

Home Meal Replacement

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Grocery Industry Challenges

There are several challenges to the grocery industry, including 1) Inflation adjustment, 2) Comparable store sales have fallen, 3) Labor shortages, and 4) Competition remains cut throat. The key to growth and survival is being able to meet these challenges.

Consumer Facts

Consumers now spend 53 cents out of every dollar on food, down from 62% in 1976. Clearly, the industry's answer lies in prepared food, home meal replacement—the burgeoning new category known as “meal solutions.” Driven by consumers' hunger for convenience, merchants have realized if they don't provide prepared or easy-to-fix food, customers will go elsewhere—such as fast-food outlets. To win shoppers back, grocers are hiring chefs and expanding floor space devoted to meal solutions. They are setting up their own kitchens or finding outside suppliers to prepare food.

The number of grocers offering prepared foods continues to climb and will probably hit more than 80 percent this year. Traditional supermarket companies are not just grocery merchandising, they are also heavily invested in the meal business. A year ago, 12 percent of respondents said supermarkets were their primary source of takeout food. This year it jumped to 22 percent. Shoppers continue to give their primary supermarket high marks for performance. The average rating was at a healthy 8.1, with 10 meaning excellent. They shop an average of 2.2 times per week and spend an average of \$83 a week for the household, \$33 per person.

Supermarkets are offering shoppers meal solutions with products that save time and steps in preparing a home-cooked meal, as well as prepared, ready-to-eat or heat food products that make it easier to prepare food at home. Their efforts are right on target. The Food Marketing Institute (FMI) publication, *Trends in the United States-Consumer Attitudes*

& *The Supermarket, 1997*, shows that consumers crave convenience and generally eat their main meal of the day at home. When selecting a primary supermarket, they continue to care most about having a clean, neat store; high-quality produce; high-quality meats; courteous, friendly employees; and use-before/sell-by dates on products. It seems that consumers have never been more demanding than they are today. They are pressed for time, and money is still an issue. Their tastes are increasingly diverse—whether it's gourmet foods, ethnic foods or organic offerings.

How Shoppers View the Supermarket

Shoppers are using an increasing array of products and services offered by food retailers. There is an increased weekly use of frequent shopper programs; gourmet, specialty and ethnic foods; and credit cards for purchases. Over 10 percent of shoppers make use of newer features like in-store restaurants, affinity credit cards, and childcare on a weekly basis. Three out of four shoppers (72 percent) rate their primary supermarket an 8 or above on a scale of 1 to 10, where 10 means excellent. Increasing shopper's ratings related to product quality, customer service, and product choice offer the greatest potential to increase consumer satisfaction.

Shopping Habits

The typical shopper averages 2.2 visits to a supermarket each week, including 1.7 visits to their primary supermarket. This has remained fairly stable for over a decade. Three quarters of shoppers' primary supermarkets belong to major regional chains. The balance shop primarily at small chains and independent supermarkets. Consumer confidence in food safety remains high; over 80 percent are completely or mostly confident that food from their supermarkets is safe. Seven out of 10 consumers cite spoilage-related concerns, including bacterial contamination, as the most important threats to food safety, which is significantly higher than last year. Nearly one in five shoppers (18 percent) holds their supermarket primarily responsible for food safety. More shoppers also take responsibility themselves or count on manufacturers or the government.

About half of all shoppers say that they are doing something different as a result of the safe-handling labels on meat

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Reciprocal Meat Conference Proceedings, Volume 50, 1997.

products, an increase from last year. For example, in 1997, 18 percent of shoppers wash/disinfect counters, cooking areas or utensils after contact with meat, up from 11 percent in 1996. More shoppers in 1997 report washing their hands, cooking properly, not leaving meat out to thaw, and washing meat. Shoppers are very interested in biotechnology and

food irradiation as ways to address food safety and product issues. Six in 10 shoppers say that they are very likely or somewhat likely to buy products either modified by biotechnology to reduce pesticide use, or treated with irradiation to kill germs.

Meal replacement is the retail store future.