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PHOTO COURTESY FMI—THE FOOD INDUSTRY ASSOCIATION

Grocery retailers need to adopt a restaurant mentality to create more convenient shopping experiences — from apps for ordering to drive-through and pickup strategies, adapting menus and offering a wide assortment of foodservice options.

Fresh Produce Blooms in Retail Foodservice

BY CAROL M. BAREUTHER, RD

Most Baby Boomers have forked into at least a couple of TV dinners. Back in the 1960s and '70s, busy parents headed to the frozen food aisle to find a complete meat, starch, and veg meal to quickly put on the dinner table. In-store delis started to emerge in supermarkets during this era, making it possible to buy ready-made sides, along with sliced-to-order meats and cheeses.

In the early 1990s, Costco and Kroger were two of the first grocery retailers to introduce rotisserie chickens, taking their cue from the success of a fast-casual restaurant chain first named Boston Chicken. In 1996, according to an article published that same year in *Super-*

market News, the average supermarket deli accounted for 4% to 6% of store sales.

Then came HMR — home meal replacement. The deli grew its menu of ready-to-eat or heat-and-eat prepared meals to compete with restaurants for a share of consumers' food dollars. By 2021, deli/prepared foods ranked third in the share of perimeter dollar sales at 8.54%, behind produce (43.9%) and meat (29.95%), according to Statista data published Jan. 2, 2023.

THE EVOLUTION CONTINUES

Foodservice at retail has seen a tremendous rise over the last several years, says Wil Magistrelli, senior director of retail sales for Baldor Specialty Foods, in Bronx, NY. "The onset of COVID delayed that growth temporarily and

now we see it continue to emerge and evolve. Quick, convenient, and fresh are the trends that stand out most. Time is of the essence for today's busy consumer."

Supermarket retailers' deli-prepared foods programs have taken a decidedly foodservice-like life of their own.

"Foodservice at retail has improved greatly since the 1980s," says Paul Kneeland, senior vice president of sales and merchandising for Gelson's Markets, a 27-store chain headquartered in Encino, CA. "Customers have many more choices than they did, and the quality of food has substantially improved, competing with some QSRs. We offer restaurant-quality foods in our kitchens and on our food bars."

"We tell the customer that the salads we

make in the kitchen come from our fresh produce department. We do this by putting a cling on the front glass of the service cases. I think it helps the customer to think they can get the freshest produce available at Gelson's," Kneeland says.

Foodservice at retail is going through a renaissance, says Rick Stein, vice president of fresh foods for FMI, The Food Industry Association, headquartered in Arlington, VA.

"Food retailers are re-envisioning fresh foods departments with enhanced space allocation and increased staff," Stein says, citing research that found 82% plan to grow the space allocation for fresh-prepared, grab-and-go options, while others are increasing space for fresh-prepared, chef-made-to-order stations (35%) or fresh-prepared self-service (29%). Retailers are also increasing staff for foodservice (44% of retailers planning), trained or certified chefs (22%), in-store dining (20%), and scratch bakers or pastry chefs (18%).

"Typically, retailers ring items up by their department," Stein adds. "So whenever produce is sold in the deli (as part of a sandwich or in the salad bar) those sales will be attributed to the deli/foodservice sales. Now, that's an accounting procedure, but the bottom line is consumers will be eating more produce when it's incorporated in the deli foodservice area of the store."

GROCERANT, AND HYBRID MEALS

Some retailers now operate as *grocerants*, i.e., grocers and restaurants, with in-store dining as well as traditional aisles of foods. Whole Foods Market, a 500-plus store chain based in Austin, TX, is a good example. Many locations have in-store seating where the public can eat their selections from hot, cold, soup, and salad bars, as well as made-to-order sandwiches, hot pizza, fried chicken and sushi.

In-store dining provides two big features for food retailers — an enhanced in-store experience and it helps raise awareness about in-store foodservice options, says Stein. "I think we will continue to see in-store dining options as a trend, especially as food retailers reimagine their foodservice departments."

Grocerant is definitely still relevant, but does skip over the biggest opportunity in retail foodservice and that's the hybrid meal, says Anne-Marie Roerink, principal and founder of 210 Analytics, LLC, based in San Antonio, TX.

"Grocerant implies grocery stores taking on the role of restaurants, replacing the entire home-cooked meal with something that is fully prepared. There's certainly opportunity in this, as consumers recognize that retail foodservice is typically more cost-effective. But at the same time, the most popular way to

prepare meals has become the hybrid meal: a mix and match of items cooked from scratch with items that are semi- and fully prepared."

This means deli-prepared items have a lot of opportunity to be that time-saving component that goes hand-in-hand with items that are cooked from scratch, Roerink says.

Supermarkets pre-pandemic that got into the grocerant trend are now moving to a hybrid food hall or food court, according to Phil Lempert, founder and editor of SupermarketGuru.com, in Santa Monica, CA.

"It's where you can go up to a counter and order from five or six or seven different formats. So, you're not limited to one restaurant and its menu, but the whole family can go, and everyone can get what they want."

That's one of the things that Hy-Vee has focused on, Lempert adds. "They want to 'own' dinner, for customers to bring the whole family, to take business from restaurants, provide more ways to bring customers in-store and to become the center of the community and to build stronger relationships and brand loyalty."

Select locations of Hy-Vee Inc., a 285-store retailer based in West Des Moines, IA, offer six restaurants in its food halls: HyChi & Hibachi, Nori Sushi, Market Grille, Wahlburgers at Hy-Vee, Long Island Deli, and Mia Italian.

"Our popular HyChi and Hibachi departments also offer a healthy helping of vegetables, with recipes featuring green and red bell peppers, cabbage, green beans, onions, carrots,

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broccoli, water chestnuts, and more. Our Nori Sushi departments also incorporate fresh ingredients, including avocado, carrots, ginger, and cucumbers,” says Bryan Polc, vice president of food services.

This food hall or marketplace trend favors fresh produce, according to original consumer research by Culinary Visions, a division of Chicago, IL-headquartered Olson Communications. Specifically, 60% of consumers surveyed agreed with the characterization that they are carnivores that love vegetables.

A good example is Salt + Smoke, a local St. Louis, MO-based restaurant chain, that opened its first new to-go and counter service concept called ‘Oh Hey! Barbecue’ in the Kirkwood location of Schnuck Markets Inc., last year. Schnucks, headquartered in West Des Moines, IA, operates 112 stores and also has locations of Seoul Taco and The Greek Kitchen in its food hall.

“We go through a ton of cabbage, potatoes, and pickling cucumbers between our coleslaw, potato salad, and B+B pickles. The

slaw and potato salad are side options and the B+B pickles are a component of our pulled pork sandwich and our turkey melt,” says Haley Riley, Salt + Smoke’s executive chef and co-owner.

OPPORTUNITIES FOR FRESH PRODUCE

The biggest opportunity for produce in foodservice is to stay attuned to health-conscious consumers’ needs and preferences, tells Hy-Vee’s Polc. “Retailers and the produce industry can capitalize on this opportunity by ensuring that their products are of the highest quality and freshness and are easily accessible to customers at an affordable price.”

Consumers tell us they want to add more fruits and vegetables to their diets than any other foods or ingredients, adds Mike Kostyo, trendologist and associate director of publications for Datassential, in Chicago, IL.

“Operators should call this out in marketing and signage. Materials that say, for example, ‘get your servings of fruit in today’

near produce-driven deli options can connect consumers’ health goals to the products offered.”

Fresh produce used in retail foodservice shows consumers how they can use it at home, says Terry Splane, vice president of marketing for the California Avocado Commission (CAC), in Irvine, CA. “This encourages shoppers to pick up the ingredients in the produce section on that trip or the next.”

EXPANDED VOLUME & VARIETY

There have long been bits of celery in deli potato salad and lettuce and tomato on deli sandwiches. But today, the volume and variety of fresh produce in retail foodservice has boomed. Salads are one way this is happening.

“The salad bar, deli case, and deli grab-and-go cases always feature a variety of freshly mixed salads,” says Krista Anderson, assistant program category manager for prepared foods at New Seasons Market, a 19-store chain based in Portland, OR.

She adds that the retailer conducts

■ TAP INTO THE FOODSERVICE AT RETAIL TREND

Who buys produce for retail foodservice and what do they look for? There’s no one answer, nor one right answer.

“We see a varied approach with our customers,” says Wil Magistrelli, senior director of retail sales for Baldor Specialty Foods, in Bronx, NY.

Traditionally, it has been each department managing their buy, assortment and inventory, he explains. However, now he’s seeing customers consolidate their purchasing power across departments to find cost savings in bulk.

“We recently helped a customer that was a produce department purchasing large quantities of red onions in retail packs, only to learn they were utilizing them in their foodservice meal prep. We quickly helped them pivot to a larger foodservice offering, which saved them money while reducing waste.”

Produce buyers at Gelson’s Markets, a 27-store chain headquartered in Encino, CA, purchase the fruits and vegetables for the retailer’s kitchens because they are the experts in finding the right product at the right price, says Paul Kneeland, senior vice president of sales and merchandising for Gelson’s Markets.

Buying is a partnership at Hy-Vee, Inc., a 285-store retailer based in West Des Moines, IA, according to Bryan Polc, vice president of food services. “Our foodservice managers work closely with our

produce managers to ensure we receive only the best produce to incorporate into our foodservice creations. Leveraging our produce team’s expertise and knowledge of current trends, we can remain one step ahead of competitors.”

Collaboration is also key at New Seasons Market, a 19-store chain based in Portland, OR. “Working with our produce department buyer for seasonal cues, our prepared foods category management team determines the menu, and then we relay the info about where to buy to our individual store buyers to produce the menu items,” says Krista Anderson, assistant program category manager for prepared foods. “This allows us to monitor and maintain costs/retails by providing direction, but we rely on the store teams to alert us on any quality issues that may arise.”

More value-added fresh-cut produce is purchased for the deli, due to ease of production and labor savings, Anderson adds. “We buy salad kits from our local produce vendors, which include nuts/seeds/dressing in addition to the greens/vegetables. Those really aid in keeping our cases full for customers.”

“We are always looking for interesting salad mixes and even more uniform vegetable cuts to add to our menus. Plus, versatility and imaginative solutions for customers in produce can also translate to new recipe ideas in our delis.”



Finally, at in-store restaurants that partner with retailers, like Salt + Smoke, which operates its concept called ‘Oh Hey! Barbecue’ in select locations of Schnuck Markets Inc., a 112-store chain based in West Des Moines, IA, it’s the restaurant managers who order prepped items like the coleslaw and potato salad sides from its commissary kitchen.

“The executive chef of the commissary orders produce from purveyors like Sysco and What Chefs Want that source from many different farms,” says Haley Riley, Salt + Smoke’s executive chef and co-owner.

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cross-promotions when possible. An example is Tomato Week, which is highlighted in the chain's ad flyer. Salad dressings made in the deli are cross-displayed in the produce department to add value to displays and grow sales in both departments.

Salads are the fourth largest seller in deli prepared, says 210 Analytics Roerink.

"Retailers have become better at different package sizes: a small lunch or side salad, a dinner salad or even a larger family style or party salad, and excelled at the upsell, with pre-cooked shrimp, salmon or chicken cross-merchandised as a side of protein right next to the pre-packaged salad," Roerink says.

Tropical options dominate the top-growing fruit choices on menus, while spicy peppers account for much of the growth in vegetables, according to Datassential's Kostyo.

"Retailers should be sure these produce options are well-represented in the prepared foods department if they want to be on-trend. Consider incorporating tropical fruits into salads or using them in sweet-and-savory protein dishes. Have a few spicy options using lots of peppers available and include more pickled peppers in your deli produce selection."

Consumer trial of new flavors often happens at foodservice, and globally inspired salads are one of the 10 hot trends for 2023 in the National Restaurant Association's *What's Hot Culinary Forecast*, says Susan Hughes, foodservice marketing consultant for the National Mango Board (NMB), in Orlando, FL.

"Mangos are a natural fit and an easy gateway for consumers to try new global flavors inspired by the cuisines where mangos grow. Research from Datassential revealed that 82% of consumers would pay more for fresh mango when featured on the menu."

The mango's sweet and savory notes can be combined with salty, umami, spicy, and sour in many applications to create more interest in fresh mango in retail foodservice, adds Chef Jason Hernandez, owner of the culinary consultant firm, Blade & Tine Culinary, who consults for the NMB. "We are seeing more mango in salads, bento boxes, grab-and-go, and charcuterie."

Many retailers are now making guacamole in-store from fresh avocados.

"Avocados are also used in foodservice deli salads. We've seen grain salads like quinoa and bulgur with avocados. Poke bowls sometimes have avocado as well," says Carolyn Becker, the CAC's retail marketing director.

Sixty-eight percent of consumers expect retail-prepared food options to keep up with restaurant innovations. This includes using watermelon as an ingredient, with



PHOTO COURTESY NEW SEASONS MARKET

Quick, convenient, and fresh are the foodservice at retail trends that stand out most. That's because time is of the essence for today's busy consumer.

57% of consumers desiring these retail-prepared options to be available seasonally and 25% year-round, according to the National Watermelon Promotion Board's (NWPB) 2022-released report, *State of Watermelon in Foodservice* report.

Mainstream applications include the use of this fruit in smoothies, desserts, and as a snack, while niche innovations are the use of watermelon in noodle dishes, rice-based bowls, dipping sauces for fried potatoes and tater tots, and savory jams.

"The more places watermelon is included, the more a consumer sees, craves, and buys watermelon," says Megan McKenna, senior director of marketing and foodservice for the NWPB, in Orlando, FL.

Spending is quickly shifting away from Boomers to Gen X, who are now the majority spender, with Millennials coming on strong, according to 210 Analytics Roerink.

"Millennials are much more adventurous in their eating and love limited-time offers and unexpected combinations. I think retail chefs, therefore, have much more opportunity and permissibility to have fun with flavors, international cuisines, use new spices and unexpected produce besides the same old."

BITE INTO THE FUTURE

Looking at the change in consumer behavior numbers — like 70% of people now use restaurant takeout versus 35% using retail deli takeout — create a huge opportunity for retail grocery foodservice, says Heather Prach, vice president of education for the Madison, WI-based International Dairy Deli Bakery

Association. "Retailers who take this challenge will take the lead over competition, including restaurants."

FMI, The Food Industry Association's Stein offers three recommendations. "First, awareness of foodservice at retail departments is key. When we asked shoppers why they would buy restaurant vs. grocery deli-prepared foods, 43% of shoppers said that while the latter is a good option, they just don't think about it. Food retailers can do more to market their foodservice offering through traditional and digital channels including store apps and websites."

Secondly, Stein says there is also an opportunity to infuse technology into reimagined foodservice departments. According to FMI research, half of shoppers (50%) say the ability to order in advance (mobile app, online) and have an inside pickup station for pre-ordered food are drivers to purchase deli-prepared foods.

Shoppers also seek drive-through options (48%), separate checkout in the deli-prepared area (44%), delivery (42%), and outside pickup stations (38%).

Third, and finally, grocery retailers need to adopt more of a restaurant mentality, Stein adds. "This means creating more convenient, omnichannel shopping experiences — from apps for ordering to drive-through and pickup strategies. It also means adapting menus and offering a wide assortment of options."

"Overall, it's about being a resource for the shopper to solve that daily question of 'what's for dinner tonight?'"

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