



August 2019

FEATURE

Waste Not, Want Not

Minimizing food waste is essential for a profitable foodservice program.

BY JERRY SOVERINSKY

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The convenience store industry is well on its way to transitioning from the Cokes, smokes and gas mentality. Foodservice is the rising star among top category performers, delivering generous margins that can overcome waning demand for gasoline and tobacco, along with rising labor costs and credit card swipe fees. But it's not a foolproof golden ticket, as even the most established foodservice operators will attest.

Concerns abound: labor, sanitation, marketing, traffic control, public relations, menu development, to name a few. Even if you've managed to successfully execute all of these elements and their related concerns, in the process, thrilling a thriving throng of customers who crave your burgers and Instagram your milkshakes and frequent your coffee bar ... there's waste. Lots of it. And it can quickly spoil the most promising foodservice program.

Here's a sobering statistic: 40% of our nation's food supply goes uneaten each year, the single greatest source of solid waste in the U.S., according to the National Resources Defense Council. (More sobering: 1 in 6 Americans lack adequate access to food.) That's roughly \$165 billion of uneaten and unsold food each year, enough to throw anyone's foodservice balance sheet into the red.

So, while a robust foodservice program can provide generous sales opportunities for convenience stores, managing food inventory—and hence waste—is critical for a healthy bottom line.

A DELIBERATE PROCESS

The successful foodservice program is not accidental; rather, it requires a systematic process, implemented by capable, well-informed staff. “It starts with design and R&D,” said Bob Derian, a partner of the Business Accelerator Team, “designing which products will go into the store. Will it be those with a longer shelf life? Or will they be products that are held for two hours?” Those are questions that must be considered and settled in advance, along with a shelf-life study. “Understand what the products will be doing, which ones will get ‘abused’ at your store, when in transit, or when put on the shelves. That way, you can build in appropriate padding. You may start with 100 items, but if it gets knocked down to 80, understand that pattern.”

Next, walk through the typical wear and tear that a fresh item endures. “If you want to hold something hot, don't assume that you'll just put it in a case and check it once an hour. You need to open and close the door, mimicking what would happen when customers see it in the store,” Derian said.

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Each store is unique, with demographics and shopping patterns that impact foodservice sales differently. Account for these variances in the planning stage, examining product every 30 minutes to assess quality. “You need to understand the velocity and customer demographic of each store,” Derian said, “so that when you push product out of the stores, you've already

identified peak, low and shoulder periods.” Consider build and cook times of individual products, which will help you coordinate timing. “You don’t want product coming out of the oven at the beginning of shoulder time, for instance.”

Don’t be afraid to waste product during this testing phase. “Spoilage is a cost of doing business,” said Ryan Krebs, director of foodservice for Rutter’s, the York, Pennsylvania-based c-store chain. “As far as I’m concerned, there’s no such thing as zero spoilage. If you try to get down to a minute amount, you probably don’t have offerings out in front of your customers.”

The testing process should include tweaking product production, finding a sweet spot of supply and demand. “If you sell two sausage biscuits, go make two more,” said Lisa Lem, category manager, food service and dispensed beverage, for Nashville-based Tri Star Energy, who recommends patience during the testing phase, especially for new product. “We give a new product three or four months [to succeed], looking at all aspects to see what works and what sells [as well as how quickly] ... understanding that change can occur daily or by the hour. We look at weather and traffic, too.”

WASTE GOALS

Good merchandising is directly tied to proper waste management, explained Wynne Barrett, vice president of business development for Jera Concepts. But it’s not a matter of eliminating waste. Barrett said “targeted waste” should be the goal, a customized value that each company needs to evaluate.

“In strict terms, the industry looks at short-shelf-life product waste somewhere between 10% to 20% (depending on volume), and long-shelf-life products should have almost no waste if the days between delivery allow and proper stock rotation occurs,” he said, adding that more frequent deliveries allow for more precise forecasting.

Barrett recommends evaluating individual fresh food categories for each daypart, questioning inventory scenarios and production targets: Should you run through egg sandwiches by 10 a.m.? Noon? Whatever your decision, “it’s important to be consistent with this plan,” he said. “A customer must have the same choices [available] with each visit.”

The operator should measure gross profit margin per item category after waste, choosing holding warmers, coolers and bakery displays to manage merchandising well. “Buying cooking equipment to handle mass production only hurts during slow times, and likewise offering short-shelf-life product during hours when staff is limited can hurt the execution,” Barrett said.



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While many operators define waste targets in percentages, Barrett said it's important to assess other key management principles, including subcategory merchandising goals, shelf life and subcategory expected versus actual per-store profitability performance. "Unique to fresh food development, the principles must be enhanced with the creation of targeted waste numbers for each subcategory to ensure adequate merchandising and sales."

For Lem, waste percentage is important, but not at the expense of sales. "We want to make sure that we have product available, which means we focus on sales rather than waste," she said. "When we focus too much on waste, we lose out on sales."

Whatever your measurement, waste goals shouldn't be fixed but rather reexamined over time, especially when new product is introduced. "If you start a breakfast hot hold program, the likelihood for significant spoilage at the beginning is high," Krebs said. "Don't get shocked if you see 75% spoilage on breakfast sandwiches. It takes time for customers to change their [shopping] behaviors."

GIVING BACK

With more than \$165 billion worth of food going uneaten and unsold each year and more than 1 in 6 Americans lacking access to adequate food, some retailers are working to feed the hungry with food that would otherwise go unsold in their stores. Carolyn Schnare, director of strategic initiatives for NACS, said most food banks and agencies accept prepared items like sandwiches, packaged meals, side items and baked goods. "By working with local food banks and agencies, [retailers] can help families and individuals in need."

NACS works with Feeding America, the nation's largest domestic hunger-relief organization and can connect retailers with their nearest food bank.

For more information contact Carolyn Schnare at cschnare@convenience.org (mailto:cschnare@convenience.org).

SHORT SHELF LIFE

Managing short-shelf-life products requires discipline, Barrett said, and a commitment to adhering to a forecast. “While you can never guess when a bus may pull in ... for short-shelf-life products, make less more often and commit to the forecast,” he said. “Think of the forecast as guardrails on a road. Your challenge is to narrow the guardrails as much as you can.”

At the same time, don't overlook packaging, an important component of preserving freshness. “You should be willing to pay more for packaging,” Derian said. “It will help your product stay fresh longer and give it a longer shelf life.” In cases where packaging can extend your forecast goals, that's ideal. “If you wanted only two hours [on the shelf] but packaging allows for three, that's much better,” he said.

TRAINING FOR SUCCESS

No matter the size of your foodservice operation, it's important to train all employees who interact with the program. “If the store typically goes through one case of burgers a week, yet a new manager pulls five, that spoils four,” Krebs said. “So, understanding your volumes by daypart and training your teams is important to reduce waste.”

To aid in the implementation of any foodservice program, Barrett recommends deploying software tools that can address ordering and production, inventory management and product costing. The selected platform should offer a degree of user friendliness, as well as integrate with existing systems.

Depending on the size of the operation, retailers may decide to pursue such tools internally. Krebs said that Rutter's is developing an internal, automated system of ordering that seeks to minimize food waste. The data system analyzes sales, trends and spoilage, providing the company with a suggested food order. “The goal is to take away human error, removing the guesswork from a process that has a sharp impact on foodservice profitability,” he said.

IT'S A WRAP

For those trying to apply foodservice experience from another industry, the convenience store space is unique and comes with its own challenges. “In restaurants, you can reuse steak to make sandwiches, but in retail, if you waste a burrito, you throw it away,” Derian said. As a result, “You need to understand how to get the best quality, as well as shelf life,” he said.

Easier said the done. Which is why Krebs said while managing spoilage is key, the focus must lie on quality, after which—hopefully—everything else will fall into place. “Yes, managing spoilage is key ... but don't go for getting no spoilage.

“Go for fresh.”

READING BETWEEN THE LINES

Wynne Barrett, vice president of business development for Jera Concepts, explains how to interpret food waste goals in terms of sales:

- Sell less of an item and meet the waste goal? The product wasn't out at the right daypart.
- Sell more than the forecast and fall short of the waste goal? The store wasn't paying enough attention to product.
- Sell more than the forecast and meet the waste goal? Excellent job!

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ABOUT JERRY SOVERINSKY

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