



January 2004

Opportunities for Fresh Fruits and Vegetables are Many and Growing in the Food Service Industry

by

Sandra Cuellar, Research/Extension Associate
Food Industry Management Program, Cornell University

**This article is part of the 2003 FreshTrack study by the Food Industry Management Program at Cornell University developed for the Produce Marketing Association.*

U.S. foodservice industry sales are expected to grow 4.5% in 2003 to reach \$426 billion. Full-service restaurants, which encompass family, casual, and white tablecloth restaurants, are expecting to experience a 4.8% increase in sales, while limited-service establishments, which include quick-service and fast casual restaurants, are expected to have a 4.1% sales increase. This would be the 12th consecutive year of real growth for this sector. Benefiting from the long-term trend towards eating out among consumers of all ages in this country, the foodservice industry continues to flourish in spite of the weak domestic economy. Factors contributing to this trend -- including an increase in consumer disposable income, a decline in free time, and a desire for convenience, as well as a decrease in the cost difference between dining out and eating at home --, are expected to continue into the future. In fact, the National Restaurant Association estimates that by 2010 total sales in the restaurant industry will exceed \$577 billion and will represent 53% of consumers' expenditures on food.

Nonetheless, as remarkable as the success of the foodservice industry is, it is a highly competitive industry, too. Operators are constantly faced with many challenges to keep up with the industry's continuous growth, to increase their market share, to find and retain employees, to

control costs, and to ensure profitability. Competition is not only intense within segments of this industry but also among different segments. For example, fast casual restaurants that have been experiencing an amazing growth rate are enhancing their quick-service and casual dining experience with a “fresher”, “healthier” and more “up-scale” image and better service. At the same time, some casual restaurants are adding take-out service, which is stealing away sales from the quick-service restaurants for which take-out has typically represented 67% of total sales, and even from fast food restaurants.

To successfully compete in this environment, operators are striving to improve customer choices, and to provide convenience and value by increasing their menu offerings and following consumers’ fickle tastes. This implies that operators must continuously come up with new ideas to stimulate sales and long-term growth. Key demographic trends influencing restaurants’ decisions in this area include the growing diversification of the U.S. population, a growing baby boomers’ segment with an increasing interest in eating well, and younger consumers who are more sophisticated and interested in new tastes. Underlying trends include the U.S. consumer’s desire for convenience, healthier options, fresh and natural products, comfort foods, and ethnic cuisines, which nowadays extend beyond Italian, Mexican, and Chinese to include Japanese, Korean, Indian, Latino, and Mediterranean foods, all the way to fusion foods.

As the foodservice industry continues growing and as operators strive to conquer the market by delivering on consumers’ tastes and preferences through their menu offerings, the opportunities for fresh fruits and vegetables and their suppliers are many and growing!

Inclusion of more fresh produce items in menus has become evident in restaurants’ offerings from quick service to fine dining. An example is Wendy’s successful Garden Sensations line of salads which has been quickly followed by others in this segment, including Burger King and McDonald’s. More importantly, it has been confirmed by 69% of the operators participating in the 2003 *FreshTrack* foodservice study that produce items are important or very important for them today when considering new menu items, and 83% anticipate that produce will be more important by 2005. Similarly, 70% of these operators indicated that they anticipate the number of fresh produce items on their menus will increase by 2005.

How can suppliers of fresh produce identify what products operators will be interested in and how to develop offers that will be attractive?

When considering adding new produce items to their menu, the ability to “improve the value perception” of a meal was definitely the most important factor among operators participating in the 2003 *FreshTrack* foodservice study. Additionally, “consumer request”, “superior taste”, and “color and appearance” are important factors identified by over 90% of participants. Furthermore, interviews with operators, as well as results from the operators’ survey, revealed other specific characteristics desired for produce. Operators want products that will help their menu offerings be “trendy” or “ahead of trend”, reflect a “healthy image”, and be “more authentic and/or ethnic”, and ingredients or garnishes that will “add eye appeal” to the dishes, with an “ethnic zip”, and with “bold flavors” or a “hot or spicy” touch. Depending on the specific segment of the industry, operators are looking for additional specific characteristics in fresh produce offerings, such as “ready-to-use” and “easy-to-assemble” items in the fast casual and quick-service segments, products that will help them develop “signature items” in the casual dining segment, and “unique” and “specialty” products in the fine dining segment.

All this describes opportunities for produce items in many different ways. Just imagine all the new products and varieties that can be grown, and the multitude of ways in which they can be mixed, cut, packaged, and presented in order to satisfy these avid clients. However, in order to capitalize on these opportunities, suppliers of fruits and vegetables need to understand their target customers’ challenges and be ready to offer not just a product but a “program” that will allow foodservice operators to use it for the intended purpose in an efficient and effective way. Yes, “a program” in which you can offer foodservice operators new fresh produce items in a properly executed service package at a reasonable price!

Smart Marketing is a monthly marketing newsletter for extension publication in local newsletters and to place in local media. It reviews the elements critical to successful marketing in the food and agricultural industry. Articles are written by the faculty members in the Department of Applied Economics and Management at Cornell University

"Share the gift of communication." Please cite or acknowledge when using this material.