



Food Industry. Facts. Insights. Consulting.

— *Executive Presentation* —



The Mushroom Council

Assessment of Fresh Mushrooms in the Foodservice Channel

Prepared by:

TECHNOMIC
INC.

May 28, 2009

Project #13248

Study Objectives

- ▶ Identify foodservice operator awareness, attitudes, usage of fresh mushrooms
- ▶ Understand foodservice operator usage, attitudes toward mushroom varieties
- ▶ Evaluate current, anticipated applications
- ▶ Compare, contrast results from the 2005 study
- ▶ Develop recommendations



Scope



Product Scope

- ▶ Crimini
- ▶ Enoki
- ▶ Maitake
- ▶ Oyster
- ▶ Portabella
- ▶ Shiitake
- ▶ White
- ▶ Woodear

Segment Scope

- ▶ Quick service (QSR) pizza restaurants
- ▶ All other QSRs (aka Fast Food)
- ▶ Full service restaurants (FSR)
- ▶ Travel & leisure (lodging, recreation)
- ▶ Healthcare (hospitals, long term care, senior living)
- ▶ Colleges
- ▶ Business & industry (corporate and plant feeding)



Operator Research



Qualitative Interviews with Restaurant Chains

- ▶ Top 200 Restaurant Chains
- ▶ 20 completed
- ▶ Menu development executives

Internet Research

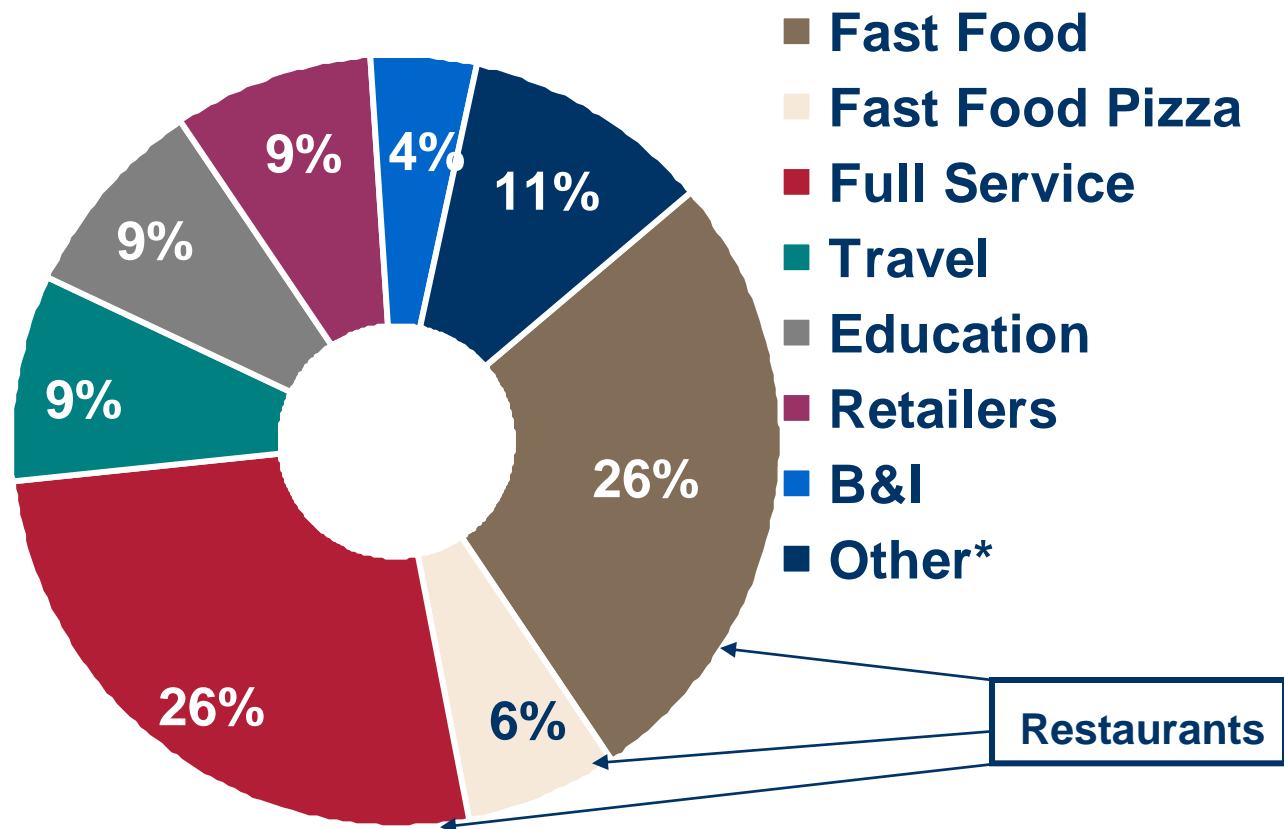
Segment	# of Completed Surveys
LSR	49
Other LSRs	51
FSR	153
Travel & Leisure	74
Healthcare	75
Business & Industry	50
College/University	52
Total	504



State of The Industry

Restaurants Represent Lion's Share of Foodservice Business

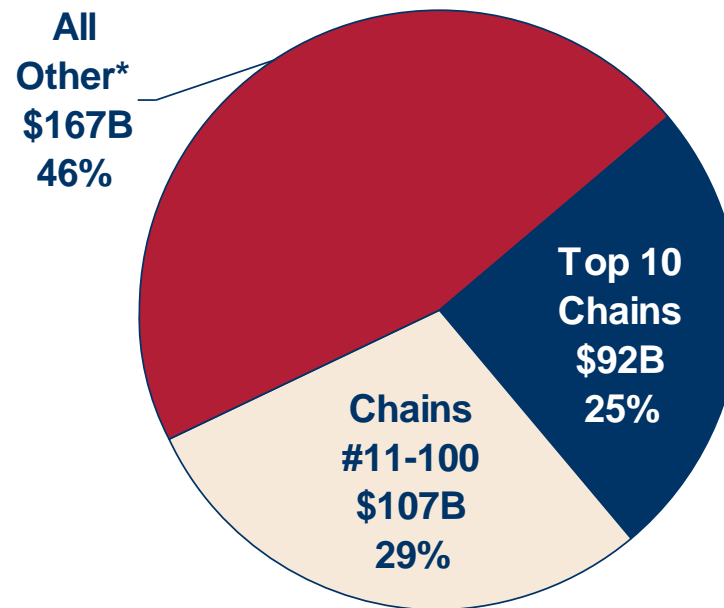
Share of Operator Purchases



**Other = Vending, Military, Corrections, Bars/Taverns, Misc. Segments*
Source: Technomic

Chains Represent Majority Share of Restaurant Sales

2008 Restaurant Sales = \$366B

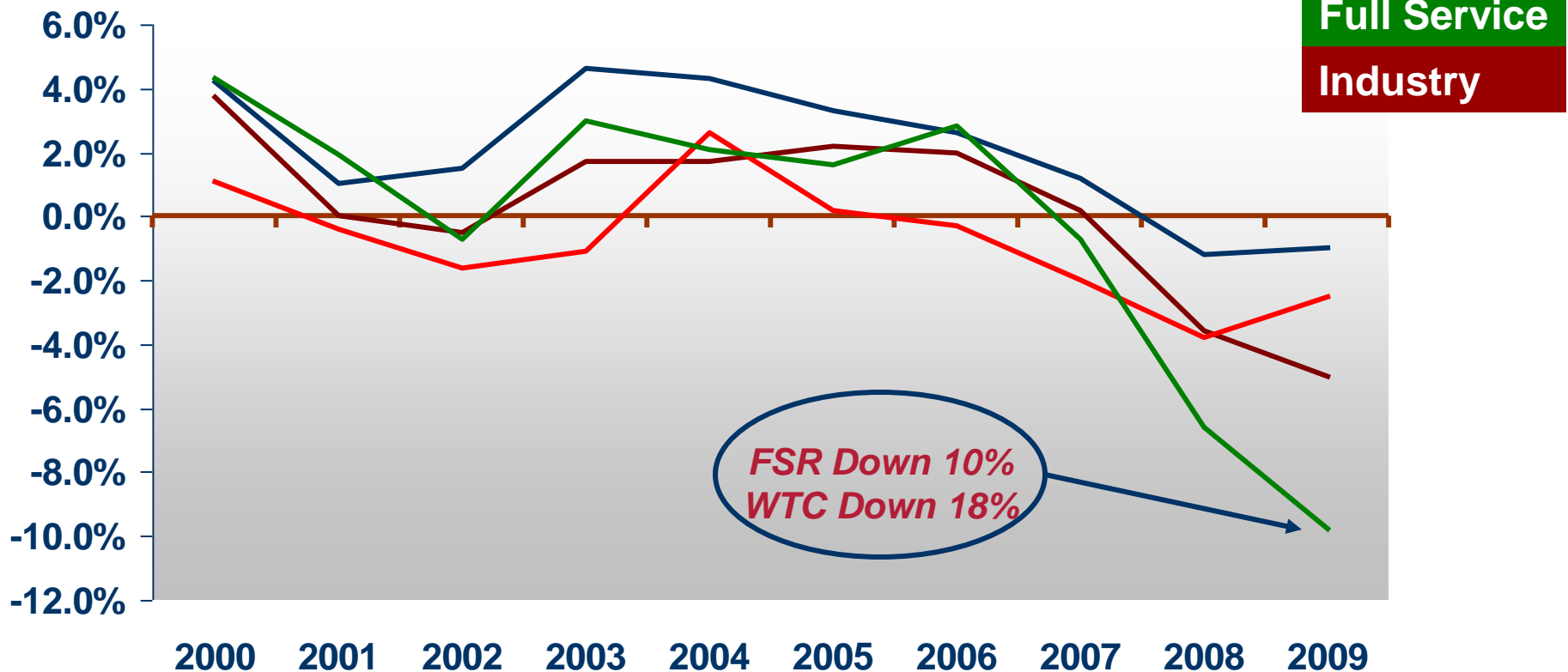


Insight

Industry is concentrated. Successes with major chains can result in significant volume increases.

Industry Has Been On A Downward Path

**% Change vs. Previous Year
Annual Growth**



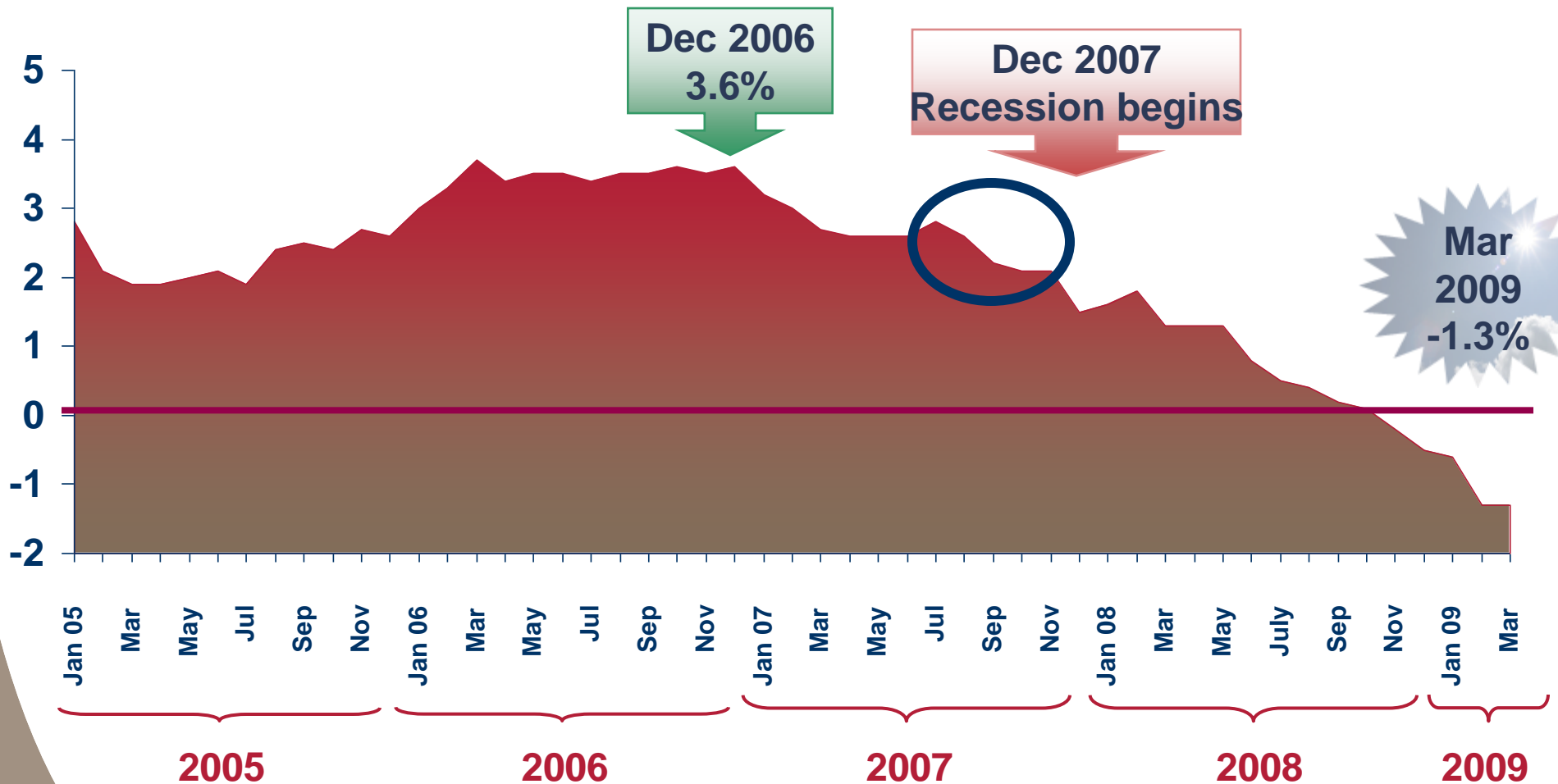
Insight

Recent slump is due to economy. But longer term trend points to a maturing industry.

(F) = Forecast
Source: Technomic

Monthly Restaurant Sales Falling

Restaurant Sales Real Growth 12-Month Moving Average



Operator Concerns

- ▶ Growing sales
- ▶ Maintaining costs
- ▶ Addressing labor
- ▶ Understanding/addressing evolving consumer trends



Insight

Successful approaches and propositions need to address these concerns.

Adding New Products Is A Key Operator Sales Tactic

Tactic	% Utilizing To Drive Sales
New products	56%
Increased advertising	29
Increased price promos	28
More “specials”	24
Menu bundling	20
Increased menu prices	19
New services	14
Smaller portions @ lower prices	15
More LTOs	12
Reduced menu prices	12

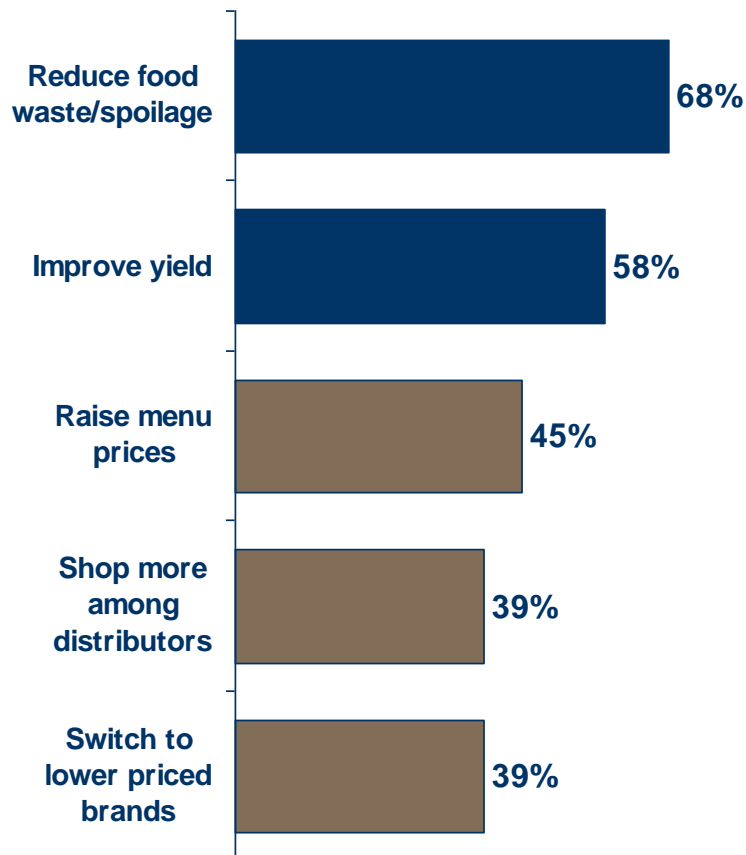


Insight

New products includes both new-to-the-menu products as well as menu tweaks. Price tactics are also prominent.

Focus on Efficiencies Is Primary Food Cost Reaction

Top 5 Tactics Address Higher Food Costs
(% Operator Using Tactic)



Insight

Ingredient versatility is a critical means of reducing waste/spoilage and improving yield.

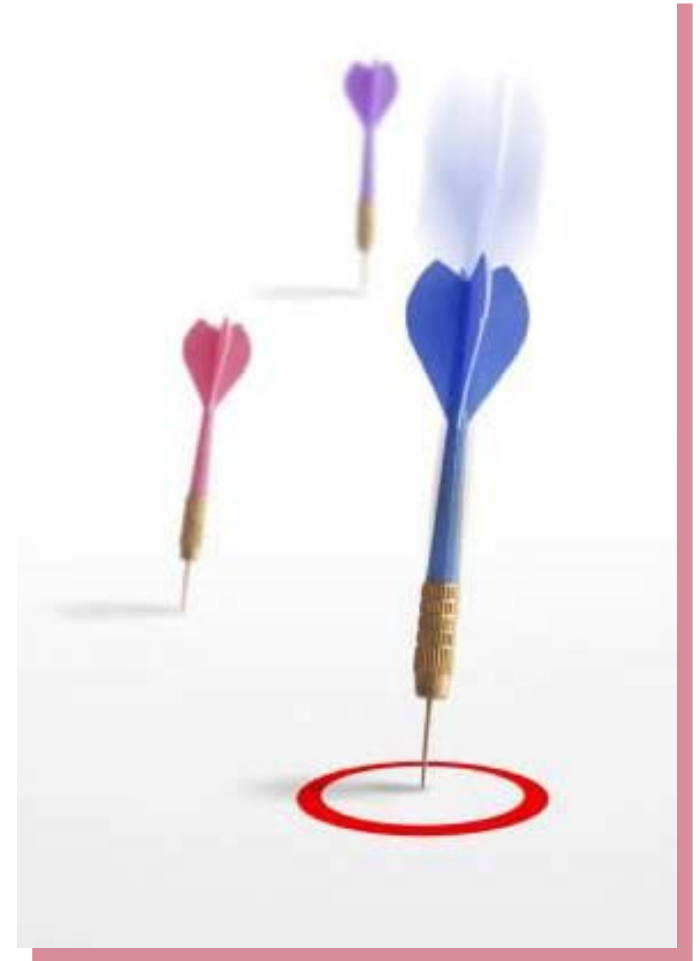
Labor Issues Require Operators To Adjust

- ▶ Less on-site prep (pre-chopped, pre-cooked)
- ▶ Focus on easy-to-make products
- ▶ Continuous training
- ▶ Technology incorporation
- ▶ Competitive wages (impacts costs)



Longer Term Consumer Trends Impacting Industry

- ▶ Redefinition of health/nutrition (fresh)
- ▶ More sophisticated, knowledgeable consumers
- ▶ Preference for customization
- ▶ Value
- ▶ Demand for information





Key Research Findings

Mushrooms Not Viewed as a Top-of-Mind Vegetable



% Listed in Top 5*	
1. Lettuce	66%
2. Onions	59
3. Tomato	55
4. Carrots	53
5. Broccoli	37
6. Bell Pepper	33
7. Potato	27
Mushrooms	21%
Rank: 8th overall	

Q: In order of volume, what are the Top 5 vegetables you use in your operation (open ended)?

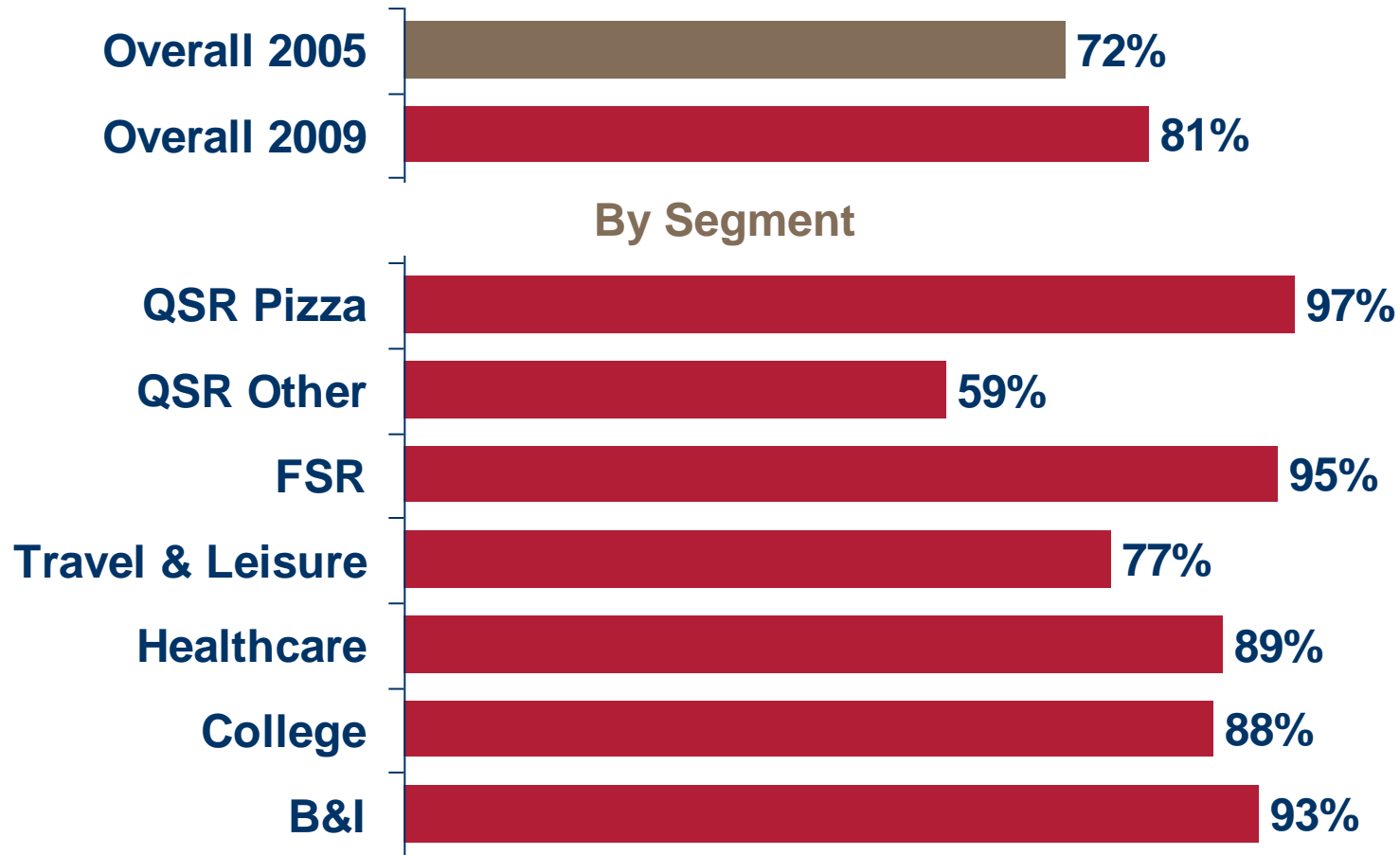
*Not asked in 2005.

Base: All respondents

Mushroom Penetration Has Increased



Currently Use Mushrooms (All Formats)



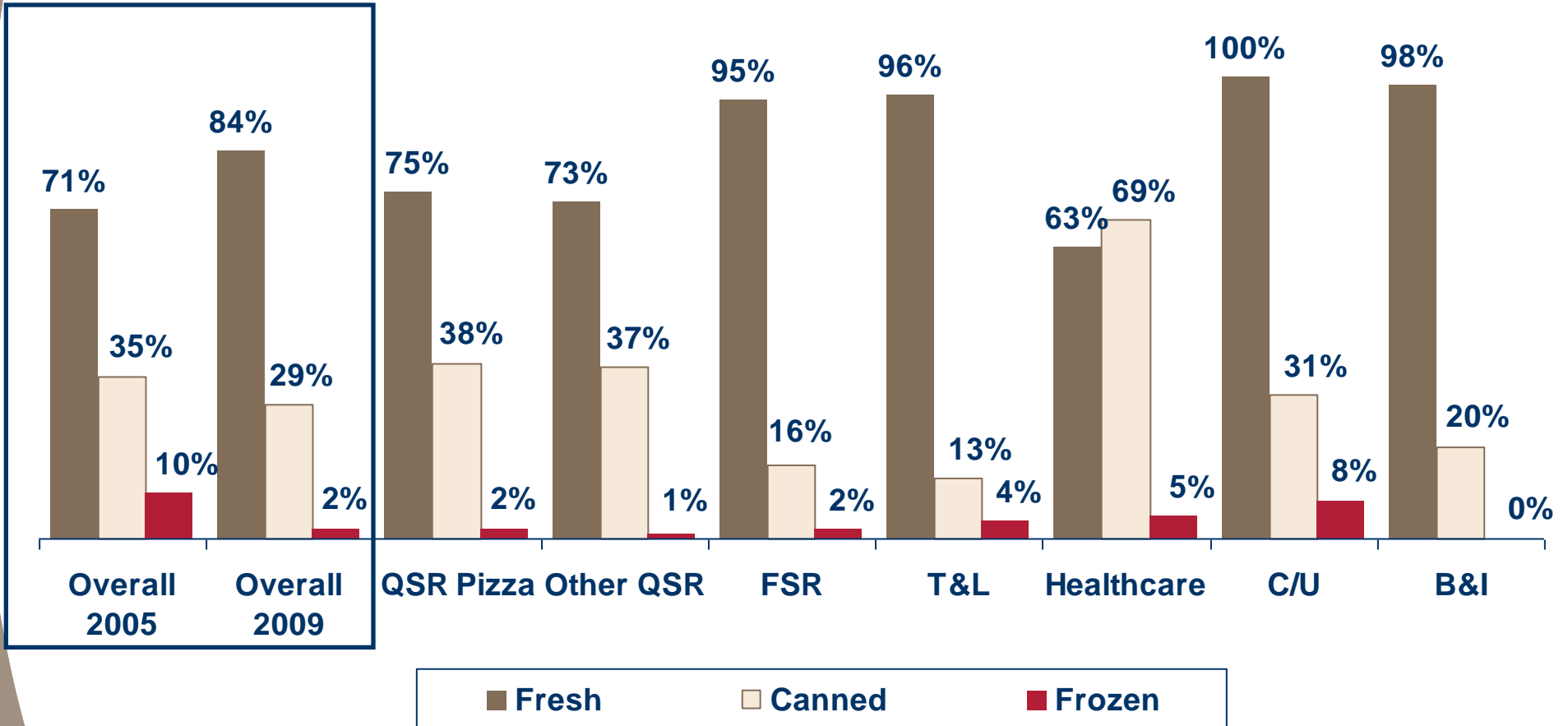
Q: Do you currently use any mushrooms in your operation?


Base: All potential respondents (704)

Fresh Is the Dominant Mushroom Format and Is Increasing In Penetration



% Operators Using Mushroom Formats



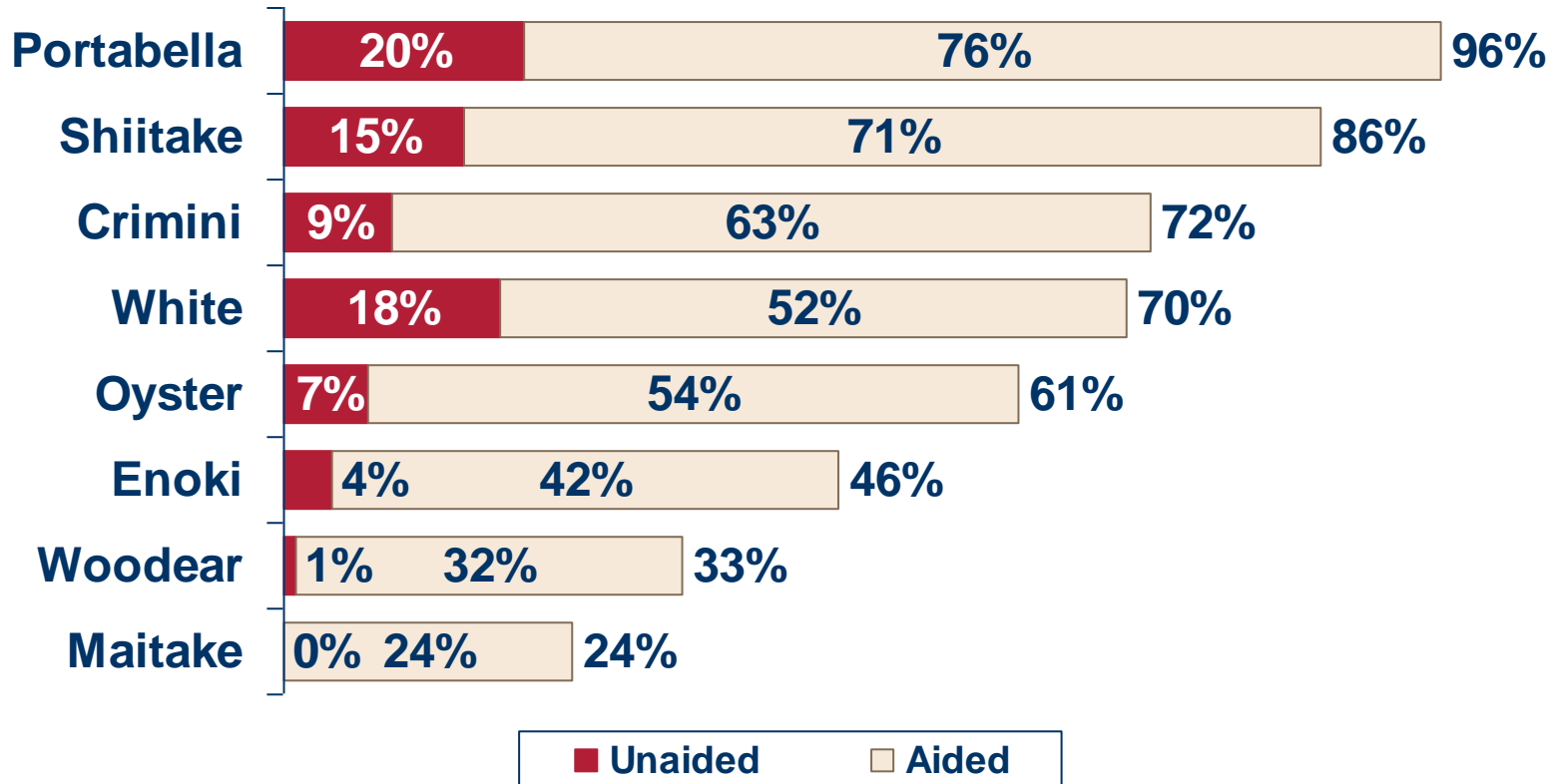
 **Insight**
Trends toward “fresh” and its role in health perception helping drive fresh mushroom penetration increases.

Q. What mushrooms formats are you using?
Base: Mushroom users

High Awareness of Specialty Mushrooms Evident



Awareness of Mushroom Varieties



Insight

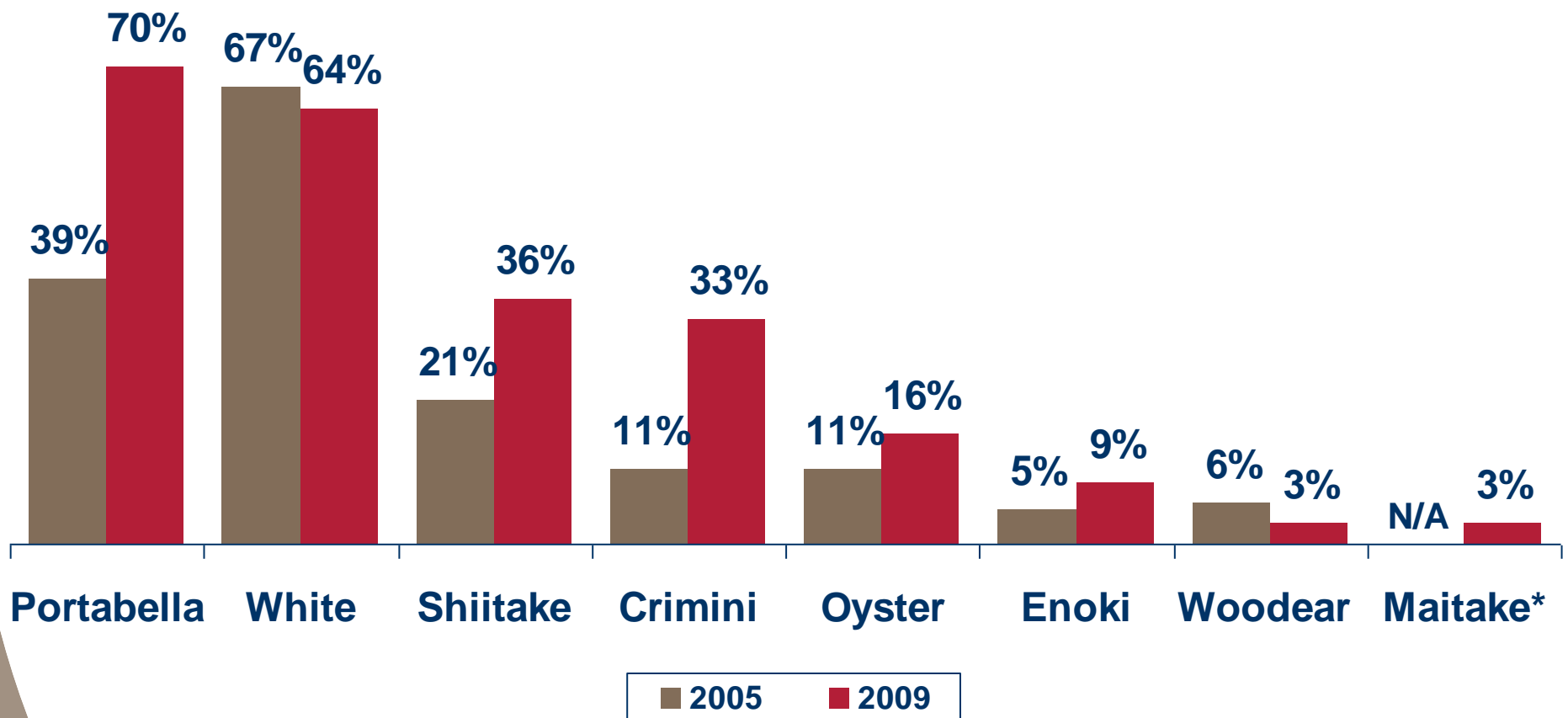
There is an opportunity to build *top-of-mind* awareness of all mushroom varieties

- Q. Unaided awareness: Please list the mushroom varieties you are familiar with.
- Q. Aided awareness: Please indicate which of the following mushroom varieties you have heard of.

Specialty Mushroom Variety Usage on the Rise



% Operators Using Fresh Varieties



Q. What varieties of fresh mushrooms do you use in your operations?

*Not asked in 2005

Fewer Use Mushrooms on a Seasonal Basis Only



Mushroom Types	% Indicating Volume Varies by Time of Year	
	2005	2009
White	29%	15%
Portabella	38	26
Shiitake	48	35
Crimini	43	27
Oyster*	49	47
Enoki*	60	36
Woodear*	47	47
Maitake*	N/A	60

Q. Over the past 2 years, has your volume of mushrooms used varied by time of the year?

N/A = Not asked in 2005

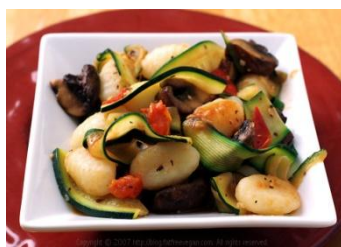
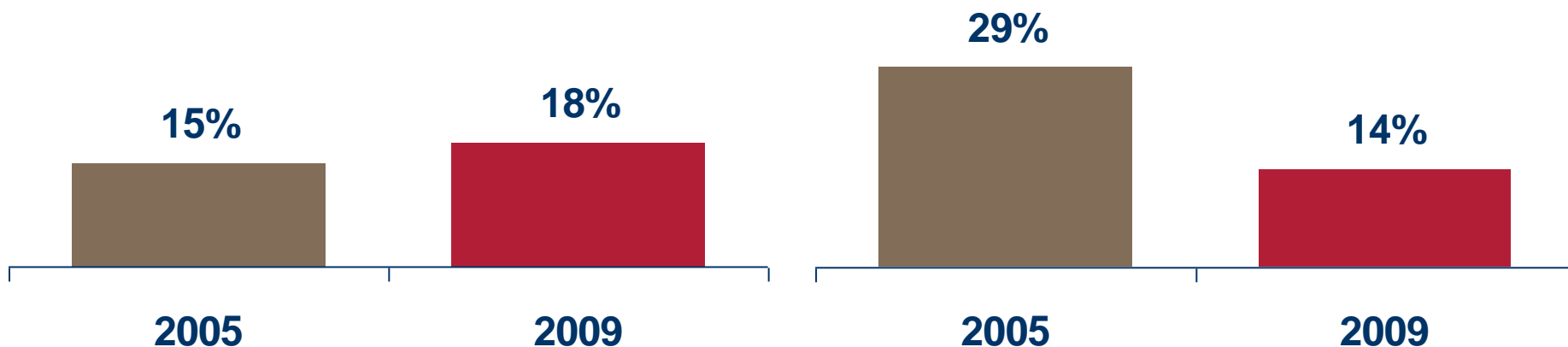
*Small base

Mushroom Dish Share Is Increasing, but Fewer Feature Mushrooms



Share of Menu Items Containing Mushrooms

Share of Items Where Mushrooms are Featured*



Insight:
Heavy competition exists for features.

*Base: Among dishes containing mushrooms

Lots of Opportunity for Further Menu Category Penetration Exists



Menu Applications Using Mushrooms

Menu Application	White	Portabella	Shiitake	Crimini	Oyster	Enoki	Woodear	Maitake
Appetizers	46%	43%	23%	34%	28%	26%	21%	33%
Asian Dishes	27	17	58	27	56	60	37	47
Eggs/Omelets	62	22	19	27	10	11	21	20
Italian Dishes	55	44	19	42	19	11	11	20
Pizza	75	33	14	30	9	6	21	13
Pork Entrees	40	22	32	30	22	15	37	20
Potatoes	21	9	12	10	8	6	11	27
Poultry Entrees	70	44	45	45	45	26	37	40
Salads	69	37	30	38	24	49	16	27
Seafood Entrees	31	18	29	26	41	36	21	40
Side Dish Vegetable Medley	52	31	32	31	25	28	37	33
Soups	68	39	40	33	35	32	58	27
Steak Entrees	58	48	42	49	45	26	47	73
Stuffed Mushrooms	44	36	13	28	8	4	5	7
Vegetarian Entrees	54	66	52	43	52	55	53	67

 Underpenetrated application

Q. In which of the following applications do you use each of the fresh mushroom varieties in your operation?

Consumer Demand Drives Increased Mushroom Usage



Rationale for Observed Volume Increases

Rationale	White	Portabella
Overall growth in business	55%	43%
Added new menu items	61	62
Added mushrooms to existing menu items	33	31
Greater consumer demand for mushrooms	31	34
Increased sales of menu items that contain mushrooms	35	26
Increased promotion of menu items that contain mushrooms	20	22
Switch from processed (canned or frozen) to fresh	16	11
Format change (e.g., from whole to pre-cut)	16	6

Insight



Regardless of stated reason, operators will not add expand usage of an ingredient or menu item unless consumer demand is evident. Therefore, greater customer demand drives operators to add new menu items with mushrooms and add mushrooms to existing menu items.

Q. To what do you attribute your increase volume usage of each fresh mushroom variety?
 Base: Operators reporting volume increases

Perceived Roadblocks to Increased Mushroom Usage



Customer Preference 20%	Cost 17%	Recipe/Menu Constraints 7%
<p><i>“Consumers are concerned about how clean the mushrooms are.” – College</i></p>	<p><i>“Price, not very cost efficient.” – Full service restaurant chain</i></p>	<p><i>“We have set menu cycles.”- Healthcare</i></p>
<p><i>“Either people like them or not, there is no in between.” - Healthcare</i></p>	<p><i>“Price is high on specialty mushrooms” – Limited service restaurant independent</i></p>	<p><i>“We operate a number of branded concepts and the brands often dictate the menu.”- Limited service restaurant chain.</i></p>
<p><i>“A majority of clients are not willing to ‘experiment’ eating a mushroom they are not familiar with....” – Business & industry</i></p>	<p><i>“The cost related to cleaning them.” –Travel & leisure</i></p>	<p><i>“Not every dish needs mushrooms.” – Limited service restaurant independent</i></p>



Insight

Limited customer demand is not a major roadblock.

Q. What is the biggest roadblock to you using more mushrooms in your operations and why? (Open end)

Versatility and Health Are Strong Mushroom Attributes



% of Operators Who “Agree” (Top 2 Boxes)

Statement Regarding Mushrooms	2009
Versatility	
Are versatile, can be incorporated in numerous applications and recipes	70%
Contribute to the flavor of dishes	67
Easy to incorporate mushrooms into the items we menu	62
An ingredient in many innovative new menu items	53
Health	
Are healthy	69
From a customer's perspective, presence adds to the perceived freshness of the item	52
Cost	
Cost effective ingredients	50
Adds to a customer's perceived value of a menu item	47



Insight

Versatility, health/freshness are features operators seek today.

Q. Using a 1 to 5 scale, where 5 = strongly agree, and 1 = strongly disagree, how well do each of the following statements describe mushrooms.

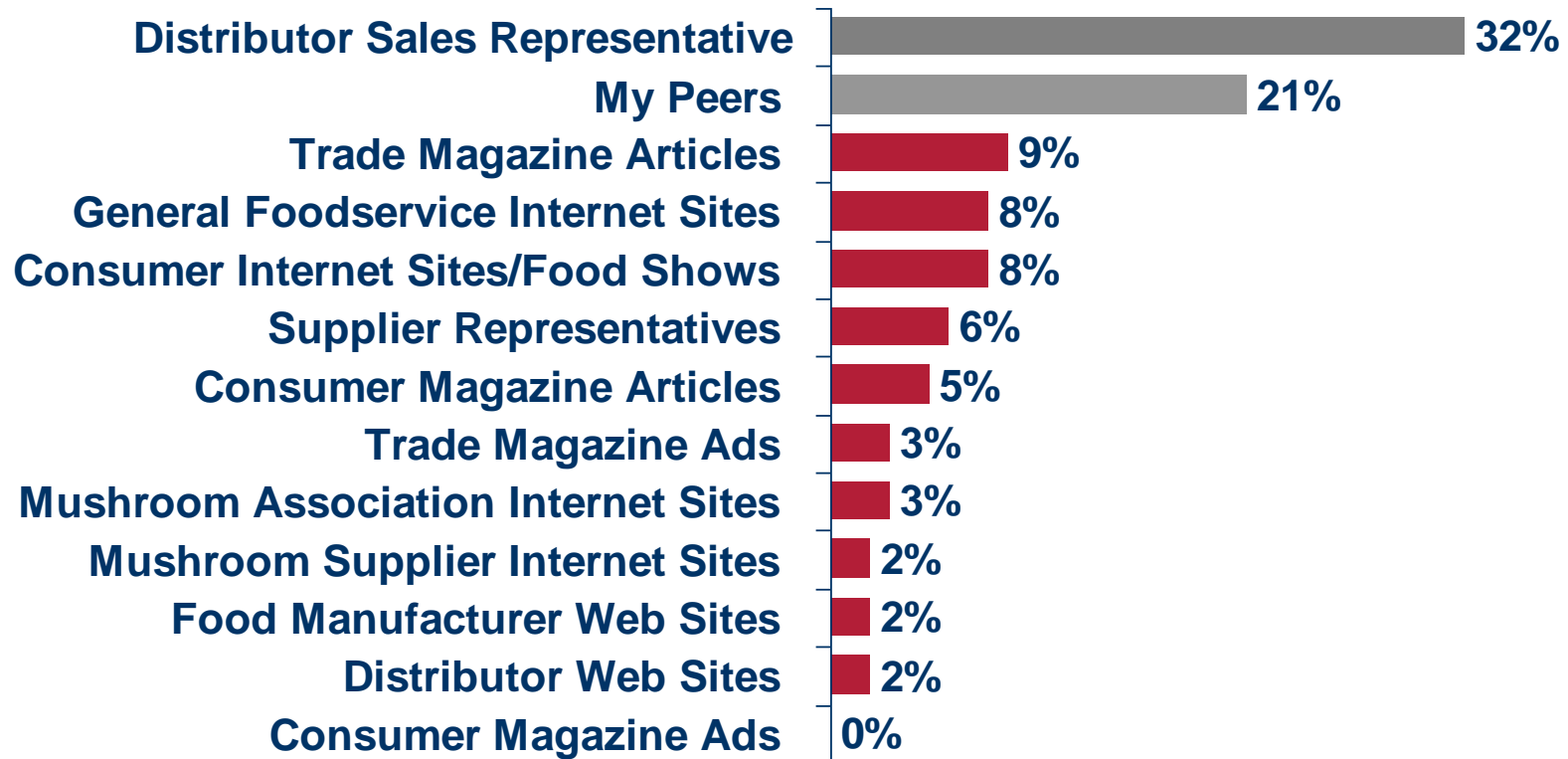
Versatility: The Key Benefit.

- ▶ *“I can get seven menu items – at least – out of one type of mushroom.” – Full service restaurant chain.*
- ▶ *“Mushrooms are useful in every category...except desserts, maybe!” – Full service restaurant chain*
- ▶ *“Mushrooms bridge major cuisines – French, Italian, Asian, South American, American – they are incredibly versatile as a category.” – College/university*

DSR, Peers Are Viewed as Most Preferred Sources...



Preferred Source for Mushroom Information



Insight

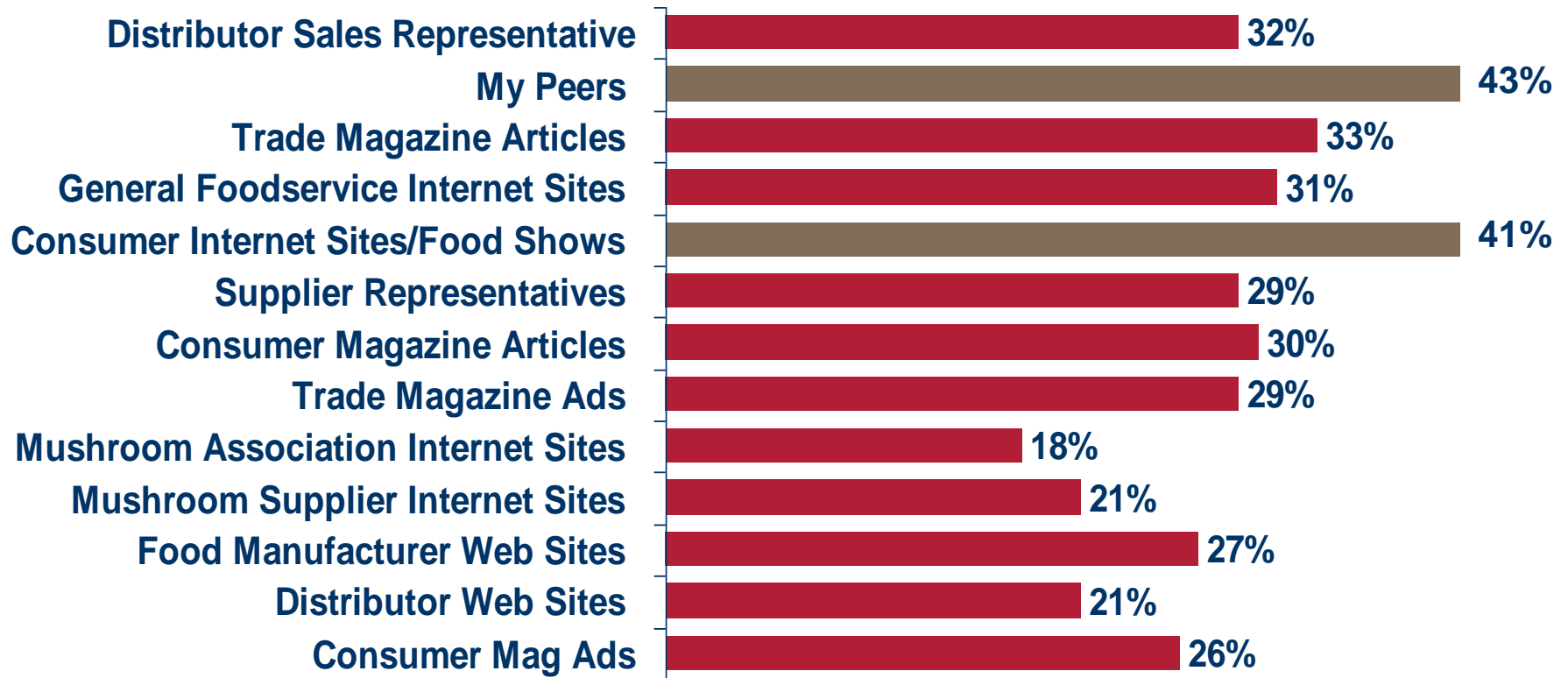
DSR is key conduit to operators in virtually all categories. However, it is very difficult to get DSR attention given broad category responsibilities (15,000 + SKUs).

Q. Which one source would you say is your most preferred source for recipe and menu items that contain mushrooms?

...But Peers and Consumers Sites Are Seen As Most Effective



Most Effective Sources for Mushroom Information Top 2 Boxes



Insight

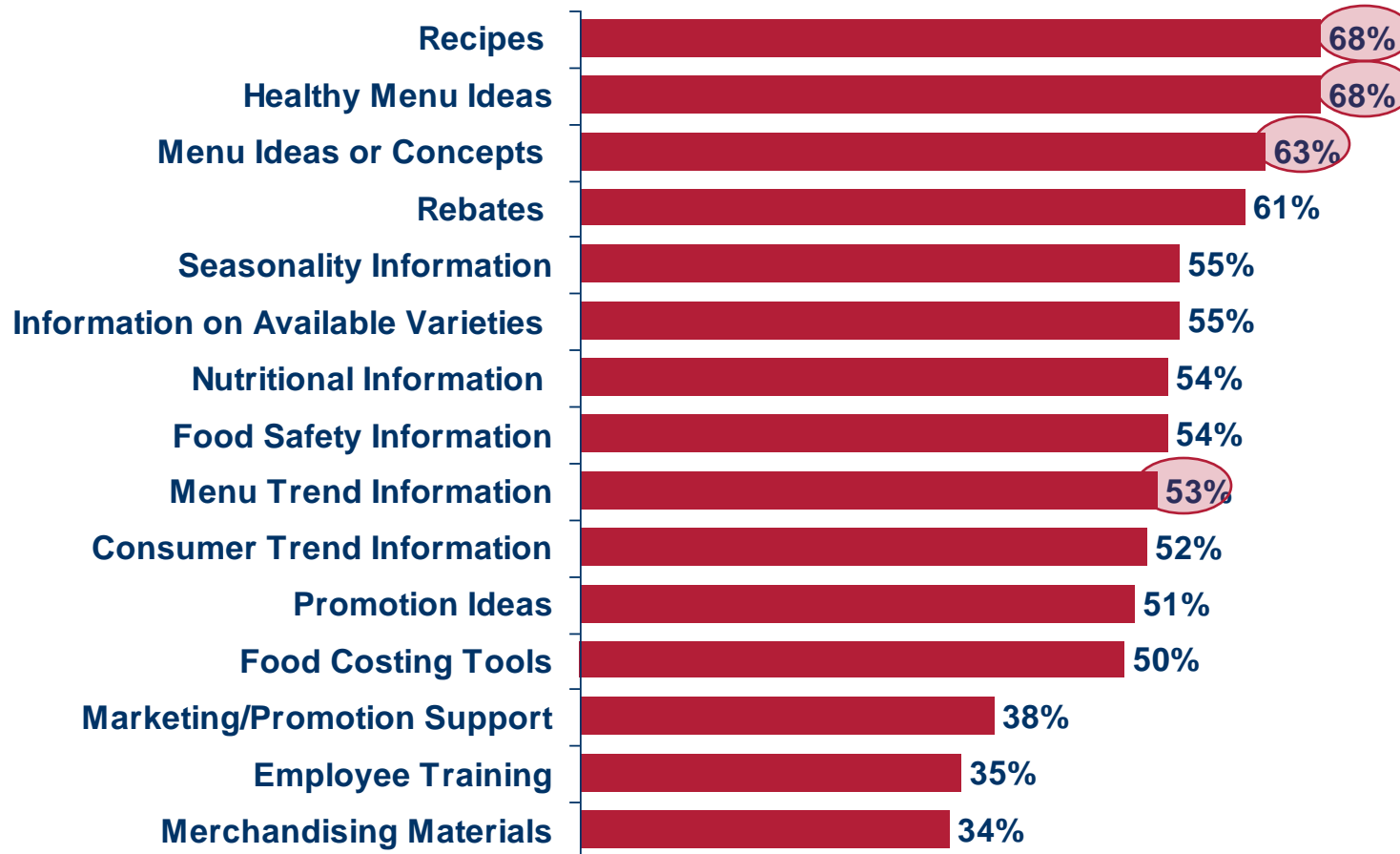
Peers include monitoring competitor menuing activities.

Q. Using a 1 to 5 scale, where 5 = extremely effective, and 1 = not effective, how effective are each of the following source for mushroom information?

Most Useful Tools Relate to the Menu



Usefulness of Support Tools
Top 2 Boxes (1 to 5 Scale)



Q. How useful do you or would you find each of the following tools or support that the mushroom industry could supply? Use a 1 to 5 scale, where 1 = not useful at all, 5 = extremely useful.

Support that Would Drive Usage of Fresh Mushrooms

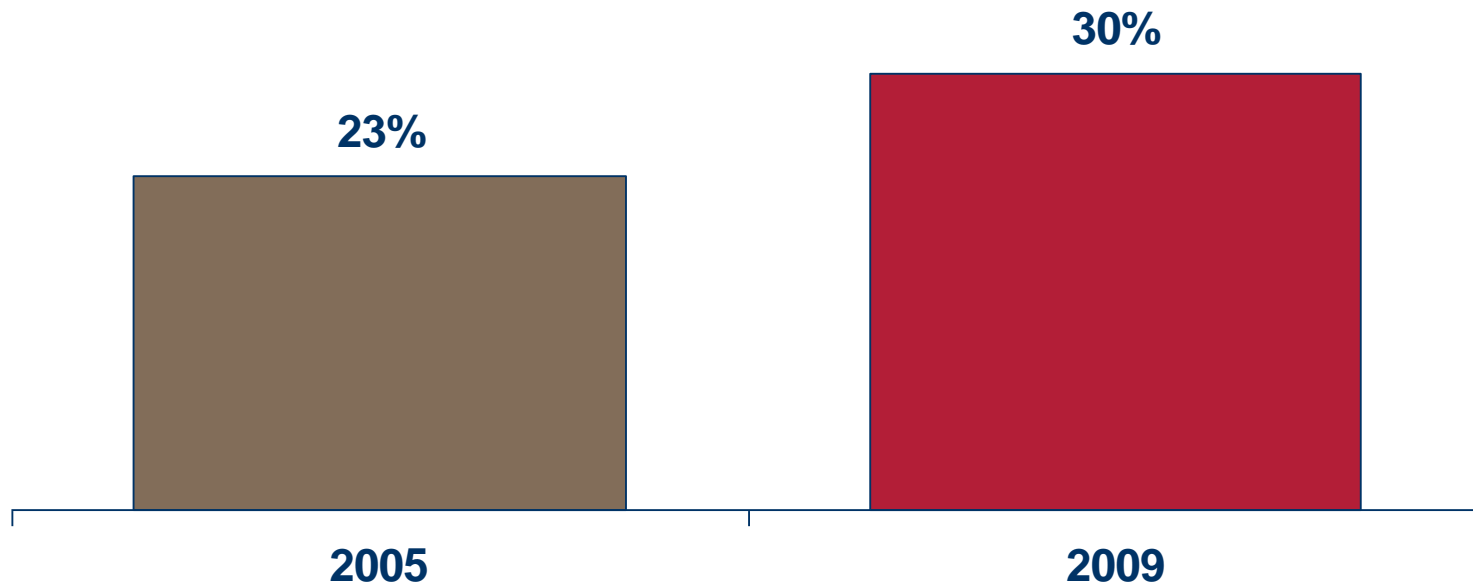


Recipes and menu ideas 31%	More (general) information 16%	Increased marketing or advertising 6%
<p><i>“More recipe/menu ideas that work best when each variety is in season.” - Business & industry</i></p>	<p><i>“Increased communications on food cost cutting ideas as well as the industry standard fluctuations.” - Healthcare</i></p>	<p><i>“More public awareness like California happy cows (cheese) for example.” - Healthcare</i></p>
<p><i>“Colorful recipes with nutritional information and scaled to small and large batches.” - Healthcare</i></p>	<p><i>“Seasonal bulletins, range of product, market trends, quality of seasonal items.” – Travel & leisure</i></p>	<p><i>“National marketing showing the benefits of mushrooms; educate consumers so they buy mushroom dishes at our restaurant.” – Limited service pizza restaurant independent</i></p>
<p><i>“Innovative food pairings and ideas for different nationality styles of cuisine (i.e. Caribbean, Asian, Mexican, Italian) that use similar mushrooms so that we don’t have to inventory all types.” – Full service restaurant independent</i></p>	<p><i>“Describe the different varieties of mushrooms’ flavors and their nutritional value.” – Full service restaurant independent</i></p>	<p><i>“Create a marketing campaign to convince the average consumer that mushrooms are a healthy addition to their diet. As the egg council has done to show that eggs are healthy, you folks can do the same thing.” – Full service restaurant chain</i></p>

Q. What support would you want from the mushroom industry to enable you to use more mushrooms? (Open end)

“In Our Organization, We See Significant Increases in Mushroom Usage Over the Next 2 Years.”

% Agreeing (Top 2 Boxes)



Insight

Operator optimism on increased mushroom usage is a function of perception of increasing customer demand and better business prospects.

Q. Using a 1 to 5 scale, where 5 = strongly agree, and 1 = strongly disagree, how much do you agree with this statement?



Recommendations

Recommendations

1. Continue to build awareness of mushrooms; build higher level of top-of-mind awareness.
2. Focus on versatility as the single benefit.
3. Support message with strong health, flavor, cost position.
4. Innovate in all areas of the menu
5. Test new menu ideas via seasonal LTOs
6. Develop menu applications within lesser penetrated areas:
 - ▶ Seafood
 - ▶ Pork
 - ▶ Breakfast
 - ▶ Lunch

Recommendations

7. Provide support to assist in featuring mushrooms on the menus
8. Further communicate year-round usage
9. Investigate the most effective means of communicating through the DSR
10. Continue to support efforts with driving consumer demand.

