

Milking Dairy

Despite frequent trips and many categories, dairy lacks the shopper “stopping power” of other sections of the store. Research shows that consumers spend an average of only 44 seconds shopping all of dairy, as opposed to four minutes in similarly sized departments, such as meat.

Consumers describe dairy as “sterile, boring... hospital-like... I grab and go... don’t spend time there.” Dairy is seen as much less inviting than other perishables departments — as little more than a “wall of packages.”

WhiteWave reinvents the dairy department and builds shopper loyalty.

There are important retailer issues as well, starting with a lack of a true department strategy beyond simply adding up numbers to create a Dairy P&L. Retailers also report difficulty dealing with dairy’s tight space constraints as well as with creating leverage across the store with other “fresh” departments and other organic product segments.

However, retailers are anxious to make improvement in the dairy department because, on a net income basis, it is the most profitable department in the store. With this in mind, we are working with WhiteWave Foods to develop “Total Dairy Maximization” (TDM), a department management program designed to increase appeal and grow the dairy category.

WhiteWave Foods is a \$1.3 billion division of Dean Foods, an \$11 billion company and the largest player in dairy. WhiteWave is the largest producer of organic milk and dairy products (Horizon) as well as soy milk and dairy products (Silk). It also distributes Land O Lakes dairy products and International Delight Creamers.

Our approach with TDM is holistic in its focus across the total dairy category to deliver results fully. This is similar to approaches used successfully in other perishables departments, such as the meat

department, to bring the critical mass of change necessary to create consumer excitement, stopping power and growth.

TDM effectively defines “best practices” for total dairy in three areas:

Architecture: We used research to define categories, segments and roles within the dairy department. We quantified optimal stocking ranges within each, while establishing the shelving and merchandising implications.

We identified several significant upsides, starting with the strong benefits of an integrated shelving approach that combines emerging segments such as organic, soy, and lactose-free, with more traditional or mainstream offerings. Accordingly, we created single-serve items and merchandising plans to facilitate trial of growth segments like soymilk, as well as on-the-go consumption of more traditional products.

Adjacencies were established based on consumer shopping and usage patterns, and coordinated with direct-store-delivery/warehouse and front-fill/back-fill operations requirements. Our approach additionally succeeded in reducing out-of-stocks.

Communication: With so much industry focus in dairy historically centered on space management and planograms, it is not surprising that dairy has become less exciting than other departments such as produce, deli, bakery and meat.

Accordingly, a comprehensive in-store communication program was developed with TDM, to bring greater excitement and consumer involvement to what has been a “wall of packages” in dairy. This program included overhead signs to identify categories, as well as eye-level blade signs, by category, to better communicate variety and choices.

For example, in “milk/cream” there are actually five kinds of milk — regular white, flavored, soy, organic, and lactose free — as well as cream, half & half, and creamers. We created in-aisle department signs noting innovations, as well as education about key areas such as organic.

TOTAL DAIRY MAXIMIZATION

Why is this program important for WhiteWave?

We have some emerging segments in our business that really require a different way of thinking. What we wanted to do was apply better shopper insights and really drive growth in the dairy case.

What does this exactly do for the retailer?

It provides context around the decisions they are making in the dairy case. The choice isn't between one yogurt and another yogurt; the choice is whether to add that yogurt versus adding a milk versus adding a butter. The dairy case is a fixed asset that really needs to be looked at from a higher level.

What does that do from the shopper's perspective?

It gives the shopper a dairy case that combines the orange juice and the milk that they're going to pick up every day with an assortment of other items. The challenge is that retailers just don't have the space to provide all of those choices. This program lets the

retailer provide that variety while still taking care of a shopper's basic needs.

How important is WhiteWave's role as a marketer of organic products?

That gave us some credibility because organics is a growth segment for the retailers. It gave us the context to have the conversation with retailers about the dairy case. They knew we weren't just trying to grab more space for ourselves, that there was a larger purpose to it.

What's next for WhiteWave? We have to standardize tools that make this program easy to use across the dairy case. We're working right now on a substitutability

tool that helps predict what happens if you replace one item with another in a fixed area. In addition, certain stores within a chain require a different sort of planogram and spacing for the category. So, we are now figuring out shopper segmentations down to the store-level.

A topline Q&A with
Thomas Arcuri,
vice-president,
category development
and retail excellence,
**WhiteWave Foods
Company.**

Outposts: TDM also looked beyond the traditional constraints of dairy to develop outpost displays that could be placed in other departments. In deli or bakery, consumers purchase fresh-food items for occasions such as breakfast or lunch, and the opportunity exists to sell "Dairy Express" items such as single-serve milk or yogurt.

These items not only create complementary purchases, but also facilitate the trial of emerging segments when shoppers are buying other fresh items. In addition, they support retailer efforts to communicate persuasive "across the store" imagery of freshness and wellness to their shoppers.

Results from this program have been extremely strong. In-market controlled store testing demonstrated an incremental four-percent gain in dairy sales and profits in test versus control stores. TDM has since been rolled out chainwide in lead retailers.

In terms of innovation, TDM delivers on important fronts. It is the first and only program to focus on the higher-level consumer and retailer needs

of the total dairy department to drive results, similar to department-wide initiatives in other departments such as meat and deli.

That has not been a focus in dairy historically because suppliers have tended to compete only in limited categories or segments, and because many segments have tended to be commodity or price oriented.

TDM has also proved highly innovative because it has integrated growth opportunities in dairy with retailer need to brand their total stores behind freshness and wellness. ■



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