FOODSERVICE INTERCHANGE

EXCHANGE

FCPC | PACC
Food & Consumer Products of Canada | Produits alimentaires et de consommation du Canada

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INSIDE THIS ISSUE

Editor's note

We've entered a really interesting time in foodservice. Consumers are hungry for new experiences, and quality meal solutions that integrate into their busy schedules. At the same time, manufacturers and operators have to digest breakneck scientific and culinary developments and emerging lifestyle trends. What's more, the concept of building loyalty among an increasingly elusive workforce and fickle consumers, has forced companies to break new ground in their business practices and HR. With so much to do, there's less time than ever to get caught up on. So why launch another newsletter? Quite simply, there's not one quick source to keep senior leaders connected with one another, with key insights and news not only from current industry experts, but from those who stand to be among our valued leaders into the future. The Foodservice Interchange (FSI) Conference has been a key event in Canada's foodservice landscape. This newsletter is the newest addition to the event as was the addition of students and senior faculty members to our event this past year. We're pleased to have contributions from George Brown in this issue with more insights from the classrooms and kitchens across Canada to come.

Plans are already underway for the 2009 FSI Conference. In the meantime, some of the best in the industry have helped us bring to you insights building on the ongoing issues of labour and loyalty – be it back of house, with your customers or on the net – sustainability, healthy living and what makes a great prospective employer, along with breaking insights from operators which you'll read first here. We hope you find this format easy to digest and a great way to stay connected until next year's event – January 27, 2009. Mark your calendars!

Gabby Nobrega is SVP Member Services and Communications at FCPC. ◘

FSI 2008 Round Up

The opening percussions for the 2008 FSI Conference, *Drumming Up Success!,* led by the Drum Café, was among one of the highlights of this year's conference, the 17th in the event's history. Bonus sessions *Highlights from the WorkCanadaTM 2006/2007 Employee Retention Survey* and *Influential Communication to Drive Results* were also very well attended offering delegates additional

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Participants warm up to the beat of the drums during the introductory event activities at the 2008 Foodservice Interchange: Drumming Up Success!

Helping Operators Build Business with Busy Consumers – Make it Convenient!

Restaurants continue to look for ways to meet customer demand for convenience, choice and speed of service. Operators welcome assistance from manufacturers who can demonstrate products and services which increase efficiency – either providing better service or improved technology. Here are some of the key growth areas related to convenience:

Off Premise Convenience - In-restaurant dining has stayed around 61 visits annually per capita since 2000. Consumers want convenience and are driving growth in both QSR and FSR whether drive thru or curbside pick-up, dashboard dining or taking restaurant meals home.

Late Night Dining- In a 24/7 society, operators welcome late-night diners with extended hours and late night menus. Evening Snack has grown at QSR, from 7% of traffic in 2003 to 10% in 2007.

A Variety of Convenient Payment Options - Credit & Debit Cards are ubiquitous. Many QSR locations accept 'Tap & Go' credit cards that require no signature for small transactions. In Canada 8% of restaurant occasions are currently paid with a credit card, 13% by debit card. Store-owned debit cards which can be re-loaded are a popular convenience; versatile and convenient, they can also feature cross-promotions or be sponsored by a key supplier.

Gift Cards - Canadian restaurants redeemed approximately $300M in gift card sales year ending May 2007: $177M at FSR, $112M at QSR. Reloadable gift cards increase convenience. Additionally, offering gift cards not only adds perceived value to the restaurant selling the card, but also builds business when the recipient uses the card. Again, cross-promotions and sponsorship might be welcome.

Internet Ordering - Internet meal orders represent less than 1% of traffic or 10 million transactions annually. QSR Pizza & Family/Midscale Chicken chains lead the way with traffic growth through online ordering. These two segments have traditionally been popular takeout/delivery providers. Coincidentally, average cheques are higher for orders placed over the Internet, possibly because customers not only have the opportunity to browse the full menu while placing their Internet order, but also have the option to pay by credit card. ◘

NPD GROUP
Behind Every Business Decision

Source: NPD Group/CREST®

Understanding Operator Issues and Innovation is the key to driving growth

In a changing marketplace, understanding the issues your customers face is of vital importance when developing your company's business plans.

Using innovation as a strategy to differentiate your business from your competitors' will only succeed if the area of innovation you pursue has tangible value to your customer.

Both of these statements apply strongly to operators in today's Canadian foodservice market. A desire to understand these operators is the inspiration behind a recent analysis by CHD-Expert Canada, a specialist in foodservice operator information. Results are based on a survey e-mailed to a selection of operators in the CHD FIND (Foodservice Industry National Database) in late March 2008.

Operators were asked to rate the expected impact of six different issues on their business over the next 12 months. On a scale of 1-5 (with 5 being "severely impacted" and 1 being "not impacted") the average scores on the six issues were:

1) Maintaining an efficient back of house operation in light of the skilled labour availability shortage **[3.4]**
2) Maintaining margins to overcome rises in food costs that are driven by the increases in commodity costs **[3.7]**
3) Finding a way to overcome the impact of rising energy costs on your business **[3.7]**
4) Developing an environmental, green policy for your operation that meets the growing consumer interest in this area **[3.1]**
5) Developing new customers from other segments of the consumer market **[3.1]**
6) Keeping your menu current with the changing consumer demands by adding the right new items to your menu **[3.2]**

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FSI 2008 Round Up

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value. Delegates also had the opportunity to mingle with students and faculty from George Brown College, Humber College and Ryerson University - Ted Rogers School of Hospitality. These invited guests will continue to be an important part of the event in the foreseeable future, providing a unique opportunity for interaction and collaboration between industry and up and coming graduates.

Jim Carroll, futurist, trends, creativity & innovation expert shares with delegates at FSI 2008 how to inspire loyalty in an environment of rapid change.

Event presenters Food & Consumer Products of Canada (FCPC) and the Canadian Council of Grocery Distributors (CCGD) also hosted a post-conference webinar featuring keynote presentations by Linda Nazareth - *Working With Leisure: The Outlook for Food & Consumer Products in Canada,* Jim Carroll - *Inspiring Loyalty in an Environment of Rapid Change* and Giselle Kovary - *Four Generations – Four Approaches to Work: Connecting with Gen X and Gen Y*. There's a lot more in store for next year's event and plans are already underway. To find out how you can become involved in FSI 2009 please contact Denese Mitchell @ denesem@fcpc.ca.

Beverages in Tetra Pak Cartons a Smart Addition to Quick Service Restaurant Menus

Consumers are looking for healthy beverage alternatives such as 100 per cent juice and milk-based products when ordering meals on the go for their family. In addition, they want to be assured the products and packages they choose produce the least negative effects on the environment.

A 2007 study entitled "IRI Sustainability Study" by Information Resources Inc. in the US surveyed over 22,000 Americans and concluded that roughly half of those surveyed consider at least one "sustainability" factor when selecting brands and stores to shop in. Tetra Pak cartons fit this profile because they are recyclable and are made primarily from paper, a renewable resource. Further, their light weight and compact shape saves energy—and greenhouse emissions—during distribution.

A Canadian study in 2007 by NPD Group/CREST® measured consumer attitudes towards juices in Tetra Pak cartons especially when purchased in QSRs. Fifty-seven per cent knew they were recyclable, easy-to-carry, and portable; 53 per cent considered them easy to hold and use; and 43 per cent said they contain just the right amount of product.

For these and other reasons, juices in Tetra Pak cartons are already doing well in QSRs in countries such as the United States and France. Juices are ideal in these cartons as they are a convenient and trusted format by parents and kids. Including juice on the menu also helps build a higher eater check —on average $5.11 compared to $4.35 in outlets that were measured. For more information, please visit www.tetrapak.ca or email niloufer.afzal@tetrapak.com.

Understanding Operator Issues

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Operators expect issues impacting costs (energy and food) to have the greatest impact on their business over the next year, with labour concerns ranking third. Longer term issues such as keeping menus current and environmental policy scored lower in expected impact. When asked to name which issue would have the biggest impact, the labour issue was mentioned by 37% of respondents, followed by maintaining margins at 22% and developing new customers at 18%. Only 5% named keeping menus current as the most important issue, while 8% chose developing an environmental policy.

Operators expect issues impacting costs ...to have the greatest impact on their business over the next year .

From this, it's safe to conclude suppliers who offer products and services assisting operators with labour issues and controlling costs will be viewed more favourably than those focused on keeping menus current or developing an environmental policy.

On the subject of innovation, operators were asked to rate their interest in the following types of innovative products from suppliers. (A score of 3 meant "very interested," 2 was "somewhat interested" and 1 "not interested"):

1) New healthier for you products that you can use to help address consumer demand for healthy eating-with a focus on maintaining weight (i.e. portion controlled, calories count) **[2.4]**
2) New healthier for you products that you can use to help address consumer demand for healthy eating-with a focus on fortified foods (i.e. eggs with Omega 3, Orange juice with calcium etc) that are seen to promote enhanced health and wellbeing **[2.2]**
3) New products that simplify the execution of providing menu items that address the consumer demand for global or ethnic flavours **[2.2]**
4) New products that offer more environmentally-friendly packaging **[2.4]**

Respondents showed a high level of interest in all areas of innovation, with average scores very similar for all four product types. Only a small percentage of respondents had no interest in new products, ranging from a low of 4% on healthier products to a high of 10% on global or ethnic flavours.

Fully 71% of respondents were very interested in products offering more environmentally-friendly packaging, indicating the environmental issue has hit the foodservice operator. Also, 64% were very interested in healthier products focused on maintaining weight, while 57% of respondents were very interested in new products addressing global or ethnic trends, and 50% were interested in healthier products with a focus on fortified foods.

When asked to choose which area of innovative new products has the most interest to them, there was no clear winner. Choices ranged from 28% (healthy weight focus and environmental packaging) to 21% for ethnic flavours.

While the high failure rate of new product introductions is well known, it appears that this is not due to the lack of interest in innovation amongst foodservice operators.

For further details of the survey please contact Veronica Rivas at FCPC (416-510-8024) or Bob Van Driel, Director of Research at CHD-Expert Canada inc (416-447-2609).

What's the BUZZ?: Measuring Electronic Word-of-Mouth

The Internet has empowered consumers to be on the cutting edge of product/brand development, and ad campaigns. Within a maze of digital communities, self-proclaimed brand and product ambassadors voice their opinions and reviews making them a very powerful and insightful community. As consumers turn to online hubs to explore and reflect in the decision making process, it's resulting in a profusion of unsolicited sentiments offering an accurate representation of market trends. Research firms have diligently raced to design methods to capture and measure these uncompromised insights.

Consumers' demanding lifestyles afford less time to participate in traditional "opt-in" research studies, regardless of the incentive, forcing creative research firms to host surveys and focus groups online. The result is we are now overcoming some of the limitations that have existed with traditional research, while also increasing the depth of information that can be accessed.

The appeal of the Internet is that it also has the ability to connect people regardless of time and location, making them more accessible to each other. Innovative researchers have found a way to tap into what is being said on the Internet, offering the ability to track and measure positive and negative sentiments regarding any given brand, ad campaign or organization.

This new methodology combs the blogosphere, targets, then highlights popular opinions by analyzing speech attributes. These attributes are categorized based on a scale of positive and negative ranking. The reason this capability is so revolutionary is because the Internet provides a forum for consumers to speak truthfully about their impressions, adding a powerful dimension to the research quality. Marketers can now track, measure, and forecast trends in the market place as they happen. The one caution remains in devising a way to exclude "spam-blogs"—corporate blogs, message boards and/or sites designed to generate positive word-of-mouth by their organization, its services or brands—which can skew collective data.

What foodservice and operator marketers can expect from this new and exclusive capability is 24-hour access to measure electronic word-of-mouth—one of the most powerful marketing tools. As an industry built on customer loyalty, the next frontier affords us to focus with unprecedented precision and no longer wonder "What's the Buzz?".

Adapted from an article by Lesli Fairweather (Marketing Coordinator) and Jason Ten-Pow (VP of Research Operations) at OnSurvey Inc. www.onsurvey.ca.

Coming or Going: The Link between Employee Engagement and Employee Loyalty

Research* clearly illustrates that from 2004 to 2007, the percentage of companies experiencing moderate to great difficulty in attracting key talent has increased from 40% to 68%. Interestingly, employer and employee views regarding why candidates join an organization vary. While the top three reasons from an employer view are career development opportunities, employer reputation and company culture, employees tell us that they are focused on the nature of the work, base pay and job security. And top performing employees cite that their number one reason is nature of the work. What is causing employees to leave? Again, there are variances in employer and employee perceptions. Employers are focusing on base pay and career development as key reasons for departures, but employees are citing stress levels and work/life balance.

How do we engage our employees...to stay and remain committed to our organization?.

So how do we deliver on the promise? How do we engage our employees in such a way that they intend to stay and remain committed to our organization?

Organizations with successful attraction and retention strategies focus on several key initiatives:

- Integrated Business and Talent Planning – Ensuring a tighter linkage between business needs and people needs, including growth, volume, and strategic sourcing
- Current Staffing Optimization – Analysis of current staffing levels, capability levels, business processes, and volume levels
- Future Talent Forecasting – Running model scenarios of future work requirements to create staffing plans, with talent management strategies to get there
- Current Labor Pool Analysis – Gaining an understanding of current employee behavior trends – retirements, turnover, employee mobility and the external labor market trends
- Call to Action – Providing a concrete linkage between people strategies and business initiatives to support investment and action in talent-related initiatives

It is time for all organizations to examine their promise and their ability to deliver on it – if they want to succeed in attracting and retaining the right talent.

*Strategic rewards research 2007 Watson Wyatt Worldwide

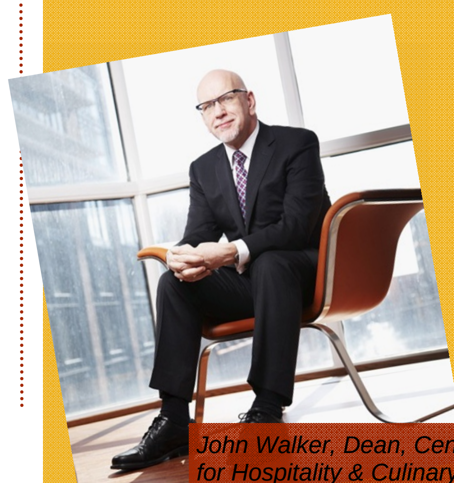
New Chef School Restaurant... A Learning Philosophy for Student Success

The Centre for Hospitality and Culinary Arts believes that the most powerful way to learn is by doing," says Dean John Walker. "It is this philosophy that underpins the vision of 215 King Street. Our new, still to be named restaurant, will be ready for students this fall."

The major focus of the new George Brown College restaurant will be integrated and interdisciplinary education.

With hands on learning as a major theme, Food and Beverage Management Students and Advanced Culinary Students will work as a team to meet the business objectives of the operation and be involved in the day to day decisions required to run a successful restaurant - versus working in separate silos. In addition, industry experts and external field trips to *Best-in-Class* industry partners will enhance the learning.

"Job-readiness is paramount to our learning philosophy so we regard the investment in our new restaurant as critical for student and industry success."



John Walker, Dean, Centre for Hospitality & Culinary Arts, George Brown College.

Announcements / Events

May 15, 2008 **PERSPECTIVES ON CANADA CONFERENCE, CANADA'S EVOLVING LABOUR MARKET: A WORK IN PROGRESS** http://www.lish/conferences/perspectives2008/index-en.htm

FSI 2009 Committee: Niloufer (Nilo) Afzal, Dameion Albanese, Todd Barclay, Dean Barger, Stéphane Beausoleil, Scott Dorland, Larry Gertsakis, Mary Jane Gibbons, Lorraine Housego-Dyment, John Kostyk, Joy Langlois, Barbara MacDonald, Julia Maxwell, Scott McDeivitte, Lesley McKeever, Denese Mitchell, Barry Reid, Roy Rodrigues, Michelle Scott, Melanie Segeren, Vince Sgabellone, Tom Vandepeer, Sheri Wiles. *Are you considering joining the 2009 Committee? Contact Denese Mitchell for more information at* denesem@fcpc.ca

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