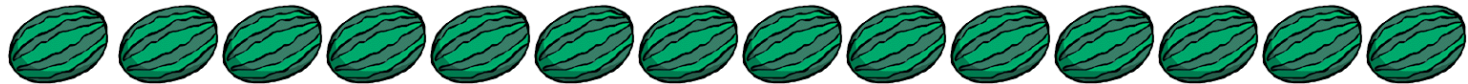


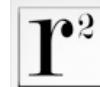
WATERMELON PRICE ELASTICITY STUDY



Watermelon
National Watermelon Promotion Board



*Prepared by:
Rose Research LLC
June 23, 2011*



rose research
A FULL SERVICE MARKETING RESEARCH COMPANY

Methodology

A total of 800 online interviews were completed during May/June, 2011 among respondents who are the primary grocery shoppers of their household and purchased whole watermelon in the past few months.

The interviewing was conducted among a national sample of respondents and is reflective of U.S. population statistics.

Management Overview

Notably, based upon these data, it is our opinion that whole watermelon is currently at the high end of its pricing potential. Most important, the consumer data also indicates that lowering the price would have a very significant impact on volume – with shoppers playing back that price reductions would motivate them to virtually double their purchase rate. Moreover, the perceived price the consumer is currently paying for whole watermelon (\$4.56) is higher than the “normal” price - \$4.10 (i.e. the price they would be willing to pay) and can be a potential long term sales deterrent. In addition, the current price the shoppers are perceived to be paying for whole watermelon (\$4.56) is also higher than the “optimal price point” (i.e. the price consumers would prefer to pay) - \$3.85, while the range of acceptable prices is between \$3.25 - \$4.71, with the current perceived price (\$4.56) at the high end of the spectrum.

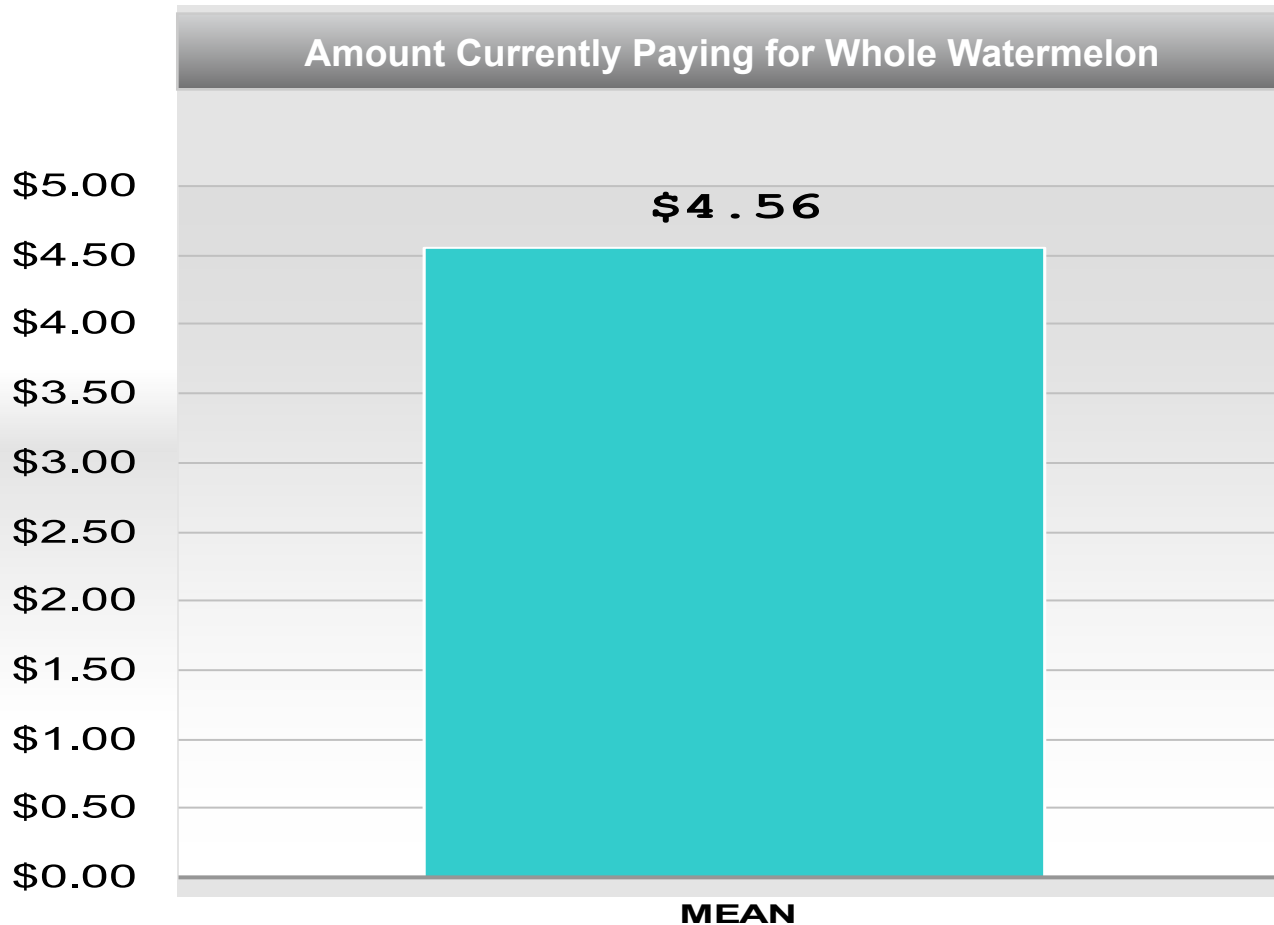
Management Overview (Cont'd)

In terms of how the consumer would like watermelon to be priced, the vast majority would prefer that it continues to be sold “by the whole watermelon” (84%) and not “by the pound” (16%) – driven by the perception that “price/value” and “convenience (don’t need to calculate total price)” is better when buying the product in this manner.

All in all, while the current (perceived) price of watermelon falls within the acceptable range of prices the consumer is willing to pay for the product (\$3.25 - \$4.71) – it is close to the outer limit and with today's challenging economic environment inhibiting spending, caution would be advised.

Watermelon Purchasing

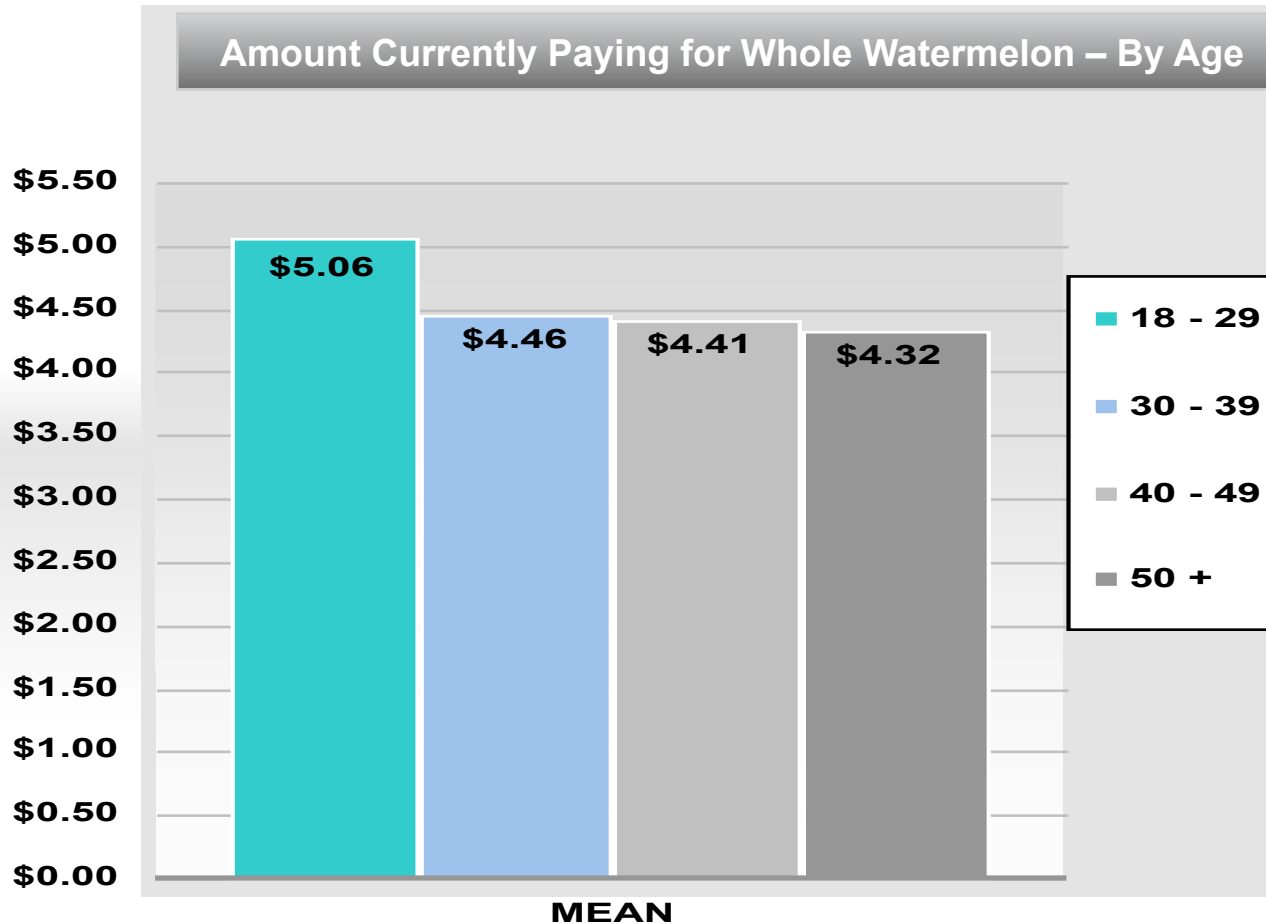
Shoppers have been paying an average of \$4.56 for whole watermelon recently (the past month or so).



Q3. To the best of your knowledge, on average, how much have you been paying for whole watermelon recently (i.e. the past month or so)?

Watermelon Purchasing

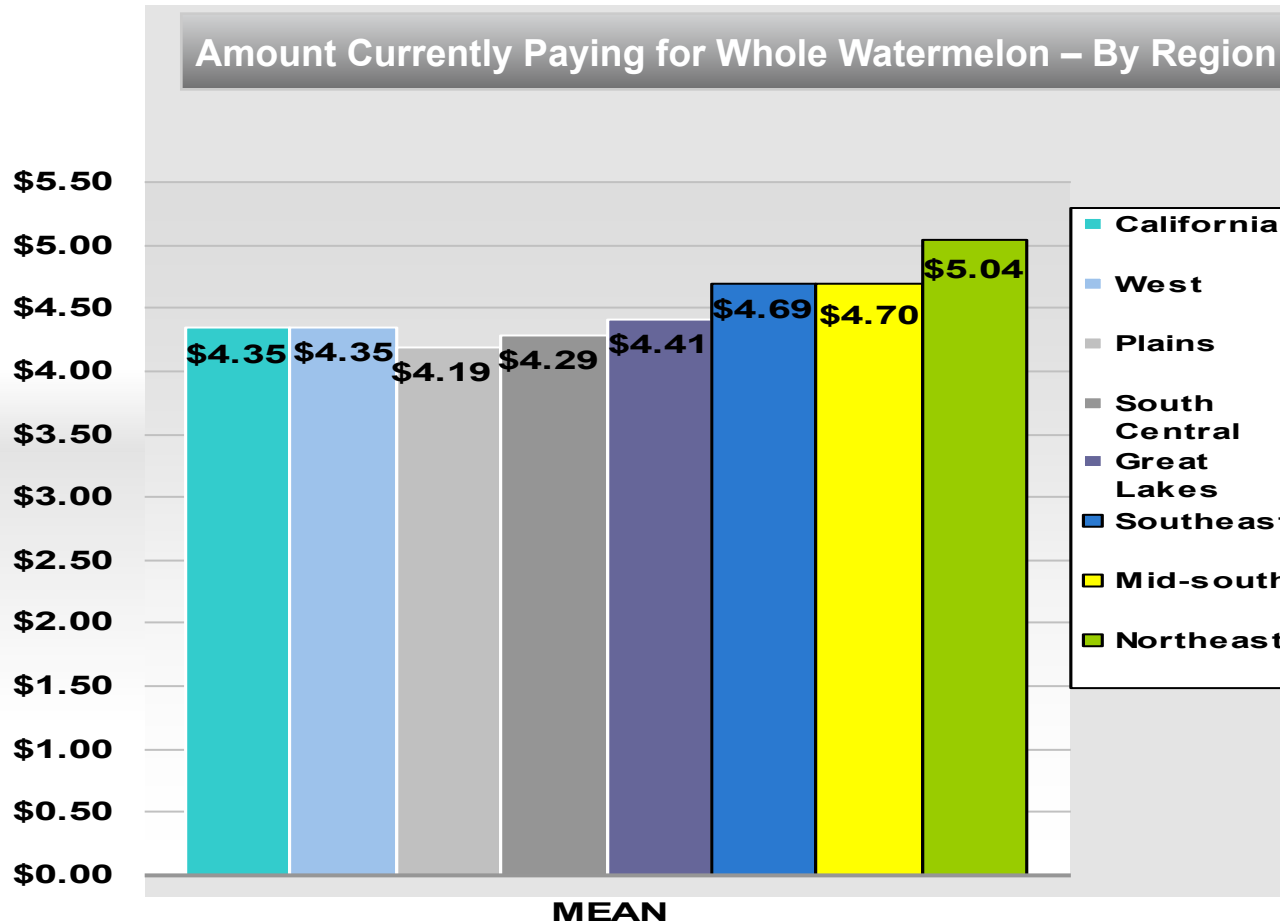
Interestingly, younger consumers (18 – 29 years of age) believe that they pay more for a whole watermelon vis-à-vis their older counterparts.



Q3. To the best of your knowledge, on average, how much have you been paying for whole watermelon recently (i.e. the past month or so)?

Watermelon Purchasing

The cost of a whole watermelon is perceived to be highest in the Northeast compared to the rest of the country.

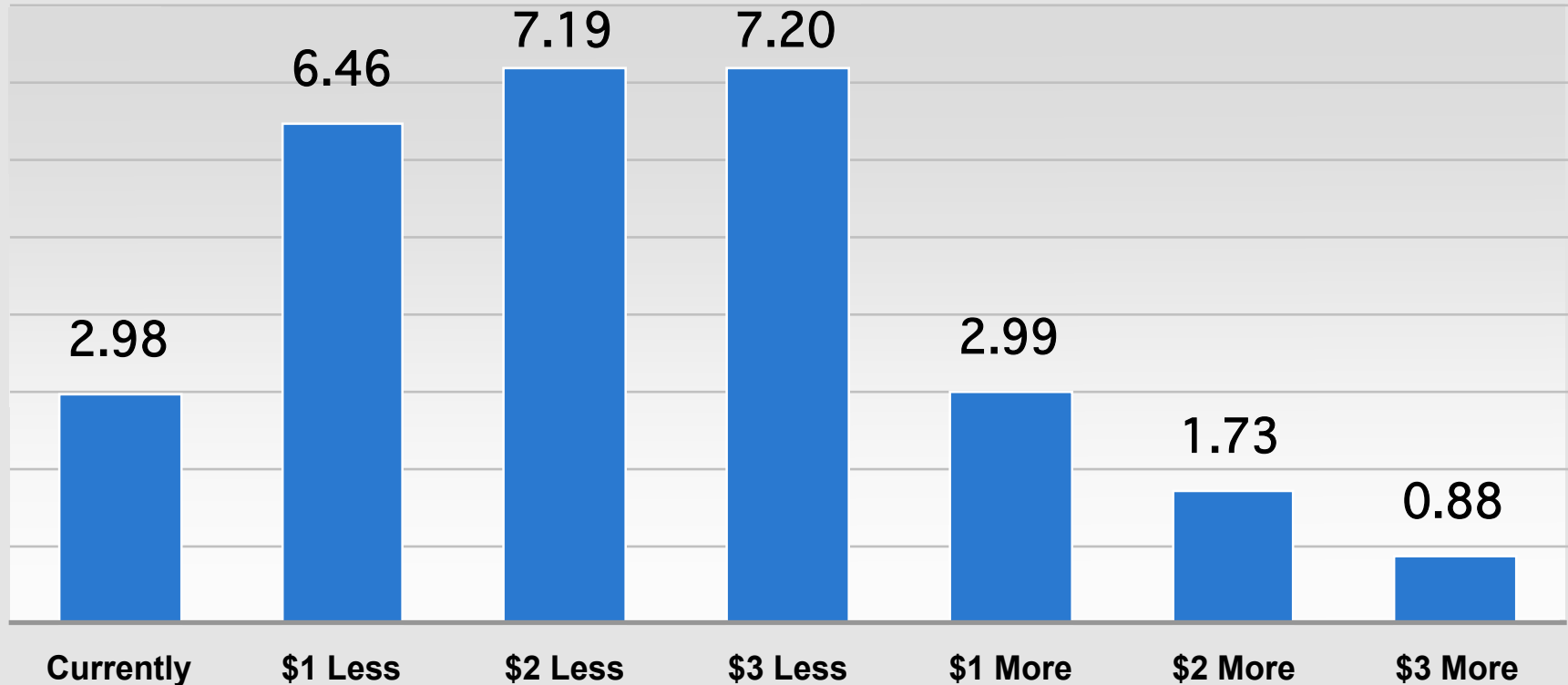


Q3. To the best of your knowledge, on average, how much have you been paying for whole watermelon recently (i.e. the past month or so)?

Watermelon Purchasing

Notably, while respondents reportedly bought 3 whole watermelon over the past few months, they would more than double their purchase frequency if it was less expensive – with higher prices a deterrent.

Current Amt. Purchased & Amt. of Watermelon That You Would Purchase if it Was...



Q8-13. How many whole watermelons would you buy during the summer months if they were sold for....?

Watermelon Purchasing

Lowering the price of whole watermelon would have a greater impact on older respondents (those 30 years of age or older), as purchase frequency among this group increases more significantly as its price goes down.

	<u>AGE</u>			
	<u>18 – 29</u> <u>MEAN</u> <u>(a)</u>	<u>30 – 39</u> <u>MEAN</u> <u>(b)</u>	<u>40 – 49</u> <u>MEAN</u> <u>(c)</u>	<u>50 +</u> <u>MEAN</u> <u>(d)</u>
\$1 less	5.87	6.52	6.73 a	6.71 a
\$2 less	6.49	7.13	7.72 a	7.45 a
\$3 less	6.43	7.19	7.92 a	7.33
\$1 more	2.66	3.23 a	3.04	3.05
\$2 more	1.58	2.04 ad	1.76	1.56
\$3 more	0.88	1.10 d	0.85	0.72

Q8-13. How many whole watermelons would you buy during the summer months if they were sold for....?

Watermelon Purchasing

Price is also strongly correlated with income, as wealthier households would purchase more watermelon if the price decreased, while they're also less apt to be affected by increases.

	<u>INCOME</u>		
	<u><\$40 K</u> <u>MEAN</u> (a)	<u>\$40 - \$75 K</u> <u>MEAN</u> (b)	<u>\$75 K +</u> <u>MEAN</u> (c)
\$1 less	5.82	6.27	7.39 ab
\$2 less	6.36	7.13 a	8.33 ab
\$3 less	6.39	7.24	8.33 a
\$1 more	2.47	2.78	3.82 ab
\$2 more	1.30	1.60	2.39 ab
\$3 more	0.57	0.75	1.37 ab

Q8-13. How many whole watermelons would you buy during the summer months if they were sold for....?

Watermelon Purchasing

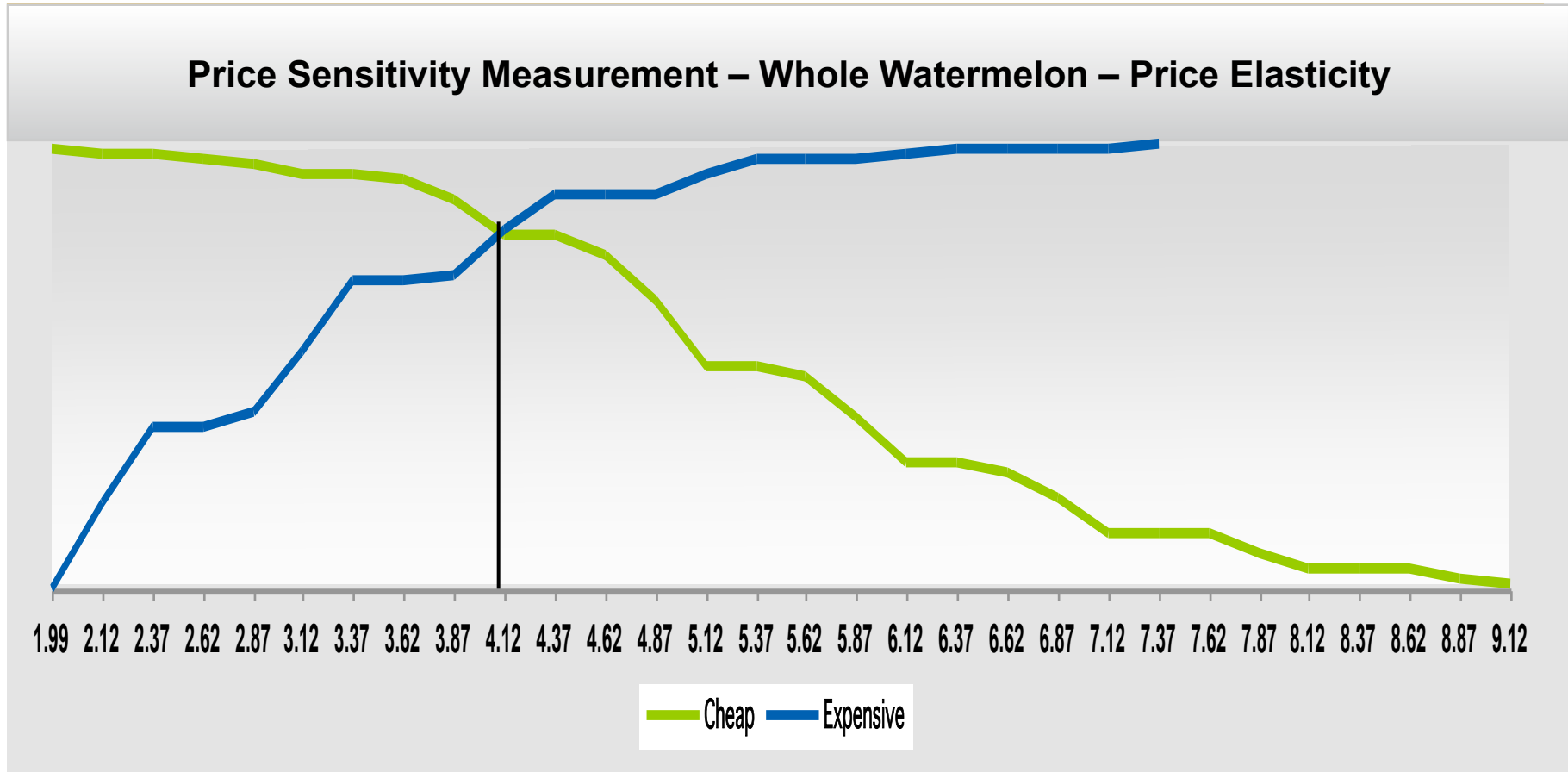
While, on average, women would purchase more watermelon if the price went down, men, on the other hand, would reportedly be less affected by rising costs.

	<u>GENDER</u>	
	<u>Male</u> <u>MEAN</u> <u>(a)</u>	<u>Female</u> <u>MEAN</u> <u>(b)</u>
\$1 less	6.14	6.59
\$2 less	6.70	7.41 a
\$3 less	7.04	7.27
\$1 more	3.21	2.90
\$2 more	1.98 b	1.63
\$3 more	1.10 b	0.79

Q8-13. How many whole watermelons would you buy during the summer months if they were sold for....?

Price Sensitivity Measurement

The “normal price” for whole watermelon (the price consumers indicate that they’d be willing to pay) is \$4.10 – about \$0.50 lower than what they currently say they pay for the product.

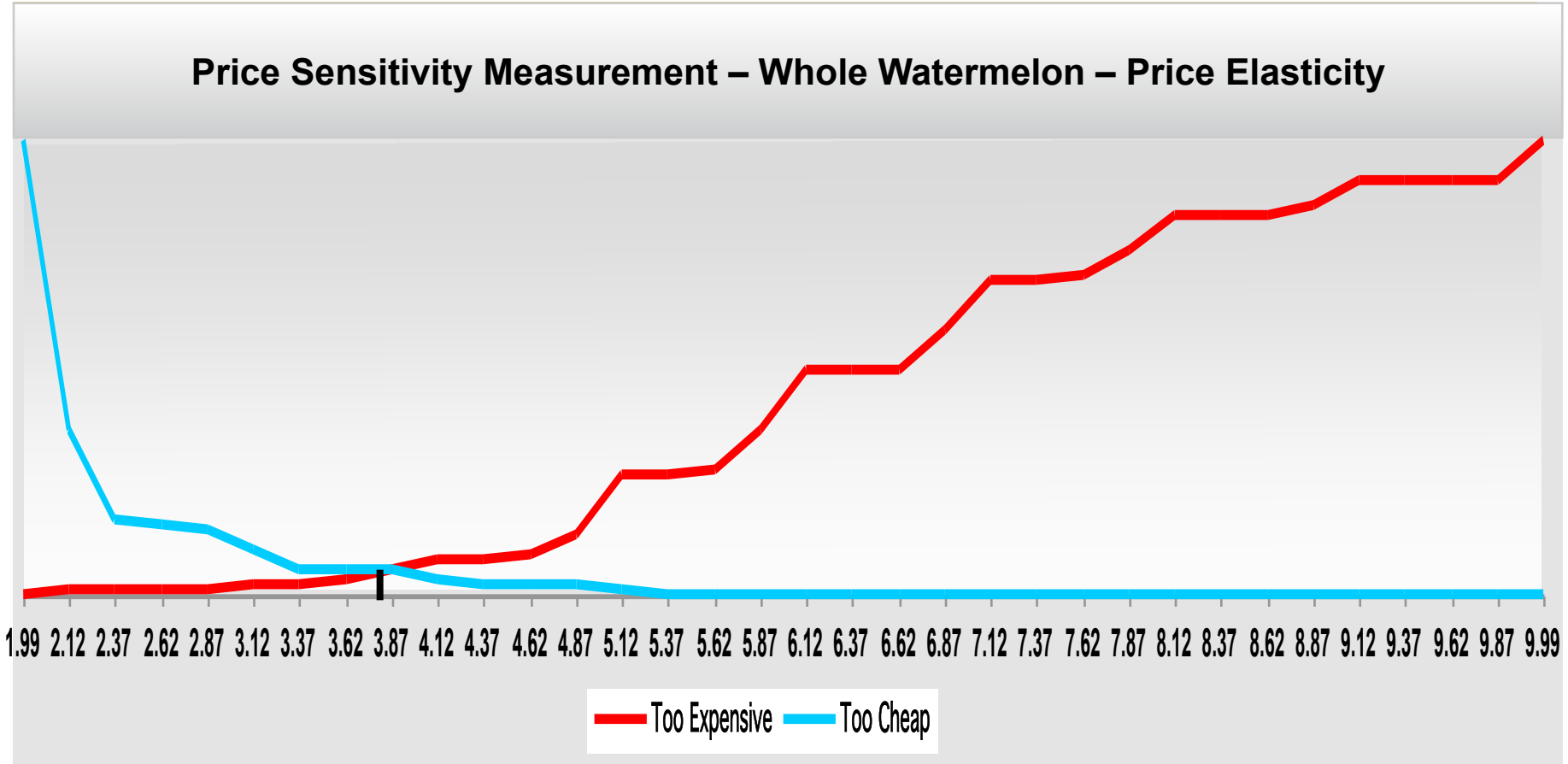


NP= Normal Price (intersection of Cheap and Expensive)

\$4.10

Price Sensitivity Measurement

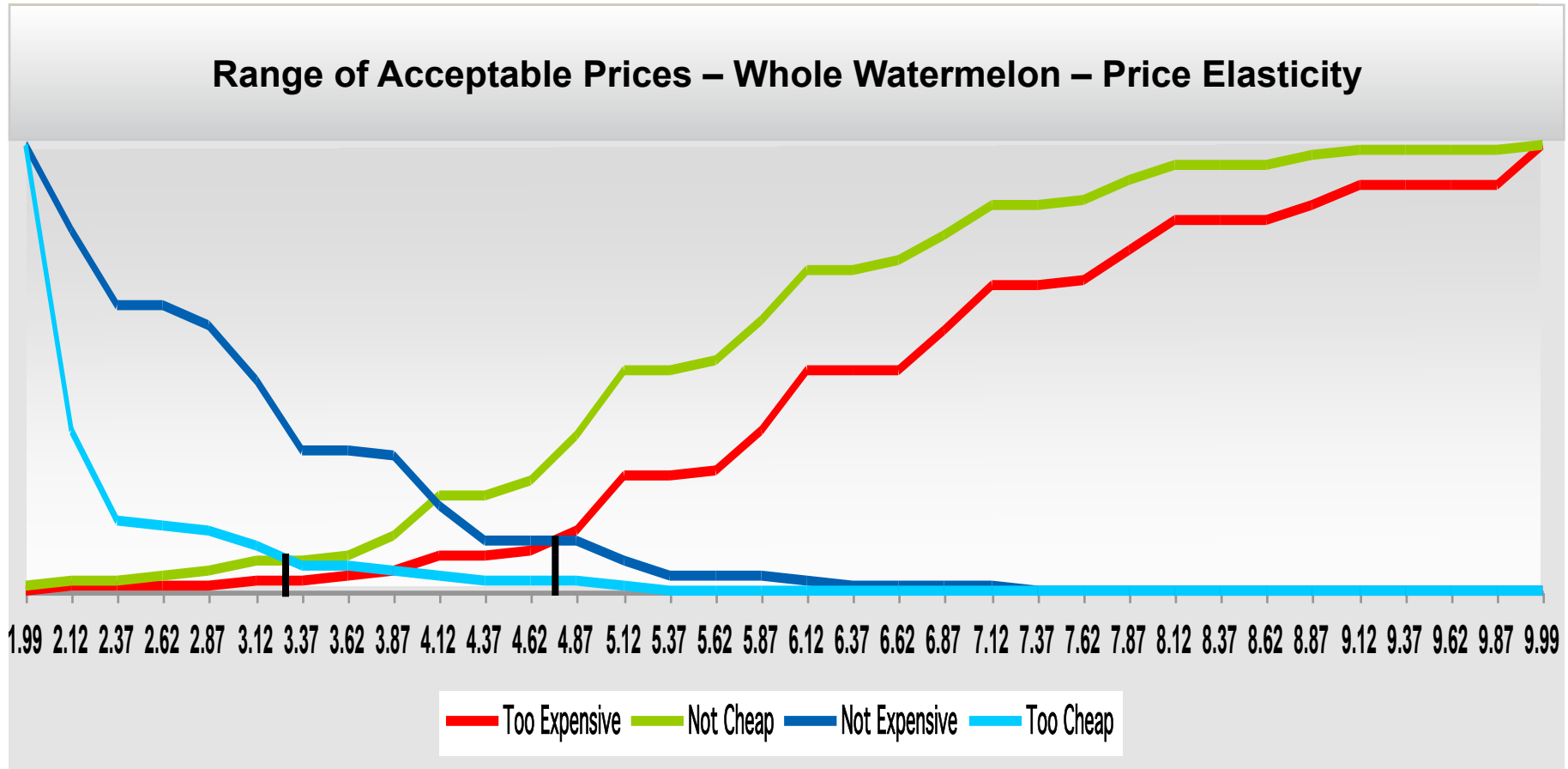
The “optimal price point” (the price consumers would like to pay) for whole watermelon is \$3.85.



OPP= Optimal Pricing Point (intersection of Too Cheap and Too Expensive) \$3.85

Range of Acceptable Prices

The range of acceptable prices for whole watermelon is currently between \$3.25 and \$4.71, with the current perceived price (\$4.56) approaching the high end of the spectrum.



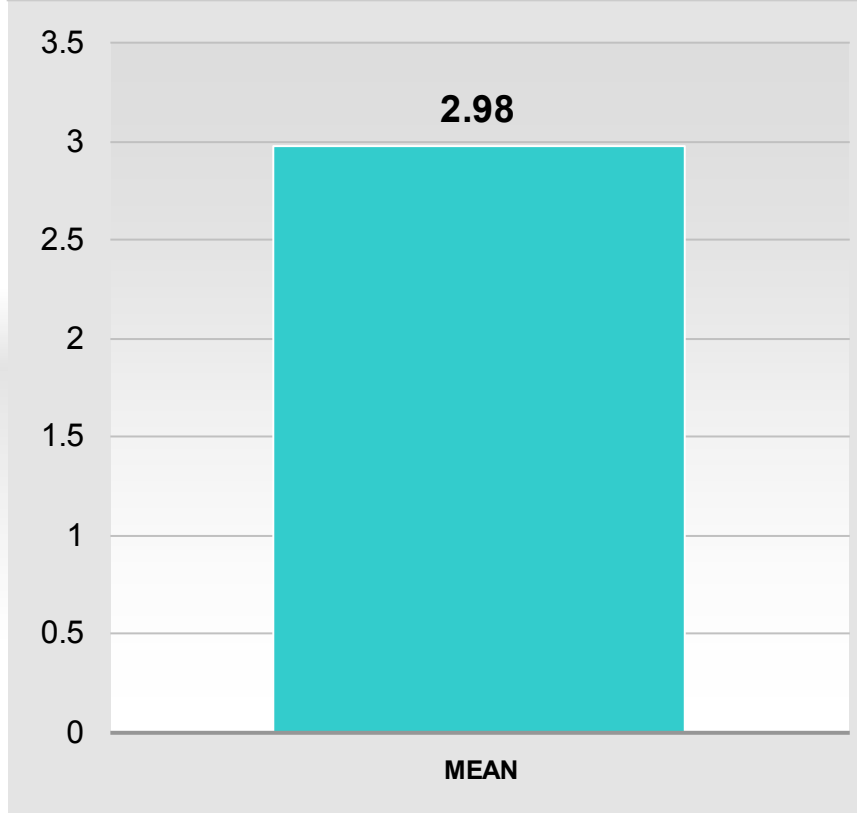
PMC = Point of Marginal Cheapness (intersection of Not Cheap and Too Cheap) \$3.25

PME = Point of Marginal Expensiveness (intersection of Not Expensive and Too Expensive) \$4.71

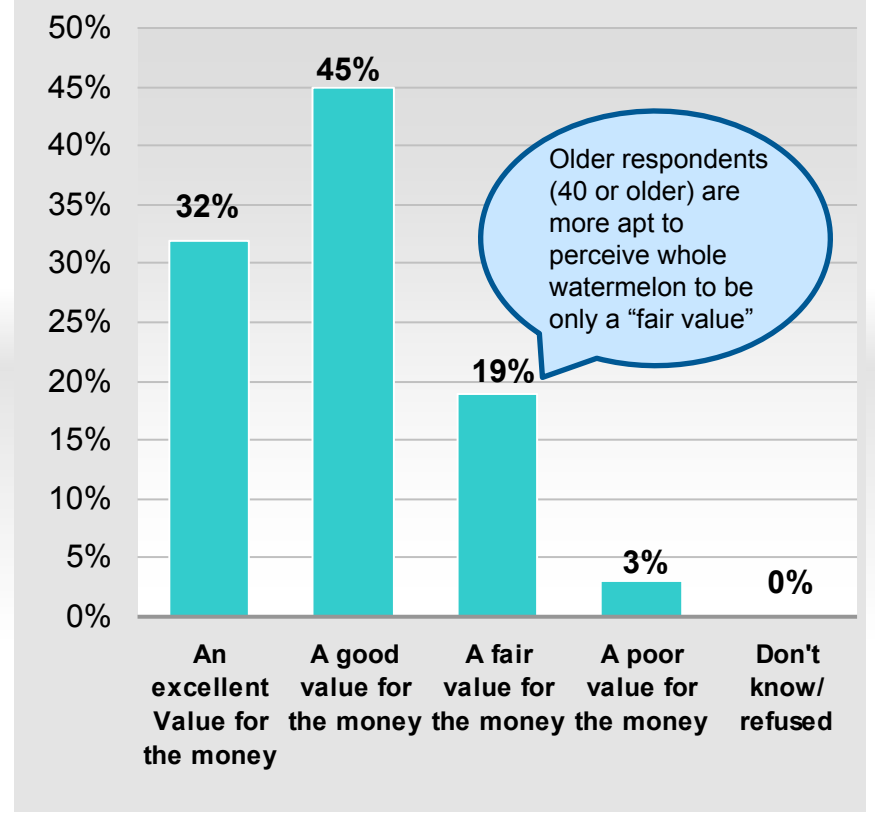
Watermelon Purchasing

As mentioned previously, the shoppers have purchased about 3 whole watermelon over the past few months (2.98) – with only one-third mentioning that it is an “excellent value for the money”.

Number of Watermelons Purchased in Past Few Months



Whole Watermelon Purchase In Past Few Months Was...



Q1. How many whole watermelons have you purchased in the past few months?

Q2. Overall, would you say that the whole watermelon that you purchased in the past few months was...?

Watermelon Purchasing

Current watermelon purchasing is highest among younger respondents (under 40 years), men and higher income households.

	AGE				GENDER		INCOME		
	<u>18 – 29</u> <u>MEAN</u> <u>(a)</u>	<u>30 – 39</u> <u>MEAN</u> <u>(b)</u>	<u>40 – 49</u> <u>MEAN</u> <u>(c)</u>	<u>50 +</u> <u>MEAN</u> <u>(d)</u>	<u>Male</u> <u>MEAN</u> <u>(e)</u>	<u>Female</u> <u>MEAN</u> <u>(f)</u>	<u><\$40 K</u> <u>MEAN</u> <u>(g)</u>	<u>\$40 - \$75 K</u> <u>MEAN</u> <u>(h)</u>	<u>\$75 K+</u> <u>MEAN</u> <u>(i)</u>
Mean	3.05 c	3.57 acd	2.61	2.71	3.41 f	2.80	2.69	2.98	3.36 g

Q1. How many whole watermelons have you purchased in the past few months?

Watermelon Purchasing

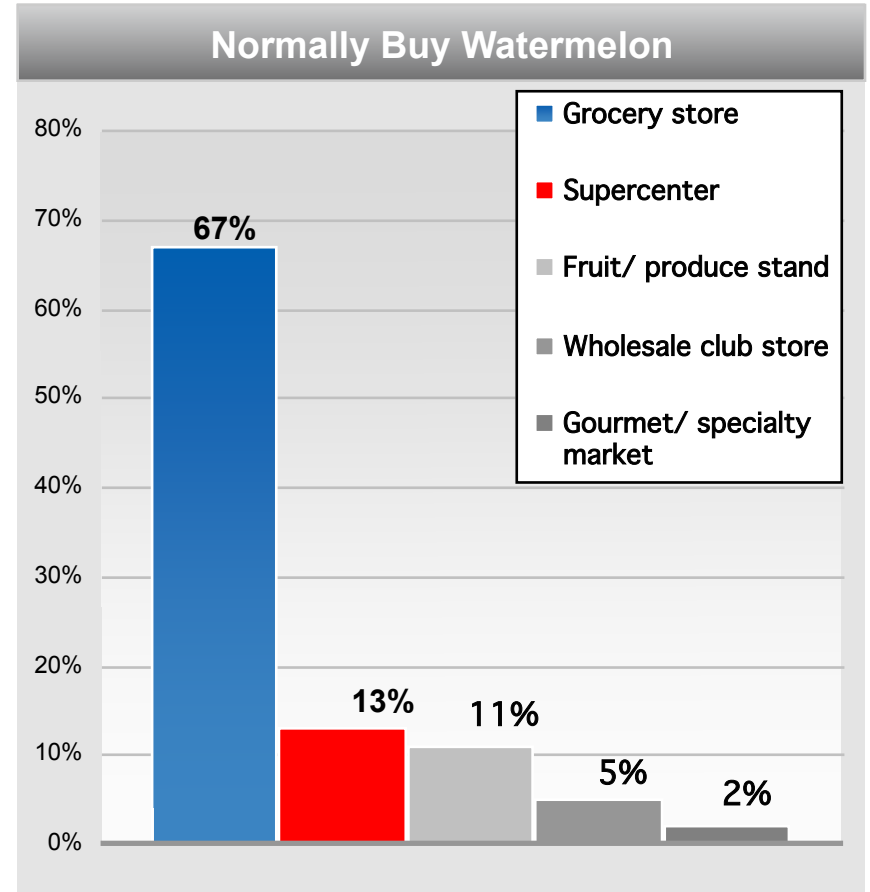
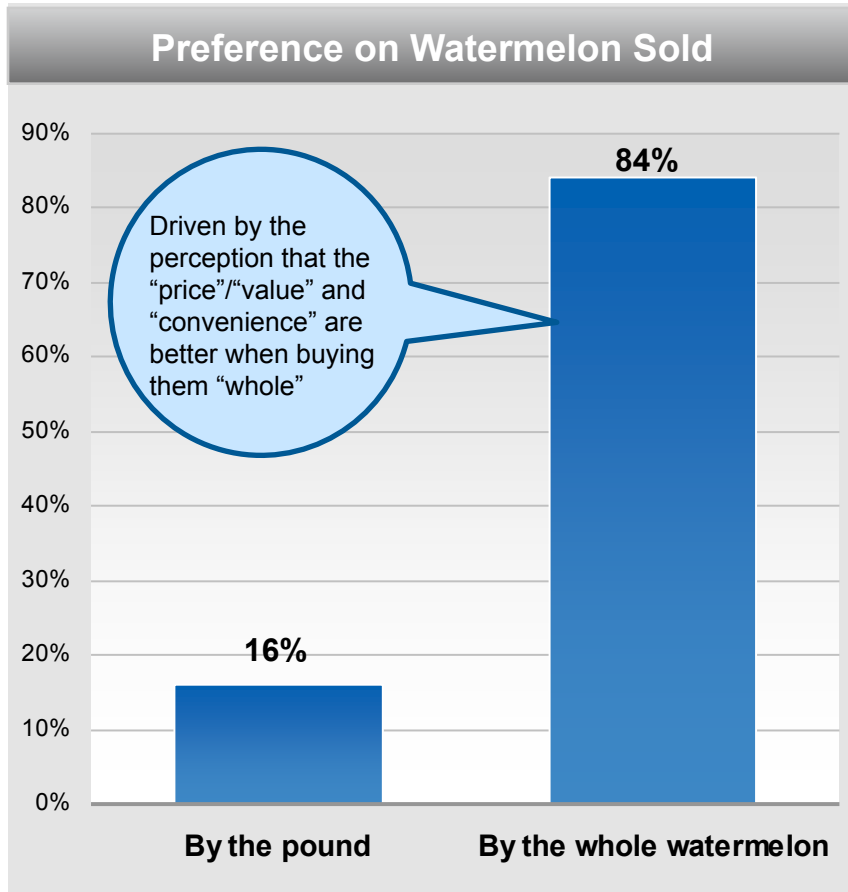
Respondents in California and the Southeast tend to be heavier purchasers – buying whole watermelon at least 3 times in the past few months.

	REGION							
	<u>California</u> % (a)	<u>West</u> % (b)	<u>Plains</u> % (c)	<u>South Central</u> % (d)	<u>Great Lakes</u> % (e)	<u>Southeast</u> % (f)	<u>Mid-south</u> % (g)	<u>Northeast</u> % (h)
Mean	3.80 bcdegh	2.70	2.52	2.99	2.63	3.23 ce	2.64	2.97

Q1. How many whole watermelons have you purchased in the past few months?

Watermelon Purchasing Preference

The majority of the shoppers would like to see watermelon sold whole (84%) and not priced by the pound, while most of them (67%) purchase it at the grocery store.



Q14a. Would you prefer to see watermelon sold by the pound or by the whole watermelon?
Q15. Where do you normally buy whole watermelon?

Watermelon Purchasing Preference

Although most would like to see watermelon sold whole, at low levels, younger respondents (18 – 39 years of age) are about twice as likely to prefer “pricing by the pound”.

	<u>AGE</u>			
	<u>18 – 29</u> % (a)	<u>30 – 39</u> % (b)	<u>40 – 49</u> % (c)	<u>50 +</u> % (d)
By the whole watermelon	80	78	89 ab	88 ab
By the pound	20 cd	22 cd	11	12

Q14a. Would you prefer to see watermelon sold by the pound or by the whole watermelon?

Watermelon Purchasing Preference

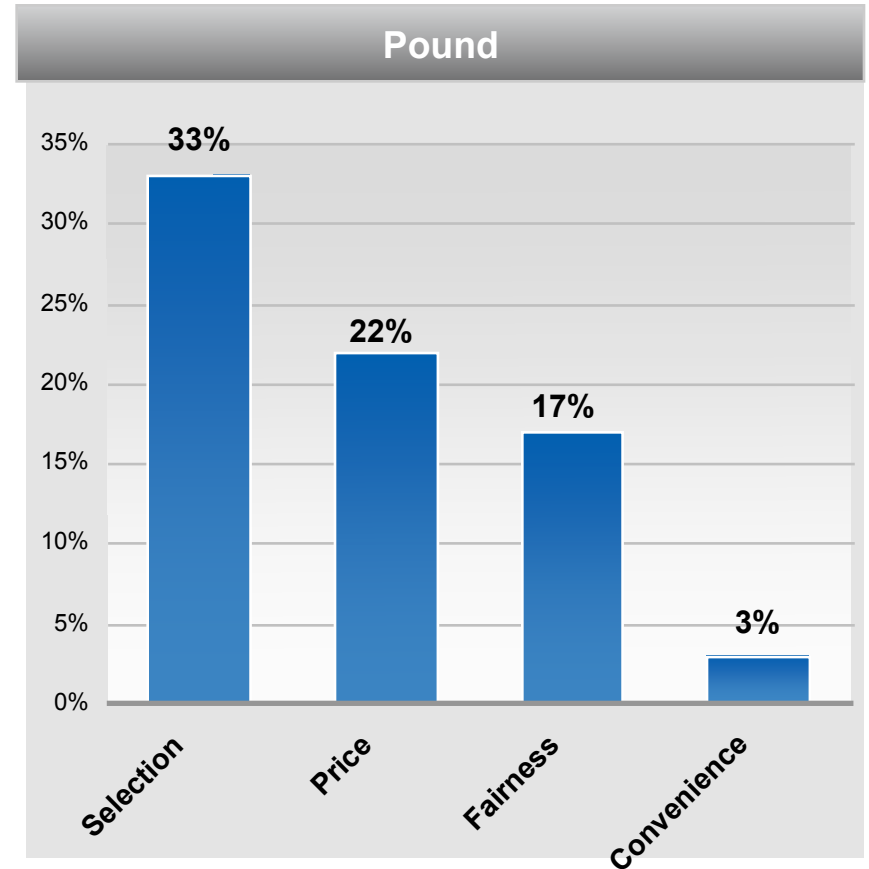
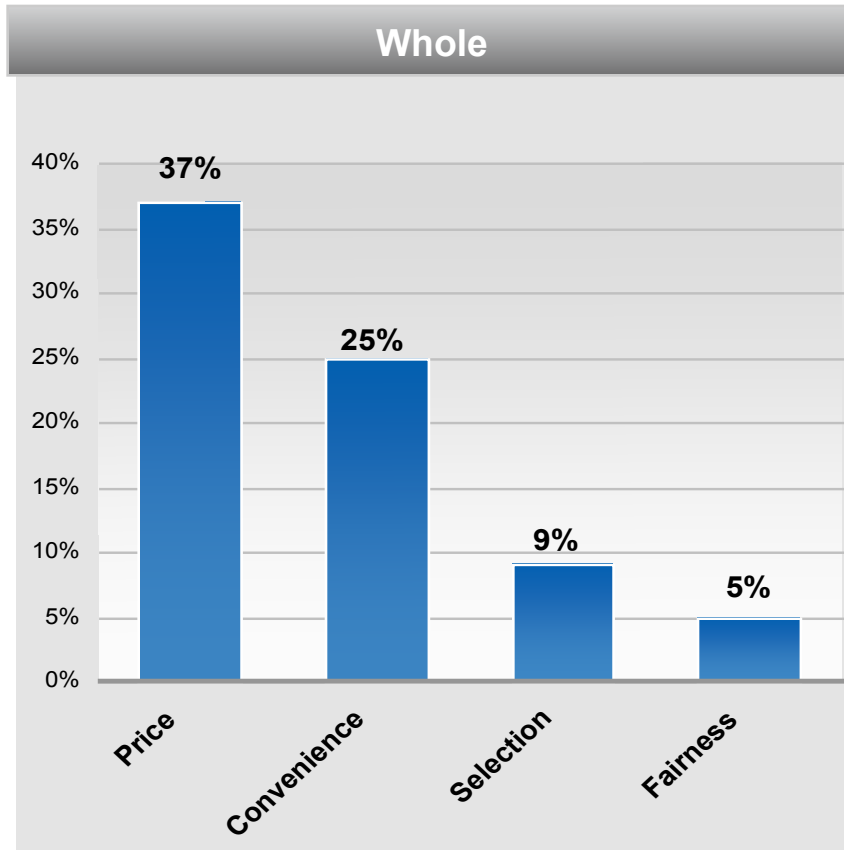
Moreover, while “whole” is still the preferred way to price watermelon, nearly 4 in 10 of the respondents in California would like to have the ability to pay for it “by the pound” – significantly higher than any other region, while those in the West and Northeast are also more apt to feel this way versus their counterparts.

	REGION							
	<u>California</u> % (a)	<u>West</u> % (b)	<u>Plains</u> % (c)	<u>South Central</u> % (d)	<u>Great Lakes</u> % (e)	<u>Southeast</u> % (f)	<u>Mid-South</u> % (g)	<u>Northeast</u> % (h)
By the whole watermelon	63	77 a	86 a	89 ab	92 abh	94 abh	91 abh	80 a
By the pound	37 bcdefgh	23 defg	14	11	8	6	9	20 efg

Q14a. Would you prefer to see watermelon sold by the pound or by the whole watermelon?

Watermelon Purchasing Preference

Purchasing “by the whole watermelon” is preferred by consumers primarily due to “price” and “convenience (i.e. don’t need to calculate total purchase price)”, while preference for buying it “by the pound” is driven by “selection (i.e. you can pick a specific size based on budget)” and “price”.



Q14b. Why do you feel that way? Are there any other reasons?

Demographic Information

Including Self, How Many People Living in Household	2011 %
1	14
2 – 3	51
4 or more	35

How Many Children Under 18 Living in Household	2011 %
None	43
1	26
2 – 3	28
4 or more	3

Ethnic Background	2011 %
Caucasian	76
African American	9
Asian	7
Hispanic/Latino	6
Refused	1

Last School Grade Completed	2011 %
Some high school or less	2
High school graduate	18
Some college/AA degree/trade/technical school	39
College graduate (4-year degree)	30
Post graduate (masters/doctorate)	11
Refused	-

Total Family Income	2011 %
Less than \$20,000	11
\$20,000 but less than \$30,000	13
\$30,000 but less than \$40,000	12
\$40,000 but less than \$50,000	13
\$50,000 but less than \$75,000	18
\$75,000 but less than \$100,000	13
\$100,000 but less than \$150,000	11
\$150,000 or more	5
Refused	5