Consumer Buzz around Beef

Presented by:
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210analytics

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Meat and produce drive store choice

Drivers of choosing the main store

1. High-quality produce
2. Low prices
2. High-quality meat
4. Great product variety
5. Clean/neat store & accurate info

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Source: FMI Trends 2018

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$67B

2018 retail meat sales

$87

Basket with meat vs.
average trip size of $45

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BIG

POWERFUL

GROWING

Source: Nielsen xAOC 52 weeks ending 1/12/2019 UPC and non-UPC coded items | Homescan Panel

3

Beef and chicken dominate meat department sales

Chicken is a close second in lbs, but half of $ sales

% of $ sales

51%	25%	13%	5%	1%

% of lbs sales

36%	34%	16%	9%	0.3%

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Source: IRI, MULO, 52 weeks ending 12/30/2018

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+0.6%

$ sales growth 2018

-1.0%

lbs sales growth 2018

	$	Lbs
	+1.1%	-0.4%
	+2.0%	-0.2%
	-2.0%	-2.3%
	-1.4%	-1.6%
	+1.1%	-4.5%

-0.5%

$ sales 3-yr CAGR

+0.6%

lbs sales 3-year CAGR

	$	Lbs
	-0.2%	+2.7%
	+1.7%	+0.6%
	-3.9%	-1.8%
	-1.3%	-0.5%
	-0.1%	-2.4%

Source: IRI, MULO, 52 weeks ending 12/30/2018, 2017, 2016

The three levers of growth are mostly flat

More people buy	People buy/spend more	People buy more often
Household penetration	Annual $/household	Annual trips/household
98.9%	**$391**	**29.6x**
+0.1%	+0.2%	-0.2%

Source: Nielsen Homescan Panel 52 weeks ending 12/31/2018 | Meat purchases across the store

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Changing food culture

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Pictures: 210 Analytics

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How we EAT

- To meat or not to meat
- Meal inspiration
- New ways of cooking

Eating meat is still the norm

Flexitarian and vegan/vegetarian eating skews toward younger shoppers

86%

Meat eater

10%

Flexitarian

5%

Vegetarian/vegan

Source: Power of Meat 2019 | Picture: 210 Analytics

So, how about plant-based eating?

Perspective: meat vs. plant-based alternatives $ across the store

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Source: Nielsen, total U.S., xAOC, 52 weeks ending 1/19/2019, including UPC and non-UPC items

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Do you purchase or would you purchase plant-based meat alternatives or blended meat/plant-items?

Video Produced By Off The Road Productions

But credit where credit is due

Though growth rates are off a small base, it signals consumer enthusiasm

73%
Serve plant-based protein alternatives on occasion

+19%
2018 $ growth

+18%
2018 unit growth

+6
Items/ store

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Source: Power of Meat 2019 | Picture: 210 Analytics

High trial interest among consumers

The blend: a bridge to perceived health?

	Plant-based meat alternatives	Blended items (meat/plant-based)
Already buy	13%	15%
Definitely/maybe would buy	50%	63%
Absolutely not	36%	24%

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Source: Power of Meat 2019

Plant-based is a big deal in Western Europe

16-36 linear feet within the meat case

Coop | Netherlands

Carrefour | Belgium

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Pictures: 210 Analytics

Mind set: embrace plant-based integration …and win with meat

Choose for a day without meat. Choose for legumes

Do you have everything for the BBQ?
✓Meat/fish/vegetarian

Display in the middle of the meat department

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Picture: 210 Analytics

Plant-based is trickling into the U.S. market too

Urban, specialty/organic focused stores may be good testing grounds

Pictures: 210 Analytics

Can we win with blends?

Meat/meat & meat/plant-based

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Pictures: 210 Analytics

DINNER INSPIRATION

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83% of shoppers buy just a handful of cuts/kinds

41%

Buy a handful of cuts/kinds and don't tend to try anything new or different

42%

Buy a handful of cuts/kinds, but willing to try new items, if advised

17%

Buy an extensive variety of cuts/ kinds

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Source: Power of Meat 2019

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One simple, yet powerful formula

Enhanced meat knowledge
=
Greater variety purchased
=
Cooking with meat more often
=
Greater per person spending
More store trips
Greater store loyalty

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Source: Power of Meat 2019 | Picture: 210 Analytics

Sources of meal inspiration provides important clues

Helping shoppers break routine helps sales | Sources for non-routine vary widely

74%

Routine meals I know how/tend to cook

29% Facebook

26% Pinterest

24% YouTube

14% Instagram

47% Friends and family

39% Recipe websites

32% Cookbooks

31% TV cooking shows

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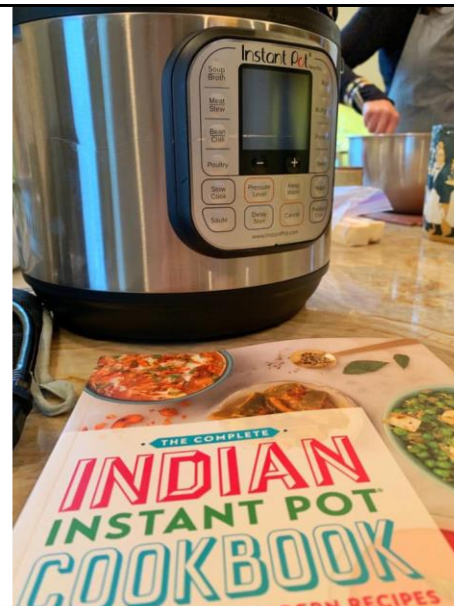
Source: Power of Meat 2019 | Picture: 210 Analytics

DINNER PREPARATION



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Stove and oven dominate meat preparation

Instant pot and air fryer are making inroads

9 in 10	**7** in 10	**4** in 10	**2** in 10
Stove	Grill	Microwave	Air fryer
Oven	Crock pot	Instant pot	
		Pressure cooker	

% Frequently + Sometimes

Source: Power of Meat 2019

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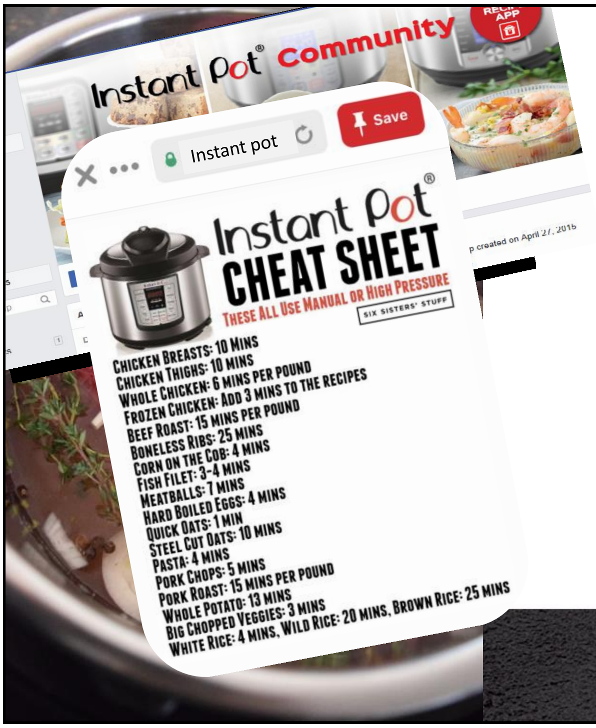

The instant pot kick

If owned:

74%

sometimes + frequently prepare meat/poultry in their instant pots

25

The air fryer obsession

+1809% in Pinterest searches

If owned:

59%

sometimes + frequently prepare meat/poultry in their air fryers

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From the instant pot to crock pots

Pictures: 210 Analytics

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MEAT CHOICES

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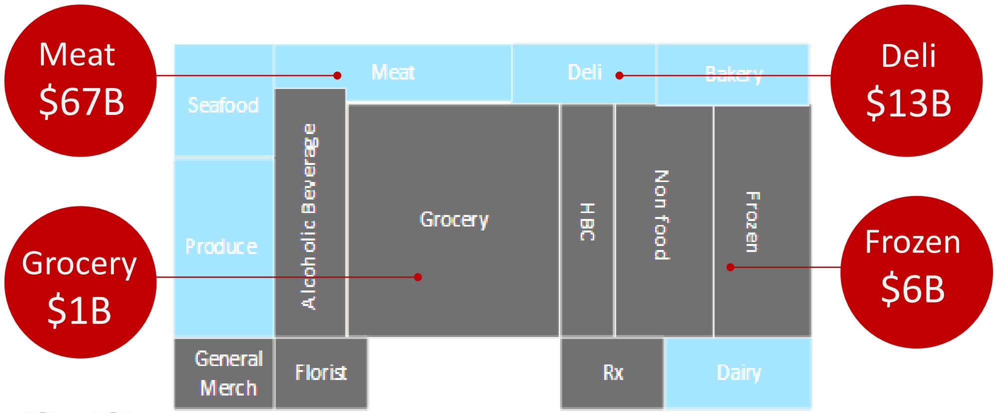
More than meets the eye

Beyond the meat department, another $23B of meat items are sold



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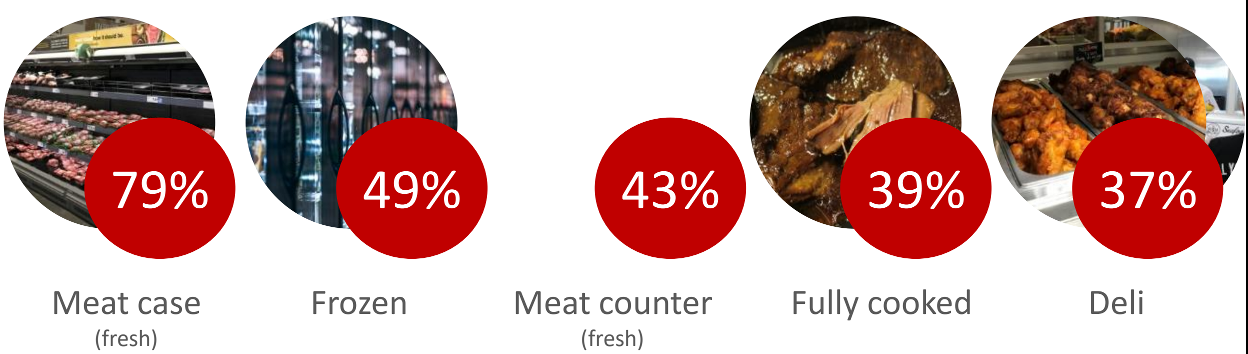
Source: Nielsen, 52 weeks ending 2018

And shoppers buy meat across the store

In a given month, shoppers purchase meat from 3 places in the store



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Source: Power of Meat 2019 | Picture: 210 Analytics

Growth for all convenience-focused meats

Consumers' no. 1 reason for buying frozen is convenience

Value-added	Fully-cooked (total store)	Deli	Frozen	Meal kits
+5.1%	+2.5%	+4.2%	+2.2%	+51%

Source: Nielsen, 52 weeks ending 2018| Picture: 210 Analytics

62%

of consumer buy

9%

of 2018 sales

+5.1%

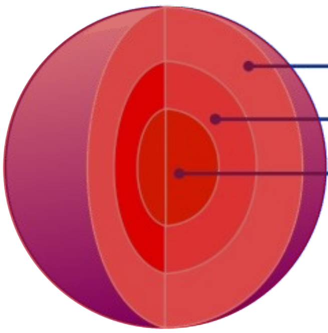
$ growth | +3.4% lbs in 2018

	$	Lbs
	+3.6%	+0.5%
	+8.8%	+3.9%
	+6.3%	+9.0%
	+0.9%	+0.9%

Source: IRI, 52 weeks ending 2018| Picture: 210 Analytics

Growth triggers differ by segment

Build out programs at the store level



38% Uninvolved

41% Periphery

21% Core

Value-added shopper segments

Growing uninvolved:
- Better prices

Growing the core:
- Better prices
- Greater assortment
- More flavors
- When/where prepared

Source: Power of Meat 2019

Meal kits blend changes in eating *and* shopping

Demographically, meal kit buyers are very similar to online grocery shoppers

34%

Have bought a meal kit from a grocery store

13%

Have ordered a meal kit from a home delivery company

Source: Power of Meat 2019 | Picture: 210 Analytics

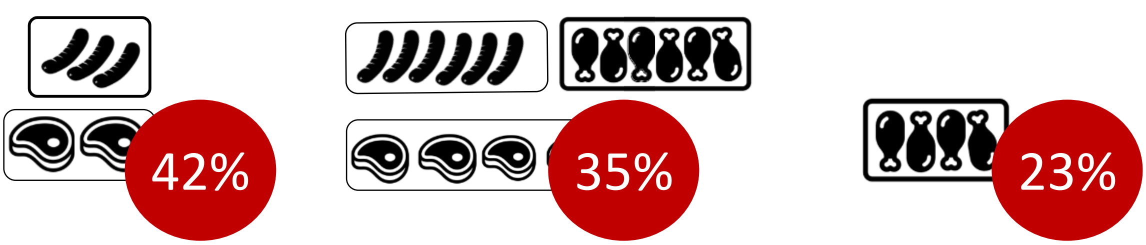
how we SHOP

- Purchase planning
- Channel choices
- Purchase size
- Brands
- E-commerce

35

4 in 10 shoppers buy a few days at a time

31% of Gen Z and 28% of Millennials buy one meal at a time



Several meals
(refrigerate)

Larger quantities
(freeze & use over time)

One meal at a time

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Source: Power of Meat 2019 | Picture: 210 Analytics

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The sad state of the American fridge….

Even if people have the best intention to cook…

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Pictures: 210 Analytics

Supermarkets continue to be a meat stronghold

But growth is in value and specialty, with declines for supermarkets and clubs

	Supermarket	Supercenter	Limited assortment	Club	Organic/ specialty	Other
Primary store groceries	51%	34%	7%	5%	3%	1%
Primary store meat/poultry	55%	27%	5%	6%	4%	3%
	-2 pts		+1 pts	-1 pt	+1 pts	

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Source: Power of Meat 2019 | Picture: 210 Analytics

Disruption is happening in 3 areas

Extreme value
- Simplicity of operations
- Cost reduction
- Create key items with WOW pricing

Extreme convenience
- Frictionless retail
- Technology integration
- Pain point elimination
- Consumer time-savings

Extreme experience
- Slowing people down
- Great displays and experiences
- Develop a mentality of trial and change

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Picture: 210 Analytics

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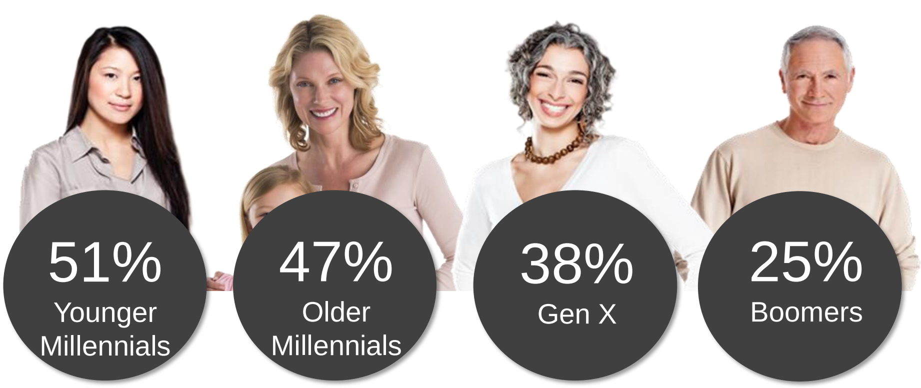
Online not yet a primary way to buy meat/poultry

14% have tried it once/twice; 13% do so 1x/month; 12% weekly/every few weeks

39%

Have purchased groceries online 1+ in the past year

Up from 29% in 2015



51% Younger Millennials

47% Older Millennials

38% Gen X

25% Boomers

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Source: Power of Meat 2019 | Picture: 210 Analytics

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Meat trails, particularly fresh

With a lot of trial (35%) and low ordering frequencies (47% 1x/month or less)

Have bought groceries online

Have bought meat/poultry online (fresh, frozen, fully-cooked)

Have bought fresh (uncooked) meat/poultry online

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Source: Power of Meat 2019 | Picture: 210 Analytics

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BRAND-BASED DECISION MAKING

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Picture: 210 Analytics

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Consumers continue to seek out branded product

Private label gains in fresh; manufacturer labels gain in processed

Consumer preference	Fresh 		Processed 	
Manufacturer brand	26%		50%	
Private label	24%		14%	
No brand preference	50% …	↓ from 74% in 2007	36% …	↓ from 63% in 2007

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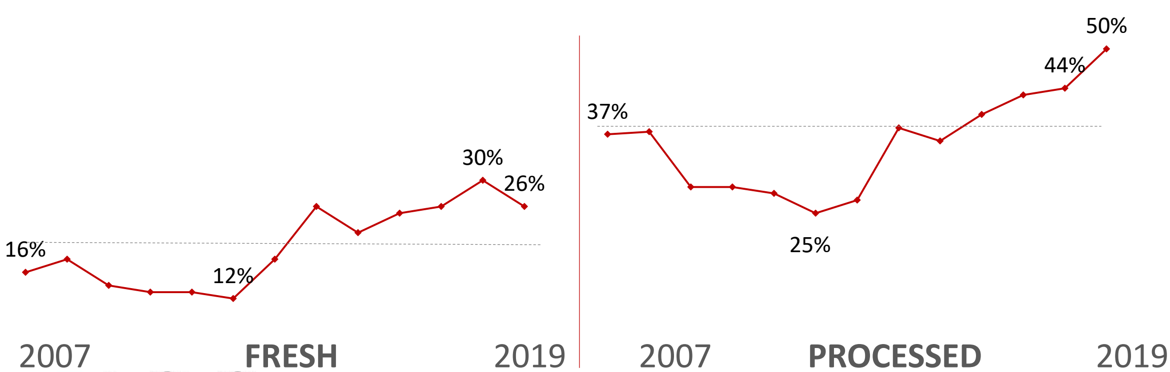
Source: Power of Meat 2019 | Picture: 210 Analytics

Steady rise in brand preference for processed/fresh

Manufacturer brand preference for processed reaches study high

Prefer manufacturer brand meat and poultry



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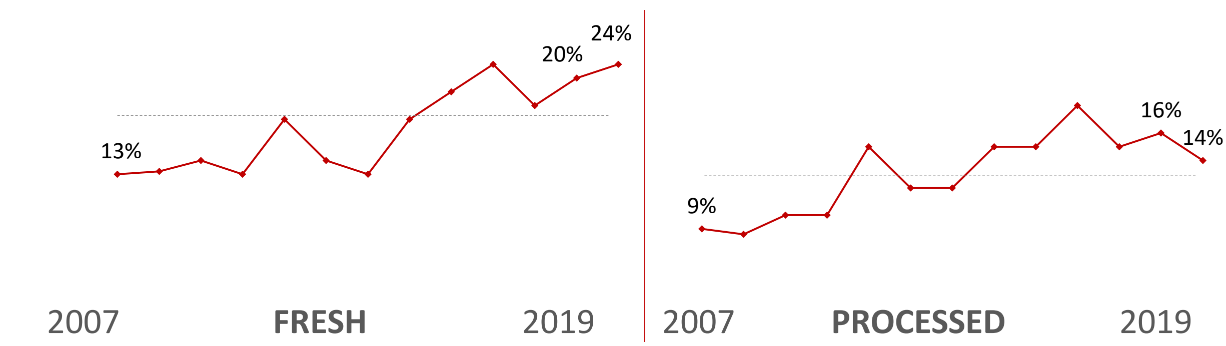
Source: Power of Meat 2019 | Picture: 210 Analytics

Private brand's story strengthens for fresh

Private brands are winning across all edibles; $ sales up 5.2% vs. 1.5% for national brands



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Source: Power of Meat 2019 | Picture: 210 Analytics

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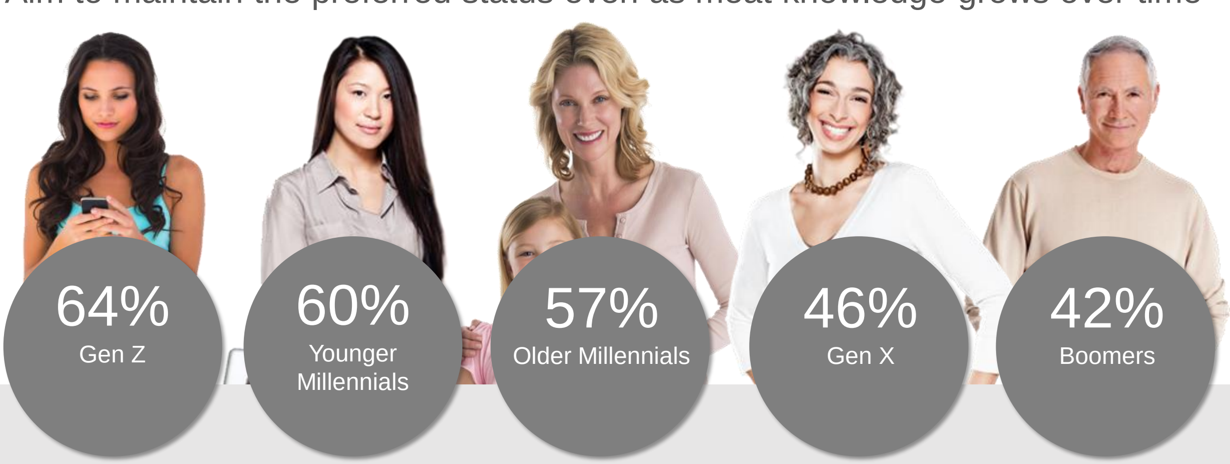
Outright brand preference drops as age rises

Aim to maintain the preferred status even as meat knowledge grows over time



Source: Power of Meat 2019 | Picture: 210 Analytics

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How we live

- Better-for-me
- Better-for-the-animal
- Better-for-the-planet
- Better-for-the-farmer/worker

47

Growing influence of “want” versus “need”

Storewide, items with specialty/wellness positioning +14%; holistically natural +32%

80%

Look for at least one of the “better-for-….” options when buying meat/poultry

Better-for-….

66% Me/my family

29% The animal

28% The planet

26% The farmer/worker

Source: Power of Meat 2019

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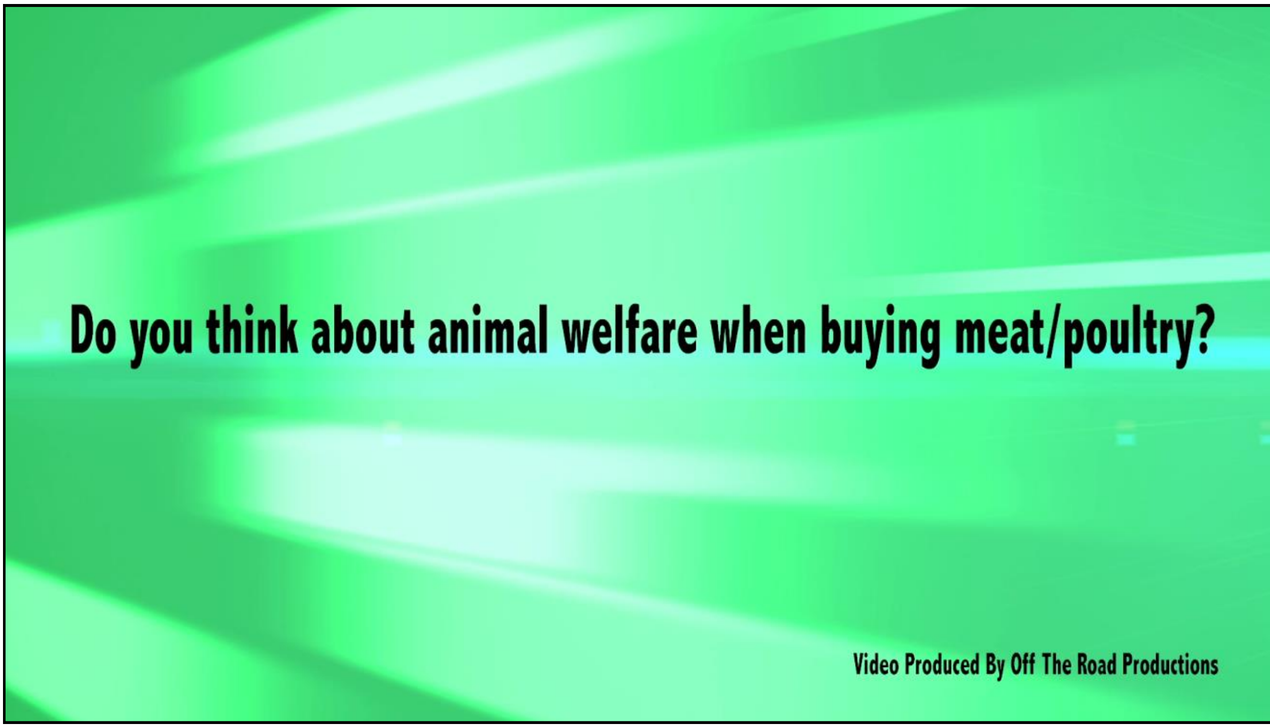
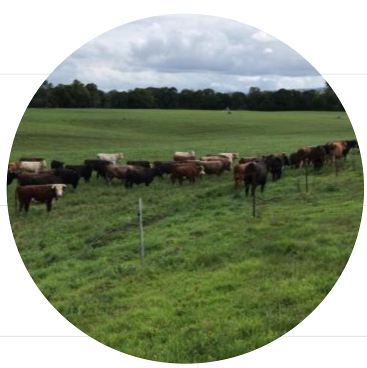


Better-for-the-animal

"Items featuring claims focused on livestock and production"



- High income, high weekly spending & trips
- Millennials (families w/kids)
- High interest in production attributes
- Flexitarians
- Active online/social media users
- Integrate plant-based (blended + alternatives)
- Elevated health/social/ environmental consciousness

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Source: Power of Meat 2019 | Picture: 210 Analytics

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A wide definition in the eyes of the consumer

Among shoppers looking for better-for-the-animal, all issues rated highly

- Handling during slaughter

- # animals/space
- Outdoor access
- Type of food
- No growth hormones/ steroids
- Size of living space

- Access to natural light

- Access to antibiotics when sick
- Absence of antibiotics altogether

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Source: Power of Meat 2019 | Picture: 210 Analytics

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A shared opportunity to inform and educate

Transparency is the currency of trust with animal welfare as a differentiating angle

Animal welfare for U.S.-raised livestock is good

- No: 23%
- No clue: 26%

The meat/poultry you buy comes from animals raised with good animal welfare standards

- No: 14%
- No clue: 44%

Source: Power of Meat 2019 | Picture: 210 Analytics

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European response: a continuum of choice & information

Kaufland supports the animal welfare "Tierwohl" initiative

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Picture: 210 Analytics

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And on-pack and in-store education/information

A good life for all our chickens "That's our mission every day"

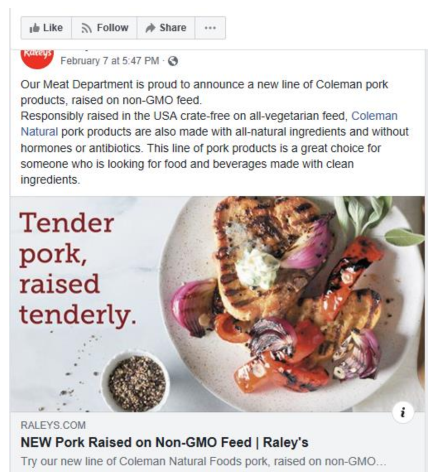
	Store brand	Free range	Excellent	Organic
Chickens/square meter	16	12	13	10
Age	47 days	56 days	56 days	70 days
Ability to go outside	None	Covered	Outside	Outside

Picture: 210 Analytics

	Basic	1 star better life	Organic
Pigs/meter	1/0.8m	1/1m	1/1.3m + outside roaming
Days with mother	25	28	42
Hours of transportation	Max 24	Max 6	Max 6

Picture: 210 Analytics

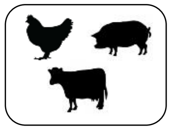
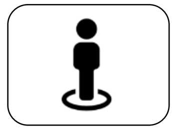
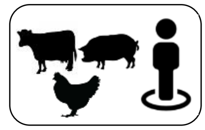
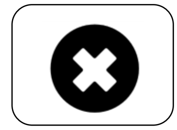
Welfare part of bigger “doing right by” trend



Picture: 210 Analytics

Shoppers link health and production attributes

Majority of claims tied to the consumers'+ animals' health

				
Humanely-raised	42%	5%	50%	3%
No antibiotics ever	12%	33%	49%	6%
Hormone-free	9%	25%	63%	3%
Free-range	32%	13%	51%	4%
Grass-fed	20%	18%	58%	4%
Organic	9%	31%	44%	15%

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Picture: 210 Analytics

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Do you purchase meat and poultry with claims such as organic, grass-fed, antibiotic free, etc., and why?

Video Produced By Off The Road Productions

Production claims deliver BIG across the store

Meat with claims
+4.8% | +0.4%
No claim
+2.6% | -2.1%

	$	$ growth	Lbs growth
All natural	$7.3B	+6.4%	+3.1%
Antibiotic free	$4.9B	+3.1%	-4.2%
Hormone free	$3.4B	+5.2%	+4.1%
Organic	$950M	+13.1%	+4.2%
Vegetarian fed	$746M	+3.8%	+0.6%
Humanely raised	$515M	+0.6%	-1.3%
Grass fed	$489M	+12.2%	+13.2%

Source: Nielsen, Total U.S. Food, 52 wks ending 01/12/2019, UPC and non-UPC coded items $ | Lbs

59

-2.0%
Conventional $ sales growth 2018

+19.2%
NAE $ sales growth 2018

Meat department only

	Conv. $	NAE
	+0.6%	+6.4%
	-9.8%	+25.0%
	-4.5%	+37.1%
TOTAL	-2.0%	+19.2%

60

-3.0%

Conventional $ 3-yr CAGR

+24.92%

NAE $ 3-yr CAGR

Meat department only

	Conv. $	NAE
Beef	-0.5%	+3.4%
Chicken	-9.4%	+38.6%
Turkey	-2.9%	+18.5%
TOTAL	-2.0%	+19.2%

Shoppers are still looking for more

Can animal welfare + own health be the angle to increase household penetration?

- Grass-fed
- All natural
- Antibiotic-free
- Hormone-free/no added
- Raised in the USA
- Free-range

- Humanely-raised
- Premium quality
- Organic
- Raised locally

- Vegetarian fed

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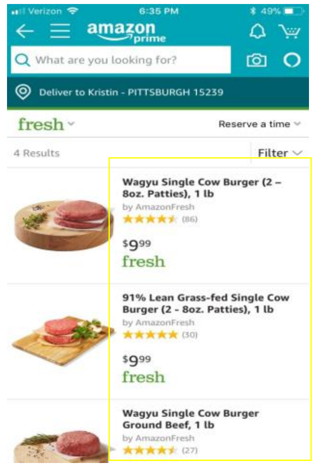
But how much better could we do?

Are we helping or hurting with our …-fed, …-raised, …-finished and single-cow?



Picture: 210 Analytics

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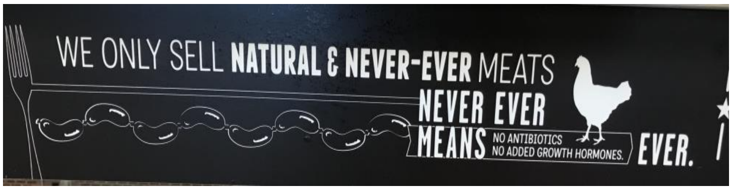
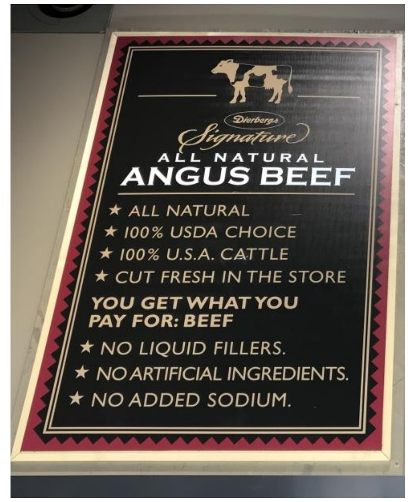
Some examples





Picture: 210 Analytics

Better-for-**me** is an interesting angle for meat

"Items you deem healthier or more nutritious than other options"

- High income, high weekly spending & trips
- Older Millennials (families w/kids)
- High interest in production attributes
- Active online/social media users
- Integrate plant-based (blended + alternatives)
- Willing to switch stores to meet their wants
- Brand focused

FEEDING QUALITY FORUM

Source: Power of Meat 2019 | Picture: 210 Analytics

Approach focuses on leaner and moderation

Less focus on moderation; more on lean | +5.0% growth in $ sales of lean meat

	Regularly	Never
• Leaner cuts	53%	7%
• Limit second helpings	33%	20%
• Smaller portion sizes	22%	22%
• Other protein sources	21%	22%

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Source: Power of Meat 2019 | Picture: 210 Analytics

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The protein argument, one last time

State the obvious, everyone else is!

Sales items w/protein claims

$14.4B	$2.6B	$135M
Total store	Frozen $	Meat $
2.7% of sales	5.1% of sales	0.2% of sales
		+16.6% 2018 growth

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Source: Power of Meat 2019 | Picture: 210 Analytics

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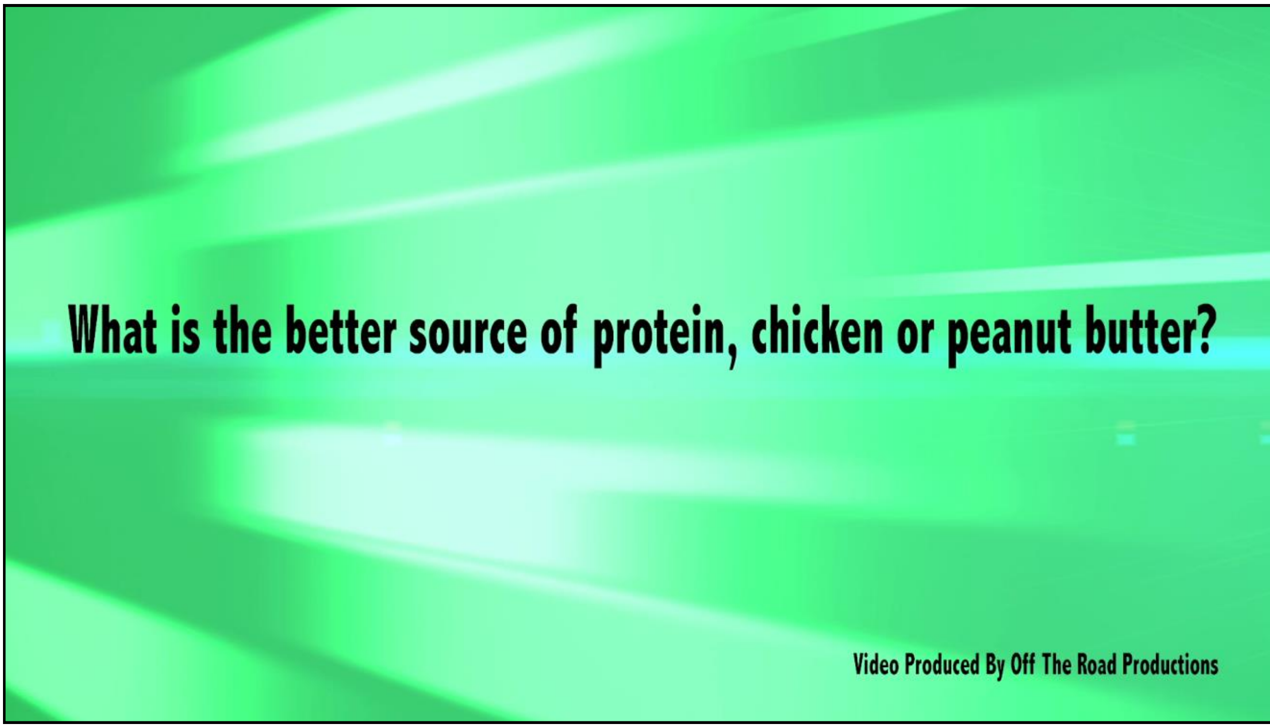

No, no no, they don't know

78%
overestimated peanut butter's protein delivery

58%
underestimated chicken's protein delivery

% **failed** to identify as a high protein source:

45% Beef

58% Chicken

64% Pork

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Picture: 210 Analytics

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The world is changing in record-setting pace.
Doing the right things right, means changing with it.

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Picture: 210 Analytics

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Questions?

- For questions or additional information
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thank you!

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