

# FOODLINK

## U.S.

THE BI-MONTHLY NEWSLETTER FOR IMPORTERS OF U.S. FOODS

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## TOP U.S. RESTAURANTS ELEVATE GAME PLAN TO MEET NEW CONSUMER DEMANDS

**T**he U.S. restaurant industry, constantly in a state of transformation, is changing at a brisk pace. Restaurant operators are scrambling to fine-tune their menus and establishments in an effort to stay current with today's emerging consumer trends. Clearly, consumers are responsible for shaping the industry. Healthy food, quick service, value, sustainability, customization, local sourcing and technological innovation are among the key priorities for consumers. This extremely competitive industry possesses many challenges for operators as they battle for consumers' dollars.

### INDUSTRY PROFILE

The U.S. commercial restaurant industry's sales grew to nearly \$435 billion in 2012, a nominal increase of 5.2% from 2011, according to Technomic, Inc.'s 2013 Top 500 Chain Restaurant Report. The restaurant industry's unit total exhibited an increase for the first time since the start of the recession, growing at 2.0% in 2012. The limited-service segment continued to drive growth of the restaurant industry, with sales up 5.8% in 2012, while the full-service segment increased sales 4.5%. Fast-casual chains were responsible for much of the growth seen in limited service. Full-service menu categories that outperformed their average were steak and Asian, according to the food service consultancy.

*(Continued on page 2)*

TOP U.S. RESTAURANT CHAINS *Continued*



**TOP CHAINS**

The 500 largest U.S. restaurant chains grew sales 4.9% to \$254 billion in 2012. This increase is more than a percentage point higher than the increase in sales posted in 2011, showing the industry bouncing back to its pre-recession level. Top 500 units also increased in 2012, growing 2.0% to over 211,000 stores in the U.S.

A glimpse of the top 10 restaurant chains shows barely any change in rank. McDonald's continued to capture the top position with a U.S. system sales increase of 4.2% to \$35.6 billion. Subway remained the second largest restaurant chain with sales reaching \$12.1 billion in 2012, a 6.1% rise over the prior year. Starbucks again finished third with sales hitting \$10.6 billion, an 8.7% jump from 2011, followed by Wendy's and Burger King. The big news was that Chick-fil-A surpassed Applebee's in total U.S. sales and entered into the top 10. Applebee's was bumped to No. 11.

The top players are actively engaged in testing new strategies to boost customer traffic. McDonald's Corp. is testing different platforms for mobile ordering, payment and loyalty in several regions of the country. During spring 2014 the fast food giant expects to complete its rollout of new kitchen equipment designed to increase customization without sacrificing speed of service, according to Nation's Restaurant News. Last fall, it began testing build-your-own burgers in California, and expansion is expected this year. Also, McDonald's plans to source "verified sustainable" beef by 2016.

Starbucks will test mobile ordering at some U.S. locations this year. Starbucks processes 5 million mobile transactions a week making mobile ordering a possible solution to speeding up service and saving time, reported Bloomberg (March 12). Also, customers will have the opportunity

to tip employees from their phones using an enhanced Starbucks App. The coffee chain is also working on some break-the-mold remodels. A recently opened unit in New Orleans was inspired by a 20th century apothecary, reported Nation's Restaurant News. Some units are being customized to fit the neighborhood, incorporating local artists and reclaimed materials.

Taco Bell rolled out breakfast nationally on March 27. The menu features portable items such as its innovative Waffle Taco for consumers' on-the-go lifestyle.

Over 12.5 billion breakfast visits were made to U.S. food service outlets last year, a 3% gain over the previous year, according to The NPD Group. Total restaurant morning meal visits are forecast to grow by 7% over the next nine years, while quick service breakfast traffic is expected to increase by 9%.

The Mexican-inspired quick service restaurant chain also plans to launch a mobile application during 2014 that allows customers to order ahead using smartphones. The app lets customers find the closest Taco Bell and customize menu selections. It also offers "smart upsell" opportunities, suggesting a drink or dessert, if the customer has not ordered one. Favorite orders can be saved.



To make sure the food is hot when the customer arrives, the system uses a GPS locator to recognize when the customer is near, giving the kitchen a signal to fire the order, according to Nation's Restaurant News. Taco Bell believes its primary demographic, Millennials, will welcome this digital innovation. "It's built on the moment of now," which is largely how young people live, said Jeff Jenkins, mobile lead for Taco Bell.

Pizza Hut launched a fast-casual-like "bar" in a Rhode Island unit and a Nebraska location early this year. The quick service chain's new offering features pizza by the slice, one solution for time-pressed customers. The Nebraska location also includes a made-to-order salad bar and sautéed pastas.



KFC, the Kentucky-based chicken chain, debuted a casual dining concept with an extensive new menu in Louisville, its hometown. Its popular "fried chicken bucket" is absent from KFC Eleven's menu, which features items such as flatbreads, rice bowl and salads. At KFC Eleven, open since August, meals can be customized. Free WiFi at the slow-paced restaurant encourages guests to linger. In contrast, other KFC outlets are catering to on-the-go consumers with Go Cups that fit in vehicle cup holders. KFC Go Cups, which hit the market in the fall, include the brand's signature chicken, seasoned potato wedges and other items.

**UPDATE FOR 2014**

Harsh winter weather had a negative impact on sales for 40% of food service operators since January 1, according to new research by Technomic. The number is even greater for New England, with 53% of operators reporting a downturn and the Mid-Atlantic, with 49%.

The extreme weather conditions translate into food service sales being down 3 to 4% nationally and 7 to 8% in weather-affected markets in January and February. Thus, full year industry projections suggest growth will be 2.5 to 3% versus an initial forecast of 3.5 to 4%, says Technomic.

# RETAIL TRENDS:

## CONSUMERS EMBRACE FRUGALITY IN 2014



Vivid memories of The Great Recession still impact American consumers, even when the nation is not in a technical recession, according to a recent report by IRI, Chicago. IRI's Shopper Sentiment Index, a scale that provides insight into how the economy impacts consumers and grocery spending, dropped to 102.2 at the end of 2013, the lowest point of the year. Shopper Sentiment Index scores of more than 100 points shows a consumer who is less price driven, more loyal to favorite brands and better equipped to maintain their desired lifestyle without changes. The decline in the index is an indication that while consumers are more comfortable today than they were at the start of 2011, they are nonetheless finding it difficult to maintain their desired lifestyle without making alterations.

Consumers will continue to rely heavily on themselves and other household members as the best tool for saving money, according to the report. More than half of consumers have stepped up home-based eating behaviors since the economy took a dive. Consumers are cooking from scratch or with limited convenience foods to save money. Nearly 90% plan to continue turning to home-prepared cuisine in 2014.

Both women and men are looking for ways to save money by adjusting their household spending, but more women than men are cutting costs for groceries by switching to cheaper brands, according to a study by Nielsen. However, only 23% of women who switched to cheaper grocery brands say they will continue to use them as their financial situations improve.

Consumer packaged good (CPG) marketers across aisles have the opportunity to play a significant role in these home-based strategies. Marketers must have a keen understanding of how shoppers are learning

about, purchasing and consuming CPG products, to maximize this opportunity.

The majority of American consumers have begun spending their money more on what they need, rather than what they want. Sixty-seven percent are making shopping lists prior to going to the store, according to IRI MarketPulse survey. Nearly all of these consumers will hold on to this more frugal approach to grocery shopping in 2014.

Ninety-three percent of consumers will consider price more heavily than convenience when making brand selections. Most consumers will purchase more private label items than in the past; many will also try new brands priced below their regular brands to save money. Nearly half (44%) of shoppers expect to make most purchase decisions inside the retail store, an increase of five points from three years ago. Traditional media, including coupons and store circulars will continue to play a prominent role in the purchase process during 2014 according to IRI. Slightly more than half of customers (57%) will be influenced by coupons from home as they make their brand selections, and 51% will be influenced by newspaper circulars.

Consumers can save 38% of their grocery bill by purchasing private label brands, according to a study by Private Label Manufacturers Association. Researchers tracked the pricing on 35 grocery and household items at a northeastern U.S. supermarket, finding an average cost of \$139.84 per week for name brands and \$86.09 per week for private labels.

Presently, U.S. supermarket shoppers spend \$1 of every \$5 on store brands, according to a study by New York-based Nielsen. Overall, private label sales hit \$112 billion in 2013 and continue to grow faster than the average of all store categories. The top dollar share categories for private label brands are milk, fresh eggs, sugar and sugar substitutes.

Meanwhile, mobile commerce is growing at a remarkable pace. According to Comscore, year-over-year retail spending through mobile devices grew 26% in Q3 2013 versus 13% and 5% of growth of e-commerce and traditional retail sales, respectively, during the same time period.

Ten percent of consumers expect that smartphone applications will influence brand decisions in 2014—double that of only a few years ago. Similarly, mobile advertising is going to be a brand choice influencer for 6% of consumers in 2014, versus 4% in 2011.

This year is unfolding, explained the report, as another year of belt tightening and deal seeking. CPG marketers must stand poised and ready to provide the value that has become the driving force of the economy.

## RETAIL BUZZ

- Roundy's Supermarkets Inc. is working with Symphony EYC Customer Insights to develop a behavioral insights platform to optimize product selection, customer communication and other functions across all of its grocery stores and pharmacies throughout the Midwest. Symphony EYC Customer Insights is expected to increase customer loyalty by ensuring assortment, inventory availability, promotions, perceived price and overall shopping experience.
- Food Lion implemented a sustainable seafood policy covering approximately 1,000 fresh, frozen, canned or packaged products.



## Calendar of Events

### MAY

**5-6: Expohre, Expo Hotels and Restaurants\***  
Heredia, Costa Rica  
Eventos Pedregal  
www.expohre.com

**6-8: Seafood Expo Global\* (formerly the European Seafood Exposition)**  
Brussels, Belgium  
Brussels Exhibition & Conference Centre  
www.euroseafood.com

**13-15: SIAL China\***  
Shanghai, China  
Shanghai New International Expo Centre  
www.sialchina.com

**13-16: Seoul Food & Hotel\***  
Seoul, South Korea  
Korean International Exhibition Center  
www.seoulfoodnhotel.co.kr

### JUNE

**24-27: SIAL Brazil\***  
Sao Paulo, Brazil  
Expo Center Norte  
www.sialbrazil.com

*\*Food Export Association of the Midwest USA and Food Export USA- Northeast will be at this show.*

# FEATURED PRODUCTS:

## Ambrosial Granola

Brooklyn, New York-based Ambrosial Granola produces award-winning, USDA-certified organic granola and muesli cereals. Current offerings include two granolas — the Venetian Vineyard Omega-3 and the Grecian Grove Antioxidant Blend — along with one muesli flavor, the Athenian Harvest Muesli Fiber Boost. The cereals feature nuts and seeds; naturally occurring heart-healthy fats; and organic superfruits like goji berries, cranberries, and apricots. They contain no refined sweeteners, and are wheat-free, GMO-free, and kosher certified. For more information e-mail [info@foodexport.org](mailto:info@foodexport.org).



## Lobster Trap Co., Inc.

Strategically located on pristine Cape Cod of Massachusetts, Lobster Trap is one of the largest live lobster and fresh fish companies in North America. Currently servicing Canada, Europe, and Asia with live Maine lobster, they strive to reach all parts of the world with quality product and competitive pricing. Now offering more than 500,000 lbs of holding capacity between their state-of-the-art facilities and ocean pen lobster pounds, they are able to fulfill growing demand year round. Supporters of sustainability and efficient practices coupled with TSA, FDA, and HACCP certifications, they ensure lobster shipments will arrive safely and fresh. For more information e-mail [info@foodexport.org](mailto:info@foodexport.org).

## SK Food International, Inc.

SK Food International, Inc. supplies a full line of premium quality ingredients including identity preserved: non-GMO and certified organic dry edible beans, grains, seeds, soybeans, peas and lentils, meals/flours, vegetable oils, and precooked powders/flakes. SK Food International offers both non-GMO and certified organic oils that are produced from select identity preserved corn, soybeans, canola, sunflowers, and safflower. The oils are valued for their frying quality and resistance to smoking or discoloration. Product may be packed in 420 lb net drums, 2,000 lb net disposable or IBC totes, or bulk tank truck. For more information e-mail [info@foodexport.org](mailto:info@foodexport.org).



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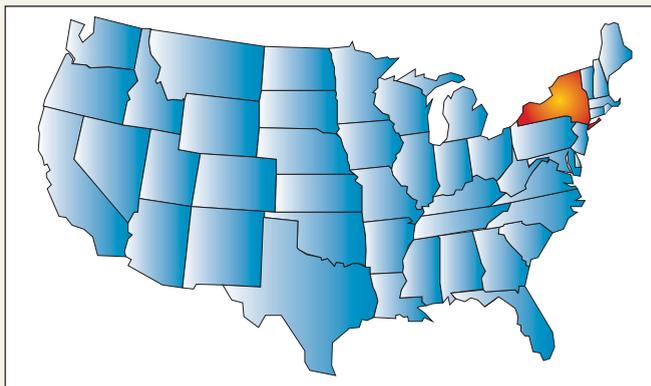
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## STATE SPOTLIGHT: New York

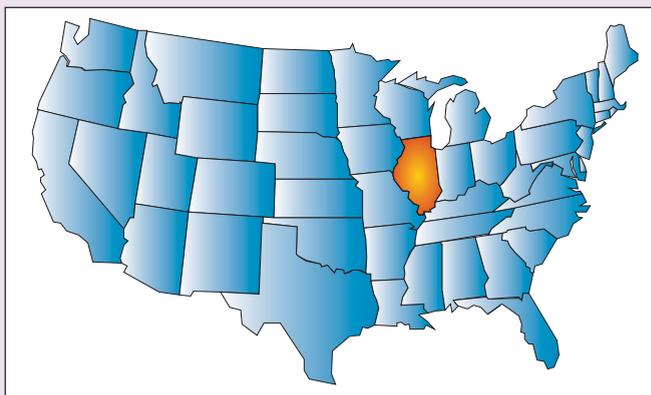


- ✓ Over 7 million acres, nearly 24% of the land, are used by the 36,300 farms to produce a very diverse array of food products.
- ✓ The dairy industry is the largest single segment of the state's agricultural industry accounting for over 50% of state farm receipts, and is ranked third in the nation.
- ✓ New York produces a variety of field crops largely in support of its dairy industry. Corn, soybeans and wheat are most widely grown.
- ✓ New York is a national leader in the production of numerous products, including cottage cheese, apples, pumpkins and maple syrup, as well as milk, cabbage, grapes, wine and cauliflower.
- ✓ Other major agriculture products that come from New York include sweet corn, tomatoes, onions, cucumbers, squash and green peas for processing.
- ✓ The leading export markets for New York processed foods are Canada, UK, Mexico, Saudi Arabia and Japan.

### TOP AGRICULTURAL EXPORTS:

<b>WOOD PRODUCTS</b>	
Total Value:	\$289.5 million
<b>MISCELLANEOUS FOOD PREPARATIONS</b>	
Total Value:	\$198.7 million
<b>DENATURED ETHYL ALCOHOL &amp; OTHER SPIRITS</b>	
Total Value:	\$194.1 million
<b>PISTACHIOS, FRESH OR DRIED</b>	
Total Value:	\$111.1 million
<b>HIDES, SKINS &amp; LEATHER</b>	
Total Value:	\$79.2 million
<b>GRAPE WINE, IN CONTAINERS OF 2 LITERS OR LESS</b>	
Total Value:	\$68.9 million
<b>SOYBEANS, WHETHER OR NOT BROKEN</b>	
Total Value:	\$62.2 million
<b>BAKED GOODS &amp; SNACK FOODS</b>	
Total Value:	\$58.8 million
<b>LARD OF PIG &amp; POULTRY FAT, RENDERED</b>	
Total Value:	\$57.8 million
<b>SAUSAGE CASINGS &amp; TRIPE ETC.</b>	
Total Value:	\$57.2 million

## STATE SPOTLIGHT: Illinois



- ✓ Illinois' 76,000 farms cover nearly 27 million acres—over 75% of the state's total land area, including some of the most fertile soil in the world.
- ✓ Illinois is a leading U.S. producer of soybeans, corn and pork.
- ✓ The state's climate and varied soil types enable farmers to grow and raise many other agricultural commodities, including cattle, wheat, oats, sorghum, hay, sheep, poultry, fruits and vegetables.
- ✓ The abundance and variety of agricultural products grown in Illinois make it one of the leading states in terms of the number of food and agricultural companies and helps to make the state a place that international buyers seek out when selecting new suppliers.
- ✓ Illinois has a competitive edge in agricultural exports due to its central location and superior transportation system.
- ✓ The leading export markets for Illinois processed foods are Canada, Mexico, Japan, China and the Philippines.

### TOP AGRICULTURAL EXPORTS:

<b>SOYBEANS, WHETHER OR NOT BROKEN</b>	
Total Value:	\$1.6 billion
<b>CORN, OTHER THAN SEED CORN</b>	
Total Value:	\$746.6 million
<b>DISTILLER'S GRAINS</b>	
Total Value:	\$569.8 million
<b>MISCELLANEOUS FOOD PREPARATIONS</b>	
Total Value:	\$243.1 million
<b>STARCH RESIDUES</b>	
Total Value:	\$187 million
<b>PROTEIN CONCENTRATES &amp; TEXTURED SUBSTANCES</b>	
Total Value:	\$124.8 million
<b>ANIMAL FEED PREPARATIONS</b>	
Total Value:	\$101.3 million
<b>BAKED GOODS AND SNACK FOODS</b>	
Total Value:	\$98 million
<b>SWINE MEAT, NESOI, FROZEN</b>	
Total Value:	\$97.7 million
<b>WOOD PRODUCTS</b>	
Total Value:	\$91 million
<b>SOYBEAN OILCAKE</b>	
Total Value:	\$80.6 million
<b>SOYBEAN FLOUR &amp; MEAL</b>	
Total Value:	\$71.8 million

# NEWS BRIEFS

**Sustainability and social responsibility are taking on greater importance within the food service industry**, according to a study by Technomic, Inc., Chicago. Among consumers, 63% say they are more likely to visit a food service operation they view as socially conscious. Over half of food service operators say that having an actionable social responsibility strategy will be necessary to remain competitive in the next two years. For both consumers and operators, social responsibility and sustainability include a variety of different elements, from humane treatment of animals and conservation to local community involvement.

**The U.S. consumes \$2 billion worth of mayonnaise each year, making it the most popular condiment in the country**, according to Euromonitor. The creamy condiment has experienced widespread growth from a traditional sandwich add-on to an ingredient in everything from potato salad to spicy tuna rolls. Mayonnaise has also benefited from the rise of low-fat products. The market for low-fat mayonnaise has doubled since 2005. Ketchup is a distant number two with this market worth around \$800 million, soy sauce reached \$725 million last year and barbecue sauce came in at \$660 million reported Quartz.

**Burgers go upscale!** While the number of burgers has fallen 6% on quick-service restaurant menus, the American classic has increased 10% at fine-dining restaurants in the past four years, according to a recent Fresh Insights for Foodservice report from United Fresh Produce Association and Datassential. Sixty percent of fine-dining restaurant menus now include a burger, compared to 41% of quick service restaurants, 54% of midscale and 62% of casual dining restaurants. While tomato, onion and lettuce continue to be the

most popular add-ons for burgers, premium toppings have recorded explosive growth. In the past four years, tzatziki (Greek cucumber yogurt sauce) soared 736%, arugula leaped 565% and cilantro rose 535% on menus.

**Hot trend draws more heat in 2014.** While sriracha exploded across the food industry last year, adding a specific heat flavor to items such as sandwiches, potato chips and candy canes, consumers will seek new heat options this year, outlined Milling & Baking News. "The bar has been raised as today's consumers are open to innovative possibilities and excited to try new things," said Agneta Weisz, vice-president of flavors and technology for Comax Flavors, Melville, NY. "They are looking for bolder flavors, many with interesting ethnic and spice influences. Adding a hint of heat to ordinary products (i.e., jalapeno-flavored crackers) is a surefire way to cater to these customers." Wasabi, a plant grown in Japan and sometimes called Japanese horseradish, could be the "next sriracha" in 2014, according to Ms. Weisz. Meanwhile, sriracha innovation is not over. "A new twist on 2014 sriracha is mint sriracha," added Joe D'Auria, senior food technologist for Spicetec Flavors & Seasonings, a unit of ConAgra Foods, Inc.

**The convenience store industry could soon be known as the convenience restaurant industry** as more operators deliver food service items rivaling the best quick-service and fast-casual restaurants, according to trends predicted by Convenience Store News for 2014. The upscaling of convenience stores, mobile consumers and grazing food consumption patterns are among other key trends that will shape the convenience store industry this year. Meanwhile, a Technomic report found that 53% of consumers surveyed buy food

from convenience stores once a week or more, compared with 57% who visit a restaurant on a weekly basis. Nearly a third said they would have visited a restaurant had they not purchased prepared foods from a convenience store on their most recent visit. Twenty-six percent indicated they would have visited a fast food restaurant.

**New fried items are setting a trend** as old classics such as fried mushrooms, cheese sticks, poppers, shrimp and chicken lose favor, according to Datassential. Innovative fried offerings such as Brussels sprouts, oysters, pickles, chick pea-based falafel, green tomatoes and hearts of palm are sprouting on restaurant menus throughout the country. For example, R'evolution in New Orleans serves Cajun fried oyster salad. The crunchy oysters replace croutons as a garnish. Texas-based Max's Wine Dive features chicken-fried Brussels sprouts, and an "oyster nachos" dish using oysters deep-fried in seasoned cornmeal breading and wonton crisps, reported Nation's Restaurant News.

**The snacking trend in the U.S. continues to gain momentum.** Half of today's consumer's (51%) say that they eat snacks at least twice a day, an increase from 48% in 2012, according to an update from Technomic, Inc. Also, nearly a third of consumers (31%) say that they're snacking more frequently than two years ago. Approximately half of consumers (49%) eat snacks between meals and 45% replace one or two daily meals with a snack. Sixty percent of consumers cite portability as an extremely important factor when choosing a snack—up from 55% in 2012.

## MISSION STATEMENT

The U.S. Foodlink newsletter and e-mail bulletin are brought to you by the Food Export Association of the Midwest USA and Food Export USA-Northeast, two state regional trade groups located in the U.S. that promote exports of U.S. food and agriculture. U.S. Foodlink was created to provide readers credible data and information in an easy-to-read format.

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