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New Flavors, New Consumer Needs and Fresh Merchandising Approaches Amp Up the Appeal of a Perennial Favorite

Supermarket cheese departments are about to gain from five consumer trends:

- Consumers crave exciting new tastes to enliven their eating at home.
- The desire to eat healthier snacks and meals moves cheese up the shopping list.
- Shoppers seek alternate protein sources as beef and chicken prices rise this year.
- Americans are traveling abroad in bigger numbers and they want to recreate their dining experiences from wherever they visit.
- Millennials in the 25-34 age range – a key demographic group that also takes many of its food cues from TV food shows – have the highest purchase incidence for specialty cheese: 57% of them buy it, says the National Association for the Specialty Food Trade (NASFT).

The outlook is good for cheese wherever it is shown in the supermarket – on the dairy shelves, behind the deli counter, or in specialty cases or upscale store-within-a-store concepts. These days, cheese is also more visible in other areas of the store—capturing impulse sales through tasting events and pairings with fresh fruits, bagged salads, craft beers, meats, wines, breads, crackers and more.

In short, shoppers are finding it harder to not "say cheese" when in the supermarket. And more opportunities to tempt them are on the horizon.

"Look for more unique flavor combinations as cheesemakers large and small search to expand [the business]," Phil Lempert, CEO, SupermarketGuru.com tells Supermarket News. "Gourmet cheeses have typically seen the most flavor innovation, but that is about to change as the mass market looks for more excitement."

He predicts a "huge increase" in cheese sales from the dairy department "as shoppers discover that their favorite cheeses – cheddar, Swiss, Monterey Jack and mozzarella – can be found here for 20% to 40% less than in the fancier packaging on the cheese tables. As a result, the dairy manager will look to expand the cheese selection beyond the basics and begin to offer more assortment."

Lempert likens the pending variety boom in cheese to the growth Greek yogurt brought to the yogurt category.

The greater scale of cheese could mean dramatic potential for supermarkets. Why? Grocery stores account for nearly two-thirds of total cheese volume sales in the nation, says the Wisconsin Milk Marketing Board, citing SymphonyIRI Group data.

Per capita consumption of cheese has grown to 33.3 pounds in 2010, according to the USDA. And almost 70% of U.S. households buy cheese at the service deli, notes Nielsen Perishables Group.

"Look for more 'authentic' imported cheeses to do the same in the cheese category," says Lempert. "More tangy, flavorful and less-processed cheeses from around the world will be demanded by shoppers – especially by the Millennials and the Boomers who continue their food-experiences trek. The key to success for food retailers is to sample, sample, sample."

Consumers "aren't open to buying cheeses they don't know. But they're more than willing to at least trial it and take it home," agrees Adam Criscione, brand manager, Arla Foods. Sampling at Costco helped Arla to a double-digit sales gain of its sliced havarti last year. And its Saga crumbled blue cheese was "effectively" cross-merchandised with bagged salads at Kroger, Winn-Dixie and Albertsons, he adds.

Emerging Hot Spots

A taste of what could migrate to supermarkets: ethnic cheeses such as queso fresco, labneh, paneer and halloumi, which chefs in 2010 and 2011 surveys told the National Restaurant Association were hot ingredients.

Where else should retailers anticipate category growth?

- **Bolder flavors.** Consumers are venturing into more robustly aged and flavorful ingredient-filled cheeses, says the International Dairy-Deli-Bakery Association (IDDBA). It noted that truffle, chipotle, wasabi, horseradish, cocoa, saffron, apricot, pear and bacon already flavor artisan cheeses. The average number of deli cheese flavors has jumped 57% between 2005 and 2010, according to Nielsen Perishables Group.

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Phil Lempert, CEO, SupermarketGuru.com

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Pairing dairy with other products drove double-digit dollar and unit sales gains.

Innovation Center for U.S. Dairy

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- **Natural cheeses.** Manchego, gruyere and gouda are the three fastest growing at retail, notes IDDBA.
- **Specialty cheese and cheese alternatives.** They are the largest sector of specialty foods in the U.S., churning $3.44 billion in 2011 sales for a 9.8% share, says NASFT. Most specialty food purchasers buy these items at the supermarket (72%) rather than at natural food stores (36%) or mass merchants (34%), it notes.
- **Hispanic cheeses.** Their growing appeal is in sync with the rise of the Hispanic population.
- **Italian-type cheeses.** They led segment growth in per capita consumption to 14.61 pounds in 2010, the International Dairy Foods Association says.
- **Mini-cheeses.** Bite-size 1-oz. portions are popular with adults who want to snack healthier or fuel their children during the school day. The segment grew 27% to $140 million in 2010, ten times the growth rate of deli specialty cheese overall, reports Nielsen.

DID YOU KNOW?

$100,000+ households index highest for more flavorful cheeses.

Larger households tend to buy the most cheddar.

Two-person households are most likely to buy cheese from the deli.

Younger-to-middle-aged consumers are most likely to eat cheese for dessert.

Source: IDDBA

Retailers Sharpen Their Presentations

The hottest cheese trends are most visible now in the specialty display wells, which leading supermarkets use to enhance their reputations as food authorities and encourage shoppers to experiment with new food tastes.

At Fairway Market, for instance, 600 artisanal cheeses arranged on wooden boards and straw mats tempt shoppers in a high-traffic service section surrounded by an olive bar, charcuterie, coffees, candies and deli. A prominent sign that reads, "Cheese. It's not just an experience – it's an obsession," adds emotional appeal. Moreover, the Fairway website presents the chain's Master Cheesemonger Steve Jenkins as a personality – and sells autographed copies of his *Cheese Primer* book, which won the James Beard Award.

New signage in a revamped specialty cheese display at Publix describes the texture, taste and aging of many choices to help shoppers understand and stimulate purchases. Surrounded by condiments, crackers and breads, the 250-square-foot section encourages companion sales. And the retailer sometimes makes an event out of cracking wheels of Parmigiano Reggiano on the sales floor, SN has reported. Publix enlarged its specialty cheese assortment in 2011, including the launch of 15 Publix Deli private-label domestics and imports.

And Murray's Cheese Shop, the well-known specialty operator in New York City, has opened mini-versions in 38 Kroger, King Soopers, QFC and Fred Meyer stores – with plans to add 25 more in 2012, a Murray's source told SN earlier. The service boutiques connote expertise and satisfy new consumer demands – for example, to know which cheeses are organic, local or sustainable.

New concepts are emerging that blur the lines between foodservice and retailing. New York City's Eataly and Greater Chicago's Standard Market embody this trend. At Eataly, 400 varieties of regional Italian cheeses are stars – and shoppers and website visitors are encouraged to call Head Cheesemonger Greg Blais with any questions. The Wine, Beer and Cheese Shop at Standard Market surrounds hundreds of cheeses with 500 wines and beers from many nations, amid the store's context of chef-prepared foods.

How effective could pairings be? New retailer pilot tests of 16 meal and snack solutions drove lifts of 19.2% in unit sales and 20.5% in dollar sales when dairy was paired with other products, according to the Innovation Center for U.S. Dairy.

These retail merchandising tactics show variety and suggest new ways to use cheese when entertaining or eating alone. "Consumers want variety without being overwhelmed. It should be easy for them to understand what about a cheese is so good," says Anthony Caliendo, vice president-sales and marketing, JVM Sales-Milano's Cheese Corp. "They want someone knowledgeable so they can learn where and how a cheese is made. We'll see more of that in high-volume stores."

A Bit of "Fun" Helps Build Sales

Phil Lempert, the SupermarketGuru, suggests five distinctive ways to generate excitement with cheese:

- **Display a 100+ lbs. wheel of cheddar or Swiss** and have shoppers guess the exact weight. The winner gets a year's supply of cheese.
- **Display cheese in other departments** – cheese in produce next to the apples and other fruit, in the meat department next to the burgers, within wine and beer departments, and in the bakery with a recipe to make your own cheese bread.
- **Conduct a Cheese 101 seminar and tasting.** Most shoppers stick to the six most popular varieties, but many supermarkets stock at least 100 types. Teach them and let them taste them – and sales will increase.

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Social media and online promotions are set to play a greater role in connecting supermarket cheeses to consumers.

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- **Celebrate cheese.** Create your own cheese events, building on proven, successful themes like April in Paris. Go beyond obvious ones like Cinco De Mayo into unique and own-able annual events like Macaroni & Cheese Day (the dish was brought to America by Thomas Jefferson in 1802!) by offering dozens of different Mac & Cheese recipes.
- **Empower shoppers** by teaching them about the health aspects of cheese, and post comparisons of protein content to meats, chicken and fish.

Events with authentic international flair could add further cachet. ANCO Fine Cheese flies cheesemakers in from France, Italy, Spain and the UK to tour stores and demo and sample product at Meet The Cheesemaker events. Major supermarket retailers post signs several weeks in advance to build buzz. "There's nothing better than having the person who makes the cheese deliver charm and authenticity," says Sebastien Lehembre, product manager-France at ANCO.

Social media and online promotions are also set to play a greater role in connecting supermarket cheeses to consumers. For example, the Milano's for a trip to Milan – and for buyers of its 1-lb. "sustainable" bags of grated cheese, in a "going-green" effort it will offer a brand-labeled 8-oz. refillable jar to keep product fresh at home.

For its part, ANCO posts 600 recipes on its website (iledefrancecheese.com) and works with bloggers who specialize in cheese.

On Facebook, Arla wants consumers to inspire each other with ways to use cheeses and company recipes. On YouTube, it posts cheese-making videos and global commercials from its Danish parent. All of these efforts build consumer interest in cheese.

"Shoppers are much more accepting of buying their cheese in supermarkets," observes Criscione. "For most, the convenience outweighs the uniqueness of going to a specialty shop."