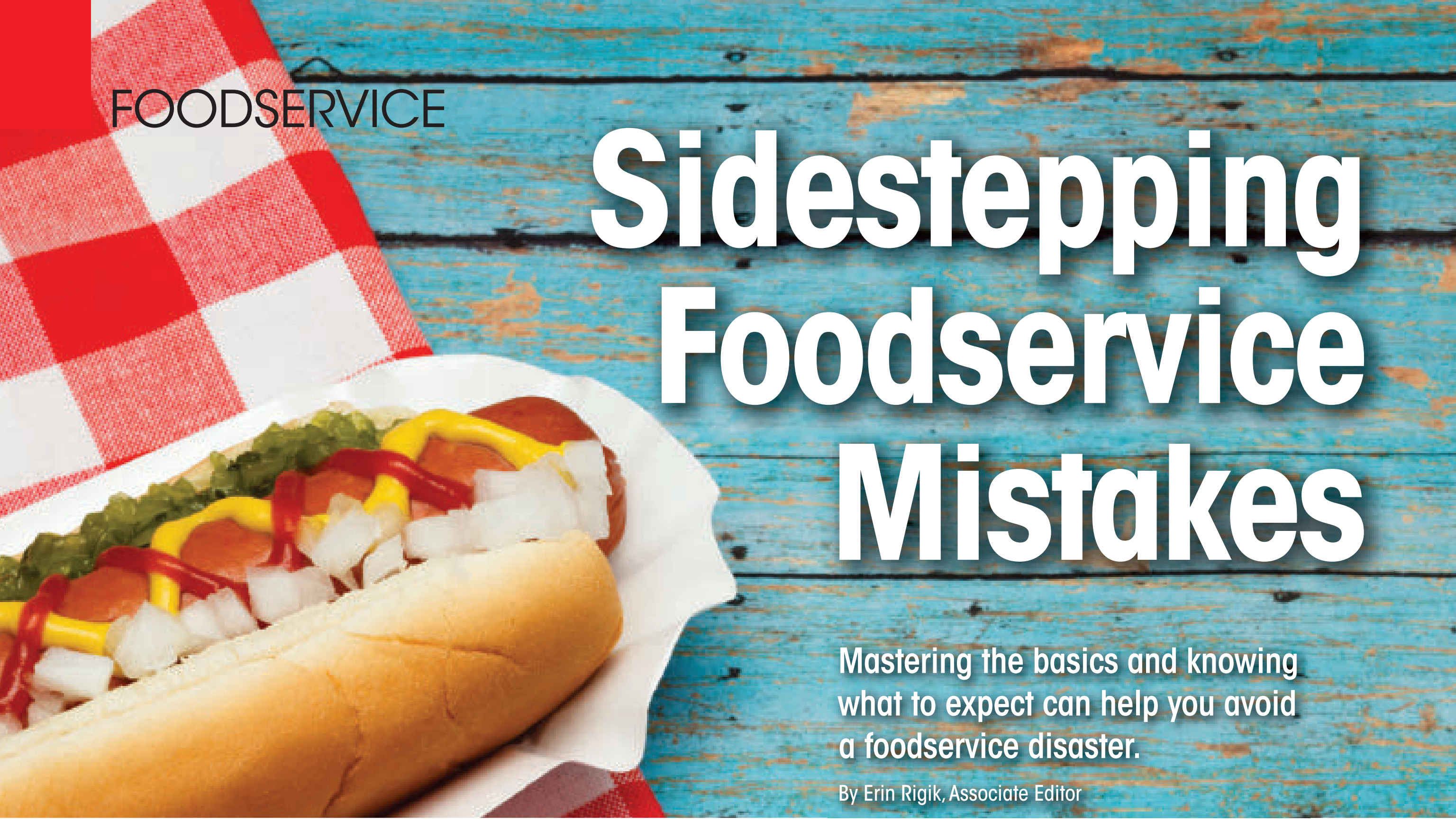
Sidestepping Foodservice Mistakes



Mastering the basics and knowing what to expect can help you avoid a foodservice disaster.

By Erin Rigik, Associate Editor

FOODSERVICE CONTINUES TO BE a shining star in convenience stores, so expanding your food options should be on the menu in 2014—if you have the traffic.

Lunch and dinner solutions can be added to c-stores in numerous ways, from a made-to-order, fresh food program to cold or hot grab and go. Knowing your realistic capabilities, beginning with the basics, following a process and being mindful of the time it can take to become profitable can save your chain from unnecessary failure. Rutter's Farm Stores, with 58-convenience stores in York, Pa., is proof that c-stores can build brand loyalty with foodservice. The chain has been making a name for itself in the world of proprietary, made-to-order foodservice for sometime now. From a touchscreen, guests can select from an extensive selection for all dayparts, including a wok program with fresh-to-order stir fry, breakfast bowls, sandwiches and burgers—just to name a few offerings.

Jerry Weiner, vice president of food service for Rutter's, noted that foodservice requires hard work and experienced leaders. It's not a cure-all for underperforming stores, but when done properly, it can give the entire organization a shot in the arm.

"Operators have a tendency to look at food because they see the profitability line and sales potential and market basket growth that it will bring—and all those things are true. But if you have a store that is bleeding dollars that may be happening because of poor traffic, and food alone isn't going to magically make that store profitable," said Weiner, a foodservice veteran with more than 20 years of retail experience. "It certainly doesn't hurt it, but if you do plan to add food to a low performing store, I would start with something very simple and very easy."

ARE YOU READY FOR LUNCH?

Retailers delving into foodservice should start with the basics—ensuring their coffee program, fountain programs and any grab-and-go areas are being executed correctly and succeeding. "From there build a breakfast program, followed by lunch, and then once that's up and running some dinner pieces could evolve out of that, but first the emphasis should be on mastering the basics," said Ed Burcher, president of Burcher Consulting.

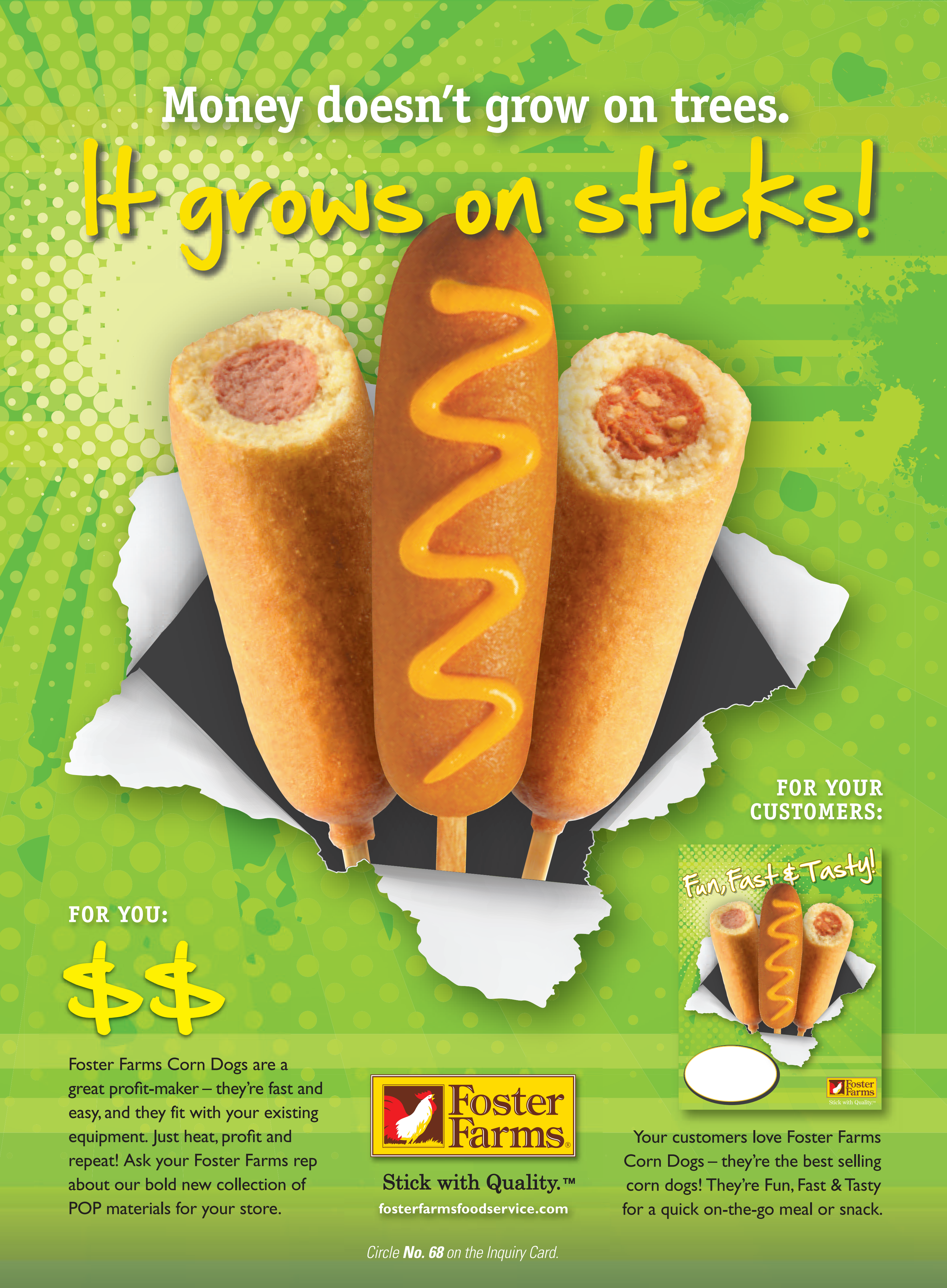
Weiner agreed. "If I was a chain and I had no food presence, I would start with breakfast. It's an easy program to start in financially, and c-stores can compete against the QSRs in that arena on quality, price and speed of service," he said.

With breakfast up and running, lunch is the next natural segue, but Weiner cautioned retailers not to miss out on the snack dayparts on the road to growing a multi-daypart solution. "Mid-morning, mid-afternoon, early-evening, late-evening snack times are big, big deals, much bigger than they used to be," he said.

FINANCIAL CONSIDERATIONS

When your store is ready to enter the lunch daypart the next big decision is what type of program your business can handle. While proprietary can differentiate your brand and become highly profitable, it also requires an expensive upstart and can take years to offer a decent ROI.

When launching a made-to-order proprietary offering, Weiner advised selecting stores with an average of 1,000 customers per day or more. "That number would drop dramatically if you're just adding a roller grill program and a hot breakfast/hot lunch program, where you're not doing any assembly in the store," he noted.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The price tag varies as well. A c-store could reasonably add a roller grill program and hot grab-and-go breakfast program that doesn't involve assembly—just heating packaged products—for under $10,000.

If, by contrast, a c-store wants to invest in touchscreen ordering and made-to-order foods, it can range from $40,000 to $100,000 just for the initial investment, including labor.

"You have to put the cart before the horse, and say 'Here I am world,' and develop your brand image, and that can take 3-5 years before you see the true profitability that program can deliver," Weiner said. "It doesn't mean you won't make any money in those first couple years, but it's not going to be where it can be because it takes a while to develop that brand image for food, especially when starting with—for the most part—a negative perception on the part of the customer."

PROFITABLE PARTNERSHIPS

Some stores grow successful dayparts with co-branded partners—yet another option in the wide spectrum of foodservice business models.

J&H Oil, based in Grand Rapids, Mich., offers a Piccadilly Pizza program at several of its 34-plus locations, focusing on the breakfast and lunch dayparts. Ready-made calzones and Day N Night Bites are among the array of offerings from which customers can choose.

J&H Oil looks to increase sales by offering combos and two-for deals. A recently acquired location in Grand Rapids, Mich., is set to offer Piccadilly's fresh pizza program (versus the freezer-to-oven program currently running at its other stores) this month.

In addition to pizza, J&H Oil offers a roller grill with an array of hot dogs, sausage dogs and tornadoes, which are popular with customers.

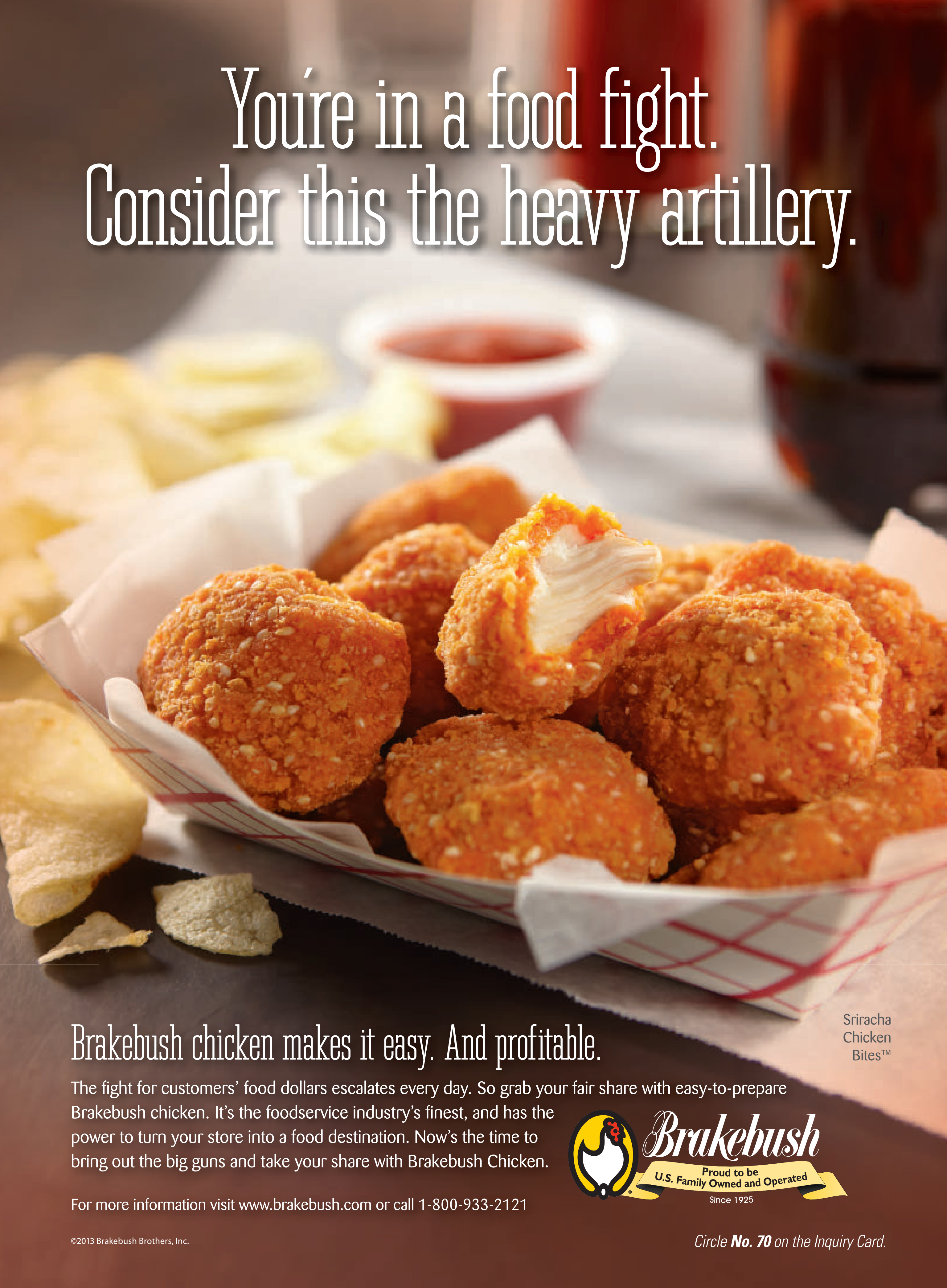
"Customers are looking for variety and more fresher, healthier options. We also have the most success with items that can be eaten on the run. By adding open-air coolers for sandwiches we have increased our sales," said Sandy Arrasmith, vice president at J&H Oil.

Currently, J&H Oil is revamping the merchandising and menuing for its foodservice offering to create a "wow factor."

HOPE FOR DINNER

Convenience stores have long struggled with the dinner daypart. Even Rutter's is "just scratching the surface of this very long-term effort," Weiner said. "This is probably the hardest daypart to capture," he added.

To Weiner, success will come when Rutter's is top of mind for customers when they are considering dining options for dinnertime. "Customers might love coming to your store for breakfast or lunch, but you're just not in their minds when they're thinking about dinner. We need to be on that mental list," he said. "That's the challenge."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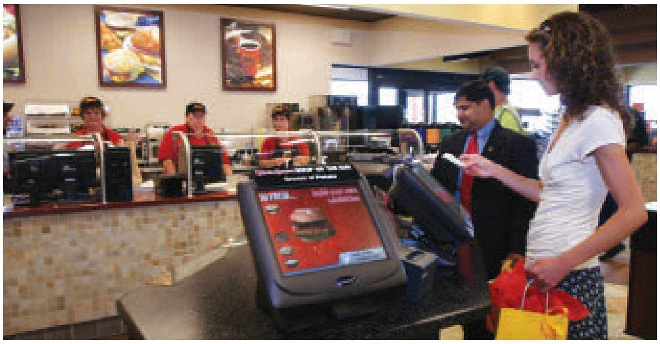

Startup costs vary dramatically depending on the type of food program you wish to add. While proprietary offerings can benefit your chain in the long run, startup costs are higher and you may be waiting longer for a decent ROI.

BACK TO BASICS

But for most convenience store chains, dinner solutions are still a long way away as they foray into breakfast and lunch.

Avoiding common mistakes can help them traverse the path more easily.

"I've seen lots of companies go head strong into a program and roll it out before they have tested it and marketed it to see if it works. It's important to actually follow a process and learn from it," Burcher said. "Stores typically overestimate the sales results and underestimate the time and effort required for a program."

Burcher said he's seen some companies take two years to be profitable at food. "It does take time to get the offer correct, to get the procedures right, the marketing right and the guest acceptance through trial and repeat. Operators also underestimate the amount of labor and waste that is required to build a food program and then they start cutting, which is not going to help the food program grow."

Convenience stores need to remember that they are not just competing against other c-stores, but national food chains. As such, customers also have high standards.

"Starbucks has taught us it's about the experience. Do your employees know they are in the hospitality business?" Burcher said. "You are in the food business. It's important to give your staff the feeling of expertise, dress them appropriately, train them and incent them appropriately." CSD

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