

Tesco became the latest grocer to retreat from the food-to-go market after revealing plans to close its dedicated stores.

Gemma Goldfingle investigates why

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Why can't the supermarkets crack the food-to-go market?



Tesco on Villiers Street, which opened to great fanfare less than 18 months ago

When Tesco opened its food-to-go store on Philpot Lane in the heart of London in 2014, the grocer's managing director for the capital at the time, Andrew Yaxley, said it was "a great example of Tesco providing the products and services that meet the needs of our customers".

The 1,000 sq ft shop was pitched as a rival to Pret a Manger and Eat and, as well as selling 100 types of sandwiches, sushi and soups, had a New York-style deli. Within months a further food-to-go store followed in Villiers Street, near London's Embankment.

Less than 18 months later Tesco is shutting both branches. The grocer is not the first to fail to crack the market. Sainsbury's Fresh Kitchen format opened in Holborn, London in 2011 and closed just a year later.

Highly competitive sector

It is no surprise that the grocers have made a play for the food-to-go market.

Brits spend £4.4bn on sandwiches a year, as more people buy their lunch rather than make it at home. But it is a competitive market.

"In the past five years there's been a revolution in food-to-go," says Shore Capital head of research Clive Black. "There's a plethora of new entrants and you can get food from every corner of the world."

The fact that grocers have not made an impact in this space is owing to a lack of skills in the area, says Black.

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Food service analyst Horizons' managing director, Peter Backman, agrees and says service expectations are different in this market.

"Customers want service with a smile," he says. "They want it to be tailored for them."

The rise of self-service tills means customers often choose to pass through supermarkets without speaking to a member of staff, but at food-to-go specialists the personal touch is still key, according to Backman.

Managing partner at consultancy Retail Remedy Phil Dorrell says he is not surprised the grocers have found life difficult in this space as their in-store restaurants are not up to par.

He points out that Tesco has opted to buy in



expertise for in-store food service, snapping up cafe Harris+Hoole and restaurant chain Giraffe.

It adopted a similar strategy in its food-to-go offer, partnering with both deli business Fred's Food Construction and Mexican specialist Burrito Kitchen for the trial.

Was burrito a no-no?

Verdict Retail senior consultant George Scott questions whether Tesco and Sainsbury's failed

because they did not have a strong enough point of difference.

Sainsbury's Fresh Kitchen provided an offer not wildly different from its own stores, he says. Tesco made more effort to differentiate the experience and product. However, Scott

asks whether it opted for the right point of difference – the Villiers Street store specialised in burritos, but was that the right niche for Tesco?

"Why would you choose to have a Tesco burrito rather than go to the latest pop-up around the corner?" he asks.

Tesco should have taken a leaf out of M&S Simply Food's book and gone beyond just selling sandwiches to office workers, maintains Scott. By selling 'food for tonight' as well as 'food for now' it could have increased spend.

Kantar Retail analyst Ray Gaul wonders whether a perceived lack of quality may have hit demand at Tesco's food-to-go stores.

There has been a move upmarket in sandwich chains, driven by a growth of operators offering bespoke products.

"There is a quality image that needs to be upheld. Perhaps there was a mental barrier for some shoppers buying those items from Tesco," suggests Gaul.

Location, location, location

The central London locations chosen for Tesco and Sainsbury's pilots may have also hampered their success, according to Scott.

"You have prime rents and a very competitive market," says Scott. "Outside London they might have had more success."

Scott points out that even the mighty McDonald's stepped back from central London until it perfected its offer elsewhere in the UK.

Black believes Tesco boss Dave Lewis is wise to call time on its push into the specialist food-to-go sector. He says making a serious play there would divert attention from the hefty challenge of turning around its core grocery business.

However, Scott believes Tesco should, and will, return to this space. "I don't see this as a failure. It has resources to trial new things. If anything it should try more things like this to try to widen its appeal."

So perhaps Tesco will take a short lunch break before taking another bite of the apple.