THE FOOD INDUSTRY ASSOCIATION

TRENDS IN GROCERY RETAIL

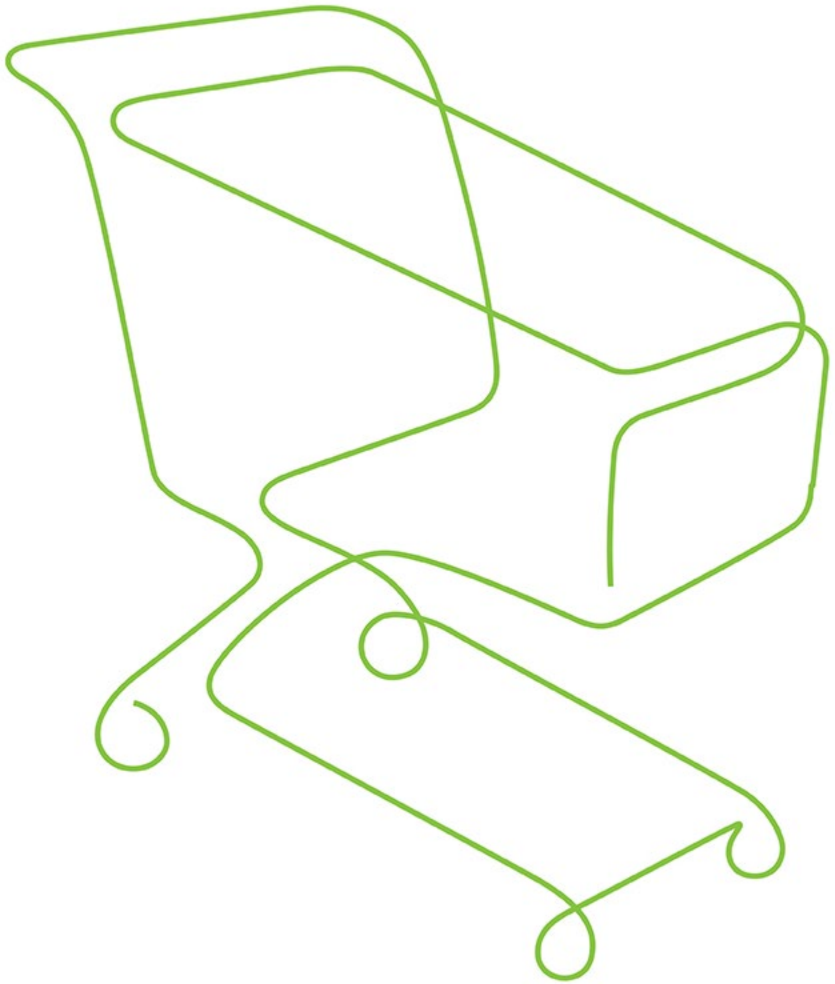
ANDREW HARIG

VICE PRESIDENT – TAX, TRADE, SUSTAINABILITY & POLICY DEVELOPMENT

FMI

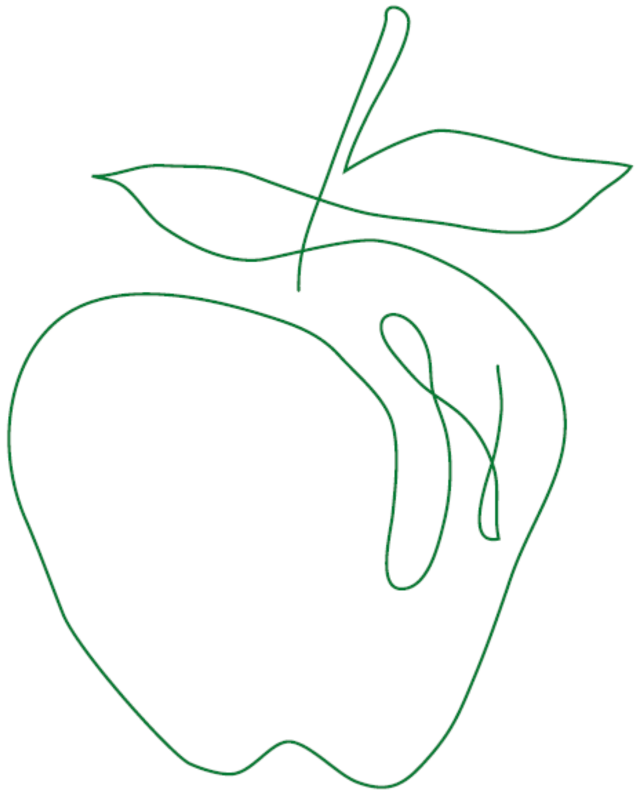
AHARIG@FMI.ORG

202-220-0628



As the **food industry association**, FMI works with and on behalf of the entire industry to advance a **safer**, **healthier** and **more efficient** consumer food supply.

FMI brings together a wide range of members across the value chain — from **retailers** who sell to **consumers**, to **producers** who supply the food, as well as the wide-variety of companies providing critical services — to **amplify** the collective work of the industry.



FMI in the Marketplace

$800 billion industry with nearly 6 million employees.

FMI propels the retail food industry by advocating
for and supporting a safer, healthier, and more efficient consumer food supply.

**Independent operators: 50 stores or less*

As the last two presentations make clear, food retail is in uncharted territory….

- Very low food price inflation
- Consolidation
- Technology changes
- Channel splitting

Today, I'm going to focus on two trends that are re-shaping retail and helping to improve the customer experience while keeping prices low:

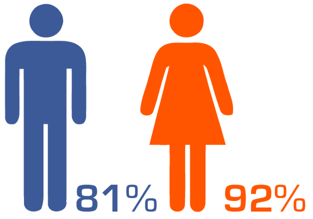
- Rise of the online shopper
- The push for ever-greater personalization

GROCERY SHOPPING REMAINS A NATIONAL PASTIME

CURRENTLY IN THE U.S.

86% of all adults say they have at least **HALF** of the responsibility for household grocery shopping

(compared to 85% in 2018)



SHOPPERS SHOP MULTIPLE CHANNELS/ BANNERS

Shoppers visit an average of

4.4

(up from 4.1 in 2018)

retail banners for groceries each month

Shoppers visit an average of

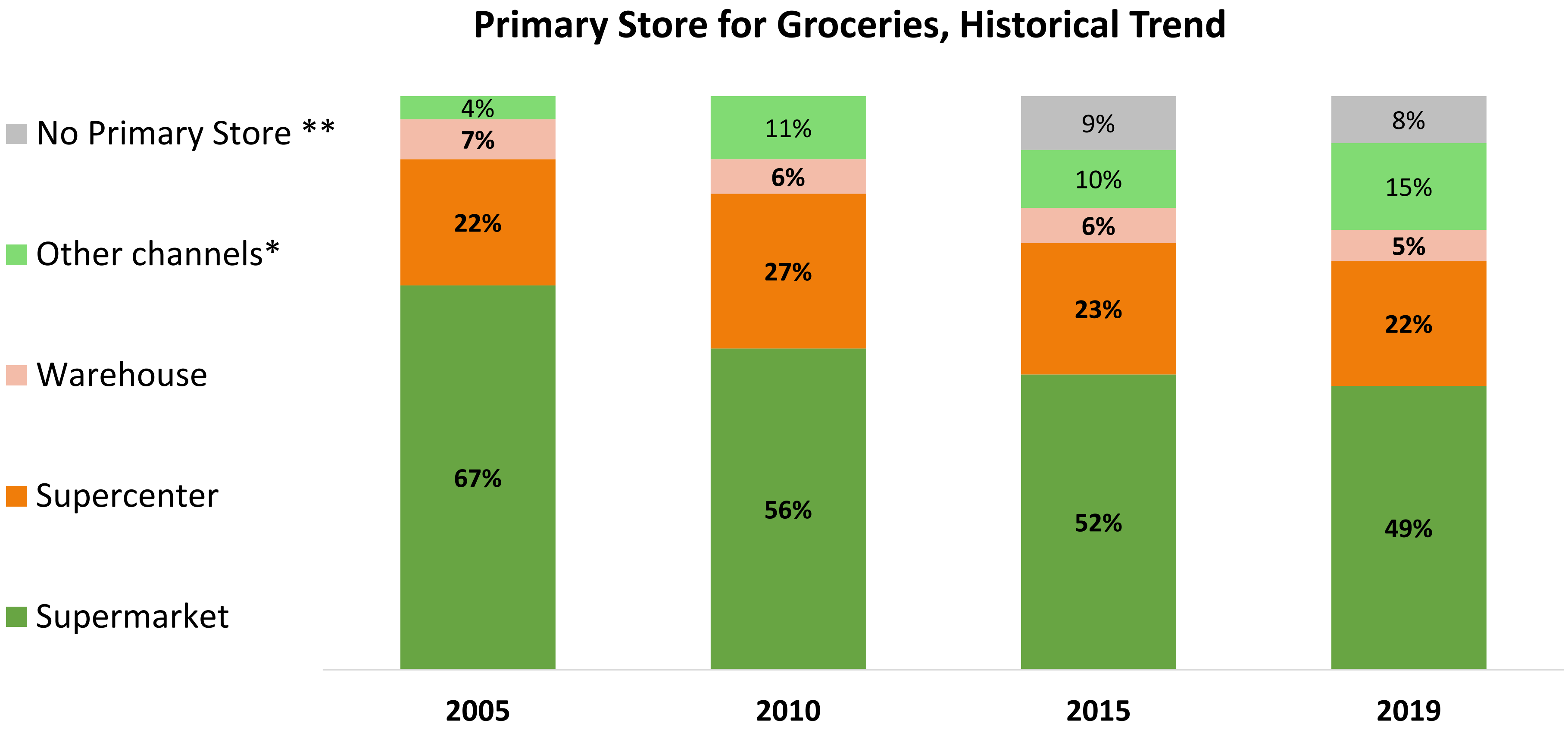
3.1

different channels for groceries each month

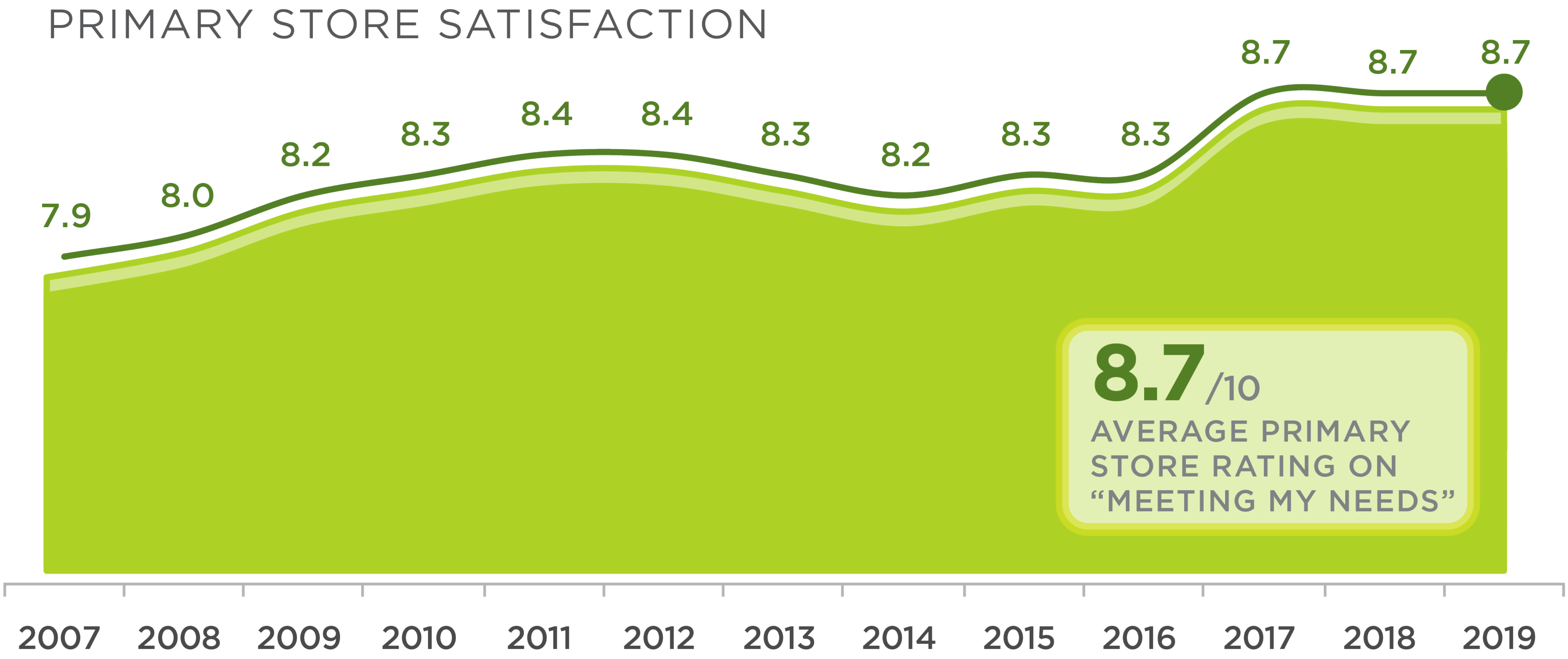
The whole 'one-size-fits-all' thing – or lack thereof – is the whole reason why I have to go to all these places. If there was a store with reasonable prices, great selection of healthy, ethically-sourced food, with friendly, low-key, down-to-earth service, I'd like that. But until then, the combination of all them together does a good job of meeting my family's needs.

— Josh, 58

Channel surfing continues; Supermarkets stabilize as the primary destination for ½ of grocery shoppers

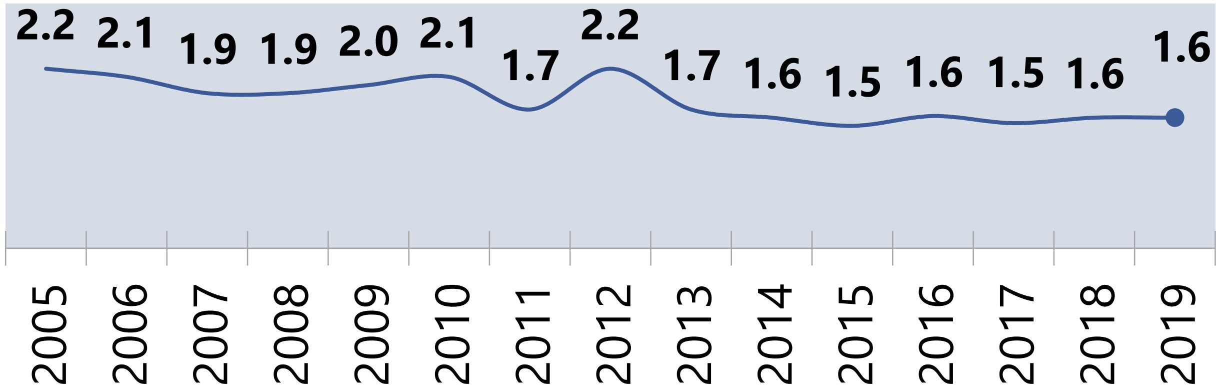


SATISFACTION WITH PRIMARY STORE IS AT A 10-YEAR HIGH



Weekly trips and spend remain stable

TRIPS



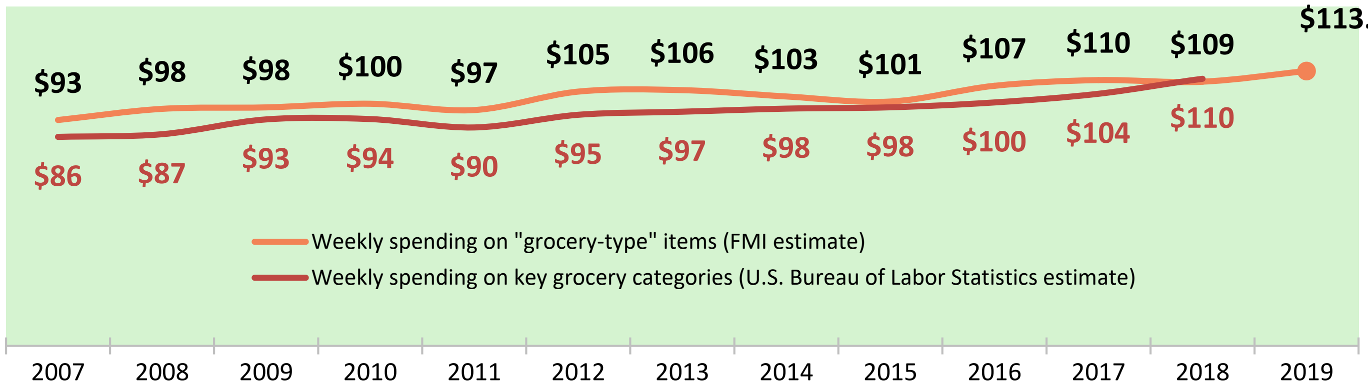
1.6 trips per week

1.7 Online Shoppers

1.5 Not Online Shoppers

1.6 average trips
+0.9 by others alone
2.5 trips per household (2.2 in 2018)

SPEND



$113.50 **spent on groceries per week per household**

TODAY'S SHOPPERS NEED A COMPASS TO HELP THEM EAT AND SHOP

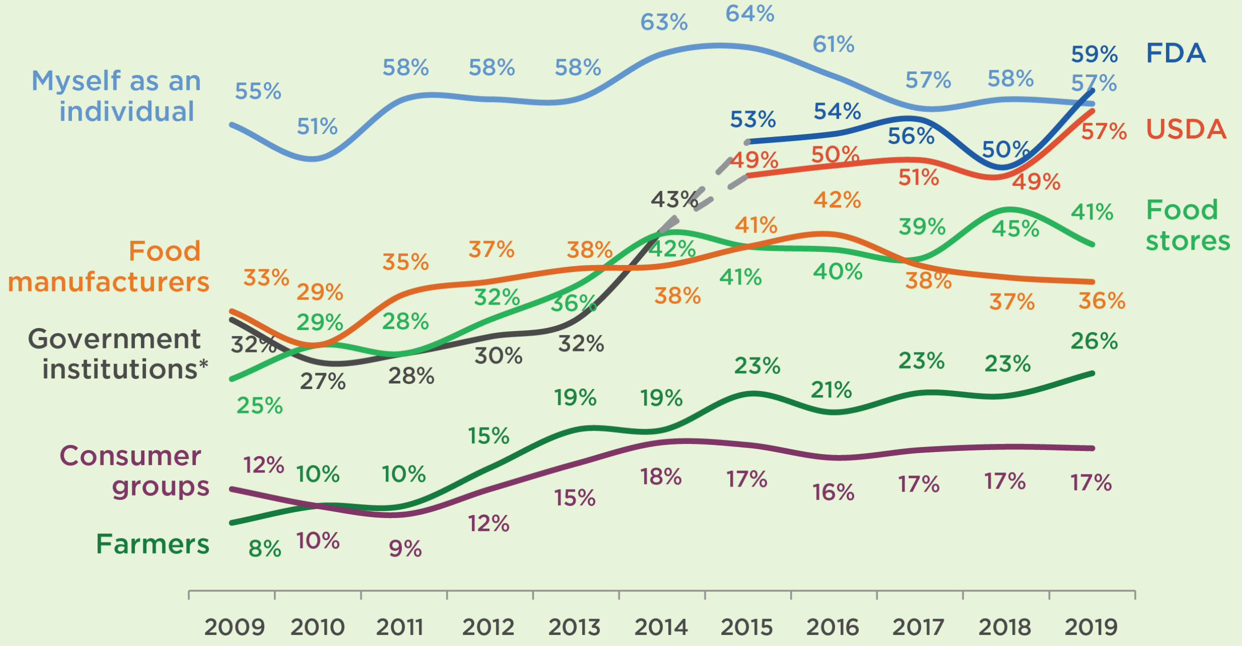
SHOPPERS HAVE COME TO COUNT ON A GROWING NUMBER OF ENTITIES TO ENSURE FOOD BOUGHT AT STORE IS SAFE

CONTINUED HIGH TRUST IN SAFETY AT THE GROCERY STORE

93% OF SHOPPERS TRUST THEIR GROCERY STORE TO ENSURE THAT THE FOOD THEY PURCHASE IS SAFE
(compared to 93% in 2018, 96% in 2017, and 94% in 2016)

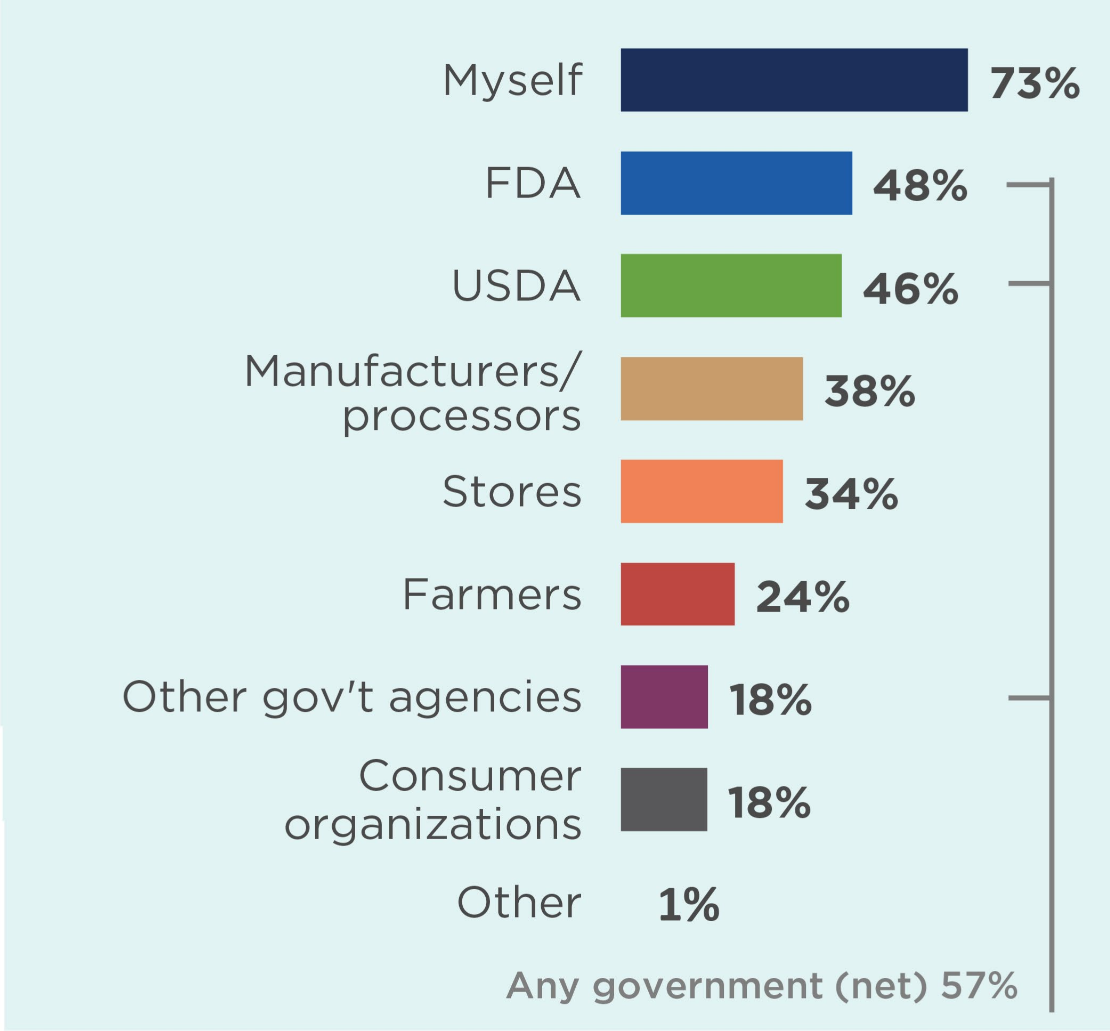
89% OF SHOPPERS ARE CONFIDENT FOOD FROM PRIMARY STORE IS SAFE
(compared to 88% in 2018, 87% in 2017, and 86% in 2016)

INSTITUTIONS CONSUMERS RELY ON TO ENSURE WHAT IS BOUGHT AT GROCERY IS SAFE



SHOPPERS MAKE NUTRITION THEIR RESPONSIBILITY BUT RECOGNIZE A NUMBER OF PARTNERS

WHO IS RESPONSIBLE FOR NUTRITION?



I, MYSELF, AM RESPONSIBLE FOR NUTRITION (BY GENERATION)

Gen Z	Millennials	Gen X	Boomers	Silent
60%	65%	73%	79%	87%

FRESH CATEGORIES
MOST IMPORTANT FEATURES OF PRIMARY STORE

HIGH-QUALITY FRUITS AND VEGETABLES ★ 78%

HIGH-QUALITY MEAT ★ 76%

LOW PRICES 76%

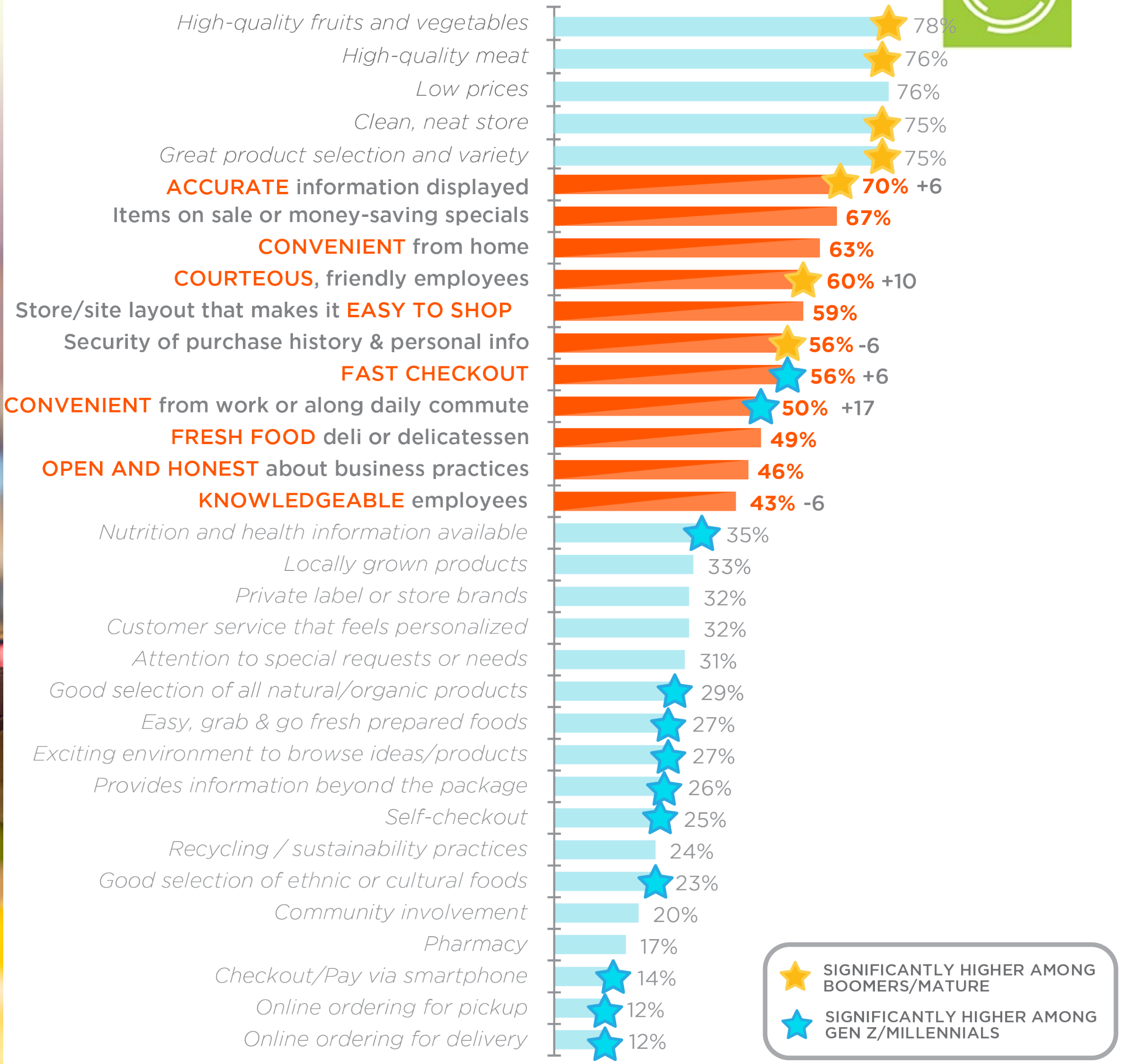
CLEAN, NEAT STORE ★ 75% +11pts

GREAT PRODUCT SELECTION AND VARIETY ★ 75%

★ = SIGNIFICANTLY HIGHER AMONG BOOMERS/MATURE

IN-STORE EXPERIENCE AND CONVENIENCE ALSO IMPORTANT FEATURES

MOST IMPORTANT ATTRIBUTES IN PRIMARY STORE



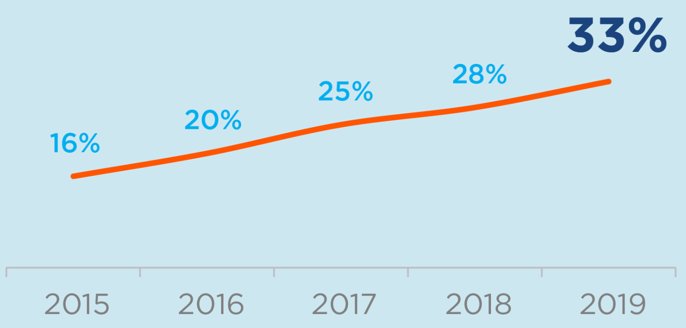
The Online Marketplace

THE ONLINE GROCERY CHANNEL; GEN X CATCHING THEIR MILLENNIAL FRIENDS

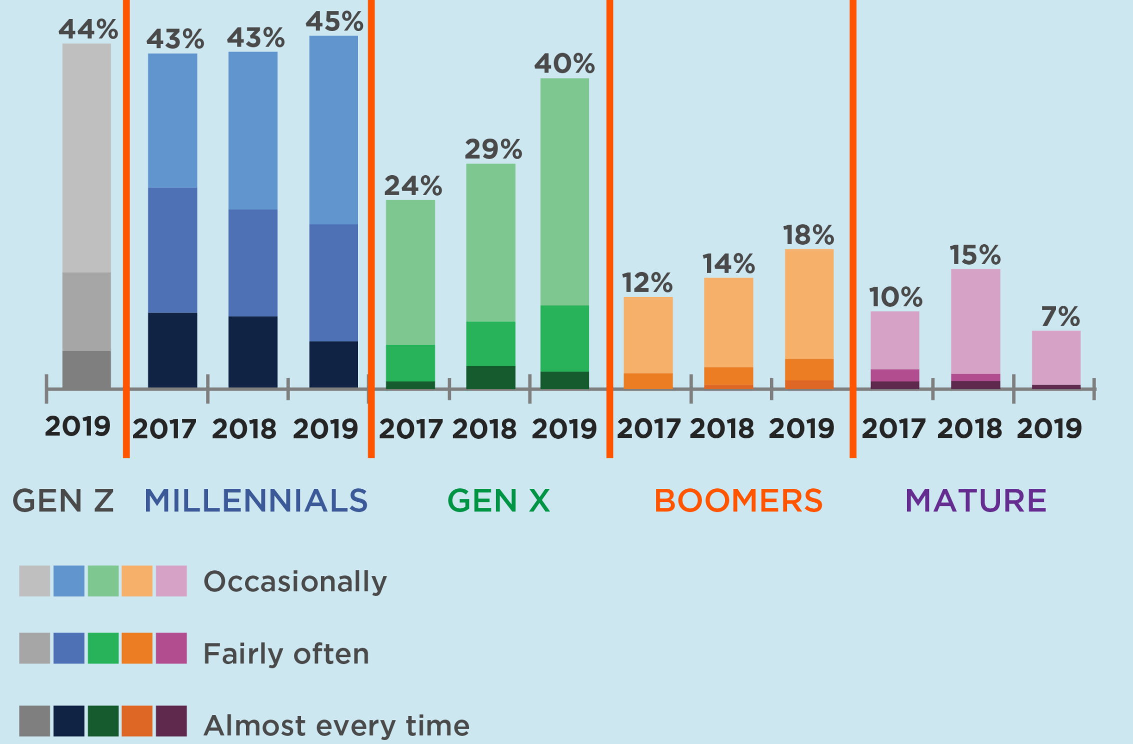
33%
of shoppers use online-only retailers at least occasionally.

AMONG THESE:
66% OCCASIONALLY
25% FAIRLY OFTEN
9% ALMOST EVERY TIME

USE OF ONLINE-ONLY RETAILERS, HISTORICAL TREND



FREQUENCY OF SHOPPING ONLINE-ONLY/ONLINE-PRIMARILY RETAILERS, HISTORICAL TREND, BY AGE COHORT



Some additional learnings about frequent online shoppers

Frequent online shoppers:

- Shop more in general;
  - more banners,
  - more channels
  - AND more weekly trips to the brick & mortar grocer.
- Spend more in general;
  - Not only more online but in the store.

Who are the frequent online shoppers?

- Male -55%
- Millennials and GenX
- Parents
- College-educated
- Higher HHI (36% $100k+)
- Urban
- South

Personalization; what the customers wants from a retailer

U.S Grocery Shopper Trends

4 Myths about Personalization

Myth 1

Myth 2

Myth 3

Myth 4

Myth 1

Myth

- Shoppers want Everything Personalized

Fact

- Shoppers aren’t asking for differentiated treatment, it may be a plus.
- They expect to control and do some of the work of personalization themselves, that’s what they think shopping is.
- They just want shopping to be easier, with flexibility to meet their families’ changing needs.

Myth 2

Myth

- Personal eating requirements means shoppers buy for individuals rather than a family.

Fact

- Families still want to eat together, and family meals require balancing among personal and shared needs and tastes.
- Desires for social cohesion and parental goals for cultivating healthy food habits put hard limits on extreme eating personalization.

Myth 3

Myth

- Specialized eating habits are the domain of specialty retail, mass market cannot compete

Fact

- The stores shopper's rate most highly excel at the benefits of personalization:
  - Convenience
  - Caring
  - Enabling the shopper to meet their needs.
- Specialty stores find it easy to understand and make recommendations, but they do not own these benefits.

Myth 4

Myth

- Digital platforms are more easily customizable, so they should be the focus of personalization initiatives

Fact

- Digital should amplify rather than replace non-digital efforts.
- Sharing personal data and supporting personal eating requires permission and a foundation of existing trust.

thank you!

LEARN MORE ABOUT GROCERY SHOPPING TRENDS AND DOWNLOAD THE FULL REPORT AT:

FMI.org/grocerytrends