

# NACS

MAGAZINE

AUGUST 2003



PART TWO OF TWO

## Catering to Consumers

Meeting consumer expectations is a tall order, but many operators are serving up a menu for success.

## E=Profits

Lamar Berry, chairman and CEO of International Marketing Systems, Inc. (IMS), based in Metairie, Louisiana, brings an interesting perspective to convenience store foodservice. He thinks foodservice is contrary to the operating paradigm of convenience store management.

"Convenience stores have evolved from being appendages to service stations to being basically packaged-goods centers. That kind of operational paradigm is something a manager becomes quite involved in — not at all the same as a foodservice operational focus," says Berry, who worked for 13 years as a marketing officer at Popeyes and was also a Popeyes franchisee.

"There is a conflict of operational expertise that troubles a lot of convenience stores. All of a sudden, an operator has to worry about shipments of fresh food, preparation expertise, recipes, the challenge of training minimum-wage employees," he continues. "This is not a core competency that follows your typical convenience store manager around."

Berry subscribes to business guru Peter Drucker's theory that there are two money-making models: fee income and innovative or creative revenue. Fee income doesn't require a lot of creativity; it is similar to investing in a money-market account to get a predictable return.

"Innovative or creative revenue is revenue that a businessperson has to earn...[by thinking] of creative ways...to be rewarded by the customers. Returns aren't predictable or assured, but they can be much greater than the fee-income model," says Berry.

"Product margins are declining. There is a terrible situation with the low margins on gasoline, so obviously, foodservice is one of the primary ways retailers try to offset that dilemma," notes Berry.

Co-branding with an established foodservice operation is one option, but according to Berry, to do this right, the majors frequently resort to leasing space to a quickservice operator. "There's not a lot of creative revenue when you lease a piece of property," he says.

Berry thinks the right way to generate creative revenue with foodservice is through commissary feeding, offering some type of home meal replacement that is prepared off site. A commis-

sary concept is not overly challenging to the management operating style of convenience stores, thus giving it a better chance of success.

Berry's company has created a concept called an e-store, playing off the idea that we're in an experiential era. Experience is what IMS' N'Orleans to Go concept is designed to deliver — from the Mardi Gras-themed rooftop designs, to jazz music at the pumps, to colorfully garbed hostmasters to flavorful Cajun-inspired food.

"The cost of entry is convenience; everybody has it. Major oil companies spend an awful lot of money on newer, shinier buildings but are still basically building convenience stores. To get into innovative revenue, to deliver investor product margins of 45 percent to 65 percent, the consumer requires that you do something creative.

"Our concept is a strategic initiative, and the strategy is to create a concept and deliver on the consumer's desire for new, exciting experiences," says Berry.

Menu items include jambalaya, andouille cornbread dressing, red beans and rice, Louisiana bread pudding with a whiskey sauce, shrimp étouffée and turtle soup. The meals are prepared by chef Mike Meanza exclusively for IMS at his 10,000-foot commissary, flash frozen and rotated into the store's refrigerators based on demand. All are microwable; employees simply punch one of three buttons, virtually eliminating human error.

Retailers can purchase licensing fees to N'Orleans to Go for \$8,500. Interior and exterior rehab can be done for less than \$50,000 to \$60,000, says Berry, who predicts that N'Orleans to Go will expand from its current single flagship store to 10 to 15 stores by the end of the year and will possibly have as many as 200 to 300 operating by 2004.

When it comes down to it, Berry thinks it's the food that will bring people back. "Our food is designed to blow people away. Paul Prudhomme [with whom IMS is wrapping up an alliance to his line of Magic Seasoning Blends of New Orleans talks about fullness of flavor — designed to stimulate numerous zones in your mouth. With our N'Orleans to Go food, you've got that. You've got sweetness, you've got heat, you've got spice going on," he says. "Customers are buying the andouille cornbread dressing to stuff pork chops. It's becoming a destination for food."