Cornell’s Ed McLaughlin Gazes Into Crystal Ball, Sees Smaller Format Stores With Secondary Warehousing, JIT Delivery, Changes In Retail-Buyer Relationships, Just To Name A Few…

Jim Prevor’s Perishable Pundit, March 22, 2021

One of the advantages of having done a virtual edition of The New York Produce Show and Conference was that we came out of it with an all-star collection of incredible industry insight. Today, we share with the broader Pundit audience a conversation with Ed McLaughlin of Cornell University. Ed is widely recognized as the world’s leading academic authority on the fresh produce industry and the broader food system.

We’ve been fortunate to work with Ed on many projects through the years. The Foundational Excellence program at The New York Produce Show and Conference was highlighted in this piece: Preview of Foundational Excellence Program: Cornell’s Ed McLaughlin Leads Blockbuster Academic Cast To Elevate Knowledge Base Of New Produce Industry Professionals

He has keynoted our Amsterdam event: Cornell’s Ed McLaughlin — Leading Authority On Global Retailing — To Keynote Amsterdam Produce Show And Conference: ‘DISRUPTION AT RETAIL’… What Whole Foods, Amazon, Lidl, Aldi And Wal-Mart Mean For The Produce Industry

We have also reached out to praise Ed when his entrepreneurial drive and insight led to the creation of the Charles H. Dyson School of Applied Economics & Management at Cornell. We memorialized this achievement in a piece titled Educational Entrepreneur Ed McLaughlin

He was for a while a columnist for Pundit sister publication, DELI BUSINESS, producing many a gem such as these:

Strategic Blueprint For Deli Success

Service Still Neglected?

Breaking The Barriers

Suppliers Playing Catch-Up

Distribution Changes Needed

Food System Choices

Back To “Supply & Demand”

Industry Structural Change

Store Visits Open Eyes

Interest In Prepared Food

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Balance Of Power

Consumer Ennui

We asked Ed to share his understanding of the interaction between the produce industry and the broader retail and foodservice sectors and the COVID pandemic. How are industry players to think about, and plan for, what will come to pass? You can read a slightly updated transcript of our discussion below or watch the video beneath the text.

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Q: I'm very honored and pleased to be here today with Ed McLaughlin. Ed is a longtime friend of mine and a longtime friend of this show. Cornell has, every year, been involved in doing a special program here at the show, which will be back next December. But for now, Ed, I'd like you to introduce yourself and tell our audience the tremendous life story that you have had that has brought you to this place where you are now.

A: Well, thank you, Jim. You're right. We've been friends for a long time, and I cherish that friendship. I've never been introduced and asked to tell my wonderful life story before, so this already a first. I've been a faculty member of Cornell University for 37 years. I've been the Robert G. Tobin Professor of Marketing. If you're in the food or produce industry, you may remember Bob Tobin was the CEO of Stop and Shop and, subsequently, Ahold USA, and was generous enough to endow a chair at Cornell University that I have been honored to hold.

During most of my career, my research has been with the food industry. And a lot was spent with the produce industry. I've been on PMA's retail board and United's board, and I've directed the United Executive Leadership Program. I was also on PMA's retail board and United's board, and I've directed the United Executive Leadership Program.
Program at Cornell University since it started in 2007 – so that was 18 consecutive programs before the pandemic. Then we did some virtual programs. We hope, of course, to go live again soon. Right now the program is scheduled for August 15 – 19, 2021.

I tried to retire last summer after finishing my career as the Dean of the Dyson School of Applied Economics and Management at Cornell. The person who succeeded me went on quickly to become the President of Simmons University in Boston, so I had my arm twisted into coming back as the dean for a while longer. So I’m back to Cornell in that dean role. Is that enough, Jim?

Q: [laughs] It’s never enough, but okay, we’ll let the rest unveil itself as we talk. One of the things that you’re world-renowned for is being an expert in the retail marketplace and in retailing in general. And, of course, for the produce industry… when this pandemic hit, there was an immediate call from virtually every retailer in the country to help them stock the shelves, to keep things full. Obviously, the foodservice sector, which you’ve also been involved with, virtually closed in most of the country. And all that business had to shift to retail.

Stores were struggling to stay in stock, and they also had to make changes. They had to close service areas. Now we’ve spoken to many retailers here and all of them have basically told some version of hysterical stores initially, and then some sort of the stores returned to, call it a new normal, for the moment at least.

But now, as you know, we have some news that there are new vaccines rolling out, and, God willing, we’ll all get past this pandemic. But the question that’s on my mind is what’s the long-term change? Is it going to be “We’ll all feel safe and then we just go back to doing all the things we were doing before?” Or is there going to be a change in the way consumers think? I mean they’ve had a year almost of people who maybe never cooked before learning to cook and being with their families and things like that. Can I ask you to kind of look into your crystal ball and try to take some of the learnings and experience we’ve had here and say where do we go from here?

A: Well, that’s a good explanation of what happened. I think that’s pretty accurate. I don’t know how good my crystal ball is but I’ve been trying to look into the future for 40 years, so I guess I can continue to give it a shot.
I think a couple things are likely to happen, and this is not an original thought. But one of the things that the pandemic, of course, has done is accelerated trends that were already in existence. It’s like the university world in education. Universities that were a little bit in trouble with slipping enrollment a year or two ago are really in trouble now. And that’s the same sort of thing that’s happening in the food and produce industry.

The COVID virus has really accelerated some of these trends. So when you think it … the single most talked-about trend is ecommerce. And, of course, that was already growing and projected to grow rapidly a year ago before we knew about COVID.

But, in fact, what we’ve seen is it has grown in the past year as much as it was projected to grow in the next five years — some will say even 10 years. And I think that’s very unlikely to go back to the way we did business a year ago. Yet, despite the enormous growth of e-commerce, I don’t think brick-and-mortar retail is ever going to go away.

I think the produce and fast food industry, particularly, should feel some sense of security vs. dry grocery, for example. But there’s no question that retailers, suppliers and logistics companies have understood the enormous potential of online ordering of groceries and food — certainly less so fresh produce than the dry sections of the store — but I think one of the biggest changes that’s likely to endure is a continued strong presence of delivered food to the home, customers becoming more comfortable with it, becoming more comfortable with online ordering. And retailers are beginning to reconfigure their stores and the flow of traffic in their stores to allow for the fairly substantial online shopping that needs to occur in order to supply these home deliveries.

So you’re going to see, I think, longer term changes in store size and store format. I think the format of retail stores the past four or five years has begun to decrease a little bit, and those retailers that have 20-year leases on store space — some of them have 25- and 30-year leases on store space — what are they going to do with the inside of that store, the interior of the store where the grocery aisles are? Because I think increasingly, those dry grocery products are going to migrate to online delivery.

Well, I could keep going. I think a couple other likely changes, and one of the most obvious, is what an opportunity right now in the food industry — like most other industries, by the way — for a realignment of historical buyer-seller
relationships. Because retailers have scrambled, especially initially, Jim, as you described so well, when everyone was frantic about running out of toilet paper and other products in the store, not so much produce as much as the rest of the store, actually. Produce actually is one of the more stable departments. But retailers learned to find other sources of supply, and those sources that came through for the retailers when the retailers really needed some help, those suppliers are going to be remembered.

And I think a related phenomenon is this very strong historical importance of just-in-time delivery. So that’s not a new concept. It’s something that emerged in Japan 40 years ago. But along with vendor-managed inventory and other trends in the food industry, it became an incredibly important financial driver to reduce inventories and put reliance on supply chain partners, not just suppliers, but transportation companies and logistic companies, to ensure the timely delivery just at the point where the product was needed at store level. And that was also one of the drivers leading to the reduced store size that I just mentioned because backrooms aren’t the enormous places that they were 15 and 20 years ago. I think retailers have learned the lesson that they can’t afford to be as lean in inventory as they were when the pandemic hit.

And finally, all retailers are starting to look at secondary warehouses, leasing space to make sure they’re not caught unaware and unprepared for all the out-of-stocks that they went through last March and April.

Q: You know, as we’ve been talking to retailers around the world, one of the things that they have expressed is that they’re very excited, of course, that there’s all this online ordering and delivery going on. Many of them have told us their volumes are up 10 times over what they were pre-pandemic.

But there’s also some concern. They’ve been asking me questions like well, when I have a new product and I want to introduce it, it seems very challenging to do that online. I can tell you my own experience with my family… we’re ordering online all the time. But it’s so much work to set up our whole supermarket order that we just reorder it, maybe add one or two items on it. But we’re not going to go through all 300 items that are in our big family basket.

What is the future…how can the industry work with these new technologies but also use them in such a way not just to be efficient on delivering and ordering but to encourage new product development and things like that?

A: Well, that’s a great question, Jim. And it’s not a new question. I mean ever since home delivery of groceries really emerged 20-plus years ago, at least in its infant stage, the question was asked by manufacturers of products that tended to be impulse items. How do we possibly provide incentives for someone to grab the bag of snack food that wasn’t on their shopping list but they couldn’t resist as they pushed the trolley past the Fritos aisle?

And the same was true with end-aisle companies that had important end-aisle displays, such as soft drink companies, companies at the front end, chewing gum and all the rest of the things that you just sort of throw in your cart without it really being on the shopping list. I think that question is especially important in the produce industry because products and seasons change so often.

So I think one of the things retailers have been trying to do — and I think they’re doing a better job of it but again, this is going to accelerate the need for — is working with the technology people, how to provide incentives and motivate purchases online, how to communicate with shoppers online for products, especially produce where the old adage, of course — Jim, you know this better than I do, because you and your family have been in the industry for at least nine generations — is shoppers shop with their eyes for fresh produce.

If you look at the current fresh produce websites or even the best retailers around the country, the images of the produce really is a little disappointing a lot of the time. So I think partly, it’s a question of graphics. It’s a question of communicating with consumers through social media ways that typically have not been experimented with but that are, I think, likely to be able to relate to the next generation of shoppers better than the last generation of shoppers. But that’s a huge opportunity. It’s a huge need.
Q: We are talking about delivery to consumers as if it’s part of the supermarket industry, but one wonders if it really will be if the volume continues to increase. I mean, we’ve already had things like Webvan that you remember, but also companies like Fresh Direct that didn’t have retail stores at all.

And one wonders if a very substantial portion of the business starts coming through delivery. Does it make sense to stock a store in expensive real estate in Manhattan so you can pluck it off and then deliver it, or does it make sense to have your warehouse out in the Bronx or someplace that will cover the whole city? And then if you pull, who knows, a third of the volume that supermarkets were doing out of the physical store into delivery portals, what do we need all these stores for or all this square footage?

A: Yeah, well, that was the point I was just trying to make a minute ago. I think it’s likely that we won’t need that square footage of stores. I think the fresh food industries, of course, including produce, are likely to do a little bit better because fresh produce is likely to continue to require the shopper being in front of the produce.

One of the reasons that’s true is not only because of the sensual experience of buying fresh produce but you often can’t evaluate the quality of fresh produce unless you’re standing in front of it. You and I both know what broccoli is. We both know what Red Delicious apples are, but broccoli is not always broccoli. It depends on where it’s from and what month of the year.

And that’s especially true of products like avocado and rapidly ripening products. The tree-fruit-industry products or the melons category being in the produce department makes an enormous difference.

But I think it’s likely that we’ll have a lot of dark stores. There will be more delivery of groceries, dry groceries, particularly — I don’t think that’s going to go away. It’s not likely to stay at the level that it is now. I think it’s probably going to ease back down a little bit. But we’ve gone from three to four percent to maybe 20 or 25 percent over the year since the virus started — that is the growth in delivered food. That’s just an unprecedented historic change.

Q: As I’ve been talking to produce retailers around the country during this pandemic, one of the things they’ve told me is that they internally have had a significant move to more packaged produce. Partly this is due to consumers buying more because they’re now home to eat lunch, and they’re home for a lot more meals, so they want a bag of something rather than just one or two that they might have bought on their own. And partly it’s pandemic fears that consumers somehow feel it’s in a nice package. Nobody touched it. They feel safer on it.

That [move to increased packaging] kind of works against the consumer really evaluating the product and tasting it in the same way. I mean, obviously, you can still do sampling and things but there are other pushes on this. And all that seems to talk to, or point to, a sort of normalization of produce, if you will. It becomes another packaged item. Am I thinking of it
the right way, you think?

A: Well, I think you are exactly right, at least in the short term. And I think you’re spot on with the fact that more produce is being purchased in packages relative to where it was maybe a year ago when it was more bulk-oriented. To some extent, this gets back… and your point about quality and being in front of it also is an interesting insight… I think that partly gets back to the brand of retailer.

If the shopper trusts the retailer to put high-quality produce in the package – I’m assuming now that a lot of packaging has shifted back into the retail store from suppliers — what you’re talking about is not simply prepacked, it comes from Salinas Valley. It’s a lot of product that actually ends up being repackaged in the backroom of the store or even in the front room of the store, depending on the produce department and retailer.

I think retailers are going to work very hard to make sure that the product they put in the package is of high quality so consumers still have a lot of confidence in it. I’d be surprised if that’s as strong a trend in a year or two as it is now. I think partly shoppers want to get in and out of that store as quickly as they can. They don’t want to sit there and feel and smell every Brussels sprout they put in the bag.

So I think they’re ready just to grab the prepack of Brussels sprouts. But I think it does pose some fascinating questions about the balance between bulk and prepackage and how that’s shifted over time. And there’s some research, at least, that shows the produce sold in packages has much less shrink and loss — less food waste — at the end of the day because the retailer takes the bad leaves off the outside of the product, and the consumer doesn’t have to pay for it.

And it’s been a longstanding industry issue, and it’s likely to continue to be, I think.

Q: You know, every time I come up to speak at Cornell, one of the things I always make a point to do, because we don’t have them where I live down in South Florida, is make a stop at a Wegman’s Store. And I know both of us have many times commented on the incredible job they have done over the years. But it also strikes me that a lot of that was about the level of self service, with massive salad bars and assortments and moving produce through these channels of prepared foods. As I’ve been talking to people, one of the things they are telling me is they are pulling out salad bars.

A: One of the things that’s happening in salad bars is retailers closed them right away, of course. And then as they became a little bit more – I don’t want to say sophisticated – but more accustomed to the conditions of the pandemic, they said we’re going to reopen them gradually with more precautions and hygiene and safety precautions.
And so they staffed the salad bars with a fulltime staff person, dispensing individual cups and wiping down after every customer was there with fresh tongs and so on. But consumers wouldn’t buy it. Consumers were not interested and were so very leery, cynical, if you will, or suspicious about salad bars. So salad bars have not really come back.

However, retailers have discovered that when done appropriately, the prepackaged product that used to be sold on those fresh food bars, fruit bars and salad bars and sandwich bars, will sell just as well and sometimes better in a prepack prepared by the retailer. So I know a couple retailers that had the condiments bar where they sell olives, for example. And they used to have five or six different kinds of bulk olives that consumers would serve themselves from.

And they closed those bars, of course, and now they’re selling them in prepackage and olive sales are up substantially because it’s easier for the consumer to grab and go. They don’t have to worry and there’s not as much mess on the floor. So there’s some things that retailers are learning that are likely to last post-pandemic.

Q: Of course, you’re at a major university, and my son happens to be a freshman at Cornell University in your sister school, the Hotel School. But one of the things he reports is that Cornell’s dining halls had to react to the pandemic, and they were mostly concerned with things like eliminating lines and stuff like that. So they really reduced assortment to have things packed, with multiple islands and things so everyone could just quickly get in and out.

What do you see as the next step maybe as universities around the country are able to loosen up a little bit with vaccines and things coming out? What’s the future there?

A: Well, I think I’d draw the parallel again to our discussion on retail. I think what retailers learned very early on in the pandemic is they just were not able to offer the incredible assortment and wide variety upon which some of them positioned their whole company. So I think what they understood they needed to do was offer something that was basic.

So in the food industry — in the retail industry — we’ve seen a really nice shift from fancy food to basic food. So there’s been less of an emphasis on national brands in some cases, especially when the manufacturers couldn’t always deliver what they had hoped to or what they had promised.
department, who you and I know very well, told me more than a year ago that there’s no way they can continue to carry 47 SKUs of tomatoes. No one can have that kind of variety. And I think the pandemic has really accelerated that trend. I suspect that is likely to stay.

In the university foodservice environment, the same thing. Cornell has been fortunate enough to win I don’t know how many national awards for the quality of its dining halls for students. I’m not a foodservice dining hall specialist, so I can’t tell you the details, but I do know that they shifted importantly to a grab-and-go offering. In order to have a sit down meal at Cornell, most of your listeners know the Open Table reservation system. Well, we have that at Cornell for students during the pandemic. And if you want to sit down in the dining hall, you have to go on Open Table.

But unlike making a reservation for you and six or eight of your favorite fraternity brothers, you can only make a reservation for one. And you go and you sit in a predesignated spot. It’s not just six feet on each side of you. It’s six feet in front and in back, and so it’s kind of a lonesome environment in those dining halls. But they’ve made a limited number of products available all the time, the ones that they know students really like. So you can imagine the sandwiches and pizza. But with less variety than certainly they had six or eight months ago.

Q: Well, it’s interesting, though, the way the universities are working. At Cornell, for example, that is a restriction. But students can go into College Town and eat wherever they want, and they’re not socially distanced and things like that.

A: Well, no, that’s not true. They probably don’t maintain quite the discipline that Cornell does. Cornell has had one of the lowest infection rates of any university in the country as a result of the rigor of their testing. And most of the Cornell students do not live on campus. They live off campus. And they maintain — to our great surprise but to our great relief — they’ve maintained that discipline of social distancing, mask-wearing and so on off the campus as well.

So in the restaurants that are open, but are much lower density than they were before the pandemic, with tables are spread out. Students have masks on. I remember the university president in the early stages of the pandemic explaining that we were planning on coming back to be a residential college in the fall semester, the semester that started last August/September, and somebody asked her the question in one of these virtual townhalls at the university. “Well, you can’t possibly expect 18-year-olds to maintain social distance and respect the need for…”

And the president said, “Absolutely. They need to understand their social responsibility, and this is part of the responsibility of being an adult at Cornell University.”

And I remember I rolled my eyes and said, “Man, I don’t know what planet she’s living on. But that’s not going to happen.” Well, she was exactly right! Students have been so much more responsible than any of us had a right to expect and, of course, Cornell’s been accompanied by really rigorous testing, and the university spent millions and millions of dollars on testing facilities. And so we went from zero to a facility at our school of veterinary medicine where they now have the capacity to test 50,000 people a week for the Corona virus. And all students are required to be tested twice a week, and we’ve managed to keep the infection rate amazingly low.

Q: That’s incredible and much credit to Cornell that they have been able to do that. Not everyone across the country has. What do you think the future will hold when we look at the post-pandemic world? Just as retailers have embraced online shopping, one of the things universities are an excellent example of is that many more students are learning online, too. You have students attending Cornell virtually, from China, Europe, Africa South America, etc. — and they’re not anywhere near Ithaca. Is this going to be this kind of transformational situation where the food industry is going to change, and education’s going to change?

Will everything be different or will it just sort of be a “back to the future” where we’re going to mostly go back to the kind of systems we were used to?

A: Well, I don’t know how good my crystal ball is in this arena either, Jim. But I guess my sense is that it will be a blend of
the two things that you are talking about. We’ve learned – and you and I were chatting before this recording started – we’ve learned… for example, the same way that you were a leader in physical trade show operations and now have created virtual events. Cornell has been able to bring industry guests from the food industry and other industries around the campus to talk to our students, to be on panels, to mentor our students.

Well, we’re located in Ithaca, New York, and the joke is we’re centrally isolated. Ithaca, New York is not on the way to anywhere. So to invite an industry guest from out of town or out of state or from California to come to Cornell… it’s a real big deal. And four out of every five times, they say, “Hey, I’d love to come, but it’s just not feasible.”

Now, four times out of five, they agree to do it. They say, “Sure, an hour of my time. I can sit home in my slippers and lecture to Cornell students.” And so that’s been really very nice, and I’ve been the pleasant observer and moderator of I don’t know how many panels and industry guest speakers over the past year that have worked really well. And so I can’t imagine that’s not going to continue in the same way you can have a successful trade show by bringing in guests and international visitors from around the world.

Q: There’s definitely advantages and things that will probably live on long after the pandemic passes. But I’d say the overwhelming consensus from people is there’s also something incredible about being face-to-face. And I’ve had the privilege of lecturing up at Cornell, and, afterwards, sometimes we would go to lunch or we would go to a dinner, and it’s a different type of interaction, with students, faculty, administration, that can’t be easily replaced by the online experience.

A: You know, Jim, that’s exactly right. I didn’t mean to say, and I hope I didn’t give the impression that what I meant was all education’s going to shift to online, because I don’t believe that. I’ve been at Cornell as a teacher for almost four decades. I’ve been fortunate enough to win a bunch of teaching awards. And if you had asked me, “Hey, Ed, are you pretty comfortable teaching?” I would have said, “Absolutely. I love doing it. It’s a passion of my career.”
However, the first time I taught online — which was about a year ago, and then I started doing it more once the pandemic set in — I realized that I was in a new arena. And I was barely getting to first base when I was used to just trotting into third with no problem. And so it’s a different way and a much more challenging way to really reach people and communicate in an intimate way as classroom teachers are used to doing. So part of it is a learning curve of a new modality of communication, I suppose. But I think both students and teachers want to get back to the face-to-face as soon as they can.

Q: And you’ve had, in addition to your role at Cornell, substantial involvement overseas in Europe and Japan. What have your contacts been telling you about their experience with the pandemic, and does it differ at all from what we’ve been hearing in America?

A: One of the amazing things is the answer to that question seems to be no. I’ve been rather shocked. I communicate with quite a few people in France, especially the Netherlands, where I’ve done a lot of work. You know that, Jim, and I’ve been on your tradeshow and conference program there a few times. And it’s really amazing. In terms of the frustration with certain consumers who don’t wear masks, the practices that retailers have put into place are very similar to what we’re doing here. I’m also the director of a university business curriculum in Hanoi, and I will say in the case of Vietnam, Cornell’s partnered with a university there.

And VinUniversity, all their students are back in classes, all in-person classes, no one’s wearing masks, or almost no one, and all the instructions are face-to-face. I’m actually involved this week in giving a couple lectures in microeconomics to some students there, which is really awkward. I’m doing it one-eyed, which means I’m hear lecturing at 10 o’clock at night and they’re taking my class at 10 tomorrow morning. So in certain countries, they’re really handling it quite well. Europe and Japan, the two you mentioned, though, are very similar to what we’re doing.

Q: Yeah, it’s interesting. I know you shared with me a story about your own family that was originally going to be coming up to Ithaca to see you, and that visit was put on hold. Beyond the specifics of buying and selling food, relationships with people seem to really be a part of this. One of the things I hear from every retailer I’ve been talking to is about their own staff and their own teams. They were saying in some cases they were very scared to be on the floor, but in some cases, they were very proud to be playing an important role in keeping the country fed.

They all tell me something unique — each one has their own crazy stories. So, one retailer was telling me that people were so assertive to get food at the early stages of the pandemic that the store managers started surrounding their employees with cones and things to ban shoppers from being within six feet of them while they were resetting the shelf. And then they would go on to another shelf, to another area.

For retailing and people who work in supermarkets, do you think there’s a possibility that the esteem in which they’re held will last… that after this, people will think more highly of these store associates in these organizations? Or will this all be forgotten quickly?
Students are starting to see the importance of supply chain management and food industry management and using food to improve nutrition and health outcomes around the world. I think students are starting to look at this industry with a more compelling industry option and career option than they had in the past. And I hope that lasts.

A: Well, I hope consumers will regard the retail staff and the food industry in general with more esteem than they have in the past. I’ve been trying to encourage students to consider the food industry as a real exciting career option for a long time. And I’ve been modestly successful in a few cases, I suppose, but by-and-large, students kind of look at me quizzically and say, “Why would I want to work all weekends with blood on my apron in the backroom when I can work for Google or McKenzie & Company and go to the Superbowl with free tickets? And so I think now this has painted the food industry in quite a different light, and really underscored the vital nature of this industry. I think it has allowed students to see this isn’t just something where you’re sweeping up broken cereal boxes in the backroom. This offers technological challenges and financial challenges that will test the best minds in the country.

And I think students are starting to see the importance of supply chain management and food industry management and using food to improve nutrition and health outcomes around the world. I think students are starting to look at this industry with a more compelling industry option and career option than they had in the past. And I hope that lasts. I think it’s likely to for a few years anyway, but I suspect that might be one of the things that lasts for a while.

Q: One of the things you mentioned as you talked about the center store going more online and things of this sort… it made me think about what I believe has been pre-pandemic the fastest growing segment in food retailing, which are the deep discounters such as ALDI and Lidl and also concept like Trader Joe’s…all which are defined by smaller footprints than the large supermarket and certainly Walmart and the big supercenters and all this. Doesn’t it sort of follow from what you’re saying that these kinds of retailer might be the ones that continue to grow even while others are sort of contracting and reducing square footage?

A: I think it’s likely that the discounters, or the price-oriented retailers, will benefit in the short run. I think that is right. I think those same retailers, though, tend not to be quite as strong in fresh foods. And I think fresh foods is also likely to remain strong. So I don’t mean to disparage or be negative about Lidl and ALDI, for example, because I respect both those companies. But they don’t have the fresh food image and reputation and range that the supermarket companies do. So I think it could be a combination, and we could well see some new formats. I think we’ll see some smaller formats; I think we’ll see some fresh formats, and I think we’ll see some price-oriented formats. And there’s no reason why those things are mutually exclusive.

Q: And what’s your thought about restaurants…obviously, the restaurant industry has been very damaged through this pandemic…
A: The restaurant industry is not coming back right away. That’s not a news flash that will surprise anyone. And that’s one of the reasons the retail industry’s going to continue to hum along quite nicely.

Q: Is it not going to come back because consumers just won’t feel comfortable eating in restaurants, even post-vaccine?

A: Yeah, yes, and again, that’s probably short-term, Jim. I don’t think that’s a ten-year phenomenon but it’s likely to be a two- to four-year phenomenon.

Q: What about possible damage to the economy through all this, reducing possibly disposable income and making people want to buy more and cook in home? In other words, it’s unclear yet because we don’t know how long and all this. But if the economy is damaged as a result of the pandemic, isn’t that another push to get people away from dining out?

A: Yes... and I didn’t mean to say that the only reason people weren’t going to go to restaurants was because of safety. Part of it’s going to be financially motivated, for sure. One of the artifacts of this pandemic, of course, is so many people are really in very serious financial trouble. And the unemployment is up and their jobs are in jeopardy and their income and wealth is down and so on, but the stock market is at record levels. And the wealth of the United States of America is at record levels. And it’s that very small upper income segment that’s looking around their shoulder and saying, “Well, we’re working from home and we’re not exposed like a lot of those lower and middle income people who have to physically go to work.”

So that portion of society is likely to maintain a stronger demand for white tablecloth restaurants. The fast-service restaurants, the quick serve restaurants, a lot of them have maintained not stable, but certainly not disastrous performances.

Q: When we come to some end here, you once showed me a graph that said that for— I don’t remember — a hundred years or something, the percentage of the food dollar that was being spent on foodservice was rising, and it had actually surpassed what was being spent at retail. And I remember being very impressed with that graph. I mean it didn’t really directly correspond to consumption because obviously, restaurants are more expensive than just buying bulk product at a supermarket. But is this just going to be a dip, a big bump and then five years from now we go back to that swing? Or is there something else we see change?

A: Once we get out past five years, I feel unable to really make any prediction that has any credibility, to be honest with you. I guess my sense is I think five years is a time when I will be surprised if the restaurant industry is back to where it was a year ago in five years. I think because of health issues, because of the need for continued distancing, and part of the enjoyment of going to a restaurant irrespective of your income level was getting together with big groups of friends and hugging and drinking.

And that’s not likely to happen for a long time in the sit-down restaurant industry. On the other hand, one of the single strongest trends since the second World War in the food industry has been the need for greater convenience. And you can look across the store from dry groceries to produce, and you see the need for greater convenience, whether it’s packages or preparation time or easier peeling or whatever it is.

Convenience has been a driving factor in our relationship with food. And I think once the economy rebounds and consumers need to return to features of their lives where they can feed their families in the easy, more convenient way — and part of that is stopping at McDonald’s for a pastry or a breakfast sandwich and a coffee on the way to work — I think that’s probably going to return. And I guess I think over the long-term, the same is likely to be true with restaurants.

Q: Well, everyone’s very busy during this pandemic. And I certainly know that includes you with your responsibilities as Dean at Cornell. So I don’t want to hold you more. I thank you so much for taking the time to join with us here today. I’m hoping in December 2021 we’ll persuade you back to the live New York Produce Show and Conference. And I’m hoping I’ll be back up and teaching at Cornell as well.
A: I hope for all those things, too, Jim. And I’m so grateful to you for helping us out at Cornell so much over the years. And I will be in New York this December if you invite me.

We appreciate Ed’s willingness to share his time with us and the industry. Ed’s perspective is invaluable because the key business dilemma today is to distinguish between ways in which the pandemic has sped up things that were going to happen anyway, ways in which the pandemic has moved the industry and the world in new directions, and the extent to which the pandemic is a terrible inconvenience to the world, which will snap back in some kind of return to normalcy.

Over the years, we’ve come to believe that success in business is often less about doing a great job and more about being in the right place at the right time. As a boy, the Pundit family moved to Long Island, where a dominant, but small newspaper, called Newsday, became one of the nation’s largest as the suburban boom after World War II made the population and business base expand dramatically.

It is speculation and projection, but we’ve come to think that retailers are excessively optimistic about holding on to business post-pandemic. We see a Roaring 20’s-type effect where business will boom as people feel free from the restrictions of pandemic life. They will want to do everything they couldn’t do as a result of the pandemic: Go out, socialize, travel, etc.

What we consider certain is that the winners will be those who can imagine most accurately the “new normal” post-pandemic. When it comes to projecting the future of the industry, few indeed have the combination of experience, knowledge and vision to guide the industry as does the very good Professor, Ed McLaughlin of Cornell.