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For more information, contact:

Kelli Beckel

773-929-7013

kellib@perishablesgroup.com

CONSUMER PRIORITIES DROVE FRESH DEPARTMENT SALES TRENDS IN 2009

Value, health and simple meal solutions topped priority (and grocery) lists

CHICAGO – April 15, 2010 – Shifts in the availability of fresh foods across retail channels spurred competitive promotional strategies at supermarkets in 2009, according to recently-released fresh department studies by the Perishables Group.

In the produce, deli, bakery, meat and seafood departments, health remained a top priority for consumers, as did stocking up on purchases when a good value was available. Consumers responded to aggressive promotions across departments, most notably in seafood, which posted 5.4 percent sales growth year over year.

Promotions dictate purchase decisions

“Consumers have developed the habit of buying items primarily when they are on sale,” said Perishables Group President and CEO, Bruce Axtman. “Retailers responded by offering deep discounts to draw in consumers and build loyalty in the face of competition from multiple channels.” The impact of promotions was especially apparent in the seafood department, which was one of two fresh departments to increase both dollars and volume in 2009, after it declined the most in 2008.

Private label makes a name for itself across departments

The increased availability of private label items, coupled with consumers’ desire to purchase products that offer low prices but high quality, spurred private label sales growth across fresh in 2009. Private label’s share of sales increased in each fresh department by approximately 1 percent in 2009 compared to 2008

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www.perishablesgroup.com

1700 W. Irving Park Road, Suite 310 Chicago, IL 60613

Telephone 773.929.7013 Facsimile 773.929.7014



The bakery department had the largest share of private label sales, driven primarily by desserts. Desserts led the department in both dollar and volume growth in 2009, and fueled private label growth with respective increases of 4.7 percent and 7.2 percent in private label dessert dollars and volume.

Consumers pay a premium for fresh, healthy fare

Though consumers were value-conscious last year, health remained a top priority. “Natural” products gained popularity with sales growing in all departments except meat, even posting 166 percent growth in the bakery. Meantime, sales of organic products declined in the bakery, deli and seafood departments.

The interest in health and increased distribution of ready-to-eat and fresh-cut produce helped boost produce department volume growth in 2009. Increases occurred in the prepared vegetable category including beans, broccoli and cooking greens. Sales also increased in herbs as well as healthy snack fruits such as prepared pineapple and grapefruit.

In the bakery department also, healthy alternatives fared well, as sales of whole grain breads increased 9.5 percent, and sales of gluten-free items experienced a 604.2 percent dollar increase.

Shoppers remain loyal to supermarkets for affordable, convenient meal solutions

As many categories, brands and retailers struggled to post growth in 2009, deli maintained sales compared to 2008. Half of the deli department’s dollar and volume sales came from deli prepared foods, which was the only deli super-category to increase dollar sales. Deli pizza showed the largest increase in dollar growth, up 10 percent compared to 2008.

Despite lower average retail pricing, the meat and seafood departments were the only two to increase both dollars and volume in 2009. Fully-cooked meat, which accounts for 6 percent of meat department dollars, had the greatest dollar increase from the prior year. Growth was driven primarily by fully-cooked chicken, which increased 3 percent in sales in 2009.

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“After keeping tight budgets in 2008, it became clear in 2009 that consumers are now willing to spend more for fresh food items if they perceive the value to be high,” Axtman said. “Though supermarkets are facing increased competition from other retail channels, they can come out ahead if they understand the balance between providing the appropriate assortment for their shopper demographic, and driving sales through value rather than price.”

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About the State of Department Reports: The Perishables Group State of the Department reports detail key sales trends and data insights for all fixed-weight and random-weight items in the fresh departments for the supermarket grocery channel.

For more information or to purchase the Perishables Group State of the Department reports, e-mail kellib@perishablesgroup.com or call 773.929.7013.

The Perishables Group is a Chicago-based consulting firm focused on creating innovation and value for clients in the fresh food industry. Perishables Group expertise includes consumer research, analytics, marketing communications, category development, supply chain management and activity-based costing.

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