



# ANY WAY YOU SLICE IT

Deli sales are on the rise, but shopper habits are hard to break.

By Bruce Horovitz \* Research By Debra Chanil

**S**upermarket delis certainly seem to be hot stuff. That's one clear finding from *Progressive Grocer's* exclusive 2016 survey of supermarket executives, in which more than two in three retail panelists predicted that their deli sales would increase over the next year.

It's not just sales, but profits, too, that appear to be on the rise in supermarket deli sections. Nearly six in 10 executives surveyed by *PG* said that they expected profits to grow over the next year.

But just how hot is hot? Well, perhaps no mo-

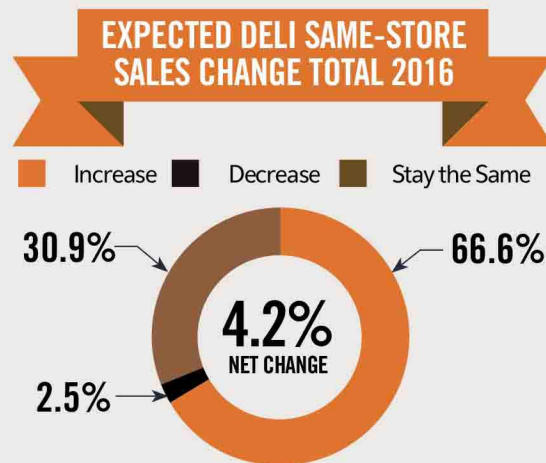
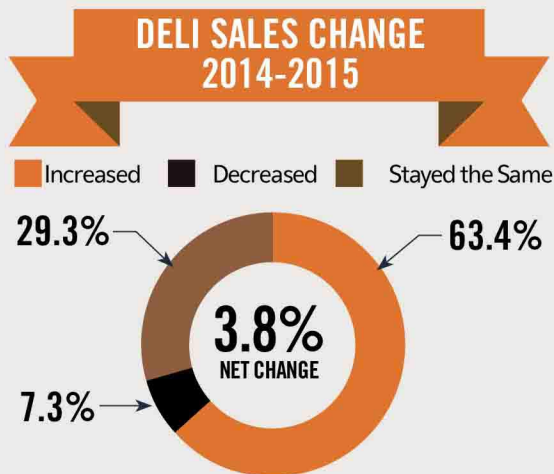
ment in delicatessen history is hotter than the famous scene in the film classic "When Harry Met Sally," when Meg Ryan tries to prove to Billy Crystal that women can easily fake bedroom bliss. A delicatessen full of diners listens and watches as Ryan puts on a show that sounds far more appropriate for the boudoir than a deli.

The scene's punchline, however, is the one-liner that an elderly female customer seated nearby utters when a waiter takes her order immediately after Ryan's sultry demonstration: "I'll have what she's having."





## PROGRESSIVEGROCER's 2016 Retail Deli Review



Source: Progressive Grocer Market Research, 2016

Fast-forward to supermarket deli sections across the nation in 2016, and there's a common thread: While sales are hot, everyone's pretty much ordering the same thing — potato salad, macaroni salad and roasted chicken — and, in the process, keeping a lid on the potential growth that many supermarket deli managers envision.

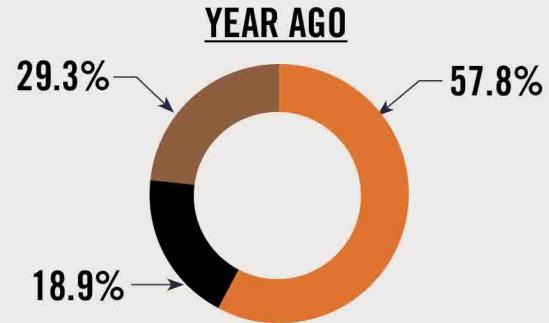
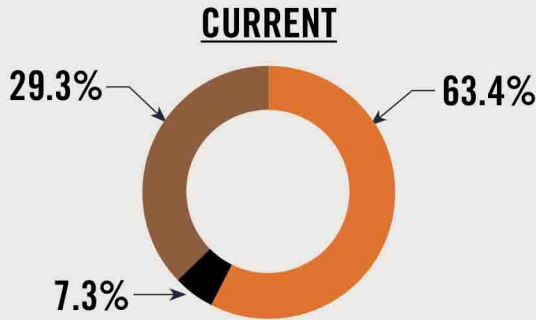
### The Basics and Beyond

"We try different things, but the basics always sell best," says Barry Johnson, store director at Ridley's Family Market, in Orem, Utah. "It seems like 90 percent of what you sell is potato salad and chicken."

Dale Miller, store manager at Harding's Friendly Market,

## DELI DEPARTMENT PROFITS

Increased Decreased Stayed the Same



Source: Progressive Grocer Market Research, 2016

in Schoolcraft, Mich., agrees that “old standbys are the key.” By that, he primarily means chicken, macaroni and cheese, and some basic fish offerings.

There’s one thing — more than anything else — that just might change this: Millennials, 42 percent of whom reported shopping in the prepared food department, versus

33 percent of Baby Boomers and 21 percent of Gen Xers, according to a recent study from the International Dairy-Deli-Bakery Association (IDDBA).

While Millennials want their deli items quickly, they also want to spend some time reading the labels about what’s in the food, which they want fresh, natural and





### WHICH OF THE FOLLOWING DO YOU CONSIDER TO BE MOST INFLUENTIAL TO SECURING STRONG EVERYDAY DELI DEPARTMENT SALES?

|                             | CURRENT | YEAR AGO |
|-----------------------------|---------|----------|
| ENGAGED ASSOCIATES          | 84.8%   | 86.7%    |
| PRODUCT SAMPLES             | 64.6    | 47.9     |
| SIGNATURE ITEMS             | 41.8    | 45.9     |
| IN-STORE SPECIALS           | 40.5    | 28.4     |
| ACTIVE SAMPLING/EVENTS      | 34.2    | 37.8     |
| PREMIUM BRANDS              | 32.9    | 27.5     |
| POS COUPONS/DISCOUNTS       | 31.6    | 10.5     |
| MERCHANDISING/EXPERIENCE    | 29.1    | N/A      |
| ADVERTISING/PROMOTIONS      | 27.8    | 24.4     |
| INCREASED ON-AD SPECIALS    | 24.1    | 4.1      |
| SOCIAL MEDIA SPECIAL OFFERS | 15.2    | 13.0     |
| CROSS-PROMOTIONS            | 11.4    | 21.8     |
| EXTENDED HOURS OF OPERATION | 10.1    | 0.0      |
| INCENTIVE-BASED DISCOUNTS   | 8.9     | 4.6      |
| EXECUTIVE CHEF              | 5.1     | N/A      |

Multiple Responses Accepted

Source: Progressive Grocer Market Research, 2016

healthy, according to the Madison, Wis.-based trade group. That could mean a future sales boost for deli products that claim to be clean, natural, organic or locally sourced, the IDDBA report notes.

At Harding's Friendly Market, for example, Millennials are increasingly requesting GMO-free products, says Miller. What's more, he adds, "They like to see the labels on everything."

Similarly, while many of the older customers at Ridley's Family Market pick the same selections of meat and cheese every time they visit the deli counter, many younger custom-

### WHAT AREAS OF YOUR DELI OPERATIONS WILL YOU CONCENTRATE ON ENHANCING DURING 2016?

|   | CURRENT | YEAR AGO |
|---|---------|----------|
| SANDWICHES  | 60.3%   | 62.2%    |
| LUNCH   | 47.4    | 27.2     |
| PRIVATE LABEL   | 35.9    | 19.0     |
| PREMIUM BRANDS  | 33.3    | 34.6     |
| SOUP STATIONS   | 32.1    | 19.2     |
| HOT/COLD BARS   | 26.9    | 33.9     |
| DAILY SPECIALS  | 24.4    | 40.5     |
| DINNER  | 24.4    | 32.9     |
| ROTISSERIE PROGRAMS   | 23.1    | 52.0     |
| BREAKFAST   | 23.1    | 17.5     |
| MEAL DEALS (BUNDLED MEALS)  | 20.5    | 46.1     |
| CATERING  | 20.5    | 37.6     |
| STAFF TRAINING  | 19.2    | 51.7     |
| SIDE DISHES   | 14.1    | 25.3     |
| CONCEPT FOOD STATIONS (I.E., ASIAN KITCHEN, PASTA, CARVING STATION) | 11.5    | 14.2     |
| ANTIPASTO BARS  | 11.5    | 13.7     |
| SUSHI   | 9.0     | 16.9     |
| CATEGORY MANAGEMENT   | 7.7     | 19.0     |
| BEVERAGE BARS   | 6.4     | 3.3      |

Multiple Responses Accepted

Source: Progressive Grocer Market Research, 2016

ers, those ages 25 to 35, are experimenting more with their selections, notes Johnson. But even then, they want to see the ingredients. "They want to know what they're eating," he says.

But what are the most effective ways of getting all customers — not just Millennials — to order new offerings from the deli section?

#### Something Special

First and foremost: engaged workers, the *PG* survey found. But a close second is product sampling, according to nearly 65 percent of those surveyed.

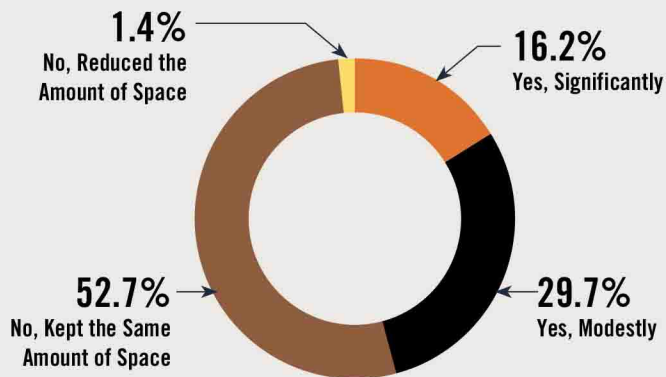
That explains why product sampling is a big draw at both Harding's and Ridley's. Both grocers say they sample deli products regularly. Among Ridley's more popular recent samplings were lasagna, spaghetti, fettuccine and pot pies, according to Johnson.

Further, something else has boosted business at Ridley's: daily specials. The market offers all kinds of lunch and dinner specials, says Johnson. These daily specials started out slow, he recounts, but sales immediately picked up "once we sampled and got it into their mouths."





## HAVE YOU DEDICATED MORE SELLING SPACE TO FRESH PREPARED FOODS IN YOUR AVERAGE STORE IN THE PAST YEAR?



Source: Progressive Grocer Market Research, 2016

Similarly, some four in 10 executives surveyed by *PG* said that in-house specials were an effective strategy for boosting sales.

Meanwhile, at Harding's, perhaps nothing sells better in the deli section than value. Just as long as a dish is hot, ready to go out the door — and value priced — it will sell better than just about anything else, notes Miller.

At the same time, Miller says that the key competitors taking business away from the grocery deli section are local restaurants. With the local economy improving, area restaurant business has improved over the past year, he notes, and that makes it tougher on his store deli, which may help explain why retail deli executives told *PG* that the top item in their deli sections that they hope to "enhance" in 2016 is the humble sandwich. To that point, more than 60 percent said that they planned to improve their deli sandwich offerings.

Further, nearly half of executives said that they hoped to improve lunch offerings in their deli sections.

### Space Odyssey

One way to do that, of course, is with more space. An impressive number of supermarket delis plan to grow their space in 2016, according to the *PG* survey. Some 46 percent of those surveyed said they planned to expand store deli space either modestly or significantly over the next year.

Not that deli sections don't share some common headaches. Key among them: attracting and keeping good employees.

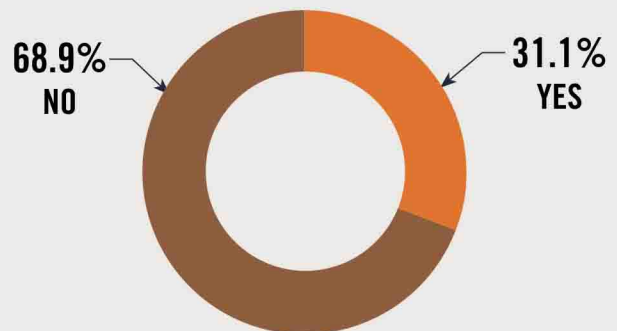
That's certainly the toughest thing at Harding's, admits Miller. Nationally, labor is far and away the biggest issue facing deli departments, according to the *PG* survey. Some 40 percent of those surveyed cited labor as their top problem, with training a distant second.

When asked to rate the most serious problem they faced in the deli department — on a scale of one to 10 (with 10 being the most serious) — executives didn't hesitate to slap their highest number, an eight, on recruiting effective employees.

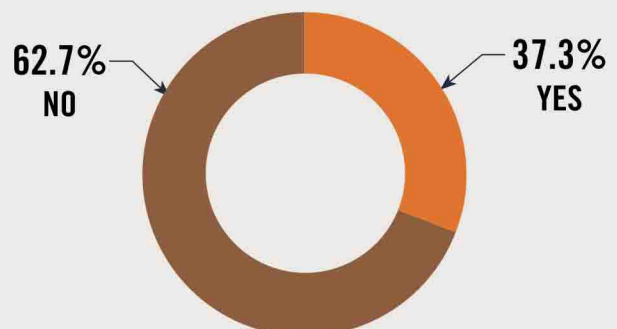
The next toughest thing was attracting more shoppers to the deli.

But that wasn't the case for all supermarkets. In fact, when

## IS YOUR DELI AREA SEPARATED FROM YOUR FRESH PREPARED FOOD SELLING AREA?



## DOES YOUR STORE(S) HAVE A DEDICATED DINING AREA FOR SHOPPERS TO EAT YOUR FRESH PREPARED OFFERINGS?



Source: Progressive Grocer Market Research, 2016





## PROBLEMS FACING THE DELI DEPARTMENT

Rated on a scale of 1-10, where 10=extremely serious

|                                    | CURRENT<br>YEAR | YEAR<br>AGO |
|------------------------------------|-----------------|-------------|
| RECRUITING EFFECTIVE EMPLOYEES     | 8.00            | 7.76        |
| ATTRACTING MORE SHOPPERS TO DELI   | 7.54            | 6.43        |
| EMPLOYEE TRAINING                  | 7.38            | 7.26        |
| PROFITS                            | 7.17            | 6.29        |
| LABOR COSTS                        | 7.12            | 6.79        |
| CUSTOMER SATISFACTION              | 7.00            | 5.42        |
| FOOD SAFETY                        | 6.61            | 6.03        |
| PRODUCT AND/OR INGREDIENT COSTS    | 6.59            | 6.35        |
| EQUIPMENT COSTS                    | 6.55            | 5.94        |
| SANITATION                         | 6.48            | 5.29        |
| SHRINK/WASTE                       | 6.31            | 6.00        |
| OTHER SUPERMARKET COMPETITION      | 6.06            | 6.10        |
| PRODUCT QUALITY LEVELS             | 6.04            | 4.59        |
| LOCAL/NATIONAL ECONOMIC CONDITIONS | 5.79            | 6.58        |
| NONSUPERMARKET COMPETITION         | 5.28            | 5.49        |

Source: Progressive Grocer Market Research, 2016



asked what deli products were being cross-merchandised in other parts of the store to drum up more deli business, one executive surveyed by *PG* bluntly said he didn't need to so: "We are bad at this because the deli is already too darn busy."

That's the proverbial deli dilemma. **PG**

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