



Good to great
Two experienced “foodies” share insights into what retailers need to do to get from here to there in the foodservice business.

By Jay Gordon, Editorial Director

Foodservice can be a significant differentiator for convenience retailers. It can elevate a good c-store offer and make it a great one, even a destination. But what specific strategies and tactics do retailers need to employ to get from Point A to Point B?

We sat down with two seasoned foodservice experts to answer that question. Maurice Minno and David Brewster are partners in ISUS (Inventive Strategies, Unique Solutions), a foodservice consultancy that works with leading convenience retailers on foodservice and branding strategies. Here are their insights:

CSD: How has the role of gasoline changed in the c-store channel over the past decade? What effect has it had on the foodservice business?

Minno: Current and future depressed gas margins have caused retailers to increasingly position fresh foods and beverages as key growth drivers. This strategic focus will accelerate over the next decade since these categories provide a clear model for retailer distinctiveness and generate proven profit contribution, cash generation and customer traffic/transaction building.

Brewster: Gas has been commoditized into an “added value” to the rest of the c-store experience. It is now only one business located on the site. Many people make their fuel purchase decision on the other attributes of the site’s total

offer—foodservice, car wash, cleanliness, speed of service, parking availability, visibility, lighting, landscaping, the style and decor of the building and canopy, etc. These attributes will have much more stopping/shopping power than the fuel. The quality and perception of foodservice will be among the most powerful of all these influences.

CSD: On a scale of 1 to 10, with 1 being no improvement and 10 being significant improvement, how do you rate the industry’s efforts to improve its image over the past decade? Has foodservice helped or hindered?

Minno: I give the industry a 5, based on my definition of “image.” It’s more than giant new retail sites with mega forecourts and 4,000 sq. ft. stores. Bricks and mortar are an important part of a retailer’s “brand image,” and considered the necessary “cost of entry.”

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Just as important for long-term image improvement, however, is the total distinctive customer experience the retailer consistently provides every customer, in every store, every day. Brand currencies relative to foodservice execution—product quality, always fresh foods and beverages, served by trained, knowledgeable and friendly front-line

employees—make the difference between mediocrity and true success. Poor foodservice execution has and will continue to hinder the overall industry’s image, particularly as a credible retailer of fresh foods and beverages.

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Brewster: There are “hero operators” that have dramatically improved the perception of the industry as a whole. These top tier performers rate an 8 to 10. However, the majority of individual sites do not measure up, and these second-tier performers rate a 5 to 7.

CSD: On a scale of 1 to 10, with 1 being “we failed” and 10 being “we succeeded,” how would you rate the industry’s effectiveness in becoming an employer of choice? What impact have our efforts had on foodservice?

Minno: I give the industry a rating of 5. Clearly, some retailers have created a distinctive offer using foodservice as a significant focus, and have been successful in building an employer of choice reputation. Wawa, Sheetz and QuikTrip are clear examples. Each in their own way has created a distinctive, high-quality, consistently executed foodservice offer and supporting food culture. This food culture sets them apart from other retailers but also provides a pathway for employees to have fun, to have a sense

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of great pride in their work and to realize personal satisfaction through career growth—all of which contribute to becoming, from the employee's perspective, their employer of choice.

Brewster: About a 2. We are often the employer of last choice. This does not necessarily apply to top management or store manager positions. Wherever we have high-quality foodservice we have better employees, better wages and better working conditions.

CSD: What consumer trends have had the greatest impact on c-store foodservice over the past 10 years?

Minno: Health—from diets to “healthful” eating—ethnicity, the aging of America and increased consumer expectations for higher quality fresh foods with authentic, intense flavors.

Brewster: The perception and reality of freshness, quality and service—the Starbucks experience.

CSD: How have suppliers changed the way they go to market in this channel over the past 10 years to better serve the changing foodservice needs of retailers?

Minno: Three significant developments in this area:

- Fresh-baked products: High-quality, freezer-to-oven and/or thaw-and-serve products
- Convenience products: Pre-prepared or fully prepared foods such as cut fruit; prepared long shelf life salads, pre-cooked and pre-sliced meats
- Increasing willingness to strategically partner with retailers having shared visions and an aligned strategy

Brewster: Those who supply goods to c-stores are learning to deliver during slow periods (never the morning rush), with partial cartons and temperature-appropriate drops. Suppliers are also developing more attractive and engaging POP materials, and there is a rethinking of category management to be more inclusive of immediately consumable foodservice products which represent well over 50% of the SKUs in most c-store environments. Operators are also becoming more sophisticated in understanding daypart merchandising.

CSD: How must suppliers change to serve the foodservice needs of retailers over the next 10 years?

Minno: The channel needs new forms of strategic partnering to facilitate bringing to market scalable new food products and concepts. Suppliers also need to provide leadership for mainstreaming new packaging, new cooking technology and new business models via the right strategic alliances.

Brewster: Suppliers must be willing to deliver fresh things more frequently. In Japan, commissaries deliver freshly prepared food to their stores as frequently as every 90 minutes. Suppliers must also learn to provide food programs based on local ethnicity. C-store foodservice is usually a local (approximately 3-mile radius) business.

CSD: What do you consider to be the biggest mistake(s) retailers have made in the foodservice business?

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What lessons have they learned, and how will they use this learning to become better foodservice operators?

Minno: I would summarize the mistakes this way:

- National QSR branded concepts as the only business model for providing a fresh food and beverage offer
- Impatience and pushing for unrealistic performance
- Not fully resourcing the business for long-term success
- Cutting product quality with a focus on cost-control versus a focus first on customer needs and expectations
- Not recognizing the critical importance of building a sustainable food culture
- Not understanding who their actual customers are...and what their specific needs and expectations are in the area of fresh foods and beverages

The lessons learned:

- Cutting product quality leads to fewer customers, which results in a steady decline in sales and profit
- Developing proprietary brands is a successful model
- Necessity for flexibility and continuous adaptability to maintain the offer and brand "freshness"
- Execution of the offer every day in every store is the most difficult challenge to overcome

Brewster: Failing to learn more about just who their local, repeat customers are and their specific needs. The good ones are even anticipating these needs and are supplying daypart-appropriate offers to meet and exceed the local expectations.

CSD: What is your advice to retailers about branding? What, if anything, would you have done differently along your own career if you had the benefit of the knowledge and experience you have today?

Minno: Don't expect instant results. Fresh-food retailing requires long-term vision, senior commitment and continuous management discipline. Don't cut quality or reduce the hours fresh food is available believing this will result in short-term cost savings. Invest in understanding customers' needs and expecta-

tions. Develop dynamic strategic partner alliances.

Brewster: Big brands bring both recognition and headaches. Proprietary offers needs an attractive brand image and environment to overcome a lack of recognition. It may have potential for more profit, but it requires more operator expertise. A good middle ground is to partner with a local foodservice provider but own the on-site brand.

What would I have done differently

along my own foodservice career? This is an unfair question with two equally true answers. The first is, nothing—because I couldn't have gotten to where I am today without the benefit of the mistakes and successes—the learnings—of the past 30 years. The second is to have developed a sophisticated and local understanding of customer ethnicity and taste preferences right from the start—and to never compromise that understanding by using shortcuts. **CSD**

