



EXPERT'S VIEW: Foodservice

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Solving the Roller Grill Challenge

Roller grills are an excellent opportunity for profit with a low investment

Managing roller grill profitability is always a major source of frustration for both retailers and wholesalers. I had my challenges and frustrations with roller grills, but when done correctly, they can provide great profit at a relatively low investment.

Here are six strategies for roller grills that worked for me:

1. Stop using retail accounting. Too many managers think throwing away a hot dog is wasting \$1.50 (retail inventory) when in reality, they are only wasting 45 cents (cost inventory). It makes total sense to use retail accounting when counting cigarettes, but not with foodservice.

2. The real waste factor is the opportunity cost. Managers take pride in not wasting hot dogs, but what is the opportunity cost of not wasting hot dogs? Potential lost sales of 10, 20 or even 30 hot dogs per day?

3. Fill the grill and don't run out of product. The only way to grow sales is to have the grill loaded at all times and understand that some hot dogs will be wasted. You must keep fresh hot dogs on the grill and build customer confidence in the quality. This strategy is the only way to find accurate build-to lists.

4. This case study illustrates my point: Currently a retailer sells 20 hot dogs a day with no waste. This generates \$30 (20 times \$1.50) in sales with a cost of \$9 (20 times \$0.45).

The gross profit per day is \$21 (\$30 minus \$9). The annual gross profit is \$7,665 annually (\$21 times 365). When this same retailer chooses the "fill the grill and waste" strategy, the sale of hot dogs increases from 20 to 40, and 15 are wasted. This



generates \$60 (40 times \$1.50) in sales with a cost of \$18 (40 times \$0.45). The cost of waste is \$6.75 (15 times \$0.45). The total cost is \$24.75 (\$18 cost plus \$6.75 waste) with a gross profit per day of \$35.25 (\$60 minus \$24.75). The annual gross profit is \$12,866.25 annually (\$35.25 times 365). Thus, the annual gross profit increase to the retailer on one store is \$5,201.25. A

chain of 20 using this strategy can grow its gross profit by \$257,325 (\$12,866.25 times 20).

5. Merchandise the grill. Breakfast is a big opportunity for roller grills. Make sure the grills are loaded with sausage and breakfast products before the morning drive time. Typically, many c-stores don't load the grills until lunch. Also, merchandise to demographics — there are a wide range of products targeting Hispanics and Asian customers. Finally, branding the grill with signage, product identification and promotional signage is critical.

6. Aggressively promote and price product. Many retailers are changing hot dog size by going from six per pound to eight per pound. This allows the retailer to price a hot dog around \$1.29 and an every-day promotion of two for \$2. Bundling is critical to compete with the quick-service restaurant (QSR) meal deals. Taco Bell's meal deal for \$2 is once again changing the QSR horizon. You can effectively bundle two hot dogs and a drink for \$2.39.

Roller grills are a great opportunity to grow sales if managed properly. ■