

# 7-Eleven stocking shelves with healthier items

By Stephanie Strom, New York Times

7-Eleven, the convenience store chain, is restocking its shelves with an eye toward health. Over the last year, the retailer has introduced a line of fresh foods for the calorie conscious and trimmed down its more indulgent fare by creating portion-size items.

The change is as much about consumers' expanding waistlines as the company's bottom line. By 2015, the retailer aims to have 20 percent of sales come from fresh foods in its American and Canadian stores, up from about 10 percent currently, according to a company spokesman.

"We're aspiring to be more of a food and beverage company, and that aligns with what the consumer now wants, which is more tasty, healthy, fresh food choices," said Joseph M. DePinto, the chief executive of 7-Eleven, a subsidiary of the Japanese company, Seven & i Holdings.

Convenience stores have typically been among the most nimble of retailers. In the 1980s, they added Pac-Man arcade games as a way to keep customers in stores longer and to buy more merchandise. They installed A.T.M.'s a decade later, taking a slice of the transaction fees. More recently, they built refrigerated dairy cases, with milk, eggs, cheese and other staples.

But just as they have taken business from traditional supermarkets, convenience stores have faced increased competition from the likes of Dunkin' Donuts and Starbucks, which offer a basic menu of fresh foods for consumers on the go.

At the same time, a major profit driver for convenience stores – cigarettes – has been in steady decline over the last decade as the rate of smoking has dropped in the United States.

Fresh foods can help offset some of those losses. The markup on such merchandise can be significant, bolstering a store's overall profits. It's also a fast-growing category.

"If you can figure out how to deliver consistent quality and the products consumers want, fresh food is attractive because margins are higher, and it addresses some of the competitive issues you're facing," said Richard Meyer, a longtime consultant for the convenience store industry. "But it's not easy to do."

7-Eleven has been selling fresh food since the late 1990s. But much of its innovation has been limited to the variety of hot dogs spinning on the roller grill or the breakfast sandwiches languishing beneath a heating lamp.

As 7-Eleven refocuses its lineup, the retail chain has assembled a team of culinary and food science experts to study industry trends and develop new products. Such groups have been around for a while at fast-food restaurants like McDonald's and packaged-goods manufacturers like Kraft. But it's a relatively new concept for players like 7-Eleven, which have typically relied on their suppliers to provide product innovation.

"We're working to create a portfolio of fresh foods," said Anne Readhimer, senior director of fresh food innovation, who joined the company in May from Yum Brands, where she had worked on the KFC and Pizza Hut brands. "Some will be for snacking, some for a quick meal, but we hope everything we offer our guests is convenient and tasty."

One new menu item just hitting stores is a Bistro Snack Protein Pack, which includes mini pita rounds, cheddar cheese cubes, grapes, celery, baby carrots and hummus. The meal in a

box, similar to one carried by Starbucks, is part of a broader menu with healthier items under 400 calories.

The company is also taking existing products and retooling them for single portions. For example, customers can now buy jelly doughnuts and tacos, in mini sizes.

“There are definitely customers who want healthy options, but there are also lots of customers who are excited about the new sandwich options that aren’t low calorie – and minidoughnuts are doing very well,” said Lori Primavera, senior manager of fresh food innovation at 7-Eleven, who previously worked for Food and Drink Resources, a consulting firm for restaurant companies.

Norman Jemal, a franchisee, said sales of the new products are growing steadily in the three 7-Eleven stores that he owns in Manhattan. “At first, people are surprised when they come in here and see a bag of carrots and celery,” Jemal said. “They say, ‘I came in here for a bag of chips – I can’t believe you have fruit cups or yogurt cups.’ ”

He said the Yoplait Parfait, a cup of vanilla yogurt topped with fresh strawberries or blueberries and granola, is his best-selling fresh food item, while the 7 Smart turkey sandwich is his top sandwich.

The fresh food in Jemal’s stores and other locations around the country are supplied from a system of 29 commissaries and bakeries that fulfill orders from 7-Eleven. They tailor menu items for specific markets. In the Miami area, they produce a hot Cuban sandwich with ham, cheese, pickles and mustard. The Turkey Gobbler with turkey, stuffing and cranberry sauce sells in Northeastern stores around the holidays.

Each store has a data system that allows it to see exactly what is selling, which helps manage waste. Stores can track consumers’ purchase habits over a month, and adjust their orders based on those behaviors.

“In this 28-day cycle, I know I sold 3,563 bananas to customers in this store,” said Tom Ferguson, who owns five 7-Eleven locations in Las Vegas.

Ferguson has owned 7-Eleven franchises since 1986, and he said the variety of fresh food options in the stores is far better than before. The category already accounts for 20 percent of his sales, and his goal is to reach a quarter of sales volume.

“We used to be a place for people to buy beer, wine, cigarettes, candy and chips, and people would occasionally ask where they could go to get something to eat,” Ferguson said. “We’re no longer getting that question because now you can get something to eat right here.”