

# A New Food World Order Has Emerged With New Challenges and Opportunities

Due to the emergence of Retail Foodservice the complexities of establishing a sound go-to-market approach have created a new food world order. Manufacturers, distributors, and operators, alike, are adjusting their go-to-market approaches, but not without the pains of integrating their retail or foodservice “push” strategies with the Retail Foodservice “pull” channel.

No question about it, to grow in this environment demands changes in the go-to-market approach.

# Convergence of Two “Push” Channels Has Created New Leaders and Laggards

- The convergence of retail and foodservice has created a new marketplace of leaders and laggards teeming with unrevealed growth opportunities.
- Brought on by the growth of Retail Foodservice, the new food world order has food manufacturers, distributors, operators, and their supply chain partners at crossroads regarding their growth decisions.
- Mergers, acquisitions, and the overwhelming growth of the retail Super Deli have created a powerful market opportunity driven by millennials, baby boomers, and seniors, and fueled by the power of crowd-sourced social media communications influences.



# Retail Foodservice Defined

Challenges and opportunities are to be expected, but they require a new mindset to grasp the new way to go-to-market.

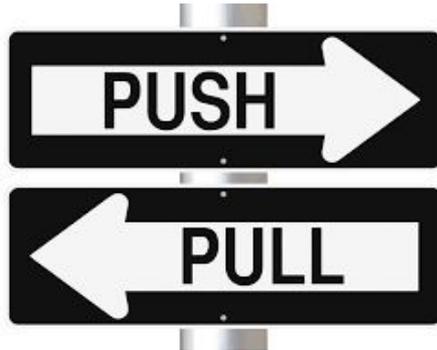


Synergy Group defined Retail Foodservice as the convergence of traditional retail and foodservice to spawn a powerful third food distribution channel now defined as “pull” driven.

While the occurrence may seem simple, its go-to-market application is complex. Retail Foodservice needs communications between the established retail and foodservice “push” channels to incorporate its own integrated “pull” supply chain and establish new go-to-market standards.

## Retail Foodservice Defined

- Retail Foodservice fuels a more efficient and more productive means to satisfy consumers' demands for new and exciting meal and menu options in customary venues as well as locales unimagined a decade ago.



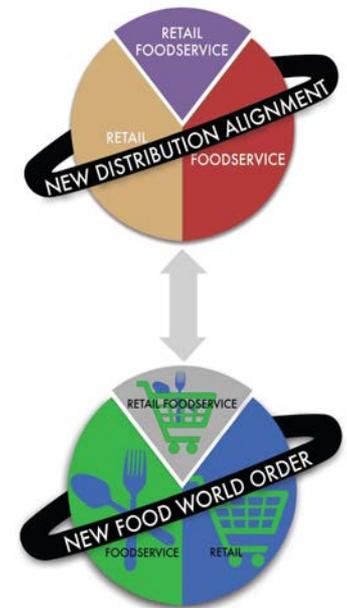
- This horizontal integration of the “push and pull” vertical channels spans multiple supply chains and consumer touch points creating some uncertainty among supply chain participants as how to navigate.
- Retail Foodservice is officially a "pull" vertical channel because consumers with the social media power to have basically created their own crowd-sourced social media communications influences are empowered to speak directly to the food manufacturers and operators.

# A Channel Unto Itself, Retail Foodservice Begins Establishing Growth Benchmarks With Its Own Market Research and Data Collection

- The channel has matured over the past seven years with its own forecasted sales projections and benchmarks, in sync with historical data/research.
- Integrated foodservice segments aligned with retail categories to create an understanding of new market intelligence regarding how to grow in this channel and still be in harmony with this new environment. This convergence has also created an avenue to develop more accurate forecasting.
- As the channel becomes more clearly defined, and both sales and procurement begin to focus, shaping the data nows becomes more efficient and effective in establishing more concentrated and predictable “go-to-market” strategies.
- The vertical retail and foodservice channels once commanded the resources, but as the data is mined and managed with a new information flow, the go-to-market horizontal integration strategy becomes more evident.

# Crowd-Sourced Social Media Power Makes Consumers Drivers of Information and Product Development

- Bolder, empowered consumers demand a wider variety of healthier products.
- Flavor infusion is driving taste and flavor profiles.
- Local sourcing.
- Millennials, boomers, and seniors buying in similar shopping patterns. Cleaner labels in demand.
- Retail supermarkets with restaurants, deli departments focus on visual taste appeal.
- Take-out buffets assume new role of “In-store Foodservice”, drug stores now engage in food sales.
- Foodservice distributors back up their trucks to retail supermarkets.
- With the power of locations, convenience stores emerge as biggest Retail Foodservice growth market.



This is surely a new food world order and it is here to stay.

## The Future is Now

- Produce will begin to sell more bundled products for the “juicer” category.
- Fresh meat departments will carry virtually all Kitchen Ready and Fresh Prepared products.
- Fresh meat departments will finally catch on to QVC’s largest selling cookware.
  - Crock pots
  - Pressure cookers
  - Larger, “stick free” pans
- Clean labels will drive purchase behavior and product selection led by millennials, boomers, and seniors.
- If products do not meet millennials’ label standards for clean, they will consider them not sales worthy... this will eventually carry through to baby boomers.



# The Future is Now

- Millennials are beginning to understand the purchasing power they have through the accelerated use and application of social media.
- Their influence on baby boomers is great and will continue.
- TV food shows are broadening the horizons of meal planning.
- Convenience is here to stay. Workstyles and lifestyles drive shopping destinations. Convenience food is showing up in more non-traditional locations.



# The Traditional Grocery Store Will Not Exist in Five Years

- A traditionally recognized supermarket group heavily invested in Retail FoodService will embark on a concentrated acquisition strategy to buy a second or third tier distributor to reduce product costs, product development lead times, and drags on logistics management.
- It will be accepted like Amazon's purchase of Whole Foods and Walmart's intention to get into online shopping and new delivery venues. Alibaba, Kroger, and more will be involved.
- Center store grocery will be transformed into a foodservice center with consumers demographic profiles driving cultural cuisines, with the center store going to the walls and the perimeter to the center. These cultural cuisines will be the norm in two years with growth in both foodservice and retail operations.
  - Asian
  - Italian
  - Cajun
  - African American
  - Latin American
  - Soul Food

## Trends Support the Growth, Facts Drive the Future

1. The food industry is projected to grow by more than \$700 billion to reach more than \$2 trillion in annual sales by 2025, according to Technomic.
  - Amazon
  - Walmart
  - Kroger
  - Costco
2. Traditional retailers, such as supermarkets and supercenters, will lose 10 points of market share to non-traditional retail distribution channels by 2025.
3. Retail Foodservice is maturing to more than \$200 billion or more in the next five years.



## Trends Support the Growth, Facts Drive the Future

4. The fight for America's food dollars intensifies as consumers find fresh prepared ready-to-eat options at a growing array of outlets across almost every channel, and the growth of fresh, home delivery.
5. By 2022, prepared food purchases from supermarkets, drug stores, and other retail outlets will grow 10% or more compared to 4% increase in restaurant visits. (The NPD Group)
6. More than one in four shoppers (27%) go to the supermarket with the sole intent to pick up a prepared meal. (AlixPartners)



## Trends Support the Growth, Facts Drive the Future

7. 35 years and older more likely than 18-34 year-olds to buy prepared foods for dinner, while young adults (18-34) prefer prepared foods for snacks, and seniors (65+) look for such items for both lunch and dinner. (The NPD Group)
8. Supermarkets experienced 4% growth in 2016 while c-stores were expected to have grown 3.8%. Limited and full-service restaurants, meanwhile, were estimated to have grown only 2.5%.
  - Experts say this difference can be attributed to the growing presence and influence of grocery chains like Whole Foods and Wegmans, and c-stores like Wawa and Rutter's Farm Stores.



# Manufacturers Looking to Capitalize on Retail Foodservice Must Revamp Their Go-to-Market Models

- Re-configure category management product offerings in sales collateral, web site, and sales training.
- Ensure products are in-line with retail and foodservice operators' day part offerings.
- Align product by cuisine profiles...flavor infusion, regional, cultural and ethnic heritages.
  - ie. Asian, Cajun, Hispanic, African, Italian, Soul Food, Indian, Filipino
- Look to lifestyles and workstyles, buying habits, and purchasing patterns for product development and distribution.
- Ensure your corporate brand is sound. This channel combines retail and foodservice strategies.
- Ensure products are in line with products offered at restaurant buffets or all-you-can-eat buffet models.
- Adjust your go-to-market “product category” rosters to be more in line with retail operators and foodservice menus.
- Know the operators' “Consumer Profiles” so offerings align with their lifestyles.

# Brokers (Sales Agencies) Looking to Capitalize on Retail Foodservice Must Revamp Their Go-to-Market Models

- Pioneer products.
- Develop communications strategies that go beyond operator and distributor relationships.
- Establish “pull through” strategies with manufacturers and operators.
- Develop comprehensive sales and marketing presentations that go beyond attributes and focus on client benefits - a true value proposition.
- Understand private label strategies.
- Create a process to grow underperforming accounts.
- Review strategies in crossover channel migration.
- Examine packaging strategies.
- Look to manage Trade Spend marketing dollar allocations better.
- Provide product development assistance.
- Provide market research.
- Provide competitive analysis.

