

Can Grocers Compete in Foodservice?

By **Juan Martinez**

It's no surprise that grocers are getting serious about foodservice, being that it's one of the largest industries around with the most opportunities for success. But can they compete?

In my opinion, they've yet to find the magical "11 herbs and spices." But as they keep turning the cards, they surely will.

Grocers, allow me to offer a suggestion up front, as a possible first step: Stop "grocerizing" foodservice.

Instead, go out and see what real restaurant foodservice operations are doing and learn from them. Benchmark the different concepts and then build yours based on the best in whatever category and menu offering you are aiming for.

There is no doubt that along the way, grocers will get their own bumps and bruises, but what is the value in making mistakes that the very mature restaurant industry has already made? Restaurants have been offering prepared foods at high volumes a lot longer than grocers, and they have instituted sophisticated systems that allow them to be highly efficient.

Further, grocers need to stop using foodservice operations as a loss leader, there to drive traffic but as a separate business would have gone bankrupt a long time ago.

The first objective for grocery foodservice offerings should be a plan to make money. Sounds novel, but I would contend that this is likely not happening for many concepts. When you do the true detailed financial accounting, including labor, food cost, food waste, capital, construction, etc., is the foodservice concept making money?

Can grocers compete in the extremely competitive prepared-foods business? Without a doubt! They can be phenomenal competition to typical restaurants. But to do this, you need to aim high. Will your concept be more like a quick-service, fast-casual or full-service operation? This is an important distinction, because each drives a different client base and fills different customer needs including price, service and day-parts.

Also consider that over the past two decades, these three categories have been looking more like each other as all food-



service operations attempt to grow their share of stomach. QSRs are selling premium products such as lattes and angus beef, fast casual is delivering faster service, and full-service eateries are offering lower price points for value-oriented customers.

So how can grocers be more competitive in foodservice?

- ▶ Be more selective when creating the menu. Doing a few things brilliantly is better than doing many things averagely.
- ▶ Apply more visual merchandizing tactics. Consumers eat with their eyes before their mouths.
- ▶ Develop designs that allow made-to-order while delivering fast service. This helps improve the quality perception of your offerings.
- ▶ Develop flexible work stations and flexible and adjacent concept offerings.

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- ▶ Implement flexible foodservice equipment platforms to produce food across the day-parts.
- ▶ Bring the "restaurant experience" into the concept. You need not be a restaurant to deliver on hospitality.
- ▶ Be willing to change the paradigm to evolve from a grocer to a foodservice operation.

Whatever you do, make sure you develop designs that leverage your menu, equipment, labor and production methods to ensure the delivery of profitable hospitality and investment optimization. ■

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