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Defining Fresh and Adapting Systems to Meet Demand

BY JASON MALMASSARI AND DANI SCHOOLEY ON MAY 30, 2016

Are you considering using more locally sourced ingredients in your menu offerings? Thinking of providing freshly prepared to-go meals in your retail stores? If you monitor buyer behavior and purchasing trends, you know that consumer demand for more fresh food options, including fresh produce and ready-to-eat meals, shows no signs of slowing.

Between 2003 and 2013, consumption of fresh foods grew 20 percent to more than 100 billion eatings per year and the NPD Group projects fresh eatings will exceed 120 billion per year by 2018.^[i] Food retailers and restaurants wanting to meet consumer demand and capitalize on the revenue opportunities associated with growth in the marketplace need to consider the effects of adding more fresh foods to their menus and display cases.

David Wright from consumer insights firm Hartman Group describes fresh as “a fairly complex construct, since it has a wide range of cues and beliefs that link to it.” He notes that consumers may identify a fresh food by what is in it, how it is made, who made it and how it is packaged.^[ii]

Increasing fresh offerings is not as simple as moving more produce through the supply chain. Often, adjustments must be made to account for the shorter shelf life and sensitivity associated with fresh foods. Brands may need to alter many of their systems and processes to account for the supply chain impacts, prepare for demand and ensure operational excellence. But before they overhaul their systems to accommodate fresh or jump blindly onto the fresh bandwagon without any preparation at all, brands should first understand what fresh means to their customers.

For some, fresh may mean food directly from the source or as close to it as possible. An example would be produce available at a roadside stand or farmers market that was sourced locally (of course, local is relative). Fresh can also mean food that was procured from the source and made available to consumers quickly, such as fish caught off the East Coast of the United States in the morning and sold on the West Coast in the afternoon. The definition of fresh may relate to foods that were never frozen, and may be a differentiator for a brand that offers fresh meat and fish since these are often frozen before they are cooked and served in restaurants. Fresh can mean freshly prepared as in a freshly cooked burger with the toppings a customer specifically requests instead of a burger that was cooked and packaged earlier, and is kept warm until purchase. Finally, clean label and clean ingredients are variations of fresh as are foods that do not contain preservatives. Think simple ingredients—no additives, chemicals, pesticides or dyes.

Offering fresh in any sense of the word is a complex and expensive process in supply chain management, so it is worth investing in customer research to ensure the target audience's specific interpretation of the term is understood. Analysis of historical data and current purchasing trends, as well as the use of surveys and other tools, may be appropriate. Often, it may make sense for a brand to start with a limited run of a new item in one or two test markets. This provides an opportunity for the brand to gauge consumer response, track actual sales relative to forecast, and observe the impacts of the offering within the supply chain and restaurant.

Once brands determine what is important to their customers, they can create offerings that align with consumer values and appeal to their preferences. For instance, a quick-service restaurant (QSR) chain hoping to appeal to its customers' preference for convenient, affordable, healthy, snack-sized meals may decide to offer a fruit salad featuring three fresh fruits at a popular price point.

Next, the brand needs to consider the impacts that fresh offering may have on the supply chain. This is not to say that a complete overhaul of processes and networks is always necessary, but certainly brands should consider potential effects of fresh at each point along the chain and prepare accordingly.

Take sourcing and procurement, for example. Where will the brand source the fruit? Are the fruits available year-round? If they are not, the brand may consider offering the salad seasonally or it could look to source from other locations where the fruit is more readily available throughout the year. If the brand looks outside the U.S. to source product, there are transit and customs considerations. If specialized transportation such as refrigerated trucks or protective packaging is required, there are associated cost implications. Additionally, transit and storage times consume shelf life. Having multiple suppliers can mitigate risk if one supplier experiences hardship. Similarly, having a plan to quickly access in-transit inventory or move inventory between restaurants ensures the brand is able to meet higher-than-anticipated demand.

With regard to forecasting, leveraging historical point-of-sale information for similar items can help the brand anticipate demand for its fresh offering and predict expected sales; however, the brand should also consider variables that may affect forecasts, including seasonality, school breaks, holidays, promotions and other events. Demand for the fruit salad may be stronger in the summer months and, if children and students are target consumers, there may be peaks in demand during school breaks. Armed with information and different demand scenarios, the brand can plan accordingly and prepare its supply chain.

Nevertheless, forecasts can be off and the best-laid plans can go awry. Weather events can impact harvests and distribution, labor disputes can delay shipments, and a positive comment about the product from a celebrity on social

media can cause demand to surge unexpectedly. Brands should be prepared with solutions to respond to these events to minimize effects on the supply chain and ensure supply.

Finally, brands should not overlook the impact of fresh on operations. Restaurant operators should be trained, as applicable, on how to prepare, assemble, serve and promote the new offering. If there are storage or packaging considerations, these should be addressed as well. Does the restaurant have sufficient room to accommodate storage and assembly? The brand should ensure the new menu item does not impede service or cause inefficiencies at the restaurant level.

Offering fresh menu items and maintaining a competitive supply chain need not be at odds. As long as brands are clear on what fresh means to their customers, and consider the implications of fresh along their supply chains and adapt appropriately, fresh can be efficient and cost-effective. As with any product or offering, it is important to take the necessary steps to align supply and demand, and mitigate risk.

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[i] <http://krogermediaservices.weebly.com/uploads/2/7/4/7/27475747/npdfoeofferfresh.pdf>

[ii] <https://www.qsrmagazine.com/promotions/buzzwords-defined>

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