

How mature consumers' attitudes about food will create opportunities for foodservice companies and manufacturers



Abstract

Varsity is constantly researching and analyzing the mature market's perceptions of food, the role it plays in well-being and its impact on quality of life. Additionally, the agency has studied foodservice in long-term care facilities, acute care hospitals and home-care agencies while identifying opportunities for food manufacturers.

Five key themes emerged from the research:

- Environment is Everything
- Hilton Hospitality
- Aging Palates Prefer Familiarity
- Options Aren't Optional
- Operators Need to Please

We gained insight on how these trends differ by generation and how they're being realized in each segment of care. We learned how the oftentimes competing demands of different generations are being balanced by operators.

In addition, we gained a deeper understanding of foodservice operators' decision-making processes, their perspective on branded products and the qualities that make a product appealing or unusable.

We studied the growth of each care segment and gained a thorough understanding of the factors contributing to the significant growth in home care, the plateau in skilled nursing facility populations and the decline in the numbers served by acute care.

The research indicates that significant opportunities exist for familiar brands in healthcare foodservice. They are appealing to operators because they're associated with consistency and to customers because they're associated with quality. The extent to which those products are identified by their brand to the consumer is dependent upon how they're used, the dining format and the quality of on-site materials provided.

Methodology

Varsity tapped into its network of key decision-makers to gain a comprehensive understanding of each care segment's unique demands related to foodservice.

Participants included:

- Vice president, major contract foodservice management company
- National corporate chef, healthcare division, major contract foodservice management company
- National director of programs, major contract foodservice management company
- Healthcare division vice president, foodservice management company
- Foodservice directors, large self-operated healthcare facilities
- Foodservice directors, hospitals with contracted foodservice
- Director, state unit on aging
- Directors, area agencies on aging
- Home care industry associations
- Group purchasing organizations and related industry associations

Statistical research added context and historical perspective to our understanding of each care segment. It also provided data to forecast the population in each service segment. Centers for Medicare & Medicaid Services (CMS) – U.S. Department of Health & Human Services data from 1967 to 2009 were compiled and analyzed with statistics from the Aging Integrated Database State Program Reports 2000-2008 and the National Association of State Units on Aging.

This blended methodology of primary qualitative and secondary quantitative research yielded a well-rounded analysis of the three major healthcare service segments, the opportunities for manufacturers in each role that food plays, and the challenges faced by operators.

LONG-TERM CARE

Trends in long-term care are divided along generational lines and reflected in the service segment currently caring for the various generations. The Hero Generation (those born before 1925, who served in WW II) is being served, in large part, by assisted living. To them, familiarity means everything and comfort food is king. Simple foods with simple names and fewer ingredients are preferred. This generation, as a whole, is very cost-conscious and would like its food to be sourced and prepared with frugality in mind — substance and value without the frills. New menu items with complex or foreign-sounding names are a very tough sell with this audience. Health concerns of this population are, for the most part, limited to monitoring sodium intake.

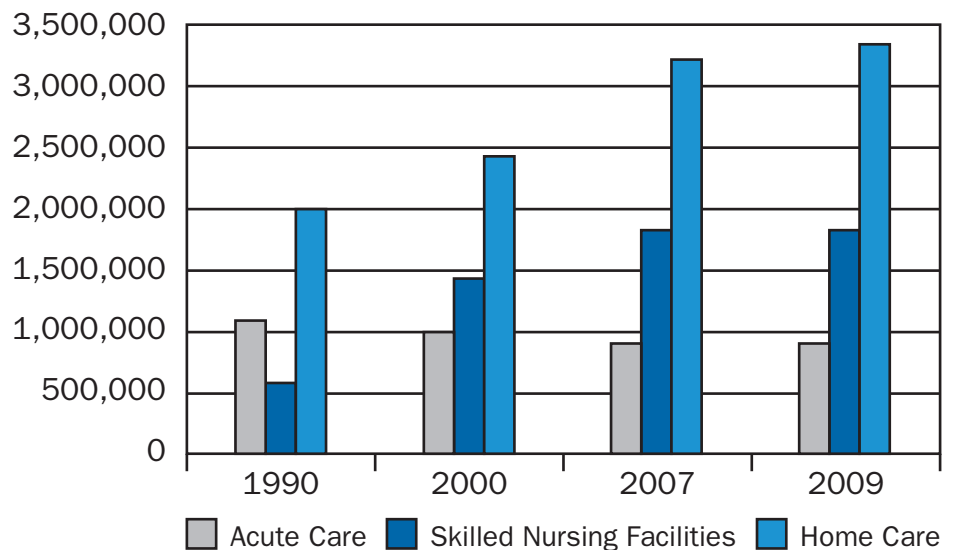
The Silent Generation (born 1925 to 1945) is being served in large part by independent living facilities, although some are transitioning into assisted living. As a whole, this generation had a higher income and is

better traveled — factors that contribute to an adventurous palate, preferences for exotic food and higher-end cuisine. Members' food choices are trendier. They expect to be catered to and demand a higher level of service than the previous generation. Additionally, the Silent Generation is proactively health-conscious. The group views food as a wellness tool, seeking out whole grains, herbs and natural products for the benefits associated with them.

Both generations are looking at food as a means to feeling good. Overall, the Hero Generation is seeking comfort from warm, familiar food, and the Silent Generation is seeking wellness and illness prevention.

The growth of the long-term care segment is tied to the increase in the aging population. In 1990, 8,937 facilities served 638,000 Medicare recipients; in 2009, 15,727 facilities served 1,841,000 Medicare recipients.

MEDICARE RECIPIENTS SERVED BY CARE TYPE



Data source: Center for Medicare & Medicaid Services

ACUTE CARE

In acute care settings, customer satisfaction ratings are driving the implementation of fully integrated room service – a comprehensive system that mimics room service in high-end hotels. Customers can have what they want, when they want it, just by picking up the phone. Food offerings are extensive, as in a full-service restaurant, and plates are delivered immediately after they are finished, ensuring optimal quality and temperature. In hospitals providing room service, customer satisfaction rates are well above 90%, and recovery seems to be positively impacted. In these settings, food is

being recognized for its role in the healing process and connected to a shortened length of stay by many operators.

Approximately 30% of hospitals are equipped to provide room service at present, with larger hospitals being first adopters. However, by 2014 more than 60% of hospitals are expected to offer fully integrated room service.

The acute care market has been relatively stable from 1990 to 2009, serving 1,105,000 and 930,000 Medicare enrollees respectively.

HOME CARE

Patients are being discharged “quicker and sicker” from acute care with the understanding that home care services are available to address areas of need. Fully 62% of Medicare beneficiaries who begin receiving home care have been hospitalized or receiving skilled nursing services in the 15 days prior. Home care providers, 79% of whom are nurses, have a broad range of responsibilities that often include meal preparation. With nursing experience understandably trumping culinary expertise, a significant opportunity exists for food manufacturers to develop and market home-delivered meals to seniors receiving home care. Texture-modified meals, in particular, are challenging for even the most talented chefs; tasking nurses with making them palatable and appealing is unfair, and achieving such an outcome is unlikely.

Home care has shown consistent, sustained growth since 1967, due in large part to its cost-effectiveness. The segment has experienced only one period of plateau, which is associated with changes to Medicare’s policy on reimbursement. In 1990, 5,730 home health agencies served 1,978,000 Medicare recipients; in 2009, 9,407 home health agencies served 3,319,000 Medicare recipients – an addition of 1,341,000 seniors served (60% increase).

KEY FOOD THEMES

We have identified five key themes through our research.

ENVIRONMENT IS EVERYTHING

Current assisted living facilities were built for the Hero Generation (WWII) but are now being remodeled and/or replaced with “pod communities” (for 16-22 people) in an attempt to appeal to the Silent Generation (born 1925 to 1945). The institutional environment is being replaced with neighborhood settings where individuality and privacy are the focus. Foodservice, while still organized centrally, is being executed and presented in a very decentralized way. The bulk of food preparation is done in one large commercial kitchen, which shuttles the unfinished food to the residential-style kitchen in each pod for customization, finishing and plating. Food committees in each pod dictate the menu and how the kitchen is stocked, based on preferences. The kitchen is accessible 24 hours a day, 7 days a week, making rigid service times a thing of the past.

Freestanding restaurants, upscale casual dining environments and bars are being built to attract the more culinary-focused, socially driven Silent Generation. Al fresco action stations are replacing institutional dining halls. Winemaker’s dinners, meet-the-producer meals and craft beer pairing events are making it easy to confuse these facilities with resorts and boutique restaurants. Customers are beginning to expect a dining experience — not just food. The dining atmosphere is key to providing this experience.

“In more and more cases, our customers know what they want and refuse to be deprived. They expect freestanding restaurants and bars with current décor and trendy offerings. We’re doing that now.”

– *Vice president, major contract foodservice management company*

HILTON HOSPITALITY

Contract foodservice management is recruiting from Hilton and other luxury hotel chains in an attempt to develop and maintain standards that will appeal to the Silent Generation in both independent and assisted living settings. Flexibility in service hours, fresh menus and higher-end cuisine are becoming the standard. Operators realize that the residents have many dining options and aren’t a captive audience, so they’ve started referring to them not as “residents” but as customers.

“We’re focused on hospitality. We’re hiring chefs, not cooks. We’re treating our properties like hotels. We’re catering to our customers, making them what they want, when they want it. Period.”

– *National corporate chef, healthcare division, major contract foodservice management company*

THE AGING PALATE PREFERS FAMILIARITY

As aging advances and/or health decline occurs, there is a strong tendency to revert to familiar comfort foods. Although those in the Silent Generation will likely never lose their adventurous spirit, they will begin to select their food based on its comforting qualities rather than its trendiness. They will look to food to make them feel good and warm.

“Familiarity means everything. Our customers want their meals to be familiar even to the extent that they have simple, recognizable names; they prefer chicken with mushrooms over chicken Marsala.”

– *National corporate chef, healthcare division, major contract foodservice management company*

OPTIONS AREN'T OPTIONAL

Customers and clients expect options such as: specialty bread, flavored mayonnaise, grilled sandwiches, local produce, farmstead cheeses and other artisan products. Customers want the standard products to be “fancied up” in a way that they’ve become accustomed to in fine, casual and fast casual dining restaurants. Customers are also looking for special features and theme nights centered on food; these events and the associated food offerings are reassurances to customers that they aren’t missing out on anything and are enjoying the same quality and variety of food that their friends and family living at home have access to. One-size-fits-all corporate menus are unacceptable;

customization through mix-and-match options is becoming the standard.

“Customers want quality. They have no tolerance for anything they believe is subpar. In a lot of cases, they are looking for product names and brands they see commercially.”

– *Foodservice director, healthcare facility with contracted foodservice*

OPERATORS NEED TO PLEASE

Success for operators is measured by customer feedback, whether through Press Ganey in acute care settings, comment cards (which are available with every meal in most assisted and independent living settings), client-contracted third party surveys, and/or food committee interaction with the operator. In many contract situations, cash incentives are paid for meeting or exceeding a predetermined rating; cash penalties may be paid to a client for failing to meet that rating.

“In most cases, we guarantee a certain [Press Ganey] score. If we miss the mark, then we pay the client.” (Press Ganey is a recognized healthcare consultant, specializing in performance monitoring, measurement and improvement.)

– *Vice president, major contract foodservice management company*

OPPORTUNITIES

To learn about the five major opportunities we've identified, and Varsity capabilities, please contact:

Matt Bekelja 717.525.4401
mbekelja@varsitybranding.com