

*Trends & Revenue Opportunities  
in Acute Care Dining*

2010



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2963 Bernice Road  
Lansing, IL 60438  
1-800-410-7619  
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## Trends & Revenue Opportunities in Acute Care Dining

# 01

Today's hospital foodservice operations, whether non-profit or for-profit in business structure, are focusing intensively on revenue as a crucial side of the budget equation.

In hospitals, the growth curve for both food purchases and retail sales is nearly flat, with a 0.6% growth rate. Shifts in the economy have certainly influenced one of its biggest sectors—food service, and the on-site arena is not immune. Ongoing budget cuts in both public and private sectors continue to squeeze the bottom line. Foodservice administrators are aiming for more revenue in retail operations to help cover costs in other areas; sometimes, they use revenue generation to ward off budget cuts and staffing cuts. According to Paul King, Editor, *FoodService Director*, “Operators have been scrambling to find new sources of revenue, new ways to keep customers coming in the door and the least painful ways to cut costs.”<sup>1</sup>

Breakfast items have long been recognized as a cornerstone of patient meal satisfaction, as they hold a particular appeal to anyone who is not feeling well. The breakfast fare success story is two-fold: Many breakfast items are easy on stressed gastrointestinal systems, e.g., for patients who are advancing from liquid diets, weaning from enteral or parenteral feedings, undergoing chemotherapy, or taking medications that cause gastrointestinal side effects. But it's not just about physiology. Breakfast carries a strong “comfort” factor, perhaps with an association to parents' attention before school in younger years, leisurely family gatherings on weekend mornings, or homey Sunday brunches. Quick prep and broad popularity mean that breakfast fare typically finds its way into all-day patient room service menus as well.

Today, hospitals are tapping into the breakfast edge, leveraging the same appeal for revenue-generating areas, such as cafeterias, coffee shops, and catering. One hospital reported that *for every room service breakfast served to patients, another five-plus breakfast burritos sold in its retail operation.*<sup>2</sup> In hospitals, clearly, patients are not the only patrons craving breakfast specialties.

What's so unique about breakfast? Conventional wisdom still holds: Starting the day with a healthy breakfast encourages adequate nutrient intake and dietary moderation throughout the day. In fact, sound breakfast habits reduce risks for obesity, heart disease, and diabetes. Research shows that eating breakfast is highly correlated with success in weight loss regimens.

Just as with patients, though, staff and visitors to a hospital cafeteria also crave the comfort and experience of enjoyable food. As explained by Victor Gielisse, CMC, “Flavor is not an isolated dimension; it's a total experience and a huge opportunity for on-site menus.” (quoted in *Food Management*, Dec. 1 2009)

Industry success stories underscore some additional wisdom: Breakfast is not just about time of day; it's actually about the menu. Breakfast choices like egg sandwiches, sliders, frittatas, and omelets are performing well in the menu mix throughout the day.

# 02

## Competitive Analysis

In on-site food service, the competitive advantage lies in its own name; customers are already on site, which translates into an audience that is to some extent, “captive”. People need to eat, and one of the “P’s” in the marketing mix (Price, Product, Promotion, and Place) is already checked off. At the same time, for most hospitals, there is competition in the vicinity, as well as with food delivery operations (pizza restaurants, sandwich shops, etc.). Thus, *revenue generation depends on leveraging the on-site advantage* and competing effectively with other establishments serving the same on-site audience.

Many operators also observe that participation in on-site revenue operations is always incomplete. Certain employees may always brown-bag meals, or may regularly choose off-site options. Quantifying, evaluating, and targeting untapped participation is an essential part of a marketing strategy for revenue-generating operations like a hospital cafeteria. With analysis and effort, some hospitals also extend their reach by marketing to members of the community, drawing off-site customers on-site.

A competitive analysis requires asking valid questions. For example, Director of Nutrition services at Kingman Regional Medical Center (AZ) commented for FoodService Director<sup>5</sup>, “The best advice is to target your hospital employees who do not use your services and find out what would get them to your operation.” Rush reported boosting cafeteria revenue from \$6,500 per month to \$16,000 by hiring a bakery chef. She increased both on-site and community participation.

For an on-site retail operation, some of the questions to ask about competitors include:

- *What are the menu offerings?*
- *How good is the food?*
- *What are the prices and special offers?*
- *Are the “extras” really special? – coffee, beverages, desserts?*
- *What is the speed of service?*
- *How easy is it to pay?*
- *How easy is it to take out foods?*
- *What is the dining environment like?*
- *How friendly and responsive are staff members?<sup>4</sup>*

In competitive analysis, the importance of turnaround time for a meal cannot be underestimated. Most employees have limited time for meal breaks. Even with other establishments close by, traveling off-site whittles time from the break. On some days, the inconvenience of bad weather is a consideration, too. Finally, for family members of patients, proximity to a loved one can be a powerful force as well. Many feel more comfortable remaining on site. These are all factors a hospital cafeteria can leverage in devising a retail marketing plan to promote revenue generation.

An additional edge common to many hospitals is payment options, which factor into convenience and speed. Many hospitals that have implemented electronic payment systems for staff report revenue increases of 10-20%, all other factors being equal. Through magnetic stripe, bar code scans, or other technologies reading an employee ID badge, employees can have meal purchases linked to payroll systems for automatic payroll deduction. This cashless approach entices anyone who doesn’t have cash in-pocket, and tends to make the checkout transaction very quick.

A thorough understanding of customers' needs is central to revenue generation. These needs take on many dimensions, from the emotional meaning of food to the practical constraints of lifestyle. Working within a common corporate culture allows a hospital food-service management team to incorporate a common employee experience and team camaraderie into the marketing strategy. Being served by coworkers can be an advantage. What does it mean to a customer when

the person grilling a sandwich is wearing the same ID badge? This is one of many factors that can strengthen their personal bond and support loyalty. According to Michele Schmal, as quoted in *Food Management* (Dec. 1, 2009), "For onsite operators, the ability to connect directly with customers can be a real competitive strength."

## Defining Value 03

Value is the relationship between perceived quality and price. Perceived quality encompasses the quality of food and service, along with the image-building, branding, and promotional activities a foodservice operator undertakes. Francesco Esposito, director of culinary systems and standards for Aramark, recently commented that there are "two forks" in [the] value proposition: "There's value as in the 99-cent chicken sandwich, but there's also the value side of the premium. McDonald's one-third-pound Angus burger is a great example."<sup>5</sup>

Improvements in food quality & flavor represent opportunities to attract clientele. At the same time, industry reports focus on a premium-but-inexpensive model today. As observed in *Food Management*, "While value means different things to different people, quality and taste lead the list of criteria for selecting a commercial eatery. *In onsite operations, taste falls behind convenience and price.*"<sup>6</sup>

In another perspective, Neal Lavender, Director of Food, Nutrition, and Hospitality at Texas Health Presbyterian Hospital, observes, "Customers want much more value, as they have less to spend. So I see much of our focus around smaller transactions and value enhancements: sliders, half portions, snack items, grab and go, and meal bundling."<sup>7</sup>

What else builds value? The meal experience. A *Food Management* TrendWatch brings out this point in explaining popularity of "the getaway break": This is "a time for consumers to unwind and take a break, alone or with coworkers. [Customers are] still looking for value and speedy service. *Products that fit the bill are breakfast sandwiches and pastries/sweets.*"<sup>8</sup>

## Grab'n'Go Key to Revenues 04

According to the 2009 *FoodService Director* Portability Study<sup>9</sup>, on-site operators who are serious about increasing revenues are also serious about portability; the two go hand in hand. Approximately two out of three foodservice directors say they offer portable foods, and more than half said they planned to grow this segment of the menu.

Reasons for offering portable food, as cited in the study, include:

- Customer demand
- Customers having less time to spend in a dining area
- Increase in customer base and/or decrease in relative seating capacity

Where customer counts are rising and renovation dollars for expansion are unavailable, several hospital foodservice directors cited in the study noted that portable food is an excellent solution.<sup>9</sup> Not only are

customers busy when they come through cafeteria lines; some can't find seats after checkout. *Grab'n'go is a versatile fit.*

What percentage of the revenue dollar comes from take-out or portable food? Answers vary by segment, according to the study.<sup>9</sup>

- *Colleges: 28%*
- *Hospitals: 21%*
- *Long-term care operations: 21%*

These can be useful benchmarks for any operator in budget analysis. A facility not offering portable menu items could stand to boost revenue significantly. In an operation where portable food revenues have not yet reached the benchmark, this could suggest an untapped opportunity. For example, one hospital operator cited in the study reported a 20% jump in revenue after implementing a more portable menu.<sup>9</sup>

Further helping strained foodservice budgets, the report notes that 61% of hospital operators are enjoying a strong profit margin in portable menu offerings, due in part, to labor savings.<sup>9</sup>

# 05

## Menu Trends Cite Breakfast Features

Today's menu trends point to basic ingredients for building a successful menu for retail areas, including hospital cafeteria and catering programs. For example, Baum & Whiteman<sup>10</sup> predict 2010 touchpoints that address 13 basic concepts, including:

- *Authentic and real*
- *Fresh*
- *Natural*
- *Hand-made*
- *Comfort and safety.*

They define the "comfort and safety" factor as stemming from turbulent economic times and a need to retreat from a complex world, saying that customers' concerns are "personal, emotional, and ethical. The economy has people scared and they're looking for a 'safe harbor'".

Baum & Whiteman add that "*upscaling the down-scale*" is a perfect way to engage today's consumers. This means using ordinary, economical ingredients and providing a high-end culinary twist. This approach helps support value on two dimensions: It maintains low food cost (and often, low-cost production as well), while delivering the up-sized quality and value that

satisfy consumers. Janet Helm echoes this idea by quipping, "Simplicity is the new sophistication."<sup>11</sup> Examples of *upscaled foods hitting this category are burgers, burritos, frittatas, and egg sandwiches.*

The team also emphasizes “menu churn,” or the ability to capture added business in atypical time slots.<sup>10</sup> Signature beverages or smoothies between meals is a great example. Capturing the breakfast audience on their way into work is another.

The National Restaurant Association (NRA) 2010 chef survey<sup>12</sup> points to trends like ethnic-inspired breakfast items (e.g., chorizo and scrambled eggs), as well as traditional breakfast items (e.g., huevos rancheros), along with breakfast fruits and superfruits among the hot trends. A focus on sustainability, local sourcing, and smaller portions (at smaller prices) also complement the picture. Like others analyzing 2010 trends, the NRA mentions “*simplicity/back to basics*” as one of the top culinary themes today. In addition, more than half the chefs surveyed indicated that specialty/gourmet sandwiches are a “hot trend”.

Allison Perlik, commenting on menu trends for *Restaurants & Institutions*<sup>5</sup>, observes, “In some way or another, [customers will] gravitate toward foods that make them feel good—good about the flavors; good about the ingredients and where they come from; and of course, good about what they’re spending.”

She cites the slider craze, and also notes that speed- and value-oriented lunch specials guarantee success. Asking, “*Are eggs the new bacon?*” she notes, “Eggs are everywhere on menus—draped over burgers and pizzas, tucked into sandwiches, and showcased in dolled-up renditions of classic deviled and Scotch eggs as bar snacks and appetizers.”<sup>5</sup>

## Growth Opportunity: The Breakfast Sandwich

# 06

In the context of a recurring theme—a unique blend of comfort factor, premium appeal, and manageable pricing—breakfast sandwiches command front-and-center positions in many of today’s retail menus. They’re not limited to traditional fast-food or drive-through venues. Explains Michele Schmal, “*Breakfast sandwiches represent a growth product adaptable to onsite menus and signature presentations.*”<sup>6</sup>

Rob D’Orsi, Director of Product Development, Sodexo’s Retail Brand Group, offers further insight: “In developing the breakfast concepts of our brands we always keep in mind ease of travel, convenience and speed of service... Breakfast sandwiches nicely fit that profile.”<sup>15</sup>

### Crossing segments:

A team at Harvard University Dining Services decided to look to retail food service for business development ideas. After completing competitive research on breakfast fare within the retail segment—including price points, marketing, and packaging—they drew several conclusions<sup>8</sup>:

- Part of the value proposition is grab-n-go adaptability, which means parfaits and breakfast sandwiches.
- It makes sense to emulate successful models already developed by large chains, who’ve invested the resources to determine what works.

Breakfast combos represent an excellent opportunity. Examples: buy one, get one free breakfast sandwiches, double-size breakfast sandwiches, or combinations with coffee or other items.

In another cross-segment case study, *Food Management* reports a 20% uptick in dinner participation at a college & university dining center with the launch of a slider bar.<sup>14</sup> Key is the flexibility of smaller sandwiches characteristic of a “slider,” which allows customers to control portion size... or mix and match with other breakfast items.

As noted in *Food Management* in 2008, “Hospitals are adopting many B&I retail sales-building strategies, marketing their cafes as destinations for mid-morning and mid-afternoon snacks, extending breakfast periods, merchandising more effectively and emphasizing convenience and takeout options.”<sup>15</sup>

## *Expanding markets:*

Some hospitals are featuring breakfast sandwiches on catering menus, too. Breakfast sandwiches are a convenient choice for people engaged in morning meetings, and this move streamlines food production efficiency (labor), too.

The menu can go mobile as well, for yet another expanded market. At Lakeland (FL) Regional Medical Center, Retail and Catering Manager Tom Lawson reports revenue success from selling breakfast sandwiches in the ER and OR waiting rooms with a roving Golden Egg Coffee Cart.<sup>1</sup>

## *Beyond breakfast:*

The success of classic high-popularity menu options such as egg entrees and grab’n’go sandwiches is not limited to breakfast hours. The very factors that drive breakfast sandwich sales in the morning seem to drive them all day long. Sliders, in particular, are selling in all segments. According to the *Food Management* Menu Trend Watch,<sup>8</sup> “*Slider-style sandwiches are hot for all dayparts, including breakfast.*”

*Food Management* also reports, “Breakfast sandwiches and omelets hold particular flexibility for adaptation to other daypart menus.”<sup>16</sup> This is a way to expand choice and rev up the comfort-food factor for patrons throughout the day without excessively complicating food production routines.

# *Breakfast Sandwich and Grab’n’Go Renditions*

# 07

Healthcare and other on-site operators are leveraging the versatility of breakfast sandwiches to invent an impressive variety of grab’n’go renditions.

Among them are:

- *Sliders, mini sliders, and high stacks*
- *Breakfast burrito or chimichanga, e.g., Fiesta Egg Burrito\**
- *Breakfast taco filled with eggs, cheese, sausage, etc.*
- *Huevos rancheros in a soft, rolled tortilla*
- *Gyros, e.g., Gyro with Egg & Yogurt Tzatziki Sauce\**
- *Flatbread sandwiches, e.g., or omelet placed on a panini bread*
- *Breakfast taco filled with eggs, cheese, sausage, etc.*
- *Stuffed French toast, French toast sticks in easy-carry packaging*
- *Breakfast pizza with eggs on top (baked in the oven to set the eggs), built with English muffin or focaccia bread*

- *Egg salad in focaccia bread\**
- *Breakfast bagel*
- *Stuffed muffin*
- *Potato roll sandwich, e.g., Monte Cristo Breakfast Slider\**

\* Recipes available at SafeEggs.com

## *Breakfast Sandwich Prep, Production, & Service Tips*

# 08

Industry experience underscores keys to success in implementing breakfast sandwiches as a new stream of revenue:

- *Use simple recipes.*
- *Apply advance prep techniques as often as possible.*
- *Keep all pre-prep ingredients, e.g., chopped vegetables, cheese, etc. at or below 41°F for food safety.*
- *Incorporate vegetables into the recipe to round out vitamins, minerals, and fiber.*
- *Feature both meat additions (sausage, chorizo, bacon, ham, prosciutto, etc.) and vegetarian versions for egg entrees.*
- *Use whole fresh shell eggs as a cornerstone ingredient for convenience and cost control.*  
*Select pasteurized shell eggs to eliminate the Salmonella risk. (Cook-to-order service with eggs is particularly challenging, as temperature checks of each individual serving can be labor-intensive. Pasteurized shell eggs are not a potentially hazardous food.)*
- *As appropriate to the recipe and service needs, tray up breakfast sandwiches for completion in the oven.*
- *Think accompaniments and condiments, such as salsa, cream cheese, and fresh herbs.*
- *Think menu pairings, especially fresh fruit pieces or small servings of fruit smoothies. (Besides nutrition, these add color and texture to the grab'n'go package.)*
- *If room service systems are already in place, consider “room service” to employees’ desks to expand the market.*
- *Using a Mexican station, set it up for all-day burritos, using refried beans, eggs, and salsa at breakfast, and more traditional fillings for later meals.*
- *Implement an all-day slider bar.*
- *Rather than baking sandwich breads or muffins in advance, consider continuous baking during service hours to draw in business with tempting aromas.*

# 09

## Merchandising Tips

What's the best way to merchandise portable menu specialties such as breakfast sandwiches? According to the 2009 *FoodService Director* Portability Study<sup>9</sup>, many operators are taking a close look at portable packaging, with a growing emphasis on appeal, cost, and environmentally-friendly options. For example, corn-based packages are replacing styrofoam and petroleum-based options for cold foods. Use of biodegradable containers in nursing home jumped 25% in one year, according to the study.

Additional ideas include announcements through the in-house intranet or newsletter, window clings in serving areas, stickers or buttons for employees' lapels, promotional giveaways, and table tents or acrylic stands in cafeteria and dining areas.

A branded concept, such as a name of the menu product line, can help spur sales. All it takes is a catchy, repeatable name and a consistent look to support an identity. Some operators report branding menu groupings as distinct mini-operations, or simply as unique stations within a cafeteria. These approaches focus customers' attention on the benefits of each category within the menu. They facilitate messaging built around benefits. They make these categories memorable and repeatable, for word-of-mouth promotion. *Many operators use free merchandising tools* and brand identity elements offered by food manufacturers or suppliers. Effective signage is simple, colorful, and appealing with short messages. It triggers the sensory imagination.

The study also reports that nearly half of operators use merchandising displays and dedicated stations to increase portable menu business. About 22% use special promotions as well, according to the study. Bundling options, specials, and daily themes help as well.<sup>9</sup>

The influx of highly qualified chefs into healthcare also represents a marketing opportunity. In many healthcare operations, the culinary team is front-and-center; customers can see food being prepared. Display cooking has long been touted in the industry as a technique for engaging the senses and enhancing the meal experience.

Yet another highly popular technique today is versatile build-it-yourself approach afforded with sandwich stations, burrito bars, and so forth. This puts customers in control and provides full menu versatility with minimal labor. For breakfast sandwiches, a culinary attendant can "work the station" to provide make-to-order components, such as omelets or fresh fried eggs.

# 10

## Tapping the Revenue Well

In summary, today's industry trends and success stories point to the extraordinary potential of simple menu engineering. Leveraging the on-site competitive advantage, hospital foodservice operators can connect with customers and expand markets through simple menu offerings built around classic, wholesome ingredients like fresh shell eggs. Conventional foodservice

"segment" silos are gradually converging into a single silo, with a focus on portability. Comfort, convenience, and confidence factor strongly into the customer relationship. The revenue success of hospital retail operations is limited only by the culinary edge and competitive creativity of foodservice administrators as they cater to customers' cravings.

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## Recipes & Merchandising Resources

- National Pasteurized Eggs. Crack Open Revenues program. [SafeEggs.com/revenue](http://SafeEggs.com/revenue)
- National Pasteurized Eggs. Cuisine Excellence program: [SafeEggs.com/cuisine](http://SafeEggs.com/cuisine)