



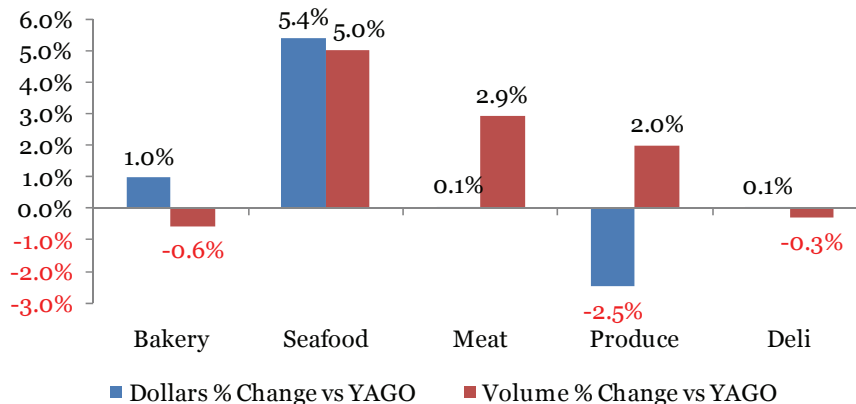
April 2010

Consumer Priorities Drove Fresh Department Sales Trends in 2009

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

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.

**Total U.S. Perishables Departments
Total Sales Change 2009 vs. 2008**



Source: Perishables Group FreshFacts® Powered by Nielsen

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% sales growth year over year.

Performance trends within the fresh departments, which represent approximately 30% of total supermarket sales, indicate pricing and assortment strategies will be largely determined by consumer value propositions in 2010.

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 increasing 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.

Deep discounts in crustaceans, for example, drove fresh seafood performance in 2009, due much in part to an over-abundance of lobster supply. Consumers were quick to buy lobster when the high-end item was priced unusually low.

By comparison, deeper or more frequent promotions sometimes have a negative impact on dollar growth, as seen in the deli department in 2009. Deli meat and cheese increased pounds sold but declined in dollar sales due to more promotions year-over-year.

What do you think of Jamie Oliver's Food Revolution?

It's great! It will have a positive impact on the fresh food industry and on the health of Americans.
50%

It's a good idea, but it won't have a lasting impact on Americans' eating habits.
23%

The financing for the revolution won't be substantial or sustainable enough to make a lasting change.
12%

I haven't watched it. (Watch it here!)
<http://ow.ly/1xS6u>
15%

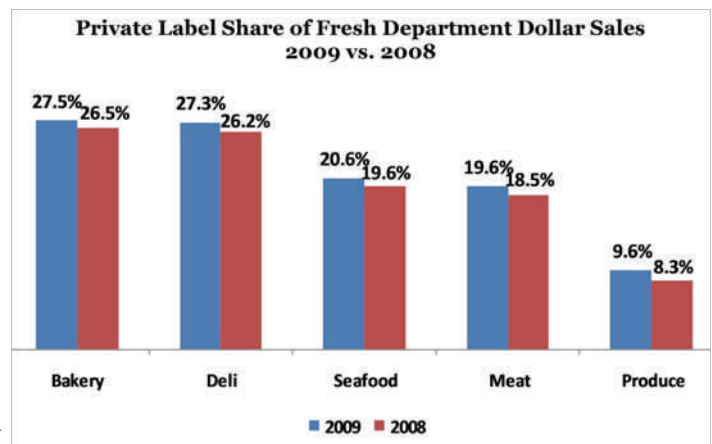


The Fresh Perspective

Private label makes a name for itself across departments

The increased availability of private label products, 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 department sales increased in each fresh department by approximately 1% in 2009 compared to 2008. Though this can be troubling for manufacturers of national brands, strategies such as bundling store brands and private labels in promotions can encourage trial of private label items while not cannibalizing sales of national brands.

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, but also fueled private label growth with respective increases of 4.7 percent and 7.2 percent in private label dessert dollars and volume.



Source: Perishables Group FreshFacts® Powered by Nielsen

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% 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 fuel produce department volume growth in 2009. Growth 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, healthy alternatives also fared well as sales of whole grain breads increased 9.5%, and sales of gluten-free items saw a 604.2% dollar increase

Shoppers remain loyal to supermarkets for affordable, convenient meal solutions

The deli has emerged as a popular source for affordable and ready-to-eat 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% 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% of meat department dollars, had the greatest dollar increase from the prior year, likely due to consumers seeking restaurant-style meals they can prepare at home. Growth was driven primarily by fully-cooked chicken, the largest category in fully-cooked meat. Fully-cooked chicken increased 3% in sales in 2009 compared to 2008.



The Fresh Perspective

Comfort foods topped the list of popular fresh department items. With bacon appearing in everything from ice cream to chocolate bars, its popularity fueled dollar growth of 4.1 percent and volume growth of 7.5 percent in 2009. Consumers also indulged in desserts, but with restraint. Cupcakes, individual desserts, and mini cookies were among the strongest sales drivers of bakery desserts.

“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.”