The Future Of “Fresh”

MINTEL

Executive Summary

The retail food space is evolving at a rapid pace, due to ever-changing consumer demand and industry trends, making it difficult for brands and retailers to stay in the know. As researchers, we place great importance on identifying and aggregating consumer insights that will enable retailers and brands alike to make smarter business decisions.

This report details the developments and future outlook of the refrigerated space in food retailing, now labeled “Fresh Snacking.” In the past three years, while the $40-billion conventional snacking market declined 2% annually, the $17-billion Health & Wellness (“H&W”)[1] snacking category rose, bolstered by an 8% increase in Fresh-snacking products.

This study, “The Future of Fresh,” was sponsored by Perfect Bar and independently researched and written by Mintel, in collaboration with SPINS. The report and our conclusions rely on data from tracked sales, consumer surveys, social media and new-product introductions.

Here are key findings from the report, laid out in further detail below:

- Consumers’ demand for “Fresh” is contributing to the dollar-sales growth of the “Fresh Perimeter” at 2.1X the growth rate of “Total Food & Bev”
- According to SPINS, the H&W Fresh Snacking categories are increasing, while Conventional Shelf-Stable Snacks have declined, over 3-yr CAGR
- While 48% of shoppers say they buy the same items from the perimeter, 32% say they’re specifically looking for new foods in the perimeter and 25% say the perimeter is where they often buy impulse items.
- In H&W Snacking (natural/clean), growth from 2015 – 2020 is expected to reach $20B, with Fresh Snacking leading at 9% CAGR, while shelf-stable H&W snacking is projected to grow at 5% CAGR.
- Between 2008 – 2017, H&W Fresh Snacking new-products launches have increased by 4X vs. period prior, bolstered by smaller CPG brands in six-prominent segments
- The “Fresh” trend is so prominent, it’s transcending the perimeter of the grocery store, moving into center aisles and finding new expressions outside of the grocery store.
- With rise of grocery ecommerce, consumers are still shopping brick & mortar (B&M), particularly for “Fresh,” due to quality uncertainty and price attributed to the cold-supply chain.
- There is still growth to be had for brands in all areas of “Fresh,” with opportunity most notably in indulgent, total-household and mindless-munching segments.

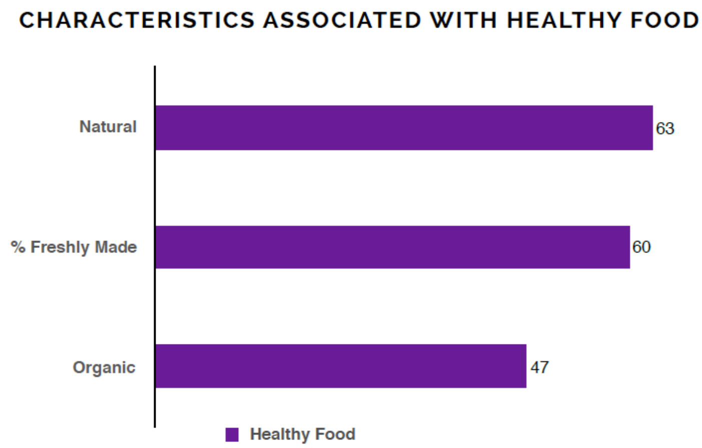
[1] SPINS has developed exclusive coding that recognizes how brands position their products in the marketplace. The Health and Wellness Industry (HWI) is comprised of Natural Positioned Products (products that meet quality standards set by Natural retailers and consumers that shop in these outlets) and Specialty and Wellness Positioned Products (products that have unique taste profiles, are international or imported, and are marketed as premium quality to the ‘foodie’ consumer).

Fresh: What It Means & Why Consumers Want It

Fresh is the New Healthy

While “natural” and “organic” characteristics in food and drinks have been deemed “healthy” for some time, “freshly-made” has risen to be among the top-two attributes associated with better-for-you, healthier products. The data is so substantial, it’s reasonable to conclude that, to consumers, “Fresh” equates to “healthy.”

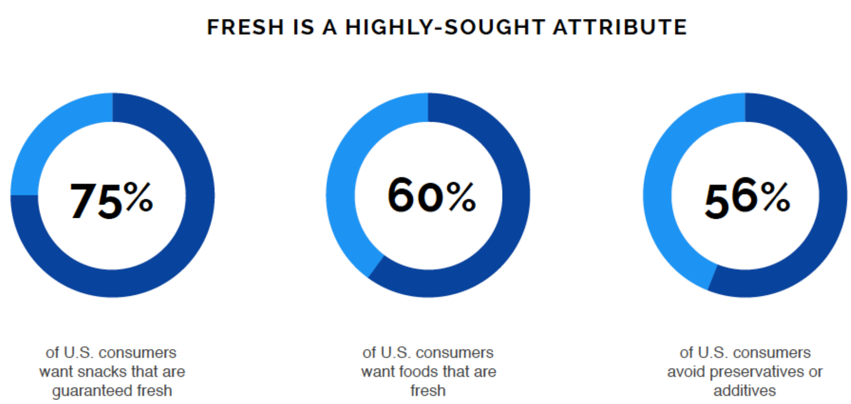
Figure 1: Characteristics that you associate with healthy food (highest of 12 choices)



Source: Mintel Better for You Food and Drink Trends - US - September 2017

In addition to its correlation to healthy, “Fresh” has been articulated to be a highly-sought attribute for snacks as well as foods in general. It is the strong association between “Fresh” and lack of preservatives/additives that contributes heavily to the demand for clean-label and refrigerated products.

Figure 2: Fresh is a highly-sought attribute



Source: Healthy food associations, July 2017 Base: 2,000 internet users aged 18+, womensmarketing.com, mmistorebrands.com

Why and To Whom Does "Fresh" Matter

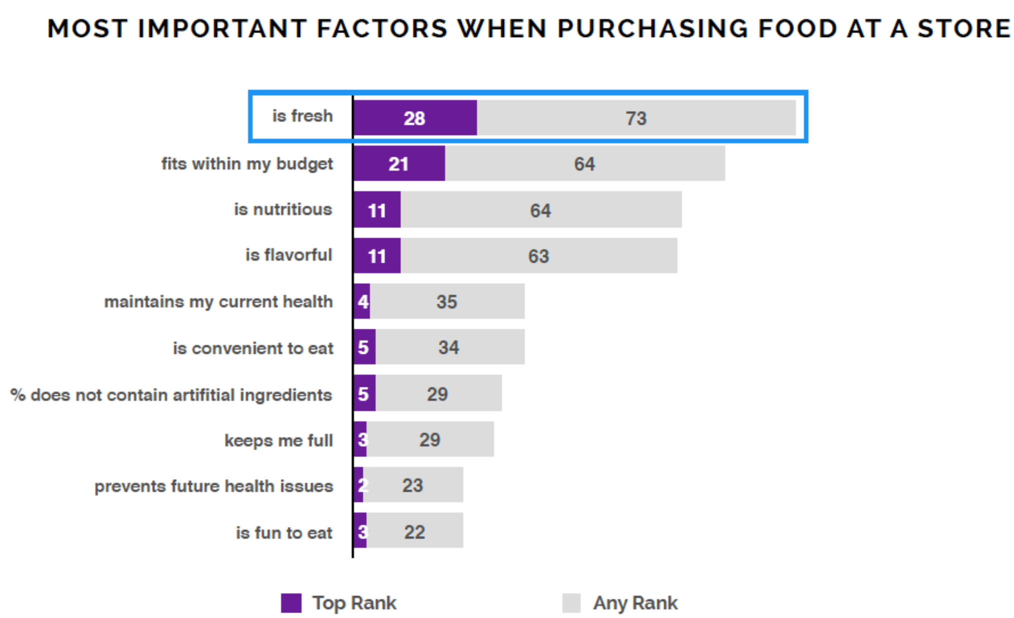
To Millennials (age 22-37) and the coming-of-age iGen (age 11-23), "is fresh" is the most-influential factor impacting purchasing decisions.

For consumer-packaged products, conveying freshness is essential to appeal to the emerging shopper with a growing-discretionary income.

Mintel asked consumers, "Which of the following is most important to you when purchasing food at a store?" With past studies indicating taste and value as the strongest-purchase drivers for Millennials, it's significant to see "Fresh" outscoring price, flavor and all other attributes, when included as an option.

Attracting Millennials can also be achieved through other benefit claims, including affordability, convenience and nutrition.

FIGURE 3: MOST IMPORTANT FACTORS WHEN PURCHASING FOOD AT A STORE



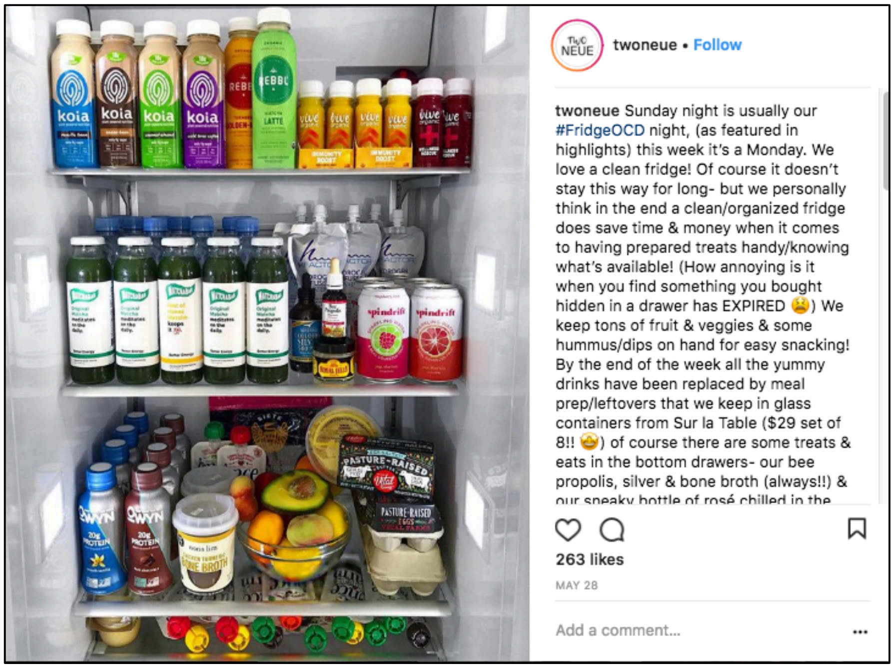
Source: Mintel; The Millennial Impact: Food Shopping Decisions - US - July 2017
Base: 2,000 internet users aged 18+; Lightspeed/Mintel

How Consumers Articulate Fresh

As with many food-related attributes, such as "natural" and "clean," the term "Fresh" could be deemed ambiguous by consumers. Yet, what we see is that **consumers are making a connection between refrigeration and products made with clean, whole-food ingredients** in numerous categories.

With more and more products emerging in the Fresh set, consumers continue to speak with their social media and spending habits, increasing the demand for the variety of "Fresh" packaged goods.

FIGURE 4: REFRIGERATION CAN ELEVATE HEALTH AND QUALITY PERCEPTIONS AS SEEN IN A NUMBER OF CATEGORIES



Source: Mintel

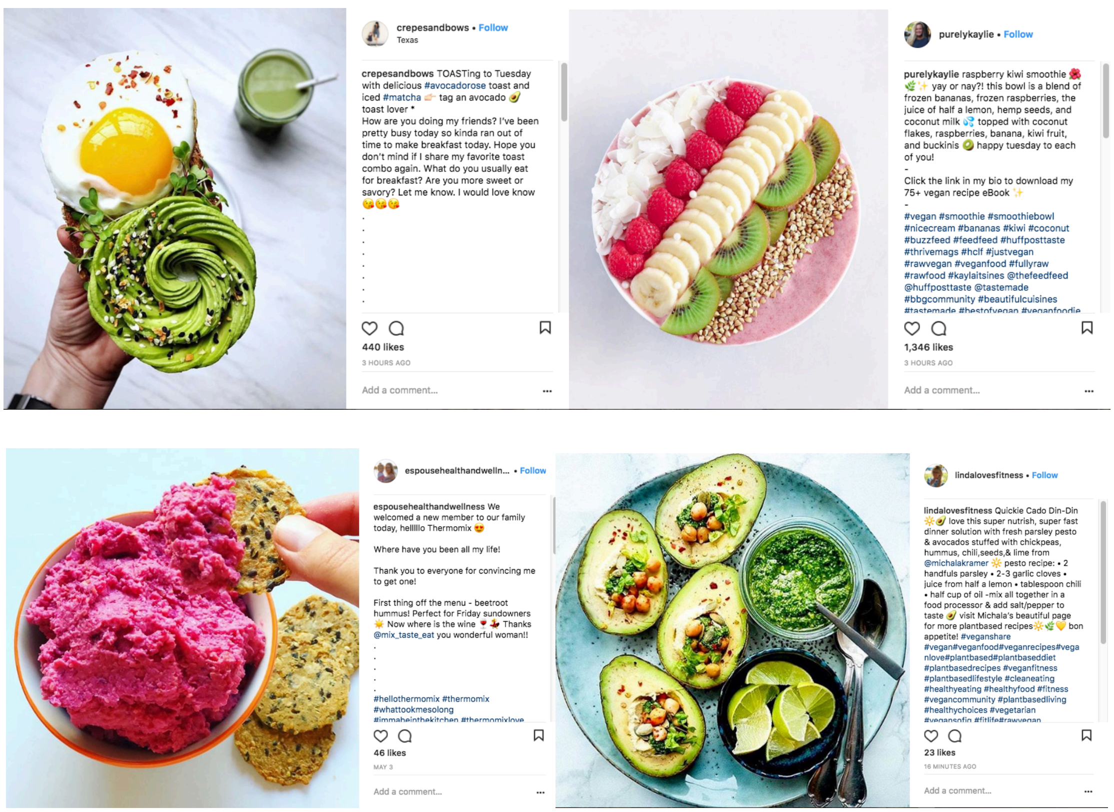
FIGURE 5: CLEAN-LABEL PRODUCTS ARE PREVALENT IN THE SNACKING CATEGORY

Source: Mintel

Growth of Fresh-Snacking Culture & Category Segmentation

Consumers Seek Fresh Snacks in Portable Formats to Keep Up with Social Influence & Trends

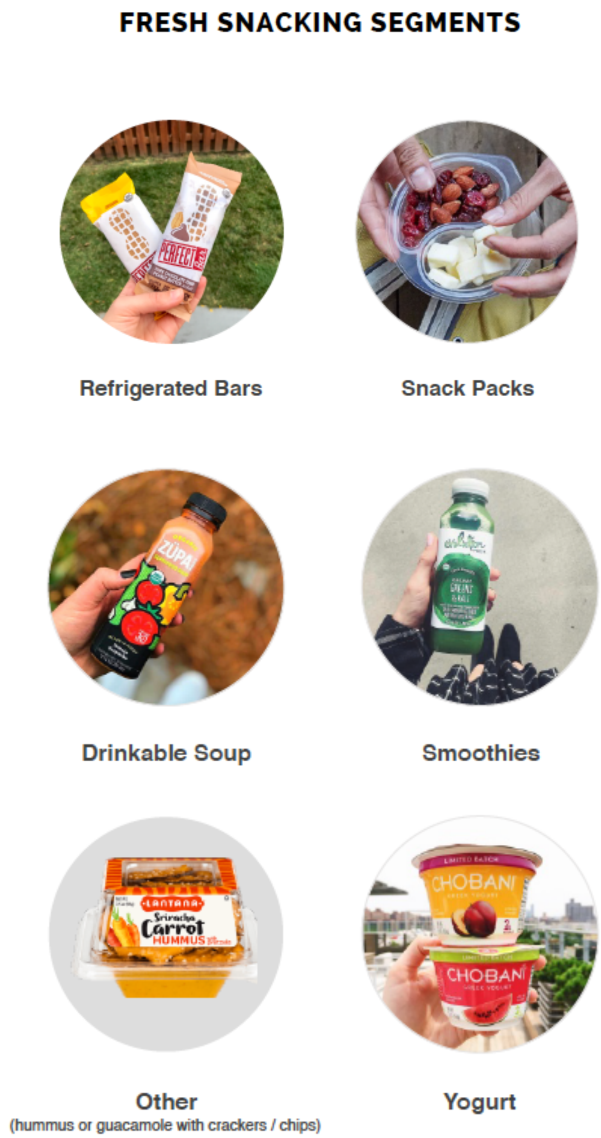
Clean, whole food is trending on social platforms creating a growing zeitgeist amongst consumers. And while fresh foods are deemed worthy of sharing, the convenience and accessibility of creating aesthetically-pleasing, shareable recipes is not realistic for the busy consumer.



To take part in the growing social media trend, consumers are seeking fresh snacks that are portable, convenient and boast both macro-nutrient profiles and whole food ingredients to showcase their healthy habits. CPG brands are meeting that need, providing consumers with fresh food options that don't require as much, if any, time in the kitchen as their from-scratch counterparts.

There are six packaged-product segments that most clearly define the Fresh-snacking spectrum for today's shopper: refrigerated protein/energy bars, protein snack packs, drinkable soups, bottled smoothies, yogurts, and 'other' (hummus or guacamole with crackers/chips).

Figure 6: Fresh snacking segments



Source: Mintel

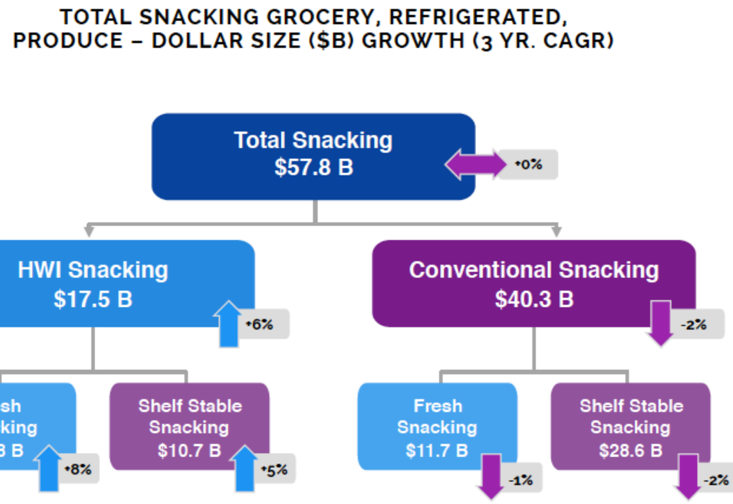
Snacking Category Growth Driven by Fresh Health & Wellness Segment

Retail-consumption data supports the premise that Fresh snacking is driving growth across food and beverage categories. While the $40-billion conventional-snacking market declined 2% annually in the three years ending April 2018, the $17-billion Health & Wellness ("H&W")[2] snacking category, bolstered by Fresh-snacking products, rose 6% annually.

Consumers, faced with ever-increasing snack-food health claims, have turned to fresh products to cut through the noise. Within H&W snacking, the shelf-stable set exhibited growth at 5% annually, while Fresh snacking grew a strong 8% annually.

[2] SPINS has developed exclusive coding that recognizes how brands position their products in the marketplace. The Health and Wellness Industry (HWI) is comprised of Natural Positioned Products (products that meet quality standards set by Natural retailers and consumers that shop in these outlets) and Specialty and Wellness Positioned Products (products that have unique taste profiles, are international or imported, and are marketed as premium quality to the 'foodie' consumer).

FIGURE 7: TOTAL SNACKING GROCERY, REFRIGERATED, PRODUCE – DOLLAR SIZE ($B) GROWTH (3 YR. CAGR)

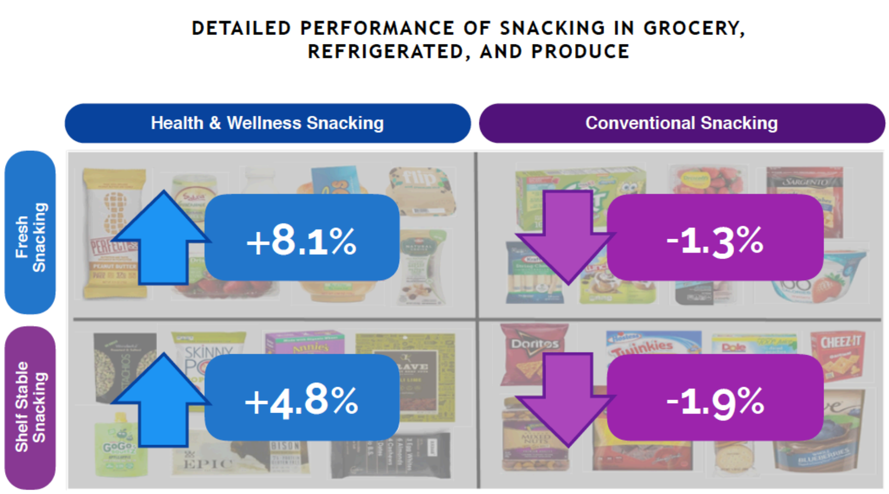


Source: SPINS; MULO, Natural and Specialty Gourmet Channels; 52 Weeks ending 4/22/2018 vs Prior Years

This detailed analysis of what consumers say and do, combined with data for "Fresh" vs. shelf-stable snacking and H&W vs. conventional snacking shows that H&W Fresh snacks have exhibited strong growth over the past three years and are poised to continue to be a winning combination in the future.

All combinations of conventional snacking experienced sales declines, as megabrands like Yoplait, Dole, Hostess and Doritos have struggled to appeal to health-conscious Millennial consumers that value clean labels and nutrition more than price. While shelf-stable H&W snacking has been successful, bolstered by brands like Skinny Pop, Annie's, Krave and Epic, the strongest growth in H&W snacking has been driven by cold-chain items such as Sabra, Chobani, Perfect Bar, Siggi's and fresh fruit.

FIGURE 8: DETAILED PERFORMANCE OF SNACKING IN GROCERY, REFRIGERATED, AND PRODUCE

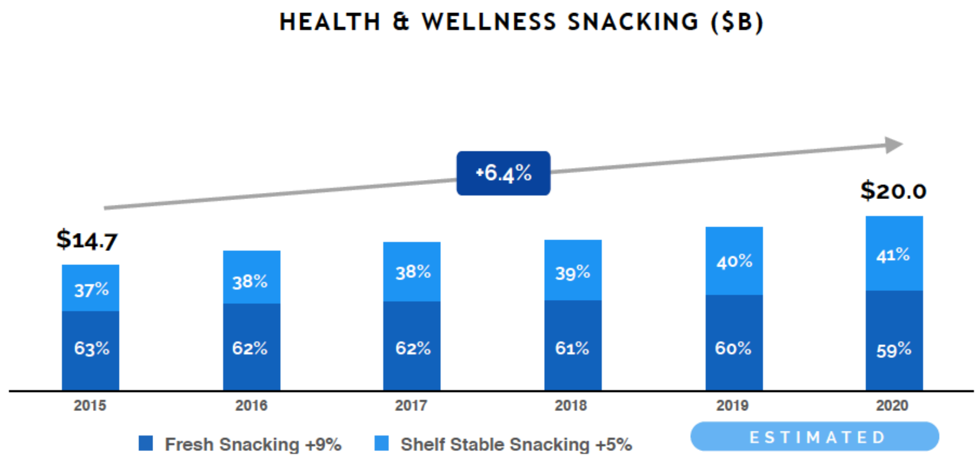


Source: SPINS; MULO, Natural and Specialty Gourmet Channels; 52 Weeks ending 4/22/2018 vs Prior Years

Total H&W Snacking will reach $20B by 2020

Looking ahead, SPINS projects H&W snacking to accelerate slightly through 2019 and into 2020, finishing 2015-2020 with 6.4% CAGR. **Fresh snacking is projected to be the most meaningful growth contributor, leading the way at 9% CAGR**, while shelf-stable H&W snacking is projected to continue to growing at 5% CAGR.

FIGURE 9: HEALTH & WELLNESS SNACKING ($B)



Source: SPINS; Projected to 2020 by Category using 2015-2018 CAGR HWI Snacking- Current Dollar Size & Projected Dollar Size ($B); MULO, Natural and Specialty Gourmet Channels; 52 Weeks ending 4/22/2018 vs. Prior Years

Driving Attributes of Fresh Snacking

Unifying Attribute: Protein

Protein is a highly-sought attribute in all six of the identified Fresh-snack segments, including yogurt, hummus, snack packs, bars, smoothies and drinkable soups. Mintel surveys show:

- **54%** of U.S. consumers believe they need more protein in their diet
- **49%** of consumers (ages 18+) who purchased better-for-you snacks in the past three months listed “good source of protein” as important when purchasing healthy snacks
- Food and drink launches (all types) with a high/added-protein claim increased by **34%** from January 2014 to December 2017

Sources: Mintel’s Plant-based Protein Report – US – Jan 2018, Insight From Freshness to Indulgence Cheese Snack Packs Deliver Multiple Benefits, Better for You Snacks - US - September 2017, Insight High protein options continue to emerge in cookies category

FIGURE 10: FRESH SNACK PROTEIN AND OTHER NUTRITION CALLOUTS ON-PACK

FRESH SNACK PROTEIN AND OTHER NUTRITION CALLOUTS ON-PACK

All of these products prominently call out protein on-pack, as well as a range of other benefits, including organic, gluten free, superfoods, clean ingredients, Non-GMO, hormone free, and “fewer carbs and sugar than the competition.”

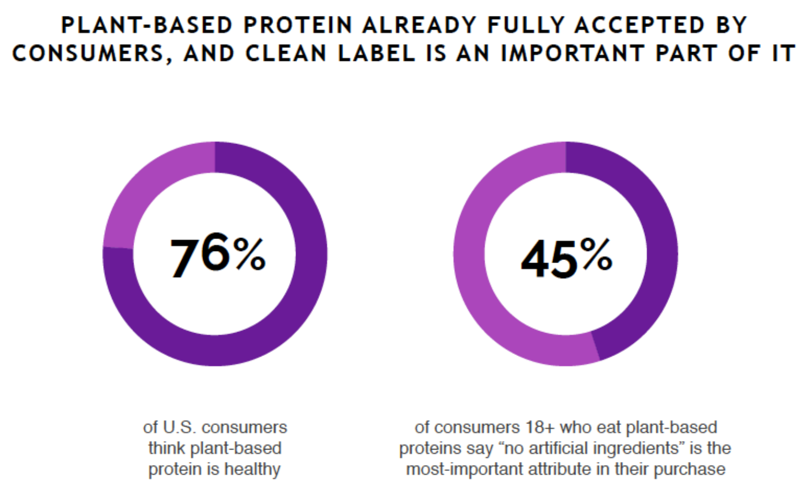
Unifying Attribute: Plant-based

The Plant Based Foods Association predicts that by 2020, global sales of plant-based dairy and meat alternatives will reach $19.5 billion and $5 billion in sales, respectively.

Large companies are joining the movement, with PepsiCo creating SoluOats in 2017, a high-protein plant-based beverage that is in good company with innovative plant-based leaders, such as Vega (DanoneWave), Enjoy Life (Mondelez), Sweet Earth and Garden of Life (Nestle), Field Roast (Maple Leaf Foods) and Kashi (Kellogg).

This emergence has led to an **850%** increase in claims associated with plant-based snack products, between 2013 and 2017. Fully 76% of consumers have eagerly embraced plant-based protein to be a healthy choice, and 45% deem a clean-and-nutritious ingredient label to be the most-important attribute in making their purchase.

FIGURE 11: PLANT-BASED PROTEIN ALREADY FULLY ACCEPTED BY CONSUMERS, AND CLEAN LABEL IS AN IMPORTANT PART OF IT

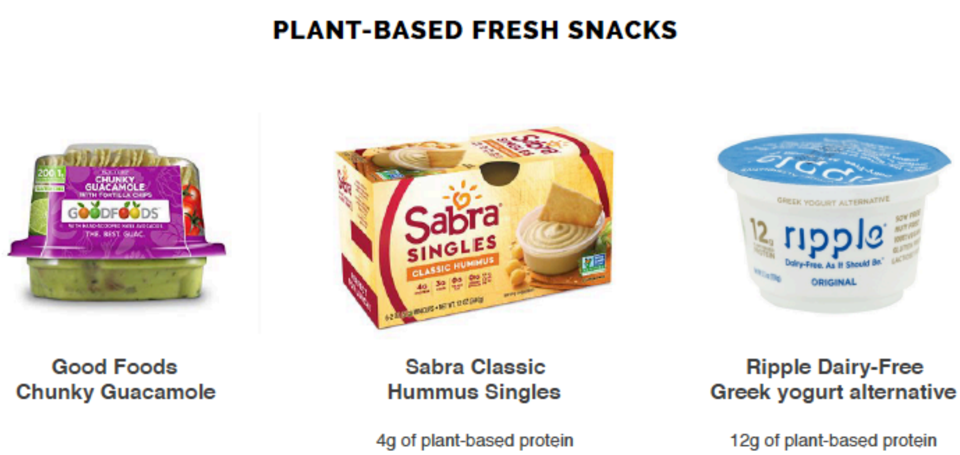


Sources: Mintel's Plant-based Protein Report – US – Jan 2018; Snack, Nutrition and Performance Bars - US - April 2018; 'Green' protein to shift attention from 'high-protein' to 'quality-protein' claims – Mintel Insight 2017

Fig. 12 showcases some of the ways brands, both emerging and established, are highlighting plant-based sources of protein, which 33% of consumers have expressed interest in knowing. Plant-based protein claims serve to reassure consumers that the source of protein in their snack foods provides similar and/or clean health and nutrition benefits, compared to their animal-protein counterparts.

Plant-protein quality claims are closely associated with the broader clean label trend, with 32% of U.S. consumers listing "no artificial ingredients" as an important quality when buying meat alternatives.

FIGURE 12: PLANT-BASED FRESH SNACKS



Source: Mintel

Evolution of Fresh Snacking

Snapshot of Fresh-Snacking Evolution

Examining the history of Fresh snacking helps showcase how recently and quickly it has evolved, how extensively it has filtrated grocery retail, and how much opportunity lies ahead. Fig. 13 summarizes several innovations that have occurred in the space over the last 13 years, as consumers demand better-for-you options to fulfill their daily snacking needs and grocery retailers recognize the opportunity for the fridge set to become more of a destination in the store.

Over the 13-year span, innovation in the Fresh-snacking category has been driven primarily by smaller brands pioneering new categories, introducing unique ingredients, and advancing packaging to promote portability.

FIGURE 13: FRESH SNACK EVOLUTION

Source: Mintel

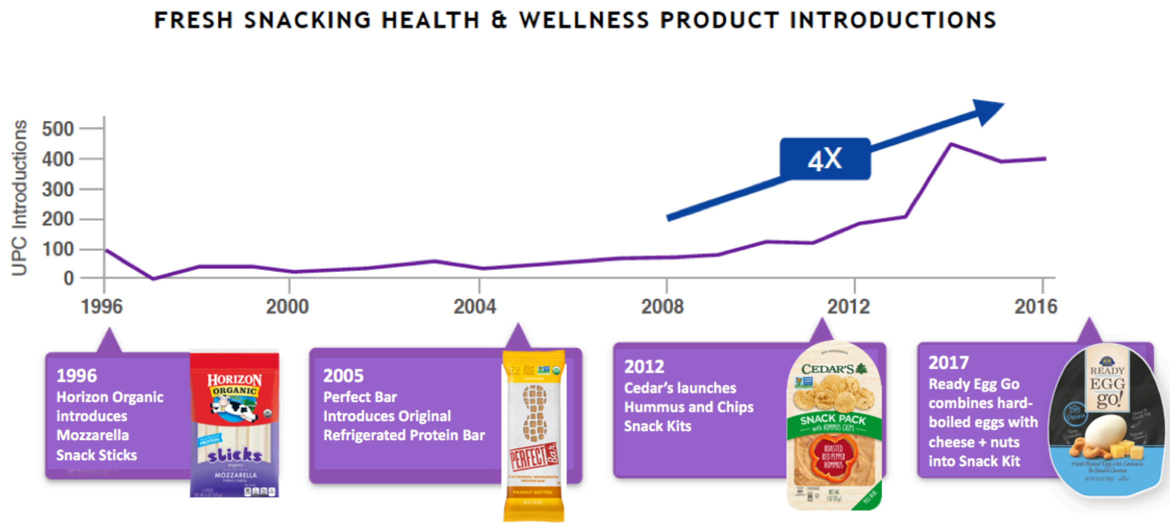
Growth in New Products

Fig. 14 looks at innovation from the lens of new products in the H&W Fresh snack category. Growth began to accelerate in 2005 and increased sharply – approximately 4x – between 2008 and 2017.

The uptick in Fresh-snacking launches in traditional brick-and-mortar retail parallels the rise of e-commerce; a channel that is not as conducive with fresh products, due to challenges with the cold-supply chain and cost of shipping.

Retailers took this opportunity to appeal to consumers' fresh-food needs, while shelf-stable product shopping became more accessible and cost-effective online.

FIGURE 14: GROWTH IN NEW PRODUCTS IN HEALTH & WELLNESS FRESH SNACKING



Source: SPINS; MULO, CY 1996- 2016

Fresh Products Have Rejuvenated the Snacking Category for Consumers

Evaluating the category dynamics prior to the emergence of fresh products indicates the impact of shifting-consumer demands in snacking. Fig. 15 illustrates the impact of Fresh snacking on existing snack brands (conventional snacks; always shelf stable; now declining in sales as a category), and the impact that Fresh snacking brands are having, as they disrupt eating occasions and drive growth in snacking again.

FIGURE 15: EVOLUTION FROM TRADITIONAL SNACKS TO FRESH SNACKS IMPROVES NUTRITION

Source: SPINS; MULO, Natural, Specialty Channels. 52 Weeks ending 4/22/2018;
Showing brand sales in snacking respective category, Dollar Sales ($MM) and % Change vs YA

Snapshot of Snack Bar Evolution

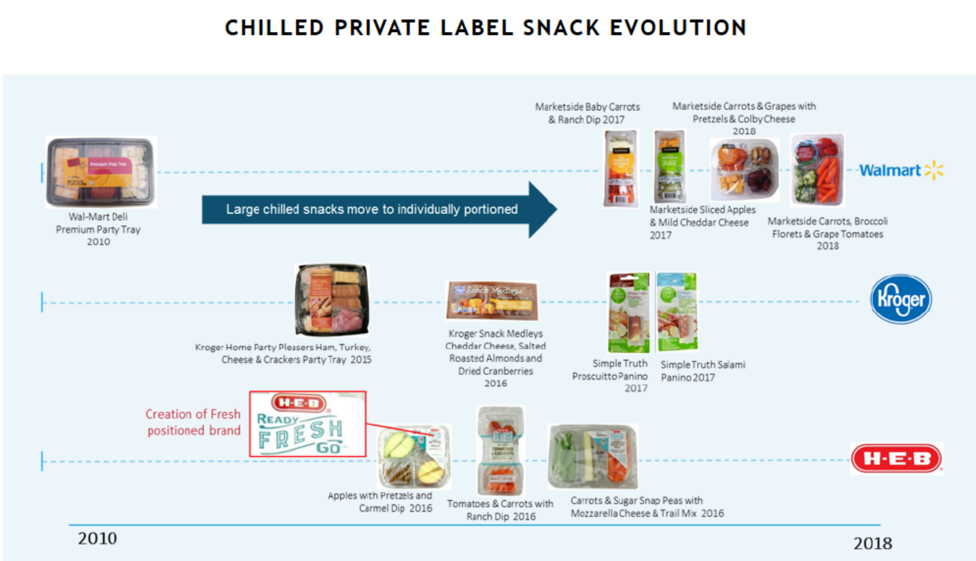
Since the first energy/protein bars launched in the shelf-stable set, the core attribute was convenience and portability. Over time, virtually all bar products have evolved to deliver on core consumer demands related to protein, taste and satiety.

As Fresh snacking emerged, driven by consumer demand for clean, nutritious options, refrigerated bars were developed to elevate the bar category and meet consumer needs, while still delivering on protein (and other ingredients). As manufacturers noticed the array of consumer benefits that came with fresh products, including nutritional density and fewer additives and preservatives, the number of refrigerated products grew, and consumers associated “Fresh” with snack bars for the first time.

Snapshot of Chilled Private Label Snack Evolution

The impact of Fresh snacking in grocery stores has not been a missed opportunity for retailers, either. Most apparent is when grocers began using meat and cheese party trays as a launch pad for innovation, then capitalizing on private label and commissary products **–** produced at the store or in centralized kitchens **–** to drive Fresh-snack and meal-kit offerings. Various combinations of meats, cheeses, fruits, nuts and vegetables have created a new range of private label products that address consumer demands for Fresh snacks.

FIGURE 16: CHILLED PRIVATE LABEL SNACK EVOLUTION



Source: Mintel

Fresh is Redefining the Retail Environment

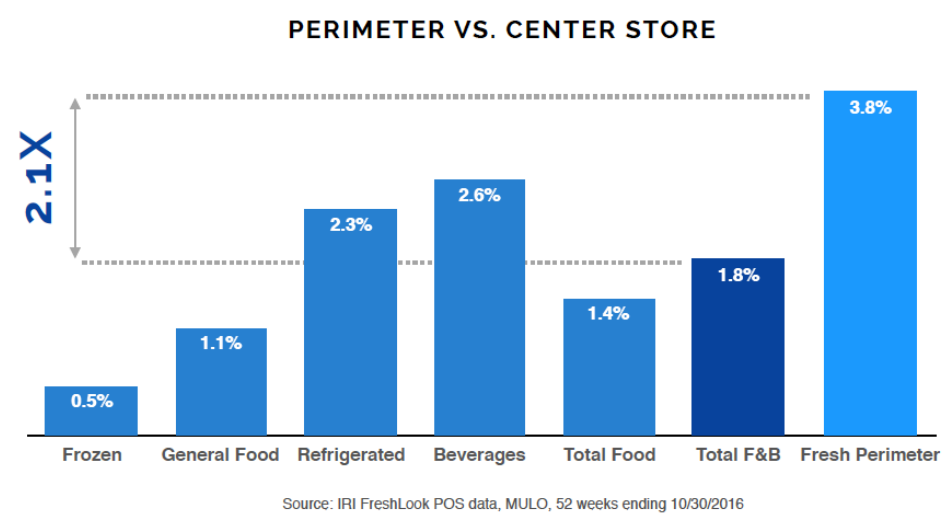
Consumers Continue Looking to the Perimeter for Variety

"Fresh," as a concept **–** and particularly H&W Fresh snacking **–** is empirically disruptive to the established center-store brands; so much so, industry leaders are taking notice of the shifting landscape. Former Whole Foods co-CEO Walter Robb highlighted the impact of "Fresh" on grocery retailing's future:

> *"Let's be clear—the food world is moving to the perimeter. The center of the physical store is going to continue to get hollowed out as things are set up on automatic replenishment or shipped to home. The brands of the future are those that are moving to the perimeter and offering a fresh proposition."*
> Source: www.newhope.com; June 7, 2018

Products in the fresh perimeter of retail grocery, including products outside of Fresh snacking, are contributing to growth rates that are more than double the rates of growth occurring in the rest of food and beverage.

FIGURE 17: PERIMETER VS. CENTER STORE; DOLLAR SALES GROWTH; FOUR-YEAR CAGR

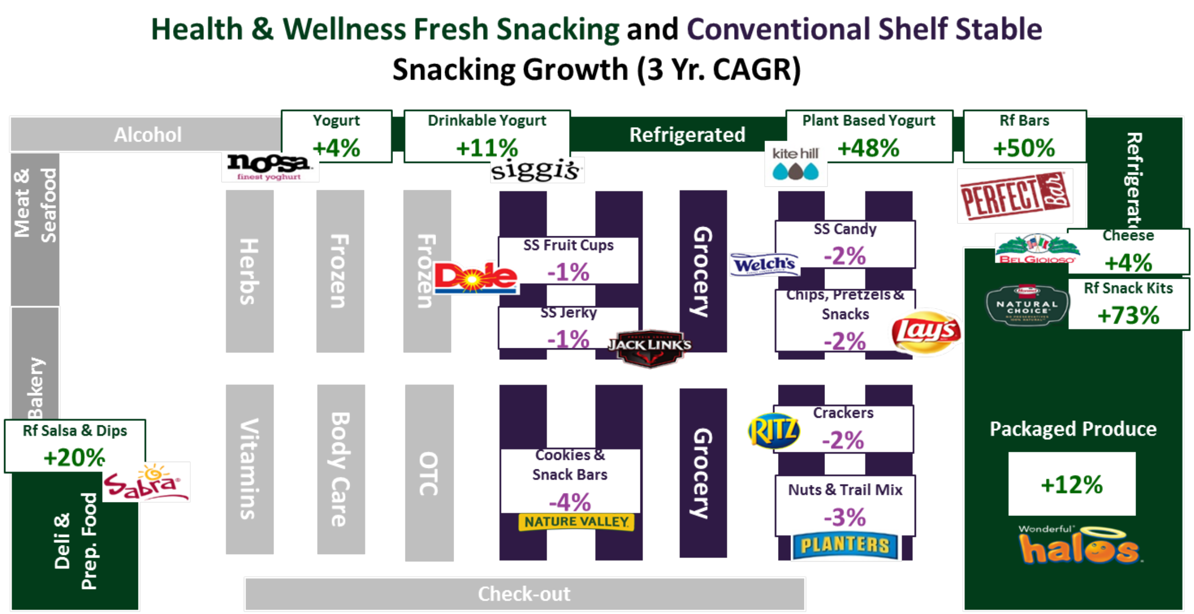


Source: IRI Fresh Look POS data, MULO, 52 weeks ending 10/30/2016

With the fresh perimeter growing at 3.8%, well in excess of other areas of the store, it is clear that shelf-stable products will continue to yield space to "Fresh" as the perimeter moves inward.

Specifically, Fresh snacking is likely to garner more attention from grocery retailers, as snacking's contribution to growth in the fresh perimeter outpaces other products. Many of these products exhibit double-digit growth rates, as shown in Fig. 18.

FIGURE 18: HEALTH & WELLNESS FRESH SNACKING VS. CONVENTIONAL SHELF STABLE SNACKING



Source: Dollar Sales (3 Yr. CAGR) - HWI and Conventional Snacking MULO, Natural, Specialty Channels.
52 Weeks ending 4/22/2018 vs, Prior Years

How actively are consumers looking for new items around the perimeter?

Given that the perimeter of the store has always been there, one might not expect too much exploration. Yet, while nearly half (48%) say they buy the same items from the perimeter every time, a third of shoppers (32%) say they are specifically looking for new foods in the perimeter and a quarter of shoppers (25%) say the perimeter is where they often buy impulse items. This relatively-high level of experimentation has very likely contributed to the high-sales growth rates in the fresh perimeter.

FIGURE 19: RETAIL FOOD SHOPPING HABITS, APRIL 2017

Source: Lightspeed/Mintel; Base: 1,920 internet users aged 18+ who are responsible for grocery shopping.
Source: IRI Fresh Look POS data, MULO, 52 weeks ending 10/30/2016

E-Commerce

How Online Drives the Shift in Consumers' Eating Culture

The rapidly-changing food culture in today's society is influenced by ever-evolving trends in retail, demographics, packaging, ingredients, supply chain and consumer knowledge, which leads to growing consumer demands.

One fact will hold true for the next decade and beyond: The vast majority of food consumed at home will come from consumers going to a grocery store. Nevertheless, it's critical to anticipate the impact of fast-growing online grocery retail consumer shopping behaviors.

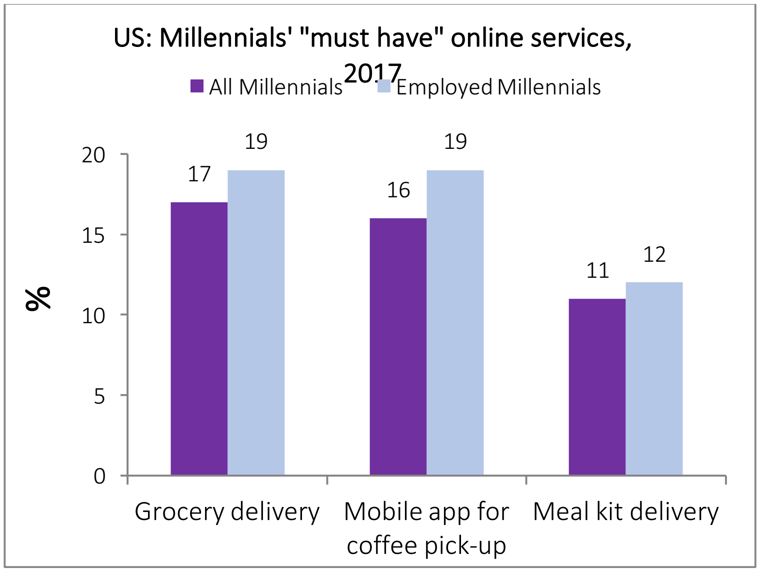
Fig. 20 shows a range of consumer behaviors and attitudes that explain both the scale and the limitations of online shopping.

FIGURE 20: ONLINE SHOPPING CONSUMER ATTITUDES

Source: Mintel Grocery Retailing – U.S. - November 2017, Online Shopping – U.S. - June 2017

Fig. 21 shows exactly how important online grocery delivery, meal kit delivery and mobile apps for coffee pickup are to Millennials. Online-grocery delivery and mobile apps for coffee pickup have scaled quickly, and adoption will become more mainstream over the next few years as the younger iGen enters the work force.

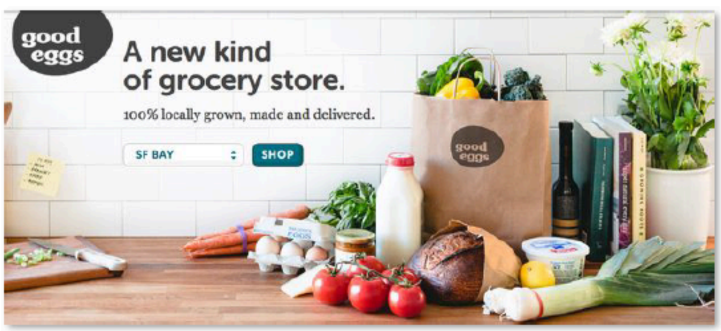
FIGURE 21: MILLENNIALS "MUST-HAVE" ONLINE SERVICES



Source: Mintel's A Snacking Nation: 94% Of Americans Snack Daily, IRI's 'State of Snack' Report

Online shopping sites and apps are more prevalent than ever, offering a new level of convenience and accessibility for grocery items. A couple of examples include Good Eggs and GoPuff:

NEW EXAMPLES OF GROCERY ACCESSIBILITY AND CONVENIENCE



"Good Eggs is the simplest way to feed your family all week long. We're an online grocery and meal-kit delivery service that combines absurdly fresh, local produce, meal kits for every occasion, grocery staples, and wine, beer and spirits to wash it down -- all delivered same-day to Bay-Area homes."

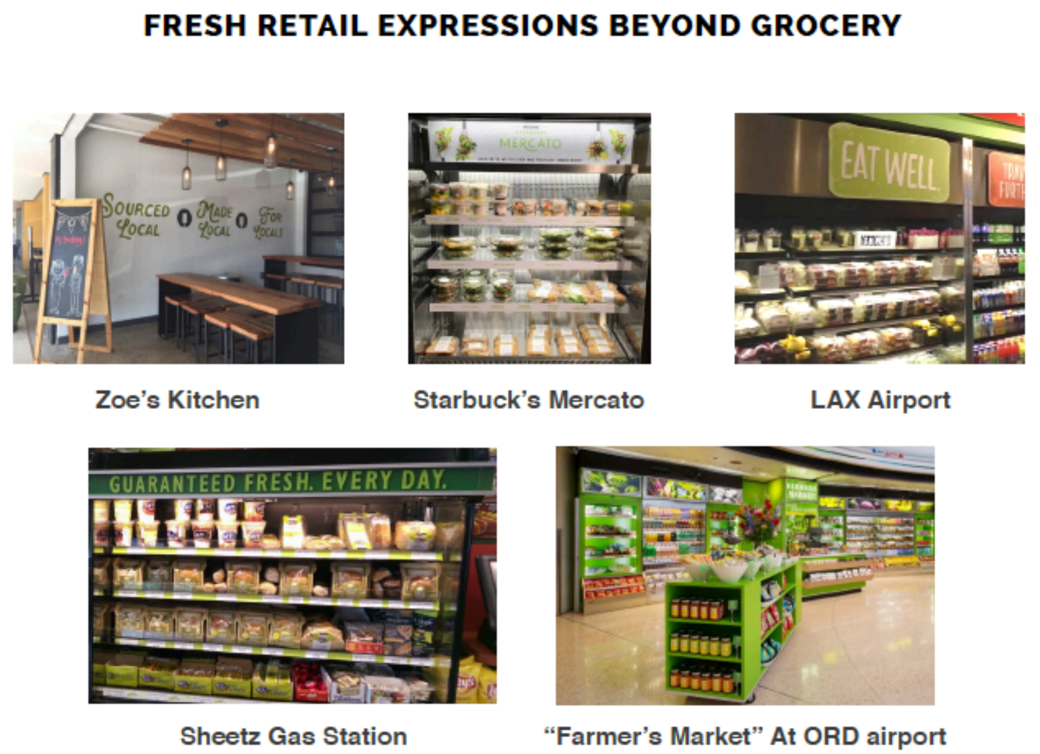
"GoPuff, a virtual convenience store, promises easy, fast and free delivery of more than 3,000 items, from carbonated soft drinks to personal hygiene products. Designed originally to service college students, GoPuff guarantees delivery in less than 30 minutes in more than two-dozen cities throughout the U.S."

Source: Mintel

The Fresh Concept is so prominent, it is Finding Expressions Beyond Grocery And Online

As a result of the expansion of grocery delivery, grocery stores have installed a growing number of coolers at the front end of the store to support "click & collect" customers and gig-economy shoppers who troll the aisles, and select products for digital grocery purchasers. Furthermore, many stores are designating parking spaces for "click & collect" and digital-economy service providers. As "Fresh" dominates grocery-stores' and consumers' mindshare, a tipping point is occurring: The concept is reaching the point of ubiquity – achieving many new expressions outside of the grocery store, including grab-and-go locations, like Starbucks, airports and foodservice locations.

FIGURE 22: FRESH RETAIL EXPRESSIONS BEYOND GROCERY



Opportunities and White Space In Fresh Snacking

Indulgent

While traditionally positioned around pure indulgence or pure dieting, chilled desserts can profit from embracing current health-related lifestyle trends.

FIGURE 23: NEW PRODUCT INSPIRATION COMBINING INDULGENT WITH HEALTH

NEW PRODUCT INSPIRATION COMBINING INDULGENCE WITH HEALTH

Companies are changing and adapting to consumer-mindset shifts of "fresher is better" within the indulgent category: Tim Tam launched gelato-flavored biscuits that are best served chilled and Clio serves up Greek yogurt in an innovative bar format with an indulgent wrapping of chocolate.

Fresh creates a "healthy halo" around otherwise indulgent treats, taking the guilt out of desserts. Hail Merry's clean, plant-based ingredients and Better Bites focus on allergen-free products give consumers the peace of mind to feel good about how they satisfy their sweet tooth.

Total Household

While this report focuses on adult Fresh snacking behavior, driven mainly by Millennial and younger generations, it becomes apparent that these same adults are responsible for expanding the Fresh movement in retail beyond themselves and into the rest of their households. Fresh has recently gotten a firm footing in the categories of baby food, and is seeing development in more and more products for kids, tweens and even pets.

With yogurt as a longstanding category of kids-specific products, parents are seeking better-for-you snacks that are Fresh, such as Fairlife SuperKids, Crunch Pak, Mini Babybel and CuteCumbers.

FIGURE 24: FRESH FOR TOTAL HOUSEHOLD DELIVERS ON TASTE AND NUTRITION

Source: Mintel GNPD

Indeed, there appears to be a close relationship between parents' diet and kids' diet as 38% of kids say their parents eat a healthy diet, and a similar 36% of kids and teens say they also eat healthy food. (Mintel's Marketing to Kids & Tweens – U.S. – March 2018) We can assume that all-family appeal in branding and packaging will be a critical purchase driver, as kids become more vocal about their snacking needs.

Mindless Munching

Snacking between meals, or snacking as meals, has become the norm for a majority of U.S. kids and adults. Some 94% of U.S. adults snack, and 70% snack at least twice a day. In addition, close to two thirds of Millennials (65%) believe their generation is more focused on health than others, compared to 61% of iGen and 50% of Baby Boomers, according to Mintel's The Millennial Impact Food Shopping Decisions – U.S., July 2017.

Yet, junk food continues to be the primary go to for mindless munching, as multi-serve snacks are rarely found in the fresh set. Even kids age 6-11 agree with this, as 62% opt for junk-food snacks, while 39% eat mostly healthy food. Adults display such a wide range of snacking behavior that there is constantly room for innovations: 32% say the majority of snacks they consume are healthy, and 28% say they are eating healthier snacks than they did last year (Mintel's Better For You Snacks – U.S. – September 2017).

FIGURE 25: MULTI-SERVE FRESH SNACKS FILL MUNCHING AND NUTRITION NEED STATE

With convenience and portability superceding nutrition in many categories, there's an opportunity for brands to set their sights on fresher, multi-serve formats that do not require preparation.

Further into Shelf-Stable Territory

As we've shown, developments in recent years have warranted refrigerated products appearing in the inner aisles with shelf-stable pet and baby food. After all, shelf-stable products still hold nearly 60% of the space in grocery.

Opportunities exist for retailers to increase sales by considering putting refrigerated products in shelf-stable aisles throughout categories, like meals and sides, cookies, salty snacks and baking ingredients, and for brands to test ranging environments for their fresh products.

FIGURE 26: RETAIL EXAMPLE OF FRESH BREAKING INTO SHELF-STABLE TERRITORY

RETAIL EXAMPLES OF FRESH BREAKING INTO SHELF-STABLE TERRITORY

Kroger made headlines in 2015 when it announced $11 billion in sales of organic and natural products, amounting to 10% of the retailer's total business; nearly matching Whole Foods Market's total sales.

Their strategy included being one of the first to try out refrigerators in the baby aisle, and remodeling stores to place greater focus on health and wellness.

Summary

Fresh: What It Means & Why Consumers Want It

- The best explanation for the rapid growth of Fresh Snacking in the past three years is that consumers have decided that “Fresh” is the new Healthy

- Given a list of factors that lead to purchases in grocery stores, consumers choose “Fresh” as most important, ahead of budget/price, nutrition and flavor

- Within “Fresh,” refrigeration and clean label are two attributes that explain the importance of “Fresh” to consumers

Growth of Fresh-Snacking Culture & Category Segmentation

- Six product types most clearly define the range of Fresh-snacking segments: refrigerated bars, snack packs, drinkable soups, smoothies, yogurts, and other (hummus or guacamole with crackers/chips)

- The $40B conventional-snacking market fell 2% annually over the past three years, while the $17B health & wellness snacking market rose 6%. Within H&W, Fresh Snacking rose 8% compared to the 5% for shelf stable snack products.

Driving Attributes Of Fresh Snacking

- Two of the defining benefits of Fresh Snacking are protein and plant-based, which also happen to be two of the most sought-after benefits by consumers

- 76% of U.S. consumers say that plant-based protein is inherently healthy, while roughly half of consumers (54%) are trying to get more protein in their diet and 49% consider it an important purchase factor

Evolution Of Fresh Snacking

- Health & Wellness Fresh Snacking new-product launches increased by 4x between 2008 and 2017, driven by numerous new or smaller brands

- One reason Fresh Snacks are out-performing their shelf-stable counterparts is that they meet the greatest number of need states, such as nutritious, convenient and clean label

Fresh Is Redefining the Retail Environment

- Consumers have developed the expectation that the perimeter of the store is the place to be – with 32% of shoppers saying that they are specifically looking for new foods in the perimeter and 25% saying that they often buy impulse items there

- Additionally, Fresh has begun to expand into center-store, most notably with refrigerated cases in the pet-food and baby-food aisles

E-Commerce

- The vast majority of food sales will continue to be in-store. Online sales account for a small percentage of total grocery sales, but online activity is driving most of the change in the way food is retailed, including product search, click & collect, home delivery, product discovery, and development of brand allegiances

- Online grocery delivery and mobile apps for coffee are considered "must-have" services by 17% and 16% of Millennials, already beyond niche status, with meal kit delivery at 11%; these will all become fully mainstream in the next few years as the younger iGen streams into the work force

Opportunities And White Space In Fresh

- Chilled desserts are traditionally positioned around pure indulgence or pure dieting, but can profit from embracing current health-related lifestyle trends

- Fresh has recently gotten a firm footing in the categories of baby food, and is seeing development in more and more products for kids, tweens and even pets.

- With convenience and portability in snacking superceding nutrition in many categories, there's an opportunity for brands to set their sights on fresher, multi-serve snack formats that do not require preparation.

- Retailers could increase sales by considering placing refrigerated products in shelf stable territory, as has been done with pet food and baby food; candidate categories are meals & sides, cookies, salty snacks, and baking ingredients & mixes.