

2012: A Look Ahead

Introduction

It's the time of year to look ahead and make some educated guesses about how foodservice news and innovation will evolve in 2012. While current retail shopping patterns look strong, consumers are still slow to return to pre-recession spending habits, especially in relation to dining out. In fact, recent consumer surveys show that **63%** of consumers believe it is too expensive to dine out regularly. Unemployment and underemployment rates remain high, and **23%** of consumers indicate that they will be spending less at restaurants this year. Add higher food costs to the foodservice mix, and it's safe to predict that operators will continue to keep value top of mind in 2012.

For these reasons, many of our five trends for 2012—**Double Sided Menus**, **Consumer Control**, **Slow It Down**, **American Regional** and **Imported Ideas**—relate to better business efficiencies and giving consumers greater dining value in more innovative ways.

Trend 1: Double Sided Menus

Double-sided Menus have to do with the changing ways Americans are using restaurants. Dining out used to be a special occasion, and it still is and should be. But it's also an everyday occurrence for more and more people, and menus need to allow people to choose between splurges and steals and calorie bombs and better-for-you (BFY) options.

This is where menus take on split personalities in terms of offering value menus, everyday meals, snacks and quick-fixes for busy families that coexist with premium choices, especially in more affordable segments, like quick-service restaurants (QSRs), fast casual restaurants and family restaurants.

Double-sided menus also list indulgent, splurge-worthy dishes alongside BFY options, meeting the demand for people who are out for a treat and others who are dining out by necessity and need to have affordable, nutritious options available.

Why Double Sided Menus Are Worth Watching

- The same diner who opts for a salad on Monday may want a burger on Thursday, and offering both meets demands for better health and indulgence.
- Balancing low price volume drivers with premium-priced margin drivers keeps the bottom line in check.
- Double-sided menus still give operators control over their menus, but also deflect external criticism, putting the ultimate choice in the customer's hand.
- Split personality menus will continue to split; barbell pricing strategies are already evolving into tiered or multi-layered ones. Wendy's has added a mid-price line of cheeseburgers dubbed "The W." Acknowledging that consumer spending continues to be sluggish, the new line will be priced at \$2.99, below Dave's Hot 'N Juicy \$4-and-up prices, and above its My 99¢ Everyday Value Menu tier.

Trend 2: Consumer Control

Our second trend is **Consumer Control**, and this trend is a good follow up to **Double Sided** menus because this also relates to the changing role of restaurants in our lives. As the title indicates, this trend is all about putting the diner in the driver's seat.

Customization has gone far beyond choosing what we want on our sandwiches and has moved into all aspects of the dining experience, from the way a diner places an order—often with some form of technology off-site—to more self-service options. Diners are also in control of **what** they eat **when**, prompting more operators to offer breakfast-all-day, late-night menus, snacks and other non-traditional dayparts.

Consumer Control is important because people are used to having this level of control in other parts of their lives, whether it's watching whatever television show they want, whenever they want it, to checking in to their flights ahead of time. Foodservice needs to keep up in as many ways as possible. Mintel surveys show that **58%** of restaurant goers like to customize their food orders when dining out, and the forms or customizations are coming in new ways.

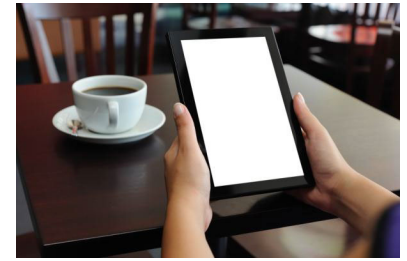
Why It's Worth Watching: Consumer Control

- It adds up. Self-serve and pre-ordering often lead to add-on sales, bigger than anticipated portion sizes and more customer satisfaction from having control over the ordering experience.
- Responsibility goes both ways. Both operator and diner takes part in the overall dining experience, whether it's in order accuracy, flavor enhancements or portion control.
- Consumers are able to control their experiences elsewhere, such as with online banking, and they appreciate control over their dining experiences, especially as our culture becomes more sophisticated about food, techniques and chefs.

Trend 3: Slow It Down

While the **Consumer Control Trend** has to do with restaurants' flexibility and technology, our **Slow it Down** trend is much more focused on the food preparation methods. Increasingly, we see a greater emphasis being placed on quality—in the form of both thoughtful preparation and careful ingredient sourcing.

Certainly, more food-savvy consumers are driving this, and they are also the ones defining it to a great extent. When we asked



64% of restaurant goers are interested in seeing more healthy menu items at restaurants

77% of restaurant goers report that they order what they crave when they go to a restaurant

58% of restaurant goers like to customize their food orders when dining out



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consumers which preparation and menu descriptions most appealed to them, they zeroed in on those terms that communicate quality—like fresh, real, authentic and made-from-scratch, which was the second-most appealing descriptor.

On the other end, some terms that have started to pop on restaurant menus may not be receiving the same welcome. “Signature,” which can take on any number of meanings, is less likely to have appeal. A term like “artisan,” which it seems has been everywhere recently, can become suspect.

Choosing words wisely is important because carefully prepared food communicates a “made for you” attention and a dedication to quality beyond efficiency. Overall, the **Slow it Down** trends foresees restaurants looking beyond efficiency and returning to the menu to help market themselves.

Why It’s Worth Watching: Slow it Down

- Slow, careful preparations are a way to differentiate and convey quality. For instance, more burger concepts are using terms like “hand-formed” and never frozen to compete with smaller, emerging burger chains that do the same.
- The word “artisan” is in overload mode. “Comfort” also can be both overused and inexact, depending on taste. Describing preparation techniques offers a more authentic way to convey that time and thought went into a dish.
- As restaurants play a bigger role in our lives, expectations for better preparation will also increase. Consumers are drawn in by “made just for you” preparation and are looking for ways to avoid mass-produced food.

Trend 4: American Regional

From fine dining to food trucks, menus across the country are showing American pride. We see this trend building because, over the past 10 years or so, the foodservice industry circled the globe in terms of culinary interests and have learned a lot about Mediterranean, Asian and Latin cuisines and now chefs and diners are turning inwards and looking at America’s rich culinary heritage.

The focus on local, regional and seasonal food sourcing has inevitably led chefs and diners to knowing more about what states have the best crops. Now consumers are interested in seeing how even basic things, like iced tea or a steak sandwich, can have different meanings from state to state and even from city to city, and we’re narrowing our interests from regions like the Mid-Atlantic to Chesapeake Bay seafood to Baltimore-style crab cakes. This pattern can already be seen in the number of regional or city-specific ingredient references. For instance, St. Louis references grew by **51% from Q3 2008 to Q3 2011**. The same goes for **Memphis, which has grown by 195%** in the 3-year period. Many sandwich, hot dog and burger chains ran American regional promotions in 2011, accounting for a big bump in “**Philly-style**” (up **108%**).

Why It’s Worth Watching: American Regional

- American regional food is not static and will evolve as more influences, groups of people and culinary history continue to define it.
- Familiarity in American regional cuisines is high, and consumer interest is even higher. There is plenty more room for exploration in the cuisine of the United States, as areas become more specifically defined, even within cuisines, as in Cajun to Creole to New Orleans style.
- As with the **Slow It Down** trend, many American regional foods appeal to consumers’ desire for comfort, nostalgia and familiar food with new twists, like updated Oyster Rockefeller or a sophisticated version of shrimp and grits.
- There are small, easy ways to apply American regional flavor profiles, as in “Georgia Peach” juice and “Old Bay Ranch” dressing.

Trend 5: Imported Ideas

Our last trend is one that we’ve titled **Imported Ideas**, and it takes a global view of menu development. American menus have been importing international flavors, ingredients and techniques for decades now, to the point where consumers are very comfortable with how American menus have imported global cuisines in the past. Italian, Mexican and Chinese food is arguably just as popular as hamburgers and American chicken fare with consumers. However, our **Imported Ideas** trend operates a bit differently.

Instead of just bringing global flavors to the U.S., we are increasingly seeing multinational restaurants not only tailoring their menu offerings for local international markets but also bringing back the best ideas to the U.S. market. These companies are drawing inspiration from global cuisines and ingredients and also using international locations as key test markets. And this isn’t limited to just menus and foods, it also includes operational developments and innovations, such as self-serve kiosks.

And the reason why we believe this is starting to occur is because international markets are more attractive than the U.S. right now. Certainly, the U.S. foodservice market is the biggest in the world, but is growing slowly, around 3% or so for the past decade, when we weren’t having a recession. For multinational chains, those international markets give operators insight into what’s growing, and their menu strategy reflects the importance of markets such as China, Brazil and even France.

Why It’s Worth Watching: Imported Ideas

- Emerging and international markets will continue to provide greater growth opportunities for American chains.
- The conventional stream of menu influences will continue to be in flux, with a lot of give-and-take between U.S. and international settings, making for a “pre-tested,” “Euro-approved” menu items.
- Products designed for different parts of the world can bring hybridized, global cuisine to our QSRs and in some cases help add vegetarian options to menus in the states.

Give a Hand Preparations that use the word “hand” are another way to convey careful preparation.

References to “hand” in menu descriptors are up 24% overall, and certain terms show big increases:

- Hand cut is up 47%
- Handmade is up 14%
- Hand-breaded is up 52%
- Hand-battered is up 43%
- Hand-crafted is up 30%
- Hand-carved is up 33%



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