

The US Avocado Consumer

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It's really a pleasure to be here with you today. I was honored, during the introductions, to see the faces that go with the researchers' names that we all get to read about your work, and want to tell you how important we feel the topic of today, quality, and the work that you do in the field is to the end result of marketing avocados.

I can tell you, in looking around the room, not only are there the key researchers from around the world, but there's also marketers, and their presence here today really does validate the importance of this subject. Roberta Cook illustrated very clearly that we're dealing with a smaller pool of people in percentage, but also the buying power is going up. So it's imperative that we offer a quality product that they have confidence in, and, even more so, provide the consumer with a pleasurable eating experience, because, if they have poor experiences with the product, they don't come back. And with the increased volume, we've got to be consistent, the transitions between sources of supply must be seamless, and I think that's what today is all about. So I commend you for participating in this session, and I'm happy to be a part of it.

Roberta did the macro look, and a mighty fine job, I might add, excellent information. I'm going to kind of hone in on a micro look, and just give you a snapshot of the U.S. consumer and who she is (there's a tip off, who she is), where she resides, and not so much when she purchases but why she purchases. And then we'll talk about the market size, household penetration, and then the fact that we're very bullish on the potential for growth.

Roberta mentioned the 2.3 pounds per capita consumption. We recognize in terms of the rest of the world comparisons, that number is low, but what that speaks to us is total opportunity for the future. So we're looking forward, with quality avocados, to continue to increase that demand for the worldwide production.

Who is the U.S. avocado consumer? Well, we've identified the target consumer as women who are 25-54 years of age, they have a household income of \$50,000+, and they live an upscale lifestyle, with a college degree, and they work either full or part-time. Additionally, they're health conscious, and that bodes well for the nutrition story of avocados. This consumer is open-minded, adventurous, and enjoys a variety of cuisines. Avocados make the dish, for this consumer, or the meal very special. They want a good quality avocado and don't want to waste any of the fruit, which, again, bodes well for increased consumption.

When we look at the United States, and we look at the percent of population and then compare it to the percent of avocado volume, you can see, if we just look on the Pacific

- the light-green and over California and the states in the West - that that represents 18.4% of the United States' population, and a whopping 47.5% of avocado volume (Figure 1).

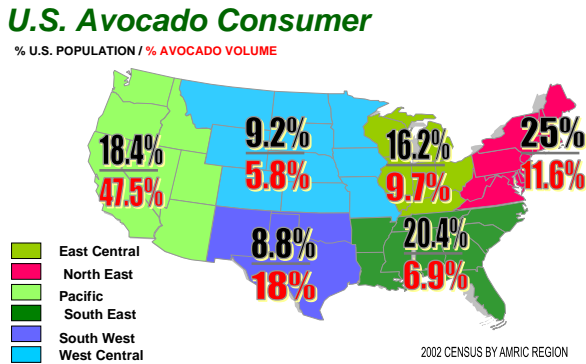


Figure 1. A comparison of the regional distribution of the US population to the % volume of consumed avocado.

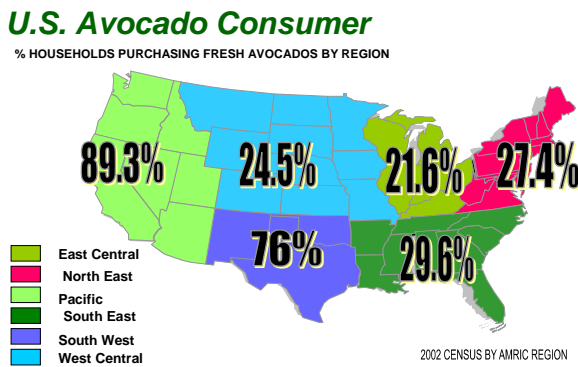


Figure 2. A comparison of the % US households purchasing avocados by region.

(Figure 2). Again, in the Pacific, no surprise, 89.3%, and that number has consistently moved up. It has not leveled off yet, so it's a very positive sign. Again, in Texas and the Southwest, you've got 76% of households purchasing avocados in a year. The Southeast, which is that green area by Florida, is an indicator. 29.6% may look like a low number, but I'll tell you, the Commission, about eight years ago, put an emphasis on targeting the Southeast as a developmental market, and the number at that time would have been about 19-20%. So the needle has been moved with promotional programs and education of just exactly what an avocado is and how to use it.

When we query consumers and we ask them why they purchase avocados, they say it's based on taste (81%). And that goes, again, to what I said in the opening, of the

Why is that? If you look at Texas or what we're calling the Southwest here - the blue color that shows 8.8% of the population and 18% of avocado volume - it's directly related, we believe, to the marketing programs that have gone on in these areas. These are target markets, they're core markets. The consumers in these markets have been educated on the usage of avocados, and they are medium to heavy users that become heavy to heavier users.

And so, that said, obviously great potential for continued growth in these areas, but let's look at the rest of the United States. And if you look at the population versus the avocado volume movement, it's reversed. And so, again, we look at that as potential for increased demand and building consumption, and we hope to do that with the increased activity of the different import associations and the [Hass Avocado Board](#).

Another way of looking at the consumption numbers is to look at household purchases, the percent of households purchasing avocados in the United States

seamless transitions and providing quality every day of the year. The average consumer doesn't know exactly where the avocado comes from, so the production from around the world that's sold into the United States must remain consistent in order for us to keep the consumption and the demand moving forward.

Additionally, and again, very positively, healthfulness is now a measure of purchase that the consumers are telling us factors in their decision (65%). I can tell you, ten years ago, that wasn't the case. If they bought an avocado, they felt as though they were buying an item that was possibly fattening and not containing healthy fat. Well, there's been a tremendous amount of education going on in this country and elsewhere on the benefits of avocados, and, in fact, this year, the Produce for Better Health Foundation and the National Cancer Institute have offered full inclusion for avocados into that important nutritional program.

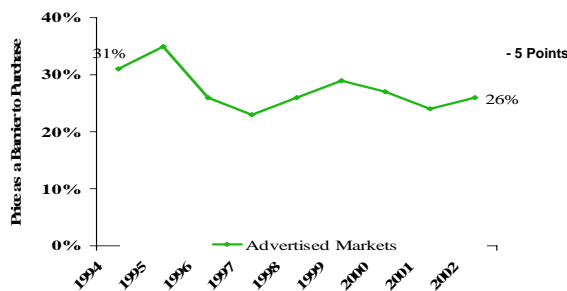


Figure 3. Seasonal trends in price as a barrier to purchase (1994 – 2002).



Figure 4. A comparison of the ways avocados are utilized in the diet.

One of the things that we notice is, traditionally price could have been a barrier to the purchase of avocados (Figure 3). In 1998, it happened to be my first year with the Commission, actually a short crop year for California avocados, and retailers had to be educated on the fact that their price point in their mind that they needed to offer avocados had always been under a dollar. And we did a lot of work with them in positioning avocados, maintaining display size, and, since that time, they have learned to love avocados at any price, because the consumer, the loyal consumer, the heavy-use consumer, will purchase avocados, I won't say at any price, but at a higher price point than originally thought. And what happens is, they may not buy three or four, they may buy one or two, but they're continuing to purchase

at price levels that are higher than what a traditional retailer would have thought possible.

I want to close with the way that avocados are used (Figure 4). And it's probably no surprise that guacamole is the leader in this respect. In recent years, tableside guacamole at restaurants in the food service arena provided a great opportunity for consumers to see just how easy it was to use avocados and the items that go into

making the guacamole. And so that encouraged them to go into their grocery stores and buy the items to make this. And it really did, I believe, put avocados on the map, because it gave the consumer confidence to see how easy it was to use them.

Obviously with the influx of the Hispanic influence in the United States, 80% say they use avocados in Mexican side dishes. Salads are a popular usage of avocados. We do a lot of co-marketing programs with the bag salad companies, because convenience is one of the barometers that consumers say is important in making a purchase. They'll eat them plain. We've had promotions that talk about, "Give me a spoon - I'm going in." In other words, just all they need is a spoon to eat the avocado; and then, also sandwiches and burgers. And then, I think importantly, there's the non-Mexican entree as well. So, it's not just for Mexican food, it's really for all items across the board.

[Peter Hoffman] Questions and answers for either Jan or Roberta.

Question: In California, we're having a supermarket strike, and it doesn't look like there's very much negotiation going on. Is this a major turning point for the retail grocery industry?

[Jan DeLyser]: Roberta alluded to the Wal-Mart influence that really became apparent in the late '90's and the early 2000's. The consolidation of the retail chains has provided some efficiencies, but the traditional grocery stores, the Safeways, the Ralphs, and the Albertsons that are the target of this action have not put in the efficiencies they need to match the Wal-Mart model, so to speak.

Is it a turning point? I think all of labor is looking at this, and that's why you're seeing support from around the country from other unions to shore up this particular union. The corporate side, and I believe the reason that there are no negotiations going on right now, they feel as though they have to hold their stand on this offer in order to stay in business. Now, from a union side, nobody wants to give up anything, but I personally think they've got some great points for negotiation, and I hope they get back to the table. We just got back from the Produce Marketing Association Convention in Florida, and had the opportunity to meet with the three organizations that are involved, their senior management level at produce, and the wisdom that they provided us was that they foresee that this action will go in through the first of the year, and their folks are telling them, "We're not budging."

So, at this point in time, I think the retailers that are not impacted by the strike are actually hiring the produce managers who worked for those companies, so their staffing up. I think the people who are being impacted by the strike are having a difficulty getting people to cross the line, but they're hiring people and have them on the fast track for training. So it's been a bumpy road these few weeks, but there's hope, that as we enter the holiday period here, that we'll see a return to more normal marketing for the perishable items. That is an item that is directly impacted.