



# shifting gears to fresh

by John Unrein

**T**he changing retail landscape and shifting customer demographics within the food industry provide both challenges and opportunities for the in-store dairy, deli, and bakery industries, as evidenced by findings in *What's in Store 2015*, the 29th edition of the annual trends publication of the International Dairy-Deli-Bakery Association (IDDBA).

New or expanding retail formats include convenience stores, small box, discounters/dollar stores, online shopping and delivery, and "drive" concepts where customers order online and pick up their product right from their cars at a designated spot. These non-traditional channels will continue to chip away at the market share of traditional grocery channels, according to Willard Bishop. It projects a decrease in market share of 1.2 percentage points by 2018 in the traditional channels, which will equate to 44.8 percent of the market.

## Convenience Stores Get Fresh

Comprising approximately 28 percent of retail foodservice and generating \$11.2 billion in sales, proprietary convenience-store foodservice has become a key area of opportunity across the country, according to Technomic's Convenience Stores Market Intelligence Report.

As the segment continues to face stiff competition and works to overcome consumers' negative quality and freshness perceptions, Technomic anticipates nominal growth of about 2 percent in 2015.

Yet convenience stores serve as a prime destination for younger generations and people seeking fast, on-the-go options, and there are plenty of winning chains and opportunities for growth. Chains such as QuikTrip, Wawa and 7-Eleven are adding fresh food options at a furious pace.

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"As more c-store brands increase focus on offering a wider variety of fresh, high-quality foods and competition heats up across the segment, understanding the convenience store foodservice landscape has never been more important," says Technomic senior director Donna Hood Crecca.

Breakfast sandwiches continue to thrive on c-store menus, and their numbers climbed 20 percent from Q2 2013 to Q2 2014. Technomic reported in its "The Breakfast Consumer Trend Report" that 48 percent of consumers strongly agree they enjoy breakfast at non-traditional times. Breakfast food can find a place outside the typical 7 a.m. to 9 a.m. time slot whether pulled from a home pantry or picked up at a quick-service restaurant or c-store.

7-Eleven has just introduced two new 7-Eleven Melt artisan sandwiches, after evaluating 20 different bread options, measuring 1,000 different buns, creating 75 prospective sauces, testing multiple cheese varieties for "meltability," and building 50 variations to find that perfect recipe. The two winning recipes, Italian Melt and Chicken Bacon Ranch Melt, won by a "landslide" according to Kelly Buckley, 7-Eleven, Inc.'s vice president of fresh food innovation. Sold at participating 7-Eleven stores that carry hot foods, the Melt sandwiches' introductory retail price is \$2.99. Available in 7-Eleven stores' fresh-foods case, the new sandwiches are toasted to go in the stores for each purchaser. A Melt sandwich typically takes less than a minute to toast and is served warm.

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The number of variations 7-Eleven built in order to find the perfect artisan sandwich recipe.

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## Demographic Changes

In other dramatic shifts affecting consumer purchasing habits, Hispanic and Asian American consumers are a growing demographic in fresh perimeter departments. Nielsen reports that Hispanics will have \$1.5 trillion in buying power by 2015, a 50 percent increase from 2010, while the average Asian American household expenditure in 2012 was \$61,400, 19 percent more than non-Asian households.

Learning there's a lot more to Mexican cuisine than just tacos and burritos, the chefs at Wegmans Food Markets decided to bring South-of-the-border flavors to many of the company's self-serve food bars. They spent months learning about techniques and ingredients from an internationally celebrated authority. The new menu was introduced at most Wegmans stores from March 18 through May 9.

The menu includes 32 hot and cold dishes and sauces to mix and match. Among familiar favorites are chicken and cheese tamales, Mexican black beans, Mexican rice, guacamole, fresh tortillas and fresh tortilla chips.

Those looking for something new will find entrees like Braised Pork with Poblano Salsa Verde and Pan-Seared Tilapia with Cherry Tomato Salsa, and sides like Roasted Cauliflower with Lime Vinaigrette and Toasted Pepitas. Everything is priced at \$8.99 a pound or less, and dinner is likely to cost from \$7 to \$12 per person.

The seed that grew into "Tastes of Mexico" was planted more than a year ago, says chef Jim Schaeffer, vice president of culinary operations at Wegmans. "We wanted to expand our Latin offerings and do so at the highest level. We wanted deeper, complex flavors. We wanted fun, delicious food that was healthy, too, with plenty of vegetables."



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of men now hold primary shopping responsibilities for several product categories



Schaeffer and other Wegmans chefs headed for the Culinary Institute of America's Latin Conference in San Antonio in 2013, where they met Roberto Santibañez and made an instant connection. "He's a real authority. He's written three books and is the chef-owner of three upscale restaurants - all named Fonda - in New York City. They all feature authentic Mexican cuisine. His sauces are incredible, he's a phenomenal teacher, and a great partner for us."

When Santibañez met with chefs in Wegmans kitchens, he shared techniques and recipe tweaks that moved dishes and sauces from good to great. "His black beans are so silky, so flavorful, and he showed us how to make them that way," Schaeffer says. When Wegmans chefs met with Santibañez in New York City, he led them to neighborhoods in Queens and Brooklyn where they shopped for the best ingredients for Latin dishes and sampled the fare at outstanding taquerias.

After the menu took shape, it was time to teach Wegmans chefs in more than 60 stores the finer points of making the dishes, to assure an ample supply of fresh menu items throughout the day. Schaeffer and Scott Watterson, Wegmans prepared foods business manager, hit the road for several weeks earlier this year to talk about the program and demonstrate the new and authentic techniques they had learned with Wegmans culinary staff in all divisions.

"We set out to introduce exciting Mexican flavors while honoring our commitment to help make great meals that are easy, healthy, and affordable," Schaeffer says. "We can't wait to share these new dishes with our customers."

## Shopping Patterns by Age, Gender

Boomers and Millennials wield tremendous present and future buying power, as one-half of the US population will be over 50 by 2019, with a projected growth rate of 34% by 2030. According to Nielsen, 80-million free-spending boomers will control 70 percent of disposable income in the United States by 2019.

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This generation will also inherit approximately \$15 trillion within the next 20 years.

The 77-million-strong Millennial generation and their \$200 billion in buying power will outspend the Boomer Generation by 2018 as over \$65 billion in grocery spending will shift from one group to the other, according to Acosta Sales & Marketing.

In other shifts, men are taking a more active role in grocery shopping and making brand choices at the supermarket. Defy Media reported that more than 65 percent of men now hold primary shopping responsibilities for several product categories, with 67% stating that they enjoy shopping for the household.

"The manner in which consumers shop for and purchase food—as well as the demographics of the shoppers themselves—continues to evolve in the food retail industry," says Mary Kay O'Connor, vice president of education for IDDBA. "Identifying, researching, and responding to these trends can help retailers successfully engage with the consumers of today and tomorrow."

"Millennials value fresh, which makes instore bakery, deli, and dairy departments prime destinations for this generation," O'Connor adds.





Consumers can now buy gourmet sandwiches delivered to their doors.

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## The Online Factor

Online grocers are projected to account for 11 percent of food purchases by 2025, according to Nielsen and Booz and Co., a trend that illustrates the continued emergence of online and mobile channels where consumers can shop and schedule pick up or delivery of their orders right from their Web-connected devices.

The good news for traditional retailers is that consumers still prefer brick and mortar retailers to shopping online. However, Nielsen research shows that clicks do lead to bricks and this is an important take-away for retailers and manufacturers who must engage the

consumer early on in the path to purchase. Use of online or mobile coupons (18%) and mobile shopping lists (15%) are the most cited forms of in-store digital engagement, according to Nielsen.

Downloading a retailer/loyalty program app on a mobile phone to receive information or offers is used by 14 percent of global respondents. Further, 12 percent of global respondents use a hand-held store scanner to purchase products as they shop to avoid checkout. The global online grocery market is projected to reach \$100 billion by 2018, according to The Boston Consulting Group. Of the top 75 US grocery retailers, just over one-third offer some type of e-grocery service, according to Bill Bishop, author of *Brick Meets Click*.

Click-and-collect and “drive” concepts, which have been successfully implemented in European markets, are being tested by the grocery industry in the United States and Canada. Two out of five online shoppers want to receive real-time offers on their smartphones while they shop, and one-third would like to use their smartphones as an in-store navigation tool to help them locate products, according to Planet Retail.

“Many of today’s **online shopping** programs are much more **intuitive** than in the past, providing **seamless experiences** that make it **easier for shoppers** to move away from their entrenched **‘brick & mortar’ shopping habits.**”

Mary Kay O'Connor, vice president of education for IDDBA

Greater future use of augmented reality apps, where shoppers can use their smartphones to pinpoint exactly what they’re looking for or speak the name of a specific product in-store and the app would show specifically where to find it, according to futurist Daniel Burrus.



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As reported by IDDBA, today's shoppers live in an environment where the once-clear divisions between online and offline are increasingly blurred. From laptops to smart phones and beyond, shoppers have seamlessly integrated technology into their lives, fundamentally altering the way they engage with the world around them, including how and what they eat.

“As our independent research and industry trends reveal, online shopping options are becoming an increasingly important channel as consumers look for quick and convenient ways to purchase their groceries,” O'Connor says.

The emerging online retail food channel provides new opportunities for stores to engage and connect with both current and prospective customers. Artizone, an online shop for farm-raised meat, local organic produce and small batch breads in Chicago and Dallas, announces it is opening in the Denver metro area in April 2015.

Among the opening artisans are Western Daughters Butcher Shoppe, offering fresh meat and provisions; Seafood Landings, Denver's premier fish market; and St. Kilian's Cheese Shop and Market, offering a wide variety of regional and local products including artisanal cheeses and high quality epicurean essentials.

“With the constant consumer demand growth for sustainable foods, locally grown and raised products and healthy and organic ingredients, we are happy to expand and enhance our operations. Denver has been a leader and has set the tone for many of the growth trends we are seeing. We are happy to help Denverites access these unique products with the greatest convenience possible, and with the great customer service we pride ourselves on,” says Alex Zeltcer, president of artizone.

“Expanding our operations to Denver is the natural step to make. I'm excited to work with shops like Western Daughters, St. Kilian's and others, to fulfill our vision of artisan flavor, delivered,” says Lior



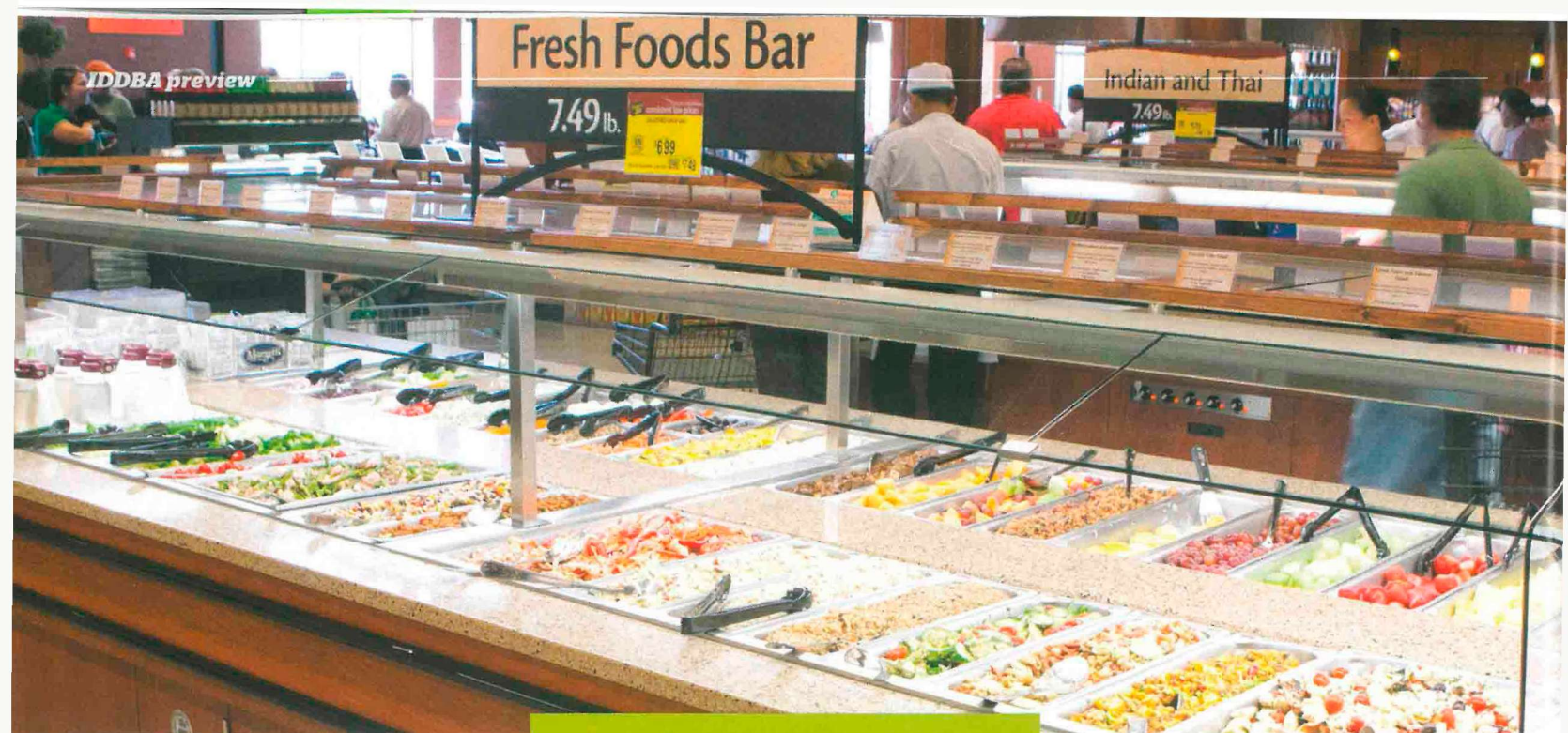
Lavy, COO of artizone. “We are thrilled to be coming to Denver and supporting such a strong artisan community. We want to offer the same distribution channels we created in Chicago and Dallas.”

## Snacking Takes Hold

In another key consumer trend, the rise in customer snacking occasions and increased interest in “on-the-go” offerings provides new sales opportunities for instore dairy, deli, and bakery departments, as three square meals a day becomes a thing of the past. Seventy-seven percent of consumers said they snack at least once a day, with 51 percent snacking twice a day, according to Technomic. Consumers eat snacks both between meals and as meal replacements, with 49 percent eating between meals and 45 percent replacing one or two daily meals with a snack.

According to The Hartman Group, about 50 percent of all eating occasions are snack occasions, accounting for one-third of adult calorie consumption in the United States. American consumers eat an average of 2.3 snacks a day, with 85 percent purchasing them from retailers. The Hartman Group calls snacking an “underserved” eating occasion





in fresh departments as store promotions continue to focus on three typical meals.

One of the more interesting pieces of consumer research this year comes from a recently released study by The NPD Group, a leading global information company.

Their latest big finding? Americans appear to be losing interest in dessert. In its 29th annual Eating Patterns in America Report, The NPD Group reports only 12 percent of dinners eaten at home include a dessert, which is down from 15 percent ten years ago. The highest dessert consumption The NPD Group found was in 1986 when 24 percent of all dinners included a dessert.

"If this trend of the past 30 years continues, desserts will be gone from our dinner tables and we are on target to serve the last dessert on February 27, 2054!" proclaims Harry Balzer, senior vice president and NPD's chief food industry analyst.

Put into context, the true explanation of this research is that Americans are not eating fewer sweets; they are quite simply not eating sweets for dessert as often after dinner. Moderation has taken hold of the American diet. People are practicing portion control, and that means smaller meals at a time. "The trend in American homes is about one-dish meals. Americans have been steadily cutting back the number of items served at a main meal," says Balzer.

Dessert ranks fourth on the list for a meal after the main dish, vegetable and starch. The top three desserts are fruit, cake and ice cream. All are down over time. The consumption pattern that has taken over, though, is Americans are snacking more than ever, and they are eating more sweets in between breakfast, lunch and dinner (and after dinner, as well).

**"Snacking [has] become a purposeful, rich cultural practice that now stretches beyond the center-store snack aisles and into the fresh perimeter."**

Eric Richard, education coordinator for IDDBA

Ninety-one percent of people say they snack daily, according to Nielsen. While snacking is on the rise among all ages and genders, research shows that snacking among consumers over the age of 65 could contribute to additional years with a higher quality of life. We'll see more boomers who were raised in the "three square meals a day" era employ a "grazing" approach to eating in 2015, according to food industry expert Phil Lempert.

Older Americans, adults over 65, are the heaviest dessert eaters. They eat dessert at home twice as often as any other age group and even they are cutting back. For the year ending February 2014, people over 65 ate 76 desserts per person per year

at home. There is a great opportunity here for retailers to address this trend by producing more desserts dressed up as snacks, both sweet and savory. The American public is still hungry for dessert. They just want it in portion sizes all day long.

Product portability is becoming increasingly vital, stated Technomic, with 60 percent of consumers citing it as an important or extremely important factor when choosing a snack. Healthfulness is also important, cited by half of customers. Convenience is a top bakery trend as reported by Daymon Worldwide, as consumers seek out single-serve and smaller-sized baked goods that provide portability, portion-control, and snacking interest.

Snacking and immediate consumption are influencing how shoppers use fresh perimeter categories, according to IDDBA. "Snacking is no longer just an incidental eating occasion where a consumer impulsively purchases a low-cost, packaged item such as a candy bar or bag of nuts," says Eric Richard, education coordinator for IDDBA. ■