futureconnect
Developing Food Retail Leaders

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Implications for a Multi-Cultural Marketplace: Retail Recommendations

FMI
THE VOICE OF FOOD RETAIL

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Developing Food Retail Leaders

LEADERSHIP SUCCESS

- The U.S. Marketplace Today
- The Shift in Food Culture
- Insights and Retail Recommendations
  - Reimagine Convenience
  - Be a Roadside Pantry
  - Leverage Underserved Occasions
  - Curate Global Eating Culture
  - Target the Multi-Cultural Shopper

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Who We Are as a Nation Has Changed

Today

- 70% of U. S. households have no children under the age of 18, down 23% since 1960
- 28% of U.S. households are single person households
- 16% of U.S. households are multi-generational (2+ generations of adults living in the home)
- 46% of primary shoppers are men

Tomorrow

- By 2015, those aged 50+ (Baby Boomers and Silent Generation) will represent 45% of the US population
- By 2015, Millennials will comprise over 1/3 of adults in the US
- By 2050, the Hispanic population will double from 16% in 2010 to over 30%

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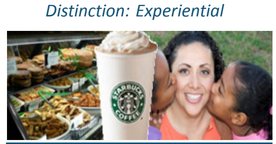
American Culture At Large Is Changing Too

TRADITIONAL CULTURE *Status Quo: Utilitarian*	CONSUMER CULTURE *Distinction: Experiential*	REIMAGINED CULTURE *Creative Consumption: Imagination*
		
clear societal roles	families are democracies	families as a social network
belief in rules, hierarchy	relativist & transient values	values in flux
class-based identity	lifestyle-based identity	malleable identity
focus on basic needs	focus on experience & desires	focus on creation
production drives economy	consumption drives economy	co-design, customization
quality as uniformity	quality as distinctions	quality as self-expression

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And, Therefore, Food Culture is Shifting

PAST
Planned, Rational, Utilitarian

SOMBER, SERIOUS, UNIFORM, PREDICTABLE, FUNCTIONAL, RELIABLE, EFFICIENT, ECONOMICAL

PRESENT
Distinction, Specialization, Authenticity

RICH EXPERIENCE, QUALITY, DIVERSITY, ADVENTURE, PLEASURABLE, BEAUTIFUL

PACKAGED/PROCESSED — FRESH/LESS PROCESSED

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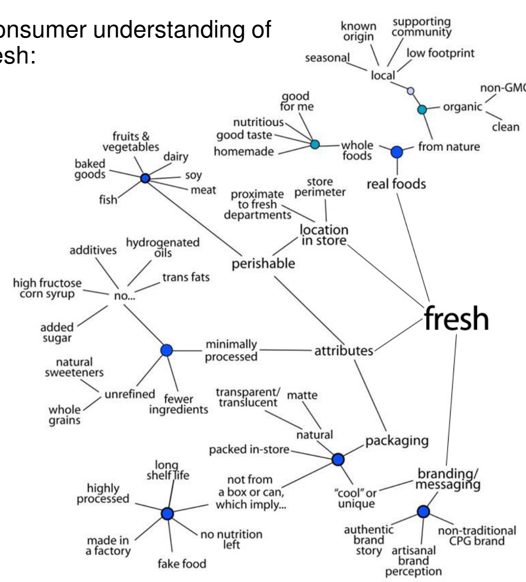
As a Construct, Fresh Has Very Broad Meanings to Consumers

Common industry understanding of fresh:

Fresh foods are those in their most natural state without any processing or preservatives, and minimal, if any, packaging.

Consumer understanding of fresh:



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Cooking Today is Really "Meal Assembly"

We are outsourcing our cooking

77% of eating occasions involve at least some prepared foods

42% of eating occasions involve ALL prepared foods

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Retail Recommendation: Reimagine Convenience

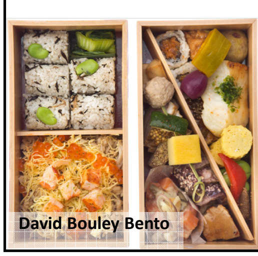
Shoppers today want more than just time and money savings

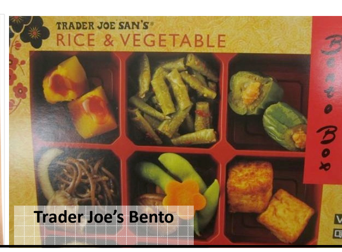
Reimagine convenience as sous chef and culinary guide …for eating alone and eating together…for meal assembly and for snacks

What we eat now: fresh fast foods


Crunch BiBimBap

Trader Joe's BiBimBap


David Bouley Bento



Trader Joe's Bento

We are Becoming a Nation of Eaters

From cook…

…to eater

EVERYONE EATS!

We have become a culture of **Intentional Eaters.**

Intentional Eaters are actively involved in food. Food is part of everyday life and is a definition of who we are.

As cooks we:
- Shopped for ingredients
- Engaged in more planning
- Did more pantry stocking
- Shopped for familiar foods

As eaters we:
- Shop for meals and snacks
- Are more spontaneous
- Do more fill-in shopping
- Shop for new and unique foods

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This Shift is Affecting the Traditional Meaning of Loyalty

Loyalty is changing for stores
- Consumers prefer stores where they can always find unique products to eat
- Non-food commodity items become less important
- There isn't the same reliance on pantry staples and ingredients
- Over time, consumers are *increasing* the number of stores they shop for food and beverage

Loyalty is changing for brands
- Consumers who think of themselves as eaters will try a new brand just to have something different
- Eaters are more brand agnostic than cooks

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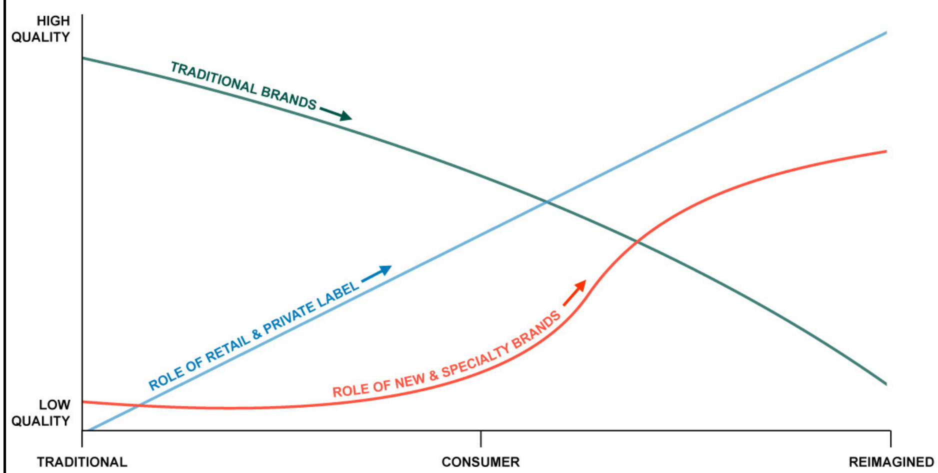
Eaters Have Influenced the Rise of Private Label and Specialty Brands



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Eaters are Changing How We Shop for Food

Planning is hard when we eat in the moment according to our moods, whims and 'schedules'.

Even when plans are made [lunch is brought from home] we're likely to upgrade for a better offer because food is everywhere, enticing us.

We are shopping up & down the food chain [from Aldi to Trader Joe's, Walmart to Whole Foods Market].

More than 50% of "trips" to shop for food/beverage involve going to 2+ stores.

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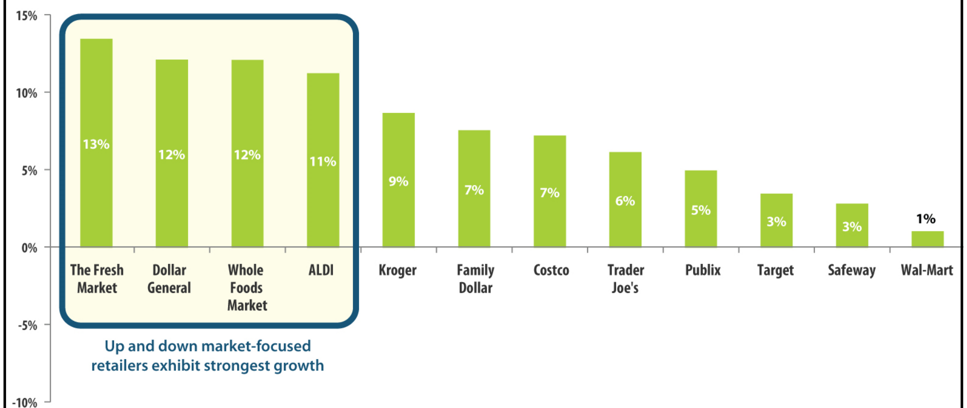
Successful Retailers are Evolving from Mere Editors to Curators



The fastest growing banners can be seen as curators. Either because of limited selection (Dollar General, Aldi) or high quality product selection (The Fresh Market, Whole Foods Market).

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Pantry Stocking is In Decline and the Time Horizon for "Stocking" Has Shortened

TRIP MISSION AS PERCENTAGE OF CHANNEL $ SALES

Point change 2011 vs. 2008

	All Outlet	Dollar	Club	Mass/ Super	Drug	Grocery
Pantry Stock-up	-1.1	0.0	-0.6	0.4	-0.6	-1.5
Fill-in	-0.2	-0.2	-1.1	-0.9	0.3	0.4
Special Purpose	0.0	-1.6	0.1	-0.9	-1.2	0.3
Quick Trip	1.2	1.8	1.7	1.4	1.4	0.8

SOURCE: SymphonyIRI Consumer Network™, 52 weeks ended 8/21/2011 vs. same period 2008

Among the reasons causing pantry stocking to decrease:

- The desire to eat "fresher" necessitates more frequent trips to buy perishables
- Hectic lifestyles mean few consumers are planning meals more than a day or two in advance
- Food is available everywhere ("the roadside pantry"), so consumers don't feel that they have to purchase food in advance
- Consumers feel like they are spending less money overall on groceries when they spend less on each trip (even though they might be going shopping more often)
- Storage at home has become an issue for many consumers

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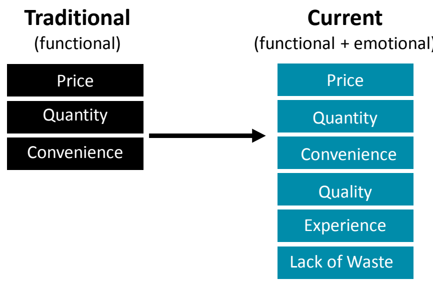
The Consumer's New Value Paradigm



Consumers are now transitioning to a more purposeful and emotional perspective on value, and are asking themselves the following types of questions:

- Will the item meet my taste/efficacy/quality standards?
- Will I enjoy using/consuming this item?
- Will my family actually use /consume / eat / drink this item?
- Will I be able to avoid throwing the item in question away unused?

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The Impact of the Recession

What has changed:

– More pronounced evidence of channel shifting

– More orientation to promotional strategies

– Dining out less often so looking for "restaurant quality" meals at grocery stores

What hasn't changed:

– Consumers are not radically changing their food and beverage preferences

- They are making trade-offs, but not leaving entire categories

– Consumers are not abandoning their interest in high quality food experiences

- For example, wellness product attributes are currently a sign of product quality and are interpreted by many consumers as getting good "value" for their money

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Retail Recommendation: Be a Roadside Pantry

Shoppers are less loyal….they are seeking some inspiration

Embrace the new culture of eaters by engaging senses, imaginations and emotions in the quest for "what to eat right now" (not just rational meal planning for later)

How we shop now: immediate consumption for next eating occasion

Where dinner is chosen in China

Ready to eat dinner kit in Brazil

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Eating Occasions are Numerous and Differentiated

1. INSTRUMENTAL AFTERNOON SNACKS 9.9%
2. SAVORING DINNERS 9.4%
3. INSTRUMENTAL LUNCHES 9.1%
4. INSTRUMENTAL BREAKFASTS 9.1%
5. INSTRUMENTAL DINNERS 9.0%
6. SAVORING AFTER DINNER SNACKS 7.0%
7. INSTRUMENTAL MORNING SNACKS 6.5%
8. INSTRUMENTAL AFTER DINNER SNACKS 6.3%
9. SAVORING LUNCHES 6.1%
10. SAVORING BREAKFASTS 5.4%
11. SAVORING AFTERNOON SNACKS 5.0%
12. INSTRUMENTAL EARLY MORNING SNACKS 4.6%
13. INSTRUMENTAL LATE NIGHT MEALS 4.3%
14. SAVORING LATE NIGHT MEALS 3.1%
15. SAVORING MORNING SNACKS 2.6%

Source: Hartman Eating Occasions Compass, 2012 ; N= 14,697

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Occasions Tell Us That…..There are Now More Snacks Than Meals

•Snacking has risen from 49% of all eating occasions in 2010 to 53% of all eating occasions in 2012. Snacking:

- Is no longer infrequent
- Is no longer just for children (55% of all Millennials eating occasions are snacking vs. 52% of Boomers eating occasions are snacking)
- Is no longer just about indulgence (56% wanted something healthy for their last snack occasion)
- Is no longer just taking place in the afternoon (after dinner snacking has increased 54% in the past three years and pre-breakfast snacking has increased 15%)

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Food Service is Targeting Snacking

Food service currently represents only 11% of the sourcing for all snacking occasions (vs. 85% retail).

But 50% of adult snacking sourced from food service is about a savoring experience (compared to only 38% of overall adult snacking).

Food service is starting to quickly go after all five snacking day-parts.

Starbucks is targeting the morning snack

Qdoba is targeting the afternoon snack

Taco Bell is targeting the late night snack

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Occasions Tell Us That…..Many Consumers Now Eat Alone

•46% of all adult eating occasions happen alone, with nobody present. This is a 7% increase from 2010.

•40% of all adult meals (not just snacks) are eaten alone.

•31% of adult alone-eating is about savoring, a higher quality food experience.

•Eating alone:

- Has become as normal as eating together
- Allows for a new way of eating that is customized and personalized
- Allows for new types of connectivity with others

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Occasions Tell Us That…..Immediate Consumption is Increasing

•**Fewer than half** of the trips to the grocery, club and mass discount stores are pantry stocking trips (and the meaning of "stock up" shopping has changed among consumers).

•Immediate Consumption (consuming the product within an hour of purchase) drives nearly **1 out of 10** adult eating occasions.

•The largest adult immediate consumption occasions are:

- Instrumental afternoon snack
- Savoring dinner
- Instrumental lunch

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Retail Recommendation: Leverage Underserved Occasions

Shoppers look at retailers for eating inspiration, not just for pantry stocking

Provide options for emerging eating occasions such as eating alone and snacking in lieu of meals – occasions where habits are just being formed

How we shop now: occasion-based

Eating (mostly) alone

Dinner at work

Pre-breakfast snack

Consumers are Seeking Experiences Through Global Taste Profiles

Only a minority of consumer pantries and refrigerators are lacking signs of the cultural fusion of food and beverage.

A look at the average consumer's shelf usually reveals a cache of globally-flavored snacking options while the refrigerator holds a selection of mustard, Sriracha, salsa and soy sauce.

- This culture shift has been helped along by the dramatic shift in U.S. demographics
- But, there is also a desire for multicultural tastes among the general population
- International travel has exposed Americans to new ways of eating
- Americans see most global foods as healthier than traditional American food
- This shift has impacted everyday eating as well as our most cherished holiday celebrations

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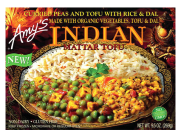
Global Foods Mix Health and Exploration in Convenient Formats

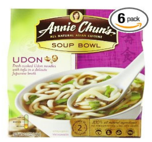
Many global products offer easy access to new tastes and experiences with a health halo from ingredients that convey "fresh".

In 2009, the dollar share of 'ethnic' frozen meals (Asian, Mexican, etc.) surpassed the dollar share of traditional American recipes (e.g., beef Stroganoff, Salisbury steak, mac and cheese, etc.).



Frozen tray

Microwavable pouch



Add water

Ready to heat

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Retail Recommendation: Curate Global Eating Culture

Shoppers are looking for both familiar and new foods throughout the store, not just in the ethnic food aisle

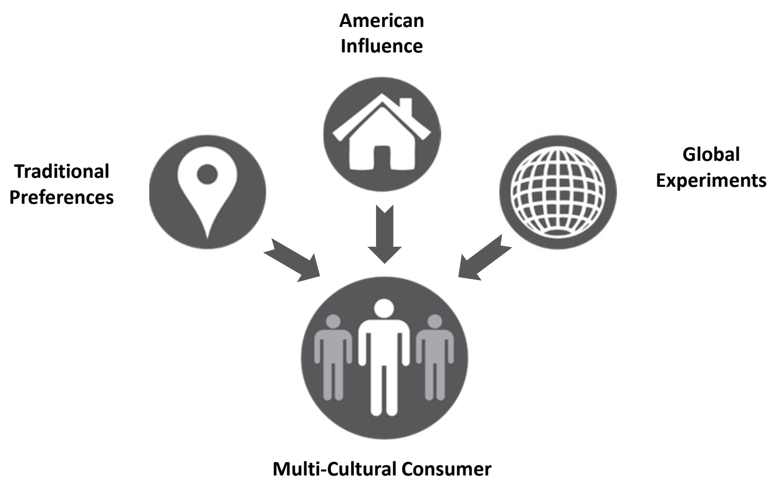
Offer multi-cultural foods in produce, meats, dairy, bakery and prepared departments…don't confine multi-cultural shoppers to the center-store only

What we eat now: a "fusion" of foods

Favorite tastes of home in Seattle

Ketchup in the midst of Indian tea time

Three Primary Influences Shape a Consumer's Lifestyle and Identity



A multi-cultural point of view allows for an understanding of how shifts in global culture affect individual consumers and that these shifts are reciprocal – all cultures give and take with one another. Understanding this holistic picture of the consumer is vital to understanding their purchasing decisions, product usage and shopping behavior.

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The Pantry Exemplifies Today's Multi-Cultural Consumer

Traditional Preferences – fresh, homemade, represents their country of origin

American Influence – quick, convenient, brand names

Global Experiments – flavorful, new, fun

In this example, American convenience and Latino preferences mix with global experiments to create a full and diverse pantry

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Retail Recommendation: Target the Multi-Cultural Shopper

All shoppers have both global and traditional food influences, so targeting the "ethnic shopper" is too narrow

Provide traditional comfort foods (a taste of "home") for one shopper, which will also serve as global food discovery for other shopper

What we eat now: globally inspired foods (no matter where we live or where we come from)

Brazilians eating Thai street food in Sao Paulo

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Thank you

hartman GROUP

THE HARTMAN GROUP, INC
3150 RICHARDS ROAD, STE 200 BELLEVUE, WA 98005
TEL (425) 452 0818 FAX (425) 452 9092

HARTMAN-GROUP.COM