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FMI Consumer Trends 2007: Confidence in Food Safety Down, Energy Costs Changing How People Shop

Consumers Wary About Food From Cloned Animals

CHICAGO, IL — May 7, 2007 — Foodborne illness outbreaks and high energy costs are significantly changing consumer shopping behavior and attitudes, according to the Food Marketing Institute (FMI) U.S. Grocery Shopper Trends, 2007, which was released here today. The number of consumers "completely" or "somewhat confident" in the safety of supermarket food declined from 82 percent in 2006 to 66 percent — the lowest point since 1989 when the issues of pesticides in apples and contaminated grapes were widely reported. Consumer confidence in restaurant food is even lower at 43 percent. "These findings send a strong message to the entire food industry," said FMI President and CEO Tim Hammonds. "All of us need to work together to be sure our consumers continue to receive the high quality, affordable food they have every right to expect."

The Trends survey found that safety concerns prompted 38 percent of consumers to stop purchasing certain foods in the past 12 months — up from 9 percent in 2006. Among those who stopped buying products, the items most often mentioned were spinach (71 percent), lettuce (16 percent), bagged salad (9 percent) and beef (8 percent). The survey was conducted in January 2007, when the outbreak linked to spinach was still in the news and illnesses associated with other foods were starting to make headlines.

Costly Energy Affects How Consumers Shop, Cook and Dine

High fuel and home-heating costs are driving other changes in shopping for 41 percent of consumers. In fact, the impact extends beyond shopping to cooking and dining. For example, consumers:

- Cook more and eat out less, cited by 69 percent of those surveyed.
- Eat more leftovers or use leftovers to make other meals, 62 percent.
- Purchase more grocery store brand items as opposed to national brand items, 56 percent.
- Purchase fewer food items overall, 40 percent.
- Buy more canned, frozen or boxed food as opposed to fresh food, 30 percent.
- Purchase more prepared meals from the grocery store rather than going out, 21 percent.

High-priced gasoline may have contributed to how often consumers shop. In a first for Trends, consumers now shop for food fewer than two times a week. The average number of trips is now 1.9, down from 2.1 in 2006. Cost and health concerns are behind the increase in people cooking more meals. Nearly eight in 10 shoppers (78 percent) eat home-cooked meals three or more times a week. More than nine in 10 (92 percent) say the food they eat at home is healthier than the meals eaten away from home. This figure includes 41 percent who believe food prepared at home is "much healthier."

Two-Store Shopping Strategy Emerging

Some shoppers appear to be adopting a dual primary store strategy, playing to the strengths of different formats. They are stocking up on most dry groceries and nonfood items at price discount stores, while buying meat, produce and frozen, natural and organic foods at conventional supermarkets. This new shopping pattern, combined with cost concerns, may benefit supercenters, which continue to gain ground as shoppers' primary store, growing to 24 percent, up from 2006. Conventional stores are the primary outlet for 61 percent, down from 64 percent. Store performance ratings, however, raise questions about whether this trend will continue. Overall shopper satisfaction with store performance declined slightly to an average of 7.9 percent, from 8.0 percent in 2006. Ratings of supercenter performance declined most significantly to 7.5 percent, from 7.8 percent in 2006 and 8.0 percent in 2005. Consumers gave conventional stores an 8.0 performance rating. The Trends report detected some erosion in the performance ratings for store features most important to shoppers. Forty percent of consumers rate their primary store "excellent" in being clean and neat — down from 42 percent in 2006 and 46 percent in 2005. High-quality produce is rated "excellent" by 34 percent — down from 37 percent and 38 percent in

the previous two years. High-quality meat received the highest rating among 32 percent of shoppers – down from 36 percent and 38 percent. "All these changes challenge the industry, but they present excellent opportunities for retailers to grow and innovate," said Hammonds. "Consumers are now coming home to eat food purchased at retail food stores, including prepared meals. This helps shoppers save money and promotes health and well-being. "The best-in-class supermarkets are spotlighting quality and nutritious meals-to-go for the burgeoning number of singles, working couples and others who either lack the time or know-how to cook."

Consumers hold widely different views about what constitutes a home-cooked meal. The responses ranged from a meal "made from scratch that takes about an hour to two hours [to prepare]" to "one that involves me turning on the stove, oven or microwave for longer than two minutes."

Consumers Uncomfortable With Food From Cloned Animals

Looking at the potential future of food, consumers are not yet comfortable with eating products from cloned livestock. Six in 10 (61 percent) are not comfortable, including 31 percent who are "not at all comfortable." If such products are sold commercially, more than eight in 10 consumers (84 percent) believe cloned foods should be labeled as such. In fact, six in 10 hold this view "strongly."

Other Key Findings:

- Shoppers spend an average of \$93.20 per week per household. The cost ranges from \$62.20 for one-person households to \$83.20 for two-person ones to \$107.20 for three to four to \$131.40 for five or more.

- Most stores feature a deli (90 percent), bakery (87 percent), large selection of prepared foods (82 percent), natural and organic foods (80 percent), fresh seafood (73 percent) and a pharmacy (73 percent).

- More than six in 10 consumers (62 percent) believe their diets could be more healthful. One-fifth (20 percent) say that someone in their household is on a diet. Most dieters observe their own regimen (62 percent), while others are following Atkins (12 percent), South Beach (6 percent) or another low-carb diet (15 percent). Other dieters are using Weight-Watchers (12 percent) and Slimfast (11 percent), along with Curves, Dr. Phil, Edlets and Jenny Craig (5 percent each).

Methodology

Data for U.S. Grocery Shopper Trends, 2007, were collected through surveys conducted by Harris Poll Online among a nationally representative sample of 2,307 U.S. shoppers. Respondents must have met the following requirements to participate in the survey: a minimum of 15 years of age, primary or equally shared responsibility for food shopping, and they must have shopped for groceries in the past two weeks.

To purchase the report (\$95 for FMI retailer/wholesaler members, \$145 for FMI associate members and \$195 for nonmembers), contact the FMI Store at 202-220-0723 or www.fmi.org/store/.

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Food Marketing Institute (FMI) conducts programs in research, education, industry relations and public affairs on behalf of its 1,500 member companies - food retailers and wholesalers - in the United States and around the world. FMI's U.S. members operate approximately 26,000 retail food stores with a combined annual sales volume of \$340 billion - three-quarters of all retail food store sales in the United States. FMI's retail membership is composed of large multi-store chains, regional firms and independent supermarkets. Its international membership includes 200 companies from 50 countries.