

Who's Driving the Grocery Foodservice Renaissance?

By [Amelia Levin](#), Freelance writer



Move over, well, everyone. Supermarkets are blowing up as the next foodservice segment to watch in today's hypercompetitive landscape.

- [Click here for a look at which supermarkets are giving other foodservice outlets a run for their money.](#)

Chicago-based research firm Technomic projects the supermarket foodservice segment will see sales growth of 8.9% this year. That's about double the sales projections for quick-service and full-service restaurants (4.5% apiece).

"This is very significant," says Wade Hanson, principal at Technomic, sister company of CSP. "Supermarkets are one of the fastest-growing areas in the entire food industry right now. There are some great examples of leading retailers that have entirely changed a metro area in the last few years because of what they're doing from a foodservice standpoint."

Even the language used to describe this phenomenon is only just catching up with the speed of its expansion. Some refer to these retailers as "grocerants," which combine in-store dining with traditional retail sales. Others see it as an expansion of the prepared-foods section with more cooking happening on site, made fresh for the customer before or after they shop. In reality, it's a hybrid of both, with more advanced supermarkets even offering different "stations," often with their own seating configurations, from barbecue stands to oyster bars.

These forward-thinking grocers don't necessarily compete directly with

convenience stores per se. Rather, they are competing with everyone, and convenience-seeking, fresh-food-focused millennials continue to be a driving force behind their growth.

“When it comes to prepared foods, the competitive landscape is stronger than ever,” Hanson says. “In the past, if you didn’t go to a c-store, the alternative was fast food or a noncommercial entity like a work or college cafeteria. But now, the customer can get fresh meals at every corner. There’s traditional fast food, newer fast casuals, food trucks, other retail like drug stores and mass merchandisers selling prepared food—even gourmet vending is reappearing.”

There are plenty of lessons to be learned from these supermarket leaders, particularly when it comes to the menu.

“C-stores used to be able to draw customers based on value and convenience alone, but one of the things they’ve learned by watching supermarkets is a need to offer bigger, bolder flavors and different types of foods and flavors than what they’ve offered in the past,” says Hanson.

And while c-stores might have more challenges competing with supermarkets in the expanding health and wellness arena, what they can—and must—compete on is quality and authenticity.

“You can’t just have customers think, ‘This is a good soup or sandwich for a c-store,’” Hanson says. “It has to be good, period. Otherwise consumers can go anywhere else, even supermarkets, for a good-quality, relatively inexpensive soup or sandwich.”

A supermarket might offer a fine salmon with freshly prepared vegetables, but c-stores likely cannot. What they can do is look for ways to offer clean ingredients and authentic flavors—and then offer marketing around it.

“They can say, ‘We offer baked goods and other items made with real milk, real butter,’ or ‘The sausage we have on the roller grill has an authentic Mexican flavor,’” Hanson says.

Leveraging technology to improve speed of service and merchandising is another way c-stores will continue to compete with the more progressive supermarkets.

“Other foodservice outlets are providing options to speed up service, and chipping away at convenience advantages,” Hanson says. “You have separate, automated checkout lines at supermarkets, grab-and-go at full-service restaurants, walk-up ordering kiosks at fast casuals, and now online ordering is everywhere. As we see more consumers doing things like preordering their meal on mobile devices to cut down on time, c-stores will have to stay on top of that.”

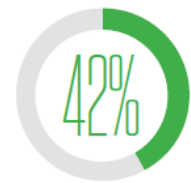


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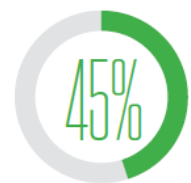
Average age of the frequent* grocery prepared-foods shopper



Amount of frequent grocery prepared-foods shoppers who are female



Amount who are millennials (ages 18-35)



Amount who do not live alone but do not have children

Source: International Dairy-Deli-Bakery Association
* Monthly or more often