



Technomic[®]

The Future Is Foodservice

PREPARED FOR



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A fast-moving channel



**Why
Foodservice?**

**What's
Important to
Know?**

**What Does the
Category Look
Like?**

**Challenges and
Opportunities:
How Can You
Support Retailers?**

Why Foodservice?

“Foodservice is a strategic priority for our company.”

88%

of convenience
foodservice
operators
agree

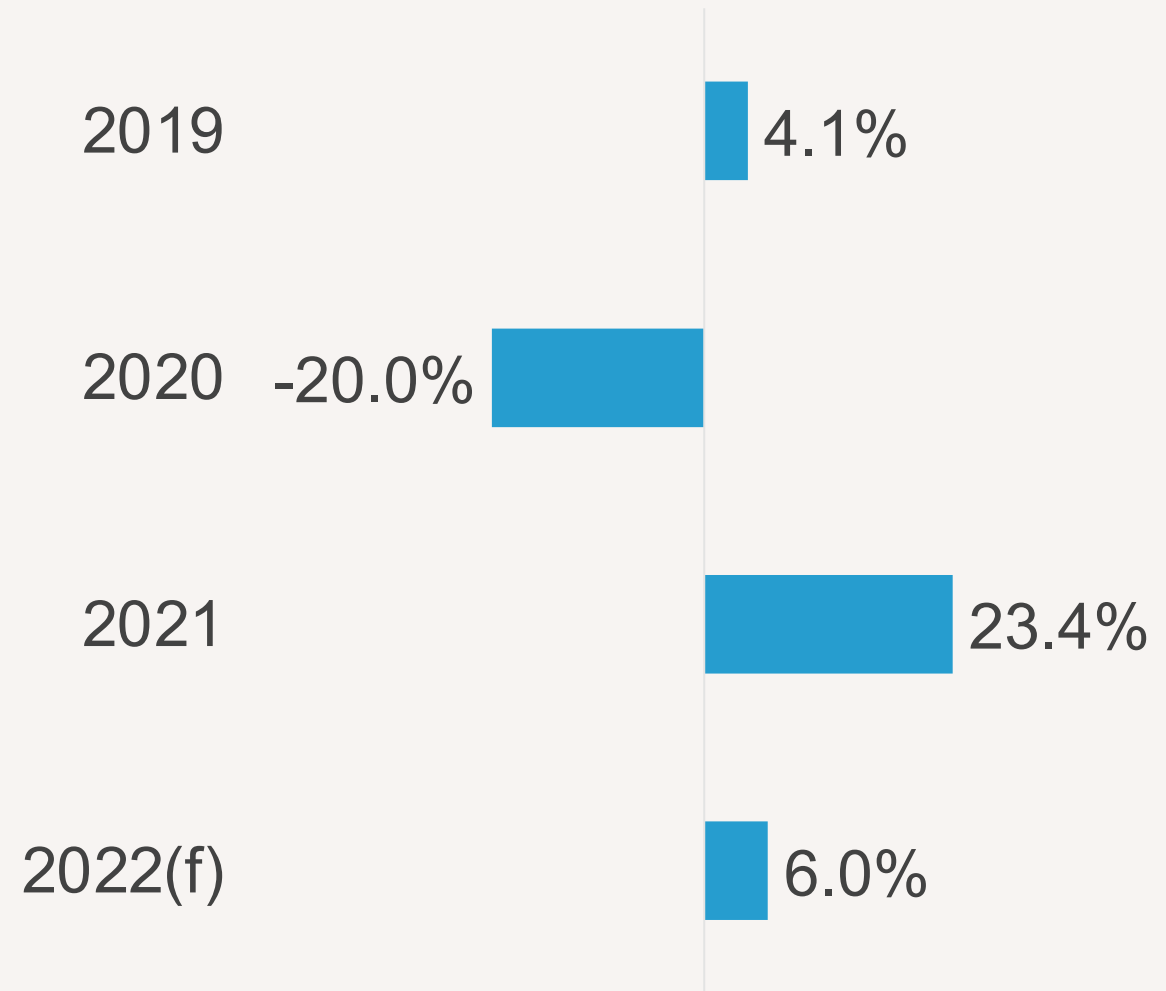
- Nine out of 10 c-store locations offer foodservice
- Drives traffic and frequency
- Delivers high margins
- Fills revenue gap left by contraction in other categories

Foodservice Category in Convenience Stores

2022 Forecast:

\$23.9 Billion

NOMINAL GROWTH TREND



Source: Technomic May 2022 Foodservice Industry Forecast
Note: (f)=forecast

What's Important to Know?



C-store foodservice is fresh-prepared food and beverages

Hot, cold and heat-
and-eat items

Found along the
store's perimeter and
in grab-and-go
merchandisers

Dispensed, not
canned/bottled,
beverages

Fresh, not retail/
packaged food items

Foodservice is a unique category within the c-store operation; it is not a CPG category

- Product sourcing, storage, handling
- Equipment and space requirements
- Staffing
- P&L
- Margins are higher!

Foodservice category managers plan and implement the strategy for the foodservice program

- Determining items and formats offered
- Building relationships with distributors and manufacturers
- Assessing and ordering products
- Establishing pricing, merchandising and promotional strategies

Retailer approaches to foodservice program management are becoming increasingly sophisticated

Convenience foodservice category manager support needs are different than CPG category managers

- Category expertise
- Foodservice data and insights



Image Source: Shutterstock

Primary Distributor Types Servicing C-Store Foodservice



Broadline

Offer the broadest portfolio, spanning all temperatures



Specialty

Focus on specific product categories or an operator segment, such as convenience stores



Systems

Exclusively serves chain restaurants and other multiunit operators



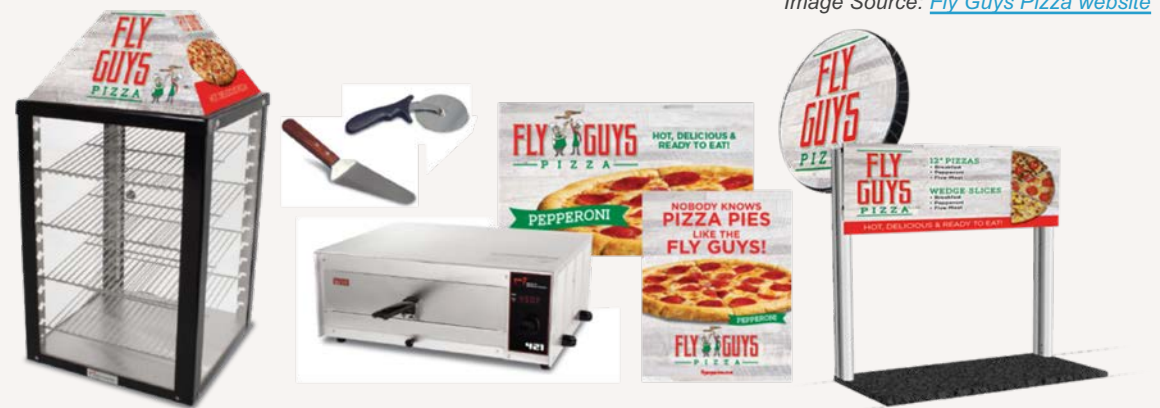
C-Store Foodservice Distributor Added- Value Initiatives

- Commissary programs
- Branded turnkey foodservice programs

Fresh & Ready Foods, Core-Mark
Image Source: [Core-Mark website](#)



Fly Guys Pizza, McLane
Image Source: [Fly Guys Pizza website](#)



What Does the Category Look Like?



Serving the On-the-Go Occasion



Image Source: Shutterstock

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Foodservice Beverage Categories and Formats in C-Stores



90% of beverage sales are generated by self-serve formats

- Self-dispensed fountain soft drinks
- Self-dispensed hot and frozen beverages

Image Source: Shutterstock

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1. Cold Beverages

35% share of beverage sales

- Carbonated soft drinks
- Iced tea
- Iced/cold coffee
- Lemonade
- Juices

2. Hot Beverages

54% share of beverage sales

- Hot coffee
- Hot tea
- Hot cocoa

3. Frozen Beverages

12% share of beverage sales

- Frozen carbonated
- Frozen uncarbonated

PREPARED FOODS ARE OFFERED IN VARIOUS FORMATS

FORMAT	DESCRIPTION	EXAMPLES
Cold grab-and-go	<ul style="list-style-type: none"> • Fresh, cold, prepared food • To-go packaging • Merchandised in cold case/merchandiser for customers to select 	<ul style="list-style-type: none"> • Deli sandwiches • Wraps • Ready-to-heat sandwiches/wraps • Green salads • Cut vegetables and dip cups • Yogurt parfait • Protein boxes
Warm grab-and-go	<ul style="list-style-type: none"> • Fresh, warm, prepared food • To-go packaging • Merchandised in warmer/hot case/merchandiser for customers to select <p style="text-align: center;">and</p> <ul style="list-style-type: none"> • Unpackaged items • Merchandised in a warm display case for customers to select and place the item in available packaging 	<ul style="list-style-type: none"> • Warm deli sandwich • Burger • Chicken sandwich • Warm breakfast sandwich • Warm wrap/burrito • Pizza • Burrito • French fries • Chicken tenders/nuggets • Nachos

Share

54% of prepared-food sales in c-stores are generated by grab-and-go formats

PREPARED FOODS ARE OFFERED IN VARIOUS FORMATS

FORMAT	DESCRIPTION	EXAMPLES	SHARE OF PREPARED-FOOD SALES
Roller grill	<ul style="list-style-type: none">• Items heated and held on a roller grill• Customers select items and serve themselves and place the item in available packaging• Buns/carriers and condiments are available	<ul style="list-style-type: none">• Hot dog• Taquito• Sausage• Chicken rollers• Cheeseburger roller• Breakfast roller• Corn dog• Egg roll	11%
Made to order	<ul style="list-style-type: none">• Items are prepared by staff at the time of order• Can be customized as per customer request	<ul style="list-style-type: none">• Sandwich• Burger• Bowl• Burrito• Pizza• Breakfast sandwich• Fried chicken	34%

C-Store Foodservice Program Tiers

Categorized by breadth of offerings



Basic

- Traditional hot/cold beverages
- Limited roller grill and/or grab-and-go food offerings
- Limited/traditional condiments
- No on-site food preparation
- No made-to-order food or beverage offerings
- Minimal foodservice merchandising/signage



Premium—Basic offerings plus:

- Traditional and some specialty hot/cold beverages (e.g., espresso machine, milkshake machine, etc.)
- Broad roller grill and/or grab-and-go offerings (large roller grill, large hot/cold merchandisers)
- Broad condiment offerings (i.e., traditional plus some unique condiments/toppings)
- Some on-site food preparation
- Some made-to-order food or beverage options
- Limited seating
- Foodservice merchandising/signage is prominent



Super-Premium—Premium offerings plus:

- Extensive selection of hot/cold beverages (traditional and specialty)
- Extensive/varied roller grill selection and/or grab-and-go offerings (large/multiple roller grills, large/multiple hot/cold cases)
- Extensive condiment offerings
- On-site food preparation
- Extensive made-to-order food and beverage offerings
- Focus on fresh, quality ingredients
- Restaurant-like dining/seating area
- Foodservice is a focal point of the store's design

Challenges and Opportunities: Where Can You Support Retailers?

First and foremost:

Dialogue with retailers

- What is the approach to foodservice?
- What does their current category look like?
- What is their vision for the category?



C-Store Foodservice Pain Points

82% Staffing/labor—
hiring at store level

76% Supply
chain/availability of
prepared beverage
items

82% Rising
packaging costs

74% Supply
chain/availability of
prepared food
items

81% Rising
foodservice
item/ingredient
costs

Source: Technomic April 2022 C-Store Foodservice Operator Update
Photo by Steven Bullock

Labor- and cost-saving tactics

Simplify and streamline the menu

Cross-use items/ingredients

Convenience ingredients (e.g., precut, portioned, etc.)

Focus on grab-and-go

Commissary sourcing

Train and cross-train



Competition Increasing for the On- the-Go Foodservice Occasion

- Fast-food restaurants
- Fast-casual restaurants
- Supermarket foodservice
- At-home preparation



Amazon Go Pursues OTG Foodservice Occasion

Customizable hot and
cold prepared foods

On-trend dispensed
beverages

The Amazon Go logo, featuring the word "amazon" in black lowercase letters with a yellow curved arrow underneath, followed by the word "go" in black lowercase letters.

Image Source: [CSP Daily News](#)

C-store menus are going head to head with fast-food restaurants

Spotlight on breakfast

Targeting snack occasions

Focus on freshness and premium

Competitive beverage programs

Daypart strategies



Image Source: CSP website

Enhancing the A.M. Menu

Six in 10 convenience operators are increasing the number of items available at the breakfast daypart

- Highest across all dayparts

Three in 10 are currently seeking new products and ingredients for breakfast daypart offerings

- Highest across all dayparts



Curby's Cinnamon Toast Sausage Egg & Cheese Morning Melt
Image Source: [Curby's website](#)



RaceTrac's new bean-to-cup machines
Image Source: [RaceTrac website](#)



Casey's breakfast handhelds
Image Source: [CSP Daily News](#)

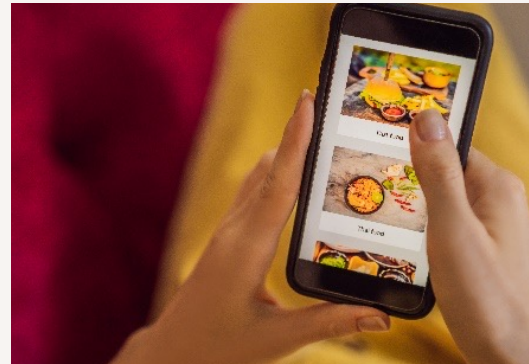
An increasing array of order and purchase modes for foodservice are available in c-stores

Touchscreen ordering kiosks



Curbside pickup

Mobile and online ordering

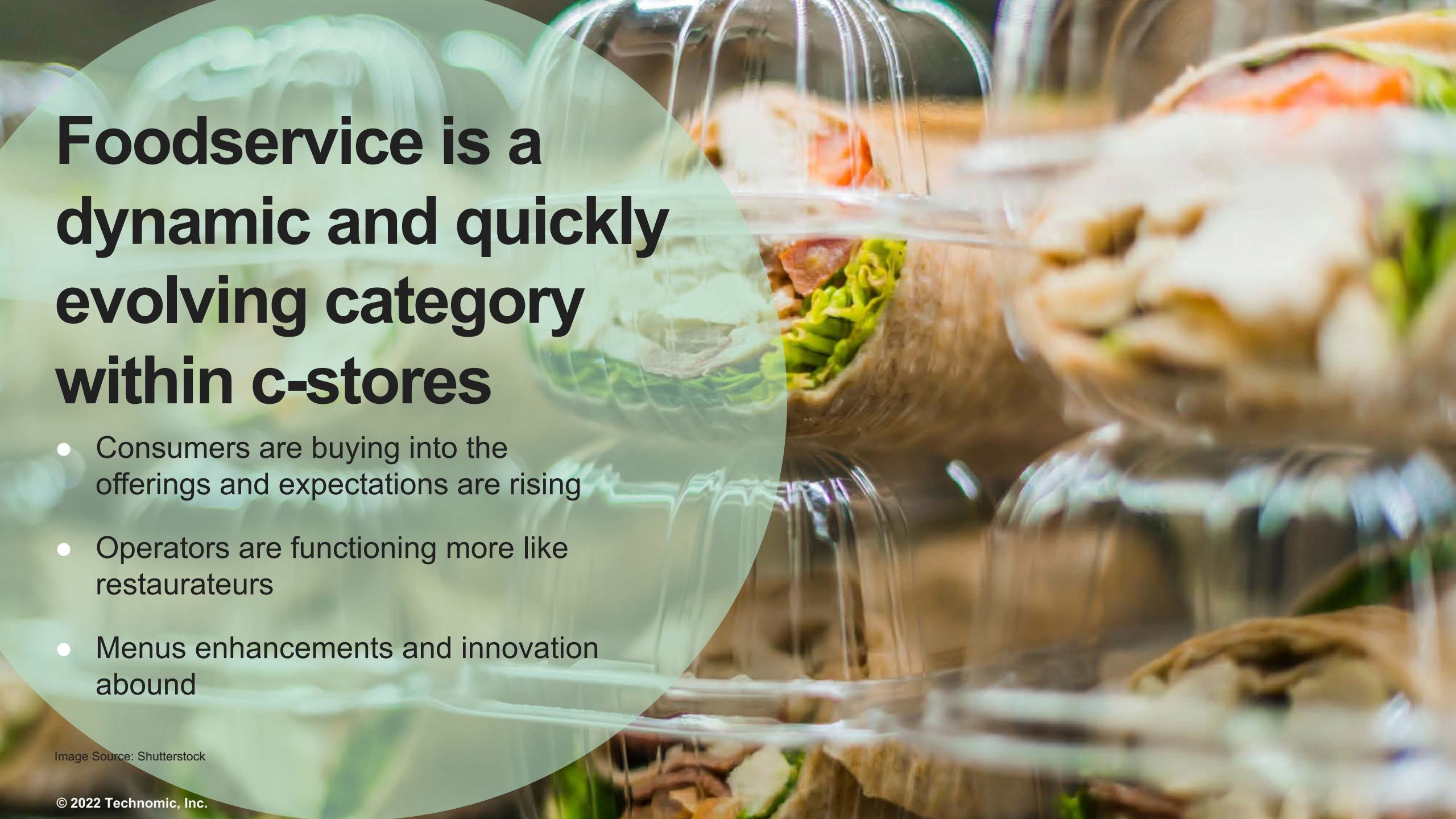


Drive-thru



Delivery





Foodservice is a dynamic and quickly evolving category within c-stores

- Consumers are buying into the offerings and expectations are rising
- Operators are functioning more like restaurateurs
- Menus enhancements and innovation abound

Image Source: Shutterstock

Action Items for Distributors

Get buy-in: Ensure senior leadership recognizes foodservice is unlike other categories within the c-store

- Identify how it fits within your business growth strategy

Do your homework: Engage retailers to understand their current foodservice program and vision for driving growth

- What are their needs?
- What's their growth plan?

Invest: Elevate your expertise and ability to satisfy retailers' needs and requirements

- Hire dedicated personnel: chefs, foodservice experts, etc.
- Invest in test kitchens, storage, equipment and trucks
- Obtain relevant foodservice category and consumer data and insights

Action Items for Distributors

Guarantee supply: Offer multiple options of key items/ingredients to ensure consistent availability

- Be transparent about shortages/outages and swaps

Provide value options: Operators are grappling with rising food and packaging costs

- Offer private label
- Ensure access to manufacturer deals, promotions

Network: Engage with fellow CDA members

- Ask questions
- Share best practices

Foodservice is the strategic growth category for the convenience retailer - Commitment and investment are required for distributors to support the retailer and drive their own future growth

THANK YOU!

Questions?



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We provide insights into consumer, industry and menu trends in the U.S., Canada and 23 countries around the world.

Our team of experts helps leaders in the industry make complex business decisions, set strategy and stay ahead of the curve.

Have questions about this report?
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