



# Ingredients for foodservice success

Retailers hope to grow food sales,  
but the best formula may not be universal

By Matthew Enis

**Facing volatile** margins on gasoline and declining tobacco sales in many markets, convenience retailers have turned to foodservice as a segment of their business to grow.

Yet many operators need to assess labor issues as well as data and accounting controls before making a bigger commitment to the category, according to retailers at CSP's Foodservice Category Roundtable, held June 4 in Houston.

"It's difficult to tell how foodservice

has done in the past, because it's difficult to tell what has been dumped into the data. Fountain and coffee need to be separated," said Lamont Glendinning, buyer/consultant supervisor for Cenex/Ampride, Inver Grove Heights, Minn. "As a result, a lot of companies don't even know if their foodservice is making money."

Glendinning said while most restaurants account for food by shift, similar to the way many c-stores handle cigarettes, there is not a similar

## Foodservice Category Roundtable participants

**Appalachian Oil Co. Inc.**  
Rob Harmon

**Cenex/Ampride**  
Lamont Glendinning

**ChevronTexaco**  
Carrie Paulik

**Fas Mart Convenience Stores Inc.**  
Phil Oliver

**Holiday Stationstores Inc.**  
Larry Hill

**Irving Oil Corp.**  
JoEllen Gallant

**RaceTrac Petroleum Inc.**  
Chris Chila

**Royal Buying Group**  
Sharon Porter-Homolka

**Shop Rite Inc.**  
Mona Petitjean  
Stacy M. Plaisance

**CMN**  
Steve Soza

**Coffee Bean International**  
Jennifer Gallegos

**Food Sense Inc.**  
Deborah Holand

**Kraft Foods Inc.**  
Mark Speiser

**Leading Edge Brands**  
Lon D. Holden

**Marketfare Foods**  
Paul Miller

**Mother Parker's Tea & Coffee**  
Peter Doyle

**Orion Food Systems**  
Don Keller  
Kelly Bell

**Otis Spunkmeyer Inc.**  
Bob Holz

**PepsiCo**  
Ken Friedlander

**Piccadilly Circus Pizza**  
John Morrison

**Radiant Systems**  
Robert Clay

**Sara Lee Foods**  
Brad K. Fisher

**Wilbur Curtis Co. Inc.**  
Ken Duncan



level of dedication to accounting control in the c-store industry.

Retailers agreed, with most saying their companies have begun separating coffee and fountain profits from their foodservice numbers.

“We’re encouraging our retail partners to break out food,” said Sharon Porter-Homolka, category manager of foodservice for Royal Buying Group, Hinsdale, Ill. “Dispensed beverages have their own profit structure. Considering labor and waste, you really have to condense down to see how your food is doing.”

While most quick-service retailers view dispensed beverages in terms of a whole foodservice offering, they generally break out the numbers on a financial basis as well, noted Ken Friedlander, senior retail strategy manager for Pepsi-Cola Co., Purchase, N.Y.

### Dispensing advice

Retailers continue to recognize the importance of dispensed beverages—arguably the industry’s most broad-

“You’re not going to get someone to turn around in the middle of the road because you’re doing a price-off on fountain.”

—Rob Harmon  
Appalachian Oil Co. Inc.



Photos by Bruce Bennett



“A lot of companies don’t even know if their foodservice is making money.”

—Lamont Glendinning  
Cenex/Ampride

based foodservice success story—with many saying that the segment still has untapped potential.

More consumers are familiar with gourmet coffee, raising the bar both for margins and customer expectations.

“Presentation is a big part of a successful coffee program, and we’ve been working to give the area a bigger presence,” said JoEllen Gallant, category manager foodservice, Irving Oil Corp., Portsmouth, N.H.

However, Irving Oil is a growing company, and Gallant said that the biggest challenge the company’s “World of Taste” program will face going forward is maintaining consistency throughout its network of locations.

Establishing a point of difference and developing a solid marketing plan may become more important in the future.

“Cappuccino machines are not unique anymore; sales have flattened,” said Phil Oliver, category manager of foodservice for Fas Mart Convenience Stores Inc., Mechanicsville, Va. “Suppliers are very willing to

### Island adventure

**Too often,** executives and managers monitor trends and sense opportunities only to find that labor issues make acting on those opportunities too difficult at the store level.

San Ramon, Calif.-based ChevronTexaco, however, may have invented a simple, executable solution to one of the industry’s most enduring brain teasers: day-part merchandising.

At two stores in Sacramento, the company is testing a unique packaged-food island. The island flanks customers with two displays housed on “Lazy Susan”-type rotating platforms. So, in the morning, the displays offer customers items such as bagels, doughnuts, cereal cups and orange juice. As lunchtime approaches, employees simply give the displays a spin to feature products such as energy drinks and chips.

“Solutions have to be easy to run at the store level; it’s a labor issue otherwise,” said Carrie Paulik, category manager, foodservice. “This seems to be working pretty well.”



work with us on promotions, though, such as a 'buy a cappuccino, get a free Butterfinger' promo.”

Oliver added that he's been amazed at the number of customers who use the chain's coffee loyalty cards, and hopes that a recent re-imaging focused on improving flow in the chain's coffee sections will enhance customers' experience in the store.

### Cold calls

On the topic of cold-dispensed beverages, retailers disagreed on how many brands a fountain program needed to offer an optimal mix. Some argued that

“What builds a good fountain program is a clean area, good imaging and an occasional combo-meal promotion.”

—Larry Hill  
Holiday Stationstores Inc.



less-popular flavors lead to out-of-code bags in boxes (BIBs), spoiling margin in an otherwise strong area of the store. Others said that a program's variety can help turn it into an in-store destination.

However, one thing that many c-store

foodservice experts do have in common is a distaste for heavily discounting the high-margin category.

“I haven't seen the increase I'd like with single-price promotions,” said Larry Hill, vice president of foodservice, Holiday Stationstores Inc., Bloomington, Minn. “What builds a good fountain program is a clean area,

good imaging and an occasional combo-meal promotion. We primarily offer a dual-branded program with eight varieties. Why carry tutti-frutti just to watch the product go out of code?”

Other retailers disagreed. “Half of



the attraction [of dispensed beverages] is that customers have a variety to choose from and can mix their drinks however they want,” said Carrie Paulik, category manager of foodservice for ChevronTexaco, San Ramon, Calif.

Oliver employs a strategy of “the more flavors, the better” at Fas Mart. “For less-popular flavors, we use smaller, 2.5-gallon BIBs to keep the products from going out of code,” said Oliver. He did side with Hill on the issue of discounting, however.

“I don’t like the idea of discounting. I’m a big believer in combo promotions and special promotions. We’ve been successful with our ‘Thirst Crew’ promo, [which is] built around fountain and tied to NASCAR.”

Rob Harmon, vice president of foodservice for Appalachian Oil Co. Inc., Blountville, Tenn., agreed. “From our perspective, you’re not going to get someone to turn around in the middle of the road because you’re doing a price-off on fountain,” he said. “We’ve done well with a 32-ounce and 64-ounce refillable mug promotion, and have recently scored a home run with a new set of [frozen carbonated beverage]



“Half of the attraction [with dispensed beverages] is that customers have a variety to choose from and can mix their drinks however they want.”

—Carrie Paulik  
ChevronTexaco

“If you offer [customers] something more than a 99-cent sandwich and merchandise it well enough to add credibility, they absolutely will buy it.”

—Chris Chila  
RaceTrac Petroleum



age] machines that make frozen Pepsi using 3-liter bottles off the shelf.”

### Directing growth

There was some dispute over the direction convenience stores need to head

with the category; some retailers contend that the industry needs to speed up its adoption of flavor trends led by the fast-casual sector. Others say the industry should draw more attention to what it does well already.

## Bold tastes

**Supermarket delis** for years have used sampling to introduce customers to new products or reacquaint them with old favorites. Whether due to labor concerns or space issues, retailers in the c-store channel rarely seem to execute sampling on the same level.

Larry Hill, vice president of foodservice, is hoping to change all of that at Bloomington, Minn.-based Holiday Stationstores Inc. The chain’s 5-year-old proprietary sandwich commissary has launched new salads and bolder new breads, such as spicy red pepper and rosemary garlic and herb bread.

Hill has hired three part-time samplers who each hit one store per day, every Monday through Friday. With offering samples their one and only task, the employees ensure that the company’s food is presented at its best.

Similarly, the company employs several “sales and service techs,” who travel store to store testing coffee, spot-checking shelf life on products, brixing fountain machines, checking refrigerator temperatures, blowing out refrigerator condensers and repairing or replacing signage when necessary. “They’re in every store, every 10 days,” said Hill.



“We’ve got great coffee and hot dogs in this industry, but we don’t make them look like a destination,” said Glendinning.

Harmon said his 28-store chain sold more than 400,000 corn dogs last year by emphasizing the offering. Yet Harmon also said the industry has had a tendency to be out of touch at times.

“Books about the Atkins Diet have been topping best-seller lists for years now, but short of buying a hot dog with no bun, you can’t follow that diet in c-stores,” he said.

“To execute a good foodservice program, there has to be a commitment from the top down, from the COO to the cashier.”

—Phil Oliver  
Fas Mart Convenience Stores



Oliver said, “You have to work from the street in, trying to get people to recognize your foodservice offering from the road. If customers pull up and the store doesn’t look clean, they’re gone. To execute a good foodservice program,

there has to be a commitment from the top down, from the COO to the cashier.”

Regardless, with the retailers in attendance representing a broad spectrum of strategies and concepts, the industry’s potential emerged as one of the most heartening take-aways of the day.

“If you offer [customers] something more than a 99-cent sandwich and merchandise it well enough to add credibility, they absolutely will buy it,” said Chris Chila, foodservice manager of RaceTrac Petroleum Inc., Smyrna, Ga. ■