

DAIRY: A Reinvented Dairy Department Builds Loyalty, Sales, Profit

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By Scott Dissinger, SVP, Retail, Dairy Management, Inc.



Research shows that shoppers lack emotional engagement in many retail dairy aisles. They frequently have difficulty finding items and hurry through the aisle to replenish planned purchases. In other words, the dairy department can quickly become uninviting to shoppers.

However, several factors indicate that the dairy department is currently underused and has huge potential. It generates better sales returns for its space as compared with other perimeter or center store departments. Dairy shoppers also are high-value customers, purchasing more per trip than shoppers who don't purchase dairy. Plus, the nutrient-rich value of dairy products supports growing consumer interest in health and wellness. Grocers have the opportunity to leverage these findings to reinvent their dairy department.

A coalition of Dairy Management, Inc., the Dannon Co. and Kraft Foods conducted a dairy-farmer-funded research project to create a shopper-centric set of proven principles to grow overall dairy department sales. The result is the Dairy Department of the Future, which was officially launched at the National Grocers Association's 2010 Annual Convention and Supermarket Synergy Showcase, Feb. 9 through Feb. 12 in Las Vegas.

Results of the research project show that shoppers spend more time shopping and less time searching, and report having a more enjoyable shopping experience. Reinventing the dairy department can increase dollar sales by 1.6 percent and dairy unit sales by 2 percent to 3 percent. That translates to a potential one-year sales increase of \$1 billion — an amount that's more than

alluring for both the grocery and dairy industries alike.

High-value Dairy Shoppers

Over a three-year period, the coalition analyzed 340,000 shopping trips, audited 22,000 retail grocery stores, spoke with 2,500 consumers and implemented category and total dairy aisle reinvention efforts in more than 1,000 stores nationwide. What the research uncovered was substantial:

- **The dairy department generates far superior returns on its space compared with other departments, generating 19 percent of store profit from 3 percent of store space**
- **Customers who include dairy in their purchase spend more time in the store and more money at a substantially faster rate as compared with most shoppers. For example, the average shopper spends 19 minutes in a store and spends \$25 on her total purchase, while milk buyers spend 26 minutes in a store and spend \$45.20 on their total purchase**
- **The dairy department is a high-traffic area, yet doesn't receive the design attention of other fresh perimeter departments. Maximizing stopping power by educating and engaging the shopper with the health-and-wellness attributes of dairy products will help them spend more time browsing and find new items not on their weekly purchase list**
- **By optimizing space and creating a more *shopper-oriented* rather than *operations-driven* department, grocers can maximize new product potential, improve cross-merchandising opportunities and drive significant growth in sales and profits**

Shopper-centric Design Principles

Based on the research results, the coalition developed four shopper-centric design principles that elevate the role of the dairy department within the store and improve its positioning with shoppers:

Contemporize: Update the look and feel of the department to make it modern, fresh and new

Dimensionalize: Arrange items to fit consumers' lifestyle and needs, such as having grab-and-go or healthy-snacking sections

Rationalize: Clearly label and organize sections by putting items next to each other that make sense based on shopping behavior

Invigorate: Use signs that showcase the nutritional value and health benefits of products, and offer samples to expand shoppers' exposure to variety

Incorporating these principles doesn't necessarily require an entire remodel or rebuild — a relief in challenging economic times. One of the coalition's discoveries was that no two stores or dairy departments are alike, which prompted development of actionable options vs. one redesign solution. That means grocers can adopt the design principles and best practices to whatever footprint or format they have, tailoring it to their décor, layout and go-to-market strategy.

Thus, the core of a reinvented dairy department should include best practices such as:

“Shop,” not “Search”: Establish a dairy department, not just another aisle, and make it easier to shop

“My store,” not “Your shelves”: Personalize the engagement and build strong connections to health and wellness

“Delight,” not “Dread”: Merchandise using more meaningful cues, including conveying stronger freshness cues

“Active,” not “Passive”: Foster interaction and engagement to inspire shoppers

Capitalizing on the Benefits

The Dairy Department of the Future project shows that a reinvented dairy aisle with an updated look will increase shopper traffic and reinforce the fact that dairy is a fresh food section. It will convert more shoppers into actual purchasers by making them more aware of the product range and nutritional benefits of dairy. Improving department flow and product organization will make it easier to shop, leading to increased transaction sizes. Providing more helpful information related to the consumer's needs will also build the shopper's basket.

These benefits will re-establish the dairy department as a store sales leader, and help it avoid becoming just another aisle in the shopper's routine.

For more information on how to reinvent your store's dairy department, contact the Innovation Center for U.S. Dairy at innovationcenter@usdairy.com.

The Innovation Center for U.S. Dairy provides a forum for the dairy industry to work pre-competitively to address barriers to and opportunities for innovation and

sales growth. The Innovation Center is supported and staffed by Rosemont, Ill.-based Dairy Management, Inc.

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