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Julie Dexter Berg, Executive Vice President and CMO

Julie Company: SUPERVALU

**Ethan Whitehill:** Welcome to the Brand Show. I'm Ethan Whitehill.

**Lou Thurmon:** And I'm Lou Thurmon. Joining us today on the show is executive vice president and CMO of Supervalu, Julie Dexter Berg.

**Ethan:** Julie, shares how this 140-year old food retailer and distributor stays fresh through a single-minded focus on the customer.

**Lou:** Tune in and learn how Supervalu builds equity in its banner brands with values like hyperlocal strategies, healthy product selections and green operations.

**Lou:** Julie, welcome to the show.

**Julie Dexter Berg: Hi! Thanks for having me.**

**Ethan:** Julie, Supervalu has a long and rich history and I think it will be helpful for our listeners if you would just kind of give us the background on the Supervalu story.

**Julie: Yes. Supervalu is a 140-year-old grocery, retail and wholesale company. It really has its roots as a wholesaler and was in the wholesale business for many, many years and along the way acquired a few regional retail grocery banners. We call them "banners" in the grocery business. The largest of those was of course, Cub here in Minneapolis. Then in 2006, Supervalu acquired Albertsons and with it a number of very large retail banners that had leading share positions in some very large markets including Jewel in Chicago, Shaw's and Star Markets in the Boston area, ACME in Philadelphia along with the Albertsons' banner up and down the west coast. So today, we are sort of a combined entity of a series of very large retail banners across some of the top twelve DMAs across the United States. We also have a hard discount player called "Save-A-Lot", which has 1,200 stores that is mostly in the central and east coast. We have a sprinkling along the west coast but a very large and growing business targeted at the lower socio-economic competing against - with and along with the Dollar stores. So**

**limited assortments, small square footage businesses, Save-A-Lot. We retained our wholesale supply chain business, which is unique among traditional grocers that we also service many independent retailers across the country. That's a little bit about Supervalu.**

**Ethan:** It's clear over the years, you guys have consistently taken the leadership position in the industry and you've continuously innovated, what is the driving force behind that for Supervalu? Where does that come from in your culture?

**Julie:** I think culturally, at our root is being "hyper-local", it's what we call it. It comes from serving the needs of these smaller independent grocers over the last 100 years. These guys, these independent grocers, they make their living, meeting the needs of their local communities better than anyone else. So that is still a strong part of our heritage and what drives the culture of this company is being extremely customer-focused on a store-by-store basis. That's really where we've come from as we move into today's hyper-competitive retail environment where you've got more different format types than ever before from the hard discounters at the bottom end of the market to Whole Foods, at the top end of the market who used to be a very niche operator now is a very large and formidable competitor to everyone in between. We find that we have to work harder at shoring up the equity in our brands and what those mean in our communities as well as being very vigilant around being customer-focused, both at the store level and at the market level competing against everyone else in the market place for the customer dollar.

**Ethan:** Could you expand on what you mean by "shoring up the equity in your brands" and what that looks like in the community?

**Julie:** Well, we had done a lot of work on brand health here at Supervalu. We know what are the elements of the brands that matter most to customers and what are those elements that can be actively managed so that we improve top line growth. So the things that go into brand health and the things that matter are to make sure that our brands are distinctive, that they have a minimal number of drawbacks or problems that customers experience in our stores that create issues for us and that we manage those vigilantly and knock those down the minute they occur and that the customer experience in our stores is extraordinarily good. We have measures and score cards around all of those things to make sure that we understand our current competitive position and that we have action

**plans in place to improve our performance. So that is what we are all about. We understand that brand is a very important element in driving top line sales and it's not to be minimized.**

**Lou:** Well, and that can definitely be seen. You were named number twelve in NRS Top 100 Retailer list just recently. So all of these attributes and initiatives are really paying off.

**Julie:** Yes, thank you. I should maybe talk a little bit about brand because we have at least two levels of brand, if you think about our brand architecture. At the very highest level, we are Supervalu. Our vision is to be America's neighborhood grocer, which is very consistent with our heritage and our root. We also know that we need to position Supervalu competitively and that strong competitive positions are anchored in fundamental understanding of what customers want. We know that customers want to eat better. America is at a tipping point in terms of health and nutrition and obesity and disease states. So we are going to really take America where it wants to go with all of our banner brands. That is to help America eat better, helping America eat well whether it be Jewel in Chicago or Shaw's in the Boston area, we're going to take our customers where they want to go in terms of helping them eat better. There is a lot of ways that we are doing that and I can talk a little bit about those. At a broad Supervalu brand level, we are America's neighborhood grocers and our focus is on helping America eat well. Under Supervalu, we of course have three different kind of "format clusters" we call them so we have our traditional retail grocers which are Albertsons, Shaw's, Jewel, ACME. We have our value banners, which are Shop and Save, Shoppers, Cub. Then we have Save-A-Lot, which is our hard discount format. So each of those have [sort] of different brand promises and different ways that we position ourselves in the market. We have unique brand campaign under development for each one, which we have developed with specific customer level messaging that we believe is differentiating in the market. So that's sort of the way we think about it in terms of brand, brand architecture and how we are positioning ourselves as a Supervalu company and with our retail banner brands in the markets that we serve.

**Ethan:** Julie, just to swim upstream a little bit of the brand strategy, you're clearly delivering what customers want, I'd like to know how do you find out what customers want. What kind of customer learnings or insight program do you have in place?

**Julie:** Well, that's a great question. That's sort of what every marketer is – gets up the morning thinking about and goes to bed thinking about and that's sort of determining what the customer wants and doing it better and faster than your competitor, right? So one of the tools that we put in place is a proprietary market panel which is a unique methodology designed to really pulse our customers across our markets, those that we have and those that we don't have and probe in areas that are important like brand, like customer needs, like probing what customers want in terms of health and advice from a grocery store: category priorities, elements of the store experience. So we use that to really help us determine where we are currently and sort of understand expressed needs and those that may be hidden or more latent that could help us in the future and we work with a firm called Beacon Advisors which is a strategic advisory and consulting firm that has worked with us to help sort of ferret out those nuggets of truth that we think matter to customers. So we've got a good handle on what we think they want. An example of that is – and it's very consistent with our company positioning of helping America eat well. Customers want more help and advice around planning, cooking and preparing foods than they ever have before in large part because the younger consumers, they don't know how to cook like my mother did or certainly my grandmother did. I mean in many ways, cooking is a lost art. So people don't really understand how to make rice. They don't know how to cook beans. They don't know what to do with more unusual dark leafy greens that are chockfull of nutrients and antioxidants that we need for good health and nutrition. So positioning ourselves as a helper and being able to provide valuable advice as customers plan, shop, and prepare meals is meeting a customer need that is on everybody's mind and will maybe take them out of the drive-through lane at McDonald's on their way home for dinner.

**Lou:** I just have to interrupt and say on a personal level, I really appreciate this. Mother, sister, aunt, friends, it's very needed with different segments out there in the market.

**Julie:** Well, we actually did a little bit of research a while back and we know that at 4:15, 85% of those who are responsible for putting dinner on the table have absolutely no idea what's going to go on the table. Eighty-five percent of those that are responsible for doing that. So by golly, we ought to be able to meet the needs of some of those people then and take them out of the drive-through lane because it's those drive-through lanes that are contributing to the

**obesity, the overweight and sort of the poor nutrition that we've sort of arrived at in this country.**

**Lou:** Let's talk about this a little bit further. You guys recently entered into a partnership with First Lady Michelle Obama for the partnership of Healthy America. What can shoppers expect to see in stores specific to that partnership?

**Julie:** Well, the Obama administration reached out to us because of the work that we're doing with our Save-A-Lot banner, among other things. But at Save-A-Lot, which I mentioned earlier is a small square footage, more limited assortment store that carries a wide variety of private brands but also has an emphasis on fresh fruits and vegetables and meats and poultry, etcetera. So it's not like a mini-mart with just prepared foods, you can do a full shop in a Save-A-Lot store. Because we've gotten such a great customer reaction to Save-A-Lot, we have been in an expansion mode for the last couple of years and we'll continue to do so. One of our targets is to go into food deserts, which of course are those areas, those pockets across the country where people live a long way from a full service grocery store and therefore it's a problem to get fresh fruits and vegetables and fresh meats and proteins. An example of that is earlier this year in March, we opened five new Save-A-Lots, many of them in the food deserts of the south side of Chicago. In these areas, these people that are pretty urban and densely populated in this instance, and the customer reaction, the shoppers, the people that live and work in those areas are just overwhelmingly supportive and they are so happy that we're there. We're providing a force of employment in communities where jobs are really needed. It's been a wonderful thing for us and just - you read these letters from our shoppers and it just brings a tear to your eye because you realize you're just meeting a need that has existed for so long. Sometimes, it's hard to do business in these areas but we're very committed to helping America eat well and this is one of the ways that we're doing it in partnership with First Lady Michelle Obama.

**Ethan:** You know at the Brand Show, we notice there's a theme that comes up a lot and it's "delivering value in values."

**Lou:** Right.

**Ethan:** It sounds like Supervalu is doing that in a lot of ways. So your hyper-local, you're healthy and I understand you're also green. You have some stores that are LEED-certified. Could you talk about that?

**Julie:** Yes. We have a number of these LEED-certified stores in Southern California and in our Albertsons' banner, mostly in Southern California, we've got a couple in Seattle. We asked ourselves how can we cut costs in ways that don't directly impact our shoppers. That's what everybody is asking, right, in today's economic environment. One of the things that we looked at is to just take a look at just the stuff that we toss out in our dumpsters every single day. As a grocery store, you can imagine all the stuff comes in in corrugated boxes and we also toss out a bunch of old produce that doesn't sell or gets moldy as we sort through and make sure we have the freshest stuff available on the shelf. The amount of stuff that goes out in the garbage bins in the back of grocery stores is astonishing. So we started down this path of sorting and making all of our store associates hyper-vigilant about putting the right stuff in the right bins. We were not only able to reduce the waste in our stores and reduce our costs, but we actually started making money off of this. We would get paid for organic, old produce that we would sell to local farmers for composting and for feed and also for recycling corrugated for which we would get some compensation back for it. So it actually turned into the right thing to do and not only did we cut costs but we started to make money. So it was just a great thing to do for us and for the communities. Our goal is to get to 40 zero waste stores this year because it's just been such a win-win all the way around. Actually, just a little anecdote. I visited one of our stores in Bend, Oregon. Bend, if you've ever been there is just a beautiful town in Central Oregon that's very organic outdoorsy, lots of skiing, lots of river-rafting, lots of biking activity. This one store, just the entire associate team got so behind this. They got all of their garbage cans to be - the different recycling and sorting. All their associates were on it. They are actually on the path to being one of the next 100% zero waste stores. It's been a great galvanizing force on the part of our associates as well as a really great message that resonates with shoppers.

**Ethan:** I have to ask about a trend that I think has made its way into popular culture at least into reality TV and it's extreme couponing. [Laughter] I would love to get a retailer's perspective on this practice. Is that good? Or is that bad for the brand?

**Lou:** Well, an extreme couponing and then price-matching, because there is a lot that goes into those areas.

**Julie:** Well, of course, we're keeping our eye on these extreme couponers. [Laughter] There is one – arguably the queen bee of extreme couponers lives in Chicago.

**Lou:** Oh wow!

**Julie:** I don't remember what her name is.

Female: Coupon Maven.

**Julie:** Shannon is telling me, Coupon Maven. She knows us and we know her. I think actually we may have even asked her to come in and provide some tips and clips to our shoppers. I guess we peacefully co-exist. We wanted to make sure we - partner with them is too strong of a word. I wouldn't say that. We're keeping our eye on them. Couponing, over the last couple of years is no secret, has certainly rebounded in popularity. We sort of partnered with them by tipping them off to our special offers and all of our online coupons and directing shoppers to our website so that they can get our deals and specials online which is a goal of ours to drive people to our website so that they can see what's going on this week, the specials this week. So I guess that's what I would have to say. I don't view them as threatening in any way. In an extreme way, like so many other sort of extreme behaviors, they're sort of teaching a new group of shoppers how to get a whole bunch of stuff for very little money. It's kind of a game.

**Ethan:** Yes. It very much is a game. I think you guys have the right strategy. I mean it sounds like you're kind of taking the best practices that are beneficial for everybody and kind of extending it because people will want that. Then recognizing that – I personally would never figure out the algorithms it takes to save a \$1,000.00 on my grocery bill. So it becomes entertainment in a way which isn't terrible either I guess.

**Julie:** Yes, I mean if we can provide help and advice that keep shoppers coming back to our stores, we're all for it.

**Lou:** Absolutely. Julie, thank you so much.

**Julie:** Yes. My pleasure