Food Marketing Institute

Food Marketing Institute proudly advocates on behalf of the food retail industry. FMI’s U.S. members operate nearly 40,000 retail food stores and 25,000 pharmacies, representing a combined annual sales volume of almost $770 billion. Through programs in public affairs, food safety, research, education and industry relations, FMI offers resources and provides valuable benefits to more than 1,225 food retail and wholesale member companies in the United States and around the world. FMI membership covers the spectrum of diverse venues where food is sold, including single owner grocery stores, large multi-store supermarket chains and mixed retail stores.

For more information, visit www.fmi.org and for information regarding the FMI foundation, visit www.fmifoundation.org.

Source: FMI Trends 2012, FMI Speaks 2011
The connecting role of the retailer

Retailers are the vital link between food producers and consumers

When things are good, the exchange of information and products is an unencumbered two lane bridge.

When things turn bad, and products and information are not flowing, being in-between feels like a vise.

When things get ugly, retailers are pressured to perform miracles.
Today’s Supermarket

- Consumers visit food retail outlets 1.6 times each week
  - 1.2 times or 73% of that to primary store
- Supermarkets carry over 38,000 items
- Meat, poultry and fish account for 13% of supermarket sales

Source: FMI Trends 2014, FMI Speaks 2013
Today’s Supermarket

• Profit Margin of 1-2%
  – Very competitive

• The “profound truth” of food retail
  – Incredibly imitative
  – Differentiation from competition is key to success

Source: FMI Trends 2012, FMI Speaks 2011
Esoteric Concerns

Is it...?

- locally produced?
- environmentally sensitive?
- organic?
- genetically modified?
- humanely treated?
- antibiotic free

Cost

Money

Convenience

Time

Taste

Will they eat it?

Health & Wellness

Is this good for them?

SAFE?
All of the Most Concerning Life Issues are Beyond Consumer’s Direct Control

Additional Food System Concerns

- Imported Food Safety (63%)
- Food Safety (63%)
- Enough to Feed U.S. (56%)
- Humane Treatment of Farm Animals (51%)
- Environmental Sustainability in Farming (49%)
- Access to Accurate Info to Make Healthy Food Choices (48%)
Levels of Concern About the Food System are Growing Faster than Other Concerns

Change in Top Concerns 2012-2013

- Rising Health Care Costs (+3%)
- Rising Cost of Food (+3%)
- Rising Energy Costs (+3%)

Change in Food System Concerns 2012-2013

- Safety of Imported Food (+4%)
- Food Safety (+5%)
- Enough to Feed U.S. (+3%)
- Humane Treatment of Farm Animals (+7%)
- Environmental Sustainability in Farming (+4%)

Other Concerns:

- U.S. Economy (-2%)
- U.S. Unemployment (-4%)
- Personal Financial Situation (-2)
Retail Experience of the Future Research

• Consumers will make decisions based on a retailer’s social responsibility efforts. 87% report that giving back to the local community will be the minimum acceptable level of social responsibility.

• Consumers indicate a willingness to pay for their choices. 64% of respondents said they would pay more for organic. Reflecting the increasing consumer demand for transparency regarding the origins of their foods, 52% indicated they would pay more for non-GMO foods.

Source: PwC report *Front of the Line: How Grocers can get ahead for the future*
MINIMALLY PROCESSED

RECOGNIZABLE INGREDIENTS

LOCALLY GROWN OR PRODUCED

SHORTEST LIST OF INGREDIENTS

MORE THAN 25% SEEKING THESE PRODUCTS

percent of consumers who still identify themselves as bearing primary responsibility for ensuring the food they purchase is safe.

level of food safety responsibility consumers assign to food stores rises

On my side/working against me on wellness issues.

<table>
<thead>
<tr>
<th>More + than -</th>
<th>For/Against</th>
</tr>
</thead>
<tbody>
<tr>
<td>My family</td>
<td>79%/ -6%</td>
</tr>
<tr>
<td>My friends</td>
<td>73%/ -6%</td>
</tr>
<tr>
<td>Doctors</td>
<td>69%/ -7%</td>
</tr>
<tr>
<td>Fitness/health clubs</td>
<td>57%/ -6%</td>
</tr>
<tr>
<td>Farmers</td>
<td>54%/ -4%</td>
</tr>
<tr>
<td>&quot;Primary&quot; food store</td>
<td>43%/ -8%</td>
</tr>
<tr>
<td>Drug stores</td>
<td>39%/ -12%</td>
</tr>
<tr>
<td>Food stores in general</td>
<td>30%/ -14%</td>
</tr>
<tr>
<td>Local restaurants</td>
<td>28%/ -13%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>More - than +</th>
<th>For/Against</th>
</tr>
</thead>
<tbody>
<tr>
<td>Celebrity chefs</td>
<td>14%/ -19%</td>
</tr>
<tr>
<td>The news media</td>
<td>20%/ -26%</td>
</tr>
<tr>
<td>Health insurance</td>
<td>26%/ -35%</td>
</tr>
<tr>
<td>Gov't institutions</td>
<td>20%/ -38%</td>
</tr>
<tr>
<td>Food manufacturers</td>
<td>13%/ -45%</td>
</tr>
<tr>
<td>Entertainment industry</td>
<td>6%/ -39%</td>
</tr>
<tr>
<td>Fast food restaurants</td>
<td>7%/ -59%</td>
</tr>
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The Changing Retail Environment

• Food retailers have seen more change in the past 5 years than in the previous 50.
• The new empowered consumer is the topic for FMI’s Midwinter Executive Conference.
• Consumers are deciding markets and choosing products on the basis of shared values.
• Consumer concerns regarding use of antibiotics with food animals and animal housing continues to grow. Listed as priority issues on FMI’s Emerging Issues and Opportunities List for 2014.
3 parting thoughts

• He who is not a’busy being born is a’busy dying. We can either change or get changed.

• Transparency is an over-used term and an under-utilized concept. Crucial to maintaining retailer and consumer trust.

• Your product defines you, the relationship with the customer defines the retailer. In the retailer world the customer may not always be right, but they are never wrong.
Thank you for your attention and thanks for your labor.

Food Marketing Institute
David Fikes
Vice President, Consumer/Community Affairs & Communications
dfikes@fmi.org
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