

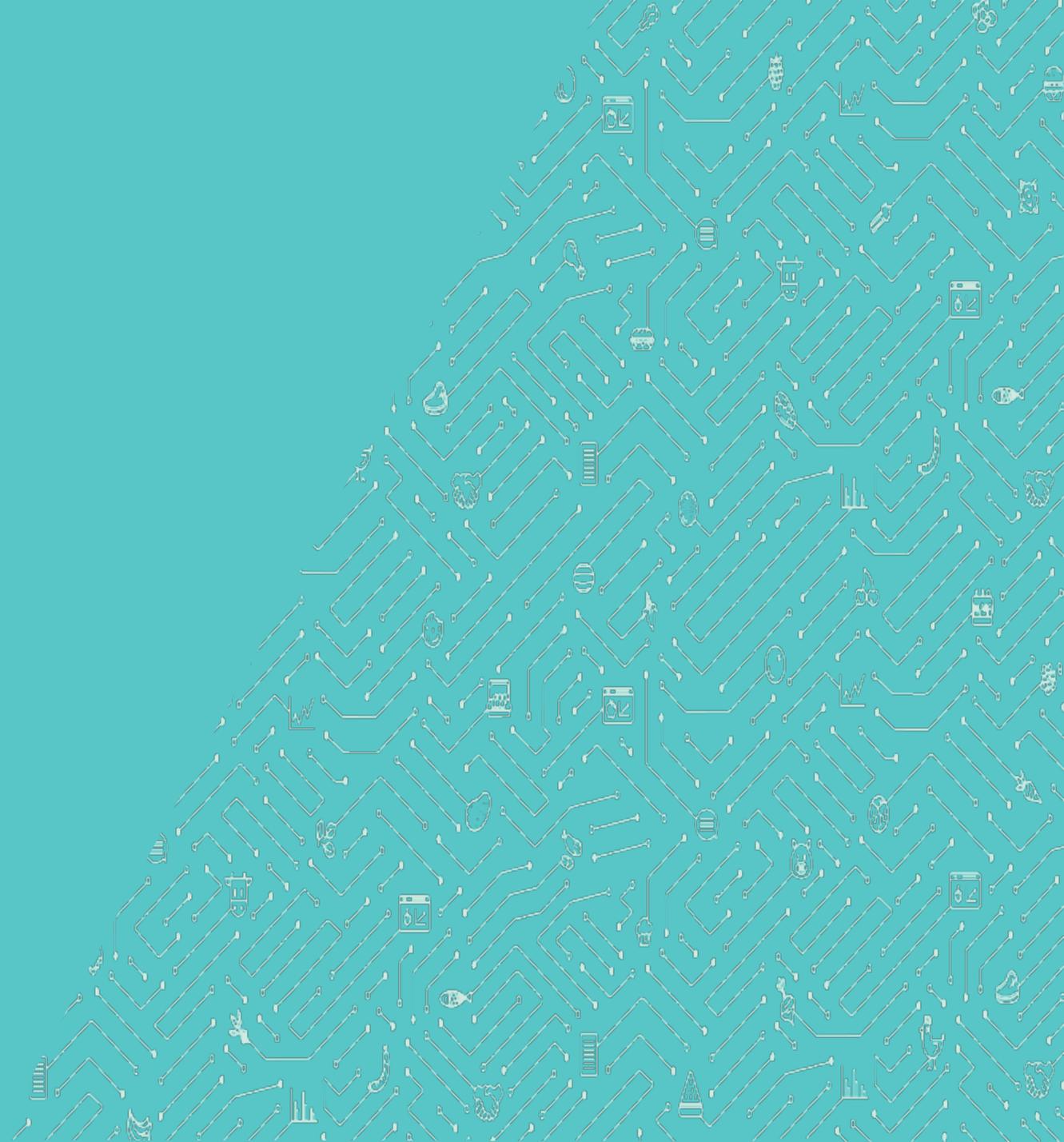
Retail Trends: Covid and Beyond



Overview

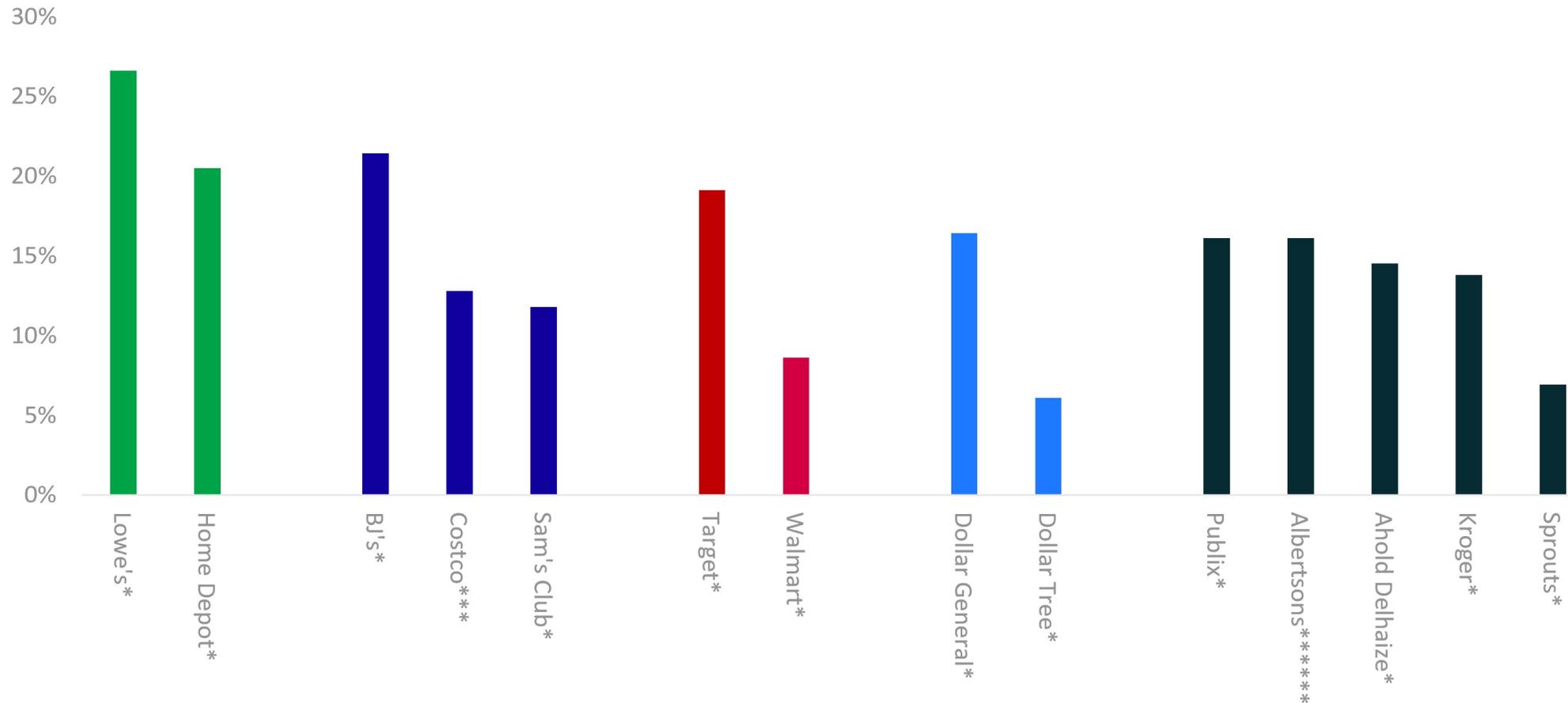
- Shifts in Retail markets—where and how we sell is changing
- Produce Performance Trends
- Apple Performance
- Implications

Retail Trends



Pandemic Drove Big Gains across Retail

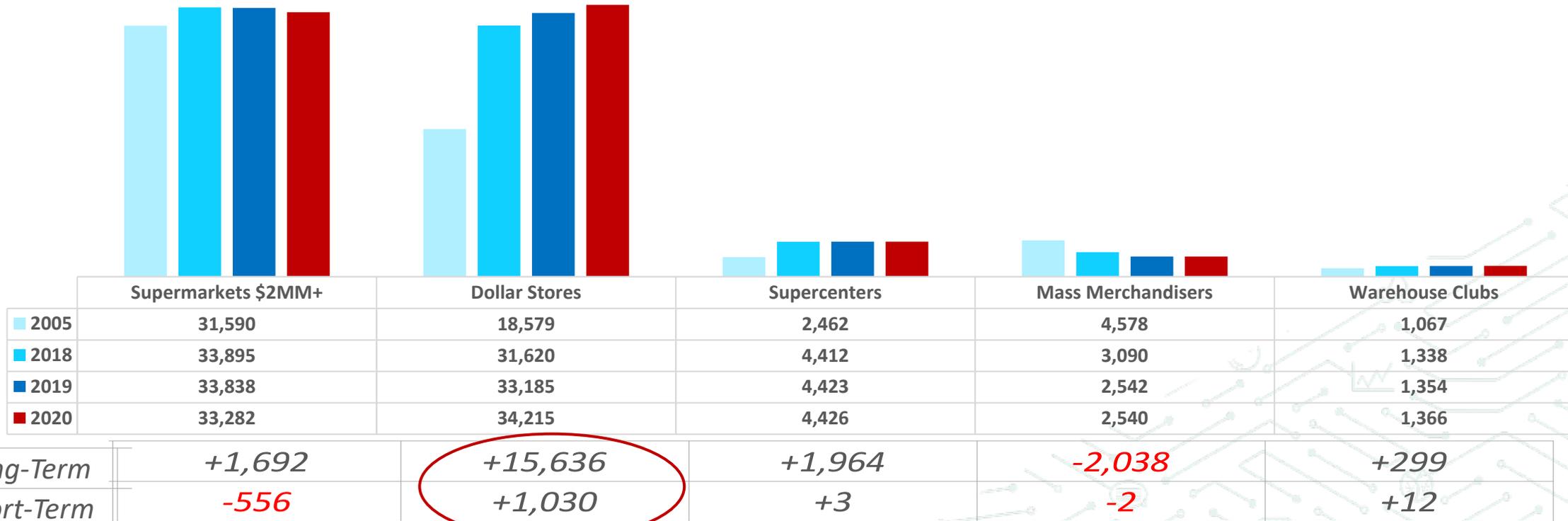
Same-store-sales trend: average latest 52-weeks versus year ago



Store closings & limited expansion

- Dollar stores with biggest long- & short-term expansion

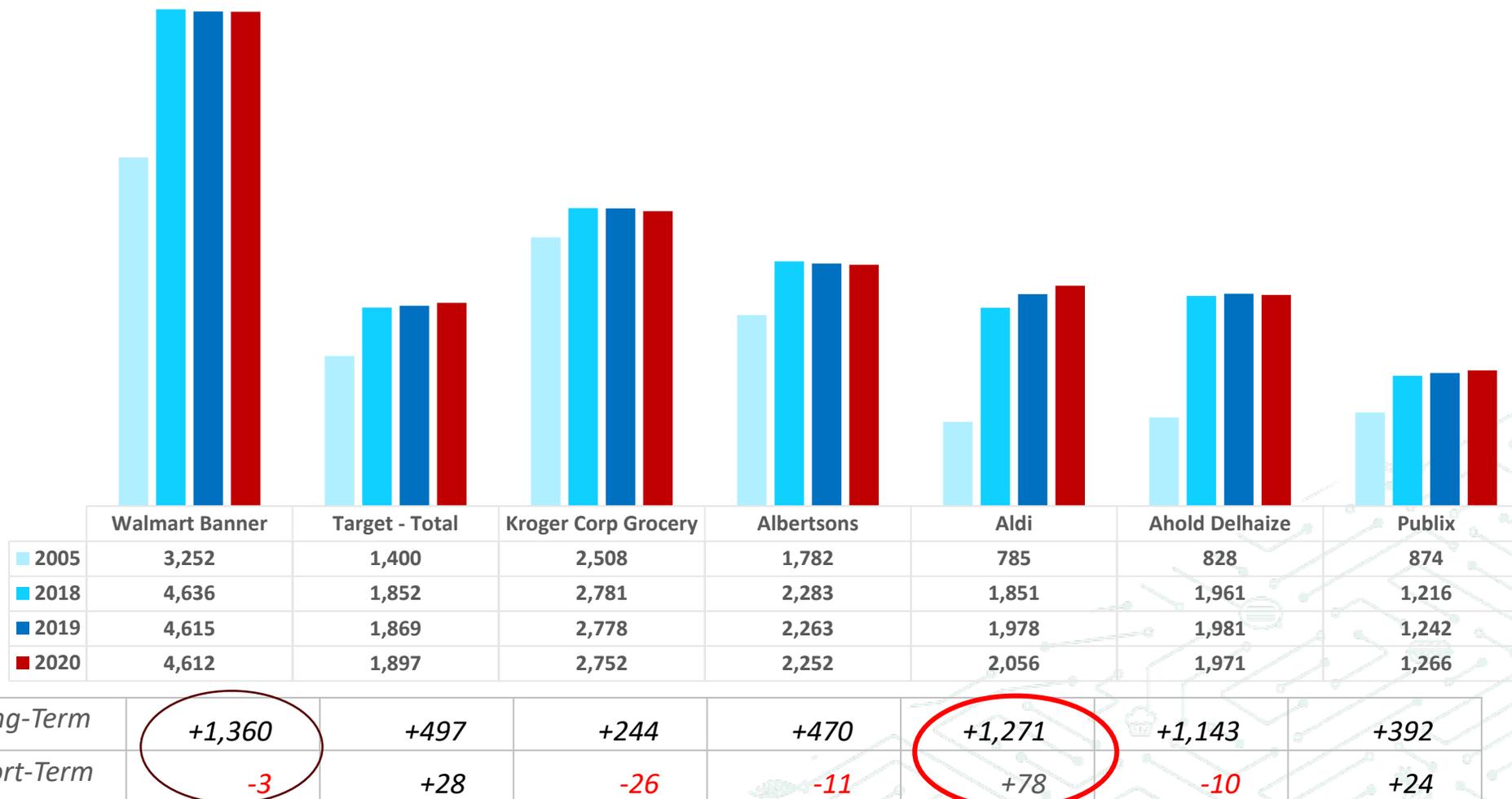
U.S. store counts



5 Source: Nielsen Consumer LLC, TDLinx, U.S. counts are for open stores during month of December

Not all big players expanding

- Walmart & Aldi with largest long-term expansion; Aldi short-term U.S. store counts

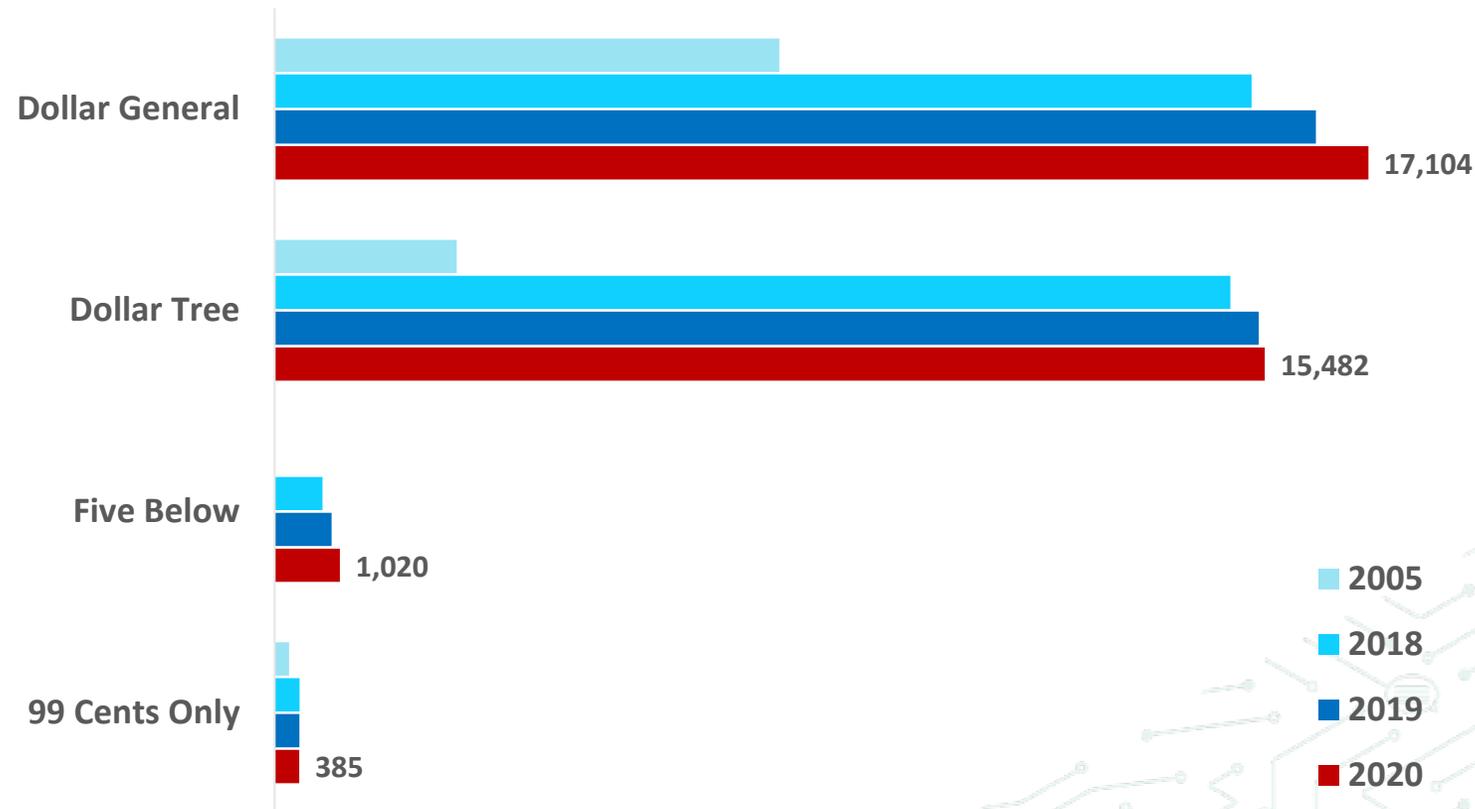


6 Source: Nielsen Consumer LLC, TDLinx, U.S. counts are for open stores during month of December; company press releases

Dollar General continues store expansion & remodels

- Expansion from all but 99 Cents Only

U.S. store counts



- **Dollar General** announce plans for FY 2021 “to open 1,050 stores in 2021, remodel 1,750 stores and relocate 100.” (Retail Leader Dec. 3, 2020)

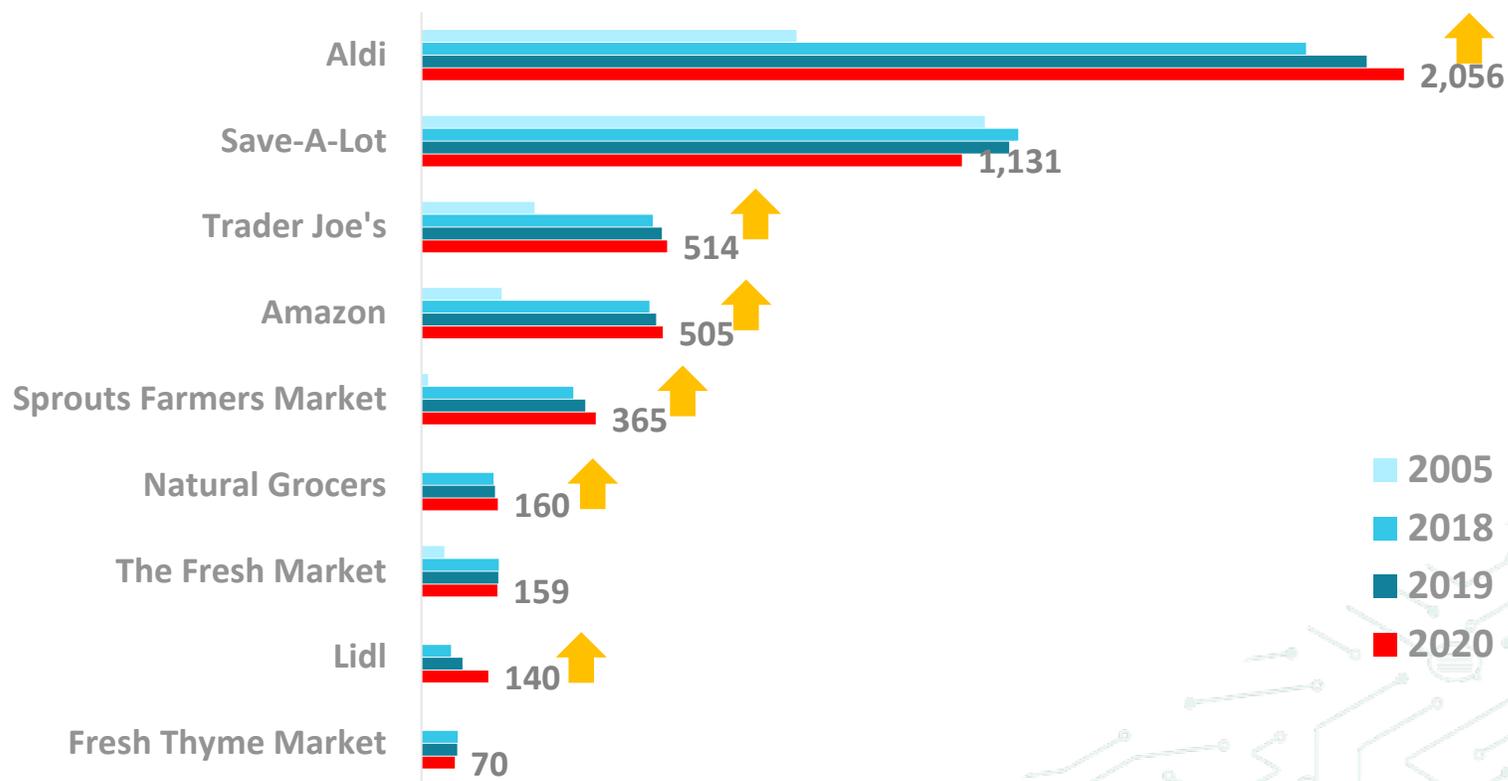
• Note: Dollar Tree includes Deals, Greenbacks, Dollar Express, Family Dollar; Dollar General includes Dollar General Market

7 Source: Nielsen Consumer LLC, TDlinx, U.S. counts are for open stores during month of December; Retailer Leader; Dollar Tree press release

Hunger for natural/gourmet & low prices

- Six of nine chains grew store count in 2020

U.S. store counts – niche grocery retailers



- Aldi plans to operate 2,500 stores by the end of 2022 & will add curbside pick-up to 500 stores in 2021 after 600 in 2020

Low-End: Aldi, Save-A-Lot, Lidl

High-End: Trader Joe's, Amazon, Sprouts Farmers Market, The Fresh Market, Natural Grocers, and Fresh Thyme Market; company press releases

Source: Nielsen Consumer LLC, TDLinx, U.S. counts are for open stores during month of December; company press releases

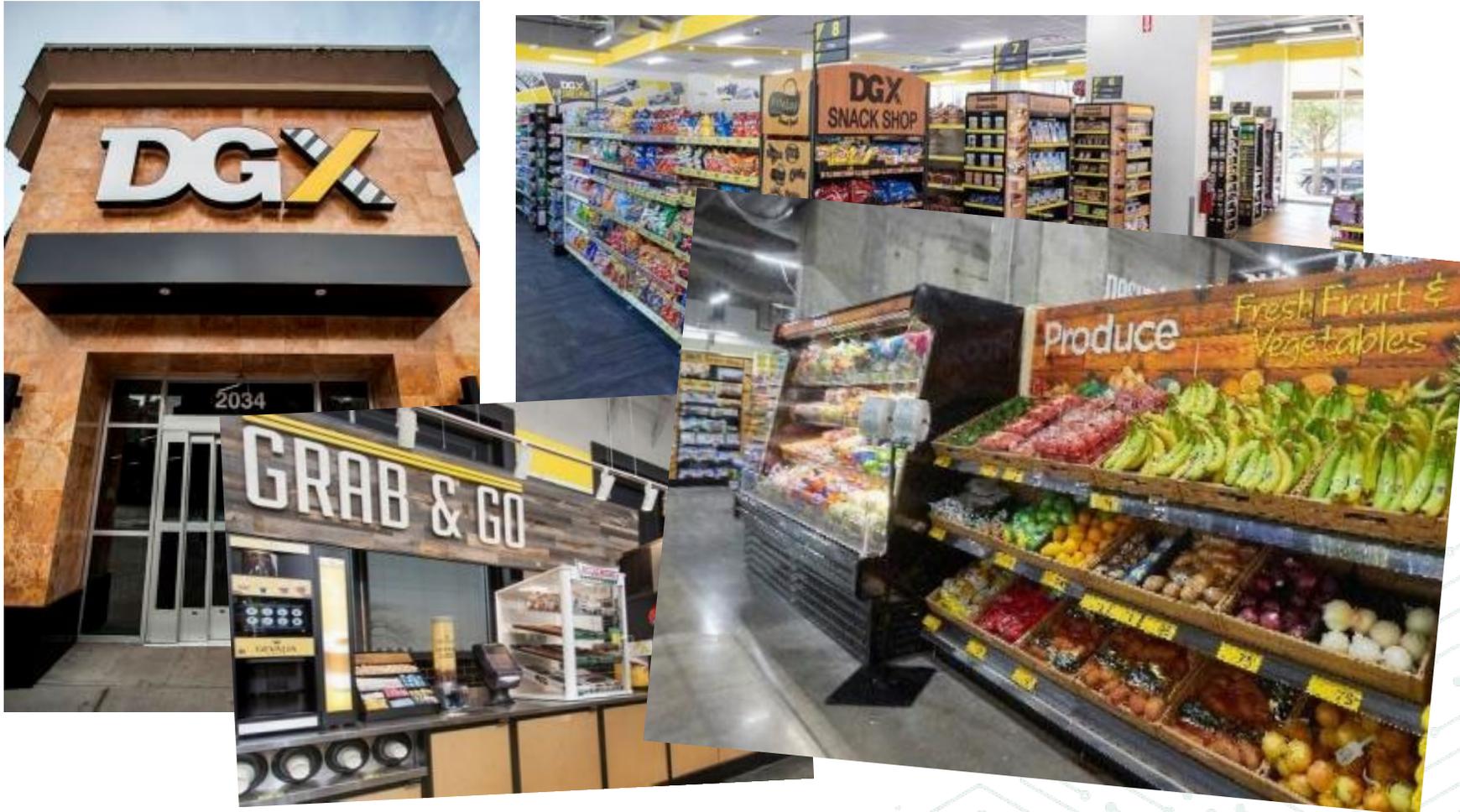
Dollar General

“Dollar General this year plans to add fresh produce selections to 400 stores across the country. We are also accelerating the expansion of our fresh produce offering, which provides the Top 20 items typically sold in traditional grocery stores and covers approximately 80% of the overall categories they carry.”

Jeff Owen, Dollar General COO
Progressive Grocer
May, 2020



Dollar General to accelerate DGX format



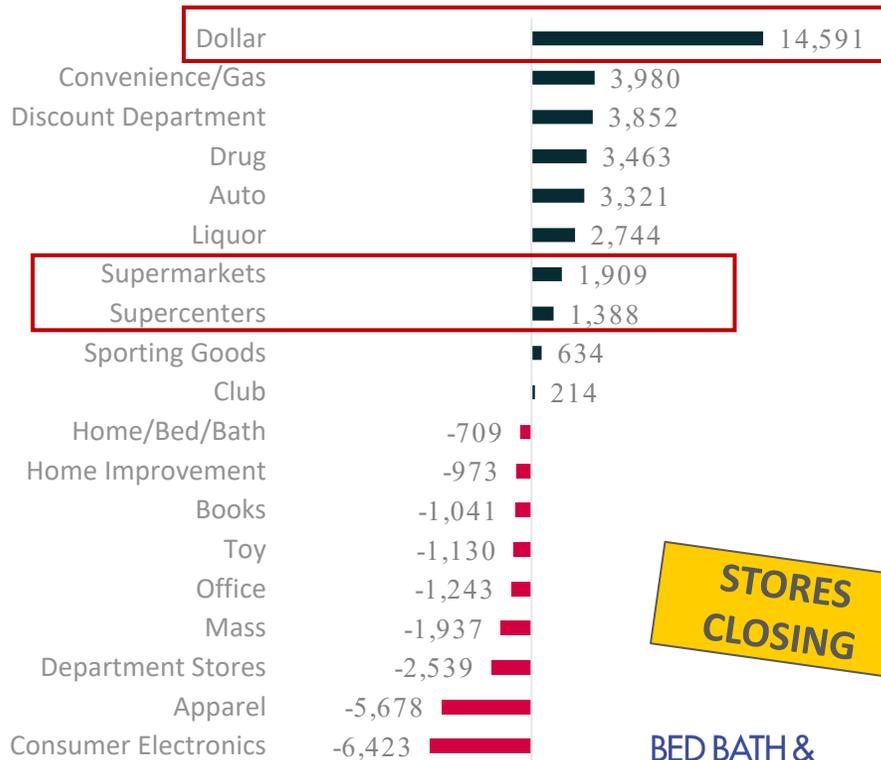
- *DGX stores are about half the size of a traditional Dollar General and have a product selection that is tailored to vertical living customers, particularly millennials.*

Online Performance



Who will fall prey to e-commerce next?

Difference in open store count 2020 versus 2007



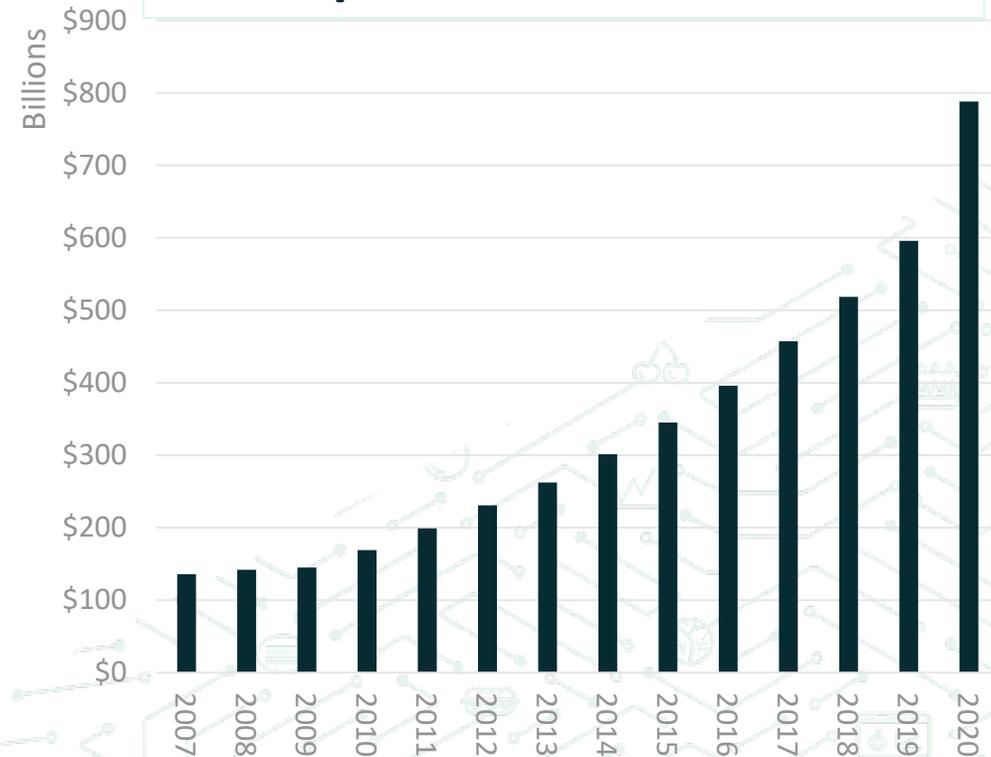
STORES CLOSING

BED BATH & BEYOND



U.S. e-commerce sales

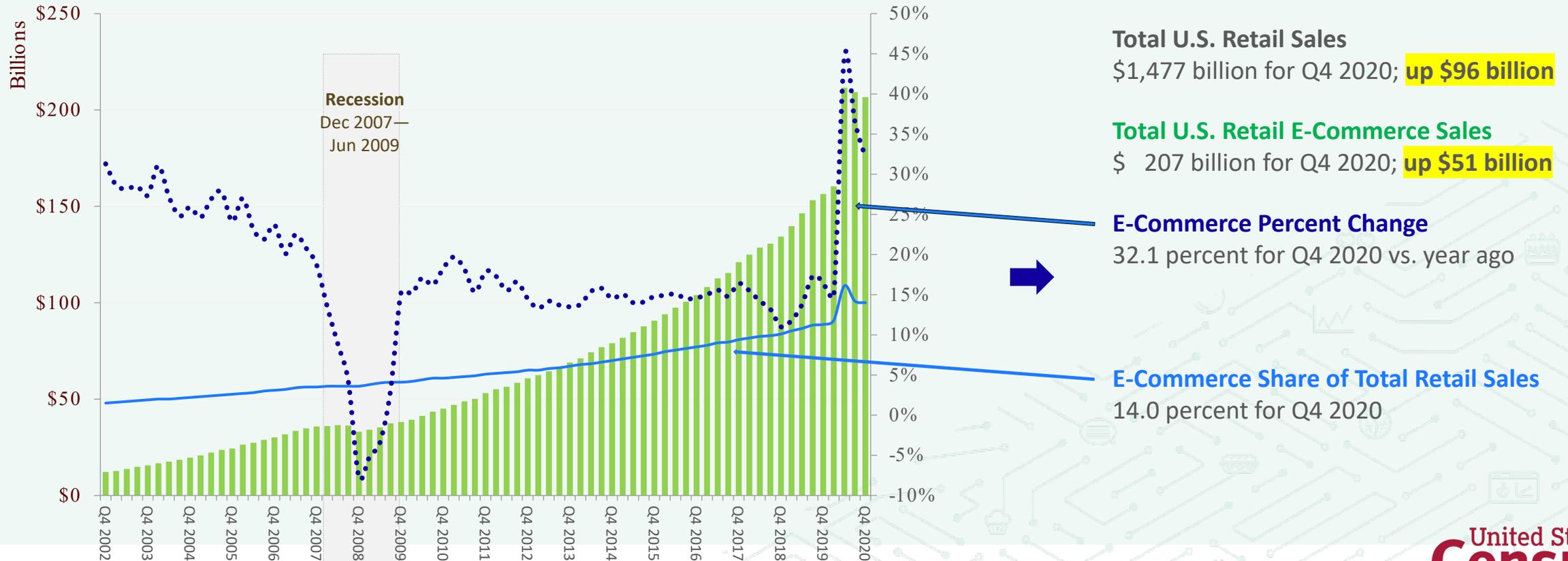
Up \$652B since 2007



Q4 2020 e-commerce with 53% of retail growth & 14% share

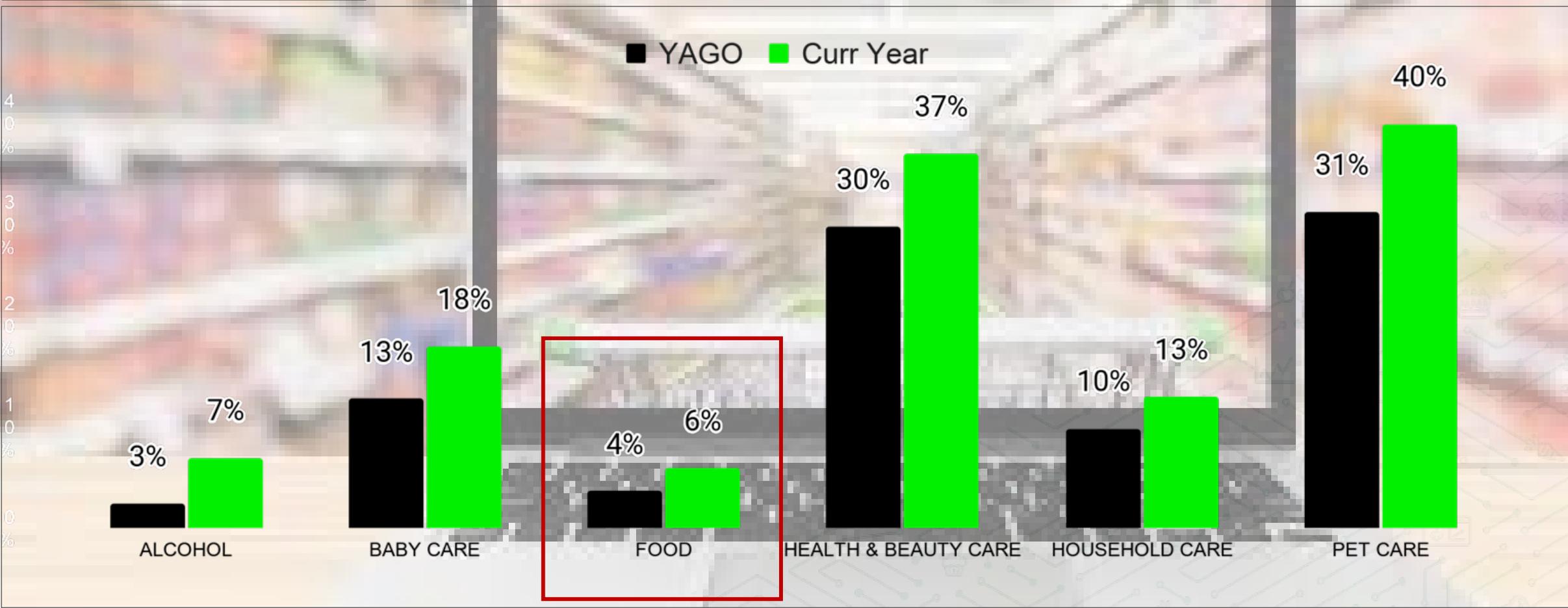
Source: U.S. Census Bureau, Quarterly U.S. Retail E-Commerce Sales (released on February 19, 2020)

Quarterly e-commerce sales, trend & share



Online Food Share is low....so far

E-commerce dollar share



• Source: Nielsen Consumer LLC, xAOC and Total US E-commerce measurement powered by Rakuten Intelligence, 52 Weeks Ending 1/23/2021

Retail Performance

2017 VS 2021

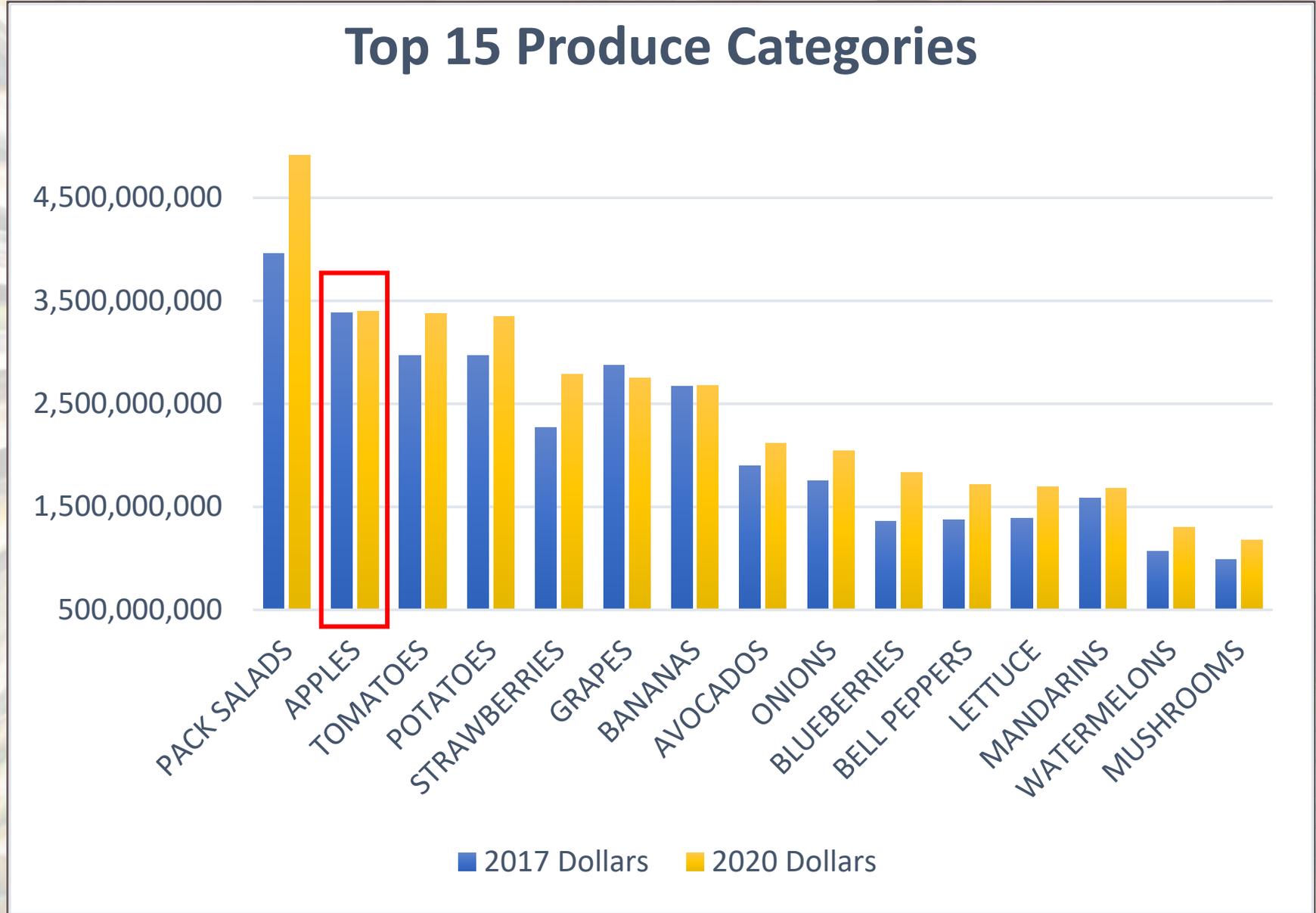


Total Produce Dollars—2017 to 2021

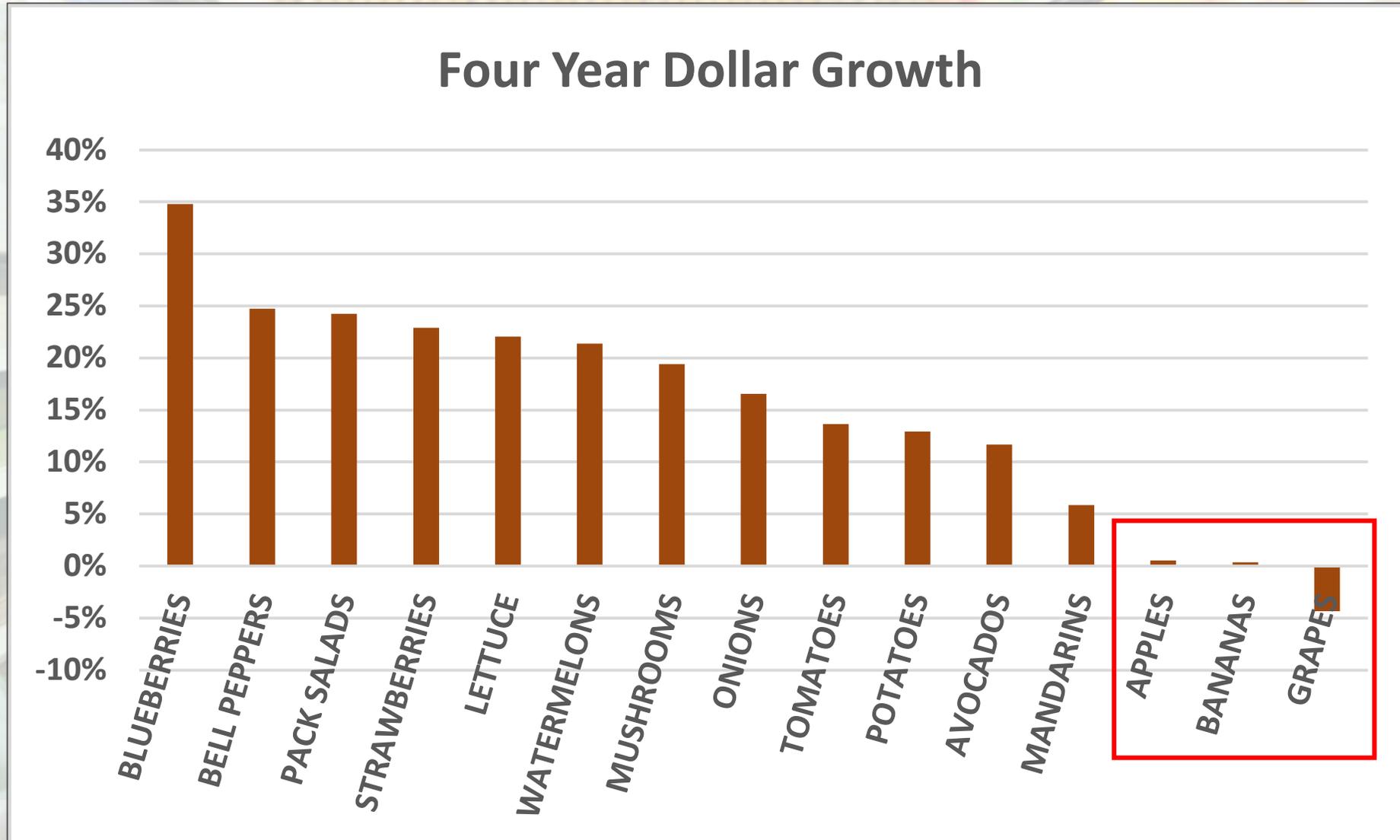
- 11% Dollar Growth
- 7% Price Increase
- Average Retail:

<u>2017</u>	<u>2020</u>
\$1.55	\$1.66

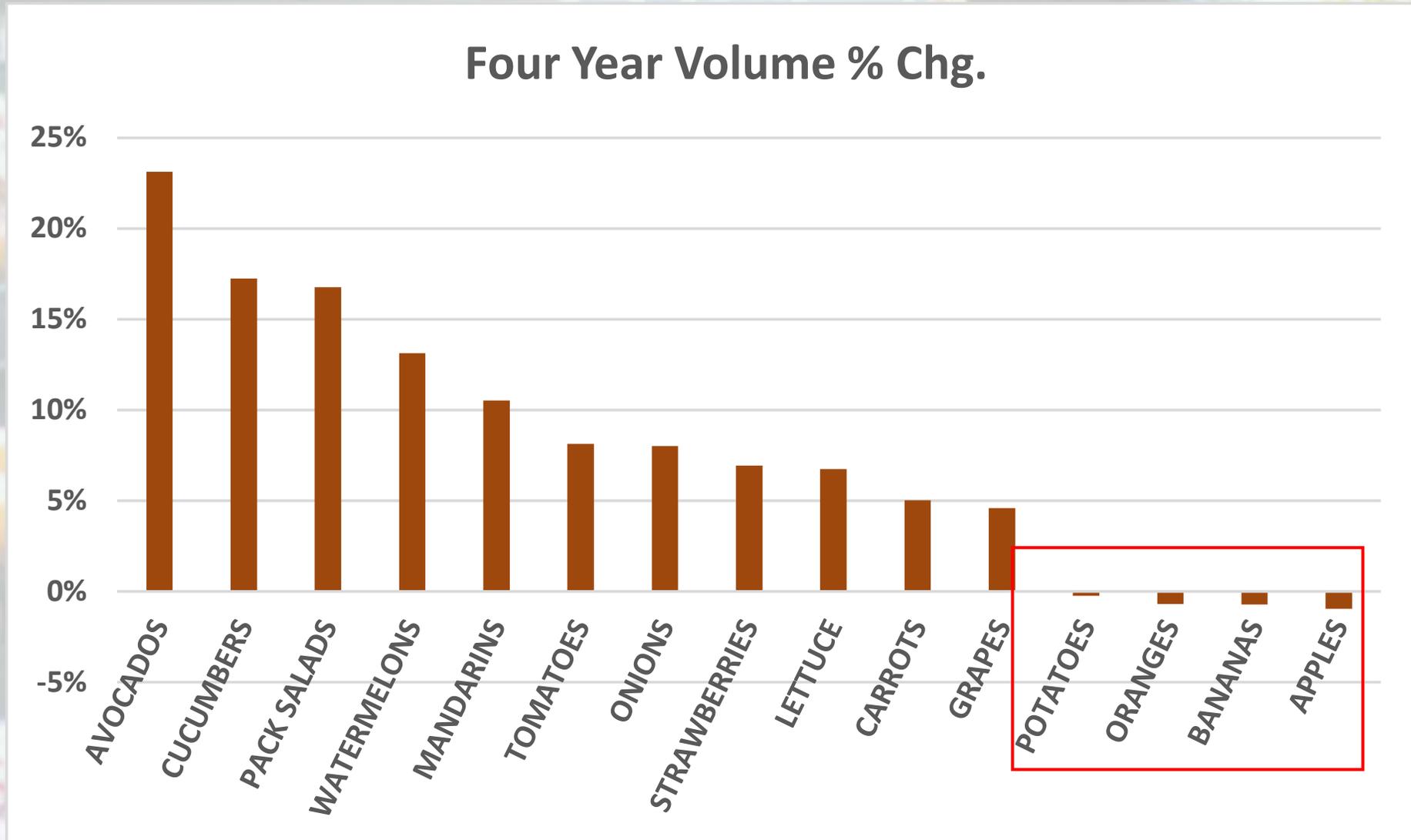
Top 15 Produce Categories



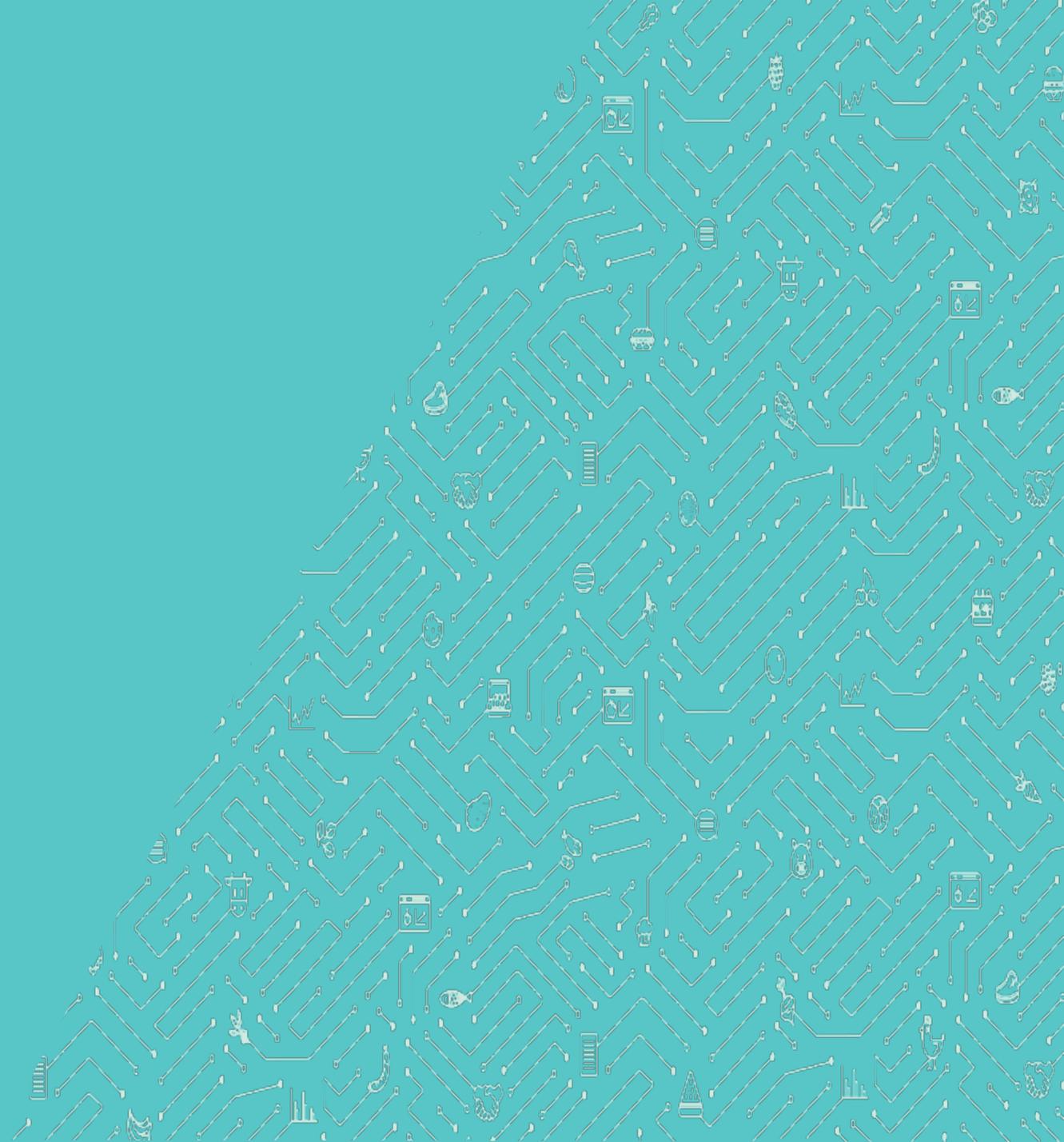
Total Produce—Top 15 Dollar Growth



Volume Percent Change—Top 15 categories



Apple Category

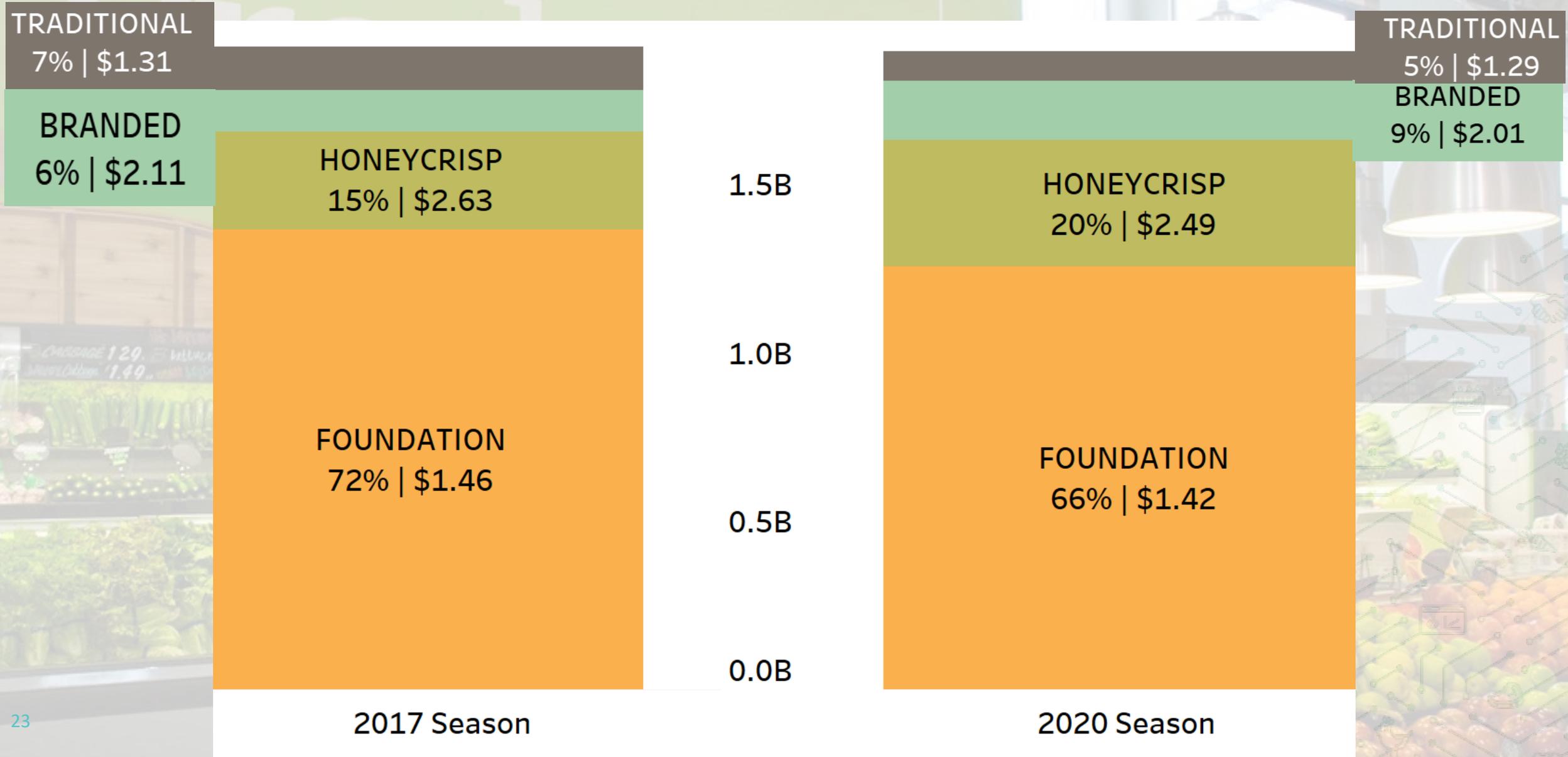


Category Roll up

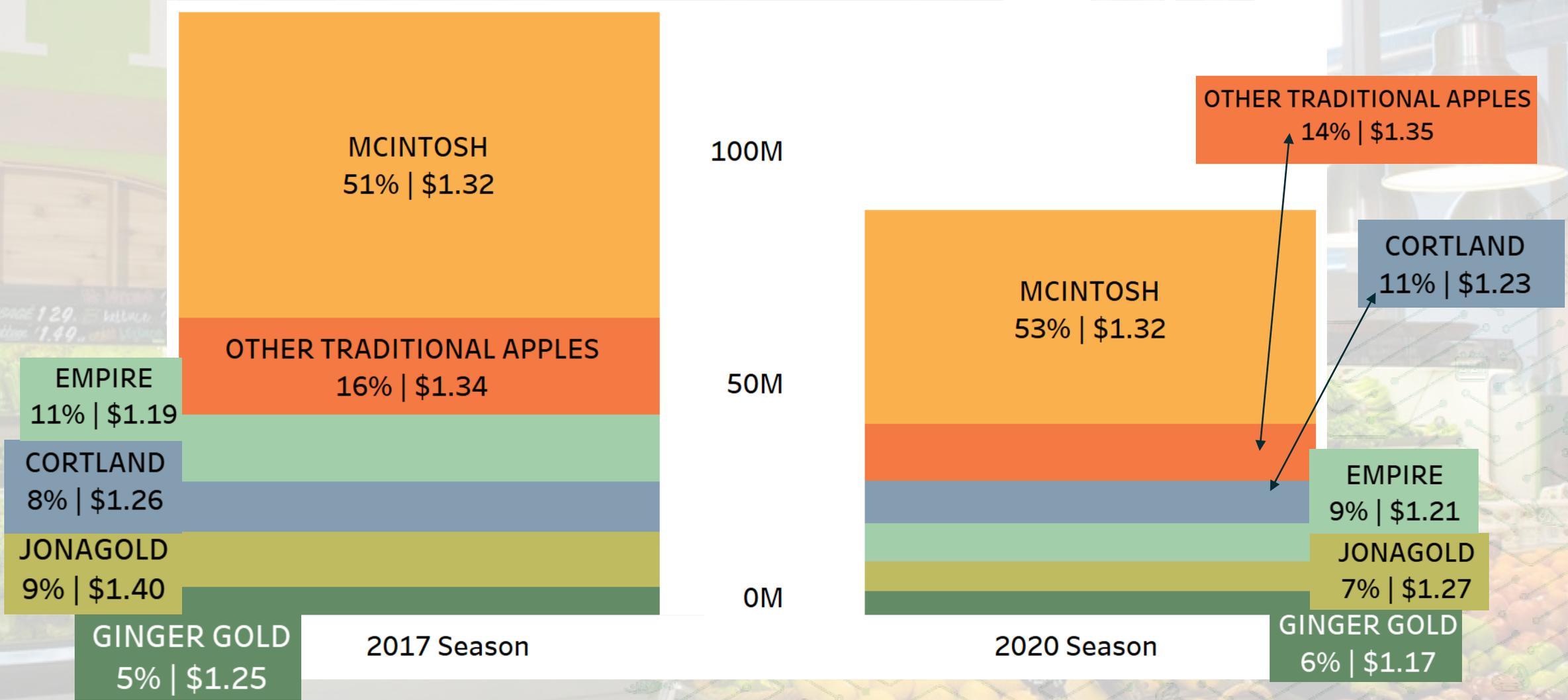


- Foundation—Gala, Reds, Goldens, Granny, Fuji, Pinks
- Traditional—Primarily regional apples with long customer loyalty
- Branded—20+ niche, branded varieties
- Honeycrisp
- Omitted remaining (less than 1%)

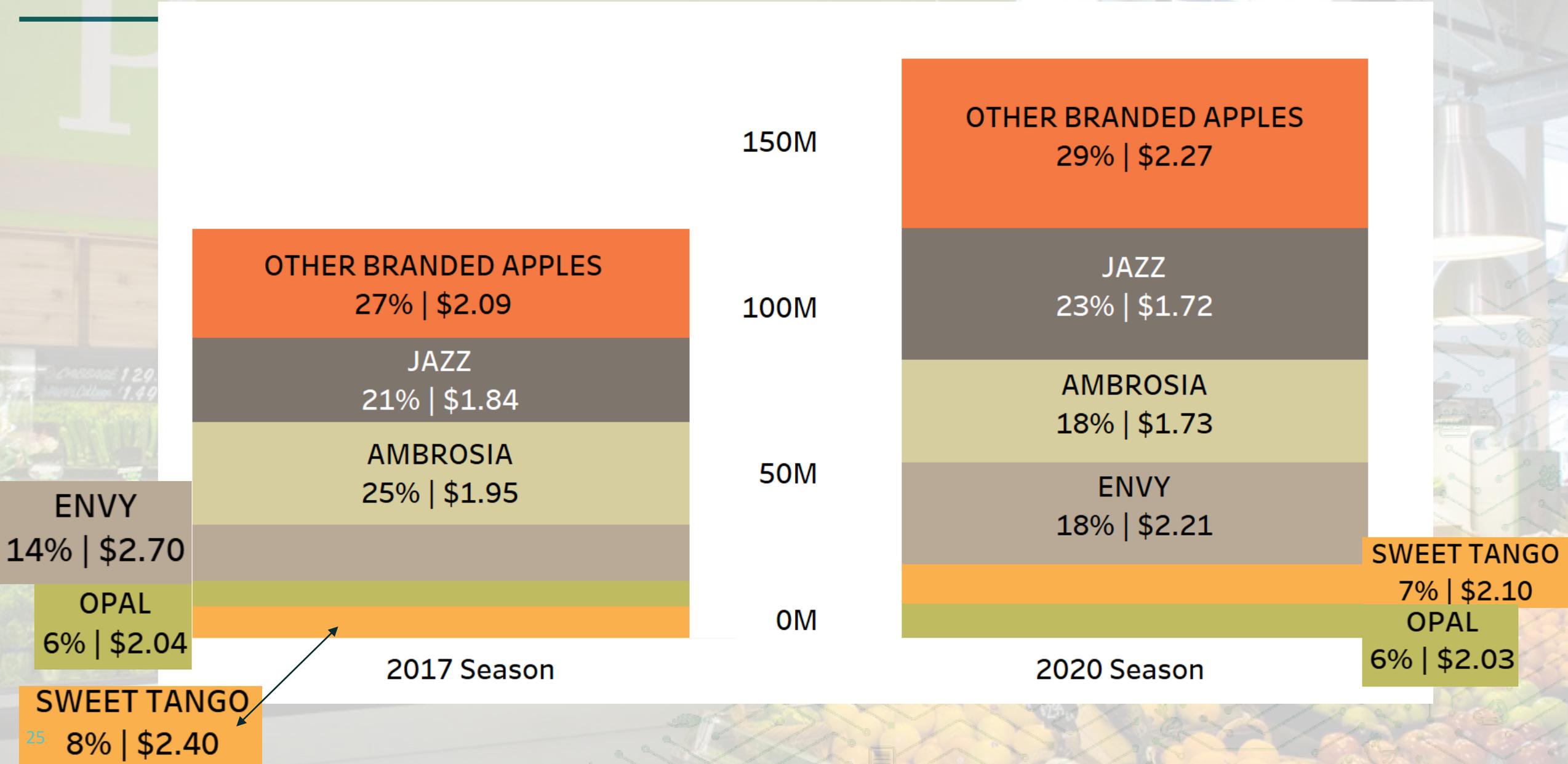
Apple Classes 2017 vs 2020 trend Volume



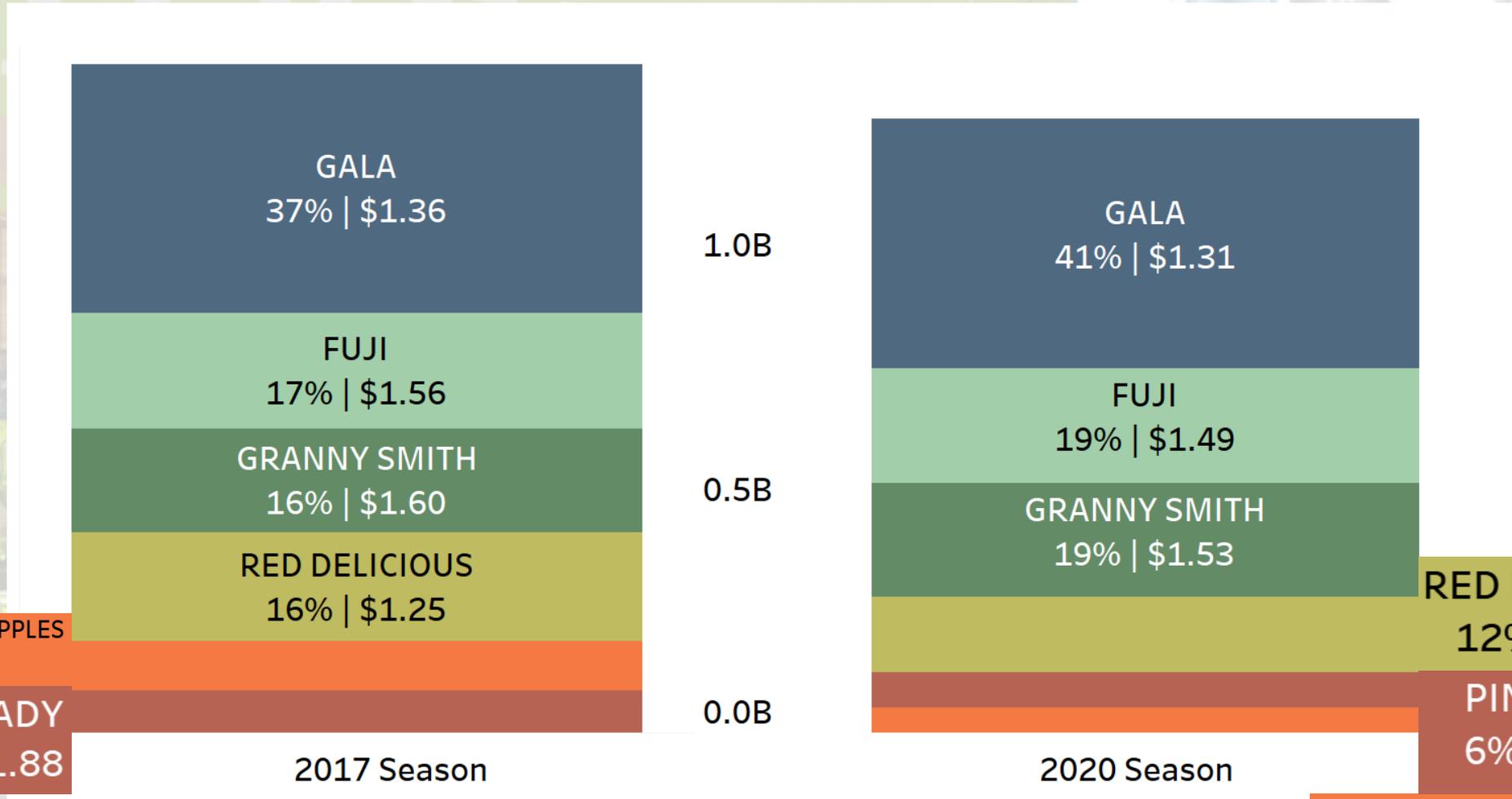
Traditional Apples



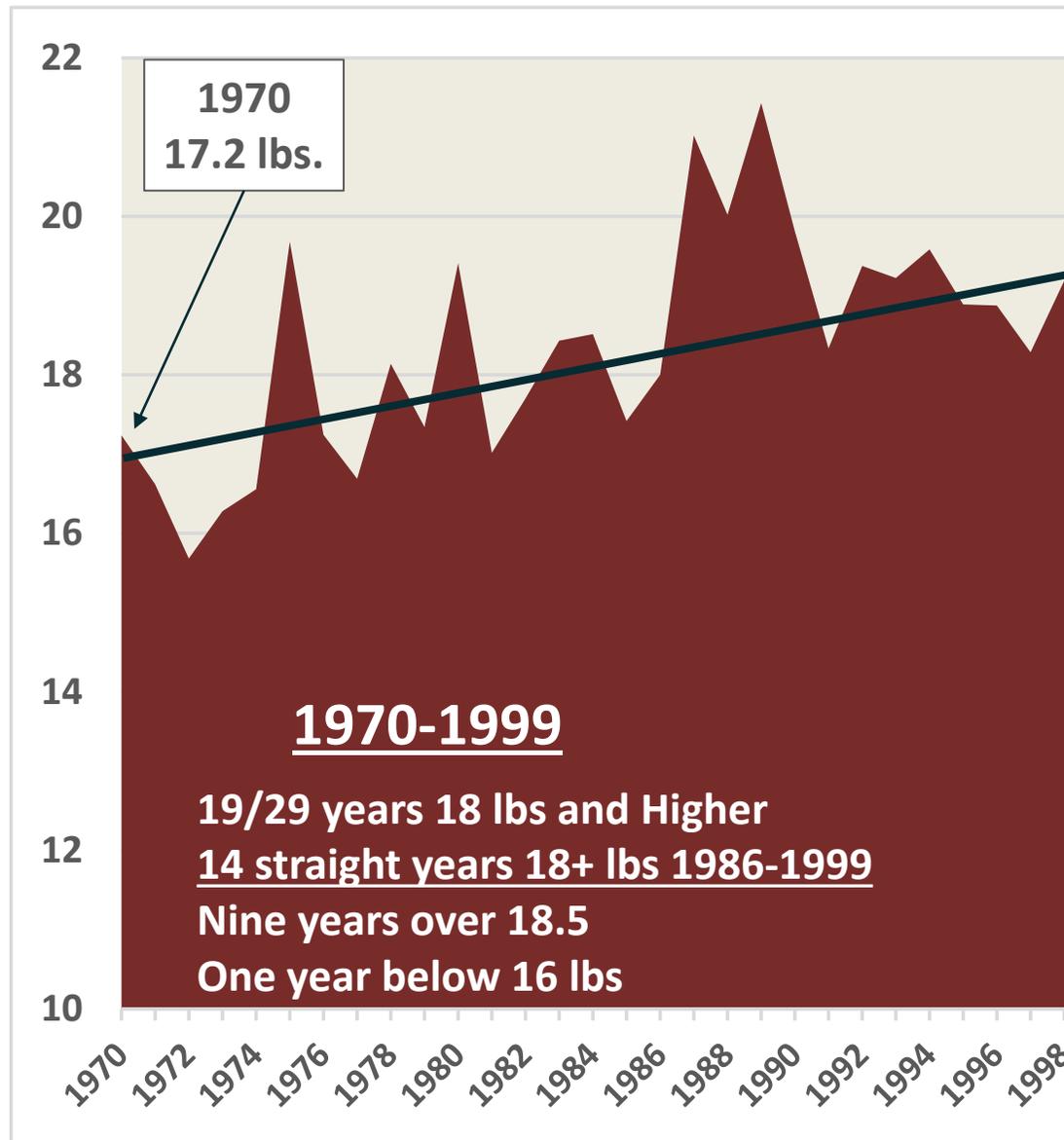
Branded Apples



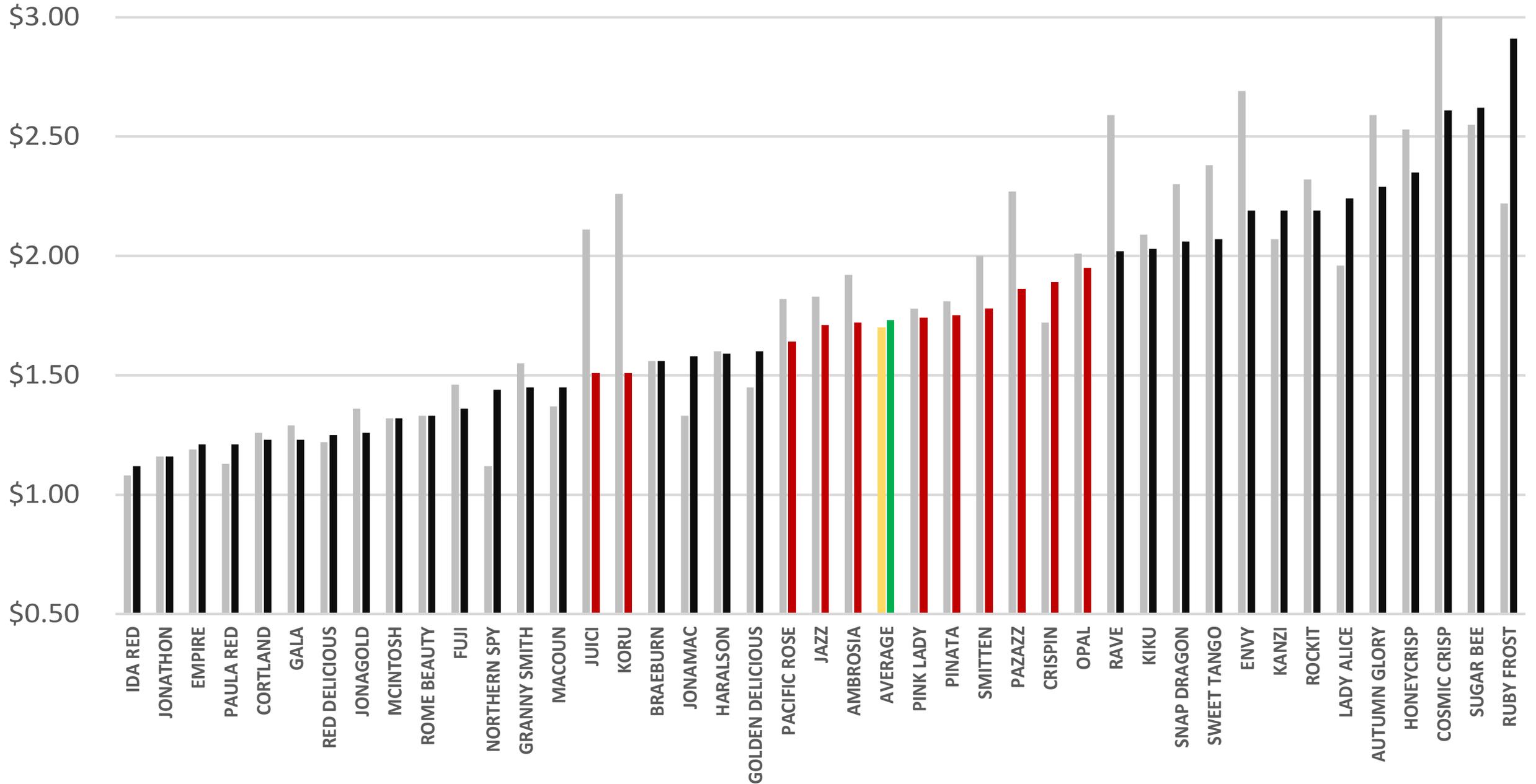
Foundation Apples



49 Years of US per capita fresh apple consumption



2017 vs. 2021 Average Retail

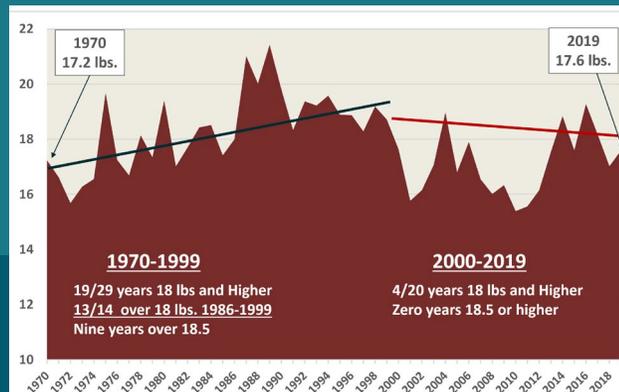




- **Shifting retail customer base**
- **Emergence of new, alternative channels**
- **Change in varietal mix**
- **Longer term decline in US consumption**
- **Increased production?**

Implications

- Development of alternative retail channels
- Better packaged solutions for alternative retail formats, online purchases, sanitation
- Create a path for varietal conversion for retailers/consumers
- Industry “share”/varietal battles will intensify...fueled by Cosmic Crisp
- Apples losing share of stomach with consumers



Why be Optimistic?

- 2nd largest dollar category in Produce
- No real substitute for apple dollars
- Varietal innovation creates consumer/retailer interest
- Quality/Eating experience better than ever
- Know your category dynamics



Thank you!

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