PLMA CONSUMER RESEARCH

STORE BRANDS DELI, DAIRY & BAKERY

Based on an exclusive survey of consumer attitudes for PLMA by Surveylab

INTRODUCTION

The deli, dairy and bakery sections of today's supermarkets represent a glowing opportunity for store brand expansion.

According to a new nationwide study by PLMA, which examines consumer attitudes and buying habits in the three popular departments, consumers are already frequent buyers of store brands in "fresh" categories in general and in these sections in particular – evidence that significant private label expansion is possible for retailers. With a few exceptions, the absence of powerhouse national brands and documented low national brand loyalty by shoppers in the sections also favor private label.

Conducted for PLMA by Surveylab, the results are based on the attitudes of more than 800 women and men who identified themselves as the primary grocery shopper for their household. Eighty percent are responsible for all or most of the shopping while the rest shares the duty with another adult in the household.

The survey validates that the deli, dairy and bakery sections are heavily trafficked and driven by consumer demand. As a result, new and innovative products promising freshness, flavor, convenience and healthier are being brought to market where they are well received by shoppers.

Overall growth in the three fresh departments has been dramatic. Deli departments have seen a proliferation of chilled and ready-to-serve entrees, grab and go meals, snacks, salads and side dishes. The dairy section has made room for more flavored milk and milk alternatives, nutrition drinks, yogurts, cheeses and other specialty items. The importance of in-store bakeries continues to rise as the number of independent bakery shops has dropped from 20,000 in 1995 to fewer than 6,800 today.

In addition, survey results offer specific suggestions on the kinds of product and service improvements consumers would like to see in deli, dairy and bakery, providing retailers with a detailed road map on how to build out their store brand programs.

HIGHLIGHTS

1 **Perimeter departments: where the shopping action is**

Consumer patronage of all types of brands in the three fresh sections is high. Nearly eight in ten respondents say they purchase dairy products at the highest rates – "always/frequently" – every time they shop; while almost half buy items that often in the deli (49%) and bakery (45%).

2 **Everyday solutions**

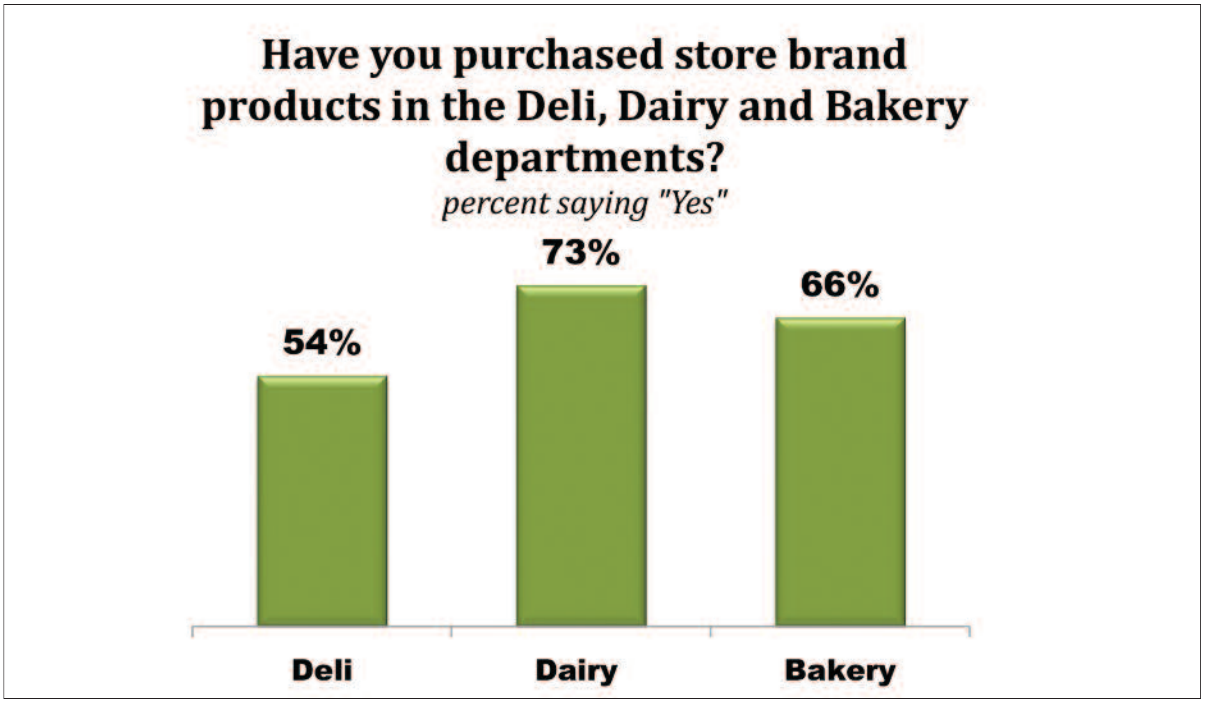
As for what consumers most often put in their basket when they shop the fresh sections, it includes familiar staples such as milk, cheese and bread as well as a wide array of solutions-oriented items that offer convenience and time-savings features and trendy and gourmet qualities. For example, in deli, among the items consumers typically buy are freshly sliced luncheon meats and cheeses, side dishes and deli entrees, gourmet meats and cheeses, and party platters; in dairy, they are milk but also non-dairy milk alternatives and creamers, and yogurt; and in bakery they are fresh artisanal bread, assortment trays for parties, and celebration and holiday items.

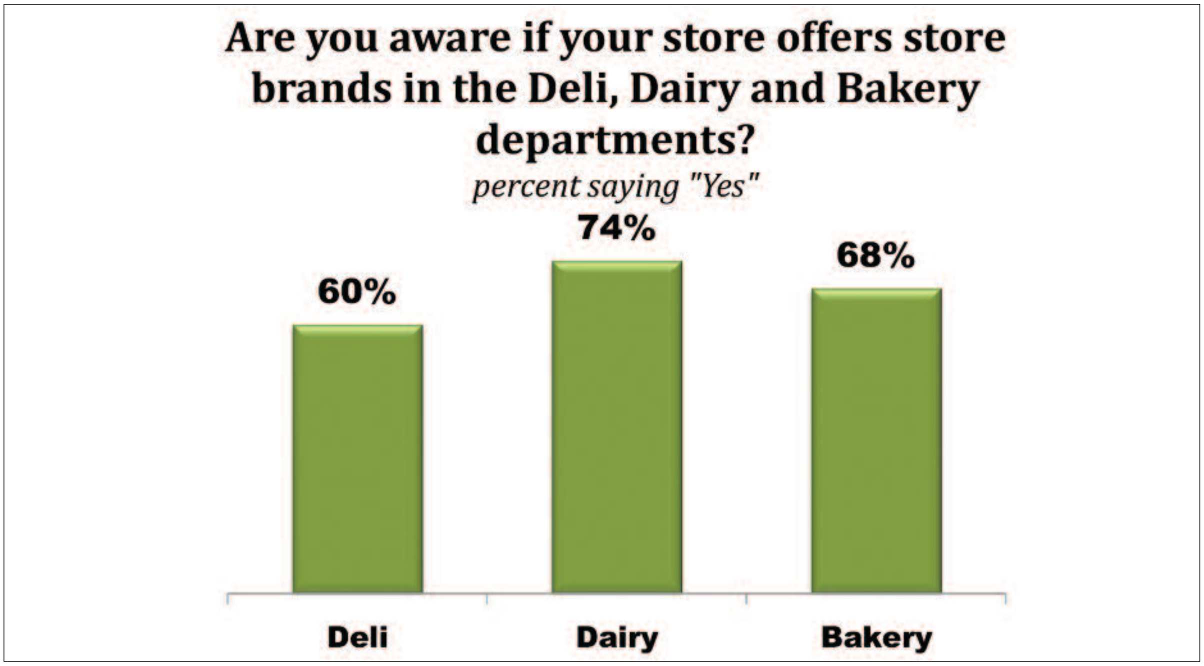
3 **Assortment is 'excellent' and improving**

Half of consumers in the study rate the quality of all the products as "excellent:" in deli (48%), dairy (48%), and bakery (42%). One third of respondents say the quality of the products in the sections is now better than it was five years ago. When asked to rate product assortment and selection, they gave the sections even higher grades: more than four in ten say product choice is better now than it was five years ago.

4 Shoppers' choice of store brands mirrors store brands awareness

Three of every four consumers in the study have bought store brands in the dairy department, two of three have bought them in bakery, and half have done so in deli. About seven in ten buy the store brands in the supermarket where they do their regular grocery shopping. But despite this patronage, retailers still have work to do. Not all consumers even know if their supermarket offers store brands in the fresh sections: only 60% say they are aware of the products in deli, 68% in bakery and 74% in dairy; and 12% are not aware of store brands in any of the three departments.





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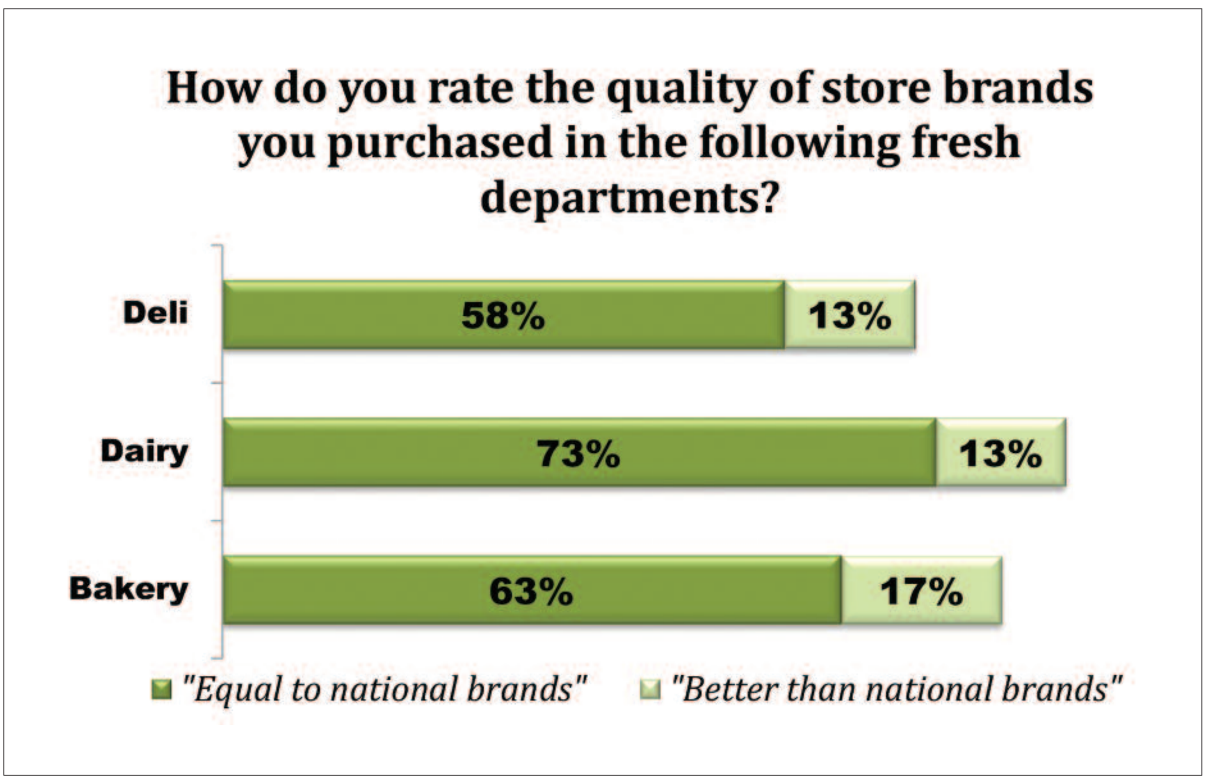
Few major national brands have dominance

A relative absence of national brand dominance, together with low national brand loyalty as reported by consumers in the study overall, provides a level playing field for retailers who want to expand their private label programs. Only 11% of consumers in the study say they have brand preferences when they shop in bakery, 22% in dairy and 26% in deli. Brand loyalty is weak throughout the store. Generally, only six in ten have a specific brand in mind when they decide to shop. However, private label is a top of mind option at the shelf. While one quarter of shoppers buy a preselected brand without hesitation when they shop, nearly twice as many, 45%, consider the store brand if it was not their first choice. As well, if a particular brand is not available that day, four in ten immediately opt for the store brand.

6

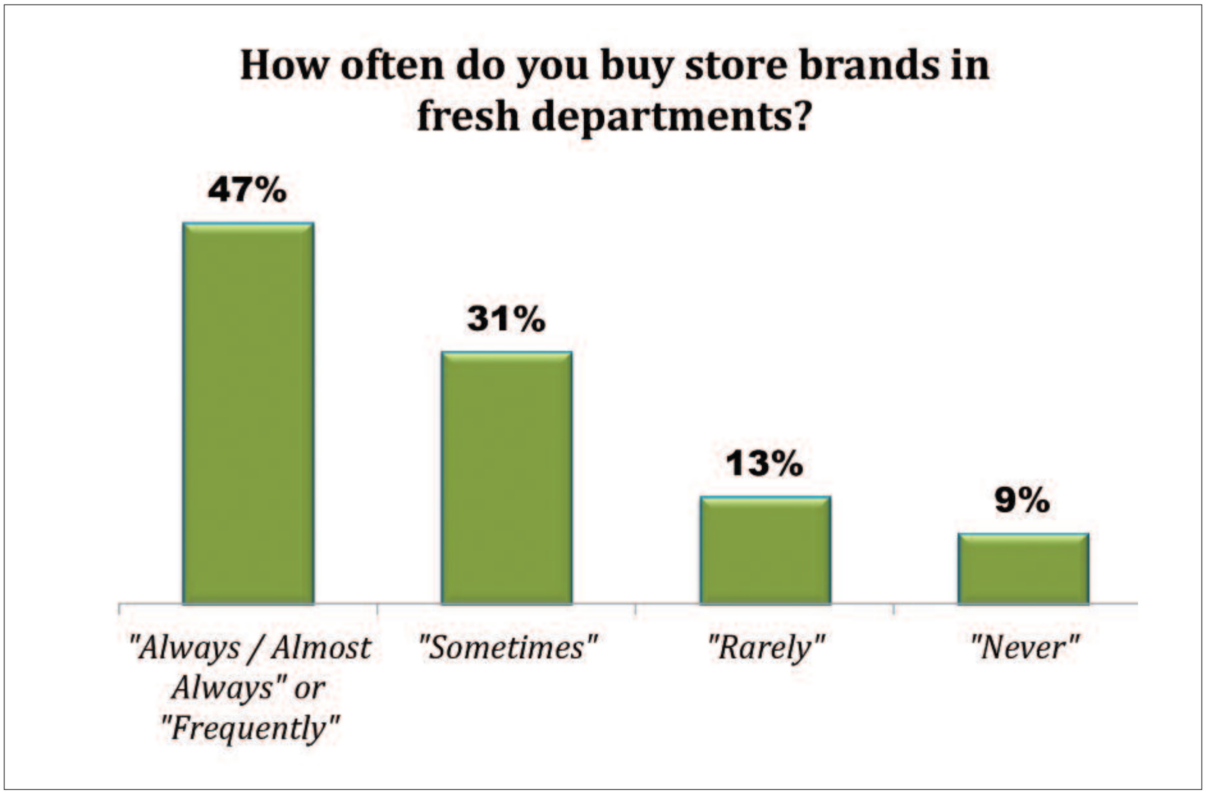
Store brands compare favorably to national brands

In overwhelming numbers, respondents say store brand products in deli, dairy and bakery are "better or equal" to national brands, and about one in six say that they are actually "better." For example: in the deli: 71% say store brands are "better/equal" to national brands (13% say "better"); in dairy: 86% say they are "better/equal" (13% say "better"); and in the bakery: 80% say they are "better/equal" (17% say "better").



7 Store brands are successful in 'fresh' overall

Consumers are predisposed to buying "fresh" store brands, in general. Almost half (47%) buy store brands in the "fresh foods" sections of their store at the highest rates of purchase – "always/frequently." More consumers buy store brands at those rates than in any other food or non-food department. For example, 44% buy store brand meat and fish that often, 43% buy store brand packaged foods, and 40% buy store brand drinks and snacks. In non-food, 46% buy store brand OTC, 43% buy store brand non-foods and 36% buy store brand HBA at those rates. Still, there is room to grow: 22% have rarely or never bought store brands in fresh categories, compared to 13% who have rarely/never purchased store brand packaged foods.



8 Improvements shoppers want: greater convenience and special product attributes

When asked what are the improvements they would most like to see for each of the three departments, shoppers revealed a wide range of interests in their answers, covering not only specific products attributes, but also ingredients and nutritional values, packaging and services.

- In deli, 39% of the consumers are looking for more products that can save time at home; 36% want more restaurant quality items; 33% want more heart healthy offerings, such as low sodium; 30% would like more international and ethnic cuisine; and 24% want dishes they can customize to their taste. In service, 44% would like more product sampling and demonstrations; 38% would like faster attention at the counter; 36% want more nutritional information on items, and 30% want calorie content posted.

- In dairy, the leading requests for improvements in products are greater variety of cheeses (38%); greater variety in general (35%); more organic, cage free and other egg products (25%); options that support diet, weight, diabetes and cognition concerns (23%); and items that feature healthy and illness prevention ingredients (21%). On improving service, the availability of coupons at the shelf was the choice of 58%, followed by more product sampling and demonstrations (34%), better packaging features, such as re-sealable, aseptic, and easy to refrigerate (33%); more grab and go meals and snacks (28%), and more nutritional information on labels (25%).

- In bakery, leading calls for product improvements were items with less fructose, sugar, corn syrup, and bad fats (31%), more items baked on the premises (31%), more nutritional and freshness information (26%), a wider variety of portions (26%), and more emphasis on healthy ingredients (25%). On service, consumers want more product sampling and demonstrations (49%), the availability of a wide range of day old items for sale (43%), faster service at the counter (29%), improved training of store personnel on such things as product information and uses (17%), and the allocation of more space in the store for the department (16%).

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