MENUS OF CHANGE

General Session 3 | June 18, 2015

"Changing Consumer Behaviors and Attitudes"

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a **Datassential** solution

June 2015

SHIFTING THE PROTEIN FOCUS

Menus of Change –The Culinary Institute of America

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Objectives & Methodology

Objectives

- Determine operator and consumer opinions on key protein issues
- Explore the role foodservice should play in environment related concerns
- Discover menuing concerns around issues relating to protein
- Identify current and future consumption and menuing patterns of proteins
- Assess operator ability to react to shifting consumption patterns
- Enable operators to make meaningful changes to protein menuing

Methodology

- ONLINE survey of **634 operators** by Datassential
  - Qualification requirements:
    - All are decision makers for their operation
    - From a variety of segments including restaurants and on-site foodservice
- ONLINE survey of **1,013 consumers** by Datassential
- Survey fielded February – March 2015

Key Lessons

Several options exist to reduce animal protein consumption and resonate with consumers.

- Options such as mixed grill items and the use of protein as a garnish (pastas, stir fries, etc.).
- These options have been well received among patrons of operators that have already rolled them out.
- Reduced portion sizes are of interest to patrons, but have value implications and greater push-back when tied to reduced animal protein sizes versus overall item sizes.

Top Three Things the Industry Could Do About Animal Consumption

	Gap	Consumer	Operator
Create/ offer more vegetarian items	+9%	24%	33%
Reduce the portion size of animal proteins	+5%	27%	32%
World cuisines inspired dishes	+5%	19%	23%
Reduce portion sizes overall	+4%	24%	28%
Create more “mixed grill” items	+2%	27%	29%
Blends of meat and plant-based ingredients	+2%	16%	18%
Menu fewer items that feature animal protein	-0%	16%	16%
Menu less red meat, more seafood	-1%	17%	17%
Plant-based items with meat featured as condiment	-3%	29%	26%
Menu less red meat, more poultry	-3%	19%	16%

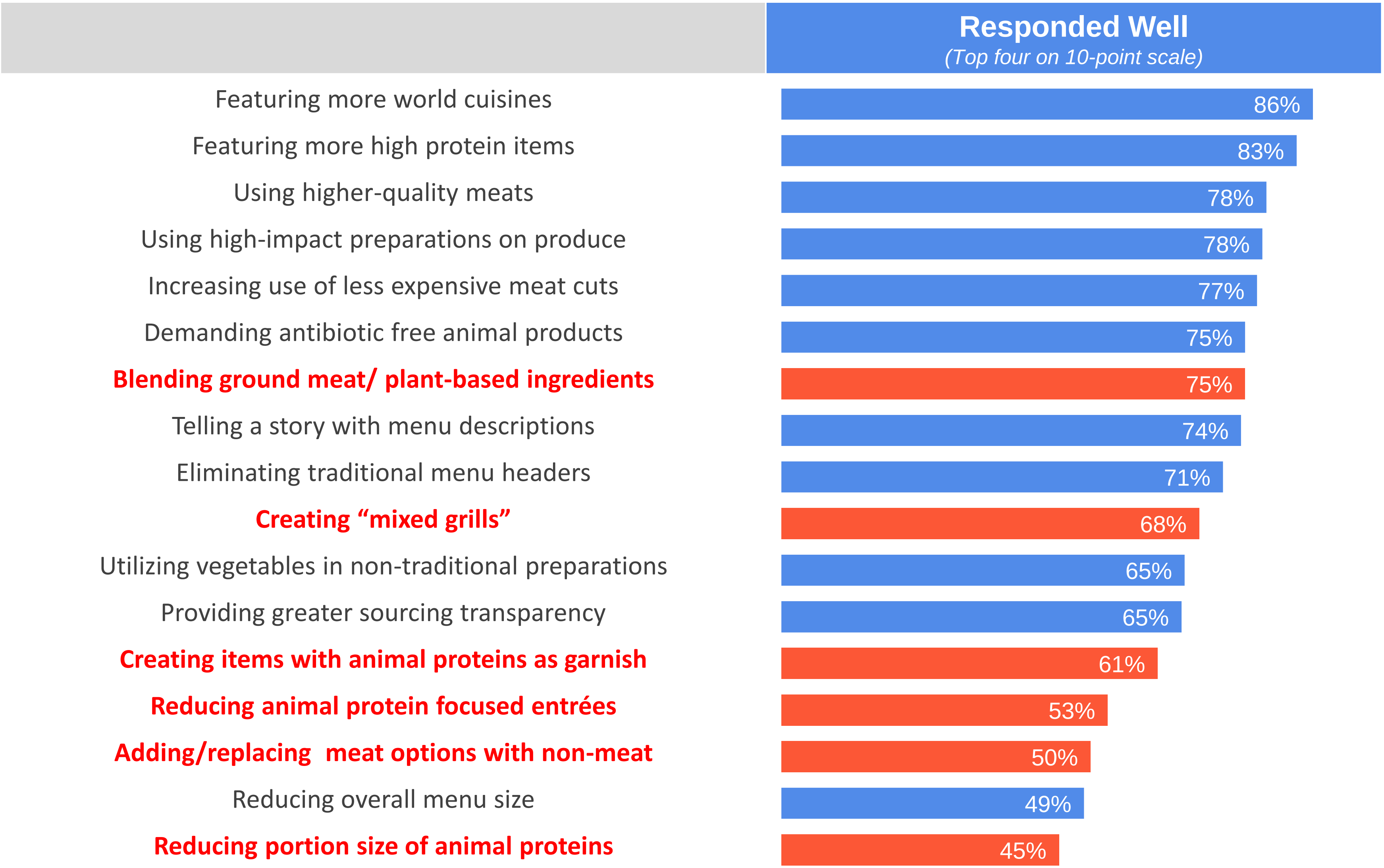
Options where operators are leading the way

Options where consumers are leading the way

Consumers/ Operators: What are the top three MOST IMPORTANT things the foodservice industry could do right now to help address issues concerning animal protein production and consumption?

n=1,013
634

Perceived Patron Responses to Menu Changes



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Operators: For each of the following, which you indicated earlier you are currently implementing in your operation, how well have your patrons responded to these efforts?

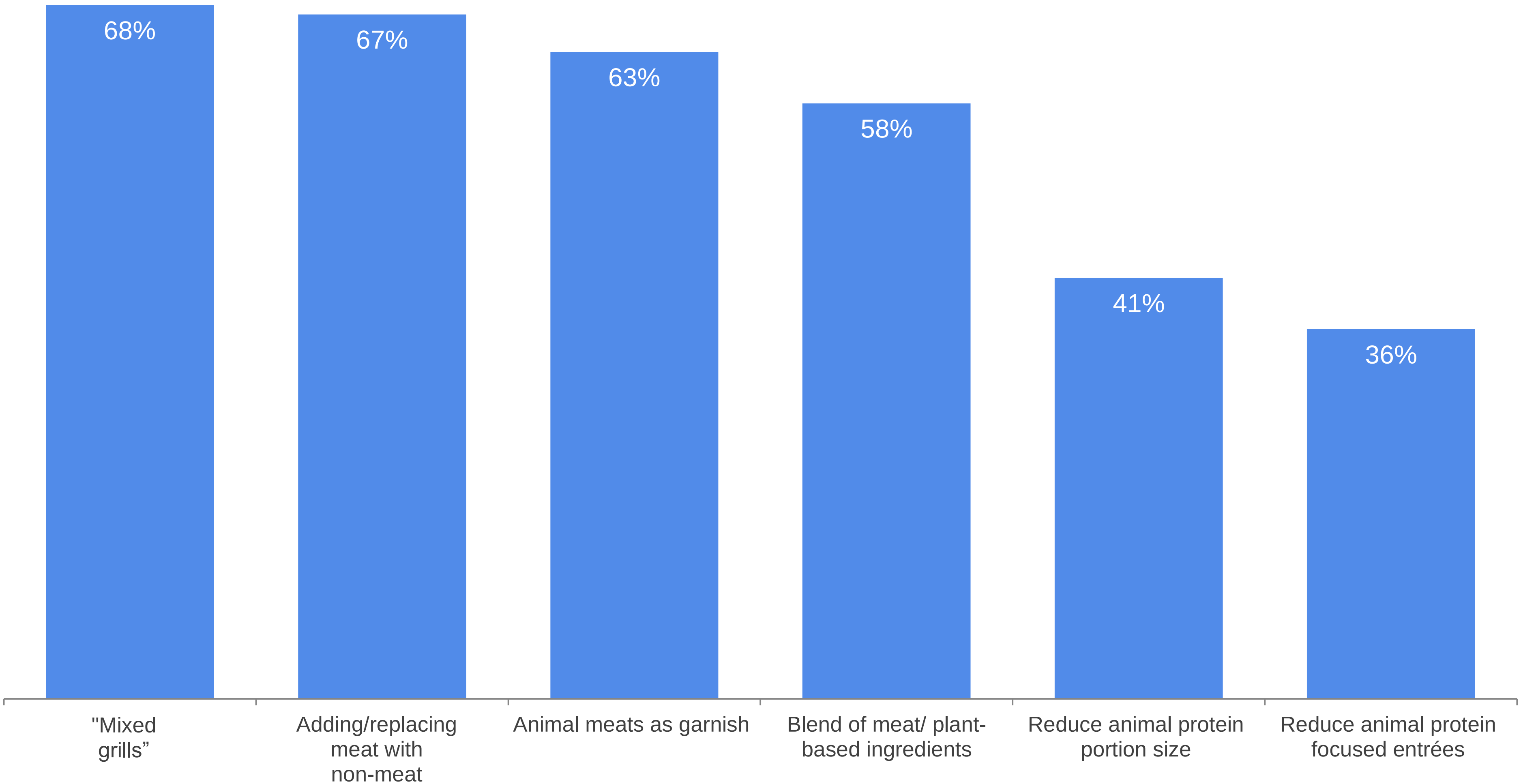
n=varies

Key Lessons

Communication is key in driving patron acceptance of items reducing/ eliminating animal proteins.

- Changes made with the greatest acceptance among patrons are the changes that have been effectively communicated.
- Those changes not communicated to patrons in some way (made but not explained) were met by the most resistance according to operator feedback.

Share of Operators Communicating Changes



Operators: For each of the following, have you communicated these changes to your customers? This communication may be on your menu, on your website, etc.

n=varies

Occasion Fit for Meat Center-of-Plate vs. Meat as Garnish

	Center-of-Plate	As Garnish	Difference
Casual lunch	19%	43%	+24%
Quick bite	9%	24%	+15%
Work lunch	8%	19%	+11%
Brunch	9%	16%	+7%
Hold over meal	8%	15%	+7%
Running errands	8%	14%	+6%
Cheap bite	8%	15%	+6%
Work break	6%	11%	+5%
Last minute dinner	13%	17%	+4%
Food for Fuel	12%	16%	+4%
Relaxing at home	24%	23%	-1%
Dinner on the way home	17%	15%	-2%
Weekend breakfast	10%	7%	-2%
Hanging out with friends	19%	16%	-3%
Road trip	12%	8%	-4%
Casual dinner	39%	35%	-5%
Social gathering	22%	17%	-5%
Festive	13%	7%	-6%
Guy's night out	11%	4%	-7%
Romantic meal	24%	14%	-11%
Family meal	43%	30%	-13%
Special occasion	31%	11%	-20%
Formal dinner	39%	12%	-27%
I'd never order this entrée	8%	16%	+8%

Greatest opportunity for items featuring meat as a garnish

Consumers: Thinking about entrées that feature a large cut of protein – steak, chicken breast, chops, tenderloin, etc. – when are you most likely to order these types of dishes? **Consumers:** Thinking about entrées that are primarily produce or plant-based with meat/ animal protein used more as a garnish or in a much smaller quantity, when are you most likely to order these types of dishes?

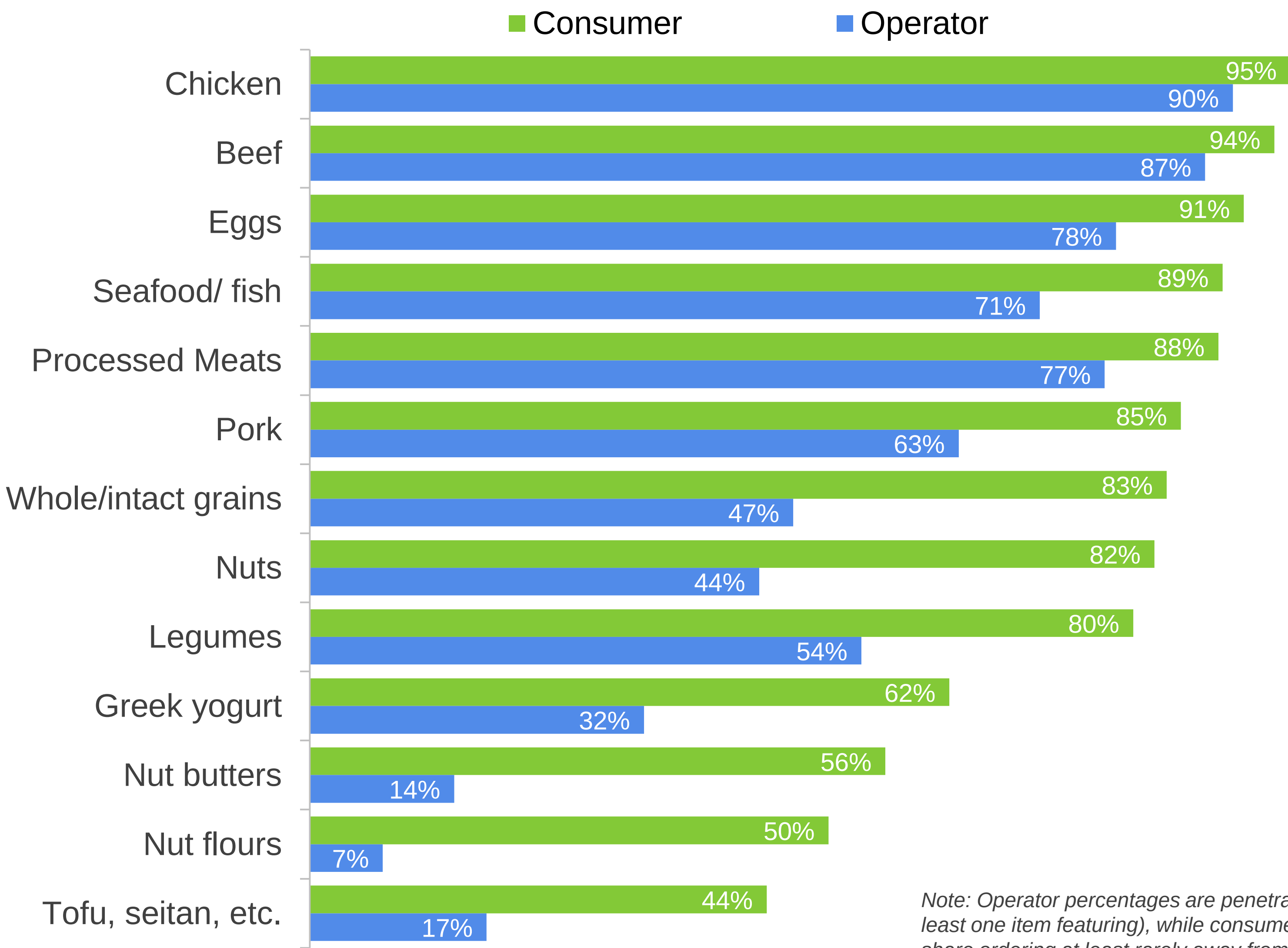
n=1,013

Key Lessons

Consumer interest in and demand for alternative protein sources appears to be outpacing operator activity.

- Current demand and future demand among patrons will outpace by a significant degree the menuing behavior of operators.
- In fact, more operators report they are likely to drop items such as nut butters/ flours, Greek yogurt and tofu from their menu than will add/ increase the use of over the next two years.
- The result could be a significant demand/ supply gap, which may be filled by retail – stealing AFH traffic share.

Consumer AFH Ordering vs Availability



Note: Operator percentages are penetration (% offering at least one item featuring), while consumer percentages are share ordering at least rarely away from home.

Consumer: When eating away from home – at a restaurant, cafeteria, convenience store, etc. – how often do you look for items that feature each of the following? (five-point scale) **Operators:** Which of the following do you currently feature or use as an ingredient on your menu? Please select all that apply.

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THANK YOU!

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APPENDIX

634 OPERATORS

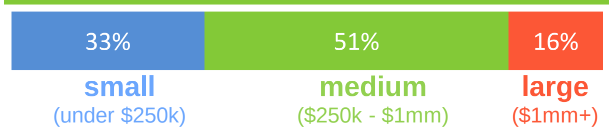
44% on-site

56% restaurants

QSR	9%
Fast Casual	15%
Midscale Dining	10%
Casual Dining	15%
Upper Casual	7%

K-12	12%
C & U	7%
B & I	4%
Lodging	6%
Long-term care	8%
Hospital	6%

ANNUAL F&B PURCHASES



DAILY PATRONS

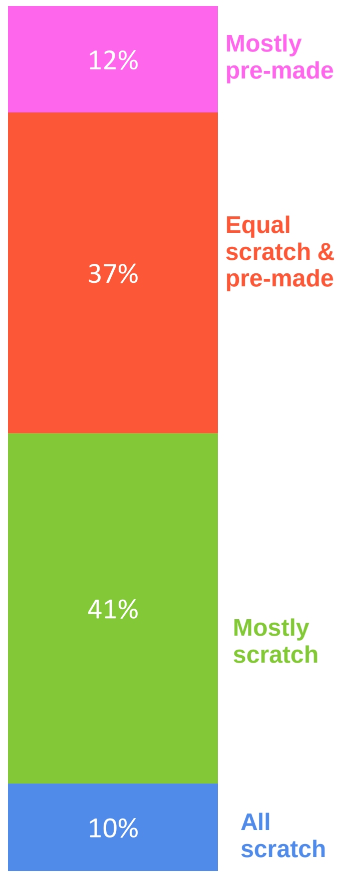
Fewer than 75	9%
75-150	25%
151-250	21%
251-500	21%
501-1,000	10%
Over 1,000	15%

75% self-owned

10% company-owned chain

15% franchise-owned chain

KITCHEN PREP

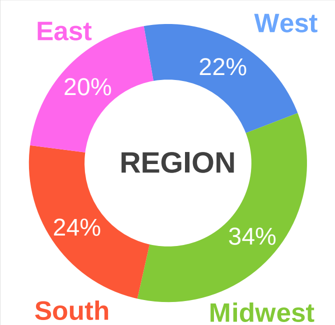


DECISION MAKERS

Owner / operator	29%
General Manager	22%
F&B Purchaser	15%
Manager	11%
Executive Chef / Chef	11%
Kitchen Manager	4%
Other	7%

23% are contract managed

24% use a GPO



PRIMARY DISTRIBUTOR

Sysco	35%
US Foods	20%
GFS	6%
PFG	6%
Cash and Carry	4%
FSA	4%
Reinhart Food Service	4%
Club stores	2%
Shamrock Foods	1%
Ben E. Keith	1%
Maines Paper and Food Service	1%
Cheney Brothers	1%
Other	16%

1013 Consumers

Demography

49% 51%

65% have no kids in home

17% have kids < 6

18% have kids 6 to 12

HH INCOME

12%	Over $100k
37%	$50 - $100k
51%	Under $50k

ETHNICITY	%
White	67%
Black	12%
Hispanic	15%
Asian	5%
Other	1%

MARITAL STATUS

38% single

11% have significant other

51% married

EMPLOYMENT

41% full time

12% part time

47% not employed

Consumer Profile

FOOD ATTITUDE

foodies	excited by food	indifferent
33%	52%	15%

91% are primary grocery shopper

DINE AT LEAST MONTHLY

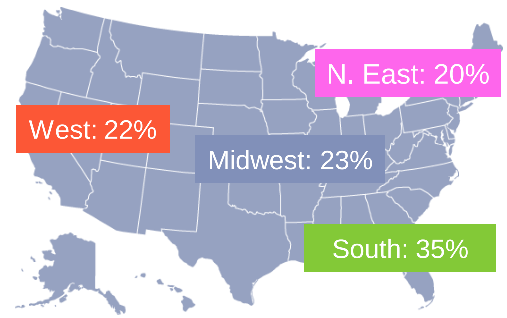
QSR	79%	Fine Dining	33%
Fast Casual	65%	C-Store	42%
Family Style	60%	Cafeteria	28%
Casual	60%		

FOOD CONCERNS

Strict diet	6%
I carefully watch what I eat	34%
Generally healthy, not closely	52%
Not concerned with healthy foods	15%

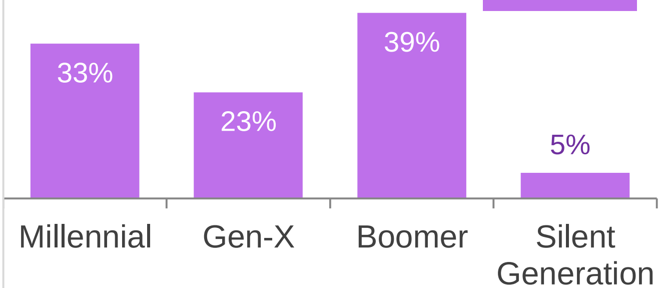
Geography

REGIONS



urban	suburban	rural
31%	49%	20%

AGE



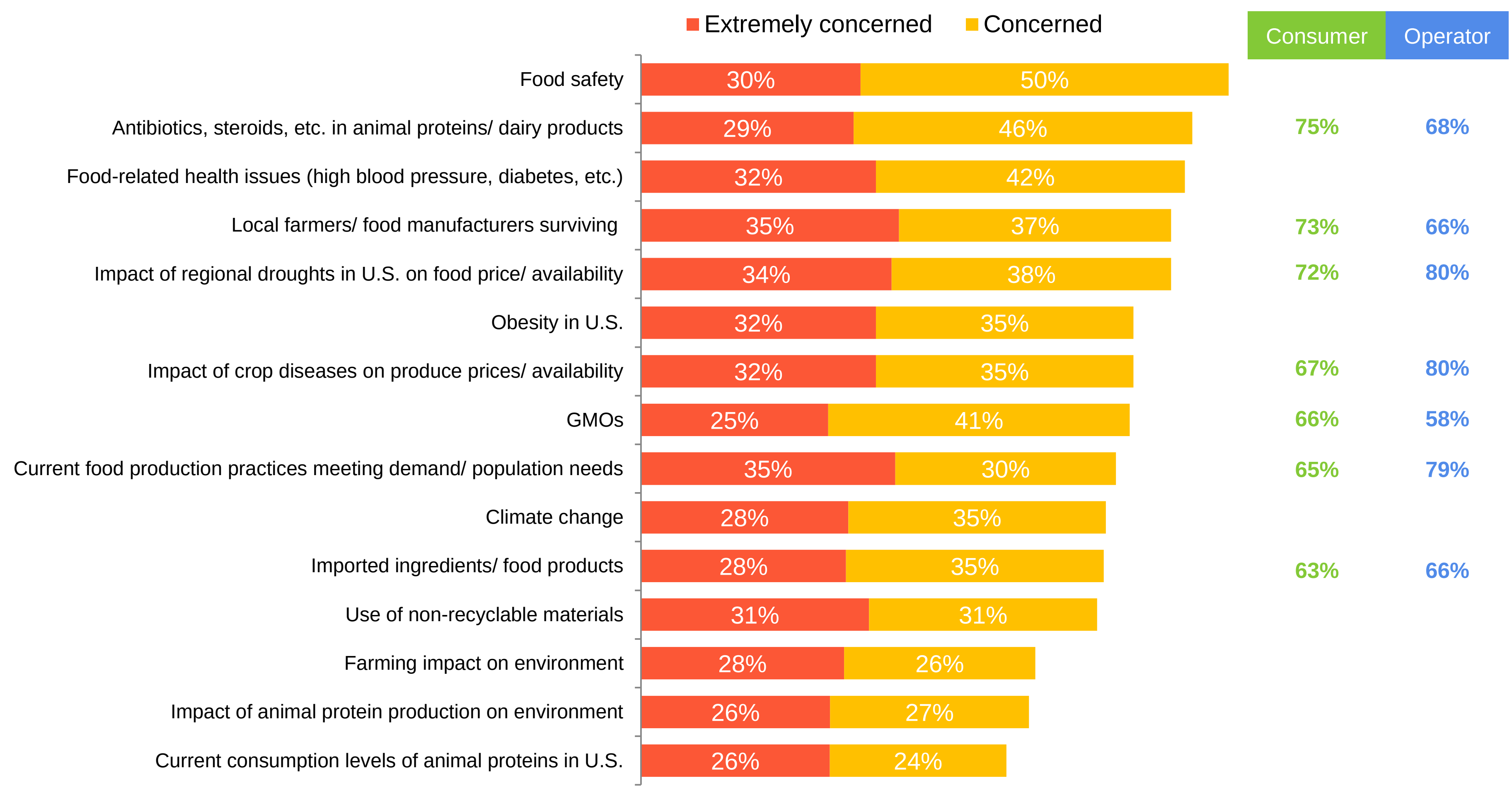
Key Lessons

1. **Though operators understand the importance of broader issues, many of which are tied to animal protein production/ consumption, the relevance to day-to-day operational decisions is lost.** To effect more significant changes in operator behavior, it will be important to tie these issues directly to relevant operational issues including cost, availability, and quality. Operators do not appear to be making these connections themselves.
2. **Consumer interest in and demand for alternative protein sources appears to be outpacing operator activity.** Though consumers may be interested in nut products (whole, flours, butters), legumes, and Greek yogurt for reasons other than animal protein substitution, it appears both current demand and future demand among patrons will outpace by a significant degree the menuing behavior of operators. In fact, more operators report they are likely to drop these types of items from their menu than will add/ increase the use of over the next two years. This could result in a significant demand/ supply gap.
3. **True patron acceptance of alternative proteins, reduced animal protein dishes is both the greatest unknown and potential hurdle.** Though patrons express interest in reduced portions and animal protein alternatives, past industry experience suggests this expressed interest likely won't match actual away from home behavior, and operators are well aware of this dichotomy. "Aspirational" eating versus actual ordering my not align immediately, and operators are leery of making significant menu changes as a result.
4. **Several options exist for operators that would help to reduce animal protein consumption and resonate with consumers.** Specifically, consumers are interested in options such as mixed grill items and the use of protein as a garnish (pastas, stir fries, etc.), and these items have been well received by the patrons of operators that have already rolled them out. Reduced portion sizes are of interest to patrons, but have value implications and are less appealing when specifically related to animal proteins rather than menu portions on an overall basis.
5. **To drive acceptance of items that have reduced or eliminated animal proteins, communication is key.** Among the changes already implemented by operators, those that have been best accepted by patrons are the changes that have been effectively communicated. Those changes not communicated to patrons in some way (made but not explained) were met by the most resistance according to operator feedback.
6. **Reduced animal protein items have the greatest opportunity at more casual, family-centric meals.** As with anything, occasion-focused marketing and ideation may be the key to successful introduction of items that contain reduced animal protein portion sizes.

No broader issue is more important to consumers than food safety, and those **issues related to animal protein consumption rank far lower** than other issues. Consumers appear more engaged in environmental and health-related issues while operators are more concerned with business-oriented issues such as cost and consistent supply.

Consumer Foodservice Issue Concerns

(Top four box; 10-pt scale)



Consumer: How concerned are you with the following issues?

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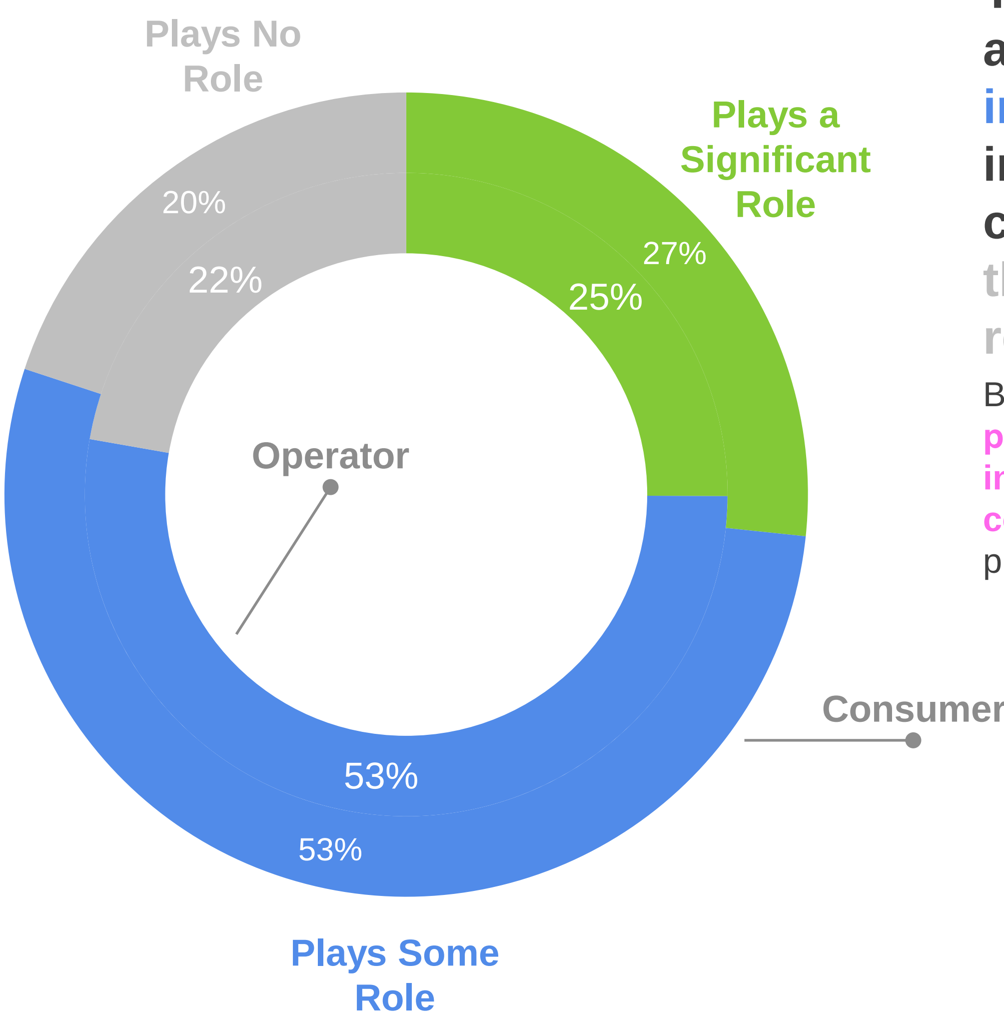
Role of Foodservice Industry in Protein Production and Consumption



The majority of both operators and consumers believe the industry plays some role in impacting protein production/ consumption, but a fifth absolve the industry of any responsibility.

Both consumers and operators, interestingly, **place a lower emphasis on the industry's role in addressing protein production/ consumption** than in broader issues such as public health and the environment.

Consumers/ Operators: Which of the following best represents your belief?

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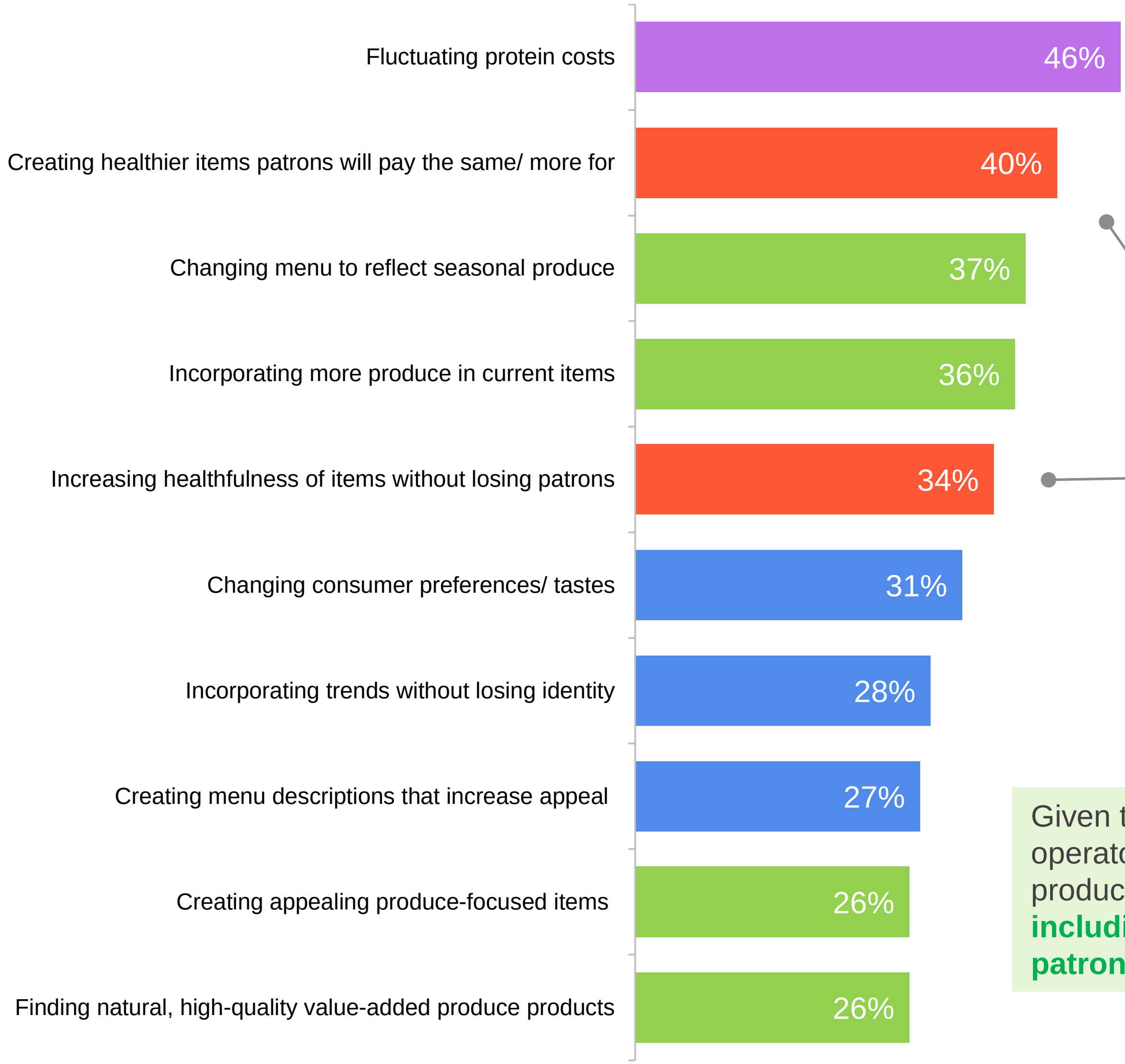
Menu Challenges – Most Significant



Fluctuating protein costs could prove to be **a strong motivator for using less animal protein or smaller portions**.

Operators struggle with finding **ways to make their menu healthier** while maintaining pricing and patron appeal.

Given the prominence of produce-related challenges, operators appear to be working to incorporate more produce onto the menu. But, **several issues including innovation, sourcing, and potential patron appeal may be limiting advances**.

Operators: What are some of the more significant issues you're facing with regard to your menu? This can include issues with items currently on your menu as well as items you are developing for your menu. Please select all that apply.

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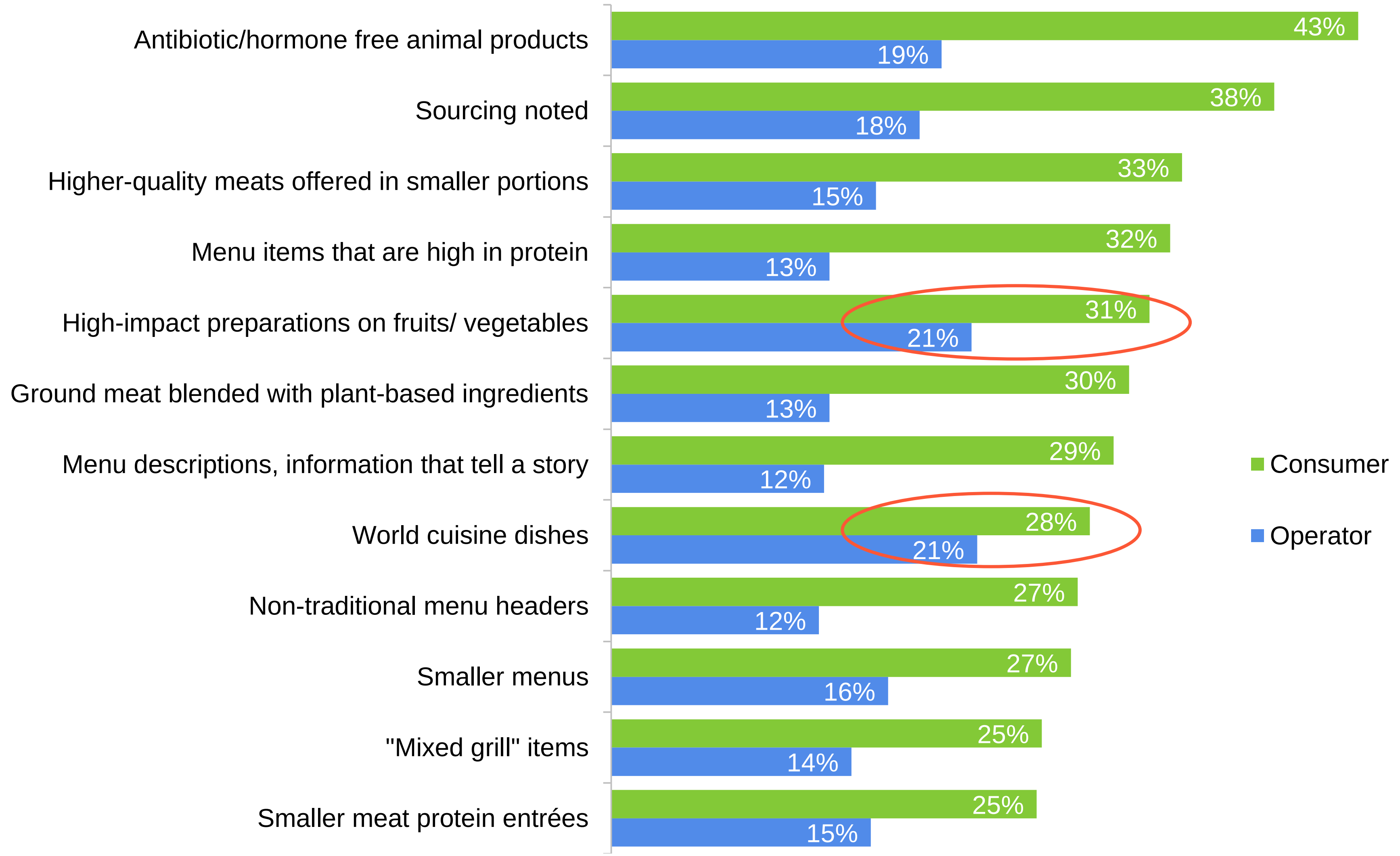
Food Trends – Consumer Interest vs Operator Action

(consumers very interested vs. operators very likely to or already offering)



Challenges in Changing Animal Protein Usage/ Menuing

Interestingly items that are viewed as least appealing to patrons are also those operators think would be the most challenging to implement. Operators may not be considering consumer preferences, but in fact their own concerns.

	Challenging (Top Four Box)	**Very Challenging** (Top Two Box)	**Neutral** (5 or 6)	**Not Challenging** (Bottom Four)
Reducing portion sizes of all dishes, including but not limited to animal proteins	51%	21%	26%	23%
Reducing the portion size of animal proteins in items	51%	20%	24%	25%
Creating dishes that are primarily plant-based	50%	19%	30%	21%
Menuing fewer items that feature animal protein and more plant-based choices	49%	20%	30%	21%
Blending plant-based ingredients with ground meats	47%	20%	32%	20%
Using world cuisines to develop new dishes	46%	16%	26%	28%
Menuing fewer red meat items and more seafood items	45%	18%	29%	26%
Menuing fewer red meat items and more poultry items	43%	16%	28%	29%
Creating and offering more vegetarian items	40%	16%	29%	30%
Creating more "mixed grill" items	39%	14%	30%	32%

Operators: How challenging do you believe each of the following would be to implement in your operation?

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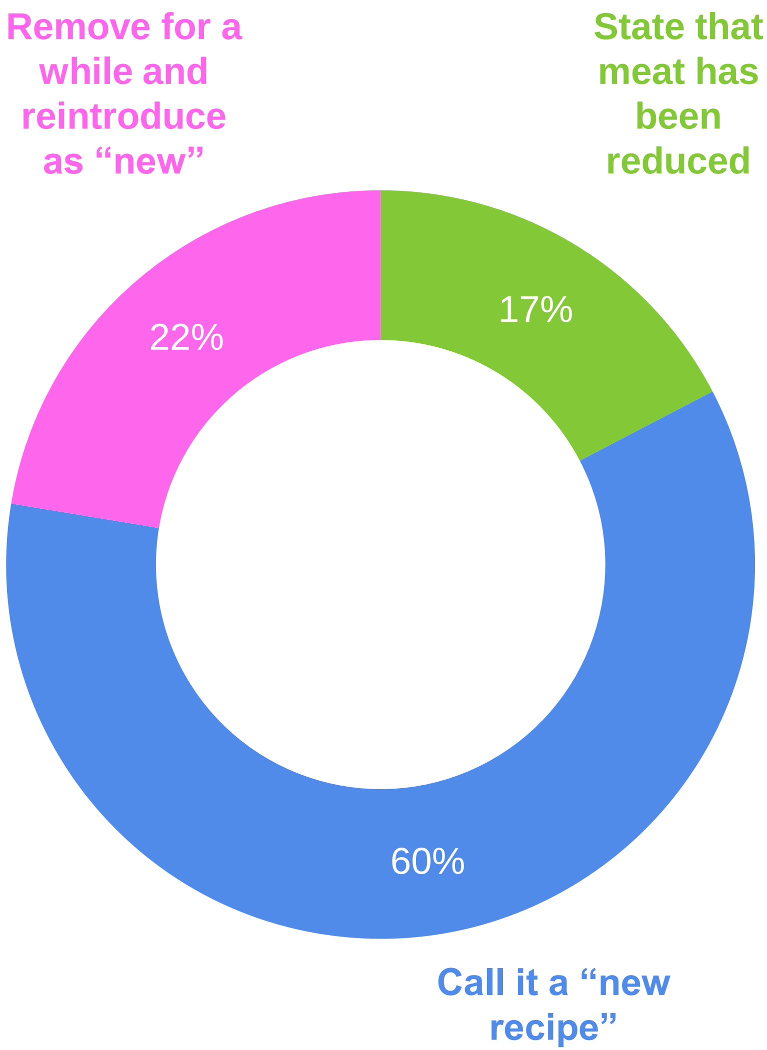

Communicating Reduced Meat Portions

Operators are more likely to "spin" reduced meat portions rather than stating the change overtly.

Communication is a key tool in driving patron acceptance of menu changes – reduced meat portions or otherwise.

Operators: If you have or were to reduce the amount of meat featured in a menu item, which would you be most likely to do?

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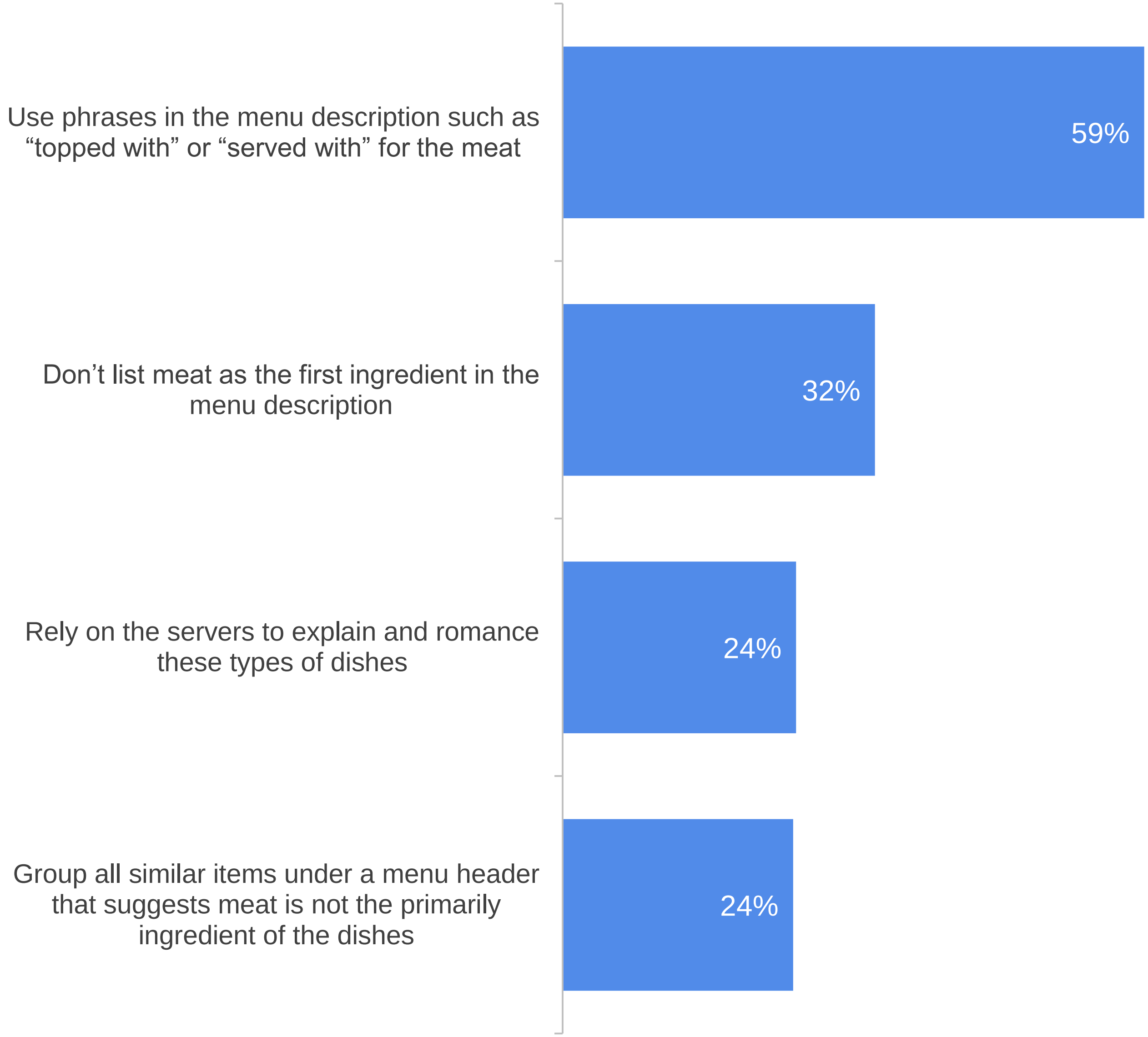

Describing Smaller Portions of Meat to Patrons

Most operators use “topped with” or “served with” as descriptors.

The smaller share using menu headers as the key indicator is not surprising, given “healthy” or better-for-you dishes are increasingly scattered throughout menus rather than grouped under menu headers.

Operators: Consider dishes that feature meat more as a condiment, offered in smaller cuts throughout the dish. Which do you think would be effective ways of describing these to customers to make the items appealing but also set expectations? Please select all that apply.

n=634

"If I could just get my patrons to order plant-forward dishes, with meat in much smaller portions (1-2.5 ounces), I know they would love them but it's hard to get them to move away from traditional meat-forward items."

Most operators believe **patron trial is a key hurdle to increasing the presence of plant-forward items** where meat is a garnish rather than the main ingredient.

65%

of operators agree

35%

of operators disagree

Operators: "If I could just get my patrons to order plant-forward dishes, with meat in much smaller portions (1-2.5 ounces), I know they would love them but it's hard to get them to move away from traditional meat-forward items."

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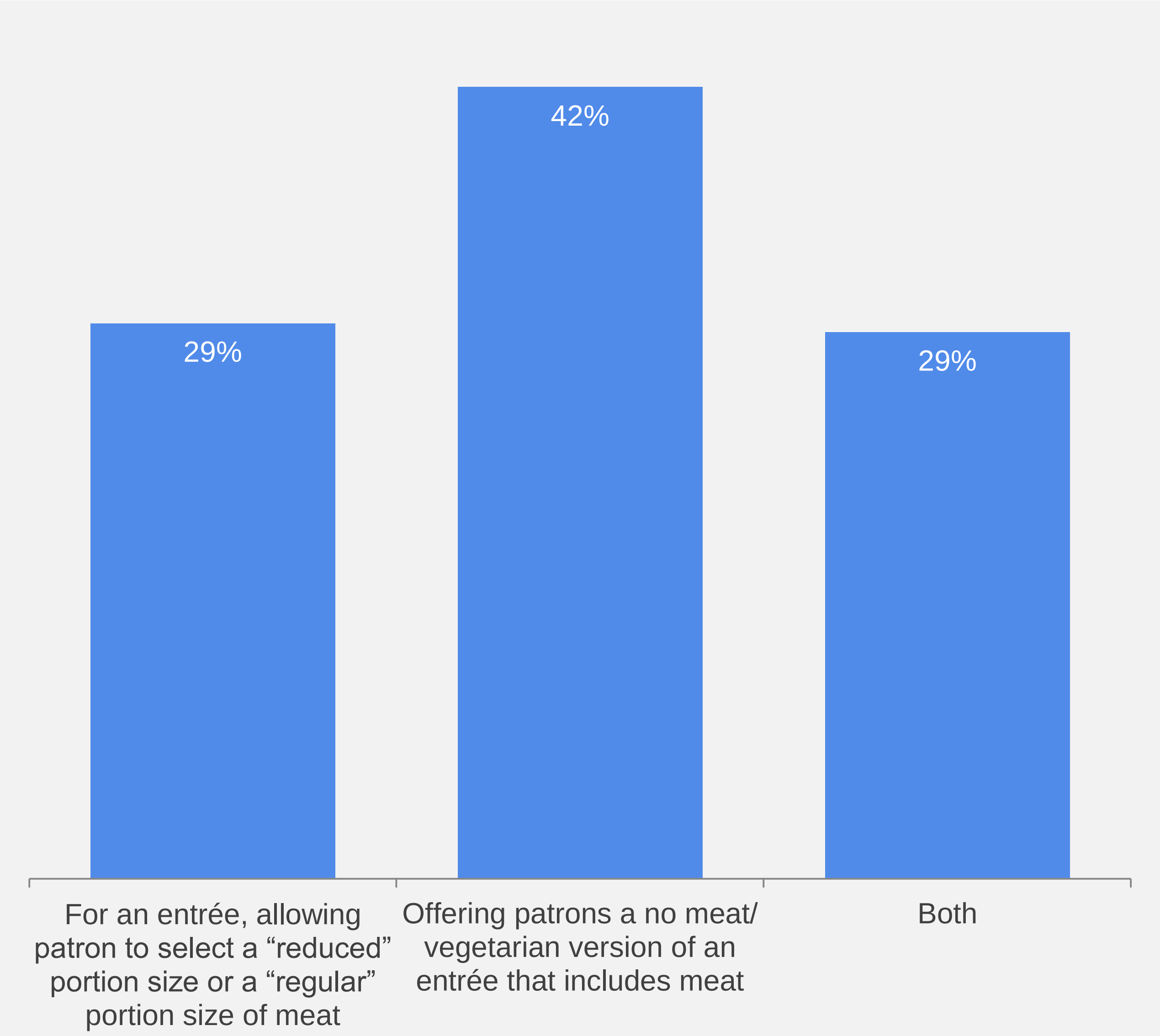

Patron Options

Most operators are likely to *either* allow for customization of meat portions *or* menu vegetarian/ no meat options but few offer *both*.

Operators: Which of the following options do you allow your patrons?

n=634

Portion Size Shifts

(current to reduced size)

Regardless of protein, the typical decrease in portion size is 2 ounces.

8 oz. to 6 oz.
beef

8 oz. to 6 oz.
chicken

7 oz. to 5 oz.
pork

6 oz. to 4 oz.
other poultry

6 oz. to 4 oz.
seafood

6 oz. to 5 oz.
fish

5 oz. to 3 oz.
processed meats

Operators: For each protein that you plan to reduce portion sizes, on average what is the CURRENT portion size and what do you plan to REDUCE the size to?

n=varies

Defining "Value"

	Gap	Consumer	Operator Perceptions
Overall size of item	+15%	36%	51%
Uniqueness of dish	+15%	27%	42%
Ability to customize	+3%	22%	25%
Amount of animal protein	+3%	24%	26%
Story behind dish	+2%	13%	15%
Calories in dish	+0%	13%	14%
Amount of food for lowest possible price	-4%	40%	36%
Quality of animal protein	-12%	40%	27%

Operators believe size and uniqueness are key value drivers for patrons, but quality is under-estimated.

Though consumers are less likely to indicate the size of an item is a key value drive, they are looking for large amounts of food for low prices, which essentially is the same issue. The amount of **animal protein is only one element** of this "size matters" mentality, and produce could help to "bulk up" servings without adding costs and increasing the healthfulness of an item.

Given quality is a key driver for consumers – and this has born out in the success of fast casual operators – **leveraging quality may help to counteract "more for less" value**.

Consumers: When considering items on a menu, what do you use to determine what will be a good value for you? Please select all that apply. **Operators:** Which do you think is true for the majority of your customers? Among my patrons… Please select all that apply to your patrons. Value perceptions are ...

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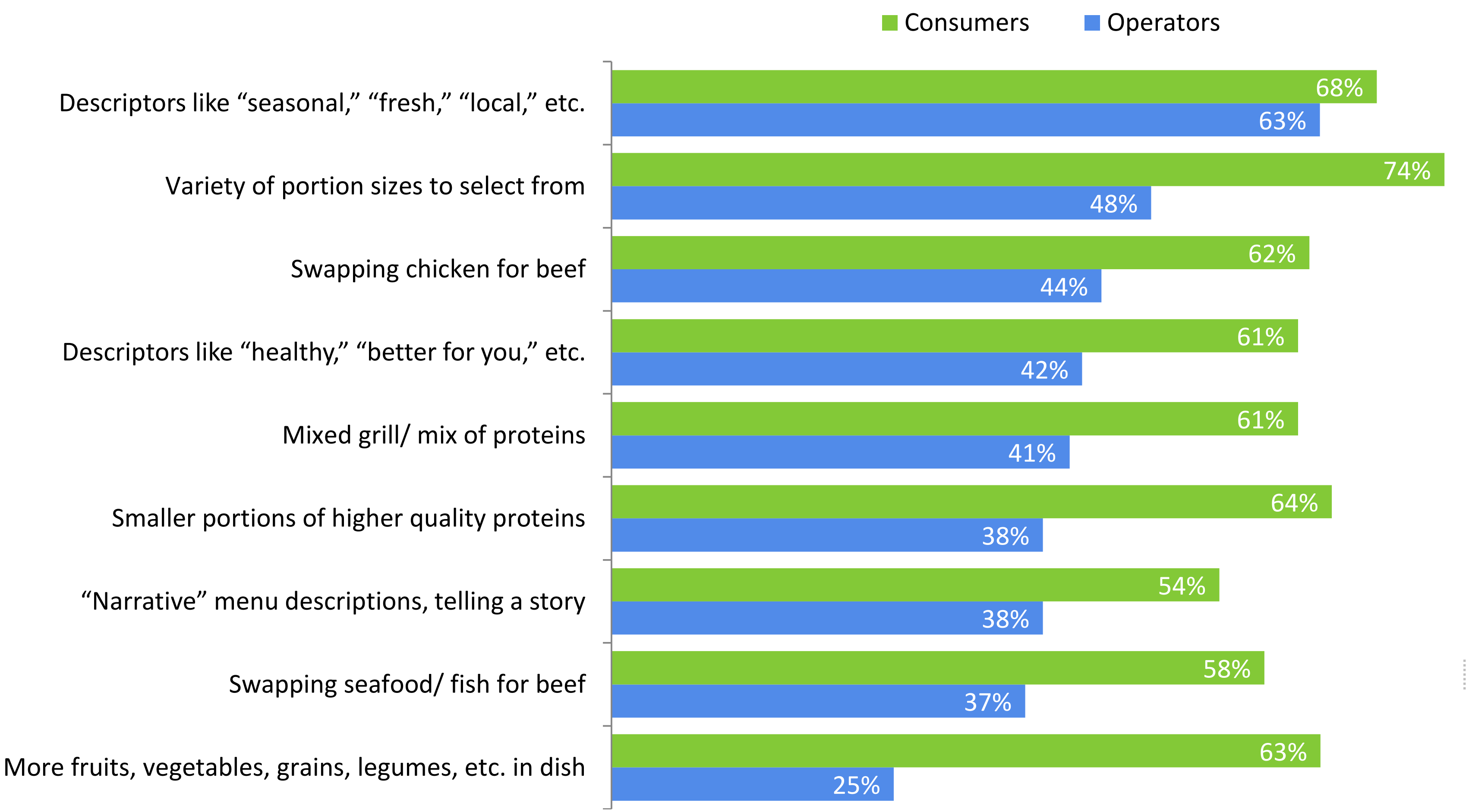
Operators and patrons agree on the impact of "fresh," "local," and other similar descriptors, but operators under-estimate the appeal of other possible changes.

Menu Options - Impact on Value Perceptions vs Patron Appeal

(top four box; ten-point scale)



Operators: How do you think each of the following would impact the perceived value of dishes in your operation?
Consumers: How would each of the following impact how appealing a menu item is to you?

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