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SHOPPING FOR HEALTH 2009

WHAT IT TAKES TO EAT HEALTHY

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Whole Grains Council 4.21.09

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Cross-roads at the Supermarket

- Higher food prices
- Down economy
- Low consumer confidence
- Healthy eating perceived as costly

"Consumers are in a need to take action mode!"

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Spending Shifts

49% are spending more on all food purchases

54% Spending less on eating out

53% Spending more at grocery stores

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2008 Changes—Higher Prices

"My food shopping hasn't changed, the cost of basic food items has risen to the point where I stopped eating out in order to maintain our basic food stuffs"

"Hasn't changed at all except cost has gone up"

"The item prices have gone up quite a bit on items, so the total spent has gone up"

"Food is costing more"

Eating Out Dollars Shift to the Supermarket

61% spending some or all of the money at the supermarket

33% saving some or all of the money

24% Other

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2008 Changes—Cooking More

"Eating in more and preparing more home cooked meals."

"We're buying more groceries for home cooking instead of eating out."

"We are purchasing more foods that we can prepare at home to save money."

Healthy Eating Costly

"I am buying more organic foods
& they tend to be more expensive."

"Buying slightly more prepared, healthy foods to replace restaurant food"

"I am eating healthier and prices have increased significantly for all types of grocery items."

"Buying healthier items has been more costly."

"The cost of healthy eating is significantly higher than eating the junk so it coasts more to shop"

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Living well on or with less

Money Saving Strategies

- Store switching
- Fewer Trips
- Shop differently in the store

Weekly	1-2 Weeks	6-8 Weeks
ACME	Whole Foods Market	Costco Wholesale
ShopRite	Delicious Orchards The Country Food Market	
Local Butcher		

Multiple Shopping Trips

Unilever Trip Management Study
Each shopping trip has its own reason

62% of store visits are “quick trips” (3-5 items)

25% are “fill-ins” (average 9 items)

13% are “major stock-ups” (average 16 items)

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The Fragmented Shopper
Shop Where Prices are Lower

Shops	2008:	2009:
Traditional Grocery	86%	86%
Discount (Wal-Mart)	56%	59%
Club/Super	41%	40%
Natural Organic (Whole Foods)	21%	19%
Farmers Market	18%	19%
Local Gourmet	18%	16%
Specialty Store (Butcher)	14%	13%
Convenience Store	11%	12%

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The Fragmented Shopper
Fewer Quick Trips

Trips	2008:	2009:
Quick Trips (3-5 items)	71%	66%
Supplemental Trips (6-15 items)	79%	79%
Big Food Trips (16+ items)	89%	89%

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Quick Trips
Higher Price Stores Losing Impulse Buyers

Store	2008:	2009 Point Difference:
Local Gourmet	64%	- 8 points
Specialty (F&V, Butcher)	79%	- 8 points
Natural Organic (Whole Foods)	44%	- 7 points

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Supplemental Trips
No Significant Drop-Off Vs. Last

Store	Shop:	2009 Point Difference:
Natural Organic (Whole Foods)	70%	+ 4
Local Gourmet	66%	+ 9
Farmer’s Market	63%	+ 7
Club/Super Stores (Costco)	55%	+ 4

Big Food Shop
No Significant Change

Store	Shop:	2009 Point Difference:
Traditional Grocery	77%	- 2
Club/Super Stores (Costco)	58%	- 3
Discount (Wal-Mart, Target)	62%	+ 3
Local Gourmet	35%	- 1
Natural Organic (Whole Foods)	33%	+1

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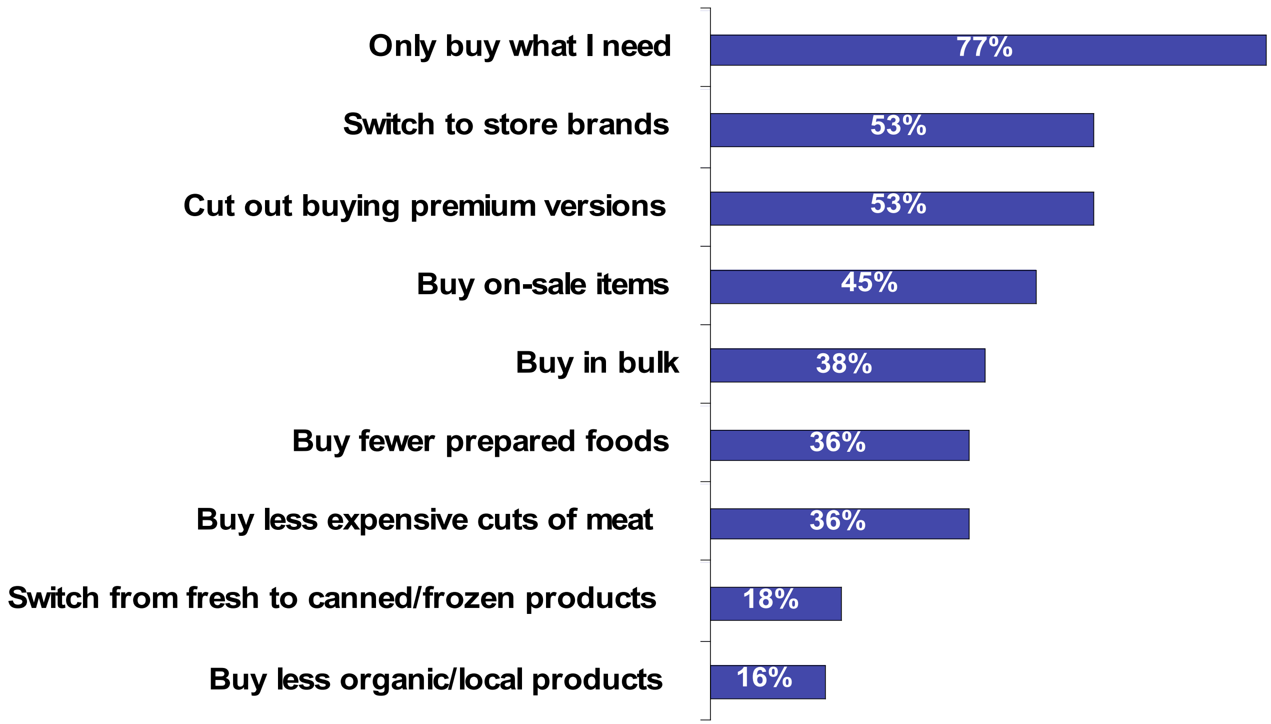
In-Store Money Saving Strategies



Based on respondents who are spending less on grocery shopping

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Money Saving Strategies

TNS Retail Forward ShopperScape report says that "shopper traffic and shopping frequency is down across most food, drug and mass channels - except Supercenters, which is being driven by an increase in monthly shoppers at Wal-Mart Supercenter.

Money Saving Strategies in the UK

The ALDI Effect

Just 8% of respondents say they have switched to a cheaper supermarket due to the recession. However, a slightly larger proportion – 24% – say they are shopping in different supermarkets to take account of offers, discounts and promotions.

GFK NOP

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Dieting & Health

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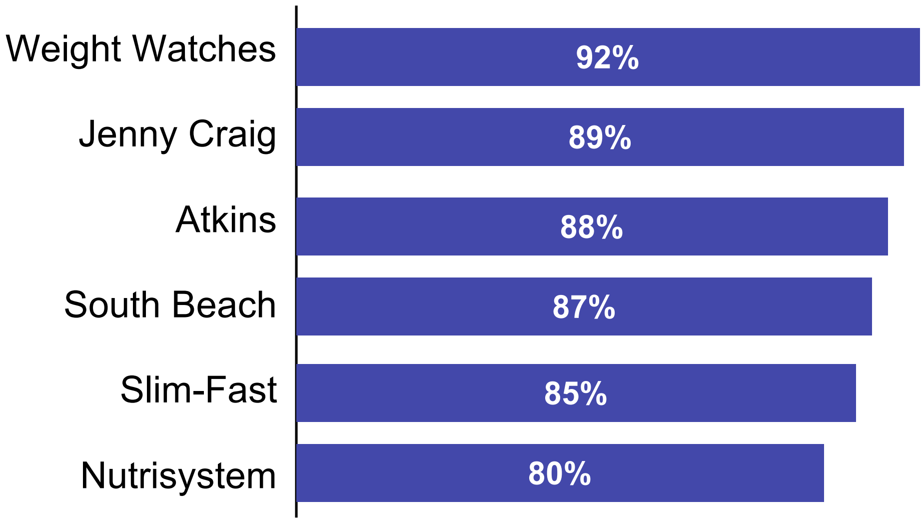
State of Diets 2008
Fewer on a Diet/Fewer Stayed with it

33% **started a diet in 2008**
(down 5 points from 2007)

58% **were still on it (as of November)**
(down 8 points from 2007)

Awareness of Diets



Type of Diet
Less “winging it”

Diet	2008:	Point Difference:
Just watching calories	47%	- 10
Some other type	31%	+ 5
Low Fat	23%	- 1
Low Carbohydrates (South Beach)	15%	- 1
Jenny Craig/Weight Watchers	7%	-1

Increased Attrition

Marketplace changes affected those who where “winging it” for dieting in 2008

Eating Healthy
Health Drivers

How we make our choices…

Healthy version
Regular
Sometimes

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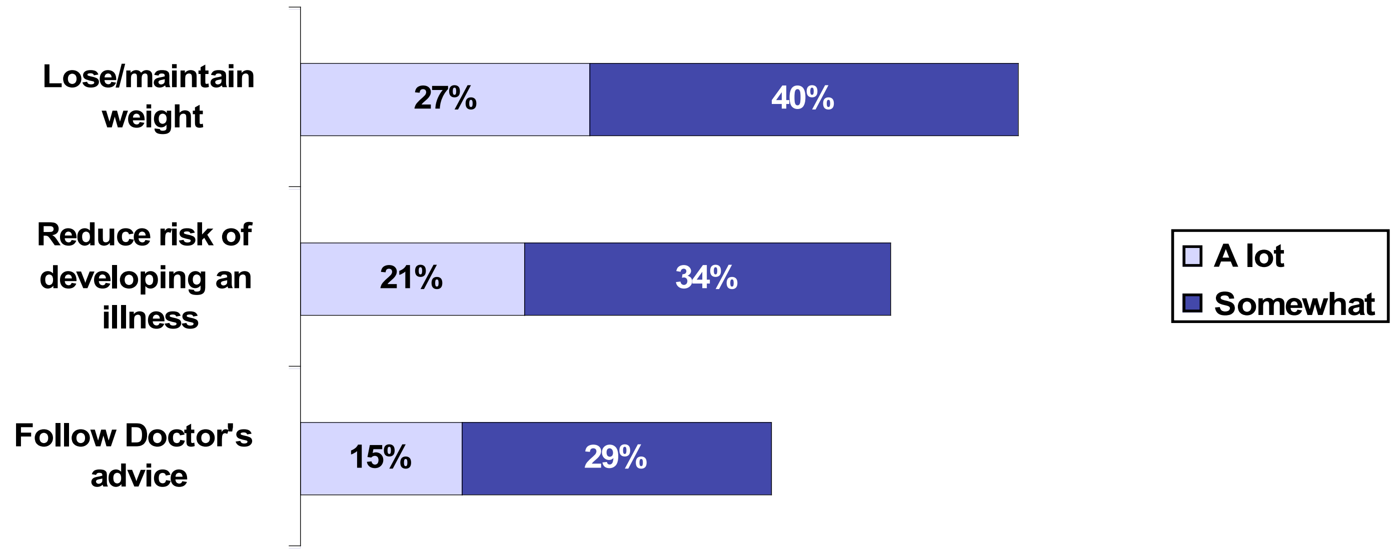
Health Drivers
When Shopping - No Changes vs. 2008



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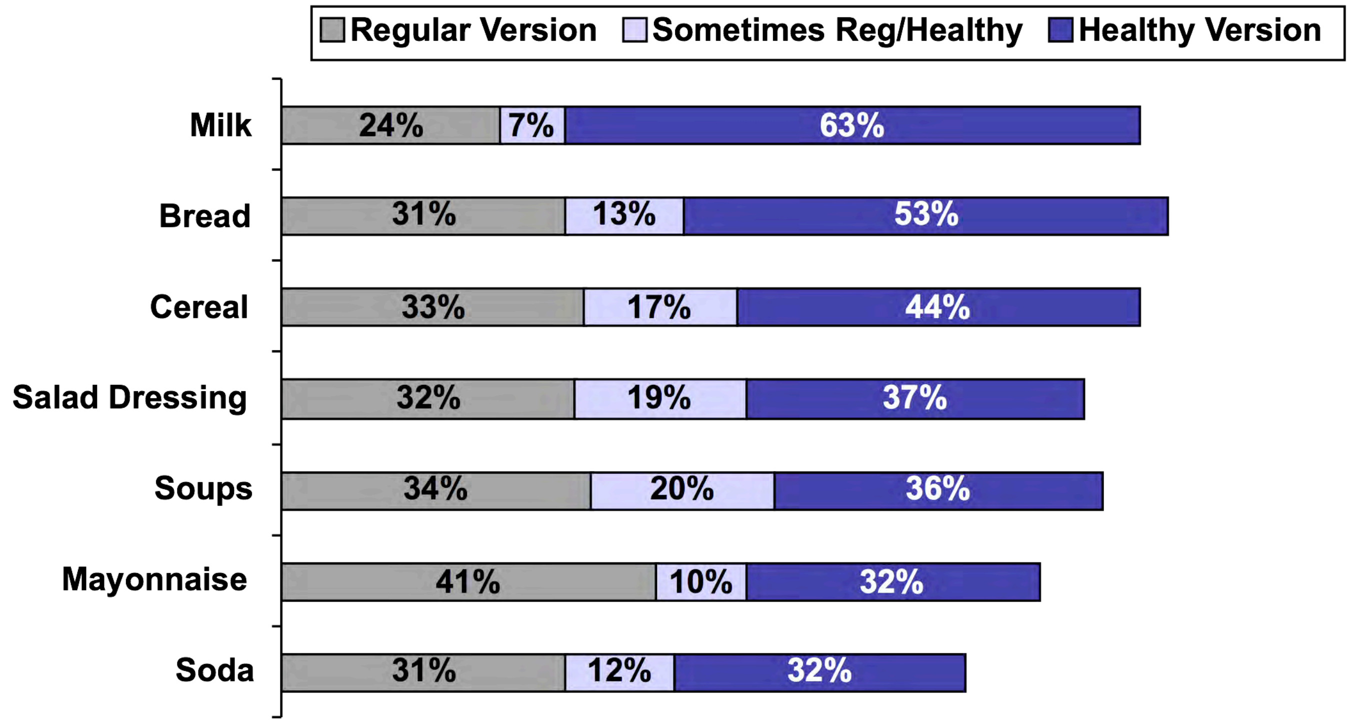
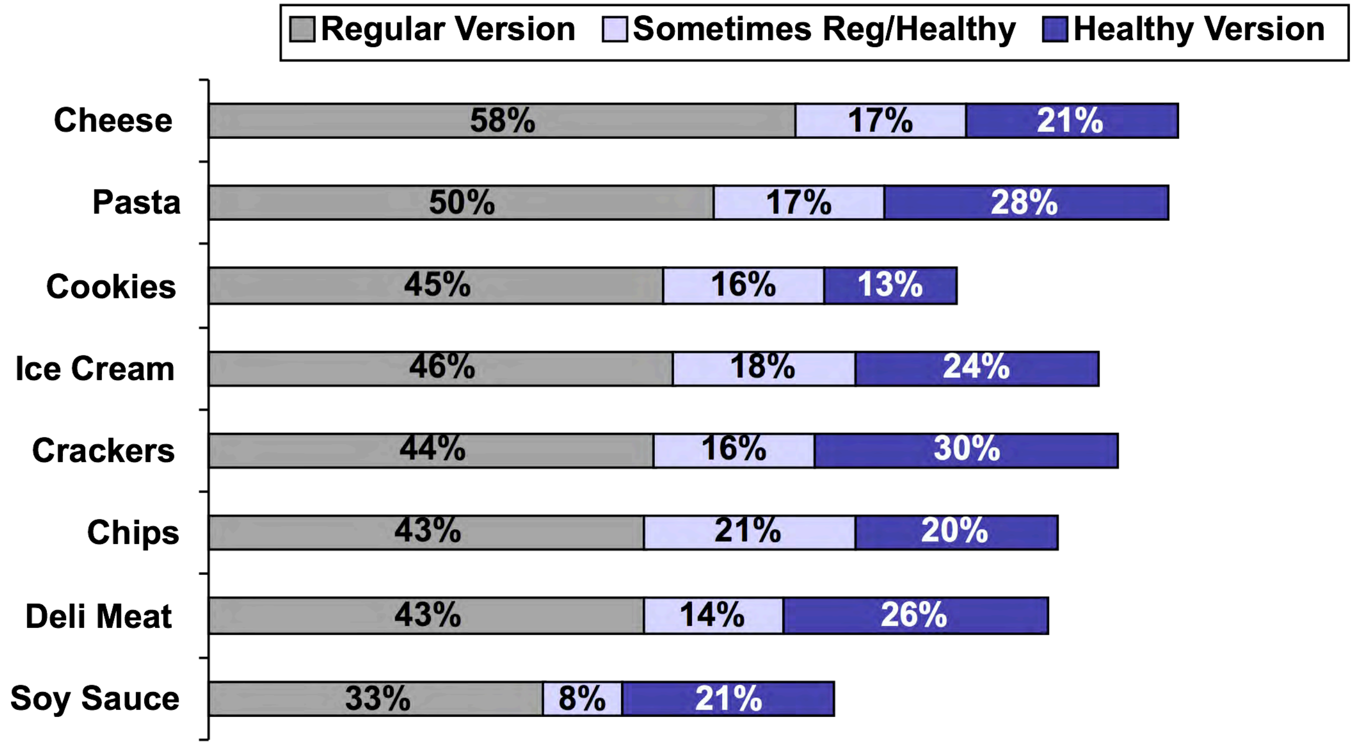
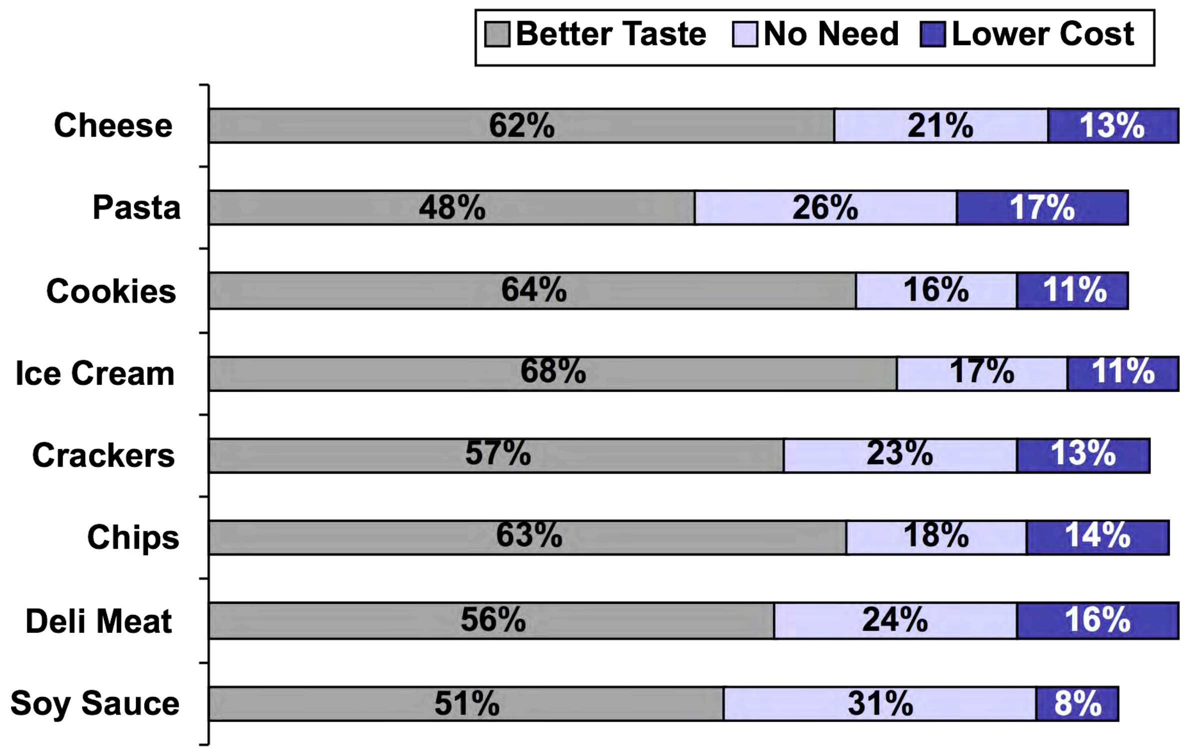
Healthly Version 1/3 or More



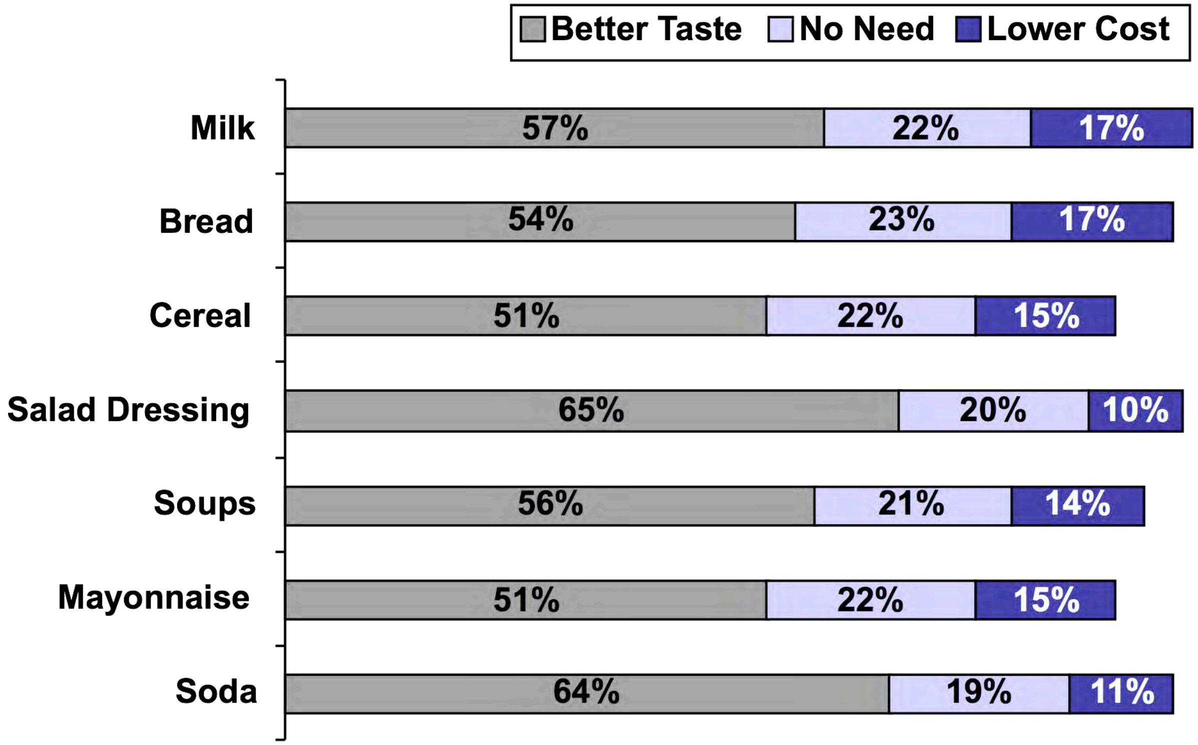
Regular Version 1/3 or More



Why They Prefer Regular



Why They Prefer Regular



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Whittling Down

- 5 of 15 products - claim to buy the healthy version
- at least 50% of the time or more.
- Cost is not the barrier against healthy eating that people claim.
- Best conversion would come from the “sometimes” buyers.
- Taste remains as the major barrier.

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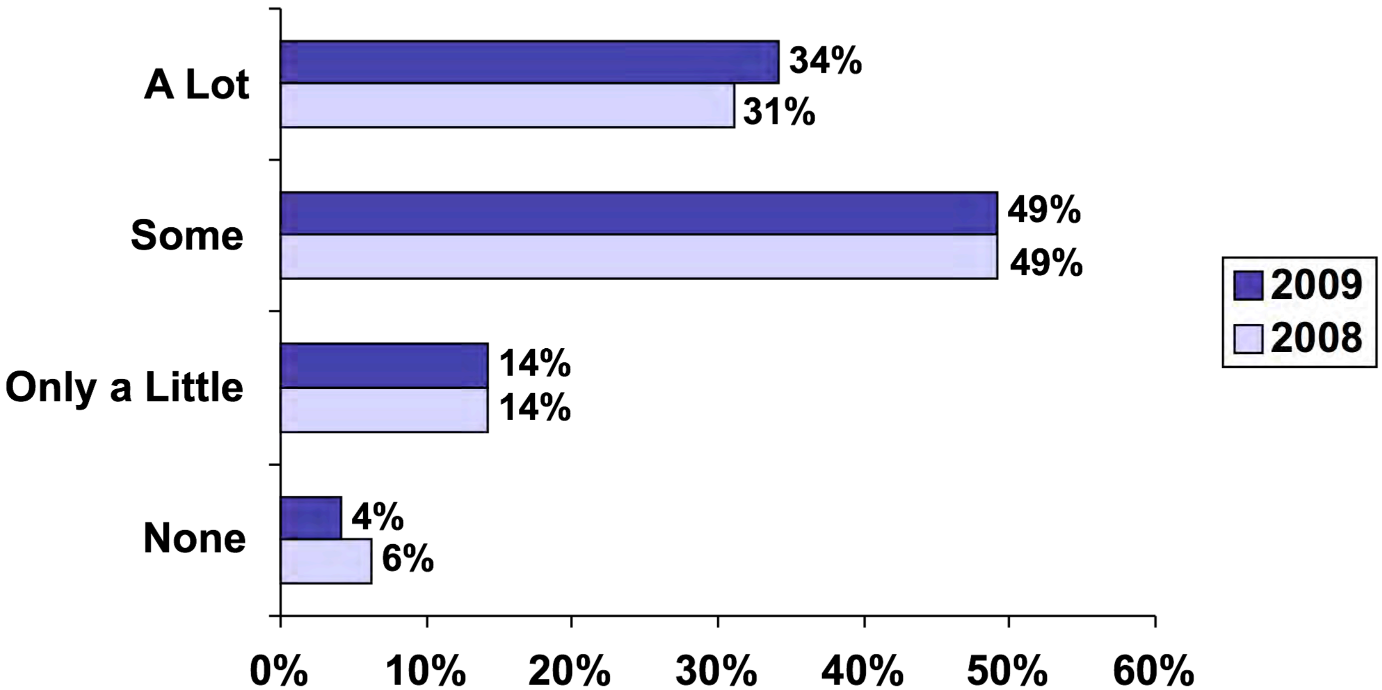
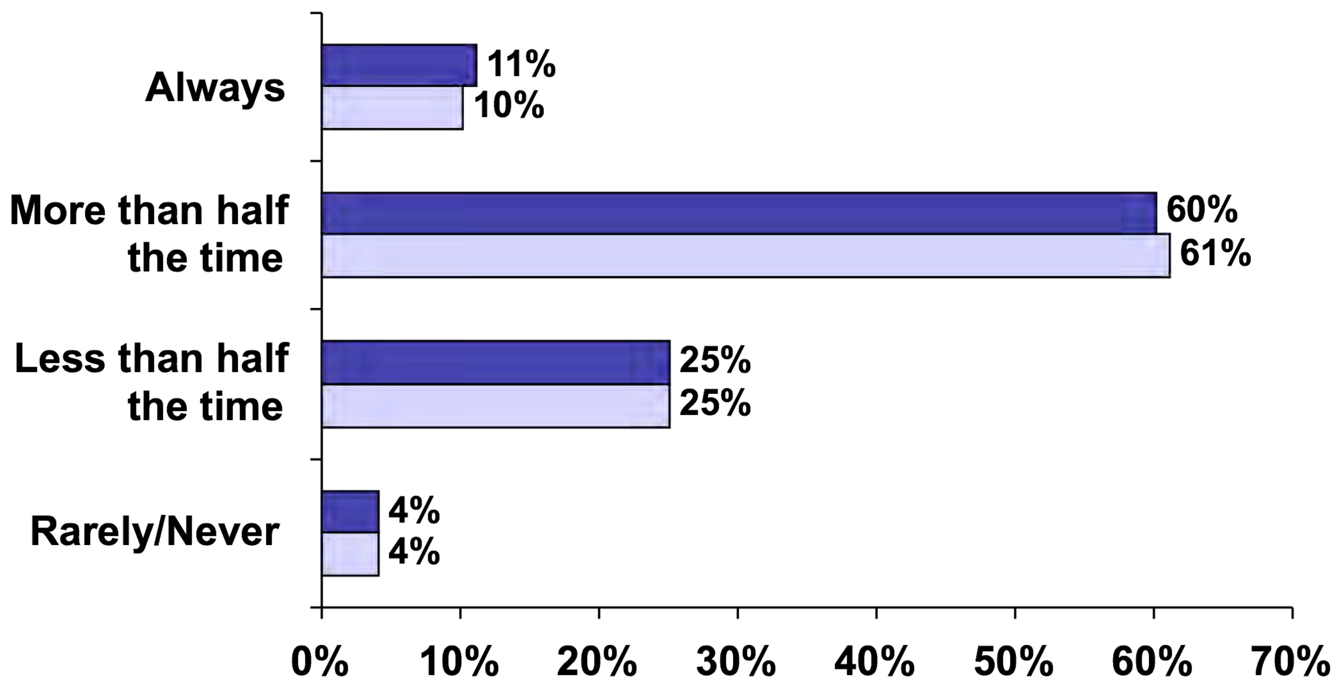
Eating Healthy
Nearly Everyone Claims to do it



Eating Healthy
With Varying Degrees of Success



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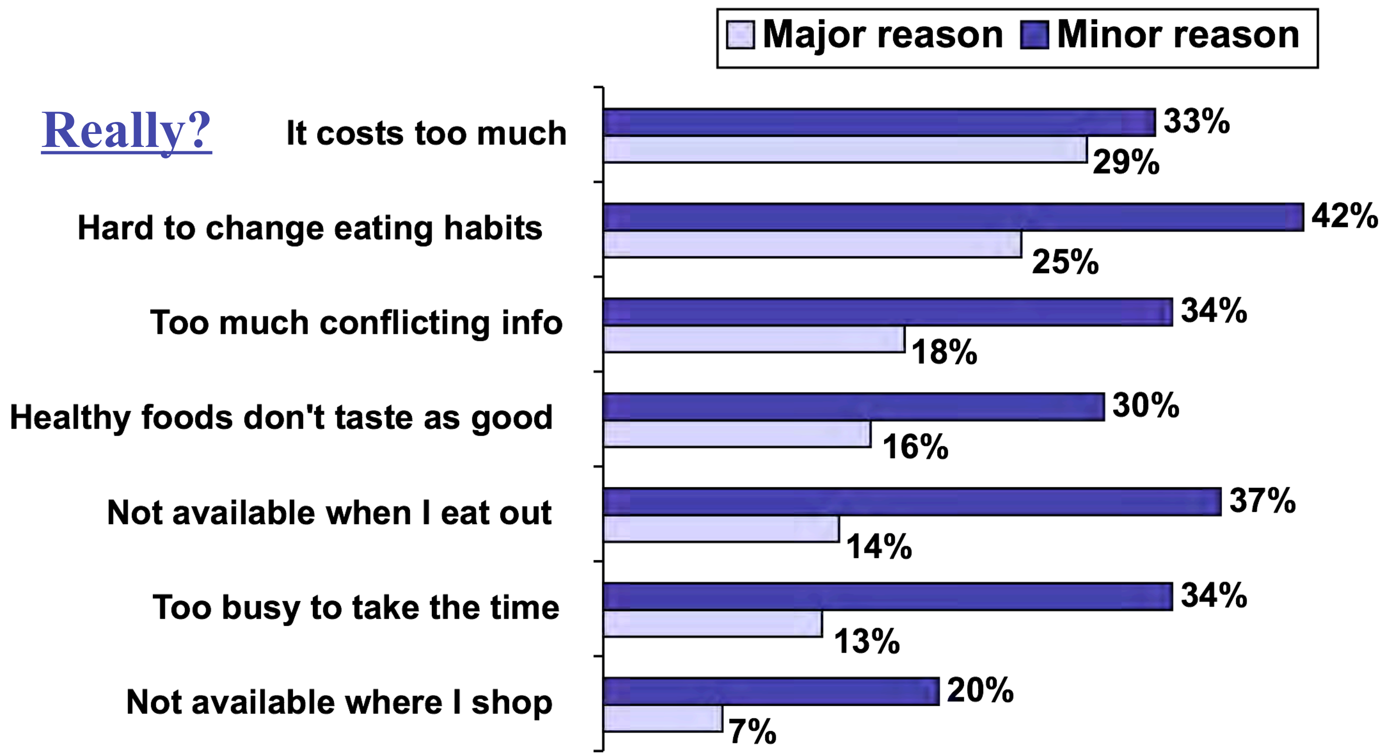
Why People Don’t Eat Healthy
The Excuses



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Organics, Locally Grown, Natural, and other Labels

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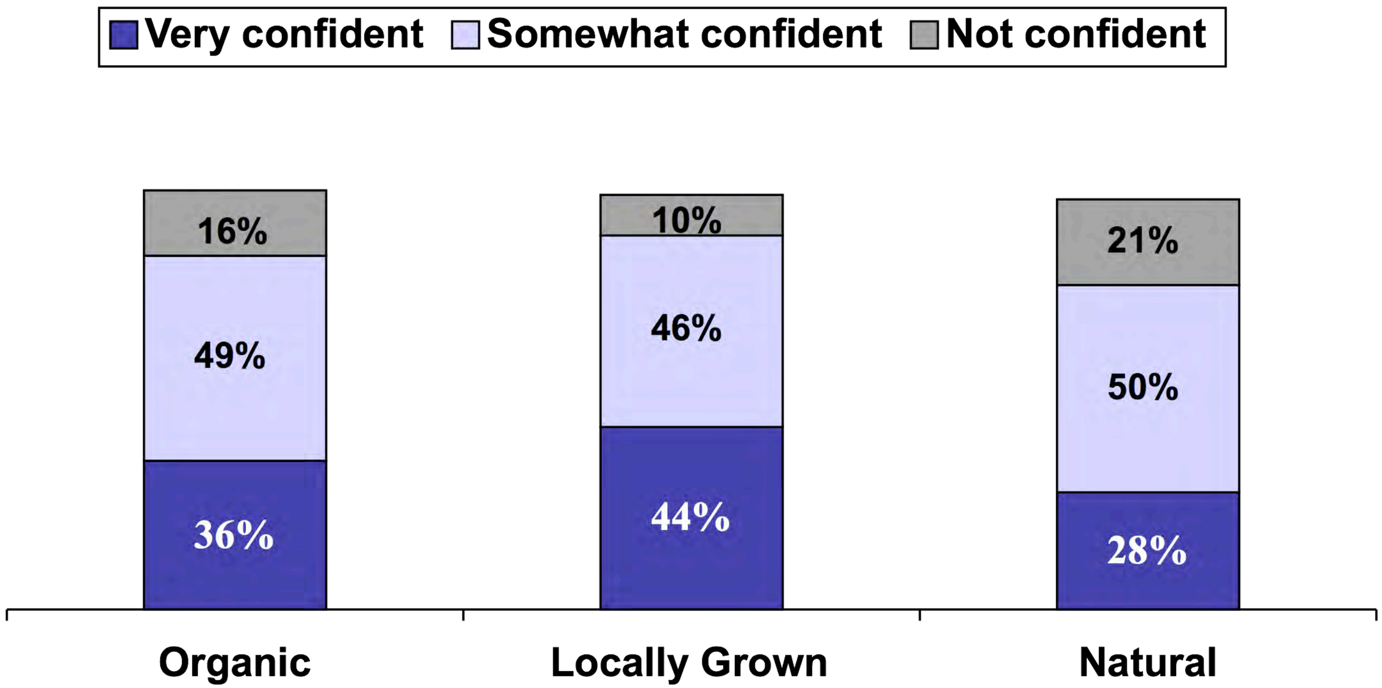
Healthy Labels
Knowing what they mean



What Are We So Confident About?

Organic

USDA – grown without chemical pesticides or fertilizers

Locally Grown

There are no regulations specifying what locally grown means

Natural

Neither FDA nor the U.S. Department of Agriculture (USDA) has precise rules for “natural.” And the food-and-beverage product industry, represented by the Grocery Manufacturers Association, has no consensus.

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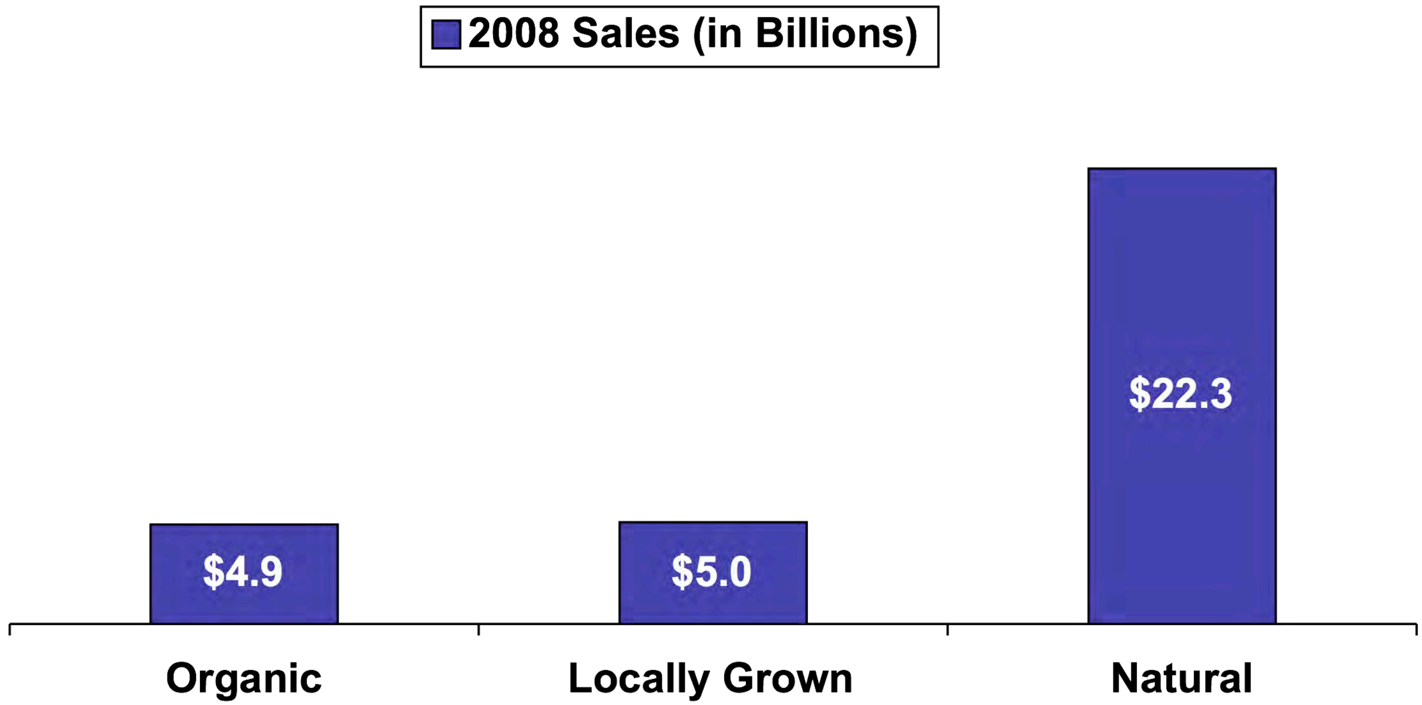
Healthy Labels
U.S. Spending



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Organic Shopping
Primary Vs. Secondary Store

Shops	Primary:	Secondary:
Traditional Grocery	42%	39%
Natural Organic (Whole Foods)	23%	37%
Discount (Wal-Mart)	10%	31% (+5)
Local Gourmet	8%	31% (+6)
Farmers Market	9% (+5)	43% (+8)
Club/Super	3%	30% (+5)
Specialty Store (Butcher)	1%	24% (+6)

Based on Respondents who bought in last 6 months

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Two Organic Markets

44% Bought any organics last 30 day
(+6 points vs. 2008)

17% Bought organic fruits & vegetables and at least one other organic product, in the last 30 days

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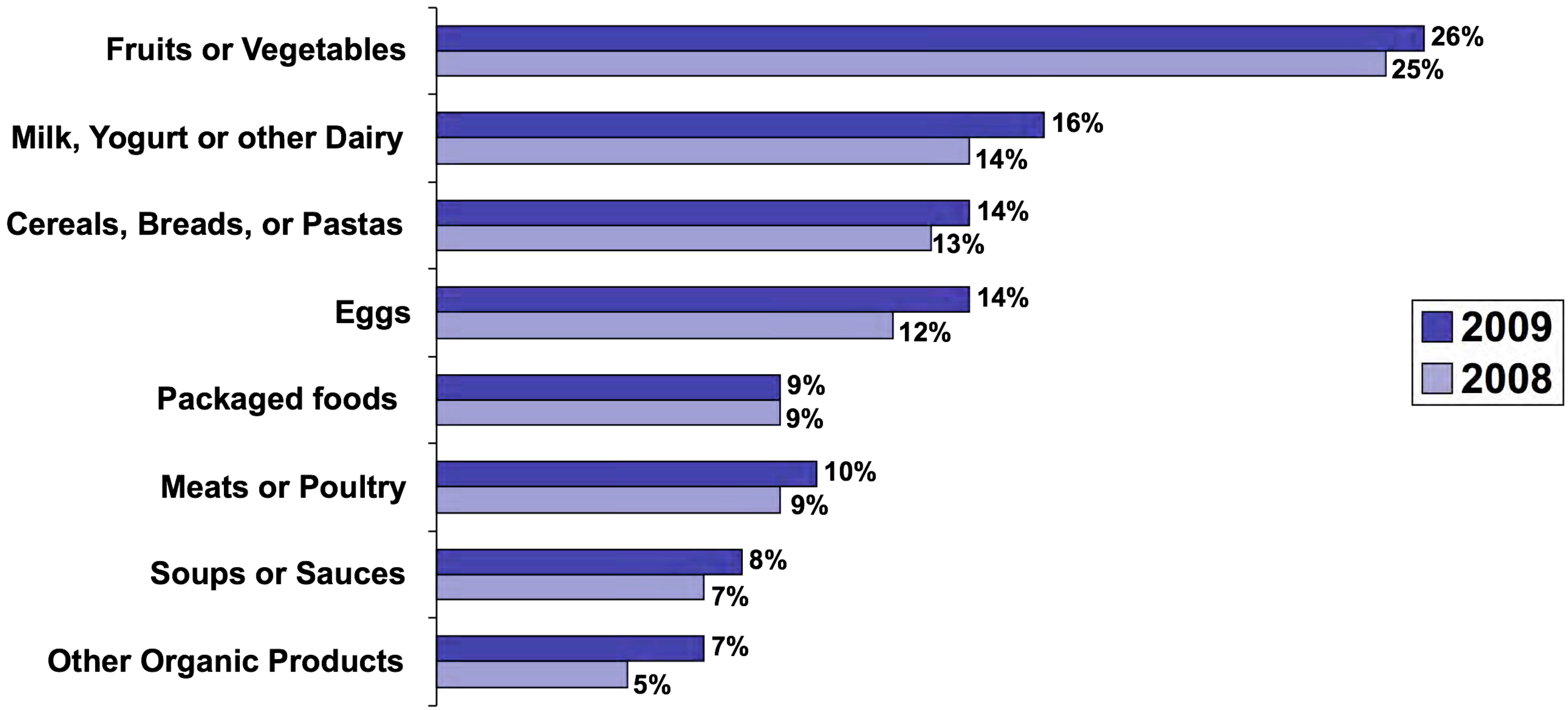
Types of Organics Purchased
No Drop-Off



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Organics Holding Steady
Not Gaining Ground Among Non-Buyers

9%

of shoppers stopped buying organics

- Up 2 points from 2008
- 76% said they were too expensive
- Up 6 points from 2008

44%

of shoppers have not purchased organics

- 67% say they are too expensive
- Up 10 points from 2008

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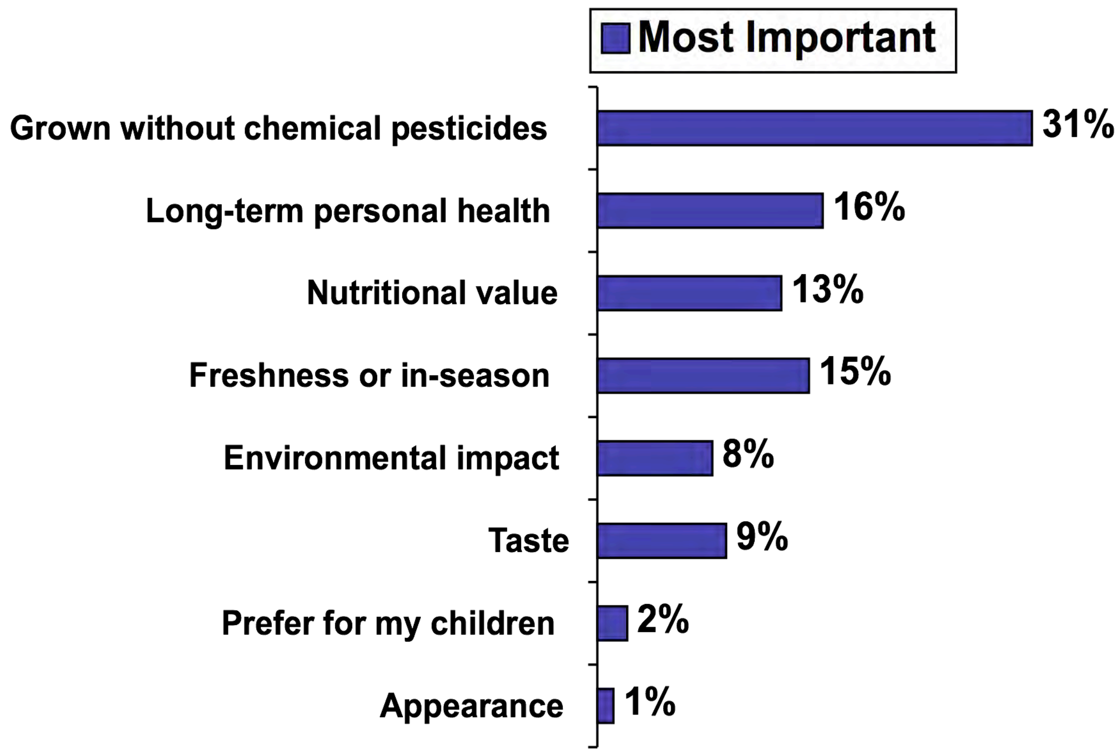
Why Buy Organics
Shoppers Gaining a Better Understanding



Pt. Diff

+ 24

- 13

Based on Respondents who bought in last 6 months

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Organics: Healthy Halo Effect
Main Reason they Started Buying Organics

- **30%** they just wanted to eat healthier (-5)
- **38%** were concerned about health effects (+12)
- **11%** for my kids (-3)
- **9%** concern for the environment

Based on Respondents who bought in last 6 months
Point diff. vs. 2008

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Locally Grown?

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'Locally grown' food sounds great, but what does it mean?

Updated 10/31/2008 1:20 PM | Comments 36 | Recommend 17 E-mail | Save | Print | Reprints & Permissions | RSS

By Julie Schmit, USA TODAY

Virginia farmer Rod Parker can walk into a grocery store 10 miles from his farm, 40 miles from it and even 100 miles from it and see his fresh produce marketed as "locally grown."

Some retailers even consider "locally grown" to be something produced a day's drive from the store, he says. Meanwhile, "I'm sure consumers think it's grown right down the road," says the owner of Parker Farms.

Nationwide, retailers from Wal-Mart to Whole Foods are increasingly devoting more shelf space to "locally grown" products including such things as fresh produce and Thanksgiving turkeys. Whole Foods, for one, now spends almost 22% of its produce budget on locally grown products,

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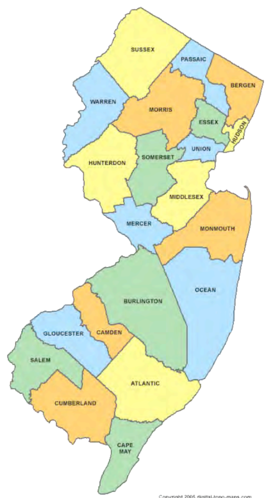
Understanding of Locally Grown

- 53% grown in my local area (50 miles)
- 26% grown in my state
- 16% grown in the U.S.



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Understanding of Locally Grown

Farm Type	Percentage:
Family Farm	44%
Large Corporate Farm	3%
Either Type	48%

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Organic vs. Locally Grown

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WWSD…Strawberries Available at the Same Price

- **53%** would choose locally grown (-5)
- **26%** organic (-2)
- **10%** regular store packaged

Based on Respondents who bought in last 6 months
Point diff. vs. 2008

WWSD…Strawberries
$2.49 for organic & locally grown vs. $1.99

- **49%** would choose regular store packaged (+ 5)
- **33%** locally grown
- **18%** organic (-4)

Based on Respondents who bought in last 6 months
Point diff. vs. 2008

Natural Food Products

- **44%** are very or somewhat interested in purchasing
- **38%** are on the fence (might or might not be interested)
- **18%** are not interested

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Label Reading

71% of shoppers read the labels of food products for specific ingredients
(no change vs. 2008)

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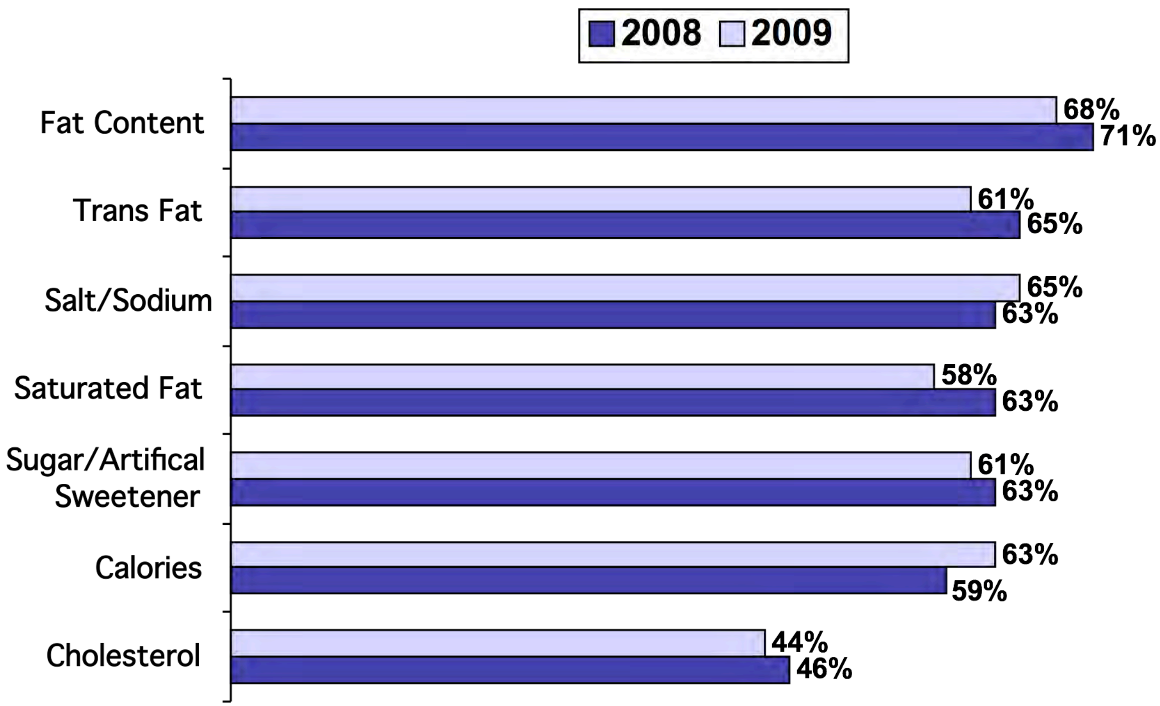
Labels of Most Concern



Based on Respondents who read labels

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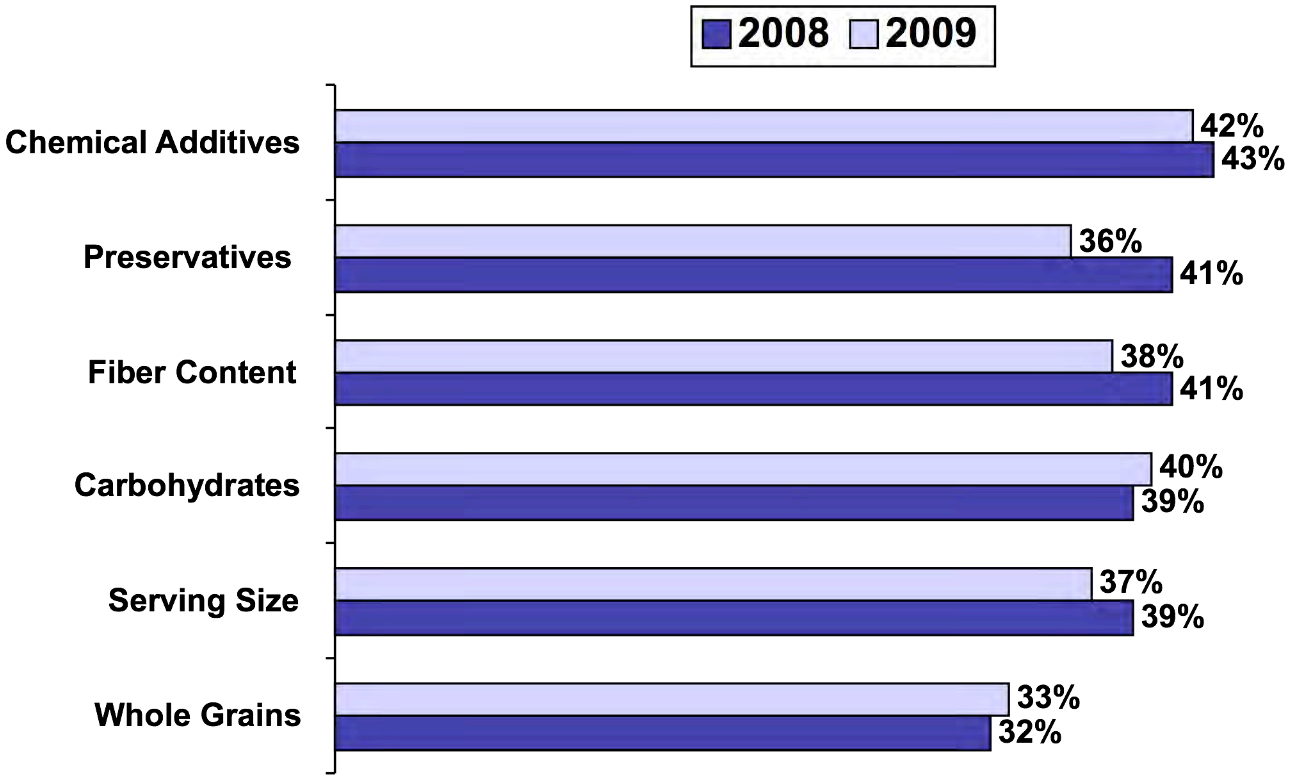
{Did you know?

2 Jelly donuts have fewer calories than a sesame bagel with cream cheese

Labels of Most Concern
The Pack



Based on Respondents who read labels

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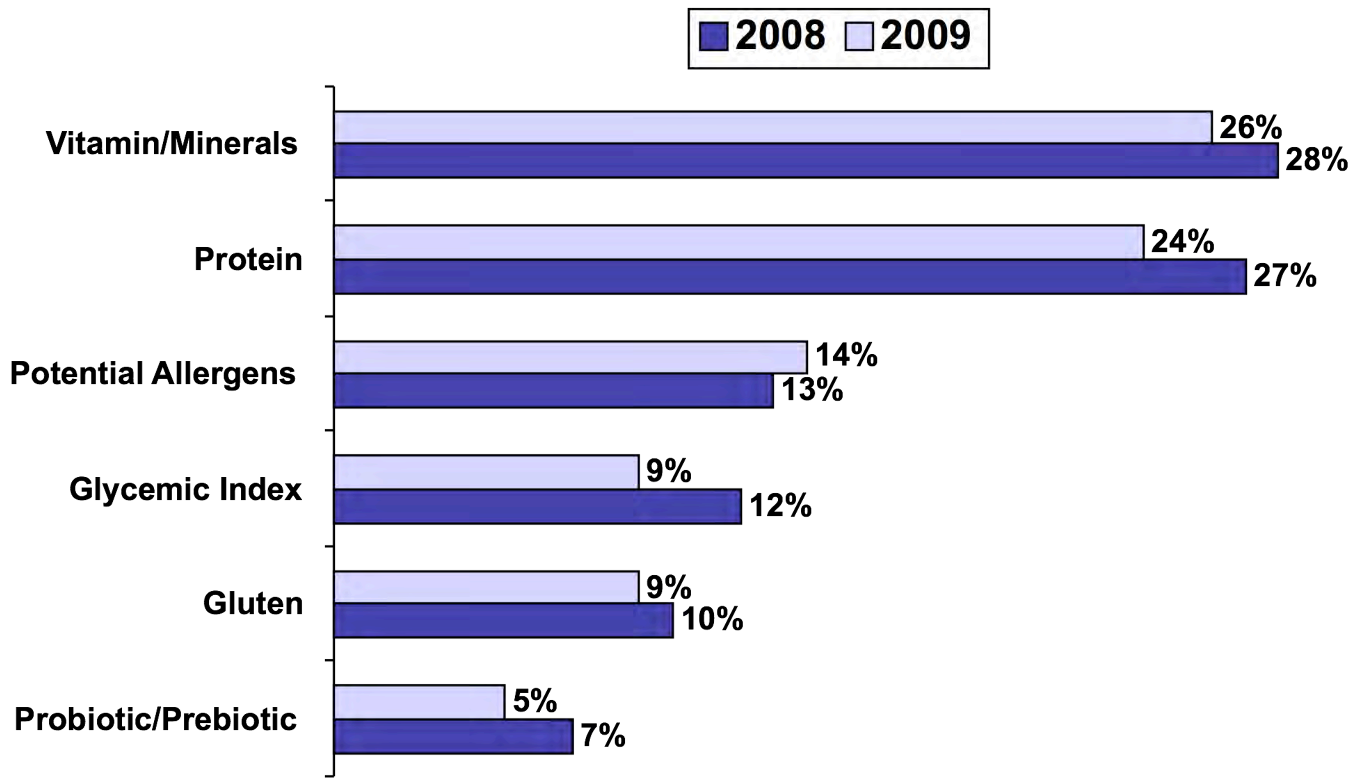
Labels of Most Concern
Lower Side



Based on Respondents who read labels

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Conclusions: Economic Effects

- The economy is having an effect on spending for food.
  - Fewer quick trips at higher price retailers
- National brands are being challenged
- Most likely to fall from healthy eating - those people who “wing it” as a diet.

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Conclusions: Eating Healthy

- No significant changes in attitudes towards eating healthy or claims of doing it.
- Taste rules! (as it always has)
  - Healthy eating battleground is in product category decisions (switch from old habits)
  - Price has some "grey area" here
- Best conversion to healthy eating – the "sometimes buyers."
- Labels – a better grasp of organic

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THANK YOU!

Cary Silvers
Director of Consumer Insights