



Around 310 delegates attended the PMA conference and trade expo in Sydney in May.

Ethical consumerism, changing consumer trends

By WARREN BEAUMONT

AT THE PRODUCE MARKETING Association Australia and New Zealand conference held at the Hilton Hotel, Sydney on May 25 and 26, PMA (USA) president and chief executive Bryan Silbermann's keynote presentation covered industry trends, the economic impact on the supply chain, insights into a rapidly evolving industry and case study on lessons learned from the US produce industry that relate to Australia and New Zealand today.

Mr Silbermann said the PMA only realised how large the US industry's economic footprint was when it recently received its first national economic impact study.

"Today, the total economic impact and reach of the fresh produce and floral

industry in the US accounts for nearly 2% (or \$500 billion) of gross domestic production," he says.

The PMA thought that a tripling of input costs in the 2008 season was tough to face; then in October 2008 the world's first truly global recession was around the corner.

Mr Silbermann says: "We are an industry continually faced with a series of great opportunities brilliantly disguised as insoluble problems. Yet we somehow overcome those problems, using the strength of our supply chain partnerships."

Economic indicators are now predicting a tepid recovery in 2009, with firmer growth in 2010.

"Our current challenges and opportunities are China's future need to import more fresh fruits and vegetables; catering for new consumer behaviour; and producing more

with less water, land and labour.

"Massive growth in food demand by 2050 is expected from countries such as China, India, Pakistan, Bangladesh and Malaysia.

"We can no longer accept it as a given that we'll have 100 kilograms of water to grow one kilogram of berries," Mr Silbermann says. Greenhouse production, which generally uses less water, is spreading.

Consumers are "shell shocked by the global economic meltdown" and are changing shopping patterns to adapt to the new world.

"Consumers are shifting channels, shopping less but spending more on stock-up trips at larger stores, and filling in at smaller formats, specialty stores, or convenience markets," Mr Silbermann says.

In the US, club stores (Costco, Sam's) are posting significant gains, as are bargain

discounters (Aldi etc), and supermarkets are battling smaller formats for market share.

Another trend Mr Silbermann points to is consumers moving towards price and promotion, with 67% of US consumers saying they are more likely to use discount coupons, an old staple that had fallen out of favour in the US.

Coupons are going straight to mobile phones and Chiquita has introduced a new 'Fresh Funds: Healthy Rewards for Healthy Living' program.

Consumers gain points, for purchasing Chiquita and Fresh Express value added, ready to eat fruit and vegetables, that can be exchanged for merchandise, prizes or charitable contributions.

PMA research shows consumers are buying more potatoes, carrots and lettuce, corn, and onions - staples easily integrated into a variety of home cooked meals.

Worldwide consumer research shows shoppers are seeking value through alternative pack sizes, and the smaller, lower-priced packs of fruit and vegetables appeal to consumer need for value and convenience. Sustainable packaging is another trend and in countries like the UK, sustainable packaging is now a must have.

"Ethical consumerism has become a major new social movement," Mr Silbermann says.

"Mothers with young children being connected with their food are a major force in our landscape. They want to know where their food came from, how it was grown, and whether workers who grew the produce were treated fairly, and here the Internet is a major tool."

The 'nesting consumer' has become the new norm, and there is more eating at home and buying of easy serve foods.

Marketing challenge

Locally grown is another major market force inspired by the drive toward feeling better about the food we eat. "The majority of 'Locavores' are motivated by a very basic instinct – the need to match a product with a place or face," Mr Silbermann says.

"In Australia and New Zealand, locally grown isn't a trend, it is a fact of life, as a large portion of fresh fruits and vegetables is still being purchased in farmers markets, or greengrocers, supported by government campaigns such as Buy South Australia or Buy West."

Mr Silbermann says the drive to local is certainly impacting the organic market. Consumer data for several countries



Bryan Silbermann, PMA president and chief executive gave the keynote presentation.

indicates that the growth of organics has slowed – and locally grown is one reason.

Ethical consumerism, locally grown, and organics are all heavily influenced by another major market force in the rapidly changing world – sustainability.

Despite the recession, sustainability is still a major influence in consumer purchasing decisions and buyers are listening, with audits by US buyers not just assessing food safety practices, but increasing sustainability practices.

Another major trend is that US retailers are becoming less of a merchant and more of a neighbourhood partner and a destination, along with smaller formats with ready-made food-to-go for the dinner table.

Consumers are offered a wider variety of opportunities to connect with the store. Produce Universities teach shoppers about their fresh fruits and vegetables, and to connect with the farmers who grow them, including 'meet the farmer' days, with some retailers allowing farmers markets to operate in their parking lots.

Emulating US trends

The trend of people eating in and cooking at home as well as shopping around for greater value in grocery items was backed up by other speakers at the PMA conference

during a panel session titled The Wide Ride of Retail.

Michael Batycki, general manager for fresh foods at Woolworths, said Australian consumers were becoming more diligent about their shopping choices. "People are comparing prices more, are buying in bulk more and buying more products on special," he said.

Mr Batycki said there is a trend towards 'cocooning' - people eating at home.

Joe Cincotta, a director for Colonial Fresh Markets, which has five Melbourne-based stores, said he has noticed consumers are becoming more value conscious and looking for better pricing and specials, while quality of product was still most important.

And, a report released by research company Nielsen, the annual 2008 Grocery Report revealed that as consumers feel the pinch of rising costs, more are opting to entertain friends and family at home instead of dining out, with the share of food spend in Australia channelled into supermarkets and away from cafes, restaurants and takeaways.

Many consumers are cutting back on non-essential grocery items and looking for cheaper grocery alternatives such as Private Label brands.

DIY cooking categories enjoyed strong growth in 2008, with many of the fastest growing grocery categories indicative of the move to home cooking, including flour, cream, baking aids, butter, bread mixes, and baking additives.

Nielsen said other trends driving category growth in grocery retailing include consumers' search for 'fresh', 'natural' and convenient offerings which has seen further growth for specialist retailers.

More shoppers shopped at fruit and vegetable stores, butchers/fish shops, and gourmet specialty stores than in 2005.

PMA Aus/NZ

A major announcement at the May conference was the creation of the local industry's Strategic Plan.

Mr Silbermann says that the PMA created a Country Council two years ago, and that Council members told the PMA it was time for a stronger and more structured PMA presence in the region.

"So it is with great pleasure that I can announce the creation of PMA Australia/New Zealand, an independently-run, affiliated organisation scheduled to begin official operations later this year," he says. ☺