



# The 500% Solution

THE MOST SUCCESSFUL PLAYERS IN CONVENIENCE FOODSERVICE ARE GETTING MORE THAN HALF THEIR OVERALL PROFITS FROM THE CATEGORY, BUT WHAT DOES IT TAKE TO GET THERE?

By Angela Hanson & Melissa Kress

**F**oodservice has found a permanent place among the most critical categories for convenience store retailers. C-store operators are collectively gaining foodservice category expertise, food quality is rising, and the number of Americans who decide where to fuel up their cars based on the food quality offered inside the convenience store is on the rise in recent years.

In fact, it is possible for c-store retailers to raise their foodservice profit contribution to 50 percent of their total in-store profits. Industry experts and c-store operators who recently spoke with *Convenience Store News* were unanimous in that conclusion.

They report that not only are some c-store retailers well on their way to reaching the 50-percent profit mark, but that it has already happened for some of the most successful convenience foodservice retailers — and that's great news for the industry as a whole.

"It's absolutely a realistic goal," said Ed Burcher, president of Burcher Consulting, a suburban Toronto company that specializes in foodservice, convenience, retail and merchandising solutions. He noted, though, that the cost of entry is not equal across the board. "The first thing to think about is how big a chain you are, how big a business you are, and where are you sourcing products based on that. All of that impacts the costs going in."

For c-stores with no foodservice program or just a limited one at this moment, it may seem too lofty a goal to seriously contemplate striving for; yet it's worth taking steps to reach, particularly since thin margins on gasoline and heavy taxes on cigarettes mean c-stores must look elsewhere for sales they can rely on.

"That can't be your bread and butter anymore," Ryan Krebs, director of foodservice for York, Pa.-based Rutter's Farm Stores, said of fuel and tobacco. "I believe it's 100 percent critical, to stay competitive in today's market, to get as deep into foodservice as you possibly can."

Rutter's more than 60 Central Pennsylvania convenience stores boast "fresh-made food prepared just the

way you like." The chain uses only the freshest ingredients and bakes its own bread, cookies and muffins every day. Rutter's stores also feature café seating.

#### WHERE THE JOURNEY BEGINS

Even the most capable retailers need to walk before they run, and those who charge toward the 50-percent profit milestone without proper preparation are likely to end their journey before they've gotten anywhere close to where they want to be. Margins on prepared food and hot, cold and frozen dispensed beverages are significantly better than margins on general merchandise, but if no one is willing to buy these products, the margins won't matter.

"First, your store must be clean, and your service must be outstanding. In my mind, this is the price of entry to selling food in a c-store," said Paul Servais, retail foodservice director for La Crosse, Wis.-based Kwik Trip Inc. The vertically integrated chain of more than 550 stores in Iowa, Minnesota and Wisconsin makes much of what it sells from scratch, and vows that its customers can "count on fresh food and a refreshing, friendly attitude all day, every day."

Beyond ensuring a clean and inviting atmosphere, retailers must also lay a foundation through math and an assessment of their buying power, according to Burcher. He advises operators to review their current situation to start, determining who they're buying from, what kinds of contracts they have, and how much they're paying for different items. Having a clear picture of costs, where they get things and how they pay for them, makes it easier to create a strategy.

"You can take that a step further: understand your recipes and your theoretical costs of the perfect product so you know what you should be achieving. Fully blown-out recipes, including yield," Burcher said of the initial assessment process.

Along with the overall increasing popularity of convenience foodservice, it is currently a good time to get into the business because for more than six months, the industry has been in a deflationary period, with product prices going down for a variety of reasons,



Kwik Trip (seen here and below) vows that its customers can “count on fresh food and a refreshing, friendly attitude all day, every day.”

Burcher noted. This gives an extra boost to all food-service retailers, regardless of size.

In fact, while developing a foodservice program with an eye for the long term can be daunting to small operators, these retailers have more of a competitive advantage than they realize. Krebs advises small operators not to “get scared off, by starting with a microwave and a toaster” as just these two pieces of equipment allow them to make customizable breakfast sandwiches.

Breakfast itself can serve as a solid building block for a convenience foodservice program. Consumers are more likely to visit a c-store as part of their morning routine, and a proprietary coffee program provides good profit margins, especially with self-service.

Meanwhile, eggs, croissants, cheese and meat can be combined in a variety of ways to make different products out of the same ingredients, and breakfast

sandwiches are easier to customize if a retailer wants to include that option, according to industry experts.

### CONSTRUCTING A STRATEGY

While c-store operators can and should continually adjust their foodservice program in response to market conditions and customer response, they are more likely to reach the 50-percent profit goal if the roadmap to get there is built into their initial strategy.

Equipment selection is a key part of that building process. Cost and quality matter, but the most important part of building foodservice profits is selecting equipment that can do multiple things, rather than going for specialized equipment.

Convenience foodservice experts recommend installing a fryer for its versatility. Items like chicken fingers and mozzarella sticks can be made consistently in three minutes or less with a fryer, which fits craveable items into the convenience model.

“Once you have a fryer, you can drop anything into a fryer,” Rutter’s Krebs said.

A fryer also allows operators to build up foodservice order sizes through side items like French fries. Consumers are likely to purchase a side item to go with a hamburger. But if they buy a package of potato chips, more money goes to the manufacturer than the c-store.

Experts likewise recommend installing convection ovens, such as TurboChef, which they say make a significant difference in the quality and variety of food a c-store can produce.

While creating a foodservice program from scratch isn’t the only option — operating with a branded partner provides distinct advantages — some industry experts believe this approach is not conducive if your



## TIPS FROM THOSE IN THE KNOW

Three members of the *Convenience Store News* How To Crew — a panel of leading foodservice experts — offer their advice on how to approach, build and sustain a convenience foodservice program that provides 50 percent of a store's overall in-store profits:

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“Make sure you have an accurate tracking system for everything that goes along with your program: waste, employee meals, coupons.”



**Ed Burcher**, President,  
Burcher Consulting

“Set expectations: First, I have to build my business. Then, understand what's reasonable inside that business.”

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“It starts with commitment and answering the promise to your customer daily. That should take you several years to get right.”

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“We are not in the business of selling two Lamborghinis a year. We're in the business of selling 200 cups of coffee a day. Volume is really important in that equation.”

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“The customer has to come in and really feel like you are in the business. It's right when you walk in. It's highly visible. It looks like a store within a store.”

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“There is so much competition for share of stomach these days, you truly do have to earn it.”

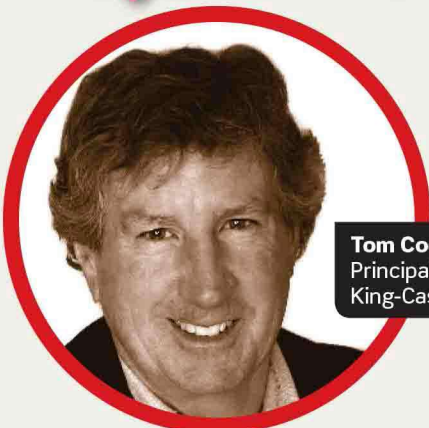
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**Joe Chiovera**, Founder,  
XS Foodservice & Marketing

“The No. 1 thing people want now is order accuracy. Nothing worse in the world than driving down the street and realizing your order was wrong. You're not going back; you're just mad.”

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**Tom Cook**,  
Principal,  
King-Casey

“You can't be the typical, historical food that's been sold in the convenience store — roller grill, hot dogs and that type of food. You really have to up the quality of your offerings. Really good coffee, really good baked goods, really good sandwiches.”

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“If you are a margin hawk and live and die by waste numbers, you really do not stand a chance.”

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Many of the most successful convenience foodservice retailers bake their own bread, doughnuts, cookies, muffins, etc., every day.

goal is to reach 50 percent of profits from foodservice. Their rationale: Retailers have to pay startup fees and a percentage of profits to the partner.

“That’s not going to get you anywhere close to 50 percent. That’s someone else’s dollar,” said Krebs, a former chef who recently introduced chef coats into Rutter’s stores.

“You can’t grow your foodservice business if you

don’t have the components to build a foodservice experience for the customer,” Krebs continued. “That upfront investment of labor and equipment is what I really believe is the halt of many organizations.”

#### **THE JOURNEY CONTINUES...**

Speaking of building a foodservice experience, the evolution of convenience stores as foodservice providers

has led to much innovation around how the store is laid out. Having a seating area to dine in can signify that store is a foodservice destination, and digital signage and menu boards facilitate creativity in how items and nutritional information are presented.

The actual prep area can serve as a design element, too. “Open kitchens and prep areas are very important to the customer,” said Tom Cook, principal of King-Casey, a retail consulting and design firm based in Westport, Conn. “People like to see where their food is being made. It communicates freshness and made-to-order and quality. Those are good visual cues.”

In contrast to dine-in seating, drive-thru windows are worth considering where the real estate allows. While in-store ordering and dining allows for a level of socialization and engagement that drive-thrus do not, people are often willing to trade experience for convenience. Even made-to-order foodservice programs can be done with a drive-thru, as today’s consumers are more willing to wait in the car for the food to be prepared — as long as the order is both accurately pre-



Convenience foodservice experts point out that installing a fryer can give c-store operators a lot of versatility in offering hot foods.

pared and tasty once they receive it.

There are a number of different paths c-stores can walk to reach success and attain 50 percent foodservice profits. Along the journey, they must stay aware of how achieving this milestone will fundamentally change how the market perceives their business.

“At this point, you are a restaurant, not a gas station,” Kwik Trip’s Servais said. **CSN**