

Leslie G. Sarasin  
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V1.12

Good morning to you and welcome to Chicago.

To get your blood flowing and grey cells engaged this morning, I have a fun little mental exercise for us – just consider it brain yoga. I invite you to participate with me in a brief survey that will give us a teaser of things to come.

Those of you with the FMI Connect APP uploaded, please open it and in the **Recent Activity** section of your dashboard, you should see an alert about this session's survey, click on the link in the alert, that should take you to the first question of our 3 question brain teaser. Those of you without the APP, you're not off the hook, you will take the same survey with me verbally. So, those with APPs, take the survey online, those without take it with me the old fashioned way and we'll compare results of the APP savvy and APP wary. Got it? Are you ready? Let's start with an easy one, here's our first question:

1. In 2025, your supermarket's chief competitor will be
  - a) Other supermarkets
  - b) Restaurants
  - c) Amazon
  - d) Supercenters

Got your choice in mind? Only vote once and because we're talking competitors, let's voice vote with BOOO! All voting for A., say "Boo." Those for B, say "Boo." Those who think Amazon, choice C, say "Boo." And those voting, D, Supercenters, say "Bo." . I think \_\_\_ was the winner in the voice vote, now let's check the tally in our online poll.

*Adlib an observation:* Hmm, onliners are a bit more concerned about \_\_\_\_\_ than those voting by voice.

Okay, let's move to the second question – for those online if it doesn't appear pretty soon, try refreshing your screen. Okay #2

2. In 2025, the smartphone will

- a) Replace credit/debit cards as the primary payment system
- b) Be more integral to the shopping experience than the shopping cart
- c) Only be remembered as a fad of the 2010s
- d) Be obsolete, replaced by microchip implants

Those online click in your choice, those voice voting make your determination, vote for one and because this is about the smart phone, let's vote with "Beep." All those voting for A, say "Beep." Those for B, voice your "Beep". All for "C," say "beep." And those for "D." add your "beep." Close, but I think it was \_\_\_\_\_. Okay, let's check in with our online results.

*(Adlib like: Interesting, those offline are a bit more dubious about the future of the smartphone.)*

Okay, last question should be coming up for those on the APP. This one is complicated, so listen carefully.

3. By 2025, I believe cloud intelligence will have developed to the point that grocery lists will be digitally generated and submitted based on a virtual pre-set menu shaped by the health profiles, fitness goals, taste preferences and schedules of the individual household members.
  - a) Very likely
  - b) Likely
  - c) Unlikely
  - d) Highly unlikely

Those on your APP click in your vote. For you voice voters, if you think this scenario is *very likely* say "Yes." Now, those of you who think it *likely* say, "Yes." Those thinking it *unlikely*, say, "No." Those who think it *highly unlikely*, say "No."

Okay, I think the top vote getter was \_\_\_\_\_. Now, let's compare with our online results and the winner there is \_\_\_\_\_

*(Adlib observation.)*

Okay, in very broad brushstrokes that gives us a sketch of your take on some elements in the future of food retailing. I invite you hang onto the thoughts and questions raised by this exercise because I'll be touching on aspects of these questions in what I'm sharing this morning. AND if I don't satisfactorily address your questions, I can guarantee there is a workshop, a general session or a presentation on the floor here over the next few days that will. If not, I'll buy you a beer at the pub crawl on Thursday night.

If you were paying close attention to the FMI Connect promotional material, you likely noticed that the theme for this gathering is *If it's out there, it's in here*.

When it was chosen, *If it's out there, it's in here*, was meant to capture the idea that we offer it all - as in, if it exists, we've got it.

However, as we dug deeply into research we've been doing -- we discovered that our theme has a bit of different twist to it.

So, this morning, I want us to look at our theme a little differently. We're not just talking products, we're talking about the trends, cultural shifts, and societal changes that are taking place in our world, but manifesting themselves vividly in the aisles of our supermarkets. So, if it's taking place "out there," it's happening "in here."

The poet Gerard Manley Hopkins was a linguistic scholar and when he couldn't find the exact word he was looking for, he simply made one up. One of his invented words was "Inscape" which he coined to describe the idea that understanding a forest is best accomplished by focusing attention on a single tree. It was his conviction, that if you study and grasp the particular - you come to understand its connectedness to the whole, and then you have an even better understanding of the general.

With apologies to Shakespeare, who thought "all the world's a stage, and we but players;" I humbly submit to you that the world is actually a supermarket - in inscape fashion. So, if you want to understand what's happening in the whole world, just study all that's going on in a grocery store, because it's all happening here.

This morning, we'll look at five macro cultural happenings, things like:

- The phenomenon of channel surfing;
- The shrinking middle class;
- The shuffling of traditional gender roles;
- The generational passing of the torch; and
- The growing societal focus on wellness.

But we'll look specifically at how the supermarket is an "inscape" of the world-wide cultural landscape.

And along the way, I'll share comments we heard from some of the folks who were part of our in-depth consumer research. In addition to the thousands we surveyed, five individuals participated in a 3 hour interview process; answering our questions, letting us review their pantries and refrigerators and even accompany them on a shop-along at their favorite stores. I trust you'll find that their comments help illustrate the numbers and add a dash of real-life spice to the data.

So let's look at how our world is changing and how those changes are getting revealed in the aisles of our stores.

### **Let's start with the Phenomenon of Channel Surfing**

Way back in the day when I was a kid, there were only three television channels, so it was relatively easy to have a favorite one. It was a choice shaped by preferences regarding the programs each channel offered, the convenience of the times those programs aired, the quality of the reception offered by that station and my reaction to the personalities of their national and local affiliate front men - and back then they were almost all men. For instance, if your taste in westerns ran toward *Bonanza*, if Red Skelton, Jack Benny and Candid Camera made you smile while Alfred Hitchcock made you shutter and Walt Disney made you feel good, and if you preferred getting your news in tandem with Huntley and Brinkley, you were definitely an NBCer.

Enter cable TV. Suddenly the landscape broadened from three channels to 300 and it continued exploding to 3,000 possibilities - giving birth to the phenomenon of channel surfing. The executives at ABC, NBC and CBS were forced to face a new day, with competitors running the gamut of the alphabet - HBO, TBS, MTV, and CNN, just to

name a few. The idea of a favorite station changed to being category specific with viewers choosing their news in one place, sports in another, sitcoms here, and weather there. In short, surfing became the norm.

Some recent publications that ranked the favorite supermarkets among consumers have given rise to a bevy of secondary articles about customers “firing” their grocery stores. Unfortunately, these articles missed the point of what’s really going on. People seldom fire a grocery store, but what they are doing is diversifying where they shop.

In other words, the food retail industry is experiencing the same channel surfing growth pains that the television industry did. With the rapid spread of locations and venues selling food, consumers have greatly expanded their shopping repertoire. Consumers aren’t firing their primary store as much as they’re becoming more selective about what they buy and where they buy it. Just as people are reluctant to keep their televisions locked in on a single channel, consumers are becoming increasingly reluctant to choose any one store to fill all their needs.

Here, you see that traditional supermarkets remain the most frequented food retail location, but consumers are taking full advantage of the rainbow of options available to them. They’re shopping a variety of banners and they report shopping around 2.5 different channels fairly often – with the accent being on the *fairly often*. And as we’ll see, driven by cost, quality, variety of selection and convenience, they are becoming category specific about what they choose to buy across these multiple channels. Listen to what Mark, a single 34 year old and one of our in-depth interviewees, said on this matter:

For forty years, FMI’s Trends research has been tracking where consumers shop and why. In 2005, supermarkets captured 67 percent of the channel share, and then hit a low of 51 percent in 2013. Supercenters rose from 22 percent in 2005 to 29 percent in 2013. Other channels – warehouse, discount, limited assortment, organic and specialty -- bounced up and down with single digit numbers all varying a few centile points any given year. This year, in *FMI’s U.S. Grocery Shopper Trends 2014*, done in collaboration with the Hartman Group, we have supermarkets back at a 54% level of channel share, supercenters down to 22% and each of the other

categories registering one percent lower from their positions the year before. Clearly, the traditional supermarket picked up a few points in all that movement, but what's most interesting is the leap in the number of people who claim they have **no primary store**.

When FMI first started listing this option in 2011, only 2 percent said they had no primary store. This year, 9 percent could claim no primary store. Channel surfing in the food retail domain has grown such that nearly one out every ten shoppers cannot name a *primary* store.

Now we know from other research that Millennials – as a demographic – tend not to be traditional joiners. They're much less likely to list a mainline denomination as their religious preference and also less likely to align themselves with an established political party than the other demographic spreads. So, it would be easy to think that the bump in “no primary store” comes from the rising millennial class. Easy to think that, but you'd be wrong. The group contributing most to the assault on primary store loyalty is the baby boom generation. Our hunch is that the growing number of retirees in that class now has time on their hands to shop the full gamut of options and they're taking full advantage of the new found free time.

In the food retail world there has long been trusted and widely accepted vocabulary that included such words as primary store, store loyalty, stock-up trip and fill-in function. Just as the phenomenon of channel surfing has been a challenge to the world of television, a similar challenge is now confronting food retailers– forcing us to rethink the meanings of some of our most accepted terminology and recalibrate the way we ask some of our research questions. But hang on to that thought, because we'll be adding more to that grocery list.

There's another element – also a factor in this diversification of shopping - that is *out there* and surfacing *in here*, in the supermarket. That is, the

### **Shrinking middle class – shrinking middle market.**

There has been much ink spilt recently – from *Forbes* to *Huffington Post* - about the shrinking – some say disappearance of the - middle class. I'm sure you agree that it's always a little touchy talking about

social and economic classes, as there are no universally accepted definitions, and subjective demarcations can run the risk of appearing, well, elitist or snobby. But there are some objective indicators - such as income levels- that give a pretty good picture of the status of the middle class. Recent decades have seen the income of the middle 60% of our population drop from a 53% share of the national pie in 1970 to 45% in 2012. And the past 20 years have seen the split between the share of personal consumption expenditures between the top 20 percent of earners and the bottom 80 percent of earners go from a 53/47 split to 61 to 39% division. According to Pew Research findings, the median net worth in 2014 plummeted to levels recorded back in 1983, and just as a point of reference, 1983 was the year Michael Jackson released *Thriller*. But perhaps the safest ground to stand on when talking about social classes is looking at how Americans self-identify and locate themselves. According to Pew research, the number of Americans self-defining as middle class fell from 53% in 2008 to 44% in 2014. Those registering as being in the lower class rose from 25% to 40%. This public perception can be ratified from the hard data showing that thirty six years ago, the poverty rate was at 11.5%; today it is 15%.

With the decline of income, diminishing economic clout, loss of jobs, demographic shifts in birth rates, and recessionary downgrading of jobs, the middle class clearly is shrinking. While economists cringe at this statement, I think it's telling that more than 60% of the U.S. citizens say it still feels that we're in a recession.

This effect is surfacing in supermarkets as well.

For years, there was a strong case for food retailers to maintain a mid-market strategy. Cater to the middle – don't get too high end and offer good value. However, it's a different day, today. Increasingly, in the diversification of shoppers, American consumers are choosing to either trade-up or trade-down. Some are selecting up-scale markets that specialize; others are opting to shop at more value-driven stores that cater to those for whom economizing is the leading incentive. These value shoppers may like mid-market stores better; they may even rate them substantially higher than where they feel they must shop, but in the end they determine they simply can't afford to shop mid-market. Let's hear from Scott, a single male in his 50s, who works a full time day job and moonlights in a number of

other employments in order to make ends meet. Here's what he has to say about his store preferences.

Look at the chart reflecting the annual revenue growth of leading U.S. Food Retailers over the last five years.

Mid market stores have, at best, experienced moderate growth and in almost half the cases, recorded a loss. The story is quite different on the high and low ends of the spectrum. Most up-scale markets and value-driven markets have recorded strong revenue growth - with half in the double digit range.

Let's look at this in another way.

The graph you're looking at now shows consumer preferences when shopping across 14 different grocery categories, comparing 2011 to 2014, and it breaks down retailer groups into mid market, up-scale and value driven. In every single category, mid market retailers saw their numbers drop, while up-scale venues increased and value oriented markets saw their share increase in most areas, but fall in a few key other areas. This tells us several things First, shoppers - especially the large number of value shoppers-are getting increasingly selective about what they buy and where they buy it - again, category specific channel surfing. But second, and most significantly, this graph paints a picture of the shrinking middle class of supermarkets. The middle is either reaching higher for better quality and choice OR - like Scott - the middle is deliberately economizing and internally compromising on things like service and selection.

Success in food retailing has always been about location, location, and did I mention, location, but now it's also about knowing your location, being intimately acquainted with the demographic of your neighborhood - especially its economic leanings - because playing to the middle is increasingly a more difficult strategy to execute, one that may not work if you want to capture your zip code. And knowing whether to step-up and become more specialized, or become more value-driven, is a business decision best made by knowing your shopper population and your clientele's pref - I started to say clientele's preferences, but it's really about knowing your clientele's needs because their preferences may be a whole different matter.

Let's look at another issue that is "out there" but is surfacing in the supermarket, this one is the **shuffling of gender roles**.

Now if it was a bit dicey talking to you about social classes, I can for sure tell you it's a bit precarious for me as a woman to stand up here and talk to you about the upheaval in traditionally defined roles between males and females. But where angels fear to tread, women will go because ... we're not afraid to ask for directions.

According to the Department of Labor, in 1972, 79% of men were in the labor force, compared to 44% of women. Forty years later (2012), 70% of men were working and 58% of women were working outside the home. This continual growth of the number of full time working women (and drop in the number of employed men) has played havoc with the division of labor and defined roles within households. Suffice it to say, few of us would recognize June Cleaver's job description any more and even fewer of us would wear our pearls while doing her job! – just as few of us would recognize the monochromatic, monolithic Cleaver neighborhood, any longer. Expectations about who cooks, who cleans, who shops, who pays and who drives are now negotiated settlements within every household, and are always subject to being recalculated as circumstances shift. This shuffling of gender designated duties extends to the task of grocery shopping and as the division of household labor has become more complex, it has also complicated the question of who is the **primary shopper** –making it another part of our standard vocabulary that's due an upgrade. Consider this statement from Kate – one of our in-depth interviewees, about how she and her husband – parents of a 3 year old - divvy up cooking and shopping duties.

The division of primary food shoppers by gender now shows a split of 57% female, 43% male. However, the equation is not quite that simple, especially when trying to factor in varying gender views about the level of responsibility. In a classic "he said/she said" difference of opinion, 76% of women felt they did most of the grocery shopping and 24% felt it was a 50/50 proposition, but the guys told a different story. 57% of them reported that they did the bulk of the grocery shopping and 43% said it was an equally shared responsibility. Now, I know there's a whole list of jokes I could make here about these divergent views, but the figures reveal that the reality of a new way of shopping is emerging that's changing the way we must market and measure. To continue marketing exclusively to

the female shopper is to overlook a growing number of male customers. And for those of you forced by your spouse to read *Men are From Mars, Women are From Venus* several years ago, it should come as no shock that the way men plan and shop differs from the way women do it. If you want to hear more on that, I recommend the session this afternoon at 1, entitled *Men on a Mission*.

The shuffling of gender roles and diversification of shoppers has direct implications for one of our industry's gold standard measures. The number of trips to the market per week has long been an important metric in our industry, but this needs to be reconsidered because increasing the number of shoppers in a household logically results in fewer trips for any one shopper. Sharing shopping means any one shopper – even if they're the primary one – understands less about the household's total shopping. For instance, this year the average weekly trips-by-primary-shopper is 1.6 - down a tad from the 1.7 reported last year. The average weekly trips to the primary store is 1.2 accounting for a 73% share of trips. But, quite honestly, I fear those figures don't paint an accurate picture due to the confusion over who the primary shopper is AND the inability of primary shoppers to precisely account for the entire household's total shopping experience.

I confess that I don't always get a blow-by-blow, item-by-item shopping report from my husband. So, unless all American households are very different from mine, we can't count on any one person accurately representing the total shopping experience for the family. And I have reason to believe the Sarasin family is fairly typical in that respect.

Let me tell you about Ann, a retired RN in the Seattle area, who served as one of our five in-depth interviewees. During the 3 hour interview with Ann, her partner Dave was in the adjoining room, watching TV, but occasionally chiming in. For Ann, "shopping" means compiling her list throughout the week, comparing circulars and then making in-store decisions based on price, quality and promotions. When asked if Dave shared in the grocery shopping, she reported that he makes his occasional club store run, but in her estimation, what he does isn't shopping; what he does, she says, is "stalk his prey, kill it and drag it home." However, when one of our interview team talked with him, he found that Dave actually does "shop;" he inspects the products, carefully compares value, and makes his selection. His

list may be shorter and more specific to his tastes, but he does share in the household shopping. If surveyed and asked who is responsible for shopping for the household, Ann would answer that she was. If asked the same question, Dave would likely say he shares substantially in the chore. The truth is Ann and Dave share in the new reality of a team effort; each partner contributing his and her individual preferences while provisioning the home pantry – however, neither is totally aware of what the other is providing.

Time to move to another issue that’s “in the world” but inscaped in the supermarket aisles, and that is the **Shift in the Deciding Generation** – also known as the Battle between the circular and the APP

As the largest segment of the population, for years Baby Boomers have long basked in the glory of being the determining segment in most cultural decisions and the darling target of most marketing strategies, but that torch is slowly - and with some resistance- being passed to the millennial generation. Both groups now weigh in at about 24% of our population.

While all demographic groups are factoring in what author Paul Taylor calls *The Next America*, boomers and millennials tend to get the focus as the bigger players in the racial, political, religious and technological changes reshaping the nation. And, surprise, surprise, the two generations are quite different - with one having trouble with growing old and the other having problems with growing up.

Boomers owe their bulk in numbers to the post World War II population surge; the millennial generations’ numerical strength comes from being children of the larger boomer crowd, but also from renewed immigration flows and the immigrant leaning toward larger families. Given the millennial propensity to move back home after college, the two generations may live in the same house, but they live in very different worlds, with dissimilar economic experiences, world views and expectations. This means some changes are coming in the marketplace because many of our current operating models – including displays and store layout – are based on baby boomer behavior and the reality is, millennials plan, shop and eat differently.

So, right now, we’re caught in-between, and in some ways witnessing the two generations in a tug-of-war over the torch. This tension shows up several ways in our world. Consider these questions:

- Do you accommodate those who cherish their beloved and traditional circular or do you put your energy and cash behind a really innovative APP?
- Do you arrange your stores to please the traditional pantry stocker or do you try to better accommodate the preferences of the immediate meal shopper?
- Do you distribute the same deals generically to everyone or do you customize coupons, personalize promotions and target distribution?

Of course, right now, we being forced to choose “D, all the above,” and the danger with trying to go two directions simultaneously is you can end up not doing either one very well.

Remember how you were feeling when wrestling the third survey question about grocery lists being created in the cloud? Remember that inward tug of war you likely experienced of not wanting to believe things are headed that way, but knowing in your gut they really are? That is the tension we’re living with right now.

Let’s look at these generational differences in a bit more detail.

The generations plan differently. 77% all of shoppers make lists, but the way those lists are composed varies dramatically. Most Boomers shop using lists and the majority of them build those lists throughout the week, monitoring the pantry (slide 19,) about what is sufficiently stocked and what items they might need to pick up. Playing to this group, our stores tend to be organized around the pantry-stocker model.

Most millennials plan using lists but most of those are compiled right before going to the store. Millennials are less likely to check specials and are more likely to develop their list around recipe requirements and a meal they’re planning for the immediate future. More than one fourth of all meals consumed by 18-29 year olds include items purchased earlier in the same day. Just imagine how you’d re-organize a store to accommodate shoppers wanting to quickly, conveniently put a meal together as opposed to those seeking to stock a depleted pantry.

Regarding how lists are composed, listen to one of our millennial shoppers. (Mark.)

Half of the millennial list makers compose them on their smartphones, which as you rightly prophesied in the second survey question earlier, the role of the smartphone in the shopping experience will only increase. And as Mark indicated, the raised-on-technology millennials are much more equipped and more likely to download your APP and sync it with other programs on their handhelds. That said, you need to make sure you're APP is socially engaging, economically relevant and personally pertinent to them or they will quickly lose patience with you, and not only drop your APP, but potentially drop you.

Remember, this generation equates tech presence with personal presence – you wouldn't stand for your team being rude, unhelpful or absent to a customer wanting help – so, you must hold your APP accountable to the same standards.

Also, because they've won a trophy for everything they've ever done – millennials want you to make loyalty programs more game-like and reward their positive shopping behaviors with personalized benefits. Again, here's Mark. As a group, gen Y'ers are more receptive to guidance and keen for help. Consequently, they are much more likely to choose their store on the basis of a friendly and knowledgeable staff. And pay attention to that factor in cultivating future store loyalty. There are several educational offerings here at FMI Connect that will go into more detail on this topic. Here are a few:

Millennials shop differently because they eat differently.

Boomers shop to restock their pantry; millennials shop to fill their plate. Unlike the baby boomers – who do snack, but still think in terms of three square meals a day, millennials –constantly on the go – think in terms of 5-6, even 7 eating occasions a day. Again, Mark's perspective.

Millennials, like Mark, are shopping according to their multiple eating occasions, looking for your help in putting their meals together, making their snacking occasions count, so, having a rich variety of ethnic foods and flavors available and rewarding them for making healthy choices will serve you well. Interested in this? Learn more at *The Future of Eating* session this afternoon.

Millennials look forward to the day when refrigerators and pantries automate restocking; and – no surprise here – they expect their mobile device will become an integral component of both their in-store experience and out-of-store grocery shopping - 80% for grocery lists, 75% for coordinating pick-up or delivery in the future. Again, much more detail on this will be available in the session *Consumer Connection Through Mobility* this afternoon.

While one in four millennials says he or she doesn't like ordering online because it takes too long, all generations continue to express a growing interest in virtual grocery stores, and 62% say the key ingredient for a successful online shopping strategy is giving the customer a say in the delivery schedule.

There is much, much more to be learned - not only about millennials, but Generation X and the other demographics - in our *Retail Experience of the Future* exhibit on the show floor. There you'll be introduced to Millennial Mel, Metro Marsha and others - and learn what they're looking for in their grocery shopping experience, why you need to win their loyalty now and what you need to be doing to win it. Check it out.

One quick word of caution. Xers and Yers come across as so smart, so competent– having grown up with the world at their fingertips and information about anything and everything available at the speed of electricity. Like us, when we were in our 20s, they have some ideas that challenge their elders and they yearn to be heard and given their chance. We must listen to them. And like us when we were in our 20s, their habits, preferences and styles are still very much in a state of formation and development, but attachments are getting shaped NOW. It's their voices guiding us into the days ahead. We must not get impatient with their impatience. And we must avoid the trap of becoming more change-resistant when they become more change-insistent. We will earn their trust by responding seriously to what they tell us –especially when it challenges the way we normally do things. Now, if I could practice what I preach when dealing with my teenage son!

Let's round out our tour of things that are “out there” and surfacing “in here” with a look at

### **The Growing Societal Focus on Wellness.**

In the 1970s, the U.S. looked a lot like other countries when it came to health care costs, spending about \$380 per person. In 1980, we spent \$1,110 per person on health care, which worked out to about 9.2 percent of Gross Domestic Product. Then in the 80s and 90s, U.S. health-care costs began skyrocketing, outpacing other countries and escalating to \$8,402 per person in 2010. That amounts to a total of \$2.54 Trillion spent on health care, or 17.9 % of our total economy. The story continues, as you well know, because in our 2014 Speaks data, food retail executives ranked “healthcare costs” number one on their “worry Index” this year.

While there is great concern about these rising costs, it does clearly tell us that Americans are heavily invested in matters of Health and Wellness. And as we seek to turn our healthcare focus from disease treatment to disease prevention, grocery stores with a focus on wellness are uniquely postured to play a significant and very positive role. There is a wealth of information exploring what this may look like in the Health and Wellness Zone on the show floor. Also, more information is available in the 2014 edition of FMI’s and Rodell’s report *Shopping for Health*.

In many ways - politically, economically - healthcare concerns have clearly moved front and center, making matters of wellness a very present part of the American consciousness. But it’s not just about a conventional understanding of health and nutrition. American consumers define health and wellness more as a higher quality of life and increasingly recognize food as playing a central role in their physical, mental and emotional wellbeing. When asked to name those they consider “on their side” and those they think “working against them” in terms of health, consumers ranked their “primary store” among their most trusted advocates. Unfortunately, manufacturers and government institutions don’t fare quite so well.

Since 2007, we have seen a steady increase in the number of consumers looking for food and beverages that are minimally processed, contain only ingredients they recognize, are locally grown or produced or have the shortest list of ingredients. This year, more than one quarter of shoppers were purposely seeking these products. While organic sales remain stable, there was a bit of a bump in consumer attention to other indicators of minimal processing –

seeking out products with no preservatives, no trans fats or chemical additives, no high fructose corn syrup, and gluten free. Likewise, locally sourced products continue to enjoy consumer popularity, with “freshness” or “in season,” “ supporting the local economy” and “taste” being the leading reasons shoppers give for buying locally grown products.

Among the factors consumers say they are looking for in a store – high quality produce, - fruits and vegetables come in at 95%, right behind the two categories of low prices and great product selection which tied for # 1 at 96%. Unlike prices and product selection, which requires some consumer study, a clean, well-stocked and attractive produce section – which most customers see upon first entering a store - has an instant benefit, lending a significant and immediate halo quality to the rest of the store. (Of course, the reverse is also true).

With consumers increasingly recognizing their food retailer as a member of their team providing access to key values and needs – such as health, enjoyment and discovery – I think it’s time for us to expand our definition of convenience. While location is always a critical consideration, more and more consumers are looking for their food retailer to be the one who helps them become the individual they want to be. The concept of convenience is beginning to transcend location and customers embrace the notion of which food retailer provides me the easiest and best access to the tools I need to achieve my personal and my families’ wellness goals. The retailer who best advocates for me and things I believe in becomes the most convenient store – even if they’re further away. Convenience is being defined less and less in terms of physical proximity and more in terms of the store closer to me in terms of my emotions and values.

Of course, part of the larger wellness equation has to be food safety and your diligence in this area has been rewarded with 91% of consumers saying they trust their grocery store to provide safe food products. This is up from the 85% trust level registered in 2005. And this is important because there have been some significant shifts in recent years regarding consumer assignment of food safety responsibility. Consumers still identify themselves as bearing the primary responsibility for ensuring the food they purchase is safe, up from 55% in 2009 to 63% last year. What’s significant to note is that

the level of food safety responsibility that consumers assign to food stores has risen from 25% five years ago to 42% in 2014, - the same responsibility level given to government institutions. Perhaps food retailers are the political party of the future – running on a platform of trust and responsibility. Now that’s a party I could vote for!

The amount Americans spend on food-at-home per person has remained relatively flat since 1950, while the amount spent on Food Away from Home has steadily increased during that same period. Granted, many food retailers have found ways to get a piece of that action with dine-in delis, and increased food service offerings, but food away from home remains a category with great promise for more supermarket development. Like we acknowledged in our first survey question, this morning, we still compete aggressively with each other for the flat food-at-home dollars, but we must not overlook the potential that we have to capture the growing food-away-from-home dollars. With lunch being the meal most prevalently eaten away from home, the midday eating occasion offers substantial opportunity for food retailers to take a larger bite of the food-eaten-away-from-home apple. Want to learn how? Go to this session asking the relevant question “Is Your Store the Best Restaurant in Town?”

Over 90 % of Americans believe eating at home is healthier, and half consider it to be MUCH healthier. In our ready-to-eats, if we can successfully couple the convenience of take-out with the healthy advantage of home dining, it can add up to another meal occasion at home and from the supermarket. That is a win-win for us as an industry and all of us as a society.

Customers trust their chosen food retailer and clearly identify them as allies in matters of health and nutrition. This level of consumer trust uniquely positions us with outstanding opportunity to play a significant role in America’s emerging focus on wellness.

There is much more information about this and a host of other topics in the print version of *U.S. Shopper Trends*. I strongly recommend it to you and if it were within my power to do so, I’d make that report required summer reading for you. Also, more of the Trends data and discoveries will be covered in far greater detail in the upcoming weeks, in a webinar series FMI is hosting with our research partners The Hartman Group.

## SHIFT

As we conclude our look at trends that are “out there” in the world, but experienced “in here” – in our stores, I have one parting thought. We all have days when we feel small, prey to discouragement and plagued with doubts about the worthiness and significance of what we do. If you get nothing else out of what I’ve shared this morning regarding the world shaping trends that are popping up on your store aisles, please hear this. Your store is the stage on which global dramas are being acted out in miniature every day. The trying issues challenging our whole world are being confronted, dealt with, successfully adapted to and meaningfully addressed in every act of customer service. Your store is the inscape of the world and through your work, you make the world a better place, because you feed families and you enrich lives. Keep up the noble work.