



## Trends in Non-commercial Foodservice

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Foodservice in the non-commercial sector constantly evolves due to ever-changing consumer demand. Whether on campus or at the big game, consumers want top quality, fresh, satisfying meal solutions for their complex daily lives. Operators in non-commercial segments need to understand the overarching trends of the industry. These trends tend to cross over segments, changing the landscape of all away-from-home food businesses. Greater supply chain transparency, catering to special dietary restrictions, local flavors and meals “on-the-go” are becoming a few of the new priorities for the non-commercial foodservice operator.

- Locally sourced, fresh, and clean-label food offerings are not only desired by customers, but are driving major changes in how operators create their menus.
- Customer service, whether in the form of hospital in-room delivery or customized mobile ordering at sporting events, is reaching new levels as foodservice operators fight for business.
- The expansion of traditional menu categories, such as coffee, craft beer or even “ball park” hot dogs, into new niche areas has allowed operators to cater to special tastes and higher quality regardless of where an item is being consumed.

To keep up with these quickly changing demands, operators that traditionally focus outside of the restaurant space will need to learn from one another to innovate at the same speed.

## EDUCATION

The education foodservice segment continues to serve a savvy, but sometimes fickle population of K-12 and College and University (C&U) students. Foodservice trends are often difficult to incorporate in the educational system as operators attempt to satisfy the rapidly changing tastes of their young customers. The K-12 and C&U segments each have their own focus, as K-12 is often state-funded and is required to fulfill many more government requirements.

K-12 foodservice operators have seen a strong emphasis placed on the special dietary needs of students, and are using online resources, such as nutrition counseling, to supplement their meal options. The pressure for K-12 foodservice directors to offer higher-quality, “better-for-you” options is growing, and not only from government regulators, but also from parents and students. More than half of school foodservice operators expect to increase the amount of locally sourced items on menus over the course of the next two years. Nearly 50% expect gluten-free items to rise, while the same percentage expects to do more scratch cooking. Furthermore, 58% of operators report that they find it extremely or very challenging to meet the government imposed sodium reduction requirements.

In the C&U space, operators are increasingly partnering with restaurants to develop new cuisines on campus for students of all nationalities and backgrounds. These offerings help meet dietary restrictions and demand for something other than a burger and fries. Furthermore, the expanded menu selection helps satisfy the increasingly complex palette of the multi-cultural student demographic. To serve such a wide variety of meals, operators are turning to rotating theme restaurants within their food courts and are looking for kitchen equipment that can serve multiple functions without taking up large amounts of kitchen space.



Sustainability and ingredient transparency continue to play an important role in the C&U segment. While sustainability initiatives take many different forms, many higher education campuses are taking it beyond recycling and energy efficiency to include revolutionary practices. For example, the dining department at the University of Montana in Missoula, has launched an aquaponics program. This program has a closed loop, 180-gallon system that supports fresh produce production, and a campus garden that grows micro-greens. Operators are requiring more and more product information from their suppliers to satiate student concerns on campus as to the sourcing, safety and nature of the foods that they are putting in their bodies.

## HEALTHCARE

The healthcare segment currently represents \$27.4 billion in foodservice sales. Foodservice in healthcare, while a mature industry, grew by 5% in 2016 and is expected to continue to grow at a similar rate over the course of the next five years, primarily due to the aging population and consumers' greater spending on health. Operators within healthcare are expected to contend with new challenges over the next several years, including an expected decline in in-patient volume as more patients shift to out-patient services and a greater emphasis on visible nutritional labeling. As patients spend less time in hospital settings, the available foodservice dollars may shrink, further emphasizing the importance of additional services.



Today, hospitals are attempting to differentiate themselves and boost revenue by offering more of what patients, visitors, and staff want. This shift in priorities has led to the introduction of branded restaurant concepts within hospitals. Hospital executives recognize that patient satisfaction scores and re-admission rates are increasingly tied to onsite dining experiences, with almost half of the hospitals surveyed in FoodService Director's 2016 Healthcare Census report making menu changes based on the results from their Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) surveys. Within hospitals, in-room service continues to rise, with 48% of operators now offering on-demand meal service. The larger the hospital, the more likely it is to offer in-room service – 71% of operators with food and beverage purchases of \$5 million or more offer in-room service, compared to 49% of hospitals with purchases between \$1 million - \$5 million.

## LEISURE

The leisure industry has seen a solid increase (4.2%) in foodservice sales from 2015 to 2016 (to \$24.9 billion) as operators try and introduce more trend-setting food options to satisfy discerning customers. Sporting events, golf courses, cruise lines, and movie theatres make up nearly 62% of recreation segment foodservice sales, making the segment very sensitive to consumer spending patterns, especially expenditures on recreation. Quality and the range of foodservices is crucial to the guest's venue experience. For this reason, venue operators have improved food selection, food quality, menu flexibility, and customer service. This has allowed for many venues to become food destinations in their own right.



The leisure segment has seen the introduction of local flavors and restaurant brands hit a fever pitch, particularly in sports arenas and stadiums, where operators are trying to create a memorable experience that expands beyond the event itself. The introduction of self-serve kiosks and mobile ordering has begun to reduce wait-lines, minimize labor costs, and allow for the consumer to spend more time watching the event instead of navigating the refreshment lines. Even "classic" ball park food has seen a revitalization with a newfound emphasis on "better-for-you" and clean-label ingredients, with menu items such as Applegate's organic uncured beef hot dogs.

## HOSPITALITY

Due to the largely positive economic climate, the hospitality industry has seen a rise in occupancy rates and forecasted foodservice sales for 2017 and beyond. Foodservice is a differentiator for many properties as competition has increased. While amenities, service and room appeal remain the primary brand drivers for hotels operators, increasingly the food and beverage program is promoted as a way to stand out from other similarly priced and arranged hotels. Sales in foodservice have been steady with the five-year (2010 -2015) compound annual growth for U.S. lodging foodservice standing currently at 6%. To keep up this momentum operators continue to innovate in order to better serve their clientele. Hospitality operators are taking advantage of business travelers' needs with increased "grab-and-go" options in lobby and pantry stores. The expanded services are often highlighted in hotels' advanced menu and breakfast options, such as local meats and vegetables or seasonal menu offerings.

Mini-bars and in-room foodservice are seeing a downturn as they are impacted by guests using mobile ordering and third party delivery food delivery service for their dining needs. Lodging operators are finding that the labor and costs associated with these services are comparatively high and believe there is value in enticing the guest to eat outside of the guest room. Banquets and catering are seeing an upswing as corporate entities flex their event dollars and increase overall travel spending. When surveyed, hotel operators reported that 40% of their total foodservice sales were derived from banquets and catering. Boutique hotels - smaller brands that cater more toward the individual needs - have also seen an increase in traffic over the last several years. The need to focus on niche markets permeates the entirety of the lodging industry for brands to differentiate themselves. Operators are offering food and beverage options to entice customers looking for notable differences in service. For example, craft beer offerings, free happy hours, and gourmet coffee bars are becoming popular to distinguish between hotel chains for the discerning traveler.



## THIRD PARTY FSMS AND THE NON-COMMERCIAL SECTOR

The third party foodservice management industry is currently benefitting from an increase in consumer spending on discretionary items, such as tickets to sporting and music events, as well as increased travel spending. Furthermore, the industry is seeing a boost in sales from the increased propensity of businesses, healthcare facilities, and educational institutions to outsource their foodservice. Third party foodservice management companies maintain a strong presence within many non-commercial areas, and control over 58% of the College and University segment. To maintain this advantage, foodservice management firms (FSMs) are paying attention to foodservice trends that can impact multiple segments.

Each segment is impacting FSMs in a different way. Within K-12, FSMs are seeing a renewed emphasis on honest pricing, where their contract considers various rebates and vouchers. The College and University segment is calling for not only expanded transparency, but expanded healthy lifestyle choices. While the leisure segment, namely sports arenas and stadiums, are demanding that FSMs bring local restaurant partnerships to the table as part of their food offerings.

# KEY TAKEAWAYS

1

**Students in the education segment are increasingly looking for additional accommodation of their special diets for either personal or medical reasons.** It is important to understand the various government and customer pressures that foodservice operators in the education segment are grappling with in order to provide real-world solutions and products that can satisfy their dietary and regulatory needs.

2

**A leading mission of the healthcare segment is to use foodservice to increase patient experience scores.** Offering gourmet home-style meals and in-room service on demand for their patients and visitors is a way for hospitals to differentiate themselves.

3

**Hospitality operators are using upscale offerings like gourmet coffee and craft beer to lure in discerning travelers, while boosting their catering and event capabilities to grab corporate accounts.** However, long standing hospitality services such as mini-bars and in-room foodservice are being reduced or eliminated to better serve the guest on the go that already has a multitude of food choices available through mobile ordering.

4

**Leisure operators are moving from nationally-known branded concepts to local fare so consumers can get a regional culinary experience.** Furthermore, operators are moving towards healthy and customizable food options.

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