U.S. Grocery Shopper TRENDS 2017

Food Retail Implications for U.S Grocery Shopper Trends

July 18, 2017

2pm ET

FMI
THE VOICE OF FOOD RETAIL
Feeding Families Enriching Lives

Conference line : 866 -269-6685
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hartman GROUP

FMI Antitrust Compliance

- It is FMI’s policy to comply in all respects with the antitrust laws.
- All participants in FMI meetings and events are expected to comply with applicable antitrust and competition laws.
- Avoid discussions of sensitive topics that can create antitrust concerns.
  - Agreements to fix prices, allocate markets, engage in product boycotts and to refuse to deal with third parties are illegal.
  - Discussions of prices (including elements of prices such as allowances and credit terms), quality ratings of suppliers, and discussions that may cause a competitor to cease purchasing from a particular supplier, or selling to a particular customer, should be avoided.
  - No discussion that might be interpreted as a dividing up of territories.
- It is important to avoid even the appearance of unlawful activity.
- Questions or concerns? Please consult with FMI staff.

MEET YOUR PRESENTERS

Sue Borra
Chief Health & Wellness Officer

Hilary Thesmar
Chief Food & Product Safety Officer

David Fikes
VP, Communications &
Consumer/Community Affairs

RESEARCH BACKGROUND

For more than four decades, FMI has been tracking the trends of grocery shoppers in the U.S., taking note of where they shop, how they shop and what issues are most important to them as food shoppers. For the past three years, FMI has partnered with the Hartman Group to conduct this research.

METHODOLOGY:

Quantitative Research

- A 25-minute survey fielded online February 6-14, 2017 to 2,145 U.S. shoppers aged 18 and older. The sample was split to cover a wider range of topics, with each sub-sample having n>1,000.
- Shoppers surveyed are responsible for at least 50% or more of the grocery shopping in their household.
- Additional analysis includes previous FMI survey data, U.S. Census, Bureau of Labor Statistics and Hartman Group syndicated reports.

Qualitative Research

- In-depth one-on-one 3-hour interviews with 9 consumers from 4 multi-person households and 1 single-person household in the Atlanta area October 26-27, 2016.
- Five in-depth one-on-one virtual interviews with 5 shoppers across the nation. These interviews were augmented with homework and images provided by the consumer.
- 2013-2016 Hartman Group ethnographic research into cooking, eating and shopping.

OVERVIEW OF 2017 FINDINGS

2016

▪Channel fragmentation in food retail challenges stores to attract and keep shoppers by meeting their evolving needs

▪Greater numbers of adults share in shopping not only because they need to but also because they want to

▪Retailers are key allies in shoppers' overall wellness

2017

▪Channel fragmentation continues, with ecommerce gaining users

▪Transparency means context beyond the package

▪Food retailers are increasingly well positioned for shopper wellness

WHAT WE PLAN TO COVER

1. State of the Marketplace

2. Shopper Values and Trends: Food Safety

3. Shopper Values and Trends: Health & Wellness /Family Meals

4. Foretaste of things to come: Transparency Expectations

01

State of the Marketplace

GROCERY SHOPPING REMAINS A NATIONAL PASTTIME

Currently in the U.S.

84%

90% 78%

of all U.S. Adults say they have **at least 50%** of the household responsibility for **grocery shopping** *(Compared to 83% in 2015)*

"He does more of the shopping now. It used to be that he did most of the cooking when I did the shopping, but now our roles have kind of flipped now that we're eating healthier."

—Tanya, 45

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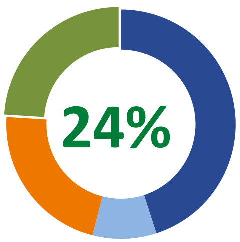
CO-SHOPPING IS CONSISTENT, MALE SHOPPING CONTINUES TO GROW

WORLD OF SHOPPERS

Multi-person Households

CO-SHOPPERS *varying degrees of sharing the labor*

Single-person Households



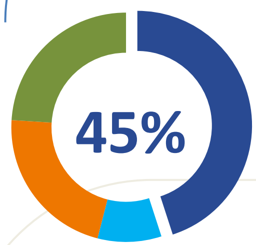
SELF SHOPPER

ALL shopping

45% 55%

vs. 2016

48% 52%



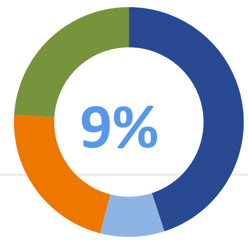
PRIMARY SHOPPER

Majority of shopping

39% 61%

vs. 2016

31% 69%



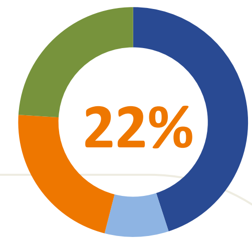
SECONDARY SHOPPER

Minority of shopping

66% 34%

vs. 2016

73% 27%



SHARED SHOPPER

Equal shopping

48% 52%

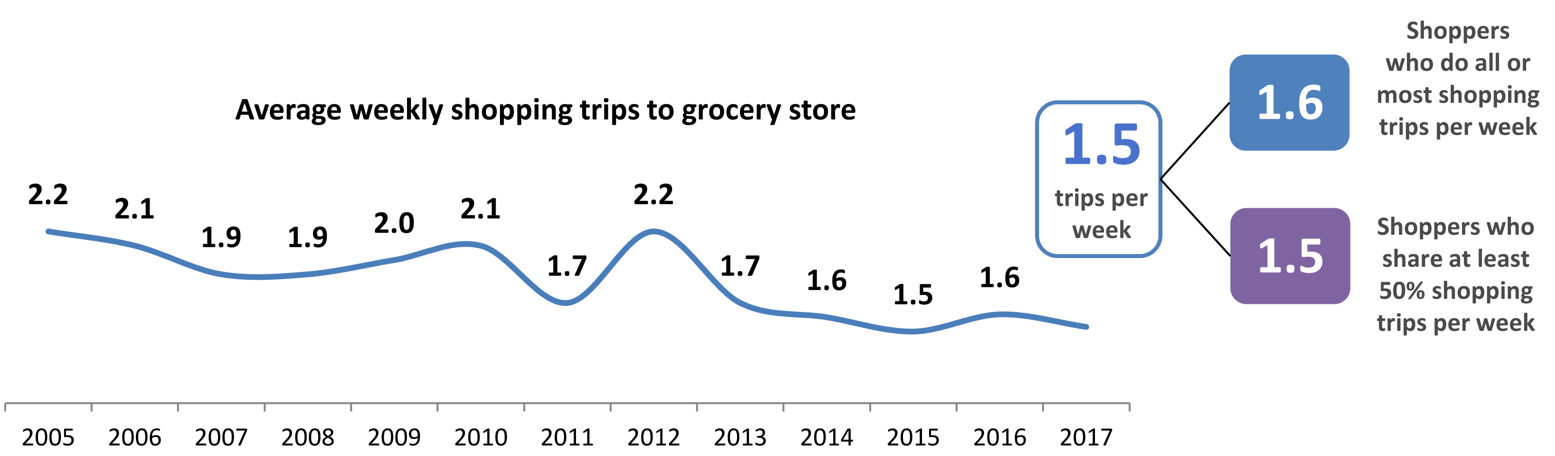
vs. 2016

59% 41%

Source: FMI U.S. Grocery Shopper Trends, 2017. Shoppers n=2,145-2017; n=2,061-2016.

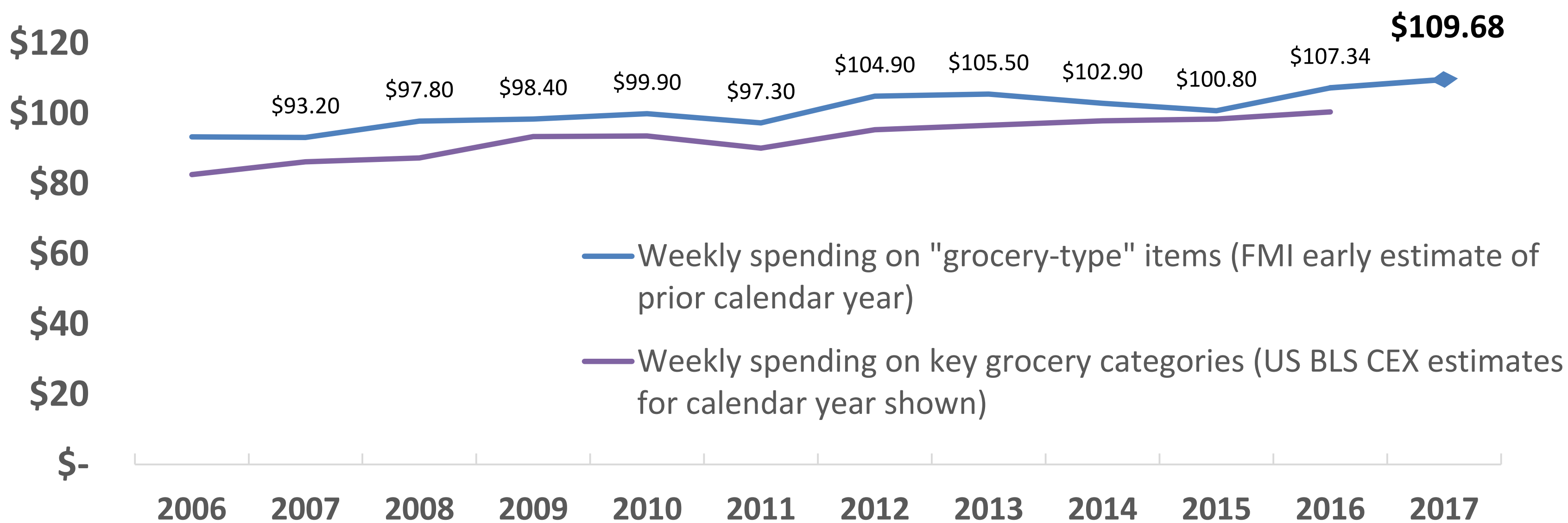
WEEKLY TRIPS REMAINED FLAT

TRIPS



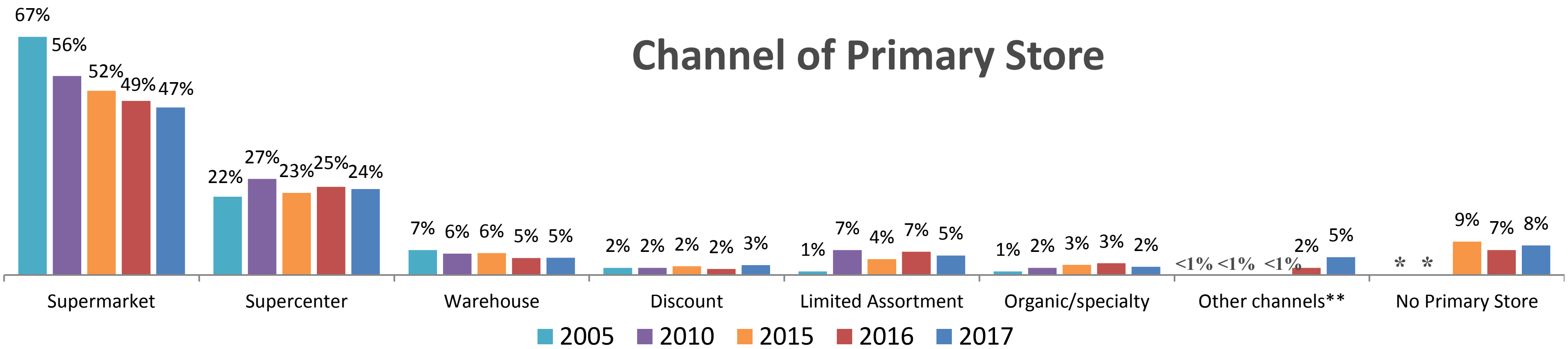
Source: FMI U.S. Grocery Shopper Trends, 2017. n=2,145. U.S. Bureau of Labor and Statistics, Consumer Expenditure Survey, 2016.

WEEKLY SPEND INCREASED



SHOPPING AROUND CONTINUES

shifting primary loyalty to less traditional formats or not claiming a primary store



- Traditional grocery stores have continued a slow and steady decline as a primary store for shoppers.
- Shoppers with No Primary Store continue to shop multiple channels, distributing their grocery dollars across at least 3 channels each month.
- Shoppers report increasingly frequent visits to not only Natural + Organic stores but also non-traditional grocery outlets, such as Limited Assortment, Convenience, Ethnic and Online-only retailers.

Channel shopping frequency

Fairly Often/Almost Always visit	2016	2017
Regular full-service supermarket	85%	83%
Supercenter	54%	53%
Conventional discount store	38%	36%
Warehouse Club store	29%	31%
Limited Assortment	21%	**25%** ↑
Dollar store	20%	22%
Drug store	18%	18%
Natural + Organic store	13%	**17%** ↑
Convenience store	8%	**11%** ↑
Ethnic food store	7%	**11%** ↑
Online-only food store	5%	**11%** ↑

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DRAMATIC ONLINE-ONLY RETAILER GROWTH DRIVEN BY MILLENNIALS

Today, **1 in 4** shoppers is using ***online-only retailers,*** *an increase of more than 50% in 2 years*

… nearly **half of Millennials** are shopping online-only retailers,
almost 80% higher than just 2 years ago

Millennials continue to select a **narrow range of products** to purchase online

LESS LIKELY TO BUY ONLINE

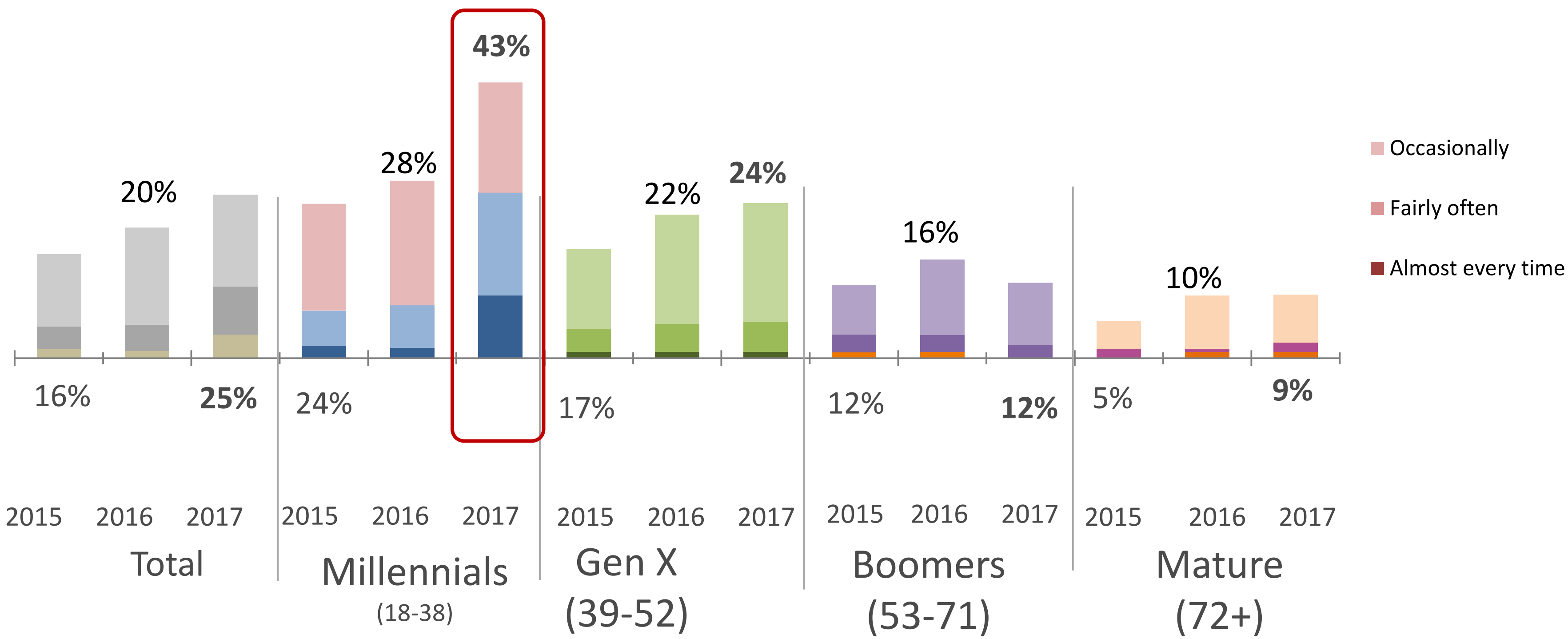
Non-prescription drugs
Fresh bakery items
Fresh meats and seafood
Refrigerated dairy foods
Fresh produce

MORE LIKELY TO BUY ONLINE

Baby food
Pet food or treats
HH cleaning products
Salty snacks
Sweets

DRAMATIC ONLINE-ONLY RETAILER GROWTH DRIVEN BY MILLENNIALS

Frequency of shopping Online-only retailers



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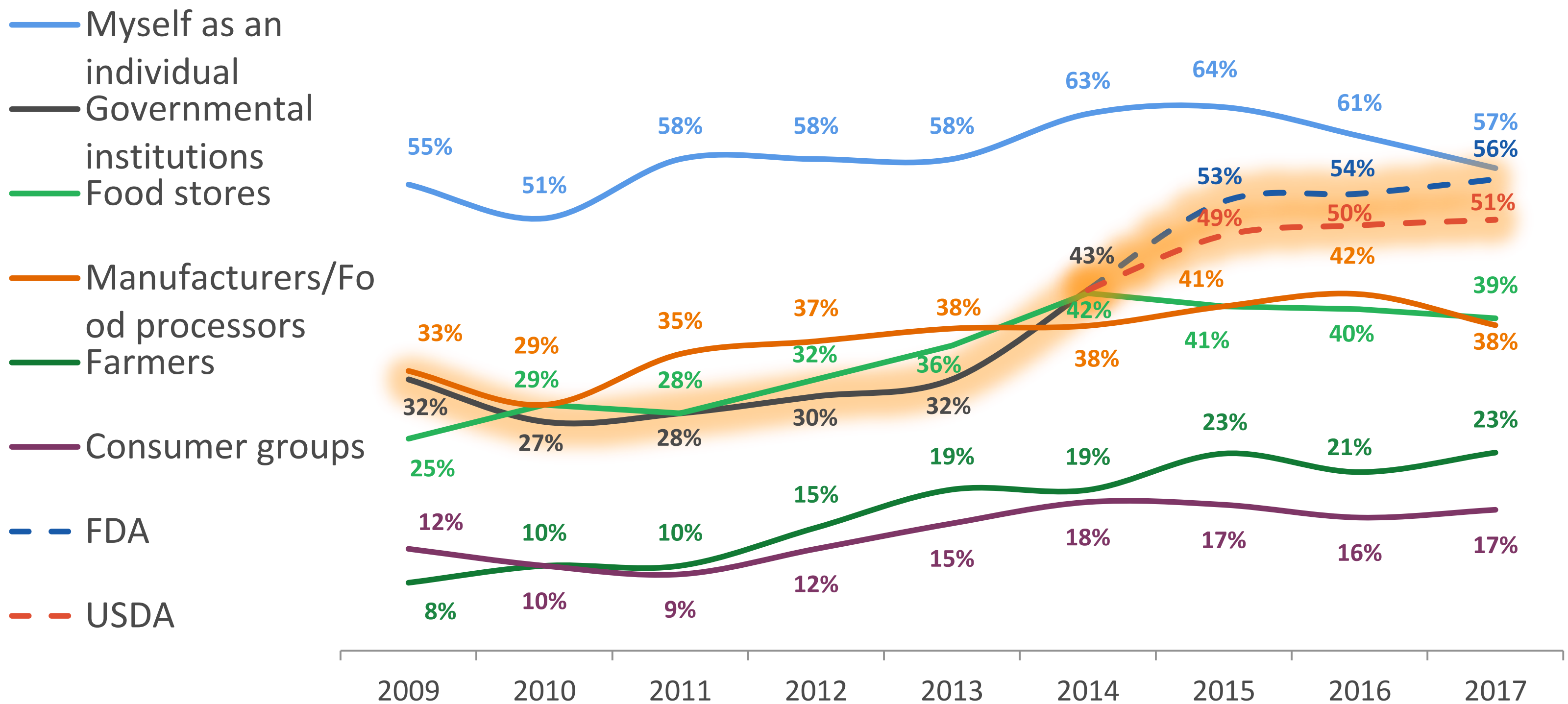
02

Shopper Trends and Values: Food Safety

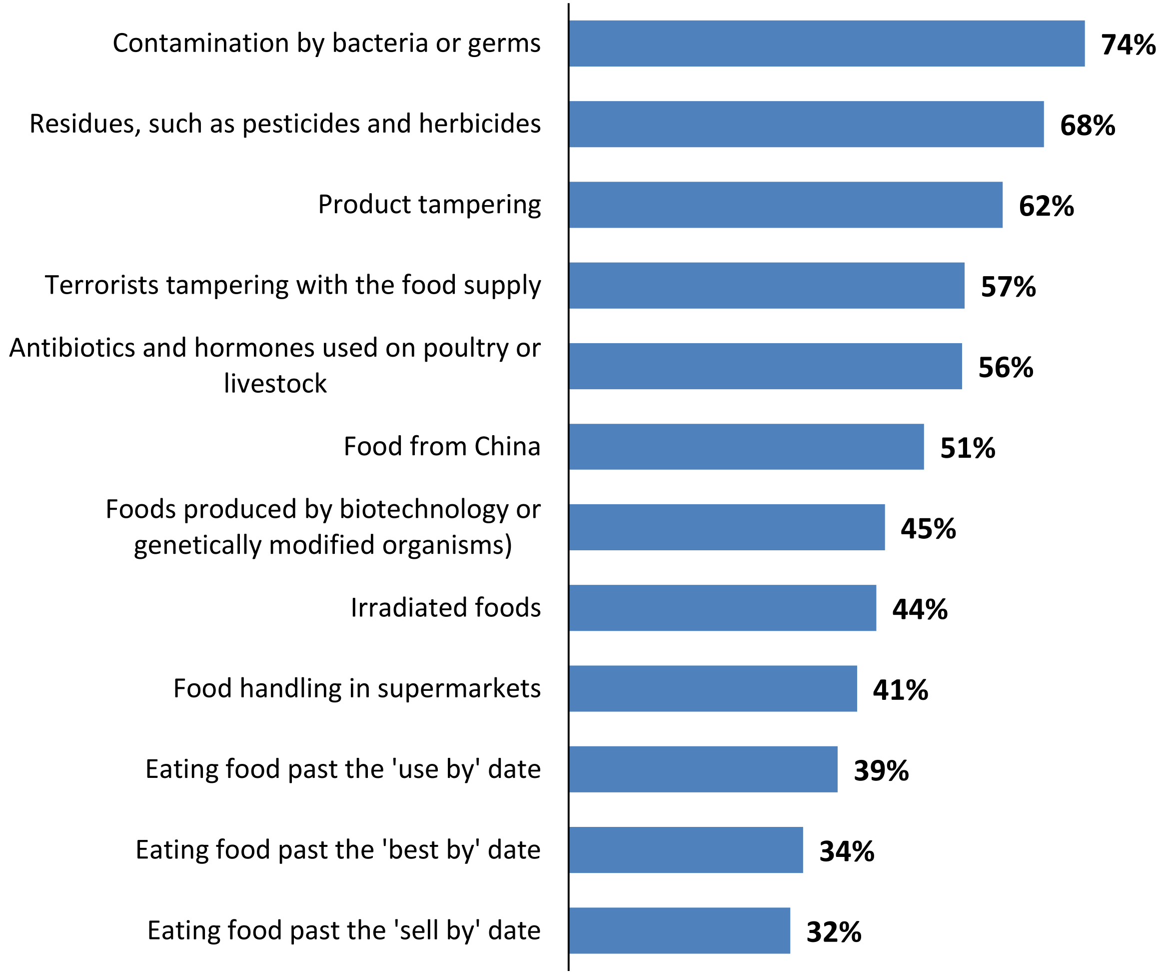
While consumers trust retailers to provide safe food, they are **increasingly reliant on government institutions to ensure food is safe** before it reaches store shelves

Who Consumers Rely on to Ensure What Is Bought at Grocery Is Safe



Shoppers are concerned with risks associated with food mishandling or malice

Food conditions shoppers believe pose some/serious health risk



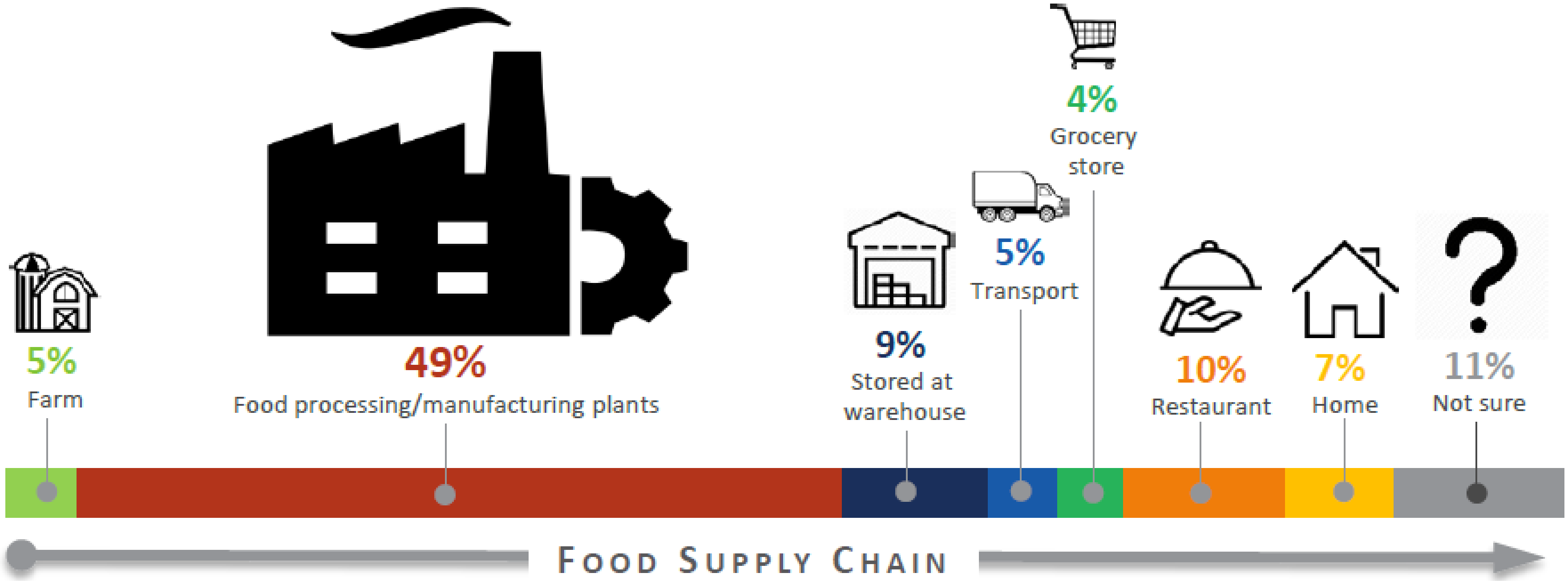
87%

of shoppers are mostly or "completely *CONFIDENT* the food in [their] grocery store is *SAFE*"

(Vs. 86% in 2015)

Shoppers overwhelmingly agree that the most likely location for food safety problems to occur is at the factory

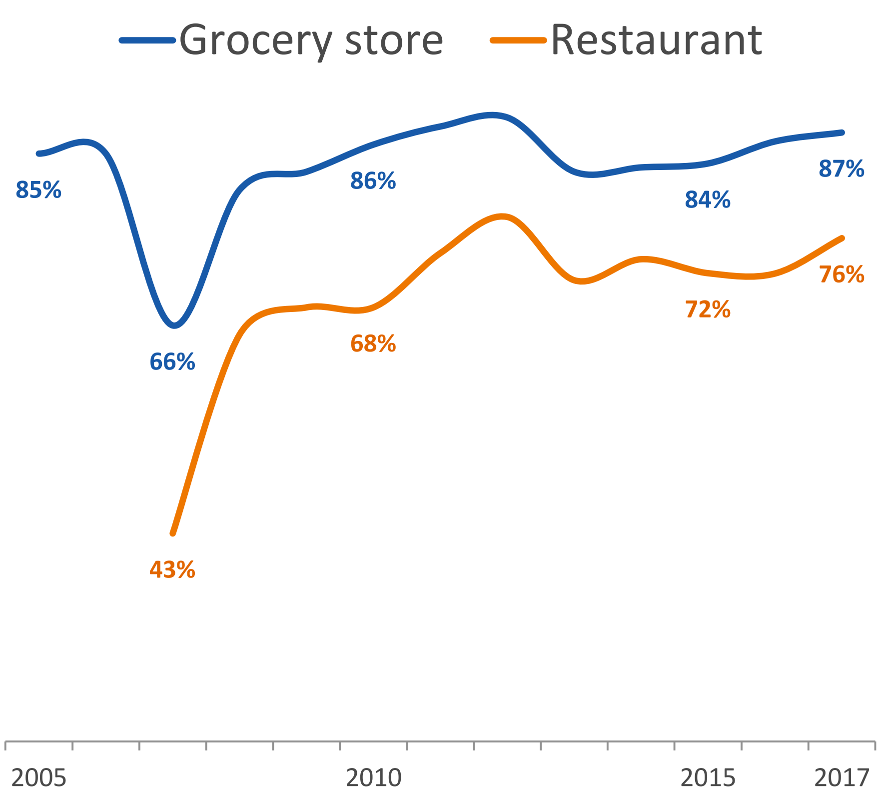
CHART 3.1: WHERE SHOPPERS BELIEVE FOOD SAFETY PROBLEMS MOST LIKELY TO OCCUR ALONG THE FOOD SUPPLY CHAIN



Source: FMI U.S. Shopper Trends, 2017. Q: "Where do you think food-safety problems are most likely to occur? (Please select one)" Shoppers n=1,061. (See Appendix: Table A.51)

“How *CONFIDENT* are you that the food is safe?”

Grocery vs. Restaurant Food



Shoppers believe restaurants carry a greater risk of food safety problems than grocery stores. However, Millennials are less confident in grocery stores than older generations.

Two-thirds of consumers follow up on food recalls by checking their food supplies at home

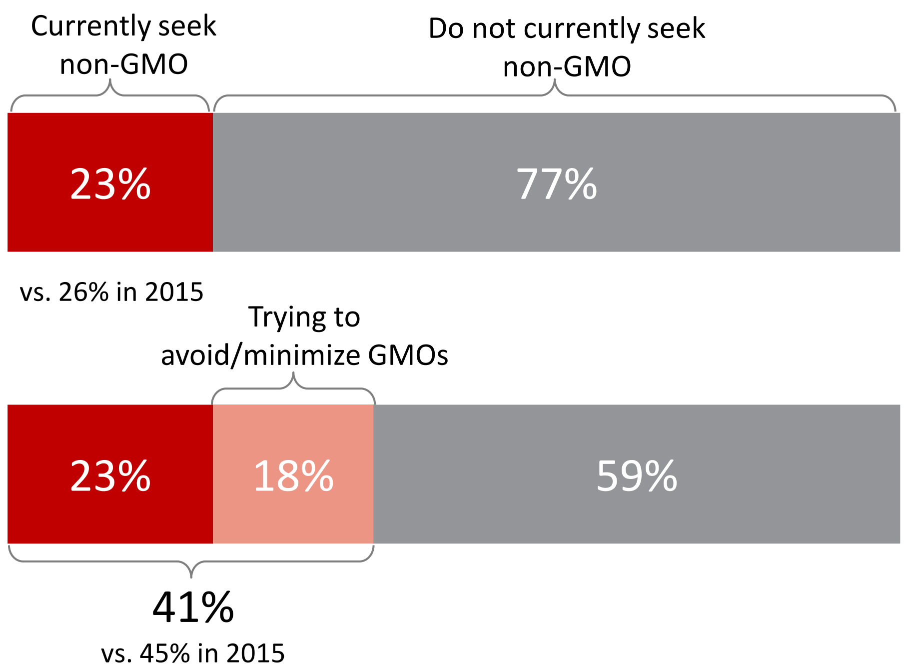
In the past year, **15% of shoppers** say they have **stopped purchasing certain products** because of ***safety concerns***.

- Some of these concerns are related to specific recalls, while others stem from a **concern about the methods used in producing food**.
- Non-organic meats pose risks of ingesting chemicals, hormones or antibiotics.
- Meats and seafood imported from outside the U.S. concern shoppers due to the lack of transparency in how animals are raised, treated and processed.
- Other boycotts seem to be related to sustainability or animal welfare – such as canned tuna and chicken.

Products shoppers have stopped purchasing in the

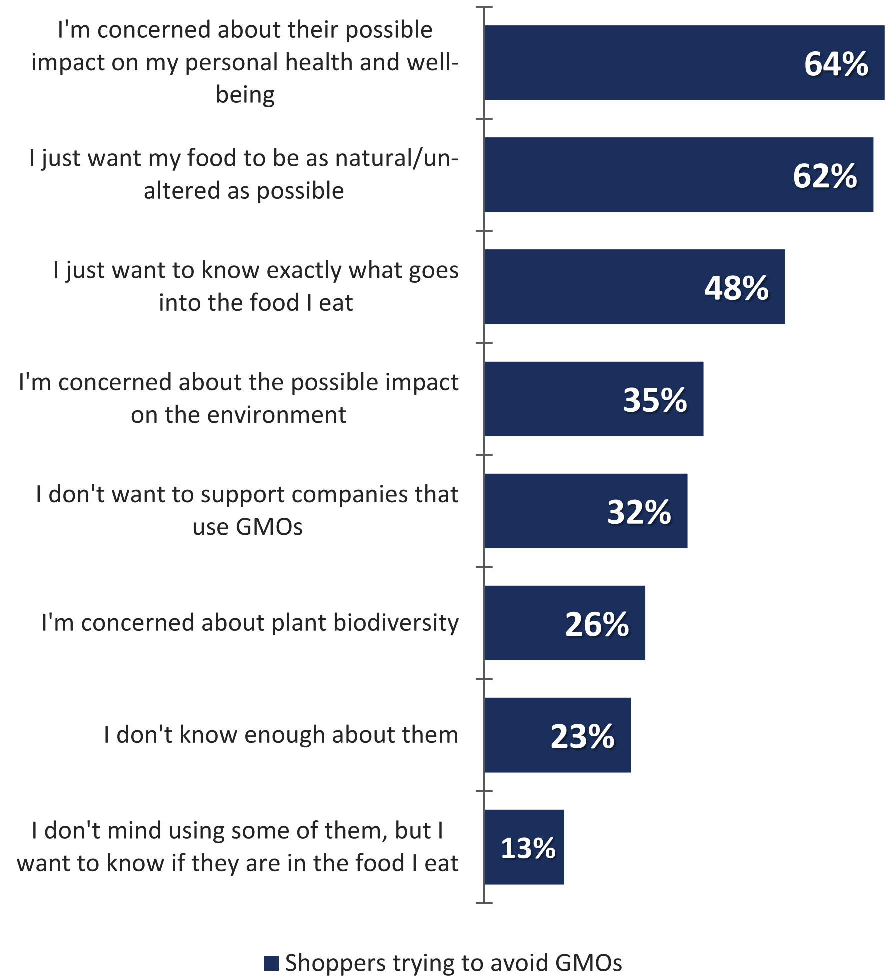
What are shoppers currently doing about GMOs?

While one out of every 4 shoppers is seeking non-GMO products, an additional 18% are also trying to avoid or minimize GMOs in the products they purchase.



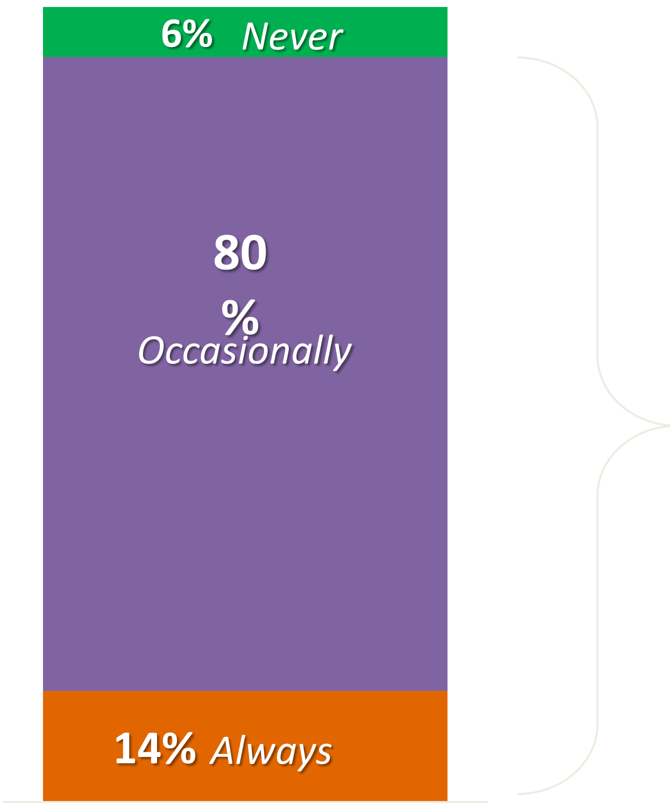
For some shoppers, avoiding GMOs is about personal health, while others just want *transparency* in the foods they eat

Reasons for avoidance

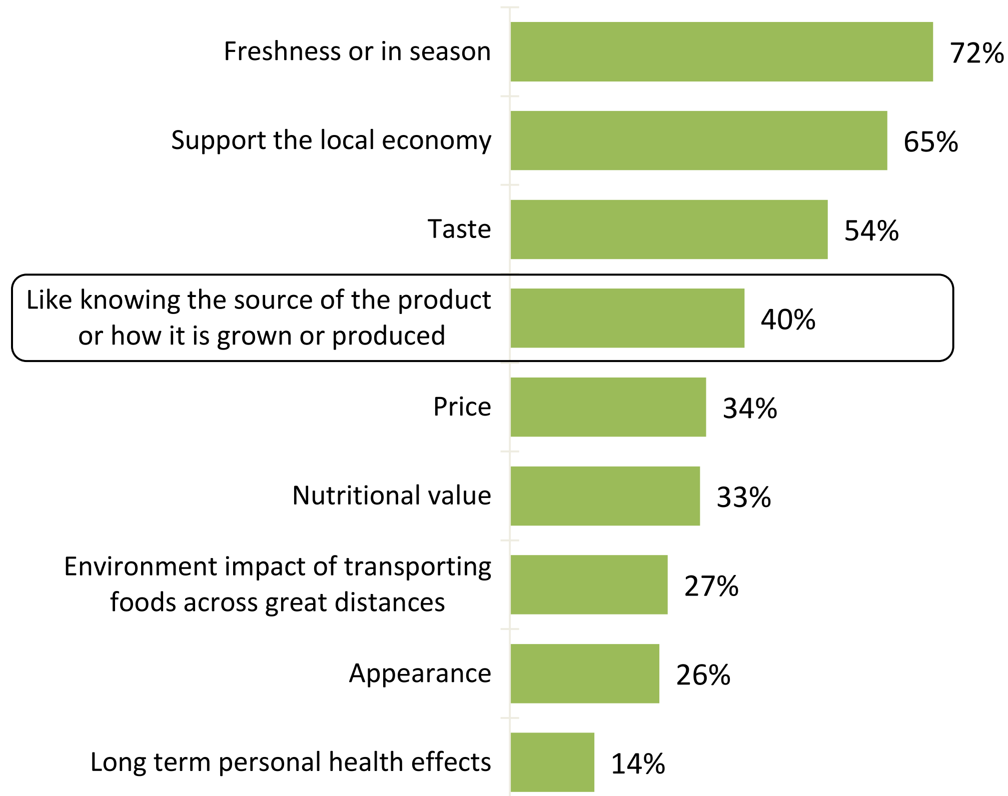


Local, as a cue for transparency, helps fulfil consumer desire to know what is in the food they eat

I purchase locally grown products...



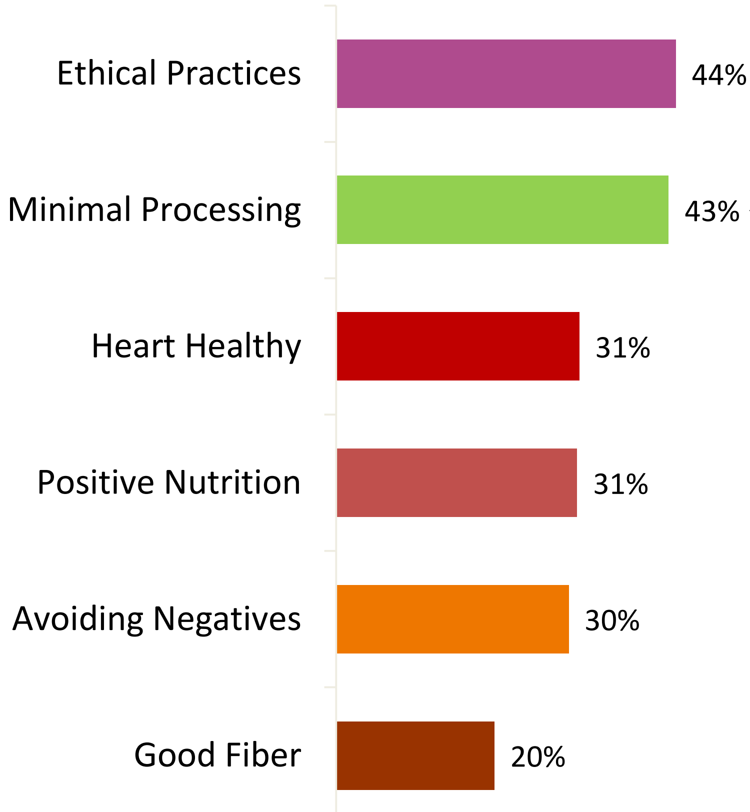
When locally grown products are purchased, it's usually due to consumer desire for...



Source: FMI U.S. Grocery Shopper Trends, 2017. B101: "Which of these best describes how often you purchase locally grown products?" Shoppers n=1,084. B104: "Which of the following are reasons you buy locally grown foods in your grocery store? (Select all that apply)." Among shoppers who purchase locally grown products, n=1,018.

However, some shoppers feel they're not getting enough information on product packaging alone, particularly when it comes to production

Product claims where shoppers would like more information



Specific product claims shoppers want to know about

ETHICAL PRACTICES

- 44% Fair trade
- 43% Certified humane
- 39% Cage-free
- 38% Free-range
- 28% Grass-fed

MINIMAL PROCESSING

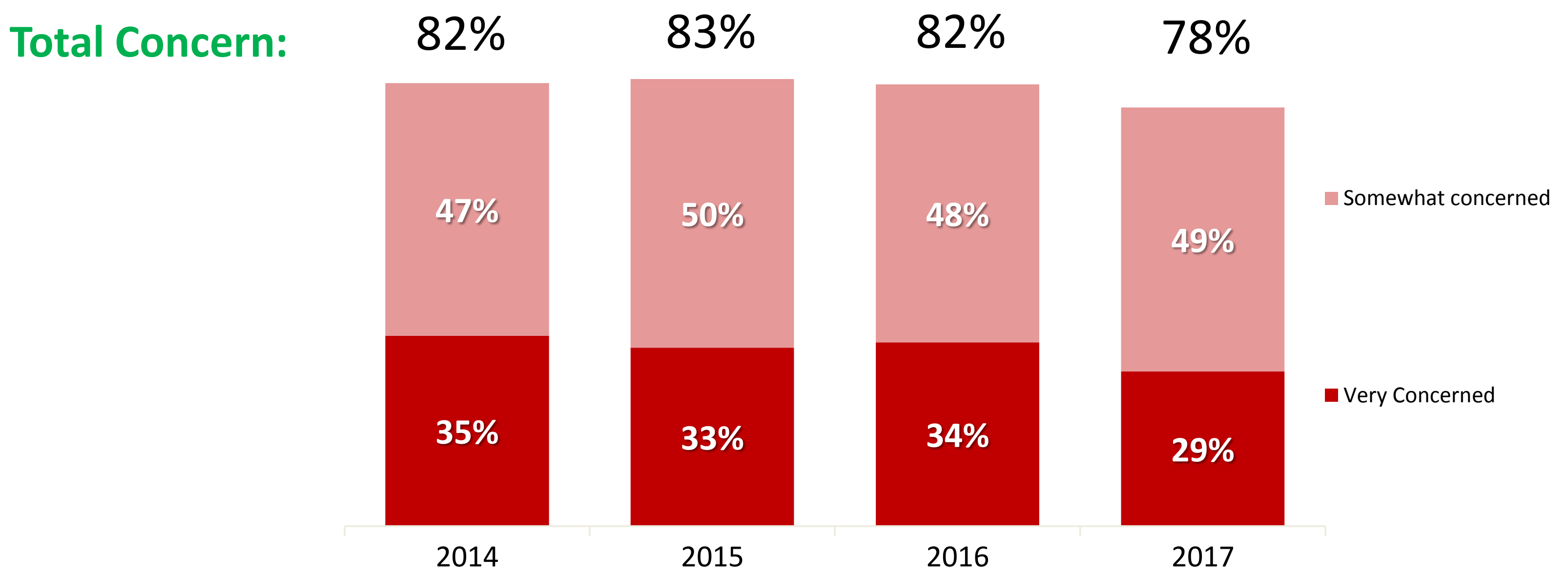
- 41% Natural
- 40% Certified organic
- 37% Non-GMO
- 34% No artificial ingredients
- 30% Gluten-free
- 27% No preservatives
- 23% No trans fats
- 19% No HFCS

Source: FMI U.S. Grocery Shopper Trends, 2017. A12a: "Which of these would you like a store to provide more information beyond what is printed on the packaging? (Select all that apply)." Shoppers n=varies (237-686). Note: individual product claims rolled up into overarching groupings for analysis.

03

Shopper Trends and Values: Health & Wellness

Shopper concern about the nutritional content of their food

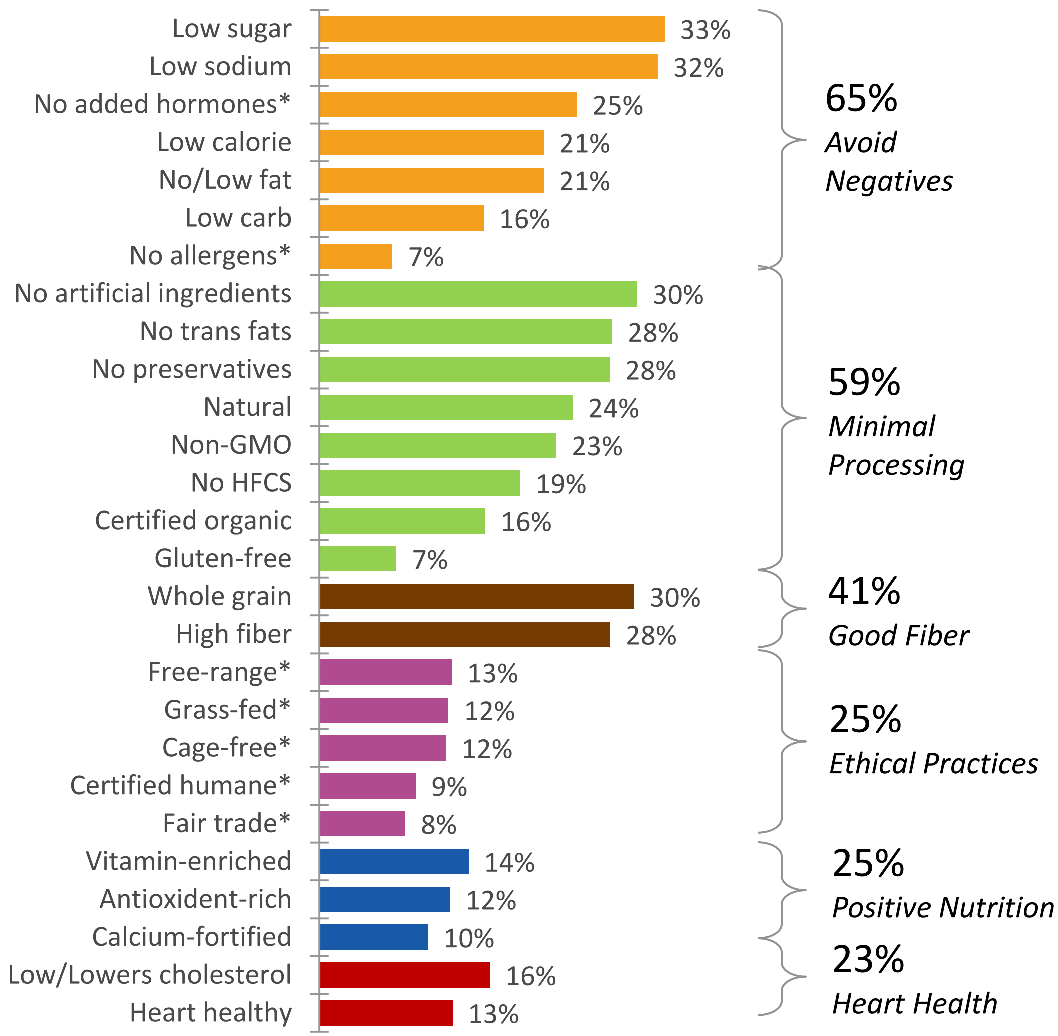


Q. How concerned are you about the nutrition content of the food you eat?

Consumers Top Concerns Regarding Nutritional Content of Foods

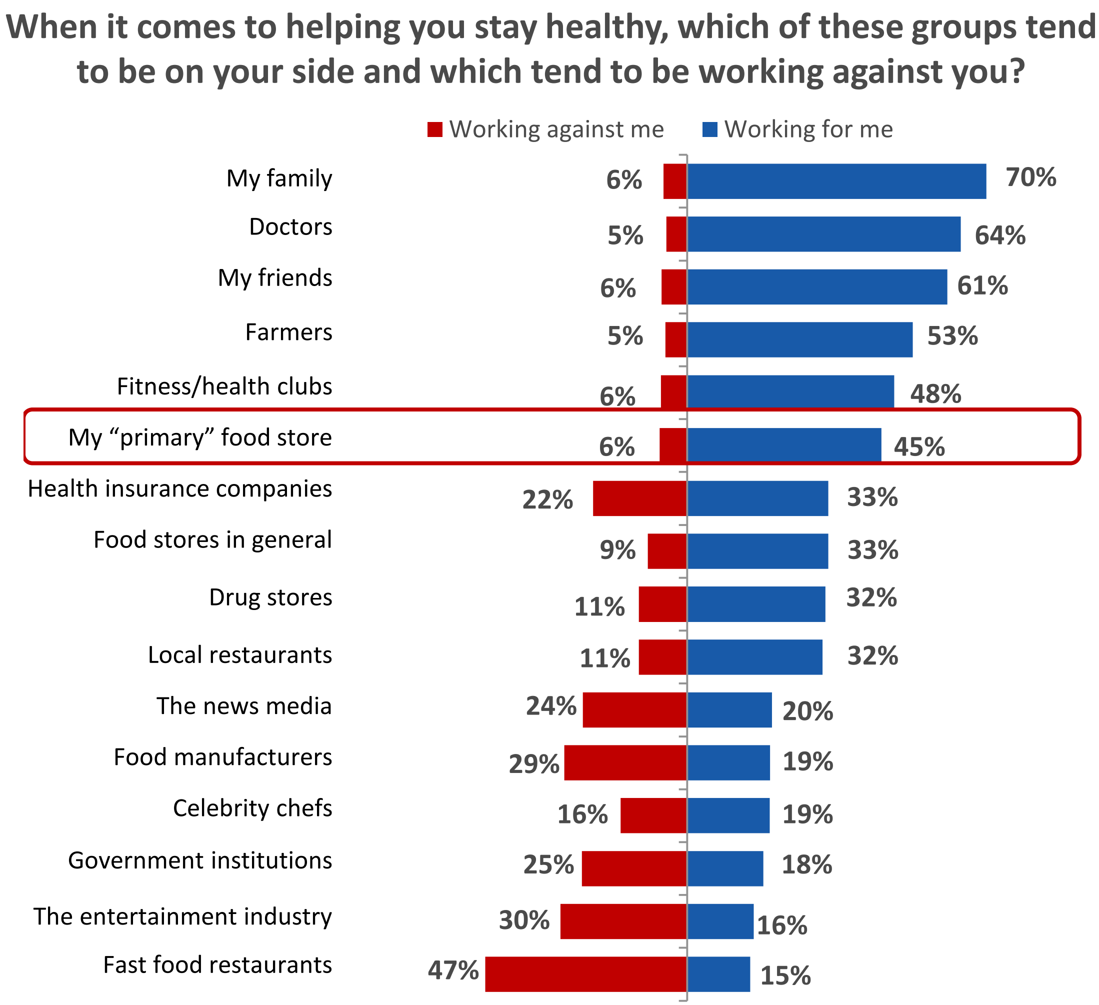
Why concerned about nutritional content of food?	2016	2017	difference
I'm concerned about my health in general	61%	54%	↓ 7 pts.
Some of the food I eat has too much of something I need to avoid	44%	41%	↑ 3 pts.
The foods I eat aren't nutritious enough in general	22%	24%	↑ 2 pts.
I'm not getting enough of special nutrients I need	19%	22%	3 pts.
I have a specific health concern that affects my food choices	18%	18%	0 pts.

Product claims shoppers seek when purchasing a food product



Shoppers prioritize the perimeter as "Fresh, less processed" trend continues – seeking cues for minimal processing and avoiding negative ingredients

Consumers continue to see their primary store as an ally in their wellness



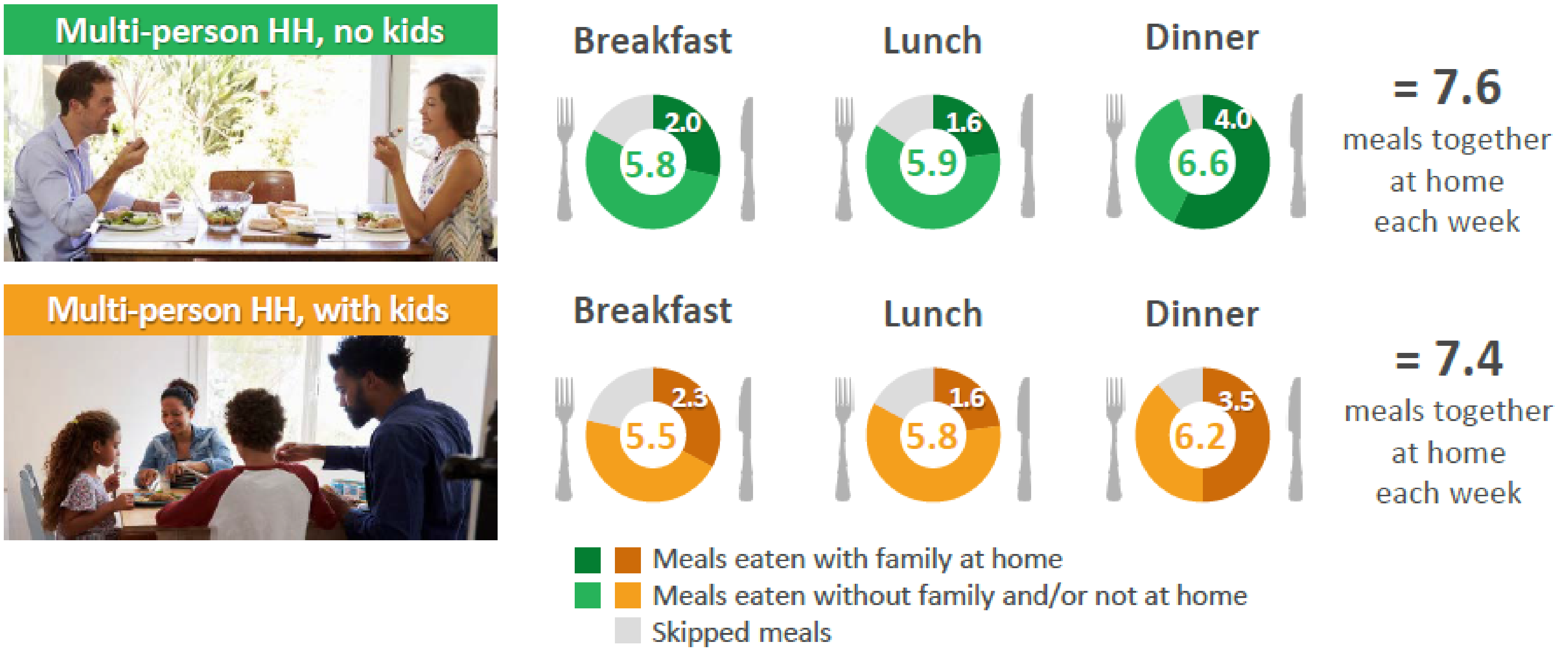
While slightly fewer shoppers say they are concerned about their health, the majority are still concerned they aren't getting enough good nutrition

88% of shoppers believe eating ***AT HOME is HEALTHIER*** than eating at a restaurant

72% are concerned they're ***NOT GETTING ENOUGH GOOD NUTRITION*** from the foods they eat at home

Dinner dominates as the meal that households are most likely to eat together

CHART 3.17: AVERAGE WEEKLY MEALS AT HOME WITH FAMILY VS. TOTAL MEALS, BY HOUSEHOLD TYPE

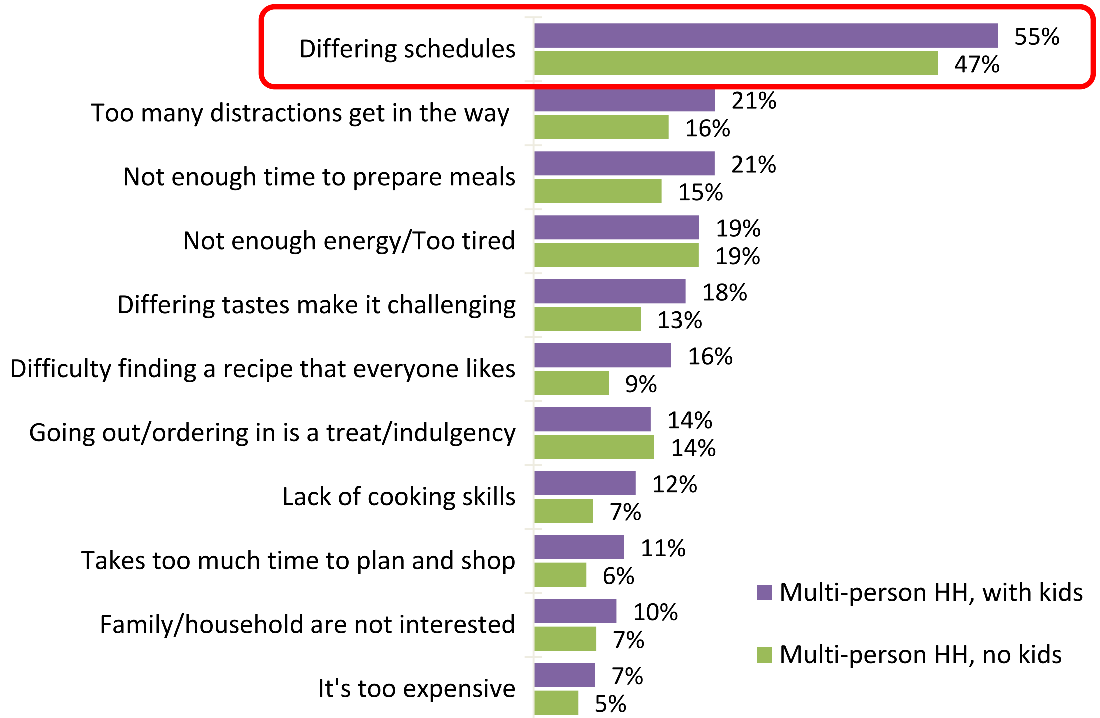


Source: FMI U.S. Grocery Shopper Trends, 2017. Q: "Thinking about the past week, how many times have you had each of these meals?" Q: "Who did you have [meal] with?" Q: "Where did you have [meal]?" Shoppers n=1,084. (See Appendix: Table A.69)

63% of households consider eating *meals at home with family* to be very important… and substantially more important for families with kids

(85% HHs with kids vs. 55% HHs without kids)

Obstacles to having dinner at home with family, by household type



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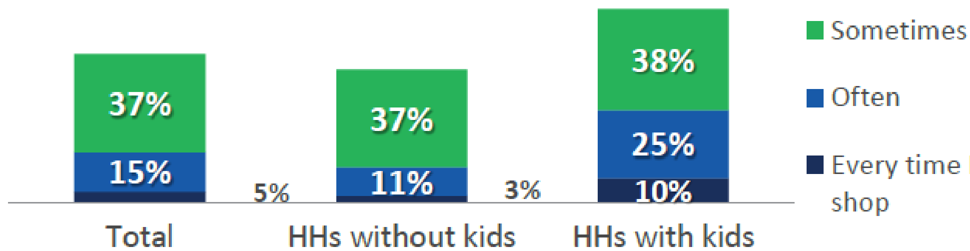
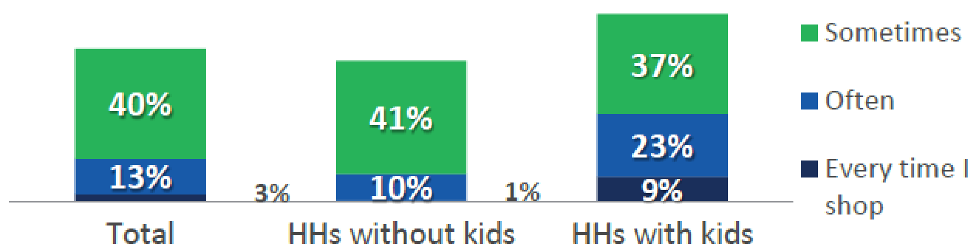
67% of households with kids *outsource cooking to the grocery store* at least some of the time *(vs. 44% HHs without kids)*

"How often do you purchase 'ready-to-eat' items such as rotisserie chicken, sandwiches or sushi?"



"How often do you purchase 'heat-and-eat' items such as fresh pizza, casseroles or soups?"



Source: FMI U.S. Grocery Shopper Trends, 2017. Q: When you have decided not to cook, how often do you go to the grocery store specifically to purchase prepared meal items rather than going to a fast food place or restaurant? (Top-3 box: sometimes/often/every time I shop)."
Q: "How often do you purchase the following items from the fresh-food deli either to take home for dinner or eat in the store?" Shoppers n=1,084-Total; n=730-HHs without kids; n=354-HHs with kids. (See Appendix: Tables A.73-75)

Family Meals

All of this data points to why it is important to have meals together as a family and the food retail industry is perfectly poised to help!

Join us in September for

National Family Meals Month™!

Goal:

Encourage one more family meal at home each week.

2016 National Family Meals Month Participants:
56 Retailers, 15 Suppliers, and 37 Community Partners

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Family Meals Best Practices

- Creating and executing omnichannel marketing approaches
- Innovative in-store execution
- Engaging consumers
- Collaborating with others
- Engaging employees
- Program evaluation

New -2017 Retailer Contributions to Health and Wellness

- 2017 Health and Wellness Offerings
- Connecting Consumers to Better-for-you
- In-Store Health Professionals
- Building Credibility with Community Partners
- Healthy Eating Expectations in the Aisles
- Cooking up Wellness

04

Transparency

TRANSPARENCY IS THE CURRENCY OF TRUST IN THE DIGITAL AGE

In a world of shopping options and fast moving information, consumers see transparency as a shortcut to confidence in a complex food system

Against a post-modern backdrop of skepticism

"Food companies aren't interested in being transparent. They're interested in giving the appearance of transparency."

—Kevin, 32

FMI's Transparency Webinar will

- Parse out what transparency is and what it isn't
- Distinguish where Consumers hold Manufacturers accountable and areas where they hold Retailers to a higher level of responsibility
- Inform you of the transparency expectations that if satisfied best drive customer loyalty
- Point you to the customer expectations create the greatest credibility halo?

Thank you

Learn more about Grocery Shopping Trends and download the full report at:

www.fmi.org/grocerytrends