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THE HARTMAN GROUP – FOOD SOURCING IN AMERICA 2020 WEBINAR

This special report summarizes The Hartman's Group webinar titled "Food Sourcing in America 2020". The basis of their study was to get a better understanding of food sourcing, consumer grocery shopping habits, specifically Covid-19 strategies, trip drivers, online grocery shopping and grocery category purchasing by retailer / channel. In follow up correspondence with Ms. Laurie Demeritt, CEO – The Hartman Group, I asked how applicable are their findings with respect to the Canadian shopper? In response: "Clearly, there are some important differences between the Canadian and U.S. marketplace (in terms of channel types and store formats) but we do believe that the larger take-aways from the study are likely very similar in terms of consumers' attitudinal and behavioral changes".

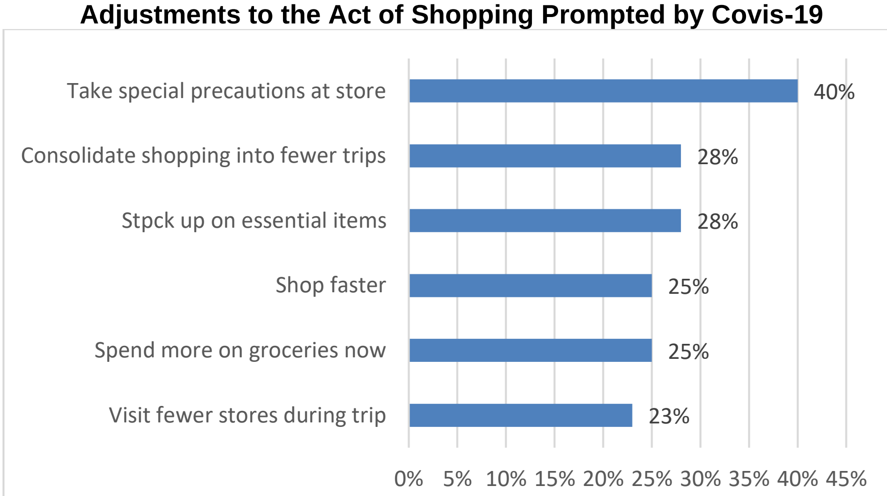
- Consumers are continuing to assess risk and make trade-offs in daily activities and priorities.
- Despite the changes caused by Covid, the basic pattern of consumption has remained the same as outlined in Table 1.

Table 1
Eating Occasions by Day Part – 2019 vs. 2020
Average percent of consumer who have:

	Early Morning Snack	Breakfast	Morning Snack	Lunch	Afternoon Lunch	Dinner	After Dinner Snack	Late Night Meal / Snack
2019	**20%**	**63%**	**23%**	**70%**	**37%**	**82%**	**33%**	**24%**
2020	**19%**	**63%**	**22%**	**67%**	**37%**	**80%**	**32%**	**19%**

- Shopping for food is now a more complex web that consumers must navigate, with a safety assessment embedded at each decision point. The mode side of Food's Procurement Journey includes: Dining out, Takeout, Direct to consumer, or grocery shopping. The fulfillment side include: Delivery, Pick-Up or in person.
- 84% consumers revealed they have made adjustments on how they shop due to Covid-19. The top 6 adjustments they have made are outlined in Chart 1.

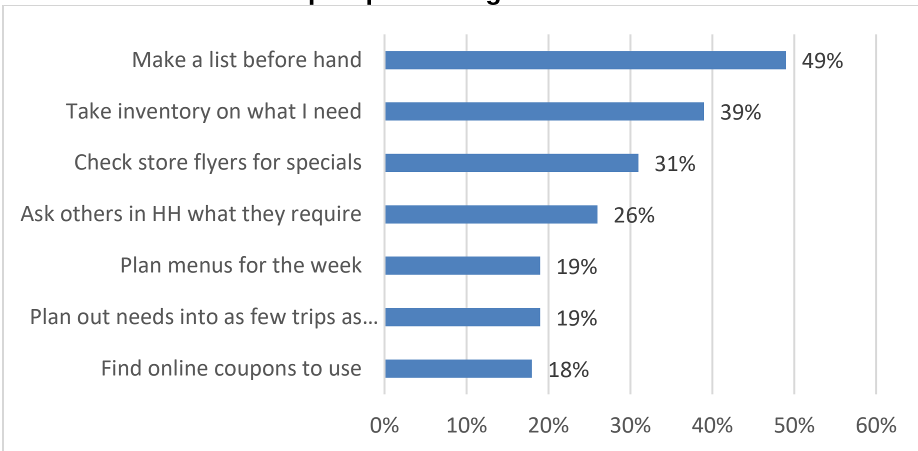
Chart 1
Adjustments to the Act of Shopping Prompted by Covis-19



Note: The top 5 are significantly higher among women.

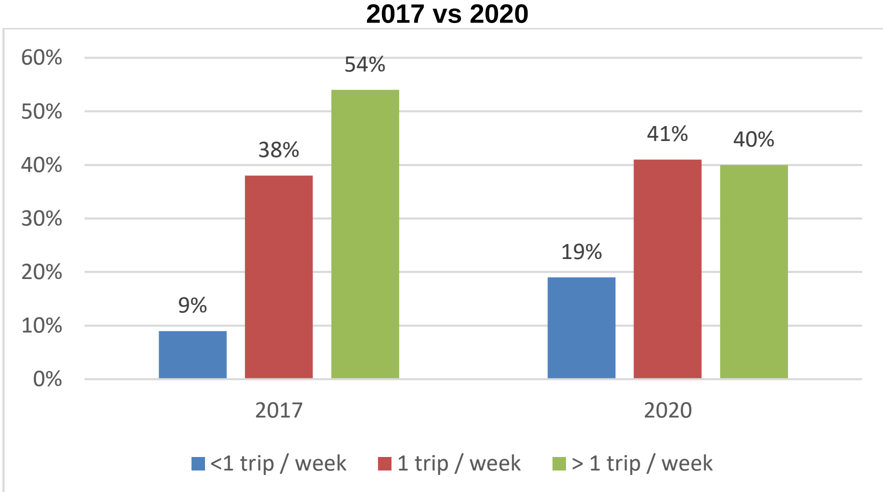
- 1 in 10 shoppers continue to take a more spontaneous approach to shopping.
- Trip planning behaviours have become more of a concerted effort as outlined in Chart 2

Chart 2
Top Trip Planning Behaviours



- Consumers are consolidating their shopping trips as outlined in Chart 3.

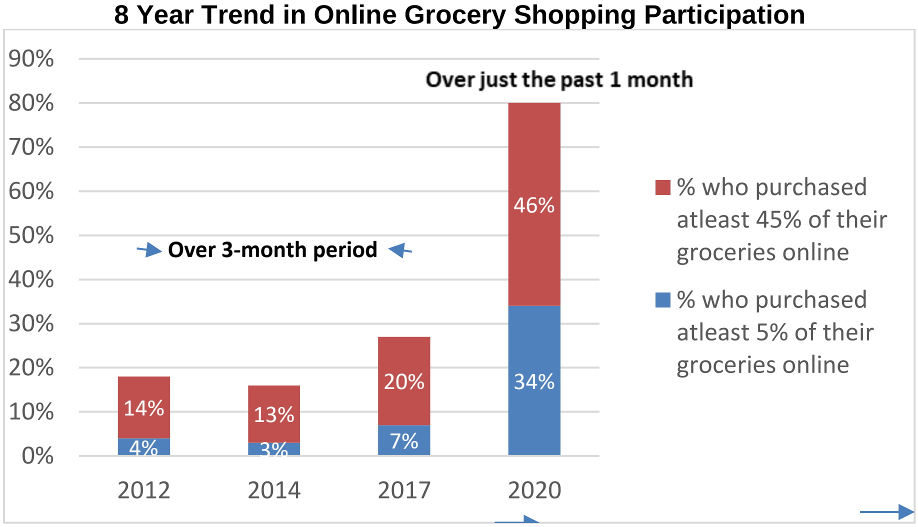
Chart 3
Trend in Weekly In-Person Trips
2017 vs 2020



- In a typical week shoppers grocery shop 1.7x in person and 0.9x online.
- Consumers continue to visit similar channels as before the pandemic, showing continued desire to utilize the strength of each channel. (Primary role of each channel).
  - Big stock up orders:
    - Grocery 33%, Mass 27%, Club 38%, Discount 24%
  - Smaller fill-in trips:
    - Drug 18%, Dollar 21%, Convenience 18%, Online only 17%
  - Just a couple of items:
    - Drug 18%, Dollar 21%, Convenience 28%
  - Items in specific department:
    - Grocery 31%, Club 21%, Discount 23%, Specialty / Natural 28%
  - Non-food items:
    - Mass 26%, Drug 32%, Dollar 25%, Online only 22%

- The pandemic has been the catalyst for consumers to participate more fully in online shopping as outlined in Chart 4. 27% of consumers are now shopping online for groceries more than before Covid.

Chart 4
8 Year Trend in Online Grocery Shopping Participation

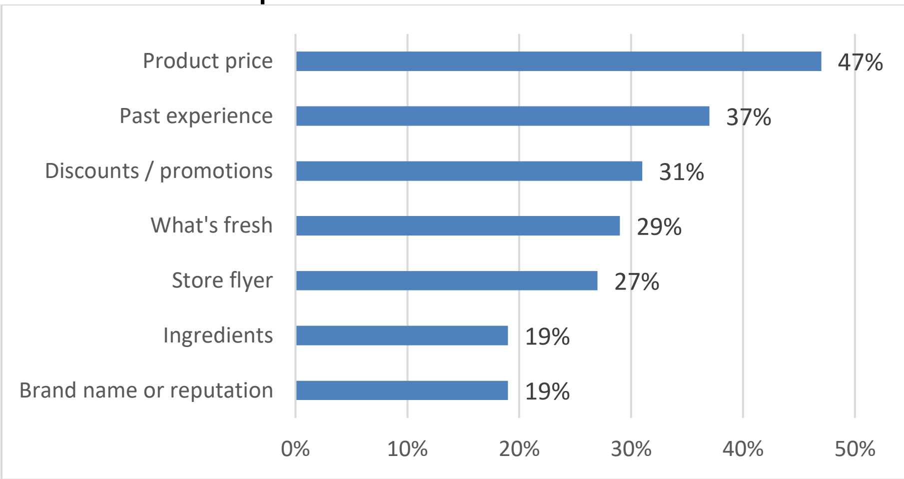


- Not all consumers are online enthusiasts. Chart 5 outlines the Top 5 barriers to online shopping.

Chart 5
Barriers to Online Shopping

- Price and product familiarity are the primary drivers of purchase selection at the product level as outlined in Chart 6.
- Men are more influenced by ads, recommendations and online communication.
- Women are more influenced by savings and the attributes of the product itself.

Chart 6
Top 7 General Purchase Influencers



- Though sustainability issues have taken a back seat as consumers prioritize their health and safety, this is likely only a momentary pause.
- From 2017 to today the proportion of consumers counting environmental consideration among their top 5 purchase criteria approximately doubled, highlighting the long-term desire to reduce packaging.
- Consumers wish to support food and beverage brands that protect and uplift society, especially in trying times:
  - Company Safeguards: Evaluation of safety provisions for consumers and employees.
  - Employee Welfare: Recognition of risks undertaken by frontline food workers. More awareness of employee welfare. **Employee welfare becoming a criterion for choosing where to shop and which brands to purchase**.
  - Social Justice: Increasing awareness of social injustices. Growing consumer engagement in social justice initiatives.
- Since 2017, twice the number of shoppers has listed “environmental / ethical concerns” or “social justice” among their top 5 purchase influencers.