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Effort under way to 'reinvent' dairy department, raise sales

By Alyssa Sowerwine

CHICAGO — Research shows that dairy yields some of the highest sales compared to other grocery store departments. But some industry groups feel a department "makeover" could push these numbers even higher.

With this in mind, the Innovation Center for U.S. Dairy is working to come up with ways to revamp the dairy section of U.S. grocery stores by optimizing space and educating and engaging consumers.

The Innovation Center for U.S. Dairy, which is managed by Dairy Management Inc. (DMI), was established in 2008 to provide a forum for the dairy industry to address barriers to and opportunities for innovation and sales.

"The dairy industry continually explores innovative ways to increase demand for naturally nutrient-rich dairy products," says Tom Gallagher, CEO of the Innovation Center for U.S. Dairy and DMI, which manages the national dairy checkoff program. "That's why we worked with industry partners to re-imagine how dairy is merchandised at retail."

In a presentation at the Worldwide Food Expo last week in Chicago, speakers showcased results of a three-year, dairy farmer-funded project to help shape the future of the dairy department. Session attendees heard from Paul Weitzel, managing partner, Willard Bishop LLC, a consulting firm working with retail and foodservice companies; David Bishop, managing partner, Balvor, a sales and marketing firm; and Scott Dissinger, senior vice president, DMI.

"Dairy Department Reinvention: Path to Growth and Differ-

entiation" featured a discussion on the benefits of dairy aisle redevelopment, including the opportunity to create differentiation and build sales.

• Background research

In 2006, DMI, The Dannon Company and Kraft Foods formed a coalition to focus on a "shopper-centric" approach that would grow overall retail dairy department sales.

The coalition analyzed 343,000 shopping trips, audited 22,000 retail grocery stores, spoke with 2,500 consumers in and outside stores, and implemented category and total dairy aisle reinvention efforts in more than 1,000 stores.

The coalition found that in a reinvented dairy department, shoppers spend more time in the aisle, have a more enjoyable shopping experience and are more likely to purchase additional dairy and grocery items overall. Research findings also have shown that a significant opportunity exists to increase overall dairy department sales by as much as \$1 billion over a one-year period, the coalition says.

With dairy department reinvention, retailers can increase dairy unit sales by more than 2 percent and dollar sales by 1.5

percent, the coalition adds.

According to coalition research, customers who include dairy in their purchase on average spend more time in the store and more money compared with other shoppers.

For example, the average shopper spends 19 minutes in a store and spends \$25 on their total purchase, while milk buyers spend 26 minutes in a store and spend \$45.20 on their total purchase, the coalition says.

Shoppers also reported that their experiences in the reinvented dairy department were more favorable than before enhancements were made. Shoppers said they liked how the new department was presented, believed the changes made shopping easier and indicated that the new look created a more welcoming experience, the coalition says.

• Strategies for innovation

While the dairy department in most stores is relatively small, it has some of the highest traffic, Weitzel says.

For one thing, dairy's health and wellness attributes are in alignment with shoppers' needs, he says.

In addition, the department has many new products. Dairy

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category innovation outpaces other key categories within a grocery store, Bishop says, adding that from 2004 to 2008, there was about a 60 percent in-

crease in new products coming out in dairy.

For this reason, stores should be making dairy a centerpiece of the store.

"Dairy generates far superior returns on space as compared to other major departments, such as produce,"

Bishop says.

Bishop acknowledges that some consumers visit the dairy section to buy milk or other products as part of a "quick trip," or a shopping trip that consists of purchasing five or less items.

Bishop adds that 40 percent of these

quick trips include at least one dairy item in purchases.

Therefore, in addition to a revamped dairy department, stores still should have sections devoted to those "on the go," Dissinger says.

"You can still have your 'grab and go' essential items, like milk, in the front of the store or on the end of the dairy aisle in addition to including them as part of the larger department," Dissinger adds.

One of the most important aspects of revamping the dairy department is managing time and space, Dissinger says.

"You want consumers to have a sense of delight, not dread" when they're shopping, Dissinger says. "You want them to 'shop' not 'search.' The focus needs to be more consumer-oriented, not operations-driven."

Some design strategies Dissinger recommends:

- **Contemporize** — Update the look and feel of the department. "It needs to look new, modern and fresh," Dissinger says.

- **Dimensionalize** — Arrange things in a way to fit consumers' lifestyle and usage needs, such as having the "grab and go" section, Dissinger says.

- **Rationalize** — Sections need to have clarity and organization. Put items next to each other that make sense, and make sure things are clearly labeled, he says.

- **Invigorate** — Include signs and information about the value and benefits of the products. Offer samples to expand consumers' tastes, Dissinger says.

"We need to rely more and more on sampling to introduce shoppers to new products," he says.

- **Challenges**

In a volatile economic environment, some retailers are reluctant to make room for a revamp of the dairy department in their capital expenditure budgets.

"In the current economic climate, retailers are focused on short-term operations, and money is not available for long-term opportunities," Dissinger says.

He adds that competition between departments in stores is a hurdle that needs to be overcome.

However, dairy has one of the highest sales turnover of all the departments in grocery stores, next to produce, Dissinger says.

Weitzel adds that unleashing dairy's potential is one of the best moves retailers can make to "win" in food sales and capture hidden growth during tough economic times.

"Dairy provides one of the best returns on invested capital," Weitzel says.

- **Looking forward**

According to Dissinger, Innovation Center team members will continue trying to reach out to senior management to show the value and share return on investments for the dairy department.

Dissinger adds that the Innovation Center is excited about the opportunities for the Dairy Aisle of the Future and is actively working with industry partners on developments.

"Interest is very high," he says. CMN