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Journal of Food Distribution Research
Volume 43, Issue 1

A Comparative Analysis of Alabama Restaurants: Local vs Non-local Food Purchase

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Abstract

Restaurants/chefs are increasing their demand for locally produced foods to respond to increasing consumer preferences for these products. Data from a survey of independently owned restaurants in Alabama show that there is tremendous opportunity for local producers to market to restaurants. Fifty-one percent of the restaurants surveyed currently purchase local foods, and over 80 percent of the remaining restaurants would purchase local products if barriers were addressed. To take advantage of this opportunity, producers must be able to consistently supply high quality, fresh products. Farmers must also be aware of and abide by food safety standards to sell to these restaurants.

Keywords: local, restaurants, Alabama, marketing, preferences

Background

Direct marketing to restaurants is becoming increasingly popular as chefs desire high quality, fresh foods to meet the demand of their more health conscious customers. Data from a 2008 National Restaurant Association (NRA) survey showed that 89% of fine dining restaurants served locally produced food and approximately 90% of these restaurants believed that severing local food would become more popular in the near future. Buying directly from farmers allows restaurants to obtain a wide variety of food, while building relationships with farmers, which provides chefs the opportunity to know and influence how the food used in their restaurant is grown. Buying locally also provides chefs fresher food with which to prepare dishes.

According to USDA/ERS statistics, restaurants account for more than 70% of total food away from home expenditures. Food away from home expenditures increased from $388 billion to $594 billion for the period 2000 to 2010 (USDA/ERS 2011) signifying the restaurant market represents tremendous potential for developing a sustainable network with local growers. Local growers selling directly to restaurants receive benefits including having a reliable market throughout the season and receiving premium prices. Local growers keep a higher percentage of the food dollar when using direct marketing channels. While there is potential for selling directly to restaurants, understanding restaurants'/chefs' desires and concerns are key to successfully capitalizing on this opportunity. The objectives of the study are to; 1) identify restaurants'/chefs' knowledge of food safety standards required for producers and other vendors from whom they purchase food, 2) identify challenges/barriers preventing restaurants from purchasing locally, and 3) identify and compare (restaurants that purchase locally versus those that do not) different product attributes important to restaurant/chefs in Alabama.

Previous studies provide local farmers information regarding necessary steps to take when approaching a restaurant with a marketing proposal (Pepinsky and Thilmany 2004; Food Processing Center 2003), while others provide information on restaurants'/chefs' preferences and demand for different product attributes (Curtis and Cowee 2009; Starr et al. 2003; Kelley et al. 2001). There is no known study that considers Alabama restaurants as it relates to local food purchases, and therefore, this paper will primarily address this topic. The paper provides important information to local producers, in Alabama, desiring to sell their products to restaurants. It also provides those involved with food marketing with information on what restaurants prefer.

Data and Methods

The data for this study was collected by surveying 747 independently owned restaurants in Alabama. Independently owned restaurants were chosen as survey participants particularly because previous studies showed that these are the restaurants that typically have interest in purchasing local food (Curtis et al. 2008; Kirby 2006). These restaurants are broadly distributed across the state and were randomly chosen from Alabama Restaurant and Food-service Association. The survey was administered through a combination of mail, internet and telephone. There were a total of 148 responses gathered by combining all three methods which is approximately 20% response rate. The survey was segmented into different sections. Section 1 requested general background information about the restaurants, section 2 addressed restaurants that do not purchase locally while section 3 targeted restaurants that purchase locally. Responses from these

three sections were used to compare restaurants that purchase locally to those that do not. This gives a clear indication of what restaurants desire as it relates to local food purchases.

Results

Descriptive statistics were done on data from survey responses using statistical analysis software (SAS). All participants were asked background information of their restaurants. Table 1 presents the averages on background information of all restaurants. Responses show restaurants that purchase locally have been in business on average 2 years more than those that do not purchase locally. Meal prices were also found to be higher on average for restaurants that purchase locally. Breakfast prices are on average about 14% higher for restaurants buying locally and dinner prices approximately 13% higher. Lunch prices were found to be only approximately 3% different between the two types of restaurants. These higher prices for restaurants that purchase locally could be an indication of the higher premium consumers are willing to pay to get local food. Contrary to what was expected; restaurants that purchased locally on average spent 13% less on weekly food expenses. Since local foods typically cost more, it was expected that food costs for restaurants purchasing locally, on average, would be higher than restaurants that do not. This may be partially explained by decreased shipping and transportation costs as well as the reduction of some middleman expenses.

Table 1: Background Information on Local and Non-Local Restaurants

Factor	Mean	Std. dev
Years in business		
Non-Local	12.00	16.10
Local	14.00	16.24
Meal Prices ($):		
Breakfast		
Non-Local	6.65	3.95
Local	7.59	1.80
Lunch		
Non-Local	8.59	2.34
Local	8.87	2.37
Dinner		
Non-Local	13.22	6.48
Local	14.98	7.92
Average Weekly Food Expense ($)		
Non-Local	6550.40	6306.95
Local	5774.11	5499.01

One key question asked to the participants was whether they purchase locally or not. Results from responses showed approximately 51% (n=75) of respondents purchases locally while the

remaining 49% (n=73) do not. Respondents who do not purchase locally were asked their primary reason for not doing so. Inadequate availability was the major barrier to restaurants not purchasing locally, reported by 38% of respondents. Other barriers noted were inconvenience, uncertain of where to buy, lack of knowledge as to what is available locally, cost, and some restaurants purchase only from food distributors. Non-local buyers were also asked their level of interest in promoting locally grown food on their menu or other promotional material. Only 20% reported they were extremely interested, while 61% were interested and the remaining 19% had no interest. All participants were asked how familiar they were with food safety standards required for producers and other vendors from whom they purchase food. As shown in figure 1, approximately 83% of respondents who purchase locally and 80% who do not purchase locally reported they were familiar with food safety standards, of which 46% and 42% were extremely familiar, respectively. Only a small number of respondents reported they were not familiar with these standards. Farmers are cautioned to take due diligence in abiding by food safety standards if they expect to sell to these restaurants.

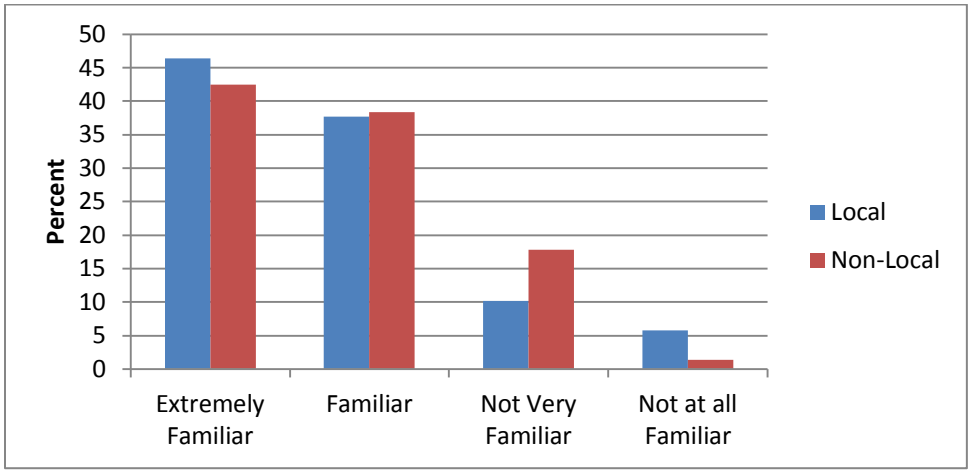

Figure 1: Familiarity with Food Safety Standards

All participants were asked to rank four different payment methods in terms of preferences for purchasing locally grown products. The four payments methods include paying with cash, paying by check, paying with a credit/debit card or invoice to be paid within 30 days. Paying with check was found to be the most preferred payment option by both local (38%) and non-local (52%) buyers, shown in figure 2. Invoice to be paid within 30 days was second most preferred while paying with a credit or debit card was least preferred.

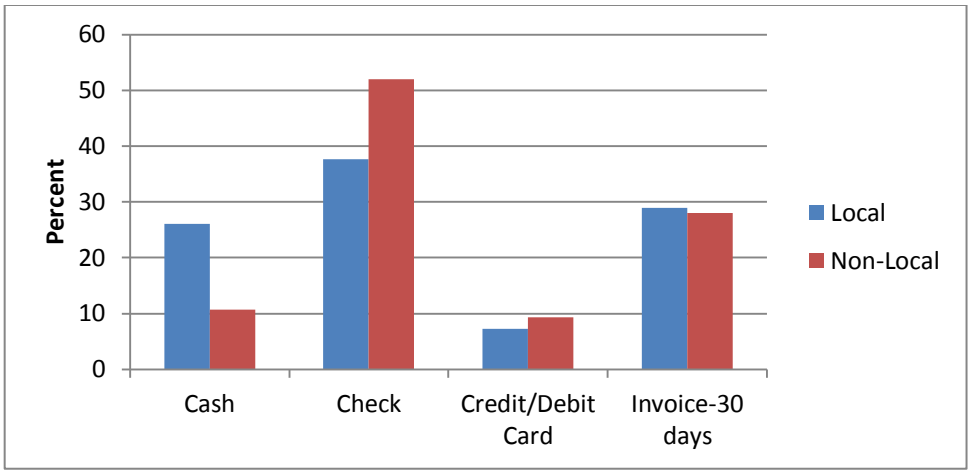

Figure 2: Payment Methods

Knowing the level of importance restaurants place on different food attributes is vital to a producer who wants to utilize this marketing channel. Participants were asked to rate (1 not important & 11 very important) the importance of different factors (food attributes and logistics) when making a decision to purchase locally grown food. Figures 3a-3c shows the importance of different attributes that influences local food purchase decision. On average, all attributes are considerably more important to non-local buyers. Non-local buyers rated consistent supply (CS), consistent quality (CQ), year-round availability (Avail), food safety (FS) and product freshness (Fresh) as very important indicated by the mean of 10 or above. Similar to non-local buyers, local buyers indicated consistent quality, food safety and product freshness are the attributes most desired. How the product is delivered (How Del) and product packaging and labeling (P&L) were least important to both non-local and local buyers.

Figures 3b&c show percentages of respondents rating attributes as very important or important. Percentage of respondents rating attributes as not important can be obtained by subtracting that of very important and important from 100%. Consistent supply was rated very important by 72% of non-local buyers, consistent quality by 80%, availability by 53%, food safety by 77% and product freshness by 73%. For local buyers only food safety and product freshness were rated very important by more than 50% of respondents, 58% and 65% respectively.

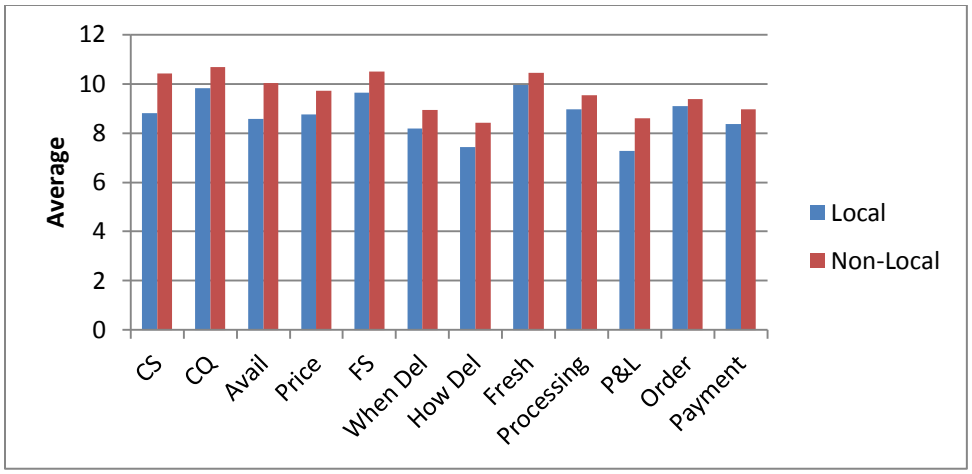

Figure 3a: Importance of factors when making decision to purchase locally

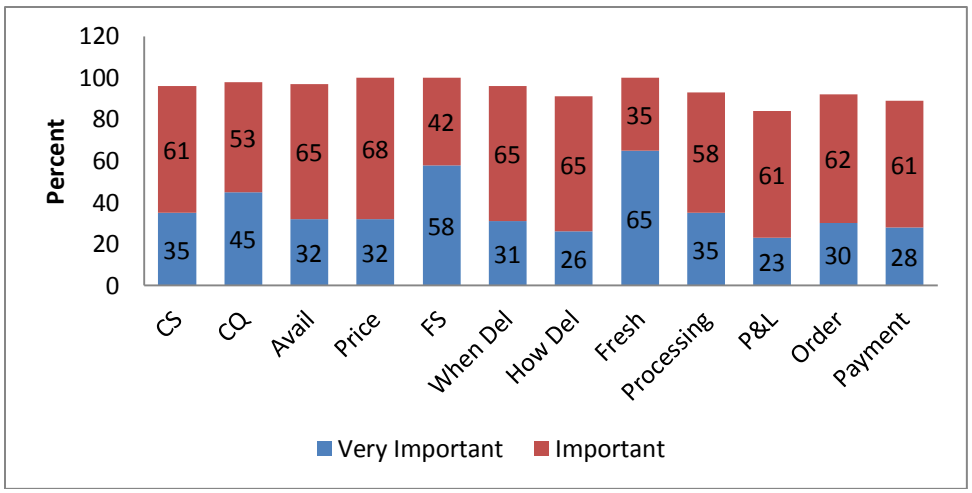

Figure 3b: Importance of factors when making decision to purchase locally (Local Buyers)

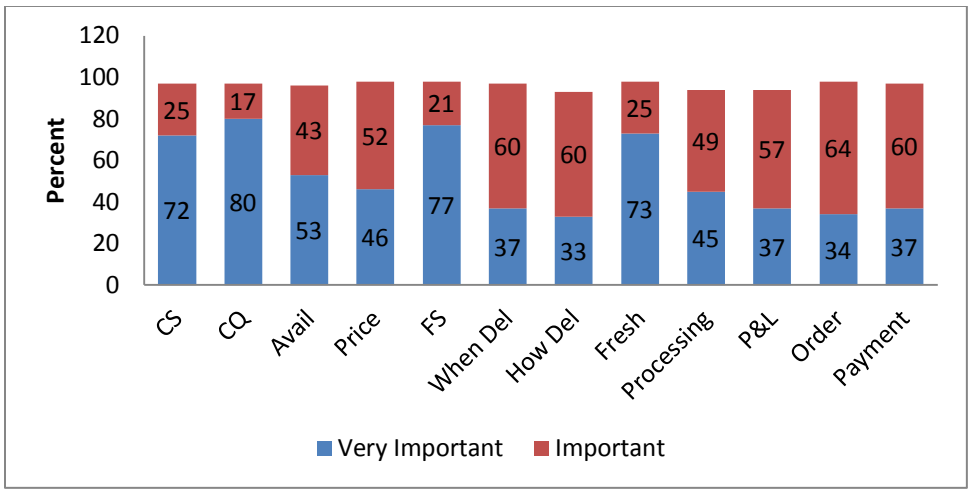

Figure 3c: Importance of factors on making decision to purchase locally (Non-Local)

Figure 4 presents data on the percentages of weekly food purchases that are locally grown. Interestingly, only 10% of respondents (n=62) reported that 50% or more of their weekly food purchases are locally grown. Almost three-fourth (71%) of respondents purchases less than 25% of locally grown food on a weekly basis. This information should put into perspective for local producers the opportunity available to them to capitalize on.

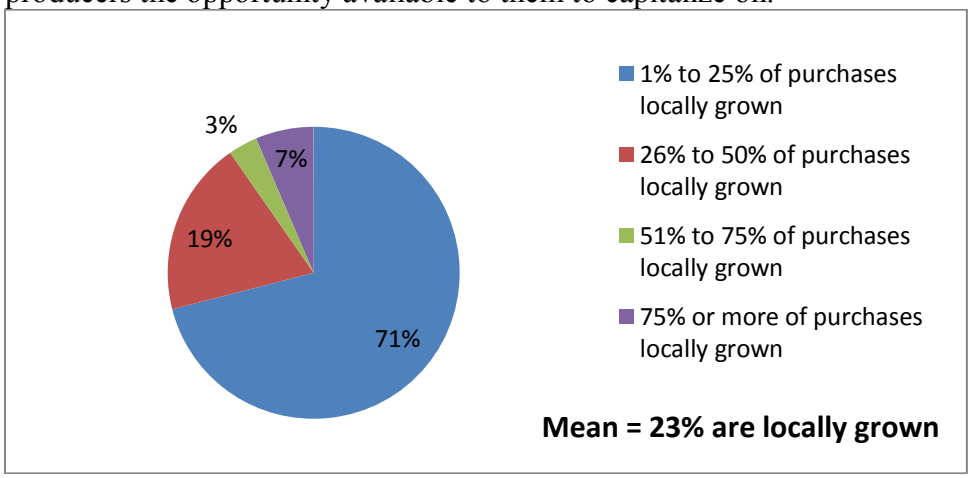

Figure 4: Percentage of weekly food purchases locally grown

Respondents who purchase locally grown food were also asked how much of their local food is obtained from different marketing channels. Results are presented in figure 5. Approximately 70% of restaurants (n=67) purchase from food service suppliers. This is about 27% more than those who purchase from a direct marketing channel; farmers' market or directly from a farmer (not including farmers' market). This suggests there is great opportunity for producers to approach these restaurants purchasing from food service suppliers about direct local buying. About 55% and 40% of restaurants purchase from farmers' market or directly from a farmer, respectively. Only about 12% purchase from other sources including food broker and local processor. Data also shows (not shown in figure) only 6% of restaurants purchase 100% of their locally grown food directly from a farmer. Most restaurants (24%) purchase all locally grown food from a food service supplier while 9% from a farmers' market. There is therefore tremendous opportunity available to local producers in Alabama to sell to local restaurants.

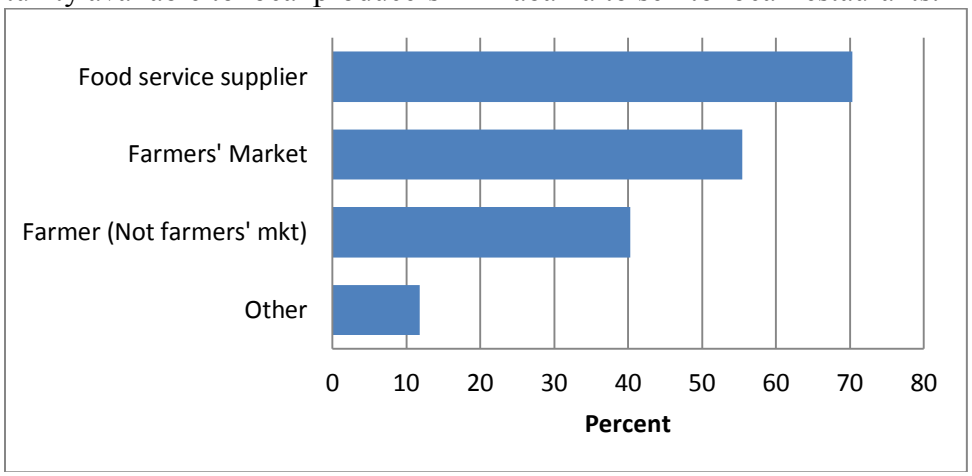

Figure 5: Source of locally grown food

Respondents who purchase locally grown food were asked the percentage of local food delivered to restaurant versus percentage picked up by restaurant staff. As shown in Figure 6, 69% of respondents have the food delivered while 31% is picked up. This data will help to make producers aware of the added cost associated with selling directly to these restaurants. Having to deliver the products will not only result in transportation cost but also the time away from farm associated with driving to and from restaurants. Cost and time are the two major challenges to producers selling directly to restaurants. There is also the responsibility of ensuring the right products and right quantity are delivered on time. Producers can include this estimated cost into their marketing plan which should help decide if the profit margin from selling to local restaurants would be favorable.

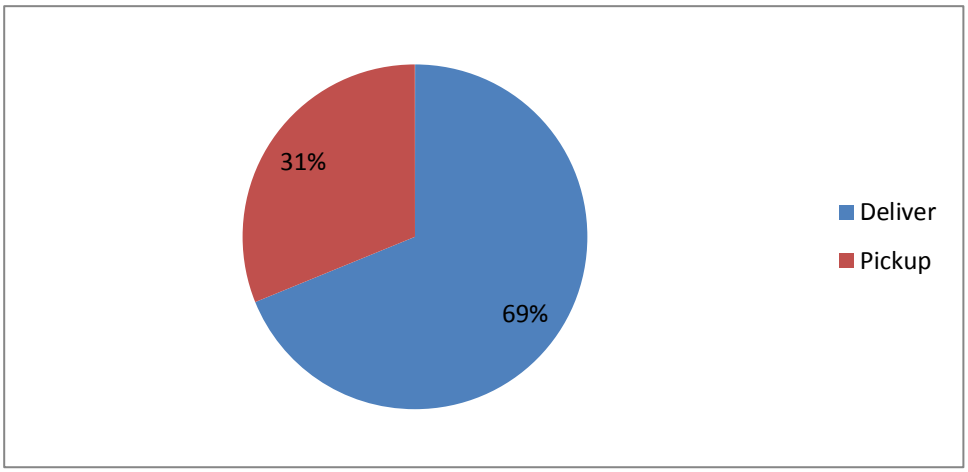

Figure 6: Percentage of locally purchased food delivered vs. picked up

Local buyers were asked whether purchasing locally has had a positive impact on their restaurants' profit. Approximately 62% or respondent agreed or strongly agreed with this statement, where 26% strongly agreed. None of the respondents strongly disagreed however almost 10% disagreed and the rest of the respondent were indifferent to the statement (see figure 7). This indicates that selling locally grown food is "profitable" for almost two-thirds of respondents (n=72). This information is essential to producers as they can use this data as a selling point when contacting restaurants about marketing their products. This could be an effective way of convincing potential restaurant owners/chefs who are skeptical about buying locally. Non-local respondents were asked whether they think buying locally grown food would have a positive impact on their restaurant's profit. Only 44% (n=75) of the respondents strongly agreed or agreed with this statement, of which 20% strongly agreed. Twenty one percent strongly disagreed or disagreed while 35% were indifferent.

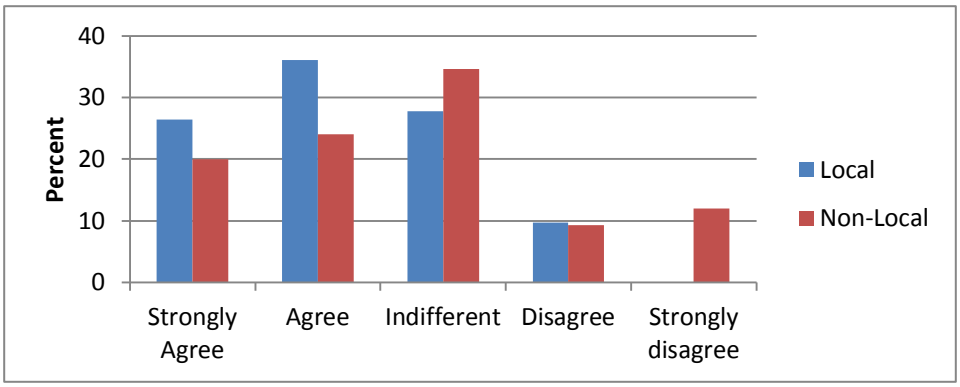

Figure 7: Impact of purchasing locally grown food on restaurant's profit

Conclusion

With consumers demanding more locally produced foods, restaurants/chefs, in order to meet customers demand, are also increasing demand for locally grown products. This increase in demand creates an opportunities for local producers. Approximately half the respondents in this study do not purchase locally, mainly attributable to inadequate availability. This is an indication to producers that the demand is available; they can approach these restaurants with a plan in place to work with them to provide these products. It is clear from responses that preferences differ for restaurants that purchase locally grown products and those that do not. Product attributes in general are more important to restaurants that do not purchase locally than to those that do. However, product freshness is a very important attribute to all restaurants. Food safety is also very important to all restaurants and therefore producers must adhere to these standards if they want to market to these restaurants.

Finally, majority of restaurants are demanding produce (vegetables) and meat, therefore local farmers producing these particular products have a higher chance of being successful in this industry. The bottom line for producers is; there is tremendous opportunity available to local producers to connect with restaurants in Alabama, which once capitalized on should significantly increase their profit margin.

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