



TECHNOMIC
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Foodservice in Non-commercial Segments

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Consumers are increasingly on-the-go and perpetually being pulled in many different directions. As a result, consumers are interested in foodservice offerings in locations other than the traditional restaurant or banquet hall. They want to be able to get great tasting, healthy food in settings where they work, play, and study as well as in locations they'd rather not be at all, such as a hospital. Consumers do not simply want convenience but demand the quality and innovation they have come to expect from the commercial segment. Whether working within education, healthcare, hospitality or leisure, operators are aware of their customers' needs and changing expectations. Creating menus that include clean labels, customizable options, and healthful offerings is a top priority for non-commercial operators.

- Consumers are less interested in traditional dayparts and mealparts and are looking to satisfy their cravings whenever they have them, creating challenges as demand for all-day breakfast and after-hour offerings grow.
- Technology advancements across all segments are apparent as operators leverage technology to increase sales, decrease labor, and improve overall services. Due to consumers' reliance on apps and websites to learn about foodservice offerings, this demand will continue to rise.
- Non-commercial operators are often tasked with providing high quality products to price sensitive consumers, creating challenges across the supply chain.

Consumer demand will continue to be the driving force for change within the non-commercial segment in order to accommodate customer requests, operators and suppliers will need to continue to work together to create on-trend and innovative offerings in a variety of formats.

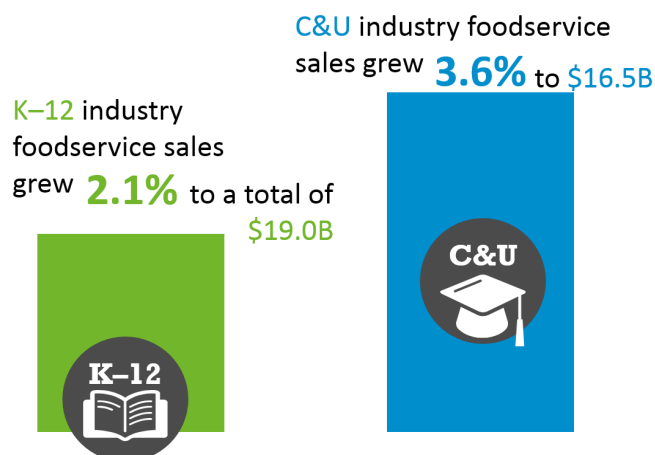
EDUCATION

The education segment, which includes K-12 as well as College & University (C&U), provides meals to students of all ages. While extremely diverse, one thing students have in common is their strong reliance on foodservice. As enrollment climbs and demand grows, foodservice directors are working hard to enhance the overall dining experience.

By expanding retail prepared foods to include high quality products at a student-friendly price, grab-and-go offerings are increasingly appealing to young consumers. Within C&U, operators are catering to convenience as more than half of surveyed students (53%) are likely to participate in a meal plan for convenience rather than value. Students are very likely to keep irregular hours socializing or studying, and as a result, a notable proportion of students eat snacks shortly after dinner and late at night. This makes affordable foodservice at off-peak hours a particular priority for this demographic.

Efforts within K-12 are repositioning foodservice into more of a community-driven model, which addresses child hunger. Foodservice providers are further enhancing their programs by participating in sustainable practices and investing in specialty products that cater to common food allergies.

On-campus foodservice providers must compete with their off-campus counterparts by matching innovation, quality, health, convenience and technology. Technology advances like mobile payment, online ordering, social media, and menu updates will allow foodservice providers to stay competitive and boost sales. Millennials and Gen Zers frequently use websites and apps to order food online, pay ahead, as well as check restaurant hours, special offerings, and reviews. Due to this familiarity with technology, students are welcoming more opportunities to connect to their campus dining services via smartphone.

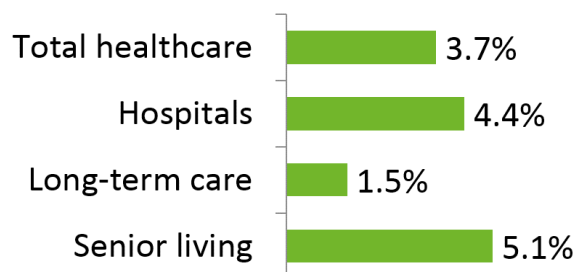


Source: Technomic Education Consumer Trend Report 2015 (CAGR based on nominal growth)

HEALTHCARE

In 2015, the healthcare foodservice market represented \$26.2 billion in foodservice sales. Over the past five years, the healthcare foodservice business has grown 3.7%, mainly driven by the growth in senior living and hospitals. Already a substantial figure, healthcare foodservice is expected to grow by \$5 billion dollars by 2020, making it one of the fastest growing areas in foodservice and the fastest growing non-commercial segment. Currently, hospitals account for nearly half (43%) of healthcare's foodservice market with senior living representing just over one-quarter (27%) of spend. However, as the aging population moves into senior living facilities, the senior living channel will likely become more important in foodservice as well as healthcare services overall. More access to affordable healthcare through the Affordable Care Act (ACA) will also move healthcare foodservice forward and boost demand for enjoyable yet convenient fare.

Healthcare Foodservice Growth 5 year CAGR (2010–2015)



Source: Technomic Healthcare Study 2015 (CAGR based on real growth)

Suppliers to senior living and acute healthcare operators must adjust to the constant demand to refine menu offerings and respond to trends in healthy dining. Customers are pushing for local and sustainable products, which is often difficult to achieve with such strict regulations and food safety issues. Mandatory labeling regulations have proven difficult as they require companies to work closely with manufacturers and take action to integrate these new changes into the menu development process.

Sixty-four percent (64%) of hospital foodservice operators report their primary mission is elevating and improving patient, resident and guest satisfaction through the foodservice experience. Patient satisfaction surveys are now given after one visits a healthcare facility and concern for high scores are prompting healthcare facilities to focus on food quality, variety, and the patient/resident experience. However, as more operators are reviving their menu mix, managing food costs has proven difficult. Healthier products and ingredients continue to have a significant impact on product selection and menu design, yet coupled with increasing food prices and decreasing budgets, foodservice directors face having to do more with less.

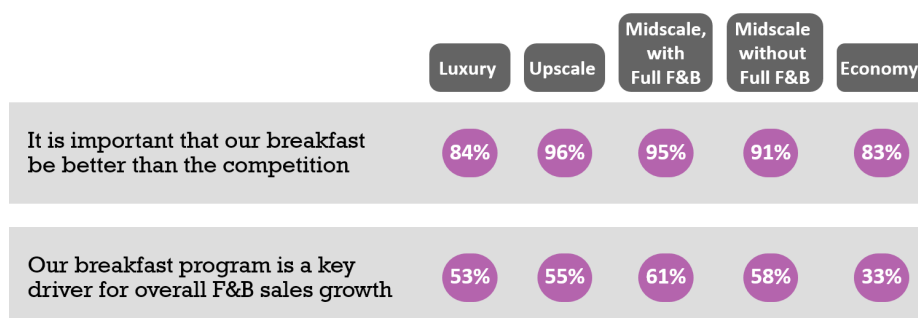
HOSPITALITY

Traveling guests are often on the go with an itinerary that makes a quick and healthy meal difficult to achieve. Hospitality operators are responding to this need by introducing new menu offerings as well as opening new foodservice stations, including mini-marts and coffee carts, which offer a quick alternatives to a full meal during all day parts.

Although hospitality operators are responding to overarching consumer demands – such as better-for-you and locally-sourced products – small and sharable plates are becoming a critical offering for the segment. As consumers increasingly shun three square meals in favor of several snacks throughout the day, small and sharable plates are gaining popularity, especially during off-peak hours. More than one-quarter of operators report they are offering snack foods in hotel restaurants and eighteen percent (18%) offer them at the pool bar. These offerings are also an attempt to “casualize” the dining experience, as many hotels across property tiers are taking a new approach to dining that will allow guests to enjoy a meal without taking up too much of their time or travel budget.

An improving economy, high consumer confidence, and heavy competition, hospitality operators are trying to remain competitive by reducing labor costs and improving their food and beverage programs. Improved equipment and technology like combi ovens that have multiple functions and a variety of settings have been very helpful in this initiative, as they allow employees to maximize space and multi task. Social media outlets have become an integral part of hotel chains in the past few years, allowing for operators to stay connected and interact with guests, both to showcase new offerings and deals as well as respond to problems in real time.

Sixty-one percent (61%) of midscale operators report their breakfast program is a key driver for overall food and beverage (F&B) sales growth, allowing for ample opportunity for new breakfast products, recipes, and upscale ingredients. With so many chains serving breakfast, simply menuing a morning meal isn’t enough to stand out. However, breakfast is an offering that the majority of hotel guests take advantage of, making it an ideal area to drive customer satisfaction and loyalty.



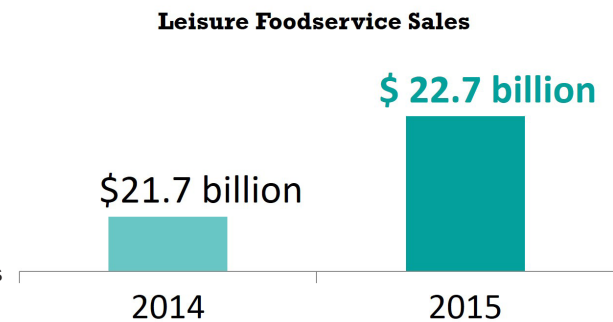
Source: Technomic Lodging Study 2015

LEISURE

Leisure operators have been experiencing a slow but steady growth in sales and are attempting to maintain the momentum by introducing more on-trend menu items and healthful food offerings. In 2015, leisure's total foodservice sales grew to \$22.7 billion. This is a slight increase compared to the previous year's growth and is likely due to the foodservice enhancements in outlets such as ski lodges, movie theatres, and bowling alleys.

The leisure segment serves a variety of consumers where traditionally, there are not many foodservice options available. The clientele differs for various outlets, which requires careful consideration on the part of the operator. Operators cater to three distinctive audiences in this segment: captive, experience and premium. Most often leisure has a captive audience seen frequently in stadium outlets, where food offerings are limited and healthy offerings are not top of mind. Although, operators catering to these captive audiences are beginning to offer healthful options, such as veggie burgers in addition to ballpark hot dogs, as consumer demand grows.

Operators are also serving leisure outlets that are more of a destination and consumers are seeking a memorable experience. For these operations, which include upscale movie theatres and bowling alleys, customers want a diverse menu and are looking beyond the traditional menu options like burgers, pizza, and hot dogs. In response, many operators are featuring classic menu options with a twist in order to differentiate their menu and remain competitive with offerings, such as variations on mac-and-cheese, nachos or better burgers. Finally, premium audiences can be found at recreation operations like ski lodges, golf clubs and casinos. These operations are designed to appeal to more affluent customers who are investing time and money in their leisure activity. These operators place more emphasis on offering local, healthy, and innovative food offerings in order to uphold consumer standard.



Source: Technomic Inc. Wallchart; June 2015 Update

In addition to offering on-trend menu items, leisure foodservice operators are developing more grab-and-go offerings. Due to the format of the leisure establishment, which is not always conducive to traditional dining, packaging and portability are important to consumers who want to enjoy their food while participating in an activity, whether it be gambling, bowling, or viewing a sports event.

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

KEY TAKEAWAYS

1

Consumers in the education segment are increasingly looking for healthier food items at off-peak hours as their snacking occasions increase. It is important for operators to continue to innovate and offer portable options as convenience is particularly important to generating on-campus purchases.

2

As senior living options expand to include dynamic members of an aging population, the demand for high quality and innovative food will continue to grow. Additionally, as hospitals continue to be judged on patient satisfaction surveys, the foodservice mission to elevate and improve the patient, resident, and guest experience through foodservice will likely be more connected to the hospital's overarching goals.

3

Hospitality operators are expanding food offerings for all dayparts to meet the changing demands of consumers. Hospitality operators must be prepared to address ongoing consumer demands and stay competitive by offering snackable and shareable foods as well as expand meal offerings into various dayparts.

4

Leisure operators are focused on providing better-for-you product offerings that fit their specific clientele for their foodservice outlet. Although leisure consumers are often on the move, it is important to consider packaging and menu formats in order to meet the expectation of both the healthful and indulgent consumer.



Entegra was founded in 1999 to provide procurement management services for the healthcare industry. 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.**



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.