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Three Mega-Trends Offer Strategies for Challenges and Opportunities in 2008

By Jenny Anderson

“ Consumers are becoming more careful with their wallets, but... current lifestyles make many reliant on foodservice.”

In our last two *Viewpoints*, we focused on the underlying dynamics of challenges in 2008, specifically the economy and rising costs. Now it is time to shift to response and the important industry trends that need to be on suppliers' radar screens as they strategize. Amid the slew of consumer, culinary and concept observations constantly being put forth, it is often difficult to distinguish between fads and priorities. The current environment calls for both “back to basics” approaches and new ideas. For all suppliers, three core mega-trends are at the center of a framework to meet today's consumer and operator needs. They are: Value, Health and Nutrition, and New Dayparts.

1. New Approaches for Value

New products and services that resonate with consumers facing new economic realities also need to meet the needs of operators dealing with margin pressures and the threat of customers trading down. Value has multiple meanings in this climate, and menus increasingly reflect multiple tiers to appeal to different ends of the value spectrum.

Several LSR chains are adding more premium options to capture new customers, yet they still maintain value menus to meet the needs of deal-oriented consumers. McDonald's is a good example. The Dollar Menu remains an important part of its strategy but new products are clearly skewed toward opportunities to trade up to chicken sandwiches, specialty coffee drinks and Angus burgers. The chain's evolution has also proven that new product categories can substantially build sales, and its model has been closely watched and imitated.

Though less obvious, the same stratification is starting to emerge in FSR as those operators work to prevent trading down to less costly alternatives (e.g., LSR, Quick Casual, retail meal solutions). Takeout is obviously one strategy to make FSR options more affordable, but smaller portions are also being explored as a means to trim costs and market appealingly and effectively. T.G.I. Friday's and The Cheesecake Factory give customers a chance to control spending and overeating at the same time with downsized offerings. Yet both chains still offer choices for those who associate full plates (and possibly leftovers) with value.

Bundling is also a focus for many. Meal deals combining an entrée with appetizer, dessert or some other combination of multiple courses deliver a message of “more for the money” and bring the chance to highlight “add-on” menu items beyond the entree.

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2. Health and Nutrition

Obesity, related illness and government regulation are converging to put health and wellness at the forefront of critical industry imperatives. Nutritional/calorie disclosure is just one aspect; consumers' confusion about healthy diets and their reliance on foodservice means that operators must deliver better-for-you approaches. Basic nutritional principles and sustainable approaches to healthy eating are back in the spotlight as fad diets have lost favor. This means monitoring sodium, sugar, calories and fat, boosting intake of fruits and vegetables, smaller portions and even mini meals throughout the day.

While the principles seem simple, consumers need help from the industry in implementing these improvements. Some initiatives are publicized to customers (e.g., Burger King's kid-focused Apple Fries, Taco Bell's reduced-fat Fresco menu). Other proactive improvements have gone un-marketed (e.g., Starbucks' switch to lower-fat milk for coffee drinks, Bon Appetit Management Co.'s commitment to more vegetarian options and whole grains). Regardless, suppliers need to understand—and be prepared to respond to—both opportunities for healthier alternatives and potential risks for more indulgent ingredients and products.

3. New Dayparts for New Business

Breakfast and snacking in particular represent prime new-product opportunities. The LSR segment has been focused on building business with new portable products like breakfast sandwiches and burritos and upgraded beverages. There is also growing awareness of breakfast's appeal throughout the day, as well as recognition of non-traditional breakfast preferences (e.g., the Breakfast Burger at Carl's Jr., a lunch-breakfast hybrid topped with cheese, hashbrowns and a fried egg). FSRs have been focusing on more indulgent weekend brunch occasions and breakfast meetings. Convenience stores and grocery stores are also adding morning options to their menu mix.

Snacking and other “mini meal” occasions are another opportunity to build daypart business (and also offer more options for portion size). LSRs have effectively targeted snack occasions with mini sandwiches (e.g., Quiznos' Sammies line), appetizers and dessert-oriented treats. FSR chains are trying to boost bar sales with improved adult beverages and accompanying snacks to allow for new occasions during “happy hour” and late-night as well as upselling during dinner.

The Road Ahead

2008 is poised to bring challenges to the industry and growth will be tough to achieve amid difficult economic conditions. Consumers are becoming more careful with their wallets, but we need to remember that current lifestyles make many reliant on foodservice. Focusing resources effectively and efficiently requires industry intelligence to determine attractive opportunities, necessary adjustments to current practices and optimal strategies for marketing to maximum effect. Your insights-gathering must explore how trends translate into new product and segment prospects. Individual companies, of course, have individual priorities but the megatrends discussed here are primed to change application and usage trends throughout the industry.