



When it comes to making customers happy, **knowing who they are** and **what they need** makes all the difference.



# Meet the CUSTOMER

Close your eyes and imagine the average Hy-Vee customer. Do you see a busy mother shopping with her young children? A college student stopping to pick up a few necessities before heading back to his dorm room? A middle-age man consulting with his wife on the phone over what cut of meat to bring home? Or perhaps a retired woman hunting for the best bargains in the produce aisle?

There's no doubt about it—every customer who walks through the doors of a Hy-Vee store is different. But some commonalities—in regard to shopping habits and concerns, in particular—transcend the many differences. Understanding the wants, needs, and capabilities of today's Hy-Vee customers helps to ensure that we can deliver that helpful smile shoppers have come to expect from our stores and upon which the company thrives.

“The industry is extremely competitive today,” says Bill Greer, director of communications for the Food Marketing Institute (FMI).

“Shoppers are diverse in many ways—not just in regard to ethnicity and gender, but also lifestyle, demographics, and age groups. I think the supermarkets that are succeeding are the ones that have the most precise knowledge of their consumer base.”

In its report, *U.S. Grocery Shopper Trends 2008*, FMI provides an in-depth look at the attitudes and behaviors of American consumers as they relate to the supermarket industry. However, Greer stresses the importance of moving beyond these trends within individual stores. “I think each store and each company has to see how these trends are playing out differently in the different markets they serve,” he says. “At the end of the day, the most useful thing is for stores and employees to know their immediate customers and be acutely sensitive to the products and services they need most.”

Combining consumer research, such as FMI's report, with insights from Hy-Vee employees provides a glimpse of what matters to customers now. Beyond that? Spending time in the aisles with your customers is the best way to understand what's most important to them.

## Price matters

The food industry is, of course, affected by economic issues. Decreased consumer confidence and recent increases in fuel and food costs have more consumers hunting for bargains and favoring cooking at home over dining out. In *U.S. Grocery Shopper Trends 2008*, FMI found that 73 percent of shoppers say price is “very important” in determining where to shop (more so than other features such as cleanliness, quality, location, and customer service)—and that’s up 11 percentage points from last year alone. In addition, concerns over costs are no longer reserved for those individuals with low incomes—even shoppers who make as much as \$100,000 are paying more attention to price, according to the report.

“The research clearly shows that the cost of food and the cost of fuel are having a major impact on shopping trends,” Greer says, pointing out that for the second year, the number of trips customers make to the store per week is less than two. “It may not seem like a huge decrease, but they’re shopping less often.”

And when they do shop, consumers are looking for ways to reduce the amount of money they’re spending on food by purchasing more store-brand foods and cutting back on the number of items they purchase—despite the fact that they’re eating at home more than in previous years.

## A Last-Minute Decision

**Determining what to eat is a game-time decision for most consumers, according to the Food Marketing Institute report *U.S. Grocery Shopper Trends 2008*. In fact, 28 percent of shoppers don’t know what or where they are going to eat just two hours before dinnertime.** “This is particularly the case among single men, single mothers, and members of Generation Y,” says Bill Greer, director of communications for FMI. The report states that the importance of health (91 percent of shoppers believe that the food they eat at home is healthier than what they eat out), money savings (cooking costs a median \$5 per person versus \$12 for eating out), and family meal time all influence shoppers’ decisions—which means **supermarkets are in a position to capitalize on consumers’ uncertainty** over what to eat. “This research suggests that retailers could increase sales by advertising their prepared foods during the hours leading up to dinner time,” Greer says. His idea? “An excellent vehicle would be radio advertising while people are driving home from work.”



## All about ease

As important as price is, when it comes to making home-cooked meals, quick food preparation trumps other requirements. “A majority of customers are time-crunched,” says Steve Culbertson, store director at Lee’s Summit No. 2 (Missouri) and a Hy-Vee employee for 27 years. “They’re in a hurry and have lots of activities.”

With an increase in dual-income households (59 percent of women now work outside the home, according to FMI), saving time is important. That’s why preparation time, ease of preparation, and portability are all factors that play into customers’ shopping decisions.

“Even as they eat out less, customers still crave the convenience of prepared foods,” Greer says, “so many supermarkets are expanding their offerings—ready-to-eat, ready-to-heat, precut, pre-marinated—anything that takes time out of the food preparation process.”

Steve sees the trend in stores daily, as shoppers fill their carts with prepared items ranging from salads and sandwiches to party trays and birthday cakes. And David Pierschbacher, a meat cutter at Dubuque No. 2 (Iowa) who has worked for Hy-Vee for 38 years, expects it will continue—particularly in the meat department. “They’re going to look at leaner products—products that you take out of the meat case, take home, and just pop in the oven or microwave,” he says.

## Focus on health

As much as customers expect meal options to be quick and easy, they’re concerned about health and wellness too. “Consumers are still looking for healthful foods,” Greer says. “They are very concerned

about their diets and want help improving them. Our nutrition research shows a significant percentage are looking for ways to improve their eating habits—and supermarkets can help them do so.”

Greer says that offering the services of dietitians, as Hy-Vee does, is one way to capitalize on this need. “Consumers want to eat healthy, but they also need guidance on how to do that. They are barraged by information—somebody like a dietitian can help cut through the clutter and help them eat more healthfully and feel better about the way they live.”

Alongside customers’ concerns about health is their awareness of food safety. Although the FMI report says that confidence in food safety is gradually returning (and is much higher for grocery stores than for restaurants), news of meat recalls and E. coli outbreaks continue to keep some customers on edge. “They are more aware of how important it is to buy safe food—they want confidence that we’ll do anything we can to make sure the food is safe,” Steve says. “And because of that, I think they’re more aware of whether the store is clean or not.”

## Environmental concerns

Sustainability is an important social and business driver for food retailers, according to the FMI report. Although “going green” is still considered a niche opportunity in the grocery store business, as consumer awareness rises, more supermarkets are seeing the benefit of reducing their impact on the environment. This involves moves ranging from selling reusable shopping bags and recycling materials to reducing packaging and changing store designs.

“It’s not just a feel-good, do-good kind of thing,” Greer says. “It makes business sense and I think that’s something companies are starting to recognize.”

## Service with a smile

Having a helpful smile in every aisle isn’t a necessity just because it’s the Hy-Vee slogan—it’s vital for keeping customers around. According to *How America Shops*, a 2006 study by WSL Strategic Retail, service has emerged as a key consumer demand in the saturated retail landscape.

“They’ve always appreciated good service, but today I think they appreciate better service more than ever,” Steve says. “I think it’s because it’s hard to find on a consistent basis, so when they see it at Hy-Vee, they appreciate it even more.”

By providing service that goes above and beyond, Hy-Vee stores and employees are setting themselves apart. In some cases, this involves assisting customers with meal planning and shopping. “It used to be that we were always in the back pushing production to keep the meat cases filled up,” David says. “Now I have more time to spend with the

## Did You Know...

- Three-quarters of shoppers say they frequent a **full-service supermarket** fairly often (29 percent) or almost every time they shop (47 percent).
- **Low prices** are the overriding factor in store selection, according to shoppers, followed by location and money-saving specials.
- **71 percent** of shoppers **check the price** before purchasing a new item.
- **40 percent** of consumers look for **grocery specials** in the newspaper or circulars delivered to their homes to save money.
- **82 percent** of people now eat **home-cooked meals** at least three times per week.
- **88 percent** of Americans say they are either somewhat or very **concerned about nutrition**, yet only 62 percent believe their food intake could be healthier.
- **62 percent** of shoppers say their stores’ efforts in the areas of **recycling and sustainability** are important.
- **44 percent** of shoppers use **reusable shopping bags** at least a few times a month.
- **More than half** of shoppers **purchase gasoline** at their supermarket gas pumps.

The above list is a sampling of findings from the Food Marketing Institute report *U.S. Grocery Shopper Trends 2008*.

customer, and I have people asking me how to cook meat. If they don’t know exactly what they want, I can recommend a product and maybe a little seasoning or a cooking idea too.”

At other times, it’s simply making certain harried customers leave happy. “A lot of times a customer will come in and be upset about something, and if you say, ‘We can help you with that’ and take care of the problem, they’re much happier,” says Deb Johnson, a customer service manager at Iowa City No. 2 (Iowa) who has been with the company for 31 years. “It’s about being a little bit more tactful and attentive. Customers want to be treated like they’re the best. They are—they’re the reason we have this job.”

Steve adds that increased training ensures that employees are ready to deal with customers’ expectations, regardless of what they may be. “It comes down to friendly service,” he says. And as much as other customer needs might fluctuate from year to year, Steve is certain that “friendly, fast, knowledgeable service is something they’ve expected for years. I don’t think that’s going to change at all.” 