



Delivering Food to the Front Door: A New, Or Very Old, Convenience?

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A century of commercial competitive conflict between the grocery (food at home or “FAH”) and restaurant (food away from home or “FAFH”) distribution channels is now being fought on an unexpected but previously contested battlefield: who will own the “convenience” of delivery in the consumer’s mind.

Just one hundred years ago access to food across New England was very different than what we know today. In 1915 the vast majority of people would have bought the food they did not grow or raise themselves at small, local, full-service general stores. In larger towns and cities independent specialty retailers such as butchers, bakers, delicatessens and the occasional green grocers supplemented the available product list.

The First Home Delivery System

The traditional practice was for a homemaker to personally place an order with an independent shopkeeper for staples such as flour, butter, salt, sugar, coffee, tea, bacon or lard. As a convenience and sign of personalized service he would then select her items and have the large bundles of provisions delivered to her home later in the day by a delivery boy. Most women were accomplished cooks, responsible for the planning and preparation of daily meals from these mostly basic raw materials. Working men (and yet unregulated working children) ate the majority of their meals, including at midday, at home or when necessary brought a lunch pail filled with home prepared items with

them to the workplace.

The traditional restaurant fell into one of two distinct types a century ago, both required dining on-the-premises. There were full-service, “white tablecloth” establishments catering to the wealthy or the middle class for special occasions. Alternatively there were limited service coffee shop-style counter service places aiming to supply everyday meals to a working or transient group who had no access to a home-cooked meal. Social and eating clubs were genteel substitutions used by the affluent professional requiring away from home meals both at lunch and dinner, while a roadhouse, small family owned “mom & pop” or diner provided the occasional prepared meal for those of less means or with less time to dine.

Direct-to-Consumer Home Delivery

With good reason, grocers rarely envisioned themselves as in head-to-head competition with meals prepared away from home. If grocers and shopkeepers saw any competitive threat, it was from the direct-to-consumer home delivery provided by the growth of commercial dairy producers such as H.P. Hood in Charlestown, MA or the expanding reach of large bakeries such as Dugans as they moved from New York into Connecticut and Western Massachusetts. Following in the literal footsteps of itinerant horse-cart tinkers and merchants, these newly organized, wide ranging and efficient “truck route” sales models delivered fresh staples daily to the front doorsteps of homes

throughout the Northeast. At the peak of home delivery along with bread, bottled milk and dairy items there were companies providing everything from Fuller Brushes to tubs of Charles Potato Chips, from White Rock soda pop to cases of Narragansett beer.

A Switch to Cash & Carry and the End of Home Delivery

To compete with both the independent shopkeeper and the delivery man in New England, especially in Eastern Massachusetts, new choices were being offered to the rapidly industrializing marketplace. In 1918 the Rabb family created the Economy Grocery Stores Company (which has evolved into today’s Stop & Shop corporation) a chain of stores which introduced the first self-service market to New England families. It was based on the A & P Economy Stores, first opened in Jersey City, NJ in 1912. Designed to offer a “Cash & Carry” no delivery and low price system, shoppers for the first time were given the opportunity to wander the aisles and truly “shop.” Presented with a widening selection of newly introduced brand name packaged foodstuffs, groceries and dry goods shoppers could choose for themselves which brand, size or quantity they desired. The companies were able to use cost savings from labor and quantity purchasing to offer lower prices to a growing consumer base.

In the mid-1920’s the Independent Grocers Alliance (I.G.A.) and Red & White Stores spread throughout the region, both

“Retailers face competition not only from other retailers, such as mass merchandisers who offer groceries, but also from other retailers who sell substitutes for groceries. Because convenience is becoming more of an issue for American consumers, they are more likely to eat out than to cook at home. Therefore, another competitor for grocery stores is fast-food restaurants. To respond to this threat, supermarkets have added large prepared food sections to their deli department.”

Barbara Kahn, *Grocery Revolution*, 1997

“Same-day delivery not just for city clickers: grocery shopping goes 24/7: Online grocery shopping and delivery has become a crowded space, with a host of services competing for consumer attention. This trend allows everyone who sells food and beverages to be in the same-day delivery business without having to add additional operational infrastructure. Look for Uber and Google Shopping Express to put every supermarket in the same day delivery business and change consumer behavior to shop daily for prepared foods and recipe driven meal kits that contain all the ingredients and be delivered to homes and offices.”

Phil Lempert, [“The Supermarket Guru”](#), Nov. 2014

were created to counter the spread of the conglomerates and their new buying power. Soon the chaining of markets became the competitive model, many with thousands of stores under these and other branded corporate names. Competition was fierce among these enterprises, each contesting by stocking new national consumer products as well as their own private label offerings. By the end of the 1930’s a new larger store, the “supermarket,” was introduced with an increase in national branded grocery products on the shelves and bringing the previously independent specialty shops (butchers, bakery, green grocer) all under one roof.

At the close of WWII and as the suburbs grew across the country, hundreds of supermarkets were built to serve the expanding needs of families and their changing lifestyles. Convenience for the home cook evolved into finding a broad product choice at a store near home usually with free parking. It was convenient to have complete control over the entire purchase process, including the total time it took to complete the shopping experience. As the pace of daily life quickened and homemakers found themselves increasingly busy during the day, timing of store-provided delivery became inconvenient. In the mid-1960’s supermarket companies continuously sought to drive costs down and become the low-price leader. In comparison the value proposition offered

by a single product delivery man on a route truck selling commodities such as bread or milk became a high priced relic of a time gone by. The convenience of home delivery couldn’t overcome the search for lower prices or the need to save time.

Declining Dominance of the Food Dollar Expenditure By Grocers

As they had for decades grocers still rarely envisioned themselves as in head-to-head competition with new restaurant offerings. Even so restaurateurs and grocers have always been vying for the dominant share of the total food dollar. The grocers captured more than \$7 out of every \$10 consumers spent on food purchases well past the Second World War and into the 1960’s (see chart below).

In New England as the evolution from full-serve to self-service was happening to the grocery channel, a similar process was also beginning to emerge in the food away from home channel. When dining out there were established restaurants in hotels, traditional taverns in country inns throughout the region, and historic restaurants such as the Union Oyster House or Jacob Wirth in cities like Boston. There was also ice cream. In 1914 the Durand family opened an ice cream stand in Post Office Square, which became the original unit of the Brigham’s chain of stores by the mid-1920’s. Nearby the Bickford family also got their start in the early 1920’s. Both became iconic New England family restaurant businesses. At this time the true innovator was the iconoclastic Howard D. Johnson of Quincy, Ma. In 1925 he created an eponymous chain of restaurants, which had been built on his efforts to create a more flavorful ice cream out of the necessity to save his family’s business from bankruptcy. Surviving both the Great Depression and World War Two, by the middle of the

1960's Howard Johnson's was to become the world's largest foodservice company.

The Early Days of Chain Restaurants: A Choice of Eat-In or Take-Out

What is important for the nature of food service competition with the grocery industry is that each of these restaurant chains, as the very definition of food away from home, were built in large part on a "take away" model. Howard Johnson's in particular was created to cater to the traveling public, with the majority of his restaurants opened along highways and on busy traffic circles. The early roadside menu featured proprietary flavors of ice cream, with additional items such as "frankforts" and fried clam rolls. All were intended to be eaten on the move, in fact handheld, and not specifically consumed inside the restaurant using utensils. Eventually diner-style counter seats for quick short-order meals became standard and then dining room tables and booths were added, but all HoJo restaurants maintained the take-out option at the front entrance. Most also included a small retail area of food novelties (salt water taffy, chocolate lollipops, and gift items). For the family, the truck driver or

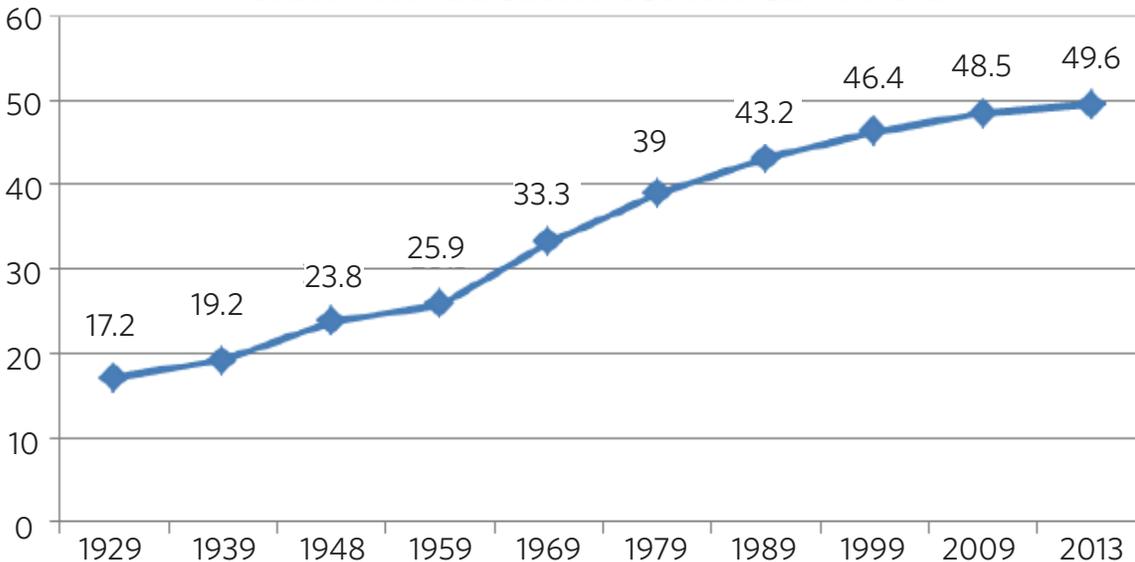


the traveling businessman these roadside "orange roof" eateries were the definition of on-the-go convenience.

In the same way that the move to the suburbs after WWII drove the growth of the supermarket, it also set in motion the growth of the fast food chain restaurant explosion. Beginning in the early 1950's companies such as McDonald's, Burger King, Kentucky Fried Chicken and Chick-fil-A created a new fast food model as the definition and use of food away from home changed. In the fifty years

U.S. Food Away From Home Share %

Source: U.S. Census Bureau and Bureau of Labor Statistics



between 1950 and 2000 the American public doubled their dollar purchases for restaurant food compared to food prepared for meals at home (see chart).

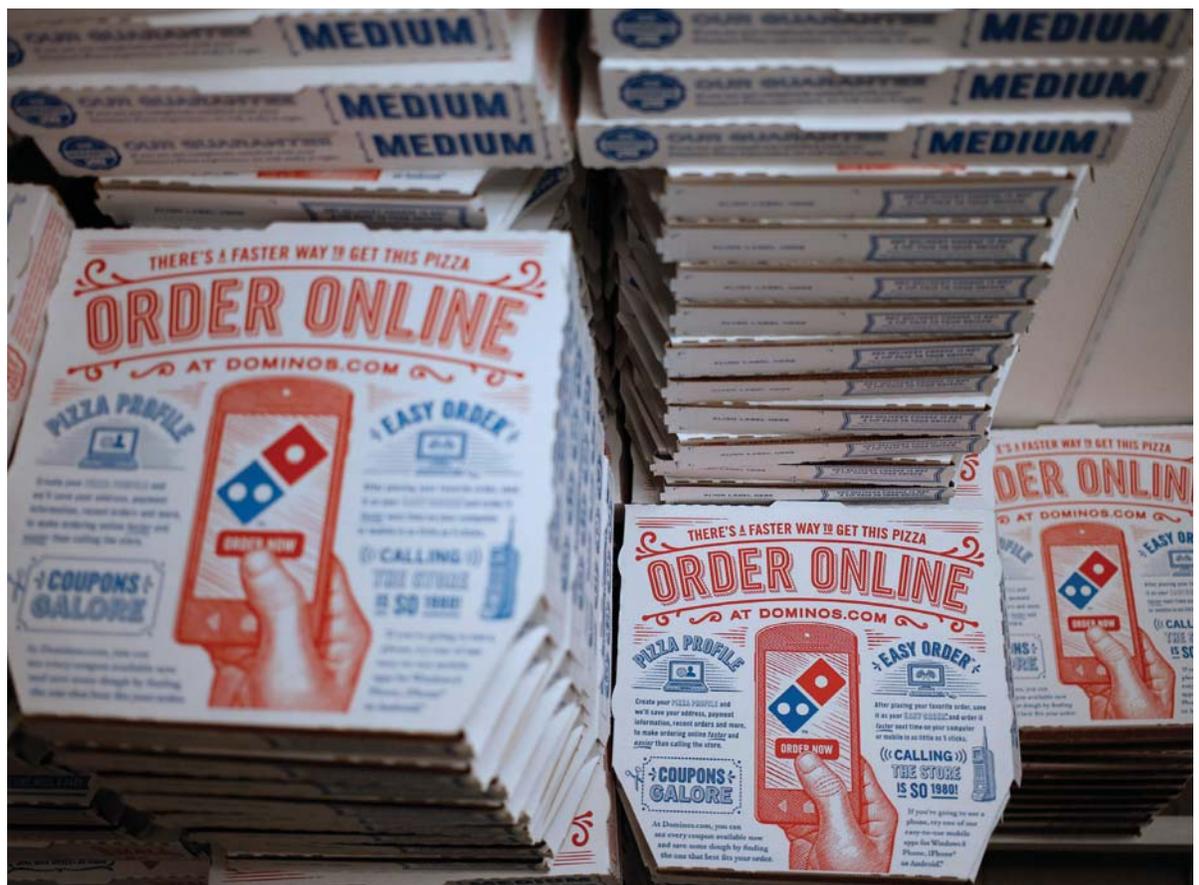
The remarkable thing about all of the fast food companies is that the overwhelming consumption of the products they sell has always occurred away from the restaurants themselves: either as take-away or ordered at the drive-thru and most likely eaten in a car. Convenience for the fast food consumer is about speed of service and ease of ordering, with low prices close behind.

Over this period there were notable exceptions to the dine-in or take-out service model. As early as 1952 a fried chicken franchise company, Chicken Delight, was established which was built on the service concept of home delivery. By the end of the 1960's it had grown to more than 1,000 units across the country. Using the advertising phrase "Don't cook tonite, call Chicken Delight" it featured a unique dedicated system of free

delivery. The company all but collapsed after losing a precedent setting anti-trust law suit over the requirement that franchisees pay premiums for purchasing franchiser approved restaurant supplies. The home delivery model seemed to disappear with the brand and its main competitor, Kentucky Fried Chicken, grew on a service model of family take-out.

The Emergence of Pizza Delivery as Catalyst for On-Line Ordering

The modern era of restaurant delivery of food to the front door was started when Tom Monahan, the founder of Domino's Pizza, instituted the "30 Minutes Or Free" campaign in 1973, initially with free delivery. No chain of any kind has done more to change the acceptance of a stranger bringing food to people's front doors in the middle of the night than Domino's. It did this while introducing such novel ideas as the corrugated



ed pizza box, heated insulated delivery bags, and the lighted “3-D” car top sign.

Today the company is the dominant restaurant delivery provider, especially for customers using on-line as a convenience. More than 40% of Domino’s U.S. sales were generated by online orders in 2014, and Domino’s alone delivers more than 1.3 million pizzas every day in the U.S. Over the past forty years, this delivery-focused innovation has ignited the entire corporate pizza industry to shift from a dine-in service system to one based on delivery. In just over seven years (since 2007) Domino’s Pizza has positioned itself to become a leader in the use of on-line ordering technology while capturing a greater share of the prepared food delivery business.

Due to the success of chain pizza delivery and the explosion of internet access through smartphone technology, many third party companies have become very important players in delivering restaurant meals in most major U.S. cities. The convenience of being able to order on-line, using service companies such as GrubHub.com, foodler.com, eHungry.com, menufy.com, or delivery.com has significantly changed the delivery model for all restaurants, but especially for the local independent operator. With little fanfare the restaurant industry, the very definition of food away from home, has become a major factor in the meals people consume in their homes. Third party delivery has been called the “great equalizer” for an independent restaurant’s ability to reach its customers.

Home Grocery Delivery Returns Thanks to the Internet

The competitive battleground for home delivery has been joined by many national and regional supermarket chains over the past few years. Stop & Shop, with headquarters

in Quincy, MA is a U.S. division of the Dutch conglomerate Royal Ahold and is currently the 8th largest supermarket chain in the U.S. The company took an early position in the home delivery market channel with the 2001 purchase of the first mover in e-commerce and on-line grocery delivery, Peapod. The company has established itself as a leader in the area of technology in on-line ordering, and is the first in the U.S. to create “virtual” grocery stores in commuter rail stations throughout the Northeast and Chicago.

Since the Peapod purchase by Stop & Shop, more than a third of the top 75 U.S. grocery retailers have chosen to become involved in the “e-grocery” space, spending hundreds of millions of dollars in the push for competing in the category. More than half of these entrants have created a hybrid e-grocery business model known as “Click and Collect” (a system where customers shop on-line and then drive to a pick-up point for groceries assembled by in-store staff) instead of a full-service home grocery delivery option. Peapod is also expanding into this pick-up option currently with over 3 dozen stores in Massachusetts and another 3 dozen in Connecticut and Rhode Island converted to the system. Only one Stop & Shop/Peapod location shows same-day pick-up service availability, but the website does advertise a curbside service, “Pick-up is available at the convenient locations below. No need to get out of your car!” In a trade-off of convenience over price, for less than an hour at minimum wage consumers can avoid the time spent inside the store on a traditional shopping trip. A flat home delivery fee of \$6.95 applies for orders over \$100.00, \$9.95 for less than \$100.00, or \$2.95 for store pick-up on minimum orders of \$60.00.

In contrast, Kroger, the no. 2 largest U.S. grocery company in 2014 purchased an established on-line health food and vitamin provider, Vitacost.com. Kroger paid \$280

million in the hopes of being able to enter the direct-to-consumer market using an Internet platform of more than 1 million subscribers. The Vitacost website offers ground delivery of non-perishable and mostly organic health foods in “1 to 4 days!” Currently delivery is offered free for purchases made over \$45.00.

The small, family company, Wellesley, MA based Roche Bros. Supermarkets offers home delivery from 9 of their 18 store locations and on-line pick-up or “Click and Collect” in five others, this latter a service which they are expecting to expand. Roche Bros. offers a wide variety of prepared meals and individual dinners, which are delivered cold and require re-thermalization, at prices ranging as low as \$2.99 for a single cheese quesadilla. It charges a flat fee of \$9.95 for all delivery orders with a strict no tipping policy. There is a flat \$6.99 fee for pick-up orders

at the stores.

According to The Food Institute and the research firm Brick Meets Click for the full year of 2014 online e-grocery sales are estimated to be about \$27 billion, or roughly 4% of the total U.S. grocery market revenue.

The Third Party Challenge For Grocery Delivery

While the traditional “bricks and mortar” grocery industry is making these steady but small steps towards e-grocery acceptance, there is a major change coming that reflects the disruption felt by all other retail segments by the emerging e-commerce market. To paraphrase a line from Sondheim’s *Into the Woods*: ‘there are giants in the cloud (sic)’

Amazon.com has been testing grocery delivery in Seattle since 2007 when it

Right, Amazon Fresh delivers groceries to the front door.



created AmazonFresh. This rapidly expanding fresh home delivery option includes both perishable and prepared meals. In parts of New York City delivery is guaranteed within one hour, with an annual subscription cost of \$299.00. Just at the end of 2014 Amazon added a new smartphone App to its e-grocery mix, Amazon Prime Now, which offers free two-hour delivery service to Amazon Prime members. It is expected to be in 15 major cities by the end of 2015.

Not to be outdone by arch-rival Amazon, Google.com is also entering the competition for home delivery of retail items, called Google Shopping Express. In the grocery segment, Google Express has built a partnership with Whole Foods Markets. Initial delivery service is free on minimum orders of \$15.00.

In addition, the world's largest retailer, Walmart, is also the country's largest grocery chain. Walmart.com has been heavily invested in the home delivery and "Click and Collect" e-commerce environment for a number of years and is promising to expand. While it offers thousands of dry goods and packaged grocery items, it has not yet committed to delivery of perishable grocery products but does have them available for in-store pickup. Shipping is free on orders over \$50.00, but only comes with delivery guaranteed for 6 to 8 days. In-store pickup is free, as well.

The Personal Shopper Returns

The real competitive battleground in 2015 for both grocers and restaurants, though, will be a rapidly growing e-commerce start-up called Instacart.com. The company has already established a major presence in the Boston market, along with its original home of San Francisco, Chicago and a dozen other cities. The founder and CEO, Apoorva Mehta, was an executive at Amazon before

creating the company in 2012. The service uses skilled individuals who personally shop at area stores including Whole Foods, Trader Joe's, Shaw's and Costco, delivering to homes and businesses in Boston, Brookline, Cambridge, Somerville, Medford and Chestnut Hill.

What makes Instacart different is that it works on the disruptive decentralized model which has made Uber a threat to traditional taxis, or Airbnb a threat to lodging. Created on the principles of the shared economy, a network of trained independent personal shoppers is contacted through a proprietary smartphone app. These individual contractors are assigned a single customer order which they confirm with the app. They then head to the desired stores and work to pick items that are better than the customer might even choose themselves. When necessary or desirable shoppers will call the customer to make suggestions for in-store substitutions. Delivery is generally within an hour, with costs ranging from \$3.99 to \$9.99 depending on minimum purchase and speed of service, but also carries a premium charge for Instacart of up to 20% on each item.

A test is being conducted in some Boston Whole Foods Markets to have Instacart personal shoppers assigned to individual locations to accelerate speed of service. Unlike Peapod or AmazonFresh, Instacart has no need for warehouses, drivers or delivery trucks. The infrastructure is the technology of a smartphone.

Back to the Future

The emerging battle, appears to be a return to a fight first defined a century ago. Simply, who will control the ephemeral space between the consumer's need for convenience and how, or where, they will prepare and eat dinner tonight.

This gets us to a convergence point for restaurants and supermarkets. It starts with the primary question, “what is the difference between a meal prepared at home and a meal prepared away from home if both are delivered to the front door and eaten at the same kitchen table?”

Maybe the convergence discussion continues with a question that has been asked for more than one hundred years, “how do I define convenience and personal service when it comes time to eat?”

If a personal shopper from Instacart.com selects a fully cooked rotisserie chicken at Costco and combines it with a fresh bag of Spring green salad mix and a bottle of Pinot Grigio, then delivers it to the front door of an on-line customer within an hour, is that substantively different than a GrubHub delivery driver arriving with a Nigiri Sushi platter and Tonkatsu from a local Japanese restaurant nearby?

Or if a Domino’s driver delivers a custom made Artisan Chicken & Bacon Carbonara Pizza with a Chocolate Lava Crunch Cake and a 2 liter bottle of Diet Coke is that

different than a Peapod driver showing up with a California Pizza Kitchen BBQ Chicken Crispy Thin Crust Pizza, a Bertolli Triple Chocolate Strata Cake and a 2 liter bottle of Diet Coke?

Technology, especially when it comes to the easy access everyone has to on-line, e-grocery, e-commerce applications through smartphones and laptops, forces us to rethink what convenience and personal service actually mean when it comes time to eat. Is it more inconvenient to order on-line and have to drive to “Click and Collect” our groceries at the Stop & Shop, or is it more inconvenient to use the new “Order Ahead” on-line feature at a Panera Bread and simply walk around the corner to grab the bag with my name on it at lunch?

After dinner as the dishes are being cleared, does it matter to the consumer who brought the food to the door or if it was classified as FAH or FAFH?

Remember the “good old days” when we all knew the difference? ■



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