



## The Fresh Perspective

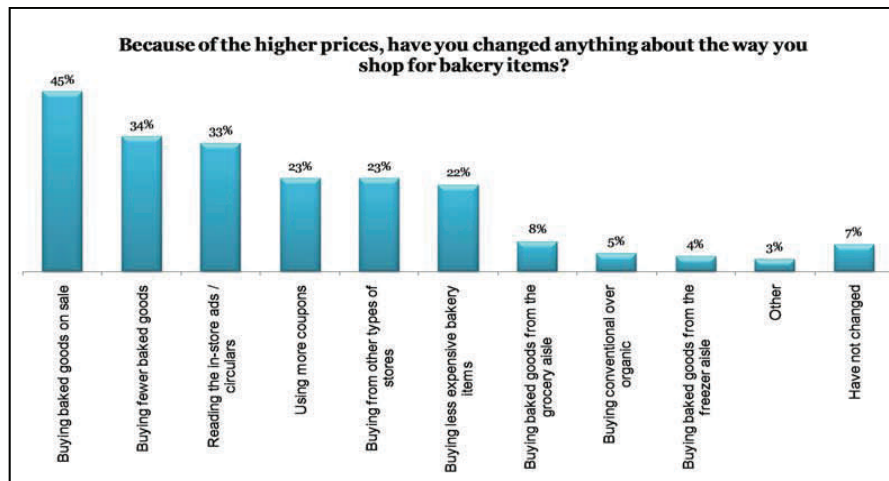
April 2009

### Examining demographic differences in shifting purchase behaviors for the in-store bakery

It is apparent that consumers are trading down and out of certain fresh foods categories in an effort to stretch their dollars. In recent issues of *The Fresh Perspective*, the Perishables Group examined consumer trade down behavior in produce, seafood and meat.

The Perishables Group is completing the final analysis of a consumer research project examining shifting consumer purchase behaviors. The examination of loyalty card data as part of the study found many consumers are actively shifting purchases within some fresh food categories from higher-priced to lower-priced items, even if the actual shelf prices on more expensive products have not increased as much as on similar lower-priced items.

The study also found retailer promotional practices can play a role in influencing consumer purchases, by encouraging shoppers to trade down when the low-priced items in a category are given the deepest promotions. The same influence can be seen with retailers who are lowering prices on high-priced items in a category, as many consumers choose the more expensive items because they offer the best *value*. As a final examination of the study, the Perishables Group recently conducted and analyzed consumer surveys of 1,000 shoppers in the East and West coast retailers participating in the research project. The results provide a captivating picture of consumer perception of price changes and how their perception is affecting their final purchase decisions. By understanding the values and decisions of different consumer groups, retailers can spur sales through targeted marketing efforts.



To illustrate these changing purchase patterns, we've examined shopping behaviors in the in-store bakery in this month's issue of *The Fresh Perspective*. The survey results allowed us to identify the categories consumers believe have had the most significant price changes, and those categories are consequently taking a sales hit.

Overall, nearly two-thirds of the survey respondents have noticed in-store bakery prices have risen over the past year. Many are now buying baked goods on sale, buying fewer baked goods and reading the weekly ads.

More than half of survey respondents are more likely to choose sale items over non-sale items. Shoppers often said they are trying to economize by buying less and choosing lower priced alternatives. Almost half are now buying more store brand items and nearly a third are looking for recipes with less expensive ingredients.

On average, 35% of consumers are now turning to the center-store grocery aisles for their baked goods in an effort to save money. Perhaps surprisingly, consumers with incomes above \$100,000 are trading down the most, with 56% saying they are now buying their baked goods from the grocery aisles. Consumers with incomes between \$25,000 and \$50,000 are remaining relatively loyal to the in-store bakery, with 22% trading to the grocery aisles for their baked goods. Perhaps consumers with lower incomes are remaining loyal to the in-store bakery because they are cutting back in other areas, while high-quality food from the supermarket remains a luxury they can afford. Yet consumers with high incomes could be opting to keep other luxuries, but cutting back on their grocery purchases.

**What is the best way to communicate value to consumers?**

Aggressive promotions: 17%

More aggressive/creative promotions: 27%

Improved merchandising (layout, signage, etc.): 17%

Introduction of new products: 39%

To answer our industry poll question, [click here](#).

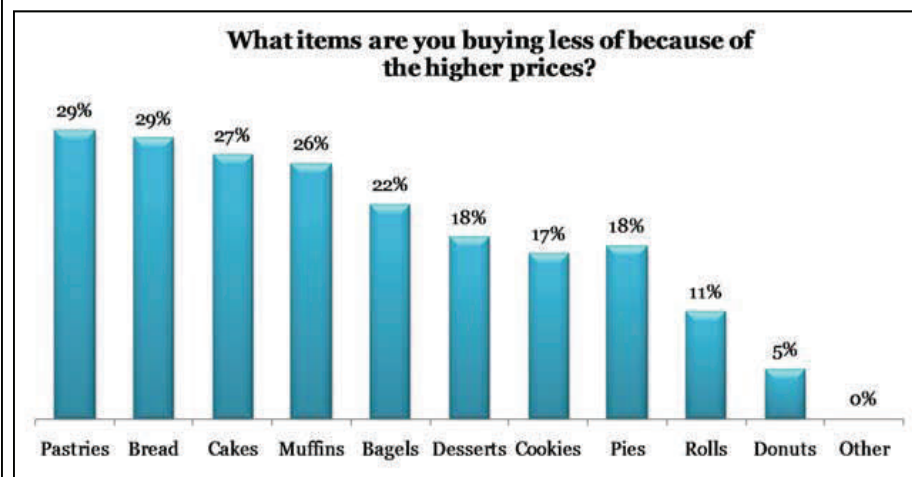
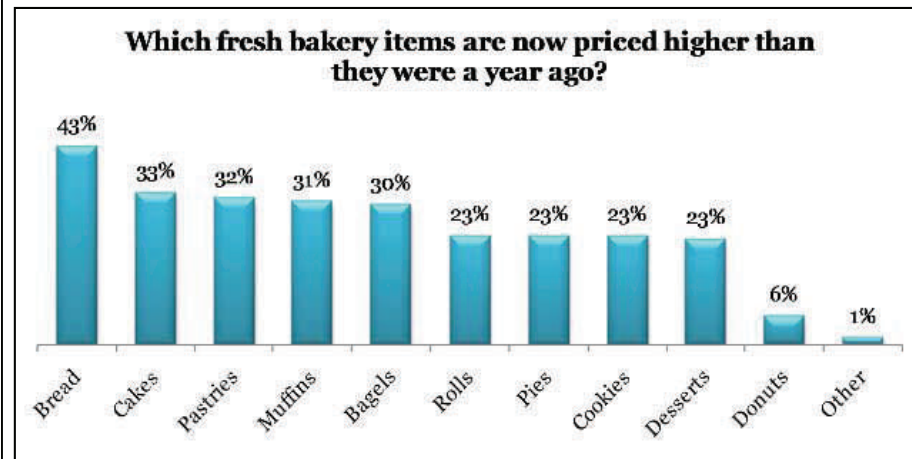


Only 7% said they are not doing anything to cut costs.

Looking more closely at the in-store bakery, fresh bread has long been a staple category. Yet the center-store offers a less expensive and longer-lasting alternative due to added preservatives. Among all consumers surveyed, bread was ranked as the No. 1 category, followed by cakes and pastries, that consumers believe is priced higher than it was a year ago. As a result, 29% of consumers reported buying less fresh bread.

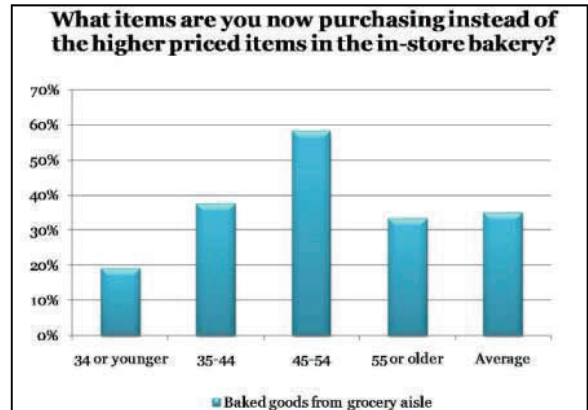
Retail strategy can be crafted around *which* consumers are leaving the in-store bakery bread category. Survey results indicate that consumers ages 45 to 54 are cutting back the most of any age group, with 39% buying less bread due to higher prices. Even more dramatic, 46% of consumers earning \$100,000 or more are buying less bread from the in-store bakery.

Though pastries were ranked third by consumers for being higher priced than they were a year ago, they are suffering from a deeper degree of diminishing sales than any other category, perhaps due to the impulse and discretionary nature of the category. Consumers ages 55 and older are dropping off the most, with 58% saying they are buying fewer pastries than they were a year ago, followed by 31% of consumers aged 34 or younger.



endurance of a staple category such as bread, as opposed to a discretionary category like pastries.

The bottom-line is that consumers are aggressively looking for ways to save money, and most notably by trading down and out of discretionary categories/products. Retailers can help boost sales by executing value-focused promotions that will be attractive to age groups with discretionary spending ability, such as those with no kids and less immediate worries about dwindling 401Ks.



The 55 and older age group also had the highest perception of price increases, with 52% saying they believe pastries are priced higher than they were a year ago. Pastries are suffering the least with shoppers between the ages of 45 and 54, with only 17% reporting buying fewer pastries as a result of higher prices. It appears pastries are not benefiting from the growing trend of consumers eating less in restaurants, and instead buying restaurant-quality foods or ingredients from their supermarkets.

Consumers believed bread incurred the largest price mark-ups, but bread did not suffer the largest negative sales impact. This demonstrates the