? Are you actively scanning/pursuing partnerships?

The journey starts today…


THANK YOU