



# **New Realities, New Opportunities**

## ***Retail-Foodservice Super Session***



# Where we've been

- ▶ We experienced “shock to system,” lost confidence and scaled back spending
- ▶ Food industry was impacted, especially restaurants
- ▶ Our meal sourcing practices shifted
- ▶ We caught some breaks

# How consumers economized (and still are)

## *At grocery stores*

- ▶ Buy sale items
- ▶ Use coupons
- ▶ Buy less expensive items, including store brands
- ▶ Skip “nonessentials”
- ▶ Seek out deals
- ▶ More trips

## *At restaurants*

- ▶ Fewer visits
- ▶ Use coupons
- ▶ Fewer extras
- ▶ Trade down
- ▶ Order less expensive items





# Other behavioral changes

- ▶ Value (= low price) became #1 purchase driver
  
- ▶ Health and nutrition took a backseat
  - “Healthy foods cost more”
  - “Can’t afford them any more”
  - “Lower priced options less healthy”
  
- ▶ Less experimentation
  
- ▶ More use of ingredients vs. prepared foods





# How retailers responded

- ▶ Aggressive discounts
- ▶ Price cuts
- ▶ Value options
- ▶ Smaller portions
- ▶ LTOs
- ▶ Extended hours
- ▶ New dayparts
- ▶ Events/themes
- ▶ New media

# As a consequence ...

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- ▶ **Industry bruised (but not too badly)**
- ▶ **Retailers sharpened focus**
- ▶ **Consumers got lower prices and better service**
- ▶ **Fewer unit closures than expected**

# Some winners

## *Restaurant chains*



## *Supermarket chains*



**TRADER JOE'S**



# “Words from the wise”

*“The best that can be said for 2009 is that it could have been worse, that we pulled back from the precipice on which we seemed to be perched in late 2008, and that 2010 will almost surely be better...”*



**– Joseph Stiglitz**  
*Columbia University  
Nobel prize winner*

# More “words from the wise”

*“Our consumers are changing ... they’re becoming far more value-conscious ... They’re more concerned with stretching their dollar, and they’re prepared to make trade-offs they haven’t before, such as buying private label brands ... we’re seeing a permanent change in the way consumers value brands and products in the developed world.”*



– **William Johnson**  
CEO, H.J. Heinz

# Final “words from the wise”

*“What consumers order and how much they spend are certain to change, but they will continue to enjoy the variety, convenience and experience that restaurants offer. The past several years have been a ‘wake-up’ call to the industry, and it will emerge stronger as a result.”*



– **Ron Paul**  
CEO  
Technomic, Inc.

# Other than value, what else is important to consumers?

- ▶ Artisan/craft – cheese, meats, beer, bakery, etc.
- ▶ Authentic ethnic
- ▶ *Distinctive* premium (usually indulgent)
- ▶ “Favorites” with a twist
- ▶ Freshness
  - = Healthy
  - = Taste
  - = Local
  - = Natural
- ▶ Sustainability (not a fad!)

# Ten other key trends

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- 1. Balanced/sensible eating  
(focused on weight management)**
- 2. Bite/snack sizes**
- 3. Clean labels**
- 4. Government regulation/influence**
- 5. Specialty/functional beverages**

# Ten other key trends

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- 6. Natural sweeteners**
- 7. Premium private label**
- 8. Short ingredient list**
- 9. Sodium reduction**
- 10. Supermarket prepared foods**

# Outlook for 2010

- ▶ We're not out of the woods yet, but consumers (and the trade) are more optimistic
- ▶ There are definitely signs of consumer "fatigue" with frugality



# Outlook for 2010

- ▶ Consumers miss restaurant menus and “extras” at grocery stores
- ▶ “Purse strings” will be loosened, but spending will remain cautious
- ▶ Some shifts will be long-lasting



# Fresh produce is on trend

- ▶ Essential part of healthy diet
- ▶ More vegetarian options
- ▶ Locally grown #1 food trend<sup>1/</sup>
- ▶ Use as ingredient
- ▶ Alternative preparation methods
- ▶ “Exotic” varieties, including superfruits, tropical fruit, “micro-greens”
- ▶ Breakfast and dessert offerings

<sup>1/</sup>Source: National Restaurant Association

# Wrap-up

- ▶ Food is huge, resilient business with consumer engagement
- ▶ New consumer behavior patterns and different priorities have emerged
- ▶ Survival of the “fitter”
- ▶ Fresh produce is in *terrific* position to capitalize

