

COVER STORY

FOOD(SERVICE)

Change is the only constant

By Asad Amin



FOR THOUGHT

“What to eat? Cook at home or eat out? Takeout or home delivery?” Modern eating is fraught with a great deal of uncertainty. Today’s eating and drinking decisions are often in-the-moment and spontaneous, driven by impulse and whim. We live in a culture of increasingly unplanned occasions, with a large proportion of decision-making being made within mere hours of the occasion. For example, more than half (56 per cent) of dinner decisions continue to be day-of events. Our best laid plans are often disrupted by shifting work schedules, childrens’ activities or simply by changes in moods, desires or cravings.



Behind the scenes, evolution is clearly visible in the foodservice and retail landscape, with a proliferation of increasingly creative outlets catering to the complex “turn-on-a-dime” consumption needs of today’s diners.

This paradigm shift in behaviour represents significant opportunity for restaurant operators, food and beverage manufacturers and retailers participating in foodservice. To best understand how to stay ahead of the wave of change, we analyzed and distilled some of the key external forces driving changes in consumption behaviour today.




OUR RESEARCH

Our insights are gleaned from consumer research conducted by the Foodservice Monitor at Ipsos. FSM is an ongoing daily tracking of what consumers ate and drank in foodservice. The study reports on industry size estimates, channel performance (QSR, FSR, etc.), visit details, party composition, menu decisions, visit motivations and key demographics, among other metrics. FSM is in the field 365 days of the year, since 2014. Beyond its use as a market measurement tool, FSM is used to tactically and strategically address business issues and, in this instance, to identify current market trends.



SETTING THE CONTEXT

Foodservice contributes \$71B dollars to the Canadian economy via 8.2 billion individuals

	Foodservice Dollars 2017 \$70.6 billion	Foodservice Traffic 2017 8.2 billion individuals
Quick Service 	41%	57%
Full Service 	45%	22%
Retail & Other 	15%	21%

Source: Statistics Canada & Ipsos Foodservice Monitor 12ME Dec 2017

For the purposes of this analysis, we studied macro trends that outline key changes currently impacting consumption behaviour in Canada’s foodservice industry. The data was derived from our current annual trends report, FSM Vantage, which details the top market trends of 2017.

SETTING THE CONTEXT

Canada’s foodservice market enjoyed a strong 2017. A total of 8.2 billion consumer visits summed to more than \$70 billion in sales. Total foodservice sales grew by five per cent. While growth is positive, it was still a bit softer than growth experienced in 2016. Although independent foodservice operators continue to post strong growth in traffic and dollars, chains re-captured a bit of market share they had ceded a year ago.

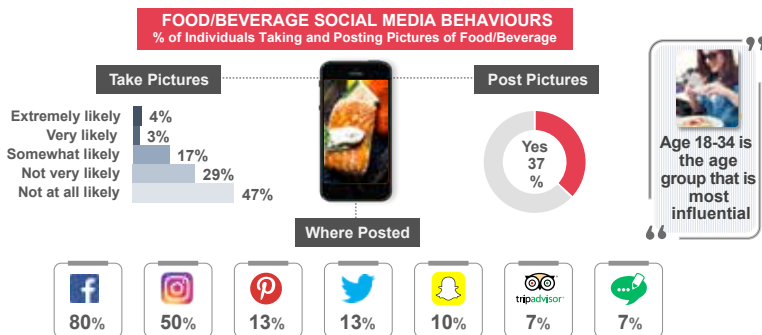
A key watch-out for 2018 is the impact of minimum wage increases, which have already had a noticeable impact, from both squeezed margins as the cost of labour increases, and media and customer backlash due to menu increases.

MILLENNIALS: THE DRIVING FORCE OF CHANGE

Millennials are the prized cohort everyone wants to better understand and potentially cater to. It is easy to be cynical about the impact and influence of this group as they continue to be over-analyzed across many industries. However, there is good reason they garner all this attention in the foodservice world.

LEVERAGE SOCIAL MEDIA TO ENGAGE WITH CONSUMERS

53% of individuals are likely to taking pictures of their food and post to Facebook, Instagram and other social media



Source: Vantage Custom Study – March 2018
 Q6* How likely are you to take pictures of your food/beverage when you go out to eat at restaurants?
 Q7* Do you post these pictures of your food/beverage on social media/online?



as they are in different stages of their lives. millennials who are beginning to have children have a different set of values as parents. However, we have found them to be more aligned with their own generation than were previous generation of parents. We have a terminology for this group, due to their distinct behavior: young, educated, millennial parents, or YEMPs.

DIGITAL DISRUPTION

The marriage of the technological advances we see in society with millennials' ease in adapting to these changes together are transforming the foodservice landscape. The vast majority (95 per cent) of millennials own a smartphone that has become intrinsic to their lives. This is instrumental in the surge in mobile ordering (33 per cent of all pre-orders, which consists of telephone and online

We know that Millennials are more than just a soundbite, particularly for the foodservice industry. Millennials (22-38-year-olds) are the second largest age cohort in Canada, accounting for 23 per cent of the population, and are expected to exceed baby boomers in size by 2021. Their importance to foodservice is evidenced by the fact that they are more likely than any other cohort to source from foodservice and their traffic growth (plus nine per cent) is three times that of any other generation. Millennials cannot be ignored as a source of new revenue.

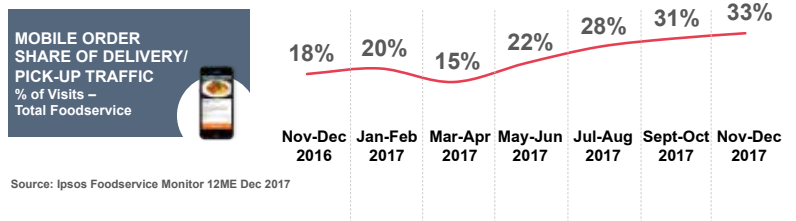
What makes millennials especially influential in foodservice is their ability to drive trends. The pace of change in the food and beverage landscape is exponentially higher than in previous decades and, largely due to this cohort, the creation and adoption of change is also faster than ever.

Millennials enjoy variety, have discerning tastes, are conscientious about their impact on society and are careful about their personal well-being. All of these values over-index to the total population. These values are likely shaped by their world experiences from their personal travels, their large share amongst new Canadians, higher levels of education and greater exposure to information (via the Internet) than previous generations.

Considering this cohort to be homogenous would be a mistake. They are fragmented, which in turn drives multiple different needs all within the same group. Leading (29-38-year-olds) and trailing (22-28-year-olds) millennials have different life goals

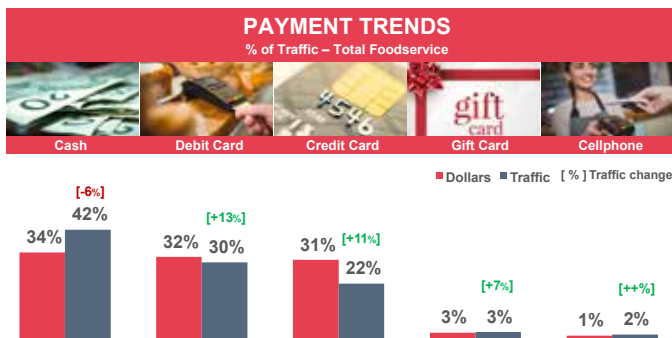
MOBILE ORDER UTILITY AND PENETRATION WILL CONTINUE IN NEAR TERM

It already accounts for a third of all pre-orders made.



DEBIT AND CREDIT CARD UTILITY AND CONVENIENCE CONTINUES TO GROW

Cash is the dominant method of payment, with shifting behaviour towards debit and credit cards



Note: ++% = greater than 15%; -% = less than -15%
Source: Ipsos Foodservice Monitor 12ME Dec 2017

ordering as well), both for delivery and pickup. While this behaviour is arguably in its infancy, it is poised for growth.

With technology increasingly linked to every facet of our lives, an omnichannel strategy is imperative, not just for the ability to reach the important millennial cohort but also for the larger market. This would entail presence via a physical store, telephone, online and mobile.

This can be achieved by distilling this complex imperative into a twofold strategy:

Via a social media presence to connect with consumers.

There is a saying that states we “eat with our eyes first.” This also applies to the proliferation of the food experience throughout social media. More than half of consumers indicate that they are likely to take pictures of their food and beverages when they go out to eat at restaurants. This behaviour is particularly more developed amongst millennials with close to three quarters doing this, nearly half of whom post these pictures on social media and online.

Via distribution to tap into a growing demand for mobile.

Mobile is the fastest growing pre-order delivery and pickup platform and is poised to grow in coming years. Operators need to ensure they have skin in the



game to tap into the current demand and to lure new customers. What they must consider though is whether they should utilize the services of third-party aggregators like Skip the Dishes or assume the responsibility themselves. There are pros and cons to each and that space will certainly evolve over time. With one in five dinner decisions made on the spot at home, convenience is more important than ever. Few things can be considered more convenient than ordering a prepared meal at the press of a button.

CASH IS KING... SORT OF

While cash is still king, its usage has been softening steadily over the past three years (a six-point decline over 2017). All other payment methods — debit, credit, gift cards and mobile — are growing with traffic growing in double digits for most. Debit and credit payments (63 per cent of dollars) together are bigger than cash (34 per cent of dollars).

Although mobile payment remains small, it is growing faster (plus-15 per cent) than any other method of payment. We found that the biggest challenges among consumers for using cellphones as a payment method were habit (55 per cent prefer cash or debit), fear (35 per cent) and limited knowledge (16 per cent).

The benefits of going cashless range from growing consumer preference, efficiencies from improved accounting, reduced theft and speed of service to building loyalty by connecting directly with the consumer via electronic marketing campaigns. These are some of the potential reasons we anticipate further growth of electronic payment methods.

BLURRING OF CHANNEL LINES

While the traditional grocery store segment still dominates the purchase landscape, the ever-broadening choice and selection offered through growing channels such as drug, dollar and emerging online channels is extraordinary and provides consumers with a new element of choice, price evaluation and service.

The evolution of consumers’ needs has resulted in significant shifts in the retail landscape as more retailers move to solutions as opposed to products. Given that convenience seems to have more currency than ever before, two worlds are currently colliding in the ready-to-eat space at grocery stores, which cater to those seeking portable solutions to accommodate their hectic lives.

This hybrid channel is commonly referred to as grocerants. Grocerants offer a one-stop-shopping solution for consumers motivated by curiosity or a lack of time. An increasing number of grocery stores now allow customers to buy and eat on the spot.

While it may not feel like a tangible threat to restaurants, we know that among those who purchase home meal replacement, 90 per cent indicate that they are likely to purchase these prepared foods from the grocery store instead of a

restaurant in the future. Rising prices in restaurants and deflationary prices in the grocery channel could also attract consumers in the near future.

Meal kit consumption is also growing at dinner, and now accounts for 8.2 annual meal occasions per capita (up from 6.1 two years ago). While this dinner solution is just in its infancy, it should be considered part of the competitive set for foodservice.

PARTY OF ONE, ANYONE?

With almost half of all occasions being consumed alone, the desire among individuals to eat what they want, when they want it and how they want has grown in importance. However, personalization or customization goes beyond solo eating occasions. Even at dinner, where 80 per cent of the occasions are shared with others, in one in five individuals are eating a different food item than others at the table.

The challenge of what to make grows as the primary meal preparer now has to adopt short-order cooking skills to meet the needs of all. Couple this with the limited time available to prepare meals, one can see the obvious benefits of alternative meal preparation and sourcing methods that range from home meal replacement to meal kits and to delivery.

The solo consumption trend is also reflected in foodservice operators as average party size has been softening for several years now, declining to 1.48 in 2017. When digging further, we see this is being driven by off premise occasions.

HITTING CLOSE TO HOME

All roads lead to off-premise occasions growing. Consumption outside of restaurants now accounts for 62 per cent of traffic, a 10 per cent gain in two years and the highest share on record.

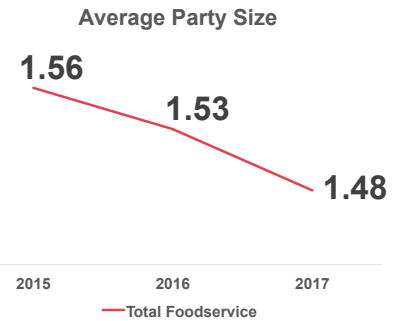
The perfect storm outlined in the trends above is leading to this shift towards off-premise consumption. We see similar trends in the entertainment industry, with cinema attendance shrinking annually. Perhaps the desire to binge watch shows on Netflix is another factor driving off-premise occasions to grow.

What we do know is that needs drive behaviour. The combination of time constraints, the daily pressures of modern life and technological gains (including their adoption into everyday life) are key reasons for the growth in off-premise occasions.

That is why we see attributes related to convenience (over-indexed) and portability (significantly over-indexed) more developed for off-premise occasions vs. on-premise occasions.

Lastly, while on-premise occasions have shrunk to 38 per cent of traffic, they still represent just over half of dollars spent, and there are clear needs that are related to experiential and social fulfillment that continue to be satisfied by on-premise occasions.

PARTY SIZES ARE SOFTENING



CONCLUSION

While these outlined changes seem sizeable, the dust has yet to settle on their impact to our industry. We likely are just at the beginning of some of these shifts, and they are likely to evolve even further. History is littered with examples of businesses that, at their own peril, ignored the impact of trends or waited too long to act on the trends. Conversely, there are companies that refuse to sit on success and have a continuous and unrelenting mandate to regularly evaluate external forces and grab onto shifting consumer needs well in advance to protect their market share or catalyze future growth and innovation. This is why trends matter! It is an exciting time to be in foodservice.

METHODOLOGY

These are findings from the Ipsos Foodservice Monitor consumption tracker; a continuous diary that tracks what Canadians ate and drank yesterday at any foodservice establishment. For the survey, a sample of 36,500 Canadians are interviewed online annually using a 15-minute device agnostic questionnaire. The study reports on industry size and channels, visit details, party dynamics, menu choice, visit motivations and demographics, among many other metrics. Data was also sourced from the FIVE consumption study, which captures consumption across all venues, including in home. FIVE is also an online tracker in field every day of the year with an annual sample size of 20,000 individuals.



Asad Amin is a vice president with Ipsos and leads the firm's Foodservice Monitor study as part of the syndicated services division. Ipsos' syndicated sector employs 11 full time consumption researchers. Based in Toronto, Asad leads the team of research experts dedicated to serving the market research needs of the foodservice industry across Canada. Asad can be contacted at asad.amin@ipsos.com or 647.292.1748.