

Franchises ride the 'wellness wave'

Tapping into the health food market, Australian franchises are riding the 'wellness wave' and taking a bite out of big business. By **Ingrid Maack**.

In the last 10 years, the retail food sector has seen a shift away from fatty fast foods to a healthier offering, with growth in juice, salad, and sandwich franchises.

Rising obesity rates and the release of documentaries such as 'Super Size Me' have led international fast food chains such as McDonald's to create healthy menu options.

In Australia, franchises have responded to consumer demands for healthy alternatives with the emergence of home-grown brands including Boost Juice, Sumo Salads, Healthy Habits, Trios, Well Being, Cheeky Salads and Grill'd.

Franchises: 'Store within a store' concept

Rod Young, executive director of DCStrategy (formerly Deacons Consulting) told *Retail World* he believes we are on the cusp of a 'retailing renaissance' that could see food franchises join forces with supermarket retailers to develop hybrid offerings in-store and pre-prepared takeaway options.

"There will be opportunities within the right locations for a 'store within a store' concept in supermarkets," Mr Young said.

He said Australian retailers need only look to the US and UK – there restaurants and takeaway bars can be found within supermarkets such as Sainsbury's in the UK and natural foods grocery chain, Whole Foods Market in the US.

"It's a little known fact that in the UK, Boots (pharmacy) is one of the largest sandwich sellers in the country because of the traffic through the operation . . . While in Austin Texas, Whole Foods Market covers the whole food experience, from shopping to taking away, to staying and eating in the supermarket."

He said the trend of selling more pre-prepared health foods will also move into smaller supermarkets and will evolve from not only pre-prepared foods but to food 'heated and eaten' on the premises.

"[Retailers] could offer a healthy burger bar within a supermarket's meat section that uses the store's quality ingredients. Grilled burgers prepared on the premises would allow customers to stop, eat or sample produce being sold in the store and learn how to prepare the raw ingredients. They could consume on-site or take home," Mr Young said.

The explosion in 'eating out' should be harnessed by retailers as an opportunity to sell stock, he said.

"Here is an opportunity for supermarkets to buy ingredients at wholesale and sell at retail as value-added retail prepared food."

Destination retailing: Is it for you?

However, Mr Young told *Retail World* supermarket owners should not assume buying a franchise is a guaranteed road to success.

"Being a fresh food operator is a ticket into the game, it is nowhere near a passport to win. You need the right products just to play the game," he said.

Mr Young said it is important for retailers to decide what business they are in.

"It can be dangerous to say, I'm finding it tough in the supermarket business so I will open a coffee shop next door."

Rather, supermarket owners should think about how they can better impact their customers and attract traffic by incorporating a food service offer that is relevant to the business, he said.

He said one opportunity is a hybrid coffee shop or coffee reseller within a supermarket that offers not only coffee beans for sale but also the opportunity for consumers to grind their own beans then sit down and drink their coffee on-site.

He said franchises such as Boost Juice and Healthy Habits* or any food franchise that offers a consumable product during opening hours would suit this 'store within a store' concept.

"It could be fresh fruit salad bars, for example, where customers could buy fruit salad to take home or eat while shopping."

"Being a fresh food operator is a ticket into the game, but it's not a passport to win."

The bakery department is another suitable section where franchises such as Brumby's Bakeries or Baker's Delight could offer food shoppers hot food (pies or rolls) for consumption, to sit and eat or eat as they go.

Mr Young anticipates franchise growth in shopping centre locations and destinations that capitalise on foot traffic.

"One of the challenges is having a location that can attract traffic . . . Shopping has become an 'expedition' and food is becoming a 'recreation' in itself. Anywhere where there is a high concentration of people, we will see continued growth," he said.

He said the calorie-controlled or diet home meal market is also driving the food retail business.

"Lean Cuisine started the trend as a frozen meal but I see potential for retail calorie-controlled meal packages that are sold in supermarkets to be taken home. This could be extended to fast food franchises," he said.

Riding the wellness wave

Mr Young said consumers are demanding healthy food and fast food franchises are responding.

"The old burger bars and fry-up joints are yesterday's business."

He said today's consumers are riding "a wellness wave" and there is demand for more health information.

"People are looking for healthy food alternatives they can trust, so we are seeing the emergence of 'trust brands'."

"Consumers link health food franchises such as Healthy Habits, Boost Juice and Sumo Salads with what I call a 'trust experience' – they know what they are getting," he said.

"A lot of people talk about 'retail theatre', I like to describe it as 'retail transparency'. They see the natural product in front of them, which is not always necessarily organic."

He said organics have limited appeal as their price point is too high, but people are increasingly interested in the 'providence' of their food.

"Consumers want to know where produce is grown and how it is manufactured . . . Any organisation that can describe the providence of their food and the way the food is processed or what pesticides are used, will thrive."

Health food franchises such as Healthy Habits, Boost Juice and Sumo Salad have grown in popularity because they provide transparency, he said.

"People can see the produce in front of them. They understand it is being prepared freshly on the premises."

He credits the success of Boost Juice to its transparency and said founder Janine Allis has been able to articulate the 'wellness movement' and the brand.

"A lot of these wellness businesses are scaleable in a world market with global potential," he said, pointing out that Boost Juice has stores in Chile, Singapore and will soon open in London, Indonesia, Thailand and Korea.

He said we are likely to see more franchises in locations such as Darling Harbour in Sydney, Southbank in Brisbane and Southbank in Melbourne.

"As more populations gravitate to strong strip locations like King Street in Newtown or Chapel Street in South Yarra, we will see more healthy alternative foods [franchises and concepts] emerge," he said.

Trios founder, David Elia, also anticipates a future for franchises in supermarkets. Mr Elia's successful wraps franchise has mostly shopping centre locations, and while he says the food service industry has grown at 3 to 4 per cent over the past five years, "Australia still lags behind the US market in terms of food consumption outside the home."



Rod Young, executive director, DCStrategy.

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He said a Lenard's within a supermarket "is a perfect mix" (it could replace a poultry offer) but said Trios is different as it is a consumable QSR (Quick Service Restaurant).

(The first Lenard's franchise in NSW opened within a Ritchies IGA Supermarket in July in Rutherford. There are now 12 Lenard's within Ritchies IGA stores across Australia.)

He said such hybrids would work well in large supermarkets with high volumes of traffic, but for Trios to sit in this mix, "we would need a seating area for shoppers to sit and eat their wraps."

"The old burger bars and fry-up joints are yesterday's business."

However, he said the 'store within a store' concept need not only apply to supermarkets, but could also extend to department stores, which is an area of potential growth in some overseas countries.

"Our franchiser for the Middle East (Master Franchisers FZCO) operates a supermarket within a department store in the Kingdom of Saudi Arabia. It does everything from bake bread on-site to sell electrical appliances," he said.

Sumo-sizeu salau success

The fast growing salad sector may also be an option for supermarket owners to diversify their food offer, according to Sumo Salad joint-founder and managing director, Luke Baylis.

"You could put a Sumo Salad bar in a supermarket's fresh food section, for example," Mr Baylis told *Retail World*.

He said supermarket owners are often suited to a franchise environment because of their broad experience in retailing.

"People in supermarkets generally understand great customer service, can manage products, turn stock and do inventories which are all skills needed in a franchise."

So who makes a good franchisee? When looking for franchise talent, Sumo Salad seeks people with commercial understanding, good people skills and who "want to be their own boss".

"We want young, enthusiastic, health-conscious people who have a cultural fit with the message we're trying to promote. Our franchisees are generally aged between 30 and 45 — they aren't looking to wind down and retire. We want

people who can put some effort in and really drive the brand."

Luke Baylis and James Miller opened their first Sumo Salad outlet in Sydney's CBD in 2003 before deciding to franchise the business.

Sumo Salad ranks number one in *BRW*'s 2006 survey of the 50 fastest-growing franchises by outlet numbers, and today has 14 outlets (Source: *BRW* Hot Franchise edition, Jan 19–Feb 22, 2006).

Mr Baylis said Sumo Salad is focusing on selecting quality franchisees rather "than just growing for the sake of growing".

"It's extremely important to grow the business so franchisees can benefit from better buying power and stronger branding, but also we recognise it's not worth growing unless we have the right people in the system."

Sumo Salad is now exploring new product lines to improve the revenue position and return for franchisees.

Sumo Salad offers 50 ingredients in its salads, which customers can tailor-make to their tastes and diets. As well as offering salads, it also sells soups, wraps, rice paper rolls, satay sticks, toasted sandwiches and design-your own breakfast cereals and yoghurts.

"A large component of our business is made-to-order. We also have pre-made options for better speed of service and variety."

"Soups are seasonal here in Australia but salads sell well throughout the year, particularly if you have grilled, hot options in the salad — grilled prawns or BBQ chicken."

So are salad bars simply a fad? Not so, according to Baylis. Nor will the salad phenomenon go the same way as juices, a market that has reportedly reached saturation point.

"There is a big difference between salad bars and juice bars. Juice is in the food or meal replacement category whereas salads have always been a recognised meal."

He does, however, believe there are many people jumping

on the salad bar bandwagon, but warns it is a business that has "highly perishable products and is difficult to do well".

He said Sumo's strength lies in its product supply chain and branding. In a good CBD location a Sumo salad store can turn over close to \$10,000 per month.

Sumo Salad is focusing on expanding into the suburban market, where Baylis anticipates future growth will be. While there has been international interest (Sumo Salads has two bars in Dubai), the franchise is focusing on building its domestic business before going global.

Sumo Salad has well and truly ridden 'the wellness wave'. Unlike other fast food options that are high in fat, Sumo Salad is helping to change the fast food habits of consumers by offering a positive eating alternative.

"Once the only options were burgers, fried chicken or the traditional meat pie . . . but times have changed," Sumo Salad joint-founder, James Miller said.

"There are now healthier choices in fast food and people need to lean towards the outlets offering foods with more of a balanced and nutritional approach," Mr Miller said.

At Sumo Salad, staff are trained to give advice about the nutritional content of each ingredient and whether it is high or low in protein, carbohydrate and GI.

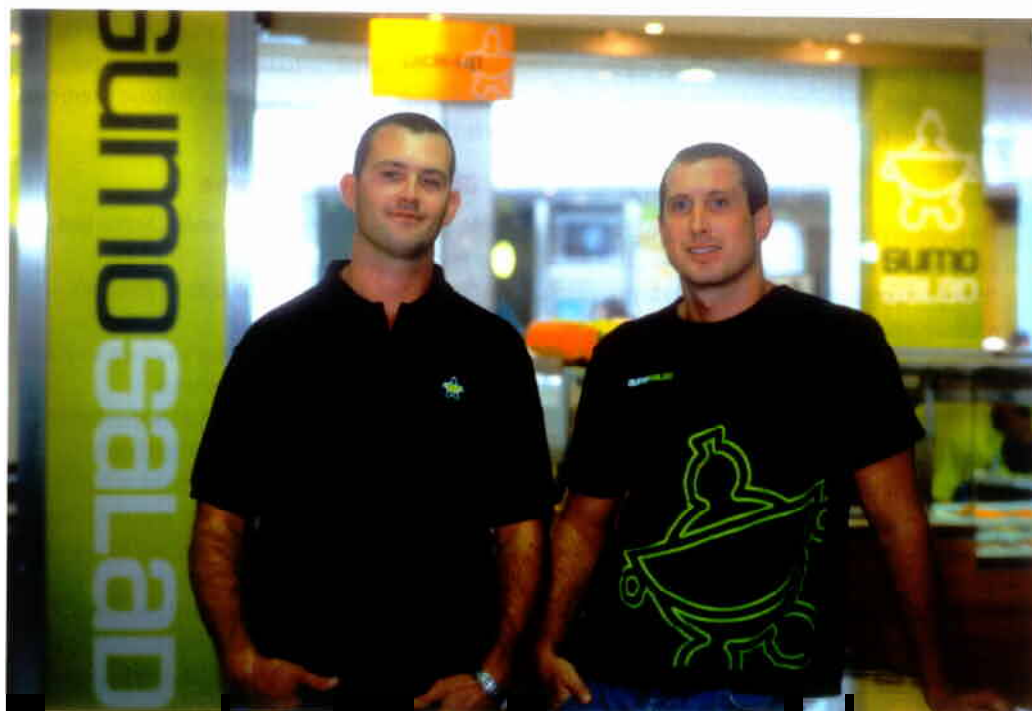
Special franchise success series

Next month *Retail World* will turn the retailing spotlight on the hottest category of all — coffee and cake franchises.

The coffee and cake segment is king in this country and is successfully serviced by franchise 'bean brands' including Gloria Jean's, Muffin Break, Michel's Patisserie and Jamaica Blue.

Australian consumers love their coffee but is the category reaching its boiling point in a competitive market? *Retail World* investigates.

DC Strategy is a consultant business advisor to the Healthy Habits and Boost Juice franchises.



Sumo Salad entrepreneurs, James Miller and Luke Baylis, are looking for enthusiastic, health-conscious franchisees, who can help drive the brand and promote the health message.