Potatoes New Zealand

Segmentation Study 2010

31 July 2010

A: Executive Summary

Executive Summary - Consumer Segments

- Compared to the 2006 study, the consumer segments morphed from six to four groups.
  - One fundamental change was the collapsing of four segments into the mega-segment of Classic Providers that represent 51% of sales and 50% of households. These segments tends to be time-poor families who place a lot of importance on convenience when cooking, and often cook the same traditional meals.
  - Another fundamental change was the de-polarisation of health and nutrition – it went from being a key driver of a niche segment in 2006 to now strongly reflected across two segments that are 33% of sales (by value). These two segments are Healthy Bargain Hunters and Community Supporting Greens, and each has a slightly different focus: the former are primarily concerned about eating healthily while the later focus on eating wholesome foods.
  - Experimental indulgers, who enjoy being creative in the kitchen, were the sole segment to have remained relatively constant since 2006 (it represented 17% of sales).

Executive Summary - Spend and Channels

- Potatoes are a very popular meal ingredient, 93% of households cooked potatoes at least once a week, 83% at least 2 times per week, and 44% at least 4 times per week.
- The majority of households are eating the same amount of potatoes as they did a year ago; some households have decreased their consumption but compared to the 2006 study the decreases are minor.
- In the past year the average NZ household purchased fresh potatoes 12 times, each time spending $4.60; that is, $55.40 per year. The majority of this spend is on bagged potatoes (61% or $33.80), with 4 Kg and 5 Kg bags being the most commonly purchased.
- In the past year the average NZ household purchased frozen potatoes products 9 times, each time spending $3.27; that is, $39.20 per year.
- Household spend on both fresh and frozen potato products was $85.50 year, more than three times that of any other substitute (i.e. rice, pasta or kumara) – for every $1 spent on rice, pasta and kumara combined, $1.15 was spent on fresh and frozen potato products. People choose potatoes over substitutes as they are versatile, easy and healthy.
- A large number of people (43%) shopped at fruit & vegetable specialist stores for fresh potatoes, but supermarkets commanded the vast majority of sales – 82%. People brought from supermarkets because of convenient location and everything being in one place; one of the least mentioned reasons for buying at a supermarket was freshness. People brought from fruit & vegetable specialist stores because of (low) price, produce freshness and quality.
- With the exception of healthy bargain hunters at fruit and vegetable specialists, no segment was significantly more likely to buy on-special in either supermarket or fruit and vegetable specialist; most segments in fact buy less on special in fruit and vegetable specialist stores than any other channel.

Executive Summary – Cooking and Labelling

Cooking

- The majority of people used very traditional cooking methods (mashing, roasting, and boiling); Experimental Indulgers had a broader repertoire of cooking methods.
- Two-thirds of people tried new potato recipes once or twice a year; 2% try new recipes once a fortnight who tended to be Experimental Indulgers. At the same time a quarter of people feel that they lack new ideas for serving potatoes – there is a clear desire to try new recipes but there is minimal trailing.
- There was a very positive perception of potatoes regarding their taste and importance in family meals.
- 98% of respondents were aware that some potatoes have specific cooking purposes.

Labelling

- People were dissatisfied with the labelling of loose fresh potatoes – 52% said they were very poorly labelled; this is an issue as loose potatoes represent 39% of potato sales. In contrast, 9% were dissatisfied with bagged fresh potatoes labelling, 35% felt it was very good.
- The top three pieces of product information people wanted to see in-store for fresh potatoes (be it loose or bagged potatoes) were, the specific cooking purpose of the potato, the variety of potato, and the country or region of origin.

Executive Summary – Segment Action Plans

Classic Providers

- Classic Providers (CP) tended to have families and were family-oriented in what they wanted from their meals. Important was that their meals were traditional, comforting and, in particular, convenient. Health and nutrition were of minimal importance to this segment. This was the core potato-eating segment.
- This segment spent the most on fresh and frozen potato products, $57.90 and $41.60 per annum per household, respectively. They had the lowest spend on fresh vegetables, $293 per year; fresh potatoes made up the highest proportion of all segments at 20% of fresh vegetable spend.
- Given the high levels and proportions of potato spend, there are limited opportunities to significantly grow potato consumption. Further, this segment spent the least on pasta and rice – offering little opportunity to gain consumption from substitutes.
- This segment largely sticks with the recipes they know – offering new recipes are unlikely to shift consumption. There maybe scope for offering cooking tips (rather than full-blown recipes), these tips would need to focus on tradition, comfort and convenience.
- There is limited opportunity to position premium products at this segment as they are the least prepared to pay more for better tasting products. However, there may be a willingness to pay a premium for more convenient products.
- Like all other segments, CP’s spent the most on fresh potatoes at supermarkets; just 16% of their spend is at Fruit & Vegetable Specialist stores. Supermarkets had the greatest spend because it is both convenient to get and everything they need is there.
- It is important to maintain this core potato-eating segment, which can be done by encouraging the children of CP’s to continue to eat potatoes.

Executive Summary – Segment Action Plans

Healthy Bargain Hunters

- Healthy Bargain Hunters (HBH) fell across most life stages, they were marginally more likely to be older couples and singles too. Health and nutrition was of paramount important to their meals.
- This segment had moderate spend on fresh potatoes ($53.80 per annum per household), and high spend on fresh vegetables – fresh potatoes made up 16% of their fresh vegetable spend (compared to 20% for Classic Providers). Given this, there is potential to grow potato consumption, this would be best achieved by conveying the health and nutrition benefits of potatoes. This could be done through new recipes, though up-take of would be low as this segment rarely tries new recipes. Education on health and nutrition would best be done through Woman's Day, NZ Woman's weekly, and the Australian Women's Weekly.
- This segment was the biggest spender on rice and pasta, so there maybe some opportunity to encourage substitution towards potatoes. Other than communication on health and nutrition, it would be important to communicate any cost/price benefits of potatoes, as this segment is highly susceptible to price as they buy the most fresh potatoes on promotion.
- Like all other segments, HBH's spend the most on fresh potatoes at supermarkets; 21% of their spend was at Fruit & Vegetable Specialist stores. When purchasing fresh potatoes from Fruit & Vegetable Specialist stores they buy on promotion much more than any other segment.

Executive Summary – Segment Action Plans

Community Supporting Greens

- Community Supporting Greens (CSG) tended to be older singles and couples, few had children living at home. Important to them was eating natural and healthy foods, and supporting local producers and businesses.
- This segment had the lowest spend on fresh potatoes ($50.70 per annum per household), but the highest spend on fresh vegetables – there is scope to grow potato consumption within fresh vegetables. However, CSGs are the most likely to grow their own vegetables, they may already be growing potatoes.
- Another opportunity for growing potato consumption within the segment is to encourage spend away from rice and pasta and towards potatoes. Compared to most other segments, CSG had one of the highest spends on rice and pasta. Given the segment's focus on natural and healthy foods, an organic potato offering may encourage substitution of rice and pasta. This segment is also quite prepared to pay a premium for better tasting products, which an organic offering would most likely be.
- This segment had the lowest spend on frozen potato products, likely reflecting the importance placed on natural and healthy foods – when shopping they read the nutritional labels and they are very concerned about artificial additives in foods. They would like to see on potato labels country or region origin.
- Of all segments, CSG spend the most at Fruit & Vegetable Specialists. They shop at Fruit & Vegetable Specialists firstly to get better quality produce and lower prices, and to support local producers and businesses. Labelling potatoes with region of origin may exploit their support for local producers and businesses.

Executive Summary – Segment Action Plans

Experimental Indulgers

- Experimental Indulgers (EI) tended to be either young families or young singles/couples. Being adventurous and knowledgeable about food was important to them, they were always looking to try new things.
- This segment had moderate spend on fresh potatoes ($53.30 per annum per household), but high spend on fresh vegetables – fresh potatoes make up just 15% of their fresh vegetable spend. There is potential to grow potato consumption, this could be achieved by educating the segment on creative new potato recipes. This segment looked for recipes in magazines, on cooking websites, and in books. Such recipes would not need to be concerned with economy or convenience, as this segment is the most prepared to pay a premium for better tasting products and spends the most time in the kitchen. This segment also tries new potato recipes much more frequently than other segments, so uptake of new recipes is more likely.
- Rice and pasta spend is low relative to potatoes, so there is limited opportunity to encourage spend away from rice and pasta and towards potatoes.
- Like all other segments, EI's spend the most on fresh potatoes at supermarkets; just 18% of their spend is at Fruit & Vegetable Specialist stores. One of the top reasons they shop at Fruit & Vegetable Specialists is for the wide range and variety.

Executive Summary – Oven-baked and Deep-fried Chips

Oven-baked Chips

- 69% of New Zealanders had consumed oven-baked chips in the past three months.
- Those that had brought frozen potatoes/wedges, 42% had read the product information on the pack, and 81% of these people read the nutritional information on the pack.
- 35% of New Zealanders considered oven-baked chips to be healthy; 31% considered them unhealthy.

Deep Fried Chips

- 68% of New Zealanders had consumed deep fried chips in the past three months.
- 72% of New Zealanders considered deep-fried chips to be unhealthy; 7% considered them healthy.
- Compared to untrained staff, 70% of New Zealanders saw professionally trained staff as cooking more hygienic, healthier, or better tasting chips.
- 19% of New Zealanders who had eaten deep-fried chips in the past 3 months could say that the staff from where they purchased deep fried chips most often had been professionally trained.
- There was good understanding that a thicker cut results in healthier deep-fried chips and - to a lesser extent - oven baked chips

Executive Summary – Supporting the Marketing Strategy

1. To promote versatility to inspire consumption

- Versatility is well understood and is the top reason for buying potatoes over substitutes, so it has inspired consumption. Further promoting versatility via recipes is unlikely to inspire further consumption, especially among the large Classic Providers segment who rarely try new recipes. A potential alternative to recipes for Classic Providers is a product innovation that provides greater convenience.
- Given how well established versatility now is, its communication should be paired with key messages for the segments which can be reduced down to: convenience, health, and creativity. Excluding the Classic Providers, this communication could be done in a manner to show the advantages of potatoes over rice and pasta, as there is scope for substitution away from these products to potatoes.

2. To clarify and strengthen the nutritional status

- Compared to the 2006 study, the consumer segments morphed from six to four groups. One fundamental change was the de-polarisation of health and nutrition – it went from being a key driver of a niche segment in 2006 to strongly reflected across two segments, making up 33% of sales (by value). These two segments are Healthy Bargain Hunters and Community Supporting Greens, and each has a slightly different focus: the former are primarily concerned about eating healthily while the later focus on eating natural foods.
- So, there is now knowledge that potatoes are good for you (it is the third reason why potatoes are chosen over competition of rice, pasta or kumara, and when asked only 5% of consumers perceived potatoes to be unhealthy). Our key strategy to clarify and strengthen nutritional status of potatoes is still important, however it appears we may have made some headway in this area and whilst we should continue to promote how good potatoes are it does not need to be the primary message.

Executive Summary – Supporting the Marketing Strategy

3. To position potatoes as a fun, exciting and socially responsible food choice

- Few saw potatoes as old-fashioned and boring (5%); and emergence of the Community Supporting Greens segment (which accounts for 12% of the market) indicates that there is a market for potatoes being seen as socially responsible. Promoting potatoes as being socially responsible should be continued and indeed increased.
- Previously much of our work to position potatoes as fun and exciting has been with children. Consumption data shows us the older the consumers, the more likely they will be to consume potatoes, so work with children will remain of high importance.

4. To get positive potato stories in the media.

- PR will remain a core focus of all our strategies; this research has highlighted strategies that need adopting and will enable us to target content to segments.
- What drives purchase?
  - There are strong differences across the four segments when asked to describe their ideal meal, however the attributes of potatoes are most in-line with our largest group – Classic Providers. Their ideal meal is a family favourite, filing, comforting, for everyone, traditional and convenient. With this target healthy was less important.
  - Health is very important to healthy bargain hunters and community supporting greens. Price is of prime importance to the healthy bargain hunters and being natural is most important to community supporting greens.

Executive Summary – Supporting the Marketing Strategy

5. To improve the status of chips.

- The health message of oven-baked chips is getting through. Challenges remain with deep-fried chips, but professional training is helping – compared to untrained staff, 70% of New Zealanders saw professionally trained staff as cooking more hygienic, healthier, or better tasting chips. This should provide encouragement for stores to undertake training programmes.
- 19% of New Zealanders who had eaten deep-fried chips in the past 3 months can say that the staff had been professionally trained. More needs to be done to promote successful trainees.

6. To better understand our market.

- The research has provided an update of our market understanding; regular monitoring of purchase data will add to that understanding.

Executive Summary – Supporting the Marketing Strategy

7. To improve the potato purchase experience.

- Research has highlighted we have work to do in this area. The purchase experience needs to be improved.
- 39% of our product is being sold loose and 52% were dissatisfied with the labelling (recalling that three thirds of our consumers think this is important).
- Communications need to include that potatoes are grown in NZ.
- A strategy to communicate where you find the variety information on a pack needs to be developed (i.e. pointing out that in many cases either the neck tag or a sticker will identify the variety.

8. To unify the industry with a common goal of increasing consumption.

- This information will be shared with industry partners. We will highlight particular issues as we see of relevance to our partners.