

Crewpackwings Food **services**

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CREWPACKWINGS The Future Is Served

Challenges persist, but c-store retailers are enthusiastic about the foodservice WE FRY

WHAT YOU BUY

CONVENIENCE STORE operators and industry consultants alike agree that the foodservice category is a critical part of the channel's future and investing in success means investing in prepared food and dispensed beverages. But that doesn't mean that profit comes easily.

In 2022, c-store operators underwent a transition period as they made long-term plans for a post-COVID-19 world. Even as foodservice sales rose, retailers faced a perfect storm of challenges in the form of supply disruptions, major difficulties in hiring and retaining employees, and rising inflation.

The good news is that the storm appears to have passed - and while c-store operators still must navigate some choppy waters, it looks like sunnier days are on the horizon, according to the exclusive

2023 Convenience Store News Foodservice Study.

"Foodservice is seeing strong growth vs. other inside categories,

" noted one study participant. "It's

a driver to foot traffic, and customers are trusting

C-store food."

Retailers' belief in the long-term importance of foodservice can be observed in the growing space they're devoting to it. While average store square footage has remained fairly consistent in recent years, the percentage allocated to foodservice increased 3 points since 2021.

Prepared food and hot dispensed beverages are available at almost all of this year's surveyed operators, with prepared food generating the bulk of revenue in the category. While availability of cold and frozen dispensed beverages has slipped slightly in recent years, likely due to a shift toward packaged drinks, they are still offered by a significant majority of c-stores.

Beyond just offering fresh food and beverages, c-store retailers are increasingly positioning themselves as foodservice destinations that are more than just convenient.

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The top foodservice amenities currently offered are microwave ovens for customer use (offered by 71 percent of respondents), in-store seating (48 percent) and outdoor seating (38 percent), all of which make it easier to enjoy a purchase onsite.

The top foodservice amenities retailers say they plan to add in 2023 are third-party delivery (26 percent), take-home/heat-and-eat dinner solutions (23 percent) and cook-at-home meal kits (13 percent), all of which enable customers to also enjoy a meal or snack on their own terms and indicate a shift toward more home consumption.

56 □ store

the driver's safety

These investments in amenities are expected to pay off in rising sales and profits. Eighty-five percent of the retailers surveyed in this year's study expect their foodservice sales to increase in 2023, bouncing back from the 70 percent who said the same last year. Just 2 percent believe their sales will decrease.

Expectations for foodservice profits this year are more modest, but still more than three-quarters of retailers believe their profits will rise, compared to 57 percent a year ago.

When asked about their 2022 performance, 72 percent of retailers said their foodservice sales increased for

the year and 66 percent said their profits increased, jumping significantly from 66 percent and 46 percent in 2021, respectively.

Rising food and labor costs are the main factors in some respondents' pessimism. Yet, others point out that c-store foodservice benefits from offering greater value to customers, and the ease of purchasing through drive-thrus or self-order kiosks attracts those who want a quick bite.

While the average expected increases for sales (11 percent) and profits (8 percent) in 2023 are more modest than in recent years - with operational challenges tempering expectations - retailers' overall positivity makes one thing clear: Savvy c-store operators are all-in on foodservice.

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"Our No. 1 focus is our foodservice," one retailer remarked. "We held true to our commitment of using only the best products and didn't cut costs by cutting portions. Of course, our prices went up, but our sizes and good quality product never changed."

On the Menu

Breakfast sandwiches remain the top prepared food item offered at c-stores, available at nine out of 10 retailers. Pizza is experiencing a strong surge as it rises to No. 2, offered by 85 percent of respondents - up from 68 percent in 2021 and 74 percent in 2022. Several other items are showing double-digit growth in availability compared to last year. These include soup (up 28 percent), salad (up 17 percent) and hamburgers (up 16 percent).

Prepared food is nearly split evenly between being assembled in-store (69 percent of respondents) or delivered ready to heat and serve (67 percent). C-store operators are shifting away from food prepared at commissaries in favor of convenience and foodservice distributors.

Hot beverages and fountain drinks lead retailers' dispensed beverage offerings. Hot coffee has fully returned to its position as a c-store staple, posting significant gains in availability compared to two years ago. Hot chocolate is also available at eight in 10 retailers.

Iced coffee and hot chocolate experienced the greatest growth in availability over the past year, while smoothies, frozen drinks and hot cappuccino/latte/espresso saw the greatest decline in availability among c-stores, according to the study's findings.

The most common types of foodservice equipment used by convenience store operators are the necessary basics

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microwave ovens for food preparation and both warm-and cold-temperature food display cases - but operators are showing a willingness to invest in equipment that will make better food faster. Speed-cook ovens and convection ovens experienced the greatest growth in usage year over year, up 16 percent and 14 percent, respectively.

The top types of dispensed beverage equipment used by retailers are traditional fountain drink dispensers, coffee makers and self-serve cappuccino/latte/hot chocolate makers. Just over a quarter of respondents report franchising or licensing branded foodservice concepts, keeping relatively consistent with previous years.

Today & Tomorrow

Lunch and breakfast are the leading day parts for convenience foodservice and generate the majority of category sales. Lunch's share of sales grew 3 points over the past year and now represents more than a third of total daily foodservice sales.

Interestingly, retailers pointed to breakfast as the day part that experienced the biggest sales decline in 2022. This year, however, the largest percentage of retailers (28 percent) point to breakfast as the day part they predict will experience the biggest sales growth in 2023.

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