

This is just another reminder that fresh produce is part of a bigger world, and fighting a bigger battle – “the share of stomach”. Apples aren’t just competing with bananas, but also with other categories like cereal and yoghurt. Purchase frequency is declining and needs to be addressed in order for sales growth to be positive again. It’s one thing to experience smaller baskets, but it’s more serious when purchase engagement declines.

In order to address the issue, a strategic plan needs to be implemented based on the answers to the following questions: Where are these shoppers going if they are purchasing my product less?; Who am I competing with – is it other grocery products or out-of-home consumption?; Who is driving this behaviour?

Insights from Nielsen Homescan’s demographic data shows that high income households – who currently account for just under half of all fresh produce sales are responsible for most of the decline driven by lower purchase frequency and spend per visit. To re-engage these shoppers, price is less likely an issue. It could be more effective to promote convenient solutions for in-home consumption or introduce a wider variety of premium produce. The key is developing a comprehensive understanding of their behaviour in order to implement the right solution!

Looking at retailer share of trade, it is clear that shoppers are still big on buying fresh produce outside of the key supermarket chains with almost a third (29.3%) of all sales being channelled through non-supermarkets.

Clearly, the opportunity to capture these sales for the supermarket chains is massive, and while overall value sales growth has been squeezed in response to increased

competition, and the need to attract greater foot traffic in store – there is evidence that price is not always a key motivator for shoppers. According to a recent Nielsen consumer survey, consumers are more inclined to purchase fresh produce from key supermarket retailers for convenience and big promotions, but these retailers still have a way to go to change the perceptions in the minds of their customers when it comes to quality, availability of locally made produce, and range.

**So what are the key implications for fresh produce suppliers?**

- Don't put all your eggs in one basket – shoppers don't! You could miss an opportunity as consumers shop in various stores across multiple channels seeking value and quality.
- Don't necessarily invest in lower priced product options. While consumers may be savvy, quality and locally grown is still an attractive proposition to many.
- Invest in products that offer convenience and give shoppers a reason to eat at home. We are a nation that is time poor – even in tough times. Pre-packed produce is on a growth path and still has plenty of potential ahead.
- Take the time and invest in shopper research. The value of understanding your shoppers can not be overstated. If truly embraced, it will help you make more informed business decisions, form closer partnerships with your retail customers and implement more effective strategies to grow your sales and the category.

**About Nielsen Homescan**

Nielsen Homescan is an exclusive data source that tracks the purchasing of 12,500 households across Australia and New Zealand. Information from Nielsen’s Homescan service can help you uncover growth opportunities by retailer, channel and state; provide accurate insights into shopper purchasing behaviour; provide crucial input for building effective sales and marketing strategies to drive growth; measure the effectiveness of your marketing spend by tracking sales and shopper behaviour down to a weekly level; and develop your knowledge of the category and consumers, positioning you as the expert at the trading desk.

For more information on Nielsen's Homescan Fresh service, please contact your Nielsen representative or email [Yahya.Kanj@nielsen.com](mailto:Yahya.Kanj@nielsen.com)

**About The Nielsen Company**

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**Focus on Fresh**  
 The latest consumer trends in fresh produce  
 a Nielsen report  
 June 2010

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# A mixture of boom and gloom as 2010 unfolds

The latest information on Australian economic, business and consumer trends all suggest that we have left the uncertainty and austerity of the global financial crisis behind us, and while the future appears a little brighter – there are indicators that we are not completely out of the woods.

The latest findings from Nielsen's Global Online Consumer Survey for Quarter 1, 2010 reveal a tale of two outlooks among Australians. While we are still one of the most optimistic developed markets globally; with growing confidence in the job market, personal finances, and propensity to spend on discretionary items; there is still pessimism clouding the year ahead as we juggle the good with rising interest rates and utility costs, escalating debt levels and widespread voter dissatisfaction in the lead up to the Federal Election.

Australians continue to have a positive outlook, with our Confidence Index at 111 – an increase of 19 index points compared to a year ago (the highest we've seen in two years), and 20 points above the global benchmark of 91.

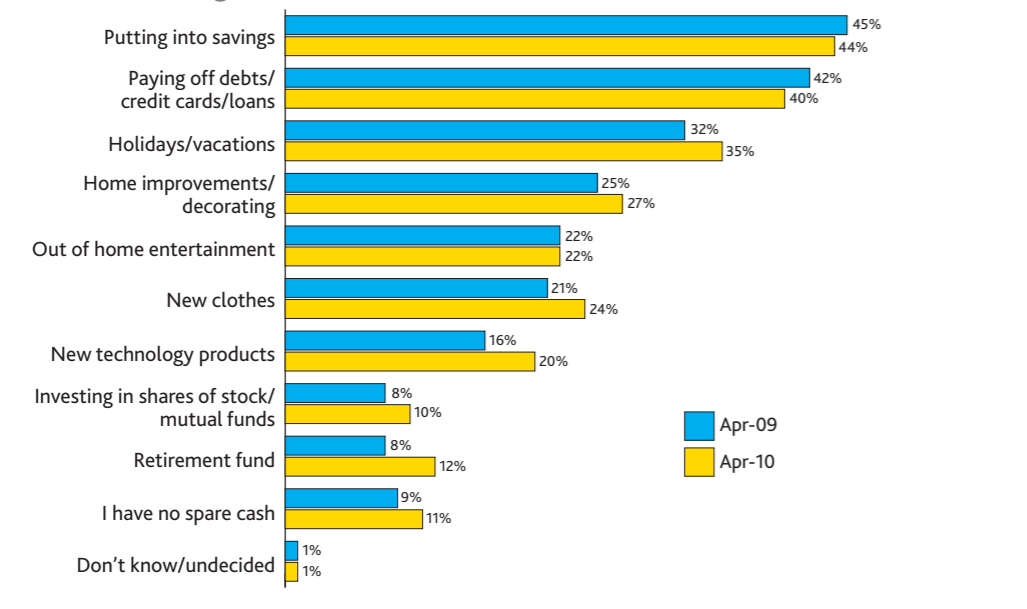
However, while confidence levels are buoyant, Australian consumers remain vigilant, with 44 percent putting any spare cash into savings and a further 40 percent of consumers channelling any surplus cash into paying off debts, credit cards and loans. Interestingly, the number of consumers allocating their spare cash on holidays, home improvements, new clothes and new technology increased slightly versus the same time in 2009.

Looking at the business environment, the results of Nielsen's latest Retail Barometer Report, which surveys around 100 of Australia's leading FMCG manufacturers, revealed that business conditions also look fairly healthy, with more than half of respondents (57%) experiencing an improvement in business conditions in the second half of 2009, and well over two thirds (70%) were anticipating business conditions to continue to progress in 2010.

All in all, while the uncertainty around the global recession has eased among Australians, finding value will remain a key element influencing their spending habits as they face some pretty tough challenges around the continued rise in interest rates, increasing utility bills, escalating household debt and managing their work/life balance.

It will be interesting to see how the results of Nielsen's next consumer confidence survey, along with other market conditions (including consumer sentiment in the lead up to the Federal Election), reflect the changing economic and consumer environment as 2010 unfolds.

## How do you utilise your spare cash after covering essential living expenses? Australian average



Base: All respondents (Australia)  
Source: Nielsen Global Online Consumer Survey, Q1-2010

# Fresh produce market performance

## The latest research on consumer trends in fresh produce

Over the past 12-18 months, we have seen increased efforts by key Australian supermarket retailers to promote their 'fresh' offer. Retailers have communicated their positioning in this space to their customers in a variety of forms including differentiating themselves through education; increasing store traffic with meal solutions; and promoting Australian grown produce.

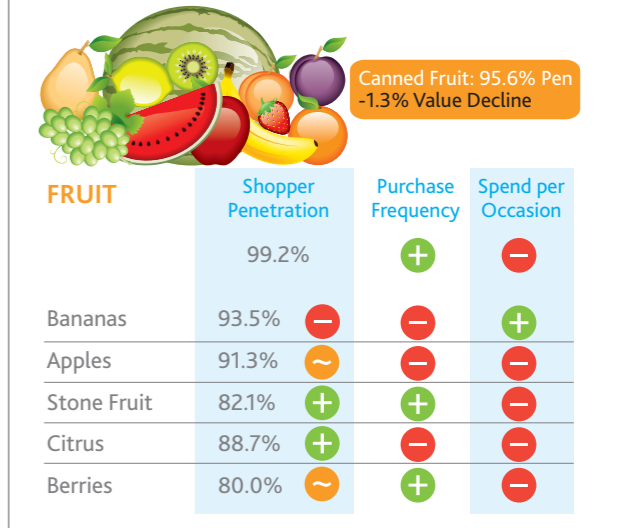
Despite these efforts, we have seen sales growth for fresh produce in supermarkets to be modest in comparison to other key grocery departments, and in the MAT to 20/03/2010 – fresh produce sales declined by -4.1 percent versus the previous year – and descended even further in the most recent quarter by -9.9 percent.

These declines are consistent across both fruit and vegetables with 'loose' produce (accounting for around three-quarters of the market) being the key driver. Conversely, pre-packed fruit and vegetables sales have steadily increased over the past year and continue to show promising future growth.

Despite showing an increase in purchase frequency, the decline for fresh fruit has primarily been driven by a reduction in the amount spent per shopping occasion particularly for apples, stone fruit, citrus fruit and berries. What does this mean? Well first and foremost, to immediately tackle the downward trend in sales for these commodities, suppliers and retailers should be looking at strategies to grow the average basket size when shoppers are in-store. Strategies may involve increased in-store merchandising and marketing activity, introducing larger pack sizes or pre-packed offerings, premium varieties, cross-promotions and the like. All of these initiatives will fundamentally work towards expanding the basket size.

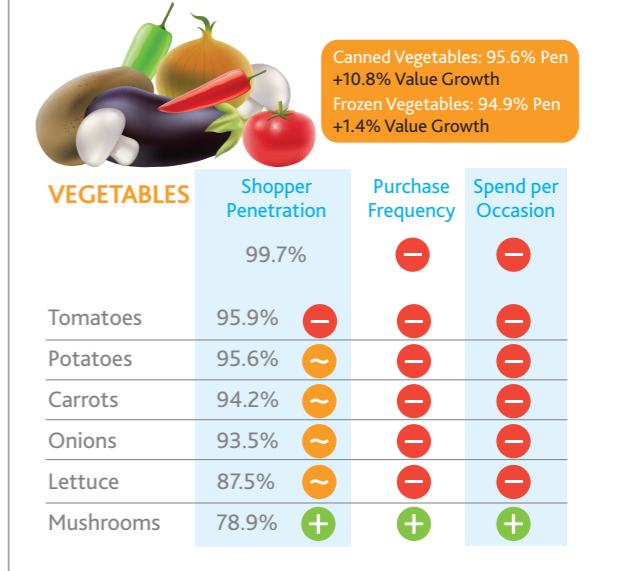
Veggies on the other hand, showed declines in both purchase frequency and amount spent across key staple commodities including tomatoes, potatoes, carrots, onions and lettuce; while interestingly, value sales for canned vegetables increased by 10.8 percent.

## Which fruit commodities are driving decline?



Source: Nielsen Homescan – MAT to 20/03/2010

## Which vegetable commodities are driving decline?



Source: Nielsen Homescan – MAT to 20/03/2010