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

$ Sales growth 2014-2018

Source: IRI, MULO+C, 52 weeks ending 11/8/2018
A comeback several years in the making
A turnaround in dollars AND units

Frozen 5-year dollar and unit sales growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Dollar sales</th>
<th>Unit sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>0.9%</td>
<td>-1.7%</td>
</tr>
<tr>
<td>2015</td>
<td>1.3%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>2016</td>
<td>-0.2%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>2017</td>
<td>1.7%</td>
<td>0.1%</td>
</tr>
<tr>
<td>2018</td>
<td>2.6%</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

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
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
High household engagement

Opportunity to drive cross-category penetration

99.4%

Frozen food household penetration

<table>
<thead>
<tr>
<th>Category</th>
<th>Household Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ice cream</td>
<td>87.5%</td>
</tr>
<tr>
<td>Entrees</td>
<td>85.5%</td>
</tr>
<tr>
<td>Novelties</td>
<td>79.6%</td>
</tr>
<tr>
<td>Vegetables</td>
<td>79.0%</td>
</tr>
<tr>
<td>Pizza</td>
<td>70.6%</td>
</tr>
</tbody>
</table>

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

- **3%** Never
- **10%** <1x/month
- **19%** Every few weeks
- **32%** Weekly
- **23%** Every few days
- **12%** Daily

Source: The Power of Frozen 2019
Purchasing behavior of low and high-frequency consumers

19% LOW-frequency
32% MID-frequency
52% HIGH-frequency

Increased frozen food consumption over the past year

Source: The Power of Frozen 2019
Sales data confirms levers for growth

2018:
- Buyers flat -0.1%
- $ Per buyer: +1.8%
- Trips: +0.8%

Source: IRI, all outlets, 52 weeks ending 11/8/2018
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
#1 Understanding the low-frequency consumers

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
#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

Source: The Power of Frozen 2019
Convenience is front and center

Top 3 ranking

- Convenience
- Ease of preparation
- Taste
- Price
- Time savings
- Quality of the food/ingredients

Source: The Power of Frozen 2019
Core consumers focus on convenience and the food

<table>
<thead>
<tr>
<th>Low-frequency consumers</th>
<th>Top 3 rank</th>
<th>High-frequency consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>Taste</td>
<td>36%</td>
</tr>
<tr>
<td>19%</td>
<td>Quality</td>
<td>28%</td>
</tr>
<tr>
<td>14%</td>
<td>Variety</td>
<td>22%</td>
</tr>
<tr>
<td>8%</td>
<td>Consistency</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: The Power of Frozen 2019
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
- Veggies +20
- Fruit +22
- Sides +16
- 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
Frozen to the rescue, but we can be more
Core consumers leverage frozen as a rescue and planned item

<table>
<thead>
<tr>
<th>CONSUMPTION DRIVERS</th>
<th>Frozen to the rescue</th>
<th>Frozen to expand food horizon</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>83%</td>
<td>72%</td>
</tr>
<tr>
<td></td>
<td>Backup solution</td>
<td>Solution for food I don’t know how or want to make</td>
</tr>
<tr>
<td></td>
<td>78%</td>
<td>61%</td>
</tr>
<tr>
<td></td>
<td>Scramble/out-of-time solution</td>
<td>Try a new food/cuisine</td>
</tr>
<tr>
<td></td>
<td>73%</td>
<td>65%</td>
</tr>
<tr>
<td></td>
<td>Hold me over between trips</td>
<td>Buy with a specific day in mind (vs. 79% of core consumers)</td>
</tr>
<tr>
<td></td>
<td>68%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cater to varying preferences</td>
<td></td>
</tr>
</tbody>
</table>

Source: The Power of Frozen 2019 | % yes
#3 Understanding **what** is driving growth and **why**

**CONSUMPTION DRIVERS**  

**PURCHASE DRIVERS**  

**CLAIMS AND ATTRIBUTES**  

**CHANNEL CHOICES**
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
#3 Understanding what is driving growth and why

- Consumption Drivers
- Purchase Drivers
- Claims and Attributes
- Channel Choices
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

Better-for-... frozen item that was

39% Alternative to prior choice
30% An item not bought before
31% Mix of new & alternatives

69% Of consumers who have looked for better-for-... item did so in frozen also

Source: The Power of Frozen 2019
**Production claims matter as well**

*Top eight production traits people look for*

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Trait Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>48%</td>
<td>“Real” ingredients (i.e. real cheese)</td>
</tr>
<tr>
<td>39%</td>
<td>Fresh frozen</td>
</tr>
<tr>
<td>38%</td>
<td>No artificial ingredients</td>
</tr>
<tr>
<td>35%</td>
<td>All natural</td>
</tr>
<tr>
<td>28%</td>
<td>Made/grown/raised in the USA</td>
</tr>
<tr>
<td>27%</td>
<td>Type/quality of meat used</td>
</tr>
<tr>
<td>24%</td>
<td>Organic</td>
</tr>
<tr>
<td>22%</td>
<td>Non-GMO</td>
</tr>
</tbody>
</table>

Source: The Power of Frozen 2019
#3 Understanding what is driving growth and why

- **CONSUMPTION DRIVERS**
- **PURCHASE DRIVERS**
- **CLAIMS AND ATTRIBUTES**
- **CHANNEL CHOICES**
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

92%
Of shoppers buy frozen food where they purchase the majority of groceries

Source: The Power of Frozen 2019
Online grocery shopping is ramping up
Frozen is right in the bullseye

41% Have ordered frozen food online in past 30 days
56% Ordered frozen food also
41% Did not order frozen food
31% Delivery
25% Pickup

23% Of shoppers have bought frozen food online

Source: The Power of Frozen 2019
Core consumers especially seek online convenience
Ensure they still buy your brand or at your store

43%
Of core consumers purchase frozen food online vs. 23% of all shoppers

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
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
Presented by:

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