

Small-Scale Foodservice HITS THE BIG TIME

Foodservice success comes in a range of sizes, as these independent operators demonstrate.

BY JERRY SOVERINSKY



It's a daily challenge," said Jim Bressi, director of food research and development for La Crosse, Wisconsin-based Kwik Trip Inc., at this year's National Restaurant Association show, discussing his company's foodservice program. With 440 stores serving 4.5 million guests each week, Kwik Trip is succeeding, in Bressi's words, "going after the QSR money." The company's estimated 2012 foodservice sales numbers tell the story of a retailer that has clearly risen to the challenge:

- 3.5 million deli sandwiches
- 2.5 million pizzas
- 600,000 fresh salads
- 1.5 million gallons of soup

Execution is paramount at the company's central kitchen, which serves as a preparation hub for the company's stores.

For the small, independent operator looking to develop or refine a foodservice program at just one or even a handful of stores, Kwik Trip's scale can seem overwhelming. Many operational details offer little in the way of practical applications.

There is the foodservice fundamental — flawless execution — but that begs the question of implementation. For that, these independent operators shed insights on delivering c-store foodservice excellence, regardless of size. ▶





POWER MART: Distinctive Foodservice Excellence

It's Memorial Day weekend and temperatures are hovering near 100 degrees in Chicago — the reason why customers are packed into a suburban Power Mart gas station, standing in line for ice cream at the store's café. A worker is busy scooping floats, sundaes and soft-serve cones, at prices (as low as 99 cents) that offer stiff competition to dedicated ice cream shops.

The café is an integral part of Power Mart's burgeoning foodservice business, a five-year-old program that has grown — literally — one store at a time.

"I traveled a lot and looked at all the

commissaries of the big chains," said Sam Odeh, president of Power Mart, which operates three company stores and franchisees two, all in the Chicago area. "If you have those resources and scale, sure, that's the way to do it. But for a onesie, twosie or even five- to 10-store operator, the economics have to happen store by store, especially because of fuel costs."

For Power Mart, foodservice began in 2007, when Odeh launched the company's first in-store concept, which includes a deli serving made-to-order sandwiches, salads and soups; a café dishing out ice cream, coffee drinks and pastries; and grab-n-go, which includes items from the deli as well as private label offerings. A year later NACS visited Odeh and featured his new foodservice venture in the 2008 "Ideas 2 Go" DVD.

Making sure to distinguish foodservice from the rest of his store, Odeh dedicated 1,000 square feet (out of 3,000 square feet), "completely divorcing it from the c-store" with distinctive flooring and signage that clearly identifies the space as foodservice.

"You can't just say you're going to add it, you need to clearly differentiate for the customer that he has entered a food space," Odeh said.

Next, Odeh added infrastructure components, which included the proper sinks, refrigeration and other foodservice equipment. Total cost for the conversion: "about \$100,000," Odeh said.

What's for Dinner?

With a foodservice infrastructure in place, Odeh began developing menus, which were far from cookie cutter. "We identified the needs for our customers," Odeh said. "We wanted to stay away from the traditional, which meant no roller grills, no nacho machines and no pizzas sitting out. We wanted fresh, visible and made-to-

Odeh's most profitable foodservice store generates 55% of its in-store sales from foodservice, a huge number for the industry's top performers.

Power Mart in Chicago, Illinois



order or ready-to-take.”

Leveraging Chicago’s diverse ethnic offerings, he added private-label products to the stores, such as French pastries and Mediterranean appetizers and entrees. “They come prepackaged and ready-to-eat; we add our own labels and they become our own private label [Powmaro].” (Odeh also adds the Powmaro label to salted snacks and sweets, which he buys in bulk locally.)

“Customers see the fresh quality... Our sandwich guy wears a chef’s hat; it builds confidence for the foodservice program...Customers love that someone is servicing them. And it’s something that single store operators can all do.”

Power Mart’s deli menu includes signature sandwiches, which offer a choice of bread, a mini option (think White Castle sliders), and even no bread for those watching carbs. There’s an emphasis on Chicago items, too, such as Italian beef, Polish sausage and an all-beef Chicago-style hot dog. Salads are made-to-order as well as pre-packed, and there are soups and wraps, too.

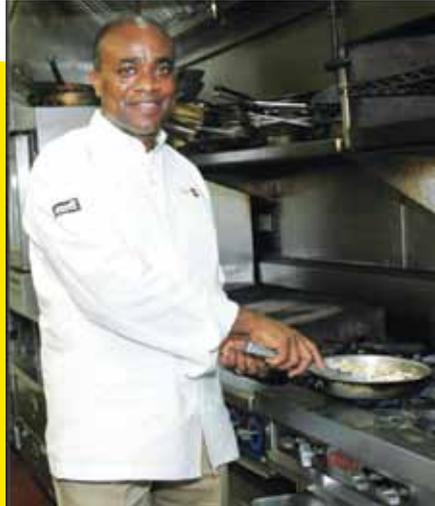
By the Numbers

Odeh’s employees pass out menus within the stores, and they rely heavily on promotions and in-store tastings to spread the word. While the efforts are paying off, success was not immediate.

“With a \$100,000 [per-store] conversion cost, our ROI was about three years,” Odeh said, adding it’s possible “to have a home run store,” but three years is a general ROI timeline, especially if your operation is small.

“You’ll start low, maybe in the 20% to 25% range [foodservice sales as a percentage of total in-store sales], don’t expect much higher than that,” he said. “But after a year, you might hit 30%, and two years later, you can reach 40% or even 50%.”

Odeh’s most profitable foodservice store generates 55% of its in-store sales



Chef Point Café’s chef and owner Franson Nwaeze cooks delicious meals for up to 800 diners each weekend.



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According to NACS State of the Industry data for 2011, the average foodservice contribution to inside sales was just 16.4%, with top-decile stores recording 21.2%. And Odeh’s top stores “are doing \$1,500 a day in foodservice,” which extrapolates to \$45,000 a month, just below top-decile numbers (\$46,625) — all generated from a modest 1,000-square-foot space.

CHEF POINT CAFÉ: Marketing Toward Success

Tucked away in a residential area in Watauga, Texas, a 15-minute drive along an interstate to any appreciable population, Chef Point Café offers little in the way of a convenient location. This makes it all the more improbable that such a tiny, obscure gas station with a restaurant serves 300 guests a day during the week, and up to 800 a day during weekends — all from a store less than a decade old.

A Conoco-branded station out front, Chef Point Café is the brainchild of

Paula and Franson Nwaeze. With experience running several five-star kitchens, Franson saw an immediate foodservice angle for the business when he and his wife Paula, a former financial planning professional, opened for business in 2003.

“We were 80% c-store and 20% restaurant at the beginning,” Paula said, but foodservice sales soon added a hefty profit margin and the two decided to focus their attention on grooming that side of the business — which required getting the word out. “We were open for five years, making pocket change, until we figured out that we needed marketing to pick things up,” Paula said.

Television and print advertising was too expensive for the store, “so we tried to be creative,” Paula said. “We harnessed the power of the web and talked to a lot of people, getting involved with Facebook, Twitter and collecting email addresses from every customer. We could see when we would send an email, our business would increase that day.”

Integrated within those email blasts was a suggestion to contact the Food

Network's popular "Diners, Drive-Ins, and Dives" show, spreading the word about the restaurant's evolving steakhouse-Italian-American fusion of entrees, which included such favorites as a duck breast appetizer, oxtail and "Better than Sex Fried Chicken."

Having received numerous recommendations to cover Chef Point Café, the Food Network paid a visit in 2009, filming a segment for the show. But rather than rest on the 30 minutes of publicity, Paula said she intensified her store's marketing efforts to coincide with the media spotlight, carrying that well past the show's air date.

"We promoted that they would be at

our restaurant, and we got permission to put the segment on our website," she said. "We include the video on all of our marketing materials, and because we market the show, they continue to put us on reruns."

The Food Network exposure and subsequent marketing efforts has led to an outpouring of additional publicity from CNN, the *New York Times*, Paula Deen and countless news stations — all from an initial marketing budget of zero. NACS also took a trip to Watauga to capture the buzz with a feature on Chef Point Café in the April 2010 *NACS Magazine* and in the 2010 "Ideas 2 Go" DVD.

The company manages a mailing list of 60,000 email addresses, which it strategically uses to announce promotions. "We don't spend traditional advertising money; we try to harness the power of the Internet to keep costs low," Paula said.

As a result of Paula's aggressive marketing efforts, the restaurant is a destination today, with tourists comprising 80% of the weekend traffic, and a respectable 20% on weekdays. And it's not uncommon for customers to willingly wait two hours for a table on holidays such as Mother's Day.

But the store's success is not all about marketing. Execution is a big reason customers rave about their experience. "Our menu requires hands-on operation, and our growth; it's been a gradual process requiring a lot of hard work," Paula said, adding the restaurant had just 20 seats when it first opened, and it seats 175 today.

And while the mention of eliminating the c-store component, which contributes just 5% of the company's business today, seems logical, Paula dismisses the suggestion, emphasizing the role it plays in the store's popularity.

"What we have that is unique is that we're in a gas station," Paula said. "If we're in a normal stand-alone restaurant, the customer expectation would be different...They're walking into a gas station and the expectation isn't as high. Yet, when they try our food, they're blown away by the quality."

HINSDALI: Leveraging Location

With its strategic location across from a bustling office park, the Shell Food Mart/Hinsdali in Hinsdale, Illinois, has had a built-in customer base for most of its three decades of operations. Co-owner Robin Gabriel began working at the store in 1981, and she recalls a very simple foodservice program that

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Chef Point Café in Watauga, Texas

Shell Food Mart/Hinsdeli
in Hinsdale, Illinois



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performed capably, but unremarkably.

“We had a deli at the time, but we only did ham, roast beef and turkey on Kaiser rolls,” she said. “With no other competition around, our sandwich program did OK. But just OK.”

In the late 90s, with a McDonald’s down the street and other food options a short drive away, Gabriel decided to expand the program, which included re-vamping its stale menu as well as implementing infrastructure improvements when the old store was torn down and the current Shell Food Mart was built.

The existing store is 4,800 square feet, with roughly 1,200 devoted to the store’s kitchen and deli. “We added pizza, soups, chili, salads and pasta salads, with everything made fresh on premises,” Gabriel said. NACS featured these foodservice offers in the “Ideas 2 Go” DVD in 2010.

The variety, freshness and quality immediately resonated among the store’s customers, who found the deli’s grab-n-go section an even quicker option than those at the nearby McDonald’s. But for Gabriel, the foundation for the store’s success is location. “Our biggest thing is traffic, which comes from location, location, location. We were fortunate, we had a great location across from the office park,” she said.

But the location advantage was thrown a loop a few years ago, when a developer bought several of the nearby office buildings with the intent of constructing condos. That project fell through, which led to a number of buildings that to this day remain empty.

“We lost a huge portion of our lunch business,” Gabriel said, which meant the company had to move beyond drive-by traffic and instead aggressively market its foodservice program. “For the last two years, we put up a billboard on [the interstate] and began a huge couponing program, like sandwich discounts tied to fill ups,” she said.

There’s also a coffee program and rewards program, both of which have helped restore traffic to the store.

Today, Hinsdeli generates roughly \$40,000 a month in sales, which includes made-to-order as well as grab-n-go, impressive numbers that Gabriel traces to an eye for detail and execution. “As far as developing our program, we focused on what our customers want and need,” she said. “You’ve got to concentrate on your customer base.”

Additionally, whereas the original foodservice program was static with few offerings, Hinsdeli today is all about innovation. “While our menu here is basic, we’re always trying different things,” Gabriel said. “The things that sell, we keep. Those that don’t, we get rid of.”

RECIPE FOR SUCCESS

For the small operator, foodservice success is not a matter of chance, but one of careful planning and execution, with a winning formula that Odeh summarizes neatly.

“First, you need to have a committed leadership,” he said. “For 22 years, all I cared about was how cigarettes and gas were doing. Now I dedicate 50% of my time and calls to foodservice. And that needs to start at the top.

“Next, you must have your employees take the challenge,” he said. “You can supervise them and train them, but you must eventually let them take it on themselves and embrace it. Food is fun.

“And finally, there’s a huge time commitment that you can’t ignore,” he said. “For independent operators especially, that means you could be at your pumps one minute then running inside your store to make sandwiches...the challenge is taking your daily chores and splitting the commitment.”

And once that commitment is made, the payoff can be substantial. “Foodservice is where the largest ROI is and will continue to be,” Odeh said. **NACS**

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