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BEYOND THE BARCODE

Q1 Update

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Welcome 2021- What to Expect...

What a year we have had! We are heading into 2021 and hoping for some semblance of normal. There are many trends that will influence 2021 short and long-term and in this edition of Beyond the Barcode Impact Group will share our thoughts on the biggest considerations for the year ahead.

Recap of 2020 Trend Drivers:

- CPG has seen one of its best years ever with the sharp transition to in-home and away from out-of-home eating. This has continued much longer than anyone expected. Away from home eating will take years to recover so we expect this CPG lift to continue over pre-pandemic trends.
- Overall movement of consumers has been severely restricted and is recovering slowly. Movement recovery is based very much on state and local policies.
- E-commerce has exploded as consumers look for "contactless" delivery for groceries, household goods, and meals.
- Remote working has dramatically reshaped the business operation landscape. Commutes have been virtually eliminated, business travel has significantly declined, and Zoom is the topic of everyday conversation.
- Two vaccines are now approved in the U.S. (with more in Phase 3 trials) giving hope to a full health and economic recovery, but when?
- Health and Wellness considerations are broader than ever before and affect purchase behavior and habits.

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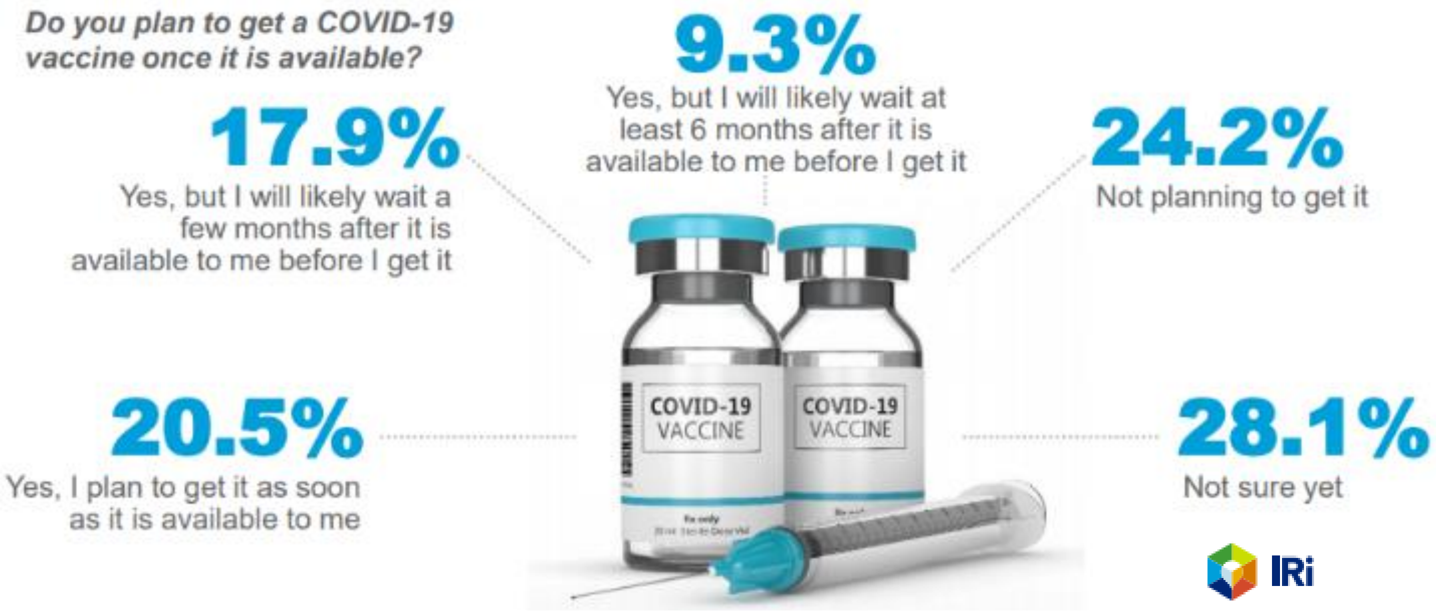
Vaccine Adoption and CPG Impact

Hesitancy to get the vaccine along with a slower than expected vaccine distribution and inoculation rate are threatening to extend the timeline for recovery. Resolving distribution issues and encouraging public adoption will be key.

- Health experts report that 70% of the population needs either viral immunity or a vaccine to break the pandemic.
- IRI fielded a study on vaccine adoption which showed that overall interest in getting a vaccine is mixed. As of mid-November, ***more than half*** the population remains unsure or ***not interested*** in a vaccine.
- Adoption of the vaccine is likely to be slow with the current level of skepticism, but IRI anticipates a significant portion of consumers will be vaccinated mid-year to the end of 2021.

Source: IRI's Covid-19 Emerging Point of View "Anticipated Vaccine Adoption & Impact on the CPG Industry Dec 10, 2020



Source: IRI Survey fielded 11/13-15 among National Consumer Panel representing Total US Primary Grocery Shoppers; base 99, weighted to reflect U.S. population. IRI 2020.

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Vaccine Adoption and CPG Impact

Ensuring widespread access to vaccines will speed up the effort and many of our retail partners are jumping in to help. The U.S. Department of Health and Human Services announced agreements with Grocery and Drug Chains to distribute Covid-19 vaccines. These include:

- Albertsons Companies, Inc. (incl. Osco, Jewel-Osco, Albertsons, Albertsons Market, Safeway, Tom Thumb, Star Market, Shaw's, Haggen, Acme, Randalls, Carrs, Market Street, United, Vons, Pavilions, Amigos, Lucky's, Pak 'N Save, Sav-On)
- Costco Wholesale Corp.
- CPESN USA, LLC
- CVS Pharmacy, Inc. (including Long's)
- Good Neighbor Pharmacy and AmerisourceBergen Drug Corporation's PSAO, Elevate Provider
- Health Mart Systems, Inc.
- H-E-B, LP
- Hy-Vee, Inc.
- LeaderNET and Medicine Shoppe, Cardinal Health's PSAOs
- Managed Health Care Associates (MHA)
- Meijer, Inc.
- Publix Super Markets, Inc.
- Retail Business Services, LLC (including Food Lion, Giant Food, The Giant Company, Hannaford Bros Co, Stop & Shop)
- Rite Aid Corp.
- The Kroger Co. (including Kroger, Harris Teeter, Fred Meyer, Frys, Ralphs, King Soopers, Smith's, City Market, Dillons, Mariano's, Pick 'n Save, Copps, Metro Market)
- Topco Associates, LLC (including Big-Y Pharmacy and Wellness Center, Brookshire's Pharmacy, Super One Pharmacy, FRESH by Brookshire's Pharmacy, Coborn's Pharmacy, Cash Wise Pharmacy, MarketPlace Pharmacy
- Topco continued: Hartig Drug Company, King Kullen, Food City Pharmacy, Ingles Pharmacy, Raley's, Bel Air, Nob Hill Pharmacies, Save Mart Pharmacies, Lucky Pharmacies, SpartanNash, Price Chopper, Market 32, Tops Friendly Markets, ShopRite, Wegmans, Weis Markets, Acme Fresh Markets)
- Walgreens (including Duane Reade)
- Walmart, Inc. (including Sam's Club)
- Winn-Dixie Stores Inc. (including Winn-Dixie, Harveys, Fresco Y Mas)

Source: https://www.hhs.gov/about/news/2020/11/12/trump-administration-partners-chain-independent-community-pharmacies-increase-access-future-covid-19-vaccines.html

Implications for Brands/Retailers:

- These vaccine partnerships can help drive store traffic and ultimately grow loyalty with new and existing shoppers.
- Two-dose vaccines mean retailers have two additional opportunities to connect with shoppers.
- Brands can incentivize shoppers with rewards of coupons or other offers when they get a vaccine.

IRI's Covid-19 Emerging Point of View "Anticipated Vaccine Adoption & Impact on the CPG Industry Dec 10, 2020

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Vaccine Adoption By Demographic

According to an IRI NCP Survey:

- Males, older consumers, high income and urban consumers are far more interested in getting the vaccine as soon as it is available.
- Females, Blacks, Hispanics, lower income and rural consumers are less likely to get a vaccine immediately.

IRI National Consumer Panel Survey Nov 2020

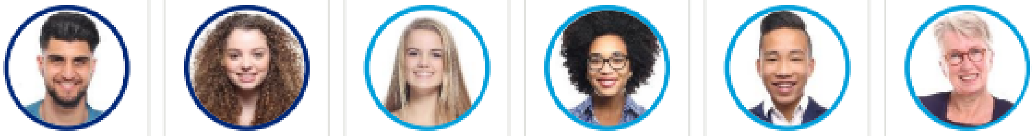
IRi

Male vs Female

	TOTAL base = 991	♀ base = 689	♂ base = 299
YES, I plan to get it **as soon as it is available** to me	20.5%	14.3%	35.0%
YES, but will likely **wait a few months** after it is available to me before I get it	17.9%	17.2%	19.7%
YES, but will likely **wait at least 6 mos.** after it is available to me before I get it	9.3%	10.5%	6.3%
NO	24.2%	28.2%	14.6%
NOT SURE YET	28.1%	29.8%	24.4%

IRi

Race/ Ethnicity



	HISPANIC base = 140	NON-HISPANIC base = 851	CAUCASIAN base = 719	AFRICAN AMERICAN base = 126	ASIAN base = 56	OTHER base = 89
YES, I plan to get it **as soon as it is available**	12.5%	21.8%	22.4%	10.2%	21.4%	19.6%
YES, but will likely **wait a few months** after available	21.3%	17.4%	19.5%	13.8%	16.5%	12.4%
YES, but will likely **wait at least 6 months** after available	8.3%	9.5%	9.3%	11.5%	9.3%	6.9%
NO	30.7%	23.1%	22.7%	32.8%	16.4%	28.8%
NOT SURE YET	27.2%	28.2%	26.2%	31.8%	36.4%	32.2%

Source: IRI Survey fielded 11/13-15 among National Consumer Panel representing Total US Primary Grocery Shoppers; base 99, weighted to reflect U.S. population. IRI 2020.

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Vaccine Adoption By Demographic

- Older consumers who are the most vulnerable to COVID-19 and have often experienced serious diseases in their childhood are ready for the vaccine.
- Income is also an indicator of interest in the vaccine with lower income less likely to seek the vaccine while upper income most likely. Two-thirds of lower income respondents are unsure or will not get a vaccine vs. 40% of upper income.

IRI National Consumer Panel Survey Nov 2020

IRi **Age**	Gen Z or Younger Millennial (18-29) *base = 60*	Older Millennial (30-38) *base = 175*	Gen X (39-54) *base = 293*	Younger Boomers (55-63) *base = 180*	Older Boomers (64-73) *base = 203*	Retirees & Seniors (74+) *base = 81*
YES, I plan to get it **as soon as it is available** to me	17.8%	14.6%	15.9%	21.1%	26.7%	35.3%
YES, but will likely **wait a few months** after it is available to me before I get it	19.1%	13.2%	17.0%	17.7%	21.9%	21.1%
YES, but will likely **wait at least 6 mos.** after it is available to me before I get it	10.3%	12.5%	10.9%	5.8%	7.8%	8.0%
NO	28.4%	32.3%	29.0%	19.0%	18.0%	12.7%
NOT SURE YET	24.4%	27.4%	27.2%	36.3%	25.6%	23.0%

Income Level

IRi

	TOTAL *base = 991*	LOWER INCOME *base = 274*	MIDDLE INCOME *base = 366*	UPPER INCOME *base = 351*
YES, I plan to get it **as soon as it is available** to me	20.5%	15.5%	19.1%	25.9%
YES, but will likely **wait a few months** after it is available to me before I get it	17.9%	10.3%	17.3%	24.6%
YES, but will likely **wait at least 6 mos.** after it is available to me before I get it	9.3%	8.2%	9.7%	9.8%
NO	24.2%	29.2%	26.2%	18.2%
NOT SURE YET	28.1%	36.8%	27.8%	21.5%

Source: IRI Survey fielded 11/13-15 among National Consumer Panel representing Total US Primary Grocery Shoppers; base 99, weighted to reflect U.S. population. IRI 2020.

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Mobility Trends and CPG Impact

- Mobility levels are controlled mainly by government restrictions and consumers' willingness to restore normal work and shopping patterns. Placer.ai shows that many states still have significantly lower mobility than last year which fuel higher in-home eating occasions.
- Dining, Fitness, Hotels/Casinos, and Shopping Centers continue to be the hardest hit while groceries and home improvement are seeing slight growth over a year ago.
- Consumer acceptance of vaccines will continue to influence social mobility and help either shorten or lengthen economic recovery time and affect CPG industry trends.

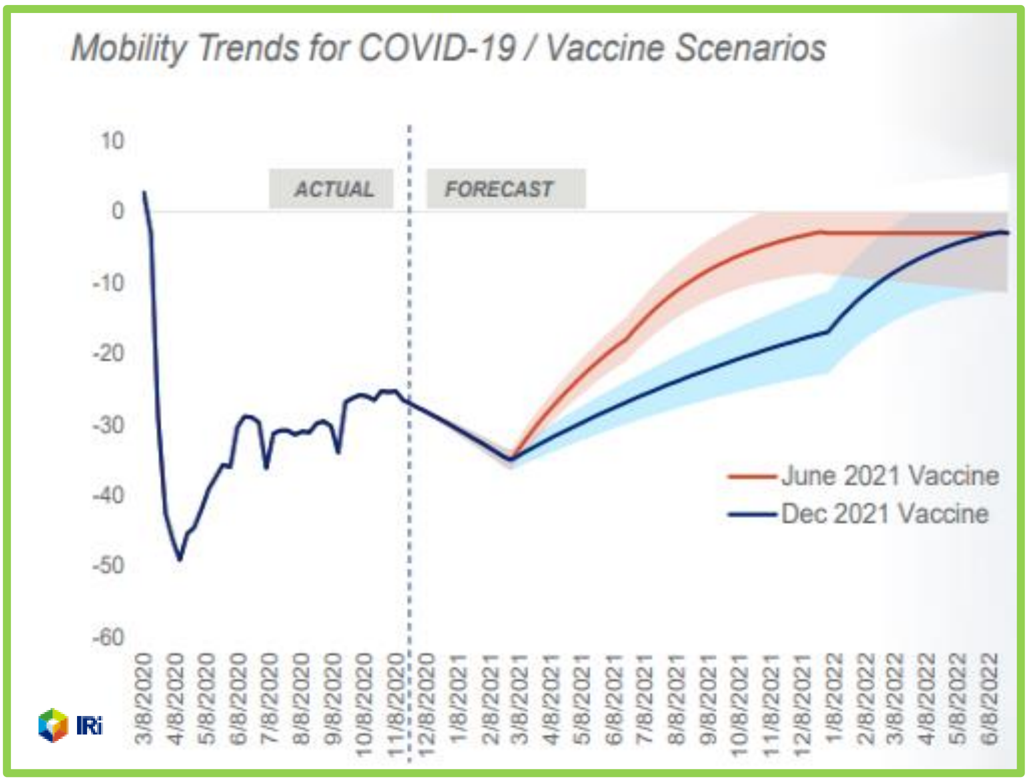
Recovery Trend - YoY Foot-traffic % Change

Source: https://www.placer.ai/the-square/industry-trends/

© 2021 Mapbox © OpenStreetMap

* Data reflects the foot-traffic change in % for the week 21 Dec 2020 - 27 Dec 2020, compared to the same week last year

Nationwide Overall Change	
All Categories	-13.97%
Apparel	-16.79%
Dining	-35.31%
Electronics	-11.28%
Fitness	-39.55%
Groceries	2.07%
Home Improvement	3.96%
Hotel/Casinos	45.82%
Medical & Health	-4.95%
Shop & Service	-2.34%
Shopping Centers	-29.73%
Superstores	-5.12%



- IRI predicts that the "new normal" for mobility will be about 6 months after a vaccine is widely available.
- This "new normal" assumes a ~5% loss to pre-Covid-19 levels because of newly formed habits that will persist as well as long-term work from home.

Source: IRI's Covid-19 Emerging Point of View "Anticipated Vaccine Adoption & Impact on the CPG Industry Dec 10, 2020

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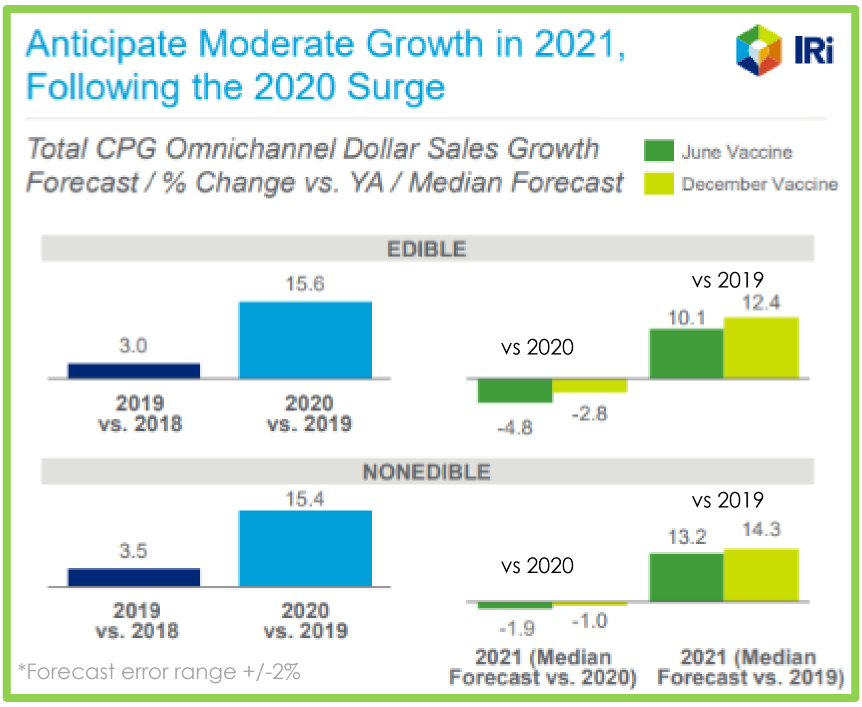
2021 Forecasts: Two Vaccine Timing Scenarios

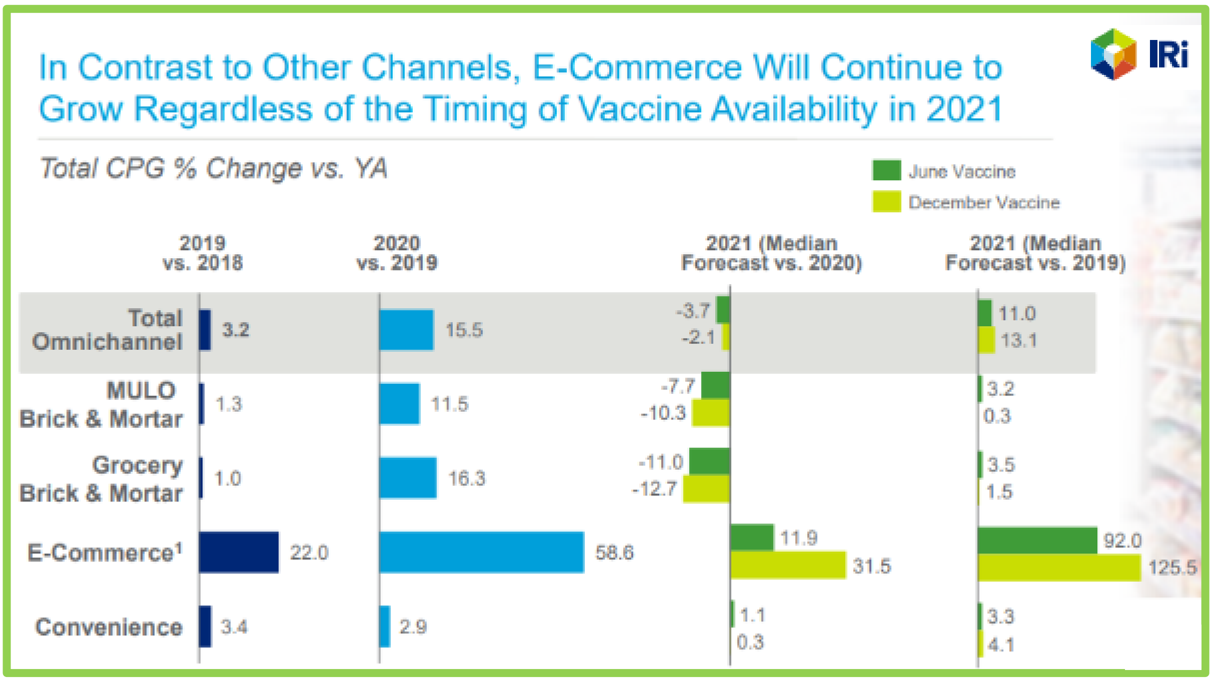
- IRI is giving Channel and Department guidance for two scenarios: mass vaccination by June 2021 or by December 2021. The sooner the vaccine has widespread adoption, the sooner CPG growth rates will begin to slow.

Product Impacts



- The earlier the vaccine distribution, the increased mobility and more consumption shifts to away-from-home.
- Behavior will vary by demographic. Younger generations will increase mobility faster than older ones.
- CPG pricing is likely to moderate as well due to a softer economic recovery and consumers searching for value.
- E-commerce will continue its rapid growth and adoption regardless of vaccine timing as consumers permanently shift some behaviors.

Channel Impacts



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Vaccine Adoption Implications

- Retailers have signed on to be very involved in vaccine distribution to help end the pandemic which could bring additional opportunities to build loyalty and trust.

- The faster the vaccine is adopted the more quickly consumers can get back to a more normal life and ease many of their Covid-19 stress and worries. Retailers and brands who have a hand in helping consumers through this journey can build stronger relationships and trust with consumers.

RETAILER IMPLICATIONS

- Mixed consumer sentiment as of mid-November toward vaccines provides retailers with opportunities to incentivize consumer adoption of vaccines, driving more profitable store traffic and ultimately growing loyalty with new and existing shoppers.
- Two-dose vaccines enable retailers to have potentially two additional opportunities to connect with shoppers.
- Given the demographic skews of early adopters, retailers and manufacturers have an opportunity to offer products, promotions and messages tailored to them and evolve the offers as adoption increases (e.g., older males in metros initially).

MANUFACTURER IMPLICATIONS

- Despite not being a direct part of the solution, CPGs can be good citizens and offer incentives and suport for those who seek a vaccine.
- Partner with retailers to promote vaccines; offer targeted products, messages and promotions on indulgent and wellness products while consumers are in the store.

Source: IRI's Covid-19 Emerging Point of View "Anticipated Vaccine Adoption & Impact on the CPG Industry Dec 10, 2020

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Health and Wellness in the Covid-19 Era

Health and Wellness has always been a popular trend in January, but in the wake of Covid-19 it has broadened its definition and become a year-long focus.

79% of respondents recognized that their immune system has a role to play both when they are sick AND when they are healthy.

- According to New Hope Network "Consumer attitudes have been shifting away from immune boosting solely during an illness and toward the idea of continuous immune support for long-term health and wellness."
- The "Food as Medicine" trend which is already driving a $5.8 Billion functional food and beverage market in the Natural and Specialty Channel has become a perfect vehicle for addressing top-of-mind consumer health concerns.
- The largest health and wellness focus areas are overall immunity, digestive/gut health, stress, sleep and inflammation.

Top ranking types of food and beverages consumers are eating to support their immune system are:

- Orange Juice and other citrus juices
- Fruits
- Green Tea
- Whole Grains
- Garlic
- Probiotics
- Berries
- Ginger
- Prebiotic Fibers
- Turmeric
- Superfoods

Source: New Hope Network Survey August 2020 and Nutrition Business journal

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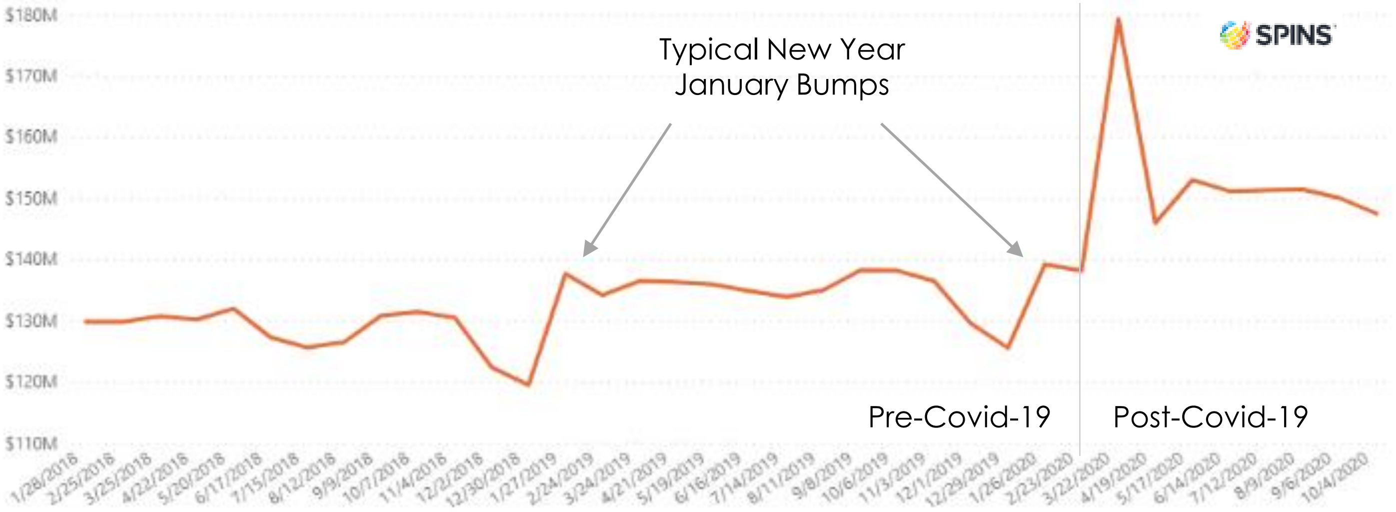
Health and Wellness: Superfoods

Superfoods have gained popularity and grown so fast that Spins now has an attribute to track "Ingredient- Superfood" which will enable better tracking of emerging innovation in the immunity space.

- Examples of superfood Ingredients include functional mushrooms, chia, acai, maca, and moringa.
- The attribute is not intended to capture common or every-day type of superfood ingredients such as blueberry. The attribute includes ingredients of superfood ingredients which seem to be ***driving the purchase*** of the product based on the superfood inclusion.
- The new Spins attribute includes:
  - Nutrient dense ingredients that may or may not provide non-nutritive or therapeutic benefits.
  - Ingredients typically added to products to appeal to health-conscious consumers and enhance the wellness perception of the product.
  - Ingredients within the consumer perception sphere of superfoods.

Superfood Food & Beverage sales over 3 years



Source: Spins partner insights December 2020 and Product Intelligence Insights- Superfoods

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Health and Wellness: Superfoods

Shoppers are incorporating superfoods at all eating occasions and choosing ***superfood laden*** meals, breakfasts, and desserts with more enthusiasm and intensity than ever before.




- Superfoods are driving growth and innovation within food & beverage, often representing ***key differentiation*** and ***value*** in each aisle.

- Superfood products received a boost over the past year. With the threat of a pandemic still looming large, look for continued innovation fueled by highly engaged shoppers seeking a ***wider range of wellness solutions*** in food & beverage.

- These shoppers are turning to ***new products in familiar categories*** for elevated contributions to their health & wellness routine through trial friendly everyday purchases.

Top Performing Food & Beverage Categories for Superfood Products

SPINS

Category	% $ Increase
REFRIGERATED CREAMS & CREAMERS	177.6%
REFRIGERATED PASTA	139.5%
SHELF STABLE DRINK MIXES & CONCENTRATES	128.5%
SHELF STABLE DESSERTS & DESSERT TOPPINGS	91.5%
SHELF STABLE CREAMS & CREAMERS	55.6%
SHELF STABLE RICE CAKES	42.2%
REFRIGERATED TEA & COFFEE RTD	41.6%
SHELF STABLE SODA & CARBONATED BEVERAGES	38.6%
REFRIGERATED MILK	38.5%
SHELF STABLE COFFEE & HOT COCOA	36.2%
SHELF STABLE PICKLES & OLIVES	30.7%

Source: 52 weeks ending 10-4-2020, SPINS Natural Enhanced Channel and Regional Grocery Channel
SPINS Product Intelligence filtered to Ingredient - Superfoods

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Adaptogens: An Emerging Superfood




- Adaptogens are used in herbal medicine for the claimed stabilization of physiological processes and is believed to be a substance that may increase resistance to stress. They have shown promise in normalizing stress hormones such as cortisol. The big caveat is that researchers are still looking into understanding how exactly these herbs and mushrooms do this.

- As adaptogens begin to become more mainstream, mushrooms have taken center stage and are poised for continued growth. Maitake, associated with blood-sugar and high blood pressure health benefits, is making incredible gains while other mushrooms like Lion's Mane and Turkey Tail are surfacing in a diverse range of categories. Other popular adaptogens are Holy Basil, Ashwagandha, Maca, Reishi, and Siberian Ginseng.

- Manufacturers have started to take notice of the adaptogen buzz and are adding adaptogens to their foods and drinks and this trend is expected to accelerate in the post-Covid-19 era.

- Functional mushrooms are new and emerging in these food and beverage categories:
  - **Shelf Stable Creams & Creamers**
  - **Shelf Stable Desserts & Dessert Toppings**
  - **Shelf Stable Hot Cereals**
  - **Shelf Stable Drink Mixes & Concentrates**
  - **Refrigerated Tea & Coffee RTD**
  - **Frozen Desserts**
  - **Shelf Stable Cold Cereals**
  - **Shelf Stable Chips & Pretzels & Snacks**

- Functional mushrooms in supplements are performing well across a variety of health focuses including:
  - **Cold & Flu**
  - **Immune Health**
  - **Energy Support**
  - **Blood Sugar Support**
  - **Cognitive Health**
  - **Mood Support**
  - **Hair & Skin & Nails**
  - **Allergy & Respiratory Health**

Products Leveraging Adaptogens

GT's Adaptogenic Tea
Matcha Vanilla With Reishi, Chaga, and Turkey Tail

Bigelow Benefits
Refresh
With Macha and Turmeric

Rebbl
Ashwagandha Chai Drink
With Ashwagandha

Source: Spins and https://www.everydayhealth.com/diet-nutrition/all-about-adaptogens-definition-functions-sources-risks-more/

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Health and Wellness: Attribute Stacking

With the new superfood attribute, it is now possible to identify superfood innovation along with other high growth health and wellness attributes such as plant-based.

- Most shoppers seeking out plant-based foods are doing so because of perceived health benefits. So, it's no wonder that shoppers would be looking for plant-based products that promote a more holistic and impactful health & wellness solution.

- Plant-based food and beverage brands are responding with a new wave of ***superfood infused products*** that help elevate and promote the nutritional power of plants. Plant-based and Superfoods are two individual elements that have driven innovation for years, making them a powerful trend stack.

Superfood products are performing well in these plant-based subcategories:

SPINS

+26%	+50%	+29%
Superfood Products Plant Based Yogurts	Superfood Products Plant Based Jerky	Superfood Products Plant Based FZ Dessert

Plant-Based + Superfoods

SPINS

Carrington Farms
Goji Berry Powder

Pressed Juicery
Greens 2 Sweet Greens

Kuli Kuli
Dark Chocolate Moringa Bar

Source: 52 weeks ending 10-4-2020, SPINS Natural Enhanced Channel and Regional Grocery Channel
SPINS Product Intelligence filtered to Ingredient - Superfoods

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Leveraging Health and Wellness Attribute Trends

Retailers and Brands will be looking to take advantage of superfoods in 2021. Here are some considerations for both Retailers and Brands.

Retailer considerations

- Recognize that superfoods have expanded to categories across the store and all eating occasions. From supplements to food and beverages, reflect it in your assortment.
- Immunity and proactive health are now top of mind year-round and not only when sick. Evaluate promotions throughout the year to capitalize on this changing mindset versus only in cough/cold season.
- Look for new brands meeting multiple needs for your assortment. An example would be plant-based superfoods in convenient packaging. Build awareness with your shoppers of Superfood benefits. Make them approachable with tips for how to use or cook with them.

Brand considerations

- Look for synergies in current product lineup where Superfoods could add a health halo and then communicate strongly on pack.
- Realize that superfoods are more than just supplements and have expanded to many categories. Evaluate portfolio for categories that may be ripe for superfood innovation.
- Understand what is top of mind for your customer today and as the pandemic ends. Deliver on the needs such as immunity and proactive health and be creative in which categories this could expand to (example - indulgent desserts with superfood benefits).
- Build superfood awareness in marketing materials and consumer communication.
- Look for ways to partner on promotions with other relevant immunity products or superfoods (example - Orange Juice and superfood breakfast bar).

Source: Spins "Superfoods: Product Intelligence Innovation Insights. December 2020"

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Reminders for 2021 Planning

After tremendous growth in 2020, we must be nimble and flexible with forecasting plans for 2021. There are many rapidly changing factors that will affect 2021 sales rates.

Recap of 2021 Planning Considerations:

- Communicate broadly in your organization that the large sales increases versus a year ago (2020) will come to a halt in March and April. This will prevent unnecessary "fire drills" as you see negative growth rates. The early pandemic stock up months won't be repeated in 2021. The remainder of 2021 will show smaller declines than March/April or even flat to slight growth depending on the vaccine adoption timeline.

- Look at 2019 as your "baseline year" for forecasting. Growth versus 2019 rates will continue but will slow once herd immunity is reached and virus spread is halted. The length of time that higher than expected growth rates will continue depends on vaccine adoption.

- A study of past recessions* by Harvard Business School researchers found that the least successful companies coming out of a recession are those that reflexively cut costs across the board. Those that crank up investment broadly do better but not great. The few most successful companies "reduce costs selectively by focusing more on operational efficiency than their rivals do, even as they invest relatively comprehensively in the future by spending on marketing, R&D, and new assets."

- It is expected that some time between June 2021 and December 2021 that the U.S. will hit "herd" immunity through a combination of natural infection and vaccination. The later the date, the longer the increases vs 2019 in CPG performance by month will continue. Be sure to review vaccination progress along with ongoing forecasting.

- Continue to invest in E-commerce product availability and promotion because significant growth is expected regardless of vaccine timing.

- Immunity and proactive health are now a focus year-round and no longer only during cough/cold/flu seasons. Look for ways to incorporate Superfoods into current product, innovation, or promotions.

*Source: https://hbr.org/2010/03/roaring-out-of-recession