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The Power of Meat 2017

An in-depth look at the meat department through the shoppers' eyes

Presented by:
Anne-Marie Roerink
210analytics

The Power of Meat 2017

- Shopper and retailer surveys plus market insights
  - IRi, nielsen, MarketTrack
- Study taskforce
  - Albertsons, SUPERVALU, Bristol Farms, CAS, Publix, TARGET, NH Foods Australia, National Beef, JBS, Smithfield, HUSSMANN, Sealed Air Re-imagine, YERECIC LABEL

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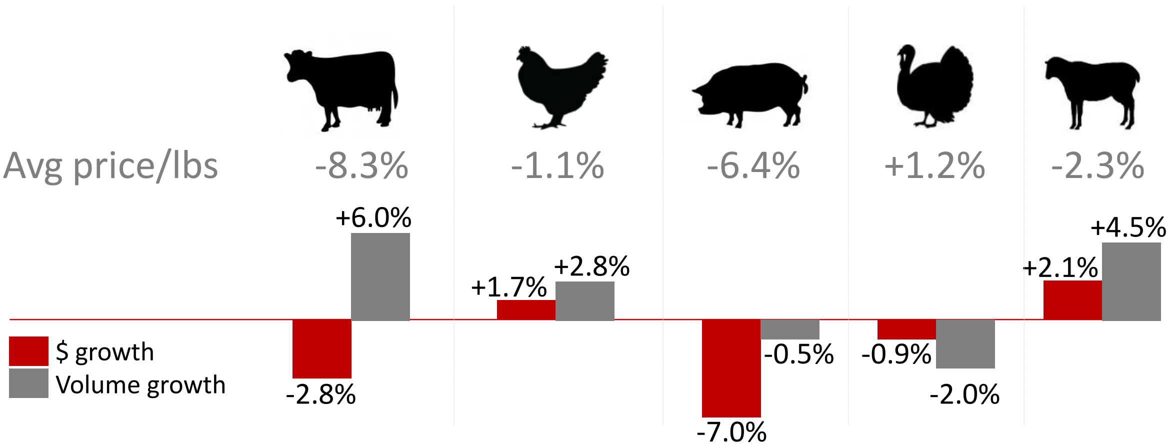
Price relief drove switching between proteins



Annual Meat Conference | The Power of Meat© 2017 Source: IRI, MULO, 52 w/e 11/26/2016 Fresh meat only 3

THE POWER OF **MEAT** 2017

2016 vs. 2015: an upside down world

	Dollars	Volume
2015	+4.5%	+0.7%
2016	-3.6%	+2.2%

* Fresh meat

Annual Meat Conference | The Power of Meat© 2017 | Source: Nielsen, FCA, 52 w/e 11/26/2016

THE POWER OF **MEAT** 2017

2016 was a year of two tales

−

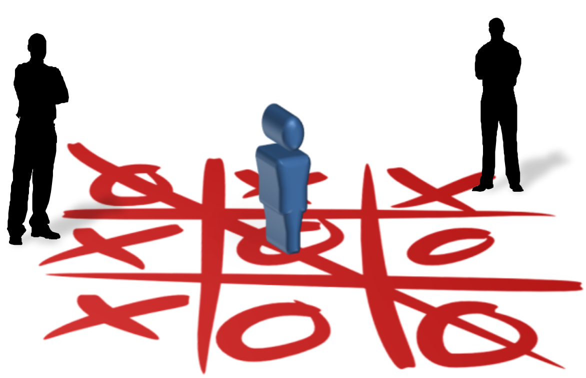
- Dollar sales
- Household penetration
- Trips

+

- Volume sales
- Gross margins at retail
- Ability to drive basket size
- Willingness for experimentation and trading up

THE POWER OF **MEAT** 2017

Driving growth requires putting the shopper at the center of your game plan



THE POWER OF **MEAT** 2017

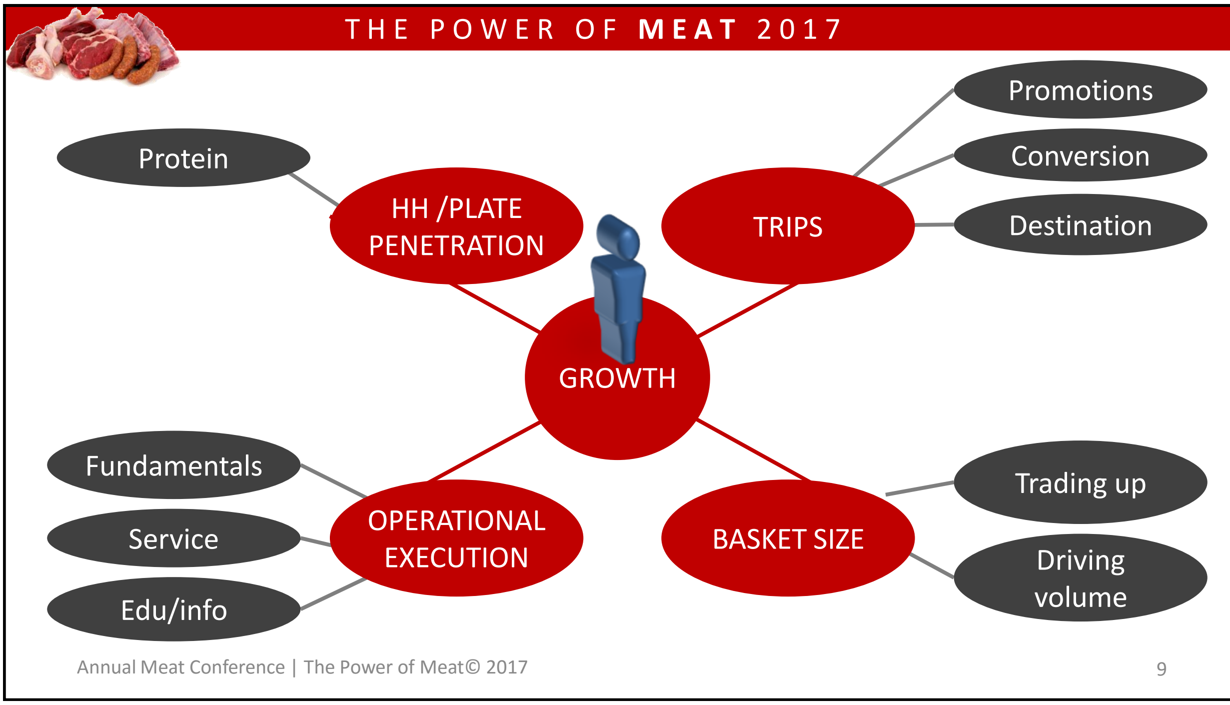
Meagan Nelson
Associate Director
Nielsen

"Consumers are changing. What they value is changing. It is critical to understand and provide products that keep our meat offering relevant to the consumer"

THE POWER OF **MEAT** 2017

Price per pound still on top but dominance wanes as definition of value changes

	Price/pound	Appearance/quality	Total package price	Nutrition	Prep. knowledge	Prep. time/ease
	4.3 ↓	**4.1** ↔	**4.1** ↓	**3.0** ↔	**2.9** ↑	**2.8** ↑
Millennials	3.9 !	3.9	4.2	2.9	3.1 !	3.0 !
Boomers	4.7	4.5	3.9	3.0	1.5	1.6


THE POWER OF MEAT 2017
Protein
HH /PLATE PENETRATION
TRIPS
Promotions
Conversion
Destination
GROWTH
Fundamentals
Service
Edu/info
OPERATIONAL EXECUTION
BASKET SIZE
Trading up
Driving volume
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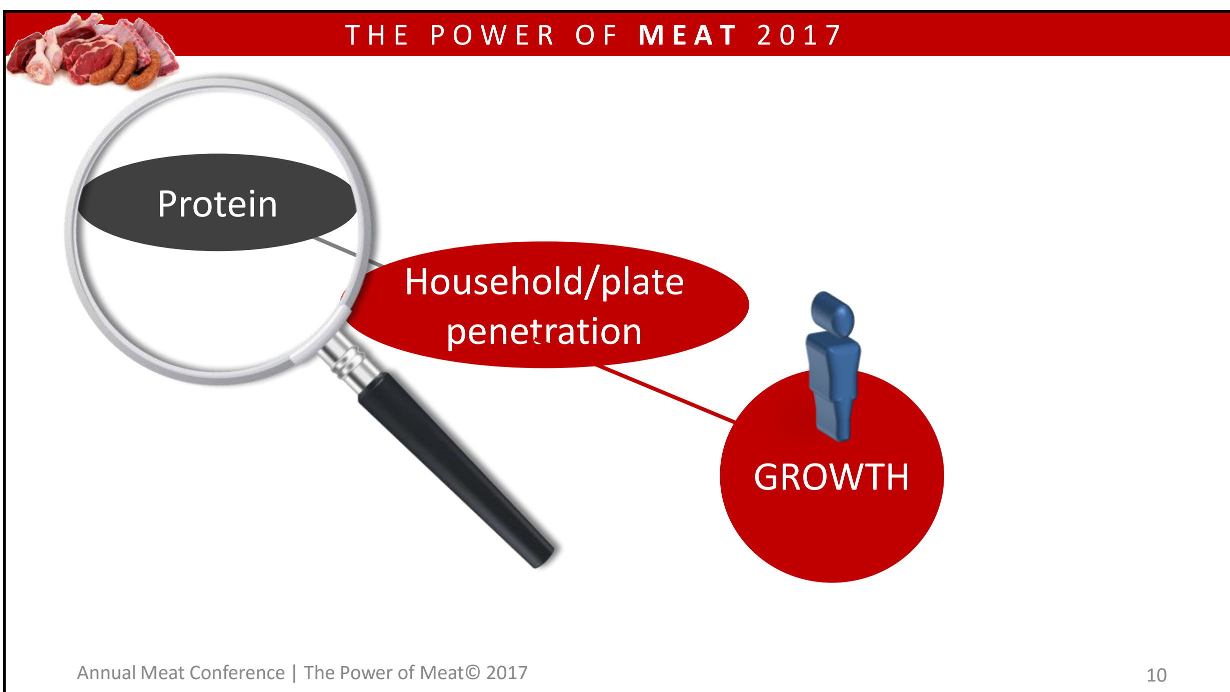
THE POWER OF MEAT 2017
Protein
Household/plate penetration
GROWTH
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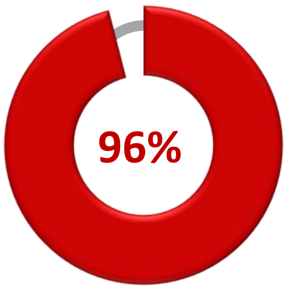
Protein continues to be a popular claim



Fresh meat HH penetration

- 39% **more** food items with protein claims selling now vs. 4 years ago
- 6% four-year CAGR

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Alternatives routinely in meal lineup

60% of Millennials believe protein goals do not require meat

76%

serve meat alternatives for dinner 1x/week or more

57% Fish/seafood

52% Eggs

37% Beans/lentils/legumes

18% Quinoa/plant-based

17% Seeds/nuts

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Sally Lyons Wyatt
Executive Vice President
IRI

"Protein has graduated from an attribute to a brand."

THE POWER OF **MEAT** 2017

Adding variety is the main driver; health second

Millennial dollars go to items that are fun, new/different and easy to prepare

52%

44%

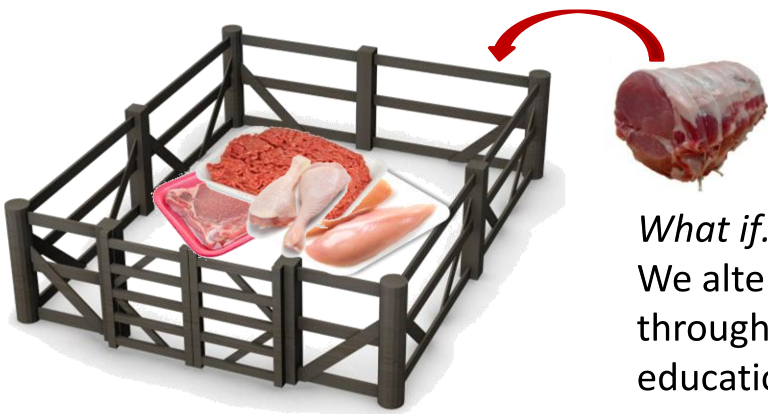
26%

23%

Variety/something different	Health	Ease of preparation	Lower cost
Millennials: **61%** !	**38%**	**51%** !	**36%**

We have variety, but need to drive new item trial

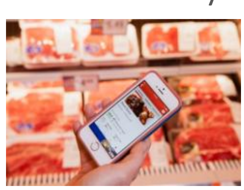
Meat is a very habitual purchase driven by cost and cooking skill set

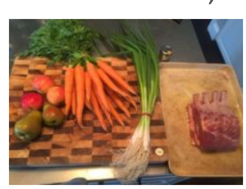


What if…
We alter the demand curve through customer service, education & information?

New meat cuts/kinds have a high trial barrier

Based on recommendations from your social network, willingness to…





	Try a new restaurant	Make a new recipe w/familiar meat	Purchase a new meat product	Shop at a new meat department
	48%	**43%**	**24%**	**20%**
Millennials	52%	56%	31%	30%
Boomers	44%	38%	20%	15%

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Addressing health: moderation, not avoidance

	Regularly	Never
Leaner cuts	50%	7%
Limit second helpings	37%	21%
Smaller portion sizes	31%	19%
More fish & seafood	26%	18%
More meatless meals/ meat alternatives	18%	35%

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Better leveraging health & wellness

Drive health and wellness in promotions, in-store, on-pack, etc.

And…Try partnering vs. substitution

Key questions

- Are you showing and leveraging meat's nutritional advantages?
- Are you leveraging packaging technology to provide moderation options?
- Are you tailoring benefits to personal health needs?
- Is it easy for shoppers to engage in-store? Are your staff informed?
- Are you educating shoppers to grow their confidence in preparing a greater meat variety?

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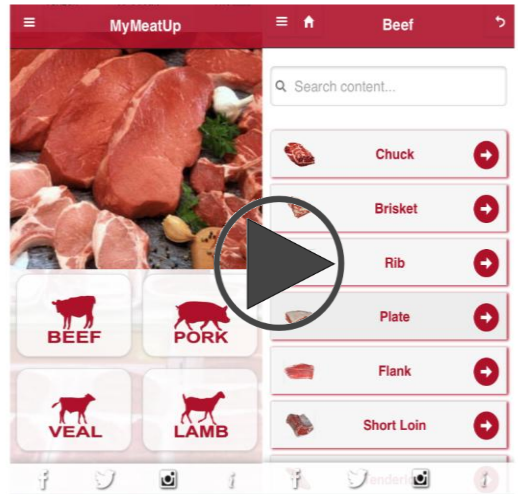
Leverage industry resources
- NAMI
- Protein groups

MyMeatUp app
MyMeatUp.org



The MyMeatUp app, free for both iOS and Android, gets users familiar with different cuts of meat, cooking methods and culinary terminology. (Courtesy North American Meat Institute)

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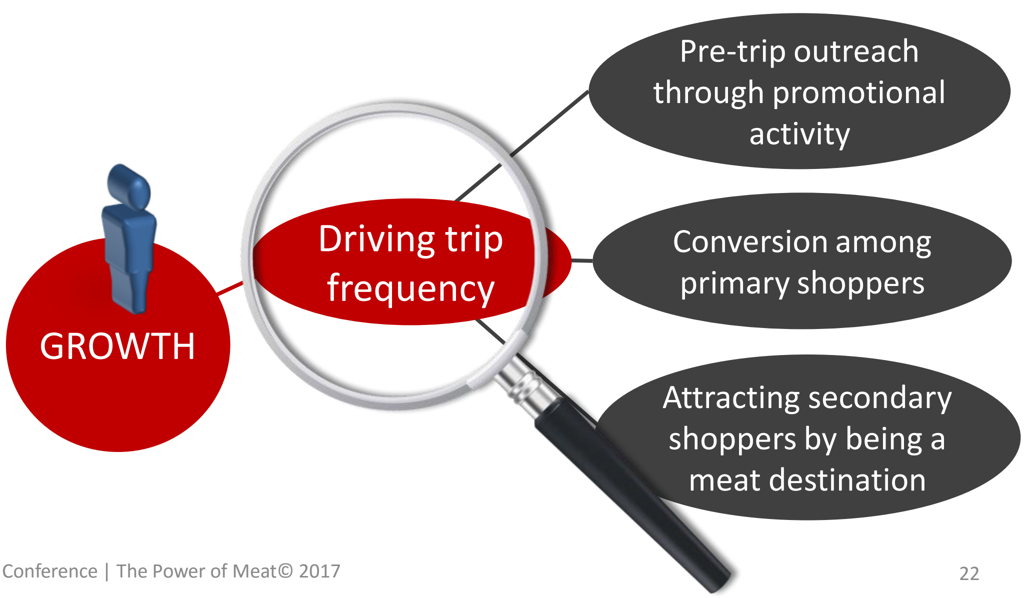

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Trip frequency is an important concern

Fewer opportunities to sell, upsell and cross-sell

Store trips -2.0%

- Millennials 96 trips vs. 119 average
- Impact of alternative channels

Meat trips -2.8%

- From high of 32 in 2012 to 27 trips annually
- Grocery -2.9%; Mass merch -1.5%; Club -1.6%

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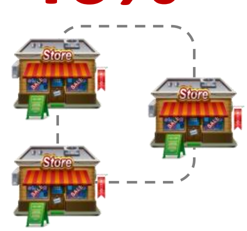
Slightly fewer shoppers check promotions

But the concept of promotional research remains relevant, though moving locations

60%

Check meat/poultry promotions for primary protein store

46%



Check meat/poultry promotions across stores

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The promotional funnel is changing

Increased attention should be paid to in-store and mobile/social/digital

77%

Refer to 1+ promo platforms to research meat pre or during the visit

58% Circular at home	**50%** In-store promotions	**37%** Circular in-store
29% Digital circular	**17%** Store app	**15%** Email/ website
7% Smartphone research	**5%** Social media	**3%** Text specials

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Embracing the Millennial way

Millennials 18-25	25-36		Boomers
67%	**67%**	**Tend to do research**	**79%**
35%	40%	Paper circular pre-trip	69%
57%	55%	In-store promotional signage	47%
40%	37%	Paper circular in store	35%
25%	29%	Electronic circular	27%
20%	19%	Store app	11%
17%	15%	Meat promotion email/web	12%
16%	14%	Smartphone research	2%
12%	7%	Social media deals	2%
6%	3%	Text specials	1%

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Digital is a prime space for alternative channels

Amazon.Com, 5/11/2016, Facebook

Dollar Tree, 6/29/2016, Facebook

Farm direct, Facebook

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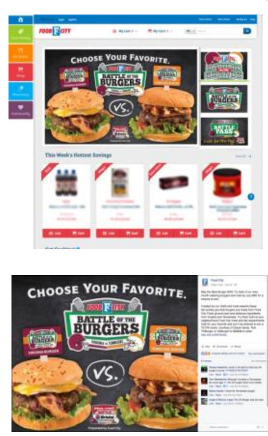
2017 Creative Choice Award for Integrated Marketing



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Shoppers most prefer price-per-pound discounts

Demographic shifts in favor of BOGOs

1. Discounted price per pound
2. Meat/poultry BOGOs
3. Family/bulk packs
4. Meal BOGOs

Ranked 1st among: **53%** 28% 18% 6%

Millennials: 39% Boomers: 63% Millennials: 15%

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Ryne Misso
Director, Marketing
Market Track

"Health & wellness and meat as part of a full meal solution are opportunities for improving ad messaging."

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Key questions

- Do you have the hottest ad, or the most relevant ad on the most relevant platforms?
  - Target promotions/messaging in fragmented market
  - Right product, right price, right messaging, right timing
- Are you leveraging technology to include education, tips, list generation, ordering, etc.?
- Are you addressing shoppers' changing definition of value?

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Meat/poultry are a supermarket stronghold

But the momentum is with alternative channels

	Supermarkets	Supercenters	Club stores	Organic stores	Other
 Primary store groceries	62%	23%	7%	6%	2%
 Primary store meat and poultry	62%	14%	10% ↑	7% ↑	7.5% ↑

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Supermarkets reign through high conversion

But more specialty/organic and club shoppers stayed in channel (price relief)

Primary grocery channel ≠ primary meat channel

Switching by channel

24%
Channel switching

↓ from 27%

14%
Supermarkets

45%
Supercenters

2 key questions:

1. Where to?
2. Why?

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Where: supermarkets prime beneficiary

But alternative channels a growing attraction, particularly among Millennials

24%
Switch

Switch to:	**2017**	
Supermarkets	39%	↓
Clubs	18%	
Butcher stores	17%	↑
Supercenters	5%	↓
Farmers' markets	7%	↑
Specialty/organic	8%	↑
Online	2%	
Other	5%	↑

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The why differs widely by primary grocery channel

Switching to:

Supermarket shoppers
32% Clubs
27% Butcher shops
17% Specialty/organic stores

Why:

1. Better product quality
2. Lower prices in general
3. Better selection of specialty a[illegible]utes
4. Service/butcher on hand

Supercenter shoppers
64% Supermarkets
13% Club stores
10% Butcher shops

1. Better product quality
2. Better variety in general
3. Better selection of specialty attributes
4. Better customer service

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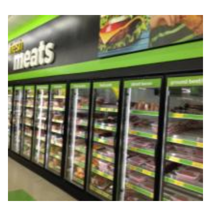
Alternative outlets are meat trip bandits

Trips are scattering from many retail models to skipping the store altogether

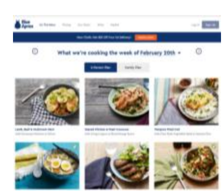

Farm/Farmers' markets
17%


Butcher's
15%



Dollar store
3%

Online
3%


Meal kit delivery
2%

Know your new competitive set and their perceived strengths and weaknesses

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Farm-direct and farmers' markets still ramping up

Farmers' markets

- 9,200 outlets

Consumer-direct

- 115,000 farms
  - $3 billion in sales
  - 80% sold in 20 mile radius
  - 8% sold online
- 23,000 farms sold directly to retailers ($2.3B)

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MID-ATLANTIC PILOT

24 hour delivery for artisanal food producers

Network expertise and scalable reach (e.g., food trucks, micro kitchens, farmer markets)

Technology support

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Zaycon Fresh

- 1,200 cities
- Basic proteins
- 40 lbs increments
- 500,000 customers
- 8,000-10,000 lbs/day
- 3-4 wk rotation

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Key questions

- Is conversion a strength or weakness?
- Are you aware of your true competitive set and their perceived strengths?
- Are you touting the freshness, uniqueness and safety of your offering?
- What's your defense? Are you a meat destination? What are you known for?

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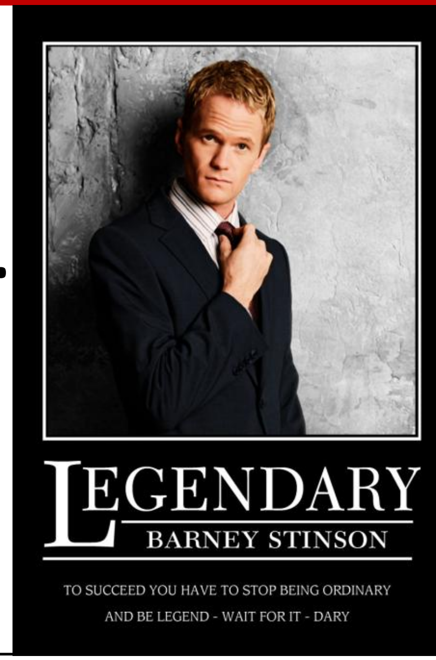
Rock the fundamentals. Be legendary.



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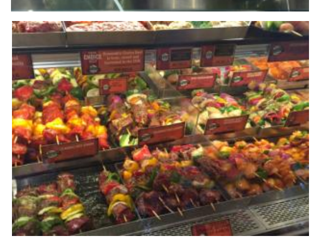
But match to your core audience



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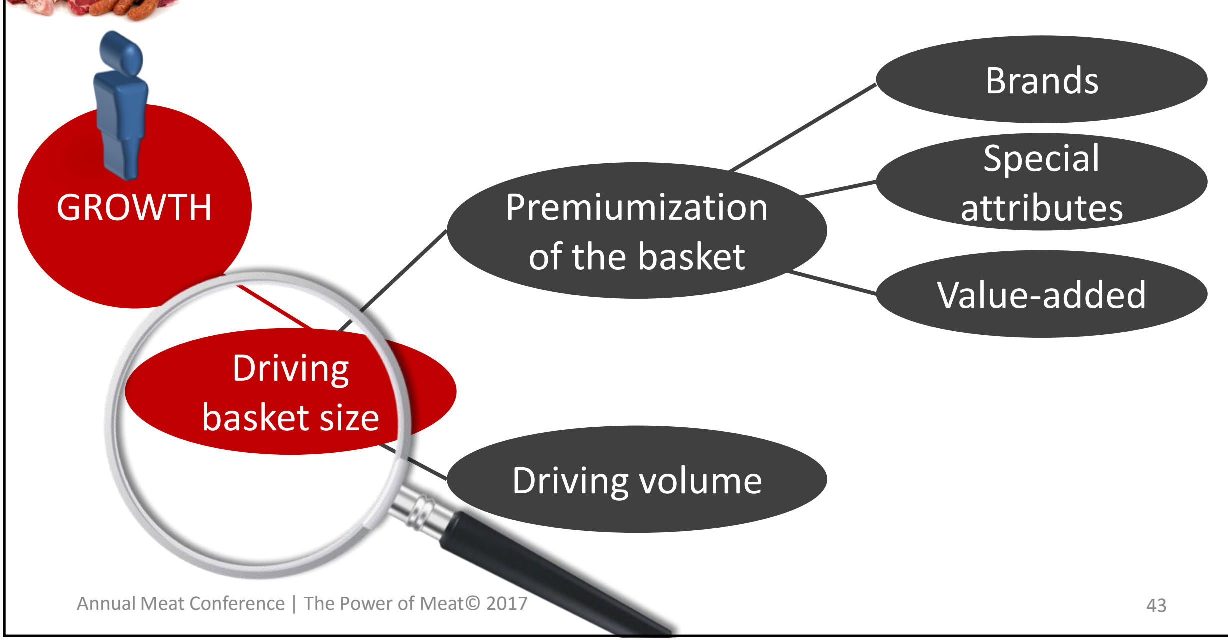

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Market offers opportunity to drive volume and trading up

Purchase comparison 2016 vs. 2015

68% Same kind, same amount

18% Same kind, but a little more

14% More premium cuts/kinds

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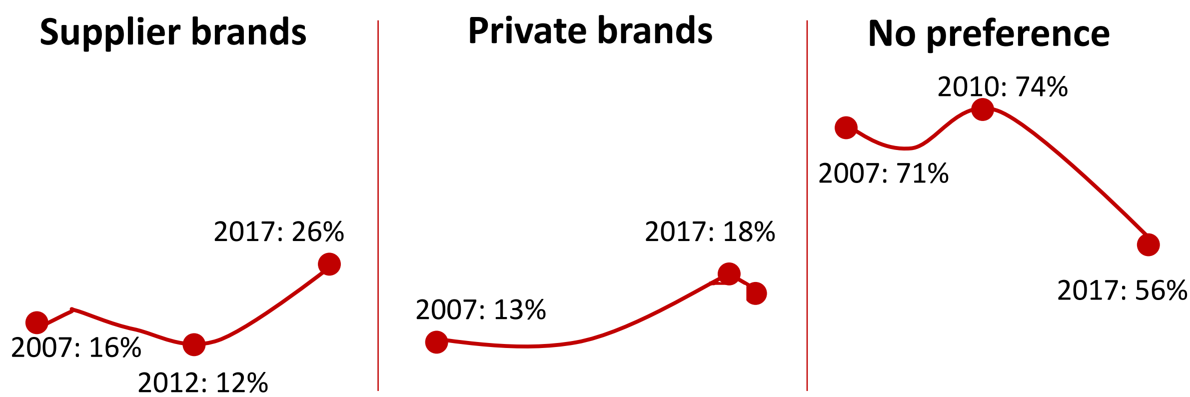
Long-term rise of brand preference in fresh

Outright preference for brands (manufacturer and store brands) is rising



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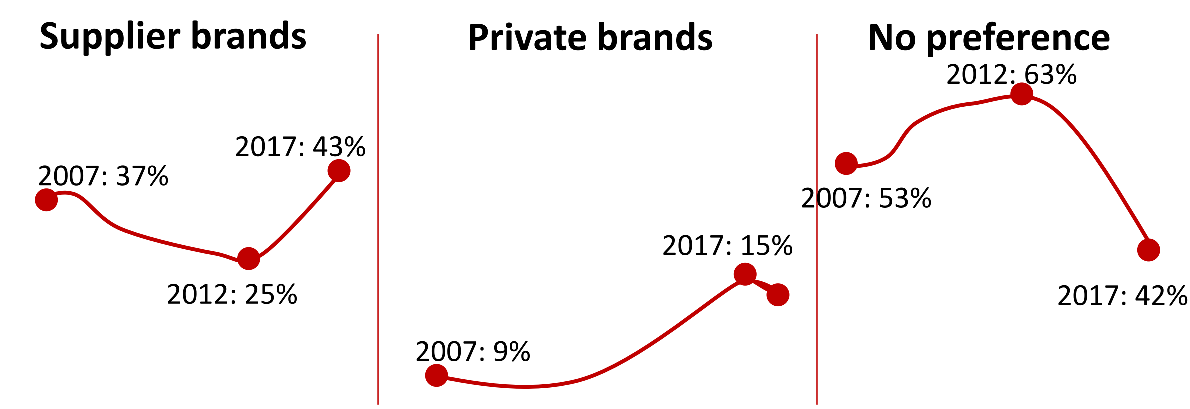
Manufacturer brands on top in processed

Consumers rewarding innovation and image



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Differentiate through a unique mix of brands

Variety is one of the traits of best-in-class retailers

Preference among consumers	Fresh	Processed
National manufacturer brand	30%	42%
Small/specialty/regional brand	33%	37%
Private label/store brand	37%	22%

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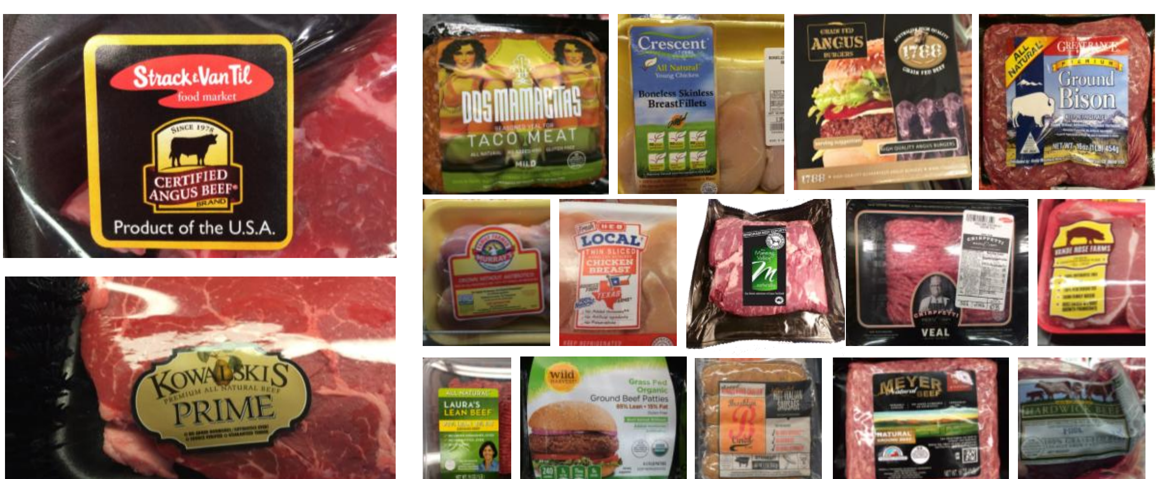
Are you telling your brands story effectively?



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Sally Lyons Wyatt
Executive Vice President
IRI

"Transforming messaging to align with changing social/cultural values builds and maintains a positive association in consumers' minds."

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Meat with any claim
+7% | +9%

	$ CAGR	Volume CAGR
Organic	+13%	+10%
Hormone/antibiotic -free	+11%	+14%
Natural	+4%	+9%
Grass-fed	+16%	+20%
No claim	-4%	+2%

 Source: Nielsen, Total U.S. Food, 52 wks ending 11/26/2016

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Attributes look to drive continued growth

Shoppers most interested in animal's diet/treatment and origin

Shoppers with interest in expanded assortment in…

4 in 10
- Hormone free/no added hormones
- Antibiotic-free
- Grass-fed
- Raised in the USA
- Raised locally

3 in 10
- Humanely raised
- Organic
- Natural
- Non-GMO

2 in 10
- Sustainably raised
- Specialty items for "something different"

1 in 10
- Hand-selected/ signature/ultra-premium quality

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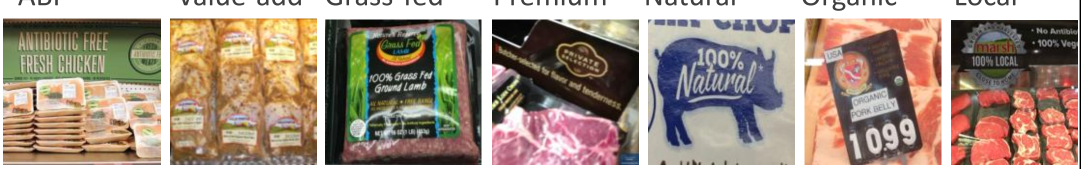
Retailers are dialing up programs in response

Success rate in moving shoppers to:



	ABF	Value-add	Grass-fed	Premium	Natural	Organic	Local
Great success	26%	25%	24%	23%	23%	22%	21%
Some success	50%	56%	38%	50%	43%	33%	28%

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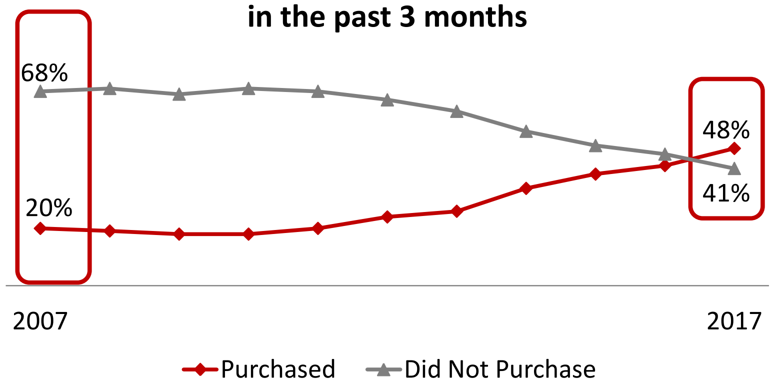
Continued growth for natural/organic meat & poultry

Purchased organic/natural in the past 3 months



Intent upcoming year

19% plan to spend more

78% about the same

3% less

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Price and perception top barriers to wider reach

41%

Have not bought natural/organic in past 3 months

Why not?

- **63%** Too expensive
- **26%** Don't believe there are added benefits
- **15%** Don't think it will taste any differently
- **11%** Not readily available
- **4%** Don't think it will taste as good

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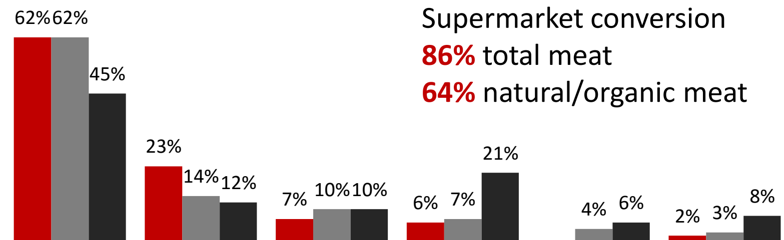
Channel shifting demonstrates differentiation potential



Supermarket conversion
86% total meat
64% natural/organic meat

	Supermarket	Supercenter	Warehouse Club	Specialty/ Organic	Butcher Shop	Other
Primary store groceries	62%	23%	7%	6%		2%
Primary store meat/poultry	62%	14%	10%	7%	4%	3%
Primary store natural/organic meat/poultry	45%	12%	10%	21%	6%	8%

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"Free from" top reason; animal welfare rises

2009

1. Positive long-term personal health effect
2. Better nutritional value
3. Freshness
4. Better health/treatment of the animals
5. Better taste

2017

1. "Free from"
2. Better health/treatment of the animals
3. Positive long-term personal health effect
4. Freshness
5. Better taste

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Value-added is poised for growth

Way to drive differentiation, innovation and convenience

Buy?

6% Frequently

29% Sometimes

9% For special occasions

8% Only in a time crunch

50% Hardly ever/never

Market:
-0.3% in dollars
+3.8% in volume

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User profile for value-added signals need for careful consideration at the store-level

- While growing, continued skew:
  - Older Millennials and Gen X
  - Urban areas
  - Higher incomes of $100K+
  - College educated
  - Household sizes of 2-4 people

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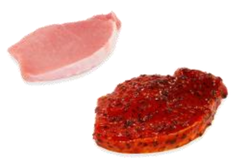
Price number one barrier for value-added

62%

Conditional or hardly ever/never



Overcoming current purchase barriers

40% Lower prices (price differential)

Market

30% Average price differential
Highest for turkey, chicken and lamb

-4.0% Avg price/pound 2016 vs. YAGO

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But perception stands in way of wider adoption too

62%

Conditional or hardly ever/never

Overcoming current purchase barriers

29% Insight into quality used

27% Insight into freshness

22% Insight into *when* it was prepared

19% Insight into *where* it was prepared

18% Greater assortment and availability

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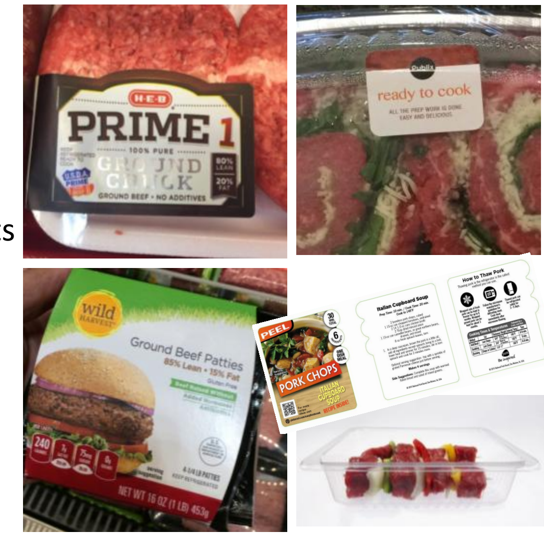
Remind shoppers of…

- The convenience offered
  - "All the prep work is done"
- The grade/quality used
- Health and wellness/nutritional callouts
- The safe handling of product
  - Similar concerns seen in fresh-prepared
- Prepared in-store/certified facility
- Leverage label/packaging technology innovation for more "real estate"



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Key questions

- Are you driving transparency and informed choice?
- Are you telling shoppers the story of your special attribute items? Both the features and benefits?
- Are you prompting trial?
- Do you have cross-store programs to drive premium baskets?
- Are you targeting key shopper groups?

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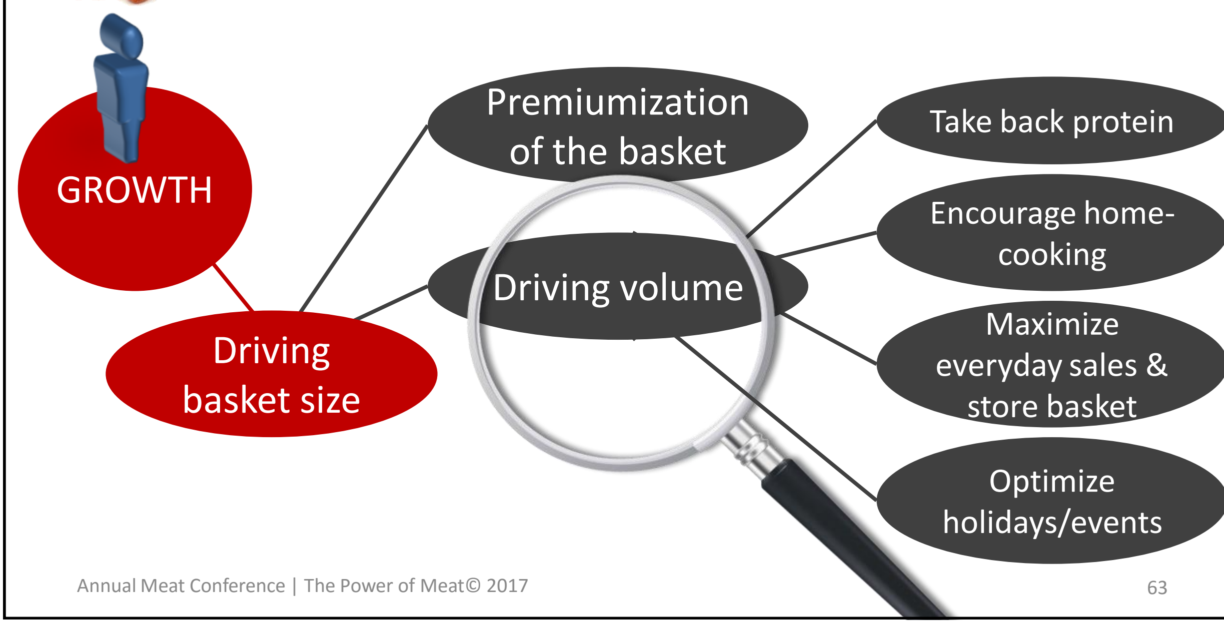

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Shoppers continue to divide up the week

Younger shoppers more likely to eat out, as are singles

A typical week:
2-3 meals are takeout, delivery, dining out or deli/fresh prepared

4-5 meals are home-cooked
Increasingly mix/match scratch with value-added/prepared

3.8 contain meat/poultry

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While center of plate, inspiration can use a hand

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Thinking like the shopper; solution-based selling

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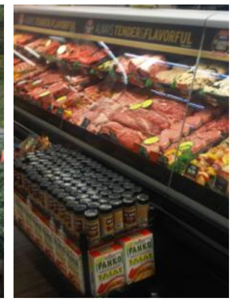
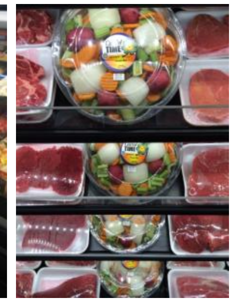
Cross-merchandising to grow the total basket





Remember…

$41 → $83

THE POWER OF **MEAT** 2017

Growing everyday meal occasions thru meal solutions

Grab-and-go meal solutions with fresh meat and all ingredients for one dinner

11% Very interested

42% Somewhat interested

29% Not too interested

18% Not at all interested

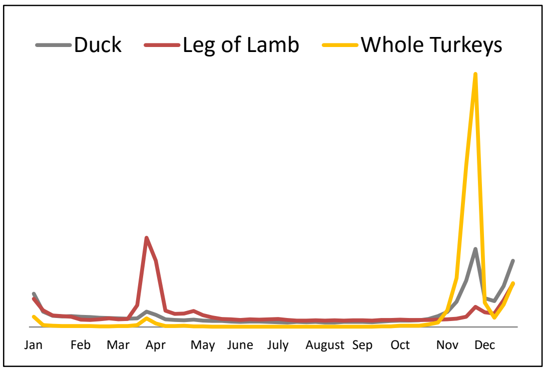
Meal kits poised for growth
Projected to grow to $3B-$5B by 2022 (IRI)

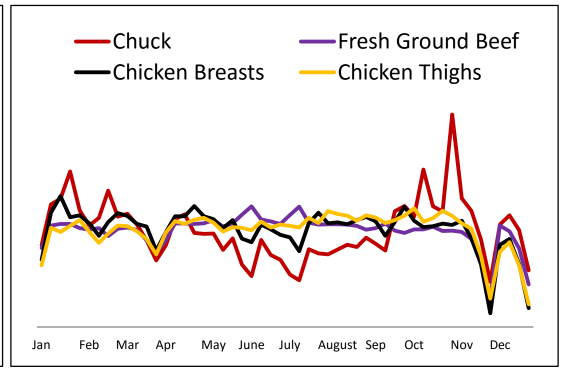
THE POWER OF **MEAT** 2017

Growing meal occasions thru (secondary) holidays

Can everyday items drive greater spikes throughout the year?

Can seasonal items drive spikes at other times?





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What is your "5th season?"

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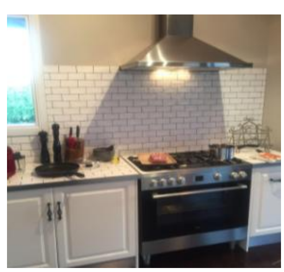
Sue Borra
Chief Health and Wellness Officer
Food Marketing Institute

"The food retailing industry has a real opportunity to be a solutions partner for family meals. September is National Family Meals Month™ to bring nationwide focus to help shoppers prepare and enjoy one more meal at home each week."

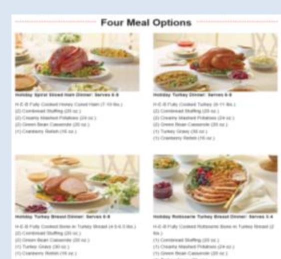
THE POWER OF **MEAT** 2017

One-quarter of shoppers interested in holiday solutions

29%
Like going out to a restaurant for those types of occasions
No interest in meal kit



43%
Typically already celebrate those types of occasions with a home-cooked meal

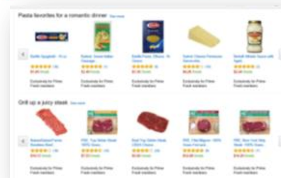


27%
Interested in quality/ easy solution for those types of occasions

THE POWER OF **MEAT** 2017

38% of Americans eat out

$87 average spend



Annual Meat Conference | The Power of Meat© 2017 | Source: National Retail Federation

THE POWER OF **MEAT** 2017

Super Bowl

80% purchased food items

$82 average spend

How about the World Cup? Olympics? Daytona 500?

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34% make a special dinner

16% eat out

$5.5B spent on total food

55% eat out

$4.1B spent on eating out

47% eat out

$3.1B spent on eating out

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Key questions

- Are you driving convenience throughout the path to purchase?
  - Research, promotions, ideation, meal planning, recipes, preparation, cleanup, etc.
- Are you encouraging cooking and offering easy solutions for everyday and holidays?
- Are you driving event sales and seasons?

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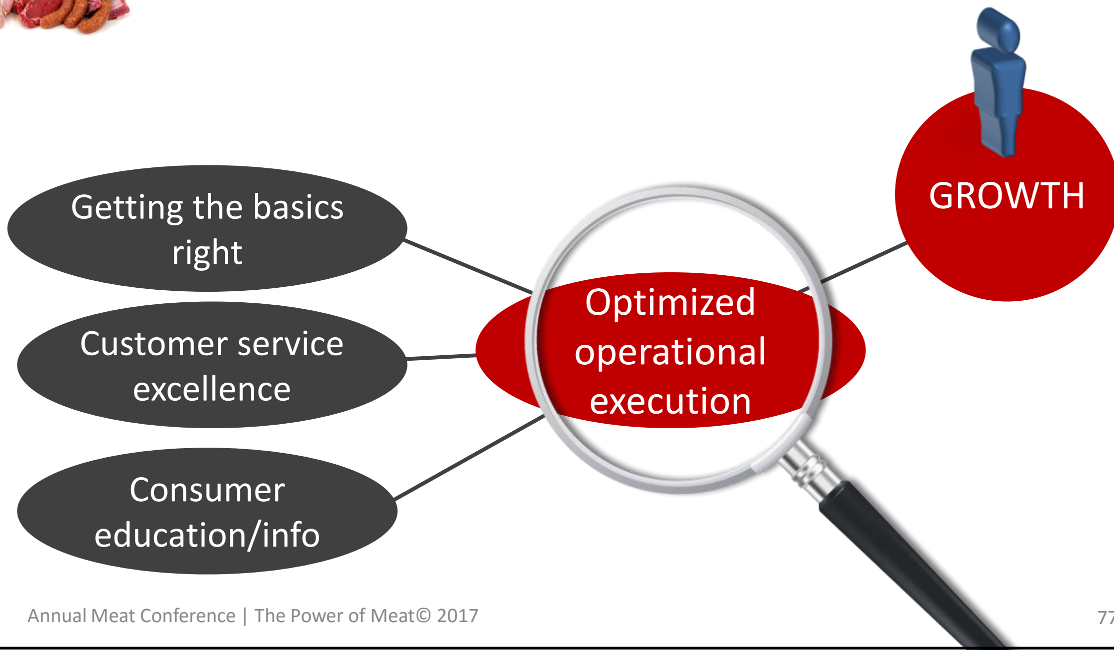

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Satisfaction results in higher spending & greater loyalty

Strive to keep conditions optimal throughout the day

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Getting the basics right drives satisfaction

Service and variety are areas of improvement

The industry report card

Annual Meat Conference | The Power of Meat© 2017 Average on a scale 1-10, where 10 is highest 79

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Associates can be your best loyalty tool

78% Interested in tips, recipes or advice

In-store/person

27%

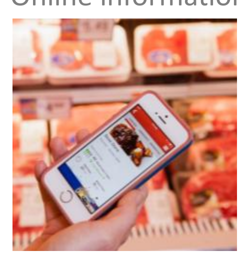
On pack

24%

In-store signage

23%

Online information



20%

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Are you solving your shoppers' draadjesvlees?

- The cornerstones of retail advantage are eroding or disappearing
- Continued relevance requires a new relationship with the customer
- An improved and personalized experience that solves the problem of the day, moment, the meal or the specific shopping trip

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Retailers turning to service models

76% of surveyed retailers allocating more labor to the sales floor

89% consider finding good people who want to make a career in meat an issue

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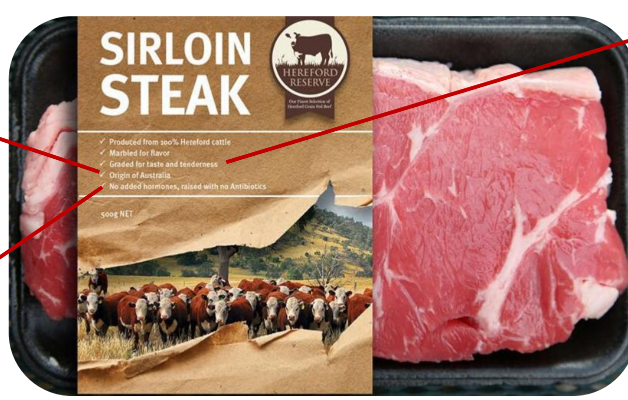
On-pack information second-best way to connect

41%
Origin (country/region/farm)

41%
Raising practices/ production claims



40%
Quality certification

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34%
Nutrition info and callouts

26%
Recipes and serving suggestions

35%
Prep & storage instructions (time, temp, thawing, etc)

 Picture courtesy of Yerecic Foods

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Key questions

- Are you optimizing operations?
  - In-stock vs. shrink
  - Clear quality image
  - Clear value proposition
  - Good shopability and cleanliness
- Are you engaging with available, knowledgeable and friendly associates?
- Are you leveraging all service platforms?
- Are you winning with Millennials?

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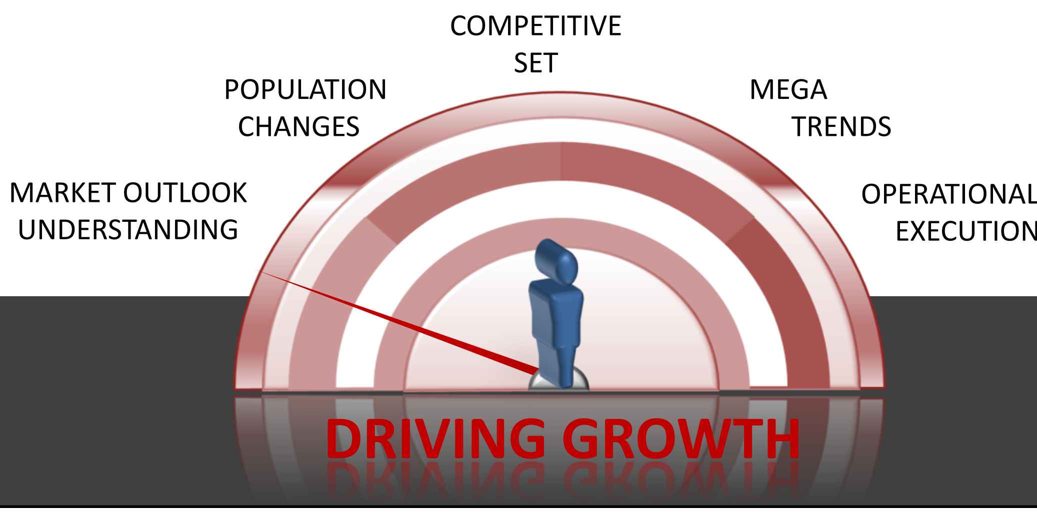
Tomorrow is demanding more than ever



THE POWER OF **MEAT** 2017

Download your copy of the report/deck

- Top 10 handout
- www.meatconference.com/2017POM
- Webinar: March 9, 2017

- For questions or additional information
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thank you!