



The National Grocers Association's
Grocers Research and Education Foundation

presents

Marketing Survey 2004

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Introduction

The 2004 National Grocers Association (N.G.A) — Grocers Research and Education's (GREF) survey produced results that reflect a very competitive independent retail sector— one that is community oriented and passionate to exceed the expectations of the consumer.

2003 was a very successful year for many of N.G.A retail and wholesale members. This year's survey demonstrated improved collaboration among all trading partners, from increased participation in aggregated buying alliances to the sharing of consumer related data.

The results of the survey clearly illustrate that retailers have increased the use of loyalty marketing programs with a significant increase in partnering with CPG manufacturers. Also retailers have noted improvements in retail store sales/merchandising coverage—the first increase in many years. Not surprisingly, 2003 saw more N.G.A. member companies competing against Wal*Mart Supercenters. Yet one competitive dynamic has changed versus Wal*Mart this year. According to the survey, retailers have allocated fewer resources in mounting a public relations campaign and more of their energies focused on the consumer and other related marketplace issues.

This year marked a significant step of N.G.A members working in a more collaborative fashion with their wholesalers. Specifically, we experienced a 12% increase with retailers and wholesalers enhancing the development of strategic buying alliances. Moreover, retailers significantly increased their use of category management, with greater integration of consumer data and more reliance on category management for plan-o-gram development and execution.

We faced many challenges in 2003— but all in all we have made very significant changes that have improved our ability to successfully compete with the marketplace. On behalf of the N.G.A staff, we hope you find this survey useful. If you would like additional copies, please call us or download at www.nationalgrocers.org.

Sincerely,

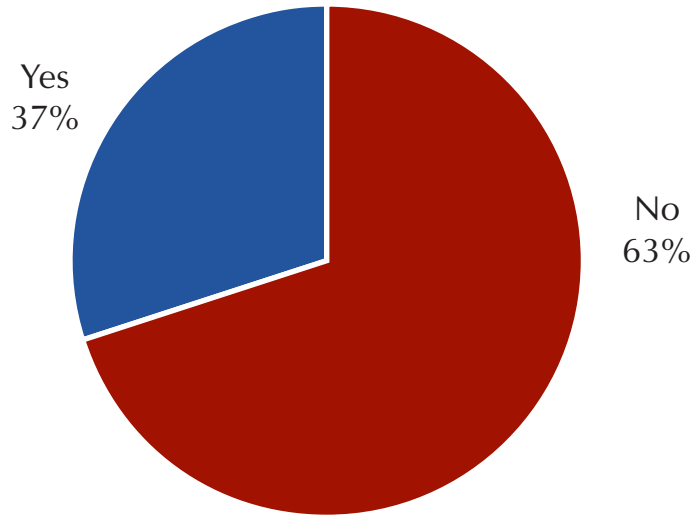
A handwritten signature in black ink that reads "Frank DiPasquale". The signature is written in a cursive, flowing style.

Frank DiPasquale
Senior Vice President, National Grocers Association
Executive Director, Grocers Research & Education Foundation

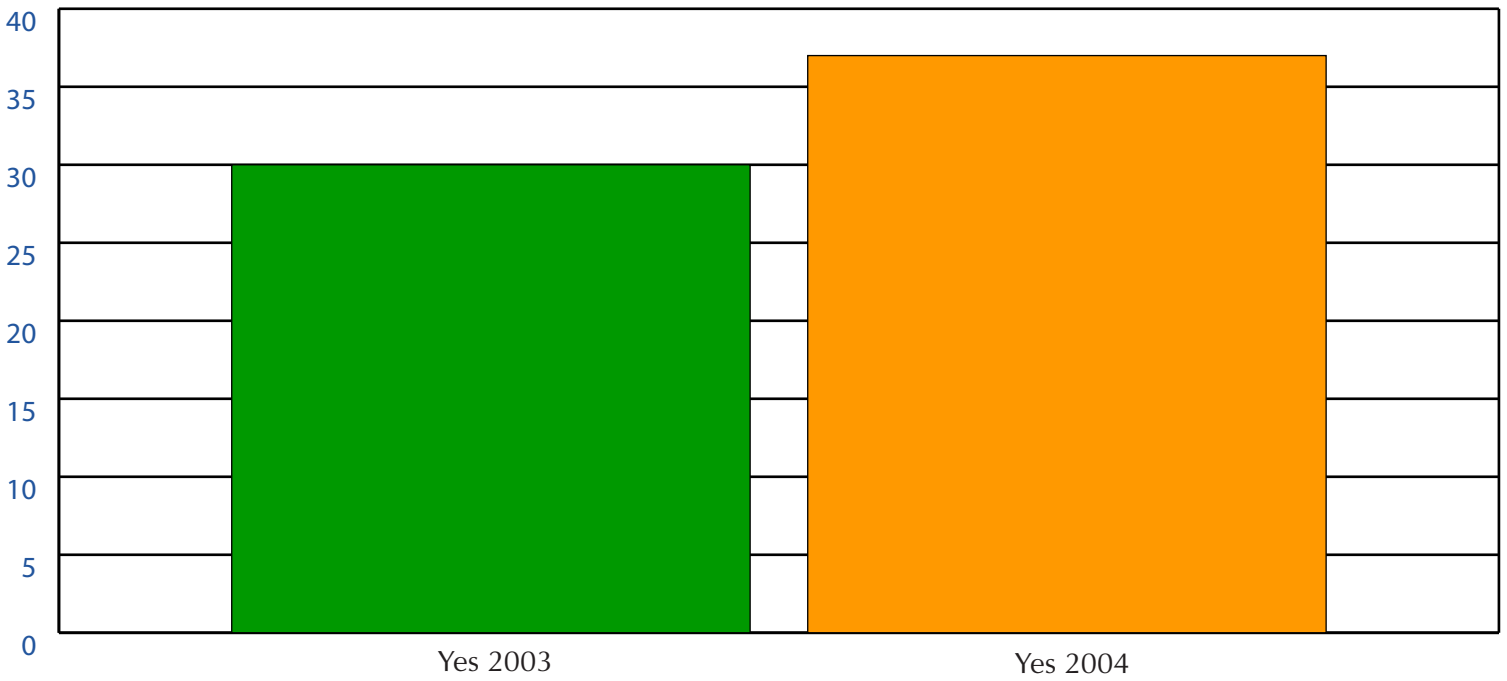
Loyalty Marketing

1. Are you currently engaged in a loyalty marketing/frequent shopper program?

2004 Responses

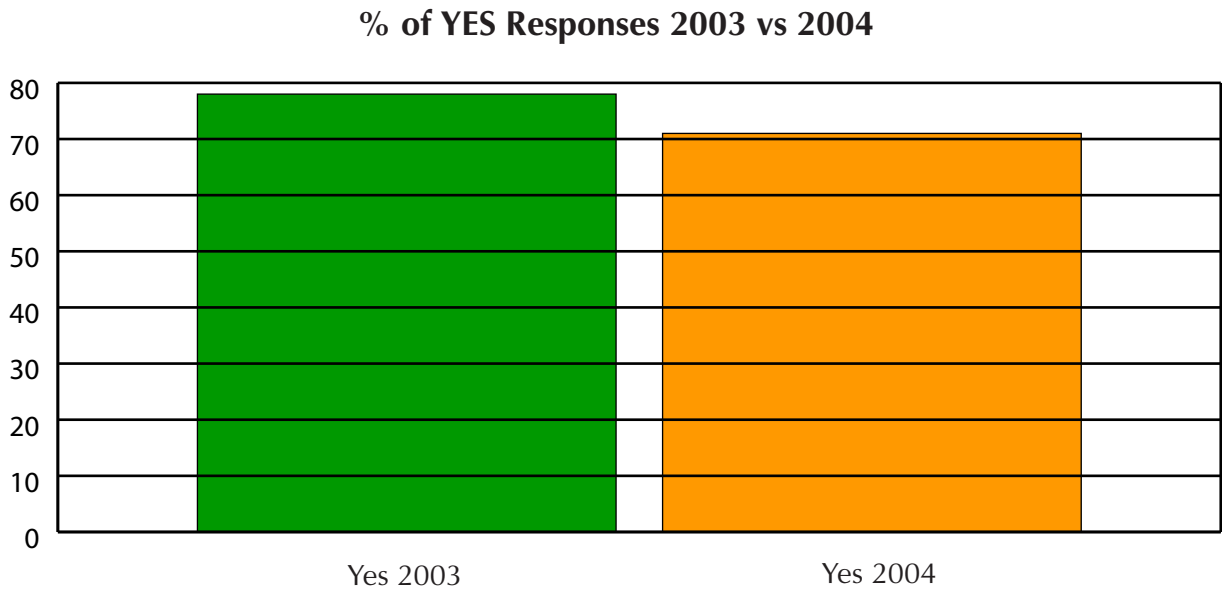
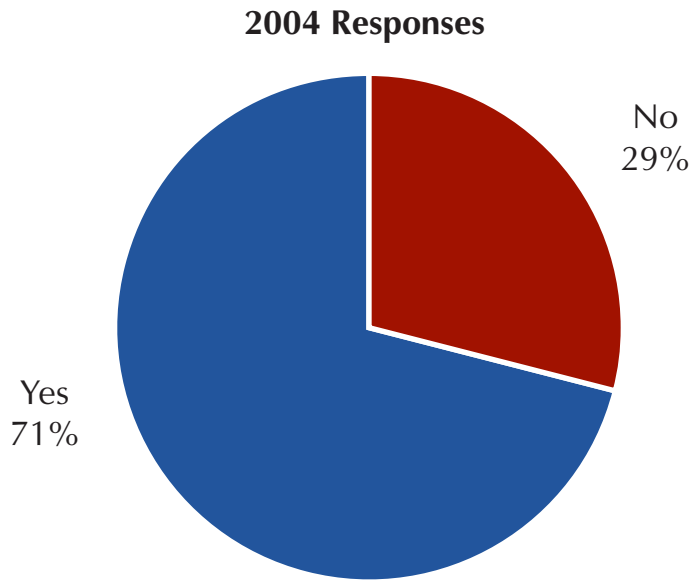


% of YES Responses 2003 vs 2004



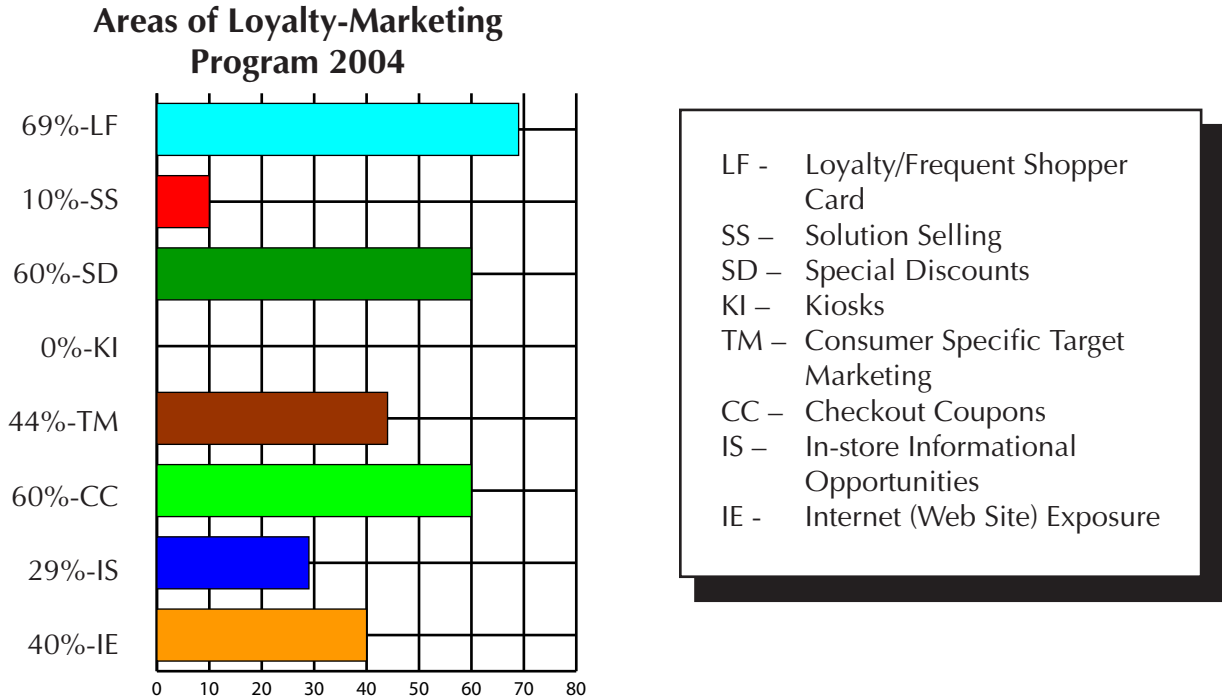
Loyalty Marketing

2. Is this program card based?



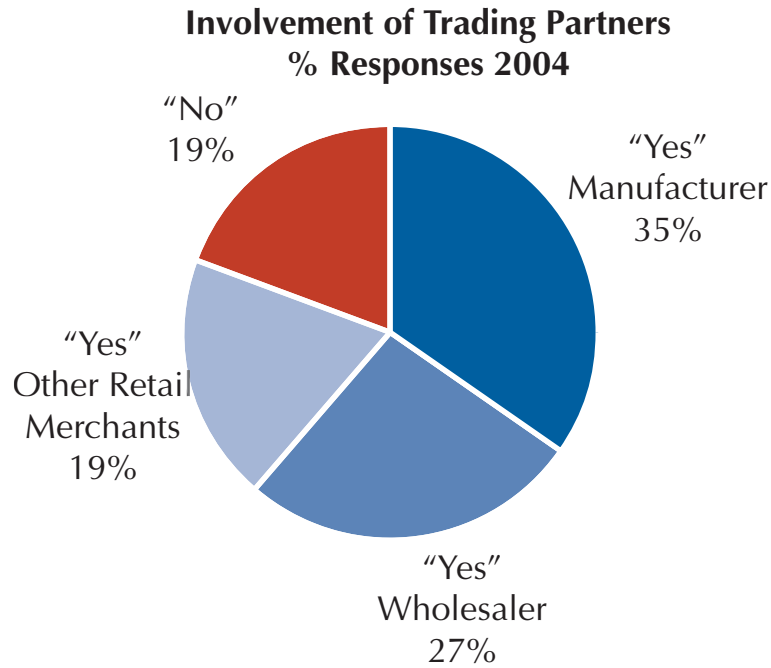
Loyalty Marketing

3. Which of the following does your loyalty-marketing program include?

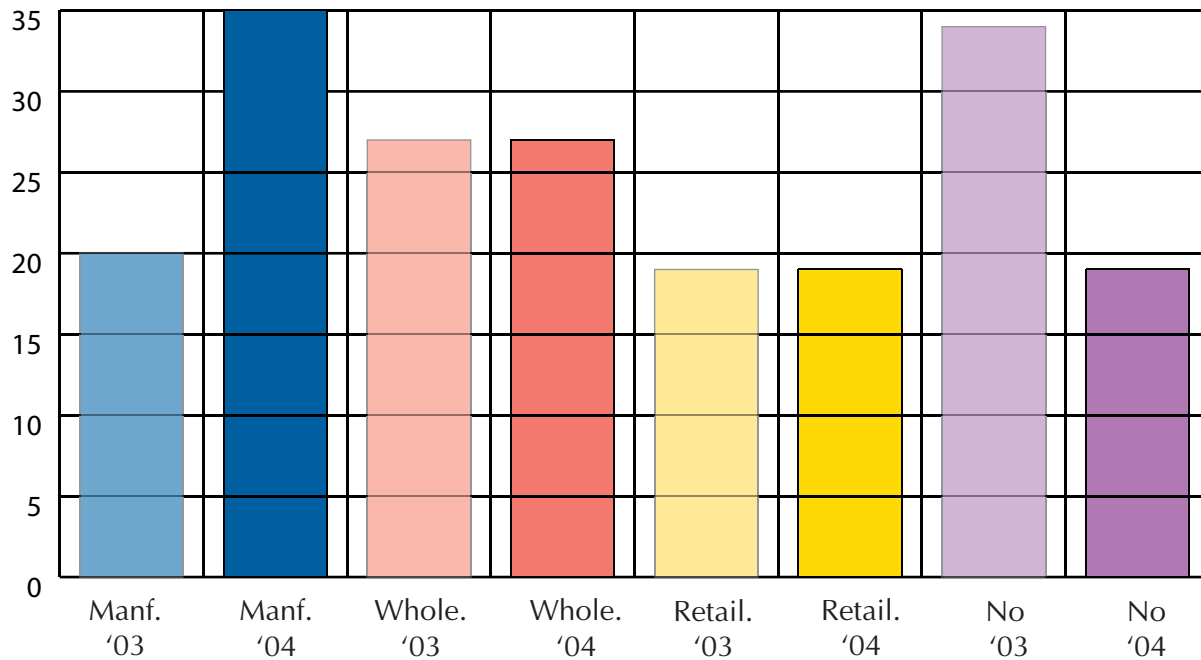


Loyalty Marketing

4. Does your loyalty/frequent shopper program involve any of your trading partners?



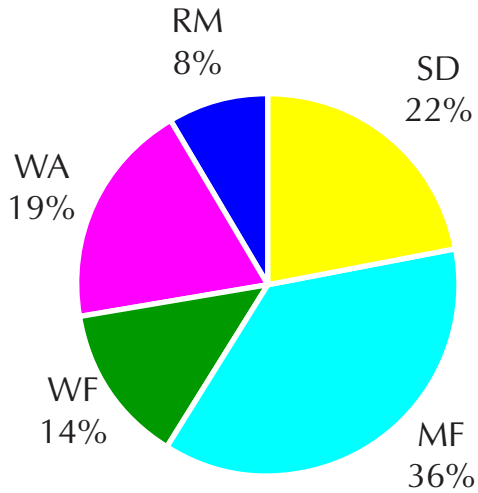
Comparison of Responses 2003 vs 2004



Loyalty Marketing

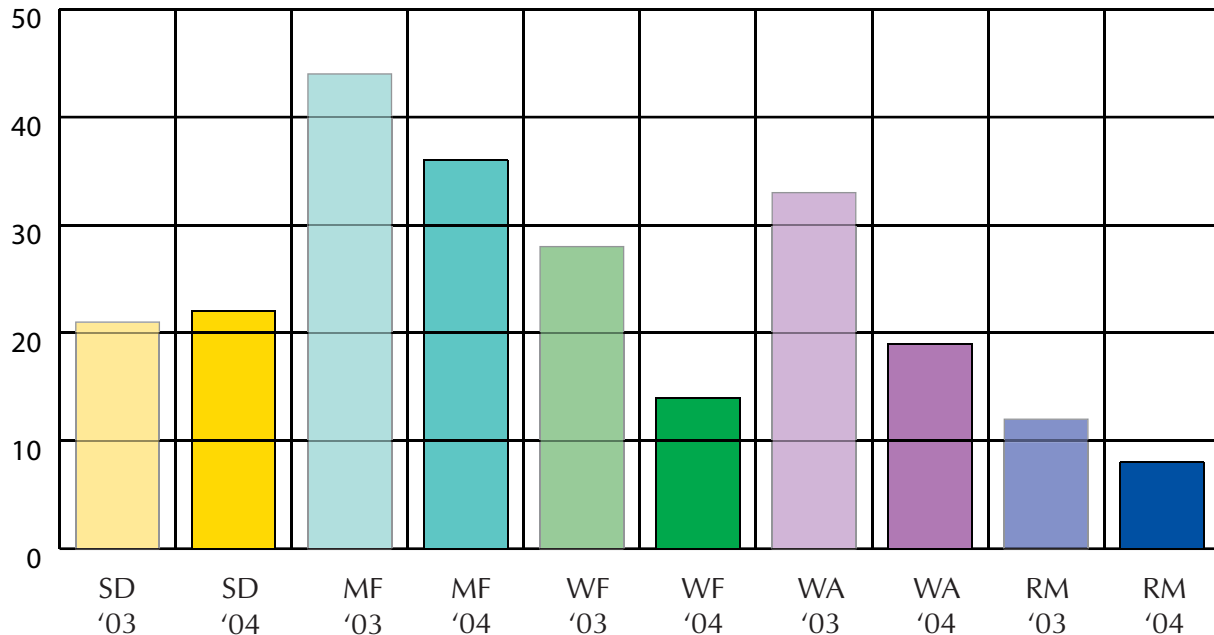
5. How is your trading partner currently involved in your loyalty shopper program?

Trading Partners Involvement 2004



SD - Sharing data with manufacturer and/or wholesaler
 MF - Manufacturer funding support
 WF - Wholesaler funding support
 WA - Wholesaler administrative support
 RM - Other retail merchants share in cost of production

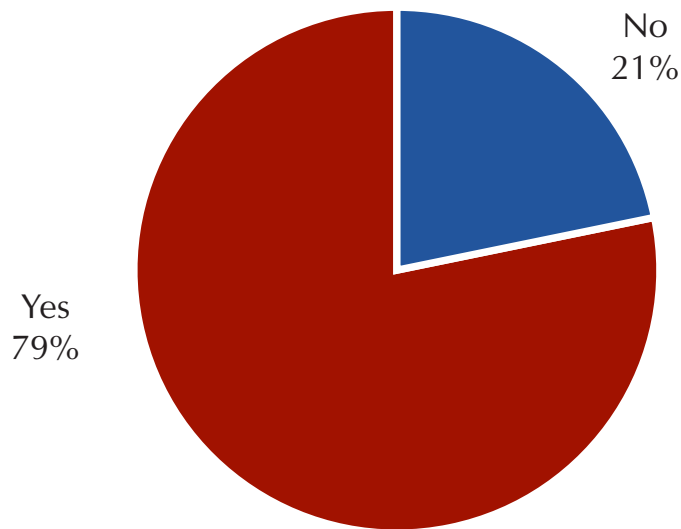
% of Responses Trading Partners 2003 vs 2004



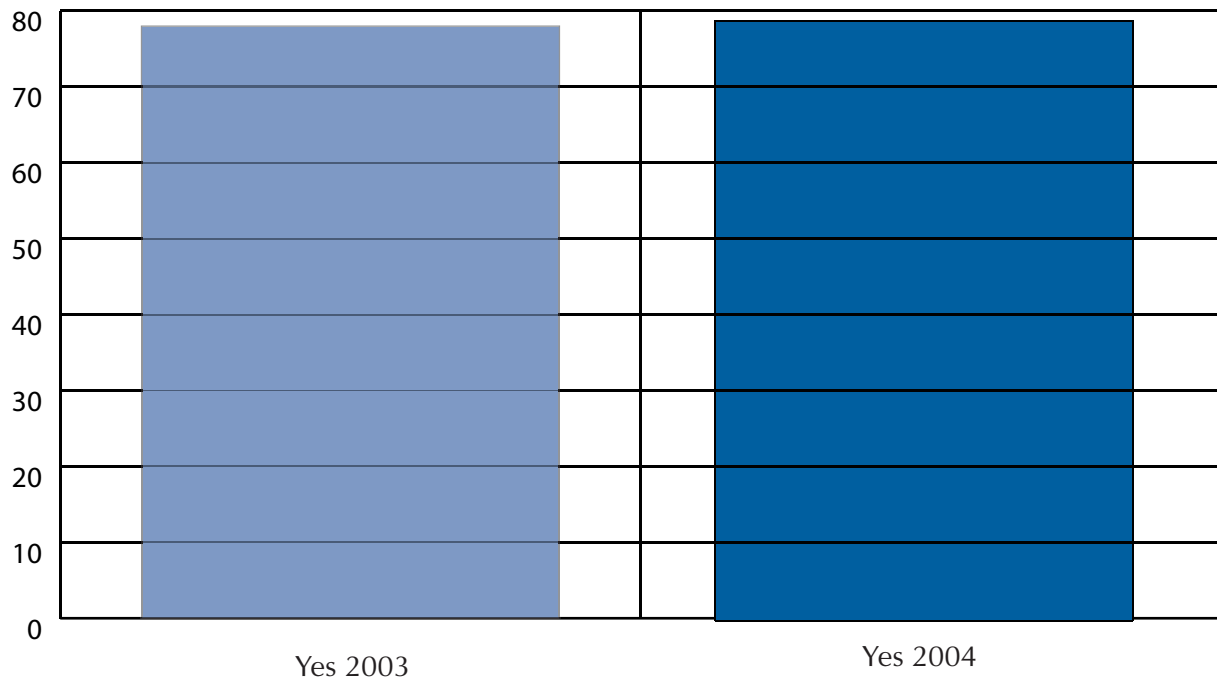
Loyalty Marketing

6. Are you pleased with the results of your loyalty/frequently shopper program?

Satisfaction with Loyalty/Frequent Shopper Program 2004



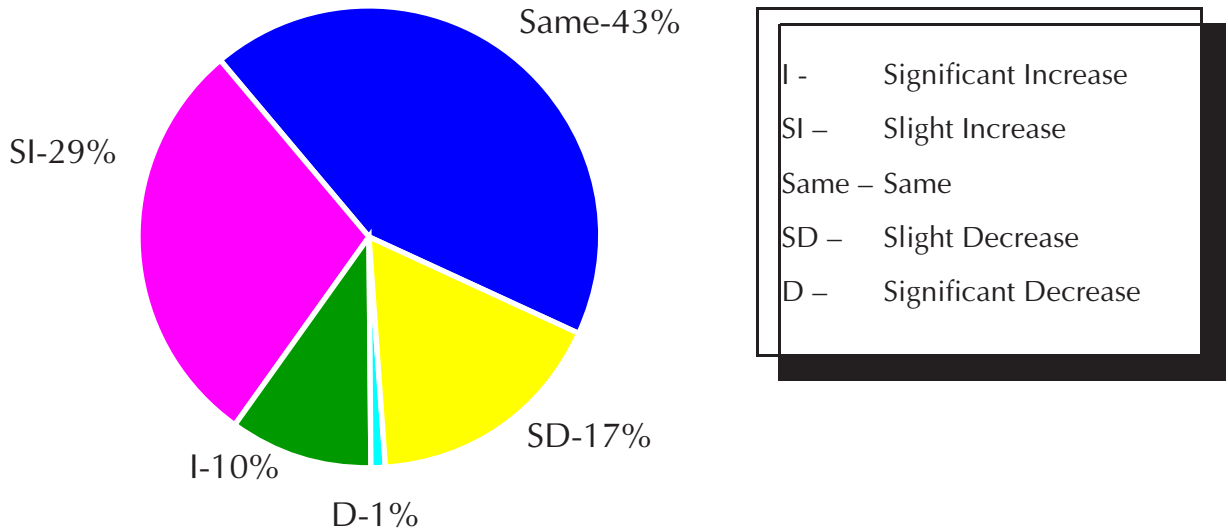
% of Responses 2003 vs 2004



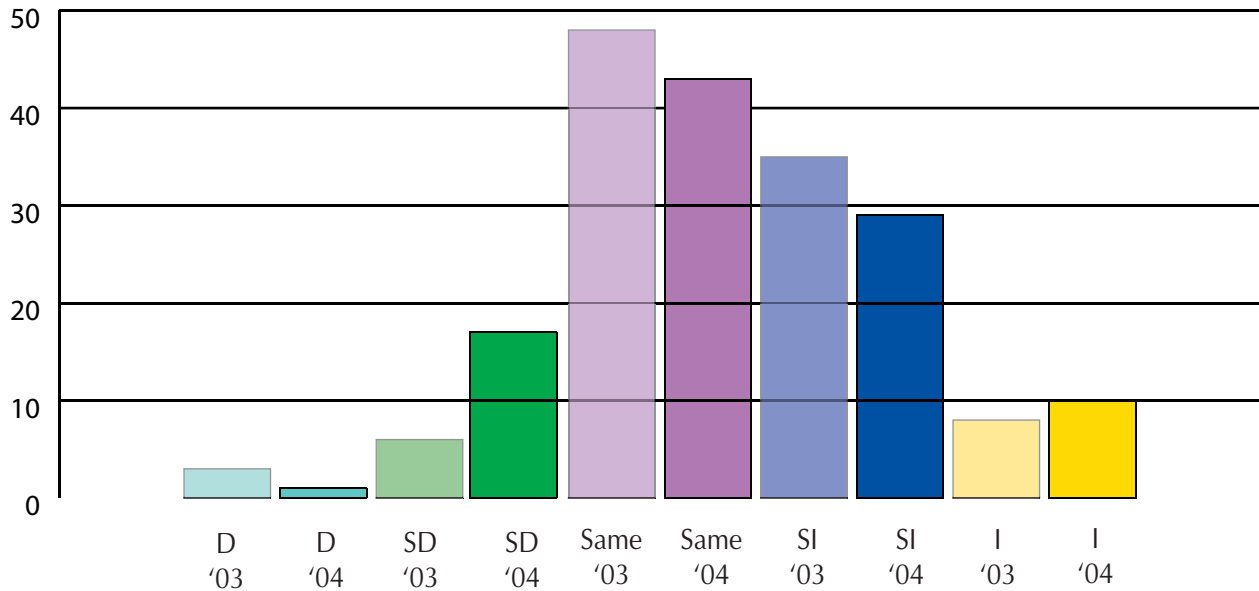
Advertising Budget

7. Please describe your FY 2004 advertising budget as compared to FY 2003.

**FY2003 Advertising Budget
% of Responses**

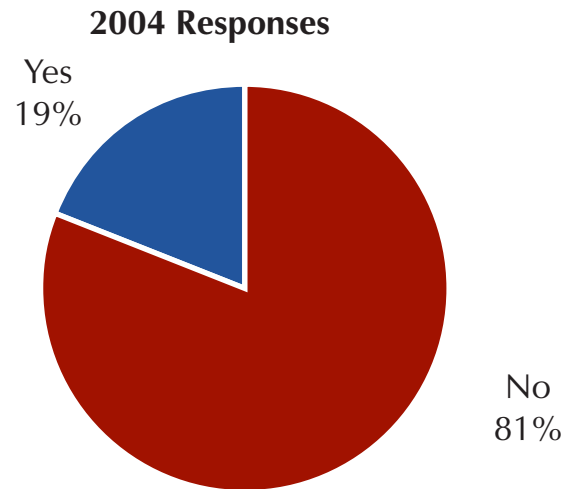


% of Responses 2003 vs 2004

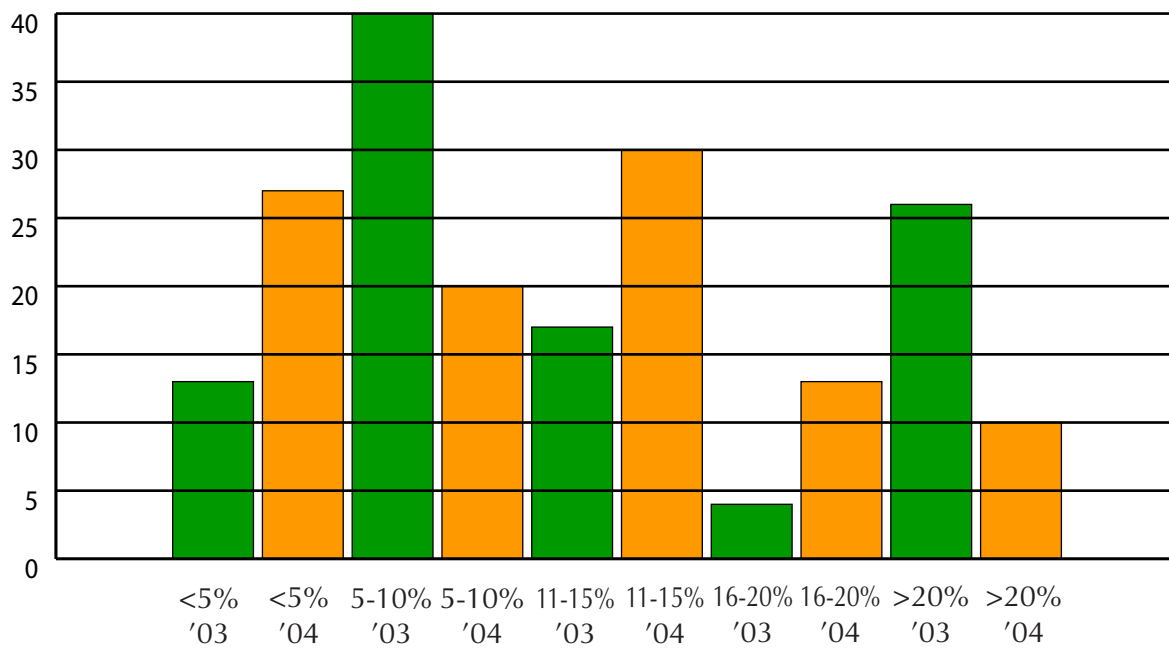


Advertising Budget

8. Have you shifted advertising dollars from “traditional methods” to a frequent shopper/loyalty program?

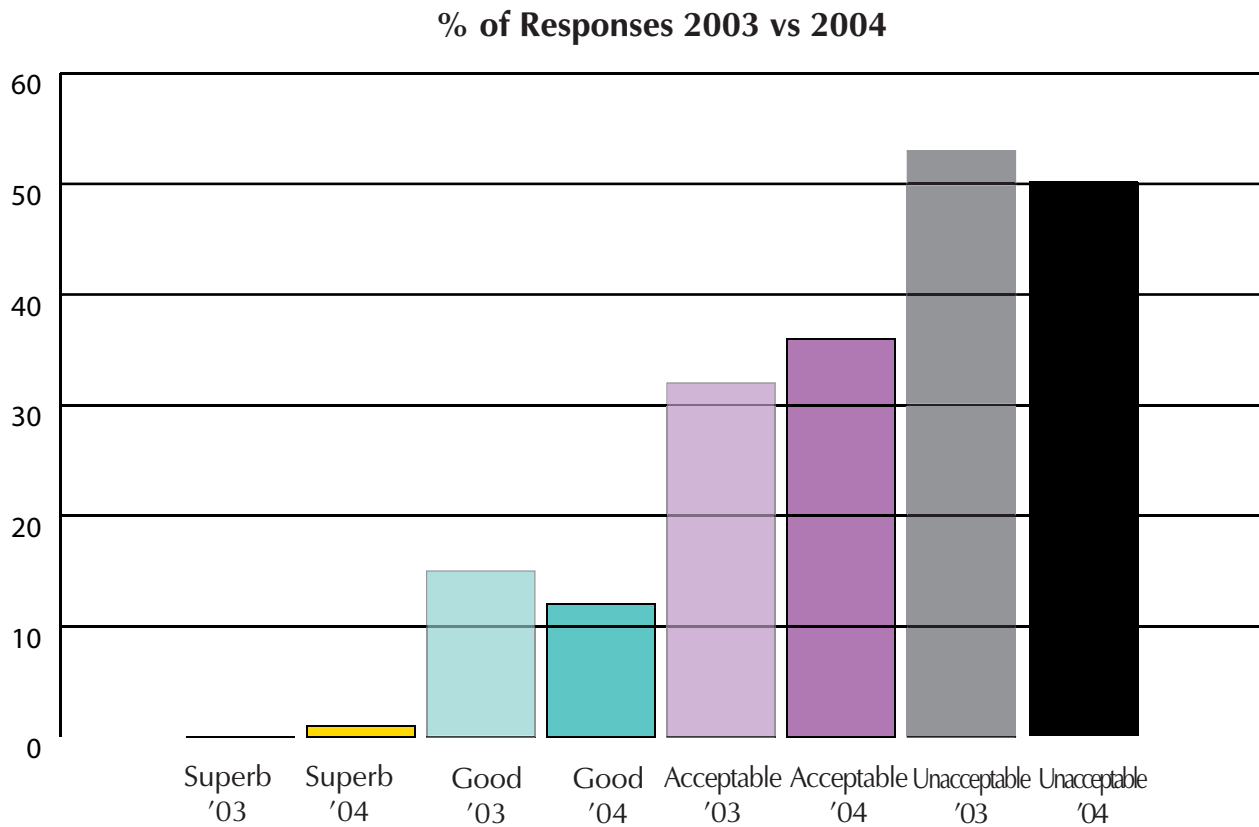
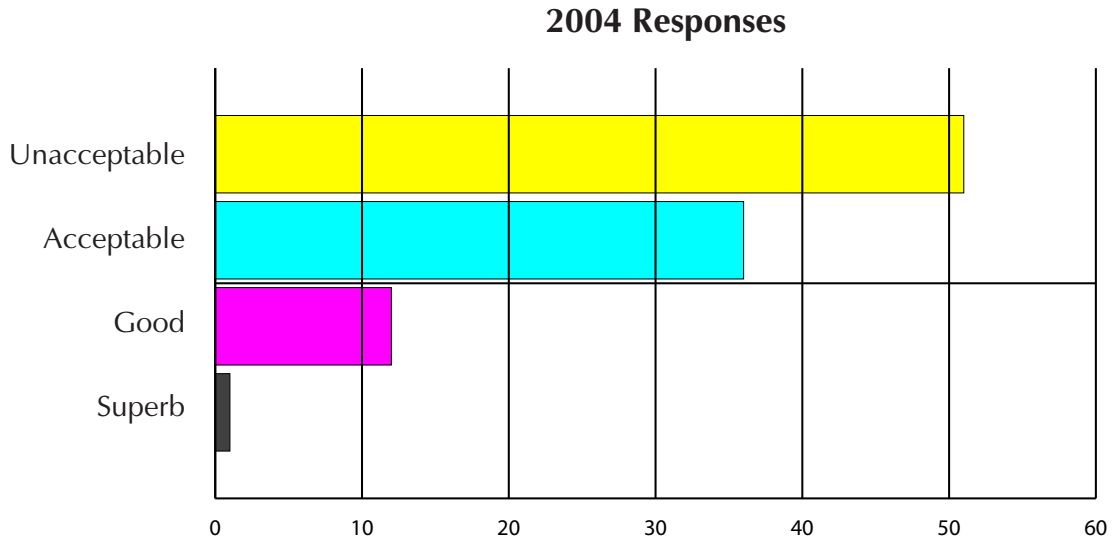


Comparison of % Increase in Advertising Dollars Shifting to Loyalty Shopper Programs 2003 vs 2004



Retail Coverage

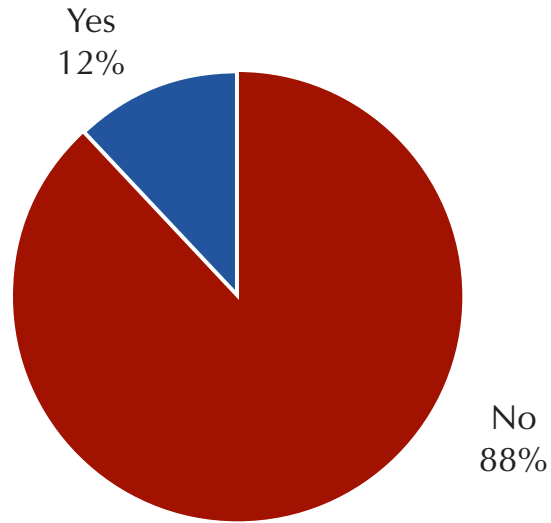
9. Which word most accurately describes your current retail store sales/merchandising coverage from manufacturers?



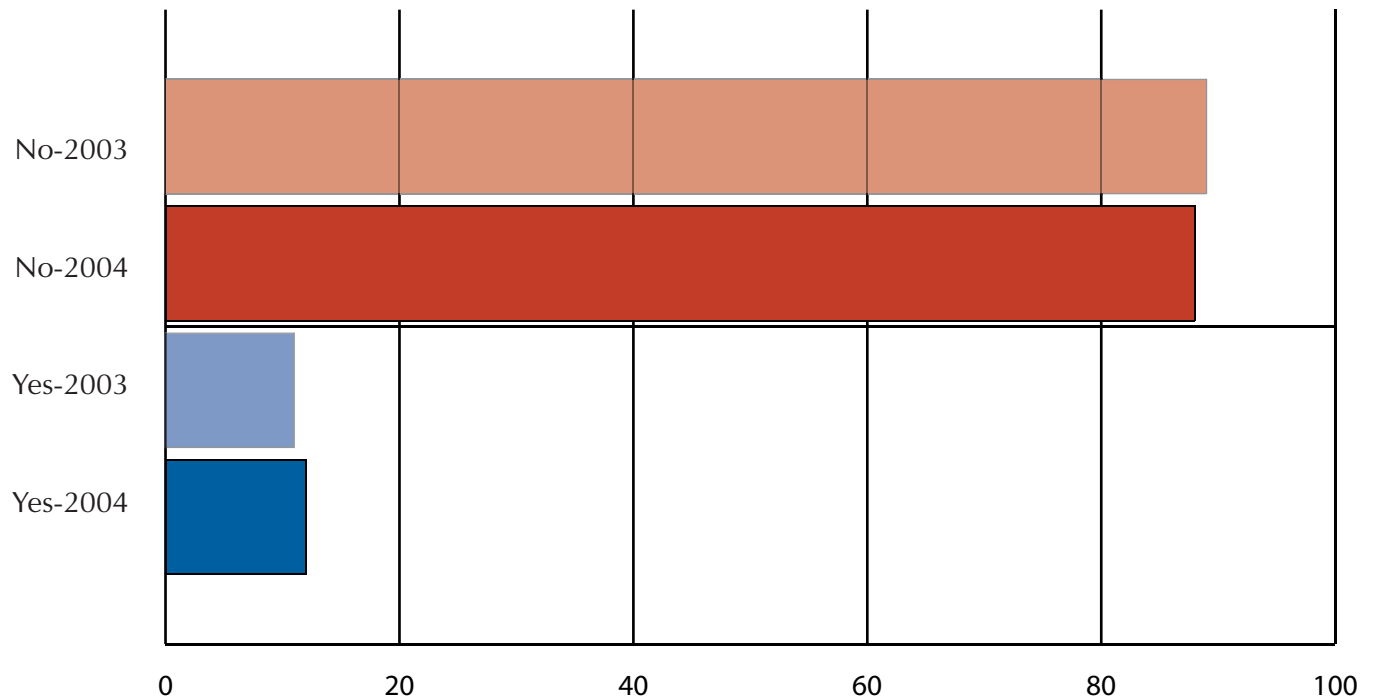
Retail Coverage

10. Do you believe retail store coverage will improve?

**Will Retail Coverage Improve?
2004 Responses**



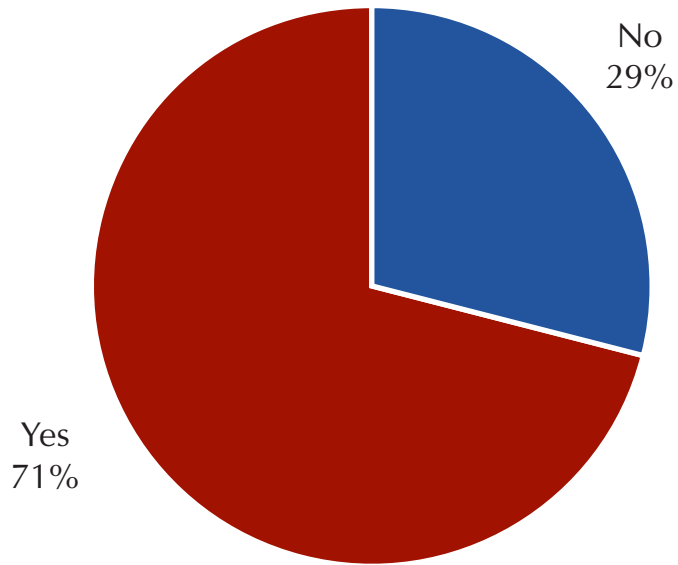
Comparison of Responses 2003 vs 2004



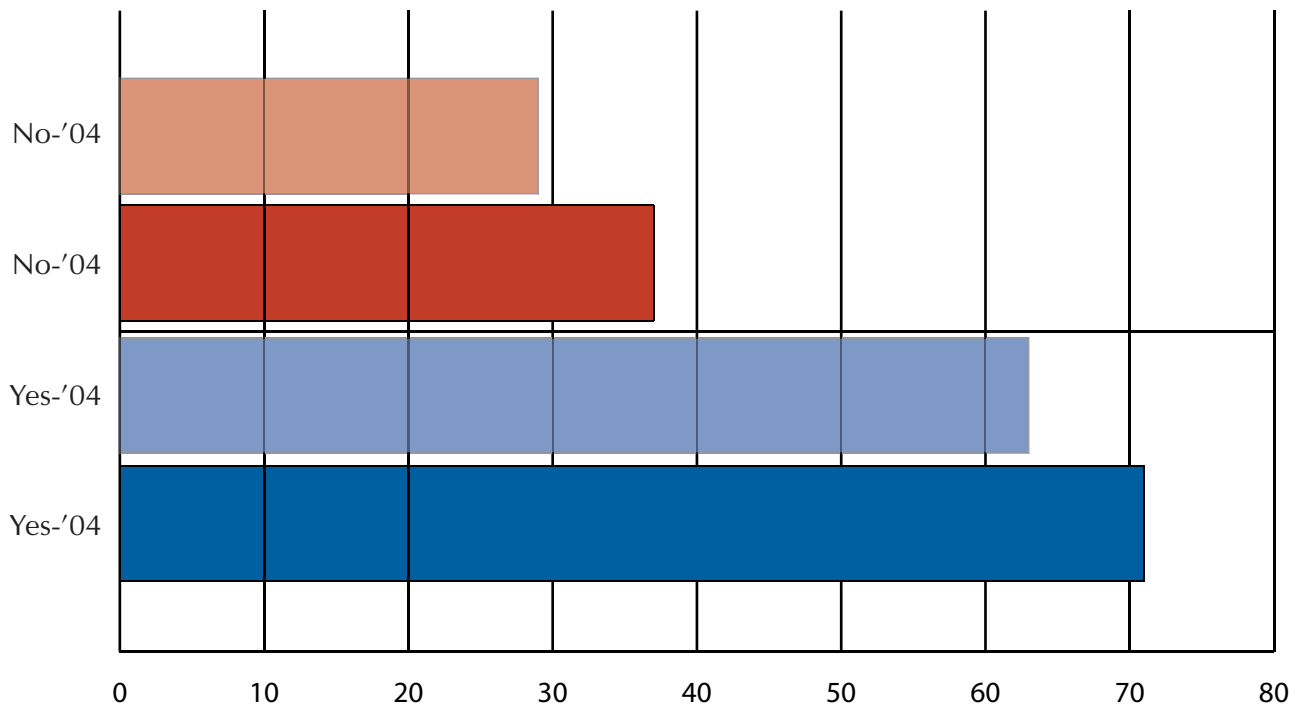
Competing with the Supercenters

11. Do you currently compete against a supercenter?

2004 Responses

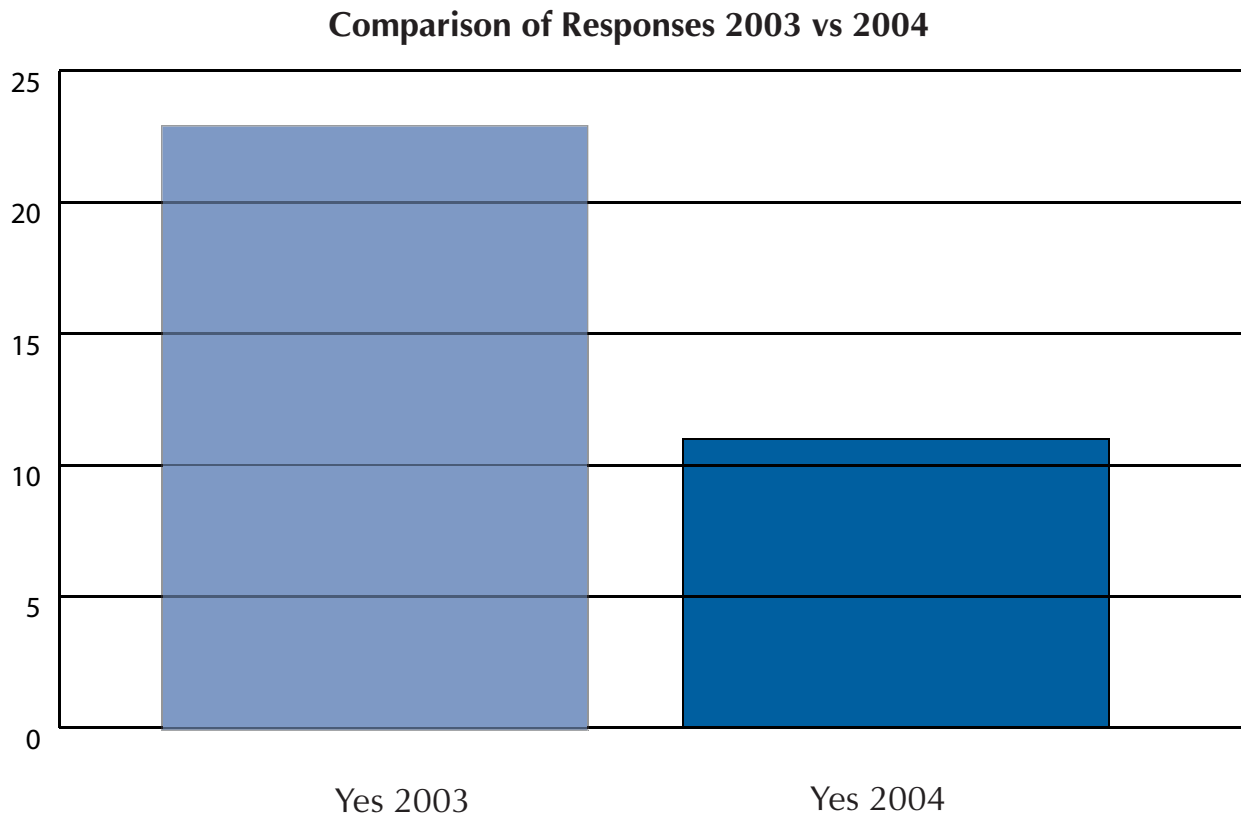
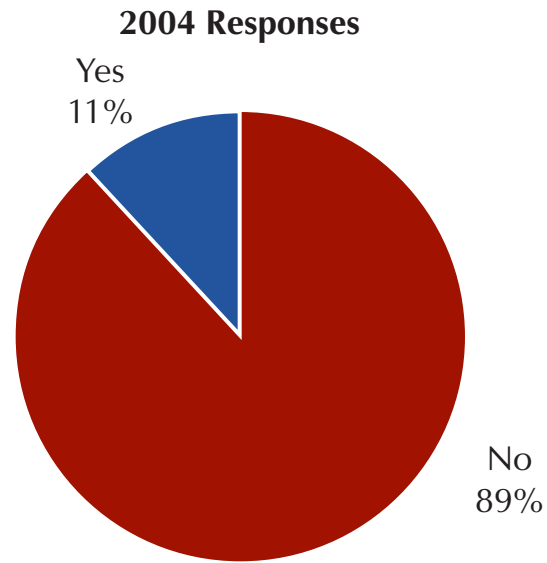


% of Responses 2003 vs 2004



Competing with the Supercenters

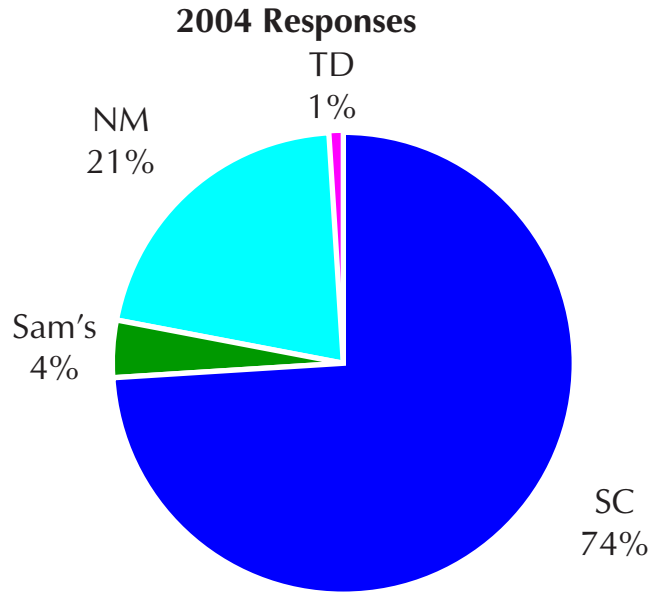
12. If you do compete against a supercenter, have you mounted a public relations campaign against it?



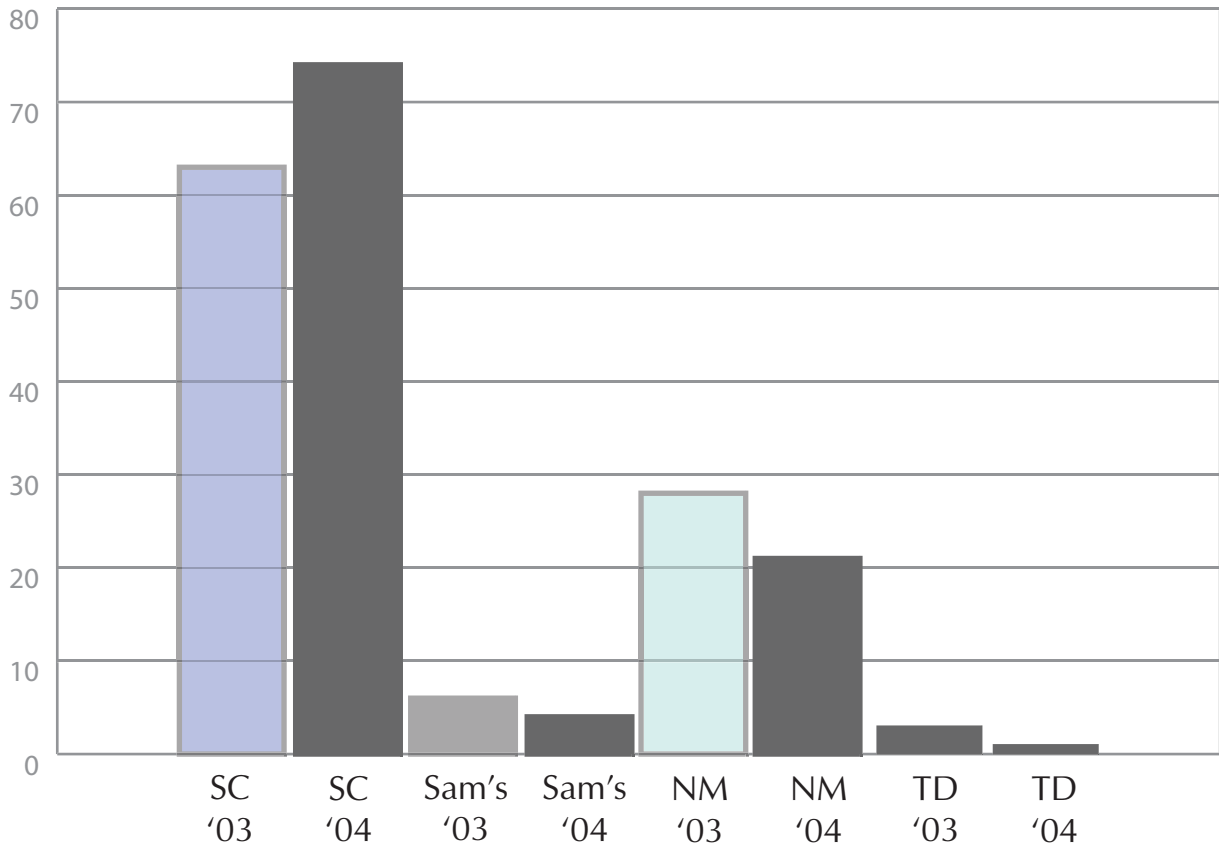
Competing with the Supercenters

13. Which Wal-Mart format concerns you the most?

SC	–	Supercenter
Sam's	–	Sam's Club
NM	–	Neighborhood Market
TD	–	Traditional Discount Format

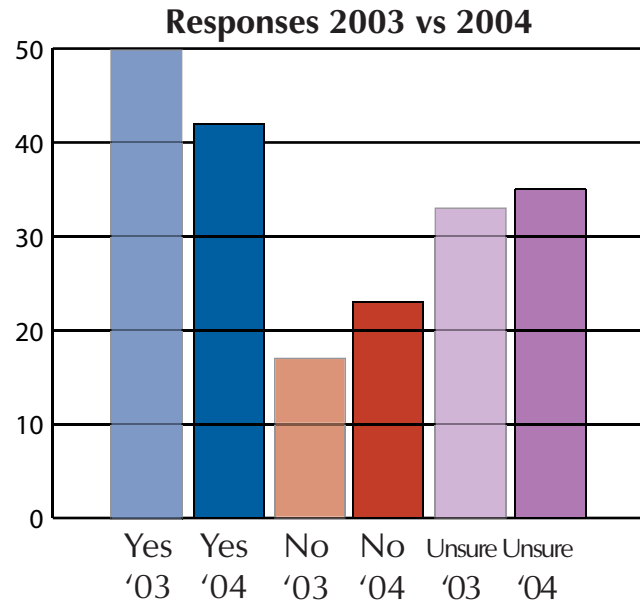
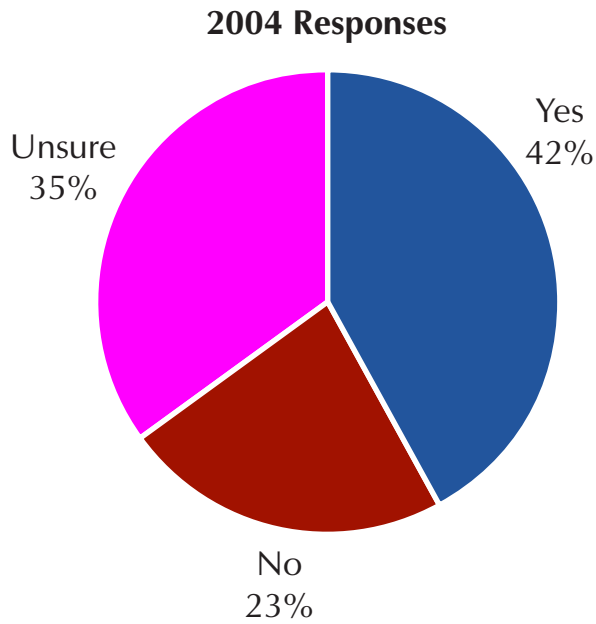


Comparison of Responses 2003 vs 2004

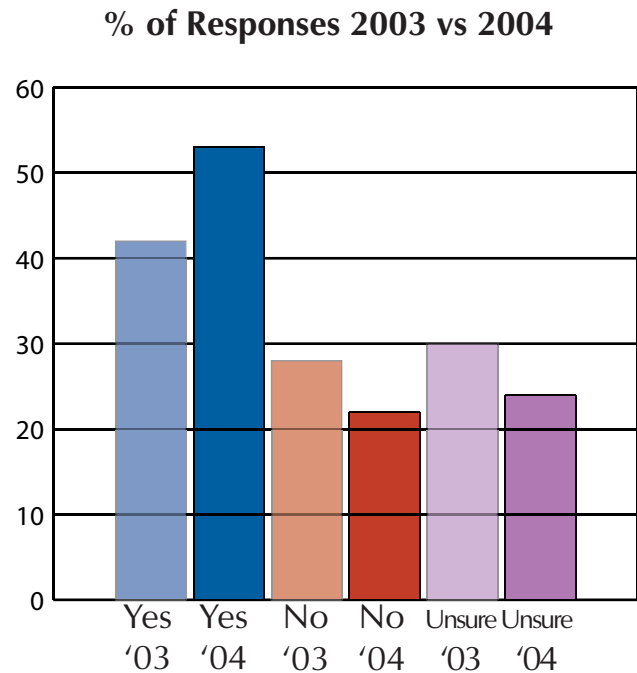
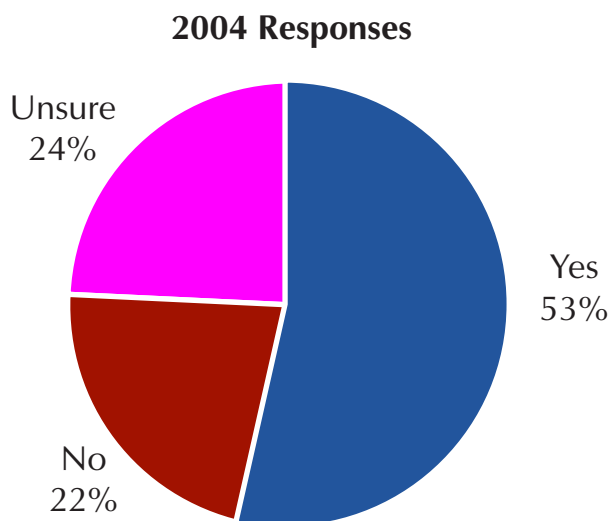


Competing with the Supercenters

14. Is your wholesaler working together with other wholesalers to improve buying leverage?



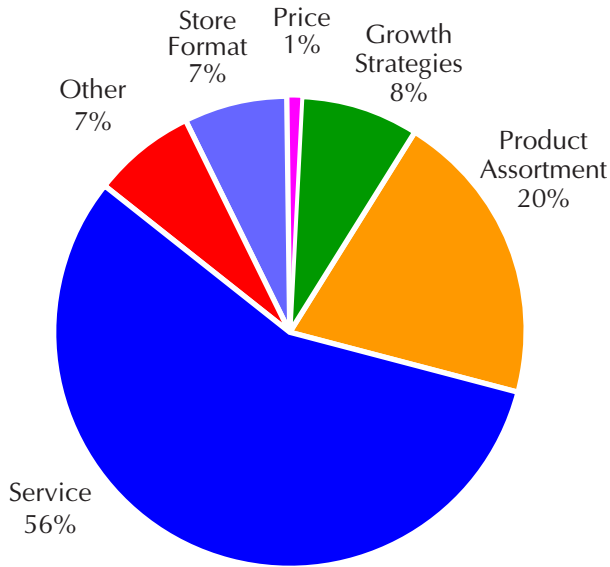
15. Are you and your wholesaler working with other retailers to achieve critical mass for buying leverage?



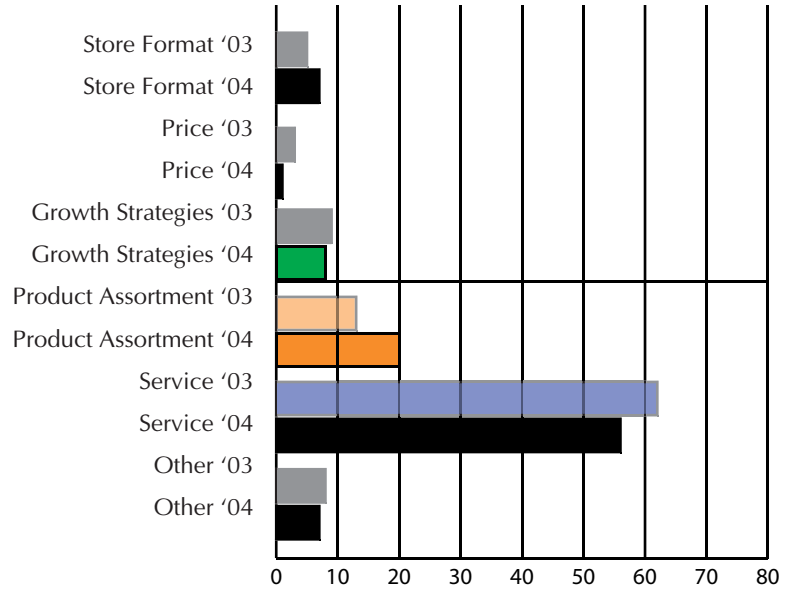
Competing with the Supercenters

16. How do you feel grocers can best compete with Wal-Mart Supercenters?

2004 Responses



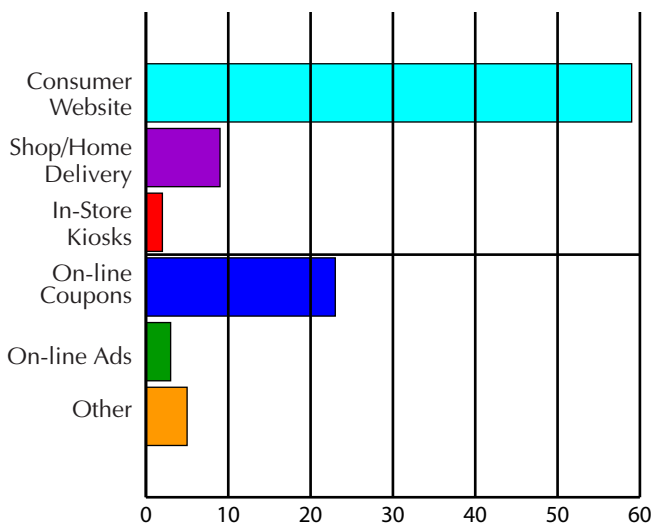
Responses 2003 vs 2004



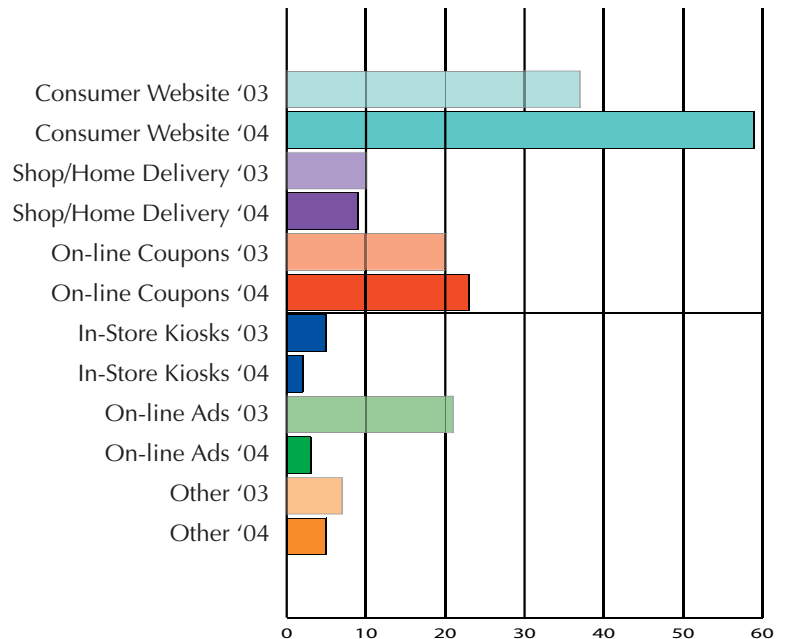
Electronic Marketing/Electronic Commerce

17. Do you currently engage in any type of electronic marketing?

2004 Responses as a %

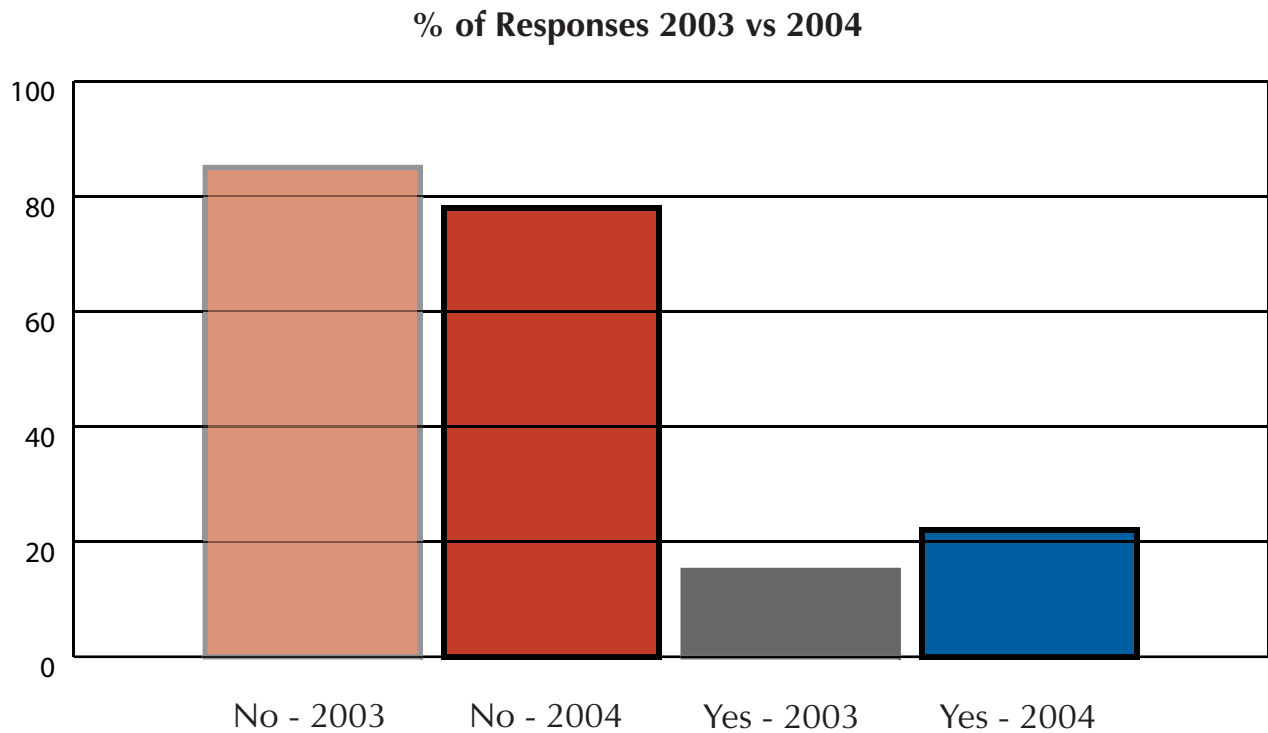
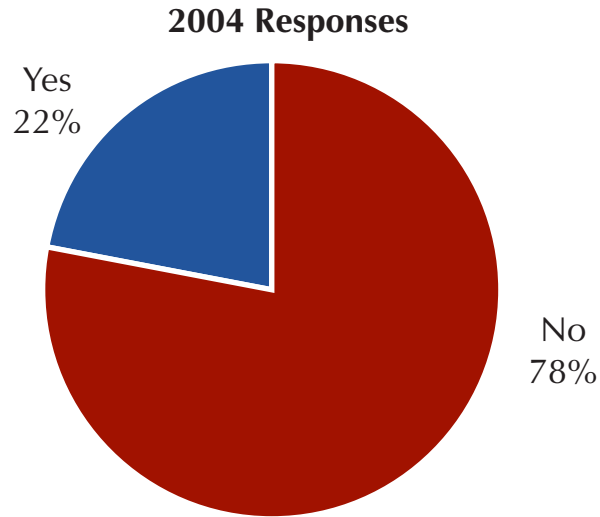


% Responses 2003 vs 2004



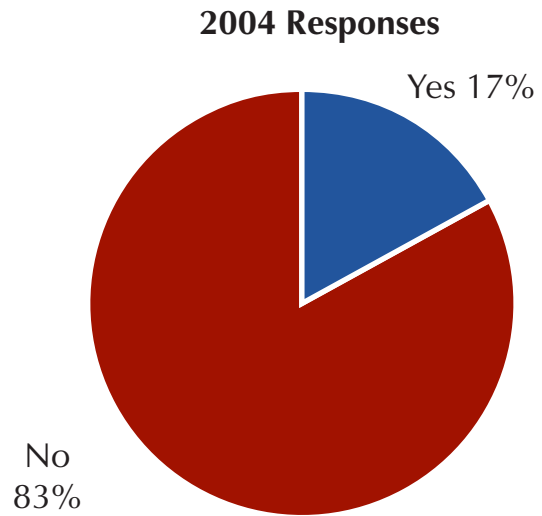
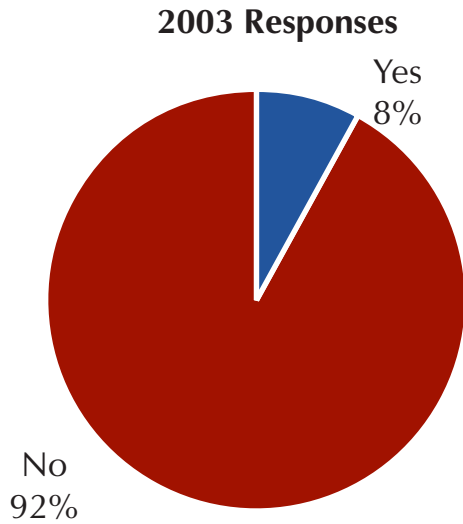
Electronic Marketing/Electronic Commerce

18. Considering Return on Investment (ROI), has the Internet been a beneficial consumer sales tool for your company?

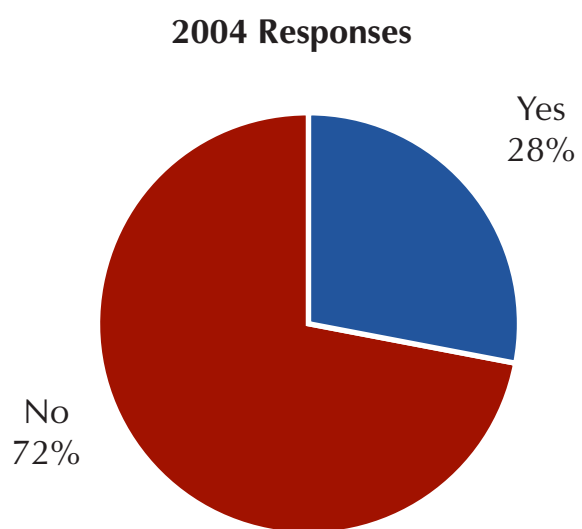
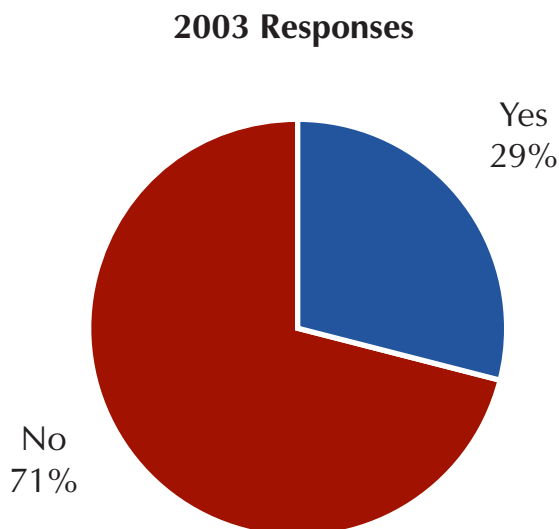


Electronic Marketing/Electronic Commerce

19. Are you working with your wholesaler to develop a common e-commerce strategy on a single technology platform?

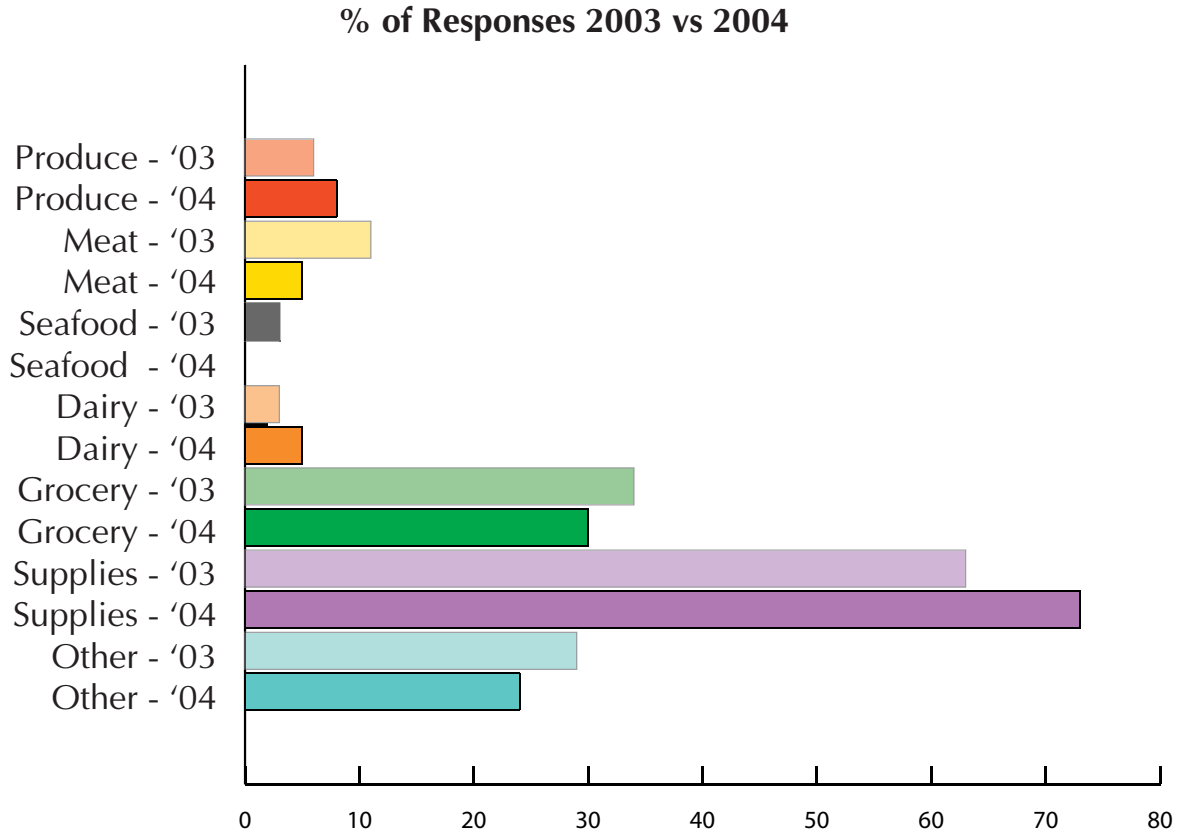


20. Has your company located and purchased any products or supplies from an on-line marketplace or business to business exchange?

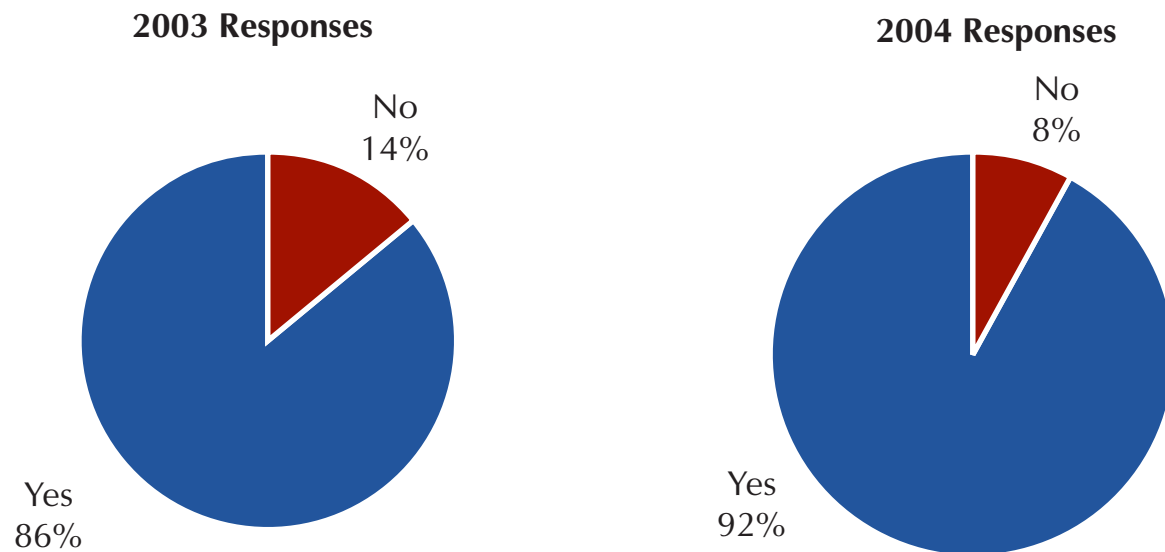


Electronic Marketing/Electronic Commerce

21. If you answered **yes**, to #20 please indicate the types of products you have used these exchanges to buy.



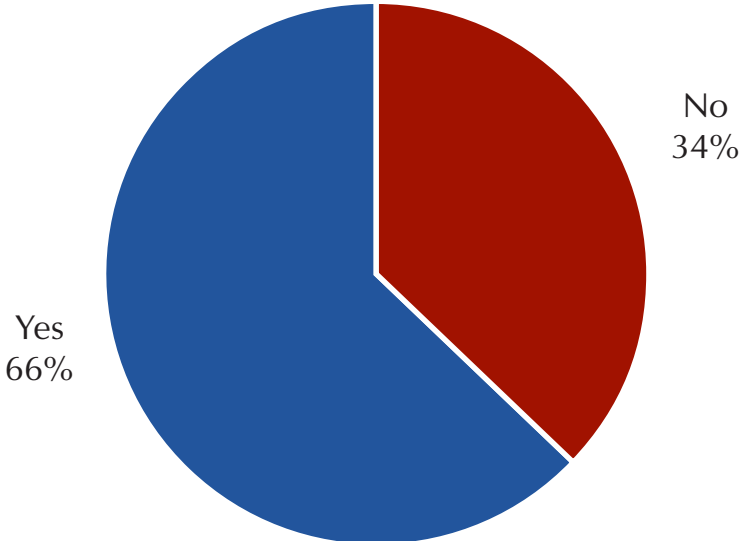
22. If you answered **yes**, to #20 do you plan to continue using the on-line exchange?



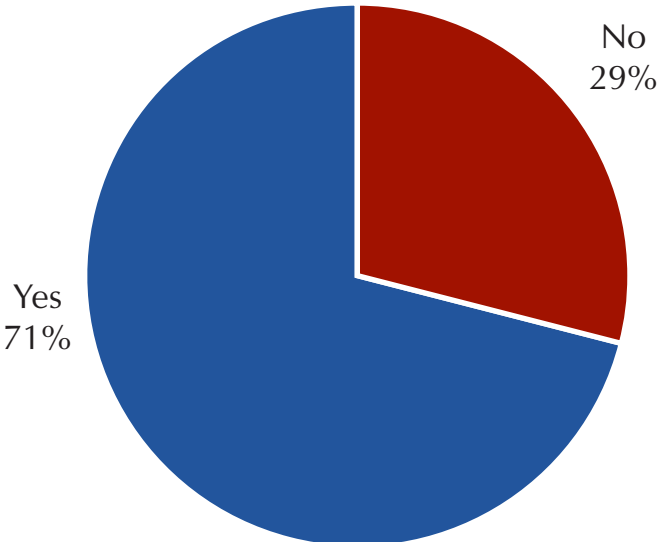
Strategic Resource Allocation

23. Do you use category management?

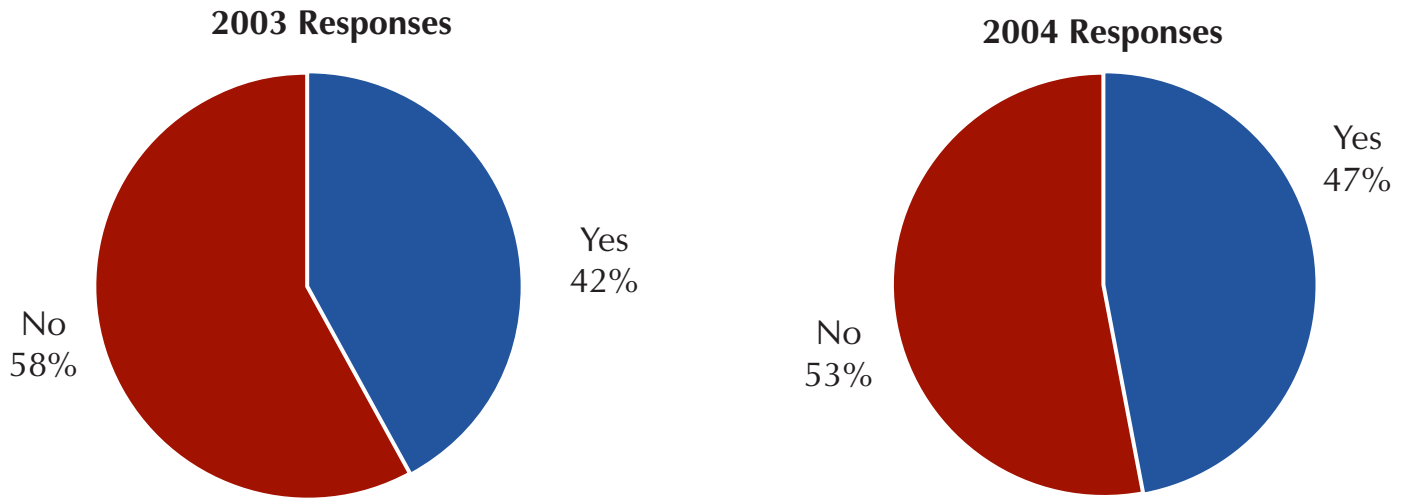
2003 Responses



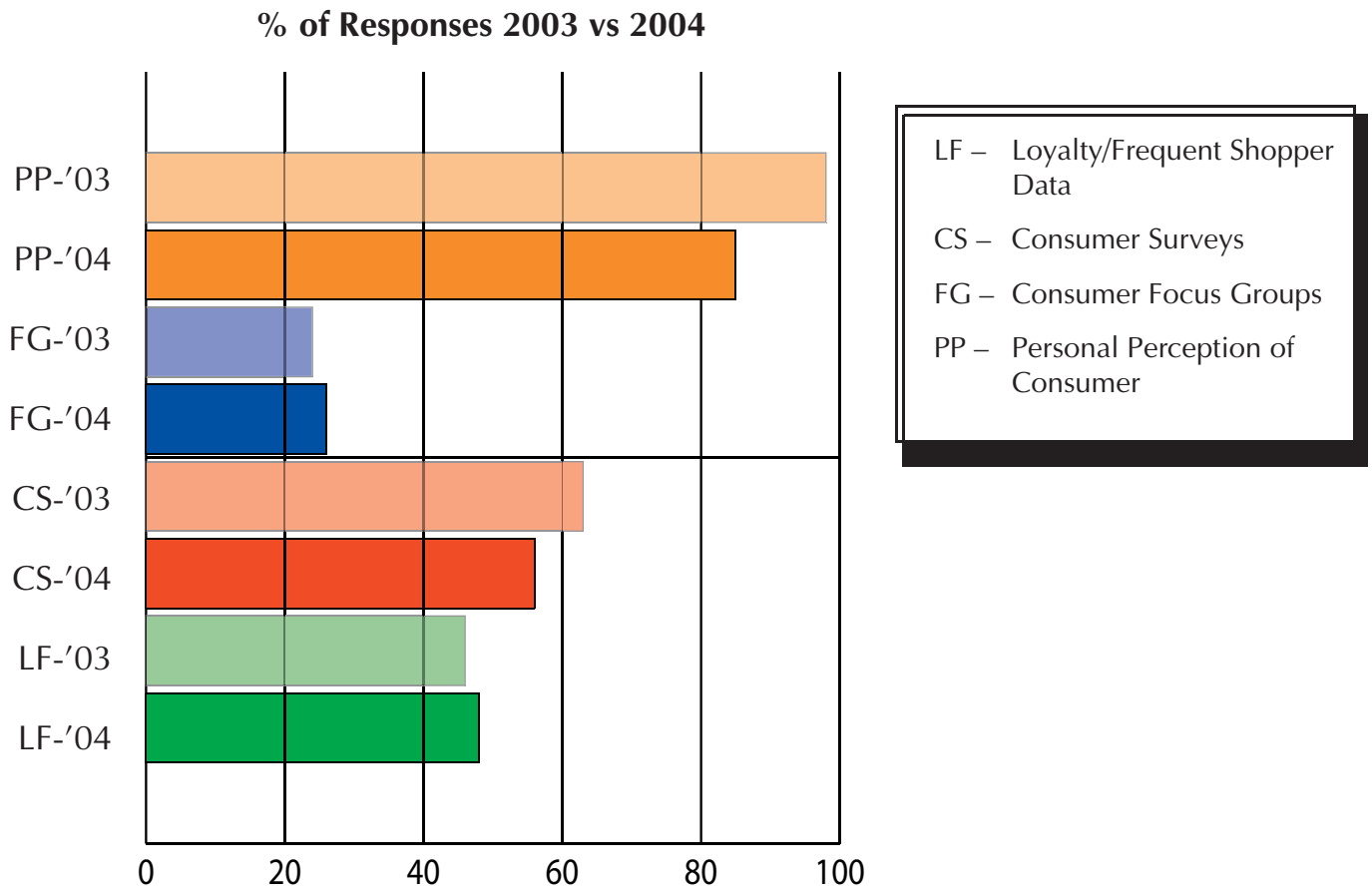
2004 Responses



24. Do you currently use consumer-based data for category management?

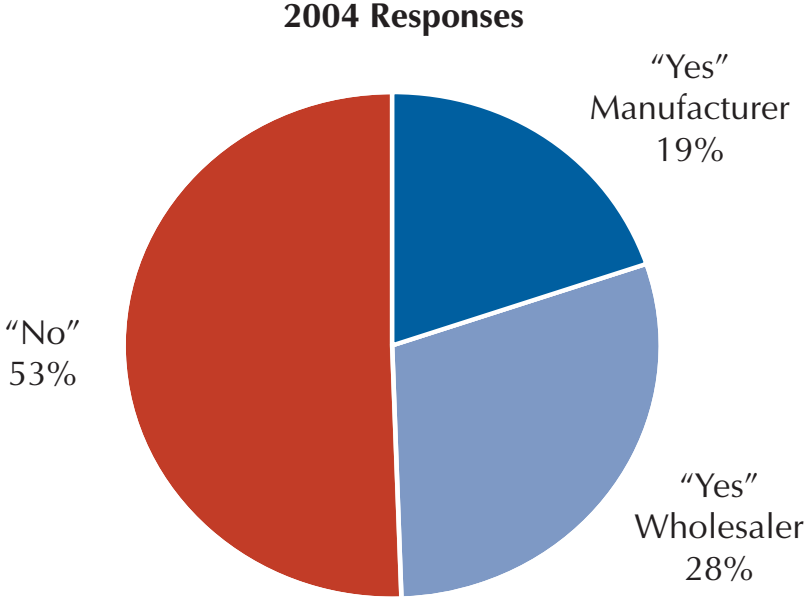
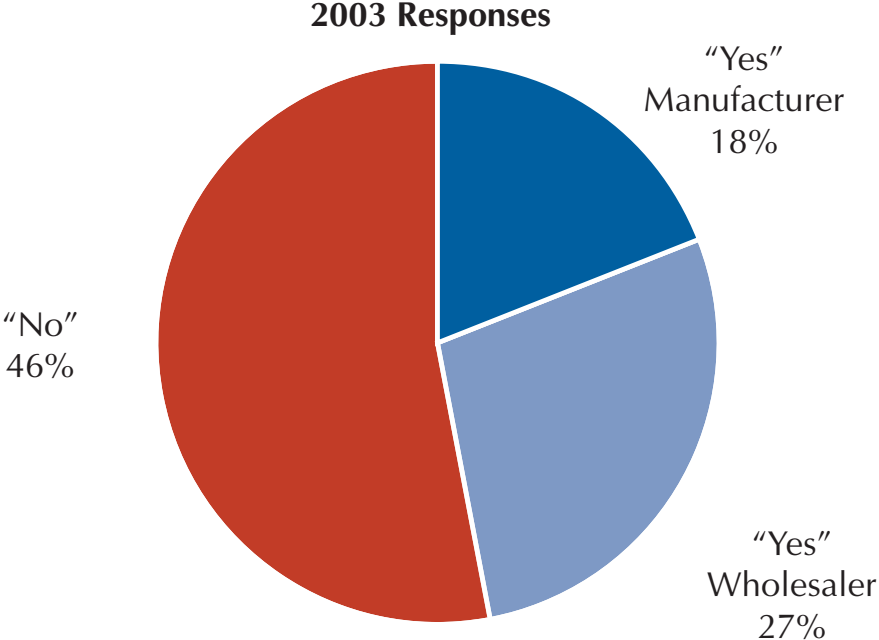


25. If you used consumer information, what were the applicable sources?



Strategic Resource Allocation

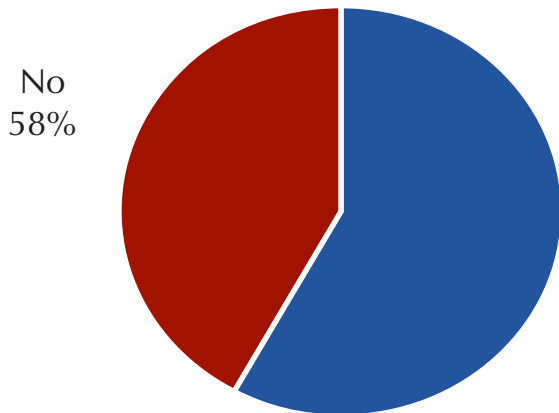
26. Do you currently share your consumer related information with any of your trading partners?



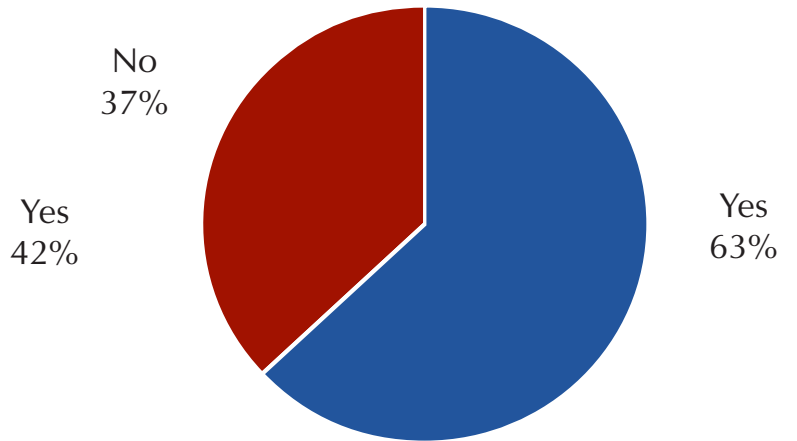
Strategic Resource Allocation

27. Does your company currently use a category plan that includes an implementation plan and planogram?

2003 Responses

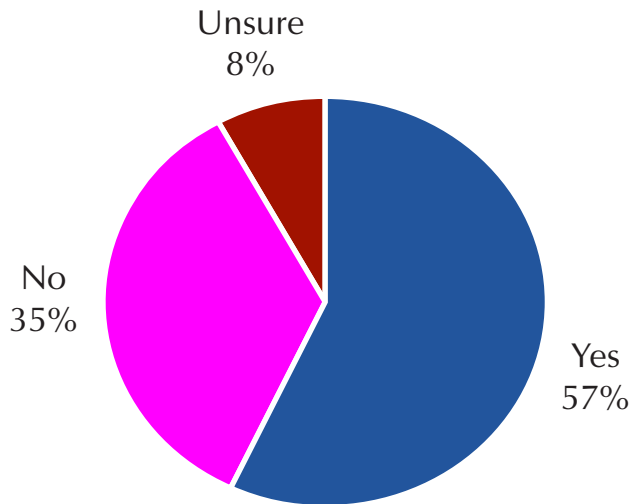


2004 Responses

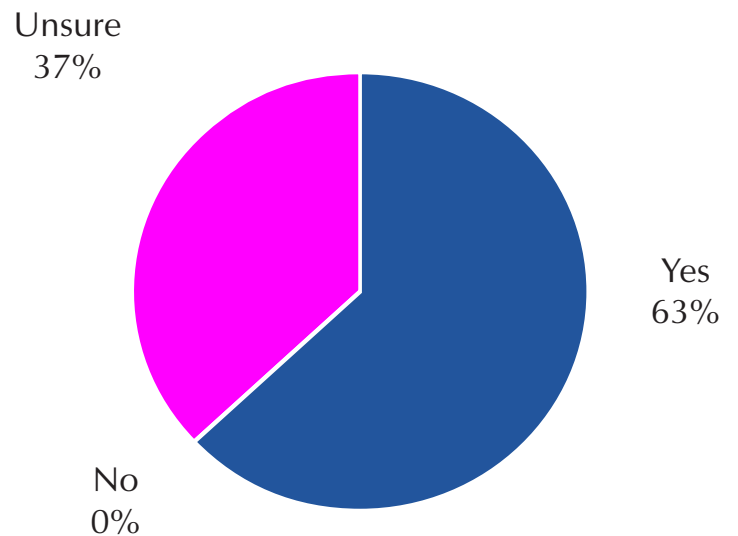


If yes, is it improving category performance?

% of Responses 2003

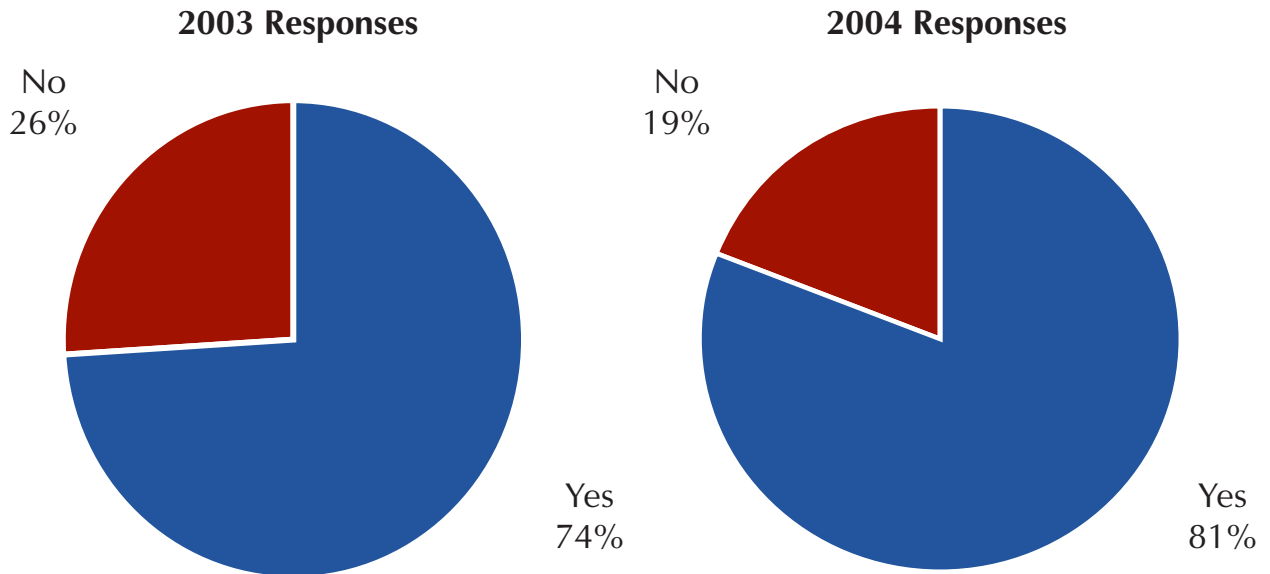


% of Responses 2004

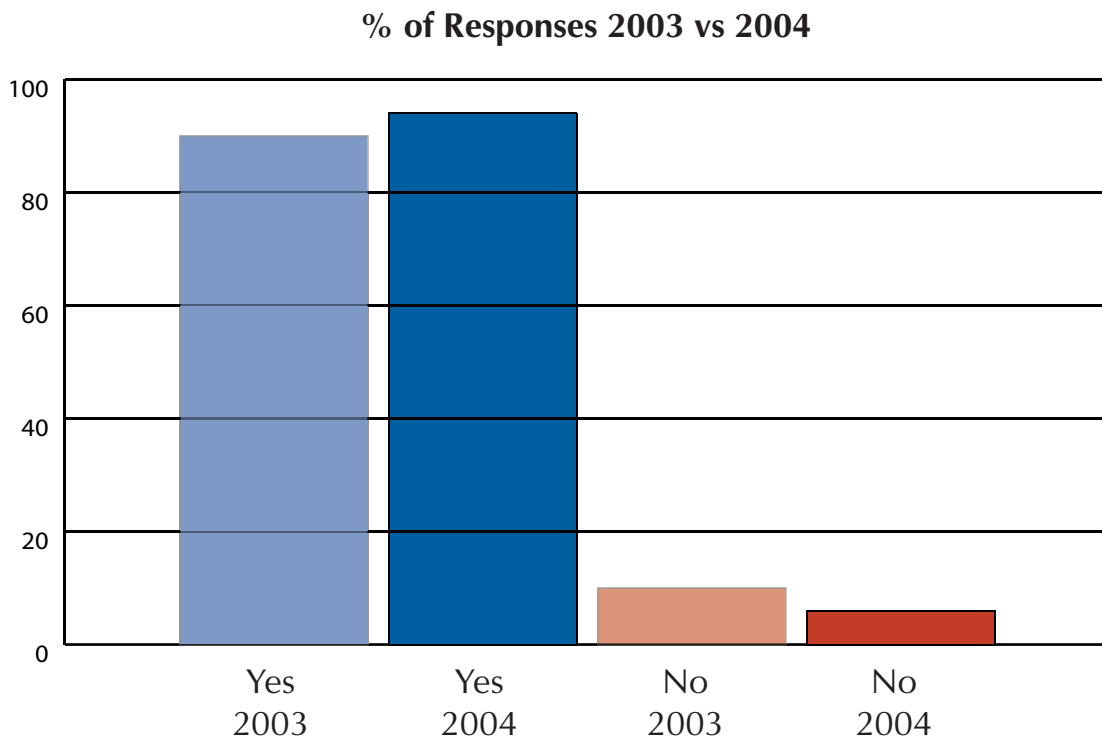


Meal Solutions

28. Do you offer some type of meal solution (merchandising products, services, and information together) to your customers?

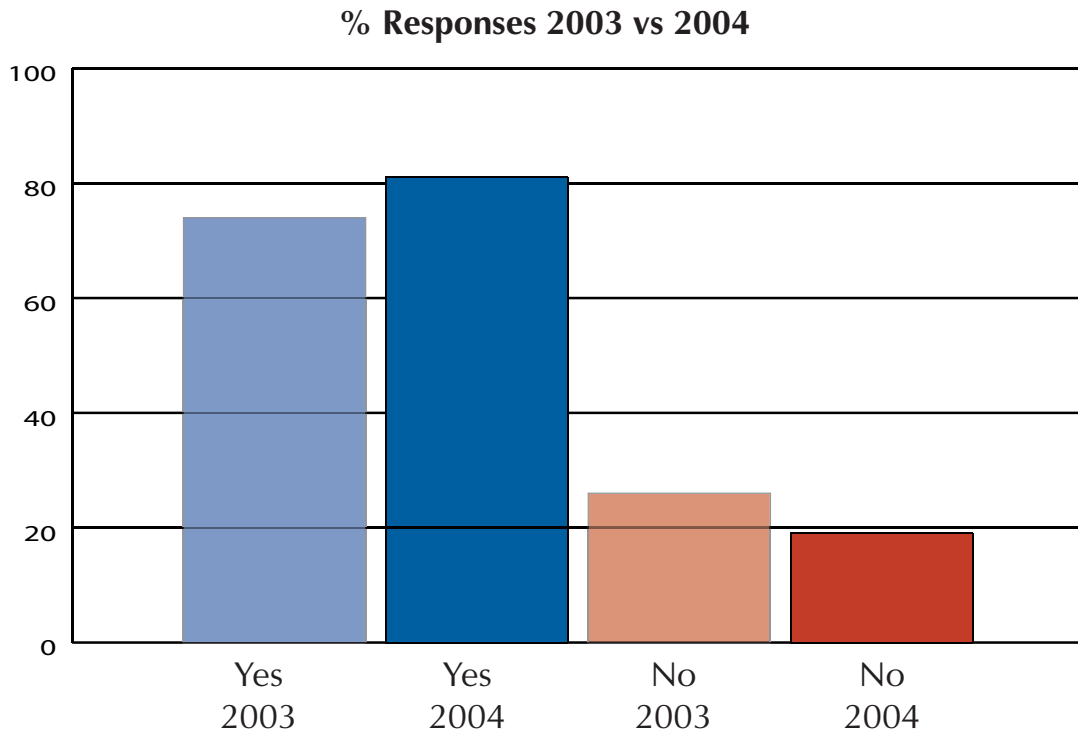


29. Do you offer hot foods that are prepared in your store for your customers?

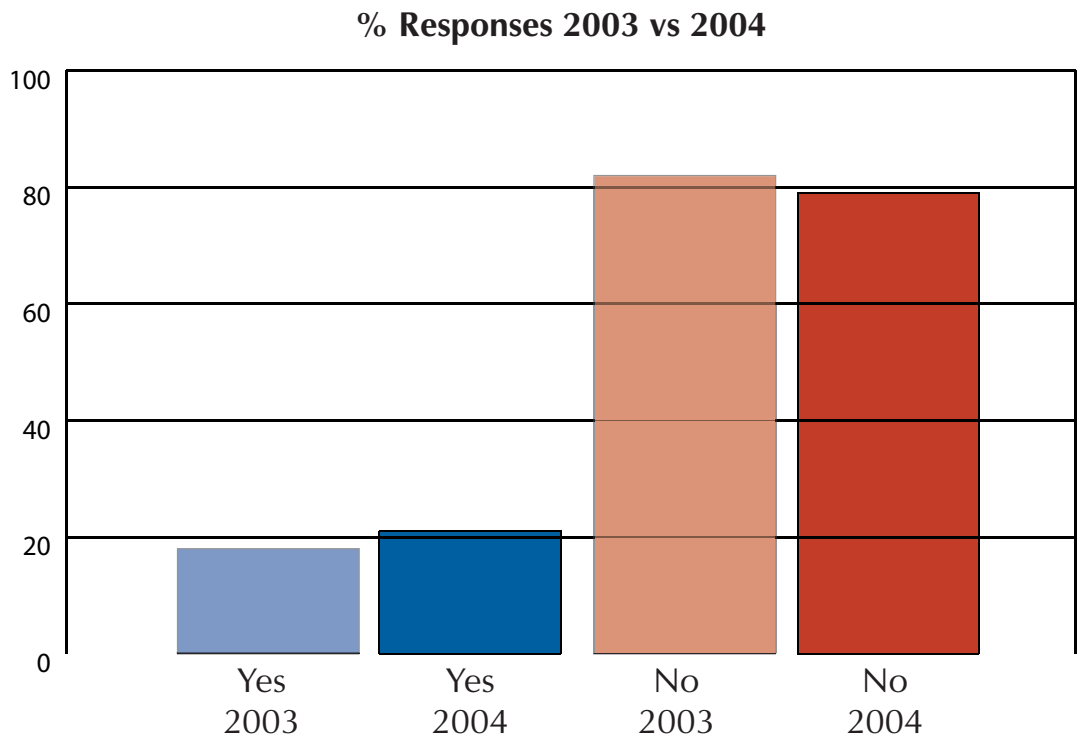


Meal Solutions

30. Do you offer fresh food solutions/perishable solutions that are prepared and bundled in the store and merchandised in a refrigerated case?

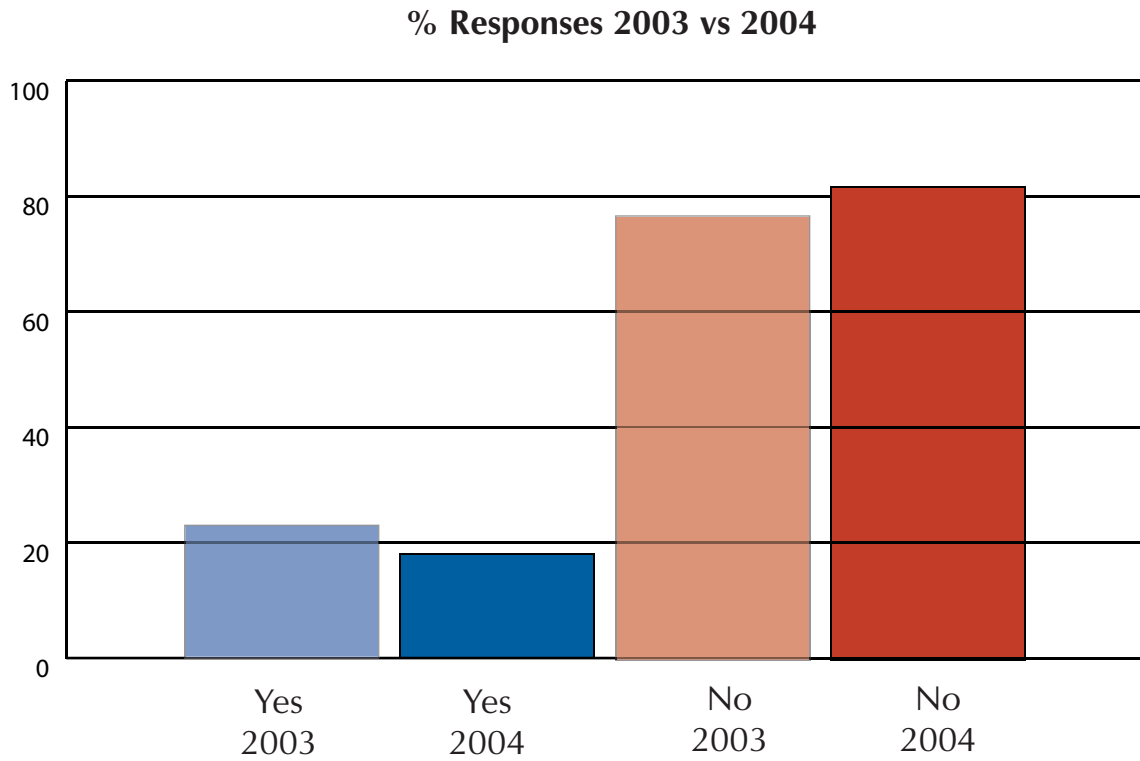


31. Do you have a center store meal center, featuring dry grocery items merchandised with other items throughout the store?



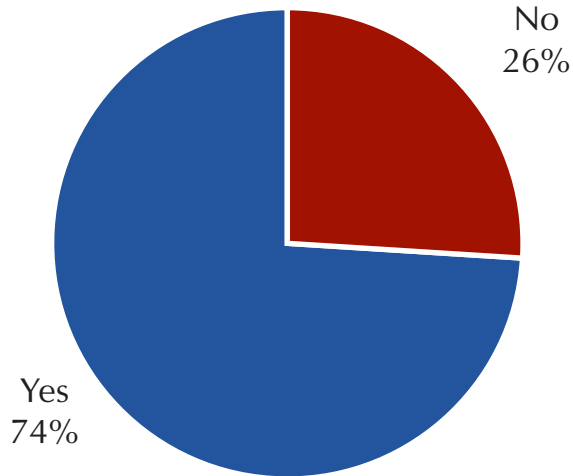
Meal Solutions

32. Do you offer menu planning for your customers and highlight various solutions featured in your meal centers?

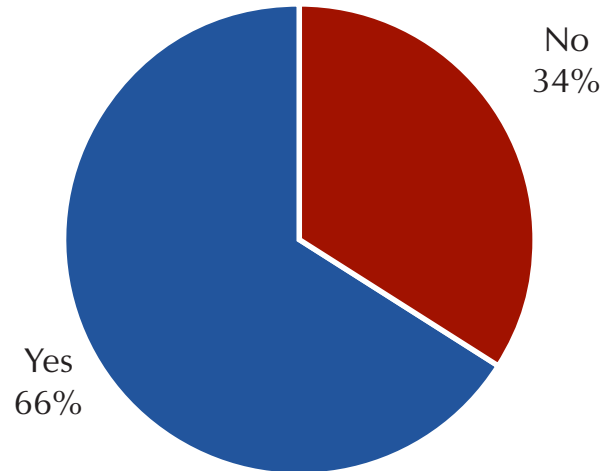


Specialty Foods

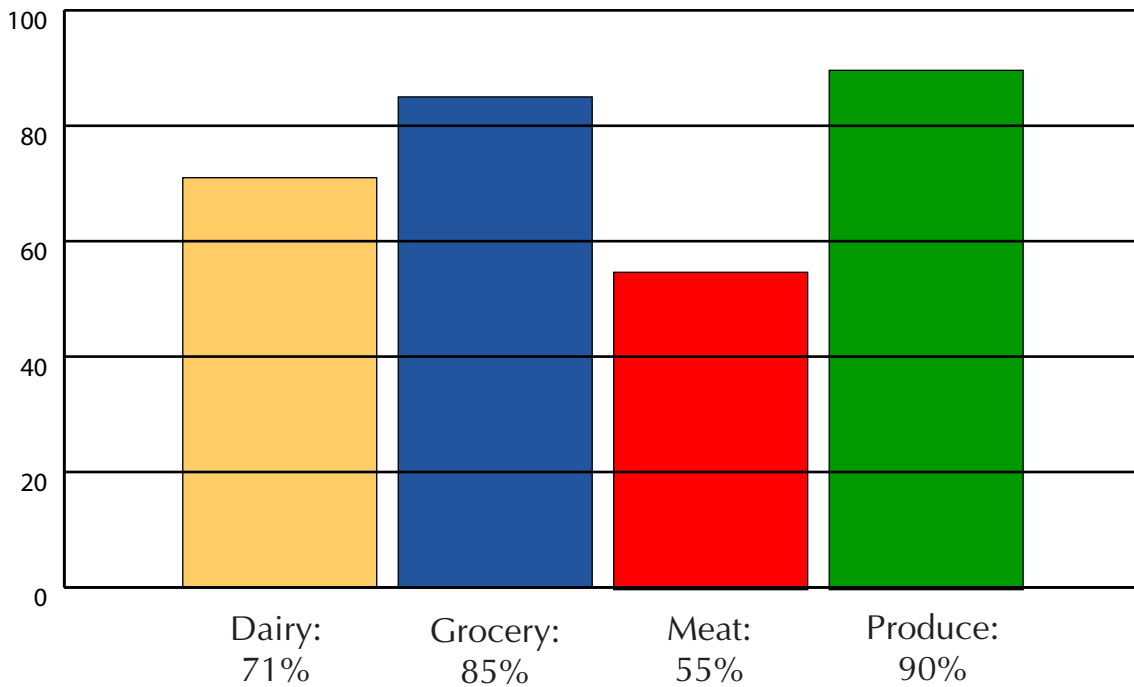
33. Have you expanded your specialty foods assortment this past year?



34. Do you carry organic foods?

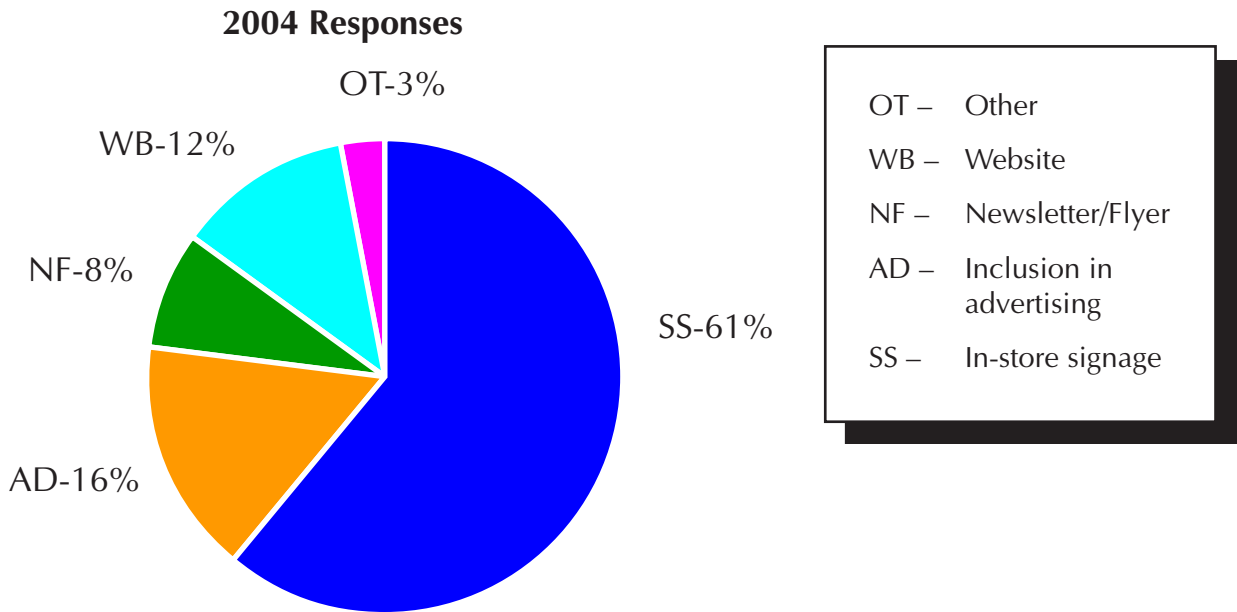


35. This is the **percentage of respondents** who carry organic products in the following categories.

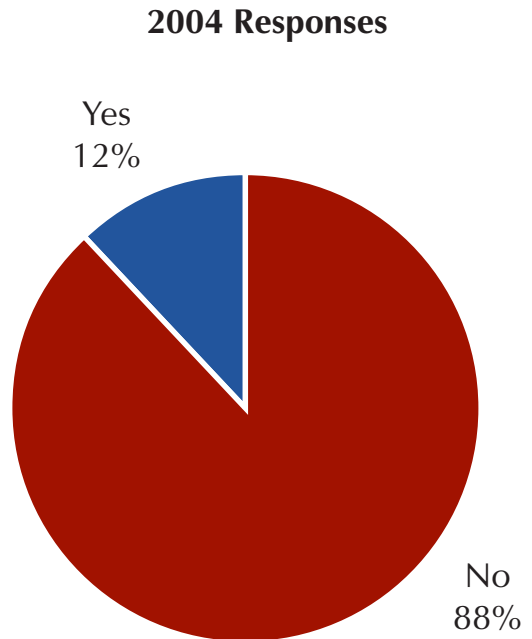
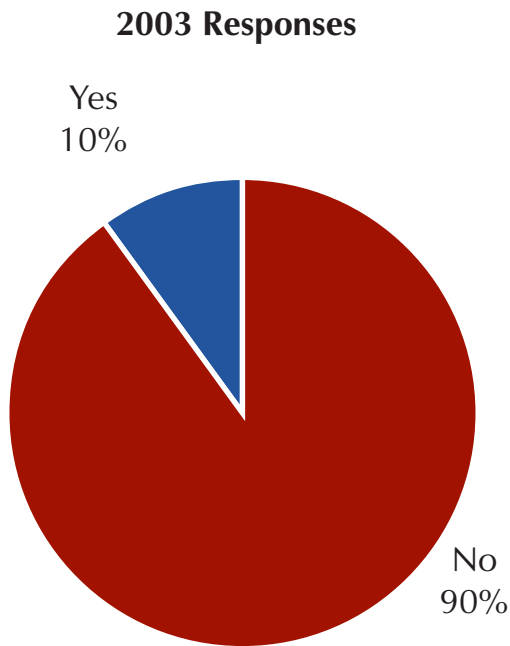


Food Safety

36. How do you communicate food safety issues and information to your customers?



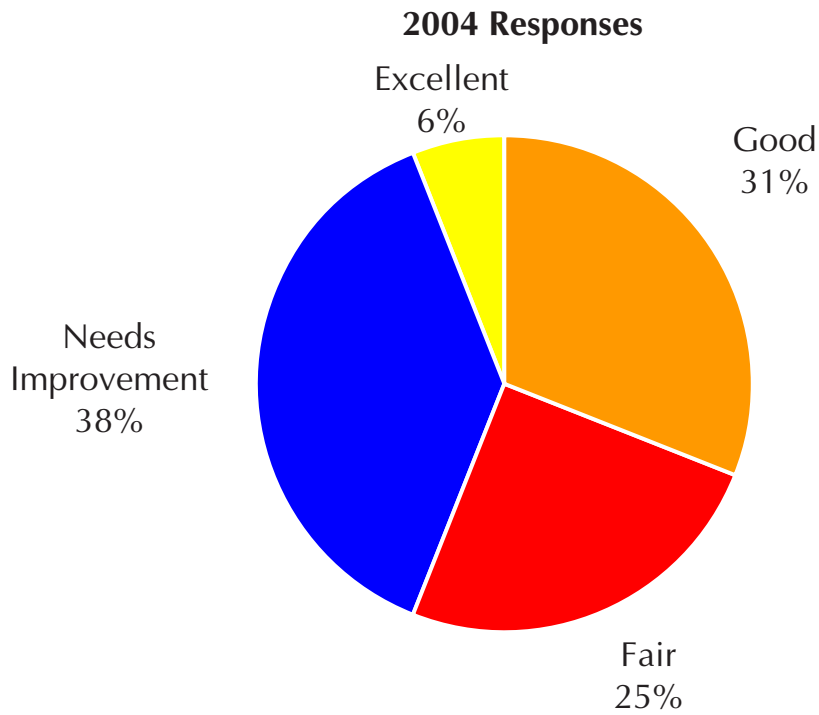
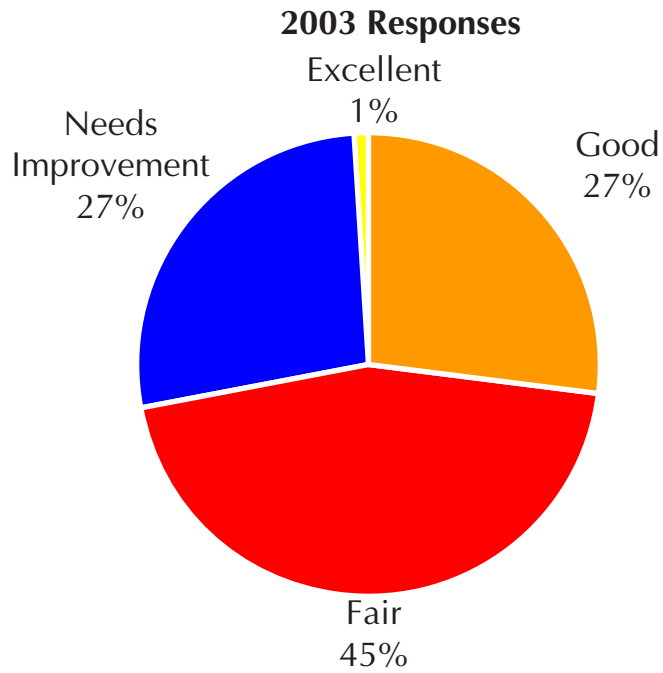
37. Is your store selling irradiated meat products?



Food Safety

38. If you sell irradiated meat products, what has been the customers perceived response?

Consumer Responses to Irradiated Meat Products



39. Rank the marketing tools from most effective to least effective, 1 being the most effect to 11 being the least effective.

2003 Responses

- 1 – Roto/Circular 50%
- 2 – Newspaper 14%
- 3 – In-store merchandising 10%
- 4 – Direct mail – customer specific 10%
- 5 – Direct mail – general 8%
- 6 – Television 5%
- 7 – FSI 5%
- 8 – Television (cable) 2%
- 9 – Internet 1%
- 10 – Radio 1%
- 11 – Billboard, or other retail stores (i.e. theatres, etc.)

2004 Responses

- 1 – Roto/Circular 40%
- 2 – Direct mail – customer specific - 24%
- 3 – Newspaper 14%
- 4 – In-store merchandising 10%
- 5 – Direct mail – general 6%
- 6 – Television 5%
- 7 – FSI 1%
- 8 – Radio 1%
- 9 – Internet
- 10 – Television (cable)
- 11 – Billboard, or other retail stores (i.e. theatres, etc.)



Ten Keys to Retailer Success

1. Effectively Compete Against Supercenters and other Power Buyers
2. Repeal the Estate Tax
3. Create a Level Playing Field
4. Reinvent the Supermarket as a Lifestyle Destination Center
5. Win Back Center Store Sales
6. Recruit and Retain the Next Generation of Quality Managers and Entrepreneurs
7. Retailers/Wholesalers Must Operate More as a Virtual Chain
8. Take Full Advantage of all Available Technology
9. Create New Synergies That Achieve More Competitive Economies of Scale
10. Access to Competitive Growth Capital



The National Grocers Association's Grocers Research and Education Foundation

The National Grocers Association's Grocers Research and Education Foundation (GREF) serves the industry by providing innovative research and education services that will enable industry companies to improve its efficiency and capitalize on growth opportunities. The Foundation currently has eight educational centers:

- The Center for Family-Owned Businesses
- The Center for Labor Relations and Employment Law
- The Center for Marketing Excellence
- The Center for Applied Technology
- The Center for Career Development
- The Center for Quality Improvement
- The Center for Human Resources
- The Information Resource Center

All centers function to achieve two complimentary objectives:

1. To create programs and services that help build sales and profits, and
2. To identify ways and means to control and reduce operating expenses.

The foundation is funded by corporate and federal government grants. GREF produces a wide range of annual conferences, research projects, share groups and publications to continue to advance the common interests and enhance the mutual understandings and relationships of independently operated retailers and wholesale distributors engaged primarily in the sale and distribution of food and related products so as to better serve the consumer.

