2015 NGA Case Competition
“Printing and distribution of retail circulars are a significant expense. If printed circulars are eliminated, or if fewer circulars are printed and delivered, how will the sales generated by today’s retail circulars be replaced?”
Key Question

“...how will the sales generated by today’s retail circulars be replaced?”
Our business solution will enable Wakefern to *retain*, *expand*, and *drive* new business.
Findings

✔ There has been a major shift in the way that people use print and digital media.

✔ A demographic change has greatly impacted the importance of key issues.
Shift in Media Usage

U.S. Consumer Media Consumption Share

Source: eMarketer, August 2013
Why Are They So Important?

Population Trends vs. National Print/Digital Spend

- Millennials
- Baby Boomers
- Digital (Mobile)
- Print (Newspapers and Magazines)
Shift in Media Usage

<table>
<thead>
<tr>
<th>Old Model</th>
<th>New Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interruption</td>
<td>Engagement</td>
</tr>
<tr>
<td>Reaction</td>
<td>Interaction</td>
</tr>
<tr>
<td>Heavy Users</td>
<td>Engaged Participants</td>
</tr>
<tr>
<td>Big Promises</td>
<td>Personal Gestures</td>
</tr>
<tr>
<td>Passive Consumers</td>
<td>Active Co-creators</td>
</tr>
</tbody>
</table>
Shift in Media Usage

Sources of dominance

Age of distribution

1960-1990
B2C: Wal-Mart, Toyota
B2B: UPS, CSX

1900-1960
B2C: Ford, RCA, P&G
B2B: Boeing, GE

1990-2010
B2C: Amazon, Google,
B2B: Intuit, IBM

2010+
Contenders include
B2C: Amazon, Apple,
Google
B2B: Microsoft,
salesforce.com

Age of information

Age of the customer

Dominant companies

Source: http://www.isabellekringnes.com/who-are-the-millennials/
Shift in Buying Power

By 2030, Millennials will out number Boomers by 22 million.

Source: http://www.hansondodge.com/blog/2013/June/millennials--80-million-strong--ready-to-spend
Demographic Comparison

Millennials
- Seek Information
- Eco-conscious
- Tech-savvy
- Frequent Shoppers

Shared
- Seek Convenience
- Demand Personalization
- Employ Digital

Baby Boomers
- List Oriented
- Deal Focused
- Value Tradition
- Plan Shopping
Demographic Shift

The Digital Path to Purchase

Before the supermarket trip

- 27% read a digital flyer or circular
- 24% visit the store's website
- 23% load a coupon onto a loyalty card
- 19% read a store's email

Demographic Shift

<table>
<thead>
<tr>
<th>Activity</th>
<th>General Population (%)</th>
<th>Millennials (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use a shopping list on a mobile device</td>
<td>17%</td>
<td>34%</td>
</tr>
<tr>
<td>Communicate via mobile with friends or family about a product</td>
<td>14%</td>
<td>29%</td>
</tr>
<tr>
<td>Scan a product to get product or deal info</td>
<td>13%</td>
<td>28%</td>
</tr>
<tr>
<td>Use a mobile device to look up nutrition or health info</td>
<td>13%</td>
<td>27%</td>
</tr>
</tbody>
</table>
Our Proposed Strategy

✓ **Retain** trade dollar revenue from circulars

✓ **Expand** digital presence to leverage shopper marketing revenue

✓ **Drive** engagement through personalization and build customer loyalty
Our Proposed Strategy

✓ *Retain* trade dollar revenue from circulars

✓ *Expand* digital presence to leverage shopper marketing revenue

✓ *Drive* engagement through personalization and build customer loyalty
Our Proposed Strategy

- **Retain** trade dollar revenue from circulars
- **Expand** digital presence to leverage shopper marketing revenue
- **Drive** engagement through personalization and build customer loyalty
Strategy: Retain, Expand, Drive

Source: Jeff Fromm, Marketing to Millennials, 2013.
“Focus 75% of your core efforts today with strategies that address shopper needs.

Another 20% of your funds can be spent on emergent opportunities,

and 5% on “blue ocean” opportunities that exist in an unknown market space.”

Source: Marketing to Millennials by Jeff Fromm and Christie Garton, 2013
Strategy One

“Focus 75% of your core efforts today with strategies that address shopper needs. Another 20% of your funds can be spent on emergent opportunities, and 5% on “blue ocean” opportunities that exist in an unknown market space.”

Source: Marketing to Millennials by Jeff Fromm and Christie Garton, 2013
Strategy One

Retain trade dollar revenue from circulars
Strategy 1: Retain Trade Dollar Revenue from Circulars

- Reduce number of printed circular pages
- Reduce circulation (geographically or time frame)
- Reduce non-essential print and distribution costs
Consumers Want Circulars

Source: Nielsen, Consumer Report, 2011
# Independent Retailer Media Trends

<table>
<thead>
<tr>
<th>Percentage of advertising budget</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Newspaper (incl. FSIs, circular and run of paper)</td>
<td>58.9%</td>
</tr>
<tr>
<td>Direct mail/shared mail</td>
<td>14.5%</td>
</tr>
<tr>
<td>Radio</td>
<td>6.6%</td>
</tr>
<tr>
<td>Community donations</td>
<td>6.2%</td>
</tr>
<tr>
<td>Other</td>
<td>4.2%</td>
</tr>
<tr>
<td><strong>Social media/mobile marketing</strong></td>
<td>3.6%</td>
</tr>
<tr>
<td><strong>Email/online marketing</strong></td>
<td>3.5%</td>
</tr>
<tr>
<td>Billboards/outdoor signage</td>
<td>1.3%</td>
</tr>
<tr>
<td>TV</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

= 73.4% = 7.1%

Source: NGA Independent Grocer Financial Survey, 2014
## Change In Print

<table>
<thead>
<tr>
<th></th>
<th>2014*</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Print Spend</td>
<td>73.4%</td>
<td>55.7%</td>
</tr>
</tbody>
</table>

17.7 Point Reduction

*Taken from NGA Independent Retailer Financial Survey
“Focus 75% of your core efforts today with strategies that address shopper needs. Another 20% of your funds can be spent on emergent opportunities, and 5% on “blue ocean” opportunities that exist in an unknown market space.”

Source: Marketing to Millennials by Jeff Fromm and Christie Garton, 2013
Strategy Two

Expand Digital Presence to Leverage Shopper Marketing Revenue
Strategy Two

Create a single voice

Customer Connection

Benefits for Retailer & Manufacturer
Where do you start?

FOCUS
Current Mobile Apps

- Mobile Scan
- ShopRite
- Pharmacy
New MyShopRite App
New MyShopRite App

Strategy 2: Expand
New MyShopRite App
New MyShopRite App

Strategy 2: Expand
How Do You Increase Users?
Engage your customers
Why it Works

Once you understand the individual customer, you can cater to that individual.
Introducing ShopRite Mobile Monday

FREE Mobile Monday
DOWNLOAD
Get it before it's gone!

FREE Mobile Monday
DOWNLOAD
THIS MONDAY ONLY
Download the digital coupon for one (1) FREE Chobani 4 pack Greek Yogurt (4-5.3oz) this Monday, February 9 between the hours of 12:00 am and 11:59 pm ET and redeem by 2/23/15.

*with Price Club Plus membership
Introducing ShopRite Mobile Monday

**FREE Mobile Monday Download**
Get it before it's gone!

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*with Price Club Plus membership*
It Really Works

“Coupons have generated $10 billion in revenue for Kroger”

Forbes
Why It Works For Manufacturers

- Markets directly to the consumer
- Drives trial with new products
- Drives repeat purchases
- More efficient spend

Strategy 2: Expand
Why It Works For Retailers

- Drive customer traffic
- Build shopper loyalty
- Strengthen vendor partnership
- New shopper marketing revenue
- Increase consumer use of digital
Strategy Three

“Focus 75% of your core efforts of today with strategies that address shopper needs. Another 20% of your funds can be spent on emergent opportunities, and 5% on “blue ocean” opportunities that exist in an unknown market space.”

Source: Marketing to Millennials by Jeff Fromm and Christie Garton, 2013
Strategy Three

Drive Engagement Through Personalization and Build Loyalty
Strategy Three

Data Capture & Analysis

Driving CRM

“The Marty McFly Effect”
# Loyalty Program Success

<table>
<thead>
<tr>
<th></th>
<th>With Loyalty Program</th>
<th>Without Loyalty Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Transactions</td>
<td>10,333</td>
<td>8,736</td>
</tr>
<tr>
<td>(weekly)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Transaction Size</td>
<td>27.15</td>
<td>22.81</td>
</tr>
<tr>
<td>(weekly)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Revenue difference over a year: **$4,226,185.08**

Source: NGA Independent Grocer Financial Survey, 2014

Strategy 3: Drive
Are Loyalty Programs Enough?

The numbers say…

- 32 million buyer profiles
- 35,372 UPCs carried
- Only 260 UPCs purchased
- That’s less than 1%

Where do we go from here?

You Have Shopper Data

...What do you do with it?
Analyzing the Data

• Partnership with third-party data analysts or create in-house solution
  – Data Mining
  – Data Conditioning
  – Data Processing
Strategy 3: Drive

Data Analysis
Returns on Personalization

• Amazon saw a “29% sales increase to $12.83 billion during its second fiscal quarter, up from $9.9 billion during the same time last year”

Source: http://fortune.com/2012/07/30/amazons-recommendation-secret/
Personalization

Strategy 3: Drive

PURCHASE HISTORY
Introducing My ShopRite Email

Strategy 3: Drive

![Image showing various grocery items and their prices](image-url)
Forge Local Partnerships

Want to look and feel great!

There is no better time to make a positive impact on your well-being. Clean Start, an in-store educational series, will help provide solutions for those looking for a fresh new approach to a healthy lifestyle.

D&W Fresh Market - Holland
Tuesdays, June 3, 10, 17 and 24 / 6:00 - 7:00

D&W Fresh Market at Knapp's Crossing
Thursdays, June 5, 12, 19 and 26 / 6:00 - 7:00

Class is $15 with a YES card! No need to pre-register, pay at the service desk. Children and adults are welcome to attend, kids 8 and up may attend without a parent.
The “Marty McFly” Effect

Strategy 3: Drive

Back To The Future
The “Marty McFly” Effect

• The future is unknown, so keys to success include:
  – Flexibility
  – Leveraging infrastructure
  – Openness to new technology
  – Keeping up with changing consumer demands
Suggested Timeline

**Year One**
- Reduce Print
- Manuf. Support
- Collect Data
- Invest In Digital

**Year Two**
- Analyze Data
- Push Digital
- Increase Reach

**Year Three**
- Optimize Personalization
- Refine Strategies
- Continue Digital Push
The Marketing Budget

Wakefern Retail Sales

$14,700,000,000

Marketing Budget

$294,000,000

- Print
- Digital
- Other

## Wakefern Budget

<table>
<thead>
<tr>
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<th>2017</th>
<th>2018</th>
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<td>$15,911,752,75</td>
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<tr>
<td>Marketing Budget</td>
<td>$294,000,000</td>
<td>$299,880,000</td>
<td>$305,877,600</td>
<td>$311,995,152</td>
<td>$318,235,055</td>
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<tr>
<td>Print &amp; Distribution of Circulars</td>
<td>73.4%</td>
<td>68.4%</td>
<td>64.3%</td>
<td>61.0%</td>
<td>58.1%</td>
</tr>
<tr>
<td>Digital Initiatives</td>
<td>7.1%</td>
<td>7.8%</td>
<td>8.4%</td>
<td>8.9%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Other Advertising Expenses</td>
<td>9.1%</td>
<td>8.9%</td>
<td>8.7%</td>
<td>8.5%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Advertising Sub Total</td>
<td>89.6%</td>
<td>85.1%</td>
<td>81.4%</td>
<td>78.4%</td>
<td>75.8%</td>
</tr>
<tr>
<td>Other Marketing Expenses</td>
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<td>12.6%</td>
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<td>&quot;Blue Ocean&quot; 5% Initiative funding</td>
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<tr>
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<td></td>
</tr>
<tr>
<td>Contribution from Other Marketing Allocation</td>
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</tbody>
</table>

* calculated based on 2% growth
# Marketing Budget Solution (in %)

<table>
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<tr>
<th>Year</th>
<th>Retail Sales*</th>
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<td>3.0%</td>
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<td>2018</td>
<td>$15,911,752,752</td>
<td>$318,235,055</td>
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<td></td>
<td></td>
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</table>

* calculated based on 2% growth

58.1% / 75.8% = 77%
## Wakefern Budget

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<td>&quot;Blue Ocean&quot; 5% Initiative funding</td>
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</tr>
<tr>
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<td>2.3%</td>
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<td>3.6%</td>
<td>3.9%</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

* calculated based on 2% growth

\[
5.0\% + 9.4\% = 14.4\% \quad 14.4\% / 7.1\% = 2X
\]
Dollars Available For Digital Investment

$22,201,828
Proposed Strategy

✓ Retain trade dollar revenue from circulars

✓ Expand digital presence to leverage shopper marketing revenue

✓ Drive engagement through personalization and build customer loyalty
Proposed Strategy

- **Retain** trade dollar revenue from circulars
- **Expand** digital presence to leverage shopper marketing revenue
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Proposed Strategy

- **Retain** trade dollar revenue from circulars
- **Expand** digital presence to leverage shopper marketing revenue
- **Drive** engagement through personalization and build customer loyalty
Thank You
APPENDIX
Current Shopper Engagement Tactics

Source: Nielsen Touchpoints Shopper Survey, 2014
Retailers Invest in More Digital Tactics

Source: Nielsen Touchpoints Shopper Survey, 2014
Print and Digital Expenditure (Natl.)

National U.S. Advertising Spend Forecast

2020 Independent Grocers’ Spend

Print: 55.7%
Digital: 10.5%
Partnerships with Local

• App integration with local news stations, weather stations, etc.

• Local Cable food TV
  – Create more touch points with the consumer
## Marketing Budget Solution (in $)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
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<td>$205,117,920</td>
<td>$196,679,297</td>
<td>$190,317,043</td>
<td>$184,894,567</td>
</tr>
<tr>
<td>Digital Initiatives</td>
<td>$20,874,000</td>
<td>$23,390,640</td>
<td>$25,693,718</td>
<td>$27,767,569</td>
<td>$29,914,095</td>
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<tr>
<td>Other Advertising Expenses</td>
<td>$26,754,000</td>
<td>$26,689,320</td>
<td>$26,611,351</td>
<td>$26,519,588</td>
<td>$26,413,510</td>
</tr>
<tr>
<td>Advertising Sub Total</td>
<td>$263,424,000</td>
<td>$255,197,880</td>
<td>$248,984,366</td>
<td>$244,604,199</td>
<td>$241,222,172</td>
</tr>
<tr>
<td>Other Marketing Expenses</td>
<td>$30,576,000</td>
<td>$37,914,240</td>
<td>$47,812,867</td>
<td>$56,171,362</td>
<td>$64,483,158</td>
</tr>
<tr>
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<td></td>
</tr>
<tr>
<td>Contribution from Advertising Saving</td>
<td>$8,226,120</td>
<td>$6,213,514</td>
<td>$4,380,167</td>
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<tr>
<td>Contribution from Other Marketing Allocation</td>
<td>$6,767,880</td>
<td>$9,080,366</td>
<td>$11,219,590</td>
<td>$12,529,725</td>
<td></td>
</tr>
</tbody>
</table>

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# Marketing Budget Solution (in $)

## Wakefern Budget Solution

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<tr>
<td>Digital Initiatives</td>
<td>$20,874,000</td>
<td>$23,390,640</td>
<td>$25,693,718</td>
<td>$27,767,569</td>
<td>$29,914,095</td>
</tr>
<tr>
<td>Other Advertising Expenses</td>
<td>$26,754,000</td>
<td>$26,689,320</td>
<td>$26,611,351</td>
<td>$26,519,588</td>
<td>$26,413,510</td>
</tr>
<tr>
<td>Advertising Sub Total</td>
<td>$263,424,000</td>
<td>$255,197,880</td>
<td>$248,984,366</td>
<td>$244,604,199</td>
<td>$241,222,172</td>
</tr>
<tr>
<td>Other Marketing Expenses</td>
<td>$30,576,000</td>
<td>$37,914,240</td>
<td>$47,812,867</td>
<td>$56,171,362</td>
<td>$64,483,158</td>
</tr>
<tr>
<td>&quot;Blue Ocean” 5% Initiative funding</td>
<td>$14,904,000</td>
<td>$15,233,860</td>
<td>$15,599,758</td>
<td>$15,911,753</td>
<td></td>
</tr>
<tr>
<td>Contribution from Advertising Saving</td>
<td>$8,226,120</td>
<td>$6,213,514</td>
<td>$4,380,167</td>
<td>$3,382,027</td>
<td></td>
</tr>
<tr>
<td>Contribution from Other Marketing Allocation</td>
<td>$6,767,880</td>
<td>$9,080,366</td>
<td>$11,219,590</td>
<td>$12,529,725</td>
<td></td>
</tr>
</tbody>
</table>

* calculated based on 2% growth

$22,201,828 to invest!
Cartwheel Example

– Adding Personalization to the App
– This format has been successful for a number of retailers, such as the Target Cartwheel site, Safeway’s “Just for You” and Meijer’s Mperks.
– Target Cartwheel:
  • 7M Users
  • Surpassed $70M in Customer savings
  • App users spend 30% more than non-app users
  • Engagement: Cartwheel and Target’s shopping app account for 76% of the traffic hours
  • Allows consumers to share Target promotions through Social media

Sources: http://www.businessexter.com/targets-cartwheel-app-celebrates-success/
http://fortune.com/2014/06/05/target-cartwheel/