

The Accenture logo, featuring a small blue chevron symbol above the word "accenture" in a lowercase, sans-serif font.A large, stylized graphic element consisting of a thick, purple-to-red gradient chevron shape pointing to the right, located in the top left corner of the page.

# NOURISHING

## THE FOOD INDUSTRY WITH PROFITABLE GROWTH



How restaurants and  
food retailers can turn  
trends into profits

A close-up photograph of a woman's hands holding a pair of light-colored wooden chopsticks. She is holding a single piece of maki sushi, which consists of a roll of seaweed, white rice, and a slice of salmon. The background is softly blurred, showing a man with glasses and a beard sitting at a table in what appears to be a restaurant or cafe. The lighting is bright and natural, creating a warm and inviting atmosphere.

**Food is part of our everyday lives. But the ways in which people shop for, buy and experience food are changing—and this has dramatic implications for the \$1.5 trillion food service, restaurant and grocery industry.**

The food industry is experiencing major shifts. Grocery stores are facing significant commodity deflation, making revenue growth challenging. Restaurants are seeing significant changes in dining out behavior, and millennials and centennials replace baby boomers as the primary restaurant growth target. Changing demographics and generational influences are also creating new food and flavor trends and “foodie” experiences that quickly come and go.

**Other factors are contributing to a recipe that threatens current business models:**



**TECHNOLOGY.** Digital customer engagement is clashing with antiquated internal systems, so chief information officers and chief marketing officers must figure out how to get platforms and hardware up to speed.



**DATA.** There is an explosion of customer and social data, and many don’t have the infrastructure of knowledge to manage—and maximize—it.



**MARKETING.** TV has long been the dominant tool for critical mass awareness and sales-driving efforts, but traditional mass TV media is dissolving into a hyper-fragmented media marketplace.



**CUSTOMER EXPECTATIONS.** Digitalization has shaped “liquid expectations” where customer experiences seep over from one industry to another. They expect digitally enabled, seamless experiences—and they want them from industry disruptors as well as traditional brands.



**HIGHLY SPECIALIZED COMPETITION.** The playing field has gotten more complex as new brands are equipped to create the products customers want—whether unique flavor profiles, ethnic options, organic and other variations.

Looking forward, successful food companies will address these challenges strategically and holistically. Leading food companies will successfully transform by relentlessly focusing on customers to predict profitable trends, maximize and extend table experiences and drive higher frequency traffic. In this paper, we offer perspectives and approaches to apply in your food business to serve up profitable growth.

# TRENDS

Trends get customers' mouths watering. There are numerous ways to be on trend—menu options, flavors, ingredients, ambience and experiences and food industries need to define their unique strategy for capitalizing on trends.

Some of the trends currently in play include:

**CONVENIENCE.** Almost-done meals are gaining in popularity. For instance, Papa Murphy's sends you a pizza and you do the baking.<sup>1</sup> Order Starbucks on your mobile app, and your order is hot and ready when you arrive at the store. The quest for convenience also includes value-added products, such as pre-sliced apples, which have grown 255 percent in sales between 2004 and 2014.<sup>2</sup>

**DELIVERY.** Restaurants are using aggregators, such as UberEATS to get food to customers quickly and conveniently. Morgan Stanley estimates the US food delivery market could grow to as much as \$210 billion over the long term.<sup>3</sup>

**CHOICE.** Over the last five years, the Top 100 US restaurant brands have opened almost 20,000 new locations, including more than 3,000 for the Fast Casual sub-category alone.<sup>4</sup> Established restaurant brands, and their traditional business models, are being challenged like never before to defend and grow their market share. Convenience brands have added close to 2,000 locations.

**TRANSPARENCY.** As customers are increasingly interested in and aware of ingredients, restaurants are more open about what goes into foods. "Organic" and "non-GMO" are the fastest growing special labels.<sup>6</sup>

**Costco is now the**

**64<sup>th</sup>  
largest US  
restaurant  
brand**

**as non-traditional competitors offer new meal solutions to attract younger customers with less brand affinity for the established brands.<sup>5</sup>**



## **Having a bowl in NYC**

**The Kellogg Company opened an all-day cereal café in Times Square. The innovative format allows patrons to customize their dishes by adding toppings such as pistachios or lime zest, and other seasonal ingredients. The destination is intended to remind guests of home while they are out on the go.**

**The café also offers catering options, such as a make-your-own breakfast buffet.<sup>7</sup>**



However, identifying trends is easier said than done as trends are fleeting, difficult to spot and hard to scale. The number of “limited time offers” (LTOs) is one indicator of this challenge. Just in the last year, top restaurant and c-store chains launched more than 5,000 new items and LTOs.<sup>8</sup>

But while trend spotting has never been an exact science, food manufacturers, distributors, grocery chains and restaurants can be more scientific about it. There is abundant product and customer data available in the food ecosystem. Combining those data ingredients in one big pot—and sharing appropriately—would increase the likelihood of trend spotting, scaling and customer capture.

## **DIGESTING DATA**

So how do businesses connect the data that lives across the food ecosystem to predict trends, predict purchases, connect with customers, collaborate across channels and industries and enable the seamless experiences customers expect? Predictive analytics and models can help reveal trends so that they may be acted upon faster than ever.

Analytics can provide insights about behaviors. Restaurants can look granularly at various dining occasions and related purchase patterns. For example, “quick bite” meals might have lower price points than “social gatherings.” A typical “girls night out” may show lower average expenditures than a “guys night out,” where more drinks and food are consumed. Frequency patterns will be unique—for instance, a “family meal” will happen much more frequently than a “special occasion” meal.<sup>9</sup>

Identifying eater types is another way to figure out what customers want, and how to better target them. Some eaters are more concerned with healthy ingredients and sustainable practices. Family-driven eaters may be focused on positive experiences at a fair price.

## GETTING THE RIGHT INGREDIENTS

Like never before, the retail trading area is the key to harnessing data and insights for effective store-level performance and growth. Each restaurant is dependent on understanding its customers, its competitors and the local market conditions that specifically impact their location's performance on a daily basis. Organizing, synthesizing and analyzing data at the Retail Trading Area level is the platform that allows restaurant brands to connect data to results through "bottom-up" analytics and real-time insights.

But before synthesis can happen, restaurants must capture data from outside the four walls of their brand or location. This means collaborating with food manufacturers and distributors to get a full picture of customers. Having this comprehensive view can offer a significant advantage.

Panera 2.0. is proving the power of turning data into analytic insights. The company is seeing a 28 percent increase in sales in just two years.<sup>10</sup> Users of Panera's platform can order from their phone or in-café iPad kiosks. Customers can save regular orders as favorites for easy ordering the next time. And, orders are linked to the MyPanera loyalty program to further reduce friction and enable a seamless experience.<sup>11</sup>

## ACTING ON INSIGHTS

Understanding customer preferences allows you to maximize all channels. Take digital. Foodservice providers have taken advantage of the digital channel to push offers and communicate through social media. Add a dash of analytics insights, and those messages can be delivered just in time and within the right context. Mobile apps are key to such engagement.

**Last year,**  
**5% of**  
**restaurant**  
**orders**  
**were placed via the Web**  
**or a mobile app.<sup>12</sup>**



## **From store to more**

**Grocery chain Publix launched Publix Aprons—an easy way for shoppers to create simple meals. The program offers recipes that include shopping lists, cooking classes and even in-store event planners that can create a menu and they'll deliver the suggested foods for a small fee.<sup>13</sup>**



Using data and insights from the mobile app and social platforms can further enhance menus. By tracking and analyzing trends and customer commentary, manufacturers and restaurants can identify trends, develop new products and tastes and test in the market quickly and effectively. Manufacturers and food distributors have unique positions in their ability to capture macro data, determine trends, create insights and share with food retailers to create on-trend menus and customer buzz.

In-store is another opportunity for customization. Brick and mortar may seem like a thing of the past, when in fact, it offers an advantage. For instance, grocers can maximize their retail space by more prominently featuring prepared meal and café options that have become popular among busy moms and business people on the move during all day parts. We'll dive deeper into a recipe for location success later when considering ways to drive traffic.

## **TABLE**

The lines between foodservice and retail food outlets today are blurred, offering grocers and restaurants a big opportunity to feed customer desires in new ways. Rather than just selling food, some are delivering dining experiences. Grocers including Whole Foods and Wegman's were early entrants offering in-store café experiences, but almost all grocers are looking at foodservice opportunities.

Grocers can also get in on a bigger piece of the pie by capturing a larger share of the meal prep kit market, which is skyrocketing in popularity. The meal kit delivery services market in the US will generate approximately \$1.5 billion in sales in 2016 and will grow to a multi-billion market over the next five years.<sup>14</sup> GIANT is among the supermarket chains now offering kits with premeasured ingredients and step-by-step instructions.<sup>15</sup>

**48%**  
**of meals**  
**purchased**  
**from restaurants**  
**are eaten at home as**  
**takeout.**<sup>16</sup>

Customers want access to good food they can eat at home. In fact, nearly half (48 percent) of meals purchased from restaurants are eaten at home as takeout. And 10 percent of dinners consumed at home include something from a restaurant, whether it is an appetizer or the main dish.<sup>17</sup> Restaurants must figure out how they can offer options—such as curbside pickup—and use digital platforms to make it easier for customers to get good food on the go.

## **WHETTING CUSTOMER APPETITES**

One major opportunity for grocers and restaurants is to help customers make dinner decisions. People often make dinner decisions last minute, in fact, 49 percent of dinner meals are determined day of. Helping customers to make those decisions can increase a grocer's or restaurant's share of food spend, frequency of purchases and profitability by creating the services and price points appealing to customers.

Mobile and digital platforms play an important role in delivering the right dinner suggestions at the right time. For instance, delivering just-in-time promotions as customers are shopping in store. Grocers can make lives easier by creating their own subscription services where customers can get recipes, instructions and food in one place.

Dinner choices can also be made simpler when customers know that food aligns with their dietary restrictions. Chipotle launched a new ingredient tool that allows users—from vegans to Paleo to the gluten-free crowd—to quickly identify what they can eat off the menu.<sup>18</sup>

The dining table is changing rapidly. The desire to eat with friends and family remains constant, but how, where and what provides great opportunity for companies to connect with their customers in new ways. Companies that identify distinct dining needs and then effectively serve the meal—all or part—will make stronger connections with customers.

# TRAFFIC

What food service brands are doing now to drive traffic is having reduced impact on actual customer behavior. Companies still analyze, plan and execute largely from a national or system level. This approach essentially blends the data and insights from all regions into a stew that shows one “average” picture of the customer base—a base that does not actually exist anywhere. What’s more, mass media efforts to drive traffic are based on this amalgamation of the customer base, therefore they have very low efficacy.

Restaurants and food retailers rely on heavy traffic and repeat customers in local trade areas, so why aren’t the insights to capture those customers localized? Every brand’s location exists in a distinctive universe of unique factors within defined trading areas that include competitive set, demographics, local economics, density, media and entertainment consumption patterns and the strengths or limitations of store design.

The key to achieving long-term traffic growth and market share is understanding and optimizing these trading area factors.

Companies need to analyze customer patterns at the retail trade area level, through data mapping and peer group organization, and then build programs that enable local customers to choose you each day.

A group of people, mostly women, are seated at a table in a restaurant or bar. They are wearing blue and white athletic-style shirts. The woman in the foreground is smiling broadly and looking upwards, with her hands clasped together. Other people in the background are also cheering, with some raising their arms. There are glasses of beer and plates of food on the table. The setting appears to be a lively social gathering.

## Capitalizing on local madness

In 2016, Buffalo Wild Wings took advantage of geo-targeting technology with a March Madness campaign that offered college basketball fans in 42 cities a free Uber ride to or from participating Buffalo Wild Wings locations.

Customers simply entered the promo code for their city on the Uber app. Uber also promoted the offer on its own blog and through email.<sup>19</sup>



## START SMALL, THINK BIG

As ordering via apps becomes more prevalent, being at the leading edge of the digital customer experience is another opportunity to stay top of mind when prospects are feeling hunger pains. Mobile apps give restaurants the power to know more about buying behaviors—from what customers like to eat or when they eat to understanding the frequency of their visits or purchases, and what advertisements or offers they respond to.

Digital is clearly the avenue for acting on local insights through customized marketing execution, such as personalized offers. Customer-facing apps allow businesses to drive traffic by providing services that customers want. Social media also can grab the attention of a local audience.

Iowa-based grocer Hy-Vee used its localized social media accounts to garner attention and capitalize on New Year's resolutions. They promoted healthy eating, a new health-oriented magazine and several Hy-Vee locations posted links to healthy recipes.<sup>20</sup> Social media support and analysis is a significant opportunity for collaboration across food manufacturers and their customers, especially smaller brands and independents who may not have scale yet.

The digital channel is also essential for building loyalty programs, which are on the rise. Restaurants today have 54.8 million loyalty program members, a 107 percent increase over last year.<sup>21</sup> The Dunkin Donuts mobile-based rewards program yields 30 percent higher visitation frequency and 40 percent higher average check, versus the baseline.<sup>22</sup> This is one example in the industry where digital ordering and loyalty constructs continue to drive improvements.

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# LEAD THE FUTURE OF FOOD

Food will always be in business. But customers' food preferences and patterns are always changing. Restaurants, grocers and food manufacturers must stay on top of these developments to seize a growing market opportunity. Here's how.

**1. CAPTURE AND CONSUME CUSTOMER INSIGHTS AND DATA.** Develop analytics capabilities and programs to understand individual customer brand preferences, preferred channels and promotion sensitivities and empower customer-driven trend, table and traffic expansion.

**2. CONNECT WITH THE FOOD ECOSYSTEM.** Develop collaboration practices that enable all partners in the broader ecosystem to support your customers. For instance, Whole Foods partners with Instacart to give customers the convenience of delivery—but also the value-add of personal shoppers trained on Whole Foods products. Collaboration should also happen between restaurants and manufacturers or distributors, for instance, through shared digital events or joint social media pushes.

**3. RETHINK AND REFRESH YOUR CUSTOMER EXPERIENCE DESIGN.** Integrate services across channels to make it easy for customers to choose you for dinner, and optimize those services, such as closing the gap between order placement and serving customer. Within grocery, what is the customer experience that combines dining and shopping needs?

**4. HYPER-PERSONALIZE.** Be locally relevant, especially when it's time to decide on eating, across all parts of the day. Optimize marketing programs, offers and rewards for local trade areas. Consider the unique customer, category and environmental factors of that trading area.

The coming months offer great opportunities for brands to engage with their customers in new and differentiating ways. There will be many success stories written and a few lessons to be learned. Accenture believes companies that combine deep customer insights with agile and scalable programs and platforms that serve customers' ever changing needs will be the ones to achieve lasting success.

**A trillion dollars is up for grabs. Do you have the strategies, partners and capabilities to keep your customers' plate full? How will your business influence dining decisions to get your share of the trillion plus spend on food?**

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<sup>4</sup> Accenture analysis.

<sup>5</sup> NRN Top 100 Report, 2016.

<sup>6</sup> The NPD Group/Annual Report on Eating Patterns in America.

<sup>7</sup> Kelloggsnyc.com and <http://www.mediapost.com/publications/article/279373/kellogg-opening-millennial-friendly-cereal-cafe.html>.

<sup>8</sup> Datassential SCORES.

<sup>9</sup> IFMA; "2015/2016 Foodservice Insights Library."

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<sup>14</sup> Packaged Facts press release; "Meal Kit Delivery Services Usher in New Era of Culinary Convenience;" posted May 17, 2016 at <http://www.packagedfacts.com/about/release.asp?id=3892>.

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<sup>20</sup> Supermarket News; "Retailers tie in to healthy resolutions;" posted January 3, 2017 at <http://www.supermarketnews.com/health-wellness/retailers-tie-healthy-resolutions>.

<sup>21</sup> <https://www.colloquy.com/latest-news/2015-colloquy-loyalty-census/>.

<sup>22</sup> Restaurant review.

<sup>23</sup> <https://www.colloquy.com/latest-news/2015-colloquy-loyalty-census/>.

# FOR MORE INFO

## **GEOFF DEINES**

geoffrey.b.deines@accenture.com

## **KARLIN LINHARDT**

karlin.linhardt@accenture.com

Follow us on **TWITTER** @AccentureRetail

Learn more at **WWW.ACCENTURE.COM/RETAIL**

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