

DELI

W H I T E P A P E R



Improving the Deli Shopping Experience

PART 2 OF 3

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A Letter From Tyson

We are pleased to bring you the second installment in a three-part series of white papers on the state of the deli industry today. This series of articles is part of Tyson Foods' ongoing commitment to the deli industry in the form of sponsored primary research, sharing of consumer insight, and sponsorship of industry events. It is our belief that enriching the depth of consumer insight in the retail deli channel leads to improved consumer shopping satisfaction which benefits manufacturers and retailers alike.

The primary source for *Improving the Deli Shopping Experience* is an ethnographic research project that Tyson Foods conducted recently in which consumer behavior was observed through video cameras and in-store observation by trained ethnographers. Those results have been combined with insights from the Perishables Group.

As the report demonstrates, managing the consumer experience in deli requires thoughtful consideration of product category adjacencies and careful management of operational issues to optimize the retail shopping experience for the consumer. Store layout and employee performance become key ingredients in the consumers' perception of freshness, the most important attribute to the consumer in their selection of a supermarket deli.

Continued focus on improving the experience of the shopper through greater consumer understanding encourages more frequent visits to the deli, higher shopper participation in the category, and enhances the consumer perception of the retailer's brand. We hope the information contained in this white paper helps support your strategy for a growing, healthy deli business.

Sincerely,

Lori Simco
Vice President of Marketing
Tyson Foods, Inc. Deli Division

Improving the Deli Shopping Experience

The traditional instore deli faces intense competition from alternative grocery channels, as well as fast food and other take-out restaurants. Time-starved consumers are focused primarily on health and convenience, and tend to favor quick “fill-in” trips to the store rather than weekly “stock-ups.” This influential consumer segment has been largely overlooked by the instore deli, where long wait times and overwhelming product offerings have kept key shoppers away.



The Perishables Group is partnering with Tyson Deli to examine how the industry can manage and improve the instore deli. Previously, we outlined a strategy for applying category management techniques to the deli department. In this report, we will address the marketing and operational areas of opportunity within the deli and present a strategy for enhancing the deli shopping experience.

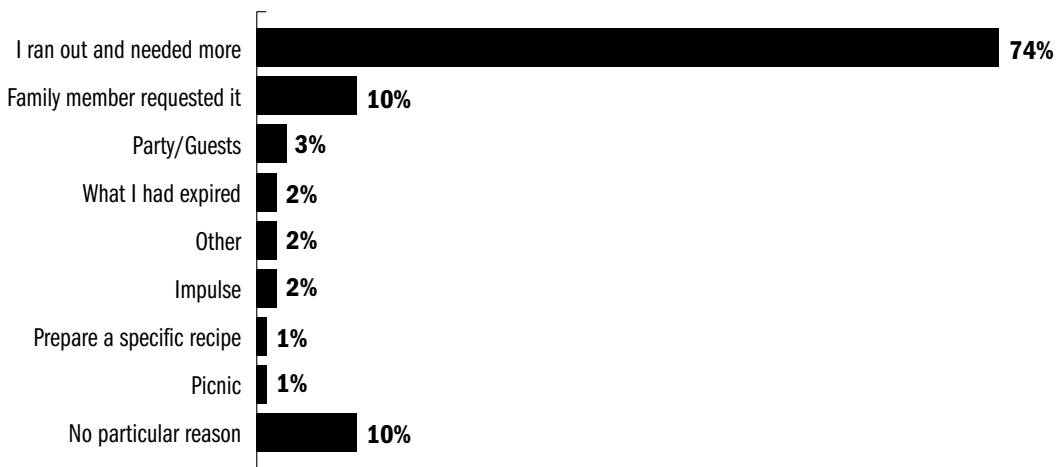
Retailers need to take customers off “autopilot” and bring excitement into the deli.

project were to assess the customer experience at the deli, determine how different department layouts facilitate or hinder sandwich meat shopping, evaluate the role of signage and sales staff in the deli meats purchase decision process and recommend merchandising and operational strategies for the deli department.

Tyson worked with an independent research firm to conduct a comprehensive study of the deli experience at one retail chain. The objectives of the

Researchers tracked and timed customer movements in the deli and used video to capture and

Which of the following best describes your reason(s) for purchasing sandwich meat?



Source: Tyson Deli



analyze behavioral patterns throughout the store. Shoppers were also intercepted as they exited the deli and asked to complete a short survey.

Deli Positioning and Buying Behavior

The study found that deli location strongly impacts shopping behavior. As most customers prefer to shop the deli at the end of their trip, there is an opportunity to widen the customer base by targeting the unplanned deli shopper. One suggestion is to place the deli counter in a highly visible pathway to interrupt the routines of grocery shoppers less inclined to shop the deli. Also, consider positioning the deli counter near the main entrance power aisle to remind shoppers about the deli offer as they enter the store.

Researchers also found that deli buying behavior is about as spontaneous as that of bank and convenience store customers. Customers look at very few products and purchase nearly every product

they examine. Shoppers come to the deli counter to simply replace what ran out at home, presenting an opportunity to encourage experimentation in the department.

Wait time at the deli is generally long and can cause potential buyers to walk away; however, strategically placed merchandising can inspire impulse purchases in routine shoppers. Unfortunately, point-of-sale signage in the deli is often positioned where only the ordering customer can view it, hidden from waiting customers most likely to change or expand their purchase decisions.

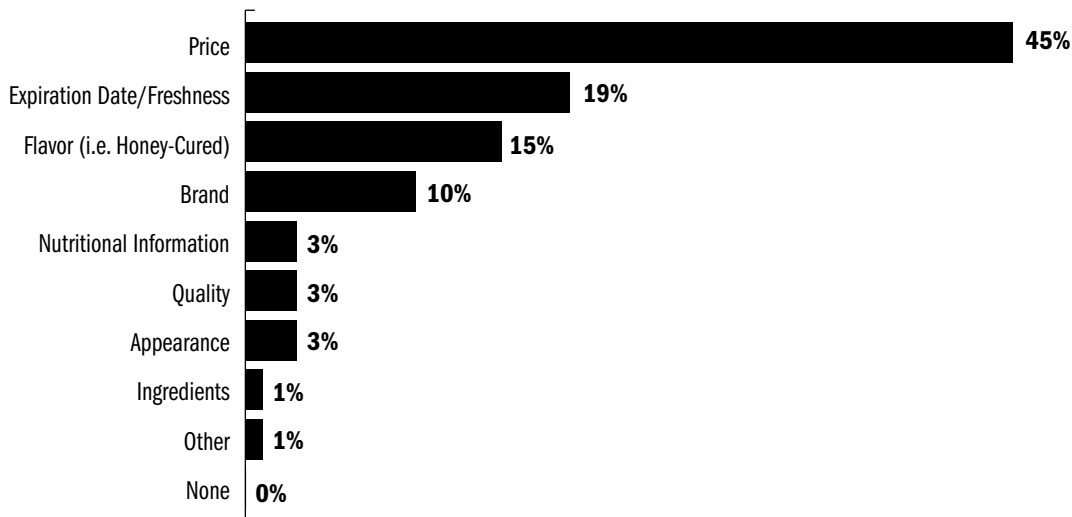
Attractive signage can potentially trigger impulse purchases as well as educate the deli consumer.

Shoppers tend to be overwhelmed by the assortment at both the deli counter and prepackaged cooler; the average customer spends 49 seconds examining items at the prepackaged deli case, indicating a high degree of confusion about the category. Simple, creative signage and educational pamphlets can point out the features and flavors of

Service at the deli counter can be easily improved without investing in additional costly labor.



What is the primary piece of information you look for when considering sandwich meat purchases?



Source: Tyson Deli



tend to drive away potential buyers. At the retailer studied in this project, average wait times ranged from slightly more than one minute to nearly three minutes. Some 6 percent of deli customers left the line for the service counter; in fast food restaurants, by comparison, fewer than 3 percent of customers walk out of line.

Small changes to the format and layout of the area can bring about immediate benefits. For example, moving sale items and other popular deli meats to chilled bins near the slicing machine would reduce time spent fulfilling customer orders.

deli meats, differentiate the product offering and suggest easy meal solutions and usage ideas.

Signage is not the only means of attracting shoppers to the deli department. Researchers discovered that an enticing full-roast display is equally as effective as signage in bringing grocery shoppers to the deli. An appealing rotisserie display should be placed in the most visible, high-traffic area of the deli space to invite customers into the department.

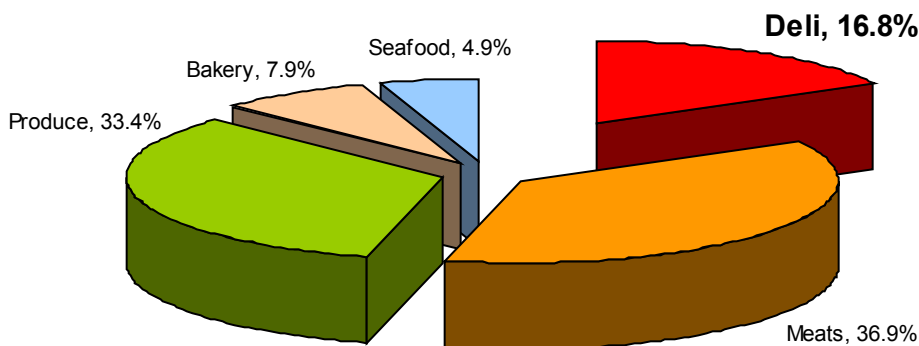
Freshness is the key decision driver in all perishables departments and this project found it is particularly relevant in the deli. At the deli counter, customers judge freshness by the quality and speed of service and the cleanliness of the space. Perceived freshness can be enhanced by training sales staff on products and service tactics, such as accurately estimating product weight, in order to minimize the number of times it must be weighed during slicing.

Operational Efficiencies

Though wait time presents an opportunity to communicate with shoppers, extended lines also

Another operational bottleneck is the ordering system, which generally creates confusion for deli shoppers. Some 60 percent of all confusion exhibited by deli customers during the study was related

Total Perishables Breakdown 2006



Source: Perishables Group FreshFacts® powered by the Nielsen Company



to waiting as part of the ordering system.

A quick solution is to position the number machine in a highly visible location and provide instructions to customers using simple directional signage (e.g., “Order Here”), as wait time is longer when shoppers do not know where to stand. However, when the number machine is out of order, it is important that it be covered or removed from the floor to avoid uncertainty, which slows down the waiting process.



Connecting Deli with Produce

Research shows that how consumers view the products in the produce department determines their perceived freshness of all products in the store. The majority of consumers shop the produce department either just before or just after shopping the deli. With this in mind, the deli department should ensure that shoppers closely identify fresh produce with high-quality deli products.

Successful stores use signage depicting meal solutions with deli meats, cheeses and fresh fruits and vegetables applications.

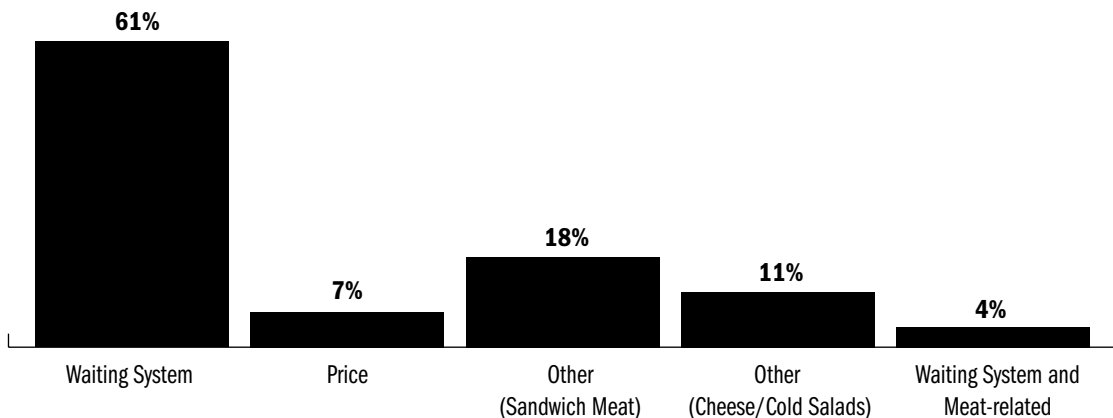
vegetables near the deli display and use vivid point-of-sale images of produce in deli department visuals to make the association between the departments.

Store design can also create an atmosphere that links the two departments. Some stores use unifying color treatments in signage and environmental elements to link the deli and produce department “under one roof.” A unique floor treatment consistent throughout the deli and produce areas is also an

effective yet subtle way to make that connection.

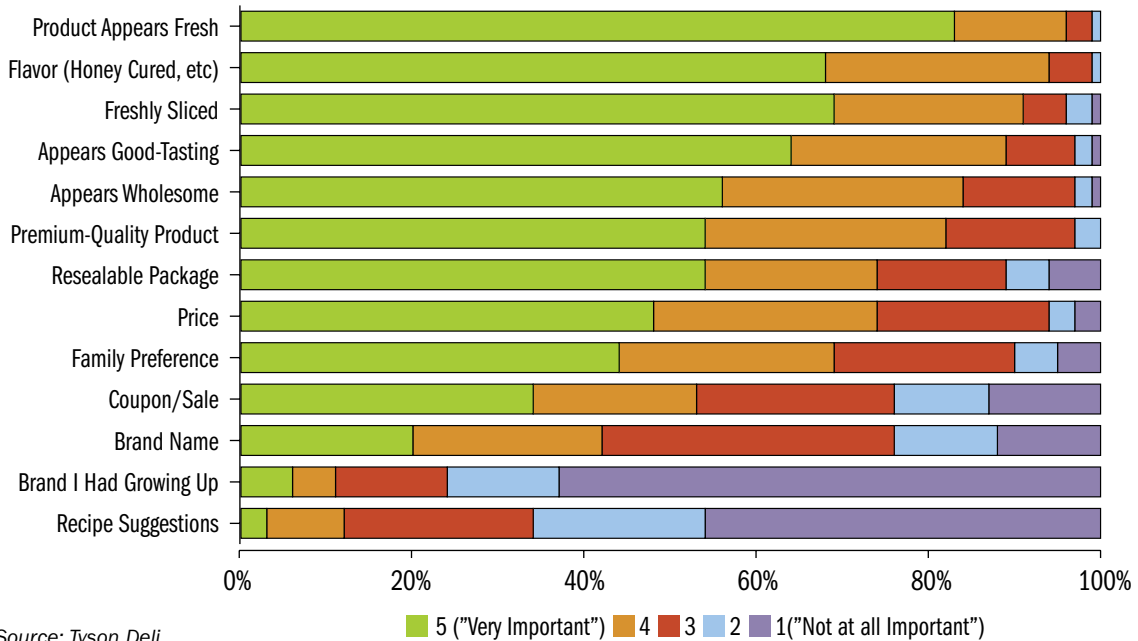
One solution is to position fresh, unpackaged Typical deli shoppers are mothers between 35 and

Percentage Exhibiting Each Type of Confusion (Overall)



Source: Tyson Deli

Please rank the following aspects of sandwich meat shopping: -[N=264]-



Source: Tyson Deli

54; these customers can be targeted with images of picnics, families and cooking at home.

Delighting the Deli Shopper

As the retail environment continues to be more competitive, consumers have a wider variety of shopping channels to choose from. Quick-serve sandwich shops attract sales of deli meats away from the in-store deli with fast service, fresh products and whole meal solutions. To win back customers, the in-store deli must become a destination.

The first step to achieving this is to update the look and feel of the deli to reflect the changing needs of today's shopper. Exciting point-of-sale images that highlight featured products and educate consumers about new varieties and flavors can help. So can implementing a waiting system that helps rushed shoppers meet their time constraints by providing consistently fast service as well as connecting the deli and fresh produce departments.

The in-store deli department is an important profit center for total store contributing nearly 17 percent of total perishables sales and 4.5 percent of total store sales. Deli share of total perishables sales has steadily increased between 2004 and 2006 and shows enormous potential for growth in 2007.*

Refining the deli offer to fit today's consumer is an investment that will generate substantial returns for years to come.

The Perishables Group is an independent consulting firm focused on innovation and creating value for clients in the fresh food industry. Expertise includes category development, supply chain management, activity based costing, research and marketing services. Bruce Axtman is the president and CEO of the Perishables Group and is widely recognized as the industry leader in applying category development processes to the perishables food space.



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