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The Power of Meat 2012

An In-Depth Look at Meat Through the Shoppers' Eyes

Presented by:
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midan MARKETING a vision for meat

Year seven — What to expect

- Consumer survey among 1,300 shoppers
  - Trends in shopper spending, trips and channel choices
  - Marketing and merchandising meat and poultry
  - The impact of the recession on purchasing
  - Preparation knowledge and asking for advice
  - Improving the meat department
- Shopper feedback videos by Midan Marketing
  - Man on the street consumer intercepts

2012 reality: Savvy shoppers

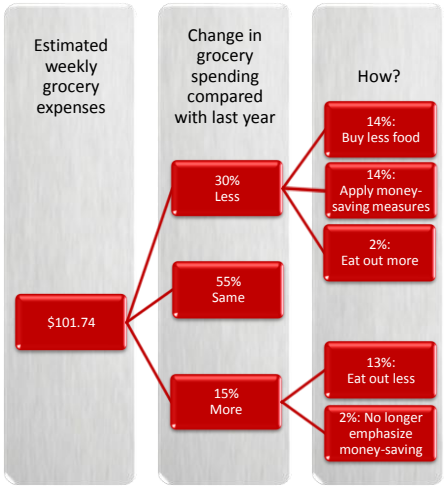
- The economic downturn has created very educated, savvy shoppers who do their homework
- Shoppers…
  - Understand how they can save money on groceries
  - Can dial up or down money-saving measures very quickly
  - Use a combination of pre-trip research and in-store measures
  - Increasingly use technology
- Conservative spending remains prevalent
  - Increase in dollar sales offset by high inflation
  - Decrease in volume sales across proteins

- Channel choices
- The impact of the economy
- The impact of meat merchandising and marketing on the purchase
- Understanding the decision process

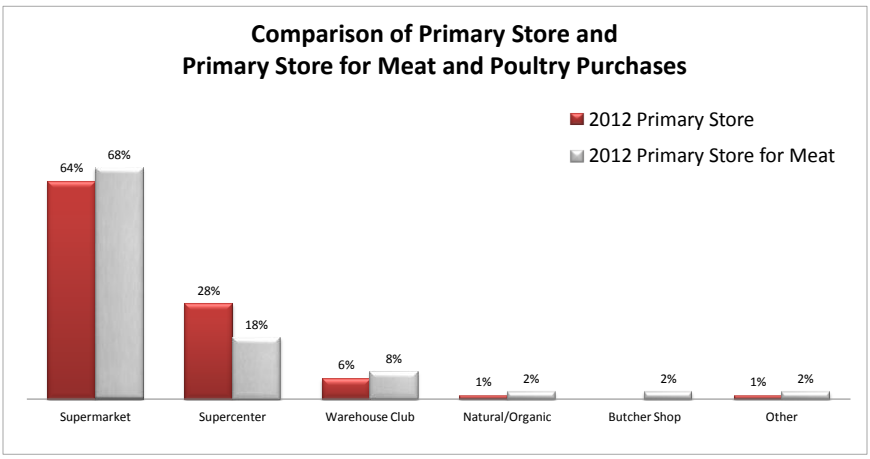
BUYING TRENDS IN THE MEAT DEPARTMENT

Spending less by buying less

- Growing trend: saving by simply cutting back on purchases
  - Requires unique response as traditional marketing and merchandising methods may not work
  - Shoppers favoring this tactic spend $12 less than average each week
- Capitalize on shoppers looking to cook more
  - Focus on savings and convenience



Supermarkets dominate protein purchase



Supermarkets: fresh for success

- Full-service supermarkets benefit from high shopper retention in the meat department
  - And attract shoppers of other channels, especially supercenters

Where supermarket shoppers purchase meat and poultry	2006	2007	2008	2009	2010	2011	2012
Supermarket	86%	89%	91%	88%	88%	88%	90%
Supercenter	1%	2%	2%	3%	2%	2%	1%
Warehouse club	5%	5%	4%	6%	4%	5%	4%
Natural/organic	0.4%	0.8%	0.6%	0.4%	0.8%	0.6%	1%
Butcher shop	5%	4%	2%	2%	3%	3%	3%
Other	2%	0.1%	0.7%	1%	2%	2%	1%

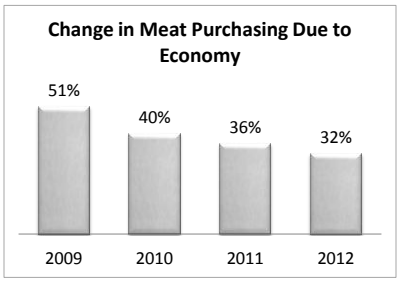
Supercenters: skipping the meat aisle

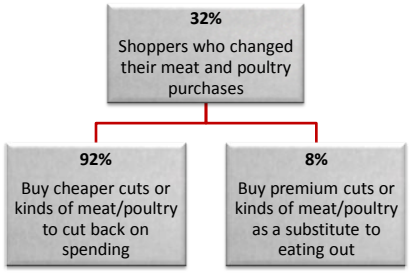
- Four in 10 primary supercenter shoppers purchase meat/poultry elsewhere
  - Supermarket and warehouse club channels are the primary beneficiaries

Where supercenter shoppers purchase meat and poultry	2006	2007	2008	2009	2010	2011	2012
Supermarket	27%	25%	27%	30%	29%	30%	29%
Supercenter	59%	63%	64%	60%	60%	59%	62%
Warehouse club	6%	3%	4%	5%	5%	5%	6%
Natural/organic	0.3%	0.3%	0.7%	0.4%	0.3%	0.3%	0.6%
Butcher shop	4%	7%	3%	3%	2%	3%	2%
Other	3%	2%	1%	3%	1%	2%	1%

The impact of the economy

- Still more people are changing up meat/poultry purchases as a result of the economy
  - Share lower as most people already changed habits





How do shoppers look to save money?

- Through a combination of pre-trip and in-store techniques depending on individual preferences
  - Implemented "frequently" or "always" by at least 60%:
    - Studying up on grocery circulars
    - Diverting to less expensive cuts of meat/poultry
    - Look at price per pound
    - Stocking up on meat when it is on sale
    - Purchase more private label
    - Cook different meals to stretch meat quantity (pasta, casseroles)
  - The number and kind of measures implemented varies widely
    - For example, younger shoppers are more willing to buy cheaper cuts and even shop at less expensive stores.

Comparison with last year

- Interest in volume-based discounts remains subdued
  - Last year, interest in volume discounts plummeted
    - Buying in bulk: -15 percentage points
    - Stocking up when on sale: -5
    - Shoppers who buy in large quantities to freeze and use over time: -8
  - In 2012, similar or even less interest
- However, interest in other money-saving measures grows:
  - Greater interest in buying private brands: +14 percentage points
  - Using coupons: +8
  - Looking more at the total package cost: +7
    - Showing a willingness to make due with less
  - Buying less expensive cuts of meat/poultry: +5

End result: drop in volume sales

- Through a variety of measures, shoppers cut the amount purchased to save money.

Class	Percentage change in dollar sales	Percentage change in pound sales	Percentage change in average price per pound
Total	+2.0%	-6.0%	+8.5%
Beef	+2.2%	-8.7%	+12.0%
Chicken	+1.0%	-1.9%	+2.9%
Pork	+2.2%	-6.5%	+9.2%
Turkey	+3.4%	-6.4%	+10.5%
Lamb	-2.5%	-17.5%	+18.2%
Veal	-1.7%	-5.6%	+4.1%
Other	+12.3%	-14.6%	+26.0%

52-week review ending Dec. 25, 2011 by Freshlook

The meat purchasing decision

- Price has always been most important, but its domination has taken on new heights:
  - Average for price per pound rises to 4.6 from 4.5
  - Total package cost moves to second place at 4.4, jumping from 3.9
- Product appearance drops to third for the first time in seven years
  - Not unimportant, but there is clear willingness to sacrifice on quality and quantity among many shoppers

Average score when ranking 1-6, Where 6 is highest importance

The increasing dominance of price

- 11-percentage point increase in the share of shoppers engaging in pre-trip price comparisons
- 14-percentage point increase in shoppers comparing prices within the store
  - 89% of shoppers check prices in-store when buying meat/poultry
  - Making signage and merchandising/marketing execution ever so important

Compare meat and poultry prices across stores	2011	2012
Every time I shop for meat/poultry	36%	47%
Sometimes	40%	33%
Hardly ever	10%	12%
Never	13%	9%

Compare prices in the meat department within the store	2011	2012
Every time I shop for meat/poultry	45%	59%
Sometimes	42%	30%
Hardly ever	8%	7%
Never	5%	4%

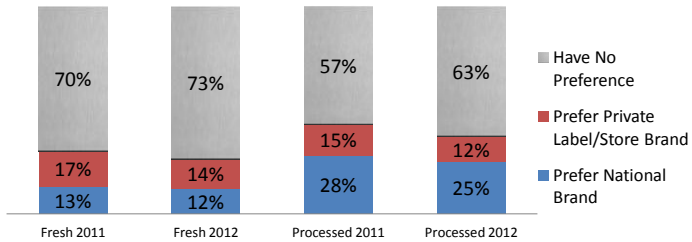
Influencing the in-store decision

- As the ultimate purchasing decision is increasingly tipping to in-store, how can you best influence purchasing decisions?
  - Meat sales promotions, coupons and advertising
    - Influence of sales promotions jumped by 14 percentage points on the kind purchased and 15 percentage points on the quantity purchased
    - Influence of coupons and advertising increased by 8 percentage points for both

Very much influence	Kind (type/cut) purchased	Quantity purchased
Meat sales promotions on in-store signage	44%	39%
Meat coupons	30%	28%
Meat advertising in direct mail/newspapers	28%	26%
Meat markdowns because of reaching the sell-by date	29%	28%
Nutrition information on meat packaging	14%	12%
In-store sampling	9%	9%
Recipes/cooking instructions on meat packaging	8%	7%
Recipes in store (kiosk or cards)	6%	6%

In the battle of the brands…

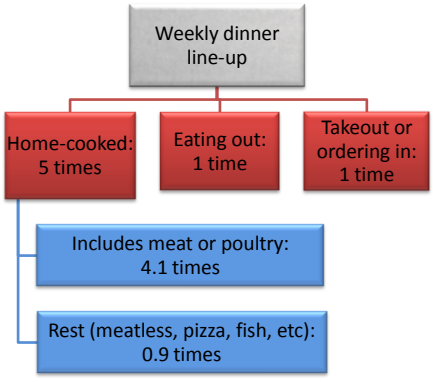
- Shoppers focus on price
  - Greater willingness to purchase private brands (+14%) is not converted into increased preference
  - Instead, price is the primary driver behind the purchase
  - I.e., an increased share of "Switchers"



- Including meat and poultry in the dinner line up
- Fresh versus heat-and-eat and ready-to-eat
- Trends in preparation methods
- Preparation knowledge
- Asking for advice

DINNER TIME TRENDS

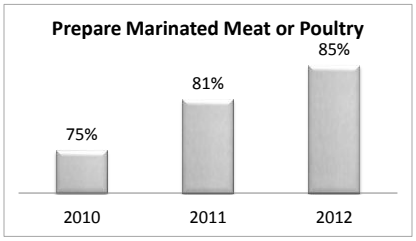
Meat/poultry remain dinner favorite



- 74% of shoppers cook dinner that includes a portion of meat/poultry at least three days a week
- Chicken and beef continue to dominate the dinner plate
  - Only 3% never prepare chicken and 4% never prepare beef
  - Four in 10 shoppers also prepare pork and fish/seafood at least once a week
  - Lamb and soy-based products remain niche-customer segments

Trends in meat/poultry preparation

- Convenience options remain popular
  - Heat-and-eat and ready-to-eat continue to be strong
  - Especially popular among one/two-people households and higher incomes
- Continued growth in marinated meat/poultry
  - Marinate myself using store-bought marinades: 58%
  - Marinate myself using own mix: 36%
  - Typically buy pre-marinated meats/poultry: 6%
- Tremendous opportunity!



Trends in meat/poultry preparation

- Shoppers compared current preparation techniques versus five years ago
- Frying is out
  - Especially among shoppers aged 65 or older: -35 percentage points
  - This group instead increased their use of the microwave: +10%
- Preparation by oven and slow-cookers/crock pots is in!

But do shoppers know how to cook?

- Shoppers of all ages admit room for improvement
- In each category, more than half say their skills/knowledge could be much better or they need help
  - How to prepare fresh poultry: 56%
  - How to prepare fresh meat: 59%
  - How to marinate/spice: 63%
  - How to prepare fish/seafood: 65%
  - Understanding the USDA beef grading system: 73%
  - Understanding the nutritional content of poultry/meat: 79%
  - Pairing wine with meat/poultry choices: 82%
- Excellent opportunity to educate and foster a life-long love for cooking

Don't know?... Ask mom

Home cooking is the most popular way to save money on food

However, meal preparation knowledge is marginal at best

So... where do shoppers turn when cooking something new?

Mom/family/friend: 30%
Digital: 25%

Who would you turn to?	Overall	Shoppers ages 18-24	Shoppers ages 65+
Mom/family/friend	30%	57%	14%
Digital resource	25%	19%	20%
Cook book/paper resource	22%	10%	44%
Would just give it a shot	9%	2%	12%
Butcher/meat department personnel	6%	3%	6%
TV	4%	4%	4%
Other	4%	5%	1%

Meat department can play a larger role

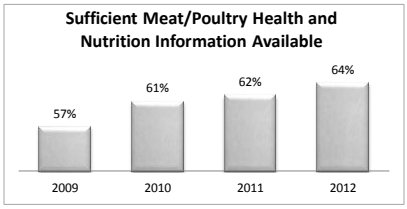
- An expanded "here's-how-you-do-it" program in the meat department generates at least modest interest
  - 30%: would absolutely use
  - 53% would maybe use or use on occasion
  - 17% would not use
- Retailers often have the in-house expertise
  - Just not thought of as a source by many
  - However, shopper willingness to trust, recognize and use as a source
  - Huge opportunity for customer education and growth

- Availability and use of nutritional information
- Shopper preferred ways of improving their diets
- Nutrition facts panel
- Organic and natural meat and poultry purchases

NUTRITION AND NATURAL/ ORGANIC

Nutritional choices suffer

- … But not due to lack of information
  - 64% of shoppers feel sufficient information is available on fresh meat/poultry to make an educated decision
- Meat packaging increasingly holds nutrition information
  - 44% have seen signage
- Focus on price puts healthy eating on back burner



Healthy eating strategies

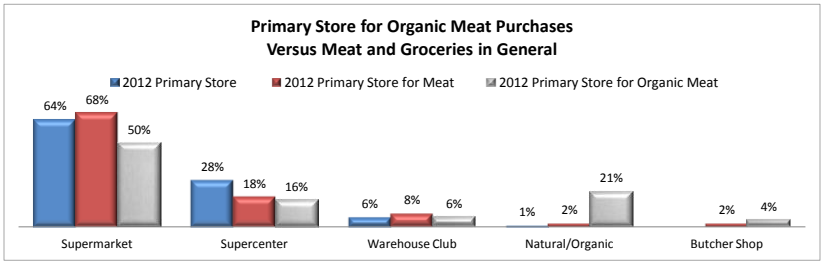
- When shoppers do focus on eating healthier, popular strategies are:
  - Choosing leaner cuts
    - In direct competition with shoppers' quest to save by picking less expensive cuts
  - Limiting second helpings
  - Choosing lower sodium foods
  - Preparing fish/seafood
- 27% of shoppers would never cut out meat/poultry altogether to improve their food intake

Fat and sodium are main guidelines

- Back to the basics
  - Top attributes shoppers check on processed meats are:
    - Total fat (55%)
    - Sodium (51%)
    - Calories (46%)
    - Saturated fat (46%)
    - Trans fat (43%)
  - First time sodium percentage rose above 50% mark
    - Enormous focus by CPG and retailers to reduce
  - Mood shift from "what to avoid" to "what to include"
    - "Light, low and no" to "high and enriched"
    - Attributes with rising interest are fiber, calcium and vitamins
  - Other items people scan for: country-of-origin, gluten, MSG, additives.

Natural/organic market growth

- 24% have purchased natural or organic meat/poultry in the past 3 months, up from 19%
  - Retailers predict the growth of the natural/organic category to be one of the five hottest trends for 2012
    - Stability driven by demographics, growing availability and purchase drivers
    - 20% predict they will purchase more; 70% about the same

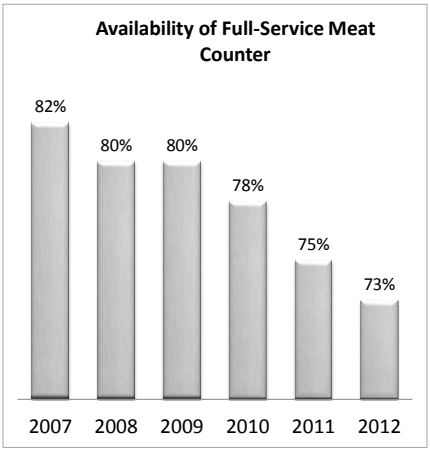


- Share of meat/poultry purchases bought at case vs. counter
- Perception of case-ready meat
- Reasons for using the full-service counter
- Interest in packaging concepts
- COOL update

MEAT CASE VS. SERVICE COUNTER

Meat case

- Availability of full-service meat counters dropping
- Average of 71% of purchases made from the meat case
  - Never: 6%
  - Always: 31%
  - Two-thirds of case inventory is case-ready
- Quality perception of case-ready meat matches highest point reached last year
  - About the same quality: 60%
  - Better: 10%

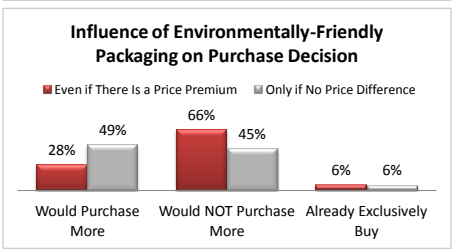


Service counter = special + advice

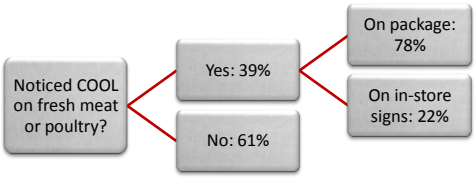
- Special cuts or amounts
- Unavailability in the meat case
- Special occasions
- Special services
- Asking for advice
- (Perceived) quality and freshness

Packaging insights

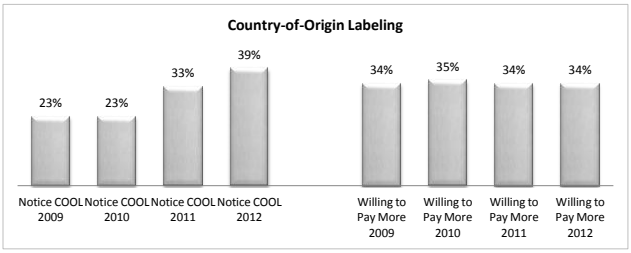
- Rapidly-growing interest in leak-proof packaging
- Interest in environmentally-friendly packaging subject to price pressures
- Interest in freezer-ready, resealable and pre-portioned packaging dependent on purchasing habits
  - High interest among those who buy in larger quantities
- Interest in food-waste reducing packaging high



COOL awareness continues growth



- But no change in purchasing behavior



Last but not least

- Factors that drive increased meat purchases
  - 34%: nothing will increase meat/poultry purchases
  - 65%: better quality and more variety top ways to prompt me to buy more
- Consumer suggestions
  - Majority of comments center on price
  - More package size variety
  - Quality and freshness
  - Bring back the butcher!

Improving the meat case experience

- Better availability of types and cuts
- Cleanliness
- Better organization
- Information and education
- Better signage/labeling
- Different/better packaging

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  - Full report
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Thank you!!