

fresh forward

Envisioning Tomorrow's Fresh Foods at Retail

ACTION GUIDE: KEY STEPS TO MOVE THE FRESH INDUSTRY FORWARD INSIGHTS FROM FMI FRESHFORWARD 2022



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INSIGHTS FROM FMI FRESHFORWARD 2022

Prepared by FMI in collaboration with Deloitte



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About FMI

As the food industry association, FMI works with and on behalf of the entire industry to advance a safer, healthier and more efficient consumer food supply chain. FMI brings together a wide range of members across the value chain — from retailers that sell to consumers, to producers that supply food and other products, as well as the wide variety of companies providing critical services — to amplify the collective work of the industry. www.fmi.org.

About David Orgel Consulting LLC

David Orgel Consulting LLC delivers strategic content and thought leadership focused on the quickly transforming food retail and CPG industries. Clients include associations, industry companies, and other organizations. David Orgel, principal, is a well-known writer, consultant, journalist and industry expert who was the longtime chief editor of Supermarket News. For more information visit www.davidorgelconsulting.com

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INTRODUCTION

TURNING INSIGHTS INTO ACTION

When the fresh foods industry gathers to discuss new success strategies, it's important that leaders head back to their organizations with the tools needed to take new approaches.

That's why we built a solution-oriented dynamic into FMI's FreshForward conference. The Action Guide you are reading is a follow-up to the latest edition of the conference, held August 16 to 18, 2022, in Denver.

In this Action Guide you'll find 10 key takeaways from conference presentations along with action steps recommended by attendees for each of the FreshForward 2022 presentation tracks. Those tracks are Sustainability, Health and Well-being, and Collaborative Partnerships.

The recommended action steps are geared to overcoming challenges and embracing opportunities. They were generated from facilitator-led breakout groups of attendees — including retailers, wholesalers, suppliers and service providers.

FreshForward is about how the fresh sector comes together collaboratively to push the industry forward. This year's edition was the first in-person opportunity in three years due to the COVID-19 pandemic. Attendees participated in networking during meals, breaks and a special offsite event.

Deloitte is FMI's collaborative partner for FreshForward. The conference is driven by FMI's Fresh Foods Leadership Council and is an important part of the association's wider fresh industry efforts throughout the year.

We hope you find this Action Guide useful in planning strategies for the coming year and beyond. Positive change is accelerated when senior leaders engage with each other to help create the next generation of fresh foods opportunities.

Thank you,



Rick Stein,
Vice President of Fresh,
FMI



Barb Renner,
Global Lead Client
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10 FRESHFORWARD KEY TAKEAWAYS

Fresh is in the sweet spot of today's consumer needs and food industry priorities. FreshForward 2022 speakers emphasized the importance of maintaining this momentum by emphasizing strategic directions for health and well-being, sustainability and collaborative partnerships. Presenters also pointed to fresh-related opportunities for ecommerce, technology and foodservice. Here are 10 key insights from the event.



1-SENIOR LEADERS AS FRESH CHAMPIONS: The importance of fresh foods was emphasized by senior leaders who introduced FreshForward tracks. “Freshness, health and well-being are top of mind in what we do at the Giant Co.,” said Nicholas Bertram, the retailer’s president at the time of FreshForward. “I want to challenge you to keep pushing fresh forward, so it has a bigger part of the customer’s cart.” Other leaders introducing conference tracks included Susan Morris, Albertsons Companies’ executive vice president and chief operating officer and Randy Edeker, Hy-Vee’s chairman.



2-HEALTH AND WELL-BEING IN FRESH: Health-focused efforts — including Food as Medicine programs to help prevent health challenges — are important ways to drive success in fresh, according to speakers in a panel on this topic. They said the industry needs to better leverage data to understand the opportunities and success rates. “Health and well-being isn’t just about the pharmacy side,” said panelist Stacy Bates, director of Wellness Nutrition Services, H-E-B. “Customers are now interested in it more broadly, and fresh is a big part of this.”



3-SUSTAINABILITY IN FRESH: Achieving success with sustainability relies on breaking down internal silos at retail and getting better quality data, said James Cascone, a Deloitte partner, who participated in a sustainability panel at FreshForward. Panelists emphasized the importance of enhancing visibility of retail inventory, making improvements to ordering processes and reducing food waste.



4-COLLABORATIVE PARTNERSHIPS IN FRESH: Partnerships are essential to making progress in fresh foods, but collaboration strategies need to be carefully considered. Deloitte’s Mary Sawyer, Ecosystems Strategy and Management Leader, outlined a list of strategies called “Five to Thrive.” These include having a common goal; making sure value and ROI are mutually beneficial; setting clear expectations and roles; emphasizing frequent two-way communications and prioritizing trust and accountability.



5-ECOMMERCE PROGRESS AND OPPORTUNITIES: About 40% of total online sales at food retail are now generated by the perimeter and fresh foods, according to a presentation of FMI’s inaugural The State of Fresh Foods industry survey data. Fresh seems to have “cracked the online code” after years of challenges in making progress in ecommerce, said speaker Mark Baum, FMI’s senior vice president, industry relations, and chief collaboration officer. However, a number of fresh departments still lag the total store in share of items sold online. Fresh departments can “seize an opportunity” for further progress, Baum added.

10 FRESHFORWARD KEY TAKEAWAYS

CONTINUED



6-TECHNOLOGY ACCELERATES FRESH: The fresh industry can advance by leveraging technology — including artificial intelligence. Technology can boost innovation and efficiencies across the fresh supply chain for use cases ranging from food waste reduction to vertical farming. “Technology will help us run better stores and will also bring more access to healthy and sustainable foods in the future,” said Suzy Monford, chief strategy and marketplace officer, Focal Systems.



7-OUTLOOK ON ECONOMY: Business leaders should be aware of the potential for recession but not become paralyzed by it. That was the view of Ira Kalish, chief global economist at Deloitte, who delivered an economic outlook presentation. “There is a risk of recession in the next year or two,” he said. “A recession would likely be relatively short-lived and relatively mild. So, it makes sense to plan for recession but also plan for recovery, because it will come faster than you think and will last for several years.”



8-FOODSERVICE AS DIFFERENTIATOR: Foodservice represents an increasingly important retail opportunity as consumers return to seeking more convenience in meal solutions, speakers said. FMI’s The State of Fresh Foods survey data presented at the conference shows the industry is increasing labor allocation for foodservice at retail and growing space allocation for fresh prepared grab and go items. One area of foodservice opportunity is ghost kitchens, which enables retailers to respond to growing restaurant competition by increasing efficiency and innovation in meal preparation.



9-CONSUMER MESSAGING STRATEGIES: The fresh industry is striving to optimize communications for different shopper bases. Speakers said many younger consumers are interested in sustainability, making them prime candidates for messaging on that topic. Communications is especially important for new and emerging categories. A speaker from Bowery Farming pointed to controlled environment agriculture (CEA), or vertical farming, as an important area for boosting communications about the benefits.



10-EMBRACING COOPETITION: Fresh foods companies need to become more comfortable partnering with organizations that may have been competitors at times, according to speakers at the conference. This type of collaboration is needed to advance partners and the industry overall, said Randy Edeker, chairman of Hy-Vee, in a video presentation to the audience. “The very company you may partner with may be the one that in the past was working to disrupt you, or you were working to disrupt them,” he said. “But it’s important to keep an open mind.”

ACTION STEPS TO PURSUE COLLABORATIVE PARTNERSHIPS IN FRESH

The fresh industry can take strategic approaches to building collaborative partnerships to accelerate goals. FreshForward attendees who participated in breakout group discussions suggested key action steps that include fostering data sharing, building mutually beneficial partnerships and setting clear expectations. The breakout groups followed presentations on collaborative partnerships from Deloitte, Instacart, RHR Advisors and Bowery Farming.

Here are actionable steps for collaborative partnerships proposed by industry attendees.

LEVERAGE FIVE TO THRIVE FRAMEWORK: Follow the strategies outlined in Deloitte’s “Five Keys to a Thriving Collaborative Partnership.” Those keys, presented at FreshForward, include having a common goal; making sure value and ROI are mutually beneficial; setting clear expectations and roles; emphasizing frequent two-way communications and prioritizing trust and accountability.

SET CLEAR EXPECTATIONS: Develop partnership expectations and boundaries upfront. Identify risks early and make contingency plans to pivot in the case of problems.

BRING IN THE RIGHT EXPERTISE: Build trust and alignment by involving like teams, departments and executives to coordinate on each side of the partnership. Finance leads would talk to their finance counterparts and the same holds true for functions such as supply chain and marketing.

PROMOTE DATA SHARING: Partners should agree on the data that will be shared and follow through to ensure sharing takes place.

ASSURE WIN-WIN ENGAGEMENTS: Create mutually beneficial arrangements that spread costs and risks so that both sides are willing to go all in on innovation.

EXPLORE INDUSTRY-LED EFFORTS: Consider the opportunity for an organization such as FMI to help accelerate industrywide practices related to collaborative partnerships. This might include facilitating the development of industry case studies, share groups and best practices documentation.

SOLIDIFY RELATIONSHIPS: Prioritize long-term contracts and relationships to help ensure partnership success. Avoid switching to other providers midway based solely on lower costs. Recognize that your partners are planning their strategies and taking risks based on your decisions and needs.

NAVIGATE COOPETITION: Carefully handle partnerships between organizations that might be competitors in certain aspects of their businesses. Acknowledge some overlapping capabilities and focus on mutually beneficial end goals to create better offerings to end customers.

ACTION STEPS TO PURSUE HEALTH AND WELL-BEING IN FRESH

Fresh industry leaders can choose from a wide range of action steps to advance health and well-being strategies. These include prioritizing consumer and employee education, pursuing Food as Medicine programs and partnerships, and optimizing ecommerce platforms to better deliver on shopper needs. The action steps were suggested by FreshForward attendees during breakout group discussions. The breakouts followed a panel discussion on health and well-being moderated by Krystal Register, FMI's senior director, health and well-being. It featured speakers from H-E-B, Academy of Nutrition and Dietetics Foundation and Focal Systems.

Here are actionable steps on health and well-being proposed by industry attendees.

PROMOTE EMPLOYEE EDUCATION: Incentivize healthy behaviors for associates and provide resources such as online physical and mental health education.

PRIORITIZE DIGITAL TOOLS FOR STORYTELLING: Leverage tools ranging from social media to QR codes to relay deeper stories to shoppers about health and well-being in fresh. Place QR codes in fresh departments to spotlight healthy recipes and preparation recommendations.

OPTIMIZE THE USE OF SEARCH IN ECOMMERCE: Enhance ecommerce search functionality so that shoppers can filter items by nutrition needs and eating approaches.

PRIORITIZE HEALTH AND WELL-BEING IN INTERNAL PLANNING: Make sure that health and well-being isn't an afterthought in developing retail strategies. Embed this topic into key retail strategies and ensure it aligns with organizational goals for profitability.

BUILD PARTNERSHIPS WITH A RANGE OF STAKEHOLDERS: Prioritize retailer partnerships with communities, schools, nonprofits and other stakeholders to drive health and well-being and Food as Medicine education and programs.

ENHANCE CROSS-MERCHANDISING STRATEGIES: Promoting and merchandising healthy pairings of foods can boost consumption of nutritious products and enhance consumers' confidence in their ability to make healthy choices.

TAP INTO FUNDING: Benefit from grants and funding available for produce and food prescription programs that support food security and affordable access to healthy foods.

ACTION STEPS TO PURSUE

HEALTH AND WELL-BEING IN FRESH

CONTINUED

DRIVE TOTAL-STORE EFFORTS: Improve the ability for shoppers to find healthy products and services throughout the store — from pharmacy to fresh to packaged goods. Communicate more broadly about the services of retail dietitians.

EMBRACE GOALS AND MEASUREMENTS: Adapt category manager scorecards to increase attention on health-focused products and categories. Set goals, develop metrics and dashboards and track the sales of healthy fresh items across the store.



ACTION STEPS TO PURSUE SUSTAINABILITY IN FRESH

The fresh industry should consider action steps for sustainability that include standardizing metrics, addressing food waste throughout the supply chain and optimizing packaging and transportation. These steps and others were suggested by FreshForward attendees who participated in breakout group discussions. The breakout groups followed presentations by leaders from Deloitte, Afresh and Shelf Engine.

Here are actionable steps for sustainability proposed by industry attendees.

STANDARDIZE KEY INDUSTRY METRICS: Standardize metrics and scorecards across the industry to reduce complexity, streamline messaging and make it easier for companies to communicate efforts and get credit for achievements. An industry task force could be formed to help build consistency by identifying key metrics and standards.

INCREASE ENGAGEMENT WITH ASSOCIATES: Put more effort into updating associates on company sustainability efforts at a time when many employees are more interested in company values. This strategy may help create new internal champions for the company and its sustainability efforts and even attract new talent to the organization.

ACCELERATE CONSUMER EDUCATION: Enhance education for shoppers about how to avoid food waste at home and how to make sustainability-based decisions in food purchases. The education about purchase decisions might include information on how different types of practices impact carbon footprints.

INCORPORATE SUSTAINABILITY INTO MORE COMPANY DECISIONS: Bring together internal company silos to discuss sustainability and what it means to the bottom line. Make sustainability efforts more matrixed so they are incorporated into more company initiatives with a champion involved.

TARGET FOOD WASTE FROM FARM TO FORK: Take multilevel approaches to reducing food waste from farm to fork. These might include increasing data sharing between different parts of the food supply chain to establish more realistic demand cycles for consumption and creating new strategies for retailers and suppliers to find alternative disposition for unsold food products.

RETHINK SUPPLY STRATEGIES: Consider vertical farming as an alternative to traditional farming; construct warehouses closer to food sources to reduce time to reach customers and prioritize local products when possible.

ACTION STEPS TO PURSUE SUSTAINABILITY IN FRESH

CONTINUED

LEVERAGE TECHNOLOGY FOR SUSTAINABILITY PROGRESS: Lean on technology to enhance production planning, forecasting, ordering, and measuring. Leverage computer-assisted ordering for standardization and consistent ordering processes.

OPTIMIZE PACKAGING AND TRANSPORTATION: Standardize packaging footprints to reduce waste in transportation and decrease empty miles through increased use of backhauling.



CHECKLIST

MAKING PROGRESS ON ACTION STEPS

The action steps outlined in this guide provide a lot of avenues for companies and the industry to accelerate fresh success. Following is a short checklist of how leaders can leverage the actions to make progress.

- Review this report's insights and action steps with your internal teams.**
- Choose at least one action step to consider pursuing in the coming months for each of the three areas – health and well-being, sustainability and collaborative partnerships.**
- Explore what levels of internal and external expertise and collaboration are needed to make progress on each action step.**
- Create timelines and measurement strategies.**
- Evaluate initial results and adapt strategies to optimize outcomes.**
- Consider relaying your journeys on these actions when FMI revisits industry progress in the near future.**
- Take advantage of FMI's other resources and programs for the fresh industry to help support progress. These include extensive research on fresh categories and monthly videos on fresh industry topics.**

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