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Sealed Air Supermarket
Food Waste Survey

Taking Stock: Retail Shrink Solutions

A survey conducted in
partnership with *Progressive Grocer*



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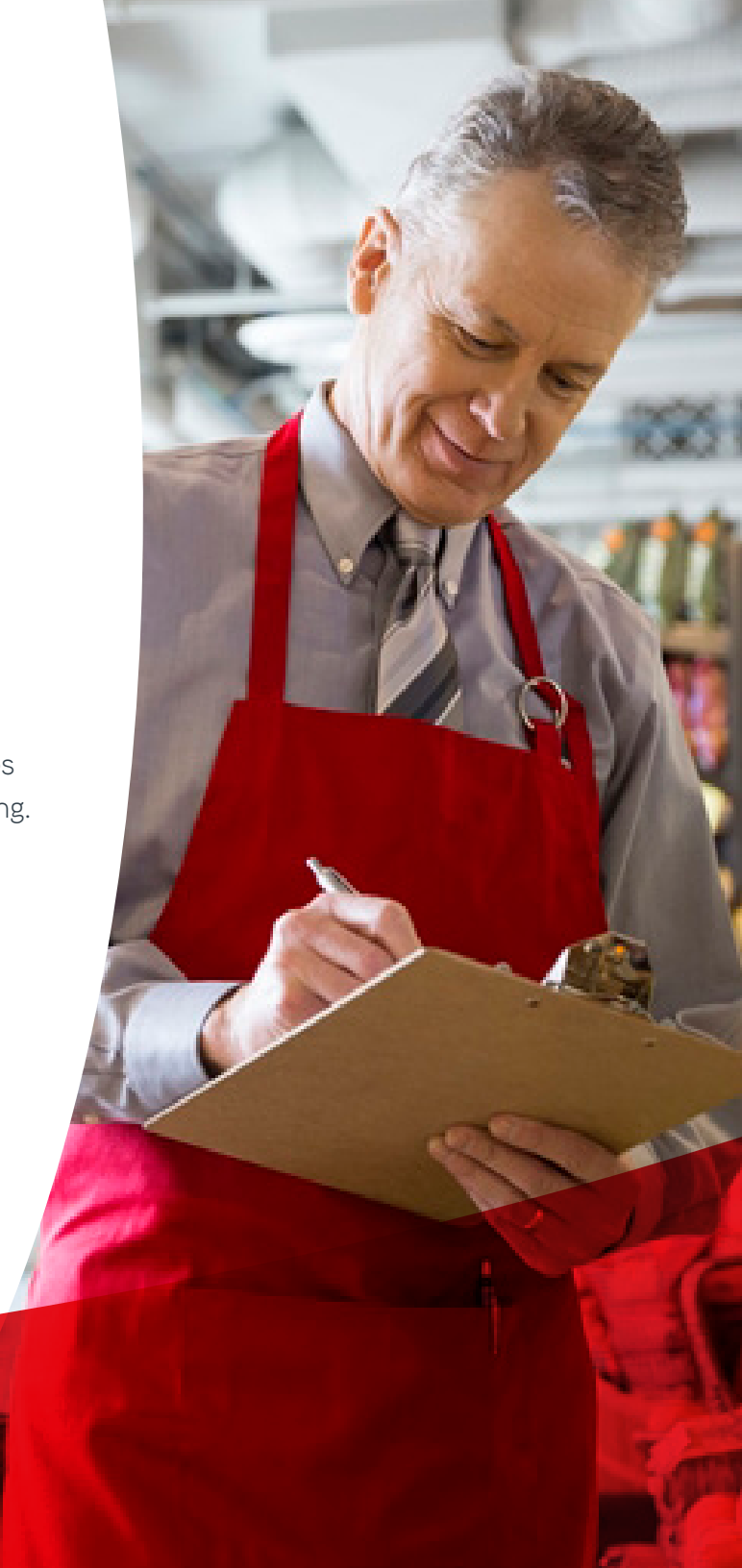
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With more than one-third of the food produced never eaten in the United States, nearly 50 million tons of food is wasted each year in the U.S. alone. To help expand and inform discussion around this issue, Sealed Air's Taking Stock: Retail Shrink Solutions survey examines the critical impact of food waste on U.S. supermarkets. The survey explores the business implications of food waste, retailers' perspectives on the dominant causes, potential opportunities to minimize waste and the influence of sustainable packaging. These key insights have been paired with consumer perspectives from the 2014 Sealed Air Corp./Harris Poll food waste survey of consumers.

Given increased consumer awareness of food waste, now is the time for retailers to implement packaging solutions to minimize retail shrink and reduce food waste.

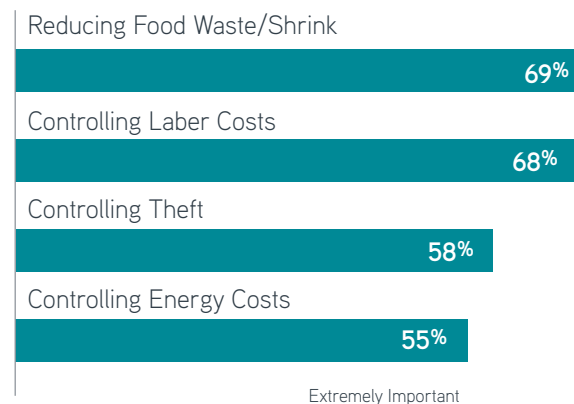


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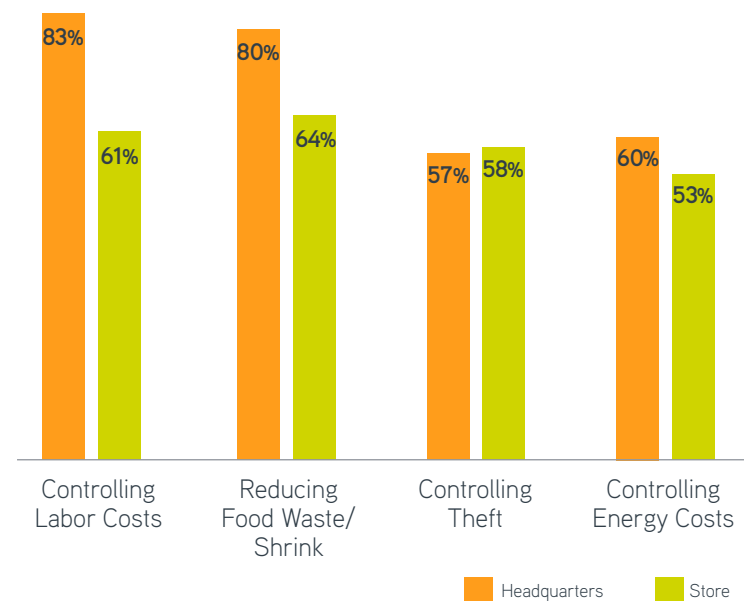
Views on Food Waste

Food waste is a priority issue and key operational consideration for U.S. supermarkets. Nearly seven out of 10 (69%) supermarket executives and managers think that reducing food waste is the most important issue to store operations. Interestingly, food waste is more of an operational focus than controlling labor costs (68%), controlling theft (58%) and energy costs (55%). Headquarters respondents also expressed more concern for reducing food waste (80%) and controlling labor costs (83%) than did store-level respondents (64% and 61%, respectively).

Importance to Store Operations



Corporate vs. Store-Level



Question: How important is each of the following to your business operations?

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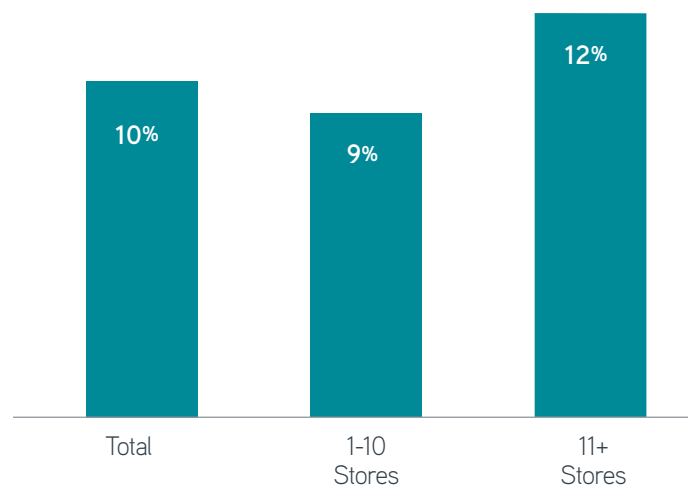
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Impact on Store Profitability

A majority of supermarkets estimate that if food waste were eliminated from spoilage, age dating, package damage and markdowns, store profits would increase by a staggering 10%. These expectations rise with the number of store locations, with larger retailers estimating higher profitability than smaller retailers (12% vs. 9%, respectfully). Moreover, this estimate rises to an increase of nearly 15% for national chains with more than 50 stores.

Profitable Outcomes Expected from Shrink Source Elimination



Question: If shrink from spoilage, age dating and package damage and markdowns were eliminated, by what percent would you estimate store profits would increase?

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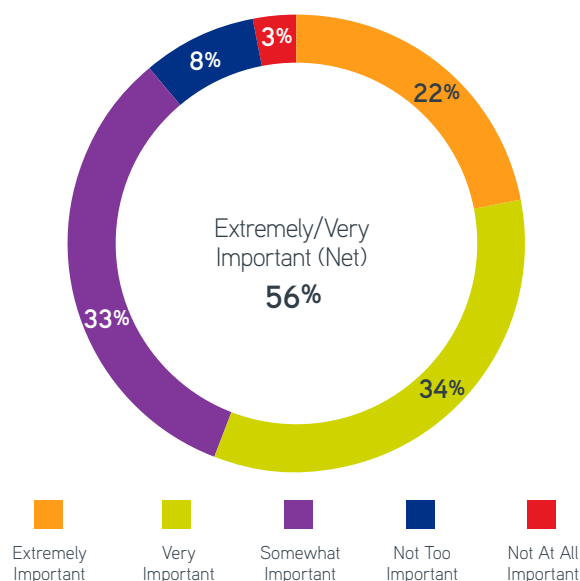
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Shelf Life in Purchase Decision

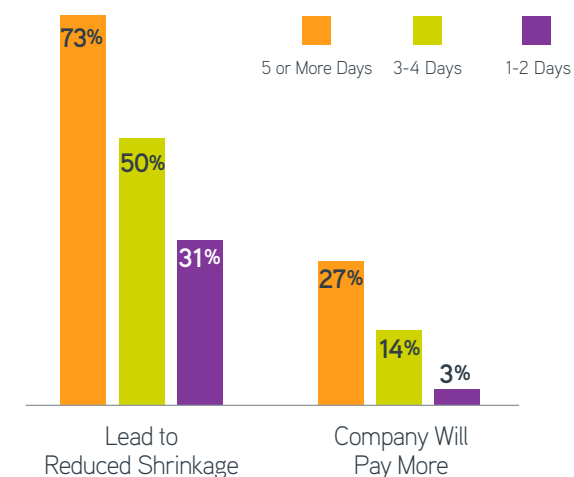
While supermarkets have a strong understanding of the importance of packaging as it relates to reducing food waste, with more than half (56%) stating that shelf life is extremely/very important in a company's decision to carry a new product, many supermarkets are not willing to pay more for better packaging that extends shelf life. Seven in 10 (73%) believe that products that increase shelf life five or more days reduce food waste. Of which, only 27% say that they think their company will pay more for this type of product. This potential disconnect may be a result of supermarkets not taking into account the reputational value of sustainable packaging.

Influence on Carrying Product



Question: Thinking of those store areas that experience shrink due to shelf life, spoilage and sell-by dates, how important would you say shelf life is to the decision to carry a new product?

Not Translating to Increased Spend



Question: Do you believe that products that offered the following increased shelf life would reduce shrinkage? If so, do you believe that your company would pay more for products that increased shelf life by each of the following?

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Store and Brand Impacts

The benefits of eliminating food waste extend beyond just a healthier bottom line to a stronger brand reputation. According to Sealed Air's 2014 consumer food waste study, eight in 10 Americans think more highly of stores (81%) and food brands (78%) that help them reduce food waste. Specifically, more than half (57%) think more favorably of retailers that share the fact that they use packaging that keeps food fresher longer.

Consumer Perceptions of Stores and Brands



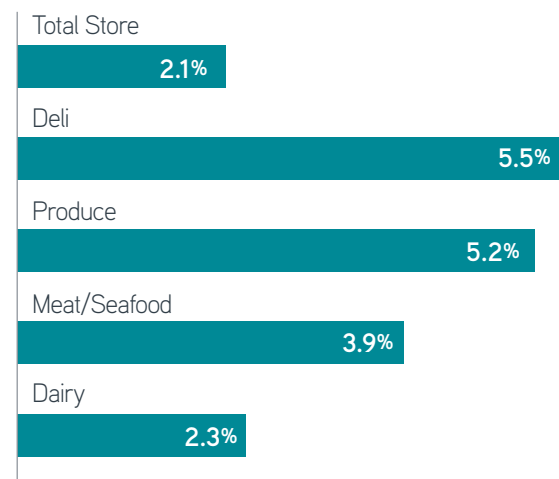
Question: How much do you agree with each of the following statements about food and food packaging?

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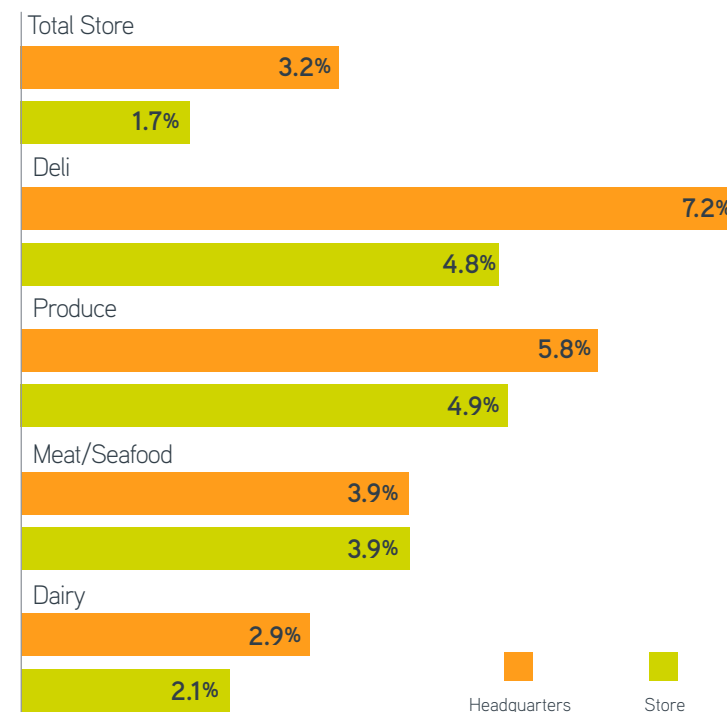
Measuring Shrink Across Store

Supermarkets estimate total store shrink at 2.1%, with headquarters respondents tending to estimate food waste higher than store-level respondents (3.2% vs. 1.7%, respectfully). Across the store, deli and produce are considered to contribute the most to shrink (5.5% and 5.2%, respectfully). The meat and seafood sections are estimated at 3.9% and the dairy section at 2.3%.

Estimated Unit Shrink



Corporate vs. Store-Level



Question: On a unit basis, what would you estimate store shrinkage (in %) is for each of the following departments?

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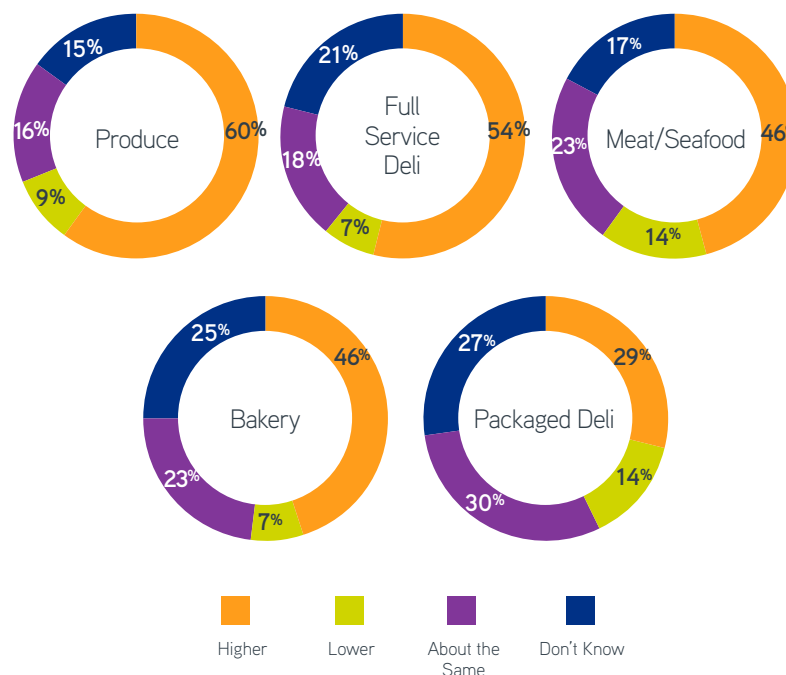
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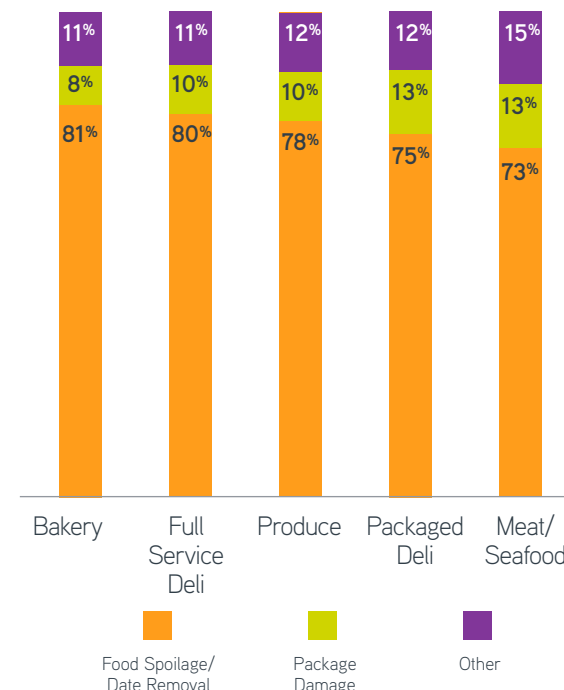
Store Section Comparisons

The produce section is considered to have the highest level of food waste compared to store averages (60%), followed by the full service deli (54%), meat/seafood (46%), bakery (46%) and packaged deli (29%). With regard to in-store sources of food waste, food spoilage/date removal is cited as the dominant cause in every area of the store, but most notably in the bakery (81%), full service deli (80%) and produce (78%). Package damage, while relatively low, is estimated as being the highest in meat/seafood (13%) and packaged deli (13%).

Compared to Store Average of 2.1%



Percentage of Shrink



Question: Would you say that shrink in each of these sections is higher, lower or about the same as the store average?

Question: For each section, approximately what percent of shrink would you estimate is due to food spoilage, age dating removal, package damage and all other factors?

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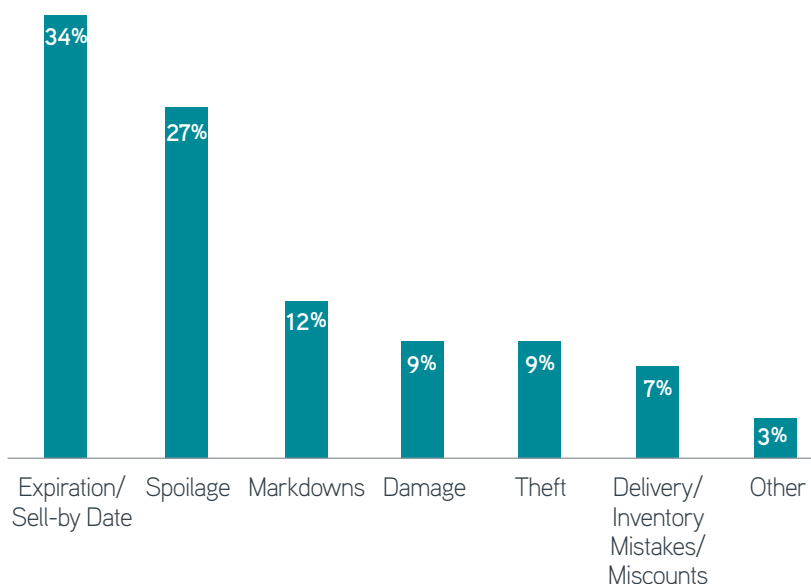
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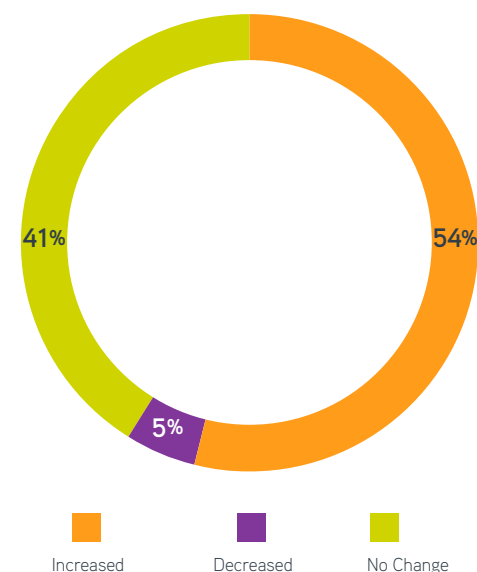
Supermarkets estimate that expiration/sell-by dates account for 34% of store food waste, spoilage for 27% and markdowns for 12%. In fact, no other source of store food waste was stated as accounting for more than 10% or more of food waste, including damage (9%), theft (9%) and delivery/inventory mistakes/miscounts (7%). In looking at consumption trends, the movement towards clean label and organic products also is perceived to be having a greater impact. More than half (54%) of supermarkets attribute the demand for all-natural, gluten-free, fat-free and organic products to increasing levels of food waste.

Primary Contributors



Question: Approximately what percent of your average store shrink would you estimate comes from each of the following factors?

Effect of Clean Label and Organic on Waste



Question: Has demand for all-natural, gluten-free, trans fat-free and organic products increased or decreased food waste/shrink?

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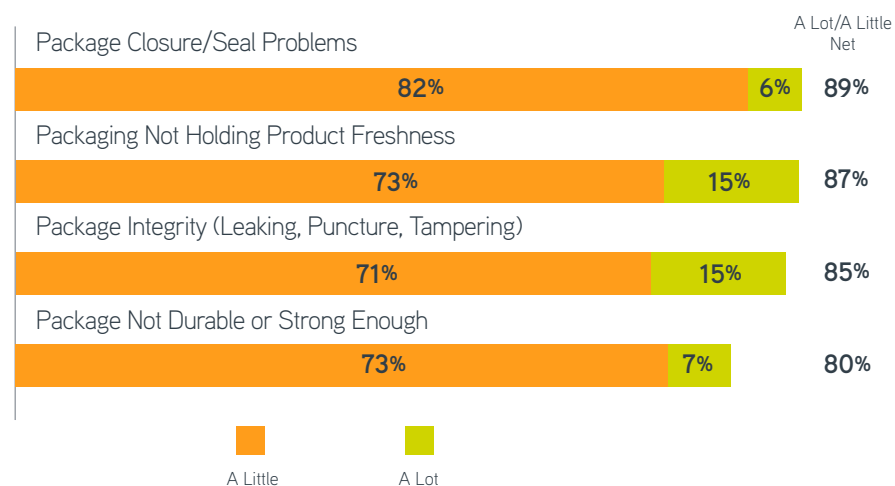
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Influence of Poor Packaging

Ideally, food packaging should help retailers protect products from leakage or spoilage and extend freshness and shelf life long enough to ensure their customers can consume those food items. Unfortunately, this is not currently happening. Package closure/seal problems (89%), packaging not holding product freshness (87%) and package integrity (i.e. leaking, puncture, tampering, etc.) (85%) are cited by supermarkets as the issues with non-sustainable food packaging that contribute in some degree to in-store food waste. To a lesser extent, package durability (80%) also is a noted contributor.

Non-Sustainable Packaging Woes



Question: Considering those categories that experience the highest product shrink, how much would you say each of the following contributes to in-store shrink?

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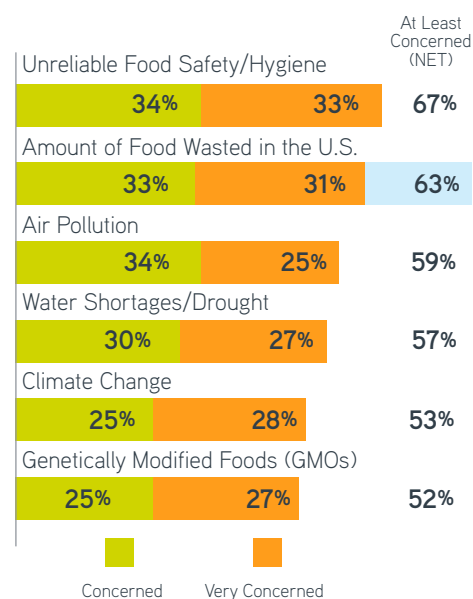
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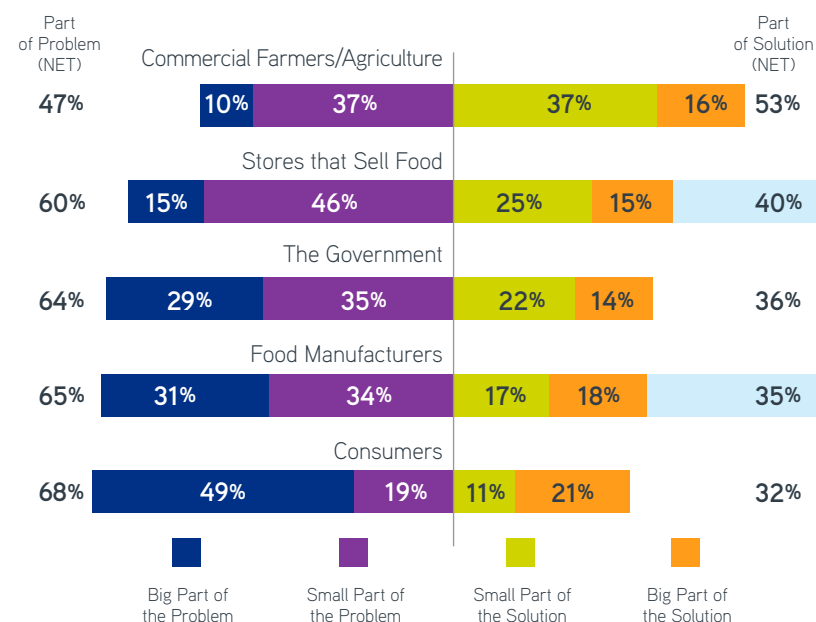
Food waste is an important concern and purchase consideration for U.S. shoppers. According to Sealed Air's consumer food waste study, the concern for food waste by grocery shoppers (63%) exceeded concerns over other environmental issues, including air pollution (59%), water shortages (57%) and climate change (53%). While consumers acknowledge that they share the blame for the food waste problem, a high percentage of Americans expect food retailers (40%) and manufacturers (35%) to be a part of the solution.

Food Waste More of Concern than Environmental Issues



Question: Personally, how concerned are you with each of the following?

Whether Part of the Food Waste Problem or Solution



Question: For each of the following, do you think they are part of the problem or part of the solution when it comes to the amount of food wasted in America?

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Consumer Purchase Behavior

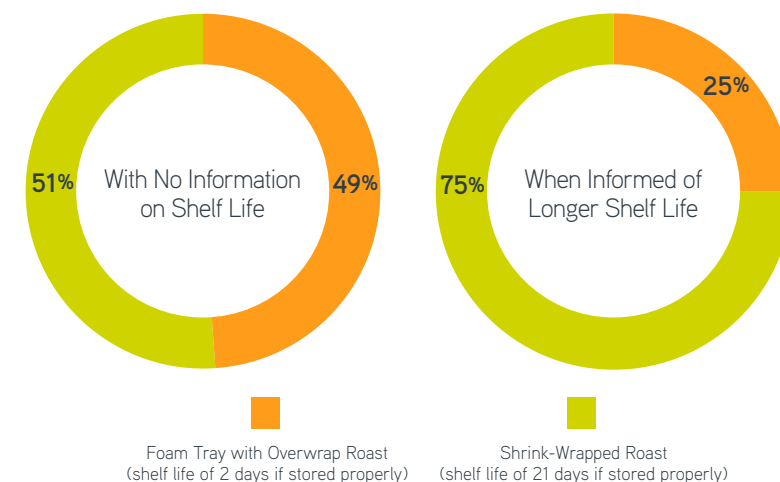
If better informed on the issue of food waste and offered packaging solutions that helped them minimize waste, consumers are willing to change their purchase behaviors. According to the consumer study, after learning about the impacts of food waste to the U.S., more than half (57%) of Americans say this knowledge will likely/very likely change the way they think about packaging and its ability to help food stay fresh longer. The takeaway: more informed consumer decision-making can generate greater purchase intent. This has significant business implications for food retailers.

Likelihood to Change Behavior



The Informed Consumer: Purchase Intent

Consumers were split between purchasing a roast with foam tray packaging and a roast with shrink-wrapped packaging. However, consumers that were informed that the shrink-wrapped roast has nearly a three-week longer shelf life than the foam tray roast were more likely to purchase the shrink-wrapped roast.



Question: Knowing what you know now, how likely are you to change any of the following to help reduce the amount of food your household wastes?

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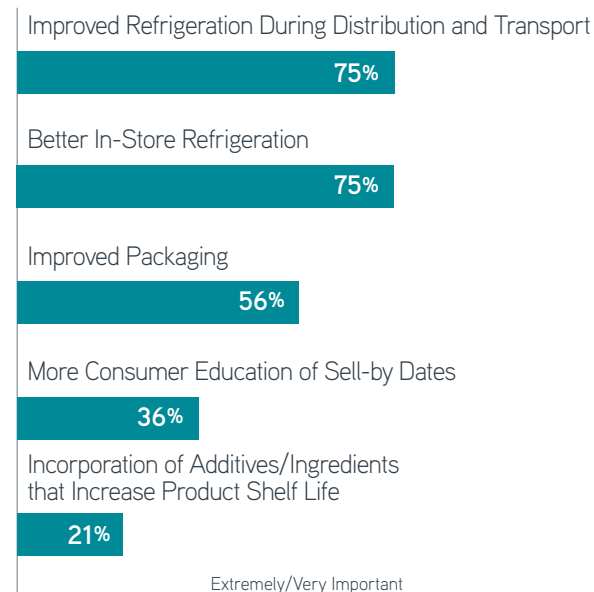
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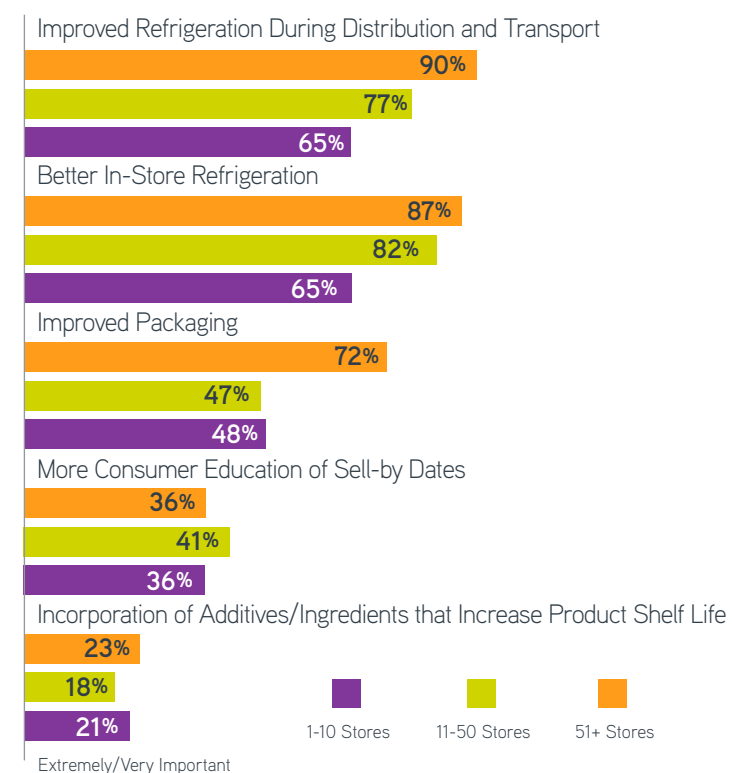
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Supermarkets have opportunities to minimize waste throughout the food lifecycle, but a holistic approach is needed to tackle this critical challenge. Improved refrigeration during distribution and transport (75%), better in-store refrigeration (75%) and improved packaging (56%) were all cited by supermarkets as important factors to reducing food waste. The importance of these factors becomes even more pronounced with national retailers, particularly with better packaging.

Reducing Waste at Every Stage



Increasingly Important for National Retailers



Question: How important would you say each of the following is to reducing shrink/food waste?

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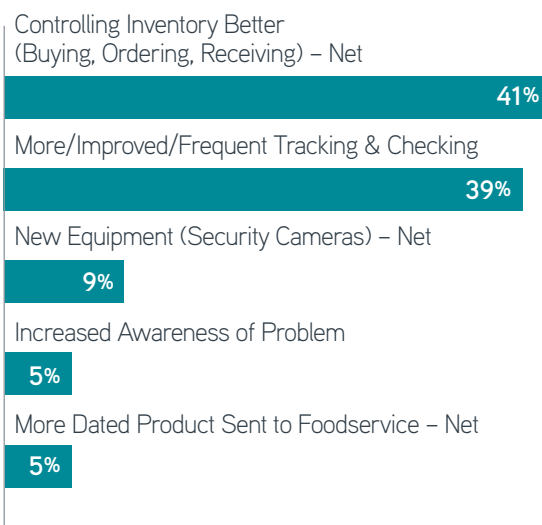
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Additional Opportunities to Reduce Shrink

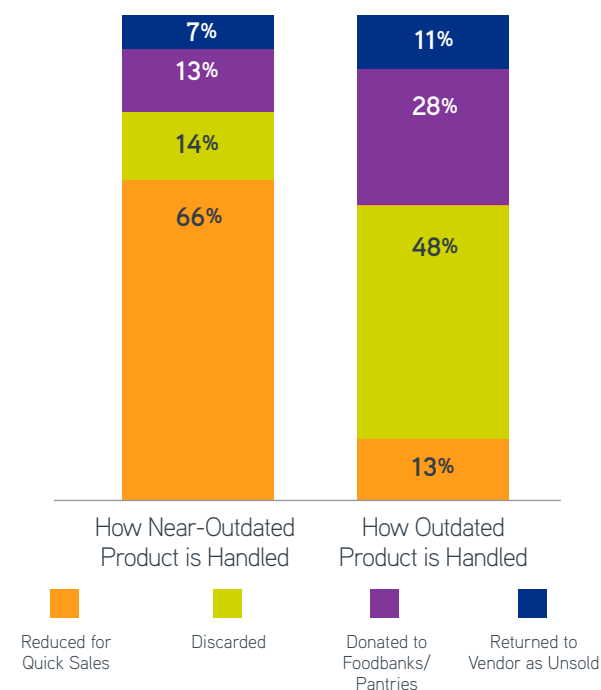
The most frequently mentioned new or improved procedures that supermarkets are implementing to control food waste include better inventory control (41%), which packaging that extends shelf life can significantly impact, and more or improved frequency of tracking/checking (39%). Additionally, the traditional methods of moving near-outdated and out-of-date product off store shelves still persist. Near-outdated product is most frequently reduced for quick sales (66%), while outdated product is most frequently discarded (48%) or, secondarily, donated to food banks.

Plans to Control Food Waste



Question: What new or improved procedures are you or your company planning to control shrink?

Dealing with Near-Outdated and Outdated Product



Question: How is near-outdated and out-of-date product handled?

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Retail Survey Methodology

The Taking Stock: Retail Shrink Solutions survey was commissioned by Sealed Air, in partnership with *Progressive Grocer*. The survey was conducted among a sample of 118 respondents drawn from subscribers to *Progressive Grocer*. Targeted titles and job functions included VPs, category managers and buyers of perishables, meat and seafood, bakery, deli and frozen categories, as well as store managers and department managers at the store level. The respondents are representative of between 8-13% of all U.S. supermarket store locations.*

For more information, check out these helpful links:

- Retail survey: www.sealedair.com/foodcare
- Consumer survey: www.sealedair.com

*Based on conservative estimates by Sealed Air factoring FMI and U.S. government data on U.S. store counts.

