

New Products, New Markets and New Consumers – Challenges and Opportunities for the International Produce System

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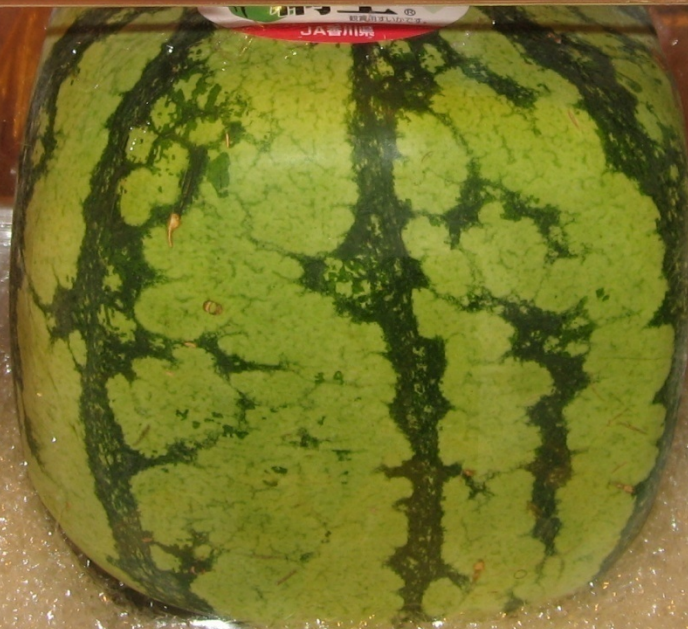
Percorso in Imprese e Mercati Agroalimentari

Wednesday, July 4th, 2007



TASTE
MORE THAN FOOD

日本正方形西瓜
每個.
PC. **\$1280.00**







우족 (탕)
국내산 육우 / -18도 이하 냉동보관
2450 2826
232
2117720 692373
2006.08.04 2006.11.03
69237
Fresh from LOTTE Mart
포장재질: (PVC)
빈물 및 교환: 구입처

꼬리반골 (곰탕)
국내산 육우 / -18도 이하 냉동보관
1950 1500
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Fresh from LOTTE Mart

잔뼈 (곰탕)
국내산 육우 / -18도 이하 냉동보관
980 1430
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잔뼈 (곰탕)
국내산 육우 / -18도 이하 냉동보관
980 1444
236
2117740 20142
14151

Fresh (





Category: Hot Beverages	-0.5%
Total retail value 2006	£1.3 billion
Nescafé Cappuccino	+11.1%
Twinings*	+3.6%
Tetley	-2.2%
Nescafe Original	-3.8%

* Speciality and fruit/herb



Category: Frozen Ready Meals -13.0%

Total retail value 2006 £435 million

Bird's Eye -20.8%



Roast Chicken Dinner

12 MINS

from frozen

100%

Chicken Breast

See side of pack for best before date



WAL★MART
SUPERCENTER

A photograph of a Walmart Supercenter sign. The sign is mounted on a blue wall with a red horizontal line above it. The words "WAL★MART" are in large, white, 3D block letters, with a white five-pointed star between "WAL" and "MART". Below this, the word "SUPERCENTER" is in smaller, yellow, 3D block letters. The background shows a blue sky with some white clouds.



Osco Drug
Caring for people who care.

Sav-on

shawsTM

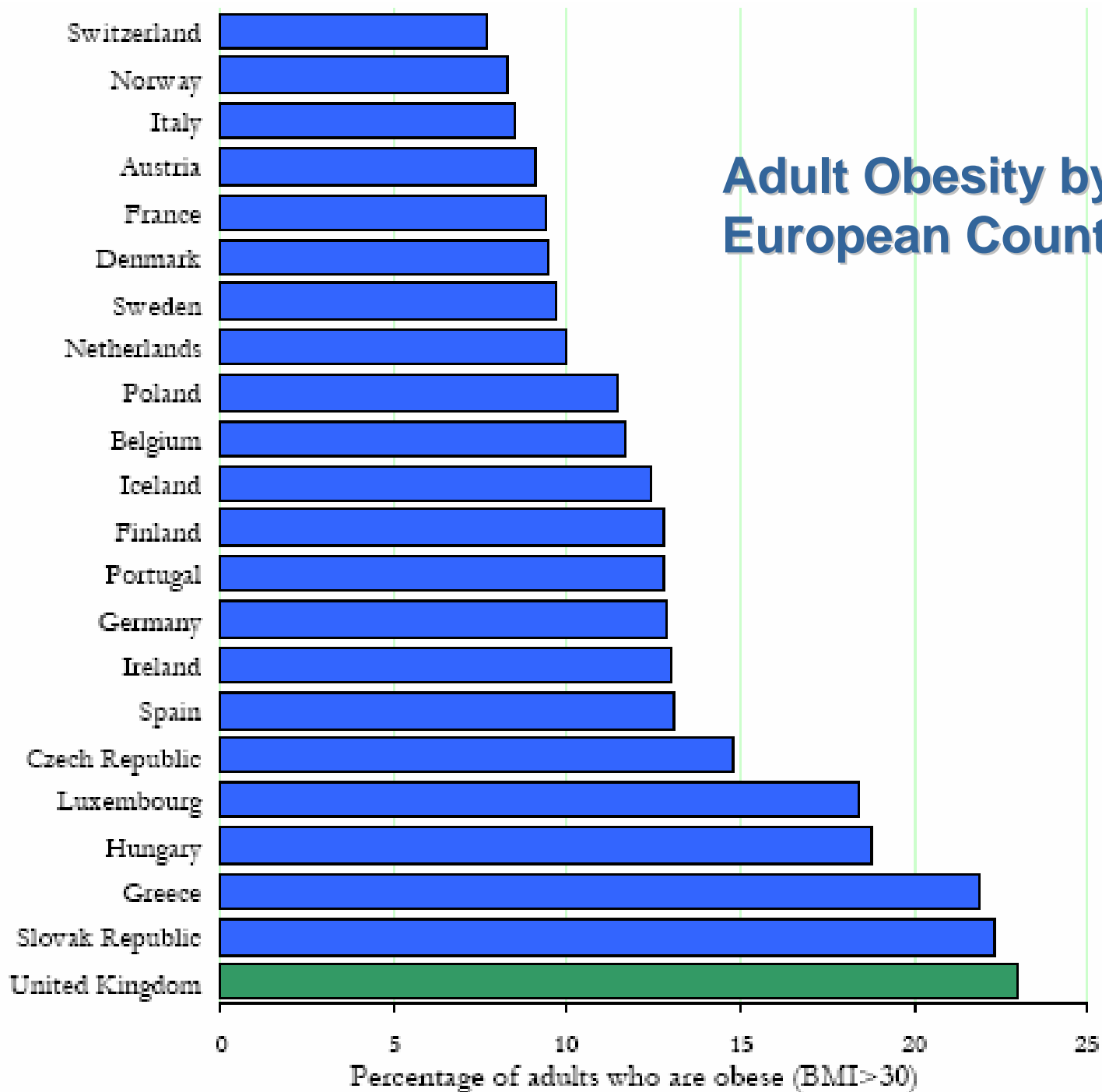
ACME

Jewel-Osco

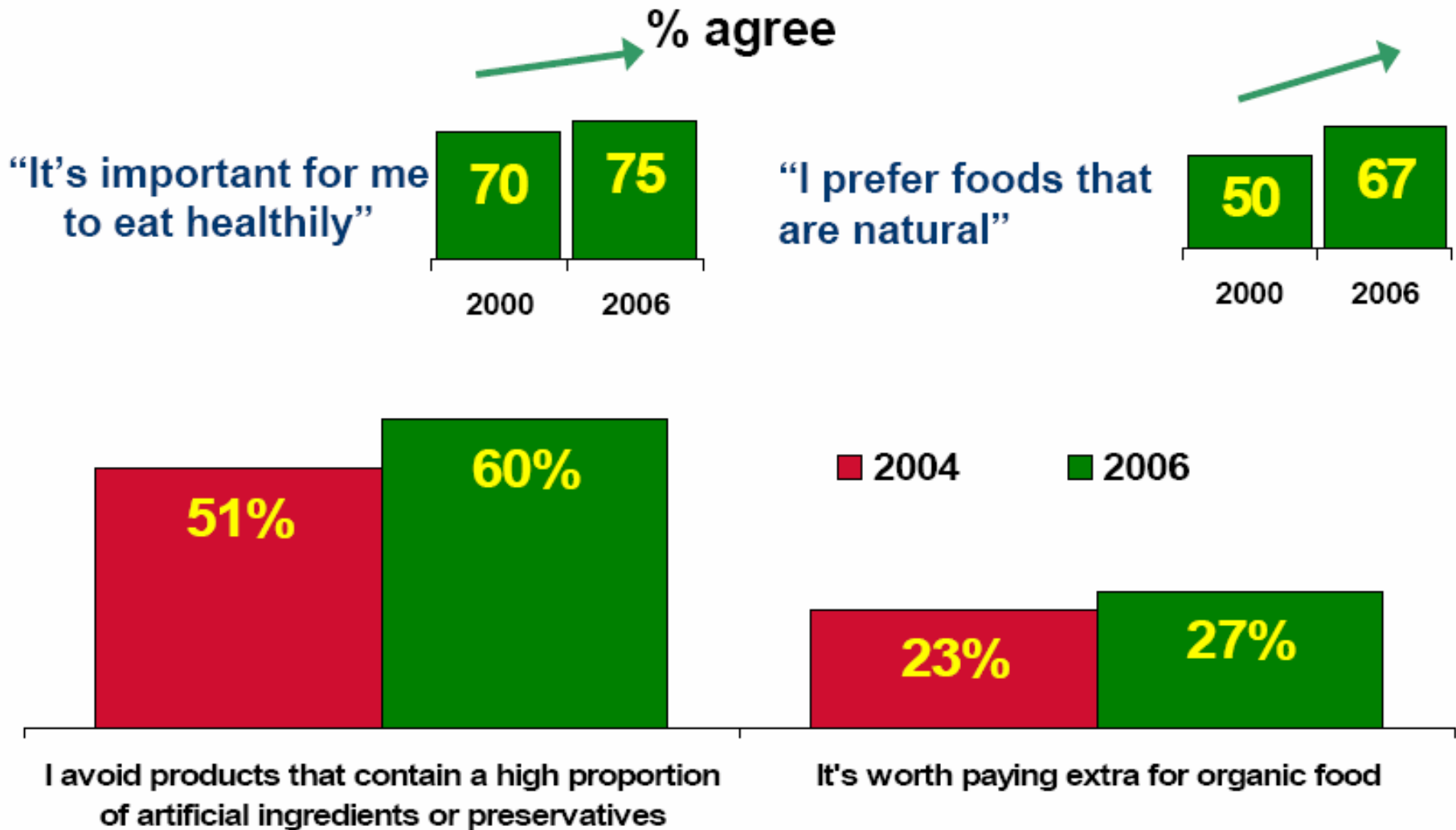
Key Consumer Trends



Adult Obesity by Selected European Countries, 2003



Changing Attitudes Towards Health





How to Fill Your Plate

The new food pyramid and Web site MyPyramid.gov offer a wealth of information but don't translate easily into actual meals. For that, we turned to Harvard University nutritionist Walter Willett:



GRAINS: 7 OUNCES (MEN)

Eat up: Whole-grain pasta and bread, brown rice

Watch: White pasta, white rice, white bread

Why: Refined grains are linked to higher risk of type 2 diabetes



VEGETABLES: 3 CUPS

Eat up: Pretty much everything is OK, except ...

Watch: Potatoes

Why: They really shouldn't even be in the vegetables category—they're more like white starches

UK Department of Health and WHO produced dietary guidelines for optimal citizen health. If followed, impact on UK food consumption would be:

- Fruit, vegetables, fish, whole grain bread would increase by 40-50%
- Cheese declines by 75%; confectionery, sugar and soft drinks down by 30-35%
- Meat and milk consumption falls by 15%
- Vegetable oils and spreads drop by 20%
- Scotland and Northern Ireland diet transformed
- Children 16 years and under “embrace” fresh produce

Beauty is Skin Deep: Top Ten Beauty Foods

1. **Strawberries** - **antioxidants** counters ageing
2. **Blueberries** - **anthocyanins** improve nutrient delivery to the skin
3. **Salmon/Eggs** - **omega-3** good for the heart and reduces wrinkles
4. **Brazil nuts** - **selenium** for enzymes that soak up free radicals
5. **Chicken** - **protein** for collagen for supple skin
6. **Steak** - **iron** promotes hair growth
7. **Oranges** - **vitamin C** good for youthful skin
8. **Carrots** - **beta-carotene** reflects UV rays to save skin
9. **Oatmeal** - **silicon** for healthy skin, hair and nails
10. **Low fat yoghurt** - **calcium** for teeth and bones

Fruity Beauty

Country Living Magazine, June 2005

“Fruit is nature’s storehouse of vitamins, minerals, enzymes and age-defying antioxidants.”

Fruity beauty

Keep skin clear and radiant with a refreshing range of products and homemade creams

that draw on the natural goodness of fruit WORDS BY CHRISSE PAINELL

Fruit is nature's storehouse of vitamins, minerals, enzymes and age-defying antioxidants. As well as providing so many nutrients that are essential to good health, fruit also works from the outside in to promote clear, radiant and youthful skin. It is an excellent source of vitamin A, and its precursor beta-carotene, which is important for cell renewal, as well as vitamin C, a powerful antioxidant that fights skin-damaging free radicals, assists in the production of collagen and helps the absorption of other nutrients in the deeper areas of the skin. Vitamin E has moisturising and healing effects, while vitamin F stimulates cell metabolism. Minerals are vital, too, in the battle for healthy skin, boosting cell renewal, preventing water retention and reducing puffiness. Fruit also contains alpha hydroxy acids, or AHAs, which have an exfoliating and smoothing action on the skin, and energising enzymes. >



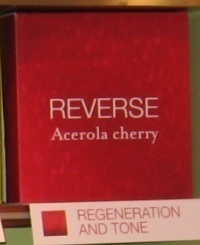
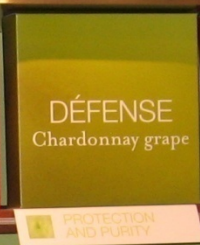
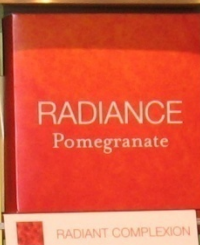
www.countryliving.co.uk

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Fruits & Passion

la nature et de traitement alternatif 自然と健康の調和 fruit and natural extracts



MAYBE she's born with it

MAYBE but she probably got it from the fridge.

MAYBE she's born with it

MAYBE but she probably got it from the fridge.

been obtained with just an
obvious beauty treatment.
However, with less than
2% fat, it's packed with
essential amino acids
and minerals that can
help keep your hair looking
and feeling great.

GOOD FOR:
HAIR ✓ TEETH ✓
SKIN ✓ SHAMPOOING ✗
AS PART OF A HEALTHY BALANCED DIET.

Semi-skimmed milk isn't an obvious beauty treatment. However, with **less than 2% fat**, it's packed with essential **amino acids** and **minerals** that can help keep your hair looking and feeling great.

But you do need to drink it not shower with it.

GOOD FOR:

HAIR ✓ TEETH ✓
SKIN ✓ SHAMPOOING ✗

AS PART OF A HEALTHY BALANCED DIET.

MILK
NATURALLY BEAUTIFUL



"We want to grow from the respected and trustworthy food company that we are known as now, into a respected and trustworthy food, nutrition and wellness company"

Peter Brabeck-Letmathe

Blue Print for the Future, October 2001

The 100% breakfast

Quaker Oats and Tropicana have a lot in common.

They're both 100% pure and 100% natural.

Quaker Oats are 100% supergrain (the only wholegrain officially recognised to help lower cholesterol*).

While a 250 ml glass of Tropicana gives you 100% of your RDA of vitamin C.

So if you want a healthier start to the day, don't settle for anything less.



Is your breakfast as healthy as the 100% breakfast? Find out at www.healthierstart.co.uk

*as part of a diet low in saturated fat and a healthy lifestyle

Get half your daily
fruit and whole
grains before
you're even out
of your slippers.

That's right. Half of the new U.S.D.A. recommended servings for fruit and whole grains can be satisfied with just a bowl of Quaker® Old Fashioned Oatmeal* and a glass of Tropicana Pure Premium® Orange Juice**. That ought to get you hopping.







Bursting with Fruit and Vegetable Goodness - Knorr Vie



A delicious “smoothie” style drink of **concentrated fruit and vegetable juices**



At least **half your daily recommended intake** of fruit and vegetables crammed into one mini bottle

Introducing the UK's first non-dairy health shot

Vie Shots are squeezed full of fruit and vegetables to help you on your way to 5 a day



No added sugar



No artificial ingredients



50% of RDA of vitamin C

- One shot health drinks are growing at 73%, the fastest in Grocery (AC Nielsen 52 wk June 05)
- Will drive incremental growth in the category by introducing new consumers and new usage occasions
- Launching in store now with a £6m launch package including TV in August & September
- 3 Varieties
Apple, Carrot, Strawberry*
Orange, Banana, Carrot*
Banana, Pumpkin, Kiwi*



Helps you on your way to 5 a day



Kids should drink bananas, not go bananas.



When we sat down to make some kids' smoothies, we kept it natural. The only ingredients we use are the finest crushed whole fruit and pure juice. That's it. 100% fruit, with none of those weird additives or added sugar that will have your little ones running riot. Just a full portion of fruit in every little carton, and a whole seven portions in every big carton.

innocent smoothies for kids. nothing but nothing but fruit.

Eurobarometer Research on Health-Related Issues in the Food Industry

- Taste and pleasure top-of-mind for consumers when thinking of food. Only 1 out of 5 mention health
- Obesity acknowledged as a problem, but “not for me”
- Only 1 out of 5 respondents identified food safety issues spontaneously: food poisoning outside home, chemicals, pesticides, new viruses (AI), residues in meat
- Concerns about past food crises (e.g. BSE) waning
- But, 1 out of 2 consumers changed eating habits to become “healthier”

What Do Consumers Want from Their Food and Drink Products Apart from Low Prices?

- Environmentally friendly
 - organic
 - global warming impact
 - reduced food miles
- Sustainability (“Schlosser effect”)
 - impact on biodiversity
 - small-scale farmer friendly
- GMO free (although anti-stance softening)
- Animal welfare-friendly
- Fairtrade
 - treatment of suppliers/workers

Migration to the Poles



Global

High Tech

New and Improved

Ready-to-Eat

Fast Food

Fuel Food

Just Me

Low Price

Good For You

All Year

Large-Scale

Open Supply Chain

Local

High Touch

Traditional

Natural/Unprocessed

Slow Food

Story Food

Friends/Family

Premium Price

Naughty but Nice

Seasonal

Craft-scale

Closed Supply Chain

Seven Major Shopper Segments in Europe

Segment sizes

Percent of respondents

	Pure Price	Value Hunter	Value Loyalist	Uninvolved Shopper	Demanding Shopper	Quick Quality	Pure Premium	Total
UK	4	8	7	23	17	10	31	100
Germany	27	22	8	11	9	14	9	100
France	14	8	23	11	8	27	9	100
Italy	5	17	16	14	21	8	18	100
Poland	9	13	14	6	21	16	21	100
Weighted total	13	14	12	14	14	15	18	100

Source: McKinsey shopper research



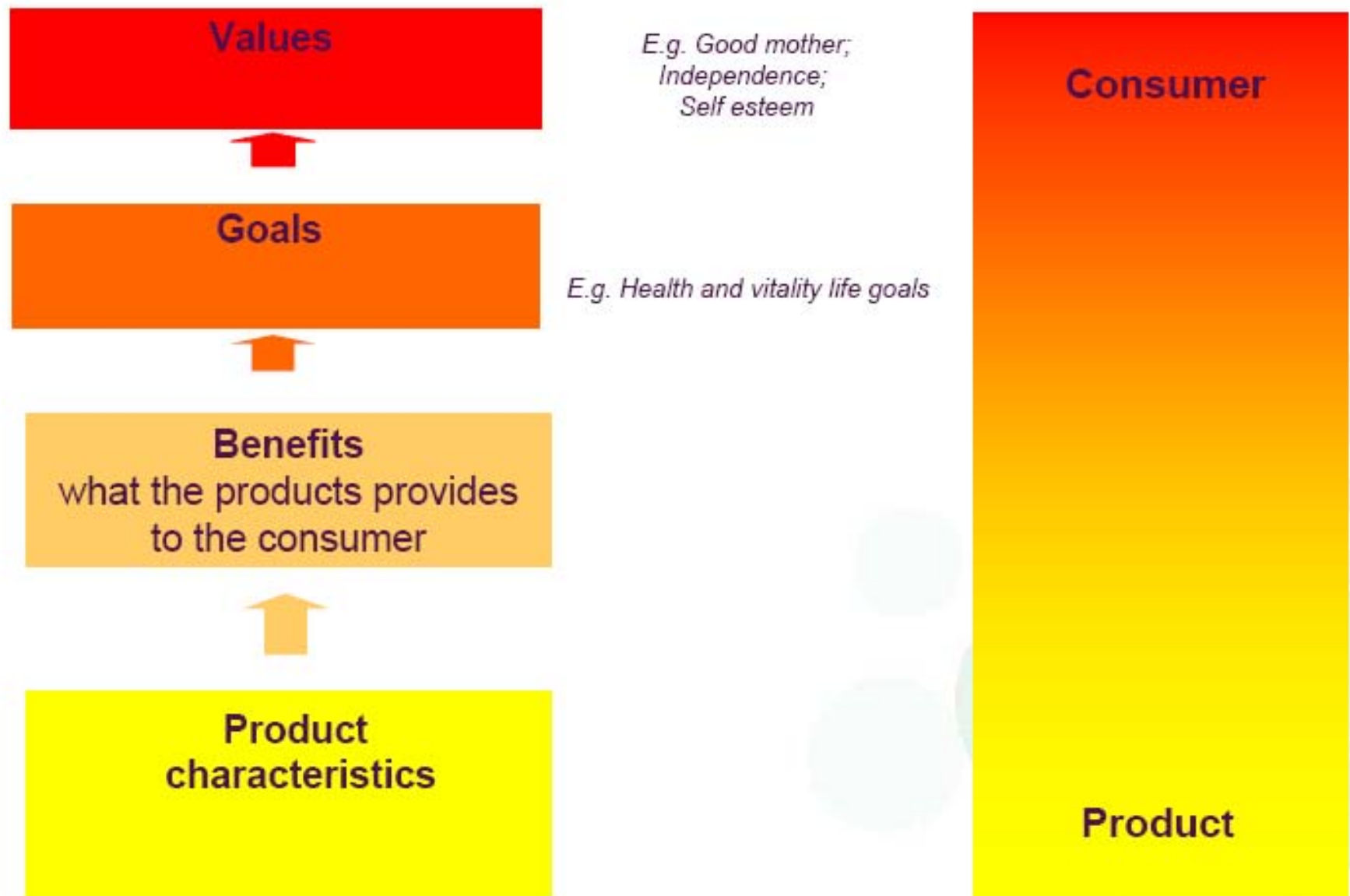
Baron von Münchhausen
1720-1795
One of Lower Saxony's Best!

Münchhausen Syndrome

A psychiatric disorder which causes individuals, and sometimes industries, to do self-harm to attract attention

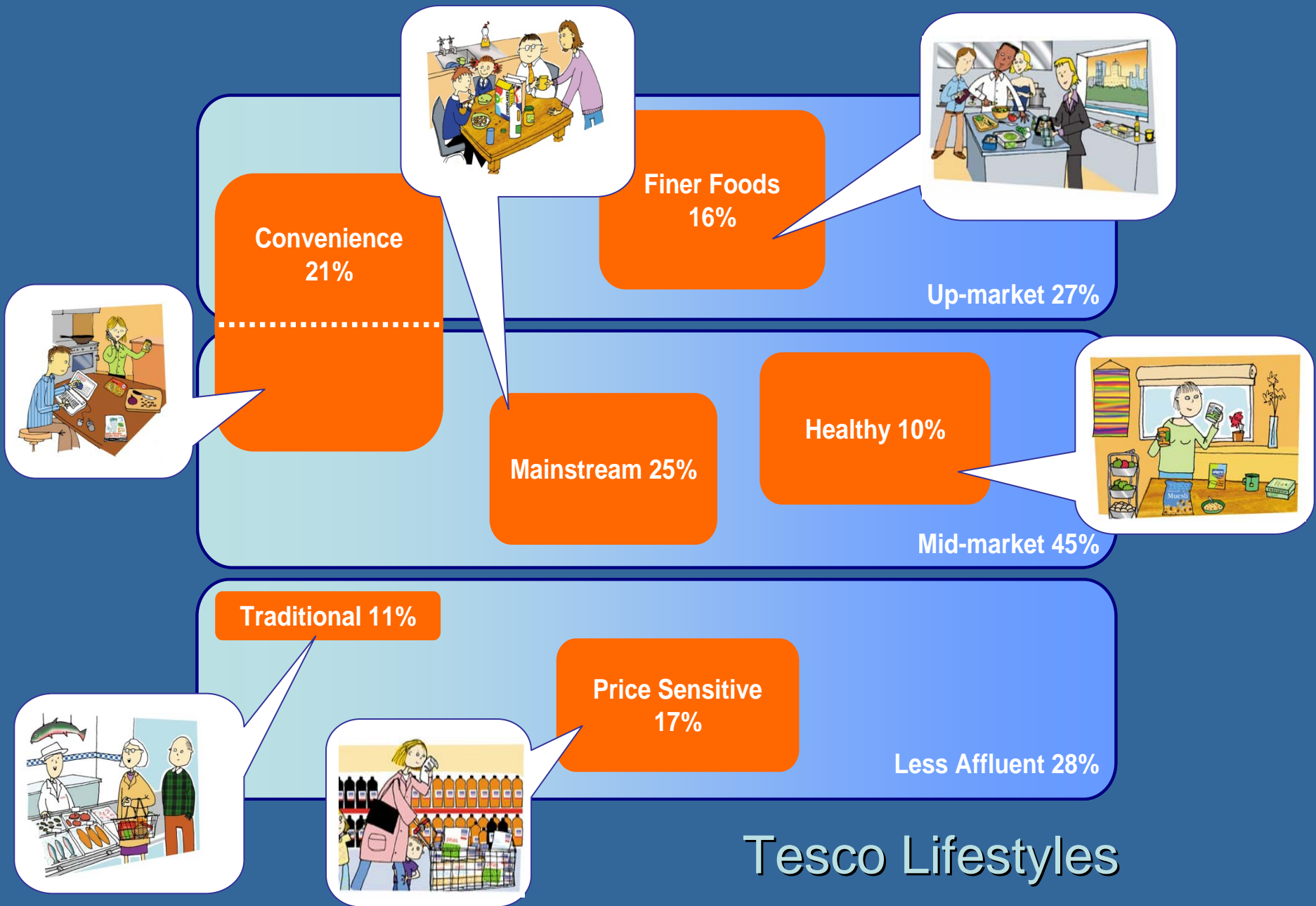
If the German food retail sector was a person, it would be admitted to a mental institution for its own protection!

Vitality Life Goals



With Vitality at the heart of our activities..





Source: Tesco
* 84% shoppers buy Value lines
64% shoppers buy both Value and Finest

Driscoll Jubilee



Driscoll Jubilee



- Best flavoured strawberry in the market
- Key variety establishing KG Growers position as main suppliers to the rapidly developing premium market



Driscoll Jubilee

- Driving the rapidly developing premium market

SALES	KG Grower Totals	Jubilee	% of total
2004	16,197 tonnes	520.8 tonnes	3.2
2005	17,242 tonnes	651.8 tonnes	3.8
2006	18,118 tonnes	2,186.7 tonnes	12.1

Driscoll Raspberries

Driscoll Maravilla



Driscoll Raspberries

- Market leading in flavour, with good shelf life and yields

SALES	KG Grower Totals	Jubilee	% of total
2004	1,143 tonnes	8.5 tonnes	0.7
2005	1,808 tonnes	227.6 tonnes	12.6
2006	2,350 tonnes	784.6 tonnes	33.4

Strong Growth in Tesco's "Finest" and Organic Strawberries During 2006 Signals Opportunity for Product Differentiation

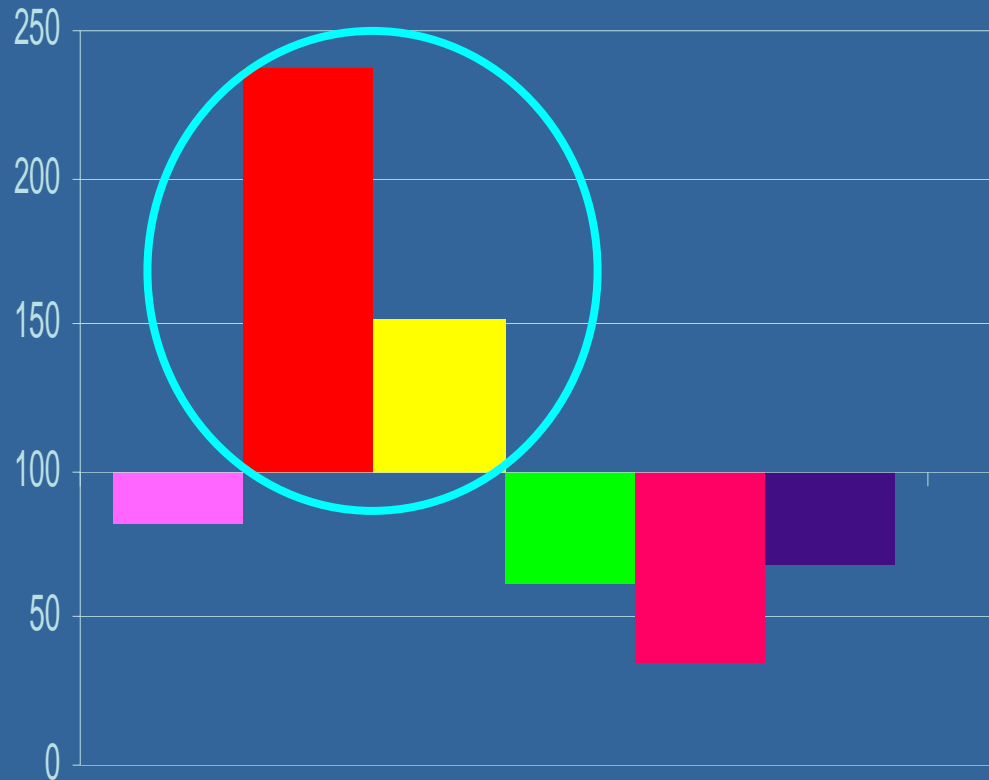
Subgroup	Customer Penetration (%)	Frequency of Purchase	Category Share (%)	YOY Sales Growth (%)
Strawberries(Class I)	46.40	4.97	91.3	6.9
Strawberries (Finest)	6.10	1.70	5.4	194.0
Strawberries (Organic)	3.50	1.75	3.2	50.3
Strawberries (Kids Baby Ava)	0.08	1.30	0.02	-
Strawberries (Class II)	0.04	1.02	0.01	-
Total	47.60	5.19	100.0	11.3

Impressive Growth Across the Board for Tesco Berries – More Growth to Come!

Subgroup	Number of SKUs	Customer Penetration (%)	Frequency of Purchase	Category Share (%)	YOY Sales Growth (%)
Strawberries	13	47.6	5.2	61.9	11.3
Raspberries	6	18.9	3.8	21.1	45.6
Blueberries	5	11.5	4.0	13.6	54.2
Blackberries	2	4.7	2.4	2.8	64.0
Cranberries	1	1.2	1.1	0.3	10.9
Redcurrants	2	0.7	1.4	0.2	-21.6
Mixed Berries	1	0.2	1.2	0.1	156.0
Gooseberries	1	0.1	1.1	0.0	-12.0
Total	31	51.2	6.2	100.0	23.2

Blueberries have Greatest Appeal Amongst 'Finer Food' and 'Healthy' Shoppers – But Why Underselling to Convenience Shoppers?

Blueberries



Convenience Finer Foods Healthy Mainstream Price sensitive Traditional

Riding on the Coat Tails of the Health and Well-Being Mega Trend

Sales and Sales Growth for Berry Fruit in the UK Retail Market, 2004-2006
€millions (% change y-o-y)

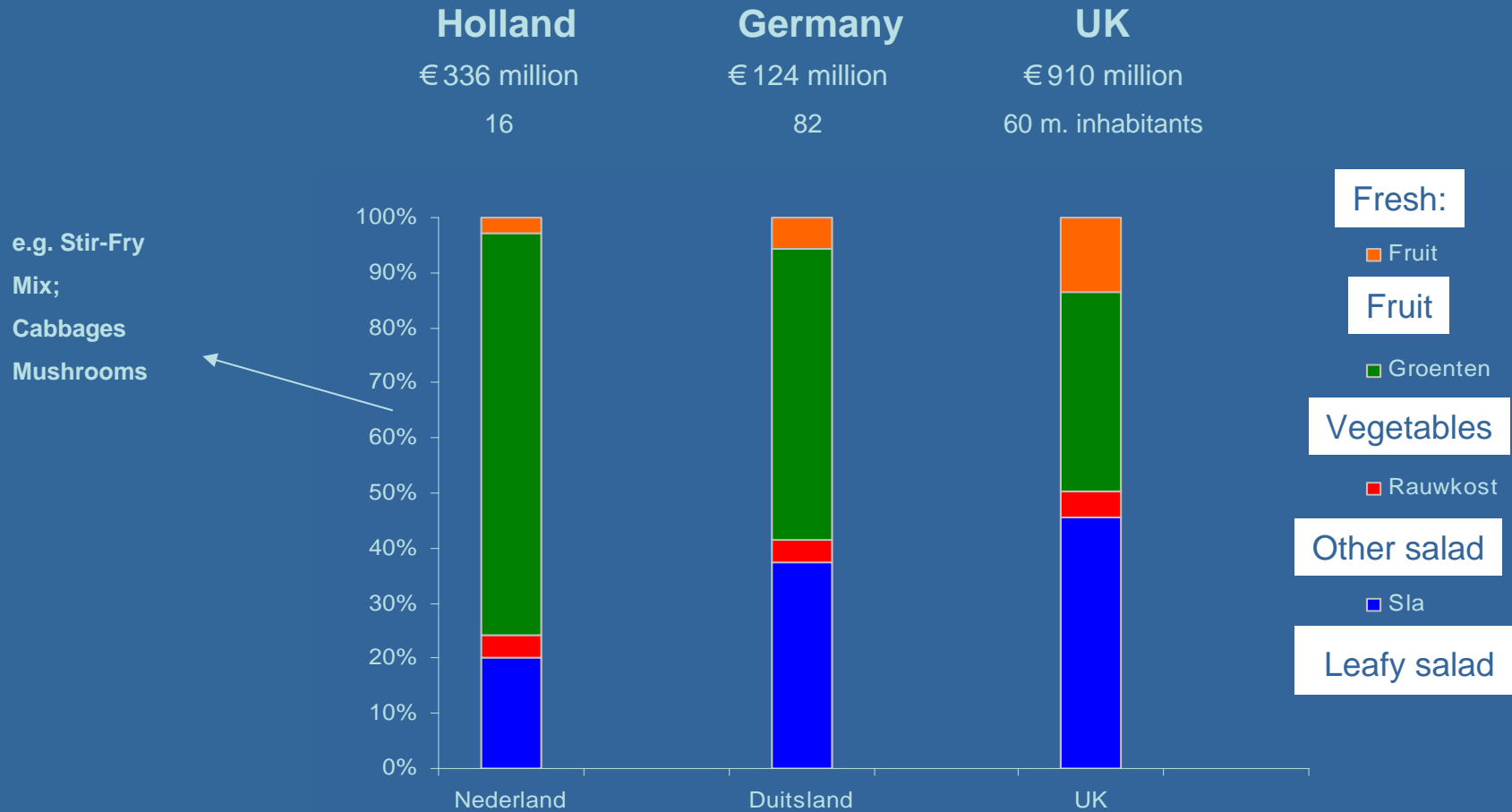
	2004	2005	2006
Strawberries	407	476 (17%)	510 (7%)
Raspberries	98	117 (20%)	150 (28%)
Blueberries	30	63 (110%)	98 (55%)
Blackberries	2	3 (88%)	4 (55%)
All Berry Fruit	549	677 (23%)	786 (16%)

Proportion of UK Consumers Eating Fruit by Age Group

Age Group

Fruit	19-24	25-34	35-49	50-64	All
Apples & Pears	36	45	55	60	52
Citrus	16	21	30	35	27
Bananas	26	47	55	64	53
Other Fruit	25	34	48	57	44

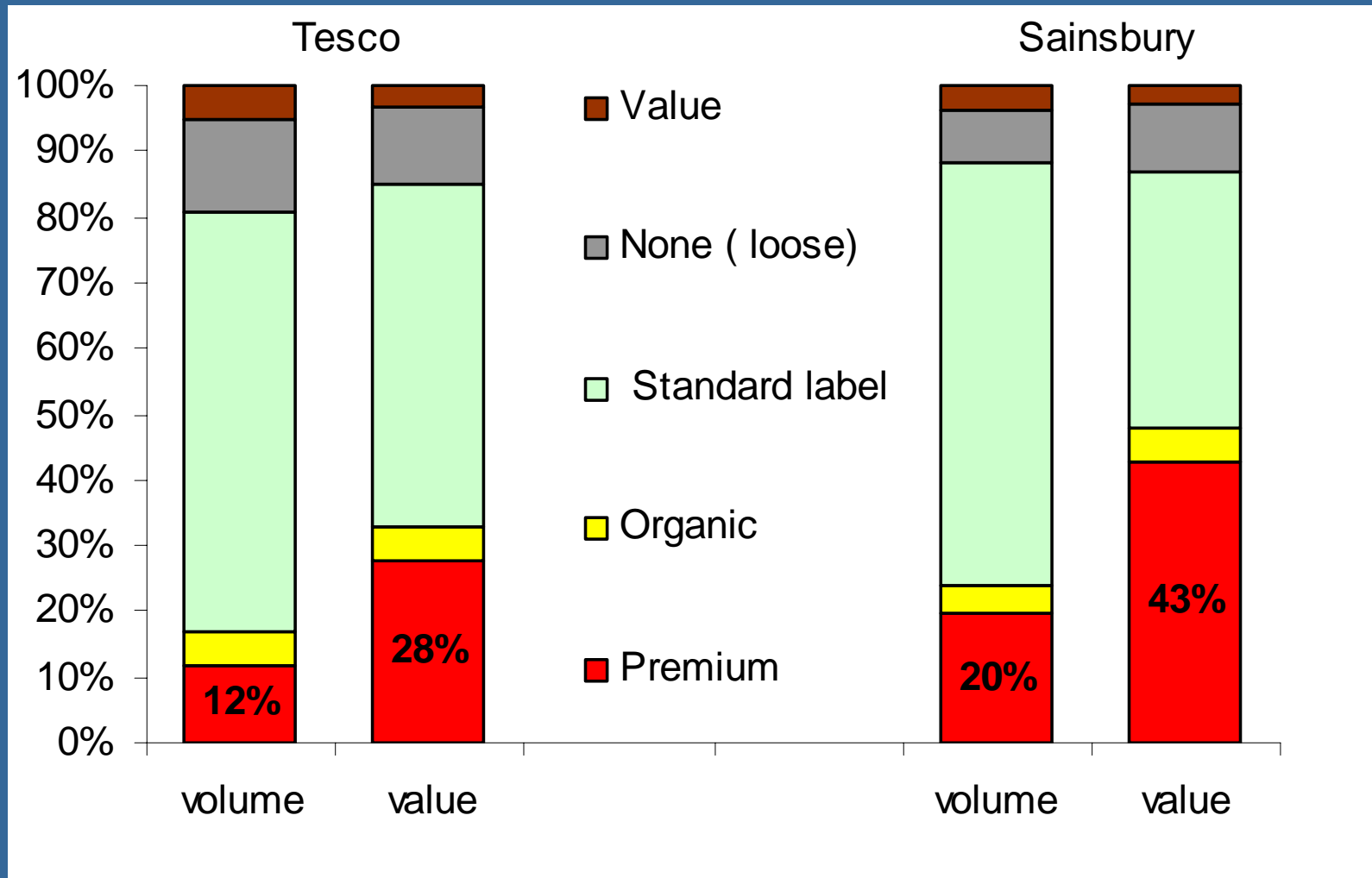
Pre-Cut Produce Panel Data for Retail Sales



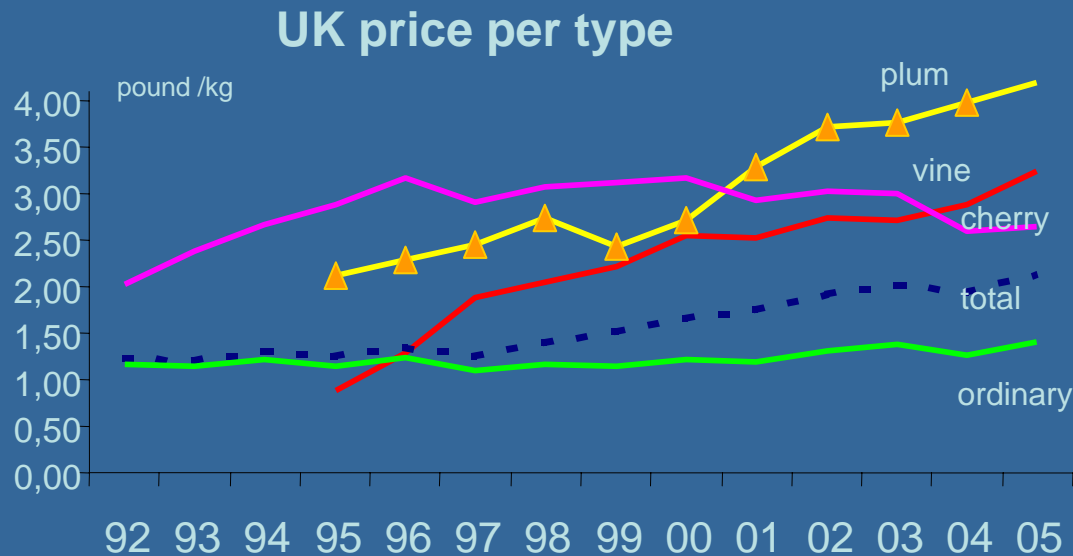
- NL leading per capita by far; at Albert Heijn it is 25% of fresh produce sales!
- UK pioneer of pre-cut fruit; total pre-cut at Tesco/Sainsbury 7% of produce sales!
- Germany at the start

Tomato Sales UK by Retailer Sub-Brand

In **red** the premium labels **Finest** and **Taste the Difference**

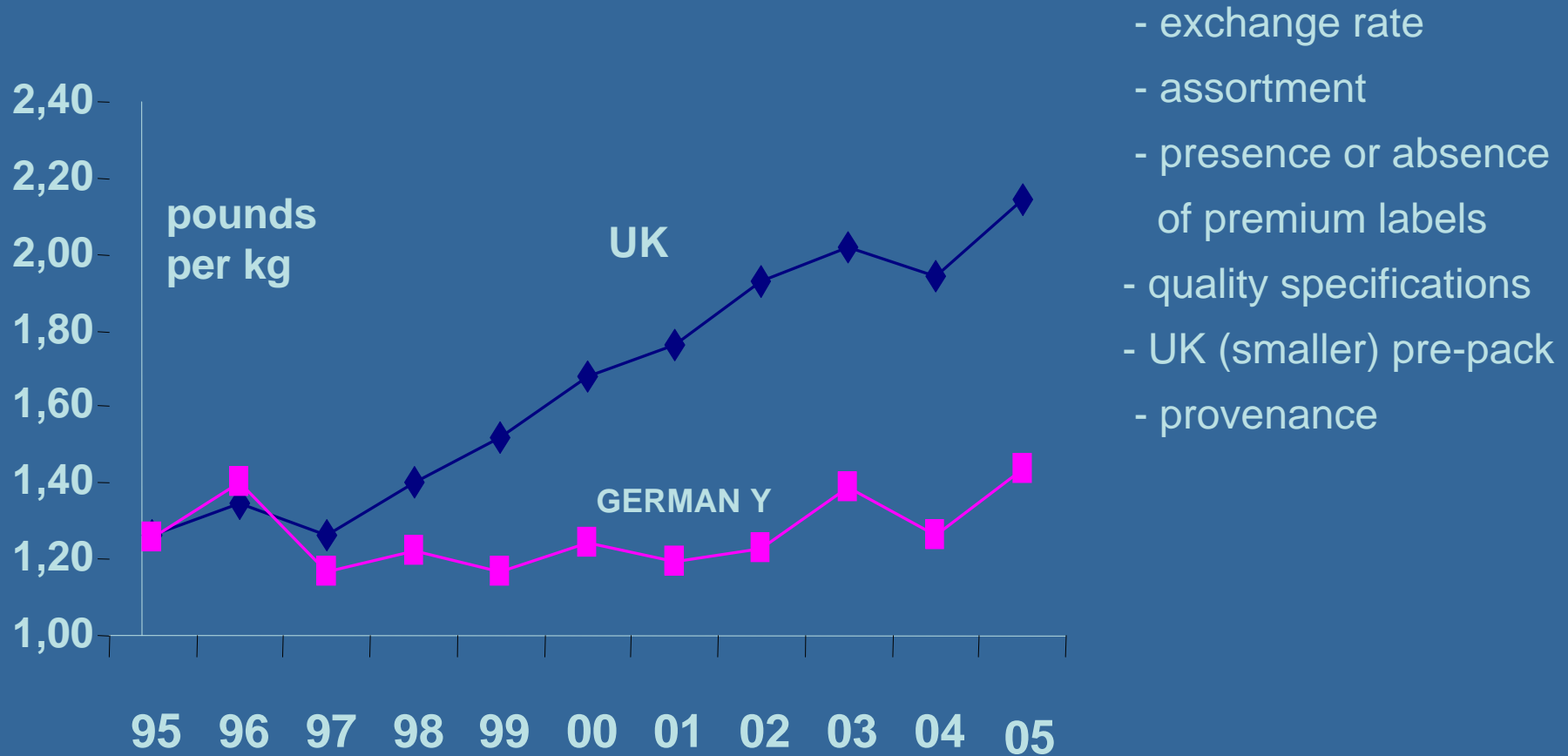


What Price are Tomatoes? It Depends!



- Ordinary Round no price change since 1992!
- Increase in plum shows shift to baby type
- Vines are “leading” in premium

Huge Differences in Tomato Prices – within and between countries



The Consumer is Queen ...but, in Supermarkets Confusion Reigns!

Price range: €1.80 to €18.00 per kg

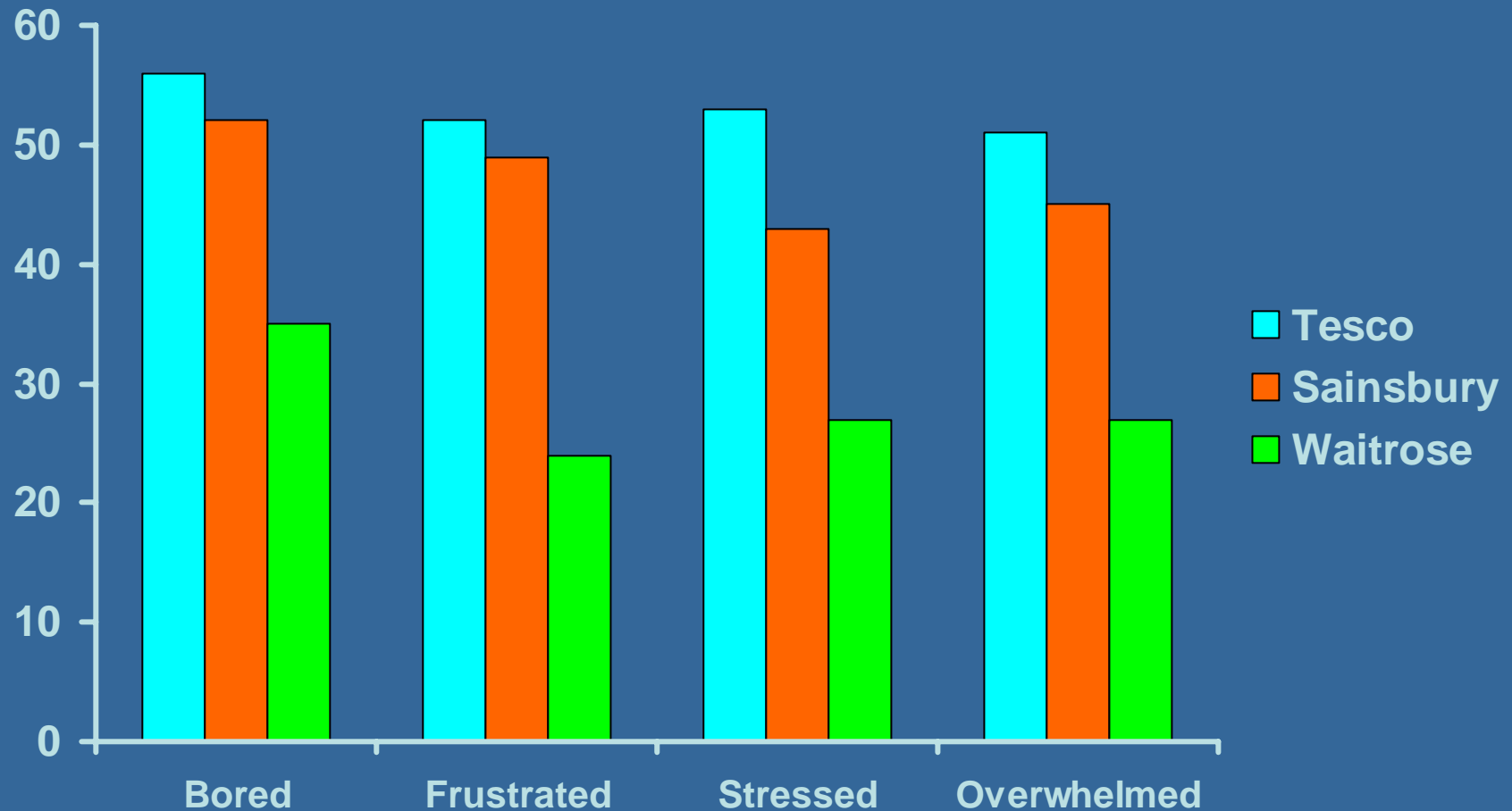
Regular
Cherry
Cherry (loose)
Plum
Flavouripe
Flavia
Barquita
Loose Jersey
Sungold
Family pack
Slicing
Loose vine
Loose extra large

Organic
Cherry
Pomodorino
Romalina plum
Cherry on the vine
Vine-ripened
Large vine
Family pack

Taste the Difference
Pomodorino
Vittorin on vine
Vine-ripened
Midi-plum
Vine



In the UK, How Do Consumers View the Shopping Experience?

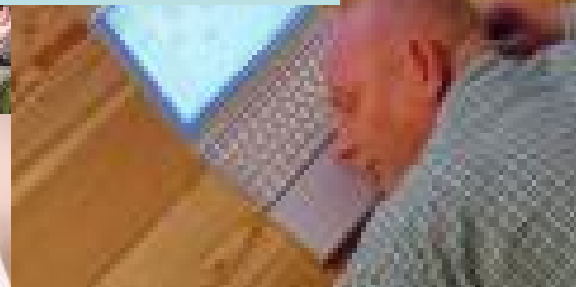


WHOLE FOODS MARKET



Fresh (



A photograph of two men in business attire. The man on the left is wearing a white shirt and a blue patterned tie, looking down at a document. The man on the right is wearing a dark suit jacket over a light blue checkered shirt, also looking down. They appear to be in a meeting or office setting. In the top right corner, there is a blue box with white text that reads "We The".



(S)
COUGH & COLD





계/란/나/라

계/란/나/라



상품

기간별
초특가

7월
4,980

광고상품

5,950

4,980

가격
1,390
1,490
1,590

2,950

3,850



The 21st Century Grower

It's not what you **grow**...
It's what you **know**!

Fundamentally, your business revolves around understanding what your customers', and your customers' customers value and are willing to pay for. Then, it's simply a matter of delivering what your customers value at a sufficiently low cost that you can make a good profit!

Emerging from the Swamp!

- Often, unaware who our customers are:-
 - a few buy a lot?
 - a lot buy a few?
- Or who our competitors are (Moroccans, the Dutch, Danone or Unilever?)
- Often, price highest when quality lowest and vice versa
- Frequently, quality and availability is inconsistent, we disappoint as often as we delight. Yet, we dream that branding is the answer!

Emerging from the Swamp!

- Product development often focuses on agronomic and supply chain benefits (e.g. extend shelf-life, GM, packaging, reduce variety to lower unit costs). What about consumer benefits?
- With lifestyle changes and demographic trends often, we deliver:
 - 1) *the wrong product* 2) *in the wrong form*
 - 3) *at the wrong price* 4) *in the wrong location*
- We must learn quickly from world class competitors. But who are they?

What Sort of Value Chain?

Ideal:

Short
Fast
Transparent
Seamless
Collaborative

Too Often:

Complex
Price-driven
Confrontational
Disjointed
Opaque

“Customer value is created by business systems consisting of firms working together for common aims and not created by one firm working in isolation”

- suppliers who work closely with their customers are more successful than those who don't.
- large suppliers get more out of partnerships with their customers than smaller-scale (*because they have more resources to apply*)
- suppliers producing value-added products and/or services are more successful than commodity providers

Not Everyone Wants to Tango in the UK

Mega-Retailers
with EDLP Leadership
e.g. Asda/Wal*Mart

Speciality/Niche Retailers
with Focus on
Fresh/Prepared/Quality
Private Label e.g. M&S,
Waitrose, Whole Foods



Large-Scale In-The-Middle
Retailers Struggling to find
Point-of-Difference e.g.
Morrison's/Safeway,
KwikSave



KG Growers Ltd

Our retail customers

KG

Waitrose

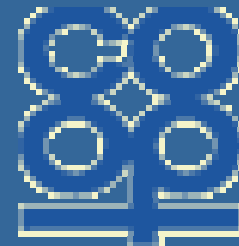
TESCO

MARKS &
SPENCER

COSTCO

Sainsbury's

ASDA



Driscoll Jubilee

KG



What Does KG Deliver for its Owners?

Collective strength in the market place

- Farmer-owned and committed to the commercial well-being of its members (small- and large-scale)
- Countervailing power in the market place
- Sufficient resources to invest in:
 - Best professional staff in the business
 - Customer and consumer understanding
 - R&D with world class partners (renovation and innovation)
 - Grower development to improve on-farm performance (e.g. benchmarking, best practice training)
 - Best European Market supply partners

To secure our collective future



Times are Changing: From Supply-Push to Demand-Pull

- From commodity to specific consumer segments
- R&D focus shifts from input traits (e.g. yield, disease resistance) to consumer-led output traits (e.g. taste, size and shape, health benefit)
- From open access supply chains to :
 - closed loop supply chains (e.g. genetics provider-producer-distributor-exclusive customer);
 - with IP-protected unique product attributes (e.g. Pink Lady and Jazz apples)

Times are Changing: From Supply-Push to Demand-Pull

- From solely price-based competition to innovation-based competition
 - Innovation in products
 - Innovation in processes
- From “promotion means price-cutting” to “promotion means product benefit communicating”
- From profit driven by squeezing supplier margins to profit from category growth
- From independence to interdependence (with transformed chain member relationships)

Proprietary Technology and Demand Chain Squeeze

Life Science Companies
Ownership of Genetic Rights

*market
power
polarised*

*nursery people
growers/farmers
distributors
manufacturers etc.
get squeezed!*

Major Global Food Retailers and Food Service Firms
Ownership of Information on Shopping Behaviour

Principal Characteristics of the 21st Century Fresh Produce Firm

- five year vision and strategy for getting there
- staff who share the vision
- food company not a produce trading company
- volume and value growth to underpin investment and staff professional development
- operational excellence with effective performance measurement systems
- outstanding supplier and customer relationship management
- innovation in everything – products, services, business systems
- continuous investment, despite increasingly tight margins

“Confront the brutal facts...yet never lose faith” (Jim Collins)

Dealing with the Big Boys: Take Home Messages

- Be the leader on consumer and shopper knowledge for your category. Otherwise, conversations with your customer will only focus on price.
- Tough trucking for all chain members constrains partnership-building. However, understand your customer's category strategy and contribute to its successful implementation.
- European-wide retailing slow to develop. But, prepare for regional buying platforms.
- Harness health and well-being trends. Consider “fresh cut” diversification.

Dealing with the Big Boys: Take Home Messages

- Branding – only for the well-organised few who understand the responsibilities it brings.
- Horizontal and vertical alliances for commercial strength and access to R&D/marketing/human resources.
- Pick a downstream partner with secure access to high value routes to the consumer.
- Decide where you want to be in 5 years and, in the midst of mayhem, keep moving forward towards your goal.

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