Holding Onto Your Customers in a Tough Economy

Insights from new consumer research and actual meat and poultry sales data

Presenters:

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Shugoll Research

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Background

- A two-phase study conducted in January & February 2009
  - Phase 1: Online quantitative study of U.S. consumers
  - Phase 2: Analysis of retail meat and poultry pound volume data for 2007 vs 2008 as well as January 2009
- Purpose
  - Understand consumer attitudes and behavior relative to the purchase and consumption of meat and poultry
  - Determine if consumer research results could be corroborated with sales data

Study Objectives

- Determine how the economy has impacted consumers' attitudes and behavior toward grocery shopping
- Assess whether there has been a change in the types of stores from which consumers typically purchase their meat and poultry
- Evaluate changes in the frequency of shopping for meat and poultry
- Determine if the current economic situation has resulted in consumers shifting meat and poultry purchasing patterns:
  - Overall volume of proteins and cuts
  - Trading out from one protein to another
  - Trading down within categories to lower priced items
- Evaluate the impact on branded versus unbranded products

Methodology: Phase 1
Quantitative Consumer Research

- 15-minute online survey conducted in mid-January 2009
- 500 adult consumers between the ages of 18 and 64
- Recruited from U.S. panel
  (geographically and demographically representative of U.S. population)
- Screened for those who have primary grocery shopping responsibility or share that responsibility
- Screened out vegetarians and those who work in retail, marketing, PR or market research

Methodology: Phase 2
Sales Data Analysis

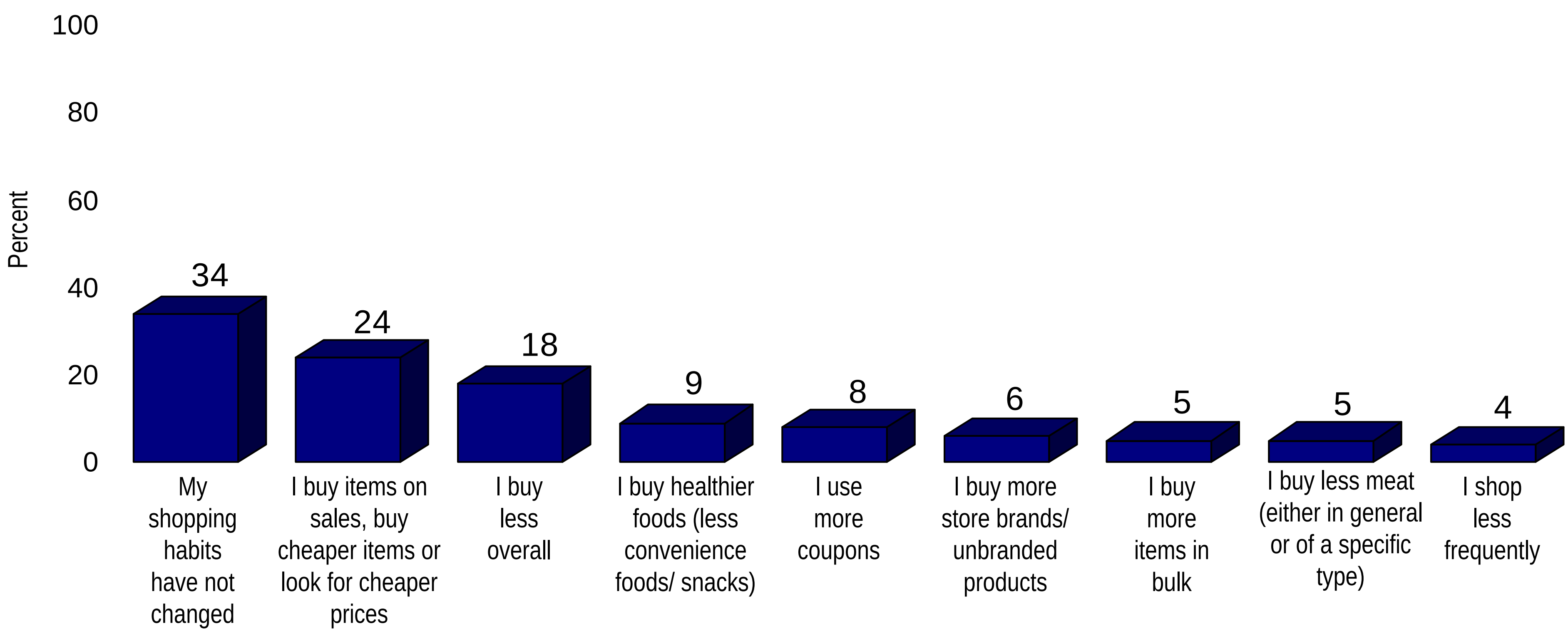
- FreshLook Marketing sales data
  - Total US
  - 2008 versus 2007
    - *Quarterly analysis*
    - *Monthly and four month aggregate analysis for Oct-Dec 2008 and Jan 2009*
- Meat Solutions' VMMEAT® sales data by brand category
  - Denver and Dallas markets
  - 2008 versus 2007
    - *Quarterly analysis*
    - *Monthly and four month aggregate analysis for Oct-Dec 2008 and Jan 2009*

Impact of the Economy on Grocery Shopping Habits

While consumers are looking for bargains, few are buying less meat and poultry

Changes In Shopping Behavior Since Economic Downturn

(Unaided)

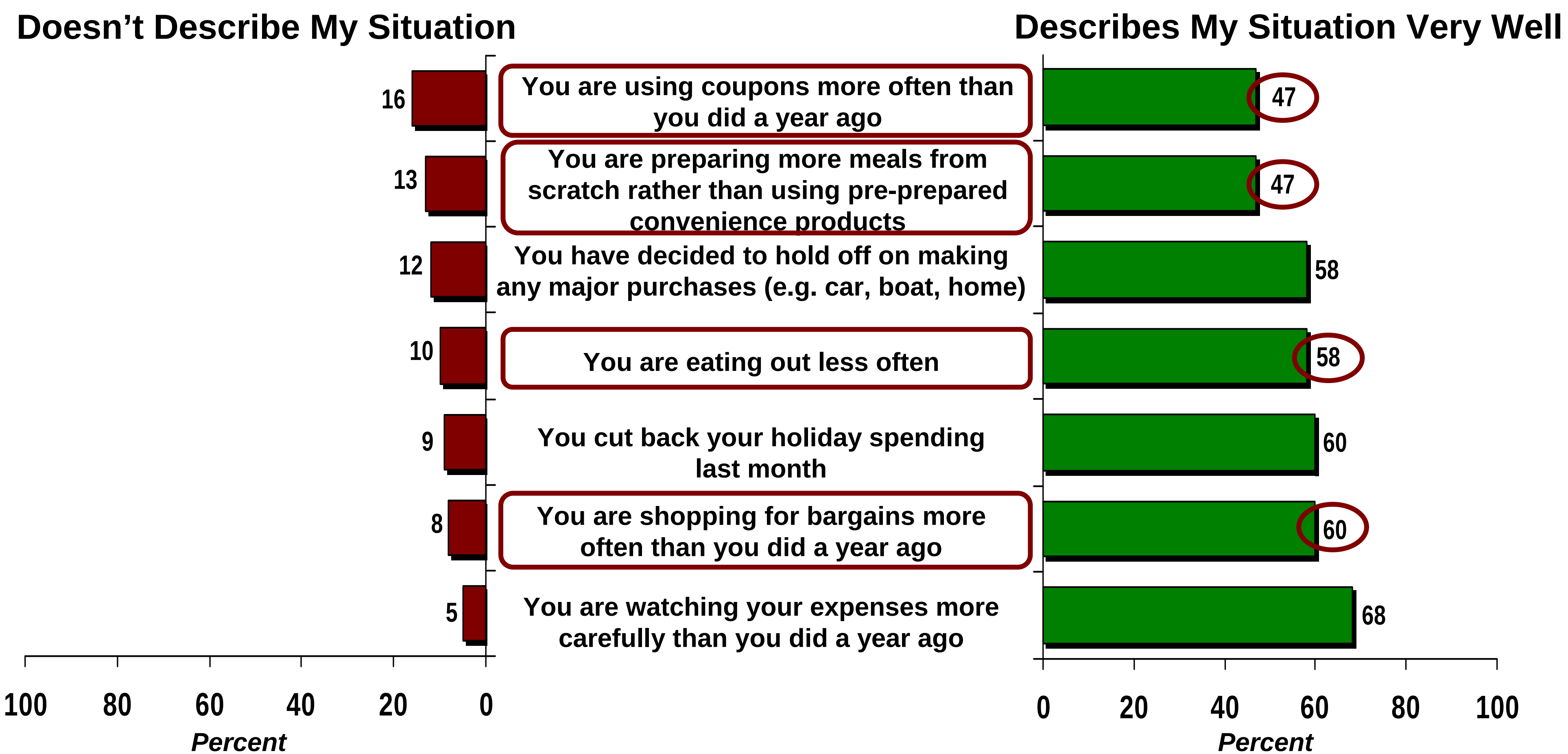


Q.3: How, if at all, have your grocery shopping habits changed over the last few months?

Source: Shugoll Research and Midan Marketing Consumer Research, January 2009.

Consumers are shopping for fewer convenience items, eating out less and using more coupons

Cost Saving Behavior Of All Respondents



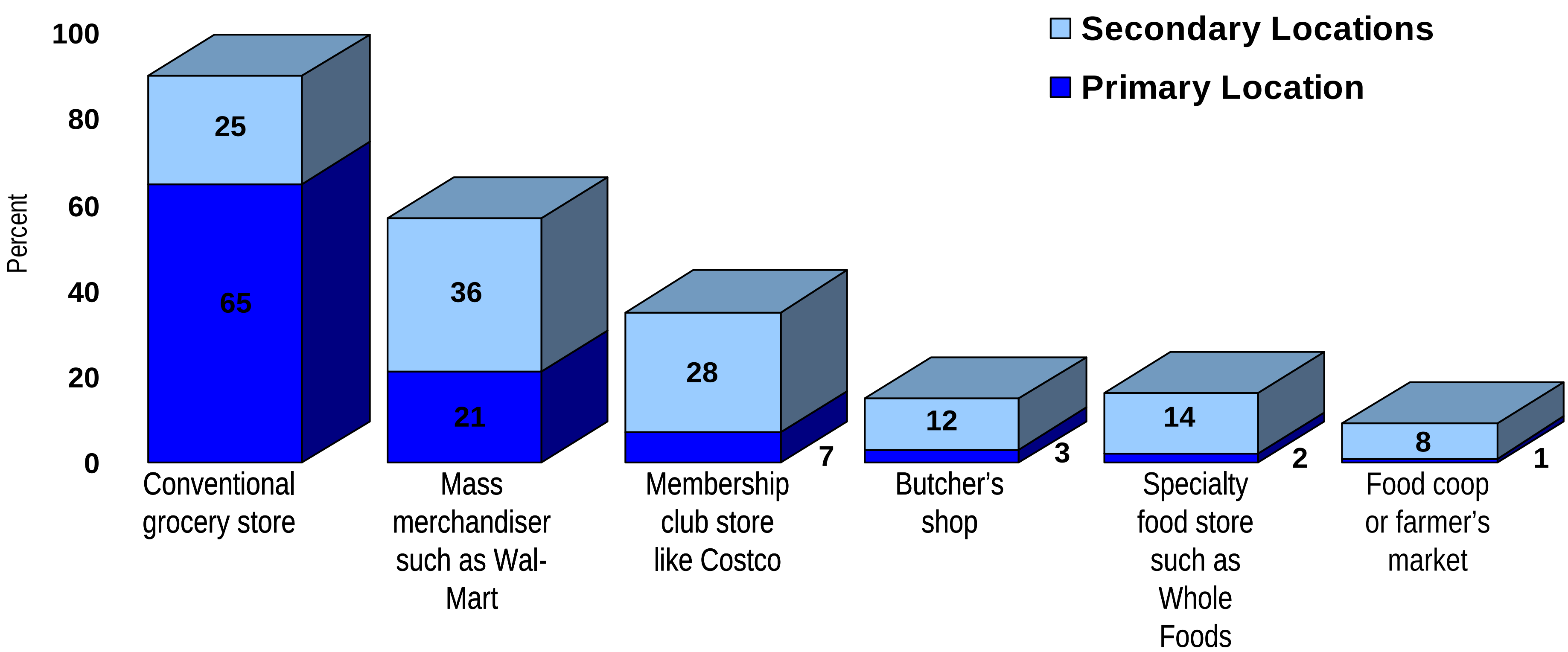
Q.14: Now, I'd like you to think about your own financial situation. Please rate how well each of the following describes your situation.

Source: Shugoll Research and Midan Marketing Consumer Research, January 2009.

Impact of Economy on Consumer Grocery Shopping Habits

Consumers still prefer conventional supermarkets, but mass merchants and membership clubs are often a second stop for many shoppers

Purchase Locations For Meat And Poultry



Q.1: At what type of store do you currently purchase most of your meat and poultry?
Q.2: At what other types of grocery stores do you currently shop for meat and poultry on a regular basis (more than once a month)?

Source: Shugoll Research and Midan Marketing Consumer Research, January 2009.

Conventional grocery stores have been the biggest winner in the battle for customers, with membership stores losing out

Change In Purchase Location For Meat And Poultry

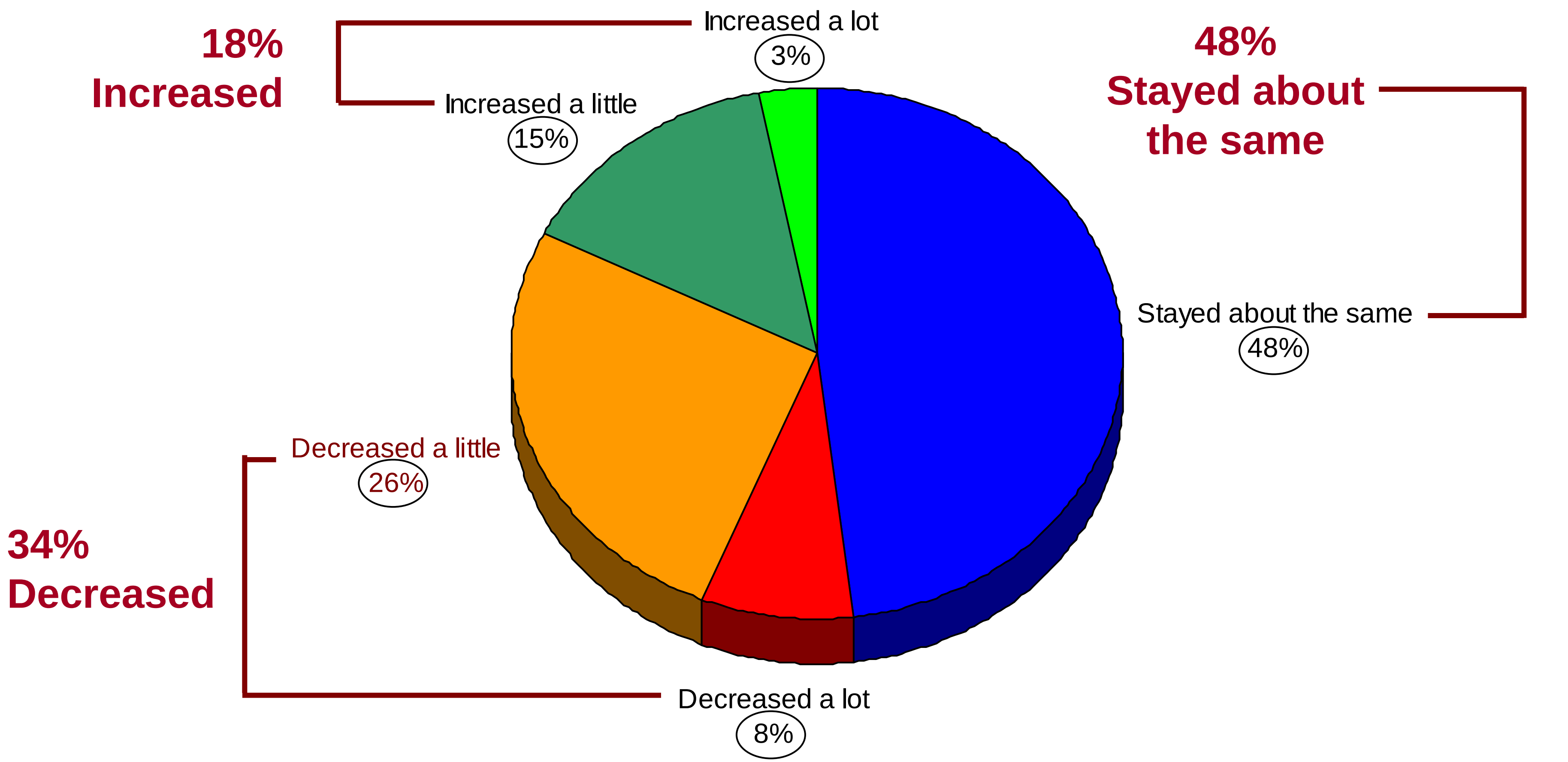
Q.7: During the last year, how would you say the amount of meat and poultry that you buy at each of the following types of stores has changed, if at all?

Source: Shugoll Research and Midan Marketing Consumer Research, January 2009.

Changes in Frequency of Shopping for Meat and Poultry

For the majority of consumers, meat and poultry purchases have increased or remained the same

Degree To Which Percentage Of Weekly Grocery Purchases For Meat And Poultry Has Changed

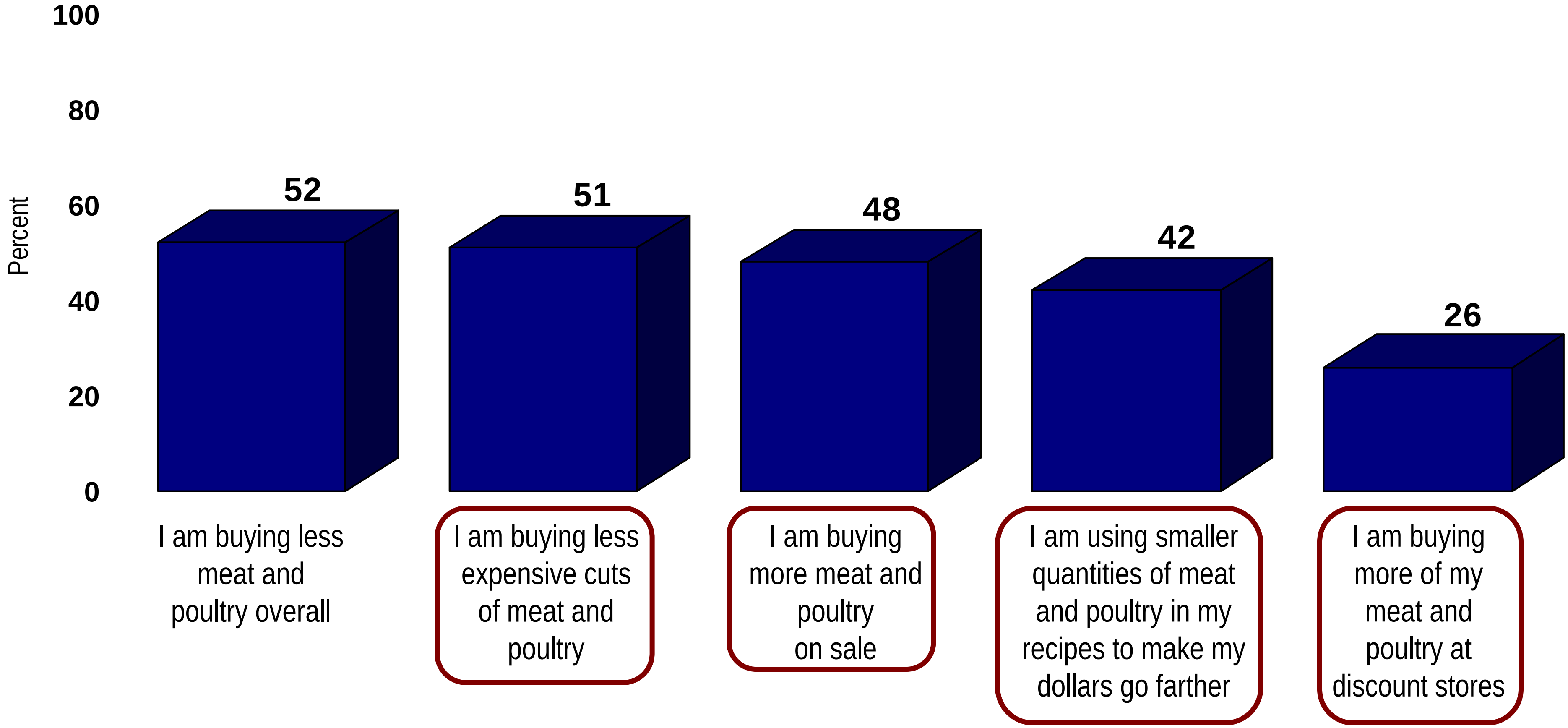


Q.12b: Would you say that the percentage that you are spending on fresh meat and poultry for your household each week has:

Source: Shugoll Research and Midan Marketing Consumer Research, January 2009.

Nonetheless, it is important to pay attention to those whose purchases have decreased and why

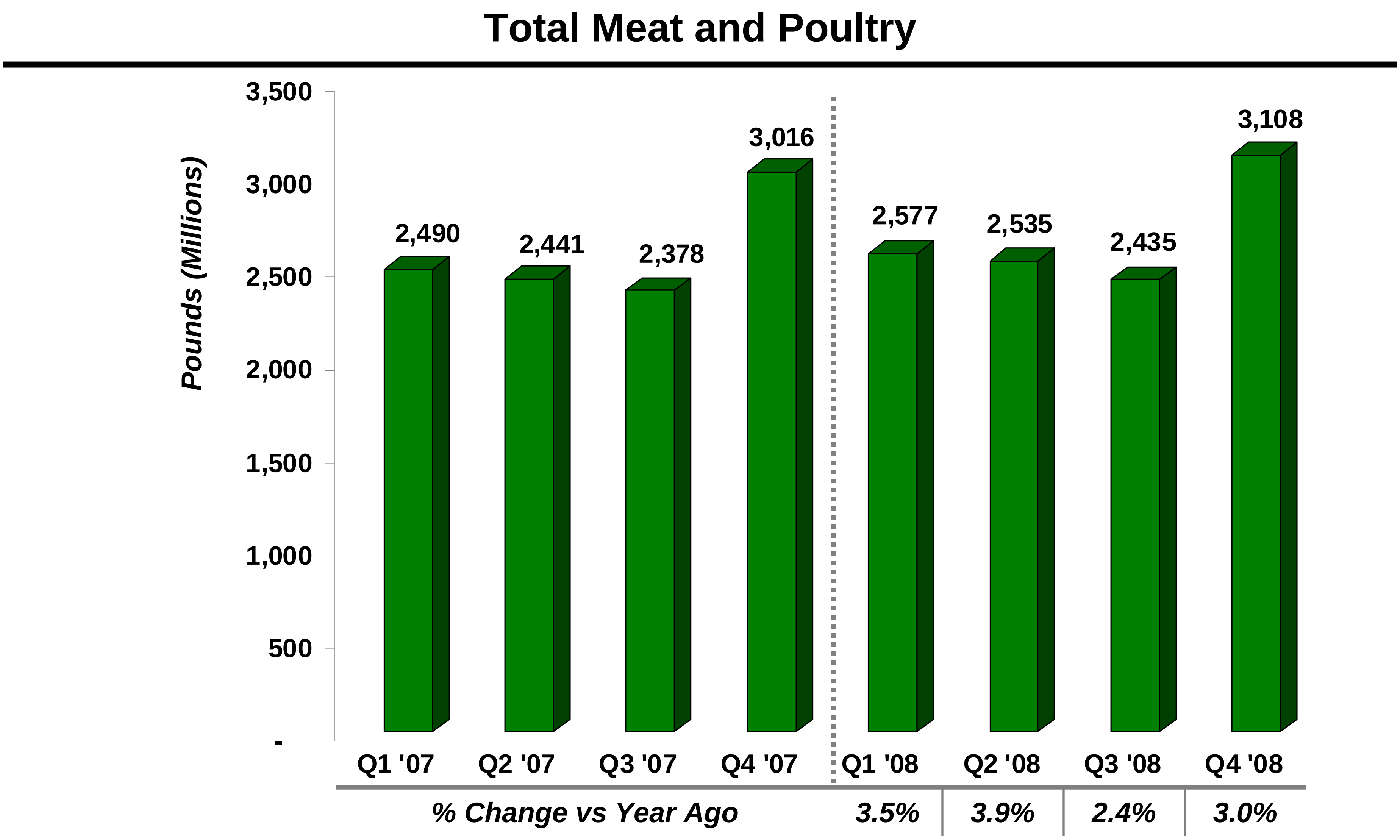
Reasons Given for Decrease in Weekly Purchases
(Among Those Whose Purchases Have Decreased)



Q.12c: Please indicate below all of the reasons you believe that your spending on fresh meat and poultry each week has decreased.

Source: Shugoll Research and Midan Marketing Consumer Research, January 2009.

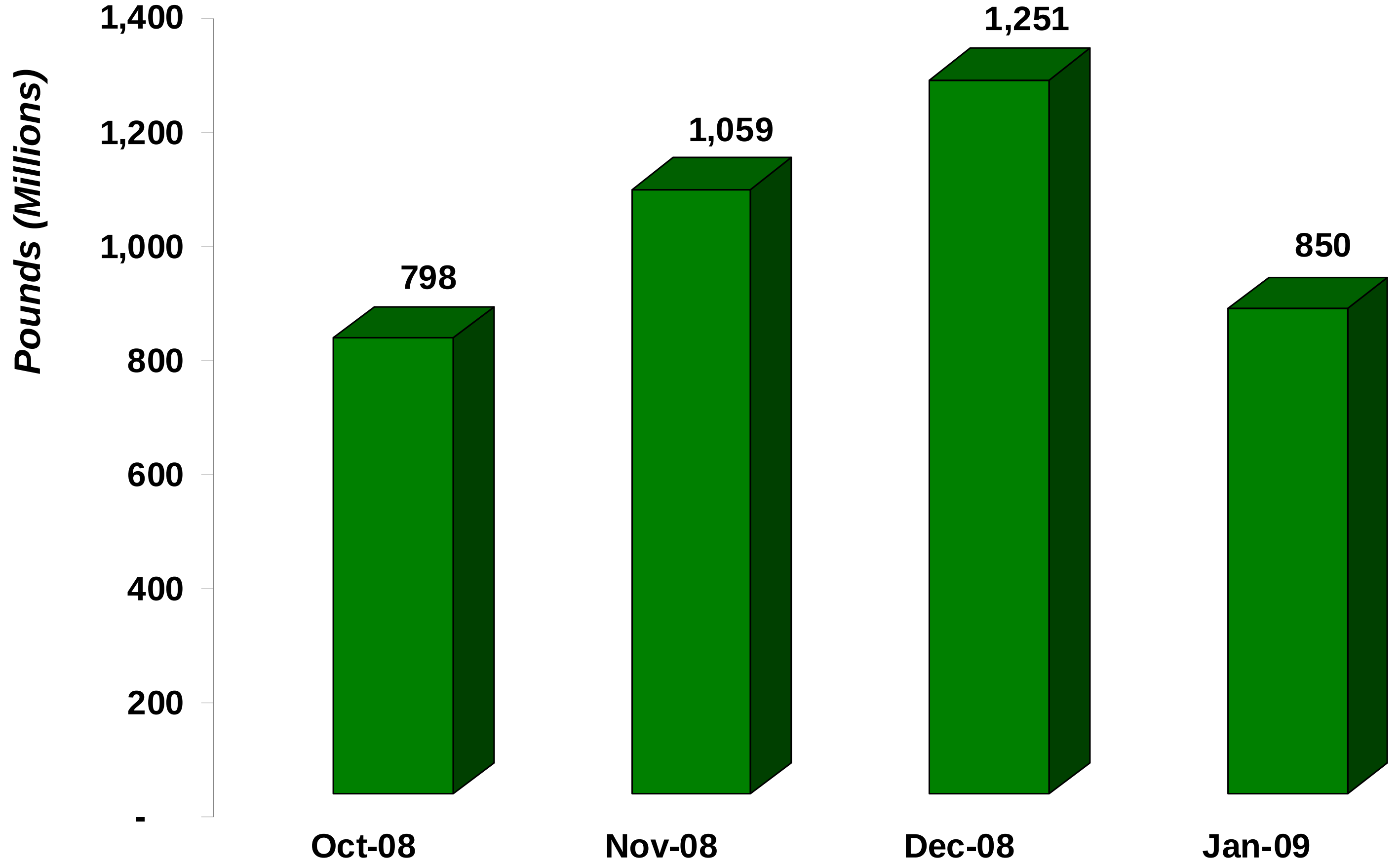
Total meat and poultry pound volume remained strong throughout 2008



Source: FreshLook Marketing.

Total meat and poultry sales were strong through January 2009

Total Meat and Poultry - *Most Recent Four Months*

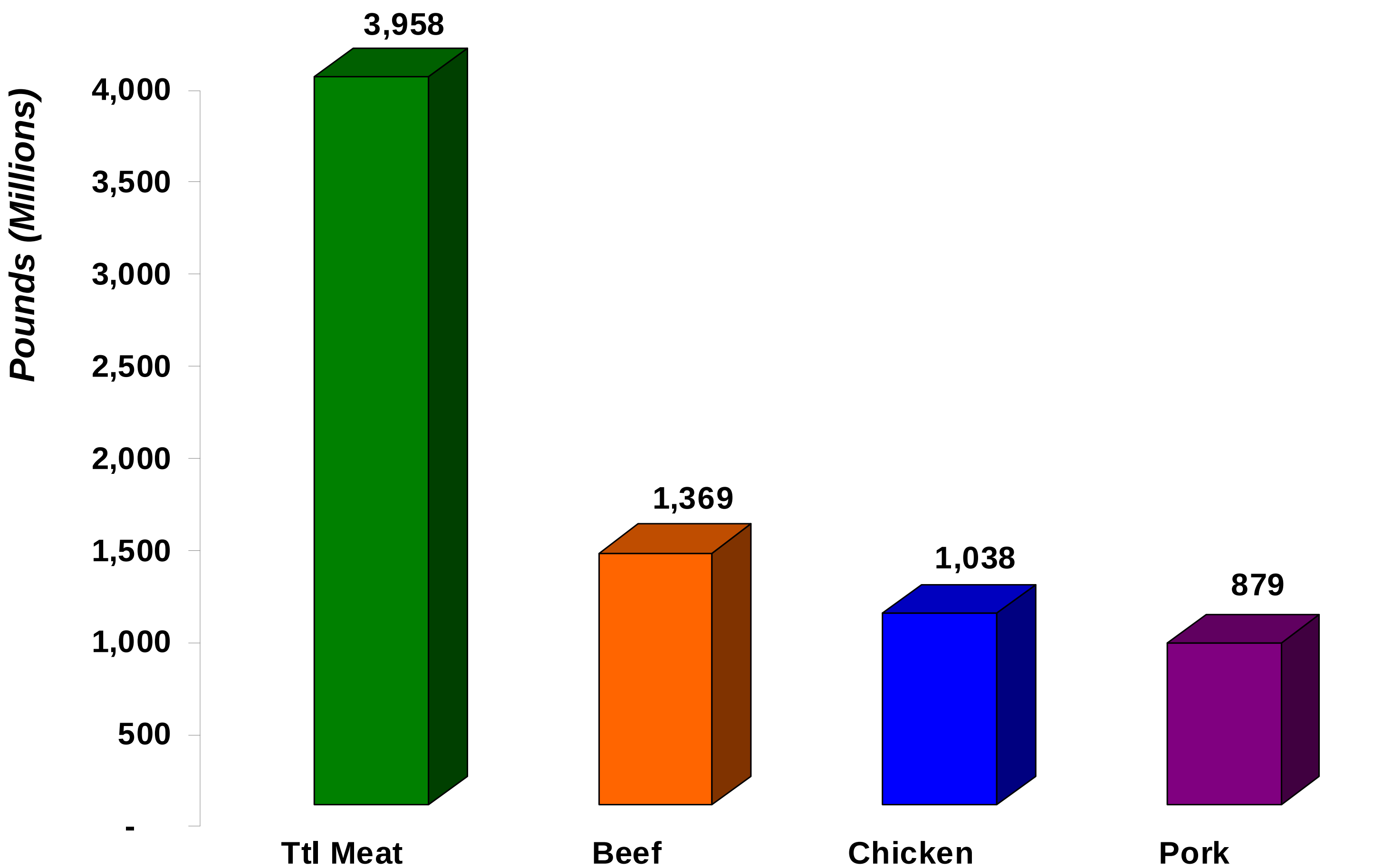


% Change vs Year Ago	*7.1%*	*-9.0%*	*12.9%*	*6.2%*

Source: FreshLook Marketing.

The top three proteins all showed growth in volume during most recent four months

Total Meat and Poultry - *Four Month Aggregate*

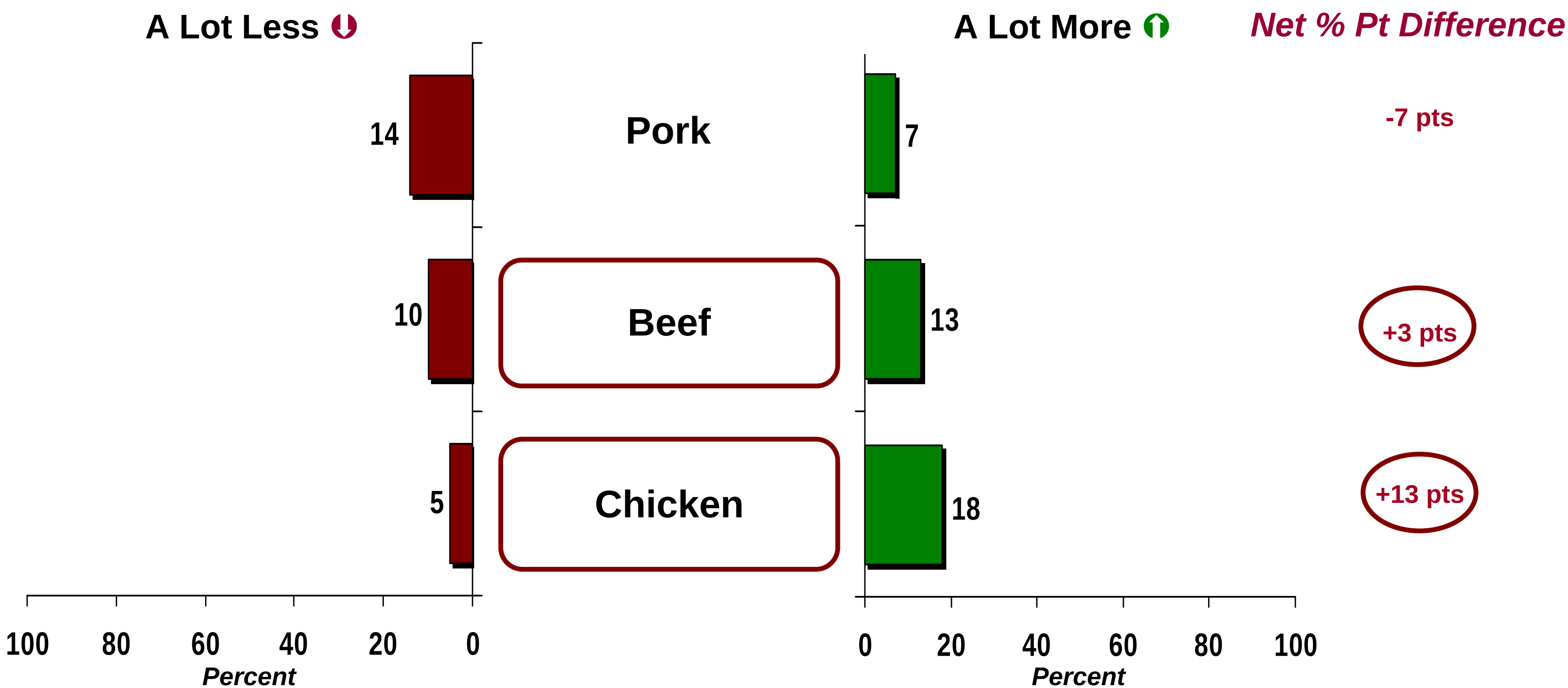


	Ttl Meat	Beef	Chicken	Pork
% Change vs Year Ago	*3.5%*	*3.9%*	*2.4%*	*3.0%*

Source: FreshLook Marketing, 4 month aggregate is comprised of Oct 2008 through Jan 2009.

Chicken has been the biggest winner in the battle for consumers

Change In Frequency Of Purchasing Types Of Meat and Poultry

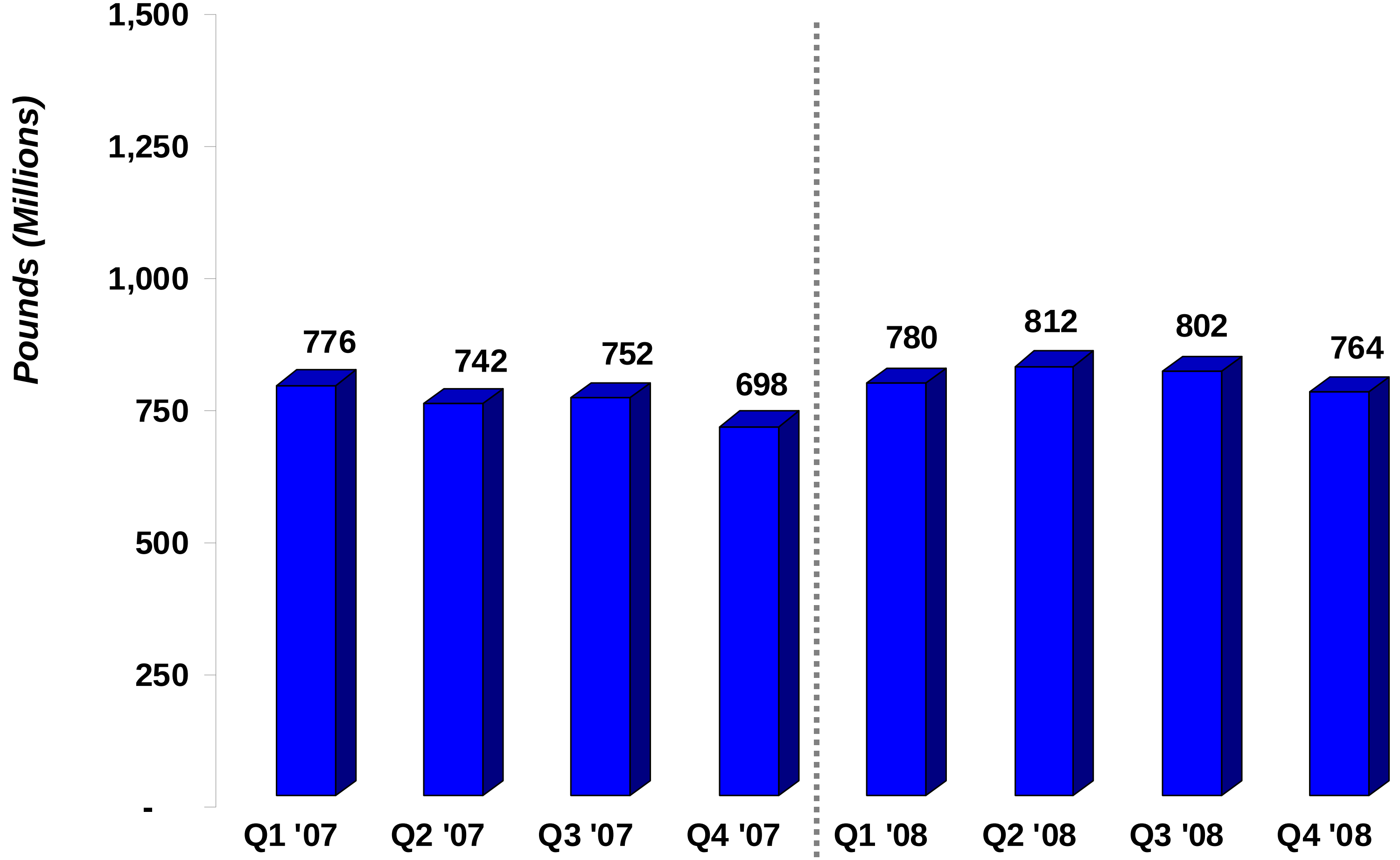


Q.8: Compared to a year ago, do you purchase the following a lot more, a lot less, or has there been no change?

Source: Shugoll Research and Midan Marketing Consumer Research, January 2009.

Chicken's share of fresh meat and poultry and its total pounds have increased

Total Chicken

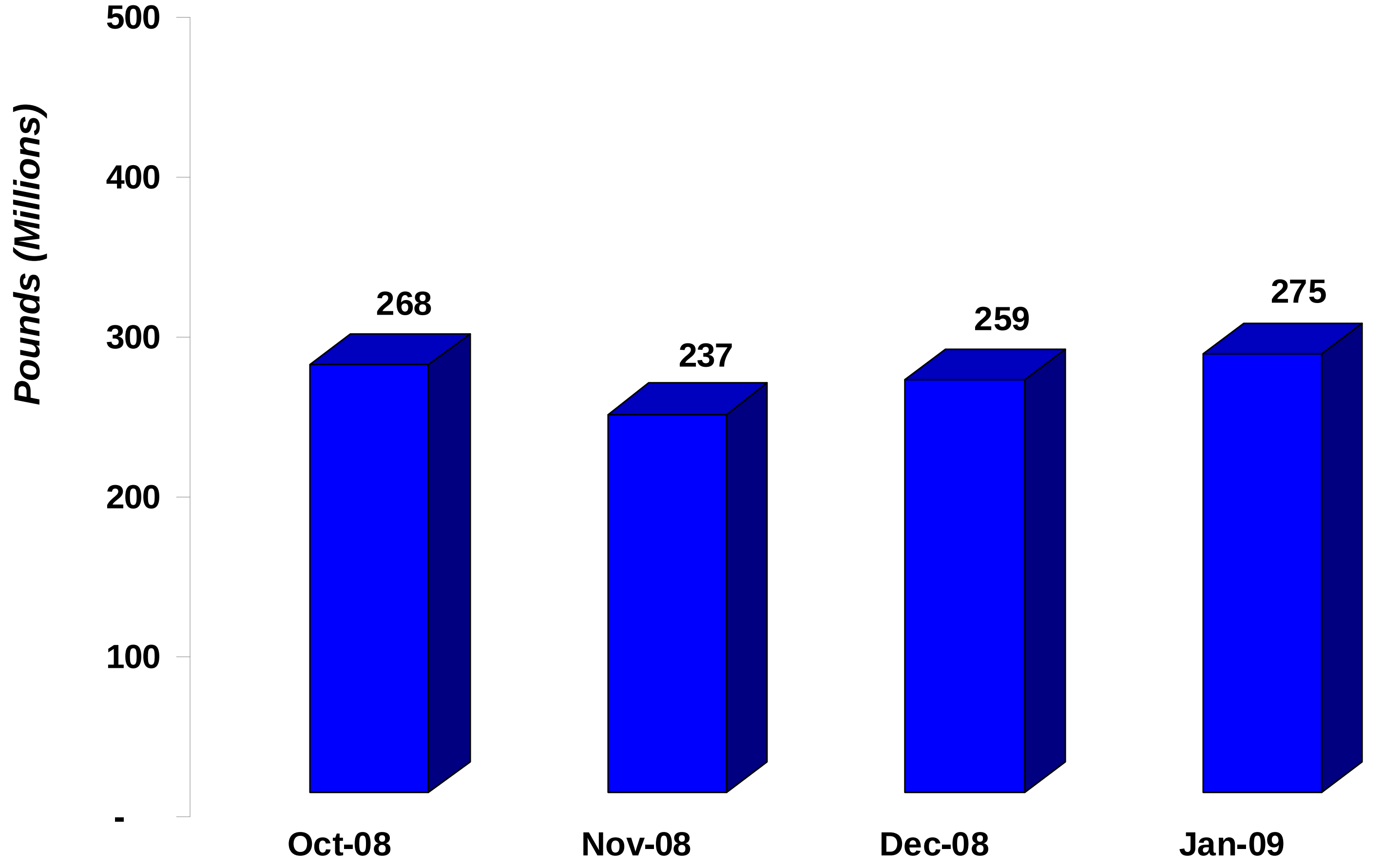


% Change vs Year Ago		*0.5%*	*9.5%*	*6.7%*	*9.4%*
Percentage of Total Meat	2007: 28.7%	2008: 29.6%			

Source: FreshLook Marketing.

Chicken pounds up double digit percentages in October and November

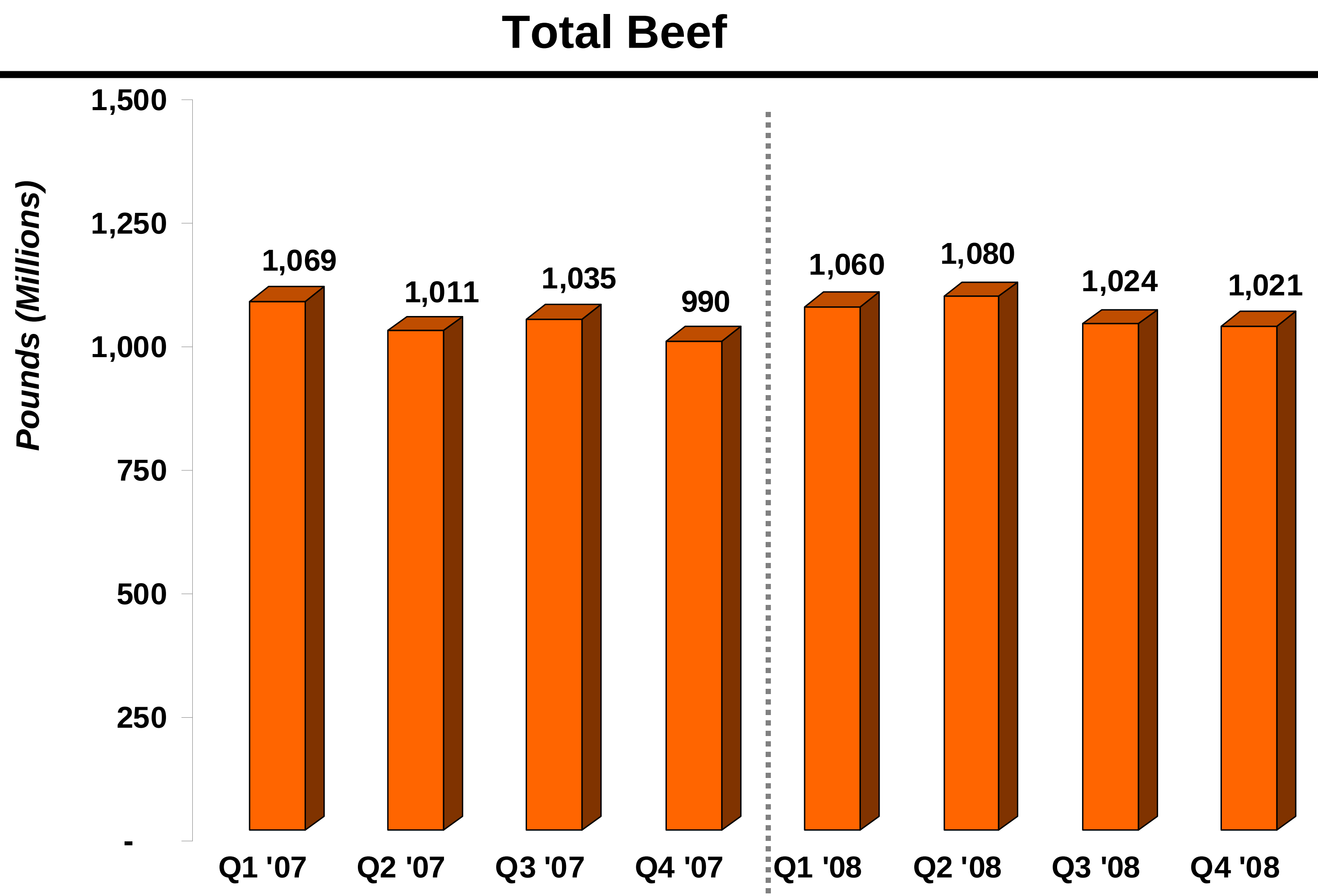
Total Chicken - *Most Recent Four Months*



% Change vs Year Ago	*15.2%*	*18.1%*	*-2.2%*	*7.3%*

Source: FreshLook Marketing.

While beef's share of pounds were down slightly, total pounds remain strong

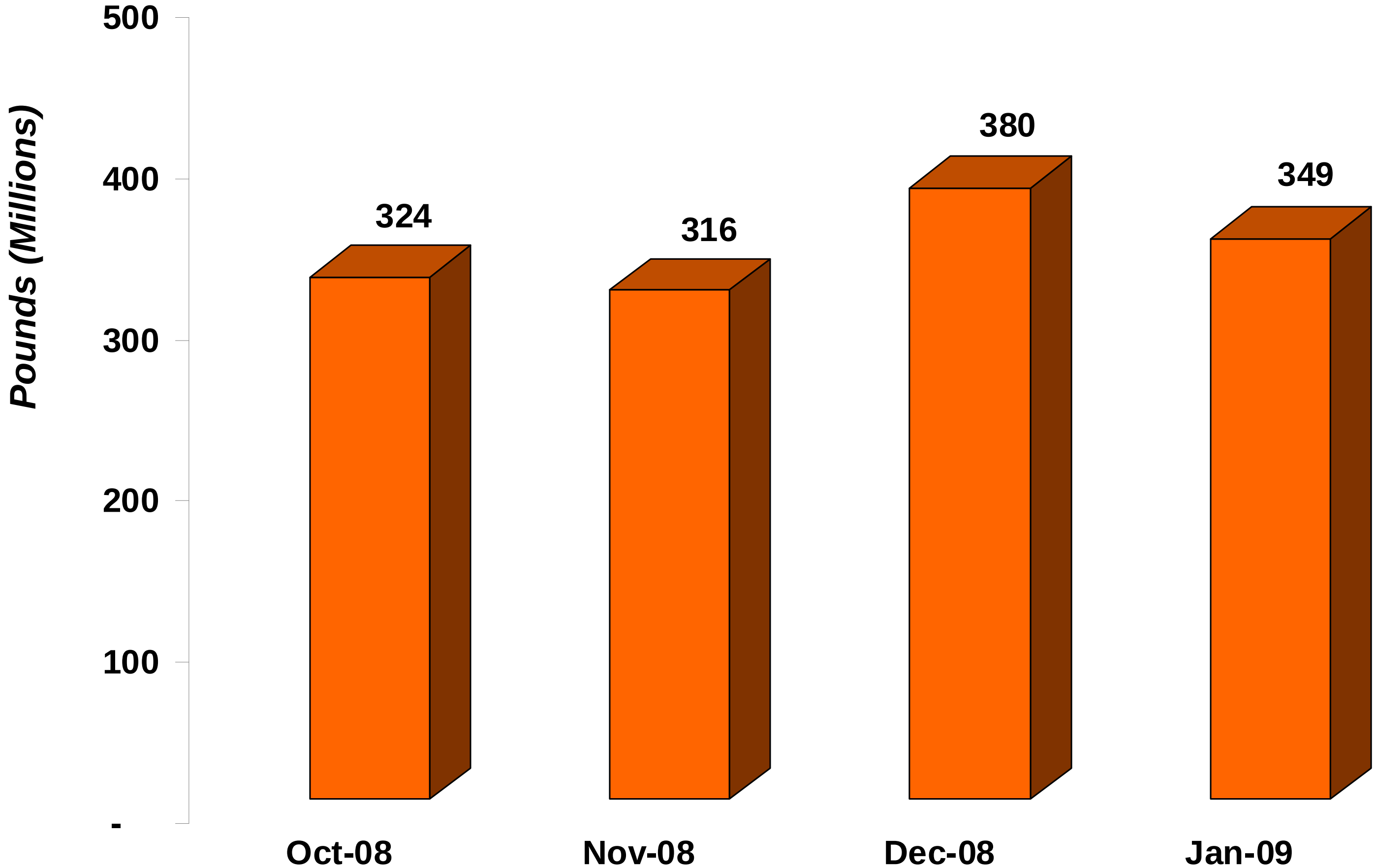


% Change vs Year Ago		*-0.9%*	*6.8%*	*-1.0%*	*3.2%*
Percentage of Total Meat	2007: 39.8%	2008: 39.3%			

Source: FreshLook Marketing.

Beef's total pounds have held strong even in the most recent four months

Total Beef - *Most Recent Four Months*

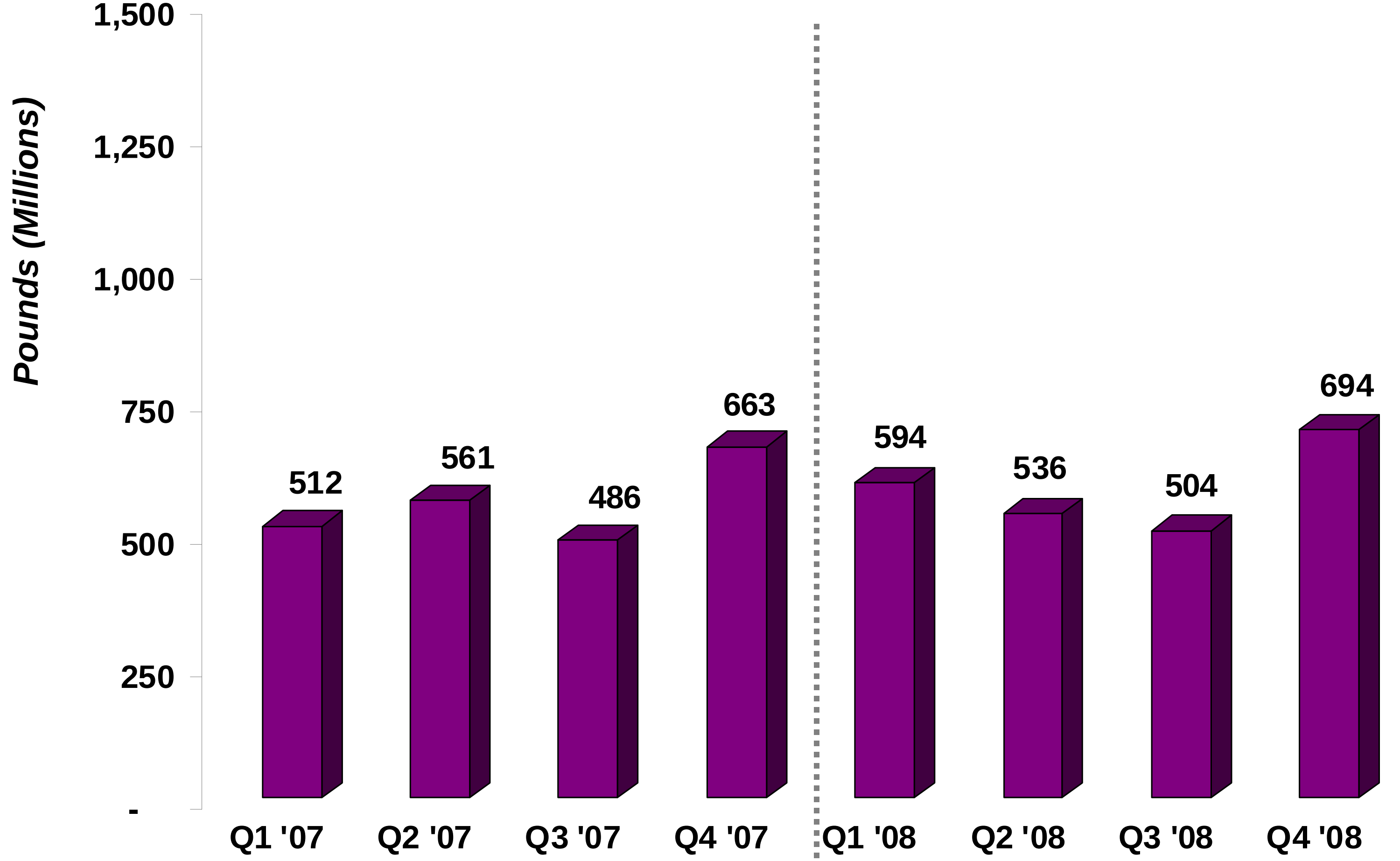


	Oct-08	Nov-08	Dec-08	Jan-09
% Change vs Year Ago	*3.5%*	*11.7%*	*-3.2%*	*3.8%*

Source: FreshLook Marketing.

Pork's share and total volume also remain strong

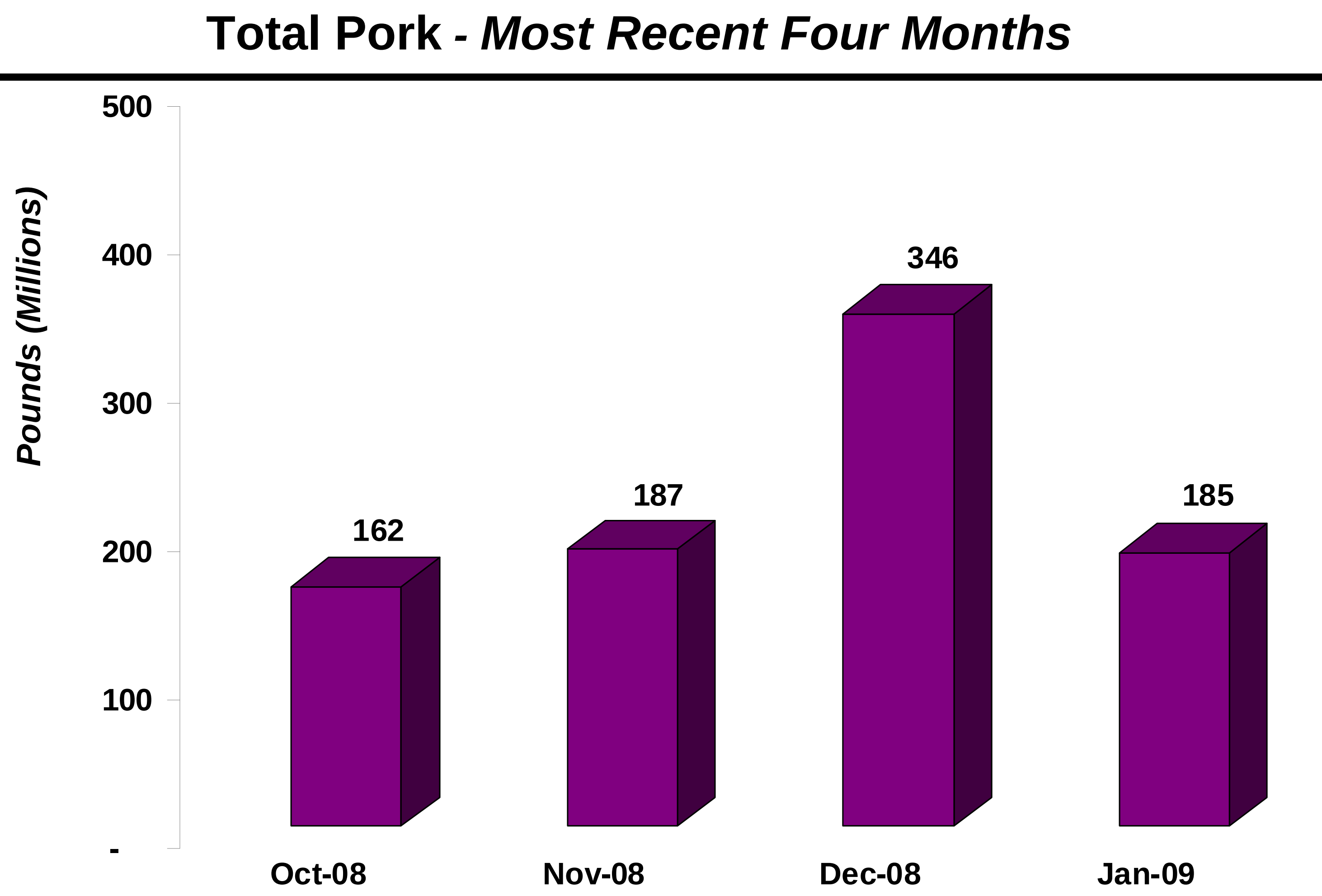
Total Pork



% Change vs Year Ago					*16.0%*	*-4.5%*	*3.7%*	*4.8%*
Percentage of Total Meat	2007: 21.5%				2008: 21.8%			

Source: FreshLook Marketing.

Pork's pound volume continues to show strength even in most recent four months



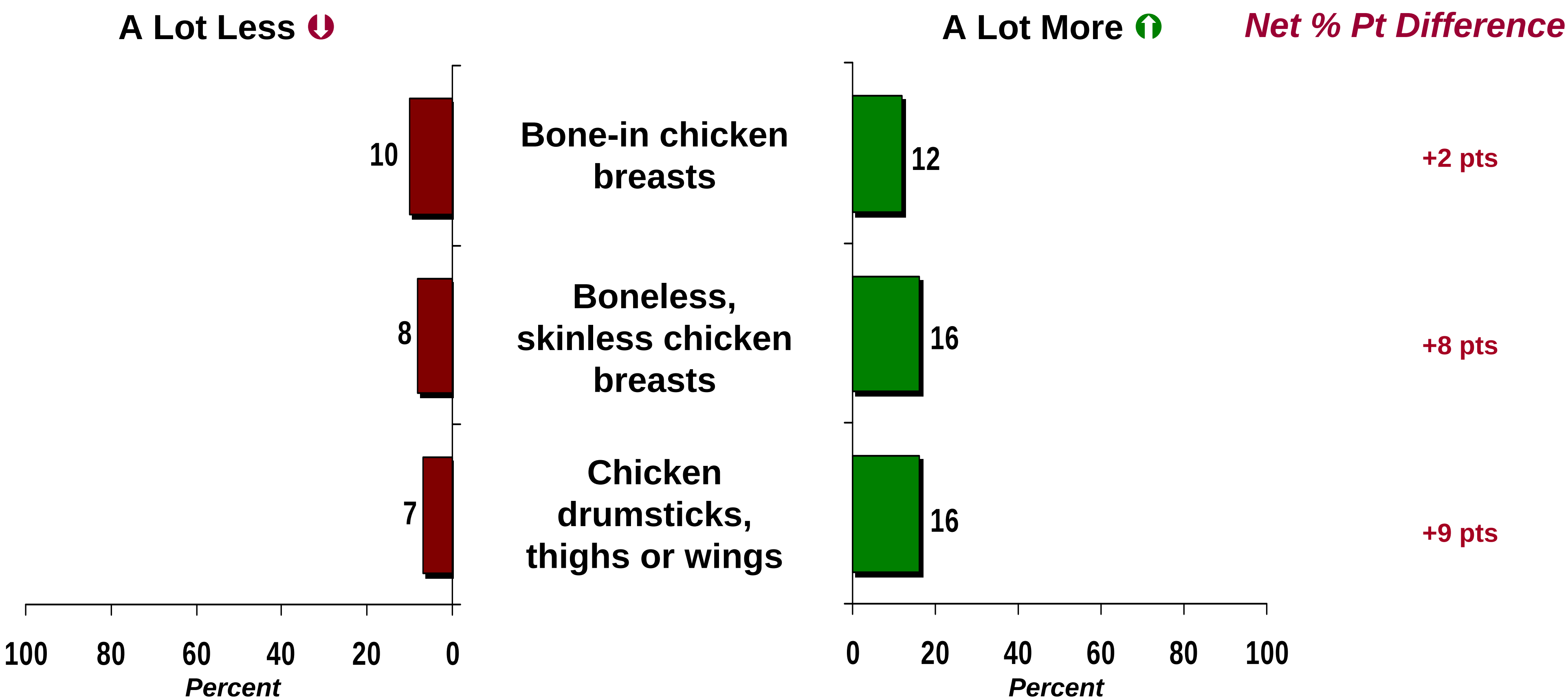
% Change vs Year Ago	5.4%	-3.1%	9.3%	8.7%

Source: FreshLook Marketing.

Impact On Specific Meat Cuts and Poultry Parts

According to consumers, they are preparing all chicken parts more frequently

Change In Frequency In Preparing Various Chicken Parts

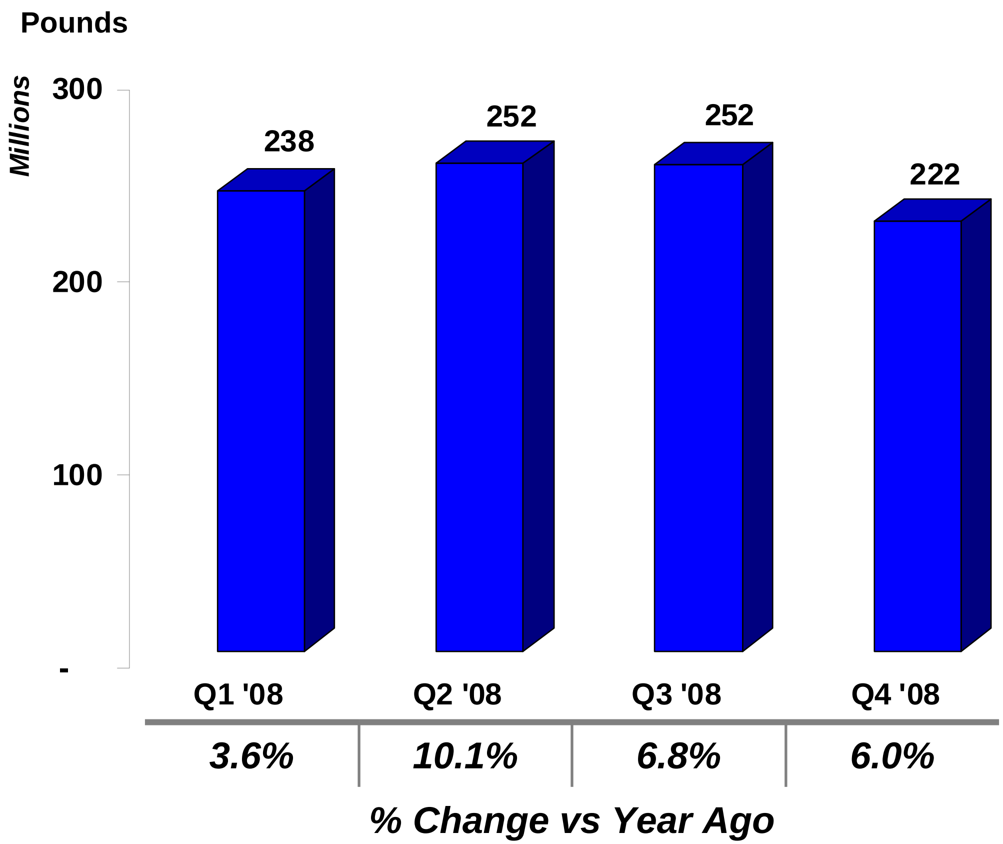


Q.9: Think about all meal occasions including breakfast, lunch, dinner or snacks where the items below are prepared as an entrée or as an ingredient in soup, casserole, spaghetti, etc. Compared to a year ago, how would you say the number of meals you prepare with the following types of meat and poultry has changed?

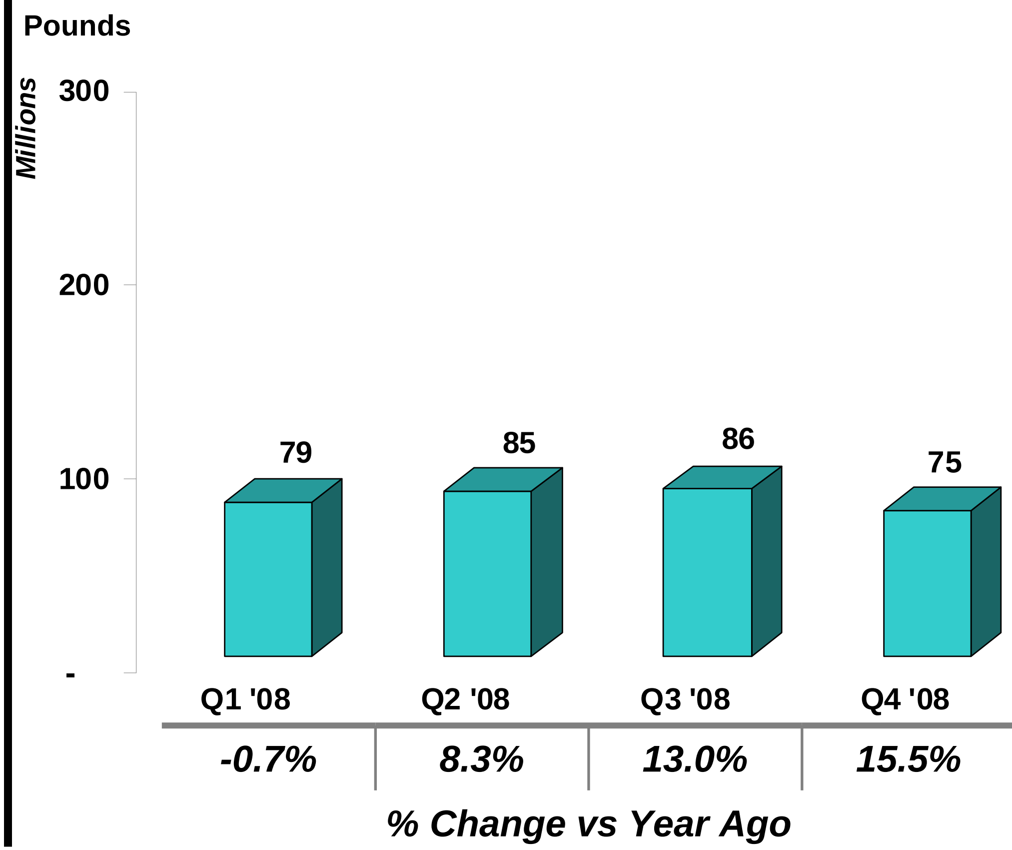
Source: Shugoll Research and Midan Marketing Consumer Research, January 2009.

Chicken breasts experienced growth during a majority of 2008

Boneless Chicken Breast



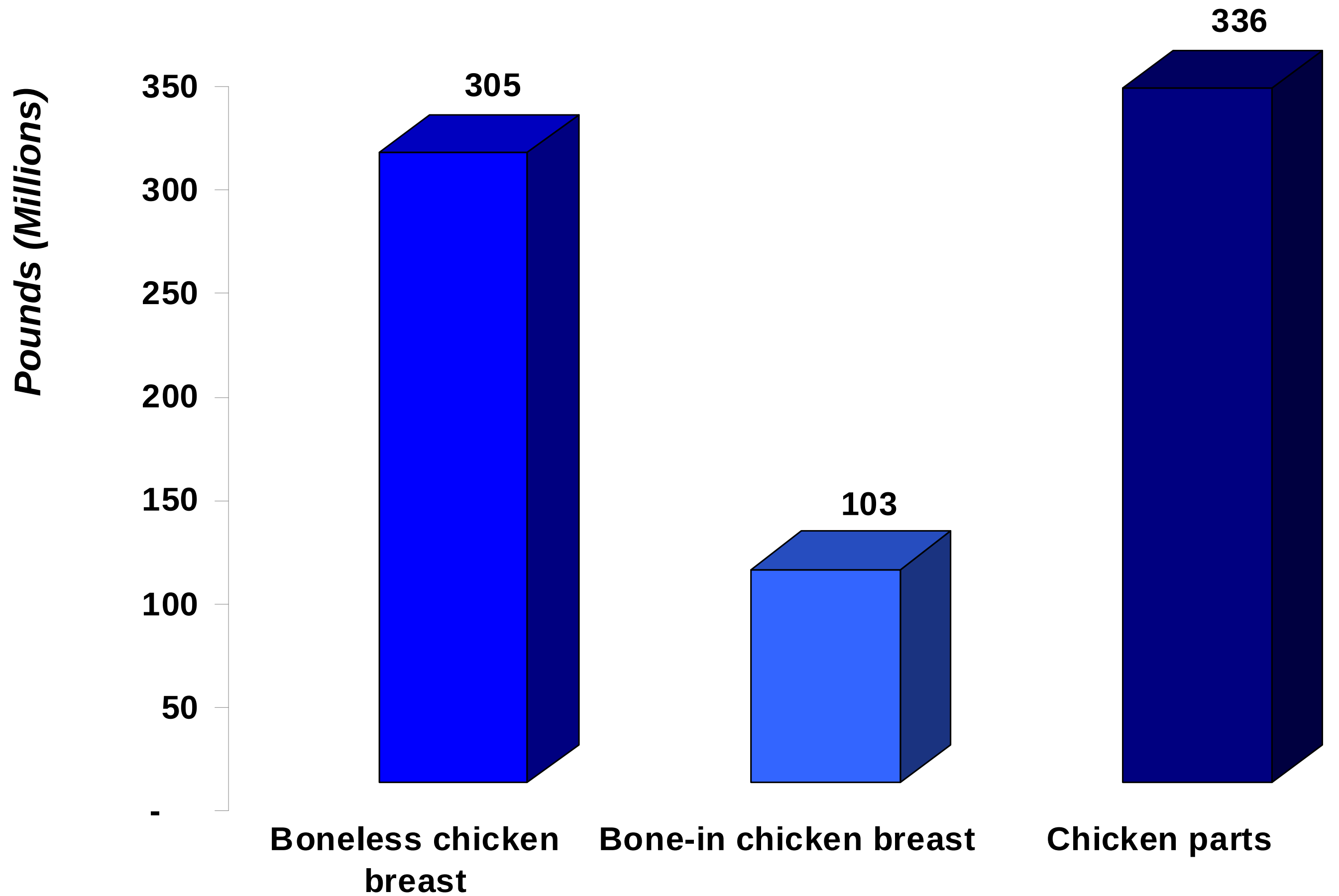
Bone-In Chicken Breast



Source: FreshLook Marketing.

Lower priced chicken items are growing at a faster rate

Chicken - *Four Month Aggregate*



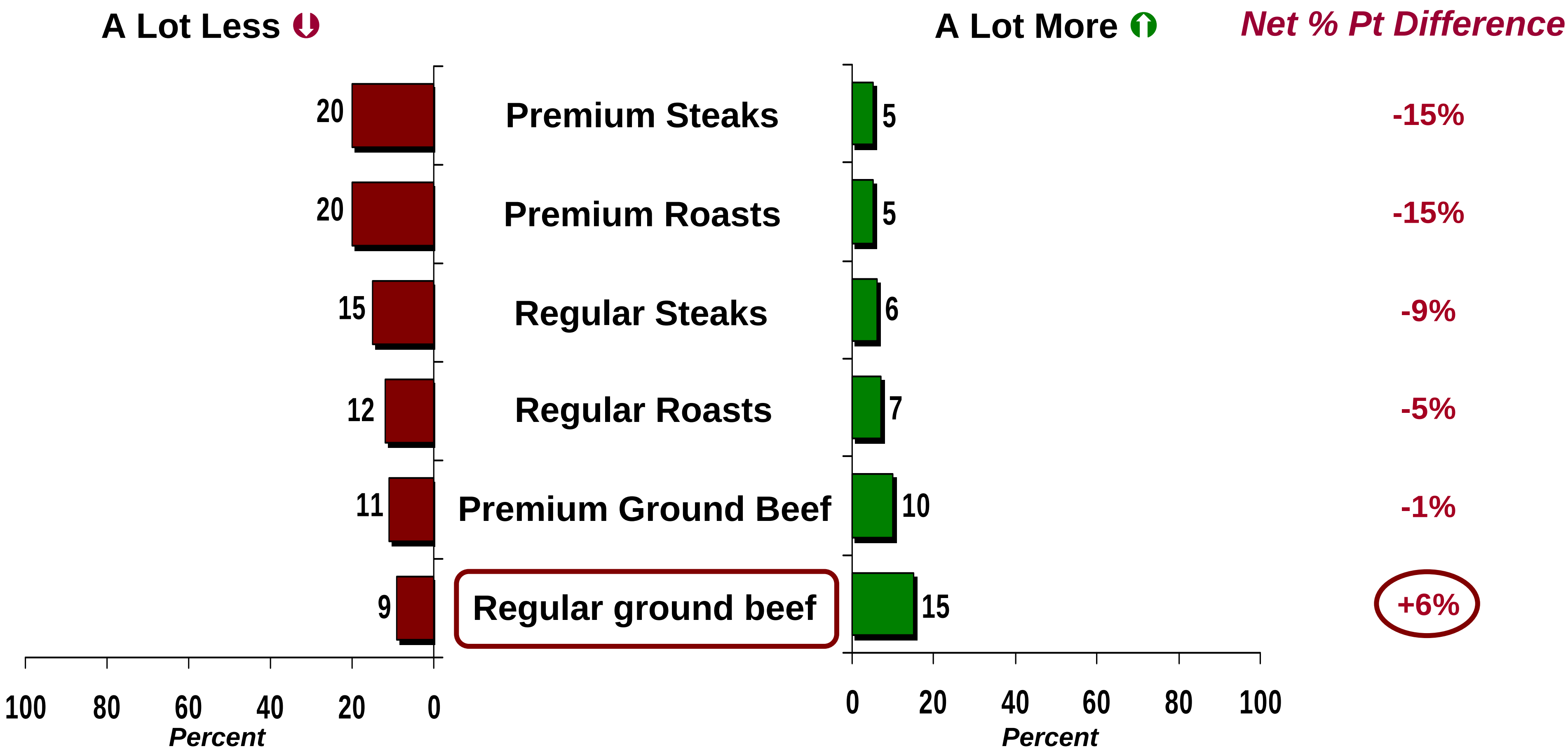
% Change vs Year Ago	*5.0%*	*12.0%*	*11.6%*

Note: Chicken parts is comprised of Drumsticks, Drumettes, Leg Quarters, Poultry Leg, Thighs, and Wings.

Source: FreshLook Marketing, 4 month aggregate is comprised of Oct 2008 through Jan 2009.

Regular ground beef is the big winner, with premium steaks and roasts losing out

Change In Frequency In Preparing Various Cuts Of Beef



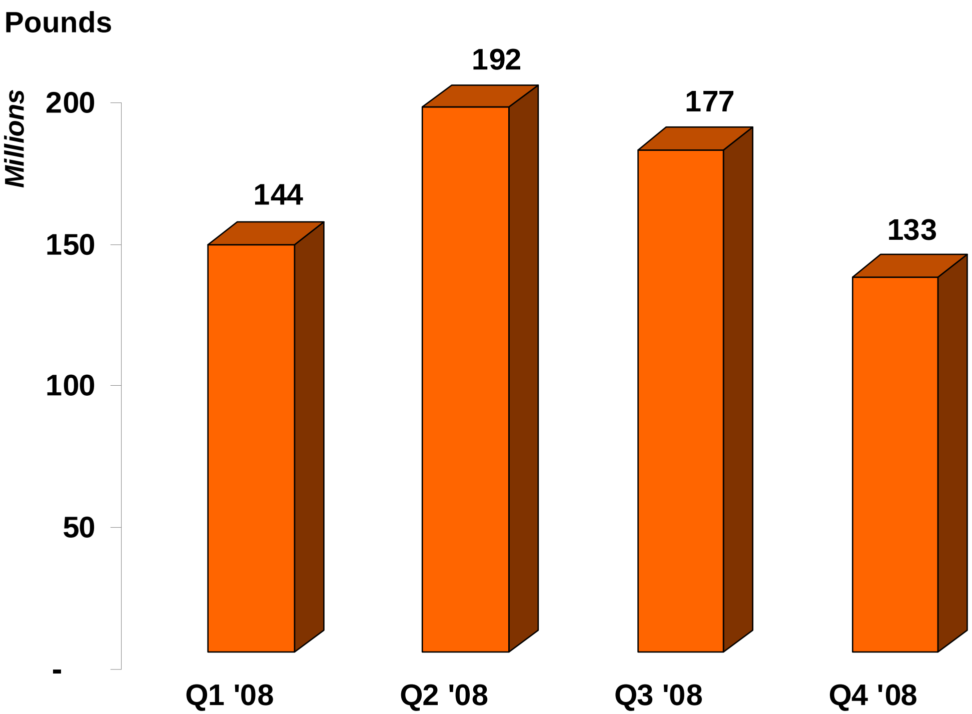
Q.9: Think about all meal occasions including breakfast, lunch, dinner or snacks where the items below are prepared as an entrée or as an ingredient in soup, casserole, spaghetti, etc. Compared to a year ago, how would you say the number of meals you prepare with the following types of meat and poultry has changed?

Source: Shugoll Research and Midan Marketing Consumer Research, January 2009.

Consumer and data research diverge

Premium steaks are experiencing more growth than regular steaks

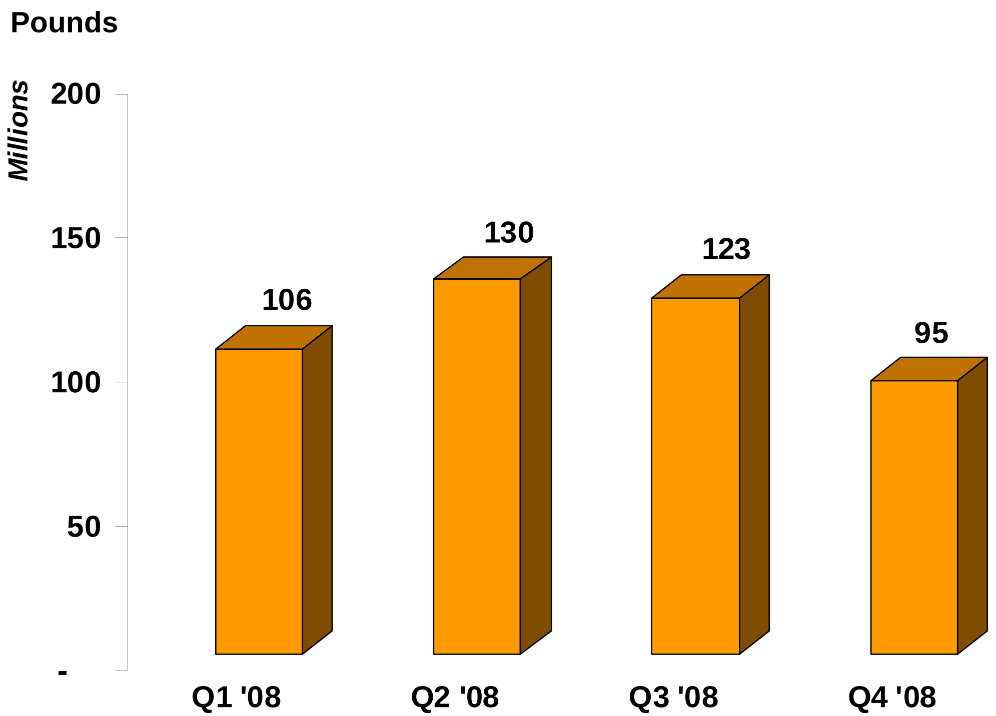
Premium Beef Steaks



0.2%	16.7%	-0.6%	2.2%

% Change vs Year Ago

Regular Beef Steaks



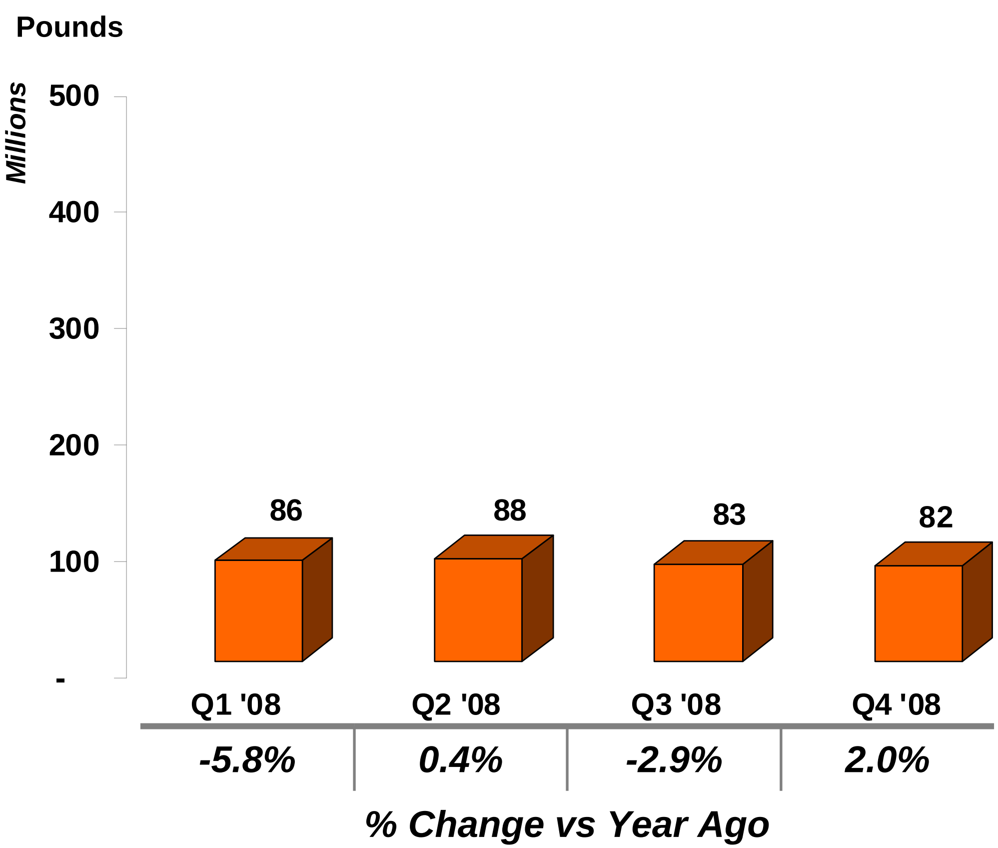
-2.8%	3.6%	-3.9%	0.1%

% Change vs Year Ago

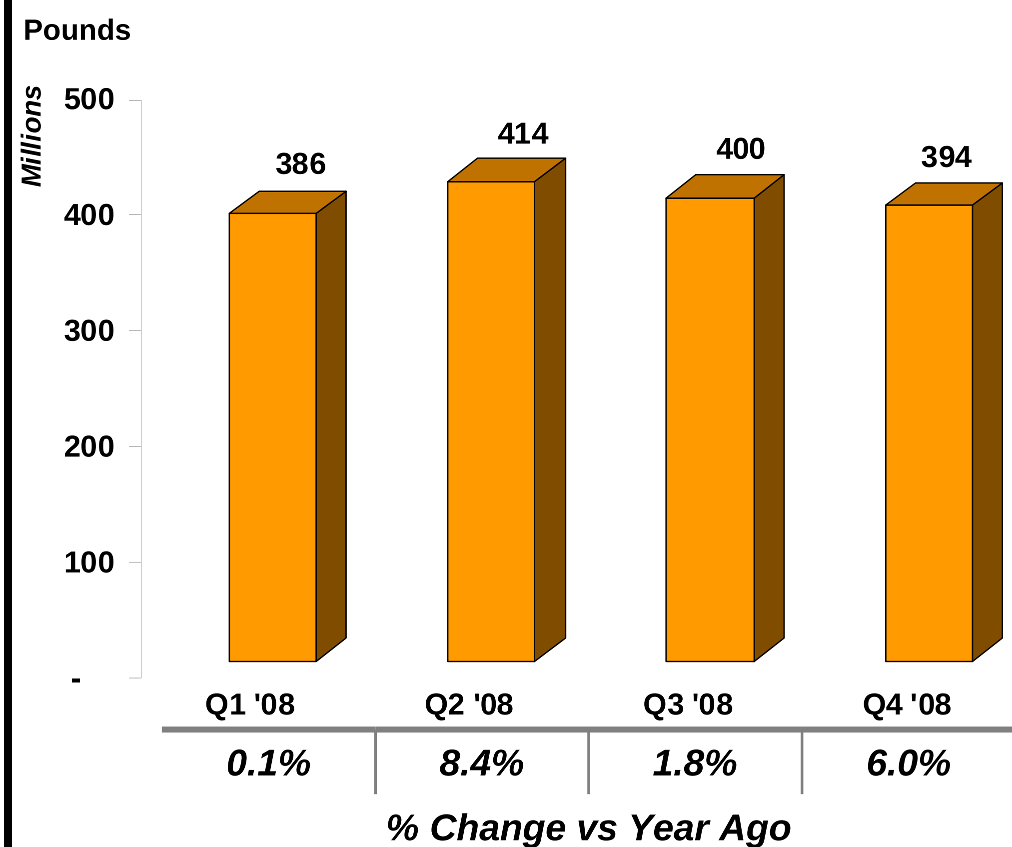
Source: FreshLook Marketing.

Regular ground beef has experienced strong increases throughout 2008

Premium Ground Beef



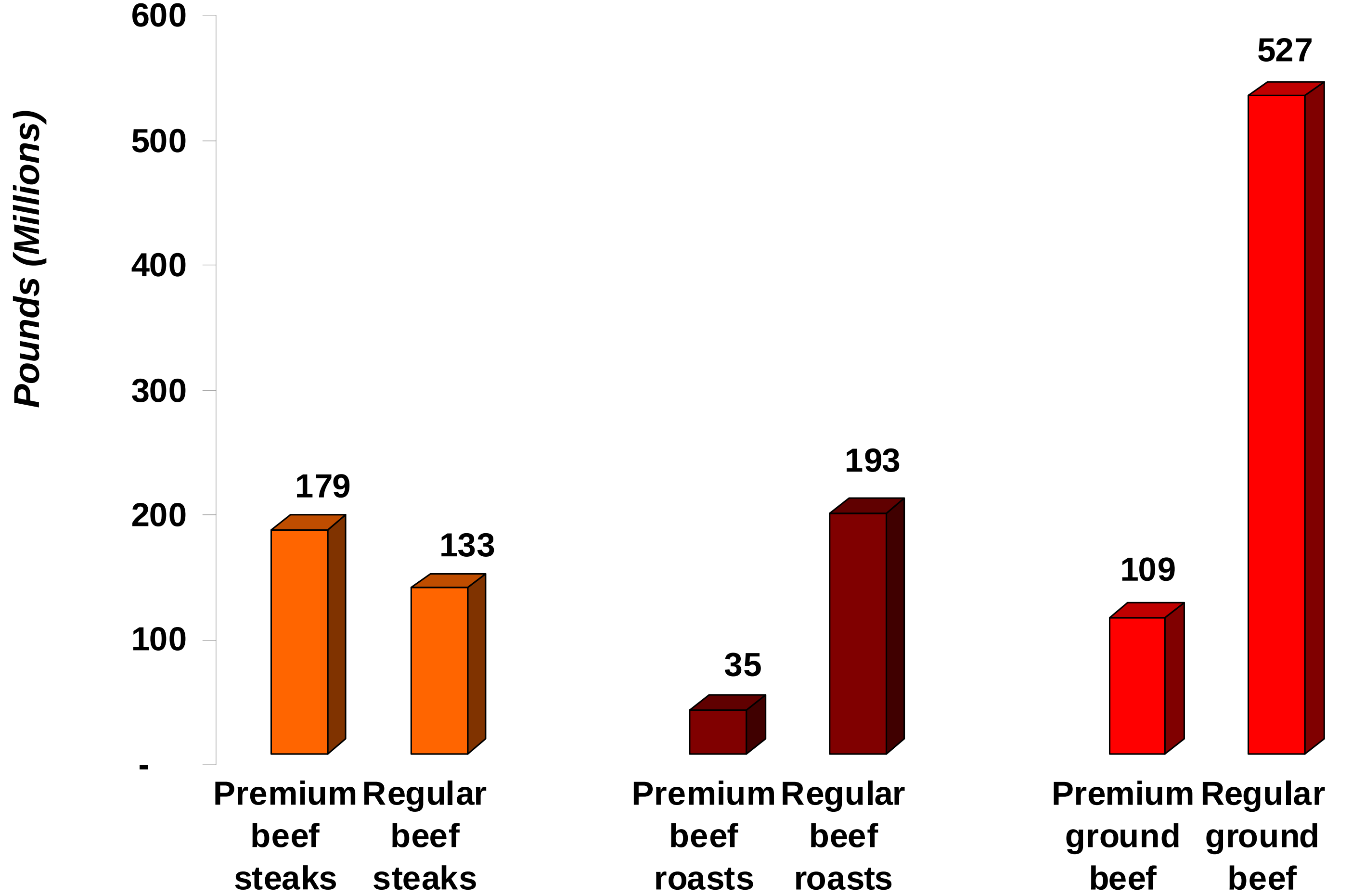
Regular Ground Beef



Source: FreshLook Marketing.

Regular ground beef continues to provide strength in beef volume

Beef - *Four Month Aggregate*

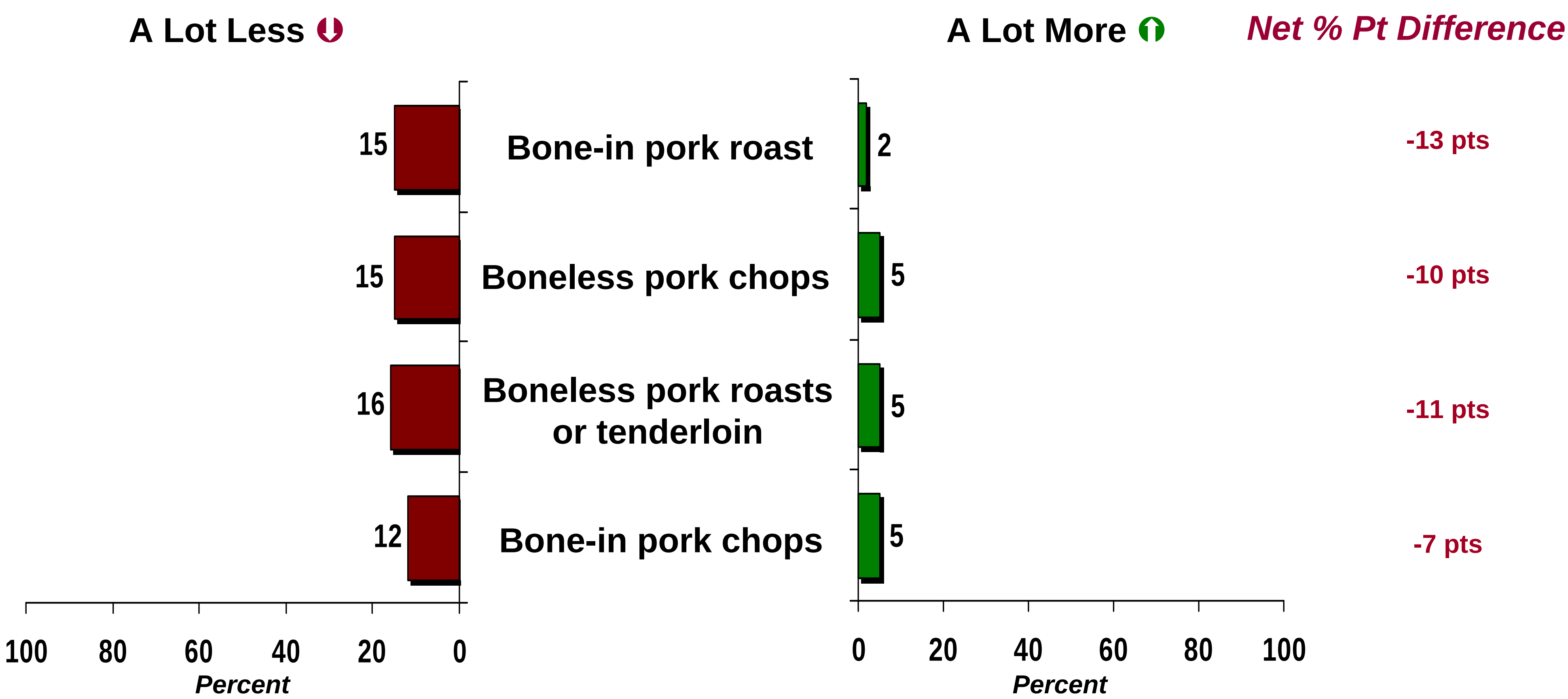


	Premium beef steaks	Regular beef steaks	Premium beef roasts	Regular beef roasts	Premium ground beef	Regular ground beef
% Change vs Year Ago	*4.7%*	*-1.0%*	*-1.7%*	*0.9%*	*0.8%*	*6.1%*

Source: FreshLook Marketing, 4 month aggregate is comprised of Oct 2008 through Jan 2009.

According to consumers, all pork cuts are being prepared less frequently

Frequency Of Preparing Various Cuts Of Pork

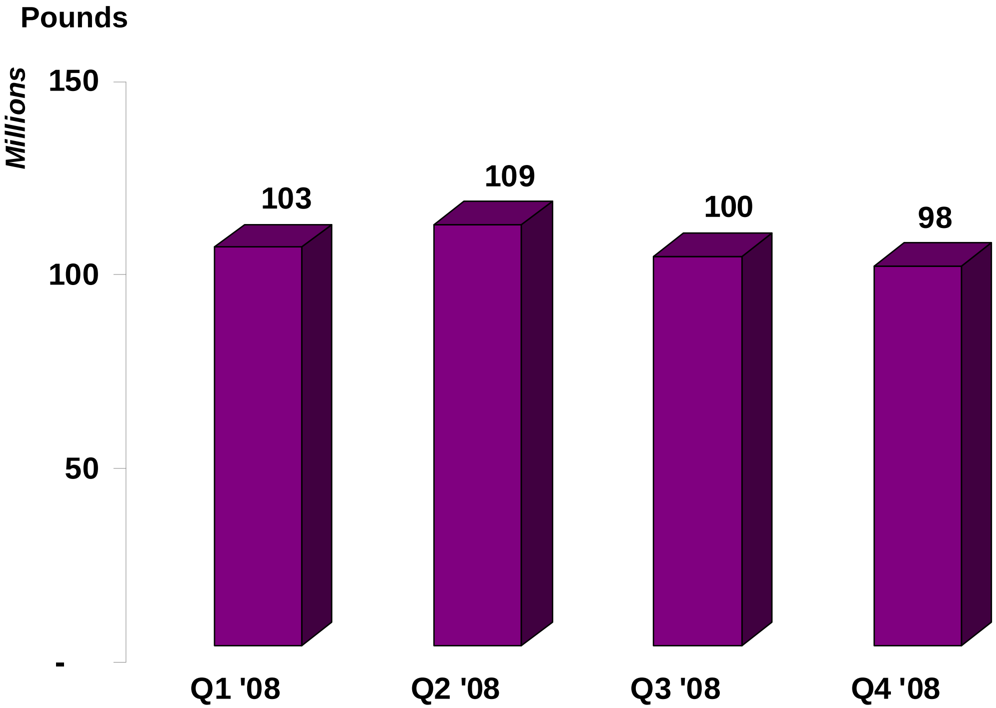


Q.9: Think about all meal occasions including breakfast, lunch, dinner or snacks where the items below are prepared as an entrée or as an ingredient in soup, casserole, spaghetti, etc. Compared to a year ago, how would you say the number of meals you prepare with the following types of meat and poultry has changed?

Source: Shugoll Research and Midan Marketing Consumer Research, January 2009.

Pork chop pound volume was strong for all categories in 2008

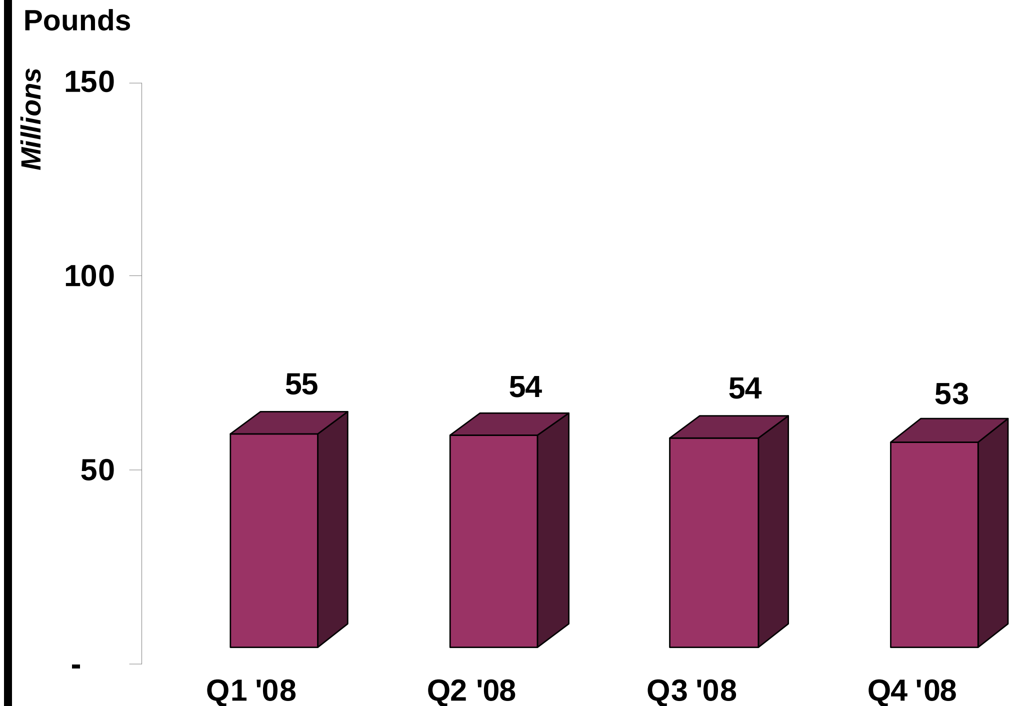
Pork Chops Bone-In



-1.6%	*14.6%*	*3.7%*	*3.2%*

% Change vs Year Ago

Pork Chops Boneless



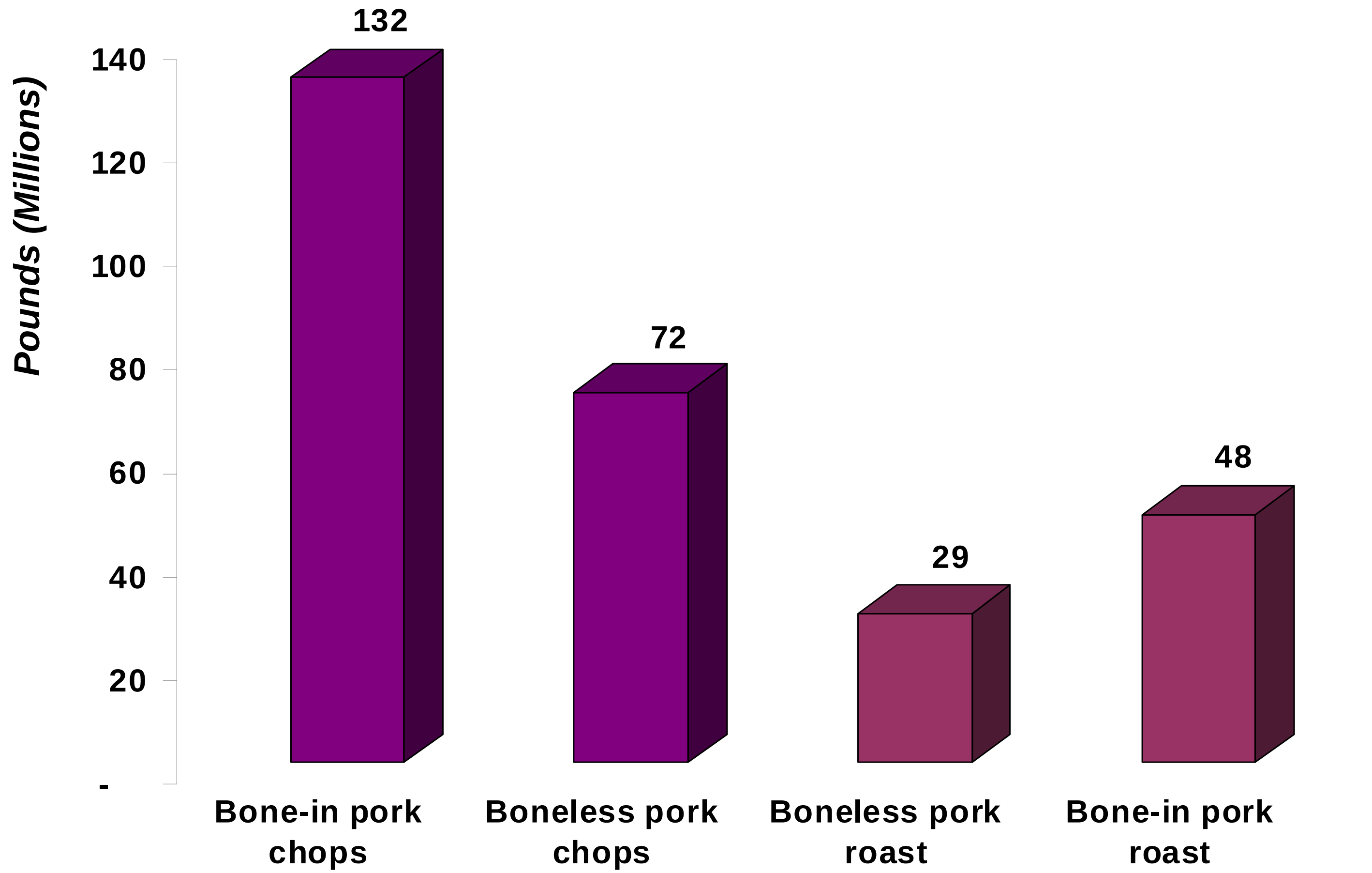
0.8%	*6.1%*	*0.8%*	*4.5%*

% Change vs Year Ago

Source: FreshLook Marketing.

Pork chops and bone-in roasts provided strength in the pork category

Pork - *Four Month Aggregate*



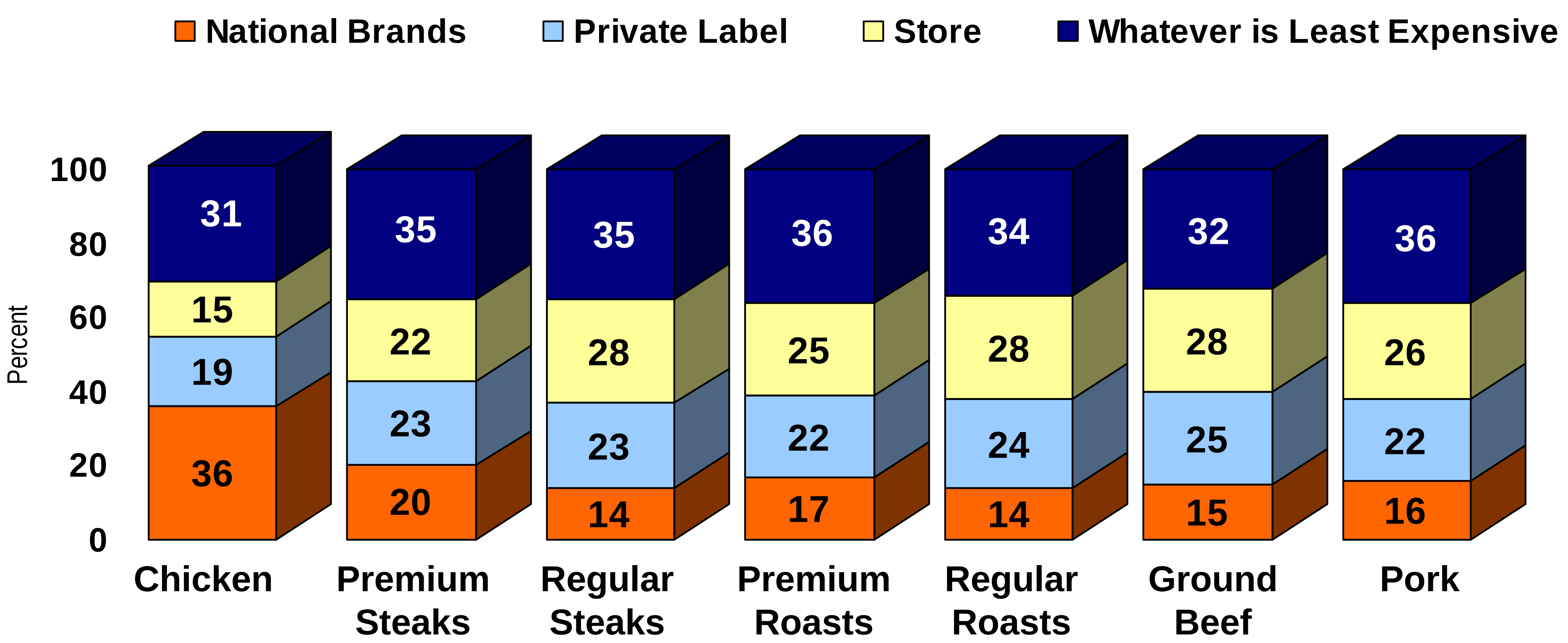
	Bone-in pork chops	Boneless pork chops	Boneless pork roast	Bone-in pork roast
% Change vs Year Ago	*3.5%*	*5.3%*	*-13.6%*	*6.6%*

Source: FreshLook Marketing, 4 month aggregate is comprised of Oct 2008 through Jan 2009.

Impact on Branded and Unbranded Products

Consumers report preference for branded chicken and premium steaks/roasts

Frequency Of Purchasing Branded Meat And Poultry

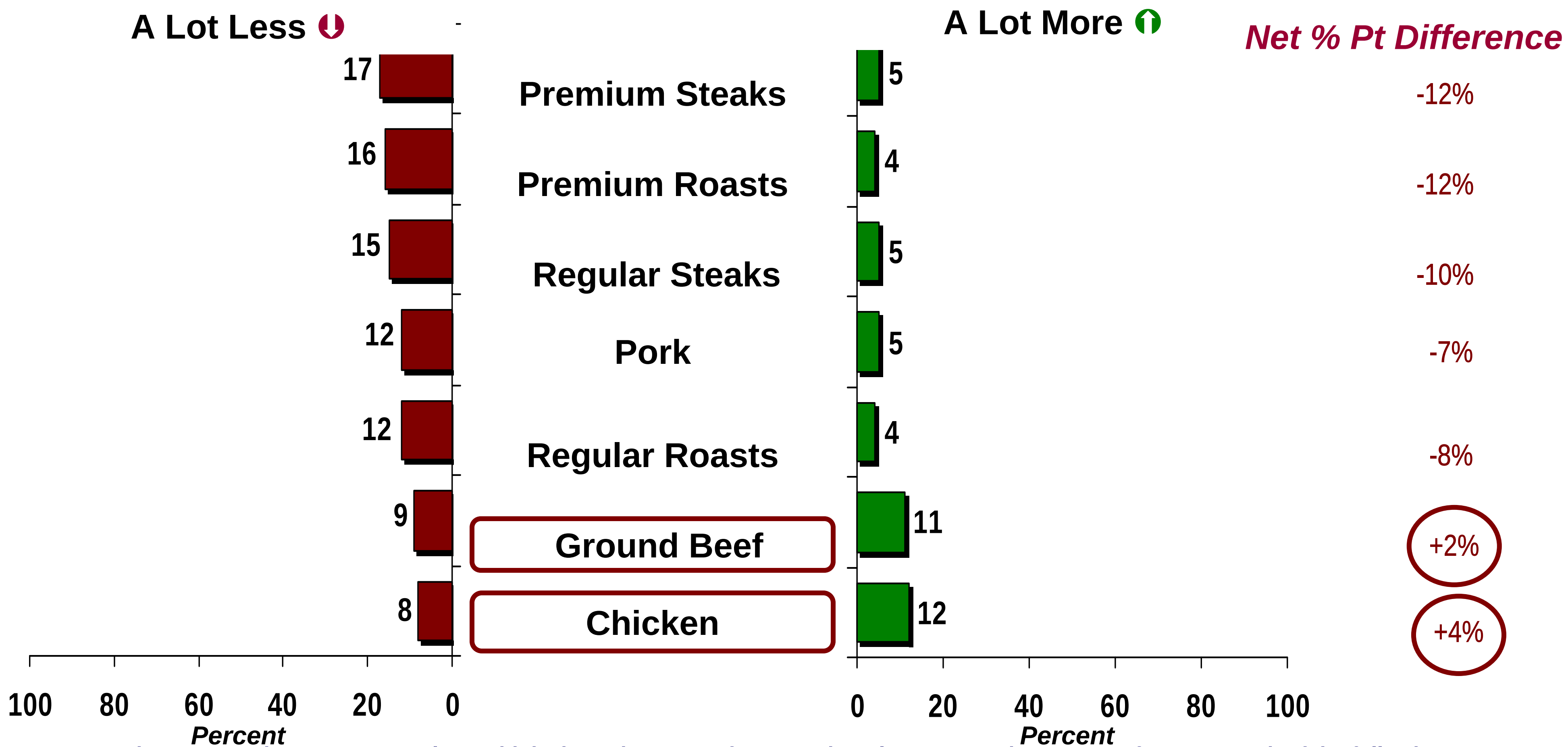


Q.6: Please think about the types of meat and poultry you purchase most often. For each of the following, would you say that you most often purchase national brands, private label brands, store brands, or do you purchase whatever is least expensive?

Source: Shugoll Research and Midan Marketing Consumer Research, January 2009.

According to consumers, only ground beef and chicken are being more frequently purchased as branded products

Change in Frequency of Purchasing Branded Meat and Poultry



Q.10: Again, compared to a year ago, please think about the types of meat and poultry you purchase most often. For each of the following, how would you say that the amount of brand name (national brands or store/private label brands) meat and poultry that you purchase has changed?

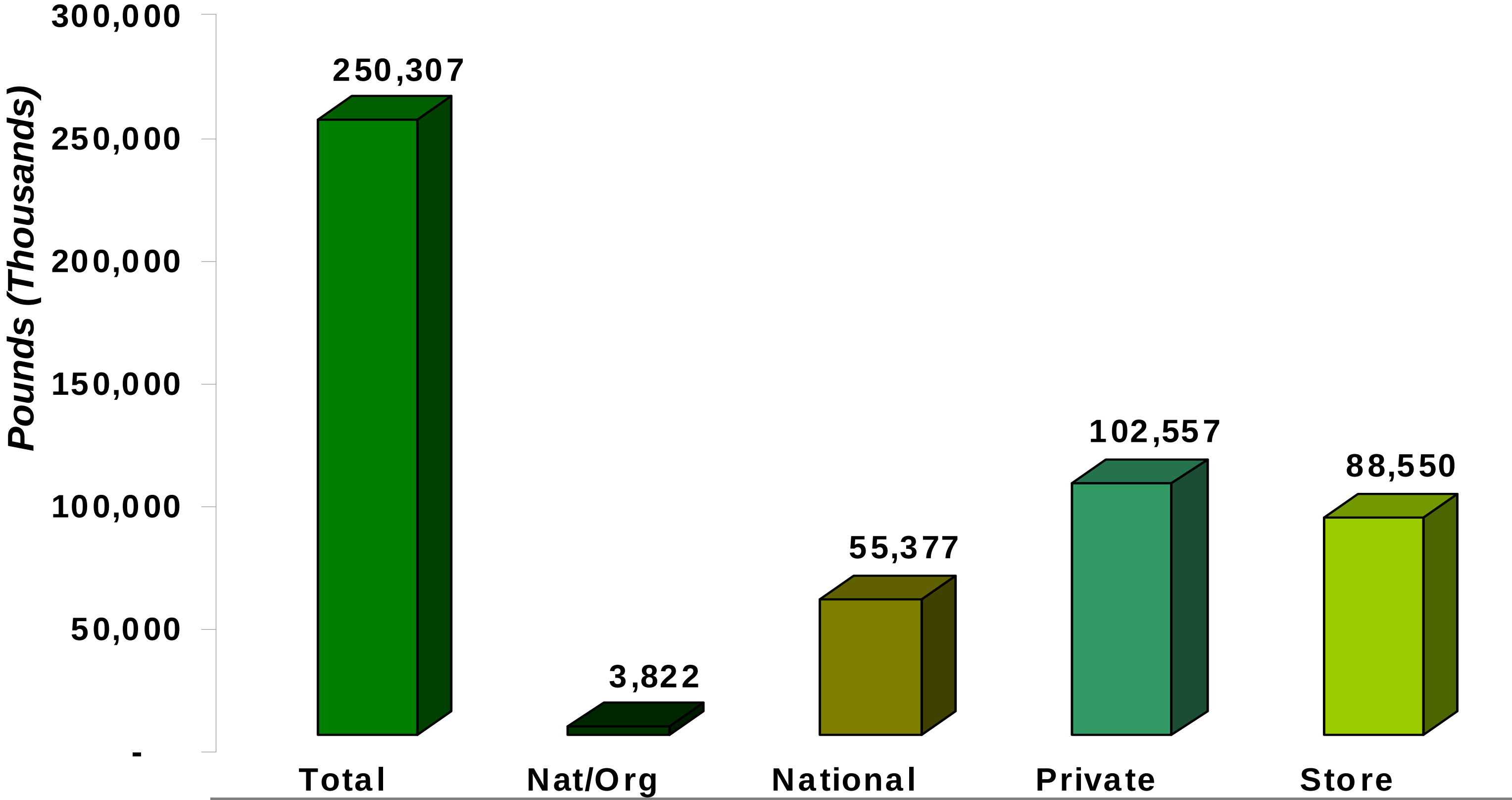
Source: Shugoll Research and Midan Marketing Consumer Research, January 2009.

Brand Definitions for Sales Review

- **National/Regional**
  - Brands offered by a supplier that are available to retailers on a national or regional basis. Examples include Tyson® and Perdue® Chicken, Certified Angus Beef® and Hormel® Always Tender® Pork.
- **Private Label**
  - Brands that are developed and offered specifically for a given retailer. Examples include Albertsons Blue Ribbon beef, Safeway's Butcher's Cut poultry and Kroger's Moist & Tender Silver Platter pork.
- **Natural/Organic**
  - Brands that are labeled as natural or organic. Examples include Safeway's O Organic, Laura's Lean Beef® and Coleman Natural beef.
- **Store/Commodity**
  - No brand or a commodity product that is labeled with a store's name only.

Over the past year, consumers have purchased more national and private label brands

Total Fresh Meat and Poultry – *2008 Aggregate*

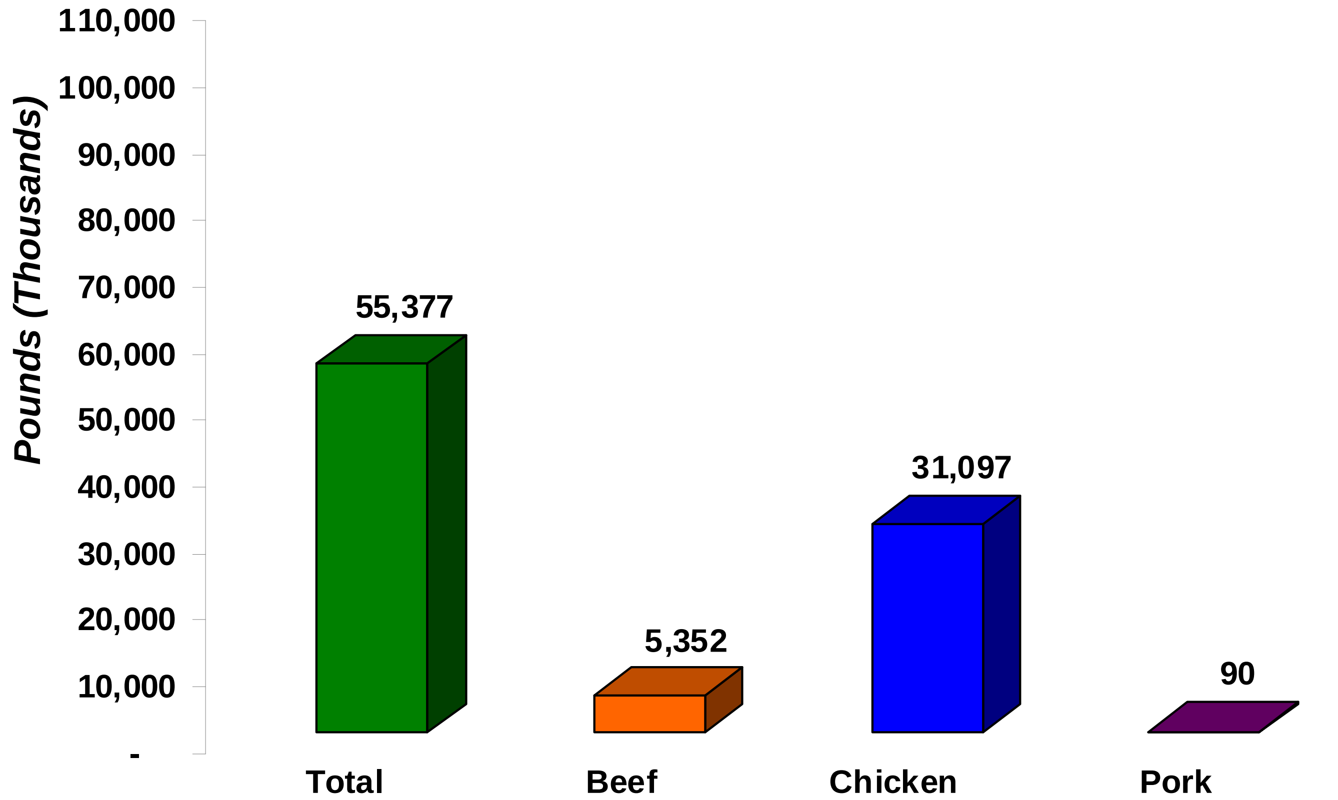


	Total	Nat/Org	National	Private	Store
% Change vs Year Ago	*2.7%*	*58.8%*	*6.8%*	*3.9%*	*-2.3%*

FreshLook Marketing and Meat Solutions' VMMEAT®. (Denver, CO & Dallas, TX markets)

Within national brands, chicken is driving growth

Total Meat and Poultry National Brands – *2008 Aggregate*

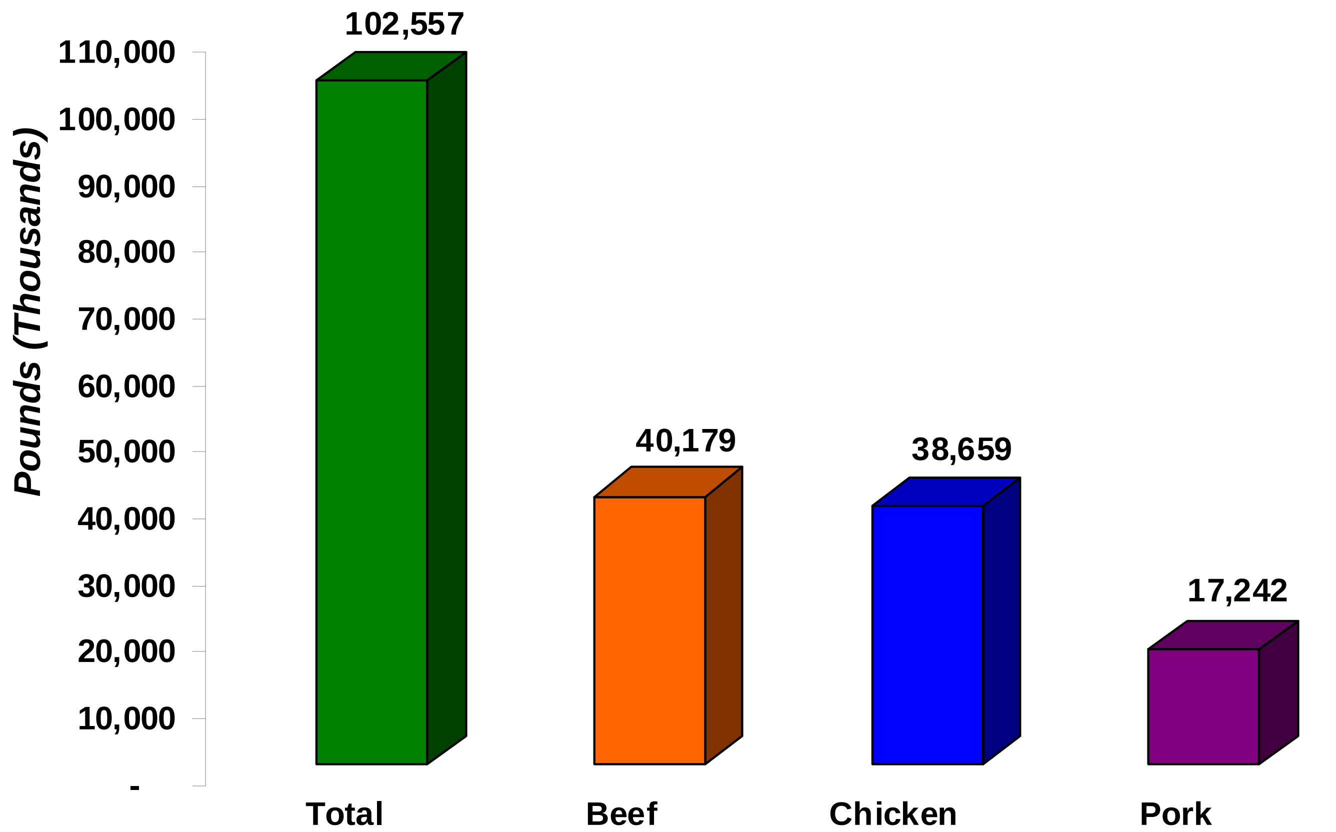


% Change vs Year Ago	***6.8%***	***-3.8%***	***7.2%***	***71.1%***

FreshLook Marketing and Meat Solutions' VMMEAT®. (Denver, CO & Dallas, TX markets)

Beef and pork are driving growth in private label brands

Total Meat and Poultry Private Label Brands – *2008 Aggregate*

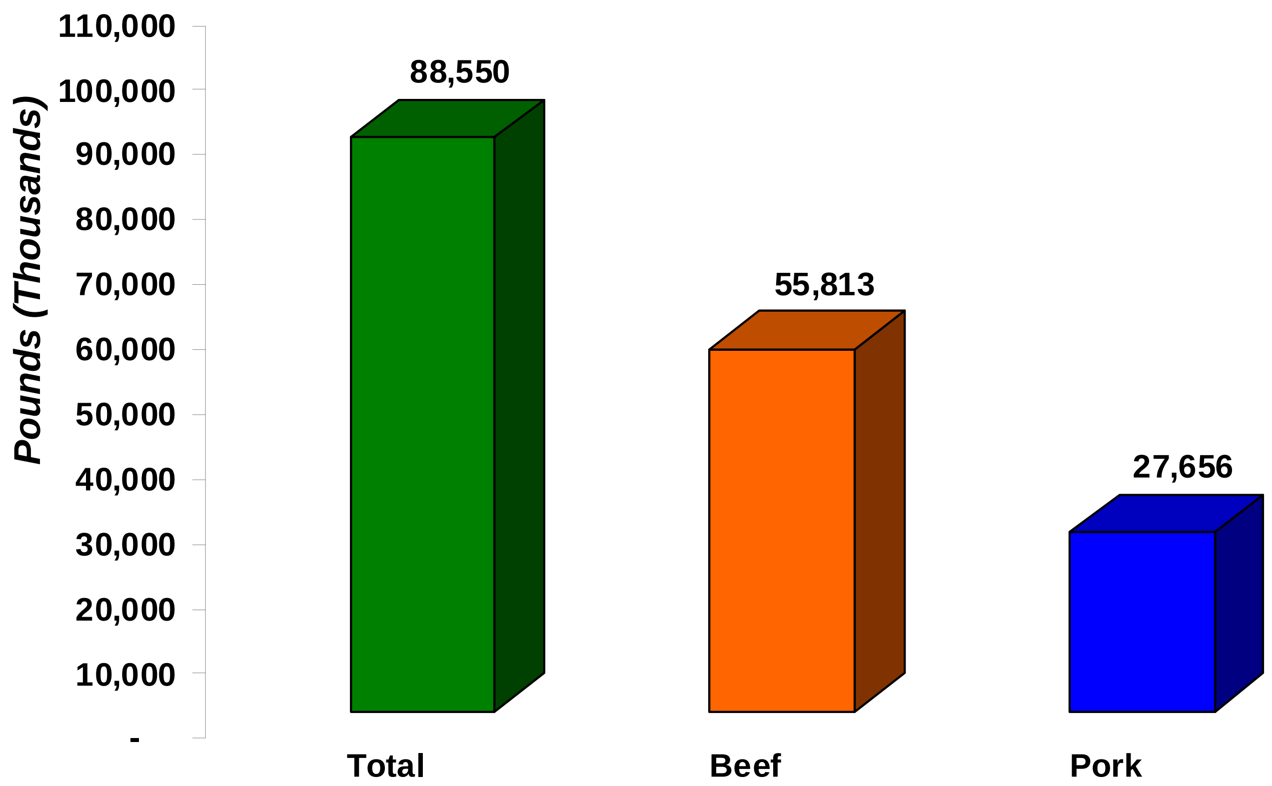


	Total	Beef	Chicken	Pork
% Change vs Year Ago	*3.9%*	*14.7%*	*-1.0%*	*7.2%*

FreshLook Marketing and Meat Solutions' VMMEAT®. (Denver, CO & Dallas, TX markets)

Store brands are losing ground to other brands

Total Meat Store Brands– *2008 Aggregate*

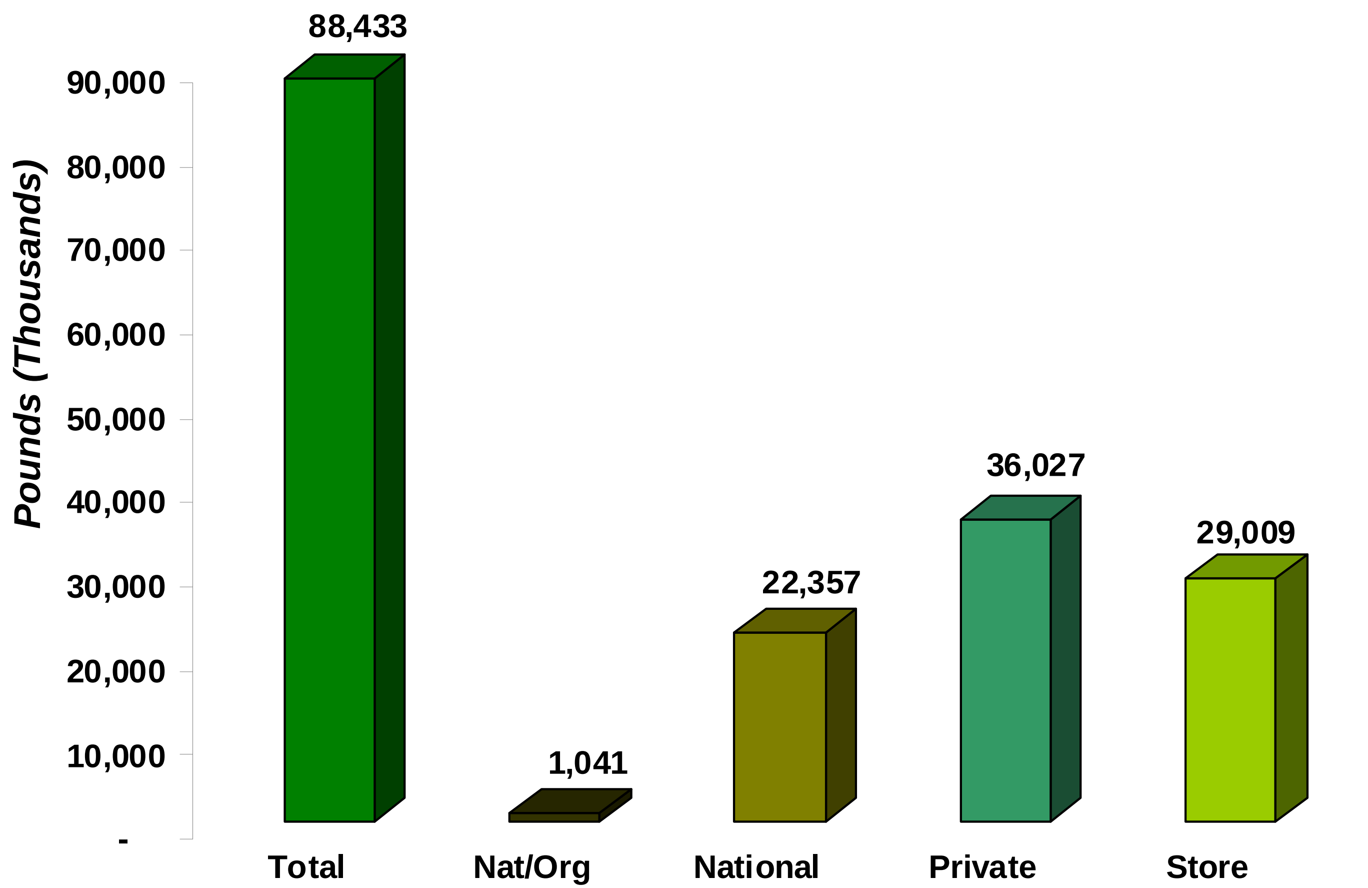


	Total	Beef	Pork
% Change vs Year Ago	*-2.3%*	*-3.7%*	*0.6%*

FreshLook Marketing and Meat Solutions' VMMEAT®. (Denver, CO & Dallas, TX markets)

Private label and store brands continue to increase even in the most recent four months

Total Fresh Meat and Poultry – *Four Month Aggregate*



% Change vs Year Ago	***3.2%***	***30.1%***	***0.3%***	***4.7%***	***2.8%***

FreshLook Marketing and Meat Solutions' VMMEAT®. (Denver, CO & Dallas, TX markets) 4 month aggregate is comprised of Oct 2008 through Jan 2009.

Conclusions

- Most consumer and sales research were comparable. However, there were some differences worth noting.

Conclusions

- Consumer attitudes and behaviors have changed as a result of the economic downturn
  - *Two thirds have "tightened their belts"*
  - *Looking for bargains, coupons and eating out less*
  - *Buying fewer convenience products*
  - *But, two-thirds of consumers state that they have not decreased their meat and poultry purchases*

Conclusions

- Consumer continue to rely on both conventional retailers and mass merchandisers for the bulk of their fresh meat and poultry purchases
  - *Conventional retailers have regained lost ground*
- Total meat and poultry pound volume continues to grow, confirming consumers' positive attitude toward meat and poultry
  - *Even as the recession intensifies, fresh meat and poultry sales for the last four months have increased*

Conclusions

- Consumers are gravitating toward lower priced items like bone-in chicken breasts and parts, ground beef and bone-in pork chops
- From a branded meat perspective, consumers are purchasing more nationally branded chicken products and more private label beef and pork. In the last four months we've seen an increase in volume in store branded products.

Implications for Retailers and Suppliers

- Case Management
  - Out of Stocks
  - Labor allocation
- Pricing strategy
- Effective merchandising
- Capturing opportunity
  - It’s not business as usual

Implications for Retailers and Suppliers

- For retailers that process meat products in-store, the consumer shift to lower priced products will result in an increase of products being processed in-store. For the most part, in-store processed, lower priced products require more production hours. Realistic labor planning and scheduling will continue to be critical.

Implications for Retailers and Suppliers

- As the recession lingers consumers become more price sensitive. The normal product mix will change based on retail package prices. Expensive meat cuts will incur higher shrink losses. A close evaluation of how retail prices for expensive meat cuts are determined should be conducted. Consider a cents per pound pricing method verses the normal percentage markup method.

Implications for Retailers and Suppliers

- In a recession consumers think of creative ways to save money. The survey and data tell us that consumers will forgo convenience to save money. Marketing sub-primals and full cases of products offers inexpensive price points and another way to appeal to consumers and improve sales. There is a labor cost savings benefit as well. Don't forget about large "Family Pack" merchandising.

Implications for Retailers and Suppliers

- In normal economic times ground beef is considered to be a consumer staple. The ground category as a whole has a great low price "budget" appeal. Merchandising ground products with idea generating recipes is a great way to appeal to budget-stretching consumers. Make sure your ground displays are stocked with a full variety and include all package sizes.

Implications for Retailers and Suppliers

- In a recession the consumer's mindset changes to spending less and saving more. Don't let the savings mindset dictate your meat and poultry merchandising and sales program. The survey and data tell us that retailer sales excel during a recession. This is an opportunity for you to be aggressive with your merchandising to capitalize on these changes in purchase behavior.

For More Information

Visit www.ShugollResearch.com or www.MidanMarketing.com

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