

Strategic Blueprint For Deli Success

By
**Edward
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In the late 1980s, my colleagues, Jack Allen and Tom Pierson, directors and professors of the Food Industry Management Program at Michigan State University, and I conducted a broad national study of what then was the newest growth area in the supermarket industry: deli/prepared foods. Through face-to-face interviews with 20 leading deli directors and surveys of 200 supermarket deli operators, we analyzed the current status of the supermarket deli industry, strategies of successful delis and problem areas constraining growth for the future.

In our research report, *Strategic Directions in Supermarket Deli/Prepared Foods*, we documented what the trade press was already beginning to report: the deli was becoming a

leading shopper draw in many supermarkets, fresh prepared foods sections were emerging and the deli's impact on store image was believed to go beyond its sales contribution alone. Deli executives exhibited genuine excitement. After all, the deli growth rate in that era was nearly twice the company average, and sales contribution had risen rapidly to over four percent of the store total.

Nevertheless, operators recognized that just beyond the limelight they were beginning to enjoy lurked a considerable number of significant challenges. The future of the deli/prepared foods business would be determined by the industry's ability to respond to these challenges. Although, undeniably, much progress has been made over the past six years, reviewing these strategic challenges today still provides deli operators with a blueprint for future planning. Several challenges for deli operators must be met:

- **Adjust deli/prepared foods operations in response to changing shoppers and competitors.** As other food categories have experienced declines after rapid growth — frozen entrées come to mind — so might deli foods suffer as a

result of mediocre performance. It is critically important that most shoppers have their expectations consistently met, or exceeded, with respect to deli foods.

- **Achieve a more healthful and nutritious image for deli/prepared foods.** Consumer demand for nutritious and healthful foods is not a fad. It is one of the most enduring of contemporary consumer concerns and a major direction of societal behavior change. While some deli foods today are more healthful, the majority of deli foods still suffer from a poor consumer image as being laden in salt, fat and calories. More effective responses are called for.

- **Expand sales of fresh prepared foods.** Consumers lead ever more hectic lifestyles but, as a result of longer hours and more working women, they have more income to spend for convenience. Meal solutions are the most important development battleground on which future supermarket retailers and suppliers will fight to win share of stomach. One new

threat to supermarket delis: alternative channels of trade — restaurants, convenience stores, kiosks — are beginning to aggressively market good tasting, ready-to-eat foods.

- **Attract more shoppers to the deli.** Despite new products and new services, shopper patronage at the deli still lags behind most other major food departments in the store. A larger percentage of shoppers must be attracted to make purchases in this department.

- **Increase shopper understanding of self-service deli/prepared foods.**

Even with recent increased attention to "grab and go" sections, most shoppers are still unfamiliar with the notion of buying a ready-made meal at the supermarket rather than

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ingredients. Retailers and suppliers both have a role to play in this communication and education process.

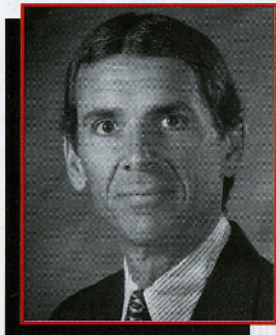
- **Assure safety and wholesomeness of fresh prepared foods.** As the industry makes the transition to prepared foods and meals-to-go, often at least partially prepared in the store, the importance of appropriate hygiene, sanitation and food safety are heightened.

- **Push for improvements in distribution systems.** New demands for prepared foods challenges suppliers and retailers to develop more effective and efficient ways to deliver consistently high quality foods to shoppers. Experimentation is required with local processors, manufacturer satellite kitchens, central commissaries, in-store preparation, cross docking, new direct-store delivery systems and various other new technologies.

- **Attract and train qualified staff.** The deli department is unlike much of the rest of the store. Procedures are more complex and responsibilities are greater, but it is unclear (to many employees at least) whether the rewards are commensurate. Making the needed improvements in employee education while still managing costs and achieving productivity goals is a challenge.

- **Deli/prepared foods retailers, wholesalers and suppliers must work collaboratively.** It will be to the mutual advantage of deli/prepared foods operators and suppliers to seek innovative ways to profitably expand their businesses. The industry has simply become too complex to "go it alone." In production, operations, merchandising and consumer research there are roles for retailer-supplier partnerships.

Since the time of our study and the identification of these challenges, deli growth has continued apace: deli/prepared foods sales have increased from four percent to six percent of store total — a 50 percent rise! — and are projected to reach nearly eight percent by the year 2000, according to a recent Cornell study. Progress is undeniable. But the stakes are getting higher. Deli/prepared foods retailers and suppliers would do well to take these challenges into consideration as they ponder recent industry changes and develop their own strategic plans for the future.



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