Five Lessons Grocery Retailers Can Learn From Restaurants, and the Technologies That Can Facilitate These Changes

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2020 was a transformational year for retail grocery that will require changes to store designs, strategies for sourcing and operational adjustments — all based on shifting consumer shopping patterns, demands and expectations.

This is especially true for prepared-food offerings, which are evolving and becoming even more complex. These offerings now include a range of products and services, featuring not only the standard bakery items and grab-and-go rotisserie chicken displays but also made-to-order sandwiches in the deli, pre-packed meal kits, pizza, burgers and even full-blown, sit-down restaurants with table service.

Before the events of 2020, many leading grocery retailers had been expanding their prepared-food offerings for years to add convenience for their customers seeking quick meals and to capture the incremental sales and margins that these items can provide. Industry leaders such as Whole Foods Market, Wegmans, Raley's, Publix, Gelson's Markets and Hy-Vee set a high bar for in-store prepared foods, and many other grocery retailers have sought to replicate their success.

While several operators reported their prepared-food offerings, particularly in the deli area, struggled during 2020, many retailers also launched omnichannel strategies that allowed customers to order prepared foods online. And they are hopeful those gains will persist. In fact, there are some early signs that they will. The International Dairy-Deli-Bakery Association (IDDBA) reported positive comparablestore sales gains in deli areas for the first time in more than a year in March 2021. Sales were up 7.4%, compared with March 2020, when consumer shopping patterns changed drastically, according to IDDBA research.

And now, as COVID-19 restrictions begin to ease, grocery operators will compete to retain customers for their prepared-food offerings while at the same time restaurants will work hard to regain their share of consumers' overall food spending.

"Ultimately, we need to continue delighting our customers with a varied assortment of restaurantquality food that can be delivered through a multitude of vehicles — online, pickup, in-store and delivery — and make each system of delivery a consistent experience, which is very important," Paul Kneeland, vice president of fresh operations at Encino, California-based Gelson's Markets, said in a recent interview with Supermarket News.



Recent Food Service Innovation in Grocery Retail

Gelson's Markets pivoted to online ordering for its Gelson's Meals to Go program in 2020, offering complete dinners for two or four people, available for curbside pickup.

Schnuck Markets plans to include a food hall with branches of three local restaurants inside a supermarket it is renovating in the St. Louis suburb of Kirkwood, Missouri. The retailer also recently partnered with DoorDash to offer delivery of prepared foods from its deli, including rotisserie chickens, sandwiches, chicken wings and side dishes.

Hy-Vee, which offers a wide range of prepared foods, is continuing its expansion of Wahlburgers; it also established a delivery partnership with DoorDash early in 2020. And it created a website dedicated to prepared foods, offering both hot, ready-to-eat meals and take-and-bake options, according to Supermarket News.

Kroger Co. is increasingly experimenting with a variety of food service concepts, including a new food hall offering five restaurant options and a "ghost kitchen" restaurant inside a store in Columbus, Ohio, offering takeout and delivery. The company also continues to experiment with its Home Chef meal-kit brand, including quick-cook and oven-ready meals, according to a CNBC report.

The Giant Company, a division of Ahold Delhaize, has rolled out a ready-to-eat meal solution for four people called "All Set in a Box." Options include baked chicken, chicken tenders and tacos, and each comes with multiple side dishes, such as Amish potato salad, cole slaw, mashed potatoes and potato wedges.

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Grocers Fall Short on Customer Service

Traditionally, grocery retailers have never quite been able to compete with the consistently high levels of service and the overall guest experience that consumers can find in traditional restaurants. **Grocers may now find it even more challenging than ever to go up against restaurants, many of which have also bolstered the convenience of their offerings, with enhanced takeout and delivery options, app-based ordering and payments, and ghost kitchens that expand their brands into new markets.**

As grocery retailers seek to retain some of the total-store sales gains they enjoyed during the pandemic, their prepared-food offerings present a prime opportunity, if retailers make the right investments to compete. Research from sales and marketing firm Acosta showed that "cooking fatigue" began affecting consumers midpandemic as 25% of survey respondents reported they were tired of preparing meals from scratch at home.

The report found that 40% said planning different meals every day was a significant challenge, and 38% lamented the lack of having the right ingredients on hand to make a meal. Consumers also reported that a lack of time and deficiencies in cooking skills were impediments to preparing home-cooked meals every day.



These represent opportunities for retailers to improve their prepared-food offerings and market them to consumers.

One way grocery retailers can better vie for consumers' share of spending on prepared foods is to adopt some of the automated technologies that have long helped restaurants ensure a positive and consistent guest experience. These technologies can provide assistance with staff training, to ensure high levels of service in prepared-food departments; menu optimization, to ensure the offerings attract customers and drive sales; and quality control, to ensure consistency of product, from supplier to consumer.

Consumers Need Help in the Kitchen

25%

said they were tired of cooking meals at home.

38%

said lacking the right ingredients was a challenge to cooking at home.

Source: Acosta's "COVID-19: Reinventing How America Eats" survey.

55%

of consumers said they were eating at home more often during the pandemic.

40%

said planning different meals every day was a significant challenge

17%

said they lacked the cooking skills to prepare meals at home. **Five Food** Service Lessons, and the Tech That Drives Them СМХ

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The Benefits of Digitizing Brand Standards, Policies and Procedures for Grocery Retailers

- Up-to-the-minute instructions and resources for any employee to complete any task
- Improved operational execution and consistency of performance
- Higher quality and safer products and services
- Faster adaptability to changing operational requirements
- Superior customer experience
- Significant cost savings

Lesson 1: Communicate and reinforce standards for safety, training, operations and more

The pandemic has raised the bar for cleanliness and food safety in supermarkets. New routines around sanitizing surfaces, maintaining safe distancing and presenting a "clean" image to consumers have all become the top priorities for retail food service.

Leading restaurant chains make these procedures a part of their "brand standards," which include everything from company policies to standard operating procedures. Restaurant chains use these guidelines to establish uniform levels of service, drive quality assurance and set expectations for their employees.

Successful restaurant chains have digitized these standards using tools, such as PolicyStudio from CMX, which not only reduces the time and costs of managing and distributing policies and standards to the store level but also ensures that all locations have the most current information. That has proved to be especially important in the past year, as guidelines for safety and new regulations were seemingly in a constant state of flux.





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We believe that part of the continuous-improvement processes is regularly self-assessing your performance.

AARON CLARK, SENIOR PROJECT SPECIALIST Restaurant Food Safety Team, Chick-fil-A

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Lesson 2: Be your own toughest auditor — every day of the year

Leading restaurant brands know it's not enough to create standards and guidelines that dictate operations; it's even more important to ensure that those standards are actually adhered to.

Providing digital checklists and conducting frequent self-assessments and internal audits are among the ways food service operators achieve high levels of consistency and operational excellence. Rather than relying on infrequent third-party audits to evaluate store-level compliance with regulatory requirements, policies and procedures, using automated solutions to create an internal auditing program can help operators identify problems and correct them before they escalate.

Other benefits supermarket food service operators can achieve through the use of technology-driven checklists, inspections and self-assessment audits, such as those provided by ActivityStudio® from CMX, include:

- Creating a culture focused on continuous learning and improvement
- Increasing awareness of brand standards, policies and procedures
- Reinforcing expected behaviors

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"With [the CMX] platform, Burger King, Tim Hortons and Popeyes have continued to aggressively scale, while maintaining control and oversight over supplier and product quality."

DIEGO BEAMONTE, VICE PRESIDENT QUALITY ASSURANCE, GLOBAL Restaurant Brands International

Lesson 3: Always be innovating

In the food service industry, new menu items and limited-time offers are the engines of sales growth. Successful brands generate excitement, attract increased visits and drive higher tickets when they roll out seasonal offers — think pumpkin spice lattes at Starbucks and Shamrock Shakes for St. Patrick's Day at McDonald's while maintaining strict quality and ingredient standards for their entire menus across their chains.

Executing on these innovations requires diligence in the management of product specifications, formulations and ingredients throughout product development and preparation. Restaurant companies rely on sophisticated information management tools, such as the Product Lifecycle Management platform from CMX, to supply accurate formulation and ingredient information so that they can bring new products to market quickly and safely.

Having a well-organized ingredient information repository also pays dividends when it comes to managing product labeling for grab-and-go foods, for example, and for identifying allergens, or performing a recall.

As grocery retailers seek to compete with traditional restaurants for a share of consumers' food service spending, automating the ingredient database represents a prime opportunity to make product innovation a key element of their arsenal.

Lesson 4: Make your supplier network transparent, and manage it as part of your extended team

Grocery retailers have complicated relationships with hundreds of suppliers, and they have a long history of working together to drive sales at the shelf. With private label and prepared foods, however, grocery operators may be sourcing from different suppliers than they are in the rest of the store, which may require a different approach.

Successful restaurant operators bring their suppliers onboard as integral members of their teams. Automated solutions help them manage supplier relationships, evaluate potential suppliers and maintain all the needed contacts, certifications and other documentation for compliance and performance management.

With solutions such as CMX's Supplier Management tools, which include automation for evaluating, approving and onboarding partners, grocery operators can easily manage their suppliers and monitor performance continually.

With the supply chain challenges retailers experienced during the past year, it is more important than ever to maintain a robust warehouse of information about suppliers. For restaurant operators, having a detailed, up-to-date supplier database enabled them to easily transition to alternative suppliers to maintain the consistency and quality of their menu items during the pandemic, without reducing their offerings.



Key Areas Where Automation Boosts Partner Relationships

- Partner onboarding and maintenance of data and documentation
- KPIs, insights and vendor scorecards for better decision-making
- Supplier audits and certifications
- Automated record keeping and document management



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"Ensuring the health and safety of our patrons is paramount, and CMX1 met our criteria for having a very intuitive and easy-to-use solution, both for our team and store personnel, including the automation needed to monitor and report progress to our leadership team in real time."

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RICHARD C. STITH JR., CHIEF, PUBLIC HEALTH DIVISION Defense Commissary Agency

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Lesson 5: When issues arise, move quickly to mitigate risk and be prepared for damage control

Speed is everything when it comes to product withdrawals and recalls, and fast response times can happen only when a retailer is well-prepared and has the systems in place to help execute on communications and corrective actions.

CMX's Recall Management is used by restaurant chains and retailers, such as Raley's Supermarkets and the Defense Commissary Agency, to manage their product-recall procedures. It is an end-to-end solution that helps retailers prepare for and execute a product withdrawal or recall event. With automated communications and real-time progress tracking until resolution, — grocery retailers can quickly identify issues and act to protect their customers and brand.





Automation and the Future of Customer-Experience Innovation

Consumer spending on prepared foods is poised to increase in the months ahead as more traditional eating patterns return.

This represents an opportunity for grocery retailers to invest in their prepared-food offerings and capture a larger share of this market. This is especially important as traditional restaurant operators have significantly enhanced the convenience of their concepts and will likely aggressively pursue those same shoppers.

Grocery retailers are advised to consider digital solutions such as those from CMX, which leading restaurant chains use to automate employee training and communications, ensure operational compliance, manage food specifications and ingredients, improve supplier relationships, and streamline crisis management.

"Restaurants have already figured out how to master customer-experience innovation, differentiation and more using technology; now it's grocery's turn," said Jim Hardeman, chief marketing officer and chief product officer at CMX.

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Leading brands, including Burger King, Taco Bell, Sonic Drive-In, Raley's Supermarkets, RaceTrac and Hasbro, trust CMX's cloud-based Enterprise Quality Management Software (EQMS) CMX1 to help them achieve and maintain operational and quality excellence. For over a decade, CMX has led the market with the most comprehensive, user-friendly, cloud-based EQMS platform for food and consumer brands. It's the only enterprise solution to effectively combine supply chain quality and operational excellence into a single, fully configurable operating platform

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