



Ready or **Not**

Growth in away-from-home eating means supermarkets must continue to improve their fresh prepared food offerings.

By Lynn Petrak

If rotisserie chicken spun a new competitive advantage for supermarkets a couple of decades ago, today's prepared food offerings reflect an even greater turn of fate — and arguably fortune — for grocers.

Although competition for the consumer food dollar remains tight, with supermarkets vying with restaurants and meal kit delivery services to provide fast, simple and appetite-appealing meals, the outlook for grocery prepared foods remains positive.

Several research organizations project continued expansion and success of prepared foods offered in supermarket settings. In an October 2016 brief, Mike Kostyo, senior publications manager of Chicago-based Datassential, declared that supermarket prepared food departments are the fastest-growing segment of the foodservice industry, and predicted that the category will grow 3.8 percent in 2017.

Prepared foods accounted for 58 percent of the \$24

billion in deli sales in mid-2016 and are considered an emerging driver of growth, according to "The Power of Fresh Prepared/Deli," a study commissioned by the Fresh Foods Leadership Council of the Arlington, Va.-based Food Marketing Institute (FMI).

Rick Stein, FMI's VP of fresh foods, says that supermarkets are doing well in this area for a variety of reasons. "One thing that supermarkets have to their advantage is that their food safety has been at the high end of consumers' trust," Stein says. "Also, they are differentiating themselves because consumers are already buying groceries — they often go to the grocery store, they know where to park, which aisles to go down, which checkers to talk to. So most supermarkets have a good brand already, and consumers know and trust them."

Supermarkets also have a leg up over some meal kit delivery services. During his 2017 trend forecast webinar, "Supermarket Guru" Phil Lempert contended that meal kit

delivery services may encounter some obstacles. “More stores are starting to have meal kits similar to the ones you’d get from HelloFresh or Blue Apron, but less expensive,” Lempert noted, “so I see in-store meal kits continuing to rise because of that meal kit phenomenon.”

For their part, retailers report a growing emphasis on prepared foods. Earlier in 2016, FMI commissioned research to survey retailers representing 8,000 stores, focusing on the sophistication of supermarket fresh prepared foods.

While 8 percent of respondents reported total store sales growth of more than 5 percent, 69 percent reported that same level of growth or much higher in their prepared food departments. In addition, 88 percent of the store banners polled said that they have a corporate executive chef on staff.

Wakefern Food Corp., the largest member-owned retail cooperative in the United States, has experienced growth in prepared foods as its members “push the envelope” with their offerings, according to Geoffrey Wexler, VP of foodservice for the Keasbey, N.J.-based company.

“We know that the expectations and demands of today’s customers are significantly different from those just five years ago. Our consumers are far more food-centric and food savvy,” Wexler says, adding that such savviness translates to a more discerning shopper. “Today’s consumers demand transparency in product origins, ingredients and production; seek out mission-based retail options; support hyperlocal products; and demand quality.”

Other retailers have homed in on, and responded to, changing consumer knowledge of, and preferences for, prepared foods.

“As food retailers continue to prove to customers that they can deliver fresh and high-quality prepared foods offerings that meet the needs of their busy schedules, customers’ expectations of these offerings also evolve,” says Dan Donovan, spokesman for Pittsburgh-based grocery chain Giant Eagle Inc. “As they do in other departments, such as produce when possible, many customers are interested in prepared foods offerings that are more healthful, locally or regionally sourced, and personalized.”

Variety Show

Employing chefs on staff is one way to boost a prepared food department, especially at a time of strong competition with restaurants and other take-home or make-at-home meal providers. “Retailers are investing a lot in this area,” Stein notes. “There are more



corporate chefs and more store chefs than there have ever been.”

Chefs can lend authority and innovation to prepared foods, qualities that resonate with consumers. According to the “Power of Fresh Prepared/Deli” study, although 96 percent of shoppers purchase deli/fresh prepared foods once a year, only 12 percent think of visiting the deli regularly when deciding what to do instead of cooking dinner; the report emphasizes that food retailers who want to stay competitive with foodservice “need to focus on elevating the profile of deli/fresh prepared as a key differentiator and thus the driver of sales for the entire store.”

By hiring chefs and focusing on flavor, many grocery stores have already elevated the profile of their offerings. Datassential’s report, for example, revealed that a third of consumers say that the variety and quality of prepared foods have improved.

To stay competitive in terms of quality and variety, Kostyo says that grocers and in-house chefs should continue to find ways to think outside the box. “Now that supermarket prepared foods are competing with nearby coffee shops, fast-casuals and other trendy restaurant concepts, not to mention growing delivery services, retailers really have to start broadening their view and looking at what’s happening across the industry to understand what customers want,” he advises.

Anne-Marie Roerink, principal at San Antonio-based 210 Analytics, which conducted research for the “Power of Fresh Prepared/Deli” study, agrees that grocers and grocery chefs should keep that question in mind — What do consumers want? — as they develop their prepared food offerings.

Roerink suggests that stores first meet baseline expectations on fresh prepared staples like rotisserie chicken, sandwiches and pizzas, and then work on other, up-and-coming items. “Once the basics are perfected, stores can expand to become a true deli destination that is a viable restaurant alternative in the eyes of the shopper. This includes a much wider variety of items of on-trend foods to elevate the consumer perception,” she says, noting that grocery stores are well positioned to deliver on innovation. “Grocery stores that have been able to build a reputation and destination by innovating and staying above the trend with flavors, ingredients and customizable options have given restaurants a run for their money.”

“You’re starting to see supermarkets with a station for pizza, a station for salad, and a station for sushi or Mexican food,” Stein concurs. “They can switch those over time, like maybe switching sushi to Mediterranean sandwiches, if those become

“**Today’s consumers demand transparency in product origins, ingredients and production; seek out mission-based retail options; support hyperlocal products; and demand quality.**”

—Geoffrey Wexler, Wakefern Food Corp.

popular. While variance is important, you have to have mainstays like rotisserie and fried chicken, and grab-and-go sandwiches.”

On the topic of customization, Kostyo says that grocery prepared food programs have an edge in not only giving customers what they want, but also helping them create their own meals.

“Consumers love customization. In fact, con-

sumers chose customizable hot pizza as the No. 1 unique offering that they wanted to see in the supermarket prepared foods area, while made-to-order burritos and tacos also scored high,” he observes. That trend can be expected to continue as more Millennials and Generation Z consumers come of age. “They are used to the personalized experience at a fast-casual, or ordering exactly what they want from their phone or an in-store ordering system,” Kostyo notes.

Working Together

As they offer prepared foods that provide customers with the flavors and formats they seek, grocers can bolster their success through collaboration. “Suppliers can also step in and help operators understand what’s going on in the market — the concepts, menu items and ingredients that are trending on menus and popular with consumers,” Kostyo recommends.

Donovan points to the benefits of collaboration, from a retailer’s perspective. “Just as our customers are often starved for time, retailers, too, must continue to find efficiencies in time and resources when delivering these delicious, high-quality meal solutions,” he says. “Suppliers have a great opportunity to create unique partnerships by offering solutions such as bundling components, allowing retail team members to spend less time creating dishes and more time servicing the customer.”

Those who supply ingredients and products to grocers for prepared foods say that they are proactively looking at trends and shopper demands in the R&D process.

Greg Powers, CEO of Boulder Organic Foods, in Niwot, Colo., heads a company that works directly with retailers “to develop new profiles that reflect consumer preferences on flavor, nutrition and ingredients. Since all of our products are ready to eat and represent the ultimate comfort food, we try to stand apart from the field by offering organic and gluten-free foods that are healthier than most alternatives,” he says, citing newer profiles that represent a clean-label version of traditional offerings such as tomato bisque or potato corn chowder.

Houston-based Perfect Fit Meals is another supplier seeking to fill in the gaps for healthy prepared foods, with



fresh-made heat-and-eat portion-controlled meals. “In the grocery segment, a lot of people don’t realize there is a healthy prepared option,” notes Andrew Hsueh, Perfect Fit’s president and founder. His company’s prepared foods are high in protein and fiber, and “low in everything else,” Hsueh asserts.

Likewise, the current consumer clamor for protein can be a boon for suppliers and their retail partners.

“We have experienced requests in the hot-food deli section, with offerings like hot bars and take-home seafood protein components to supplement other food groups,” says James Faro, director of sales for National Fish & Seafood, in Gloucester, Mass. “Also, many of our retail partners ask for biannual to quarterly innovations to complement the weather season or holiday season.”

Making the Connection

Beyond serving prepared foods that fit shoppers’ tastes and preferences, stores can maximize sales and differentiate themselves in how they promote and merchandise the items.

From her conversations with shoppers as part of the research for the “Power of Fresh Prepared/Deli” study, Roerink discovered that one of the biggest findings was how the majority of shoppers only know about a store’s prepared food program by seeing it or experiencing it for themselves.

“Retailers have an enormous opportunity to connect with shoppers in meaningful ways at the crucial planning hour with daily specials, meal ideas, mix-and-match ideas, using social media, mobile and text messages,” she says. “That requires shopper buy-in and trust, but if retailers can prove to be part of the ever-present ‘what’s for dinner?’ dilemma, they can quickly rise as a viable restaurant alternative that shoppers deem healthier and less expensive.”

Kostyo suggests making the prepared food area a convenient destination instead of just setting out foods and hoping shoppers will come. According to Datassential’s findings, shoppers want menu boards and limited-time offers so they can try new foods; they also have high expectations for speed of service, staff friendliness and décor.

Additionally, supermarkets can distinguish their offerings and connect with consumers by providing healthier or wholesome choices in their prepared food sections and letting consumers know about those options.

“One way in which retailers are educating customers is through increased ingredient labeling, particularly as prepared foods continue to be an attractive solution for families,” Giant Eagle’s Donovan says. “This trend has been a healthy challenge to retailers to be more mindful during the recipe creation process, without compromising on the need to deliver a delicious-tasting item or meal.”

In addition to labeling, other packaging elements can lead to more effective merchandising of prepared foods. “Packaging is becoming very important,” Stein asserts, adding that consumers are interested in packaging that protects the integrity of prepared foods, is attractive and, when possible, is environmentally friendly.

“Also, packaging can generate more sales, depending on the packaging you use. Labels, for example, connote quality and food safety. I really think supermarkets are leading the way with prepared foods packaging.”

Suppliers that provide packaged prepared foods also focus on packaging as part of the overall product profile. Perfect Fit Meals, for example, is developing new packaging that will allow customers a better view of the product, so “that what you see is what you get,” as Hsueh puts it.

Staying Competitive

Looking ahead, the pace of innovation in prepared foods is set to continue.

“As a differentiator, prepared foods afford us a tangible way to continue to compete against club stores, dollar stores and alternative formats that could possibly lure customers away,” notes Wakefern’s Wexler.

“Moving towards the future, we will continue to invest in programming that addresses the shifting meal preferences of our customers. From an innovation standpoint, it’s an exciting time to be in this dynamic industry.”

In his long-term forecast, Lempert predicts that prepared foods will likely undergo another iteration as the buying and selling landscape changes.

“We’ll see delivery-only restaurants and delivery-only grocery stores,” Lempert says, noting the buzz around the new Amazon Go store at which shoppers use a mobile app to automatically purchase products in a digital shopping cart, eliminating the need for in-store checkout. “They are making prepared foods in the store ready to pick up and go.” **PG**

“Grocery stores that have been able to build a reputation and destination by innovating and staying above the trend with flavors, ingredients and customizable options have given restaurants a run for their money.”

—Anne-Marie Roerink,
210 Analytics