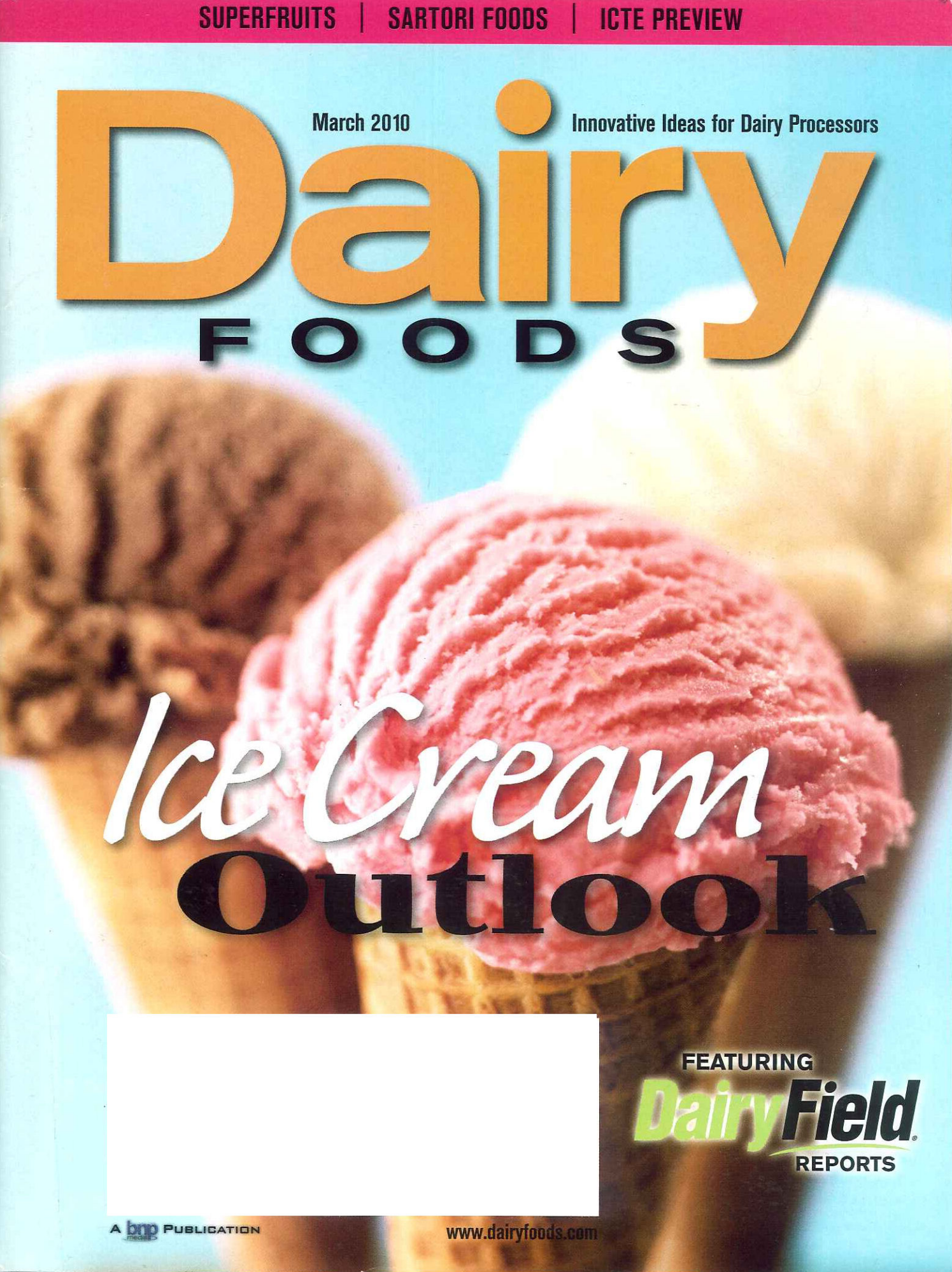


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Innovative Ideas for Dairy Processors

Dairy

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James Dudlicek

More Room for Dairy

Anyone need an extra billion dollars?

The folks at Dairy Management Inc. say they have the blueprint for getting it.

DMI teamed up with Dannon and Kraft to develop a plan for boosting supermarket dairy department sales. By reinventing the traditional dairy department – which shoppers surveyed find to be old fashioned, stale and boring – DMI says retailers and processors have an opportunity to increase sales in an area that already accounts for the greatest share of store profit.

In fact, dairy is responsible for a quarter of all sales profit while occupying less than 5% of store space, DMI reports. Meanwhile, updating the dairy shopping experience has lagged far behind that of areas like produce, which have become the showplace of the contemporary “fresh store” concept adopted by many retailers.

I think about all the years I've been shopping at Jewel and Dominick's in the Chicago area. It's always the produce department that makes the showplace of every store makeover. But the dairy department – which DMI says generates nearly three times the profit of produce – has stayed pretty much the same: crowded, cluttered, a quick pass-through to grab a gallon of milk on your way to the bread and cereal aisle.

That mirrors the status of dairy among its competitors over the last three decades: commodity image, taken for granted while flashier products with fat marketing budgets and questionable nutritional value steal away share of market and stomach.

DMI's plan is to elevate the role of the dairy department within the store by making it relevant to consumer needs, clarify its position in the shopping experience and better communicate dairy's real value as part of the overall grocery dollar.

By creating a three-dimensional dairy department that forces shoppers to linger over dairy's myriad choices rather than quickly rushing through it, consumers will finally be educated on all dairy has to offer.

After all, dairy product launches have grown at a compound rate of nearly 11% since 2004, compared to 1.5% for produce, according to DMI data. All these new products are competing for attention, and if they're getting adequate shelf space at all, it's at the expense of existing products.

And because dairy is the reason of most “quick trips” to the store, an enhanced dairy experience will defend against those trips migrating to other channels like drug and c-stores. In other words, strengthening the dairy experience means strengthening the entire grocery channel.

DMI and its partners have established four design principles for its “dairy department of the future”: contemporize the in-store environment with a fresh look; dimensionalize the department by creating secondary locations that slow down the shopper, rather than letting everything blend together; rationalize the shopping experience through better product placement; and invigorate shopper communications with information on lifestyle and usage needs.

DMI's blueprint presents a second front in the battle to make dairy relevant to a contemporary society (the first being brand differentiation and adding value to shake off a commodity mindset). Processors should be proactive in working with their top retail customers to introduce these changes for their mutual benefit, which DMI estimates at an overall \$1 billion.

For more information on what could be the future of the dairy department, contact innovationcenter@usdairy.com. It just might be a golden opportunity for dairy processors to take the relationship they have with their retailers a step beyond what their route drivers can deliver. ■

James Dudlicek, chief editor of Dairy Foods, can be reached at 847/405-4009 or dudlicekj@dairyfoods.com.