The Power of Meat 2011

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

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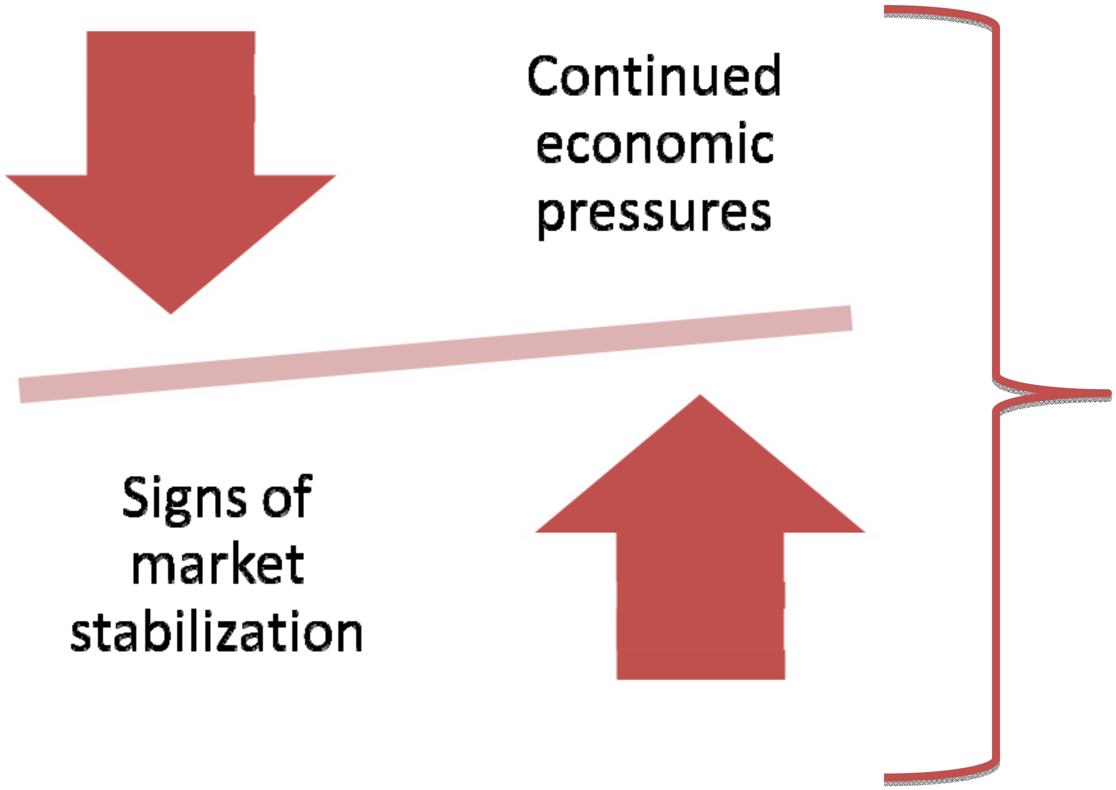
Year six — What to expect?

- Consumer survey among 1,200 shoppers
  - Trends in shopper spending, trips and channel choices
  - Marketing and merchandising meat and poultry
  - The impact of the recession
  - Knowledge of preparing meat and poultry
  - Improving the meat department
- Findings from the 2010 National Meat Case Study

2010 — A mixed bag



Shake up of many trends we've seen develop in the past few years

Signs of market stabilization

- Share of shoppers spending less on food is down
  - From 45% in 2010 to 28% today

	Change Food Spending 2010	Change Food Spending 2011
Spending More	9%	16%
Spending About the Same	46%	55%
Spending Less	45%	28%

- Grocery spending increased to $96 per week
  - Faster than the rate of food at-home inflation
- Fewer shoppers are changing meat/poultry choices
  - From 51% in 2009 to 36% today

Continued economic pressures

1. Spending less on eating out
2. Money-saving tactics at the primary store
3. Shopping more secondary stores for advertised specials
4. Cutting back grocery spending by purchasing less food
5. Switching primary stores altogether

Income plays a major role

- 31% of households earn less than they did 1 year ago
  - 15% significantly less; 16% somewhat less
  - 1% significantly more; 10% somewhat more
- Food spending is down among those directly affected by the economy

Food Spending	All Shoppers	Shoppers Making Significantly Less	Shoppers Making Significantly More
Spending More	16%	11%	60%
Spending Same	55%	27%	40%
Spending Less	28%	62%	0%

Price remains dominant factor

- Shoppers remain focused on price and value above all else
- Price per pound is the primary decision factor when purchasing meat and poultry

Rank 1-6, Where 6 Is Most Important	2008	2009	2010	2011
Price per Pound	4.6	4.4	4.5	4.5
Product Appearance	4.3	4.2	4.1	4.0
Package Size (Total Package Price)	3.8	4.1	3.9	3.9
Nutritional Content	3.4	3.3	3.2	3.1
Knowledge of How to Prepare	3.0	3.1	2.9	3.0
Preparation Time Required	2.8	2.8	2.7	2.7

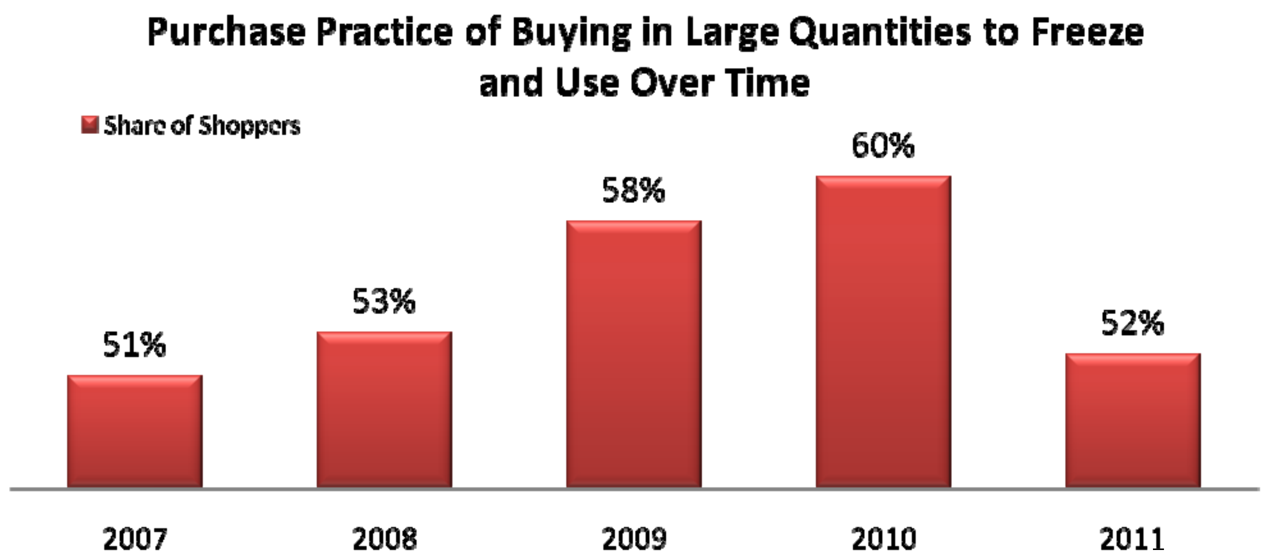
Promotion fatigue?

- 23% of all shoppers spend less because of money-saving measures
  - Down from 30% last year
- Many money-saving measures lose steam

Among Shoppers Looking to Save Money	Share of Shoppers 2010	Share of Shoppers 2011	Change 2010-2011
Read Circulars Frequently	75%	75%	=
Look at Price per Pound	64%	64%	=
Stock Up on Meat When It Is on Sale	75%	70%	-5
Purchase in Bulk	72%	57%	-15
Buy Less Expensive Cuts of Meat	72%	68%	-4
Buy Meat at Less Expensive Stores	52%	49%	-3
Buy/Cook Meat/Poultry Less Often	49%	46%	-3

Interest in bulk packages plummets

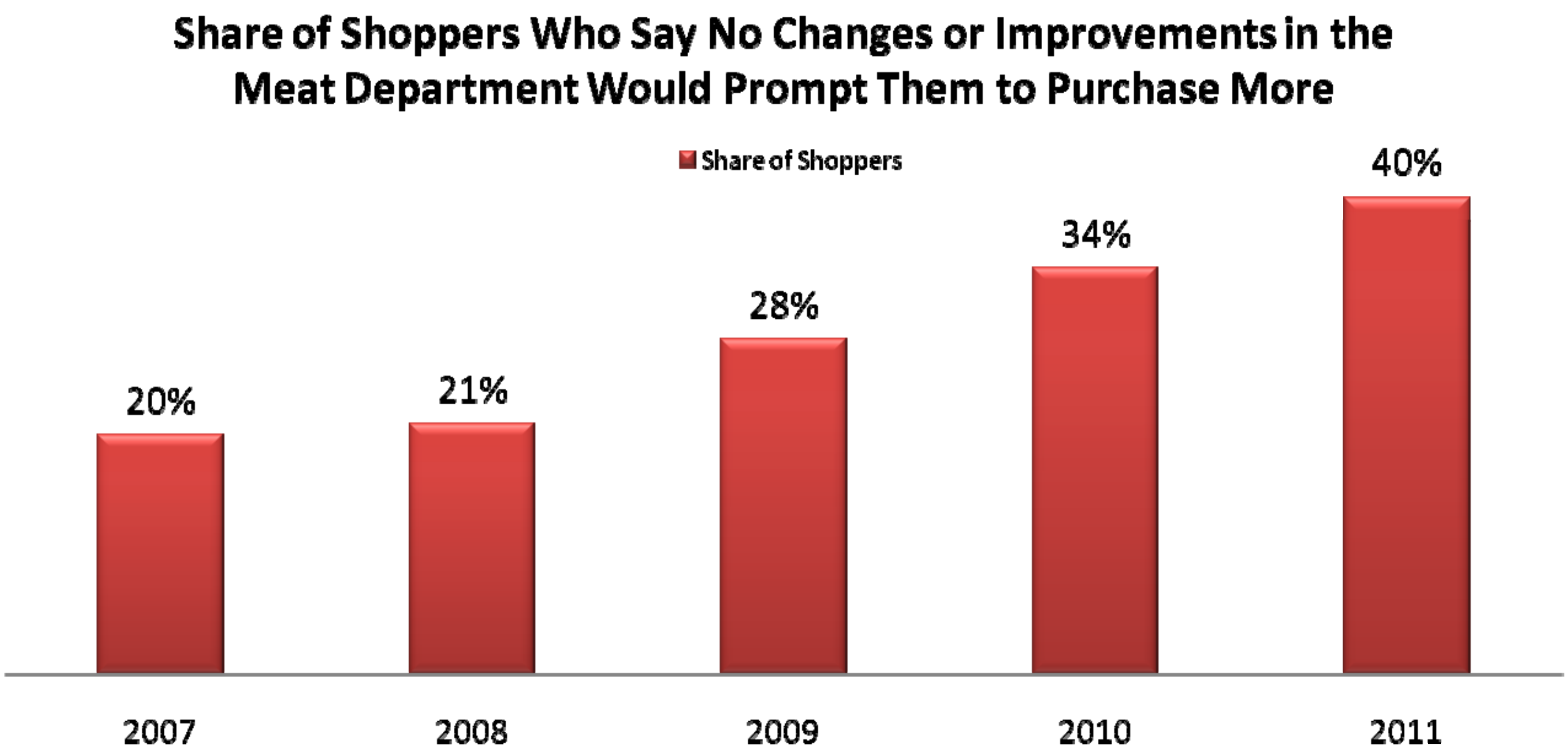
- Possibly influenced by 56% of shoppers who discard meat/poultry due to nonuse
- 52% say more substantial discounts are necessary to prompt them to purchase in bulk



Inventory control

- Bulk purchases are down
- Buying more when meat is on sale is down
- 18% of all shoppers spend less because they buy less
  - However, among shoppers who cut their food spending
    - 49% purchased fewer groceries
    - 38% applied money-saving measures
  - Average spending among those buying less is $83
    - More than $13 less than average

Harder to influence shoppers



Home-cooked meals remain popular

- Food retailing has retained their share of the dinner market
  - Foodservice continues to struggle in building traffic and sales
- Shoppers average 5 home-cooked meals a week
  - 4 dinners contain a meat/poultry portion
  - Food retailing takes minimum of 57% of meat dinner occasions each week
- Chicken and beef continue to dominate the dinner plate
  - For most proteins, volume sales are down, while dollar sales are up

Growing interest in “convenience meats”

- 7-point increase in weekly consumption of heat-and-eat meat/poultry

Frequency of Preparing for Dinner in an Average Week	Never		At Least Once		At Least 3 Times	
	2010	2011	2010	2011	2010	2011
Fresh Meat	11%	11%	78%	76%	53%	51%
Heat-and-Eat Meat/Poultry	40%	34%	29%	36%	10%	14%
Ready-to-Eat Meat/Poultry	32%	30%	33%	36%	10%	12%

And marinated meats

- Preparation of marinated meats rises from 75% to 81%
  - In line with general food trends that point at more flavor, spices and international influences

Shoppers Who Prepare Marinated Meats	2010	2011
Marinate the Meat/Poultry Myself Using a Store-Bought Mix	53%	61%
Marinate the Meat/Poultry Myself Using My Own Mix	41%	32%
Purchase Pre-Marinated Meats/Poultry	6%	7%

Do shoppers know how to cook?

- Shoppers of all ages admit room for improvement
  - Selecting wine, understanding nutrition and the USDA beef grading system are lacking the most

	Very Knowledgeable	I Do Okay	I Could Use Help
How To Prepare Fresh Poultry	48%	45%	7%
How To Prepare Fresh Meat	45%	48%	7%
How to Marinate and Spice Meat/Poultry	39%	47%	14%
How to Prepare Fresh Fish/Seafood	33%	42%	25%
Choosing Side Dishes	33%	54%	13%
The USDA Beef Grading System	25%	52%	23%
The Nutritional Content of Meat/Poultry	24%	54%	22%
Pairing the Right Wine with Meat/Poultry	16%	39%	45%

Younger shoppers lack in kitchen skills

- Younger shoppers especially struggle in certain areas
  - Excellent opportunity to educate and foster a life-long love for cooking

I Could Use Help in This Area	Overall	Shoppers Ages 18-24	Shoppers Ages 50+
How To Prepare Fresh Poultry	7%	11%	3%
How To Prepare Fresh Meat	7%	11%	5%
How to Marinate and Spice Meat/Poultry	14%	18%	12%
How to Prepare Fresh Fish/Seafood	25%	33%	23%
Choosing Side Dishes	13%	18%	12%
USDA Beef Grading System	23%	33%	17%
The Nutritional Content of Meat/Poultry	22%	32%	20%
Pairing the Right Wine With Meat/Poultry	45%	45%	46%

Tools that work

- Make it easy!
- Educate/provide information

Interest Level	Would Use This All The Time	May Use This Occasionally	Would Never Use
Easy-to-Use Recipes for Your Supermarket's Weekly Special on Meat/Poultry/Seafood	22%	60%	18%
Online Tips on Your Supermarket's Website on Nutritional Information of Meat/Poultry/Seafood	16%	53%	31%
Cooking Classes on How to Prepare Fresh Meat, Poultry or Seafood	12%	42%	45%
Step-by-Step Video Clips on How to Prepare Fresh Meat, Poultry and Seafood	10%	53%	38%

And use technology

- Smart phone apps have potential

Interest Level Among Smart Phone Owners	Would Use This All The Time	May Use This Occasionally	Would Never Use This
Smart Phone App That Provides Suggestions on Wine Pairing or Produce Combinations	23%	46%	31%
Smart Phone App to Learn More About Various Kinds and Cuts of Meat/Poultry/Seafood	22%	48%	30%

Nutritional choices suffer

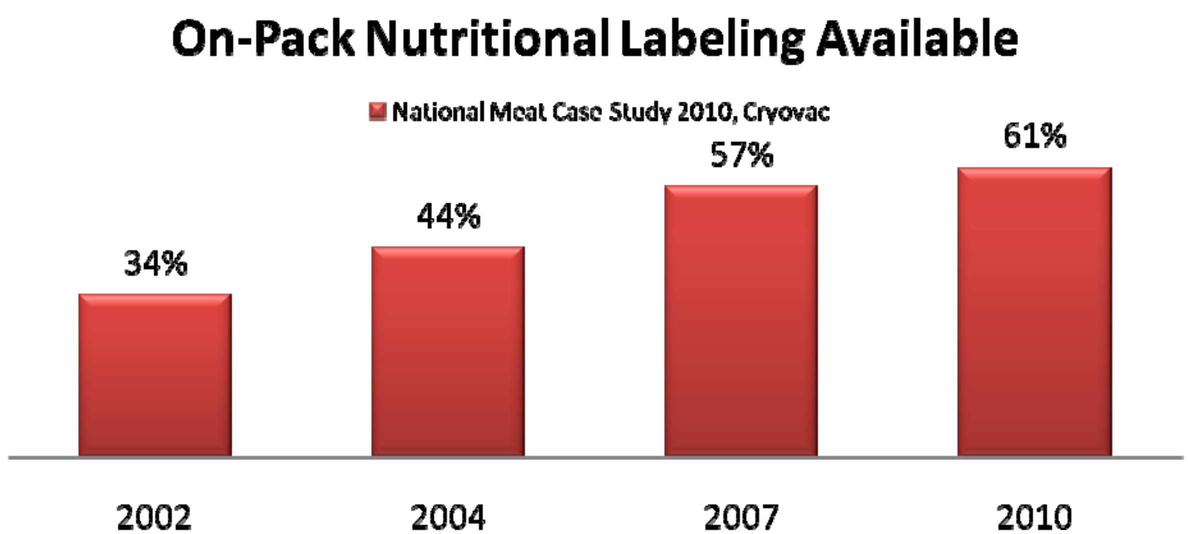
- Focus on price puts healthy eating on back burner
  - Fewer shoppers report focusing on eating a healthy diet
  - Low to start with, even fewer succeed in eating healthfully
  - Portion control and limiting sodium are the two most popular measures in eating healthfully
    - Skipping meat on a regular basis is not an option for many (18%)

Nutrition facts panel used less

- Fewer people check the nutrition facts panel than in prior years
  - Top attributes are total fat, sodium, saturated fat, calories, transfat and cholesterol
  - Mood shift from “what to avoid” to “what to include”
  - Attributes with rising interest are fiber, calcium and vitamins
  - Other items people scan for: country-of-origin, gluten, MSG, additives.

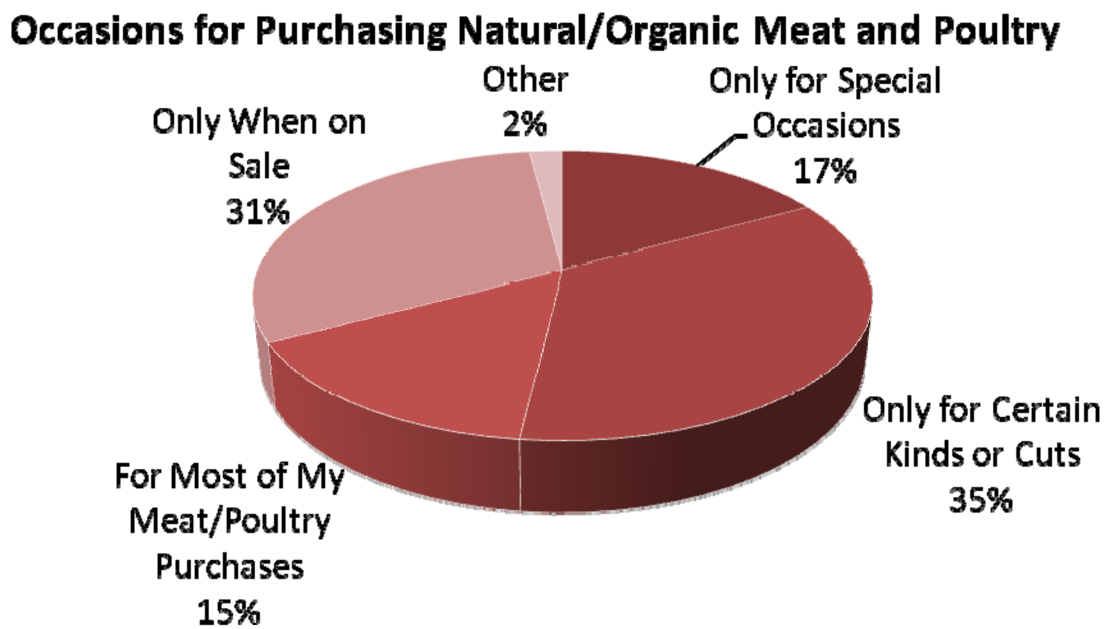
Nutrition information deemed sufficient

- 62% of shoppers say enough health and nutrition information is available when purchasing fresh meat/poultry

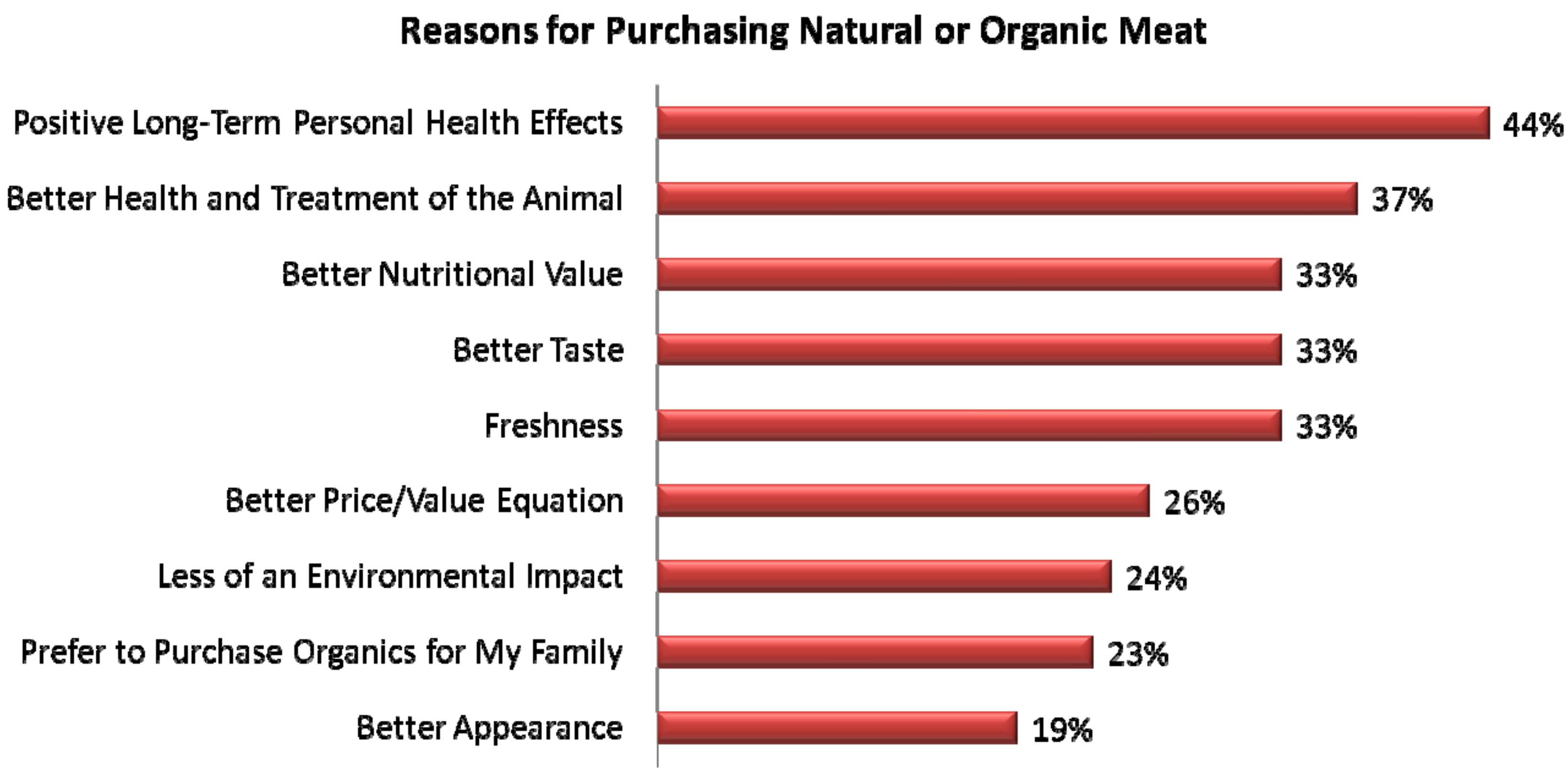


Natural/organic market remains stable

- One in 5 shoppers purchased natural/organic
  - Strong demographic differences

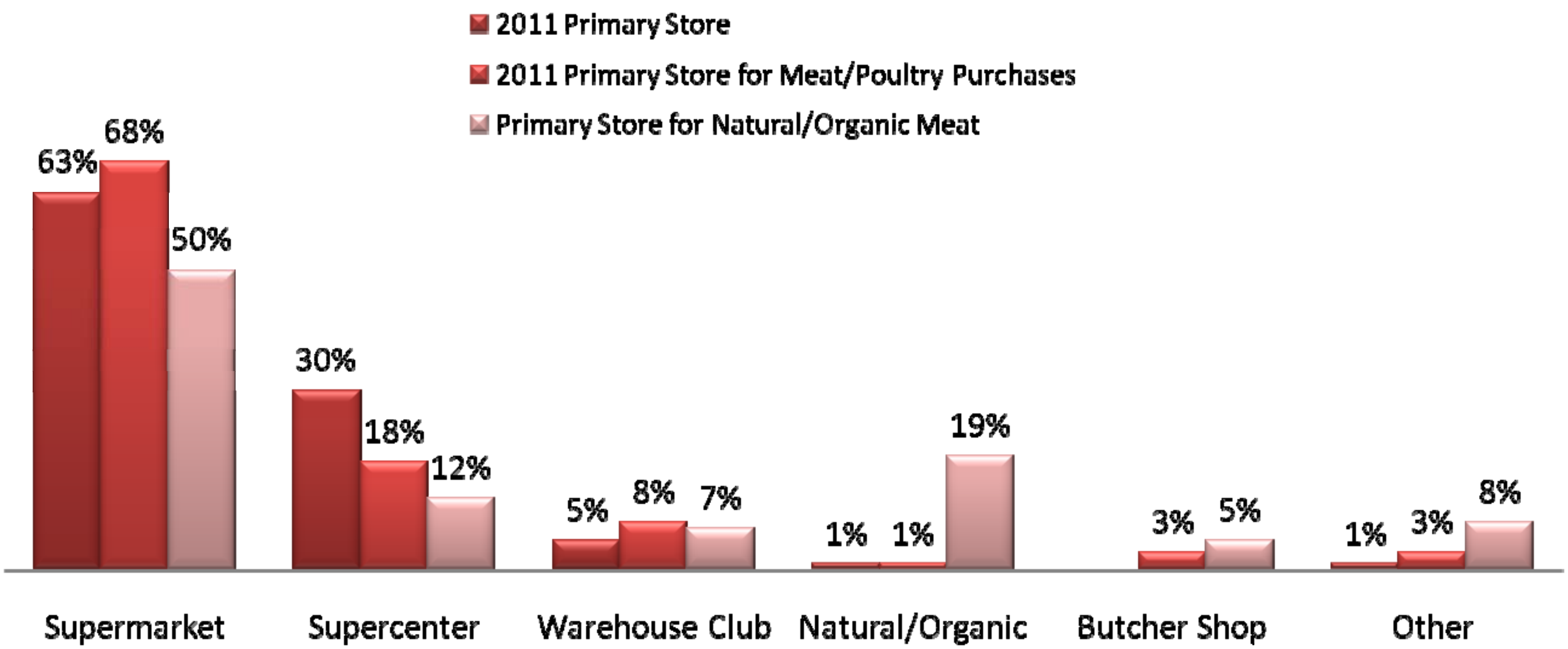


Positive, long-term health effects



Supermarkets remain top outlet

Primary Store for Natural/Organic Meat and Poultry Purchases Versus Meat and Groceries in General



Supermarkets: Fresh for success

- Supermarkets show high retention rates in the meat department
- Attract shoppers of other channels

Where Supermarket Shoppers Purchase Meat	2006 %	2007 %	2008 %	2009 %	2010 %	2011 %
Supermarket	86	89	91	88	88	88
Supercenter	1	2	2	3	2	2
Warehouse Club	5	5	4	6	4	5
Natural/Organic	0.4	0.8	0.6	0.4	0.8	0.6
Butcher Shop	5	4	2	2	3	3
Other	2	0.1	0.7	1	2	2

Supercenters: skipping the meat aisle

- Four in 10 primary supercenter shoppers purchase meat/poultry elsewhere

Where Supercenter Shoppers Purchase Meat	2006 %	2007 %	2008 %	2009 %	2010 %	2011 %
Supermarket	27	25	27	30	29	30
Supercenter	59	63	64	60	60	59
Warehouse Club	6	3	4	5	5	5
Natural/Organic	0.3	0.3	0.7	0.4	0.3	0.3
Butcher Shop	4	7	3	3	2	3
Other	3	2	1	3	1	2

In-store signage key

- Promotion fatigue also evident by smaller share of shoppers comparing prices across stores
  - Good in-store execution will drive purchases

Every time
2010: 30%
2009: 34%

Compare prices across stores
- Every time: 26%
- Sometimes: 40%
- Hardly ever: 20%
- Never: 13%

Compare prices within the store
- Every time: 45%
- Sometimes: 42%
- Hardly ever: 8%
- Never: 5%

Every time
2010: 45%
2009: 51%

Kind versus quantity

- Meat merchandising has a greater influence on the kind than quantity of meat purchased.

Influence on a Four-Point Scale	Kind (Type/Cut) Purchased	Quantity Purchased
Meat Sales Promotions on In-Store Signage	3.0	2.8
Meat Coupons	2.7	2.5
Meat Advertising in Direct Mail/Newspapers	2.5	2.5
Meat Mark Downs Because of Reaching the Sell By Date	2.6	2.5
Nutrition Information on Meat Packaging	2.4	2.2
In-Store Sampling	2.1	2.0
Recipes/Cooking Instructions on Meat Packaging	2.1	2.0
Recipes in Store (Kiosk or Cards)	2.0	1.9
Cooking Shows on TV	1.9	1.8

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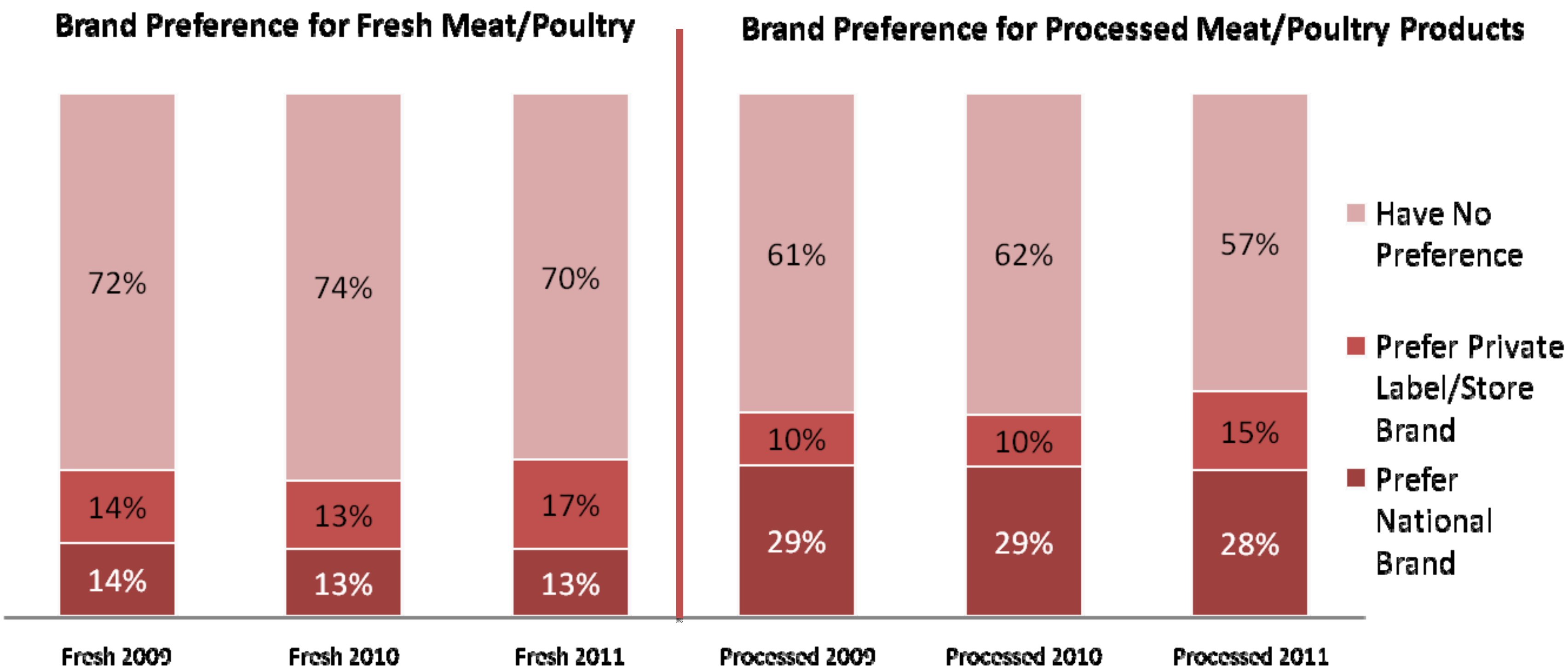
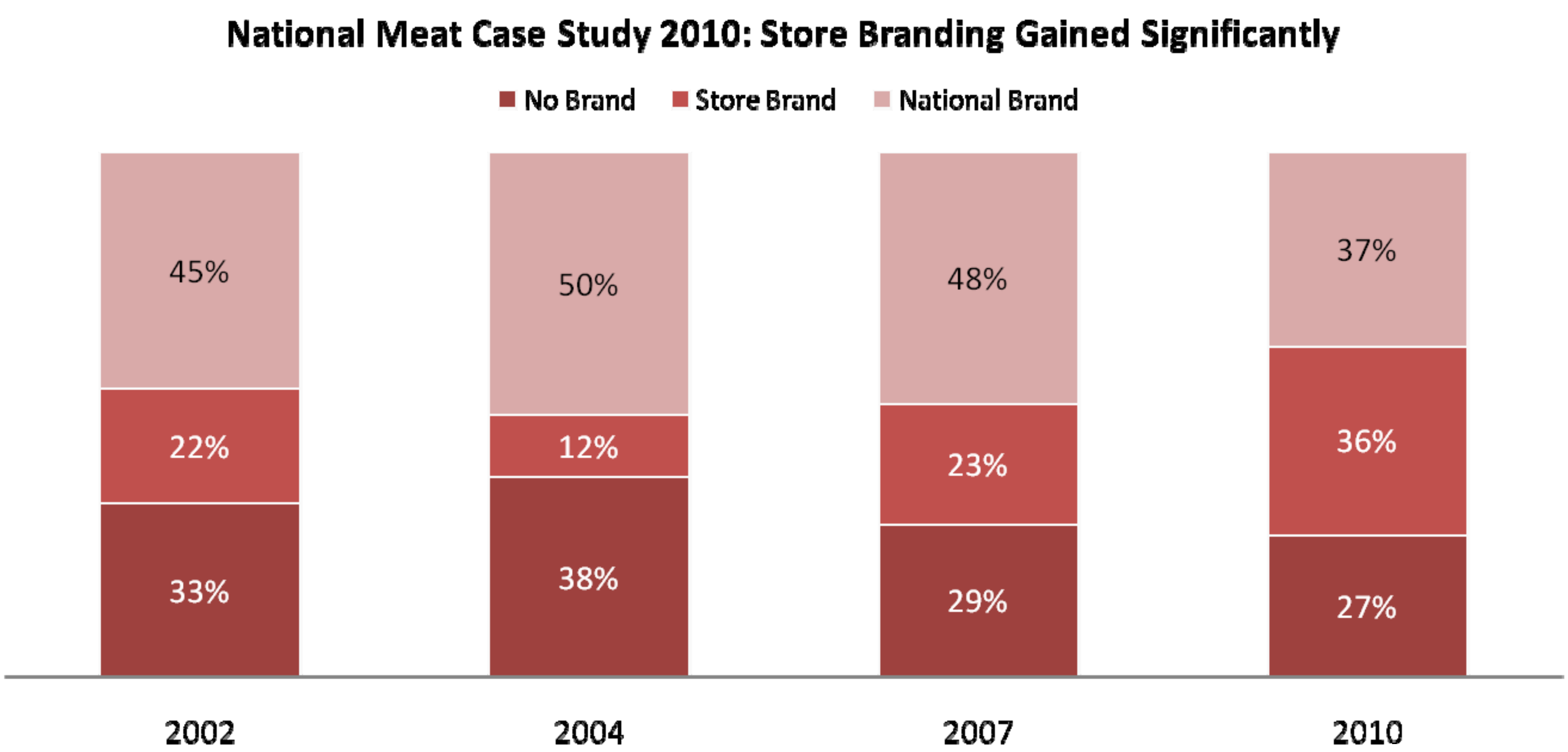
Private brands continue growth



Store brands gained in meat case

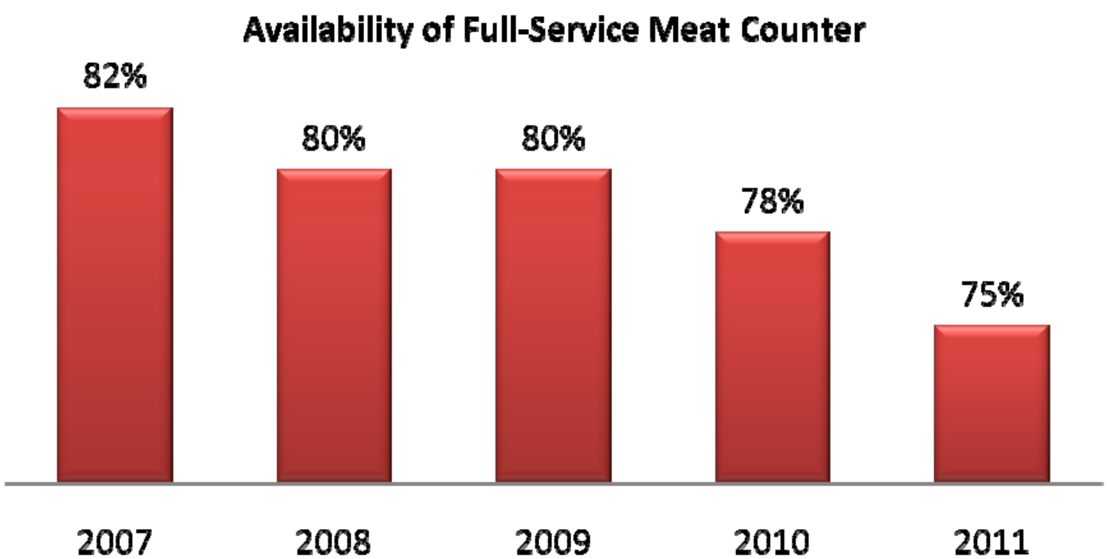


Meat case versus full-service

- Quality perception of case-ready meat at the highest point since the start of the survey
  - About the same quality: 60%
  - Better: 10%
  - NMCS: two-thirds of case inventory is case-ready
- The influence of processing at a USDA-certified facility is at its lowest point in six years
  - 47% say it does not make a difference, up from 40% in 2010

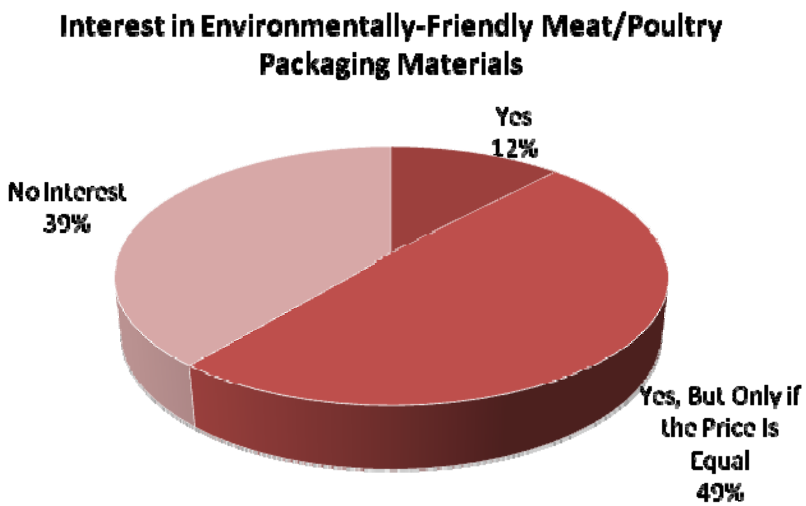
Majority of meat sold from meat case

- 69% of all meat purchases are selected from the self-service area; median of 80%
  - 4% never use meat case; 22% exclusively use meat case

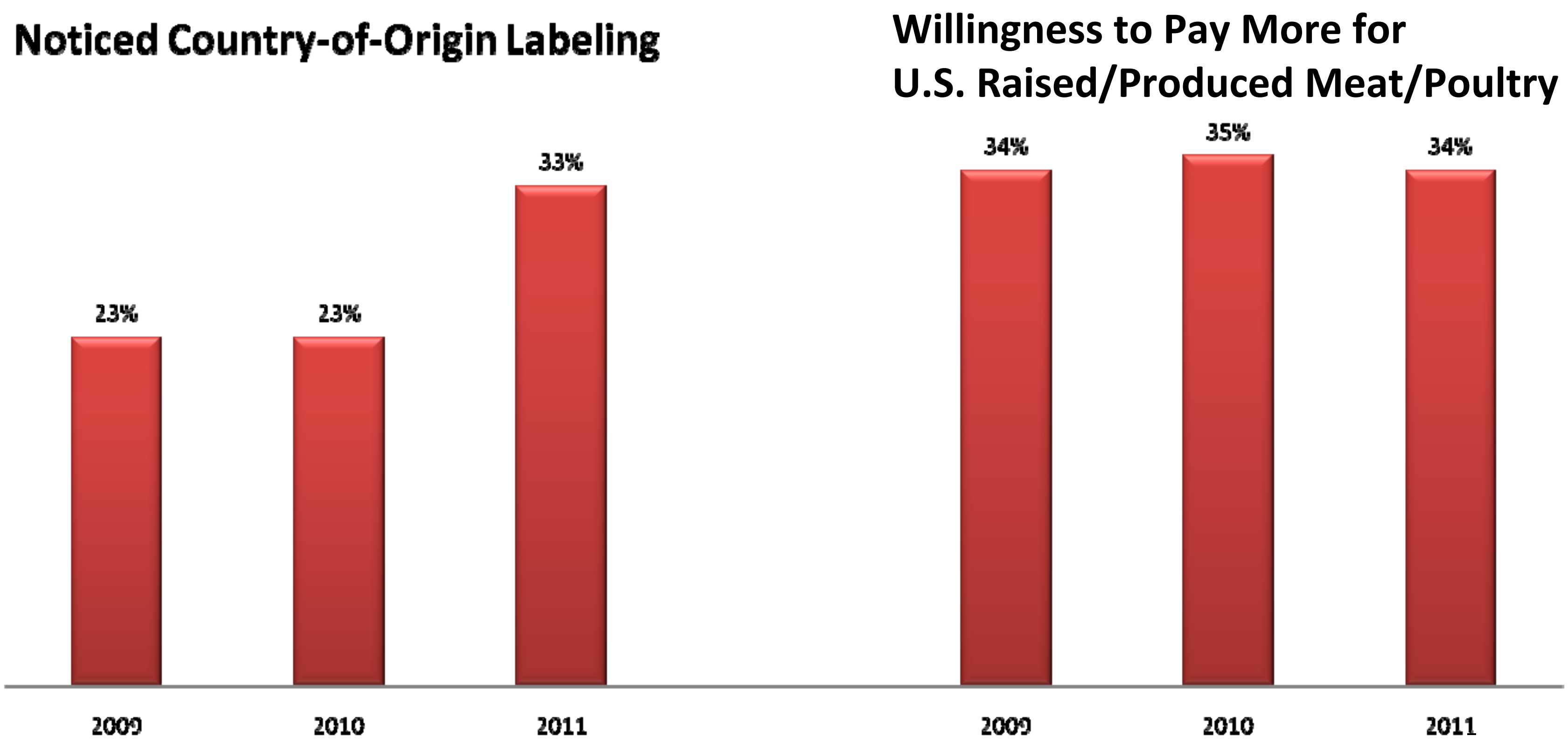


Leak-proof packages are catching on

- 36% of shoppers have purchased leak-proof packages
  - Up from 27 percent in 2010
- On the other hand, interest in environmentally-friendly packaging is soft



Slight increase in COOL awareness



Service counter = special + advice

- **Unavailability in the meat case**
  - *For lamb, it's not available in the meat case*
  - *If I want to make something different, like a thicker or thinner cut*
- **Special occasions**
  - *For Christmas or Thanksgiving*
  - *When we have a cookout or having guests over*
- **Special amounts**
  - *When I need more or less than what's prepackaged*
  - *If I want a large piece of meat cut into smaller quantities*
  - *For one-person portions!*

Reasons for using the full service counter

- **Advertising specials**
  - *When they have big sales I buy several portions from the service counter*
- **Special services or advice**
  - *To ask a question, request a certain amount or buy a cut I don't see in the case*
  - *When I need advice on how to cook something*

Last but not least

- Consumer suggestions to improve the meat department to prompt increased purchases
  - **Majority of comments center on price**
    - *Better pricing!*
    - *Better specials and more coupons as prices keep going up.*
    - *Have advertised specials in stock!*
    - *Have complete meal deals with matching meat, vegetables and starch on sale with recipes*
  - **Quality and freshness**
    - *I'm buying less fresh meat due to the poor quality. Let's get back to good quality, no waste!*
    - *Freshness, so it still lasts for several days in my fridge after purchase*

Suggestions for improvement

- **Better availability**
  - *Have enough product availability in wider variety of sizes*
  - *More types of meat available fresh – duck, goose, rabbit, goat, etc.*
  - *Variety most of the year in turkey/fish/beef at reasonable prices*
- **Cleanliness**
  - *A clean store is of the utmost importance to me, the rest is secondary*
  - *Get rid of extreme fish smells, it spoils my desire to buy meat/poultry right next to it*
  - *Keep it clean and well lit*

Suggestions for improvement

- **Better information/signage**
  - *Always clearly list sales and prices*
  - *Keep products in one place instead of rotating locations. I've left without a purchase out of pure frustration!!*
  - *Would be nice to have a sign that tells you if the meat needs to be cooked slow and long or short and fast*
- **Better customer service**
  - *Butchers that actually are butchers. It's hard to get good advice these days*
  - *Customer service staff that don't make you feel stupid and encourage questions. I don't know how to cook, but I'm trying to learn!*

Suggestions for improvement

- **Quantity**
  - *I'm single and don't want to have the same type of meat the whole week. Smaller sizes!*
  - *Packages of exactly one pound, or two/four chicken breasts, not three!*
- **Organic**
  - *Better availability of organic meats. Often sold out or one or two packages left*
  - *I have yet to see organic pork, would love to see that*

A look ahead

- Rising commodity prices will likely lead to subdued volume sales
- Inventory control growing more important, money-saving measures less important
- Rising gas prices will likely lead to fewer visits/format mixing
- Changes in the economy will tell whether market stabilization continues or shoppers will return to tightening spending

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