

JULY 2023

The background image shows a rustic bowl of food, possibly a salad or roasted vegetables, topped with a green herb dressing. Next to it is a packet of SupHerb Farms seasoning, which is green and textured. The scene is set on a light-colored surface with a striped cloth underneath the bowl.

Global Flavors Drive Profit for Grocery Retailers

Innovation never stops. To grow their share of stomach, grocery retailers should leverage the latest trends. Read on to learn how global flavors can help drive traffic and improve the bottom line for supermarket perimeter.

Grocery retailers are poised to take a bite out of foodservice market share.

When it comes to the question “what’s for dinner?” consumers have more options now than ever – with a huge variety of fully-prepared offerings to eat at home.

Over one-quarter of foodservice operators say that supermarkets are a source of competition for their business. Grocery retailers are stepping up to compete with restaurants on prepared foods, ready-to-eat meals, meal kits and entrées but they may be leaving opportunities on the table when it comes to sides, appetizers and kids’ meals.



DATA DIVE: Grocery Prepared Foods Opportunities

Where Supermarket Perimeter Does *Not* Compete According To Foodservice Operators

KIDS' MEALS



68%

APPETIZERS



64%

SIDE DISHES



59%

The at-home eating experience has changed, as consumers have gotten used to takeout and delivery from restaurants and other venues they would have never previously considered for the off-premise occasion. Looking to what traditional foodservice operators are doing can help grocerants get a bigger piece of the *at-home prepared foods* pie.

OPPORTUNITY

Consumers are spending more money for at-home eating. Consider kids' meals, appetizers and side dishes when innovating in prepared foods.

A top-down view of a wooden table. In the center is a white bowl filled with a pasta salad. The pasta is a short, spiral-shaped fusilli, coated in a green pesto sauce. Mixed in with the pasta are small cubes of red tomatoes, pieces of green bell pepper, and several shavings of white Parmesan cheese. To the top left of the bowl is a wooden cutting board with a block of white cheese and a metal grater. To the top right are fresh green basil leaves and a half-sliced yellow lemon. To the bottom right of the bowl is a silver metal fork.

Building a Better Prepared Foods Menu Program

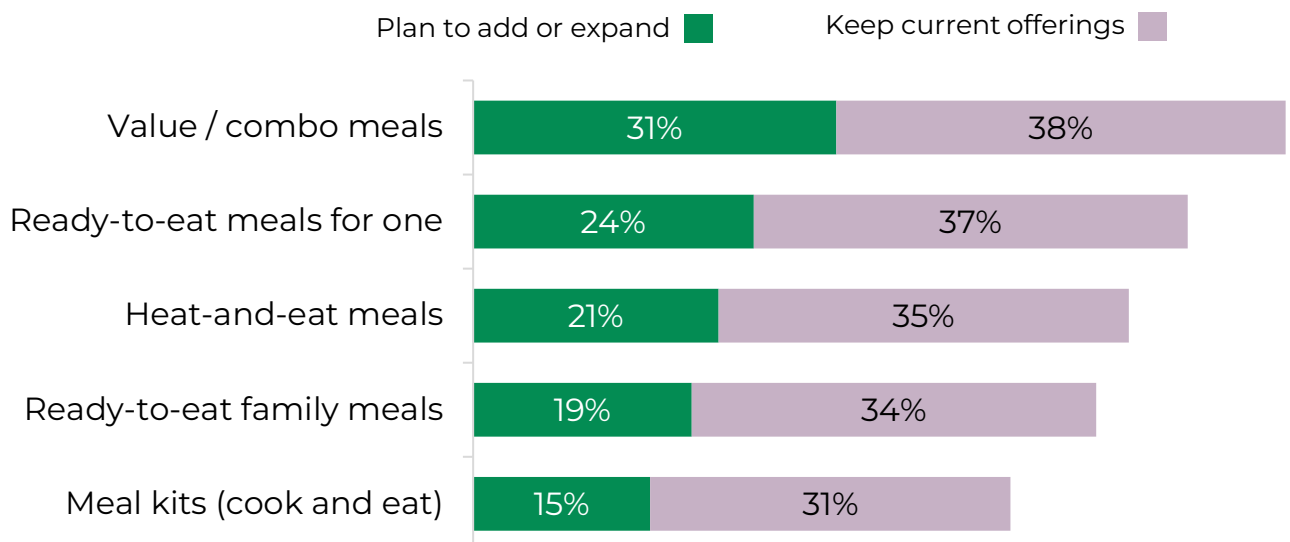
COMPETITIVE LANDSCAPE, MENU
PLANNING & INNOVATION

Competition is fierce for ready-to-eat meals.

Restaurants Are Expanding Into What Has Historically Been Supermarket Perimeter Territory: At-Home Convenience

Traditional foodservice outlets are as eager as ever to expand to and increase sales to the at-home convenience space. **For grocery retailers to maintain their position as leaders in the at-home space, supermarkets need to defend their market share by expanding their ready-to-eat meals for one, heat-and-eat meals and ready-to-eat family meals.** Now is the time for grocery retailers to continue to “up” their flavor game in order to best compete.

DATA DIVE: Foodservice operator plans for 2023



WHEN MAKING UPDATES TO YOUR MENU, LOOK TO YOUR PATRON BASE AND...

Focus on profit margin, not cost.

How do restaurants think about their menu offerings? For starters, they regularly look at their bottom line and change prices based on costs. This “cost is king” mentality can leave profitable opportunities on the table, especially for grocery retailers and here’s why (see below):



★ OPPORTUNITY

Consumers are dining out LESS. They want the premium dining experience at home and are willing to pay MORE for premium prepared meals to elevate their at-home dining experience.

🔍 EXPERT INSIGHT

An ingredient might add 2% cost to a dish but allows you to charge 10% MORE because of its *perception of premium* by consumers.*

SupHerb Farms Operator Research Conducted by Datassential, April 2023

Grocery retailers should look at *the value* they are delivering to their patrons and find products that allow them to charge appropriate (and ideally premium) prices in order to yield adequate margins. ***See chart on page 8 to identify what types of flavors customers view as premium and for which they are willing to pay more.**



When it comes to menus: innovate, innovate, innovate.



Pasta Salad Made with [Chimichurri](#) and Assorted Fresh and [IQF Veggies](#)

Foodservice operators are regularly evaluating their menu to stay on top of the latest trends; grocery retailers that are currently doing the same are a step ahead.

When margins are squeezed it can be tempting to stop looking forward – however, those who do so get left behind and are less likely to be considered by consumers. There are multiple reasons consumers choose to purchase food away from home, whether it be at a restaurant or supermarket. **Convenience, uniqueness and freshness are top consumer priorities when choosing where/what to eat.**

DATA DIVE:

Foodservice operator menu changes in any given year

| | Total | Restaurant | On-Site* |
|--|-------|------------|----------|
| Innovate to take advantage of trends | 23% | 21% | 25% |
| Innovate to design seasonal LTOs | 21% | 24% | 18% |
| Innovate for new core permanent menu items | 18% | 20% | 17% |
| Innovate to match competitive offerings | 15% | 18% | 12% |
| Innovate to design more regular LTOs set to a schedule beyond seasonal | 12% | 13% | 12% |



LTOs can serve as market tests and may reduce launch risks.

Look beyond traditional grocery competitors and evaluate on-site foodservice.

*On-site: Non-restaurant places that offer food & beverages, where food service is not the primary business focus (e.g. College & University, Healthcare, Hotels).



Go Global

ETHNIC FLAVOR OPPORTUNITIES,
PROFITABILITY, & CONSUMER INSIGHTS

Convenience is where supermarkets rise above, but they fall short on global offerings.

Foodservice operators overwhelmingly see grocery retailers as beating them on convenience. Supermarket prepared food departments also do well on price, location and variety, but they fall short on global offerings. Consequently, foodservice is likely to leverage these global flavor profiles to differentiate themselves from supermarkets. In order to combat this tactic, grocery retailers should do the same.

DATA DIVE:

Where grocery stores compete best
According to foodservice operators

| | |
|--|-----|
| Convenience | 79% |
| Pricing | 64% |
| Location | 58% |
| Variety of meals offered | 54% |
| Variety of ingredients offered | 50% |
| Dietary or lifestyle focus | 49% |
| Global flavor profiles/dishes/cuisines | 35% |

OPPORTUNITY

Stepping up with increased global flavor offerings is important for grocery retailers to compete with greater competition for at-home meals from restaurants and other foodservice venues. Supermarket perimeter should consider expanding the flavor profiles, dishes and cuisines they offer.

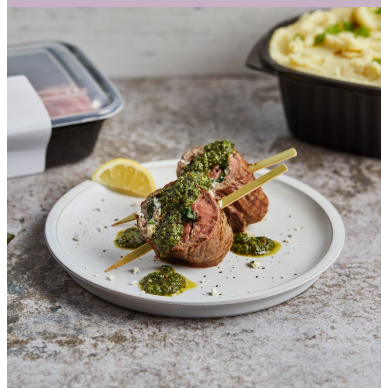


GLOBAL CONCEPTS FOR GROCERY



Mojo Potato Salad

Mojos are a staple sauce, marinade and dressing used in traditional Cuban cuisine – fragrant with citrus, garlic flavor and herbs.



Steak Pinwheels with Chimichurri

Chimichurri is a traditional condiment, marinade and dipping sauce from Argentina – tangy and herbaceous with a zing of vinegar and lime juice.



Ginger Pepper Hummus

Ginger-pepper flavors are ubiquitous in a variety of classic, pan-Asian stir-frys – bright, spicy and full of bold flavor.





Global offerings can improve profit margin.

Perhaps the most compelling reason to expand globally inspired flavors in supermarket prepared foods departments is that foodservice operators who offer global dishes are often able to charge a premium.

Nearly half of all operators who offer globally inspired menu offerings say they can charge a higher price for those items (51 percent of restaurants and 32 percent of on-site operators). In a time of squeezed margins, that percentage increase can have a meaningful impact on profitability. **Adding global flavor profiles doesn't just drive traffic, it can also drive higher margins and help improve your bottom line.**

DATA DIVE: Price premium on global offerings

Among those who offer

| | Total | Restaurants | On-Site* |
|------------------------------------|-------|-------------|----------|
| Charge the same vs. similar dishes | 59% | 49% | 68% |
| Charge 5 - 10% more | 29% | 36% | 23% |
| Charge 10 - 15% more | 6% | 8% | 4% |
| Charge 15 - 20% more | 5% | 5% | 5% |
| Charge more than 20% more | 1% | 2% | 0% |

OPPORTUNITY

Global offerings stand out as more unique. Many foodservice operators say they can charge a higher price for these dishes.



*Non-restaurant places that offer food & beverages, where food service is not the primary business focus (e.g. College & University, Healthcare, Hotels).

Consumers are ready for global offerings at grocery.

Seventy-six percent of consumers think authentically-flavored global prepared dishes should be available at grocery stores today, but the reality is that just 58 percent say that's the case. Nearly half (42 percent) of consumers say grocery stores are falling short on authentically prepared dishes. Consumers are demanding offerings that pull from international regions such as [Africa](#), [Asia](#), [Caribbean](#), [Latin America](#), [Mediterranean](#) and the [Middle East](#).

76%

of consumers think
**authentically-flavored global
prepared dishes should be
available** at grocery stores today

OPPORTUNITIES

- 1 Consumers are seeking global flavors from grocery perimeter. If your supermarket isn't thinking global, you are missing out.
- 2 Consider sourcing versatile global ingredients that can be used in a variety of applications, such as chimichurri.



*Spicy Ham & Cheese Morning Bun
Made with [SupHerb Farms Chimichurri SRP](#)*

The global flavors that customers want from grocery perimeter.



DATA DIVE: Average total interest across all generations

● African ● Asian ● Caribbean ● Latin American ● Mediterranean ● Middle Eastern

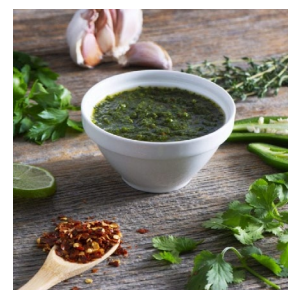
| | |
|--------------------------------------|-----|
| <u>Roasted Red Pepper</u> ○ | 39% |
| <u>Pesto</u> ○ | 30% |
| <u>Mexican Ancho Chile</u> ○ | 30% |
| <u>Jamaican Jerk</u> ● | 30% |
| <u>Citrus Garlic Herb (Mojo)</u> ●○ | 30% |
| <u>Tuscan Tomato</u> ○ | 28% |
| <u>Thai Red Curry</u> ● | 25% |
| <u>Indian Masala</u> ● | 22% |
| <u>Latin Sofrito</u> ○ | 22% |
| <u>Chimichurri</u> ○ | 21% |
| <u>Piri Piri (Peri Peri)</u> ●○ | 16% |
| <u>Harissa</u> ●● | 14% |
| <u>Sambal</u> ● | 13% |
| <u>S'chug (Zhoug, Zhug, Skhug)</u> ● | 13% |



Roasted Red Pepper



Pesto (Kale)



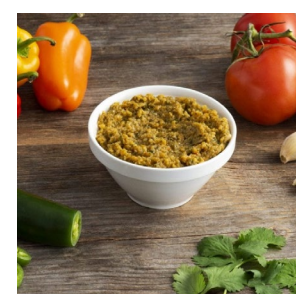
Chimichurri



Mexican Ancho Chile



Indian Masala



Latin Sofrito



S'chug



Sambal

How to choose the right global flavors for your patrons.

Each grocery store's customer demographics differ; it's important to consider your unique customer base when choosing flavors.

It can be easy to simply look for the most popular flavors when looking for inspiration for menu changes (e.g. [roasted red pepper](#)); however, if your store has customers looking for a more innovative selection, it can be important to showcase flavors that are earlier in the trend lifecycle (e.g. [Piri Piri](#), [Harissa](#), [S'chug](#)).

EXPERT INSIGHT

S'chug has high appeal among Gen Z consumers while Ancho Pepper has more appeal with Gen X.

SupHerb Farms Consumer Research Conducted by Datassential, June 2022

Decision Tree Guide

What kind of taste experience are your customers looking for?

Cutting edge and seeking the newest global taste experiences.

S'CHUG



HARISSA



PIRI PIRI



Late adopter but still interested in authentic global flavors.

PESTO



JAMAICAN JERK



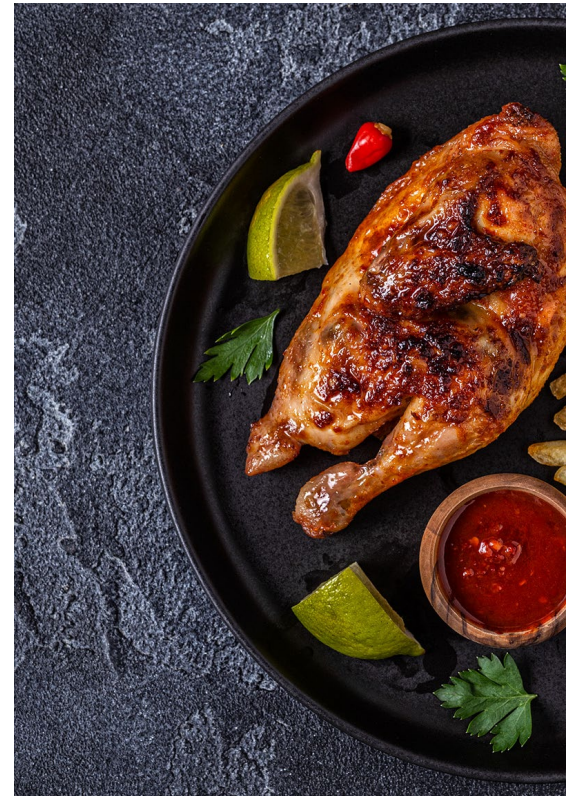
MEXICAN ANCHO CHILE



Opportunities

1 Grocery retailers are perfectly positioned to take advantage of trending foods and flavors. Food trends start at foodservice before they wind up on grocery store shelves – and supermarkets are the ideal middle ground to take advantage of flavors as they make this transition from restaurants to packaged goods. What's more, consumers often experiment with new ingredients and menu items in ways that minimize "risk". Supermarket prepared foods can leverage this and allow for experimentation since they tend to have flexibility in the size of their dishes (i.e. it can be easy to offer smaller sizes) and are lower-priced than restaurants.

2 The recession may mean new opportunities for grocery retailers. When budgets get tighter, dining out is one of the first areas consumers cut back on and supermarkets should be ready to step in. That means innovation is as important as ever for supermarket prepared food departments. Their offerings should be ready to compete on uniqueness and flavor profiles as consumers potentially "trade down" and scale back how often they dine out. Prepared grocery offerings are already highly rated for their convenience and pricing but need to step up their global flavors.



*Grilled Piri Piri (Peri Peri) Chicken Made with
[SupHerb Farms Piri Piri Culinary Paste](#)*

3 Global flavor profiles are good for margins.

Menu updates aren't just about new items and flavors, they can also be a chance to update prices. Global offerings stand out as more unique and many foodservice operators say they can charge a higher price for these dishes. Plus, any time you add a new item to the menu, you aren't facing the expectation of price that can be deeply ingrained for pre-existing menu items (such as the ubiquitous supermarket roasted chicken).

4 Don't just look to the most popular flavors for menu inspiration. If you have innovative customers, it's important to showcase flavors that are earlier in the trend lifecycle. Innovating your flavors puts you ahead of the curve and allows you to introduce truly signature items for which your stores are known.

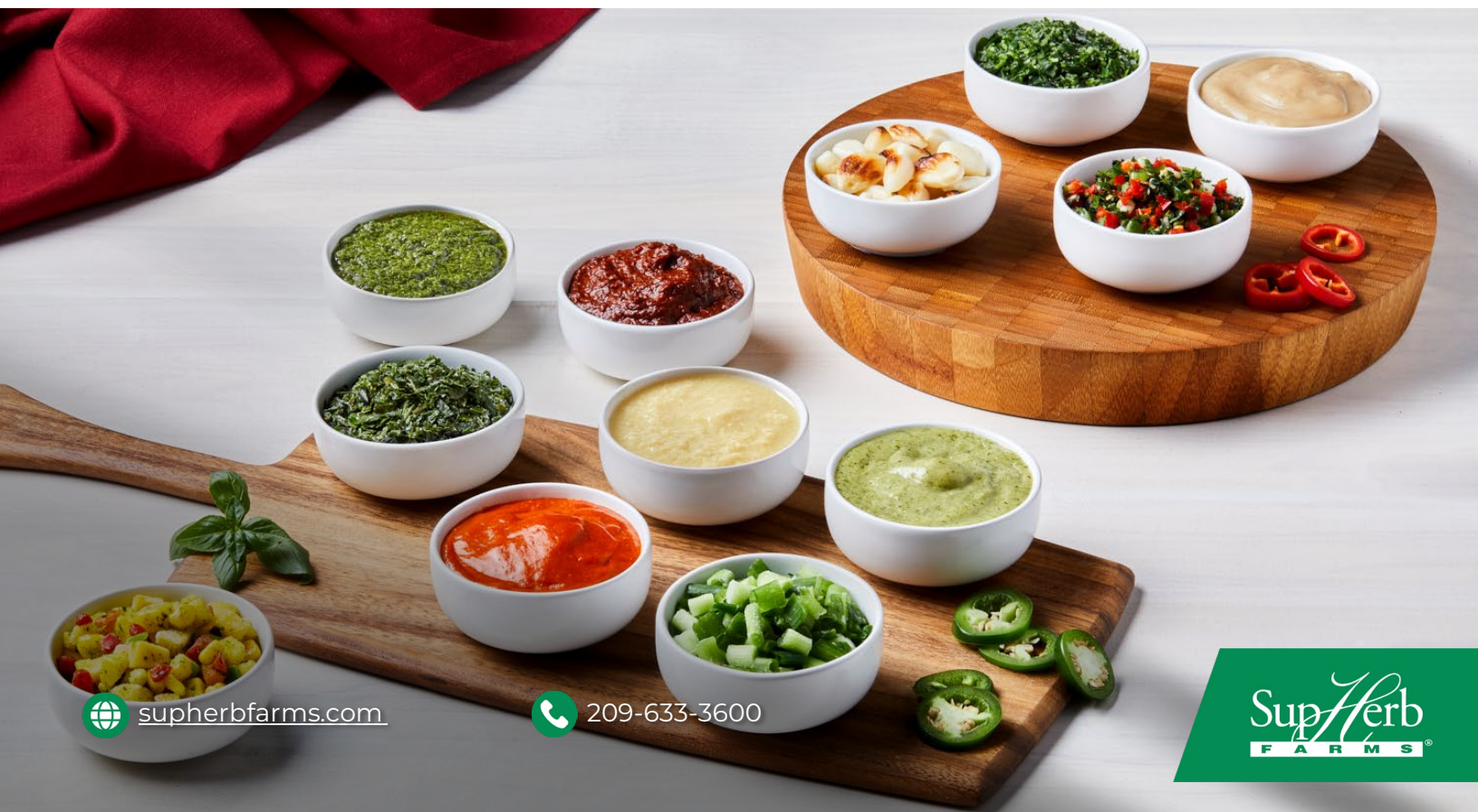



*Tuscan Tomato & Arugula Pasta Salad Made with
[SupHerb Farms Tuscan Tomato Culinary Paste](#)*




Globally Inspired Flavor Solutions™

SupHerb Farms® supplies *IQF Herbs*, *Frozen Specialty Vegetables* and globally inspired *Culinary Blends*, *Culinary Pastes* & *Culinary Sauces* to restaurant chains, grocery retailers and best-in-class food brands who are passionate about sourcing farm fresh flavor.



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