Agenda

• Case Briefing
• Objective
• Strategies
• Tactics
• Budget & Schedule
What We Know

- Operates 4 locations in Utah
- Proposal is for Vernal location only
  - 30,000 square feet
  - 2014 sales: $13.8M
  - Located in center of town
- Rural geography
  - Total Vernal population: 9,321
- Baby Boomers and Silent Generation

Source: SuburbanStats.org
To differentiate itself from the competition, Davis Food & Drug is introducing online shopping.

What should Davis Food & Drug do to fully embrace the online opportunity?
Consulted Resources

- Webinar with Davis Food & Drug
- Consultations with Northeastern grocery retailers
- MyWebGrocer eCommerce Solutions reports
- Willard Bishop “eCommerce Super Study”
- Boston Consulting Group
- Mintel
- Nielsen
- Accenture
Competitive Landscape

- Effective and engaging marketing
- Millennial shoppers
- Corporate support, Kroger

Hometown Proud
- No Millennial shoppers
- Biggest challenge: Marketing
## Can eCommerce help Davis differentiate?

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Offers Full Basket Grocery eCommerce in Vernal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walmart</td>
<td>X</td>
</tr>
<tr>
<td>Smith’s</td>
<td>X</td>
</tr>
<tr>
<td>Amazon Fresh</td>
<td>X</td>
</tr>
<tr>
<td>FreshDirect</td>
<td>X</td>
</tr>
<tr>
<td>Instacart</td>
<td>X</td>
</tr>
<tr>
<td>Davis</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Millennials research food retailers online: 59%

Millennials who use grocery eCommerce: 41%

Millennial Opportunity in Vernal

Demographics by Generation - Vernal, UT

- Millennials (18-34): 31.2% (2,773)
- Children (<18): 20.0% (1,782)
- Gen X (35-49): 14.5% (1,291)
- Baby Boomers (51-69): 32.0% (2,849)
- Silent Generation (70+): 7.0% (626)

Source: SuburbanStats.org
Davis is losing market share because it lacks a point of differentiation to attract Millennial consumers.

Differentiate from competition and grow Millennial consumer base through a grocery eCommerce service.
Gain point of differentiation and grow Millennial consumer base through a grocery eCommerce service.

Build & implement a Click & Collect model

Grow consumer base through a digital marketing campaign

Mirror online & in-store offerings to create a seamless shopping experience
Strategy 1: Create

Store-Based
- Delivery
- Curbside Pickup
- Click & Collect

Distribution Center-Based
- Delivery
- Parcel
Strategy 1: Create

Click & Collect
Strategy 1: Create

68% of the order volume goes to pick up.

Millennials and Click & Collect:

- Using: 17%
- Willing to use: 61%

Strategy 1: Create

Build and implement a Click & Collect model

- Contract MyWebGrocer as eCommerce service provider
- Designate space in-store for grocery pick up
- Develop eCommerce team
Shop2Gro

- End-to-end solution
- Software as a service
- Set up includes pricing and product uploads
- Customizable
- Able to add on services

Source: MyWebGrocer: MyWebGrocer’s shop2gro Platform
Welcome to Davis Food & Drug!

WIN 2 TICKETS TO A 2017 NASCAR RACE IN LAS VEGAS

1 entry for every 2 participating Kellogg’s and Keebler products now through March 1st, 2016. You will receive 1 entry for 2 Grand Stand tickets to the 2017 NASCAR race in Las Vegas.

Recommended Offers

Mattel Mega Bloks Minion - Shark Bai
1 ct | $12.09
$10.00
On Sale

Great Lakes Cheese Cheese Slices - Party Tray
3 oz | $0.99
2 for $1.99
On Sale

P2 Portable Protein Pack
3 for $5.00

ShopRite Granulated Sugar - Extra Fine
5 lb | $4.99
2 for $8.99
On Sale

Schar Parsbaked Baguette
12.3 oz | $4.99
2 for $8.99
On Sale
MyWebGrocer

Picking and Order Technology

Additional Online Capabilities

Dedicated Account Manager
Strategy 2: Communicate

29% of Millennials believe that companies are outdated if they don’t communicate with their customers using technology.

Source: Mintel – Marketing to Millennials, February 2014, US.
Strategy 2: Communicate

Grow consumer base through a Digital Marketing Campaign

- Hire a Social Media intern
- Referral based promotion
- Search Engine Optimization and Text Message Marketing
Referral Based Promotion

55% of Millennials say that they are willing to share brand preferences online.

Source: Boston Consulting Group Perspectives
Strategy 3: Integrate

60% of Millennials expect a consistent experience from brands, whether online or in store.

Source: MyWebGrocer – Grocery eCommerce Statistics & Insights; SDL - SDL Study Reveals Channels Are Irrelevant to Consumers
Strategy 3: Integrate

Mirror online & in-store offerings to create a seamless shopping experience

- Offer consistent products and promotions in both channels
- Offer bounce back promotion to incentivize use of both channels
- In-store “How to” kiosk
In-Store Kiosk

- Build awareness
- Convey consistent brand identity
- Millennials and current Davis customers
## Budget

<table>
<thead>
<tr>
<th>Method</th>
<th>Fixed Cost</th>
<th>Variable Cost</th>
<th>Total Investment Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>MyWebGrocer</td>
<td>$25,000</td>
<td>$1,250 per month; 12 months</td>
<td>$33,000</td>
</tr>
<tr>
<td>In-Store Pickup</td>
<td>$6,000</td>
<td>$1,250 per month; 12 months</td>
<td>$18,000</td>
</tr>
<tr>
<td>Kiosk</td>
<td>$2,000</td>
<td>$800 per month; 6 months</td>
<td>$2,000</td>
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<tr>
<td><strong>Fixed Cost Total</strong></td>
<td><strong>$33,000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Variable Cost Total</strong></td>
<td><strong>$34,800</strong></td>
<td></td>
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<tr>
<td><strong>Total Investment Cost</strong></td>
<td><strong>$67,800</strong></td>
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</tbody>
</table>
### Projected Revenue

<table>
<thead>
<tr>
<th># of Orders per Week*</th>
<th>FY '17E</th>
<th>FY '18E</th>
<th>FY '19E</th>
<th>FY '20E</th>
<th>FY '21E</th>
<th>FY '22E</th>
<th>FY '23E</th>
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</thead>
<tbody>
<tr>
<td>Average Basket Size</td>
<td>$105</td>
<td>$105</td>
<td>$105</td>
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<td>$105</td>
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<tr>
<td>Total Revenue</td>
<td>$109,200</td>
<td>$218,400</td>
<td>$382,200</td>
<td>$668,850</td>
<td>$1,170,488</td>
<td>$1,501,500</td>
<td>$1,911,000</td>
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<tr>
<td>COGS**</td>
<td>$76,440</td>
<td>$152,880</td>
<td>$267,540</td>
<td>$468,195</td>
<td>$819,341</td>
<td>$1,051,050</td>
<td>$1,337,700</td>
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<tr>
<td>Gross Margin</td>
<td>$32,760</td>
<td>$65,520</td>
<td>$114,660</td>
<td>$200,655</td>
<td>$351,146</td>
<td>$450,450</td>
<td>$573,300</td>
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<tr>
<td>SG&amp;A Expenses</td>
<td>$19,800</td>
<td>$34,800</td>
<td>$64,800</td>
<td>$129,800</td>
<td>$189,800</td>
<td>$249,800</td>
<td>$309,800</td>
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<tr>
<td>CAPEX</td>
<td>$48,000</td>
<td>$15,000</td>
<td>$15,000</td>
<td>$21,000</td>
<td>$18,000</td>
<td>$18,000</td>
<td>$18,000</td>
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<tr>
<td>Net Income</td>
<td>$(35,040)</td>
<td>$30,720</td>
<td>$34,860</td>
<td>$70,855</td>
<td>$143,346</td>
<td>$182,650</td>
<td>$245,500</td>
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</tbody>
</table>

*Total Initial Investment: $67,800
Payback Period: 3.5 Years

*Growth percentage based on CPG Expected Growth Rate from the Food Institutes “Food Industry Review 2014”
**COGS based on Gross Margin rate of 30%, as found in Willard Bishop “eCommerce Supply Chain Insights in Groceries…” February 2015
Projected Revenue

Incremental Revenue

*Growth percentage based on CPG Expected Growth Rate from the Food Institutes “Food Industry Review 2014”

**COGS based on Gross Margin rate of 30%, as found in Willard Bishop “eCommerce Supply Chain Insights in Groceries…” February 2015
## Implementation Schedule

<table>
<thead>
<tr>
<th>Davis Food &amp; Drug Implementation Schedule</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q5</th>
<th>Q6</th>
<th>Q7</th>
<th>Q8</th>
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<tbody>
<tr>
<td><strong>Strategy 1: Create</strong></td>
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<td>Contract MyWebGrocer</td>
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<td>In-Store Delivery Space</td>
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<td>eCommerce Team</td>
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<td><strong>Strategy 2: Communicate</strong></td>
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<td>Social Media Intern</td>
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<td>Referral Based Promotion</td>
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<td>SEO &amp; Text Marketing</td>
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<td><strong>Strategy 3: Integrate</strong></td>
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<td>In-Store Kiosk</td>
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<td>Promotions</td>
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<td>Same Product Choice In-Store &amp; Online</td>
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Overview

✓ Overcome the Millennial challenge
✓ Leverage Hometown Proud
✓ Preserve loyal consumer base
✓ Create, Communicate, Integrate

Point of Differentiation
Thank You!

Questions?
Works Cited