HASS AVOCADO BOARD

Rethinking Retail: Retail Channel Overview

Understanding Avocado Category Purchase Trends by Channel to Drive Retail Sales of Hass Avocados

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Terms and Definitions

- Product
  - Avocados
- Time Periods
  - **Current Year (CY)** – 2020 Calendar year
  - **Prior Year (PV)** – 2019 Calendar year
- Channels
  - **All Channels**
  - **Grocery**
  - **Walmart** – All Walmart non-Club stores including Supercenters
  - **Club**
  - **Internet** – All online avocado purchase sites (e.g. Amazon, Walmart.com, etc.)
  - **Mass/Supercenter** – Excluding Walmart
  - **All Other** – Dollar, Drug, Military, and Misc.
- Metrics: All metrics in this report are rounded
  - **Household (HH) Penetration** – The percentage of households that purchased product
  - **Shoppers/Buyers** – Throughout this report, the term “shoppers” and “buyers” refers to households that purchased the product
  - **Repeat Buyers** – Households that purchased the product more than once per year
  - **Buying Rate** – Annual product dollar spend per product buying household
  - **Trips per Buyer** – Annual number of purchase occasions per product buying household
  - **Dollars Per Trip** – Dollar spend on product per purchase occasion
  - **Purchases** – Household purchases are captured in dollars (no volume or units)
- Source:
  - **IRI Consumer Network™ 2021**

Executive Summary

In a recent study, *Rethinking Retail: Avocado Shopper Segmentation*, avocado shoppers were divided into five shopper segments based on their unique avocado purchasing behaviors – Moderate, Heavy, Super, Mega, and Ultra shoppers. Each segment was evaluated based on their avocado purchase behaviors and purchase metrics to determine their impact on avocado category growth. To further understand how these shopper segments purchase avocados, this study took a dive into the retail channels where shoppers are purchasing avocados and outlined the key purchase metrics for each buyer group within each retail outlet.

The Grocery channel continued to claim the lion's share of avocado purchases across all shopper segments in 2020. However, Grocery has lost dollar share to the Internet and large format channels (Walmart and Club) since 2017. Internet, Walmart, and Club contributed a combined +$123.2 million in incremental avocado purchases, accounting for the majority of total net category growth over the 3-year period.

- **INTERNET GROWTH:** Amid the ever-changing retail landscape, Internet has emerged as the fastest growing channel for avocado shoppers. The Internet channel accounted for 2% of avocado sales and delivered $40M in avocado purchases for the category in 2020. However, the channel has shown growth for avocado purchases of nearly +334% since 2017. This growth added +$30.5M in purchases to the category over the 3-year period. Since 2017, the Internet channel has more than doubled its share of avocado purchases, with an +11% increase in annual household spend and a +30% increase in the number of avocado purchase trips.

Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Executive Summary – Cont.

- **CLUB STORE GROWTH:** Club Store avocado sales contributed $268M to the category in 2020, giving Club the second highest share of avocado purchases at 14%. Club avocado purchase growth of +26% since 2017 made it the second fastest growing channel for avocado purchases. Since 2017, purchases in Club stores have accounted for an additional +$55.6M for the category, making Club the largest contributor of incremental purchases over the 3-year period.

- **ULTRA SHOPPER IMPACT:** As revealed in *Rethinking Retail: Avocado Shopper Segmentation*, the Ultra Shopper segment represented 8% of avocado shoppers, yet accounted for 35% of avocado purchase dollars in 2020. This study uncovered that as part of their disproportionate spend, Ultra shoppers are more likely to purchase avocados in multiple retail outlets, unlike their Moderate shopper counterparts. Moderate shoppers are more concentrated in the Grocery and Walmart channels. Ultra shoppers made up a smaller portion of avocado shoppers across all retail channels in 2020, yet these shoppers hold the largest share of avocado purchases in every channel. They are also more likely to be repeat shoppers, make more purchase trips per year, and have the highest avocado spend per trip of any other segment across all channels. This multi-channel shopping behavior of Ultra Shoppers is a key factor in the changing retail landscape.

As a companion piece to *Rethinking Retail: Avocado Shopper Segmentation*, this study will provide marketers and retailers with more information to further develop their target avocado shopper, and pinpoint opportunities for growth across each retail channel.

Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Key Actions and Opportunities

Key Opportunity — **Leverage opportunities to engage with all shopper segments in the high-growth Internet channel**

In 2020, the Internet channel tripled in size over the 3-year period since 2017. This channel was the fastest growing retail outlet across all five shopper segments. Utilizing the Internet channel to expand the sales of avocados may be a key driver for avocado category growth across all shopper segments.

Key Opportunity — **Consider additional high-growth channels as an opportunity to drive greater engagement with Ultra shoppers**

Ultra shoppers are making a significant impact on the evolution of the retail landscape for the avocado category. Ultra shoppers are more likely to branch out and purchase across multiple outlets, while Moderate shoppers are less likely to make cross-channel purchases and are concentrated in the Grocery and Walmart channels. The cross-purchasing behavior of Ultra shoppers may be impacting category growth across many retail outlets as Ultra shoppers drove significant growth in the Club and the internet channels.

Key Opportunity — **Marketing activities that bring in shoppers and increase purchase frequency are key to driving growth across each channel**

Greater household penetration and an increase in purchase trips were key factors behind the purchase trends in high-growth channels. In contrast, spend per trip declined across all channels. Continuing to capture additional shoppers and increasing purchase frequency can help drive the next wave of category growth.

Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Key Insights

Key Insight **P.18,19**

The Grocery channel held a commanding share of avocado purchase dollars (67%) in 2020, while Internet avocado purchases were up over +333% when compared to 2017, making up a 2.1% share of purchases

Key Insight **P.20**

Club stores generated the most incremental sales since 2017, adding +$55.6M to the category

Key Insight **P.22,23,24**

Internet posted the greatest percentage point increase in repeat buyer rate, annual avocado spend per household, and number of avocado trips per year

Key Insight **P.27**

Avocados generated the greatest market basket premium when purchased online (+82% increase in market basket value)

Key Insight **P.33,34**

The Ultra shopper segment is one of the smallest buyer groups, but accounted for the highest share of purchases across all channels

Key Insight **P.38,39**

Ultra shoppers made the greatest number of avocado purchase trips annually in all retail channels, and had the highest dollar spend across all channels

Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

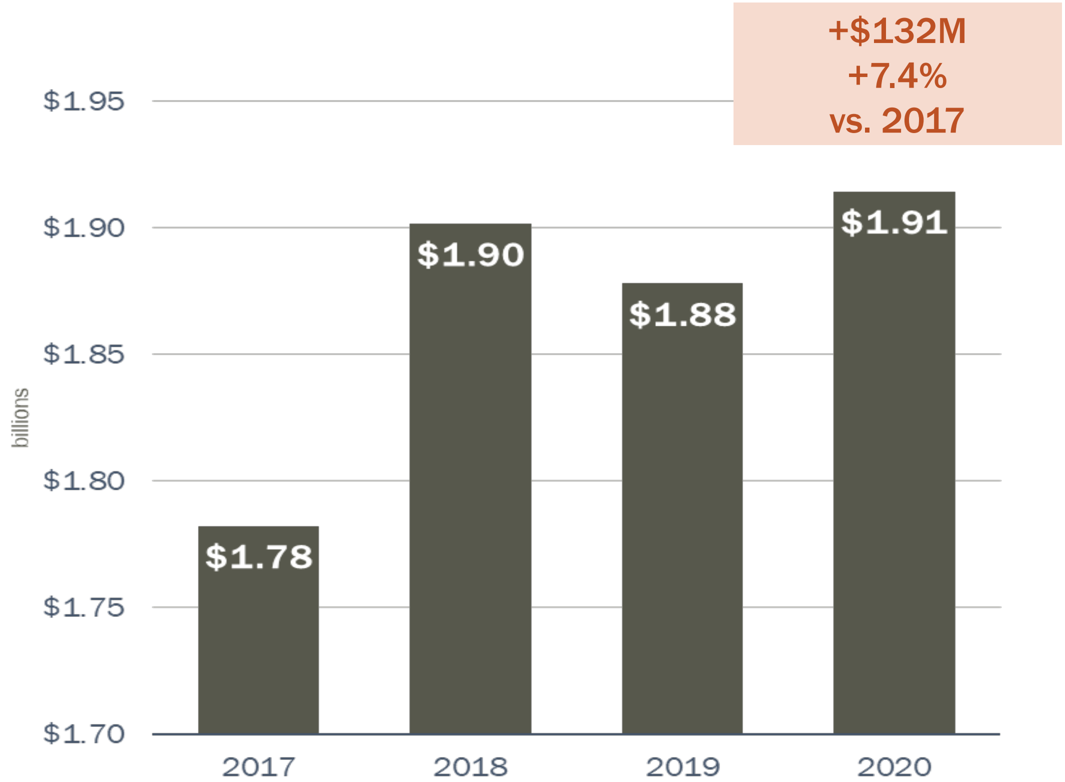
Total Retail Category Snapshot

Purchase Trends

Total U.S. avocado purchases 2020 vs. 2017

Total category purchases reached $1.91 billion in 2020, resulting in incremental purchases of +132M since 2017

Purchase dollars increased +7.4% vs. 2017



Total Category Snapshot

Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Total avocado category purchase profile

$1.9 BILLION
Total Avocado Purchases
+7.4% vs. 2017

65.0%
Households
Purchasing Avocados
+1.9 points vs. 2017

$23.55
Annual Spend
Per Household
+2.3% vs. 2017

82.5%
Purchased More
Than Once
+2.8 points vs. 2017

8.0
Number of Trips
Per Household
+12.6% vs. 2017

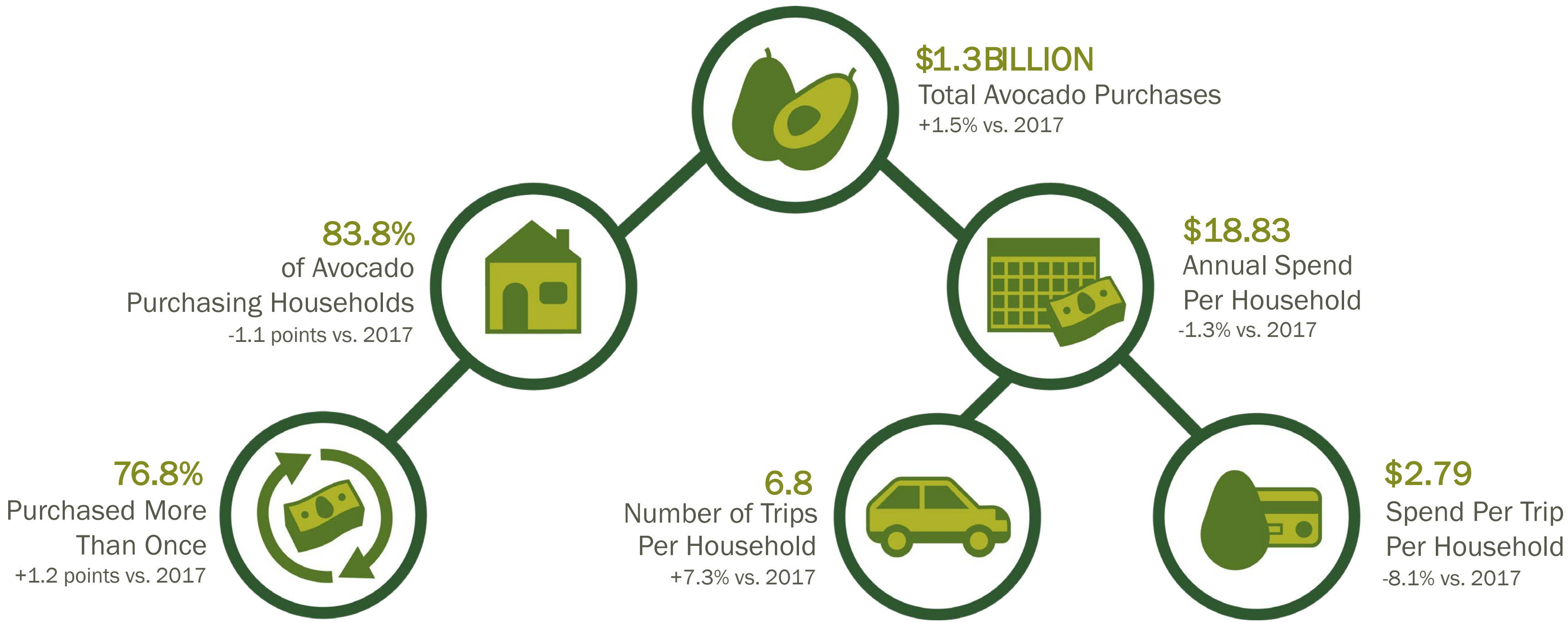
$2.93
Spend Per Trip
Per Household
-9.2% vs. 2017

*Total number of U.S. households = 128MM. Annual avocado penetration = 65.0% = 83MM households purchasing avocados annually (65.0% * 128MM = 83MM). Annual purchase dollars = $1.9B (83MM households with an annual spend per household at $23.55). All figures are rounded
Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Purchase Trend Profiles

Shopper Purchase Trends by Channel

Grocery



*Total number of U.S. households = 128MM. Annual avocado penetration = 54.4% = 69MM households purchasing avocados annually (54.4% * 128MM = 69MM). Annual purchase dollars = $1.3B (69MM households with an annual spend per household at $18.83). All figures are rounded

Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

2020 Avocado Shopper Profile

Walmart

$259 MILLION
Total Avocado Purchases
+16.7% vs. 2017

34.4%
of Avocado
Purchasing Households
+3.4 points vs. 2017

$9.28
Annual Spend
Per Household
-7.0% vs. 2017

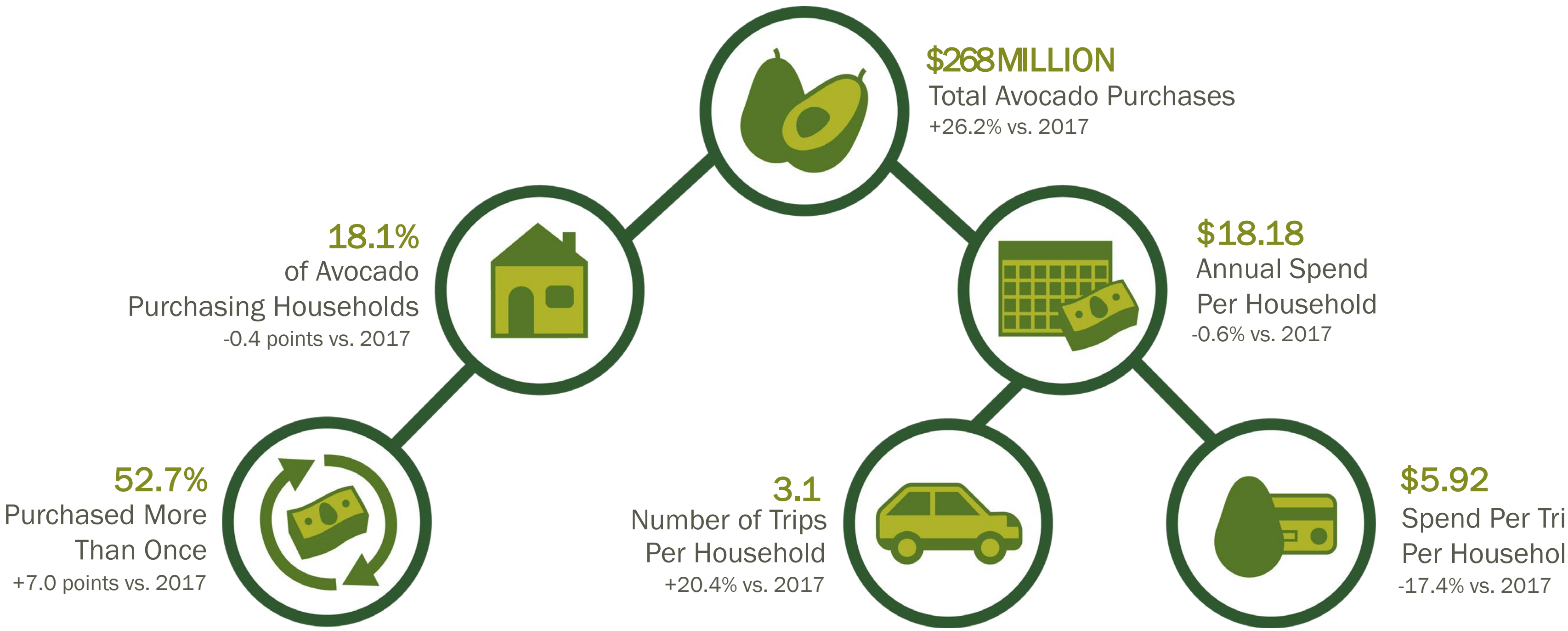
59.7%
Purchased More
Than Once
+4.6 points vs. 2017

4.0
Number of Trips
Per Household
+14.6% vs. 2017

$2.33
Spend Per Trip
Per Household
-18.8% vs. 2017

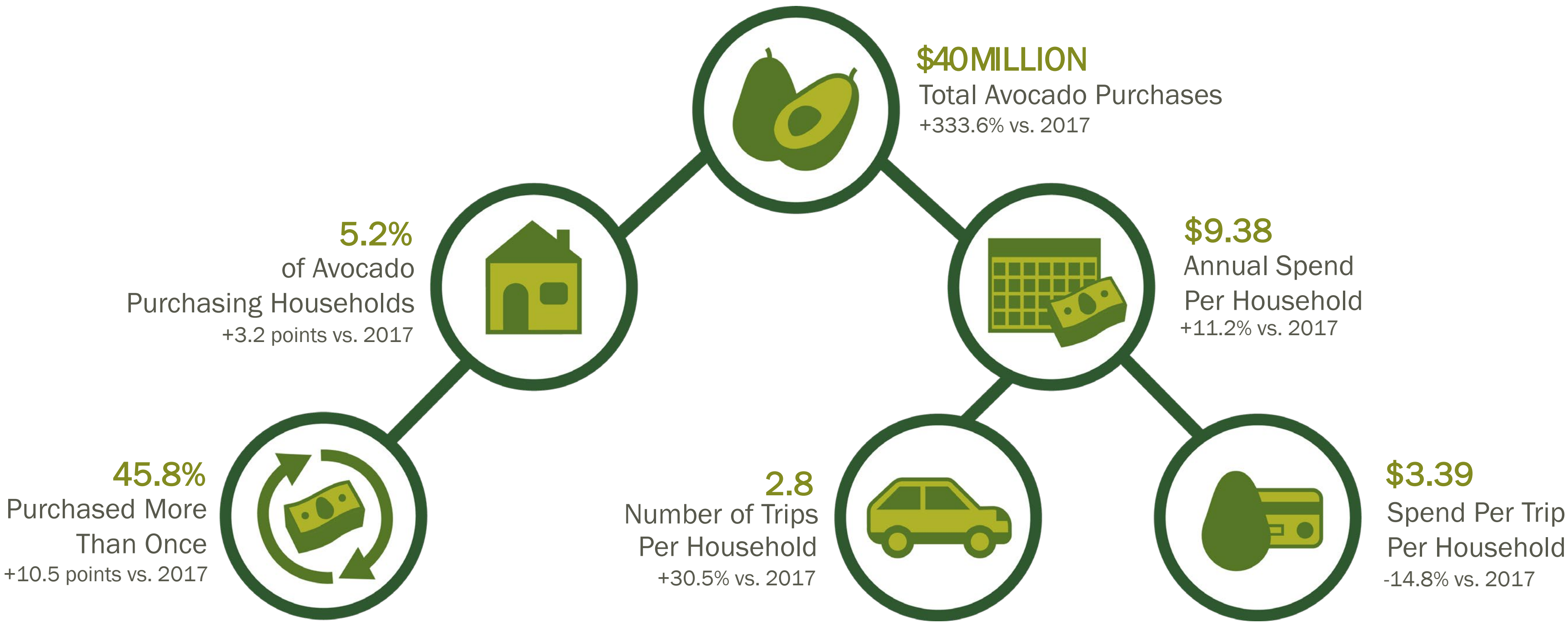
*Total number of U.S. households = 128MM. Annual avocado penetration = 22.3% = 28MM households purchasing avocados annually (22.3% * 128MM = 28MM). Annual purchase dollars = $259M (28MM households with an annual spend per household at $9.28). All figures are rounded
Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Club



*Total number of U.S. households = 128MM. Annual avocado penetration = 11.8% = 15MM households purchasing avocados annually (11.8% * 128MM = 15MM). Annual purchase dollars = $268M (15MM households with an annual spend per household at $18.18). All figures are rounded
Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Internet



*Total number of U.S. households = 128MM. Annual avocado penetration = 3.4% = 4MM households purchasing avocados annually (3.4% * 128MM = 4MM). Annual purchase dollars = $40M (4MM households with an annual spend per household at $9.38). All figures are rounded

Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Mass/Super

$16MILLION
Total Avocado Purchases
-14.9% vs. 2017

4.1%
of Avocado
Purchasing Households
+0.4 points vs. 2017

$4.73
Annual Spend
Per Household
-13.1% vs. 2017

27.2%
Purchased More
Than Once
-6.3 points vs. 2017

1.8
Number of Trips
Per Household
-8.2% vs. 2017

$2.62
Spend Per Trip
Per Household
-5.4% vs. 2017

*Total number of U.S. households = 128MM. Annual avocado penetration = 2.7% = 4MM households purchasing avocados annually (2.7% * 128MM = 4MM). Annual purchase dollars = $16M (4MM households with an annual spend per household at $4.73). All figures are rounded
Data source: IRI Consumer Network[TM] - 52 weeks ending 12/27/2020

Retail Channel Comparison

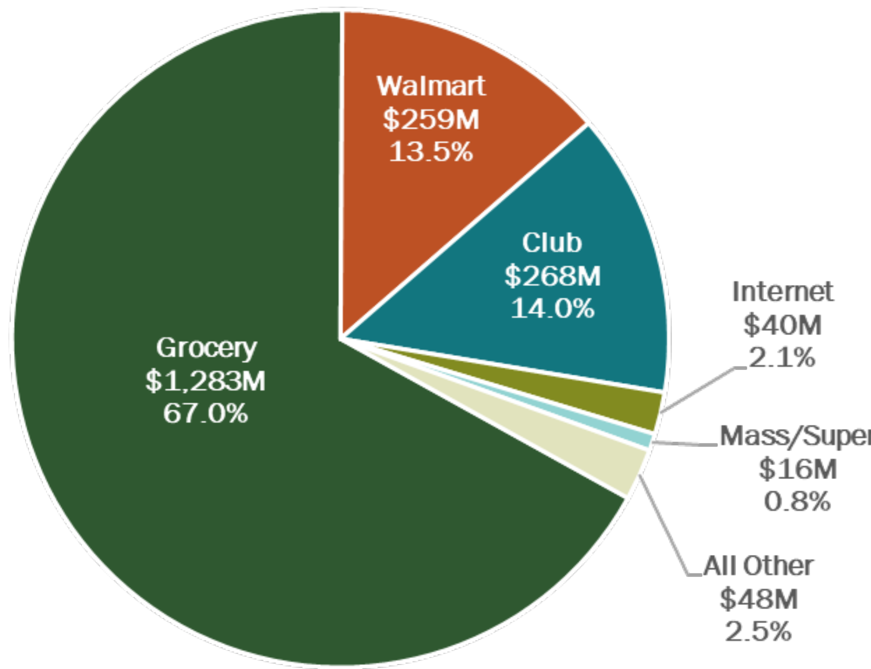
Purchase Trends

Channel share of avocado purchases by channel - 2020

The Grocery channel had a commanding share of avocado purchases in 2020 but lost -4 share points since 2017.

In 2020, 67% of avocado purchases were made in the Grocery channel.

Grocery, Walmart and Club channels drove nearly 95% of total avocado purchases



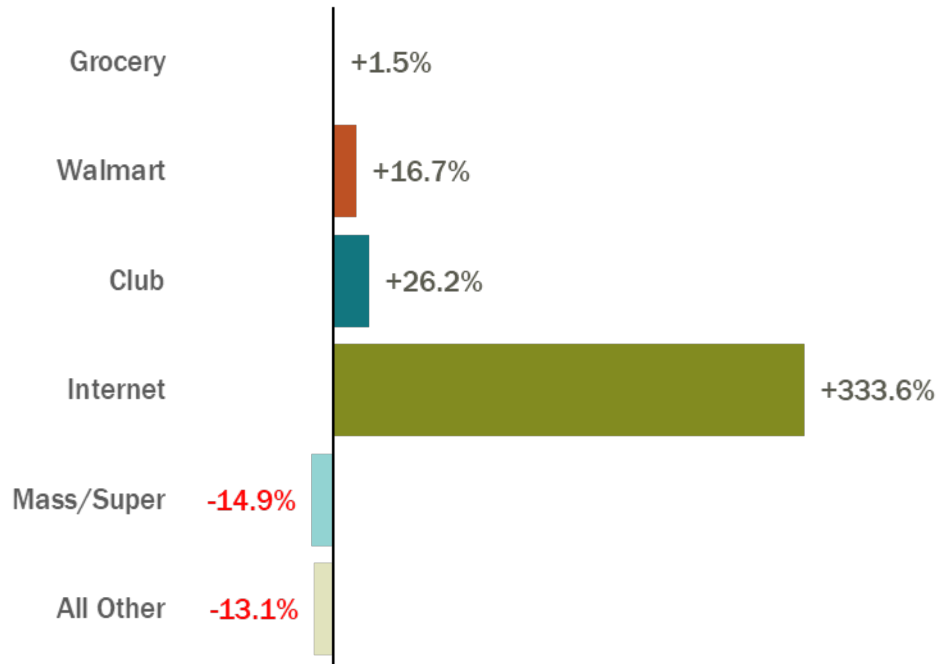
Data source: IRI Consumer Network[TM] - 52 weeks ending 12/27/2020

Avocado purchase dollar growth by channel – 2020 vs. 2017

Internet avocado purchase dollars grew +334% since 2017, reaching $40M in 2020

Avocado purchases also increased in the Grocery (+1.5%), Walmart (+16.7%) and Club (+26.2%) channels

Mass/Super (-14.9%) and All Other outlets (-13.1%) saw declines in avocado dollars during the 3-year period



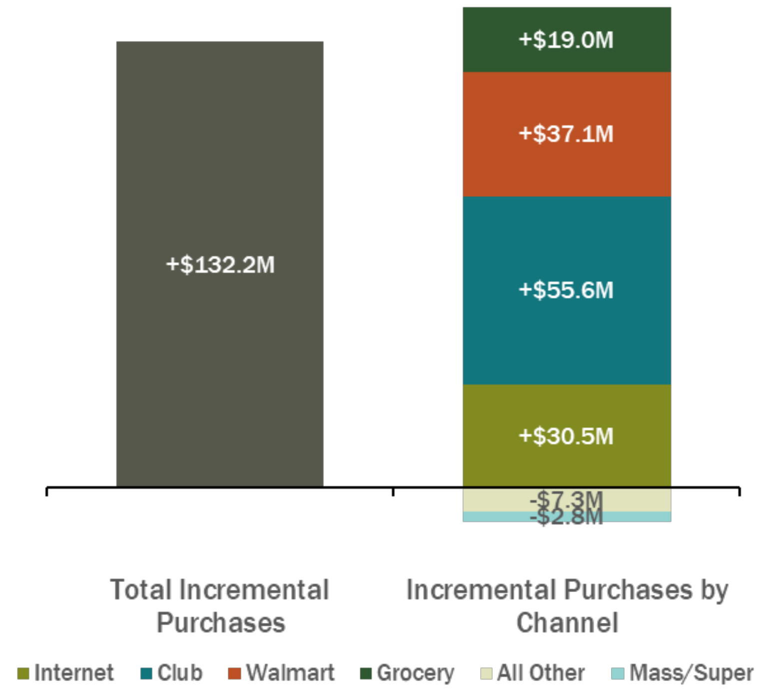
Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Incremental avocado purchases by channel - 2020 vs. 2017

Net avocado purchases grew by +132.2M since 2017

Club (+$55.6M) and Walmart (+$37.1M) drove the majority of incremental purchases, collectively adding +92.7M to the category

Internet purchases were up +337%, which added +30.5M to the category, while Mass/Super and All Other outlets posted a loss of -10.1M over the 3-year period



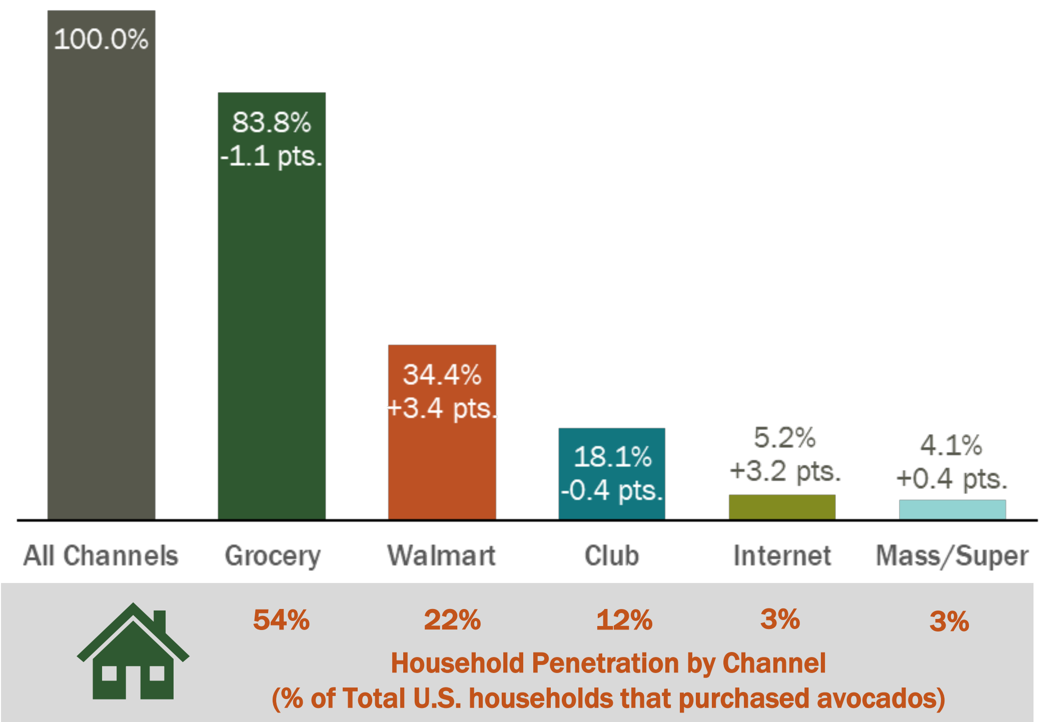
Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Percentage of avocado shoppers that purchased avocados by channel - 2020

Grocery was the most popular channel among avocado shoppers in 2020, but lost shoppers to other channels

About 8 in 10 avocado shoppers (84%) purchased avocados in Grocery in 2020

Walmart and the internet channels saw an increase in shoppers, while Club and Mass/Super saw declines



2020 vs. 2017

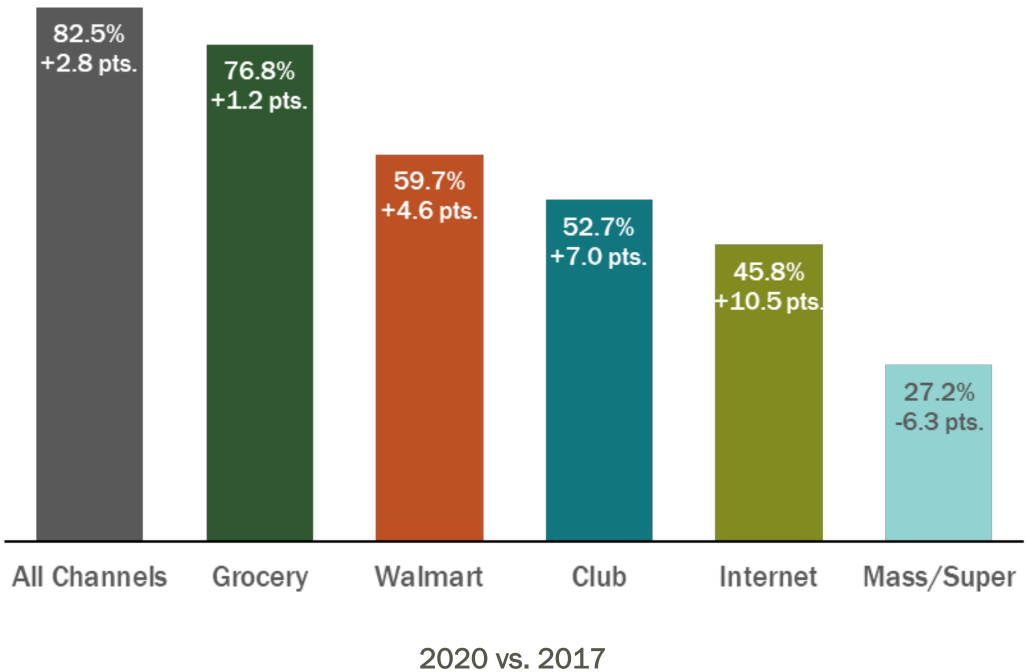
Data source: IRI Consumer Network[TM] - 52 weeks ending 12/27/2020

Share of households that made repeat avocado purchases by channel - 2020

Grocery had the highest percentage of repeat avocado shoppers, while the Internet rate of repeat buyers grew by ten points since 2017

Nearly 77% of avocado purchasing households who bought avocados in Grocery did so more than once per year

All channels saw an increase in repeat buyer rate, except for Mass/Super (-6.3 points)



Channel Comparison

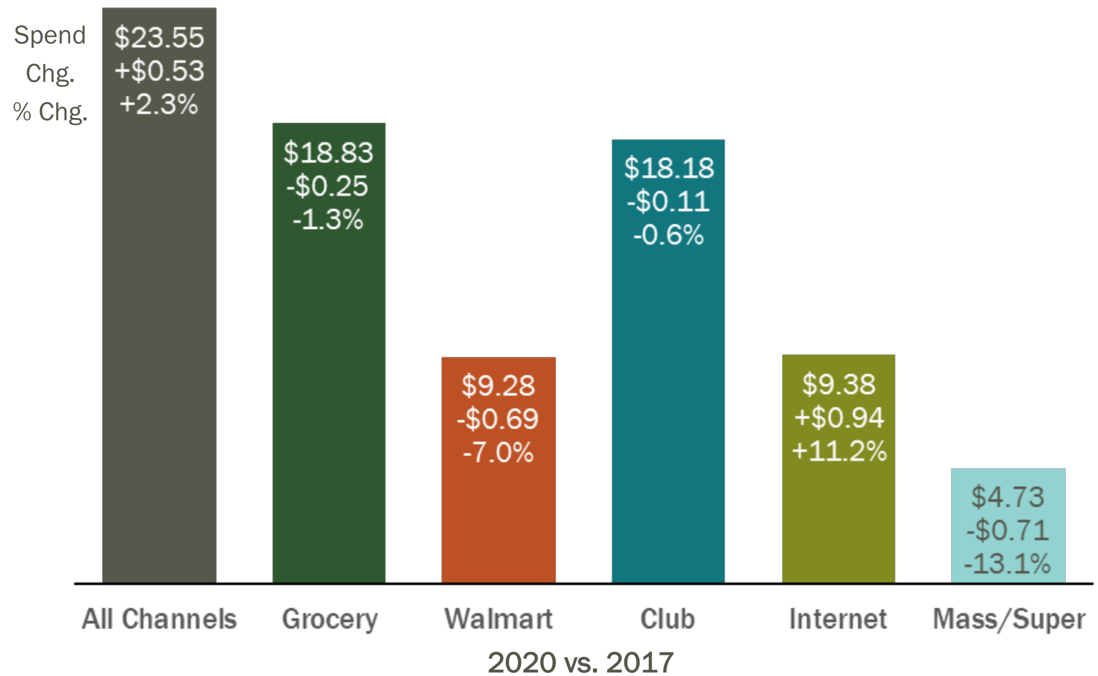
Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Annual avocado spend per household by channel - 2020

Avocado shoppers had the highest annual spend in the Grocery and Club channels, but showed the greatest increase in spend in the Internet channel

In 2020, avocado shoppers spent $18.83 per household in Grocery and $18.18 in Club channels, but annual spend fell in both channels

Annual spend per household increased in the Internet channel, up +11.2% and surpassed Walmart as the channel with the third highest spend at $9.38 per household



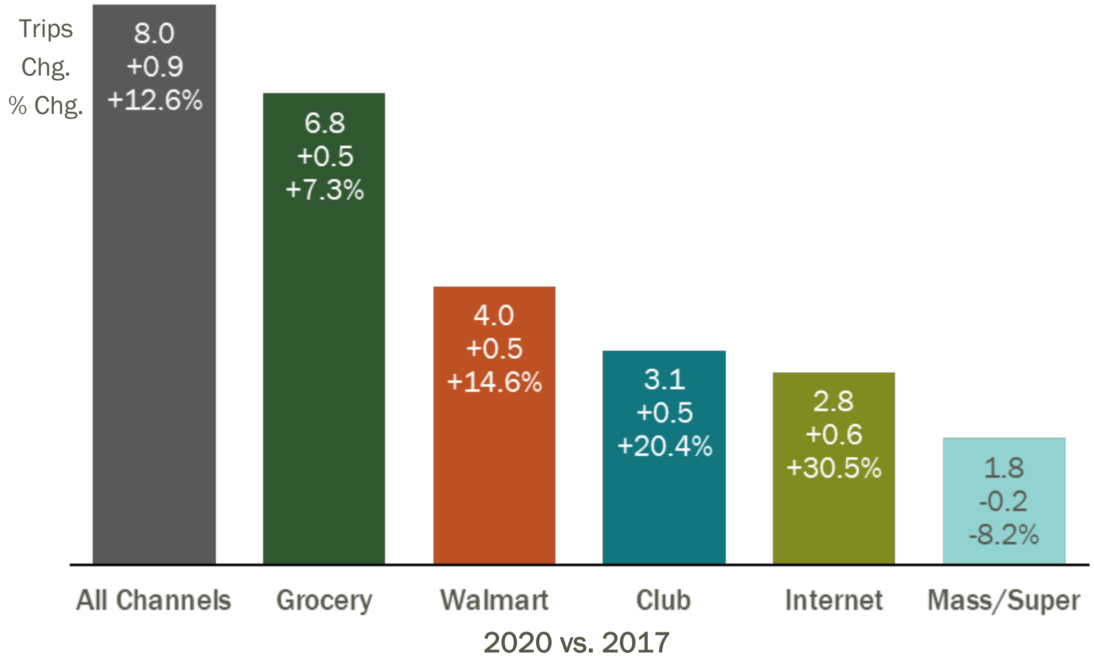
Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Annual avocado-purchasing household purchase trips by channel - 2020

Avocado shoppers purchased most often in Grocery, but trip frequency increased across all channels, except Mass/Super

Avocado purchase trips in Grocery (6.8 trips) were up +7% since 2017

Internet had the second lowest trip frequency in 2020, yet had the greatest percentage increase in avocado purchase trips, up 30.5% vs. 2017



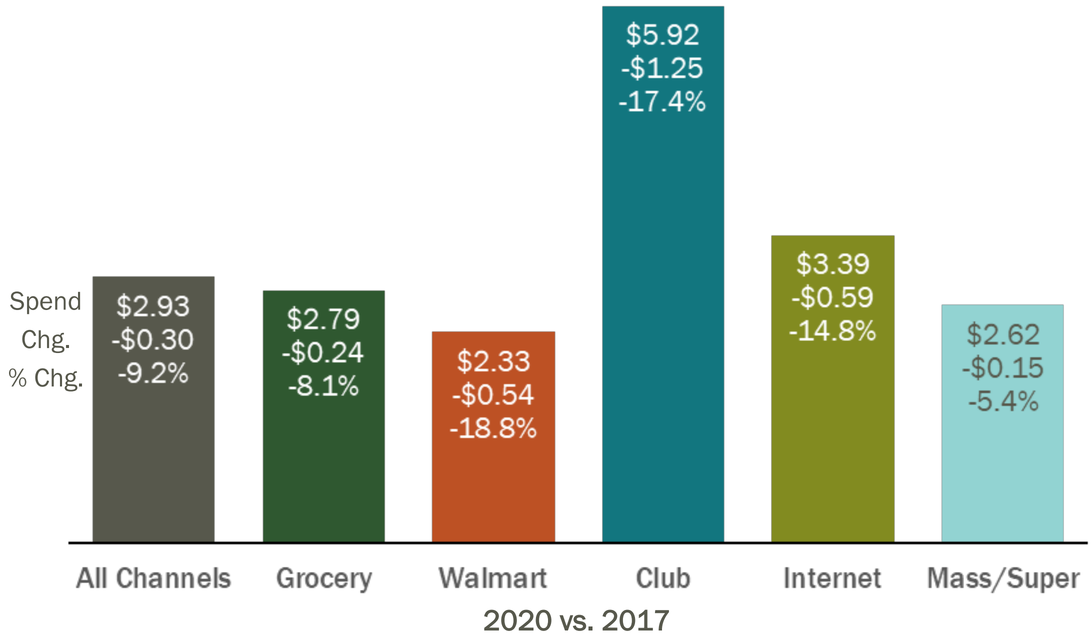
Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Annual avocado-purchasing household spend per trip by channel - 2020

Shopper avocado spend per trip was highest in Club, followed by the Internet channel

Annual avocado spend per trip declined across all channels (2020 vs. 2017)

Trends ranged from a -5% decline in spend per trip in Mass/Super to -19% in Walmart over the 3-year period



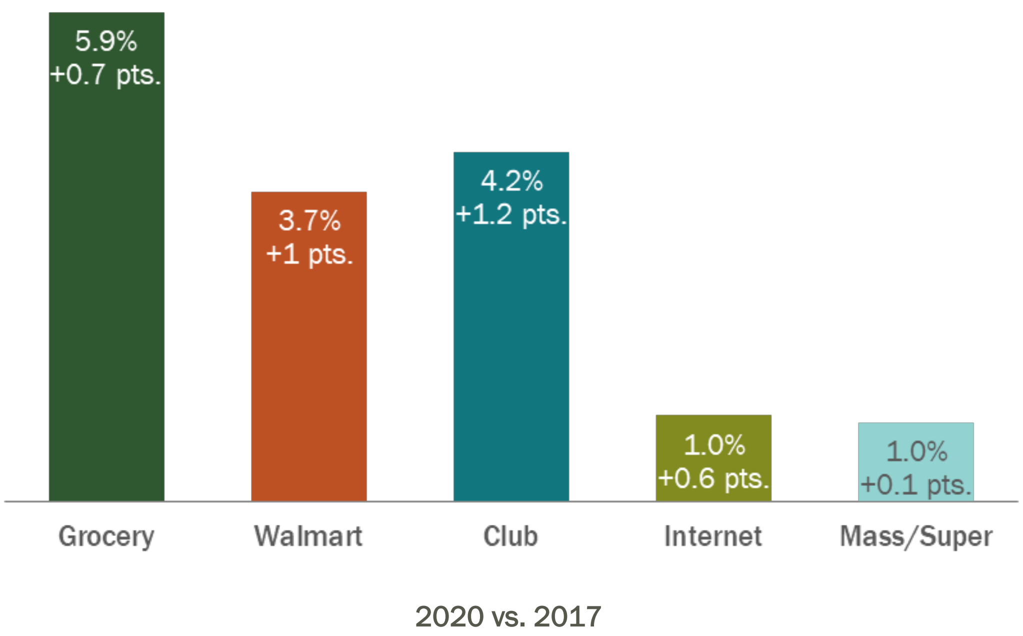
Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Percentage of household retailer trips that include avocados by channel - 2020

Avocado shoppers were most likely to purchase avocados when shopping in the Grocery channel

Grocery shoppers included avocados in their baskets on nearly 6% of their retail trips during 2020, which was up +0.7 points since 2017

All channels saw increases in the percentage of retailer trips that include avocados ranging from +0.1-point increase in Mass/Super to +1.2-point increase in Club vs. 2017



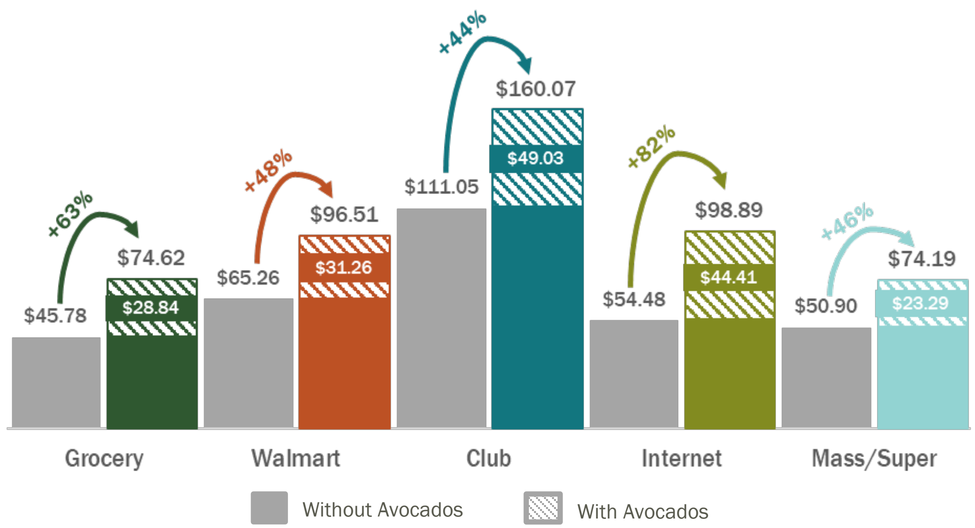
Data source: IRI Consumer Network[TM] - 52 weeks ending 12/27/2020

Avocado market basket value by channel - 2020

Avocados generated the greatest lift in market basket value in the Internet channel

Internet avocado shoppers spent approximately +$44 more when avocados were added to their basket, which was an +82% increase in market basket value

All other channels saw increases in market basket value when avocados were purchased, ranging from a premium of +44% in Club to +82% in the Internet channel

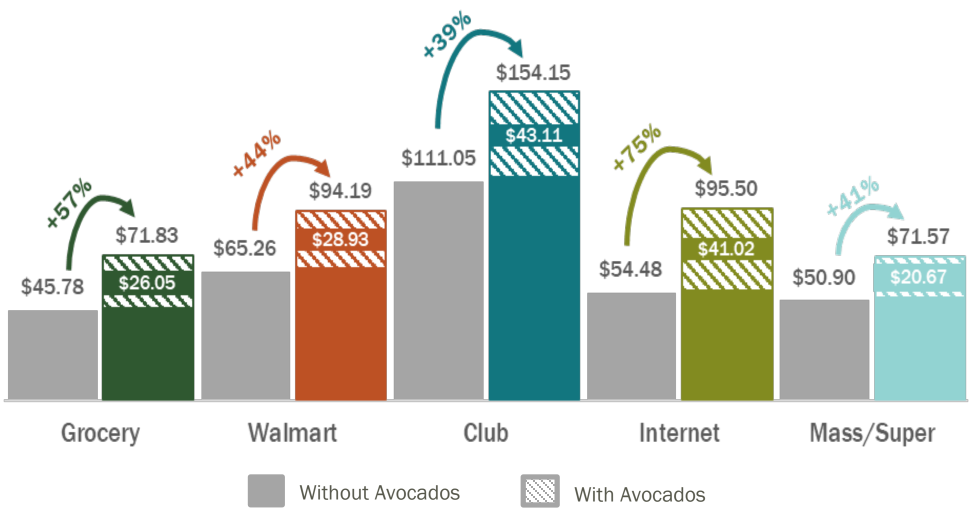


Data source: IRI Consumer Network[TM] - 52 weeks ending 12/27/2020

Avocado rest-of-basket value by channel - 2020

Avocado delivered a premium for rest-of-basket value when avocados were included in the basket across all channels

Internet avocado purchases delivered a rest-of-basket premium of +$41 on non-avocado items when avocados were purchased. That amounts to a rest-of-basket premium of +75% for Internet purchases

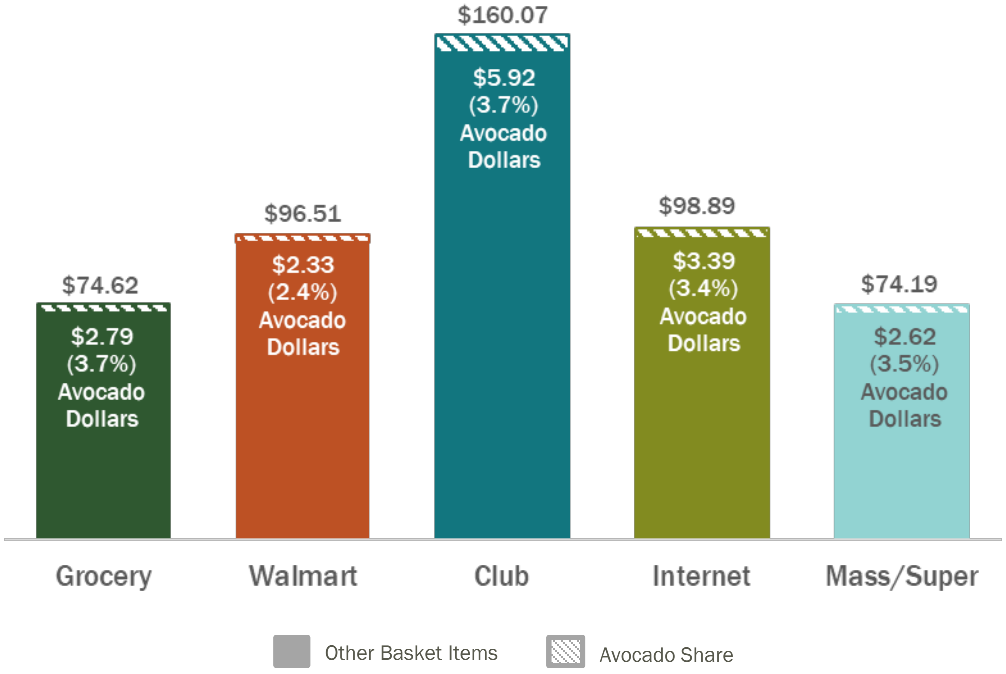


Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Avocado share of basket value by channel - 2020

Avocado account for the largest share of basket value in the Club and Grocery channels

Avocados accounted for the highest share of basket in Club and Grocery at 3.7%. Club shoppers spent an average of $5.92 on avocados per trip, while Grocery shopper avocado spend per trip was $2.79



Channel Comparison

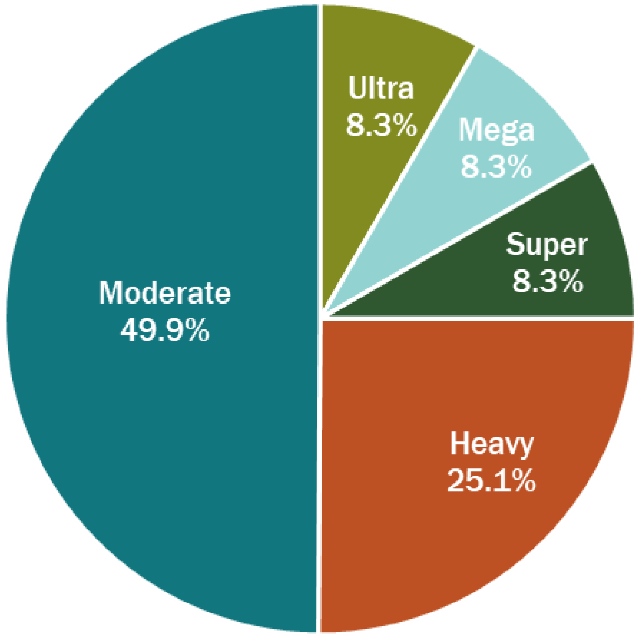
Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Total Avocado Shoppers

Segmentation by Channel

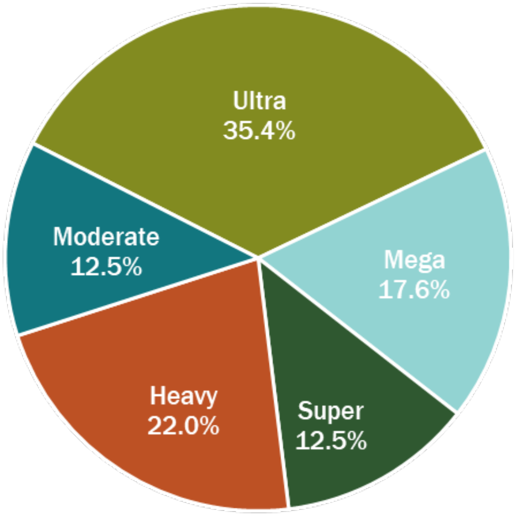
Segment share of avocado purchasing households - 2020

This segmentation ranked avocado purchasing households according to each household's average annual avocado spend (high to low). This ranked list was then divided into five segments (buyer groups).



Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Segment share of annual household avocado spend - 2020



Ultra and Mega segments accounted for 17% of total avocado households, but 53% of 2020 avocado purchases

These households are driving growth trends in the avocado category and represent key targets for marketers and retailers seeking to drive continued growth

In contrast, Super, Heavy, and Moderate households comprised 83% of all avocado purchasing households but accounted for only 47% of annual avocado purchases

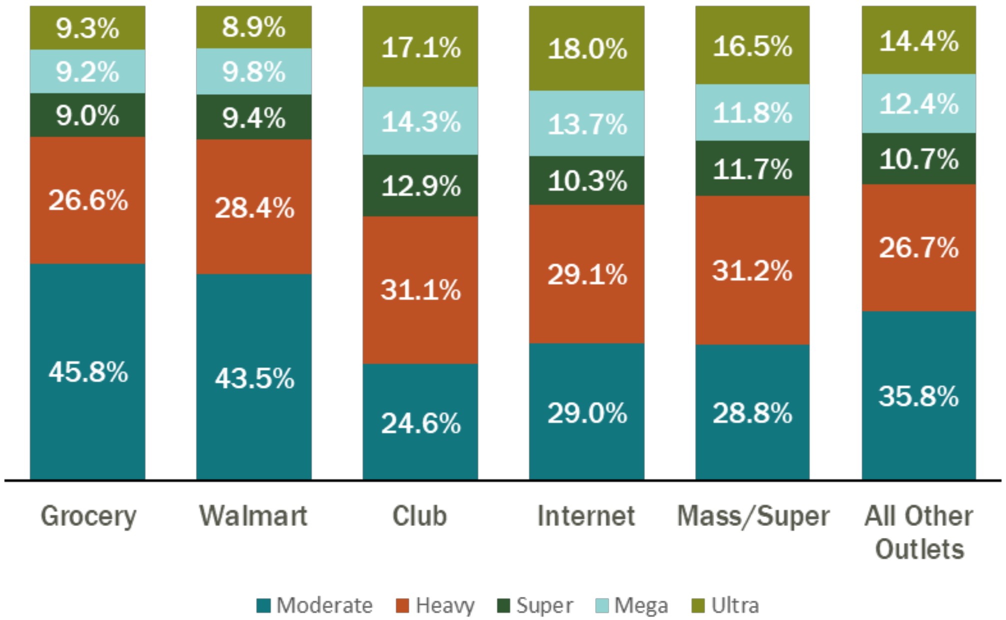
- Ultra households spend $62.11 or more annually
- Mega households spend between $41.14 to $62.10 annually
- Super households spend between $30.17 to $41.13 annually
- Heavy households spend between $13.55 to $30.16 annually
- Moderate households spend $13.54 or less annually

Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Shopper segmentation share of households by channel - 2020

Each channel has a distinct mix of Moderate, Heavy, Super, Mega, and Ultra shoppers

Ultra shoppers made up a smaller portion of avocado buyers in each channel but varied widely across the channels. Ultra shopper household share ranged from 8.9% in Walmart to 18% in the Internet channel

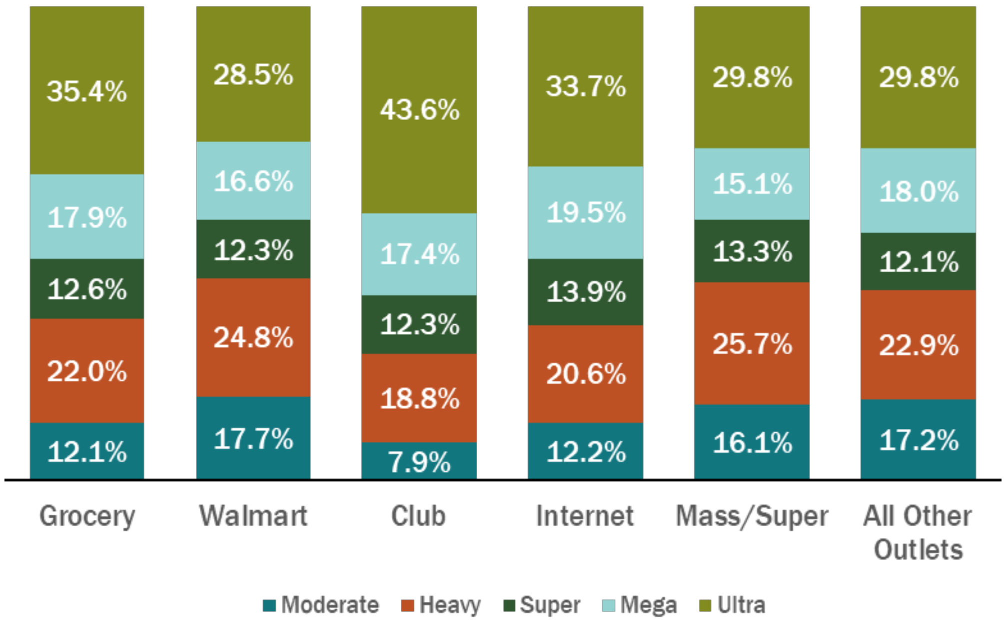


Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Shopper segmentation share of purchase dollars by channel - 2020

While Ultra shoppers comprised a smaller proportion of avocado buyers for each channel, this segment held the largest share of avocado purchases in all channels

Combined, the Moderate and Heavy segments represented the greatest percentage of shoppers for all channels, while spending disproportionately fewer purchase dollars than the other segments

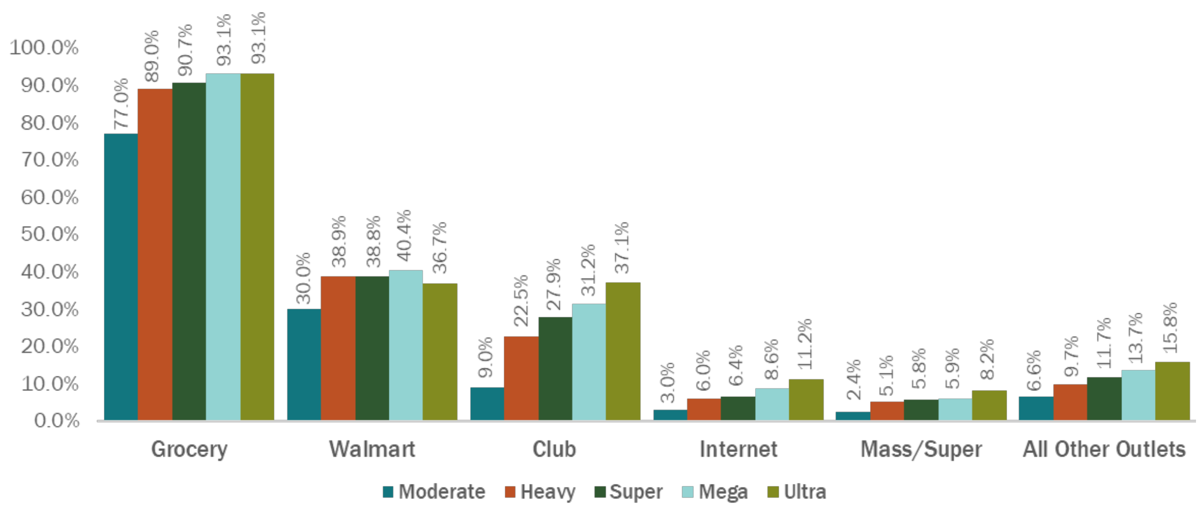


Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Percentage of avocado shopper segments that purchased avocados by channel - 2020

Ultra shoppers are more likely to purchase avocado across channels, while Moderate shoppers are concentrated in the Grocery and Walmart channels

Ultra shoppers are most likely to purchase in Grocery (93.1%) and least likely to purchase in Mass/Super (8.2%)



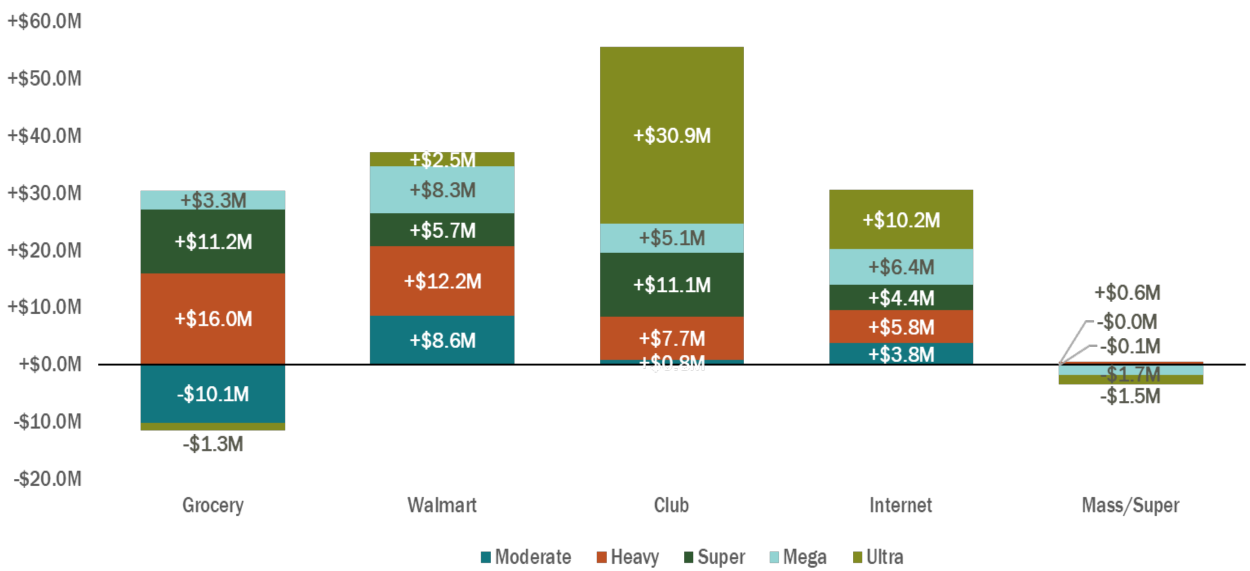
Data source: IRI Consumer Network[TM] - 52 weeks ending 12/27/2020

Incremental avocado shopper segment purchases by channel - 2020 vs. 2017

Ultra shoppers drove incremental sales in the Club and Internet channels

Grocery and Walmart channel incremental sales were driven by the Heavy shopper segment

Mass/Super posted a cumulative loss of -$2.8M across all segments vs. 2017. Heavy avocado shoppers contributed an additional +$592K in Mass/Super since 2017

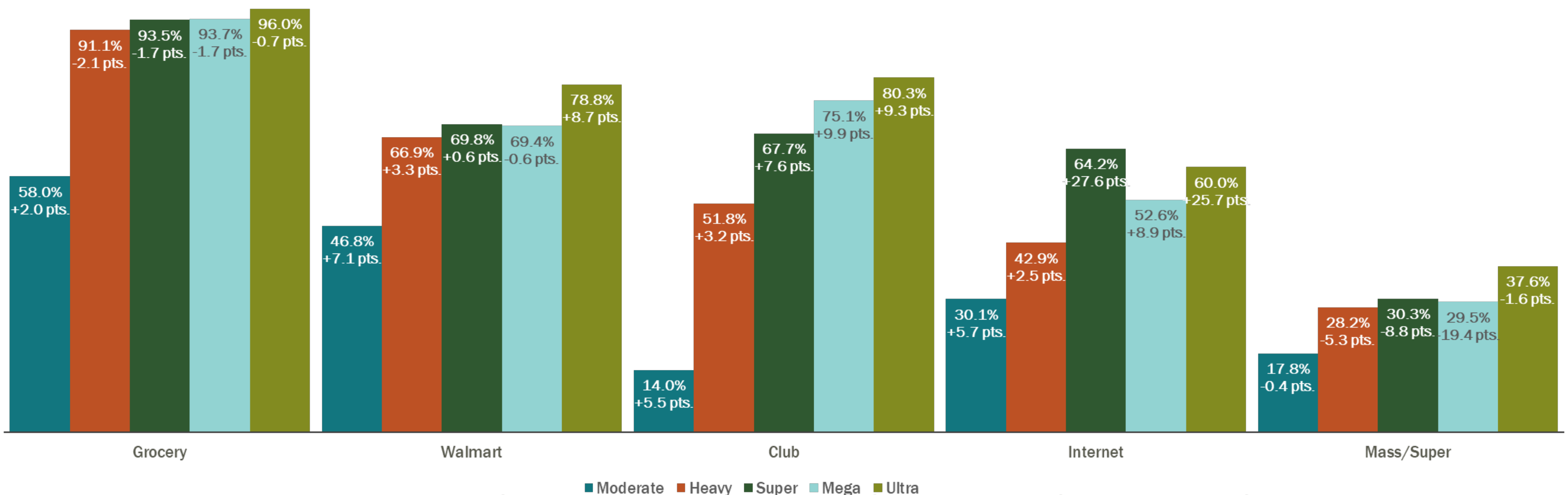


Data source: IRI Consumer Network[TM] - 52 weeks ending 12/27/2020

Share of household segments that made repeat avocado purchases by channel - 2020

Grocery saw the greatest repeat purchase rate for each segment, but the Internet channel saw a significant increase in repeat rate for all segments

In 2020, 96% of Ultra shoppers made repeat avocado purchases in the Grocery channel. However, the greatest increase in repeat buyer rate was in the Internet channel. Six out of ten Ultra shoppers made repeat purchases in the internet channel, up +25.7 points vs. 2017

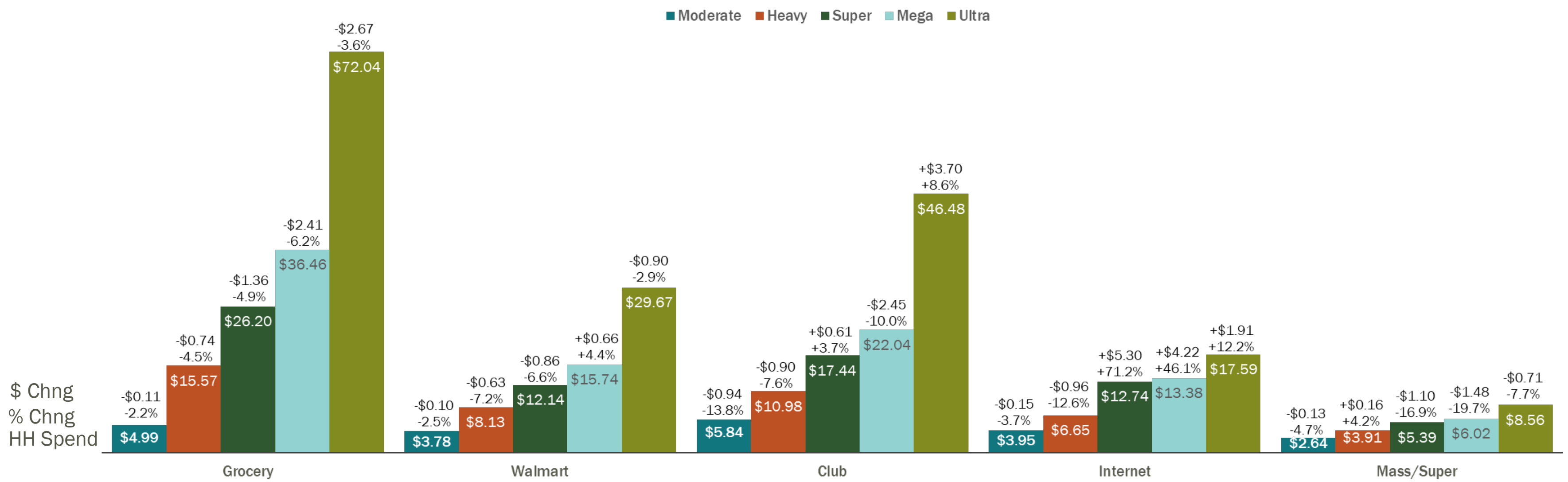


Data source: IRI Consumer Network^{TM} - 52 weeks ending 12/27/2020

Annual avocado shopper segment spend per household by channel - 2020

Ultra shoppers spent significantly more per year than other segments in all channels. Ultra spend was highest in the Grocery and Club channels

Ultra shoppers spent $72.04 per household in the Grocery channel, which was double that of Mega shoppers ($36.46). The Internet channel saw the largest increase in household spend for Ultra (+12%), Mega (+46%) and Super (+71%) households

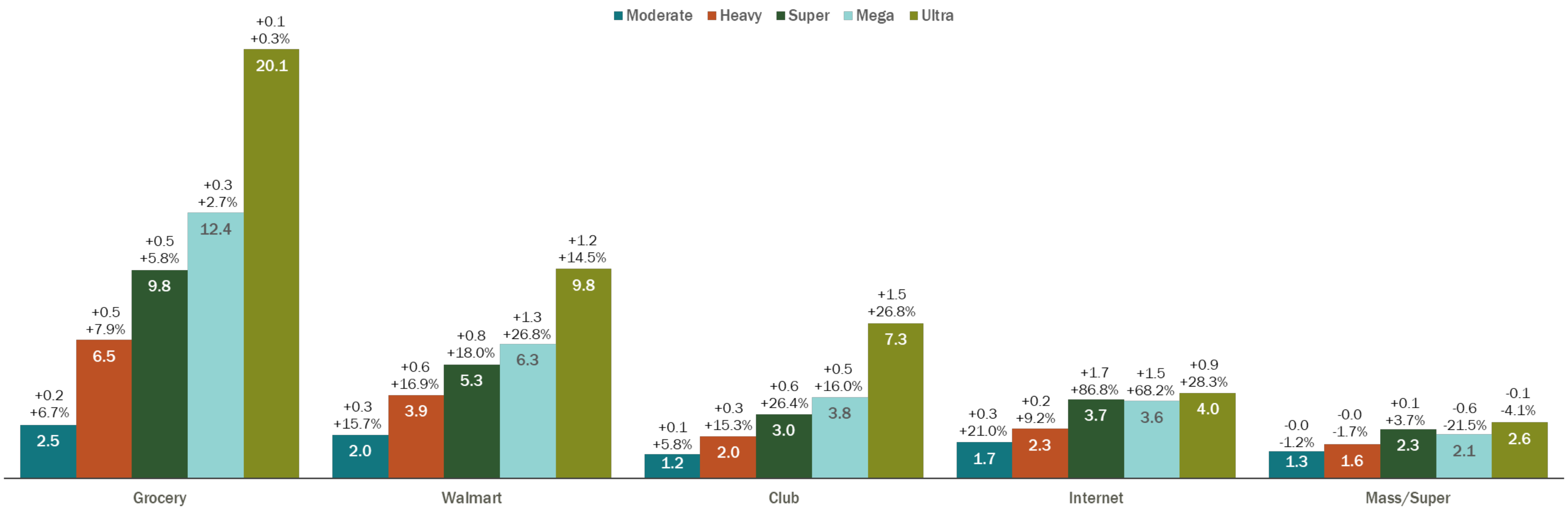


Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Annual avocado shopper segment purchase trips by channel - 2020

Ultra shoppers purchase avocados most often in Grocery and Walmart channels

Ultra shoppers purchased avocados an average of 20 times per year in Grocery, which was twice as often as Walmart (10 times). Ultra shoppers purchased significantly more often in the Club (+26.8%) and Internet (+28.3%) channels compared to 2017

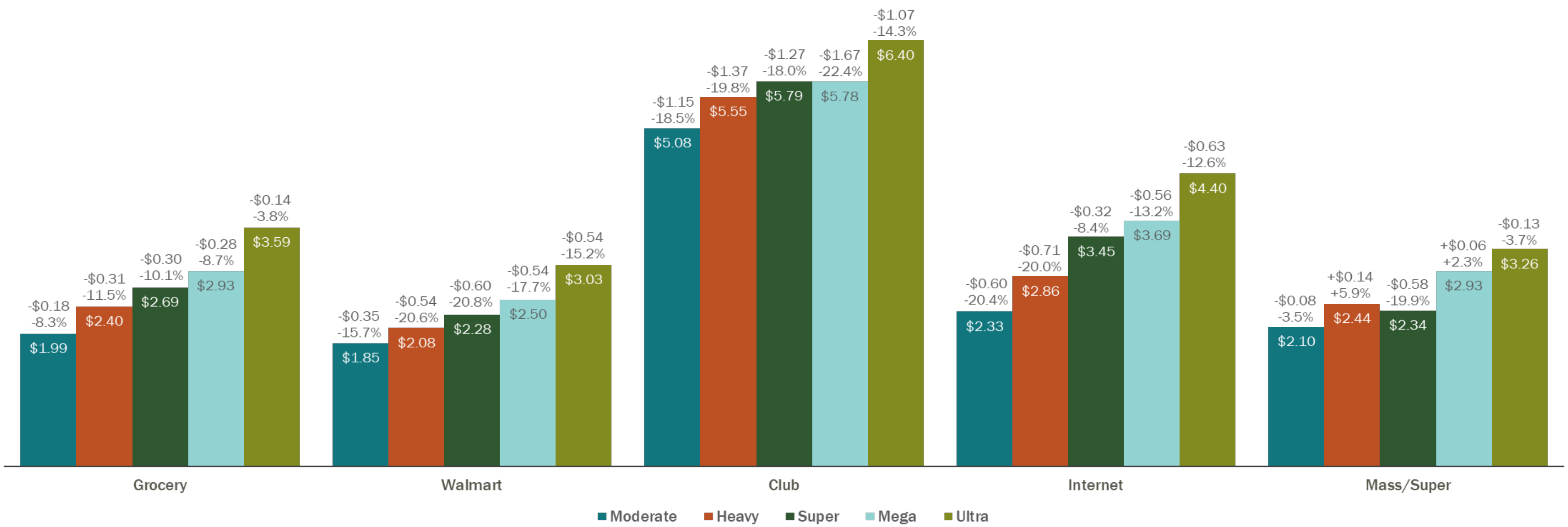


Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020

Annual avocado shopper segment spend per trip by channel - 2020

Ultra shoppers spent the most per trip in Club and Internet channels

Ultra shoppers spent an average of $6.40 per trip in Club and $4.40 in the Internet channel. Walmart had the lowest spend per trip at $3.03. Segment spend per trip declined across each channel except in Mass/Super



Segmentation

Data source: IRI Consumer Network™ - 52 weeks ending 12/27/2020