

2011 Trends: A Six Month Update



Introduction

With half of the year already passed, it's time to take stock of how 2011 trend predictions are lining up with the foodservice news and developments so far.

Mintel's five trends were **Menu Transparency**, **Healthy by Association**, **Exemptions to the (FDA Menu Labeling) Rule**, **Indigenous Ingredients** and **Automated Menus**, and this report takes a closer look at how each has aligned with the foodservice issues of the day. We also continue to look ahead and see what these trends will mean for operators as we finish out the year.

Menu Transparency: Getting more clear

As predicted at the end of 2010, many of the biggest foodservice news stories from the first half of 2011 can be traced to a trend identified as Menu Transparency. From the continuing steps toward menu calorie count legislation to Taco Bell's public defense of its beef contents and the onslaught of newly adapted technologies allowing customers more control over restaurant orders, the reasons to come clean with menu information and business practices keep piling up.

During late 2010 to early 2011, **Domino's** led the way with transparent business practices, leveraging its pizza revamping as a way to improve customer relations and get pizza fans involved with improvements, via taste testing and photo contests. Domino's continues to "come clean," using the same tactics to improve its chicken strips and to discuss ingredient sourcing through games on its website. The company enjoyed very strong same-store sales growth in the aftermath of the original "Pizza Turnaround" campaign.

WHAT'S NEXT

Apologizing for sub-par quality and flavors has proven a successful strategy for operators, and we expect more "How are we doing?" publicity campaigns to be deployed. The immediacy of online communications could put service in the spotlight, with operators awarding service improvements and highlighting improvements in marketing campaigns.

Calorie Counts are Closer

Nutrition labeling on menus was a lead transparency story in late 2010, and it continues to capture a lot of industry attention. In early April, nutrition labeling on menus moved a step closer to reality when the Food and Drug Administration (FDA) released its proposals requiring nutrition labeling on menus and menu boards for multi-unit restaurants of 20 units or more.

As expected, the FDA proposals qualifies a "menu" or "menu board" as the primary writing from which customers would be making ordering decisions and applies to restaurant menus, drink menus, delivery menus, menus listed on the Internet, menu boards above counters and at drive-thru windows. The FDA proposal will also include a **succinct statement** putting the calorie disclosures into the context of a 2,000 calorie daily diet. Specifically, the proposed statement will read: "A 2,000 calorie daily diet is used as the basis for general nutrition advice; however, individual calorie needs may vary."

These proposals mean that the FDA's nutrition labeling rules are now in the review phase, with a few key details (such as daily calorie recommendations for children's menus) still to be decided. The FDA expects to issue a final restaurant nutrition labeling rule by the end of 2011, and the law will become effective six months from the release of the final regulations, pushing enforcement well into 2012.

While we know that calorie counts will become more clear in 2012, it remains to be seen what effect this transparency will have on consumers. Recent research conducted by Mintel shows that **62%** of people surveyed are already aware that calorie disclosures are coming.

And among those surveyed, **51%** say that, if restaurant chains disclosed calorie counts, they would choose lower calorie options. Despite these best intentions, **45%** note having a hard time sticking to diets when dining out.

WHAT'S NEXT:

Menus on Calorie Watch

Operators are getting a brief reprieve from the FDA menu labeling legislation, but the next six months will see more "Jekyll & Hyde" menu developments, with lower calorie count sections and indulgent LTOs existing side by side.

Meanwhile, small menu additions like the many grab-and-go oatmeals or probiotic yogurt and granola parfaits will continue to fill the middle ground.

Healthy By Association: Small menu changes make big news

"Healthy by Association" was Mintel's second trend for the year. The premise was that, where widespread health changes remain elusive in restaurant settings, small steps can work. That has proven to be the case, both in public policy and in restaurants' approach to offering "Better For You" (BFY) menu options.



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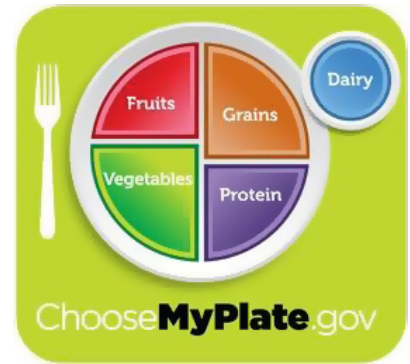
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The FDA menu nutrition labeling isn't the only public policy news on the health front. On June 2, 2011, the U.S. Department of Agriculture (USDA), announced that it was retiring the Food Pyramid and replacing it with a new plate icon and nutrition initiative, created with help from First Lady Michelle Obama. The *New York Times* reported that the USDA conducted focus groups with approximately 4,500 people, including children, in developing an easier to understand plate icon, which shows half the plate covered with fruit and vegetables.

The ongoing campaign will include a first phase encouraging people to increase produce intake; later phases will urge consumers to avoid oversized portions, enjoy their food, but eat less of it and to drink water instead of sugary drinks.

Likewise, operators who took some small steps in BFY ingredient or menu section changes continued to get positive media attention and earn BFY reputations that extended across entire brands. For instance, on April 18, 2011, **Subway** announced a 28% reduction of sodium in its Fresh Fit sandwich choices. Company information noted that, "This effort further demonstrates how Subway has been a long-time proponent of healthier food choices and committed to leading the industry in offering better-for-you selections."



Exemptions to the Rule: On limited time reprieve

When Mintel predicted consumers and operators taking smaller steps to better health, they also noted how limited-time offers (LTOs), which are excluded from upcoming calorie count legislation, would be a place for menu developers to pile on the indulgence. Late 2010 and early 2011 showed some early signs of these high-calorie creations, with loaded footlong hot dogs and double grilled cheese patty melts being some of the notable menu specials. Because the FDA menu labeling laws are taking longer than first expected to legislate, menu developers have been given a grace period to make wide-scale menu changes. This extra time means that indulgent LTOs and seasonal specials will be back in action in 2012.

Indigenous Ingredients: More menus showing local color

In naming "Indigenous Ingredients" as a culinary trend for 2011, Mintel predicted more operators would be finding creative ways to make the most of the growing local food movement, which was important to 58% of restaurant goers who said they were interested in seeing more locally grown products on restaurant menus. In fact, "local" as an ingredient marketing claim has grown by 15% over the past year, and as predicted, the "locavore" trend is extending further than geography, to include other important attributes such as "seasonal," "traditional," and "authentic."

Because of the local and seasonal food movements, consumers are interested in having the best ingredients from across the country, are becoming more informed about regional food styles and are curious to see how "Philly style" differs from "Chicago style," for example, or what makes a Baja taco distinct. There has also been a steady influx of notable cities and culinary regional names on chain menus.

WHAT'S NEXT:

Knowing Global Foods

So far this year, regional food references have been dominated by American regions. As **Chipotle** readies its Shophouse Southeast Asian concept, we expect American diners to become more familiar with ingredients from this part of the world. Likewise, regional Mediterranean terms like *Caprese* and *Niçoise* will pick up. From Latin America, food interests will follow travel interests, with dishes from Costa Rica and Argentina leading the way.

Automated Menus: Automation speeds up

At the outset of this year, Mintel predicted technology would play an increasingly customer-centric role in foodservice. While the survey found that support for ordering food from a self-order kiosk was weak overall, at 20%, those aged 18-34 were 71% more likely than average to express interest in using this technology. Part of the sell for these ordering systems is a more streamlined process and more efficiency in the restaurant, but it is also meant to drive traffic among younger consumers. And the first half of 2011 shows that operators are embracing technology to do so. Whether it's pizza operations and burger joints stepping up online ordering or fine dining restaurants using iPads to supplement their wine service, technology continues to move from the back-of-the-house to the front.

It's easy to see how these technologies will move the industry into a "You Do It" operational model that will eliminate some service jobs. The risk of using all these technologies is that consumers may feel like they are doing all the work when they dine out—from ordering and paying to creating their orders—diminishing the value proposition offered at restaurants. It's up to operators and their suppliers to understand how to use these technologies and to what degree.

WHAT'S NEXT

Offering on-line ordering is an easy way to use already existing technologies to boost take-out orders, and we expect this service to pick up throughout 2011 and beyond. Combining curb-side pick-up with online orders is another way to increase convenience and resurrect an idea that never really took off in full service settings.



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