tommy's PICTSWEET FARMS WAWONA FROZEN FOODS SOUTHEASTERN MEATS PICK 5 SIGNATURE Firestone Quality Since 1896

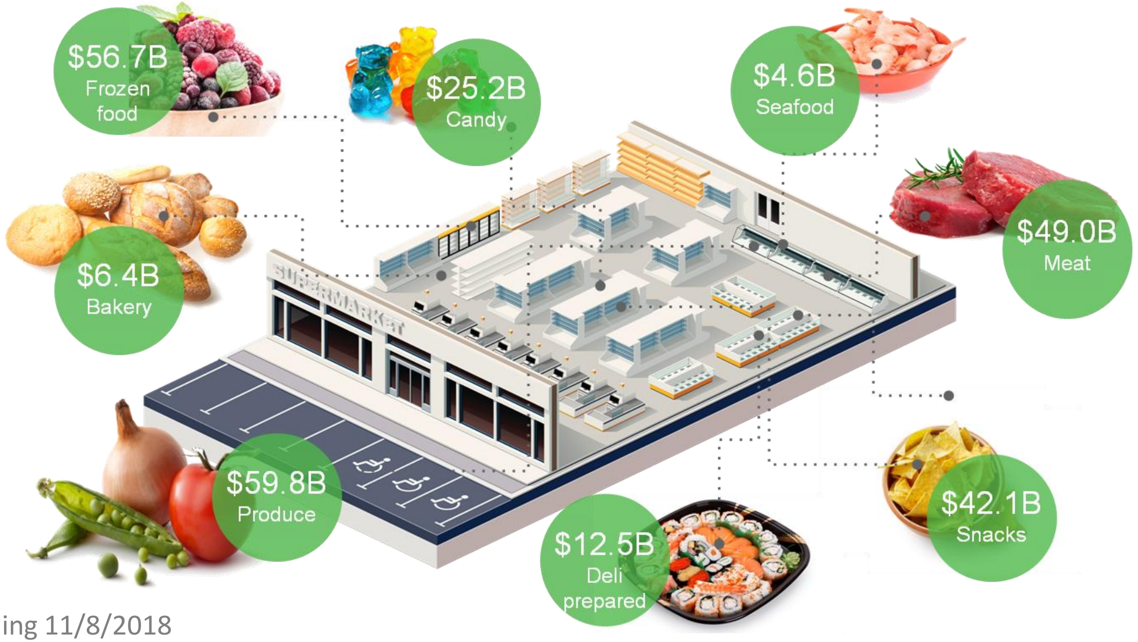
Presented by:

AFFI President and CEO Alison Bodor

Power of Frozen: A Formula for Growth

A sizeable department: $56.7 billion

Bigger than most perimeter and center-store departments



Source: IRI, MULO+C, 52 weeks ending 11/8/2018

Covering every meal occasion

Top 10 in dollar sales out of 26 categories

Entrees

$9.2B

Ice cream

$6.8B

Novelties

$5.2B

Pizza

$4.9B

Seafood

$4.8B

Poultry

$4.2B

Breakfast

$3.5B

Processed poultry

$3.1B

Meat

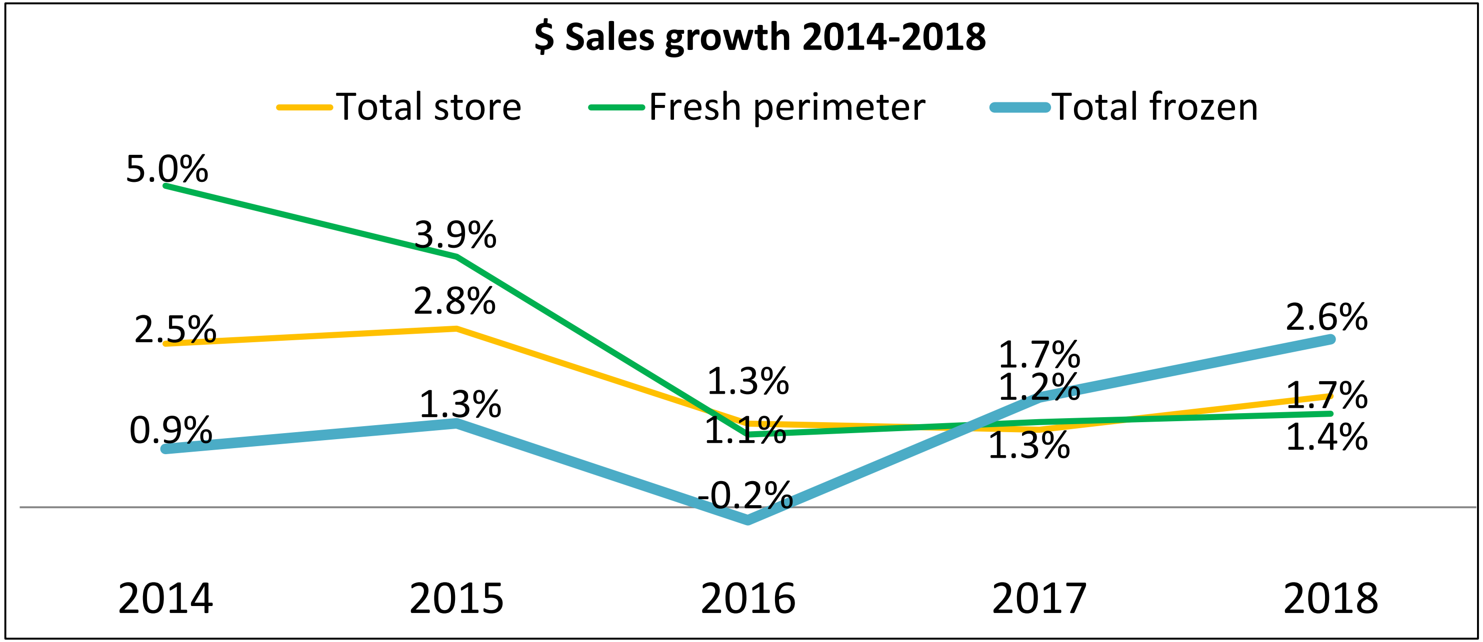
$2.7B

Vegetables

$2.5B

Source: IRI, MULO+C, 52 weeks ending 11/8/2018

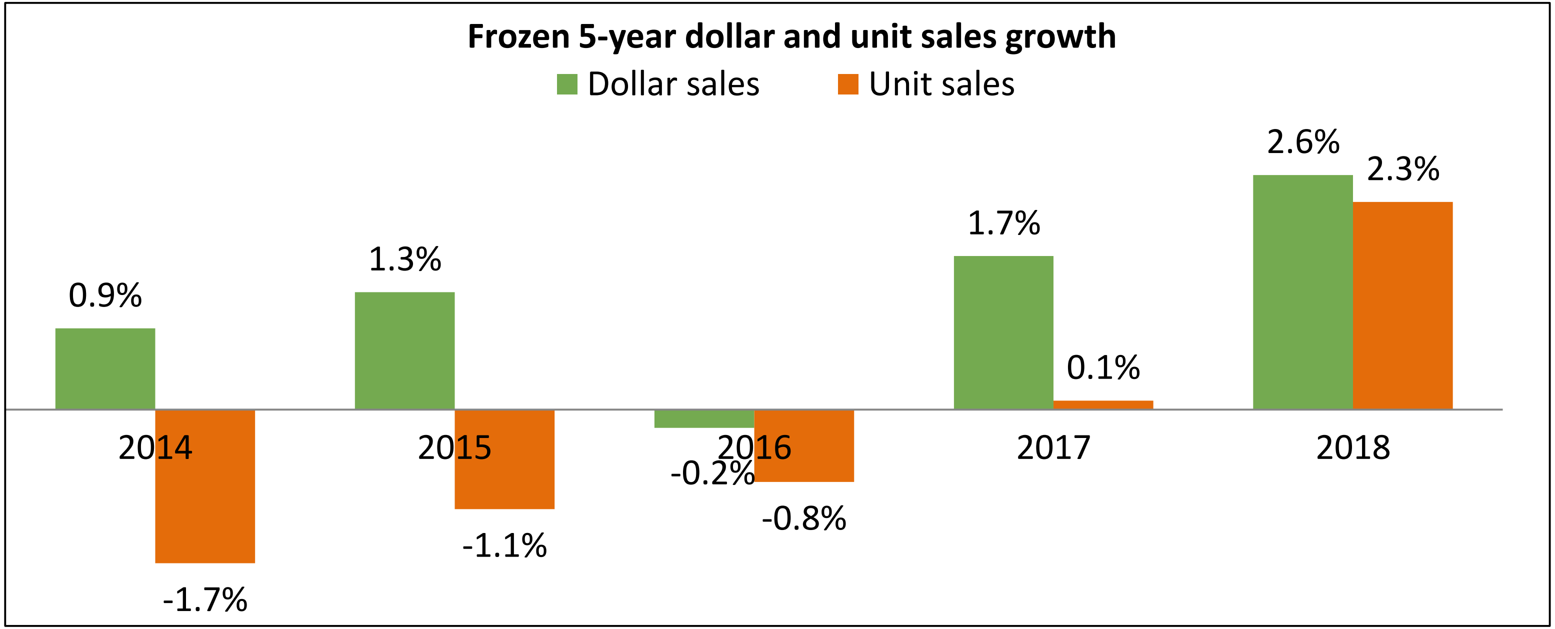
The Frozen Food Comeback



Source: IRI, MULO+C, 52 weeks ending 11/8/2018

A comeback several years in the making

A turnaround in dollars AND units



Source: IRI, MULO+C, 52 weeks ending 11/8/2018

Across the board growth

***Dollars** up for 9 of the top 10 categories; **Units** increased for 10 out of 10*

Entrees

+2.3% | +0.4%

Ice cream

+0.2% | +1.1%

Novelties

+4.2% | +2.3%

Pizza

+4.9% | +3.1%

Seafood

+4.2% | +1.6%

Poultry

-0.5% | +0.1%

Breakfast

+5.7% | +4.7%

Processed poultry

+0.6% | +0.5%

Meat

+5.2% | +5.2%

Vegetables

+2.7% | +2.6%

Source: IRI, MULO+C, 52 weeks ending 11/8/2018 | Dollars in black, units in blue

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National brands generate the lion's share of sales

Dollars up for 9 of the top 10 categories; units increased for 10 out of 10

79%

Manufacturer brand share of 2018 sales

+1.8% Manufacturer brands + +6.1% Private brands = Dollar growth

Source: IRI, MULO+C, 52 weeks ending 11/8/2018

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High household engagement

Opportunity to drive cross-category penetration

99.4%

Frozen food household penetration

Ice cream
87.5%

Entrees
85.5%

Novelties
79.6%

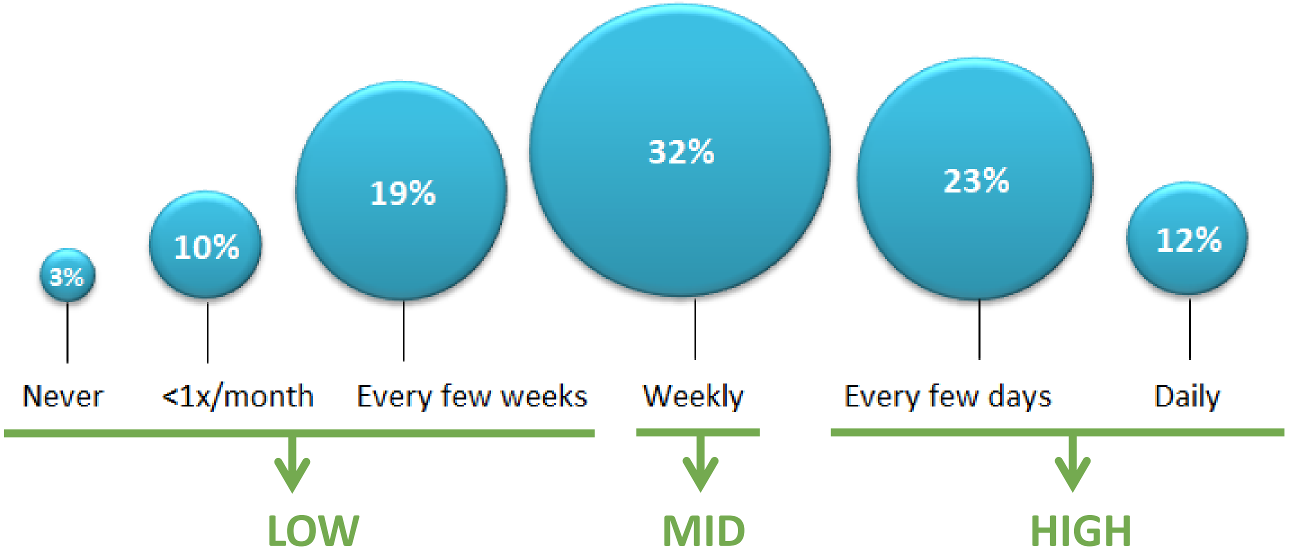
Vegetables
79.0%

Pizza
70.6%

Source: IRI, all outlets, 52 weeks ending 11/8/2018 | Top 5 categories for household penetration

Opportunity to improve consumption frequency

Household frequency of eating frozen food



Source: The Power of Frozen 2019

Purchasing behavior of low and high-frequency consumers

19% LOW-frequency

32% MID-frequency

52% HIGH-frequency

Source: The Power of Frozen 2019

Sales data confirms levers for growth

	More people buy	People buy more	Buy more often
2018:	Buyers flat -0.1%	$ Per buyer: +1.8%	Trips: +0.8%

Source: IRI, all outlets, 52 weeks ending 11/8/2018

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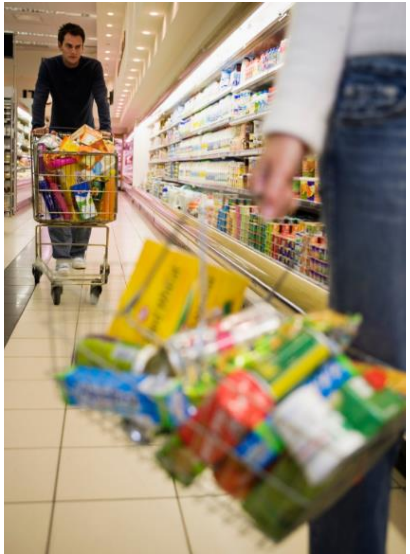
How do we continue the success?

1. Understand more about low-frequency consumers



2. Optimize sales among high-frequency (core) consumers

3. Understand the what and why behind frozen food sales success

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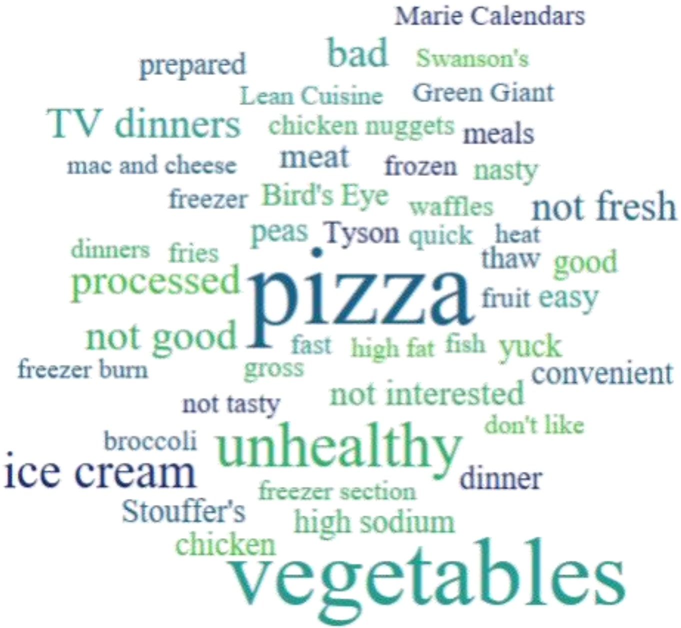
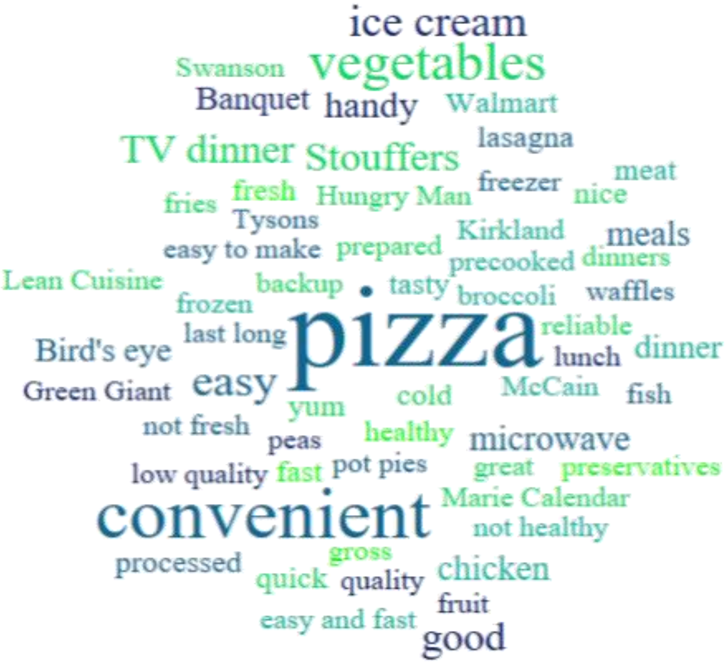
#1 Understanding the low-frequency consumers

LOW FREQUENCY

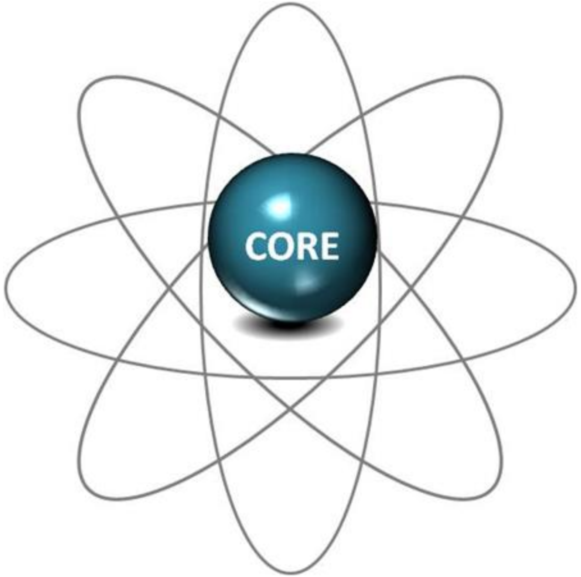


HIGH FREQUENCY



Source: The Power of Frozen 2019 | Frozen food word association, mentioned 2+ times

#2 Optimizing sales among core consumers



All income levels

Older Millennials

Consumers in suburban and urban areas

Men

Kids at home, especially ages 7-12

Households of 3-4 people

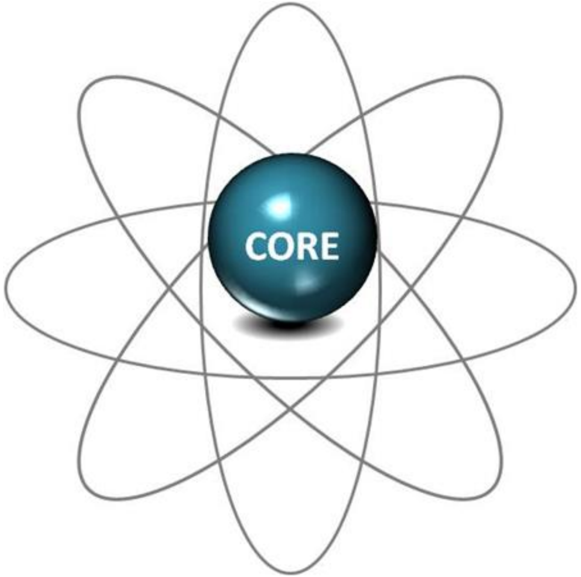
Source: The Power of Frozen 2019

#2 Optimizing sales among core consumers

Purchase more food types for more food occasions at home and at work

Adventurous and impulsive consumers

Supercenter and club shoppers, and, online shoppers



Increasingly rely on frozen food as a backup and planned occasion

Above-average spending and trips

High interest in health and production claims, driven by the higher-income core consumers

Source: The Power of Frozen 2019

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#3 Understanding what is driving growth and why

CONSUMPTION DRIVERS	PURCHASE DRIVERS	CLAIMS AND ATTRIBUTES	CHANNEL CHOICES

Source: The Power of Frozen 2019

#3 Understanding what is driving growth and why

CONSUMPTION DRIVERS

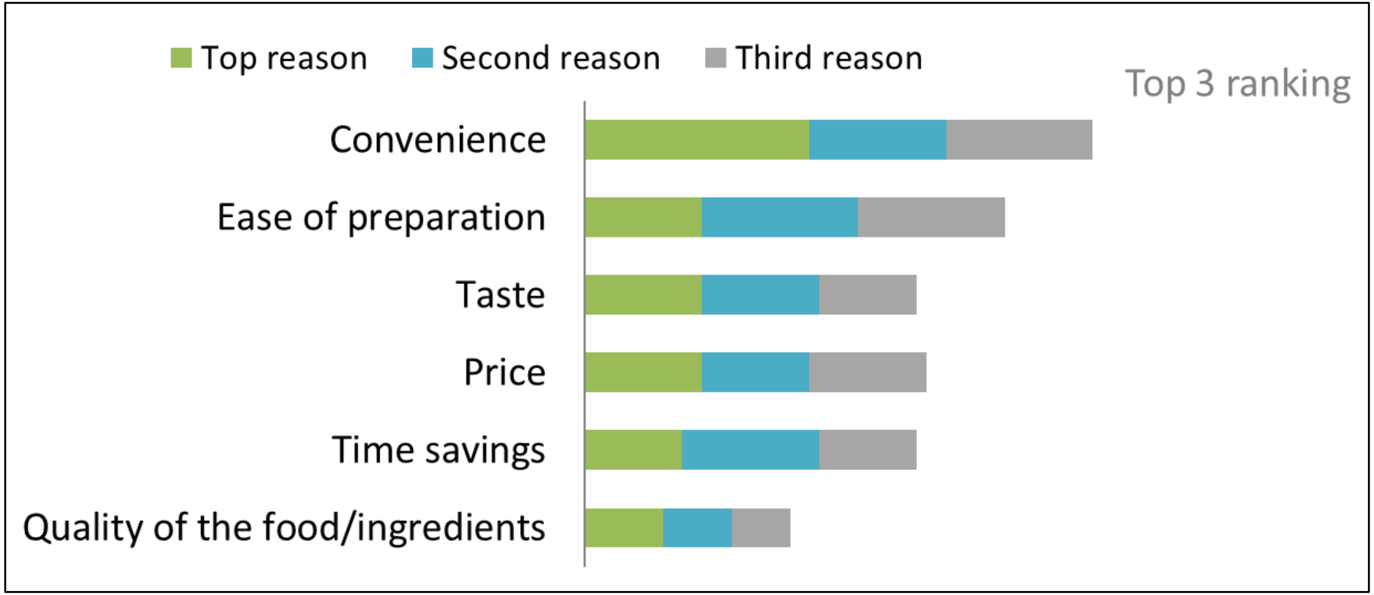
PURCHASE DRIVERS

CLAIMS AND ATTRIBUTES

CHANNEL CHOICES

Source: The Power of Frozen 2019

Convenience is front and center



CONSUMPTION DRIVERS

Source: The Power of Frozen 2019

Core consumers focus on convenience and the food

Low-frequency consumers	Top 3 rank	High-frequency consumers
30%	Taste	36%
19%	Quality	28%
14%	Variety	22%
8%	Consistency	13%

Source: The Power of Frozen 2019

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Core consumers buy across more food types, covering more meal occasions

Meal solutions

Breakfast +22

Pizza +11

Multi-serve entrees +9

Single-serve Entrees +10

Ingredients

Meat/poultry +18

Seafood +7

Sides +16

Veggies +20

Fruit +22

Meat alternatives +7

Snacks/Desserts

Dessert +18

Ice cream +16

Snacks/ appetizers +16

Source: The Power of Frozen 2019 | Difference in % consuming each food type “frequently” between all and high-frequency consumers

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Frozen to the rescue, but we can be more

Core consumers leverage frozen as a rescue and planned item

CONSUMPTION DRIVERS

Frozen to the rescue

- **83%** Backup solution
- **78%** Scramble/out-of-time solution
- **73%** Hold me over between trips
- **68%** Cater to varying preferences

Frozen to expand food horizon

- **72%** Solution for food I don’t know how or want to make
- **61%** Try a new food/cuisine
- **65%** Buy with a specific day in mind

(vs. **79%** of core consumers)

Source: The Power of Frozen 2019 | % yes

#3 Understanding what is driving growth and why

CONSUMPTION DRIVERS

PURCHASE DRIVERS

CLAIMS AND ATTRIBUTES

CHANNEL CHOICES

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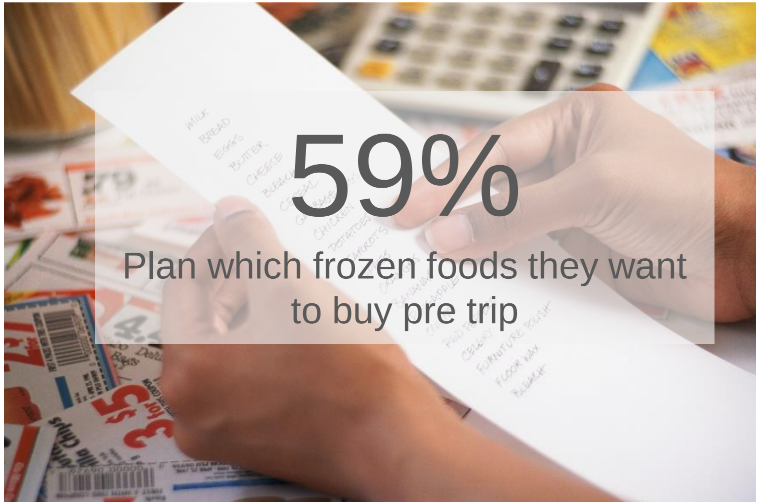
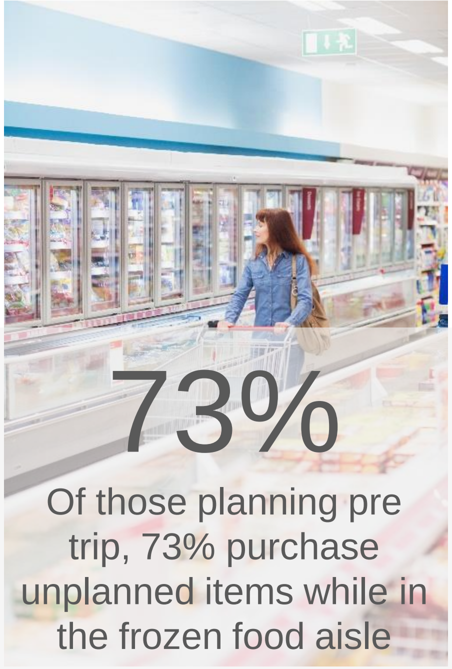
Frozen is a bit more of a planned purchase

Once people are in the aisle, frozen can drive impulse purchase too



59%

Plan which frozen foods they want to buy pre trip



73%

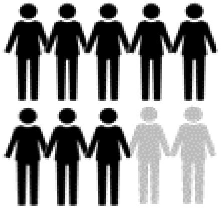
Of those planning pre trip, 73% purchase unplanned items while in the frozen food aisle

Source: The Power of Frozen 2019 | % yes

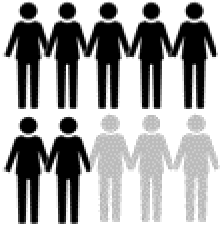
Sales specials can drive impulse and stock up

Strive to grow the purchase, not substitute brands or items

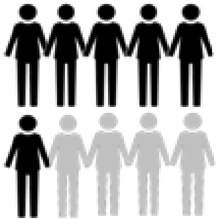
Can sales specials prompt you to...?



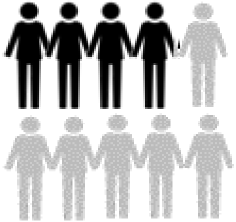
- Stock up
- Impulse buy
- Switch brands



Try a new item



Buy a different type of item (lasagna vs. pizza)



Visit a different store

Source: The Power of Frozen 2019 | % yes

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#3 Understanding what is driving growth and why

CONSUMPTION DRIVERS	PURCHASE DRIVERS	CLAIMS AND ATTRIBUTES	CHANNEL CHOICES

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Better-for-….Isn't just "you"

81%

Of consumers look for **better-for-…choices** when buying food in general

Better-for-…

69% Me

30% The planet

25% The animal (fish/meat/poultry)

23% The people (worker/farmer)

Source: The Power of Frozen 2019 | % yes

Planet: food and packaging waste matters

77%

Of shoppers say environmentally-friendly frozen food packaging is somewhat or very important

40% vs. 28%

Of core consumers believe it is "very important" vs. 28% overall

Source: The Power of Frozen 2019

Better-for-…is popular in frozen food too

69%

Of consumers who have looked for better-for-…item did so in frozen also

Better-for-… frozen item that was

39% Alternative to prior choice

30% An item not bought before

31% Mix of new & alternatives

Source: The Power of Frozen 2019

Production claims matter as well

Top eight production traits people look for

48%	"Real" ingredients (i.e. real cheese)
39%	Fresh frozen
38%	No artificial ingredients
35%	All natural
28%	Made/grown/raised in the USA
27%	Type/quality of meat used
24%	Organic
22%	Non-GMO

Source: The Power of Frozen 2019

#3 Understanding what is driving growth and why

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Most shoppers buy frozen at their primary store

High-frequency consumers

- Overindex for supercenters and clubs
- Are high-value consumers as larger households with spending and trips to match

Source: The Power of Frozen 2019

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Online grocery shopping is ramping up

Frozen is right in the bullseye

41% Have ordered food online in past 30 days

- **56%** Ordered frozen food also
  - **31%** Delivery
  - **25%** Pickup
- **41%** Did not order frozen food

Source: The Power of Frozen 2019

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Core consumers especially seek online convenience

Ensure they still buy your brand or at your store

High-frequency consumers

- Are more likely to shop online
- Are more likely to buy frozen online
  - Brand strength key
  - Find ways to drive trial & impulse

Source: The Power of Frozen 2019

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Key takeaways

- We have a long runway ahead in frozen
- Opportunities to increase growth rate
- Be smart about how food is produced
- Be alert to changing shoppers habits and impact on impulse

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Available at
www.affi.org/pof

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