Consumer Buzz around Beef

Presented by: Anne-Marie Roerink

Meat and produce drive store choice

Drivers of choosing the main store

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

Source: FMI Trends 2018
$67B
2018 retail meat sales

$87
Basket with meat vs. average trip size of $45

BIG
POWERFUL
GROWING

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%

Source: IRI, MULO, 52 weeks ending 12/30/2018
**$ sales growth 2018**

- **+0.6%**
- **-1.0%**

**lbs sales growth 2018**
- **-1.4%**
- **-2.0%**
- **+1.1%**

**$ sales 3-yr CAGR**

- **-0.5%**
- **+0.6%**

**lbs sales 3-year CAGR**

- **-0.5%**
- **-1.3%**
- **-0.1%**

The three levers of growth are mostly flat

<table>
<thead>
<tr>
<th></th>
<th>More people buy</th>
<th>People buy/spend more</th>
<th>People buy more often</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household penetration</td>
<td>98.9%</td>
<td>$391</td>
<td>29.6x</td>
</tr>
<tr>
<td>+0.1%</td>
<td></td>
<td>+0.2%</td>
<td>-0.2%</td>
</tr>
</tbody>
</table>

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

Changing food culture

how we EAT • how we SHOP • how we LIVE
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

- Meat eater: 86%
- Flexitarian: 10%
- Vegetarian/vegan: 5%

Source: Power of Meat 2019 | Picture: 210 Analytics
So, how about plant-based eating?
Perspective: meat vs. plant-based alternatives $ across the store

$89.4B

$1B

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

High trial interest among consumers
The blend: a bridge to perceived health?

<table>
<thead>
<tr>
<th></th>
<th>Plant-based meat alternatives</th>
<th>Blended items (meat/plant-based)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Already buy</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Definitely/maybe would buy</td>
<td>50%</td>
<td>63%</td>
</tr>
<tr>
<td>Absolutely not</td>
<td>36%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Source: Power of Meat 2019 | Picture: 210 Analytics
Plant-based is a big deal in Western Europe
16-36 linear feet within the meat case

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
Plant-based is trickling into the U.S. market too
Urban, specialty/organic focused stores may be good testing grounds

Can we win with blends?
Meat/meat & meat/plant-based
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

Source: Power of Meat 2019
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

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
DINNER PREPARATION

Stove and oven dominate meat preparation
Instant pot and air fryer are making inroads

<table>
<thead>
<tr>
<th>Method</th>
<th>% Frequently</th>
<th>Sometimes</th>
<th>% Seldom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stove</td>
<td>9 in 10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oven</td>
<td>7 in 10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grill</td>
<td>4 in 10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Microwave</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instant pot</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pressure cooker</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air fryer</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Power of Meat 2019
The instant pot kick

If owned:

74%

Sometimes + frequently prepare meat/poultry in their instant pots

The air fryer obsession

+1809% in Pinterest searches

If owned:

59%

Sometimes + frequently prepare meat/poultry in their air fryers
From the instant pot to crock pots

MEAT CHOICES
More than meets the eye
Beyond the meat department, another $23B of meat items are sold

- **Meat**: $67B
- **Deli**: $13B
- **Frozen**: $6B
- **Grocery**: $1B

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

- **Meat case** (fresh): 79%
- **Frozen**: 49%
- **Meat counter** (fresh): 43%
- **Fully cooked**: 39%
- **Deli**: 37%

Source: Power of Meat 2019 | Picture: 210 Analytics
### Growth for all convenience-focused meats

Consumers’ no. 1 reason for buying frozen is convenience.

<table>
<thead>
<tr>
<th>Growth Area</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value-added</td>
<td>+5.1%</td>
</tr>
<tr>
<td>Fully-cooked (total store)</td>
<td>+2.5%</td>
</tr>
<tr>
<td>Deli</td>
<td>+4.2%</td>
</tr>
<tr>
<td>Frozen</td>
<td>+2.2%</td>
</tr>
<tr>
<td>Meal kits</td>
<td>+51%</td>
</tr>
</tbody>
</table>

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

---

### 62% of consumer buy

<table>
<thead>
<tr>
<th>Protein Type</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>+3.6%</td>
</tr>
<tr>
<td>Chicken</td>
<td>+8.8%</td>
</tr>
<tr>
<td>Pork</td>
<td>+6.3%</td>
</tr>
<tr>
<td>Turkey</td>
<td>+0.9%</td>
</tr>
</tbody>
</table>

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

### 9% of 2018 sales

<table>
<thead>
<tr>
<th>Protein Type</th>
<th>Lbs Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>+0.5%</td>
</tr>
<tr>
<td>Chicken</td>
<td>+3.9%</td>
</tr>
<tr>
<td>Pork</td>
<td>+9.0%</td>
</tr>
<tr>
<td>Turkey</td>
<td>+0.9%</td>
</tr>
</tbody>
</table>

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

### $ growth | +3.4% lbs in 2018

$ growth | +3.4% lbs in 2018

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

Growing uninvolved:
- Better prices

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

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

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) 42%
- Larger quantities (freeze & use over time) 35%
- One meal at a time 23%

Source: Power of Meat 2019 | Picture: 210 Analytics
The sad state of the American fridge….
Even if people have the best intention to cook…

Supermarkets continue to be a meat stronghold
But growth is in value and specialty, with declines for supermarkets and clubs

<table>
<thead>
<tr>
<th></th>
<th>Supermarket</th>
<th>Supercenter</th>
<th>Limited assortment</th>
<th>Club</th>
<th>Organic/specialty</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary store groceries</td>
<td>51%</td>
<td>34%</td>
<td>7%</td>
<td>5%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Primary store meat/poultry</td>
<td>55%</td>
<td>27%</td>
<td>5%</td>
<td>6%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>-2 pts</td>
<td>+1 pts</td>
<td>-1 pt</td>
<td>+1 pts</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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

- 51% Younger Millennials
- 47% Older Millennials
- 38% Gen X
- 25% Boomers

Up from 29% in 2015

Source: Power of Meat 2019 | Picture: 210 Analytics
Meat trails, particularly fresh
With a lot of trial (35%) and low ordering frequencies (47% 1x/month or less)

Have bought groceries online 39%
Have bought meat/poultry online (fresh, frozen, fully-cooked) 21%
Have bought fresh (uncooked) meat/poultry online 14%

Source: Power of Meat 2019 | Picture: 210 Analytics

BRAND-BASED DECISION MAKING

Picture: 210 Analytics
Consumers continue to seek out branded product
Private label gains in fresh; manufacturer labels gain in processed

<table>
<thead>
<tr>
<th>Consumer preference</th>
<th>Fresh</th>
<th>Processed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturer brand</td>
<td>26%</td>
<td>50%</td>
</tr>
<tr>
<td>Private label</td>
<td>24%</td>
<td>14%</td>
</tr>
<tr>
<td>No brand preference</td>
<td>50% (\downarrow) from 74% in 2007</td>
<td>36% (\downarrow) from 63% in 2007</td>
</tr>
</tbody>
</table>

Steady rise in brand preference for processed/fresh
Manufacturer brand preference for processed reaches study high

Prefer manufacturer brand meat and poultry

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

Prefer private label/store brand

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>FRESH</th>
<th>2019</th>
<th>2007</th>
<th>PROCESSED</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>13%</td>
<td>20%</td>
<td>24%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9%</td>
<td>14%</td>
<td>16%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Outright brand preference drops as age rises
Aim to maintain the preferred status even as meat knowledge grows over time

64% Gen Z
60% Younger Millennials
57% Older Millennials
46% Gen X
42% Boomers

Source: Power of Meat 2019 | Picture: 210 Analytics
How we live

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

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
Do you think about animal welfare when buying meat/poultry?

Better-for-the-animal
“Items featuring claims focused on livestock and production”

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

Source: Power of Meat 2019 | Picture: 210 Analytics
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

Source: Power of Meat 2019 | Picture: 210 Analytics

A shared opportunity to inform and educate
Transparency is the currency of trust with animal welfare as a differentiating angle

- 51% agree
  - Animal welfare for U.S.-raised livestock is good
    - No: 23%
    - No clue: 26%

- 42% agree
  - 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
European response: a continuum of choice & information

Kaufland supports the animal welfare “Tierwohl” initiative

And on-pack and in-store education/information

A good life for all our chickens “That’s our mission every day”

<table>
<thead>
<tr>
<th>Chickens/square meter</th>
<th>Store brand</th>
<th>Free range</th>
<th>Excellent</th>
<th>Organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>47 days</td>
<td>56 days</td>
<td>56 days</td>
<td>70 days</td>
</tr>
<tr>
<td>Ability to go outside</td>
<td>None</td>
<td>Covered</td>
<td>Outside</td>
<td>Outside</td>
</tr>
</tbody>
</table>
### Pig Farming Standards

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>1 star better life</th>
<th>Organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pigs/meter</td>
<td>1/0.8m</td>
<td>1/1m</td>
<td>1/1.3m + outside roaming</td>
</tr>
<tr>
<td>Days with mother</td>
<td>25</td>
<td>28</td>
<td>42</td>
</tr>
<tr>
<td>Hours of transportation</td>
<td>Max 24</td>
<td>Max 6</td>
<td>Max 6</td>
</tr>
</tbody>
</table>

### Welfare Part of Bigger “Doing Right by” Trend

Welfare part of bigger “doing right by” trend.
Shoppers link health and production attributes

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

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Humanely-raised</th>
<th>No antibiotics ever</th>
<th>Hormone-free</th>
<th>Free-range</th>
<th>Grass-fed</th>
<th>Organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>42%</td>
<td>12%</td>
<td>9%</td>
<td>32%</td>
<td>20%</td>
<td>9%</td>
</tr>
<tr>
<td>Claim true</td>
<td>5%</td>
<td>33%</td>
<td>25%</td>
<td>13%</td>
<td>18%</td>
<td>31%</td>
</tr>
<tr>
<td>Claim false</td>
<td>50%</td>
<td>49%</td>
<td>63%</td>
<td>51%</td>
<td>58%</td>
<td>44%</td>
</tr>
<tr>
<td>Claim unknown</td>
<td>3%</td>
<td>6%</td>
<td>3%</td>
<td>4%</td>
<td>4%</td>
<td>15%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Claim</th>
<th>$</th>
<th>$\uparrow</th>
<th>Lbs\uparrow</th>
</tr>
</thead>
<tbody>
<tr>
<td>All natural</td>
<td>$7.3B</td>
<td>+6.4%</td>
<td>+3.1%</td>
</tr>
<tr>
<td>Antibiotic free</td>
<td>$4.9B</td>
<td>+3.1%</td>
<td>-4.2%</td>
</tr>
<tr>
<td>Hormone free</td>
<td>$3.4B</td>
<td>+5.2%</td>
<td>+4.1%</td>
</tr>
<tr>
<td>Organic</td>
<td>$950M</td>
<td>+13.1%</td>
<td>+4.2%</td>
</tr>
<tr>
<td>Vegetarian fed</td>
<td>$746M</td>
<td>+3.8%</td>
<td>+0.6%</td>
</tr>
<tr>
<td>Humanely raised</td>
<td>$515M</td>
<td>+0.6%</td>
<td>-1.3%</td>
</tr>
<tr>
<td>Grass fed</td>
<td>$489M</td>
<td>+12.2%</td>
<td>+13.2%</td>
</tr>
</tbody>
</table>

Meat with claims

+4.8% | +0.4%

No claim

+2.6% | -2.1%

17% of $

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

-2.0%

Conventional $ sales growth 2018

+19.2%

NAE $ sales growth 2018

Meat department only

<table>
<thead>
<tr>
<th>Meat Type</th>
<th>Conv. $</th>
<th>NAE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>+0.6%</td>
<td>+6.4%</td>
</tr>
<tr>
<td>Chicken</td>
<td>-9.8%</td>
<td>+25.0%</td>
</tr>
<tr>
<td>Turkey</td>
<td>-4.5%</td>
<td>+37.1%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>-2.0%</td>
<td>+19.2%</td>
</tr>
</tbody>
</table>
### Meat department only

<table>
<thead>
<tr>
<th></th>
<th>Conv. $</th>
<th>NAE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>-0.5%</td>
<td>+3.4%</td>
</tr>
<tr>
<td>Chicken</td>
<td>-9.4%</td>
<td>+38.6%</td>
</tr>
<tr>
<td>Turkey</td>
<td>-2.9%</td>
<td>+18.5%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>-2.0%</td>
<td>+19.2%</td>
</tr>
</tbody>
</table>

-3.0% Conventional $ 3-yr CAGR

+24.92% NAE $ 3-yr CAGR

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### 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
But how much better could we do?
Are we helping or hurting with our …-fed, …-raised, …-finished and single-cow?

What does a cow used for beef production eat?

Video Produced By Off The Road Productions
Some examples

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
- Active online/social media users
- Older Millennials (families w/kids)
- Integrate plant-based (blended + alternatives)
- High interest in production attributes
- Willing to switch stores to meet their wants
- Brand focused
Approach focuses on leaner and moderation
Less focus on moderation; more on lean | +5.0% growth in $ sales of lean meat

<table>
<thead>
<tr>
<th></th>
<th>Regularly</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaner cuts</td>
<td>53%</td>
<td>7%</td>
</tr>
<tr>
<td>Limit second helpings</td>
<td>33%</td>
<td>20%</td>
</tr>
<tr>
<td>Smaller portion sizes</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Other protein sources</td>
<td>21%</td>
<td>22%</td>
</tr>
</tbody>
</table>

The protein argument, one last time
State the obvious, everyone else is!

Sales items w/protein claims

- **Total store**
  - $14.4B
  - 2.7% of sales

- **Frozen $**
  - $2.6B
  - 5.1% of sales

- **Meat $**
  - $135M
  - 0.2% of sales

+16.6% 2018 growth
What is the better source of protein, chicken or peanut butter?

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

Questions?

• For questions or additional information
  • aroerink@210analytics.com
  • 210.485.4552

thank you!