

AHEAD OF WHAT'S NEXT PROGRESSIVE GROCER

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State of the Industry

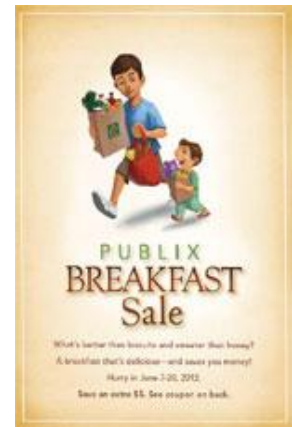
By Kathleen Furore

Breakfast at home presents \$8.9 billion growth opportunity for retailers.

Recently, Publix put out an 11-page breakfast sale flier (right) that was designed to resemble a children's storybook, with clever artwork and rhymes.

Inside, customers found buy-one/get-one-free offers for Post cereals and Simply Potatoes, plus special pricing on Oscar Mayer Center Cut Sliced Bacon, Kellogg's cereals, Eggo Waffles, Smuckers preserves or marmalade, and Jif peanut butter.

Why did Lakeland, Fla.-based Publix decide to dedicate an ad — and such a creative one at that — specifically to breakfast items?



"Like other supermarkets, Publix sells a lot of breakfast foods," spokesman Dwaine Stevens says. "Secondarily, most consumers consume breakfast foods previously purchased from supermarkets versus restaurant or quick-solution providers. Thus, it makes sense to us and to our customers to offer outstanding deals on many breakfast foods in a single eye-catching event like our breakfast sale. While this is a large sales event for us and our customers, we do offer key breakfast items at reduced prices each week in our weekly ad flier."

The Publix breakfast promotion is just one example of the ways retailers are trying to capture a share of the at-home breakfast market. And for good reason: Breakfast is a \$28 billion business, with room to grow, according to the Milk Processor Education Program (MilkPEP) report, *The Retail Opportunity: Breakfast at Home*.



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—Dori Hickey, *The NPD Group*

"Research indicates that breakfast at home is an \$8.9 billion growth opportunity for retailers," says Julie Buric, VP of marketing for Washington, D.C.-based MilkPEP. "While 93 percent of Americans say breakfast is the most important meal of the day, only 43 percent say they eat it every day."

According to the NPD Group's *Morning MealScape 2011*, 31 million Americans skip breakfast every day, which means there are 31 million prospective new customers for breakfast products sold at retail.

"With 31 million people skipping breakfast each day, there is a significant opportunity for food and beverage marketers to reach these consumers," says study author Dori Hickey, director of product management of Port Washington, N.Y.-based NPD

The Impact of Demographics

Understanding who's eating what at breakfast — or even who's not eating a morning meal — is an important step in determining merchandising and marketing plans.

The NPD study, which included 27,179 participants, examined situational factors and attitudinal drivers impacting consumers' morning food and beverage choices. Some 28 percent of males age 18 to 34 (the highest incidence in the study) and 18 percent of females in the same age group skip breakfast. The older the group, the lower those numbers become: Only 11 percent of males and 10 percent of females over 55 miss the morning meal. Among children, the incidence of skipping increases with age. Some 16 percent of teens age 13 to 17 skip breakfast, the study shows.

"Marketing messages emphasizing the importance of having a morning meal should be age- and gender-specific in order to increase their effectiveness," NPD's Hickey says. "To convert teens, a two-pronged approach may be necessary — one that appeals directly to teenagers, the other to provide strategies for parents of teens."

Why consumers forgo breakfast is another piece of the puzzle. Not being hungry or thirsty, not feeling like eating and drinking, and not having time were NPD survey respondents' reasons for not eating or drinking before 11 a.m. Adult females are more likely to skip a morning meal due to time constraints, the survey says.

"Consumers who currently skip breakfast because of a time crunch are a core target to grow sales," according to *Dairy Meal Solutions: Merchandising Works April 2012*, a report by the Innovation Center for U.S. Dairy.

Statistics about the burgeoning Hispanic population's breakfast habits were key findings from MilkPEP's *The State of Breakfast at Home July 2011* report.

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—*Restaurant to Retail – US – June 2011, Mintel*

On average, Hispanics are likely to consume a slightly higher number of breakfast items during the course of the morning, and display a stronger preference for a more traditional, communal breakfast experience.

"Nearly 60 percent of Hispanics have breakfast with someone else, the majority of whom have the same breakfast as their company," the MilkPEP survey says.

And while most respondents, Hispanic and non-Hispanic alike, are consuming cereal for breakfast, a larger proportion of non-aculturated Hispanics are consuming pancakes and yogurt, the study notes.

Licensed Brands Coming on Strong

As grocery stores compete with restaurants for a share of consumers' dollars, one trend is blending the retail and foodservice segments: branded restaurant products in retail.

According to Mintel's *Restaurant to Retail – US – June 2011* report, products with recognizable restaurant brand names are adding a revenue stream in retail settings.

"There has been a growing trend of branded 'mini-restaurants' in grocery stores, and retail products with the same brand on store shelves are a natural extension of this," Chicago-based Mintel says. The products are found in nearly every area of the store, across a multitude of segments, with the largest concentration in the freezer case, the report notes.

"Retailers can also create promotional partnerships with complementary breakfast brands, cross-merchandise with breakfast products from other departments and suggest daily solutions"

—*Julie Buric, MilkPEP*

International House of Pancakes (IHOP), for example, offers syrup as well as frozen French Toast Stuffed Pastries, Omelet Crispers and Griddle 'n Sausage Wraps in its recently introduced IHOP at Home line.

And Bob Evans Farms — which includes the Bob Evans restaurant chain and BEF Foods Inc., the wholly owned subsidiary responsible for manufacturing and distributing retail products — offers its signature-brand sausage along with frozen breakfast sandwiches at retail.

The profit potential for such products is high: An impressive 77 percent of respondents in the *Restaurant to Retail* survey had purchased restaurant-branded items, with respondents from households earning \$75,000 to \$99,000 significantly more likely to buy restaurant brands.

"When considering restaurant-branded meals at retail, operators should better target the family demographic," the report suggests. "Families have proven to be strong restaurant consumers through the recession, and this momentum could be transferred to the restaurant-branded products through more targeted packaging and focused promotional efforts."

Merchandising and Marketing Matter

Implementing creative merchandising and marketing plans to capitalize on the opportunity at retail is key to unlocking all of the potential the breakfast daypart holds.

Marketing total meal solutions is one way not only to boost breakfast product sales, but also to increase long-term customer loyalty.

"Meal-driven interest areas offer the opportunity to expand a retailer's role from product provider to solutions resource," the *Dairy Meal Solutions* report says. "It also positions grocers to better compete with restaurants, where the key draw for consumers is the convenience factor. Additionally, meal solution displays provide shoppers with added value outside of cutting prices, while working to encourage cooking at home, which is an important strategy to maintaining sales as the economy strengthens."



Breakfast, the report stresses, is an ideal meal to promote: "As a highly ritualized eating occasion, getting in on the breakfast mix will drive repeat, long-lasting sales."

Creating an integrated meal section with a variety of breakfast foods displayed together to show customers how to stock their refrigerators and pantries with easy-to-make breakfast solutions is one option MilkPEP's Buric suggests.

"Retailers can also create promotional partnerships with complementary breakfast brands, cross-merchandise with breakfast products from other departments and suggest daily solutions," she says. "I encourage retailers to engage with their shoppers by conducting breakfast-at-home cooking exhibitions and hosting breakfast-themed sampling events."

Making dairy a central element of breakfast meal solution marketing is one strategy that reaps results. MilkPEP's research shows that 51 percent of daily milk consumption occurs during the morning hours, and more than 70 percent of milk consumed during breakfast is accompanied by a meal or snack.

Additionally, basket size doubles when milk is purchased, according to the Willard Bishop *2011 Top Shopper Study*, as cited in the MilkPEP report.

Three-quarters of milk consumed during breakfast is accompanied by a meal or snack. "Cold cereal, eggs, toast and fruit are among the top foods consumed at the same time as milk, whether in standalone format or in combination with another food or beverage," MilkPEP research says.

For more information on ways to develop breakfast-at-home strategies, visit gotmilksales.org.

Top Trends in the Breakfast Category

Consumers know breakfast is important, but are changing what they eat for their morning meals. That's the takeaway from *The Top Ten Breakfast Trends for 2011*, a survey by the Food Channel, in conjunction with CultureWaves and the International Food Futurists.

"In our breakfast survey of Food Channel readers, one thing quickly became clear. Most of us still recognize breakfast as the most important meal of the day," Food Channel editor Kay Logsdon says. "It's all new, though. Now it's OK to eat chocolate for breakfast, and we are eating breakfast in two parts — grabbing that first cup of coffee at home and adding to it with something at the office."

The top trends, courtesy of The Food Channel, are:

Oatmeal in Overdrive: Oatmeal is becoming a real mainstream staple.

Chocolate for Breakfast: With its healthful benefits, chocolate is being promoted as a breakfast product.

Fast Foods Battle Over Breakfast: The breakfast daypart has become the key battleground in the quick-service restaurant category.

Haute Coffee Comes Home: Caffeine seekers are opting to brew their own fancy coffees at home.

Ethnic Invasion: Global influences are starting to creep into the morning meal.

Beverage Choice Choke: Breakfast drink menus keep expanding beyond coffee and OJ. The younger generation gets its morning kick from an energy drink, and bubbly juices are growing.

Hot Pizza in the A.M.: Pizza is predicted to be one of the hottest menu items for breakfast.

Breakfast Ingredients All Day Long: More restaurants are serving breakfast all day long, and breakfast ingredients such as bacon and eggs are working their way into other parts of our daily menu, at home and away.

The Breakfast Two-step: Consumers are fueling up with caffeine and protein in a two-stage process, starting with an early-morning hit of caffeine with toast, a banana or a small muffin, followed by a mid-morning break of yogurt, granola, fruit or a power bar.

Eggs Crack the Top 10: Eggs are hatching a big comeback, thanks in part to a USDA report showing that they're are healthier than previously believed.

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