



# HASS AVOCADOS

## ABSTRACT

### 2008 Price Sensitivity Study

**Type:** Retail Pricing Study

**Purpose:**

*To understand price elasticity in the avocado category and how it impacts retail sales*

- *What was the impact on base volume as avocado retail prices increased or decreased?*
- *How does elasticity vary by segment and size within avocado varieties?*
- *What was the impact on retail volume across different discount levels?*
- *What were the differences in elasticity between high demand avocado regions and low demand avocado regions?*

**Key Benefits/Attributes:**

*This research included by item detail for the avocado category for 120 retail account geographies across the U.S. which included the following sales attributes:*

- *Dollar sales*
- *Volume (Pound) sales*
- *Price points*

*Utilizing item level detail across all geographies, Base Price / Everyday Price and Promoted / Discounted Price were identified and sales performance analyzed.*

*Three (3) statistical models were created using the standard techniques in SAS (Statistical Analysis System).*

*Model 1 - Large Hass Avocados*

- *U.S. and Region review*
- *Base Price Elasticity*
- *Promoted Price Elasticity*

*Model 2 - Small Hass Avocado*

- *U.S. review*
- *Base Price Elasticity*
- *Promoted Price Elasticity*

*Model 3 - Large Hass Avocado in conjunction with:*

*–Vine Ripe Tomatoes*

*–Beefsteak Tomatoes*

- *U.S. review*
- *Base Price Elasticity*
- *Promoted Price Elasticity*

**Results / Conclusion:**

- *Large Hass Avocados respond well to promotion and discounts*
  - *When everyday retail price decreased by -25%, retail volume increased approximately +40%*
  - *When everyday retail price increased by +25%, retail volume declined by approximately -20%*
  - *When there was a -25% price discount/promotion, retail volume increased approximately +50%*



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- *Small Hass Avocado volume is not significantly impacted by promotions or everyday price changes*
  - *When everyday pricing increased +25%, retail volume declined by approximately -10%*
  - *When there was a -25% price discount/promotion, retail volume increased approximately +20%*
    - *NOTE: To provide perspective, other products “on sale” can generate from +150% to +300% increases*
- *Increasing the everyday price of Small Hass Avocados does not easily persuade consumers to purchase larger sizes of Hass Avocados*
  - *Everyday retail pricing for Small Hass Avocados must increase more than +20% before Large Hass Avocados will experience a retail volume increase more than +6%*
  - *This indicates that the Small Avocado consumer prefers a particular size, and does not readily switch to a larger size*
- *There is a direct relationship between Vine Ripe Tomatoes and Large Hass Avocados*
  - *Discounting or lowering the price of the tomatoes increases the volume of Large Hass Avocados*
  - *When the everyday retail price increased for Vine Ripe Tomatoes, Large Hass Avocado volume decreased (and vice versa)*
- *There is lesser relationship between the everyday price of Beefsteak tomatoes, and retail volume for Large Hass Avocados*
  - *As Beefsteak Tomato everyday retail price increased, Large Hass Avocado retail volume changed slightly.*
  - *When Beefsteak tomatoes were discounted, there was very little impact on avocado volume.*
  - *This illustrates that not every type of tomato that was discounted resulted in higher avocado volume sales*

#### Usage:

*This study contains 25 pages of graphs and business-friendly notes that are useful for building promotional and pricing plans for the avocado category.*

*Insights from this report can be used to:*

- *Advise retailers at what price promotion they might see the most lift*
- *Collaborate with key retailers to build promotional plans*
- *Provide as a resource / tool to key shippers/handlers and retailers*

#### Time Frame / Frequency:

*52-week period ending September 2007*

#### Sources:

*Retail Data - SymphonyIRI Group / FreshLook Marketing*

*Study conducted by – FreshLook Marketing*

*Report prepared by – Fusion Marketing*