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White paper

Deli Merchandising: What have you done for them lately?

Executive Summary

A person stepping into a supermarket for the first time in six to eight years might look for the deli and never find it. Delis—and indeed many entire supermarkets—are fascinating places these days. Chefs in toques, filet of beef broiled to order, organic stir fry, complete dinners made from fresh ingredients all packed and ready to eat... Of course there are chicken wings, too. But there are six kinds, and they're displayed in enameled baking dishes next to platters of ribs, salmon and a fake lobster on a plate!

Today's supermarket deli is taking its place among many kinds of restaurants as a source for meals outside the home. One reason is that supermarkets themselves have placed a high priority on creating a positive consumer "experience." That experience emphasizes freshness, abundance, variety and visual appeal. The store becomes the brand and merchandising is the means by which the brand message is delivered.

As each department is brought into line and becomes part of the store experience, the deli in particular has seen its boundaries expand to include a variety of nearby fresh food stations. But fresh hot food is now popping up in small, mobile heated merchandisers near the checkout lanes and at the ends of aisles. As one deli manager puts it, express merchandising "lets us place a really good idea for lunch or dinner at the *end* of the customer's trip, as well."

How well are you tuned into merchandising? What are the big stores doing? Should smaller stores, like cafes and convenience stores be doing it? Other than displaying product, what does equipment have to do with it? How will you make more money?

This white paper will attempt to describe the pivotal role merchandising plays in the new deli and how important it is to understand customer expectations for quality foods, visually appealing displays and, of course, convenience.

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Introduction

Store as brand

Supermarkets, retailers and convenience store operators have understood for more than a decade that consumers don't mind eating at home a few times a week as long as they don't have to cook there. Thus, the concept of "meal solutions" became a sort of mantra for deli department expansion and the introduction of full carry-out menus, heat-and-eat entrees, fried and rotisserie chicken programs and, more recently, international and ethnic foods.

Amidst the scramble for cooking and prep equipment, manufacturers began introducing sleek all-glass cases with fancy bases, pedestals and trim. It was the familiar "brass and glass" look from the upscale mall brought into the local supermarket. Pretty soon, the deli pushed out into the aisles with self-serve islands, end caps and wall units. Meal Solutions required the wine to be near the cheese, and the snacks to be near the chicken and potato salad, and the cold beverages to be anywhere within reach.

It was pretty much a free-for-all. And out of this creative chaos, a new type of grocery began to coalesce. Call it the "fresh/trade" style. Ingredients, staples, and produce flow seamlessly into freshly made, ready-to-eat entrees, sides and desserts. Soups and salad stations near crates of fresh garlic, and soft-drinks in funny looking bottles with unfamiliar names. "International bazaar" is a big part of it, but so is the local "farmer's market."

Store design is increasingly addressing soft issues, such as "brand" image and customer "experience." To the extent these are now being expressed successfully in physical space tells us how important they are to the store's essential strategy for making, displaying and selling food and related items.

Translation: The whole store is one big merchandising scheme. Your deli, and its equipment, is a vital part of it.

Decoding the consumer experience

Judging from the generally high prices and large crowds in the fresh/trade groceries, it appears that, for the time being, consumers are willing to pay a premium for this particular shopping experience, or, perhaps, any new and interesting shopping experience. Decoding that experience has proved troublesome for many supermarkets, in part because the business is grounded in cost per unit of ingredients and steeped in low-cost delivery. To make matters worse, there remains a thriving market for the bulk-packaged, warehouse-pricing, no-frills experience. Consumers will shop there when it suits them. Those stores have delis, too.

In any case, as *Progressive Grocer* magazine puts it, “the deli is emerging as a key destination, image builder and profit center.”

As many grocers have been retooling their strategies to capture consumer loyalty and strengthen their fresh appeal, the in-store deli is emerging as a key destination, image builder, and profit center.¹

Today’s consumer economy is driven by a profusion of lifestyles that have emerged from a technically advanced, economically able, less traditional generation. Demographics and menus may differ slightly from region to region, but deli operators around the world are dealing with the same customer—working singles or parents concerned with quality, jealous of their time, and not all that interested in cooking at home when they can avoid it.

Merchandising prepared foods in the deli has always been about the consumer. What will bring her or him to your deli? What will buy his or her loyalty? How can your deli occupy a larger share of her purse or his wallet when it comes to ready-to-eat foods? Such questions have been around forever, but it is important to realize that the answers aren’t always what they used to be. Newspaper ads, flyers, mailers and window posters, for instance, can still be effective in driving traffic. But today these items tend to occupy a smaller portion of the overall image or brand experience consumers assign to your store or deli. Today’s merchandising is all about creating an environment, an experience, a destination that resonates with your customers and conforms to their lifestyle. When you own a share of your customer’s comfort zone—mind and belly—you win your share of his or her wallet.

In an interview with *Deli Business* magazine, Carol Christison, executive director of the International Dairy-Deli-Bakery Association (IDDBA), emphasizes the importance of knowing who your best customers are and focusing on their preferences.

The real question is “What do I have to do to stay in business?” The answer is not “everything.” It starts with defining the business they’re in. A retailer has to be able, in 25 words or less, to define its business,

¹ Progressive Grocer magazine Deli Operations Review 2007

strategy and customer profile. Understanding the customer base is the key to satisfying their needs and growing the business.²

The good news is there are really only three guiding principles behind successful deli merchandising:

1. Make it available and good
2. Make it visually appealing
3. Make it convenient

* * *

Menu: Trends or tried and true?

Restaurants in sheep's clothing

According to the U. S. Department of Agriculture, spending on snacks and meals prepared by foodservice establishments now accounts for about half of total U.S. food spending and is expected to grow more quickly than spending for at-home foods over the next 15 to 20 years. Further, the report singled out the supermarket deli as “a fast-growing outlet for prepared meals and snacks in recent years.”

Supermarket delis may be taking their place alongside restaurants as a source of meals outside the home, but consumers aren't fooled. They know they are going to the market, not out to dinner. Even so, more of them are having it there, or at least taking it home. Many delis include seating and amenities one finds at a decent diner. Some supermarkets, like Buehler's Fresh Foods in northeast Ohio, actually operate full-service restaurants on the premises. In Buehler's case, the restaurant is entirely separate from the deli, but this actually helps them both, says Roland Krueger, Buehler's Fresh Foods deli/bakery manager. The restaurants give them ideas about what food concepts might sell well in the deli environment. At the same time, best sellers in the delis, like their signature pressure fried chicken, wind up on the restaurant menu.

For this reason, most deli managers like to keep track of what's hot in the restaurant trade. The reasoning is simple: If shoppers begin to find their favorite restaurant foods available in the grocery deli, they are more likely to try them. Generally, it is this sort of trial and error testing rather than a sophisticated category management system that helps deli managers decide how to deploy deli resources at the store level. The results are often the basis for investing in new equipment programs or strategic fresh food solutions at the corporate level. Keeping close tabs on the restaurant business also helps deli operators understand the importance of quality and consistency in food preparation. People learn to count on their favorite restaurants serving up their favorite meals with the same taste every time. They take those expectations with them when they visit the deli. If they are disappointed, they won't be back.

² *Deli Business* magazine April/May, 2007, pg 36

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Fresh and international

What consumers think about “the global economy” is most clearly expressed in their appetites. In the U. S., we’ve become so used to fruits, vegetables and nuts from the ends of the earth, that we are happy to have our coffee come from Africa, Hawaii and Indonesia. Both Asian and Mexican food claim a higher preference than most traditional American dishes, at least among younger people in the U. S. In China and elsewhere in Asia, fried chicken made the old-fashioned American way is a huge hit. Meanwhile, fusion menus around the world attest to a smorgasbord of tastes.

Regardless of who you are or where you live, research shows a rising preference for fresh foods, particularly in the deli. NPD Group’s *Eating Patterns in America* finds, among many other things, that more than half of Americans say it is important for foods to be fresh (as opposed to packaged, frozen, etc.) Other research indicates that freshness in the deli ranks higher in importance than even the bakery.

With the versatile cooking and prep equipment available today, entire meals, including soups, salads and fresh-made sides, can be prepared and served quite profitably. The deli menu is limited only by the space available to merchandise it. So how do you decide what should go on it? Here are a few things to keep in mind:

- Knowing your customer base and following the restaurant scene will give you a good idea of what you should make available.
- Keeping good track of what sells the best in your own deli will help prioritize.
- Try new items on a regular and *limited* basis, but make sure customers know they are new. Sample, sample, sample.
- Experts suggest devoting anywhere between 20-40% of your total merchandising capability to self-serve/grab and go, depending on the size of the store.

Taste trumps nutrition concerns

There is always the temptation to jump on the latest trend in food and nutrition with both feet. Yet most foodservice research indicates that consumers’ actual purchasing behavior doesn’t always back up their stated preferences. IDDBA’s Christison offers this frank assessment of deli customers and trends:

When retailers think about trends, the first thought is what will the customer be eating and how can we deliver it? Riding a trend wave is important, but we need to understand consumers are fickle. They’re not loyal and the latest diet or food fad is just that, a fad, and a passing one at that. Consumers are balancing health and nutrition needs with time pressures that force them to eat food fast, eat fast food and seek answers to an on-the-go lifestyle. They talk a better diet than they eat.³

³ *Deli Business* magazine April/May, 2007, pg 36

Deli customers are usually in a hurry. They are often combining tasks. Most important, they are willing to concede the usual nutritional or dietary considerations—just this once—for the convenience of the deli *when they know they will be getting one of their great-tasting favorites*. This is nothing more or less than human nature. A little reward for dealing so effectively with their busy day.

Deli fried chicken is a good example. Despite recent highly-publicized health concerns over trans-fats and fried foods, the IDDBA reports that fried chicken accounts for 40.5 percent of deli sales.⁴ Other measures have the percentage even higher (Fig.1). Should you be offering fried chicken cooked in trans-fat free oil? Probably. But don't replace the good stuff, at least not yet. According to Eric Le Blanc, a director of marketing with Tyson Foods, retailers aren't pushing too hard. "You just don't know if the people that are buying [fried chicken] want to indulge or if, in fact, they want no trans-fat," he told Nalini Maharaj, writing for *Deli Business* magazine. LeBlanc's advice: "The main goal for retailers should be to maximize sales by promoting meal deals rather than focusing on low-fat chicken."⁵

Fig 1. Deli bestsellers

Comparison of top prepared foods/deli items			
2006		2007	
Chicken (fried, all varieties)	63.0%	Chicken (rotisserie)	65.1%
Chicken (rotisserie)	45.7	Sandwiches (all varieties)	55.9
Sandwiches (all varieties)	52.2	Chicken (fried, all varieties)	53.5
Potato salad/cole slaw (all wet salads)	39.1	Potato salad/cole slaw (all wet salads)	51.2
Meal deals (bundled meals)	21.7	Meal deals (bundled meals)	14.0
Hot soup	17.4	Hot soup	9.3
Salad bar	7.2	Salad bar	9.3
Pizza	6.5	Pizza	4.7
Mac & cheese	6.5	Hot vegetables	2.3
Potatoes (mashed, <i>au gratin</i>)	4.3	Macaroni and cheese	2.3

SOURCE: PROGRESSIVE GROCER MARKET RESEARCH, 2006

SOURCE: PROGRESSIVE GROCER MARKET RESEARCH, 2007

* * *

Show them the food

Seeing is believing... and buying

People won't buy what they can't see. Some years ago, operators of a very popular chain of convenience stores in Maryland that specializes in freshly prepared food were unhappy with the low-cost steam-table display warmers for their fried chicken. The chicken didn't last very long, and a fresh batch always left the glass fogged up. Rather

⁴ IDDBA *What's In Store 2006*

⁵ Ibid

than upgrade to better display technology, some stores got rid of the display units altogether. They held the chicken in holding cabinets and put up posters and other promotional material with color photographs of fried chicken.

Sales of fried chicken dropped immediately by nearly a third.

Meanwhile, one store awaiting parts for a steam-table display tested a fancy merchandiser with re-circulating heat throughout the cabinet, independent temperature controls for upper and lower heat, and mirrored back and side glass. For starters, the glass never fogged. Just a beautiful display of fried chicken that stayed hot and appetizing for hours. Sales of fried chicken, alone, rose more than 30 percent in one weekend.

The moral of the story, says Michael Johns of Taylor AFS Equipment, the company that supplied the highly successful merchandiser, is that the customer is saying “I want to see the fried chicken, and it better look good.”

Johns described a similar application in a different convenience store where he replaced low-end heat-lamp warmers for a two-tiered version of the same merchandiser that worked so well for the chicken. These merchandisers would display pizza. In this case, he tricked out the merchandiser with a tile base, presented whole pizzas on baking platters and finished off the pizzeria effect by including props of a Romano cheese shaker and a bottle of olive oil right there in the case.

Pizza sales went up 300 percent, literally overnight.

“People come in to these places hungry,” Johns says. “They look around and think, ‘What are my options? Pizza looks good—let’s have that.’”

How to make food look good

Successful deli merchandising is probably 70 percent visual and 30 percent convenience. That is not a scientific assessment, but it does indicate that no amount of convenience can overcome unappealing food that is poorly displayed in an unkempt environment.

“Appearance goes a long way toward deciding if the product will move,” says Lee Mitchell, retail deli manager for Fresh Express, Salinas, CA. “If the product looks unappetizing, out-of-code or doesn’t fit the food profile of your consumers, it will detract from the deli.”⁶

Stated in a more positive way, anything you do to improve the appearance of your prepared foods will result in higher sales.

It is a fact that hot prepared foods rarely taste much better than they look. Proteins—chicken, ribs, roasts—that appear shrunken and dull are dried out and have lost texture. Sauced items—



Fig 3. Henny Penny's Thermo-Vec display heating technology produces precise, even heat without hot or cold spots and fogged glass. Food is warmed evenly by thermostat controlled heat from electrical elements below and radiant heat from overhead. Low power fans gently circulate the air, continually dispersing moisture throughout the cabinet and away from the surface of the glass. Flow vents along the front and back allow the free movement of air. Special sensors detect and immediately compensate for changes in air temperature during serving.

⁶ *Deli Business* magazine, Oct/Nov 2006, pg 21

pizza, mac and cheese, scalloped potatoes—warn potential buyers with dull, discolored surfaces. Dried spills, loose crumbs and soiled utensils detract even further.

The key to keeping hot food fresh and appealing is to display it in a heated merchandiser with even heating in a controlled environment. A good hot case should also provide the ability to adjust temperatures throughout the case and in different sections, particularly in larger cases. Figure 3 shows how a heating system known as Thermo-Vec™ in [merchandisers](#) manufactured by [Henny Penny Corporation](#), accomplishes this.

Quality hot food demands a quality presentation. The cafeteria look—at least in the supermarket deli—is out. Ordered rows of stainless steel steam table pans heaped with food in various stages of removal are being replaced by dressed-out cases with product in colorful bowls and platters set up on decorative tiles, all within an excellent heated environment.

Here, the quality of your equipment comes into play once more. Cases should be able to accept both pans *and* surface tiles. Bright, warm lighting and mirrored rear doors and side panels help create a dazzling display that needs to attract attention from out in the aisles. Even the design of in-case signage can contribute to or detract from the overall presentation. It is important that the supplier of your deli cases be able to provide or source the different accessories or configurations required to set up a stylish case, along with, perhaps, some advice on how to do it well.

Dressed out cases with foods in bowls and platters set up on decorative tiles, all within an excellent heated environment, are becoming the norm.

* * *

Express—the new convenience

They want it good and they want it now

So you know what your customers want. It's on the menu and looking good in the case. But what have you done for them lately?

Short of feeding them by hand, deli operators need to think long and hard about how to make this fantastic, visually stunning food more convenient for their customers. Consumers expect convenience and are no longer willing to pay for it in lower quality. On the upside, convenience is what tends to drive impulse purchases. We see this with the cold drink cases (much more convenient than vending machines!) right up near the checkout lanes. In the bagel shops and coffee shops, the cold items are even closer—right under the customer's nose—in the short cases below the counter.

What about hot foods? Until recently, prepared foods that account for well over half of all deli sales were to be found—where else?—back in the deli department! There was actually a good reason for that. Much of the equipment that seemed to be designed for grab-and-go self service—warming tables, heat lamps, and so on—did a poor job of

keeping packaged hot foods palatable. Having less than adequate display units in other parts of the store turned out to be worse than having none.

That all changed as operators and manufacturers began to come together on the benefits of high quality heated display units that could be positioned in various locations in the store. In addition to catering to customers who know what they want and have no desire to wait in line, this capability clearly addresses the need for operators to increase their throughput while keeping labor costs down.

The distributed deli

From the outside, the boundaries of the new deli are indistinguishable from the surrounding store. Borrowing from network vocabulary, we might say the new deli is “distributed.” Its different aspects are placed throughout the store in carefully considered display environments in an effort to “be there” when the shopper has a meal idea, or, in most cases, to help spur the process along!

A few years ago, Ukrops, an innovative grocery chain in the eastern United States, discovered that adding a [self-serve island merchandiser](#) outside the deli area practically doubled its sales of rotisserie chicken (Fig 4). Recently, the grocer has been deploying an even newer self-serve solution, the [hot “express” case](#). These units typically come in different heights and have adjustable, angled shelves that hold a large number of packaged items in a very attractive presentation.

Nancy Wingfield, Ukrops’ director of deli operations, likes the eye-level visual of the hot express cases, and the idea that they can be installed as wall units or end caps in different areas of the store. Wingfield said:

Effective deli merchandising is often about finding the right placement for the customer. We serve a wide variety of fresh, hot foods. We do fried chicken as a service program and the rotisserie chicken in the islands. But the express merchandiser lets us place a really good idea for lunch or dinner at the *end* of the customer’s trip, as well.



Fig 4. This island merchandiser helped Ukrops double sales of rotisserie chicken.

Grab-and-go saves labor, boosts impulse sales

By almost all measures, labor costs continue to top the list of concerns for deli operators. Devoting more space in and around the deli to grab-and-go displays can help deli operators maintain or increase sales while keeping a lid on labor costs for full service.

Like Ukrops, many grocers are finding that locating hot express units at the checkout promote additional impulse sales of deli items. Express units in other areas of the store also aid in cross-merchandising between departments. Ideally, the express unit itself will include baskets or shelves that hold “go-together items.” This



helps customers complete their meal ideas while increasing the average sale for the deli.

Mobility, size, and visual dynamics are key factors that can greatly enhance the versatility and effectiveness of hot express display units. Grab-and-go items should be easily accessible and not stuck behind service lines. Donna Williams, vice president of marketing at Seattle, WA-based Sahale Snacks, says: “Grab-and-go should be positioned as a highly visible impulse item and preference should be given to products with a strong visual impact.”⁷

Longer display times, reduced environmental impact

Operators must be vigilant about food quality in hot express units. Most aren't meant to hold items for long, since the heating climate is generally less controllable with reach-in units. That may be changing, however. A new [hot express case](#) just introduced by Henny Penny Corporation uses air curtain technology to “secure” the climate within the case. Essentially, a thin curtain of moving air is directed up across the open front and then re-circulated throughout the cabinet (Fig. 5). Individually heated shelves keep the product at safe, palatable temperatures. In fact the company claims most foods can be held safely and palatably for four hours or more!



Fig. 5 Air curtain technology helps “secure” climate in Henny Penny Express Profit Center

Another remarkable feature of this unit is that the display is lit entirely with LED lighting. Not only does this significantly lower energy consumption, it also helps reduce the store’s environmental impact by eliminating light bulbs that must be discarded and replaced.

Mobility is proving to be an important consideration in utilizing hot express displays. Size and footprint must be compact enough to work in a variety of locations. The unit itself should be light enough for one person to handle and include locking casters. The Henny Penny unit will please store managers with its ability to plug into standard 120V or 230V electric power outlets.

* * *

Conclusion

Clearly, prepared foods play an important role in the overall “branding” of the successful supermarket consumer experience. In most cases, the traditional deli department is not just expanding its menu, but also spreading out into the store and evolving into the sum of its various merchandising stations or displays of hot and cold fresh foods.

Anywhere the consumer and the deli meet can be considered a merchandising opportunity. And as supermarkets become better at creating physical spaces that appeal to consumers, deli managers must be open to opportunities that place a higher priority on

⁷ *Deli Business* magazine, Oct/Nov 2006, pg 20

food presentation and customer convenience. New equipment and procedures are often required to resolve these sometimes conflicting goals. The good news is that more and more suppliers are willing to listen to you, their customers, and develop broader solutions that take into account existing equipment, labor issues, energy costs, service and ongoing support.

As a result, there are a lot of good ideas being turned into good designs for prepared-food merchandising. Ultimately, this is where the new deli connects with its meal-seeking customers. Operators should not hesitate to explore merchandising concepts that present quality food in a visually appealing way and in a manner too convenient to ignore.

* * *

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Visit Henny Penny at www.hennypenny.com

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