

Stimulating Foodservice Demand

Speaker:

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The 21st Century Consumer:

***Stimulating
Foodservice Demand***

IFMA Research to Date

2000: Foodservice 2010



- Demographics will drive foodservice occasions
- Foodservice will overtake grocery
- Building supply-chain strategies is key

Research is still considered on target

2002: Value-Added Edge

Winning Business Models

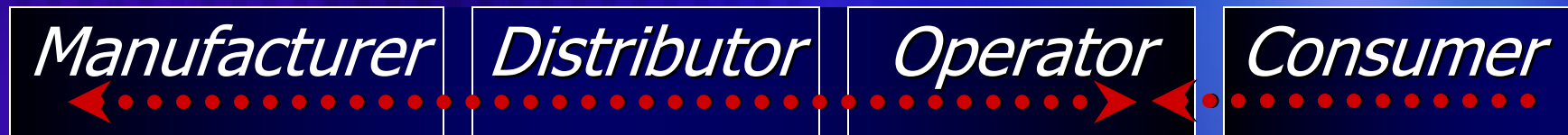


- Not all services offer value
- Value-added services win because they are:
 - Resourced correctly and structured
 - Supported with business process
 - Measured inputs and results
- Bringing applied *knowledge* to market is *the currency of success*

Research is as relevant today as 2002

2004: Leverage Innovation

Marketplace Advantage



■ Innovation platforms

- Service/labor
- Convenience
- Experience pleasure
- Mass luxury
- Fresh Foods
- Assurance against uncertainty and complexity
- Mass customization
- Globalization

Knowledge-based business models

So What Did We Learn?

- Consumers prefer foods prepared away from home
- For foodservice to win, it must operate as a supply chain, not isolated practitioners
- Innovation must be engaged to constantly provide better value

But, others in the food system, not just foodservice

- See the same trends
- Recognize consumer wants
- Are attempting to provide better value

New Research Aimed to Gain Further Consumer Insights

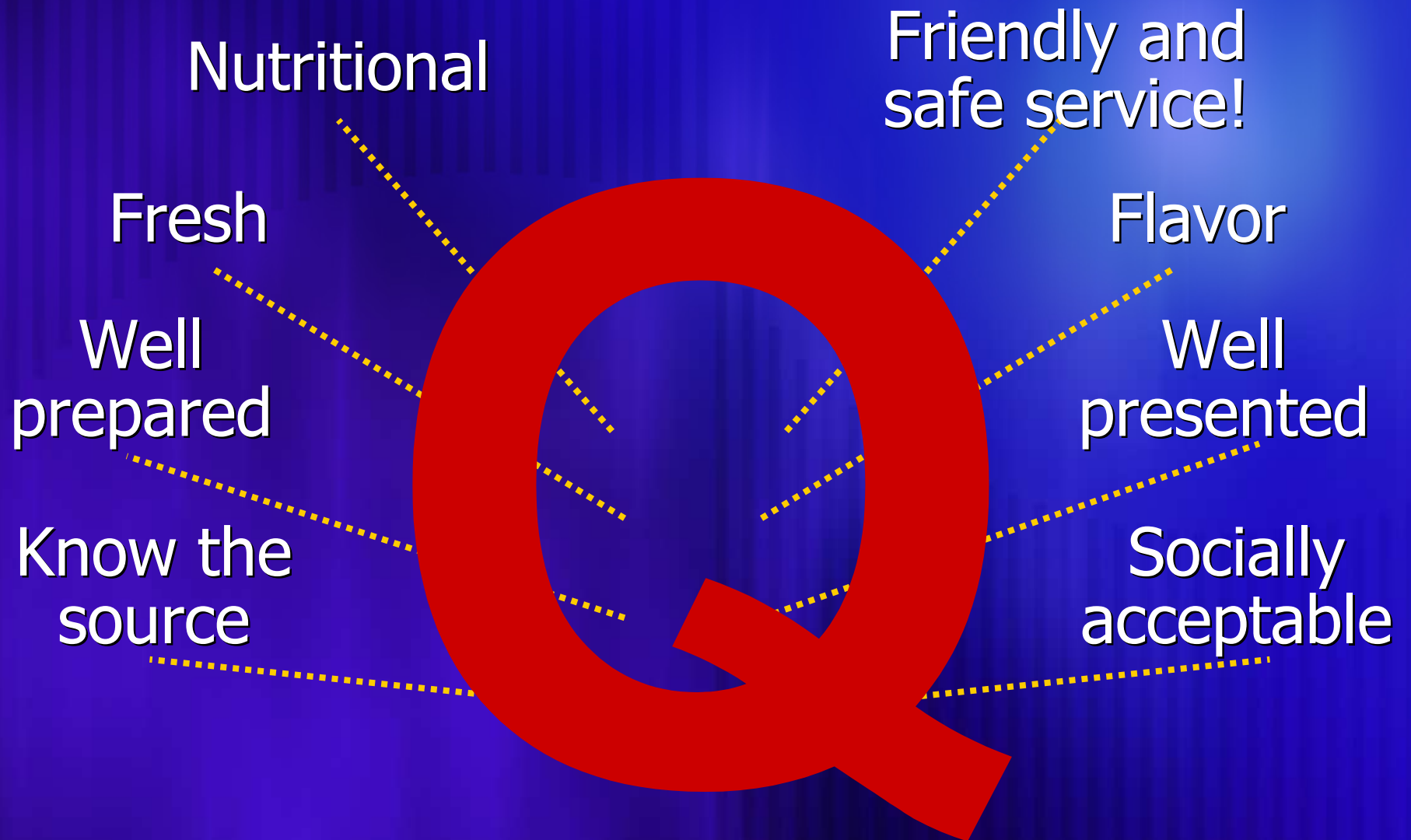
What we did . . .

- Focus groups in three cities
- 1100 on-line consumer surveys
- Interviewed food industry experts

Who we studied . . .

- 18-25 Gen Y
- 40-54 Boomers
- Demographic make-up of population

Quality Redefined



Quality is King!

The Subway system recognizes quality is king.

*Quality, not price,
is the most critical factor*

Quality in, before quality out

*Quality that is measured
is quality assured*

Subway's IPC built a Quality Net

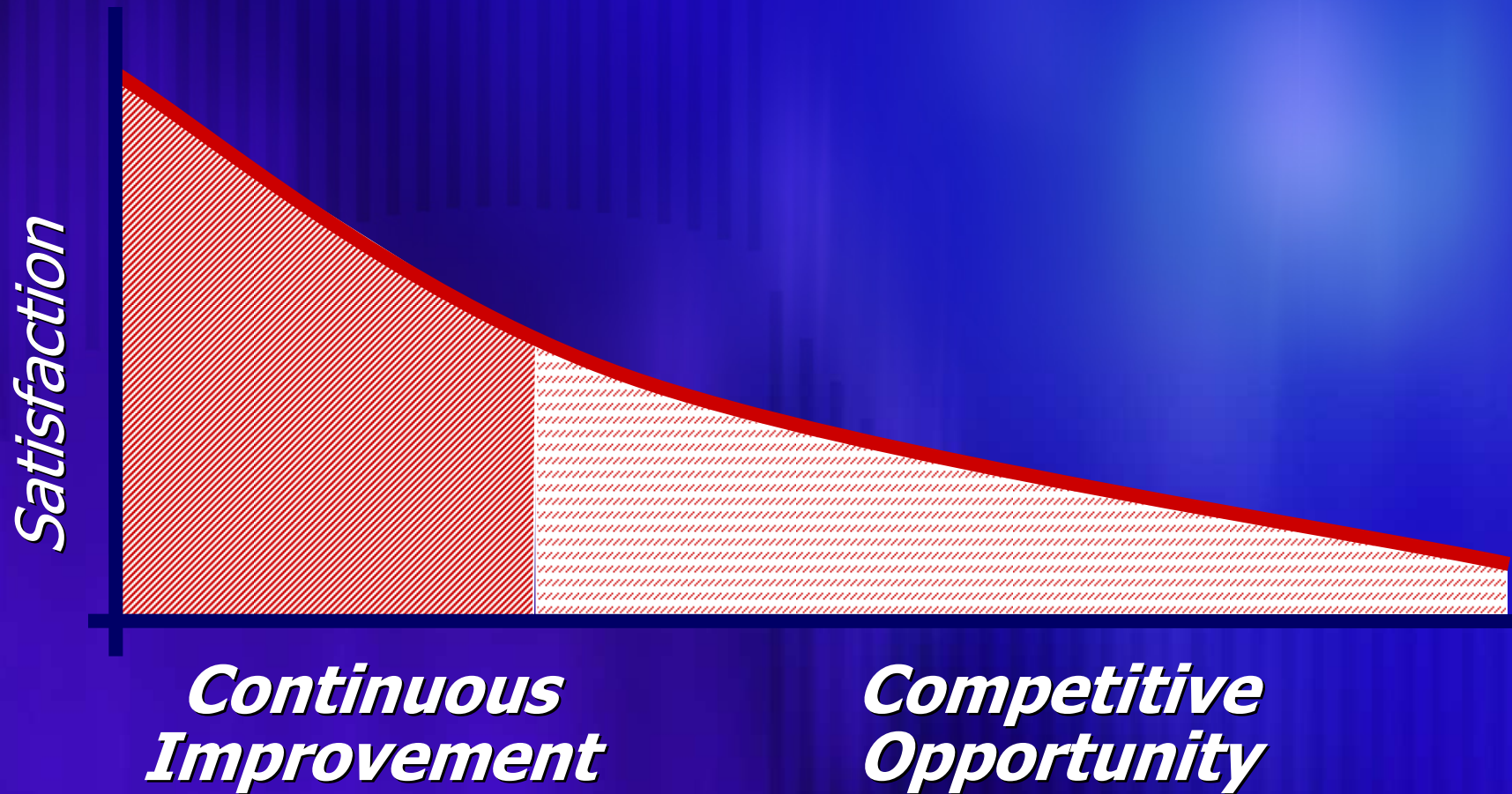
Subway's/IPC's Quality Net

Benefits

- Captures true nature of the problem
- Rapid resolution
- Tracks source of problems
- Stimulates problem resolution short and long term
 - Franchisees, Distributors, Suppliers

Quality Net measures, tracks and resolves quality problems. Next step — quality at the front door.

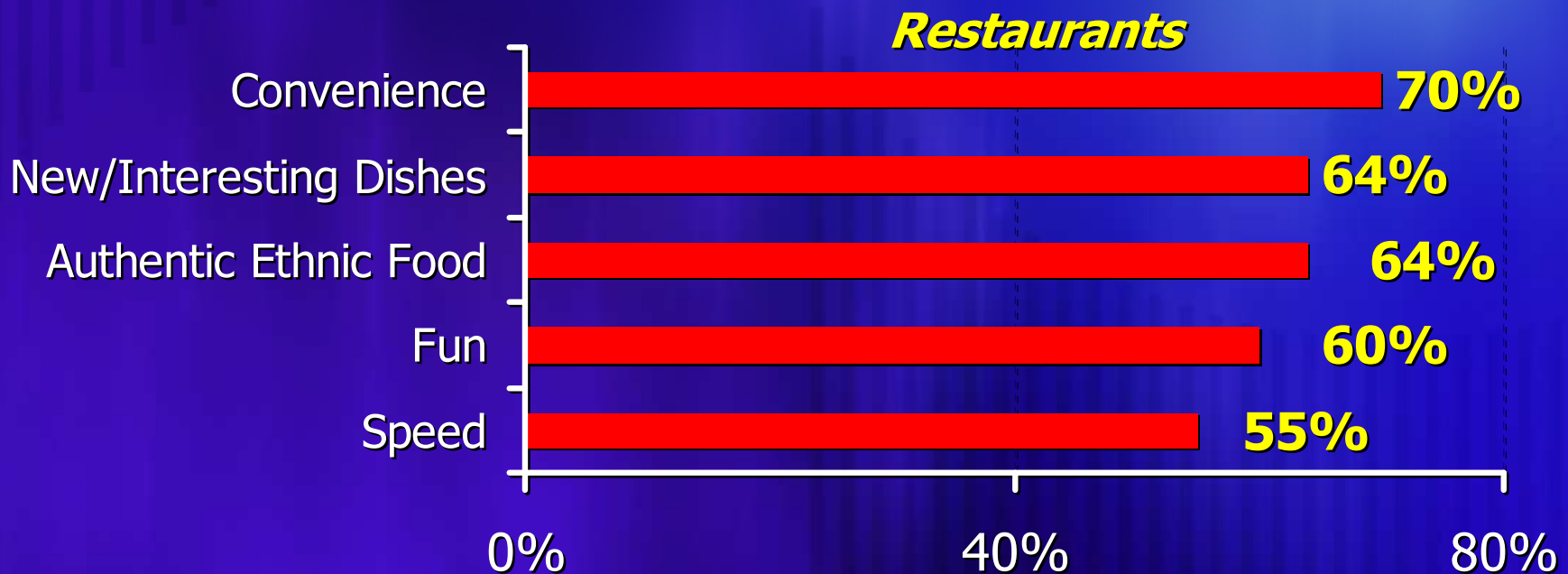
Consumers See Clear Differences



Source: The Hale Group, Ltd.

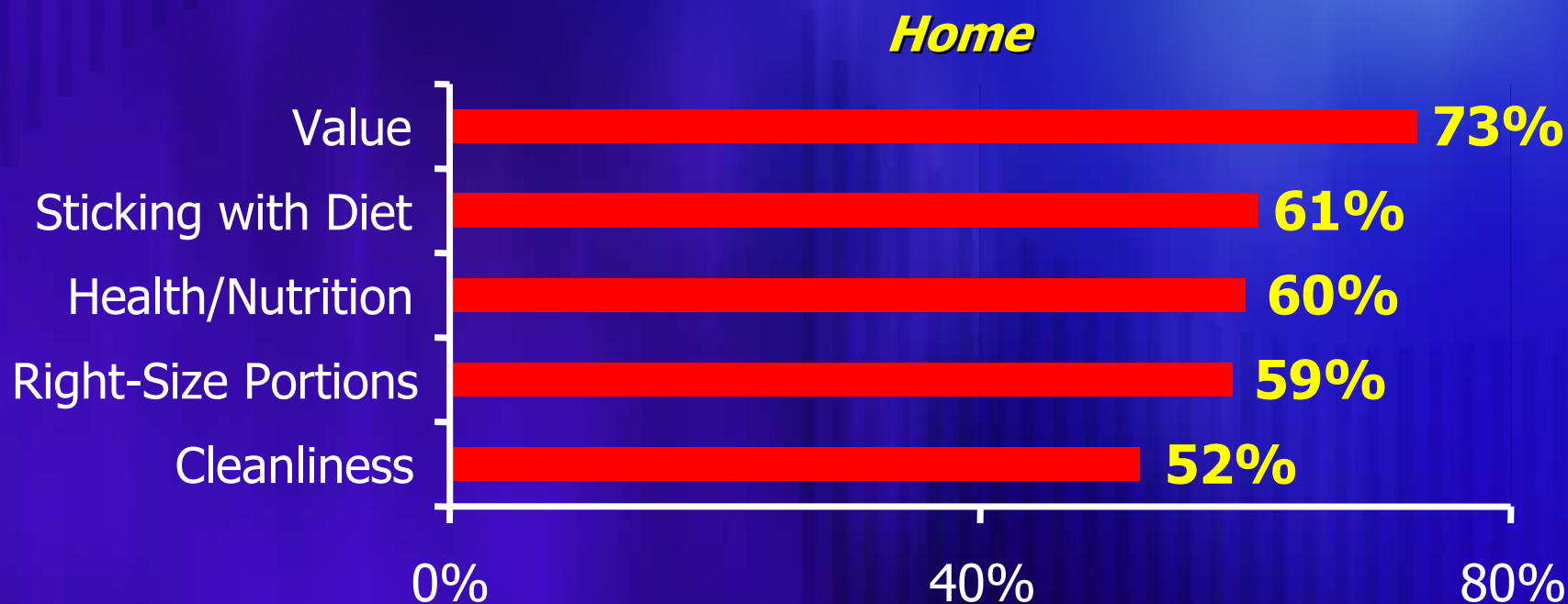
FAFH: Convenience, Offering, Fun

How restaurant food compares to food made at home.



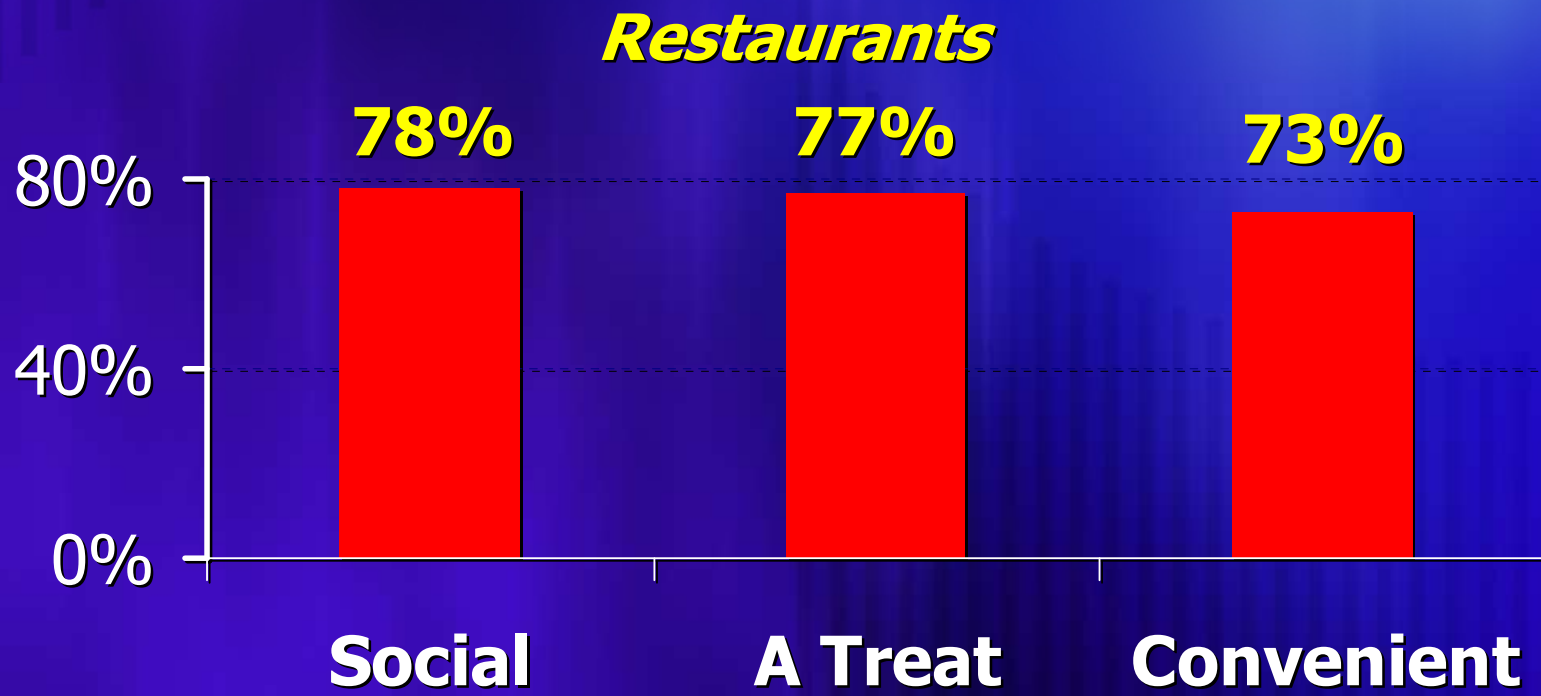
FAH: Value, Health, Cleanliness

How restaurant food compares to food made at home.



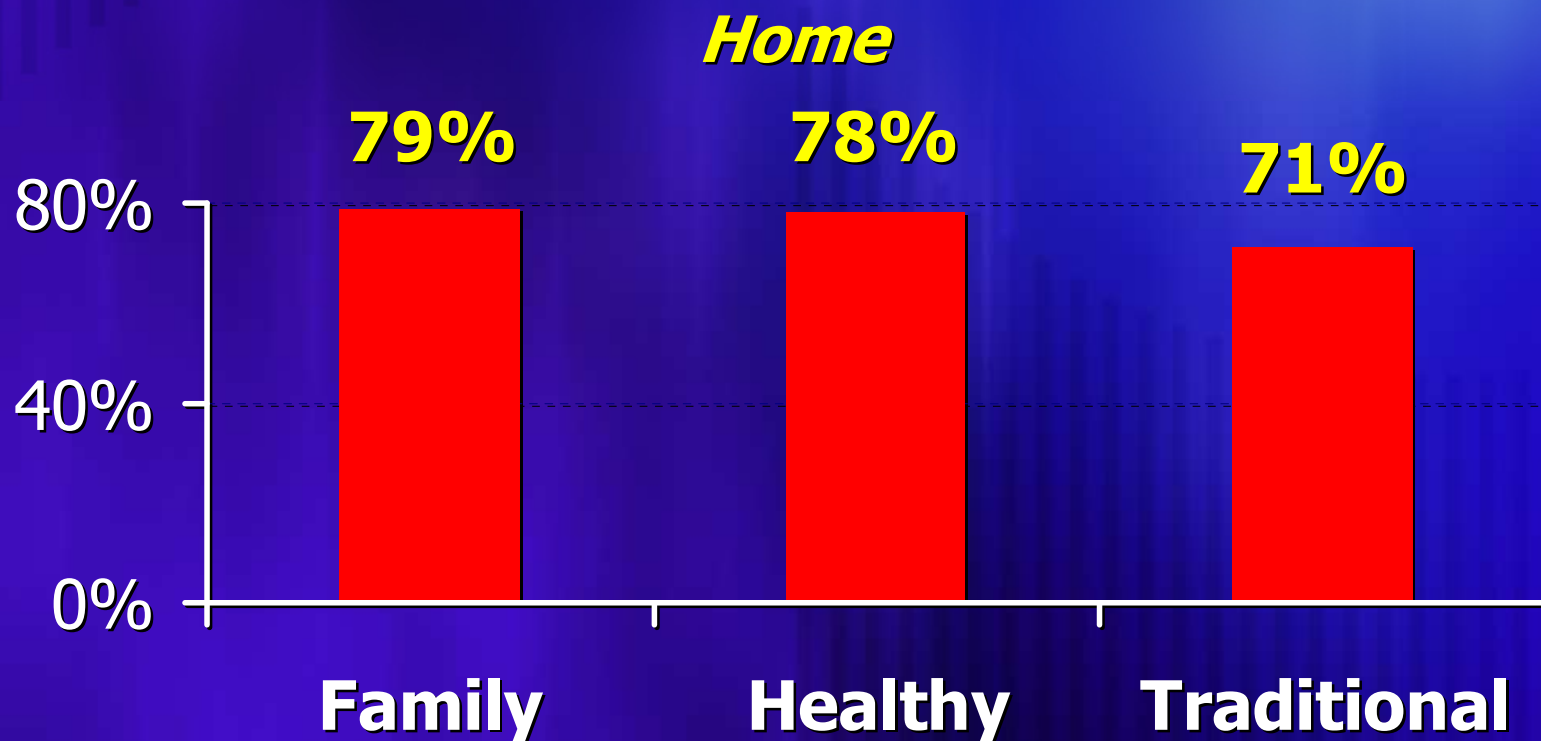
FAFH: Experiential, Convenient

A collage that represents images you associate with each type of food.



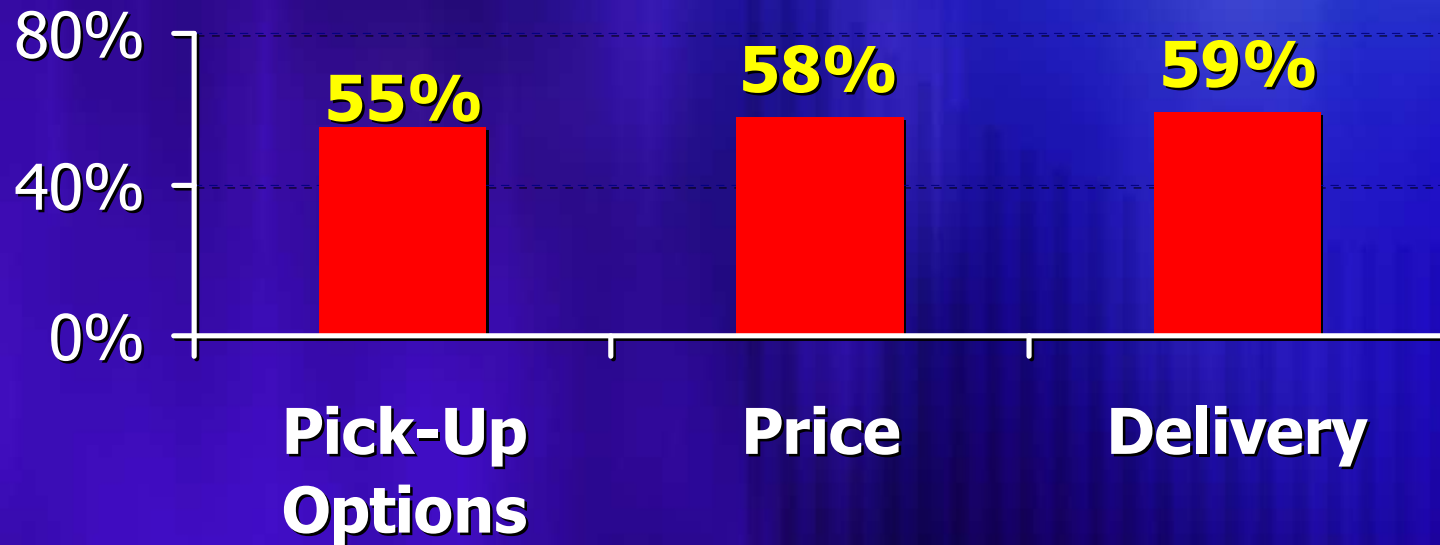
FAH: Family, Health, Tradition

A collage that represents the images you associate with each type of food.



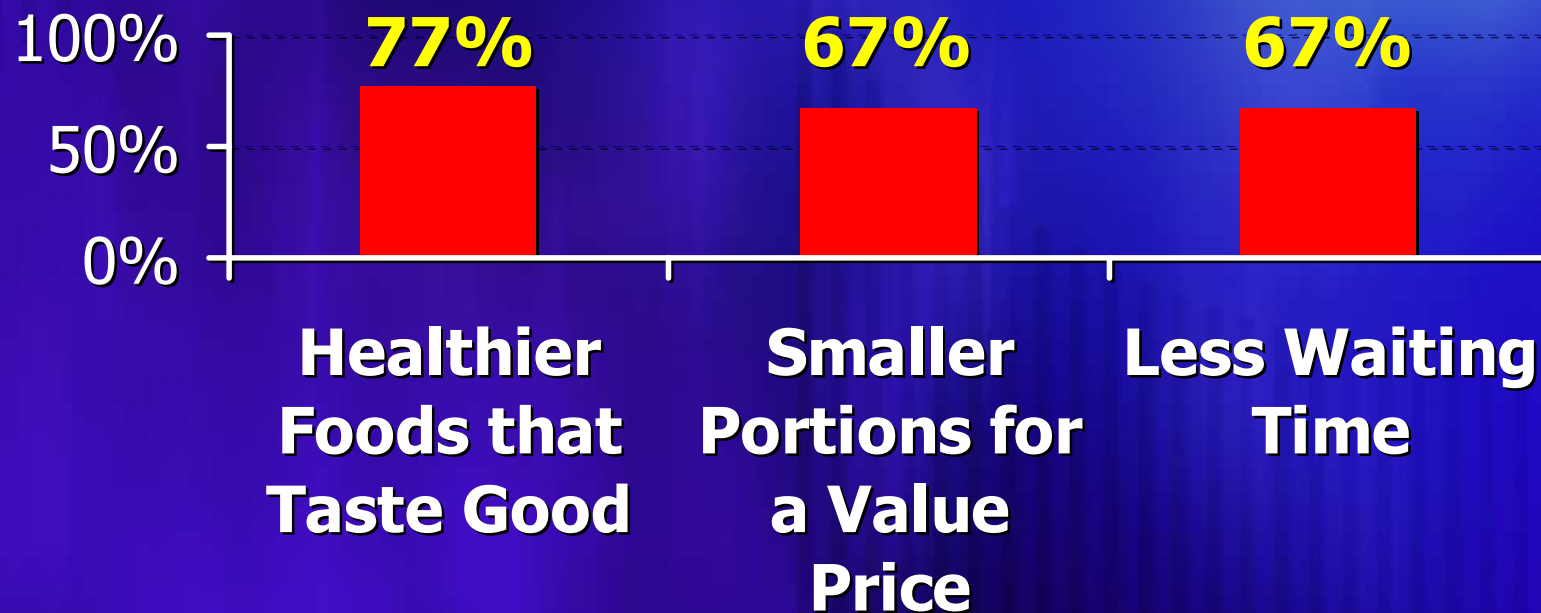
Lowest Restaurant Rankings

Satisfaction at restaurants? Bottom of the list includes:



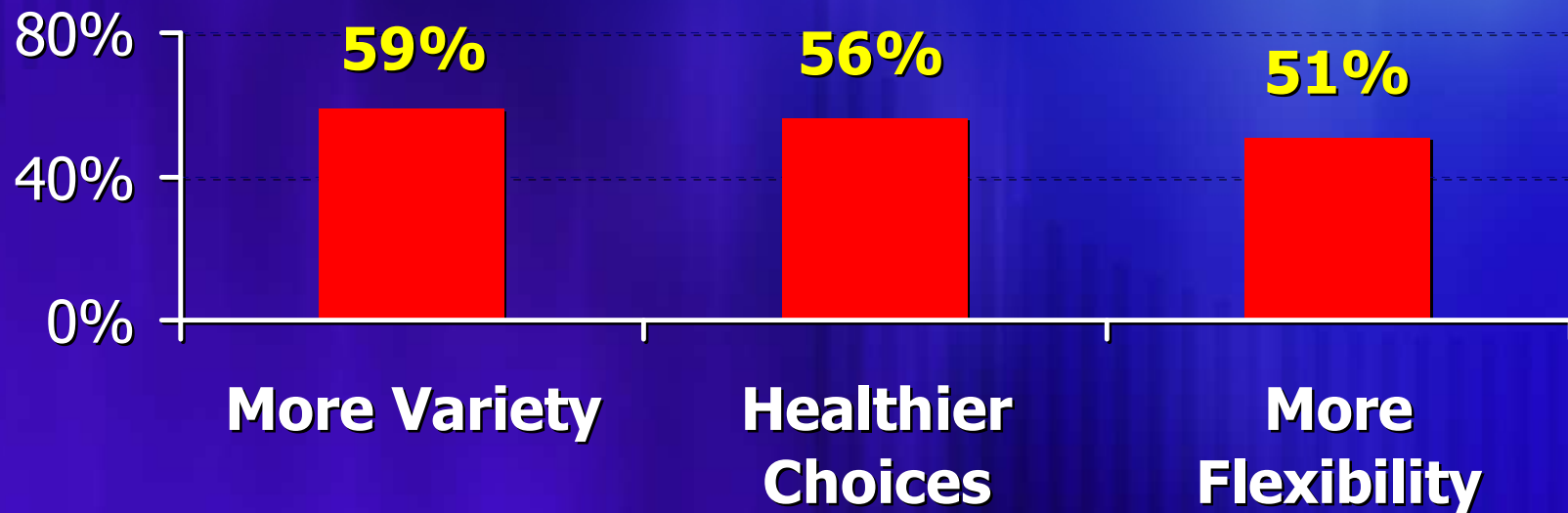
Health and Time-Related Demands

Like to see more of on restaurant menus?



It's About the Food

What would encourage you to eat at restaurants more?



FAFH Wins

Where do you ever eat ethnic food?



92% at Restaurants

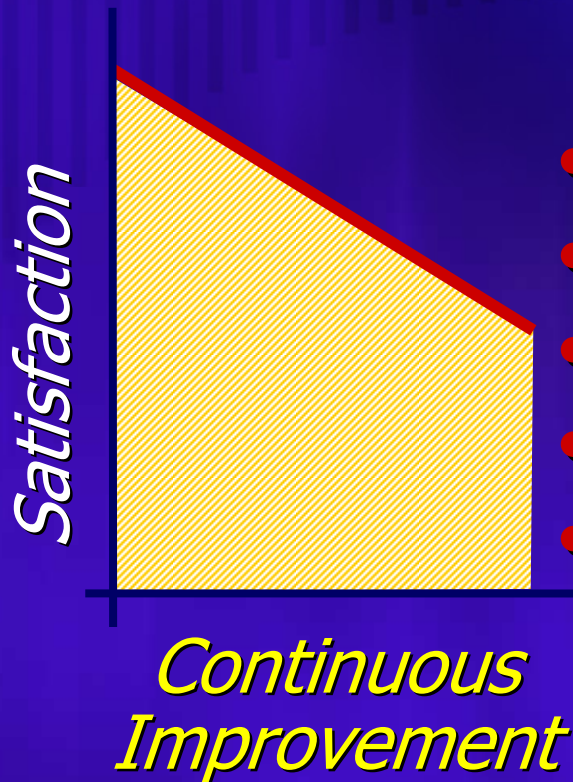


46% at Home

Restaurants win ethnic food occasions 2 to 1

Opportunity Summary

Capitalize *on strengths* – *foodservice is on track.*



- Ethnic/complex flavors
- Social/fun
- Convenience
- Use menus to engage customers
- Offer more customizable options

But, to Take Share . . .

We must improve on weaknesses.

- Take-out
- Family occasions
- Healthful occasions
- Improve QSR quality



Competing for Share

Nearly 75% of occasions are “at home.” To “steal share,” let’s look at:

Who
is the
competition

Where’s the
competitive
growth

What’s
the
offering

What’s
working
and
what’s not

Retail Channel Dynamics

Traditional Grocery continues to lose share

	<i>2004</i>	<i>2010</i>	<i>% Change</i>
Traditional Grocery	70%	61%	(9%)
SuperCenter/ Mass Merchandiser	11%	16%	5%
C-store (non-fs)	7%	7%	0%
Clubs	6%	8%	2%
Specialty Retail	4%	6%	2%
Drug	2%	2%	0%

Source: Food Industry Review, The Hale Group

The Squeeze

**Traditional
Grocery**

**Clubs/
Supercenters**

*Lower
Prices*

**Whole Foods/
Trader Joe's**

*Higher
Quality*



Retail Response

Convenience

- Growing percentage of floor space to prepared foods and shrinking the middle aisles

Quality

- Made to order for perceived freshness and customizability
- Local purchasing

Variety

- More sophisticated food choices

Presentation

- Ambience, décor, display racks

New Meal Solution

Consumers want a home solution that:

- Represents quality
- Product to serve
- Is convenient
- Participate in preparation
- Is experiential

Supermarkets

- Service deli
- Prepared foods
- Meal components

***The
White
Space***

Restaurants

- Take-out meals
- Take-out components

Both have benefits and drawbacks

Filling the “White Space”

High quality . . .
almost gourmet

May make meals, but not
interested in shopping,
preparation and clean-up

Meals from the
Food Network

8 – 12
great meals
ready for
the month

Emerging class of new concepts

New Meal Solution



Save time not to mention your sanity

You can't even get fast food for this price!

<i>Number of Meals</i>	<i>Cost</i>	<i>Cost per Serving</i>
8	\$155	\$3.23
12	\$195	\$2.71

Satisfaction Overall

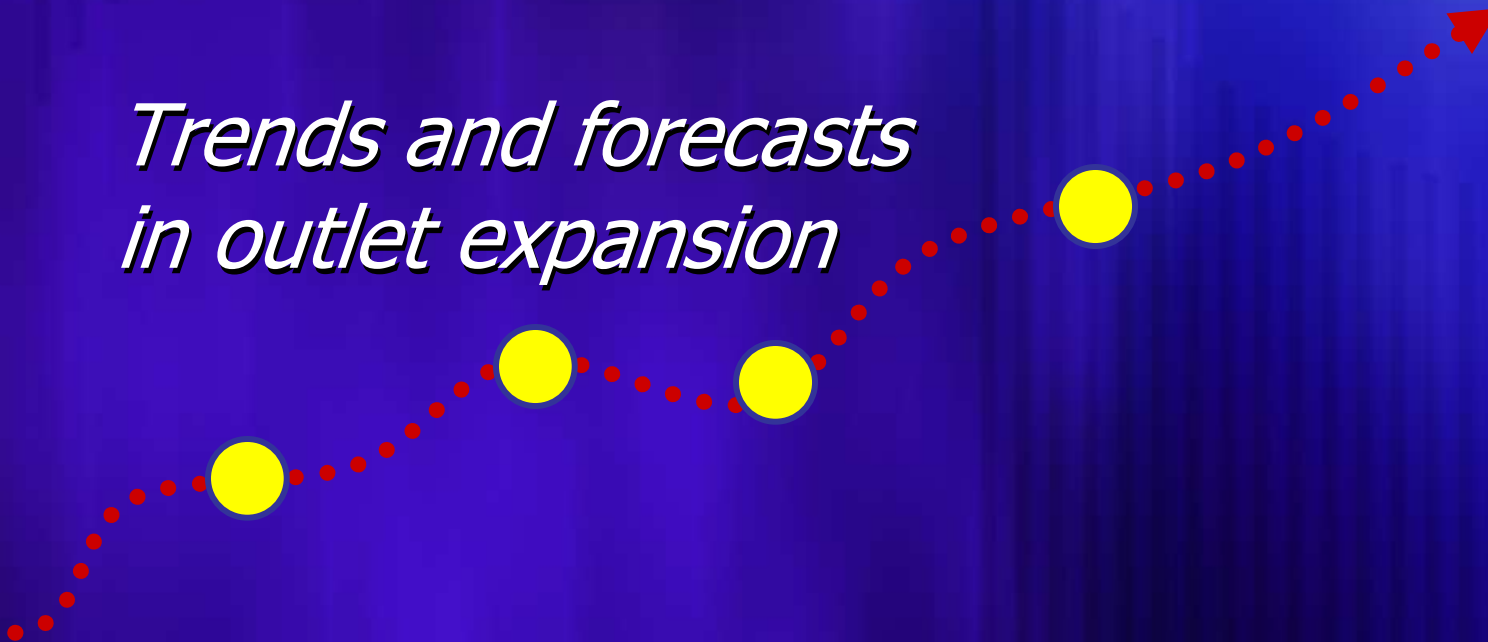
	<i>Top Two Box</i>
Grocery	63%
Restaurants Overall	59%
Casual Restaurants	49%
Independent Restaurants	47%
Club Stores	36%
Delivery from Restaurants	28%
Fast Food Restaurants	25%
Prepared Food from Store	22%

Competing for Access

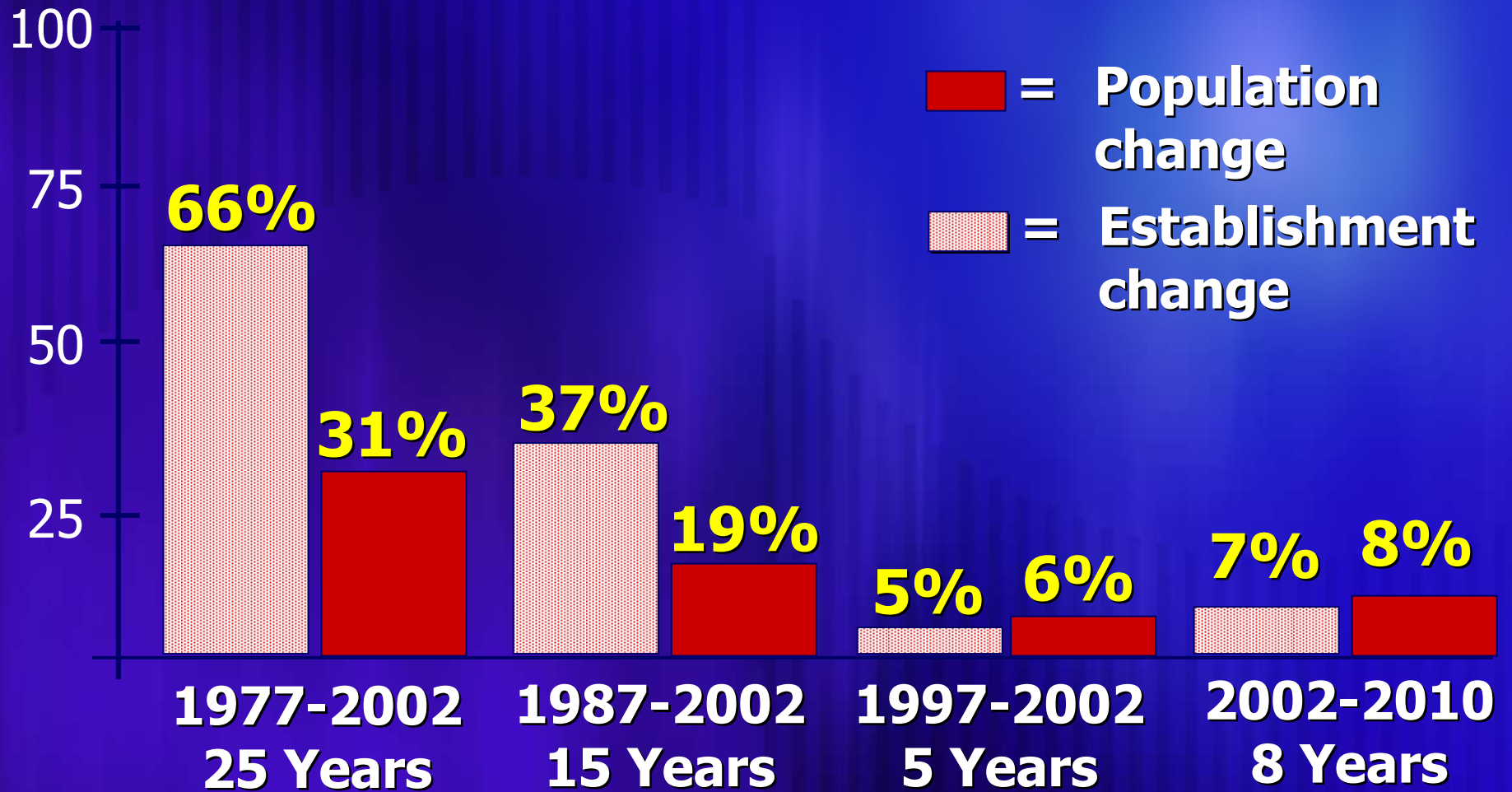
Optimizing outlet expansion . . .

**How is this
changing?**

*Trends and forecasts
in outlet expansion*



Slow-Down in Unit Growth



Source: Bureau of Census – Retail Trade Geographic Area Series
Excludes Bars / Taverns and Non-payroll locations

A Saturated Market



**Unit
Growth
Slowing**



**Focus on
Existing
Unit Store
Growth**

Chains Are Focusing on . . .

Producing a “higher quality experience”

■ Upgrading décor/remodels

- Equipment upgrades connected to food upgrades
- Display cooking that speaks to freshness and food safety

■ Labor and training issues

- Product-based solutions to simplify preparation, yet yield quality results — consistently
- “How to” institutionalize throughout a restaurant system

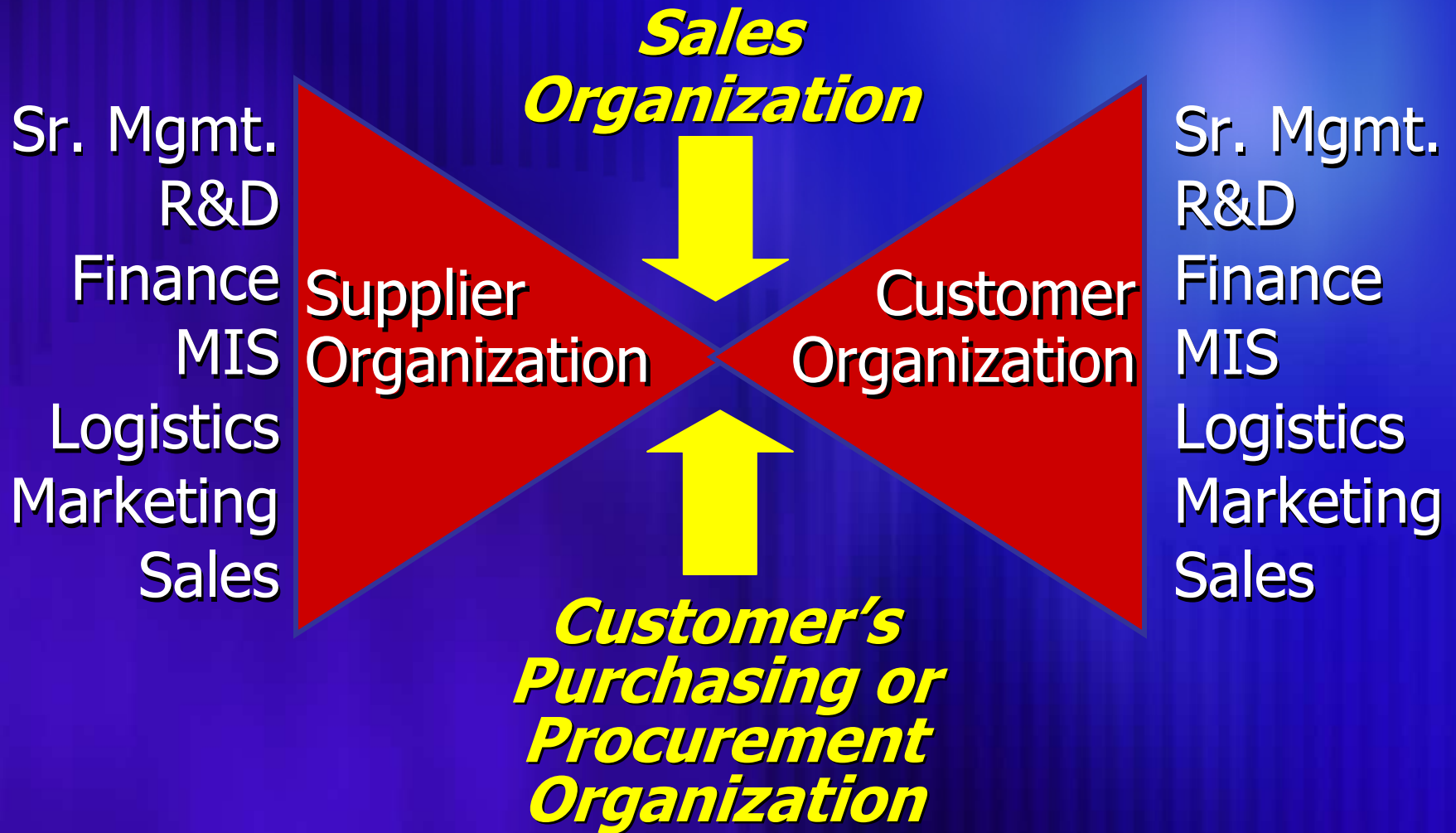
Chains Are Focusing on . . .

- Consumer-based insights by category, flavor and/or product
 - Information sharing and access
- Re-engineering menus
 - More items while controlling inventory
 - Provide more flavor, forms and cuisines
 - Products that satisfy multiple uses
- Adjusting menus to fit Hispanic and other ethnic consumers

Definition of Quality Continues to Change

- **Freshness** in foodservice is now display cooking
- **Culinary sophistication** results in better plate presentations. Culinary expertise is foodservice!
- **Customizability favors** foodservice where labor and service are the key to their businesses
- **Consumers are fickle.** It's easier to change look, feel, menu in a foodservice than retail
- **Food safety and labor** are inherent in foodservice, not retail

If You Remember . . .



Source: The Hale Group, Ltd.

Total Partnering Goal – A Balanced Approach



Redefining the Relationship

True partnerships - *not short-term projects*

- Inefficient way to use resources
- Reduce costs on all sides of the supply chain
 - *Manufacturer, distributor and operator*
- Invest in innovation strategies, not projects, build trust and knowledge

Strategic Imperatives for Us

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- 4. Understand service is the product**

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- 3. Bring relevant innovation to market faster, better, more efficiently*
- 4. Understand service is the product*
- 5. Execution is the name of the game**