



Retailers are walking balance beam between expanding online and creating a unique store experience

by John Unrein

Bakeries and delis are witnessing a sea change of developments on both the retail store and online fronts, causing many to ponder what the future holds. Will the onslaught of online sales change the fresh foods landscape forever? Soon we will know more.

"Our niche has always been the instore experience," says Scott Fox, vice president of bakery and the Killer Brownie program at Dorothy Lane Market. "Especially today with the Amazons of the world, we have to create reasons to be a place where people want to go to because it's fun and engaging and that's the magic of Dorothy Lane."

Fox admits they've been "forced to sharpen our pencils" because of the surge in online retailing, where Dorothy Lane Market is well positioned with one-of-a-kind products like its signature Killer Brownies and artisan bread. "Our online catalog business is 80 percent bakery," he says. "We ship a lot of artisan bread coming out of our DLM Bakehouse."

Among the masses of marketers on the Internet, there's one website that food retailers need to know. It's called Goldbely.com.

Since its founding in 2013, Goldbely's team of "food explorers" seeks out the best local foods across the country and subjects them to quality assurance tests to ensure fresh and prompt delivery every time. Only three percent of food merchants are approved to join. Current popular

items include Momofuku Milk Bar's Crack Pie, Dorothy Lane Market's Killer Brownies and New York City's Ess-a-Bagels.

Despite gains in online retail, instore bakeries — particularly those with signature items, like Milk Bar's Crack Pie — continue to pull customers in to brick-and-mortar stores.

Tina Rexing, owner of T-Rex Cookie in Minneapolis, ditched a 20-year corporate career to make a name for herself as a cookie baker. Her giant cookies baked in small batches became such a hit that Goldbely.com agreed to sell on its highly curated online platform.

According to Goldbely, the company managed the shipment, logistics and customer service for more than 200,000 food orders in 2016 when it witnessed a 200 percent increase in customers. Orders are individually packaged by 300-plus food partners with delivery to all 50 states.

"Our platform empowers small business owners and regional food makers and evens out the playing field with big chain retailers and online mega-brands," says Joe Ariel, the CEO and co-founder of Goldbely.

According to Dawn Foods consumer insights, millennial consumers are most likely to choose a place to buy bakery products or other foods

based on sites like Yelp or Facebook. Younger shoppers give a lot of weight to recommendations from friends on social media. They are using mobile technology to find bakeries and share what they've had.

"That's where they are going to seek out unique experiences," says Jenny LaPaugh, senior director of global market research and insights for Dawn Foods. "Bakeries can fuel that obsession with memorable items. Convenience is definitely important. Millennials tend to make less trips overall, but when they go somewhere, they spend more."

Beth Fahey, co-owner of Creative Cakes in Tinley Park, Illinois, cites her own bakery's sales trends in the past year when she points out that customer counts are down, but average sales per trip are up. Creative Cakes recently opened a sales-only office 45 minutes from the bakery's production facility in efforts to capture new customers.

"Most of our shoppers are harder to reach using conventional methods," agrees Lynn Schurman, owner of Cold Spring Bakery in Cold Spring, Minnesota. "They are expecting more online options. They are expecting more information before they make their purchasing decision."

LaPaugh points out that Dawn research shows that independent retail bakeries are growing in both size and number. "People love supporting local bakeries," she says. "Millennials want to be in the know – how a business is supporting the local community. Bakeries can take advantage of that."

Dawn created the Innovation Studio for this exact reason of helping bakeries thrive and innovate. LaPaugh says they invite customers to the bakery research and development center, located in Jackson, Michigan, for innovation sessions to generate new product ideas.

One example is Dawn customer Hurts Donut's pickle donut, which went viral this year on social media. "We co-create new recipes and products," LaPaugh says. "It's been a great resource."

Craving human interaction

A new study from Culinary Visions Panel's Mindful Dining Initiative highlights younger consumers' craving for human connection when dining out. In the study, 1,500 US consumers, 18 years and older, were surveyed about their attitudes toward ethics-based dining and how it impacts their food choices and purchasing decisions outside the home. The study found that despite their love for technology, younger consumers are using it not to replace human interaction but to enhance their social experiences when dining out.

"With more and more restaurants and foodservice establishments turning to technology to solve labor shortage issues, it is important to



Consumers' desire for instore sensory experiences continues to drive demand for goodies like Dorothy Lane Market's Killer Brownies.

understand the role of technology in consumers' dining experiences. Our studies show younger adults, in particular, enjoy the social aspects of dining out," says Sharon Olson, executive director of Culinary Visions Panel. "Today's younger consumers grew up with technology and their facility with it allows them to use technology to make their lives more convenient."

Questions on consumer-facing technology were included for the first time since the project began in 2014. Despite the fact that younger consumers like to use technology to make ordering quick and error-free, the study revealed that millennials and Gen Z consumers are some of the most appreciative demographics when it comes to quality customer service and positive in-person interaction. More than 60 percent of those surveyed between the ages of 18-34 said they would love to go to a restaurant where the server calls them by their name.

By contrast, 58 percent of those surveyed between the ages of 35-54 and 54 percent of those aged 55 and older said the same thing. It seems the pervasiveness of technology has upped the need for quality interaction. As millennials and Gen Z are some of the most engaged consumers of the digital world, a personal touch in dining experiences outside the home goes a long way.

Millennial and Gen Z consumers view dining experiences as social experiences that should be celebrated through sharing on social media. The study found that 58 percent of the consumers surveyed between ages 18-34 said that they like to take pictures to share on social media when dining with a group. In contrast, 44 percent of those surveyed between the ages of 35-54 and 22 percent of those aged 55 and older said the same thing.

Younger consumers may be quicker to embrace technology in foodservice because they value quickness and convenience as a generation. According to the study, 48 percent of those between ages 18-34 say they prefer using kiosks or touch screens to order because it's quicker compared to 32 percent of those between the ages of 35-54 and only 12



Christina Tosi and the company she founded, Milk Bar, will open a new location soon in Los Angeles and have received funding for additional expansion.

percent of those ages 55 and older. Young consumers' ease in opting for technology when they need quickness and convenience is a reflection on how they use technology as a tool, rather than as a default, to respond to their different dining situations and needs.

In addition, according to new research from the NPD Group, Gen Zs differ from millennials in their attitudes towards large, multi-national brands. When millennials became adults and began grocery shopping there was a noticeable shift in favor of smaller, niche, local brands.

Prevailing sentiments among Gen Zs, however, represent a shift in this thinking. In many ways Gen Z consumers think of themselves as having a personal brand with a story and values by which to live. They seek brands that support their story, and they are willing to use them regardless of a brand's size.

"Food marketers should understand that this generation grew up knowing that food is much more than sustenance; food represents culture and therefore is an expression of who they are," says David Portalatin, NPD food industry advisor and author of *Eating Patterns in America*. "This generation was raised to be real and true to themselves and they expect the same from their foods and beverages."

Selling the experience

Metropolitan Market's newest store in Sammamish, Washington, marks the first suburban store for Met Market and is 10,000 square feet larger than the average size of the other six, which are urban locations. The average household size in Sammamish is three, compared with two at other stores. Here, shoppers find a coffee bar and quick-service bakery where they can order kombucha on tap or hard-to-find pastries like kouign aman and kugelhupf, as well as Gelatiamo artisanal gelato. Local bakery brands featured at Metropolitan include breads from

Macrina Bakery and Grand Central Bakery and Cupcake Royale's gourmet cupcakes.

The Sammamish store features a dazzling array of foodservice options (salad bar, hot bar, poke bar, antipasti bar, wraps, sandwiches, sushi, protein pots and self-serve soups), as well as a pizza-by-the-slice station, deli meat carving station, charcuterie, and cheese foundry. Just steps away from the bakery department (located in the front left position of the store), there is a convenient set of stairs that takes shoppers to a 40-seat dining area on the mezzanine. The company believes more people will use this store as a restaurant than at other stores.

Tristan Ambrose, bakery and coffee bar coordinator for Met Market, points out that Met Market's signature bakery item, The Cookie, originated years ago from an East Coast trip by Met Market's former owner/chief executive officer Terry Halverson, who discovered an indulgent sweet treat at a New York City bakery and wanted Met Market to create something similar. "We came up with our own version," says Ambrose, a classically trained pastry chef. "We sell over 1,200 of these per week, companywide."

Likewise, Kowalski's Markets, an 11-store gourmet retailer based in Woodbury, Minnesota, continues to be a shining example of a gourmet retailer with its eye on innovation. The company's new Signature Meal Kits are available without a subscription and feature a main dish paired with a chef-selected side or accompaniment. For example, the Mediterranean Crusted Salmon kit features Skuna Bay salmon with a basil and roasted red pepper panko crust, paired with organic whole grain brown rice and broccoli florets. A seasonal menu rotates every two months, with two to six different meal options offered every day.

In addition, inside the store, Kowalski's addresses this trend with a create-your-own pasta bar, so customers can create the way they want it. "We see customization trending: choose the protein, choose the sauce, and create your own meal," says Jenny Mahoney, deli director for Kowalski's.

Each of Kowalski's Meal Kits is hand-prepped and packaged by Kowalski's and serves two adults. Prices range from \$17.99 to \$27.99. These kits are billed as more environmentally friendly than national meal kit programs because they require less packaging, create less food waste and use less fuel to transport than alternatives.

Kowalski's operates a central kitchen that "feeds" fresh prepared foods to all stores, which receive deliveries six days a week. This guarantees maximum freshness. Roughly 70 percent of the deli prepared foods come from the central Kowalski's kitchen.

"The No. 1 thing we hang our hat on is the customer experience," says Mahoney. "We invite our customers to give us feedback, and we make