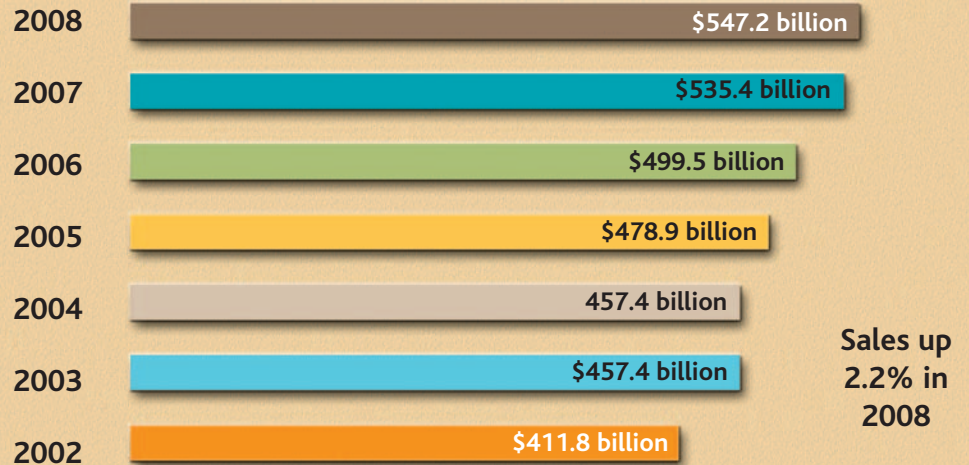


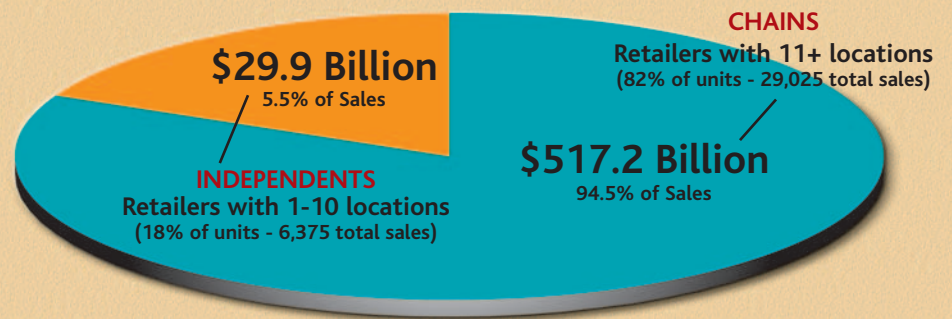
# The Grocery Industry

## Supermarket Sales Now Over \$547 Billion



Source: *Progressive Grocer's* 76th Annual Report of the Grocery Industry 2009

## Sales by Size of Chain



Chains with 11+ locations control 95% of industry sales

Source: *Progressive Grocer's* 76th Annual Report of the Grocery Industry 2009

## Annual Store Visits 5-Year Trend

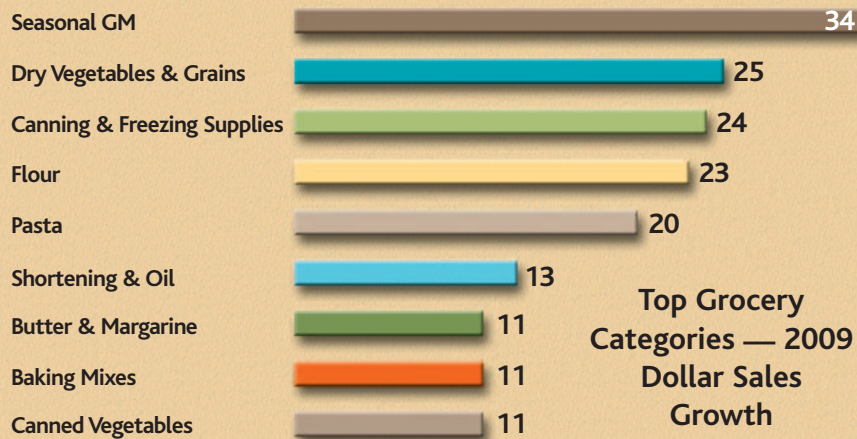


Source: *Progressive Grocer's* 76th Annual Report of the Grocery Industry 2009

# Consumer Trends: Focus is on Value

Consumers continue to purchase across a wide array of product categories when they visit grocery stores. However, the current economic recession has caused consumers to focus on value when they're making their grocery purchases, as evidenced by the double-digit sales increases in the purchase of food staples.

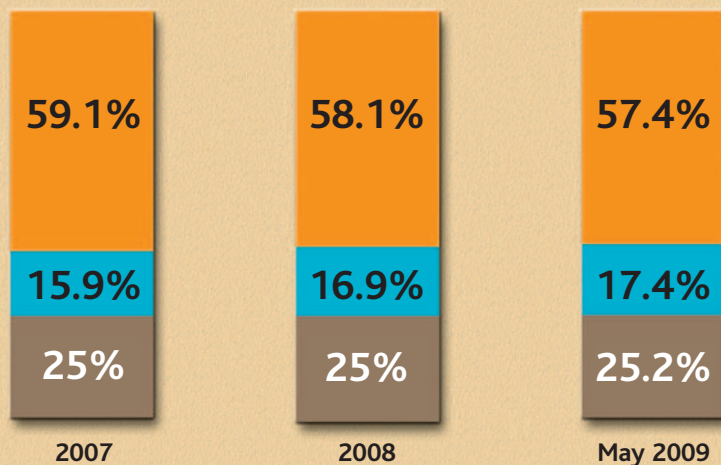
## Sales of Shelf Staples Growing



Source: Nielsen Scantrack, a service of The Nielsen Company; (FDM w/ Walmart) 52 weeks ending 05/16/09 (versus prior year) – minimum \$100 million in sales

## Private Label Continues to Grow

■ Other Brands  
■ Store Brands  
■ Lead Brands



- Private label sales increased from 15.9% of category sales in 2007 to 17.4% in 2009
- 19 product categories now have private label sales exceeding \$1 billion
- Average consumer has 20 private label products in their home

Source: Nielsen Scantrack, a service of The Nielsen Company; (FDM w/ Walmart) 52 weeks ending 05/16/09 (versus prior year) excluding brands with less than \$1 million in sales

The Grocery Industry

# Challenges Facing Retailers Today and in the Future

The grocery landscape has changed dramatically over the last few years as consumers grapple with rising food prices, volatile fuel costs, a declining economy and an uncertain job market. The changes have forced senior executives in the largest grocery chains to alter their organizations to respond to these challenges.

In an effort to better understand these practices, Akel & Associates, an independent research firm, was engaged in June 2009 to conduct a survey among *Progressive Grocer's* audience of senior executives. The purpose was to measure how they were changing their strategic plans in response to changing consumer demand, and the resulting report, "New Decision Makers in Grocery", produced some astonishing results.



## Retailers are Adapting to Consumer Needs

Customers Spending Less; Seeking Lower-cost Products	88%
Developing New Strategies to Attract/Retain Customers	85%
Differentiating our Store From Competitors'	78%
Protecting Margins	77%
Reassessing Which Suppliers/Products to Carry and Promote	54%

## Senior HQ Executives Are now More Involved in the Following Functions

Sales Results	82%
Margins/Profitability	81%
Protect and Enhance the Firms' Ability to Grow	80%
Ensuring that Organization Properly Adapts to Market Conditions	79%
Offering the Right Mix of Products in the Store	72%

## Approaches Used to Gain More Control

Reviewing Marketing/Merchandising Activities More Closely	82%
Reworking Product Mixes/Product Offerings	73%
Altering Prices to Meet Consumer Needs/Demands	71%