READY-MADE FUTURE

New Technology Can Support Prepared Food Expansion

Custom content for FoodStorm by studioID

The line between supermarkets and restaurants today is becoming increasingly blurred. Time-starved consumers, or those just wanting a different option than what's in the fridge, are increasingly looking at supermarkets for ready-to-eat and ready-to-heat meals, which are oftentimes less expensive than fine dining, and healthier than the quick-service restaurant down the street. It's also a win for grocers: Prepared foods are some of the most profitable items in the store, a benefit for retailers operating in an industry known for tight margins.

According to a survey of industry leaders conducted by Grocery Dive's studioID on behalf of FoodStorm, grocers of every size are seeing an avenue for growth that is ripe for technological transformation — with a range of opportunities to upgrade the customer experience to be as diverse as their stores themselves. Many grocers would like to do away with manual, hand written tickets and minimize customer wait times by overhauling their in-store processes for their made-to-
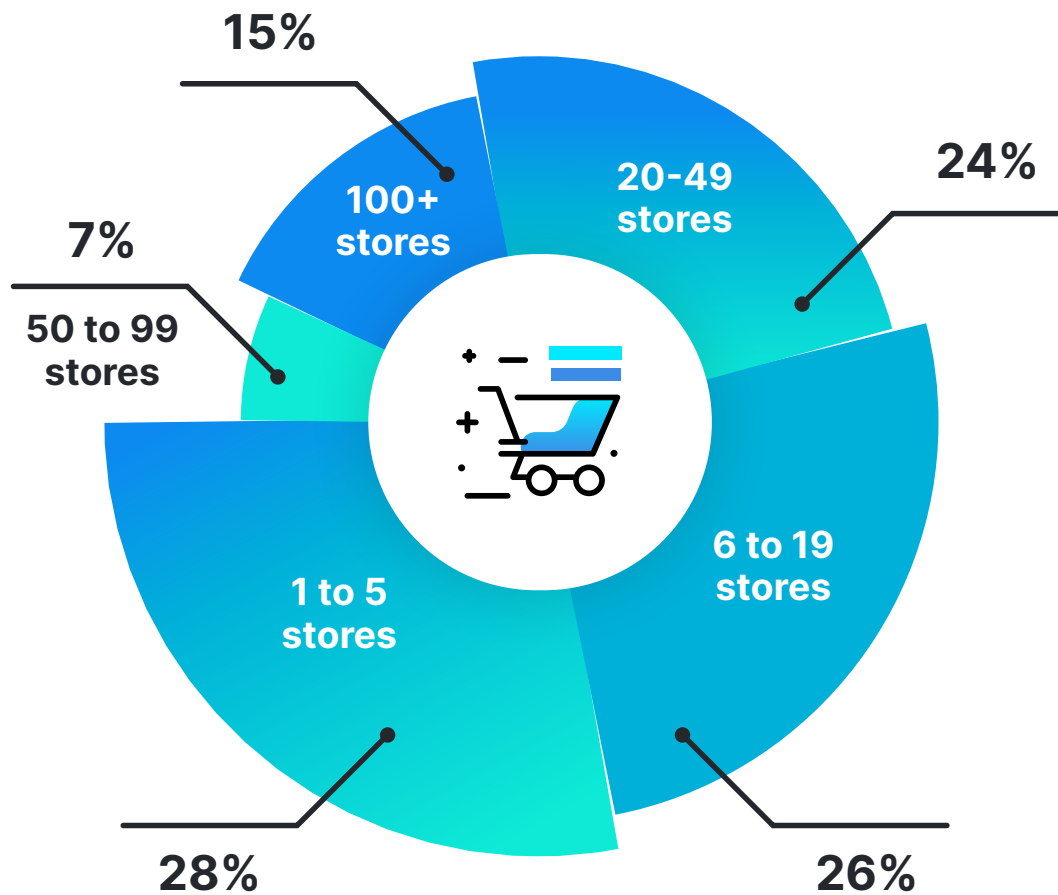
order selections. Others are looking to invest in revamping their entire prepared foods menu to enhance their assortment, add elaborate ethnic cuisines and offer dietary friendly options such as vegan and gluten-free.

Yet, according to this survey, retailers of all sizes report that straddling the line between food retailer and foodservice means juggling everything from phone, mobile and in-store orders to e-commerce and back-end management, to coordinating cross-department production to fulfilling and delivering orders, and other growing pains is cumbersome. Even the smallest grocers are fast realizing the need for new technology to support their ready-to-eat expansion — online; and in-store, at the counter — but also a solution that must be adaptable, and seamless to integrate into their existing operations. Thankfully, that option does exist. Read on for more about how grocers see their sales trends changing, the technological needs they anticipate, and how they are positioning their organizations for success in the ready-made future.

foodstorm
by instacart

Size of Grocers Surveyed

Percentage of survey respondents who operate this number of stores

15%
100+ stores

7%
50 to 99 stores

24%
20-49 stores

26%
6 to 19 stores

28%
1 to 5 stores

foodstorm
by instacart

Customer Demand is King

What does a deli department need to be these days? Thanks to the boom in made-to-order and pre-made foods, many grocery stores are no longer just food retail, and not quite foodservice. Some of them now occupy a middle ground as a food experience — sometimes with the reclaimed wood trim to go along with it.

The scale and needs of that space shift vary among grocers of different sizes, yet there are opportunities for grocers of all sizes to be part of this transition in their own ways: 93% of all respondents said they agree that their company needs to increase or optimize their prepared food services as part of their business strategies.

"Whether they feel the need to go full 'grocerant' or simply provide more optionality, grocers see that customer demands are shifting," says Robert Hill, GM of FoodStorm, an all-in-one prepared foods and catering management system. "It's certainly not a one-size-fits-all, but what's clear is that the days of a deli just having some basic meat cuts and cheeses are going away. Retailers need to be adapting their offerings, and also the way they're actually providing that service to meet customer expectations."

"Retailers need to be adapting their offerings, and also the way they're actually providing that service to meet customer expectations."
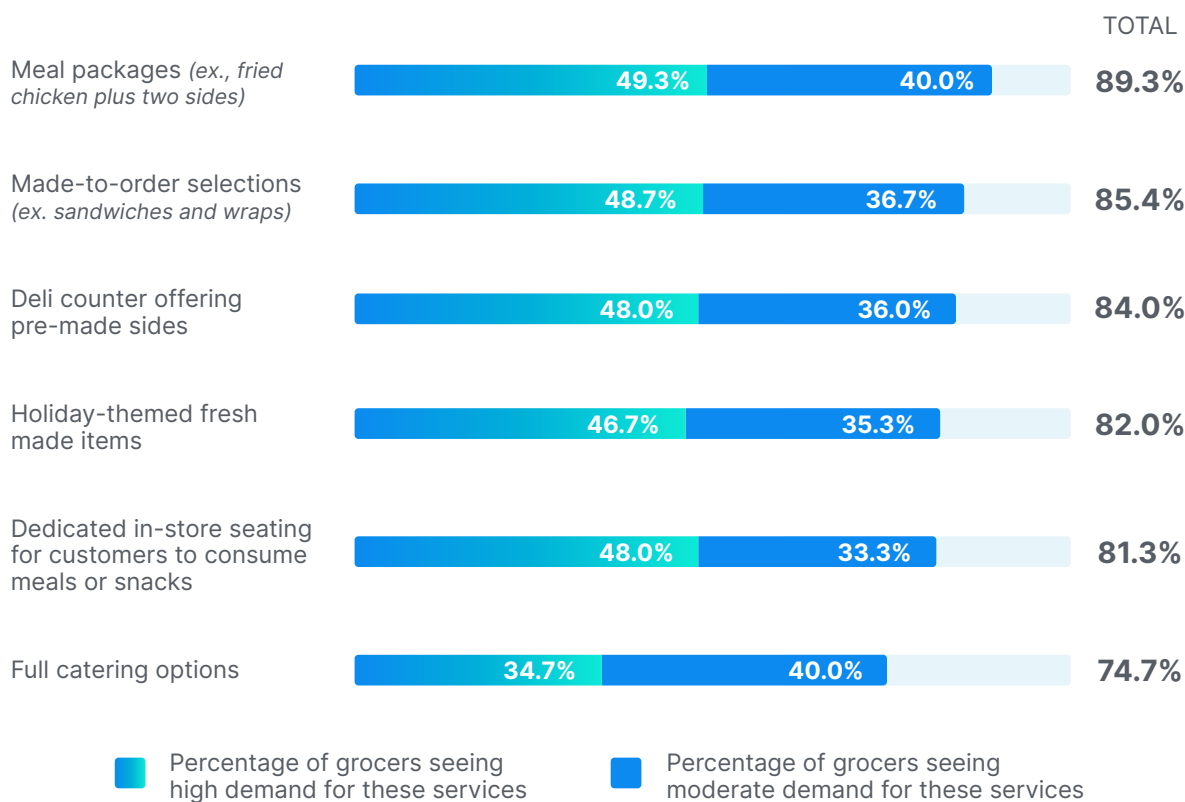
Robert Hill, GM of FoodStorm

This transition, which began among grocery chains a few years back, accelerated across the industry during the pandemic, and this survey indicates that it has only kept growing. Whether shoppers are opting for fully prepared foods and a dine-in experience, a hybrid menu that combines those foods with some cooking from scratch at home, or simply a grab-and-go meal, nearly half of grocers responding to this survey are seeing high demand for meal packages (ex., fried chicken plus two sides; 49.3% of respondents); made-to-order selections (ex. sandwiches and wraps; 48.7%); deli counter premade sides (48%); and holiday-themed fresh made items (46.7%). Those numbers skyrocket when grocers include items in "moderate" demand.

Further, respondents told us, regardless of whether grocers have extreme ambitions to become a full grocerant, or simply the best place for a lunchtime hoagie, they believe they can strongly increase revenue by adapting to these new consumer expectations.

Deli Counters in Demand

Made-to-order and pre-made foods are in demand at grocery stores since the pandemic.

		TOTAL
Meal packages (ex., fried chicken plus two sides)	49.3% · 40.0%	**89.3%**
Made-to-order selections (ex. sandwiches and wraps)	48.7% · 36.7%	**85.4%**
Deli counter offering pre-made sides	48.0% · 36.0%	**84.0%**
Holiday-themed fresh made items	46.7% · 35.3%	**82.0%**
Dedicated in-store seating for customers to consume meals or snacks	48.0% · 33.3%	**81.3%**
Full catering options	34.7% · 40.0%	**74.7%**

■ Percentage of grocers seeing high demand for these services

■ Percentage of grocers seeing moderate demand for these services

The Finances of Prepared Foods

Industrywide, grocers told us, the demand for prepared foods is steadily rising, and deli departments that were once a place for a pre-cooked chicken breast or a friendly side salad have become a revenue-generating world of culinary wonders. Two-thirds (66%) of survey respondents said that prepared foods currently contribute between 10% and 19% to total company sales, with more than half (52%) estimating this figure will rise by the same percentage range over the next five years.

Moreover, prepared foods offer outsized margins within an industry known for tight ones: 41% of survey participants indicated that they currently maintain a 30% to 39% gross margin for all combined grocery products — but more than a quarter (27%) reported their margin on prepared foods was significantly higher: 40% to 49%.

"Prepared foods is not just a differentiator; across the U.S. it's about a $50 billion market," says FoodStorm's Hill. "It's a bit of a no-brainer that this is an area retailers are looking to expand and capitalize on. If they aren't differentiating in the perimeter, then they're really too focused on the center aisle."

Boosting the Bottom Line

40% — 49%

Source: Prepared food gross margin, according to more than a quarter of survey respondents

foodstorm
by instacart

6

The Transition to a Ready-Made World

It may be true that a grocer transforming their deli offerings isn't as simple as installing a craft beer tap (though that might not hurt.) Shifting strategies will raise operational questions, some strategic and some logistical: Should grocers opt to streamline existing processes with their existing pre-made and made-to-order options, or broaden their offerings as much as possible? How much space might need to be reallocated to accommodate any changes, especially if that were to include something like seating? Meanwhile, how technologically prepared are they for an omnichannel environment that requires them to manage orders from online, or in store, from a marketplace, from a kiosk, and anywhere else?
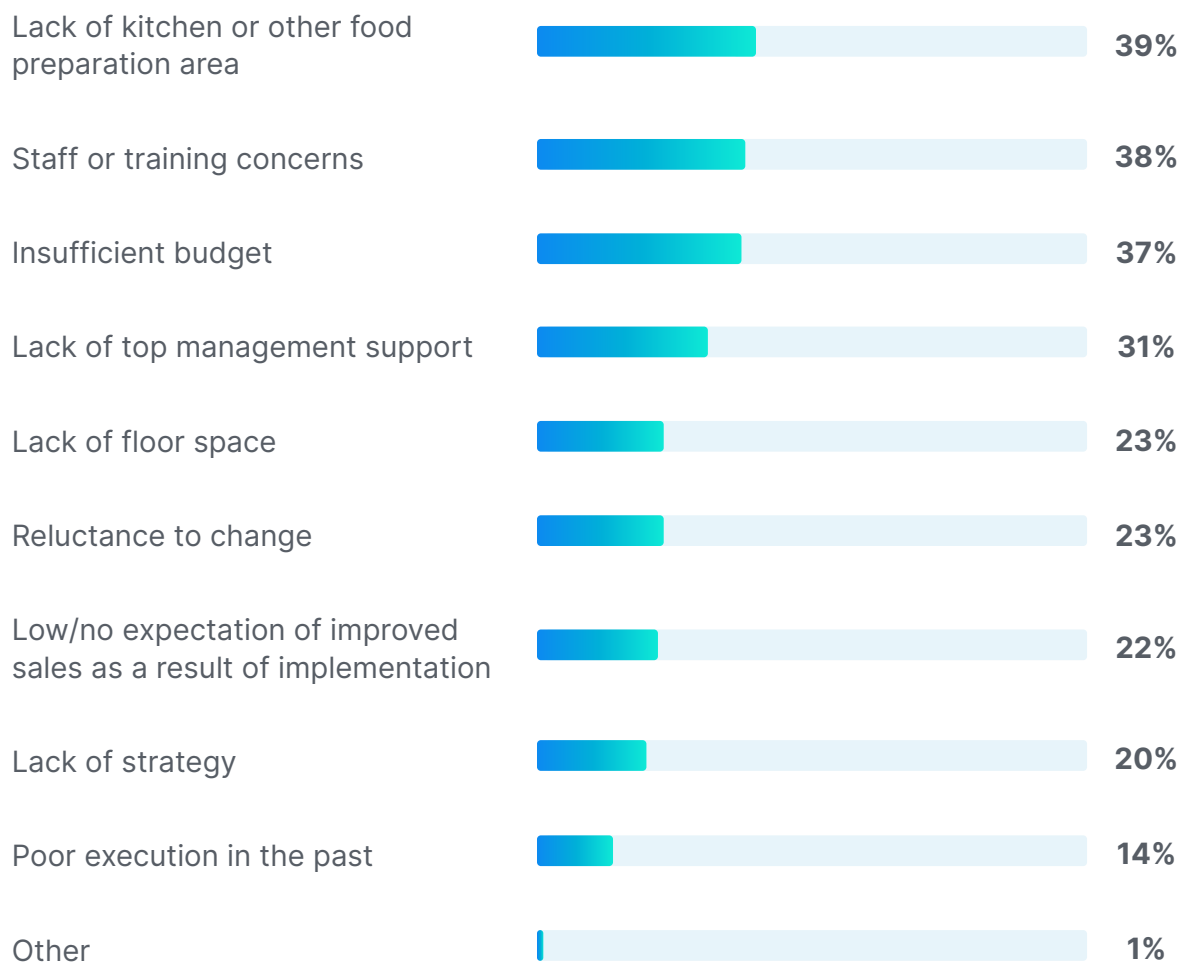
One key consideration, grocers said, was staffing and training. More than a third (38%) of survey respondents said they believe that is the most significant barrier to upgrading their prepared food service operations, which could include components such as the volume and variety of meals, extended hours, and more. **Budgets will always factor into strategic decisions, as many grocers acknowledged (37%); and another third of respondents (31%) cited a perceived lack of support from top management as a barrier.** Yet, today there are solutions in the market — and given the opportunities for increased revenue and customer satisfaction, technological innovation in the prepared foods avenue may be an opportunity grocers can't afford to ignore.

Tricky Transitions

Grocers site different challenges for increasing prepared foods.

Percentage of grocers who cited these barriers to improving their food service offerings

Barrier	Percentage
Lack of kitchen or other food preparation area	39%
Staff or training concerns	38%
Insufficient budget	37%
Lack of top management support	31%
Lack of floor space	23%
Reluctance to change	23%
Low/no expectation of improved sales as a result of implementation	22%
Lack of strategy	20%
Poor execution in the past	14%
Other	1%

foodstorm by instacart

Loyalty Begins with Convenience

The grocery industry is in a constant battle for customer loyalty. Frequently, consumers base their store choices on convenience, with price and selection also weighing into the decision. According to survey respondents, leaning into these opportunities can propel stores to success in this prepared foods revolution, as they see multiple avenues to increase customer loyalty through an upgraded shopping experience.

Survey respondents reported a range of prepared food features they believe influences customer loyalty. **Among factors that impact it "significantly," according to grocers, nearly 60% identified top-of-the-line online ordering capabilities as key.** The importance of convenience and personalized service is not limited to just ordering, however. **Another 55% of respondents to this question (in which respondents could select multiple answers) indicated that increased order accuracy significantly influences customer loyalty. Half of respondents (49%) sought reduced wait times at the counter as a way to improve customer loyalty.**
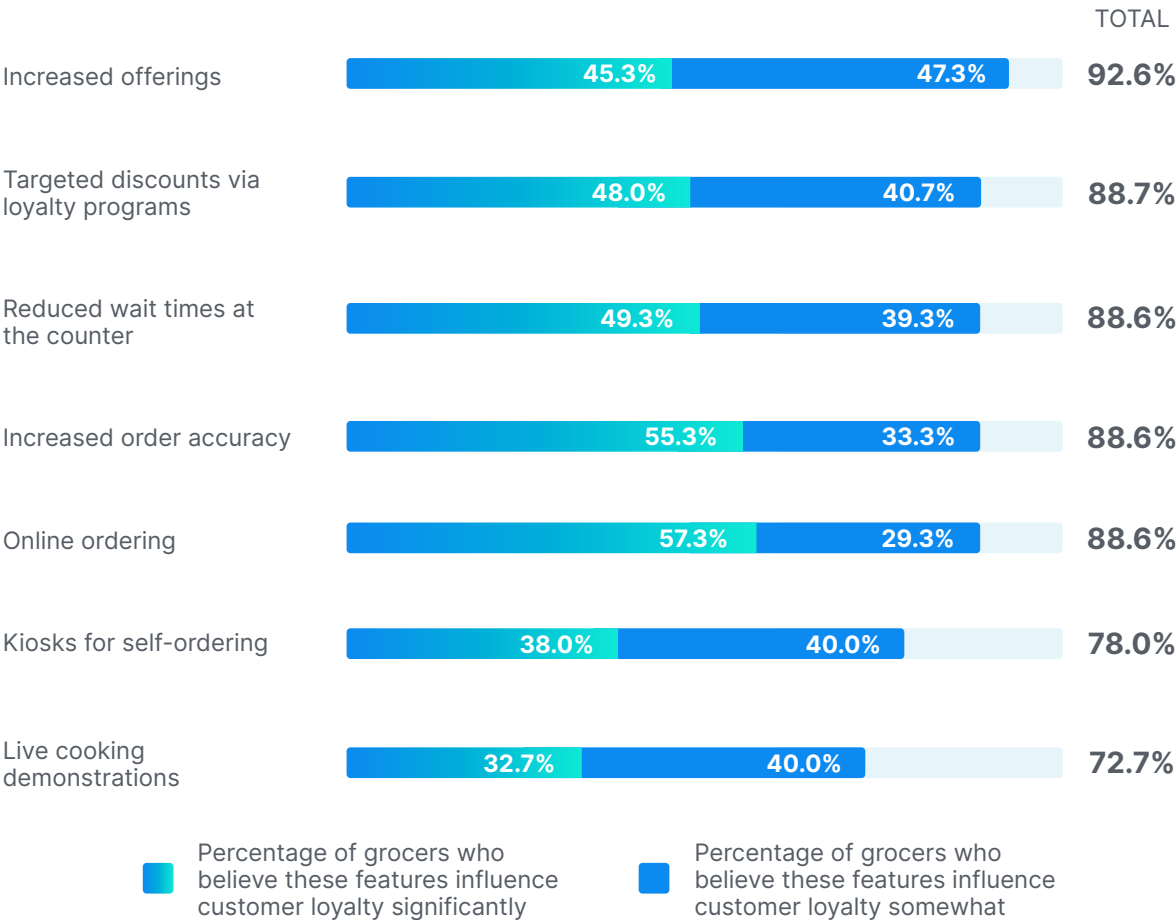
"The perimeter might be the most obvious way for retailers to differentiate against alternative options, and keep customers coming back."

Robert Hill, GM of FoodStorm

"The perimeter might be the most obvious way for retailers to differentiate against alternative options, and keep customers coming back," says Hill, FoodStorm's GM. "And the great thing is that when done right, it actually brings new consumers into a store, as well. So beyond being a great financial opportunity of its own, retailers can drive volume across the store because they're able to engage with customers more directly."

All of these considerations present the need for a new technological solution to better manage and deliver on the increasing prepared food demand.

Convenient Customer Loyalty

Grocers believe that when executed well, pre-made and prepared foods are a recipe for repeat customers.

			TOTAL
Increased offerings	45.3%	47.3%	**92.6%**
Targeted discounts via loyalty programs	48.0%	40.7%	**88.7%**
Reduced wait times at the counter	49.3%	39.3%	**88.6%**
Increased order accuracy	55.3%	33.3%	**88.6%**
Online ordering	57.3%	29.3%	**88.6%**
Kiosks for self-ordering	38.0%	40.0%	**78.0%**
Live cooking demonstrations	32.7%	40.0%	**72.7%**

■ Percentage of grocers who believe these features influence customer loyalty significantly

■ Percentage of grocers who believe these features influence customer loyalty somewhat

foodstorm
by instacart

10

TOPIC 5

OMS Opportunities

Clearly, grocers responding to this survey believe that convenience for their customers means more than just increased food options; it also requires a seamless user experience — for everyone involved in the transaction. The vast majority of grocers, our respondents told us, have implemented some form of order management software solution (OMS) to simplify the sales process and make data-driven decisions about their operations, yet most of those systems fall short in key ways: This survey question allowed respondents to choose multiple aspects of their OMS they would like to see improved, and these grocers each chose an average of four aspects they were unhappy with.

Close to half of respondents (49%) indicated they would like to see data privacy and security improved in their current technological infrastructure; 43% of those surveyed cited scalability issues with their OMS; while 40% were disappointed with customer support when questions or problems arose.

"A company can't just provide a technology solution to their retail partners and then leave them to it," says Hill. "From data privacy to system scalability, we're making sure that FoodStorm collaborates closely with our retailer partners, ensuring the solution is optimized to actually support the business operations. You can't just take that for granted, and you certainly won't find that with an off-the-shelf solution."
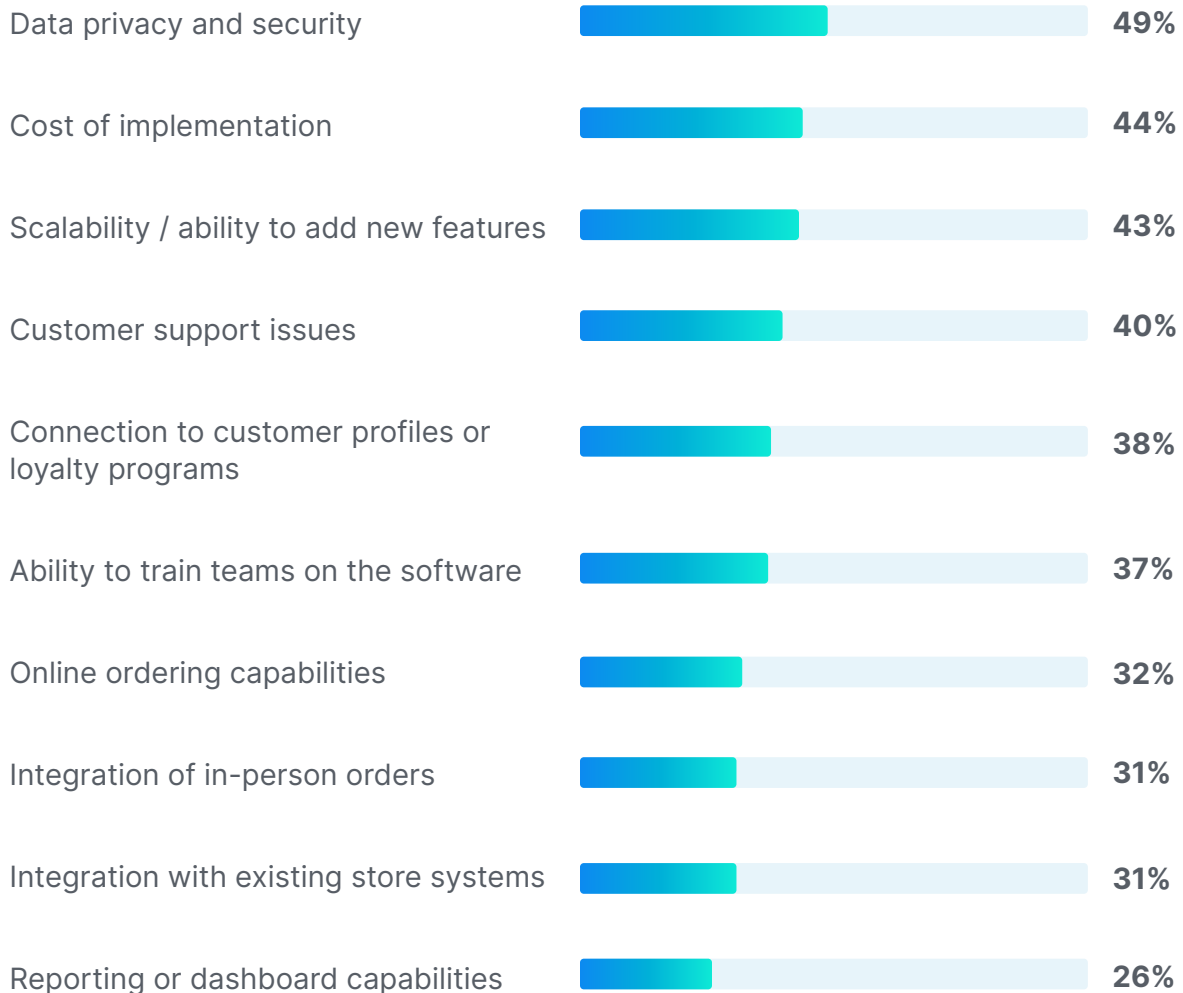
> "From data privacy to system scalability, we're making sure that FoodStorm collaborates closely with our retailer partners."
>
> Robert Hill, GM of FoodStorm

Current OMS Frustrations

The vast majority of grocers in this survey use an OMS, yet few of those respondents sound happy with them. Here are their top 10 pain points.

Percentage of grocers who would like to see this aspect of their current OMS improved

Data privacy and security	**49%**
Cost of implementation	**44%**
Scalability / ability to add new features	**43%**
Customer support issues	**40%**
Connection to customer profiles or loyalty programs	**38%**
Ability to train teams on the software	**37%**
Online ordering capabilities	**32%**
Integration of in-person orders	**31%**
Integration with existing store systems	**31%**
Reporting or dashboard capabilities	**26%**

foodstorm by instacart

TOPIC 6

Technology Test

Innovation requires 360-degree buy-in from every component of a company, and there's a reason the grocery industry is known for being cautious when it comes to new technology. Still, survey respondents indicated there are promising signs where they work. Many of them (60%) said they had robust technology services teams, and even more (91%) said they believe their companies embrace a forward-thinking approach to technology integration in their stores. Those make up a key foundation for forward-looking solutions.

Yet, some challenges remain — not only technological, but also cultural. Even beyond financial considerations, more than a third (34%) of respondents cited technology integration and maintenance as key barriers to their companies improving their prepared food service technology. Staff and training concerns received the same number of responses to this question, which allowed for multiple answers, and nearly as many respondents (30%) said reluctance to change was a key barrier.

"New technology can be daunting— but with the rise of consumer behavior changes, exploring different technologies really does need to be part of any grocer's ongoing business strategy," says Hill. "There is sometimes a perception from retailers that implementing an order management system is going to be a burden, but what we keep hearing from retailers is that FoodStorm is able to plug into their existing systems and processes far easier than they anticipated."

Clearing the Way for Change

When asked to identify the most significant barriers to improving their food service technology, grocers said their most pressing issues are:
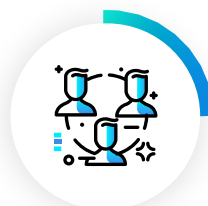
35%
Insufficient budget

34%
Staff or training concerns

30%
Reluctance to change

34%
Technology integration and maintenance challenges

27%
Lack of collaboration among teams

foodstorm
by instacart

14

Prepared for the Future

As the boundary between supermarkets and prepared food stores blurs, the demand for convenient, ready-to-eat meals continues to surge among time-strapped consumers seeking affordable and healthier alternatives.

This trend not only benefits customers but also presents a lucrative opportunity for grocers, given the profitability of prepared foods in an industry known for tight margins. Grocers of all sizes recognize the potential for growth through technological innovation, from streamlining in-store processes to diversifying menu offerings. However, navigating the transition from food retailer to foodservice provider presents operational considerations, and grocers need adaptable solutions to support their expansion into the ready-to-eat market.

"The change is happening now, and fierce competition means the change is happening quickly. Capitalizing on the opportunity across the perimeter, and new technology to go along with it, is a must to keep up with the demand," says Hill, FoodStorm's GM. "Sometimes the hardest part is just getting started, but it's not about making major changes overnight. Retailers can take small steps forward, and then we can go on that journey together."

"Capitalizing on the opportunity across the perimeter, and new technology to go along with it, is a must to keep up with the demand."

Robert Hill, GM of FoodStorm

foodstorm

by :instacart

[FoodStorm](#) provides grocery-tailored catering and prepared foods order management software to help retailers manage their prepared foods offerings across multiple departments and locations, from order placement through payment and delivery. FoodStorm's comprehensive software gives grocers an instant e-commerce presence to sell catering and prepared meals, and integrates with existing POS systems, enabling managers to run their operations much more efficiently and gain new insights into the state of their fresh food business. Grocers such as Albertsons, Sprouts and Roche Bros. are among the hundreds of companies globally who rely on FoodStorm to manage the entire catering and prepared food process from one central system, boosting revenue, efficiency and market share. Learn more at [foodstorm.com](#).

Learn More

studio / ID

BY INDUSTRY DIVE

studioID is Industry Dive's global content studio offering brands an ROI rich tool kit: Deep industry expertise, first-party audience insights, an editorial approach to brand storytelling, and targeted distribution capabilities. Our trusted in-house content marketers help brands power insights-fueled content programs that nurture prospects and customers from discovery through to purchase, connecting brand to demand.

Learn more