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A Retail Consumer Affairs Director

Reacts to Packaging Changes

by

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It certainly is my pleasure to address your association meeting today. Allow me to share a little information about Farm Fresh. Farm Fresh currently has 35 stores--27 in southeastern Virginia and 8 stores in northeastern North Carolina. Our prototype stores are called Super Saving Centers ranging in size from 70,000 to 120,000 square feet to provide one-stop shopping convenience to our customers. Approximately 25 departments are housed inside the store ranging from automotive to video and electronics departments.

In addressing today's topic, I feel it is my responsibility to address the changing consumer. Perhaps a more appropriate title for today's presentation would be "How Can a Food Distributor React to the Changing Consumer Relative to Packaging Changes?"

American food distributors face monumental challenges in the years ahead. The food industry is mature, sales growth is flat, and many sectors are declining. As consumers spend more of their food dollars at restaurants and other away-from-home eating establishments, food suppliers and retailers are competing for slices of a shrinking pie.

In their struggle for survival, food manufacturers and retailers have sought new strategies for success. One of the most promising is segmentation. The industry is finally recognizing that there is no single American food market, and they are beginning to target regional and demographic groups.

A growing share of today's consumers are concerned with health, nutrition and physical fitness. Working women are affecting consumption patterns, too--reducing the number of meals eaten at home and increasing the consumption of snack and convenience foods. Consumers are better educated and more value conscious than ever, demanding both low prices and high quality. They see no inconsistency in loading up their shopping carts with expensive upscale gourmet items and generic products in the next aisle.

Let's discuss the key consumer groups that will have an impact on your business.

The 1946-1964 Baby Boomers are the Adult Boom of the 1980s and the 1990s. The size and impact of this generation is such that they are being called the "decisive generation." The Adult Boomers are a huge generation that is very different than prior generations. These people are already having an impact on all markets and businesses.

How many? The Adult Boomers are demographically unparalleled. Best estimates show that there are currently 77 million of them. This is a third of our total population, representing over 40 percent of all adults.

Age. Today, in 1985, this group spans the age range of 20-38 years old. In 1995, they will be 30-49 years old.

Education. This is the most educated group in our history. Eighty-five percent have completed high school; nearly half have had some college.

The Adult Boomer is also the most affluent generation ever. They control 51 percent of the spending power now and this will accelerate significantly over the next ten years.

As unique as the Baby Boomers are, demographically, they are even more unique from prior generation in terms of their attitudes, values and life styles. Their attitudes and values were formed by unique shaping experiences. This is the generation that did not live through a depression or serious rationing caused by war, but they did live through Watergate, Vietnam, assassinations, early prosperity and later economic downturn. This is the so-called TV generation, and they have settled down to some serious living. They are dominating the trends and setting the pace for those that follow.

In terms of their attitudes, values and life styles, diversity, not conformity is the norm.

Lifestyles - Work - Leisure - Money

Work. In regard to work, this group demands more than job security. They are searching for "self-fulfillment." They are primarily white-collar workers and are employed in service, information and high tech positions. They have less corporate loyalty, more job mobility and are in high stress positions.

Leisure. Recreation and hobbies are important. Activities are varied--this group is very participatory--however, often times have pressures from not having enough time.

Money. Their affordable means are fairly affluent. This group is in their peaking earning years and a lot of Baby Boomers live in dual-wage-earner households with higher incomes per household than ever before. This group is acquisitive, but in a new sense. The symbols of success are changing!

Values - Home - Family - Friends - Health

Home. This group is more mobile, more traveled, and have more of a casual life style. Convenience is very important.

Family. The nuclear family of Mom, Dad and two children is no longer the norm. Over half of the households today have one or two persons. They believe in independence for both men and women. Many of these Baby Boomers postponed marriage and/or having any children. They will be doing both of these things in the rest of the eighties. But the children they have will be fewer in number. When they do have children, they will share the parenting and the household duties. A lot of the Baby Boomers will be staying single or getting single and that is okay as far as they are concerned.

Friends. Friends are very important and almost become part of the family. There are more open, expressive relationships that cross sexual and ethnic lines.

Health. Health is very important. This group takes a personal responsibility for their own physical and mental well-being. They are into preventive medicine and have a passion for fitness.

Education, Technology, Politics, Shopping

Education is an on-going process. This group is interested in learning, as opposed to memorizing "rote facts." Will demand accountability from school systems.

Technology is the key part of their shaping experience. They demand state of the art technology and will question and challenge anything less than this!

Politics. This group is issues-oriented. As a group, they are suspicious of politicians and government. They will concentrate their political efforts on a grass roots community basis.

Shopping. They rely less on brand names. They are less susceptible to traditional price promotion. They respond to new

shopping ideas such as catalogue stores, outlet shops, and discount stores.

The Older Generation. These consumers are fifty-five plus years old and by 1990 they will represent 30 percent of the population, totalling over 63 million adults. Those in the 65-plus age group will spend most dollars on food at home, followed by those in the 55-64 year age bracket.

Collectively, this older group of consumers are the last to adapt to change. They are more brand loyal than their Baby Boomer children. Meals are still the focus and core of their family life. They "plan" their shopping trips, read ads, use lists, clip coupons, and buy specials. Chances are, they will not be into buying food processors or microwave ovens, as their meals are more traditional. Older citizens will continue to be suspicious of convenience foods unless they can add their own "personal touch." They are health conscious, but more from an avoidance or eat-less orientation than from a preventive point of view.

The older population will continue to be predominantly female. Marketers and food retailers will have to continue to find new ways to appeal to the older American female consumer.

Hidden Market #2 - Hispanics

The other important emerging segment worth mentioning is the Hispanic group--currently made up primarily of people with Mexican heritage in the West and Southwest, Cubans in the Southeast, and Puerto Ricans in the North. President Reagan courted this ethnic segment in the Presidential campaign. FMI just completed and released a research study entitled, Hispanic Shoppers. As a group, the untapped market will total anywhere from 25 to 35 million people in the next five years. The estimate varies because of census undercounting and the vast number of illegal immigrants. The Hispanic population is young and growing vigorously; it is nearly doubling in size every ten years. Hispanics will surpass the total black population in the next decade. It is felt that the economic power of this

group will be a tremendous influence in the major marketing areas of the country.

As a group, they have a strong family orientation with a firm desire to preserve their Latin culture and traditions. They are more brand loyal, and even though many of them are "emulators," try to break into the American system and culture, they are more responsive to targeted appeals.

Household size is larger and younger than the U.S. average, yet they are not and will not be making as much money. Even with economic pressures, when it comes to food, they are more quality than price oriented. Food indulgence is the norm!

Food Industry Forecast

A major revolution is happening now--in the broadly defined feeding industry--that is, all delivery systems by which people are fed. If you think about the word "revolution," it is really a response to changing consumer attitudes, values, and behavior regarding food and eating. The future of the feeding industry will be dictated by these new consumer attitudes. The revolution will accelerate as more and more consumers add these new attitudes and values. The future is here now--in the sense that a small part of the population (10-15%) is already behaving the way a majority will in the next ten years.

The consumer attitudes and values that we are going to see I will call the predictives. They have these characteristics regarding food and eating.

Experimental. Consumers are willing to try new foods. They crave variety and want literally to taste more of the world. They are ethnic samplers. They want to be knowledgeable and sophisticated about their food experiences. Fresh is better. Freshness is a major component of food quality in the mind of the consumer and it is a very important element of value. There is more spontaneity of food usage in general. This is the age of the "grazer"--where one grazes through their kitchen or even from a restaurant a la carte and appetizer menu and will put together various combinations of food to make a meal.

It is important to remember, though, that good food, not junk food, is what is desired.

Enthusiastic. Good food is part of a good life. There is no sense of drudgery when it comes to shopping or preparing food. Good cooking will be done by choice, not because it is a chore or necessity. Good cooking will become a badge of pride for both the amateur cook, who becomes a gourmet cook because he or she really loves food, or the inexperienced cook, who learns to prepare a few specialties to occasionally show off to family and friends.

Sensible. Consumers are very nutritionally aware. They reject anything artificial. The ingredient statement is the most important part of a food label. They are avoiding excess sugar, salt, and fat and eat lightly because of weight consciousness. Meals are becoming simpler, and as a contrast from the traditional sense, we are going from a non-meal meal. There will be more meatless meals, and more individual meals eaten in single and larger households. Consumers are concerned about food safety and food tampering and they are in the true sense of the word, their own advocates!

Active Life Styles. Everybody works, men and women. Convenience is very important--convenience without guilt! Use of microwaves will increase as a time saving appliance. Recreation and social obligations will place great demands on time.

Quality Oriented. Consumers will use a variety of sources to satisfy their food needs. They are willing to pay premiums for quality products, but they are unwilling to pay premium prices for products with no real added value. They desire stores and products that offer the highest quality and greatest convenience for the lowest price.

This all leads to a new role for the food distributor. It expands the necessity to provide high quality products that offer convenience in terms of ease of preparation, and portion sizes that relate to changing consumer lifestyles. Consumers are also interested in package sizes that accommodate smaller kitchens and also require that packages are tamper

resistant, yet easy to open. This year's 1985 Trends Report by the Food Marketing Institute reveals that nine out of ten shoppers say that the statement "I usually check the packaging of the foods I buy to make sure it is in good condition" describes them very closely.

Consumers are also interested in practical packaging when it comes to buying products in larger amounts. For instance, how do you maintain product freshness after a box of frozen waffles is opened? There is no inner bag to reseal the remaining contents, thus exposing the product to freezer burn, a real consumer turnoff. Resealability is a must and some consumers feel that most waffle boxes are the wrong size and shape for efficient freezer storage. Consumers also wish that packaged waffles tasted better.

As added food for thought, I wanted to share some shoppers' experiences with products from the Shoppers Report, which is based on a monthly satisfaction poll drawn from a national panel of food consumer opinion leaders.

Many consumers still "Hate milk and cream cartons and find them hard to open." "They are especially bad for children." "They bend too much." "They are abominable to open and must be slashed or cut in order to pour." "They are awful, but the plastic tops on plastic tops on plastic cartons are awful to open, too." "Milk cartons, ugh! The spout will not pop open. And think about how many dirty fingers reach in to open that spout in the course of using a half gallon."

Can interest in aseptics be waning already? Most of the shoppers' panelists are turned off by the idea of aseptically packaged wine and voted down the suggestion that "wine in a box looks interesting."

Only about 40 percent of the respondents with children were enthused about the paper cans for their kids. An overlapping 40 percent would be interested if a more convenient opening, such as a pull tab, were provided. And a third would like them a lot better if they were not so expensive.

More and more consumers are interested in the freshness of products. FMI's 1985 Trends Report found that 93 percent of shoppers stated that supermarkets are responsible for making sure consumers do not buy old, stale or spoiled products. Presently, many different types of dates are being used in our industry. Recognizing the confusion, FMI's Board of Directors adopted an open dating policy statement, which was presented at the Industry Relations Conference last year.

FMI's position is as follows:

The members of Food Marketing Institute (FMI) support a voluntary uniform dating system using only one date, a "sell by" date, with appropriate "best if used by" information related to that date. This type of freshness dating will help achieve reduced consumer confusion through a uniform system and maximum quality products through good stock rotation at the store and warehouse level.

Therefore, we recommend that the following system of declaration be used on those items which are open dated:

1. Where open dating is applicable it should be a "sell by" date and labeled as such.
2. When "best if used by" information is included it should relate to the "sell by" date. For example, a yogurt carton label might state that the product is "best if used within 7 days after the date stamped on end of package";
3. Alphabetic month designations or abbreviations (Jan 84) rather than numbers are preferred because it is more easily understood by consumers;
4. When space permits specific care information concerning time, temperature and humidity for quality control may appear on the label as well as the date, date explanation

and "best if used by" information;

5. Manufacturers should be encouraged to label shipping cartons with the same "sell by" date information as appears on the retail sale units.

It is felt that this type of freshness dating will

1. Improve the overall efficiency of food distribution by establishing one system of dating.
2. Improve stock rotation at store and warehouse levels.
3. Strengthen consumers' confidence in products by giving consumers a better ability to judge the freshness of the products they purchase.
4. Reduce consumer confusion about the types of dates which currently exist.

"Probably the most important management fundamental that is being ignored today is staying close to the customer to satisfy his needs and anticipate his wants. In too many companies, the customer has become a bloody nuisance whose unpredictable behavior damages carefully made strategic plans, whose activities mess up computer operations, and who stubbornly insists that purchased products should work."

Thomas J. Peters and Robert H. Waterman, Jr., the authors of the book, In Search of Excellence, note that the proposition that a business ought to be close to its customers seems obvious. So why did they have to devote an entire chapter to it? The answer is that, despite all the lip service given to market orientation these days, the customer is too often ignored or considered a bloody nuisance.

I am pleased to say that I am addressing a group that is not typical of this callous disregard for the consumer. You have achieved your commanding position in your field by never forgetting the consumer and making quality reliability your hallmark.

For food distributors, it means knowing your customers--their demographics and lifestyles. This is the key to your sales growth and success.