

# Interest In Prepared Food

By  
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**S**ales of deli and prepared foods have grown rapidly over the past 10 years in virtually all channels of trade. In the supermarket, many executives now point to deli/prepared foods as having "displaced" produce for its importance in establishing the image for the entire store with its customers.

When asked to explain this growth, industry executives typically cite a variety of reasons: enhanced product quality, greater variety, healthier products, better merchandising, increased space allocation to deli/prepared food products, perhaps even improvements in logistics and technology.

The discerning reader will immediately recognize that the one thing that all of these factors have in common is that they influence product "supply" directly. But "supply" factors are only half, maybe less, of the story. In fact, they may be nothing more than effective responses to changing demand.

Executives know that deli/prepared food sales also have increased due to "demand" factors. Today's consumers lead busy lives, and increasingly seek ways to simplify. Consumers are more discriminating than their brethren a generation ago. They want convenience, without sacrificing style, freshness, taste and nutrition. They want good food quickly, but the traditional image of "fast food" does not cut it. Fortunately, most consumers are not naive. They understand that to fulfill all of these needs, food companies need to incur costs that were often not required in the past.

In order for the food industry firms to cover these additional expenses, higher prices are generally a marketplace reality.

However, one other, often unexamined, demand-related development had contributed significantly to the increasing popularity of deli/prepared foods.

In recent decades, favorable economic conditions have facilitated the introduction of value-added foods and higher prices that inevitably accompany them. The chart below integrates a number of these economic criteria.

For more than 65 years, the amount of money Americans spent on food, both at the supermarket ("at home" food) and in restaurants ("away-from-home" foods), has experienced a long and steady decline when measured as a percentage of their overall disposable income.

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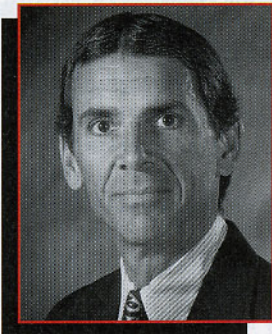
As the figure illustrates, shoppers spent approximately 23.5 percent of disposable income on food in 1931, but only slightly greater than 10 percent in 1996, the most recent year for which the U.S. Department of Agriculture has data. This compares to more than 20 percent in

most developed countries, and close to 30 percent in Mediterranean Europe.

Most industry analysts cite this decline as evidence of the great efficiency of the U.S. food system. That is, the U.S. food industry is able to deliver the enormous variety of safe, healthy food to U.S. consumers for less than half of what their grandparents paid, relative to total incomes.

Furthermore, the figure notes that total disposable income during this same 60-year period has grown steeply. This allows present day consumers the opportunity to indulge. With greater income levels, consumers have demonstrated a willingness, bordering on delight, to purchase more "services" than they did in the past. Greater consumer disposable income, coupled with shoppers begging for solutions to simplify busy lives, has encouraged suppliers to add value in the form of quality, assortment, promotion and innovation to product lines.

Although the percentage of disposable income spent on food has declined, it should be recognized that with such substantial growth in overall disposable income, the actual dollars spent on food has continued to increase. **DB**



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