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REDEFINING CUSTOMER VALUE

How deli customers' values influence their purchases

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REDEFINING CUSTOMER VALUE

Today's consumers have so many choices when they visit the deli. They expect to find delicious food — whether it is healthful or indulgent, for every day or a special event. At the same time, they are beginning to scrutinize the provenance of the food they purchase and the treatment of everyone who plays a part in bringing it to the table.

A new consumer study conducted by Culinary Visions Panel, titled "Mindful Dining: How Consumers' Values Influence Their Meal Choices," explored the deli customer's perspective on ethical choices that impact their decisions when shopping in the deli. More than 1,200 consumers nationwide were surveyed in 2014 about the choices they make when shopping and dining out, and how their own values influence what they purchase in the deli. Consumers were asked about their views on such issues as sustainability, fair trade, vendor reputations, community support, employee satisfaction and the role they play in defining value.

The study found that Millennials, at 41 percent, are the generation most apt to have purchased food from an in-store deli over the past 30 days. Use of the in-store deli increases with family size, as those with three or more household members are 13 percentage points more likely than single-member households to purchase food from the deli department.

INFLUENTIAL CLAIMS

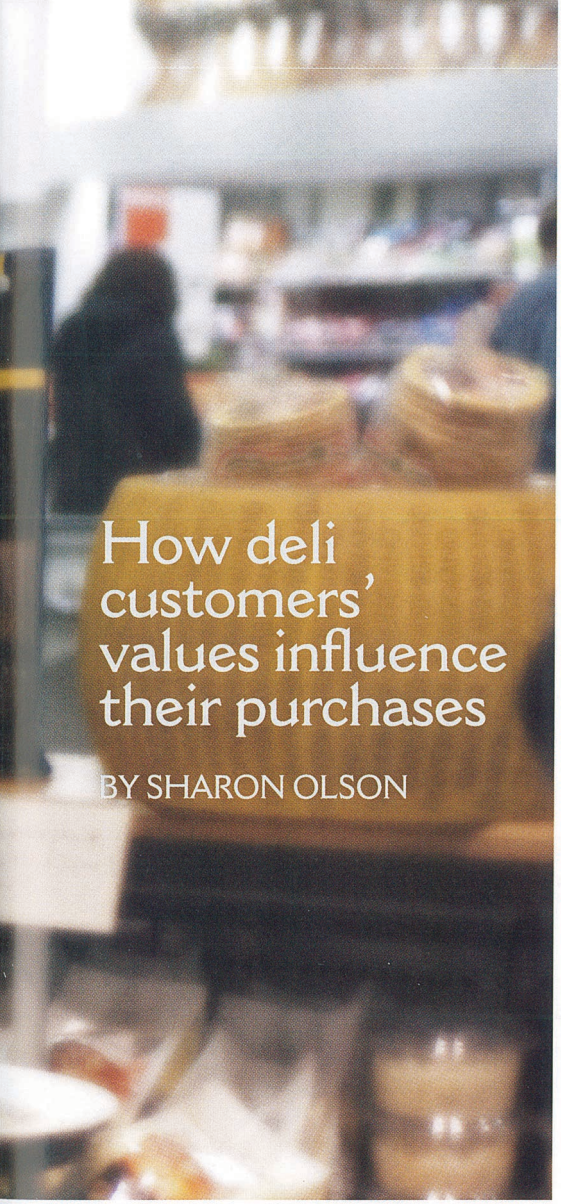
The top three product claims influencing deli shopper decisions are local, whole grain and all natural. Although these characteristics were important to all of those surveyed, they were found to be more important to deli shoppers.

More than half of the consumers surveyed identified factors related to the methods of producing the foods they buy as important to their purchase decisions. Those factors include being hormone-free, 60 percent; grass fed/pasture-raised, 60 percent; free-range/free-roaming, 57 percent; antibiotic-free protein, 57 percent; sustainably caught/raised, 57 percent; non-GMO (genetically modified organisms), 56 percent; fair trade, 56 percent; and organic, 54 percent.

Millennials, defined as young adults who are 19- to 36-years old, are the most likely to place importance on nearly all of the claims studied. This group is most inclined to purchase from the deli when items offered are local, whole-grain and all-natural.

Men and women do not differ significantly on most of the claims, the study found. Their values diverge, however, on claims related to the ethics of food production and imported products. Women are at least 5 percentage points more likely than men to say they are influenced by such claims as local, hormone-free, grass fed/pasture-raised, antibiotic-free protein, cage-free and organic. The only claim more likely to influence men relates to items imported from another country known for quality, which affects purchases among 51 percent of men compared to only 39 percent of women.

With all of the food industry's attention to gluten-free and the wide range of new products with that designation, it is interest-



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BY SHARON OLSON

ing to note that less than half of deli shoppers are influenced to purchase by that claim.

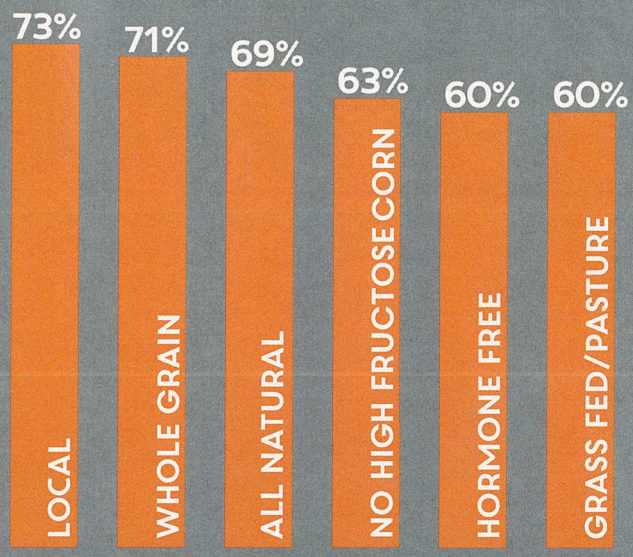
IMPORTANCE OF CLAIMS

In-store deli customers are more interested in product claims/certifications than consumers in general. The top five claims/certifications that more than 60 percent of deli consumers say would increase their interest in purchasing an item are: product of the USA, 69 percent; 100-percent local, 68 percent; FDA-approved, 64 percent; certified all-natural, 62 percent; and USDA-certified organic, 61 percent.

Those who have purchased food from an in-store deli within the past 30 days are more influenced to buy an item with these certifications on the package. In addition, nearly all the other claims/certifications listed would help to persuade more than half of deli consumers to purchase the item. Interest in buying with most of the listed certifications is at least 10 percentage points higher among deli customers than consumers overall.

This speaks to the value of deli buyers

INFLUENTIAL CLAIMS IN THE DELI



PREMIUM PRICE EXPECTATIONS



CHALLENGES ENCOUNTERED IN THE DELI



SOURCE: CULINARY VISIONS ® PANEL 2015

sourcing products with appropriate claims/certifications, and including those claims/certification seals and references on store signs and in ads. They communicate added value to consumers and build trust.

PREMIUM PRICE EXPECTATIONS

In many cases, consumers expect premium offerings without a premium price tag. The exceptions are imported cheeses and organic items, for which at least half of all consumers surveyed say they expect a premium price. Interestingly, the expectation of a premium price does not carry over into prepared sides/entrées made with organic ingredients, as only 38 percent expect to pay more in that case.

Imported cheeses seem to have the clearest path to higher prices. On the positive side for retailers, women, who are often the household shoppers, are at least 10 percentage points more likely than men to expect a higher price on imported cheeses, 58 percent; organic items, 55 percent; and upscale brands, 53 percent.

In most cases, Millennials are the least likely to expect premium prices, while seniors are the most likely, followed by Baby Boomers.

The expectation to pay premium prices for items with upscale qualifiers generally increases with age. In most cases, Millennials are the least likely to expect premium prices, while seniors are the most likely, followed by Baby Boomers.

Premium-price expectations show the greatest variance by age on made-to-order items. Only 29 percent of Millennials expect to pay higher prices for made-to-order items compared to 53 percent of seniors. This may reflect how the made-to-order proposition in fast-casual restaurants has conditioned Millennials to expect personalized service in all food channels.

DELI CHALLENGES ENCOUNTERED

Cost/value is the only challenge listed by more than half — 55 percent — of respondents when they visit an in-store deli. This underscores the idea that value pricing is ingrained and expected in all food channels. Women, 58 percent, and Baby Boomers, 61 percent, are the most likely to believe that cost/value is a challenge in the in-store deli. The challenge that rates second highest is limited options/variety, but that is by only 26 percent of those individuals surveyed.

Since Millennials are the biggest users of the grocery store deli, it is interesting to note where they stand with the challenges. They often are looking for fresh, healthy and organic offerings. At 48 percent, they are the least likely to consider cost/value a challenge. They are more likely to believe that the in-store deli suffers in the areas of consistency in the food, 24 percent; getting friendly/efficient service, 22 percent; items are not high quality, 21 percent; and items don't seem healthy, 21 percent.

ENTICING CUSTOMERS

Survey respondents were given the opportunity to write in what they would like to see more of at the in-store deli. The comments were dominated by requests for fresh, healthy and organic items, with fresh leading the group. Some merely wrote in the word while others further defined it, as in fresh bread, fresh-prepared sandwiches made-to-order, and freshly made entrées and salads.

Mentions of healthy offerings tied as the second leading write-in item consumers would like to see more of in the deli. Healthy was further defined by some as healthy casseroles, healthy meals to go, healthy meat options (that are hormone-free), healthy items made responsibly, and healthy items that are less processed. These comments point to an opportunity to make nutritional information readily available and perhaps 'compare some items' nutritional statistics to similar items from quick-service restaurants.

Consumers also noted they would like to see more organic items in the deli. Besides organic in general, some respondents wrote in organic breads, organic prepared dishes, organic cheeses, organic vegetarian items and organic preservative-free, all-natural items.

Some specialty items like vegetarian, vegan, kosher and halal did not rank highly in the national sample of consumers surveyed. Yet there may be individual markets where these specialty offerings could create a significant point of difference for a retailer.

Descriptive words are especially important to tempt deli customers — more so than consumers overall. Only the word fresh would help convince more than half of consumers overall to purchase a food item from a restaurant or store, but 72 percent of deli shoppers respond to fresh offerings. More than half of deli purchasers also are attracted by the terms natural, 55 percent, and local, 52 percent. Deli customers are 10 percentage points more likely than average to be enticed by the terms natural and organic.

LURING FOODSERVICE CUSTOMERS

This study covered consumer perspectives across multiple away-from-home venues, and some of the insights point to opportunities for delis to expand or refine their foodservice offerings. Millennials are key to developing this opportunity. They are deli "super users" at 41 percent and state they have shopped at an in-store deli in the last 30 days. They also are most apt to purchase food from quick-service, fast-casual and casual-dining restaurants and convenience stores. In addition, Millennials are the most adventurous eaters when dining out, with 57 percent saying they always or usually like to try new dishes and flavors.

Many supermarkets and convenience stores are building their share of foodservice sales with customized programs that appeal to their customers as tempting alternatives to quick-service and fast-casual restaurants.

Harris Teeter's The Sub Shop offers submarine sandwiches that shoppers can customize by selecting from a list of bread types, cheeses, dressings, toppings and fillings. Those in a hurry can place their order online. Whole Foods Markets fresh prepared foodservice programs rivals many restaurant chains in size. Mariano's Chicago operations have sushi and oyster bars.

Convenience store chains like Wawa and Sheetz have well-developed foodservice programs that include made-to-order sandwiches at Wawa and full-service kitchens with in-store seating at Sheetz.

VALUE IS PERSONAL

Today's consumers evaluate much more than price when it comes to food and dining decisions. They are smart, savvy and well connected to a network of friends, family and resources that provide them with the information they want to inform their meal decisions. Supermarket delis already are serving up many of those extras that add value for their customers. The important thing is to make sure customers are aware of the value they are getting when they buy from the deli. **DB**

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