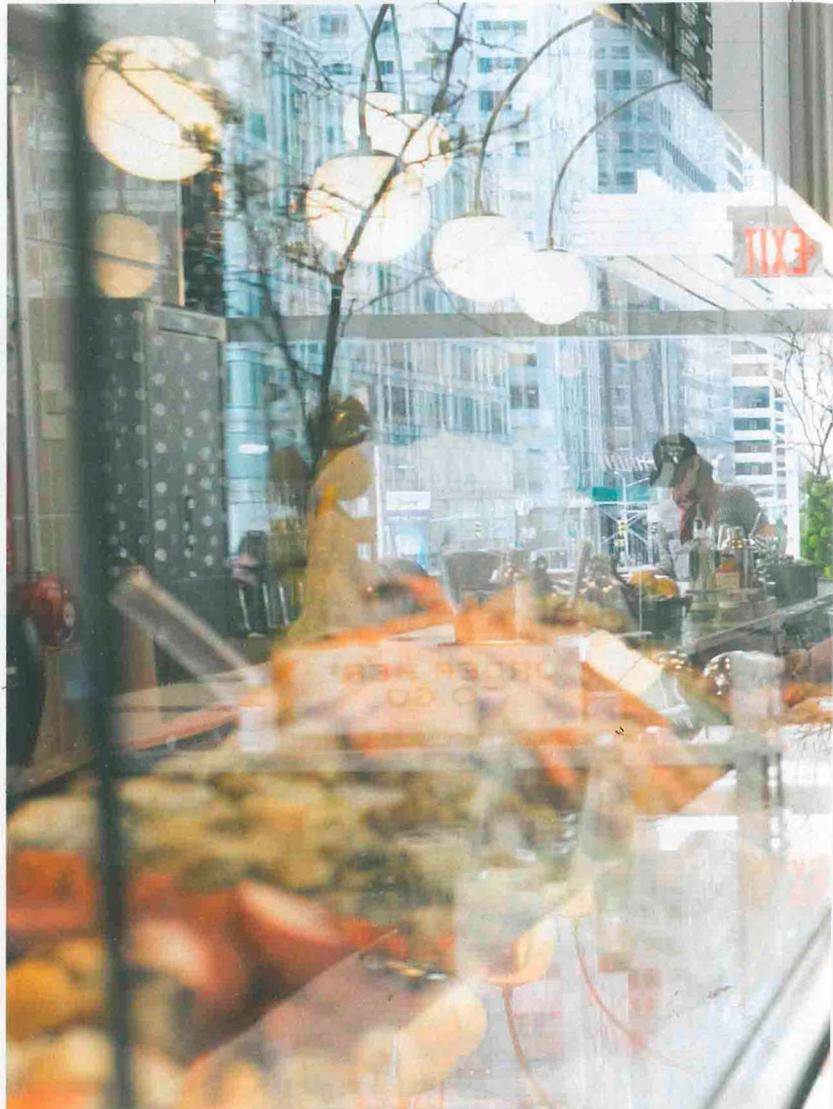


In-store Alliances

WORKING WITH ESTABLISHED FOODSERVICE BRANDS BRINGS CREDIBILITY AND OPERATIONAL EASE TO MORE GROCERANT PROGRAMS.

By Barbara Sax



A

s competition heats up for every food dollar, more grocery banners are partnering with well-known restaurants and chefs to give consumers another reason to visit their stores. The restaurant-within-a-store concept can drive traffic — a critical advantage as food retailers battle for share in a marketplace teeming with options.

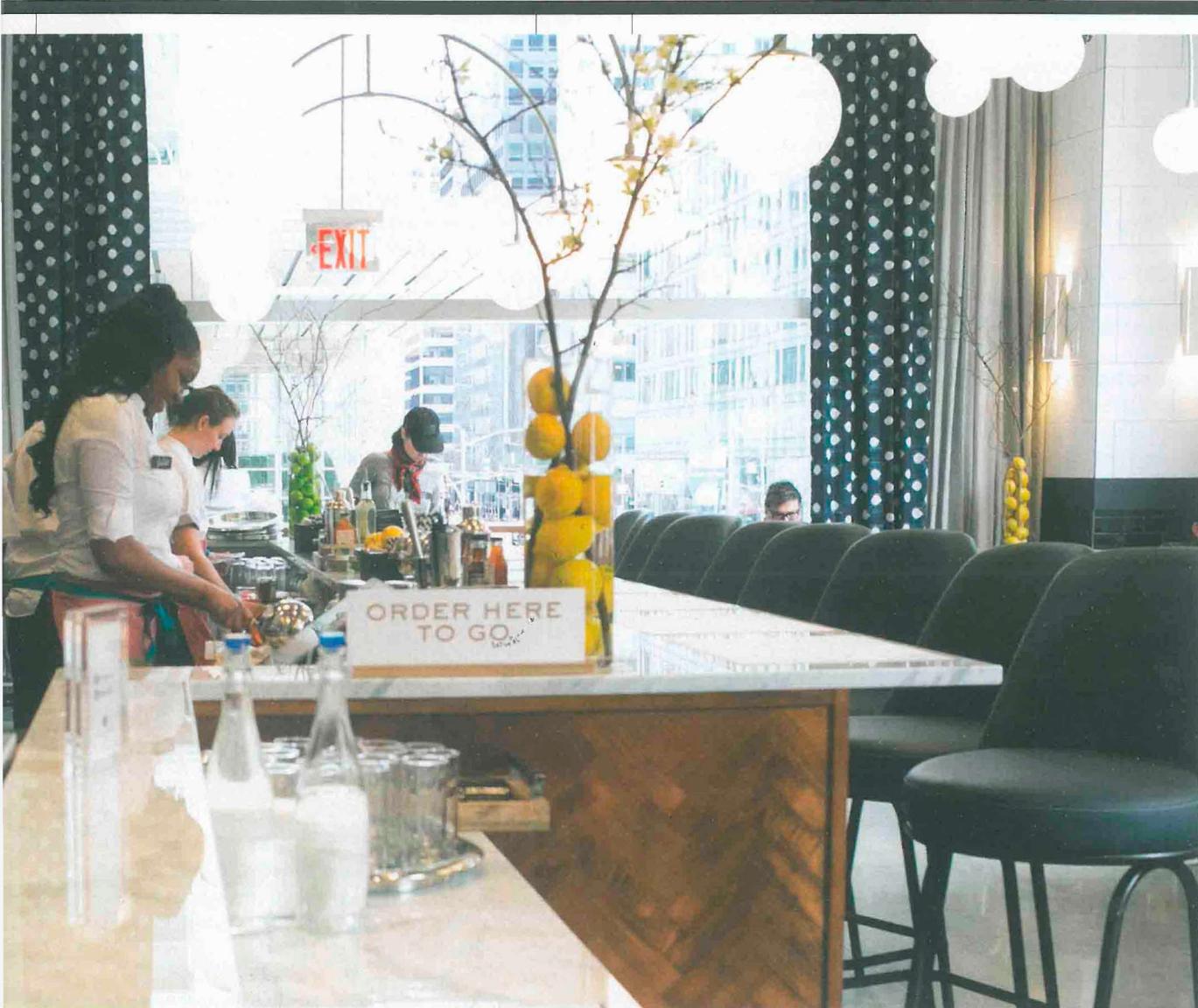
“If you change the experience, and the prepared food becomes entertainment, chains can leverage best practices in other areas of the store to increase sales per square foot and sales per hour by shift,” says Joshua Korn, CEO of Culimetrics, a San Diego-based restaurant and hospitality consulting firm.

“Partnering with locally known chefs and upscale brands allows retailers to leverage the connection between the local community and a known restaurant brand,” explains Korn. “A strategic partnership with a chef provides instant brand recognition and a

Whole Foods in Bryant Park teamed with renowned chef Daniel Boulud on Harbor Bar, a full-service seafood concept that fits with the upscale New York City location.

Key Takeaways

- ▶ Partnerships with local chefs and upscale brands enable grocers to capitalize on the connection between the community and a known restaurant.
- ▶ For foodservice operators, supermarkets offer prime retail real estate and captive foot traffic from food-focused shoppers.
- ▶ Demographics and location are key considerations.



quality statement about the types of food served.”

On the foodservice operator side, grocery stores offer prime retail real estate and captive foot traffic from shoppers who are already food-focused.

Built-in Credibility

Joining forces with a local celebrity chef’s brand “gives a chain like Whole Foods Market an opportunity to elevate their brand, differentiate themselves in a market and create excitement in the store,” notes Bob Goldin, partner at Pentalex, a food business management consulting firm based in Chicago.

Tien Ho, head of culinary and hospitality at Austin, Texas-based Whole Foods, seeks partnerships with local chefs who come with an established fan base in nearby neighborhoods. Local outreach provides a good way for Ho to bring shoppers more of what

they love, while also allowing Whole Foods staffers to learn more about local tastes.

Ho explains, “In a lot of cases, we like to collaborate with chefs on a new concept just for Whole Foods, because that helps us push the envelope and try something new.” Ho says the company’s goal is to create win-win partnerships with chefs and restaurants in a variety of cities and neighborhoods across the country.

“The key is finding the right menu concept for that community of shoppers,” he points out. “We work to understand whether the neighborhood is looking for fast family meals, vegan options, sit-down dining or perhaps a bar venue. Once we can understand how to best serve those shoppers, we find the right chef or restaurant partner to help bring that vision to life.”

Whole Foods has been particularly busy reaching out to restaurants in the Los Angeles market, where the company acquired a minority stake in L.A.-based Mendocino Farms, an emerging chain of fast-casual concepts focused on organic, locally sourced ingredients.

In November 2016, Whole Foods began a program to add Mendocino Farms outposts in some of its locations in the Los Angeles metro area. In a recently remodeled Tustin, Calif., store, for instance, Mendocino Farms anchors the prepared food section with a full-size restaurant and a full menu of gourmet sandwiches and salads for lunch and dinner. Menu highlights include on-trend items like Pork Belly Banh Mi Sandwiches and Avocado and Quinoa Superfood Ensaladas. The Tustin store also features a Hangar Bar restaurant with 36 on-tap beers, a dozen wines by the glass, signature craft cocktails, and chef-driven, seasonal cuisine.

Household-name Chefs

A more recent partnership for Whole Foods is its work with James Beard Award-winning chef Michael Solomonov, who has located a kiosk-sized branch of his popular vegan falafel and shake shop, Goldie, in the chain's Philadelphia Center City store.

The majority of Whole Foods' partnerships are with quick-service concepts, but Ho notes that, as in the case of Hangar Bar, full-service or mixed-service models can make sense for specific stores. Whole Foods teamed up with chef Erik Bruner-Yang on an in-store restaurant concept called Paper Horse designed for the grocer's Foggy Bottom and Pentagon City locations in Washington, D.C. The "Asian comfort food" menu of soups, noodle entrées and the chef's signature Chinese burgers appeals to shoppers in upscale city market settings with mixed retail use.

Additionally, in a new Bryant Park store in New York City, Whole Foods teamed with renowned chef Daniel Boulud on Harbor Bar, a full-service restaurant featuring a raw bar and a menu of oyster towers, lobster rolls and seafood-centric small plates.

Following the Leader

Other supermarket chains are adopting the co-branded strategy. Hy-Vee is partnering with Boston-based burger chain Wahlburgers to build, own and operate 26 Wahlburgers restaurants in seven Midwestern states, making the West Des Moines, Iowa-based supermarket banner Wahlburgers' largest single franchi-

see. Hy-Vee has also added select Wahlburgers menu items to its Market Grille restaurants chain-wide.

In revealing the partnership, Hy-Vee Chairman, CEO and President Randy Edeker cited Bureau of Labor Statistics figures showing that eating meals outside the home has surpassed meals consumed in the home. Food industry executives like Edeker are scrambling to respond to Millennial shopping patterns that will shift even more to out-of-home eating. Wahlburgers family-friendly burgers and casual-dining concept could be the type of turnkey franchising solutions that fit the bill for grocery store banners.

Walmart's Easy-grow Approach

Even Bentonville, Ark.-based retail giant Walmart is on board with the co-branding trend, as evidenced by its recent partnership with Miami-based emerging chain Grown, a concept developed with former Miami Heat basketball star Ray Allen and his wife, Shannon. Billed as "slow food for fast people," Grown is a contemporary health-food concept serving organic, clean-ingredient and on-trend food in an upscale setting.

Consultants see these strategic partnerships with chefs or brands becoming more important as chains try to attract Millennial and Gen Z consumers.

"These consumers are sophisticated, and they want more choices for higher-quality heat-and-eat or takeout meals and are willing to eat in a supermarket if it offers them a quality option," says Culimetrics' Korn.

Younger shoppers make the same demands on the retail side of the partnership and expect high-quality food and a convenient shopping experience, so it's important that both sides of the partnership perform at a high level.

"Diners are educated and, more than ever, are demanding better options — and they are willing to pay for it, so everyone has to level up," says Shari Grunspan, a spokeswoman for Grown.

Grunspan adds that, since the Walmart Grown location is owned and operated by the Grown team, Walmart can offer an upscale dining option to its customers with minimal effort — an important consideration. Retailers are taking a closer look at how profitable grocerants can be, while at the same time realizing how challenging day-to-day restaurant operations are.

As Pentallec's Goldin observes, "Smart supermarket retailers realize they don't always have the category competence to run restaurants, so outsourcing the space makes sense."

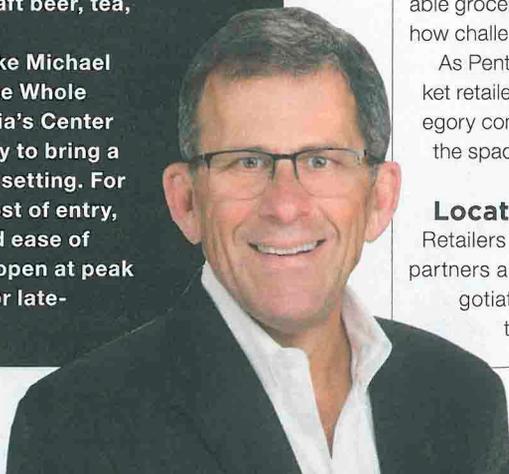
Location, Location, Location

Retailers typically offer their grocerant-branded partners a leaseback arrangement or a lowered negotiated rent. As in all real estate matters, "location is king," stresses Korn. "If a super-

Raising the Bar

For retailers looking to take a small step into co-branding, Bob Goldin, partner at Pentallec, a food business management consulting firm in Chicago, suggests starting with a wine, craft beer, tea, pressed juice or kombucha bar.

Smaller, single-focus kiosks, like Michael Solomonov's falafel concept in the Whole Foods Market store in Philadelphia's Center City, are another, smaller-risk way to bring a local brand inside a supermarket setting. For store differentiation at a lower cost of entry, think in terms of convenience and ease of service, like a local chowder bar open at peak lunch hours, or a fro-yo station for late-night snacking.



market retailer can generate enough foot traffic, they are an attractive location for an upscale quick-service concept. They have a built-in consumer base focused on buying food, have store hours that enable three dayparts and can push the limits on late-night shopping as well as delivery."

Whole Foods' Foggy Bottom location, for instance, fits the profile for Bruner-Yang's Paper Horse restaurant: The area has a concentration of nearby office workers, as well as students from neighboring George Washington University. Both groups can provide traffic during the day and early evening.

Goldin cautions that the approach isn't feasible for every chain, or even every market. "The concept could be appealing to Millennial shoppers in urban markets," he observes, "but even in those settings, there are so many other options available to consumers that there has to be a big draw." **PG**

“

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— Joshua Korn,
Culimetrics

