

Delivery on demand

*Adding prepared food delivery
is vital for grocerants,
say industry observers.*

BY CAROLYN SCHIERHORN

Millennials are known for their passion for food. And as the first generation to grow up using the Internet, with access to any and all information at their fingertips, they feel they can eat whatever they want whenever they want.

To capture share of stomach in this crucial demographic, more and more startup companies have plunged into the meal delivery market in urban areas. Some businesses, such as San Francisco-based services Sprig and Munchery, offer meals on demand in a growing number of cities, with their own chefs preparing food in industrial kitchens. Other companies, including GrubHub and UberEATS, team up with local restaurants to deliver meals quickly—at the touch of a button on a mobile app.

“For supermarkets to be attuned to the needs of their customer base, particularly millennials, they must be in this space,” says Phil Lempert, a grocery industry analyst in Santa Monica, Calif., and editor of Supermarketguru.com.

The aging baby boomer generation is another potentially big market for modern-day meals-on-wheels services, he adds, noting that dishes for this demographic—

facing high blood pressure, diabetes and other chronic medical conditions—would need to cater to different dietary considerations.

Switching gears

Although a number of supermarket chains partner with Instacart and similar services, such as DoorDash and Envoy, to deliver online-ordered groceries to customers’ homes, few if any grocerant retailers deliver individual meals on demand, observes Jeremy Johnson, education director for the International Dairy-Deli-Bakery Association (IDDBA). “Supermarkets are traditionally driven by volume when it comes to delivery,” he says.

Grocery industry consultant Steve Dragoo says he also hasn’t seen any supermarkets offer delivery of prepared meals yet. “I think this is a huge opportunity for retailers who understand who they are and their clientele and operate in population-dense areas where they could offer delivery,” says the owner of Solutions Consulting, which is based in the Nashville, Tenn., area.



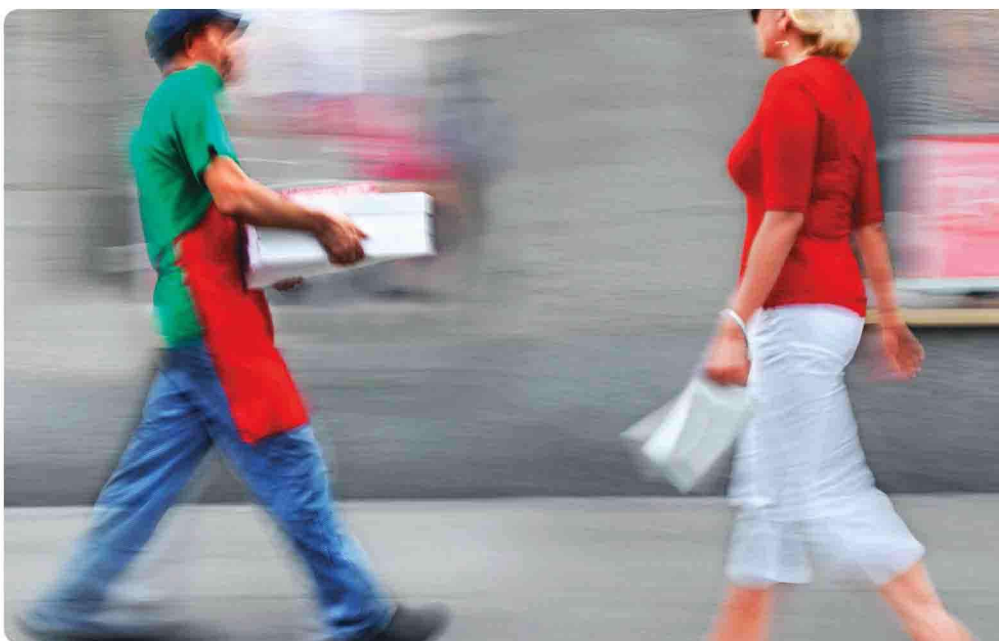
Meal delivery services like San Francisco-based Munchery set a high bar for prepared food quality.

COURTESY OF MUNCHERY

But some infrastructure changes and branding initiatives will have to be implemented before prepared food delivery becomes feasible for grocerant retailers. GrubHub, UberEATS and similar companies have not pursued relationships with grocery stores in part because of the perceived logistical challenges of drivers having to park in large supermarket lots,

then walk through massive stores to pick up the prepared food. Companies like Instacart that do partner with supermarket chains have a different business model and are not designed to deliver fresh-prepared single meals to consumers.

"I'm willing to go on Instacart and buy my \$100 order and have it delivered by 2 p.m. But when I want lunch, I want lunch," Lempert says. "What's more, on Instacart, if your order is under \$25, you'll be charged an \$11 delivery fee. Uber, on the other hand, has the tip and delivery charge included in the price, and you're paying only \$10 or \$12 or so." Restaurants and delivery services then split the profit on the orders.



Simple solutions

In Lempert's opinion, grocerant retailers need to proactively forge bonds with restaurant-focused services that use vehicles equipped to keep hot food hot and cold food cold. Some high-volume delivery services obtain menu items in bulk from restaurants at different times of day so meals can be delivered to customers within 10 or 15 minutes of order placement. "These meals are made fresh, but they're not made to order," Lempert notes.

Grocerants would not need to offer multiple types of meals for delivery throughout the day, he says. One or two dishes, a limited choice of beverages and a simple dessert from the store could be shown on the delivery company's app, which would also display meals from restaurants and other retailers in the area. The app's menu would change at least daily—perhaps offering different choices for lunch, dinner and late-night snacks—allowing the grocerant to promote and provide different dishes without becoming overwhelmed.

To work with delivery services, supermarkets would have

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— **Steve Dragoo,**
Solutions Consulting



to establish curbside pickup or reserved parking spaces for drivers, notes Chef Charlie Baggs, chief executive chef of Chicago-based Charlie Baggs Culinary Innovations. And ideally, store employees would bring the meals out to the drivers. In addition, the meals would have to be packaged in an attractive manner that prevents leakage, promotes freshness and touts the supermarket's brand.

Crowd pleasers

A self-described fan of UberEATS, Dragoo believes Uber-style delivery makes the most sense for grocerant retailers that have already made a name for themselves with several signature dishes. He notes that Big Y, headquartered in Springfield, Mass., would be an ideal chain to test the meal delivery concept because they are widely recognized for their pizza, grinders and submarine sandwiches, and certain hot food dishes.

"The food needs to be top of the line in a particular category," Dragoo says. "Delivery would be more challenging for stores that [just] do a hundred things pretty well because they wouldn't be able to differentiate themselves from local restaurants."

Ultimately, prepared food delivery could be an effective way to drive more store traffic, says Lempert. He maintains that consumers who order and enjoy a grocerant-prepared meal they've never tried before will likely think about visiting that store the next time they need to buy groceries: The delivery business would increase store traffic and vice versa. **9**

