

A LOOK AHEAD

AFM FY20/21 RESEARCH & LEARNINGS



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BUSINESS LANDSCAPE CHALLENGES

Operators face challenges to execute and deliver fresh avocado and guacamole applications.

Processed avocados gain traction and accelerate growth in foodservice

COVID-19 restrictions accelerate online/take-out/delivery, exacerbate BOH issues

How can AFM continue to drive fresh growth in this environment?



AFM FOODSERVICE LEARNING PLAN

DELIVERY RESEARCH



OPERATOR INTERVIEWS



FRESH VS. PROCESSED TASTE TEST



Objective	<ul style="list-style-type: none"> Understand consumer & operator usage of FS delivery services Explore motivations and barriers of using fresh avocado, in context of pick-up/delivery 	<ul style="list-style-type: none"> Identify barriers and uncover opportunities for menuing and using AFM for operators 	<ul style="list-style-type: none"> Learn whether consumers can tell the difference between fresh and processed.
Methodology	<ul style="list-style-type: none"> Consumer Quantitative survey Operator Qualitative 1:1 Interviews 	<ul style="list-style-type: none"> Operator Qualitative 1:1 Interviews 	<ul style="list-style-type: none"> Consumer Quantitative survey + Qualitative 1:1 interviews, via independent 3rd party research supplier.
Time	Q2 2020	Q4 2020 – Q1 2021	Q4 2020
Location	Online, nationwide	Online	Dallas, LA, Chicago, NY



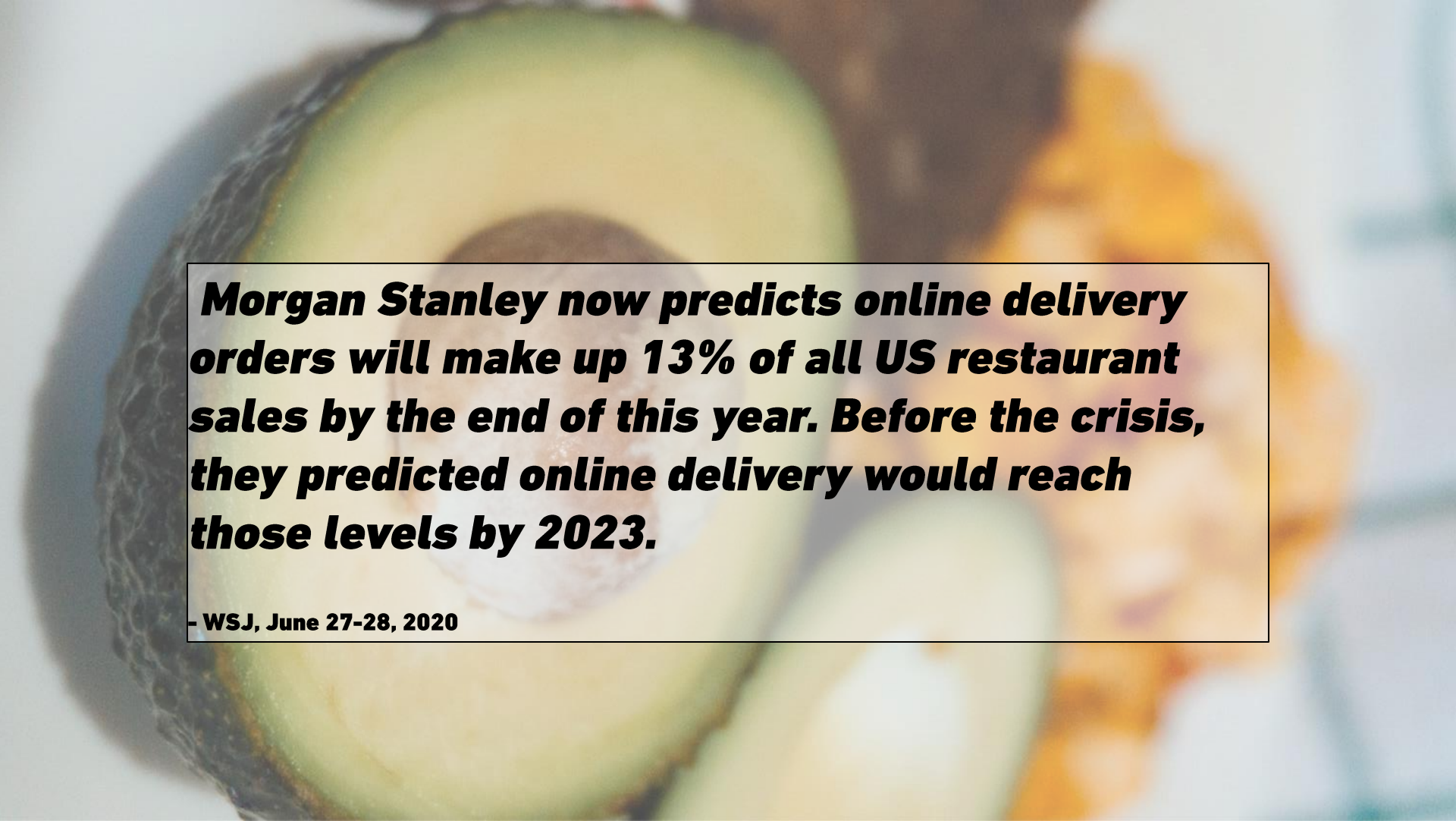
SRG

AVOCADOS FROM MEXICO

AFM DELIVERY RESEARCH

JUNE 2020





Morgan Stanley now predicts online delivery orders will make up 13% of all US restaurant sales by the end of this year. Before the crisis, they predicted online delivery would reach those levels by 2023.

- WSJ, June 27-28, 2020



Pickup or delivery orders went from making up 54% of foodservice sales in 2019 to 83% in 2020.

- [supermarketperimeter.com](https://www.supermarketperimeter.com) 12/28/20

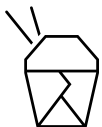
KEY FINDINGS – FOODSERVICE OPERATORS



The relationship with third party delivery (3PD) services and foodservice operators is a necessity, although there are **challenges**. There are large costs to these partnerships in addition to ticket sales.



Some chefs recognize that **innovating for home use (delivery) is the future**, and thus are changing their innovation processes and focus.



Packaging innovation was identified as an opportunity by virtually all operators.



Operators are looking for creative solutions to help keep the fresh avocado and guacamole home experience positive; such as: double sealing product to avoid exposure to air, filling containers completely, and separating multi-temp items



KEY FINDINGS – FOODSERVICE OPERATORS & AVOCADOS



Ultimately, operators need 4-5 items on the menu to justify the costs of using fresh avocado.



There is a disconnect between operators and patron perceptions if they can tell the difference between ‘real vs. processed’ avocados/guacamole. A good majority of patrons believe they can tell the difference, operators are not as convinced.



Operators using fresh avocados tend to believe patrons can distinguish between the fresh versus processed whereas operators using processed don’t believe consumers know the difference.



Operators who have a made-from-scratch restaurant concept are not willing to deviate from fresh avocados/guacamole.



KEY FINDINGS – CONSUMERS & AVOCADOS

63%

of consumers order delivery or curbside pick up 2+ times in the last two weeks.

76%

of patrons are very satisfied with their last take-out or delivered meal.

80%

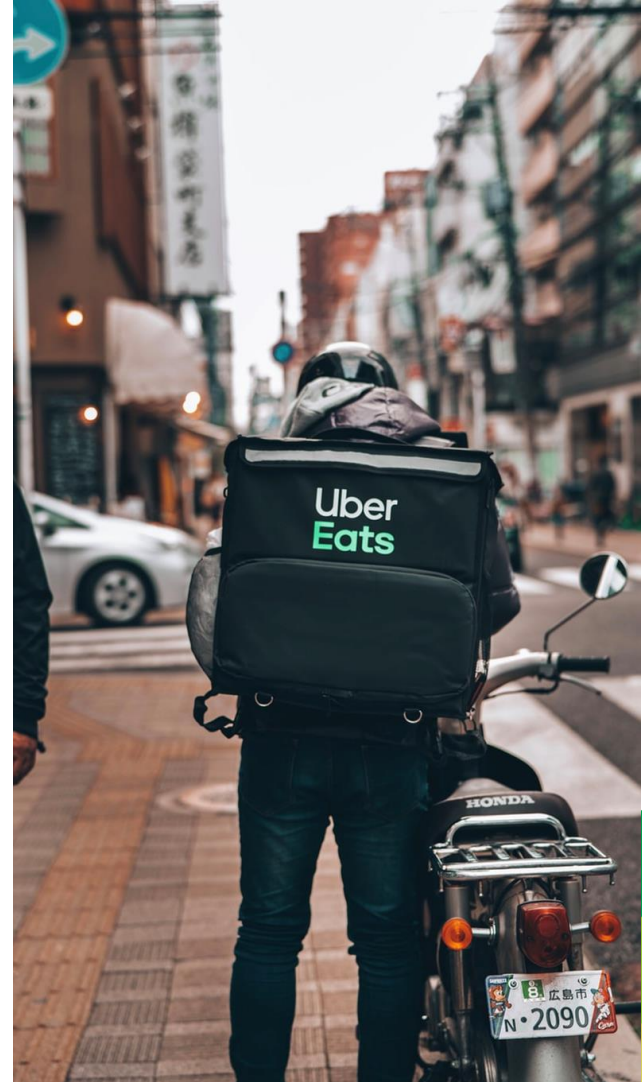
of patrons state they are likely to order avocado or guacamole in a delivery order.



Concern around avocado or guacamole being included in a delivery order is **low**. Although, many consumers are interested in packaging to help keep avocado/guacamole cold.



Food safety, quality and freshness are patrons' **biggest concerns** when it comes to meal pick-up or delivery.



IMPLICATIONS – FOODSERVICE OPERATORS

1

PROMOTIONAL PROGRAMS

There is an opportunity for AFM to partner with 3PD and operators by offering up promotional programs to increase demand for avocados and guacamole and/or offset 3PD costs to operators.

2

MENU OPTIMIZATION

As AFM continues to work with operators to help with menu optimization, consider developing recipes for the patrons' home AND the in-restaurant dining experience.

3

IDEAL PACKAGING SOLUTIONS

AFM can ideate and partner with 3PD and operators to innovate on ideal packaging for avocados and guacamole.



A close-up photograph of several halved avocados on a wooden cutting board. One avocado in the foreground has its pit removed, while the others still have their pits. A dark-handled knife lies diagonally across the board. In the bottom right corner, a portion of a yellow packet with a brown geometric pattern is visible.

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AVOCADOS FROM MEXICO

AFM OPERATOR INTERVIEWS

DECEMBER 2020

WHO WE'VE TALKED TO



With the goal of better understanding the barriers to using fresh avocado, SRG has interviewed seven food service operators to date – five represented QSR organizations while two are casual table service restaurants. SRG conducted these interviews in late December.

Of the QSR restaurants represented all used processed avocado to some extent. One operator from a casual restaurant used fresh avocado.

SRG is looking to schedule more interviews. The following learnings reflect initial highlights from early interviews.



THE VALUE OF FRESH

Operators, including those using processed, believe *fresh avocado is a superior product* to processed – even though processed products work OK and patron complaints are rarely received.

However, *operators using processed believe the barriers to using fresh are insurmountable.*

Operators desire a “case to be made” and help in addressing and overcoming challenges.

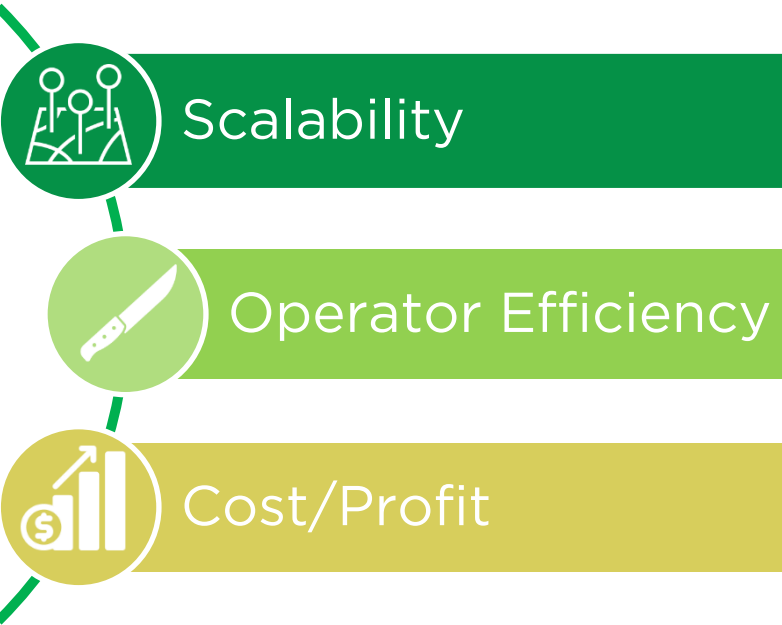
Within the industry *there are bright spots towards using fresh.* Operators believe in the value of avocado and have prioritized it within their operation, even when other shortcuts are made.

“Processed products are OK, but fresh products are best. You don't always get flavor of ripeness. It never tastes as good as I want it to.”

“Franchisees see it as a necessity and they are willing to deal with some of the operational headaches that come with it. We utilize job aides, training videos for helping staff learn how to cut on the line.”



BARRIERS TO USING FRESH AVOCADO



The barriers listed by foodservice operators varied by organization size and goals, making it difficult to distill into a singular barrier. Challenges can be grouped into three distinct themes:

- Scalability
- Operator efficiency
- Cost/profit

BARRIERS TO USING FRESH AVOCADO: SCALABILITY



Scalability



Operator Efficiency



Cost/Profit

Scalability is a concern listed by operators from large, QSR nationwide chains. They express uncertainty that avocados could be provided to all locations year-round.

When any ingredient is added operators want it offered all nationwide locations. Naturally, the more stores the larger the perceived challenge – this which is the case for many QSRs. Large operators believe that even adding a garnish or spread such as fresh would pose supply chain challenges.

“Changing a vegetable or meat can impact supply chain. It can take year or year and a half to meet supply chain needs...Our challenge is the size of our volume and scale are huge.”



BARRIERS TO USING FRESH AVOCADO: OPERATOR EFFICIENCY



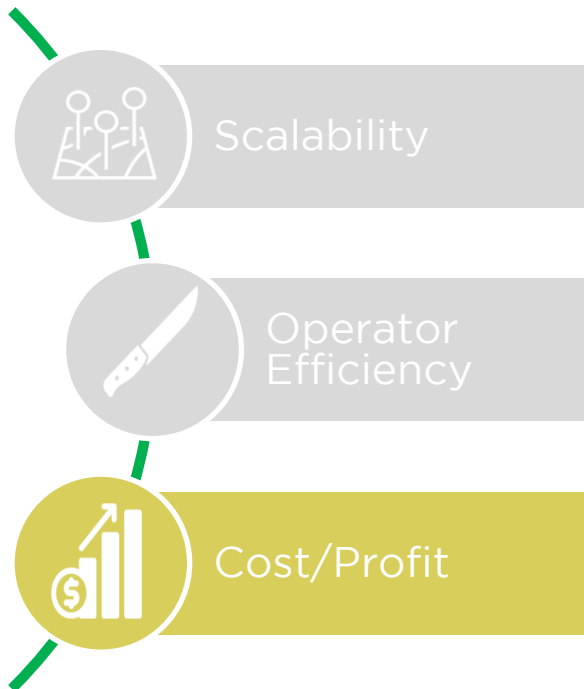
Correctly storing and preparing fresh avocado back-of-house remains a challenge for operators.

- **Back-of-house Hacks:** Operators have tried milk, lemon juice
- **Training/Education:** Long-term sustainable solution that allows an operator to offer fresh avocado, even when other short cuts are made

“Knowing when they're ripe and when they're not ripe, you can't tell in an avocado. It happens to me at home...how do you take avocado and turn it into something that can be handled easily in back of store?”



BARRIERS TO USING FRESH AVOCADO: COST/PROFIT



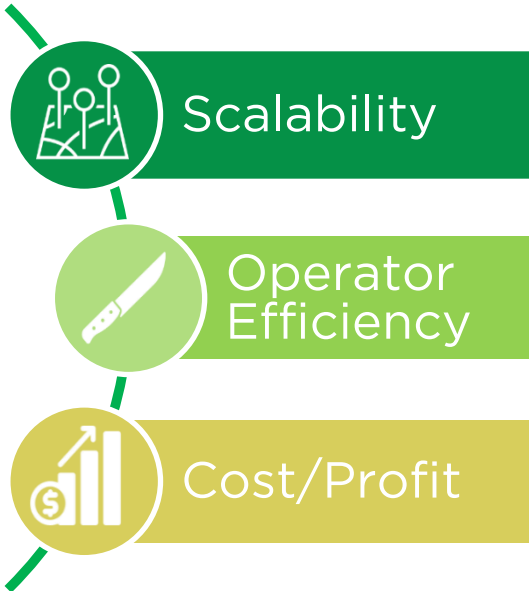
Operators consider fresh avocado to be expensive compared to other fresh produce. In addition to simply cost, operators express nuances around this concern:

- If not handled properly kitchens may be forced to throw away paid-for product.
- Operators do not receive negative feedback from patrons about processed product making it difficult to justify using fresh
- QSR restaurants have an upper limit to their menu offerings. Operators want to keep prices low and deliver perceived value to patrons

“If I could sell it into my team I'd use it all day long. But, I can't make the case for them. It [fresh avocado] is too expensive.”



OPERATORS DESIRE CONSISTENCY



When discussing menu innovation and fresh ingredients, food operators frequently use the word “consistency”. Consistency is needed in....

- Year-round availability and stable pricing
- Proper preparation and handling by kitchen staff
- Keeping menu prices and offerings competitive



A top-down view of three avocado toasts on a wooden cutting board. Each toast is topped with sliced avocado, halved cherry tomatoes, and fresh basil leaves, all sprinkled with black sesame seeds. The background is a light grey marble surface with scattered cherry tomatoes, basil leaves, and a lemon half. The text 'SRG' is in the top right, 'AFM Fresh vs. Processed Taste Test' is in the center, 'AVOCADOS FROM MEXICO' is above 'AFM', and 'NOVEMBER 2020' is at the bottom left.

SRG

AVOCADOS FROM MEXICO

AFM Fresh vs. Processed Taste Test

NOVEMBER 2020

KEY FINDINGS

FRESH IS BEST

- Consumers overwhelmingly prefer the fresh product and rate it higher than the processed ones on every metric.
- Fresh ingredients demonstrate to consumers that the restaurant cares about them. A fresh, delicious avocado dish can set a positive tone for their whole dining experience.

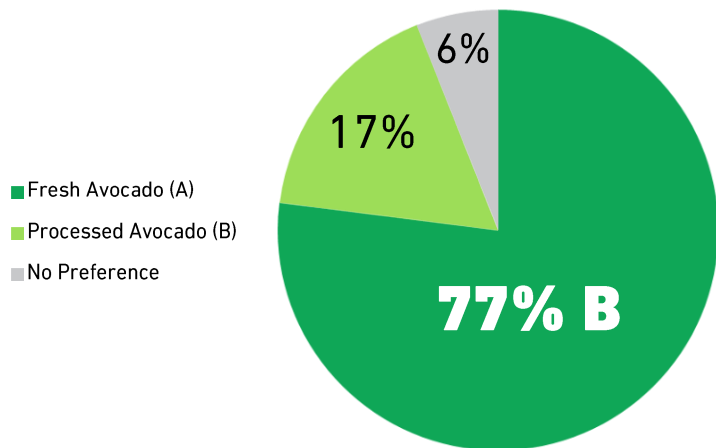


PRODUCT PREFERENCE – KEY DECISION CRITERIA

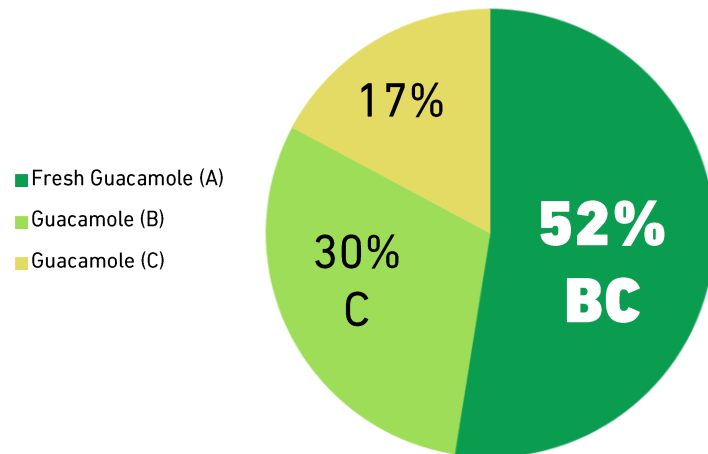
Consumers significantly prefer fresh for both avocado pulp and guacamole.

- 77% consumers prefer fresh pulp and 52% prefer fresh guac to processed.

Avocado Pulp Preference



Guacamole Preference



KEY FINDINGS

WHAT GIVES FRESH AN ADVANTAGE

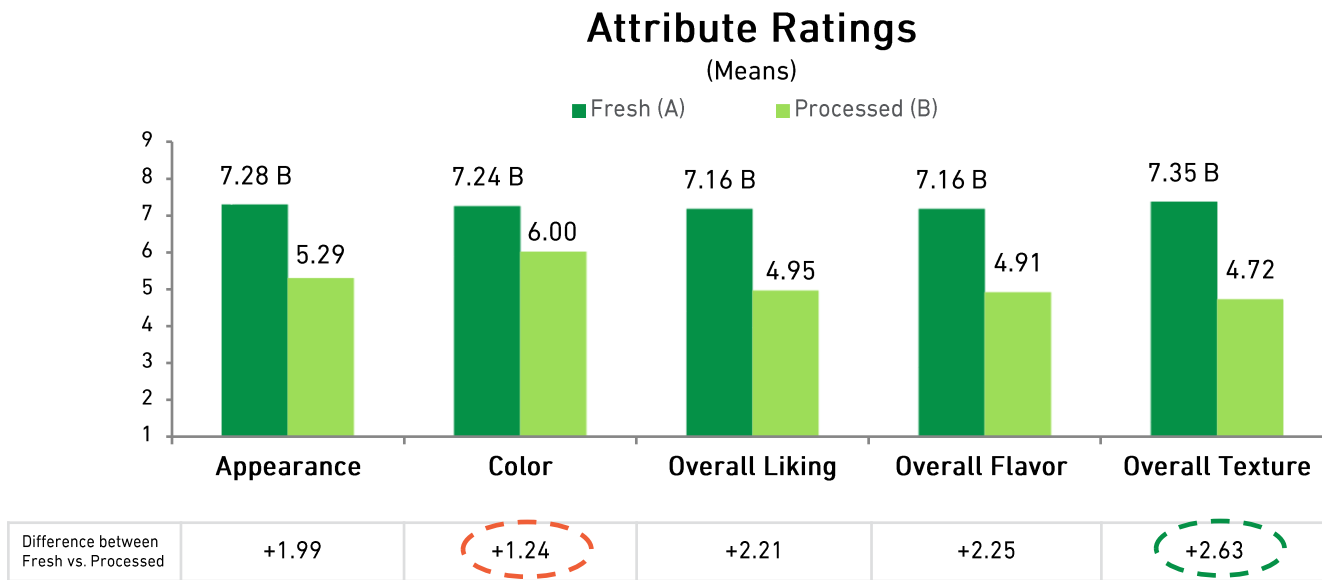
- Texture is a differentiator between the fresh and processed products. On this metric fresh earns its highest ratings and processed its lowest.
- Color and appearance are important to consumers when evaluating an avocado, as it is their first impression. Consumers are forgiving of some browning, but strongly disliked the bright green of processed.



AVOCADO PULP SUMMARY

Fresh pulp clearly outperforms processed pulp: overall liking, texture, flavor, appearance and color.

- **Texture is the largest differentiator between fresh and processed**, while color has the smallest gap.



GUACAMOLE SUMMARY

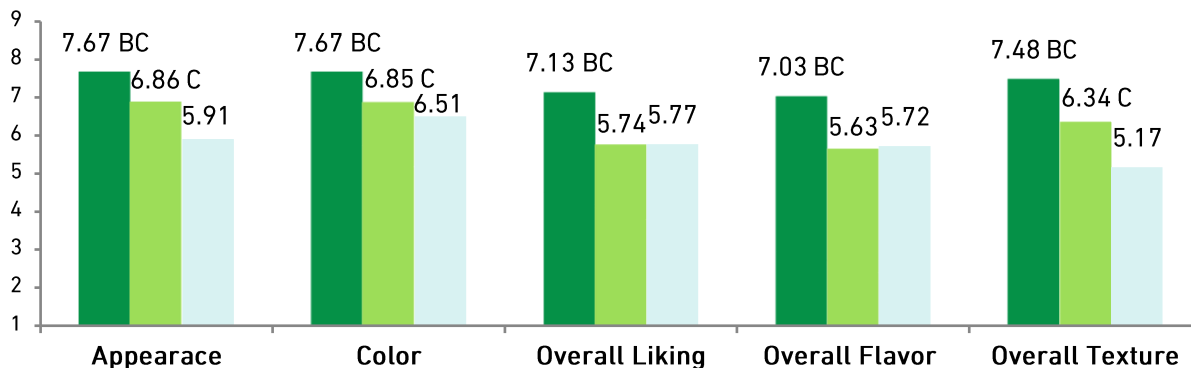
Fresh guacamole clearly outperforms processed guac: overall liking, texture, flavor, appearance and color.

- Again, when looking at the means, **texture was the largest differentiator between fresh and processed guac**, appearance and flavor follow.

Attribute Ratings

(Means)

■ Fresh Guacamole (A) ■ Guacamole (B) ■ Guacamole (C)



Difference between Fresh vs. Guac (B)	+0.81	+0.91	+1.39	+1.40	+1.14
Difference between Fresh vs. Guac (C)	+1.76	+1.25	+1.36	+1.31	+2.31



KEY FINDINGS

IMPLICATIONS FOR FOODSERVICE OPERATORS

- Consumers are unfamiliar with the term “processed.” Processed is tolerated at fast food restaurants, but when fresh is used consumers are impressed.
- Patrons are not concerned about ordering avocado in a delivery order. Consumers take precautions to keep their avocado items fresh by ordering it on the side or quickly consuming it.



EXPECTATIONS FOR “PROCESSED” PRODUCTS

When is “processed” unacceptable?

- Fresh is clearly preferred and perceived as superior.
- Processed is unacceptable to those trying to eat healthy or at an upper-scale restaurant.

When is “processed” tolerated?

- For some consumers, if they are short on time or the product still tastes like avocado, processed would be tolerated, especially at QSR.

“Any time you go out you want to have good food that is fresh and tasty. I don’t want to pay for something I’m not going to enjoy because it might taste bad. If I am going to splurge, I want it to taste good.”

“If I’m in mood for fresh guacamole, then it would make a difference. Would not make a difference if it was tasty still - would not bother me.”



IMPACTS OF USING FRESH VS. PROCESSED

Impression of restaurants using fresh

By using fresh avocado, restaurants elevate their standing with consumers.

- Fresh avocado associated with higher-end restaurants
- Consumers believe that using fresh ingredients means the restaurant cares about their experience
- Fresh avocado sets a positive tone for the rest of the experience

Impression of restaurants using 'processed'

Processed avocado is viewed as an inferior product. Consumers expect restaurants that use processed to be “fast food.”

- Using processed ingredients can impact the entire dining experience, leaving consumers to wonder what else is not fresh
- Many express reluctance to reorder an avocado dish if it is not initially good.

“*My impression is, what else is processed? It's an indicator of a bigger whole.*”

“*Knowing restaurant served fresh or processed, I would for sure choose the one that serves fresh. Fresh ingredients have more value, healthier, more wholesome, give you nutrients.*”



IMPLICATIONS

- Fresh ingredients are a way for restaurants to please their customers and protect their business. To offer fresh avocado, it is a worthwhile investment for restaurants to educate their kitchen staff on proper handling.
- The chunkiness of fresh avocado breaks through to consumers. Consumers are doubtful a processed product can replicate texture.
- While processed samples can compete with fresh on color and initial appearance, shades of green seen in fresh are well-liked and not easily replicated.
- Consumers are forgiving if product is slightly oxidized; giving food operators confidence to offer fresh avocado as part of delivery or take-out orders.



A top-down view of a white ceramic bowl filled with chunky green guacamole. The bowl is surrounded by fresh ingredients on a wooden surface: a whole red tomato to the left, a sliced tomato and a lime wedge to the right, and several tortilla chips at the bottom. Fresh cilantro leaves are scattered around the bowl. A semi-transparent white box with a thin black border is centered over the bowl, containing the text "DISTILLING OUR LEARNINGS: KEY INSIGHTS" in bold, black, uppercase letters.

DISTILLING OUR LEARNINGS: KEY INSIGHTS

KEY LEARNINGS

- **Fresh rules.** Chefs think patrons can't tell the difference between fresh and processed, but they can, and consumers overwhelmingly prefer fresh.
- **Chefs agree, but...** Chefs unanimously agree that fresh is superior and wish they could use it across the board, but are held back by operational constraints.
- **Yet, avocado is sometimes one of the few fresh items BOH.** While other processed fruits and veg are deemed satisfactory, avocado can be one of the ones that MUST be fresh.
- **Training prevails.** Those who use fresh believe that their investment in training is worthwhile, and that it pays off in superior food for their patrons
- **Patron data.** It all comes down to patron demand – operators rely on consumer data to make (or break) the case for what to add to their menu. If the data supports the investment, they'll do it.



THANK YOU!

