ARIZONA STATE UNIVERSITY &

# building a more independent future.

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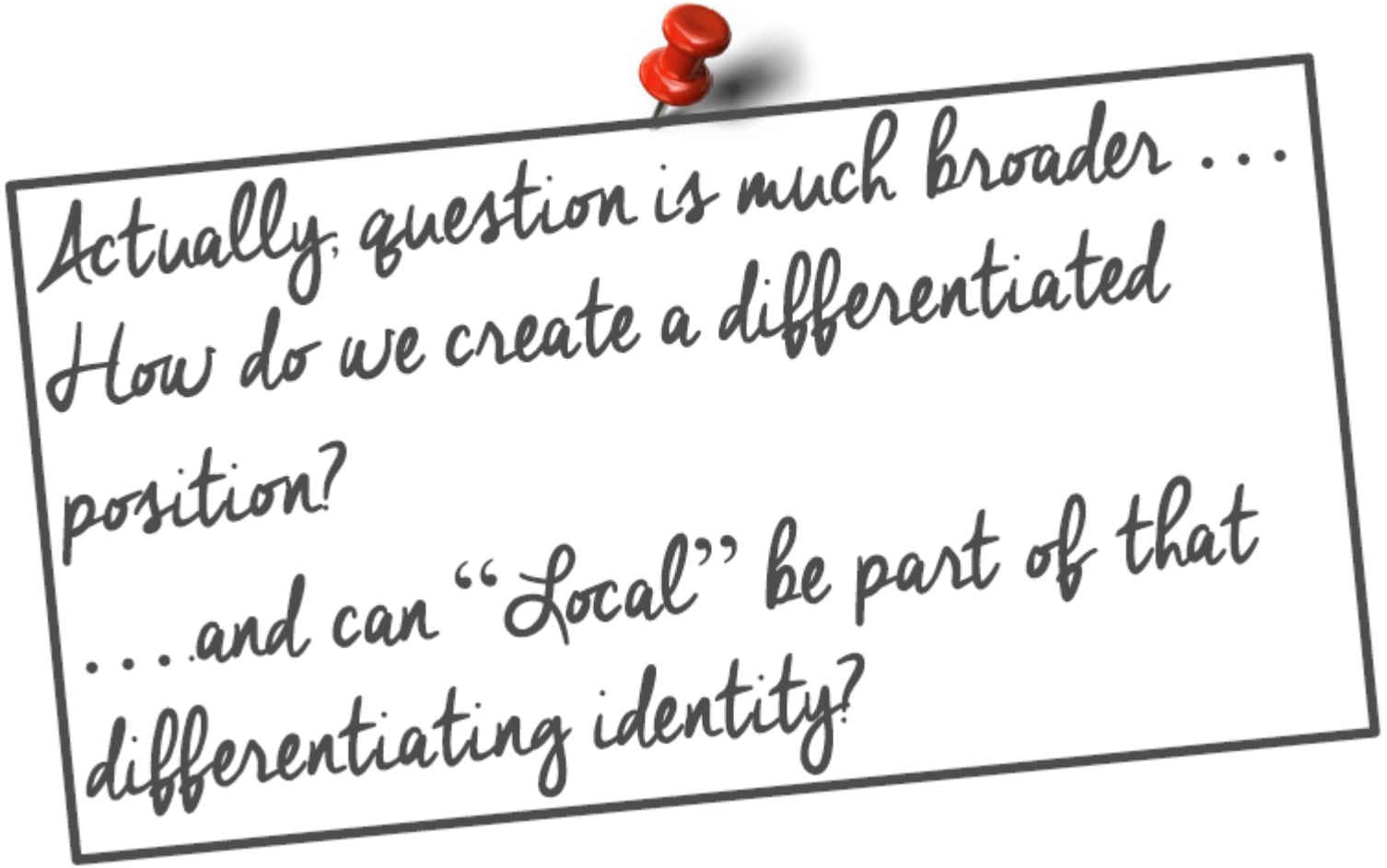
Case Question:

Can – or should – "Local" be used to create a competitive advantage?

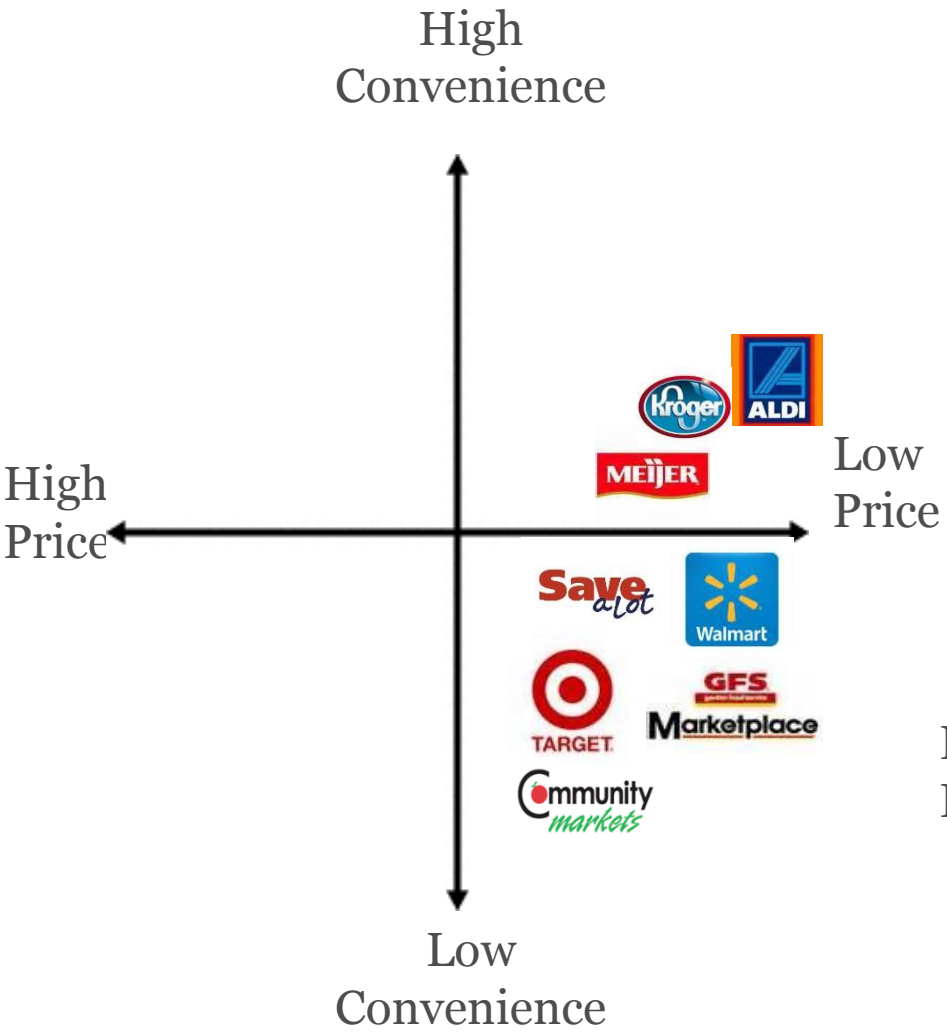
If so, how?

# Current Position

**conventional, full-fare grocery store that carries traditional brands, focuses on fresh produce, and is community-oriented**


Actually, question is much broader . . .
How do we create a differentiated position?
. . . . and can "Local" be part of that differentiating identity?

# Perceptual Maps



Grocery Retailing – US- February 2013
Mintel Report

## S

- Culture –flexible independent, family-owned
- Community Involvement
- Already works with local growers
- “Grow for it”
- Benji
- Sizeable chain (31 units)

## W

- Several categories below regional sales averages
- Only 1 store, only 1 Benji
- Limited resources (greenhouses are labor intensive)
- **Lacks a meaningful, differentiated position**

## O

- Underperforming categories
- Educating the consumer
- Gen Y is up for grabs
- **Research shows that most consumers view shopping as a drudgery**

## T

- Mature, saturated marketplace
- Highly competitive industry
- Can’t be the low price leader with giant superstores
- Other supermarket concepts entering marketplace
- Consumers unwilling to pay for local

# Positioning

Local • Fresh • Community

**Exciting!**

Whole Grain
Cheerios
Toasted Whole Grain Oat Cereal
Clinically PROVEN to Help Reduce Cholesterol!

General Mills
Whole Grain Guaranteed
Cheerios
Toasted Whole Grain Oat Cereal
OATS
TO HELP NATURALLY
LOWER CHOLESTEROL

It's the
EXPERIENCE
that matters!

SUN DEVILS & NGA NATIONAL GROCERS ASSOCIATION

# The Strategy

- Understand your consumers
- Adjust underperforming categories
- Consider retail atmosphere
- Communications Strategy

# Consumer Markets

Baby Boomers: health-oriented

Generation X: deal-oriented

Generation Y: up for grabs!

# Gen Y

- 48% of Millennials surveyed have sole responsibility for purchasing groceries and 45% share the responsibility –
- **93% of Millennials 18+ surveyed are in the grocery store!**

Grocery Retailing – US- February 2013 Mintel Report

- Liked: flavor-intense foods, products that are portable, digital technology and special events
- Concerned about  health and the environment
- Impulse  buyers
- **Waiting to be wooed!**

**Jason Dorsey – January 2014 Address to FMI**

# Baby Boomers

- Fresh and healthy products are particularly important
- Prefer local food
- Less price-sensitive

*Marketing to Baby Boomers—U.S., December 2012,* Mintel Reports

# The MALE Consumer

- 46% of all male respondents take sole responsibility for purchasing groceries; another 48% share the responsibility
- Want healthy versions of the products they like to buy
- Less price-sensitive

Grocery Retailing – US – February 2013 – Mintel Report

# Can effectively reach these 3 segments by:

- Continuing to emphasize fresh, healthy and local food
- Incorporating on-the-go foods in underperforming categories
- Adding excitement to the shopping experience
- Connecting through digital technology
- Offering consumers healthier, fresher versions of foods in typically “unhealthy” categories

# Store Categories To Improve

Grocery • Wine • Dairy • Frozen • Produce

# Grocery (packaged goods)

- Comprises 31% of Community Markets sales
  - Comprises 40 % of regional grocery store sales
    - Profit margin 23%

- ✓ **Make it local**
- ✓ **Add interest and excitement**
- ✓ **Support healthy lifestyle**

**Give ‘em a reason to come to YOUR store!**

- Pair packaged goods with healthy meal solutions.
- Give consumers meal ideas & solutions.
- Create merchandise displays to help & entice them.

41% of people who cook meals at home do so because they feel it is healthier than eating out .

# Grocery Merchandising Strategy

**Add interest and excitement**

**Support healthy lifestyles**

**Make it easy!**

# Wine

- Comprises 1% of Community Markets sales
  - Comprises 3% of regional grocery store sales
    - Profit margin 21%

Facts

- Wine consumption at all-time high in the U.S.
- Largest segments of wine drinkers: 21-24 (54%) and 25-34 (65%)
- Most wine drinkers are overwhelmed; like to drink wine, but don't know what kind to buy!

# Wine Merchandising Strategy

## Make it easy.

- Provide ratings & descriptions
- Suggest pairings

# Wine Merchandising Strategy

Make it easy.

**Carry what they want**

- Good-tasting wines
- At reasonable prices
- With local appeal

# Wine Merchandising Strategy

Make it easy.

Carry what they want

**Make it an experience**

- Wine tastings
- meet the proprietors
- social events

# Dairy

- Sales decreased by 0.3% sales from 2012 to 2013.
  - Milk - still a staple, but…
  - Sales of non-milk based drinks (coconut, soy, almond)

    largest category increase
    - Biggest purchasers Gen Y

  - Diet-related evidence supports dairy and bone-density concerns among boomers leads to heavier consumption

# Dairy Merchandising Strategy

- Make the store brand a sought-after brand
  - new flavors, textures, innovative packaging
- Make it convenient
  - yogurt & cottage cheese placed up front with spoons for on-the-go consumption

# Dairy Merchandising Strategy

## Make it an experience

- Through hard to replicate, fun point-of-purchase displays

**Stew Leonard's knows how to make dairy fun!**

# Frozen Merchandising Strategy

- Sales decreased by 0.12% sales from 2011 to 2013.

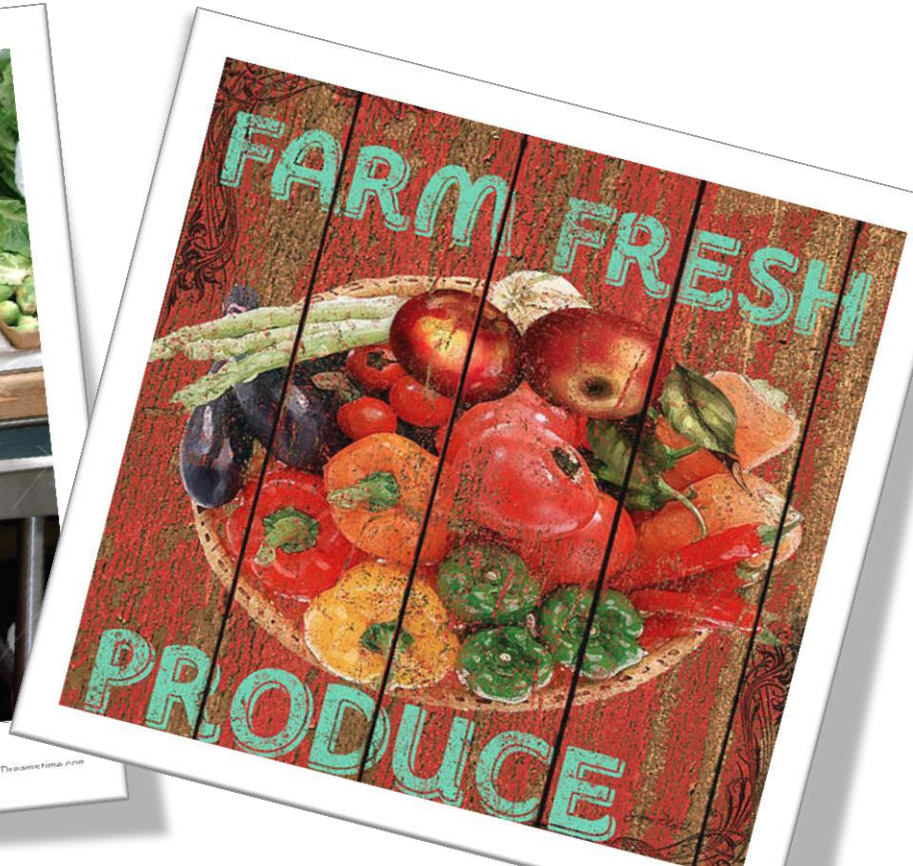
## Make frozen interesting

- new flavors, brands, and partnerships that can't be replicated
- sample
- Point-of-purchase displays

# Recommendations for Produce

- Regional produce sales are 10%
  - Community Markets 8%
    - Profit margin 28%

**Produce displays and signage may help convey farm fresh produce.**



# Building the Experience

# Customer Service

- Employee product sample days.
- Create excitement about new products.
- Make local **STAND OUT.**

Consumers indicated customer service is an important component to a positive shopping experience.

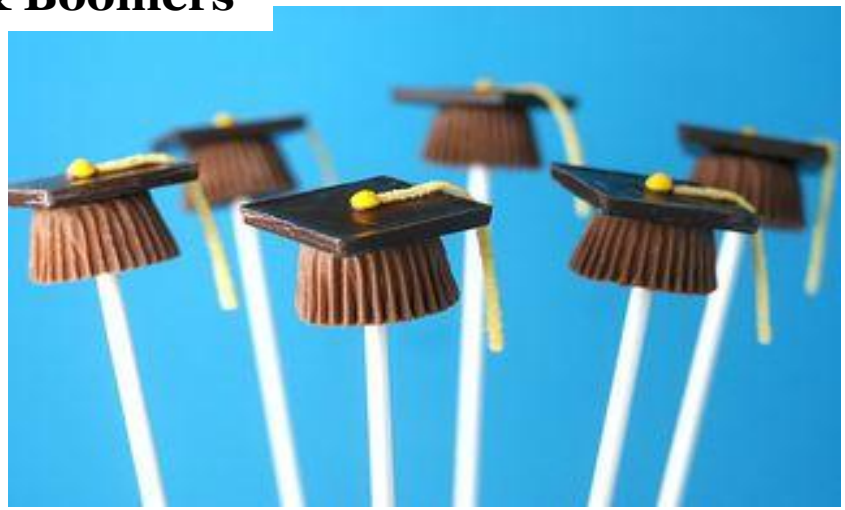
# Experiential Shopping

Develop local food demonstrations and tastings to Gen Y & Boomer preferences!

*"Established culinary instructor Barbara Tenney shares her talents at local grocery store"*

# Customize the Shopping Experience

**Products to appeal to Males, Gen Y & Boomers**



# Farmers Markets…

- Exciting, fun,  fresh
- Supports positioning objectives
- Drives sales!

# Be Nimble.

# Monthly Pet Adoption Events

**Translates to loyalty and purchase of high margin items**

# Cookie Walk … and other creative merchandising displays

IGA – Winner 2014 Creative Merchandising

"The Cookie Walk is an extremely effective way celebrate the holidays and boost sales not only in the bakery department, but throughout the entire store"

Broulim's Display Drives Spectacular Grape Sales
Progressive Grocer 2013

# Communications Strategy

You're tweeting…
But are they listening?

# Already Has an Outstanding Social Media Presence

**4,200 likes / 30 stores ~**

**140 likes per store**

# Twitter

- Tweeting about craft beer on tap before the big game…how cool is that?

- 1,700 Twitter followers,31 stores
- On average, 50 followers per store.

## Strategies to increase consumer interest on social media

- Provide incentives

  for males: billboards, bumper stickers promoting

  "Tweet me and I'll tweet you to a beer"

- Promote in relevant places – not simply in-store

- Collect email addresses at social events (beer/wine tastings, farmers' markets) and then offer cool incentives to "like" FB page.

# SUMMARY

- "How does CM achieve a  clearly differentiated position?"
- Local is great, but not enough.
- No large food retailer has successfully claimed  the "great experience" position
- By incorporating fun and exciting products, displays and events, CM can move into this unclaimed, but highly valued, market position.
- Independent nature allows them to do things the big guys can't
- CM is already well established in social media – now they need to be heard.
- These are attainable goals!

EXPERIENCE THE DIFFERENCE.

Community Markets

Advanced
Food
Retailing
Q&A