

Boulder County companies helping reshape the food economy

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Online groceries, delivered meals, delivered chefs radically changing how we feed ourselves

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Bruce Jacoby is loading up a truck for food delivery at Door to Door Organics. Door to Door Organics, in Lafayette, is one way people are getting their food, from to-go at restaurants to meal kit and grocery delivery, and how Amazon is accelerating that change. Cliff Grassmick Staff Photographer ...



Three times a week, Joan Lieberman gets meals delivered by Boulder's Dish Gourmet, a deli, sandwich shop and caterer. She never knows what the food will be: She gives Dish's chef/owner Brian Benham complete culinary control.

His instructions are simple: Craft three nutritious, delicious meals for her family per week. No menu required. He even has a key to her house, so he can slip the food in the fridge — in containers she provides —and be on his way, with no disruption to Lieberman's life.

The arrangement is a unique one for Dish. "I don't know that I would do it for anyone else," Benham said. Lieberman's order is driven by more than simple convenience: In her late 70s, she recently surrendered her car keys due to slowing reflexes.



Lucy Arredondo makes Italian sandwiches at Dish Gourmet on Tuesday. (*Cliff Grassmick / Staff Photographer*)

But her move toward food delivered and prepared by someone else, is part of a larger trend across America. Whether through meal kits, online groceries, take-out or dine-in options, more people than ever are looking to spend less time filling an essential need.

Analysts and media are busy picking winners and losers in the new food economy, from traditional grocers to conventional brands. Largely overlooked are several companies in the Boulder Valley that are well positioned to thrive in a world where natural and organic are mainstream and consumers look for ways to spend less time in the kitchen and more on other pursuits.

Eating at work

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Earlier this year, for the first time ever, the USDA found that Americans were spending more on eating out than on food at home. The days of dinner with the whole family around the table are being done in, too: Boston-based Lux Research found that 47 percent of U.S. meals are consumed alone, and 15 percent are consumed within an hour of purchase, according to a report by Hartman Group and Forbes.

Restaurants are the most likely culprit, but there is an overlooked area where more and more people are getting their nutrition: At work.



Sean Miller is among many who are packing boxes at Door to Door Organics. Door to Door Organics, in Lafayette, is one way people are getting their food, from to-go at restaurants to meal kit and grocery delivery. Cliff Grassmick Staff Photographer October 19, 2017

Earlier this year, Chicago-based ordering and delivery company Grubhub added an office division. San Francisco's ZeroCater, which delivers to area startups, estimates its clients spend between \$78,000 and \$208,000 annually just on snacks. Yahoo's employee food budget is reportedly hundreds of millions of dollars.

In Boulder, too, companies are spending big on meals. Corporate catering is the biggest portion of Dish's business, Benham said. On any given day, four of his 16 employees are working to fulfill catering orders, he has three delivery vans and employs a full-time staffer dedicated solely to food prep for Twitter.

"She comes here, picks up food and then does breakfast and lunch at the full kitchen they have there. She cooks for them every day, starts at 6 (a.m.) and ends at 3 (p.m.)."

Catering was never in Benham's business plan, but he followed the money and grew to meet demand. Now, he is casually looking for a larger space than the 900-square-foot store and kitchen at 1918 Pearl he's been in since 2006.

"We're busting at the seams."

Beginning of the end?

Catering accounts for 70 percent of Dish's revenue. The rest, Benham said, is split evenly between dine-in and take-out.

Take-out is still relatively small potatoes for restaurants. The Chicago Tribune recently reported to-go orders were just three percent of total transactions. But while traffic to restaurants is slowing, delivery options are growing.

Broomfield's Noodles & Co. is one of many eateries to [recently identify takeout and delivery](#) as areas of focus and opportunity. Local delivery company HungryBuffs [last year launched](#) a multi-state expansion, beginning with Flagstaff, Ariz. and Longmont, and Vancouver's corporate delivery brand Foodee expanded into Boulder this summer.

More recently, delivery has been disrupting grocery. Spending by millennials at online grocery stores rose by 750 percent from 2012 to 2016, Lux Research found.



John Graves sharpens knives at Dish Gourmet on Tuesday. How people get their food is changing faster than at any time in the past 50 years. Several Boulder County companies are taking advantage of new consumer preferences. Cliff Grassmick Staff Photographer October 24, 2017

Brick-and-mortar stores have had to expand offerings to compete with online players. Locally, Alfalfa's offers free delivery on orders over \$50. Lucky's Market last week signed a deal with Instacart.

Amazon's \$13.7 billion purchase of Whole Foods threatens to further upend traditional grocers. Analysts, in media headlines, declared it was "the beginning of the end" of traditional retail.

Sky is not falling

But not everyone is worried.

Mike Demko, CEO of Louisville's Door 2 Door Organics, said fears over the acquisition were overblown: "They are two brands to be respected," he said, "but it's not like Whole Foods was crushing it before Amazon bought (it). And it's not like Amazon was crushing it in online grocery before they bought Whole Foods."

There's "no doubt" the combined entity will take market share, Demko continued, "but it's not as 'sky is falling' as (everyone) made it out to be."

Demko is confident that Door 2 Door can be a significant force moving forward. Founded in 1997, the company has 20 years of delivery experience, and its merger with Virginia's Relay Foods expanded its geographic footprint and technology platform.

This month, Door 2 Door added a meal planning function that has doubled the size of orders for existing customers. And it is in the middle of a \$20 million Series C round, according to filings with the Securities and Exchange Commission. Half has been pledged by New York's Arlon Group and stockholders of Relay.

"We're expecting to see double-digit acquisition growth" over the next 18 months, Demko said. "We've got great economics in the market: (We're) breaking even on customers in six months and (retaining them for) 1-2 years on average."

"Our growth curve is pretty encouraging."

'Back to the dinner table'

Door 2 Door considers itself as fitting in between physical grocery stores and meal kit services, and views both as competitors.

Meal kits have blossomed into a \$5 billion category. Blue Apron might have struggled since its public offering,

but dozens more are still on an upward trajectory. One of those is Boulder's Green Chef.

The organic-certified company specializes in niche diets, from gluten-free to vegan, paleo and keto. Launched in 2014, it's quickly grown to 800 employees and nearly \$100 million in revenue, according to founder and CEO Michael Joseph.

Joseph was also involved in the early days of Door 2 Door. With Green Chef, he's going after the 90 percent of Americans that a recent Harvard Business Review study found hate or are ambivalent about cooking. So far, it seems to be working.

"The largest segment of our customer base is the non-cook head of household," Joseph said. "We are turning these people who were never taught to cook into cooks, and it's bringing people back to the dinner table."

Joseph credits Door 2 Door for paving the way and showing people that "high-quality grocery deliver was possible." It's an evolution he thinks Amazon will move forward in a big way and, like Demko, he views Amazon's Whole Foods purchase as an opportunity rather than a challenge.

"It raises awareness that buying fresh food online is a normal behavior," he said. "They push things toward the mainstream."

'Hacking the supermarket'

But some experts believe that Amazon will change the physical grocery store space as much as the virtual one, increasing competition against companies like Door 2 Door and Green Chef from both sides. "Supermarket Guru" Phil Lempert, the Food Trends Editor for NBC's Today Show, is among them.

"With Amazon in the mix, we're going to see a whole new level of expertise in this industry," Lempert said. "They're hacking the supermarket. We're going to see things we've never seen in grocery before."

Grocery stores have already expanded heavily into prepared foods, the fastest-growing segment of the industry, according to Virginia-based Food Marketing Institute (FMI). HiVee and others are starting to offer meal kits, Lempert said, providing convenience in an even more on-demand way than delivery and reducing packaging waste — a major complaint of sustainable-minded customer.

Even more radical changes are ahead, Lempert predicts, such as complete store reorganization not by item, but by meal: sections for breakfast, lunch, dinner and snack.

There's so much change taking place now," he said. "It's certainly the most exciting time in food during my career."

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Melissa Ettinger makes turkey gravy at Dish Gourmet on Tuesday. (*Cliff Grassmick / Staff Photographer*)

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