



## Current Trends in Foodservice



## Purchasing That Fits®

Operators have always been conscious of the value equation – trying to find the elusive middle ground between price and quality offerings to simultaneously satisfy their customer’s stomach and wallet. Entegra has created this trend overview, in conjunction with Technomic, to outline the new and unique challenges facing the foodservice industry.

- Consumers, still cautious after the years in the recession, are price-sensitive yet want offerings that are natural, trendy, and personalized.
- While consumers still crave comfort food, America’s population is increasingly diverse and global fare is influencing menuing within all foodservice segments.
- Ethnic flavors and ingredients are heavily demanded, especially by Millennial consumers.
- Retail foodservice is quickly developing and producing innovative, quality products which will compete heavily with traditional foodservice.
- Understanding the consumer is critical – while demographics matter, understanding segmentation and characteristics of the target consumer is equally important.

With so many elements of foodservice evolving, it is critical for operators, distributors, and manufacturers to be aware of the current industry trends and what that means for the future of foodservice. Given the importance of tracking industry trends, entegra Procurement Services presents this Technomic-based white paper to educate foodservice operators.

## CURRENT STATE OF THE INDUSTRY

### Growing consumer confidence is leading to nominal foodservice growth and driving industry trends.

During this bounce-back from the recession, consumers are still very price-sensitive, yet growing consumer confidence has had a direct influence on slowly rising restaurant sales. The Consumer Confidence Index registered an 86 in September of this year, which indicates that consumers are slowly regaining faith in the economy and are exhibiting cautious optimism about the country's fiscal future. As disposable income grows, consumers will be more willing to eat out and treat themselves. With such challenges facing the foodservice industry, steady sales are celebrated.



## CURRENT TRENDS

Thanks to the proliferation of celebrity chefs and information about food, the average consumer is more educated and is more in tune with the industry. As a result, while culinary creativity drives execution, consumer demands and interests are the force behind many industry trends.

**Consumers are increasingly conscious of the holistic nature of food – the impact it has on the environment, their bodies, and their health.** As a result, better-for-you offerings and other dietary trends are the largest consumer-driven trends. The average customer is more aware than ever of product attributes, and emerging superfoods are the product de jour. However, some items have health halos and operators must be aware of the perceived benefit or detriments of products. It is also important to highlight the benefits of the products and ingredients, whether those are naturally occurring or enhanced. Products that promote good fats, high anti-oxidants, protein, fiber, and vitamins are gaining market share. Due to the perceived benefit of several small meals throughout the day, more customers are visiting restaurants for snacking occasions. Small portions or an expanded appetizer selection with a variety of small and sharable plates can allow for tiered pricing, this is also appealing to customers who are on a budget.

### There is a growing divide between the generations: younger consumers are focused on customization and cravability, whereas Baby Boomers and Gen Xers are concerned with value and service.

Customers across generations want to visit a restaurant for a memorable experience. However, how consumers perceive the experience differs broadly between generations. Millennials are more likely to see an interactive, trendy, personalized product as a “memorable experience” and Baby Boomers look for strong service and high quality ingredients for a good price. Their perceptions of “healthy” also vary dramatically. While Baby Boomers and Gen Xers are more likely to perceive low calorie and low fat products as better for you, Millennials are more likely to view products with functional attributes or clean labels as healthier without much concern for calorie count.

Across generations, consumers are becoming more adventurous with their foodservice choices; consider that salsa and hummus are currently outselling ketchup, which shows how eager consumers are to incorporate ethnic ingredients into their standard eating habits. Due to the diversity of Millennials, they likely grew up with global fare and were exposed to different cultures from a young age, which often makes them bolder in their foodservice choices and preferences. Unsurprisingly, this has had an impact on their food choices.

While demographics do reveal interesting preferences for generations, it is important to remember that other factors impact decision making and need states. “Foodie” consumers, for example, are more likely to talk about restaurants and products with friends and family and try new cuisines that are recommended to them, whereas value-driven consumers are more interested in finding the best deal and are more swayed by coupons than trendy ingredients. Situational factors, demographics, and segmentation play an important role and should be considered when evaluating a target audience.

## EMERGING TRENDS

### Expanding Consideration: Retail as a Foodservice Destination

Consumers today have a busy lifestyle and often find themselves on-the-go. At one time, fast food was the only option for a quick meal, but today restaurants of all types are creating more grab-and-go offerings. Of course, consumers also demand choice, quality and variety. All told, consumers are looking beyond full service and limited service restaurants for their foodservice needs. Supermarkets, convenience stores and drug stores are expanding their prepared food offerings; including on-trend products, upscale ingredients, and regional favorites. As a result, retail foodservice is not just an impulse purchase, but a destination. Consumers aren't just asking themselves which restaurant they would prefer, but what type of foodservice operation they want to visit. With high quality offerings in supermarkets and other retail outlets, getting dinner at Whole Foods, Marianos, Eataly, and other similar venues is remarkably similar to a restaurant experience. Drug stores and convenience stores are also becoming strong foodservice destinations. Walgreens flagship stores, for instance, offer a variety of customizable products and a robust beverage alcohol program complete with tastings.

### Consumer demands for transparency force operators to simplify and focus on fresh, natural, and local ingredients.

Consumers are demanding local products and ingredients. But the perception of local is quite varied - it is about a feeling and a connection to the source. Customers might see farm fresh products from a family-operated farm as "local" even if they are being sourced from across the country. This is just one illustration of the need for transparency around the preparation of products. This trend for natural products that can be traced back to the source has begun to impact other elements of the industry. Chefs are simplifying their menus and focusing on creating dishes that showcase the culture and strengths of their operation. The industry is certainly moving toward cleaner labels and less processed foods. Customers are gravitating towards recognizable ingredients that are locally grown and processed. The industry has shown that it is willing to evolve to customer demands, and this demand is not going away.

**While consumers are willing to pay a price premium for value, the definition of value is changing.** Value was once a simple equation – it was the combination of quality products and good service for a fair price. Now, as consumers are increasingly on the go and look for a memorable experience rather than just a good meal, the definition of value is more complex. When evaluating value, consumers weigh price against a variety of attributes, particularly their ability to customize a product, the freshness of the offering, the variety of options, portion size, and premium ingredients.

## TRANSFORMATIVE TRENDS

### Changing Market Structure

As the market changes, every area of the industry must change as well. Chefs are evolving to meet consumer demands by focusing their menus and incorporating trending ingredients and flavors. As the industry continues to shift, operators will see more specialized concepts and fewer traditional chains thriving, in addition to the continued growth of retail offerings. Additionally, distributors will continue to consolidate and implement category management initiatives. Operators will continue their relationships with broadline and specialty distributors; however, the online channel is anticipated to grow to 5-10% share while club-stores and cash and carries may capture 15-17% of the market. Suppliers will likely expand their offerings through multiple channels to stay competitive with local and regional brands.

### Consumers are Driving Seismic Foodservice Shifts

Operators, distributors, and suppliers are all re-evaluating their strategy in reaction to changes and trends within the industry. At the root of this fundamental shift are evolving consumer demands. Their growing interest in local and natural products with bold flavors is forcing operators to change their menus, which naturally impacts distributors and suppliers. These transformative trends will resonate across the supply chain, causing players to reevaluate their products, methods of distribution and production in order to better serve the customer.

#### *About entegra Procurement Services®*

Entegra Procurement Services provides customized procurement and distribution services for food and related supplies for multi-unit clients in the hospitality and non-commercial industries. As part of a global purchasing network with annual purchases that exceed \$5 billion, entegra uses some of the most competitive pricing in the industry for our customers. We have the ability to impact not only the cost of goods our clients pay, but also the level of service that they receive from our supplier partners. [www.entegraPS.com](http://www.entegraPS.com)

# KEY TAKEAWAYS

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As Gross Domestic Product (GDP) and disposable income rises, consumer confidence increases and customers are more willing to visit restaurants. However, foodservice growth will only be nominal in the near term as economic conditions continue to evolve.

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The gap in needs and expectations across generations is growing. Millennials, Baby Boomers, and Gen Xers have very different perceptions of quality service, concepts of “healthy”, and incorporation of technology.

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The competitive set has expanded to include not only commercial restaurants, but encapsulates a growing number of quality retail offerings. This trend is expected to accelerate as consumers look for quick, reliable, and reasonably priced meal solutions.

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Consumer demand for natural products is resulting in more local products, clean labels and simplified menus. National brands are highlighting their relationships with local farmers and creating products with regional flavors.

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The value equation isn't simply about quality and price, but covers a multitude of consumer needs, such as premium ingredients, a range of product options, and a variety of portion sizes - especially snacking and sharable offerings.

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Consumer demands are transforming which is resulting in fundamental industry shifts, with more on the horizon. Operators, distributors, and suppliers will have to alter their products or their marketing message in response.



**Entegra was founded in 1999 to provide procurement management services to foodservice operators.** Due to an unwavering commitment to integrity, quality, value and customer service, we have grown to service multiple segments within the industry. Today, entegra is a leading provider of procurement management services for segments including acute, seniors, hospitality, leisure and restaurants. **To learn more about entegra, contact us at 866 ENTEGRA or [info.USA@entegraPS.com](mailto:info.USA@entegraPS.com).**



**Technomic is the leading dedicated fact-based research and consulting firm serving the food industry.** For over 45 years the firm has been tracking trends, advising clients, and publishing key industry reports. Technomic specializes in business planning, competitive evaluations, customer satisfaction, distribution, go-to-market effectiveness, opportunity assessments, specialty channels, and trend forecasting. Its clients are restaurants and supermarket chains, distributors, food/beverage/non-foods manufacturers, and trade associations.