

More Than a Deli:

How Grocers Are Boosting Margins with Prepared Foods & Technology



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INTRODUCTION

Order Up, Margins Up: The State of Grocery Today

Grocery is more connected than ever before — and perimeter departments are key to driving profitability in stores, online, and in omnichannel environments.

As grocers embrace technological solutions that usher in a new era of shopping experiences, they're creating opportunities to drive up revenue and satisfaction all at once. Innovative focuses on omnichannel technology, loyalty program integrations, and in-store shopping experiences are propelling grocers into a future where grocery shopping feels like an adventure, not a chore.

Within that future is **prepared foods**, where grocers are activating order ahead opportunities, offering made-to-order products, and maintaining traditional catering services. By strengthening their prepared foods business with intuitive technology, grocers are leaning into a new opportunity for boosting margins — and growing into new markets.



93%

of grocery executives want to increase and optimize prepared food services.¹

Grocers are using their prepared foods departments to...

- Boost margins
- Create new revenue streams
- Streamline in-store efficiency

To better understand the prepared foods opportunity — and the role technology will play in maximizing it — we partnered with Grocery Dive to conduct a survey. We spoke to 150 grocery executives from various sectors, including local independent grocers (LIGs), midmarket grocers, and major grocers. Our discussions focused on their prepared foods department, order management systems (OMS), and how they were prioritizing prepared foods in their business's future. Their responses illuminated a powerful opportunity that you can start activating today.

Dive into their responses and learn how you can leverage prepared foods to streamline operations and grow your margins in a competitive landscape.

In this report, we'll cover:

- How prepared foods impact profit margins
- Why robust technology is crucial in prepared foods' future
- How meaningful partnerships with OMS providers can support scalability
- Ways to stay competitive with retailers of all sizes
- The future of prepared foods

Prepared Foods & the Impact on Profit Margins

Prepared foods offer higher profit margins than CPG products. Grocers have caught onto this trend — and they're using it to their advantage.

How do prepared foods help boost margins?

When grocers offer prepared food products — ranging from made-to-order sandwiches to large-batch catering orders — they're often able to reduce production costs and generate higher margins. This can happen for two reasons:

- By assigning in-store staff to create prepared foods, grocers do not have to outsource production costs.
- By using ingredients already in stores to create prepared foods, grocers can convert low-margin ingredients into products with higher profit potential.

As a result, these products offer high profit margins that support a store's overall health. Additionally, grocers can also price prepared foods like sandwiches at a slight premium, since they're providing a meal service to consumers. By leveraging in-store staff and existing inventory to create prepared foods products, an overwhelming majority of grocers find that this service boosts in-store revenue.



95%

of grocery executives believe that food services boost in-store revenue.¹

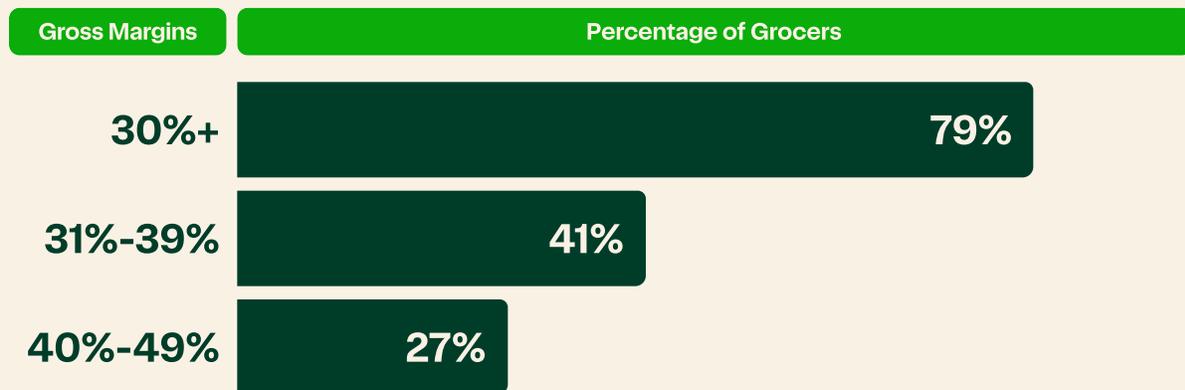
Seamlessly drive in-store value with prepared foods

- Maximize cost efficiencies through bulk purchases
- Increase staff utilization through kitchen preparation and counter management roles
- Improve in-store efficiency and support higher ROI by creating a prepared foods revenue stream

If you're looking for ways to support healthier overall margins in your stores, prepared foods may offer a simple solution. Among the grocers we surveyed, the majority reported margins over 30% for their perimeter food services.¹ Compared to traditional grocery margins of about 2%, that profit potential offers an impressive incentive for grocers to think strategically.¹

The margin potential doesn't stop at 30%, however. Nearly half of the grocers we surveyed said their gross margins for prepared foods rested in the 31%–39% range — and one in four grocers reported margins of 40%–49%.¹ With gross margins that high, the prepared foods opportunity is almost an unprecedented strategy for supporting the health of an entire store.

Reported gross margins for prepared foods¹



So, how are grocers achieving these historic margins? What solutions are they using to boost the profitability of their prepared foods?

Bringing production costs in house is just one way to increase earning potentials with prepared foods. To fully leverage this strategy, grocers may need to adopt a holistic approach to their perimeter counters.

Tips for boosting profit potential with prepared foods



Create order ahead channels. Encourage consumers to purchase made-to-order sandwiches, deli cuts, or bakery items before they even arrive at your store.



Implement a kitchen display system (KDS). Increase your team's efficiency by equipping them with the tools they need to visualize every order and streamline their production process.



Use in-store kiosks. Leverage technology consumers know to increase order efficiency and volume at once.

These tips have one factor in common — they're powered by prepared food technology solutions designed for the grocery industry. Those solutions most often incorporate an end-to-end OMS that modern grocers already use around the world.

The Perimeter Technology Priority

Grocers today understand and embrace the value of in-store technology. They're actively prioritizing roles and capabilities that enable better tech solutions.

Beyond prepared foods, grocers are embracing a tech-focused future for the industry. This marks a change in historical reliance on manual solutions — and it unveils an interconnected future where grocers can forge deep connections with customers while boosting margins at the same time.

For example, take a closer look at perimeter departments. Today, it's not uncommon to see a deli counter accompanied by an in-store kiosk, digital display, or combination of tech solutions that power better frontend and backend experiences. Look even closer and you'll likely see grocer-owned apps on consumer smartphones, and employee tablets displaying important in-store performance metrics. Together, these solutions compose the tech-driven reality of modern grocery — and they offer valuable opportunities to grow profitability.

To support this growing initiative, grocers are rising to the challenge by increasing staff and adapting their mindsets. Among the grocers we surveyed, more than half employ at least 10 technology roles — and an impressive 91% are open to new in-store tech integrations.¹



58%

of grocery executives employ at least 10 dedicated technology roles.¹



91%

of grocery executives embrace technology integrations within their stores.¹

An OMS is a necessary tool used across the grocery industry, with no signs of slowing down. In fact, among the grocers we surveyed, 9 in 10 say that they actively use an OMS in their stores.¹



91%

of grocery executives use an OMS at their stores.¹

By using an OMS in stores, grocers can elevate their prepared foods offerings — and support healthy revenue.

Value that grocers unlock with an OMS



Volume increases. Grocers can expand their catering services and efficiently manage made-to-order lunch rushes with the right system in place.



Efficiency at scale. An OMS can offer kitchen management tools, such as a KDS, which replaces the need for handwritten order slips and disparate tracking systems.



Consumer satisfaction and retention. An OMS that offers order ahead capabilities, made-to-order customizations, and loyalty program integrations can help customers feel empowered in their shopping experience — and more likely to place repeat orders.

Additionally, grocers use an OMS to simplify reporting and analytics. With user-friendly dashboards, they can track performances for their perimeter departments, from delis to floral and beyond, in a single view. With this approach, grocers are seamlessly bringing their perimeter departments into the inner aisles of their store ecosystems — and leveraging high-margin items to boost their store's health.

With these benefits in mind, it's simple to see why grocers are using an OMS to power their perimeter departments. But, if you're looking to onboard an OMS, what features should you prioritize? And what solutions are built for grocers?

Keep in mind: a suitable OMS can support profitability and scalability at the same time.

OMS Add-Ons: Why Scalability Matters

Relying on an in-house OMS can cut costs today, but network limitations can lead to roadblocks tomorrow.

The majority of grocers understand how technology is crucial in creating margin-boosting opportunities — but how many are using a solution that’s powerful enough to meet their needs? According to our survey, about 20% of grocers rely on a system built in house to support and manage their perimeter departments.¹ That’s one in every five executives we surveyed.



1 in 5

grocery executives uses an in-house OMS.¹

Building an OMS demonstrates that grocers have the ingenuity to create complex systems from the ground up. And, in many cases, those systems are built to meet the needs of current operations. But what happens when grocers set their sights on scaling? To support efficient end-to-end growth, those grocers may need to reconsider their OMS.

Common challenges for grocers with an in-house OMS



Excessive updates

To keep pace with current industry trends, grocers may face several costly updates to their in-house OMS, leading to reduced ROI in the long run.



Turnover

If the team members who created the OMS leave the organization, there may be documentation or workflow gaps that can be confusing for new staff.



Obsolete OS

As operating systems update in real time, a grocery OMS built on an outdated system may slow down, lag, or stop working altogether.



Complex interfaces

Without the touch of an interface designer, an in-house OMS may require coding familiarity that can be confusing for non-tech-focused roles to navigate.



Security concerns

As the data security landscape becomes increasingly complex, an OMS built internally may not offer the necessary features to protect confidential information — and maintaining security may take more staff oversight than a grocer has at their disposal.



No scalability

An in-house OMS is built for a specific need at a specific time — and in most cases, it's not capable of growing with a grocer's business, or compatible with handling increased traffic from other departments or peak ordering seasons.

To circumvent the risks associated with an in-house OMS, some grocers opt for external solutions commonly used by restaurants and other retail industries. These solutions may offer the capabilities to handle perimeter services — but if they weren't created with grocery in mind, they may lack the unique capabilities that grocers need to maximize the success of their prepared foods offerings.

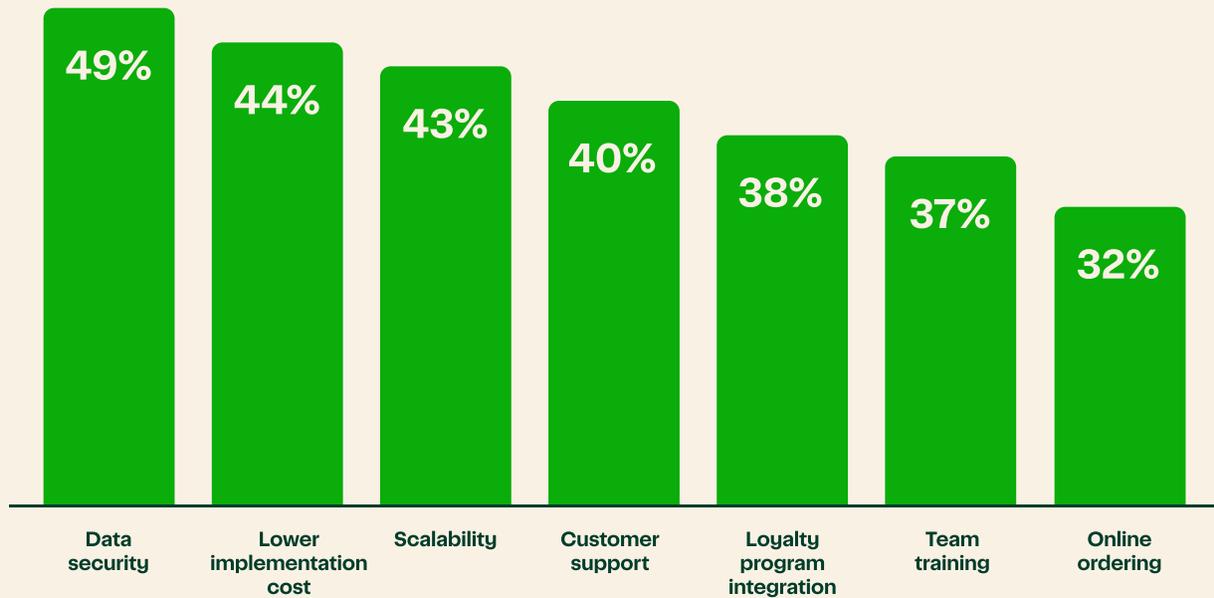
As grocers rethink their OMS strategy, they prioritize solutions that unlock scalability and give them a competitive edge all at once.

Navigating Industry-Wide Competition

Grocers of all sizes are using an OMS to increase the efficiency of their perimeter departments. How are they doing it?

In our survey, 28% of respondents indicated they ran 1–5 stores, while 15% ran more than 100.¹ Despite the wide range of priorities, resources, and goals for LIGs, midmarket, and major retailers, the majority pointed to the OMS as their solution of choice for managing their prepared foods. And, of those retailers, they tended to expect similar capabilities from their OMS.

What grocery executives want from their OMS¹



Data security, low costs, and scalability were some of the top priorities that grocers indicated — but what do those priorities look like in action?



Local independent grocers

By onboarding a low-cost, modular OMS, LIGs can dedicate more attention — and money — to the staff who will use the system. As a result, LIGs can unlock **better backend efficiency and higher profit margins.**



Midmarket grocers

When a midsize grocer chooses an OMS that integrates with their existing loyalty program, they can tap into existing customer shopping data to **unlock hyper personalization that supports higher margins.**



Major grocers

Major grocers who need a powerful OMS to manage a robust portfolio of stores prioritize data security — for their internal operations, and for the customers they serve. By choosing a secure system, these grocers can **feel confident as they scale, and protect their margins**

What do all these grocers have in common? They need a prepared foods solution that can **empower them to deliver higher margins.**

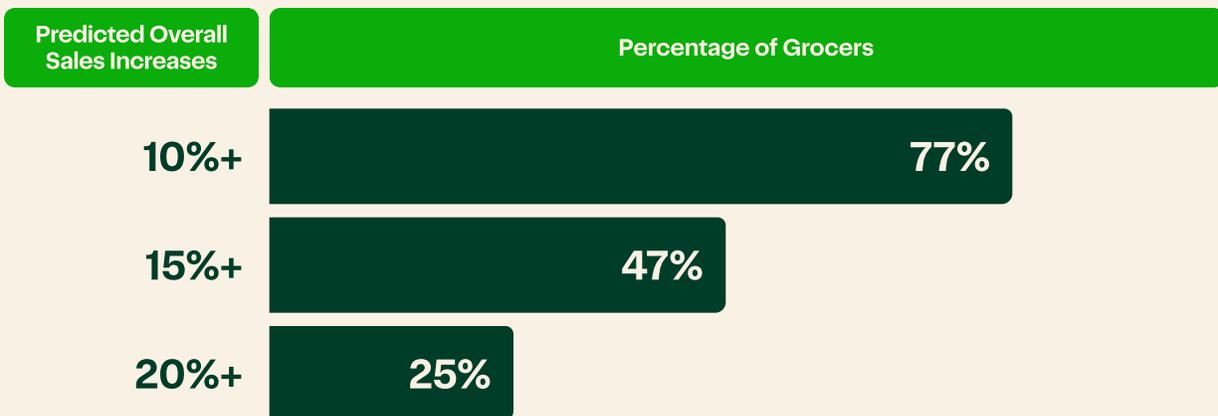
So, what solutions can accomplish these goals, and more? And how will they change the future of the grocery industry?

Looking Ahead: The Future of Prepared Foods

The outlook for prepared foods is strong — and grocers of all sizes are already on board with changes coming to technology, offerings, and profitability.

With grocers predicting that prepared foods sales will rise, there’s never been a better time to devise a strategy for strengthening perimeter capabilities. In fact, **three out of four grocers** say prepared foods contribute 10–19% of total company sales, with 52% of surveyed grocers estimating this to increase by the same amount in the next five years.¹ To prepare for a future where revenue and higher profit margins converge, grocers are now turning their attention to the technology powering their prepared foods counters. And many agree: A strong OMS is the way forward.

Predicted overall sales increases with prepared foods in the next five years¹



Data security, low costs, and scalability were some of the top priorities that grocers indicated — but what do those priorities look like in action?



72%

of grocery executives plan to onboard food service technology in the next 12 months.¹

According to our survey, nearly 75% of grocers of all sizes plan to streamline their food service offerings with technology throughout the year.¹ To stay competitive with this accelerating ecosystem, many are opting for full-scale solutions that streamline catering, made-to-order, and order ahead capabilities all at once.

So, how are you leveraging the prepared foods opportunity?

Consider using these tips to help boost revenue and support higher profit margins.



Create high-margin products through expanded menus.



Streamline operations by choosing an OMS that integrates with your current tech stack.



Consolidate your perimeter data with a user-friendly reporting interface.



Strengthen in-store, online, and omnichannel prepared foods possibilities with an all-in-one solution like FoodStorm.

CONCLUSION

Going Beyond OMS with FoodStorm

Ready to elevate your prepared foods offerings? **FoodStorm can power your next move.**

For more than 15 years, FoodStorm has been revolutionizing the perimeter experience for grocers worldwide. With a powerful OMS, omnichannel ordering capabilities, seamless third-party integrations, and secure backend technology, FoodStorm is the partner of choice for thousands of retail locations just like yours.

With FoodStorm, you can:



Onboard with confidence, thanks to FoodStorm's customer partnership approach and years of experience supporting grocers.



Increase order efficiency for your kitchen staff.



Support margin growth through features that encourage incrementality.



Unite your perimeter departments for holistic growth.



Master your analytics with a user-friendly dashboard for seamless management.

You're in good company

Retailers worldwide trust FoodStorm to power their order ahead, made-to-order, and catering services.



Request your FoodStorm demo today!

About the Survey

The findings of this research are based on an online survey conducted by Grocery Dive from March 29 to April 13, 2024. A total of 150 executives with organizations with grocery operations participated in the research. Additional legal language lorem ipsum dolor sit amet, consectetur adipiscing elit. In maximus tristique velit, sed dignissim sem eleifend non. Vestibulum hendrerit, eros et euismod condimentum, est erat ullamcorper nibh, at ultrices eros mauris vitae velit.

Source cited

1: Grocery Dive Research Report, [Growing Revenues and Customer Satisfaction in Ready-to-Eat](#), March–April 2024. Created for FoodStorm by studioID.

