

Hawaii

FALL 2015

# Retail Grocer

the magazine of the hawaii food industry association



## Retailers Vie FOR DINING DOLLARS

**ALSO:**

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# MESSAGE FROM THE CHAIR

BY DEREK KURISU

First of all, thank you for allowing me to serve as your 2015 HFIA Chair. This is one of the most important organizations in Hawaii, not just because everyone has to eat, but because food brings people together. Although we are surrounded by water, we overcome many barriers to make diverse dishes with a wide variety of ingredients available. This is what makes Hawaii unique and different. I often think about how much Hawaii Food Industry Association members support many local organizations and businesses to improve the lives of the people as well as the State's economy.

It is so encouraging to see HFIA members getting involved. I remember when I first joined, it was a thrill to meet and converse with the amazing people in our industry. They became my inspiration. I learned to network with business and trade associates, as well as many community leaders in Hawaii. I've learned to become a leader by observing or serving on committees. Your company — and you personally — will benefit as much as my company and I have benefited by being involved in HFIA. This year, we want every member to serve on a committee and participate in our activities. If you are not on a committee, please call me (808-959-4545, ext. 3328) or send me an email (derek\_kurusu@ktasuperstores.com).

One of our major events, the Made in Hawaii Festival, keeps getting bigger and better. Over the past 21 years, it became an event with well over 400 exhibitors and 45,000 people in attendance. The Festival not only benefits these local exhibitors financially, but also brings awareness to support "local." The event also promotes entertainers, restaurants, and chefs.

Being involved in the Festival over these past years, I've noticed exhibitors reserving the same stall locations every year. I realized that they not only develop loyal customers, but become friends with surrounding exhibitors, trading goods and sharing food. So the Made in Hawaii Festival also perpetuates the social values of Hawaii. Please see photos of this year's Festival on page 30 and 31.

In closing, since Labor Day is observed in September, I want to thank Hawaii's hardworking food industry employees. They are the backbone of HFIA. Their professionalism creates products and services to meet the wants and needs of everyone in Hawaii. Watching employees driving forklifts and trucks, cashiering, cooking and baking, stocking shelves, bagging groceries, cutting meat, creating produce displays, purchasing and selling products, processing invoices, and so on. ...I wonder what Hawaii would be like without the wonderful employees working in our food industry. We make food available, affordable, and safe! We keep Hawaii fed!

Thank you everyone. I am looking forward to another exciting and successful year!

Aloha,

*Derek*

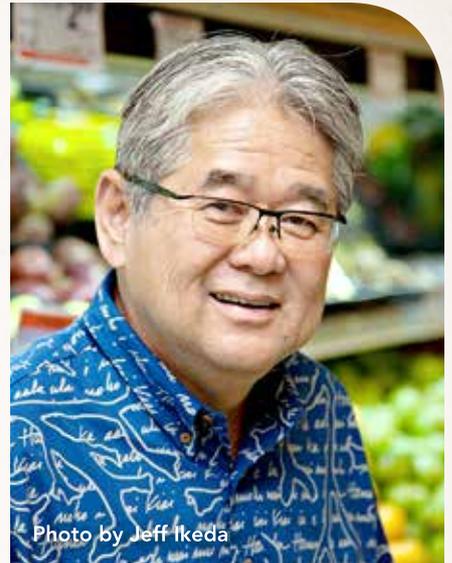


Photo by Jeff Ikeda

## HFIA Mission Statement

The Hawaii Food Industry Association actively promotes the interests of Hawaii's food and beverage retailers and suppliers through highly effective government relations and advocacy, member education, and industry and community relations.

## 115 YEARS OF SERVICE

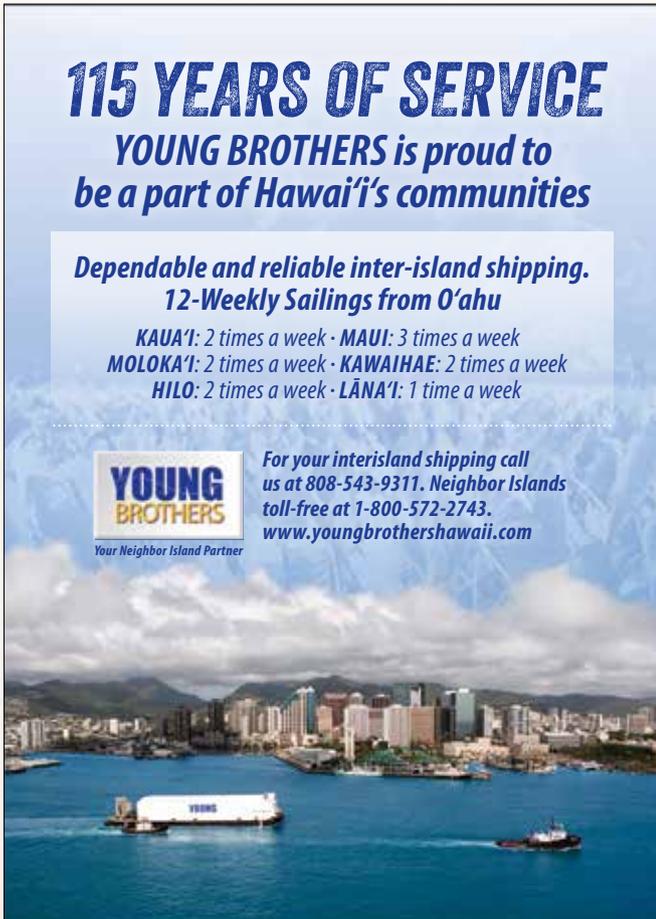
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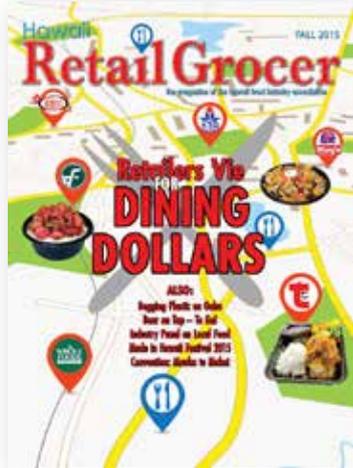
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BY LAUREN ZIRBEL

After a great legislative session of defeating nearly all bills that hurt HFIA members, only one bill on our oppose list passed the legislature. This bill, the theft bill, would have increased the property threshold for theft in the second degree from \$300 to \$750. We are pleased to announce that the governor has vetoed the theft bill and that HFIA was listed as a major reason the bill was vetoed in the governor's message. This makes our record for the 2015 legislative session perfect.

In addition to playing a significant role in defeating many bills that threatened our members' interests, HFIA also helped pass two bills that are of particular interest to our membership. The first bill is the growler bill. This bill allows retailers to sell larger reusable liquor containers, primarily used for beer. This is a growing trend around the country and we are pleased to announce that Hawaii is

joining in on this eco-friendly beverage model. The idea is that instead of shipping your beer container to the mainland to be recycled, you can simply wash your growler and refill it at your local retailer! Growlers help to promote the local beer industry because it allows smaller batch brews that were previously only served on tap to be sold for consumption at home, such as Kona Brewing's Hula Hefeweizen beer. This bill is a win for the environment, a win for retailers, and a win for consumers!

HFIA also helped pass a manufacturing stimulus bill. HFIA supported this bill with strong testimonies at each hearing and encouraged members and Made in Hawaii vendors to get involved as well. This bill provides \$2 million to the High Technology Development Corporation (HTDC) to be distributed to local manufacturers who are updating facilities and/or expanding. The grant monies can also be used to train employees on

the use of manufacturing equipment. The rules state that the grant can only cover 20% of the manufacturer's costs and that the funding can't exceed \$100,000 in any given year per manufacturer. If you are a local manufacturer and are looking to take advantage of this program, please feel free to call HFIA for more information (See story on page 32).

There has been a lot of action at the county level post-session, as well as a lot of media attention on HFIA and our members following the implementation of the plastic bag ban on Oahu. HFIA published an article in the *Star Advertiser's* Island Voices column, which defended our members' choice to distribute perfectly legal reusable plastic bags to consumers. In our article, we defended why the bill was drafted to allow thicker reusable plastic bags, which have shown to be just as reusable as 100% cloth bags. Consumers have a choice to bring their own bag and not



Committee has been discussing this bill and we have some concerns about how it may impact locations with space limitations, and ADA requirements. Councilmember Trevor Ozawa's office told HFIA that the baby diaper changing stations would not be required if they interfered with ADA requirements. The fireworks legalization bill appears to be stalled

for the time being.

We will keep you updated on the progress of all county legislation that impacts your business in the Weekly Update, so be sure to stay tuned! As always, thank you for your support. Without your involvement, HFIA would not be able to succeed legislatively and defend Hawaii's food industry from harmful legislation.

take any bag at all from the retailer, and this is the most beneficial turn of events for all parties involved.

If you are following your Weekly Update emails from HFIA, you may be aware of bills moving forward at the county level that impact your business, and if you desire, you can submit testimony. We provide links to bills as they progress, as well as a description of what each bill accomplishes. A few bills HFIA tracked post-session includes one that would legalize sparklers, and one that would mandate that any new or renovated facility, including a retail grocery store, convenience store, or restaurant, must place a baby diaper changing station in both the men's and women's restrooms, or provide a unisex changing room if public restrooms are provided. This bill does not impact private restrooms used by employees. Changing trays are plastic tables that fold up and down from the wall. Our Government Relations

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# Upgrade Pet to Build Millennial Bonds

Supermarkets can earn pet-owners' loyalty with veterinary drugs, e-commerce convenience, and the authority and savings of member clubs

BY PHIL LEMPERT

James Patterson's *Zoo* attempts to scare readers with the question of who'll run the world—people or animals.

But where domestic pets are concerned, we already know the answer. The four-legged furry creatures rule households with their cuteness. It is no contest. The 54.4 million households that own 77.8 million dogs, and the 42.9 million households that own 85.8 million cats in 2015 (American Pet Products Association) outnumber children younger than 18 living at home in the U.S. (Census Bureau, 2014).

The APPA figures break out to 79.7 million pet-owning households (including birds, fish, horses, reptiles, and other small animals), a 50% rise over 20 years — driven by almost 8 million new pet owners in the past year alone. Most new pet owners are Gen Y and Gen

X. Millennials will be the manna for supermarkets. So why not carve a path to their hearts by upping your game in pet foods, supplies, and pharmacy, and in

online ordering and delivery of bulky food packages, Facts, Figures & The Future (F3) asks?

Millennials helped turn the tide for workplaces, hotels, and restaurants (outdoor seating) to accept pets—a New York City bill is pending on the latter. These pivotal customers expect supermarkets to extend themselves as much as they can while abiding by health laws. PETCO and PetSmart have long spoiled pet owners with high access, grooming and veterinary services, vaccinations, microchipping, premium products, and entertaining and educational experiences.

Nevertheless, Publix has made inroads by offering coupons, savings alerts, and advice in its Paws Club, and crossover drugs such as antibiotics and anti-inflammatory medications that are safe for both pet and human use. Winn-Dixie, Marsh, Stop & Shop, Giant Eagle, Target, and Walmart fill pet prescriptions—to save pet owners time and money compared with dispensing veterinarians to show shoppers they care, and to promote overall health and wellness.

Even though consumers—especially Millennials—are stretched for



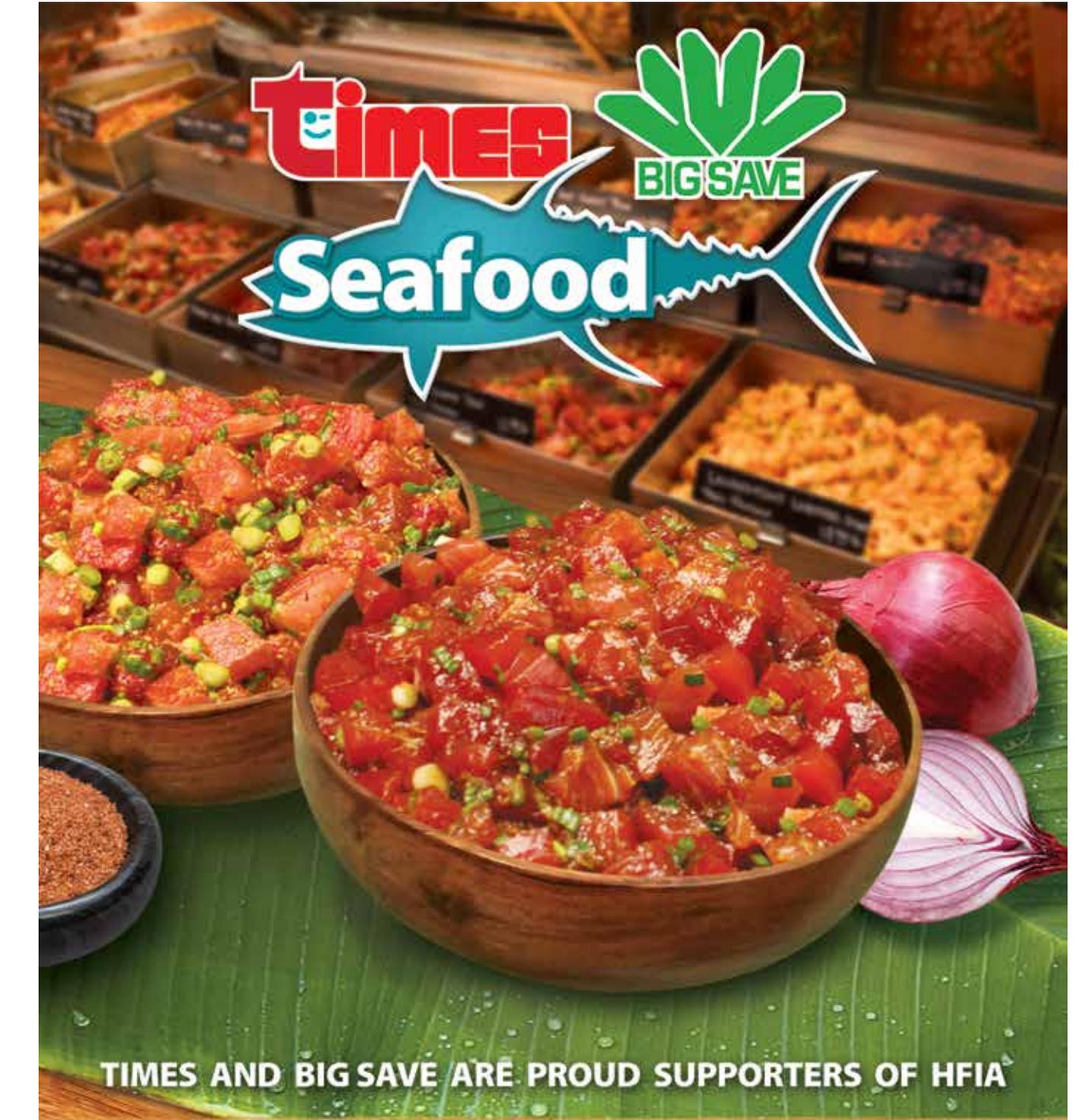
time and money, APPA's latest Pet Owners Survey says 74% of pet owners "are not influenced by the economy when it comes to their pets."

The \$60.6 billion U.S. pet owners are estimated to spend this year includes \$23.0 billion for food and \$14.4 billion for supplies and OTCs—both areas where supermarkets could capitalize. This is up from \$58.0 billion actually spent in 2014, says APPA.

An IBISWorld study, *Pet Stores in the U.S.*, predicts the number of pet-owning households will continue to increase and "indulgent pet parents will continue to drive demand for premium pet food and services."

For supermarkets to serve this end of the market will require innovative e-commerce strategies, says F3, given the propensity for Millennials to research before buying, compare prices, and save the legwork and lugging. This approach also averts a further squeeze on shelf space in stores, as retailers open an increasing number of smaller formats.





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# How Ice Cream Can Buck “Less Desserts” Trend

Herbs, spices, liquor, and Latin American flavors add diversity to stores’ ice cream offerings

BY PHIL LEMPERT

The ice cream case is losing sales steam to the healthy eating trend—as makers of ice cream, frozen yogurt, custard, ice milk, sherbet, and sorbet aim to warm consumers to new flavors and local sourcing.

They’re holding onto a high \$6.3 billion perch, with dollar sales up 1.3% in the 52 weeks ended March 28, 2015. Though higher than last year’s \$6.2 billion when sales grew a bare 0.3%, this year’s 0.9% slip in unit sales seems more telling. The story is similar in novelties: dollar sales edged up 0.7% to \$4.4 billion, while units slid 1.0% this past year.

This Nielsen data for all outlets combined (including convenience stores) capture the packaged side of retail ice cream sales, but they don’t reflect the up-beat integration of ice cream and summer-time lifestyles—such as the post-dinner walk to the dipping shop, or kids scrambling to the sound of the arriving ice cream man.

The more that super-markets and ice cream makers capture the emotions of ice cream eating, the more light-hearted their image, the more fun they’ll project, and the freer-spending they’ll encourage customers to become, says Facts, Figures & The Future (F3). Publix held ice cream social tasting events at all of its stores for four hours on a Saturday earlier this month. The chain sampled three private-label frozen desserts—one a frozen yogurt, one an organic premium ice cream, and a third a decadent flavor of ice cream.

No plain vanilla in sight on those days—even



though Nielsen data show vanilla reigns as the most popular flavor in America. Its sales were \$525.1 million in the 52 weeks ended June 27, 2015. That’s down 0.8% after consecutive declines of 2.5% and 3.3% in the two prior years. Chocolate is the #2 seller at \$253.1 million, up 1.4%, and butter pecan is #3 at \$190.6 million, down 0.9%, reports Nielsen.

Here’s the scoop on eclectic ice cream flavor trends generating excitement in independent shops in 2015: Boozy blends such as absinthe, rum, wine, and brandy.

Latin American tastes such as churro, cilantro, prickly pear, and sweet potato. Herbal and spice notes such as anise, chipotle, and jalapeno. All were part of this year’s forecast from the National Ice Cream Retailers Association.

This matters because “the most common retail purchase driver for ice cream/treats in the United States is flavor (nearly 70%),”

says Mintel. Much of this innovation comes from smaller brands that are high quality, regionally distributed, and increasingly locally sourced. This artisan appeal brings diversity to the ice cream case, which stores can leverage along with limited edition flavors, team licensed brands, and branded ice cream machines for consumers wanting to craft their own at home, notes F3.

We urge retailers to extend the aura of ice cream to help slow down a bigger trend—the reduction of dessert-eating at home. According to NPD Group, just 12% of dinners at home include dessert today—down from the 24% peak in 1986 and 15% in 2005.





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# Bagging Plastic on Oahu

## Retailers Respond to Recent Bag Ban

BY JASON Y. KIMURA

Shoppers seem to be taking the plastic checkout bag ban in stride. Besides, what can be so bad about getting a little extra exercise when you have to go back to the car every time you visit the grocery store because you always forget your reusable bags? At any rate, the City & County of Honolulu's plastic checkout bag ban, which became effective on July 1, 2015, bans the familiar single use bags, which manufacturers like HFIA member company Island Plastic Bags, Inc., call "t-shirt bags" because of the way they look.

Bags that are allowed are PCO2 compostable bags, reusable bags (must be a minimum of 2.25 mil thick), and recyclable paper bags with at least 40% postconsumer content. A quick rundown of some of Oahu's major retailers and the type of plastic or paper they're giving out (as of this writing) is as follows:

**ABC Stores:** Paper bags.

**Aloha Island Mart:** Paper bags.

**Don Quijote:** Reusable plastic bags; 10 cents per bag.

**Foodland:** Paper bags. Reusable bags for sale. Bringing in a reusable bag will earn you either 3 Hawaiian Airlines miles or 5 cents off.

**Longs Drugs:** Paper bags. Reusable bags for sale.

**Times Supermarkets:** Reusable plastic bags, but will soon switch to paper; 3 cents bag credit for bringing in a reusable bag. Reusable fabric bags for sale at \$1.50, \$2.00, and \$4.00.

**7-Eleven:** Paper bags and compostable bags.

**Safeway:** Paper bags. Reusable fabric bags for sale at \$1.49, \$2.99, and \$3.99.

**Tamura's:** Reusable plastic bags; 10 cents per bag.

**Target:** Nothing at all, but reusable bags are for sale at 99 cents and \$1.50.

**Walgreens:** Limited paper bags (2 each). Reusable bags for sale at 99 cents.

**Walmart:** Reusable plastic bags.

**Whole Foods Market:** Paper bags. Reusable bags for sale.

However, HFIA Secretary/Treasurer Bob Stout, President of Times Supermarkets, thinks the dust still hasn't settled on the bag issue. Also, the above list of who gives out what may change depending on customer feedback and costs. Paper bags are costing retailers over a dime per bag. Reusable plastic bags run at about 8 cents, and compostable ones cost about the same but are not as strong.

T-shirt bags are just 2 cents each. Fortunately, the ban hasn't affected Island Plastic Bags much, as most of their products are based on trash liner bags. In fact, they've picked up some 2.25 mil bag business. The company does manufacture single use and compostable plastic bags as well as the reusable ones.

## "If everybody had taken responsibility, we wouldn't be faced with the bag ban."

The Oahu law gets a little tricky when it comes to what types of plastic bags are allowed and when. The banned "plastic checkout bag" has a very specific definition. According to the State Department of Environmental Services, it means "a carryout bag that is provided by a business to a customer for the purpose of transporting groceries or other retail goods, and is made from non-compostable plastic and not specifically designed and manufactured for multiple re-use." Plastic checkout bags do not include the following types of bags, which are still allowed:

- Bags used by customers inside a business to package loose items, such as fruits, vegetables, nuts, ground coffee, grains, candies, or small hardware items;
- Bags used to contain or wrap frozen foods, meat or fish, flowers or potted plants, or other items to contain dampness;
- Bags used to protect or transport prepared foods, beverages, or bakery goods, including takeout bags used at restaurants, fast food restaurants, and lunch wagons to transport prepared foods (T-shirt bags can still be used);
- Bags provided by pharmacists to contain prescription medications;
- Newspaper bags for home newspaper delivery;
- Door-hanger bags;
- Laundry, dry cleaning, or garment bags, including bags provided by hotels to guests to contain wet or dirty clothing;

- Plastic bags sold for garbage, pet waste, or yard waste;
- Bags used to contain live animals, such as fish or insects sold in pet stores;

- Bags used to transport chemical pesticides, drain-cleaning chemicals, or other caustic chemicals sold at the retail level, but limited to one bag per customer;
- Compostable plastic bags.

HFIA Chair Derek Kurisu, EVP of KTA Super Stores, can always be counted on for a different take—one that makes you feel good whether or not you agree with the ban. He uses the Big Island plastic bag ban as an example to teach kids to take responsibility for themselves and the environment. "If everybody had taken responsibility, we wouldn't be faced with the bag ban," he points out to them.

The Big Island ban is more stringent than the one on Oahu; plastic is banned even for take out food. Only plastic bags without handles used for items such as meat, produce, bulk food items, clothing, and prescription drugs are exempt. Take out food vendors give out paper bags or empty soda boxes,

neither of which have a prayer against spilled gravy. "The car smells like chow mein for weeks!" related Kurisu.

However, when asking him about the plastic bag ban, the first thing out of Kurisu's mouth is concern for customers. "The main thing is safety," he says. "The big problem is contamination from meat juices. Reusable bags should be washed and sterilized." He also pointed out that you shouldn't use your reusable bags for slippers and then use it for groceries. KTA gives out paper bags for customer purchases. Although they don't have to buy as many as when their ban started a year ago, Kurisu noted that paper bags not only cost a lot more and take up way more storage space at their stores, but are also not environmentally sound because the manufacturing process uses a lot of water and creates pollution.

Still, Kurisu takes it all in stride. "It's all a matter of people being responsible," he reminds.



# RETAILERS VIE FOR DINING DOLLARS

Food industry finds profit in prepared foods

BY JASON Y. KIMURA



Foodland Kapolei deli counter

If there's one constant in business, it's change. If you've lived long enough, you begin to realize that nothing lasts forever—not even some of the industry giants you may have grown up with. National companies that were once household names are gone; others still hang on, but have faded and are struggling to reinvent themselves. The business climate changes, customers are persuaded to go elsewhere by new products or buying formats—and their own changing tastes—and companies must modify or change their business paradigms to survive. In Hawaii, businesses are in a particularly unique situation because growth is capped by land and distance. Hawaii's traditional suppliers and retailers have lost a tremendous amount of market share to two different types of big box stores, but the prepared meal segment is a bright spot. It continues to present an opportunity for revenue growth as retailers look for new ways to capture market share.

However, change is the natural order of things. What many see as the “traditional” supply and retail formats came to be in the mid-20th century. Retail grocery has undergone major changes in the past 100 years. Small,

independent stores gave way to chain grocery stores, which evolved into supermarkets that continue to offer increasing numbers and varieties of products. The rise of big box stores in the 1980s (supercenters like Walmart and Target, and bulk warehouse club stores like Costco and Sam's Club) has continued the trend to even bigger retail spaces that offer more products and services in one place. In each of these transitions, the cost

focus on certain segments of consumers, such as middle or higher income, budget-minded and low income, the health-conscious, or on specialty products. Other supermarket chains have developed premium store brands. There has also been “channel blurring,” where pharmacies that traditionally carried snacks and convenience foods began offering more

The prepared meal segment is a bright spot. It continues to present an opportunity for revenue growth as retailers look for new ways to capture market share.

of production was decreased to offer lower prices to consumers. Big box stores use their own distribution and inventory systems to charge even lower prices.<sup>1</sup>

Competition from big box stores spurred traditional supermarkets to

refrigerated and frozen groceries, and warehouse clubs expanded into food markets by catering to small businesses and middle to upper income consumers.<sup>2</sup> And of course, many supermarkets countered by having their own in-store pharmacies and selection

<sup>1</sup>Access to Affordable and Nutritious Food: Measuring and Understanding Food Deserts and Their Consequences, United States Department of Agriculture, Economic Research Service, June 2009, p. 87.

<sup>2</sup>Ibid., pp. 87-88.



of over-the-counter medications.

Big box stores have had a greater impact on both suppliers and retailers in Hawaii, where about 50% of the traditional retail grocery business went away. Consumption didn't decrease; it just went elsewhere. Because big box stores have their own distribution systems, local suppliers selling national products didn't have access to them. Many suppliers and retailers consolidated or closed their doors. HFIA was a mirror of the food industry and was severely affected by the loss of many of these members, but was able to adapt and survive by shifting its paradigm and by seeking members in non-food related industries.

As traditional retail opportunities continue to erode because of channel blurring, or fragmentation of traditional vs. non-traditional retail formats, the option for retailers, especially in Hawaii, is to shrink and consolidate or exploit other avenues of growth. Around 2005, supermarkets began to more aggressively move into prepared foods, recognizing price-conscious consumers who have limited time,<sup>3</sup> and the fact that about half of food spending in the U.S. is for food away from home.<sup>4</sup>

Historically, restaurants have seen other restaurants as their competition, but that may be changing as food



Maung Zaw serves up sushi at Times Beretania.

retailers continue to improve their prepared food selections with high quality offerings. A 2014 Technomic survey shows that consumers are buying prepared, ready-to-eat or heat foods more often with 37% saying they do so weekly or more, compared with 22% the previous year. Only about 30% say they rarely or never buy prepared foods from supermarkets or other retailers, which is down from 33% the year before.<sup>5</sup> With more two-income families and people who work more than one job in Hawaii, lack of time to prepare meals is an even bigger factor.

Value-conscious consumers are taking notice of the increasing quality of supermarket prepared foods, some of which rivals restaurant offerings in quality. In Hawaii, many hot foods available at supermarkets are comparable to or undercut the

price of "value meals" at fast food restaurants while offering better quality and quantity. The AlixPartners North American Restaurant & Foodservice Review released at the end of 2014 showed that 20% of the people surveyed said that they plan to buy ready-to-eat meals (usually from grocery or convenience stores) to reduce their restaurant spending over the next 12 months, which was up 14% from the first quarter of 2013. Consumers also increased purchases from an average of 2 visits in 2012 to 3.2 visits per month.<sup>6</sup>

Whole Foods Market is a national leader in offering fresh, made-to-order foods to win over diners from restaurants and fast food joints. The supermarket chain's sales of prepared foods and baked goods more than doubled from \$1.3 billion in 2007 to \$2.7 billion in fiscal 2014, according to a *Wall Street Journal* article. In the prepared foods arena, that puts Whole Foods on par with restaurant chains like Chipotle Mexican Grill, with \$3.2 billion in sales in 2014.<sup>7</sup>

Analysts see the growth over the past several years as monumental, considering that supermarkets have been either flat or losing market share in recent times. The prepared foods sector is expected to grow and continue to take market share away from restaurants with a demand that will grow and increase opportunities for retailers. Prepared food purchases are

<sup>3</sup>Daniel P. Smith, *Competition on Aisle Five*, QSR, [www2.qsr.com/articles/exclusives/0710/grocery\\_store-1.phtml](http://www2.qsr.com/articles/exclusives/0710/grocery_store-1.phtml)

<sup>4</sup>*Access to Affordable and Nutritious Food: Measuring and Understanding Food Deserts and Their Consequences*, United States Department of Agriculture, Economic Research Service, June 2009, p. 88.

<sup>5</sup>*Consumers Purchasing More Prepared Foods*, NACS Online, [www.nacsonline.com/News/Daily/Pages/ND1021143.aspx#.VcEbvpNVhBc](http://www.nacsonline.com/News/Daily/Pages/ND1021143.aspx#.VcEbvpNVhBc), Aug. 13, 2014

<sup>6</sup>*Battle For "Stomach Share" Continues*, NACS Online, [www.nacsonline.com/News/Daily/Pages/ND0105152.aspx#.VcEas5NVhBc](http://www.nacsonline.com/News/Daily/Pages/ND0105152.aspx#.VcEas5NVhBc), Nov. 26, 2014.

<sup>7</sup>NACS Online, *C-Stores And Grocers Compete For Dining Dollars*, [www.nacsonline.com/News/Daily/Pages/ND0204154.aspx#.VcEejZNVhBc](http://www.nacsonline.com/News/Daily/Pages/ND0204154.aspx#.VcEejZNVhBc), Jan. 5, 2015.

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323.729.6849

expected to increase by 10% per year through the next decade, while restaurant traffic is projected to rise 4%.<sup>8</sup>

The prepared foods segment can offer opportunities to suppliers as well. Suppliers that are equipped for food service can benefit from the prepared food trend. May's Hawaii is in a unique position because, unlike a supplier that sells national brands, it is a local manufacturer offering the flavors of Hawaii. However, foodservice distribution is completely different from retail in that the product is more important than the brand. Prepared food retailers are more interested in the qualitative aspects of a product, such as how long it will last in a heating tray, how it tastes compared to other similar products, how many servings there are in a container, and what it delivers to consumers.

Food service distribution can be difficult. As a local manufacturer, May's needed to reconfigure its packaging to provide the right value and develop a staff with the right distribution channel expertise. New packaging had to be developed to fit into thermalizers that heat up entire packages of product. The company

been its local partnership with Taco Bell in limited time offer menu selections with May's Kalua Pork, which is now in its fourth year.

On the supermarket end, offering prepared foods was at first looked at as a way for supermarkets to generate additional in-store purchases. And indeed, there are other benefits, such reducing shrink by turning short-dated products into quality prepared foods rather than taking the full mark down. A lot of consumers are wary of short-dated products and



Plate lunches at KTA Super Stores

They can draw consumers away from big box stores and help stem erosion of market share. Nationally, supermarkets command 60% of prepared foods purchases, followed by Walmart at 15%, and convenience stores at 12%.<sup>9</sup> Supermarket prepared food sales have increased by 6% per year since 2010, finding a sweet spot between more expensive restaurant food and less appealing packaged foods. A.T. Kearney forecasts that the \$26 billion fresh prepared foods segment will have a 6-7% compound annual growth rate through 2017, up from its previous 5-6% rate in the 2007 to 2012 period.<sup>10</sup> According to AlixPartners, the supermarket prepared food segment is growing, noting that households averaged 5.8 "away from home" meals per month in 2013, up from 3.9 at the beginning of the year.<sup>11</sup> A research report from Technomic stated that the category is now viewed "as a profit center rather than a traffic driver."<sup>12</sup>



Taco Bell Quesedilla, Burrito, or Nachos with May's Hawaii Kalua Pork.

has had growing success in marketing its products to supermarket delis and other prepared food vendors. One of its most notable successes has

are less inclined to buy them even if they are perfectly good. However, prepared foods can also be very profitable with the right strategy in place.

<sup>8</sup>Food Business News, *Prepared Foods Threaten Restaurant Industry*, [http://www.foodbusinessnews.net/articles/news\\_home/Food-Service-Retail/2013/07/Prepared\\_foods\\_threaten\\_restau.aspx?ID={71818C36-BC1D-4C87-93EA-6D05E414C456}](http://www.foodbusinessnews.net/articles/news_home/Food-Service-Retail/2013/07/Prepared_foods_threaten_restau.aspx?ID={71818C36-BC1D-4C87-93EA-6D05E414C456}), Jul. 16, 2013.

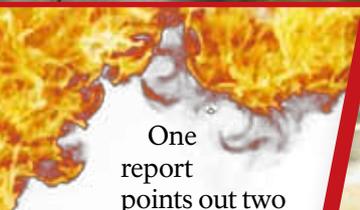
<sup>9</sup>David Sprinkle, publisher, *With Prepared Foods Market at \$32 Billion, Supermarkets Aren't Just for Groceries Anymore* press release, *Packaged Facts*, <http://www.packagedfacts.com/about/release.asp?id=2888>, Jul 18, 2012.

<sup>10</sup>Phil Lempert, *Supermarket Guru*, *Prepared Meals Will Outpace Foodservice, Packaged Foods Growth*, <http://www.supermarketguru.com/articles/prepared-meals-will-outpace-foodservice,-packaged-foods-growth.html>, May 13, 2014.

<sup>12</sup>David Orgel, *Viewpoints*, *Prepared for Next Phase of Prepared Foods?*, *Supermarket News*, <http://supermarketnews.com/blog/prepared-next-phase-prepared-foods>, Mar. 18, 2013.



Cold and hot food counter at Times Beretania.



One report points out two distinct groups that are eating up supermarket prepared food offerings: those who want low-cost, quick alternatives out of

necessity or convenience, and those that buy prepared foods as an alternative to cooking at home. It's not a new trend, but when retail stores put prepared foods strategy on the front burner, it really began to make inroads in growing their market share.<sup>13</sup>

Further, Millennials are a prime target for retail prepared foods. They may be less inclined to cook at home and at the same time are vocal about their tastes, said one Hawaii retailer. Acosta research shows that 78% of Millennials/Gen Yers bought retail prepared foods vs. 68% of Gen Xers,

60% of Baby Boomers, and 57% of seniors within 30 days of a survey. Overall, 27% of shoppers go to the supermarket with the sole intent of picking up a prepared meal.<sup>14</sup>

Datassential, a Chicago-based research firm, dices the demographics a different way: 39% of grocery store shoppers frequently

buy prepared food with the gender split almost evenly between males at 53% and females at 47%. The 25-34 age

group were the most frequent buyers at 36%, followed by 35-44 at 21%, under 25 at 19%, and 45-54 at 16%. Those 55-64 were at just 7%, and over 65 at 1%.

Income-wise, the \$25K-\$49K group came in first at 29%, \$50K-\$74K at 23%, \$75K-99K at 16%, under \$25K at 17%, \$100K-\$200K at 13%, and \$200K+ at just 1%.<sup>15</sup>

Immediate profits aside, industry experts say that supermarkets need a well-thought out strategy and an organizational commitment to prepared foods, or they may get lost in the latest trends and tactics instead of building a successful long-term program. A NACS CAFÉ webinar presented eight essential questions for CEOs to ask about their prepared foods operations:

1. What is your foodservice platform today and why?
2. How do you grow, evolve, and/or reinvent?
3. What is your strategic plan for foodservice? Where do you see growth? Does your culture support this? Does your infrastructure support this?
4. What is your core offer?
5. What are the key metrics that determine your foodservice success?
6. Does your labor allocation support your focus?
7. How often do you reconcile your foodservice strategic plan with your profit and loss statement?
8. How do you keep your pulse on consumer foodservice behaviors and trends?

The presenters, Joe Chiovera, President of XS Solutions Inc., and Jack Cushman, PhD, Executive Vice President of Food Services for Nice N Easy Grocery Shoppes, emphasized that commitment to prepared foods must begin with the CEO and must be built into a company's culture.<sup>16</sup> HFIA Secretary/Treasurer Bob Stout, President of Times Supermarkets, also adds that a business must reinvent itself every three to five years. Consumer tastes change quickly, agrees Gary Hanagami of May's Hawaii, because people are exposed to so much more than before.

There's plenty of room for refinement. A third of supermarket shoppers skip the prepared food section of the store, and half of those who do browse the section leave without buying anything, according to Datassential. Brian Darr, Managing Director at Datassential, advised supermarkets to do a better job of promoting what they have to offer,

*Continued on page 32*



Rizabell DeGuzman shows off a Chili Chicken Plate with three sides at Times Beretania.

<sup>13</sup>Daniel P. Smith, *Competition on Aisle Five*, QSR online magazine, [http://www2.qsrmagazine.com/articles/exclusives/0710/grocery\\_store-1.phtml](http://www2.qsrmagazine.com/articles/exclusives/0710/grocery_store-1.phtml).

<sup>14</sup>Phil Lempert, Supermarket Guru, Prepared meals will outpace foodservice, packaged foods growth, <http://www.supermarketguru.com/articles/prepared-meals-will-outpace-foodservice,-packaged-foods-growth.html>, May 13, 2014.

<sup>15</sup>Modica Watrous, *Infographic: Raising the Bar on Prepared Foods*, Food Business News, [http://www.foodbusinessnews.net/articles/news\\_home/Food-Service-Retail/2013/08/Infographic\\_Raising\\_the\\_bar\\_on\\_prepared\\_foods.aspx?ID={3DBB2F04-E7A3-4EDC-93BE-FFAB5B2FEE0D}](http://www.foodbusinessnews.net/articles/news_home/Food-Service-Retail/2013/08/Infographic_Raising_the_bar_on_prepared_foods.aspx?ID={3DBB2F04-E7A3-4EDC-93BE-FFAB5B2FEE0D}), Aug. 28, 2013.

<sup>16</sup>NACS Online, *Foodservice Beyond the Metrics*, <http://www.nacsonline.com/News/Daily/Pages/ND1024141.aspx#.VcEbgZNVhBc>, Oct. 21, 2014.

<sup>17</sup>Ibid.

# Beer on Tap *-To Go!*

## Growler Law a Boon to Hawaii's Craft Beer Industry and Thirsty Consumers

BY JASON Y. KIMURA

Beer drinkers rejoice! Now that Governor Ige has signed the growler bill into law, you can expect to find more and more Hawaii establishments that offer growlers, which are all the rage in places like New York City, Portland, and Seattle. HFIA was instrumental in the introduction and passage of the bill for the benefit of its members. The bill will give a boost to retailers and the local craft beer industry, and the refillable growlers could reduce single-use glass bottles. Growlers are already allowed in 34 other states and the District of Columbia.

The growler bill (ACT 227; HB770) allows restaurants and retailers with liquor licenses to sell beer, malt beverages, or cider for outside consumption in growlers or a securely sealed or covered glass, ceramic, or metal container. The containers must be sold or provided by the business and should not exceed a half-gallon (64 oz.) capacity. It also authorizes brewpubs and small craft producer pubs with a liquor license to sell malt beverages manufactured on the premises or purchased from another liquor licensee for off-premises consumption. As of this writing, HFIA member company Whole Foods Market offers growlers. Aloha Island Mart will carry them in the near future at select minimarts and plans to offer four to six different types of beer. Other non-member establishments carry them as well.

Rumor has it that the term "growler" dates back to the late 1800s when

fresh beer was carried home from local pubs in small, simple galvanized pails. As the beer sloshed around in the pail, it was said that the CO<sub>2</sub> made a rumbling or growling sound as it escaped.

People used pail-style growlers through the mid-20th century, except during prohibition in the 1920s. In the 50s and 60s, lidded waxed cardboard containers began to be used to take beer home from pubs, and by the late 60s, many bars had switched to plastic containers. Growlers had remained popular in part because in many states, it was illegal for liquor stores to be open on Sunday, so people bought growlers of beer from a bar. By the late 60s, these laws were repealed in most places and the sale of packaged beer was allowed after hours, and the use of growlers died out.

Growlers were revived in 1989, but updated with the glass version you see today. It began when Charlie and Ernie Otto of Otto Brothers Brewing Company in Wyoming wanted to offer carry out beer to their customers.

Not yet ready to bottle their beer, their father suggested the growlers he remembered from his younger days. Using half-gallon glass bottles and screen printing their company logo, the modern growler was born.

Growlers are usually 32 or 64 oz., more commonly the latter, but some businesses like Whole Foods offer both sizes. Whole Foods sells the reusable growlers for \$10 for either size, and they can be filled for \$6 to \$8 for the 64 oz. size, depending on the type of beer. For a 32 oz. growler, you buy one pint and get a half pint free; for the 64 oz., you buy three pints and get one pint free. Whole Foods has 24 types of beer on tap, including 8 to 10 local brews at any given time. Freshness

is the main thing when buying beer in a growler, and you can also get limited edition versions of local beers that are not available in bottled form. You can either wash out growlers at home and bring them back for a refill, or Whole Foods will quickly sanitize them for you when you come in.



Eliana Benitez, bartender at Whole Foods Market Kailua displays a 64oz. growler. Next to her on the counter is a 32oz. growler.

PHOTO BY JASON Y. KIMURA





# HFIA INDUSTRY PANEL

## Local Food Production & Transportation

BY JASON Y. KIMURA

Understanding the issues associated with local food production and its transportation is key in moving Hawaii forward to become more food self-sufficient. An industry panel discussion was held at the 2015 HFIA Mauka to Makai Convention to discuss the issues at hand. Top industry leaders were invited to be on the panel, including Derek Kurisu, Executive Vice President of KTA Super Stores, Glenn Hong, President of Young Brothers, Dean Okimoto, President of Nalo Farms, Phyllis Shimabukuro-Geiser, Deputy Director of

the State Department of Agriculture, and Jimmy Nakatani, Chairman of the Agribusiness Development Corporation. Howard Dicus of *Hawaii News Now* moderated the panel.

Hawaii has many barriers to farming associated with the relatively small size of its farms and the isolated location of our island state. These affect production costs and impact transportation costs respectively. To begin the conversation, Howard Dicus noted that shipping costs are often discussed as the reason for high food costs in Hawaii, but farmers tend to talk more about the high cost of land. He asked Dean Okimoto, “How much is land cost a factor in what you have

to charge in order to make a living?”

“Farming in Waimanalo is tough because land prices are really high over there,” said Okimoto, whose Nalo Farms is located there. “One of the keys has always been cooperation with the State. So what Jimmy [Nakatani] is doing at the Agribusiness Development Corporation (ADC) is really going to stimulate agriculture going forward.” The ADC is trying to develop infrastructure for agricultural processing and food safety in one place so that farmers in the area don’t have to deal with these on their own. “That’s going to be key in moving ag forward in the future,” continued Okimoto. “Small farming is not going to be possible because of all the regulation issues.”

“What Dean is talking about is that we purchase land,” said Nakatani, “and what we looked at with farmers coming out is that there’s no infrastructure for them.” He explained that proper processing and food safety infrastructure is critical. For example, some small farmers picking Korean turnips are putting them on the ground. They’ve been doing the same thing for 30 or 40 years, but “the problem is the U.S. government,” Nakatani said. “They don’t allow you to do that anymore.” Without following current food safety regulations, these farmers won’t be able to bring these vegetables to market. This is an exam-

ple of a “bottleneck” issue that faces Hawaii’s agriculture industry.

Glenn Hong agreed that things that small farmers are not able to address by themselves like processing and food safety are critical. “As regulations get tougher, it gets more difficult for small farmers,” he said. “The challenge we have locally compared to the mainland is that we don’t have the economies of scale—we don’t have the megafarms and huge mechanical advantages. For example, on the mainland, a big processing facility might be six acres in size. Greens might have two dozen lines each producing 50 bags a minute—which is why they are able to sell produce so cheaply and why Hawaii farmers can’t come close to competing.

The first step for the ADC is to create a food hub to process produce according to regulation. “We’re moving forward with that,” said Nakatani. “We have a ways to go, but I think we’re making progress to get there. The facility will serve the farms coming up [near the] North Shore and whoever wants to use the facility. As soon as we get the resources out to the farmers, they’re going to start farming.”

To provide background for the audience, Nakatani explained that the ADC was established in 1994 to facilitate and help direct the transition of Hawaii’s agriculture industry from sugar and pineapple to one composed of a diversity of crops. To do this, the ADC has a mission to acquire high value ag lands and manage it in partnership with farmers, ranchers, and aquaculture groups. They also want to manage water systems and infrastructure for commercial agricultural use and direct research to develop new crops and markets, and to lower production costs. The ADC has projects on all of Hawaii’s major islands.

Another issue is education. Dicus asked about the many people on Kauai who are concerned that farmers for whom English is a second language may not be reading the fine print on controlled pesticides. Nakatani indicated that the ADC wants to train immigrant farmers on proper use of pesticides, as well as educate them on other food safety issues, such as not bringing pet dogs and cats to the farm. They’re doing nothing different from



**Dean Okimoto**  
PRESIDENT, NALO FARMS



**Phyllis Shimabukuro-Geiser**  
DEPUTY DIRECTOR, STATE DEPARTMENT OF AGRICULTURE

our own parents, he said, but today, education is needed to bring farmers in compliance with regulations.

Local farming can be tenuous because of the limitations of being on an island state. The audience asked Phyllis Shimabukuro-Geiser about Hawaii’s egg industry. “Currently, the Big Island has no commercial-scale egg farms, which are defined as having 3,000 birds or more,” she responded. “There are four on Oahu. When I returned home from grad school in the 80s, there were about a dozen. There was a commercial farm on Kauai, one on Maui and four or five on the Big Island.” Hurricane Iwa wiped out commercial-scale meat

## Derek Kurisu

EXECUTIVE VICE PRESIDENT,  
KTA SUPERSTORES



## Howard Dicus

MODERATOR, HAWAII NEWS NOW



bird and egg production on Kauai, said Shimabukuro-Geiser, and the family that ran the slaughter house on Oahu decided to close it down in 2005, impacting both egg and meat bird production. Environmental regulations further affected production, and “around 2007 or 2008, they started diverting feed into ethanol and feed prices tripled—something that never before happened in the entire history of the business.”

Dicus shifted the conversation to staffing issues in the Department of Agriculture, as layoffs had previously affected the ability of the state to monitor safety issues. “[In 2009] we lost so many positions,” answered Shima-

bukuro-Geiser, “[but] we’re getting support from the administration for refilling those positions.” Two things are involved, she explained. Funding for new positions must be approved,

## Jimmy Nakatani

**CHAIRMAN, AGRIBUSINESS DEVELOPMENT CORPORATION**

but the positions themselves have to be approved before people can be hired. Also, although there have been attempts to hire former employees back, some were demoralized and chose not to return. Others took temporary positions and were eventually reinstated, but there was still a gap. “For the [Department of Agriculture] to operate these programs,” said Shimabukuro-Geiser, “[they] had to be very nimble, and I noticed that there are employees who are carrying two jobs—the position they’re hired for and an acting position.” She also indicated that the DOA also lost a lot of people with institutional knowledge to retirement.

The priority is to protect the ag industry and the environment with regard to pesticide use and invasive species. “We’re trying to work with our shippers right now to standardize how we categorize commodities. . . [and move] toward an electronic system,” she continued. “We’re really working hard to improve manifesting, permitting, and inspection, and trying very hard to assess the risk levels of different types of produce.”

A question was brought up about farmers’ markets, and how, as a sub-segment of the distribution channel, they seem to have an inbuilt advantage over retail stores due to less regulation and are growing rapidly. How did the panelists feel about this type of distribution to local markets?

“I think it’s going to self-correct in the long run,” said Nakatani, who felt that insurance companies are eventually going to require the farmers to follow FISMA (Federal Information Security Management Act) rules, just as retailers do. The farmers’ markets were started as a way to even out the playing field for local farmers, who can’t compete against mainland mega-farms. However, Nakatani thinks that the farmers’ markets are



becoming saturated, and profits are going down. “Farmers are starting to see that where you used to be able to go to two farmers’ markets, now you have to go to five and you don’t even make what you used to make at two. Now they need to look at labor costs. Once that happens more, I really believe you’re going to start seeing farmers—especially the bigger guys—going to a bigger market, which is servicing the supermarkets again.” The bottom line, according to Nakatani, is that in the long run, farmers’ markets are going to become highly regulated even though they’re supposedly exempt from some of the FISMA rules.

Dicus shifted the conversation to the direction of interisland shipping of produce. “The majority [of locally grown food products] goes to Honolulu, where most of the consumption is,” Hong answered. “We’ve seen a big increase in the percentage of interisland agricultural goods, which is a good sign.” Young Brothers gives a 35% discount for island agricultural products (as defined by the State) between islands, helping to mitigate some of the high cost of shipping.

The company also has a much lower workers’ fee for island ag products. However, a good portion of produce is from off-shore, as Young Brothers does interisland connecting transport for Pasha and backup for Matson.

“Derek, you contrasted the special costs of local farming with the costs of shipping for everything we get from the mainland,” said Dicus. “How much of a cost factor is that for stuff in our supermarkets compared to stuff we get from the West Coast?”

“I think it’s well over 20 cents a pound,” responded Kurisu. “As a retailer, I think that when you buy local, it’s almost like value-added products, so they deserve a higher price because the product should be fresher, and you know who the farmer is. The way

## Glenn Hong

**PRESIDENT, YOUNG BROTHERS**

I look at it is that the extra cost is always going to be a given, but you have to try to add more value to whatever you’re doing locally.” Kurisu is well known for promoting creative uses of both produce and animal product leftovers as a way to mitigate high costs. He went on to say that the local agriculture industry requires retailers and benefactors to work together to get costs down and yet come up with very unique products that make Hawaii different from everybody else. At KTA Super Stores, 95% of their leafy vegetables and 45% of their beef are locally grown, and they also offer many private label Mountain Apple Brand local products.

Kurisu noted that people want local beef because it’s antibiotic- and hormone-free, and it’s commanding a high price. However, he emphasized that value-added products must be created out of whatever parts of the animal don’t sell. For example, Kurisu said that they didn’t know what to do a certain cut of beef. The cut, which is right above the shoulder, is tender, but dry. KTA sliced it really thin, marinated it in teriyaki sauce, and offered it to groups that wanted to do fundraisers. “We got rid of all of it,” he said. “You’ve got to use the whole animal and turn everything into something of value.”

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# 2015 HFIA CONVENTION

Wonders stretch from mauka to makai



PHOTOS AND STORY BY JASON Y. KIMURA

From mauka to makai, the stunning setting for the 2015 HFIA Convention was undeniable at Turtle Bay. The weekend started early on Thursday with the Big Kahuna Golf Tournament. Friday's festivities began with a martini tasting hosted by Southern Wine & Spirits, followed by a casual Chairman's Reception dinner honoring John Schilf on the Turtle Bay lawn fronting the beach, and of course late night fellowshiping with friends in the Hospitality Room.

Early Saturday morning, families came together for competitively played Mauka to Makai Family Picnic Games, while others connected with mind and body at a yoga session. However the morning was spent, everyone gathered for a Convention tradition: the HFIA Food Chal-



lenge and picnic lunch. Again, fierce competition ensued, only this time, the only heat was between competing teams as chefs and would-be chefs contended with gorgeous and extravagant blocks of raw ahi tuna without the

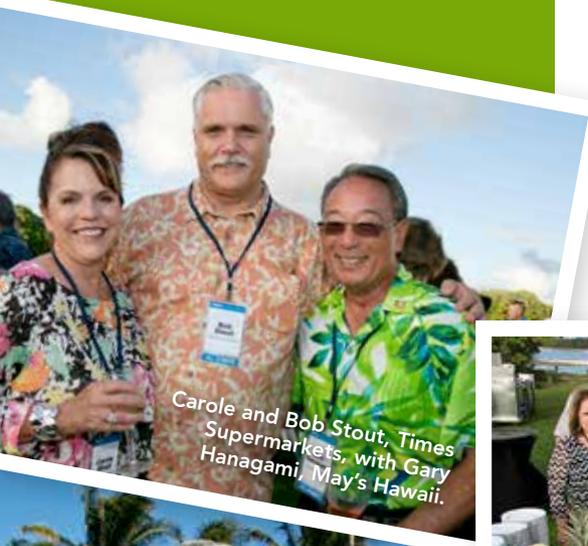
benefit of cooking equipment in the "Fish and Sips" challenge. Foodland once again came out on top, followed by Pasha, Times Supermarkets, Higa Food Service, and Meadow Gold Dairies.

It was a busy day, as right after lunch, members convened for the HFIA General Membership & Executive Committee Meeting, where changes to the bylaws were passed. The meeting was followed by an educational Industry Panel discussion. Moderated by Howard Dicus, the topic was on local food production and transportation (see story on page 22).

There was just a bit of time to relax in the afternoon, but everyone dressed up for the Wine Tasting event hosted by Young's Market Company, followed by the Hall of Fame Awards Banquet honoring Barry Taniguchi. After



Karen and John Schilf, outgoing HFIA Chair.



Carole and Bob Stout, Times Supermarkets, with Gary Hanagami, May's Hawaii.

the traditional passing of the gavel to new Chair Derek Kurisu, the banquet wrapped up with entertainment by the heavenly sounds of HAPA. Afterwards, everyone

dove back into the hospitality room to catch up with old friends, not to mention more food and drinks. The traditional Sunday Aloha Brunch wrapped up the weekend, but the joy stretched till checkout at noon. Stay tuned—the HFIA Convention will be back!



The Higa Foodservice team.

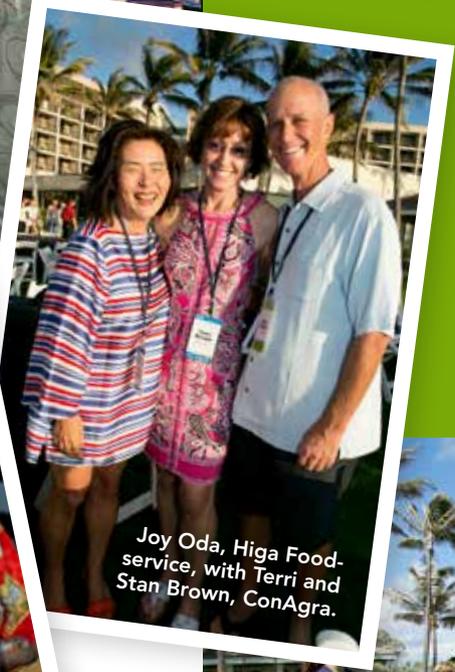


Barry and Sandra Taniguchi, KTA Super Stores.

Families came together Saturday morning for some friendly competition at the Mauka to Makai Picnic Games.



Gwen and Dick Botti.



Joy Oda, Higa Foodservice, with Terri and Stan Brown, ConAgra.





The KTA Super Stores gang: Craig and Karen Hamamoto, Barry and Sandra Taniguchi, Linda and Ivan Nakano, and Georgeanne and Derek Kurisu.



Hugh Duncan, John Erickson, and Dean Okamoto of Young's Market Company get ready to serve up fine wines.



Paula Yokochi, Tamura Enterprises, Liz Christensen, Pint Size, Mike and Soniya Kajiwara, Hawaii Foodbank.



Brian and Liz Christensen, Pint Size, Meryl and Gary Hanagami, May's Hawaii.



Paul and Lisa Kosasa with Miles and Jill Oda, ABC Stores.

# 2015 HFIA CONVENTION

Mike Kaya,  
Meadow Gold Dairies



Chef Keoni Chang and Richard Rutz  
with their winning entry.



Bill and  
Susan Judd,  
Paradise  
Beverages



Shaun Wright  
and Talissa Wright  
of Higa Foodservice  
places third.



Incoming HFIA Chair  
Derek Kurisu, KTA.



Friends gather at the Hospitality Room.

The HFIA Convention Committee



Jay Higa, Jan Yonemori, Aaron and Jacquelyn Kotarek,  
Honolulu Star Advertiser, and Bonny and Keith Amemiya, aio.





L-R: Amy Hammond, MIHF Executive Director, Chad Yamamoto, First Hawaiian Bank, Derek Kurisu, KTA Super Stores and HFIA Chair, and Lauren Zirbel, HFIA Executive Director, commence the opening of the Made in Hawaii Festival.

# Made In Hawaii Festival Draws Crowds

PHOTOS BY JASON Y. KIMURA

Everybody wanted in, based on the long lines of people waiting to enter the 2015 Made in Hawaii Festival on opening day. Produced by HFIA and presented by First Hawaiian Bank, the Festival attracts thousands of people, including buyers from around the world. It's also a great place for brokers and retailers to promote products and pick up new ones. MIHF vendors offer everything from great Hawaii-made comestibles to jewelry, art, crafts, clothing, carvings, pottery, produce, and more.

HFIA members and buyers get a free look and a two-hour head start on the general public on the first day from 8:00 to 10:00 am. The 2015 MIHF was held August 21 to 23, and is the largest show at the Neal S. Blaisdell Center, taking up both the exhibition hall and arena.



A partnership between Meadow Gold Dairies and McDonald's of Hawaii brings you soft serve ice cream cones. L-R: Diane Sumida, Linda Rosario, Louis Cheung, and Kwai Ng.



Maggie Li, Rodney Akiyama, June Namba, and Ronald Mangubat of Diamond Bakery display a massive variety of products.



Coconut Lady Cherie Chug shares a tender moment with husband Bill Bass.



Julie Detol (left), Sharlene Caguiat (right) and team at the Love's Bakery display.



Frank Yeomin Yoon with wife Olivia and daughter Elizabeth at his Honolulu Snack display of Multigrain Pop Snacks.



Reed Tanaka and Stella Cabanig of Aloha Shoyu.



Kehvinn Tsuru, Rose Tsuru, and Tiffany Ulep of Kauai Coffee.



Javier Gayton and Anthony Urango of Aloha Raku Pottery of Maui.



First Hawaiian Bank display with (from front) Cindy Ing, Vicky Hiramoto, Edward Eustaquio, and Chad Yamamoto.



David Enriques, Kenneth Enriques, Rick Serafine, and Desiree Soto of Uncle Louie Sausage Co., Inc., of Maui.



Sky Curtis and Justin Olson of Kona Gold Rum Co.



Elizabeth Watanabe of Haute Confectionery Boutique.



Tony and Lori Cardenas of Aunty Liliko'i of Kauai.



Romelyn Maluyo of Aloun Farms offers cantaloupe melon samples.



The Mukawa family of Hanalei Taro & Juice Co. of Kauai. L-R: Craig, Sadie, Avis, Dale Hoopai (hanai family), Charlene, and Wesley.

Continued from page 19

whether it's through additional signage, printed advertising, or electronically. He also recommended taking a look at restaurant strategies, such as value menus, special pricing, and loyalty programs.<sup>17</sup>

In addition, supermarkets might lure shoppers with selections that are more difficult or time consuming to prepare at home, such as ribs, barbecue, or roasts. When asked what they would like to see more of, consumers said they want the staples to remain, but have more variety, including healthier and lighter fare.

KTA Super Stores got into prepared foods pretty early when then president Tony Taniguchi saw the growth of restaurants and drive-ins, and in 1984 told Derek Kurisu he wanted a deli. After all, KTA was the first supermarket in the state to have an in-store bakery in 1977. However, Kurisu wasn't happy with all of that cheese, and although he made some room for a small selection of cold cuts, he decided to make hot foods the main attraction instead. KTA still does prepared foods the old fashioned way: with lots of flavor. Employees wanted to share their recipes, which makes KTA's hot foods unique. Offerings are not standardized for each store, and there is no executive chef. Instead, each store has its own cooks. Lunch and dinner is served five days a week, and diverse options are offered, such as meats



Foodland poke bowls

grilled outdoors, Korean chicken, poke, and mustard cabbage and tuna maki sushi, an employee's family recipe. On the surface, KTA's methods may seem to set aside all of that expert research and advice, but their longstanding success indicates that they know their customers. In classic KTA fashion, Kurisu concludes: "It's a service to meet people's needs."

Phil Lempert of the Lempert Report has other suggestions for supermarkets:

1. Sell a broad diversity of foods to develop rotating specials that are beyond the repertoire of any single restaurant competitor.
2. Supermarket chefs should rework recipes to be healthier versions of popular items to appeal to those with dietary restrictions.
3. Show off menu boards with lower calorie counts than restaurants.

4. Incentivize shoppers by cross-promoting wines, desserts, bagged salads, fruit trays, and more with prepared food purchases.
5. Use a pricing strategy that is on par with casual eateries.
6. Offer distinctive prepared food selections in line with your overall strategy.
7. Promote limited time menu items, especially for events like tailgating and holiday parties.

The time continues to be ripe with opportunity in the prepared food sector. Retailers have the chance to seize opportunities in the segment aggressively, refining price points, quality, and nutritional advantages over local restaurants. The prepared foods sector could be the next major historic change analysts write about looking back from the future.

## Bill Slates \$2 Million for Hawaii Manufacturers

BY JASON Y. KIMURA

On July 8, Governor Ige signed a manufacturing grant bill (ACT 215, SB1001), which will ultimately distribute \$2 million to local manufacturers who are updating or expanding facilities. HFIA strongly supported this bill and lobbied heavily for its passage. Grant money can also be used to train employees to use manufacturing equipment. Certain restrictions apply. A grant can only cover 20% of a manufacturer's costs and funding can't exceed \$100,000 per year per manufacturer.

The \$2 million will go to the High Technology Development Corporation (HTDC), which will accept applications. However, the money is not quite ready to be distributed yet, and applications can't be accepted until it is. Administrative rules, public hearings, and other steps need to be taken first, and the goal is to have everything ready to go by the end of the year or earlier. To receive regular updates from the HTDC, visit [http://htdc.org/new\\_grants](http://htdc.org/new_grants), enter your email, and click on "Subscribe & Get Updates."

For now, all you need to know is that if you are a manufacturer, you qualify. The particulars are as follows:

- Purchasing of manufacturing equipment;
- Training of employees on the use of manufacturing equipment;
- Improving existing energy efficiency manufacturing equipment or the purchase of improved energy efficiency equipment in the manufacturing process; or
- Studying or planning the implementation of a new manufacturing facility.



## Richard's Market

### Company Profile:

Richard's Market is located on the island of Lanai and provides a selection of everyday grocery goods, including staple items and snacks to about 3,000 residents in their community.

### Reason for Joining HFIA:

To connect with retailers and distributors within the Hawaiian islands.

### Unique to the Company:

Richard's Market's customers are like family. They enjoy feedback on items customers would like to see the market carry.

### Location

**& Service Area:** Lanai

### Contact Information:

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[www.facebook.com/LanaiRichardsMarket](http://www.facebook.com/LanaiRichardsMarket)

# THE LAST WORD

BY LAUREN ZIRBEL

HFIA has made substantial strides in achieving our strategic goals for 2015 by flexing the muscles of our new committee structure implemented through bylaw changes at HFIA's annual Convention. We have had meetings and achieved action items in two of our new committees: the Membership Committee and the Education and Community Service Committee. Meanwhile, our two other pre-existing committees—Social and Government Relations—have been hard at work addressing the business of HFIA. All HFIA members are invited to participate in any committee of their choosing, so if you want to be included in any of these fantastic show communities, please contact us. We need your active involvement to keep HFIA strong!

Our Education and Community Service Committee, chaired by Bob Stout, Times Supermarkets, met to discuss speakers who would be most beneficial and educational for HFIA members and considered ways to

enhance community service opportunities at HFIA social events. For our first post-convention meeting, the committee agreed that since tourism is a huge driving force for our economy and for our retailers, that the membership would benefit from having a speaker discuss tourism projections at our August 11<sup>th</sup> Membership and Board Meeting. We were able to secure the Executive Director of Hawaii Lodging and Tourism Association, Mufi Hannemann.

The committee also discussed ways to incorporate fundraising for the Hawaii Foodbank at our upcoming Made in Hawaii Show and After Hours Networking Event, which will be held at the Japanese Cultural Center on September 29<sup>th</sup> from 6:00 to 9:00 pm. We will be promoting awareness of Hunger Action Month in September, and are also working with our partners at the High Technology Development Corporation (HTDC) and the Chamber of Commerce of Hawaii to offer educational seminars prior to the September 29



event, which will be aimed at helping manufacturers find local suppliers. The seminar portion of this event will be from 4:00 to 6:00 pm and is free.

Our Membership Committee, chaired by John Erickson, Young's Market Company of Hawaii, met to discuss ways to enhance member benefits and improve HFIA's outreach to new members. We agreed on strategies to attract new members and created a preliminary list of potential members to reach out to. As John noted, expanding HFIA's membership is essential to the long-term viability of the association. Expanding the membership helps all members because the more members we have, the stronger our voice at the Capitol! The committee is planning to meet monthly via conference calls to review our progress. Some of the ideas we discussed were to use HFIA's Made in Hawaii Festival to attract new food members and to offer incentives to current members who bring potential new members as guests to our events and get them to join HFIA.

Our Social Committee leaders and HFIA Chair Derek Kurisu, KTA Superstores, have been hard at work scouting out the islands for potential venues with the highest quality service and food for our 2016 Convention. We should have more updates on this soon.

Our Government Relations Committee, chaired by Derek, is tracking several new developments at the State and County level, which I discussed in my Legislative Update article.

Thank you for your continued support of HFIA. We look forward to seeing you at an event soon!





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