



# MARKETINSIGHTS | MAY 2014



**HAVI Global Solutions**

# Restaurant Industry & Menu Trends

According to the US **National Restaurant Association** (NRA), 2013 was a good year for job growth in the restaurant industry with non-alcoholic beverage and snack bars (such as coffee, donut and ice cream shops) and quick service restaurants leading the way with 5.8% and 4.5% job growth, respectively.<sup>1</sup> The NRA predicts that 2014 will be the fourth consecutive year in which the restaurant industry will register greater job growth than the overall US economy.

## FOCUS ON NUTRITION

So what are consumers ordering at restaurants in 2014? Most consumers (64%) say it is important to eat healthy and pay attention to nutrition, up from 57% just three years ago, according to **Technomic**.<sup>2</sup> With 90% of consumers perceiving menu items containing a full serving of vegetables to be healthier, menu incidence of vegetables has grown 11% during the same time period, even showing up more frequently in center-of-plate, upstaging the proteins.

## THE FUTURE OF PROTEIN

Proteins are here to stay, however. According to the **NPD Group** 78% of US consumers believe that protein is part of a healthy diet, and more than half would like to increase their protein consumption.<sup>3</sup> While about half are looking to meet their protein requirements from meat and fish, the other half is seeking non-meat protein options.

## THE POWER OF GREEN

In its annual survey of 1,300 professional chefs, the **NRA** found that the green movement will continue to drive menu trends in 2014 with a focus on local,



hyper-local, and sustainably produced ingredients, and minimal-waste cooking such as nose-to-tail and root-to-stalk.<sup>4</sup> Consistent with the still popular health and wellness trend, more healthful and nutritious options for kids' menus remain a menu driver. For the grown-ups who are increasingly experimenting with elimination diets, the chefs predict more gluten-free, wheat-free options, ancient grains, and smaller portions.

# Analytics Applications Help Foodservice

The fiercely competitive nature of the restaurant industry is giving rise to new technology tools to help operators stay ahead of the competition.

## USING THE CLOUD

Swipely has released a cloud-based platform called Winter 14 that leverages menu intelligence and server performance to influence key operator decisions regarding food, staff and marketing efforts.<sup>5</sup> By pulling data from the payment network that processes customers' card transactions, in-store point-of-sale operations, and social web such as Twitter, Yelp, and Open Table Swipely can uncover key insights such as what menu items generate repeat customers, and which servers have the most success selling desserts. Further, this type of insight about what's succeeding in-store can be used to inform and influence marketing decisions about what to promote and how.

## MAKING SENSE OF SOCIAL

Some customers 'like' your brand on Facebook, a few complain about your service on Twitter, another bunch put up pictures of their meal on Instagram - but what does it all mean? A new service called SocialForce, from MarketForce, aims to help restaurants and other multi-location businesses by monitoring and analyzing all social media in terms of conversation volume, sentiment and trends, and actionable insights.<sup>6</sup>

## DELIVERING FRESH

The QSR supply chain is a highly complex beast made up of multiple vendors, regional warehousing and delivery systems, highly perishable inventory, and

scores of storefronts across the country.<sup>7</sup>

With today's patrons increasingly demanding 'fresh ingredients' and 'quality for the price', big data analytics can help operators have end-to-end control of the supply chain and deliver a consistent quality product every time, at every location. The big data analytics approach enables QSRs to capture and correlate data across diverse sources which then allow detection of problems such as spoilage and out-of-stocks, monitor seasonal and promotional variation, and remedy potential problems before customers become aware.



# Packaging Trends & Innovations

## GROWTH IN GLOBAL SALES

Global packaging sales are projected to grow 4% annually and reach \$975B by 2018 according to research by **Smithers Pira**.<sup>8</sup> The largest portion of global demand (40%) is expected from Asia due to the growth of the consumer class, along with increasing urbanization, development of retail chains, and growing healthcare and cosmetic sectors.

## OPPORTUNITY AWAITS

*Packaging Matters 2014*, a global research study by **MeadWestvaco**, has found that 41% of consumers find packaging important to their overall product satisfaction, and in some countries such as India, Brazil and Turkey more than 60% of respondents say so.<sup>9</sup> However, the research also reveals a big opportunity for packaging, with only 11% of consumers reporting complete satisfaction. While in general packaging seems to do well on-the-shelf, it appears to fall short in terms of functional benefits. This suggests that brands have a major opportunity to increase loyalty and repeat purchases by making the packaging work harder for consumers after purchase.

## PEOPLE-PLEASING PACKAGING

Consistent with **MeadWestvaco**'s findings, **Smithers Pira** has identified 'people-pleasing packaging' as one of the innovation trends, along with personalization, and integration of technology such as interactive features.<sup>10</sup> Encompassing more functional features such as on-the-go convenience, easy-open closures, resealability, mess-free dispensing, and dosage

control, 'people-pleasing packaging' focuses on answering consumers' unmet needs via packaging.

**GERBER** has embraced the importance of convenience in its recent packaging overhaul. The redesigned plastic package is easy to open and close, and allows moms to pour or scoop for minimal mess.

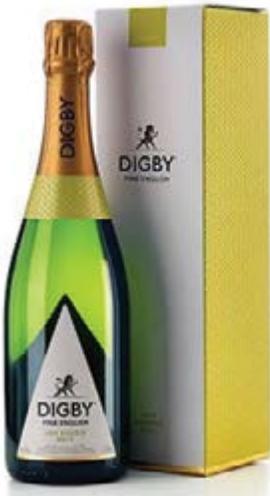


**OLIVES TO GO!** is a great example of a brand that is leveraging the current health and wellness trend with the help of clever packaging, to transform a sleepy pantry item into a portable snack, and in the process injecting new life into a mature product.<sup>12</sup> The clear plastic cup packaging keeps olives intact, provides portioned consumption, and the 'e-z peel' film lid allows easy access to contents.



# CELEBRATING Corrugated

Once relegated only to shipping products, corrugated is increasingly a suitable, and even desirable, choice for design, function, and cost savings. New innovations show that corrugated can be attractive, food contact safe, and environmentally appealing.



## LOOKING GOOD

For a unique packaging approach **Big Fish** agency opted for corrugated board when designing an outer for **Digby Fine English Sparkling Wine**.<sup>13</sup> While an unusual substrate for the category, the choice is also a clever one as it combines the strength and protective functional qualities of the material, and reflects ‘what it means to be English – that essential cocktail of

confidence, creativity and flair that characterizes our national character.’

## KEEPING FOOD SAFE

New developments in corrugated treatments can also make this substrate food contact safe according to a wider repertoire of functions than just shipping.<sup>14</sup> Austrian company **MM Karton** has launched Foodboard, a high-quality coated cartonboard which shields packed food against unintended substances, and provides extended shelf-life and barrier for greasy products. The new substrate meets all European direct and indirect food contact requirements while remaining recyclable and bio-degradable.

## SAVING WITH CORRUGATE

With reusable plastic containers (RPC) growing in popularity, the **Corrugated Packaging Alliance** (CPA) conducted an activity-based accounting study comparing RPCs to corrugated in shipping the same volume of tomatoes.<sup>15</sup> The study demonstrated a 25% annual cost savings with the use of corrugated because of the additional costs associated with RPC backhaul trip requirements, handling at return distribution centers, and washing and cleaning. Corrugated containers are also recovered for recycling after use at retailer locations.



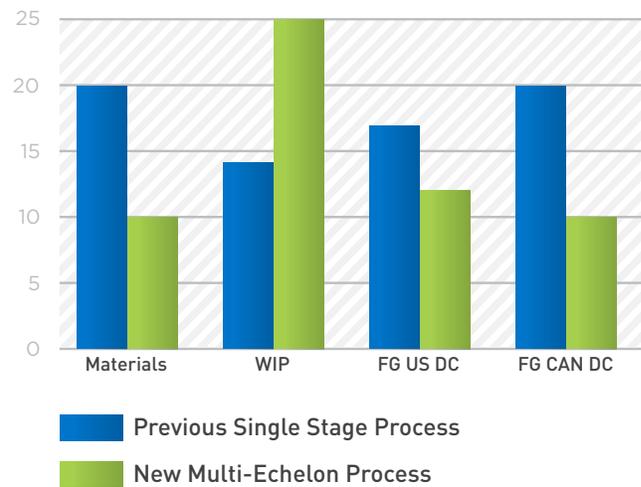
# OPTIMIZING Inventory

For most businesses today, days of supply (DOS) or single-stage inventory targeting is woefully inadequate. Unlike single-stage models, today’s multi-echelon inventory optimization (IO) models do not assume that a specific location must hold inventory.<sup>16</sup>

## TAKING STOCK

This approach is rooted in separating inventory into its components such as anticipatory stock, cycle stock, obsolete stock, prebuilt stock, safety stock, and the like. By modeling multiple stages, the new IO approach allows all types of inventory to be properly modeled across the supply chain. When **Procter & Gamble** applied this approach for a liquid make-up family of products within the total North America cosmetics supply chain, it discovered that it could achieve a 5% total inventory reduction while protecting 99.5% service levels. This was made possible by reducing finished good safety stock levels while increasing Work in Process stock (see nearby table).

## Inventory Optimization Impact on Safety Stock Days



## NETWORK REDESIGN

One tire retailer with 800 SKUs and 750 locations had an even more ambitious target than Procter & Gamble: reduce inventory working capital, *and* improve service levels.<sup>17</sup> Faced with an intermittent demand pattern for its products, the retailer over-stocked inventory at all stores, both cycle and safety stock, as well as stocking excess inventory at the DCs to compensate for supply variability. Compounding the problem was a once-a-week replenishment pattern, regardless of store volume. To accomplish its goal, the retailer had to redesign its supply chain network going from a four DC, single-tiered network strategy to a multi-echelon tiered network with two cross-dock facilities

and 31 spoke locations. This change helped the retailer improve forecasting accuracy by aggregating up store level demand to the spokes, thereby reducing store safety stock by 20%. The retailer also conducted physical distribution flow analysis for every item, positioning inventory closer to where it was in demand, and combined with higher replenishment frequency, the retailer achieved greater sales.

# Recycling Rates Up Across the Board



Recycling rates for a range of packaging waste show growth, both in the US and Europe, confirming that the sustainability movement is firmly in place, and consumers on both sides of the pond are committed to minimizing what they send to the landfills.



## PLASTIC PROGRESS

According to a new report the EU recycled 34.7% of all of its plastic packaging waste in 2012, up from 33.6% in the previous year.<sup>18</sup> For the 23rd consecutive year, in 2012 Americans increased the amount of HDPE bottles returned for recycling, a category that includes milk jugs, and bottles for household cleaners and detergents.<sup>19</sup> US gross recycling rates of PET bottles reached 30.8% in 2012, its highest rate yet.<sup>20</sup> Bucking perceptions, even the recycling rates of post-industrial and post-consumer expanded polystyrene (foam) grew in 2012 to nearly 94MM lbs, representing a 31.4% increase.<sup>21</sup>

## CARTON RECYCLING

Despite the more challenging nature of carton recycling which requires separation of the paperboard and non-fibre layers, 40% of beverage cartons were recycled in 2012 in the UK, representing a 3% increase from the prior year.<sup>22</sup> In North America, 2013 brought a significant increase in the number of households with access to carton recycling.<sup>23</sup> Collaboration between industry and communities resulted in a 160% increase in recycling access in the last four years.

## ALUMINUM CAN HOLDS STRONG

Aluminum can remains the most recycled container in the US, reaching 67% in 2012, approaching the industry's recycling rate goal of 75% by the year 2015.<sup>24</sup> In the UK the aluminum packaging sector surpassed its recycling goal for 2013 with a 12.6% increase in aluminum recovered over the previous year.<sup>25</sup>



# Credits

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<sup>8</sup>Revealing Key Trends Driving The Global Packaging Market, Jim Butschli, [www.healthcarepackaging.com](http://www.healthcarepackaging.com), 1/2/2014

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<sup>11</sup>Gerber Gets Packaging Makeover With Less-Mess Design, [www.packagingdigest.com](http://www.packagingdigest.com), 3/17/2014

<sup>12</sup>Portion Cups Increase Snack Olive Consumption, Anne Marie Mohan, [www.packworld.com](http://www.packworld.com), 1/9/2014

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<sup>15</sup>Study Compares Costs For Corrugated Versus RPCs For Shipping Tomatoes, Anne Marie Mohan, [www.packworld.com](http://www.packworld.com), 10/29/2013

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