Potatoes South Africa Research Project:
Marketing Progress & Packaging Investigation

Bloemfontein conference

September 2009

CONTENT OF THE PRESENTATION

- The study
- The world and the recession
- The collective marketing effort
- Potato consumers in SA
- General consumer behaviour
- The future

Introducing the study

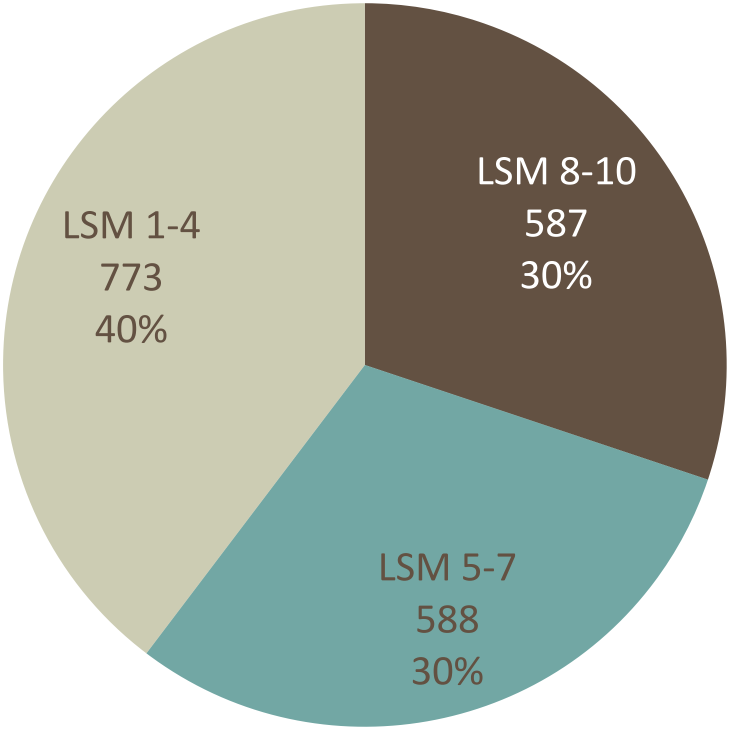
INFUSION

INTRODUCING THE STUDY

Research introduction

- Timeline:
  - April - May of 2009
- Nature of study:
  - Comparative consumer research study (2005 versus 2009)
    - Benchmark to compare current performance against
- Sample size:
  - 1944 respondents surveyed in Gauteng, FreeState, KZN and Western Cape (LSM specific)
- Research instrument:
  - 2005 PLUS focus on the current economic recession that has influenced all of our lives and decisions for the last year

Research sample: LSM Split



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The potato market, the world and the recession

2009 has been no ordinary year! The world is going through the worst recession since 1939 and many businesses have closed while others have taken terrible hits and are hanging in for survival. No research project can be embarked on without taking this very important fact into account

For this study the questions are:

- What is the potato market looking like in 2009?
- How are potato consumers experiencing the recession?
- How is this recession influencing their purchasing behaviour?
- And ultimately how is it influencing their spending on potatoes specifically?

WHAT IS THE POTATO MARKET LOOKING LIKE IN 2009? SOME MARKET REALITIES TO BEAR IN MIND WHEN READING THE BENCHMARK STUDY'S RESULTS

- IMPORTANT FACTOR: Actual differences in potato production between 2005 and 2009 affect the results of the survey

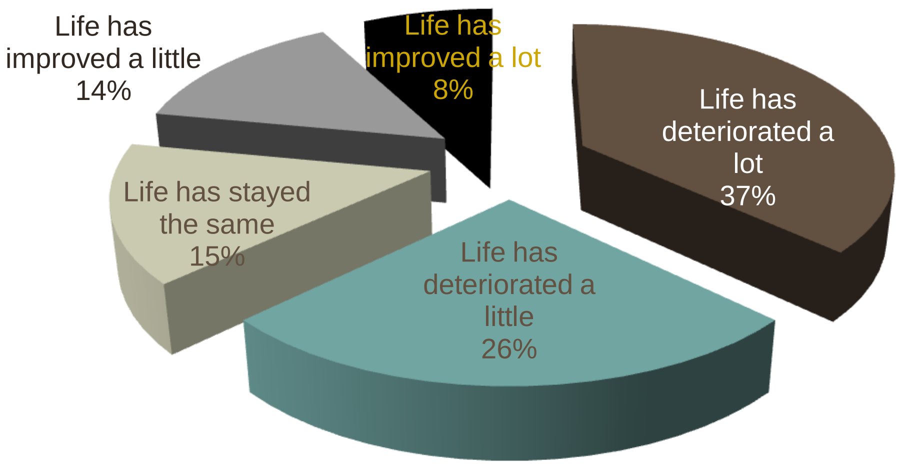
- Potato specific market realities:
  - 2005 - Harvest year estimated on 170 million 10 kg bags of potatoes entering the market
    - Average price: R17 per bag
    - State of the economy: Relatively good when paying attention to consumer spending on food
  - 2009 - Harvest year estimated on 182-5 million 10 kg bags of potatoes entering the market
    - Average price – estimated at R30 per bag
    - State of the economy: difficult time with consumer spending drastically lower
    - Yet, potatoes are not doing badly at all!!

- USA: Survey results indicate that potatoes topped the list of recession-proof products! Farmer's Weekly (6 March 2009)
  - Consumers are going back to the basics
  - They tend to stick to their shopping lists
  - Conclusion: Farmers can be confident in their produce, continue to improve quality and ensure sufficient volumes to feed the nation!
  - Potatoes – a value for money, recession proof product

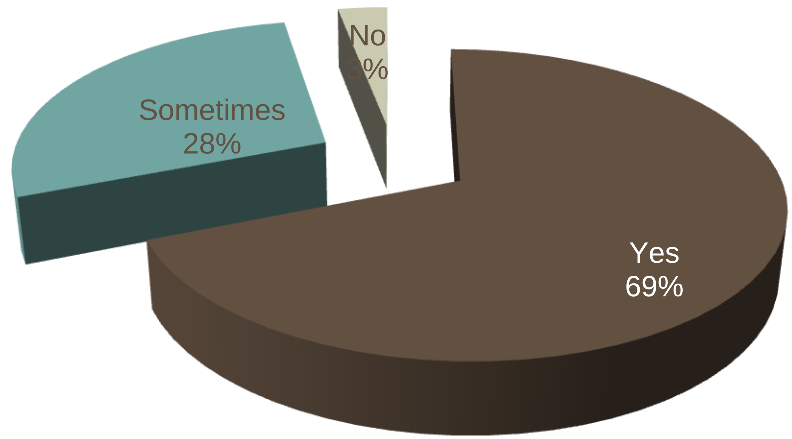
But what did this research project find?

CURRENT ECONOMIC RECESSION

The impact of the recession: How has your living standard changed during the last year?



How is this recession influencing their purchasing behaviour? Are people more careful when deciding what food to buy?



How are potato consumers experiencing the recession?

- Regardless of this troublesome reality POTATOES are holding their own!
  - POTATOES fall into the TOP 10 food categories that people, from ALL walks of life, claim to buy **<u>MORE</u>** of during the recession!
  - Interesting note: Pasta tops the list of items that people, from all walks of life, are spending LESS on
- Producers who are ensuring that their quality is good and who are offering the consumer value for money on recession proof products are sure to huge gains even in a recession!

CURRENT ECONOMIC RECESSION

- Another finding that underlines the severity of the recession is people's reported **shifts between the different supermarkets**
  - Reasons stated:
    - PRICE (people are more conscious of specials and promotions);
    - then QUALITY and ACCESSIBILITY of the shop (people don't want to travel to shops) and lastly
    - people are also influenced by the ATTITUDE of the people working in the shop

- The shop that gained most consumers during this recession is **Shoprite**

- In the current economic climate some companies do cut costs on aspects that cause long-term damage to the image of their products
  - Value conscious
  - Quality

The collective marketing effort

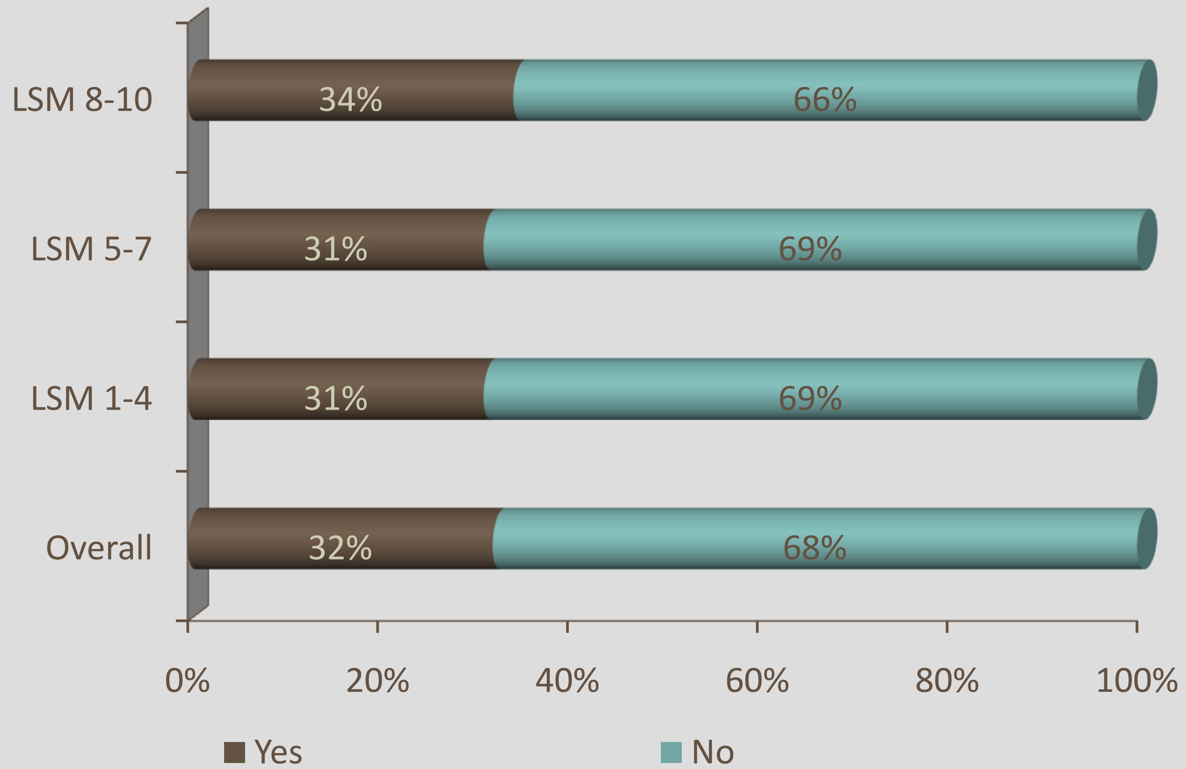
The most important aspect to mention immediately and to celebrate is the positive changes that have been made by Potatoes South Africa in regards to potatoes' image improving significantly in the period 2005 to 2009

The return on investment on marketing is enormous

This has been a team effort, from PSA to every farmer proudly sending excellent quality into the market that is well communicated!

HAVE YOU SEEN/ HEARD POTATO COMMUNICATION MESSAGES?

- **Awareness of marketing campaigns on potatoes**
  - 32% of the people interviewed are aware of the marketing campaigns ran by Potatoes South Africa
  - Given the marketing budget and the locations covered in the marketing this number is very high compared to similar situations in the marketplace!
  - The effects of these efforts can also be seen in the remainder of the study – especially in the general improvement in the image of potatoes

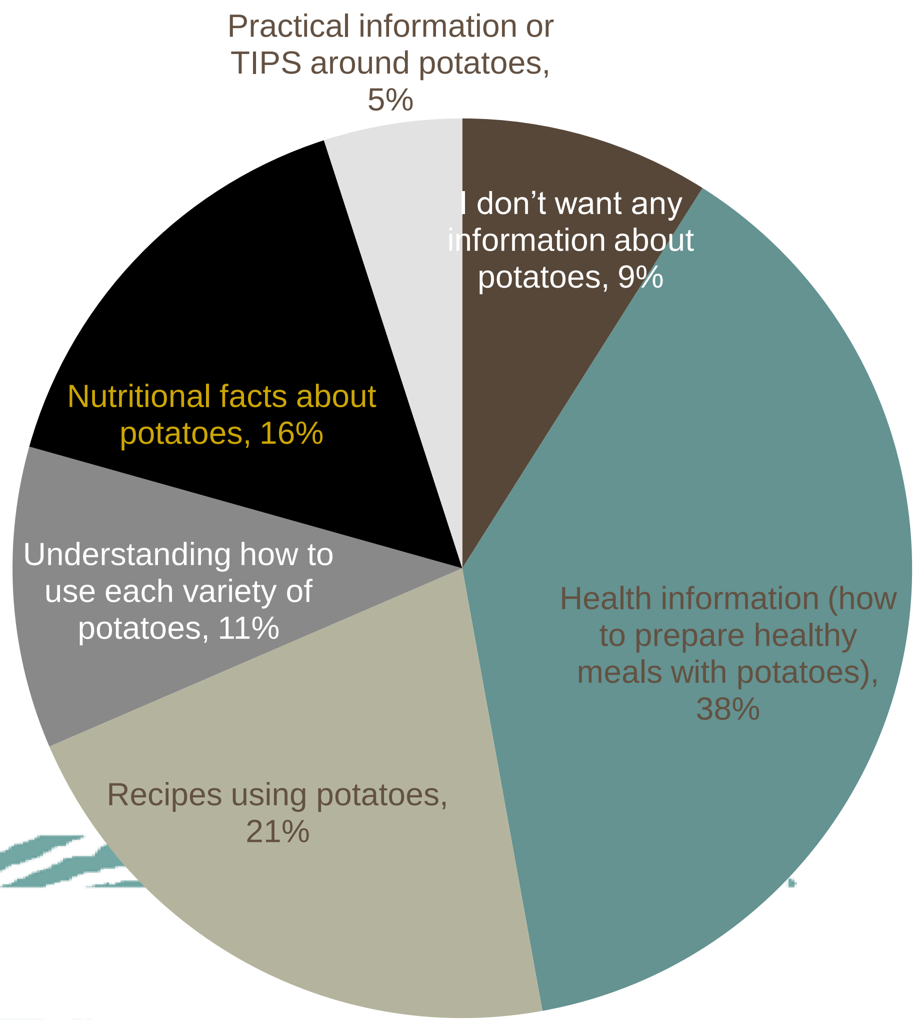


A SIGNIFICANT FINDING INDICATING THE SUCCESSES ACHIEVED IN THE POTATO CATEGORY CENTRES AROUND WORD ASSOCIATION AND GENERAL PERCEPTION…

- Respondents were asked to describe POTATOES in 4 of their own words
- When analysing the 2009 survey results the following interesting facts can be observed
  - There are significantly more positive and neutral words used to describe potatoes compared to the 2005 results
    - In Gauteng 69% of the words are positive and 18% are neutral;
    - In the Free State 49% of the words are positive and 39% are neutral;
    - In the Western Cape 54% of the words are positive and 35% are neutral; and
    - In KZN 43% of the words are positive and 53% are neutral
- The TOP **positive** words include (in order of frequency)
  - healthy; good; taste / tasty; energy; nutritious; nice; easy; versatile; vitamins; carbohydrates; protein and affordable
- The TOP **negative** words include (in order of frequency)
  - starch; fattening; expensive; diabetes / discharge / ulcer; boring; unhealthy

ANOTHER INDICATOR OF SUCCESS: DO PEOPLE WANT MORE INFORMATION ABOUT POTATOES?

- The fact that people are now asking for quite a lot of information (something they did not WANT in 2005) indicates that potatoes are far higher on their priority list! Only 9% do not want more information in the 2009 survey. This is something to capitalise on!



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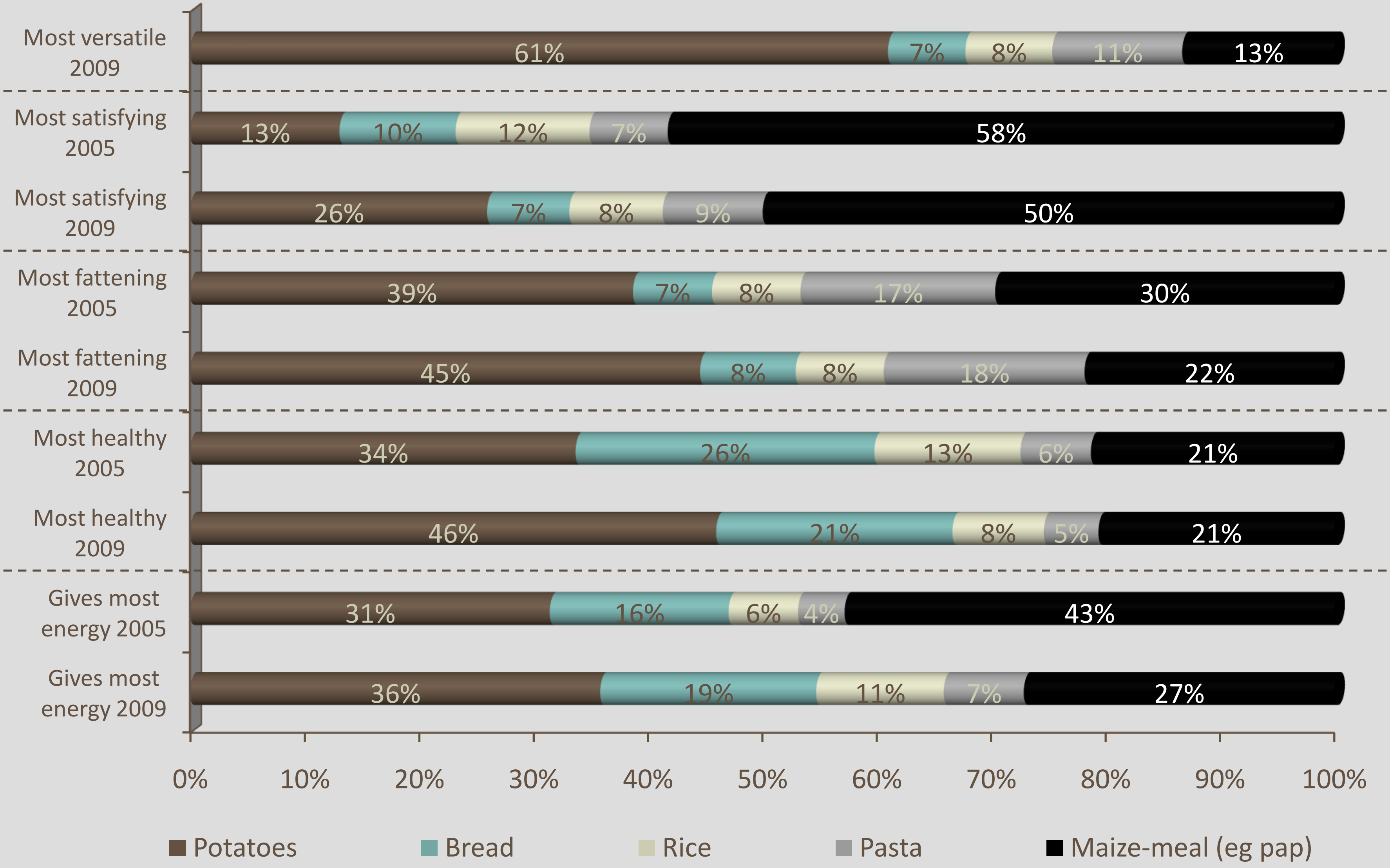
A LAST AND VERY SIGNIFICANT INDICATOR OF POSITIVE MOVEMENT: THE BELIEFS ABOUT THE GREATEST VALUE DERIVED FROM DIFFERENT STARCH PRODUCTS PRODUCT ATTRIBUTES... (2005 & 2009)

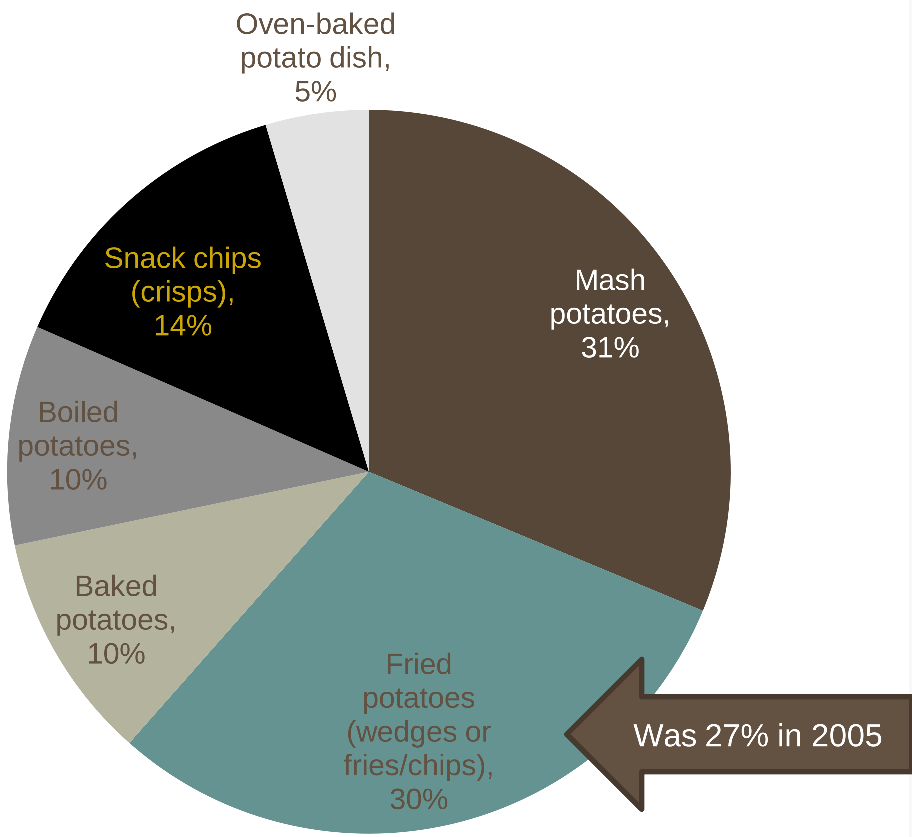


WHY 'FATTENING' IS MORE AND MORE ASSOCIATED WITH POTATOES

Favourites

- The role of the consumer!
- **What are your favourite potato dishes?**
- **Mash** and **fried** potatoes are listed most as favourite potato dishes with snack chips coming in in 3rd place

Favourite potato dish



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Potato consumers in South Africa

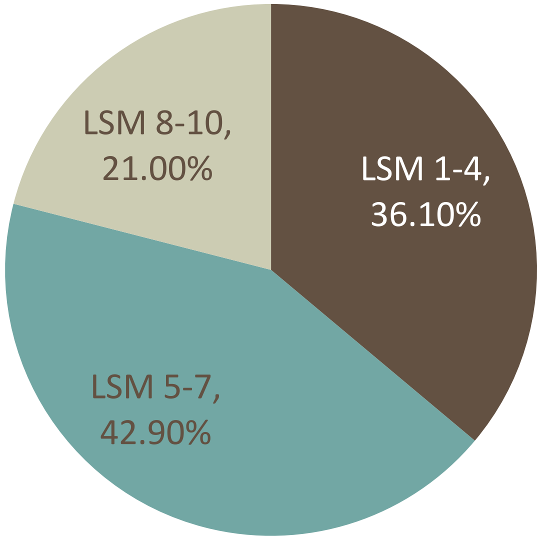
This section merely highlights some of the most interesting findings from the study

HOW MANY POTATOES DO THEY CLAIM TO BUY AND HOW DOES THAT COMPARE TO THE USE OF OTHER STARCH PRODUCTS?

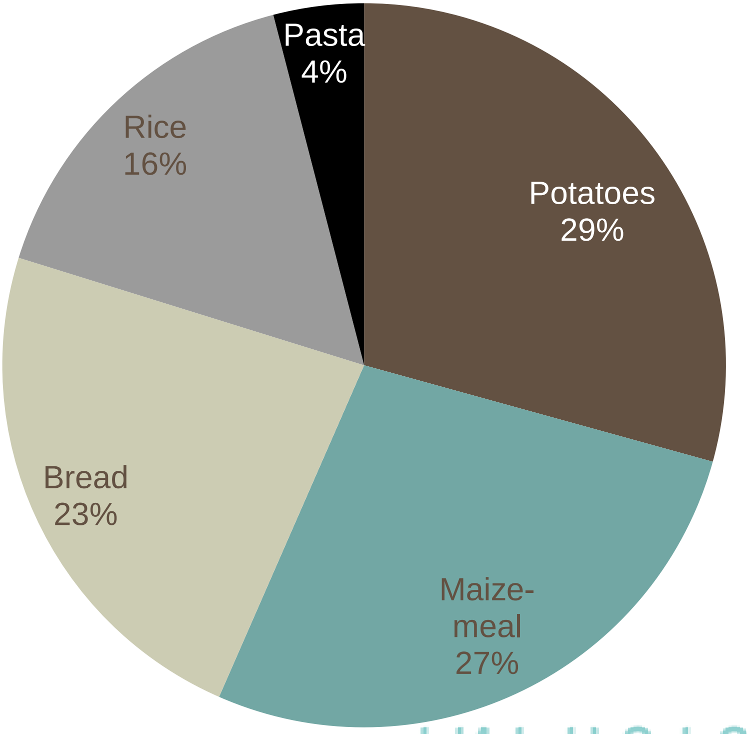
How much do they claim to buy?

	Total kg potatoes bought CURRENTLY
LSM 1-4	4400kg
LSM 5-7	3080kg
LSM 8-10	3060kg

How is the population of SA distributed?



Usage of starch products: Weighted usage patterns



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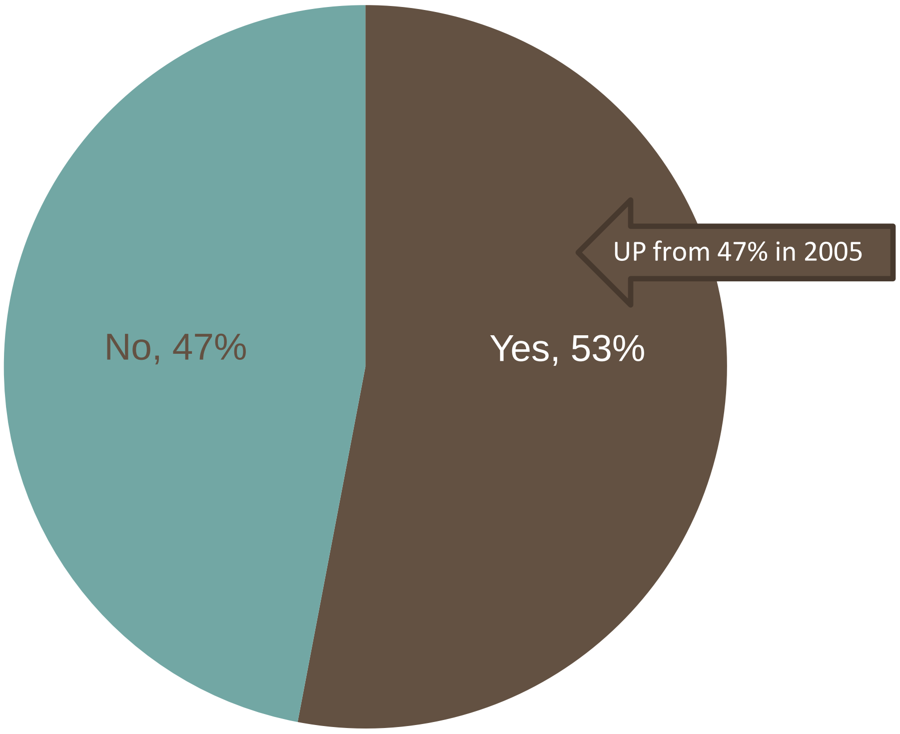
KNOWLEDGE ABOUT POTATOES

Knowledge of potatoes ensure correct usage

- **Knowledge** on potatoes
  - Correct usage = better results = increasing the positive attitude towards potatoes
- Cultivars – Suitability for the various cooking methods
  - **If HALF of all consumers do not understand that one should use a special kind of potato for MASH and a different kind for FRIES, what is their general understanding of the cultivars?**
  - When paying attention to specific cultivars we can mention that the results IMPROVED for Up-to-date, Darius and BP1 (although the increase is significant it is not a huge difference) but it STAYED THE SAME for Vanderplank, Mondial and Fiana

Do you believe you have to use a SPECIAL KIND of potato to make fried potatoes and a different kind of potato for making mash?



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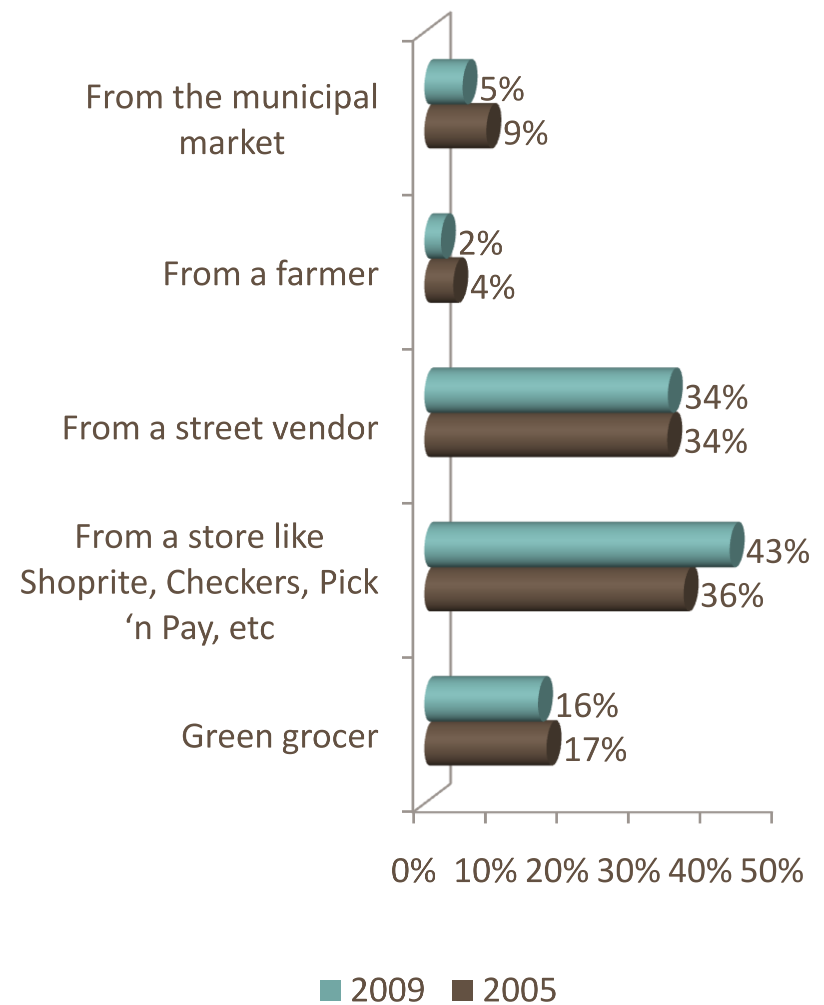
THE WHEN, WHERE AND FROM WHOM OF POTATOES

- **When** do you buy potatoes? 46% of the respondents buy potatoes once a month; 34% once a week and 19% twice a week
- Where do you mostly buy potatoes? 71% (compared to 82% in 2005) of the respondents mostly buy potatoes close to where they live while 29% buy potatoes close to where they work (compared to 18% in 2005)
- Close to which transport do you mostly buy potatoes? For 40% of the respondents this does not matter. Transport challenges (relying on public transport) obviously affects the lower LSMs to a larger extent than the higher LSMs. 40% of the respondents mostly buy potatoes close to taxi points / ranks; 16% at the station and 4% around the areas of the bus stops

From whom are you buying potatoes?

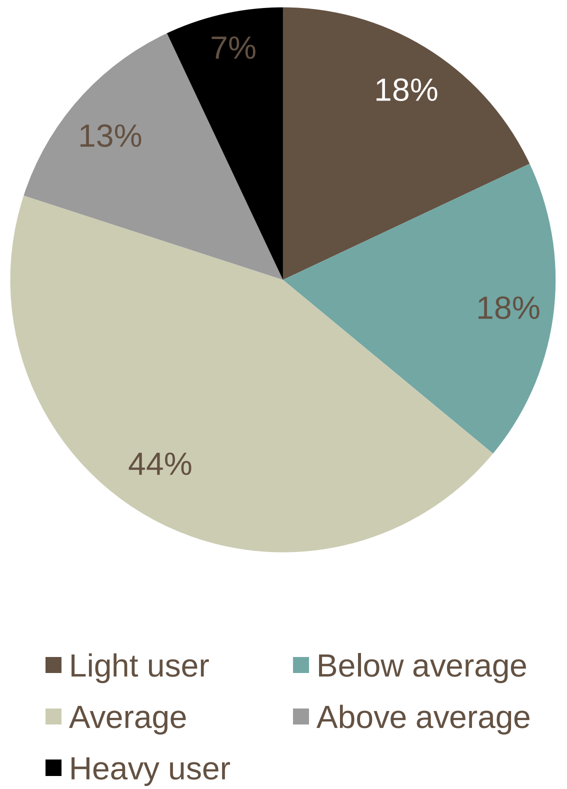


ME AND MY POTATOES

- Are you / your family **light, below average, average, above average or heavy users** of potatoes?
  - Fact: South Africans are not particularly heavy users of potatoes
  - Compare to other countries

- Preference versus reality:
  - Food items people eat with their potatoes
  - Guidance for recipe design to ensure relevance
    - 2005 +/- = 2009
  - Meat and chicken (both 30%) are the two most favoured food items to enjoy with potatoes while fish (18%) and spinach (17%) are also strong
  - Chicken is much stronger in the lower LSMs (36%)
  - When paying attention to reality in terms of what people actually do eat, chicken is stronger (31%) as well as spinach (19%)
    - In 2005 meat performed stronger than in 2009 when paying attention to actual usage
    - Effects of a recession?

Perceived usage rate of potatoes



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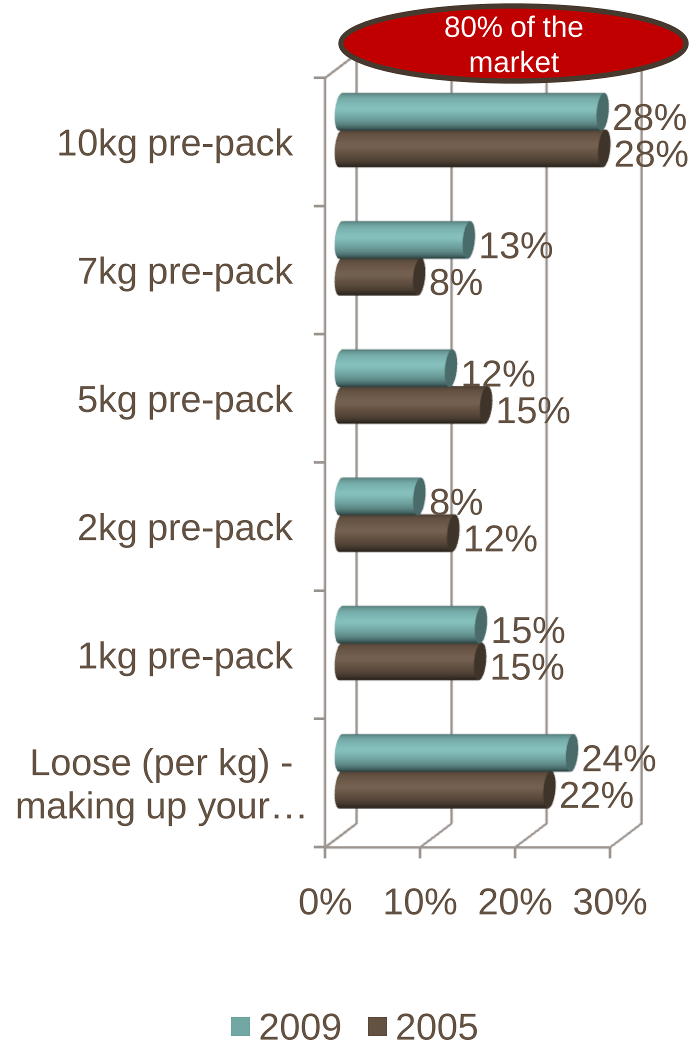
PACKAGING POTATOES

- **Why do people choose these packaging size?**
  - LOOSE potatoes:
    - More fresh
    - Affordable as they have full control over the amount spent
    - Some buy loose potatoes as they don't like potatoes that much and therefore only want a few
    - Many believe they save money this way while others realise it is more expensive but like the luxury of choosing the potatoes they buy one for one
  - Pre-pack size 1kg, 2kg & 5kg:
    - People who don't like potatoes that much
    - Or they have small families
    - Or that they prefer to buy more regularly to ensure freshness (Accessibility of potatoes allows them the luxury)
  - Pre-pack size 7kg & 10kg:
    - Large family sizes,
    - Liking potatoes and
    - NOT wanting to buy groceries frequently but preferring to buy once a month

Which packaging size do you PREFER buying when buying potatoes?



General consumer behaviour

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GENERAL SHOPPING BEHAVIOUR

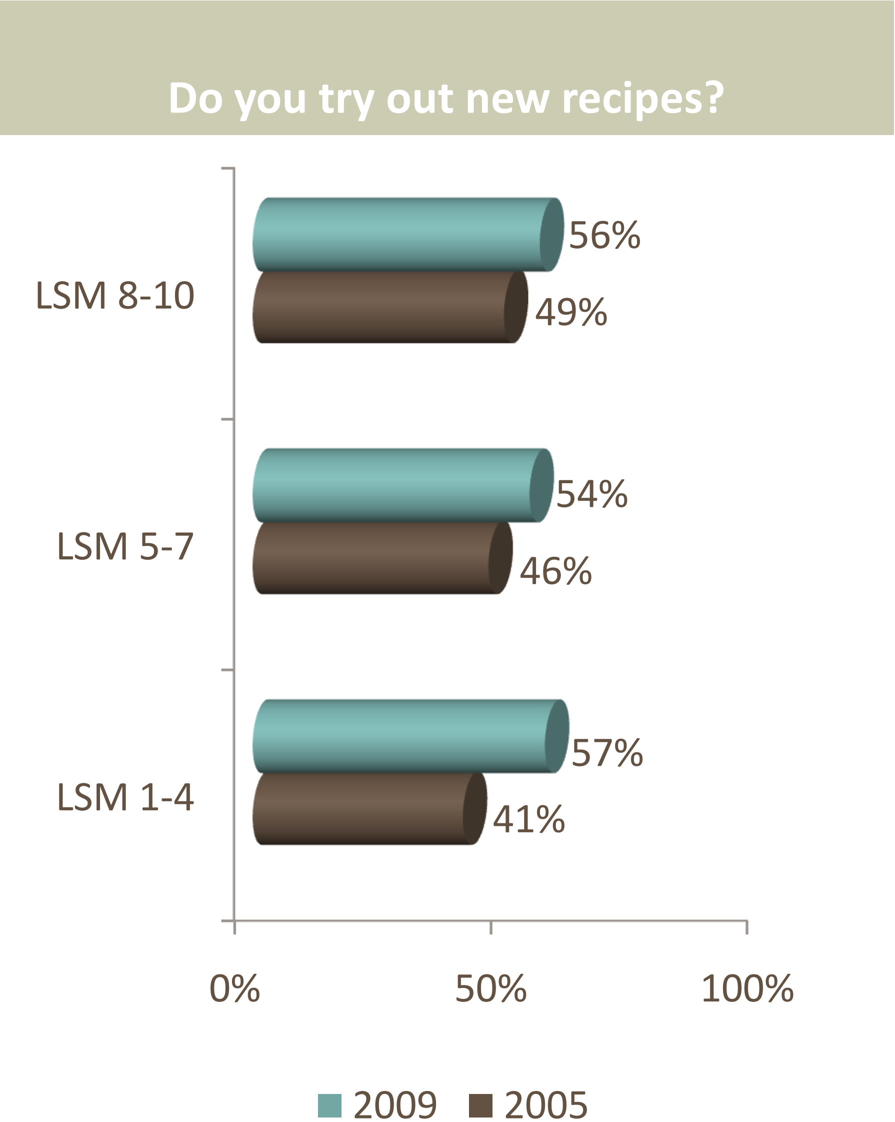
- **One-stop-shopping:**
  - While 60% of the respondents prefer to buy their fruit & veg at the SAME PLACE as their groceries, 40% do not prefer this
  - This one-stop-shopping tendency has increased significantly from 2005 (54%)

- **When do you mostly buy food?**
  - 52% report to buy food monthly, 17% over weekends, 14% any day of the week and 11% once a week
  - Since 2005 LSM 1-4 and LSM 5-7 reported an increase in their MONTHLY food purchases while LSM 8-10 has stayed the same when it comes to the number of people who buy their food / groceries monthly

- Usage of starch products:
  - When calculating people's usage of different starch products the most significant change in the results between the 2005 and the 2009 survey is the usage of POTATOES against maize meal. Bread is still a strong contender and although it lost some ground from 2005 it is not a significant loss

CONSUMER BEHAVIOUR: MARKETING & COMMUNICATION

- Some interesting findings around consumer reactions toward marketing and communication:
- **Competitions**
  - On average, 69% of the respondents have participated in a **competition**. This number has remained the same for LSM 8-10 (74%) compared to the 2005 study while it increased for LSM 5-7 (78%) and decreased for LSM 1-4 (59%)
- **Recipes**
  - During the design of the 2005 study the marketing team observed a growing trend around cooking and recipes. This indeed did prove to be correct



The future, the soccer

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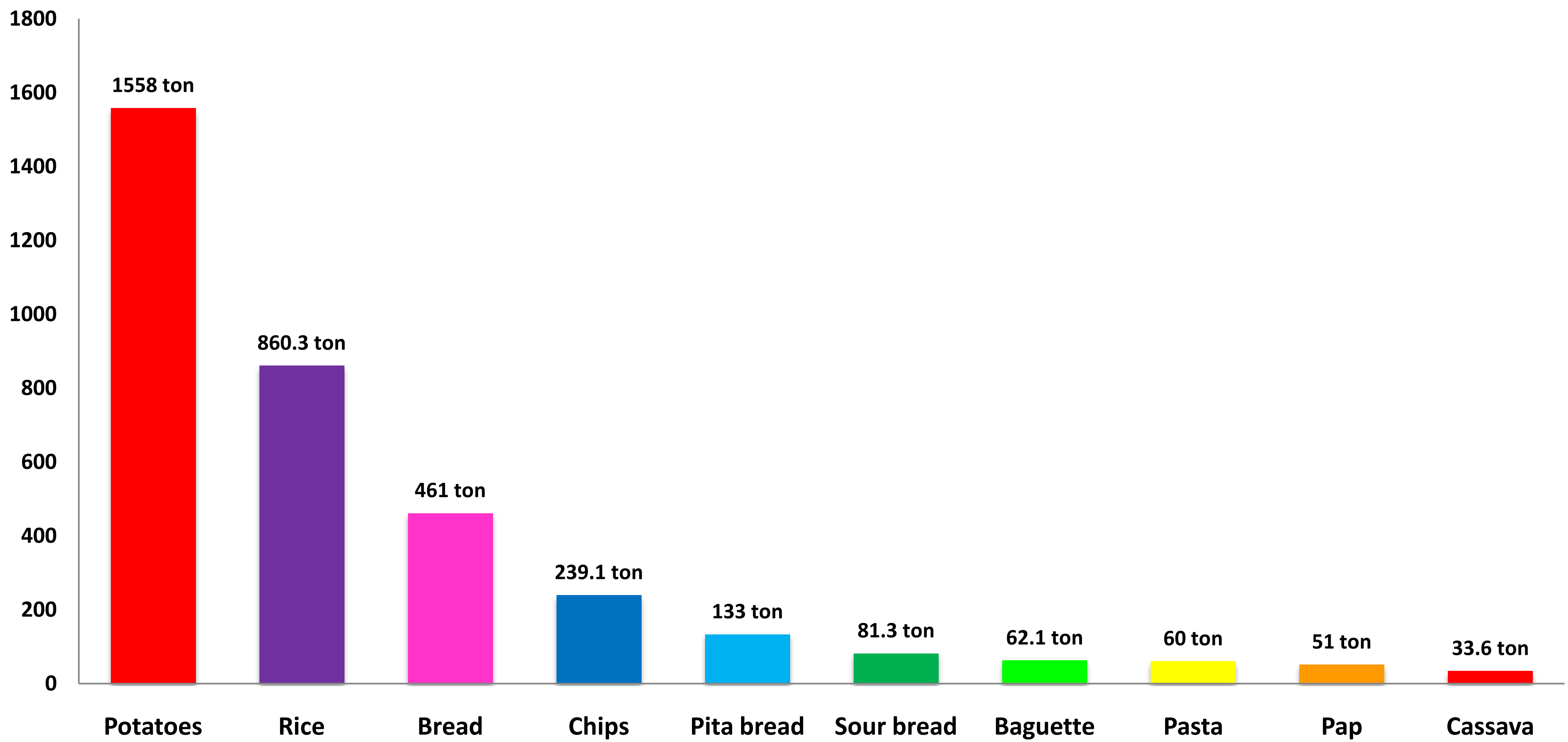
ESTIMATED USAGE OF STARCH PRODUCTS BY TOURISTS DURING THE 2010 FIFA WORLD CUP SOCCER TOURNAMENT



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