FRESH CONVENIENCE TO MEET CONSUMER DEMANDS

Learning Center Sponsored by:

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SPEAKERS:

• **Megan Burritt**, Director, Produce Category Leadership, Blue Apron

• **Jeff Lenard**, Vice President Strategic Industry Initiatives, National Association of Convenience Stores

• **Angela Pinkstaff**, Director of Business Development, Hamacher Resource Group, Inc.
Fresh Convenience to Meet Consumer Demands

Jeff Lenard
NACS Vice President,
Strategic Industry Initiatives
Overview

- Convenience industry overall
- Convenience customers
- Tools to grow sales/opportunities
- Examples in stores
- A look to the future
Half of America Every Day

Customer counts:
- One store per every 2,100 people
- 1,100 customers per store/day
- 160 million customers per day

Segments:
- Approx. 1 in 7 in SNAP (46.5 million)
- 14.8% of workers are “shift” (Dept. of Labor)
Super Bowl LI viewership ranks among top five

A.J. Perez, USA TODAY Sports  Published 10:41 a.m. ET Feb. 6, 2017 | Updated 13 hours ago

The New England Patriots’ historic comeback victory over the Atlanta Falcons — with a major assist from Lady Gaga at halftime — delivered Fox one of the top-five most-watched Super Bowls with an average viewership of 111.3 million.

The Fox broadcast had a 45.3 household rating and 70% of U.S. households were tuned in to the telecast, according to Nielsen. Numbers put out by Fox — which include Fox Sports Deportes and streaming — showed 113.7 million average viewers and a total audience of 172 million.
When Will You Consume Your Purchase?

Within one hour

Source: NACS CTP n=115,234
Industry Sales

$549.9 vs. $574.8 Down (4.3%)
In-Store Contributions

Sales
- Tobacco: 36.0%
- Foodservice: 21.7%
- Center Store: 9.8%
- Beer: 6.7%
- Pack Bev: 15.0%
- Other: 10.8%

12.2% for stores selling beer

GP$
- Tobacco: 18.2%
- Foodservice: 35.2%
- Center Store: 11.9%
- Beer: 3.7%
- Pack Bev: 18.5%
- Other: 12.5%

7.8% for stores selling beer

Source: CSX
Have you noticed any of the following trends inside the store?

<table>
<thead>
<tr>
<th>(%) U.S. consumers</th>
<th>Gender</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>More stores offered prepared foods</td>
<td>DEC ’13</td>
<td>M</td>
</tr>
<tr>
<td>31</td>
<td>20</td>
<td>32</td>
</tr>
<tr>
<td>More stores offered healthy options like salads, fruits and nuts</td>
<td>DEC ’13</td>
<td>M</td>
</tr>
<tr>
<td>20</td>
<td>11</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: December 2016 NACS Consumer Fuels Survey
Developed Partnerships to Help Us Grow
Focusing on Fresh Distribution with United Fresh

ARE YOU FIT FOR FRESH?

More than any other category, convenience stores reflect consumer consumption; 55% of the food we purchase are consumed within the store. That means fresh food and satisfying consumer needs go hand-in-hand. Fresh is the new healthy. We care more about what we eat. We know our cooks can’t make it fresh, but they can make it look fresh. And we know our cooks can’t make it taste fresh, but they can make it look fresh. To the extent we move our category forward, we move our business forward.

Healthy foods are growing. It’s not a fad. It’s a trend. It’s a shift in consumer behavior. It’s a change in lifestyle. And it’s here to stay. As far as we can see, all the research and data point to the same thing: Consumers are demanding healthier options, and they’re willing to pay for them. And they’re willing to pay a premium for fresh.

Here are some practical considerations to examine whether a fresh produce program would work for you:

1. Does your store have adequate space and display
2. Is there a ready market?
3. Is there a competitive market?
4. Are you ready to invest in a fresh produce program?
5. Will the program add value to your store?
6. What are the costs and benefits?

Healthy food and small stores: Strategies to close the distribution gap in underserved communities

NACS
United Fresh
Building the business case for produce at convenience stores

NACS
United Fresh
Convenience store distribution options for fresh produce
NACS and Fresh Produce

49% Consumers that say they can get fresh produce at c-stores

85% NACS members that say they sell fresh produce

14.4% 2015 C-store produce sales growth

43% in 2014

72% in 2013

5x greater than U.S. increase of 2.7%
New Pilot Tests with Utah State

The Quick Stop

...your on-campus convenience store, hot & cold foods and a variety of beverages!

1. Dinner meal kits
2. Healthy checkout
Breakfast Is Another Big Opportunity

Convenience store shoppers allocating points based on reasons for each meal occasion…. (a large number is better)

<table>
<thead>
<tr>
<th></th>
<th>BREAKFAST</th>
<th>LUNCH</th>
<th>DINNER</th>
<th>SNACKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nutrition</td>
<td>5.64</td>
<td>4.78</td>
<td>5.30</td>
<td>3.74</td>
</tr>
<tr>
<td>(peaks at breakfast)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>3.47</td>
<td>4.08</td>
<td>3.88</td>
<td>3.79</td>
</tr>
<tr>
<td>(peaks for lunch)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taste</td>
<td>6.52</td>
<td>6.46</td>
<td>7.42</td>
<td>7.16</td>
</tr>
<tr>
<td>(peaks at dinner)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convenience</td>
<td>4.38</td>
<td>4.68</td>
<td>3.40</td>
<td>5.30</td>
</tr>
<tr>
<td>(peaks for snacks)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Natural Marketing Institute (NMI)
## What Do People Like to Eat?

Which of the following do you typically eat for breakfast?

<table>
<thead>
<tr>
<th>Item</th>
<th>(%) U.S. consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eggs</td>
<td>52</td>
</tr>
<tr>
<td>Breakfast cereal</td>
<td>44</td>
</tr>
<tr>
<td>Toast</td>
<td>37</td>
</tr>
<tr>
<td>Oatmeal</td>
<td>32</td>
</tr>
<tr>
<td>Fruit</td>
<td>29</td>
</tr>
<tr>
<td>Yogurt</td>
<td>22</td>
</tr>
<tr>
<td>Bagel</td>
<td>21</td>
</tr>
<tr>
<td>Breakfast sandwich/burrito</td>
<td>19</td>
</tr>
<tr>
<td>Muffin</td>
<td>16</td>
</tr>
<tr>
<td>Doughnut</td>
<td>11</td>
</tr>
<tr>
<td>Protein bar</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: January 2017 NACS Consumer Fuels Survey
Food Pics, Avocado Toast and Other ‘Foodie’ Trends
by Amy Reiter in News, September 21st, 2016

Mermaid Toast Is the Latest Food Trend Taking Over Your Instagram Feed

Toast bar opens in South Portland this fall
© August 27, 2016
By Kathleen Pierce

And Sell Toast (37% eat it for breakfast)
Food First is More Common

Street Corner (Cincinnati, OH)
And Sometimes Produce for the Pantry

Green Zebra Grocery (Portland State Univ. Campus)
And Then There Are Corner Stores

Richmond, VA
The Future: No Check-Out

47% of consumers are interested (63% of those 18-34)

Source: December 2016 NACS Consumer Fuels Survey
The Future: Home Delivery

39% of all consumers are interested (56% of those 18-34)

Source: December 2016 NACS Consumer Fuels Survey
The Future: Home Delivery by Drones

27% of all consumers are interested (48% of those 18-34)

Source: December 2016 NACS Consumer Fuels Survey
Watch This Badass Woman Try To Shoot Down A Drone Filming Her House

It may be illegal, but it’s still awesome.
Biggest obstacle for delivery drones isn’t the technology: It’s you and me.

“You know darn well a dog is not going to leave that thing alone,” he said. “Amazon is going to lose a drone, or a dog is going to lose a snout.”
Over the past year, have you purchased more snacks that were considered “healthy choices” than last year?

<table>
<thead>
<tr>
<th></th>
<th>(%) Gas consumers</th>
<th>Gender</th>
<th>Age</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>M</td>
<td>F</td>
<td>18-34</td>
<td>35-49</td>
<td>50+</td>
</tr>
<tr>
<td>More</td>
<td>29</td>
<td>33</td>
<td>26</td>
<td>43</td>
<td>29</td>
<td>21</td>
</tr>
<tr>
<td>About the same</td>
<td>61</td>
<td>59</td>
<td>62</td>
<td>49</td>
<td>65</td>
<td>67</td>
</tr>
</tbody>
</table>

Source: May 2017 NACS Consumer Fuels Survey
And Interest in Healthy Is Growing

Would you be more likely to purchase a snack or beverage considered a “healthy option” if it was more easily available to you in your day-to-day routine?

<table>
<thead>
<tr>
<th>(%) Gas consumers</th>
<th>Gender</th>
<th>Age</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M</td>
<td>F</td>
<td>18-34</td>
</tr>
<tr>
<td>Yes, I would purchase more “healthy options” if they were more accessible</td>
<td>60</td>
<td>58</td>
<td>62</td>
</tr>
<tr>
<td>No, it would not make a difference</td>
<td>40</td>
<td>42</td>
<td>38</td>
</tr>
</tbody>
</table>

Source: May 2017 NACS Consumer Fuels Survey
Our Opportunity: Tell Them We Have It

Which of the following reasons is the biggest reason you don’t purchase more snacks or drinks considered healthy?

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<thead>
<tr>
<th>(%) Gas consumers</th>
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<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M</td>
<td>F</td>
<td>18-34</td>
</tr>
<tr>
<td>Healthy options are too expensive</td>
<td>32</td>
<td>29</td>
<td>35</td>
</tr>
<tr>
<td>There are not enough places that sell healthy food near me</td>
<td>33</td>
<td>32</td>
<td>33</td>
</tr>
<tr>
<td>I prefer the taste of other foods</td>
<td>28</td>
<td>34</td>
<td>23</td>
</tr>
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</table>

Source: May 2017 NACS Consumer Fuels Survey
FRESH CONVENIENCE TO MEET CONSUMER DEMANDS

Angela Pinkstaff, Director of Business Development
Hamacher Resource Group, Inc.
At Hamacher Resource Group we focus on improving results across the retail supply chain by addressing dynamic needs such as assortment planning and placement, retail execution strategy, fixture coordination, item database management, brand marketing and analytics.
Nielsen’s 2015 Global Health & Wellness Survey revealed:

88% are willing to pay more for healthier foods

All demographics--from Generation Z to Baby Boomers--say they would pay more for healthy foods

Functional foods—including foods high in fiber, protein, whole grains or fortified with calcium vitamins or minerals that can either reduce disease and/or promote good health also are desirable

Source: https://www.forbes.com/sites/nancygagliardi/2015/02/18/consumers-want-healthy-foods-and-will-pay-more-for-them/#43936b1d7e5
Market Opportunity for Every Seller

Consumers are increasingly hungry for convenience.
Today’s Eating Habits

Time-crunch, convenience-obsessed, deal-hunting consumers in urban areas where space is at a premium

- Fill-in shopping trips have grown 23% in the past 6 years
- 1 in 5 consumers “eat on the run”
- 1 in 4 Americans eat fast food every day
- 20% of meals are eaten in a car

Market Challenges for Drug Stores...

Despite accessible locations, growing amenities, & increasing health concerns, overall trips are down in the last 20 years.

**WHY?**

*Competition and convenience are everywhere.*

*Source: http://www.chaindrugreview.com/chain-drug-store-shopper-go/*
...Mean That Drug Stores Are Changing

The CVS Model

3,400 doors, or more than 1/3, of CVS stores sell healthier food options as part of their Healthy Foods Initiative

Hundreds more stores rolling out through 2018

40% of CVS’ 2016 edible food sales were attributed to healthy items, up from 2015

Source: pma.com; CVS Health 2016 CSR Report
What might be the next opportunity in the drug store channel for fresh produce offerings?
The State of Our Health

86% of the nation's health care costs stem from chronic disease

Half of all American adults suffer from one or more chronic health conditions

7 out of 10 U.S. deaths each year are caused by a chronic disease

Source: CVS Health 2016 CSR Report
Pharmacy’s Influence on Public Health

Pharmacies add value to communities.

Pharmacies help improve patients’ health and general well being.

93% of Americans live within 5 miles of a community retail pharmacy.

Source: Rx Choice and Access
The sheer number and reach of America’s community pharmacies means the local pharmacist is often a patient’s most accessible health provider.

Pharmacists are one of the most trusted professions in the U.S., ranking second in Gallup’s annual Honesty and Ethics survey.

Pharmacies add value by addressing complex public health problems.

Source: Rx Choice and Access
Walgreens to offer fresh food at new drugstore in northeast Denver

Walgreens will offer a selection of fresh food at the drugstore it is building at East 35th Avenue and Colorado Boulevard, helping bring relief to a neighborhood that Denver officials have identified as a “food desert.”

“With more than 45 percent of our stores located in areas that don’t have access to fresh food, Walgreens is uniquely positioned to bring more food options to Americans and also provide needed pharmacy, health and wellness services directly to those communities,” said Walgreen president and chief executive Greg Wasson.

“Statistically, my 5-year-old son has a shorter life expectancy than his friends who live south of Colfax, simply because of the access to healthy, affordable food,” Brooks said. “This will be the first Walgreens with a fresh produce market in the entire Rocky Mountain region, and I’m excited to be one of the first people to shop there.”

Source: http://www.denverpost.com/2013/01/14/walgreens-to-offer-fresh-food-at-new-drugstore-in-northeast-denver
Where Else Could Drug Stores Go with Fresh Produce?

“By providing them an easy way to identify heart-healthy foods at the grocery store through our Heart-Check program, we can help make a positive and influential impact on the health of all Americans.”

Jo Ann S. Carson, AHA

Why not drug stores as well?

Source: http://newsroom.heart.org/news/fda-expands-health-claim-for-more-fruits-vegetables
Another Considerable Patient Base

**Fast Facts:**

More than 29 million US adults have diabetes, and 25% are unaware

**About 86 million US adults** – more than a third – have prediabetes, and 90% of them don’t know it

People with prediabetes who take part in a **structured lifestyle change program can cut their risk** of developing type 2 diabetes by **as much as 58%**

84% of PWD are testing
79% shop at pharmacy

Source: cdc.gov
Another Considerable Patient Base

What about creating a program that identifies **low- and high-glycemic produce offerings**?

What about **diabetic-friendly produce kits**?
Already in Practice: Fresh Food Pharmacy

November 2016: Geisinger Health System launched Fresh Food Pharmacy

Program offers food insecure, diabetic patients in Shamokin, Pa., prescriptions for free foods aimed at keeping their disease under control.

The Fresh Food Pharmacy is stocked with items consistent with American Diabetes Association guidelines. The Fresh Food Pharmacy and the Central Pennsylvania Food Bank, Harrisburg, will be partnering to provide weekly grocery bags filled with fresh produce, lean proteins and healthier sugars. Because clients might not be familiar with some of the foods, recipes, menus and regular phone calls from a health manager are provided.

"Eating correctly for diabetes means fresh fruit and vegetables, lean proteins, complex carbohydrates. These very same foods prevent heart disease. They’re anti-cancer. This is about creating a healthy community for our existing patients and for generations to come.”

1 in 7 Americans have IBS

What are the fresh produce offerings available for IBS? What produce is low-FODMAP compliant?

Source: iff gd.org
Convenience, Consultation & Customization

In drug stores, convenience will only get us part of the way there

We may improve outcomes when we have:

• convenient fresh produce offerings
• connection to a trusted health care provider
• customized education and customized offerings based on need states
Simply improving a community’s retail food infrastructure may not produce desired changes in food purchasing and consumption patterns. Complementary policy changes and interventions may be needed to help consumers bridge the gap between perception and action.

Steven Cummins, Ellen Flint, Stephen A. Matthews
Healthaffairs.org

Source: http://content.healthaffairs.org/content/33/2/283.abstract
THANK YOU!

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Angela_Pinkstaff@hamacher.com