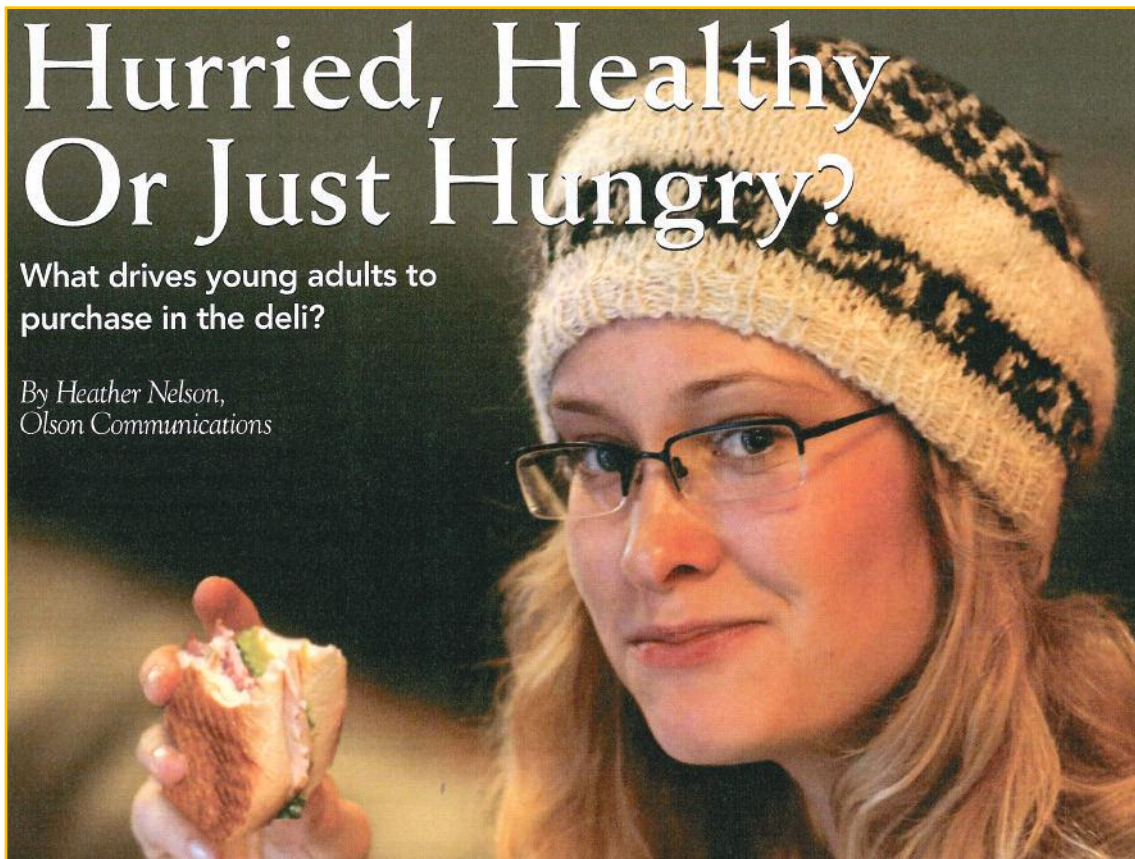


COVER STORY

Hurried, Healthy Or Just Hungry?

What drives young adults to
purchase in the deli?

By Heather Nelson,
Olson Communications



For the majority of deli operators across the country, young adults are taken for granted as part of the customer base. Very few operations target the 18- to 25-year-old market, and even fewer target them with any aggressive or innovative strategies.

And although their current income levels and spending per transaction may be lower than older customers, these young customers tend to shop more frequently — almost daily — and are seeking a balance between the spending habits passed on from their parents and their own preferences. The habits they adopt now can shape their loyalties for the rest of their lives, making them valuable adult consumers.

"Most young adults have very positive impressions of delis," says Tami Cline, co-founder of Y-Pulse, LLC, a youth foodservice research company with offices in Chicago, IL, and Marina del Rey, CA. "There are a lot of things that deli operators are doing right, but

there are also a lot of things we can learn from how young adults view fast food, convenience stores and other venues in order to draw more young adults into the deli."

Fresh -- The Big Factor

Y-Pulse recently surveyed more than 250 young adults, ages 18 to 25, on their perceptions of the deli, as well as their perceptions of fast-food restaurants, convenience stores and club stores. The No. 1 area where delis stood apart from the competition was freshness — and quality of food was rated the most important factor for young adults when choosing a deli.

When asked to name the best thing about shopping for food in the deli, "fresh" was the most popular answer. "You can purchase foods that are hot, fresh and ready to eat," according to a 25-year-old respondent. Fresh was an attribute rarely associated with the other venues in the study, making it a key area for delis to promote.

When customers think "fresh," they are thinking beyond produce to entire meals that are fully prepared and ready to grab-and-go. Combo meals help young customers get the feeling of homemade food without the hassles of cooking.

"I'm single, so cooking a big meal means I have to eat the leftovers for days," said Tara, 23, of Alexandria, VA, in a recent focus group conducted by Olson Communications in Chicago. Frozen foods are a popular solution for many young adults who live or eat alone and deal with the challenge of leftovers. However, single-serving portions or individual ready-to-eat meals solve the problem — and are regarded as higher quality.

At Cosentino's Price Chopper in Kansas City, MO, a daily combo meal consisting of an entrée and two side dishes is offered at a discount, according to deli supervisor Carolyn Mabrey. "This group likes hot products like fried chicken and grab-and-go pre-made

sandwiches, which are available in our store 24 hours a day."

Customers' perception of fresh is also influenced by appearance. Keeping foods looking fresh and just prepared, even at the end of the business day, can draw customers to the deli during off-peak hours. More than 50 percent of young adults shop for food in the evening or at night, with women making up more of the just-after-work crowd and men making up more of the late evening crowd.

Cross-Merchandise For Convenience

Convenience — rated the second best attribute about deli shopping — is a must for today's time-crunched young adults. Whether they are part of the campus crowd or entering the working world for the first time, these fast-paced diners are seeking more and more grab-and-go options.

"I don't have time to sit down and eat most days and I eat on the run, so it has to be easy," says Liz, 23, of Jackson, TN. Easy options can range from prepared sandwiches and other foods that can go from deli to dashboard for a quick meal on the go to prepared items intended for reheating at home.

"I like anything that prevents me from having to cook it myself when I don't have the time," according to one 18-year-old surveyed.

Young adults are particularly susceptible to impulse purchasing. "At dinner, you are so hungry that you just want to eat and really don't care what it is," notes Lauren, 20, of Milwaukee, WI.

Cross-merchandising items in the deli area that may be impulse purchases not only saves young customers time when shopping but also helps them make quick decisions in a time-crunch. This opens the door to upselling and increasing per-transaction averages by promoting specialty items. They may already have a jar of mustard in the fridge at home but may try a new specialty mustard showcased by the deli counter. Flavored jellies and tortilla wraps, specialty dressings and sandwich spreads are increasingly popular.

Varying The Menu

Young adults in the Y-Pulse study rank variety as their third favorite thing about the deli. From the wide variety of meats and cheeses available for slicing to the seemingly endless variations of salads and side dishes, the notion that

they can get almost anything they want is a huge driving factor when they choose to shop the deli.

Beyond sandwich staples, delis are expanding into other popular meal items that resonate with this young age group, such as burritos, chicken wings and sushi.

Cookes Family Market in Malibu, CA, has had success catering to the young adult demographic through both a sushi selection and hot service items. "We have lots of different types of chicken and that is what this group likes," says Xochitl Barroso, bakery

Top 10 Factors When Choosing A Deli

For young adults ages 18-25:

1. Quality of food
2. Cleanliness
3. Accuracy of order
4. Price
5. Quality of service
6. Convenience
7. Speed of service
8. Safety
9. Healthfulness of food/menu variety
10. Hours of operation

Source: Y-Pulse, LLC 2005

manager. "They come in for lunch and take out food from the hot service area."

At Russ's Market in Lincoln, NE, the menu also has recently broadened to much fanfare. "We just built a wing bar, which is an assortment of bone-in and boneless pre-sauced chicken wings," explains Chris Anno, deli manager. "We usually have four different varieties available each day. You just reheat them. They are fantastic."

Be Everything To Everyone

Customization is the fourth reason young adults choose the deli. "You can get what you want, how you want it," according to a 21-year-old respondent. And, as many young adults surveyed by Y-Pulse stated, as much as they want.

Highland Park Market in Manchester, CT, gets most of its young adult customers in the late afternoon. Deli manager Rich Tyrol points out they primarily choose the deli for "quick items like sandwiches or individual meals."

As Tyrol notes, sandwiches are big business with young adults, including prepared sandwiches served hot, prepared sandwiches served cold and made-to-order sandwiches served any way they want it. For lunch, for dinner, even for breakfast.

Unlike other food venues where convenience and speed play a larger role, quality of food is the largest decision-making factor for young adults when it comes to the deli. This attention to quality carries over to sandwiches.

When asked about their favorite sandwiches — whether made at home or purchased already prepared — almost every respondent noted specific breads, such as whole wheat, focaccia, potato bread, ciabatta, herb and cheese, rye and panini.

The awareness of specialty items extends to cheeses, such as Smoked Gouda, Muenster and Pepperjack. Grasch Foods in Brookfield, WI, keeps in mind its young customers' preference for specialty items and tries to stay on top of the trends.

"They are also looking for what is new and fun like specialty water crackers, specialty Boursin cheeses," says Laurie Granz, deli manager. "We do demos to introduce everyone to these types of items."

Specialty dressings beyond mayo and mustard, such as raspberry sauce, vinaigrettes and honey mustard, as well as more healthful or organic items such as sun-dried tomatoes, hummus and banana peppers, which are increasingly popular as taste buds diversify at younger ages.

"I like what I eat to be something of quality because I have tastes for things that tend to be a bit more complex. Although, I do have guilty pleasures ... like mac and cheese with hot dogs," explains Mike, 25, of Chicago, IL.

Sticking With The Basics

In addition to the fresh food options, convenience, variety and customization available in the deli, young adults also rate their deli experiences high for being able to find what they need. Clearly marked menus and product descriptions that help make shopping simple and comfortable do not go unnoticed with this age group.

While they may be looking for meals on the run, they still use delis as a place to buy items to incorporate into meals they prepare at home, namely sandwiches. Nearly 80 percent of young

adults prepare and eat the majority of their meals at home, with dinner as their largest meal of the day.

To meet the dinner needs of young customers, the Bel Air Market in Elk Grove, CA, offers prepared soups and entrées for take-home reheating or preparation. "We are trying to make things faster and more convenient," reports Kelly Distel-Gupton, assistant deli manager. "We have a great new soup program to help the customer get

soup faster. The soup is pre-portioned in ready-to-heat containers. We also have oven-ready pizzas that are ready to go."

Building Sales With Innovative Promotions

Young adults also turn to the deli for cost-conscious offerings — sales and promotions and daily or weekly specials. "I have very little disposable income, so cheapness is more impor-

tant than quality or convenience," notes Jonathan, 21, of Houston, TX.

Despite their tech-savviness, most young people agreed that face-to-face contact is their preferred method of ordering when inside the deli. However, outside of the deli, technology offers some creative ways to get the word out about specials and promotions.

Nearly 70 percent of young adults have text messaging capabilities on their cell phones, making it an instant way to get a message into their hands and guarantee they will read it. Convenience stores and other segments are exploring opportunities for text messaging daily specials to customers with permission of the recipient.

E-mail blasts are most accepted and more widely used. Sending out a list of weekly or daily specials has been successful for many food venues. Young adults say they do not often clip coupons, yet more and more consumer retailers are having success with e-coupons mailed directly to their customers to print out at home.

Deli operators are also in a unique position to educate and build an ongoing relationship with young customers. E-flyers or e-newsletters containing recipes, cooking tips, a listing of weekly specials or menus and food glossaries, as well as coupons, can not only help cross-sell but also help customers feel completely at home when they shop in the deli.

"This audience freely admits that many of them don't know how to cook," says Y-Pulse's Cline. "The more we can educate them on food and food preparation, the more we can build loyalty from a younger age."

Convenience Vs. Quality

In the study conducted by Y-Pulse, young adults confirmed that the deli meets many of their needs for freshness, convenience and quality, but when it comes to making dining decisions on a daily basis, they have more than just the deli to choose from. Other competing destinations, such as convenience stores, super stores and fast-food restaurants, have their own sets of attractive attributes that draw young consumers.

"By investigating what draws young consumers to other foodservice venues, we can start to identify areas where operators can take specific action to directly compete or change the competitive mindset," Cline

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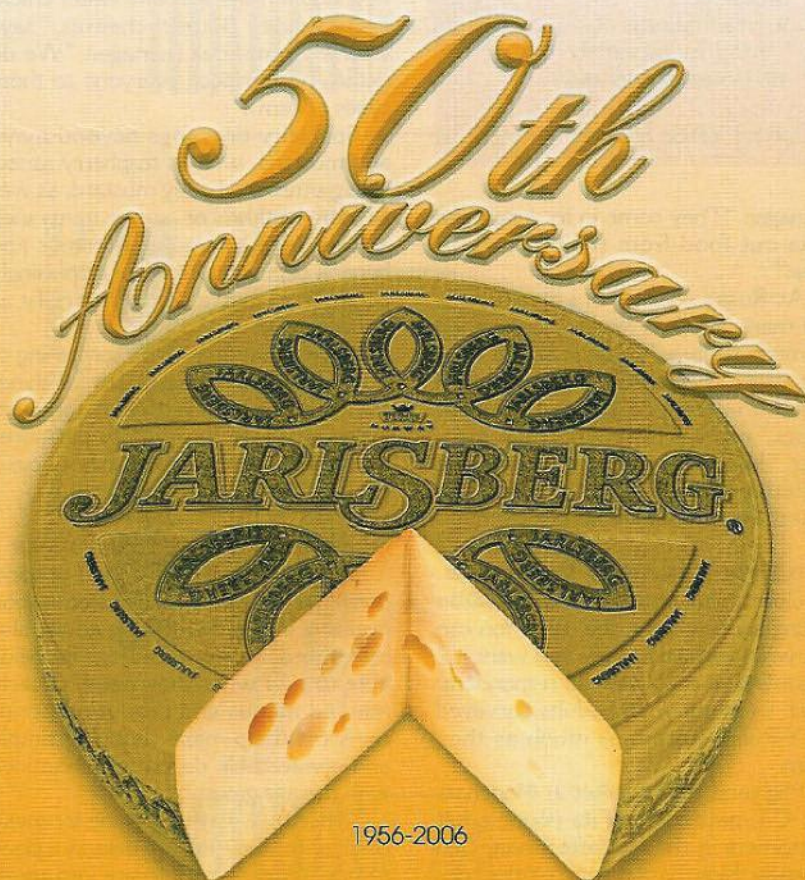
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explains. "For example, if young adults are frequenting quick-service restaurants because of dollar menus, we know that the only way to get the business of those specific customers is to compete on price. However, retailers may choose not to compete on price and create a level of value instead — like late night fresh express items."

Young adults who shop at super stores or club stores for food say they like the low prices, being able to get everything in one place and buying in bulk to save money. Many noted the freshly prepared foods and convenient hours, but many also said they do not shop club or superstores, although their parents do.

When it comes to convenience stores, young adults say they prefer purchasing food there when their primary goals are speed and convenience. The c-store also meets the need for round-the-clock service and easy access, particularly when traveling. The lack of long lines and numerous locations encourage business from young customers, who are willing to sacrifice healthful options when convenience is their first priority.

"It depends on how hungry I am. If I am really hungry, I prefer convenience, but normally I prefer quality," says Mark, 21, of St. Louis, MO. Capitalizing on convenience without sacrificing quality by placing easy meal solutions and snacks in shoppers sight-line as they enter the deli area can help speed up their deli shopping experience.

Fast food is praised by young adults for being just that: fast. Speed is their No. 1 concern when turning to fast food locations for a meal. The menu variety was their No. 2 reason for choosing fast food over other destinations, possibly due to a consistent year-round menu with popular value deals.

Sandwich chains with more healthful options were noted most frequently as favorites, although many young adults say they only eat fast food in a pinch or when traveling. "I don't feel as good when I'm eating fast foods and would prefer to eat something that is more healthy," notes Kathryn, 25, of Portsmouth, NH.

Offering picnic packs or boxed meals for shoppers on the go — and promoting pick-up the night before the big trip — can help customers get a more healthful meal while traveling. For the in-town crowd feeling the time crunch, delivery services or call-ahead ordering,

even if limited to large group orders, can increase lunch business and make the deli as fast as drive-through service. An express checkout exclusively for deli

Favorite Sandwiches

For young adults ages 18-25:

1. Turkey
2. Ham
3. Chicken Breast
4. Roast Beef
5. Vegetarian OR Burger (tie)
6. Reuben OR Tuna (tie)
7. Salami
8. Peanut Butter

Source: Y-Pulse, LLC 2005

customers is another great way to speed service.

Make The Deli A Destination

The quickest way any type of food operation can gain a loyal following from younger customers is to make its store a destination, not just a quick stop on the way home from work. If space allows, providing seating is one way to

encourage 20-somethings to arrange to sit down and read the paper over lunch or to meet a friend for dinner.

Donelan's Supermarket in Littleton, MA, promotes its image as a meeting place by having a harpist on-hand every other day to create atmosphere in addition to the warm welcome customers receive from the staff. Assistant deli supervisor Roxanne Hintz says Donelan's customer retention is due to the friendliness behind the counter. "We have a great team and we work to make the customer feel welcome. Many customers come in everyday, so we get to know them."

Simply greeting young adults with a friendly attitude and being open to their questions is a step in the right direction. "Young people have a wide range of options to choose from when it comes to food," says Y-Pulse's Cline. "They're looking for places where they feel comfortable and places that help them save a few extra steps."

"My job keeps me very busy," according to Tara, 23, of Alexandria, VA. "At the end of the day or in my spare time on the weekends, the last thing I want to do is cook." **DB**

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