THE TOPIC: Maintaining a Competitive Edge

THE SCENARIO:
Independent grocers have a rich history of innovation, community involvement and customer-centric services. In particular, independent grocers have a distinct advantage in providing enhanced selections of produce, deli items, meat, seafood and local products. Through a strong emphasis on the quality of their fresh departments, smaller grocers have managed to stay competitive even while operating at a technological and pricing disadvantage compared to large chain, big-box and discount retailers. While fresh has been the traditional differentiator for independents, will this be enough to maintain their edge into the future? Or should independents explore other investments – such as technology, AI, retail media, private label brands, alternative store formats or other turnkey solutions designed for smaller operators – to make them more competitive amid an increasingly crowded marketplace?

Question to be addressed in the case study presentation:

1. Do future customers’ preferences support continued investments in the fresh category?
2. How do independents continue to drive in-person sales in the future while growing their digital presence to deliver an integrated shopping experience?
3. How will independents differentiate themselves in the next 10 years (artificial intelligence, retail media, private label brands, alternative store formats, etc.)?
4. Depending on what you think will be the future differentiating factor, design a strategy to maintain a competitive edge. An estimated return on investment, at the 3-year mark, should be included.

Retailer Background Information:
NGAF partners with Niemann Foods, Inc, and employee owned operator of more than 130 supermarkets, pharmacies, convenience, pet and hardware stores under several banners including County Market, Harvest Market, Haymakers, Ace Hardware, Pet Supplies Plus and Save-A-Lot. These retail locations are located in six states; in Illinois, Indiana, Iowa, Missouri, Michigan, and Wisconsin and soon to expand to Minnesota.

A shrinking Illinois state population, opportunities for e-commerce and ease of operation were all factors when developing a diversification strategy in decades prior. Yet still today, 60 of the 130 store fronts are grocery, driving 80% of revenue for the company.
The case study will focus their newest store banner, Niemanns. With two locations in Quincy & Mattoon, Illinois, these are store conversions from County Market locations. They are striving to meet the needs of a middle-income target customer who bases decisions on price, but also seeks a unique customer experience. Their top area competitors include Walmart, Aldis, and Hy-Vee.

Approximately $8 million is invested into each store conversion going well beyond storefront signage. Investments are also made in a cultural shift through employee re-training, renewed management expectations, and a new emphasis on the fresh department (produce, bakery, deli, meat, and seafood). To date, new technology has not been a large category of the store-conversion budget. Niemanns strives to offer their customers an experience and to further connect with them at home through social media engagements. While each location has seen a significant increase in sales post conversion, corporate leadership views return on investment beyond dollars and cents. They include measurements of customer engagement, retention, and satisfaction of equal importance.

Niemanns sees its biggest strength as its ability to be nimble, transparent, and real for their customers. They empower store teams to be involved in their communities in order to understand their individual needs based on cultural, ethnic, and geographic factors. The brand has not yet developed or adopted a mission statement. Niemanns biggest challenge continues to be pricing. They lack the buying power and supply chain relationships of big-box retailers.

An NCR point of sales system is currently in use with a card-based loyalty program offering occasional sales price and more commonly cumulative earning rewards. Areas of artificial intelligence have been explored, namely in geo-tracking and digital ad placement. However, leadership knows there many more avenues to explore and feel that AI can be more comprehensively embraced by the brand. They are challenged by the corporate store level model knowing there may be a lag time, leading to a potentially stale customer experience. Niemanns currently sells private label products available through their supplier and distributor, UNFI. While online food retailing has been important to the company, they are still trying to figure out how its best fits within their business plan.

To view the Launch Webinar recording in which Niemann Foods, Inc. shared these insights, please send a request to nga-foundation@nationalgrocers.org.