2018

POWER OF MEAT

AN IN-DEPTH LOOK AT MEAT THROUGH THE SHOPPERS' EYES

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FOUNDATION FOR MEAT & POULTRY RESEARCH & EDUCATION

ANNUAL MEAT CONFERENCE 2018

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The Power of Meat

An In-Depth Look at Meat and Poultry Through the Shoppers' Eyes

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The Power of Meat 2018

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The Annual Meat Conference (AMC) is designed as the yearly educational event that brings all segments of the retail meat industry together to learn how to improve marketing, operations, and profitability of meat and poultry. The conference is sponsored by the Food Marketing Institute and the North American Meat Institute in conjunction with the American Lamb Board, National Cattlemen's Beef Association, National Chicken Council, National Pork Board, and the National Turkey Federation.

Food Marketing Institute proudly advocates on behalf of the food retail industry, which employs nearly 5 million workers and represents a combined annual sales volume of almost $800 billion. FMI member companies operate nearly 33,000 retail food stores and 12,000 pharmacies. FMI membership includes the entire spectrum of food retail venues; single owner grocery stores, large multi-store supermarket chains, pharmacies, online and mixed retail stores. Through programs in public affairs, food safety, research, education, health and wellness and industry relations, FMI offers resources and provides valuable benefits to almost 1,000 food retail and wholesale member companies and serves 85 international retail member companies. In addition, FMI has almost 500 associate member companies that provide products and services to the food retail industry. For more information, visit www.fmi.org and for information regarding the FMI Foundation, visit www.fmifoundation.org

The Foundation for Meat and Poultry Research and Education (Foundation) is a non-profit research, education and information foundation established to study ways the meat and poultry industry can produce high-quality, safe products and operate more efficiently. The Foundation supports the educational activities of the North American Meat Institute (NAMI) by providing scientific information and research that can be used by the industry to improve products and processes. The Foundation engages leaders from industry, academia and government to advance scientific understanding related to food safety, nutrition, the environment and worker safety, among other issues. For more information, visit www.meatpoultryfoundation.org or www.meatinstitute.org for more information on NAMI.

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Study Highlights

Meat Matters

Meat department success is crucial to total store success. Meat is the biggest of the perimeter departments and one of the most important ones for driving customer loyalty and competitive advantages. At a household penetration of 98 percent, the meat industry is not lacking engagement, but does have opportunity for growth:

- Improved consumption frequency of home-prepared meals that contain meat/poultry.
- More store visits with optimized conversion for the meat department.
- Maximized basket size in terms of volume and premium, higher-margin items.
- Operational excellence to secure planned and unplanned purchases.

To drive demand, and thus sales, retailers and packers/processors can work together to enhance shopper meat knowledge and to take advantage of food trends for the best possible assortment, service and shopping experience. The *Power of Meat 2018* aims to provide information in these areas to support the industry's growth potential.

Meat Habits

Rebounding to 2012 levels, meat/poultry makes an appearance in an average of four home-prepared meals per week, either as center of plate or as a meal ingredient. Lacking meat knowledge limits many shoppers to purchasing a fraction of the cuts/kinds of meat and poultry available. However, while 83 percent only purchase a handful of cuts/kinds, 42 percent of shoppers would like to try different meat items, if advised. Much can be gained from shopper education. The study finds that more meat knowledge corresponds to a greater variety purchased and preparing meat more often. The industry has an opportunity to drive demand, and thus sales, by enhancing shoppers' meat knowledge. The total store benefits as well, through greater store loyalty, greater spending and more frequent store visits.

The Meat Purchasing Decision

Price per pound has the highest influence on the ultimate meat/poultry purchase for the 11th year. Total package cost ranked third overall and is more relevant to Millennials. Only appearance — the consumer expression of perceived quality — comes close to the importance of price. Many shoppers use the combination of price per pound and appearance to obtain their desired value.

Given the importance of price in the purchasing decision, price and promotional research is routine for the vast majority of shoppers — including comparing meat prices across two or more stores, checking promotions at the primary store pre-trip, checking promotional signage in-store and sifting through packages for the desired package cost.

The paper circular is still the most commonly used vehicle to research meat/poultry promotions. However, usage is driven by older shoppers. Year-over-year growth is reported for in-store promotional signage (now a very strong second behind the paper circular), the electronic circular, digital promotions and social media. Dollar/cents-off promotions are the most powerful in driving purchases, followed by buy-one-get-one (BOGOs). The preferences for research avenues and the type of promotions show widely varying savings approaches across different population groups. As such, promotional and merchandising strategies are most effective when fine-tuned at the store level. It is crucial to have the right promotions in terms of media platforms, products, meat attributes and discount types.

Meat Channel Choice

Supermarkets are the lead channel for the meat purchase, through strong primary shopper conversion and being a destination for secondary shoppers who switch stores when buying meat/poultry versus groceries in general. But the retail landscape, and with it the meat purchase, is going through phenomenal change, from emerging players and consolidation to format evolution and e-commerce.

Online grocery shopping is growing quickly. While the online meat purchase lags general groceries, 19 percent of shoppers have purchased meat online, up from 4 percent in 2015. Additionally, shoppers show a much greater willingness to order meat online compared to the 2015 study. Thirty percent are very willing to order online from their primary meat store and 23 percent are very willing to try an online-only meat vendor. Concerns with ordering fresh meat/poultry online have greatly diminished and are led by shoppers' desire to select the items themselves, followed by lack of freshness and safe transit.

Customer Service

As shoppers have an increasing number of avenues to purchase meat/poultry at their fingertips, many retailers are trying to deliver the kind of customer service the internet, or competitors, cannot match. Retailers increasingly leverage case-ready meat to reduce backroom labor costs and address labor issues. Some re-allocate labor to the sales floor for improved customer service. Thirty-eight percent of shoppers, and particularly Millennials, value someone available to assist in the meat case area with things such as customizing amounts and offering tips/serving suggestions. Recipes for familiar meat/poultry cuts received the highest shopper interest and could be a starting point for building a trusted relationship.

Shoppers' perception of case-ready meat reached its highest favorability rating yet, with 80 percent of shoppers believing it is as good or better than meat that is cut/packaged in-store. The meat case accounts for an estimated 71 percent of all meat/poultry purchases as shoppers' routine destination. However, 70 percent of shoppers do value having access to the full-service counter, particularly Boomers. Yet, meat department personnel currently play a minor role in advising shoppers on meat preparation. Digital dominates as the top information resource, at 47 percent. Recipe and cooking websites/apps are used across generations, whereas social media platforms see much higher usage among Millennials.

Brands

Brands, both manufacturer and private brands, are another tool of differentiation for retailers. Brands have emerged as a strong growth area for meat in recent years. The 2018 study finds continued gains in buying preferences for branded meat, both fresh and processed. For the first time in 12 years, brand preference in fresh is equally as high as brand neutrality. In processed, manufacturer brands have the highest preference, at 44 percent — also a study series high. Shoppers say the biggest reason for buying brands is a general inclination for buying familiar brand-name items, but other important reasons are perceived better quality, value and consistency. While brand preference overall is high, 62 percent of shoppers say promotions can drive trial of a brand they do not normally purchase.

Health and Wellness

Leveraging food for better health is a trend that presents an enormous, yet underrepresented, opportunity for meat/poultry. Three-quarters of shoppers put effort into making nutritious and healthful meat/poultry choices. These are valuable shoppers to retailers, with above-average spending on premium, high-margin items and above-average total store spending and trips.

In their healthy eating strategies, shoppers focus on choosing leaner cuts and moderating rather than eliminating meat consumption. Nearly 80 percent of shoppers feel sufficient health and nutrition information is available for making educated meat choices. In-store, about seven in 10 shoppers are interested in a variety of package sizes for portion control as well as dietary callouts and information on pack. Shoppers are most interested in seeing protein content, total fat and sodium called out prominently on pack.

Convenience

Shoppers' desire to save time and effort is making inroads in many areas, from pre-trip planning, shopping and meal preparation to packaging. Fresh meat represents the bulk of home-prepared dinners, but shoppers increasingly integrate convenience-focused solutions into their meal lineup. Both heat-and-eat and ready-to-eat meat/poultry are seeing increased household penetration and an increased consumption frequency. This growth is driven by Millennials — pointing to likely future growth for these segments.

Importantly, the increased usage of ready-to-eat and heat-and-eat has not significantly affected fresh meat purchases. They are complementary, rather than competitive, protein offerings serving different consumption need states.

More convenient meat packaging (resealable and freezer-ready) is one of the innovations shoppers want to see their store carry more, along with better cleanliness in packaging (leakproof) and improved shelf life at home (vacuum-sealed).

Convenience related to meat and poultry itself is driving gains for value-added items. Growth is driven by a higher consumption frequency as well as an increase in household penetration. Still, barriers to more rapid growth remain. Among non-users, price is far and above the main barrier to entry. Among current buyers, better prices, greater assortment and more information on the product preparation and quality could prompt greater usage.

Meal stations that combine all items for dinner, including meat/poultry, are of modest interest to the population as a whole, but of high interest to 61 percent of value-added shoppers. Likewise, fully-cooked meat, which has seen solid gains over the past few years, is of high interest to value-added shoppers as well. Overall, 42 percent of shoppers would like to see more fully-cooked meat at their primary meat store.

Transparency

Consumers increasingly want information about a company's social, economic, animal welfare and environmental practices, and the meat industry is no exception. While conventional sales were down, meat with special production claims, such as organic, grass-fed or antibiotic-free, had dollar gains of 25.9 percent and volume growth of 38.3 percent over 2017 (source: IRI). All-natural is the largest segment, and the highest percentage of shoppers have seen this claim on meat/poultry packages. Organic, grass-fed, hormone-free and antibiotic-free claims on meat/poultry packages also have high shopper awareness.

However, noticing the claim does not automatically translate into purchasing it. The claims with the highest awareness-to-purchase likelihood conversion are humanely-raised, hormone-free and antibiotic-free, with upwards of 65 percent of shoppers who have seen the claim reporting they would be more likely to buy the item over a conventional counterpart. This indicates growing shopper awareness of the claim is the first step to prompt shopper demand for these premium, higher-margin items.

Raised in the USA and antibiotic-free are the two most requested items for expanded assortment at the primary meat store, closely followed by all-natural and hormone-free/no added hormones.

Improving the Meat Department

Shoppers provided hundreds of suggestions for meat department improvement. While many recognized a job well done by their current meat department, four big areas of improvement emerged:

- Clarity of product quality and freshness to accurately judge value.
- Variety in package sizes, common cut assortment, special production attributes, value-added, exotic meats and multi-meat/cuts packages.
- Pricing and promotions, including that of specialty items, with a focus on affordability, clear signage and package labels, and variety in items on sale beyond basic cuts.
- Operational excellence, with a focus on better customer service, more information and outreach, packaging innovation, better in-stock performance and cleanliness.

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Introduction

About This Report

The Power of Meat 2018 is the 13th in an annual report series exploring shopper perceptions, attitudes and behaviors regarding fresh and processed meat and poultry. Every year, the study explores:

- Trip planning and interest in sales promotions.
- Meat/poultry purchasing patterns, including store formats shopped.
- Interest in brands, special attributes, packaging types and value-added meat and poultry.
- Perceptions and use of the meat case versus the full-service counter.
- Shopper-recommended improvements to the meat department.

New topics in this year's report are:

- The reasons behind outright brand preference and the impact of promotions on brand choice.
- Shopping for meat online.
- Customer service models in the meat department.
- The growing influence of health and wellness in the meat department.
- The rising demand for convenience in shopping and preparation.
- The consumer call for greater transparency.

The information in this study can be accessed in many ways. Key highlights at the beginning of each chapter, as well as the Study Highlights, provide a quick review of the major findings. The full report offers in-depth data and insights for each of the topics. Throughout the text, the shopping cart symbol offers analysis of the findings and suggestions for improving operations. Lastly, the PowerPoint deck gives a visual presentation of the top-line findings. Visit www.meatconference.com for a copy or request the presentation by emailing aroerink@210analytics.com.

In addition to the *Power of Meat* shopper survey data, IRI, Nielsen and MarketTrack provide numerical overlay of the trends highlighted in the survey using point-of-sale and panel data. References to IRI, Nielsen and MarketTrack data overlay are indicated by the use of the following symbols:

IRi nielsen MarketTrack The Power of Market Intelligence

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Category Overview

Meat Matters

As one of the main areas to drive customer loyalty and competitive advantages, meat is crucial to total store success. Total meat is the largest of the fresh categories and at a household penetration of 97.9 percent, the meat industry is not lacking engagement, but does have opportunity for growth:

- Driving household and plate penetration — household penetration is high, but down 0.4 percent compared with 2017 with similar small declines the past few years, according to Nielsen scan data.
- Trip and conversion optimization — of the 118 annual perimeter and center-store trips, 27 trips, or 23 percent, include one or more meat items. This underscores the importance of improved conversion, particularly given the fact that when meat is in the basket, the average spend more than doubles, from $32 with any item to $68 with meat in the cart.
- Volume sales optimization, with 2017 tonnage sales being flat.
- Leveraging premium, higher margin items for optimized basket size.
- Operational excellence to secure planned and unplanned purchases.

Category engagement

Household penetration

- 97.9% Total meat
- 95.8% Fresh meat
- 94.1% Processed meat
- 28.0% Fully cooked meat

Annual trips

- 157 trips total store
- 118 trips fresh + center store
- 27 trips total meat
- 19 trips fresh meat

Total meat	Household penetration	Basket size with meat
Total outlets	97.9%	$68
Grocery	95.6%	$68
Mass incl. supercenters	56.7%	$99
Warehouse club	35.8%	$151
Drug	2.7%	$45
Convenience	2.3%	$47

Source: Nielsen Homescan Panel TSV, 52 weeks ending 9/30/2017

2017 Fresh Meat Performance

At $49.5 billion in annual sales, the meat department is the second largest perimeter department behind produce. The meat department's performance has seen some significant shifts over the past five years. Following several years of dollar gains and volume losses, the category saw healthy growth in dollars and slight gains in volume in 2015. In 2016, meat was heavily affected by deflation, driving significant volume increases but dollar losses. In 2017, both dollars and tonnage were relatively flat. Meat is not the only perimeter department with sales pressure in 2017. Tonnage, in particular, struggled across all departments.

Fresh meat

$49.5B
2017 size in $

15.4B
2017 size in lbs

+0.6%
2017 $ growth

-0.3%
2017 volume growth

+25.9%
2017 $ growth claims

15.7%
Claims share of total fresh meat

+1.6%
2017 $ growth value-added

9.0%
Value-added share of total fresh meat

Source: IRI
52 weeks ending 12/31/2017

While still outgrowing the total store, perimeter growth over the past four years (+2.9 percent) is down to 1.3 times the growth of total food and beverage (+1.6 percent).

	Produce	Fresh meat (not total)	Deli fresh-prepared	Bakery	Deli meats	Seafood	Deli cheese
$ size	$59.8B	$49.56B	$12.3B	$6.3B	$5.8B	$4.4B	$2.5B
$ growth	+1.6%	+0.6%	+1.7%	+0.0%	+0.5%	+0.9%	-0.3%
Volume growth	+0.6%	-0.3%	-2.9%	+0.7%	+0.1%	-4.4%	-0.4%

Source: IRI, MULO, 52 weeks ending 12/31/2017

Beef, chicken and pork are the greatest sales contributors, for a combined $44 billion. Some inflation returned to the category (+0.8 percent in the price per pound across proteins). Overall pounds were off -0.3 percent whereas dollars were up +0.6 percent. In beef, price conditions continued to be favorable for shoppers and its affordability translated into continued volume gains.

Meat department	Total dollar sales	Dollar gains	Total pound sales	Pound gains
Total	**$49.5B**	**+0.6%**	**15.4B**	**-0.3%**
Beef	$24.9B	+1.1%	5.2B	+0.9%
Chicken	$12.5B	+2.5%	5.3B	-0.4%
Pork	$6.7B	-2.3%	2.5B	-2.1%
Turkey	$2.8B	-1.0%	1.4B	+1.6%
Lamb	$408M	-2.4%	57M	-7.8%
Veal	$64M	-9.5%	9M	-10.1%
Smoked ham	$1.4B	-3.5%	676M	-2.2%

Source: IRI, MULO, 52 weeks ending 12/31/2017

Conventional makes up the largest segment, with above-average sales growth coming from special attributes, particularly antibiotic-free (ABF) and never antibiotics ever (NAE). While conventional lost $1.3 billion in dollars, meat featuring claims gained $1.6 billion. The price per pound for conventional was up 2.2 percent, whereas prices for special claims were down, driven by a -21.3 percent decline in the price per pound for ABF/NAE. Volume wise, conventional lost 701 million pounds, while special claims gained 662 million.

Meat department	Total dollar sales	Dollar gains	Total pound sales	Pound gains
Total	**$49.5B**	**+0.6%**	**15.4B**	**-0.3%**
Conventional	$41.7B	-3.0%	13.7B	-5.1%
Production claims	$7.8B	+25.9%	2.4B	+38.3%
Antibiotic-free/Never antibiotics ever	*$5.1B*	*+44.7%*	*1.5B*	*+84.0%*
Organic	*$819M*	*+8.5%*	*137M*	*+10.4%*
Grass-fed	*$400M*	*+1.0%*	*50M*	*+4.1%*
All other claims	*$1.9B*	*-2.0%*	*801M*	*-1.9%*

Source: IRI, MULO, 52 weeks ending 12/31/2017

Meat Habits

Chapter Insights

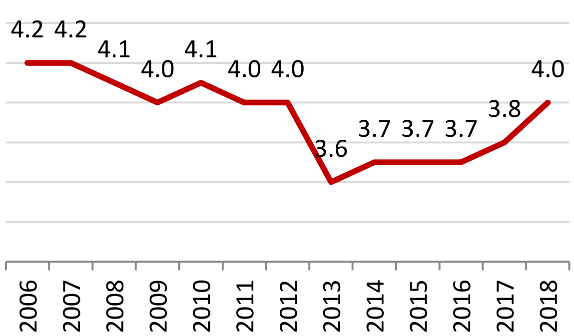
- Returning to 2012 levels, an average of four meals per week include meat and poultry as an ingredient or center of plate.
- While eight in 10 shoppers tend to stick to just a handful of different cuts and kinds of fresh meat/poultry, 42 percent would be willing to try different items, if advised.
- The study found a logical, but powerful formula for driving demand and sales: greater meat knowledge corresponds to buying a greater variety of cuts/kinds and preparing meat and poultry more often.
- Enhancing shopper knowledge can help drive meat sales as well as benefit the total store through greater store loyalty, higher per-person spending and more frequent store visits.
- Connecting with population groups with below-average meat consumption may include tactics such as package size variety, convenience-focused solutions and featuring popular nutrition callouts on pack.

Meat/Poultry Continue Comeback in Meal Lineup

According to FMI's *Power of Foodservice 2018*, shoppers continue to divide up the week between preparing meals at home (4.9 meals per week) and having someone else do the meal preparation. The likelihood of dinner preparation increases along with age, household size, nutrition focus and a number of other factors.

While not all home-prepared dinners[1] include meat or poultry, animal protein is making a return to the dinner plate. Rebounding to 2012 levels, an average of 4.0 home-prepared dinners contain meat/poultry in a typical week — whether as a meal ingredient or main portion. Volume sales was unaffected given consumers' growing tendencies for using meat as a meal ingredient (Source: NPD) along with greater focus on portion control and/or limiting second helpings (see Nutrition chapter).

Home-prepared meals with meat/poultry



Weekly dinners w/meat & poultry	All
Average	**4.0**
1-3 meals	40%
4 meals	34%
5-7 meals	26%

Shoppers with below average meat consumption (4.0):

- 1-person households (3.6)
- Millennials (3.7)
- Shoppers with limited meat knowledge (3.7)
- Urban shoppers (3.8)
- Shoppers with below average spending (3.8)
- Shoppers with below average weekly trips (3.8)

[1] The survey did not otherwise define the word "prepare" and as such may include fully-cooked heat-and-eat, value-added or unprocessed meat. Respondents were asked to count actual portions of meat/poultry only, not pepperoni pizza, seafood, etc.

Population groups with a below-average tendency to cook dinners with meat or poultry (as seen earlier) are a prime target for improved sales. Go-to-market strategies should be aimed at overcoming specific reasons for cooking or including meat in home-prepared meals less often. These may include a greater variety of package sizes to address the lower consumption among one-person households, consumer education on general meat knowledge to improve shoppers' comfort with buying and preparing meat/poultry, or specific nutritional education for shoppers focused on health and wellness.

Shoppers Buy Limited Variety Today, But Willing to Explore If Advised

More than eight in 10 shoppers buy just a handful of different cuts/kinds of meat and poultry despite the plethora of SKUs in most meat departments. However, while often buying the same items, 42 percent of shoppers are willing to try something new or different, if they were advised. This is a huge opportunity for the meat industry to inform and educate shoppers to drive trial. The importance is underscored by the fact that shoppers who buy a wide variety of items tend to prepare meat/poultry more often. For instance, 75 percent of those who buy a wide variety of items include meat in five to seven dinners in a typical week versus a much lower 50 percent of those who buy just a handful of different items.

Habits when buying meat/poultry relative to the number of dinners that include meat in a typical week	2018	1-3 dinners w/meat	4 dinners w/meat	5-7 dinners w/meat
Buy a handful of different cuts/kinds and don't tend to try anything new/different	41%	**12%**	38%	**50%**
Buy a handful of different cuts/kinds but would like to try different items if someone advised me	42%	6%	28%	66%
Buy an extensive variety of cuts/kinds	17%	**3%**	22%	**75%**

The Case for Driving Knowledge Among Shoppers

So why do shoppers limit themselves to a handful of cuts and kinds of meat/poultry despite access to an extensive assortment? For many, the answer lies in the lack of knowledge surrounding meat. While six in 10 Americans self-rated their meat and poultry preparation knowledge favorably, knowledge lags in other meat-related areas, such as marinating or seasoning. When averaging the ratings across the five meat-related factors measured, 47 percent of Americans describe themselves as very knowledgeable versus 35 percent just knowing the basics and 18 percent needing help.

Shoppers self-rated meat/poultry knowledge	Very knowledgeable	Know the basics, but no expert	I could use help
How to prepare fresh meat (pork, beef, lamb)	58%	29%	13%
How to prepare fresh poultry (chicken, turkey)	61%	26%	13%
How to marinate and season meat/poultry	50%	32%	19%
The nutritional content of various kinds/cuts	35%	49%	17%
The USDA beef grading system (Prime, Choice & Select)	30%	48%	22%
Average knowledge across the five factors above	**47%**	**35%**	**18%**

However, when reviewing the self-rated "very knowledgeable" shoppers only, an interesting pattern emerges. **More meat knowledge corresponds to a greater variety purchased and preparing meat more often.** The industry has an opportunity to drive demand, and thus sales, by enhancing shoppers' meat knowledge. Across the five knowledge areas as outlined in the chart, 31 percent of those self-described as "very knowledgeable" purchase an extensive variety, versus 1 percent who describe their knowledge as needing help. The greatest differences based on knowledge versus buying an extensive variety of cuts/kinds can be seen in the preparation of meat, including beef, pork and lamb (29 percent versus 0 percent), marinating and seasoning (24 percent versus 2 percent) and nutrition (22 percent versus 1 percent).

	Knowledge across the five factors		
	Very knowledgeable	**Know the basics, but no expert**	**I could use help**
Buy a handful of cuts/kinds and no desire to try new items	35%	34%	56%
Buy a handful of cuts/kinds, but interested to try new items, if advised	34%	50%	43%
Buy an extensive variety of cuts/kinds	31%	15%	1%

Importantly, shoppers looking for advice (42 percent) and those lacking meat knowledge (53 percent) make up a significant share of the population. As such, a focus on information and education is likely to pay off for all stores through shoppers' enhanced confidence to buy across species and cuts and, as a result, preparing meat more frequently.

Self rated "very knowledgeable" shoppers (47% overall):

- Very high weekly trips of 5+ (74%)
- High weekly trips of 3+ (60%)
- Nutrition-focused shoppers (59%)
- Prepare meat/poultry 5+ times/week (59%)
- High income (59%)
- High weekly shopping spend (58%)

Buy a handful, but would explore if advised (42% overall)

- Self-described meat knowledge as "need help" (52%)
- Young Millennials (50%)
- Women (46%)

In addition to enhanced meat knowledge driving sales for the meat department, the total store benefits from a focus on educating shoppers as well. Knowledgeable shoppers display greater loyalty: they are more likely to buy meat at the same place where they buy the majority of their other groceries instead of shopping multiple stores. Furthermore, knowledgeable consumers shop more often and have above-average per capita grocery spending. The survey findings are corroborated by Nielsen panel data showing that meat greatly enhances the value of the total store basket (see Introduction Chapter).

These statistics make a strong case for the meat industry to continue and ramp up educational efforts across platforms, both at home and in-store. While in-store education can drive an immediate purchase, retailers' biggest hurdle is the finding that less knowledgeable shoppers, who tend to focus on a mere handful of kinds/cuts, tend to shop much less often. Therefore, education efforts aimed at these shoppers, who have the greatest potential for enhanced meat knowledge and purchasing frequency, need to include tactics beyond in-store. Retailers can leverage the circular, digital, social and mobile platforms to connect, educate and inform.

Beyond the significant opportunity with the population at large, connecting with Millennials has even greater potential. In particular young Millennials rated their meat-related knowledge as basic at best and 50 percent would be willing to try new/different items, if advised. With their above-average tendencies to eat out at restaurants, driving meat and cooking knowledge may be a way for food retail to better connect with Millennials.

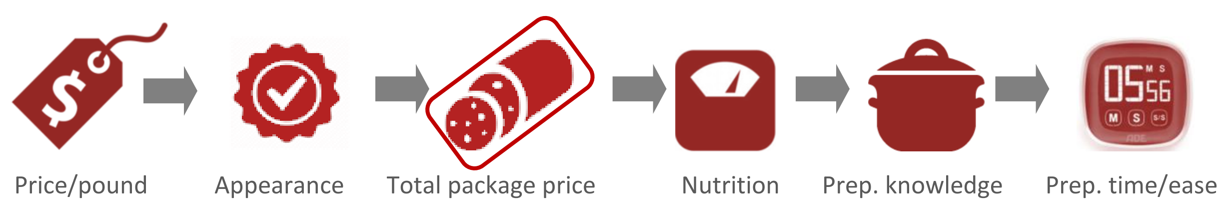
The Meat Purchasing Decision

Chapter Insights

- Price per pound has the highest influence on the ultimate meat/poultry purchase for the 11th consecutive year. The importance of price is reinforced by a third-place ranking in the purchasing decision tree for total package cost, which is particularly important to Millennials.
- Only appearance — the consumer expression of perceived quality — comes close to the importance of price. In fact, for many shoppers, it is price hand-in-hand with appearance that solidifies the purchase.
- Nutrition-focused shoppers are an interesting group to target for the industry given their above-average income and weekly spending.
- With price's dominance in the meat purchase decision, promotional research remains big. The vast majority of shoppers compare prices at two or more stores, check promotions at their primary meat store, and even more compare prices between species and cuts when in-store.
- Shoppers most frequently use the paper circular to research meat/poultry promotions. However, usage is driven by older shoppers. Year-over-year growth is reported for in-store promotional signage, the electronic circular, digital promotions and social media. In-store signage is now the second most important platform, rapidly catching up with the printed circular.
- Dollar/cents-off promotions are the most powerful in driving purchases, followed by BOGOs.
- Both promotional research avenues and promotional type preferences show widely varying savings approaches across different population groups. As such, promotional and merchandising strategies are most effective when fine-tuned at the store level. Having the right promotions is crucial, including a focus on the right products, attributes, media types, discount type and price points.

Price and Appearance Rule the Meat Purchasing Decision

When selecting and buying fresh meat and poultry, different factors such as price, nutrition or preparation ease may influence the ultimate purchase. The *Power of Meat* has been tracking the relative importance of these factors since 2008. In 2018, price per pound continues its 11-year reign as the top factor in the meat decision tree. The importance of price is underscored by the third place ranking for total package cost. Product appearance, which is the consumer expression of perceived quality, increased in importance but remains in second place. Relative importance ratings look at one factor versus another and do not imply that nutrition and preparation ease/knowledge are unimportant in and of themselves.



While the decision tree has been consistently led by price per pound, other factors have moved up or down throughout the years, depending on economic conditions and category inflation/deflation.

- **2008-2010:** Price per pound dominated the purchasing decision in combination with appearance.
- **2011-2013:** Economic woes combined with rising commodity prices prompted total dominance of price, led by price per pound with total package price in second place.
- **2014:** With prices leveling off for most commodities and the economy in recovery, price led, but not with the dominance seen before. The importance of time, knowledge and nutrition grew.

- **2015-2017:** Price per pound continued to dominate the decision, with appearance reclaiming the second highest priority in the decision tree. Total package cost rose in importance, driven by Millennial preference and greater availability of fixed weight packaging.
- **2018:** Price per pound continues to have the greatest influence on the ultimate purchase, but product appearance (perceived quality) grew in relative importance. The focus on total package size remains high as well, with nutrition and knowledge/ease of preparation following distantly with regard to the total population.

Purchase decision factor ranking 1-6, where 6= highest rank	Average score 2017	Average score 2018	% Ranked 1st	% Ranked 1st or 2nd	% Ranked 3rd or less
Price per pound	4.3	4.4	35%	57%	43%
Product appearance/quality	4.1	4.2	26%	50%	50%
Package size (total package cost)	4.1	3.9	17%	42%	58%
Nutritional content	3.0	2.9	10%	21%	79%
Preparation knowledge	3.0	2.8	8%	17%	83%
Preparation time/ease	2.8	2.8	4%	14%	86%

These trends provide a guide to likely consumer reactions to changing market conditions. Price is important in driving traffic to the store and drawing primary and secondary shoppers into the meat department. However, best price alone does not solidify the purchase. For most shoppers, it is the combination of price and appearance (perceived quality) that seal the deal.

Factor Rankings Differ by Demographic

While price and appearance are top factors for most shoppers, other factors are emphasized or de-emphasized by different population groups and their shopping habits. For instance, shoppers who check promotions pre-trip emphasize price per pound. Shoppers who delay price research to in-store tend to focus on total package cost.

- **Age:** Boomers drive the combined importance of price and appearance. Young Millennials are more focused on total package cost than the total population and older Millennials (particularly parents of young kids) emphasize preparation time/ease, while still concerned about price and appearance.
- **Income:** Lower-income households pay more attention to price (particularly the total package cost) than the total population. High-income shoppers overindex for nutrition and the time/ease of preparation.
- **Household size:** The larger the household, the greater the emphasis on price per pound — which underscores the continued importance of family/bulk packs. Singles tend to emphasize total package cost and also value preparation time and knowledge.

Factor ranking in meat purchasing decision (1st + 2nd rank)	All	Young Millennial	Older Millennial	Gen X	Boomers	Lower income	Higher income	Hardly check promotion	Often check promotion
Price per pound	57%	54%	49%	57%	**64%**	62%	46%	44%	**64%**
Product appearance	50%	43%	48%	49%	**55%**	52%	44%	51%	48%
Package size/cost	42%	**52%**	39%	43%	39%	**52%**	30%	**51%**	40%
Nutritional content	21%	21%	**26%**	19%	17%	14%	**32%**	23%	21%
Preparation knowledge	17%	17%	18%	16%	17%	13%	17%	16%	14%
Preparation time/ease	14%	13%	**20%**	15%	9%	7%	**31%**	15%	13%

Demographic buying factors vary strongly and the meat case of the future will need to increasingly address the needs of Millennials and Generation Z. This may include a focus on total package price, smaller packages for singles, and addressing cooking ease and knowledge.

Shopper groups with above-average focus on each of the decision factors

Price per pound (57%)
- Limited assortment shoppers (64%)
- Boomers (64%)
- Research promos pre-trip (64%)
- Below average spend (64%)
- 1-person households (63%)

Product appearance (50%)
- Specialty store shoppers (62%)
- High weekly spend (56%)
- Boomers (55%)

Package size/total cost (42%)
- Young Millennials (52%)
- Lower income (52%)
- Little/no pre-trip research (51%)
- Little meat knowledge (49%)
- Below average spend (49%)

Nutritional content (21%)
- High-income shoppers (32%)
- Often buy value-added (31%)
- Club (30%) and specialty store shoppers (29%)
- High weekly spend (29%)
- Buy food online (27%)
- Older Millennials (26%)
- High weekly trips (26%)

Preparation knowledge (17%)
- High weekly trips (24%)
- Club shoppers (24%)

Preparation time/ease (14%)
- High-income shoppers (31%)
- Often buy value-added (21%)
- Older Millennials (20%)
- Buy groceries online (20%)
- High weekly spend (19%)

As Shoppers Emphasize Price, Promotional Research Remains Big

Meat continues to be one of the most researched categories in the store. Before making their purchase selection, most shoppers compare prices at two or more stores (90 percent) or check promotions at their primary meat store (94 percent). Even more shoppers compare prices between species/cuts (97 percent) and packages when in-store (98 percent). Across these four, only 10 percent of shoppers check infrequently or not at all versus 52 percent checking frequently or every time they shop for meat. Shoppers increasingly focus on sifting through available packages to find the desired price point — which is driven by Millennials who emphasize total package cost significantly more than older generations.

Research prices frequently + every time	2016	2017	2018
Across items	64%	64%	64%
Across packages	64%	67%	74%

Promotional and price research pre-trip and in-store	Never	Hardly ever	Occasionally	Frequently	Every time
Compare promotions across different stores before going shopping	10%	18%	32%	27%	14%
Check promotions at the main meat store before going shopping	6%	10%	27%	36%	21%
Compare prices/promotions in-store across items before making a selection	3%	7%	26%	41%	23%
Sift through packages to determine which package price you want	2%	4%	20%	40%	34%

Promotions are clearly an important vehicle to connect with primary and secondary shoppers. However, with meat buying and consumption habits differing vastly across population groups, having the *right* promotions is crucial. Consider media platforms, products, attributes, messaging, promotional types and price points for each unique audience.

Research prices frequently + every time	Millennials	Boomers
Across stores	42%	34%
At the main store	42%	57%
Across items	57%	64%
Across packages	79%	70%

Execution of promotions and price management in-store are equally important. Millennials are less loyal to one store or one meat department and more likely to research promotions across stores than older generations. Across-item research is less relevant among Millennials, as they tend to buy a limited variety of items. However, package price research is all the more important to this group.

In-Store Promotional Signage Is Catching Up to the Printed Circular

Consumers increasingly determine when, where and how they want to learn about meat and poultry promotions. In 2018, the reported use of the printed circular stabilized, following four consecutive years of declining usage. In 2013, 80 percent of shoppers checked the paper circular for meat promotions, down to 57 percent today. Even so, the paper circular continues to be the lead platform to research meat and poultry promotions. However, Boomers are significantly more likely to use the paper ad than younger Millennials. In-store signage is the second most important way to check promotions. It is popular across generations and an area that is seeing year-over-year growth.

Among young Millennials, in-store signage (55 percent) is a much more popular way to check promotions than the paper circular (37 percent). The use of the electronic circular is equal to the use of the printed ad (37 percent each) among young Millennials.

These trends suggest that the growing integration of mobile, digital and social technology in promotional research will likely continue, if not accelerate. However, while Millennials are now the biggest generation, their meat spending lags. As a result, many retailers choose to straddle traditional (catering to Boomers) and digital/social/mobile platforms (building future engagement) for the time being. (Source: Aptaris, *Advertising and Promotional Practices Among Grocery Retailers 2017*)

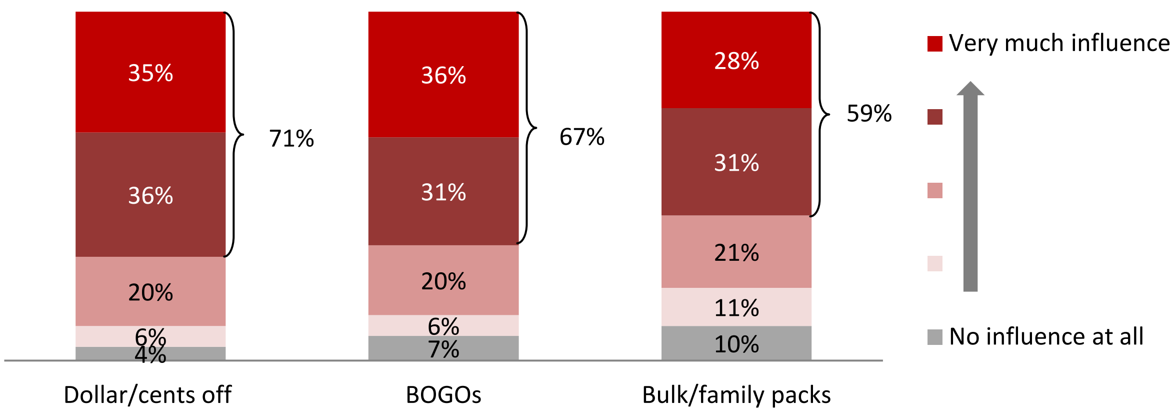
Promotional vehicles for checking meat/poultry promos	2018	Younger Millennials	Older Millennials	Gen X	Younger Boomers	Older Boomers
None	9%	12%	7%	8%	10%	8%
Paper circular pre-trip	↓ 57%	37%	53%	60%	62%	**70%**
In-store promotional signage	↑ 51%	**55%**	50%	52%	52%	56%
Paper circular in the store	↓ 41%	35%	40%	44%	44%	33%
Electronic circular	↑ 36%	37%	**41%**	38%	30%	26%
Special meat promotions on email/web	↑ 22%	21%	**27%**	23%	18%	16%
Store app	↔ 15%	19%	18%	17%	10%	6%
Social media deals	↑ 11%	13%	**20%**	9%	3%	0%
Text specials	↔ 2%	**5%**	2%	2%	0.5%	0%

Arrows reflect 4-year CAGR trends

Cents-Off Promotions Are the Most Powerful in Driving Purchases

The *Power of Meat* asked about the influence of the purchase of three promotional types that are commonly used in meat and poultry advertising. To truly compare advertising strategies, “everyday low prices” was left out of the mix. Seven in 10 Americans say dollar/cents-off promotions — taking a discount on the price per pound — has a great deal of influence on what (types/cuts) they purchase. BOGOs (buy-one-get-one promotions) are in second place, distantly followed by family or bulk packs.

Influence on what kind of cuts/types are purchased by promotional type



Demographically, the importance of discounts rises along with family size. As such, older Millennials and Generation X shoppers are the most likely to be influenced by all three types of promotions. Additionally, lower-income shoppers are more likely to be influenced by dollar/cents off promotions, whereas BOGOs attract higher-income shoppers.

Specific demographic differences by promotional type

Dollar/cents off price per pound (71%)	BOGOs (67%)	Bulk/family pack promotions (59%)
▪ High weekly trips (88%) ▪ Frequently research promotions (83%) ▪ Buy value-added meat frequently (81%) ▪ Midwest shoppers (76%) ▪ Large households (76%) ▪ Limited assortment shoppers (76%) ▪ Urban shoppers (76%)	▪ Frequently research promotions (77%) ▪ Limited assortment shoppers (74%) ▪ Larger households (75%) ▪ Older Millennials (73%) ▪ Kids in household (73%) ▪ Urban shoppers (73%)	▪ Club shoppers (74%) ▪ Frequently research promotions (72%) ▪ Kids in household (71%) ▪ Very knowledgeable about meat (69%) ▪ Older Millennials (67%) ▪ Eat meat more frequently (67%) ▪ High weekly spend (67%) ▪ Supercenter shoppers (65%)

Both the promotional research avenues and the promotional preferences show widely varying savings approaches by demographics. As such, promotional and merchandising strategies are most effective when fine-tuned at the store level. Understanding price elasticity on the one hand, and the growing popularity of organic, antibiotic- and hormone-free, local, grass-fed, value-added and other products on the other hand, is important to optimize trips and basket size.

Circular Trends

According to Market Track, retailers continued their strong focus on meat and poultry in the printed circular. There was no change in the number of ads featuring meat and poultry between 2014 and 2017 and individual protein shares were relatively stable. Beef makes up the majority of ads, at 43.9 percent. Pork is the second-most advertised item, followed by chicken, ham/cured pork and turkey.

Top 6 categories	Share of ads by category		Share of ads with organic focus	
	2014	2017	2014	2017
Beef	39.3%	39.3%	0.7%	1.7%
Chicken	14.6%	14.6%	0.5%	1.8%
Pork	21.9%	21.9%	0.0%	0.0%
Ham/cured pork	8.8%	8.8%	0.0%	0.0%
Lamb	2.9%	2.9%	0.1%	0.1%
Turkey	8.3%	8.3%	0.6%	2.7%

Special Attributes and Messaging

Ads calling out organic meat and poultry remain few and far between, at 1.2 percent, up from 0.4 percent in 2014. Turkey saw the largest gains between 2014 and 2017, yet still only 2.7 percent of turkey ads pertain to organic. "Healthy eating" messaging remained low as well, at 0.7 percent of total ads. Some retailers have started to integrate meat and poultry promotions into health-focused recipes, cross-promote the meat/poultry item with a complementary produce item, point out the amount of protein or refer to the grade used. Likewise, very few ads feature meal solutions, which is another growth area in retail, driven by consumers' quest for convenience to save time and effort.

Ad Quality

Ad quality is determined by placement as well as the type. Front page ads are the highest quality positioning and represent 28.9 percent of all meat/poultry ads, up from 25.5 percent in 2014. More likely to appear on the front page are beef, chicken and pork. Chicken, in particular, has a high likelihood of front page placement versus its relative ad share. Back-page ads represent 16.6 percent of meat/poultry ads, up from 10.1 percent in 2014. Categories that are overrepresented are turkey and pork. Interior ads account for 54.5 percent of all meat/poultry ads, with an above-average share for ham, lamb and turkey.

Top 6 categories	Frontpage ads		Backpage ads		Interior ads	
	% of total ads	% of category ads	% of total ads	% of category ads	% of total ads	% of category ads
Beef	14.0%	31.8%	7.3%	16.5%	22.7%	51.7%
Chicken	4.7%	35.6%	1.3%	9.7%	7.2%	54.7%
Pork	6.1%	30.1%	3.8%	18.5%	10.5%	51.4%
Ham/cured pork	2.1%	24.8%	1.2%	13.6%	5.3%	61.6%
Lamb	0.4%	19.0%	0.4%	16.5%	1.5%	64.5%
Turkey	1.3%	15.7%	1.9%	24.0%	4.8%	60.3%

Quality is also determined by the usage and size of images. Large pictures are the highest quality representing 15.6 percent of all meat/poultry ads, up from 11.5 percent in 2014. Large picture support is mostly reserved for beef, chicken and pork, with reasonably high shares for ham and turkey as well.

Top 6 categories	Large picture		Small picture		Text only	
	% of total ads	% of category ads	% of total ads	% of category ads	% of total ads	% of category ads
Beef	7.9%	18.0%	31.1%	70.7%	5.0%	11.3%
Chicken	2.2%	16.4%	9.7%	73.7%	1.3%	9.8%
Pork	3.1%	15.0%	15.1%	74.1%	2.2%	10.9%
Ham/cured pork	1.3%	14.6%	5.9%	67.9%	1.5%	17.4%
Lamb	0.2%	8.4%	1.7%	72.6%	0.4%	19.0%
Turkey	0.8%	10.1%	6.3%	78.8%	0.9%	11.1%

Small picture ads represent the bulk of all meat/poultry ads, at 72.5 percent. This is down from 77.2 percent in 2014, with many retailers shifting to larger images and fewer items per page for a cleaner look. Beef represents no less than 31.1 percent of all small picture ads, but categories that are overrepresented compared to their relative ad share are turkey, ham and offal. Text only are deemed the least effective ads and account for a small share, at 12.0 percent. This share is relatively unchanged since 2014.

Ad Type

The bulk of ads represent a discount on the price per pound, but buy-one-get-one (BOGO) ads are growing. In 2017, they represented 2.6 percent of all ads, up from 1.9 percent in 2014. More likely to be sold on a BOGO basis are pork, ham and turkey ham.

Top 6 categories	Share of BOGO ads		Average promoted price/unit			
	2014	2017	2014	2015	2016	2017
Beef	1.2%	1.3%	$5.69	$6.22	$5.98	$5.92
Chicken	2.4%	1.9%	$2.52	$2.65	$2.58	$2.56
Pork	2.7%	5.3%	$3.06	$2.86	$2.72	$2.68
Ham/cured pork	2.7%	3.8%	$3.17	$3.09	$2.85	$2.91
Turkey	1.2%	3.0%	$7.46	$7.47	$7.34	$7.62
Lamb	0.0%	0.0 %	$4.32	$4.43	$4.26	$4.37

Average promoted prices have moved up and down over the past four years, much in line with deflationary and inflationary market developments. Pork is the only one with three consecutive years of declining average promoted prices. Prices are highly dependent on special attributes featured as well, such as organic or antibiotic-free and branded versus unbranded meat.

For more information, please contact Ryne Misso, Director of Marketing for Market Track, at rmisso@markettrack.com

The Meat Channel Choice

Chapter Insights

- Supermarkets remain the largest outlet for groceries in general, and meat specifically. Supercenters are a big competitor for groceries but lose significant share as the primary outlet for meat.
- Channels that gain in share with regard to meat versus groceries in general are supermarkets, clubs, organic/specialty stores and alternative channels.
- Supermarkets win the meat purchase through high primary shopper conversion (86 percent) and being a popular destination among shoppers who switch stores when buying meat (54 percent).
- Butcher stores and farmers' markets/farm direct are the top outlets for the occasional purchase.
- Grocery e-commerce sees big gains. Thirty-eight percent of shoppers have purchased groceries online, be it some specialty items, an occasional trip or the routine basket.
- Buying fresh meat online is still much less common (19 percent). However, hesitance to try is shrinking with 50 percent willing to try an online-only company and 57 percent willing to order online if fulfillment were done by shoppers' current meat departments.
- Concerns relative to buying meat online center on having someone else select the meat/poultry and perceived lack of freshness. Overall, concerns are down significantly from the 2015 survey — indicating greater comfort with the concept of buying meat online.

Supermarket Top Outlet for Meat; Limited Assortment Is Taking Share

One in two shoppers named a supermarket as their primary outlet for groceries[2]. Supermarkets have an even higher share as the primary store for meat, at 57 percent. However, supermarket popularity is driven by older generations, with a much lower 47 percent of Millennials buying meat at supermarkets. Other channels that gain share when comparing groceries in general versus the meat purchase are clubs, organic specialty stores and alternative channels. The latter include stand-alone butcher shops, as well as farm-direct, farmers' markets, online purchases and outlets, such as Omaha Steaks and Schwan's.

	Supermarkets	Supercenters	Limited assortment	Clubs	Organic/ specialty	Alternative
Primary store for groceries	50%	34%	7%	5%	2%	2%
Primary store for meat and poultry	57%	22%	5%	7%	4%	5%

[2] In a change in methodology from prior years, respondents provided the name of their primary outlet for groceries and meat. 210 Analytics coded store names into channels. This allows for more nuances in the channel choice, including accurate representation for limited assortment stores.

The 2018 edition breaks out limited assortment stores for the first time. These outlets were mentioned by 7 percent of respondents for groceries in general and by 5 percent as their primary store for meat and poultry. As such, these value-focused formats are starting to have a significant impact on grocery and meat purchases.

Similarly, a Nielsen look at the percentage of total fresh meat dollars across the three supermarket formats shows the impact of limited assortment stores on the U.S. retail market. Sub-dividing total grocery into conventional, value and premier fresh, highlights the polarization that has been occurring in the past few years, with mainstream retail being squeezed by the polar opposites.

% of $ fresh meat sales	2015	2016	2017
Total grocery	68.5%	68.7%	69.3%
Conventional	60.5%	60.0%	58.8%
Premier fresh (specialty/organic)	2.5%	2.7%	3.1%
Value	6.1%	6.7%	7.4%

Above-average likelihood for shopping for meat by channel

Supermarkets as the main meat store (57%)

- Boomers (69%), particularly older Boomers (76%)
- 2-person households (66%)
- No kids in households (64%)
- Small towns (64%) and suburban (62%)
- Eat meat often (63%)
- Middle income (63%)
- Women (61%)

Supercenters as the main meat store (22%)

- Large households (30%)
- Kids in households (29%)
- Millennials (30%)
- Men (29%)
- South (26%)

Clubs as the main meat store (7%)

- West (14%)
- High weekly spend (11%)
- Higher income (11%). High income also overindexes for organic/specialty (7%)

Supermarkets Win Through High Conversion and Being a Meat Destination

Down for the second year in a row, 22 percent of shoppers leave their primary channel for groceries to buy fresh meat and poultry elsewhere (“switchers”). Channel switching is most prevalent among limited assortment stores and supercenters. On the other hand, supermarkets have much higher conversion among their own shoppers and are the most likely destination for shoppers of other channels who switch stores.

Channel switching	2016	2017	2018
Across all channels	27%	24%	22%

Channel switching from each of the channels % of primary shoppers	2018
Supermarkets	14%
Supercenters	37%
Limited assortment stores	35%
Clubs	24%

Destination among the 22 percent of shoppers who switch stores for groceries vs. meat/poultry	2014	2016	2018
Supermarkets	50%	48%	54%
Butcher stores	17%	13%	15%
Clubs	15%	18%	13%

Supermarkets, butcher stores and clubs have consistently been the three main beneficiaries of channel switching. Specialty/organic is seeing more traffic as well, at 9 percent (small sample size).

Given the impact of meat on the total basket, efforts aimed at maximizing conversion are important for long-term success. Being known as a meat destination, or legendary for a certain item, brand or service, helps stores become a destination for primary and secondary shoppers. From there, focus should be on optimizing each store visit, particularly among secondary shoppers.

Where Do Supermarket Shoppers Buy Meat/Poultry?

Supermarkets leverage meat as one of the prime differentiators to retain and attract consumers. At 86 percent, supermarkets have the highest conversion of all channels. Conversion peaked at 91 percent in 2008 and was at its lowest point in 2015, at 83 percent. As some supermarket shoppers switch to another supermarket chain for meat, the channel retains a total of 91 percent for the meat purchase. Shares for all other channels are low, between 1 to 3 percent.

Where supermarket shoppers purchase meat	2018
Supermarket	91%
Club stores	3%
Specialty/organic	2%
Butcher shop	2%
Supercenter	1%
Other	1%

Where Do Supercenter Shoppers Buy Meat/Poultry?

For supercenters, 37 percent of primary shoppers purchase meat/poultry elsewhere. Supermarkets are the main beneficiary of channel switching, followed by stand-alone butcher shops and specialty/organic stores.

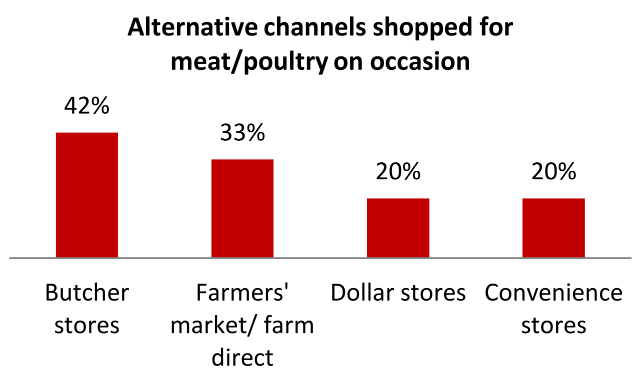
Where supercenter shoppers purchase meat	2018
Supercenter	63%
Supermarket	27%
Butcher shops	5%
Specialty/organic stores	2%
Clubs	2%
Limited assortment	1%

With so many supercenter patrons frequenting a variety of formats to purchase meat and poultry, there is opportunity all around. Supermarkets, specialty/organic stores and clubs can focus on building the basket beyond perishables among these supercenter patrons. At the same time, supercenters have a lot of room to strengthen shopper conversion.

Butcher Shops and Farmers' Markets Top Outlets for Occasional Trips

Aside from the primary store, shoppers occasionally purchase fresh meat and poultry in other channels. While the meat purchase is concentrated in a few large channels, the primary store does get some occasional competition from alternative channels.

About four in 10 shoppers occasionally stop in at a butcher store and 33 percent of shoppers purchase meat/poultry from the farm or at farmers' markets every once in a while.



Above-average likelihood to shop at the following channels on occasion

Butcher stores (42%)

- High weekly trips (56%)
- High weekly spend (57%)
- Older Millennials (54%)
- Knowledgeable about meat (54%)
- High income (53%)
- Kids in household (53%)
- Nutrition focused (51%)
- Men (50%)
- Urban shoppers (50%)
- Northeast (49%)
- Large households (49%)

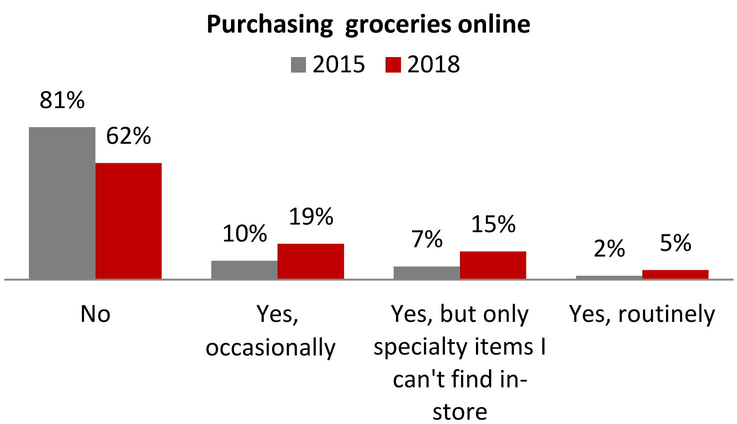
Farmers' markets/farm direct (33%)

- High weekly spend (52%)
- High weekly trips (52%)
- Older Millennials (50%) and younger Millennials (43%)
- High household income (49%)
- Urban shoppers (49%)
- Kids in household (45%)
- Nutrition focused (42%)
- Northeast (39%)
- Men (39%)

The U.S. Department of Agriculture (USDA) had 8,687 farmers' markets listed in 2017 — unchanged from 2016 following several years of strong growth. The USDA proclaimed the first full week of August National Farmers' Market Week, touting the channel as a way for consumers to have access to locally-grown, farm-fresh items and enabling farmers the opportunity to develop a personal relationship with their customers. Many brick-and-mortar retailers are taking notice and effectively communicate their relationship with the farmer, offering a fresh, high-quality and safe supply chain.

Online Grocery Shopping Sees Big Gains in Three-Year Period

In 2015, 19 percent of shoppers purchased grocery type items online. In 2018, this share is up to 38 percent. Among these shoppers, gains are measured for ordering online occasionally, routinely and for specialty items they cannot find in the store. Online grocery shoppers tend to skew to younger, higher-income shoppers.

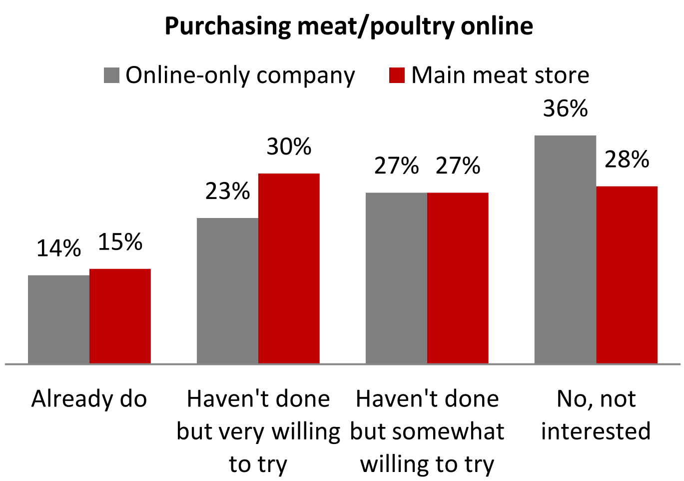


Online grocery shopping (occasionally, routinely or specialty items) (39%)

- High weekly spend (58%)
- High income (55%)
- High weekly trips (54%)
- Urban shoppers (52%)
- Nutrition focused (51%)
- Kids in household (51%)
- Millennials (49%), particularly young Millennials (68%)
- Larger households (49%)
- Men (44%)

Grocers Can Leverage Trusted Relationship for Online Meat Purchase

Regardless of whether they currently purchase groceries online or not, respondents shared their thoughts on buying meat online, either from an online-only company delivered to their homes or from their main meat department/store with pick-up or delivery. Some shoppers have already purchased meat/poultry online at least once, up from 4 percent in 2015 to 19 percent in 2018. Among shoppers who don't currently buy meat online, willingness to try is higher when ordering from their trusted primary meat store than from an online-only company. Respondents who have purchased meat online are more likely to be Older Millennials, living in urban areas, with above-average incomes and weekly spending.



Comparison to 2015 *Power of Meat*

46% No, not interested in ordering meat online

3% Already order from an online-only company

2% Already order online from main meat store

Very willing to order online (main meat store – 30%)

- Already buy groceries online (41%)
- Older Millennials (39%) and Young Millennials (36%)
- High weekly spend (38%)
- Higher weekly trips (37%)
- Kids in the household (36%)
- High income (35%)
- West (34%)
- Urban (34%)

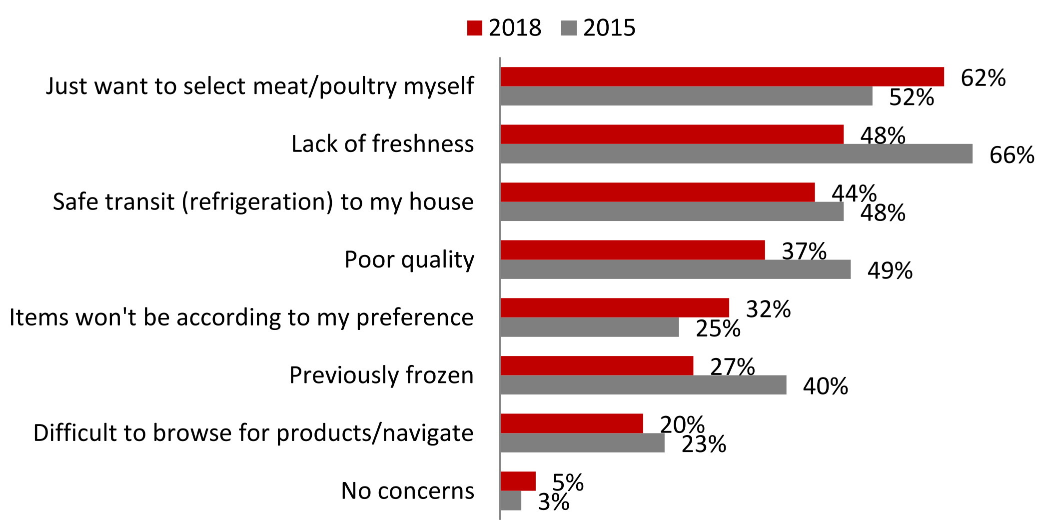
The willingness to order meat online is much higher among those who already order some groceries online. This indicates that the first step is to get shoppers comfortable with ordering center store items online and move into perimeter items from there.

Digital engagement has distinct advantages. A digitally-engaged consumer is on average 20 percent more valuable to retailers and suppliers by spending more per trip. On a yearly/total store basis, this compares to $7,000 for the digitally-engaged and $5,850 for non-digitally-engaged shoppers.

Losing Control of Selection and Perceived Lack of Freshness Top Barriers

Respondents shared their thoughts on potential concerns with ordering meat/poultry online, regardless of their current habits or intentions. The chief concern centers on their desire to simply want to select the meat/poultry themselves, up 10 percentage points from 2015. This reason is particularly high among shoppers with no intentions to order meat/poultry online, whether from their own meat department or other, at 74 percent. Perceived lack of freshness is the second-highest reason, but down significantly since 2015. Concerns over safe transit, in third place, and perceived poor quality, in fourth, are down compared with the 2015 results as well.

Concerns with ordering fresh meat/poultry online



The only two concerns that grew between 2015 and 2018 center on shoppers' desire to maintain control and to ensure items are according to their preference. Retailers can address these concerns by building a trust level with shoppers over time to show that the picker can select meat/poultry as well or better than they can. Some retailers use a personal shopper approach, connecting pickers with customers to understand preferences. Other important concerns to address are freshness and product safety during transit.

Other concerns mentioned by respondents include the expense/price, treatment by the carrier/shipper and needing to be home for deliveries.

Customer Service

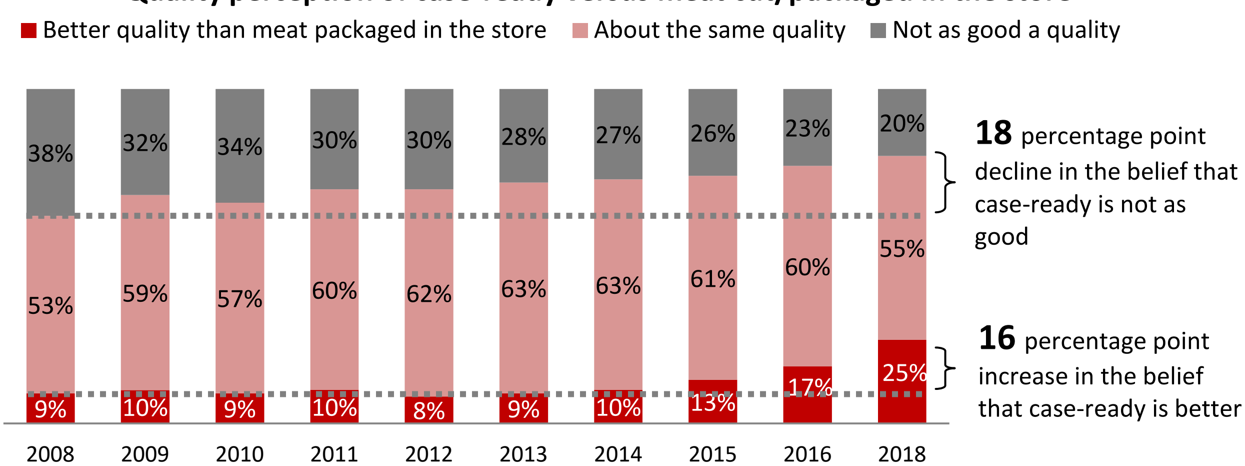
Chapter Insights

- Shoppers' perception of case-ready meat reached its highest favorability rating yet, with 80 percent of shoppers believing it is as good or better than meat that is cut/packaged in-store.
- The meat case accounts for an estimated 71 percent of all meat/poultry purchases. While the meat case is the routine destination, 70 percent of shoppers do value having access to the full-service counter.
- Meat department personnel currently play a minor role in advising shoppers on meat preparation. Digital dominates as the top resource, at 47 percent. Recipe and cooking websites/apps are used across generations, whereas social media platforms see much higher usage among Millennials.
- 38 percent of shoppers would value someone available in the meat case area to assist with customizing amounts and offering tips or serving suggestions. While Boomers are more likely to value an actual service counter, Millennials like the idea of a sales person in the meat case area.
- 35 percent of shoppers are very willing to try new recipes with familiar meat items, whereas 25 percent would be very willing to try a new kind or cut, based on the recommendations of a meat associate.

Case-Ready Favorability Rises Further

The consumer perception of case-ready meat is changing favorably. The share who believes case-ready is better than meat cut/packaged in the store has increased from 9 percent in 2008 to 25 percent today. Shoppers with a negative quality perception are down from 38 percent in 2008 to 20 percent in 2018. Usage drives favorability: the higher the share purchased from the meat case, the higher the quality perception. Additionally, Millennials are much more likely to see case-ready as better than Boomers, at 36 percent versus 14 percent, respectively. Only 15 percent of Millennials believe the quality is inferior.

Quality perception of case-ready versus meat cut/packaged in the store



Case-ready is a commonly used strategy among food retailers to address backroom labor issues. Its share has increased from 49 percent in 2002 to 76 percent of packages in 2015, according to the *Sealed Air National Meat Case Study*. Case ready, with its positive quality perception, in combination with someone to assist customers in the meat case area, can be a winning formula, particularly among Millennials. Shopper education (and reminders) about processes to ensure strong performance in freshness, quality, safe handling and transportation can further enhance the positive image.

Meat Case Accounts for the Majority of Purchases

While 80 percent of shoppers have access to a full-service counter at their primary meat store, the bulk of purchases are selected from the meat case. On average, 71 percent of meat purchases are selected from the meat case. Meat case usage peaked in 2012 (75 percent average) when the share of stores with a full-service meat case was at its lowest.

Share of total meat/poultry purchased from the meat case

	2008	2012	2018
0% from meat case	3%	6%	1%
1%-20%	10%	14%	8%
21%-40%	7%	6%	10%
41%-60%	15%	11%	20%
61%-80%	14%	11%	17%
81%-99%	26%	21%	22%
100% from meat case	24%	31%	24%

71%

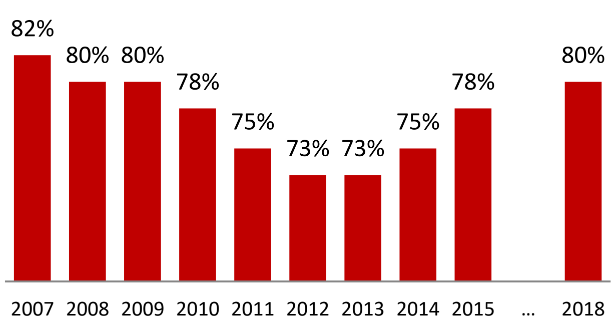
Of meat purchases are selected from meat case across stores. The share is lower among supermarkets and higher among supercenters and club stores.

At 71 percent of purchases, the meat case represents the typical purchase. While this limits labor costs, it will likely also play into shoppers' tendency to stick to their habits. If retailers are looking to grow shoppers' knowledge and comfort across more species and cuts, and move them to more premium higher-margin items, shopper interaction at the case will be needed.

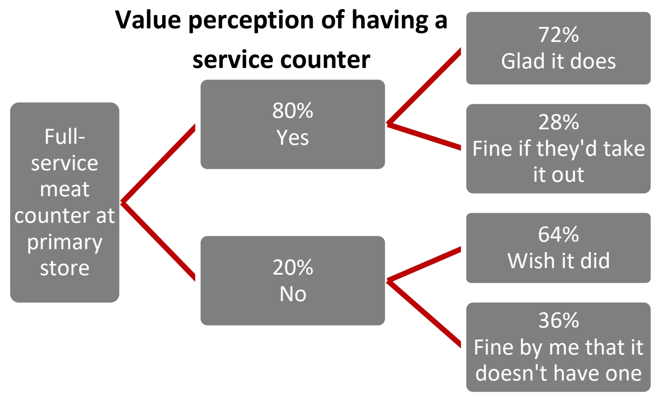
Two-Thirds of Shoppers Value Full-Service Counter

Shoppers with access to a full-service counter at their primary meat store returned to 2008-2009 levels after falling to 73 percent in 2012-2013. As many retailers are looking to ramp up customer service and shopper outreach, the survey probed into value perceptions of the full-service counter. This was defined as a service area with a butcher or trained meat personnel to help with a specific, cut/packaged-to-order request.

Availability of full-service counters at primary meat store



Value perception of having a service counter



Seventy-two percent of shoppers who shop stores with a service counter are glad they have access — pointing to an important area of differentiation and way to connect for retailers. Among shoppers who buy fresh meat/poultry in outlets with meat cases only, 64 percent wish there were a full-service counter. Across all shoppers regardless of current access, this translates into 70 percent valuing a full-service meat counter. The value perception is higher among Boomers (77 percent) than Millennials (62 percent). Appreciation also rises along with usage. One respondent wrote, "The local chain has butcher cases with beautiful cuts, marinades, seafood, sauces, etc. Actual butchers can help you. It costs more, but they do it right. I think all stores should do it like they do and go all the way."

Shoppers who have access to both full-service and self-serve areas reported an average of 68 percent of all meat purchases coming from the meat case. As such, the meat case and full-service counter work hand-in-hand. For most shoppers, the meat case is the destination for routine purchases, whereas the full-service counter is one for special occasions, specialty cuts, different amounts, asking questions, etc., as seen in prior years' reports. To maximize the benefit of having service counters, retailers must have knowledgeable, professional and readily available butchers and meat department service personnel. The counter is an important avenue for fostering customer satisfaction and loyalty. Additionally, this can be an important way to cross-sell items such as baked potatoes, value-added produce, marinades, spices or to suggest meal ideas/recipes for an enhanced total store basket.

More likely to value a service counter (regardless of current access) (70%)

- Specialty/organic store shoppers (79%)
- Shoppers who switch stores (77%)
- Boomers (77%)
- High weekly trips (75%)
- Appearance ranks first or second in the purchase decision (75%)
- High-income shoppers (75%)
- Rural shoppers (75%)

Don't Know? Digital Dominates Meat Preparation Advice

While the service counter serves as a platform for shopper interaction and advice, the bulk of the purchase happens in the meat case. As a result, butchers and other meat department personnel play a minor role in advising shoppers when they want to prepare meat/poultry items they haven't made before. In the 2012 *Power of Meat*, "Mom" was the go-to resource, at 30 percent of the response. In 2013, digital resources edged out Mom at 27 percent versus 23 percent. Today, digital wins hands down, at 47 percent. Recipe websites and apps garnered 37 percent of the response and social media 10 percent. Meat department personnel are the primary resource for 7 percent of shoppers. Respondents selected their top resource only.

Top resource for meat preparation advice	2012	2013	2018
Digital resource	25%	27%	47%
Mom/family/friend	30%	23%	17%
Cookbook/paper resource	22%	22%	12%
Butcher/meat department personnel at grocery store	6%	5%	7%
Would just give it a shot based on my cooking expertise	9%	8%	6%
TV (cooking channel, etc.)	4%	8%	6%
On-package information	0%	5%	5%
Other	4%	4%	0%

Digital resource	2018
Recipe websites or apps	37%
Pinterest, Instagram or other social media	10%

As digital grows as a resource, age differences are starting to diminish. Whereas in 2013, 46 percent of Boomers used paper cook books, this share is down to 17 percent in 2018. Generational differences today lie more in which digital resource is used. Millennials are more likely to use social media at 16 percent than Boomers (4 percent). Recipe websites or apps are used fairly equally with the exception of Older Millennials.

Top resource for meat preparation advice	2018	Young Millennials	Older Millennials	Gen X	Boomers
Recipe and cooking websites or apps	37%	36%	29%	**40%**	**40%**
Mom/family/friend	17%	24%	15%	16%	15%
Cookbook/paper resource	12%	7%	11%	11%	**17%**
Pinterest, Instagram or other social media	10%	**13%**	**17%**	8%	4%
Butcher/meat department personnel at grocery store	7%	4%	8%	8%	7%
Would just give it a shot based on my cooking expertise	6%	4%	4%	7%	7%
TV (cooking channel, etc.)	6%	**9%**	8%	6%	3%
On-package information	5%	3%	6%	4%	6%

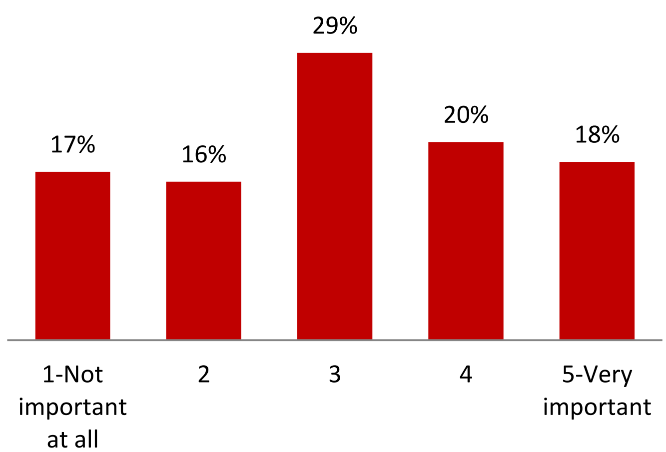
Enhancing knowledge among shoppers requires being a resource during meal planning, purchasing and preparation. Digital and social are must-have platforms to reach today's shopper, as is finding a way to create a more prominent role for in-store personnel.

Active Shopper Outreach Welcomed by Four in 10

The survey probed into consumer interest in having meat personnel available in the meat case area to assist with things such as customizing amounts, and offering tips and serving suggestions. This is a fairly new concept, not seen in many stores to date. Typically, unfamiliarity with a concept leads to lower importance ratings in consumer surveys.

When asked, 38 percent of shoppers say having assistance in the meat case is important (ratings 4 and 5 on a 5-point scale). Some shopper groups value the idea of meat department assistance more than others. Interestingly, while Boomers place great value on having a meat service counter, they place little importance on customer service in the meat case, at 27 percent versus 47 percent of Millennials.

Importance of having someone to assist in the meat case area with things such as customizing amounts, and offering tips or serving suggestions



More likely to value a person to assist with breaking packages/tips/advice (38%)

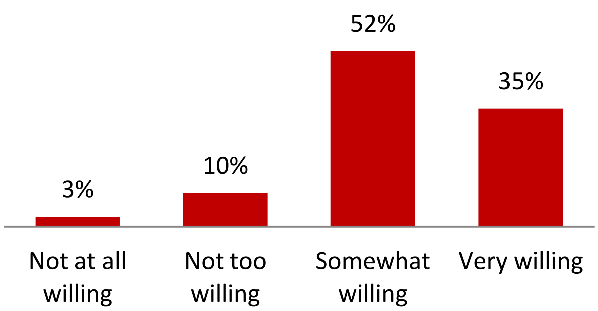
- Buy value-added frequently (73%)
- High weekly spend (56%)
- Urban shoppers (55%)
- 50/50 usage of the case and counter (54%)
- Kids in the household (53%)
- Supercenter meat shoppers (53%) and club meat shoppers (47%)
- Nutrition-focused shoppers (52%)
- Larger households of 3-4 people (49%) or 5+ people (46%)
- Often check meat promotions (49%)
- Millennials (47%) and particularly older Millennials (53%)
- High-income shoppers (49%)
- Men (44%)
- Eat meat less than average (44%)

Shopper groups who do place higher-than-average value on having someone in the meat case to assist them are valuable to retailers. They visit the store often and their total store spending is well above average, both overall and on a per-capita basis. Important points to connect beyond offering to customize amounts or recipe ideas are nutrition advice, cooking for kids and sales specials (in meat and beyond).

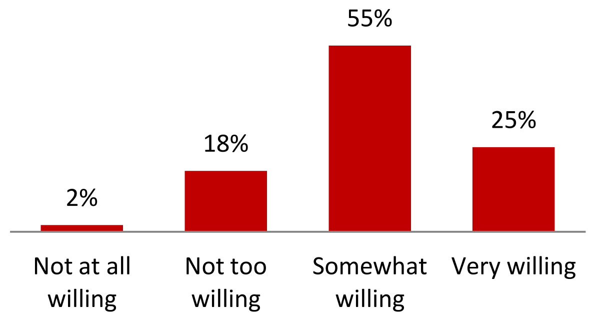
Shoppers Open to Trying New Recipes, if Advised

The survey probed more specifically into the kinds of behaviors that may be expected when bringing sales-focused staff into the meat case. Thirty-five percent of shoppers are very willing to try a new recipe with a familiar meat or poultry item. Willingness to buy a cut or kind of meat or poultry they haven't purchased before is significantly lower, at 25 percent of shoppers. This is directly related to the lack of meat knowledge that makes shoppers hesitant to buy outside their comfort zone. Yet, driving new item introductions and adoption has traditionally been an important way to grow sales across the store.

Willingness to make a new recipe with a familar meat/poultry item based on recommendations from your meat department staff



Willingness to buy a cut/kind of meat/poultry you haven't bought before based on recommendations from your meat department staff



Demographically, there are significant differences in willingness to follow the advice of a meat department associate to try a new recipe or a whole new kind of meat/poultry. Further analysis shows that 41 percent of shoppers would be very willing to do either or both — which makes a strong case for expanding knowledge and comfort across cuts/species by leveraging store associate advice.

Above-average willingness to try new recipes or new cuts/kinds

Willing to try a new recipe with a familiar meat (35%)

- Buy value-added meat often (63%)
- Very knowledgeable about meat (48%)
- Large households (48%)
- Butcher store shoppers (47%)
- High weekly spend (47%)
- Older Millennials (47%)
- High trip frequency (46%)
- Check promotions often (45%)
- Urban shoppers (45%)
- Kids in household (44%)
- High-income households (44%)
- Prepare meat often (43%)
- Specialty/organic store shoppers (42%)

Willing to buy a new cut/kind of meat/poultry (25%)

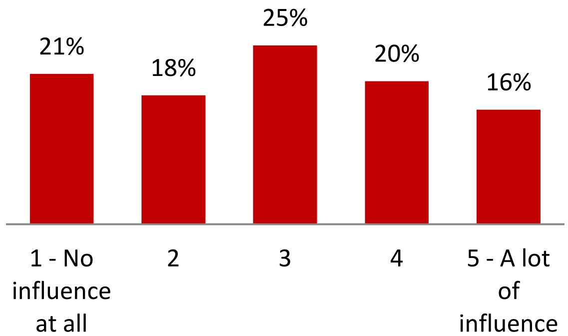
- Buy value-added often (44%)
- High trip frequency (37%)
- High weekly spend (35%)
- Very knowledgeable about meat (33%)
- Nutrition-focused (33%)
- Check promotions often (32%)
- Kids in household (31%)
- Prepare meat often (31%)
- Medium-high income (31%)
- Supercenter meat shoppers (30%)
- Older Millennials (30%)
- Households of 3-4 people (30%), particularly versus just 16% of singles

Last year's study asked about the influence of recommendations by family, friends or their social network. Willingness to try a new kind or cut of meat/poultry is equally soft when being advised by meat associates. However, willingness to try a new recipe is significantly higher — underscoring the importance of building a trusted relationship between the shopper and staff.

	Willingness to try a new recipe		Willingness to try a new cut/kind	
Willingness to try based on advice…	**From meat associates**	**From friends, family or social network**	**From meat associates**	**From friends, family or social network**
Not at all willing	3%	4%	2%	7%
Not too willing	10%	8%	18%	15%
Somewhat willing	52%	43%	55%	54%
Very willing	**35%**	**45%**	25%	24%

On-Pack Recipes Can Be Another Tool To Drive Trial

In addition to being advised by a person, recipes can also be made available in-store or on-pack. Their influence on the kind or cut of meat/poultry that shoppers will buy is limited. Thirty-six percent of shoppers say those recipes will influence their meat/poultry purchasing decisions, of whom only 16 percent say they have a lot of influence.



More likely to be influenced a lot (16%)

- Often buy value-added (45%)
- High weekly trips (29%)
- Urban shoppers (28%)
- Supercenter shoppers (27%)
- Millennials (23%), particularly older Millennials (28%)
- Knowledgeable about meat (26%)
- Often check promotions (25%)
- Kids in the household (25%)
- Households of 3-4 people (23%)
- Men (21% vs. 13% of women)

An important disconnect for the industry is the attitude of shoppers who lack in meat knowledge (53 percent of all shoppers). While there is a lot to be gained by educating these shoppers, there does not appear to be an easy formula for success. Only 18 percent of these shoppers say in-store or on-pack recipes would influence their meat/poultry choices versus 49 percent of shoppers who consider themselves knowledgeable about meat. Likewise, meat associates' recommendations have much more influence on shoppers who are knowledgeable versus those who are not. This is an important barrier that must be overcome to drive knowledge (and subsequently sales) among shoppers.

Somewhat and a lot of influence on the kind/cut purchased	Knowledgeable	Not knowledgeable
Influence of recipe in-store/on-pack	49%	18%
Influence sales associate familiar meat	48%	19%
Influence sales associate new cut/kind	33%	16%

Efforts to build a relationship with the shopper to elevate the meat department as a resource could start with common meats/cuts and kid-friendly recipes. Once the resource is more established, advice/tips could help drive greater willingness to try new items from there.

While total willingness is high in both scenarios, shopper interest is somewhat soft in that the majority are "somewhat" versus "very" willing. This indicates recipes and advice must have a high level of relevancy, starting with shopper groups who are most willing to try, including Millennials. Anxiety over purchasing a new item can be diminished through sampling, cooking demonstrations or clear, step-by-step recipes.

Brands

Chapter Insights

- Manufacturer and private brands have emerged as one of the strongest growth stories in meat.
- The 2018 study finds continued growth in brand preference for both fresh and processed meat. For the first time in 12 years, the percentage of shoppers preferring brands is equally as high as the share of shoppers not influenced by brands (brand neutrality). In processed, manufacturer brands have the highest outright preference, at 44 percent — also a study series high.
- The biggest reason for brand preference is a general inclination for buying familiar brands. Other important reasons are the consumer perception that branded meat/poultry is of better quality and/or provides better value. About three in 10 shoppers see branded meat/poultry as being more consistent from purchase to purchase and are more confident it is safe to eat.
- 62 percent of shoppers say promotions can drive trial of a brand they do not normally purchase. The greater the shopper's focus on price, the greater the chances of promotions leading to brand switching.

Brands Continue to Strengthen Their Position as the Preferred Choice

Brands have emerged as one of the strongest stories in the meat department in the past decade. While brands' strength as the preferred choice diminished during the height of the recession in favor of a strong emphasis on price, both manufacturer and private brand preferences have since risen to new heights. In 2018, an equal share of shoppers stated preferring brands when buying fresh meat as shoppers unaffected by brands. This was the first time preference matched brand neutrality. In processed meat, 58 percent of shoppers prefer to purchase brands. Two constants in the past 12 years have been that:

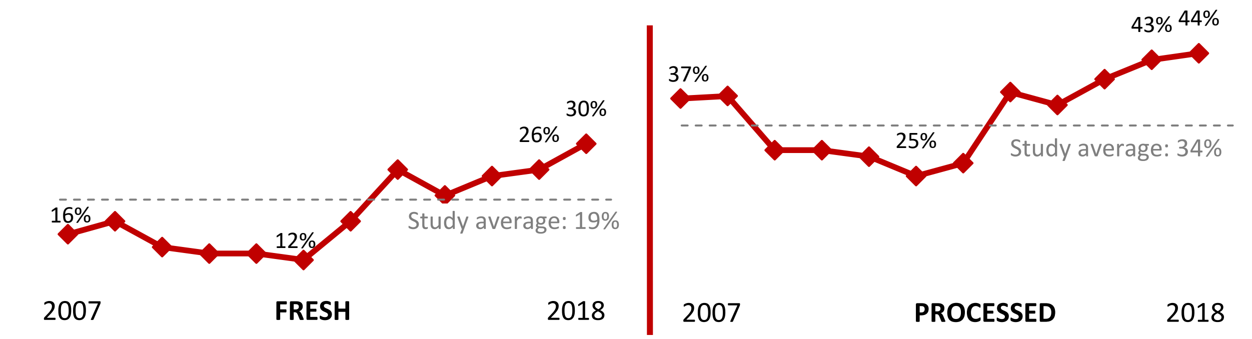
- Manufacturer brands hold a stronger preference position than private brands.
- Manufacturer brands have a much stronger position in processed meats than in fresh.

Fresh meat brand preference 2018 **Processed meat brand preference 2018**

Manufacturer Brand Preference

- Shoppers' preference for manufacturer brands when buying fresh meat and poultry reached a study high of 30 percent. This is more than twice as high as the survey low point in 2012, at 12 percent.
- In processed meats, national brands reach their highest outright preference at 44 percent, significantly more than the 30 percent in fresh.
- By creating a unique mix of national and regional manufacturer branded items, retailers can leverage their assortment as a differentiator — particularly when tailored to the store audience.

Prefer manufacturer brand meat and poultry



Above-average interest in national brands

Prefer national brands in fresh (30%)

- High-income households (45%)
- Supercenter meat shoppers (45%)
- High weekly spend (43%)
- Urban shoppers (41%)
- Kids in household (39%)
- Millennials (38%), particularly older Millennials (40%)
- High weekly trips (37%)
- Men (37%)
- Nutrition-focused (37%)

Prefer national brands in processed (44%)

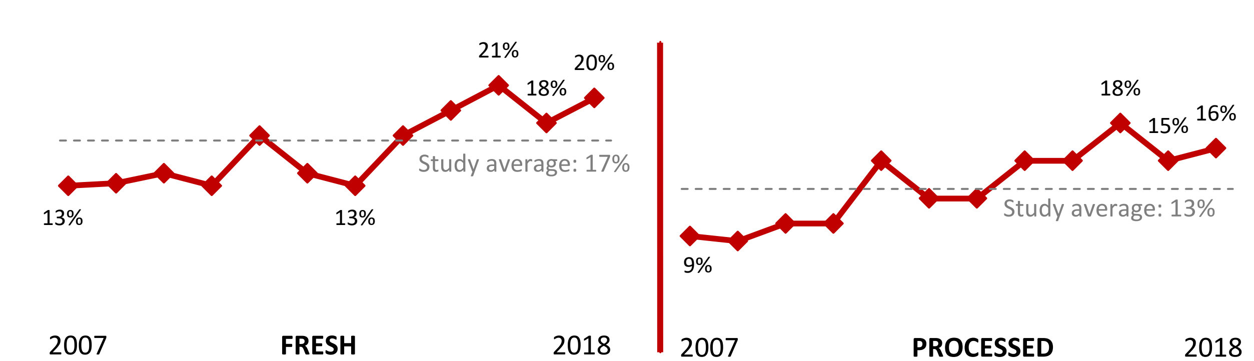
- Buy value-added meat often (59%)
- High-income shoppers (53%)
- Men (52%)
- High weekly spend (50%)
- Supercenter shoppers (50%)

Private Brand Preference

The preference for private brands is not as strong as manufacturer brands, at 20 percent for fresh and 16 percent for processed. Even so, long-term favorability is up for both types. Contrary to national brands, store brands play stronger in fresh than they do in processed. Few demographic differences exist in preference for private brands, with the exception of Millennials:

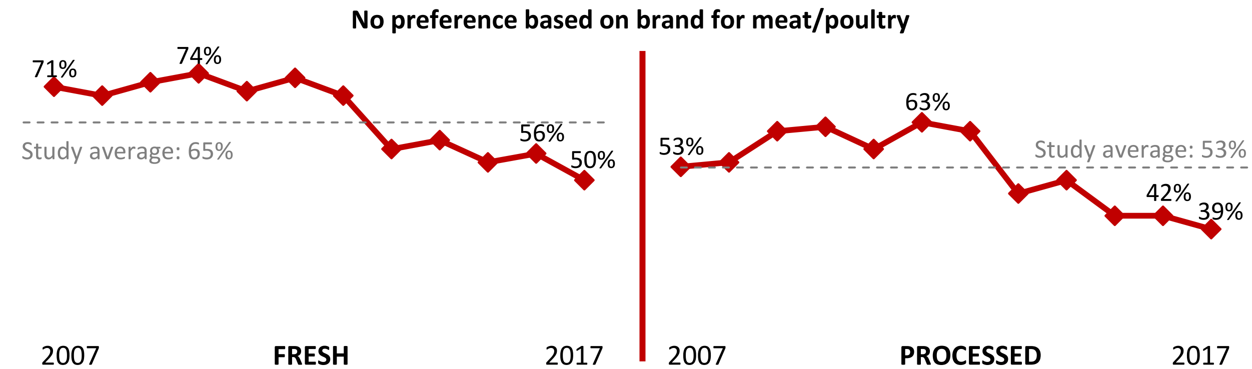
- 27% of Younger Millennials outright prefer private brands in fresh.
- 23% of Millennials prefer store brand in processed, for both younger and older Millennials.

Prefer private label/store brand meat and poultry



Brand Neutrality

Brand neutrality is at its lowest point in the 12-year survey history, both for fresh and processed meat. In processed meat, preference for national brands now exceeds brand neutrality by five percentage points after surpassing it for the first time last year.



Above-average brand neutrality

Greater brand neutrality in fresh (50%)

- Small town (66%) or rural (62%) shoppers
- Boomers (63%)
- 2-person households (61%)
- No kids (59%)
- Prepare meat frequently (58%)
- Midwest shoppers (57%)
- Low weekly trip frequency (57%)
- Women (56%)
- Lower-income shoppers (56%)
- Supermarket shoppers (56%)

Greater brand neutrality in processed (42%)

- Prepare meat often (49%)
- 2-person households (47%)
- Small town (46%) or rural (45%) shoppers
- Women (45%)
- No kids in household (45%)
- Boomers (44%)

Whereas in center store, manufacturer brands are struggling to connect with Millennials, in meat/poultry it is quite a different story. While 63 percent of Boomers are brand neutral when buying fresh meat, only 39 percent of Millennials are. This is likely an indicator of future strength for fresh meat and poultry brands. Several strong fresh meat brands focus on transparency and animal welfare — two platforms that resonate highly with Millennials. Larger and smaller manufacturer brands and private branded meat and poultry can enjoy mutual growth by not simply co-existing, but rather evolving and working together to serve the full spectrum of consumer needs and wants. It is a curated, balanced assortment, targeted at the store level, that offers customers the best overarching value.

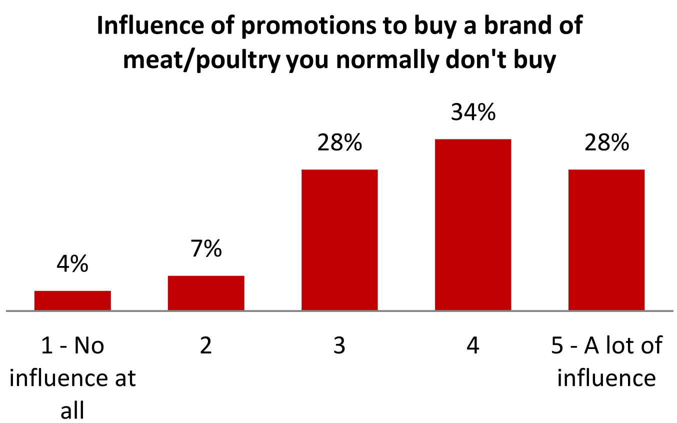
Familiarity Along with Quality and Value Perception Drive Brand Preference

The number-one reason for buying branded meat/poultry is gravitating toward familiar brands. Nearly half of consumers also believe branded meat and poultry is of better quality and 43 percent believe it provides greater value. The latter is a much stronger reason for Millennials, as is animal welfare and the belief that branded meat lasts longer after purchase. It is important to emphasize these are consumer perceptions.

Reasons for outright brand preference (manufacturer or store brand)	2018	Young Millennials	Older Millennials	Gen X	Boomers
I generally look for brands that I'm familiar with	63%	**59%**	64%	63%	64%
I think branded meat/poultry is of better quality	48%	51%	48%	48%	49%
I think branded meat/poultry provides better value	43%	**58%**	**51%**	38%	32%
I think branded meat/poultry is more consistent from purchase to purchase	36%	28%	32%	40%	**41%**
I'm more confident that branded meat is safe to eat	27%	27%	22%	29%	30%
I think branded meat lasts longer after purchase	20%	17%	**26%**	17%	19%
I like the animal welfare or other stances the company takes	9%	**15%**	12%	8%	6%

Promotions Can Drive Brand Trial

A new area of the survey probes into shopper willingness to buy a brand they don't normally purchase when being incentivized by promotions, such as dollar/cents-off or BOGOs. Given the importance of price on the meat purchasing decision, the influence of promotions is quite substantial. Sixty-two percent of shoppers say discounts would influence them to buy a different brand than normal. The greater the focus on price and promotions, the higher the reported influence on switching brands.



More likely to be influenced by promotions (% a lot of influence) (28%)

- Check promotions often (39%)
- High weekly trips (39%)
- Older Millennials (36%)
- Prefer branded meat (36%)
- Kids in household (35%)
- Lower-middle income (35%)
- Urban (35%)

Health and Wellness

Chapter Insights

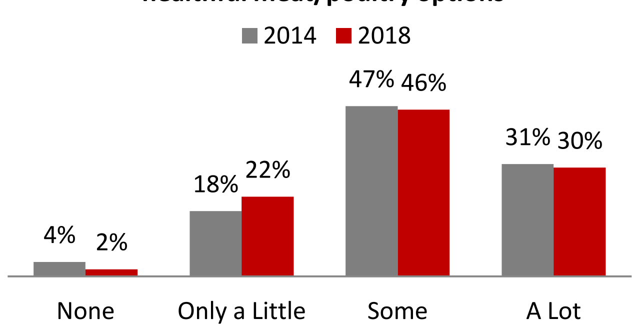
- The health and wellness trend represents a tremendous opportunity for the food retailing and meat industries.
- Specific to purchasing meat and poultry, 76 percent of shoppers put effort into making nutritious and healthful choices, of which 30 percent expend a lot of effort. These are important shoppers for retailers from a meat and total store perspective, with above-average weekly grocery spending and trips.
- Meat nutrition strategies predominantly focus on leaner cuts and moderation through limiting second helpings and eating smaller portions. However, shoppers opting for leaner cuts is down five percentage points, in line with a reduced focus on fat across the diet.
- A study series high of 79 percent of shoppers feel there is sufficient information for shoppers to make educated decisions on the nutrition and healthfulness of various meat and poultry cuts.
- Important nutrition-focused services are a variety of package sizes for portion control and dietary callouts/information prominently displayed on pack. More than half of shoppers would also like suggestions for more nutritious alternatives without sacrificing taste or paying more.
- The top three specific callouts shoppers like to see prominently highlighted on pack are protein, total fat and sodium. However, information preferences vary widely by age.

Health and Wellness Increasingly Becoming Part of Life

Health and wellness aspirations are top-of-mind for many Americans. With an abundance of resources available, consumers are using product information and labels on food packaging, nutrition, supplements and fitness to meet personal health goals, according to a consumer survey by Nielsen. Nielsen estimates that shoppers using food as medicine represent a total of 47.8 million households and $286 billion in annual dollars. These include health strategies related to diabetes ($154.1B in annual dollars), gluten ($26.1B) and lactose ($63.5B) intolerance, and weight management ($208.6B).

Specific to purchasing meat and poultry, 30 percent of shoppers put a lot of effort into making nutritious and healthful choices, with an additional 46 percent giving it some effort. The level of effort is largely unchanged from the 2014 survey results. Some population groups are significantly more likely to focus on healthful meat/poultry choices. These are important shoppers for retailers from a meat and total store perspective, with well above-average weekly spending and trips.

Level of effort in choosing nutritious and healthful meat/poultry options



A lot of effort on making healthful/nutritious meat/poultry choices (30%)

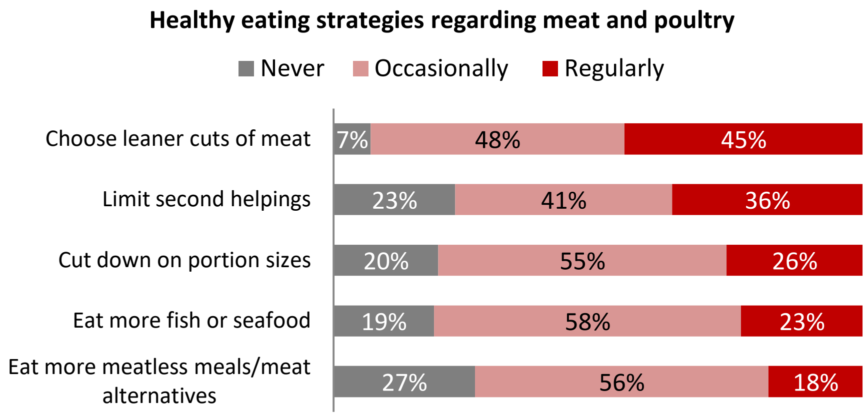
- Nutrition outweighs price per pound when deciding on meat (61%)
- High weekly trips (45%)
- Very knowledgeable about meat (41%)
- High-income shoppers (38%)
- Specialty/organic store shoppers (37%)
- High weekly spend (37%)
- Urban shoppers (36%)
- Large families (35%)
- Kids in household (35%)

Consumers Focus on Leaner Cuts and Moderating Consumption

While price often receives greater consideration than nutrition in the meat purchasing decision, shoppers do have nutrition strategies relative to meat and poultry in place. Top strategies in 2018 are choosing leaner cuts and moderation, with the latter focusing on limiting second helpings and cutting down on portion sizes. While leaner cuts are favored by high-income shoppers, moderation tactics are favored by lower-income shoppers.

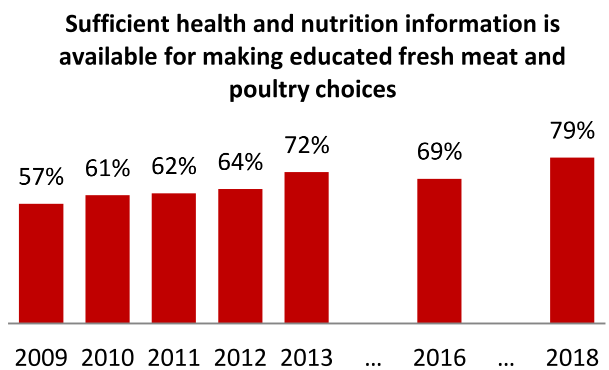
Fifty-nine percent of shoppers focused on leaner cuts rank nutrition first in the purchasing decision tree.

Choosing leaner cuts remains the most used healthy eating tactic, but it did drop 5 percentage points (regular usage) compared with the past two years. This is in line with a reduced focus on fat in the total diet.



Sufficient Information for Shoppers to Make Educated Decisions

A study high of 79 percent of shoppers feel there is sufficient information available to make educated decisions on the nutrition and healthfulness of various meat and poultry cuts. This is up from 69 percent in 2016 — the last time the *Power of Meat* tracked this question. The growing efforts by the meat industry to educate consumers likely affected these results. The industry is increasingly using package callouts, front-of-pack labeling and other on-pack information; in-store signage; nutritional guidance labeling programs, such as NuVal® and Guiding Stars®; and other online and offline information.



Being transparent and educating consumers about the importance of animal protein in the diet will be important to maintain meat and poultry's place as the center of the plate. The popularity of protein continues to soar, particularly among Millennials, and fat is making a comeback across categories as a moderated, yet desired ingredient in the diet. Both the North American Meat Institute (NAMI) and the five protein associations have a wide variety of resources available in this area. Please visit:

- www.meatpoultrynutrition.org (with search functionality for items fitting specific diets or preferences)
- MyMeatUp app
- www.beefnutrition.org
- www.porkandhealth.org
- www.nationalchickencouncil.org
- www.eatturkey.com

Retailers Can Help with Package Size Variety and Dietary Callouts

When shopping the meat department, 72 percent of shoppers want to see a variety of package sizes for portion control. This is the most popular health- and wellness-focused feature and is endorsed across generations, incomes and areas. A second important service is dietary callouts and information, such as calories, sodium and fat content. Millennials are more likely than older shoppers to like having a retail dietitian or nutrition expert available. Likewise, suggestions for more nutritious alternatives that do not sacrifice taste or do not cost more are more popular among younger shoppers. In prior editions of the *Power of Meat*, shoppers called out price and taste as the two main barriers to making more healthful choices when purchasing meat/poultry.

Retailer services focused on nutrition and health that are important	2018	Young Millennials	Older Millennials	Gen X	Boomers
Variety of package sizes for portion control	72%	74%	75%	72%	70%
Dietary callouts/information (calories, sodium, fat, etc.)	65%	68%	**71%**	62%	62%
Suggestions for more nutritious alternatives that don't cost more	59%	62%	**63%**	61%	52%
Suggestions for more nutritious alternatives that don't sacrifice taste	54%	**59%**	**61%**	55%	51%
Presence of retail dietitian or nutrition expert	36%	**46%**	**51%**	34%	20%

Shoppers Want to See Protein Content Highlighted Above All Else

Protein content leads the list of items consumers want to see prominently highlighted on pack. This is a change from prior years, when shoppers focused first and foremost on items they wished to avoid or limit. The popularity of protein is driven by Millennials. The total fat and sodium content close out the top three items shoppers want to see most. Among nutrition-focused shoppers, protein leads, but saturated fat makes an appearance in the top three, at 50 percent of these shoppers. They are more likely to want to see cholesterol and calorie information as well.

Items shoppers want to see prominently highlighted on meat/poultry packaging	2018	Nutrition-focused	Young Millennials	Older Millennials	Gen X	Boomers
Protein	54%	**64%**	**67%**	**58%**	55%	42%
Total fat	50%	54%	50%	43%	52%	53%
Sodium	45%	48%	39%	43%	43%	**52%**
Saturated fat	41%	**50%**	34%	29%	45%	**51%**
Cholesterol	40%	**48%**	30%	43%	40%	**50%**
Calories	39%	**46%**	38%	37%	37%	44%
Iron	26%	28%	29%	29%	27%	19%
None of these	12%	5%	5%	11%	12%	16%

Nielsen is predicting an increase in the number of consumers taking a more proactive interest in their own health and wellness as well as the number of retailers providing a path to food-integrated health and wellness. Examples of this are prioritization of healthy foods and better-for-you brands in center store, emphasizing fresh and perishable foods, and training associates/using dietitians to be more knowledgeable on healthy products. Shoppers' preferences for services and package information provide an important clue for merchandising and marketing messaging.

Convenience

Chapter Insights

- Convenience is increasingly driving consumer behavior in planning, shopping, meal preparation and consumption. Often priced at a premium, it is also driving dollar gains across the store.
- While fresh easily leads as the most frequently prepared type of meat, both household penetration and the consumption frequency for heat-and-eat and ready-to-eat meat/poultry are growing. Interest is much greater among younger shoppers.
- Several top packaging preferences focus on convenience, including leakproof, resealable and freezer-ready packaging. Cleanliness and extended shelf life at home also receive high shopper interest.
- Convenience-focused value-added meat and poultry continues to drive growth for the meat department through an increase in household penetration combined with higher consumption frequencies. Usage is higher among younger shoppers with one to two children, living in urban areas.
- Among current buyers, retailers may improve buying frequency through better prices, a greater assortment and information about *when* and *where* the meat was prepared along with insight into the quality/ grade used. Among non-buyers, better price is, by far, the biggest incentive for trial/purchase.
- Across-population interest in meal stations with all items for dinner is somewhat soft, at 45 percent. However, meal stations are of high interest to shoppers who frequently purchase value-added meat.
- Interest in an expanded assortment of fully-cooked meat stands at 42 percent, with an elevated interest among convenience-focused consumers.

The Convenience Trend

The quest for convenience is making inroads in many areas of food retailing. Pre-trip, shoppers use online or app-based list making and meal planning services. In-store, increased focus is on deli prepared, fixed weight produce/meat, value-added as well as heat-and-eat meat and produce, meal-based merchandising and meal kits — not to mention the growing availability of e-commerce with home delivery or pick-up. At home, food convenience continues with microwave- or oven-ready packaging and many heat-and-eat and ready-to-eat solutions. Shoppers' quest for convenience is driving dollars across the store, including the meat department.

Fresh Leads but Shoppers Increasingly Focus on Convenience

Nine in 10 shoppers prepare fresh meat at least once a week and 68 percent do so at least three times a week. That makes fresh meat, by far, the most popular meat type. About half of the population eat heat-and-eat or ready-to-eat meat at least once a week. For consuming these convenience-focused items at least three times a week, household penetration drops significantly, at 21 percent and 16 percent, respectively.

At least once a week
Fresh: 92%
Heat-and-eat: 52%
Ready-to-eat: 50%

Meat options served for home-prepared dinners	1 day/wk	2 days/wk	3 days/wk	4-5 days/wk	6-7 days/wk	<once per wk	Never
Fresh	10%	14%	22%	29%	17%	7%	2%
Heat-and-eat	16%	15%	11%	6%	4%	36%	13%
Ready-to-eat	22%	12%	8%	5%	3%	40%	10%

The use of convenience-focused meats is growing. Both heat-and-eat and ready-to-eat are seeing increased household penetration along with an increased consumption frequency, which is very evident when reviewing the nine-year trend line. Additionally, in comparing the difference in Boomers' usage of convenience-focused meats versus that of Millennials, continued growth in popularity is highly likely, as the younger generations will continue to ramp up their spending in years to come.

Meat type	**Consume, regardless of how often**					**Consume 3x or more/week — 2018**		
	2010	**2012**	**2014**	**2016**	**2018**	**Young millennials**	**Older millennials**	**Boomers**
Heat-and-eat meat	60%	66%	71%	73%	87%	27%	36%	8%
Ready-to-eat meat	68%	69%	80%	82%	90%	18%	29%	5%

Importantly, the use of convenience meats does not cause declines in the usage of fresh meat. Household penetration and consumption frequencies for fresh meat are high and stable. As such, the three types appear to be complementary rather than competitive protein offerings, as they serve different need states. Significant demographic differences continue to exist — pointing to a continued need to match assortment in each of the three types to the store's unique shopper audience.

More likely to eat fresh, heat-and-eat or ready-to-eat

Fresh (3+ days/week – 68%)
- Rural-area shoppers (78%)
- Large households (76%)
- Women (72%)

Heat-and-eat (3+ days/week – 18%)
- Older Millennials (36%)
- Men (30%)
- Urban shoppers (28%)
- High income (28%)
- Young Millennials (27%)

Ready-to-eat (3+ days/wk – 16%)
- Urban shoppers (32%)
- Older Millennials (29%)
- Kids in household (28%)
- High income (24%)
- Men (24%)

Sales trends back these findings. Over the past year, Nielsen found a 1.7 percent increase in dollars for fully-cooked meat in a $3.6 billion market. Volume sales were up by 3.2 percent. Chicken and turkey had a strong year, whereas fully-cooked beef declined in dollars and tonnage.

Fully-cooked	**Total dollars**	**$ % Change**	**Vol % Change**
Fully-cooked total	**$3.6B**	**+1.7%**	**+3.2%**
Fully-cooked chicken	$1.7B	+1.3%	+3.3%
Fully-cooked other meat	$701.2M	+4.4%	+2.8%
Fully-cooked vegetables/ stuffing	$349.5M	+4.9%	+4.6%
Fully-cooked pork	$346.4M	-2.0%	+1.6%
Fully-cooked beef	$245.7M	-4.9%	-1.2%
Fully-cooked turkey	$110.9M	+17.2%	+14.0%
Fully-cooked stir fry/ fajita strips	$95.6M	-5.4%	-6.2%
Fully-cooked lamb	$2.0M	-16.8%	-25.9%

Source: Nielsen, FCA, 52 weeks ending 11/25/2017

Cleanliness, Shelf-Life and Convenience Are Important Packaging Drivers

Convenience plays an important role in shoppers' meat packaging considerations as well. Packaging innovation remains a shopper hot button — generating many suggestions for improvement each year, ranging from pack size and functionality to environmentally-friendly options.

Shoppers look to their meat department for packaging innovation focused on cleanliness, shelf-life and convenience. As seen in prior years, leakproof draws the highest interest among shoppers, with 68 percent of shoppers wanting their store to use this packaging type for more items. Leakage prevention continues to be a widely offered suggestion among respondents, particularly as it relates to poultry. Packaging that focuses on improved shelf-life is another innovation for which a majority of shoppers would like to see greater retailer uptake. Convenience is a third important theme, with leakproof, resealable or freezer-ready, options.

Packaging types shoppers want their meat department to use/use more of

Environmentally-friendly draws significantly greater interest among Millennials compared to other generations, whereas leakproof, freezer-ready and shelf-life play well with Boomers.

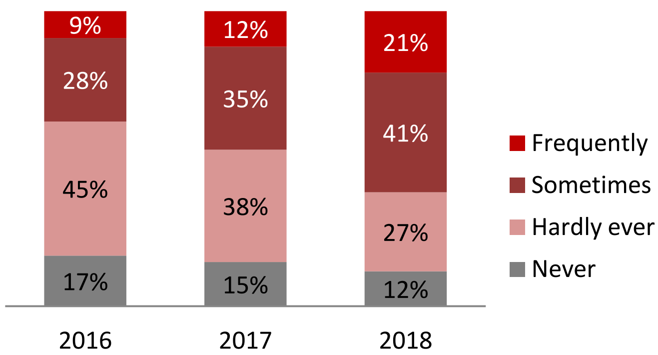
Packaging types shoppers want their meat store to carry/carry more	2018	Supermarket meat shoppers	Supercenter meat shoppers	Millennials	Gen X	Boomers
Leakproof	68%	73%	60%	61%	72%	**74%**
Keeps meat/poultry fresh, longer	55%	57%	52%	48%	57%	**62%**
Resealable	51%	50%	54%	**56%**	51%	45%
Freezer-ready	47%	49%	45%	42%	46%	**56%**
Environmentally-friendly	44%	42%	48%	**50%**	42%	37%
Pre-portioned in meal-size quantities	23%	24%	19%	18%	26%	24%

The interest in packaging innovation is clear, but the real question is whether shoppers are aware of packaging benefits when making their selections in the meat case. In addition to functional advantages for retailers, sales may be influenced by educating shoppers on the benefits of various packaging as true selling points. For example, while avoiding leakage with leak-proof packaging may be evident to most shoppers, these vacuum-sealed packages have many other advantages such as freezer-readiness, avoiding freezer burn, and extended home refrigerator storage that could be touted along with cleanliness.

Value-Added Meat and Poultry Poised for Growth

The survey defined value-added meat as items that are pre-marinated, pre-cut or pre-seasoned, such as kabobs, meatloaf, meatballs or pre-marinated chicken wings. Tagged as a successful area of growth by retailers, value-added meat is indeed an increasingly popular choice among consumers. Growth is driven by a higher consumption frequency as well as an increase in household penetration. Up from 9 percent in 2016, 21 percent of shoppers indicate they frequently purchase value-added meat and poultry.

Frequency of purchasing value-added meat/poultry



Frequent usage of value-added meat (21%)

- High weekly trips (35%)
- High weekly spend (34%)
- Buy groceries online already (34%)
- Urban (33%)
- Kids in household (31%)
- Nutrition-focused (31%)
- Households of 3-4 (29%)
- High-income (28%)
- Millennials (28%), particularly older Millennials (34%)
- Men (27%)

Younger shoppers are an important market for value-added, but to date, Millennial spend per buyer on meat lags behind that of their older counterparts. It is important that the price differential is in line with the perceived convenience benefits of value-added. Additionally, continuous flavor innovation is important to stay ahead of food fatigue and on trend with popular cuisines. Given the enormous influence of children on purchase frequency, kid-friendly options may also help drive sales.

Better Prices, Greater Variety and Transparency Could Drive Sales

The survey probed into factors that would prompt shoppers to purchase more value-added meat and poultry. The answers were very different among current users versus shoppers who shy away from value-added. Only better prices is common ground as the number one answer for both groups, and is rated particularly highly among lower-income households and Millennials.

Among current users, greater assortment and information about when and where it was prepared as well as the quality and freshness of ingredients will prompt significant numbers of shoppers to purchase more. Despite buying value-added meat frequently, these shoppers still look for transparency about the products' quality and freshness — meaning the industry should continue to address the somewhat doubtful consumer perception seen in prior editions of the study. Among shoppers who never or hardly ever purchase value-added meat today, better prices dominates all other factors. Combined, more information about the when, where, freshness and quality may prompt some of these shoppers to give value-added meat a try. However, 44 percent of non-buyers report they are unlikely to buy more regardless of price points or information provided.

Factors prompting shoppers to purchase more value-added meat/poultry

Never/hardly ever buy value-added now		Frequently buy value-added now
53%	Better prices	64%
25%	Greater assortment of meat/poultry	50%
24%	Insight into *when* it was prepared	39%
28%	Insight into the quality of the meat/poultry used	38%
19%	Insight into *where* it was prepared	36%
25%	Insight into the freshness of the meat/poultry used	35%
19%	Greater variety of flavors	31%
44%	Unlikely I would buy more regardless	1%

Other reasons that may prompt greater uptake, according to shoppers, are as follows.

- A more detailed list of all ingredients.
- Better advertising about it in the circular.
- Lower sodium content.
- Insight into the nutritional content. One shopper wrote the following on this topic. "For instance, on the meatballs, what kind of ground beef was used? 80/20? 85/15?"
- Sampling to know what it tastes like.

Value-added meat continues to be an offering that is loved by some and avoided by others. As such, value-added assortment decisions are best taken at the store-level, based on each store's unique audience. Additionally, retailers and packers can actively address consumer doubts about the quality and freshness of the meat. Education in the form of on-pack information, in-person education and in-store signage can address the quality grade and provenance more clearly, as well as explain how the meat was handled and by whom. References to safe quality standards may prompt greater shopper confidence in buying these items.

Value-Added Grew Dollars and Pounds in 2017

Value-added sales easily exceeded the total category performance. Overall, volume did well (+3.8 percent) with robust contributions by chicken and turkey. Dollars were up +1.6 percent, with prices up 0.8 percent.

Value-added meat	Dollar sales	$ % change	Volume Sales (lbs)	Vol % change	Avg price/ pound
Total	**$4.4B**	**+1.6%**	**1.1B**	**+3.8%**	**+0.8%**
Beef	$2.2B	-0.4%	447M	-0.6%	+0.3%
Chicken	$920M	+6.2%	254M	+4.4%	+1.7%
Pork	$918M	+1.8%	260M	+0.1%	+1.7%
Turkey	$311M	+1.3%	93M	+3.3%	-1.9%

Source: IRI, MULO, 52 Weeks ending 12/31/2017

Shoppers called out the price differential as the most common reason for not purchasing more value-added meat and poultry. The difference in the average price per pound for the total segment versus value-added can indeed be quite substantial — though it is important to keep in mind this involves a different lineup of cuts/SKUs and is not a straight comparison.

Price differential of value-added meat versus total meat	Average price/pound total	Average price/pound value added	Difference
Total	**$3.21**	**$4.15**	**29.3%**
Beef	$4.74	$5.03	6.1%
Chicken	$2.35	$3.61	53.6%
Pork	$2.66	$3.53	32.7%
Turkey	$2.03	$3.32	63.5%

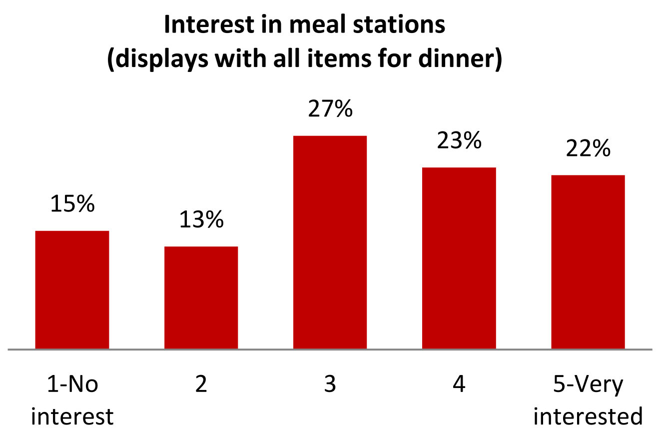
Source: IRI, MULO, 52 Weeks ending 12/31/2017

Value-added meat and poultry addresses several trends that are driving growth in perimeter and center-store categories, including fun and different flavor profiles, the growing popularity of international cuisines such as pre-marinated fajita meat and the overarching importance of convenience. Yet, value-added meat has not seen the kind of gains that value-added produce has locked in. While cost differentials are similar, the levels of doubt over quality and freshness are somewhat unique to the meat category. Value-added can be a real win in stores with shoppers emphasizing convenience, but still has some barriers to overcome in others.

Meal Stations of High Interest to Value-Added Consumer

Shopping convenience can also come in the form of cross-merchandising items to create one display with all items for dinner. The example provided in the survey was meat, pasta, sauce and bagged salad. Forty-five percent of shoppers are interested in their store offering such stations, of whom 22 percent are very interested.

While across the entire population interest is somewhat soft, meal stations are of high interest to 61 percent of shoppers who frequently purchase value-added meat. Others with elevated interest are convenience-focused and time-focused shoppers who often de-emphasize price in their meat purchasing decision.



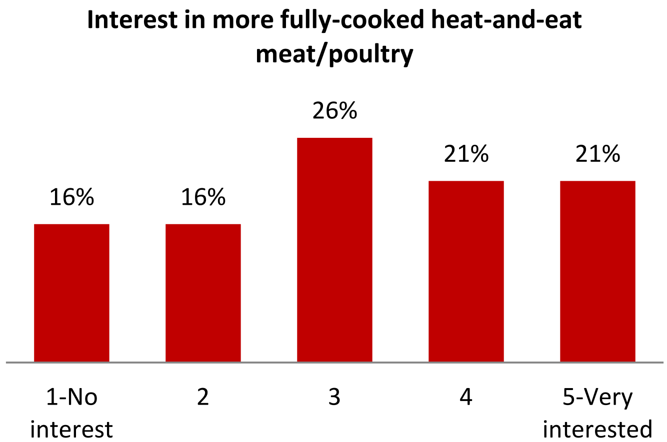
Very interested in meal stations (22%)

- Frequently buy value-added (61%)
- High-income (37%)
- Urban (37%) vs. just 12% of rural shoppers
- High weekly spend (36%)
- High weekly trips (36%)
- Supercenter shoppers (34%)
- Kids in household (33%)
- Nutrition-focused (32%)
- Households of 3-4 people (31%)
- Millennials (29%), particularly older Millennials (33%)
- Men (26%)

Meal stations can be a way to drive a bigger total store basket as well as provide solutions for shoppers. Some retailers use meal stations in combination with meal BOGOs — offering free items upon the purchase of meat/poultry — as a way to prompt item or brand trial at a low risk. With the high interest among nutrition-focused shoppers, meal stations with better-for-you alternatives may be another way to drive trial.

Expanded Assortment of Fully-Cooked Meat Draws Moderate Interest

Fully-cooked meat has been an area of growth in recent years, both in dollars and volume. The survey probed into shopper interest in an expanded selection of these heat-and-eat items. Forty-two percent of shoppers are interested, of whom 21 percent are very interested. The population groups with elevated levels of interest are very similar to those interested in value-added meat and meal stations.



Very interested in more fully-cooked meat (21%)

- Frequently buy value-added (54%)
- High weekly spend (35%)
- Nutrition-focused shoppers (33%)
- Urban shoppers (33%)
- Supercenters (33%)
- High weekly trips (32%)
- High-income shoppers (31%)
- Kids in household (30%)
- Millennials (28%), particularly older Millennials (33%)
- Households of 3-4 people (27%)
- Men (27%)

Transparency

Chapter Insights

- Consumers increasingly want information about companies' social, economic, animal welfare and environmental practices. Transparency is driving sales across the store and in the meat department.
- While conventional meat sales and tonnage were flat over 2017, special production/raising claims saw dollar gains of 4.8 percent and volume growth of 5.1 percent, according to Nielsen.
- Natural is both the largest of the special production claim segments and the one consumers are most likely to have seen on meat/poultry packages. Organic, grass-fed, hormone-free and antibiotic-free claims on meat/poultry packages also enjoy significant awareness.
- Two-thirds of shoppers familiar with these production attributes say they are more likely to purchase items featuring humanely-raised, hormone-free and antibiotic-free claims versus their conventional counterparts. While enjoying high awareness, organic is the least likely to drive a purchase preference.
- Production attributes have a much greater impact on Millennials' likelihood to purchase than Boomers.
- Shoppers show the highest interest in an expanded assortment of items raised in the USA, antibiotic-free, all natural and hormone-free/no added hormones.

Transparency

Transparency is a big, complex issue. It is the one word that captures the growing consumer desire for making better, or at least well-educated, purchase decisions. They want to know "what's inside" before they buy. What they want to know extends well beyond product and packaging characteristics. According to The Hartman Group's *Sustainability 2017* report, 69 percent of consumers want more information about a company's social, economic, animal welfare and environmental practices.

Special Attributes Delivered Growth in 2017

Shoppers' desire to know more about meat and poultry raising/production practices and product ingredients is driving growth for fresh meat. While conventional fresh dollars and tonnage are holding steady, special production attributes drove 4.8 percent gains in dollars and 5.1 percent gains in volume, according to Nielsen (note: different definition of the category than IRI on page 10). The highest growth is seen for antibiotic-free, organic and grass-fed meat. While their growth rates are impressive, the size of these segments, in absolute dollars, should be kept in mind.

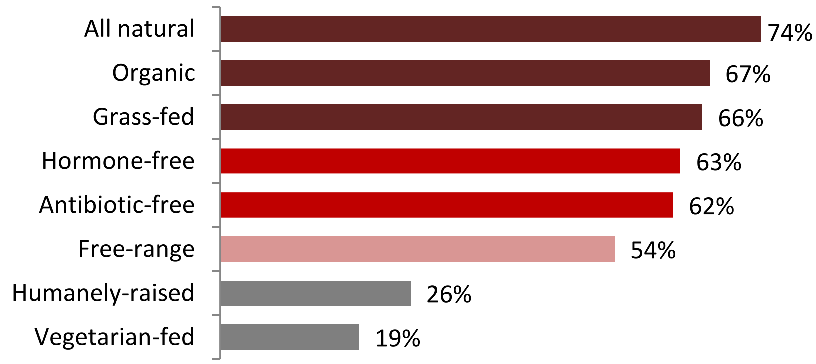
Fresh meat only (retail)	Dollar size	Dollar growth	Volume growth
Total fresh meat	**$34.2B**	**+0.3%**	**+0.3%**
Conventional	$32.0B	-0.1%	+0.1%
Natural	$2.0B	+2.7%	+3.9%
Antibiotic-free	$1.0B	+9.9%	+8.5%
Vegetarian fed	$682.0M	-0.4%	+0.0%
Organic	$524.0M	+10.0%	+12.4%
Grass-fed	$337.5M	+6.3%	+11.1%
Free-range/vegetarian-fed	$190.6M	+4.9%	+1.4%

Source: Nielsen, FCA, 52 Weeks Ending 11/25/2017

All Natural Is the Largest Segment with the Highest Awareness

All natural draws the highest awareness among shoppers who have seen production claims on packages of fresh meat/poultry, at 74 percent. On the other hand, humanely-raised and vegetarian-fed are claims that have gone unnoticed to the majority of shoppers. Across claims, awareness is slightly above average for supermarket shoppers and well below average for supercenter shoppers. The specialty/organic channel (small sample size) has the highest production/raising claim awareness.

Claims shoppers have seen on meat/poultry packages



	Supermarket shoppers	Supercenter shoppers
All natural	77%	73%
Organic	70%	59%
Grass-fed	71%	49%
Hormone-free	67%	53%
Antibiotic-free	67%	51%
Free-range	58%	41%
Humanely-raised	28%	24%
Vegetarian-fed	20%	17%

Natural is the largest segment with the highest awareness. Dollar sales for natural meat/poultry are nearly four times that of the organic segment, with sizeable sales across all proteins. Organic has the second-highest awareness, despite being a small segment. It is likely that awareness is affected by organic availability in other store categories as well as the USDA organic seal. Organic recorded the highest growth of all special attributes, particularly in beef, chicken and turkey. Another claim with a much higher awareness than may have been expected given the size of the segment is grass-fed — another fast growing attribute. Vegetarian-fed is a sizeable segment with low awareness.

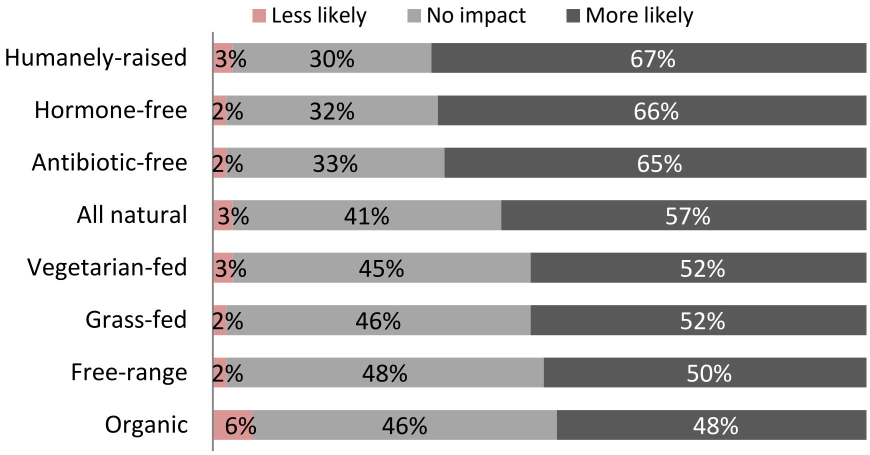
	Conventional			Natural			Organic		
	$	$ % change	Vol % change	$	$ % change	Vol % change	$	$ % change	Vol % change
Fresh meat	**$34.2B**	**+0.3%**	**+0.3%**	**$2.0B**	**+2.7%**	**+3.9%**	**$524.0M**	**+10.0%**	**+12.4%**
Beef	$17.0B	+0.4%	+1.6%	$712.5M	+0.8%	+3.0%	$167.6M	+12.1%	+17.5%
Chicken	$8.2B	+1.8%	-0.7%	$834.6M	+5.5%	+6.4%	$316.2M	+8.8%	+10.8%
Pork	$4.2B	-4.1%	-2.9%	$169.4M	+3.2%	+0.3%	$5.8M	+3.5%	+8.8%
Turkey	$1.7B	-2.0%	+2.7%	$174.7M	+4.4%	+4.8%	$28.9M	+15.2%	+11.9%
Lamb	$0.2B	+0.3%	-2.4%	$35.3M	-11.3%	-11.9%	$5.4M	-2.4%	-0.6%

Source: Nielsen, FCA, 52 weeks ending 11/25/2017

Awareness Often Prompts a Greater Likelihood of Purchase

Humanely-raised meat/poultry has significant power to persuade consumers to purchase it versus a conventional meat or poultry item, among those who have seen the claim on-pack. Two-thirds of shoppers who have seen humanely-raised labels or language on packages of meat before (26 percent) say they are more likely to purchase that item. This likelihood is similar for hormone-free and antibiotic-free, but both these claims have been noticed by much greater numbers of shoppers.

Impact of claims on likelihood to purchase meat/poultry item over a conventional item (among who have noticed claim)



	Sample size	More likely: Supermarket shoppers	More likely: Supercenter shoppers
Humanely-raised	398	68%	63%
Hormone-free	950	64%	70%
Antibiotic-free	937	63%	72%
All natural	1,116	54%	61%
Vegetarian-fed	290	51%	54%
Grass-fed	984	49%	54%
Free-range	805	49%	56%
Organic	1,003	44%	56%

Claim awareness is the first step in potentially justifying a price differential and building a point of differentiation for the retailer or brand. For each claim, the share of shoppers who would be more likely to buy it when they see it is higher than the share who say the claim has no impact on their likelihood to purchase. The gaps are particularly significant for humanely-raised, hormone-free, antibiotic-free and all natural.

Millennials: While Fewer Have Seen the Claims, More Would Be Willing to Buy

Regarding awareness and the likelihood to purchase for Millennials versus Boomers, the same pattern emerges for all claims, with the exception of vegetarian-fed. Millennials are less likely to have seen the various production claims than Boomers, but are significantly more likely to say claims increase their likelihood to purchase. However, no price differentials were pointed out in the survey.

Claim	Seen on pack		More likely to purchase	
	Millennials	Boomers	Millennials	Boomers
All natural	72%	74%	62%	47%
Organic	64%	71%	60%	36%
Grass-fed	57%	77%	58%	44%
Hormone-free	57%	69%	67%	60%
Antibiotic-free	58%	69%	66%	61%
Free-range	48%	64%	55%	44%
Humanely-raised	25%	32%	71%	64%
Vegetarian-fed	19%	18%	57%	47%

To date, sales of organic and other production meat have been primarily driven by younger shoppers. It appears that improved visibility and availability could lead to further sales growth among Millennials, particularly when hand-in-hand with shopper education. According to Nielsen consumer research, having seen claims is one thing, but correctly identifying what they mean is another. In particular, antibiotic-free and free-range are largely misunderstood claims.

Raised in the USA and ABF Most Requested for Expanded Assortment

Across all shoppers, regardless of claim awareness, 42 percent would like to see more meat/poultry raised in the USA and 40 percent want their meat department to carry more antibiotic-free. All natural and hormone-free/no added hormones are a close third and fourth.

Attributes shoppers want their meat department to carry or carry more of

Attribute	All shoppers	Supermarket shoppers	Supercenter shoppers
Raised in the USA	42%	43%	40%
Antibiotic-free	40%	40%	36%
All natural	39%	35%	45%
Hormone-free/no added hormones	38%	39%	33%
Grass-fed	33%	35%	27%
Non-GMO	32%	33%	27%
Raised locally	32%	33%	26%
Organic	29%	26%	33%
Humanely-raised	28%	28%	27%
Vegetarian-fed	15%	13%	17%

The study shows significant differences across population groups regarding interest levels across the various claims. Most claims related to *how* the animal was raised are favored by younger shoppers. Claims related to *where* the animal was raised, particularly raised in the USA, are favored by Boomers.

Above average interest by claim

Raised in the USA (42%)
- Boomers (51%) versus 36% of Millennials
- Small town and rural (50% each)
- Low income (49%)

Antibiotic-free (40%)
- Nutrition-focused shoppers (47%)
- High weekly spending (47%)
- Women (45%)
- Shoppers in the South (45%)
- Limited assortment (45%)

All natural (39%)
- Urban (51%)
- Frequently buy value-added (51%)
- Nutrition-focused (50%)
- Young Millennials (45%) vs. just 31% of Boomers
- High trip frequency (45%)

Improving the Meat Department

Chapter Insights

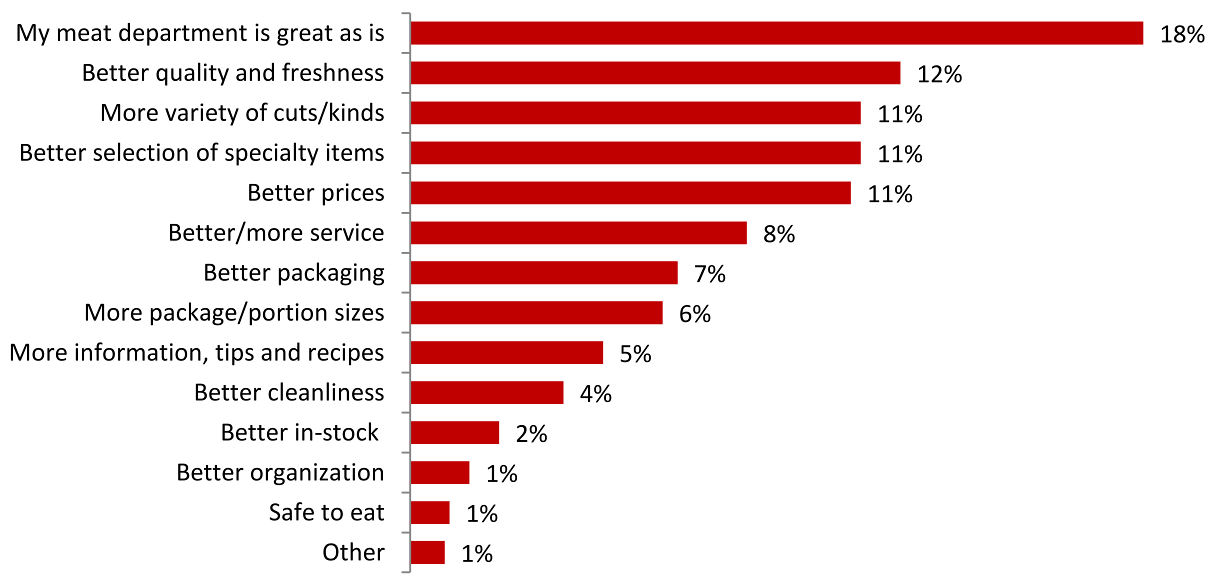
- Suggestions for improvement cover many different areas. Common suggestions center on quality, variety, a better selection of special attributes and better prices.
- Elements of service (including better availability of friendly and knowledgeable associates, package size variety and meat service counters) and operational excellence (packaging, in-stock performance and cleanliness) are areas within retailers' control for improvement.

Making Shopping Better and Easier

With loyalty and basket size strongly related to satisfaction, shoppers provided insight into how their meat departments can make their shopping experience better. More than 800 respondents (56 percent) provided input. Beyond high marks for a job well done by their current meat department, four big areas of improvement emerged:

- Quality and freshness.
- Variety, including specialty item assortment (production attributes and value-added).
- Pricing and promotions, including that of specialty items.
- Operational excellence.

Shopper recommended improvements for their meat department



Unedited shopper quotes for each response category can be found below.

Better quality and freshness

Shopper comments focus on clarity of grade, freshness and quality used to fairly judge value for money.

- If it is old or outdated, do not add food coloring dye to make it look fresh. Just throw it out.
- Better grades of meat. Better overall quality of product.
- Make sure the expensive cuts are really good so I don't splurge on a steak and it's tough.
- Freshness of the mea t is more important than anything.

More variety of cuts and kinds of meat/poultry

Every year, variety, selection and assortment are another big area of respondents' suggestions. This includes a solid variety of meat and poultry basics in terms of cuts and kinds but also a wider selection of more exotic meat or variety pack bundles.

- I'd like to see variety packs, packs with burger steaks and other cuts bundled together.
- More variety in the thickness of the cuts in pork and beef.
- Stock American lamb and more meat variety.
- Increase availability of more atypical meats (venison, elk, rabbit, other game meats).
- I wish they'd offer more cuts of ground beef. They only carry 80/20 in the butcher case.

Better selection of specialty items

As seen in the Transparency chapter, special attributes are getting noticed and are driving sales.

- More selection in organic. Chicken is easy to find but everything else I have to drive to a different store in the next town over.
- That it's raised, processed, and packaged in the USA and as locally as possible.
- To please stock at least one organic, humanely raised and free range option for each type of meat.

Better prices

Price-per-pound dominates the meat decision, but clearly displayed prices and promotional variety are important as well.

- Better prices, though we started buying the store label and it's great.
- Have better price tags, more visible/bigger fonts.
- More variety in the types of meat they have specials on. Most common types of meat on sale tend to be chicken, and a large part of my meat-purchasing decisions is influenced by what is on sale that week.

Improved customer service

Available, friendly and knowledgeable associates are a common theme among suggestions for improvement.

- Have more meat cutters available, if there is just one or two, they can't offer the kind of customer service that is needed in a good meat department. A good meat department is a 'service-driven' department and is able to 'customize' packaged products for their customers.
- An actual butcher in store.
- Be able to answer questions. Have employees on the floor, so we don't have to look for them.
- Be more available. I have to chase these guys around to get a question answered!
- Advanced ordering, packaged as specified with suggestion preparation ideas to pick up at the meat counter or have it delivered to my home.
- Hire more people with pleasant personalities, who, at least, seem to enjoy their work.
- Have people in the evening when I shop.
- More associates available to help for shorter wait times.

Better packaging

Packaging continues to be a consumer hot button, with ample calls to prevent leakage, repackaging, freezer burn, or provide convenience such as oven-ready packaging.

- Better packaging so it doesn't leak over my groceries. I can't stand it when chicken leaks all over my food.
- The packaging can get kind of disgusting. They really need to package it better in order for me to get it home in good condition.
- Have items in containers that can go in the oven or microwave. No dishes!
- How nice it would be to have a service that would package the meat so it is ready to freeze in the size or lbs you want.
- Wish all meat was in the see-through packages versus where you can barely see the product and all sorts of fat and gristle is tucked underneath. It's too expensive for those shenanigans.

More package/portion sizes

As seen in prior years, most portion related comments ask for smaller packages to accommodate smaller households.

- I would like to see more smaller portions because it's just me and my husband and we don't like to store a lot of food in our freezer.
- More small selections for seniors like small briskets, etc.
- Smaller packages for single people with same prices as family packs. Those on tight budgets don’t want to eat the same thing every day to get the lower price.

More information, tips and recipes

Beyond transparency about *where* and *how* the animal was raised, shoppers seek information about meat preparation, recipes and shelf life.

- Better explanation between the different cuts and types of meat. A simple chart with cooking tips would go a long way. It would entice me to branch out more.
- Better information on real meaning of the label terms. For instance, explanations of what grass fed and all that is. Don't cows eat grass period?
- Have recipe cards on the counter for their weekly specials.
- How long was the meat/poultry frozen for?
- I would like some more information about the healthiness of the products that I am purchasing.
- List more information on the package as if it is grain feed and the fat amount on the meats.
- Show when the animal was slaughtered, when the meat was packaged and how long it can be in the fridge and freezer.

Better cleanliness

Cleanliness is less of an area of comment than in prior years, with most retailers having put wipes and bags in place.

- Bags and wipes.
- Keep it very clean, the packages, the fridges and the people. No bloody aprons.

Better in-stock

Out-of-stocks can cost retailers dearly, with great negative impact on trip satisfaction and spending. Shoppers comment on being in-stock, and the need for package variety, particularly on sales items.

- Have more meat, some days you go in and they are out of everything you need.
- Make sure the cases are loaded. I can't stand having to change plans after finding out the store is out of something.
- Purchase more sale items that they know will absolutely sell. I am so tired of going to the store multiple times for Meat Sales that they are out of continuously and I end up having to get a rain check.

Better organization

A few comments relate to a different meat case layout for better shopability.

- They need to improve the way the meat is placed on the counters..... It's too cluttered and messy.
- The presentation and order is very important. Put all organic together, all antibiotic-free, etc. Just like in the produce department.
- It should always be in the same place, especially the various cuts of beef. They keep moving them around on me.

Market Overviews

Chicken Industry Overview
By the National Chicken Council

U.S. consumers report their chicken consumption remains high, although 2017 levels moderated and returned to those seen a couple of years ago, according to 2017 research by the National Chicken Council.*

Recalling behavior during the two weeks leading up to the survey, 84 percent of consumers said they ate a chicken meal or snack purchased from a supermarket and 67 percent ate a chicken meal or snack from a food service establishment. Both supermarket and food service establishment consumption numbers decreased, 3.4 percent and 6.9 percent, respectively, and are now at parity with those seen in 2015.

The U.S. Department of Agriculture projects Americans will eat close to 92 pounds of chicken per person this year, breaking last year's record of 91 pounds. Although consumers' self-reported consumption is down slightly in the survey, the data show that chicken is still top of mind for consumers.

Consumers' taste for chicken shows no signs of waning. In the next 12 months, 21 percent of consumers anticipate eating more chicken from the supermarket and 13 percent anticipate eating more from a food service establishment. Consumers with the highest consumption levels tend to skew younger and be more ethnically diverse and live in larger households.

As part of the survey, consumers were asked to rank various factors on satisfaction and in order of importance. Regardless of purchase channel, the importance of freshness, taste and price rise to the top. Consumers are satisfied with freshness and taste, however satisfaction with price at supermarkets is somewhat lower.

When prompted, 69 percent of consumers were extremely or very concerned about food safety, and 57 percent about hormone / steroid use (even though it is illegal in broiler production), and 55 percent about antibiotic use.

When it comes to reasons that consumers purchase chicken over other types of meat, its healthiness, versatility and convenience top the list.

*The survey was commissioned by the National Chicken Council and conducted online by ORC International June 5 – 8, 2017, among 1,013 adults. Funding was provided by Elanco and WATT Global Media. A full copy is available by contacting Tom Super: tsuper@chickenusa.org.

Turkey Industry Overview
By the National Turkey Federation

Popular appeal for turkey's tasty lean protein has discovered one of its latest flavor innovations, BBQ turkey, growing 21 percent on restaurant menus over the past four years. Turkey's trend was proven this past year in live-fire competition at the nation's prime event for barbeque restaurants. From across the country at the American Royal World Series of Barbeque® 150 pitmasters competed in the 2017 Turkey Smoke when the Kansas City Barbeque Society sanctioned turkey as the first meat to be added in its 38-year history.

In addition to barbeque, consumers value the versatility of turkey's juicy dark meat from thighs and drumsticks for turkey meatballs and turkey burgers. They also find enjoyment in the flavor options of turkey tenderloin and turkey breast seasoned or marinated with spicy and sweet sauces.

Lunchtime's popularity for sliced turkey sandwich remains among the top meat protein choices at the deli. Turkey retains its lean protein value well as for grilling, and in soups, sauces, salads and wraps. Turkey is also an unexpected choice to power-up at snack time: rolling a slice of turkey around carrot, celery, or zucchini to dip in salsa; turkey chunks mixed with apple slices and almonds; or sliced turkey wrapped around a pretzel stick dipped in honey mustard.

A lean protein powerhouse, turkey is low in fat, high in protein and rich in B vitamins and minerals to energize your body. Turkey provides essential nutrients to promote healthy metabolism by helping our bodies convert food into energy. Three-ounce cooked, skinless turkey ground meat that's 93 percent lean will fuel the body with 22 grams of protein at 180 calories and just three grams of saturated fat.

High-protein poultry and meat take more work to digest, metabolize, and use – burning more calories as the body turns food into fuel. High protein foods also take longer to leave the stomach and satisfy the appetite to curb overeating. Complete proteins of meat and poultry contain all nine essential amino acids the body needs to build lean muscle.

The National Turkey Federation (NTF) is found at EatTurkey.org and ServeTurkey.org, on Twitter @TurkeyGal and on Facebook as Turkey.The Perfect Protein. NTF is the national advocate raising awareness for its members' products, while strengthening their ability to profitably and safely deliver wholesome, high-quality and nutritious food to consumers worldwide.

The NTF represents growers, processors, hatchers, breeders, distributors, allied services and state associations.

Pork Industry Overview
By: Patrick Fleming, Director of Market Intelligence, National Pork Board.

We have said it the last two years, and the data for 2017 is no different: America's pig farmers produced a record-breaking number of market hogs. Growth in breeding herds and increased productivity the last few years means ample supplies of pork at the retail meat case and in restaurants. With the USDA predicting 4 percent growth in production for 2018, we will continue to see record-breaking supplies of pork in the marketplace.

We expect wholesale pork prices to remain favorable throughout the year. Two new processing plants opened in 2017, and a third plant is expected to open in the fall of this year. In short, there is a solid supply of pigs, and expanded processing capacity to keep pricing favorable for retailers and food distribution companies alike.

The abundant animal protein supply in the marketplace is good news for retailers, since meat prices should continue to fall and encourage more promotional activity. Pork will be the best economic choice for retailers to feature due to favorable gross margin returns, and the flavor, versatility and convenience their customers enjoy.

Sausage was king in 2017, with a 2.1 percent increase in consumer spending ($2.42 billion) and a 2.6 percent increase in pounds purchased (672.7 million pounds). Bacon continues to be a favorite with consumers, with an 8.1 percent increase in dollars spent ($3.26 billion), despite the purchased poundage dipping 1.8 percent (605.3 million), which means margins will remain favorable at the meat counter.

Today, the average American consumer buys fresh pork just seven times per year. Research indicates that if just half of American consumers bought fresh pork even one more time a year, it would add over $400 million in sales to the sector. The National Pork Board believes that in order to get those additional fresh-pork purchases, the industry should focus on initiatives that elevate the eating experience, consistency and value of the pork loin. Finding the consumer demand "sweet spot" for the pork loin will deliver greater value to the supply chain. For mid-tier consumers, pork loins are a great premium-cut option. From the rack of pork to the boneless roast, the pork loin offers retailers versatility in merchandising.

Eating Experience
The days of advising consumers to cook pork to a 160° internal temperature must end. To that end, the Pork Board is working on strategies to move the industry – and internet searches – to list doneness at 145° (medium rare). A juicy, flavorful cut of fresh pork is one that consumers will come back for.

Nomenclature
Adopting consistent naming conventions that will allow consumers to identify and buy their preferred cuts of pork is also a significant initiative of the Pork Board. If consumers can see familiar pork cut names and understand the ideal end-point cooking temperature of 145° (with a three-minute rest), they will reach for pork more often.

For more information, please visit pork.org

Beef Industry Overview
By: The Beef Checkoff

More beef continued coming to market for retailers and shoppers in 2017, with per capita supplies up an additional 3.3 percent over the prior year. Despite this expanding supply, robust consumer demand drove wholesale prices 3.4 percent higher (choice cutout) whereas average retail beef prices declined slightly overall.

Key 2017 highlights:

- Monthly beef dollar sales were higher throughout the year.
- While consumers continued to enjoy the versatility, convenience and affordability of ground beef, increased beef volumes were driven by stronger steak and roast purchases as well.
- Many of the top selling beef cuts saw particularly strong year-over-year volume increases:
    - Higher-end cuts: Ribeye Steak: +6.7%, Strip Steak: + 4.5%, T-Bone Steak: +21.6%, Ribeye Roast: +10.6%
    - Economical cuts: Blade Chuck Roast: +7.3%, Brisket Deckle-Off: +6.7%
- Beef feature activity continues to draw consumers to stores as 30.1% of total 2017 beef sales came from featuring activity.

For your reference, the beef checkoff is pleased to provide the following 2017 retail summary:

2017 Beef Primal and Ground Beef Summary[1]						
	Beef Dollars		Beef Pounds		Beef Average $/Pound	
Segment & Subprimal	**2017 Dollar Sales (Billion)**	**% Change vs. 2016**	**2017 Pound Sales (Billion)**	**% Change vs. 2016**	**2017**	**% Change vs. 2016**
Ground	$9.57	+2.6%	2.52	+2.0%	$3.80	+0.6%
Loin	$5.12	+3.1%	0.67	+6.5%	$7.68	-3.2%
Rib	$3.03	+7.1%	0.38	+8.1%	$7.89	-1.0%
Round	$2.18	-2.8%	0.48	-1.0%	$4.52	-1.8%
Chuck	$1.89	-0.2%	0.43	-0.3%	$4.41	0.0%
Miscellaneous*	$1.38	+4.9%	0.25	+3.3%	$5.53	+1.3%
Shoulder	$0.39	-2.5%	0.08	+0.9%	$4.72	-3.3%
Brisket	$0.31	+1.1%	0.10	+2.9%	$3.16	-1.7%
Plate	$0.20	+4.8%	0.03	+5.8%	$6.33	-1.0%
Total Beef	$24.68	+2.5%	5.13	+2.6%	$4.81	-0.1%
Total Meat & Poultry	$49.24	+1.8%	15.12	+1.0%	$3.26	+0.8%

**Miscellaneous includes Flank, Shank, Cubed Steak, Stew Meat, Cubes, Strips and Whole Cut*

Going forward, beef producers continue to increase the supply of nutritious, high quality beef. The January 2018 *USDA Cattle Inventory Report* confirmed numbers have increased another 1 percent versus a year ago. This means more beef will continue to reach your stores — beef that drives stronger sales not just for your meat department, but across your entire retail operation.[2]

For additional ideas on how to be your shoppers' go-to place for the beef consumers enjoy, please find extensive retailer resources from the beef checkoff at beefitswhatsfordinner.com. On the homepage, sign up for Beef News Now to receive emails with the news and research you need to sell more beef.

[1] Freshlook/IRI, Total US MULO, 52 Weeks Ending 12/31/2017; Categorized by VMMeat System
[2] IRI Market Basket Study, Total US, 52 Weeks Ending 6/14/14

American Lamb
At the Meat Counter

As shoppers seek interesting, authentic and adventurous meats, lamb sales are on the rise. Here are some insights into lamb sales and the lamb shopper.

$ The top selling cuts by dollar sales at retail.

1. Loin
2. Leg
3. Rack/Rib
4. Shoulder
5. Ground

50%

Minority populations account for more than 50% of the total US lamb consumption.

100% INCREASE

Shoppers are experimenting with ground lamb - ground lamb sales have increased over 100% in the last 5 years and now account for 10% of total lamb retail sales.

USDA CHOICE

More than 90% of American Lamb will grade USDA prime or choice.

7%

In 2015, US lamb demand was up 7% over 2014 and increased again in 2016 by 2.5%.

3.7%

In 2016 lamb pounds sold at retail increased 3.7 percent compared to 2015 outpacing total fresh meat sales (2.8 % increase).

30% HIGHER

The average lamb household spends 30% more per year on food than the average household.

Food Innovation Center American Lamb Consumer Taste Test and Survey November 13
The Power of Meat 2016 (Food Marketing Institute/North American Meat Institute)
IRI/FreshLook Marketing June 2017

American Lamb Lambcrown

FEED YOUR *Adventurous* SIDE

GO TO AMERICANLAMB.COM FOR MORE INFORMATION AND ALL THINGS AMERICAN LAMB.

Methodology and Definitions Used

The data for *The Power of Meat 2018* were collected through an online consumer panel. The survey was conducted between December 5 and December 14, 2017, among a national sample of 1,500 U.S. consumers. The margin of error associated with the survey is 2.5 percent at the 95 percent confidence level. Percentages may not always add to 100 percent due to rounding. Years reflected in the report correspond with the report year. Respondents must have met the following requirements to participate in the survey:

- A minimum of 18 years of age.
- Primary or equally shared responsibility for food shopping.
- Eat meat at home at least on occasion. Shoppers who only purchase meat at restaurants were disqualified.

The report was prepared by Anne-Marie Roerink of 210 Analytics, LLC on behalf of the Annual Meat Conference. For additional data, insights or explanations, email aroerink@210analytics.com or call 210.485.4552.

Geographic regions

- Northeast: CT, RI, MA, VT, NH, ME, NJ, PA and NY
- Midwest: IA, IL, IN, KS, MI, MN, MO, NE, ND, OH, SD and WI
- South: AL, AR, DC, DE, FL, GA, KY, LA, MD, MS, NC, OK, PR, SC, TN, TX, VA and WV
- West: AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA and WY

Generational definitions

- Young Millennials (Generation Y): Ages 18-27
- Older Millennials: Ages 28-37

  Millennials: 18-37
- Generation X: Ages 38-53
- Young Boomers: Ages 54-61
- Older Boomers: Ages 62-73

  Boomers: 54-73
- Matures: Ages 74-75 (not broken out in the survey due to limited sample size; survey capped at 75)

Income definitions

- Lower income: <$35,000 annually
- Middle income: $35,000-$75,000
- Higher income: >$75,000 with a sub-break for high income: >$125,000

Spending definitions

- Below-average grocery spenders: <$75/week
- Average grocery spenders: $75-$125/week
- Above-average grocery spenders: >$125/week with a sub-break for high spenders: >$150/week

Trip frequency definitions

- Below-average trip frequency: ≤1 trip/week
- Average trip frequency: 2 trips
- Above-average trip frequency: ≥3 trips/week with a sub-break for high trip frequency: >4 trips/week