

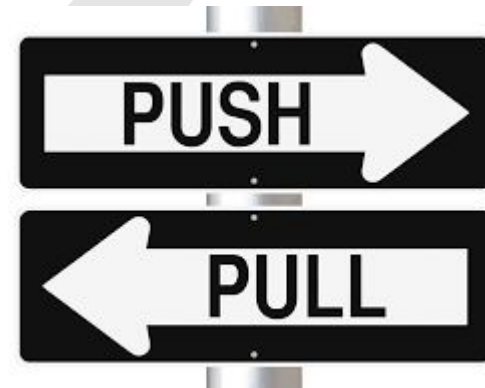
Synergy Predicts



Crystal Ball Prediction: Sustained Growth for Retail Foodservice

Retail Foodservice is the contemporary, fast growing “pull” channel attracting its share of the legacy “push” channels’ - foodservice and retail - food sales dollars.

In total, foodservice at retail revenues were estimated at a quiet \$15 billion ten years ago. Now multiple and diverse research sources, all with different calculation formulas, estimate sales at a conservative \$65 billion. Some suggest they could range between \$100 billion and \$150 billion five years from now moving Retail Foodservice from a segment of either retail or foodservice into channel status.



Market Size and Growth Projections Vary

- Growth projections' variances may be the result of what researchers chose to include during data collection and how those selections are counted.
- Pre-packaged foods and take-out can be accurately documented due to specific SKU codes. Hot foods, cold foods, soups, sandwiches, salad bars, catering, party planning, food kiosks, and other foodservice selections at retail where price per pound, price per person, and price per product vary, and where mixing and matching are commonplace, make consistent tabulations difficult.
- The disparity may also reflect retail and foodservice operators not calculating within the same categories, menu structures, or revenue standards.
- Whichever methods researchers apply and p is one of the food industry's top five growth segments.

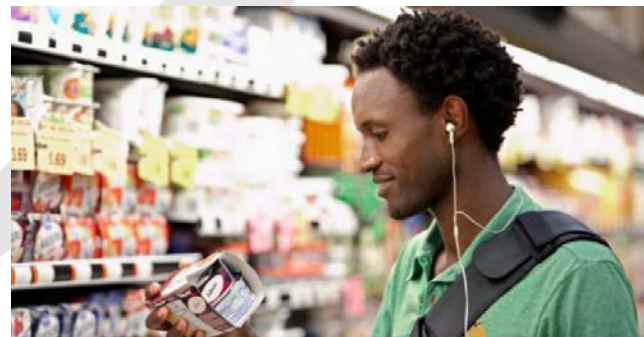


The Growth Influence is Real

- Consumer trends over the next decade will be less favorable to the largest restaurant chains with a projected compound annual growth rate (CAGR) of 5% for independent restaurants and small chains, compared with 3.5% for large chains. Significant expansion will also be seen for fresh prepared foods at supermarkets, a segment expected to grow at 7.5% annually.
- In 2015, Cleveland Research Company (CRC) expected prepared food to grow almost 16% and projected that five years hence prepared foods will represent 6.7% of store sales, up from just 1.7% in 2010.
- Prepared food purchases from supermarkets, drug stores, and other retail outlets will grow 10% by 2022 compared to a 4% increase in restaurant visits. (The NPD Group)
- The fight for America's food dollars continues to intensify as consumers find fresh prepared ready-to-eat food options at a wide and growing array of outlets across almost every channel: convenience stores, chain drug stores, restaurants, grocery stores, club stores, vending, food trucks, and even more non-food retailers like dollar stores.

Retail Foodservice Exhibits Great Demand from its Consumer “Pull” Power

- They speak directly to manufacturers and operators with their crowd-sourced social media voices, sidestepping the dated “link-to-link” whispers down the supply chains of the long-established “push” verticals that dictated shoppers’ food choices. This new supply chain must listen to an energized marketplace, now intermingled with millennials, boomers, and seniors.
- Millennials are a prime audience for retail prepared foods. Recent Acosta research shows that 78% of Millennials/Gen Yers brought home vs. 68% of Gen Xers, 60% of Boomers and 57% of seniors within 30 days of being surveyed.
- Expanding cultural diversity and the power of social media are driving new notions of what people eat, when they eat, and where they eat, changing the rules of food marketing forever. Retail Foodservice is officially a “pull” vertical channel.



Manufacturers, Operators and Others in “Push” Channels Must Pay Attention to Retail Foodservice. Its “Pull” Power Will Effect Change.

- Those aged 35 and older are just as likely as the 18-34 year-olds to buy prepared foods for dinner. Young adults (18-24) prefer prepared foods for snacks and seniors (65+) look for such items for lunch. (The NPD Group)
- More than one in four shoppers (27%) go to the supermarket with the sole intent of picking up a prepared meal. (AlixPartners)
- If the product is not meeting millennials’ standards for clean, the product will not be sales-worthy and this will eventually carry through to today’s baby boomers.
- Today’s millennials are a large age group but only recently are they beginning to understand the purchasing power they have with a crowd-sourced social media influence.
- Millennials’ influence on today’s baby boomers is great and will continue as they age.

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- “Clean” labels will drive the purchase selection and meal choices.
- Fresh meat departments will catch on to some of QVC’s largest selling cookware and will set product assortment accordingly.
 - Crock pots
 - Pressure cookers, etc.
 - Large size “all in one” cook pans
 - Single serve cookware
- Operators and manufacturers are looking not only to capitalize on the surge of millennial’s food purchase power, but also that of baby boomers and seniors.
- Produce will begin to sell “juicer” bundles.
- Fresh meat departments will carry SKU total categories to include fresh, assorted, and kitchen
- Center store grocery will be transformed into food cultural centers. Center store grocery will find new customers in an easier search for organic and natural.
 - Asian
 - Italian
 - Cajun
 - African American
 - Latin American

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- The traditional Retail Deli will remain intact with pre-packaged cold cuts and fresh sliced cold cuts. Fresh to-go salads and some entrees will move to the new Super Deli category within the channel and create their own data compartment.
- Both retail and foodservice operators and their distributor partners find themselves in the midst of a “cross channel” migration of business and will adjust their go-to-market strategies.
- The traditional grocery store will not exist in 5 years.
- A supermarket group with a concentrated sales and purchasing emphasis on Retail Foodservice will buy a second or third tier distributor.
 - Control over product selection and production
 - Fewer SKU rationalization concerns

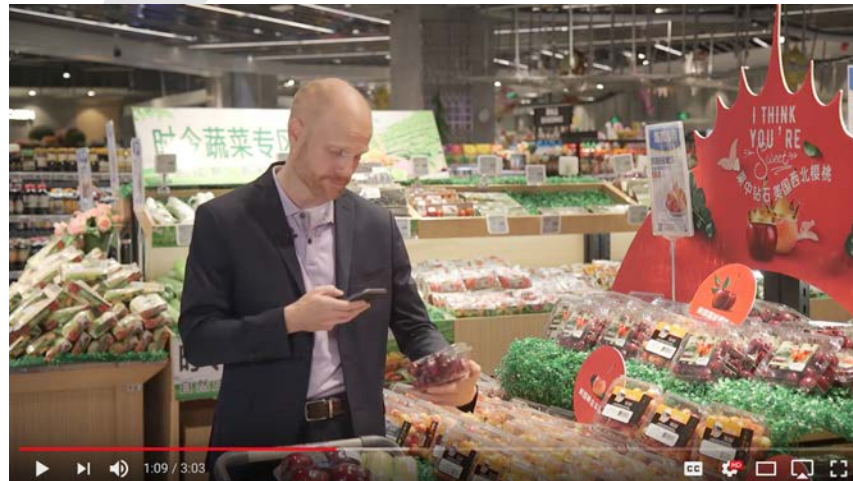
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- Broker groups are buying or acquiring experience and expertise in both the retail and foodservice channels to insure they have them covered
- Deli chefs have figured out how to keep hot foods hot and cold sandwiches fresh so Retail Foodservice driven products can move out of its “once only” life in the catering category.
- Back-of-the-house Retail Foodservice food preparation training will continue to rise with new recommendations and equipment.
- Food brokers in both food distribution channels need to pay close attention and address “food dollar” migration.



The Real Strategic Change Agents: Amazon, Walmart, Kroger, Alibaba, Costco, and China's "Hema" Retail Market

- The traditional supermarkets and others in the supply chain need to look to this horizon or they will be soon be looking at the sunset of the traditional supermarket.
- There will be more. Take a look at the supermarket in China. These images speak volumes no matter the language.



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