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by

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"Grocerants" gain momentum

"Grocerant" is a new buzzword in supermarket circles as retailers ramp up their efforts to lure consumers craving convenience with a plethora of prepared food options.

The grocerant concept goes well beyond the traditional deli counter that displays potato salad, coleslaw and dried-up fried chicken basking under a heat lamp.

An increasing number of stores now present fresh-made choices including pizza, tacos, salads and even sushi. There's an area where shoppers can dine in-store, and some markets go so far as to offer table service.

In-store dining and takeout of prepared foods from grocers has risen almost 30% since 2008 and accounted for \$10 billion of consumer spending in 2015, according to foodservice market research from Chicago-based The NPD Group.

A report prepared for the Produce Marketing Association by Chicago-based Technomic Inc. says supermarket foodservice sales grew about 6% in 2014 compared to 3.8% for the restaurant industry. And the category was projected to outperform the rest of the food industry in 2017.

Fresh prepared foods in supermarkets is "one of the highest-performing and fastest-growing segments in the food industry," Technomic says.

The study also indicated traditional supermarkets remain the source of 90% of retail meal solutions.

Expansion due

About 90% of supermarkets already offer some type of fresh-prepared food, but this is mostly "a limited menu of the classics," like rotisserie chicken, fried chicken and sides, says Anne-Marie Roerink, principal and founder of San Antonio-based 210 Analytics.

About 90% of retailers say they plan to increase space allocation for dinner fresh-prepared items, according to the Food Marketing Institute's The Food Retailing Industry Speaks 2016 report prepared by 210 Analytics.

Though statistics vary by location, the "classic deli center" generates about 8% of a supermarket's profits, Roerink says. For some true grocerant models, the figure could top 15% or even 20%.

Fresh prepared is growing ahead of all other perimeter departments, with dollars up 6.2% in 2016 and volume up 5.3%, according to the Power of Fresh-Prepared/Deli 2016, also prepared for FMI by 210 Analytics.

But introducing a grocerant concept means a significant commitment of time, money and effort, Roerink says. "Store location and foot traffic are important considerations, but store audience is just as important," she says.

So far, the grocerant idea has caught on more with high-income, younger shoppers in urban areas with households that are more stressed for time than money, Roerink says.

The concept can appeal to young and old alike. Some seniors like prepared meals because they can purchase small portions for one- or two-person households, while millennials often are "meal assemblers," mixing and matching prepared items with their own recipes, she says.

Even though 96% of shoppers purchase deli/fresh prepared at least once a year, only 12% think of visiting the deli regularly, according to The Power of Fresh Prepared/Deli.

"Food retailers need to focus on elevating the profile of deli/fresh prepared as a key differentiator and thus a driver of sales for the entire store," the report says.

Digital, mobile and social media might be the best way to reach younger shoppers, while the circular remains an important way to reach older generations.

Produce role

Retailers typically aren't going to great lengths to include produce in their grocerant offerings, says Phil Lempert, author and consumer trends expert known as the Supermarket Guru.

Nonetheless, the category does play an important role.

Most grocerants include a standard selection of salads and an assortment of items like fried Brussels sprouts, he says.

The Technomic report says salads ranked No. 3 on its list of leading entrees, and the vegetable dish was the fastest-growing with a 133% sales boost.

Produce isn't necessarily sourced from the store's produce department, however. There's usually a separate buyer who does the purchasing for the grocerant section, Lempert says. Nonetheless, the grocerant can benefit the produce department indirectly by introducing shoppers to new products.

An opportunity also lies in cross merchandising deli offerings with easy-to-prepare produce items, Roerink says, like pairing pizza and packaged salad.

But the impact goes beyond the menu, says Laurie Demeritt, CEO of The Hartman Group, Bellevue, Wash. They should have a clean, modern design, effective lighting and incorporate natural, reclaimed materials "to evoke an emphasis on quality and freshness and distinguish themselves from the uniform, impersonal experience of a wide array of outdated dining experiences ranging from QSR outlets."

Talent search

One of the biggest challenges to establishing a successful grocerant format is finding the right person to oversee it, Lempert says.

Lempert, who developed the Foodservice@Retail Summit for the National Restaurant Association show in May, says supermarkets typically take the head of the deli or prepared food section and put him or her in charge of the grocerant operation rather than seek a candidate from the restaurant industry.

"We've got to understand retail and restaurants are different," he says. "It's the expertise that the restaurateur has that the supermarket needs in order to operate an effective grocerant."

The grocerant concept is so new many chains haven't discovered the value of finding the right talent, he adds. Indeed, grocerant operators can learn a lot from fast casual restaurants like Panera, Chipotle and Sweetgreen, Demeritt says.

Consumer expectations from restaurant chains have evolved from fast, cheap comfort foods, she says. The Hartman Group's Dining Out 2016 report says consumers now list "freshness" as a factor in determining quality.

Freshness is defined as:

1 All natural with no artificial ingredients and made with simple, "real" ingredients, like fresh vegetables, fruit and whole grains.

2 Minimally processed, cooked to order, open production, not sitting under heat lamps.

Various fast casual chains incorporate different aspects of modern food culture by offering freshness, quality, indulgence, discovery, experimentation, health and sustainability, Demeritt says.

"Consider what the appropriate mix and emphasis on these attributes are and how those are connected to the value proposition of your brand," she advises grocerant operators.

"Ultimately, retailers should not lose sight of the notion that value, speed and convenience are important priorities for consumers and areas of competition with restaurant operators."

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