

THE FOODVIEW: RETAIL TO FOODSERVICE

DOES YOUR ORGANIZATION HAVE THE STOMACH FOR FOODSERVICE?

By Tim Powell, Managing Principal

As consultants in the industry, we are regularly asked our opinions on the growth and longevity of foodservice trends — including delivery, mobile ordering, meal kits, e-commerce — but we rarely are asked: why should a company enter or expand in foodservice?

I've dedicated this resource to address the seemingly basic, yet often overlooked question. If you are a food, beverage, equipment, or disposable packaging company serving retail, you are likely dabbling in the foodservice industry — whether by design or default.

The point we want to make is that foodservice is not a strategy alone, but an organizational philosophy.

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It is not uncommon for the same brand of sauce, for example, to have a separate brand, division and sales force from the retail division.

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The most advanced and successful companies have realized this.

MAJOR DIFFERENCES: RETAIL vs. FOODSERVICE

Factor	Retail	Foodservice
Average Gross Profit Margin (ACV)	10-20%	50%-80%
Total Revenues*	\$780 billion	\$800 billion
Share of Total Meals*	75%	25%
Number of Stores	100,000	1,330,700
Segmentation	8 –10	80 segments and sub-segments
Scanner Data	Plentiful — IRI, Nielsen	None
Private Label Penetration	15%	55%
Product Selection	Consumer	Foodservice Operator
Trading Barriers	Shelf Space Procurement	FSMs, GPOs, Distributor Trade Dollars

*National Restaurant Association, IFMA, Foodservice IP

Given the complexities of the foodservice industry, there are companies such as Rich Products and Ventura that focus primarily on the channel, while others — such as Kraft Heinz, Nestle, and General Mills — create separate divisions of the company dedicated to foodservice.

Still, there are a large number of food companies that make the strategic mistake of not investing time, money, staff, and a prolonged effort (we emphasize prolonged here because it is a long-term commitment) to reap the benefits of foodservice.

WIN OR LOSE? WEIGH THESE CONSIDERATIONS CAREFULLY



Barriers to Sustainable Success in Foodservice

Leadership does not understand or support foodservice
Foodservice operator needs are misinterpreted
Brands are carried over to foodservice
Retail staff oversee foodservice divisions
Research from retail is used to support foodservice strategy
Initiatives and growth targets are abandoned
Lack of research dollars devoted to foodservice



Critical Success Factors in Foodservice

Top-down support for foodservice initiatives
Separate sales forces for retail and foodservice
Understanding the unique needs of segments/sub-segments
Different strategies for brands and private labels
Buyers and trading partners are 180° from retail counterparts
Realistic targets set by senior management
Research partnerships with foodservice-specialized firms

The impetus for this refresher on the importance of dedicating time and resources to foodservice has come from our work with clients who have tried to force the retail model into a foodservice one.



For people who have spent most of their careers in CPG with readily available scanner data, it's critical to understand the differences in foodservice, where data is scant and the rules of engagement are far different.



The point is not to discourage entry and growth in foodservice — **as shown it can be four-times as profitable as retail** — but to give companies a realistic view of the dedication and commitment required to sustain success in the channel.

NEXT STEPS

Feeling queasy about taking the foodservice plunge? It's a complex process that we specialize in. Foodservice IP consultants have helped numerous retail companies grow their foodservice business. Put our expertise to work for you today by contacting a member of our team:

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