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Cardinal

Flow

Food Industry Trade Study

Report

Prepared For:
FLOW INTERNATIONAL

Presented By:

T R D FRAMEWORKS

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Objectives

The primary objectives of this research are to:

- Assess current levels of awareness and understanding of current food safety technologies
- Assess reactions to **FLOW INTERNATIONAL**'s new Fresher Under Pressure® technology
- Determine overall acceptance of the technology and identify any barriers to acceptance
- Explore how and where potential costs of the technology should be absorbed in the food chain

Methodology

♦ Technique:	In-depth, executive telephone interviews
♦ Number Of Interviews:	14
♦ Average Interview Length:	Approximately 20 minutes
♦ Dates:	May 11 - 24, 2000
♦ Recording:	Audiotape
♦ Incentives:	$100 for each respondent
♦ Recruitment Criteria:	• Executives at the largest supermarket chains and wholesalers/foodservice distributors in the U.S. • Oversee buying and selling of refrigerated perishable foods

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Respondent Profile

- Executives in charge of refrigerated perishables[1]
- Male 13
  Female 1
- Retailers (supermarket chains) 11
  Foodservice Distributors 2
  Wholesaler 1
  14[2]
- Retailers (11):
  - Average sales $3.9 billion[3]
    Range $2.0 – $10.2 billion
  - Average no. of stores 259
    Range 60 – 1,150
  - Average no. of employees 22,000[4]
  - Typical end customer:
    - Cover all demographics 7
    - Middle-income, blue-collar 2
    - Middle-to-upper income 1
    - Upper income 1

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1 Oversee one or more of the following items: fresh juices, yogurt, salsa, dips, prepared pasta salads, packaged sliced lunch meats, refrigerated soups and sauces, uncooked fresh shellfish and vacuum-sealed smoked, fresh or frozen seafood. Respondents are generally the executive in charge of Dairy, Deli or both (i.e. oversee all Fresh Foods, etc.)

2 One respondent (listed here as a retailer) is a hybrid, being one of the top 20 supermarket chains as well as the 17th-largest food wholesaler in the U.S.

3 Average sales and number of stores does not include one smaller regional retailer (5 stores, sales N/A).

4 Not including one smaller regional retailer with 1,100 employees, and one very large retailer with "hundreds of thousands" of employees.

Respondent Profile *(continued)*

- Wholesaler/Foodservice Distributors (3):
  - Average sales $4.3 billion
    Range $500 million – $6.2
    billion
  - No. of employees 1,500 – 45,000
  - Serve 3 distinct markets:
    - Foodservice operators - hospitals, school districts, colleges, nursing homes, prisons, etc.
    - Fast-food restaurants
    - 4,000 supermarkets

"We come across all kinds of shoppers, across all demographics." Retailer

"Geographically, we go all the way from Northern Montana to Southern Texas. We have high-end, low-end stores, we have ethnic customers, we have educated, non-educated, high-income, low-income, we cover the whole spectrum." Retailer

"We're in 7 states, going from rural southern Iowa to Kansas City. We have stores that are 8,000 square foot and stores that are 80,000 square foot. The majority of our business and stuff would be in the metro markets, but then some of those are in blue-collar, some are in more affluent areas. So we really go across the gamut." Retailer

"(Our typical end customers are) middle to upper-middle income, have money but don't have a lot of money, somewhat family-oriented, meaning kids. And we have a lot of stores in a lot of locations, so you get a broad breadth of people, but your major customer is that demographic." Retailer

"We're all across the board. With 170 stores, you hit all spectrums." Retailer

Respondents generally oversee the Dairy or Deli departments in their company, or both (all fresh foods).

- Job functions:
  - Category manager – dairy and frozen 4
  - Oversee dairy and deli/all fresh foods 3
  - Oversee deli and seafood 2
  - Category manager – dairy 2
  - Oversee dairy and fresh beverages 1

Buyer for perishables 1

Conclusions

- Fresher Under Pressure®, as described, gets a very positive reaction from the trade.

- Food safety and maintaining taste and quality are the most important attributes of perishable foods for these respondents, and this aligns closely with the perceived benefits of Fresher Under Pressure®.

- The trade seems to feel that this type of process is the wave of the future, that it is time to move past heat-pasteurization and into new technologies:

  "It sounds like something that we should be entertaining in the 21st century. Because I think it's time to move on, with the technology that's available today and everything else, we should be taking all of our fresh foods and everything to another level. The words 'pasteurized' and 'homogenized' are in the past, and this sounds, on the surface, like progress." Retailer

- A strong undercurrent is that Fresher Under Pressure® is more "natural" than existing processes, and fits in with organic and healthier-eating trends:

  "(What I like best is) it doesn't sound like it involves a chemical process. It sounds to be like a fairly natural process that wouldn't require any degradation of the product. And I would have to say that it just seems like a more natural way that would be appealing to our operators." Foodservice Distributor

"(My end customers will be) very positive.... Number one is that it stays fresher longer. There are no added ingredients or preservatives to it. It doesn't affect the taste, the vitamin or the color content of it. We get the product and it's fresher, it stays fresher, there's no loss in vitamins or whatever – that's all positive, because if you notice the way that society is going, everybody is looking towards more vitamins, more healthy type of foods to eat." Retailer

"You actually get more of the natural food." Retailer

"If it does get the message across with a water-type system, I think that you've got the fears of the people already taken care of.... (The use of water) shouldn't scare people. It just seems like a pretty natural process." Retailer

♦ Everything hinges on quality. Fresher Under Pressure® obviously has to deliver on its promises of superior quality. The quality issue arises again and again:

- The top reason behind respondents' positive initial reaction to Fresher Under Pressure® is that it maintains quality, freshness and taste.

- When rated individually, food safety and maintaining fresh taste and quality are the most important features of Fresher Under Pressure®.

- Respondents say end customers will react very positively to foods processed with Fresher Under Pressure®, <u>if</u> the quality is there.

- Several retailers say the price premium commanded by Fresher Under Pressure® products will depend on the quality of the process, and on manufacturers' acceptance of the process (which will also turn on quality).

"(Any price premium) would be fundamentally based on quality...- if the quality is better, then the people will pay for it. And I would expect that they would pay maybe 10 to 15 or 20% more. But if the quality is just the same, then why bother?" Retailer

"If there is an additional dollar per unit cost because of this, and the customer doesn't perceive that value, then it's not going to work." Retailer

- Respondents rate Contains No Preservatives as a relatively unimportant food attribute at first (3.7 out of 7), but it increases in importance as the discussion turns toward what end customers want, and to trends in the market. Although Contains No Preservatives is not rated as the most important feature of Fresher Under Pressure® (it is less important than safety and flavor), it still gains a relatively high rating (5.5 out of 7). This feature also appears to be more important to retailers than to wholesaler/foodservice distributors (for whom shelf life is primary).

"What I like best about Fresher Under Pressure® is that it takes out having to add any kind of preservatives. I think that's something that is gaining ground." Retailer