

**DELI****BUSINESS**

MARKETING MERCHANDISING MANAGEMENT PROCUREMENT

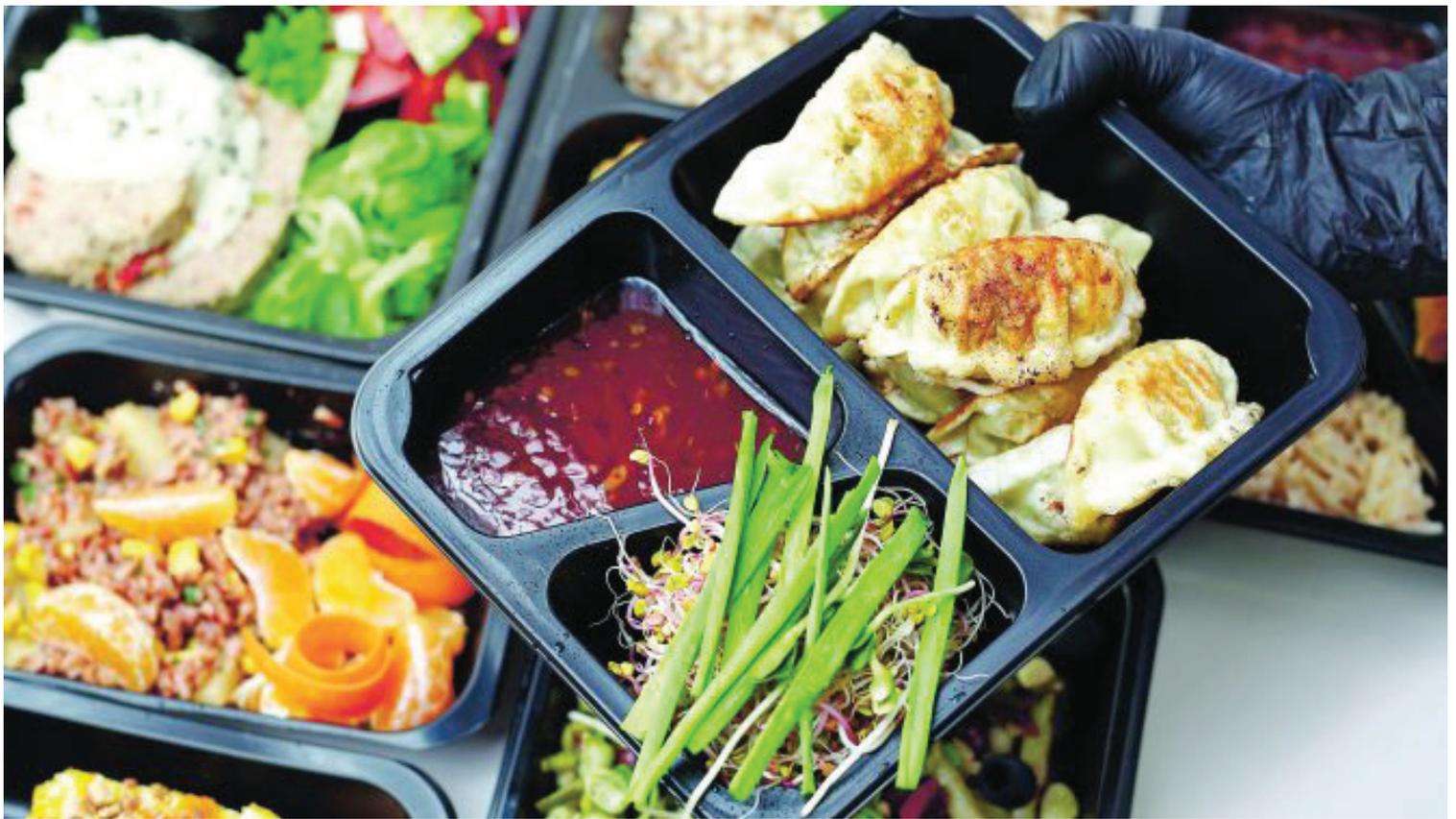
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# *Grab-and-Go is Here to Stay*

## **Expanding Deli Menu With Meal Kits**

**NOW IS THE TIME TO CAPITALIZE ON THIS LUCRATIVE SEGMENT**

It's 4 pm. Shoppers walking into the deli and prepared foods department at Bristol Farms, a 19-store chain headquartered in Carson, CA, come with a key question in mind: What's for dinner? Answers are everywhere. There's a full menu of ready-to-eat offerings on the hot bar and everything from ready-to-heat appetizers and entrées in both grab-and-go cases and behind the glass of the deli service counter. In January 2019, the upscale chain started offering another option: meal kits, or ready-to-cook dinners for two. Selections include Chicken Stir Fry with Noodles, Grilled Sirloin with Red Potatoes and Green Beans in a red wine sauce, and Tangy Lentil Tacos. Each kit, which retails for \$24.99, comes with pre-proportioned ingredients and a recipe that makes preparation quick and easy. The beauty of retailing meal kits in the deli is that they provide operators with additional ways to attract customers and add sales.



“Supermarket delis have always been in a substantially better financial position to deliver meal kits to consumers because of the resources that are already available to them and the multiple ways in which their customers shop with them,” says **Sharon Olson, executive director of Culinary Visions, a division of Chicago-based Olson Communications.**

## PAST TO PRESENT

Meal kits started as a subscription-based foodservice delivery business in Sweden in 2007. Fast forward eight years, and the global meal kit market topped \$1 billion in 2015, according to the Jan. 5, 2016-released Understanding Fresh Food Subscription study by Chicago-headquartered market research firm, Technomic. What’s more, the U.S. by this time represented nearly 40% of this market and had over 150 meal kit delivery services. Companies like HelloFresh, founded in Berlin, Germany, in 2011, and Blue Apron, started in 2012 in New York, have become household names.

“The meal kit is a trend we have been watching for more than five years. We identified it as an important opportunity for delis in 2015 when we saw the momentum and venture capital infusion into companies offering direct delivery of meal kits to consumers,” says **Culinary Visions’ Olson,** whose 2015-conducted survey of 2,000-plus consumers revealed that 77% of respondents would be interested in purchasing a meal kit at their local supermarket.

By 2017, meal kit suppliers started seeing sagging sales due to reasons like restrictive subscription requirements. At the same time, retailers took a 'if you can't beat them, join them' approach to the perceived competition and offered these companies' products a space on the shelf. Good examples are the Albertsons Cos.' purchase of meal kit company Plated, in 2017, followed by the Kroger Cos.' procurement of Home Chef a year later. The change made by these retailers, both ranked among the top five grocers in the U.S. by revenue, from home delivery to in-store meant customers could purchase a meal kit without a subscription and on impulse. Yet another top five-ranked retailer, Target, took a different approach by selling a variety of meal kits in its delis, including the HelloFresh brand.

Meal kits represented only 0.3% of total deli dollar sales during the 52 weeks ending June 13, 2020, according to data released by New York-based Nielsen, a data analytics company. However, the real story is recent growth. Deli meal kit sales grew 6.5% between 2018 and 2019, 15.1% between 2019 and 2020, and a whopping 31.9% during the 12-week span from April, May and June, according to Nielsen data.

"Similar to the recession in 2008, a 'new normal' has and will continue to emerge with consumers due to the COVID-19 pandemic," says Andrew Keegan, brand manager for Tyson Fresh Brands, a division of Springdale, AR-headquartered Tyson Foods Inc., which introduced its Tyson Tastemakers meal kits in 2017. "In this space, we know consumers will increasingly cook from home and desire comfort foods or 'mom's staples' that are full of flavors. Therefore, we anticipate a continued uptick in the number of people opting for meal kits."



## **A FULL SELECTION**

A successful meal kit program comes down to quality, convenience and value, says Art Heeg, busines director of specialty foods for Don Pancho Authentic Mexican Foods, a brand of Salem, OR-based Reser's Fine Foods. "Meal kits must have high quality ingredients, take 15 minutes or less from package to table, include a range of selections and be considered a good value for the price."

The company currently manufactures and distributes six meal kits. For example, the Chicken Quesadilla Express Meal Kit comes with gordita-style flour tortillas stuffed with jack and cheddar cheeses and grilled seasoned white meat chicken. These come ready to assemble and then crisp on the grill. Toppings in the kit include avocado crema and salsa. Chicken Street Taco, Carne Asada Street Taco, Chicken Burrito Bowl, Creamy Green Chile Chicken Enchilada and Traditional Red Sauce Chicken Enchilada are the other flavors.

Cooking at home will continue to remain popular, according to the results of an April 2020-released survey of over 1,000 Americans, ages 18 to 73, by New York-headquartered Hunter Public Relations. Specifically, more than half (51%) of those cooking more during the COVID-19 pandemic said they would continue to do so. Reasons included cost savings (58%), eating more healthfully (52%), trying new foods (50%) and finding cooking relaxing (50%).

“Today’s modern kitchen is all about delicious convenience, with fast and hands-free cooking seeing high growth rates. This includes hands-free cooking technology such as the Instant Pot and air fryer in addition to already-established cooking appliances like the slow cooker. In the past year, our company has positioned itself to address these growing consumer needs by putting a heightened focus on flavor-forward meal starters within the semi-prep fresh category,” says Tyson’s Keegan.

Earlier this year, Tyson teamed up with Instant Brands, creator of the Instant Pot, to create its three-item line of Tyson Instant Pot Meal Kits. The kits contain all-natural antibiotic-free chicken, long-grain rice and bold-flavored sauces. Flavors include Hatch Green Chile Chicken Casserole, Cajun Style Chicken and Rice, and Teriyaki Chicken and Rice.

Beyond pre-made, delis can assemble customized or signature meal kits at the store level. To take some of the labor out of this process, especially when it comes to entrées, companies like Custom Made Meals excel at manufacturing fresh, oven-ready, value-added products traditionally sold behind the glass.

“We change our menu quarterly. In the summer, beef entrées are number one, with chicken kabobs second. In fact, we do about 15 million kabobs a year. In the fall and winter, heartier dishes like meatballs and stuffed pork chops are more popular. We also make appetizers, and stuffed jalapeños with cream cheese and bacon are the most popular year-round,” says Dale Easdon, president and CEO of the Denver-based company that supplies 15,000-plus retail grocery locations nationwide.



## **MERCHANDISING SUCCESS**

Customers shopping by need state, ‘I need to get dinner on the table in 30 minutes or less’, is one of the driving reasons behind the emergence of the semi-prepped fresh category that includes meal kits in the deli, says Tyson’s Keegan. “As a result, we foresee retailers continuing to test the

‘value-added destination set’ to address findability and give consumers options that meet the desire for more flavorful and quick meal solutions.”

Merchandising is of the utmost importance, as it drives awareness and, ultimately, trial of meal kits, Keegan adds. Tyson assists with this in strategic ways, such as using in-store point-of-sale materials like floor and shelf talkers, implementing a joint partnership or shopper program to help reach new audiences, and offering digital media and coupon offers.

It’s best to give consumers options and ideas to make a full eating experience by doing things like bundling meal kits with store-made components, such as a fresh bakery dessert or a drink pairing option.

“Also, providing tips like an appetizer recipe card that fits with the cuisine helps consumers get the most out of their meal,” says Megan Ward, brand manager of the Austin, MN-headquartered Hormel Foods Corp.’s Hormel Deli Solutions Group, which offers a number of value-added products geared for delis.

Looking ahead, the global meal kit market is expected to exceed \$15 billion by the end of 2025, according to the May 2020-released report, Meal Kit Market Global Analysis by Country, by market research firm, Renub Research, with U.S. offices in Roswell, GA. “Consumers got a taste of cooking at home, and there is a lot to like about it when you are preparing more than fast fuel for a hectic lifestyle. I think this is one area that will definitely benefit from the cultural reboot we are experiencing,” says

**Culinary Visions’ Olson.** DB