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Heat up your hot food sales

Value for money and convenience are what customers are after, making take-away and hot meals replacement (HMR) one of the fastest growing sectors in retailing.

Go with HMR

This pursuit of value for money in meals – with convenience thrown in – is stronger than ever, and industry pundits believe that this trend offers C-stores opportunities to take a bigger slice of the home meal replacement and takeaway market. Jocelyn Daly, owner of C-Stores for Africa, and long-time consultant to the convenience retail sector, says: "Forecourt and other C-stores should take greater advantage of the 'meal to go' market. If it's done properly, the profit margins are good, and there are, after all, only so many pies you can eat in a week. Forecourt stores like Woolworths, and Pick n Pay Express to an extent, have capitalised on this market, offering a range of options that include home meal replacement products."

While Daly concedes that space in small stores is at a premium, she's convinced that a more judicious assessment of what's essential in the store would enable a wider range of meal offerings. She mentions forecourt stores in townships that extend their offerings according to local market

By JANICE HUNT

Value for money has become more of a watchword than ever in the South African takeaway and home meal replacement market. There are millions of South Africans who want what they know, what they can afford, and what will fill them up – at their own convenience. They're becoming more discerning in terms of quality and food safety and they're contributing to one of the fastest growing sectors in retailing. It's a market bursting with opportunities for convenience outlets throughout the country.

preferences – such as a BP forecourt store selling quarter chicken and chips for R20 and battling to keep up with demand, and other forecourt stores selling 'pap and wors'. "This whole home meal replacement market in convenience outlets is one of the fastest growing sectors in the retail market and it can grow in leaps and bounds in C-stores if they make the effort to read their markets and provide the meals they want; not just meals to eat on the run, but also meals to take home to their families."

Deli Chef

Picking up on this opportunity is Deli Spices' Deli Chef division, which has taken the company into the convenient hot meals sector. The Deli Chef Hot Foods range includes pre-weighed and packaged ingredients and spices along with detailed recipes for retailers to create a selection of freshly-cooked meals. The packs contain no MSG, preservatives, artificial flavours or colourants, and the recipes explain exactly how much of each ingredient – meat,

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potatoes, and vegetables – must be added to create a meal. Deli Chef has created packs suitable for both the upper income and lower income markets.

Food Zone

Food Zone takeaway in Soshanguve is owned and operated by Lebo Moseitlhe, who started it about a year ago, having run a general trading store on the property since 2006. Food Zone is open from 7:30am to 6:30pm during the week, and 24 hours a day during weekends.

The menu is traditional African food; that's what customers want, says Moseitlhe. She is open to trying different meals though, and recently added stewed beef and fried chicken to the menu, which are selling well. Most popular is African chicken – *kgogo ya Sesotho* – which is chicken boiled and fried in its own fat with onions. Side dishes include chakalaka and cabbage, and the staple starch is pap.

Moseitlhe has also found that daytime and weekend night time target markets are different. "During the day we serve older people, many of them workers, who start



"Nothing would be more tiresome than eating and drinking if God had not made them a pleasure as well as a necessity."

Voltaire

Combo deals and two-for-one offers like this are exactly what customers are looking for: value for money.

Moseitlhe, who has a national diploma in food technology from Pretoria Technikon, is positive that sales in her outlet have shown steady growth because of the quality of her meals. They're not fancy, but they're wholesome, tasty, and fresh. "I make sure we only cook a little bit at a time because I don't want to waste, and I won't keep food overnight. Two stores selling takeaway food near me have closed recently because they were selling rotten food and people wouldn't buy there. But our customers come back here again and again."

To make her outlet more appealing, and in keeping with the African theme, Moseitlhe

buying meals from early in the morning. Some also stop on the way home and buy meals to take home to their families. At night over weekends though, it's different. Young people are our biggest customers then, and they want ribs and chips. They're also asking for seafood, and we're going to try these new menu options and see how they sell."

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Lebo outside her Food Zone premises, shows the expansion with the construction of a new thatch boma. She uses empty food warmers on the outside tables to attract attention to her take-away offering to passers-by.

is having a thatch boma built outside her outlet, where customers can sit and eat their meals. The takeaway kitchen is also due to be enlarged as it is already too small for her cooking and storage needs.

An appealing marketing technique of Moseitlhe's was the use of two food warmers sitting on a table in the shade outside the store. It was a hot, hot Tshwane day. "Those are empty," Moseitlhe is quick to explain. "I just use them to attract people. They see them and come and ask what hot food we have, and then we show them the takeaway menu. It would not be safe to have food standing outside in this hot weather."

Forecourts

Forecourts in the area and further afield are still focusing largely on fresh and hearty pies, appetising sandwiches, an assortment of muffins and pastries, and the occasional crisply baked off samoosa. That's standard fare and it's not readily differentiable from one store to the other. It's good, but it's not likely to encourage traffic to opt for that outlet rather than another. Adding to the options is what seems to make the difference.

Frikikie Smith at Total Rosslyn Service Centre, who helps his father Poelie run the business, says they have added to their offering to the extent that a large proportion of their customer base comes across the road from Nissan for their meals, despite the fact that Nissan has its own subsidised canteen. "Our food is good," Smith says. The menu, prepared on premises, includes the usual pie, samoosa and sandwich fare, as well as traditional

food such as pap, rice, chicken stew, wors, and steak. "We have limited space so we have to be careful that what we make, sells. We do though, check with our customers to make sure that the range we sell is what they want." Smith didn't believe that much of their food was taken home as home meal replacements; most of it is bought in the mornings and lunchtime to eat immediately.

Metro's move

Metro has moved into the retail consumer market and is opening its stores to all shoppers, specifically targeting LSMs 5-7. Along with that comes a bold hot food offering. Mark Norton, northern divisional marketing manager says this is a brand new venture for Metro – and it's paying excellent dividends, beyond expectations. The Middelburg store opened on 30 September with its new hot food offering selling from

a hatch on the outside because inside was completely congested with shoppers.

"The idea is to offer shoppers added value. We did a lot of research and sourced advice from consultants; hot meals was definitely the way to go," adds Norton. The menu is varied, but Norton anticipates that it will pare down in due course as local shopper preferences become more evident. He says although early days, a trend is already developing where a meal is bought for a family to have at home, presumably encouraged by a sense of being "too tired to cook after shopping". The food is good, insists Norton, adding that he's a fussy eater with a background in food technology.

The Middelburg store is located across the road from a large taxi rank, offering commuters an excellent opportunity to pick up their shopping, as well as their evening meal, on their way home.

The golden pie

No South African takeaway and home meal replacement article would be complete without a tribute to the humble meat pie: the convenient, tasty, hot and filling, budget-friendly food that just keeps on growing in sales.

Quality is still the ongoing quest, though, says Julliette Morrison, Pieman's group marketing director. There are still too many faulty pie-warmers and careless bake-off procedures in the market – particularly in smaller C-stores – for the market leader to



Total Rosslyn Service Station has a range of meals that sells well to workers in the area. The pie – a convenient, tasty, hot and filling, budget-friendly food – is a standard offering but a wider range of hot food options is key to the C-store's success.

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rest on its laurels. Intent on continuing to grow the category and with it their market share, the company offers retailers a "full service solution", which includes comprehensive training, equipment, and support. It's obsessive about quality and is the only pie manufacturer in South Africa to have achieved HACCP ISO 22000 certification.



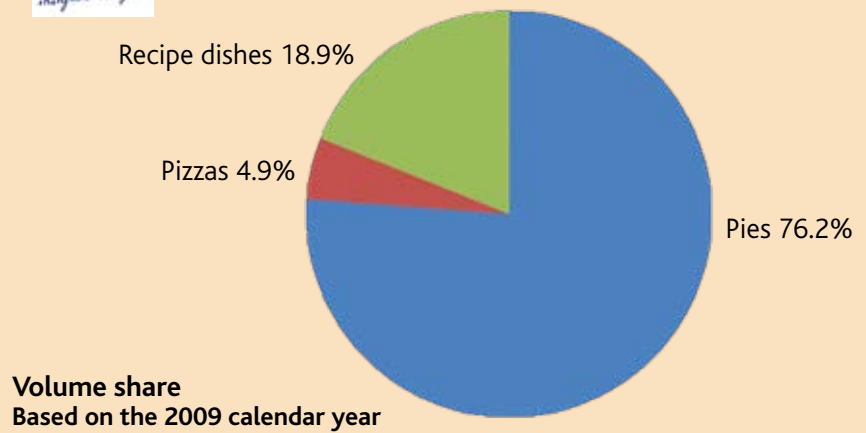
Wild Bean's Friday Pieday promotion has been extremely popular with customers.

According to BMI Research, the pie industry dominates the prepared meals category – accounting for more than three quarters of the overall market volume in 2009 (See graph). However, the category is priced lower per kilogram than the alternative products – recipe dishes and pizzas, and thus maintains a relatively lower value share. According to BMI researcher, Michelle Daines, the pie market volumes have traditionally been fairly volatile, with large growths and declines seen year on year. For example, 2008 saw 9.9% growth whereas there was a significant decline of 6.2% in 2009.

South Africans love pies – and they have their favourites. Changing the pie offering is not easy, unless it's bigger. Morrison says Pieman's recently introduced a boerie roll; a man-sized sausage roll containing a piece of boerewors. It was particularly successful, but other attempts to add complexity to pie flavours have not gone the distance, and South Africans of all ages and income



Prepared meals – market breakdown



sectors revert to Cornish pasties, steak, and chicken variants. This brings her to the suggestion that outlets need to make sure that they offer a constant range of fresh pies. If someone walks into an outlet for a chicken pie but there are only steak and kidney pies available, they're not likely to take it. They're more likely to leave, pieless, she maintains.

Morrison's further advice to C-stores to grow their pie sales is simple: promote, promote, promote. It works. A pie and beverage promo tends to up sales, as well as specials on several pies – for take home for a family meal. Instilling the idea into customers' heads with a 'Pieday Friday'

Kensington Gardens Shell Select has revamped with a brand new Brazilian Café. Freshly brewed coffee is a great way to draw customers but remember, if you are going to serve coffee well, either do it properly or not at all!

type promotion has also been successful, she comments. Promotions aside though, Morrison emphasises the need for absolute commitment to food safety standards.

"A person who gets sick from eating a pie that has been standing in a faulty warmer for too long will not easily eat a pie again anytime soon. It's not likely to be just that outlet that suffers, but any pie-selling outlet, no matter how scrupulous their standards of hygiene and baking procedures."

It's in the cup

Another category where compromise doesn't pay off is coffee. Jocelyn Daly is adamant that coffee machines are not





Filling and wholesome meals that customers can take home (stews, curries and pap) adds to the convenient appeal of many convenience stores. David Sekgalabje, who works for the Tshwane municipality, stops at Food Zone for meals most days, sometimes picking up several to take home to his family.

drawcards for coffee sales. Coffee must be freshly made in front of you. On her C-Stores blog, she says that recently she has become convinced that in order to be one step ahead of your competitor – you need to be able offer good coffee to your customers. "Not one of those where the customer presses a button on a machine, places a paper cup underneath – and presses a selection of buttons! They are beyond



This Woolworths Food Stop at an Engen in Pretoria east has a wide range of delectable foods – for seemingly any eating need that may arise throughout the day. And the store is constantly busy.

redemption. You get a part of whatever the last person chose to drink."

Her contention is that "if you are going to serve coffee well – either do it properly or not at all. Hot drinks as a category are still growing both here in South Africa and globally. And that is good news for those of you looking to grow your market share and improve your overall profitability. So if you do choose to ignore this trend, you do so at your own peril. But do it properly!"

Shell Select in Kensington Gardens revamped recently to incorporate a Brazilian Café into its take-out offering, anticipating increased coffee sales. And it's working, says Gloria Lesito, working behind the Café counter. People are coming in for coffee from early in the morning and are coming back again and again.

The outlet offers a range of pies, samoosas, muffins, and freshly made sandwiches according to Brazilian Café specifications. Lesito and several other staff members went for training that incorporated sandwich making, coffee making, as well as to Pieman's for training on producing pies.

Bottom line

The bottom line is clearly to get the balance right in terms of offering with no compromise on food hygiene standards. You're winning if you do, and losing if you don't. Low cost has become the industry mantra – and it's important to many consumers.

Price sensitivity in US lunch trends

The recession, which seemingly has left few areas in global lives untouched, has affected takeaway and home meal replacement sales. In the US, according to a report called 'Lunch Trends in the US Foodservice Market', by research publisher, Packaged Facts, consumer spending on lunch served in restaurants is forecast to rebound 2% in 2011 to reach \$114 billion (R798 billion) following two years of recession-related declines. After rising to \$119 billion (R885 billion) in 2008, lunchtime sales declined 4% in 2009, and sales are estimated to fall another 3% in 2010 to \$112 billion (R784 billion).

According to the report, "This has been a very tough climate for lunch foodservice and its counterparts, and that won't change overnight although change is coming. Growth in lunchtime sales still face a few near-term challenges including the impact of unemployment, bargain-minded consumers who weigh the cost of a bagged lunch against the indulgence of buying lunch, and an industry environment in which players are chasing foot traffic at the expense of higher basket sizes through the extreme push of value meal deals."

Respondents to the survey reveal that interest in lunchtime meals priced under \$5 (R35) and under \$10 (R70) is stable across household income brackets, suggesting price sensitivity among a large segment of diners regardless of their personal wages. Respondents aged 18-24 are 60% more likely than average to choose a food outlet because it offers meals for under \$3 (R21).

While the survey showed that 37% of lunch goers say a favourite menu item influences their choice when deciding on a food outlet from which to obtain lunch, and about 36% cite a different menu item than what they have at home, price is still the bottom line decider in most cases.

(Rand-dollar equivalents are approximate.)