



Get prepared

With “grocerants” so popular with millennials, retailers should amplify their foodservice offerings and better synergize them with own-brand packaged food products.

By Carolyn Schierhorn



A retailer's brand is the chemistry its stores create with customers. Own-brand lines make up part of the formula, reinforcing a banner's reputation for value, quality or creativity. Retail

foodservice, also known as the “grocerant” space in a supermarket, constitutes another increasingly important component of a store's brand — one that also speaks volumes about a chain's values, sophistication and personality.

Recent research indicates that millennials are driving demand for supermarket-prepared ready-to-eat meals and snacks. In addition, members of this generation could potentially become major consumers of store brand refrigerated, frozen and shelf-stable food products. Although private brand programs and retail culinary operations are often separately run entities, closer collaboration could help energize the center store while creating cross-merchandising opportunities in the perimeter.

Ideally, though, private brands would be conceptualized to include both foodservice offerings and own-brand packaged goods.

Michael Duffy, managing partner of Equator Design, Chicago, emphasizes that a private brand should be conceived holistically; it's much more

than a well-designed package with a high-quality product inside.

“A private brand should be experiential,” he says, noting that the UK “is about 10 years ahead” of the United States when it comes to understanding this concept and maximizing the penetration of private brands in the marketplace.

A private brand, in Duffy's opinion, also encompasses a retailer's fresh-prepared foods, as well as the design of store signage, menu boards and printed menus, food and beverage kiosks, salad and hot bar tables, promotional flyers, shopping bags and digital communication tools. It's about the overall vibe of a supermarket.

Fresh numbers

To fully leverage the power of the private brand, retailers need to take a fresh look at their grocerants and decide what more they could do to captivate customers, drive sales and ride the wave of growth.

In a report released in June, the NPD Group notes that U.S. grocers' sales of fresh-prepared food have climbed nearly 30 percent since 2008. In 2015 alone, supermarkets accounted for 2.4 billion foodservice visits and \$10 billion in consumer spending, states the Port Washington, N.Y.-based market research firm.

Titled “A Generational Study: The Evolution of



Eating,” the NPD report stresses that grocerants appeal to millennials, who are known to prize freshness, convenience and transparency. Retail foodservice at the highest level also provides pizzazz — restaurant-quality food presented with imagination and a sense of adventure in an inviting setting — at more affordable prices than comparable-quality restaurants would charge.

A 2016 report from the New York-based Private Label Manufacturers Association (PLMA), titled “How America’s Eating Habits Are Changing,” also stresses the rapid growth — yet still untapped potential — of retail foodservice. The PLMA report points out that one-third of millennials say they “always” or “frequently” purchase heat-and-eat food from the supermarket, while 29 percent say they pick up ready-to-eat or prepared food.

“Instead of grab and go, it’s grab and sit,” Wisner observes.

Wade Hanson, a principal with Chicago-based Technomic Inc., divides retailers’ investment in the grocerant space into four levels, with Tier 4 being the least committed — perhaps having rotisserie chickens and a cooler case of ready-to-eat sandwiches and salads. Tier 1, meanwhile, is the most committed — perhaps having both a café and a fast-casual restaurant within the store.

“Generally speaking, grocery retailers should be aspiring to be more advanced in their programs,” Hanson says. “A big part of that is just the nature of food today. Consumers have expectations, and retailers have to adapt.”

Fresh-prepared food strategies, however, need to be tailored to the customer base, Hanson notes.

“I wouldn’t advise small supermarket chains that are primarily in rural areas, for example, to be pushing the envelope too far because that’s probably not what their customers are asking for,” he says. “On the other hand, if you are in a very competitive food environment with a lot of restaurants nearby — an area where everyone is pushing the envelope — then you’ve got to do the same.”

To attract millennials, retailers need to have the flavorful multicultural dishes this foodie generation is clamoring for while being transparent about sourcing, additives and health attributes.

“Because millennials are eating out more and using supermarket foodservice more frequently than baby boomers do,” Hanson adds, “it does present a challenge and at the same time an opportunity for retailers to ask themselves, ‘Are there certain flavor profiles — are there bolder flavors, more global cuisines — that can be incorporated to our meals to generate more appeal?’”

Fare with flair

Whatever the target audience, the key to succeeding with retail foodservice is to prepare top-notch food, says Chef Mike Merritt, director of food production for Wooster, Ohio-based Buehler’s Fresh Foods, which has enjoyed “huge growth” in this realm.

“Our growth started when we all decided to make the commitment to have the best-tasting food,” Merritt shares. “We put together a food-tasting panel, hired creative chefs and worked for a full year just reinventing menus.”

Today, the Ohio chain’s supermarkets feature not only full-service restaurants, coffee bars and made-to-order stations with plenty of seating nearby, but also a large catering business.

Hanson notes that the right ambiance is critical



Photo courtesy of Equator Design

▲ This burger bar at a new Mariano’s Fresh Market store in Chicago draws a lot of traffic.

Although known for not being as loyal to national brands, millennials are actually more loyal to their favorite grocery retailers than their parents are, with 90 percent of them visiting just one or two stores for their regular grocery shopping, according to the PLMA report. This finding suggests potentially significant payback for investing not only in retail foodservice, but also in the development of store brands likely to resonate with this generation.

‘Grab-and-sit’ takes off

Jim Wisner, president of the Libertyville, Ill.-based Wisner Marketing Group, has seen tremendous evolution of supermarket-prepared foods over the past 10 to 15 years, progressing from deli sandwiches and salads intended to be eaten at home or work to hot and cold bars, made-to-order stations and in-store seating with Wi-Fi.



as well. For example, a store with a self-contained café should create a space with somewhat dimmer lighting, a variety of comfortable seating options with outlets for charging electronic devices, and perhaps other sources of entertainment. Depending on the neighborhood or community, that could be a large flat-screen TV or even a small stage. On certain nights, the supermarket café could host a storytelling competition or local musicians.

Supply and demand

When retailers first began to offer fresh-prepared ready-to-eat meals, they tended to create them using the same products that are sold in the store as groceries.

Steup offers this advice to supermarkets foraying more aggressively into the foodservice domain: “Recognize the inherent vulnerability of fresh foods and plan accordingly,” he says. “Ensure adequate cold storage in the store, account for shorter product shelf life, and provide proper training of store employees on safe storage, handling and preparation of fresh foods. Traceability also is a must in the event of contamination.”

Holistic branding

But differences in sourcing and staffing should not get in the way of integrating foodservice with the rest of the store. Even if an in-store restaurant or café purchases most of its consumable items from a foodservice distributor, certain store brand products could be incorporated into recipes, featured on the menu and merchandised nearby. Retailers could also display recipe cards by their restaurants, foodservice kiosks and hot bars, encouraging customers to make dishes at home using specific products available in the store, including own-brand items.

Wisner points out that cross-merchandising a store brand in a foodservice area could be something as simple as having private brand condiments on the tables for customers to use. In turn, grocerant dishes could be promoted throughout the store with free samples, he says.

Duffy notes that Equator Design helps clients develop cross-merchandising strategies. For example, at certain locations of Mariano’s Fresh Market, a division of Milwaukee-based Roundy’s (now owned by Kroger), customers who try private brand coffee in the store’s café or buy a gelato cone at the ice cream kiosk are encouraged through signage to look for the same products in the store.

“There are great synergies between walking through a store with a gelato cone and then finding the product in the freezer case,” Duffy says. What’s more, other customers might be persuaded to try the product.

Wisner, for one, has been wondering whether food trucks, which are popular with millennials, could be further leveraged by supermarkets.

“We’re already seeing food truck-inspired cuisine at H-E-B in their private label program,” he says, adding that there may be potential for store-branded food trucks to serve delicious food in supermarket parking lots. With some grocery retailers already offering curbside pickup or “click and collect” outposts for online-ordered food, Wisner believes that supermarket drive-thru lanes for fresh-prepared meals may be on the horizon.

“We’ve just scratched the surface of retail foodservice,” he predicts. **SB**



Photo courtesy of Buehler's Fresh Foods

▲ Buehler's Fresh Foods, which has experienced great growth with its foodservice business, has found that the secret to winning customers is preparing the “best-tasting food.”

“This is something that has been changing over time,” Hanson says. “As supermarkets have migrated to more of a strategy around prepared foods and having a foodservice component, how they prepare those foods and how they source them has changed pretty dramatically. I’ve seen a much smaller percentage of stores that are actually utilizing the ingredients from within the store.”

To realize efficiencies and volume discounts, grocerants today increasingly are sourcing products through the restaurant supply chain, Hanson says. A noteworthy example is the year-old agreement between The Kroger Co., Cincinnati, and Houston-headquartered Sysco Corp., the nation’s largest foodservice distributor.

Drawing on the expertise and resources of the foodservice supply chain makes sense, in part because demand-planning and food safety can be challenging issues for supermarkets that are new to foodservice, says Reinhard Steup, senior manager for Chicago-based HAVI Supply Chain Management.